

Weekly — May 5, 2023

Weekly Economic & Financial Commentary

United States: **Rock Solid Labor Market Keeps the Fed in a Hard Place**

- In April, employers added 253K jobs and the unemployment rate fell to 3.4%. During the same month, the ISM services index edged up to 51.9, while the ISM manufacturing index improved to 47.1. In March, the count of job openings declined to 9.6 million, while construction spending rose 0.3%. Nonfarm productivity declined 2.7% in Q1 as unit labor costs jumped 6.3%.
- Next week: NFIB (Tue), CPI (Wed), Consumer Sentiment (Fri)

International: **Global Central Banks Still Active**

- In addition to the Fed's rate hike, several international central banks were active this week. The European Central Bank raised its policy rate 25 bps to 3.25%, and signaled further tightening to come. Norway's central bank also raised its policy rate 25 bps to 3.25% and indicated rates would be raised further, while the Reserve Bank of Australia surprised market participants with a 25 bps rate increase to 3.85%.
- Next week: Mexico CPI (Tue), Bank of England Policy Decision (Thu), U.K. GDP (Fri)

Interest Rate Watch: **The Fed Hikes Again**

- As widely expected, the FOMC elected to raise its target range for the federal funds rate by 25 bps on Wednesday to 5.00%–5.25%. This may very well be the last hike of the current tightening cycle. The FOMC did not pre-commit to another rate hike on June 14, and the next action will depend on how the economy evolves from here.

Topic of the Week: **The Looming Debt Ceiling X Date Draws Closer**

- On Monday, Treasury Secretary Janet Yellen gave guidance that the Treasury could be unable to meet all of the government's obligations as soon as early June due to the debt ceiling constraint. The Treasury bill market suggests investors have taken notice of the political standoff over the nation's debt ceiling.

We have started a new podcast, "[Ask Our Economists](#)", where our economists answer questions that readers send in. If you would like to submit a question, please email us at askoureconomists@wellsfargo.com.

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	3.2	2.6	1.1	1.3	-0.9	-2.7	5.9	2.1	1.2	0.2
Personal Consumption	1.3	2.0	2.3	1.0	3.7	0.3	-0.2	-3.3	8.3	2.7	1.5	-0.1
Consumer Price Index ²	8.0	8.6	8.3	7.1	5.8	4.1	3.2	2.7	4.7	8.0	3.9	2.5
"Core" Consumer Price Index ²	6.3	6.0	6.3	6.0	5.6	5.2	4.5	4.0	3.6	6.1	4.8	2.9
Quarter-End Interest Rates ³												
Federal Funds Target Rate ⁴	0.50	1.75	3.25	4.50	5.00	5.25	5.25	4.75	0.25	2.02	5.06	2.88
Conventional Mortgage Rate	4.27	5.58	6.01	6.36	6.54	6.25	5.75	5.40	3.03	5.38	5.99	5.03
10 Year Note	2.32	2.98	3.83	3.88	3.48	3.50	3.15	2.90	1.45	2.95	3.26	2.83

Forecast as of: April 13, 2023

¹ Compound Annual Growth Rate Quarter-over-Quarter² Year-over-Year Percentage Change³ Quarterly Data - Period End; Annual Data - Annual Averages⁴ Upper Bound of the Federal Funds Target Rate

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](#).

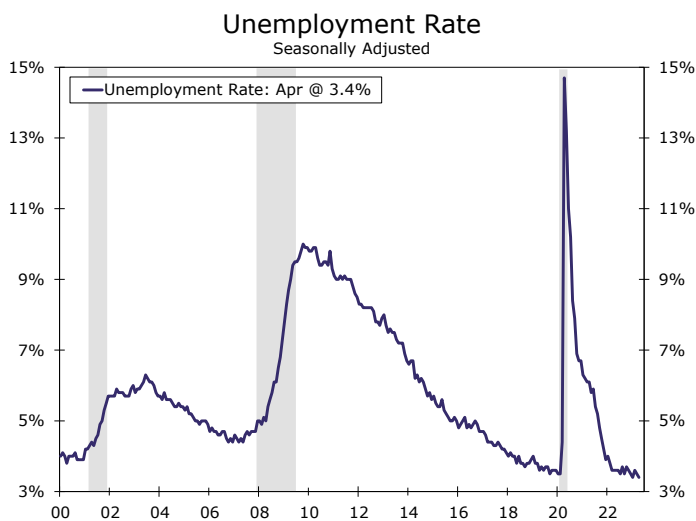
U.S. Review

Rock Solid Labor Market Keeps the Fed in a Hard Place

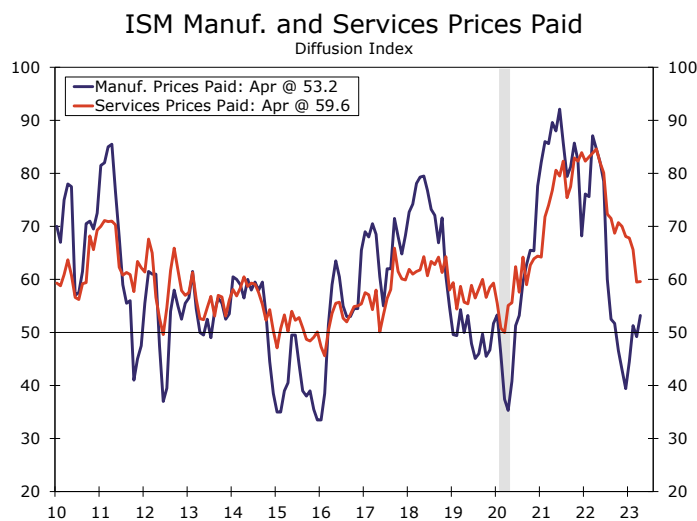
The month of May is off to a roaring start this week. On Monday, Treasury Secretary Janet Yellen warned that debt ceiling constraints could cause the U.S. Treasury to no longer be able to meet all of its obligations by early June. For further analysis on the debt ceiling issue, please see the [Topic of the Week](#). The Federal Reserve's battle against inflation amid new banking sector volatility was another focus of attention. As widely expected, the FOMC raised the federal funds target range by 25 bps on Wednesday. The main takeaway, however, was that the hike could be the last of this tightening cycle. More detail on the outcome of the May 3rd FOMC meeting can be found in the [Interest Rate Watch](#) section below.

