Weekly — February 11, 2022

Weekly Economic & Financial Commentary

United States: Hot Inflation Data Widen the Door for a More Aggressive Fed Move in March

- Consumer prices rose a better-than-expected 0.6% in January, and the details of the report hinted that just as price pressures in some areas ease, inflation in other parts of the economy are picking up. The stronger-than-expected CPI report and more hawkish comments from St. Louis Fed President James Bullard on Thursday caused markets to price in a more aggressive move by the Fed next month. These developments tilt the risks more in favor of an aggressive hike out of the gate.
- Next week: Retail Sales (Wed.), Industrial Production (Wed.), Housing Starts (Thurs.)

International: U.K. Economy Showed Resilience in Q4, Brazil and Mexico Face Elevated Inflation

- In the G10, U.K. GDP data revealed that growth in the fourth quarter as well as the month of December was affected by the spread of the Omicron variant. December GDP fell 0.2% month-over-month and Q4 GDP grew only 1.0% quarter-over-quarter. Elsewhere in the emerging markets, Brazil's January CPI figures showed inflation ticking higher to 10.4% year-over-year, while Mexico's January CPI slowed less than expected to 7.1% year-over-year. As expected, Banxico increased its Overnight Rate by 50 bps to 6.00% at its February monetary policy meeting.
- Next week: U.K. CPI (Wed.), Canada CPI (Wed.), Japan CPI (Thurs.)

Interest Rate Watch: Global Monetary Policy Cycle Tightening Gains Momentum

- Central banks from the developed major economies have been active in early 2022, with several either delivering a policy shift or putting markets on notice that policy action should be forthcoming in the months and quarters ahead.

Credit Market Insights: Household Debt Surges at Year's End, as Revolving Credit Starts to Flounder

- Total household debt balances rose $333M in the final quarter of last year, which marks the largest quarterly increase nearly 15 years. Last quarter's surge rung in total household debt rung for 2021 at just shy of $15.6T. Mortgage and credit card balances saw the largest increases in Q4. But in other news this week, December revolving credit saw its smallest gain since April 2021 and points to a slowdown in consumer demand.

Wells Fargo U.S. Economic Forecast

	Actual 2021				Forecast 2022				Actual		Forecast	
	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	0.7	3.1	3.6	3.6	-3.4	5.7	3.4	2.9
Personal Consumption	11.4	12.0	2.0	3.3	1.0	2.5	2.5	2.6	-3.8	7.9	2.8	2.3
Consumer Price Index [2]	1.9	4.8	5.3	6.7	7.1	5.9	5.1	3.8	1.2	4.7	5.5	2.4
"Core" Consumer Price Index [2]	1.4	3.7	4.1	5.0	6.2	5.4	5.1	4.6	1.7	3.6	5.3	2.9
Quarter-End Interest Rates [3]												
Federal Funds Target Rate	0.25	0.25	0.25	0.25	0.50	1.00	1.25	1.50	0.50	0.25	1.06	2.06
Conventional Mortgage Rate	3.08	2.98	2.87	3.10	3.55	3.65	3.75	3.85	3.12	2.95	3.70	4.01
10 Year Note	1.74	1.45	1.52	1.52	1.95	2.05	2.15	2.20	0.89	1.45	2.09	2.33

Forecast as of: February 09, 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

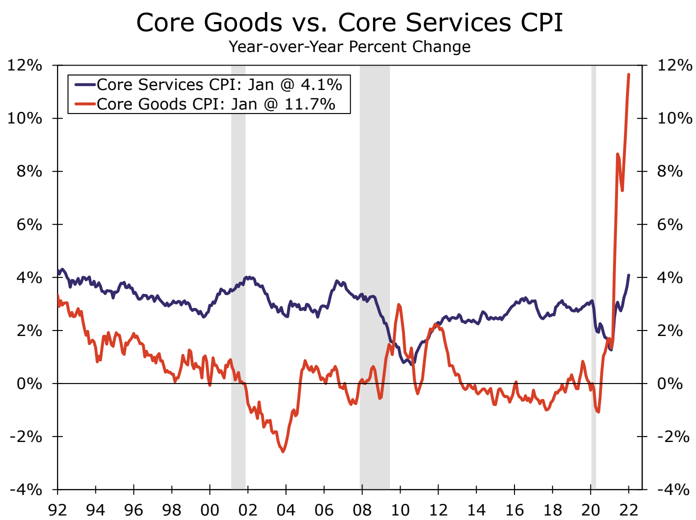
Please see our full U.S. Economic Forecast and our updated Consumer Dashboard and Pressure Gauge.

U.S. Review

Hot Inflation Data Widen the Door for a More Aggressive Fed Move in March

Fresh consumer prices data continue to show plenty of momentum behind inflation. Just as price pressures in some areas ease, inflation in other parts of the economy are picking up. The consumer price index (CPI) jumped 0.6% in January, lifting the year-ago rate to 7.5% and putting inflation just short of its fastest pace in 40 years. Price gains continued to broaden out beyond the select categories that drove prices higher last spring, demonstrating any meaningful slowdown in inflation remains elusive.

