ECONOMICS GROUP

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Special Commentary

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Global Chartbook: March 2009

This report is available on www.wachovia.com/economics and on Bloomberg at WBEC

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Executive Summary

Global Economy is in Deepest Recession in Decades

The heady days of 2004-2007, when global GDP growth averaged about five percent per annum, seem like a distant memory now. Growth in most countries slowed in the first half of 2008 due in part to monetary tightening, the unprecedented rise in energy prices and dislocations in credit markets. However, global economic activity went into freefall in the fourth quarter of last year as credit markets froze up in the wake of Lehman Brothers' failure. Industrial production in the OECD countries (i.e., the thirty most developed economies in the world) plunged more than twelve percent in December, by far the sharpest year-over-year contraction since records began in 1975.

Global economic activity went into freefall in the fourth quarter of 2008.

We forecast global GDP will decline 1.0% this year. Although our projection may not sound "bad," global GDP has never contracted, at least not since the International Monetary Fund (IMF) began calculating the series in 1970. Every G-7 economy is in deep recession at present, and growth in the developed world likely will remain negative over the next few quarters. The emerging world is hardly immune to the sharp reduction in global trade that is underway. Although not every developing country will experience outright recession, growth in the developing world has already slowed sharply and further weakening seems very likely. Developing economies that had over-leveraged financial sectors will be especially hard hit. Many countries in Eastern Europe would fall into this category. A number of countries, including Belarus, Hungary, Iceland, Latvia, Pakistan and Ukraine, have already gone to the IMF with hat in hand. There probably will be more to follow.

Global GDP will probably contract in 2009, the first year of negative growth since records began in 1970.

What will turn the situation around? For starters, governments have responded to the crisis by announcing steps to shore up their financial systems. Although the global financial system is hardly back to normal, some segments of the credit markets are starting to function again. In addition, governments are attempting to stimulate their economies via expansionary macroeconomic policies. Significantly lower interest rates and fiscal stimulus should help to stabilize economic activity later this year. The sharp decline in inflation in most countries over the past few months should help to shore up consumer spending by supporting real income. Global growth should be stronger in 2010 than in 2009, but it will probably fall short of its long-run average (3.7 percent per annum). Underlying all of our projections is our assumption that policymakers will take the necessary steps to prevent the global financial system from locking up again à la last autumn. If that assumption proves to be overly optimistic, then global economic activity would contract even more than our already grim outlook projects.

Policy easing should help to stabilize economies later this year.

The U.S. economy has been in recession since December 2007, and it likely will remain there until this autumn. Unlike the strong recoveries that followed the deep recessions of 1973-75 and 1981-82, the upturn that we project will take root later this year probably will be relatively weak, at least initially. Growth in consumer spending probably will be very sluggish over the next few years as consumers repair battered balance sheets and raise abysmally low saving rates. We project U.S. real GDP will grow about one percent in 2010, well below the roughly three percent annual growth rate the economy averaged between 1992 and 2007.

The eventual recovery in the United States likely will be very sluggish.

Deep recessions are underway as well in Canada, the Euro-zone and the United Kingdom. On a peak-to-trough basis, real GDP in these economies will probably contract three to five percent, which are deep recessions by any measure. Some observers use the word "depression" when describing the Japanese economy at present. Indeed, the Japanese economy contracted at an annualized rate of twelve percent in the fourth quarter of 2008 and an equally horrific outturn is possible in the first quarter of this year.

Foreign central banks have slashed policy rates in response to the recent freefall in economic activity. The Bank of England has cut its policy rate to 0.50 percent and it is now turning to "unconventional" measures, including purchases of government bonds, to stimulate the economy. The Bank of Canada has also cut its policy rate to 0.50 percent, and "unconventional" measures are under consideration in Ottawa as well. The European Central Bank has been slower to ease policy – its main policy rate currently stands at 1.50 percent – but we project further rates cuts in the months ahead for the ECB.

Some individual countries could experience a period of mild price declines this year.

Inflation rates in most countries shot higher in the first half of 2008 and commodity prices went through the roof. However, commodity prices have subsequently collapsed as economic growth has slowed sharply. After rising to nearly six percent in 2008, which is the highest rate in about 10 years, global inflation should recede to one percent this year. Although we do not believe the world will experience generalized deflation, some individual countries could experience a period of mild price declines this year.

Dollar Appreciation Should Continue in Near Term

After following a downward trend between 2002 and mid-2008, the trade-weighted value of the U.S. dollar is up about twenty percent on balance since last July. The dollar's appreciation is not a reflection of a positive near-term outlook for the U.S. economy. Rather, the prognosis for many foreign economies has deteriorated more rapidly than for the U.S. economy since mid-summer. Whereas many investors had expected most foreign economies to avoid recession, it has become glaringly obvious in recent months that those economies will experience their own sharp downturns due to the global nature of the credit crunch.

The dollar should appreciate further in the near term.

In our view, the dollar should rally further in the near term. U.S. authorities are generally taking more aggressive steps to stimulate the economy via aggressive monetary and fiscal easing than their counterparts in most other countries. Consequently, signs (or at least expectations) of stabilization and subsequent recovery should show up in the United States before they do in most other economies. Expectations of recovery should be conducive for further dollar strength.

Foreign currencies should stabilize versus the greenback later this year as most foreign economies find bottom.

However, the problems facing the U.S. economy are generally more serious than the problems that confront many other economies. Although growth in the United States should turn positive again later this year, the recovery we project will probably be very sluggish. As foreign economies begin to find bottom later this year, most foreign currencies should stabilize versus the U.S. dollar. The greenback could even begin to give up some of its gains next year as the reality of a very slow U.S. economic recovery becomes painfully clear to investors.

Forecasts as of March 11, 2009

Wachovia International Economic Forecast

(Year-over-Year Percentage Change)

	GDP			CPI		
	2008	2009	2010	2008	2009	2010
Global	3.4%	-1.0%	2.9%	5.6%	1.0%	1.9%
Major Economies						
United States	1.1%	-3.3%	1.2%	3.8%	-0.9%	1.7%
Eurozone	0.7%	-3.3%	1.2%	3.3%	-0.1%	0.5%
Germany	1.0%	-3.9%	1.1%	2.8%	-0.2%	0.1%
France	0.8%	-2.7%	1.4%	3.2%	-0.2%	0.6%
Italy	-0.9%	-4.3%	0.9%	3.5%	-0.6%	0.1%
UK	0.7%	-3.4%	1.0%	3.6%	0.5%	0.4%
Japan	-0.7%	-6.8%	-0.2%	1.4%	-1.3%	-0.7%
Canada	0.5%	-2.6%	2.0%	2.4%	0.3%	1.0%
Developing Economies						
China	9.1%	6.5%	8.2%	5.9%	-1.4%	-0.1%
India	6.0%	5.1%	7.0%	7.8%	6.8%	5.0%
Mexico	1.3%	-2.9%	1.8%	5.1%	4.6%	2.6%
Brazil	5.5%	-1.4%	3.4%	5.7%	4.6%	3.9%

[1]Data as of: March 11, 2009

Wachovia Currency Forecast

(End of Quarter Rates)

	2009				2010			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Major Currencies								
Euro ($/€)	1.25	1.22	1.18	1.16	1.15	1.18	1.20	1.24
U.K. ($/£)	1.39	1.37	1.34	1.33	1.34	1.38	1.40	1.44
U.K. (£/€)	0.90	0.89	0.88	0.87	0.86	0.86	0.86	0.86
Japan (¥/$)	98	102	106	108	110	108	106	104
Other Industrialized								
Canada (C$/US$)	1.26	1.30	1.33	1.35	1.35	1.32	1.30	1.28
Switzerland (CHF/$)	1.16	1.20	1.24	1.28	1.30	1.28	1.26	1.24
Norway (NOK/$)	7.05	7.15	7.30	7.35	7.20	6.95	6.75	6.50
Sweden (SEK/$)	9.00	9.30	9.60	9.60	9.50	9.30	9.00	8.70
Australia (US$/A$)	0.64	0.63	0.62	0.62	0.64	0.66	0.68	0.70
Developing Economies								
Mexico (MXN/$)	15.00	15.25	15.50	15.50	15.25	15.00	14.50	14.00
Brazil (BRL/$)	2.40	2.50	2.60	2.60	2.50	2.40	2.30	2.20
Poland (PLN/$)	3.60	3.80	3.85	3.90	3.85	3.75	3.60	3.50
Russia (RUB/$)	35.00	35.50	36.00	36.00	35.00	34.00	33.00	32.00
Turkey (TRY/$)	1.80	1.84	1.88	1.90	1.86	1.82	1.75	1.70
South Africa (ZAR/$)	10.40	10.80	11.00	11.20	11.00	10.60	10.00	9.50
China (CNY/$)	6.85	6.84	6.82	6.80	6.75	6.70	6.65	6.60
India (INR/$)	51.50	52.00	53.00	53.00	52.00	51.00	49.00	47.00
Korea (KRW/$)	1525	1550	1600	1600	1550	1500	1450	1400
Singapore (S$/US$)	1.54	1.56	1.58	1.59	1.59	1.57	1.55	1.53
Taiwan (TWD/$)	34.50	34.80	35.00	35.00	34.75	34.25	33.75	33.25

[1]Data as of: March 11, 2009

Wachovia International Interest Rate Forecast

(End of Quarter Rates)

	3-Month LIBOR								10-Yr Government Security							
	2009				2010				2009				2010			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
United States	1.30%	1.10%	0.90%	0.80%	0.70%	0.70%	1.00%	1.20%	3.00%	3.00%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%
Japan	0.60%	0.50%	0.40%	0.25%	0.25%	0.25%	0.25%	0.25%	1.20%	1.25%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%
Euroland	1.65%	1.20%	0.70%	0.70%	0.70%	1.25%	2.00%	2.75%	2.90%	3.00%	3.20%	3.60%	3.80%	4.00%	4.10%	4.20%
U.K.	1.85%	1.50%	1.25%	0.75%	0.75%	1.00%	1.50%	2.25%	3.00%	3.10%	3.20%	3.40%	3.70%	3.90%	4.00%	4.10%
Canada	1.10%	0.75%	0.60%	0.50%	0.50%	1.00%	2.00%	3.00%	2.90%	3.00%	3.20%	3.50%	3.90%	4.00%	4.10%	4.20%

[1]Data as of: March 11, 2009

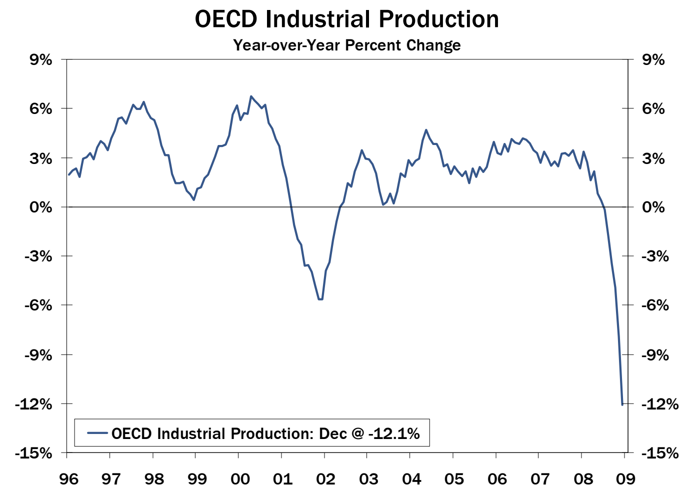
World

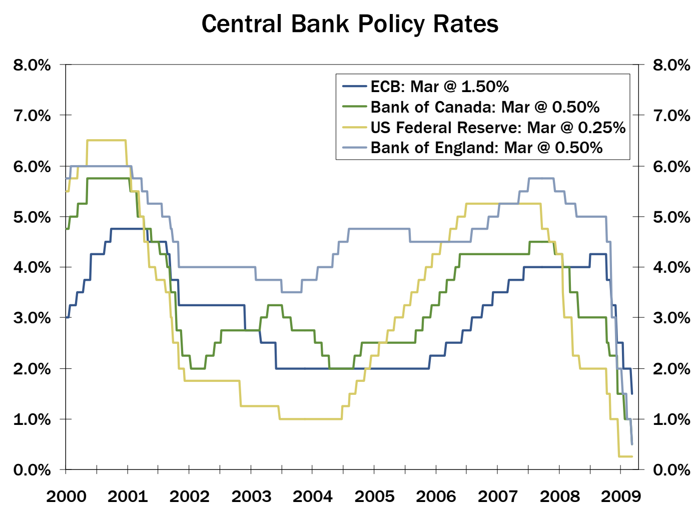
- The effects of the credit crunch caused global growth to slow significantly in 2008 relative to the previous year. Indeed, economic activity in many countries contracted sharply in the fourth quarter of 2008. We forecast that global GDP will decline nearly one percent in 2009, which would be the first year of negative global growth since records began in 1970.

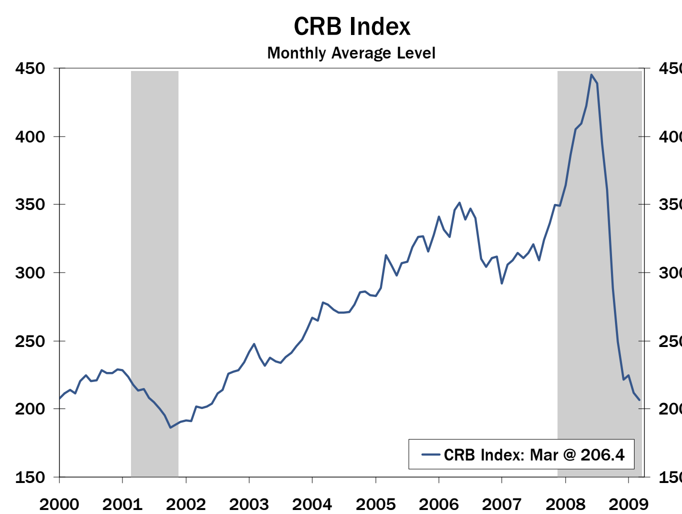
- Every G-7 economy is mired in a deep recession at present. However, the major governments of the world have averted a catastrophe by taking bold steps to support the global financial system. Many major economies have also announced fiscal stimulus measures that will help backstop economic activity.

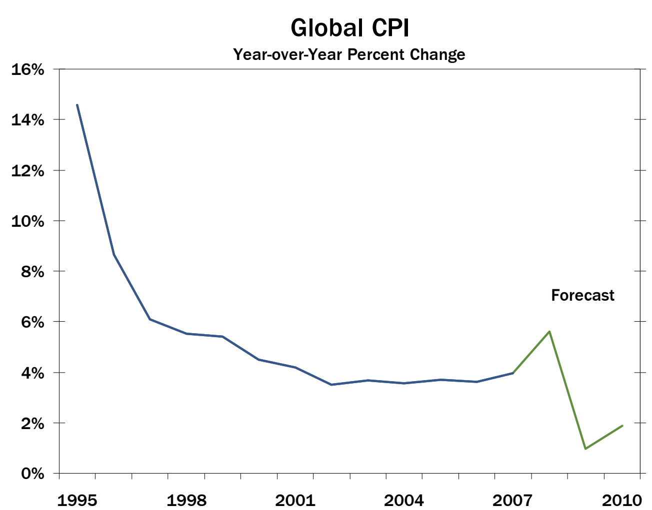
- The developing world will also experience significantly slower economic growth this year. Developing countries where economic fundamentals are not sound (e.g., many economies in Eastern Europe) will probably experience deep recessions as capital flows reverse. Indeed, some developing countries have already come to the IMF seeking adjustment assistance.

- The remarkable run-up in commodity prices between 2003 and the first half of 2008 led to generalized inflation fears. However, commodity prices have essentially collapsed as global recession has taken hold. Economic weakness and the collapse of commodity prices should cause inflation rates in most countries to decline significantly in 2009. Some countries may experience mild deflation this year.









Source: Bloomberg LP, Federal Reserve Board, IHS Global Insight, International Monetary Fund and Wachovia

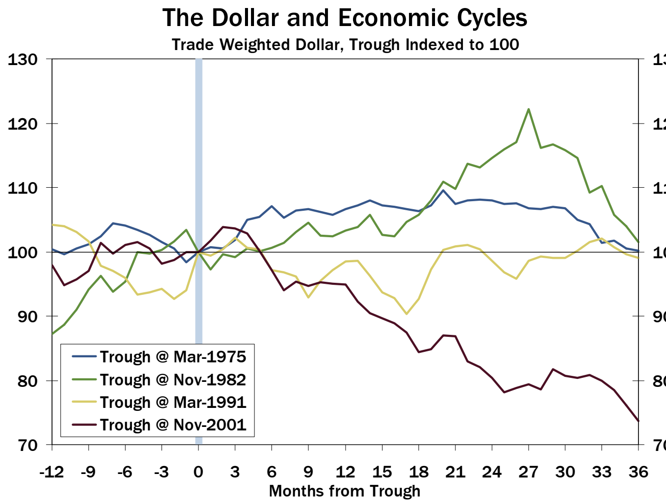
Dollar Exchange Rates

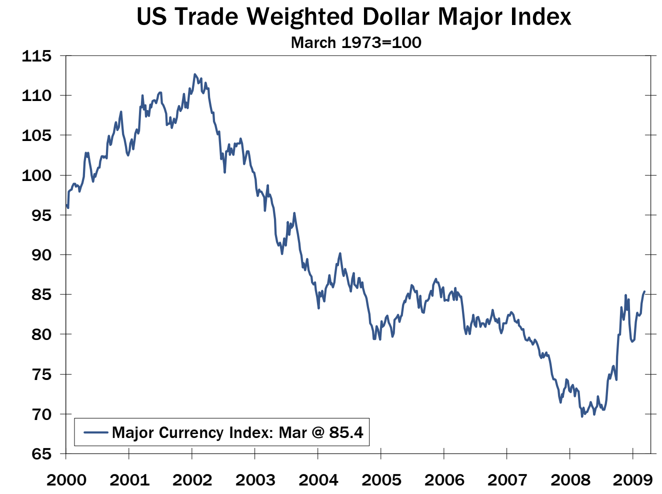
- The trade-weighted value of the U.S. dollar fell nearly 40% between February 2002 and March 2008. A major factor depressing the value of the dollar was the sharp increase in the U.S. current account deficit. In addition, dislocations in credit markets have caused foreign investors to buy fewer U.S. securities.

