WELLS FARGO

Weekly — July 1, 2022

Weekly Economic & Financial Commentary

United States: **Running on Empty**

- Consumers staying power is showing signs of running out as inflation persists and confidence moves sharply lower. While consumers still have the ability to rely on their balance sheets to support spending, it's uncertain for how much longer they will continue to do so. Piling on the tough news was the weak ISM manufacturing report for June, which illustrates that we are not just seeing weakness out of the consumer, but investment spending as well.
- Next week: ISM Services (Wed), Trade Balance (Thu), Nonfarm Payrolls (Fri)

International: **China's Economy Starting to Recover, U.K. Recession Seems Inevitable**

- This week, we received further evidence that China's economy is on the road to recovery from its lockdown-induced slump. On the other hand, as U.K inflation accelerates further this year, and we expect the U.S. economy to slow late this year and fall into recession during 2023, we believe that could also be enough to tip the U.K. economy into recession by early next year.
- Next week: Reserve Bank of Australia (Tue), Central Bank of Peru (Thu), Mexico CPI (Thu)

Credit Market Insights: **Pay Ya Later**

- Consumers have increasingly relied on their balance sheets to fund spending, and as consumers tap credit, a less traditional service, Buy Now, Pay Later, has received increased attention. This week, we unpack what we know and importantly what we do *not* yet know about the service.

Topic of the Week: **U.S. Recession Is Likely, and Global Contagion Is Unavoidable**

- Inflation has trended uncomfortably high in many countries around the world, even as policymakers have ramped up monetary tightening cycles. The worldwide inflation problem has created an interesting dichotomy for the global economy, and as a result, we have made significant changes to our forecast profile for many central banks and economies.

Wells Fargo U.S. Economic Forecast

	Actual					Forecast			Actual		Forecast	
	2021				2022							
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	2020	2021	2022	2023
Real Gross Domestic Product [1]	6.3	6.7	2.3	6.9	-1.5	3.5	1.7	0.8	-3.4	5.7	2.5	0.0
Personal Consumption	11.4	12.0	2.0	2.5	3.1	3.8	1.4	0.6	-3.8	7.9	3.1	0.1
Consumer Price Index [2]	1.9	4.8	5.3	6.7	8.0	8.6	9.2	8.5	1.2	4.7	8.6	4.0
"Core" Consumer Price Index [2]	1.4	3.7	4.1	5.0	6.3	6.0	6.2	6.1	1.7	3.6	6.2	4.0
Quarter-End Interest Rates [3]												
Federal Funds Target Rate	0.25	0.25	0.25	0.25	0.50	1.75	3.00	4.00	0.50	0.25	2.31	4.38
Conventional Mortgage Rate	3.17	3.02	2.88	3.11	4.42	5.70	5.85	5.90	3.12	2.95	5.47	5.46
10 Year Note	1.74	1.45	1.52	1.52	2.32	3.55	3.70	3.80	0.89	1.45	3.34	3.44

Forecast as of: June 15, 2022
[1] Compound Annual Growth Rate Quarter-over-Quarter [2] Year-over-Year Percentage Change [3] Annual Numbers Represent Average

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

Please see our full U.S. Economic Forecast and our updated Consumer Dashboard and Pressure Gauge.

