



**WELLS
FARGO**

Wells Fargo Economics

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Southern Colorado Economic Forum

Colorado Springs, CO

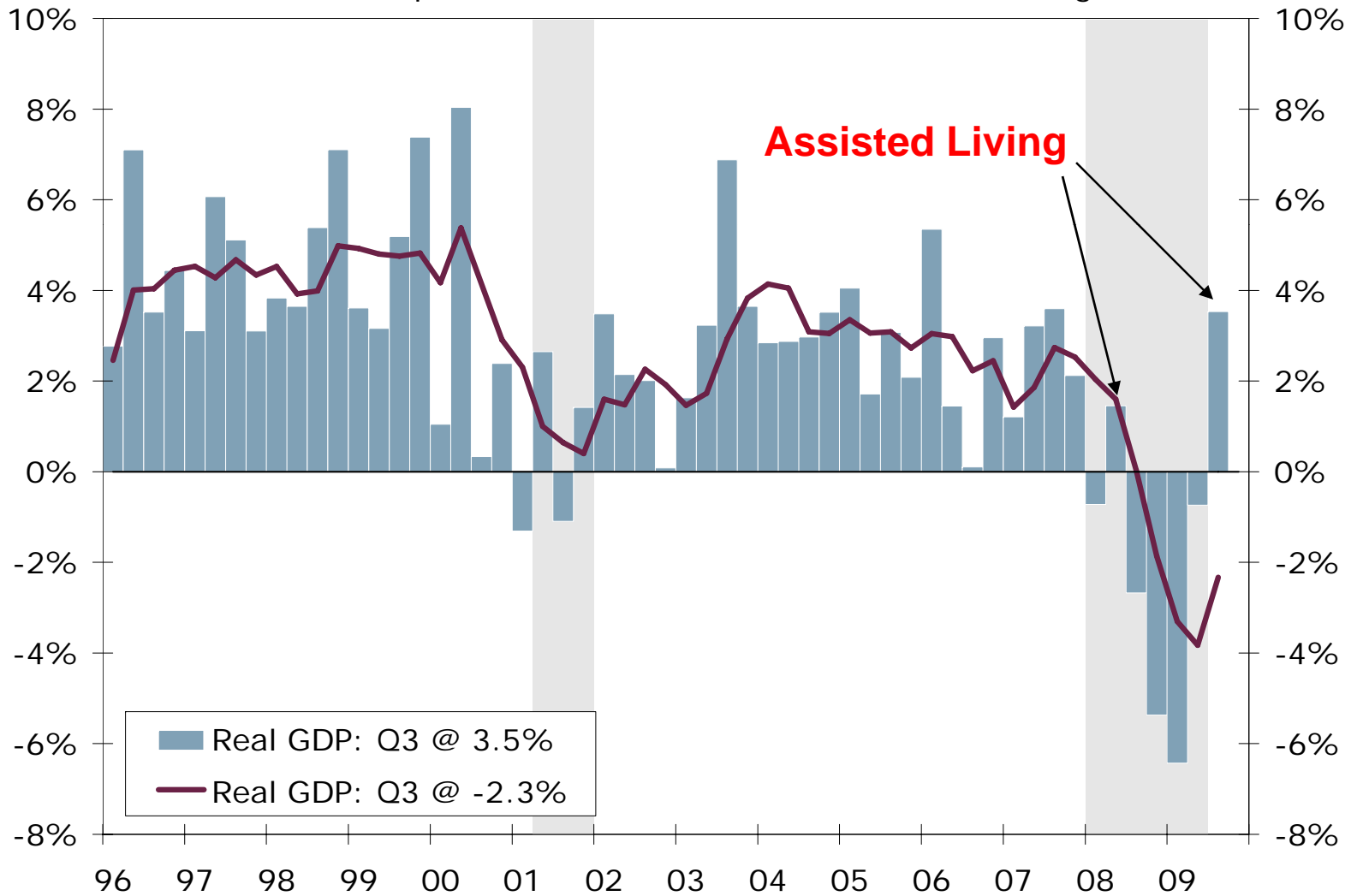
October 30th, 2009

Economic Growth



Real GDP

Bars = Compound Annual Rate Line = Yr/Yr % Change



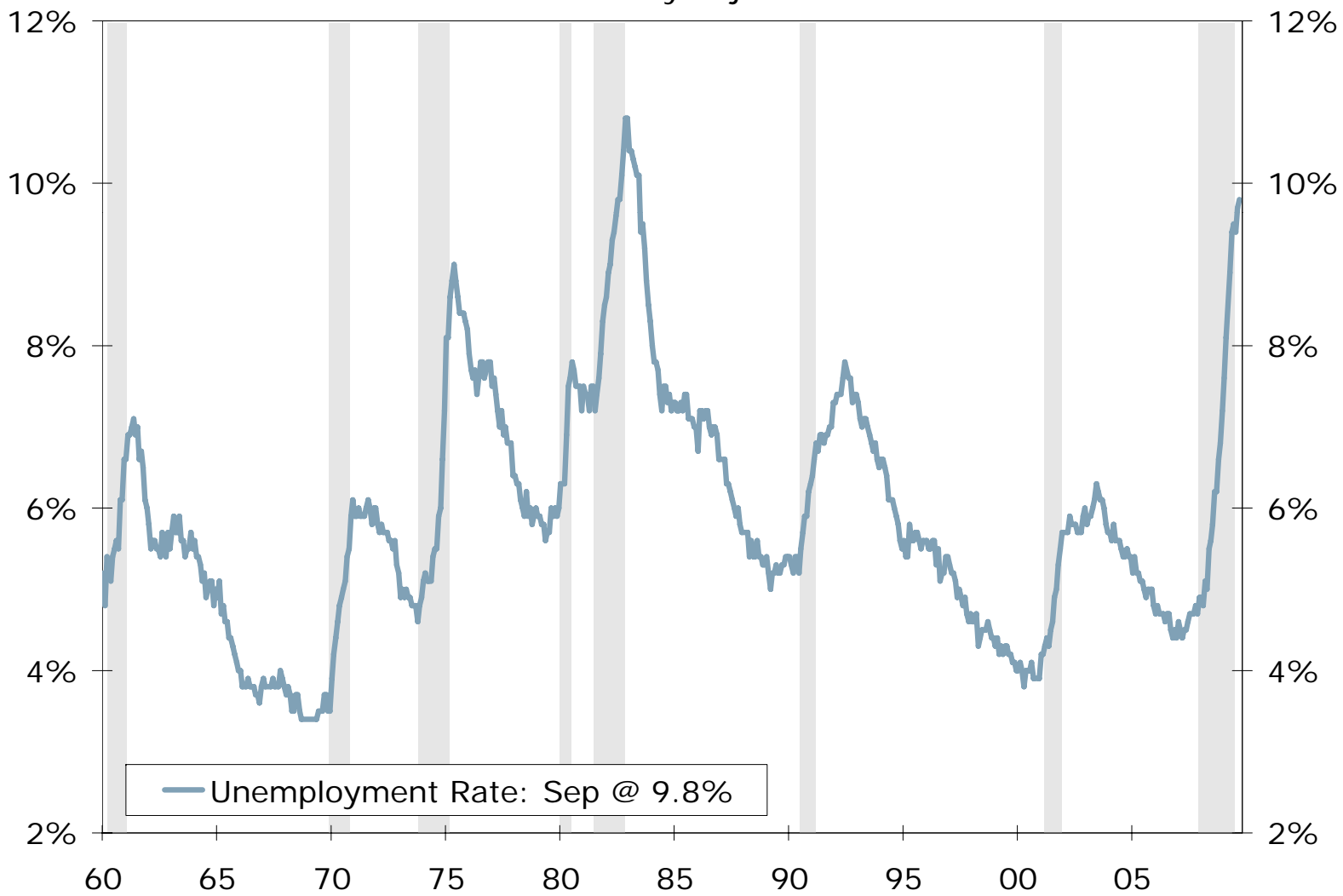
The Labor Market

***Unemployment is currently at
9.8%; in recession territory***



Unemployment Rate

Seasonally Adjusted





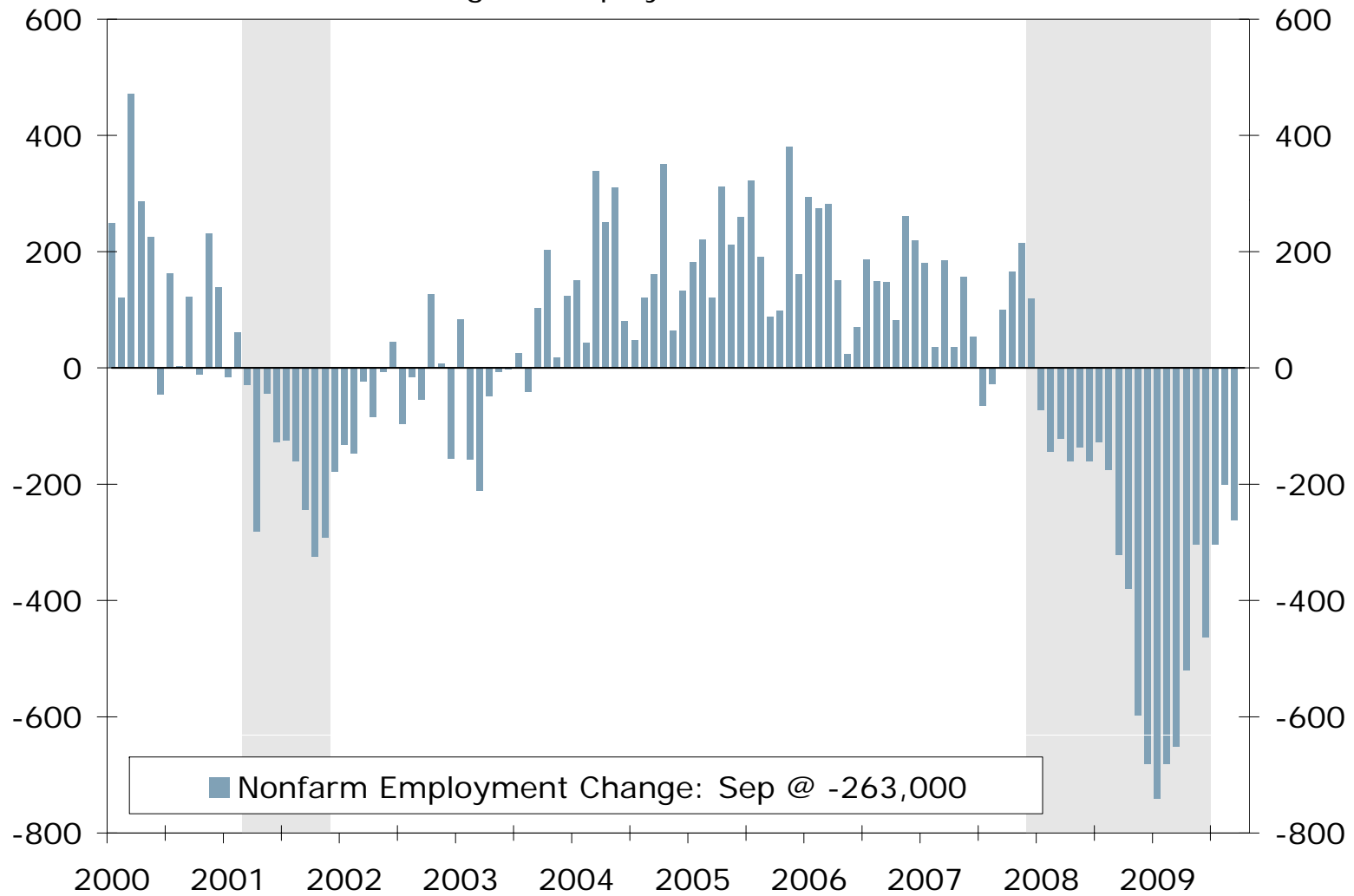
Initial Claims for Unemployment

Seasonally Adjusted, In Thousands



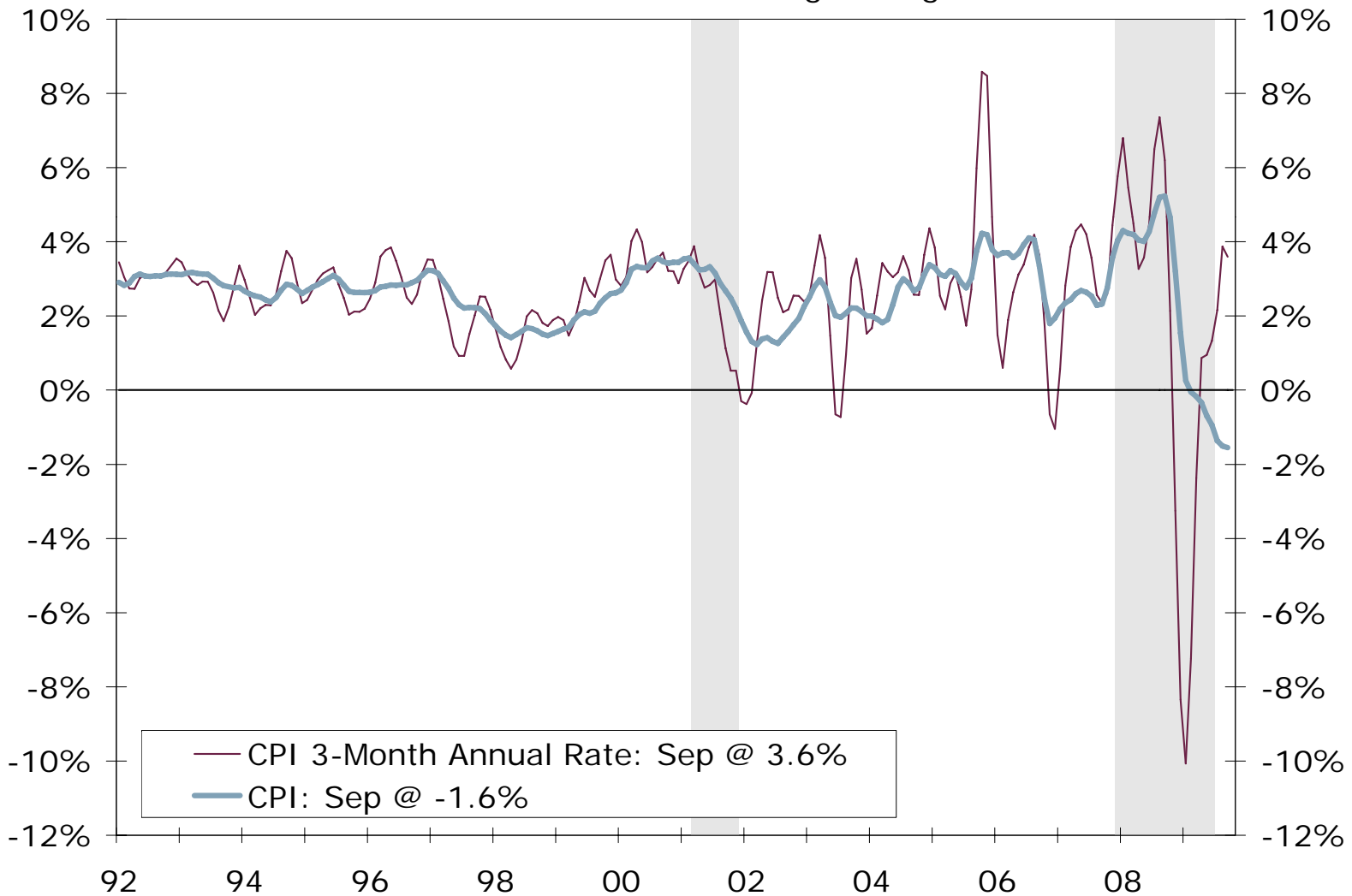
Nonfarm Employment Change

Change in Employment, In Thousands



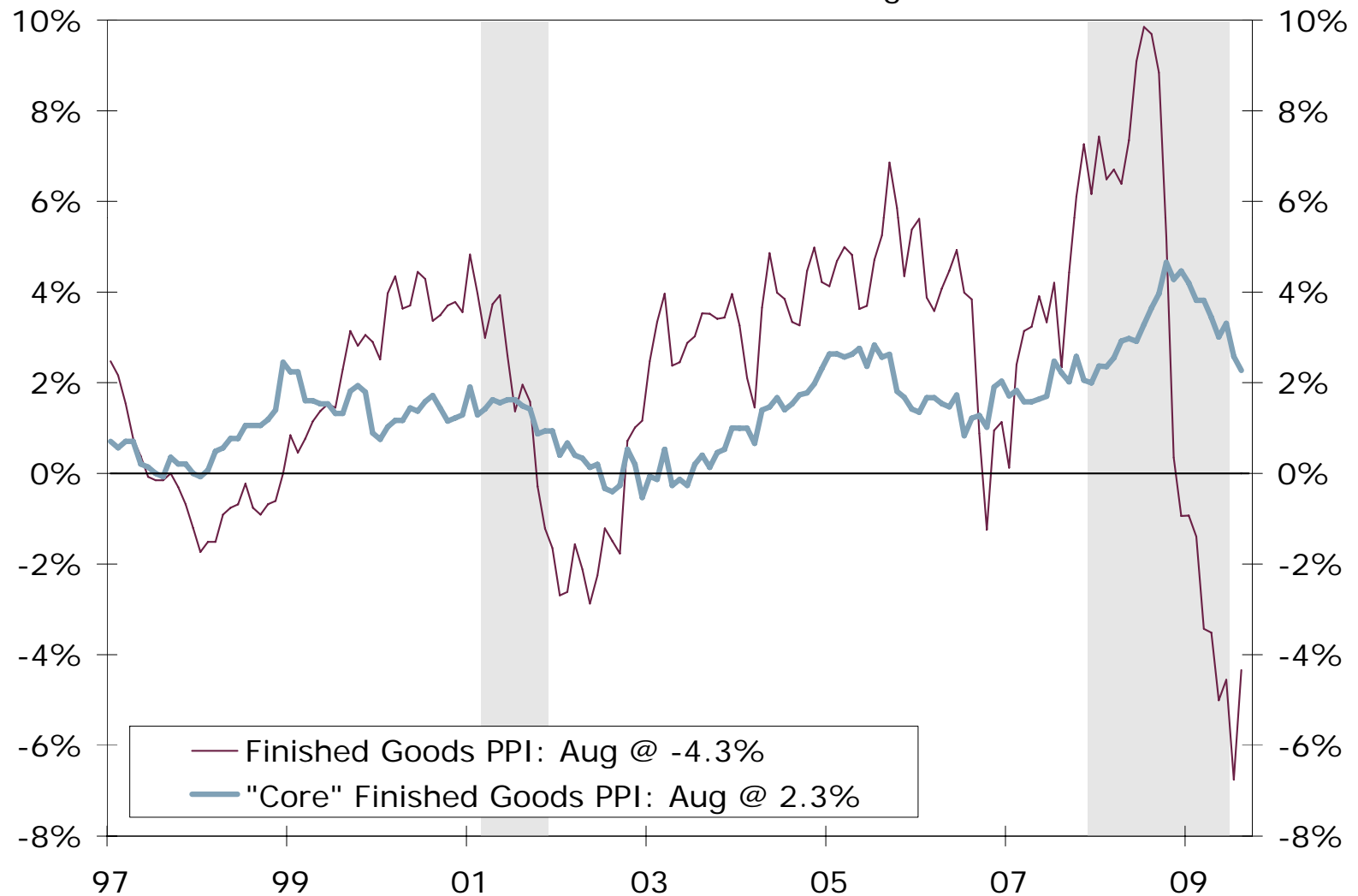
U.S. Consumer Price Index

Both Series are 3-Month Moving Averages



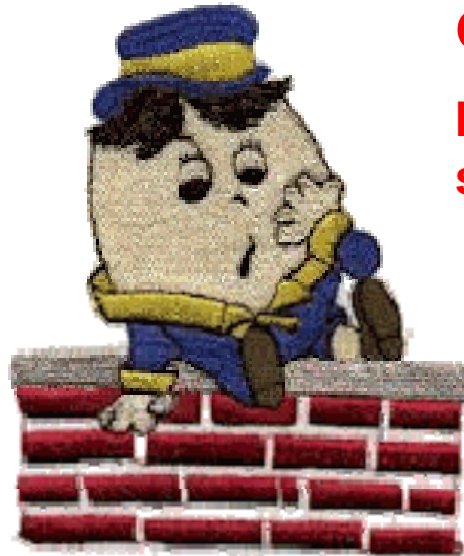
Finished Goods Producer Price Index

Year-over-Year Percent Change



The Humpty- Dumpty Economy

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On this side of the wall:

**Inflation & stagnation =
stagflation**

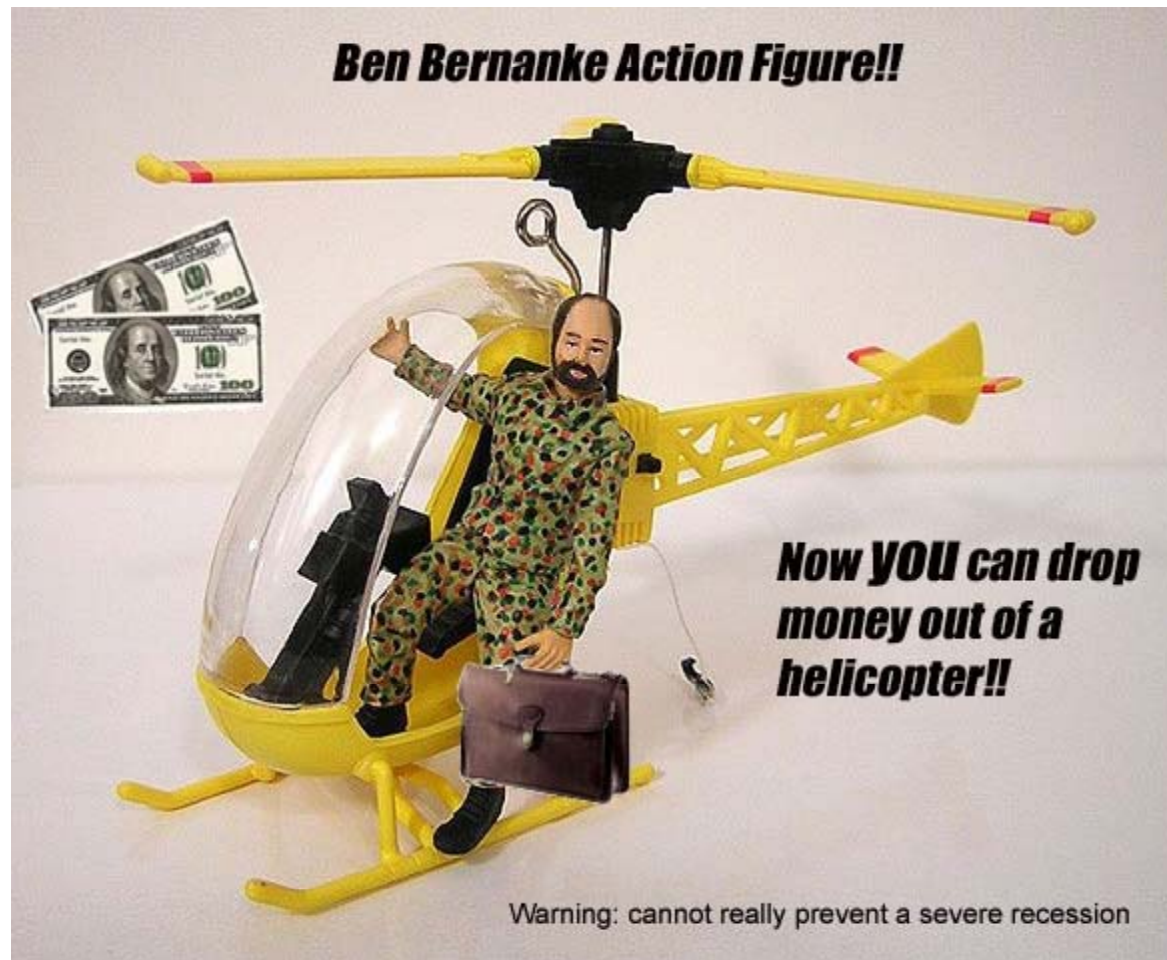
On this side of the wall:

**Japan-like & 1930's
depression**

**The U.S. Economy sat on a wall,
The U.S. Economy had a great fall.
All the king's Treasury-men,
And all the king's Federal Reserve-men,
Couldn't put The U.S. Economy together again.**

Helicopter Ben to the Rescue

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The Rescue Plan?

The Helicopter in Motion!



	Committed	Spent/Invested
New initiatives	\$126.7 billion	n/a
TARP total	\$700 billion	\$372.5 billion
Fed total	\$6.4 trillion	\$1.3 trillion
Stimulus total	\$1.2 trillion	\$476.7 billion
AIG total	\$182 billion	\$115.8 billion
FDIC total		\$35.9 billion
Other financial total	\$1.7 trillion	\$388.5 billion
Other housing total	\$745 billion	\$104.9 billion
Total	\$11 trillion	\$2.8 trillion

Form
EZ-CASH

**Application for the
Federal Bail Out Program, 2008-2009**

CMB No. 1545-0074



Dear Corporate Scion:

Thank you for your interest in the new, improved, Federal Bail Out Program. In order to facilitate this process, we've designed this short, one-page application. It's so simple, and easy to use that even Skadden Arps should bill no more \$2.7 million to review it. Upon completion, please return this form to the Department of the Treasury, c/o Hank Paulson, via fax, email, or Fed-Ex. And again, thanks for your interest in "US Taxpayer Cash."



Section One: Tell us a little something about yourself. (Please Print)

Your name:		Name of Company:	
What business are you in? <input type="checkbox"/> Automotive <input type="checkbox"/> Financial Services <input type="checkbox"/> Other (Not Sure)			
Number of employees: _____	Your annual compensation: \$ _____ <small>(Please round to the nearest \$10 million)</small>	Most recent closing stock price: \$ _____ Year high/year low: \$ _____ \$ _____	
