

WELLS
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SECURITIES

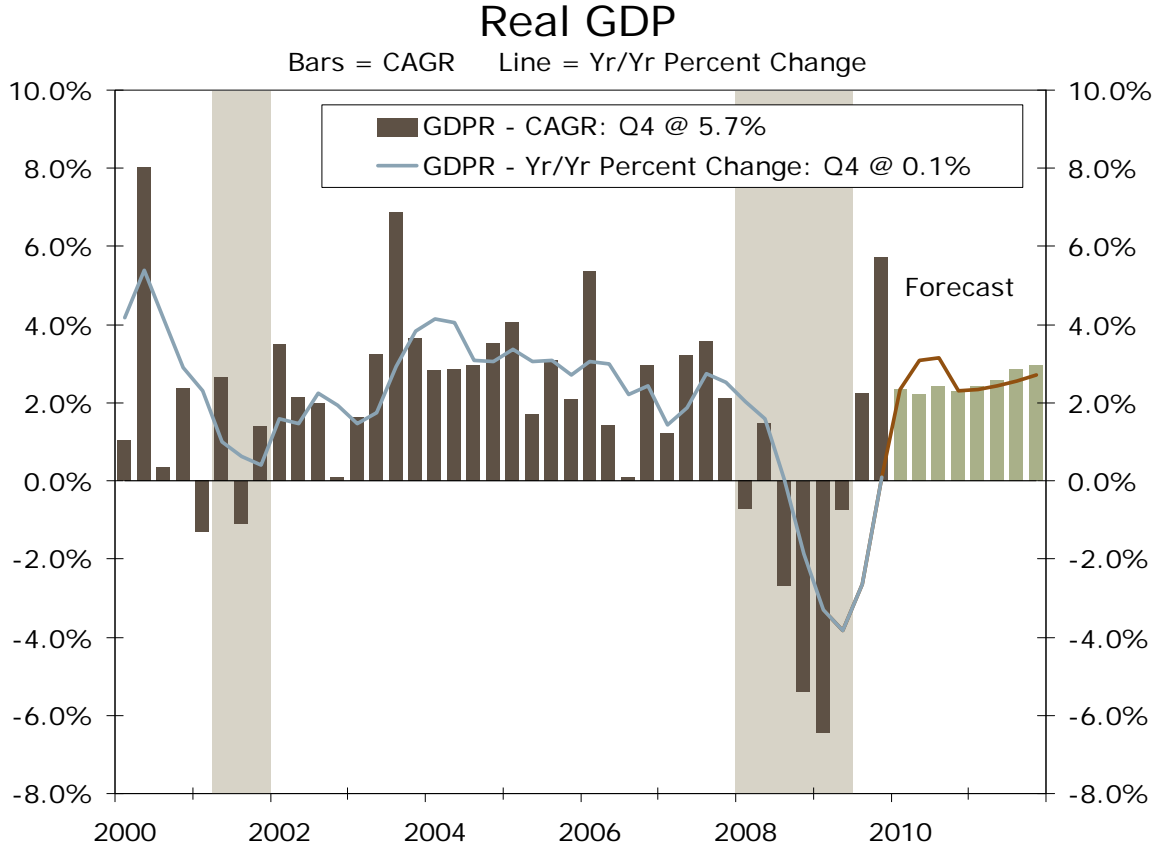
Economic Outlook

February 4, 2010

Together we'll go far

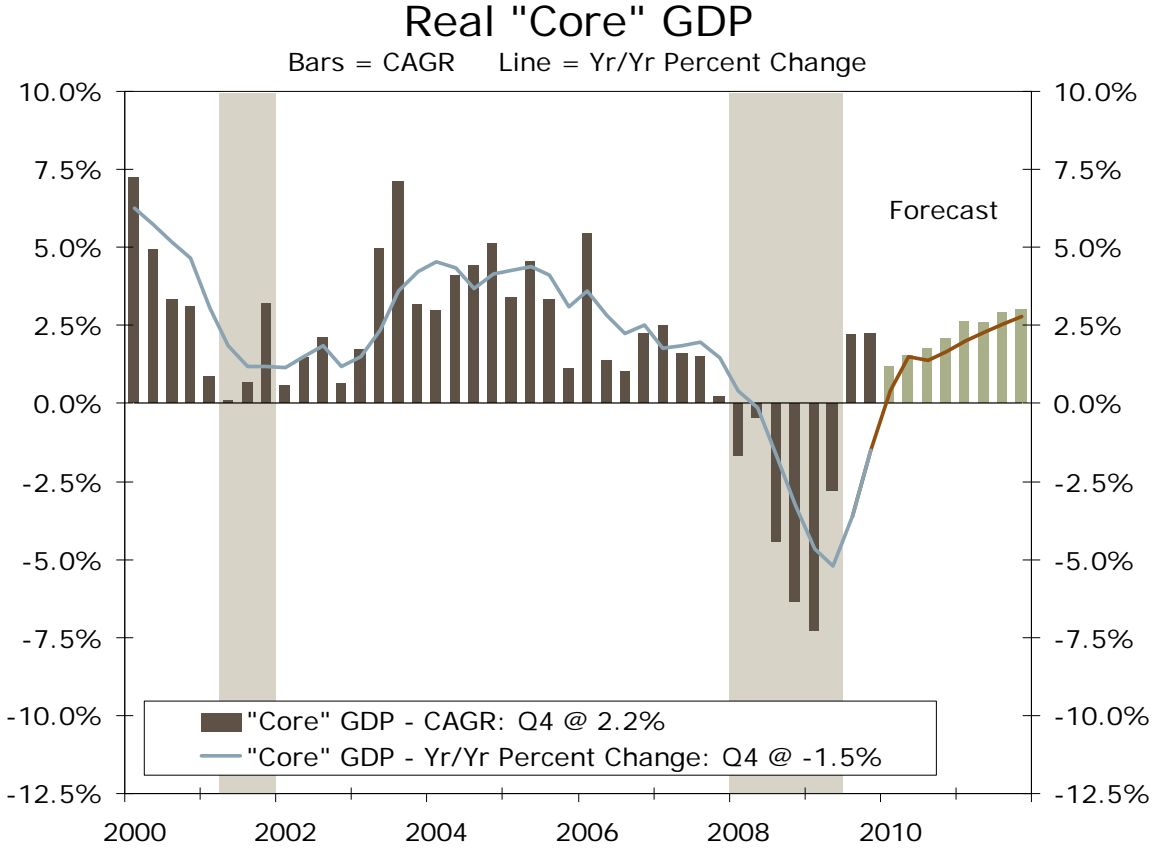


We believe the recession ended in June, but the recovery will likely be slow and arduous even after the big fourth quarter gain



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

Real "core" GDP, or private domestic final sales, reflects the domestic economy more clearly and is expected to recover more slowly

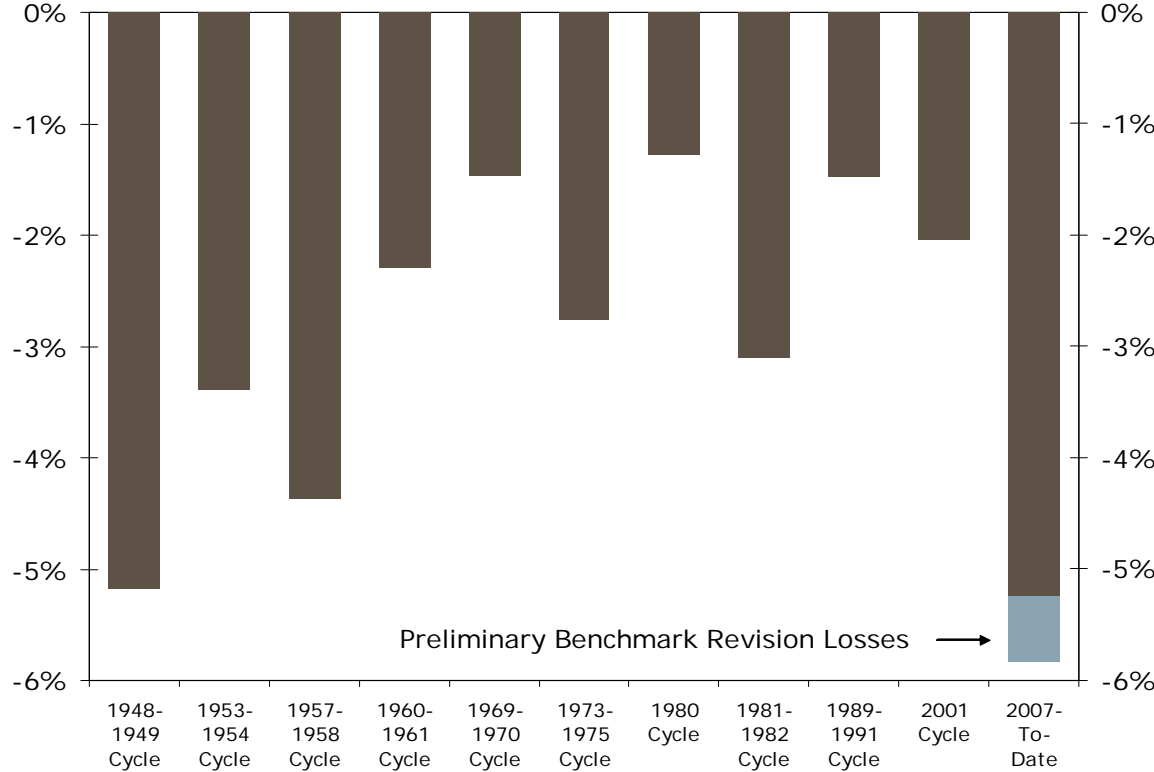


Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

The labor market remains the primary concern as job losses are expected to exceed every post-World War II downturn

