WELLS FARGO

Weekly — October 7, 2022

Weekly Economic & Financial Commentary

United States: **Labor Market Cooling Jolts Markets**

- Total payrolls rose by 263K in September, a shade above consensus. The unemployment rate fell to 3.5%, while average hourly earning increased 0.3%. Job opening plummeted by 1.1 million vacancies, according to September's JOLTS. The ISM manufacturing survey fell to 50.9 in September, while ISM services slipped to 56.7. During August, the U.S. trade deficit narrowed to $67.4 billion, while construction spending fell 0.7%.
- Next week: NFIB (Tuesday), CPI (Thursday), Retail Sales (Friday)

International: **RBA Slows Down While RBNZ Keeps Constant**

- The RBA delivered a smaller-magnitude 25 bps rate hike at its October monetary policy meeting, bringing its Cash Rate to 2.60%. This was in line with our forecast, but fell short of consensus and market expectations. The central bank signaled that it expects to further increase the policy rate in the period ahead, and said it remains "resolute in its determination" to bring down inflation. Also this week, the RBNZ delivered its fifth consecutive 50 bps rate hike, bringing the OCR to 3.50% and signaling more to come as well.
- Next week: Norway CPI (Monday), U.K. Monthly GDP (Wednesday), Sweden CPI (Thursday)

Credit Market Insights: **Treasury Market Turbulence Intensifies**

- A bout of volatility has taken a hold of Treasury markets. Global recession fears, aggressive rate hikes from the Fed and market intervention in the U.K. and Japan have intensified financial market volatility. Bond prices often rise when recession fears mount. Yet persistent inflation and the expectations for tighter monetary policy have pushed yields up, straining the inverse relationship commonly seen between bond and equity prices.

Topic of the Week: **Cashed Out? A Look at Household Savings**

- The U.S. consumer has shown incredible resilience, though cracks are starting to appear. If the differential from the pre-pandemic saving growth rate continues to decline at the same rate that it has over the past three quarters, the excess savings accumulated in 2020 and 2021 will be wiped out by Q3-2023.

Wells Fargo U.S. Economic Forecast

	Actual		Forecast						Actual	Forecast		
	2022				2023				2021	2022	2023	2024
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Real Gross Domestic Product [1]	-1.6	-0.6	2.7	1.1	0.4	-2.1	-1.8	-0.9	5.9	1.9	-0.1	0.9
Personal Consumption	1.3	2.0	0.6	0.9	0.5	-1.3	-1.8	-0.7	8.3	2.5	0.0	0.6
Consumer Price Index [2]	8.0	8.6	8.3	7.2	5.9	4.0	3.2	2.9	4.7	8.0	4.0	2.4
"Core" Consumer Price Index [2]	6.3	6.0	6.3	6.2	5.6	4.9	4.1	3.5	3.6	6.2	4.5	2.9
Quarter-End Interest Rates [3]												
Federal Funds Target Rate	0.50	1.75	3.25	4.50	5.00	5.00	5.00	4.50	0.25	2.50	4.88	3.00
Conventional Mortgage Rate	4.42	5.81	6.55	6.65	6.55	6.35	6.15	5.60	2.95	5.86	6.16	5.16
10 Year Note	2.32	2.98	3.95	4.05	4.05	3.90	3.75	3.25	1.45	3.33	3.74	2.95

Forecast as of: September 30, 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 Pressure Gauge.

U.S. Review

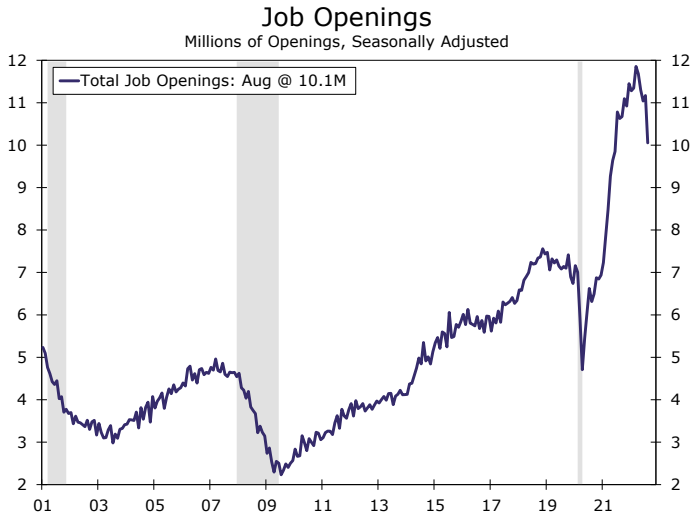
Labor Market Cooling Jolts Markets

An onslaught of economic indicators arrived this week. To summarize: higher interest rates and inflation appear to be weighing on manufacturing and construction, yet service sector activity remains fairly resilient. Financial markets were largely focused on signs that the labor market is starting to loosen. Notably, stocks rallied early in the week following a surprisingly sharp drop in job openings. According to the latest Job Openings and Labor Turnover Survey (JOLTS), the count of job openings plummeted by 1.1 million vacancies in August. The monthly decline was the sharpest drop since 2020 during the throes of the pandemic.

