

**WELLS
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SECURITIES

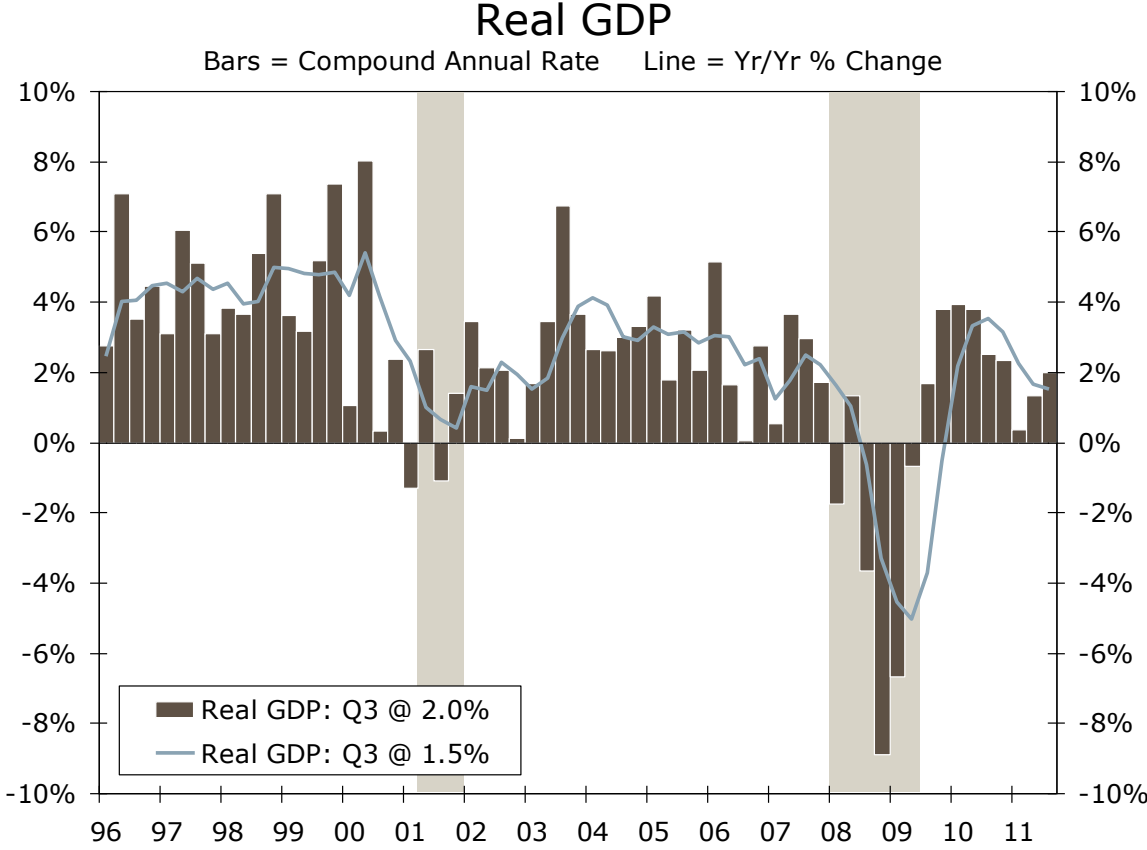
The Global Economic Outlook

Jay H. Bryson, Managing Director and Global Economist
December 13, 2011

Together we'll go far

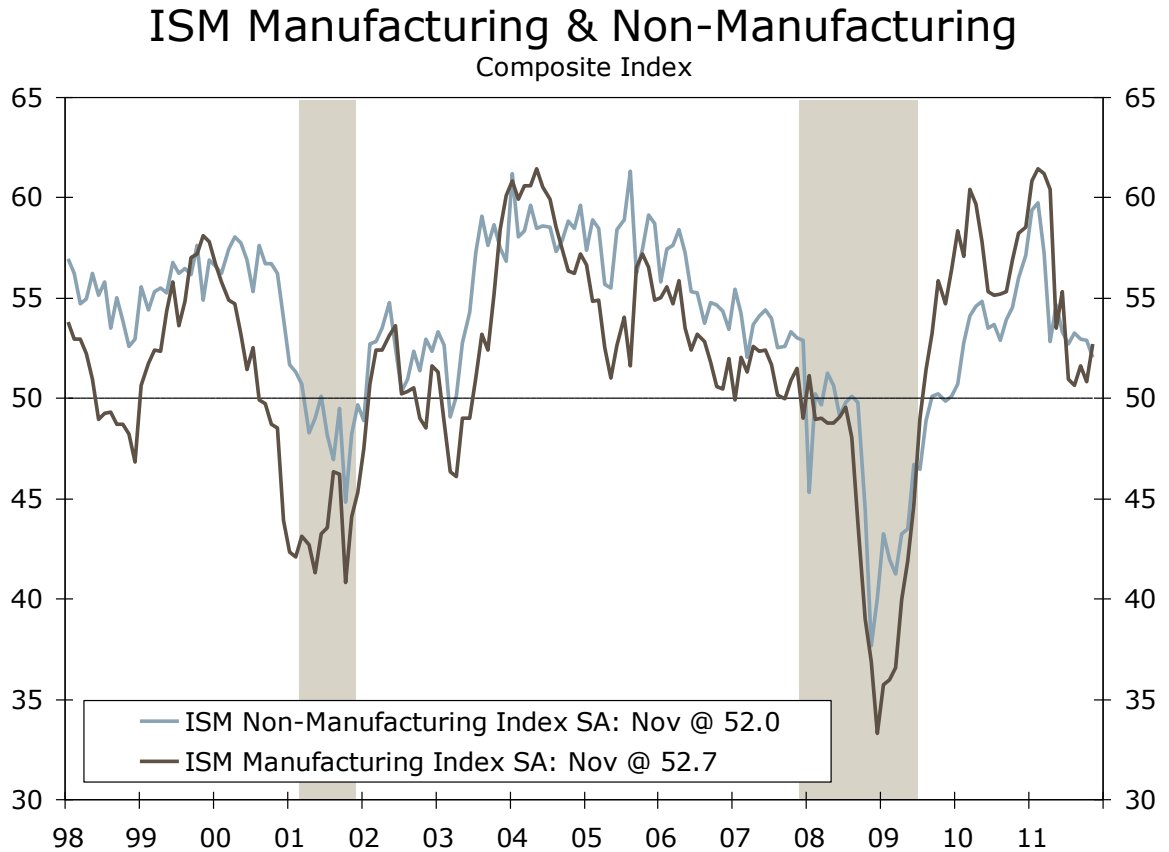


The U.S. economic expansion continues, albeit at a sluggish pace



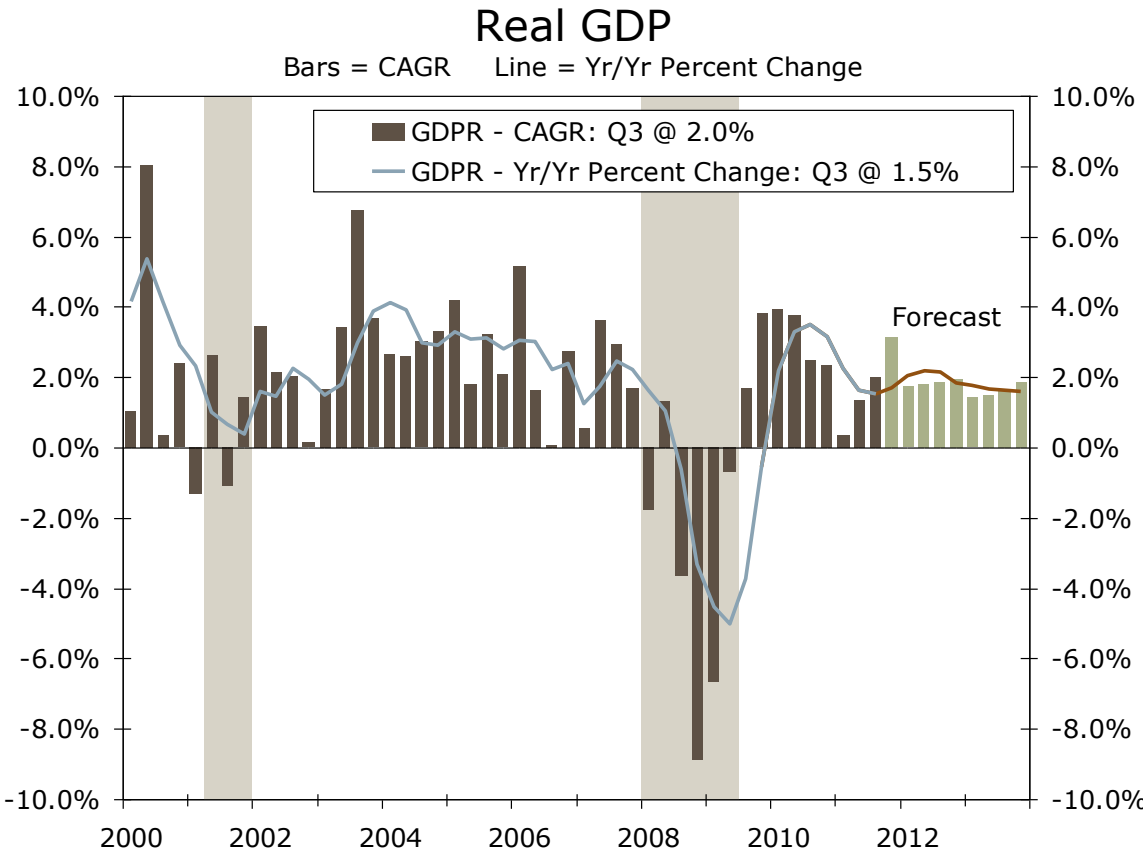
Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

