

Weekly — January 7, 2022

Weekly Economic & Financial Commentary

United States: **Strong Momentum Prior to Omicron, Despite December's Soft Payroll Print**

- The Fed's more hawkish tone in December's FOMC minutes set the tone for financial markets this week, overshadowing the record surge in COVID infections. December's jobs data were disappointing and a bit confusing. Nonfarm employment rose far less than expected, with employers adding just 199K jobs. The household employment data, however, had another strong gain. The number of employed persons rose by 651K. The unemployment rate fell to 3.9%. Slightly softer-than-expected ISM manufacturing and services reports and a wider trade gap suggest supply-chain issues were easing prior to the Omicron surge. Unfortunately, that surge will likely reverse some of this improvement.
- Next week: CPI (Wednesday), Retail Sales (Friday), Industrial Production (Friday)

International: **Eurozone Growth Likely to Slow, Inflation Potentially Nearing a Peak**

- The Eurozone December CPI surprised to the upside with a gain of 5.0% year-over-year, although underlying inflation measures were steady to slower, hinting that a peak in inflation may not be far away. On the activity front, Eurozone retail sales rose solidly in November, though that came ahead of a significant surge in COVID cases in recent weeks, and a drop in Eurozone December economic confidence suggests slower growth last month.
- Next week: Australia Retail Sales (Tuesday), Brazil CPI (Tuesday), U.K. Monthly GDP (Friday)

Interest Rate Watch: **The Bond Market is Pricing In More Fed Tightening**

- The New Year has gotten underway with a notable rise in longer-term interest rates. Recent economic data have contributed to expectations of more aggressive Fed action.

Credit Market Insights: **Holders of Student Loans Get Another Payment Reprieve**

- The Biden administration has extended student relief to May 1, 2022, pushing back payments for more than 40 million Americans.

Topic of the Week: **The Omicron Surge**

- COVID is back, and it is everywhere. Fortunately, vaccines, therapeutics, increased immunity and the less intrinsic virulence of Omicron appear to be decreasing severe outcomes. That noted, the Omicron surge represents a clear downside risk to the near-term outlook.

Wells Fargo Economics 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	8.0	3.8	3.4	3.5	3.1	-3.4	5.7	4.4	3.0
Personal Consumption	11.4	12.0	2.0	5.5	3.2	2.5	2.6	2.7	-3.8	8.0	3.7	2.6
Consumer Price Index ²	1.9	4.8	5.3	6.7	7.0	5.8	4.9	3.5	1.2	4.7	5.3	2.1
"Core" Consumer Price Index ²	1.4	3.7	4.1	5.1	6.1	5.1	4.6	3.9	1.7	3.6	4.9	2.3
Quarter-End Interest Rates ³												
Federal Funds Target Rate	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.75	0.50	0.25	0.44	1.31
Conventional Mortgage Rate	3.08	2.98	2.87	3.10	3.35	3.55	3.65	3.70	3.12	3.01	3.56	3.78
10 Year Note	1.74	1.45	1.52	1.55	1.80	2.00	2.10	2.15	0.89	1.57	2.01	2.23

Forecast as of: December 09, 2021

¹ Compound Annual Growth Rate Quarter-over-Quarter

² Year-over-Year Percentage Change

³ Annual Numbers Represent Average

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

Please see our full [U.S. Economic Forecast](#) and our updated [Consumer Dashboard](#) and [Pressure Gauge](#).

U.S. Review

Strong Momentum Prior to Omicron, Despite December's Soft Payroll Print

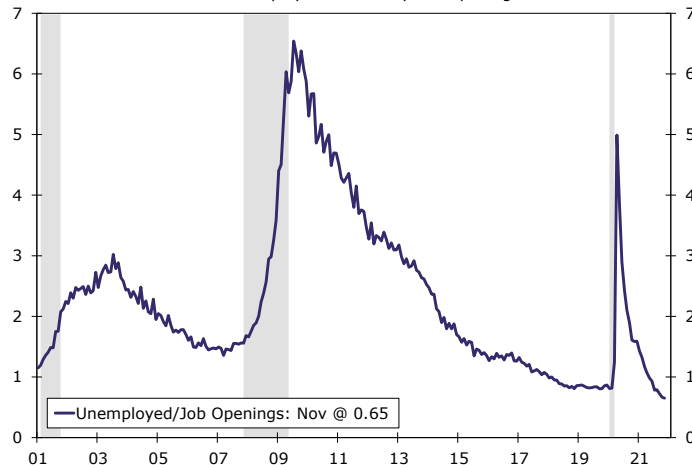
Nonfarm employment rose less than expected in December, with employers adding 199,000 jobs that month. Job growth for prior months was also revised higher and the unemployment rate fell to 3.9%. Data released prior to the report had suggested we would see a strong rebound in nonfarm payrolls. The ADP report showed a gain of 807,000 jobs during the month, Challenger layoff announcements were down sharply and jobless claims fell meaningfully from the November survey weeks. We suspect the Bureau of Labor Statistics (BLS) may be having some difficulty seasonally adjusting the large swings in employment that have occurred during the pandemic period. Seasonal adjustments are particularly large around the holiday season and the large swings we are seeing within the leisure and hospitality sector may be weighing on the headline number. The BLS will release its annual revisions to nonfarm payrolls next month, which will incorporate more complete source data and updated seasonal adjustment factors. The new data will likely smooth out some of the monthly volatility in nonfarm payrolls but result in only a minor upward revision to the level of nonfarm employment.