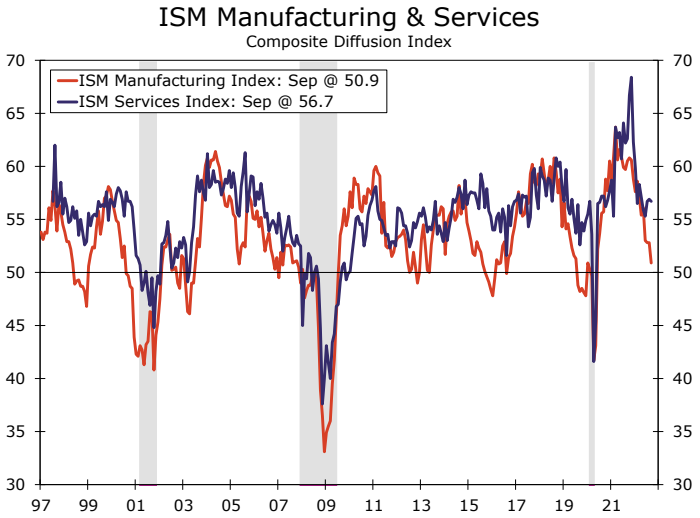
The JOLTS plunge will come as welcome news to the FOMC. Fed Chair Powell has frequently cited the high number of openings relative to the number of unemployed workers as indicative of a labor market that is too tight. August's plunge in openings is a sign that tighter monetary policy is starting to slow hiring, and possibly the inflation pressures stemming from rapid wage growth. The market reaction to the news was likely owed to the belief that a pivot towards less-hawkish monetary policy could be coming sooner than expected.

Given the steep drop in job openings, Friday's employment report took on new significance. Payrolls rose by 263K jobs during September, a gain just a shade above market expectations. The monthly improvement reflects a slowing pace of job growth this year, however labor markets remain remarkably tight. The unemployment rate ticked back down to 3.5% during the month, matching a 50-year low. The dip in the jobless rate occurred alongside a solid rise in household employment and only mild decline in the labor force. The labor force participation rate, which is still hovering below pre-pandemic averages, inched down to 62.3%.

Importantly, wage growth did not appear to accelerate during September. Average hourly earnings increased 0.3% during the month, in line with market expectations. On a yearly basis, average hourly earnings growth softened a bit, rising by 5.0%, a touch slower than August's 5.2% increase. The cool down will come as a welcome development, but wage growth remains well above rates that are consistent with the Fed's 2% inflation target. All told, none of this week's incoming labor market data change our view that the Fed will continue to aggressively tighten monetary policy to tame inflation, and we continue to look for a 75 bps hike at the November FOMC meeting. Our peak fed funds target range forecast remains at 4.75%-5.00%, implying 175 bps of additional hikes through Q1-2023.



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



Source: Institute for Supply Management and Wells Fargo Economics

This week's employment report also shed light on how the interest rate hikes implemented so far are impacting various sectors of the economy. Producers picked up the pace of hiring in the second half of 2021 and early 2022 to accommodate robust levels of consumer goods spending. Manufacturing payroll growth now appears to be downshifting as consumer spending wanes, however. Manufacturing payrolls expanded by 22K during September, a modest gain compared to the 36K monthly average so far this year. The ISM Manufacturing Index is also showing signs of slipping and fell to 50.2 in

September. The index is still in expansion territory, but September's reading was the lowest since the start of the pandemic. Key measures point to slowing activity amid higher financing costs, notably in the new orders component.

The softer new orders reading also reflects firms reducing orders to bleed-down unusually high inventory levels. In addition to slowing consumer demand, the inventory quagmire is likely also contributing to a slowdown in imports. The U.S. deficit in international trade narrowed for the fifth straight month and hit $67.4 billion in August. While exports declined 0.3% during the month, imports fell by 1.1%, the third straight drop. Overall, the pronounced slowdown in imports has narrowed the trade balance for the past five consecutive months, leaving the deficit 37% smaller than it was at its peak back in March of this year

Rising interest rates are weighing on construction, namely the residential sector. Construction firms added a solid 19K jobs in September. Most of the improvement occurred in the nonresidential category, however. Residential building firms and residential specialty trade contractors boosted headcounts by just 6.5K. The modest gain follows another pullback in overall construction spending with total outlays declining 0.7% in August. The monthly drop was the result of a fall in both residential and nonresidential spending. The drop in residential stands out, as it was owed entirely to a fall in single-family spending. As we recently outlined, this year's spike in mortgage rates has upended home buying, and builders are now quickly scaling back production in response. Apartment construction is holding up better, with multifamily permits hovering at a lofty level not seen since the early 1980s. That said, apartment demand looks to be retreating from the record highs of 2021, which may lead to a downshift in construction in the years ahead.

Compared to manufacturing and construction, service sector activity still appears to be running strong. Payroll gains during September were largest in services industries, notably leisure & hospitality and healthcare. A solid reading in the employment component of September's ISM Services Index presaged the strong employment gain in the service sector. Overall, the ISM Services Index declined modestly to 56.7 in September. There are signs activity is cooling, however the headline index is still consistent with expansion in the sector. The relatively solid index reading also shows that, while labor shortages are clearly still constraining activity, better-functioning supply chains are helping service firms operate more normally. (Return to Summary)