Is your company presently bankrupt? <input type="checkbox"/> Yes <input type="checkbox"/> No	Is bankruptcy an option? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Are you kidding me?	Number of Years, Months, (or weeks) you've held your current position:	

Section Two: Tell us a little something about your finances. (Please Print)

So, like, how much money do you need? *(Please round off to the nearest Billion.)* \$ _____

Do you have a business plan for spending this money? Yes. No. Let me get back to you on that.

In the unlikely event we don't approve this transaction, please tick-off the box that best describes the consequences for the American economy: Dire. Catastrophic. Apocalyptic. Frogs and Fish will rain from the sky, and it will be the end of America as we know it.

Section Three: Tell us a little more about your business/industry. (Please tick-off best description)

- Hey! We're GM! We've made products people don't want to buy, made sure that it's a miserable experience to buy them, and now we want the US people to pay for arrogance and ineptitude. But we're trying. Besides, it's all Toyota's fault.
- We're Chrysler. Our products aren't bad. But in our CEO Bob Nardelli's previous job, he ran Home Depot into the ground.
- We're a bank or a financial institution. We knew we shouldn't have been making all those idiot loans, but – hey - what the hell - we had the bonus pool to think of.
- We're in some other business. But we the way we figure it, free money is free money, right?

Section Four: Administrivia – the legal stuff.

Once your funds are approved, please indicate how you would like to receive them:

- No worries. I'll just drop by and pick 'em up with my Gulfstream.
- Unmarked bills, non-consecutively numbered. There'll be getaway car waiting outside the Treasury Dept.
- Just wire the funds to our LLC, c/o Bank Suisse, the Grand Cayman Islands.
- Write a check directly to the Four Seasons Resort and Spa Complex, Laguna Hills, CA. attention "Charlene."

Your signature:	Date:	Presidential Election Campaign Fund: Please check here if you would like \$3.00 of your bail out money to go to this fund. <input type="checkbox"/>
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Section One: Tell us a little something about yourself. (Please Print)

Your name:

Name of Company:

What business are you in? Automotive Financial Services Other (Not Sure)

Number of employees: _____

Your annual compensation: \$ _____
(Please round to the nearest \$10 million)

Most recent closing stock price: \$ _____
Year high/year low: \$ _____ \$ _____

Is your company presently bankrupt?
 Yes No

Is bankruptcy an option?
 Yes No Are you kidding me?

Number of Years, Months, (or weeks) you've held your current position:

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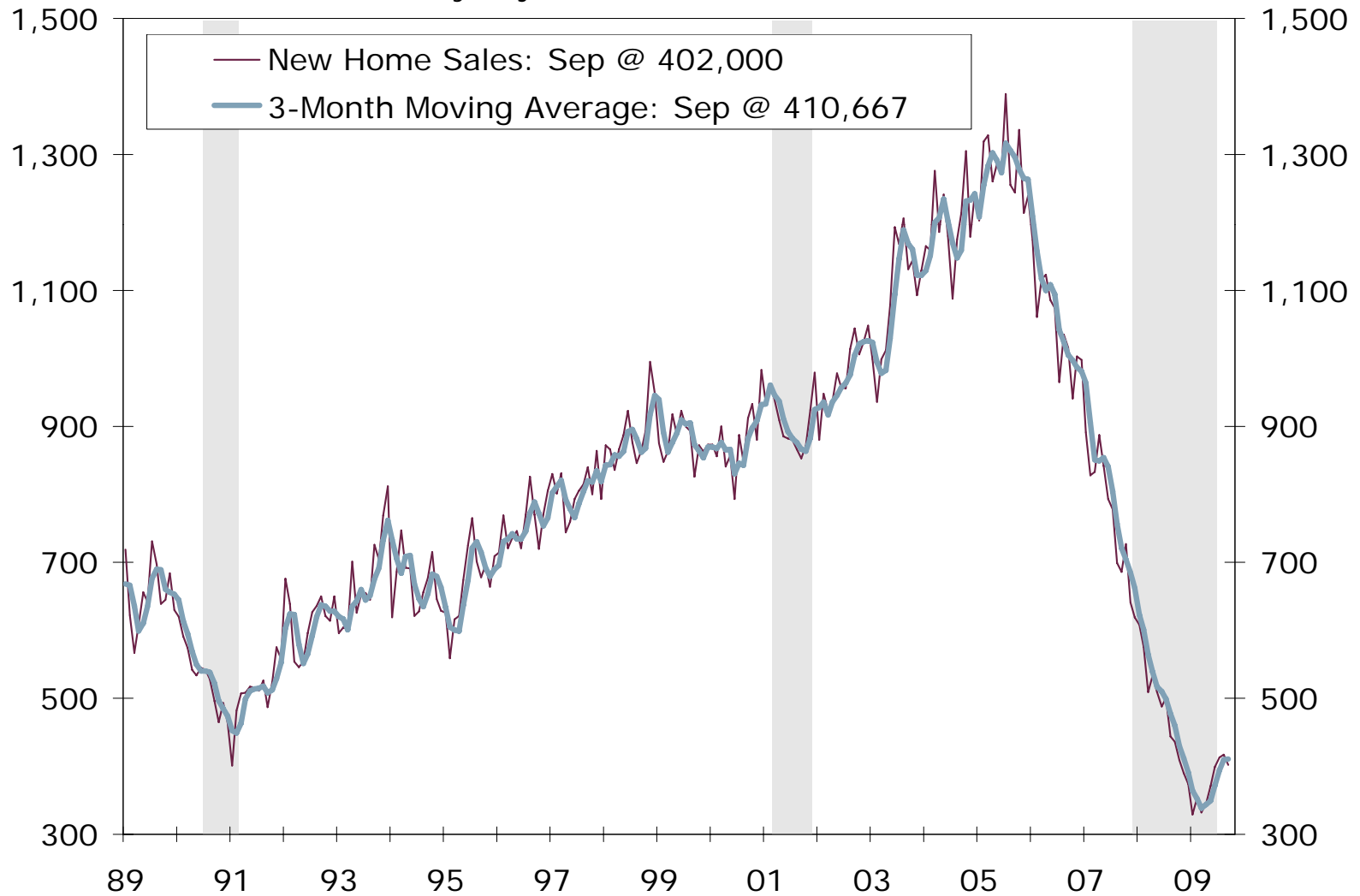
The state of the economy

The Housing Market!



