

Weekly — May 12, 2023

Weekly Economic & Financial Commentary

United States: Inroads Slowly Being Made on the Inflation Fight

- Inflation remains uncomfortably high in the U.S. In April, the CPI rose 0.4% on both a headline and core basis, keeping the core running at a 5.1% three-month annualized rate. However, details pointed to price growth easing ahead, while the Producer Price Index and NFIB small business survey also suggested more meaningful disinflation is on its way. Consumers aren't so sure.
- Next week: Retail Sales (Tue), Existing Home Sales (Tue), LEI (Thu)

International: Bank of England Hikes Rates, Mixed Q1 Growth Trends in the U.K.

- The Bank of England (BoE) raised its Bank Rate by 25 bps to 4.50%, signaling it will keep a close eye on inflation dynamics this year. In addition, GDP data revealed the U.K. economy expanded 0.1% quarter-over-quarter in Q1. Household consumption was notably flat over the quarter, investment was significantly stronger than expected and the services sector faced mixed performance.
- Next week: China Activity (Tue), Japan GDP & CPI (Wed/Fri), Bank of Mexico Rate Decision (Thu)

Interest Rate Watch: Will the FOMC Really Cut Rates in the Second Half of the Year?

- The bond market is currently priced for 75 bps of Fed easing by the end of the year. One interpretation of that pricing is a 25% probability of 300 bps worth of easing coupled with a 75% probability of no easing. The FOMC could conceivably cut by 300 bps if something "bad" happens.

Credit Market Insights: Running a Tight Ship

- The Fed's latest Senior Loan Officer Opinion Survey showed a broad-based tightening in lending standards over Q1. Expectations for worsening credit quality were joined by a reduced risk tolerance and concerns about banks' funding costs and liquidity positions as reasons for tightening.

Topic of the Week: Year-Ahead Expectations Sour for Older Consumers

- The results of the New York Fed's Survey of Consumer Expectations were a mixed bag, with consumers reporting declining short-term inflation expectations but rising longer-term expectations. The recent declines in one-year ahead rates seem to be partially offset by the trend increase in the short-term inflation expectations of consumers over the age of 60.

We have started a new podcast, "Ask Our Economists", where our economists answer questions that readers send in. Email us your questions 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	1.9	-0.2	-2.8	5.9	2.1	1.3	0.3
Personal Consumption	1.3	2.0	2.3	1.0	3.7	1.0	-0.2	-1.5	8.3	2.7	1.6	0.5
Consumer Price Index ²	8.0	8.6	8.3	7.1	5.8	4.0	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	4.6	4.2	3.6	6.1	4.9	3.1
Quarter-End Interest Rates ³												
Federal Funds Target Rate ⁴	0.50	1.75	3.25	4.50	5.00	5.25	5.25	5.25	0.25	2.02	5.19	3.25
Conventional Mortgage Rate	4.27	5.58	6.01	6.36	6.54	6.30	5.90	5.55	3.03	5.38	6.07	5.15
10 Year Note	2.32	2.98	3.83	3.88	3.48	3.50	3.25	3.00	1.45	2.95	3.31	2.90

Forecast as of: May 11, 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

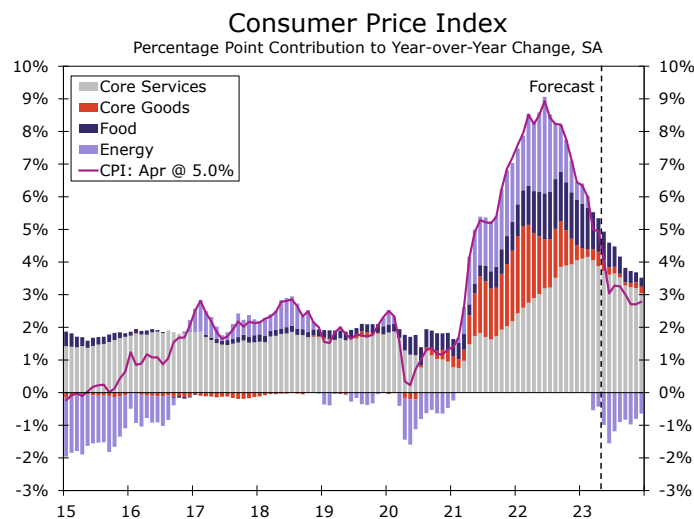
Please see our full [U.S. Economic Forecast](#).

U.S. Review

Inroads Slowly Being Made on the Inflation Fight

Inroads into bringing inflation down are becoming clearer, although price growth remains frustratingly strong. Consumer price inflation rose 0.4% in April, which pushed the year-over-year rate down to 4.9%—a marked improvement from over 9% in June but still a full point higher than any month during the past cycle. Importantly, consumers are seeing more relief on every-day necessities. Grocery store prices fell for a second straight month, helping to cut the year-over-year rate of price growth nearly in half since last August, while prices for energy services (electricity and piped gas) fell for a third straight month. And while gasoline prices rose 3.0%, the increase looks set to be short-lived, with the average cost of a gallon of gas falling since the start of May.

Lower prices for food and gas, which are frequently purchased, should help reduce consumers' near-term inflation expectations, which have rebounded over the past two months. But excluding food and energy, progress on inflation remains slow-going. Core CPI also rose 0.4% in April to maintain an annualized pace of 5.1% when measured on a three-month basis, little better than the 5.5% rate on a 12-month basis. Consumers seem to be taking note of inflation's persistence; long-term inflation expectations jumped to a 12-year high in May. But the details of the April CPI report offered glimmers of core inflation subsiding in the months ahead.

