WELLS FARGO

Weekly — January 14, 2022

Weekly Economic & Financial Commentary

United States: **Not Through with 2021 Just Yet**

- Inflation is intensifying and consumer activity is cooling, data covering the month of December reveal. The Consumer Price Index (CPI) rose 7.0% year-over-year, the fastest increase in nearly 40 years. Similarly, the Producer Price Index (PPI) was up 9.7% over the year. Meanwhile, retail sales unexpectedly declined 1.9% in the final month of the year.
- Elsewhere, the NFIB Small Business Optimism Index edged up to 98.9. Industrial production slipped 0.1%, as supply constraints held down manufacturing production. Consumer sentiment fell to 68.8 in January, the first solid sign that the Omicron surge is weighing on economic activity.
- Next week: Housing Starts (Wednesday), Existing Home Sales (Thursday), Leading Index (Friday)

International: **U.K. GDP Advances While Australian Retail Sales Surge**

- In the G10, U.K. November GDP rose an encouraging 0.9%, while Australia retail sales rose by 7.3% month-over-month in November, the largest gain since May 2020. In emerging markets, price pressures remain present in Brazil, as December CPI came in higher than expected at 10.06% year-over-year, still well above the Central Bank of Brazil's 3.5% target for 2022.
- Next week: China GDP (Monday), U.K. CPI (Wednesday), Japan CPI (Friday)

Interest Rate Watch: **When Will the Federal Reserve Shrink Its Balance Sheet, and by How Much?**

- The outlook for U.S. monetary policy has shifted significantly in recent months. With tighter monetary policy on the horizon, market attention has turned to possible reductions in the Fed's asset holdings, which total nearly $9 trillion at present, up from $4.2 trillion before the pandemic.

Credit Market Insights: **Mortgage Rates Are on the Rise**

- According to Freddie Mac, the average rate on a 30-year fixed-rate mortgage jumped almost a quarter of a percent this week, rising to 3.45% from 3.22%—the highest level since the pandemic's onset in March 2020.

Topic of the Week: **U.S. Dollar Stumbles to Start the Year**

- A hawkish shift from the Fed has not been enough to prevent the U.S. dollar from tumbling to start 2022. Following a year where the broad dollar index (DXY) rose close to 6.5%, in the first few weeks of this year the same index has dropped a little over 1%.

Wells Fargo U.S. Economic Forecast

	Actual				Forecast				Actual	Forecast		
	2021				2022							
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	2020	2021	2022	2023
Real Gross Domestic Product [1]	6.3	6.7	2.3	5.9	2.9	3.7	3.4	3.5	-3.4	5.6	3.9	3.1
Personal Consumption	11.4	12.0	2.0	5.0	2.3	2.5	2.6	2.7	-3.8	8.0	3.4	2.6
Consumer Price Index [2]	1.9	4.8	5.3	6.7	7.0	5.8	5.1	3.7	1.2	4.7	5.4	2.5
"Core" Consumer Price Index [2]	1.4	3.7	4.1	5.0	6.1	5.3	5.0	4.4	1.7	3.6	5.2	2.8
Quarter-End Interest Rates [3]												
Federal Funds Target Rate	0.25	0.25	0.25	0.25	0.50	0.75	1.00	1.25	0.50	0.25	0.88	1.81
Conventional Mortgage Rate	3.08	2.98	2.87	3.10	3.35	3.60	3.70	3.75	3.12	2.95	3.60	3.85
10 Year Note	1.74	1.45	1.52	1.52	1.90	2.05	2.15	2.20	0.89	1.45	2.08	2.30

Forecast as of: January 13, 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.

All estimates/forecasts are as of 1/14/2022 unless otherwise stated. 1/14/2022 13:30:59 EST. **This report is available on Bloomberg WFRE**

