WELLS FARGO

Weekly — March 14, 2025

Weekly Economic & Financial Commentary

United States: **Hard to Get a Clear View on Restless Waters**

- Amid rising uncertainty, lagging indicators show activity was stable before the tariff storm. The number of job openings was slightly higher than anticipated at the end of January, and both the CPI and PPI came in softer than expected in February. Yet, we expect a mixture of weaker hiring and stronger inflation by midyear, which would present a challenge to the FOMC. We now look for the Committee to cut 75 bps, bringing the fed funds rate target range to 3.50%-3.75% by year-end.
- Next week: Retail Sales (Mon.), Industrial Production (Tue.), FOMC (Wed.)

International: **Mix of Economic News and Data from Global Economies**

- This week saw a variety of economic developments and data releases from G10 and emerging economies. The Bank of Canada lowered its policy rate by 25 bps this week to 2.75% and provided accompanying commentary that was somewhat mixed, but overall somewhat dovish-leaning, in our view. The U.K. economy unexpectedly shrank in January, early results from the spring wage negotiations in Japan look encouraging and Norway saw an upside inflation surprise. Brazil's monthly inflation data, while not coming in as a surprise, continued to point to elevated price pressures.
- Next week: China Industrial Production and Retail Sales (Mon.), Bank of Japan Policy Rate (Wed.), Brazilian Central Bank Selic Rate (Wed.)

Credit Market Insights: **Why Have Mortgage Rates Remained Elevated?**

- Amid high mortgage rates, purchasing and refinancing applications remain suppressed from their earlier peaks. Even with the Federal Reserve's easing cycle being under way, mortgage rates remain high with upward pressure from the 10-year Treasury and mortgage spread.

Topic of the Week: **Steel Yourself for a Section 232 Revival**

- This week, the 25% tariffs on steel and aluminum imports announced by the Trump administration last month went into effect. All imports of certain steel articles and derivative steel articles are subject to the 25% tariffs under Section 232, essentially eliminating the carve-outs to the original Section 232 tariffs enacted during President Trump's first term (with a few changes).

Wells Fargo U.S. Economic Forecast

	Actual 2024				Forecast 2025				Actual		Forecast	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	2023	2024	2025	2026
Real Gross Domestic Product [1]	1.6	3.0	3.1	2.3	1.0	2.1	1.3	1.2	2.9	2.8	1.9	2.3
Personal Consumption	1.9	2.8	3.7	4.2	1.7	2.0	1.6	1.6	2.5	2.8	2.5	2.2
Consumer Price Index [2]	3.2	3.2	2.7	2.7	2.8	2.7	3.0	2.9	4.1	3.0	2.8	2.6
"Core" Consumer Price Index [2]	3.8	3.4	3.3	3.3	3.1	3.1	3.2	3.1	4.8	3.4	3.1	2.8
Quarter-End Interest Rates [3]												
Federal Funds Target Rate[4]	5.50	5.50	5.00	4.50	4.50	4.25	4.00	3.75	5.23	5.27	4.50	3.75
Conventional Mortgage Rate	6.82	6.92	6.18	6.72	6.70	6.55	6.45	6.40	6.80	6.72	6.90	6.46
10 Year Note	4.20	4.36	3.81	4.58	4.30	4.20	4.15	4.15	3.96	4.21	4.50	4.33

Forecast as of: March 13, 2025 [1] Compound Annual Growth Rate Quarter-over-Quarter [2] Year-over-Year Percentage Change
[3] Quarterly Data - Period End; Annual Data - Annual Averages [4] Upper Bound of the Federal Funds Target Range