Goods inflation, the main culprit behind sky-high inflation over the past year, continued to rise with core goods prices up another 1.0% in January, lifting the year-ago pace to an eye-popping 11.7% (chart). Even with some tentative signs that goods prices may be easing (new vehicle prices rose 'just' 1.5% last month), price pressures in services are building and broadening out, suggesting it will take a much sharper slowdown in core goods inflation to bring overall inflation down from its current level.



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

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

Inflation should still cool somewhat in coming months. Base effects will start bringing down the year-ago pace in March and, as total spending growth slows and shifts toward services, goods inflation is likely to ease from the dizzying rates witnessed this past year. That said, as the most immediate price distortions brought on by the pandemic and initial policy response unwind, wage pressures continue to build and point to a more persistent source of inflation. The upshot is that inflation is likely to remain uncomfortably high for consumers, businesses and the Fed alike. Put another way, directional progress on inflation does not necessarily equate to fully solving the problem. We expect headline CPI to be up around 4.0% year-over-year in Q4, and the core index to be around 4.5%.

With the Fed strongly signaling it plans to begin tightening policy at its March 15-16 meeting, the question isn't *if*, but *by how much*. The CPI report certainly opens the door wider for a 50 bp rate hike in March, and market expectations jumped on this possibility after the report and more hawkish comments from St. Louis Fed President James Bullard (a voting member this year). The yield on the two-year Treasury rose a whopping 0.22 bp on Thursday to 1.58% (chart), and futures have now fully priced in a half percentage point hike in March. We readily acknowledge these developments tilt the risks more in favor of an aggressive hike out of the gate. We currently expect the FOMC to raise rates 25 bps in March, but will be closely listening to comments from other FOMC members to see if a consensus is building for a 50 bp hike. There will also be two more key readings on inflation pressures before the March meeting, including average hourly earnings in the February jobs report and the February CPI report that may alter the near-term outlook for the fed funds rate.

Inflation remains a top concern as business owners and consumers continue to feel the sting of higher prices. In the latest Small Business Optimism Survey for January from the National Federation of Independent Business (NFIB), pessimism about the economic outlook was primarily driven by increasingly concerning inflation. Twenty-two percent of small business owners cited inflation as the *most* important problem facing their business last month, which is 19 points higher than it was a year ago. In the preliminary read on Consumer Sentiment for February from the University of Michigan, consumer year-ahead inflation expectations rose to 5.0%, the highest since 2008, and weighed dramatically on consumers' views of their household finances.

A net 55% of firms in the latest NFIB survey who were trying to hire in the past month report they had few or no qualified applicants for the positions they were trying to fill. This measure was down two points from December, but continues to demonstrate the disconnect today between the demand and supply of labor. One result of this is that leverage is increasingly in the hands of workers. The highest share of small businesses in the 48-year history of the survey reported raising compensation in January. While they are a headache for businesses, higher wages are helping offset the effects of broadening inflation and the discontinuation of stimulus for consumers. (Return to Summary)

U.S. Outlook

Weekly Domestic Indicator Forecasts

Date	Indicator	Period	Consensus	Wells Fargo	Prior
15-Feb	PPI Final Demand (YoY)	Jan	9.0%	9.1%	9.7%
16-Feb	Retail Sales	Jan	1.8%	2.1%	-1.9%
16-Feb	Retail Sales Less Autos	Jan	1.0%	1.0%	-2.3%
16-Feb	Industrial Production (MoM)	Jan	0.4%	0.3%	-0.1%
17-Feb	Housing Starts	Jan	1,700K	1,705K	1,702K
18-Feb	Existing Home Sales	Jan	6.10M	6.08M	6.18M
18-Feb	Leading Index	Jan	0.2%	-0.7%	0.8%

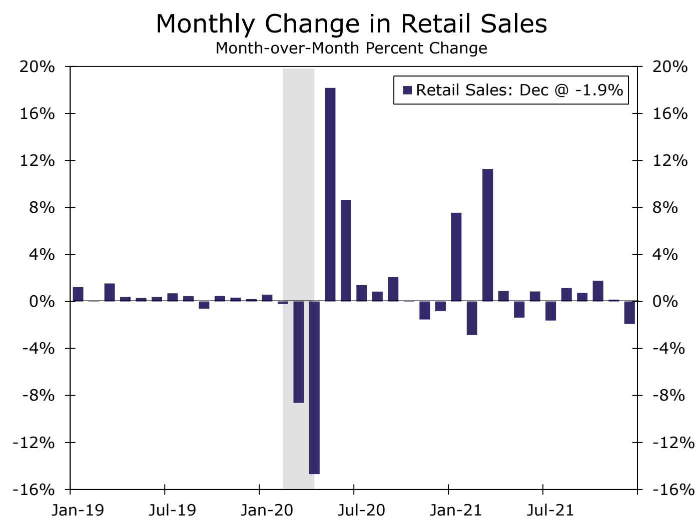
Forecast as of February 11, 2022

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

Retail Sales • Wednesday

Retail sales declined sharply to end 2021. During December, total sales fell 1.9%, a drop that was more severe than consensus expectations. The decline was broad-based across most store types. Excluding spending on autos and gas, sales fell 2.5%. While it is tempting to blame December's drop on intensifying inflation and the Omicron surge, the weakness during the month was more a reflection of early holiday shopping and pulled-forward demand.

