Weekly — April 19, 2024

Weekly Economic & Financial Commentary

United States: **Another Week, Another Strong Showing from the U.S. Consumer**

- Robust retail sales data were the main story on the U.S. economic data front this week. Elsewhere, data for industrial production and jobless claims offered additional evidence that the U.S. economy remains on solid footing.
- Next week: New Home Sales (Tue.), GDP (Thu.), Personal Income & Spending (Fri.)

International: **Israel-Iran Tensions Come to the Surface**

- Recent tension between Israel and Iran shows that finding a steady state in the Israel-Hamas war remains elusive. We continue to believe military conflict will remain contained and not expand into Tehran or the broader Middle East. In England, inflation continues to ease, but perhaps not as quickly as policymakers may have hoped for.
- Next week: Middle East Geopolitical Tensions, India Prime Minister Election (Apr.-Jun.), Central Bank of Turkey (Thu.)

Interest Rate Watch: **Will Home Buyers Ever Get Some Relief from Elevated Mortgage Rates?**

- The 30-year fixed rate mortgage has risen recently, but it still remains below last autumn's high-water mark of 8%.

Topic of the Week: **Steel Your Nerves, Biden Proposes Higher Tariffs on Chinese Imports**

- This week, President Biden announced a plan to more than triple tariffs on Chinese aluminum and steel products. As stated in our recent special report, tariffs are often imposed to promote demand for local products and spur domestic production, but the effects of tariffs on Chinese-imported goods have been marginal for U.S. industrial production over the past six years. Will the same hold true with Biden's proposed policy?

Submit a question to our "Ask Our Economists" podcast at askoureconomists@wellsfargo.com.

Wells Fargo U.S. Economic Forecast

	Actual 2023				Forecast 2024				Actual		Forecast	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	2022	2023	2024	2025
Real Gross Domestic Product [1]	2.2	2.1	4.9	3.4	2.5	1.9	1.6	1.5	1.9	2.5	2.6	2.0
Personal Consumption	3.8	0.8	3.1	3.3	3.0	2.1	1.6	1.7	2.5	2.2	2.5	1.8
Consumer Price Index [2]	5.7	4.0	3.6	3.2	3.2	3.5	3.2	3.2	8.0	4.1	3.3	2.4
"Core" Consumer Price Index [2]	5.5	5.2	4.4	4.0	3.8	3.6	3.6	3.4	6.2	4.8	3.6	2.8
Quarter-End Interest Rates [3]												
Federal Funds Target Rate[4]	5.00	5.25	5.50	5.50	5.50	5.50	5.25	5.00	2.02	5.23	5.31	4.38
Conventional Mortgage Rate	6.54	6.71	7.20	6.82	6.82	7.05	6.80	6.50	5.38	6.80	6.79	6.09
10 Year Note	3.48	3.81	4.59	3.88	4.20	4.40	4.20	4.00	2.95	3.96	4.20	3.83

Forecast as of: April 19, 2024 [1] Compound Annual Growth Rate Quarter-over-Quarter [2] Year-over-Year Percentage Change
[3] Quarterly Data - Period End; Annual Data - Annual Averages [4] Upper Bound of the Federal Funds Target Range

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

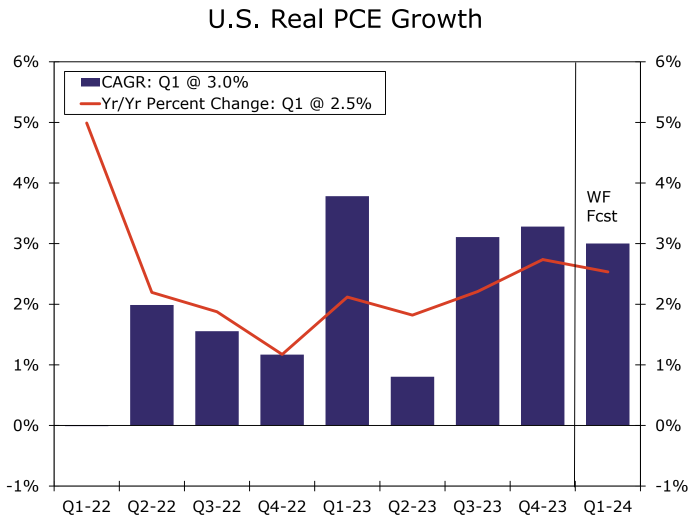
Please see our full U.S. Economic Forecast.

U.S. Review

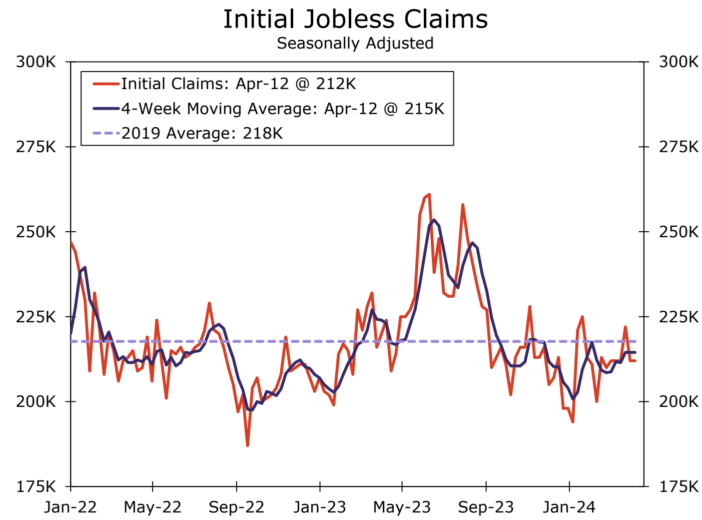
Another Week, Another Strong Showing from the U.S. Consumer

