

Weekly — February 18, 2022

Weekly Economic & Financial Commentary

United States: **U.S. Economy Pushing Through Omicron and Inflation Headwinds**

- Retail sales jumped 3.8% in January, well above expectations. Industrial production strengthened 1.4% during the first month of the year. Housing activity remained robust in January—while housing starts fell 4.1%, building permits edged up 0.7% and existing home sales jumped 6.7%. Meanwhile, January's Leading Economic Index declined 0.3% and the Producer Price Index leaped 1.0%.
- Next week: New Home Sales (Thurs), Personal Income & Spending (Fri), Durable Goods (Fri)

International: **Japanese Growth Rebounds as Economy Reopens**

- Japan's GDP rebounded in the final quarter of 2021, with activity recovering after the state of emergency that was in place for Tokyo and surrounding areas was lifted. Q4 GDP grew at a 5.4% quarter-over-quarter annualized rate, with consumer spending especially strong. However, there are signs the economy has started on a soft note in 2022, and with inflation benign, the Bank of Japan's easy monetary policy looks set to remain in place for some time.
- Next week: Eurozone PMIs (Mon), U.K. PMIs (Mon), RBNZ Rate Decision (Wed)

Interest Rate Watch: **Minutes and Fed Speak Tamp Down Prospect of 50-bp Hike in March**

- Minutes from the FOMC's January meeting released this week signaled a rate hike is imminent but did not indicate that officials were itching to lift the fed funds rate by an unusually large 50 bps. With Fed speakers this week seemingly less enthusiastic about the prospect of a 50 bps hike, market expectations for such a move have fallen back below 50%.

Topic of the Week: **Russia-Ukraine Conflict Not a Global Economic Risk**

- Tensions tied to the Russia-Ukraine situation have intensified in recent days. Although we do not have any particular insight into conditions on the ground or wish to speculate on the mindset of leaders involved, assessing the potential economic and financial market reaction to an escalation is still a valuable exercise.

Wells Fargo 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	2.3	6.9	0.7	3.1	3.6	3.6	-3.4	5.7	3.4	2.9
Personal Consumption	11.4	12.0	2.0	3.3	1.0	2.5	2.5	2.6	-3.8	7.9	2.8	2.3
Consumer Price Index ²	1.9	4.8	5.3	6.7	7.1	5.9	5.1	3.8	1.2	4.7	5.5	2.4
"Core" Consumer Price Index ²	1.4	3.7	4.1	5.0	6.2	5.4	5.1	4.6	1.7	3.6	5.3	2.9
Quarter-End Interest Rates ³												
Federal Funds Target Rate	0.25	0.25	0.25	0.25	0.50	1.00	1.25	1.50	0.50	0.25	1.06	2.06
Conventional Mortgage Rate	3.08	2.98	2.87	3.10	3.55	3.65	3.75	3.85	3.12	2.95	3.70	4.01
10 Year Note	1.74	1.45	1.52	1.52	1.95	2.05	2.15	2.20	0.89	1.45	2.09	2.33

Forecast as of: February 09, 2022

¹ Compound Annual Growth Rate Quarter-over-Quarter² Year-over-Year Percentage Change³ 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 [Consumer Dashboard](#) and [Pressure Gauge](#).

U.S. Review

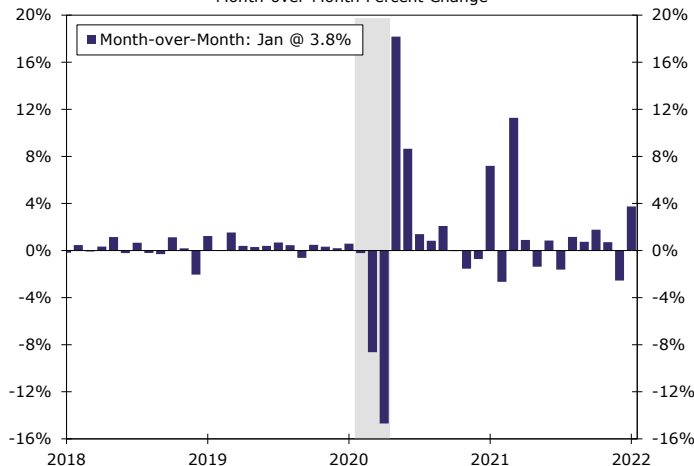
U.S. Economy Pushing Through Omicron and Inflation Headwinds

Geopolitical tension in Russia and Ukraine largely overshadowed a week of economic data, which revealed that the U.S. economy held up quite well amid January's surge in Omicron cases. Retail sales jumped 3.8% during the first month of the year. Consensus expectations were for a strong bounceback in sales following December's decline, but the robust gain to start off 2022 was a big surprise to the upside. The overall monthly increase in sales was the largest since what followed after households last received stimulus checks in March 2021.

Omicron's impact was evident in some of the underlying details of the report. Nonstore sales skyrocketed, while spending at bars and restaurants slipped slightly, which perhaps reflects the preference of consumers to remain within the confines of their homes as cases soared. Still, January's outsized gain was mostly broad-based, with most categories of stores registering an upturn. Notably, sales at furniture stores and motor vehicle dealers rose markedly, which indicates that supply chain congestion may be starting to clear and that consumers are having an easier time obtaining items that have been in short supply. Rising prices also played a role in boosting sales, which are reported in nominal dollars. However, even after adjusting for inflation, the overall improvement in retail sales was solid.

