WELLS FARGO

Weekly — January 6, 2023

Weekly Economic & Financial Commentary

United States: **Economic Growth Remains on a Positive Trajectory, For Now**

- During December, payrolls rose by 223K while the unemployment rate fell to 3.5% and average hourly earnings eased 0.3%. Job openings (JOLTS) edged down to 10.46 million in November. ISM manufacturing fell to 48.4 in December, while the services index unexpectedly dropped to 49.6. Construction spending increased 0.2% in November. The U.S. trade deficit narrowed to $61.5 billion in November.
- Next week: Small Business Optimism (Tue), CPI (Thu), Consumer Sentiment (Fri)

International: **Fiscal Policy Has Brazil Off to a Rocky Start**

- Enhanced government spending has the potential to place Brazil's sovereign debt burden on a more unsustainable trajectory. With Brazil's public finances already in a precarious position and Lula now officially sworn into office, concerns regarding a lack of fiscal discipline are starting to materialize and shake confidence.
- Next week: Mexico Inflation (Mon), Brazil Inflation (Tue), Central Bank of Peru (Thu)

Interest Rate Watch: **Clear Message from December Minutes: Higher Rates for Longer**

- The minutes from the Fed's latest policy meeting in December were released on Wednesday and highlighted a mildly-hawkish to neutral tone from Fed officials headed into last month's meeting. What stands out to us is the Fed's direct communication: Don't underestimate its reaction function. Expect rates to remain higher for longer.

Credit Market Insights: **The Housing Market is Collateral Damage**

- As the Fed continues its inflation fight, elevated mortgage rates have crushed affordability for potential homebuyers. The Mortgage Bankers Association (MBA) reported that refinance mortgage applications fell 86.6% year-over-year in the last week of December, and applications for purchase were down 42.4%. While home prices have started to slide, we do not expect price declines as severe as the housing bust.

Topic of the Week: **House Arrest: What a Perilous Speaker Vote Means for the Budget**

- The U.S. House of Representatives continues its quest for a speaker. On Tuesday, the chamber went to a second ballot for the first time in a century after Representative Kevin McCarthy (R-CA) fell short of the votes needed to secure the speaker position.

Wells Fargo U.S. Economic Forecast

	Actual 2022				Forecast 2023				Actual	Forecast		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	2021	2022	2023	2024
Real Gross Domestic Product [1]	-1.6	-0.6	3.2	1.5	0.6	0.0	-3.1	-2.9	5.9	2.0	0.2	0.0
Personal Consumption	1.3	2.0	2.3	3.5	1.1	0.5	-1.6	-2.4	8.3	2.8	1.0	-0.3
Consumer Price Index [2]	8.0	8.6	8.3	7.3	5.7	3.8	3.0	2.7	4.7	8.0	3.8	2.5
"Core" Consumer Price Index [2]	6.3	6.0	6.3	6.1	5.5	4.6	3.8	3.3	3.6	6.2	4.3	2.8
Quarter-End Interest Rates [3]												
Federal Funds Target Rate	0.50	1.75	3.25	4.50	5.25	5.25	5.25	5.25	0.25	2.02	5.25	3.25
Conventional Mortgage Rate	4.27	5.58	6.01	6.36	6.75	6.50	6.05	5.65	3.03	5.38	6.24	5.09
10 Year Note	2.32	2.98	3.83	3.88	4.00	3.90	3.55	3.25	1.45	2.95	3.68	2.94

Forecast as of: December 08, 2022

[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 Economics

Please see our full U.S. Economic Forecast and our updated Pressure Gauge.

U.S. Review

Economic Growth Remains on a Positive Trajectory, For Now

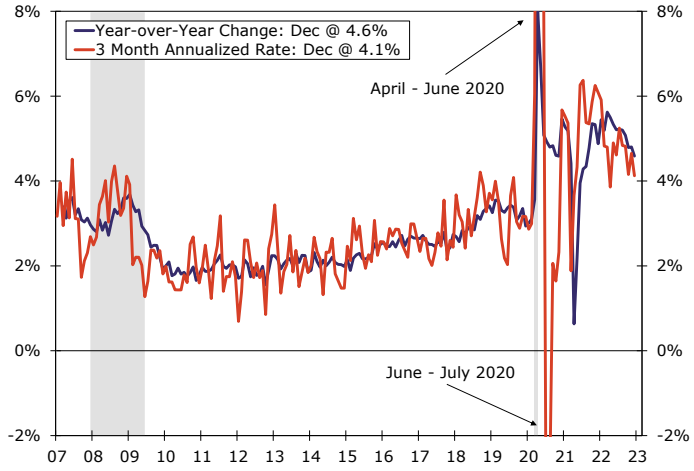
The economic data released during the holiday-shortened week are consistent with our view that U.S. economic growth remained firmly in positive territory during the final quarter of 2022. That noted, a modest contraction in growth beginning in mid-2023 remains our base case forecast as the lagged effects of high inflation and monetary tightening take hold.