The current levels of the ISM indices suggest that the economy is still expanding, albeit at a modest pace



Source: Institute for Supply Management and Wells Fargo Securities, LLC

Our forecast calls for the sub-par pace of economic growth to continue for the foreseeable future

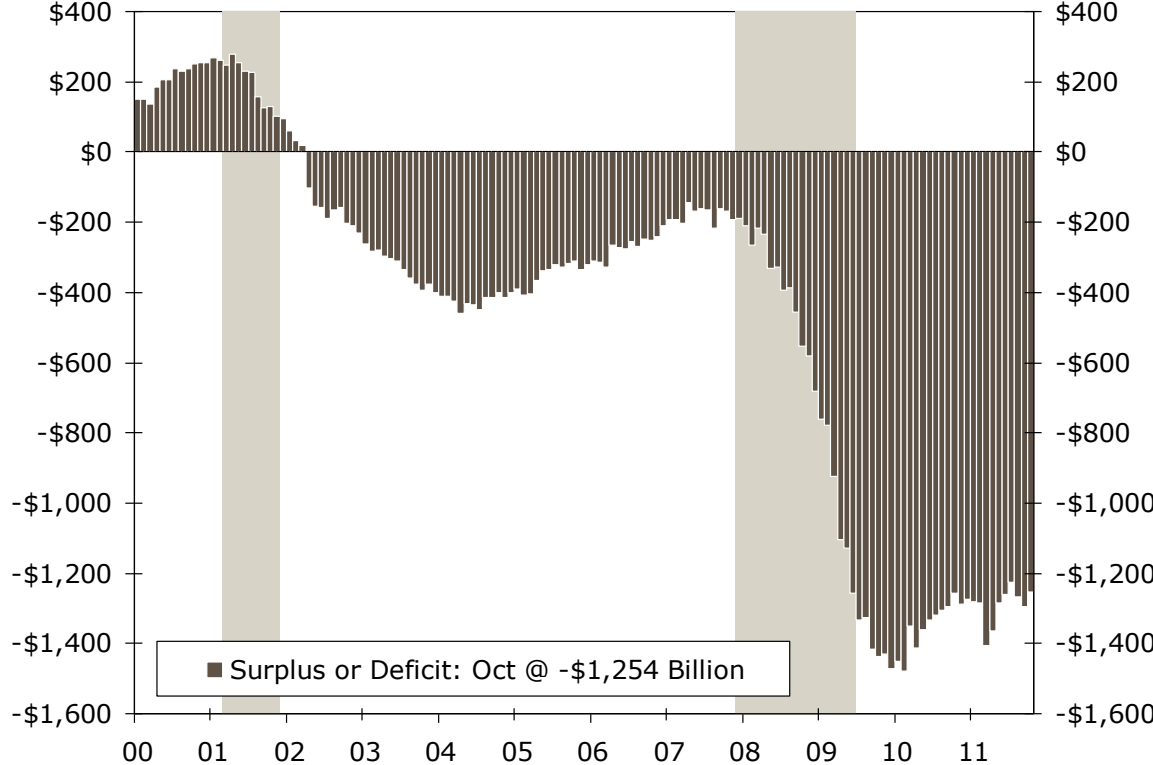


Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

The U.S. government faces some significant fiscal challenges, but a bond market meltdown does not seem likely

