Weekly — October 27, 2023

Weekly Economic & Financial Commentary

United States: **Remarkable Resilience**

- The U.S. economy expanded at a stronger-than-expected pace in Q3, with real GDP increasing at a robust 4.9% annualized rate. Data on consumer spending, durable goods, initial claims and new home sales also continued to show remarkable resilience, given higher interest rates and tightening credit conditions.
- Next week: ISM Indices (Wed. and Thu.), FOMC Decision (Wed.), Employment (Fri.)

International: **G10 Central Banks Holding Steady**

- This week's monetary policy meeting saw key G10 central banks hold interest rates steady at their latest announcements. The Bank of Canada held its policy rate at 5.00% and, while keeping the door open to further tightening, said past rate hikes are increasingly dampening economic activity and relieving price pressures. The European Central Bank held its Deposit rate at 4.00% and said the current level of interest rates should eventually see inflation return toward target, while also observing signs of weakness across the Eurozone economy.
- Next week: China PMIs (Tue.), Bank of Japan Policy Decision (Tue.), Eurozone CPI (Tue.)

Credit Market Insights: **Interest Rates Are Small Potatoes for Small Business**

- Earlier this month, Patrick Harker—the Federal Reserve Bank of Philadelphia president and a well-known dovish voter on the FOMC—generated significant publicity with his sentiment that the Fed should not consider additional rate hikes, given many small businesses are straining to endure tightening to date. But what does recent survey evidence indicate for the current state of small business lending and credit availability?

Topic of the Week: **The Negotiations Continue: EU-US Trade**

- European Union and United States trade officials have been at the negotiating table for months trying to settle on a trade deal between the two economies. The EU is seeking for the U.S. to end Trump-era tariffs as well as to ease some of the impact of recent U.S. green subsidies on the bloc.

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Wells Fargo U.S. Economic Forecast

	Actual			Forecast					Actual	Forecast		
	2023				2024				2022	2023	2024	2025
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Real Gross Domestic Product [1]	2.2	2.1	4.9	0.9	0.7	-0.3	-1.6	0.4	1.9	2.4	0.9	1.0
Personal Consumption	3.8	0.8	4.0	1.0	0.7	0.3	-1.5	-0.4	2.5	2.2	0.8	0.7
Consumer Price Index [2]	5.8	4.1	3.6	3.4	3.1	2.7	2.1	2.0	8.0	4.2	2.5	2.4
"Core" Consumer Price Index [2]	5.6	5.2	4.4	4.1	3.7	3.2	3.0	2.5	6.1	4.8	3.1	2.2
Quarter-End Interest Rates [3]												
Federal Funds Target Rate[4]	5.00	5.25	5.50	5.50	5.50	5.25	4.50	3.75	2.02	5.31	4.75	3.25
Conventional Mortgage Rate	6.54	6.71	7.20	7.30	7.00	6.50	6.20	5.85	5.38	6.94	6.39	5.70
10 Year Note	3.48	3.81	4.59	4.45	4.20	3.75	3.55	3.40	2.95	4.08	3.73	3.38

Forecast as of: October 20, 2023 [1] Compound Annual Growth Rate Quarter-over-Quarter [2] Year-over-Year Percentage Change
[3] Quarterly Data - Period End; Annual Data - Annual Averages [4] Upper Bound of the Federal Funds Target Range

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

Please see our full U.S. Economic Forecast.

U.S. Review

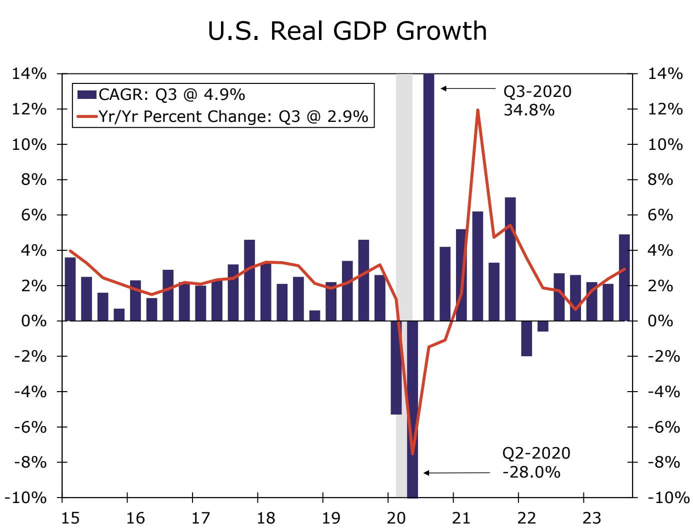
Remarkable Resilience

The U.S. economy continues to show remarkable resilience in the face of higher interest rates and tightening credit conditions. The Bureau of Economic Analysis' first pass revealed U.S. real GDP increased 4.9% in the third quarter, marking the strongest annualized pace since Q4-2021 when stimulus payments were in full force. The increase was widely expected in light of incredibly strong consumer spending seen over the summer. Contributing nearly 2.7 percentage points to overall growth, consumer spending increased at a 4.0% annualized pace, driven by services rising at the strongest rate since the 2021 pandemic recovery. Spending for goods also rose solidly, with spending for durable goods jumping 7.6% and spending on nondurable goods increasing 3.3%. However, last quarter's spending largely came from savings, as real disposable income declined at a1.0% annualized pace in Q3 with the saving rate falling to 3.8% from 5.2% in Q2.

