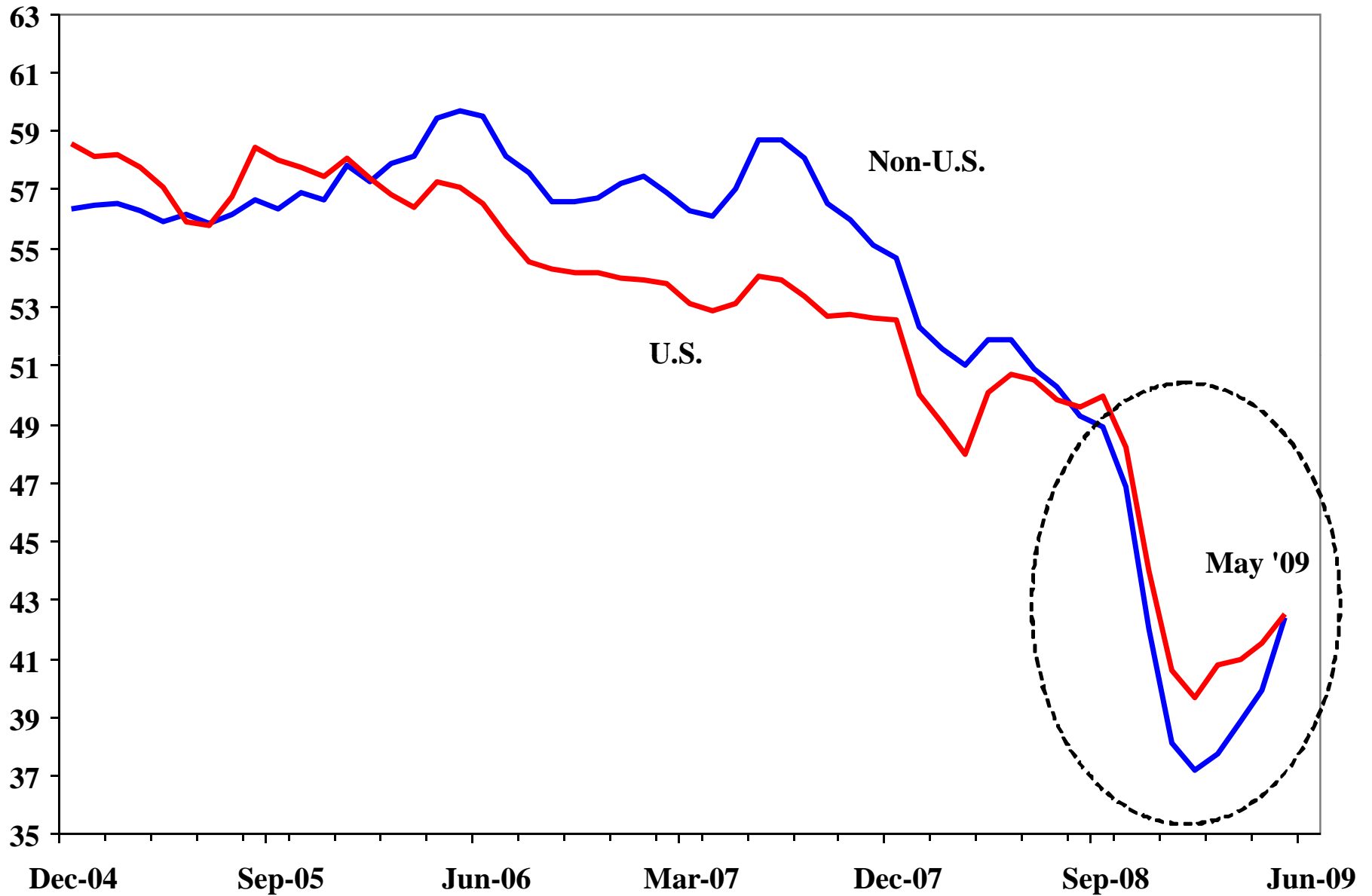




**AFTER THE FALL:  
*The Global Economic And Financial Market  
Outlook Into 2010***

***A Presentation To The IPAMS Annual Meeting  
And Summer Conference  
Vail, Colorado  
June 26, 2009***

**WHAT NEXT, AFTER THE END TO THE GLOBAL ECONOMIC "FREE FALL?"**  
**% Of Respondents Reporting Increased Manufacturing & Non-Manufacturing Activity**



Source: JPMorgan Chase, Inc.; Wells Capital Mgmt. Estimates.