Robust retail sales data were the main story on the U.S. economic data front this week. Retail sales handily exceeded expectations, rising 0.7% in March. Excluding autos, sales rose 1.1%, the biggest monthly pop in more than a year. The better-than-expected gain was further bolstered by sharp upward revisions to the data in February. Sizable jumps for non-store retailers (+2.7%), general merchandise (+1.1%) and building materials (+0.7%) lifted the headline gain. Sales at gasoline stations also rose 2.1%, but this can largely be attributed to the increase in gasoline prices that occurred during the month of March.

Control group sales (sales excluding restaurants, autos, gasoline and building materials) jumped 1.1% in March, which came on top of upward revisions to past months' data as well. Control group sales feed into the Bureau of Economic Analysis' calculation of real goods spending in GDP accounting, and this week's data have led us to upwardly revise our expectations for personal consumption growth in the first quarter. We now expect inflation-adjusted personal consumption to have risen at a 3.0% annualized pace in Q1, lifting real GDP growth for the quarter to 2.5%. As can be seen in the chart below, real personal consumption growth has remained remarkably resilient in the face of the Fed's monetary policy tightening campaign that began in March 2022.



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



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

Elsewhere, data for industrial production and jobless claims offered additional evidence that the U.S. economy remains on solid footing. Industrial production rose 0.4% in March on the heels of an upward revision to output in February. The outturn marks a two-month streak of positive gains for the first time since early 2023. Manufacturing production, which accounts for the majority of industrial output, increased 0.5% in March and saw a decent upward revision to the prior month's data. The factory sector is still far from booming, but the recent uptick in industrial production and the ISM manufacturing index signal some signs of life in the sector after treading water for most of the past year. Initial and continuing jobless claims were more or less unchanged in the latest week's data and remain at low levels (chart).

The housing data this week were not quite as rosy. Housing starts fell precipitously in March, declining 14.7%. Although harsh weather in some parts of the country and the early Easter holiday partially explain March's decline in starts, single-family and multifamily permits also pulled back. Existing home sales also fell in the month, declining 4.3%. Despite these bumps, the leadership of the FOMC appears to have interpreted the recent data as strong on net. Comments this week from FOMC Chair Jerome Powell, Vice Chair Phillip Jefferson and Federal Reserve Bank of New York President John Williams reinforced the idea that the Fed is in no hurry to cut rates. We remain of the view that rate cuts this summer are unlikely, and we look for the FOMC to start gradually reducing the federal funds rate at its meeting in September. (Return to Summary)

U.S. Outlook

Date	Indicator	Period	Consensus	Wells Fargo	Prior
23-Apr	New Home Sales	Mar	670K	668K	662K
24-Apr	Durable Goods Orders (MoM)	Mar	2.8%	2.1%	1.3%
24-Apr	Durables Ex Transportation (MoM)	Mar	0.3%	0.2%	0.3%
25-Apr	GDP Annualized (QoQ)	Q1 A	2.3%	2.5%	3.4%
25-Apr	Personal Consumption (QoQ)	Q1 A	—	3.0%	3.3%
26-Apr	Personal Income (MoM)	Mar	0.5%	0.5%	0.3%
26-Apr	Personal Spending (MoM)	Mar	0.6%	0.6%	0.8%
26-Apr	PCE Deflator (MoM)	Mar	0.3%	0.3%	0.3%
26-Apr	PCE Deflator (YoY)	Mar	2.6%	2.6%	2.5%
26-Apr	Core PCE Deflator (MoM)	Mar	0.3%	0.3%	0.3%
26-Apr	Core PCE Deflator (YoY)	Mar	2.7%	2.7%	2.8%

Weekly Domestic Indicator Forecasts

Forecast as of April 19, 2024

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

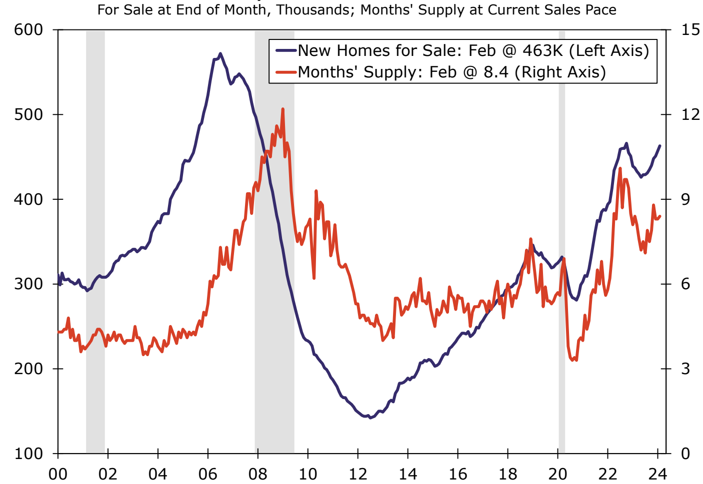
New Home Sales • Tuesday

A dearth of existing home inventory, builder incentives and a resilient jobs market have helped to propel new home sales 5.9% higher over the past year. However, affordability continues to challenge the overall pace of sales and put downward pressure on prices. In February, new home sales dipped 0.3% as mortgage rates crept back up.