Federal Budget Surplus or Deficit

12-Month Moving Sum in Billions of Dollars

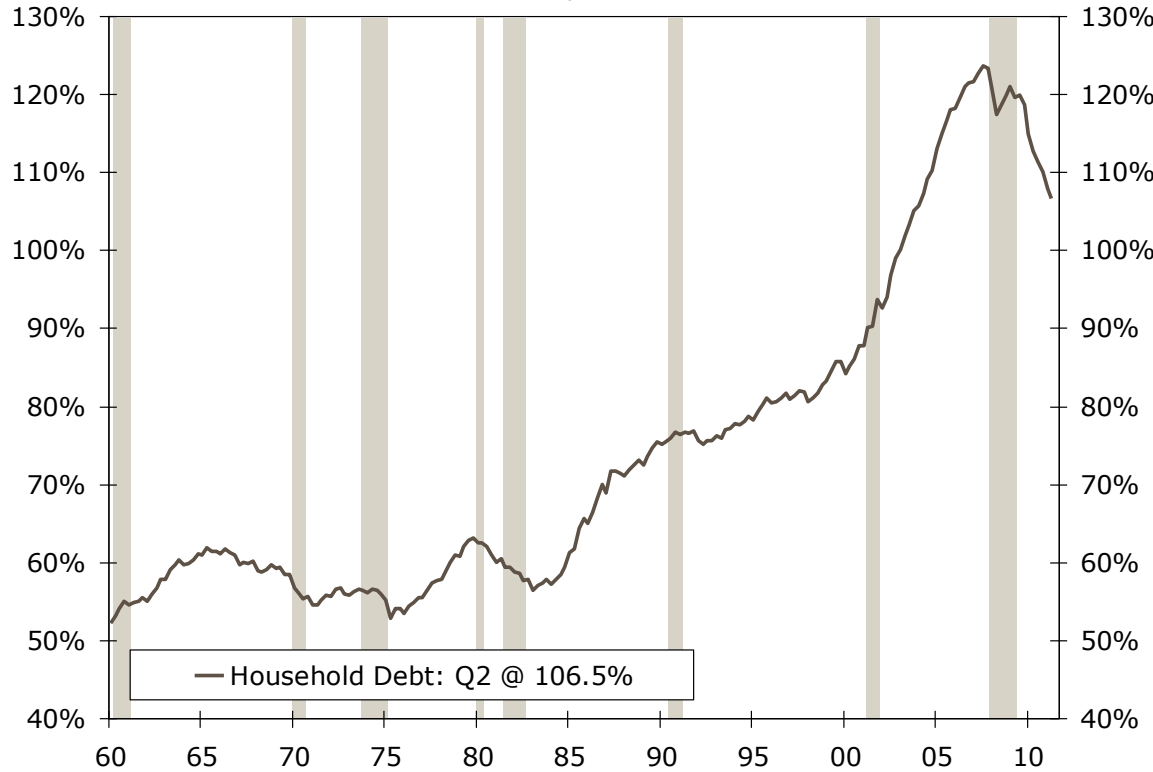


Source: U.S. Department of the Treasury and Wells Fargo Securities, LLC

Although consumer leverage remains high, it is moving in the right direction

Household Debt - Consumer & Mortgage

As a Percent of Disposable Personal Income

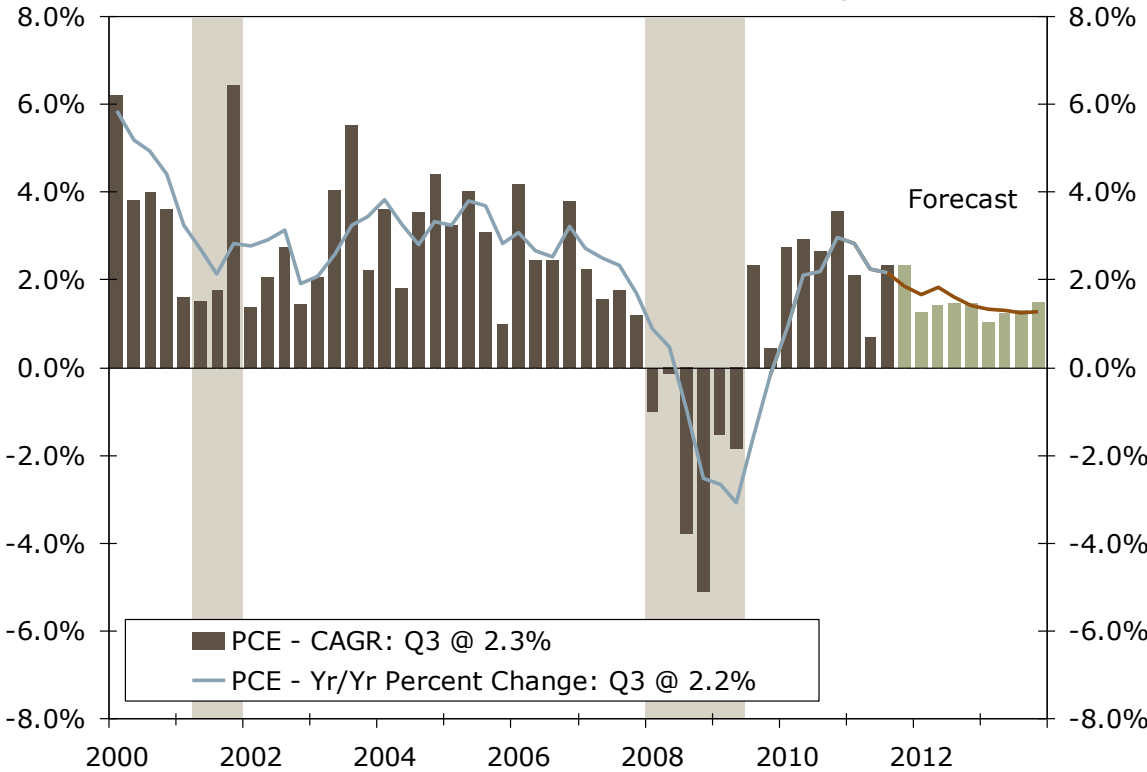


Source: Federal Reserve Board, U.S. Department of Commerce and Wells Fargo Securities, LLC

Continued de-leveraging likely will constrain growth in consumer spending over the next year or so

Real Personal Consumption Expenditures

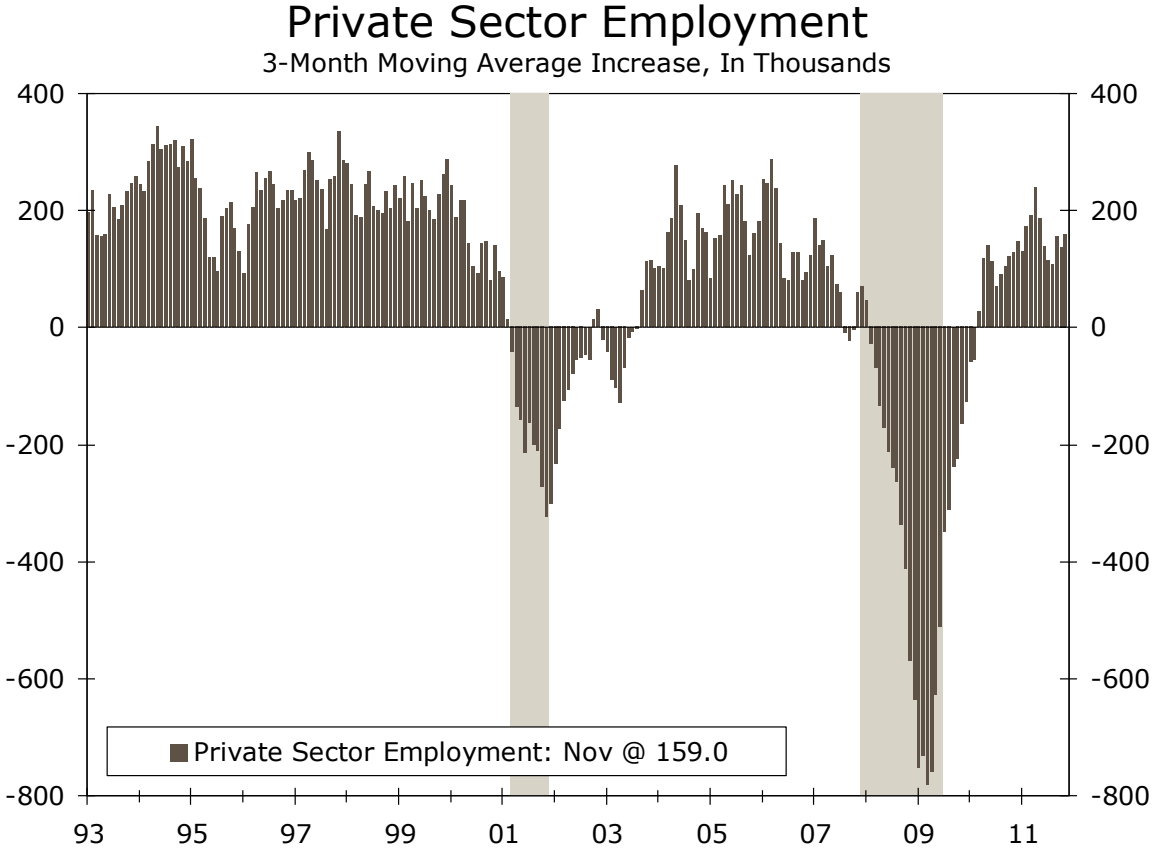
Bars = CAGR Line = Yr/Yr Percent Change



■ PCE - CAGR: Q3 @ 2.3%
 — PCE - Yr/Yr Percent Change: Q3 @ 2.2%

Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

Growth in private sector employment is weak, but it is not consistent with recession