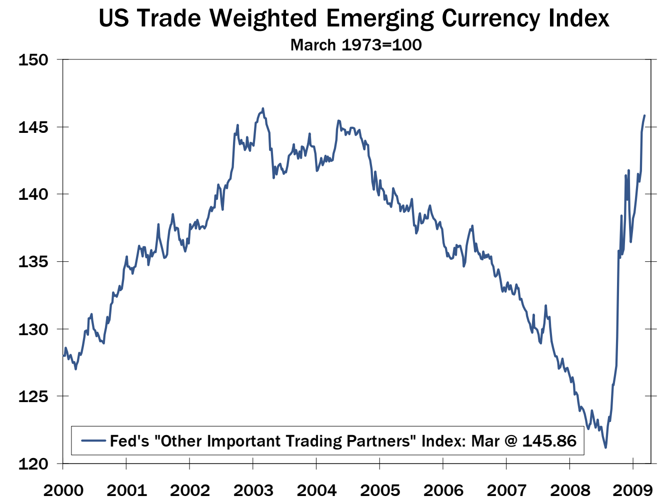
- However, the dollar has rallied significantly since mid-July, not only vis-à-vis many major currencies but against most emerging currencies as well. Rather than reflecting newfound optimism regarding the outlook for the U.S. economy, the depreciation of foreign currencies vis-à-vis the greenback is consistent with significantly weaker growth prospects in many foreign economies.

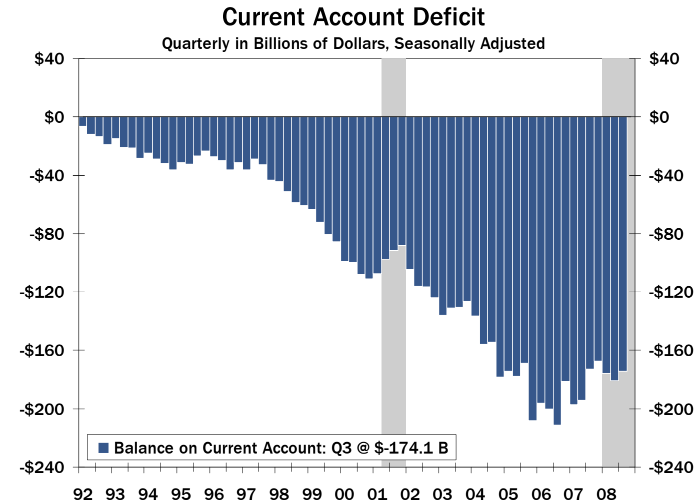
- Looking forward, we project that the dollar will continue to strengthen, at least in the near term. For starters, the U.S. current account deficit should continue to narrow. In addition, U.S. authorities have arguably taken more aggressive steps to stimulate the economy than their counterparts in most foreign countries. Therefore, signs of economic stabilization should show up in the United States first.

- However, we project that the eventual recovery in the United States will prove to be frustratingly slow. Therefore, sustained dollar appreciation over the next two years does not seem likely. The first currencies to strengthen against the greenback probably will be emerging market currencies as investors become a bit less risk averse.









Source: Bloomberg LP, Federal Reserve Board, IHS Global Insight, International Monetary Fund and Wachovia

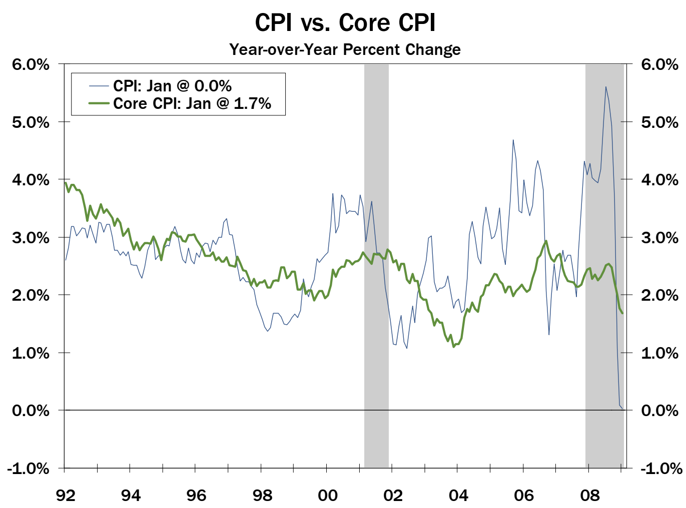
United States

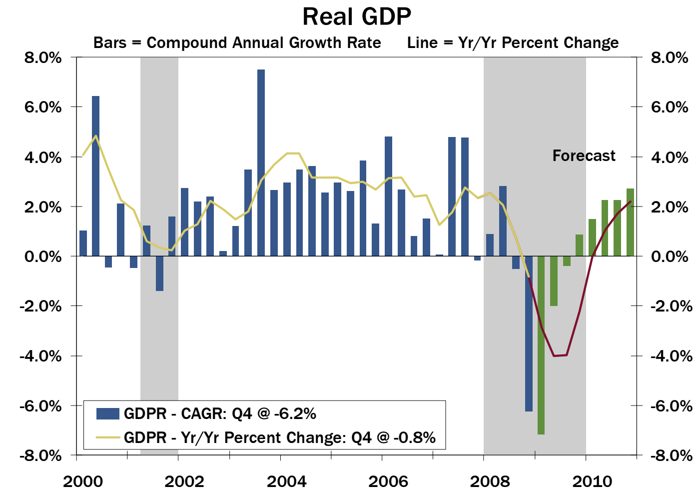
- U.S. real GDP dropped at an annualized rate of 6.2% in the fourth quarter, the sharpest rate of contraction since 1982. The severity of the contraction reflects the effects of the credit crunch in the wake of the Lehman bankruptcy. Not only did consumer spending tumble more than four percent but fixed investment spending plunged 21 percent in the fourth quarter.

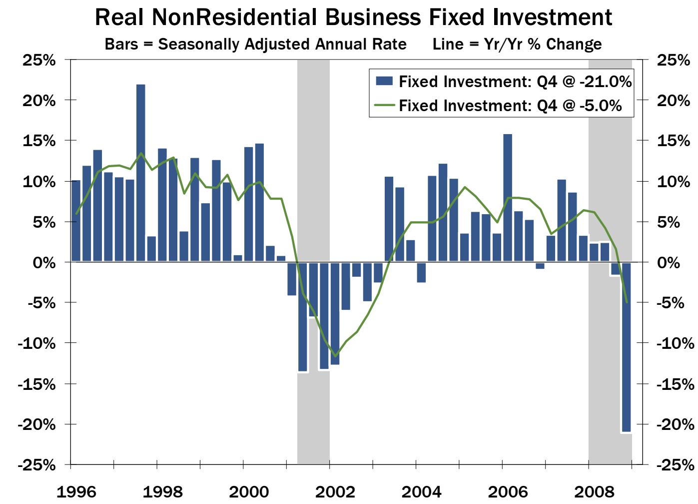
- The U.S. economy appears to be in the midst of its deepest recession in the post-World War II era. Indeed, the downturn in the first quarter of 2009 appears to be equally as severe as in the fourth quarter. Capital spending continues to fall sharply and economic weakness in the rest of the world has caused U.S. exports to fall off a cliff. A sharp contraction in inventories appears to be underway as well.

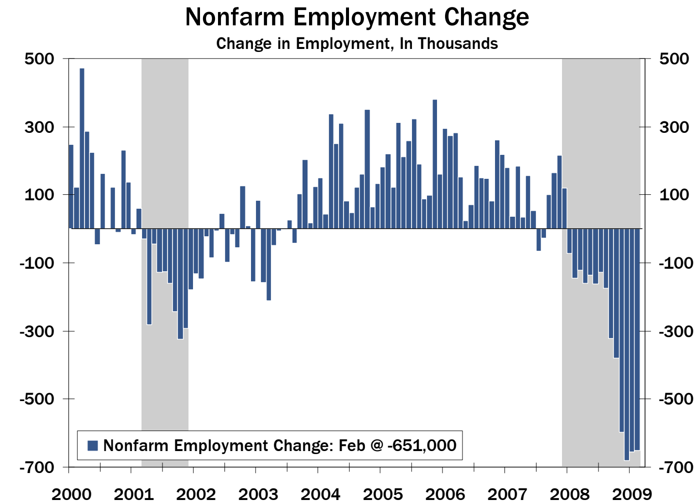
- The collapse in energy prices has caused the overall rate of CPI inflation to drop sharply over the past few months. The core rate of inflation is receding as well, but not as quickly as the overall CPI inflation rate.

- The direct lending programs that have been put in place by the U.S. Treasury and the Fed have helped to stabilize the financial system and, thereby, have reduced a large downside risk to U.S. economic prospects. However, the financial system is not out of the woods, and lending likely will remain very constrained until banks begin to rebuild their capital bases. Therefore, the recovery that should begin in the second half of 2009 likely will be muted.









Source: U.S. Department of Commerce, U.S. Department of Labor and Wachovia

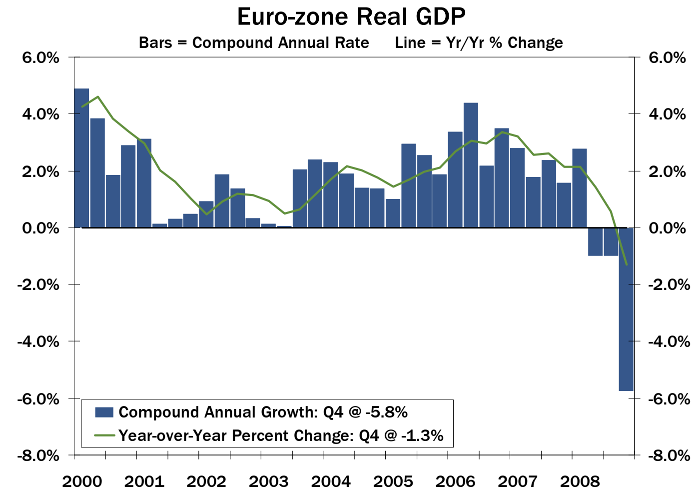
Euro-zone

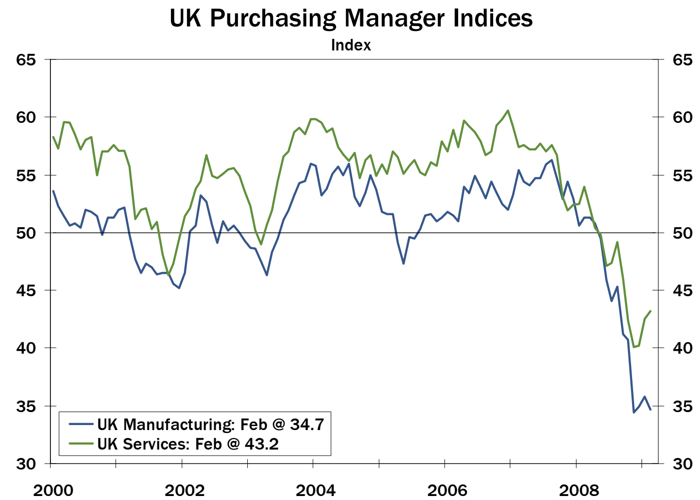
- The situation in the Euro-zone has quickly gone from bad to worse. Recently released data show that the 16-country economy contracted at a 5.8 percent annual rate in the fourth quarter. It was the third consecutive quarter of contraction and the latest sign of the severity of the financial crisis in Europe.

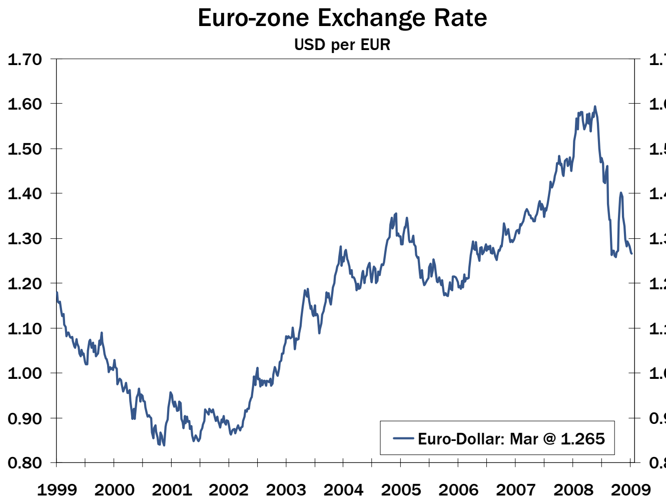
- Most components of demand appear to be in full-blown retreat. Consumer spending in the Euro-zone is likely to remain against the ropes as unemployment is now over eight percent and consumer confidence is also at a record low (the series begins in 1985). Business fixed investment spending remains weak. The ongoing global recession will keep a lid on export growth for much of this year.

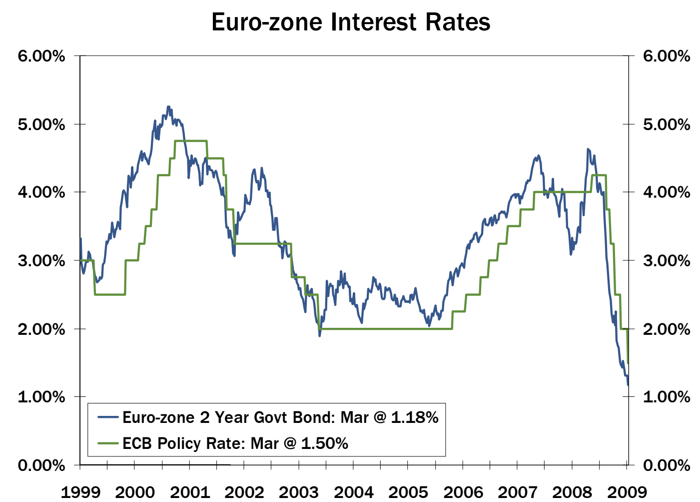
- The overall rate of CPI inflation in the Euro-zone shot up to 4% last summer. However, CPI inflation is receding quickly, which has given the ECB scope to ease monetary policy. The ECB has cut rates by 225 bps since October bringing its current policy rate to 1.50% at present, and further cuts seem likely. By summer, we look for the main Euro-zone policy rate to reach 0.50%.

- The previously high-flying euro has declined sharply against the dollar as the outlook for the Euro-zone economy has deteriorated significantly. We project that the euro will trend lower against the greenback in the next few quarters as the ECB continues to cut rates. Further out, however, the euro could stage a comeback against the dollar as sluggish economic growth in the United States keeps U.S. interest rates very low for an extended period.









Sources: IHS Global Insight, Bloomberg LP and Wachovia

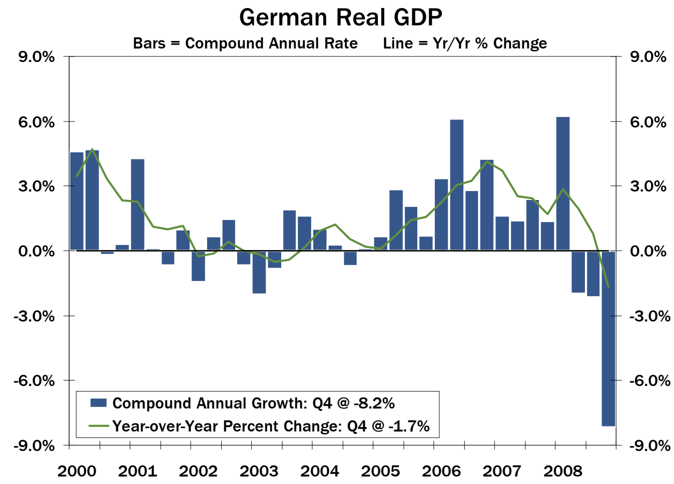
Germany

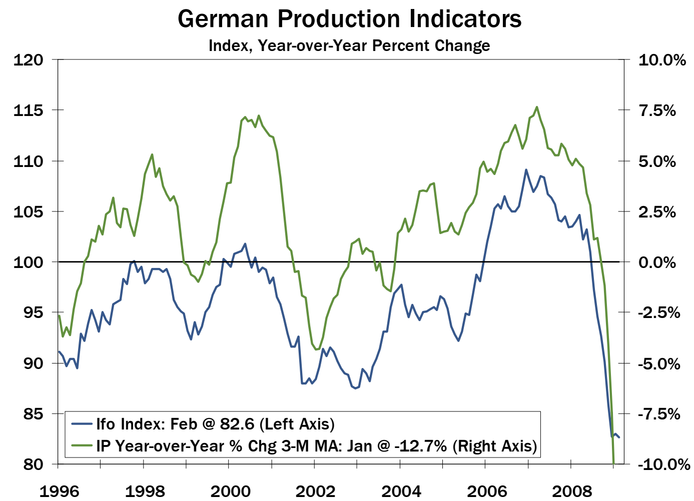
- Real GDP in Germany contracted at an annualized rate of 8.2% in the second quarter, the largest quarterly decline on record. The pan-German series goes back to 1991. The German economy is in the throws of what we expect will be a peak-to-trough decline in real GDP of more than five percent. But help is on the way. The German government recently upped its fiscal stimulus package to about €80 billion, bringing the total stimulus to roughly two percent of GDP.

- The Ifo index of German business sentiment, which is highly correlated with growth in industrial production, plunged to a new low in December, before edging up a bit in January, only to go slightly below the December low again in February. In other words, German business sentiment has not gotten substantially worse in the past three months, but remains at a record low. Industrial production in January plunged 19% relative to the same month in 2008, the fastest pace of contraction on record (The series begins in 1992).

- Unemployment trended lower earlier in this cycle, dropping to its lowest rate since the early 1990s. However, the recent freefall in the economy has manifested itself in rising unemployment in February. Consumer spending, which has been the Achilles heel of the German economy anyway, probably will weaken further in coming quarters.

- Germany is an important supplier of capital goods to central and eastern Europe. But with these areas in deep recession, the value of German exports dropped a whopping 18.4% in January, year over year.





