WELLS FARGO

Weekly — April 12, 2024

Weekly Economic & Financial Commentary

United States: **Are We There Yet?**

- The March consumer price data dominated the economic discussion this week and are the latest to support that the timing and degree of Fed easing will be later and smaller than many of us previously expected. We're not yet there. We now expect the FOMC won't begin to ease policy until its Sept. 18 meeting.
- Next week: Retail Sales (Mon.), Industrial Production (Tue.), Existing Home Sales (Thu.)

International: **Major Central Banks Readying Markets for Rate Cuts**

- The European Central Bank (ECB) held monetary policy steady this week, though we view the accompanying statement as laying the groundwork for easing in June. We expect the ECB to deliver an initial 25 bps rate cut at its June meeting. The Bank of Canada (BoC) also held steady and said "we are seeing what we need to see" to lower policy interest rates, but that "we need to see it for longer." We also lean toward an initial 25 bps policy rate cut from the BoC at its June meeting.
- Next week: China GDP (Tue.), Canada CPI (Tue.), U.K. CPI (Wed.)

Interest Rate Watch: **No, No, After You**

- The not-quite synchronized actions of the world's central banks came into better focus this week. We explore how that is impacting the rates market in the United States and abroad, particularly as expectations shift in the foreign exchange market.

Credit Market Insights: **Consumer Fear of Delinquency on the Rise**

- Earlier this week, the New York Fed released its Survey of Consumer Expectations for March. While inflation expectations were largely stable, cracks in household financial well-being were evident in consumers' responses.

Topic of the Week: **Biden Unveils New Plan to Cancel Student Debt**

- The Biden administration moved this week to propose new student loan debt relief that would affect millions of Americans. The new proposal would cancel up to $20,000 in debt for borrowers whose balances have grown as a result of unpaid interest. Overall, the macroeconomic impact looks to be muted for the policy, even if the impact could be significant for affected households.

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

Wells Fargo U.S. Economic Forecast

	Actual 2023				Forecast 2024				Actual		Forecast	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	2022	2023	2024	2025
Real Gross Domestic Product [1]	2.2	2.1	4.9	3.4	2.2	1.9	1.6	1.5	1.9	2.5	2.6	2.0
Personal Consumption	3.8	0.8	3.1	3.3	2.3	2.1	1.6	1.7	2.5	2.2	2.3	1.8
Consumer Price Index [2]	5.7	4.0	3.6	3.2	3.2	3.5	3.2	3.2	8.0	4.1	3.3	2.4
"Core" Consumer Price Index [2]	5.5	5.2	4.4	4.0	3.8	3.6	3.6	3.4	6.2	4.8	3.6	2.8
Quarter-End Interest Rates [3]												
Federal Funds Target Rate[4]	5.00	5.25	5.50	5.50	5.50	5.50	5.25	5.00	2.02	5.23	5.31	4.38
Conventional Mortgage Rate	6.54	6.71	7.20	6.82	6.82	7.05	6.80	6.50	5.38	6.80	6.79	6.09
10 Year Note	3.48	3.81	4.59	3.88	4.20	4.40	4.20	4.00	2.95	3.96	4.20	3.83

Forecast as of: April 11, 2024 [1] Compound Annual Growth Rate Quarter-over-Quarter [2] Year-over-Year Percentage Change
[3] Quarterly Data - Period End; Annual Data - Annual Averages [4] Upper Bound of the Federal Funds Target Range

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

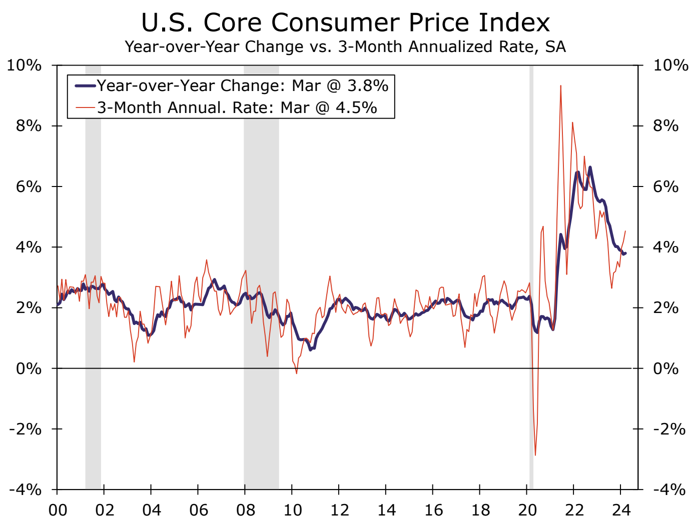
Please see our full U.S. Economic Forecast.