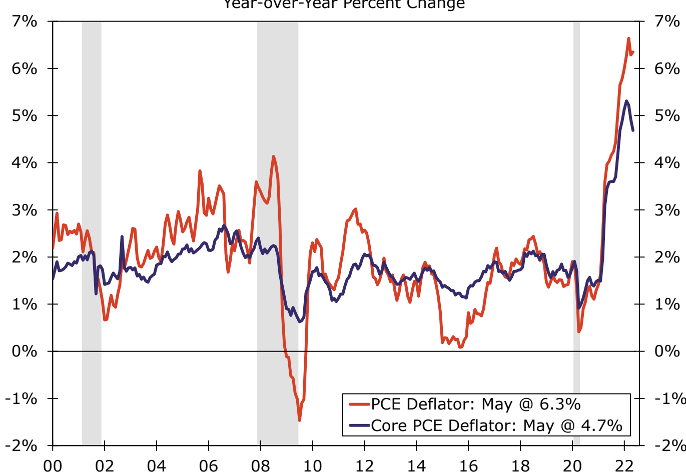
U.S. Review

Running on Empty

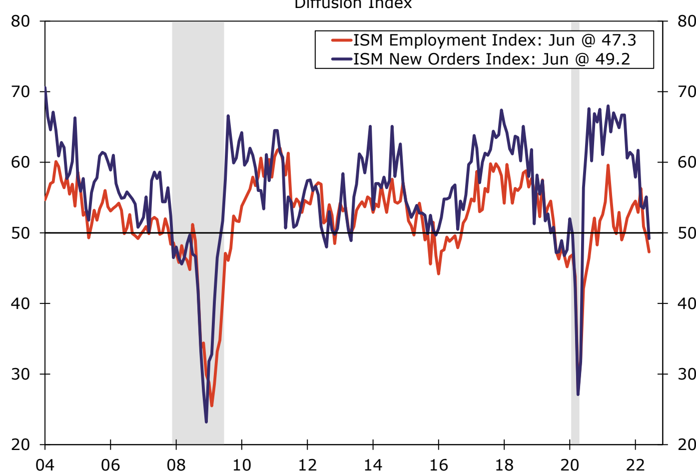
The consumer data have finally started showing what we are all feeling...the struggle is real. Consumer prices measured by the PCE deflator rose another 0.6% in May, lifting the annual rate back up a touch to 6.35% from 6.29% previously (chart). Elevated and persistent price pressures have dramatically weighed on real disposable personal income, which is now about 5.4% below where it would be implied by its trend in the absence of the pandemic. That's a dramatic hit to income, and it's weighing on consumers' ability to spend. Real personal spending slipped 0.4% as a result in May, even as consumers continued to save less compared to pre-pandemic habits. While consumers still have room to tap sources of staying power, the May data suggest it may be running out.

Piling onto the weak spending data were that measures of consumers' confidence moved sharply lower in June as consumers grow particularly pessimistic on what's to come. The expectations component of the consumer confidence index, for example, slid 7.3 points to 66.4 in June, which marks the largest monthly drop in over a year and a half and the lowest reading for expectations in nine years. The deterioration in confidence is not surprising amid elevated gas prices, deteriorating labor market prospects and simply broad concern over finances, and it presents a notable shift in consumer psyche.

Even with the tide shifting and consumers' staying power showing signs of running out, we still expect spending will hold up in the near term, particularly through the summer months. Sky-high prices have so far been little match for the desire to travel and participate in in-person services this summer. Households will thus increasingly rely on their balance sheets to fund spending, but once Labor Day comes, the boost from services may not be enough to keep overall consumer spending in the black.



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



Source: Institute for Supply Management and Wells Fargo Economics

With consumers' spending habits transitioning to more normal patterns, goods spending accounted for just 39.1% of total spending in May, which marks the lowest share of spending dedicated to goods in the two years since the start of the pandemic. One positive of a pullback in spending is that a pronounced pullback in goods consumption specifically is alleviating some pressure on supply chains. Real inventories rose for the eighth consecutive month in April, driven by gains in wholesale and retail inventories specifically. As demand cools, retailers should be able to more easily restock depleted inventory.

There is a chance this restocking moves too far in the other direction, and retailers become overstocked, which could result in steep discounting. Big box retailers like Target and Walmart both recently warned of a potential squeeze on profits due to high inventory levels. But as we wrote in a special report this week, we believe fears of overstocking are overblown today. There has not yet been a large enough build to cause widespread goods disinflation anytime soon. Furthermore, manufacturing activity remains constrained by supply chains, and there are ready buyers waiting to

purchase many items once they are produced, which will prevent a decent chunk of stock from ever sitting in inventory.

Manufacturers have a large backlog to work through as supply pressures ease, even as demand cools. While new orders for durable goods continued to rise in May, the ISM manufacturing survey for June was pretty weak. A slowing economy and rising interest rate environment are not favorable backdrops for capex, and we expect demand to slow. The new orders components of the regional Fed PMI surveys slid lower generally across the board for June, which foreshadowed the 5.9-point drop in the ISM manufacturing survey's new orders component to 49.2 last month. The sub-50 reading signals contraction. The employment component also remained below 50, suggesting a decline in manufacturing hiring in June. More broadly, the ISM manufacturing index slid to its lowest level in nearly two years. Some positives in the release were signals of further reprieve in supply, with order backlog, supplier deliveries and prices paid all moving lower. But overall the ISM survey for June emphasizes it is not just consumers but investment spending that is starting to weaken as well. (Return to Summary)

U.S. Outlook

Weekly Domestic Indicator Forecasts

Date	Indicator	Period	Consensus	Wells Fargo	Prior
5-Jul	Factory Orders (MoM)	May	0.5%	0.5%	0.3%
6-Jul	ISM Services Index	Jun	54.5	54.6	55.9
7-Jul	Trade Balance	May	-$85.0B	-$85.0B	-$87.1B
8-Jul	Nonfarm Payrolls	Jun	275K	240K	390K
8-Jul	Unemployment Rate	Jun	3.6%	3.6%	3.6%
8-Jul	Average Hourly Earnings (MoM)	Jun	0.3%	0.3%	0.3%

