Weekly — December 3, 2021

Weekly Economic & Financial Commentary

United States: Powell Hints at Earlier Taper, but Payroll Miss & Omicron Variant Loom Large

- This week was bustling with economic news as tensions mounted surrounding the breakout of the Omicron variant. The changes in tone in Powell's comments during his testimony before Congress have economists and markets on high alert for the December 15 FOMC meeting. Meanwhile, payrolls rose less than half of the consensus estimates, although participation rose and the unemployment rate fell to 4.2%. ISM surveys pointed to strength in manufacturing and services production, while consumer confidence dipped slightly and construction spending moderated.
- Next week: Trade Balance (Tues), JOLTS (Wed), CPI (Fri)

International: Eurozone November CPI & Canada Q3 GDP Come in Hot

- The Eurozone's November CPI grew at a record pace of 4.9% year-over-year, while Canada's Q3 GDP bounced back, rising 5.4% quarter-over-quarter (annualized). In China, the November manufacturing and services PMIs both came in slightly stronger than expectations, but the outlook remains uncertain amid COVID-related restrictions and a slowdown in the real estate sector.
- Next week: Reserve Bank of India (Tues), Brazilian Central Bank (Wed), Bank of Canada (Wed)

Interest Rate Watch: Is the Fed Turning Hawkish?

- Federal Reserve Chairman Jerome Powell got the attention of market participants this week, acknowledging that "it now appears that factors pushing inflation upward will linger well into next year." The Fed Chairman also said that the Federal Open Market Committee (FOMC) may consider speeding up the pace of "tapering" of its asset purchases.

Credit Market Insights: A Recovery to Pre-Pandemic Levels in Household Credit

- Credit card application rates have now risen to their pre-pandemic levels, indicating that consumers are returning to, or even exceeding, their level of household spending from before the pandemic.

Topic of the Week: Congress Faces a Jam-Packed December Schedule

- On Thursday, Congress reached an eleventh-hour agreement on a continuing resolution (CR) that would once again avert a government shutdown for a few months. The CR agreed to this week is just the tip of the iceberg for Congress this December.

Wells Fargo Securities U.S. Economic Forecast

	Actual			Forecast					Actual	Forecast		
	2021				2022				2020	2021	2022	2023
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Real Gross Domestic Product [1]	6.3	6.7	2.1	5.6	4.4	3.3	3.6	3.5	-3.4	5.5	4.1	3.3
Personal Consumption	11.4	12.0	1.7	3.8	3.2	2.5	2.6	2.7	-3.8	7.9	3.4	2.6
Consumer Price Index [2]	1.9	4.8	5.3	6.6	7.0	5.7	4.8	3.4	1.2	4.7	5.2	2.0
"Core" Consumer Price Index [2]	1.4	3.7	4.1	5.0	6.0	5.0	4.5	3.8	1.7	3.6	4.8	2.3
Quarter-End Interest Rates [3]												
Federal Funds Target Rate	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.75	0.50	0.25	0.44	1.00
Conventional Mortgage Rate	3.08	2.98	2.87	3.15	3.35	3.55	3.65	3.70	3.12	3.02	3.56	3.78
10 Year Note	1.74	1.45	1.52	1.65	1.85	2.00	2.10	2.15	0.89	1.59	2.03	2.23

Forecast as of: November 12, 2021
[1] Compound Annual Growth Rate Quarter-over-Quarter [2] Year-over-Year Percentage Change [3] Annual Numbers Represent Average

Source: U.S. Dept. of Commerce, U.S. Dept. of Labor, Federal Reserve Board and Wells Fargo Securities

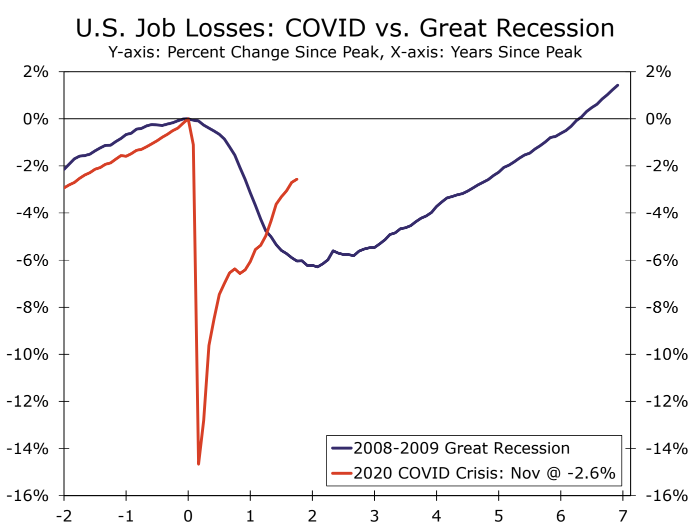
Please find our full U.S. Economic Forecast here. Register for our Annual Economic Outlook on December 9 here. Please submit questions in advance by emailing: economics@wellsfargo.com.