***WILL DEVELOPING & "NEWLY INDUSTRIALIZED" COUNTRIES LEAD  
THE GLOBAL RECOVERY THROUGH 2011?***

***Real GDP Growth, Percent Change***

	<b>Avg. Annual, 1998-2008</b>	<b>2009 Fcst</b>	<b>2010 Fcst</b>	<b>2011 Fcst</b>
<b>World</b>	<b>4.0</b>	<b>-1.3</b>	<b>1.9</b>	<b>4.8</b>
<b>U.S.</b>	<b>2.5</b>	<b>-2.8</b>	<b>0.0</b>	<b>2.4</b>
<b>Other "Advanced"</b>	<b>2.4</b>	<b>-4.4</b>	<b>0.0</b>	<b>2.7</b>
<b>Developing Areas</b>	<b>6.2</b>	<b>1.6</b>	<b>4.0</b>	<b>6.8</b>
<b>Asia</b>	<b>8.0</b>	<b>4.8</b>	<b>6.1</b>	<b>8.8</b>
<b>China</b>	<b>9.7</b>	<b>6.5</b>	<b>7.5</b>	<b>10.0</b>
<b>Middle East</b>	<b>7.2</b>	<b>2.5</b>	<b>3.5</b>	<b>4.5</b>
<b>Latin America</b>	<b>3.4</b>	<b>-1.5</b>	<b>1.6</b>	<b>4.3</b>
<b>Russia</b>	<b>6.7</b>	<b>-6.0</b>	<b>0.5</b>	<b>5.0</b>
<b>Eastern Europe</b>	<b>4.3</b>	<b>-3.7</b>	<b>0.8</b>	<b>4.0</b>
<b><u>Memo:</u></b>				
<b>Volume World Trade</b>	<b>6.5</b>	<b>-11.0</b>	<b>0.6</b>	<b>6.8</b>

**Sources: IMF, World Economic Outlook, April 2009**

## **WHY AN ECONOMIC RECOVERY IN THIS YEAR'S SECOND HALF?...**

- \* An Accelerating Credit “Thaw”**
- \* Less Economic “Drag” From Home Construction,  
Inventory Declines**
- \* Aggressive Fiscal And Monetary Stimulus**  
*--An Eye To The Early And Mid-1930s*
- \* A Moderate Release Of “Pent-Up” Consumer  
Demand**