We expect sales were little changed in March with mortgage rates edging up slightly further and resale inventory at a near four-year high last month. The rising number of both existing and new homes for sale, as builders have ramped single-family construction back up, likely continued to weigh on prices. The median price of a new home sold fell 7.6% over the past year to $400,500, leaving it just 3% higher than the median price of an existing home.

Looking ahead, a structural shortfall of available single-family homes as well as builders' ability to bridge the affordability gap with price incentives should support sales this year even as mortgage rates have swung higher in recent weeks.

Inventory of New Homes for Sale



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

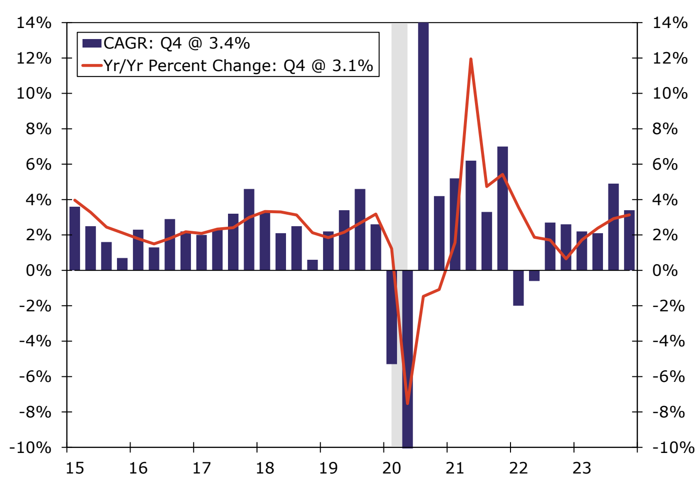
GDP • Thursday

The U.S. economy continued to power ahead at a brisk clip in the first quarter. GDP looks to have expanded at a 2.5% annualized rate, a downshift from the prior two quarters' unsustainable strong prints but still above most estimates of the economy's potential growth.

Consumers once again seem to have been unfazed by elevated interest rates and inflation over the quarter. Hot retail sales spending in March and the largest jump in services spending in more than a year in February point to real personal consumption expenditures advancing at a 3.0% annualized pace during the quarter. A modest bounceback in equipment spending alongside steady growth in outlays for software and other intellectual property look set to push up business fixed investment by a similar degree. Meantime, residential investment is likely to post its strongest quarter of growth in three years amid a rebound in home sales and a climb in construction.

We expect GDP growth to ease further from the second half of last year's head-turning pace as we move beyond Q1. High interest

U.S. Real GDP Growth



Source: U.S. Department of Commerce and Wells Fargo Economics rates continue to weigh on capex, with capital goods orders moving sideways and nonresidential construction spending down in recent months. Government outlays also look poised to slow as staffing levels have recovered and COVID-era funds have dwindled. And while consumers remain eager to spend, slower growth in real income is likely to make it difficult to maintain the recent pace of outlays.

Personal Income & Spending • Friday

February spending data was a reminder not to underestimate the American consumer. Spending rose 0.8% on the back of the strongest monthly increase in services outlays in over a year and a half. We expect spending remained solid in March, as a leap in retail sales points to a pickup in goods spending that should help offset some slowing in services after February's hard-to-match gain.

Supporting spending has been consumers' willingness to set aside less income for saving as well as sturdy gains in wage & salary income. Another month of robust hiring and pickup in earnings growth suggest spending underpinned by labor income continued in March; we look for total personal income to have risen 0.5% last month. However, inflation as measured by the PCE deflator looks to have remained firm again, limiting the potency of nominal income gains. We estimate headline PCE inflation rose 0.3% in March and edged up to 2.6% year-over-year. As we move through the year, slower progress in reducing inflation along with a moderation in hiring is expected to weigh on both real income and consumer spending.

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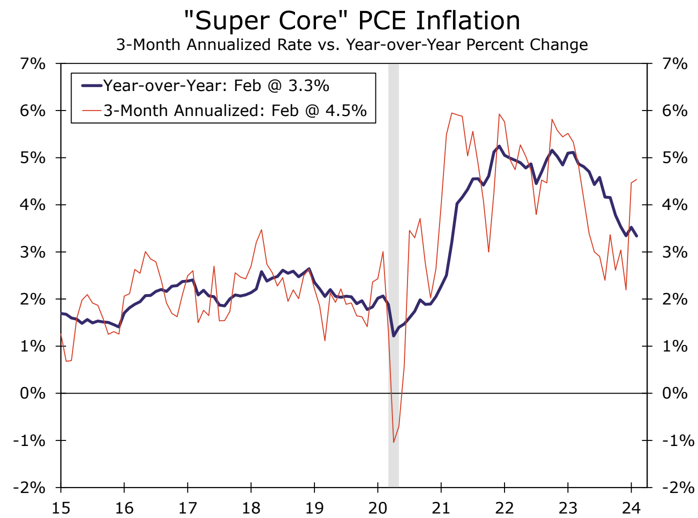