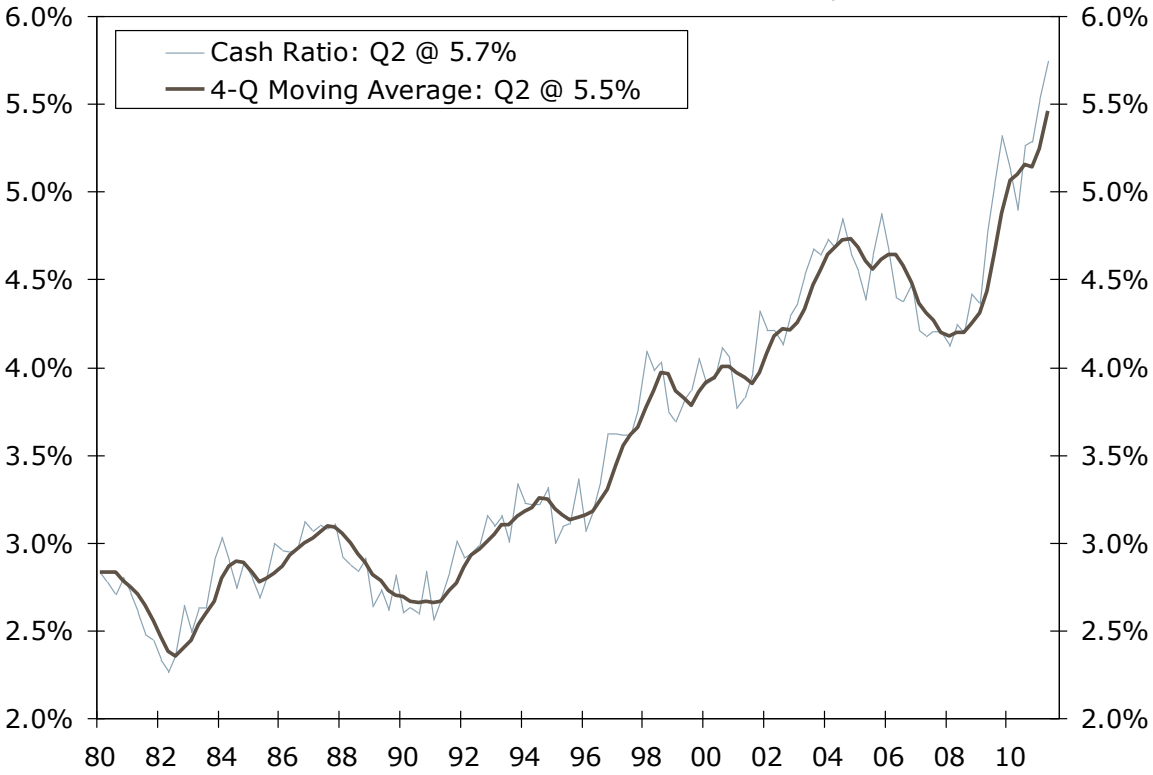


Source: U.S. Department of Labor and Wells Fargo Securities, LLC

The financial health of the corporate sector is very strong

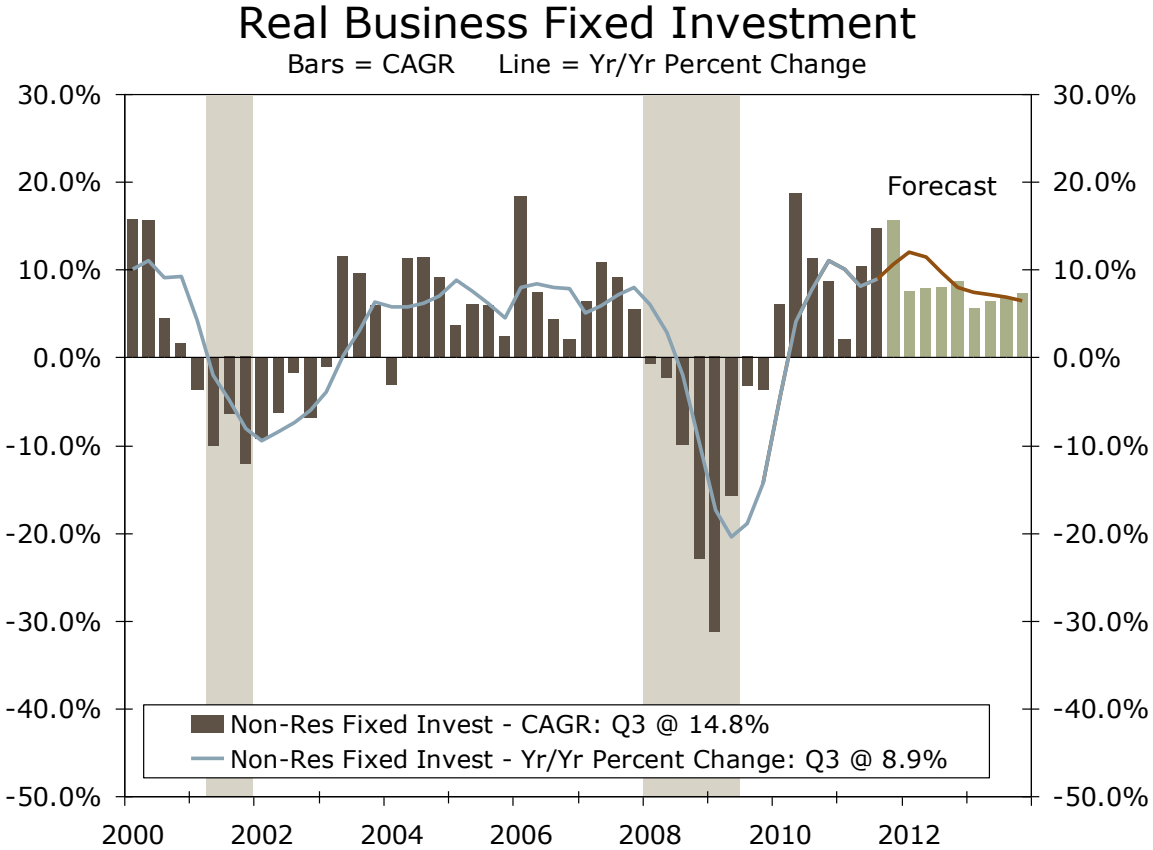
U.S. Nonfin. Corporate Cash Holdings

Total Assets Market Value, U.S. Nonfinancial Corporations



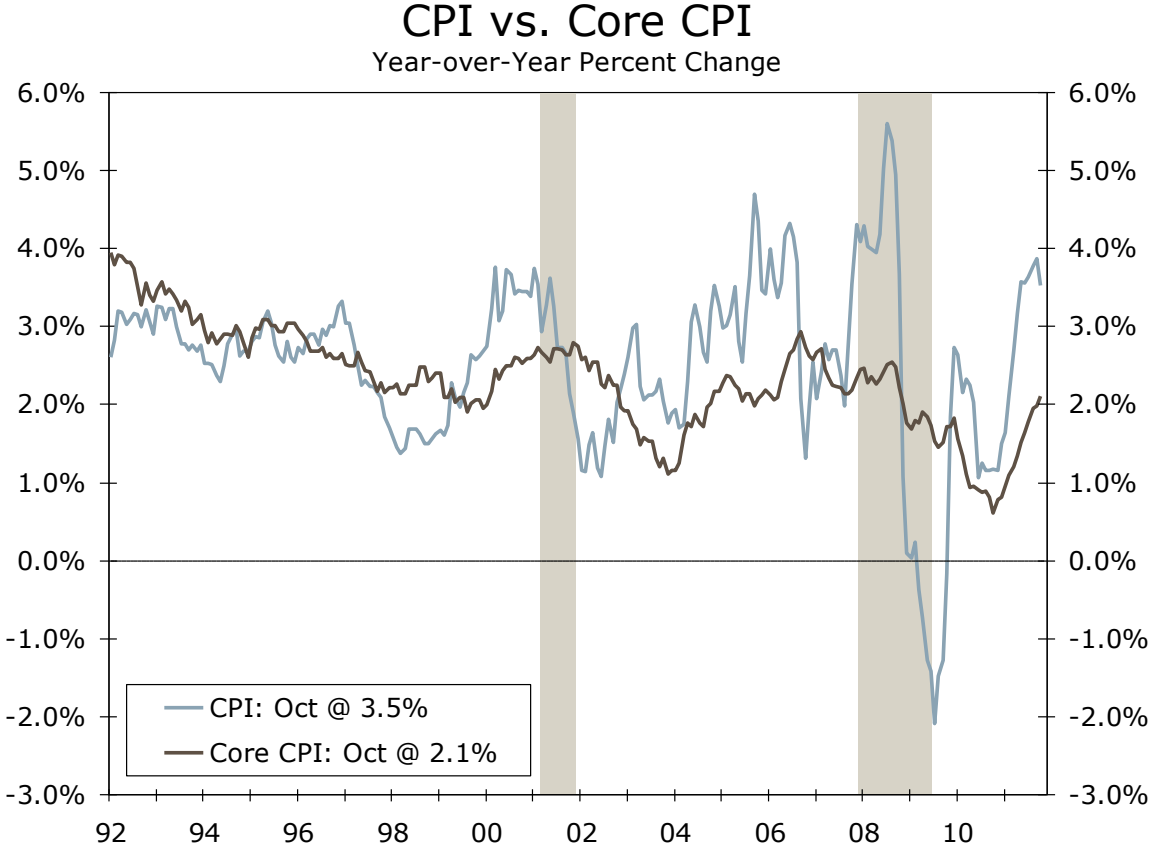
Source: Federal Reserve Board and Wells Fargo Securities, LLC