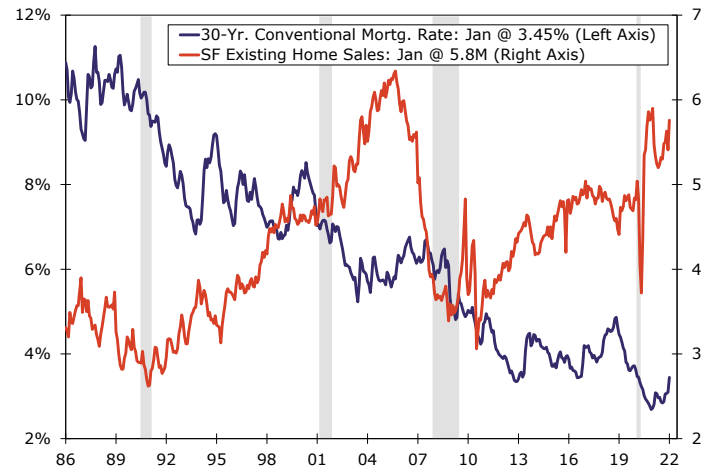
Industrial production also beat expectations and climbed higher in January. The headline industrial production index rose 1.4% during the month. The improvement occurred as manufacturing and mining output both rose modestly. The factory sector continues to be lifted by strong demand, but another drop in auto production during the month is a sign that producers remain hampered by input shortages as well as transportation and distribution slowdowns. The most up-to-date version of our [Pressure Gauge](#), a tool which utilizes high-frequency data to measure the extent of global value chain strain, shows that some easing has occurred lately, although full normalization remains far off on the horizon. Meanwhile, the mining sector continues to improve as drilling activity gradually picks up alongside higher oil and gas prices. The largest contributor to the top-line gain in industrial production, however, was a massive 9.9% leap in utilities output. Colder temperatures and snowfall hit large tracts of the East during January, bringing thermostats and heating bills for many households significantly higher.

Monthly Change in Retail Sales
Month-over-Month Percent Change



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

Mortgage Rate vs. Existing Single-Family Home Sales
SAAR, Millions



Source: NAR, Freddie Mac and Wells Fargo Economics

A set of housing market indicators released this week sheds light on the state of the residential sector as it continues to contend with a wide array of scarcities, ranging from low inventories of homes for sale to hard-to-find labor and building materials. Existing home sales bounced up 6.7% to a 6.5 million-unit pace during January, more than making up for the drop the previous month. Mortgage rates have come up significantly since the start of the year, which may be prompting hesitant buyers to get ahead of higher rates and move forward with purchases. The leap in sales coincides with another reduction in supply. In January, inventories fell to just 860,000, an all-time low. The historic dearth in supply is pushing prices higher, with the median single-family home price up 15.9% over the year. Fast-rising

prices and climbing mortgage rates are quickly eroding affordability, which may limit home sales in the months ahead. That noted, the robust pace of home sales experienced during January suggests buyer demand has yet to be substantially slowed.

The intense competition for a shrinking pool of existing homes for sale has been a boon for new residential construction and home builder confidence. The NAHB Housing Market Index (HMI) edged lower by just one point to 82 in February. Current sales conditions ticked higher and buyer traffic declined slightly. Builders were also slightly less optimistic about future sales, an understandable sentiment considering mortgage rates have risen sharply recently. That said, builder confidence is still running exceptionally high, and home builders are selling virtually everything they can build.

The inability to complete projects now appears to be preventing new residential construction from even getting under way. Housing starts unexpectedly fell 4.1% in January. Much of the decline occurred in single-family starts; however, multifamily construction also back-tracked slightly. Builders continue to report shortages of a wide range of products needed to complete a home, with cabinets, countertops and certain electrical products in short supply. Labor shortages have likewise wreaked havoc on project schedules, leading to delays and postponed completion dates. During January, the backlog of homes waiting to be built rose to a record high. Still, the 1.64 million-unit pace of overall housing starts indicates that home building is running strong, particularly in high-growth metros in the South and Mountain West.

Furthermore, while housing starts declined to start the year, building permits advanced 0.7%. The overall gain was entirely due to a jump in single-family permits. The pickup in permits provides evidence that builders are looking past current supply side snags. The Leading Economic Index dipped 0.3% in January, which is a warning sign that the road ahead remains fraught with obstacles. The Producer Price Index surged 1.0% during January, twice as fast as market expectations. Yet another rapid increase in factory gate pricing is a sign that inflation pressures are unlikely to fade quietly, although we anticipate some moderation in price growth throughout the year as consumer goods spending slows and supply chains become unknotted. Overall, the surprising strength in retail sales, industrial production and residential activity revealed this week suggests the U.S. economy is managing to push through the headwinds brought on by Omicron, supply constraints and inflation. ([Return to Summary](#))

U.S. Outlook

Weekly Domestic Indicator Forecasts

Date	Indicator	Period	Consensus	Wells Fargo	Prior
24-Feb	New Home Sales	Jan	806K	813K	811K
25-Feb	Personal Income	Jan	-0.3%	-0.9%	0.3%
25-Feb	Personal Spending	Jan	1.4%	0.8%	-0.6%
25-Feb	Durable Goods Orders	Jan P	1.0%	0.7%	-0.7%
25-Feb	Durables Ex Transportation	Jan P	0.3%	0.3%	0.6%
25-Feb	PCE Deflator (YoY)	Jan	6.0%	6.1%	5.8%
25-Feb	Core PCE Deflator (YoY)	Jan	5.2%	5.2%	4.9%

Forecast as of February 18, 2022

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

New Home Sales • Thursday

While facing its fair share of challenges, the housing market remains strong. The [Domestic Review](#) section detailed a swath of housing indicators recently released, and next week, we'll get fresh data on new home sales for January. We expect sales rose modestly to 813K last month from 811K in December. Existing home sales rose to 6.5M in January from a downwardly-revised 6.09M the prior month. The shrinking pool of existing homes for sale has boosted new home construction.

