Economics

WELLS FARGO

Weekly — November 27, 2024

Weekly Economic & Financial Commentary

United States: **Data Came in Like a Butterball**

- Anyone who has ever *gobbled until they wobbled* can tell you it can be challenging to digest too much at one time. In the financial world, you know it's Thanksgiving when you get a full slate of economic data stuffed into one day. Nobody is relegated to the kids table as we break down what all this data mean for the outlook.
- Next week: ISM Manufacturing Index (Mon.), ISM Services Index (Wed.), Employment (Fri.)

International: **Reserve Bank of New Zealand Eases Into Summer; German Business Sentiment Shivers**

- It was a relatively light week for international economic data and events. The Reserve Bank of New Zealand delivered its second consecutive 50 bps rate cut to reach a policy rate of 4.25%, and Governor Adrian Orr signaled the possibility for another move of the same size in Q1 if the outlook evolves as expected. Australia monthly CPI data were somewhat mixed though showed stickiness in underlying price pressures, and German Business Sentiment data were somewhat disappointing.
- Next week: China PMIs (Sat.), Australia GDP (Wed.), Reserve Bank of India Policy Rate (Fri.)

Credit Market Insights: **Credit Demand Rises Alongside Application Rejection Rates**

- Consumer credit demand broadly rose compared to the start of 2024. At the same time, rejection rates for applicants across consumer credit products have remained elevated, demonstrating that consumers cannot rely on credit to sustain their spending patterns to the same degree they have been able to in prior cycles.

Topic of the Week: **And So It Begins**

- President-elect Donald Trump proposed a 25% tariff on all imported goods from Mexico and Canada and an additional 10% levy on all products from China this week. President Claudia Sheinbaum has signaled that Mexico is prepared to respond with retaliatory tariffs. How important are Canada and Mexico to U.S. imports?

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	2.8	2.0	2.4	1.5	0.7	1.3	2.9	2.7	2.0	2.3
Personal Consumption	1.9	2.8	3.5	2.6	2.1	2.1	1.8	1.5	2.5	2.6	2.3	2.3
Consumer Price Index [2]	3.2	3.2	2.6	2.7	2.5	2.5	2.8	2.8	4.1	2.9	2.6	2.6
"Core" Consumer Price Index [2]	3.8	3.4	3.2	3.2	2.9	2.8	3.0	3.0	4.8	3.4	2.9	2.9
Quarter-End Interest Rates [3]												
Federal Funds Target Rate[4]	5.50	5.50	5.00	4.50	4.25	4.00	3.75	3.75	5.23	5.13	3.94	3.75
Conventional Mortgage Rate	6.82	6.92	6.18	6.80	6.65	6.45	6.25	6.30	6.80	6.68	6.41	6.34
10 Year Note	4.20	4.36	3.81	4.30	4.20	4.05	3.90	4.00	3.96	4.17	4.04	4.13

Forecast as of: November 21, 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

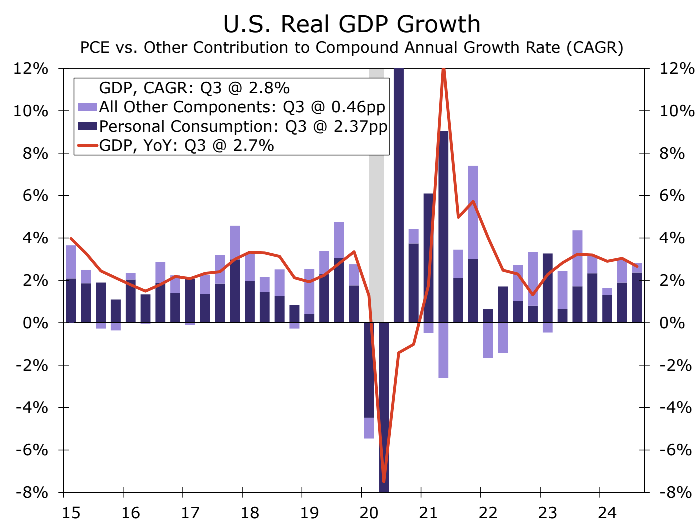
Submit a question to our "Ask Our Economists" podcast at askoureconomists@wellsfargo.com.

All estimates/forecasts are as of 11/27/2024 unless otherwise stated. 11/27/2024 12:25:52 EST. **This report is available on Bloomberg WFRE**

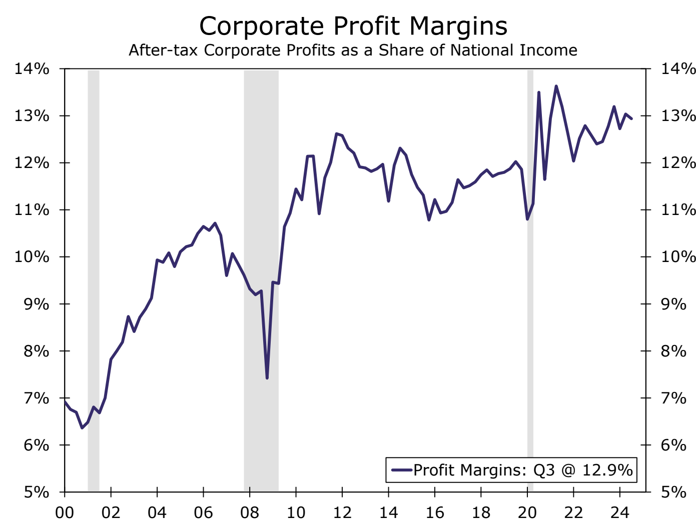
U.S. Review

Data Came in Like a Butterball

Financial markets today had the opportunity to digest quite a bit, including: the latest revisions to third quarter GDP numbers (and a first look at Q3 profits) as well as some early data on how the fourth quarter is shaping up including October orders for long-lived durable goods and, more importantly at this moment when the Fed is guiding rates lower, the October readings on its preferred measure of inflation. Personal income and spending numbers for October were also released, as were some slightly lower priority reports that nevertheless filled in some blanks in terms of how businesses are managing their inventories in light of widely expected trade tariffs. As a whole, today's tall stack of economic reports offers a snapshot of where the economy stands during this interregnum period between the November election and the January inauguration. To the extent that it is possible to see through the politics, what emerges is an economy where progress on inflation may be slow, but in which a soft landing is still the baseline expectation.



