Economics

Weekly — June 24, 2022

Weekly Economic & Financial Commentary

United States: **The Housing Market Begins to "Reset"**

- Fed Chair Powell presented the Federal Reserve's semiannual Monetary Policy report to Congress this week. In his testimony, he acknowledged that tightening monetary policy in order to reduce inflation may result in a recession. Higher mortgage rates are weighing on home sales. During May, existing home sales fell 3.4%, the fourth straight decline. New home sales rose 10.7% in May, although are down 5.9% year-to-year.
- Next week: Durable Goods (Mon), Personal Income & Spending (Thu), ISM Manufacturing (Fri)

International: **Global Trends of Slowing Growth, Elevated Inflation and Rising Rates Continue**

- The Eurozone services PMI fell noticeably in June, signaling slower growth ahead. However, as inflation pressures intensify, we still expect the European Central Bank to raise interest rates in July. The Norges Bank delivered a hawkish surprise, raising its policy rate by 50 bps to 1.25% this week. Meanwhile, in Canada, solid retail sales and rapid inflation mean we now expect the Bank of Canada to hike rates 75 bps at its July monetary policy meeting.
- Next week: China PMIs (Thu), Japan Tankan Survey (Fri), Eurozone CPI (Fri)

Interest Rate Watch: **SOMA Starts Up Quantitative Tightening**

- This month, the Federal Reserve officially began implementing its balance sheet normalization plan as billions of principal payments on Treasury securities and agency mortgage-backed securities were not reinvested in the New York Fed's System of Open Market Accounts (SOMA).

Credit Market Insights: **True Impact of Rising Mortgage Rates Remains to Be Seen**

- Mortgage rates climbed again this week as Freddie Mac reported the average 30-year fixed-rate mortgage rose to 5.81%. The upshift in mortgage rates has fueled a rapid shift in the recently red-hot housing market.

Topic of the Week: **Stanley Cup Finals: Colorado vs. Tampa Bay**

- The Colorado Avalanche and Tampa Bay Lightning are facing off in the 2022 Stanley Cup Finals. The Avalanche lead the series 3-1 and have home-ice advantage in Game 5 where they will take on the Lightning at Ball Arena in downtown Denver.

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	-1.5	3.5	1.7	0.8	-3.4	5.7	2.5	0.0
Personal Consumption	11.4	12.0	2.0	2.5	3.1	3.8	1.4	0.6	-3.8	7.9	3.1	0.1
Consumer Price Index [2]	1.9	4.8	5.3	6.7	8.0	8.6	9.2	8.5	1.2	4.7	8.6	4.0
"Core" Consumer Price Index [2]	1.4	3.7	4.1	5.0	6.3	6.0	6.2	6.1	1.7	3.6	6.2	4.0
Quarter-End Interest Rates [3]												
Federal Funds Target Rate	0.25	0.25	0.25	0.25	0.50	1.75	3.00	4.00	0.50	0.25	2.31	4.38
Conventional Mortgage Rate	3.17	3.02	2.88	3.11	4.42	5.70	5.85	5.90	3.12	2.95	5.47	5.46
10 Year Note	1.74	1.45	1.52	1.52	2.32	3.55	3.70	3.80	0.89	1.45	3.34	3.44

Forecast as of: June 15, 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 Consumer Dashboard and Pressure Gauge.

U.S. Review

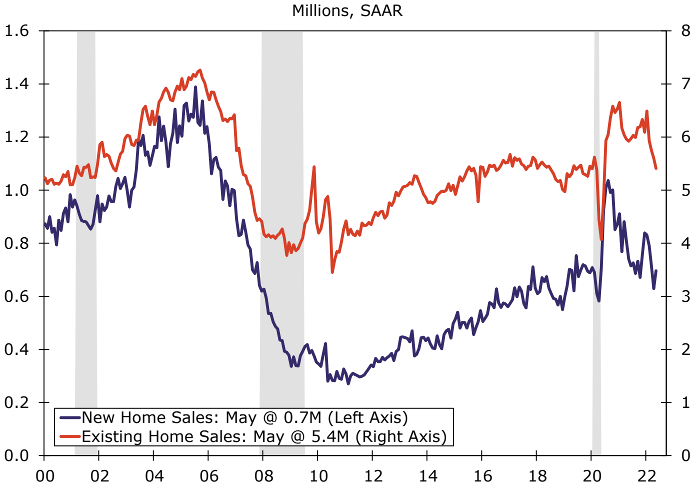
The Housing Market Begins to "Reset"

Market attention was focused on Fed Chair Powell's testimony in front of Congress this week. Powell presented the Federal Reserve's semiannual Monetary Policy report to the Senate Committee on Banking, Housing, and Urban Affairs on Wednesday and to the House Committee on Financial Services on Thursday. In his testimony, Chair Powell mostly reiterated sentiments that were already expressed in the FOMC statement and press conference that followed last week's FOMC meeting when the Committee increased the target federal funds rate by 75 bps. In short, the Fed views broadening price pressures as a significant risk to the long-term health of the economy and intends to do what is necessary to bring down inflation closer to its 2% target. Overall, Chair Powell's testimony lends credence to our current view that the FOMC is likely to follow up June's 75 bps hike with another 75 bps increase at the next meeting in July. Furthermore, Powell's comments this week add to the evidence that, while 75 bps hikes are not likely to become common, the FOMC will continue to raise the federal funds rate at an expeditious pace over the coming months.