Builders are selling virtually everything they can build amid solid demand. The chief concern for builders continues to be on the supply side, with shortages of building materials and labor extending completion times. For this reason, we expect a decent chunk of sales in January likely continued to come from sales of homes still under construction or where construction has not yet started. With demand and supply so out of whack, home prices remain sky-high and affordability concerns are being amplified by the upward spike in mortgage rates since the start of the year. Mortgage rates are now hovering around 4.0%, or a level consistent with early 2019. This erosion of affordability may limit home sales in the months ahead.

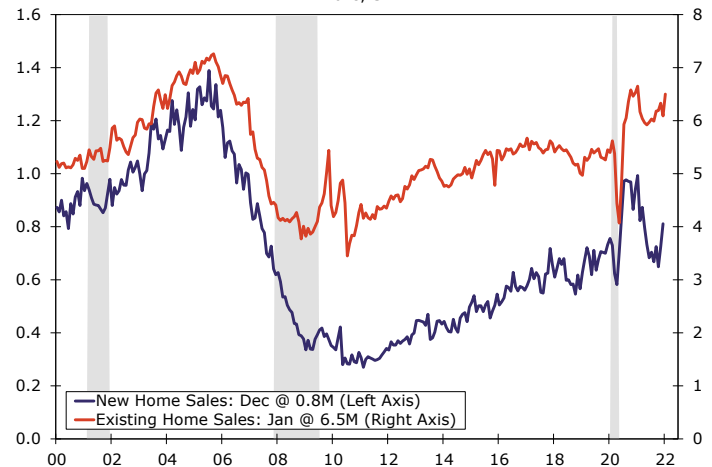
Personal Income & Spending • Friday

January marked the first month in nearly two years without fiscal transfers making their way to households. The expiration of the Child Tax Credit at the end of last year was the final tap to be shut off and suggests somewhat of an income cliff to start this year. We forecast personal income declined 0.9% during January as a result. Beneath the headline estimate, however, there should be another solid gain in wages & salaries, the largest component of total personal income. A proxy for aggregate labor income, using data from the employment report, was up 8.9% on a three-month annualized rate in January and indicates another solid gain in wages & salaries ([chart](#)).

We forecast personal spending rose 0.8% last month. Retail sales data rose a better-than-expected 3.8%, with gains in sales broad-based across retailers. But with retail sales largely covering goods spending, next week's report will provide some clarity on how services spending fared in the first month of the year—when the Omicron wave of the virus disrupted in-person activity. Consumer prices continued to accelerate in January, with the consumer price index up another 0.7%. We expect this gain in prices to translate into the PCE deflator rising 0.6% over the month, which will lift the

Home Sales

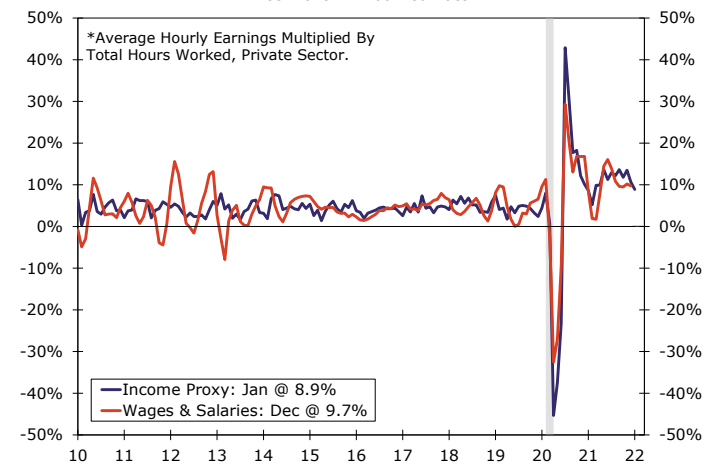
Millions, SAAR



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

Labor Income

Three-Month Annualized Rate



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

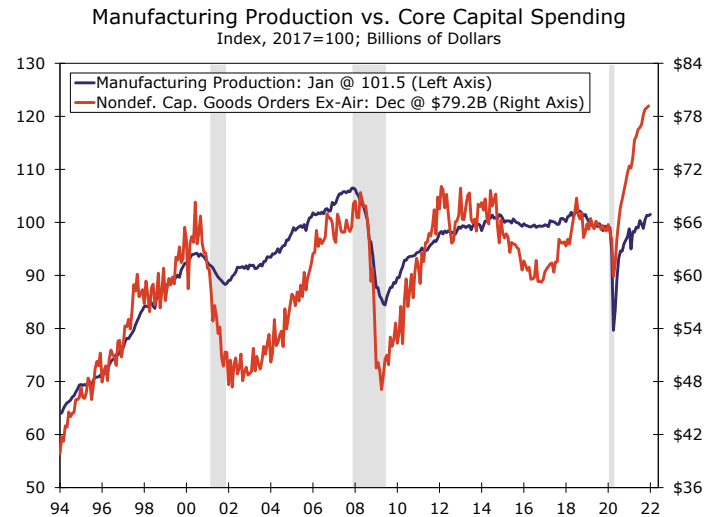
annual growth rate to 6.1%, the fastest in about 40 years. If realized, that suggests real spending rose a more modest 0.2%. In our view, high inflation is one of the largest risks to the consumer spending outlook this year.

Durable Goods Orders • Friday

Resilient consumer and business demand have supported a swift rebound in core capital goods orders to date. We expect demand remained solid in January and forecast new durable goods orders rose 0.7%. But the overall gain was likely boosted by the volatile aircraft component. Data from Boeing showed 77 new gross orders in January. While this is a step down from the 80 new orders reported in December, it is well above what is historically seen during the month of January.

Excluding transportation, we forecast orders rose a more modest 0.3%. The underlying trend in durable goods orders has been clear. While demand for goods has been resilient, the lack of supply for physical inputs and labor continues to constrain the manufacturing sectors ability to produce. This is clearly demonstrated in the [chart](#) to the right with orders *way* outpacing production. Unfilled orders of core capital goods have marched higher and risen to record-high levels as a result. With the pipeline essentially full, as inventories are gradually replenished, U.S. production should ramp up and narrow the gap with orders over the course of this year.