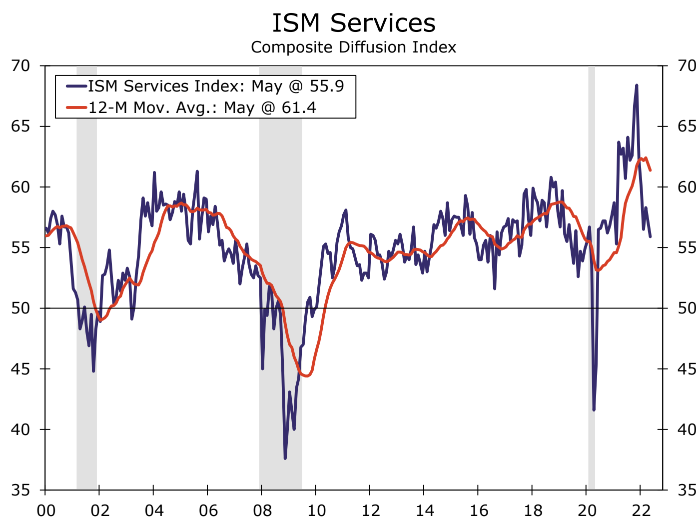
Forecast as of July 01, 2022

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

ISM Services • Wednesday

The ISM services index slipped to 55.9 in May, the lowest level since February 2021. Despite the drop, the overall index remains above the 50-breakeven level, which suggests services activity is still moderately expanding. Of the index's sub-components, notable declines came from backlog of orders (-7.4), supplier deliveries (-3.8) and prices paid (-2.5), all of which suggest supply chain pressure may be abating. With inflation as one of the most cited problems facing businesses today, incremental easing in lead times and input prices is a welcome development.

Even with improvement in supply, the service sector is downshifting. The ISM survey's gauge of business activity dropped nearly five points in May. We suspect softening continued in June and look for the headline index to fall to 54.6. That said, services consumption is poised to hold up reasonably well through the summer. Pent-up demand for activities and celebrations delayed during the pandemic remains strong, signaled by the 0.3% rise in real consumer spending on services in May.

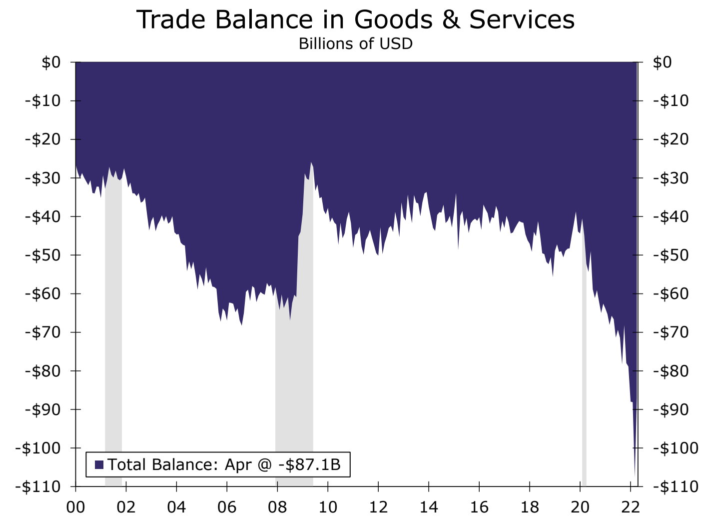


Source: Institute for Supply Management and Wells Fargo Economics

Trade Balance • Thursday

The U.S. trade deficit narrowed to $87.1 billion in April, a sharp retreat from its all-time record of $107.7 billion in March. International trade data have been exceptionally volatile recently due to lingering pandemic-related disruptions and supply-chain bottlenecks. That said, the trade gap has widened for much of the past two years as the U.S. economy has generally expanded faster than its major trading partners.

Advance trade data for May show goods exports rising 1.2% from a month earlier and goods imports slipping a scant 0.1%. These data position the trade deficit to narrow further in May, and we forecast the deficit reached $85.0 billion during the month. Longer term, the slowdown in domestic demand for durable and nondurable goods should help to tamp down import growth and normalize U.S. trade flows.

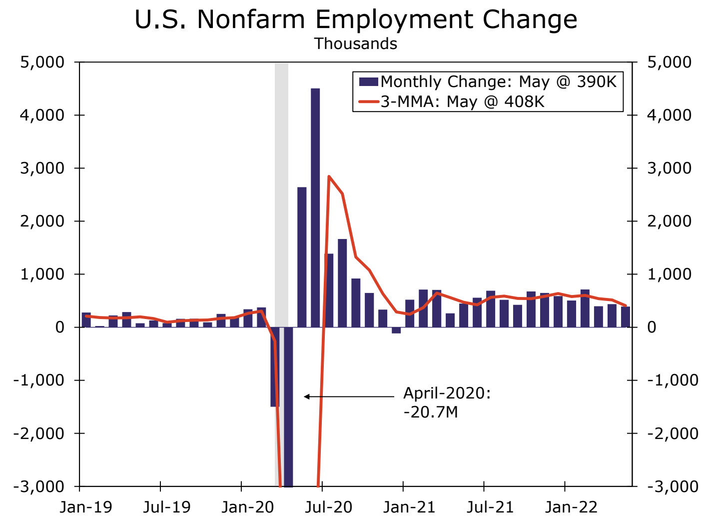


Source: U.S. Department of Commerce and Wells Fargo Economics

Nonfarm Payrolls • Friday

Nonfarm payrolls expanded 390K in May, fueled by strong labor demand and improving labor availability. While 390K net new jobs marks the slowest pace of employment growth in more than a year, payrolls are still rising at a robust rate. The labor force participation rate continues to rebound, ticking up a tenth of a point to 62.3% in May, helped by prime-age women and older workers filing back into the labor force in greater numbers. All told, we expect the ongoing improvement in labor supply to help keep a lid on wage-related inflationary pressures.