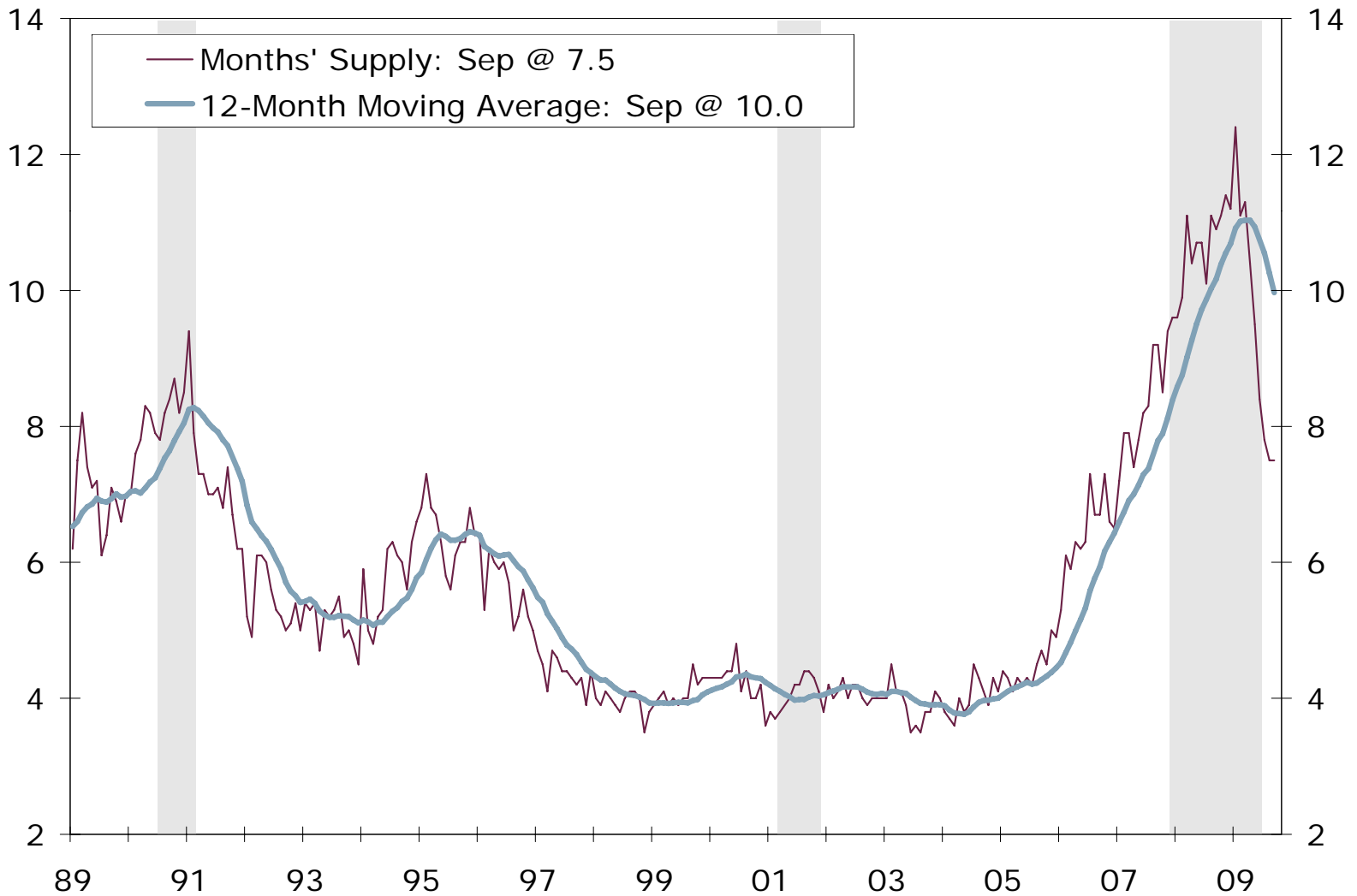
New Home Sales

Seasonally Adjusted Annual Rate - In Thousands



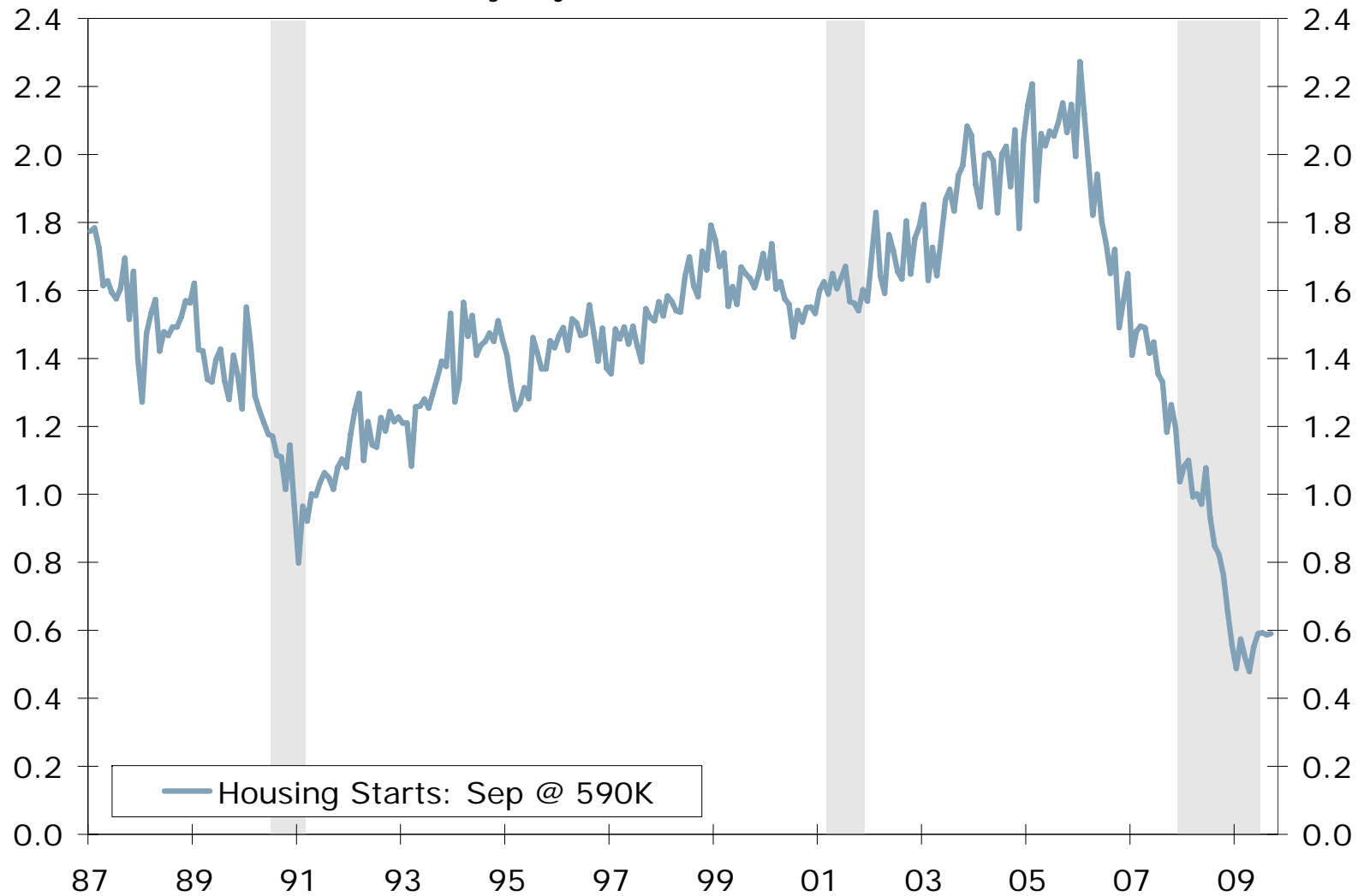
Inventory of New Homes for Sale

Months of New Homes For Sale at Current Sales Rate



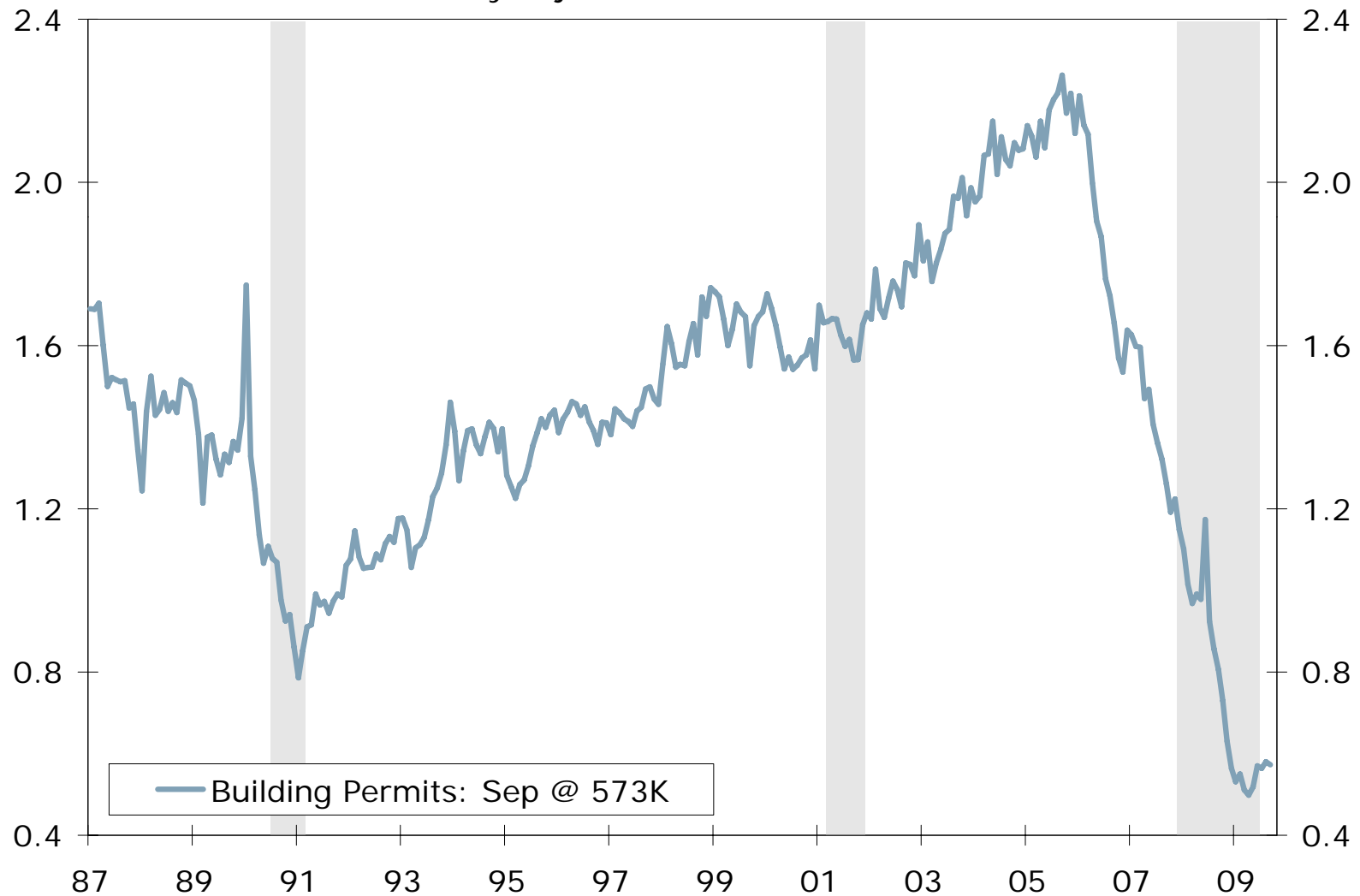
Housing Starts

Seasonally Adjusted Annual Rate, In Millions



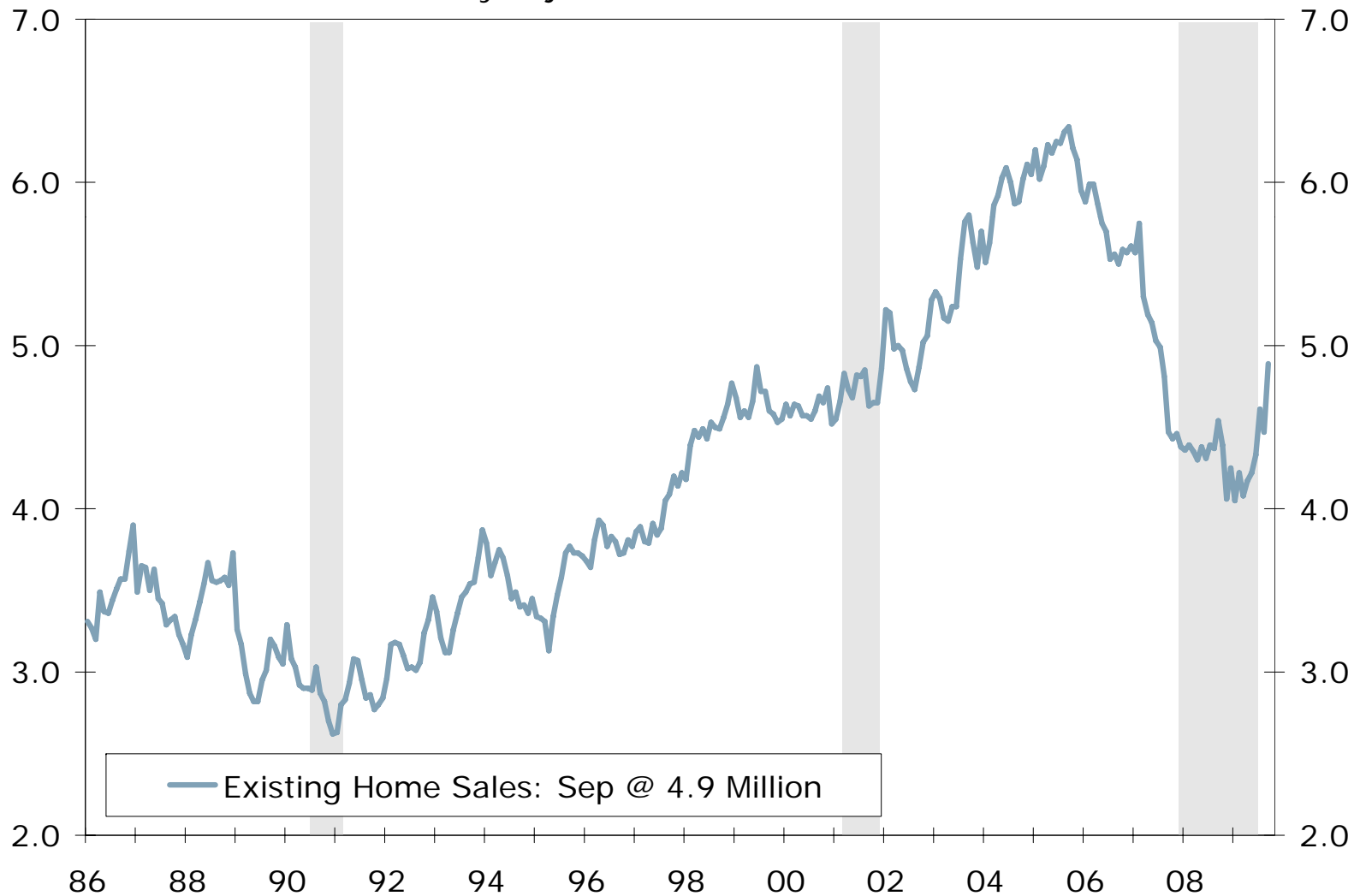
Building Permits

Seasonally Adjusted Annual Rate, In Millions



Existing Single-Family Home Resales

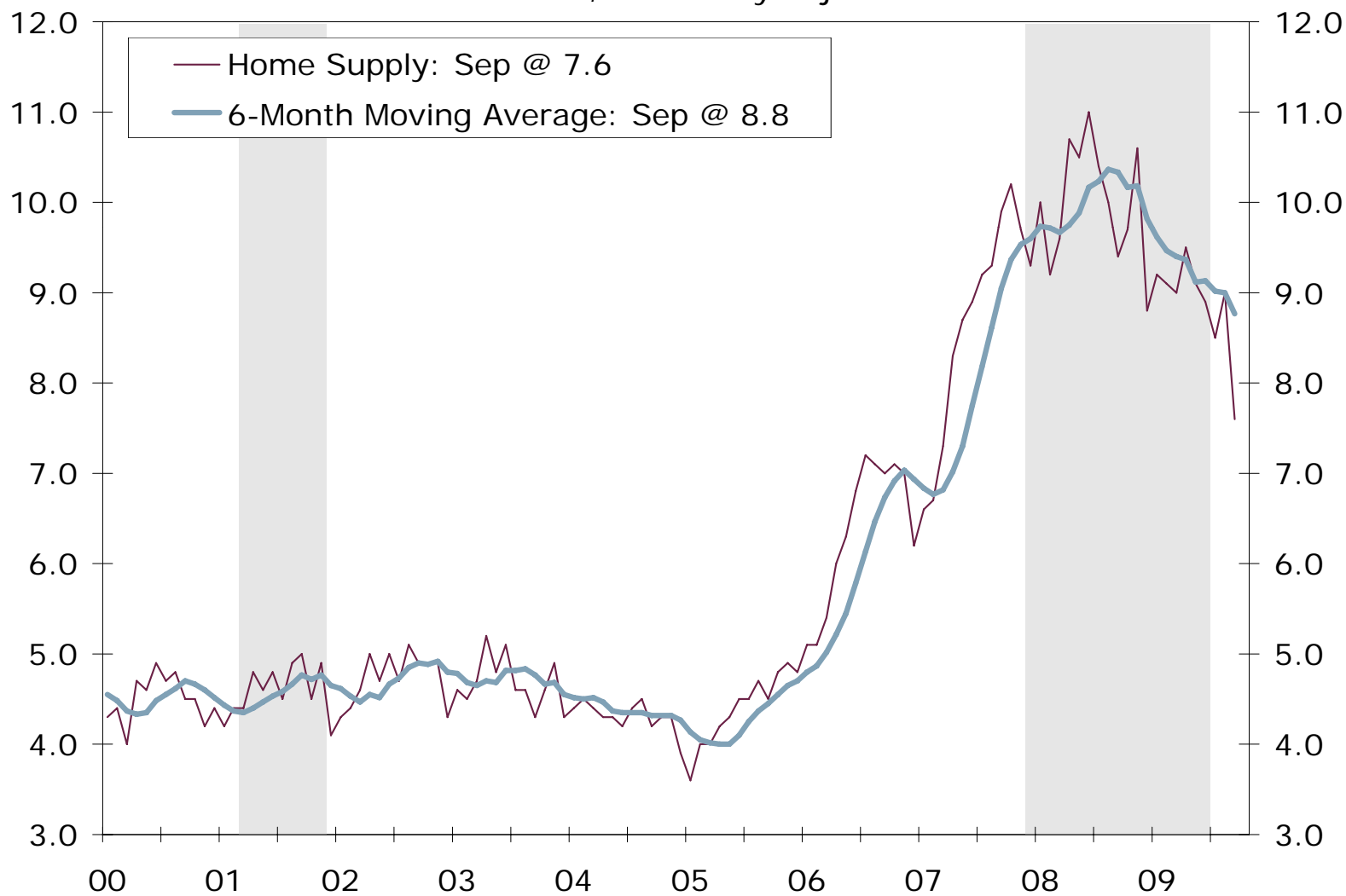
Seasonally Adjusted Annual Rate - In Millions