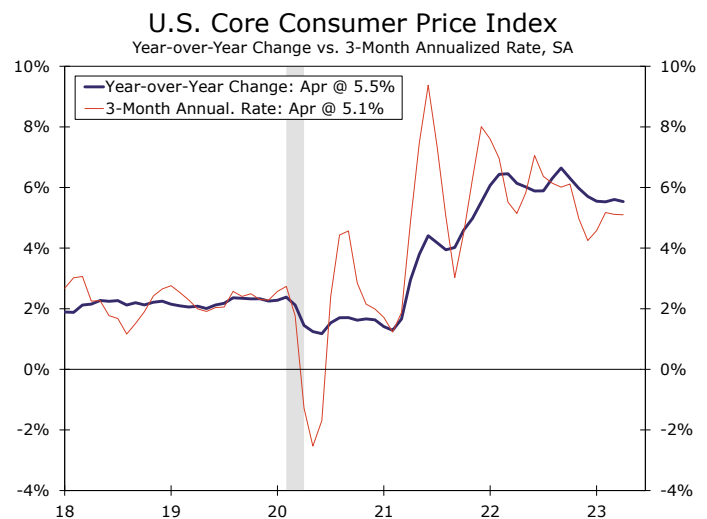


Source: U.S. Department of Labor and Wells Fargo Economics

The 0.6% advance in core goods was almost entirely driven by a 4.4% pop in used vehicles, a pace we do not expect to be maintained as wholesale prices have recently dipped and new supply continues to come to market. Prices for other core goods rose just 0.1%—the smallest increase since early 2021—as lower transport costs, restocked inventories and flagging consumer demand are finally starting to harness price gains.

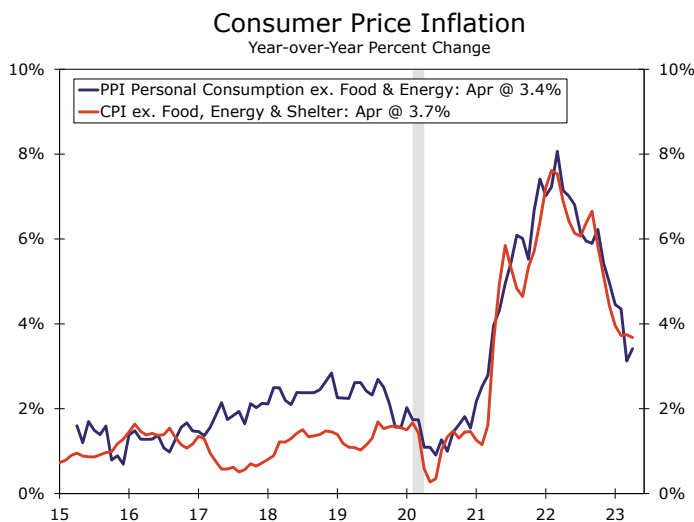
Meanwhile, services inflation came in a little softer in April, thanks to a drop in travel services prices (hotel, airfare, car rental) as pent-up demand for trips is beginning to fade and consumers are becoming increasingly price-sensitive to discretionary purchases. With the trend in primary shelter costs still downward despite a partial rebound in April, we look for core CPI inflation to show more convincing signs of slowing in the coming months and break below 5% on a year-ago basis early this summer.

The April Producer Price Index offers further evidence that disinflation is taking hold. Final sale prices of domestic producers rose a bit less than expected in April (+0.2%) and are up only 2.3% over the past year. While goods inflation picked up over the month (+0.2%), the trend has slowed across food, energy, and "core" goods. Similarly, a rebound in trade services still leaves margins growing at a materially slower year-over-year pace (+2.6%) relative to last April (+17%), suggesting business are having more difficulty or are less willing to raise prices over their own costs. At the same time, the pullback in the production of and spending on goods is increasingly apparent with transportation and warehousing services for final goods declining for a fifth straight month. However, the 0.3% increase

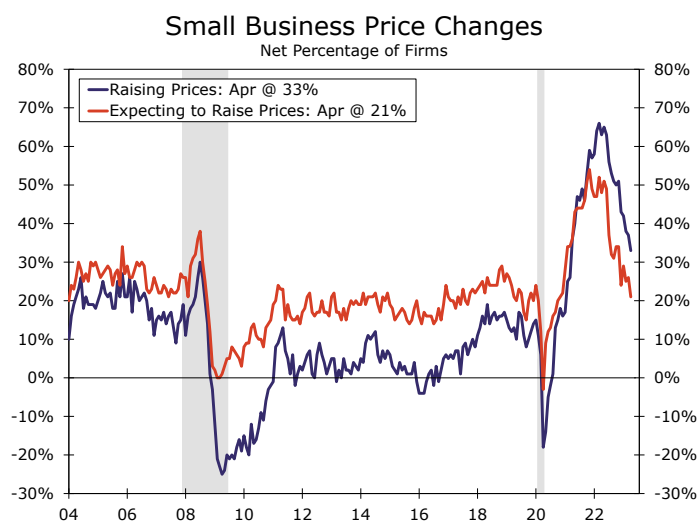


Source: U.S. Department of Labor and Wells Fargo Economics

in PPI for personal consumption less food and energy shows that the trend rate of consumer price inflation is little better than what is indicated by core CPI once accounting for the absence of housing from the PPI.