Growth in BFI spending should slow, but it likely will remain solid



Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

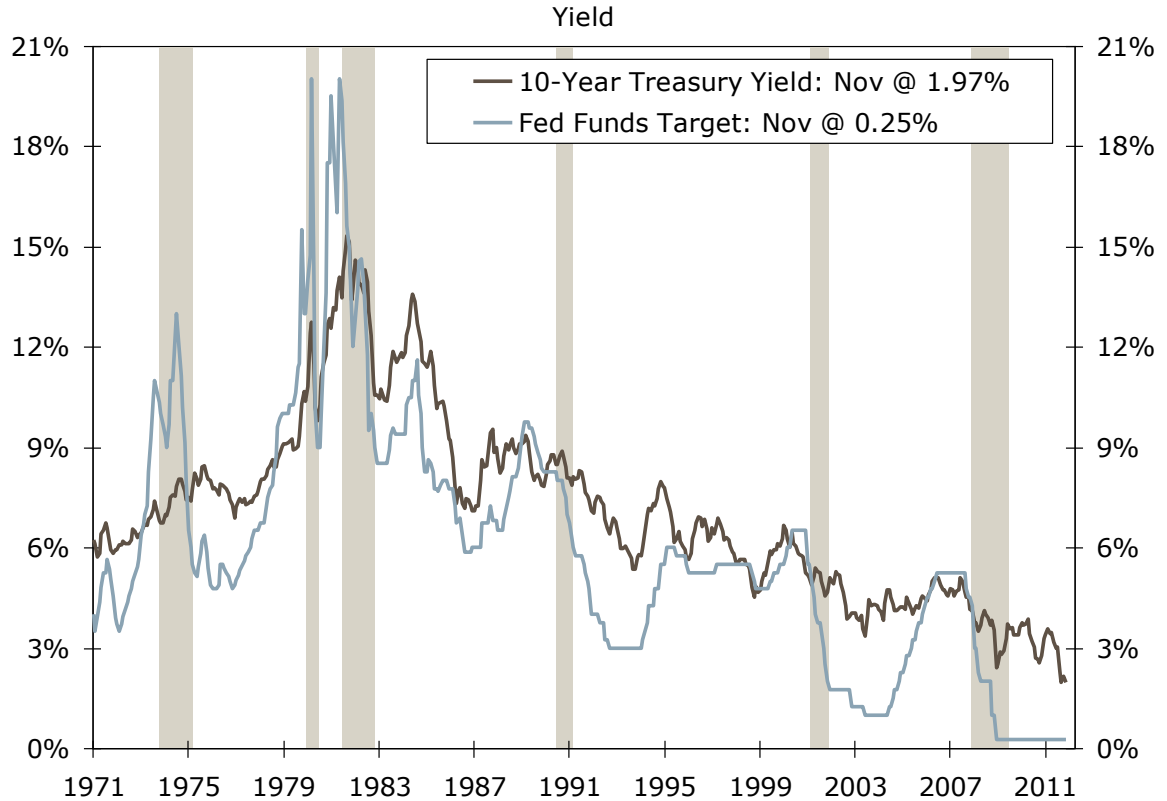
The peak in the overall rate of CPI inflation is probably near



Source: U.S. Department of Labor and Wells Fargo Securities, LLC

The Fed will be on hold until at least mid-2013 and long-term interest rates likely will remain low

10-Year Treasury & Fed Funds Target

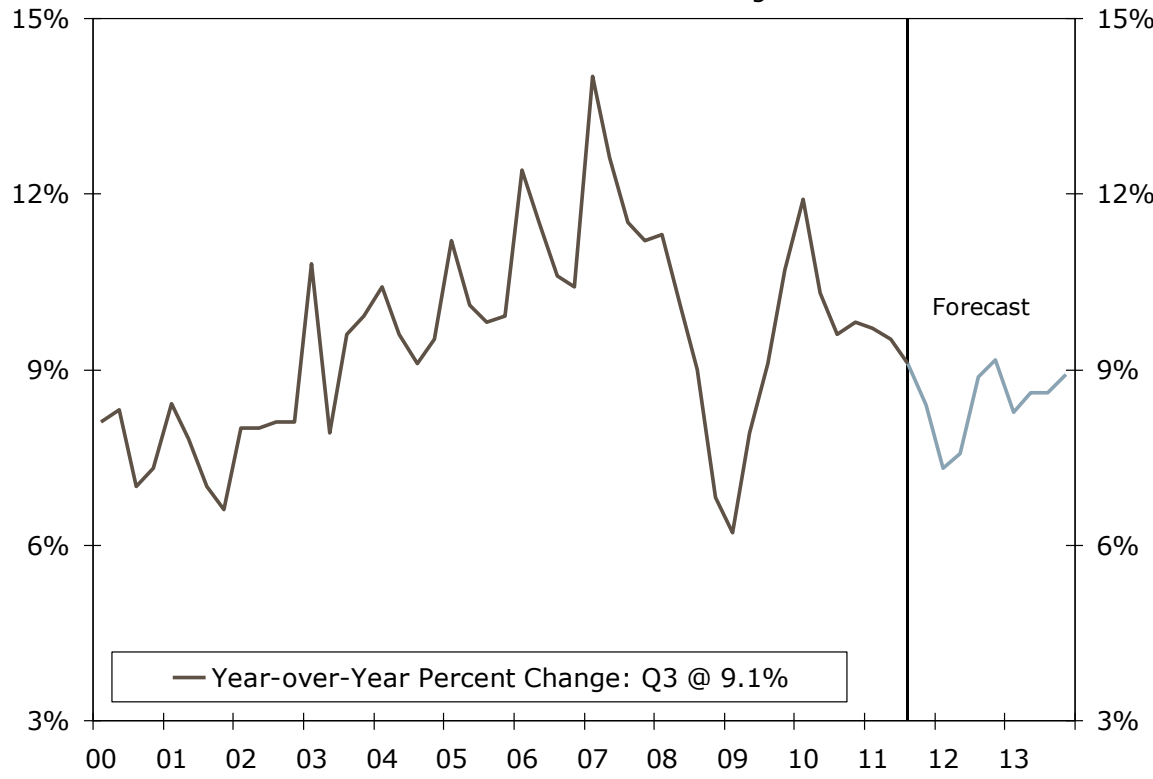


Source: IHS Global Insight and Wells Fargo Securities, LLC

Chinese GDP growth likely will slow over the next few quarters, but the Chinese economy probably won't crash

Chinese Real GDP Forecast

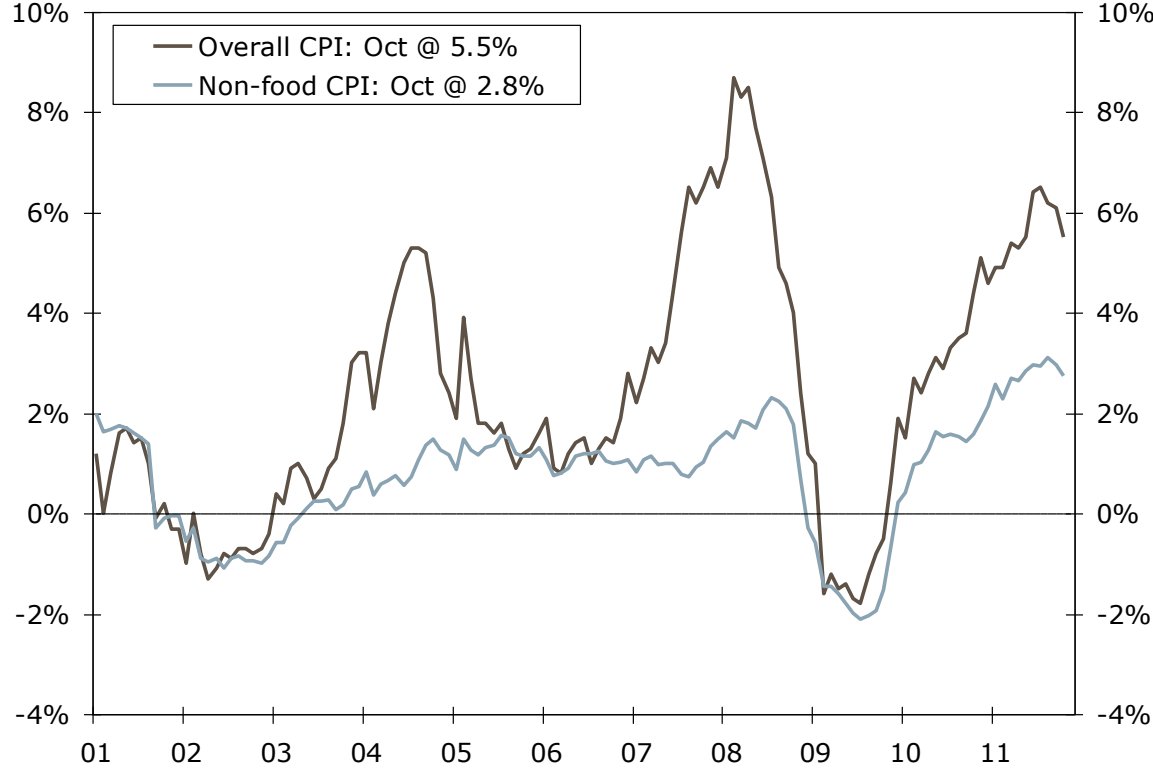
Year-over-Year Percent Change



Source: U.S. Department of Labor and Wells Fargo Securities, LLC

Inflation in China appears to be stabilizing

Chinese CPI Inflation
Year-over-Year Percent Change



Source: CEIC and Wells Fargo Securities, LLC

Could a new non-performing loan crisis engulf China?

