

Interest Rate Risk Management

Market Update

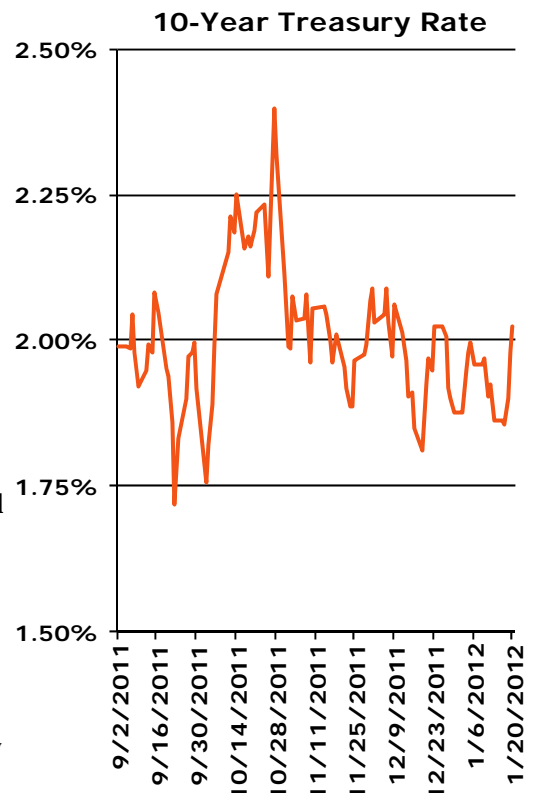
January 23, 2012

WELLS
FARGO

As 2012 gets fully underway, the Dow continues to rally off of its recent October low of 10,655. Despite the 8% correction experienced in November, equities have continued their surge, jumping nearly 20% since October 2011. Yet the 10-Year Treasury rate continues to stay in a range hovering close to 2%. This divergence forces the question of why haven't 10-Year Treasury yields moved higher as equities have rallied? The equity surge has been brought on by fairly decent corporate earnings, improving - although still weak - economic data, and some apparent improvement in the EU debt crisis which seems to be under better 'management' control in 2012. Last week, EU talks to swap out existing Greek debt for new debt at a lower interest rate was adding to positive news coming out of Europe. Yet, uncertainty must still persist in the minds of Treasury investors. But should the EU debt crisis continue to improve with further signs toward a positive resolution, it would seem there could be upward pressure on rates.

The economic data released last week helped to boost the equity market and helped move rates upward. Empire Manufacturing exceeded expectations (13.48 vs. 11.0) and Mortgage Applications for the week of January 13 jumped 23.1%, up from the previous month's 4.5% increase. The year-over-year Producer Price Index was 4.8% vs. the expected 5.1%, and excluding food and energy slightly exceeded expectations (3.0% vs. 2.8%). Industrial Production also slightly missed expectations (0.4% vs. 0.5%) but was better than November (-0.2%) and Capacity Utilization met consensus estimates (78.1). Housing Starts were lower than expected (657k vs. 680k) but Building Permits met estimates (679k). The big positive news of the week was a 47k drop in Initial Jobless Claims from the previous week to 352k, and well below the estimated 384k. Existing Home Sales nearly matched estimates (4.61M vs. 4.65M) to wrap up a week with no major economic disappointments.

This week the Fed meets on Tuesday and Wednesday and there is an expectation around their effort for greater transparency and forecasts for the benchmark interest rate. On top of that, we have the President's State of the Union address and Treasury auctions on tap along with: Richmond Fed Index, Pending Home Sales, Durable Goods, House Price Index, Kansas City Fed Index, Initial Jobless Claims, 4th Qtr GDP, and Personal Consumption.



	Key Rate Summary	Today	1-Month Ago	3-Months Ago	1-Year Ago
Interest Rates	Fed Funds Target	0.25%	0.25%	0.25%	0.25%
	Wells Fargo Prime	3.25%	3.25%	3.25%	3.25%
	1-Month LIBOR	0.28%	0.29%	0.24%	0.26%
	3-Month LIBOR	0.56%	0.57%	0.42%	0.30%
	2-Year Treas Note	0.24%	0.26%	0.26%	0.63%
	5-Year Treas Note	0.89%	0.86%	1.06%	2.05%
	10-Year Treas Note	2.03%	1.92%	2.19%	3.45%
	30-Year Treas Note	3.10%	2.93%	3.22%	4.61%

Source: Bloomberg; As of January 20, 2012

Interest Rate Risk Management Offices

Charlotte: 704-374-3471
Chicago: 312-845-9771
Cleveland: 216-344-6953

Dallas: 214-721-8232
Los Angeles: 213-253-7380
Minneapolis: 612-667-3242

New York: 212-214-8540
San Francisco: 415-644-9101
Seattle: 206-292-3711

Some of the information or opinions stated in this message may have been obtained or developed by Wells Fargo & Co. or one of its affiliated companies (collectively, "Wells Fargo") from sources outside of Wells Fargo. In such cases, Wells Fargo believes the information or opinions to be reliable. However, Wells Fargo will not have independently confirmed the reliability of such information or opinions and does not guarantee their accuracy or completeness or the reliability of their sources. The information and opinions in this message, whether or not they were obtained or developed from outside sources, may not be appropriate for, or applicable to, some or any of your activities or circumstances. As a result, Wells Fargo makes no express or implied promises, commitments, guarantees, representations, or warranties with respect to any of the information or opinions in this message, including, without limitation, any express or implied warranty of fitness for a particular purpose. Wells Fargo strongly recommends you seek your own independent professional advice before using or acting on such information or opinions. All information provided herein must be understood as information provided and not investment advice. The information contained herein may include forward-looking statements. Forward-looking statements involve known and unknown risks and uncertainties, which may cause actual results in future periods to differ materially from forecasted results. These risks and uncertainties include, among other things, product price volatility, product demand, market competition and risk inherent in companies' operations. Wells Fargo, 550 California Street, San Francisco, CA 94104.