Looking ahead, we forecast nonfarm payrolls to rise 240K in June and look for the unemployment rate to hold steady at 3.6%. Labor demand is showing signs of topping out, albeit at an elevated level, as evidenced by the job openings rate hovering around 7.0% since the beginning of the year. With a larger pool of available candidates, small business compensation plans have softened. We forecast average hourly earnings to rise 0.3% month-over-month in June. (Return to Summary)



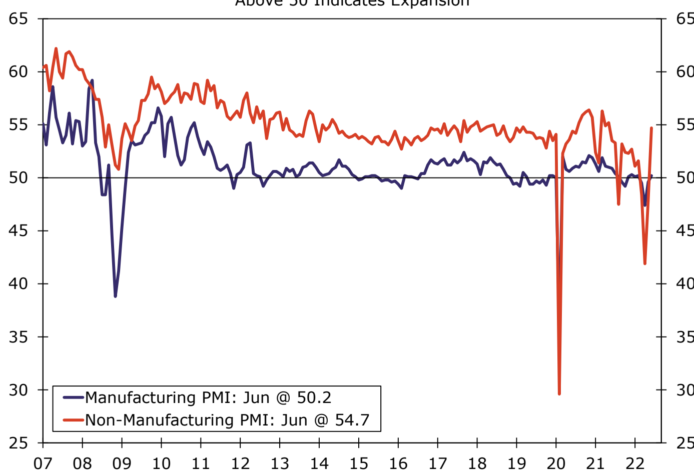
Source: U.S. Department of Labor and Wells Fargo Economics

International Review

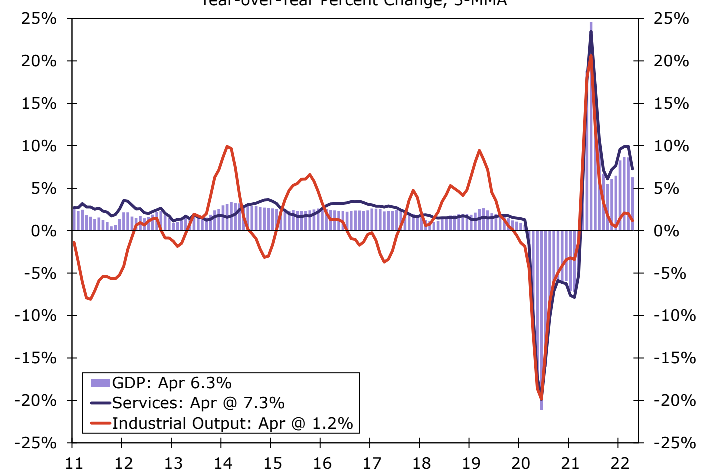
China's Economy Starting to Recover

This week, we received further evidence that China's economy is on the road to recovery from its lockdown-induced slump. June PMI data were released this week, with the headline numbers and underlying components suggesting China's economy is heading back in the right direction. On the manufacturing side, activity improved above the 50 threshold to 50.2 in June, the first time the manufacturing PMI has been in expansion territory since February. While the headline number is encouraging, the underlying details of the index are also reason to be optimistic on China's recovery. Production and new orders data improved over the past month, a sign that manufacturing capability has improved and demand is picking up. Perhaps more important, supplier delivery times, a key indicator of how supply chains are evolving, also improved in June. With COVID restrictions mostly lifted, manufacturing and production capacity should be almost fully restored. Assuming the worst of COVID is behind China, manufacturing should be a key source of growth going forward. Sentiment in the services sector improved sharply in June. To that point, consensus forecasts were looking for the non-manufacturing PMI to rise to 50.5; however, the index rose to 54.7 this month. Lifting of COVID restrictions is the primary driver of the recovery in the services sector. With most of the Chinese population no longer operating under restrictions, citizens were able to re-enter normal spending patterns and release some of the pent-up demand built up over the past few months. Similar to manufacturing, dwindling COVID cases should support services spending going forward, and also be a positive contributor to growth going forward.

We highlighted in a recent report that China's high frequency economic and sentiment indicators were improving and the worst of China's economic deceleration was in the past. June PMI data reinforce our view that China's economy, at a minimum, has stabilized. Aside from economic indicators, Chinese regulators have also eased up on the crackdown that weighed on local financial markets since the beginning of 2021. Downward pressure on local equity indices has been alleviated for the time being, which has also contributed to more positive sentiment returning to China's financial markets. While our annual GDP forecast still suggests a subdued growth outlook in China this year, we now see risks as balanced rather than tilted to the downside. We also adjusted our People's Bank of China (PBoC) outlook and believe the need for easier monetary policy is not as strong. Without lower interest rates, depreciation pressure should be lifted off the renminbi and keep the currency relatively stable for the time being.