While Chair Powell's testimony mostly was without surprise, Powell did acknowledge that tightening monetary policy in order to reduce inflation may result in a recession. Our current assessment is that an economic downturn occurring at some point over the next two years is more likely than not. Even if the Fed was not aggressively tightening policy, inflation is running at a pace not seen in 40 years, and eventually consumers and businesses will respond to the higher cost environment with a period of belt-tightening. Household and corporate balance sheets remain in solid shape currently, which means if economic growth did slip into negative territory, it would likely be fairly shallow and relatively short-lived. In our latest forecast update, we lowered our estimate for real GDP in 2023 and now expect modest declines in the second and third quarters before growth turns positive in the final quarter of the year.

Home Sales

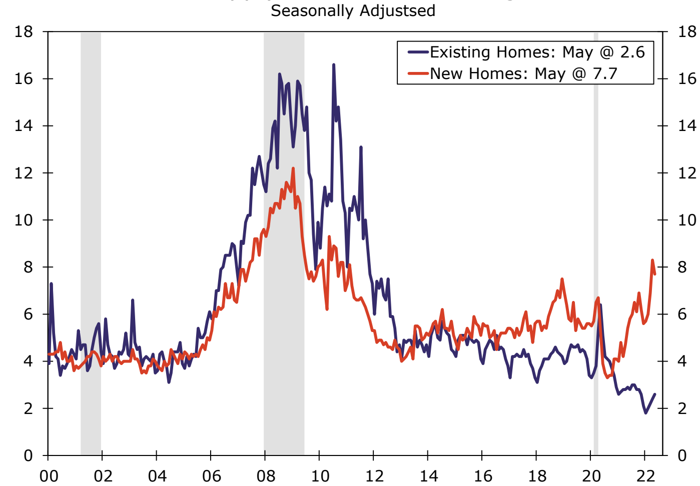
Millions, SAAR



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

Month's Supply of New and Existing Homes

Seasonally Adjustsed



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

During Chair Powell's testimony, he fielded several questions from lawmakers on the current state of the housing market. At the FOMC press conference last week, Powell stated that Fed officials were closely monitoring the recent climb in mortgage rates and that perhaps homebuyers were in need of a "reset." The tone sounded ominous; however, we suspect that Powell was merely suggesting that the housing market needs to return to a more balanced state where supply is more in line with demand and where home price growth is more closely matched with income growth. The pandemic produced an increased need for household space and ignited a surge in demand for single-family homes. Meanwhile, inventories fell to historic lows. The supply and demand imbalance has pushed up home prices at a pace well ahead of incomes, putting homes out of reach for many buyers.

Low financing costs have also played a role in creating this disparity, and the Fed's hope is that higher interest rates will help resolve the imbalance. The sharp increase in mortgage rates has already put a major dent in demand for single-family homes. Existing home sales dropped 3.4% during May, the fourth straight monthly decline. The silver lining of the recent weakness in resales is that the slower pace of home buying has allowed inventories to build slightly. Sellers have likely sensed that a top is near and are rushing to put their homes on the market. Month's supply, which measures how long it would take to completely sell off inventories at the current sales pace, rose to 2.6 months in May, the highest since August 2021. That said, month's supply is still well below the four to six months, which usually indicates a balanced housing market.

The pullback in homebuying has not been limited to just the existing market. New home sales have slowed considerably so far this year, declining in each of the first four months of 2022. May brought a surprising 10.7% jump in sales, however. The monthly increase puts the pace of new home sales 5.9% below the pace registered in May 2021. The explanation for May's rebound in new home sales is that buyers likely rushed to buy in order to lock in a relatively favorable mortgage rate before financing costs rose even further. Similarly, expectations for higher rates look to have spurred an increase in mortgage applications for purchase in recent weeks. Purchase applications rose 7.9% during the week ended June 17 and 8.1% during the week ended June 10. Unfortunately, the recent improvement in new home sales and purchase applications does nothing to change our view that higher borrowing costs will bring about a sharp slowdown in home sales in coming months and that a housing market "reset" is well underway. (Return to Summary)

U.S. Outlook

Weekly Domestic Indicator Forecasts

Date	Indicator	Period	Consensus	Wells Fargo	Prior
27-Jun	Durable Goods Orders (MoM)	May	0.1%	0.2%	0.5%
28-Jun	Consumer Confidence	Jun	100.6	95.0	106.4
30-Jun	Personal Income (MoM)	May	0.5%	0.5%	0.4%
30-Jun	Personal Spending (MoM)	May	0.5%	0.4%	0.9%
30-Jun	PCE Deflator (YoY)	May	6.4%	6.4%	6.3%
30-Jun	Core PCE Deflator (YoY)	May	4.8%	4.7%	4.9%
1-Jul	ISM Manufacturing Index	Jun	55.0	55.2	56.1
1-Jul	Construction Spending (MoM)	May	0.4%	0.5%	0.2%

Forecast as of June 24, 2022

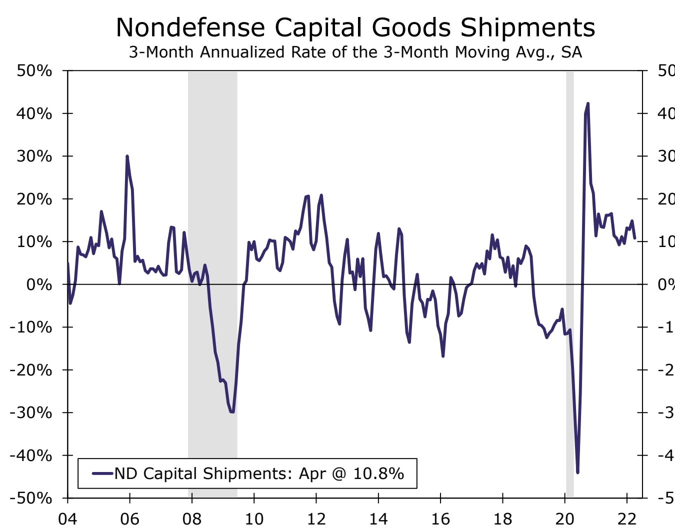
Source: Bloomberg Finance L.P. and Wells Fargo Economics

Durable Goods • Monday

Demand for durables has remained fairly resilient in the face of persistent supply chain issues and more recent fears of an impending slowdown. The new orders component from the ISM manufacturing index rose to 55.1 in May, signaling a faster pace of expansion compared to April. When data prints next week for durables, we look for continued improvement in orders but at a slower 0.2% month-over-month pace.