Source: U.S. Department of Commerce and Wells Fargo Economics

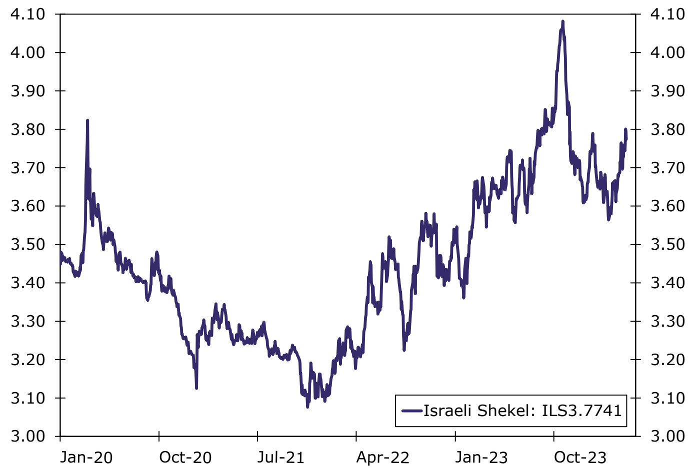
International Review

Israel-Iran Tensions Come to the Surface

Events over the past few weeks in the Middle East reinforce that the global geopolitical landscape remains tense and that finding a steady state in the Israel-Hamas war remains elusive. Iran's aerial assault marks the first attack on Israel launched directly from Iranian territory as opposed to the use of foreign proxies. While retaliatory in nature, military strikes directly from Iran and not through international proxies represent an escalation in the Israel-Hamas war. This escalation brings the Middle East closer to full-scale regional military confrontation, a conflict that could ultimately draw in the United States, given its strategic alignment with Israel. That being said, while Iran's retaliatory strike on Israel is notable, the recent hostilities do not necessarily mean a broader regional military conflict is imminent, in our view. Iranian retaliation was seemingly transparent and telegraphed in advance to allow Israel and Israel-aligned nations to prepare defense capabilities. To that point, almost all Iranian drones and missile strikes were intercepted by Israel and allied defense partners before hitting Israeli territory. Those that got through defense systems caused no material infrastructure damage and inflicted no casualties. Some solace can also be found in the fact Iran only targeted Israeli military sites and not civilian centers nor U.S. military assets. Targeting civilian populations or U.S. military sites would likely have prompted an intense Israeli Defense Force and/or the United States military response. These characteristics of the Iranian attack lead us to believe Iran's retaliation was more symbolic and a face-saving technique rather than an explicit attempt to inflict maximum damage on Israel. Israel's retaliatory strike on Thursday night was also rather limited, and in our view, more of a warning strike on Iran as well. No civilian populations were targeted and no casualties were reported. Iran is seemingly willing to define Israel's strike as a failure and not respond militarily.

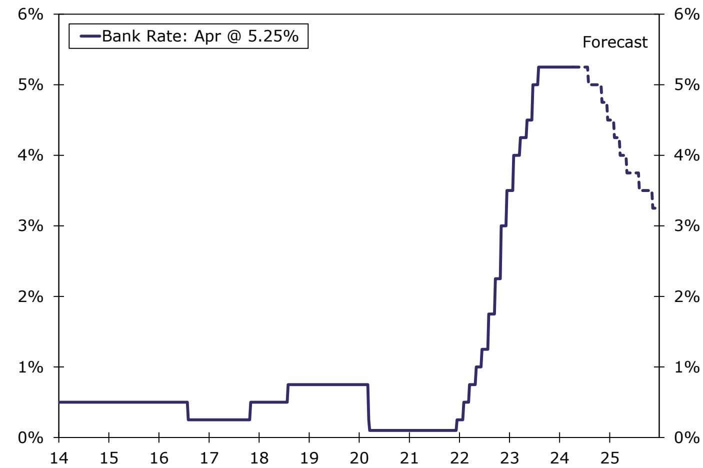
Given our assessment of Iran's attack on Israel, we continue to believe military conflict will remain contained and not expand into Tehran or the broader Middle East. Under the assumption that conflict in the Middle East does not escalate, we do not anticipate any disruptions to global economic activity, the shift to more accommodative monetary policy from major central banks or our view that the U.S. dollar will enter a period of trend depreciation starting from late 2024. As far as our currency outlook, geopolitical developments will continue to be a risk factor; however, we continue to believe monetary policy trends will be the driving force of the U.S. dollar's long-term performance. In that sense, we believe the dollar can strengthen into Q3-2024. Once the Fed begins easing policy and global financial conditions ease, then depreciation pressures can build on the greenback toward the end of this year and into 2025. In our baseline scenario for the evolution of the global economy and monetary policy, the Israeli shekel can strengthen over the long term aided by dollar weakness, and we maintain our 12-month ahead forecast for the USD/ILS exchange rate to fall over time. However, we believe the shekel is currently more vulnerable than any time in recent history. Economic fundamentals have come under pressure due to the conflict, while local political risk associated with the Netanyahu administration remains heightened. In the event of a risk-off scenario, originating from events in the Middle East or elsewhere, the shekel could be more sensitive and experience more pronounced corrective weakness than it has typically been accustomed to. Risks to our long-term shekel outlook are tilted to the downside (i.e., less shekel appreciation than we currently expect) to reflect the uncertainties related to the ongoing confrontation with Hamas and the risk that a prolonged Israel-Iran conflict touches off in the near future.

USD/ILS Exchange Rate



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

Bank of England Policy Rate



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

Bank of England Set to Join "Higher for Longer" Club

A range of important economic figures from the U.K. this week pointed to an ongoing easing of inflation pressures, though perhaps not as quickly as Bank of England (BoE) policymakers might have hoped for. Most notably, the U.K. March CPI surprised to the upside as headline inflation slowed to 3.2% and the core CPI slowed to 4.2%. Services inflation barely edged lower to 6.0%, versus an expected print of 5.8%. While the March figures represented some further progress on the disinflation front, the improvement was much less than what was seen in February. Core and services inflation in particular remain well above the 2% inflation target.