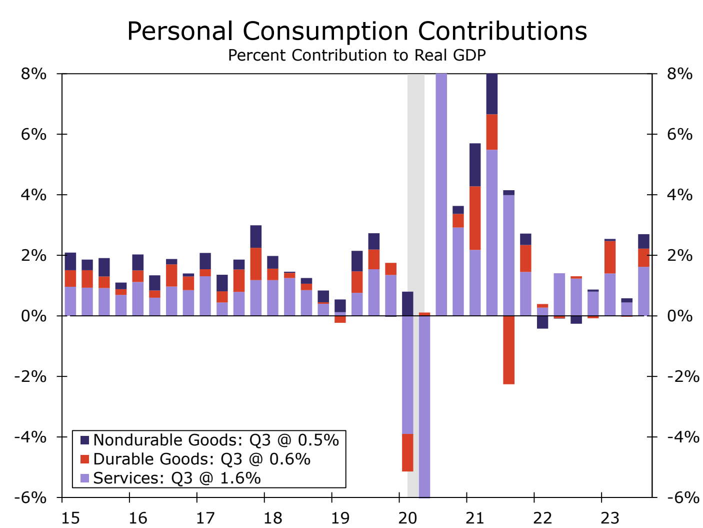
Following modest accumulation in the first half of the year, inventory investment accelerated notably in Q3, returning to levels last seen during the post-pandemic inventory restocking in mid-2022. The $80.6 billion build in inventories contributed 1.3 percentage points to overall GDP growth, compared to a neutral contribution in Q2. This inventory accumulation reflects, in part, the restocking efforts amid last quarter's resilient performance for consumer goods spending. While a strong contributor in Q3, the outsized inventory investment gain is not likely to be repeated in Q4.

Business fixed investment slowed sharply during the third quarter. Reflecting the broader slowdown in goods production as well as the impact of rising interest rates and tightening credit conditions, spending on new equipment fell at a 3.8% annualized rate last quarter. Nonresidential structures spending continued to increase, climbing at a 1.6% pace, though well below the double-digit gains seen in the prior two quarters. Spending on nonresidential structures has benefited from recent legislation, including the CHIPS & Science Act and Inflation Reduction Act, which has boosted construction of electronic vehicle and semiconductor plants.

Marking the first positive performance in ten quarters, residential investment rose at a 3.9% annualized rate and likely reflects efforts from builders to speed up deliveries of homes under construction to take advantage of historically low existing home inventory. Government spending increased at a 4.6% annual rate last quarter, reflecting healthy gains in both defense and nondefense outlays. Net exports subtracted 0.1 percentage points from overall GDP growth, with exports and imports rebounding at roughly the same pace from declines in Q2.



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



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

Outside of GDP, new home sales surged 12.3% in September to a 759,000-unit annualized pace. The stronger-than-expected print highlights resilient demand despite elevated mortgage rates throughout the month. New home sales, which are measured at the time of the contract signing, reflect a timelier picture of mortgage rates than existing home sales, which are measured at the time of the closing. With current homeowners unwilling to give up their historically low mortgage rates to move, the diminished supply of existing homes has pushed more homebuyers into the new home sales market, supporting more resilient demand as evidenced by the highest level of sales since February 2022.

Looking ahead, we still believe the anticipated rise in the real fed funds rate—as the FOMC holds rates steady and inflation recedes—will likely lead to a slower pace of growth in coming quarters and a modest contraction in economic activity in Q2- and Q3-2024. That said, the degree of conviction about an outright recession is not as strong today as it was about a year ago when the FOMC was aggressively tightening monetary policy. Given the U.S. economy's surprising resilience, the Fed might be inclined to raise interest rates a touch more. However, with continued progress on inflation moving to target, alongside heightened geopolitical uncertainty and the potential for a government shutdown, we doubt the Fed will hike interest rates anymore this year.

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U.S. Outlook

Weekly Domestic Indicator Forecasts

Date	Indicator	Period	Consensus	Wells Fargo	Prior
1-Nov	ISM Manufacturing Index	Oct	49.0	49.0	49.0
1-Nov	FOMC Rate Decision (Upper Bound)	Nov	5.50%	5.50%	5.50%
3-Nov	ISM Services Index	Oct	53.0	53.2	53.6
3-Nov	Nonfarm Payrolls	Oct	175K	190K	336K
3-Nov	Unemployment Rate	Oct	3.8%	3.8%	3.8%
3-Nov	Average Hourly Earnings (MoM)	Oct	0.3%	0.3%	0.2%