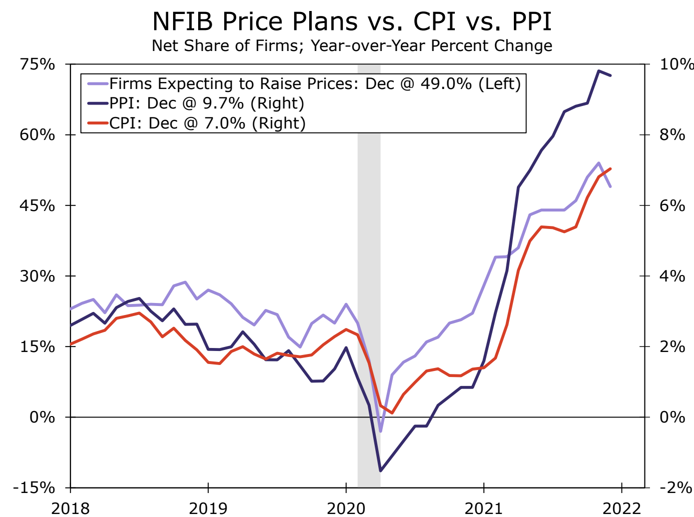
U.S. Review

Not Through with 2021 Just Yet

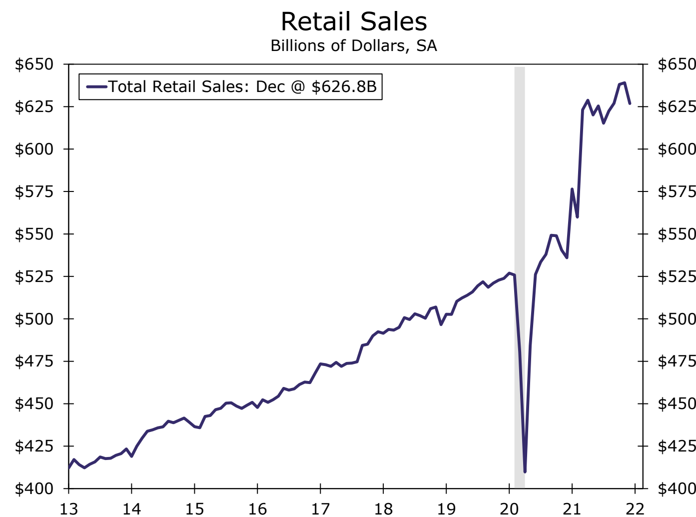
While financial markets have turned their attention to what may transpire in 2022, most of the economic data released this week covers the final month of 2021. Top of mind has been the run-up in prices throughout the economy. The Consumer Price Index (CPI) jumped 7.0% on a yearly basis, the strongest annual increase since 1982. Price growth moderated slightly on a monthly basis during December, with the CPI advancing 0.5% compared to a 0.8% gain in November. Goods prices, which jumped 1.2% during the month, continue to be the primary driver of consumer inflation, with vehicle prices recording yet another substantial gain. Meanwhile, core services inflation edged up 0.3%. The Omicron variant of COVID did not appear to have a big impact on the travel sector, with lodging away from home and airline fares posting additional gains; however, we would not be surprised to see some outright declines next month, similar to what occurred during the Delta wave.

Overall, inflation is still running incredibly hot, yet several signs indicate that the sharpest acceleration in prices have already occurred and inflation is close to topping out. A softer-than-expected rise in the Producer Price Index (PPI) lends credence to that view. Factory gate prices rose 0.2% during December, a slowdown compared to the 1.0% increase registered the prior month. Along similar lines, December's NFIB Small Business Optimism Index, which edged up to 98.7 from 98.4 the month prior, revealed that a slightly smaller net share of firms are expecting to raise prices in the months ahead, the first decline since the start of the pandemic.

The surprisingly soft increase in the PPI and decline in share of firms expecting to raise prices add to the evidence that the peak of inflation is in sight. Of course, prices are still growing rapidly and even more moderate increases will not translate to lower aggregate price levels. As we recently wrote in the January update to our macroeconomic forecast, even as price pressures ease, the rate of inflation is likely to remain high relative to recent history over the next few years. While supply chain constraints should gradually dissipate over the course of the year, fully functioning distribution channels are still far out on the horizon. What's more, climbing rents and higher commodity prices mean that there is still quite a bit of inflation in the pipeline, while tighter labor markets and rising wages stand to fan the flames of inflation well into 2022.



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



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

Fast-rising prices look to be weighing heavily on consumer activity. Total retail sales fell 1.9% during December. A slight pullback was widely anticipated; however, the magnitude of the drop was a surprise. Retail sales are not adjusted for inflation, so accounting for higher prices, the decline in overall volume of sales was likely even sharper. December's drop was broad-based across store types and control group sales declined 3.1%. Control group sales strip out autos, food, gas and building material store sales and factor into estimates for personal consumption expenditures and overall GDP. We note that the impact of the Omicron surge appears fairly modest. However, a drop in the preliminary estimates

of consumer sentiment for January indicates that the new wave of COVID cases may have more of a negative impact on consumer activity next month.

Still, other factors beyond Omicron were at play in December's disappointing drop in retail sales. Since September, we have forewarned our readers that a soft end to the year in terms of consumer spending would be plausible based on recent history and supply shortages. News of empty shelves and long shipping delays likely spurred many consumers to finish their shopping well in advance of the holidays, pulling forward retail sales into October and November.

The inflation consumers are now seeing can be partially owed to upstream supply constraints in the manufacturing sector. For much of the past two years, problems sourcing input materials and finding qualified workers have weighed heavily on the factory sector. A drop in industrial production during December is evidence that those supply challenges are still present. Overall industrial production slipped 0.1%, as the heavily-weighted manufacturing index fell 0.3%. Motor vehicle production, which has experienced some of the more acute shortages of parts and labor, stumbled 1.3%. Elsewhere, utilities output dropped during the month, as December produced unseasonably warm temperatures across much of the United States. Meanwhile, mining production improved for the third straight month. The increase in mining production reflects increased drilling activity alongside higher oil and gas prices. (Return to Summary)

U.S. Outlook

Weekly Domestic Indicator Forecasts

Date	Indicator	Period	Consensus	Wells Fargo	Prior
19-Jan	Housing Starts	Dec	1,650K	1,670K	1,679K
20-Jan	Existing Home Sales	Dec	6.42M	6.49M	6.46M
21-Jan	Leading Index	Dec	0.8%	0.7%	1.1%

