Economics

WELLS FARGO

Weekly — September 27, 2024

Weekly Economic & Financial Commentary

United States: **Consumer in the Spotlight**

- The personal income and spending data this week show that inflation remains in check, shed light on the staying power of the consumer and paint a more constructive backdrop for household finances moving forward. Real estate should be a beneficiary of lower interest rates as the Fed eases policy, yet housing activity remains slow.
- Next week: ISM Manufacturing (Tue.), ISM Services (Thu.), Employment (Fri.)

International: **Eurozone Economy at Risk of Renewed Stumble**

- The Eurozone September manufacturing and services PMIs were disappointing, with output and orders both softening, although they also indicated an overall softening in price pressures. We expect Eurozone expansion to continue, but now expect a slower pace of recovery than previously. Elsewhere, it was a busy week for international central banks. China, Sweden, Switzerland, Hungary, the Czech Republic and Mexico all lowered interest rates, while Australia held monetary policy steady.
- Next week: China PMIs (Mon.), Japan Tankan Survey (Tue.), Eurozone CPI (Tue.)

Credit Market Insights: **Is the Tide Turning for Commercial Real Estate?**

- When the Fed cut the policy rate by 50 bps last week, it marked what should be the beginning of the end of the worst CRE downturn since the global financial crisis. Although there are no shortage of obstacles ahead for CRE, the gap between the amount of maturing debt in need of refinancing and the available capital should be reduced with lower rates, thus limiting the extent to which stress mounts further.

Topic of the Week: **Reasons Not to Panic About Looming Port Strikes**

- Thousands of dockworkers are set to strike at East and Gulf coast U.S. ports this upcoming week if the International Longshoremen's Association (ILA) and the United States Maritime Alliance (USMX) cannot come to an agreement regarding wage negotiations. While work stoppages at these ports cannot be ruled out, and a prolonged worker stoppage could disrupt supply chains, our sense is that worries about major supply disruption are overstated.

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

Wells Fargo U.S. Economic Forecast

	Actual		Forecast						Actual	Forecast		
	2024				2025				2023	2024	2025	2026
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Real Gross Domestic Product [1]	1.6	3.0	2.6	1.0	1.2	1.9	2.8	2.9	2.9	2.6	1.9	2.6
Personal Consumption	1.9	2.8	3.5	1.2	1.3	1.8	2.4	2.5	2.5	2.6	1.9	2.3
Consumer Price Index [2]	3.2	3.2	2.6	2.4	2.2	2.1	2.4	2.5	4.1	2.9	2.3	2.4
"Core" Consumer Price Index [2]	3.8	3.4	3.2	3.1	2.6	2.5	2.6	2.5	4.8	3.4	2.6	2.4
Quarter-End Interest Rates [3]												
Federal Funds Target Rate[4]	5.50	5.50	5.00	4.50	4.00	3.50	3.25	3.25	5.23	5.13	3.50	3.25
Conventional Mortgage Rate	6.82	6.92	6.30	6.15	5.95	5.80	5.65	5.55	6.80	6.55	5.74	5.58
10 Year Note	4.20	4.36	3.70	3.60	3.50	3.45	3.40	3.40	3.96	3.97	3.44	3.48

Forecast as of: September 19, 2024

[1] Compound Annual Growth Rate Quarter-over-Quarter

[2] Year-over-Year Percentage Change

[3] Quarterly Data - Period End; Annual Data - Annual Averages

[4] Upper Bound of the Federal Funds Target Range

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

Please see our full U.S. Economic Forecast.