Source: IHS Global Insight, Bloomberg LP and Wachovia

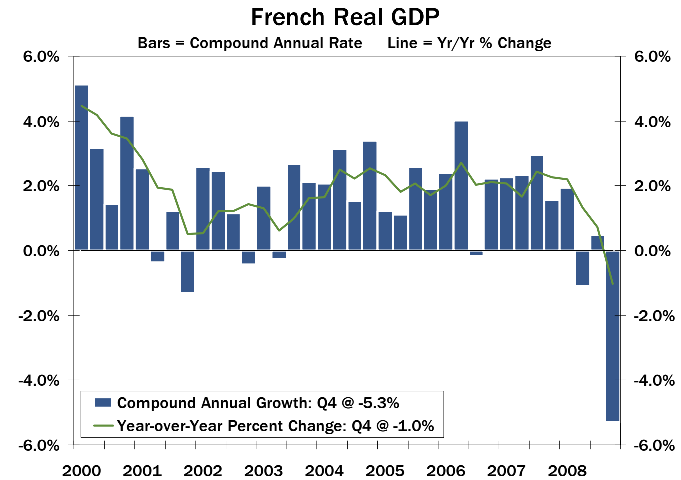
France

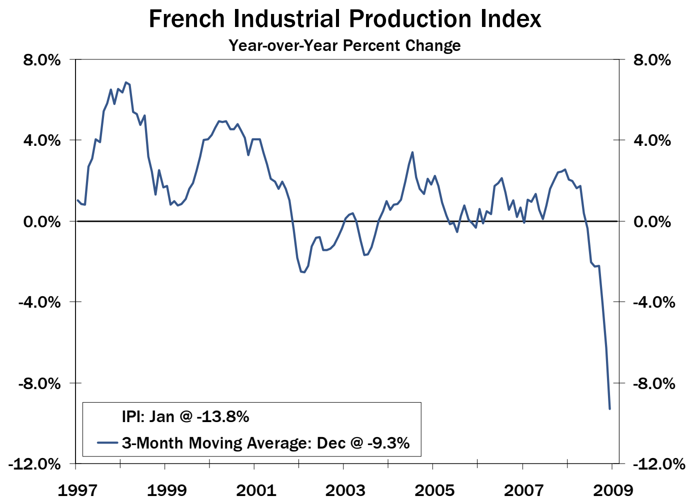
- After side-stepping consecutive quarters of contraction earlier in the year, French GDP fell apart in the fourth quarter, contracting at an annualized rate of 5.3% in the last quarter of 2008. It was the worst quarterly contraction in at least 30 years.

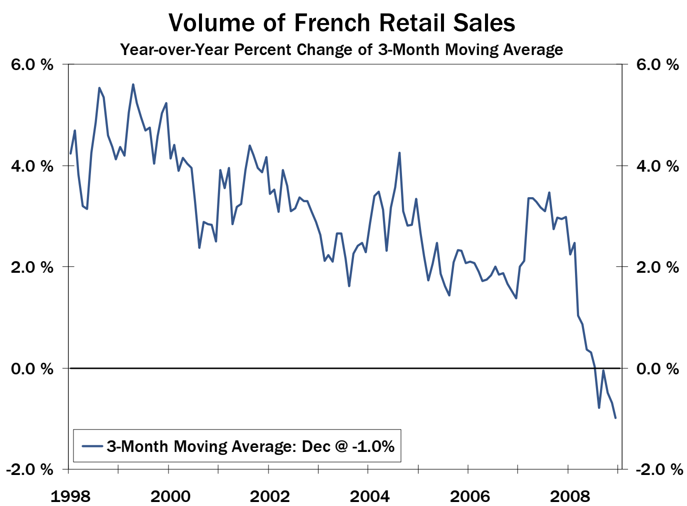
- By most measures, things are only getting worse in the first quarter. Industrial production remains very weak so far in 2009. The trade balance widened more than expected as exports fell 6.7% relative to December. Weak exports are weighing heavily on French industrial production, and will likely be a major headwind for first quarter real GDP as well.

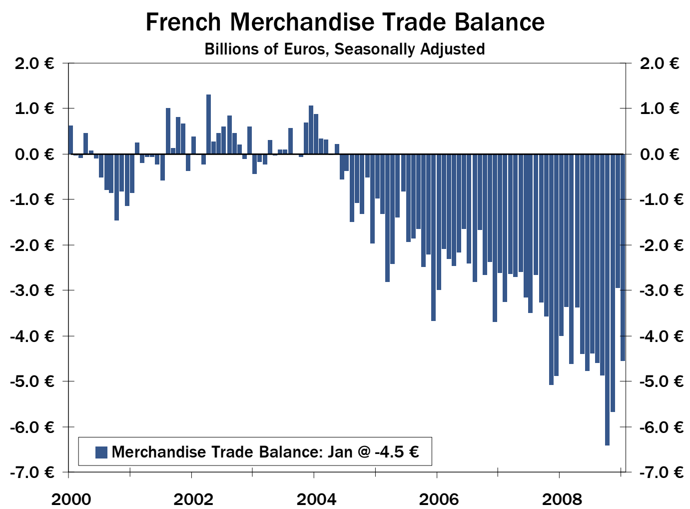
- In a surprising development, consumer spending actually picked up 1.8% in January. The gains may have had to do with extensive discounting by French retailers. Despite this bright spot, we do not expect sustained strength from the consumer as the global recession and its associated financial market turmoil have caused consumer sentiment to weaken substantially. With the unemployment rate on the rise, the ongoing deterioration in the labor market likely will weigh on consumer spending over the next few quarters.

- On a peak-to-trough basis, we project that real GDP in France will contract more than 3%, which if realized, would be France's worst recession in decades.









Source: IHS Global Insight, Bloomberg LP and Wachovia

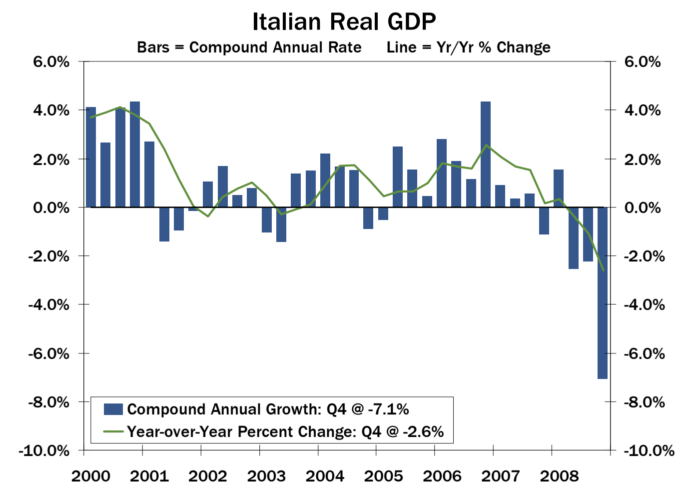
Italy

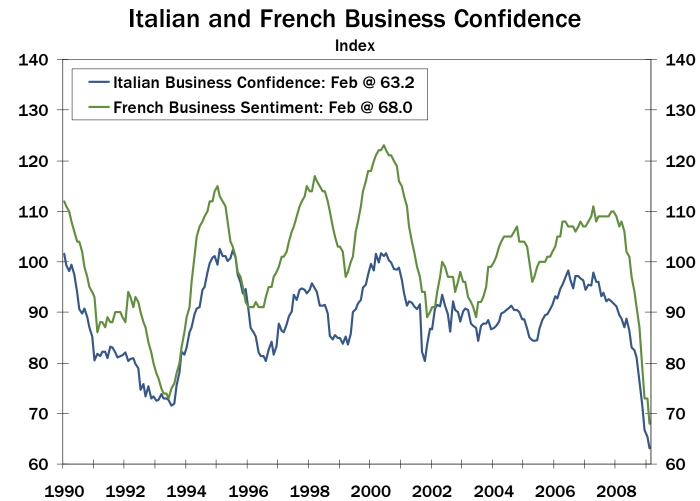
- The Italian economy was already sputtering going into the global recession, but the rapid deterioration in global trade at the end of last year made the situation even worse. Real GDP contracted at an annualized rate of 7.1% in the fourth quarter – the worst contraction in growth in at least 27 years. While other European countries have plans for big government spending to help underpin their economies, Italy has no substantial stimulus plan in the works.

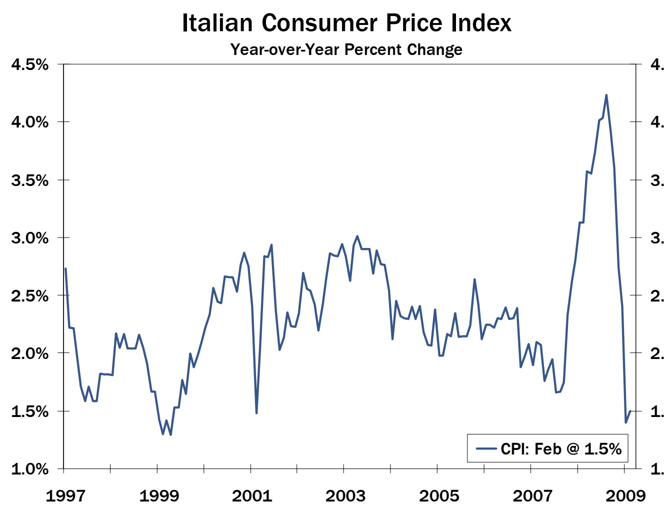
- A widely followed index of Italian business confidence has slumped sharply over the past few months, suggesting that economic weakness has continued in the first quarter.

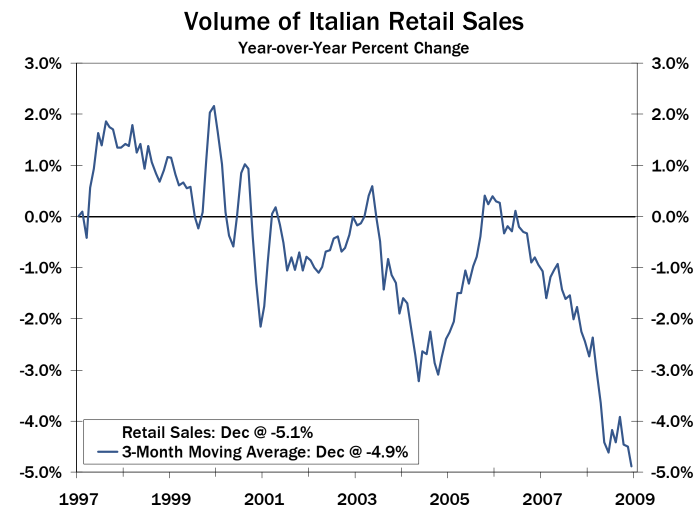
- Weak domestic demand has been a drag on growth for the last few years. Retail sales have been falling on trend since late 2006, and the pace of decline is picking up speed. Until recently that weakness could be attributed to an aging population and the concomitant decline in real income. But as the global recession has set in, consumer sentiment has dropped and is expected to weaken even further, which will present a major hurdle to growth in Italy.

- On a peak-to-trough basis, we project that the Italian economy will contract about 6%, which, if realized, would be the worst downturn in Italy in decades. Although the economy will not continue to contract forever, the ensuing upturn probably will be muted.









Source: IHS Global Insight, Bloomberg LP and Wachovia

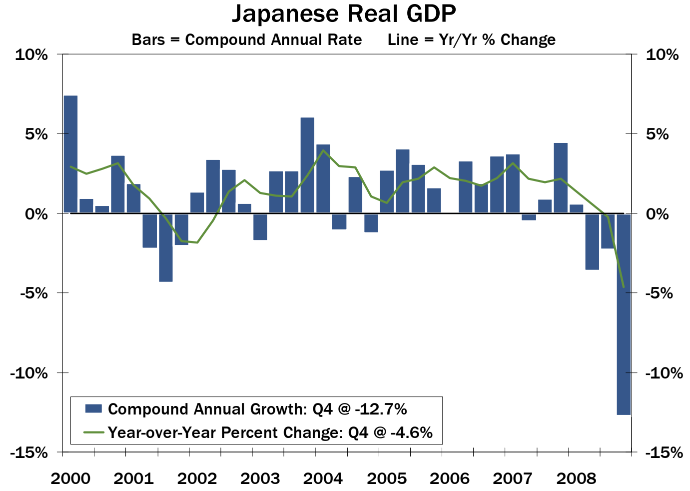
Japan

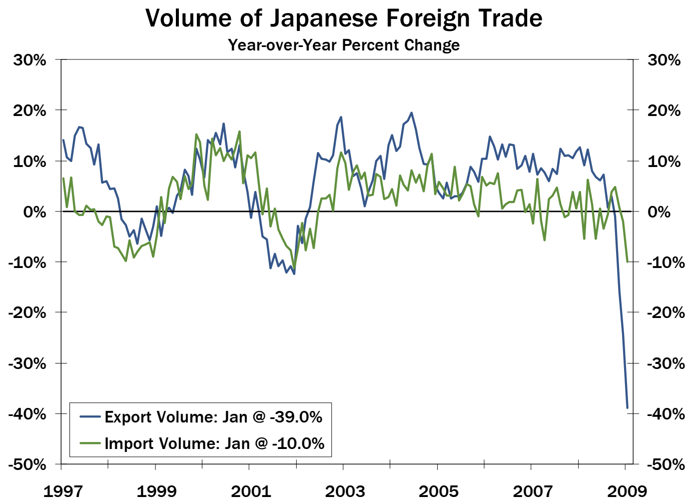
- Real GDP in Japan plunged at an annualized rate of 12.7% in the fourth quarter, the steepest rate of contraction in 35 years. Judging by the 10.0% decline in industrial production that occurred in January relative to the previous month, the downturn in the first quarter appears to have continued apace. Japan is likely mired in its deepest recession since it emerged from the devastation of the Second World War.

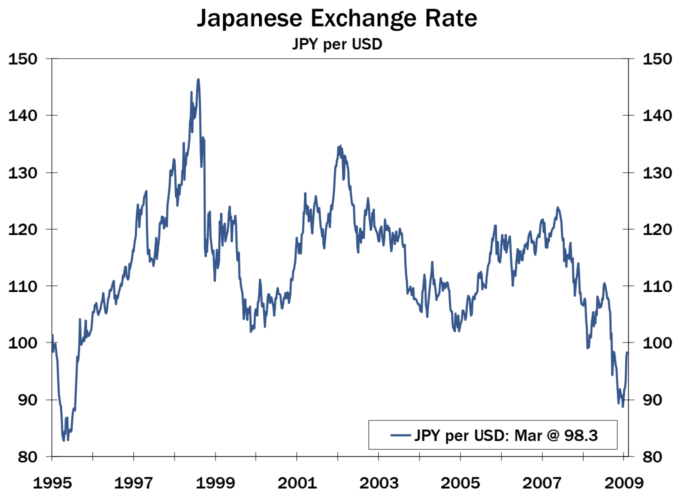
- The sources of the downturn are numerous. The volume of exports has essentially collapsed due to deep recessions in many of Japan's most important trading partners. Recent data on "core" machinery orders indicate that capital spending in Japan has also weakened sharply, and growth in consumer spending, which has not been very strong over the past few years anyway, has also weakened.

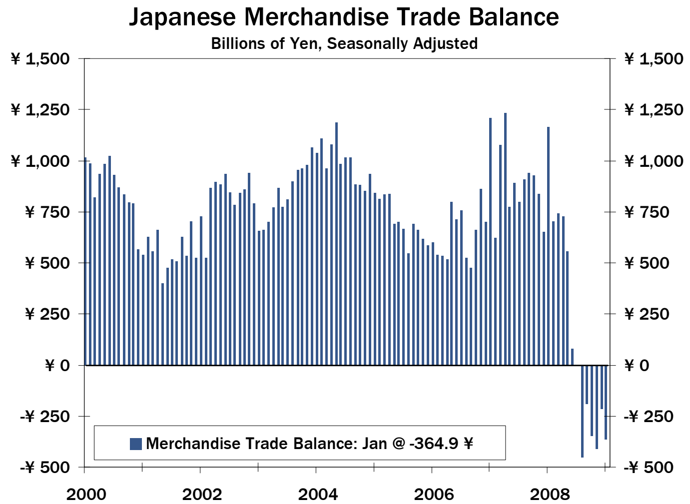
- The sharp downturn in exports has caused the Japanese trade balance, which has been in chronic surplus over the past few decades, to swing to a modest deficit. The swing in the trade balance has weighed on the yen recently, leading it to depreciate versus most major currencies.

- The Japanese economy will likely remain in a deep recession through most of 2009, which will lead the Bank of Japan to keep rates as low as possible for as long as possible. We believe that the yen will weaken further against the greenback over the next few quarters.









Source: IHS Global Insight, Bloomberg LP and Wachovia

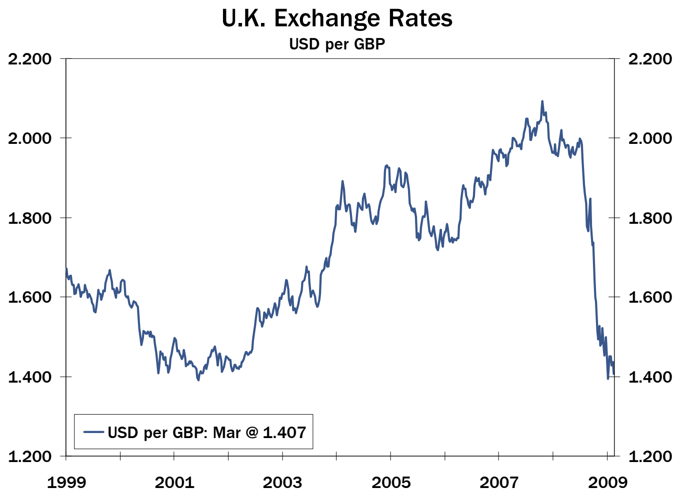
United Kingdom

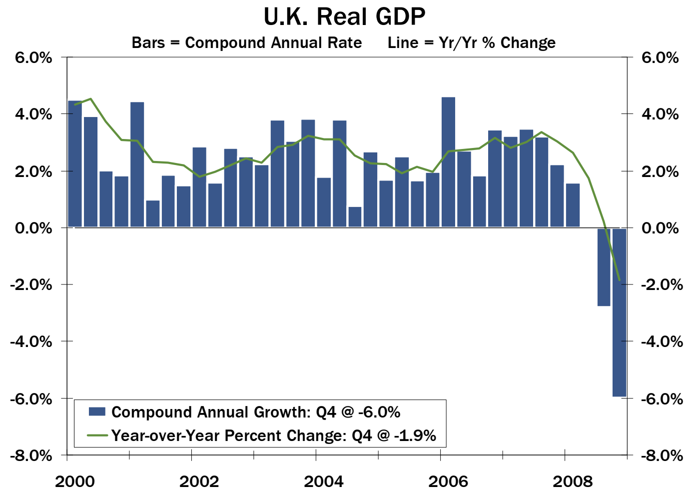
- Real GDP in the United Kingdom contracted at an annualized rate of 6.0% in the fourth quarter, the sharpest rate of contraction since the second quarter of 1980. Purchasing managers' indices remained at very low levels in February, indicating that the economy likely contracted further in the start of the first quarter.