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



Source: Datastream and Wells Fargo Economics

U.K. Recession Seems Inevitable

The final estimate of U.K. Q1 GDP showed a still respectable pace of economic growth of 0.8% quarter-over-quarter and 8.7% year-over-year. Within the details, consumer spending rose 0.6% quarter-over-quarter, but business investment fell 0.6%. While U.K. inflation has been on a rising trend for some months now, price growth appeared to have only a modest dampening effect on Q1 economic growth. That said, inflation pressures have further intensified since April, with the latest

round of electricity price increases now in effect. Indeed, for April alone, electricity prices jumped 40.5% month-over-month and natural gas prices jumped 68.8%. Those increases contributed to a headline inflation rate of 9.1% year-over-year as of the latest read, for May. Those energy price increases, as well as broader price increases more generally, are increasingly expected to weigh on real household incomes and consumer purchasing power going forward. Another sizable electricity price increase is slated for October, perhaps in the region of 30%-40%, which the Bank of England estimates could lift headline CPI inflation up to, or above, 11% year-over-year.

It is against this backdrop that the household income and spending trends from the first quarter GDP report were somewhat worrisome. In nominal terms, household disposable income rose by 1.5% quarter-over-quarter, but that increase in nominal incomes was outstripped by higher inflation, meaning the real household disposable income dipped 0.2% quarter-over-quarter, the fourth quarter in a row that real incomes have declined on a sequential basis. As a result, real household disposable income is down 1.3% compared to Q1 2021, in contrast to a 12.6% increase in real consumer spending over the same period. Meanwhile, the household saving rate held steady at 6.8% of disposable income in Q1, which is actually slightly below the 7.1% historical average that prevailed in the two decades prior to the pandemic. With price pressures intensifying even further over the balance of 2022, and even given some additional fiscal stimulus announced by the government in May, it seems clear that declining real household incomes will weigh even more heavily on consumer spending and overall GDP growth in the months and quarters ahead.

Indeed, more recent data for the second quarter is starting to reveal the contours of that economic growth slowdown. On the consumer side, April retail sales rose 0.4% month-over-month, but that was more than offset by a 0.5% decline in May sales. As a result, the level of retail sales for the April-May period is 0.8% below their Q1 average, hinting at a potential drop in consumer spending in the second quarter. Meanwhile, the broader activity data from the monthly GDP figures is more dated, but still hints at a possible contraction in activity in Q2. For April, the level of overall GDP was 0.4% below its Q1 average and services activity was 0.3% below its Q1 average. Without a sharp rebound in activity in either May or June—which seems rather unlikely—the U.K. economy seems on course for a contraction in the second quarter. Finally, the U.K. PMI surveys also point to moderate growth. In particular, the U.K. services PMI fell sharply to 53.4 in May and held at that more subdued level in June, an indicator of slowing economic momentum ahead. Overall, both the consensus forecast and the Bank of England forecast is for GDP to decline in the second quarter. However, it is not just Q2 2022 that could spell trouble for the British economy. As U.K. inflation accelerates further this year, and as the U.S. economy slows later this year and falls into recession during 2023, we believe that could also be enough to tip the U.K. economy into recession by early next year. We expect U.K. GDP growth to come to a standstill by Q4 this year and, with respect to sequential growth, see U.K. GDP declining 0.4% quarter-over-quarter (not annualized) in both Q1 and Q2 of 2023. In terms of calendar year growth, we expected U.K. GDP to rise 3.8% in 2022, but to dip by 0.1% in 2023. (Return to Summary)

International Outlook

Weekly International Indicator Forecasts					
Date	**Indicator**	**Period**	**Consensus**	**Wells Fargo**	**Prior**
5-Jul	Reserve Bank of Australia Decision	5-Jul	1.35%	1.35%	0.85%
7-Jul	Central Bank of Peru Decision	7-Jul	--	6.00%	5.50%
7-Jul	Mexico CPI (MoM)	Jun	0.80%	--	0.18%
7-Jul	Mexico CPI (YoY)	Jun	7.92%	--	7.65%

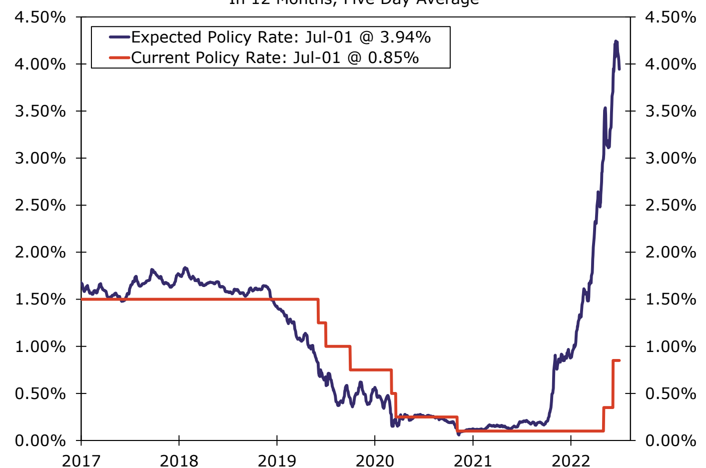
Forecast as of July 01, 2022

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

Reserve Bank of Australia • Tuesday

Inflation pressures persist around the world as commodity prices remain elevated and domestic demand improves. Australia has been adversely affected as inflation has risen somewhat significantly over the course of this year. In response, Reserve Bank of Australia (RBA) policymakers have turned more hawkish and have raised interest rates sharply. Next week, RBA policymakers will meet again to assess monetary policy and comment on how inflation is trending.