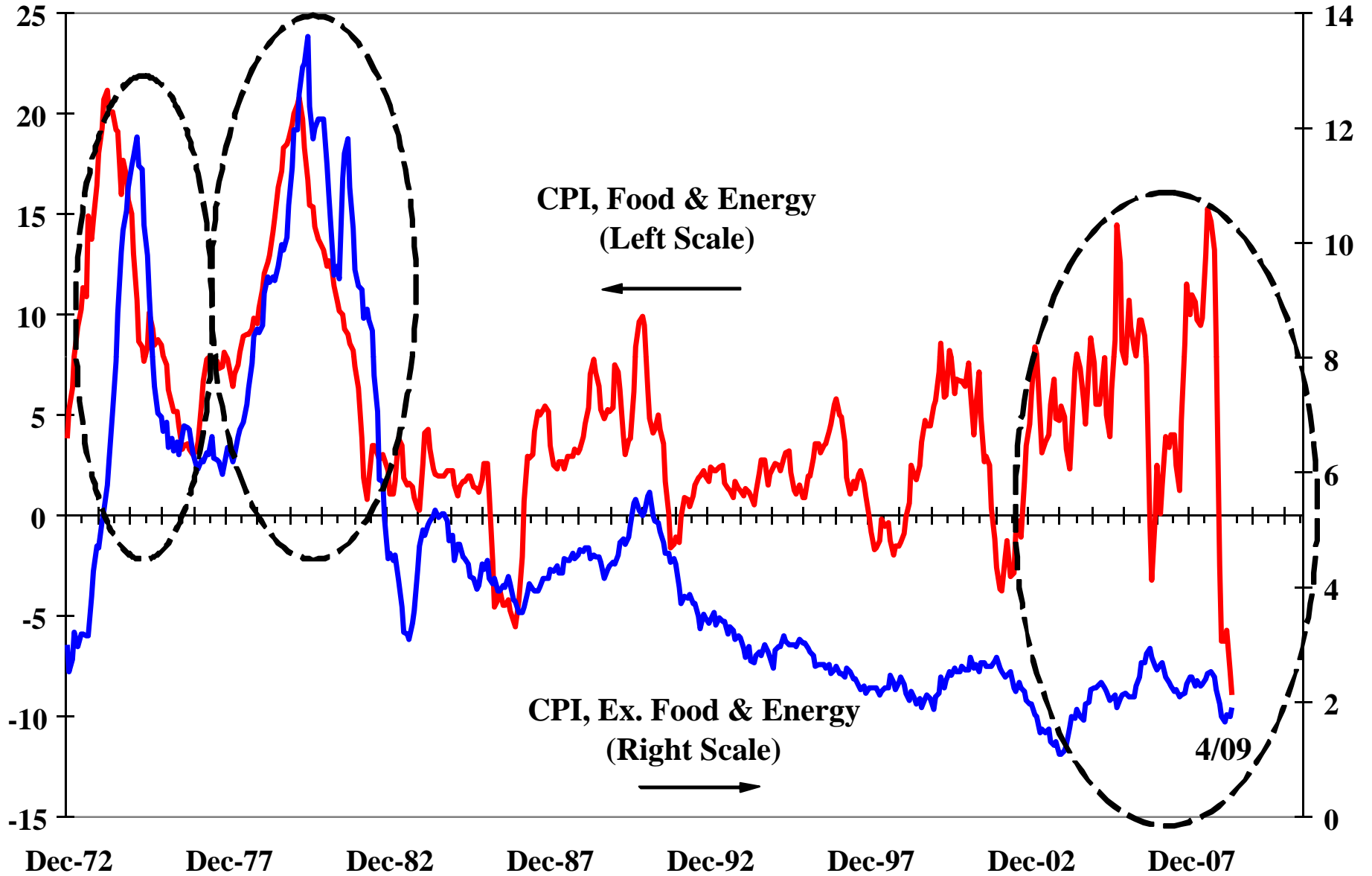
## **...AND WHY IT LIKELY WILL BE MODERATE**

- \* Rising Fuel Costs And Mortgage Rates**
- \* A Bankruptcy-Related Disruption To Auto Output**
- \* Fall-Out From The Credit “Freeze:”**
  - A Foreclosure-Related Over-Hang Of Unsold Homes*
  - Wealth Re-Building Via Increased Savings*
  - Prolonged Lending Restraint From Unusually Severe Credit-Quality Problems*

# **WHY INFLATION IS NOT A THREAT TO THE ECONOMY THIS YEAR**

- \* Unused Capacity At A Twenty-Six Year High**
- \* Weak “Pricing Power”**
- \* Federal Deficits Are “Counter-Cyclical”**
- \* The Federal Reserve Still “Pushing  
On A String”**