Energy-related base effects should see headline inflation slow sharply in April. Base effects will also be beneficial for core and services inflation, but we expect these underlying inflation measures to follow a more gradual path toward the central's bank inflation target. The latest labor market figures are, in our view, also consistent with only a gradual deceleration of services and domestic inflation. Those data showed some further slowing in wage growth, but at a measured pace. For the three months to February, average weekly earnings excluding bonuses rose 6.0% year-over-year, a bit less than the 6.1% increase seen in January. To be sure, there are some signs of softening in the labor market that could portend a further slowdown in wage growth ahead. Though we are cautious about the labor market data, given recent low response rates to the surveys, data nonetheless showed the unemployment rate rising to 4.2% for the three months to February, compared to 4.0% for the three months to January. In addition, employment declined by 156,000 in the three months to February compared to the three months to November. The loosening in the labor market and the slowing in wage growth should allow for Bank of England rate cuts in the months ahead but could also make central bank policymakers somewhat cautious about just how aggressively to ease their monetary policy stance.

Altogether, we believe a slower pace of disinflation could make BoE policymakers cautious about lowering policy interest rates prematurely. Against this backdrop, we now expect the BoE to keep its policy interest rate higher for longer and forecast an initial 25 bps BoE policy rate cut to 5.00% at the August monetary policy meeting. That is later than our prior call for an initial rate cut in June. We expect the central bank skips September before delivering 25 bps rate cuts in November and December for a cumulative 75 bps of rate cuts this year, which would see the policy interest rate end 2024 at 4.50%. We expect a steady series of rate cuts to continue in early 2025, with 25 bps reductions at the February, March and May meetings. However, as the deceleration in underlying inflation plateaus and U.K. growth firms further, we see the pace of easing slowing thereafter, with 25 bps reduction at the August and November meetings. Altogether, that would see a further cumulative 125 bps of rate cuts in 2025, which would see the target rate end next year at 3.25%. Overall, we expect the BoE to deliver modestly more easing than anticipated by market participants for both this year and next year. Over the medium term, that could contribute to downward pressure on shorter-term U.K. bond yields and see the pound underperform relative to many other G10 currencies over time. (Return to Summary)

International Outlook

Weekly International Indicator Forecasts					
Date	**Indicator**	**Period**	**Consensus**	**Wells Fargo**	**Prior**
25-Apr	Central Bank of Turkey Policy Rate	25-Apr	50.00%	—	50.00%

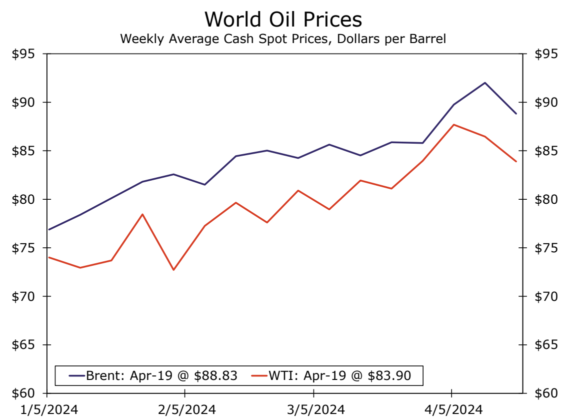
Forecast as of April 19, 2024

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

Middle East Geopolitical Tensions

The Israel strike on Iran seems more of a warning to Iran and also somewhat symbolic. There is certainly a degree of escalation to Israel's actions, but in our view, an all-out Israel-Iran war is no more imminent than before last night. Israel only targeted military sites and not civilian populations, there were no reported casualties and Israel did not attempt any strikes on Iran's nuclear facilities. The strike was far from the worst kind of escalation, and Iran seems a bit willing to let this slide without retaliation. Markets agree, and the risk-off sentiment following the strike has all but been reversed, including the spike in oil prices.

As far as next steps, peer analysts believe the direction of the conflict is now up to Iran; however, we caution against that view and say the ball is still in Israel's court. If last night's strike is brushed off as a failure and Netanyahu appears weak on Iran, he and his cabinet could attempt a more forceful follow up to save face and their administration. Diplomatic efforts to contain the fallout are likely to intensify—led by the U.S.—although so far Netanyahu has disregarded efforts aimed at finding a steady state to the war. We think rhetoric from the Israeli side will be more telling in where the conflict goes from here, and we will be paying more attention to Netanyahu and the Israeli war cabinet for any clues on next steps to the Middle East conflict.