Transportation orders, which are traditionally volatile from month-to-month, likely held back the overall order estimates. A measure of vehicle sales to wholesalers dropped to the lowest level in six months in May as the sector continues to be one of the most acutely affected by supply challenges. Data from Boeing also showed just 23 new gross aircraft orders last month, which is almost half of the amount of orders placed in April. Excluding transportation, we expect durable goods orders held steady at the April pace advancing 0.4%.

What matters for overall output is the core capital goods shipments component, which will give us our latest indication of how equipment spending is holding up for the second quarter. Through April, core capital shipments slowed to a still-solid 10.8% three-month average annualized rate. But factoring in higher prices for capital equipment suggests further downside to this estimate.

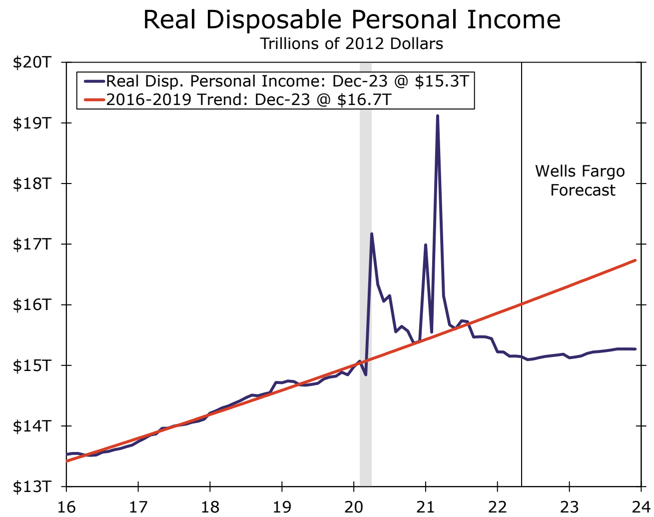


Source: U.S. Department of Commerce and Wells Fargo Economics

Personal Income & Spending • Thursday

Most consumer data suggest weakness in May. Retail sales slid 0.3%, marking the first decline in six months, and consumer sentiment slid to an 11-year low before slipping further to a record low in June. We expect this weakness to spill over into the personal spending data for May and forecast spending rose just 0.4% last month. Notably, that still suggests consumption growth held up at a decent clip, but we largely look for spending to have been driven by services categories. Furthermore, higher prices for specific goods, like gasoline and groceries, are providing upward pressure on these nominal spending estimates, and in inflation-adjusted real terms, we expect spending *declined* 0.3% last month.

Higher inflation continues to weigh on consumers' purchasing power. We look for another solid 0.5% monthly gain in personal income, which would translate to 0.1% decline in real disposable personal income (RDPI) and push the level of RDPI nearly 5.5% below where it should be implied by its pre-COVID 2016-2019 trend. The longer inflation persists, the more difficult it will be for consumers to maintain spending. For now, we expect consumers continue to rely on their balance sheets, whether they draw down savings or tap credit, in order to spend. Healthy household financials suggest consumers have the ability to do this for some time, but it is clearly not as sustainable a source of consumption as income growth.

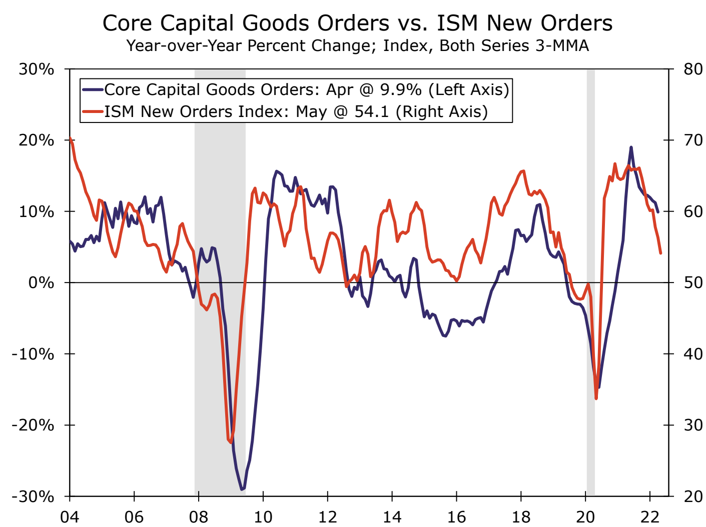


Source: U.S. Department of Commerce and Wells Fargo Economics

ISM Manufacturing Index • Friday

The ISM manufacturing index offered a mixed read on the manufacturing sector in May with orders and backlogs growing at a faster pace, but with supplier deliveries only getting incrementally better and price pressure not materially fading. We look for the overall index to drop modestly to 55.2 in June from 56.1 in May as supply remains a headache and orders perhaps show signs of weakening.