Employment Change in Recessions

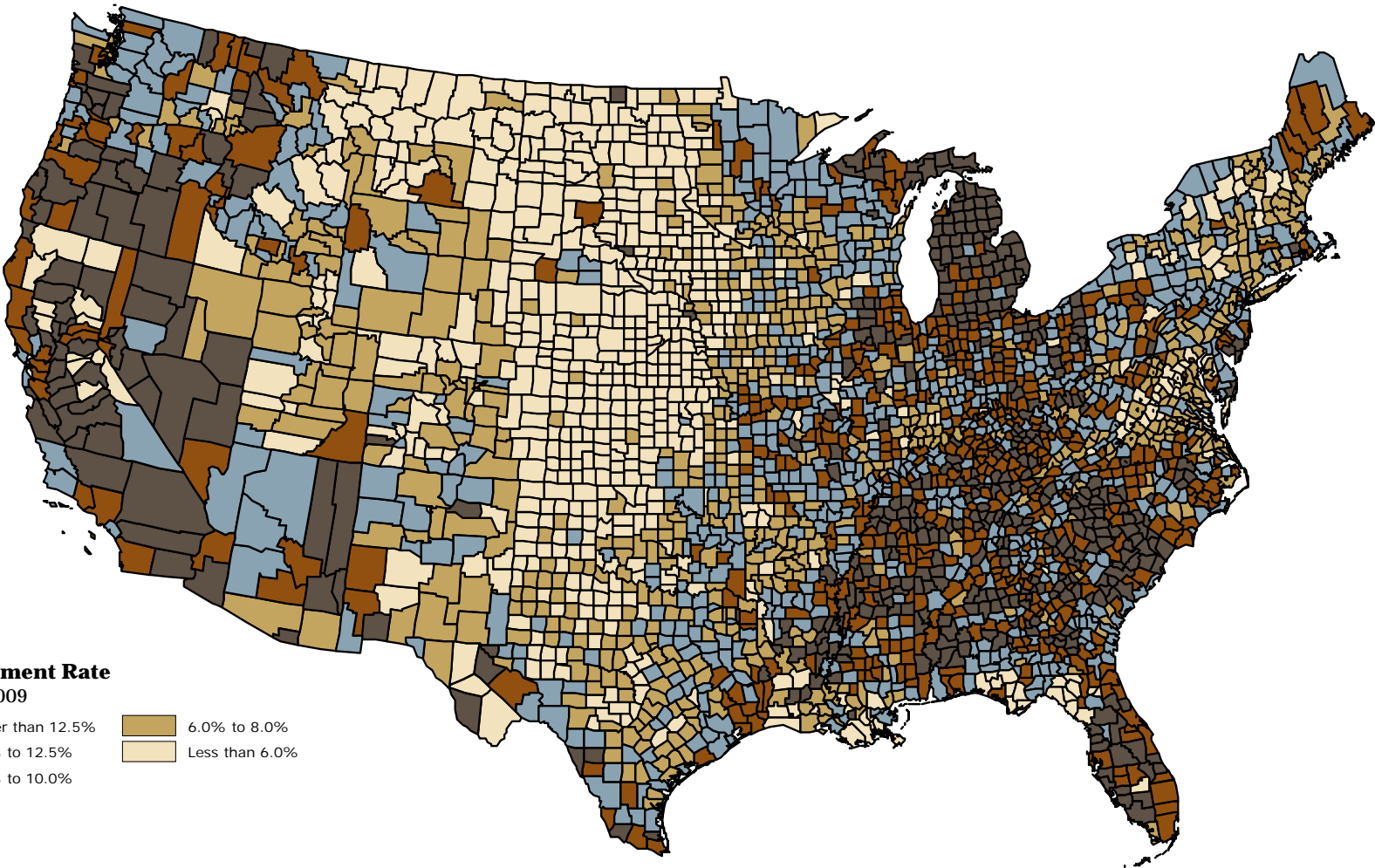
Percentage Change Peak-to-Trough








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

Large Portions of the United States Continue to Face Serious Unemployment Issues

Unemployment Rate



Unemployment Rate
November 2009

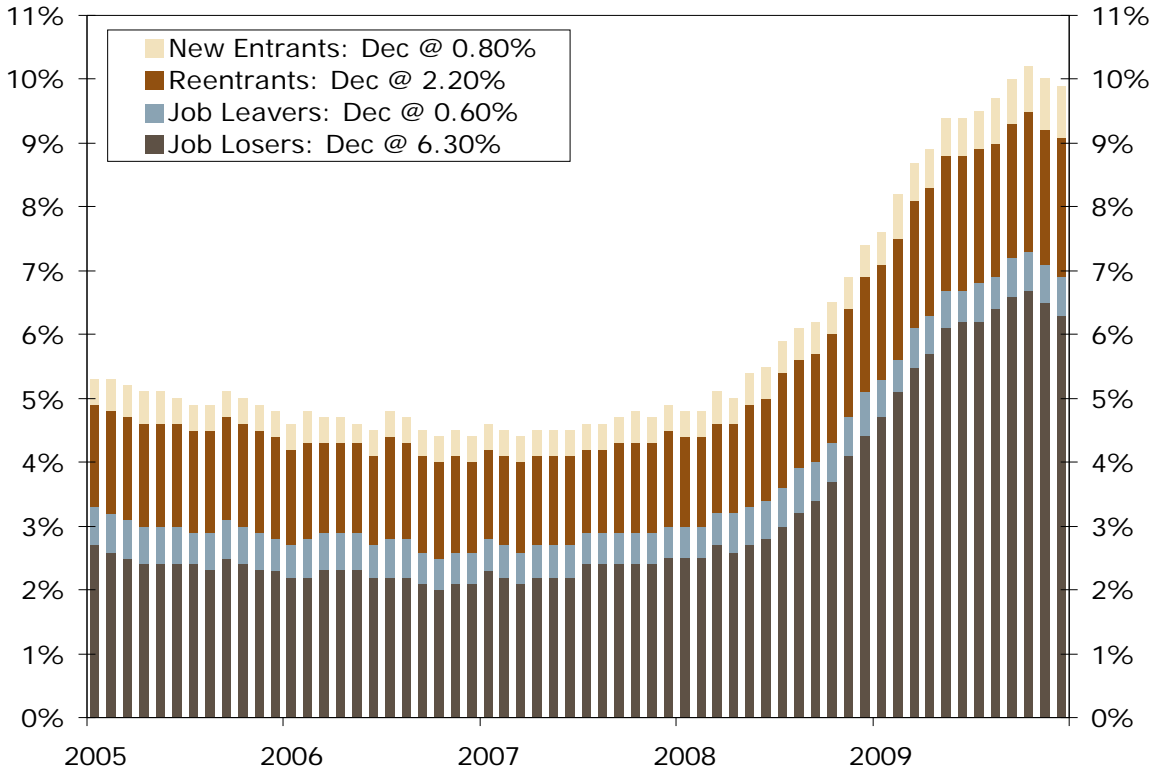
 Greater than 12.5%	 6.0% to 8.0%
 10.0% to 12.5%	 Less than 6.0%
 8.0% to 10.0%	

Source: US Department of Labor and Wells Fargo Securities, LLC

Reentrants and new entrants will likely account for a larger share of the increase in the unemployment rate

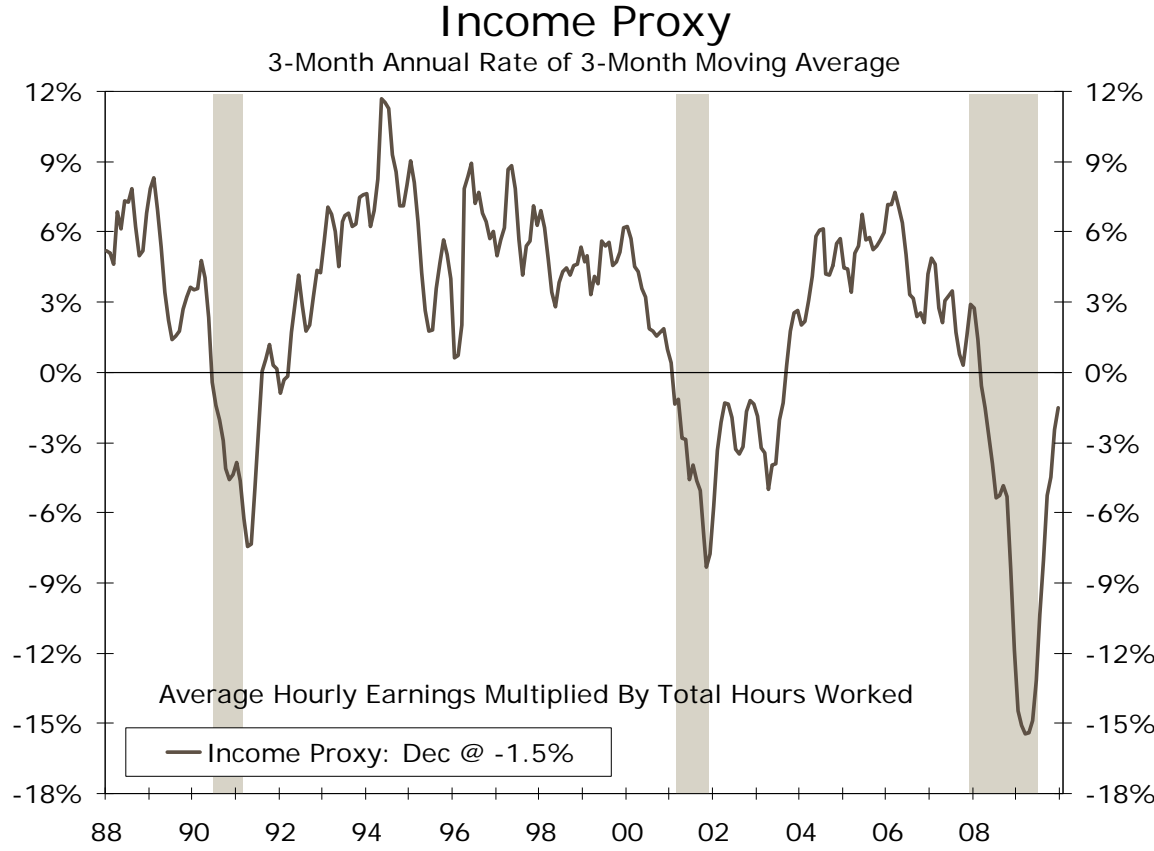
Unemployed by Reason for Unemployment

As a Percent of the Civilian Labor Force



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

Income earned from work has fallen nearly 20 percent since the recession began. Declines have slowed more recently and modest growth is expected in 2010.