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



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

Same Growth Rate, Slightly Different Drivers

The economy expanded at a 2.8% annualized rate in the third quarter, no different from the initial estimate of 2.8%, although the composition of growth shifted a bit. Personal consumption remained the big driver, much as it has throughout this expansion, though the 3.5% annualized pace was a touch softer than the 3.7% rate in the first estimate. There was a somewhat more notable shift in business fixed investment where the pace of spending was revised up to 1.7% from 1.3% previously. Structures spending is still down—in fact, down a bit more in the revision—and equipment outlays were pared back slightly as well. Where was the upside then? Spending on intellectual property products. This has been the most consequential driver of business investment in the current cycle. What is new in today's report is that this key category grew 2.5% rather than the scant 0.6% reported in the preliminary estimate, which is also closer to our initial estimate. Inventories and trade together subtracted about seven tenths of a percent from the top-line growth rate; revisions to each were only trivial. Bottom line takeaway: slightly cooler consumer spending (though that is still the main driver of growth in Q3, chart) and slightly stronger business spending due to increased outlays on intellectual property products, particularly research and development.

We also learned today that in a quarter of continued growth, economy-wide profits pulled back modestly with before-tax profits slipping around $10 billion in the third quarter. Yet the bigger takeaway is that firms are still broadly profitable. The Q3 decline comes after a jump in profits the quarter prior, and on a year-ago basis profits are still up 6.1%, a touch below our expectation. While firms have also continued to deal with high costs and some slowing in demand, margins remain elevated (chart).

Despite this continued profitability, we have yet to see a renewed acceleration in business capex spending. When Donald Trump won the 2016 election, core capital goods orders rose by just over

7% between October of that year (the last month before the election) and October 2017 (a year later). Will we see a similar rise in this cycle? That is not yet clear, but what we do know as a result of this morning's durables goods report is that the base just got lowered. Orders for non-defense capital goods, ex-aircraft, a proxy for future capex spending, fell 0.2% in October. Not only was that a disappointing outturn in light of the modest gain that had been expected, but also the decline came despite the fact that September's gain of 0.7% was pared to a more modest 0.3% increase. The shipments data were just as bad with core capital goods shipments (including aircraft) sliding for the third consecutive month. This sets us up for some tough base effects in terms of fourth quarter growth and leaves equipment investment off to a rocky start in Q4.

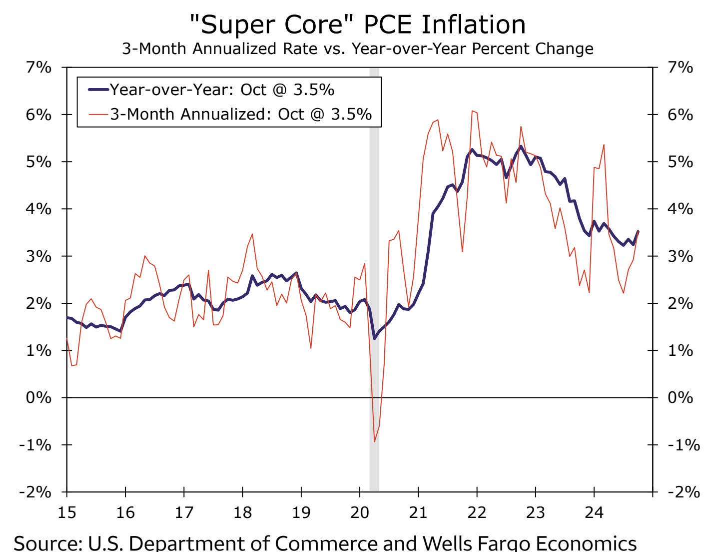
The election results have provided some clarity, but having the first Trump administration as a guidepost may be feeding continued business uncertainty rather than providing certainty around future conditions. For example, whether we see recent tariff proposals implemented or not matters a lot for inventory management. That implies capital budgets more generally will likely limit the extent of a capex rebound we might otherwise see this year. Yet an increase in capital goods spending may have to do with more than just who won the election. It has been a tough couple of years for the durable good space after demand had been pulled forward during the stimulus-fueled post-pandemic era and as interest rates hovered near 20-year highs. After years of below-trend investment, some pent-up demand ought to spur a degree of spending and lower interest rates could push that along.

Don Henley Rule: Consumer Will Not Go Quietly, Inflation Will Not Lie Down

Underling consumer demand is also still solid and helping to prop up profitability. Households kept spending in October with real services spending rising 0.2% over the month. Real goods spending was flat, as a modest gain in durable goods spending was offset by a slip in non-durables.

Spending could have been even stronger with personal income growing 0.6% in October. That is double the consensus expectation and the biggest nominal gain in eight months. The stronger income came mostly from gains in wages & salaries, and while it is good to see household income on the rise, the composition of the growth might raise eyebrows at the Federal Reserve. Services inflation has been difficult to tame in this cycle, and the outlier in terms of wage growth was in service-producing industries. Wages and salaries in that sector notched a $49.8 billion increase in October, which works out to a gain of 0.6% over the month, the biggest monthly surge since March.

The fact that the fire is not going out in the service sector is the latest evidence that inflation isn't going away quietly—recent super-core services inflation growth is back above 3% on a three-month annualized basis (chart). The Fed's broad preferred inflation gauge, the PCE deflator, rose 0.2% in October, which lifted the year-ago pace up two-tenths to 2.3%. The core measure, or when excluding food and energy prices, also picked up—confirming that it's not a straight shot back to the Fed's target and the last mile of disinflation is tougher to solve.