We continue to look to the report for an early read on how demand is holding up in the sector and will be paying particular attention to how the new orders component develops in coming months. Record backlog for manufacturers will keep producers busy as they are able to obtain inputs even as demand slows, which in our view is a reason capex remains an underappreciated bright spot in an otherwise slowing economy. Since orders are counted once they are shipped in the GDP accounts, fulfilling backlog can help sustain equipment investment for some time even as demand begins to slow. Beyond orders, we'll focus on supply-related components. Our *Pressure Gauge* suggests there has been incremental progress but smooth functioning supply chains still remain way off. (Return to Summary)



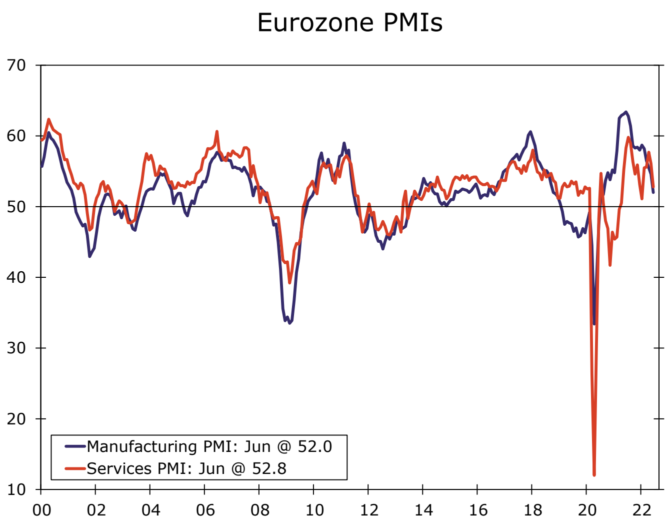
Source: U.S. Department of Commerce, Institute for Supply Management and Wells Fargo Economics

International Review

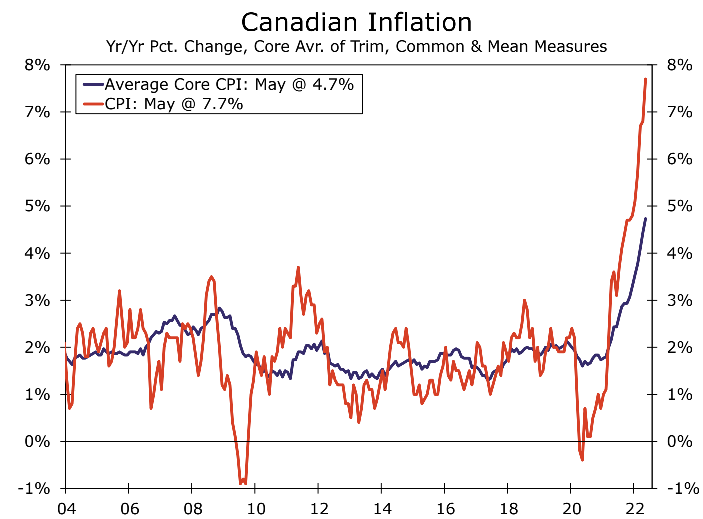
Global Trends of Slowing Growth, Elevated Inflation and Rising Rates Continue

It was essentially "more of the same" this week as far as the international economic news was concerned. From Europe, there was increasing evidence of a gradual growth slowdown across the Eurozone and further evidence that growth is slowing in the United Kingdom. The Eurozone services PMI fell much more than expected to 52.8 in June from 56.1 in May. Germany's service PMI fell to 52.4, and France's services PMI fell to 54.4. The Eurozone manufacturing PMI also fell more than expected in June, to 52.0. However, while there is evidence that a more noticeable slowdown in growth may be coming, the surveys point to ongoing inflation pressures, with the input and output prices indices still near record highs. As a result, even with slower economic growth in prospect, we expect an initial 25 bps increase in the Deposit Rate from the ECB at its July monetary policy meeting.

In the U.K., the June PMI surveys held up a little better than expected but still remain consistent with an overall gradual growth slowdown. The June services PMI was an upside surprise, holding steady at 53.4, though that came after sharp declines in April and May. The U.K. June manufacturing PMI fell slightly more than expected to 53.4 in June, from 54.6 in May. Much like the Eurozone, the U.K. PMI surveys also suggested persisting inflation pressures, as input and output price indices fell but remained near record highs. Other U.K. data were also consistent with the elevated inflation and slowing growth theme. The U.K. May CPI quickened slightly, as forecast, to 9.1% year-over-year, while May retail sales fell 0.5% month-over-month, reversing its April gain.



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



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

Policy Rates Remain on a Rising Trend

In Canada, this week's news included both solid growth and quickening inflation. April retail sales rose 0.9% month-over-month, a bit more than expected, while March sales were revised higher to show a 0.2% gain. Real retail sales also rose 0.9% month-over-month, getting the second quarter off to a solid start. Perhaps more significantly, Canada's CPI quickened more than expected in May. Headline inflation quickened to 7.7% year-over-year, while the average of the core inflation measures also firmed to 4.7%. With recent hawkish comments from Bank of Canada policymakers also having opened the door to a larger rate increase, we now expect the Bank of Canada to raise its policy rate by 75 bps to 2.25% at its monetary policy announcement in mid-July.