U.S. Outlook

Weekly Domestic Indicator Forecasts

Date	Indicator	Period	Consensus	Wells Fargo	Prior
13-Oct	CPI (MoM)	Sep	0.2%	0.2%	0.1%
13-Oct	CPI (YoY)	Sep	8.1%	8.1%	8.3%
13-Oct	Core CPI (MoM)	Sep	0.4%	0.5%	0.6%
13-Oct	Core CPI (YoY)	Sep	6.5%	6.6%	6.3%
14-Oct	Retail Sales (MoM)	Sep	0.2%	0.2%	0.3%
14-Oct	Retail Sales Less Autos (MoM)	Sep	-0.1%	0.0%	-0.3%
14-Oct	U. of Mich. Consumer Sentiment	Oct	58.8	--	58.6

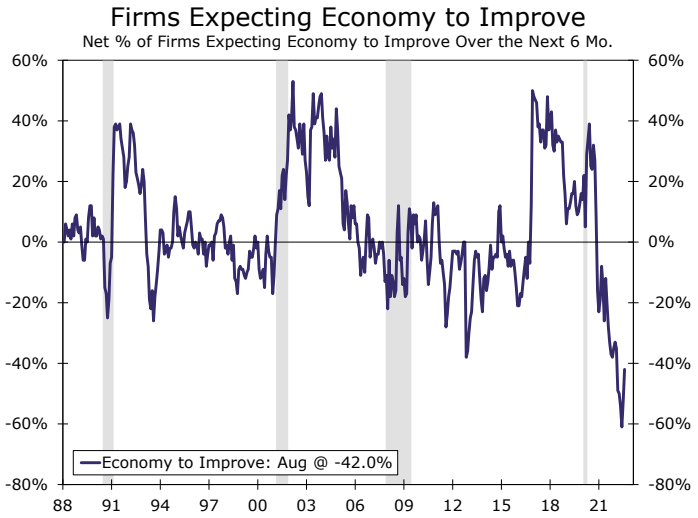
Forecast as of October 07, 2022

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

NFIB Small Business Optimism • Tuesday

August marked the best improvement in small business optimism since June 2021, with the NFIB index rising to 91.8. However, that still marks a relatively low reading, and comes only two months after the lowest reading since 2012. Small business owners may not be facing the same issues they did prior to the Great Recession and the ensuing slow recovery, but today they are in the doldrums of still-high inflation, an "unhealthily" tight labor market and negative feelings about future economic conditions.

While near-term economic expectations, one of the most worrying components of the survey, did slightly improve in August, it still is a historically low rate (see chart). Other indicators of expectations have faltered as well. Over the last three months, a net average of only 4% of firms believe it is a good time to expand their business. That said, price pressures appear to be abating, as the net percentage of firms planning to raise prices and the net percentage reporting to currently be raising prices have continued to fall. As inflation rolls over, small businesses should find some relief in less price pressures, even if their economic outlooks remain stormy.



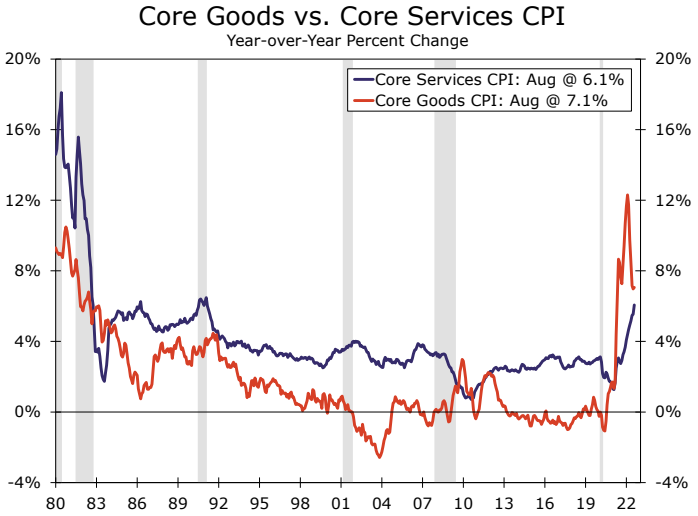
Source: NFIB and Wells Fargo Economics

Consumer Price Index (CPI) • Thursday

Inflation continues to be a difficult beast to tame, as evidenced in the 0.6% monthly gain in core CPI for August. However, we believe some price pressures are abating, and the signs could start to show up in the September release on Thursday. Further, base effects from high monthly readings late last year should soon also help bring the year-over-year rate of inflation lower.

For September, we forecast headline CPI rose 0.2%, bringing the year-over-year rate down slightly to 8.1%. Energy prices were likely a considerable part of soothing the headline rate last month, as gasoline prices declined through most of the month. But scorching core inflation, up at a 3-month annualized rate of 6.5% in August, means that declines in commodity prices alone will not cut it when it comes to muting inflation for the long-haul.

We expect core inflation rose 0.5% in September, which is above consensus but below August's 0.6% upward surprise. The more moderate core gain is likely to stem from goods inflation as consumer spending shifts back toward services and retail inventories are starting to pile up. Core services should again be a primary driver of inflation this month, as lags from rent and home price measures indicate another strong monthly gain. Wage gains



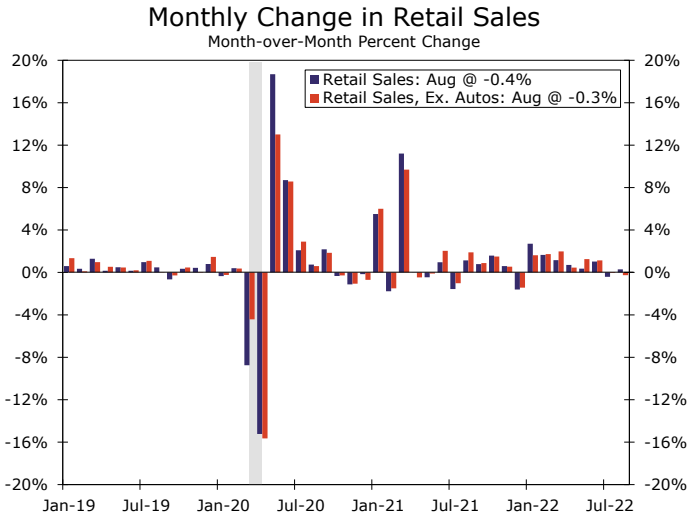
Source: U.S. Department of Labor and Wells Fargo Economics

are particularly important to the services sector, and by remaining elevated, continue to complicate the Fed's fight against inflation.