U.S. Review

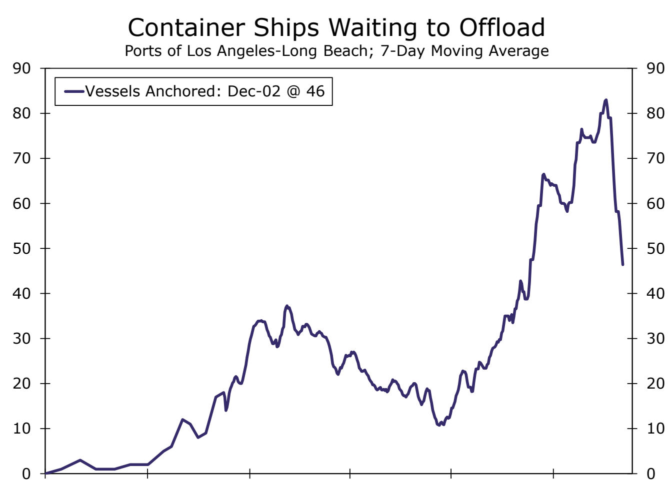
Powell Hints at Earlier Taper, but Payroll Miss & Omicron Variant Loom Large

This past week was bustling with economic news as tensions mounted surrounding the emergence of the Omicron variant. In the wake of the new public health risk, all eyes were on the Fed on Tuesday during Chair Powell's testimony in front of the Senate Banking Committee. As we discuss further in the Interest Rate Watch, Powell signaled a possible early end to the bond tapering process, which is currently set to wrap up in mid-2022. The changes in tone expressed in his comments have both economists and markets on high alert for the December 15 FOMC meeting, during which many of these new developments will likely be discussed. At this point, it is still too early to know the full extent to which the Omicron variant will change the public health scenario and weigh on economic activity. After all, the virus has been less devastating economically with each subsequent wave to date. But the next few months will be crucial to shaping projections as we learn which aspects of the variant are similar and different from what we have encountered previously.

Despite these remarks, this morning's employment report left more to be desired on the "maximum employment" side of the FOMC's dual mandate and may deter the Fed from moving too quickly on its taper timeline. Nonfarm payrolls increased only 210K, less than half of the consensus estimate. Although the previous two months were revised up by 82K, this miss means that with just one final employment report left in 2021, nonfarm payrolls are still roughly four million jobs below their pre-pandemic level. The bright spot was a 0.4% decrease in the unemployment rate, as it dropped to 4.2% from 4.6%. The decline was also for the right reasons, as it occurred due to a 542K drop in the number of unemployed people while the civilian labor force rose almost 600K and the participation rate increased to 61.8%. Employment in the leisure and hospitality industry rose just 23K in November, and still lingering 1.3M below pre-pandemic levels, it would take several more years to catch up at November's pace of growth. With COVID cases on the rise and Omicron fears running rampant, it may be a few months before leisure and hospitality employment materially accelerates. Retail trade had a disappointing 20K job decline as seasonal holiday hiring may have been pulled forward, and government payrolls fell 25K in their fourth consecutive decline. Average hourly earnings grew a lighter 0.3% in November to come in at 4.8% on a year-ago basis, which typically would be strong, but these are not normal times. Although we do not yet have November inflation data, prices almost certainly rose in the month, and headline CPI was already up 6.2% year-over-year in October. This suggests that inflation-adjusted average hourly earnings are down roughly 2% on a year-over-year basis.



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



Source: Bloomberg LP, Marine Exchange of Southern California and Wells Fargo Securities

November's job gain came as the highest proportion of consumers in data going back to the 1960s see employment opportunities as "plentiful" according to this week's consumer confidence report for November. Ordinarily this ebullience in the labor market would be associated with soaring confidence, but in the current environment, it could not prevent the headline index from dipping to 109.5 from 111.6. Although opportunities exist, childcare worries, mixed feelings about returning to the workplace and evolving concerns about the virus have kept many from re-entering the labor force. While shortages may be rampant throughout most of the economy, there is far from a shortage of factors weighing on confidence. Recent volatility in financial markets and changing COVID guidance have piled onto inflation that is its highest in a generation—making this holiday season more stressful than most.

Consumers may have had a slightly more negative outlook in November, but the ISM surveys showed that producers were reporting slightly better conditions. Wednesday's ISM manufacturing index climbed to 61.1 and offered some preliminary signs that supply constraints may have started to thaw, while ISM services skyrocketed to 69.1 surpassing the all-time high set last month. Both the manufacturing prices paid and supplier deliveries measures dropped more than three points in November from the previous month, while new orders rebounded to 61.5 after dropping almost seven points in October. The fall off in prices paid and supplier deliveries indices from their summer highs means that materials are still expensive and wait times are long, but things are not quite as bad as they were during the frenzy of the past six months. Data from the Marine Exchange of Southern California confirm these preliminary signs of easing as the seven-day moving average for ships anchored off the ports of Los Angeles and Long Beach has fallen to 46 from a high of 83 on November 17. Producers did note that qualified labor was still hard to come by, with respondents from multiple industries expressing frustration in their comments. The employment component for ISM manufacturing rose to 53.3, the highest since April, and matched the still-strong 31K increase in manufacturing payrolls in November.

The ISM services report did not see as great of an improvement in supply chain dynamics, with prices paid falling 0.6 points and supplier deliveries holding steady, but new orders remained high. Manufacturing and the service sector are confronted by different supply chain dynamics, and it will take more than just improvement at the ports to address service sector problems. However, inventories are still in the process on being drawn down, and the six point jump in the inventories component to 48.2, its highest since July, signals potential improvement.