That is not to say inflation is not a concern moving forward. Inflationary headwinds to consumer activity are likely to pick up throughout 2022, as evidenced by the recent deterioration in consumer sentiment. Another factor that may affect spending this year is that, as the economy emerges from the latest Omicron wave, it doesn't have the same fiscal support it had previously. In terms of COVID, consumers continue to become desensitized to rising case counts with each passing wave of the virus. In addition, households remain in solid financial shape today, which should support overall consumer spending in the months ahead. Keeping this in mind, we look for retail sales to bounce back and rise 2.1% in January.

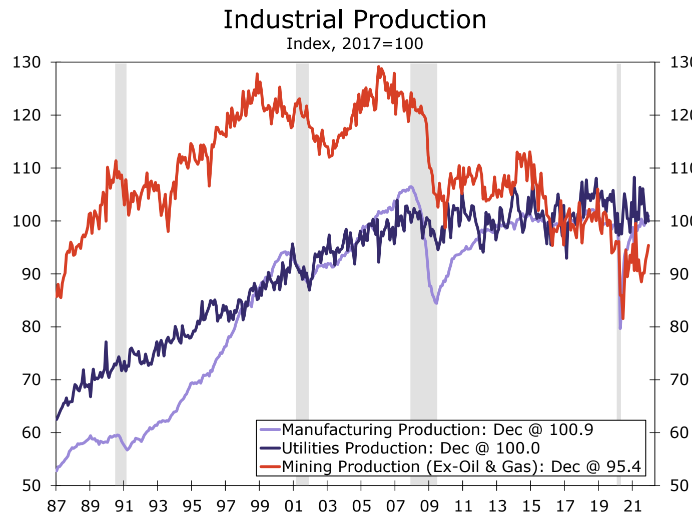


Source: U.S. Department of Commerce and Wells Fargo Economics

Industrial Production • Wednesday

Industrial production slipped in December. The headline index fell 0.1% during the month. The upshot of December's unexpected decline is that despite some improvement, disrupted supply chains and labor shortages are holding down manufacturing output. The heavily-weighted manufacturing index declined 0.3%, with motor vehicle and parts production down 1.3% in the month. Aside from October, when motor vehicle output had a spurt of growth, this category generally has been a persistent headwind to overall manufacturing. Utilities output fell 1.5%, while mining output increased 2.0% during the month.

Looking ahead, industrial production looks set for a rebound in the first month of 2022. Supply chain normalization is still some ways off, yet there have been several encouraging signs recently that some of the pressure is beginning to ease, which should give a boost to manufacturing output. Utilities output should also improve alongside colder temperatures and snowfall in the East during the month. Mining output appears poised for expansion as well, as oil and gas drilling continues to pick up alongside higher oil prices. We anticipate total industrial production to increase 0.3% in January.

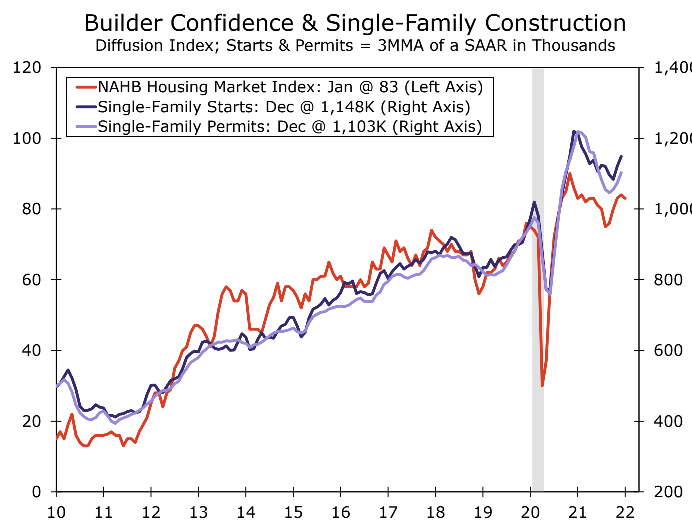


Source: Federal Reserve Board and Wells Fargo Economics

Housing Starts • Thursday

New residential construction appears to be building momentum. Total housing starts rose 1.4% in December to a 1.702 million-unit annual pace. Unusually mild weather allowed more construction to take place in what is normally a seasonally slow month. All of the increase took place in starts of projects with five units or more, which jumped 13.7% to a lofty 524,000-unit pace. Meanwhile, single-family starts fell 2.3% to a 1.172 million-unit pace. The pullback comes as builders struggle to procure the materials and labor needed to complete new projects.