Retail Sales • Friday

August retail sales were a mixed bag of surprises, with a downward revision to July sales putting a damper on August's upside surprise. That report pointed out potential weaknesses in consumer spending, a theme that should be in the September report released next Friday as well. Though recent sales reports could be characterized as retrenchment, consumers have tapped into savings and accessed credit, largely taking prices as they see them. But, there are some issues emerging for the household sector.

First, there is a possibility that supply chain issues continue to cause significant monthly volatility. Auto dealers experienced a 2.8% increase in August after a 2.0% drop in July, which could be in part from ongoing supply challenges. Second, goods inflation continues to weigh on retail sales, and the longer inflation persists the less consumers are going to be able to be price takers without significantly cutting back purchases. Relying on household balances also becomes more challenging as the higher the fed funds rate rises, the higher financing costs go. We expect consumers to gradually continue to shift spending from goods to services, which will show up in the retail sales data, which mostly cover goods consumption. Overall, we expect underlying consumer demand to remain intact, but with fewer opportunities for growth. We forecast retail sales rose 0.2% in September, while retail sales, excluding autos, remained flat. (Return to Summary)



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

International Review

RBA Slows Down...

The Reserve Bank of Australia (RBA) delivered a 25 bps rate hike at its October monetary policy meeting, bringing its Cash Rate to 2.60%. This was in line with our forecast, but fell short of consensus and market expectations. The central bank signaled that it expects to further increase the policy rate in the period ahead. Like in previous announcements, the size and timing of rate hikes will be guided by labor and inflation data. Overall, the announcement was somewhat cautious, with indications that the RBA sees a highly uncertain path ahead. The central bank said the global outlook has deteriorated recently, which adds uncertainty for the outlook in Australia. It added that higher inflation and interest rates are pressuring household budgets, but the full effect of rate hikes has not yet been felt in mortgage payments (a majority of Australian mortgages are floating rate, so the economy is more sensitive to rate hikes, compared to countries that have more fixed rate loans like the United States). Furthermore, consumer confidence has declined, while housing prices have fallen.

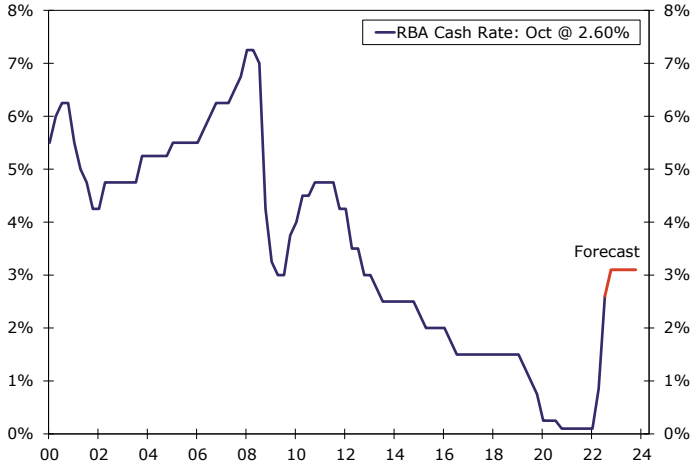
While the RBA acknowledged the uncertain path ahead, it also noted some positive signals in the economy—people are finding jobs and working more hours, while earning higher wages. In addition, the saving rate is higher than pre-pandemic and households have built a solid safety net. At the end of the announcement, the RBA added a new line that "The Board remains *resolute in its determination* to return inflation to target and will do what is necessary to achieve that," which to us signals still more monetary tightening to come, albeit at a smaller magnitude. We still expect two more 25 bps rate hikes in November and December, bringing the Cash Rate to a peak of 3.10% by the end of 2022.

...While RBNZ Keeps Constant

Also, this week, the Reserve Bank of New Zealand (RBNZ) delivered its fifth consecutive 50 bps rate hike, bringing the Official Cash Rate to 3.50% and signaling more to come. The announcement highlighted an economic backdrop of supply/demand imbalances, high inflation, and resilient consumer spending for the most part, although durable goods spending, which are more sensitive to interest rates, has continued to decline. Overall, household balance sheets are solid, but falling house and asset prices serve as a downside risk to growth, and will have more of a negative impact once mortgages are reset at higher rates—evidence that monetary tightening is doing its job. The central bank repeated that inflation is too high, but this time said "employment is beyond its maximum sustainable level," suggesting that the RNBZ sees scope for further tightening to rebalance the labor market.