Construction spending rose 0.2% in October led by nonresidential spending climbing 0.9% over the month—the fourth consecutive month it has been flat or improved. The COVID era has been dominated by residential construction due to the need for more space, but nonresidential demand has ramped up as vaccinations allow for a partial return to normalcy. That said, the most affected sectors still have ground to make up. Residential spending slipped 0.5% in October and continued to moderate. Demand is strong for new homes and existing inventories are low, but material & labor shortages and high costs have paused new developments. Supply constraints present headwinds for construction, but builders and developers appear to be pressing ahead. Public sector spending has improved in recent months and stands to benefit from the recently enacted Infrastructure Investment & Jobs Act, which provides $550 billion of new spending for public infrastructure projects. (Return to Summary)

U.S. Outlook

Weekly Domestic Indicator Forecasts

Date	Indicator	Period	Consensus	Wells Fargo	Prior
7-Dec	Trade Balance	Oct	-$66.8B	-$66.8B	-$80.9B
10-Dec	CPI (MoM)	Nov	0.6%	0.8%	0.9%
10-Dec	CPI (YoY)	Nov	6.7%	6.9%	6.2%
10-Dec	Core CPI (MoM)	Nov	0.5%	0.6%	0.6%
10-Dec	Core CPI (YoY)	Nov	4.9%	5.0%	4.6%

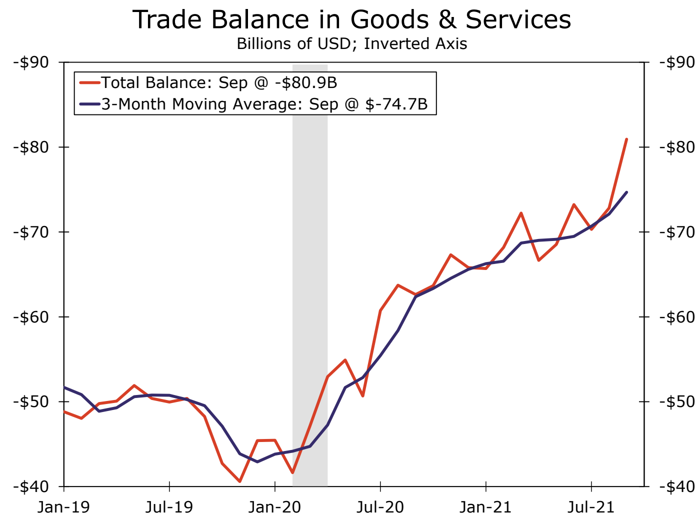
Forecast as of December 03, 2021

Source: Bloomberg LP and Wells Fargo Securities

Trade Balance • Tuesday

Domestic demand has rebounded strongly over the past year, helping to fuel a faster pace of imports relative to exports. As a result, the U.S. trade deficit has widened in eight of the past 12 months, reaching a record $80.9 billion in September, as exports fell 3% over the month and imports gained 0.6%. While consumer demand has moderated, the need for businesses to replenish inventories will likely keep goods flowing into the country at an accelerated pace for some time.

That said, we expect the trade balance narrowed by a considerable margin in October and forecast a$66.8 billion deficit. The advance trade data for October show goods exports leaping nearly 11%, more than reversing the 4.7% decline seen in September, and goods imports rising a more modest 0.5%. After stumbling the past few months, export growth appears to have picked up across all major sectors. Although the month-to-month movements in trade have been particularly volatile recently, if realized the strong gain in exports will position net exports to boost overall GDP growth in Q4 for the first time in five quarters.

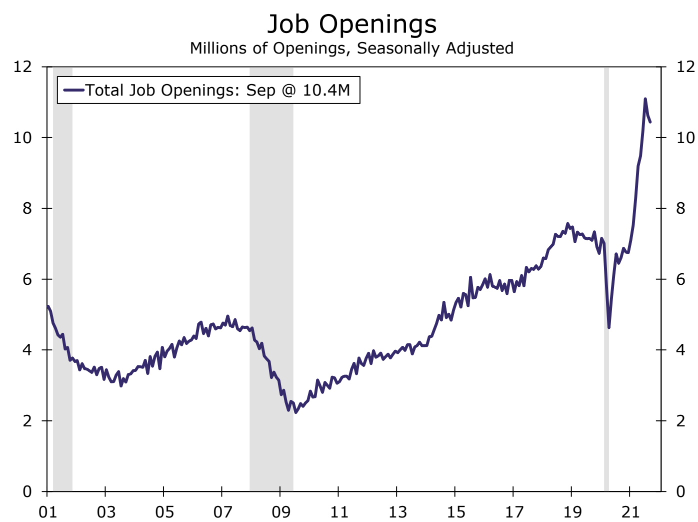


Source: U.S. Department of Commerce and Wells Fargo Securities

JOLTS • Wednesday

Demand for labor remains exceptionally strong. While the level of job openings has slipped for two months straight, at 10.4M in September, they remain historically high. Softening demand in the leisure & hospitality sector has fueled the overall pullback, likely under the pressure of the Delta variant. That said, October's strong employment report and more recent data from Indeed.com suggest that the decline was temporary. We would not be surprised to see that openings increased in October, as the Delta wave was subsiding and businesses were ramping up hiring plans ahead of the holiday season.

Job openings have outstripped the number of workers officially counted as unemployed for five consecutive months, signaling that the labor market is tighter than the 4.2% unemployment rate suggests. The abundance of openings available is allowing workers to switch jobs like never before, which is driving up wages as employers try to attract and retain workers. The quit rate rose to a record high of 3.0% in September and appears poised to remain elevated in the final stretch of the year.