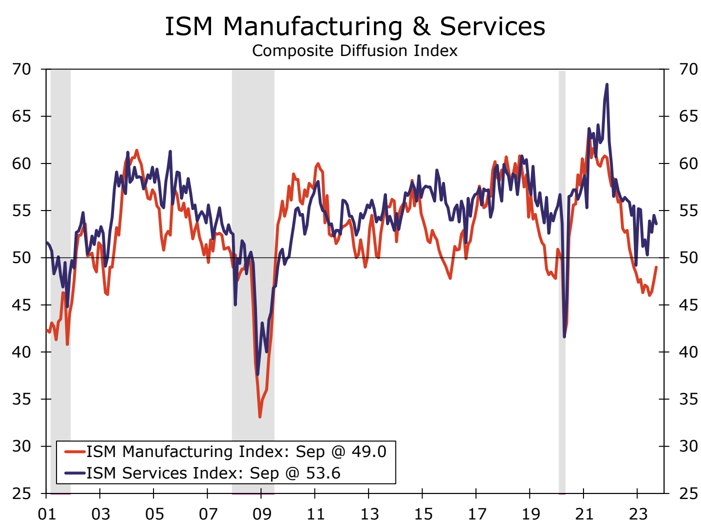
Forecast as of October 27, 2023

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

ISM Indices • Wednesday & Friday

The ISM manufacturing and services indices continue to tell two different stories on the economy. For manufacturing, the main index has now been below the 50-threshold designating expansion from contraction for 11 straight months. But recent data have shown some reprieve in activity as the index ticked up to 49.0 in September. While 50 marks the traditional threshold, any reading above 48.7 is typically associated with expansion.The production index was back above 50 in September and the new orders index moved higher, though it remained in contraction. We don't look for much change in the October ISM manufacturing survey and forecast the manufacturing ISM to hold steady at 49.0 when data are released Wednesday.

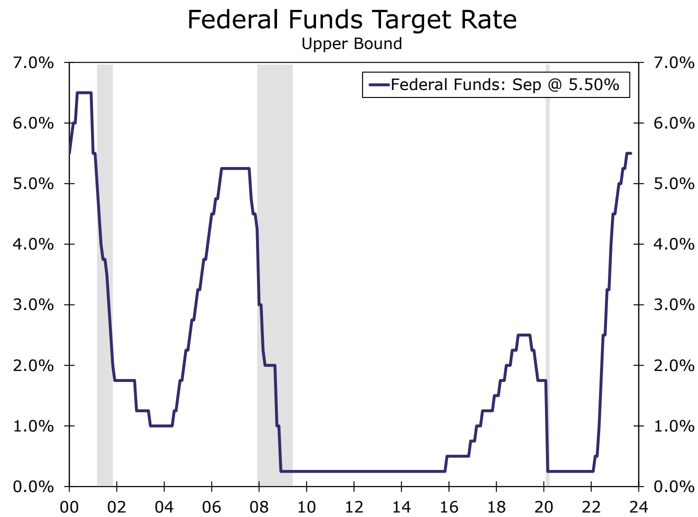
In terms of services, there's no question that the sector continues to grow. The ISM index continues to signal expansion, registering 53.6 in September. Continued service-sector resilience is good for keeping economic growth going but is a challenge for the Fed in that it's translating to elevated prices. The prices paid component held steady in September as the breadth of price pressure remained widespread in the sector. We ultimately expect service sector activity to slow in coming months, helping to drive inflation lower. We anticipate the services ISM to slip to 53.2 in October.



Source: Institute for Supply Management and Wells Fargo Economics

FOMC Monetary Policy Meeting • Wednesday

We expect the Federal Open Market Committee (FOMC) to leave the target range for the federal funds rate unchanged at 5.25%-5.50% at the conclusion of its meeting Wednesday. While this week's third quarter GDP report signaled continued economic resilience—real GDP accelerated to a 4.9% annualized clip in the quarter—we don't expect it changes much regarding the outcome of next week's meeting. Strong Q3 growth was largely anticipated and recent comments by Fed officials suggest that most Committee members are comfortable leaving the stance of monetary policy unchanged at the upcoming meeting. That said, most policymakers indicated at the September FOMC meeting that they thought another 25 bps rate hike would be appropriate by the end of this year. While inflation is moving back toward the FOMC's 2% target, there is further progress to be had. We believe the FOMC will want to keep its options open for further tightening, and thus think the post-meeting statement will maintain the language that signals some additional policy tightening may be appropriate. We continue to anticipate the terminal rate of this cycle has been reached, though we acknowledge it is possible the FOMC hikes rates an additional 25 bps before the end of the year.



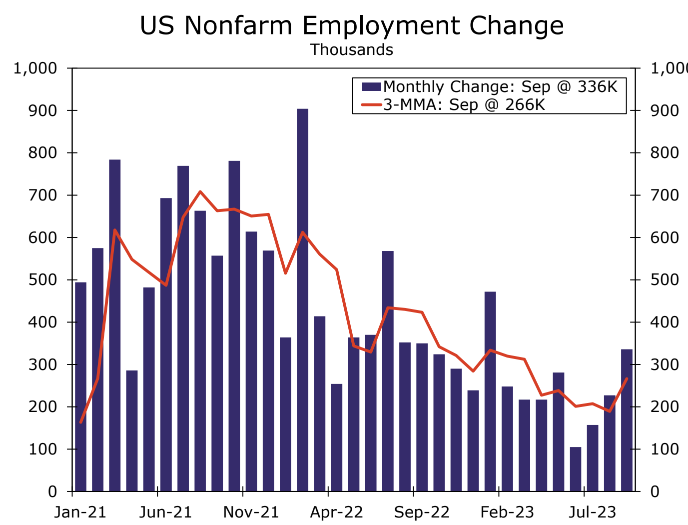
Source: Federal Reserve Board and Wells Fargo Economics

Employment • Friday

The labor market remains remarkably tight. Employers added a whopping 336K workers in September, and there were upward revisions to the prior months' data as well. But even with the surprising strength in recent job gains, the labor market has shown some signs of moderating. Job openings and hiring plans have moved lower, demand for temporary help has fallen and the average work week is back to pre-pandemic levels. We expect the pace of hiring to slow in October and forecast employers added 190K jobs last month.