In addition to new fiscal and monetary policy guidance, a deluge of economic indicators were published this week. The state of the labor market was front and center. Employers added 253K jobs during April, easily besting the market consensus. Downward revisions to payroll gains in February and March spoiled some of April's upside surprise. That said, employers still added an average 285K net new jobs in the first four months of 2023, which reflects a more moderate but still-solid pace of hiring. The household survey also provided further evidence of a resilient labor market. Notably, the unemployment rate fell to 3.4% during the month, matching a 53-year low. After rising in each of the past four months, the labor force participation rate was essentially unchanged in April. Wage growth came in on the high-side, with average hourly earnings rising 0.5% during the month. While eye-catching, average hourly earnings growth now appears to be more in-line with other wage measures such as the Atlanta Fed Wage Tracker and the Employment Cost Index, both of which are still show a fairly strong pace of wage growth.

While the labor market appears to be rock solid at present, we still expect some cracks to form in coming months. Demand for labor clearly is cooling. While job openings remain elevated compared to pre-pandemic norms, the count of vacancies continues to trend lower and fell to 9.6 million in March, the lowest level since April 2021. So far in 2023, jobless claims have shifted slightly higher from the relatively low levels averaged last year, indicating an increased pace of layoffs. Most recently, initial claims rose to 242K in the last week of April.



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



Source: Institute for Supply Management and Wells Fargo Economics

The resiliency of the labor market illustrates one of the major challenges facing the Federal Reserve. Inflation has moderated, but still remains well above the Fed's 2% target. Price pressures easing without a material deterioration in job growth is an encouraging sign that the labor market is moving back into balance. That said, the path back to 2% inflation still looks like it will be a gradual process. Weak productivity growth is just one potential hurdle. Nonfarm labor productivity fell at a 2.7% annualized rate in Q1-2023, a quarterly decline that amounts to a 0.9% yearly drop. Unit labor costs picked up to a 6.3% annualized pace during the quarter. The challenge with weak productivity growth is

that it could keep the pressure on labor costs, which now appear to be a driving force behind elevated service sector inflation.

One reason why service sector prices have yet to follow the same trajectory as goods prices is that demand for services has remained relatively buoyant. The ISM services index edged further into expansion territory in April, rising to 51.9 during the month. The slight improvement in the headline masked differences between current and future activity. The business activity index fell sharply during April, while the forward-looking new orders component rose markedly. Furthermore, underlying inflation pressures in the service sector have yet to fully die down, with the prices paid index inching higher during April. A similar trend was evident in the ISM manufacturing index for April. The headline manufacturing index rose to 47.1 in April, a slight gain which reflects a modest improvement in factory sector activity. The prices paid component, however, jumped up by four points and rose for the third time in four months. The upturn in prices paid suggests a growing share of surveyed producers are experiencing higher input prices.

Another potential test for the Fed will be navigating structural shifts in the economy which could prove unflinching to higher interest rates or cyclical fluctuations. Construction spending rose 0.3% during March. The monthly gain in total spending was driven almost entirely by another uptick in the nonresidential category. Manufacturing projects have been a significant driver of nonresidential outlays recently, and momentum does not appear to be slowing. During March, manufacturing outlays were over 62% above the pace registered in the same month last year. The remarkable rise largely reflects the build-out of electric vehicle production supply chains as well as new semiconductor manufacturing facilities. These structural shifts are likely to support activity as macroeconomic uncertainty, higher financing costs and tighter lending standards weigh on overall construction moving forward.

[\(Return to Summary\)](#)

U.S. Outlook

Weekly Domestic Indicator Forecasts

Date	Indicator	Period	Consensus	Wells Fargo	Prior
10-May	CPI (MoM)	Apr	0.4%	0.4%	0.1%
10-May	Core CPI (MoM)	Apr	0.3%	0.4%	0.4%
11-May	PPI Final Demand (MoM)	Apr	0.3%	0.3%	-0.5%

Forecast as of May 05, 2023

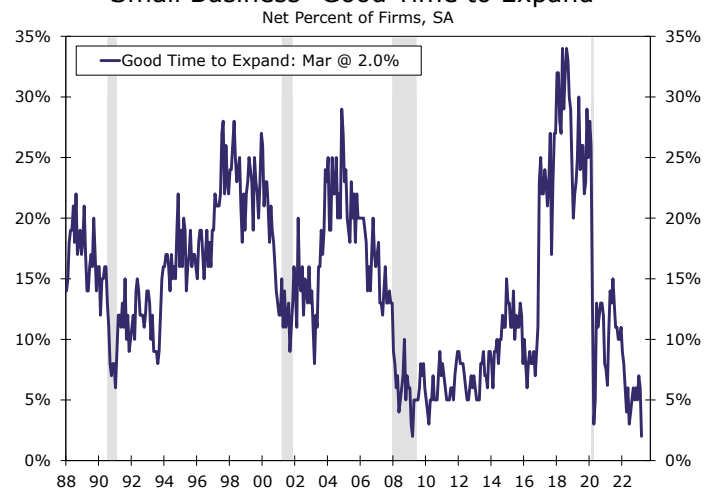
Source: Bloomberg Finance L.P. and Wells Fargo Economics

NFIB Small Business Optimism • Tuesday

Small business owners' economic outlooks appear to be worsening alongside mounting recession fears. The small business optimism index slipped 0.8 points to 90.1 in March, the 15th straight month that the index has measured below its long-term average of 98. Despite easing price pressures, only 2% of firms on net believed it is a good time to expand, the lowest reading since the Great Recession (March 2009). In the same vein, only 15% of small businesses on net planned on expanding payrolls over the next three months, the lowest level since May 2020.