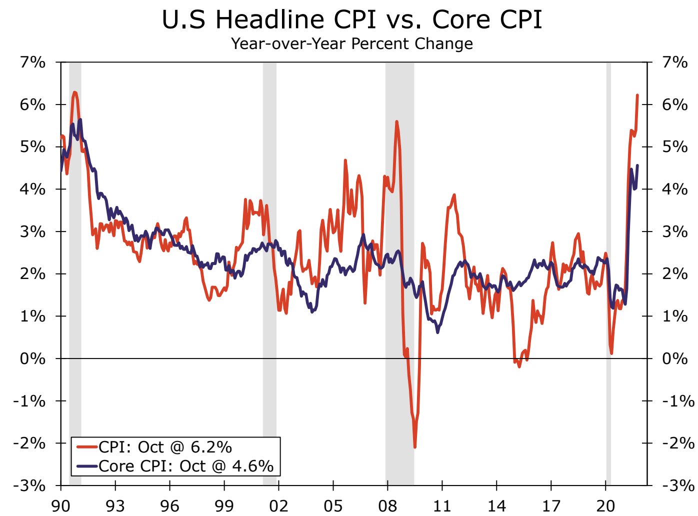


Source: U.S. Department of Labor and Wells Fargo Securities

CPI • Friday

With supply shortages likely to stick around until next year and service-sector prices trending higher, we suspect inflation is going to get worse before it gets better. The Consumer Price Index (CPI) rose a stronger-than-expected 0.9% in October, bringing the index up 6.2% year-over-year, the highest in 30 years. Goods inflation, which has been the primary contributor to this year's hot inflationary environment, shows little signs of easing. Prices for items ranging from vehicles and household furnishings to sporting goods saw sizable increases in October, and with the holiday season upon us, we doubt goods prices will cool in the near term.

Services inflation, on the other hand, has been more moderate this year. This is in part a reflection of consumers spending more on goods, as well as the greater lag in which market conditions are reflected in the prices for some of the index's services components. Solid gains in shelter costs and medical care are just starting to pick up, underscoring that price pressures are broadening beyond just the industries most acutely affected by the pandemic. Taken together, we expect to see another strong monthly gain in November, with the headline index rising 0.8% (up 6.9% year-over-year). Excluding food and energy, which tend to be more volatile on a month-to-month basis, we anticipate a 0.6% increase (up 5.0% year-over-year). (Return to Summary)



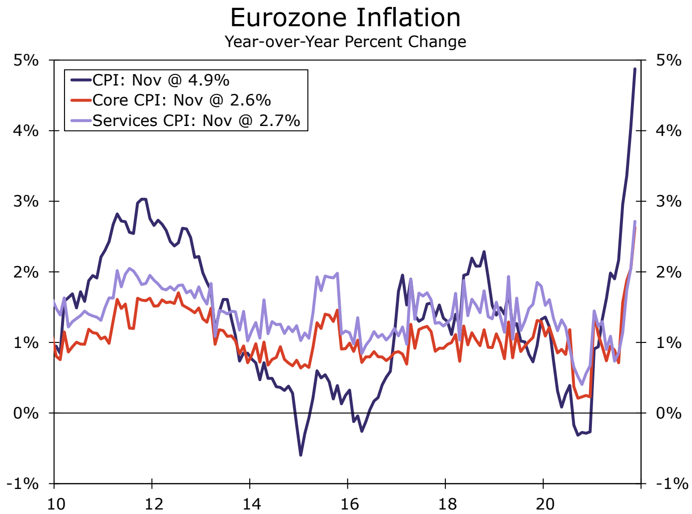
Source: U.S. Department of Labor and Wells Fargo Securities

International Review

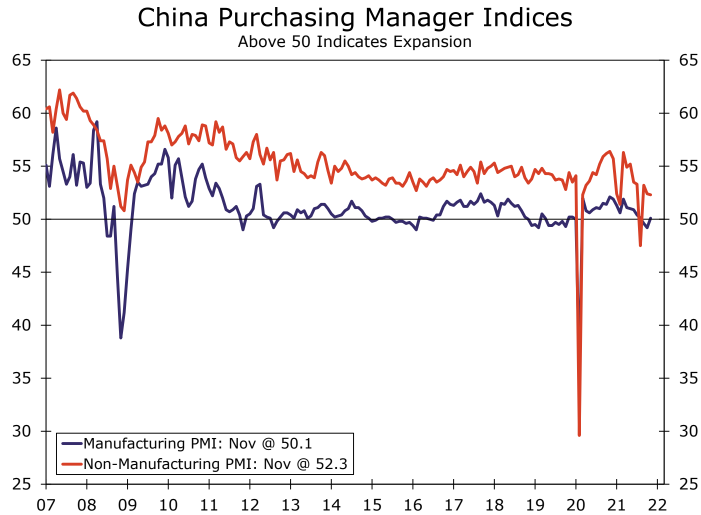
Eurozone November CPI & Canada Q3 GDP Come in Hot

The latest CPI readings from the Eurozone show that inflation pressures have increased. The November CPI print exceeded expectations, rising at a record pace of 4.9% year-over-year. Much of the increase was driven by energy prices, which have surged 27.4% in the last year. Stripping out the more volatile components of food and energy, core CPI is up 2.6% year-over-year, while the services CPI is up 2.7%. European Central Bank (ECB) President Lagarde has long stressed the transitory nature of these price pressures, recently saying the "inflation we've seen is tied to temporary phenomenons." However, with both the core and headline inflation measures elevated above the ECB's 2% target, this may put more pressure on the central bank ahead of its December monetary policy announcement, where we expect it to signal a gradual tapering in its overall bond purchases through 2022 and into 2023, but do not expect any changes to be made to policy interest rates.

Canada saw an encouraging bounce-back in growth this past quarter, as Q3 GDP rose a higher-than-expected 5.4% quarter-over-quarter (annualized), although the prior quarter was revised lower to -3.2%. Growth was boosted by household consumption but was constrained by sizable drops in investment and inventories. At the Bank of Canada's (BoC) last monetary policy meeting in October, it announced an end to its quantitative easing program and signaled that future rate hikes could come sooner than previously expected. With a solid November jobs report and this positive growth figure for Q3, we expect the Bank of Canada is still on course to begin raising its policy interest rate in Q2-2022.