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

On its own we don't expect the recent stalling in progress to prevent the Fed from easing in December. Monetary policy is still restrictive, and with the labor market showing signs of moderation, we expect the Fed wants to alleviate some pressure to avoid further unwanted slowing.

There was ultimately little in the way of new labor market data this week (that's on next week's menu), but solid underlying demand ultimately remains supportive of head counts. Unemployment claims remained in check in early November, the latest indication that while firms may not be hiring as many workers as they were coming out of the pandemic, they're not exactly shedding labor either.

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U.S. Outlook

Weekly Indicator Forecasts					
Domestic					
Date	Indicator	Period	Consensus	Wells Fargo	Prior
2-Dec	ISM Manufacturing Index	Nov	48.0	47.8	46.5
2-Dec	Construction Spending (MoM)	Oct	0.2%	0.2%	0.1%
3-Dec	Total Vehicle Sales	Nov	16.0M	16.0M	16.0M
4-Dec	Factory Orders (MoM)	Oct	0.4%	0.3%	-0.5%
4-Dec	ISM Services Index	Nov	55.4	55.0	56.0
5-Dec	Trade Balance	Oct	-$78.5B	-$74.0B	-$84.4B
6-Dec	Nonfarm Payrolls	Nov	190K	230K	12K
6-Dec	Unemployment Rate	Nov	4.2%	4.2%	4.1%
6-Dec	Average Hourly Earnings (MoM)	Nov	0.3%	0.3%	0.4%

Forecast as of November 27, 2024

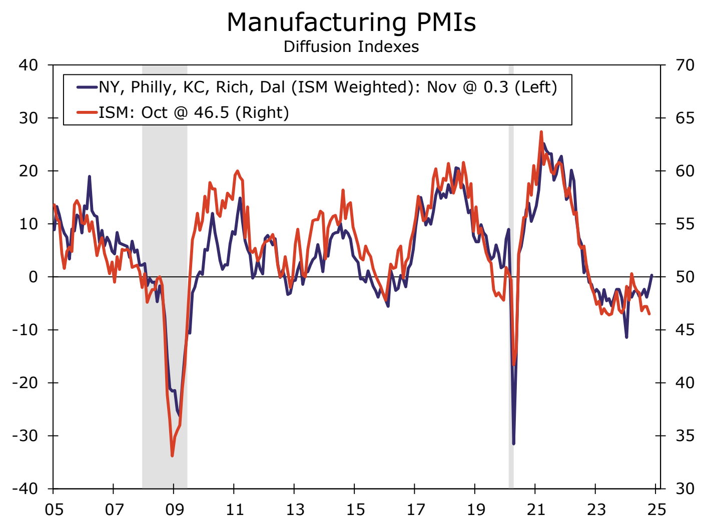
Source: Bloomberg Finance L.P. and Wells Fargo Economics

ISM Manufacturing Index • Monday

The ISM manufacturing index fell to its lowest reading in over a year in October, though, it has been signaling contraction for nearly two straight years now. As grim a picture as the manufacturing index has painted of the factory sector, we remain fairly optimistic on a coming recovery in activity.

We've broadly emphasized in recent months that uncertainty has been the largest constraint on capex spending, with the selected industry comments offering anecdotal support to the notion of businesses in a 'wait-and-see' stance ahead of the election and further monetary easing. While the election has provided some political clarity, there is still a large degree of uncertainty about the path ahead, specifically for trade policy, which will prove a headache for inventory management in coming months. Even with lingering uncertainty tamping down our hopes for renewed strength in capex, we still see some reasons to expect a boost ahead. Durable goods last for many years, but they do not last forever. Some equipment simply need replacing, which should bolster new investment in the coming months. Further, while monetary policy is still restrictive and the timing and degree of further cuts are also uncertain, lower borrowing costs should be supportive of activity.

As seen in the nearby chart, the regional Fed PMIs point to a higher composite ISM reading, and we ultimately look for a smaller recovery in the ISM index to 47.8 in November.

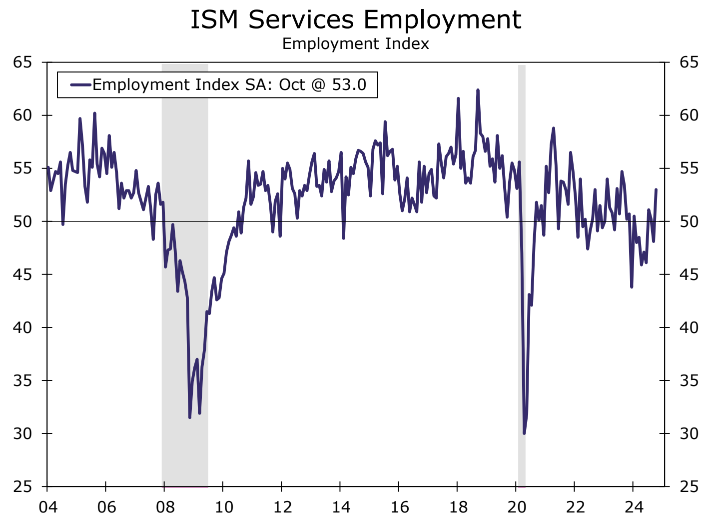


Source: Federal Reserve System, Institute for Supply Management and Wells Fargo Economics

ISM Services Index • Wednesday

Service sector activity remains firmly in expansion even as the manufacturing sector has struggled. At 56.0, the October ISM services index showed the broadest pace of expansion since the summer of 2022. Within the details, the employment component rose nearly five points to 53.0, which is consistent with the widest expansion in services hiring since the summer of 2023. Like the aggregate U.S. economy, unshakable consumer momentum is helping to sustain the services sector.

We think there is likely to be slight giveback in November's reading and are forecasting 55.0 for the index. Regional Fed PMIs for employment edged down over the month, as did the outlook for general service sector conditions. Still, activity remains strong, with selected industry comments about services employment having garnered optimism, in particular, in recent months. These statements may not signal massive new hiring plans, but they are not consistent with massive layoffs either.Some service-providers are still simply struggling to find talent as demand remains supportive of labor.