Ongoing strength in the labor market helps corroborate our view that the economy is on a positive growth path at present. Nonfarm payrolls rose by a solid 223K during December, a slight downshift from the 256K gain posted in November. Despite the slight moderation, the job-gain easily beat market expectations. The nonfarm payroll gain was in line with the ADP employment report for December, which showed a 235K gain. Despite the sturdy pace of hiring during the month, job growth appears to be moderating from the robust rate seen in the first half of 2022.

A decline in the unemployment rate to 3.5% in December from 3.6% the month prior is another reminder that the labor market remains tight. A rise in the labor force participation rate during December is an encouraging sign that labor supply is improving. Alongside the uptick in labor force participation, average hourly earnings moderated to 0.3% during the month, a softer gain than the downwardly revised 0.4% monthly increase in November. The moderation in earnings is at least one sign that wage growth is cooling. Still, average hourly earnings are running at a 4.1% annualized pace over the past three months, which is still well above what the Fed believes would be consistent with sustained 2% inflation. All told, this report does little to alter our view that the FOMC will remain in tightening mode when it concludes its first meeting of 2023 on February 1. As we write in the Interest Rate Watch, the FOMC minutes for December's meeting revealed that a monetary pivot is not likely imminent, as inflation remains hot and employment growth remains strong.

A modest drop in job openings is another sign that, while softening, labor demand remains relatively strong currently. The Job Openings and Labor Turnover Survey (JOLTS) revealed that the count of job vacancies fell to 10.46 million in November from 10.51 million in October, a smaller decline than consensus estimates. Chair Powell has hinted on several occasions that the vacancy-to-unemployed ratio, which remained highly elevated in November, needs to come down in order to ease wage pressures and reduce overall inflation.

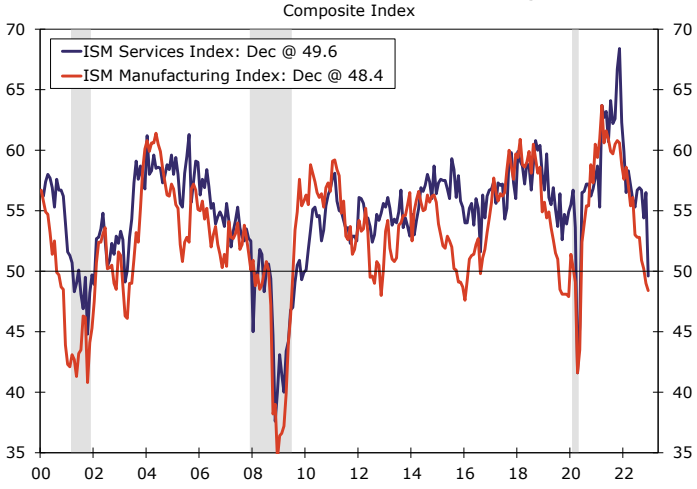
Average Hourly Earnings



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

ISM Services & Manufacturing

Composite Index



Source: Institute for Supply Management and Wells Fargo Economics

The buoyancy of the labor market stands in contrast to the ISM manufacturing and services indices, which are pointing to a downswing in economic activity in the near future. During December, the ISM services index unexpectedly dropped into contraction territory with a reading of 49.6 during the month. New orders, production and employment all weakened considerably. Up until this point, the services index had been comfortably above the 50 demarcation line indicating expansion. The services index now joins its manufacturing counterpart in contraction territory. The ISM manufacturing index slipped to 48.4 in December, the lowest reading since the early days of the pandemic in May 2020.

New orders and current production both moved lower and December marks the first outright decline in production since 2020. Both of the ISMs were not completely devoid of good news. The prices paid components of both look to be easing, and while the employment components are slowing, they are doing so only gradually. That noted, the manufacturing and services indices reading below 50 lend even more credence to our recession call.

Construction is another sector that appears to be downshifting. Total construction spending increased 0.2% in November. But, several major categories of spending contracted during the month. Residential construction spending fell 0.5% during November, the sixth straight drop. Please see Credit Market Insights for more on the ongoing correction in residential activity. Meanwhile, nearly all major categories of private nonresidential spending posted growth, but the major contribution was from a sizable increase in manufacturing. The recent up-shift in manufacturing projects reflects soaring investment in electric vehicle supply chains and new semiconductor plant construction.

The U.S. international trade deficit narrowed sharply to $61.5B in November, the narrowest in over two years. The narrowing was the result of a collapse in imports. While all major categories declined, the pullback in consumer goods led the drop. While some volatile factors explain the sharp decline, broad weakness suggests the transition away from goods of domestic consumers may be starting to show up in import activity. While this presents some upside risk to Q4 GDP growth, the details suggest economic weakness is also starting to show up in trade flows.