At next week's meeting, we believe RBA policymakers will raise the Cash Rate 50 bps to 1.35% and maintain a hawkish stance on monetary policy. With inflation trending above 5% year-over-year in Q1, and likely to push higher in Q2, we believe the RBA will keep its foot on the brake of the economy in an effort to contain inflation. Over the course of Q3, we believe the RBA will eventually raise the Cash Rate to 1.85%. Over the longer term, we believe the RBA will raise policy rates to 2.60%, purely in an effort to bring price growth back to target ranges.

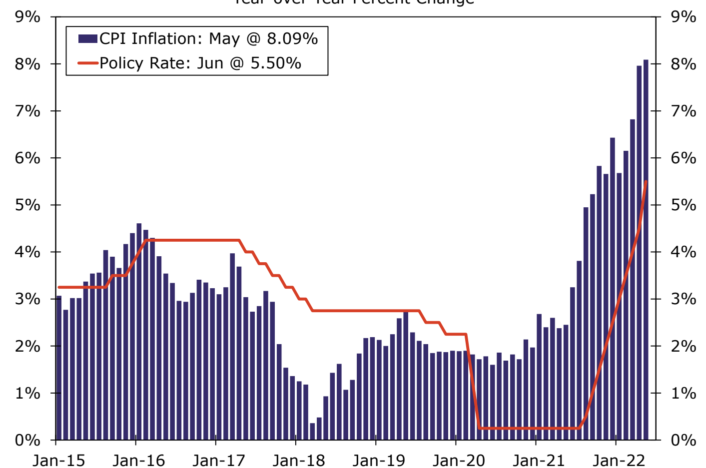


Source: Bloomberg Finance L.P. and Wells Fargo Economics

Central Bank of Peru • Thursday

Latin America has been the region arguably the most affected by elevated inflation. Countries across the continent have experienced above-target inflation and, for the time being, have seen little relief on the price front. In the case of Peru, inflation rose more than 8% year-over-year in June, with the country particularly affected by higher energy and food prices. Peruvian policymakers have embarked on a tightening cycle, which we expect to continue at next week's meeting.

Year to date, the Central Bank of Peru has lifted its Reference Rate 300 bps and, in our view, is likely to raise interest rates another 50 bps next week. With inflation still elevated, the economy showing modest signs of a bounceback and the local currency under pressure, policymakers are likely to maintain their tightening bias. However, we believe the central bank may be getting close to ending the tightening cycle within the next few months. Ending the tightening cycle could put additional pressure on Peru's currency, especially as the Fed picks up the pace of tightening going forward.

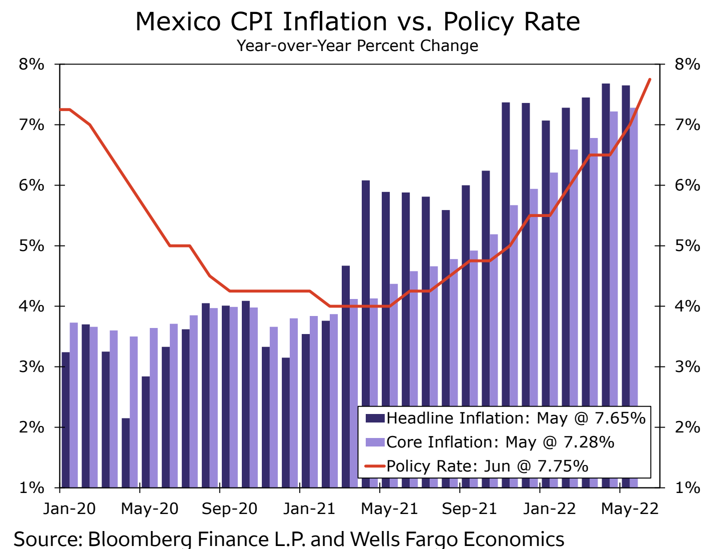


Source: Bloomberg Finance L.P. and Wells Fargo Economics

Mexico Inflation • Thursday

Mexico's inflation issues have been persistent since 2021 as CPI has trended well above the central bank's target. In that sense, Mexico CPI hit 7.6% year-over-year in May, one of the highest inflation figures since early 2001. Similar to many other central banks, Banxico has turned more aggressive in tightening monetary policy in an effort to dampen price pressures and slow demand. Next week's inflation data will provide evidence of whether those rate hikes have been effective in helping cool off inflation at all.