The hiring figures will ultimately be somewhat depressed by strike activity, The UAW strike began in mid-September but was after the survey week for the September payroll report. Those workers will now show up as a reduction in employment in October as they are no longer included on company payrolls. That said, there should be only a minimal impact on the unemployment rate, as workers on strike are still considered “employed” in the household survey, which the unemployment rate is based on. We forecast the unemployment rate to hold steady at 3.8% in October.

We also anticipate wage growth continued to cool in October. Growth in the labor force has helped restrain wage growth even as hiring has remained hot in recent months. We forecast average hourly earnings rose 0.3% in October, which would still translate to the slowest pace of annual wage gains in two years. We'll get a deeper look at how labor costs fared in the third quarter in the updated Employment Cost Index data, released Tuesday.



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

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International Review

G10 Central Banks Holding Steady

This week's monetary policy announcements from two key G10 central banks saw policy interest rates remain on hold, reinforcing the view that the global monetary tightening cycle is now largely behind us. The Bank of Canada (BoC) held its policy rate at 5.00%, the second straight meeting in which interest rates have been kept unchanged. In its accompanying statement, the BoC acknowledged softer economic activity, saying:

- There is growing evidence that past interest rate increases are dampening economic activity and relieving price pressures.
- Consumption has been subdued, and weaker demand and higher borrowing costs are weighing on business investment.
- A range of indicators suggest that supply and demand in the economy are now approaching balance.
- Economic growth is expected to be weak for the next year before increasing in late 2024 and through 2025.

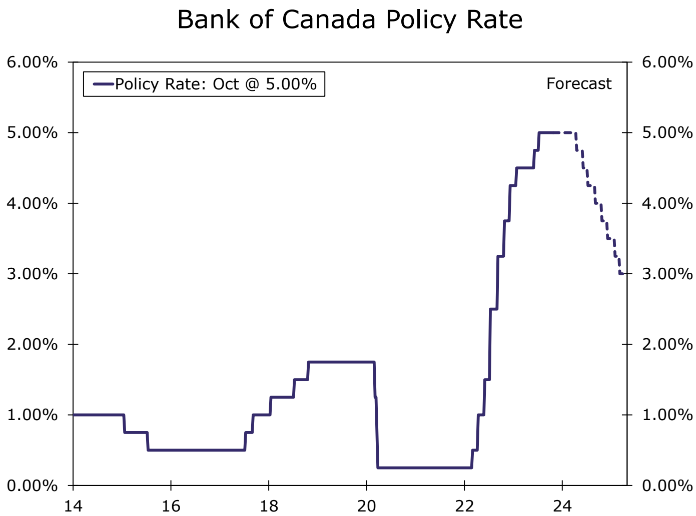
The softer outlook was also reflected in the central bank's updated projections, which forecast GDP growth of 1.2% in 2023 (compared to 1.8% in July) and 0.9% in 2024 (compared to 1.2% in July).

At the same time, the BOC kept the option of further tightening on the table, saying it is "prepared to raise the policy rate further if needed." The central bank clearly remains somewhat wary about the inflation outlook, saying it "is concerned that progress towards price stability is slow and inflationary risks have increased." Those inflation concerns are also reflected in the BoC's updated inflation forecasts, which see CPI inflation at 3.0% for 2024 (previously 2.5%) and 2.2% for 2025 (previously 2.1%).

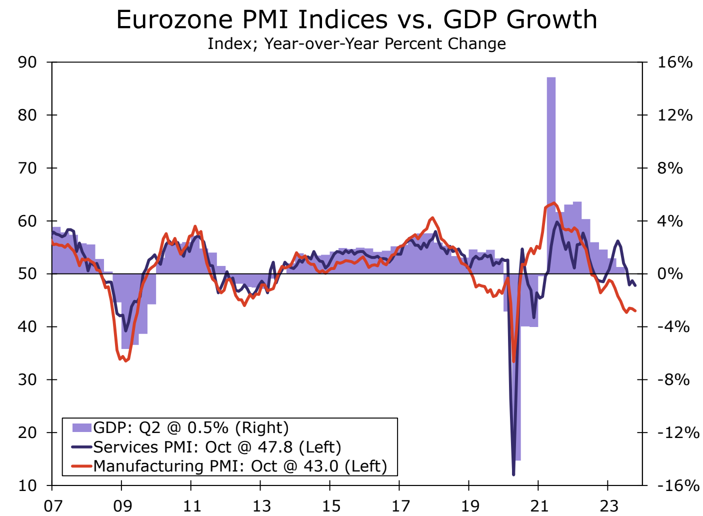
Although the BoC maintained a moderate rate hike bias, we continue to believe that further tightening remains a possibility rather than a probability. We expect Canadian economic growth to slow more quickly than the central bank's forecast, and as a result, we see slightly slower CPI inflation next year than the central bank. We believe the Bank of Canada will hold its policy rate steady at 5.00% for an extended period. That said, as growth remains subdued and underlying inflation measures move a bit closer to the central bank's 2% target, we still forecast Bank of Canada rate cuts beginning in Q2-2024 and a cumulative 150 bps of easing to 3.50% by the end of next year.