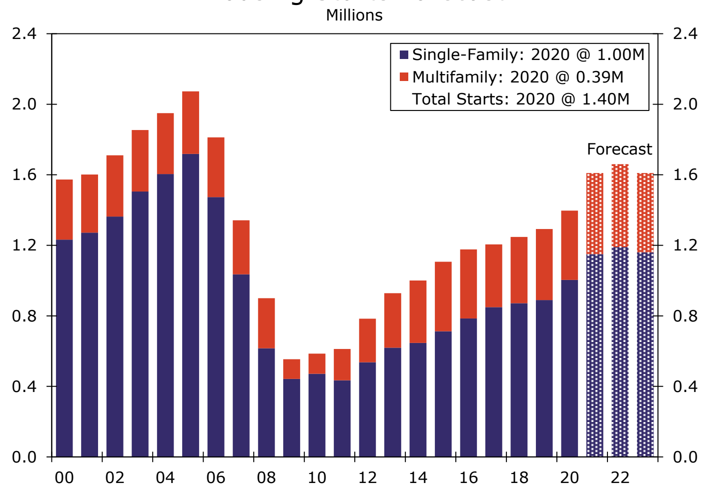
Forecast as of January 14, 2022

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

Housing Starts • Wednesday

Housing starts managed to increase 11.8% in November to a 1.679 million-unit pace. While, the gain could be partially attributed to favorable weather and a later Thanksgiving, that marked the second consecutive month of growth. Next week, we expect starts slightly weakened to a 1.670 million-unit pace. Despite the softening, this final data point of 2021 solidifies a strong end to 2021, as demand has remained strong. That said, the pace of housing starts has been hampered by an uphill battle against material and labor shortages lately, which has translated into higher input costs and extended project deadlines. These struggles were apparent in November's data as both single-family and multifamily units currently under construction rose to their highest since 2007 and 1974, respectively.

Unfortunately, these supply issues appear set to stick around throughout 2022, so builders will have to continue to contend with the frustrations and challenges they bring. But there is also a lot of momentum going into this new year. Builder confidence is currently hovering near an all-time high, inventories of completed homes are near record lows and backlogs are close to record highs. Due to this abundant work to do and still-strong demand for housing, we are optimistic about housing in 2022. As of our most recent forecast, we expect the pace of housing starts to peak at 1.68 million units in the Q2, and full-year starts in 2022 to top even that of last year (chart).

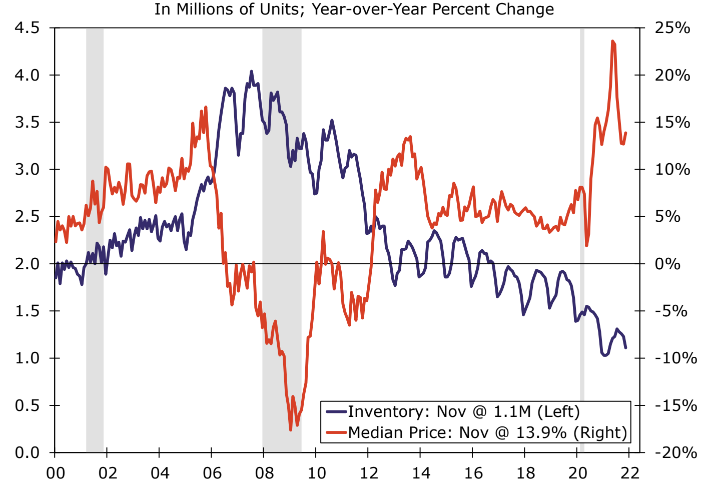


Source: U.S. Department of Commerce and Wells Fargo Economics

Existing Home Sales • Thursday

We expect next week's data to show sales of existing homes rose slightly to a 6.49 million-unit pace in December. Although the year ended on a strong note, the longstanding issue of a fallout in available inventory is perhaps the most pressing obstacle to sales going into 2022. In November, total housing inventory tumbled nearly 10% to 1.11 million units. Not only does this mean that consumers simply have fewer choices, but it also has put upward pressure on prices. The median price for overall existing homes rose to $353,900 in November, up 13.9% year-over-year. However, low supply is not the only downside risk to sales. The recent deterioration of the public health situation due to rising COVID cases could make scheduling and browsing homes more complicated. In addition, mortgage rates have been trending upward in recent months, which may reduce some demand.

That said, overall demand is not a problem in the housing market at the moment and should continue to be a buoy. Even with the aforementioned prices increases, homes are still selling like hotcakes. The NAR reported that properties were in the market for just 18 days in November, which is down 21 days from the same period in 2020.

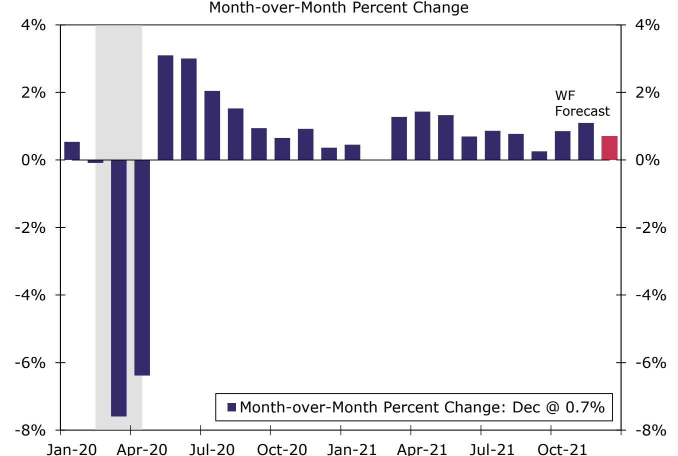


Source: National Association of Realtors and Wells Fargo Economics

Leading Index • Friday

After surging a greater-than-expected 1.1% in November, we see the leading economic index (LEI) increasing another 0.7% in the final month of last year. December's gain will likely be fueled by a stellar month for initial jobless claims as the monthly average drifted to 200K, which is lower than any weekly print in over 50 years before the pandemic. Improved consumer confidence may also have finally helped lift the consumer sentiment component in December, as the index rose to 115.8 and November's initial decline was revised to a slight gain. Granted, this data were taken in the beginning stages of the Omicron-related surge in COVID cases, and we may see some payback in January. Although the uptick in cases also led to sharp declines in the market midmonth, the S&P 500 was able to rally to just beneath 4,800 points by the end of the month. This means stock prices have the potential to meaningfully contribute to the LEI once more after having their largest monthly contribution to the headline in seven months in November.