Chinese Loan Growth

Year-over-Year Percent Change



Source: CEIC and Wells Fargo Securities, LLC

Is there a house price bubble in China?

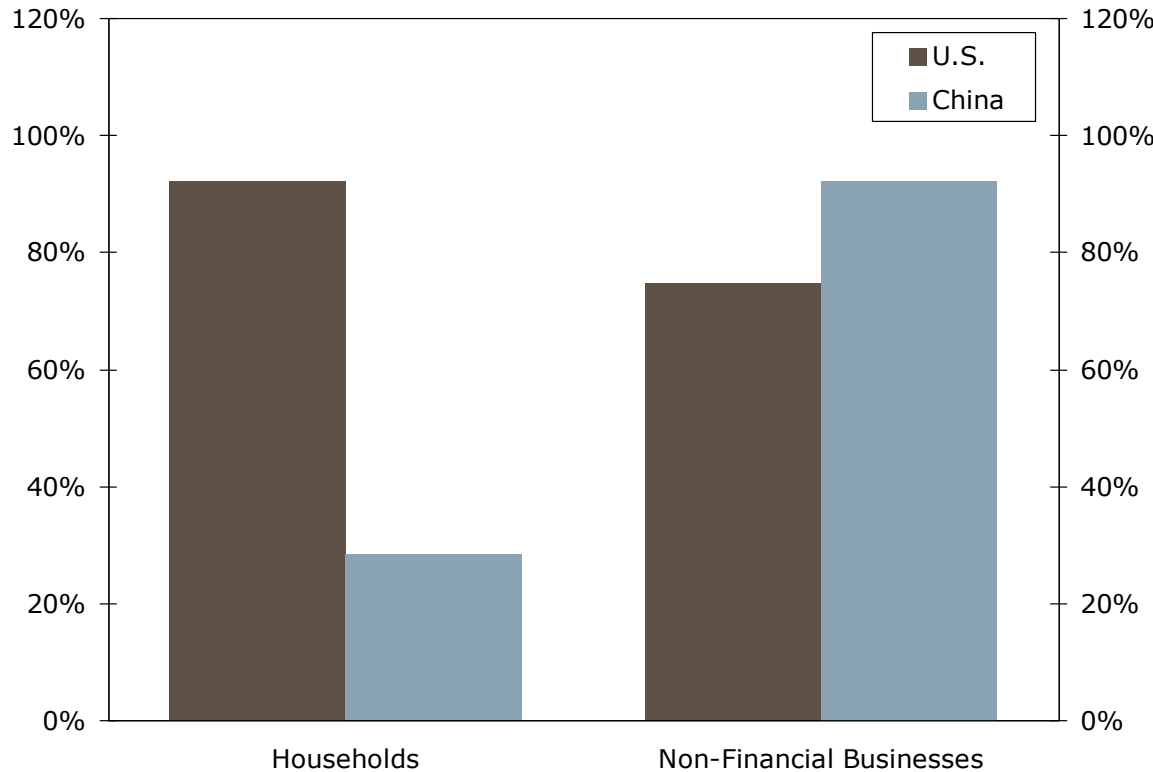


Source: CEIC and Wells Fargo Securities, LLC

The private sector in China is not very levered at present

Loans Outstanding by Sector

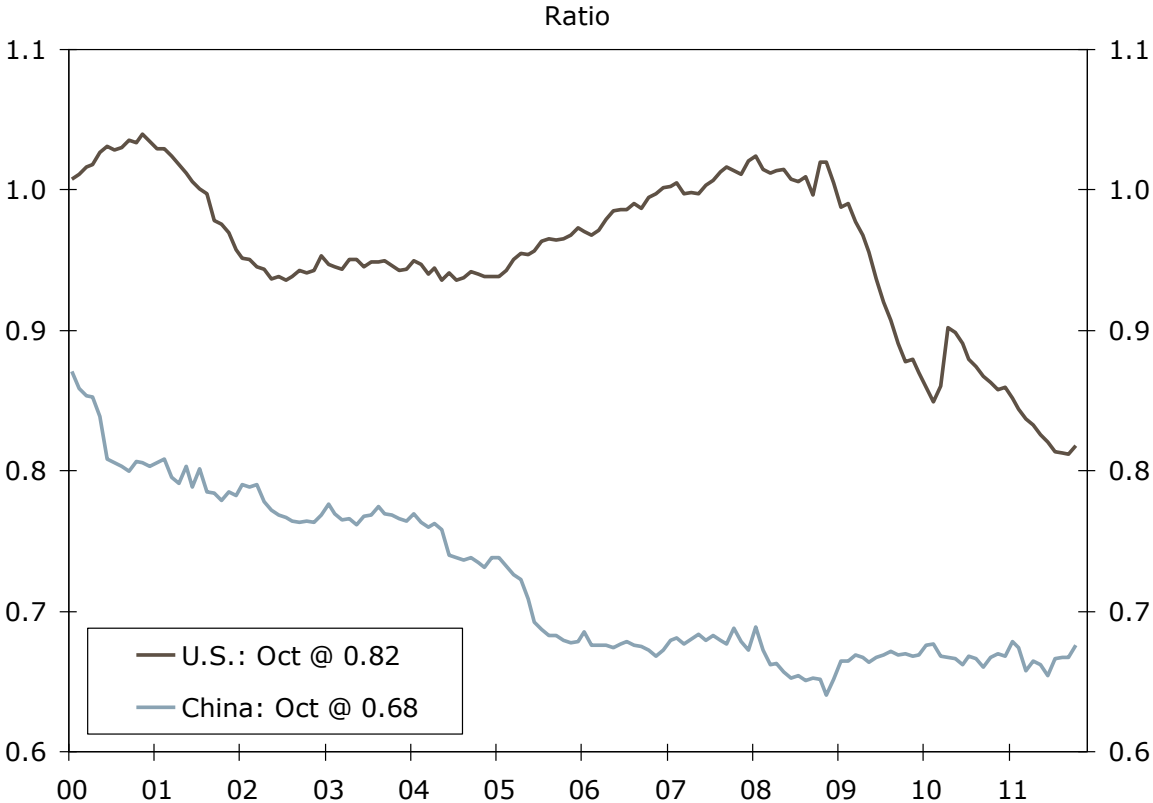
As a Percent of GDP



Source: CEIC, U.S. Department of Commerce and Wells Fargo Securities, LLC

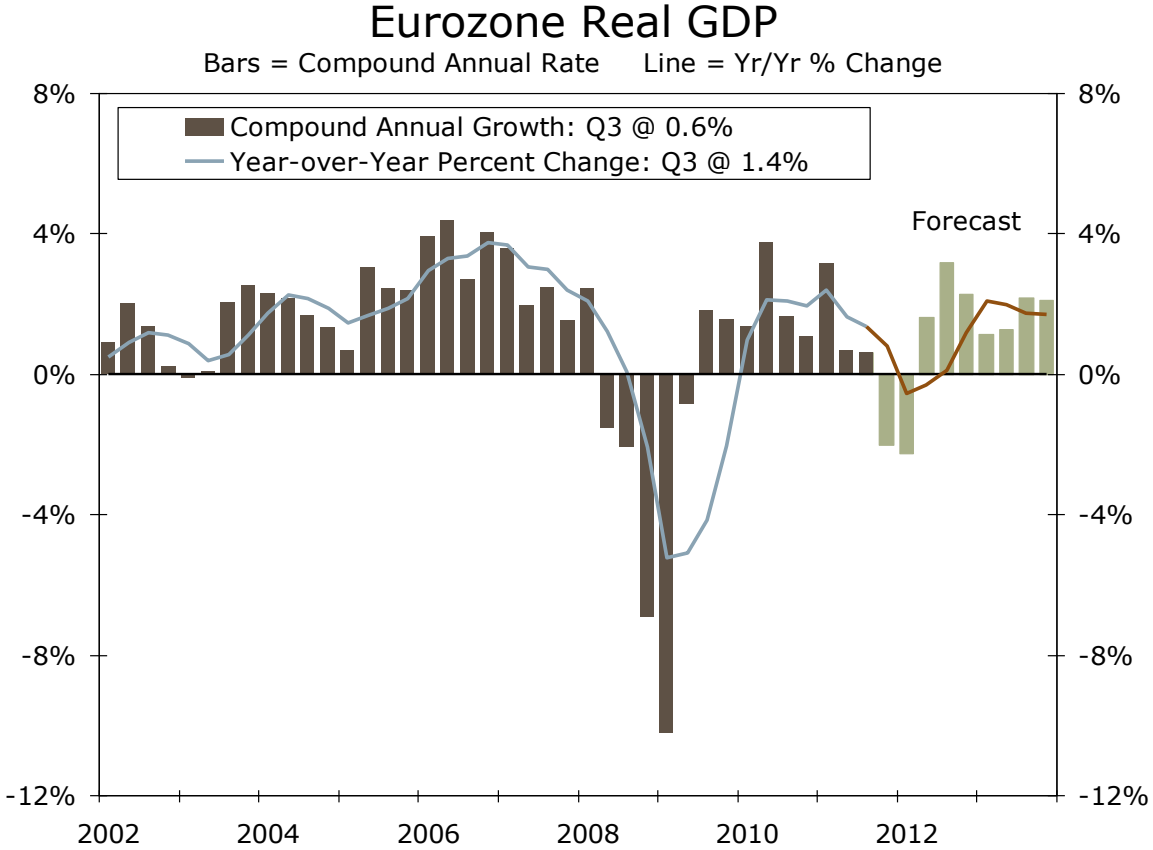