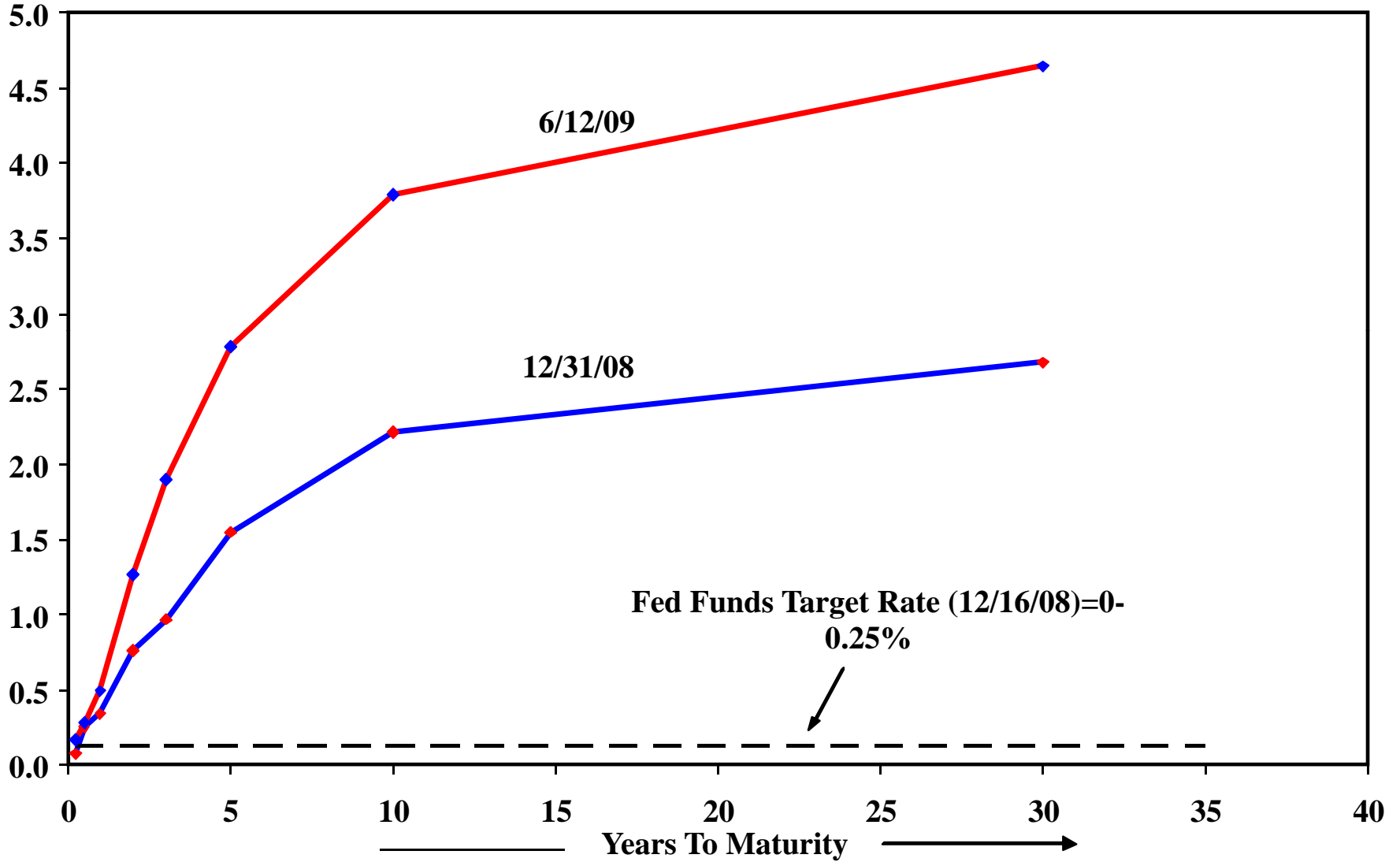
**HEIGHTENED COMPETITION, WEAK "PRICING POWER" KEEP A LID ON "CORE" INFLATION**  
*Year Ago Percent Change*



Source: U.S. Dep't Of Labor

**A "BEAR MARKET STEEPENING" OF THE TREASURY "YIELD CURVE"  
SINCE THE END OF 2008**

*The Treasury Yield Curve, Selected Periods; Yields In Percent*



Source: Bloomberg Financial News, Inc.