While the Bank of Canada is expected to deliver a larger rate increase, the Norges Bank—Norway's central bank—has already done so at its monetary policy announcement this week. The Norges Bank raised its policy rate by 50 bps to 1.25%, a hawkish surprise, given the consensus forecast had been for a smaller 25 bps increase. Norges Bank cited strong activity, limited spare capacity within the economy, and inflation that is above target and with prospects that it will remain so for some time. With respect to policy, Norges Bank said it expects to raise interest rates by 25 bps at its August meeting but did not rule out further 50 bps hikes. The Norges Bank also lifted its projected path for the policy rate, anticipating a rate of around 2.0% in Q4-2022 and around 2.5% in Q1-2023. (Return to Summary)

International Outlook

Date	Indicator	Period	Consensus	Wells Fargo	Prior
	Weekly International Indicator Forecasts				
29-Jun	China Manufacturing PMI	Jun	50.3	--	49.6
29-Jun	China Non-Manufacturing PMI	Jun	50.1	--	47.8
30-Jun	Japan Large Non-Manufacturers' Index	2Q	13	--	9
30-Jun	Japan Large Manufacturers' Index	2Q	13	--	14
1-Jul	Eurozone CPI (YoY)	Jun	8.4%	--	8.1%
1-Jul	Eurozone Core CPI (YoY)	Jun	3.9%	--	3.8%

Forecast as of June 24, 2022

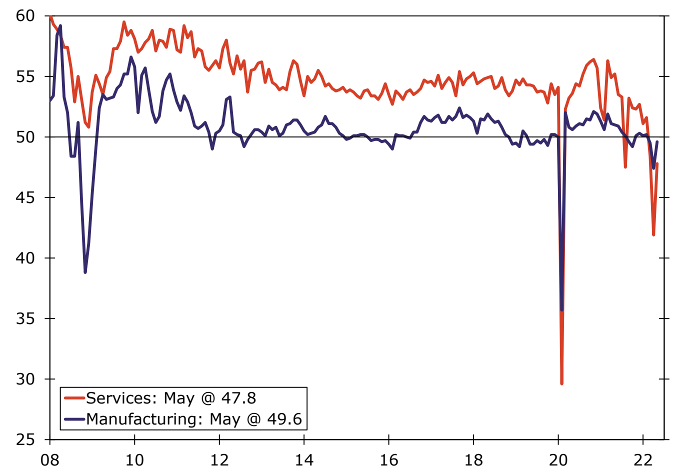
Source: Bloomberg Finance L.P. and Wells Fargo Economics

China PMIs • Thursday

China's PMI surveys for June, scheduled for release next week, could show further signs of an economy that is starting to stabilize. With authorities reporting less than 100 new COVID cases per day as of late June, COVID-related lockdowns are being gradually lifted, and the worst of the slowdown could be behind for China, and the economy could be headed toward a more normal growth trajectory in the second half of this year.

That slow but steady move toward a more normal growth trajectory should be reflected in the June PMI survey. Most notably, the services PMI is expected to rise from 47.8 in May to 50.1 in June. That would be the second sizable jump in a row, and see the index edge back above the breakeven 50 level. Meanwhile, the June manufacturing PMI is expected to rise from 49.6 in May to 50.3 in June, which would be the first reading for the manufacturing index at or above the breakeven 50 level since February this year. We still expect the economy likely came to a standstill in Q2, but the expected June gains in China's PMI surveys would be consistent with a return to positive GDP growth in Q3.

Chinese PMI Surveys



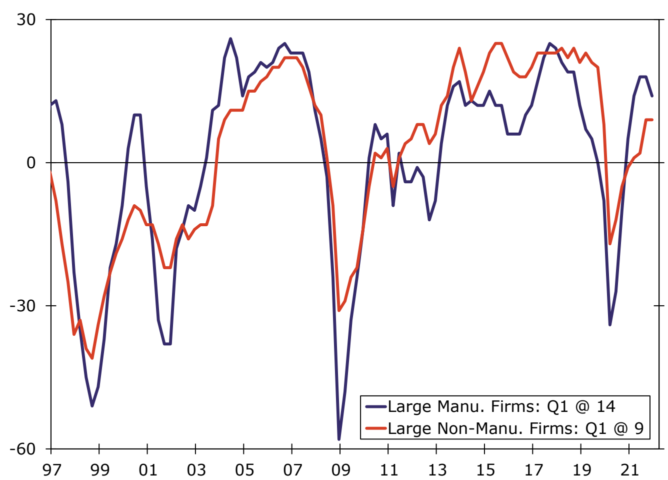
Source: Datastream and Wells Fargo Economics

Japan Tankan Survey • Friday

Next week's Bank of Japan Tankan survey will provide some early insight into how Japan's economy is recovering from a stumble in early 2022. Recall that Q1 GDP dipped 0.1% quarter-over-quarter (not annualized), as consumer spending rose 0.1% but business capital spending fell 0.7%. However, given additional fiscal stimulus passed by the government late last year, and as the economy has moved past COVID-related headwinds, monthly data on retail sales and services activity suggest growth has picked up in Q2.

That is expected to be reflected in the Q2 Tankan survey as well. In particular, the consensus forecast is for the large non-manufacturers' diffusion index to rise to +13 in Q2, from +9 in Q1. In contrast, the large manufacturers' diffusion index is expected to ease slightly, to +13 in Q2 from +14 in Q1, perhaps a reflection that supply-chain disruptions are still affecting the manufacturing sector to some extent. Finally, all-industry capital spending plans for the current fiscal year are also expected to firm, to an expected increase of 8.3%. Altogether, the Tankan survey should suggest a resumption of economic growth in Q2, with the consensus forecast currently looking for GDP growth of 1.0% quarter-over-quarter (not annualized).