While most of this news is positive, the public health situation has changed in just a span of a few weeks, and in some sense, the data we will get have likely not reflected the complete toll Omicron has taken on consumers and businesses most recently. Looking ahead into this first quarter of 2022, much still hinges on the ability to get cases under control so that the economy is able to operate smoothly and consumers feel at ease leaving their homes.(Return to Summary)



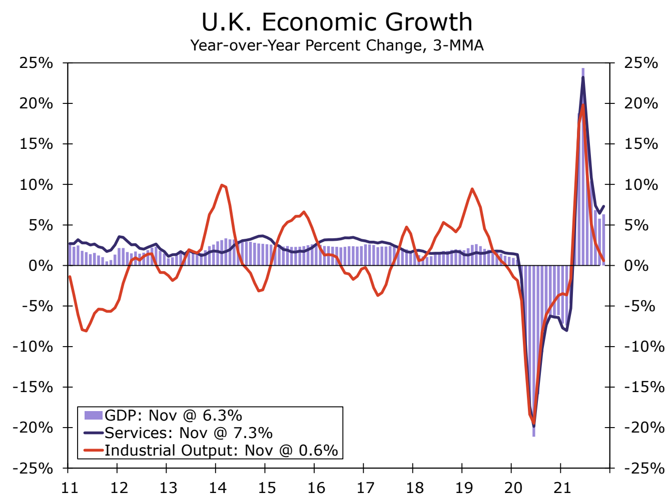
Source: The Conference Board and Wells Fargo Economics

International Review

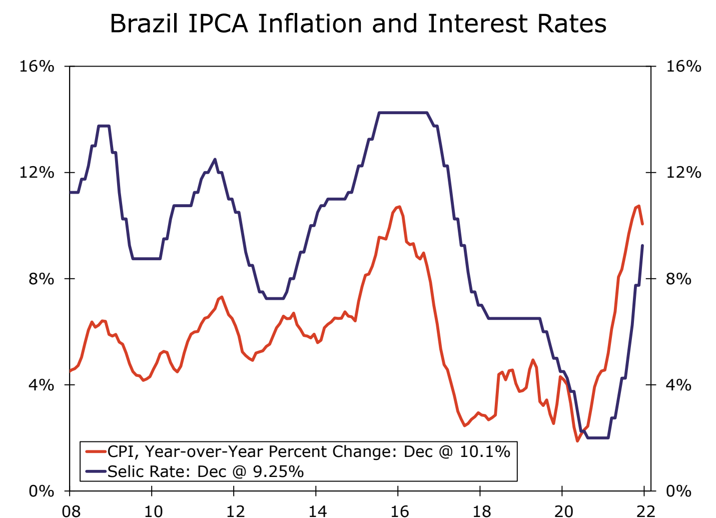
U.K. GDP Advances While Australian Retail Sales Surge

U.K. November monthly GDP rose an encouraging 0.9%, after a disappointing 0.1% increase in October. The surge brought the economy above its pre-pandemic peak. November services output rose 0.7% over the month, while accommodation & food services rose 0.5%. However, the U.K. has seen a large spike in COVID cases recently, which has weighed on activity and has resulted in mixed economic data. Retail sales increased 1.4% in November, but employment has slowed. December's manufacturing PMI fell to 57.9, while the services PMI fell more sharply to 53.6. We believe the monthly GDP print for December may come in softer due to the recent surge in COVID cases. Overall, we expect an uneven economic recovery for the U.K., with risks tilted to the downside due to the Omicron variant. Against this backdrop, we revised our 2022 annual growth forecast lower recently and now expect the U.K. economy to grow 4.1% in 2022.

Elsewhere within the G10, Australia retail sales rose 7.3% month-over-month in November, the largest gain since May 2020, following a sizable October increase. This gain was much higher than the 3.6% increase expected by the consensus and was driven by surges in apparel and department store shopping. Although the country is also seeing a spike in COVID cases similar to the U.K., recent economic data has been more encouraging in Australia. Employment rose by 366,100 in November, and business conditions improved from the prior month. Overall, Australia's economic outlook appears to be improving. We expect stronger growth in Q4-2021, and forecast 3.1% growth in 2022. However, given the rapid spread of the Omicron variant, we will be watching service-oriented sectors in particular to see if they are negatively affected by the spike in cases.



Source: Datastream and Wells Fargo Economics



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

Brazil CPI Still Elevated

In the emerging markets, price pressures remain present in Brazil, as December CPI came in higher than expected at 10.06%. Inflation has been elevated above 10% since September, significantly above the Central Bank of Brazil's (BCB) 3.5% target for 2022. The main drivers of higher prices have been transportation, housing and household goods. Within the housing component, fuel and energy prices are up over 24% year-over-year. Inflation expectations have increased with additional fiscal stimulus and currency weakness. The BCB raised rates by a cumulative 725 bps in 2021 and the Selic Rate now sits at 9.25%, but this has done little to dampen price pressures. This aggressive tightening has weighed on the overall Brazilian economy, and we now forecast growth will slow below 1% this year. We expect another 150 bps rate hike at the BCB's next monetary policy meeting in February.