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U.S. Outlook

Weekly Domestic Indicator Forecasts

Date	Indicator	Period	Consensus	Wells Fargo	Prior
12-Jan	CPI (MoM)	Dec	0.0%	-0.2%	0.1%
12-Jan	CPI (YoY)	Dec	6.6%	6.3%	7.1%
12-Jan	Core CPI (MoM)	Dec	0.3%	0.2%	0.2%
12-Jan	Core CPI (YoY)	Dec	5.7%	5.6%	6.0%

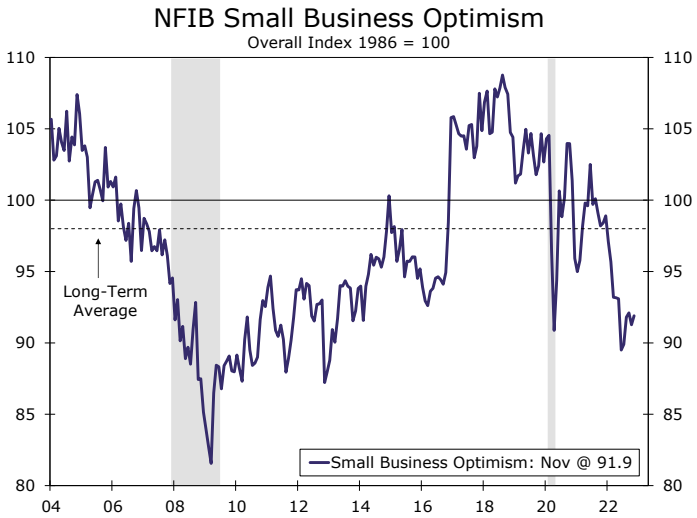
Forecast as of January 06, 2023

Source: Bloomberg Finance L.P. and Wells Fargo Economics

Small Business Optimism • Tuesday

Consensus expectations are for the NFIB Small Business Optimism Index to have declined slightly in December, but more importantly, remain below its long-term historical average, setting the stage for further deterioration in economic conditions. November's index was bittersweet; combining falling labor market pressures with falling demand for businesses. The proportion of small businesses reporting sales improving less those reporting sales declining is -7%. While increasing eight points, there was still a net -22% of firms reporting positive profit trends that month.

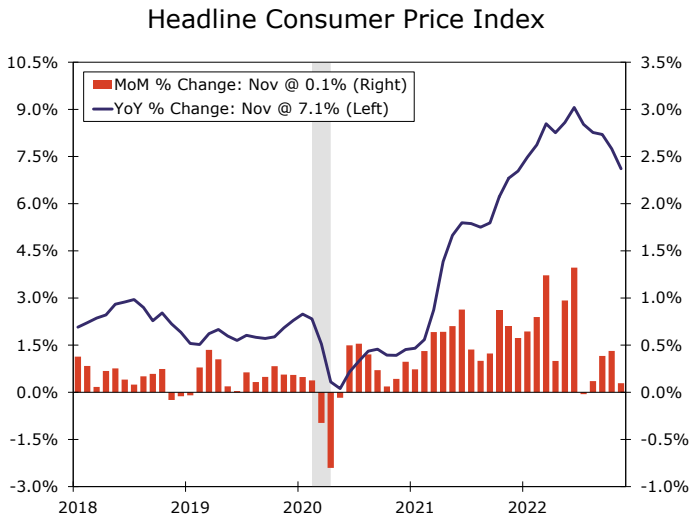
These trends are something that appears to be reported across businesses; the December ISM manufacturing report saw yet another contraction in new orders while the prices paid subindex reflected a bit of price relief, and the employment subindex reflected hiring being a bit easier. Though labor demand is no longer at its peak from earlier in the year, small businesses are continuing to raise compensation to retain workers and even expand employment. Perhaps because of labor shortage difficulties over the past two years, small businesses are scrambling for workers, even if the outlook and profits look rough.



Source: National Federation of Independent Business and Wells Fargo Economics

CPI • Thursday

Last year looks to have ended on a better note when it comes to inflation. We estimate CPI fell 0.2% in December, bringing the year-over-year rate down to a 14-month low of 6.3%. We expect another sizable decline in energy prices (the monthly average retail price of gasoline fell 12.7% from November according to AAA) to weigh on the headline and offset further gains in food and core services prices. But the drop in prices should also be helped along by another decline in core goods, led once again by used autos. We expect core inflation to rise 0.2% with the pace of core services prices little changed. While we believe that shelter inflation is close to its peak, continuing strong gains in the price of other core services can really pump the breaks on progress toward 2% inflation.



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

Consumer Sentiment • Friday

The University of Michigan's measure of consumer sentiment remains well below pre-pandemic levels and varying conditions throughout the economy appear to have left consumers confused. Assuredly, there are major challenges ahead for the average household—the labor market is set for a slowdown, inflation is decelerating but still remains near an annual rate last seen in the 1980s and housing costs are unaffordable for many, as high home prices are bolstered by rising mortgage rates and apartment rents remain elevated. But even with that in mind, falling inflation (particularly falling gasoline prices) may start to provide a boost to sentiment. Specifically, consumer expectations for the year ahead fell to the lowest annual rate in a year and a half. A continued improvement in expectations would likely boost consumer optimism and be welcome news for monetary policymakers focused on getting inflation back to target. Consensus expectations are for consumer sentiment to rise to 60.5 in January.