While we wait for the Q1 Senior Loan Officer Opinion Survey due next week, March's NFIB survey gave us a first look into lending standards in the wake of banking sector volatility. Our guiding assumption is that tighter credit conditions and stricter lending standards will weigh on growth in the coming months. A net 9% of small business owners experienced more difficulty obtaining a loan in March than in the three months prior, the highest proportion since December 2012. Interest rates also rose for 26% of firms on net, the highest share since August 2006. We will be keeping a close eye on lending standards and capital outlays as we gauge the probability of recession in the months ahead.

Small Business "Good Time to Expand"

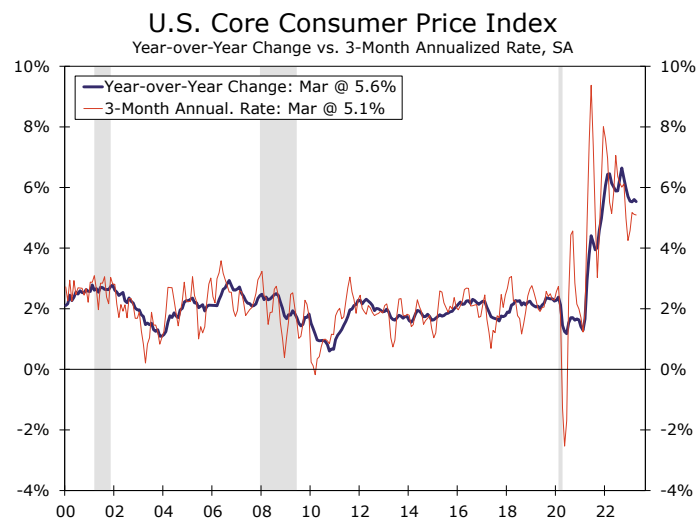


Source: NFIB and Wells Fargo Economics

Consumer Price Index • Wednesday

Consumer price inflation has improved notably since peaking at 9.1% in May 2022. The headline index in March posted its smallest monthly gain in nearly a year (0.1%), amounting to a 5.0% annual increase. Core inflation remains much stickier. A pickup in goods inflation, largely attributable to a rebound in new vehicle prices, caused the annual growth in core CPI to *increase* to 5.6% in March from 5.5% in February. Yet, the March CPI print also gave the first glimpse into the long-anticipated slowdown in CPI's rent measure, which fell from a 0.8% monthly increase in February to 0.5% in March. Decelerations in both rent and owners' equivalent rent, on top of outright declines in medical care prices, led core services prices to post their smallest increase in eight months.

We estimate that annual growth in the headline index held steady at 5.0% in April, as higher gas prices likely led the monthly CPI growth rate to pick up to 0.4%. We do not expect that consumers found much relief in core goods and services prices either. Our forecast suggests that core inflation remained elevated at 0.4% over the month, amounting to a 5.5% annual inflation rate. Although shelter inflation seems to finally be coming off the boil, we believe that March's stark downshift in rent CPI overstates the pace at which primary shelter inflation will trend downward over the coming months. Separately reported auction data also suggest that vehicle prices remained firm in April. As we have been saying for some time now, we expect that slowing economic activity will trigger a material deceleration in inflation, but the path back to 2% will be long and bumpy.



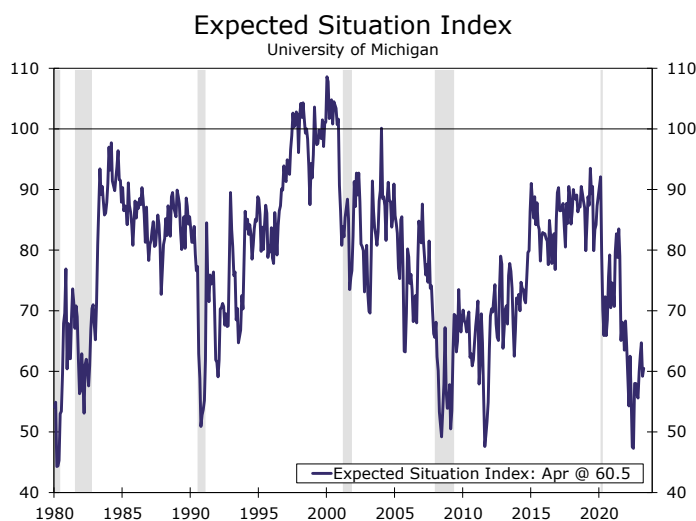
Source: U.S. Department of Labor and Wells Fargo Economics

University of Michigan Consumer Sentiment • Friday

You wouldn't know it by watching their spending, but consumers are downbeat on the economy. The University of Michigan's consumer sentiment index measured 63.5 in April, roughly 40 points below the reading immediately before the pandemic. Despite easing inflation inducing a trend improvement in consumer attitudes over the last 10 months, the consumer sentiment index in April remained at its lowest level since the Great Recession, outside of the pandemic years. Meanwhile, the expectations index continues to print at a level consistent with prior recessions, and economists surveyed by Bloomberg expect the headline sentiment index to drop to 63.0 in May.

Short-term inflation expectations in April surged a full percentage point to 4.6%, likely driven by the recent upturn in gas prices. Average prices paid at the pump reached a four-month high of \$3.69/gallon on April 19. Yet, longer term expectations remained well-anchored at 3.0%, suggesting consumers haven't lost all faith in the Federal Reserve's ability to control inflation. However, it does not seem like they fully trust in the Fed's ability to avoid a recession either.