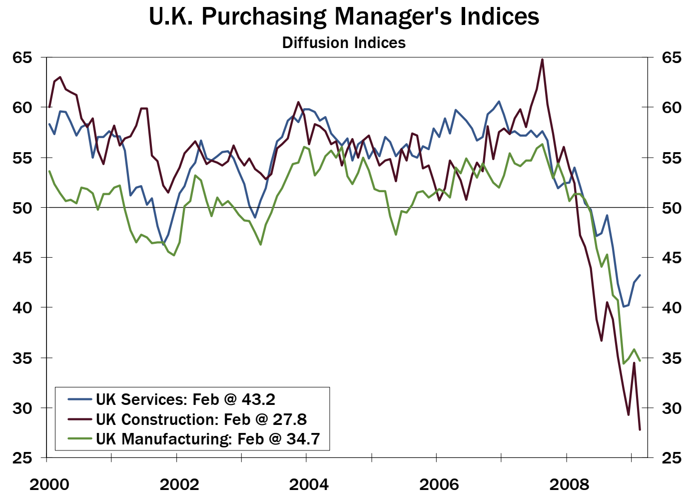
- We look for the peak-to-trough decline in U.K. real GDP to exceed 4%, which would make the current downturn more severe than the recession in the early 1990s. The sharp rise in house prices over the past decade has led to a significant build-up in consumer debt, and these imbalances will need to be worked off over the next few years. Thus, the upturn, when it comes, will likely be muted.

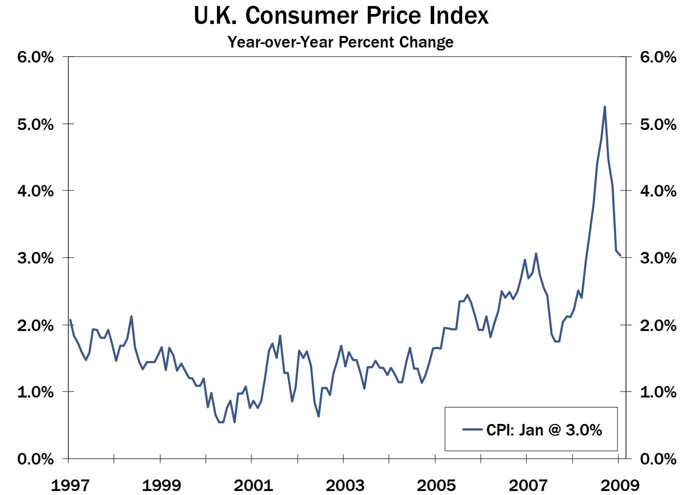
- Pronounced economic weakness and the marked decline in CPI inflation has led the Bank of England to cut its policy rate to only 0.50%. The Bank has now embarked on a course of unconventional policy measures, including the purchase of government bonds that is meant to bring down longer-term interest rates.

- Sterling has tumbled vis-à-vis the greenback over the past few months as the British economic outlook has deteriorated. Looking ahead to the next few quarters, we project that sterling will weaken a bit further against the greenback as the British economy remains in the doldrums. Further out, however, sterling should stabilize and eventually begin to strengthen against the dollar due to a very sluggish U.S. economic recovery.









Source: IHS Global Insight, Bloomberg LP and Wachovia

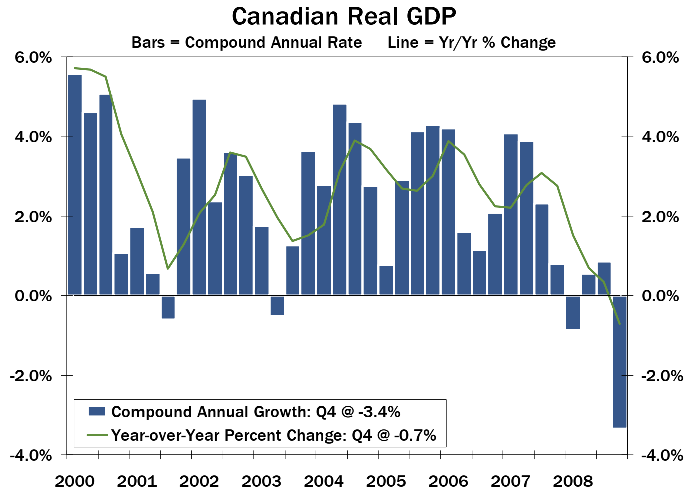
Canada

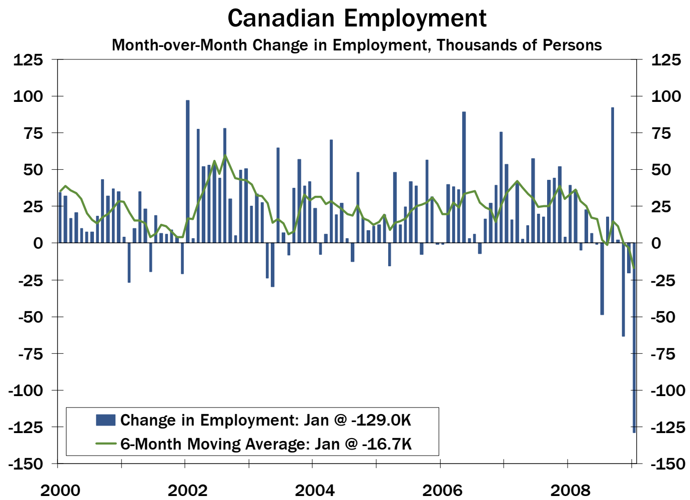
- After Canadian real GDP fell at an annualized rate of 3.4% in the fourth quarter, the Bank of Canada (BoC) cut its key lending rate to a record low 0.50% at its scheduled meeting on March 3rd. The BoC acknowledged its global economic outlook had deteriorated since last month's report "with weaker-than-expected activity" around the world. Exports will remain under pressure.

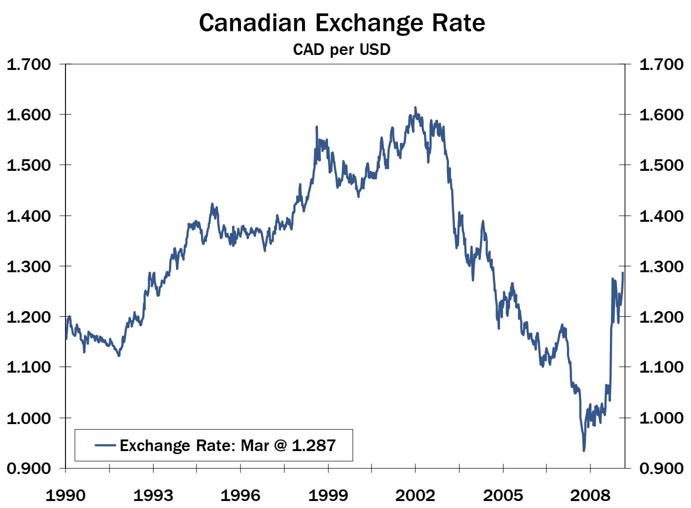
- Retail sales fell off a cliff in December, plunging 6.4% versus the same month in 2007. Sales probably will weaken further as consumers trim spending. Businesses are cutting back too. The Ivey purchasing managers' index, a key measure of business spending, is well-below levels associated with a strong economy, though the February reading of 45.2 was much higher than many expected. A number below 50 suggests contraction in business spending but after 36.1 in January, 45.2 seems pretty good.

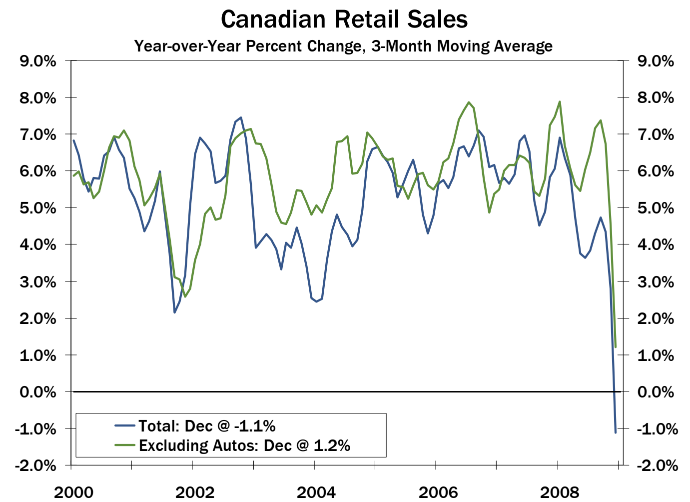
- Canada's labor market sustained a jaw-dropping contraction of 129,000 jobs in January as the unemployment rate jumped to 7.2%. Though monthly employment numbers have a tendency to swing rather dramatically from month to month, a six-month moving average gives a sense of the broader downward trend.

- After depreciating more than 20 percent since last summer, the Canadian dollar currently stands at a 5-year low versus the greenback. We look for the loonie to trend lower in the near term as global economic conditions remain very weak. Later this year, however, the loonie should stabilize as global growth prospects begin to improve.









Source: IHS Global Insight, Bloomberg LP and Wachovia

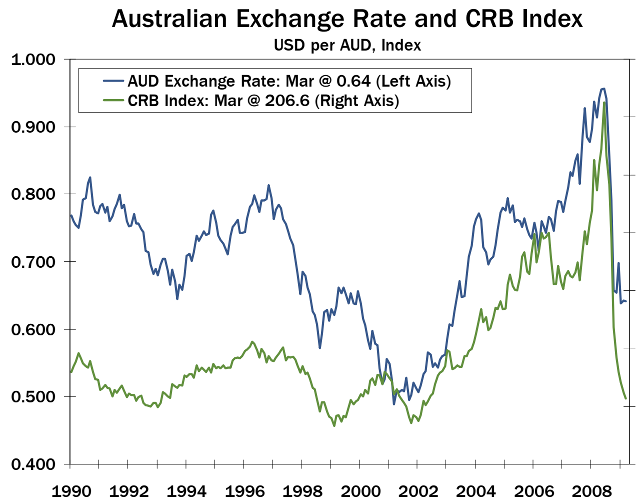
Australia

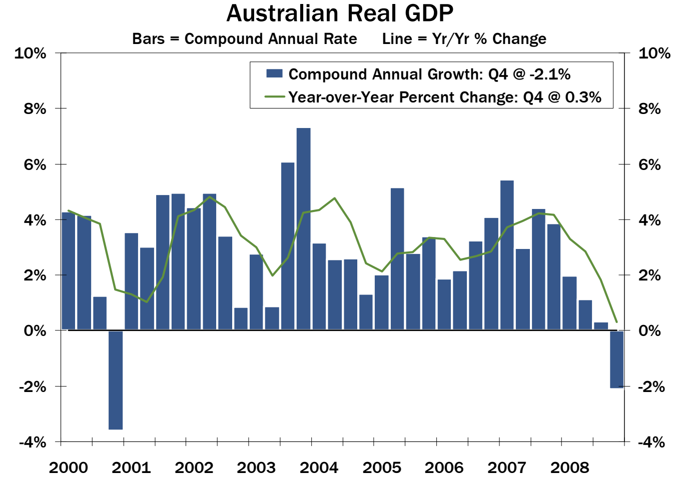
- Real GDP in Australia declined at an annualized rate of 2.1% in the fourth quarter of 2008 relative to the previous quarter, the first downturn down-under in eight years. The drop in real GDP was driven by a modest reduction in exports and by a sharp decline in inventories.

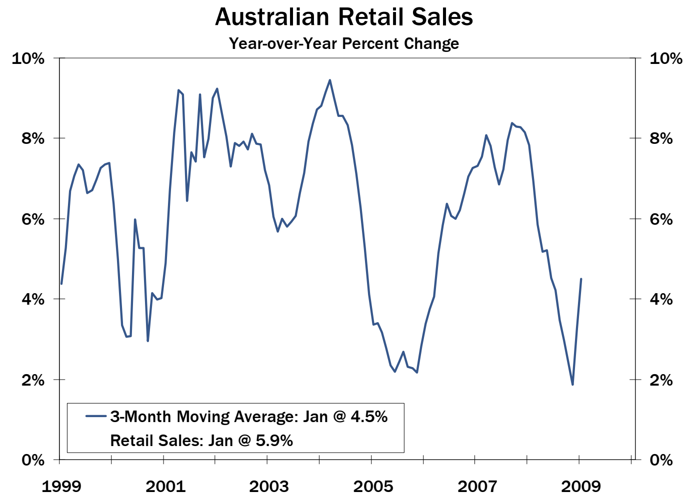
- Consumer spending has clearly decelerated over the past year or so, but growth has generally held up fairly well. However, the unemployment rate is starting to climb, which clouds the outlook for consumer spending going forward. In addition, the ongoing downturn in the rest of the world should cause Australian exports to weaken further in the quarters ahead. Although the unfolding downturn may not be as severe as in most other major countries, the Australian economy likely will contract further.

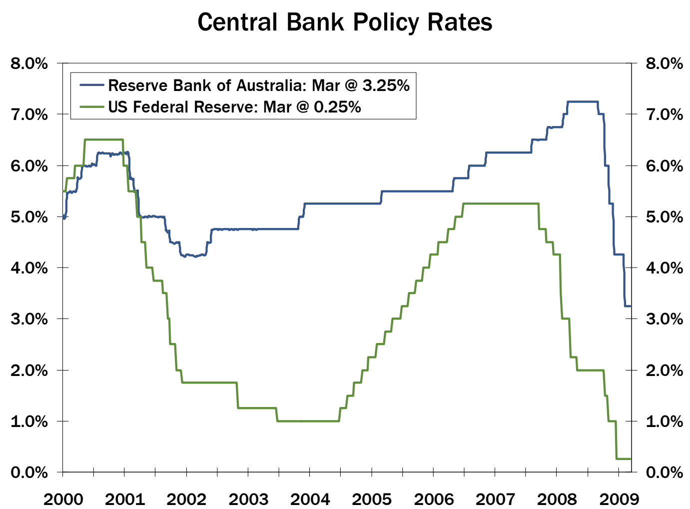
- Like its counterparts in other major economies, the Reserve Bank of Australia (RBA) has cut its policy rate significantly since last autumn. The RBA chose to keep its main policy rate unchanged at 3.25% at its last policy meeting on March 2, but further easing could take place if the economy continues to deteriorate.

- The Australian dollar has dropped more than 30% on balance against the greenback since last summer as commodity prices have collapsed. In the near term, the Aussie dollar likely will weaken a bit further as doubts about the global economy remain forefront in investors' minds. Looking further ahead, however, the Aussie dollar will start to appreciate as the global economic outlook becomes less grim.









Source: IHS Global Insight, Bloomberg LP and Wachovia

Norway

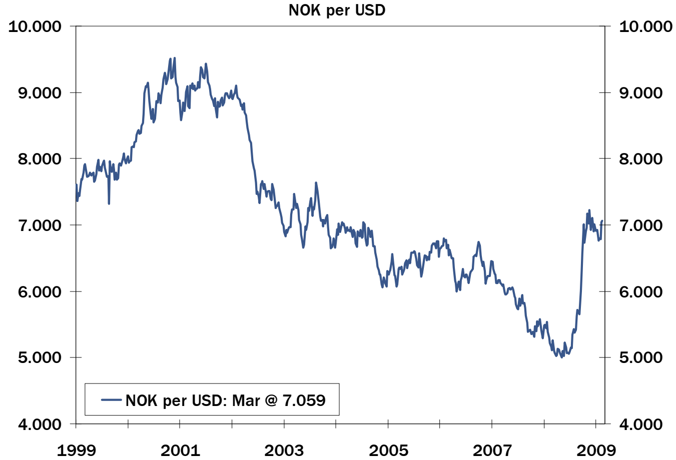
- Real GDP growth in Norway has slowed considerably over the past few quarters. Overall GDP was up only 0.8% in the fourth quarter of 2008 relative to the same quarter during the previous year, and "mainland" GDP growth, which excludes the oil sector, rose only 1.2%, the slowest rate in five years. The 1.4% drop in industrial production in January relative to the previous month indicates that the first quarter got off to a very poor start.

- As in most countries, export growth in Norway has weakened considerably. However, domestic demand has also weakened over the past few quarters. Not only has fixed investment spending gone into reverse, but consumers are paring back as well.

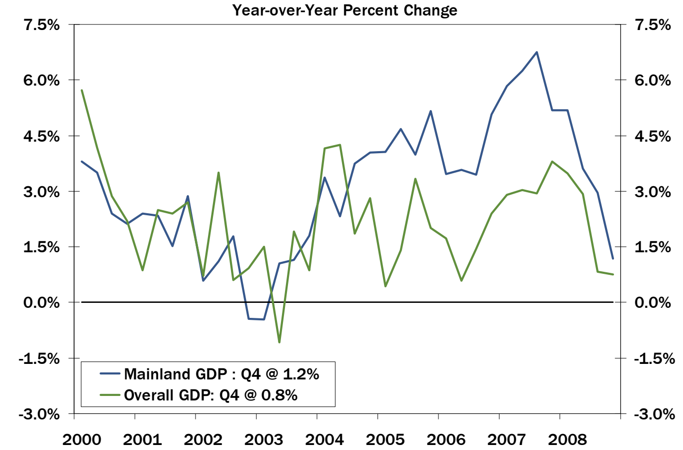
- CPI inflation in Norway has receded sharply since last summer, giving Norges Bank (the country's central bank) scope to ease policy. Indeed, Norges Bank has cut its main policy rate by 325 bps since mid-October, and policymakers have acknowledged that "the downturn in the Norwegian economy may be deeper and more prolonged than Norges Bank has assumed." With the main policy rate at 2.50% at present, the central bank has room to cut further in the months ahead.

- The Norwegian krone has lost about 30% of its value versus the U.S. dollar since last summer as economic growth in Norway has weakened. We look for the krone to depreciate a bit further as the Norwegian economy slogs through recession and oil prices remain depressed. However, the krone should stabilize later this year as investors begin to anticipate global recovery.