[\(Return to Summary\)](#)



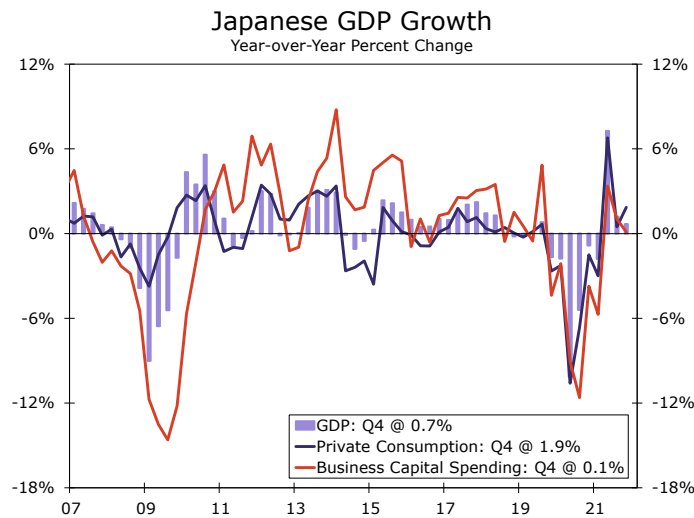
Source: Federal Reserve Board, U.S. Department of Commerce and Wells Fargo Economics

International Review

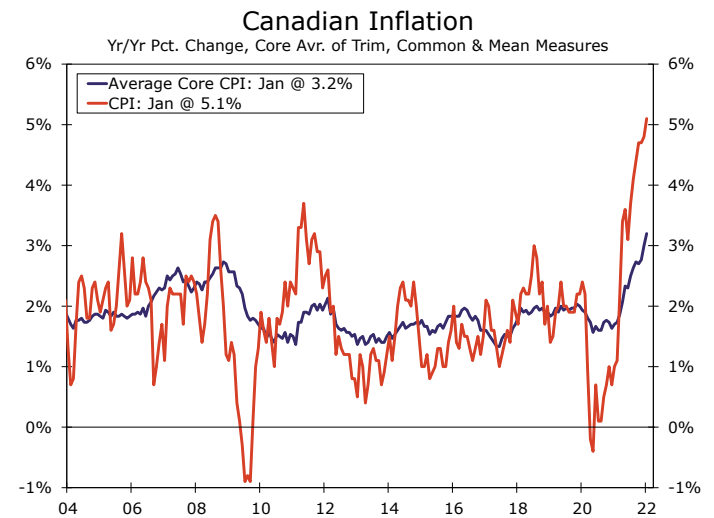
Japanese Growth Rebounds as Economy Reopens

Japan's GDP rebounded in the final quarter of 2021, with activity recovering after the state of emergency that was in place for Tokyo and the surrounding areas was lifted in September of last year. Q4 GDP grew at a 5.4% quarter-over-quarter annualized rate, a bit less than the consensus forecast of a 6.0% growth pace, although Q3 GDP was also revised to show a smaller decline. The lifting of the state of emergency has helped consumer and services activity in particular, with Q4 private consumption growing at an 11.2% annualized pace, while business capital spending growth increased at a more moderate 1.6% pace. The tertiary industry index, a measure of service sector activity, also showed reasonable momentum for Japan's economy into the end of last year. December services activity rose 0.4% month-over-month, slightly more than forecast, while November was revised to show a larger 0.7% increase.

While the overall outlook for Japanese economic growth remains solid for 2022, given the passage of fiscal stimulus late last year, the economy could stumble early this year as the Omicron variant reinstated some mild restrictions. Unlike most countries, inflation pressures in Japan remain moderate with the January CPI up just 0.5% year-over-year. As a result, we do not expect the Bank of Japan to tighten monetary for an extended period, and indeed, the central bank acted earlier this week to prevent an unwanted rise in Japanese government bond yields.



Source: Datastream and Wells Fargo Economics



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

International Inflation Still Rising

For the most part, CPI inflation across the major developed economies remains elevated, with further evidence of that put forth this week by Canada and the United Kingdom. In Canada, the January CPI surprised to the upside, quickening to 5.1% year-over-year. The average of the core CPI measures also firmed to 3.2%, while services inflation held steady at 3.4%. Despite some mixed activity data, such as the 1.8% month-over-month decline in December retail sales reported this week, we expect the Bank of Canada to raise its policy interest rate 25 bps to 0.50% at its March monetary policy meeting.

In the United Kingdom, January's CPI report also surprised to the upside. Headline CPI edged up to 5.5% year-over-year, and the core CPI firmed slightly to 4.4%. Much of the acceleration in recent months has been in goods prices, and indeed, services inflation slowed a bit in January to 3.2%. In other data, growth in payrolled employees slowed a touch in January to 108,000, while the 1.9% month-over-month rise in January retail sales only partly reversed the 4.0% slump in December. Given elevated inflation, we anticipate further, but gradual, Bank of England tightening, with the next 25 bps rate increase expected at the May monetary policy meeting. ([Return to Summary](#))

International Outlook

Weekly International Indicator Forecasts

Date	Indicator	Period	Consensus	Wells Fargo	Prior
21-Feb	Eurozone Manufacturing PMI	Feb	58.7	--	58.7
21-Feb	Eurozone Services PMI	Feb	52.0	--	51.1
21-Feb	U.K. Manufacturing PMI	Feb	57.0	--	57.3
21-Feb	U.K. Services PMI	Feb	55.5	--	54.1
23-Feb	RBNZ Official Cash Rate	23-Feb	1.00%	1.00%	0.75%