U.S. Review

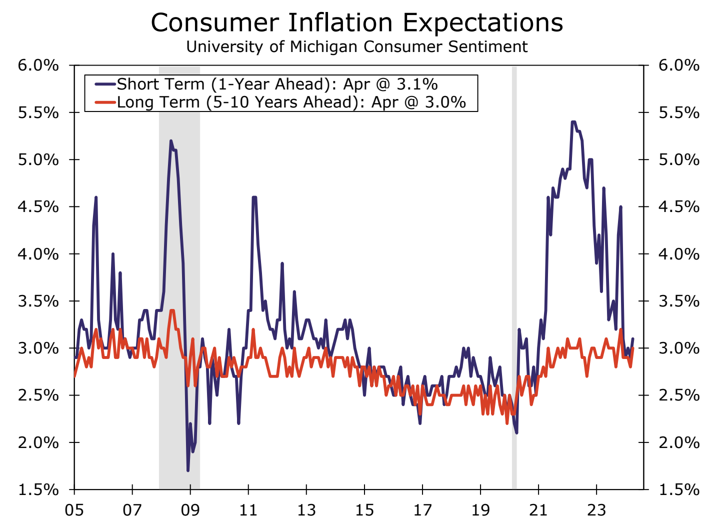
Are We There Yet?

The latest consumer price data dominated what was an otherwise light week in terms of fresh economic data. Inflation data have taken on increased importance as we all try to predict when the Federal Open Market Committee (FOMC) will embark on its highly-anticipated easing cycle. This week's data tell us, it may be awhile.

The Consumer Price Index (CPI) came in hot in March, rising 0.4% at both a headline and core level (once we strip out food and energy prices). As seen in the nearby chart, the three-month annualized rate of the core CPI climbed to 4.5%, an indication price growth *accelerated* in the first quarter. Core goods deflation returned in March, but core services inflation remains stubborn. The descent in shelter costs remains painstakingly slow as the real-time measures take time to show up in the CPI data. Primary shelter inflation rose 0.4% in March, while core services ex-housing was also hot, up 0.6%, amid gains in medical services as well as motor vehicle insurance and maintenance.



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



Source: University of Michigan and Wells Fargo Economics

We suspect the first quarter acceleration in core CPI reflects the often-choppy nature of monthly price movements and is a "bump" in the road back toward the Fed's inflation target, rather than a sign that slowing inflation is reversing course. But bumps still slow the journey, and we're not yet there in terms of Fed easing.

While we expect inflation to trend lower as the year progresses, it is still a problem today. Inflation was reported as the single most important problem faced by small business owners in March. In addition to elevated cost pressure, dwindling sales expectations and challenges finding qualified labor pushed small business sentiment to its lowest level since 2012 last month. But input price pressure is showing signs of easing as the Producer Price Index (PPI) showed a bit more improvement than the CPI in March, rising just 0.2%, or the slowest in three months. The PPI data still suggest the core PCE deflator, the Fed's preferred measure of consumer price inflation, will also show stalled progress in reducing inflation (data released April 26). Ultimately consumers still face rising prices. Year-ahead consumer inflation expectations rose to 3.1%, while expectations 5-10 years out hit 3.0% in early April. Despite hitting the highest level in six months, as seen in the nearby chart, long-term expectations are still consistent with its recent range and will be considered "anchored" by the Fed.

Overall, the latest data push out the timing and degree of Fed easing this year. We now expect the FOMC to first cut the fed funds rate by 25 bps at its Sept. 18 policy meeting followed by 25 bps rate cuts at every other FOMC meeting through the end of next year. This means just 50 bps of total easing in 2024 followed by another 100 bps of easing in 2025, which puts the target range for the fed funds rate at 3.75%-4.00% at year-end 2025. For our full economic forecast, please see our latest Monthly Economic Outlook published this week.

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U.S. Outlook

Weekly Domestic Indicator Forecasts

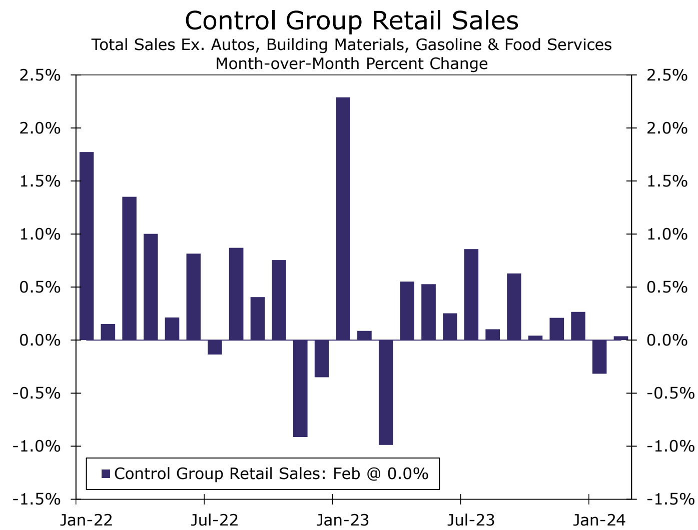
Date	Indicator	Period	Consensus	Wells Fargo	Prior
15-Apr	Retail Sales (MoM)	Mar	0.4%	0.5%	0.6%
15-Apr	Retail Sales Less Autos (MoM)	Mar	0.5%	0.6%	0.3%
15-Apr	Business Inventories (MoM)	Feb	0.3%	0.4%	0.0%
16-Apr	Housing Starts	Mar	1480K	1467K	1521K
16-Apr	Industrial Production (MoM)	Mar	0.4%	0.4%	0.1%
16-Apr	Capacity Utilization	Mar	78.50%	78.5%	78.3%
18-Apr	Leading Index (MoM)	Mar	0.0%	-0.2%	0.1%
18-Apr	Existing Home Sales	Mar	4.16M	4.11M	4.38M