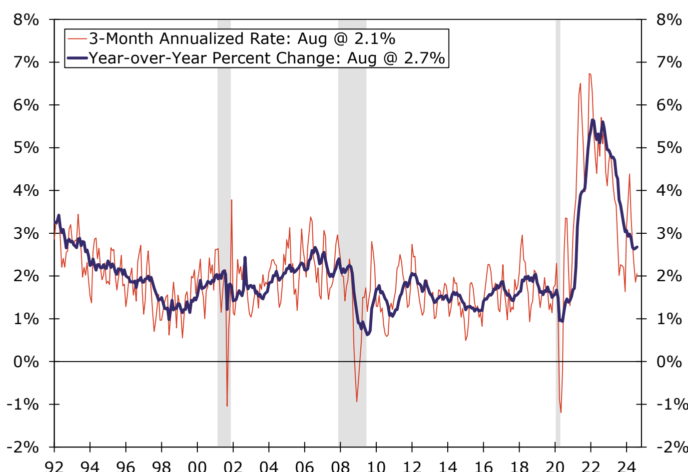
U.S. Review

Consumer in the Spotlight

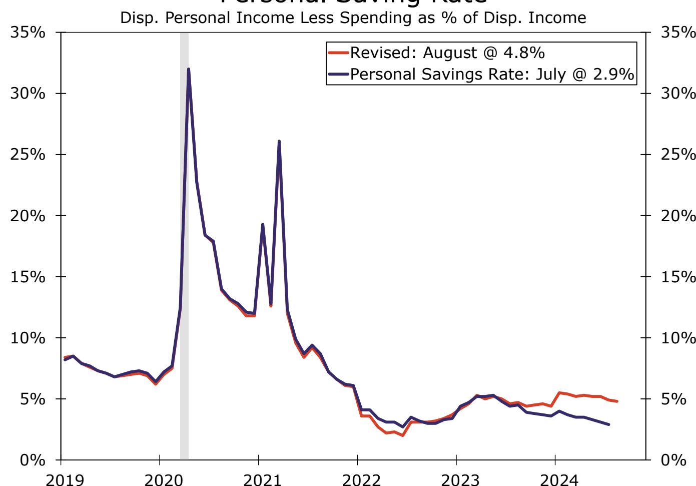
The balance of data published this week provided additional evidence that the economic expansion remains intact. The main focus was on the state of the U.S. consumer. Personal spending rose 0.2% during August, below consensus expectations and a slight moderation compared to the 0.5% monthly gain registered in July. Although there have been shifts in the underlying dynamics recently, consumer spending has been remarkably resilient this cycle and overall spending was still up 5.2% over the year. That noted, a more moderate pace of spending appears to be taking hold against a backdrop of slowing income growth, which downshifted and grew 0.2% during August, amounting to a 5.6% year-to-year gain.

Included in the personal income and spending report was the latest estimate for the Personal Consumer Expenditure (PCE) deflator, the preferred inflation measure of the Federal Reserve. Encouragingly, inflation remained on a cooling trajectory during August. The headline PCE deflator rose just 0.1% during the month, continuing a string of mild increases. The core PCE deflator, which strips out the volatile food and energy components and provides a better snapshot of the underlying trend in inflation, came in slightly below market expectations and increased 0.1%. Over the past three months, the core PCE deflator has been running at a 2.1% annualized pace, which suggests further progress is being made in pushing inflation down to the Fed's 2% target.

A collection of upward revisions to prior years' spending and income data was another positive development this week. All told, the revisions show that consumers have been in a slightly better financial position than previously thought. For example, the pre-revision data showed an average saving rate of 3.4% so far this year, down 0.6 percentage points from the 4.5% rate averaged in 2023. The revisions now show much less of a decline as initially indicated, with the saving rate essentially remaining steady at around 5.0% over the past 12 months. Overall, the revisions better explain the remarkable staying power of the consumer in recent months and paint a more constructive backdrop for household finances moving forward.



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



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

Since the revisions date back to 2019, the new data also help shed light on several other economic inconsistencies that have cropped up in recent years. For example, the post-pandemic gap between gross domestic income (GDI) and gross domestic product (GDP), which theoretically should be non-existent, was narrowed with the update. What's more, the back-to-back quarterly decline in real GDP growth during the first half of 2022, which raised recession concerns, now shows just a single quarterly decline, with real GDP growth in Q2-2022 now slightly positive.

An improved income and spending backdrop comes as greenshoots begin to emerge in the real estate sector. As we published in a report this week and highlight in the Credit Market Insights section, the tide appears to be turning for commercial real estate now that a monetary easing cycle has begun. Lower rates should also eventually aid the housing market, where activity is stabilizing but still rather

sluggish. Pending home sales inched up 0.6% during August, bouncing from the record low set the month prior. New home sales dropped 4.7% to a 716K unit pace during August, but the decline appears to be some minor payback from a strong jump in sales the month prior, and the trend in sales continues to be relatively sturdy.

Meanwhile, mortgage applications have grown steadily over the past two months. Although purchase applications have improved only modestly, refinancing activity has shot up significantly as borrowers look to take advantage of the recent fall in mortgage rates. Moving forward, decreased financing costs are not likely to create a high-octance rebound in housing activity, given structurally adverse affordability conditions brought on by scarce supply and high prices, which continue to only rise. According to the S&P CoreLogic National Home Price Index, prices were up nearly 5% over the year in July. All told, this week's data show that the consumer looks to be in a better place just as the sectors of the economy hardest hit by high interest rates are beginning to turn around as the Federal Reserve begins to ease monetary policy.

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U.S. Outlook

Weekly Indicator Forecasts

Domestic

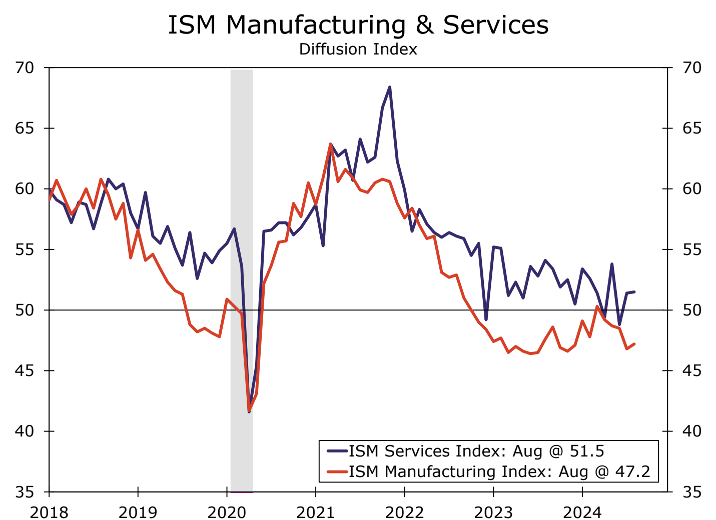
Date	Indicator	Period	Consensus	Wells Fargo	Prior
1-Oct	ISM Manufacturing Index	Sep	47.7	47.6	47.2
1-Oct	Construction Spending (MoM)	Aug	0.1%	0.3%	-0.3%
1-Oct	Total Vehicle Sales	Sep	15.67M	15.5M	15.13M
3-Oct	Factory Orders (MoM)	Aug	0.1%	0.6%	5.0%
3-Oct	ISM Services Index	Sep	51.5	51.7	51.5
4-Oct	Nonfarm Payrolls	Sep	130K	135K	142K
4-Oct	Unemployment Rate	Sep	4.2%	4.2%	4.2%
4-Oct	Average Hourly Earnings (MoM)	Sep	0.3%	0.3%	0.4%