Forecast as of February 18, 2022

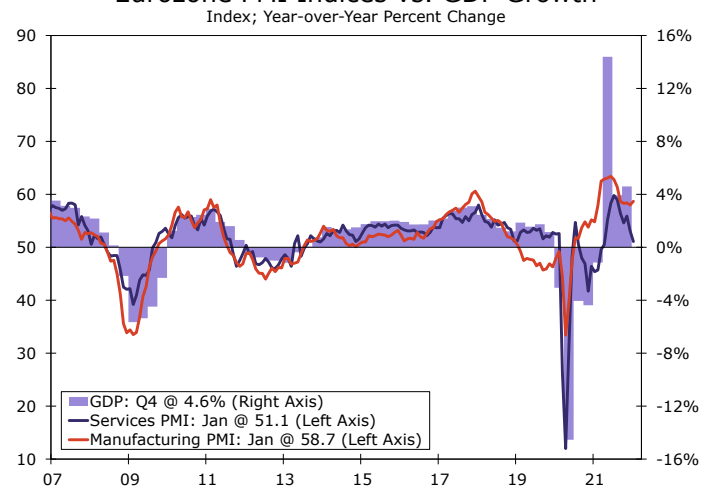
Source: Bloomberg Finance L.P. and Wells Fargo Economics

Eurozone PMIs • Monday

The Eurozone February PMIs next week will provide an up-to-date read on the region's economy, and insight into whether and to what extent the Eurozone is recovering from a COVID-related slowdown around the turn of the year. There should be a particular focus on the services PMI, which fell to 51.1 in January, the lowest level since April last year ([chart](#)). For February, the services PMI is expected to improve to 52.0 as COVID cases slow and restrictions ease. With respect to the region's two largest economies, Germany's services PMI is forecast to rise to 53.5 and France's services PMI is forecast to rise to 53.8.

The Eurozone manufacturing sector has been less affected by the spread of COVID cases, and the January manufacturing PMI rose to 58.7 ([chart](#)). For February, the manufacturing PMI is expected to hold steady at that 58.7 level. Finally, in addition to the headlines PMI indices, market participants will also be focused on the input prices, output prices and supplier delivery components for any hints that supply disruptions or product shortages could be easing, which could portend an eventual slowing in Eurozone inflation over time.

Eurozone PMI Indices vs. GDP Growth



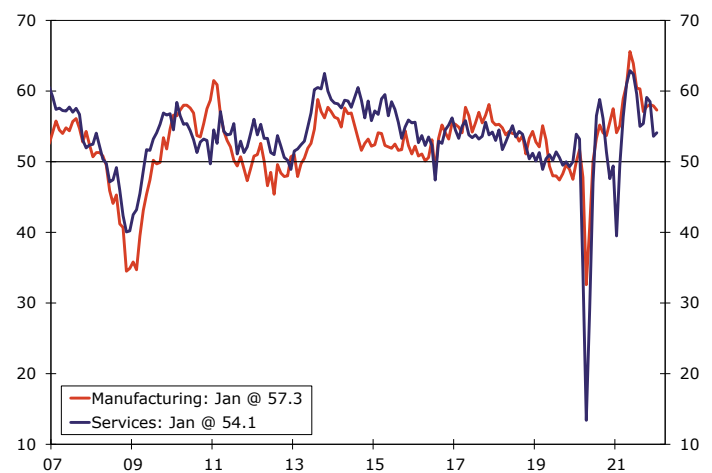
Source: Datastream, Bloomberg Finance L.P. and Wells Fargo Economics

United Kingdom PMIs • Monday

The U.K. February PMIs are also due next week and will be scanned for insight on how the economy is recovering from a COVID-related slowdown. The spread of COVID cases in the United Kingdom peaked earlier than other parts of Europe, perhaps helping retail sales to gain modestly in January. Reflecting these early signs of improvement, the services PMI also improved in January for 54.1 ([chart](#)). For February, the consensus forecast is for a further rise in the services PMI to 55.5, indicative of a strengthening recovery in the consumer and services sector. The U.K. manufacturing did ease in January but has generally held up well in the face of the renewed spread of COVID cases. For February, the manufacturing PMI is also forecast to dip to a still-elevated 57.0.

Finally, similarly to the Eurozone, the U.K. PMIs will also be scrutinized for signs of price pressures and supply disruptions, with the input price, output price and supplier delivery components potentially offering insight into the persistence of inflationary pressures, or whether there might be early hints bottlenecks are starting to ease.

United Kingdom PMIs

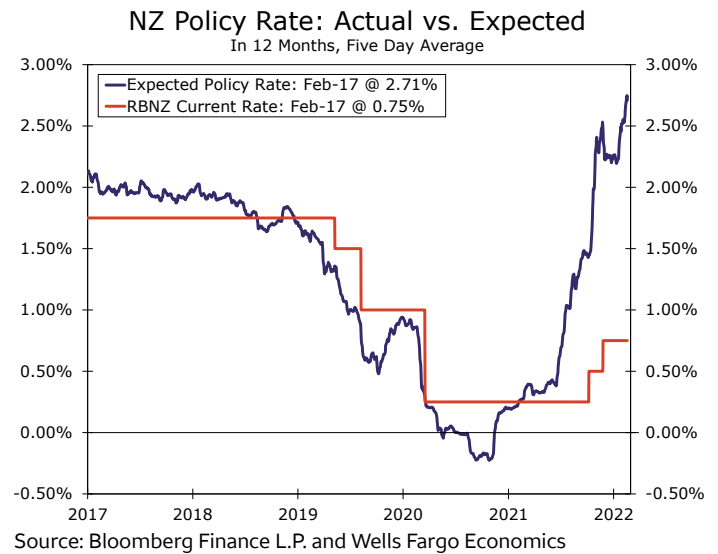


Source: Datastream and Wells Fargo Economics

New Zealand Monetary Policy Announcement • Wednesday

The Reserve Bank of New Zealand (RBNZ) announces its monetary policy decision next week, and we, along with the consensus, expect the central bank to raise rates another 25 bps to 1.00%. After the economy slumped in Q3 due to a COVID-related lockdown, incoming data show a solid rebound from Q4 last year, as reflected in employment and retail spending data. Meanwhile, inflation pressures have also intensified, as the Q4 headline CPI firmed to 5.9% year-over-year with an acceleration also in underlying inflation as well as non-tradables inflation.