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



Source: NFIB and Wells Fargo Economics

The latest NFIB small business survey also points to inflation pressures cooling. The share of firms raising prices over the past three months fell to more than a two-year low in April, but remains higher than at any point excluding the past two years than 1981. Plans for pricing ahead point to a more subdued inflation environment with the share expecting raise prices roughly in line with historical averages. Although encouraging at first glance, firms have generally been more optimistic about price patterns reverting to "normal" than has been the case (both in the current cycle and the last, when inflation was unusually low) as momentum in inflation can be difficult to break ([chart](#)).

However, small business owners are becoming increasingly pessimistic about the growth environment ahead. In April, the Small Business Optimism index fell to a 10-year low, pointing to more difficulty and less need to raise prices, while at the same time weighing on hiring and capital spending plans. If there was some good news in the NFIB report, it was that the share of firms reporting credit as harder to get fell back to historic norms after an initial jump in March. However, as discussed in more detail in [Credit Market Insights](#), there are other signs that bank credit is indeed getting more difficult to obtain, which we expect to weigh on growth—and thereby inflation—in the months ahead.

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

U.S. Outlook

Weekly Domestic Indicator Forecasts

Date	Indicator	Period	Consensus	Wells Fargo	Prior
16-May	Retail Sales (MoM)	Apr	0.7%	1.0%	-1.0%
16-May	Industrial Production (MoM)	Apr	0.0%	0.2%	0.4%
17-May	Housing Starts (SAAR)	Apr	1400K	1405K	1420K
18-May	Existing Home Sales (SAAR)	Apr	4.30M	4.23M	4.44M
18-May	Leading Index (MoM)	Apr	-0.5%	-0.6%	-1.2%

Forecast as of May 12, 2023

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

Retail Sales • Tuesday

Retail sales were unusually strong in January, but even with some payback the past two months, the level of sales is still almost 2% ahead of where it was in December. In four words: consumers are still spending. However, the momentum is slowing. Control group retail sales, which strips out volatile categories (autos, building materials, gasoline and restaurants) and is used for PCE spending in the calculation of GDP, fell 0.3% in March, yet was still up at a 6.2% annualized rate over the past three months. Almost all categories in the retail sales report describe goods industries, with the exception of food services, or sales at restaurants. Restaurant sales rose only 0.1% in nominal terms in March, and after accounting for higher prices translated to a decline in real terms.

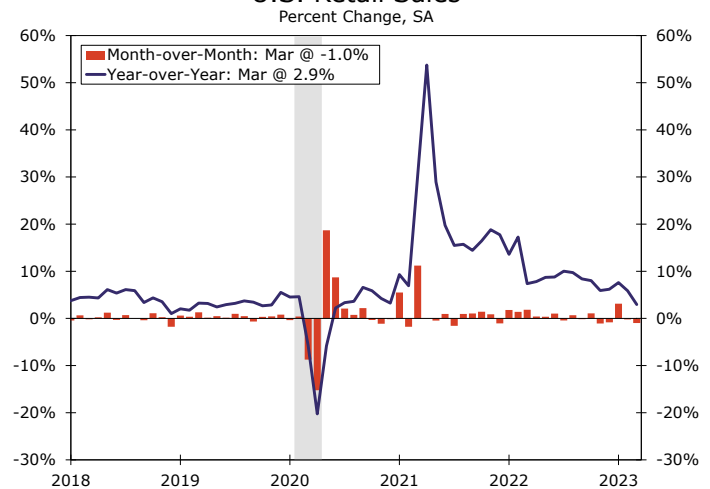
For April, we expect retail sales rose 1.0%, while retail sales ex-autos rose 0.5%. Separately reported auto sales data suggest another strong month for sales, and incomes are more broadly on track to keep spending sustainable, at least in the short term, due to the historically strong labor market.

Existing Home Sales • Thursday

Existing home sales fell 2.4% in March, as the spring selling season opened with short supply and high rates as significant headwinds to activity. The decline left sales running at a 4.44M annual pace. While mortgage rates are not as elevated as the 7.10% peak registered in late October, rates have trended higher after declining to start the year. Resale inventories have improved, but there remains only 2.6 months' supply at March's pace, up from 2.0 months' supply in March 2022. Mortgage applications for purchase expanded over late March and the early half of April, but declined later on in the month. On the back of widespread unaffordability, constrained supply and high rates, we expect existing home sales fell to a 4.23M-unit annual pace in April.

The latest housing starts and building permits data will be released on Wednesday. As of March, the pace of housing starts was down 17.3% from a year ago. Given that new single-family inventories are still elevated and vacancy rates in the apartment market are on the rise, we expect to see a mild decline in the pace of housing starts in April.