Job gains were fairly broad based during December. Milder weather helped boost construction payrolls, while manufacturers continued to staff up to meet their huge backlogs. Rising energy prices are also leading to a slight uptick in energy production. Overall, the goods-producing sector added 54,000 jobs in December. Hiring in the service-providing sector moderated somewhat, reflecting a slight drop in retail trade jobs and drop in employment at temporary staffing firms. The diffusion index, which measures the share of private industries adding jobs, fell for the second month in row, tumbling 10.1 points to 59.5. Aggregate hours worked also rose a meager 0.2%, following 0.3% gains the prior two months.

Household employment rose sharply in December, with the number of persons stating they were employed during the month rising by 651,000. That gain follows a 1,090,000 jump in November. The household data show nearly 4.4 million more people gained employment since June, which is when a number of large states, including Florida and Georgia, ended their participation in the federal Pandemic Emergency Unemployment Compensation program. While the household survey is more volatile than the payroll survey, large gains in household employment have often preceded a pickup in nonfarm employment growth. The household survey data, which are used to produce the unemployment rate, were revised to incorporate updated seasonal adjustment figures in December. The revisions resulted in only minor changes to the previously reported data and add some credibility to the recent strength.

Number of Unemployed for Every Job Opening

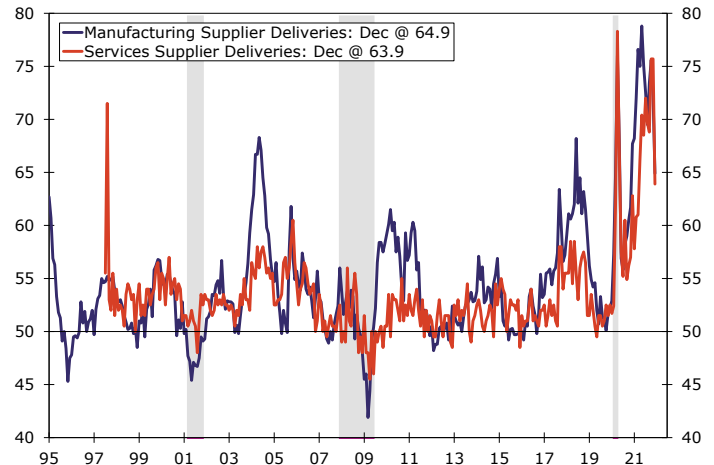
Total Unemployed Divided by Job Openings



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

One thing is certain—the labor market is exceptionally tight. The unemployment rate fell to 3.9% in December and there are a vast array of reports showing employers are scrambling to hire the workers they need. Many employers are also adjusting their business strategies to deal with persistent labor shortages, consolidating operations, reducing hours and investing in labor-saving technologies. The November JOLTS data, released earlier this week, reported a record-high 4.5 million workers quit their jobs during November. While job openings fell by 529,000 during the month, they remain exceptionally

ISM Supplier Deliveries



Source: Institute for Supply Management and Wells Fargo Economics

high at 10.56 million jobs, which is 51% higher than it was prior to the pandemic. Moreover, the ratio of the number of unemployed to the number of job openings fell to a record-low 0.65 in November.

Reconciling the divergent signals from the nonfarm and household employment series is always a mix of art and science. We believe the Fed is now paying increased attention to evidence the labor market has tightened. The weaker payroll number may either be a symptom of the tighter labor market or some temporary seasonal blip. The evidence that the labor market has tightened, however, is overwhelming. Businesses have been reporting difficulty finding the workers they need for quite some time, even after dramatically increasing compensation. There was considerable discussion at the December FOMC meeting about the relative ease businesses are having passing their higher labor costs on to their customers.

This week's other reports largely reflect conditions prior to the Omicron surge. Supply chain disruptions appear to have eased up a bit late last year. The ISM manufacturing survey fell 2.4 points in December to 58.7. The larger-than-expected drop was mostly due to a 7.3-point drop in the supplier delivery index to 64.9, which is the lowest that component has been since November 2020. Normally, a shortening in supplier deliveries is negative for the economy, indicating that manufacturing activity is slowing. In this case, however, the drop in supplier delivery times suggests some improvement in supply chains. The prices paid component also declined, tumbling 14.2 points to 68.2, which is also the lowest since November 2020. The ISM services survey reported an even larger 11.8-point drop in the supplier delivery index. The services survey prices paid index rose, however, climbing 0.2 points to 82.5. The services survey includes construction, which is an industry particularly hard hit by supply chain disruptions. Lumber prices spiked in December due to extensive flooding in western Canada, which did extensive damage to roads and railways needed to bring logs to lumber mills.

The nation's trade deficit widened in November, as a surge of imports overwhelmed a miniscule rise in exports. The goods deficit widened by \$15.1 billion to a record \$99 billion. While the wider trade deficit will likely weigh on fourth quarter GDP growth, more than a third of the rise was due to increased imports of industrial supplies, many of which are sorely needed by manufacturers. Imports of consumer goods also increased, rising by \$3 billion. Exports of goods fell by \$2.9 billion in November, while exports of services were bolstered by increased international travel to the U.S.

Unfortunately, the global resurgence in COVID cases tied to the Omicron variant has led to some port shutdowns in China and also led to staffing shortages within the U.S. that will likely reverse some of the recent improvement in supply chains. While the Omicron variant appears to result in milder symptoms, it is incredibly contagious, with more than 1 million cases reported each day across the U.S. Each case results in someone being isolated for at least five days, which means fewer workers, students, teachers and customers. The recent spike in oil prices will also likely drive overall prices higher in coming months, reversing some of the improvement in the price paid series reported in the manufacturers' survey.