This European Central Bank (ECB) also held its Deposit Rate steady at 4.00% at its meeting this week and repeated interest rates are at levels that if "maintained for a sufficiently long duration, will make a substantial contribution" to returning inflation to its 2% target in a timely manner. Meanwhile, the ECB offered some mildly dovish comments in its assessment of the economy. ECB President Lagarde said the economy is weak and is likely to remain so for the rest of the year, while also adding that risks to growth remain tilted to the downside. The ECB also noted a marked slowing of inflation in September and said most measures of underlying inflation have continued to ease. Lagarde said she would not pass judgement on whether ECB interest rates have peaked, but there was also no clear indication or bias toward further tightening. We believe this week's ECB rate pause will be a rate peak. We expect the ECB to hold its Deposit Rate at 4.00% for an extended period, before it begins reducing interest rates in mid-2024.

One central bank that could still raise interest rates further is the Reserve Bank of Australia (RBA). Australian inflation remains elevated, and the Q3 CPI reported this week slowed less than consensus forecast. Q3 headline inflation slowed to 5.4% year-over-year, while the trimmed mean CPI and weighted median CPI both slowed to 5.2% year-over-year. In addition, services inflation and non-tradables inflation slowed only modestly. With RBA Governor Bullock also offering hawkish comments this week, we now expect the Reserve Bank of Australian to raise its policy rate 25 bps to 4.35% at its November monetary policy meeting.



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



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

European Economies Continue to Underwhelm

This week's confidence surveys confirmed a still soft growth environment for Europe's major economies. For the Eurozone, the October services PMI fell more than expected to 47.8, which was also the weakest reading since February 2021. The incoming new business component fell to 45.5, which points to continued soft activity in the service activity ahead. The German services PMI was especially soft, falling to 48.0 in October from 50.3 in September, while in France the service PMI rose to 46.1 in October from 44.4 in September. With respect to manufacturing, the Eurozone October manufacturing PMI also eased to 43.0. That is the 16th straight month the Eurozone manufacturing PMI has been in contraction territory. A drop in the new orders component suggests continued manufacturing weakness going forward. Overall, the Eurozone PMIs suggest that economic activity will remain very weak, if not outright contract, during the final quarter of this year.

The news from the United Kingdom was only marginally better. The October services PMI eased to 49.2, from 49.3 in September, while within the details, the new business component fell to 48.7. The October manufacturing PMI rose modestly to 45.2, as the new orders component increased to 43.8. That said, both the U.K. services and manufacturing PMIs remain in contraction territory, and we still forecast the U.K. economy to fall into a mild recession beginning in the final quarter of this year.

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International Outlook

Weekly International Indicator Forecasts

Date	Indicator	Period	Consensus	Wells Fargo	Prior
31-Oct	China Manufacturing PMI	Oct	50.2	--	50.2
31-Oct	China Services PMI	Oct	51.8	--	51.7
31-Oct	Bank of Japan Policy Rate	31-Oct	-0.10%	-0.10%	-0.10%
31-Oct	Eurozone CPI (YoY)	Oct	3.1%	--	4.3%
31-Oct	Eurozone Core CPI (YoY)	Oct	4.2%	--	4.5%

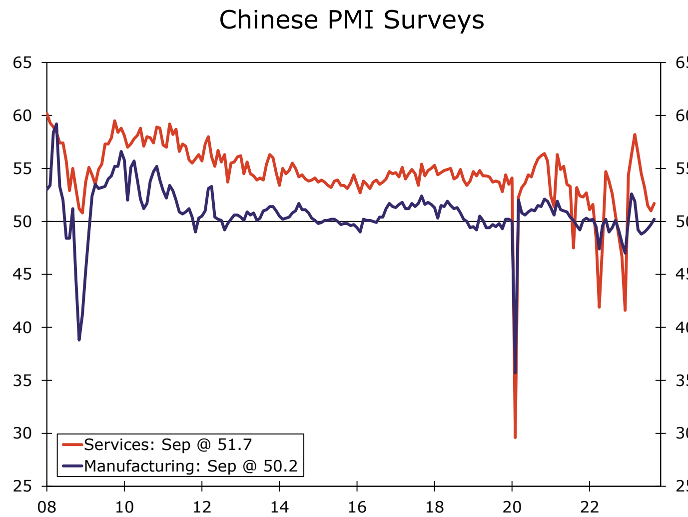
Forecast as of October 27, 2023

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

China PMIs • Tuesday

Next week, market participants will be watching the release of China's October PMIs for signs the People's Bank of China's (PBoC) policy adjustments have helped the economy to stabilize. Some indications of economic improvement have emerged recently, but it is important to remember that China's economy continues to face structural challenges that have the potential to limit future growth.

In an effort to support economic growth, the PBoC has lowered bank Reserve Requirement Ratios twice this year, as well as reducing various benchmark interest rates. There has been some firming in activity recently, with Q3 GDP growth an upside surprise at 1.3% quarter-over-quarter and year-over-year growth of nearly 5%. In addition, September data for retail sales and industrial production were stronger than expected. We believe that these signs of improvement will also be sustained in next week's PMIs, the consensus forecast is for the October manufacturing PMI to hold steady at 50.2 and the services PMI to improve slightly to 51.8. In light of this environment, we have upgraded our forecast to 5.2% growth for the year. However, structural challenges—such as an over-leveraged property sector and other unfavorable demographic trends—persist, leading us to believe that growth momentum will slow in 2024 and 2025.