The Chinese banking sector is not very levered either

Loan-to-Deposit Ratio for the Banking System



Source: CEIC, Federal Reserve Board and Wells Fargo Securities, LLC

Even if Europe does not “blow up”, we believe that the overall Eurozone will experience a modest recession

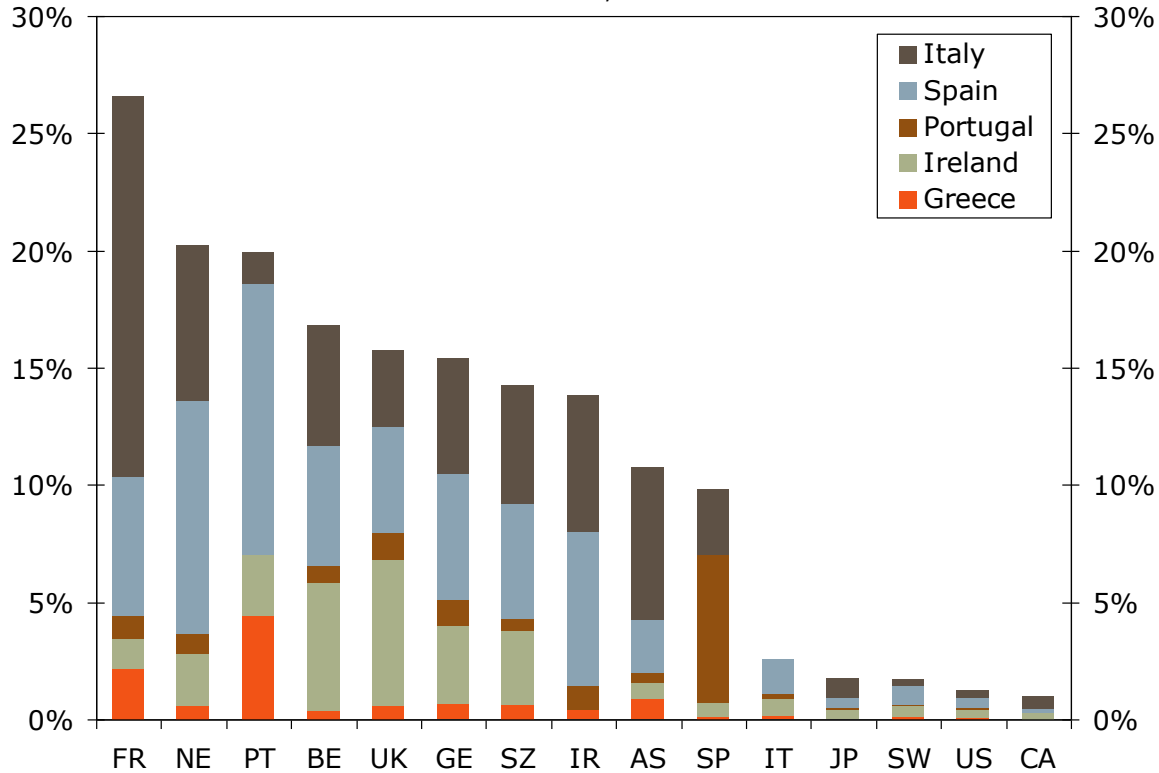


Source: IHS Global Insight and Wells Fargo Securities, LLC

Many European countries have significant exposure to sovereign debt in peripheral European countries