U.S. Retail Sales



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

Existing Home Sales



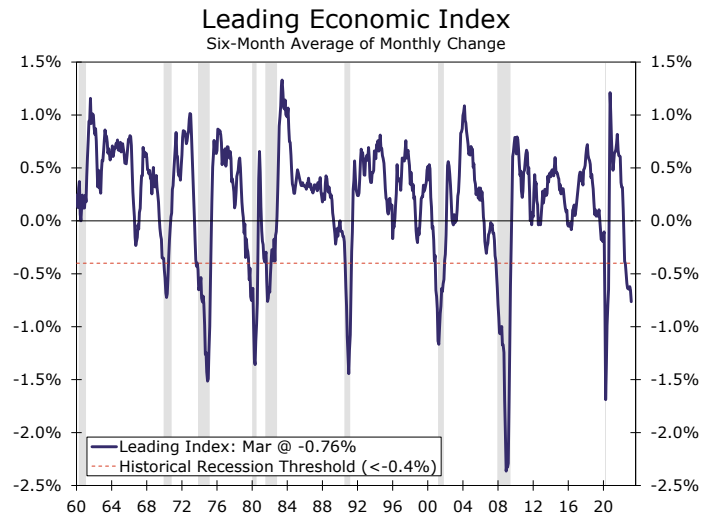
Source: National Association of Realtors and Wells Fargo Economics

Leading Economic Index • Thursday

While recent economic data continue to highlight an underlying resiliency in the U.S. economy, leading measures suggest we should brace for impact. The leading economic index (LEI) has now registered a year's worth of straight monthly declines, and we look for further weakness in April. Specifically, we expect the LEI to have fallen 0.6% in April. Weakened demand, a flat average workweek, a rise in initial claims and widening credit spreads have all recently weighed heavily on the LEI, which are expected to again be a drag this month. Consumer expectations remain poor as the outlook remains uncertain.

We have been watching the six-month average monthly change in the LEI drop lower and lower. As the nearby [chart](#) shows, this measure remains well below the threshold historically consistent with recessions. Though consumer spending and the labor market remain resilient, the LEI continues to flag a slowing in activity that should not be ignored.

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



Source: The Conference Board and Wells Fargo Economics

International Review

Bank of England Hikes Rates, Mixed Q1 Growth Trends in the U.K.

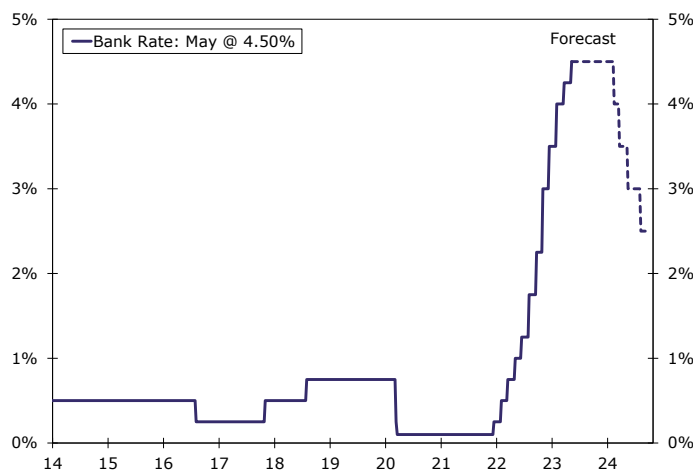
The Bank of England (BoE) held its May monetary policy meeting this week. The Monetary Policy Committee (MPC) voted to raise its Bank Rate by 25 bps to 4.50%, in line with expectations. The final tally was a 7-2 majority, with two members voting to keep rates steady at 4.25%. The BoE's forward guidance was unchanged from its March announcement, signaling the central bank will keep a close eye on inflation dynamics with a specific focus on services inflation and wage growth as well as labor market conditions. The BoE indicated that "If there were to be evidence of more persistent pressures, then further tightening in monetary policy would be required."

With the May monetary policy meeting came updated economic projections for this year. For context, the BoE forecasts are conditioned on a marked implied path for the Bank Rate peaking at around 4.75% in Q4-2023 and ending the forecast period at just over 3.50%. The Committee expects GDP to be flat over the first half of this year, although it now judges that the path of demand is likely to be materially stronger than expected in the February forecasts, though still subdued compared to past history. The improved growth outlook reflects a variety of factors, including stronger global growth, lower energy prices, supportive fiscal policies and the possibility that tightness in the labor market leads to less precautionary household saving. As for employment trends, although there are some signs of a cooling labor market, the Committee expects the unemployment rate to remain below 4% until the end of 2024, before rising over the second half of the forecast period to around 4.5%.

Lastly, on the inflation front, the BoE expects a slower fall in consumer prices than previously. While household energy bills will likely decline due to fiscal policies and lower wholesale energy prices, food prices are likely to recede at a slower rate than previously anticipated. Factoring in uncertainties regarding the inflation outlook and the fact that risks around the inflation forecast are significantly skewed to the upside, the mean CPI profile sees inflation at or just below the 2% target in the medium term.

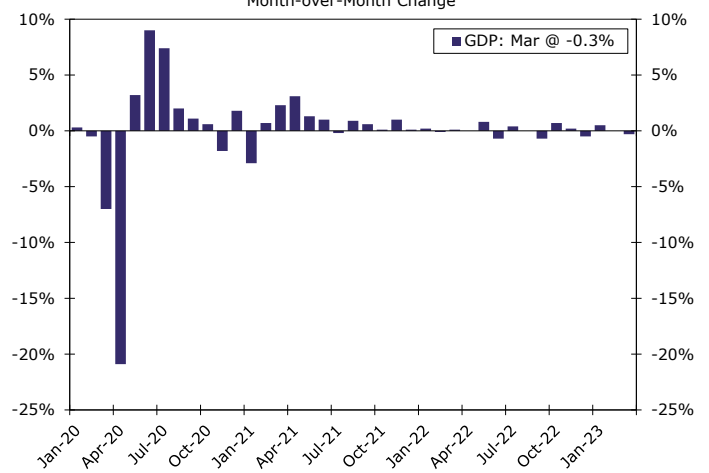
In addition to the Bank of England meeting, a slew of economic data this week provided insight into growth trends in the U.K. The data showed that real GDP increased by 0.1% quarter-over-quarter in Q1, bringing the year-ago change up to 0.2%. As such, the level of quarterly GDP in the first quarter is now only 0.5% below its pre-COVID level. Monthly estimates for March showed that GDP fell by 0.3% during the month, following a 0.5% gain in January and flat growth in February. Within the details of the report, household consumption was notably flat over the quarter, while investment was significantly stronger than expected. The services sector faced mixed performance, expanding 0.1% as growth in half of the sub-sectors offset declines in the other half. Construction, manufacturing and industrial production all saw growth over the first quarter.