Source: Institute for Supply Management and Wells Fargo Economics

Employment • Friday

Noise in the October jobs report from Hurricanes Helene and Milton as well as multiple strikes meant that the mere 12K rise in nonfarm payrolls was taken with a large grain of salt. However, through the temporary distortions, the report showed signs of continued softening in the labor market. Job growth in August and September was revised down by a cumulative 112K, suggesting September's stellar employment report was not as strong as previously believed, hiring was primarily driven by the healthcare and government sectors, and the unemployment rate, which is much less influenced by the hurricanes and strikes, rose by nearly one-tenth of a percentage point on an unrounded basis.

We expect hiring bounced back in November, with payrolls rising by 230K. The conclusion of a number of strikes, most notably at Boeing, should boost hiring by roughly 40K for the month. We also look for payrolls to be lifted by the resumption of normal business operations in the Southeast after the disruptions caused by the recent hurricanes. That said, the lowest survey response rate in more than 30 years along with the historical trend for upward revisions following major hurricanes suggests that some of the storm-related rebound could show up in the monthly revisions, rather than November's headline number.

Through the monthly swings of nonfarm payrolls, we expect the November employment report to reiterate that while the labor market remains solid in an absolute sense, the softening trend in employment conditions has yet to cease. That message is likely to come through more clearly from the unemployment rate, which we look to rise to 4.2%. The cooler backdrop should keep a lid on average hourly earnings growth (AHE). We expect AHE to rise 0.3%, which would lead the year-over-year rate down to 3.9%.

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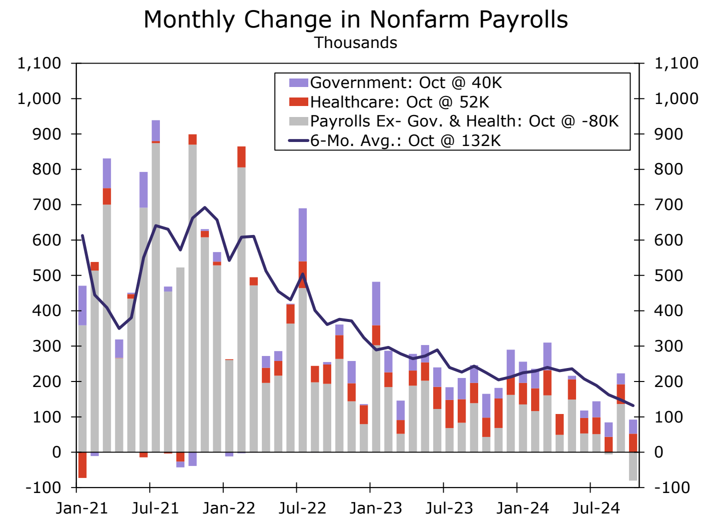


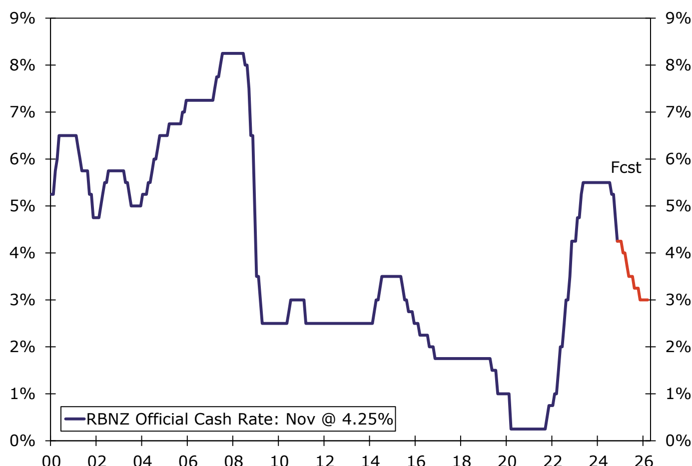
Source: U.S. Department of Labor and Wells Fargo Economics

International Review

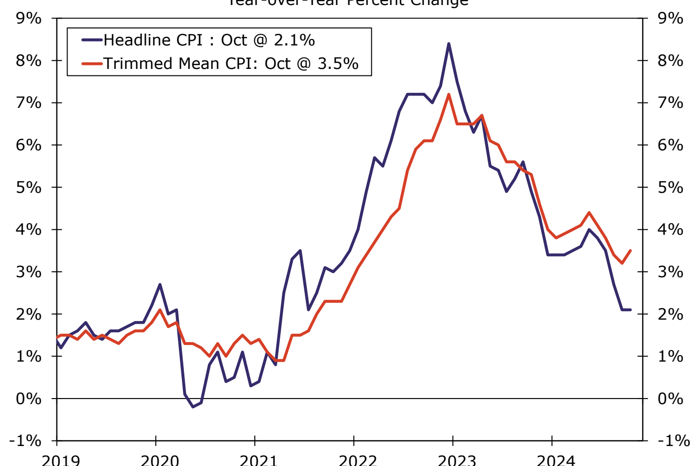
Reserve Bank of New Zealand Eases Into Summer; German Business Sentiment Shivers

It was a relatively light week for international economic data and events. We did get the Reserve Bank of New Zealand's (RBNZ) latest monetary policy decision, in which officials opted to lower the policy rate by 50 bps for the second straight meeting, bringing the Official Cash Rate to 4.25%. Governor Adrian Orr signaled that another rate cut of such magnitude could be delivered in February if the outlook evolves as policymakers presently expect. In the meeting announcement, officials highlighted that headline inflation is sustainably around the midpoint of the central bank's 1%-3% target range, core inflation is converging toward target and that economic growth has been subdued. The RBNZ also updated its economic forecasts. Policymakers forecast the economy contracted in Q3, which would mark the second consecutive quarterly downturn and the second technical recession seen in two years. Beyond that, officials forecast the economy to recover in 2025 and beyond with the support of lower interest rates. The CPI inflation forecasts show the measure coming up slightly to around 2.5% late next year before returning to around 2% in 2026–27. Our current forecast has the RBNZ lowering its policy rate by 25 bps at the February 2025 meeting and another 100 bps of policy easing through the end of 2025. With that said, given Orr's comments in the press conference, the risks are tilted toward a larger 50 bps reduction at the February meeting.