Forecast as of September 27, 2024

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

ISM Manufacturing & Services • Tuesday & Thursday

While the ISM indices have shown the manufacturing and services sectors to be on separate paths over the past two years, both have definitively been on a downtrend, indicating moderating rates of activity as Q3 comes to an end. Ticking higher in August, the headline ISM manufacturing index continues to paint a grim picture for the factory sector, running in contractionary territory for 21 of the past 22 months. Components remain weak, highlighted by production hitting a fresh post-pandemic low and new orders sliding to its lowest reading since May 2023. The mixed performance of the regional PMIs released so far suggests little change occurred from August, with our call of the September headline index at 47.6.



Source: Institute for Supply Management and Wells Fargo Economics

The headline ISM services improved to a three-month high in August, though service-providers also face their fair share of challenges. Indeed, slow-to-moderate growth has been cited across many service industries in the most recent sentiment surveys, while ongoing high costs and interest rate pressures continue to negatively impact sales. This slower activity continues to hold back hiring, which has implications for consumer spending and the pace and magnitude of impending Fed rate cuts. We look for the headline ISM services index to come in essentially flat in September at a level of 51.7.

On balance, business sentiment regarding demand, hiring and investment continues to be dampened by relatively high interest rates, elevated uncertainty surrounding the upcoming elections

and the collective impact of the aforementioned on the outlook. The Fed has begun to cut interest rates, though most firms will likely remain patient and wait for the electoral outcome in November before undertaking any significant actions involving capital investment or hiring initiatives.

Employment • Friday

Following unexpected resiliency over the past couple of years, job growth is finally slowing. Nonfarm payroll growth has decelerated from a 250K jobs per month average in 2023 to just 116K jobs per month over the past three months. Not only has payroll growth slowed but the breadth of job gains has narrowed considerably with healthcare, leisure & hospitality and government accounting for a disproportionate share of the job gains. Several factors account for the slowdown including higher interest rates impacting purchases of big-ticket items from homes to motor vehicles to furniture. As demand has cooled, so too has pricing power and profit margins, which collectively have weighed on hiring. Furthermore, the upcoming November elections are adding greater uncertainty to the outlook which too has a dampening effect.

The 135K increase to nonfarm payrolls we expect in September would underscore that the jobs market continues to deteriorate. Business and regional surveys reported so far for the month have largely softened from August, pointing to a lower payroll print. We look for average hourly earnings to rise 0.3% in September, which would maintain the year-over-year rate at a near three-year low of 3.8%. The unemployment rate is likely to remain unchanged at 4.2%.

We continue to look for the pace of hiring to slow in the months ahead reflecting the narrow base of industries adding jobs, weak ISM readings on employment and a drop in job openings and small business hiring plans. Concerns about the labor market have increased at the Fed with officials squarely focused on the path forward. Any unexpected weakness from the employment reports released before the Nov. 7 FOMC meeting could push officials to deliver another outsized rate cut given their demonstrated willingness to respond aggressively to downside labor market risks.

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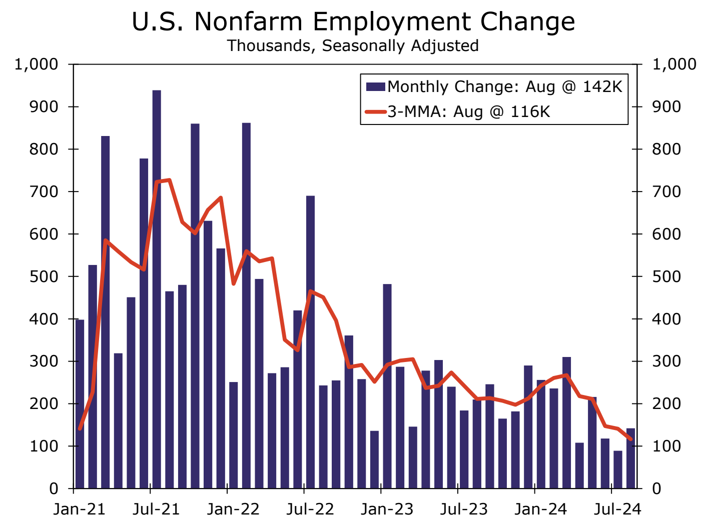