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U.S. Outlook

Weekly Domestic Indicator Forecasts

Date	Indicator	Period	Consensus	Wells Fargo	Prior
12-Jan	CPI (MoM)	Dec	0.4%	0.5%	0.8%
12-Jan	CPI (YoY)	Dec	7.1%	7.1%	6.8%
12-Jan	Core CPI (MoM)	Dec	0.5%	0.5%	0.5%
12-Jan	Core CPI (YoY)	Dec	5.4%	5.4%	4.9%
14-Jan	Retail Sales	Dec	-0.1%	0.2%	0.3%
14-Jan	Industrial Production	Dec	0.3%	0.3%	0.5%

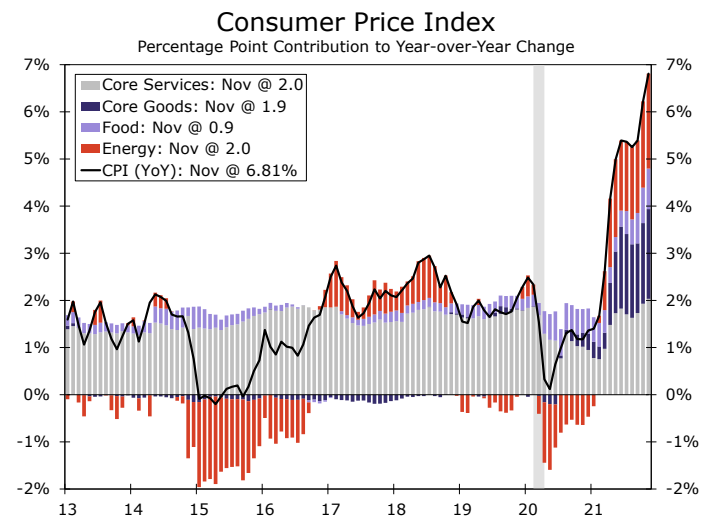
Forecast as of January 07, 2022

Source: Bloomberg LP and Wells Fargo Economics

CPI • Wednesday

Elevated demand for goods coupled with snarled supply chains has led to the highest inflation that the United States has seen in a generation. November's consumer price index (CPI) rose 6.8% over the year, the largest annual increase since 1982. Price pressures have broadened out beyond goods categories, with services inflation starting to reflect the pandemic's effects on housing costs and medical care. The acceleration in service sector prices amid stubbornly high goods inflation has created a challenging environment for consumers and policymakers alike.

Looking ahead, we expect to see another solid gain in December, with the headline index rising 0.5% (up 7.1% year-over-year). Retail gasoline prices softened in December, and natural gas storage improved relative to its historical trend, setting the stage for a moderate slowdown in energy prices in the near term. Beyond energy, however, we see little scope for a meaningful reprieve with price hikes remaining widespread. Excluding food and energy, which tend to be more volatile on a month-to-month basis, we anticipate a 0.5% increase in the core CPI (up 5.4% year-over-year).

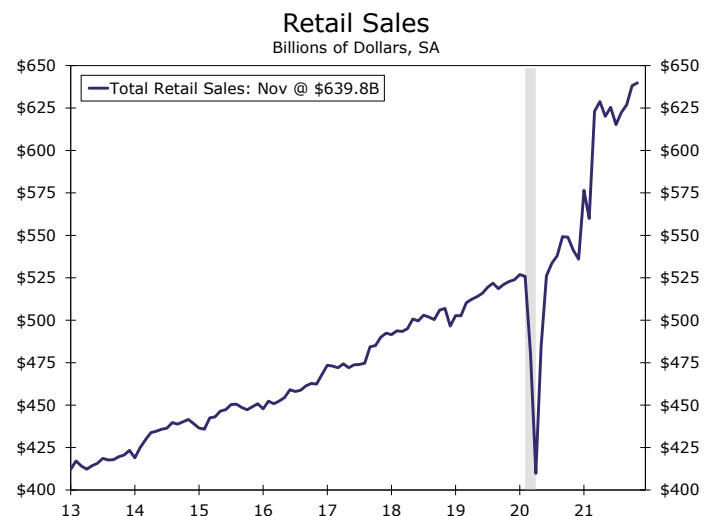


Source: U.S. Department of Labor and Wells Fargo Economics

Retail Sales • Friday

Consumers are feeling the pressure from inflation. Retail sales came in well-below expectations in November, rising just 0.3% over the month. Higher prices for necessities, such as food and gas, have forced hard choices in more discretionary categories, such as electronics & appliances and department stores during the holiday shopping season. However, we suspect at least some consumers' holiday shopping was pulled forward, heeding advice from well-publicized supply chain issues and aggressive messaging from retailers.

We expect spending to moderate further in December and forecast retail sales to rise 0.2% over the month, which would be the slowest pace in four months. It is important to note that sales are reported in nominal dollars, which means they are not adjusted for inflation. If price gains outpace spending increases, that implies a volume decline in sales. For example, gasoline station sales rose 1.7% in November, while consumer prices for gasoline surged 6.1% during the month. This suggests that consumers are not purchasing more gas, rather they are simply paying more at the pump. On top of higher prices, the Omicron variant presents some downside risk to spending in December as well, particularly in the service sector.