In other economic news down under, Australia's CPI inflation figures for October were somewhat mixed. Headline CPI inflation surprised to the downside at 2.1% year-over-year, in line with September's pace. Trimmed mean inflation, which looks at underlying price pressures, experienced another bump in the road as it picked up to 3.5% year-over-year from 3.2% previously. The Reserve Bank of Australia's (RBA) inflation target is 2%-3%. Policymakers have highlighted their concern around underlying inflation in recent monetary policy statements, so we view these data as consistent with our forecast for the central bank to keep its policy rate on hold at 4.35% until Q1-2025, at which point we forecast a 25 bps rate cut in February. With that said, if underlying inflation remains stubborn in its journey back to target, we would view the risks as tilted toward an even later initial rate cut.



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



Source: Datastream and Wells Fargo Economics

This week also saw the release of business sentiment data for Germany covering November via the IFO business survey, which looks at 9,000 companies across the manufacturing, services, trade and construction sectors each month. Sentiment data in Europe have been of particular interest lately, as the Eurozone PMIs have been underwhelming and surprised to the downside in November, bolstering concerns about growth prospects in the region. Zooming in on Germany, the largest Eurozone economy, the manufacturing PMI has been notably soft for some time—well below the '50' mark that denotes contraction from expansion—and the services PMI, while having held up a bit better, has started to falter recently. The results of the IFO survey from this week appear to confirm this picture. The overall Business Climate Index fell by more than expected to 85.7, driven by a larger-than-expected drop in firms' assessment of current conditions. While this headline reading is not as low as the troughs reached around the Global Financial Crisis and the pandemic, it is certainly soft

by historical standards, and the measure has been on a downward trend as of late. Expectations for the future business climate were less disappointing, largely holding steady from October. With that said, the read on expectations would still be considered subdued when looking at data going back over the last two decades. Overall, we see these data as consistent with our view for only mild Eurozone economic growth in 2024 of 0.7%. In response, we look for the European Central Bank to cut its policy rates at a fairly consistent 25-bps-per-meeting pace through the end of Q1-2025.

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International Outlook

Weekly International Indicator Forecasts

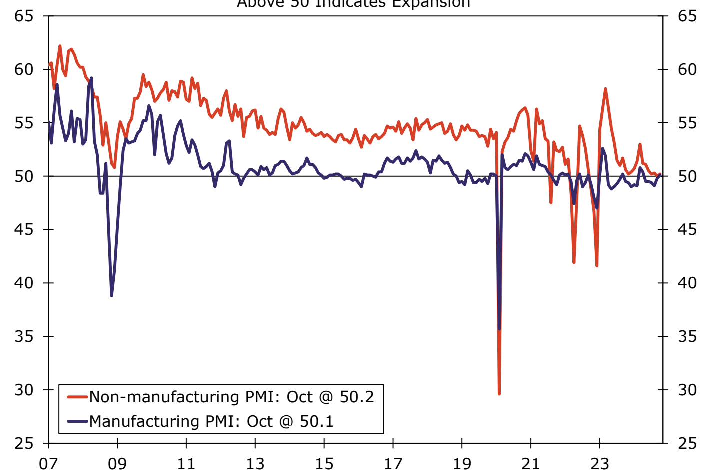
Date	Indicator	Period	Consensus	Wells Fargo	Prior
30-Nov	China Manufacturing PMI	Nov	50.2	–	50.1
30-Nov	China Non-manufacturing PMI	Nov	50.4	–	50.2
4-Dec	Australia GDP (YoY)	Q3	1.1%	–	1.0%
6-Dec	Reserve Bank of India Repurchase Rate	6-Dec	6.50%	6.50%	6.50%

Forecast as of November 27, 2024

Source: Bloomberg Finance L.P and Wells Fargo Economics

China PMIs • Saturday

China's November PMIs will provide the first read on economic sentiment following the U.S. presidential election and offer some insight into the state of the country's economy. Recent economic data from China have been somewhat unimpressive, and it appears likely that the November PMIs will show a continuation of that trend. The consensus expectation is that both the manufacturing and non-manufacturing PMIs are to stay broadly steady at 50.2 and 50.4, respectively, right around the "breakeven" point of 50. These readings would point to a generally subdued Chinese economy that is struggling to gain momentum.



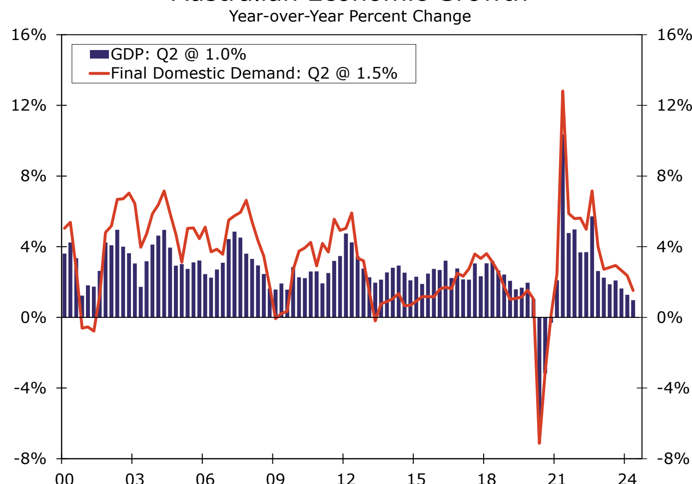
Source: Bloomberg Finance L.P. and Wells Fargo Economics

Looking at the bigger picture, we are generally not that optimistic on China's economic growth prospects. Although authorities have recently delivered some monetary and fiscal stimulus, we believe that in the absence of stimulus measures that aim to support domestic demand, the impact on growth will not be all that material. Several challenges have plagued the Chinese economy for some time now, namely geopolitical tensions, a struggling property sector and subdued consumer demand. In addition, the potential for President-elect Donald Trump to implement heightened tariffs on China could be another drag on the country's growth. Thus, we forecast Chinese GDP growth to slow to 4.6% in 2024 and 4.0% in 2025.