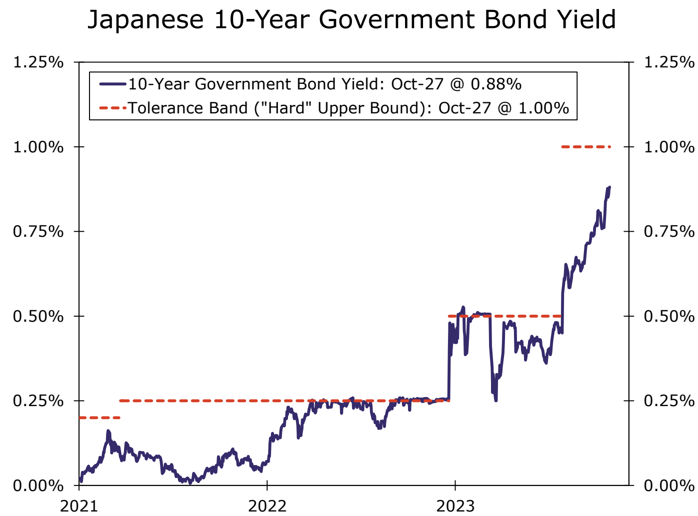


Source: Datastream and Wells Fargo Economics

Bank of Japan Policy Decision • Tuesday

While there has been increased talk of a potential Bank of Japan (BoJ) monetary policy adjustment next week, we expect the BoJ to keep monetary policy on hold for now. That is, for next week it will keep its policy interest rate at -0.10% and maintain the current Yield Curve Control (YCC) policy, which creates a hard upper bound of 1.00% for 10-year Japanese Government Bonds (JGBs).

Speculation that the BoJ could tweak its YCC measures stems in part from an increase in 10-year bond yields, which, at 0.88%, have risen closer to the 1.00% cap. The BoJ has also been quite active with its bond purchases in recent months in an effort to manage the speed at which yields have risen. However, we think it is too early for another significant adjustment to BoJ's monetary policy settings. BoJ members have repeatedly emphasized the importance of seeing stronger wage growth to get medium-term inflation sustainably to the 2% target. While wage growth has firmed a bit, policymakers may want to await further news from next spring's wage negotiations before making another policy adjustment. In addition, it's not entirely clear how the yen will influence the BoJ's view at next week's meeting. The yen is weaker than it was in late July but has also been relatively stable as of late, and so may not prompt a near-term policy move. Overall, we maintain our view for no change at next week's meeting, but we will be closely monitoring the BoJ's inflation forecasts for signs a policy adjustment could be coming closer in the months and quarters ahead.

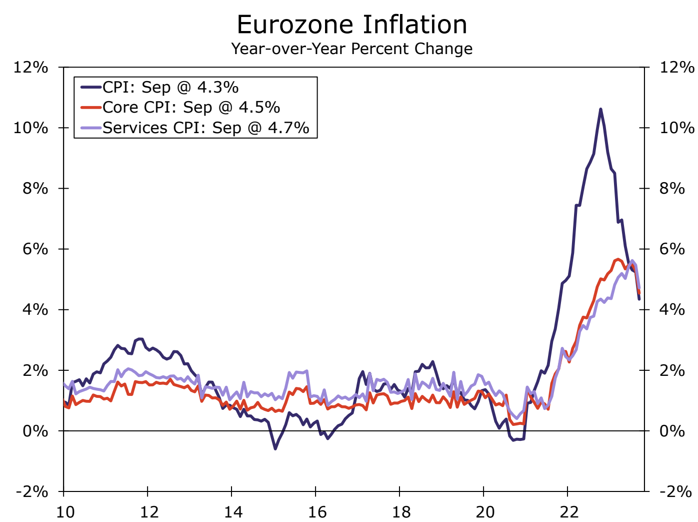


Source: Bloomberg Finance L.P. and Wells Fargo Economics

Eurozone CPI • Tuesday

Next week, Eurozone October CPI and Q3 GDP data will be released—figures that will offer insight into the European Central Bank's (ECB) potential path for monetary policy. We expect next week's data to be supportive of our view that the ECB will hold rates steady until June 2024.

At its October meeting, the ECB held its Deposit Rate steady at 4.00%, and again suggested that if interest rates remain at current levels for sufficiently long, that should eventually see inflation return toward target. We believe that next week's output and price data will reinforce the view that an extended policy rate pause is appropriate. The consensus forecast is for a further moderation in price pressures, with October headline and core inflation expected to slow to 3.1% year-over-year and 4.2% year-over-year, respectively. More generally, inflation trends are forecast to continue slowing into next year. The news on economic activity should also be subdued. For Eurozone Q3 GDP, the consensus forecast is for a flat quarter-over-quarter outcome and a gain of just 0.2% year-over-year. Among the individual economies within the region, the consensus forecast is for Germany—the region's largest economy—to report a Q3 GDP decline of 0.2% quarter-over-quarter. Overall, with growth soft, inflation slowing and sentiment weak, we do not expect the ECB to hike rates further during the current cycle.