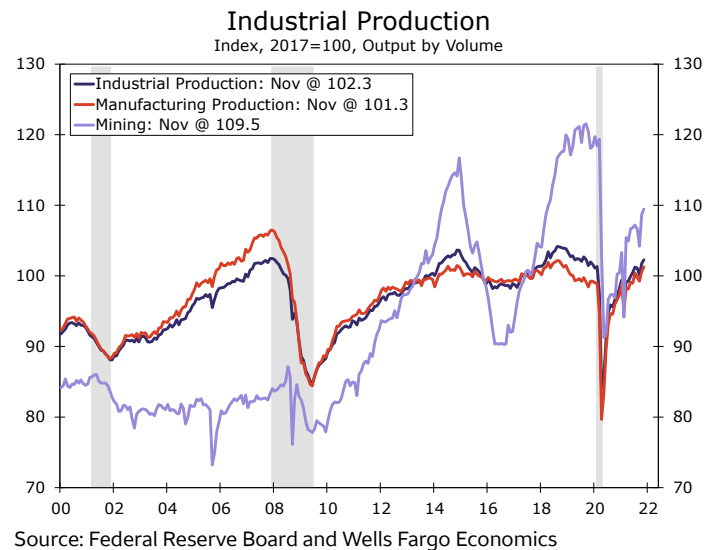


Source: U.S. Department of Commerce and Wells Fargo Economics

Industrial Production • Friday

Supply and labor shortages continue to be the biggest challenges for the factory sector. Industrial production rose 0.5% in November, a significant slowdown from the 1.7% gain registered the prior month. Manufacturing activity, which comprises roughly three-quarters of all industrial output, improved 0.7% amid strength in motor vehicles and parts. Automotive products output picked up nearly 3% in November, a positive sign from the sector that has been the poster child of the pandemic's supply chain woes. Mining output rose, while utilities production slipped.

We expect output growth to slightly moderate in December and look for industrial production to rise 0.3% over the month. Warmer-than-usual temperatures during the final stretch of the year will likely keep utilities output at bay. In the manufacturing sector, December's ISM survey points to incremental improvement in the supply picture, with sharp declines in delivery times and prices paid. While supply issues are likely to persist for some time, still-strong demand and growing backlogs are set to support industrial output in the coming year. ([Return to Summary](#))

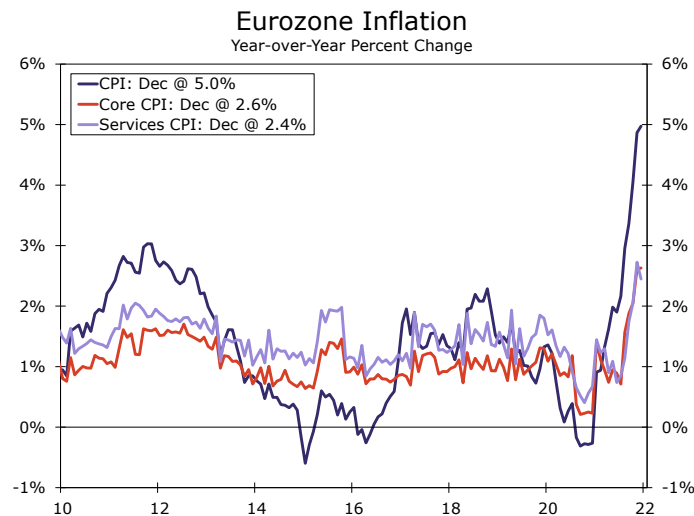


International Review

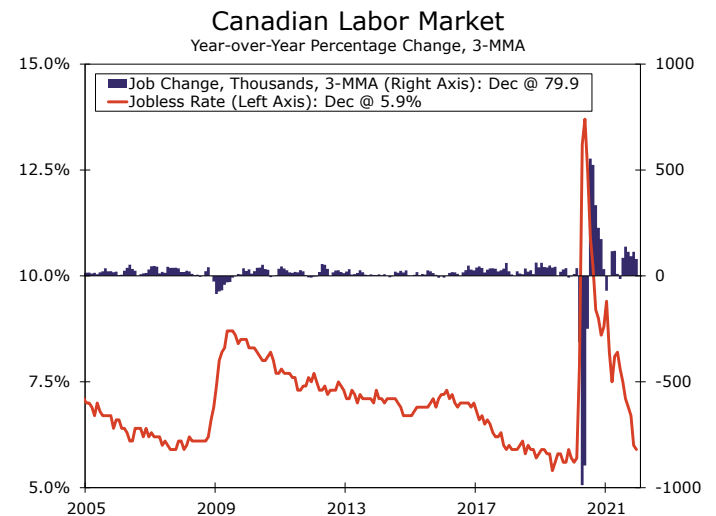
Eurozone Growth Likely to Slow, Inflation Potentially Nearing a Peak

This week's Eurozone economic news was generally mixed, but nonetheless remains consistent with an outlook for only a gradual shift by the European Central Bank (ECB) toward less accommodative monetary policy. The December consumer price index (CPI) offered the first hints that Eurozone inflation may be nearing a peak. The overall CPI rose 5.0% year-over-year, outpacing the consensus forecast for a 4.8% increase, though still only edging slightly higher from the 4.9% increase seen in November. There were hints that some underlying measures of inflation were starting to turn lower. The core CPI was steady at 2.6%, while the services CPI slowed to 2.4%, from 2.7% in November. While inflation remains well above the ECB's 2% inflation target for now, the central bank forecasts a deceleration of inflation over the span of 2022. Should that slowing of inflation progress as expected, or even more quickly than expected, that would support the outlook for only a gradual tapering of the ECB's bond purchases.