Australia GDP • Wednesday

Next week, market participants will be watching the release of Australia's third quarter GDP growth figures for potential clues as to when the Reserve Bank of Australia (RBA) may opt to begin its rate cut cycle. RBA policymakers have generally maintained a hawkish-leaning stance due to economic data that have shown still-elevated underlying inflation, broadly steady economic growth and a tight labor market. The October inflation data released earlier this week were generally consistent with this picture, as underlying inflation remained elevated. On the growth side, economists expect the economy to continue to recover. The consensus forecast is for year-over-year growth to have ticked up slightly to 1.1% in Q3 and for quarter-over-quarter growth to have ticked up to 0.4%. We would see these results as consistent with a steadily improving picture for Australia's economy.

In this growth environment, and amid lingering concerns around inflation, we see the RBA continuing to hold its policy rate steady at 4.35% through at least the end of this year. Our current forecast looks for the central bank to deliver an initial 25 bps rate cut in February 2025; though if underlying inflation remains stubborn and risks to the growth outlook do not materialize, we would view the risks as tilted toward the RBA delivering that initial rate cut even later.

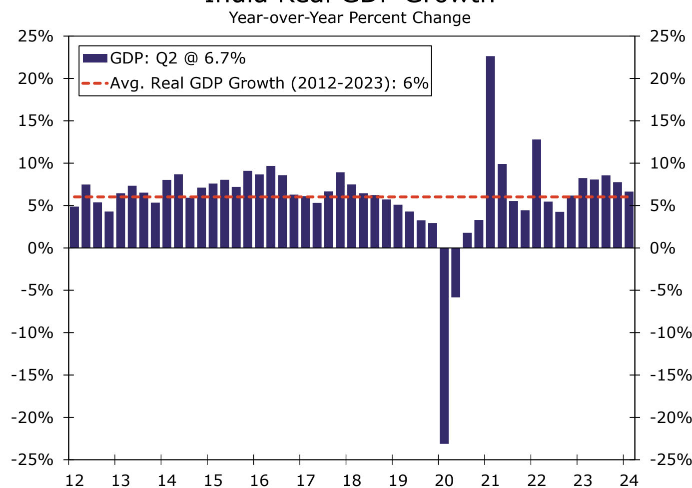


Source: Datastream and Wells Fargo Economics

Reserve Bank of India Policy Rate • Friday

Next week, the Reserve Bank of India (RBI) will deliver its latest monetary policy decision. We are aligned with the consensus expectation that the central bank will hold the repurchase rate steady at 6.50%.

Overall, we do not view economic data from India in recent months as consistent with the RBI starting its rate cut cycle just yet. Inflation remains elevated, and GDP growth and sentiment have also been sturdy. CPI inflation popped to 6.21% year-over-year in October, noticeably surpassing consensus expectations. India's economy has also maintained solid footing, having expanded 6.7% in the second quarter. Third quarter GDP growth data will be released this Friday and are expected to expand at a slightly slower, though still respectable, pace of 6.5% year-over-year. India's manufacturing and services PMIs have also continued to climb into expansion territory. At its last monetary policy announcement, the RBI highlighted resilient economic growth and its commitment to returning inflation to the 4% target. Overall, we view the RBI as likely to wait until the first quarter of next year to begin monetary policy easing with a 25 bps rate cut to a repurchase rate of 6.25%.



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

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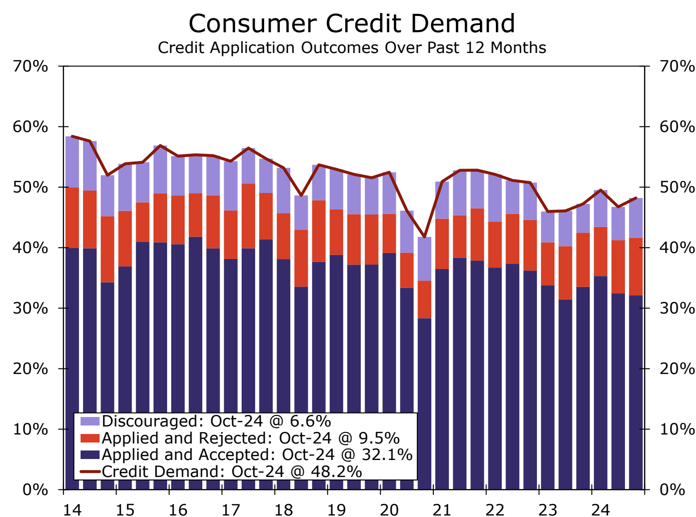
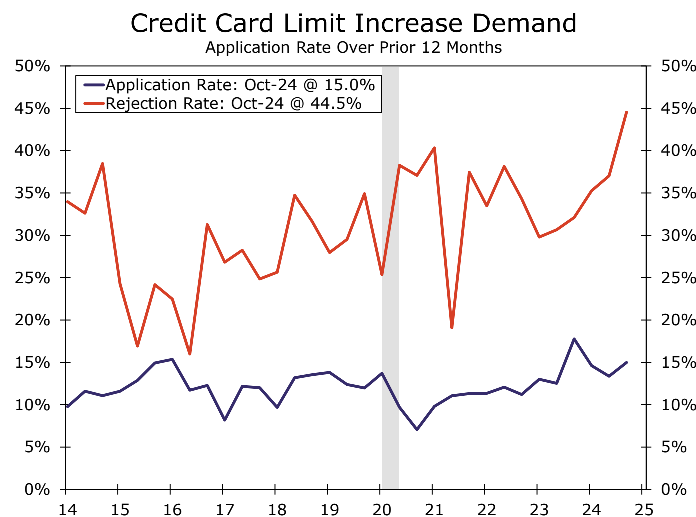
Credit Market Insights