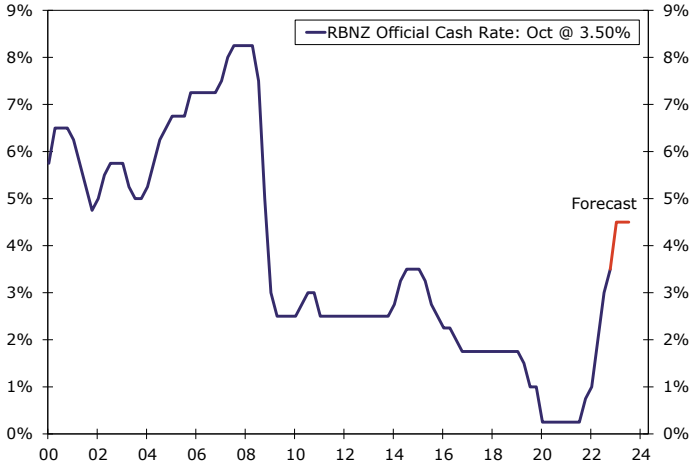
Of note, the RBNZ disclosed that policymakers considered a 75 bps rate hike instead of 50 bps hike, but ultimately decided on 50 bps. Some members argued that a larger increase in policy rates now would reduce the likelihood of a higher peak later. However, others emphasized the degree of policy tightening so far, as well as lags in monetary policy effects and perhaps a slow pass through to retail interest rates. Overall, we expect the RBNZ to continue monetary tightening, and now forecast two 25 bps rate hikes in February and April 2023, with a terminal rate of 4.50%.

Reserve Bank of Australia Policy Rate



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

Reserve Bank of New Zealand Policy Rate



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

(Tankan) Survey Says...

Key measures from the Bank of Japan's Q3 Tankan surveys showed business sentiment in some industries becoming less optimistic. Confidence at large manufacturing firms continued to soften in Q3, with the large manufacturers' diffusion index unexpectedly falling one point to 8 in Q2, the third consecutive decline. A positive Tankan survey reading indicates that of the businesses in the surveyed population, optimists outnumbered pessimists. So while in Q3 some optimists likely became pessimists, there are still more optimists than pessimists overall. Future expectations of the road ahead also became less positive, as the forward-looking outlook measure for manufacturing firms fell one point to 9.

Meanwhile, service sector sentiment improved, with the large non-manufacturing index ticking up to 14 from 13, as Japan gradually reopens its borders to travel and tourism. However, uncertainty regarding how the service sector will fare amid a global slowdown may be clouding future expectations, as the outlook reading fell two points to 11. Ultimately, softening confidence is consistent with our expectation for only limited growth ahead. (Return to Summary)

International Outlook

Weekly International Indicator Forecasts

Date	Indicator	Period	Consensus	Wells Fargo	Prior
10-Oct	Norway CPI (YoY)	Sep	6.2%	--	6.5%
10-Oct	Norway Underlying CPI (YoY)	Sep	5.0%	--	4.7%
12-Oct	U.K. Monthly GDP (MoM)	Aug	0.0%	--	0.2%
13-Oct	Sweden CPIF (YoY)	Sep	9.3%	--	9.0%
13-Oct	Sweden CPIF Excl. Energy (YoY)	Sep	7.5%	--	6.8%

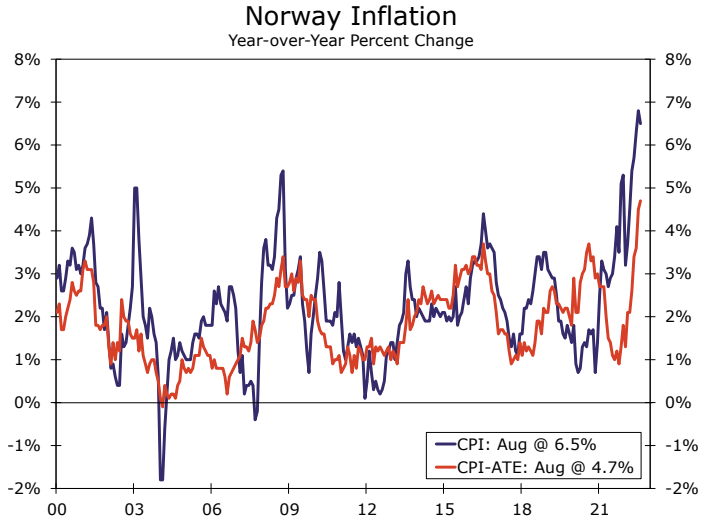
Forecast as of October 07, 2022

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

Norway CPI • Monday

Inflation data for Norway will be released next week and will provide a pulse on the behavior of consumer prices in September. Consensus forecasts expect headline inflation to have receded for a second month to 6.2% year-over-year. While headline inflation softened in August, underlying CPI (adjusted for tax changes and excluding energy) quickened to 4.7% year-over-year, showing that after accounting for more volatile components, price pressures are still intensifying in some areas of the economy. In fact, the consensus expectation is for underlying CPI to have accelerated again in September.

This inflation reading will likely be influential for the Norges Bank's monetary policy path. At its September policy meeting, the central bank delivered a 50 bps rate hike, bringing its policy rate to 2.25%. It signaled that the policy rate would likely be raised further in November, but added that monetary policy is starting to have a tightening effect on the economy, which may suggest a more gradual approach to policy rate setting ahead. Given this more cautious signal, we expect 25 bps rate hikes in November, December, January and March to 3.25%.