Against this backdrop, we expect the RBNZ to continue its shift toward a less accommodative monetary policy stance at next week's policy meeting. At the same time, we favor a more measured 25 bps rate hike as opposed to a larger 50 bps increase, particularly after the central bank governor said late last year the RBNZ would take a "cautious" approach to tightening by moving in 25 bps increments "for now." ([Return to Summary](#))



Interest Rate Watch

Minutes and Fed Speak Tamp Down Prospect of 50-bp Hike in March

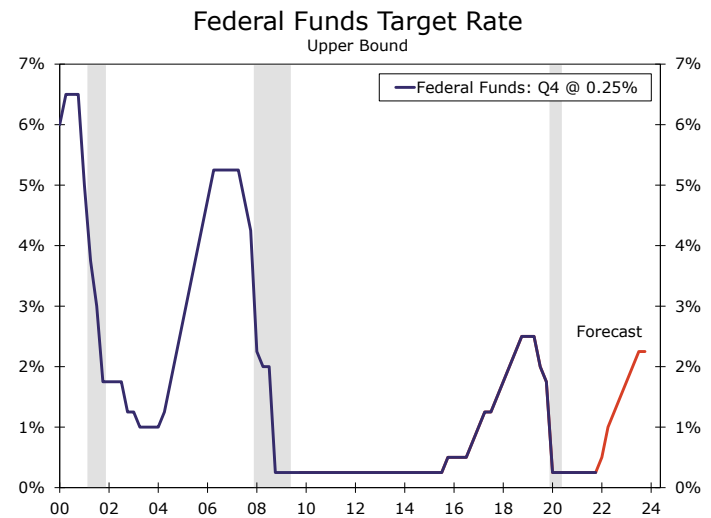
The minutes from the FOMC's January 25-26 meeting confirmed what was already strongly signaled by the post-meeting statement and press conference: A rate hike is imminent. But for anyone seeking clues about whether the FOMC will begin lifting rates at its March 15-16 meeting in the typical 25 bps increment or a more substantial 50 bps did not learn much. The minutes indicated that most participants agreed tightening would be faster than during the 2015-2018 cycle. However, with the FOMC having lifted rates no more than once per quarter during that period, that still leaves the possibility that the FOMC raises rates 25 bps at sequential meetings, rather than 50 bps in one fell swoop.

Notably, the minutes are already a bit stale and do not reflect the surprisingly strong employment and inflation reports for January. Along with the hot CPI print, James Bullard's (voter) comment last Thursday that he would like to see the fed funds rate rise 100 bps by July (with only three scheduled meetings before then) elevated the prospect for a 50 bps hike to 81% based on market pricing.

Bullard's FOMC colleagues, however, do not seem so convinced such aggressive action is needed. Esther George, another voter on the hawkish end of the spectrum, said this week she would be "hard-pressed to say we have to get to neutral very fast" and that it was important not to "over-steer." Similar sentiment was expressed by Tom Barkin (non-voter) and Neel Kashkari (non-voter). Market expectations for a 50-bp hike in March now have retreated to around 40%.

Our current view remains that the FOMC will raise rates by 25 bps at its upcoming meeting, with the target rate lifted by the same magnitude at its May and June meetings. We expect the 75 bps of tightening before July to be followed up by an announcement to reduce the balance sheet in July and an additional 50 bps of rate hikes before year-end, bringing the fed funds rate to a range of 1.25%-1.50%.

However, there will be two big data points between now and the March meeting that could tip the consensus on the FOMC and our own expectations: average hourly earnings and CPI data for February. Inflation is the paramount concern of FOMC officials right now. Additional upside surprises that show wage pressures broadening across industries and stronger price hikes across a wide range of categories could further fan concerns among officials that policy is currently too accommodative. However, even strong gains, if closely aligned with current expectations, may keep prospects for a more "measured" pace of tightening in play, given the FOMC is already tightening into an economic slowdown. ([Return to Summary](#))



Source: Federal Reserve Board and Wells Fargo Economics

Topic of the Week

Russia-Ukraine Conflict Not a Global Economic Risk

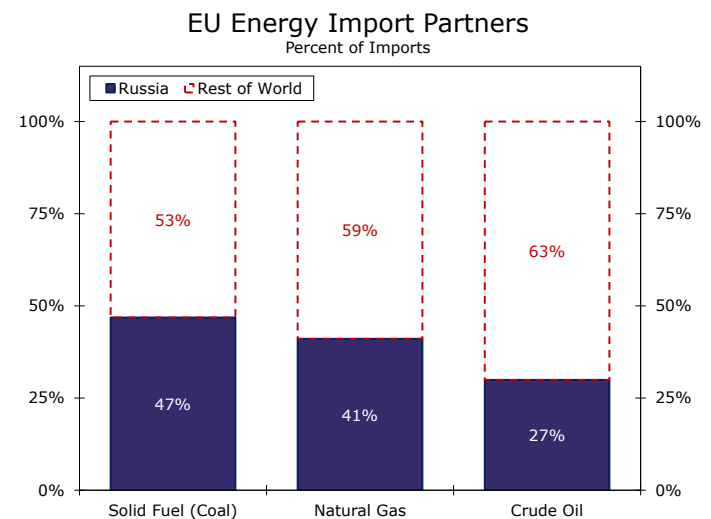
Headlines surrounding Russia and a possible invasion of Ukraine continue to intensify, creating confusion regarding the state of affairs on the Ukrainian border and the likelihood of military conflict. Over the past few weeks, global equities, government bonds and currencies have been volatile as the situation has evolved. Should the current climate continue (i.e., no material escalation or de-escalation of tensions), we would expect financial markets to remain on edge, and for media headlines and political rhetoric to be a key source of volatility. While we do not have particular insight into conditions on the ground or wish to ascertain the mindset of leaders involved, assessing the potential economic and market impact of an escalation is still appropriate.