Tankan Survey: Headline Diffusion Indices

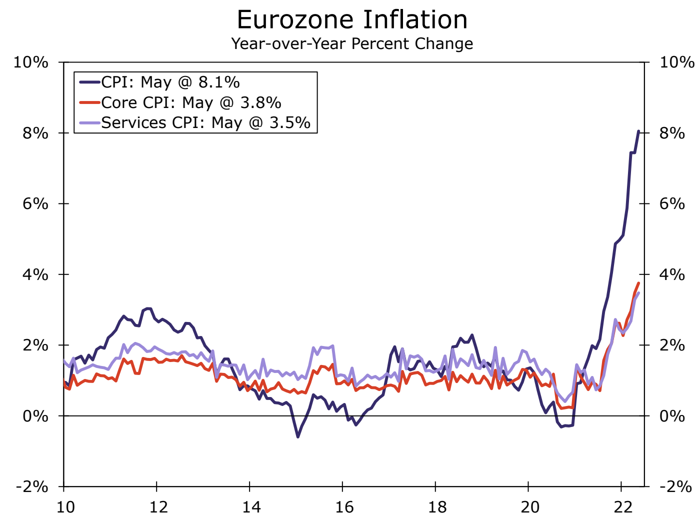


Source: Datastream and Wells Fargo Economics

Eurozone CPI • Friday

The initial estimate of the Eurozone June consumer prices, due next week, are likely to show a further acceleration of inflation across the region. Price pressures have picked up markedly across the Eurozone this year, with May inflation running at a record 8.1% year-over-year, led in large part by higher energy prices. That said, broader price pressures have also emerged, with the core CPI up 3.8% in May.

With oil prices still elevated, and base effects still less than favorable, the consensus forecast is for inflation to accelerate further in June. The headline CPI is expected to rise 8.4% year-over-year, and core CPI inflation is expected to edge higher to 3.9%. Indeed, a peak in Eurozone inflation might still be a couple of months away, either by late Q3 or early Q4. Overall, should inflation accelerate further as the consensus forecast expects, that would reinforce the case for the European Central Bank (ECB) to begin raising interest rates. We expect the ECB to begin that rate hike cycle at its July monetary policy meeting, with a 25 bps increase in its Deposit Rate to -0.25%. (Return to Summary)



Source: Datastream and Wells Fargo Economics

Interest Rate Watch

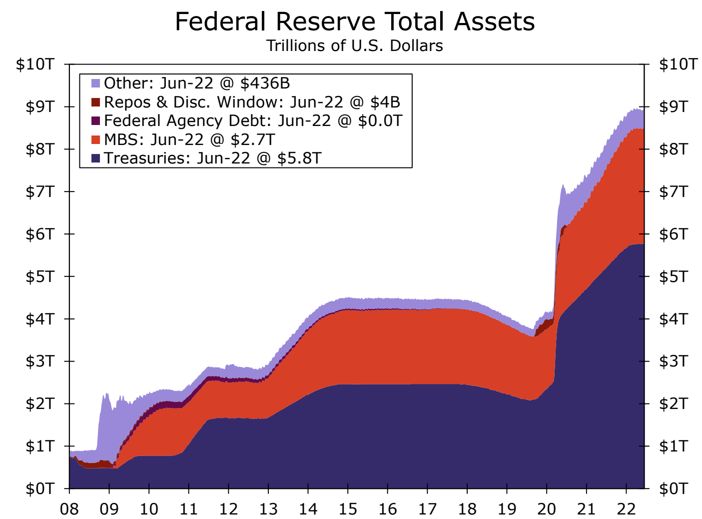
SOMA Starts Up Quantitative Tightening

This month, the Federal Reserve officially began implementing its balance sheet normalization plan as billions of principal payments on Treasury securities and agency mortgage-backed securities were not reinvested in the New York Fed's System of Open Market Accounts (SOMA). The spotlight has continued to be on the FOMC's June decision to hike the fed funds rate target by 75 bps, but the process of shrinking the Fed's balance sheet has also been on the minds of Fed officials. While former Chair Yellen once likened it to "watching paint dry" and Powell has promised that balance sheet runoff will "run in the background," quantitative tightening will be a secondary tool in the monetary policy response to high inflation. The FOMC has not made any changes to the process of quantitative tightening as inflation has risen, sticking with the plan published in May.

The Fed's balance sheet has more than doubled in size since the first week of March 2020, from $4.2 trillion then to $8.9 trillion today. The response to the COVID-19 pandemic was greater in terms of the size and pace of purchases than the three phases of quantitative easing undertaken during and following the 2008-2009 Great Recession. Quantitative easing helped maintain liquidity in troubled financial markets as well as put downward pressure on longer-term interest rates. Now with a much stronger economy, raging inflation and financial markets no longer stressed by COVID, paring back the balance sheet supports the Fed's goal of controlling inflation.

After holding roughly at $8.9T steady since March of this year, this month marked the start of the Federal Reserve's balance sheet runoff. Bear in mind that not all Treasury security and MBS principal payments received by the Federal Reserve will roll off its balance sheet. The Fed's intention is to reinvest principal payments that exceed a monthly cap. These caps will be $30 billion per month for Treasury securities and $17.5 billion for MBS, rising to $60 billion and $35 billion, respectively, in September.

The decline in the Fed's balance sheet thus has just been a drop in the bucket. Over time, the Fed's balance sheet runoff should further tighten financial conditions and aid in the fight against elevated inflation. (Return to Summary)