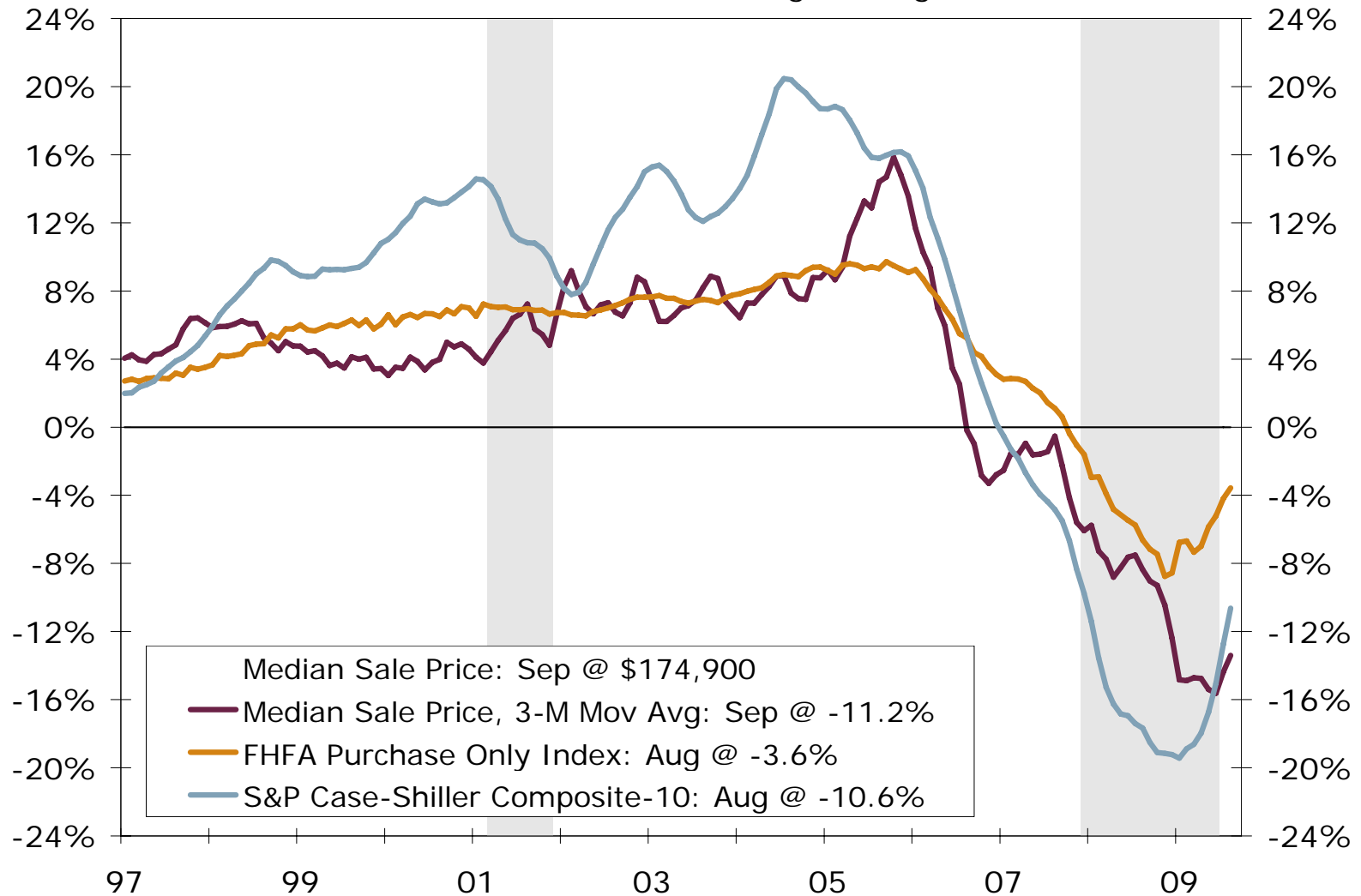
Existing Single-Family Home Supply

In Months, Seasonally Adjusted



Home Prices

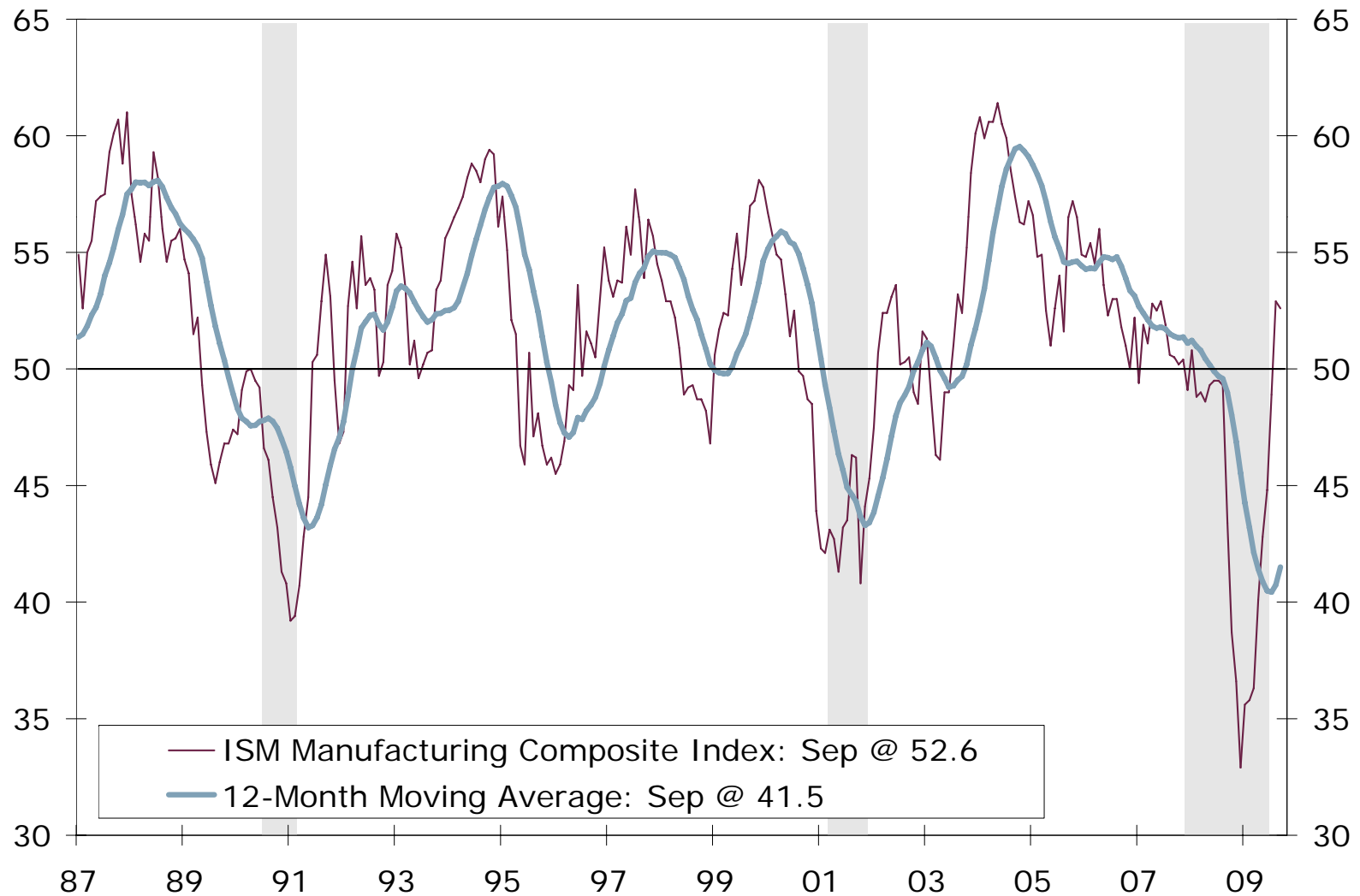
Year-over-Year Percentage Change



The Rest of the Economy

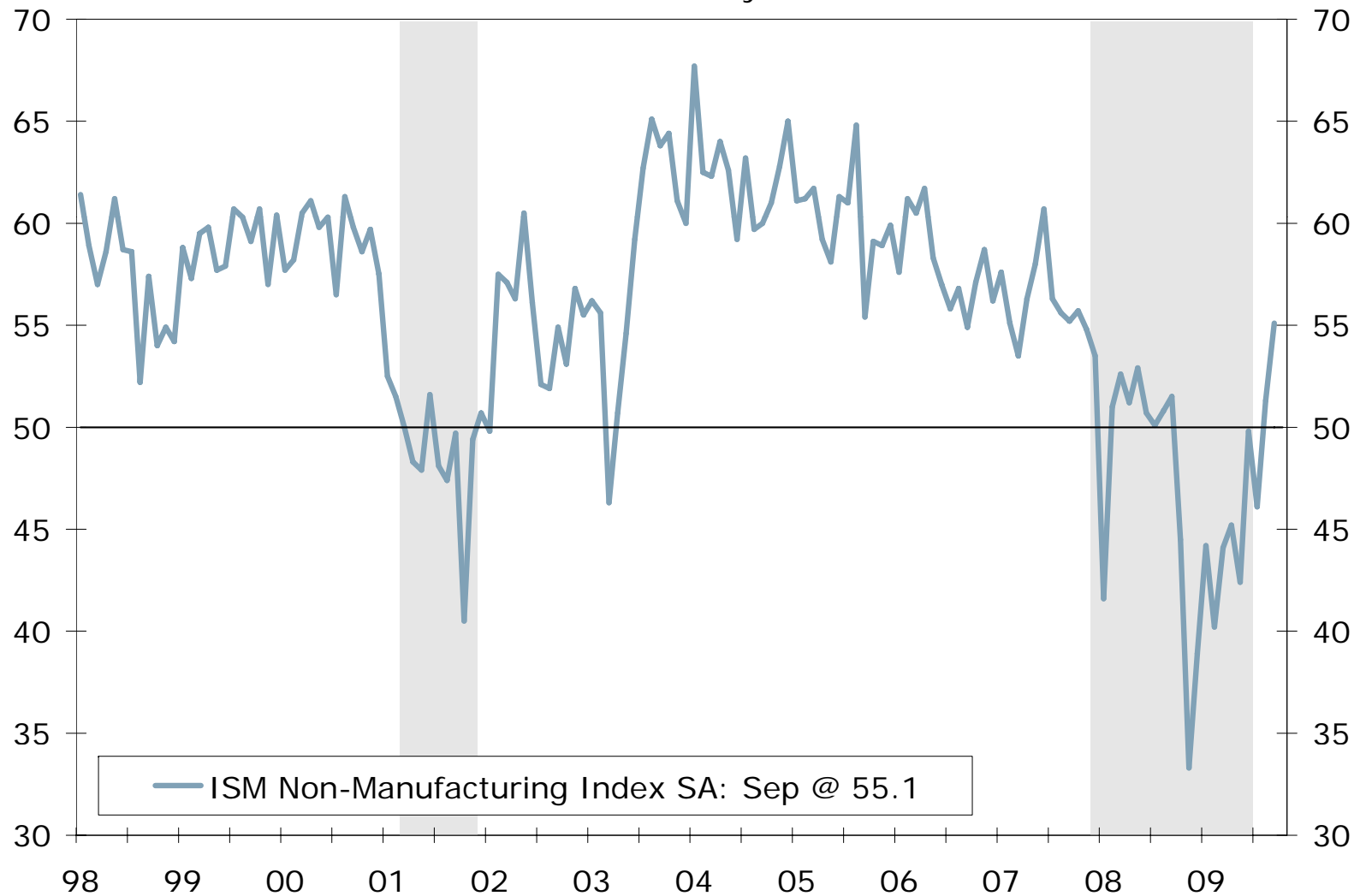
ISM Manufacturing Composite Index

Diffusion Index



ISM Non-Manufacturing Index

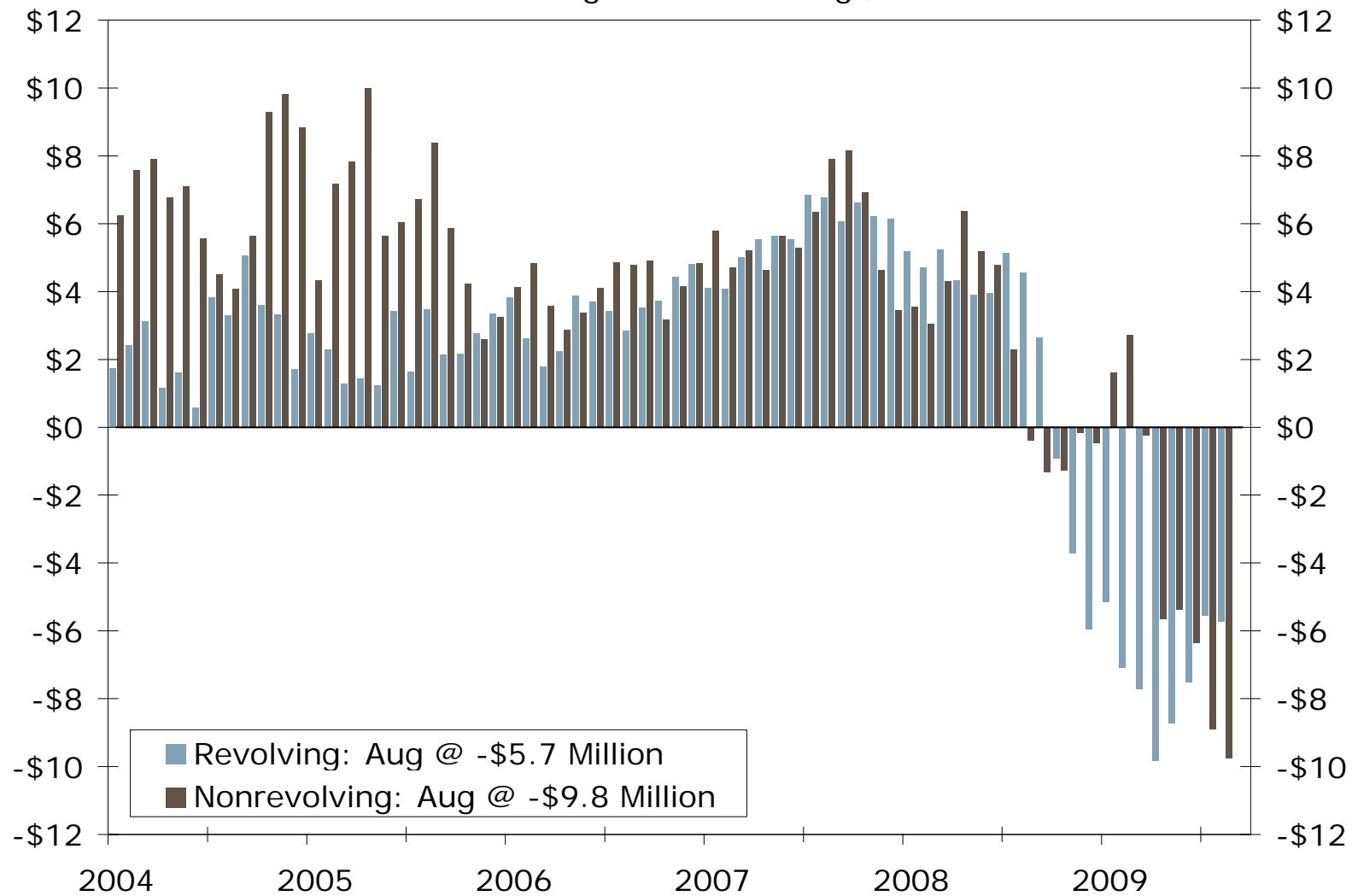
Business Activity Index



The Consumer

Revolving & Nonrevolving Debt

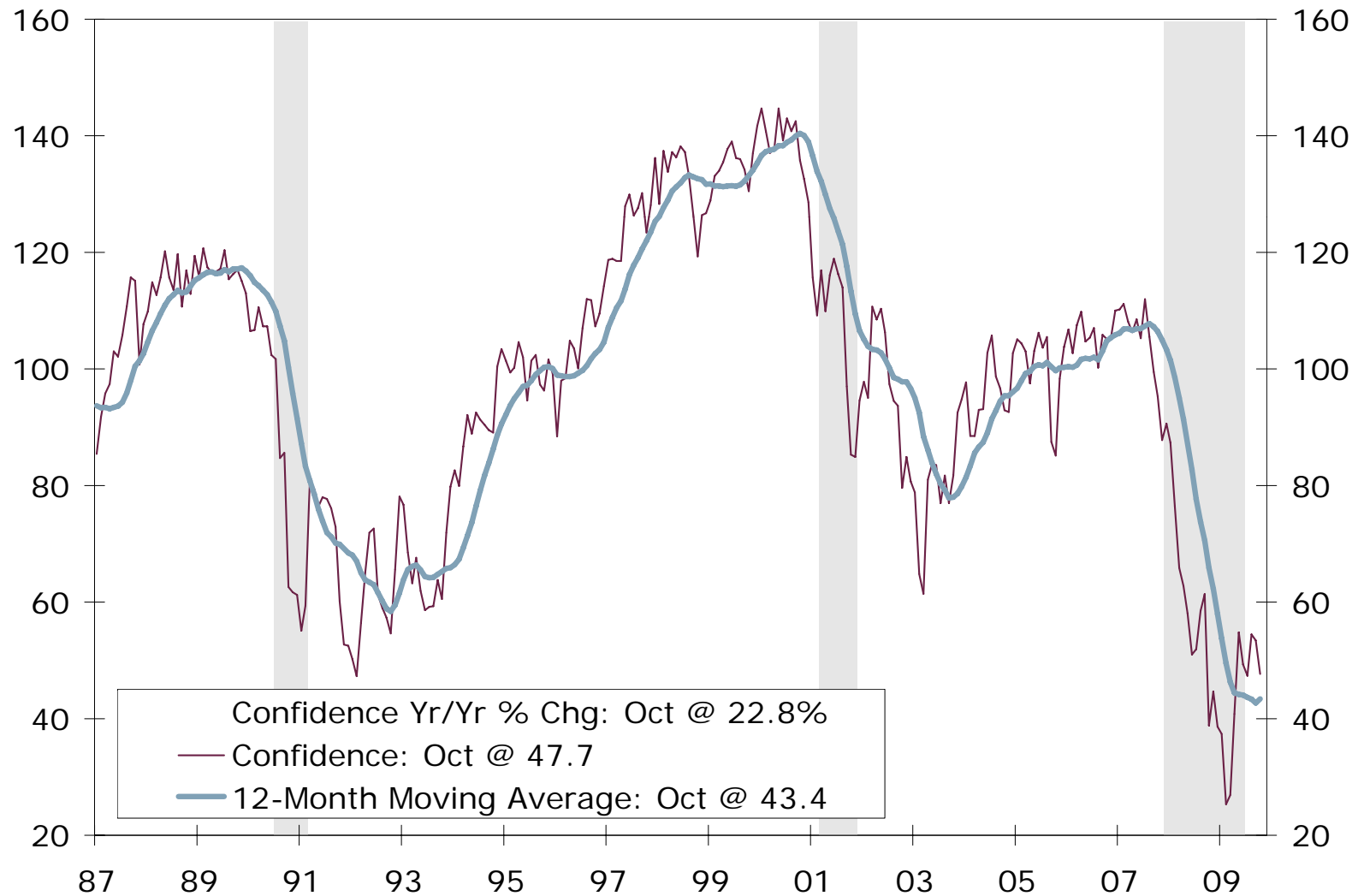
Month-over-Month Change; 3-M Mov. Avg., Millions of Dollars