Given the types of escalations and international sanctions that appear to be the most likely at this time, we believe the impact of a Russia-Ukraine escalation on global economic growth would likely be minimal. For 2022, the International Monetary Fund (IMF) forecasts Russia's and Ukraine's share of global GDP to be only 1.6% and 0.2%, respectively. In a scenario where military conflict between the two nations and new sanctions plunge Russia and Ukraine into deep and prolonged recessions, a combined share of 1.8% of global economic output is not large enough to materially disrupt global economic growth. Even if we look at potential contagion through trade linkages with other nations, the spillover effects of recessions in Russia and Ukraine would likely be geographically limited as well.

However, Russia's involvement could have more indirect effects on the global economy, as it is one of the world's largest oil producers and energy exporters. Russia produces about 10% of the 100 million barrels produced globally per day. Should a military conflict lead to new international sanctions being imposed on Russia, those sanctions could target Russia's ability to export oil and, should that oil supply be taken out of the market, a supply/demand imbalance could form and oil prices would likely move higher. Of the major economies, the European Union is particularly exposed not only to higher prices, but specifically to Russian oil and the possibility of energy shortages, an already budding problem. Recent data indicate the European Union sources a high percentage of its energy from Russia—47% of European Union coal, 41% of natural gas and 27% of oil imports ([see chart](#)). Given that many of the world's economic growth engines—including China, Japan, the United Kingdom and the European Union—are net energy importers, higher oil prices could result in slower growth, increased cost of living and reduced household consumption.

As far as the economic impact to Russia, we can draw insight from Russia's annexation of the Crimean Peninsula in 2014. We note that the scenario is not necessarily an apples-to-apples comparison. Russia's economy was certainly disrupted by the invasion of Crimea and subsequent international sanctions, but 2014 also marked a supply and demand imbalance in commodity markets that resulted in an oil price slump (i.e. more supply than demand). That same dynamic is not in place today. That said, the dual shock of sanctions and lower oil prices pushed Russia's economy into a recession that lasted through 2016. To give a sense of how much this dual shock weighed on the economy, we can look at IMF forecasts at the end of 2013 compared to actual annual growth rates. In October 2013, before the annexation of Crimea and the fall in oil prices, the IMF forecast Russia's economy to grow 3% in 2014 and 3.5% from 2015-2018. In response to lower oil prices and sanction effects, actual annual growth rates were much lower. In 2014, Russia's economy grew only 0.7%, contracted 2% in 2015, and expanded 0.2% in 2016 before a more robust recovery later on. In our view, the oil price shock had a more significant impact on the Russian economy, but disentangling the exact impact of low oil prices from sanctions is difficult. We do believe, however, sanctions would place downward pressure on growth. The severity of the sanctions would likely determine the magnitude and longevity of the hit to Russia's growth prospects in 2022 and years to come.

To read the full report, please click [here](#). ([Return to Summary](#))



Source: Eurostat and Wells Fargo Economics

Market Data • Mid-Day Friday

U.S. Interest Rates			
	Friday 2/18/2022	1 Week Ago	1 Year Ago
SOFR	0.05	0.05	0.06
3-Month LIBOR	0.49	0.38	0.19
3-Month T-Bill	0.34	0.34	0.03
1-Year Treasury	1.05	1.14	0.03
2-Year Treasury	1.48	1.50	0.10
5-Year Treasury	1.83	1.85	0.55
10-Year Treasury	1.94	1.94	1.30
30-Year Treasury	2.28	2.24	2.08
Bond Buyer Index	2.54	2.41	2.17

Foreign Exchange Rates			
	Friday 2/18/2022	1 Week Ago	1 Year Ago
Euro (\$/€)	1.135	1.135	1.209
British Pound (\$/£)	1.361	1.356	1.398
British Pound (£/€)	0.834	0.837	0.865
Japanese Yen (¥/\$)	115.040	115.420	105.690
Canadian Dollar (C\$/ \$)	1.270	1.274	1.268
Swiss Franc (CHF/\$)	0.920	0.926	0.896
Australian Dollar (US\$/A\$)	0.720	0.714	0.777
Mexican Peso (MXN/\$)	20.296	20.538	20.309
Chinese Yuan (CNY/\$)	6.326	6.355	6.488
Indian Rupee (INR/\$)	74.663	75.378	72.654
Brazilian Real (BRL/\$)	5.129	5.249	5.431
U.S. Dollar Index	95.945	96.082	90.592

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

Foreign Interest Rates			
	Friday 2/18/2022	1 Week Ago	1 Year Ago
3-Month Euro LIBOR	-0.58	-0.59	-0.57
3-Month Sterling LIBOR	0.87	0.78	0.06
3-Month Canada Banker's Acceptance	0.88	0.80	0.44
3-Month Yen LIBOR	-0.02	-0.02	-0.09
2-Year German	-0.47	-0.32	-0.69
2-Year U.K.	1.29	1.41	-0.04
2-Year Canadian	1.50	1.46	0.22
2-Year Japanese	-0.02	-0.03	-0.11
10-Year German	0.20	0.30	-0.35
10-Year U.K.	1.39	1.55	0.62
10-Year Canadian	1.90	1.85	1.14
10-Year Japanese	0.22	0.23	0.10