In our view, inflation is likely to trend higher in June as oil and food prices remain elevated. We think a push toward 8% year-over-year inflation is likely over the next few months. Even if inflation data surprise to the downside, we think Banxico policymakers are locked into a 75 bps rate hike at their next monetary policy meeting. The Central Bank of Mexico recently lifted the Overnight Rate 75 bps, and our interpretation of the official statement is at least one more 75 bps hike is likely. We think elevated inflation will keep Banxico in tightening mode well into 2023, and the central bank will eventually match the pace of tightening by the Federal Reserve. (Return to Summary)



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

Credit Market Insights

Pay Ya Later

Consumers have increasingly relied on their balance sheets to fund spending, but the latest spending data for May suggest the staying power of consumers is beginning to run out. Drawing down savings and tapping credit are not *sustainable* ways to fund spending, but they've helped amid what feels like ever-rising prices.

As consumers rely more on credit, a less traditional service, Buy Now, Pay Later (BNPL), has received increased attention. BNPL is essentially a short-term financing option that allows consumers to make purchases today and pay for them later on. In that way, it is similar to traditional short-term installment loans where consumers set up various payments on the amount due, with sometimes just little upfront payment. The number of installments required and the frequency depend on the provider of the loan service, but most of these financing segments charge zero interest if the payment is made on time and in full, a feature that is only more attractive in today's increasing rate environment.

These services are popping up across online websites and retailers with Apple Inc. being one of the latest major companies to announce the introduction of a pay later service earlier this month. There are various implications of this borrowing segment. Not only has the service introduced a flexible and easy form of credit for households to tap, but companies are now acting as underwriters to their consumers through these services.

So just how big of a credit segment is this? Unfortunately, it is tricky to say. To the best of our knowledge, official government data are not yet available, making it difficult to track this segment of borrowing. But we expect BNPL is a relatively small share of total debt. Forbes has estimated the BNPL market to total about $100 billion, which would suggest it represents just around 2% of total consumer credit outstanding (~$4.5T). In short, since it represents a relatively small credit segment, it is not a huge concern yet to creditors even if a growing number of consumers overextend themselves and are soon unable to meet payments. That said, it cannot be completely ignored.

Since providers of BNPL credit are not required to report these credit lines, the debt is not often on the credit profile of households. Thus, it will not show up in credit reports if borrowers seek other forms of debt, meaning lenders are essentially flying blind to some potential exposure. Furthermore, BNPL is a relatively easy form of credit to access as providers do not perform credit checks, which raises a big question around the financial health of BNPL borrowers more generally. The service is expected to continue to grow, and with it more data and regulation are likely to become available, which we will monitor and report on accordingly. (Return to Summary)

Topic of the Week

U.S. Recession Is Likely, and Global Contagion Is Unavoidable

Inflation has trended uncomfortably high in a number of countries around the world, even as policymakers have ramped up monetary tightening cycles. The worldwide inflation problem has created an interesting dichotomy for the global economy, and as a result, we have made significant changes to our forecast profile for multiple central banks and economies.

We believe most central banks need to remain active and respond to inflationary pressures with rate hikes. In some cases, we think policymakers will need to turn even more hawkish. After a 75 bps rate hike in June, we now believe the Fed will follow up with another 75 bps hike in July. We also think the Fed will lift policy rates by 50 bps at each meeting through the end of 2022 and see an additional 50 bps of tightening in early 2023, with a terminal rate of 4.50% by the end of Q1-2023. An above-consensus May inflation print should lead the Bank of Canada to accelerate tightening as well, with a 75 bps hike in July and a terminal rate of 3.50%. In addition, we continue to expect tighter policy in the second half of this year from the European Central Bank and the Bank of England.

While, in our view, most countries certainly require higher interest rates to contain inflation, tighter monetary policy raises the probability some economies will fall into recession in the next 12-18 months. This is the tradeoff many central banks are forced to make right now: Contain inflation and risk mild recession in the near term, or support economic growth now, let inflation run, and risk harsher consequences over the long term. In our view, the FOMC is committed to containing inflation now, but its latest hawkish shift will contribute to a recession we forecast to occur within the next year. Given the Fed has committed to a more aggressive posture on monetary policy, we now believe a soft landing will be challenging. We believe the U.S. labor market will not be as robust going forward, and over time, the unemployment rate is likely to tick higher toward 5% in 2023. With that said, we expect the U.S. recession to be mild and short-lived. We forecast the U.S. economy to experience little to no growth in 2023. A recession in the U.S. is likely to have ripple effects around the world. As far as global growth, zero growth in the United States will keep the prospects for global growth quite dim next year. Contagion is likely to spread to many of the major economies and push global growth even lower in 2023. In our view, a U.S. recession is enough to push the U.K. economy into recession in 2023, and while the EU may avoid recession, we believe it will be on the brink of experiencing economic contraction next year.