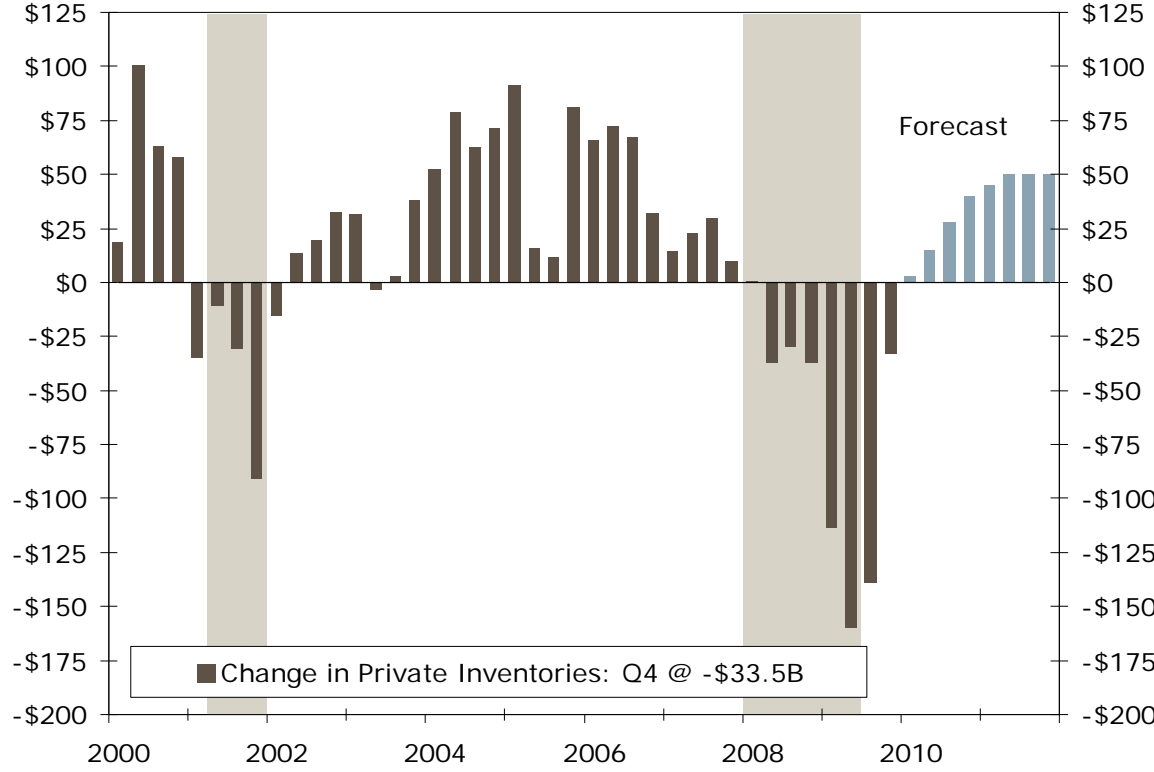


Source: U.S. Department of Labor and Wells Fargo Securities, LLC

Businesses are finally bringing inventories back in line with underlying demand

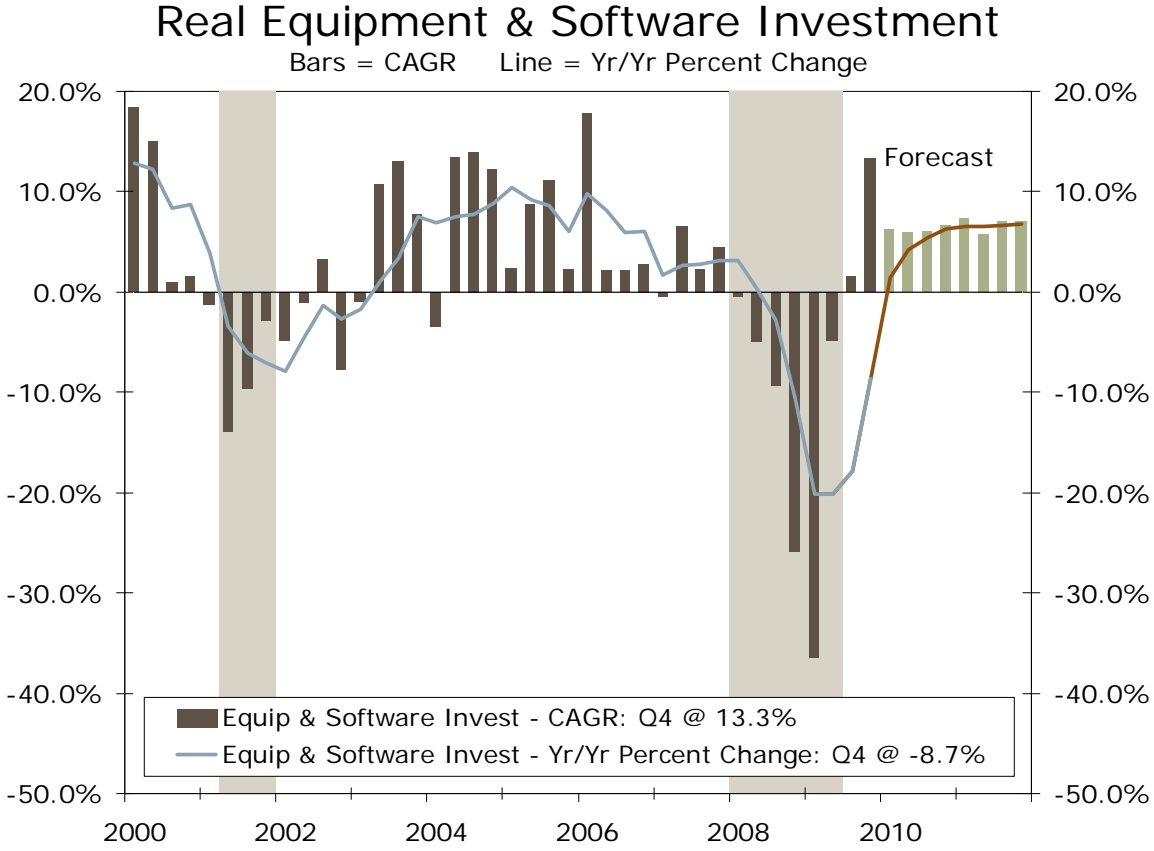
Change in Real Inventories

Billions of Dollars, Annual Rate



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

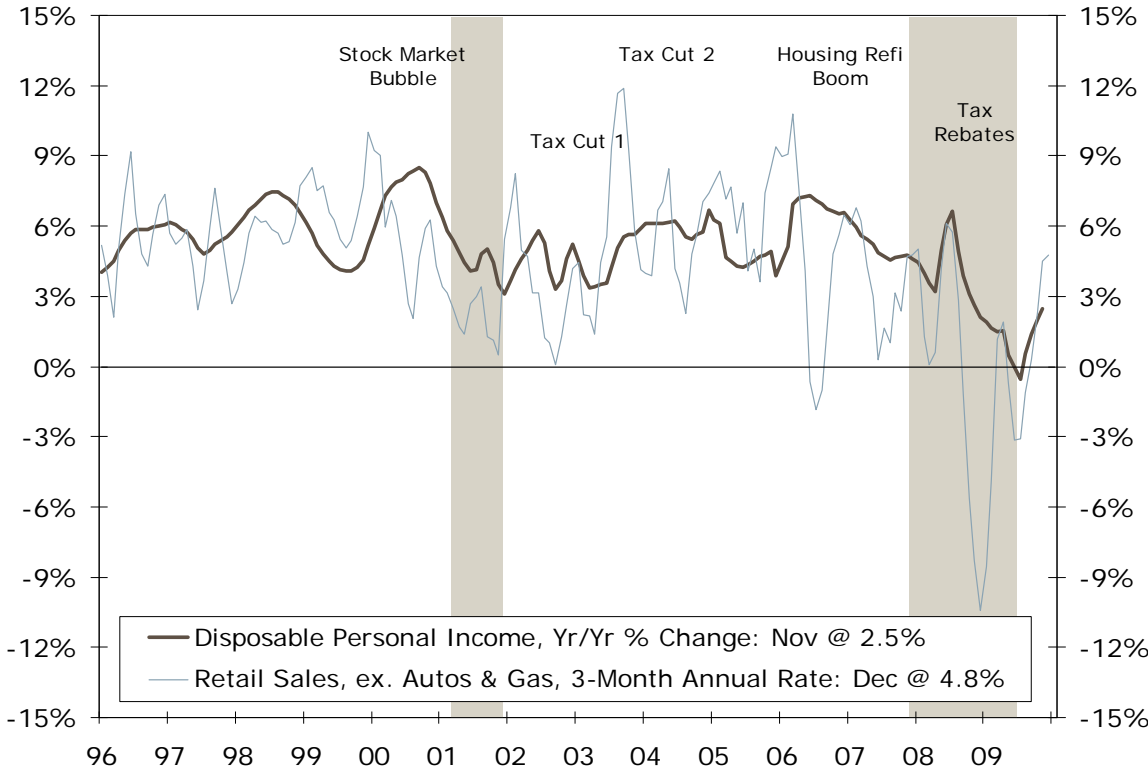
Demand for equipment and software has already turned positive and is expected to be a larger contributor to economic growth



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

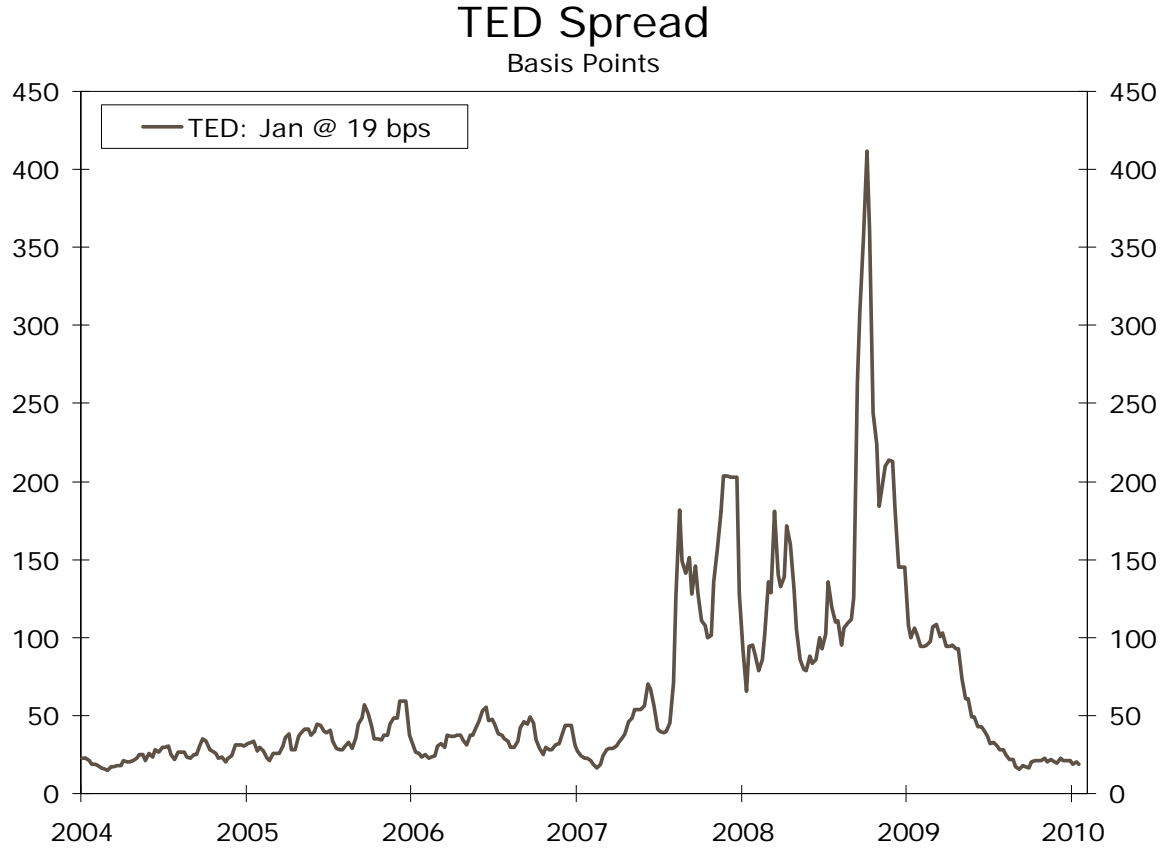
Core retail sales are rising more closely with income

Retail Sales Ex. Auto & Gas Stations vs. Income 3-Month Moving Average



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

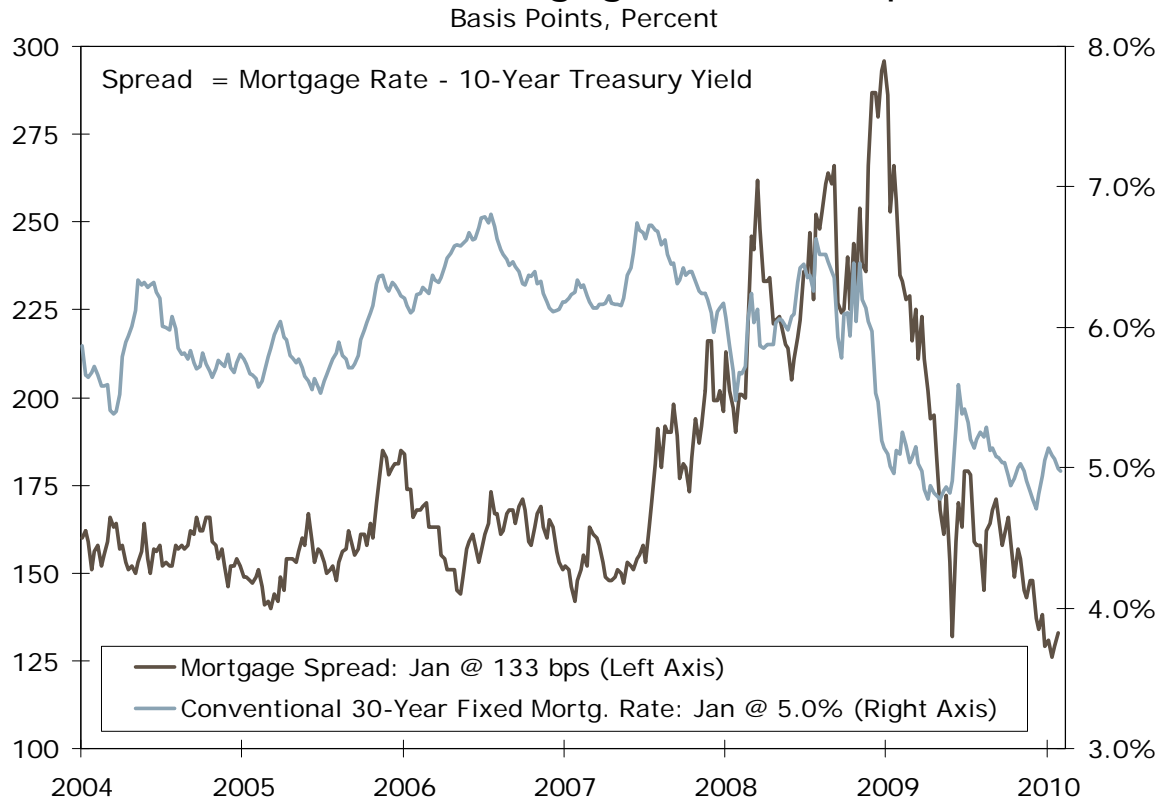
Credit markets thawed from abnormally high levels late last year. The TED spread is now at around its lowest level since the credit crunch began. But have conditions really improved that much?



Source: British Bankers' Association, Federal Reserve Board and Wells Fargo Securities, LLC

Mortgage rates were pushed lower by the Fed's intervention in the MBS market. Now that the Fed purchase program is winding down, will spreads widen again?