Credit Demand Rises Alongside Application Rejection Rates

Last week, the Federal Reserve Bank of New York released the October 2024 Credit Access Survey. The thrice-a-year survey asks consumers about their experiences with credit applications and gauges consumer demand for different types of credit. The survey is unique in that it measures both the share of consumers applying for a given type of credit and also the rejection rate amongst applicants. Broadly, credit demand ticked up in October (chart). Over 48% of consumers reported demand for new credit over the past year, an increase of 1.5 percentage points relative to the June survey. The increase in credit demand, however, was due to increases in both the share of consumers who applied for and were rejected for credit (up 0.7 percentage points) and those who were interested in applying but ultimately got discouraged (up 1.0 percentage points). The share of consumers who reported applying and being accepted for their credit application actually declined 0.3 percentage points to 32.1%.



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



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

Demand for credit was highest amongst younger consumers and those with lower credit scores. These demographics also had higher rejection rates for their credit applications and were more likely to be discouraged from even submitting a credit application than older consumers and those with higher credit scores. Rejection rates across most types of consumer credit remained high, similar to the June survey. Demand for auto loans remained steady, but the rejection rate for auto loan applications was nearly 15%, the second highest rate in data going back to 2013.

The credit card application rate and rejection rate both remained within a historically normal range. Yet, credit card limit increase applications were a different story. The application rate for credit limit increases remained steady at 15%, but the rejection rate amongst applicants rose to 44.5%, a fresh series high and a nearly eight percentage point increase from the June survey (chart). Mortgage refinancing application rates remained low, though they have risen a touch from the lows of early 2024. Rejection rates for refinances remain elevated.

Involuntary accounts closures rose for consumers under age 40 and those with a credit score below 680. These demographics were the same to report lower likelihoods of being able to come up with $2,000 in an emergency compared to older consumers and those with higher credit scores. Across the board, credit demand rose compared to the start of 2024. Even so, credit demand has still not returned to its pre-pandemic norm, when the share of consumers looking for new credit was consistently greater than 50%. In addition, the demand that is there for consumer credit is not all being met. Rejection rates remain elevated across many consumer credit products, demonstrating that consumers cannot rely on credit to sustain their spending patterns to the same degree they have been able to in prior cycles.

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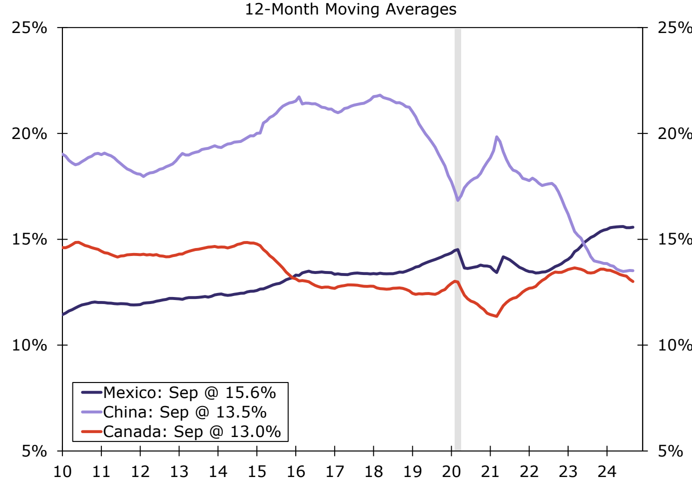
Topic of the Week

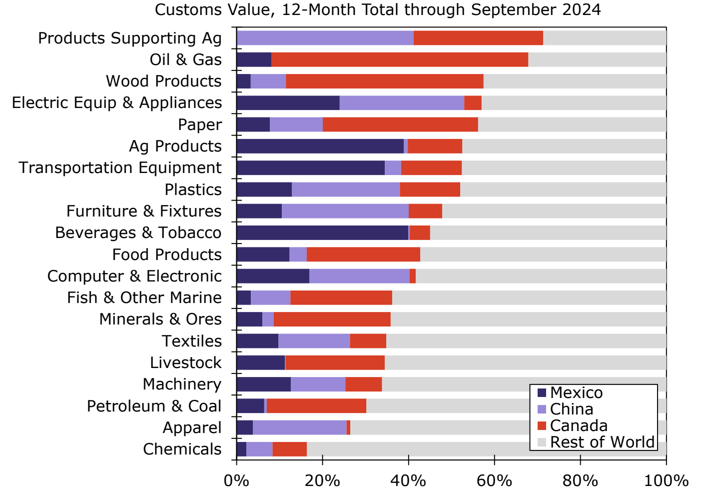
And So It Begins

President-elect Donald Trump proposed a 25% tariff on all imported goods from Mexico and Canada and an additional 10% levy on all products from China this week. The move came as a surprise to many analysts because President-elect Trump campaigned on a 10% tariff on all trading partners and a special 60% rate on China. President Claudia Sheinbaum has signaled that Mexico is prepared to respond with retaliatory tariffs. How important are Canada and Mexico to U.S. imports?

The United States imported over $3 trillion worth of goods in 2023. Mexico's share of that total surpassed China's for the first time in decades during the summer (on a 12-month moving average basis), while Canada remained in a very close third place (chart). The reshuffling is a signal that the tariffs imposed on China back in 2018 and 2019 have diverted U.S. imports from the country. Indeed, the Census Bureau estimates that the U.S. federal government collected $44.4 billion in tariff revenue from Chinese merchandise imports in 2023, which is down from $57.5 billion in 2022.



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



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

The movement from Chinese imports has paved the way for Mexico and Canada to gain market share. Collectively, the United States has sourced 29% of its merchandise imports from these countries over the past 12 months, up from a 26% share in 2018. Canada particularly dominates in oil & gas (60% share of U.S. total), wood products (46%) and paper (36%) imports. Meantime, Mexico is a major player in beverage & tobacco (40%), agriculture products (39%) and transportation equipment (34%) imports (chart). While U.S. corporate profit margins are elevated relative to their pre-pandemic norm, we are doubtful that businesses have the capacity to completely absorb the costs associated with a 25% tariff hike, and we suspect end-users will face higher prices as a result.