[\(Return to Summary\)](#)



Source: University of Michigan and Wells Fargo Economics

International Review

Global Central Banks Still Active

The European Central Bank (ECB) offered its latest monetary policy assessment this week, delivering a smaller rate increase than at previous meetings. In a widely expected move, the ECB raised its Deposit Rate by 25 bps to 3.25%. Meanwhile, the economic message was little changed, in that the ECB said the “inflation outlook continues to be too high for too long.” The ECB also offered a modest change in the language of the announcement, saying “past rate increases are being transmitted forcefully to euro area financing and monetary conditions.” The use of the word “forcefully” is new, and perhaps a reference to the bank lending survey released earlier this week (more details on that below). Still, the ECB doesn't sound to us like a central bank that has imminently reached the end of its rate hike cycle. Indeed, in the post meeting press conference ECB President Lagarde said it's “very clear that we are not pausing and that we know we have more ground to cover.” The ECB announcement does not meaningfully alter our outlook for Eurozone monetary policy. We think the ECB will deliver at least one more 25 bps rate hike in June, which would take the Deposit Rate to 3.50%. If core inflation does not slow meaningfully in the months ahead, then further tightening beyond that remains a distinct possibility. The risks around our peak policy rate forecast of 3.50% remain tilted to the upside.

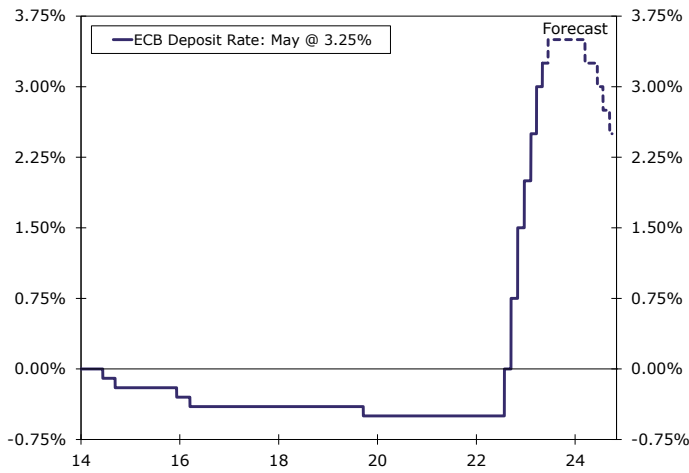
This week's economic figures were supportive of the ECB's moderate 25 bps hike, as opposed to a more aggressive 50 bps move. To be sure, the April CPI was a slight upside surprise as headline inflation ticked up to 7.0% year-over-year. However, the core CPI eased to 5.6%, as expected. March retail sales were soft, falling 1.2% month-over-month after a modest February decline. And perhaps most significantly, the ECB's Bank Lending Survey for Q1 reported tight lending standards and softening loan demand. In Q1, the net percentage of banks reporting tighter lending standards for loans to enterprises (27%) and for house purchase (19%) were more than had been expected at the time of the prior survey. Meanwhile, net demand for loans to enterprises softened sharply in Q1 (the net balance fell to -38%) and remained very weak for house purchases (a net balance of -72%). Signs of tighter lending standards and softening credit growth should support a more gradual approach to tightening from the ECB going forward.

While the ECB's rate hike was widely expected, the Reserve Bank of Australia's (RBA) 25 bps rate hike this week, to 3.85%, was a significant surprise. The RBA cited still-elevated inflation, which remains too high at 7% and will take time to return to its target range. Indeed, the RBA kept its medium-term inflation forecast for mid-2025 unchanged at 3%. The central bank said some further tightening of monetary policy may be required, while separately Governor Lowe said there is a limit as to how patient the RBA can be in getting inflation back to target. On inflation, Lowe asserted “we're deadly serious about it, and we will do what's necessary to bring it down.” Following the announcement, we now expect another 25 bps rate hike in June. We also lean toward a 25 bps rate hike in July, as we doubt inflation and activity data between now and then will provide enough comfort for the RBA to stop tightening monetary policy. By the time of the August announcement, a U.S. slowdown and softer Australian data should be enough for the RBA to pause its tightening cycle, at a peak policy rate of 4.35%.

In Norway, the Norges Bank raised its policy rate 25 bps to 3.25%, which was widely expected. That said, the announcement was hawkish in tone, alluding to the risk of more monetary policy tightening than previously expected. The central bank said the economy has slowed, but that activity remains high and the labor market remains tight. Inflation is also high and markedly above the 2% target. With respect to guidance, the Norges Bank said the policy rate will most likely be raised further in June. It also said the future policy rate path will depend on economic developments, but that if “the krone remains weaker than projected or pressures in the economy persist, a higher policy rate than envisaged earlier may be needed.”

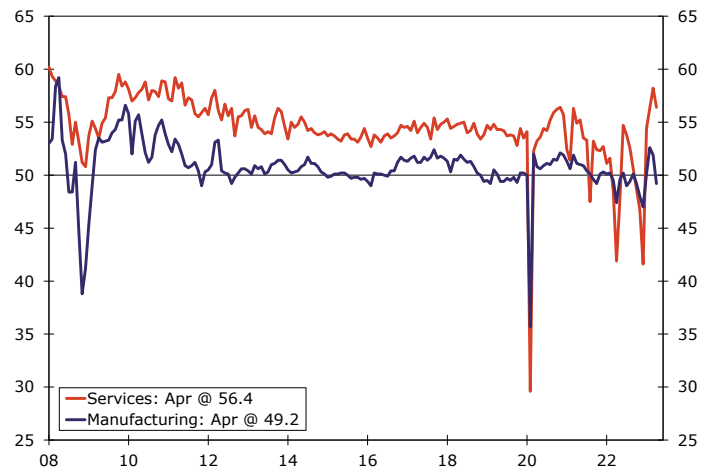
Brazil's Central Bank kept its Selic rate at 13.75%, resisting pressure from President Lula to lower interest rates. The central bank said inflation remains above its target, and that fiscal adjustments might not automatically or mechanically lead to inflation converging toward target, or to rate cuts. That said, the announcement was slightly less hawkish than previously, with the central bank emphasizing that “although a less likely scenario, it will not hesitate to resume the tightening cycle if the disinflationary process does not proceed as expected.”