Despite widespread supply issues, the pace of residential construction remains fairly robust. Single-family starts totaled 1,123K units for 2021 as a whole, which marks the best year since 2006. Multifamily starts rose 21.3% this past year to 472,000 units, the best year since 1987. Strong housing demand and historically low inventories of existing homes for sale will support both single-family and multifamily construction throughout 2022. Some relief in terms of building material and labor shortages also appear in the offing. Building permits jumped 9.8% in December, suggesting builders are still extremely confident they can sell whatever they are able to build. All that considered, we expect to see a small improvement in January, with overall starts rising to a 1,705K unit pace during the month. (Return to Summary)



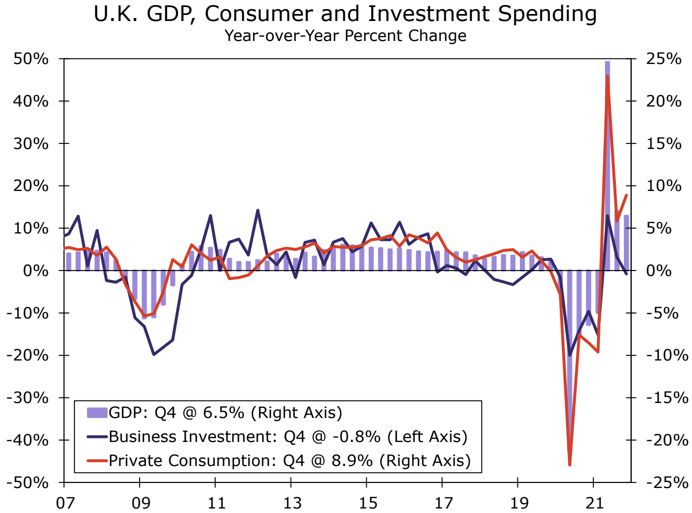
Source: NAHB, U.S. Department of Commerce and Wells Fargo Economics

International Review

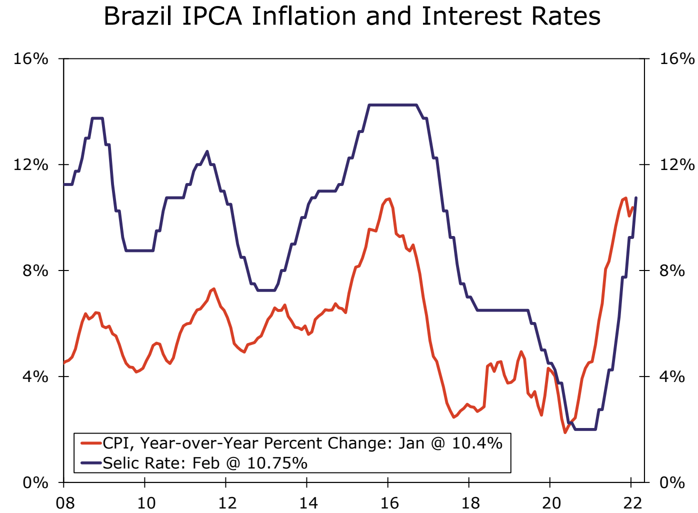
U.K. Economy Showed Resilience in Q4

In the G10, U.K. GDP data revealed growth in the fourth quarter as well as the month of December was affected by the spread of the Omicron variant. As far as Q4-2021 growth, the U.K. economy expanded 1%, slightly below consensus forecasts of 1.1%. Household consumption and government spending were the primary drivers of growth; however, due to government and voluntary restrictions, personal consumption slowed to contribute just 0.7 percentage points to overall quarterly growth. December monthly data indicate a similar pattern, as the spread of Omicron weighed on December output. Monthly GDP data show the U.K. economy contracted 0.2% over the month, and while activity data were better than expected, the U.K. economy ended 2021 on the back foot. Digging into the details, there are still some encouraging signs that economic activity has gained traction heading in early 2022. COVID cases have dropped quickly, which should lead to increased consumer activity. To that point, consumer activity has proved to be resilient despite a slump in December retail sales, as Q4 consumer spending slowed less than expected to 1.2% quarter-over-quarter. At the same time, investment spending rebounded by 2.2%, more than anticipated. December data from other sectors of the economy echoed the same trends, with industrial and manufacturing production both gaining during the month. Perhaps more important, service sector activity, which comprises a larger share of the economy, suffered a softer hit than expected, declining only 0.5% month-over-month.

With Q4-2021 data released, we can see that the U.K. economy rebounded 7.5% last year—the largest expansion in 80 years. Despite the solid economic rebound last year, the level of nominal GDP is still 0.4% below its pre-COVID level. Comparing U.K. nominal GDP to peer countries such as the United States and the Eurozone, the U.K. economy is lagging the overall recovery across the developed markets. Elevated inflation, tighter monetary policy and energy price increases all complicate the U.K. economic outlook in 2022; however, we still forecast an above-trend growth profile for the U.K. economy in 2022. As of now, we forecast the U.K. economy to grow 3.5% in 2022, although downward revisions could be made in the event of more aggressive Bank of England tightening or if the energy crisis proves to be economically disruptive.



Source: Datastream and Wells Fargo Economics



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

Brazil and Mexico: Elevated Inflation and Active Central Banks

In the emerging markets, Brazil's January CPI figures showed inflation ticking higher to 10.4% year-over-year (see chart), still well above the central bank's 2022 target range of 3.5% +/- 1.5%, but slightly below the peak of 10.7% in November 2021. Similar to prior months, Brazilian inflation has been driven by price increases in transportation, housing and household goods, which are likely a product of higher commodity prices. In response to inflation pressures, the Brazilian Central Bank (BCB) raised its Selic Rate 150 bps to 10.75% at its February monetary policy meeting. The BCB has increased rates 875 bps since March 2020—the most tightening among major emerging and developed central banks. However, this aggressive monetary tightening has failed to significantly combat price pressures and has pulled the country into a technical recession, defined as two consecutive quarters of negative real GDP growth. Indeed, retail sales contracted again in December, declining 2.9% year-over-year. The BCB signaled that rate hikes will still likely be forthcoming over the course of this year but, in our view, will likely take place at a slower pace.