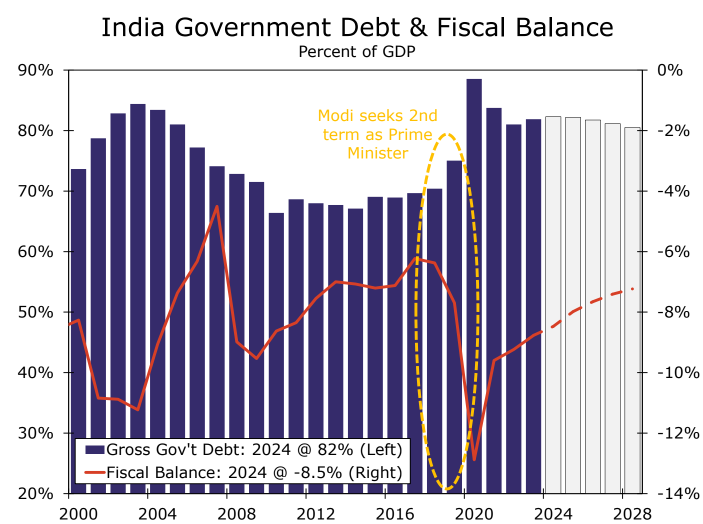


Source: Bloomberg Finance L.P. and Wells Fargo Economics

India Prime Minister Election • April-June

India began its election cycle this week to elect the next Lok Sabha parliamentary body and eventually prime minister. India's election will take place from April-June (counting 1 billion votes takes time!) and, by most accounts, will be the largest democratic voting process in history. We have long been of the view that current Prime Minister Narendra Modi's BJP Party will ultimately win in a landslide and Modi will be appointed to his third consecutive term as India's prime minister when results are finalized in June.

Policy continuity will be the main takeaway of the election, and reform efforts aimed at integrating India into the global economy and global financial markets will likely be the priority for the next Modi administration. In a break from historical norms, Modi has not deployed fiscal assets to shore up voter confidence in himself or the BJP, which places India on a path to fiscal balance and debt reduction and is much needed at a time when India's public finance position has worsened post-pandemic. We will be monitoring the evolution of the vote count and overall political updates in India for the next few months, but should BJP and Modi ultimately prevail, India could be on track to receive sovereign credit rating upgrades and see a rise in positive sentiment toward local financial markets.



Source: International Monetary Fund and Wells Fargo Economics

Central Bank of Turkey • Thursday

We have highlighted our optimistic view on Turkey's currency and financial markets in multiple publications, which is largely predicated on Turkey's central bank regaining credibility and shifting to an orthodox policymaking framework. We believe a degree of credibility has been recaptured, and Turkey's high interest rate environment is set to persist for the time being and to not be influenced by the administration. These views were corroborated by Turkey's central bank governor and economic policy team at the IMF and World Bank Spring Meetings in Washington, D.C., this week.

Consensus economists are not looking for any changes to the policy interest rate next week; however, we would not be surprised if additional tightening is delivered. Inflation is extremely high and likely to tick higher in the coming months, leaving us to believe the central bank's tightening cycle may not be over just yet. Perhaps policymakers skip April for further rate hikes and resume tightening later this year, but we believe there may be little value in waiting and policymakers could choose to act now. Additional tightening would reinforce our view that the Turkish lira is set for a long-term recovery, and while holding rates steady next week would not change that view, the lira may retain a degree of elevated vulnerability.

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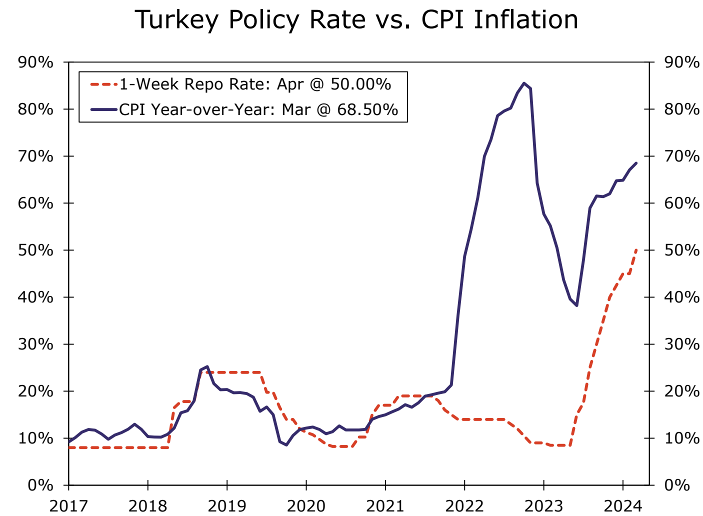


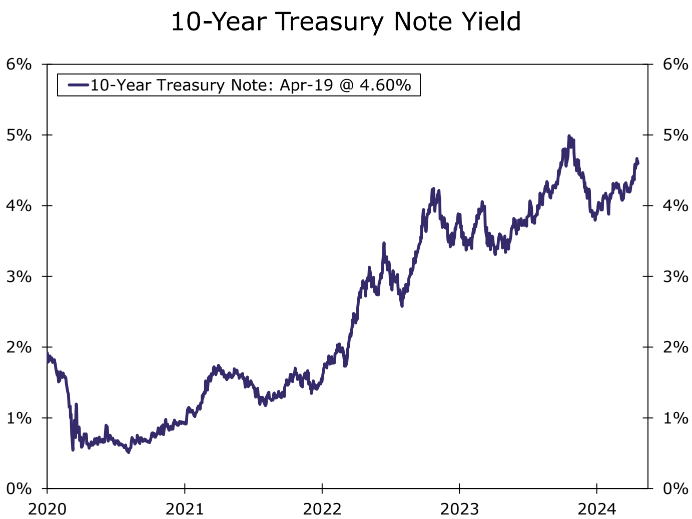
Source: Bloomberg Finance L.P. and Wells Fargo Economics