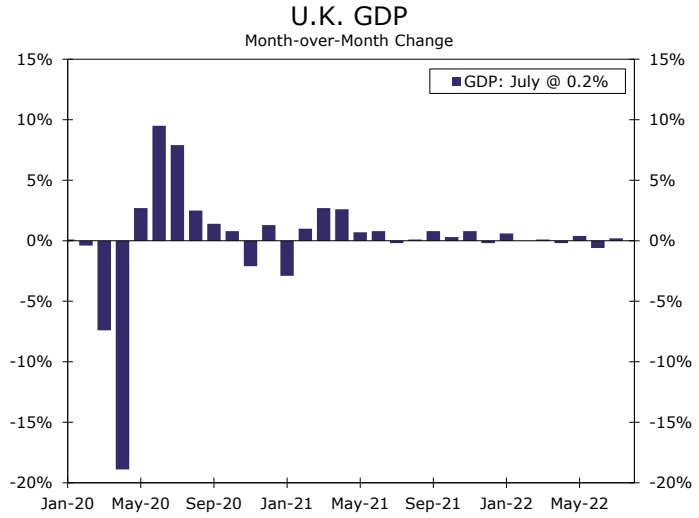
Source: Bloomberg Finance L.P. and Wells Fargo Economics

U.K. Monthly GDP • Wednesday

Data from the United Kingdom next week will provide some insight into growth trends in the region. GDP data are expected to show that economic growth was flat over the month of August. Taking a closer look at the performance of specific sectors, construction output and services are expected to see a small expansion, while industrial and manufacturing production is expected to soften over the month.

To provide some context, growth trends in the U.K. so far this year has been mixed, with a few months of negative month-over-month growth, but overall quarterly growth gaining 0.7% and 0.2% in Q1 and Q2, respectively. However, as global growth slows in 2023, we forecast the U.K. to fall into recession as well.

Recently-finalized September PMIs provided some insight into sentiment trends, and showed that firms are not necessarily feeling optimistic about economic conditions. The manufacturing PMI ticked up to 48.4 but remained in contraction territory (<50), while the services PMI ticked down for the third month to 50, right on the edge between contraction and expansionary. Overall, we expect sentiment to continue to deteriorate as the U.K. economy contracts next year.

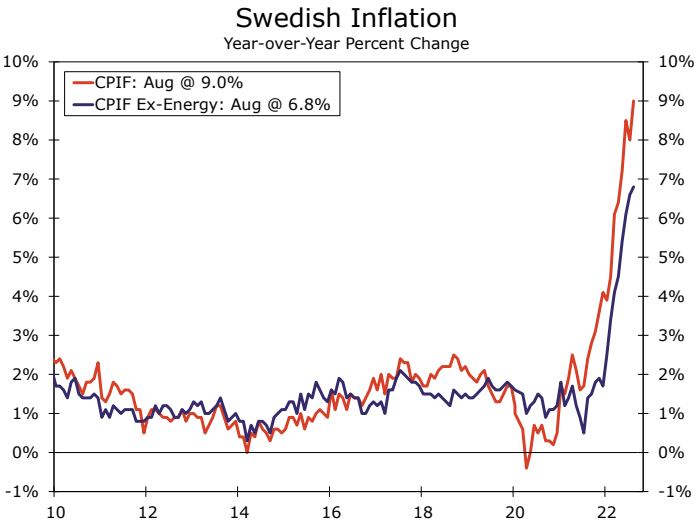


Source: Bloomberg Finance L.P. and Wells Fargo Economics

Sweden CPIF • Thursday

Sweden's inflation data release next week are expected to show inflation pressures persisted in September. So far in 2022, inflation has accelerated every single month, and September should be no different, as the upward climb of prices is likely still ongoing. CPIF (consumer price index calculated with fixed mortgage interest rates) is expected to quicken to 9.3% year-over-year, while CPIF excluding energy is expected to spike to 7.5%.

Against this backdrop of elevated inflation, the Riksbank surprised market participants at its September monetary policy meeting, delivering a 100 bps rate hike and bumping up policy rates to 1.75%. While the central bank signaled additional tightening to come, it suggested the terminal rate may be lower than previously signaled. The Riksbank projected a peak policy rate of around 2.50%, implying perhaps a less aggressive pace of monetary tightening ahead. We expect the policy rate to reach this terminal rate of 2.50% by Q1-2023 and remain at that level for the rest of the year. (Return to Summary)



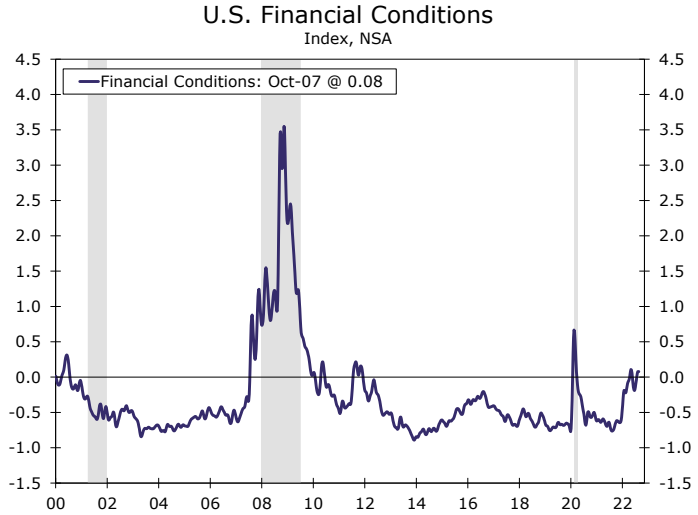
Source: Bloomberg Finance L.P. and Wells Fargo Economics