Similar to Brazil, Mexico has also experienced elevated inflation, and its central bank has become more concerned with the pace of price growth. This week's data revealed that Mexico's January CPI slowed less than expected, with headline CPI only falling to 7.1% year-over-year, which is still above the central bank's 3% target. Core CPI is also currently at 6.2% year-over-year, the highest reading in 20 years. Recent economic data indicate that the economy appears to be slowing as Q4 GDP fell 0.1% quarter-over-quarter, placing Mexico's economy into a technical recession. Sluggish economic momentum has carried forward into 2022 as the January manufacturing and services PMIs have slowed. Despite an economy in technical recession and momentum slowing, the Bank of Mexico increased its Overnight Rate 50 bps to 6.00% at its monetary policy meeting this week, in line with consensus expectations.

The central bank has raised its policy rate 200 bps since June 2021 and is likely to continue lifting interest rates this year as inflation remains elevated To that point, Banxico revised its CPI forecast up to 4% for Q4-2022 from 3.5% previously, and sees inflation only slowing back toward its target by Q4-2023. (Return to Summary)

International Outlook

Weekly International Indicator Forecasts

Date	Indicator	Period	Consensus	Wells Fargo	Prior
16-Feb	UK CPI (MoM)	Jan	-0.2%	-0.2%	0.5%
16-Feb	UK CPI (YoY)	Jan	5.4%	5.4%	5.4%
16-Feb	Canada CPI NSA (MoM)	Jan	--	0.8%	-0.1%
16-Feb	Canada CPI NSA (YoY)	Jan	--	5.0%	4.8%
14-Feb	Japan GDP Annualized SA (QoQ)	4Q P	6.0%	6.0%	-3.6%
17-Feb	Japan Natl CPI (YoY)	Jan	0.6%	0.6%	0.8%

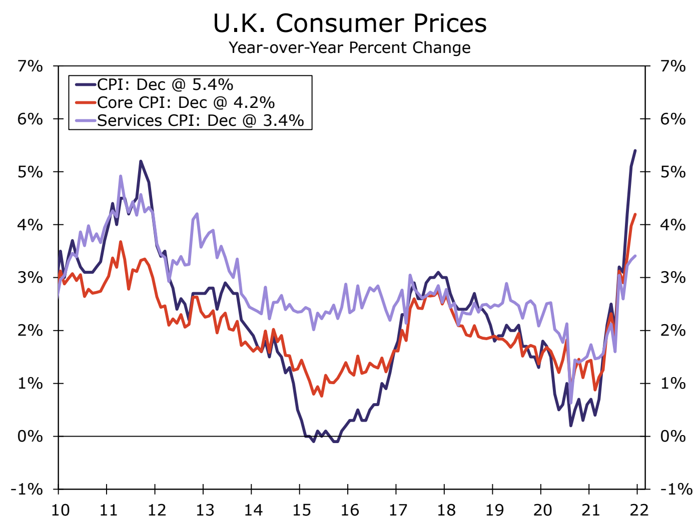
Forecast as of February 11, 2022

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

U.K. CPI • Wednesday

Market participants will likely be paying close attention to U.K. inflation data next week as price pressures across the country remain elevated. In the United Kingdom, CPI data will be released on Wednesday and data are expected to show that inflationary pressures have not let up quite yet. We, along with the consensus, expect the January headline CPI to come in at 5.4% year-over-year, but decline 0.2% month-over-month. As far as for 2022, higher-than-expected CPI data in December and concerns over energy shortages justified our decision to lift our CPI forecast for this year. We now expect U.K. CPI to average 6% this year. The Bank of England (BoE) also raised its inflation forecasts at its February monetary policy meeting, and now sees inflation peaking at 7.25% in April 2022, citing energy and other price pressures.

The BoE will also be paying close attention to next week's inflation data to decide on the path ahead for monetary policy. Recently, the U.K. central bank lifted policy rates to 0.50% to contain inflation pressures. In our view, with inflation likely to stay elevated for the time being, additional BoE tightening will likely be appropriate in the months ahead. To that point, we expect 25 bp rate hikes at both the May and August monetary policy meetings, which would bring the Bank Rate to 1.00% by the end of this year.