Consumer Confidence Index

Conference Board



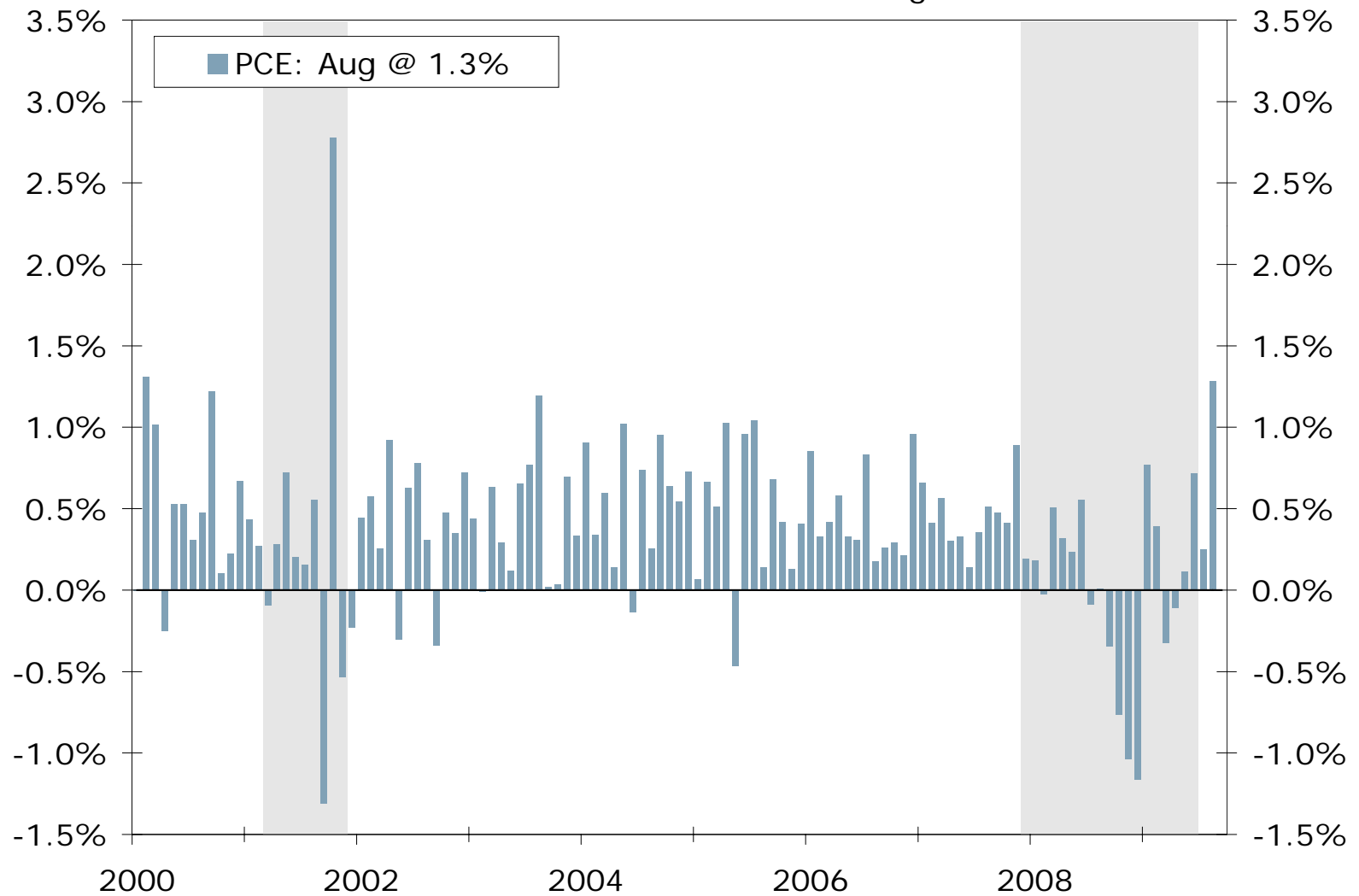
Personal Income

Month-over-Month Percent Change



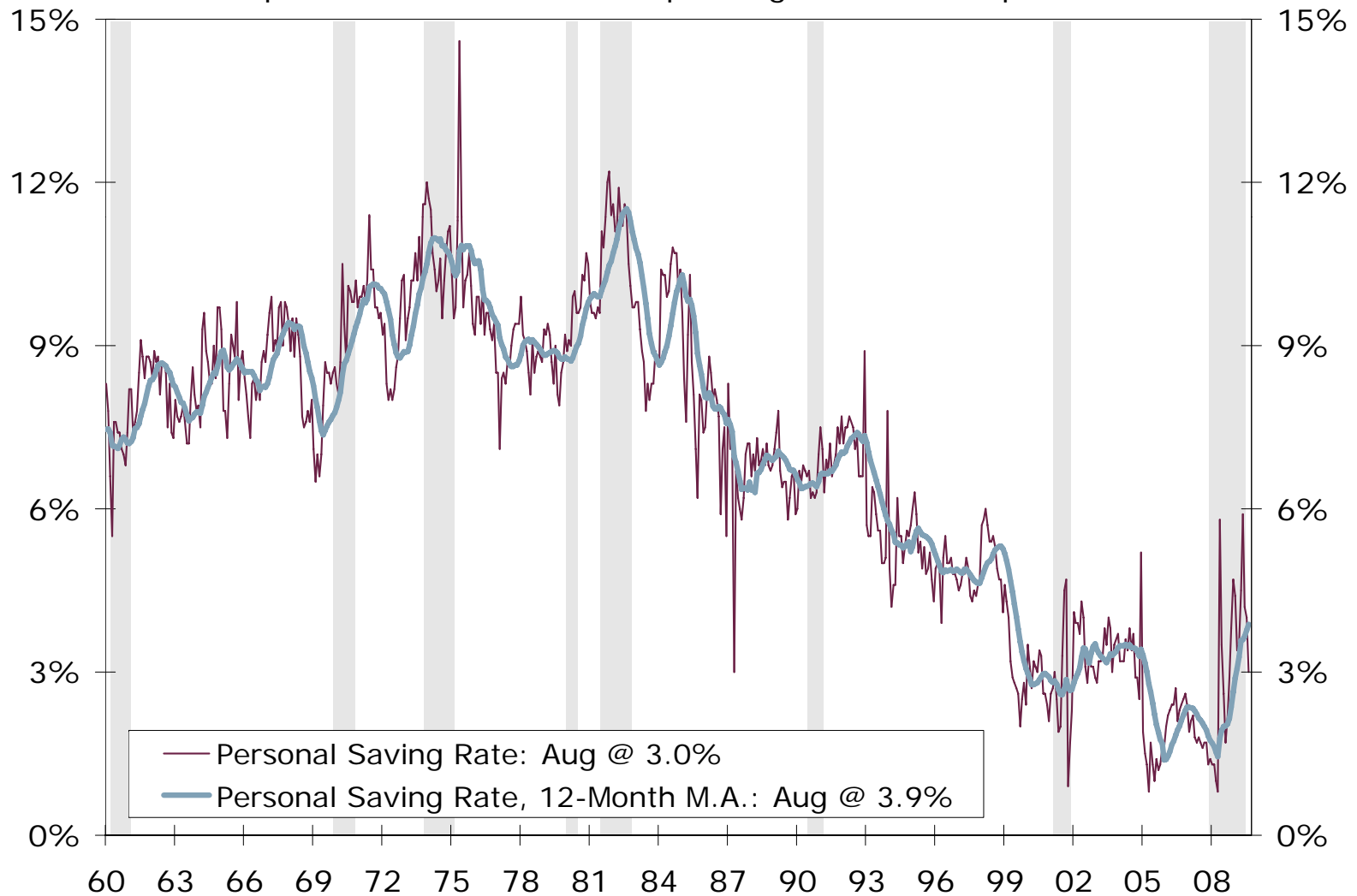
Personal Consumption Expenditures

Month-over-Month Percent Change



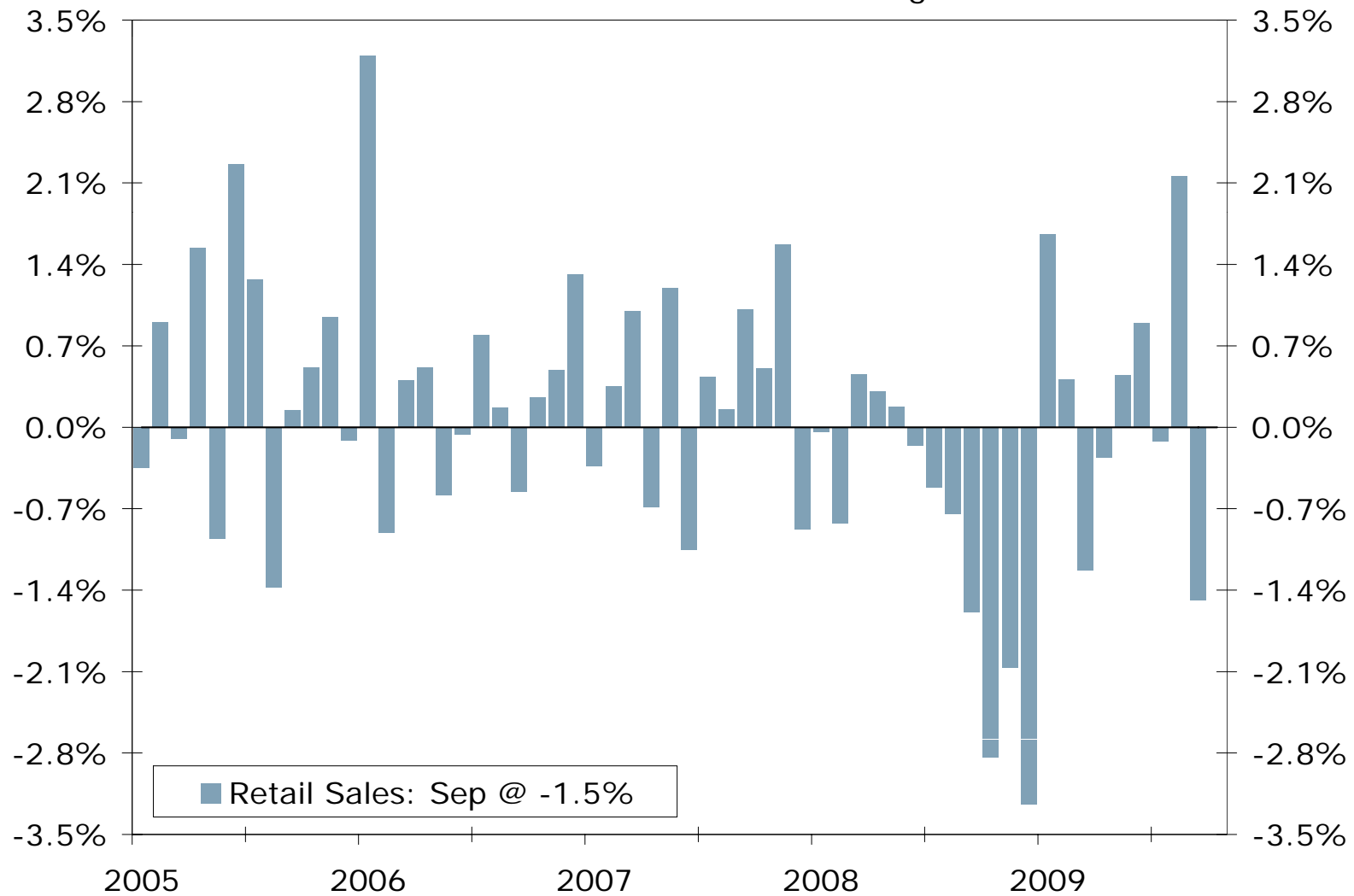
Personal Saving Rate

Disp. Personal Income Less Spending as a % of Disp. Income



Retail Sales

Month-over-Month Percent Change

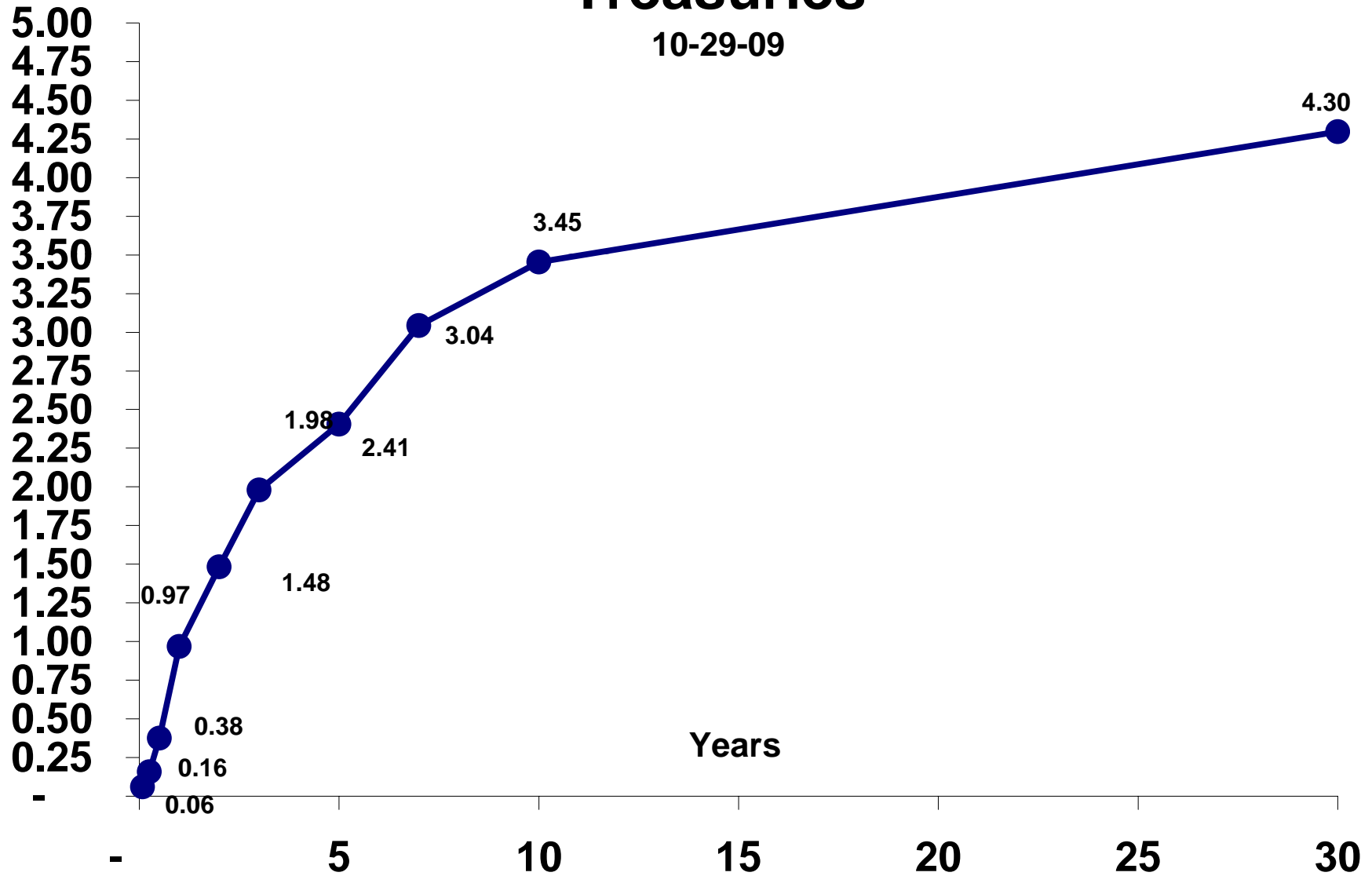


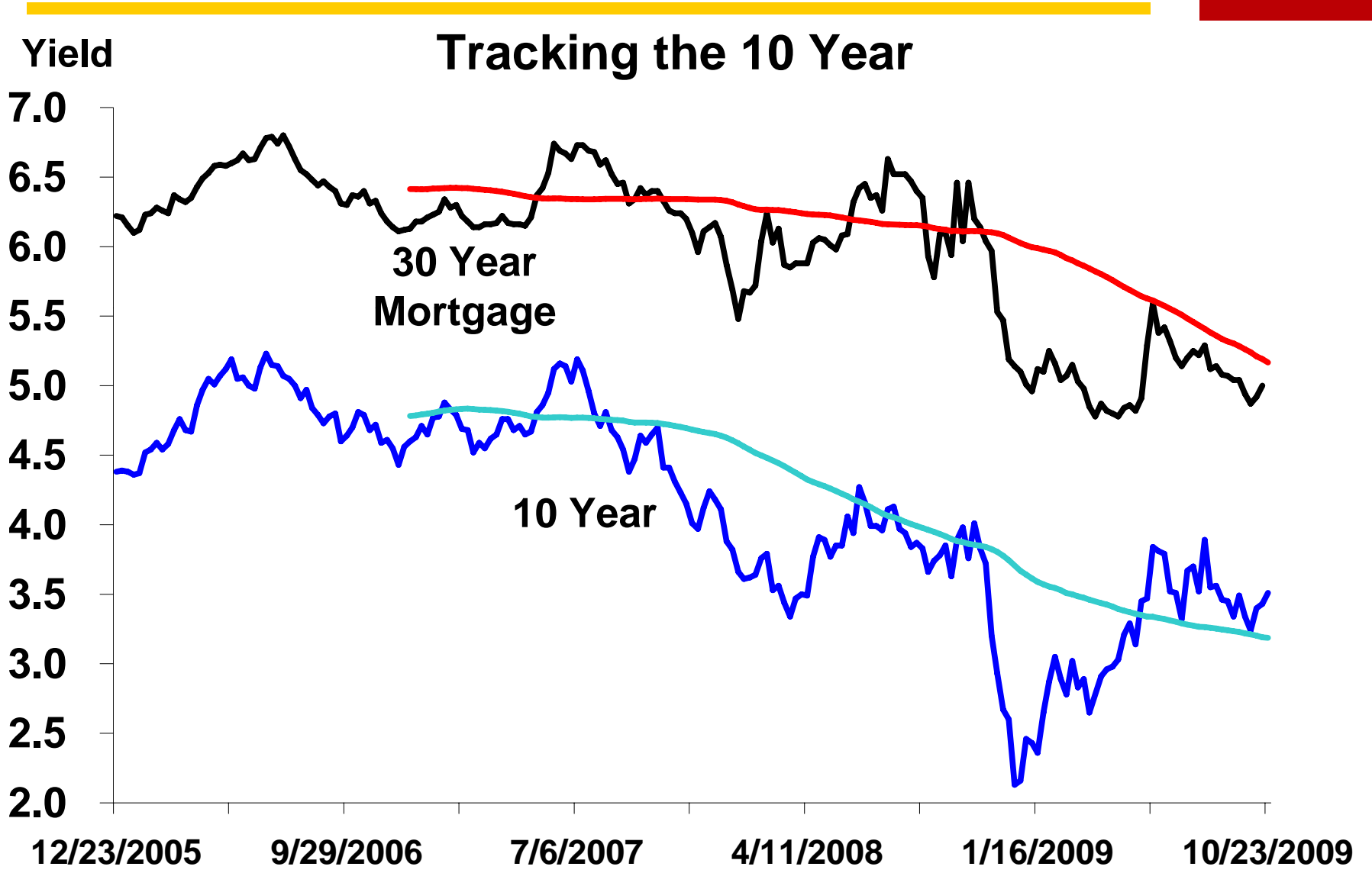