Bank of England Policy Rate



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

U.K. GDP
Month-over-Month Change



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

Consumer Prices Soften in Mexico

Elsewhere, Mexico's CPI figures were released this week, revealing that annual inflation declined for the third straight month in April. Headline CPI receded to 6.25% year-over-year in April. Core CPI, which strips out more volatile components such as food and energy, fell to a 7.67% rate. Within the details, services inflation fell slightly and notably, energy prices were down 4.21% compared to a year ago. While the central bank targets annual inflation at 3% and prices are certainly still elevated, softening inflation dynamics in Mexico add to evidence that the Bank of Mexico (Banxico) will keep policy rates unchanged at its May monetary policy meeting next week. Looking at the bigger picture, we expect inflation in Mexico to average 5.6% this year.

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

International Outlook

Weekly International Indicator Forecasts

Date	Indicator	Period	Consensus	Wells Fargo	Prior
15-May	China Retail Sales (YoY)	Apr	22.0%	--	10.6%
15-May	China Industrial Production (YoY)	Apr	10.8%	--	3.9%
16-May	Japan GDP Annualized SA (QoQ)	Q1	0.8%	0.8%	0.1%
18-May	Japan Natl CPI (YoY)	Apr	3.5%	3.5%	3.2%
18-May	Bank of Mexico Overnight Rate	18-May	11.25%	11.25%	11.25%

Forecast as of May 12, 2023

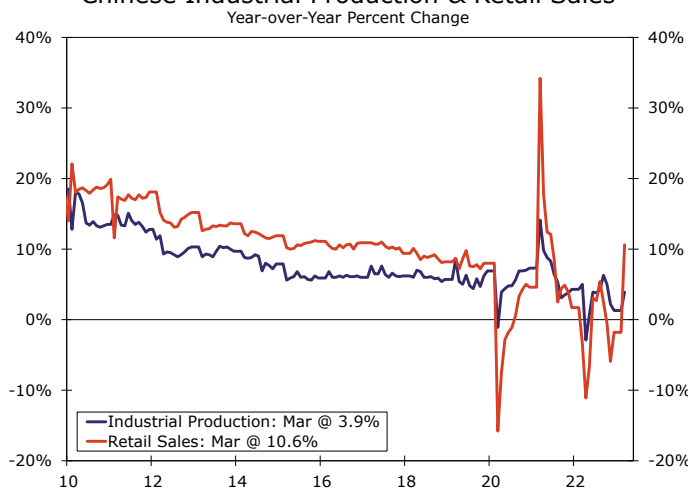
Source: Bloomberg Finance L.P. and Wells Fargo Economics

China Retail Sales & Industrial Production • Tuesday

The end of zero-COVID policies in China has prompted a surge in economic activity, and next week's data should shed some light on April activity trends. Following Lunar New Year, the March data were the first clear insight into China's consumer sector for this year, and they reflected strong consumption across the country, with retail sales up 10.6% year-over-year. In fact, consumption was the primary driver of China's economy during the first quarter of 2023. China's economy grew 4.5% year-over-year in Q1, with household consumption contributing three percentage points to that expansion, the largest contribution since early 2022. For April, data are expected to be even stronger, with the consensus estimate putting retail sales up 22% over the year. Meanwhile, April industrial production is also expected to jump up 10.8% year-over-year, after a 3.9% gain in March.

We believe China's expansion is on a solid foundation, and that these positive growth trends can sustain their momentum in the next few quarters. We recently revised our China growth forecast higher and now forecast China's economy to grow 6%, well above the Chinese government's annual 5% growth target.

Chinese Industrial Production & Retail Sales



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

Japan GDP & CPI • Wednesday & Friday

Next week, we will get two important data points out of Japan: Q1 GDP and April inflation figures.

Japan's economic growth has been mixed but moderate in recent quarters, and we believe these subdued growth trends will likely remain in place through much of this year. In Q4-2022, Japan's economy grew just 0.1% quarter-over-quarter (annualized). In Q1-2023, the consensus expects the economy expanded 0.8%, with private consumption expected to be up 0.4% quarter-over-quarter and business spending expected to have declined 0.3%.

On the inflation front, consumer prices in Japan are elevated relative to recent history, but remain very low compared to most international peers. Recent data indicates inflation peaked early this year, although consensus expectations expect an uptick in April inflation, with the headline and core measures quickening to 3.5% and 3.4% year-over-year, respectively. Longer term, as government subsidies put in place to offset inflation increasingly take effect, and as slow economic growth eventually reduces underlying inflation pressures, we believe that CPI inflation will eventually recede below the BoJ's 2% inflation target.

Bank of Mexico Rate Decision • Thursday

The Bank of Mexico holds its May monetary policy meeting next week, and we expect the central bank to hold rates steady at 11.25%.