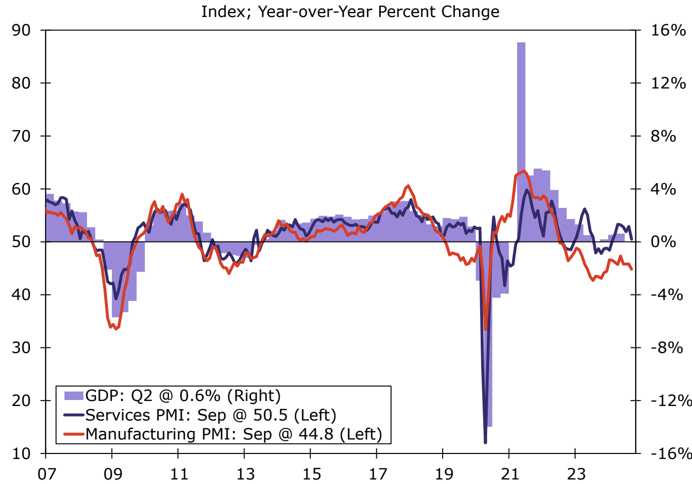
Source: U.S. Department of Labor and Wells Fargo Economics

International Review

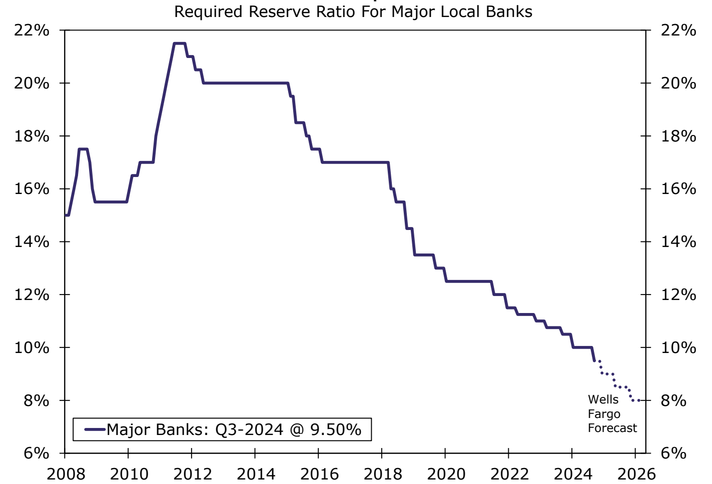
Eurozone Economy at Risk of Renewed Stumble

The week's Eurozone manufacturing and service sector PMIs for September offered a timely—and somewhat discouraging—insight into the state of the region's economy. The Eurozone manufacturing PMI fell to 44.8, the lowest level since December 2023, indicative of continued contraction in the industrial sector. The details showed a softening in new orders and order backlogs. Among the major countries, German manufacturing remained particularly weak in September while the French manufacturing PMI was more stable. On the services side, the Eurozone PMI fell to 50.5 in September, an eighth consecutive month in expansion territory but still the lowest reading since February 2024. Here too, incoming new business softened, and by country Germany's services PMI fell while France's services PMI reversed the Olympics-related boost seen in August. Taken together, the composite or economy-wide Eurozone PMI fell to 48.9 in September from 51.0 in August, the first reading in contraction territory for the composite PMI since February this year. While we expect the Eurozone economy will eke out growth in the third quarter, the PMI surveys potentially portend a slowing in momentum, and even a possible contraction, later this year. Against this backdrop we have lowered our Eurozone GDP growth forecasts to 0.7% for 2024 and 1.2% for 2025. Finally, the PMI surveys were also notable for a reported softening in input costs and output prices. Along with other market participants, we will be scrutinizing upcoming CPI releases for any confirmation of this lessening in price pressure, with a benign CPI potentially paving the way for the European Central Bank to pick up the pace of its monetary easing with another rate cut as soon as the October meeting.

The U.K. September PMIs also fell, but in our view, are indicative of a more orderly moderation in the pace of economic activity. The manufacturing PMI fell to 51.5 in September but remained in expansion territory, while the services PMI fell to 52.8, but remained in expansion territory for a 11th consecutive month. The new orders and new business components fell only marginally. Price details were mixed, as prices charged by service providers softened while prices charged by manufacturers accelerated. Overall, we view the U.K. September PMI as consistent with a continued gradual pace of rate cuts from the Bank of England for the time being. Finally, September PMIs in Australia and India softened and were broadly steady in Japan, trends we view as overall consistent with our outlook for slower global GDP growth in 2025 compared to 2024.



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



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

A Mostly Busy Week for Central Banks

The People's Bank of China (PBoC) was one of many central banks to ease monetary policy this week. In one of the more aggressive rounds of monetary easing in recent years, the PBoC announced a cut in the Reserve Requirement Ratio of 0.50 percentage points, which lowers it to 9.50% for major banks, while also signaling it might cut the ratio again by 0.25-0.50 percentage points, depending on liquidity conditions. The central bank also announced a 20 bps cut in the seven-day reverse repo rate to 1.50% and lowered the 1-Year Medium-Term Lending Facility rate 30 bps to 2.00%, while also signaling

that reductions in other benchmark rates such as the Loan Prime Rate and Deposit Rate would be forthcoming.