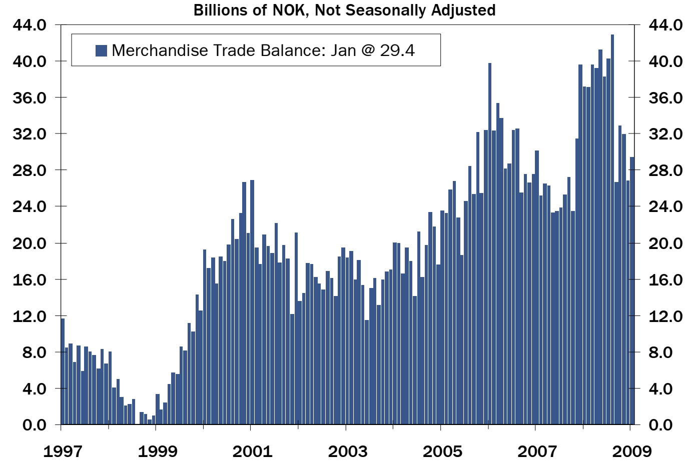
Norwegian Krone Exchange Rate
NOK per USD



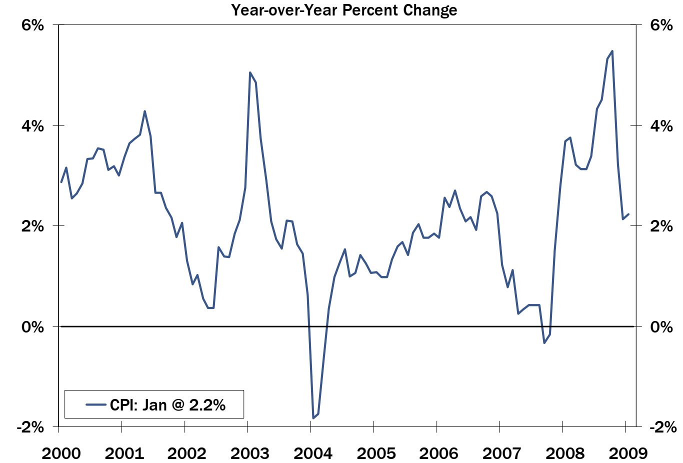
Norwegian Real GDP
Year-over-Year Percent Change



Norwegian Merchandise Trade Balance
Billions of NOK, Not Seasonally Adjusted



Norwegian Consumer Price Index
Year-over-Year Percent Change



Source: IHS Global Insight, Bloomberg LP and Wachovia

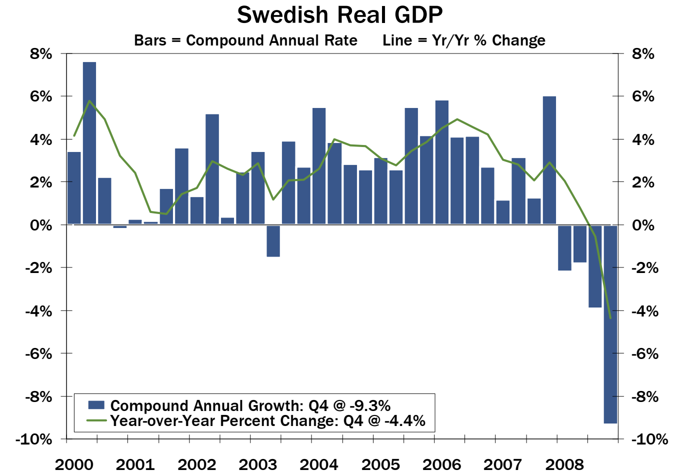
Sweden

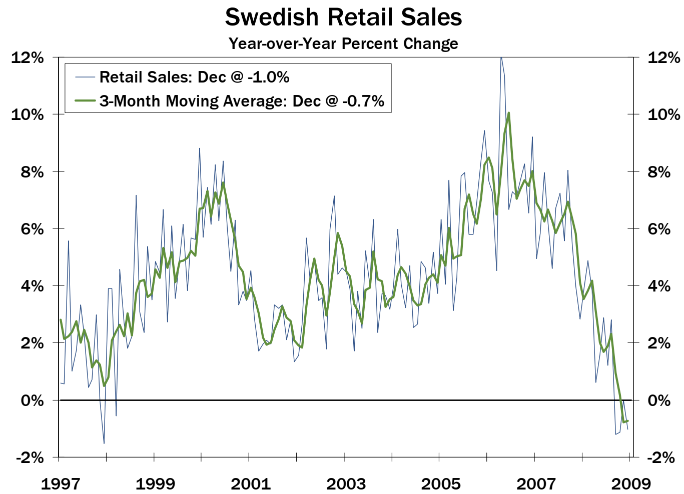
- Real GDP in Sweden plunged at an annualized rate of 9.3% in the fourth quarter, the sharpest sequential rate of contraction in at least fifteen years. Moreover, the Swedish economy has shrunk by 4.4% over the past year, making the current downturn the worst recession in decades.

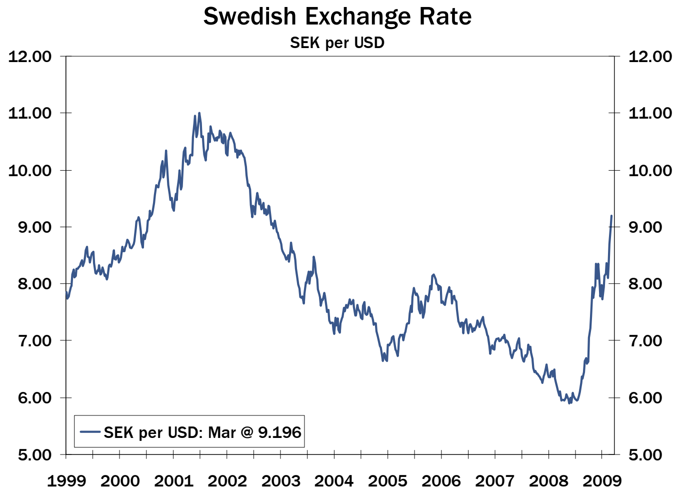
- Sweden is a small open economy. That is, exports are equivalent to more than 50% of GDP. Thus, the downturn in the rest of the world has imparted a major shock to the Swedish economy. However, weakness is not confined to exports only. Growth in real consumer spending has also weakened significantly over the past year. Although the value of retail sales in January was up 1.3% relative to the previous month, we don't believe the stronger-than-expected outturn is the start of a strengthening trend.

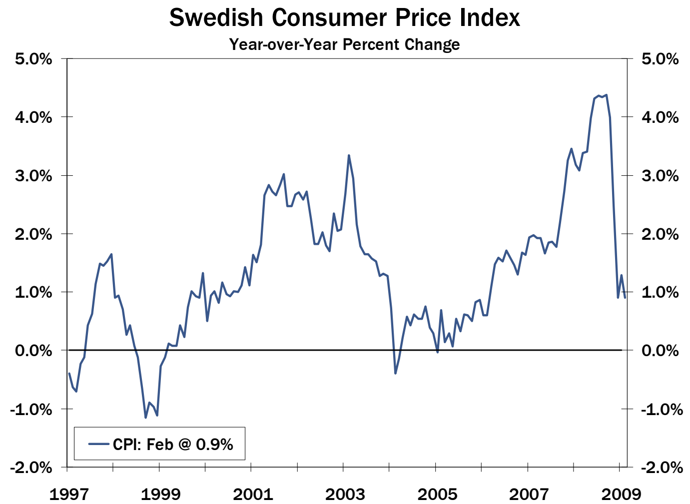
- The Swedish Riksbank, the country's central bank, has slashed rates by 375 bps since mid-October. Although the policy rate currently stands at only 1.00%, rates will probably be cut further in the months ahead due to the very sharp deterioration in Swedish growth prospects and the marked decline in the inflation rate.

- The Swedish krona has depreciated about 35% against the U.S. dollar since mid-July due to the sharp deterioration in the Swedish economic outlook that has occurred since then. Looking forward, we project that the krona will weaken further versus the greenback as the Swedish economy remains mired in recession. However, the krona should stabilize and perhaps strengthen somewhat next year due to the sluggish nature of the U.S. economic recovery that we project.









Source: IHS Global Insight, Bloomberg LP and Wachovia

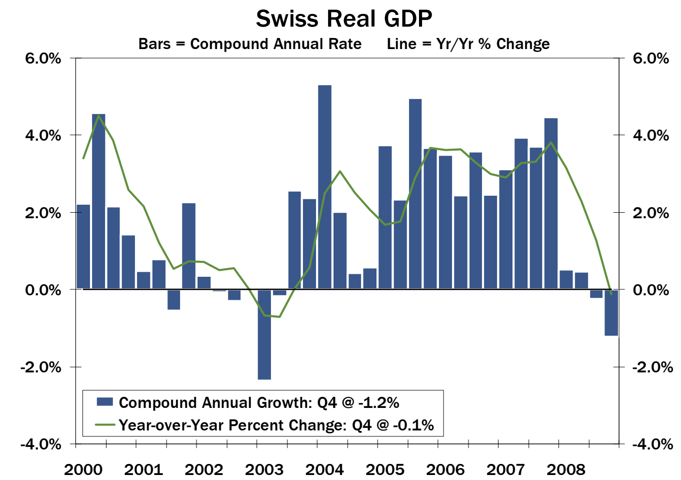
Switzerland

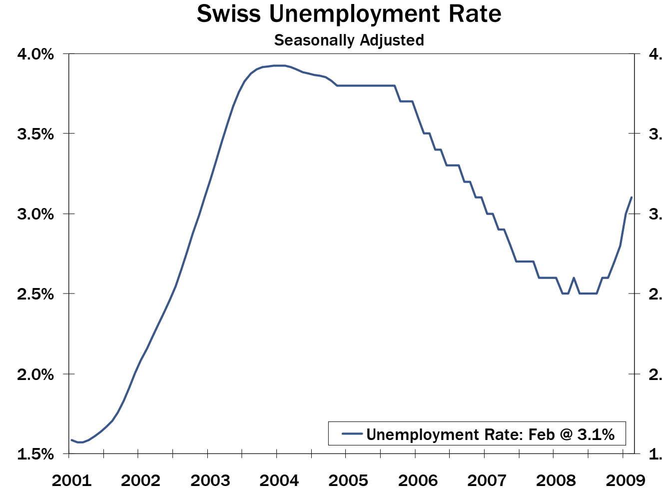
- Real GDP in Switzerland declined at an annualized rate of 1.2% in the fourth quarter of 2008 relative to the previous quarter, far less than the 5.7% contraction registered in the Euro-zone. However, the build-up of inventories in the fourth quarter sets the stage for further declines in overall Swiss GDP in the quarters ahead as unwanted stocks are worked down. Indeed, the manufacturing PMI suggests that the economy has weakened further in the first quarter.

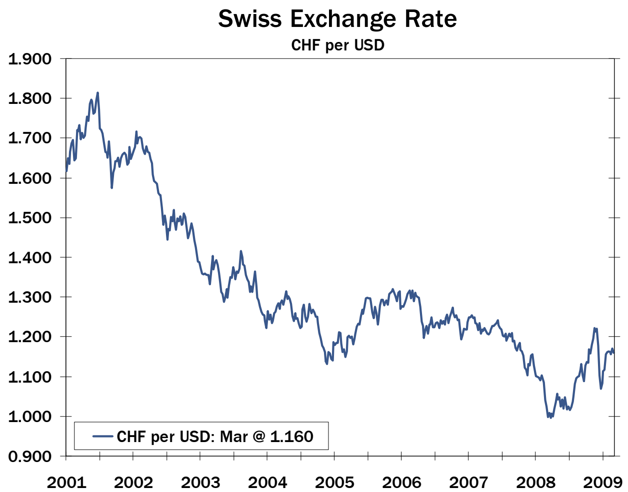
- Exports have fallen sharply over the past few months, but it appears that consumer spending is holding up fairly well, at least at this point. However, the unemployment rate rose from a six-year low of 2.5% last summer to 3.1% at present. With labor market conditions deteriorating, it seems only a matter of time before consumer spending weakens as well.

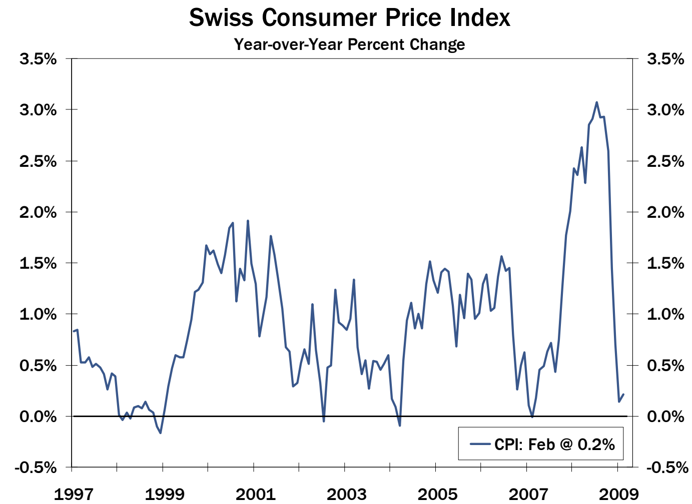
- CPI inflation in Switzerland has receded sharply over the past few months, giving the Swiss National Bank (SNB) scope to cut rates by 225 bps since early October. The SNB's target for the 3-month LIBOR rate stands at only 0.50% at present.

- The Swiss franc has depreciated almost 15% on balance against the greenback since mid-summer, and we look for further dollar strength in the near term as investors anticipate eventual recovery in the U.S. economy. However, we believe the Swiss franc will stabilize and perhaps strengthen against greenback later this year as the sluggish nature of the U.S. recovery becomes painfully apparent.









Source: IHS Global Insight, Bloomberg LP and Wachovia

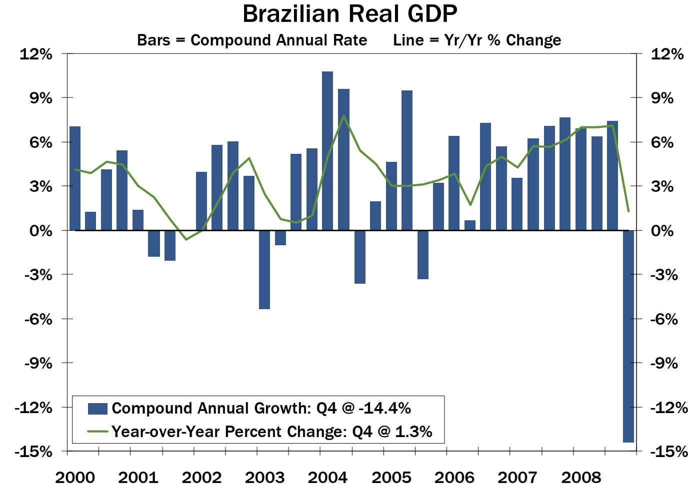
Brazil

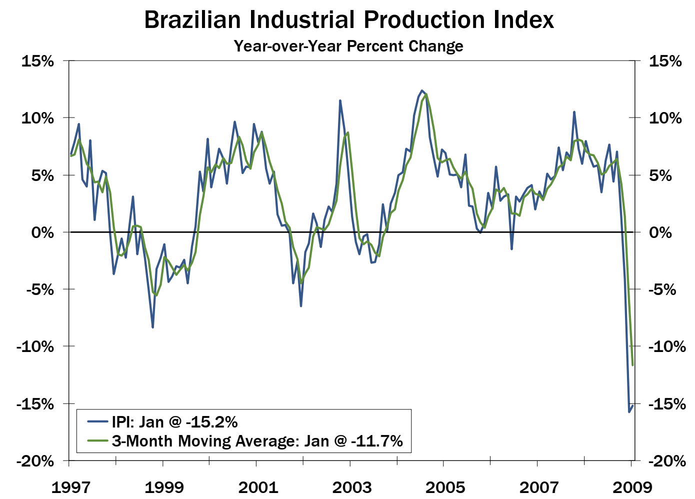
- Real GDP in Brazil fell at an annualized rate of roughly 14 percent in the fourth quarter, the sharpest contraction on record. A breakdown of real GDP into its underlying demand components is not yet available, but the global downturn appears to have depressed Brazilian exports.

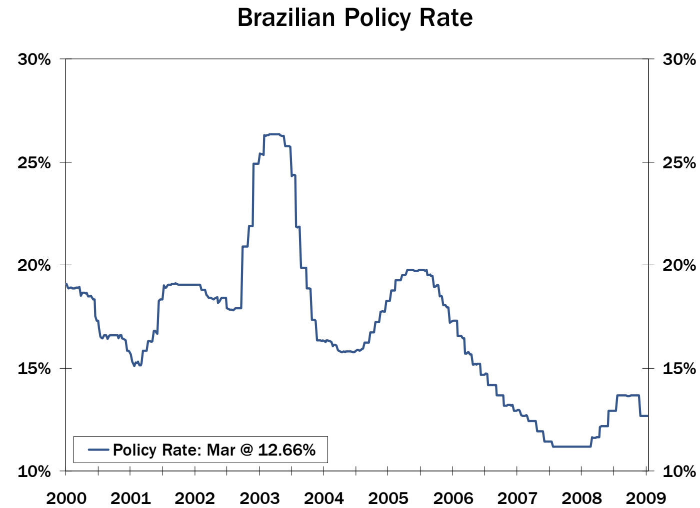
- Available indicators from the first quarter suggest that the economy remains weak, but the rate of contraction is probably not nearly as sharp as in the fourth quarter. Industrial production rebounded about two percent in January relative to the previous month, but it remained significantly below the level of January 2008. Auto sales stabilized in the first two months of the year after falling off a cliff at the end of last year.

- Rising food and oil prices pushed up the rate of CPI inflation in 2008. However, inflation is now starting to recede due to the collapse in energy prices since last summer and slowing growth in Brazil. Therefore, the central bank has cut its policy rate by 100 bps since January, and further easing in the months ahead seems likely.

- The Brazilian real has depreciated more than 30% since it rose to a nine-year high versus the dollar in August. Looking to the foreseeable future, we project that the real will weaken somewhat further vis-à-vis the greenback as the Brazilian central bank remains in easing mode. However, the real should stabilize later this year before strengthening next year as the outlook for the Brazilian economy improves.







Source: IHS Global Insight, Bloomberg LP and Wachovia

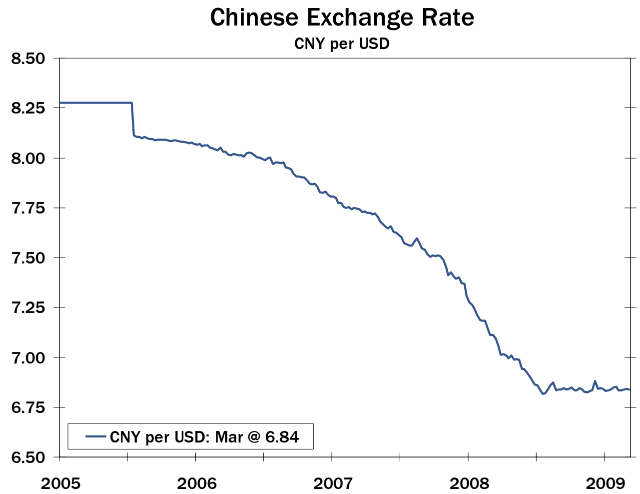
China

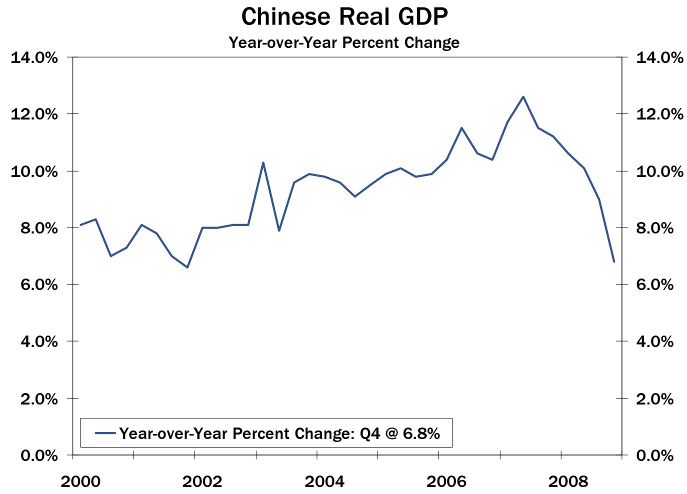
- The Chinese economy has slowed noticeably over the past six quarters. From a 13-year high of 12.8% in the second quarter of 2007, the year-over-year growth rate slowed to only 6.8% in the fourth quarter of 2008, the slowest rate in nine years.