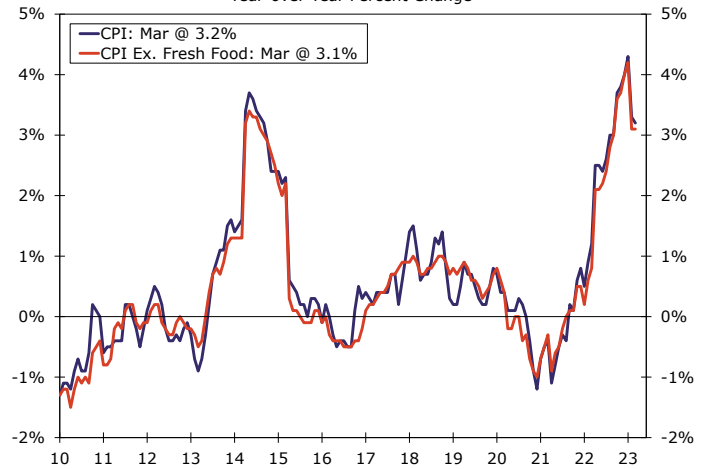
For context, Banxico has aggressively tightened monetary policy for the past couple years, having delivered 725 bps of rate hikes since June 2021. At its March meeting, Banxico unanimously voted to raise policy rates by 25 bps, signaling a data-dependent approach relying on how inflation dynamics develop. As we wrote [above](#), Mexico's inflation numbers trended lower in April, the third straight monthly decline. Notably, headline CPI has receded from a peak of 8.70% year-over-year in September 2022 to 6.25% this April. This downshift in consumer prices is in line with our expectation for Banxico to be at the end of its monetary tightening cycle.

Given strong linkages between the Federal Reserve and Bank of Mexico, we believe both central banks will be on hold for the next few quarters, before embarking on monetary easing in early 2024.

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

Japan CPI Inflation

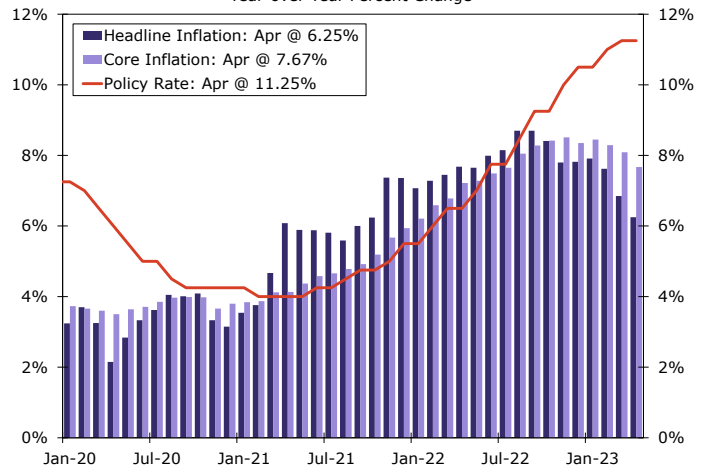
Year-over-Year Percent Change



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

Mexico CPI Inflation vs. Policy Rate

Year-over-Year Percent Change



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

Interest Rate Watch

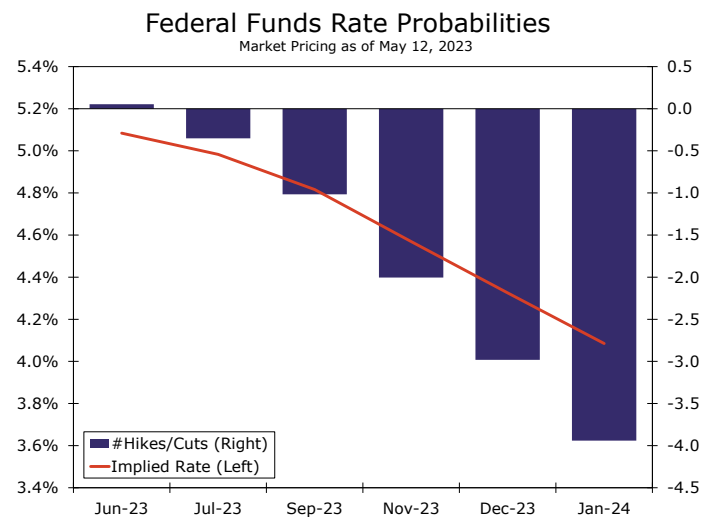
Will the FOMC Really Cut Rates in the Second Half of the Year?

As we wrote in a [report](#) on the outcome of the May 3 FOMC meeting, the statement that the Committee released at the conclusion of the meeting suggests to us that policymakers are not pre-committing to another rate hike at the June 14 meeting. Market participants seem to agree. As shown in the [chart](#) at the right, current pricing in the bond market indicates that market participants believe the FOMC will remain on hold at the June 14 meeting. Moving to the July 26 meeting, the market expects about 9 bps of easing. Because the FOMC commonly moves its target range for the federal funds rate in $\frac{1}{4}$ percentage point increments, a probability of roughly 40% of a 25 bps rate cut on July 26 coupled with a 60% probability of remaining on hold at that meeting is one outcome that would be consistent with current market pricing.

Additionally, the chart shows that market pricing indicates that market participants look for 75 bps of cumulative easing by the end of 2023. We wrote in our recent [U.S. Economic Outlook](#) that we expect the FOMC will refrain from cutting rates all year. Who is right? Us or the bond market? Both actually could be correct. One way to get to roughly 75 bps of easing by the end of the year would be 25 bps rate cuts at each of the policy meetings on September 20, November 1 and December 13. In our view, that outcome is rather unlikely.