Chinese authorities also announced several stimulus measures aimed at supporting the property and equity markets. Existing mortgage rates on outstanding loans will be lowered on average by 0.50 percentage points and the minimum down payment on second homes will be lowered to 15% from 25%. The central bank will also increase its re-lending program for state-owned firms to buy unsold properties. The PBoC will now provide 100% of the principal of bank loans for such purchases, up from 60% previously. The PBoC also announced at least 800B renminbi of liquidity support for equities, while authorities are also considering setting up a stock stabilization fund. China's Politburo—the country's top decision-making committee—pledged to support fiscal spending and stabilize the property sector, though without providing specifics. While the actions announced this week provided a significant boost to sentiment, unless there is also broad and large-scale fiscal stimulus, we are less convinced it will significantly impact the economy. Our view remains for a slowing in Chinese GDP growth not only this year, but in 2025 and 2026 as well.

Sweden's central bank—the Riksbank—was another institution to deliver a dovish policy announcement this week. The Riksbank cut its policy rate by 25 bps to 3.25%, while also signaling the potential for faster easing than previously envisaged. The Riksbank said inflationary pressures have fallen this year and are now assessed to be compatible with an inflation rate around the 2% target. Also, noting the declining inflation risks and given that recovery is proceeding slowly, it suggested that faster easing is now possible. The Riksbank signaled rate cuts at the two remaining meetings this year, with one or two further cuts also possible during the first half of next year. The central bank also said a 50 bps cut is possible at one of the coming meetings. While our base case is for a steady 25 bps per meeting rate cut pace to continue for now, the risk of a larger move is clearly growing, especially if Swedish inflation stays contained and if the European Central Bank were to also accelerate the pace of its monetary easing.

The Swiss National Bank (SNB) also delivered a dovish-leaning monetary policy announcement this week. The SNB lowered its policy rate 25 bps to 1.00%, citing decreasing inflation pressures related in large part to the appreciation of the Swiss franc. The SNB also lowered its inflation forecasts, with CPI inflation seen within its price stability range over its entire forecast horizon. The central bank projects annual average inflation of 1.2% for 2024, 0.6% for 2025 and 0.7% for 2026. Considering the franc's appreciation and the downgrade to the inflation forecasts, the central bank said further "cuts in the SNB policy rate may become necessary in the coming quarters to ensure price stability over the medium term."

One central bank that did not cut interest rates this week was the Reserve Bank of Australia (RBA), although its announcement was somewhat less hawkish than previously. The RBA said inflation is still some way above the midpoint of the 2%-3% inflation target range and is not expected to return sustainably to target until 2026. On the less hawkish side, the RBA noted soft consumption growth and that wage pressures have eased. However, the central bank noted a still-tight labor market as well as spending by temporary residents such as students and tourists. The RBA said it will remain vigilant to upside inflation risks and that it is not ruling anything in or out, although notably RBA Governor Bullock said the central bank did not consider a rate hike at this week's meeting. Overall we remain comfortable with our view the RBA will remain on hold this year and anticipate an initial 25 bps rate cut coming in February 2025.

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International Outlook

Weekly International Indicator Forecasts					
Date	**Indicator**	**Period**	**Consensus**	**Wells Fargo**	**Prior**
30-Sep	China Manufacturing PMI	Sep	49.4	–	49.1
30-Sep	China Services PMI	Sep	50.4	–	50.3
1-Oct	Japan Tankan Large Mfg Index	Q3	12	–	13
1-Oct	Japan Tankan Large Non-Mfg Index	Q3	32	–	33
1-Oct	Eurozone CPI (YoY)	Sep	1.9%	–	2.2%
1-Oct	Eurozone Core CPI (YoY)	Sep	2.8%	–	2.8%

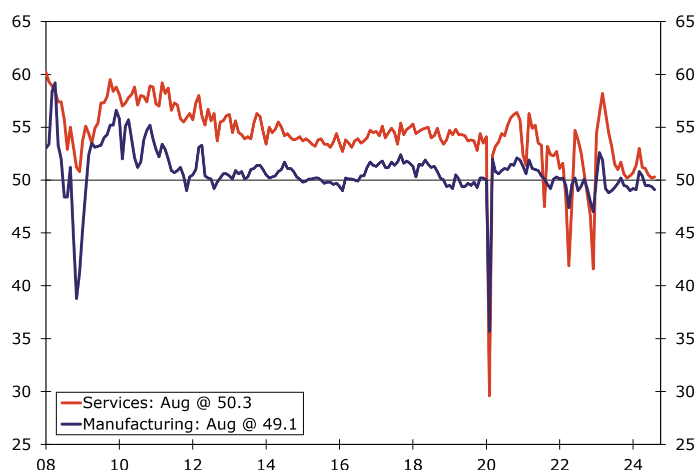
Forecast as of September 27, 2024

Source: Bloomberg Finance L.P and Wells Fargo Economics

China PMIs • Monday

China's September PMIs, due for release next week, will provide the latest insight into the state of the economy and are likely, in our opinion, to remain consistent with a modest pace of economic growth. After growth in retail sales and industrial output both slowed in August, consensus economists anticipate only a moderate improvement in the September PMI surveys. The official manufacturing PMI is forecast to rise to 49.4 but still remain below the "breakeven" 50 level. Meanwhile, the services PMI is forecast to edge slightly higher to 50.4. Those readings would point to a sluggish Chinese economy that is struggling to gain momentum.