In addition to an above-consensus inflation print, Brazil's November services volume also came in higher than expected, increasing 10.0% year-over-year. However, November retail sales were softer in tone, falling 4.2% year-over-year, indicating some activity is still suppressed. (Return to Summary)

International Outlook

Weekly International Indicator Forecasts

Date	Indicator	Period	Consensus	Wells Fargo	Prior
19-Jan	U.K. CPI (MoM)	Dec	0.3%	0.3%	0.7%
19-Jan	U.K. CPI (YoY)	Dec	5.2%	5.2%	5.1%
19-Jan	Canada CPI NSA (MoM)	Dec	-0.1%	-0.1%	0.2%
19-Jan	Canada CPI NSA (YoY)	Dec	4.8%	4.8%	4.7%
20-Jan	Japan Natl CPI (YoY)	Dec	0.9%	0.9%	0.6%

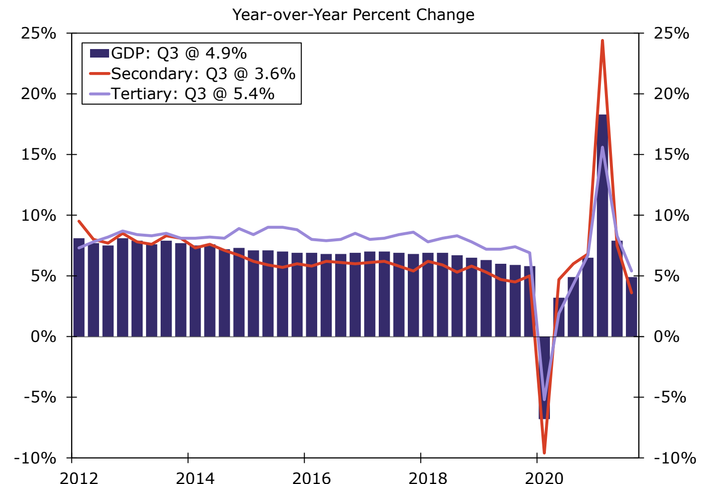
Forecast as of January 14, 2022

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

China GDP • Monday

China's GDP figures are due for release next week and should show the economy continued to face challenges from COVID-related restrictions, regulatory changes and a slowdown in the real estate sector. Given these factors, the focus will be on to what extent GDP improved in Q4 compared to the soft reading in Q3. The consensus expects Q4 GDP to rise 1.2% quarter-over-quarter, up from 0.2% in Q3, while year-over-year Q4 GDP is expected to slow to 3.3%. In addition to growth for Q4, monthly data could show that the economy ended 2021 on a reasonable note. Next week, we will also get data on two additional measures of economic activity: retail sales and industrial production, both which are expected to ease a bit.

Overall, the economic outlook for China remains uncertain amid its "Zero COVID" policy and strains on the real estate industry. We made several downward revisions to our China growth outlook last year, but our forecast for 5.5% growth in 2022 has recently remained steady, as we anticipate future monetary and fiscal stimulus will offset disruptions from the Omicron variant. However, risks are tilted toward slower growth.



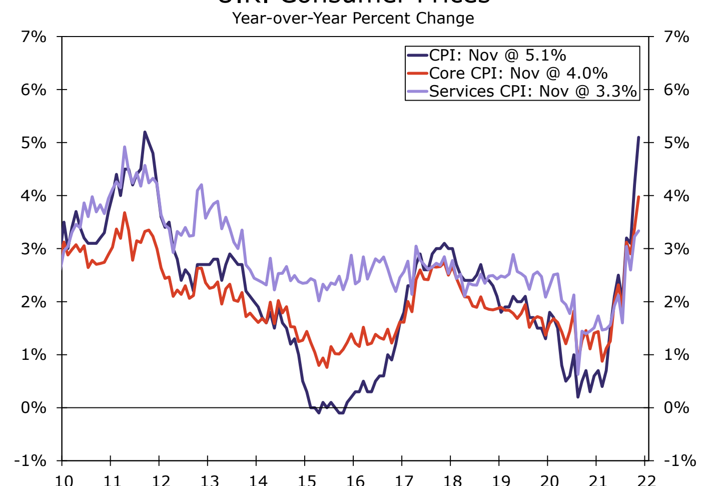
Source: Bloomberg Finance L.P. and Wells Fargo Economics

U.K. CPI • Wednesday

Market participants will be closely watching the U.K.'s December CPI data release. November's CPI increased by 5.1% year-over-year, more than expected, and has been elevated for the past few months, driven by increased prices for transport (motor fuels) and housing. In addition, energy prices are up over 25% over the year. November's core CPI quickened further to 4.0%. Overall, we expect headline inflation to come in at 5.2% and remain elevated in the near future, while the consensus expects core CPI to increase 3.9%.

The Bank of England (BoE) began its rate hike cycle in December, raising its policy rate 15 bps to 0.25% and citing persistent cost and price pressures. Although inflation is expected to remain elevated, we anticipate only a gradual pace of monetary tightening from the BoE, with a total of 50 bps of rate hikes this year—25 bps each in May and November. We also expect rate hikes to continue in 2023.