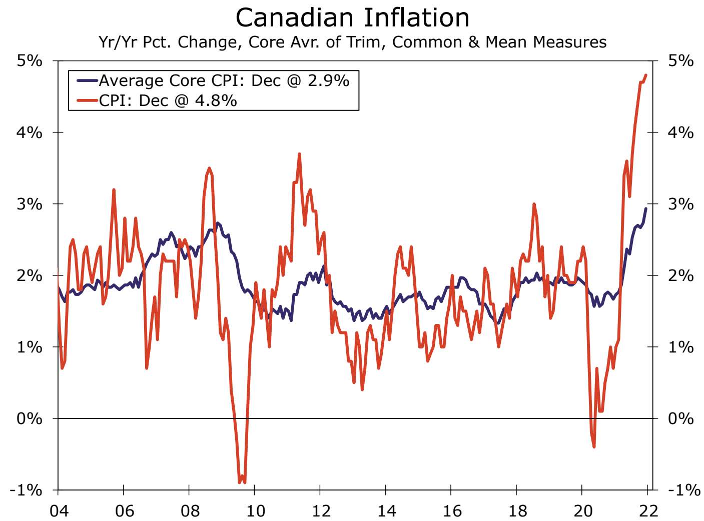


Source: Datastream and Wells Fargo Economics

Canada CPI • Wednesday

Canada's January CPI figures are also due to be released on Wednesday. Similar to the U.K., price pressures in Canada are elevated, evidenced by the December headline CPI rising 4.8% year-over-year. Energy prices are also a key source of inflation pressures as gasoline (+33.3%) and energy (+21.2%) prices have soared, while the average core CPI quickened 2.9% (see chart). We expect January inflation data to come in at 5.0% year-over-year, and our annual 2022 forecast is for CPI of 3.9%, above historical inflation averages in Canada.

While the Bank of Canada (BoC) held its Overnight Rate unchanged at 0.25% in January, it signaled that policy rates will need to rise to control inflation. BoC policymakers cited a tight labor market and increasing capacity pressures as further rationale for tighter monetary policy. In our view BoC policymakers will take action on the monetary policy front relatively soon. We expect policy rates to rise in early Q2 and for the central bank to lift interest rates a few more times over the course of the year as well as in 2023.

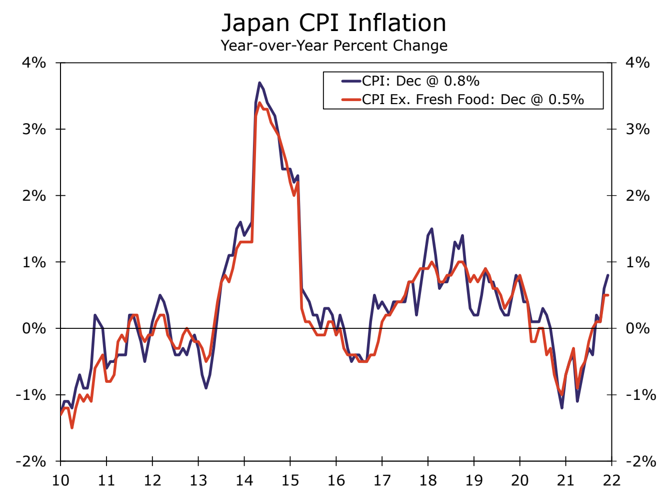


Source: Bloomberg Finance L.P. and Wells Fargo Economics

Japan CPI • Thursday

In contrast to the United Kingdom and Canada, Japan's January CPI data should show that price pressures remain muted. December headline CPI rose 0.8% year-over-year, while CPI excluding fresh food rose only 0.5% (see chart), which are well below the Bank of Japan's (BoJ) long-run inflation target of 2%. Subdued inflation has plagued Japan for a while now, and despite pandemic effects and worldwide inflation pressures, CPI has yet to push materially higher. Our forecast reflects these dynamics, as we expect headline inflation to remain below the BoJ's target and come in at 0.6% year-over-year, while consensus estimates anticipate CPI excluding food is expected to soften to 0.3%. We expect these trends of muted inflation to continue throughout this year, and forecast annual CPI in Japan to be just 0.6% in 2022.

Given very low inflation, we expect the Bank of Japan (BoJ) to hold monetary policy steady for all of 2022 and 2023. This would entail keeping the BoJ's policy rate unchanged at -0.10% and maintaining the 10-year target JGB yield at zero percent with a modest tolerance range. As central banks around the world tighten policy and the BoJ stays on hold, we expect pressure on the Japanese yen to build over time. Divergences in monetary policy should result in a weaker yen over the course of 2022 and into 2023. (Return to Summary)



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

Interest Rate Watch

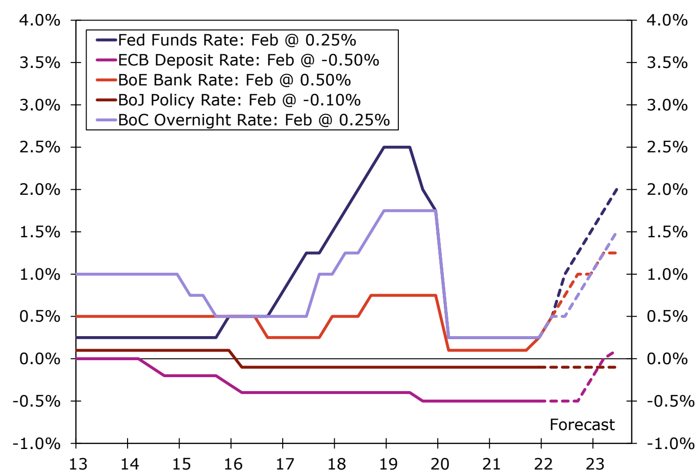
Global Monetary Tightening Cycle Gathering Momentum

Central banks from the developed major economies have been active in early 2022, with several either delivering a policy shift or putting markets on notice that policy action could and should be forthcoming in the months and quarters ahead. In early February, the Bank of England raised its policy rate 25 bps to 0.50% in a close 5-4 vote, a rate hike that could have been even larger given the dissenting votes were in favor of a 50 bp increase. The Bank of England cited elevated CPI inflation, which it expects to peak around 7.25%, as a factor behind the rate move, even as the economic growth outlook remains mixed. We now expect more, and earlier, rate increases from the U.K. central bank. Including the already delivered February increase, we expect a cumulative 75 bps of hikes in 2022, and a further 50 bps of hikes in 2023.