The underwhelming performance of China's economy prompted the country's central bank to ease monetary policy this week, lowering its Reserve Requirement Ratio as well as some key benchmark interest rates. Authorities also announced stimulus measures aimed at supporting the property and equity markets. While these actions could boost sentiment, unless there is also broader fiscal support, we doubt they will provide a significant boost to growth. In fact, we recently revised our 2024 Chinese GDP growth forecast lower to 4.6%, from 4.8% previously. Against that backdrop, we expect China's activity data and sentiment surveys will continue to show mixed trends in the months ahead.

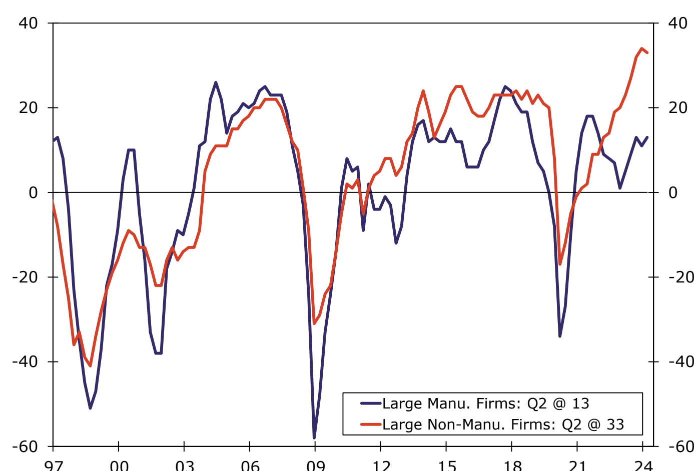


Source: Datastream and Wells Fargo Economics

Japan Tankan Survey • Tuesday

Next week, Japan's Q3 Tankan Survey—an important and timely measure of business sentiment—will offer the latest insight into the state of the country's economy. Economic performance was mixed during the first half of 2024, with GDP contracting in Q1 but returning to growth in Q2. However, the prospects for steadier economic growth appear to be improving, especially given this year's large wage gains, which should be supportive of real household incomes and spending going forward. Sentiment surveys, including the Tankan survey, have also been on a generally improving trend over the past several quarters, albeit with some variability.

For Q3, the consensus forecast is for only modest changes to the headline diffusion indices. The large manufacturers' index is expected to ease slightly to +12, following an increase seen in Q2. Meanwhile, the large non-manufacturers' index is seen dipping slightly to +32. Considering the overall gains in both indices during recent quarters, we would still view such outcomes as consistent with gradual Japanese recovery over the rest of 2024 and into 2025. On another constructive note, capital spending plans for large firms across all industries are expected to firm for the current fiscal year to an expected gain of 11.9%. Expectations regarding



Source: Datastream and Wells Fargo Economics

pricing behavior and firms' assumptions regarding the yen should also garner some attention. Overall, we suspect the Tankan survey should keep the outlook for further Bank of Japan rate hikes by early next year broadly on course.

Eurozone CPI • Tuesday

The Eurozone September CPI, scheduled for release next week, looms as a key release following the European Central Bank's (ECB) rate cut earlier this month and ahead of the ECB's next announcement in mid-October. So far, the ECB has pursued a gradual pace of easing, lowering its main policy rate by 25 bps at a quarterly frequency. However, the especially weak Eurozone September PMI readings—which showed a softening in output and orders as well as a lessening in cost and price pressures—have raised the prospect that the central bank could move to a more accelerated pace of rate cuts.

We suspect that ECB policymakers will also want to see confirmation of a further ebbing of inflation pressures in the CPI report before being fully comfortable in accelerating the pace of its monetary easing. The consensus forecast is for headline inflation to slow further to 1.9% year-over-year, which would be slightly below the ECB's inflation target. Meanwhile, core inflation is forecasted to hold steady at 2.8%, while services inflation could remain stuck close to 4.1% for the time being. As long as the September inflation readings are benign, and in particular if there is downside surprise in either core or services inflation, we believe there is a good chance the ECB could move to a more regular pace of rate cuts, with another 25 bps rate reduction as soon as the October monetary policy announcement.

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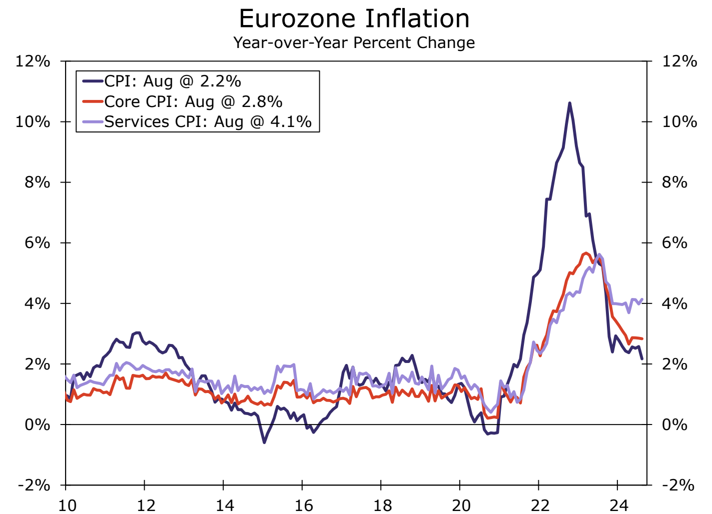