Source: Datastream and Wells Fargo Securities



Source: Bloomberg LP and Wells Fargo Securities

China's November PMIs Stronger than Expected, but Outlook Remains Uncertain

Renewed COVID-related restrictions, regulatory changes, and a slowdown in the real estate sector have placed pressure on China's economy recently. That being said, the manufacturing and services PMI both came in slightly stronger than consensus expectations in November, following a softening in October. The services PMI declined only slightly to 52.3 from 52.4, while the manufacturing PMI increased to 50.1 from 49.2—rising back into expansionary territory for the first time in three months. Manufacturing input and output prices dropped, signaling that some recent efforts to stabilize prices has taken effect and energy shortages have eased a bit. However, the economy is still facing dampened demand, as new orders have remained in contraction territory for the past several months. Overall, the outlook remains uncertain, as the real estate sector continues to face pressure and the country continues to enforce its "COVID Zero" goal amid new Omicron variant concerns. Given these uncertainties, we have made a few downward revisions to China's growth outlook over the past few months and expect China's economy to grow 7.8% in 2021. (Return to Summary)

International Outlook

Weekly International Indicator Forecasts					
Date	Indicator	Period	Consensus	Wells Fargo	Prior
7-Dec	Japan GDP Annualized SA (QoQ)	3Q F	-3.1%	-3.0%	-3.0%

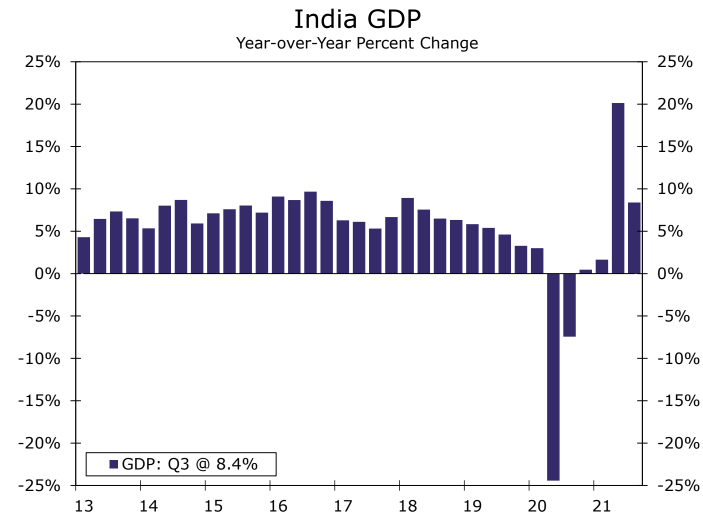
Forecast as of December 03, 2021

Source: Bloomberg LP and Wells Fargo Securities

Reserve Bank of India • Tuesday

Reserve Bank of India (RBI) policymakers have been some of the more dovish central bankers this year as interest rates in India have held steady, while peer central banks have engaged in more aggressive monetary tightening. In our view, interest rates are unlikely to be adjusted next week either; however, we should note RBI policymakers may be inching closer to raising interest rates. To that point, Q3 GDP data were strong and indicate India's economy is recovering from the harsh second wave of COVID infections. In addition, the RBI ended its asset purchase program ahead of schedule, which in our view, suggests policymakers could realize the need for policy stimulus is fading.

While we believe rates will be on hold throughout 2022 as inflation remains within the central bank's target range, higher oil and commodity prices could eventually lead to prices moving higher. In addition, as India's economy continues to reopen and the rupee gradually weakens, inflationary pressures could also build. Next week should provide guidance on whether the RBI expects a more sustained rise in inflation as well as the direction of monetary policy.

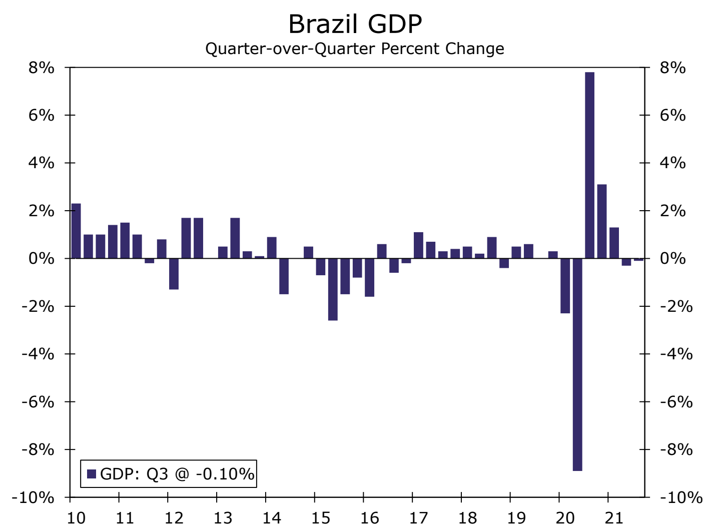


Source: Bloomberg LP and Wells Fargo Securities

Brazilian Central Bank • Wednesday

Next week, we expect the Brazilian Central Bank (BCB) to continue the most aggressive monetary tightening campaign in the world and lift the Selic rate another 150 bps. Assuming BCB policymakers do indeed raise the Selic rate next Wednesday, policy rates in Brazil will have been hiked over 700 bps year to date. Aggressive monetary tightening is having an impact on Brazil's economy as recent GDP data revealed another economic contraction in Q3. As of now, Brazil's economy is in technical recession and the health of the economy complicates future BCB monetary policy decisions.

While the economy may be struggling to gather momentum, elevated inflation is the BCB's top concern, likely keeping policymakers in tightening mode next week as well as over the course of 2022. As of the latest data, inflation in Brazil is close to 11% and well above the central bank's target range. Containing price growth, in our view, is a priority for policymakers; however, the BCB is in a tough position as policymakers would also like to support growth. Adding to the BCB's concerns are a deteriorating fiscal trajectory amid enhanced social spending as well as a weaker currency. From here, we expect the Selic rate to rise in 2022 at a more gradual pace, but it is possible the BCB continues along the lines of aggressive tightening should the real weaken and fiscal imbalances widen.