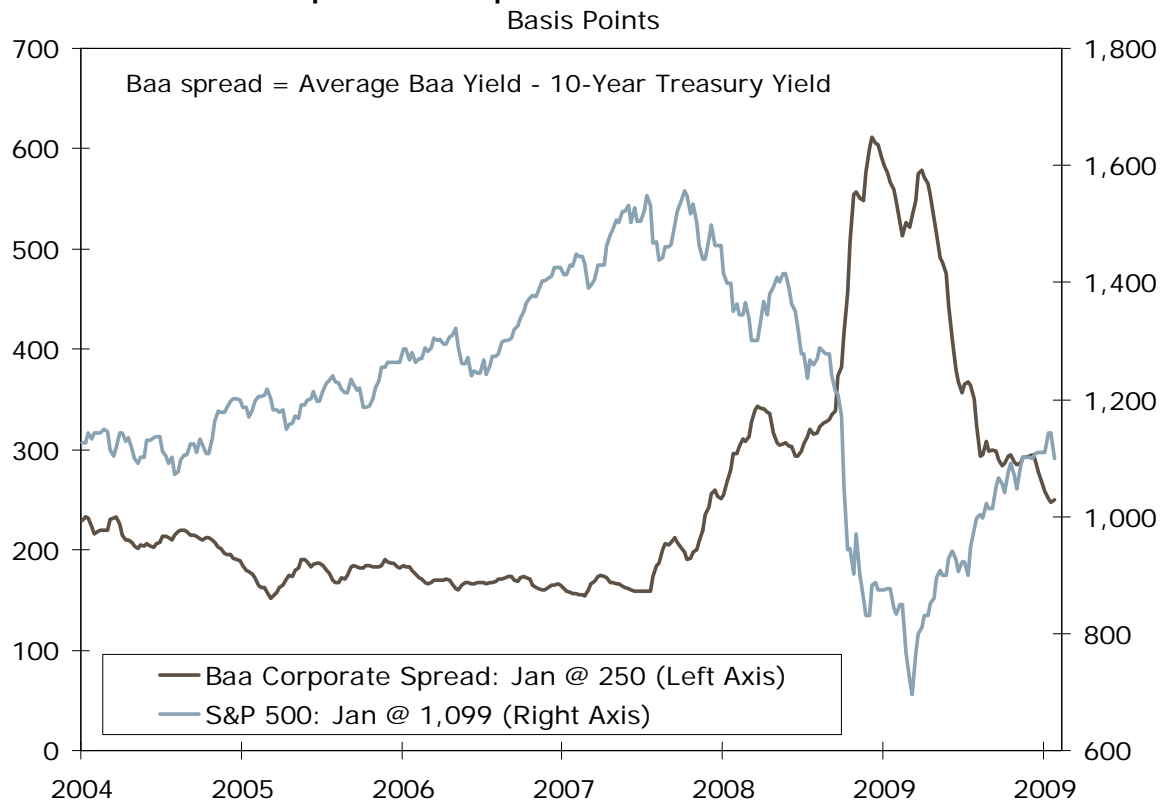
Conventional Mortgage Rate vs. Spread



Source: Freddie Mac, Federal Reserve Board and Wells Fargo Securities, LLC

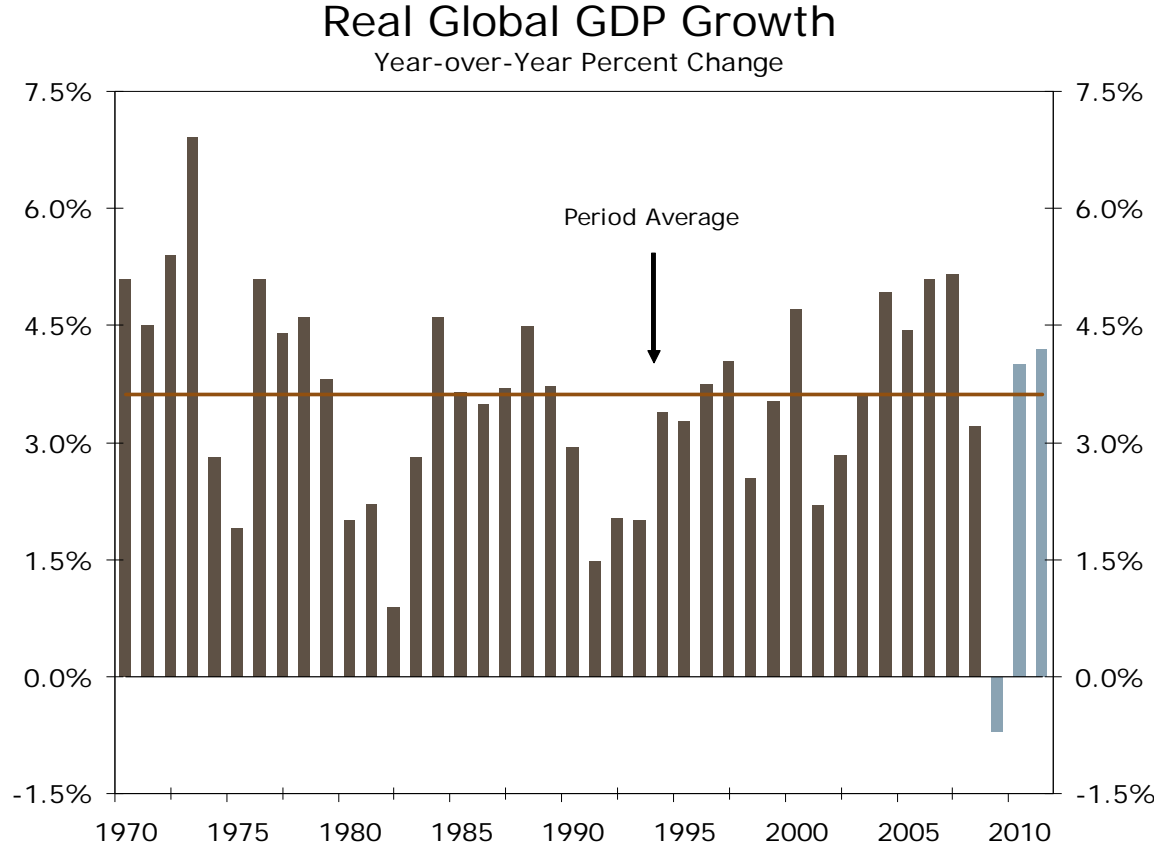
The Baa corporate bond spread has come down substantially since the Fed began its quantitative easing policy and the stock market rallied

Baa Corporate Spread vs. S&P 500 Index



Source: Federal Reserve Board, Moody's, S&P Corp. and Wells Fargo Securities, LLC

The global economy contracted for the first time in 2009, but is expected to rebound solidly this year

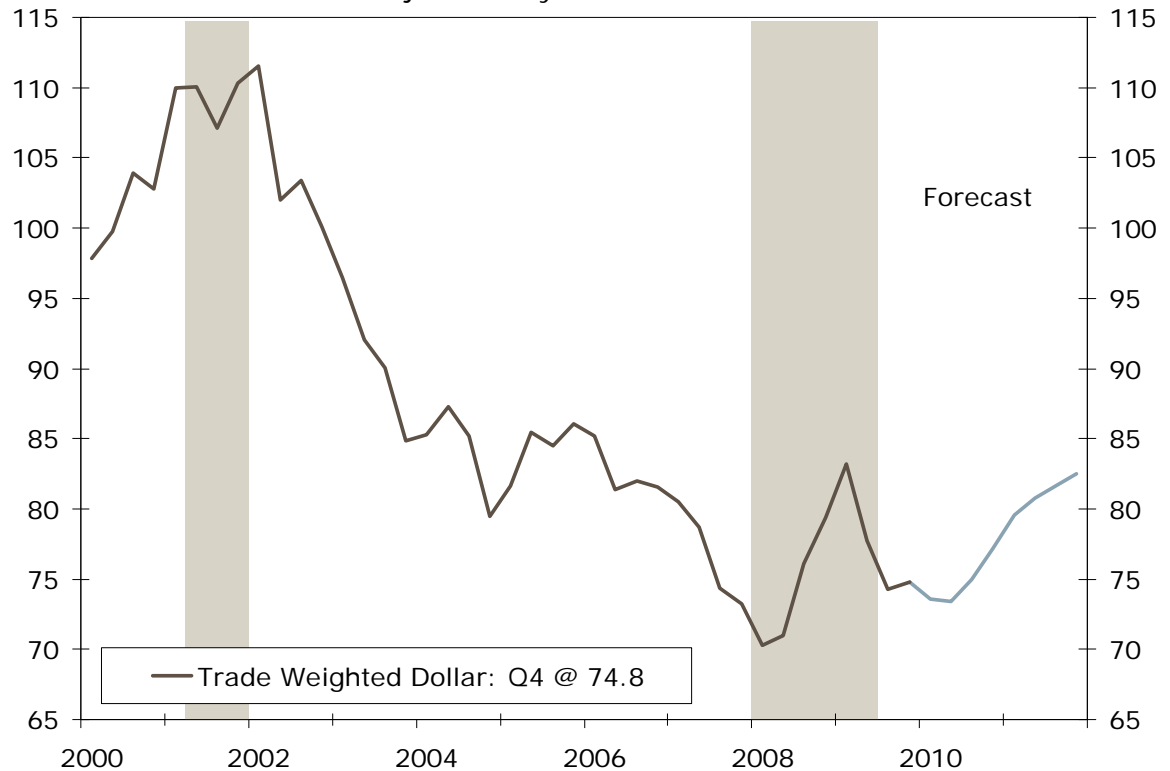


Source: International Monetary Fund and Wells Fargo Securities, LLC

After reversing gains from a flight to safety last year, the dollar is expected to eventually grind higher against most major currencies

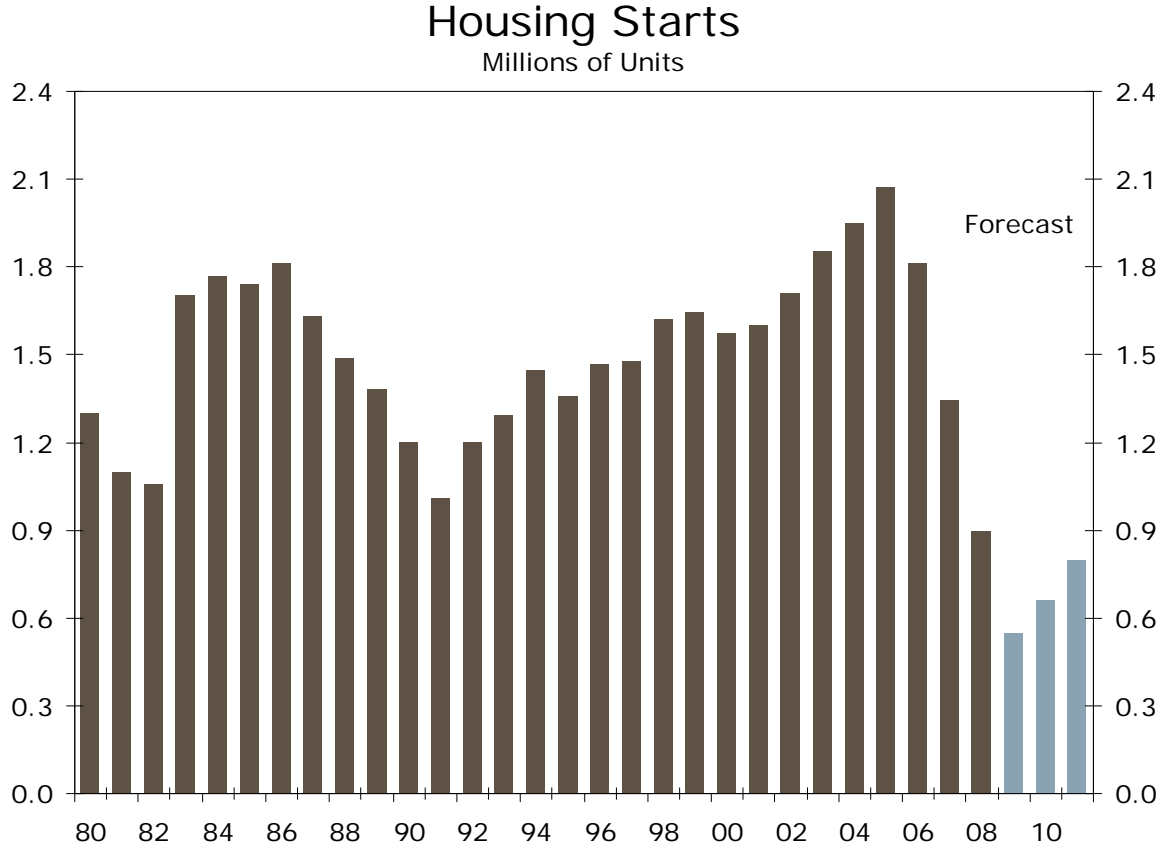
Trade Weighted Dollar

Major Currency Index, 1973 = 100



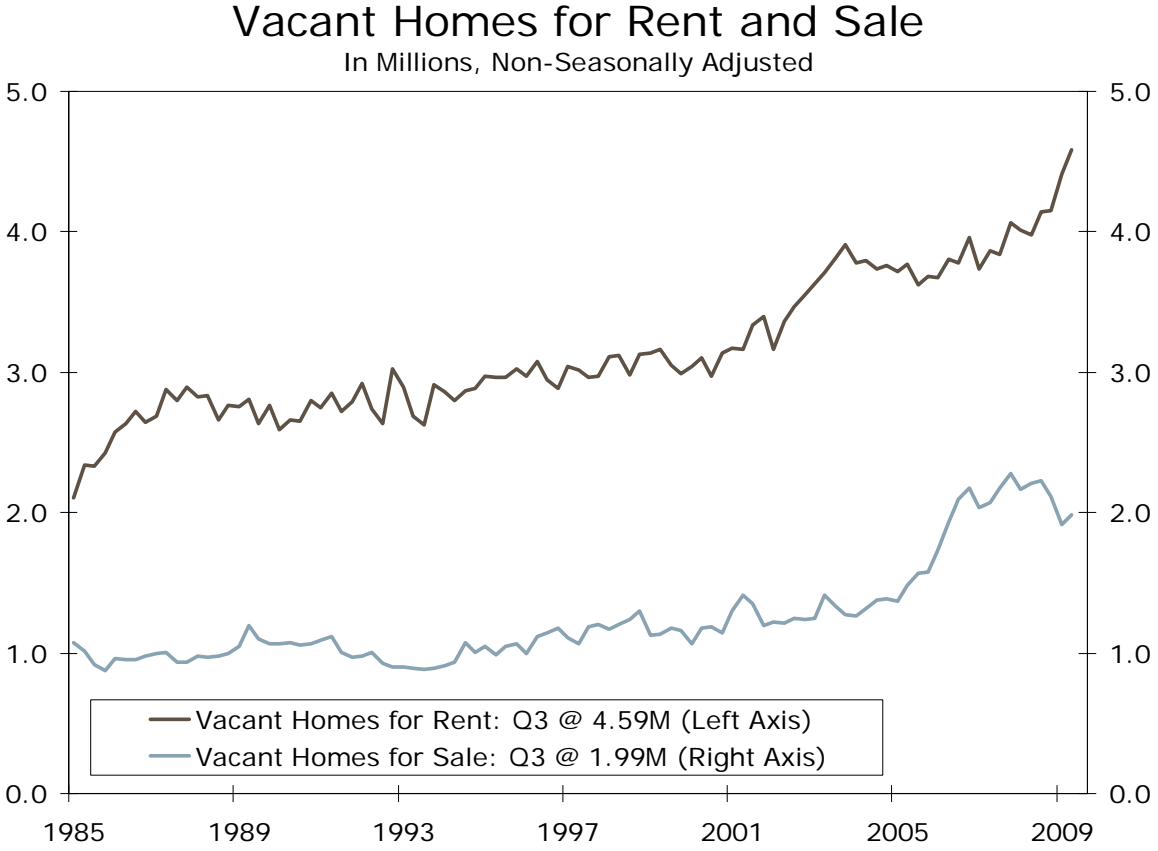
Source: Federal Reserve Board and Wells Fargo Securities, LLC