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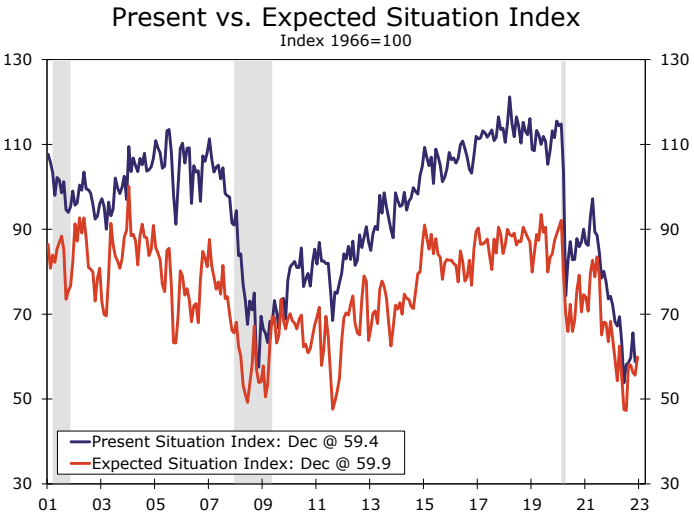

Source: University of Michigan and Wells Fargo Economics

International Review

Fiscal Policy Has Brazil Off to a Rocky Start

Since the start of Brazil's election cycle, the greatest fear associated with the Lula administration has been the potential for a lack of fiscal discipline. Lula built his campaign platform on increasing fiscal spending to financially support low-income households and spark economic growth. But with Brazil's public finances already in a precarious position, this enhanced government spending has the potential to place Brazil's sovereign debt burden on a more unsustainable trajectory. With Lula now officially sworn into office, the fiscal fears that preemptively rattled investors are starting to materialize and shake market participant confidence even further.

Recently, Lula secured lawmaker support to pass constitutional amendments that raise the government's spending cap—Brazil's fiscal anchor designed to keep spending in check. While the bill was watered down from its original proposal, the amendments allow for an additional $28B (~1.5% of GDP) in spending over the coming year, with a major chunk directed toward maintaining existing cash transfer payments under the Bolsa Familia program. Following approval of the spending bill, Lula pledged to eliminate the spending cap altogether and expand the role of state development banks to provide subsidized loans to certain sectors of the economy. And finally, Lula ordered a 60-day extension of Bolsonaro-era fuel tax exemptions, a policy that has resulted in receding inflationary pressures, but trades off fiscal revenues. Brazil's financial markets have borne the brunt of Lula's policy decisions. The Brazilian real is underperforming across the emerging market currency complex, while 10-year local currency bond yields have jumped 40 bps over the last week. Brazil's main equity index —Ibovespa—is also down 2.5% in 2023, which is telling, given most EM equity indices are in positive territory to start the year.

Lula's policy mix puts the Brazilian Central Bank (BCB) in an even more challenging position. In August, BCB policymakers opted to pause their tightening cycle, despite the Fed and other major central banks still raising interest rates. While Lula's policies may be hurting investor sentiment, this new policy mix is also likely to create renewed inflationary pressures. Households armed with cash should support consumer spending and drive prices higher, while cheap loans from state-owned banks should also ultimately be inflationary. Granted, the 60-day fuel tax exemption should keep headline inflation on a downward trajectory in the short-term; however, once fuel taxes are reinstated, energy price pressures should build. A renewed surge of inflation complicates the BCB's shift to easing monetary policy, and as a result of the latest direction of fiscal policy, we believe BCB policymakers will delay the start of the easing cycle. In our view, the Brazilian Central Bank is now likely to hold interest rates steady at 13.75% through Q2-2023, eventually starting the easing cycle in Q3-2023. Among economists, the consensus view is that the next move in the Selic rate will be down and that lower policy rates will materialize in mid-2023. However, financial markets are priced for BCB policymakers to restart interest rate *hikes,* taking the Selic rate close to 14.25% in the next six months before lowering the Selic rate later this year. Given our view on BCB monetary policy, we believe markets are mispricing BCB monetary policy and opportunity exists for investors to receive Brazilian interest rates.