The Reserve Bank of Australia (RBA) also adjusted monetary policy, ending its bond purchases under its quantitative easing program in early February, citing progress towards its employment and inflation objectives. However, the RBA was careful to emphasize that "ceasing purchases under the bond purchase program does not imply a near-term increase in interest rates." The RBA also said it was too early to conclude underlying inflation was sustainably within the inflation target band. Still, reasonable economic growth prospects and underlying inflation are likely to remain elevated, we now expect an initial modest 15 bp policy rate hike to 0.25% in November this year. We also forecast a cumulative 100 bps of hikes from the RBA in 2023.

The European Central Bank did not adjust its policy stance at its early February monetary policy meeting, but the comments from ECB President Lagarde at the post-meeting press conference hinted at a potentially significant change in the central bank's policy outlook. Lagarde said that while energy prices were still the main reason for elevated inflation and price increases having become more widespread, risks to the inflation outlook were tilted to the upside. She said that policymakers expressed unanimous concern about that inflation outlook, and that updated economic forecasts due in March would provide an opportunity to thoroughly discuss the outlook. Importantly, Lagarde ***did not*** take the opportunity repeat the comment from the December press conference that a rate hike in 2022 is "very unlikely." Following that meeting, we now expect the European Central Bank to end its bond purchases in September of this year and begin a rate hike cycle with a 25 bp Deposit Rate increase at its December 2022 meeting. We forecast another 25 bp rate increase in March 2023 and modest further tightening thereafter.

Major Central Bank Policy Rates



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

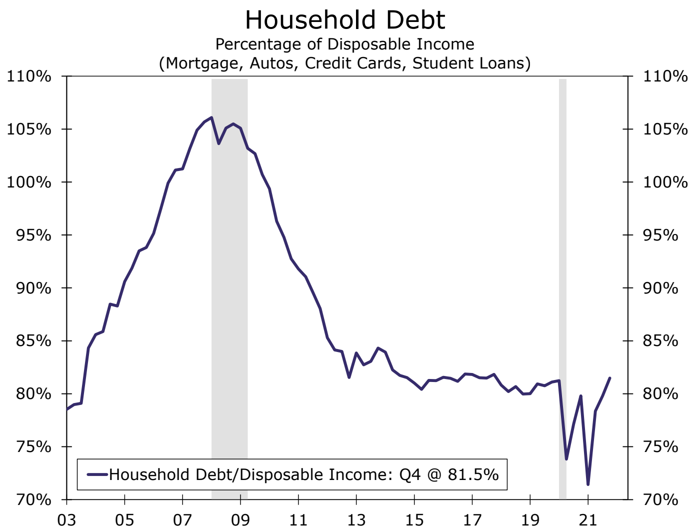
Finally, for the Bank of Canada, we have brought forward our forecast for the timing for an initial rate hike to March (from April previously). While we have not yet added any additional rate hikes into our Bank of Canada policy forecast, we do view the risks as tilted toward earlier monetary tightening. (Return to Summary)

Credit Market Insights

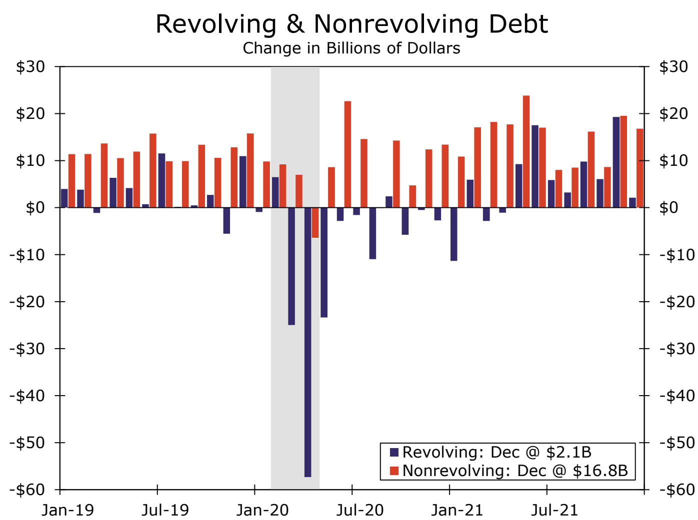
Household Debt Surges at Year's End, as Revolving Credit Starts to Flounder

Total household debt balances rose $333M in the final quarter of last year, which marks the largest quarterly increase in nearly 15 years. Last quarter's surge rung in total household debt for 2021 at just shy of $15.6T. Both mortgage and auto originations rose to historic highs in 2021, which helped drive the year's gains. An uptick in mortgage debt was responsible for over three-fourths of the fourth quarter's increase. This helped drive household debt as a percent of disposable income among the four main categories to its highest share in the pandemic era; it is now on par with where it was before the pandemic began (chart).