An overbuild of 2.0 million houses occurred at the peak, and inventory levels remain elevated



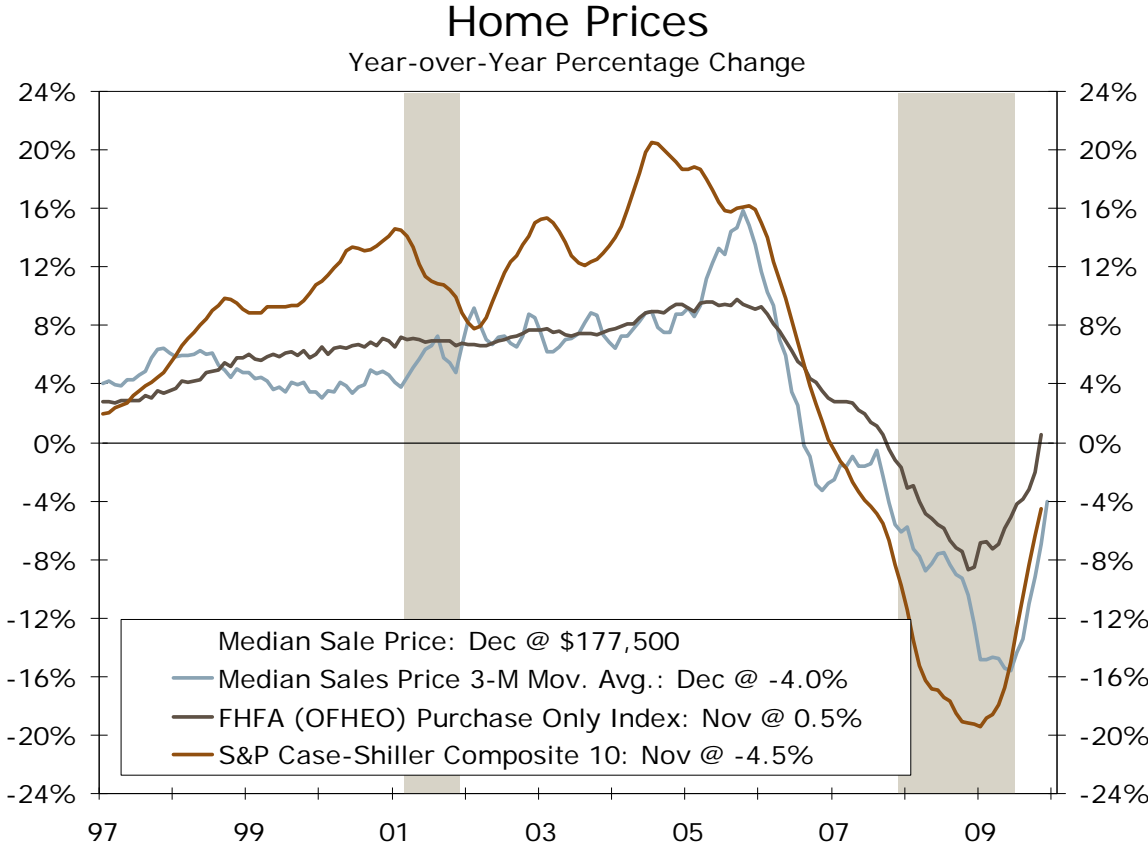
Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

The number of vacant homes for rent has risen faster than the number of vacant homes for sale has fallen



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

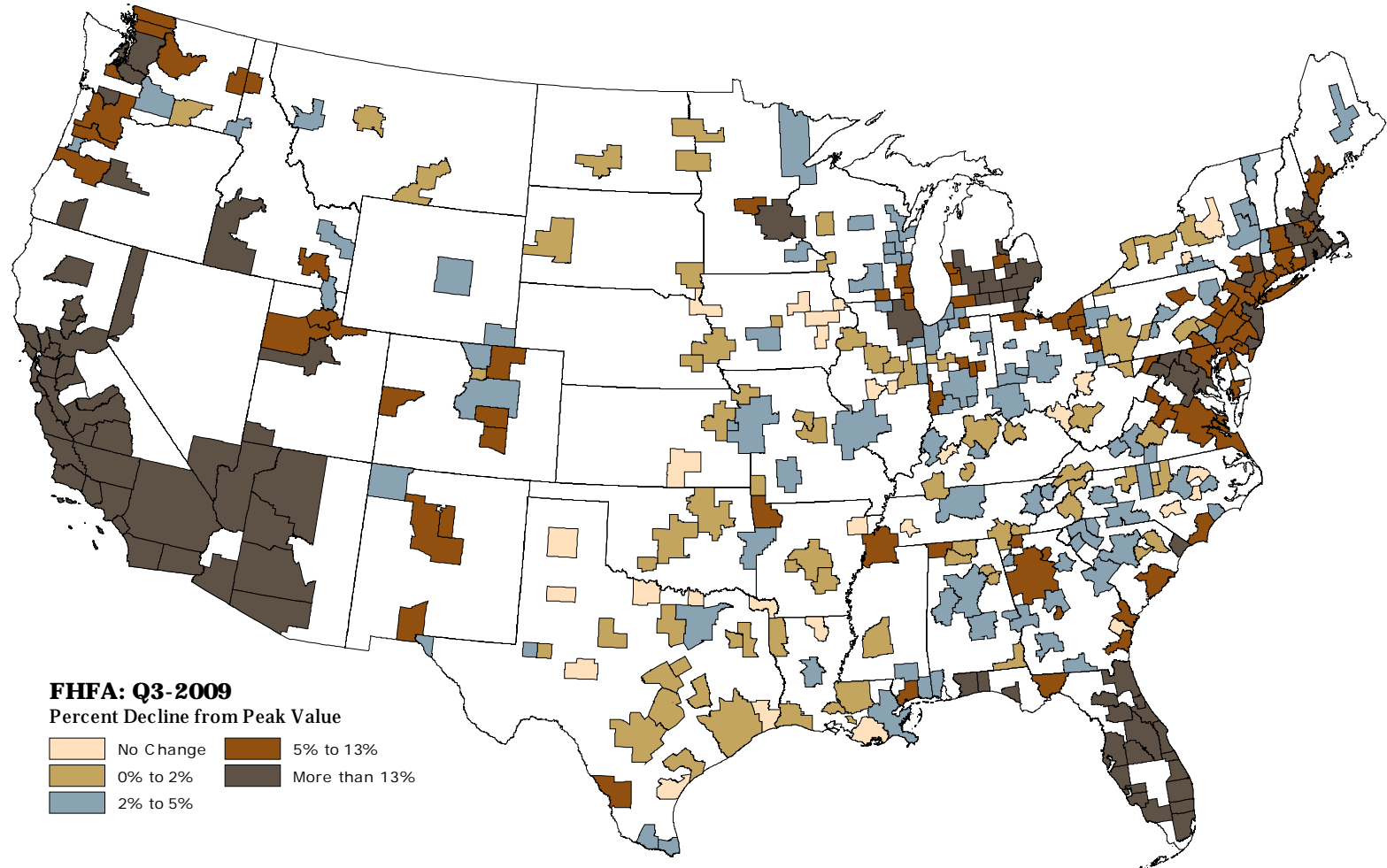
Home prices are showing tentative signs of bottoming



Source: Federal Housing Finance Agency, National Association of Realtors, S&P Corp. and Wells Fargo Securities, LLC

The FHFA Price Index Show Smaller but Pervasive Price Declines

FHFA (OFHEO) Home Price Index

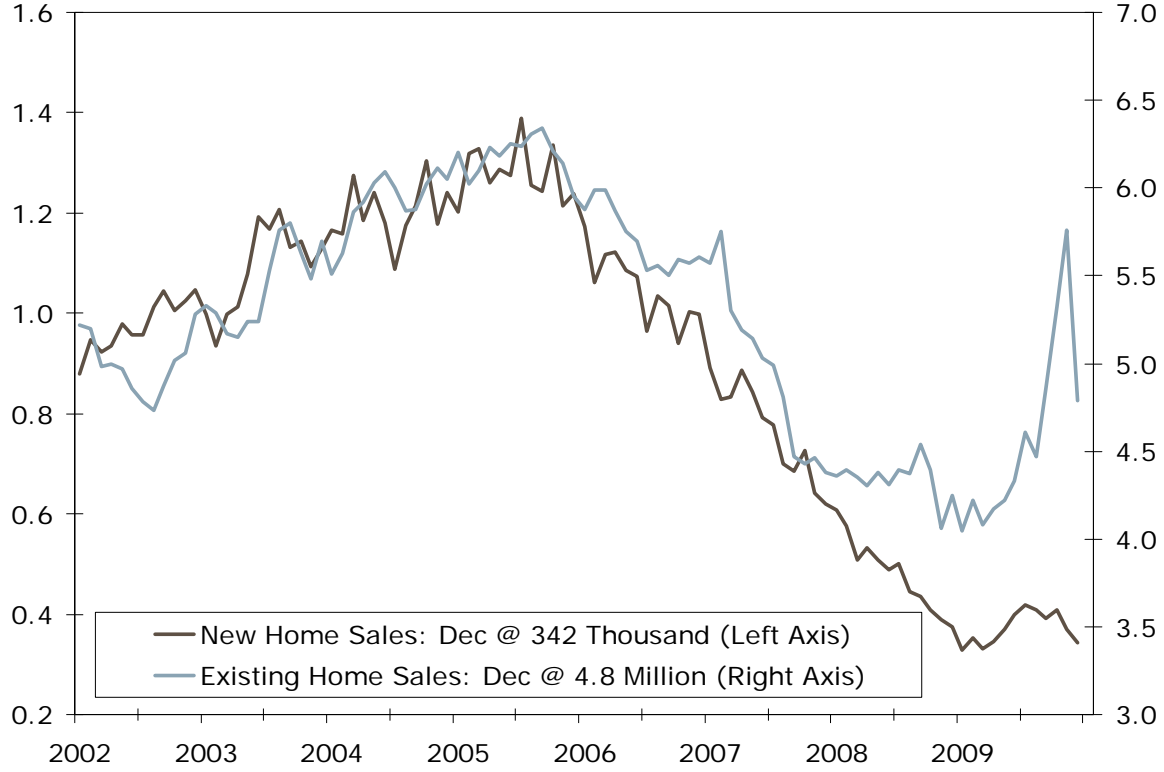


Source: FHFA and Wells Fargo Securities, LLC

Incentives for first-time homebuyers have helped drive up home sales. A large portion of existing sales, however, are distressed sales