Forecast as of April 12, 2024

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

Retail Sales • Monday

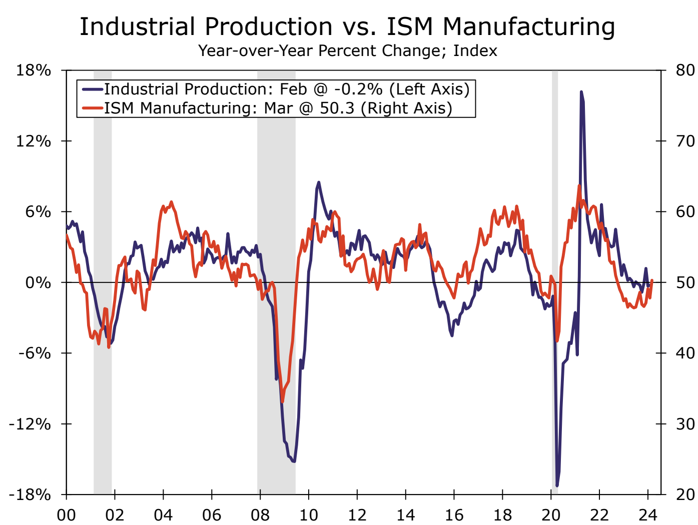
Personal spending picked up speed in February, but households are directing their outlays toward services. The pivot in wallet share has weighed on retail sales recently, as the survey primarily tracks the sale of goods. Sales in the retail "control group," a measure that the Bureau of Economic Analysis uses for its calculation of personal consumption expenditures (PCE), have been sluggish—a 0.3% decline in January and a flat reading in February. The outturn points to a slight moderation in PCE growth in Q1 relative to Q4-2023. Despite the slowdown, we do not think consumer spending is poised to slow meaningfully, especially as wage growth remains solid. Real-time credit card spending data show consumer outlays remaining above their pre-pandemic trend in March. Separate data show vehicle sales softening during the month. Gasoline prices increased nearly 2%, which will likely prop up total retail sales as they are reported on a nominal basis. Taken together, we anticipate retail sales to increase 0.5% in March. Excluding autos, we look for a slightly stronger 0.6% rise.



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

Industrial Production • Tuesday

The factory sector is showing signs of awakening after stalling out for the better part of last year. Orders of core capital goods (capital goods excluding defense and aircraft) picked up 0.7% in February, indicating some improvement in capex demand. Purchasing managers have taken notice; the ISM manufacturing index broke back into expansionary territory in March for the first time in 16 months as the new orders and current production sub-components improved. Average hours worked in the manufacturing sector have also increased over the past two months, suggesting firms are edging their capacity utilization back up. We look for industrial production to increase 0.4% in March in view of these recent developments. That said, we remain cautious on the trajectory of production in the coming months until we have more clarity on the timing of monetary policy easing.



Source: Federal Reserve Board, Institute for Supply Management and Wells Fargo Economics

Existing Home Sales • Thursday

While the pace of home buying is still sluggish, existing home sales popped 9.5% in February to a 4.38 million-unit annualized sales pace, or the fastest since early 2023. Improving supply in the resale market supported the jump in sales. Inventory of existing homes was up 10% on a year-ago basis, as a slight decline in mortgage rates helped pull buyers off the sidelines and encourage existing homeowners to list their properties. We suspect the improvement is unlikely to be sustained in the coming months. Mortgage rates ticked higher over the course of February and led applications for mortgages to contract 12% over the month. We forecast existing home sales slid 6% in March to a 4.11 million-unit pace.

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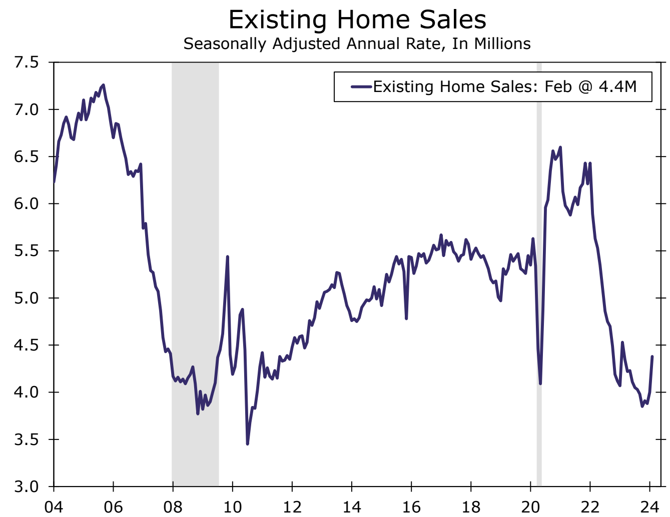


Source: National Association of Realtors and Wells Fargo Economics

International Review

Major Central Banks Readying Markets for Rate Cuts

The European Central Bank (ECB) held monetary policy steady at this week's announcement, though we view the accompanying statement as laying the groundwork for a probable ECB rate cut in June. The ECB cited an easing in underlying inflation and wage growth and said that firms are absorbing part of the rise in labor costs in their profits. In addition, the ECB dropped the reference to interest rates needing to remain at their current level for a sufficiently long duration. Instead, the ECB's announcement and ECB President Lagarde suggested that as long as updated forecasts confirmed the improving inflation outlook, monetary policy easing would be appropriate at the June 6 meeting. Specifically, the ECB said:

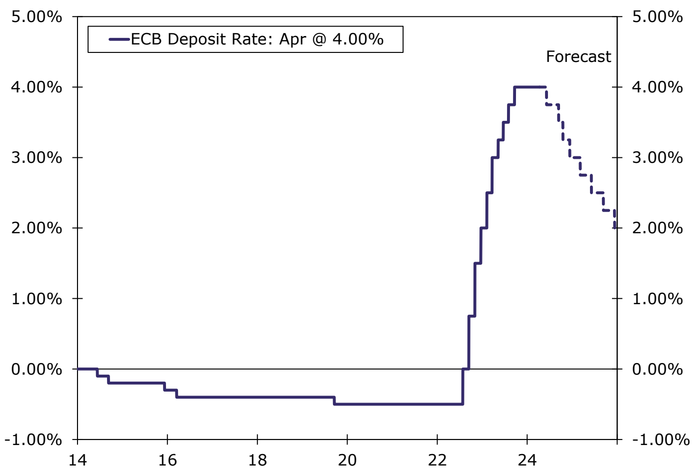
“If the Governing Council’s updated assessment of the inflation outlook, the dynamics of underlying inflation and the strength of monetary policy transmission were to further increase its confidence that inflation is converging to the target in a sustained manner, it would be appropriate to reduce the current level of monetary policy restriction.”

In addition, at the post meeting press conference, Lagarde said the ECB will get a lot more information by June, including a newly updated economic outlook. Lagarde also said a large majority of policymakers wanted to wait for the June announcement, although a few policymakers felt confident enough on inflation to move this week. Against that backdrop, our view remains that the ECB will lower its Deposit Rate by 25 bps to 3.75% at its June 6 monetary policy meeting, while more broadly we forecast a cumulative 100 bps of rate cuts over the rest of this year, which would see the Deposit Rate end 2024 at 3.00%.

The Bank of Canada (BoC) also held its policy rate steady at this week's monetary policy announcement, an outcome that was widely expected. However, the accompanying statement pointed to the potential for lower policy interest rates in the months ahead. BoC Governor Macklem said “we are seeing what we need to see” to lower policy interest rates, but that “we need to see it for longer to be confident that progress toward price stability will be sustained.” Macklem also said a June rate cut was within the realm of possibilities. Meanwhile, the BoC also lowered its CPI inflation forecasts, even as it upgraded its GDP growth forecasts. Finally, the BoC said that labor market conditions continue to ease and that there are recent signs wage pressures are moderating, with many measures of wage growth now seen in a range of 3.5%-4.5%, down from 4%-5% previously. While the outcome of the June monetary policy meeting is clearly data dependent, as long as core inflation remains contained and labor market trends subdued, we suspect that may be enough for the BoC to deliver an initial 25 bps policy rate cut at that meeting. We also forecast 25 bps rate cuts in July, September and October for a cumulative 100 bps of rate reduction in 2024, which would see the policy rate end this year at 4.00%.

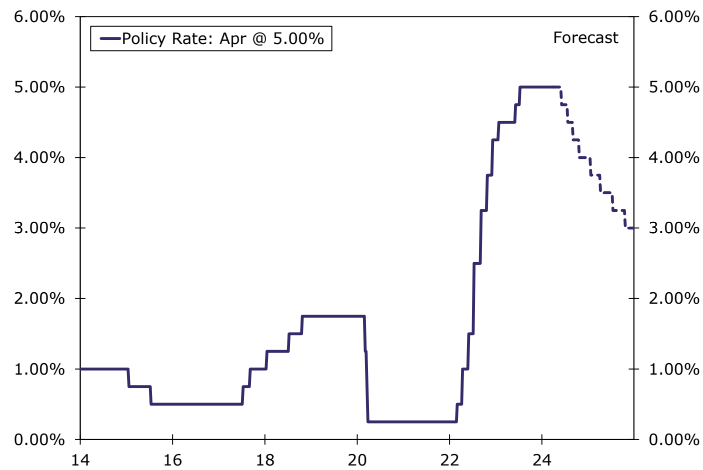
Elsewhere, the Reserve Bank of New Zealand (RBNZ) held its policy interest rate at 5.50% at this week's meeting and did not offer any hints of near-term monetary policy easing. The RBNZ said that economic growth remains weak, but that a "restrictive monetary policy stance remains necessary to further reduce capacity pressures and inflation." We expect the RBNZ to deliver an initial rate cut at its August monetary policy announcement.

ECB Deposit Rate



Source: Datastream and Wells Fargo Economics

Bank of Canada Policy Rate



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

In Latin America, this week's news on the inflation front was mixed. In Mexico, the March CPI rose 4.42% year-over-year, slightly more than in February but less than the consensus forecast, while the core CPI eased more than expected to 4.55%. Core goods inflation slowed in March, but the slight tick higher in services inflation to 5.37% was a modest concern. Still, with headline inflation remaining steady and the core CPI easing slightly further, we lean toward the Bank of Mexico lowering its policy interest rates another 25 bps at its May monetary policy announcement. In Brazil, March CPI inflation slowed a bit more than expected to 3.93% year-over-year. We expect Brazil's Central Bank to cut its Selic rate by a further 50 bps to 10.25% in May, but to shift to a slower pace of monetary easing later this year. Finally, Chile's March CPI was a downside surprise, as headline inflation slowed more than forecast to 3.7% year-over-year.