Credit Market Insights

Treasury Market Turbulence Intensifies

A bout of volatility has taken a hold of Treasury markets. Global recession fears, aggressive rate hikes from the Fed and market intervention in the U.K. and Japan have intensified financial market volatility. One measure of U.S. interest rate volatility reached its highest point since March 2020 and the second highest since 2009. The measure has climbed over 97% year-to-date as yields have skyrocketed this year in response to inflation pressures and Fed rate hikes. This week, the 2-year Treasury yield hit its highest level since 2007, rising to 4.34%. Last week, the yield on the 10-year Treasury briefly hit 4.00% for the first time since 2010 before falling back to 3.87% as of this writing. The 10-year Treasury yield is on track to have its sharpest annual percentage point rise since 1980. Bond prices often rise when recession fears mount. Yet persistent inflation and the expectations for tighter monetary policy have pushed yields up, straining the inverse relationship commonly seen between bond and equity prices.

This volatility comes as measures of financial conditions have tightened consistently this year. The Chicago Fed's Adjusted National Financial Conditions Index turned positive in September, indicating financial conditions are tighter than average. Because economic and financial conditions often move in-step, the adjusted index strips out some of the economic measures to provide a better idea of how financial conditions are moving on their own. Although the Chicago Fed's measure indicates we are in restrictive territory, the Fed has signaled it still has plenty of room to tighten.



Source: Federal Reserve Bank of Chicago and Wells Fargo Economics

On Monday, New York Fed President John Williams remarked that monetary policy "is not yet in a restrictive place for growth," and expects considerably more tightening before the end of the year. Williams nonetheless acknowledged the liquidity difficulties facing Treasury markets, but insisted markets are "still functioning" and pointed to global events and not monetary policy as the culprit for elevated volatility.

Other sovereign debt markets have been even more turbulent recently. Last week, against a backdrop of rapidly deteriorating prices for long-dated government bonds, the Bank of England (BoE) announced a "targeted intervention to restore market functioning in long-dated government bonds and reduce risks from contagion to credit conditions for UK households and businesses." The BoE's ongoing intervention looks to keep financial conditions from tightening too rapidly such that it leads to a freezing of the financial system.

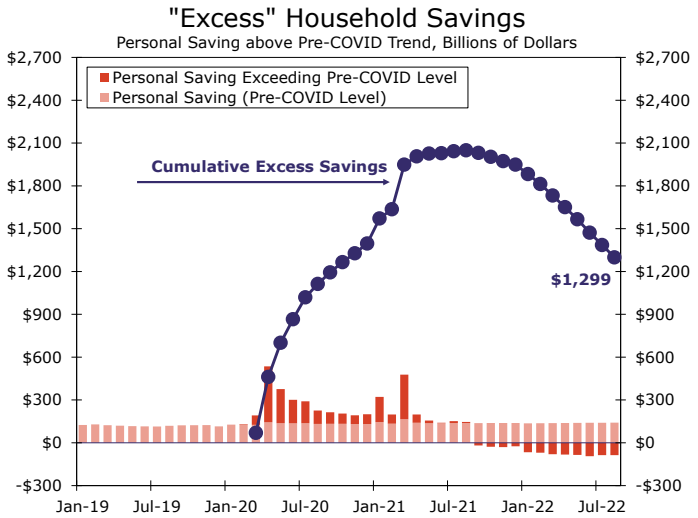
The threat of dysfunction has become a greater material risk to not just the U.K. but also in Japan where questions about the path of monetary policy have grown. The Bank of Japan has been conducting yield curve control operations on debt dated ten years or less, but challenges have mounted as yields for long-dated debt both in Japan and abroad have risen.

Even with volatility elevated in U.S. fixed income markets, the Fed has made no indication of intervening. The U.S. central bank continues to let maturing Treasury securities and mortgage-backed securities rolloff its balance sheet, subject to a monthly cap. Strong rhetoric toward further rate hikes and the continuation of balance sheet reductions suggests stability in Treasury markets is not a chief concern at the moment. (Return to Summary)

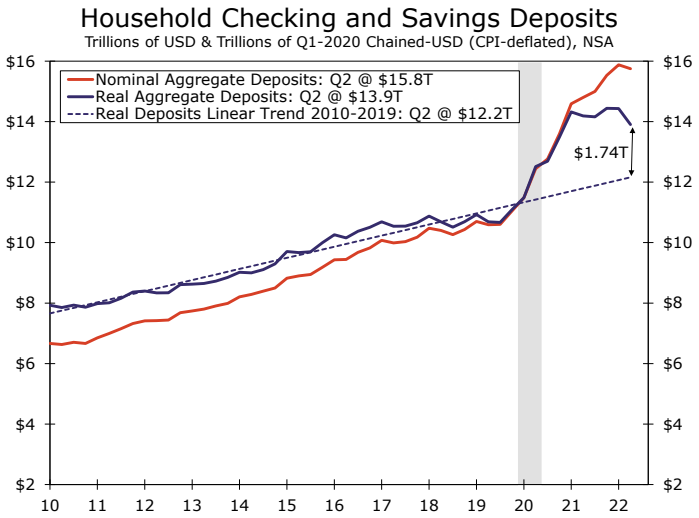
Topic of the Week

Cashed Out? A Look at Household Savings

The U.S. consumer has shown incredible resilience, though cracks are starting to appear. One measure of how consumers are holding up, real personal consumption expenditures, is up 1.8% year-over-year. This is quite remarkable, considering prices in the economy have shot up over the past year, with August's PCE deflator reading showing year-over-year price growth to be a sizable 6.2%. Inflation has been eroding the wage gains consumers enjoyed in an extraordinarily tight post-pandemic labor market, as prices have risen at a faster rate than nominal wage gains. Disposable income, which is up almost 4.1% nominally on the year, is actually down over 4.5% in real terms over the same period. How have consumers been able to sustain their consumption spending habits in the face of real wage *declines*?