Existing & New Single Family Home Sales

Seasonally Adjusted Annual Rate - In Millions

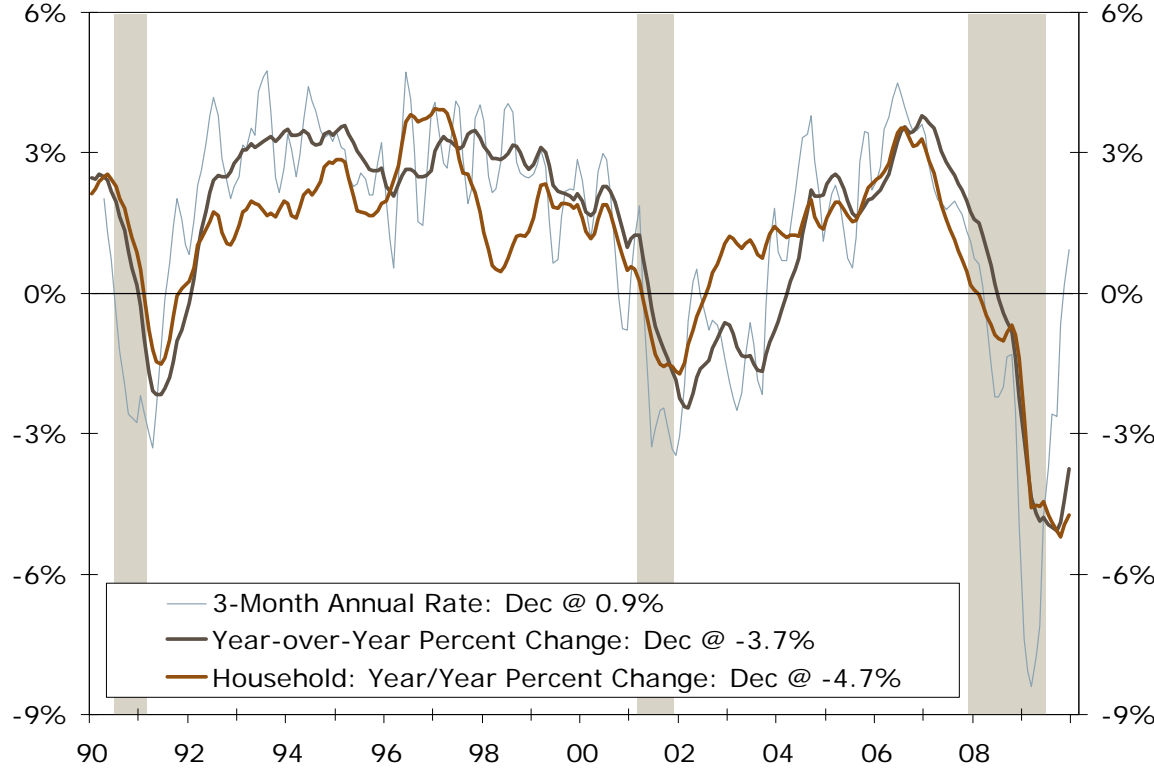


Source: National Association of Realtors, U.S. Department of Commerce and Wells Fargo Securities, LLC