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International Outlook

Weekly International Indicator Forecasts

Date	Indicator	Period	Consensus	Wells Fargo	Prior
9-Jan	Mexico CPI (YoY)	Dec	7.84%	--	7.80%
9-Jan	Mexico Core CPI (YoY)	Dec	8.35%	--	8.51%
10-Jan	Brazil Inflation (YoY)	Dec	5.59%	--	5.90%
12-Jan	Central Bank of Peru Rate Decision	12-Jan	7.75%	7.75%	7.50%

Forecast as of January 06, 2023

Source: Bloomberg Finance L.P. and Wells Fargo Economics

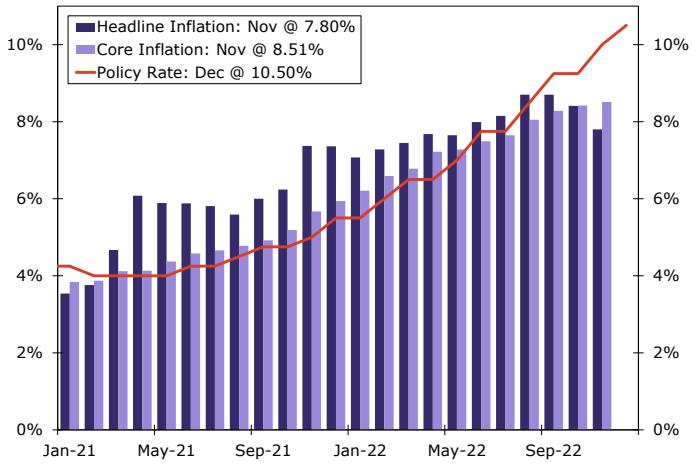
Mexico CPI • Monday

Inflation trends have largely been positive for the last few months, with headline inflation rolling over in many of the world's key economies. Both G10 and many emerging economies have experienced a drop in headline CPI, Mexico included. Next week, December inflation data will be released in Mexico with consensus forecasts suggesting headline inflation ticked a touch higher at the end of last year. On a more positive note, consensus forecasts indicate core CPI trended lower in December.

Policymakers have hinted at slowing the pace of rate hikes further, potentially decoupling from the Federal Reserve. In our view, inflation is likely to remain uncomfortably high for Banxico policymakers to slow the pace of hikes again in the near future, and we also have our reservations that policymakers will risk capital outflows by decoupling from the Fed. With global financial markets still volatile and the dollar exhibiting renewed strength this year, we believe Banxico policymakers will take a cautious approach to monetary policy and keep pace with the Federal Reserve to avoid any unwanted peso volatility.

Mexico CPI Inflation vs. Policy Rate

Year-over-Year Percent Change



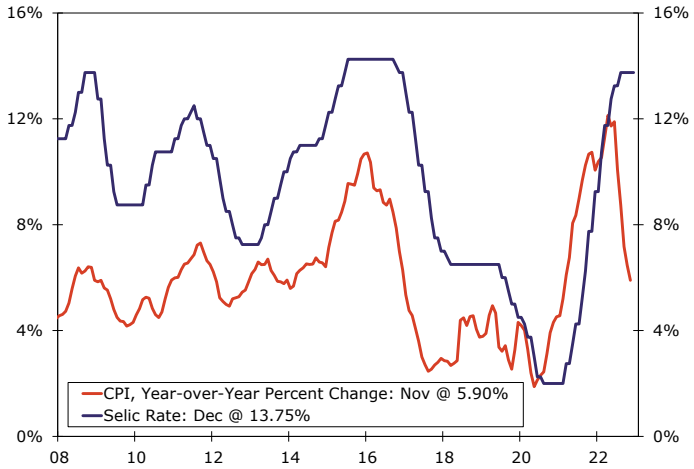
Source: Bloomberg Finance L.P. and Wells Fargo Economics

Brazil Inflation • Tuesday

Brazil inflation has receded sharply over the last few months, supported by the Bolsonaro administration suspending taxes on fuel purchases. While the latest inflation trends have been encouraging, we have concerns that inflation will start to gather pace in the coming months. As noted in the International Review, President Lula has moved ahead with fiscal policy adjustments that, in our view, are inflationary. Cash transfers, bank lending and infrastructure spending should all result in renewed inflation pressures in the coming months ahead. In our view, fiscal policy changes also complicate the Brazilian Central Bank's job.

Lula's fiscal policies are likely to delay BCB policymakers from lowering the Selic rate and defending against a Brazilian recession. In our view, the latest fiscal adjustments should push out the easing cycle at least another quarter, and we now believe BCB policymakers will move forward with interest rate cuts in Q3-2023 rather than Q2. We expect inflation should have receded further in December, but we believe policymakers will be more focused on the medium-term trends in inflation, which should delay a pivot toward easier monetary policy.

Brazil IPCA Inflation and Interest Rates



Source: Bloomberg Finance L.P. and Wells Fargo Economics

Central Bank of Peru • Thursday

Latin American central banks were early to tighten monetary policy, with policymakers in Peru rather aggressive in raising interest rates. Over the course of 2022, Peruvian central bankers kept their feet on the brakes in an effort to contain inflation that trended well above the institution's target range. Next week, the central bank will meet for the first time in 2023 to further assess monetary policy. In our view, Peruvian policymakers are likely to raise policy rates 25 bps and take the Reference Rate to 7.75%.