President-elect Trump did not specify the legal mechanism that he plans to utilize to enact these tariffs. As we outlined in a recent infographic, the president retains near unilateral control of trade policy, but in most cases, he needs to consult with some government agencies first. The president could gain immediate tariff authority by using the International Emergency Economic Powers Act, but he would need to declare a national emergency with respect to all goods coming from China, Canada and Mexico to make that happen. While possible, we do not think President-elect Trump has the political capital to do that given the importance of these markets, and Congress has the power to overrule the national emergency declaration. Our base case remains that new tariff rates will go into effect by the third quarter of 2025.

(Return to Summary)

Market Data • Mid-Day Wednesday

U.S. Interest Rates

	Wednesday 11/27/2024	1 Week Ago	1 Year Ago
SOFR	4.58	4.57	5.32
Effective Fed Funds Rate	4.58	4.58	5.33
3-Month T-Bill	4.50	4.53	5.39
1-Year Treasury	4.44	4.41	5.05
2-Year Treasury	4.22	4.31	4.89
5-Year Treasury	4.13	4.28	4.41
10-Year Treasury	4.25	4.41	4.39
30-Year Treasury	4.43	4.60	4.54
Bond Buyer Index	4.12	4.14	3.74

Foreign Exchange Rates

	Wednesday 11/27/2024	1 Week Ago	1 Year Ago
Euro ($/€)	1.056	1.054	1.095
British Pound ($/£)	1.267	1.265	1.263
British Pound (£/€)	0.834	0.833	0.867
Japanese Yen (¥/$)	151.050	155.440	148.690
Canadian Dollar (C$/$)	1.402	1.398	1.362
Swiss Franc (CHF/$)	0.882	0.884	0.880
Australian Dollar (US$/A$)	0.649	0.651	0.661
Mexican Peso (MXN/$)	20.620	20.277	17.166
Chinese Yuan (CNY/$)	7.246	7.246	7.153
Indian Rupee (INR/$)	84.453	84.414	83.378
Brazilian Real (BRL/$)	5.835	5.773	4.899
U.S. Dollar Index	106.135	106.680	103.199

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

Foreign Interest Rates

	Wednesday 11/27/2024	1 Week Ago	1 Year Ago
3-Month German Govt Bill Yield	2.57	2.60	3.64
3-Month U.K. Govt Bill Yield	4.72	4.72	5.28
3-Month Canadian Govt Bill Yield	3.43	3.49	5.03
3-Month Japanese Govt Bill Yield	0.13	0.12	-0.21
2-Year German Note Yield	2.03	2.13	3.00
2-Year U.K. Note Yield	4.31	4.41	4.64
2-Year Canadian Note Yield	3.20	3.27	4.40
2-Year Japanese Note Yield	0.59	0.56	0.07
10-Year German Bond Yield	2.16	2.35	2.55
10-Year U.K. Bond Yield	4.30	4.47	4.21
10-Year Canadian Bond Yield	3.24	3.38	3.65
10-Year Japanese Bond Yield	1.07	1.08	0.78

Commodity Prices

	Wednesday 11/27/2024	1 Week Ago	1 Year Ago
WTI Crude ($/Barrel)	68.89	68.87	74.86
Brent Crude ($/Barrel)	72.90	72.81	79.98
Gold ($/Ounce)	2639.43	2650.60	2014.13
Hot-Rolled Steel ($/S.Ton)	701.00	680.00	900.00
Copper (¢/Pound)	407.20	415.55	375.80
Soybeans ($/Bushel)	9.86	9.80	13.23
Natural Gas ($/MMBTU)	3.25	3.19	2.79
Nickel ($/Metric Ton)	15,760	15,624	15,907
CRB Spot Inds.	545.20	540.74	539.48

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Economics Group

Jay H. Bryson, Ph.D.	Chief Economist	704-410-3274	Jay.Bryson@wellsfargo.com
Sam Bullard	Senior Economist	704-410-3280	Sam.Bullard@wellsfargo.com
Nick Bennenbroek	International Economist	212-214-5636	Nicholas.Bennenbroek@wellsfargo.com
Tim Quinlan	Senior Economist	704-410-3283	Tim.Quinlan@wellsfargo.com
Sarah House	Senior Economist	704-410-3282	Sarah.House@wellsfargo.com
Azhar Iqbal	Econometrician	212-214-2029	Azhar.Iqbal@wellsfargo.com
Charlie Dougherty	Senior Economist	212-214-8984	Charles.Dougherty@wellsfargo.com
Michael Pugliese	Senior Economist	212-214-5058	Michael.D.Pugliese@wellsfargo.com
Brendan McKenna	International Economist	212-214-5637	Brendan.Mckenna@wellsfargo.com
Jackie Benson	Economist	704-410-4468	Jackie.Benson@wellsfargo.com
Shannon Grein	Economist	704-410-0369	Shannon.Grein@wellsfargo.com
Nicole Cervi	Economist	704-410-3059	Nicole.Cervi@wellsfargo.com
Jeremiah Kohl	Economic Analyst	212-214-1164	Jeremiah.J.Kohl@wellsfargo.com
Aubrey Woessner	Economic Analyst	704-410-2911	Aubrey.B.Woessner@wellsfargo.com
Delaney Conner	Economic Analyst	704-374-2150	Delaney.Conner@wellsfargo.com
Anna Stein	Economic Analyst	212-214-1063	Anna.H.Stein@wellsfargo.com
Ali Hajibeigi	Economic Analyst	212-214-8253	Ali.Hajibeigi@wellsfargo.com
Coren Miller	Administrative Assistant	704-410-6010	Coren.Miller@wellsfargo.com

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