ECB Deposit Rate



Source: Datastream and Wells Fargo Economics

Chinese PMI Surveys



Source: Datastream and Wells Fargo Economics

China Economic Upswing Eases a Touch

This week's PMI surveys from China indicated the economy's upswing continued into April, albeit with slightly less momentum and a recovery that is slightly more uneven. The official services PMI fell more than expected to 56.4 in April, although remained comfortably above the breakeven 50 level. Within the details, the new orders and employment components softened to 56.0 and 48.3, respectively, but the new export orders component firmed to 52.1. The slowing in the manufacturing sector was more abrupt as the official manufacturing PMI fell to 49.2 in April, the first reading below the breakeven 50 level since December. Among the components, new orders (48.8), employment (48.8) and new export orders (47.6) all fell from the prior month. The message from the Caixin PMIs was similar, as the services PMI fell to 56.4 in April from 57.8 in March, and the manufacturing PMI fell to 49.5 in April from 50.0 in March. Overall despite the slight declines China's economy appears to remain on track, and we maintain our 2023 GDP growth forecast of 6.0%.

[\(Return to Summary\)](#)

International Outlook

Weekly International Indicator Forecasts

Date	Indicator	Period	Consensus	Wells Fargo	Prior
9-May	Mexico CPI (YoY)	Apr	6.20%	--	6.85%
11-May	Bank of England Policy Rate	11-May	4.50%	4.50%	4.25%
12-May	U.K. GDP (QoQ)	Q1	0.1%	0.1%	0.1%
12-May	U.K. GDP (YoY)	Q1	0.2%	0.2%	0.6%

Forecast as of May 05, 2023

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

Mexico CPI • Tuesday

Mexico's April Consumer Price Index, due for release next week, could offer further insight into how close the Bank of Mexico is to the end of its monetary tightening cycle. Mexican inflation accelerated sharply over the past couple of years, prompting a cumulative 725 bps of rate hikes from the central bank since during the current tightening cycle. That said, the worst of the inflation spike has now passed, and inflation has decelerated since the second half of last year. Headline inflation in particular slowed to 6.85% year-over-year in March, with transportation, furniture and food, beverages & tobacco the main contributors to that deceleration. That said, even core inflation has begun to show a perceptible slowing to 8.09%.

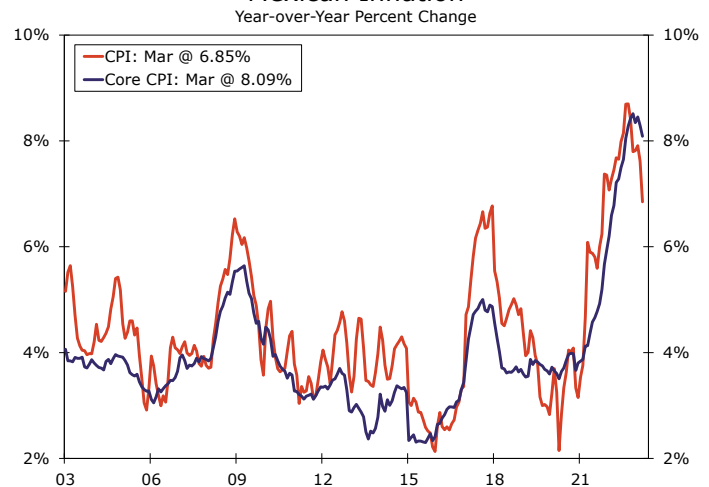
For April, the consensus forecast is for the headline CPI to slow further to 6.20% and the core CPI to slow to 7.69%. Those readings would be still high enough, we think, for the Bank of Mexico to increase its policy rate 25 bps to 11.50% at its May monetary policy meeting. Still, inflation is trending in the right direction, and a significant downside surprise would reinforce our outlook that the May rate increase will be the last of the current cycle.

Bank of England Policy Decision • Thursday

The Bank of England announces its monetary policy decision next week, and is widely expected to continue its tightening cycle. While U.K. inflation is forecast to decelerate over time, so far the deceleration has proved frustratingly slow. The March CPI rose 10.1% year-over-over, while the core CPI has also remained persistent with a gain of 6.2%. With economic activity also quite resilient in early 2023, including a firming in sentiment surveys and a likely gain in GDP, there is every reason to expect the Bank of England to raise rates again next week. Indeed, our forecast and the consensus forecast is for the Bank of England to raise its policy rate by 25 bps to 4.50%.

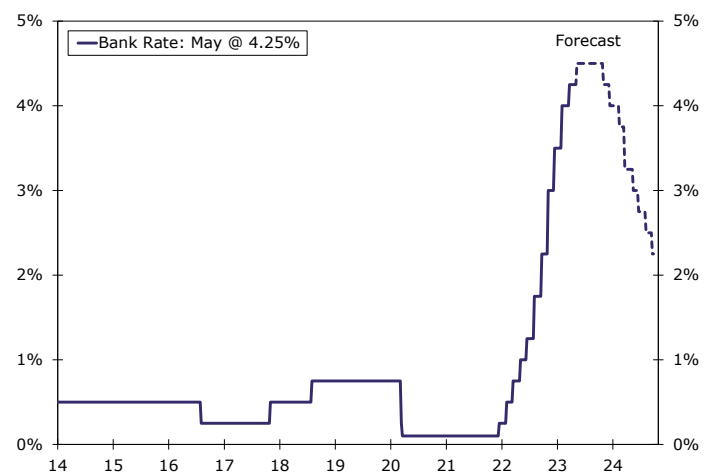
While we believe this could be the final rate hike of the current cycle, depending on how quickly inflation slows from here and whether growth softens as well, we acknowledge the risks are clearly tilted toward further tightening. Indeed, the updated economic projections in the May Monetary Policy Report that are also released next week could offer insight into the prospects for further tightening. Should the Bank of England forecast steadier growth and, in particular, raise its inflation outlook to project above target inflation over the majority of its forecast horizon, we would be inclined to forecast a peak policy rate higher than our current target of 4.50%.