Forward guidance is likely to be more notable as regional central banks are approaching the end of their respective tightening cycles. We believe next week's rate hike could mark the end of the central bank's rate hike campaign, especially now that global and local inflation is showing signs of receding. The Central Bank of Peru is the first Latin American institution to meet this year, and it could start the trend of regional tightening cycles coming to an end.

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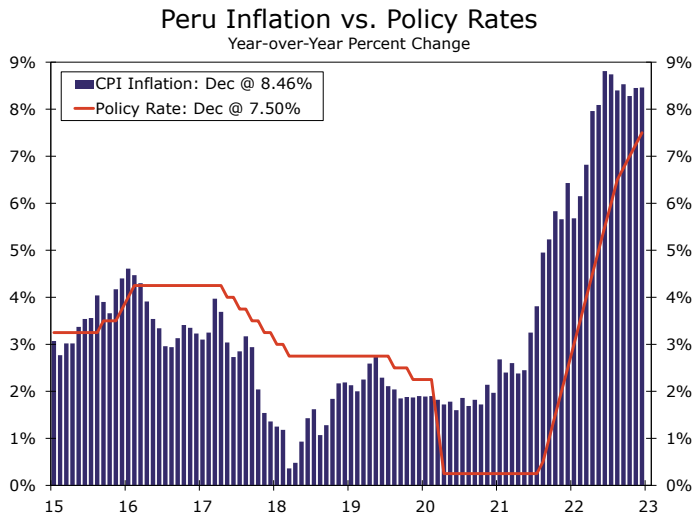

Source: Bloomberg Finance L.P. and Wells Fargo Economics

Interest Rate Watch

Clear Message from December Minutes: Higher Rates for Longer

The minutes from the Fed's latest policy meeting in December were released on Wednesday and highlighted a mildly-hawkish to neutral tone from Fed officials headed into last month's meeting. What stands out to us is the Fed's direct communication: Don't underestimate its reaction function. Expect rates to remain higher for longer.

Officials expressed having to hold rates at higher levels, should an easing in financial conditions disrupt its fight against inflation; "*Participants noted that, because monetary policy worked importantly through financial markets, an unwarranted easing in financial conditions, especially if driven by a misperception by the public of the Committee's reaction function, would complicate the Committee's effort to restore price stability*." Essentially, the Fed is noting the decline in medium-to-longer term yields ahead of its meeting amid the modest improvement in inflation and concern over economic activity led market analysts to anticipate the Fed will soon have to ease policy.

But this stands at odds with what the Fed is communicating. Recall the updated dot plot from the December meeting showed the median estimate for the fed funds rate at the end of 2023 rose to 5.00%-5.25%, 50 bps higher than the September SEP (chart). If that wasn't a clear indication of the Fed's plan to keep rates higher, the minutes left no room for misinterpretation; "*No participants anticipated that it would be appropriate to begin reducing the federal funds rate target in 2023*". Market pricing as of Friday morning still implies the federal funds rate will peak in June and finish the year around 4.50%. Year-end market expectations notably slid on Friday morning's data amid a better-than-expected December job print, more slowing in wage growth and weak service sector activity in the December ISM release.

Ultimately the more hawkish stance of the Fed comes down to a war not yet won against inflation; "*Participants concurred that the inflation data received for October and November showed welcome reductions in the monthly pace of price increases, but they stressed that it would take substantially more evidence of progress to be confident that inflation was on a sustained downward path.*" More plainly, the Fed is not yet close to easing policy, it's not even done tightening.

How high the federal funds rate will go and for how long it must stay there ultimately comes down to how economic conditions evolve over coming months. The latest labor market data for December demonstrate conditions have improved but wages are still running too hot to usher in 2% inflation, and we still expect there is further tightening to go this cycle.

Our forecast projects the FOMC will hike rates by an additional 50 bps at its next policy meeting on February 1 and by a final 25 bps on March 22, getting the rate to a range of 5.00%-5.25%. We continue to hold the view we first formed in November that the FOMC will maintain this range through the end of 2023 to ensure inflation is, in fact, on a sustained path lower.

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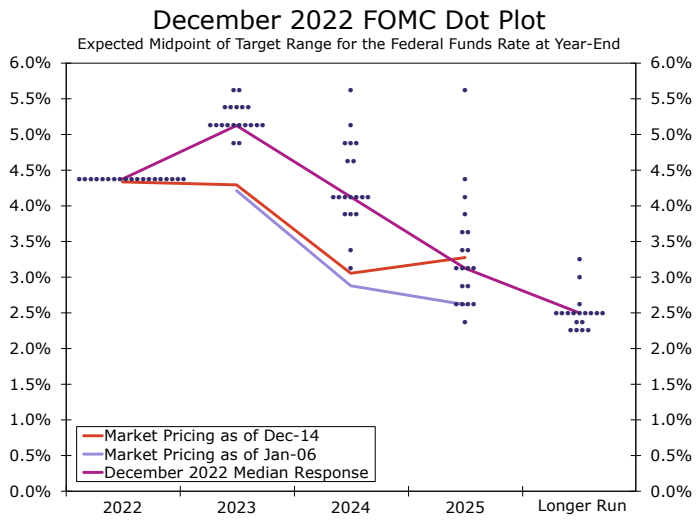