Preliminary data show a modest improvement in employment

North Carolina Nonfarm Employment

3-Month Moving Averages

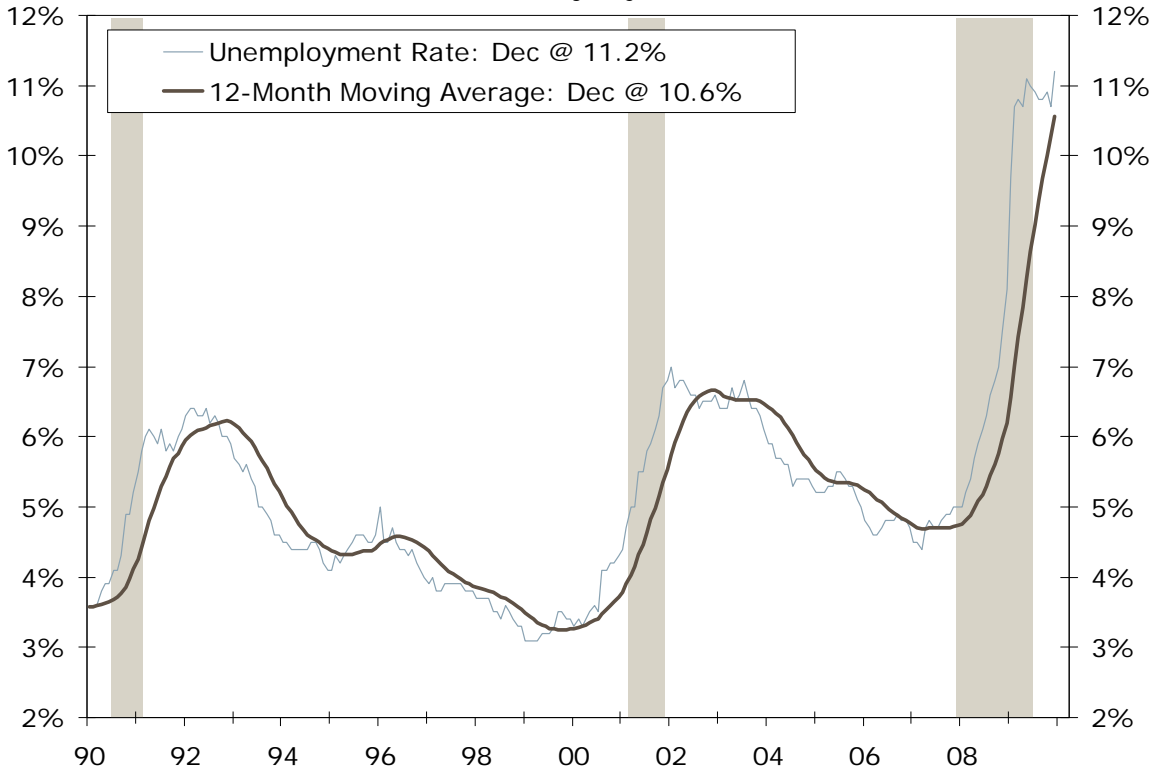


Source: U.S. Department of Labor and Wells Fargo Securities, LLC

The unemployment rate hit a new high in December

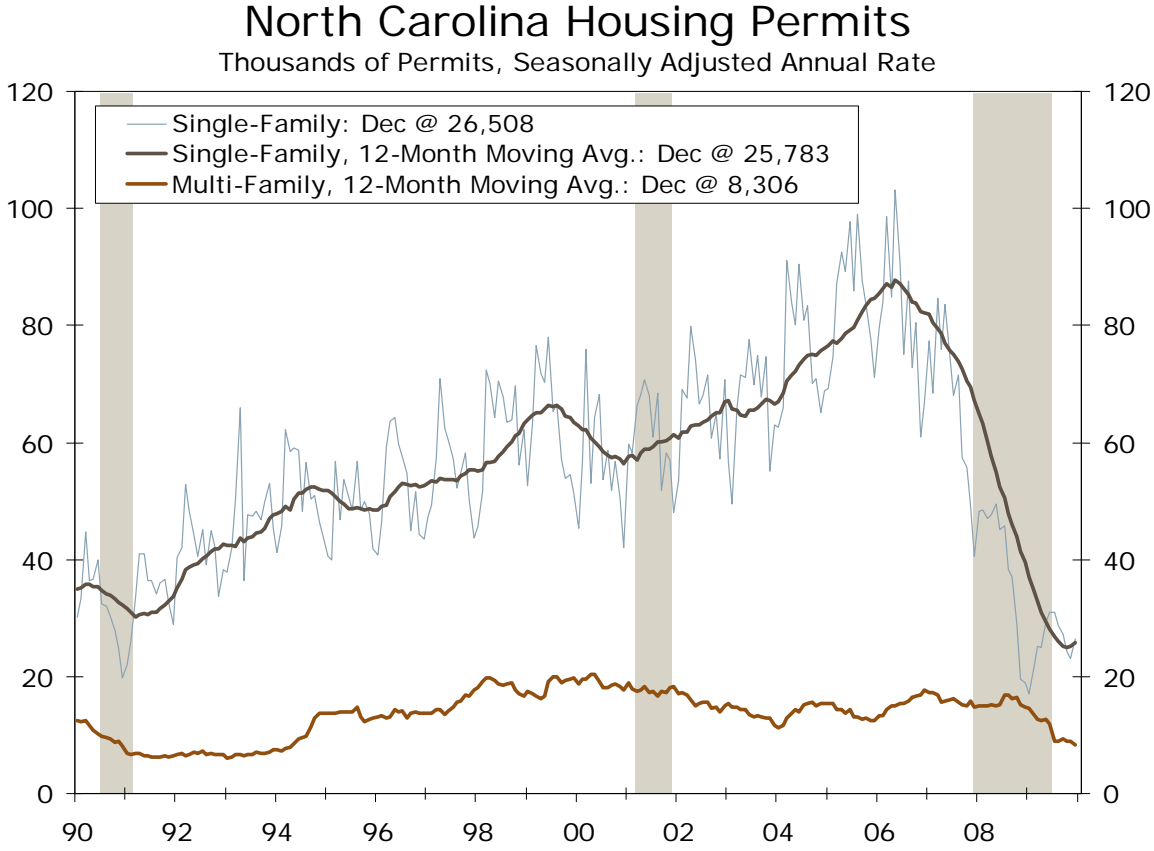
North Carolina Unemployment Rate

Seasonally Adjusted



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

Building activity will remain slow for the foreseeable future

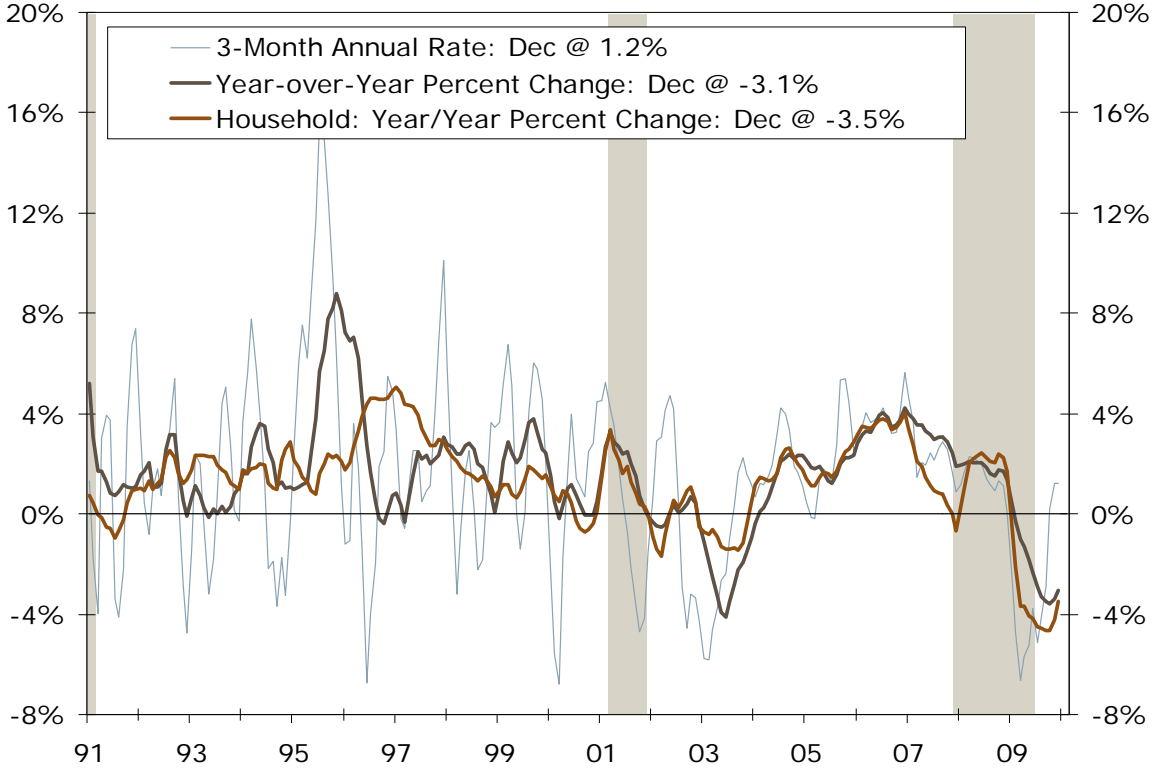


Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

Employment conditions in Durham appear to be turning

Durham MSA Nonfarm Employment

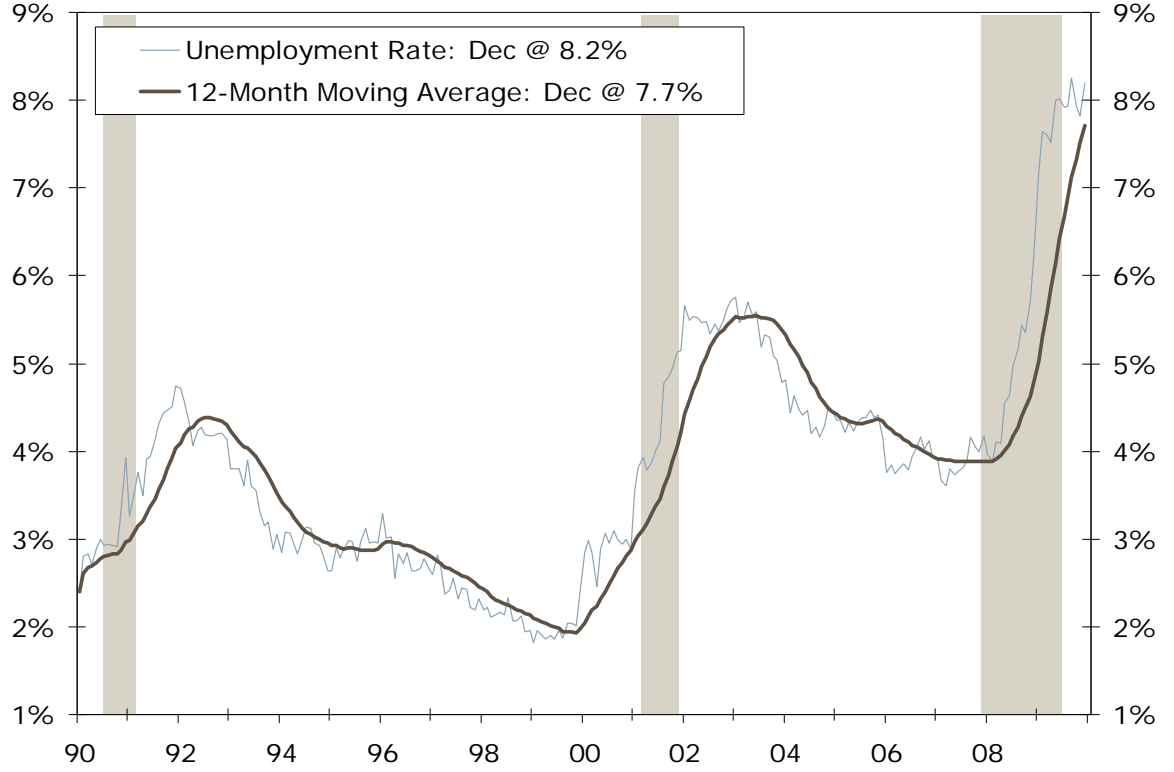
3-Month Moving Averages



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

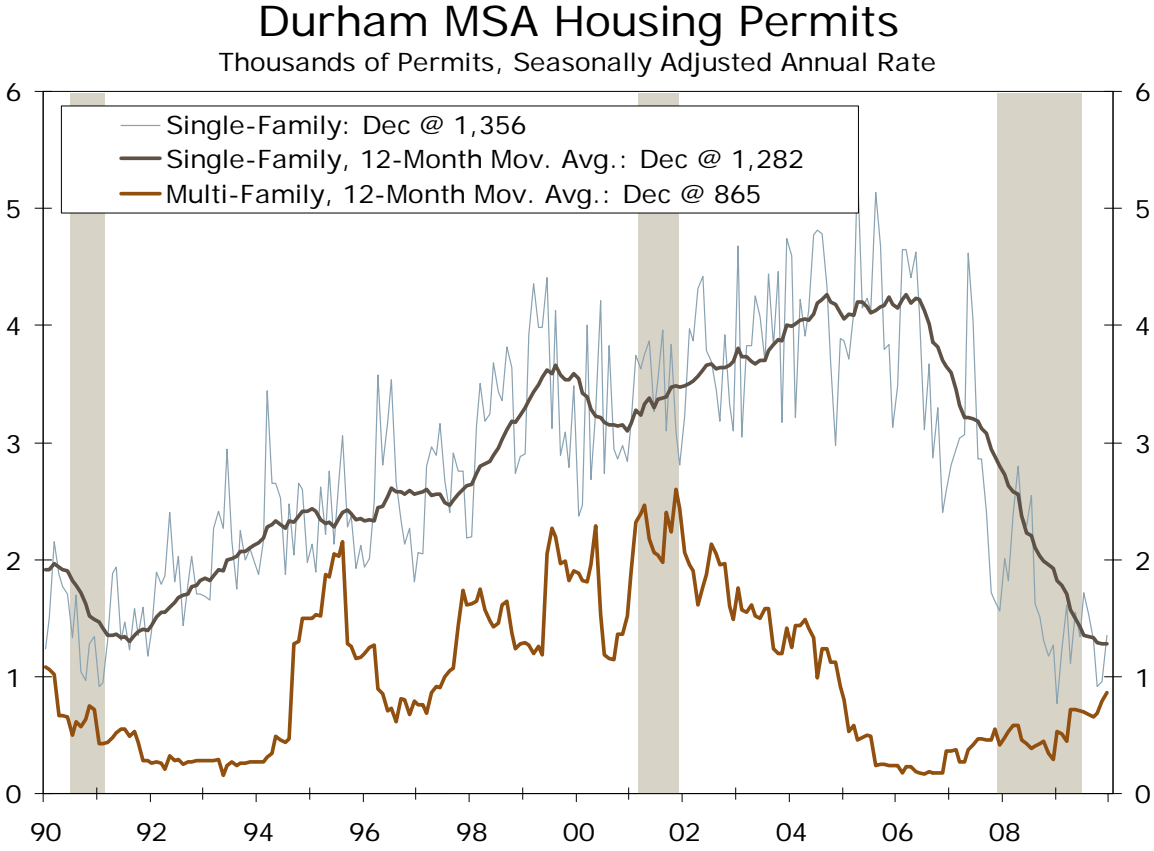
Unemployment rose slightly at year-end

Durham MSA Unemployment Rate
Seasonally Adjusted



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

Housing construction has been declining in the single-family sector, but activity in the multi-family sector appears to be trending higher

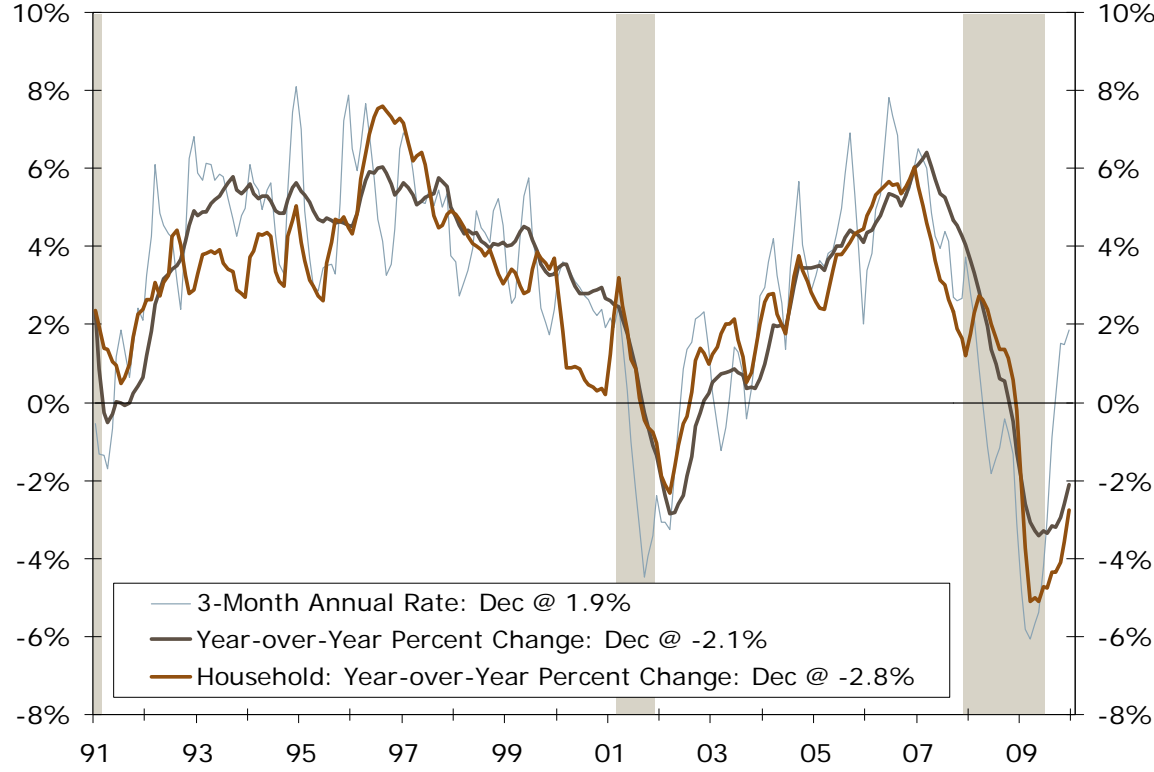


Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

Employment conditions turned up in late 2009

Raleigh MSA Nonfarm Employment

3-Month Moving Averages



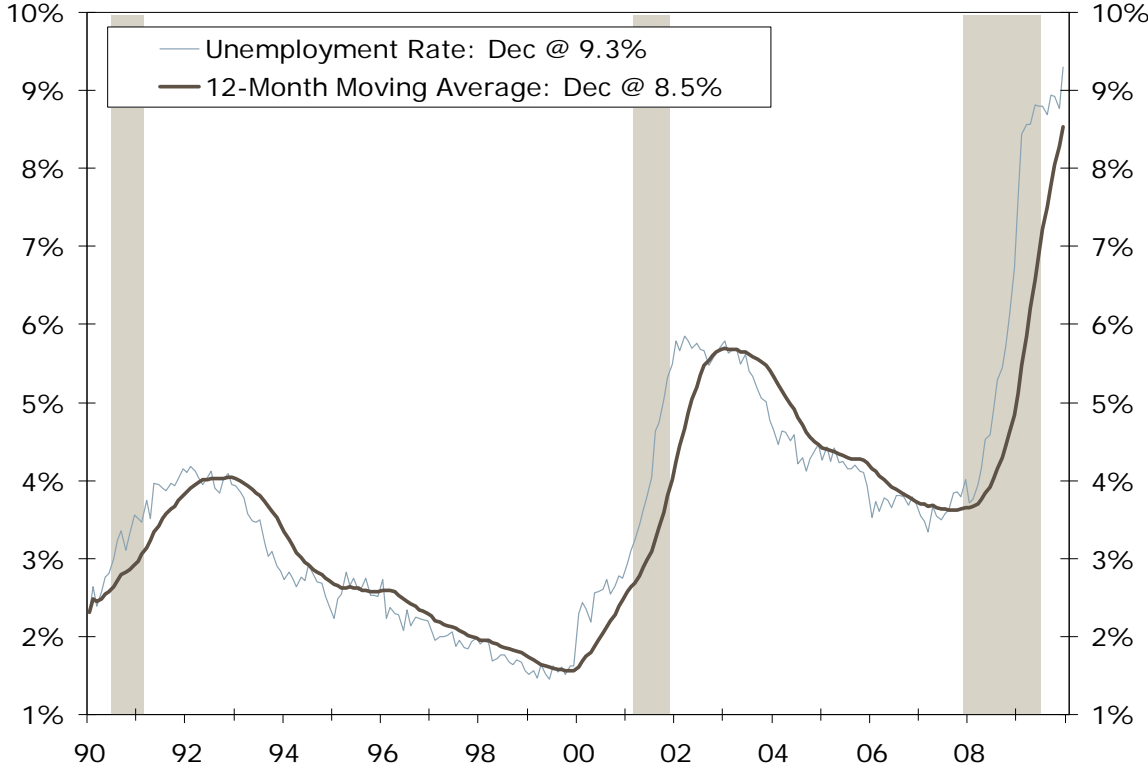
— 3-Month Annual Rate: Dec @ 1.9%
— Year-over-Year Percent Change: Dec @ -2.1%
— Household: Year-over-Year Percent Change: Dec @ -2.8%