The Financial Market



Treasuries

10-29-09



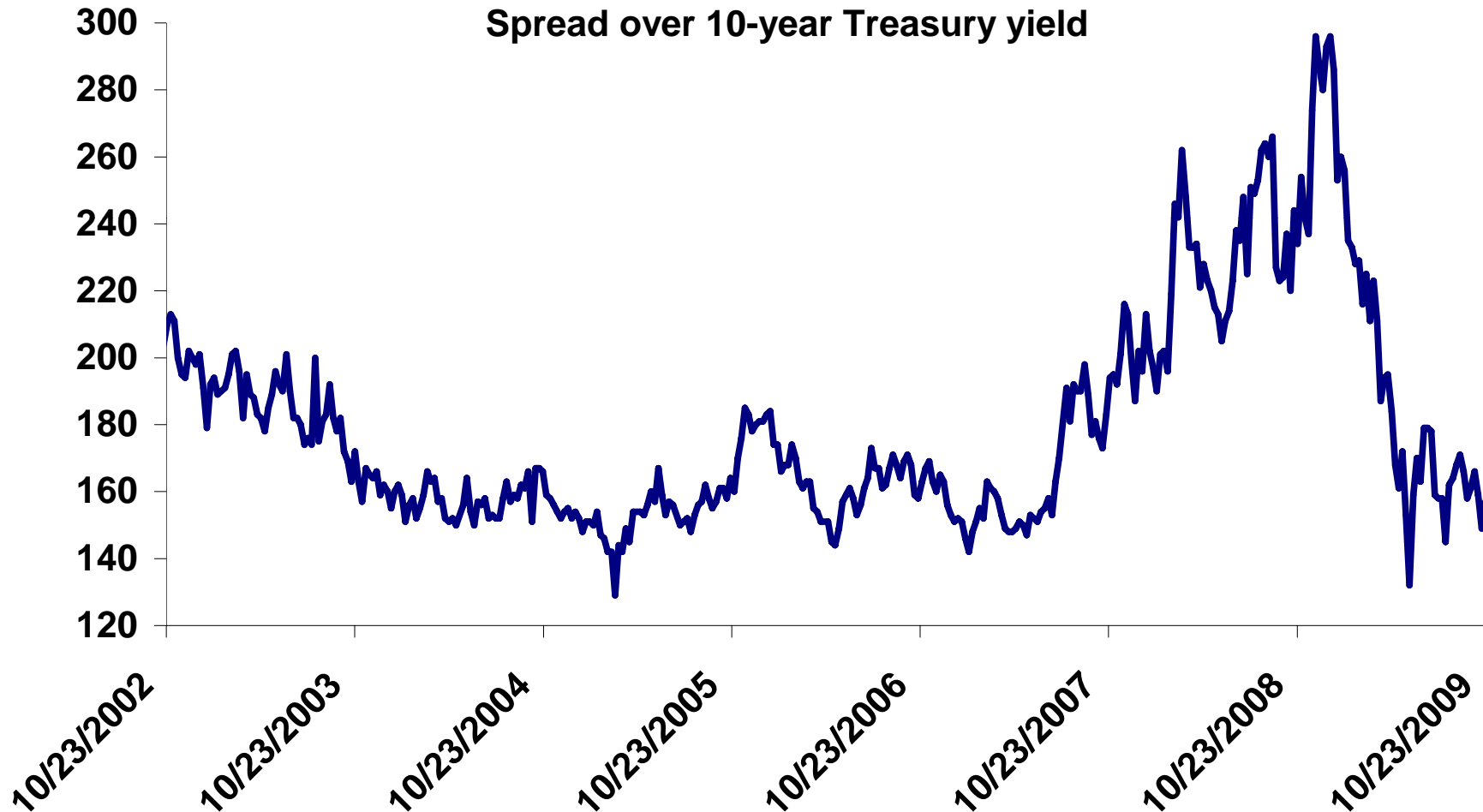


Source: Federal Reserve, Freddie Mac

Basis
points

30-Year Mortgage vs. 10-Year Treasury

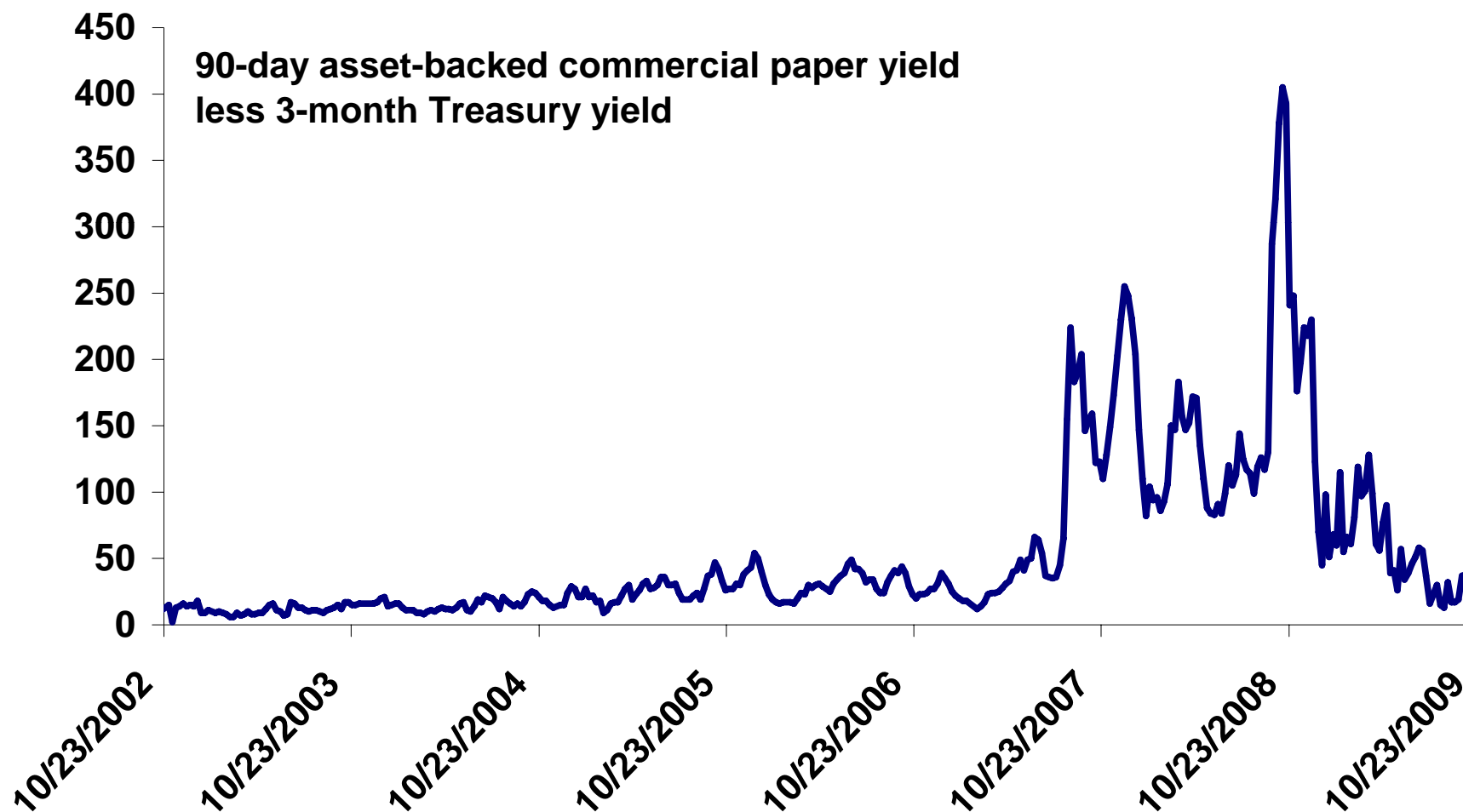
Spread over 10-year Treasury yield



Source: Federal Reserve; Freddie

Commercial Paper Spread

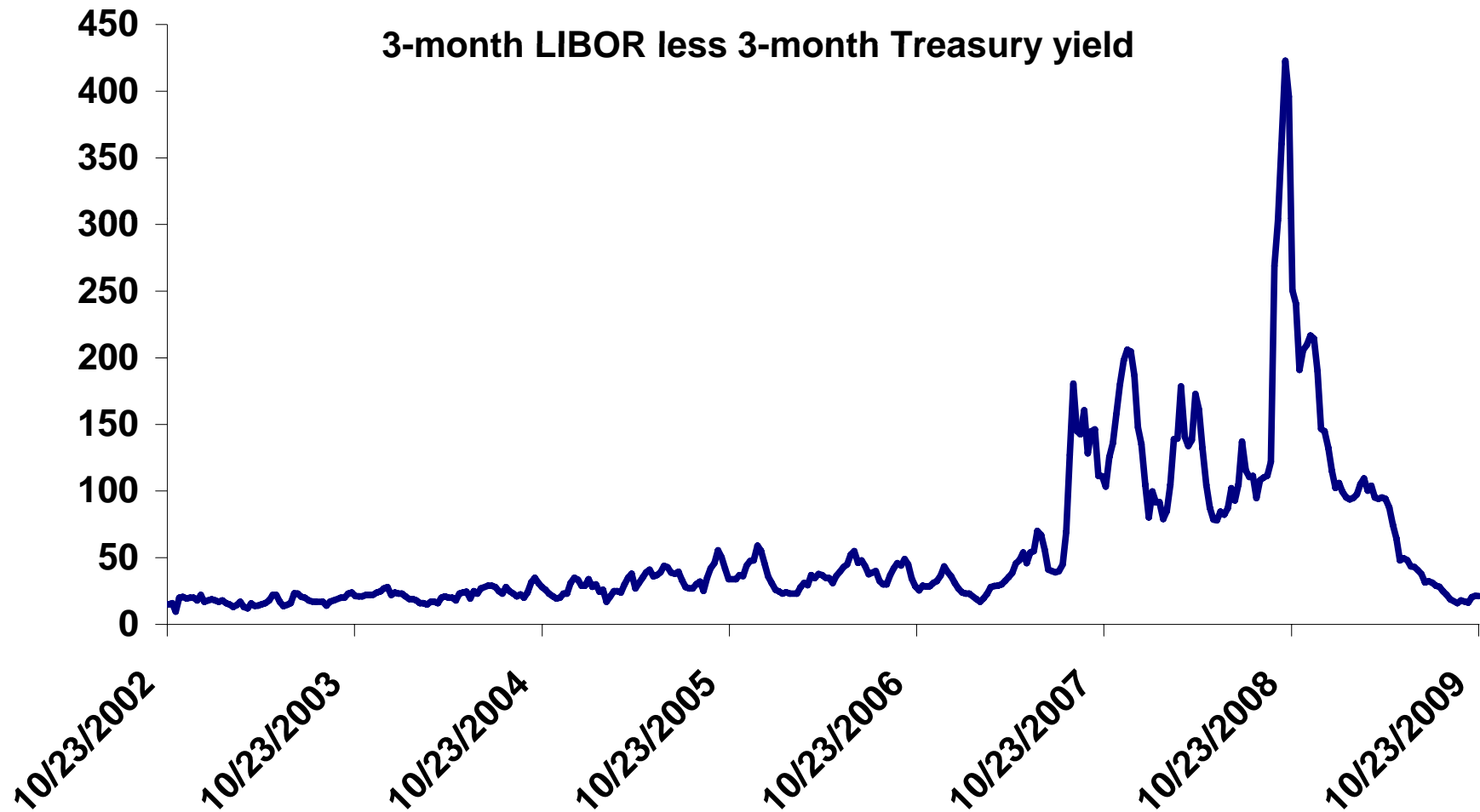
Basis points



Source: Bloomberg

LIBOR Spread

Basis points

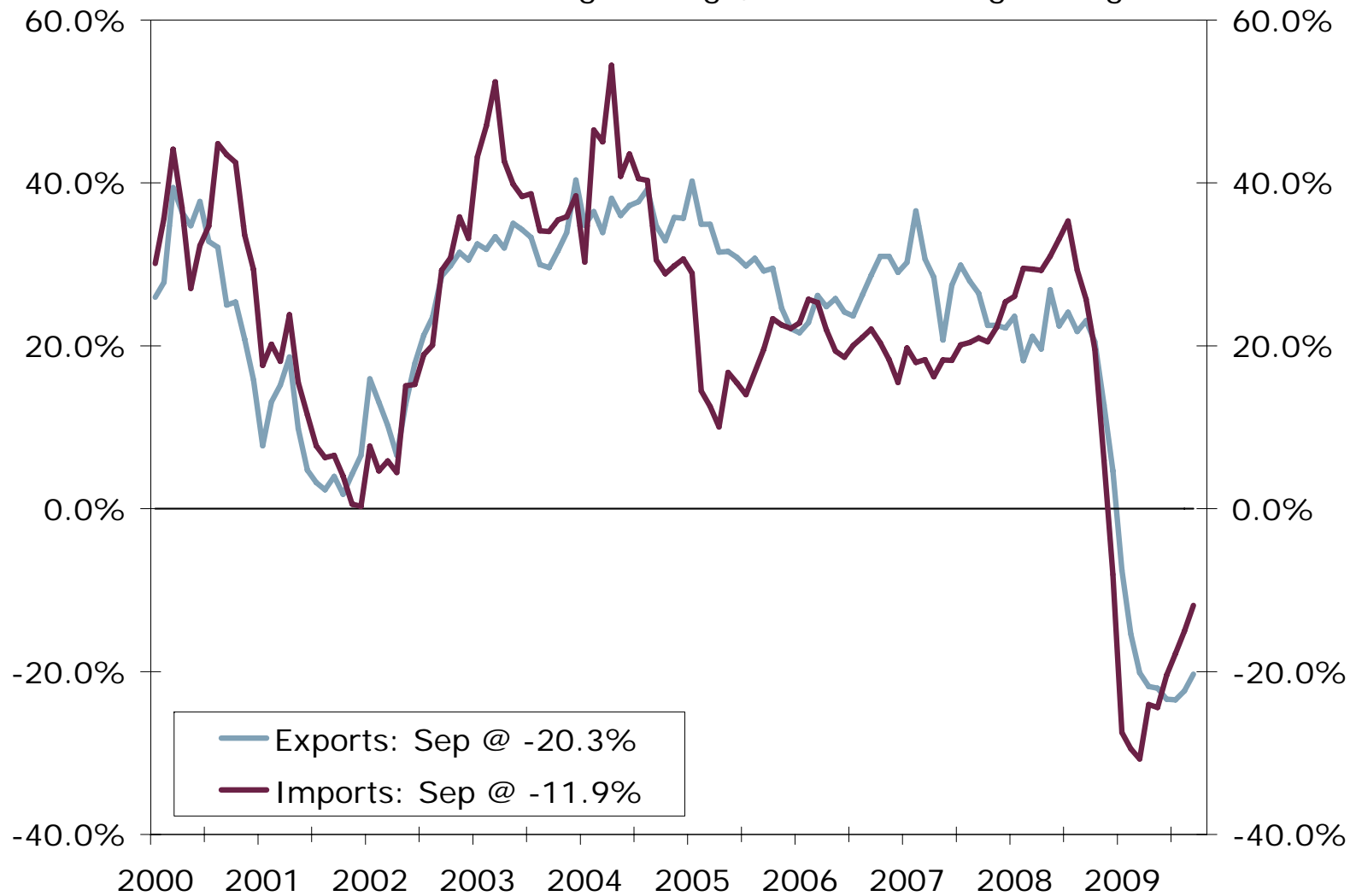


Source: Bloomberg

The Rest of the World