Source: Federal Reserve Board and Wells Fargo Economics

Credit Market Insights

The Housing Market is Collateral Damage

This week, the Mortgage Bankers Association (MBA) published the final Weekly Mortgage Applications Survey for 2022. For the week ending December 30, total mortgage applications fell 10.3%. Over the year, mortgage applications ended the year down 71.4%, driven by an 86.8% drop in refinance applications. Mortgage applications for purchase are also in retreat, dropping 12.0% during the week and 42.4% from a year ago. Purchase applications ended the year at their lowest level since 2015, while refinance applications were at their lowest since 1997.

This past year's plummet in refinancing and purchasing activity reflect sharply higher mortgage rates. According to MBA, the average 30-year fixed mortgage rate closed out 2022 at 6.58%, nearly double the level in the last week of 2021 (3.33%). The volume share of mortgage applications with adjustable rates also increased over the year, more than doubling from 3.1% in the first week of January to 7.3% in the last week of December. A rising share of ARMs is reminiscent of the lead up to the 2008 housing bust. However, a 7% share of ARMs is still well below the peak share of 36.6% hit in March 2005.

The MBA survey also revealed that the average loan size among mortgages for purchase declined 3.5% over the year. Falling average loan size is yet another piece of evidence that home prices are declining as higher mortgage rates crush affordability for prospective buyers. Even with prices declining on a month-to-month basis, the median existing single-family home price as of November was still up nearly 20% over its level two years prior. While we expect home prices to continue to slide, declines are likely to be less severe than the 26% drop experienced during the housing crisis. Low single-family inventory will likely limit the extent that prices depreciate. Elevated mortgage rates appear to be discouraging homeowners from putting their homes on the market. New residential construction is likely to remain depressed alongside deteriorating single-family demand. All told, the drop in mortgage applications, along with declines in builder sentiment, reductions in new home construction and waning home sales, confirms that the housing market has been collateral damage in the Fed's inflation fight.

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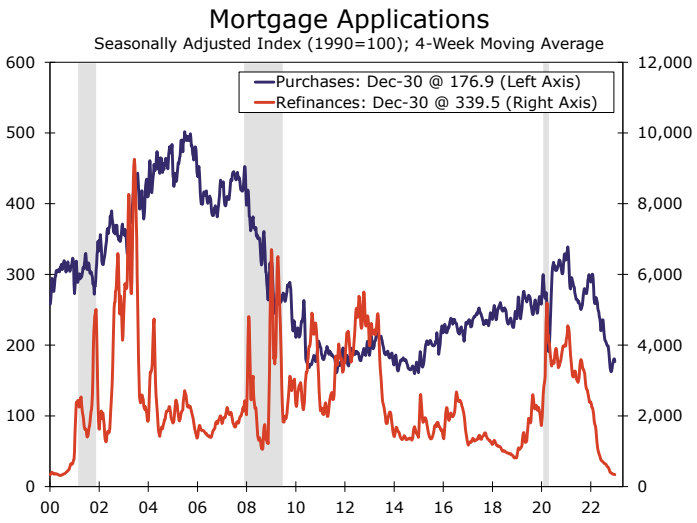

Source: Mortgage Bankers Association and Wells Fargo Economics

Topic of the Week

House Arrest: What a Perilous Speaker Vote Means for the Budget

The U.S. House of Representatives continues its quest for a speaker. On Tuesday, the chamber went to a second ballot for the first time in a century after Representative Kevin McCarthy (R-CA) fell short of the votes needed to secure the speaker position. Electing a speaker requires a majority of the chamber (218 out of 435 when at full strength). As of this writing, there have been 11 ballots cast with no nominee winning the majority.

Multiple ballots for a speaker is unusual, but it is not unprecedented. The record was set in 1856 when, after two months and 133 ballots, Representative Nathaniel Banks was elected Speaker of the House. While the lower chamber tries to reach a consensus, the House is essentially nonoperational as typical proceedings, such as the swearing in of elected members and the passing of House rules, cannot take place until a speaker is elected.

Republicans won control of the House in the 2022 midterm election, while the Democrats held onto the Senate. The divided government leads us to believe that sweeping fiscal policy changes seem unlikely over the next two years. Instead, status quo and political gridlock appear to be the most likely outcome, with the possibility for some government shutdown and debt ceiling theatrics over the next two years.

During the lame duck session, Congress cleared the decks for January by passing a $1.65 trillion omnibus bill in late December that funded the federal government for the remainder of the 2023 fiscal year. The bill was signed into law by President Biden on December 29 and includes new funding for both the defense and nondefense sectors, as well as $45 billion to support Ukraine in its efforts against Russia's invasion.