Emerging market economies may be at risk as well. Mexico has strong trade linkages to the U.S., and we believe slower U.S. demand will push the Mexican economy into mild recession next year. Similar recessionary dynamics should take place in Brazil, which faces ultra-aggressive Brazilian Central Bank tightening and elevated political risk. China and India should feel the effects of the U.S. recession through slower growth, although we expect they will avoid recessions themselves, as we expect the impact to be less severe in Asia. Overall, we believe multiple recessions and additional economic decelerations will result in the global economy growing just 1.7% in 2023.

Our outlook is without question more pessimistic. We believe next year will be difficult for the global economy, and the slowdown will begin in the second half of 2022. Now that we view a U.S. recession as likely next year, we believe the Fed will begin to unwind monetary policy and begin lowering policy rates by the middle of 2023. We expect the Fed to lower the Fed funds rate by a cumulative 50 bps to 4.00% by the end of 2023. That may sound counterintuitive, given we spent so much time talking about the need for tighter Fed monetary policy. However, as the recession sets in, we believe Fed policymakers will feel a need to offset the economic impact of the recession and ease financing conditions.

Internationally, we believe central banks will at a minimum pause tightening cycles by mid-2023, and in some cases begin to unwind as well. Within the G10, we now look for the European Central Bank and Bank of Canada, as well as the Reserve Bank of Australia and Reserve Bank of New Zealand, to pause their rate hike cycles by early 2023. While we expect the Bank of Japan to hold policy settings steady, the Bank of England may not have the same luxury. With our revised outlook for a U.K. recession in 2023, we believe BoE policymakers will likely cut interest rates alongside the Fed during the latter part of next year, and would not rule out the possibility BoE policymakers restart asset purchases. In the emerging markets, we expect multiple central banks will cut policy rates as well. Brazil may be the first EM central bank to ease policy, while we believe the Central Bank of Mexico will follow in lock-step with the Fed and lower its Overnight Rate by a cumulative 50 bps in late 2023.

Read our *2022 Mid-Year International Economic Outlook* here. (Return to Summary)

Market Data • Mid-Day Friday

U.S. Interest Rates

	Friday 7/1/2022	1 Week Ago	1 Year Ago
SOFR	1.50	1.44	0.05
3-Month LIBOR	2.29	2.20	0.15
3-Month T-Bill	1.67	1.63	0.04
1-Year Treasury	2.50	2.49	0.06
2-Year Treasury	2.81	3.06	0.25
5-Year Treasury	2.86	3.19	0.89
10-Year Treasury	2.87	3.13	1.46
30-Year Treasury	3.10	3.26	2.06
Bond Buyer Index	3.54	3.54	2.14

Foreign Exchange Rates

	Friday 7/1/2022	1 Week Ago	1 Year Ago
Euro ($/€)	1.041	1.055	1.185
British Pound ($/₤)	1.205	1.227	1.377
British Pound (₤/€)	0.864	0.860	0.861
Japanese Yen (¥/$)	135.110	135.230	111.530
Canadian Dollar (C$/$)	1.291	1.289	1.244
Swiss Franc (CHF/$)	0.962	0.958	0.926
Australian Dollar (US$/A$)	0.679	0.695	0.747
Mexican Peso (MXN/$)	20.311	19.869	19.999
Chinese Yuan (CNY/$)	6.702	6.690	6.469
Indian Rupee (INR/$)	79.041	78.344	74.559
Brazilian Real (BRL/$)	5.307	5.243	5.049
U.S. Dollar Index	105.260	104.185	92.597

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

Foreign Interest Rates

	Friday 7/1/2022	1 Week Ago	1 Year Ago
3-Month Euro LIBOR	-0.58	-0.59	-0.57
3-Month Sterling LIBOR	1.67	1.62	0.08
3-Month Canada Banker's Acceptance	2.76	2.60	0.44
3-Month Yen LIBOR	-0.03	-0.03	-0.08
2-Year German	0.52	0.81	-0.67
2-Year U.K.	1.68	1.93	0.07
2-Year Canadian	3.10	3.12	0.45
2-Year Japanese	-0.06	-0.08	-0.11
10-Year German	1.23	1.44	-0.20
10-Year U.K.	2.09	2.30	0.73
10-Year Canadian	3.22	3.30	1.39
10-Year Japanese	0.23	0.23	0.04

Commodity Prices

	Friday 7/1/2022	1 Week Ago	1 Year Ago
WTI Crude ($/Barrel)	107.66	107.62	75.23
Brent Crude ($/Barrel)	110.81	113.12	75.84
Gold ($/Ounce)	1806.33	1826.88	1776.84
Hot-Rolled Steel ($/S.Ton)	930.00	1127.00	1808.00
Copper (¢/Pound)	361.75	374.05	424.20
Soybeans ($/Bushel)	17.30	16.58	14.65
Natural Gas ($/MMBTU)	5.74	6.22	3.66
Nickel ($/Metric Ton)	22,643	23,994	18,212
CRB Spot Inds.	614.52	622.97	607.68

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