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

The unemployment rate is currently at a modern era high

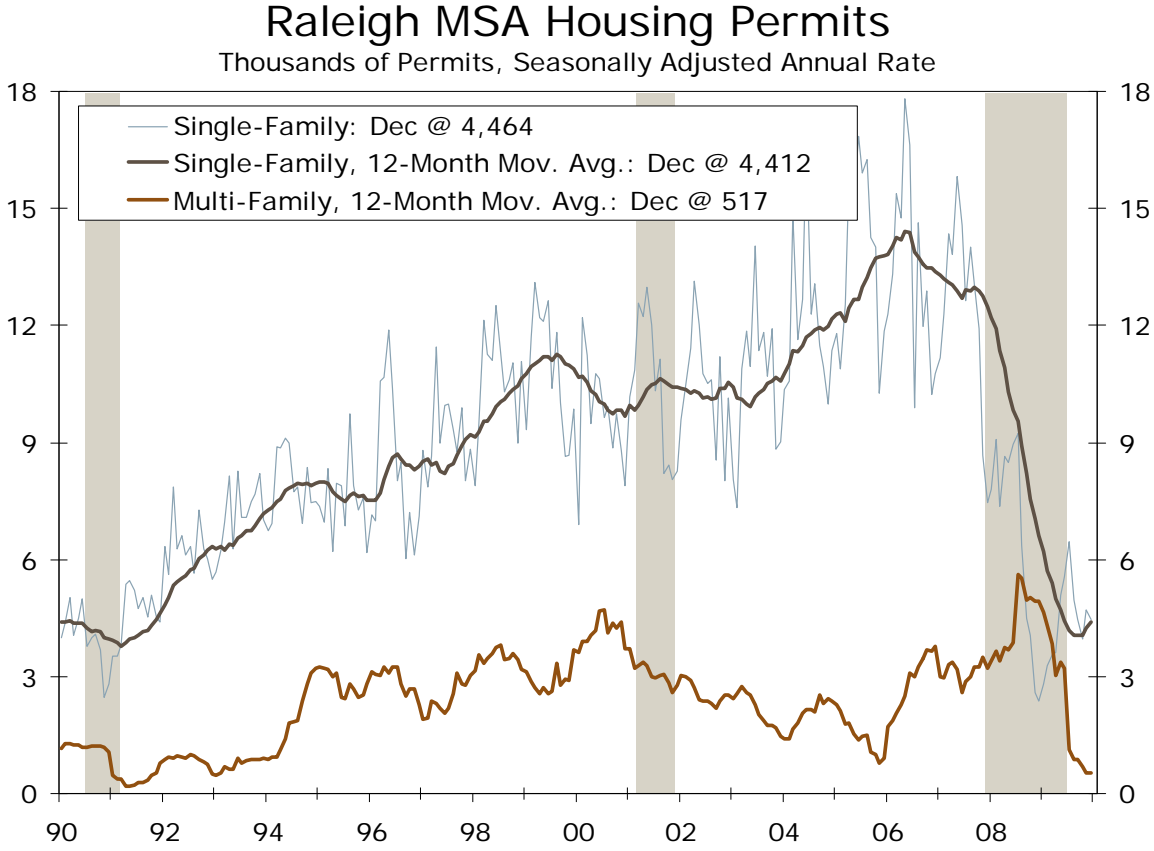
Raleigh MSA Unemployment Rate

Seasonally Adjusted



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

Housing construction remains at depressed levels

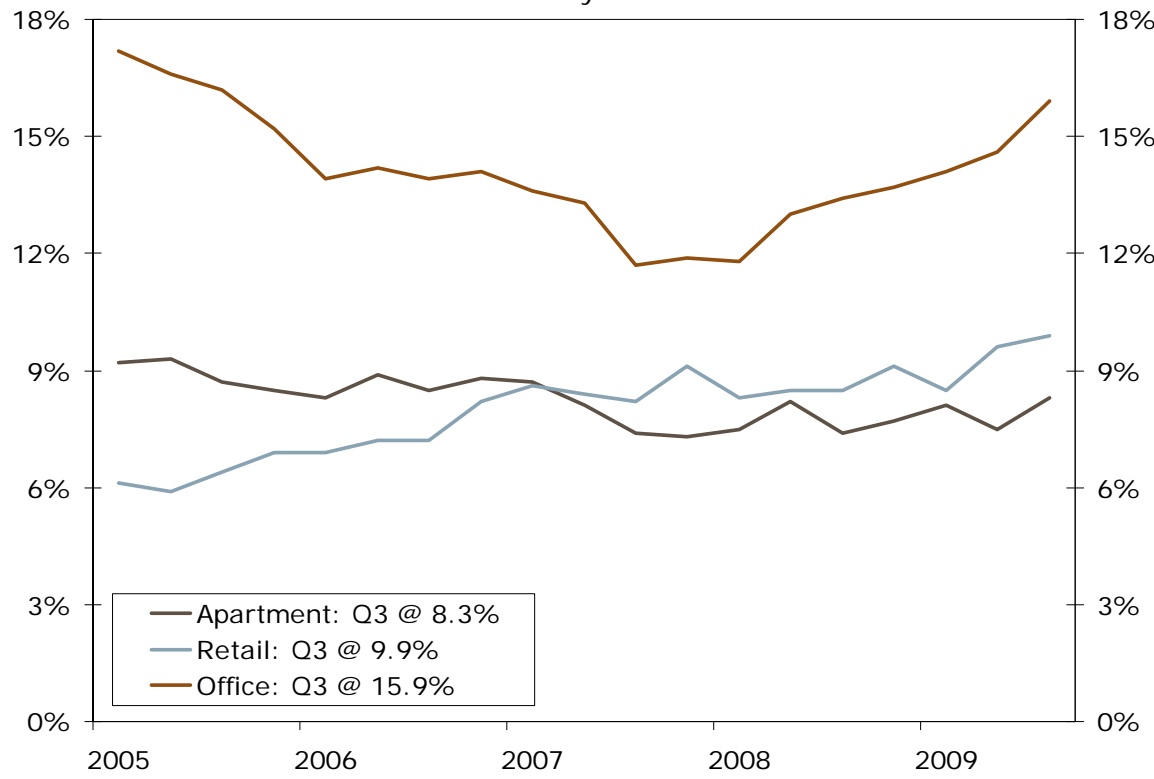


Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

Vacancy rates have trended higher, especially for the office sector

Raleigh/Durham Commercial Real Estate

Vacancy Rates

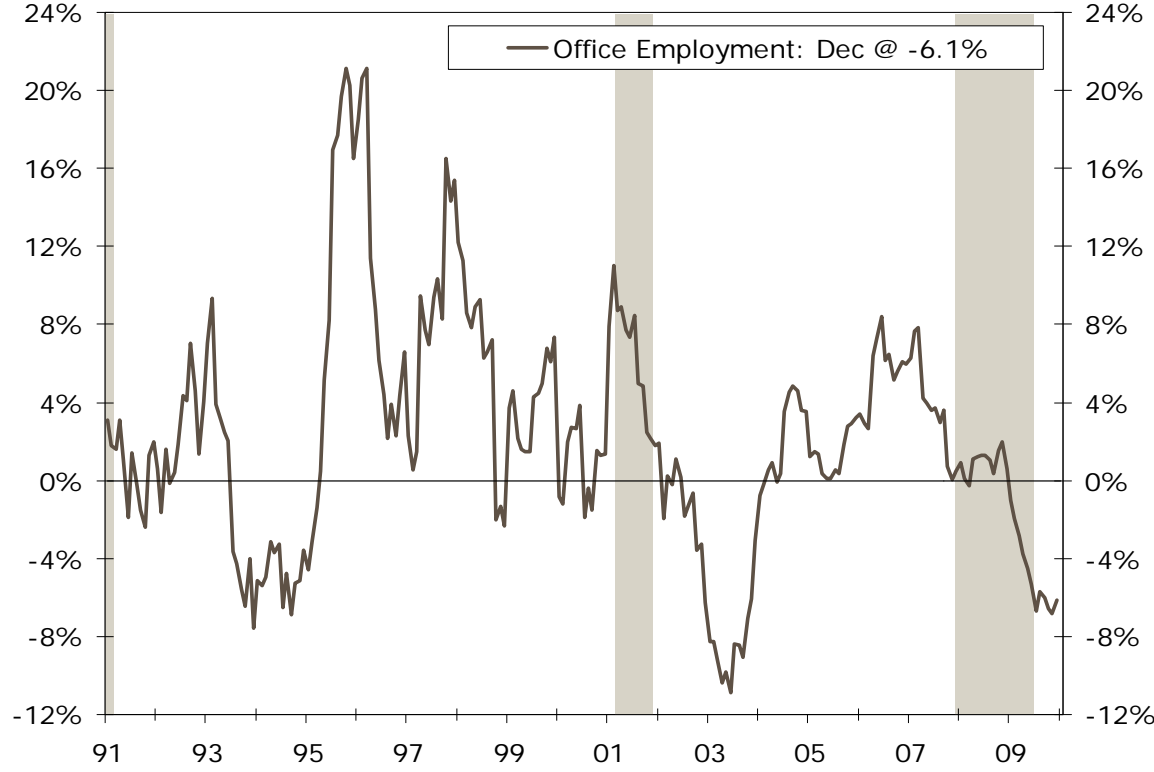


Source: Reis, Inc. and Wells Fargo Securities, LLC

Office employment declines show signs of leveling off

Durham MSA Office Employment

Year-over-Year Percent Change

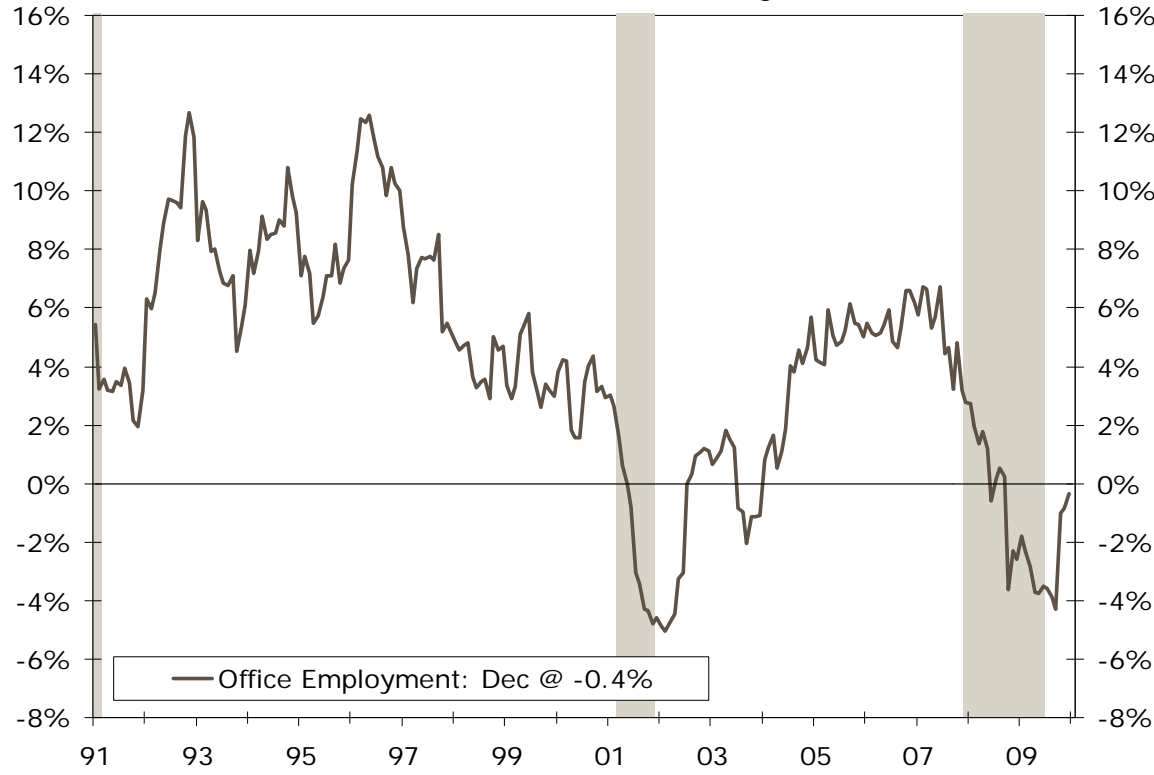


Source: U.S. Department of Labor and Wells Fargo Securities, LLC

Office employment in Raleigh is declining at a much slower pace

Raleigh MSA Office Employment

Year-over-Year Percent Change



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

Appendix

A Sampling of Our Recent Special, Regional & Industry Commentary

Recent Special Commentary		
Date	Title	Authors
January-28	2010: Year of the Tiger or Asian Bubble?	Bryson & Kamaruddin
January-28	U.S. and Chinese Labor Markets: Interdependencies	Silvia
January-12	Colorado Economic Outlook: January 2010	Anderson & Kashmarek
December-31	Georgia Economic Outlook: December 2009	Vitner & Kamaruddin
December-31	Florida Economic Outlook: December 2009	Vitner & Kamaruddin
December-31	California Economic Outlook: December 2009	Anderson
December-30	New Jersey Economic Outlook: December 2009	Vitner, Khan & Kamar.
December-15	Pennsylvania Economic Outlook: Spotlight on Jobs	Bryson & Quinlan
November-18	Santa Tightens His Belt Another Notch	Vitner & York
November-13	North Carolina Faces Difficult Road to Recovery	Silvia, York & Whelan
November-11	Commercial Real Estate Chartbook: Q3	Vitner, Khan & Kamar.
November-04	Did the Nation Overdose on Debt?	Silvia & Whelan
November-04	An Economy at Non-Market Prices	Silvia
November-04	Inflation Chartbook: November 2009	Vitner, Khan & Kamar.
November-03	How Bleak Is the British Consumer Spending Outlook	Bryson
October-20	What Is Gold Telling Us?	Bryson, Khan & Kamar.
October-19	Housing Chartbook: October 2009	Vitner & York
October-15	Beyond America, Canadian Economic Prospects	Bryson & Quinlan
October-06	Georgia Economic Outlook: October 2009	Vitner & Kamaruddin
October-05	Comments Before Federal Reserve Advisory Panel	Silvia
September-24	What's Wrong With the Dollar?	Bryson
September-03	Commercial Real Estate Chartbook: Q2	Vitner, Khan & Kamar.
September-02	Clunkernomics: Auto Sales Set to Boost Real GDP	Vitner & Khan
August-31	Benchmarking Recovery: Rhyming not Repeating	Silvia
August-26	Will Debt Restrain Euro-zone Consumer Spending?	Bryson
August-24	State & Local Financial Woes Still Building	Vitner & Khan
August-18	Wobbly Fundamentals for Business Spending	Silvia & Quinlan
August-14	Housing Chartbook: August 2009	Vitner & York

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