Source: Datastream and Wells Fargo Economics

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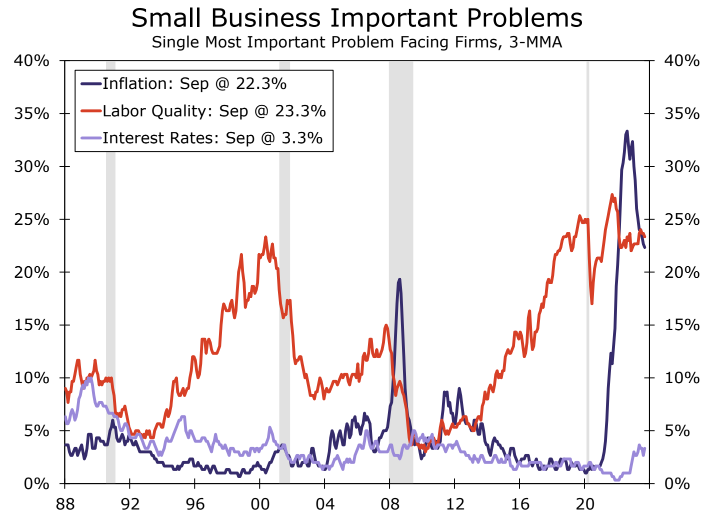
Credit Market Insights

Interest Rates Are Small Potatoes for Small Business

Earlier this month, Patrick Harker—the Federal Reserve Bank of Philadelphia president and a well-known dovish voter on the FOMC—generated significant publicity with his sentiment that the Fed should not consider additional rate hikes, given that many small businesses are straining to endure tightening to date. In a question-and-answer session on October 16, Harker noted "some of the bankers I've talked to are concerned that their business plans just aren't going to be able to make it at the higher rates." Nevertheless, recent survey evidence indicates that while rising interest rates are squeezing small businesses' bottom lines, tightening financial conditions do not appear to be the imminent existential threat.

Small businesses are certainly expressing the pessimism that Harker referenced. The NFIB Small Business Optimism Index dipped further in September and continues to hover at levels not seen since the fallout of the Great Recession in the early 2010s. Nevertheless, the survey suggests financial tightening is not the leading culprit behind business pessimism. In fact, only two percent of owners reported their borrowing needs were not met, and 65% said they were not interested in a loan. Rather, inflation and labor quality remain the chief concerns. Even as the labor market has come into better balance throughout the Fed's tightening cycle, 43% of business owners reported job openings that were hard to fill in September—three more percentage points than in August, and historically high compared to an average of roughly 22% from 1995 to 2015. Though a net 8% reported their last loan was harder to get than previous loans, only 4% of owners cited financing as their top business problem.



Source: NFIB and Wells Fargo Economics

Regardless, interest rates are rising and that does put pressure on small businesses' bottom lines. In the September NFIB survey, 26% of owners reported paying a higher rate on their most recent loan. The average rate paid on these loans was 9.8%, up from 5.7% in February 2022 before the Fed began to tighten policy. Higher interest rates have decreased lending demand, which was down 16.8% on a year-over-year basis in the second quarter of this year, according to the recently released Small Business Lending Survey (SBLS) from the Federal Reserve Bank of Kansas City. At the same time, the credit quality of applicants was reported to decline for the fifth consecutive month of the SBLS. Nonetheless, application approval rates remained stable at 84.5% in the second quarter, corroborating the NFIB evidence that credit is largely available for small businesses.

Still, by one survey measure for firms of all sizes, monetary policy is already the chief concern among business decision makers. In The CFO Survey, a collaboration between Duke University's Fuqua School of Business and the Federal Reserve Banks of Richmond and Atlanta, monetary policy surpassed labor quality/availability and inflation as the top business concern in the third quarter of this year. When asked if the current level of interest rates were causing them to pull back on spending plans, roughly 40% of CFOs answered that interest rates had already caused spending pullbacks to date. This share rises to nearly half if current rates persist over the next year. In the coming months, cost and access to credit should increasingly weigh on business decisions as the FOMC maintains a "higher for longer" policy stance and real interest rates continue to rise amid moderating inflation.

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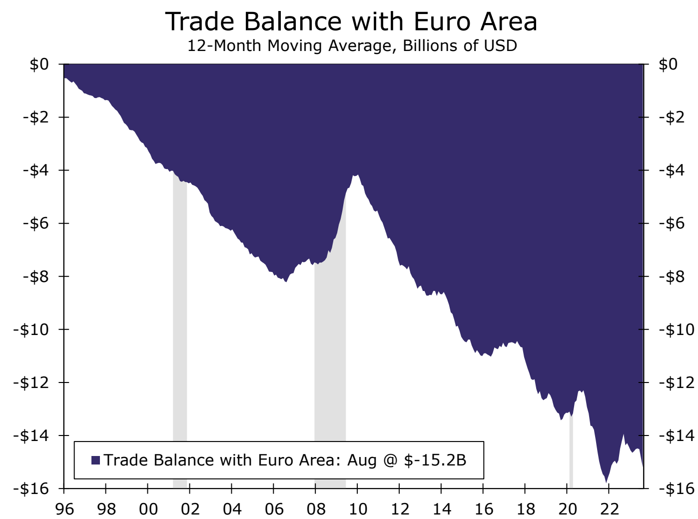
Topic of the Week

The Negotiations Continue: EU-US Trade

European Union and United States trade officials have been at the negotiating table for months trying to settle on a trade deal between the two economies. The EU is seeking for the U.S. to end Trump-era tariffs as well as to ease some of the impact of recent U.S. green subsidies on the bloc. In 2018, the U.S. had imposed tariffs of 25% on imports of EU steel and 10% on EU aluminum. The U.S. has suspended these tariffs since 2022 and instead implemented a tariff rate quote system (TRQ). In this type of system, a specified quantity of imports may be imported under a reduced tariff. After this specified quantity is reached, a higher tariff rate is imposed on all other imports above that. Another sticking point in negotiations is the EU's trade relationship with non-market economies. U.S. trade officials are seeking to promote greener steel and address what they view as overcapacity in certain metals markets that has depressed prices.