The housing market had a strong 2021 as existing home sales reaped its largest annual gain since 2006 as 763K new homes were purchased over the year. We do not expect an end to that momentum this year. However, Q4 was notably different as it was the first quarter not under the CARES Act's foreclosure moratoria, and the data were mixed. There was a slight uptick in the transition for mortgage accounts to 30-60 days late, but serious delinquency rates (90+ days) fell even further. While it is still early to tell how households will fair without the moratoria, still historically low mortgage delinquency rates and foreclosures place mortgage debt in good position to start the year and provide cushion even as the full effects of the end of the CARES Act protection set in.



Source: New York Federal Reserve, U.S. Department of Commerce and Wells Fargo Economics



Source: Federal Reserve Board and Wells Fargo Economics

While not necessarily a rival to mortgages in magnitude, the $52B increase in credit card debt is the largest quarterly increase in the series' 22-year lifespan and signifies that consumers continued to spend in the last stretch of 2021. However, in consumer credit data released this week, there were hints that consumer demand may be beginning to slow. Revolving credit, which mainly comes from credit card use, only rose $2.1B in December, which was the smallest monthly gain since April 2021. Nonrevolving credit, however, saw another strong month and rose nearly $17B (chart). This recent weakness in consumer demand aligns with our forecast for real personal consumption expenditures to grow 1.0% this quarter, a 1.3 percentage point downward revision from our forecast at this time last month. As consumers' disposable income is challenged by the highest inflation in over forty years as well as a lack of stimulus support, consumers may become cost-conscious at least in the near term.

Both the household debt & credit report and the consumer credit publication pointed to strong activity in auto loans as well as a reduction in student debt over the fourth quarter. The volume of newly originated auto loans blossomed $181 billion in Q4 and has been a driver of last year's accumulation of debt. Auto loans make up just shy of 10% of the total household debt profile, but they were responsible for 13% of the increase in 2021. Meanwhile, student loans decreased $21B last year, which was the smallest annual rise in about 20 years. However, just because the student debt profile looks calm for now, it does not mean that it will stay that way. Come May, over 40 million borrowers may have to face the music of paying off their student debt as the forbearance period ends.

Market Data • Mid-Day Friday

U.S. Interest Rates

	Friday 2/11/2022	1 Week Ago	1 Year Ago
SOFR	0.05	0.05	0.06
3-Month LIBOR	0.39	0.32	0.20
3-Month T-Bill	0.36	0.22	0.04
1-Year Treasury	1.14	0.78	0.04
2-Year Treasury	1.58	1.31	0.11
5-Year Treasury	1.95	1.77	0.46
10-Year Treasury	2.04	1.91	1.16
30-Year Treasury	2.34	2.21	1.95
Bond Buyer Index	2.41	2.32	2.10

Foreign Exchange Rates

	Friday 2/11/2022	1 Week Ago	1 Year Ago
Euro ($/€)	1.140	1.145	1.213
British Pound ($/£)	1.360	1.353	1.382
British Pound (£/€)	0.838	0.846	0.878
Japanese Yen (¥/$)	115.920	115.260	104.750
Canadian Dollar (C$/$)	1.268	1.276	1.271
Swiss Franc (CHF/$)	0.926	0.926	0.890
Australian Dollar (US$/A$)	0.718	0.707	0.775
Mexican Peso (MXN/$)	20.388	20.681	19.964
Chinese Yuan (CNY/$)	6.355	6.361	6.458
Indian Rupee (INR/$)	75.378	74.696	72.860
Brazilian Real (BRL/$)	5.190	5.326	5.385
U.S. Dollar Index	95.699	95.485	90.417

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

Foreign Interest Rates

	Friday 2/11/2022	1 Week Ago	1 Year Ago
3-Month Euro LIBOR	-0.58	-0.59	-0.57
3-Month Sterling LIBOR	0.78	0.65	0.05
3-Month Canada Banker's Acceptance	0.80	0.76	0.44
3-Month Yen LIBOR	-0.02	-0.02	-0.09
2-Year German	-0.32	-0.25	-0.72
2-Year U.K.	1.41	1.26	-0.04
2-Year Canadian	1.51	1.36	0.19
2-Year Japanese	-0.03	-0.04	-0.11
10-Year German	0.30	0.21	-0.46
10-Year U.K.	1.55	1.41	0.47
10-Year Canadian	1.95	1.86	1.00
10-Year Japanese	0.23	0.20	0.08

Commodity Prices

	Friday 2/11/2022	1 Week Ago	1 Year Ago
WTI Crude ($/Barrel)	91.79	92.31	58.24
Brent Crude ($/Barrel)	93.19	93.27	61.14
Gold ($/Ounce)	1840.72	1808.28	1825.51
Hot-Rolled Steel ($/S.Ton)	990.00	1008.00	1205.00
Copper (¢/Pound)	449.65	448.75	377.15
Soybeans ($/Bushel)	15.59	15.39	13.57
Natural Gas ($/MMBTU)	3.90	4.57	2.87
Nickel ($/Metric Ton)	23,886	23,221	18,621
CRB Spot Inds.	651.14	646.22	539.34

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