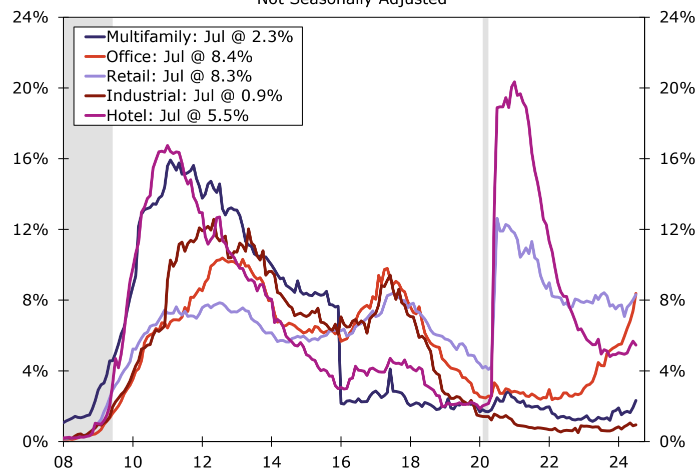
Source: Datastream and Wells Fargo Economics

Credit Market Insights

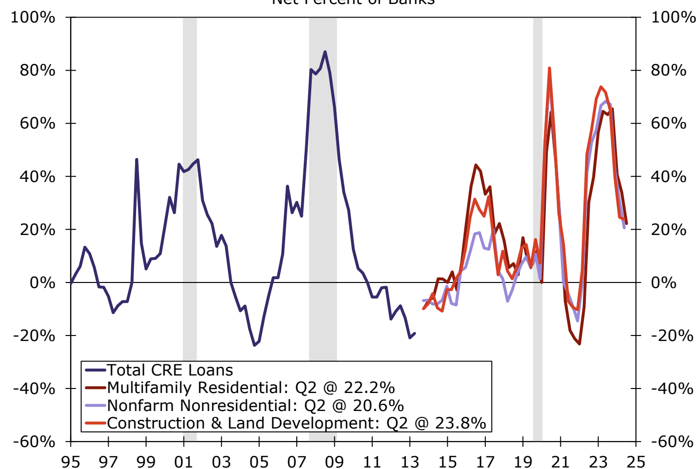
Is the Tide Turning for Commercial Real Estate?

When the Fed cut the policy rate by 50 bps last week, it launched what we expect to be a material easing cycle. It also marked what should be the beginning of the end of the worst CRE downturn since the global financial crisis (GFC). Although there are no shortage of obstacles ahead for CRE, the gap between the amount of maturing debt in need of refinancing and the available capital should be reduced with lower rates, thus limiting the extent to which stress mounts further.

So far, higher financing costs have not sparked a dramatic rise in distressed sales. The share of distressed sales is up to about 3% year-to-date in 2024—slightly higher than the 2% average in 2023, yet far away from the 17% averaged in 2010 after the GFC. Near-term stress may worsen, however, as close to $1.9 trillion of CRE debt is scheduled to mature by the end of 2026. Office debt, in particular, is likely to experience additional strain as more leases roll over and the market resets to reflect increased supply, lower demand and reduced rents. Fundamentals are more constructive outside the office sector, and delinquencies have generally not climbed to the same extent for retail, industrial, multifamily and hotel properties (chart). Still, the "refinancing gap" is likely to exert further near-term stress as the maturing debt in need of refinancing exceeds accessible capital.



Source: Moody's Analytics and Wells Fargo Economics



Source: Federal Reserve Board and Wells Fargo Economics

Easier monetary policy should swoop in to foster an improved lending backdrop and strengthen capital flows. Banks have significantly tightened lending standards for all types of CRE loans since early 2022 when the Fed first began to raise the fed funds rate (chart). While still being prudent, banks have become less guarded recently, and we expect the net share of banks tightening standards to continue to fall. Outside of banks, which hold about 50% of commercial and multifamily mortgage debt outstanding, other critical sources of capital for CRE borrowers are starting to move off the sidelines as well. Commercial Mortgage-Backed Securities (CMBS) lending, in particular, has risen significantly over the past year; CMBS originations in Q2 were nearly 2.5 times higher than a year prior according to the Mortgage Bankers Association. All told, capital flows look to be percolating, a trend which appears likely to continue if the Fed continues to ease monetary policy and the economic expansion remains intact as we currently anticipate.

Of course, less restrictive monetary policy cannot resolve all the challenges facing CRE, especially in regard to secular obstacles plaguing the office market. Even so, lower interest rates will limit further distress, and more, help to lay the groundwork for recovery in CRE fundamentals (i.e., cap rates and property valuations) outside of financing costs. For further detail on how the tide may be turning in CRE and how easier monetary policy should bolster CRE fundamentals, please see our full report.

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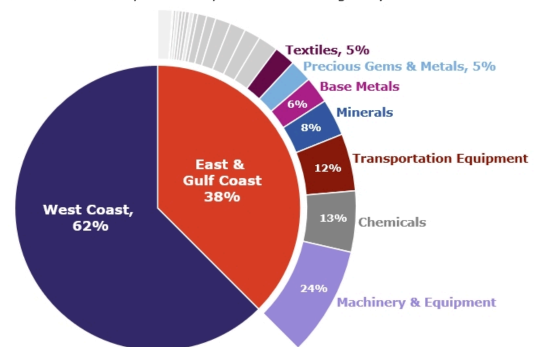
Topic of the Week

Reasons Not to Panic About Looming Port Strikes

Thousands of dockworkers are set to strike at East and Gulf coast U.S. ports this upcoming week if the International Longshoremen's Association (ILA) and the United States Maritime Alliance (USMX) cannot come to an agreement regarding wage negotiations. The current master contract between the two covers 25,000 workers and is set to expire on Sept. 30. If an agreement is not reached before then, the ILA reports that thousands of workers will strike starting Oct. 1, impacting half of the 10 busiest U.S. ports.