Another way to realize current market pricing for the policy rate is a 25% probability of 300 bps of easing by the end of 2023 coupled with a 75% probability of remaining on hold all year. Why would the FOMC want (need) to ease so much? Two possibilities spring to mind: the crisis that has taken down some regional banks in recent weeks gets significantly worse, or the federal government defaults on its debt, sending financial markets into a tailspin. Regarding the former, our explicit assumption, which we first outlined in our U.S. Economic Outlook in [March](#), is that authorities will take the necessary steps to stave off another financial crisis *à la* 2008. Furthermore, we [wrote](#) recently that we explicitly assume "the debt ceiling is eventually increased or suspended with little to no collateral damage on the real economy." If the regional banking crisis remains contained, as we assume, and if the debt ceiling standoff does not turn into a debacle, as we also assume, then the bond market could eventually re-price to reflect no monetary easing by the end of the year.

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



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

Credit Market Insights

Running a Tight Ship

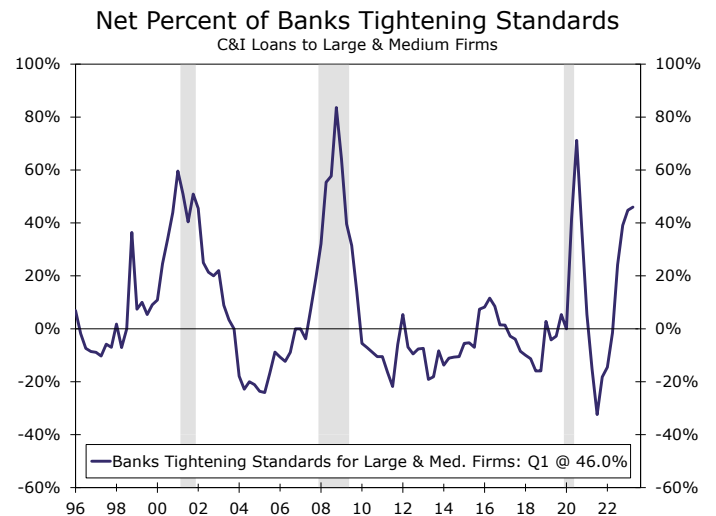
The Federal Reserve's latest Senior Loan Officer Opinion Survey (SLOOS) showed a broad-based tightening in lending standards over the first quarter. The survey, meant to capture conditions in Q1, was sent out on March 27 and due back in early April, thereby capturing banks' reactions to the initial waves of the financial sector's turmoil. Even before this year's bank failures, lending standards were tightening to a degree unprecedented outside of recessions as banks expected credit quality to deteriorate this year amid a challenging economic backdrop.

Expectations for worsening credit quality were joined by a reduced risk tolerance and concerns about banks' funding costs and liquidity positions as reasons for tightening during the first quarter. Mid-sized banks, or institutions with assets between \$50 and \$250 billion, were more likely than the largest banks (assets of \$250 billion or above) to tighten price and non-price terms on commercial and industrial loans. In the commercial real estate space, mid-sized banks tightened standards on CRE loans more widely than the largest banks. Meanwhile, a greater share of the largest banks tightened standards on credit cards compared to smaller banks.

On the customer side, demand weakened for all loan types except credit cards, where demand was essentially unchanged. Despite higher interest rates making credit costlier, consumer spending has held up with the support of steady real disposable income growth and excess savings built up during the pandemic.

Looking ahead, banks anticipate lending standards will continue to tighten over the remainder of the year. For commercial and industrial loans to large and middle-market firms, 7% of banks expect standards to tighten considerably, 48% expect standards to tighten somewhat while the remainder look for standards to remain unchanged. For credit cards, 45% of banks expect standards to tighten somewhat this year. Less accessible and less affordable credit will be a headwind to economic growth in the coming quarters, raising the risks of a recession this year. We ultimately expect consumer spending to come under pressure later this year as labor demand downshifts—see our latest [U.S. Economic Outlook](#) for more detail.

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



Source: Federal Reserve Board and Wells Fargo Economics

Topic of the Week

Year-Ahead Expectations Sour for Older Consumers

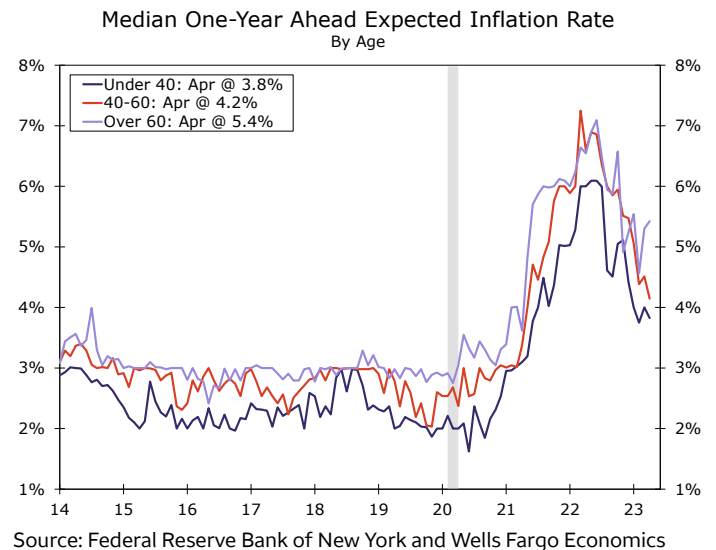
Earlier this week, the New York Fed released updated data for its Survey of Consumer Expectations. The results were a mixed bag, with consumers broadly reporting declining short term inflation expectations but rising longer term expectations. Median expectations for the one-year ahead inflation rate declined by 0.3 percentage points to 4.4%. However, less promising in the fight to quell inflation is that the median expectations for three-year and five-year ahead inflation rates each rose by 0.1 percentage points to 2.9% and 2.6%, respectively. Notably, the recent declines in short term inflation rates seem to be partially offset by the trend increase in median expectations for one-year ahead inflation rates by consumers over the age of 60. Since February, the year ahead expectations for this demographic have risen by 0.9 percentage points, while the expected rates for those under 40 and between the ages 40-60 have experienced a trend decline of 0.2 and 0.4 percentage points, respectively.