In addition to inflation potentially peaking, this week's news also pointed to a probable slowing in economic growth in Q4, relative to that seen in Q2 and Q3 of 2021. Eurozone November retail sales were solid enough, rising 1.0% month-over-month, after sales edged up 0.3% in October. For the October-November period, retail sales are up 1.0% compared their average level in Q3. However, given the spread of COVID cases in recent weeks and likely reduction in mobility, much slower growth or even an outright decline in sales for December seems likely. Indeed, Eurozone December economic confidence pointed to some loss of momentum last month. Economic confidence fell more than expected to 115.3 in December, from 117.6 the prior month. Industrial confidence rose to 14.9, but services confidence fell quite sharply to 11.2.



Source: Datastream and Wells Fargo Economics



Source: Datastream and Wells Fargo Economics

Canada's Economy Finishes 2021 on a Solid Note

This week's data from Canada suggest the economy finished last year on a firm footing. The labor market extended its run of job gains in December as Canadian employment rose 54,700. The details were even more favorable as full-time employment rose 122,500, while part-time employment fell 67,700, and the unemployment rate eased slightly to 5.9%. December's outcome did mark a slowdown from the faster pace of monthly job gains seen since June 2021. Still, a respectable increase in employment on top of those larger gains in prior months represents a strong result. Looking ahead, the spread of COVID cases has picked up in recent weeks, and it is possible that the pace of Canadian job gains could be slower in the early part of 2022.

Finally, news this week from two important emerging economies, China and Mexico, was also somewhat encouraging. In China, the December Caixin manufacturing PMI rose to 50.9 (the highest level since June last year) and the Caixin services PMI rose to 53.1. Meanwhile, in Mexico, the IMEF manufacturing index rose to 52.6, and the IMEF services index also rose to 52.6. ([Return to Summary](#))

International Outlook

Weekly International Indicator Forecasts

Date	Indicator	Period	Consensus	Wells Fargo	Prior
11-Jan	Australia Retail Sales (MoM)	Nov	3.8%	--	4.9%
11-Jan	Brazil CPI (YoY)	Dec	10.02%	--	10.74%
14-Jan	U.K. GDP (MoM)	Nov	0.4%	--	0.1%

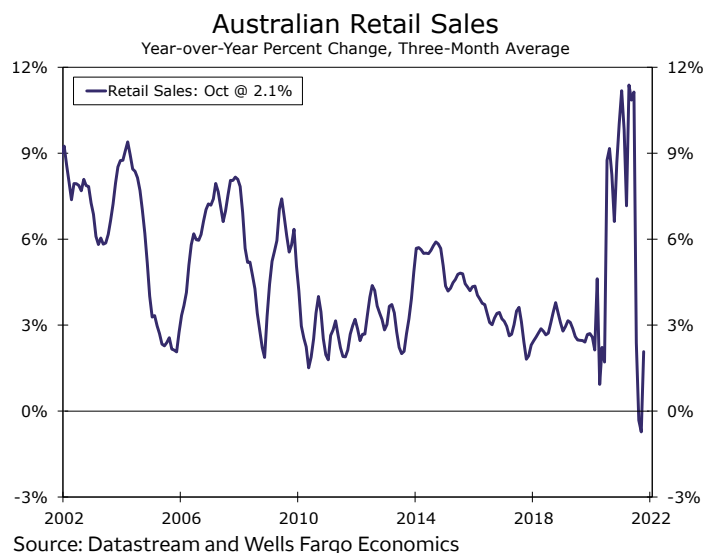
Forecast as of January 07, 2022

Source: Bloomberg LP and Wells Fargo Economics

Australia Retail Sales • Tuesday

An outbreak of COVID cases during the Australian winter and the imposition of restrictions contributed to a contraction in the country's economy, as Q3 GDP fell 1.9% quarter-over-quarter. Subsequently, however, as restrictions have been lifted and the economy has reopened, activity appears to be on track for a solid rebound in Q4. November's employment jumped by 366,100, business sentiment has improved in Q4 compared to Q3 and the services PMI has improved to 49.6 in December from a lower 45.6 in August.

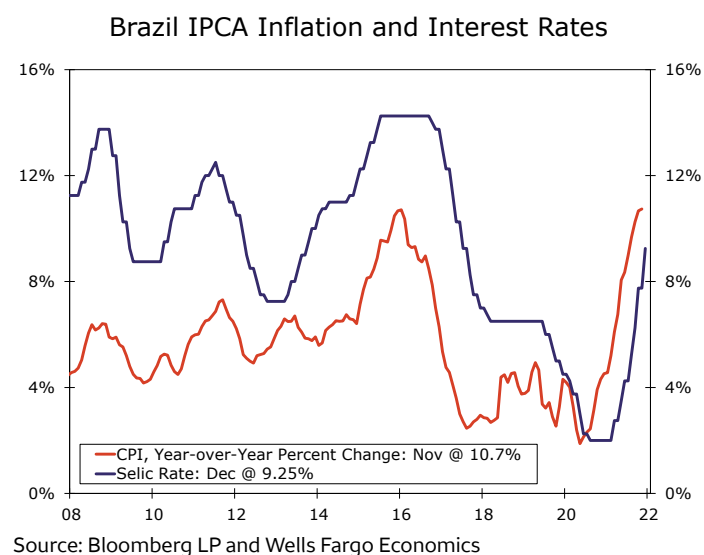
Retail sales have also started to improve, with a moderate gain in September, and in particular, a 4.9% month-over-month jump in October sales. For November, the consensus forecast is for retail sales to rise 3.8%. The November reading comes ahead of a surge in COVID cases in recent weeks related to the Omicron variant. That said, the latest increase in cases has not seen any imposition of widespread restrictions so far, and we believe Australia remains on course for respectable economic growth this year. We forecast Australian GDP growth of 3.1% for 2022.