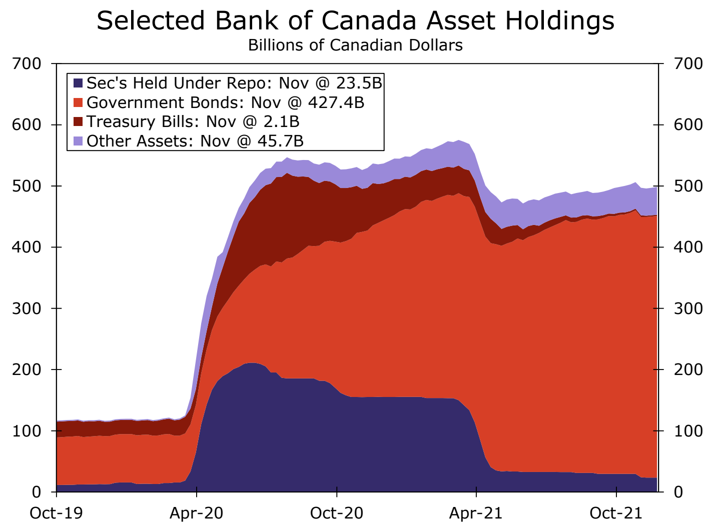


Source: Bloomberg LP and Wells Fargo Securities

Bank of Canada • Wednesday

The Bank of Canada (BoC) is unlikely to make any significant adjustments to monetary policy next week; however, next Wednesday will mark the first BoC meeting since policymakers abruptly ended its asset purchase program. Canada's economy continues to perform quite well. Q3 GDP data beat expectations by a wide margin, and despite a downward revision to Q2 GDP, we believe the economy's recovery is still intact and remains uninterrupted. In that sense, come mid-2022 the BoC could be one of the first G10 central banks to lift interest rates.

We will be focused on BoC policymakers' assessment of when the output gap could close and whether the outlook for inflation has changed. Next week's meeting will not include a full monetary policy report or updated economic projections; however, we will pay particular attention to the tone of the statement as well as policymaker commentary following the official decision. Should the BoC maintain its hawkish stance on monetary policy, we would expect the Canadian dollar to rally and for Canadian bond yields to rise. (Return to Summary)



Source: Bloomberg LP and Wells Fargo Securities

Interest Rate Watch

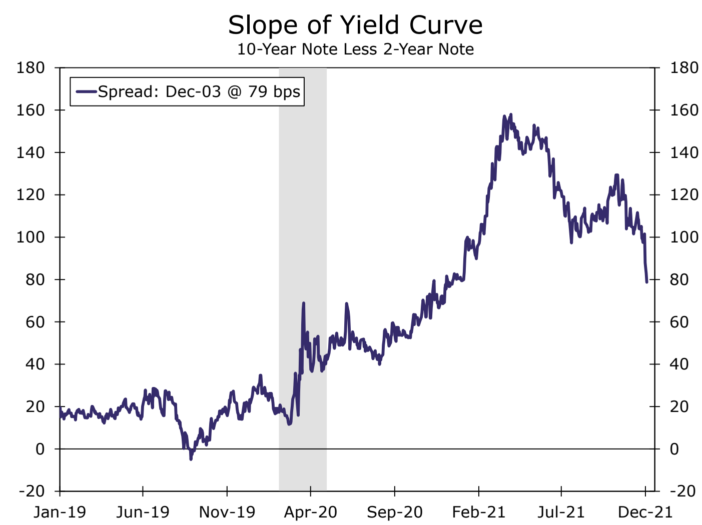
Is the Fed Turning Hawkish?

Federal Reserve Chairman Jerome Powell got the attention of market participants this week in testimony before lawmakers on Capitol Hill. In his prepared remarks, Powell acknowledged that "it now appears that factors pushing inflation upward will linger well into next year." When asked in the Q&A session whether the current high rate of inflation—the year-over-year change in the overall CPI rose to a 31-year high of 6.2% in October—was "transitory", Powell replied that "it's probably a good time to retire that word." The Fed Chairman also said that the Federal Open Market Committee (FOMC) may consider speeding up the pace of "tapering" of its asset purchases. The Fed is currently reducing the amount of Treasury securities and mortgage-backed securities (MBS) that it purchases by $10 billion and $5 billion, respectively, each month.

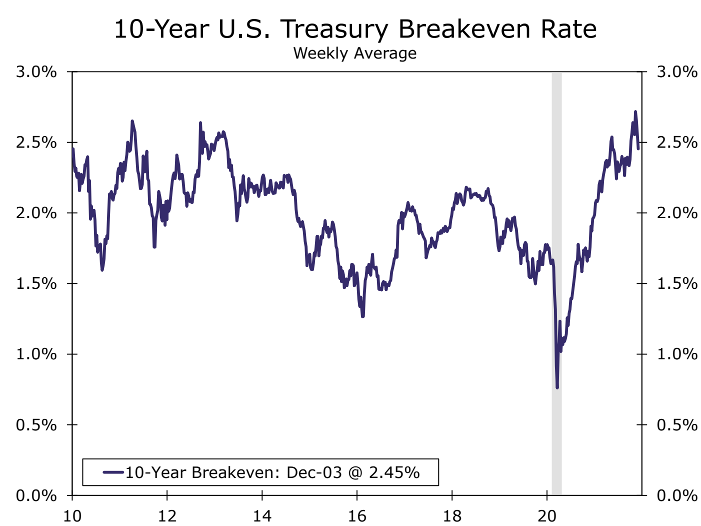
This reference to an accelerated pace of tapering is meaningful because it could lead to sooner-than-previously-expected rate hikes. Not only did Powell's comments contribute to a sharp sell-off in the stock market on Tuesday, but they also had marked effects in the bond market. The yield on the 2-year Treasury security, which is sensitive to market expectations of Fed policy, jumped about 13 bps in the hours after Powell made his comments. Meanwhile, the yield on the 10-year Treasury security edged up only 3 bps over the same period. As shown in the chart to the right, the spread between the yield on the 2-year note and the yield on the 10-year note has narrowed by more than 70 bps since April.