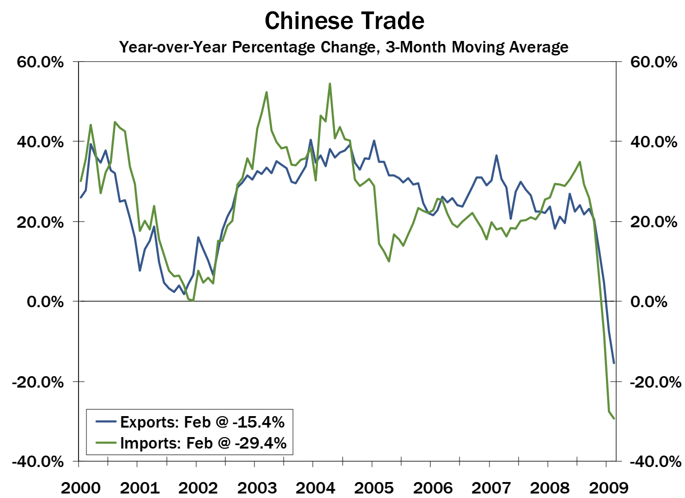
- The downturn in the rest of the world is having a deleterious effect on the Chinese economy. Exports tumbled more than 17% (year-over-year) in January, in line with declines posted during the painful Asian economic crisis of the late 1990s. Growth in consumer spending has held up better, but it too is starting to show some signs of deceleration as well.

- The Chinese economy will likely expand in 2009 at its slowest pace in almost 20 years. However, policymakers have been quick to respond to the obvious slowdown in the economy. The central bank has cut its benchmark lending rate by more than 200 bps since mid-September, and the central government has announced plans to accelerate infrastructure spending. Expansionary macroeconomic policy should help to support economic activity.

- The Chinese renminbi, which had gradually strengthened versus the dollar starting in mid-2005, has been essentially stable since last July. We believe that Chinese authorities will permit very little appreciation of the renminbi between now and the end of the year. However, the Chinese currency likely will resume its appreciation next year as the Chinese economy begins to strengthen.







Source: IHS Global Insight, Bloomberg LP and Wachovia

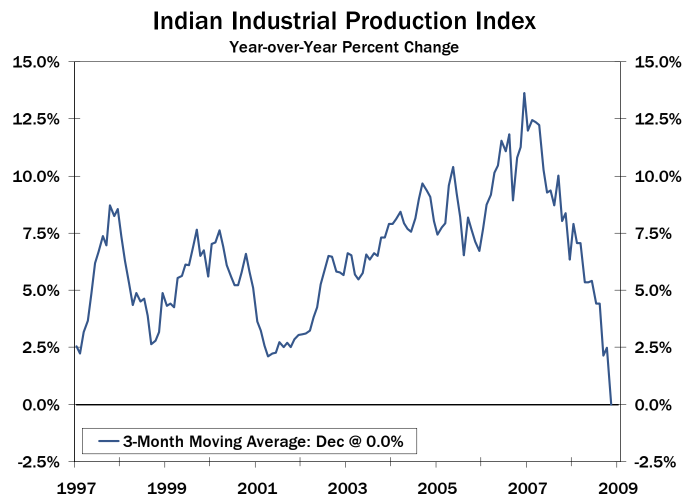
India

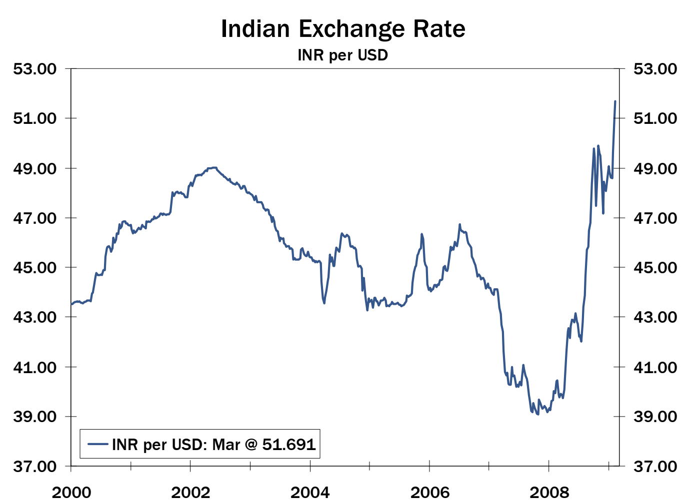
- Economic growth in India has slowed markedly over the last few quarters. The 5.3% GDP growth rate registered in the fourth quarter was the slowest pace of expansion in more than five years. Unfortunately, the 16% decline in the value of Indian exports in January (year-over-year change) suggests that growth in the first quarter remains tepid.

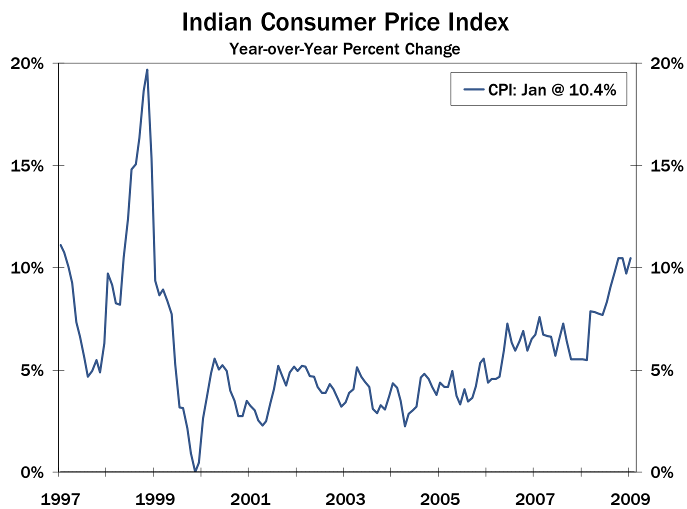
- Not only have Indian exports gone into reverse, but growth in domestic demand has slowed as well. Fixed investment spending was up only 5.4% in the fourth quarter, down sharply from the double-digit growth rates that characterized the past few years, and consumer spending has decelerated as well.

- Wholesale price inflation, which is the benchmark measure of inflation in India, has receded quickly over the past few months as commodity prices have dropped sharply and as the Indian economy has slowed. In response to receding inflationary pressures, the Reserve Bank of India has cut rates by 400 bps since mid-October. The main policy rate now stands at 5.00%, the lowest rate in at least nine years.

- The Indian rupee has plunged to an all-time low versus the dollar as the outlook for the Indian economy has deteriorated and as risk aversion has spiked. In the near term, the rupee will probably continue to trend lower. However, the rupee could begin to claw its way back later this year as economic growth in India begins to strengthen.







Source: IHS Global Insight, Bloomberg LP and Wachovia

Mexico

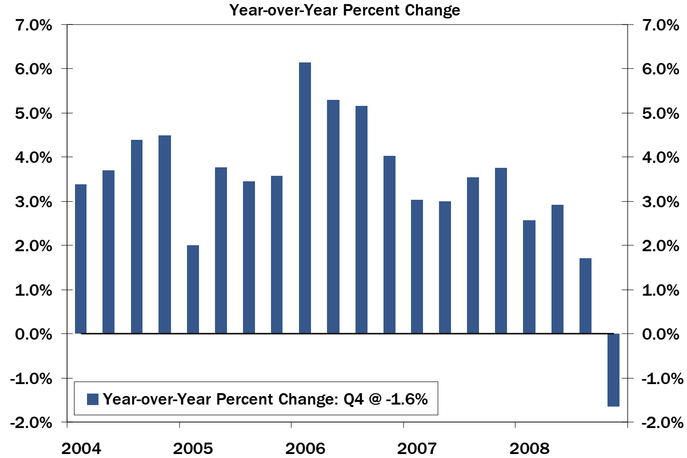
- Mexican real GDP fell 1.6% in the fourth quarter, the first negative reading for the year-over-year growth rate since the recession in the early years of this decade. With the downturn in the United States continuing apace in the first quarter, it seems likely that the recession has further to run in Mexico as well. Indeed, the total value of Mexican exports tumbled more than 30% in January.

- The downturn in foreign trade is spreading to other sectors as well. Retail spending fell more than two percent in the fourth quarter of 2008 relative to the same period during the previous year, and housing construction turned also. Fewer remittances from Mexican workers in the United States may be contributing to the weakness in Mexican domestic demand.

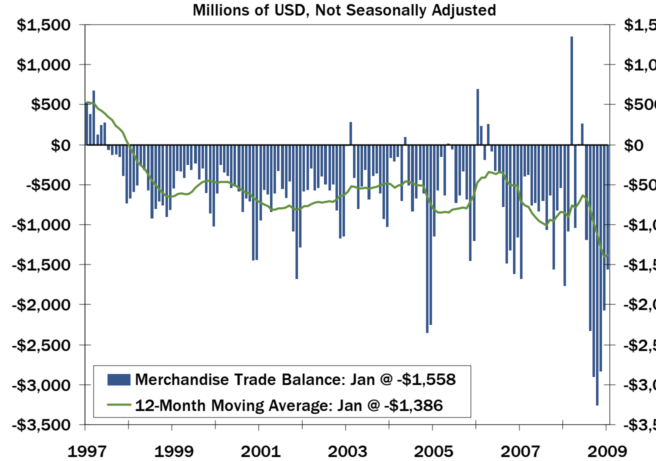
- The overall rate of CPI inflation has edged down over the past few months, but is well above the Bank of Mexico's target of 3%. The Bank has cut rates but by only 75 bps since late November, hardly an aggressive pace of easing. Significant rate cutting probably awaits signs that inflation will recede further.

- The Mexican peso recently plunged to an all-time low versus the dollar as prospects for economic growth in Mexico have deteriorated. In our view, the peso will remain on the ropes until investors have more visibility regarding growth prospects in Mexico. However, we look for the peso to strengthen later this year as the outlook for the Mexican economy starts to brighten somewhat.

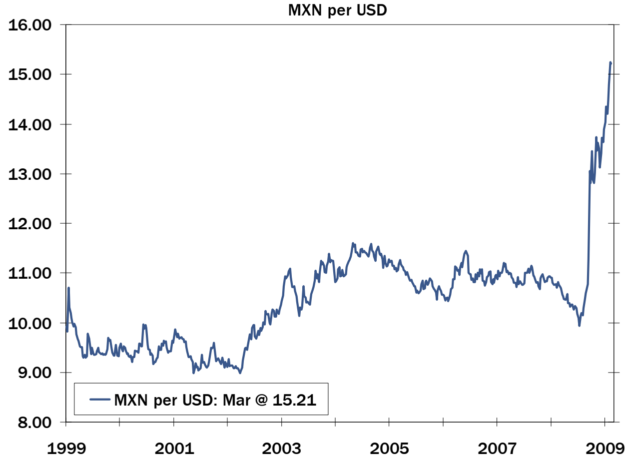
Mexican Real GDP
Year-over-Year Percent Change



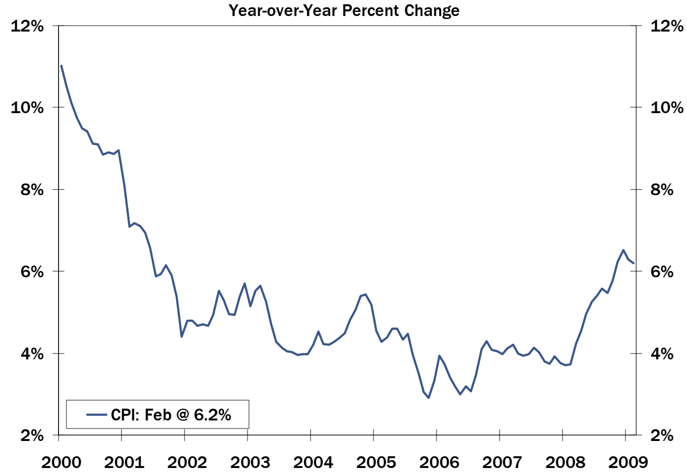
Mexican Merchandise Trade Balance
Millions of USD, Not Seasonally Adjusted



Mexican Exchange Rate
MXN per USD



Mexican Consumer Price Index
Year-over-Year Percent Change



Source: IHS Global Insight, Bloomberg LP and Wachovia

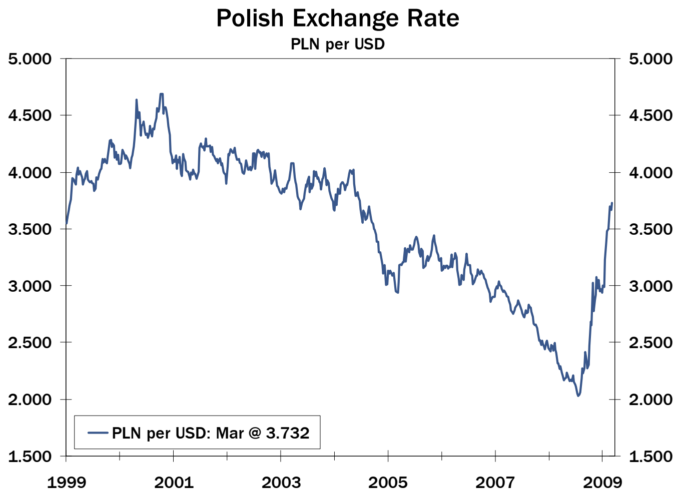
Poland

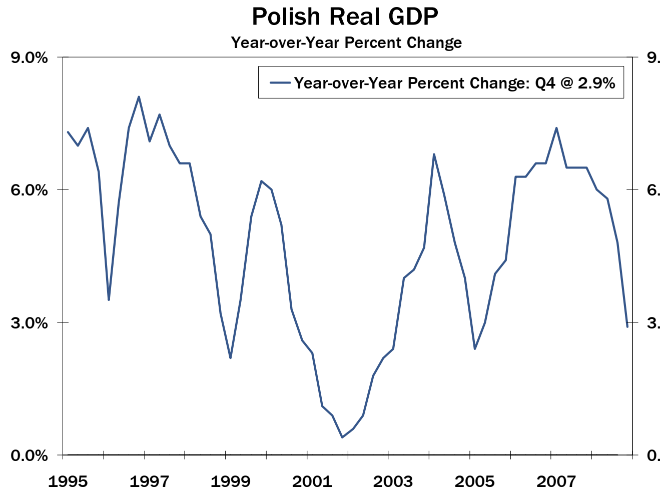
- Real GDP growth in Poland slipped to 2.9% in the fourth quarter, the slowest year-over-year growth rate in nearly four years. Unfortunately, the first quarter of this year appears to have gotten off to a bad start as industrial production fell about 15% (year-over-year) in January. The deep global recession is partly to blame for the current downturn in Polish production.

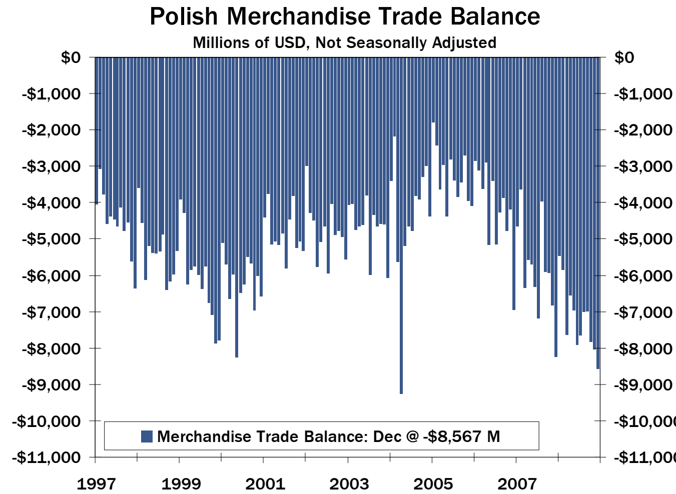
- As in most countries, the overall rate of CPI inflation shot higher in 2008, which led the National Bank of Poland (NBP) to tighten monetary policy. However, CPI inflation has receded over the past few months, and further declines seem likely due to the sharp drop in energy prices and economic weakness. In response, the NBP has cut its main policy rate by 200 bps since late November.

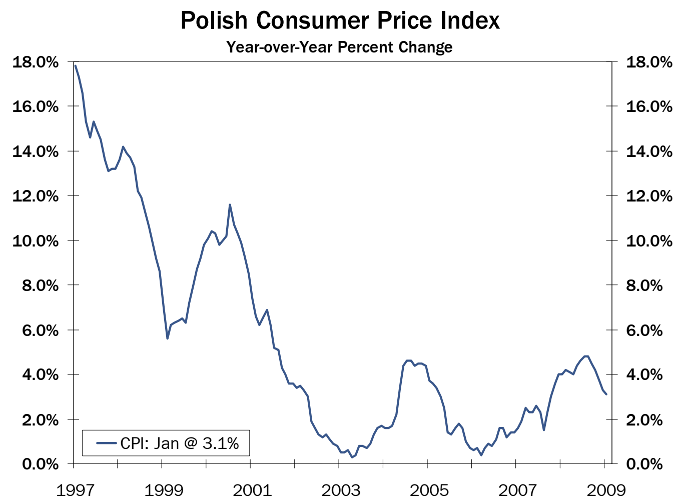
- Poland continues to incur a significant trade deficit. The current account deficit has swelled from less than 2% of GDP in 2005 to roughly 4% currently. Foreign direct investment has financed much of Poland's current account deficit over the past few years, but it seems likely that FDI will weaken somewhat in the quarters ahead with the global economy slipping into its worst recession in decades.

- The Polish zloty has lost more than 40% of its value against the dollar since mid-July as the Polish economic outlook has deteriorated and as investors have questioned the resilience of FDI inflows. We forecast that the zloty will remain on the ropes in the near term. However, the zloty should begin to turn around later this year as Polish economic prospects begin to improve.