Brazil CPI • Tuesday

Brazil's consumer prices spiked sharply during 2021, albeit with hints that inflation may have been nearing a peak by late last year. The November CPI rose 10.74% year-over-year, similar to the 10.67% gain seen in October. Higher transportation, housing and household good prices have been significant contributors to the overall price increase.

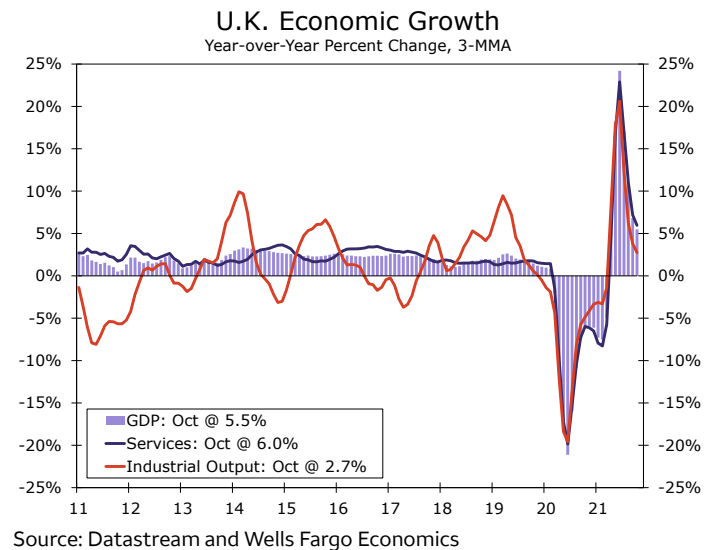
For December, the consensus expects some deceleration in CPI inflation to 10.02% year-over-year, which would mark the first slowing since May 2020. Nonetheless, CPI inflation would remain well above the central bank's inflation target of 3.5% for 2022. For the near term, at least, a modest slowdown of inflation is unlikely to dissuade Brazil's central bank from raising rates further. Indeed, with respect to the February monetary policy meeting, the central bank has signaled (and we forecast) a 150 bps increase in the Selic rate, from the current 9.25%.



U.K. Monthly GDP • Friday

U.K. economic trends were mixed in late 2021, and next week's November GDP report may offer further evidence of only modest momentum during Q4. GDP rose 0.1% month-over-month in October, and for November, the consensus forecasts only a moderately stronger increase of 0.4%. Service sector activity is expected to rise 0.5% in November, while industrial output should rise 0.2%.

Keep in mind the November readings come before the most significant surge in COVID cases during December. Indeed, the fact that the December services PMI already reported a noticeable decline to 53.6 suggests GDP growth may have slowed further last month. Through late 2021 and early 2022, we expect the U.K. economic recovery to remain somewhat uneven. As a result, we forecast only a gradual pace of Bank of England rate hikes this year and anticipate 25 bps rate increases at the May and November monetary policy meetings. ([Return to Summary](#))



Interest Rate Watch

The Bond Market is Pricing In More Fed Tightening

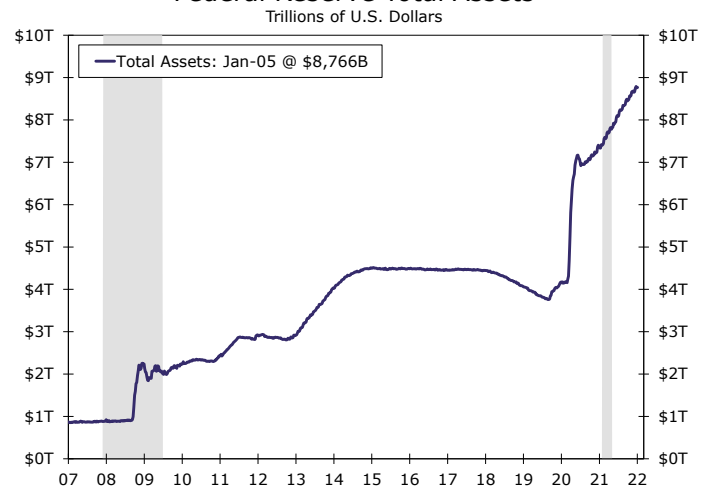
The New Year has gotten under way with a notable rise in longer-term interest rates. For example, the yield on the 2-year Treasury note has risen almost 15 bps since the end of last year to its highest rate since early 2020, and the yield on the 10-year note rose to a high last reached in January 2020 ([see chart below](#)). In short, the bond market is pricing in more and earlier Fed tightening than it did just a few weeks ago. Recent economic data have contributed to expectations of more aggressive Fed action. As discussed in more detail in the [U.S. Review](#), the ISM manufacturing index for December suggested that activity in the nation's factory sector remains reasonably solid. The ADP employment report, which was released on Wednesday, showed that the private sector added 807K jobs in December, although the official labor market report, which printed this morning, showed a more subdued pace of hiring last month.

U.S. Treasury Yields



Source: Bloomberg LP and Wells Fargo Economics

Federal Reserve Total Assets



Source: Bloomberg LP and Wells Fargo Economics

But it was the hawkish tone to the [minutes](#) of the FOMC's December 14-15 meeting, which were released on Wednesday that really raised eyebrows. The minutes described the labor market as "very tight," and noted that "inflation readings had been higher and were more persistent and widespread than previously anticipated." The decision that the FOMC announced on December 15 to speed up the pace of its "taper" caught some market participants by surprise at that time. But unknown to market participants in December was the discussion the Committee had at that meeting about the eventual shrinking of the balance sheet. Highlights of that discussion were included in the minutes that were released this week.