Mexican Inflation



Source: Datastream and Wells Fargo Economics

Bank of England Policy Rate



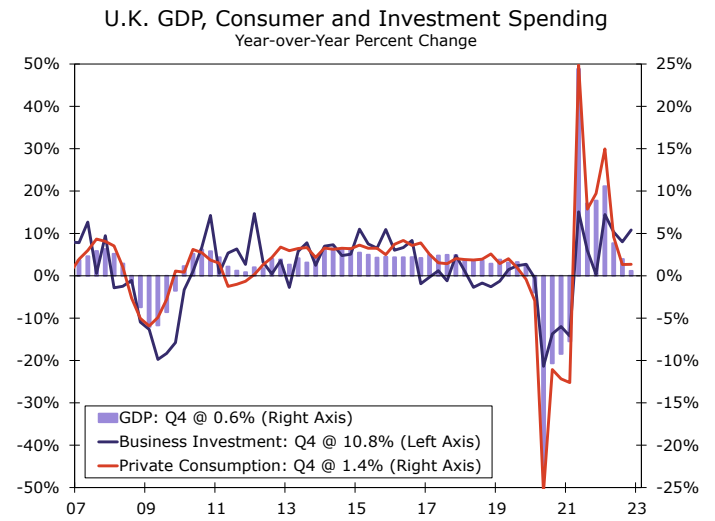
Source: Bloomberg Finance L.P. and Wells Fargo Economics

U.K. GDP • Friday

The U.K. economy has proved more resilient than expected over the past several months amid a backdrop of elevated inflation and rising interest rates. U.K. GDP eked out growth of 0.1% quarter-over-quarter in Q4-2022, and the consensus forecast is for Q1 GDP to show another quarter of growth in early 2023. Q1 GDP is expected to rise by 0.1% quarter-over-quarter, although there will also be some interest in the composition of growth. High inflation could weigh on the consumer and services sector, while business investment is also expected to fall 0.4% quarter-over-quarter.

While the U.K. should see growth for the first quarter as a whole, monthly GDP data do hint at some loss of momentum as the quarter progressed. January GDP rose 0.4% month-over-month, but February was flat. For March, the consensus forecast is for GDP to gain just 0.1% month-over-month. Service sector activity should be noticeably subdued, with a flat outcome forecast for March, while industrial output is also expected to be unchanged.

[\(Return to Summary\)](#)



Interest Rate Watch

The Fed Hikes Again

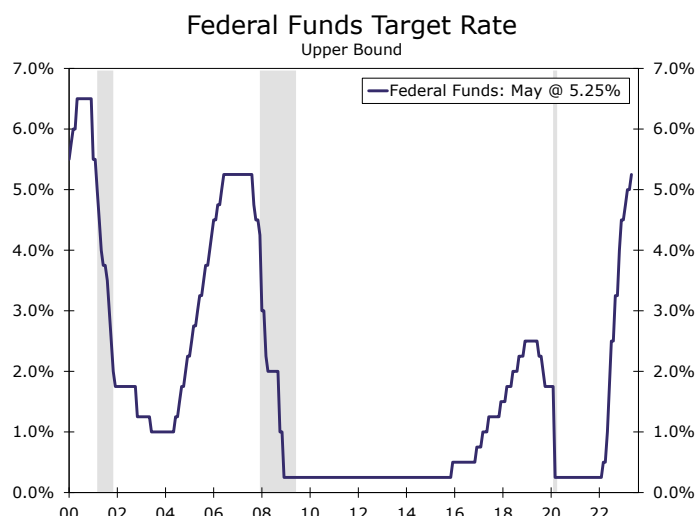
The Federal Open Market Committee (FOMC) elected to raise its target range for the federal funds rate by 25 bps on Wednesday to 5.00%–5.25%, a rate last reached in 2006 ([chart](#)). This outcome was widely expected by market participants and may have very well been the last hike of the current tightening cycle.

The most notable part of the announcement was the new communication around the Fed's outlook for policy going forward. Specifically, the FOMC watered down its language regarding the need for additional monetary tightening. In its March 22 statement, the Committee said that it "anticipates that some additional policy firming may be appropriate..." In the statement the FOMC released Wednesday, the Committee dropped "anticipates" and simply said "in determining the extent to which additional policy firming may be appropriate..." Chair Powell also noted in his opening statement of the post-meeting press conference that "we are prepared to do more if greater monetary policy restraint is warranted." In other words, additional tightening may be needed, but the FOMC did not pre-commit to another rate hike on June 14.

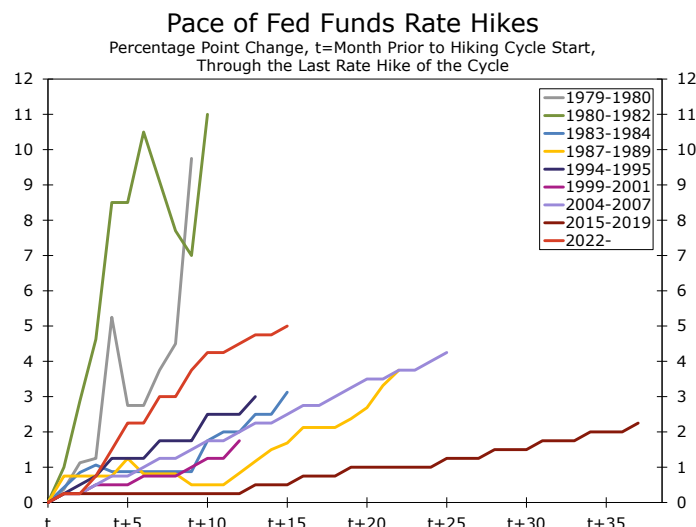
While the FOMC could clearly hike rates again, that decision will depend crucially on "economic and financial developments" over the next six weeks. The Committee will also continue to assess "the cumulative tightening of monetary policy" which it has already undertaken as well as "the lags with which monetary policy affects economic activity and inflation."

Recall, it has been just 14 months since the FOMC first lifted interest rates in March 2022. And in the months since, the Committee has hiked rates by a cumulative 500 bps, which is the fastest pace of monetary tightening since the early 1980s ([chart](#)). As the effects of tighter policy make their way through the economy, the Fed will be assessing to what degree further tightening is necessary to bring inflation back towards its 2% target.