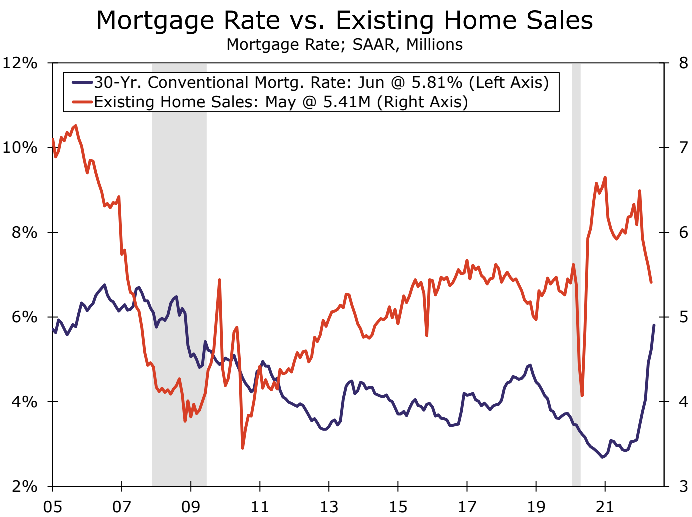


Source: Federal Reserve Board and Wells Fargo Economics

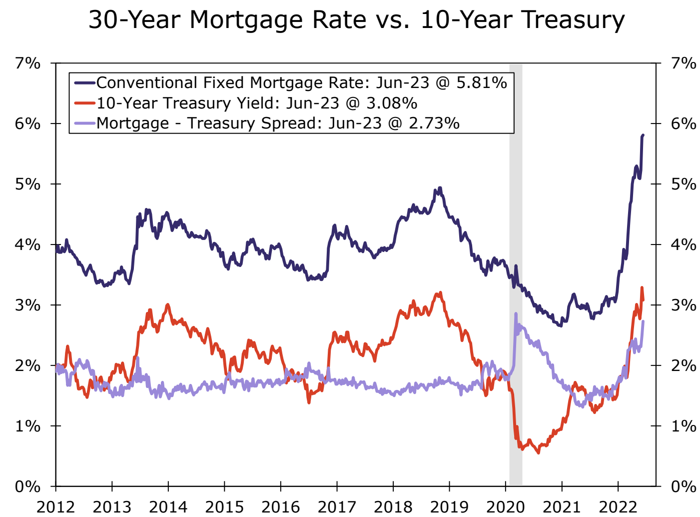
Credit Market Insights

True Impact of Rising Mortgage Rates Remains to Be Seen

Mortgage rates climbed again this week as Freddie Mac reported the average 30-year fixed-rate mortgage rose to 5.81%. This is up from the 5.78% average the previous week and marks a substantial deceleration in growth. The previous week saw rates spike by 55 bps, the greatest one-week jump since 1987. The historically fast run-up in rates has mortgage rates hitting their highest level since November 2008 and getting close to doubling 2021's average mortgage rate of 2.96%. Notably, the climb in rates has diverged from the trend in the 10-year Treasury yield, which has fallen from a high of 3.50% on June 14 to 3.07% as of this writing. Mortgage rates and the 10-year yield typically move in tandem with each other, and the spread between the two has risen by more than a percentage point since the end of 2021. The spread is now at its highest level since March 2020. Mortgage applications for purchases have been trending down steadily in 2022 with the Mortgage Bankers Association's purchase index having fallen 14.3% since the start of this year.



Source: National Association of Realtors, Freddie Mac and Wells Fargo Economics



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

The upshift in mortgage rates has fueled a rapid shift in the recently red-hot housing market. Existing home sales fell 3.4% to a 5.41 million-unit pace in May, marking the fourth-straight monthly decline. Sales have now receded to pre-pandemic levels as higher prices and rates have rapidly eroded affordability. The simultaneous rise in prices and rates has created a double whammy for prospective homebuyers as higher prices require larger mortgage loans, which beget higher monthly payments. According to Realtor.com, monthly mortgage payments for a median-priced home, are roughly 64% higher than a year ago.

It is important to note that the reference period for this May's existing home sales report closed before the recent run-up in mortgage rates in June as the 30-year average was 5.10% at the end of May. As such, the true impact of rapidly rising mortgage rates has yet to be seen in sales data. Impacts are already being seen in layoffs at leading real estate brokers and lenders. Firms that expanded rapidly during the peaks of the housing boom have been forced to slam the brakes as the housing market rapidly evolves. New home sales, which rose 10.6% in May, have fallen for four of the past five months. The ongoing pullback in new home sales is another effect of the upswing in rates, and just like with existing homes, we have yet to see the full impact of June's historic jump in rates. (Return to Summary)

Topic of the Week

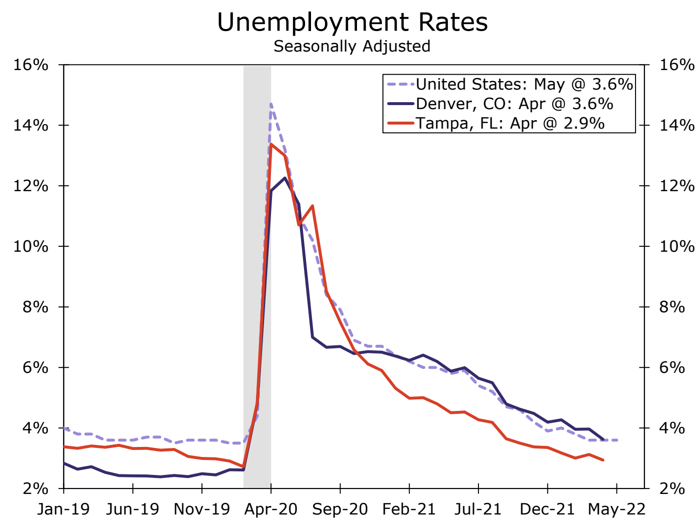
Stanley Cup Finals: Colorado vs. Tampa Bay

The 2022 Stanley Cup Finals are under way. The best-of-seven championship series between the Colorado Avalanche and Tampa Bay Lightning began on June 15. The Lightning have won the past two Stanley Cup championships, but the chances of a third consecutive cup win look slim at the moment. The Avalanche lead the series 3-1 and have home-ice advantage in Game 5 where they will take on the Lightning at Ball Arena in downtown Denver.