However, another budget bill will need to be passed by the start of the next fiscal year, which begins on October 1, and the debt ceiling is still looming on the horizon. At present, the Treasury has just around $78 billion of room remaining under the debt ceiling. In addition to this borrowing headroom, the Treasury can also utilize its cash on hand and "extraordinary measures" to buy some additional time, but at some point this year the debt ceiling will need to be increased to keep the government current on its debt.

The "X date", or the date that the Treasury would be unable to meet all of its financial obligations on time under the constraint of the debt limit, is uncertain but probably falls sometime in the third quarter. As a result, we believe a showdown in the second half of this year over the FY 2024 budget and debt ceiling is very plausible, especially if this week's contentious speaker fight is a leading indicator. Stay tuned.

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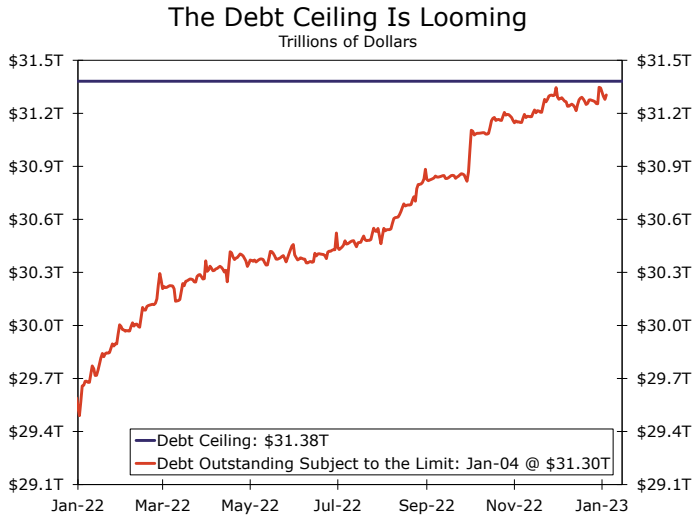

Source: U.S. Department of the Treasury and Wells Fargo Economics

Market Data • Mid-Day Friday

U.S. Interest Rates

	Friday 1/6/2023	1 Week Ago	1 Year Ago
SOFR	4.31	4.30	0.05
3-Month LIBOR	4.81	4.75	0.23
3-Month T-Bill	4.62	4.34	0.09
1-Year Treasury	4.77	4.69	0.33
2-Year Treasury	4.29	4.43	0.87
5-Year Treasury	3.74	4.00	1.47
10-Year Treasury	3.58	3.87	1.72
30-Year Treasury	3.70	3.96	2.08
Bond Buyer Index	3.66	3.72	2.12

Foreign Exchange Rates

	Friday 1/6/2023	1 Week Ago	1 Year Ago
Euro ($/€)	1.062	1.071	1.130
British Pound ($/£)	1.206	1.208	1.353
British Pound (£/€)	0.881	0.885	0.835
Japanese Yen (¥/$)	132.420	131.120	115.830
Canadian Dollar (C$/$)	1.346	1.355	1.273
Swiss Franc (CHF/$)	0.930	0.925	0.921
Australian Dollar (US$/A$)	0.686	0.681	0.716
Mexican Peso (MXN/$)	19.182	19.500	20.505
Chinese Yuan (CNY/$)	6.837	6.899	6.383
Indian Rupee (INR/$)	82.726	82.735	74.499
Brazilian Real (BRL/$)	5.252	5.280	5.686
U.S. Dollar Index	104.250	103.836	96.320

Source: Bloomberg Finance L.P. and Wells Fargo Economics

Foreign Interest Rates

	Friday 1/6/2023	1 Week Ago	1 Year Ago
3-Month Euro LIBOR	-0.58	-0.59	-0.57
3-Month Sterling LIBOR	3.91	3.86	0.48
3-Month Canada Banker's Acceptance	4.99	4.91	0.53
3-Month Yen LIBOR	-0.03	-0.03	-0.08
2-Year German	2.59	2.76	-0.60
2-Year U.K.	3.43	3.58	0.81
2-Year Canadian	4.00	4.05	1.08
2-Year Japanese	0.03	0.04	-0.08
10-Year German	2.21	2.57	-0.06
10-Year U.K.	3.47	3.67	1.16
10-Year Canadian	3.11	3.30	1.70
10-Year Japanese	0.51	0.42	0.12

Commodity Prices

	Friday 1/6/2023	1 Week Ago	1 Year Ago
WTI Crude ($/Barrel)	74.92	78.40	79.46
Brent Crude ($/Barrel)	79.86	82.26	81.99
Gold ($/Ounce)	1861.37	1814.91	1791.16
Hot-Rolled Steel ($/S.Ton)	770.00	742.00	1282.00
Copper (¢/Pound)	387.55	382.10	435.00
Soybeans ($/Bushel)	14.48	14.97	13.87
Natural Gas ($/MMBTU)	3.73	4.56	3.81
Nickel ($/Metric Ton)	27,599	30,234	20,756
CRB Spot Inds.	570.39	569.85	652.76

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