The souring sentiment amongst older consumers is not contained to inflation expectations either. Median expectations for one-year ahead earnings growth have declined by 0.6 percentage points to 2.3% for consumers over the age of 60 since February. Conversely, earnings growth expectations were flat for consumers in the under 40 and 40-60 demographic over this same period of time.

The older demographic of consumers are also the most pessimistic when it comes to the probability of losing or leaving their job within the next year, with those over 60 reporting a mean probability of 13.8% of this occurring. This translates to a 2.4 percentage point increase over the past two months, which is notably higher than the 1.6 percentage point increase for those aged 40-60 and a 1.9 percentage point decline for those under 40. Economic uncertainty also carried over into expectations to change primary residence within the next year, as those over 60 reported a 2.8 percentage point increase in the probability of this occurring, while those between 40-60 and below age 40 both experienced declines in their expected probability of this occurring. All told, older consumers are increasingly feeling the combined squeeze of still-high inflation and a labor market that, while still hot, has begun to show initial signs of cracking.

The downturn in sentiment across these measures for this older demographic may reflect increasing economic uncertainty in the retirement years for consumers facing the prospects of a potential recession later this year. In the short term, this downshift may also reflect a growing tide of worry about the prospects of continued Social Security payments as the U.S. draws nearer to the summer, when we estimate the "X date" at which the Treasury will have exhausted extraordinary measures will likely fall. A broad deterioration in sentiment amongst this group is something to take note of, particularly since the share of the population over age 60 sits at 23.4% according to recent Census estimates, making this group's significance to the wider economy nontrivial.

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



Market Data • Mid-Day Friday

U.S. Interest Rates			
	Friday 5/12/2023	1 Week Ago	1 Year Ago
SOFR	5.05	5.06	0.78
3-Month LIBOR	5.32	5.32	1.42
3-Month T-Bill	5.16	5.20	0.93
1-Year Treasury	4.39	4.32	1.98
2-Year Treasury	3.97	3.91	2.56
5-Year Treasury	3.41	3.41	2.82
10-Year Treasury	3.42	3.44	2.85
30-Year Treasury	3.75	3.75	3.02
Bond Buyer Index	3.53	3.53	3.27

Foreign Exchange Rates			
	Friday 5/12/2023	1 Week Ago	1 Year Ago
Euro (\$/€)	1.086	1.102	1.038
British Pound (\$/£)	1.247	1.264	1.220
British Pound (£/€)	0.871	0.873	0.851
Japanese Yen (¥/\$)	135.360	134.800	128.340
Canadian Dollar (C\$/\\$)	1.354	1.338	1.305
Swiss Franc (CHF/\\$)	0.897	0.891	1.003
Australian Dollar (US\$/A\\$)	0.665	0.675	0.686
Mexican Peso (MXN/\\$)	17.637	17.762	20.248
Chinese Yuan (CNY/\\$)	6.958	6.909	6.786
Indian Rupee (INR/\\$)	82.170	81.800	77.425
Brazilian Real (BRL/\\$)	4.935	4.951	5.135
U.S. Dollar Index	102.576	101.214	104.851

Foreign Interest Rates			
	Friday 5/12/2023	1 Week Ago	1 Year Ago
3-Month Euro LIBOR	-0.58	-0.59	-0.57
3-Month Sterling LIBOR	4.68	4.63	1.24
3-Month Canada Banker's Acceptance	5.03	5.03	1.94
3-Month Yen LIBOR	-0.03	-0.03	-0.08
2-Year German	2.58	2.57	0.05
2-Year U.K.	3.79	3.79	1.18
2-Year Canadian	3.73	3.71	2.64
2-Year Japanese	-0.05	-0.04	-0.05
10-Year German	2.27	2.29	0.84
10-Year U.K.	3.76	3.78	1.66
10-Year Canadian	2.87	2.91	2.91
10-Year Japanese	0.39	0.42	0.25

Commodity Prices			
	Friday 5/12/2023	1 Week Ago	1 Year Ago
WTI Crude (\\$/Barrel)	70.85	71.34	106.13
Brent Crude (\\$/Barrel)	74.91	75.30	107.45
Gold (\\$/Ounce)	2010.65	2016.79	1821.82
Hot-Rolled Steel (\\$/S.Ton)	1096.00	1101.00	1380.00
Copper (¢/Pound)	372.25	387.15	410.50
Soybeans (\\$/Bushel)	14.28	14.59	16.34
Natural Gas (\\$/MMBTU)	2.22	2.14	7.74
Nickel (\\$/Metric Ton)	21,703	24,689	27,712
CRB Spot Inds.	550.60	558.30	657.56

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

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