During the last cycle, the Federal Reserve stopped buying assets at the end of 2014, but it did not begin shrinking its balance sheet until the end of 2017 ([see graph above](#)). Although the Committee has not yet made any firm decisions regarding eventual balance sheet runoff, the discussion suggests that the FOMC likely will not wait three years before starting to shrink the Fed's balance sheet in the current cycle. The minutes noted that "the current economic outlook was much stronger, with higher inflation and a tighter labor market than at the beginning of the previous normalization episode."

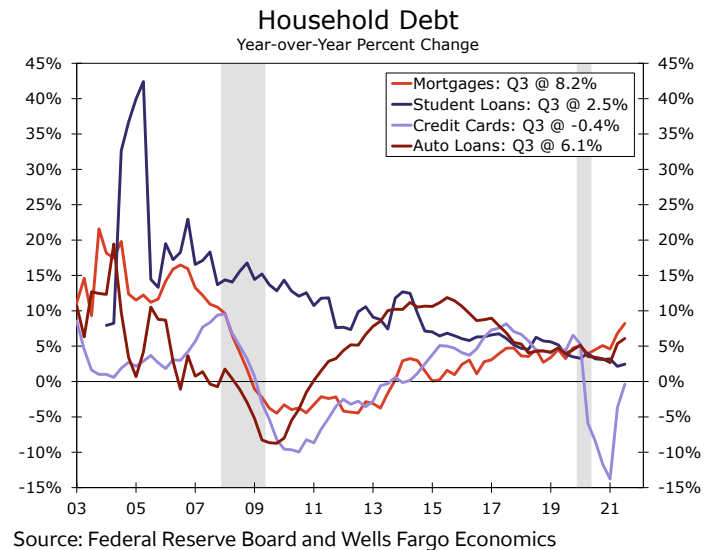
We are currently undertaking analysis that we hope will offer some insights into how the FOMC will proceed regarding the size of the Fed's balance sheet, and we plan to publish our findings when that analysis is finished. But the evolution of the Fed's balance sheet in coming years could have implications for long-term interest rates, which we also plan to communicate to readers in our forthcoming report. ([Return to Summary](#))

Credit Market Insights

Holders of Student Loans Get Another Payment Reprieve

When the Biden administration extended the CARES Act student loan relief until January 31, 2022 last year, most believed that this decision would be the end of the extensions. The Department of Education signaled that it would be the final extension of relief for student loans. However, citing the uncertainty behind once-again rising COVID case numbers amid the Omicron variant, the Biden administration has extended relief to May 1, 2022. Now, since March 17, 2020, more than \$1.6T in student debt has been in relief, pausing interest accrual and pushing back payments for the more than 40 million Americans with student debt.

For consumers, this may be a boon for household balance sheets. When [surveyed](#) in July 2021 by Pew Research, 67% of respondents with Federal student loans said that it would be difficult to resume payment next month if needed to do so. In the same survey, 59% of student loan borrowers stated that their payment money was going toward essentials like food and shelter, while 27% stated that it was going toward other debt like credit cards and auto loans, with only 9% stating that it was mostly going to savings. The Department of Education characterized the relief as a "lifeline" for households to focus on families, health and finances instead of student loans during the pandemic. Even with the COVID waves related to the Delta and Omicron variants this fall and winter, the labor market has seen significant progress since July. In the time since then, there have been more than 1.9 million jobs added to the economy, and the unemployment rate has fallen from 5.4% to 3.9%. Recent household debt figures have shown a strong expansion since the start of the pandemic, as increases in student debt are exceeded by both mortgage and auto loans. Hopefully, the extensions of student loan relief have given borrowers the chance to gain employment and prepare themselves for the new resumption of payments this May. Looking ahead, current political and epidemiological uncertainty surrounding further fiscal relief and the severity of the pandemic clouds the future of student loan relief. ([Return to Summary](#))



Topic of the Week

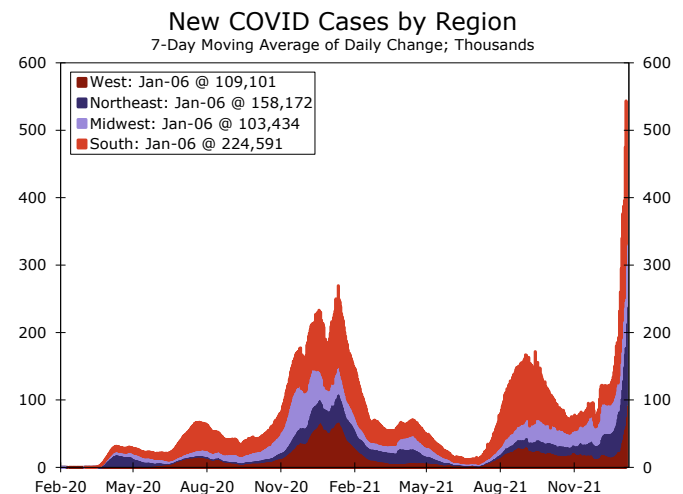
The Omicron Surge

Covid case counts are sky-rocketing in the United States. On January 3rd, there were 143 newly reported cases per 100K people, significantly higher than at any time since the start of the pandemic, and a 309% gain compared to the 35 new cases per 100K reported one month earlier. The fast pickup in cases appears to be owed to the increased spread of the highly transmissible Omicron variant, although the Delta variant continues to circulate as well. So far, the Northeast region has seen the sharpest acceleration in new infections. In New York and New Jersey, cases are currently at 340 and 308 per 100K, respectively, while Massachusetts is also seeing cases turn significantly higher. In the Mid-Atlantic, the District of Columbia is running at about 298 cases per 100K. Similarly, Pennsylvania, Maryland, Virginia and Delaware are seeing the number of new infections explode. Omicron also appears omnipresent in the South, which just recently saw cases counts from the late summer Delta wave subside. Florida, North Carolina, Louisiana, Georgia and Tennessee have all seen cases rise markedly since the start of December.