Under the current TRQ system, the U.S. allows 3.3 million metric tons of EU steel and 384,000 tons of aluminum into the U.S. free of tariffs, with tariffs applying to any imports above these levels. Reaching a deal is top of mind for both economies, as there are strong trade links between the two. The value of U.S. trade with the EU totaled an estimated $1.3 trillion in 2022. Of this, exports totaled $592 billion and imports totaled $723 billion. This accounts for 17% of U.S. imports, making the EU one of the United States' largest import markets. Indeed, the trade balance with the Euro Area, a subset of EU countries, is still near all-time low levels, reflecting the U.S.'s dependence on EU imports (chart).

In particular, August data show that close to 15% of steel imports into the U.S. were from the EU. The U.S. also imported close to 9% of all aluminum imports, an essential component in the electric vehicles market and the U.S. green push more broadly, from the EU during the month. Both sides have signaled they are hopeful an agreement can be reached shortly.



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

The trade relationship between the closely linked U.S. and EU economies may become even more vital in the years ahead, as tides of deglobalization and persistent geopolitical unrest continue to complicate existing trade relations across the globe. While deglobalization may be a particularly salient issue when trying to meet U.S. green goals in the short term, it may have a more muted impact on the U.S. economy overall in the longer term, as we explore in more detail in our deglobalization special report series from earlier this year. That said, the U.S. may want to shore up supplies of critical metals and minerals as geopolitical unrest has in some places shaken up traditional trade partners for these supplies.

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Market Data • Mid-Day Friday

U.S. Interest Rates

	Friday 10/27/2023	1 Week Ago	1 Year Ago
SOFR	5.31	5.30	3.03
Effective Fed Funds Rate	5.33	5.33	3.08
3-Month T-Bill	5.45	5.45	4.00
1-Year Treasury	5.20	5.32	4.37
2-Year Treasury	5.04	5.07	4.27
5-Year Treasury	4.79	4.86	4.06
10-Year Treasury	4.86	4.91	3.92
30-Year Treasury	5.02	5.08	4.08
Bond Buyer Index	4.19	4.19	4.16

Foreign Exchange Rates

	Friday 10/27/2023	1 Week Ago	1 Year Ago
Euro ($/€)	1.059	1.059	0.996
British Pound ($/£)	1.214	1.216	1.157
British Pound (£/€)	0.872	0.871	0.862
Japanese Yen (¥/$)	149.630	149.860	146.290
Canadian Dollar (C$/$)	1.385	1.372	1.357
Swiss Franc (CHF/$)	0.903	0.892	0.991
Australian Dollar (US$/A$)	0.635	0.631	0.645
Mexican Peso (MXN/$)	18.047	18.238	19.833
Chinese Yuan (CNY/$)	7.318	7.315	7.229
Indian Rupee (INR/$)	83.245	83.120	82.503
Brazilian Real (BRL/$)	4.950	5.034	5.342
U.S. Dollar Index	106.412	106.163	110.587

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

Foreign Interest Rates

	Friday 10/27/2023	1 Week Ago	1 Year Ago
3-Month German Govt Bill Yield	3.71	3.72	0.86
3-Month U.K. Govt Bill Yield	5.32	5.18	2.70
3-Month Canadian Govt Bill Yield	5.04	5.14	3.87
3-Month Japanese Govt Bill Yield	-0.16	-0.17	-0.13
2-Year German Note Yield	3.04	3.12	1.77
2-Year U.K. Note Yield	4.77	4.89	3.14
2-Year Canadian Note Yield	4.60	4.77	3.80
2-Year Japanese Note Yield	0.09	0.08	-0.04
10-Year German Bond Yield	2.84	2.89	1.96
10-Year U.K. Bond Yield	4.54	4.65	3.40
10-Year Canadian Bond Yield	4.00	4.07	3.19
10-Year Japanese Bond Yield	0.88	0.84	0.26

Commodity Prices

	Friday 10/27/2023	1 Week Ago	1 Year Ago
WTI Crude ($/Barrel)	83.80	88.75	89.08
Brent Crude ($/Barrel)	88.51	92.16	96.96
Gold ($/Ounce)	1981.65	1981.40	1663.31
Hot-Rolled Steel ($/S.Ton)	865.00	703.00	697.00
Copper (¢/Pound)	364.65	356.30	351.95
Soybeans ($/Bushel)	12.85	13.00	13.77
Natural Gas ($/MMBTU)	3.28	2.90	5.19
Nickel ($/Metric Ton)	17,849	18,282	22,559
CRB Spot Inds.	544.30	544.43	558.77

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