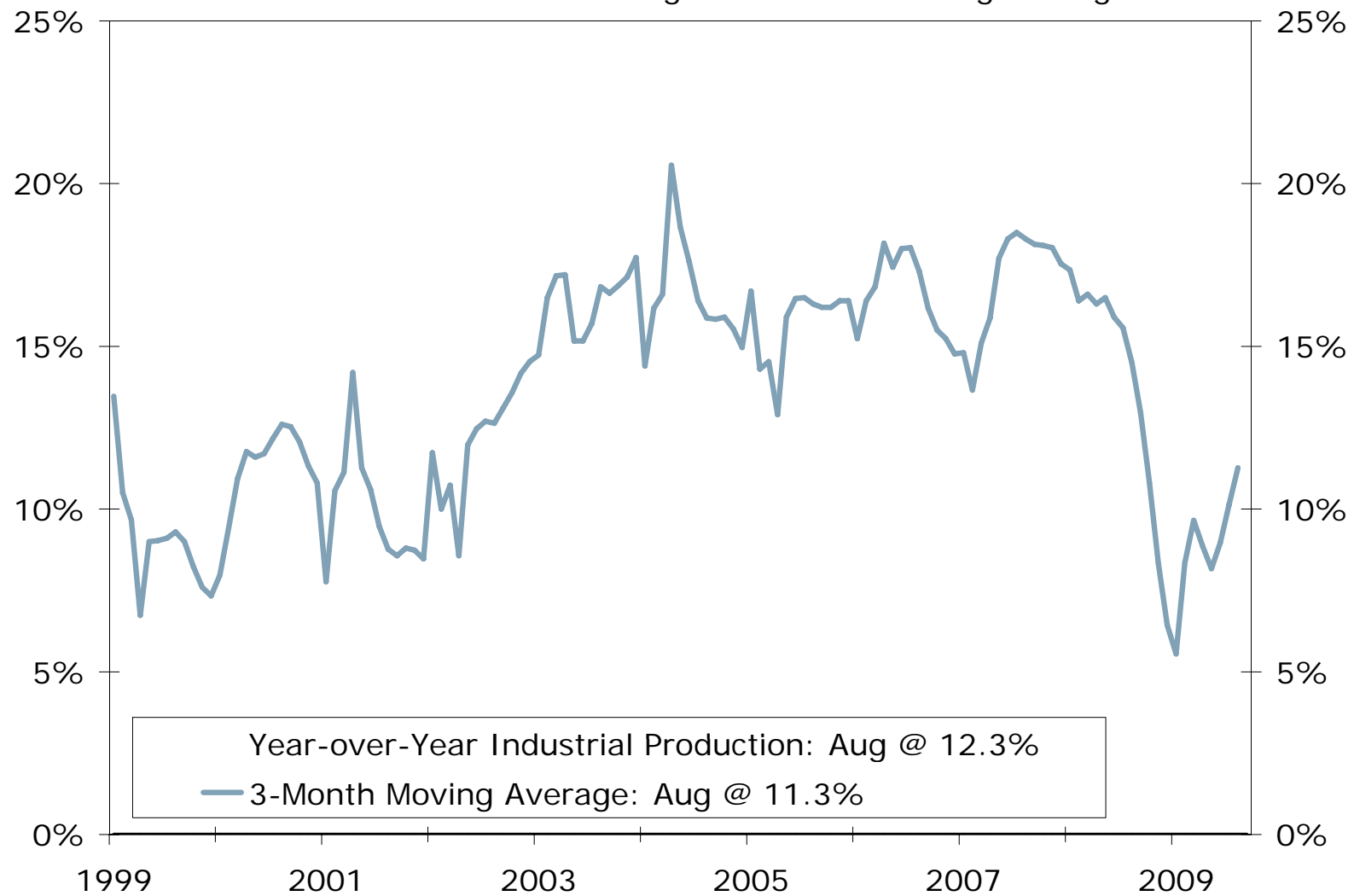
Chinese Trade

Year-over-Year Percentage Change, 3-Month Moving Average

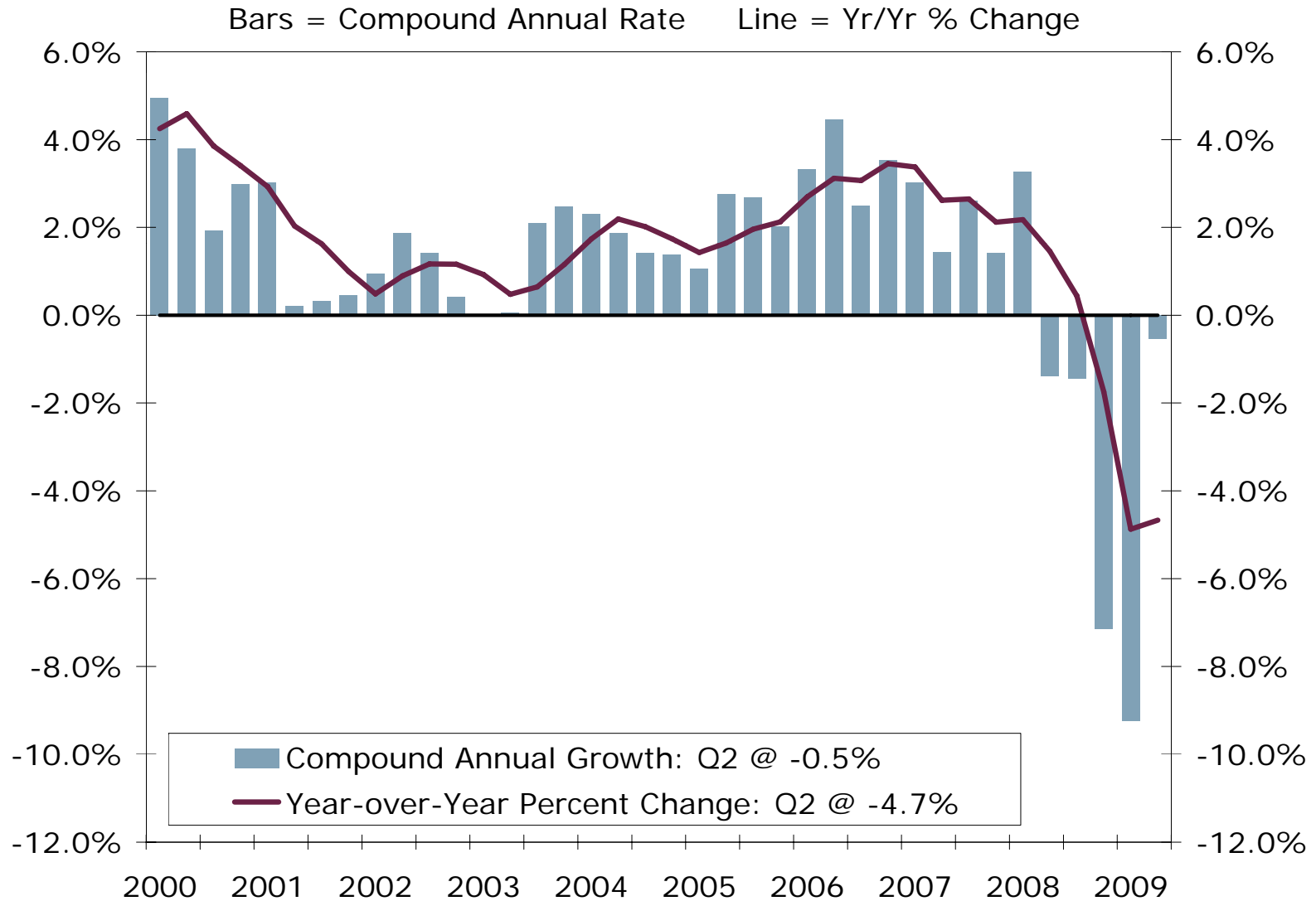


Chinese Industrial Production Index

Year-over-Year Percent Change of 3-Month Moving Average

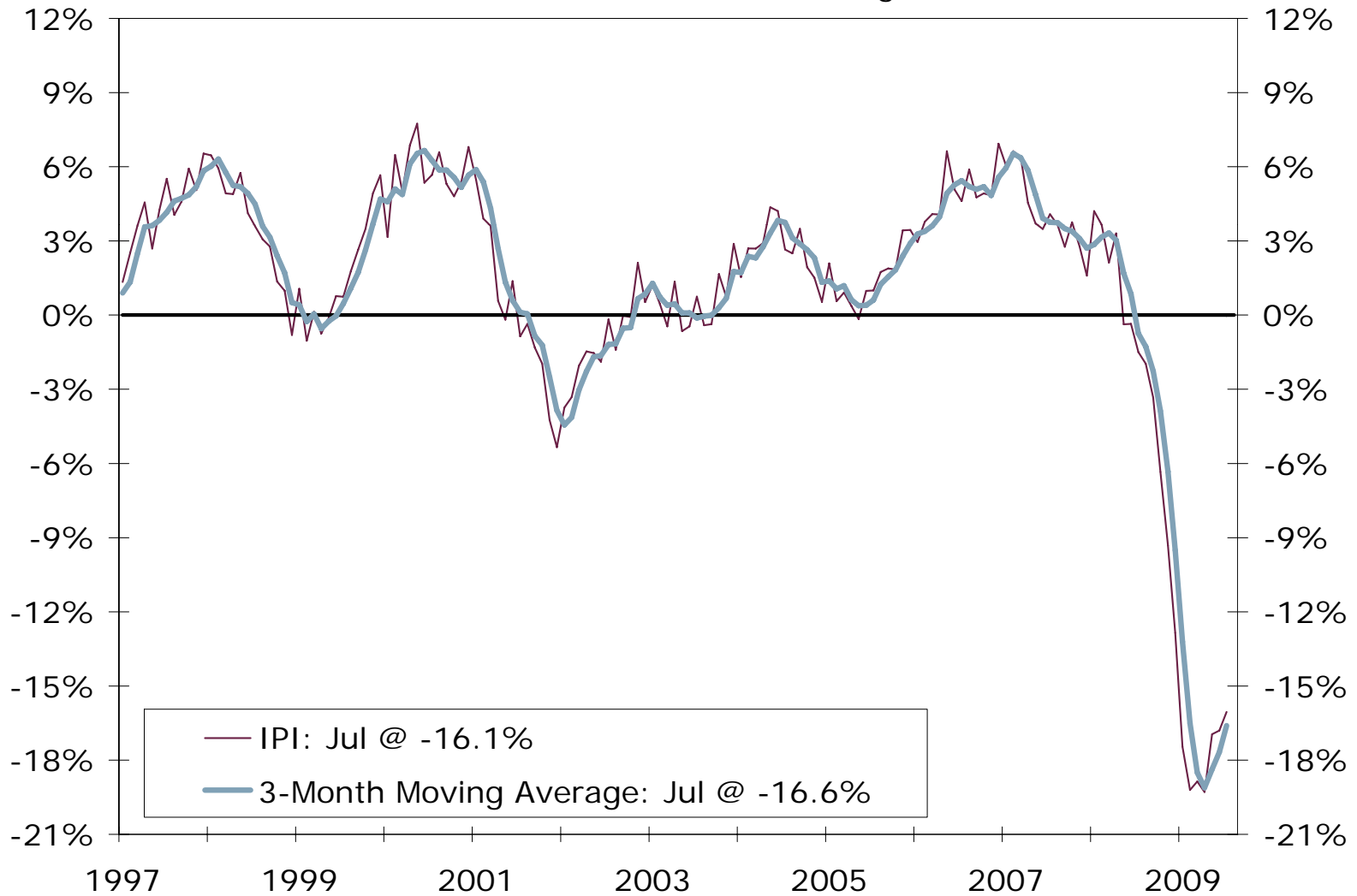


Euro-zone Real GDP



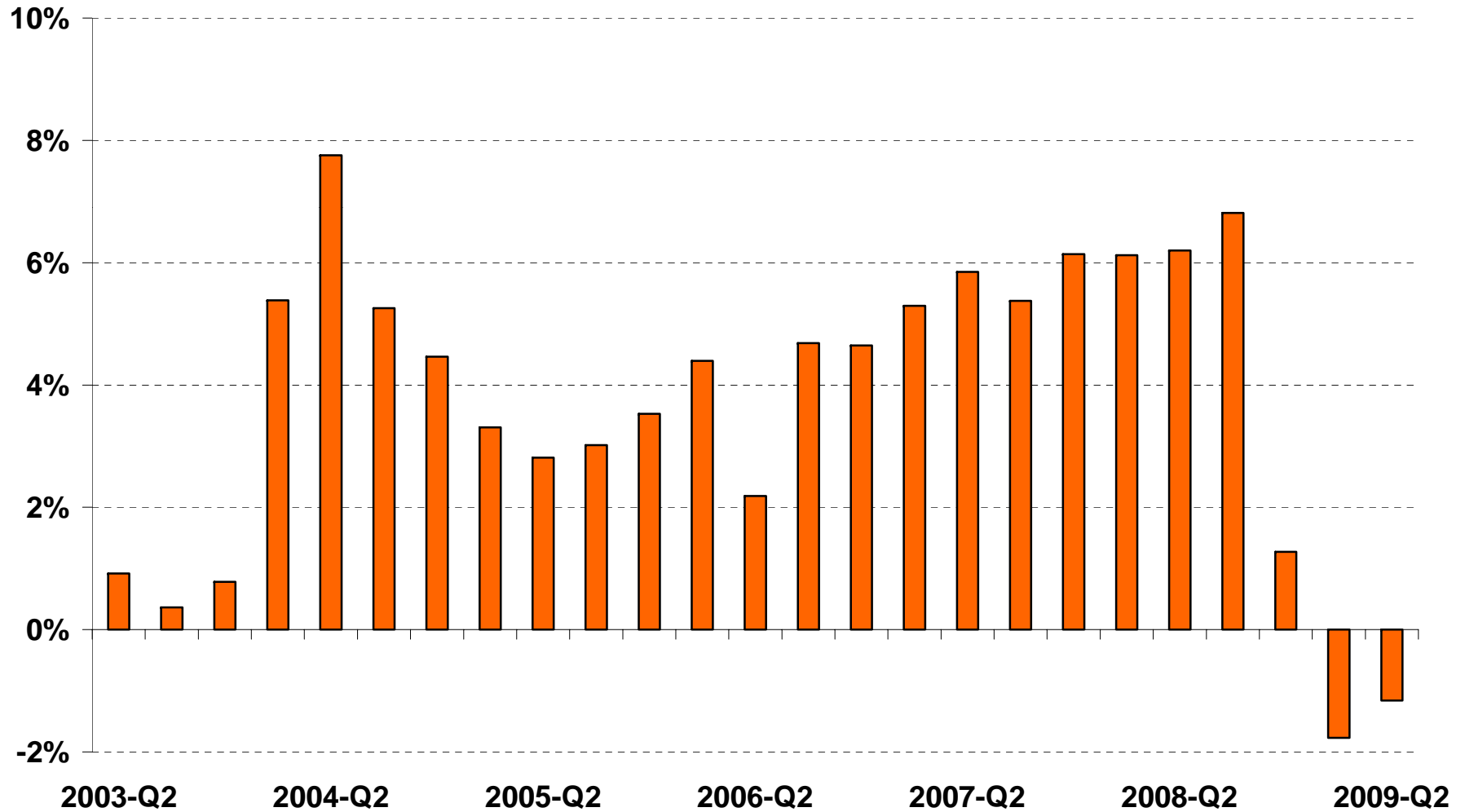
Euro-zone Industrial Production Index

Year-over-Year Percent Change



Brazilian Quarterly GDP

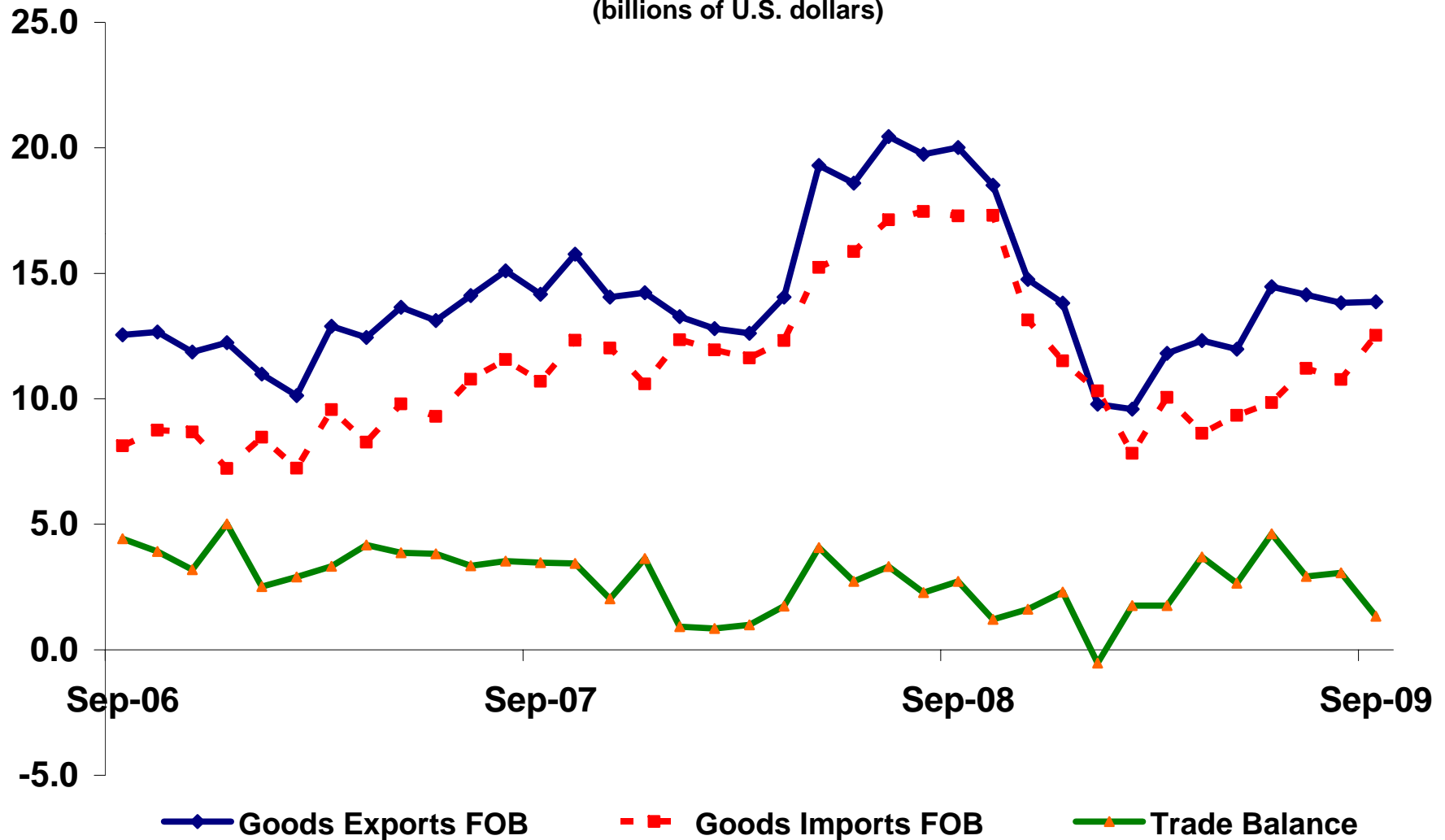
(% change year-over-year)