The West is also starting off 2022 with a surge, although the rise in cases has been more moderate. Cases in California and Oregon are going vertical; however, they still remain below the peaks reached late in 2020. Meanwhile, Washington case counts are nearly double the prior highs seen during September. The Southwest region has also seen a rise, with Arizona, New Mexico and Oklahoma registering increases in cases, while the Midwest is seeing significant flare-ups in Illinois and Michigan. The Mountain region, which includes some of the most sparsely populated areas of the country, are seeing a more modest uptick in cases. Like everywhere else, cases are rising; however, they remain significantly below the peak levels seen last year, especially in Wyoming, Montana and North Dakota.

Long story short, COVID is back, and it is everywhere. Fortunately, vaccines, a growing armament of therapeutics, increased immunity and the less intrinsic virulence of Omicron appear to be widening the disconnect between cases and severe outcomes. That noted, the Omicron surge represents a clear downside risk to the near-term outlook. Businesses have yet again pushed back the return to the office and some school systems have announced the temporary return of virtual classrooms. Many high-contact industries have reported staff shortages due to illness, exacerbating existing labor scarcities. Case counts are shooting higher globally, which stands to worsen supply chain bottlenecks and potentially fan the flames of inflation to even greater extent.

Still, the Omicron surge looks to be having a milder effect on overall economic activity compared to earlier iterations of the virus. Judging by high-frequency indicators of economic engagement, consumers appear to be faring reasonably well. Foot traffic at retail establishments and passthroughs at airport TSA checkpoints have mostly held steady, although dining activity has pulled back somewhat in some of the states hit hardest by Omicron. Overall, COVID-fatigue appears a bit stronger than concerns of the new variant at present. We will assess the impacts more comprehensively as part of our forecast update next week. ([Return to Summary](#))



Source: Bloomberg LP and Wells Fargo Economics

Market Data • Mid-Day Friday

U.S. Interest Rates			
	Friday 1/7/2022	1 Week Ago	1 Year Ago
1-Month LIBOR	0.10	0.10	0.13
3-Month LIBOR	0.23	0.21	0.23
3-Month T-Bill	0.09	0.03	0.08
1-Year Treasury	0.35	0.26	0.08
2-Year Treasury	0.87	0.73	0.14
5-Year Treasury	1.52	1.26	0.46
10-Year Treasury	1.79	1.51	1.08
30-Year Treasury	2.13	1.90	1.85
Bond Buyer Index	2.12	2.06	2.17

Foreign Exchange Rates			
	Friday 1/7/2022	1 Week Ago	1 Year Ago
Euro (\$/€)	1.135	1.137	1.227
British Pound (\$/£)	1.358	1.353	1.357
British Pound (£/€)	0.836	0.841	0.905
Japanese Yen (¥/\$)	115.650	115.080	103.810
Canadian Dollar (C\$/ \$)	1.265	1.264	1.269
Swiss Franc (CHF/\$)	0.919	0.913	0.885
Australian Dollar (US\$/A\$)	0.718	0.726	0.777
Mexican Peso (MXN/\$)	20.392	20.529	20.013
Chinese Yuan (CNY/\$)	6.378	6.356	6.478
Indian Rupee (INR/\$)	74.306	74.338	73.323
Brazilian Real (BRL/\$)	5.629	5.576	5.401
U.S. Dollar Index	95.799	95.670	89.826

Foreign Interest Rates			
	Friday 1/7/2022	1 Week Ago	1 Year Ago
3-Month Euro LIBOR	-0.58	-0.59	-0.57
3-Month Sterling LIBOR	0.48	0.25	0.03
3-Month Canada Banker's Acceptance	0.54	0.52	0.47
3-Month Yen LIBOR	-0.03	-0.08	-0.08
2-Year German	-0.59	-0.62	-0.70
2-Year U.K.	0.83	0.69	-0.14
2-Year Canadian	1.08	0.95	0.19
2-Year Japanese	-0.05	-0.09	-0.11
10-Year German	-0.04	-0.18	-0.52
10-Year U.K.	1.18	0.97	0.28
10-Year Canadian	1.74	1.43	0.79
10-Year Japanese	0.14	0.07	0.04

Commodity Prices			
	Friday 1/7/2022	1 Week Ago	1 Year Ago
WTI Crude (\$/Barrel)	78.80	75.21	50.83
Brent Crude (\$/Barrel)	81.61	77.78	54.38
Gold (\$/Ounce)	1792.89	1829.20	1913.95
Hot-Rolled Steel (\$/S.Ton)	1271.00	1435.00	1076.00
Copper (¢/Pound)	438.15	445.50	369.60
Soybeans (\$/Bushel)	13.80	13.13	13.64
Natural Gas (\$/MMBTU)	3.94	3.73	2.73
Nickel (\$/Metric Ton)	20,499	20,498	17,720
CRB Spot Inds.	650.28	648.21	516.34

Source: Bloomberg LP and Wells Fargo Economics

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