Interest Rate Watch

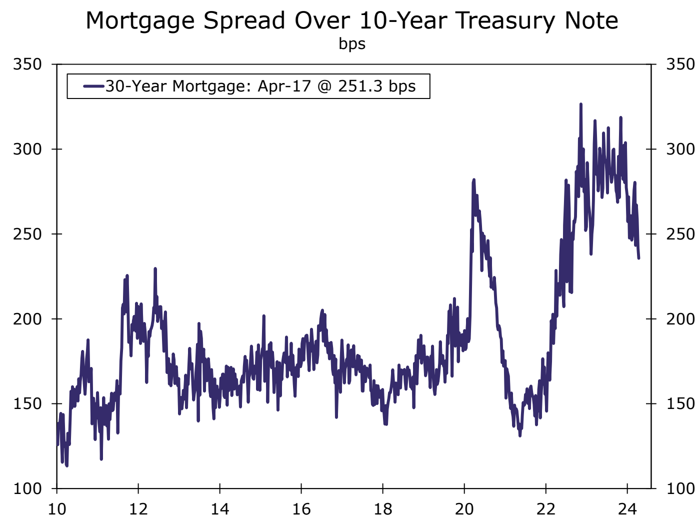
Will Home Buyers Ever Get Some Relief from Elevated Mortgage Rates?

As we have noted in recent weekly reports, incoming data show that U.S. economic activity generally remains resilient and that inflation has been sticky. Consequently, market participants have dialed back their expectations of Fed easing. Earlier this year, financial markets were priced for nearly 150 bps of Fed rate cuts by the end of 2024. Market participants currently expect no more than 50 bps of Fed easing by the end of the year. This repricing of expectations has led to a backup in yields on U.S. Treasury securities. At the beginning of 2024, the yield on the benchmark 10-year note was trading at roughly 4.00% (chart). As of this writing, it stands at 4.60%.

The 30-year fixed rate mortgage is generally priced as some spread over the yield on the 10-year Treasury security. This spread generally fluctuated in a range of 150 bps to 200 bps in the years leading up to the pandemic (chart). The spread blew out as financial markets locked up in the early days of the pandemic, but it subsequently narrowed considerably as the Federal Reserve re-initiated its quantitative easing (QE) program that included purchases of mortgage-backed securities (MBS). The Fed's holdings of MBS rose by nearly $1.4 trillion between March 2020 and April 2022. The combination of a nosedive in Treasury yields and spread narrowing caused the 30-year fixed rate mortgage to fall below 3% for much of 2020 and 2021. But as the U.S. economy rebounded sharply and inflation skyrocketed in late 2021 and 2022, Treasury yields shot higher and the spread between the 30-year fixed rate mortgage and the 10-year Treasury note widened sharply. Consequently, the 30-year fixed rate mortgage approached a 23-year high near 8% in late 2023.



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



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

The yield on the 10-year Treasury note has fallen roughly $^1/_2$ percentage point on balance relative to its high-water mark last autumn. Although elevated by the standards of the 2010s, the current level of 7-$^1/_8$% on the 30-year fixed rate mortgage is down by $^3/_4$ point since last autumn due to spread narrowing. The path of the 30-year fixed rate mortgage in coming weeks and months will depend crucially on incoming economic data. If data remain strong, then the yield on the 10-year Treasury security could creep even higher, which will put upward pressure on mortgage rates. If, on the other hand, data show some cooling in the economy with receding inflationary pressures, then expectations of future Fed easing will ramp back up, pulling the yield on the 10-year Treasury note lower. In that event, the 30-year fixed rate mortgage likely would resume the downward trend that was in place between last autumn and early 2024. Our current forecast looks for the 30-year fixed rate mortgage to recede from just above 7% at present to 6-$^1/_2$% at the end of 2024 and then to roughly 6% at the end of next year. If, as we forecast, mortgage rates move lower, then beleaguered homebuyers may get some affordability relief. That said, a return to 3% mortgages does not seem very likely, provided that something cataclysmic does not happen to the U.S. economy.

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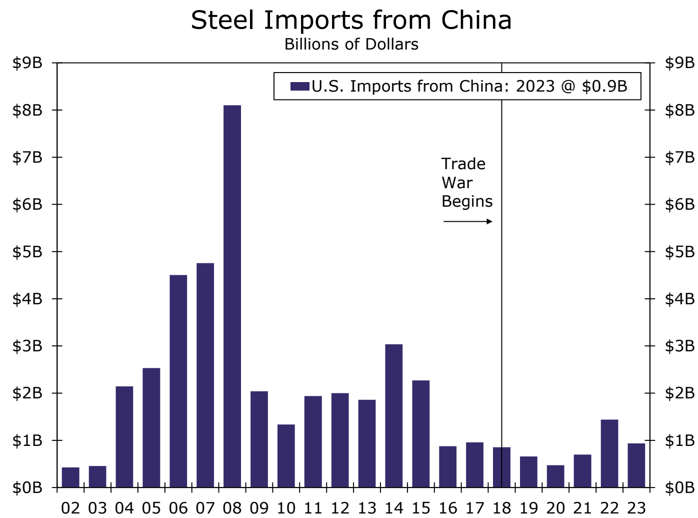
Topic of the Week

Steel Your Nerves, Biden Proposes Higher Tariffs on Chinese Imports

This week, President Biden announced a plan to more than triple tariffs on Chinese aluminum and steel products from 7.5% to 25%. The higher levy would stack on top of separate duties placed on aluminum and steel during the Trump administration in the early innings of the trade war in 2018. As stated in our recent special report, tariffs are often imposed to protect domestic industry by making foreign goods more expensive for domestic consumers and businesses, which will ideally promote demand for local products and spur domestic production in the longer run. However, the effects of tariffs on Chinese-imported goods have been marginal for U.S. industrial production over the past six years. Will the same hold true with Biden's proposed policy?