Furthermore, the yield spread between the 10-year inflation-protected Treasury security (TIPS) and the 10-year nominal note, which is a measure of the expected rate of inflation over the next 10 years and which is referred to as the 10-year "breakeven", has dropped by 30 bps since mid-November (bottom chart). In other words, in mid-November investors expected that inflation would average roughly 2.7% per annum over the next 10 years, but that expectation has dropped closer to about 2.4% presently. The flattening of the yield curve and the decline in the 10-year breakeven in recent weeks, which has occurred amid more hawkish rhetoric by Fed officials, suggests that market participants have more confidence that the Federal Reserve won't allow inflation to get out of hand in coming years.

The FOMC will hold its next policy meeting on December 15, and the topic of an accelerated pace of tapering clearly will be on the table. Everything else equal, the view among many FOMC members that high inflation likely will linger into next year suggests that the Committee would vote to speed up the pace of tapering. However, everything else is not equal. The recent emergence of the Omicron variant adds uncertainty to the economic outlook, and some FOMC members may reason that the current pace of tapering may be warranted until some uncertainty dissipates. But a decision by the Committee to accelerate the pace of tapering, should it occur, does not mean that rate hikes are necessarily imminent. The FOMC wants to completely wind down its asset purchases before it embarks on monetary tightening via rate hikes. Speeding up the pace of tapering gives Fed officials the *option* of hiking rates earlier. They do not necessarily need to exercise that option, however. If inflation is showing signs of receding in mid-2022, then the FOMC may decide to wait longer before tightening policy. Stay tuned. (Return to Summary)



Source: Bloomberg LP and Wells Fargo Securities



Source: Bloomberg LP and Wells Fargo Securities

Credit Market Insights

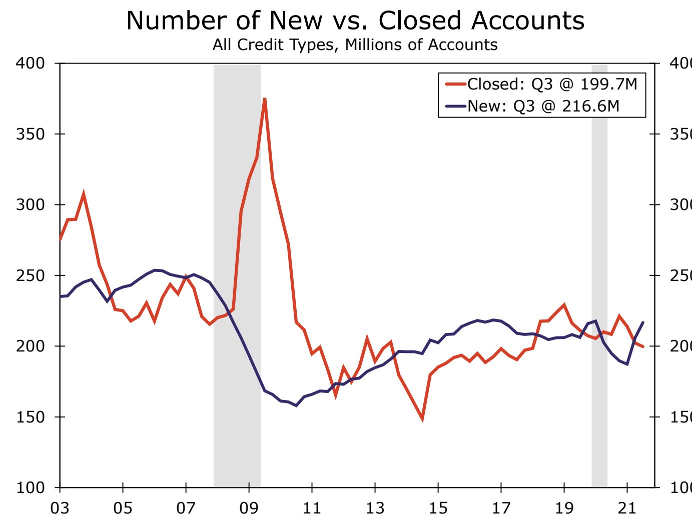
A Recovery to Pre-Pandemic Levels in Household Credit

The Federal Reserve Bank of New York's Center for Microeconomic Studies reported that 26.5% of Americans applied for new credit cards between October 2020 and October 2021. Credit card application rates have now risen to their pre-pandemic levels, indicating that consumers are returning to, or even exceeding, their level of household spending from before the pandemic.

Applications for new credit cards have increased particularly among those with subprime credit scores. In the last 12 months, 44.7% of respondents with a credit score of 680 or lower applied for a card. While those with lower credit scores typically make up a higher proportion of credit card applicants, the onset of the pandemic in spring 2020 dampened the credit card application rates of those with the lowest credit scores the least, and the recovery in credit applications this year has been driven by these lower score applicants.

The increased number of low credit score applicants has also led to a rise in rejection rates. Rejection rates among credit card applicants rose markedly over the last quarter to a rate of 20.9%, up six percentage points over 2021. Mortgage application rejections saw an increase of two percentage points over 2021, to 12.4%. However, auto loans and requests for credit limit increases experienced lower levels of rejection over the year. There was also a slight increase in the financial resilience of households; the proportion of households stating that they could come up with $2,000 should an unexpected need arise rose 0.8 percentage points over the year to 66.4% in October 2021.

Overall, the 45.6% of applicants applying for an increase in credit over 2021 is very similar to the 45.8% all credit applications rate in 2019, signaling that the deleveraging in household balance sheets has ended and credit demand for spending has ramped up. Over the course of the pandemic, the rate of credit account closures has never reached Great Recession levels, and the level of credit demand has come back much quicker than what was seen in the last decade. (Return to Summary)