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International Outlook

Date	Indicator	Period	Consensus	Wells Fargo	Prior
16-Apr	China GDP (QoQ)	Q1	1.5%	—	1.0%
16-Apr	China GDP (YoY)	Q1	4.8%	—	5.2%
16-Apr	Canada CPI (YoY)	Mar	3.0%	—	2.8%
17-Apr	U.K. CPI (YoY)	Mar	3.1%	3.0%	3.4%
17-Apr	U.K. Core CPI (YoY)	Mar	4.1%	—	4.5%

Weekly International Indicator Forecasts

Forecast as of April 12, 2024

Source: Bloomberg LP and Wells Fargo Securities

China GDP • Tuesday

China's Q1 GDP data due for release next week will likely confirm a moderate, and perhaps temporary, boost to growth from a range of stimulus measures announced by authorities since late last year. These measures have included, among other things, a reduction in the central bank's Reserve Requirement Ratio and Loan Prime Rate, and fiscal stimulus including special bond borrowing by the central government and local government. Those measures have supported sentiment in the early part of 2024, reflected in improvement in both the manufacturing and non-manufacturing PMIs. The consensus forecast is that the stimulus measures also translated to stronger economic growth during the first quarter. Q1 GDP is seen rising 1.5% quarter-over-quarter, stronger than the 1.0% gain in Q4, though slowing to 4.8% on a year-over-year basis.

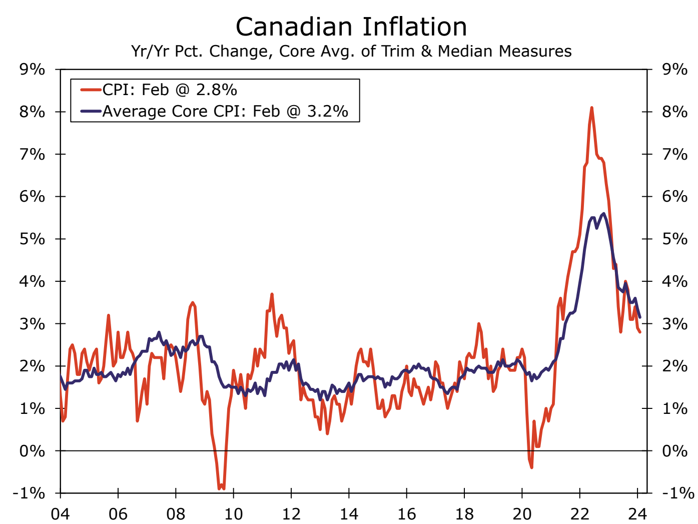
March activity data are expected to show some easing in growth. March industrial output is expected to rise 6.0% year-over-year, which would be less than the 7.0% gain for the January-February period. March retail sales are expected to rise 5.0%, which would also be less than the 5.5% gain for the January-February period. A March deceleration would be consistent with our view that the early 2024 boost to economic growth could prove temporary, given persisting headwinds from property sector challenges and elevated youth unemployment.

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

Canada CPI • Tuesday

Canada's March CPI, released next week, will be closely scrutinized for evidence that Canadian inflation is broadly continuing along a path toward the Bank of Canada's (BoC) 2% inflation target. Canadian inflation surprised to the downside in February, as headline inflation slowed to 2.8% year-over-year, and average core inflation slowed to 3.2%. More broadly over the past several months, lessening price pressures for food, clothing and footwear, health and personal care, and alcohol and tobacco have contributed to the overall deceleration of inflation, while shelter costs have remained persistent.

For March, base effects are likely to be less helpful for overall inflation trends. As a result, the deceleration of headline inflation is likely to slow, or even reverse, in March, while core inflation should ebb only slightly. Headline inflation is expected to firm slightly to 3.0% year-over-year, while average core inflation is expected to ease to 3.1%. Even so, measured over a shorter timeframe on a three-month annualized basis, that should still keep the recent pace of core inflation in line with the 2% inflation target. Considering the subdued Canadian March jobs report, muted business sentiment, and the policy hints and updated economic projections from the



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

BoC this week, we think that would still leave the central bank on course to deliver an initial 25 bps policy rate cut at its June monetary policy meeting.

U.K. CPI • Wednesday

Next week will be a busy week for U.K. data releases, which will be carefully scrutinized by market participants as they assess the potential timing of an initial Bank of England (BoE) rate cut.

The most significant release should be the March CPI. U.K. inflation has shown a significant deceleration through February, with the headline CPI printing at 3.4% year-over-year and the core CPI printing at 4.5%. Reduced price pressures for food, clothing and footwear, housing, and recreational products have driven the slowdown of inflation, while services inflation has remained somewhat more persistent. For March, the likelihood is for further progress on disinflation, with the consensus forecast for headline inflation to slow to 3.1%, for core inflation to slow to 4.1% and for services inflation to slow to 5.7%.