[\(Return to Summary\)](#)



Source: Federal Reserve Board and Wells Fargo Economics



Source: Federal Reserve Board and Wells Fargo Economics

Topic of the Week

The Looming Debt Ceiling X Date Draws Closer

Since the start of the year, financial market participants and analysts have sought to identify when the U.S. Treasury would exhaust its "extraordinary measures" and no longer be able to meet all of its obligations due to the debt ceiling constraint. Just a couple of weeks ago, we published [a report](#) making the case that the *most likely* outcome is that Treasury remains solvent until early August. However, we noted in the report that under this scenario Treasury would be cutting it pretty close in early June, and that the risk of an early June default might be high enough to warrant a warning from Treasury Secretary Janet Yellen.

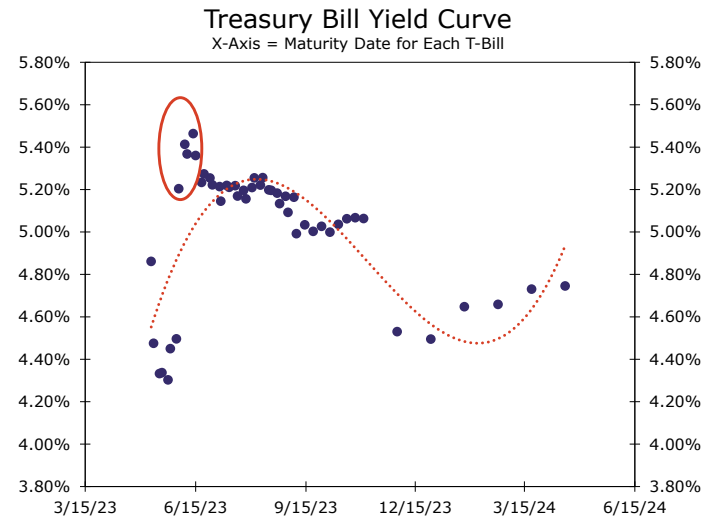
On Monday of this week, Treasury Secretary Yellen did just that. In [a letter](#) to Speaker of the House Kevin McCarthy, Secretary Yellen said that Treasury's "best estimate is that we will be unable to continue to satisfy all of the government's obligations by early June." Secretary Yellen noted that the estimate is based on currently available data, and the actual date that Treasury exhausts extraordinary measures could be "a number of weeks later" than this estimate.

This risk management approach to the X date aligns with public remarks made by top Treasury officials in the past. In December 2022, Assistant Secretary for Financial Markets Josh Frost [made the case](#) that a useful definition for the x-date is the "date after which Treasury *no longer possess a high degree of confidence* (emphasis ours) that it can continue to meet all of its obligations while remaining under the debt limit. It is not the date when there is an equal likelihood that we will or won't be able to meet our payment obligations, nor is it the last conceivable date when the government could run out of money."

Yields on Treasury bills signal that investors are taking Treasury's guidance seriously. As we go to print, the yield on the T-bill maturing on May 30 is 4.50%. The yield on the T-bill maturing just two days later on June 1 is a whopping 5.20%, 70 bps higher for two very similar securities with one important difference. The chart to the right illustrates that investors are paying a healthy premium to own bills that mature in May while demanding hefty compensation to hold T-bills that are maturing in the first half of June.

So what happens next? In our view, there are three possibilities. First, Republicans in Congress could strike a sweeping deal with President Biden and Democrats in Congress to increase or suspend the debt ceiling for 1-2 years. President Biden has invited the four party leaders in the House and Senate for a meeting on May 9 to discuss the debt ceiling. An agreement of this nature is probably what happens eventually, but we are skeptical it can come together between now and early June. Another possibility is policymakers agree to a short-term debt ceiling increase that buys more time for negotiations and aligns the X date with the start of the 2024 fiscal year on October 1. The third possibility is that the political standoff continues, and we venture into the early June danger zone without a resolution. We believe a short-term debt ceiling increase that gives Treasury a few more months of breathing room is the most likely outcome, but the situation remains very uncertain and precarious.

[\(Return to Summary\)](#)



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

Market Data • Mid-Day Friday

U.S. Interest Rates			
	Friday 5/5/2023	1 Week Ago	1 Year Ago
SOFR	5.06	4.81	0.30
3-Month LIBOR	5.32	5.30	1.41
3-Month T-Bill	5.24	5.03	0.81
1-Year Treasury	4.32	4.53	2.02
2-Year Treasury	3.92	4.01	2.70
5-Year Treasury	3.42	3.48	3.01
10-Year Treasury	3.44	3.42	3.04
30-Year Treasury	3.77	3.67	3.12
Bond Buyer Index	3.53	3.53	3.27

Foreign Exchange Rates			
	Friday 5/5/2023	1 Week Ago	1 Year Ago
Euro (\$/€)	1.101	1.102	1.054
British Pound (\$/£)	1.263	1.257	1.236
British Pound (£/€)	0.872	0.877	0.853
Japanese Yen (¥/\$)	134.860	136.300	130.200
Canadian Dollar (C\$/)\$)	1.344	1.355	1.283
Swiss Franc (CHF/\$)	0.892	0.895	0.985
Australian Dollar (US\$/A\$)	0.675	0.662	0.711
Mexican Peso (MXN/\$)	17.817	18.000	20.240
Chinese Yuan (CNY/\$)	6.912	6.913	6.656
Indian Rupee (INR/\$)	81.800	81.844	76.421
Brazilian Real (BRL/\$)	4.963	4.988	5.029
U.S. Dollar Index	101.411	101.659	103.752

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

Foreign Interest Rates			
	Friday 5/5/2023	1 Week Ago	1 Year Ago
3-Month Euro LIBOR	-0.58	-0.59	-0.57
3-Month Sterling LIBOR	4.63	4.61	1.30
3-Month Canada Banker's Acceptance	5.03	5.04	1.87
3-Month Yen LIBOR	-0.03	-0.03	-0.08
2-Year German	2.58	2.69	0.29
2-Year U.K.	3.79	3.79	1.55
2-Year Canadian	3.69	3.66	2.69
2-Year Japanese	-0.04	-0.04	-0.05
10-Year German	2.29	2.31	1.04
10-Year U.K.	3.78	3.72	1.96
10-Year Canadian	2.91	2.84	3.02
10-Year Japanese	0.42	0.39	0.23