Finally, December retail sales are also set for release on Friday and are expected to decrease 0.6% month-over-month, but increase 3.4% year-over-year, which could be a further indication that the U.K. economy may experience an uneven economic recovery with downside risks posed by the Omicron variant.

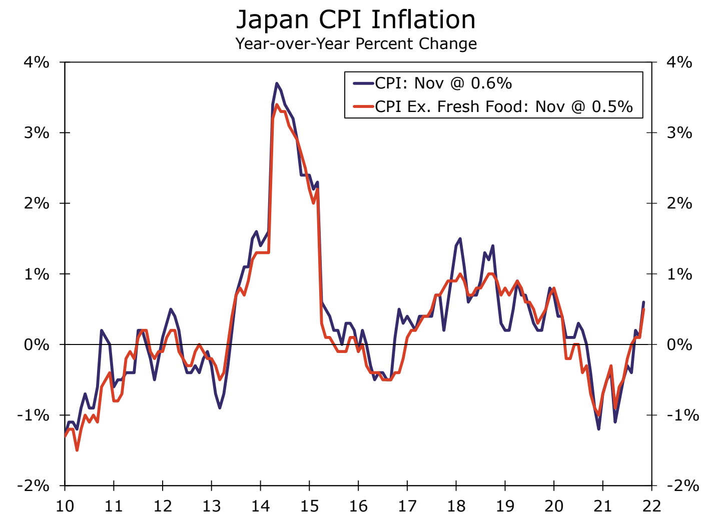


Source: Datastream and Wells Fargo Economics

Japan CPI • Friday

Inflation figures are also due out of Japan next week. In contrast to the United Kingdom, price pressures remain very muted in Japan, where the November headline CPI increased only 0.6% year-over-year, while the CPI excluding fresh food rose 0.5%. Much of the price increases can be attributed to energy, as CPI excluding fresh food and energy actually fell 0.6% year-over-year in November. We expect December headline inflation to remain low at 0.9% year-over-year. The consensus expectation is for CPI excluding food and energy to register another 0.6% decrease. Our overall forecast for Japan CPI in 2022 is only 0.5%.

The Bank of Japan (BoJ) will hold its monetary policy meeting next Tuesday, and given low inflation, we expect it to hold monetary policy steady, including keeping its policy rate unchanged at -0.10% and keeping the 10-year target JGB yield at zero percent. (Return to Summary)



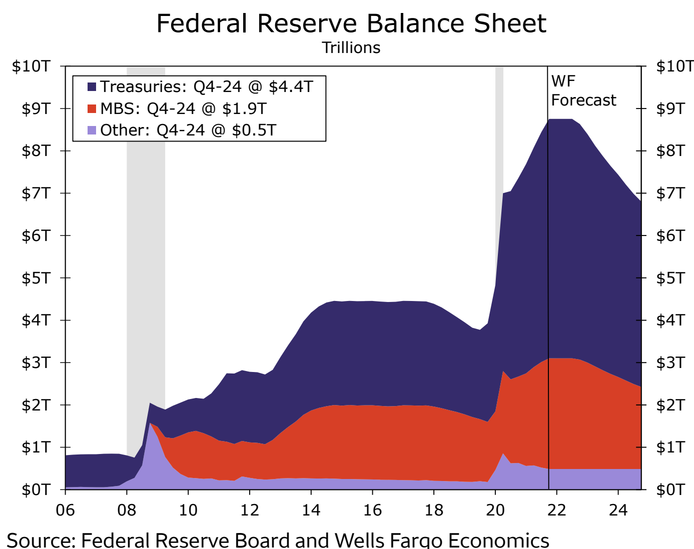
Source: Bloomberg Finance L.P. and Wells Fargo Economics

Interest Rate Watch

When Will the Federal Reserve Shrink Its Balance Sheet, and by How Much?

The outlook for U.S. monetary policy has shifted significantly in recent months. Inflation remains well above the Federal Reserve's 2% target, while the labor market recovery has continued at a much stronger pace than occurred in the 2010s expansion. A much more robust recovery in output, employment and prices in this cycle has translated into a much quicker pivot from the Federal Reserve on monetary policy. Markets are increasingly priced for the first fed funds rate hike from the Fed in March, and our forecast agrees with this view. Several more rate hikes later this year and in 2023 appear likely.

With tighter monetary policy on the horizon, market attention has turned to possible reductions in the Fed's asset holdings, which total nearly $9 trillion at present, up from $4.2 trillion before the pandemic. Our baseline assumption is that the FOMC will announce balance sheet runoff at the September 2022 FOMC meeting, with the actual runoff beginning one month later in October. Unlike the 2017 experience, we think the FOMC will also increase the federal funds rate at this meeting to 0.75%-1.00%.



Source: Federal Reserve Board and Wells Fargo Economics

Starting in October, we look for the Fed to stop reinvesting its maturing securities up to a monthly cap much like the central bank did the last time it shrank its asset holdings. We think these caps will ultimately be $70 billion per month for Treasury securities and $30 billion per month for MBS. Similar to last time, we suspect the Fed will phase in the runoff, so we have penciled in initial caps of $20 billion and $5 billion per month for Treasuries and MBS, respectively. These caps would then be increased by $10 billion and $5 billion, respectively, per month from November 2022 through March 2023 at which point the caps would level off at $70 billion and $30 billion, respectively. If these caps were kept in place through the end of 2024, we estimate the Fed's balance sheet would be just below $7 trillion at that point in time. Under this scenario, we project that the Fed's balance sheet would be 24.5% of GDP in Q4-2024, about the same level that prevailed in mid-2015.