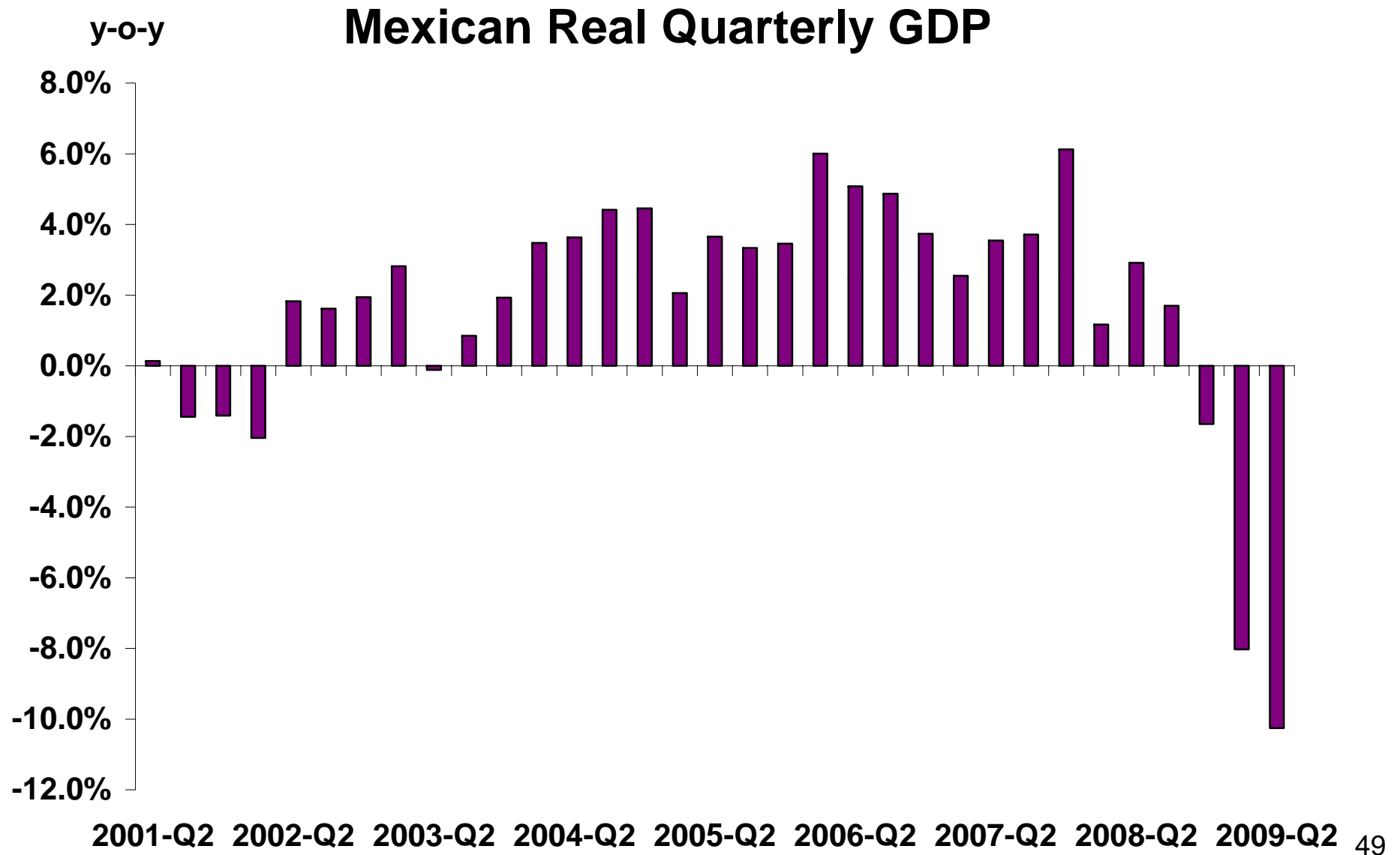
Source: IBGE

Brazil: External Sector

(billions of U.S. dollars)



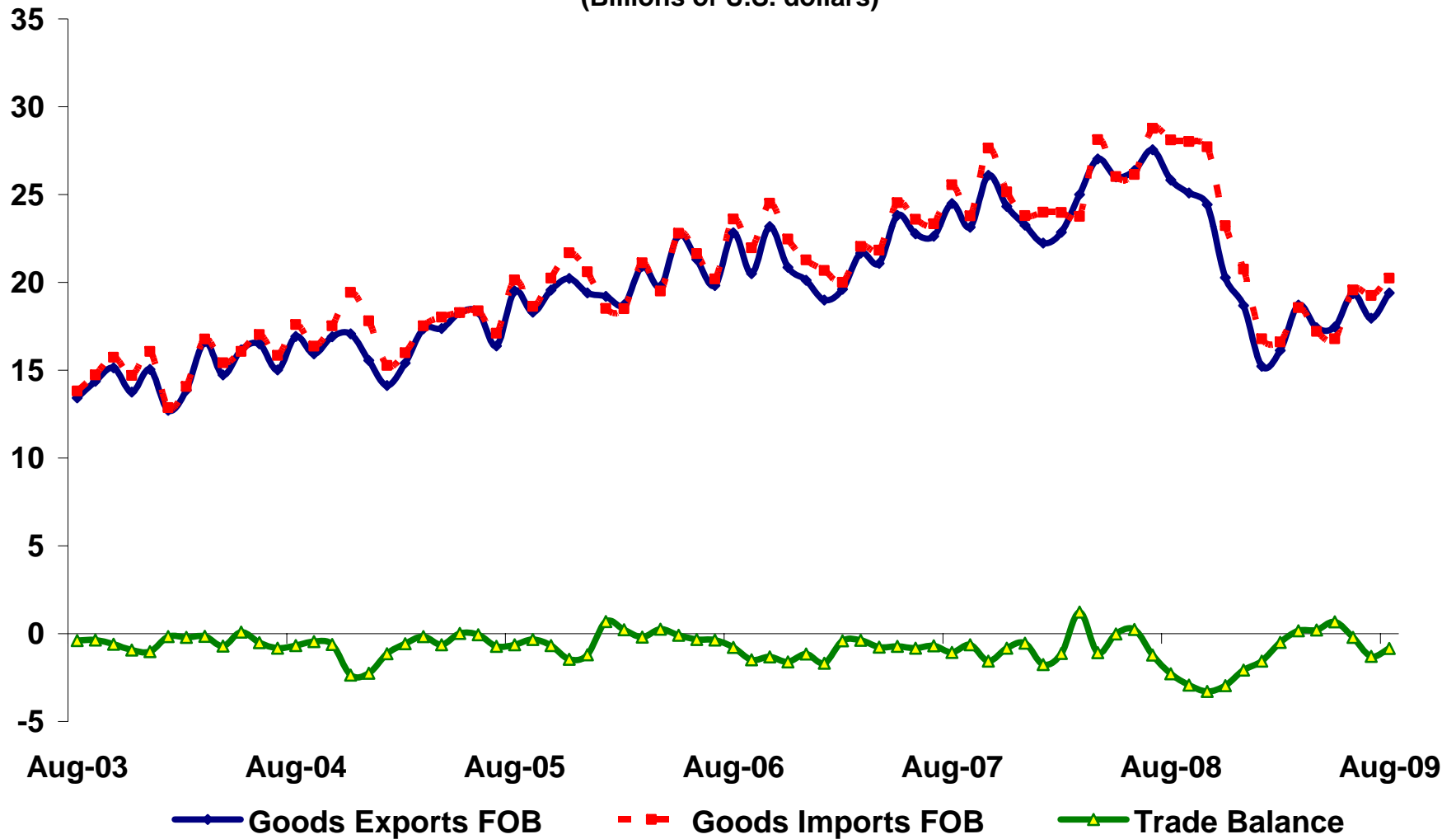
Source: Ministério do Desenvolvimento, Indústria e Comércio Exterior



Source: INEGI

Mexico: External Sector

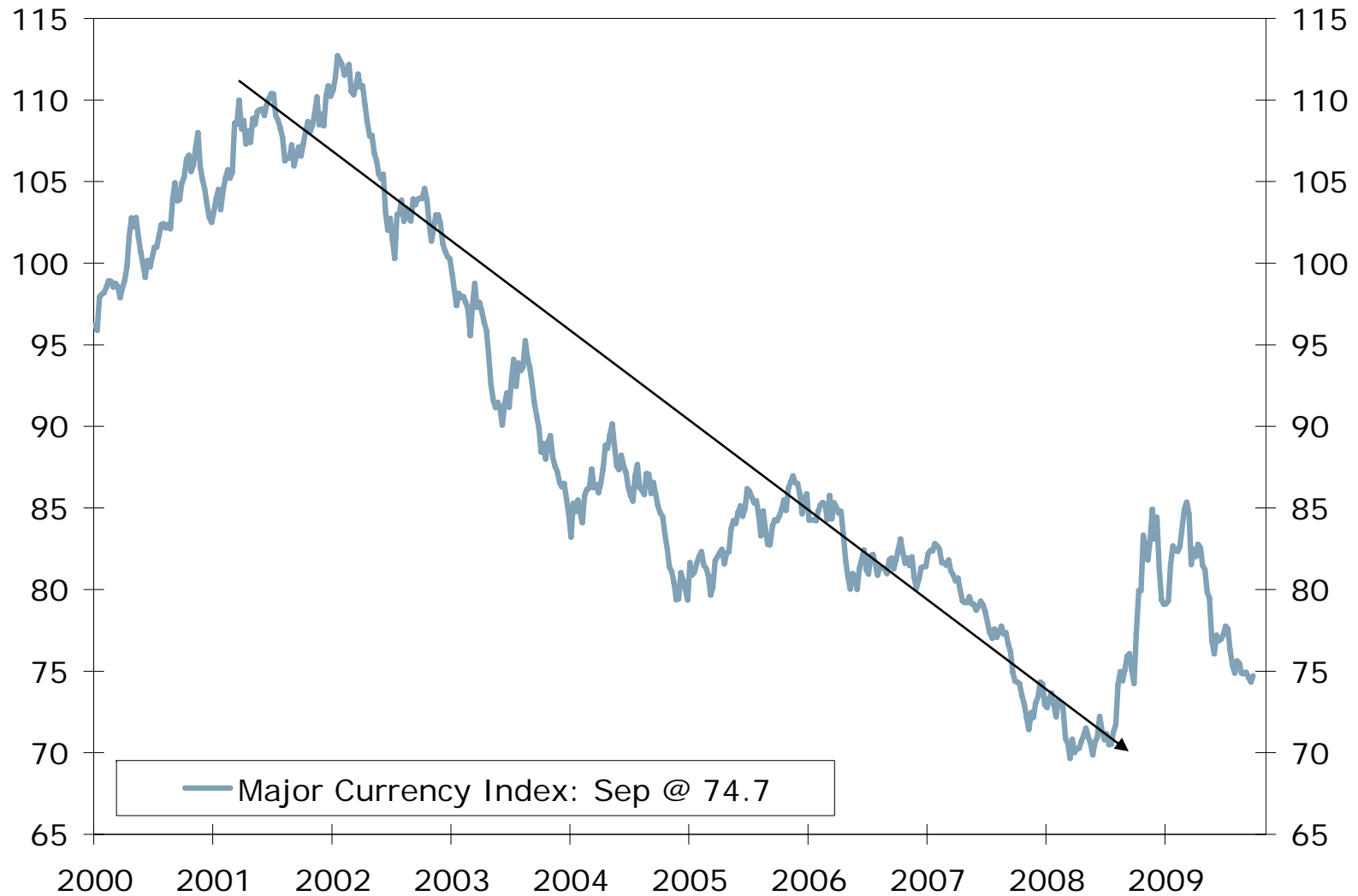
(Billions of U.S. dollars)



Source: Banco de México, INEGI

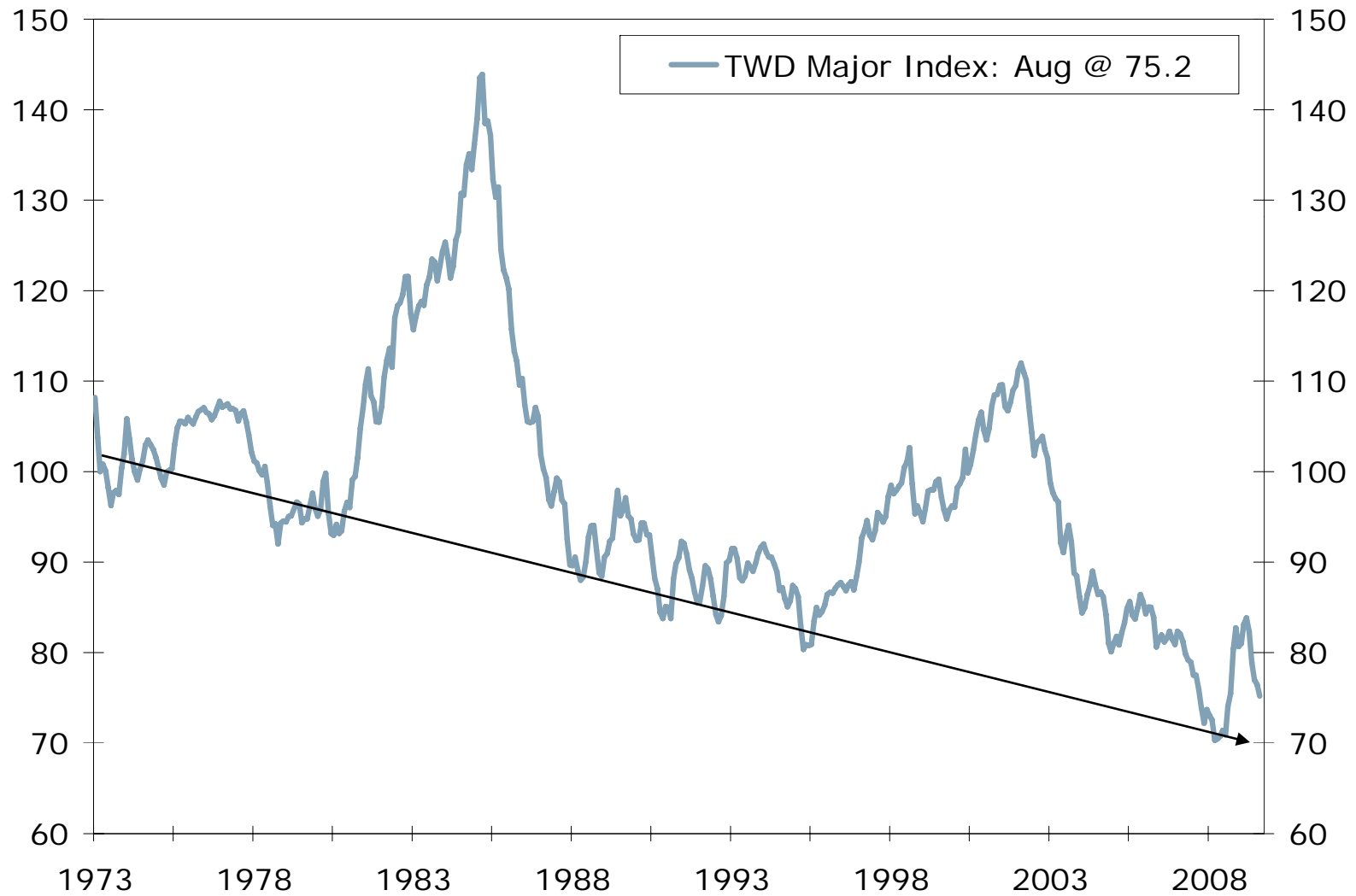
U.S. Trade Weighted Dollar Major Index

March 1973=100



Trade Weighted Dollar

March 1973 = 100



Summary & Conclusions

- **Housing market shows signs of bottoming**
- **The U.S. economy and the World economy are in recession but in the recovery stage**
- **Probability of a double-dip remains high**
- **Inflation remains a medium and long-term concern**
- **The financial system is starting to work but it is still limiting the effectiveness of monetary policy**
- **Fiscal policy is the only alternative to get out of this recession, but it will be very EXPENSIVE**



**WELLS
FARGO**

Thanks!

Wells Fargo Economics

**Eugenio J. Alemán,
Senior Economist & VP**

October 2009

<http://www.wellsfargo.com/com/research/economics>