The U.K. CPI is not the only economic release next week. A further easing in U.K. wage growth (for the three months through February) and to a lesser extent a subdued reading for U.K. March retail sales (the consensus forecast is for a 0.3% month-over-month gain) would reinforce the view of dissipating inflation pressures. As long as price and wage inflation in particular slow further, we believe our base case for an initial 25 bps BoE policy rate cut at the June monetary policy meeting remains on the table.

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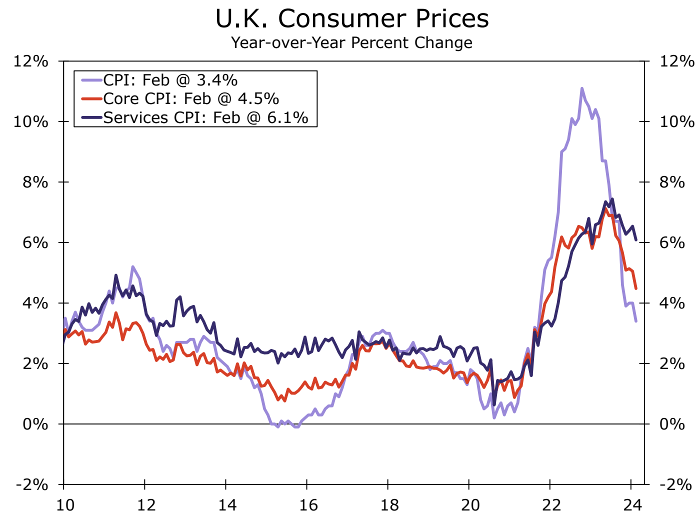


Source: Datastream and Wells Fargo Economics

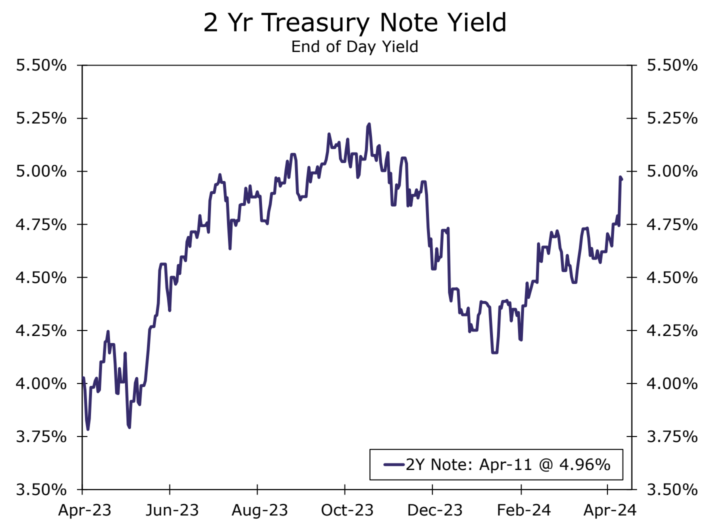
Interest Rate Watch

No, No, I Insist...After You!

With unexpected twists, a rotating cast of known characters and running gags, economics can be reminiscent of cartoons. In the golden era of animation, Warner Brothers' Merry Melodies featured a pair of exceedingly polite gophers with buck-teeth and courtly mannerisms and dialogue such as "Indubitably!", "You first, my dear," and "But, no, no, no…after YOU."

Financial markets this week continued to price in the implications of a less dovish Federal Reserve. In Domestic Review, we unpacked how this week's CPI report became the latest disruption in what had been a smooth ride lower for inflation, factoring into our call to push back the timing of rate cuts from the FOMC to the September meeting. Yet we also discuss in International Review how we see this week's European Central Bank (ECB) statement as laying the groundwork for monetary easing in June. Similarly, we also lean toward an initial 25 bps policy rate cut from the Bank of Canada at its June monetary policy meeting.

Financial markets are coming to grips with the notion that the Federal Reserve may be slower to cut rates than previously thought, and that fewer cuts may be in the cards this year. That is widely evident in the bond market where two-year Treasury yields went from 4.71% earlier in the week to north of 5.00% Thursday.



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

The moves are affecting foreign exchange markets as well. The growing expectation that major foreign central banks will likely beat the Federal Reserve to the punch when it comes to delivering the first rate cut is manifesting itself in renewed dollar strength. This is particularly evident in the value of the greenback vs. the euro, which climbed another 1.8% this week, bringing the year-to-date increase to 3.7%. The value of the U.S. dollar relative to its Canadian counterpart added a more modest 1.3% this week, putting the year-to-date gain at 3.9%.

A strong U.S. dollar can be helpful to the Federal Reserve in its efforts to counter inflation by preventing purchasing power from dropping too much. A strong dollar also allows U.S. consumers to buy goods and services from overseas for less. While these developments may be helpful at the margin, quelling domestic service prices is a more urgent concern these days and the value of the dollar does little to impact that.

Against a backdrop of resilient U.S. activity so far this year, we believe a period of U.S. dollar strength can persist through Q3 of this year, and perhaps longer. The fact that the September rate cut we forecast from the Fed is later than the initial June rate cuts we forecast from the European Central Bank, Bank of England and Bank of Canada plays an obvious role here. Eventually, we still see scope for a trend of gradual U.S. dollar deprecation over the longer term, beginning in Q4 of this year and continuing through 2025. We expect U.S. growth outperformance to wane over time as U.S. growth slows, while other major economies gradually recover. And as the Federal Reserve also joins the trend of global monetary easing later this year, we believe that will contribute to moderate U.S. dollar depreciation over the medium term.