If the Federal Reserve reduces its balance sheet by a couple trillion dollars over 2023 and 2024, this should contribute to the upward creep in yields on longer-dated Treasury securities and mortgage rates that we forecast in coming quarters. Quantifying the impact on Treasury yields from projected Fed balance sheet runoff is highly uncertain—much more uncertain than the pass-through from projected fed funds rate increases. We think the most likely outcome is for upward pressure on long-term Treasury yields, but only moderately so. The structural downward pressure on real long-term interest rates from demographic changes, lower potential GDP growth and elevated global savings remains intense. These factors are reflected in our 2023 year-end forecast for the 10-year Treasury yield of 2.35%.

For further reading, see our recent special report. (Return to Summary)

Credit Market Insights

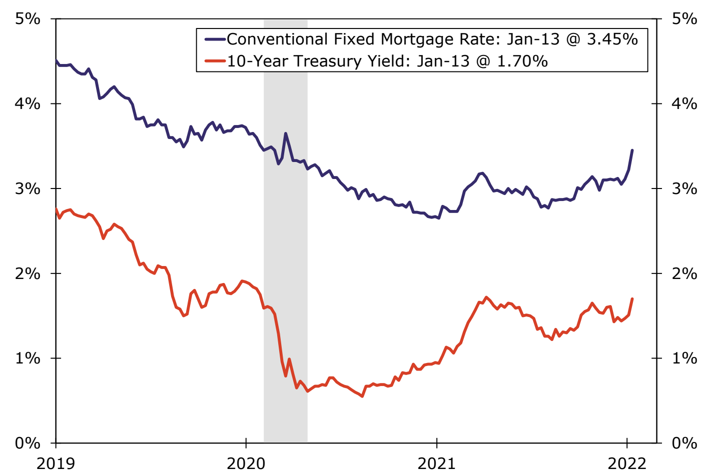
Mortgage Rates Are on the Rise

According to Freddie Mac, the average rate on a 30-year fixed-rate mortgage jumped almost a quarter of a percent this week, rising to 3.45% from 3.22%—the highest level since the pandemic's onset in March 2020. This week marks the third straight week that mortgage rates have climbed.

The uptick in mortgage rates was accompanied by a 19-bp increase in the 10-year Treasury yield. Taking a step back, mortgage rates tend to move in step with the 10-year Treasury yield. The mortgage-backed securities (MBS) market is a major driver of this relationship. Financial institutions sell bundled mortgage loans to government-sponsored enterprises, such as Freddie Mac and Fannie Mae, which then securitize those loans and sell them as MBS to investors. Because MBS have implied government backing, and a 30-year mortgage has an average life of around seven years, mortgage rates are closely correlated with the 10-year Treasury yield.

The recent upward move in Treasury yields and mortgage rates arrive alongside higher inflation and market expectations for tighter monetary policy. Last Wednesday, the minutes of the FOMC's Dec. 14-15 meeting were released and showed that Fed officials had a robust discussion about options for future quantitative tightening, underscoring the hawkish stance that the Committee has taken in recent months.

The Fed did not hold any MBS prior to 2008. Once the global financial crisis set in, MBS were purchased as a backstop for deteriorating financial markets. Prior to the pandemic, the Fed's holdings of MBS topped out at around $1.78 trillion in early 2017. MBS were slowly rolled off its balance sheet in the subsequent years. However, when the pandemic struck, the Fed resumed purchasing assets at a rapid clip. Currently, the Fed owns around $2.6 trillion worth of MBS. As discussed in Interest Rate Watch, we expect the Committee to wrap up its bond buying program by March and reduce the size of its balance sheet in 2023 and 2024. These actions should support an upward creep in mortgage rates, although only modestly so. We expect the average 30-year conventional mortgage rate to end 2022 at 3.75% and 2023 at around 3.90%. (Return to Summary)



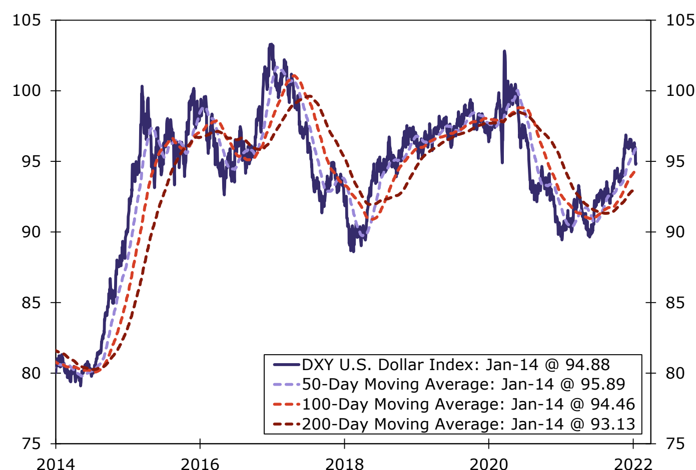
Source: Freddie Mac, Bloomberg Finance L.P. and Wells Fargo Economics