Imports of Chinese steel shot up from roughly $400 million in 2002 to more than $8 billion in 2008 (chart). However, American imports of Chinese steel crashed after the deep recession in 2009 and have continued to run at a lower rate since. Following the implementation of the Section 232 tariffs on steel and aluminum in 2018, Chinese steel imports have been further depressed. As a result, China's share of the overall American steel market has shrunk, and the U.S. has shifted toward other steel suppliers for imports.



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

In 2023, the U.S. imported over $8 billion worth of Canadian steel, with Canada being the current largest foreign producer of steel in the American market. In comparison, the U.S. imported roughly $900 million worth of steel from China. Because China holds only a small share of the American steel market, higher levies on Chinese steel imports are likely to have a marginal effect on the industry at large, but the tariffs won't come without a cost. As noted in our trade special, the U.S. International Trade Commission estimated that the Section 232 tariffs increased domestic production of steel and aluminum in 2021 but also increased selling prices, which led to negative downstream effects for production in industries that use steel and aluminum as inputs, such as motor vehicle parts and business equipment manufacturing. The production cutbacks exacerbated the procurement challenges that many businesses faced in 2021 and 2022 when demand ramped up faster than supply.

Biden's announcement injects fresh uncertainty into the path of U.S. trade, especially in the context of the upcoming presidential election. Given the president has near-unilateral power through the executive branch when it comes to trade policy, the outcome of the election is important when considering the future of U.S. trade. If former President Trump is re-elected, we may see a significant escalation in tariffs; he has proposed a 10% baseline tariff and increasing the current tariff rate on China to 60%. A re-elected President Biden would likely stay the course on trade policy and propose targeted measures such as this steel policy. The status quo is notable, however, because the continuation of trade policy enacted under the Trump administration suggests both presidents take a hard-line approach to the country's trade relations with China. While a Biden victory is unlikely to impart as much of an escalation in trade policy as a Trump win, regardless of the outcome of the presidential election, trade relations with China are unlikely to improve any time soon.

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Market Data • Mid-Day Friday

U.S. Interest Rates

	Friday 4/19/2024	1 Week Ago	1 Year Ago
SOFR	5.30	5.31	4.80
Effective Fed Funds Rate	5.33	5.33	4.83
3-Month T-Bill	5.37	5.38	5.09
1-Year Treasury	5.24	5.33	4.46
2-Year Treasury	4.97	4.90	4.24
5-Year Treasury	4.66	4.56	3.70
10-Year Treasury	4.61	4.52	3.59
30-Year Treasury	4.71	4.63	3.79
Bond Buyer Index	3.79	3.76	3.56

Foreign Exchange Rates

	Friday 4/19/2024	1 Week Ago	1 Year Ago
Euro ($/€)	1.067	1.064	1.096
British Pound ($/£)	1.243	1.245	1.244
British Pound (£/€)	0.858	0.855	0.881
Japanese Yen (¥/$)	154.580	153.230	134.720
Canadian Dollar (C$/$)	1.373	1.378	1.346
Swiss Franc (CHF/$)	0.909	0.914	0.898
Australian Dollar (US$/A$)	0.643	0.647	0.671
Mexican Peso (MXN/$)	17.271	16.644	18.048
Chinese Yuan (CNY/$)	7.240	7.237	6.885
Indian Rupee (INR/$)	83.470	83.415	82.233
Brazilian Real (BRL/$)	5.215	5.118	5.076
U.S. Dollar Index	105.943	106.038	101.968

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

Foreign Interest Rates

	Friday 4/19/2024	1 Week Ago	1 Year Ago
3-Month German Govt Bill Yield	3.61	3.73	2.78
3-Month U.K. Govt Bill Yield	5.23	5.24	3.89
3-Month Canadian Govt Bill Yield	4.91	4.90	4.41
3-Month Japanese Govt Bill Yield	0.02	0.01	-0.18
2-Year German Note Yield	3.01	2.86	2.97
2-Year U.K. Note Yield	4.40	4.35	3.83
2-Year Canadian Note Yield	4.25	4.18	3.88
2-Year Japanese Note Yield	0.27	0.27	-0.04
10-Year German Bond Yield	2.51	2.36	2.52
10-Year U.K. Bond Yield	4.24	4.14	3.86
10-Year Canadian Bond Yield	3.74	3.65	3.06
10-Year Japanese Bond Yield	0.85	0.86	0.48

Commodity Prices

	Friday 4/19/2024	1 Week Ago	1 Year Ago
WTI Crude ($/Barrel)	83.24	85.66	79.16
Brent Crude ($/Barrel)	87.50	90.45	83.12
Gold ($/Ounce)	2393.32	2229.87	1994.93
Hot-Rolled Steel ($/S.Ton)	843.00	845.00	1176.00
Copper (¢/Pound)	450.45	425.85	407.70
Soybeans ($/Bushel)	11.42	11.79	15.19
Natural Gas ($/MMBTU)	1.78	1.77	2.22
Nickel ($/Metric Ton)	18,371	17,634	25,593
CRB Spot Inds.	557.75	553.48	565.90

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