The Mile High City's economy has seen plenty of changes since the last time the Avalanche hoisted the Stanley Cup in 2001. Between 2001 and 2021, the population of the Denver metro area has expanded 33%, or by just under 732,000 new residents. Employment growth, supported by a solid stream of corporate expansions, has outperformed the national average over that same period. Denver's population is younger and highly educated compared to national averages. More than 45% of the metro's population has a bachelor's degree or higher, compared to 33% nationwide in 2019. These favorable workforce dynamics, in combination with its relatively central location between the Midwest and West Coast, have made Denver an attractive location for a diverse array of companies, but especially for those in aerospace, technology and finance.

The Colorado Avalanche were originally founded in 1972 as the Quebec Nordiques in the World Hockey Association (WHA). The WHA merged with the National Hockey League in 1979, and following the 1995 season, the Nordiques were sold and relocated to Denver as the Avalanche. In the Avs' very first season, the team swept the Florida Panthers in the 1996 Stanley Cup Finals, a feat rarely accomplished by a new or recently relocated professional sports team. Since then, the Avs have won a Stanley Cup one other time, defeating the New Jersey Devils 4-3 in 2001 with the help of future Hall of Famers Joe Sakic, Peter Forsberg, Patrick Roy and Raymond Bourque.

The Stanley Cup Finals are more familiar territory for the Tampa Bay Lightning. Founded in 1992, the Lightning have reached the finals four times before this season and have won three Stanley Cups (2004, 2020 and 2021). The Lightning's electrifying play is led by forwards Nikita Kucherov and Steven Stamkos and backstopped by goaltender and 2021 Finals MVP Andrei Vasilevskiy. The team's name was inspired by Tampa's status as the "lightning capital of the United States." Surrounded by warm water, Tampa's unique location along Florida's Gulf Coast makes it a prime destination for lightning strikes.



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

Beyond being home to frequent thunderstorms, Tampa boasts one of the fastest growing metro areas in the country. From 2016 to 2021, net domestic migration in Tampa was the third highest out of all metro areas in the country, trailing behind Phoenix and Dallas-Fort Worth. Similar to Denver, Tampa has seen an influx of technology and advanced manufacturing firms over the past couple of years, which has helped to attract younger and high-skilled workers to the region. The metro is also home to Florida's largest seaport, the Port of Tampa Bay. The metro's extensive transportation network and distribution facilities have helped attract new businesses and helped drive economic growth in the region.

Given the competitive advantages that both Tampa and Denver possess, it is not surprising to see that each metro has had a stronger employment recovery from the pandemic compared to the nation. U.S. nonfarm payrolls were down 0.5% from their February 2020 level in May, while employment was 3.4% above its pre-pandemic level in Tampa and 1.3% above in Denver. In terms of unemployment, Tampa's unemployment rate, at 2.9% in April, has fallen within the norms seen before COVID. Denver's unemployment rate has declined considerably to 3.6% in April but remains elevated compared to its 2.6% average seen in early 2020. (Return to Summary)

Market Data • Mid-Day Friday

U.S. Interest Rates

	Friday 6/24/2022	1 Week Ago	1 Year Ago
SOFR	1.44	1.45	0.05
3-Month LIBOR	2.20	2.06	0.15
3-Month T-Bill	1.63	1.56	0.04
1-Year Treasury	2.49	2.49	0.08
2-Year Treasury	3.04	3.18	0.27
5-Year Treasury	3.16	3.34	0.91
10-Year Treasury	3.12	3.23	1.49
30-Year Treasury	3.26	3.28	2.10
Bond Buyer Index	3.54	3.57	2.16

Foreign Exchange Rates

	Friday 6/24/2022	1 Week Ago	1 Year Ago
Euro ($/€)	1.054	1.050	1.193
British Pound ($/£)	1.227	1.224	1.392
British Pound (£/€)	0.859	0.858	0.857
Japanese Yen (¥/$)	135.140	135.020	110.870
Canadian Dollar (C$/$)	1.293	1.303	1.232
Swiss Franc (CHF/$)	0.958	0.970	0.918
Australian Dollar (US$/A$)	0.694	0.693	0.758
Mexican Peso (MXN/$)	19.888	20.342	19.859
Chinese Yuan (CNY/$)	6.690	6.717	6.472
Indian Rupee (INR/$)	78.344	78.076	74.168
Brazilian Real (BRL/$)	5.243	5.154	4.915
U.S. Dollar Index	104.206	103.631	91.814

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

Foreign Interest Rates

	Friday 6/24/2022	1 Week Ago	1 Year Ago
3-Month Euro LIBOR	-0.58	-0.59	-0.57
3-Month Sterling LIBOR	1.62	1.62	0.08
3-Month Canada Banker's Acceptance	2.60	2.42	0.44
3-Month Yen LIBOR	-0.03	-0.02	-0.08
2-Year German	0.81	1.09	-0.65
2-Year U.K.	1.93	2.20	0.07
2-Year Canadian	3.11	3.24	0.43
2-Year Japanese	-0.08	-0.07	-0.11
10-Year German	1.44	1.66	-0.19
10-Year U.K.	2.30	2.50	0.74
10-Year Canadian	3.30	3.41	1.42
10-Year Japanese	0.23	0.23	0.06

Commodity Prices

	Friday 6/24/2022	1 Week Ago	1 Year Ago
WTI Crude ($/Barrel)	107.04	117.59	73.30
Brent Crude ($/Barrel)	112.49	113.12	75.56
Gold ($/Ounce)	1826.26	1839.39	1775.17
Hot-Rolled Steel ($/S.Ton)	927.00	975.00	1755.00
Copper (¢/Pound)	375.80	410.80	431.10
Soybeans ($/Bushel)	16.41	17.50	13.96
Natural Gas ($/MMBTU)	6.15	7.46	3.42
Nickel ($/Metric Ton)	23,994	25,170	18,058
CRB Spot Inds.	622.97	646.65	605.86

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