Topic of the Week

U.S. Dollar Stumbles to Start the Year

A hawkish shift from the Fed has not been enough to prevent the U.S. dollar from tumbling to start 2022. Following a year where the broad dollar index (DXY) rose close to 6.5%, in the first few weeks of this year the same index has dropped a little over 1%. The dollar's underperformance can be attributed to multiple factors. First, at Fed Chair Powell's confirmation hearing at Congress, Powell commented that monetary policy will be tightened in a way as to not disrupt the U.S. or global economic recovery. Hope for a sustained economic recovery not interrupted by interest rate hikes fueled positive risk sentiment and pushed foreign currencies higher. Also, we can point to a rather contained rise in December U.S. inflation. While U.S. CPI rose on a year-over-year basis, the actual rise in inflation was in line with consensus estimates. Inflation has trended above consensus estimates for some time, so a CPI print matching economist expectations was taken as a signal the Fed may not have to be as aggressive in fighting off elevated inflation. And finally, capital flows away from expensive U.S. dollar-denominated assets could also be playing a role in the dollar's broad depreciation to start the year.

But, despite these factors, the dollar's drop has taken us by surprise. We expected a hawkish turn from the Fed to be the key driver of currency markets this year, and even though the Fed has indeed changed its stance on policy, the dollar has not strengthened. The dollar's sharp depreciation has also been notable due to the technical levels the DXY index has breached. Year to date, DXY has already dropped below its 50-day moving average. Should the dollar continue on its recent trend, the 100-day moving average would likely be breached as well. As far as individual currency pairs, every G10 currency has strengthened against the dollar this year. Currencies associated with sound economies and hawkish central banks are outperforming; however, even traditional safe-haven currencies such as the Japanese yen and Swiss franc have appreciated.



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

While the DXY measures the dollar's performance strictly against G10 currencies, the greenback has also weakened against most emerging market currencies as well. Higher-beta currencies in Latin America and Emerging Europe have performed well against the dollar, while Asian currencies, for the most part, are unchanged year-to-date. We view the rise in emerging market currencies to start the year as a signal of broad-based depreciation pressure on the dollar.

Regardless of the dollar's underperformance so far, we maintain our view that the dollar will gradually strengthen over the course of 2022. We expect Fed monetary policy to still be a catalyst for dollar strength, and expect the dollar to outperform relative to developed and emerging market currencies this year. In particular, we believe emerging market currencies can come under the most pressure as U.S. yields rise. Most emerging market currencies are sensitive to Fed monetary policy developments, especially currencies highly integrated into the global economy with a fair amount of dollar-denominated debt. (Return to Summary)

Market Data • Mid-Day Friday

U.S. Interest Rates

	Friday 1/14/2022	1 Week Ago	1 Year Ago
1-Month LIBOR	0.11	0.10	0.13
3-Month LIBOR	0.24	0.23	0.24
3-Month T-Bill	0.12	0.09	0.07
1-Year Treasury	0.38	0.35	0.07
2-Year Treasury	0.96	0.86	0.14
5-Year Treasury	1.54	1.50	0.48
10-Year Treasury	1.76	1.76	1.13
30-Year Treasury	2.11	2.12	1.87
Bond Buyer Index	2.19	2.12	2.21

Foreign Exchange Rates

	Friday 1/14/2022	1 Week Ago	1 Year Ago
Euro ($/€)	1.140	1.136	1.216
British Pound ($/₤)	1.366	1.359	1.369
British Pound (₤/€)	0.835	0.836	0.888
Japanese Yen (¥/$)	114.090	115.560	103.800
Canadian Dollar (C$/$)	1.256	1.264	1.264
Swiss Franc (CHF/$)	0.914	0.919	0.888
Australian Dollar (US$/A$)	0.721	0.718	0.778
Mexican Peso (MXN/$)	20.321	20.401	19.696
Chinese Yuan (CNY/$)	6.353	6.378	6.475
Indian Rupee (INR/$)	74.154	74.306	73.046
Brazilian Real (BRL/$)	5.545	5.634	5.206
U.S. Dollar Index	95.205	95.719	90.239

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

Foreign Interest Rates

	Friday 1/14/2022	1 Week Ago	1 Year Ago
3-Month Euro LIBOR	-0.58	-0.59	-0.57
3-Month Sterling LIBOR	0.51	0.48	0.03
3-Month Canada Banker's Acceptance	0.56	0.54	0.45
3-Month Yen LIBOR	-0.02	-0.03	-0.08
2-Year German	-0.58	-0.59	-0.73
2-Year U.K.	0.80	0.83	-0.12
2-Year Canadian	1.15	1.07	0.17
2-Year Japanese	-0.07	-0.05	-0.11
10-Year German	-0.05	-0.04	-0.55
10-Year U.K.	1.15	1.18	0.29
10-Year Canadian	1.76	1.72	0.86
10-Year Japanese	0.14	0.14	0.04

Commodity Prices

	Friday 1/14/2022	1 Week Ago	1 Year Ago
WTI Crude ($/Barrel)	83.31	78.90	53.57
Brent Crude ($/Barrel)	85.49	81.75	56.42
Gold ($/Ounce)	1817.41	1796.55	1846.53
Hot-Rolled Steel ($/S.Ton)	1258.00	1272.00	1098.00
Copper (¢/Pound)	441.55	440.50	366.50
Soybeans ($/Bushel)	13.70	14.03	14.09
Natural Gas ($/MMBTU)	4.23	3.92	2.67
Nickel ($/Metric Ton)	22,417	20,499	17,627
CRB Spot Inds.	651.19	650.28	529.53

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