Source: Federal Reserve Bank of New York and Wells Fargo Securities

Topic of the Week

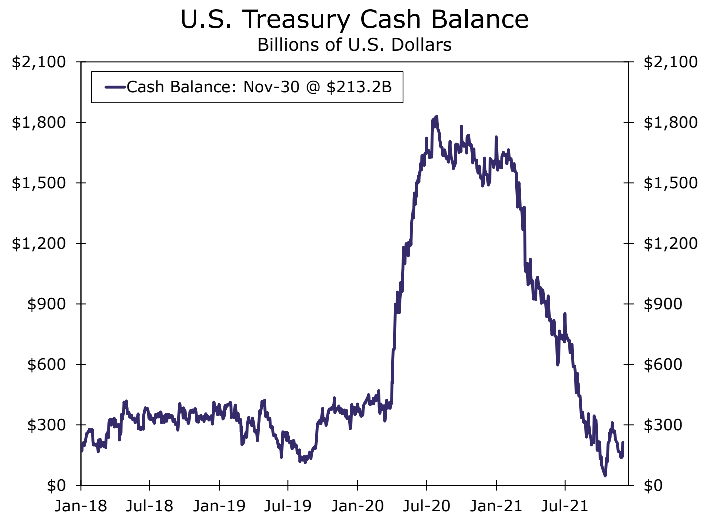
Congress Faces a Jam-Packed December Schedule

On Thursday, Congress reached an eleventh hour agreement on a continuing resolution (CR) that would once again avert a government shutdown for a few months. The CR authorizes U.S. government agencies to continue normal operations through February 18, with the hope that legislators can reach an agreement by then on the 12 annual appropriations bills that have yet to be passed for the fiscal year that began on October 1. The House of Representatives and Senate both passed the CR Thursday, and President Biden should sign it into law sometime today.

The CR agreed to this week is just the tip of the iceberg for Congress this December. Although the CR authorizes the government to continue *spending* to maintain normal operations, it does not authorize the additional *borrowing* that will be needed to do so. For that, Congress will need to increase or suspend the debt ceiling, which is the upper-limit on total federal debt. The debt ceiling has come back into focus as a binding constraint as the Treasury's cash balance and "extraordinary measures" are steadily dwindling.

Treasury Secretary Yellen has made it clear that the Treasury should have enough cash to keep the federal government solvent through December 15, but past that, the outlook is murky. Our best guess is that the "X date", or the date on which the federal government would not have enough cash to fully meet its obligations, lies around the turn of the year. There is a chance the Treasury will be able to skate past the year-end and into January, but it would be tight, and a debt limit resolution will be needed sooner rather than later. In the most optimistic scenario, the Treasury may be able to get to the first week of February before the music stops.

In addition, Congress still needs to pass the annual National Defense Authorization Act, and Democrats' Build Back Better (BBB) bill looms in the background of all of these deadlines. The BBB bill passed the House before Thanksgiving, but Senate Democrats are still working to find a consensus that unifies all 50 members of the caucus. Significant differences remain, and we expect the Senate to make additional modifications to the House bill. The probability that BBB is not finalized until early 2022 is on the rise, and we think meaningful progress will be needed in the next week or so to pass the bill by year-end. (Return to Summary)



Source: U.S. Department of Treasury and Wells Fargo Securities

Market Data • Mid-Day Friday

U.S. Interest Rates

	Friday 12/3/2021	1 Week Ago	1 Year Ago
1-Month LIBOR	0.10	0.09	0.15
3-Month LIBOR	0.17	0.18	0.23
3-Month T-Bill	0.05	0.04	0.08
1-Year Treasury	0.18	0.18	0.08
2-Year Treasury	0.63	0.50	0.15
5-Year Treasury	1.19	1.16	0.39
10-Year Treasury	1.42	1.47	0.91
30-Year Treasury	1.75	1.82	1.65
Bond Buyer Index	2.05	2.11	2.13

Foreign Exchange Rates

	Friday 12/3/2021	1 Week Ago	1 Year Ago
Euro ($/€)	1.128	1.132	1.214
British Pound ($/£)	1.322	1.334	1.345
British Pound (£/€)	0.853	0.849	0.903
Japanese Yen (¥/$)	113.250	113.380	103.840
Canadian Dollar (C$/$)	1.280	1.279	1.286
Swiss Franc (CHF/$)	0.921	0.923	0.891
Australian Dollar (US$/A$)	0.702	0.712	0.744
Mexican Peso (MXN/$)	21.286	21.923	19.896
Chinese Yuan (CNY/$)	6.377	6.393	6.543
Indian Rupee (INR/$)	75.169	74.870	73.926
Brazilian Real (BRL/$)	5.669	5.603	5.158
U.S. Dollar Index	96.442	96.089	90.714

Source: Bloomberg LP and Wells Fargo Securities

Foreign Interest Rates

	Friday 12/3/2021	1 Week Ago	1 Year Ago
3-Month Euro LIBOR	-0.60	-0.59	-0.55
3-Month Sterling LIBOR	0.11	0.12	0.04
3-Month Canada Banker's Acceptance	0.49	0.49	0.49
3-Month Yen LIBOR	-0.08	-0.10	-0.12
2-Year German	-0.73	-0.76	-0.74
2-Year U.K.	0.51	0.47	-0.05
2-Year Canadian	1.04	0.93	0.27
2-Year Japanese	-0.11	-0.13	-0.11
10-Year German	-0.36	-0.34	-0.56
10-Year U.K.	0.78	0.83	0.32
10-Year Canadian	1.51	1.61	0.74
10-Year Japanese	0.05	0.07	0.03

Commodity Prices

	Friday 12/3/2021	1 Week Ago	1 Year Ago
WTI Crude ($/Barrel)	68.78	68.15	45.64
Brent Crude ($/Barrel)	72.25	72.72	48.71
Gold ($/Ounce)	1770.79	1802.59	1841.08
Hot-Rolled Steel ($/S.Ton)	1419.00	1605.00	867.00
Copper (¢/Pound)	428.35	428.35	348.10
Soybeans ($/Bushel)	12.39	12.48	11.53
Natural Gas ($/MMBTU)	4.14	5.45	2.51
Nickel ($/Metric Ton)	20,067	20,855	15,947
CRB Spot Inds.	636.69	652.39	484.17

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