Source: IHS Global Insight, Bloomberg LP and Wachovia

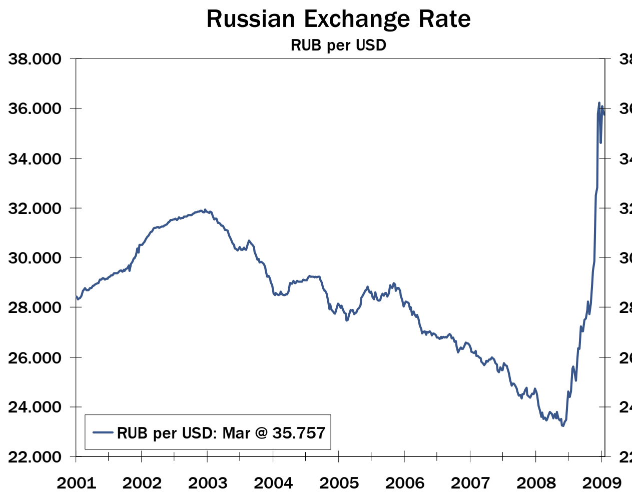
Russia

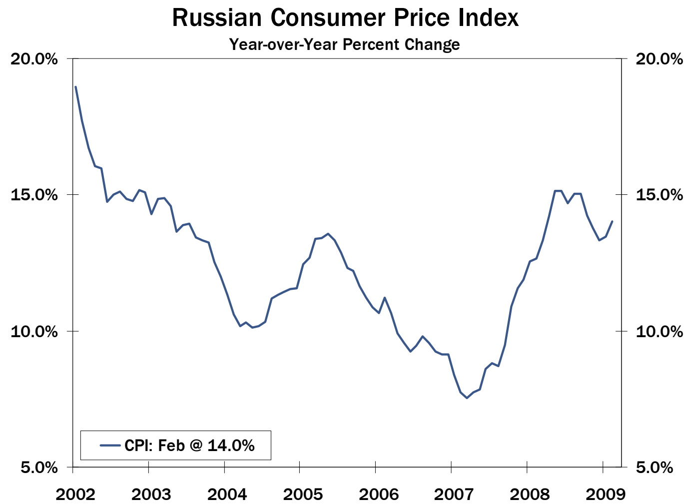
- Russian GDP data for the fourth quarter are not officially available yet, but the six percent decline in industrial production that occurred during the quarter does not bode well for the overall GDP growth rate. Moreover, the downturn in industrial production accelerated in January. In other words, Russia has fallen into a deep recession.

- Russia is suffering through another financial crisis. During the oil price boom of the past few years, the Russian economy was booming. Russian banks became very leveraged and funded themselves via capital inflows from abroad. However, the global credit crunch has led to significant strains in the Russian banking system that has contributed to the sharp downturn in the Russian economy.

- CPI inflation, which shot up to a six-year high last summer, has receded somewhat as oil prices have collapsed. However, lower oil revenues have caused the Russian trade surplus to shrink rapidly. The central bank still has ample foreign exchange reserves (almost $400 billion), but the level of reserves has dropped more than $200 billion since late July.

- The Russian ruble has lost about 35% of its value against the dollar since mid-July as Russian banks have scrambled for dollar funding. In our view, the Russian currency could fall even further in the near term. Sooner or later, however, the currency will bounce, and we look for the ruble to gradually appreciate later this year as the storm raging in Russian financial markets begins to subside.





Source: IHS Global Insight, Bloomberg LP and Wachovia

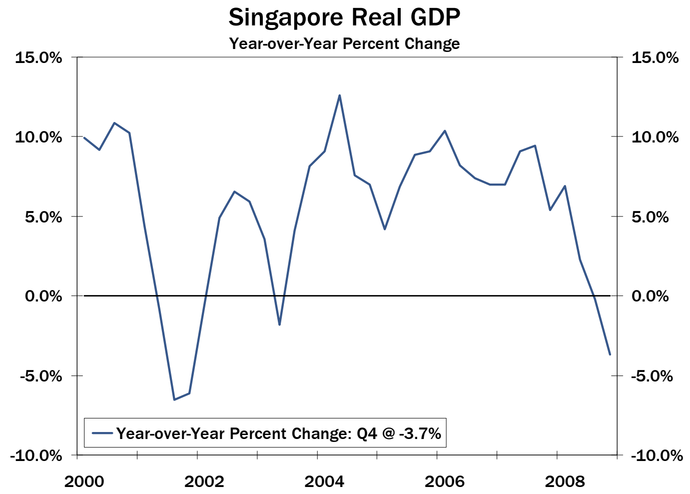
Singapore

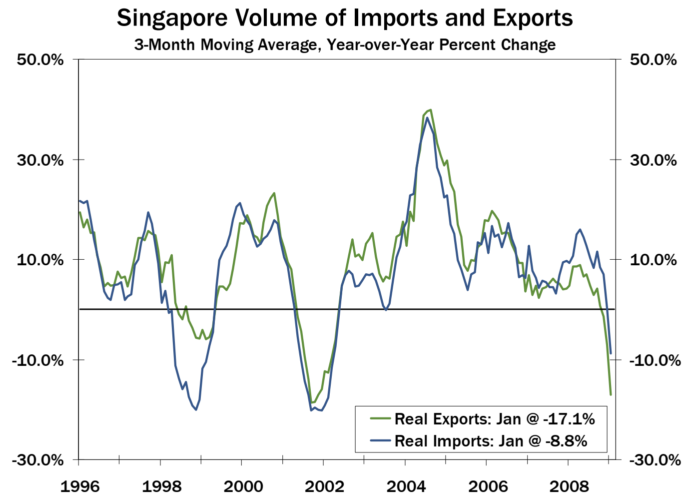
- Real GDP in Singapore fell 4.2% in the fourth quarter of 2008 relative to the same period during the previous year, the sharpest rate of contraction since the "tech" recession earlier this decade. On a sequential basis, real GDP plunged nearly 18 percent on an annualized basis in the fourth quarter. The manufacturing PMI has risen a bit in the first quarter, but it remains in territory that is consistent with recession.

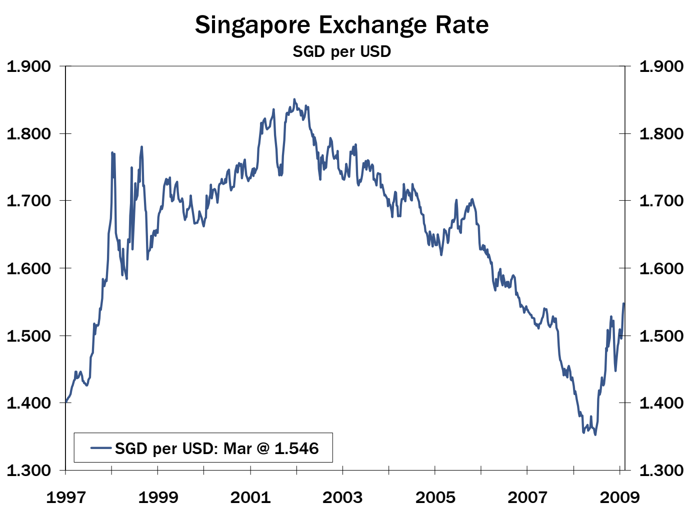
- Singapore is one of the most open economies in the world, and the deep global recession has imparted a major shock to the Singaporean economy. Indeed, the volume of exports is currently falling at a double-digit pace. That said, domestic demand is also weak. Real consumer spending fell more than one percent in the fourth quarter, and fixed investment spending tumbled 10%.

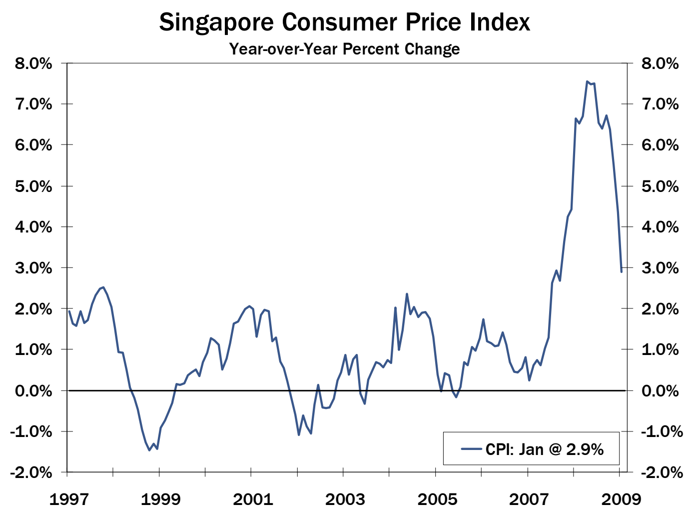
- CPI inflation shot up last year, but it is not much of an issue anymore. The overall rate of CPI inflation has receded to less than three percent, and economic weakness means that further declines in inflation lie in store.

- Because the city-state is such an open economy, the Monetary Authority of Singapore manages the exchange value of the Singapore dollar versus a basket of currencies. The generalized rise of the U.S. dollar since last summer has translated into an appreciation of the greenback vis-à-vis the Singapore dollar. We believe this strengthening trend of the greenback versus the Sing dollar will remain in place for the next few quarters. The Sing dollar should stabilize late this year or early in 2010.









Source: IHS Global Insight, Bloomberg LP and Wachovia

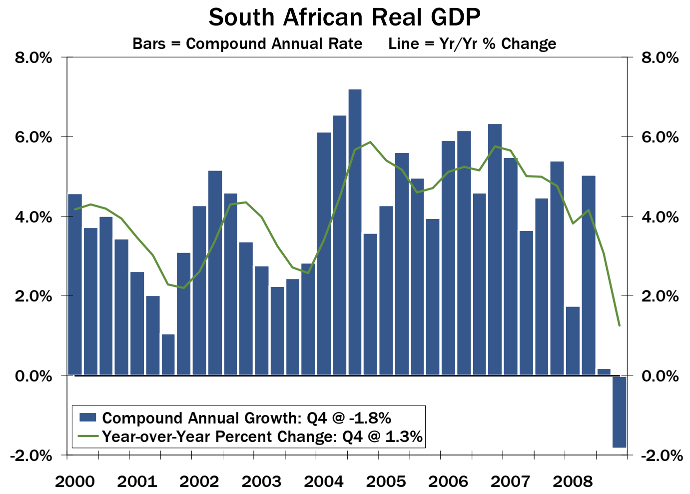
South Africa

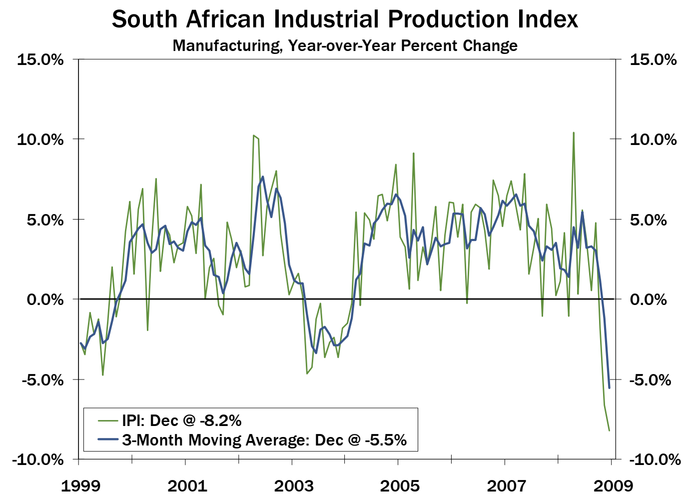
- Real GDP in South Africa fell at an annualized rate of 1.8 percent in the fourth quarter of 2008 relative to the previous quarter, the first sequential decline in ten years and the sharpest rate of contraction since the deep recession of the early 1990s. Although export growth has slowed over the past few years, the most important source of the slowdown in South Africa has been consumer spending. The sharp rise in CPI inflation over the past year or so may be contributing to slower growth in real consumer spending via its deleterious effect on real income growth. Indeed, growth in real retail sales has turned negative over the past few months.

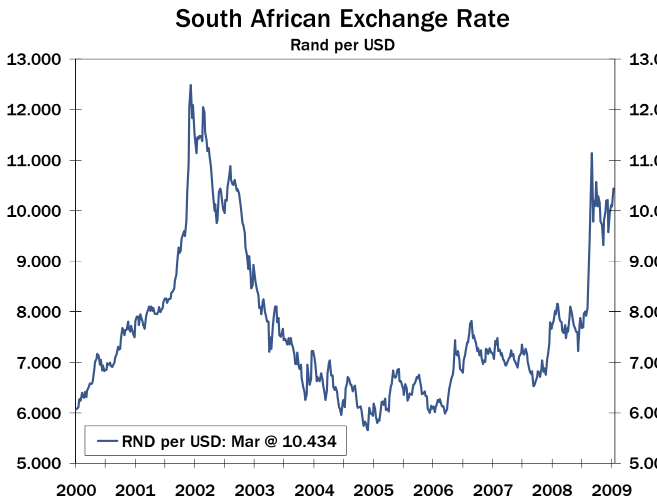
- CPI inflation rose into double-digit territory last year, but it is starting to recede as energy prices have collapsed. The South African Reserve Bank, which had been raising rates, has cut rates by 150 bps since December on the expectation that inflation will decline further.

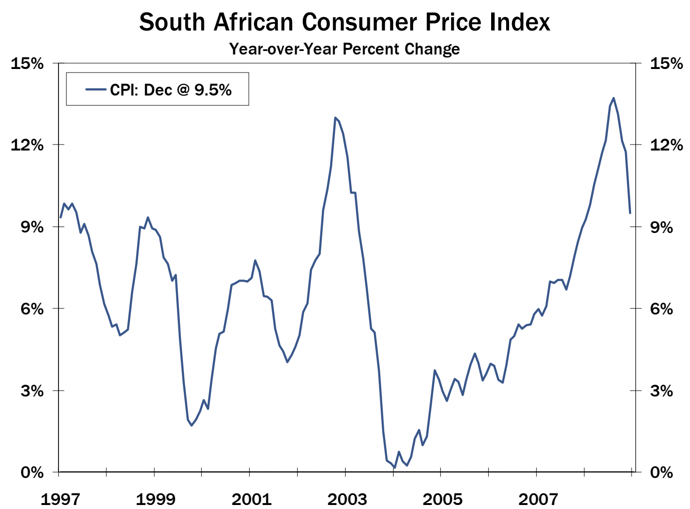
- South Africa is incurring a sizeable current account deficit at present (about 8% of GDP). The gaping deficit and the previous rise in inflation are signs that the economy was running too hot. Significant real exchange rate appreciation over the past few years has also contributed to the blowout in South Africa’s current account deficit.

- The South African rand weakened sharply last autumn as the global credit crunch intensified. We believe that the rand will remain weak in the near term, but project that it will regain its footing later this year or early next year as global growth prospects begin to improve.









Source: IHS Global Insight, Bloomberg LP and Wachovia

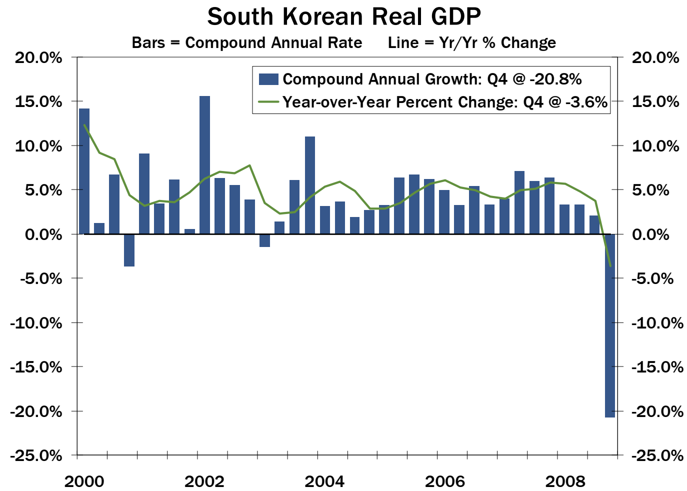
South Korea

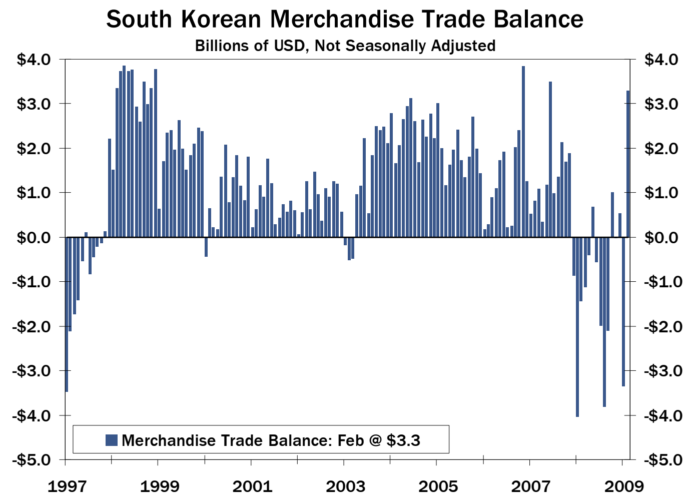
- Real GDP in Korea plunged at an annualized rate of 20.8% in the fourth quarter relative to the previous quarter, nearly as bad as the contraction registered in the first quarter of 1998 following the implosion of Korea's financial system in the autumn of 1997. Industrial production in January rose 1.3% relative to December, but remains well below the fourth quarter's average.

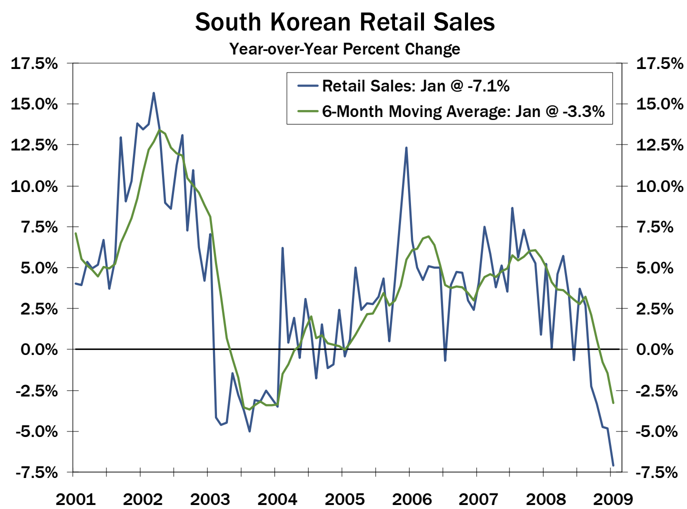
- The country's trade surplus has disappeared as export growth has tumbled. Indeed, the value of Korea's exports plunged more than 30% in January relative to the same month in 2008. However, growth in domestic demand has also turned negative with real retail sales down 7% in January. Like their American counterparts, consumers in Korea are rather leveraged and consumption expenditures probably will remain very weak for the foreseeable future.