Often mistaken for Disney's Chip and Dale, the over-politeness of Mac and Tosh, the gophers from Looney Tunes, often led to unintended consequences and difficult predicaments from which they would have to extricate themselves. Some might point to our present economic situation and ask why the Federal Reserve does not cut rates to boost the economy? In such moments, it is useful to recall that the dual job of the FOMC is low, stable inflation and maximum employment, but there is no mandate to boost the economy. After all, they are not the Rescue Rangers.

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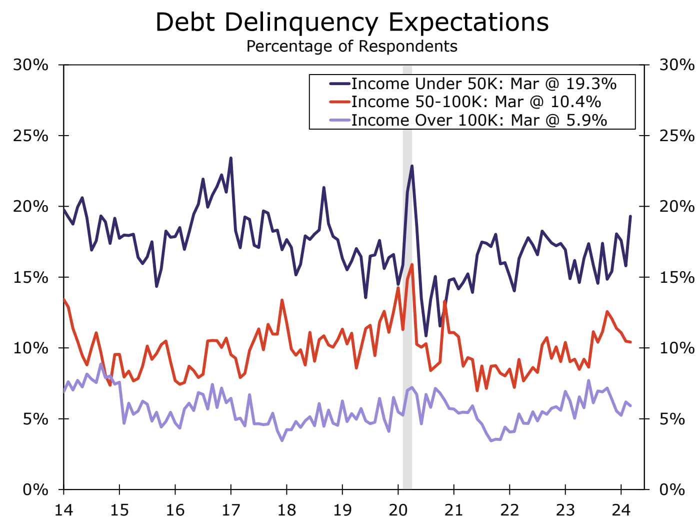
Credit Market Insights

Consumer Fear of Delinquency on the Rise

Earlier this week, the New York Fed released its Survey of Consumer Expectations for March. The data revealed that inflation expectations held mostly steady. The median inflation expectation for the one-year ahead horizon remained unchanged at 3.0% and the median inflation expectation for the three-year ahead horizon increased just 0.2 percentage points to 2.9%. While inflation expectations were largely stable, cracks in household financial well-being were evident in consumers' responses. Though median expected growth in household income and spending remained unchanged over the month, the average perceived probability of missing a minimum debt payment over the next three months rose to 12.9%, the highest reading since April 2020. This points to the squeeze consumers are feeling from the current high rate environment.

While most groups reported an increase in their perceived probability of missing a minimum debt payment over the next three months, the rise was unevenly distributed. In March, the share of consumers aged 40-60 who expected to miss a payment leapt almost four percentage points to 15.7%, the highest probability reported in that age group since March 2020. Those with household incomes below $50,000 saw a similar increase, with the share rising to 19.3%. While historically elevated, March's reported probability is the highest seen since the onset of the pandemic (chart). In addition, consumers were more pessimistic about future credit conditions. A larger share of respondents expected tighter credit conditions a year from now, and a smaller share expected looser credit conditions.



Source: Federal Reserve Bank of New York and Wells Fargo Economics

We do not anticipate households' expectations for credit conditions to improve in the near future. Recent data continue to show a resilient U.S. economy, which has complicated the path back to 2% inflation. As a result, we believe the FOMC will start cutting rates a bit later than previously expected. We now expect the FOMC to cut the fed funds rate by 25 bps at its Sept. 18 meeting, followed by 25 bps rate cuts at every other FOMC meeting through the end of next year. If realized, this would put the target range for the fed funds rate at 3.75%-4.00% at year-end 2025; see Interest Rate Watch for more detail. With the current high rate environment taking hold for longer than anticipated, consumers' expectations about credit conditions are likely to further deteriorate.

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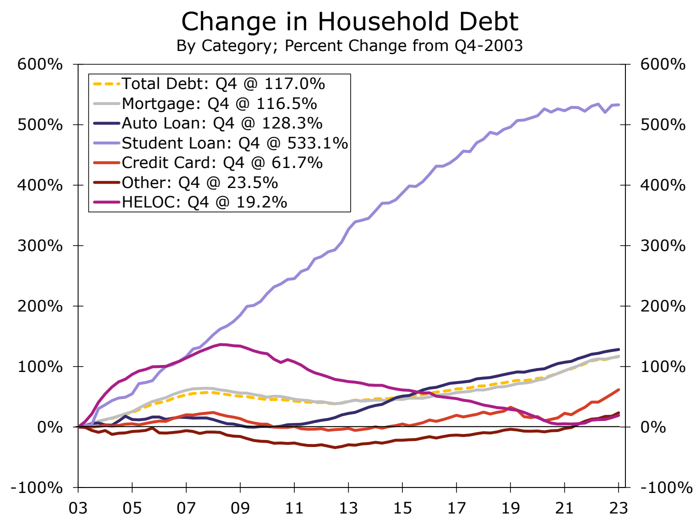
Topic of the Week

Biden Unveils New Plan to Cancel Student Debt

The Biden administration moved this week to propose new student loan debt relief that would affect millions of Americans. The central aim of the new proposal would cancel up to $20,000 in debt for borrowers whose balances have grown as a result of unpaid interest. Eligibility is limited to individuals making up to $120,000 or couples making up to $240,000 and who have been making payments toward undergraduate student loans for at least 20 years or to graduate-level student loans for at least 25 years. In addition, there are other targeted parts of the proposal aimed at reducing the debt burden for borrowers who attended “low-financial-value programs” or those experiencing financial hardship. This plan is different from the administration's previous plan that was struck down by the Supreme Court in summer 2023 in that it specifically targets those whose outstanding balances are now *larger* than the amount initially borrowed.