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



Source: Federal Reserve Board and Wells Fargo Economics

The pandemic was followed by several rounds of fiscal stimulus that bolstered household balance sheets. Aided in part by this stimulus, the excess saving of the consumer, which is saving over the level they stowed away pre-pandemic, experienced strong growth between February 2020 and its peak in August 2021, topping out at a cumulative level of $2.05T (chart). However, over the last year cumulative excess savings have declined by over $750B, or almost 37% off its peak.

This trend is confirmed by data from the Fed's flow of funds report, which revealed that aggregate balances of personal checking and savings accounts, adjusted for inflation, experienced strong growth followed by a more recent drawdown (chart). In the first quarter of 2022, real household deposits peaked at a level $2.6T higher than they would have been had they followed the pre-COVID rate of growth. The past few quarters have seen the differential between real aggregate deposits and its pre-pandemic trend steadily decline to $1.7T. The declining level of excess real deposits coincided with a period of declining real wages. This suggests that U.S. consumers are not only saving less out of every paycheck, but they are also partially drawing on checking and savings balances they accrued since the onset of the pandemic in order to sustain their consumption habits. If this differential from the pre-pandemic growth rate continues to decline at the same rate as it has over the past three quarters, the excess savings from 2020 and 2021 will be wiped out by Q3-2023.

While the staying power of the consumer has shown uncanny resilience, a growing number of signs point to the tide turning. The saving rate has dipped to 3.5%, credit card borrowing has risen well above pre-COVID levels, and the pool of excess cash is drying up. Consumers have increasingly relied on their balance sheets to spend, with wage gains not keeping pace with inflation. The longer that lasts, the greater the deterioration in household finances. In short, the macroeconomic status quo is not a sustainable one for household balance sheets. (Return to Summary)

Market Data • Mid-Day Friday

U.S. Interest Rates

	Friday 10/7/2022	1 Week Ago	1 Year Ago
SOFR	3.05	2.96	0.05
3-Month LIBOR	3.83	3.74	0.12
3-Month T-Bill	3.35	3.25	0.04
1-Year Treasury	4.14	4.06	0.09
2-Year Treasury	4.30	4.28	0.31
5-Year Treasury	4.11	4.09	1.02
10-Year Treasury	3.86	3.83	1.57
30-Year Treasury	3.82	3.78	2.13
Bond Buyer Index	3.86	4.02	2.27

Foreign Exchange Rates

	Friday 10/7/2022	1 Week Ago	1 Year Ago
Euro ($/€)	0.978	0.980	1.155
British Pound ($/£)	1.110	1.117	1.362
British Pound (£/€)	0.880	0.878	0.848
Japanese Yen (¥/$)	145.210	144.740	111.630
Canadian Dollar (C$/$)	1.370	1.383	1.255
Swiss Franc (CHF/$)	0.992	0.987	0.928
Australian Dollar (US$/A$)	0.639	0.640	0.731
Mexican Peso (MXN/$)	20.046	20.138	20.652
Chinese Yuan (CNY/$)	7.116	7.128	6.445
Indian Rupee (INR/$)	82.331	81.349	74.785
Brazilian Real (BRL/$)	5.220	5.416	5.519
U.S. Dollar Index	112.357	112.117	94.217

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

Foreign Interest Rates

	Friday 10/7/2022	1 Week Ago	1 Year Ago
3-Month Euro LIBOR	-0.58	-0.59	-0.57
3-Month Sterling LIBOR	3.36	3.60	0.10
3-Month Canada Banker's Acceptance	4.28	4.20	0.45
3-Month Yen LIBOR	-0.04	-0.02	-0.08
2-Year German	1.87	1.76	-0.70
2-Year U.K.	4.17	4.23	0.47
2-Year Canadian	4.04	3.79	0.64
2-Year Japanese	-0.07	-0.05	-0.10
10-Year German	2.19	2.11	-0.19
10-Year U.K.	4.23	4.09	1.08
10-Year Canadian	3.38	3.17	1.57
10-Year Japanese	0.25	0.24	0.07

Commodity Prices

	Friday 10/7/2022	1 Week Ago	1 Year Ago
WTI Crude ($/Barrel)	92.40	79.49	78.30
Brent Crude ($/Barrel)	98.04	87.96	81.95
Gold ($/Ounce)	1702.59	1660.61	1755.78
Hot-Rolled Steel ($/S.Ton)	744.00	776.00	1881.00
Copper (¢/Pound)	339.20	341.25	424.35
Soybeans ($/Bushel)	13.53	13.87	12.25
Natural Gas ($/MMBTU)	6.87	6.77	5.68
Nickel ($/Metric Ton)	22,667	22,250	18,068
CRB Spot Inds.	566.82	567.71	629.12

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