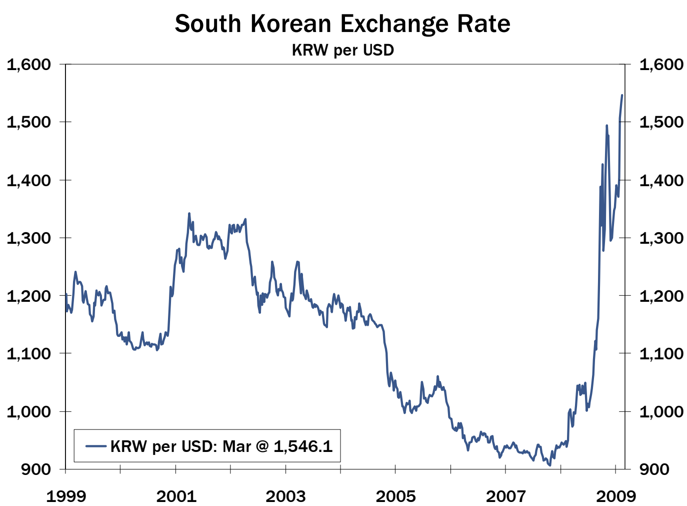
- CPI inflation, which rose to a 10-year high of 5.9% in July, has subsequently receded sharply as energy prices have collapsed and as the economy has weakened markedly. The Bank of Korea has slashed rates by 325 bps since early October. Its main policy rate currently stands at an all-time low of 2.00% and further easing seems likely.

- The won has tumbled to an 11-year low versus the dollar, and the Korean currency likely will remain under pressure, at least in the near term. However, the won could regain its footing and begin to strengthen later this year or early next year as Korean growth prospects begin to improve somewhat.









Source: IHS Global Insight, Bloomberg LP and Wachovia

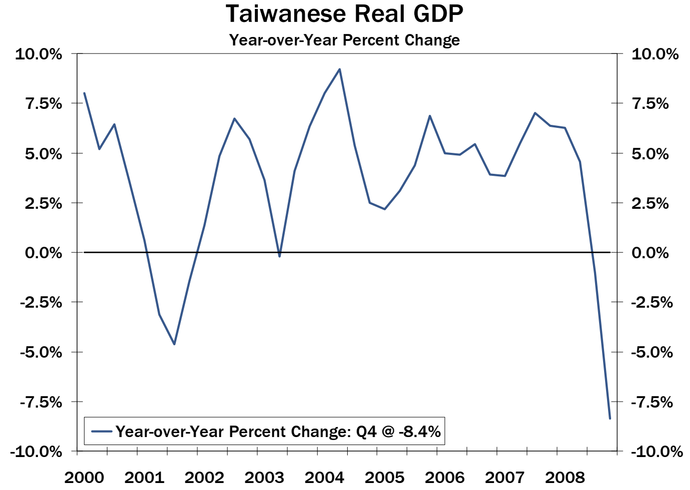
Taiwan

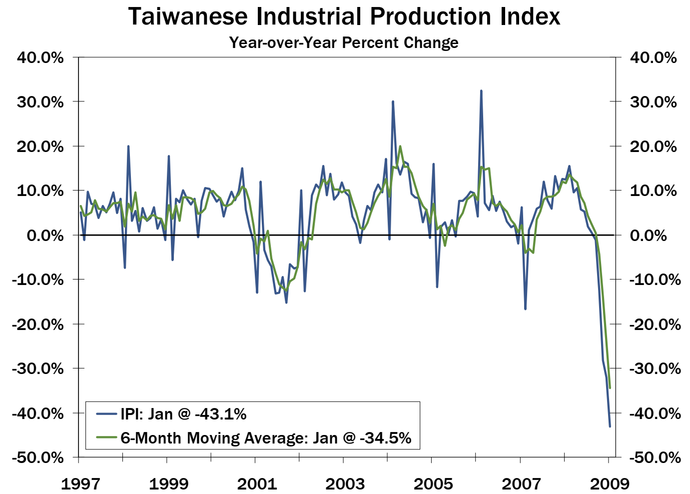
- Real GDP in Taiwan plunged 8.4% in the fourth quarter of 2008, the weakest year-over-year growth rate on record (the series begins in 1962). Unfortunately, the downturn does not appear to have eased up in the first quarter if the 43% decline in industrial production in January is any guide..

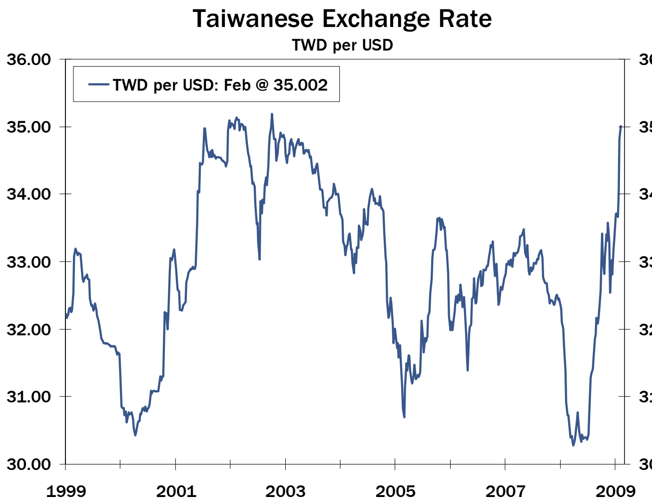
- Growth in Taiwan has been driven by exports over the past few years, and the sharp downturn in the global economy has imparted a nasty shock to the Taiwanese economy. In addition, growth in domestic demand, which already had been rather lackluster, has weakened further recently. Real retail spending fell nearly 2% in January relative to the same month in 2008, and the recent rise in unemployment does not bode well for consumer spending in the near term.

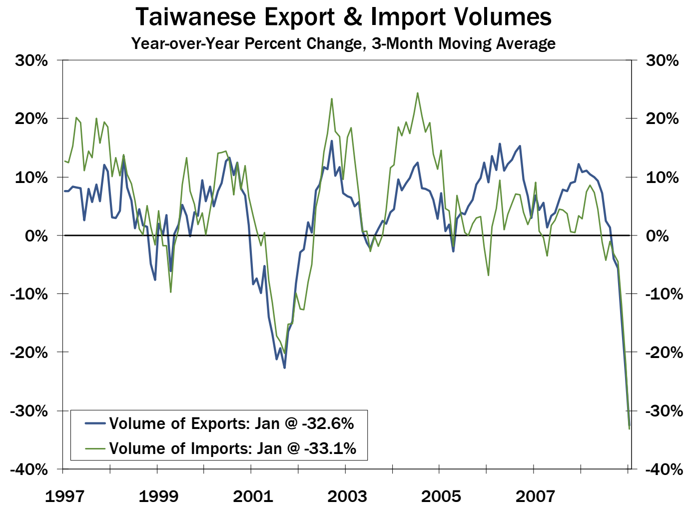
- CPI inflation, which rose to nearly 6% last summer, has turned slightly negative recently. The central bank has cut its main policy rate by more than 238 bps since late September (it currently stands at only 1.25%), and further easing seems likely in the months ahead. In addition, the government has announced some fiscal stimulus measures that may eventually reduce the rate of deterioration in the economy.

- The Taiwanese dollar has declined to an all-time low versus the U.S. dollar, and it likely will remain on the defensive in the near term. However, the Taiwanese dollar could begin to strengthen modestly late this year as the Taiwanese economy stabilizes and starts to grow again.









Source: IHS Global Insight, Bloomberg LP and Wachovia

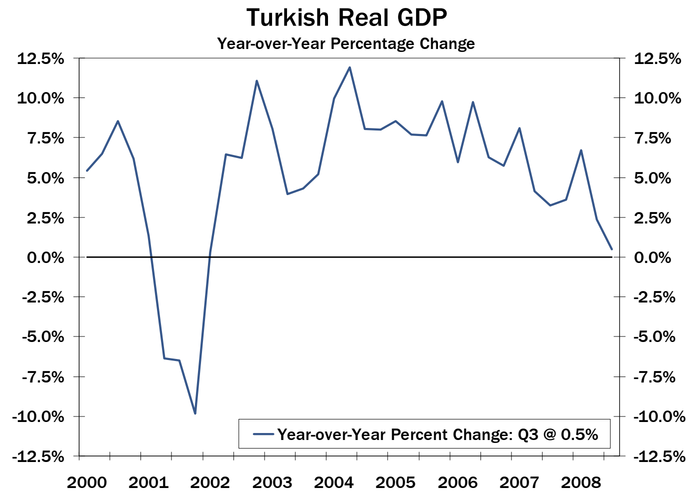
Turkey

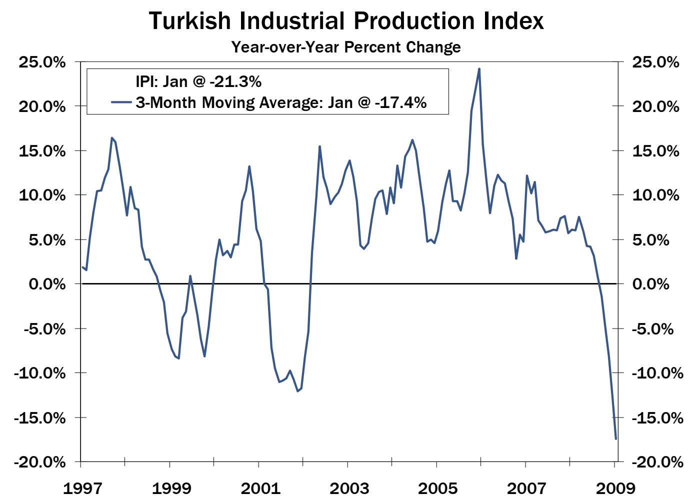
- Turkish real GDP data for the fourth quarter have not been released but, but growth probably slid into negative territory judging by the 13% decline in industrial production that was registered during the quarter. Moreover, the rate of decline has probably picked up in the first quarter of this year due to the 21% drop in IP in January. Turkish exports are currently down 25% relative to last year.

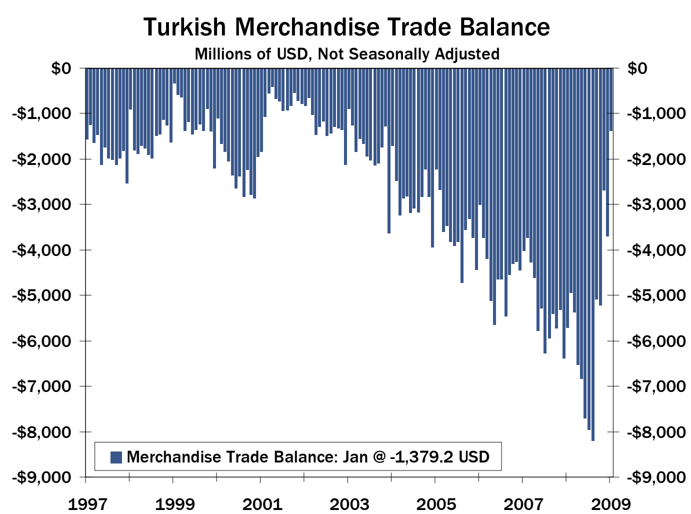
- Inflation was the big issue throughout most of 2008, but the year-over-year rate has receded somewhat in recent months due to economic weakness and the collapse in energy prices. The central bank, which had been tightening policy earlier in 2008, has cut rates by 525 bps since mid-November. More easing likely will occur in the months ahead.

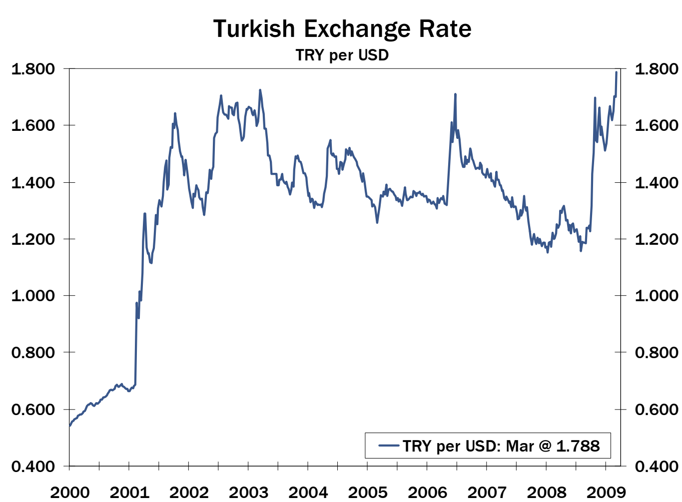
- Turkey's external accounts have deteriorated over the past few years. The country's current account deficit currently stands around 5% of GDP, the highest ratio in decades. Large current account deficits, which must be financed by capital inflows from abroad, make the country vulnerable to the whims of risk-averse investors.

- The Turkish lira has dropped to an all-time low against the dollar as the global economic outlook has deteriorated significantly. We project that the lira will remain weak against the greenback, at least in the near term, as Turkish growth prospects remain poor. However, the lira should stabilize later this year as investors begin to anticipate eventual economic recovery in Turkey.









Source: IHS Global Insight, Bloomberg LP and Wachovia

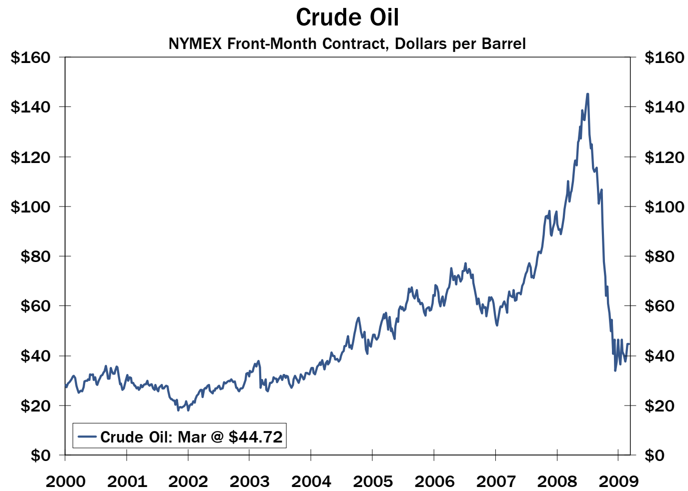
Energy Markets

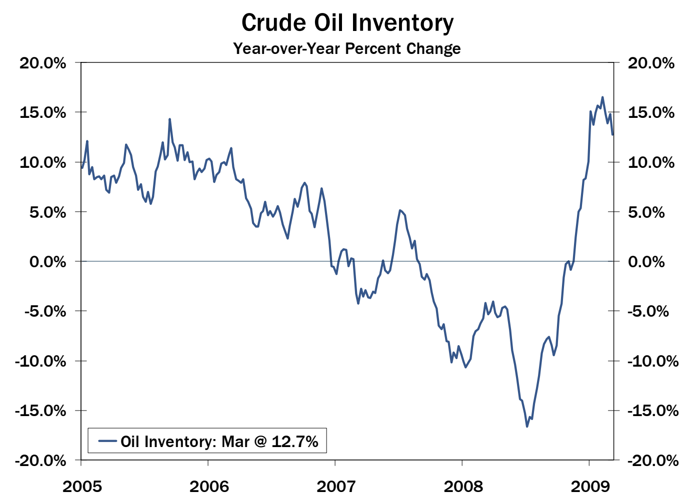
- Crude oil prices fell sharply last year as the global economy weakened significantly in the wake of the credit crunch. The collapse was exacerbated by the unwinding of speculative positions that contributed to the moon-shot in crude prices earlier in 2008. Crude prices remain depressed today because of ample inventories. U.S. stocks are up 15% above their levels at this time last year. Distillate stocks are also very elevated at present, up more than about 20% on a year-over-year basis.

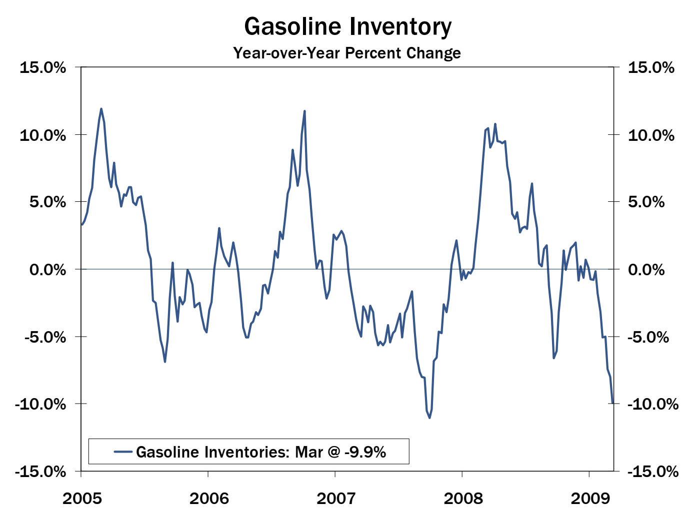
- In contrast, gasoline inventories are very lean at present, off nearly 10% on a year-over-year basis. Refiners are attempting to rebuild their margins, which became squeezed last year when oil prices collapsed, by cutting back production of gasoline. Gasoline prices have drifted higher recently as inventories have declined.

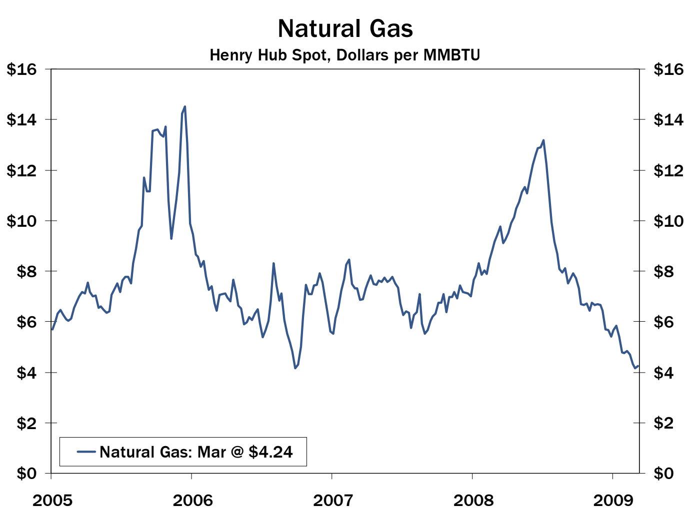
- Natural gas has not been immune to the same forces that have driven oil prices over the past year. Indeed, the price of natural gas in the United States is down more than 70% from its peak last July as gas in storage is up 20%. The collapse in industrial production has eaten sharply into the industrial use of natural gas.

- OPEC is considering another production cut, which should help to stabilize oil prices. That said, it is hard to envision a significant increase in energy prices until global economic activity starts to strengthen. We project that crude prices will remain roughly flat for the remainder of the year before rising somewhat next year as modest growth returns to the global economy.









Source: Moody's Economy.com and Wachovia

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