Student loan debt has been the fastest growing category of debt over the past 20 years. In fact, student loans have grown over 500% in the past two decades, which as seen in the nearby chart far outpaced the second fastest growing debt category of auto loans, which 'only' grew 128%. Student loans tend to affect younger demographics more, but individuals across the age spectrum can be saddled with the debt. The rapid rise in student loan debt highlights how the issue has risen to be at the forefront of politics in the current cycle. It has remained a priority of the Biden administration since the president's 2020 campaign.



Source: Federal Reserve Bank of New York and Wells Fargo Economics

The White House estimates that this new policy, in addition to other targeted policy reforms by the administration, will impact close to 30 million Americans. More specifically, they estimate that this plan would fully wipe out accrued interest for 23 million borrowers, would eliminate the full outstanding student loan balance for over 4 million borrowers and provide over 10 million borrowers with at least $5,000 in relief.

So, what would this impact look like on a macro level? There is so much uncertainty with respect to who will actually see the relief not to mention the legal wrangling expected to slow if not stop its progress. In an attempt to identify the very top end of the range in terms of measurable impact, we can do some basic arithmetic. If we assume that all the 30 million Americans the administration estimates could be affected receive the full $20,000 in relief, that would amount to around $600 billion of student loans being canceled. Through Q4-2023, student debt outstanding amounted to over $1.6 trillion, and a $600 billion reduction would bring the total down to near $1 trillion, a level last seen more than a decade ago. Remarkably, even this back-of-the-envelope tally of a $600 billion reduction would reduce total household liabilities by only 3%, translating to just a 0.4% increase in aggregate household net worth. Overall, the macroeconomic impact looks to be muted for the policy, even if the impact could be significant for individually-affected households.

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Market Data • Mid-Day Friday

U.S. Interest Rates

	Friday 4/12/2024	1 Week Ago	1 Year Ago
SOFR	5.31	5.32	4.80
Effective Fed Funds Rate	5.33	5.33	4.83
3-Month T-Bill	5.38	5.36	4.94
1-Year Treasury	5.33	5.13	4.36
2-Year Treasury	4.88	4.75	3.96
5-Year Treasury	4.54	4.39	3.46
10-Year Treasury	4.51	4.40	3.39
30-Year Treasury	4.61	4.55	3.62
Bond Buyer Index	3.76	3.68	3.32

Foreign Exchange Rates

	Friday 4/12/2024	1 Week Ago	1 Year Ago
Euro ($/€)	1.065	1.084	1.099
British Pound ($/₤)	1.245	1.264	1.249
British Pound (₤/€)	0.855	0.857	0.880
Japanese Yen (¥/$)	153.100	151.620	133.130
Canadian Dollar (C$/$)	1.376	1.359	1.344
Swiss Franc (CHF/$)	0.912	0.902	0.896
Australian Dollar (US$/A$)	0.648	0.658	0.669
Mexican Peso (MXN/$)	16.664	16.453	18.074
Chinese Yuan (CNY/$)	7.238	7.233	6.873
Indian Rupee (INR/$)	83.423	83.293	82.089
Brazilian Real (BRL/$)	5.133	5.067	4.919
U.S. Dollar Index	105.930	104.298	101.500

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

Foreign Interest Rates

	Friday 4/12/2024	1 Week Ago	1 Year Ago
3-Month German Govt Bill Yield	3.73	3.69	2.75
3-Month U.K. Govt Bill Yield	5.23	5.24	3.89
3-Month Canadian Govt Bill Yield	4.91	4.97	4.39
3-Month Japanese Govt Bill Yield	0.01	0.01	-0.27
2-Year German Note Yield	2.86	2.88	2.80
2-Year U.K. Note Yield	4.35	4.22	3.52
2-Year Canadian Note Yield	4.17	4.22	3.77
2-Year Japanese Note Yield	0.27	0.21	-0.05
10-Year German Bond Yield	2.36	2.40	2.37
10-Year U.K. Bond Yield	4.14	4.07	3.57
10-Year Canadian Bond Yield	3.64	3.59	2.88
10-Year Japanese Bond Yield	0.86	0.79	0.47

Commodity Prices

	Friday 4/12/2024	1 Week Ago	1 Year Ago
WTI Crude ($/Barrel)	86.29	86.91	83.26
Brent Crude ($/Barrel)	90.89	91.17	87.33
Gold ($/Ounce)	2394.91	2229.87	2014.93
Hot-Rolled Steel ($/S.Ton)	845.00	853.00	1184.00
Copper (¢/Pound)	429.00	423.60	408.10
Soybeans ($/Bushel)	11.64	11.90	15.00
Natural Gas ($/MMBTU)	1.77	1.79	2.09
Nickel ($/Metric Ton)	17,634	17,543	23,264
CRB Spot Inds.	553.48	549.17	556.04

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