Bank Exposure to Peripheral Europe

Percent of GDP, June 2011

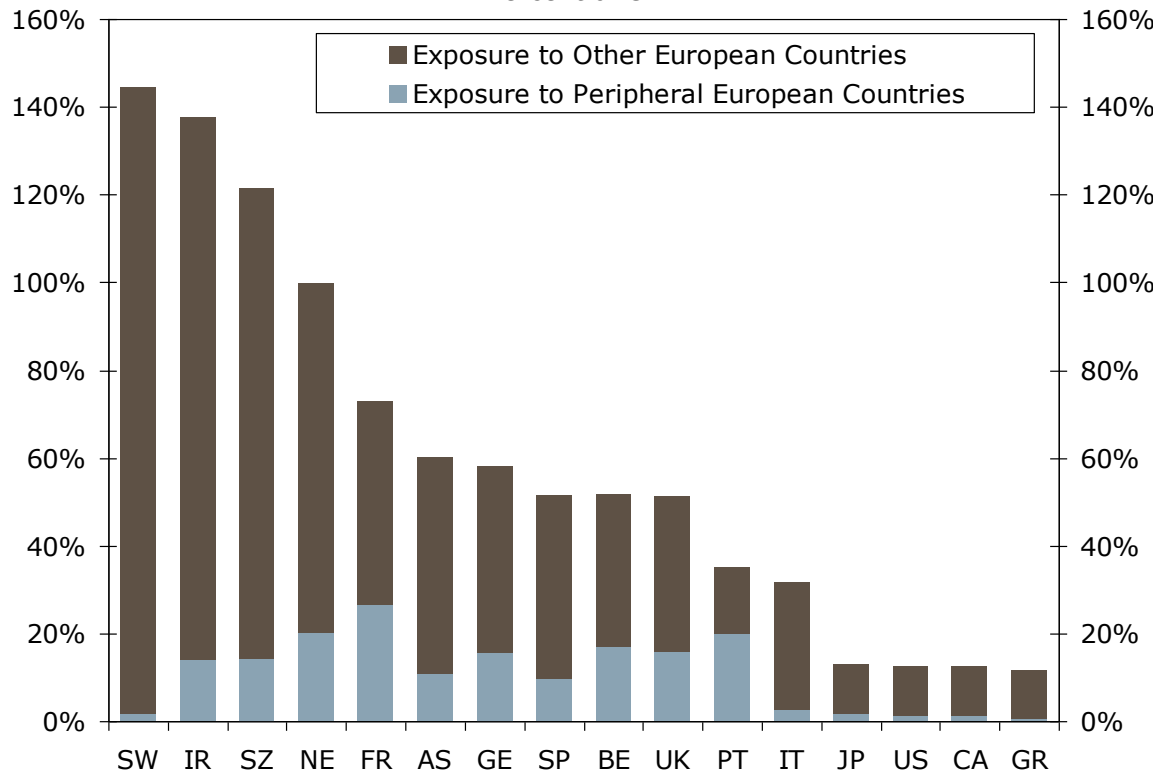


Source: Bank for International Settlements and Wells Fargo Securities, LLC

The financial linkages within the European banking system are very intensive

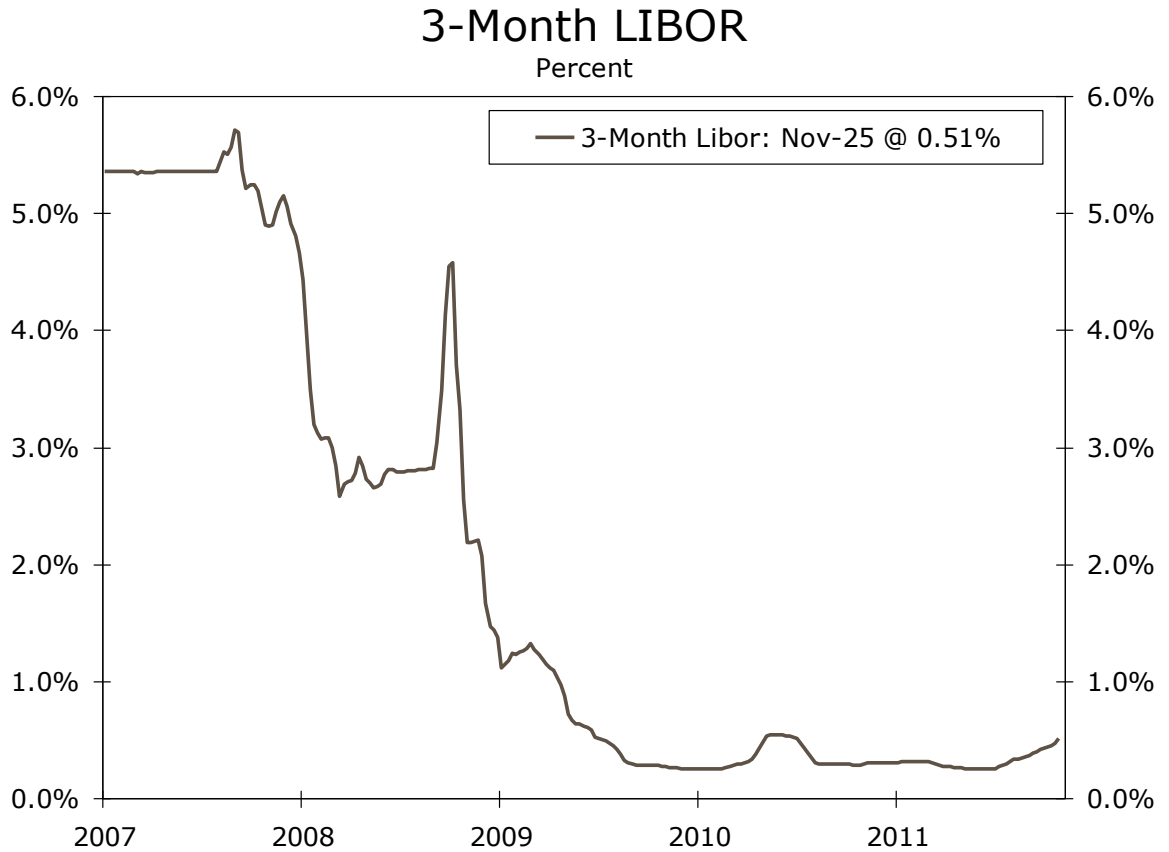
Bank Exposure to European Countries

Percent of GDP



Source: Bank for International Settlements and Wells Fargo Securities, LLC

LIBOR could spike again if a generalized financial crisis were to hit the Eurozone



Source: IHS Global Insight and Wells Fargo Securities, LLC

We project that the global expansion will continue, but global GDP growth will probably be sub-par in 2012

Wells Fargo International Economic Forecast						
(Year-over-Year Percent Change)						
	GDP			CPI		
	2011	2012	2013	2011	2012	2013
Global (PPP weights)	3.5%	3.2%	3.7%	5.4%	4.2%	4.1%
Global (Market Exchange Rates)	2.4%	2.0%	2.5%	n/a	n/a	n/a
Advanced Economies ¹	1.5%	1.5%	2.1%	2.9%	1.7%	1.5%
United States	1.7%	2.0%	1.9%	3.2%	2.0%	2.0%
Eurozone	1.5%	-0.1%	1.8%	2.7%	1.7%	1.2%
United Kingdom	0.9%	0.8%	1.7%	4.5%	2.1%	1.6%
Japan	-0.2%	2.0%	1.5%	-0.2%	-0.1%	0.1%
Korea	3.6%	3.7%	3.7%	4.0%	3.4%	3.1%
Canada	2.3%	2.3%	3.0%	2.9%	2.2%	2.1%
Developing Economies ¹	5.9%	5.3%	5.7%	8.3%	7.0%	7.1%
China	9.2%	8.2%	8.6%	5.5%	3.6%	3.7%
India	7.3%	7.1%	7.7%	9.0%	7.7%	7.9%
Mexico	4.1%	4.3%	4.5%	3.3%	4.9%	5.3%
Brazil	3.0%	3.3%	4.0%	6.6%	5.5%	5.2%
Russia	4.1%	3.2%	3.0%	8.6%	6.7%	6.6%

Forecast as of: December 7, 2011

¹Aggregated Using PPP Weights

Source: Wells Fargo Securities, LLC

The dollar should strengthen modestly against most major currencies, but we project it will weaken versus many “commodity” and “emerging” currencies

Wells Fargo Bank Currency Strategy Group Forecast

(End of Quarter Rates)

	2011	2012				2013
	Q4	Q1	Q2	Q3	Q4	Q1
Major Currencies						
Euro (\$/€)	1.33	1.29	1.27	1.25	1.23	1.21
U.K. (\$/£)	1.57	1.54	1.55	1.56	1.57	1.58
U.K. (£/€)	0.85	0.84	0.82	0.80	0.78	0.77
Japan (¥/\$)	77	77	78	79	81	83
Canada (US\$/C\$)	1.02	1.00	0.97	0.95	0.94	0.95
Australia (US\$/A\$)	1.02	1.03	1.05	1.06	1.05	1.04
Switzerland (CHF/\$)	0.93	0.94	0.96	0.99	1.03	1.06
Other Currencies						
China (CNY/\$)	6.33	6.28	6.23	6.18	6.13	6.08
South Korea (\$/KRW)	1121	1103	1083	1063	1047	1040
Singapore (\$/SGD)	1.29	1.27	1.26	1.25	1.24	1.23
Taiwan (\$/TWD)	30.13	29.92	29.67	29.50	29.58	29.83
Mexico (\$/MXN)	13.49	13.27	13.17	13.07	13.03	13.13
Norway (NOK/\$)	5.84	6.01	6.03	6.09	6.15	6.24
Sweden (SEK/\$)	6.83	7.01	7.04	7.07	7.12	7.23

Forecast as of: November 15, 2011

Source: Wells Fargo Bank, NA

Summary

Growth

- U.S. economic growth is weak at present, but we expect the recovery to continue. However, continued de-leveraging may constrain growth in consumer spending somewhat.
- Growth remains positive in most foreign countries as well. The global expansion should remain intact, but there are some significant downside risks.

Interest Rates

- The Federal Reserve recently said that it will keep rates at very low levels “at least through mid-2013.”
- Central banks in most advanced economies appear to be on hold for the foreseeable future. Rate hikes in the developing world have probably come to an end, at least for now.

Financial Markets

- Commodity prices have retreated with the slowdown in global growth. Assuming that the global expansion remains intact, commodity prices should gradually trend higher again.
- We project that the dollar will be broadly stable versus most major currencies through the end of 2011. Assuming that the global expansion remains intact, the greenback likely will trend lower versus the currencies of most developing countries.

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Together we'll go far



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