Commodity Prices			
	Friday 2/18/2022	1 Week Ago	1 Year Ago
WTI Crude (\$/Barrel)	89.76	93.10	60.52
Brent Crude (\$/Barrel)	91.26	94.44	63.93
Gold (\$/Ounce)	1894.77	1858.76	1775.67
Hot-Rolled Steel (\$/S.Ton)	950.00	995.00	1270.00
Copper (¢/Pound)	454.15	450.60	390.10
Soybeans (\$/Bushel)	15.77	15.68	13.86
Natural Gas (\$/MMBTU)	4.60	3.94	3.08
Nickel (\$/Metric Ton)	24,254	23,886	18,720
CRB Spot Inds.	646.45	651.14	548.88

Subscription Information

To subscribe please visit: www.wellsfargo.com/economicsemail

Via The Bloomberg Professional Services at WFRE

Economics Group

Jay H. Bryson, Ph.D.	Chief Economist	704-410-3274	Jay.Bryson@wellsfargo.com
Mark Vitner	Senior Economist	704-410-3277	Mark.Vitner@wellsfargo.com
Sam Bullard	Senior Economist	704-410-3280	Sam.Bullard@wellsfargo.com
Nick Bennenbroek	International Economist	212-214-5636	Nicholas.Bennenbroek@wellsfargo.com
Tim Quinlan	Senior Economist	704-410-3283	Tim.Quinlan@wellsfargo.com
Sarah House	Senior Economist	704-410-3282	Sarah.House@wellsfargo.com
Azhar Iqbal	Econometrician	212-214-2029	Azhar.Iqbal@wellsfargo.com
Charlie Dougherty	Economist	212-214-8984	Charles.Dougherty@wellsfargo.com
Michael Pugliese	Economist	212-214-5058	Michael.D.Pugliese@wellsfargo.com
Brendan McKenna	International Economist	212-214-5637	Brendan.Mckenna@wellsfargo.com
Shannon Seery	Economist	332-204-0693	Shannon.Seery@wellsfargo.com
Nicole Cervi	Economic Analyst	704-410-3059	Nicole.Cervi@wellsfargo.com
Sara Cotsakis	Economic Analyst	704-410-1437	Sara.Cotsakis@wellsfargo.com
Jessica Guo	Economic Analyst	704-410-4405	Jessica.Guo@wellsfargo.com
Karl Vesely	Economic Analyst	704-410-2911	Karl.Vesely@wellsfargo.com
Patrick Barley	Economic Analyst	704-410-1232	Patrick.Barley@wellsfargo.com
Coren Burton	Administrative Assistant	704-410-6010	Coren.Burton@wellsfargo.com

Required Disclosures

This report is produced by the Economics Group of Wells Fargo Bank, N.A. ("WFBNA"). This report is not a product of Wells Fargo Global Research and the information contained in this report is not financial research. This report should not be copied, distributed, published or reproduced, in whole or in part. WFBNA distributes this report directly and through affiliates including, but not limited to, Wells Fargo Securities, LLC, Wells Fargo & Company, Wells Fargo Clearing Services, LLC, Wells Fargo Securities International Limited, Wells Fargo Securities Europe S.A., Wells Fargo Securities Canada, Ltd., Wells Fargo Securities Asia Limited and Wells Fargo Securities (Japan) Co. Limited. Wells Fargo Securities, LLC is registered with the Commodity Futures Trading Commission as a futures commission merchant and is a member in good standing of the National Futures Association. WFBNA is registered with the Commodity Futures Trading Commission as a swap dealer and is a member in good standing of the National Futures Association. Wells Fargo Securities, LLC and WFBNA are generally engaged in the trading of futures and derivative products, any of which may be discussed within this report.

This publication has been prepared for informational purposes only and is not intended as a recommendation offer or solicitation with respect to the purchase or sale of any security or other financial product nor does it constitute professional advice. The information in this report has been obtained or derived from sources believed by WFBNA to be reliable, but has not been independently verified by WFBNA, may not be current, and WFBNA has no obligation to provide any updates or changes. All price references and market forecasts are as of the date of the report. The views and opinions expressed in this report are not necessarily those of WFBNA and may differ from the views and opinions of other departments or divisions of WFBNA and its affiliates. WFBNA is not providing any financial, economic, legal, accounting, or tax advice or recommendations in this report, neither WFBNA nor any of its affiliates makes any representation or warranty, express or implied, as to the accuracy or completeness of the statements or any information contained in this report and any liability therefore (including in respect of direct, indirect or consequential loss or damage) is expressly disclaimed. WFBNA is a separate legal entity and distinct from affiliated banks and is a wholly owned subsidiary of Wells Fargo & Company. © 2022 Wells Fargo Bank, N.A.

Important Information for Non-U.S. Recipients

For recipients in the United Kingdom, this report is distributed by Wells Fargo Securities International Limited ("WFSIL"). WFSIL is a U.K. incorporated investment firm authorized and regulated by the Financial Conduct Authority ("FCA"). For the purposes of Section 21 of the UK Financial Services and Markets Act 2000 ("the Act"), the content of this report has been approved by WFSIL, an authorized person under the Act. WFSIL does not deal with retail clients as defined in the Directive 2014/65/EU ("MiFID2"). The FCA rules made under the Financial Services and Markets Act 2000 for the protection of retail clients will therefore not apply, nor will the Financial Services Compensation Scheme be available. For recipients in the EFTA, this report is distributed by WFSIL. For recipients in the EU, it is distributed by Wells Fargo Securities Europe S.A. ("WFSE"). WFSE is a French incorporated investment firm authorized and regulated by the Autorité de contrôle prudentiel et de résolution and the Autorité des marchés financiers. WFSE does not deal with retail clients as defined in the Directive 2014/65/EU ("MiFID2"). This report is not intended for, and should not be relied upon by, retail clients.

SECURITIES: NOT FDIC-INSURED - MAY LOSE VALUE - NO BANK GUARANTEE