Commodity Prices			
	Friday 5/5/2023	1 Week Ago	1 Year Ago
WTI Crude (\$/Barrel)	71.50	76.78	108.26
Brent Crude (\$/Barrel)	75.39	79.54	110.90
Gold (\$/Ounce)	2010.55	1990.00	1877.18
Hot-Rolled Steel (\$/S.Ton)	1101.00	1069.00	1395.00
Copper (¢/Pound)	388.40	387.00	428.50
Soybeans (\$/Bushel)	14.40	14.42	16.58
Natural Gas (\$/MMBTU)	2.14	2.41	8.78
Nickel (\$/Metric Ton)	23,962	23,634	30,524
CRB Spot Inds.	558.30	559.06	681.52

Subscription Information

To subscribe please visit: www.wellsfargo.com/economicsemail

Via The Bloomberg Professional Services at WFRE

Economics Group

Jay H. Bryson, Ph.D.	Chief Economist	704-410-3274	Jay.Bryson@wellsfargo.com
Sam Bullard	Senior Economist	704-410-3280	Sam.Bullard@wellsfargo.com
Nick Bennenbroek	International Economist	212-214-5636	Nicholas.Bennenbroek@wellsfargo.com
Tim Quinlan	Senior Economist	704-410-3283	Tim.Quinlan@wellsfargo.com
Sarah House	Senior Economist	704-410-3282	Sarah.House@wellsfargo.com
Azhar Iqbal	Econometrician	212-214-2029	Azhar.Iqbal@wellsfargo.com
Charlie Dougherty	Senior Economist	212-214-8984	Charles.Dougherty@wellsfargo.com
Michael Pugliese	Senior Economist	212-214-5058	Michael.D.Pugliese@wellsfargo.com
Brendan McKenna	International Economist	212-214-5637	Brendan.Mckenna@wellsfargo.com
Jackie Benson	Economist	704-410-4468	Jackie.Benson@wellsfargo.com
Shannon Seery	Economist	332-204-0693	Shannon.Seery@wellsfargo.com
Nicole Cervi	Economic Analyst	704-410-3059	Nicole.Cervi@wellsfargo.com
Jessica Guo	Economic Analyst	212-214-1063	Jessica.Guo@wellsfargo.com
Karl Vesely	Economic Analyst	704-410-2911	Karl.Vesely@wellsfargo.com
Patrick Barley	Economic Analyst	704-410-1232	Patrick.Barley@wellsfargo.com
Jeremiah Kohl	Economic Analyst	704-410-1437	Jeremiah.J.Kohl@wellsfargo.com
Coren Burton	Administrative Assistant	704-410-6010	Coren.Burton@wellsfargo.com

Required Disclosures

This report is produced by the Economics Group of Wells Fargo Bank, N.A. ("WFBNA"). This report is not a product of Wells Fargo Global Research and the information contained in this report is not financial research. This report should not be copied, distributed, published or reproduced, in whole or in part. WFBNA distributes this report directly and through affiliates including, but not limited to, Wells Fargo Securities, LLC, Wells Fargo & Company, Wells Fargo Clearing Services, LLC, Wells Fargo Securities International Limited, Wells Fargo Securities Europe S.A., and Wells Fargo Securities Canada, Ltd. Wells Fargo Securities, LLC is registered with the Commodity Futures Trading Commission as a futures commission merchant and is a member in good standing of the National Futures Association. WFBNA is registered with the Commodity Futures Trading Commission as a swap dealer and is a member in good standing of the National Futures Association. Wells Fargo Securities, LLC and WFBNA are generally engaged in the trading of futures and derivative products, any of which may be discussed within this report.

This publication has been prepared for informational purposes only and is not intended as a recommendation offer or solicitation with respect to the purchase or sale of any security or other financial product nor does it constitute professional advice. The information in this report has been obtained or derived from sources believed by WFBNA to be reliable, but has not been independently verified by WFBNA, may not be current, and WFBNA has no obligation to provide any updates or changes. All price references and market forecasts are as of the date of the report. The views and opinions expressed in this report are not necessarily those of WFBNA and may differ from the views and opinions of other departments or divisions of WFBNA and its affiliates. WFBNA is not providing any financial, economic, legal, accounting, or tax advice or recommendations in this report, neither WFBNA nor any of its affiliates makes any representation or warranty, express or implied, as to the accuracy or completeness of the statements or any information contained in this report and any liability therefore (including in respect of direct, indirect or consequential loss or damage) is expressly disclaimed. WFBNA is a separate legal entity and distinct from affiliated banks and is a wholly owned subsidiary of Wells Fargo & Company. © 2023 Wells Fargo Bank, N.A.

Important Information for Non-U.S. Recipients

For recipients in the United Kingdom, this report is distributed by Wells Fargo Securities International Limited ("WFSIL"). WFSIL is a U.K. incorporated investment firm authorized and regulated by the Financial Conduct Authority ("FCA"). For the purposes of Section 21 of the UK Financial Services and Markets Act 2000 ("the Act"), the content of this report has been approved by WFSIL, an authorized person under the Act. WFSIL does not deal with retail clients as defined in the Directive 2014/65/EU ("MiFID2"). The FCA rules made under the Financial Services and Markets Act 2000 for the protection of retail clients will therefore not apply, nor will the Financial Services Compensation Scheme be available. For recipients in the EFTA, this report is distributed by WFSIL. For recipients in the EU, it is distributed by Wells Fargo Securities Europe S.A. ("WFSE"). WFSE is a French incorporated investment firm authorized and regulated by the Autorité de contrôle prudentiel et de résolution and the Autorité des marchés financiers. WFSE does not deal with retail clients as defined in the Directive 2014/65/EU ("MiFID2"). This report is not intended for, and should not be relied upon by, retail clients.

SECURITIES: NOT FDIC-INSURED - MAY LOSE VALUE - NO BANK GUARANTEE