Through the 12 months endied in July, these ports took in nearly 40% of *all* U.S. port-level merchandise imports on a value basis and the types of goods processed are diverse (chart). While work stoppages at these ports cannot be ruled out, and a prolonged worker stoppage could disrupt supply chains, our sense is that worries about major supply disruption are overstated for two reasons.

The first is that smart purchasing managers have adjusted to the controlled chaos in the global shipping business throughout this expansion by bringing on critical inputs months in advance. The ILA and USMX have been negotiating since May, with signs of disagreement appearing in late June and July. On a year-to-date basis, real goods imports are up 6% through July, while total business inventories were up 2.5% year-over-year in July. In short, many purchasing managers were looking ahead and placing orders well in advance of the potential dockworker strike.



Source: U.S. Census Bureau and Wells Fargo Economics

The second is that the Taft-Hartley Act allows the president to mandate workers to return to their posts for an 80-day period while negotiations continue. Though the Biden administration has said it is not considering invoking the powers of this act, it is difficult to imagine an outgoing president not stepping in to avoid potential disruption in the weeks leading up to the election. The Biden administration has received urging from the National Retail Federation and numerous trade groups to step in to prevent disruptions, so while longshoremen may not like President Biden to get involved, he has the support of retailers and manufacturers.

But at the end of the day a well-stocked cabinet can get you through a storm, but it cannot sustain you forever. While we suspect the worst-case scenario of massive supply chain disruption are overstated, a prolonged strike could cause us to become more circumspect about the outlook. For a full report on the details and implications of the port strike, please see Reasons Not to Panic About Looming Port Strikes.

(Return to Summary)

Market Data • Mid-Day Friday

U.S. Interest Rates

	Friday 9/27/2024	1 Week Ago	1 Year Ago
SOFR	4.83	4.82	5.31
Effective Fed Funds Rate	4.83	4.83	5.33
3-Month T-Bill	4.60	4.65	5.47
1-Year Treasury	3.92	3.85	5.33
2-Year Treasury	3.59	3.59	5.14
5-Year Treasury	3.53	3.50	4.68
10-Year Treasury	3.77	3.74	4.61
30-Year Treasury	4.11	4.08	4.72
Bond Buyer Index	3.81	3.81	4.09

Foreign Exchange Rates

	Friday 9/27/2024	1 Week Ago	1 Year Ago
Euro ($/€)	1.117	1.116	1.050
British Pound ($/£)	1.340	1.332	1.214
British Pound (£/€)	0.833	0.838	0.865
Japanese Yen (¥/$)	142.850	143.850	149.630
Canadian Dollar (C$/$)	1.350	1.357	1.350
Swiss Franc (CHF/$)	0.843	0.850	0.921
Australian Dollar (US$/A$)	0.692	0.681	0.635
Mexican Peso (MXN/$)	19.615	19.415	17.670
Chinese Yuan (CNY/$)	7.011	7.047	7.312
Indian Rupee (INR/$)	83.700	83.575	83.229
Brazilian Real (BRL/$)	5.436	5.511	5.044
U.S. Dollar Index	100.457	100.723	106.666

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

Foreign Interest Rates

	Friday 9/27/2024	1 Week Ago	1 Year Ago
3-Month German Govt Bill Yield	2.97	3.08	3.63
3-Month U.K. Govt Bill Yield	4.92	4.93	5.33
3-Month Canadian Govt Bill Yield	3.99	4.03	5.11
3-Month Japanese Govt Bill Yield	0.06	0.06	-0.16
2-Year German Note Yield	2.09	2.23	3.24
2-Year U.K. Note Yield	3.95	3.93	4.87
2-Year Canadian Note Yield	2.93	2.93	4.96
2-Year Japanese Note Yield	0.37	0.39	0.03
10-Year German Bond Yield	2.14	2.21	2.84
10-Year U.K. Bond Yield	3.99	3.90	4.36
10-Year Canadian Bond Yield	2.98	2.95	4.09
10-Year Japanese Bond Yield	0.85	0.85	0.74

Commodity Prices

	Friday 9/27/2024	1 Week Ago	1 Year Ago
WTI Crude ($/Barrel)	67.85	71.92	93.68
Brent Crude ($/Barrel)	71.66	74.49	96.55
Gold ($/Ounce)	2652.18	2621.88	1875.12
Hot-Rolled Steel ($/S.Ton)	738.00	704.00	712.00
Copper (¢/Pound)	460.05	428.15	362.70
Soybeans ($/Bushel)	10.24	10.02	12.95
Natural Gas ($/MMBTU)	2.91	2.43	2.76
Nickel ($/Metric Ton)	16,498	16,097	18,622
CRB Spot Inds.	555.58	551.65	557.14

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