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

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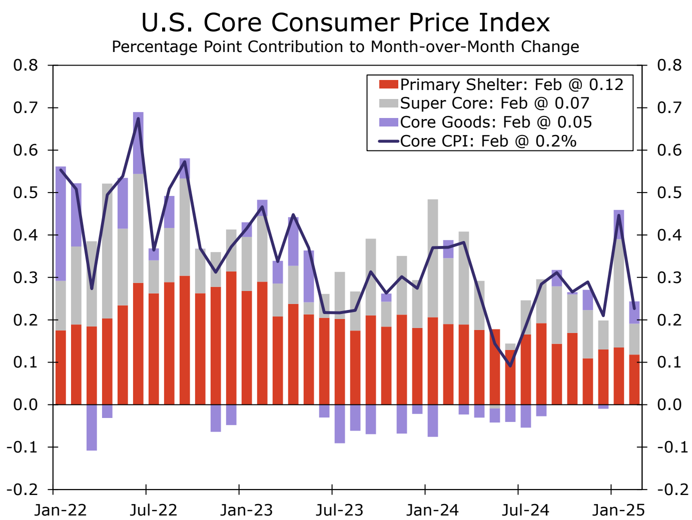
U.S. Review

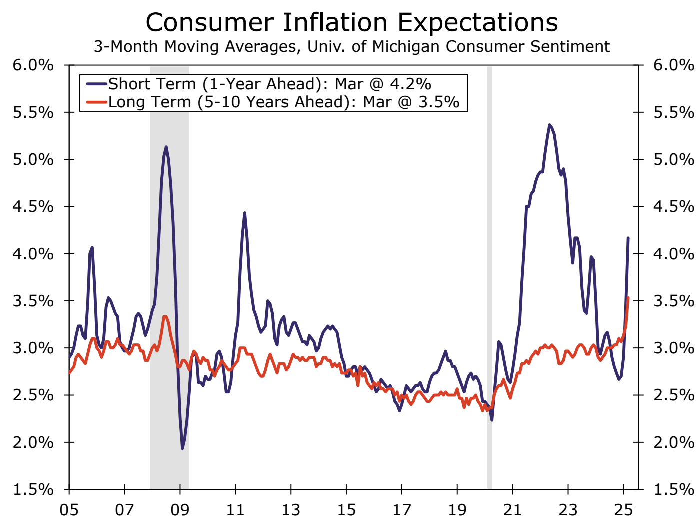
Hard to Get a Clear View on Restless Waters

Amid rising uncertainty, lagging indicators released this week show activity was stable before the tariff storm. The number of job openings was slightly higher than anticipated at the end of January, and both the Consumer Price Index and Producer Price Index came in softer than expected in February. Despite the welcome signs of stable labor demand and loosening price pressures, these data largely predate the rush of tariff news and federal government workforce reductions in recent weeks.

Consumers received a little relief on the inflation front in February. After a hotter-than-expected 0.5% gain in January, the Consumer Price Index rose 0.2% last month. The more temperate gain pushed the annual rate of inflation down two-tenths to 2.8%. Within the headline index, a slowing in energy (0.2%) and food (0.2%) price growth guided the cooling. Excluding food and energy, the core CPI also rose a softer-than-expected 0.2%, with both core goods and services contributing to the moderation (chart). Notably, shelter inflation eased to 4.2% year-over-year, which is its slowest rate since late 2021.



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



Source: University of Michigan and Wells Fargo Economics

The Producer Price Index also showed signs of disinflation. The headline PPI was essentially flat in February, and when excluding food and energy, prices slipped 0.1%. The moderation led the annual rate of PPI inflation down half a percentage point to 3.2%. Combining the details of the PPI and the CPI reports, we expect the PCE and core PCE deflators to increase 0.3% in February. If realized, that would push the annual rate of core PCE inflation up a tenth to 2.7% and signal less disinflation in the Federal Reserve's preferred price gauge than suggested by the CPI.

We expect services inflation to continue to dissipate this year amid easing wage and rental price growth. Yet with upward pressure on goods prices intensifying with tariffs, a further reduction in overall inflation will be hard to come by. In February, the net share of small businesses reporting they raised prices jumped 10 points to 32%, while the proportion planning to raise prices increased three points to 29%. Consumers have also dialed up their inflation forecasts; year-ahead expectations increased in the New York Fed's survey (+13 bps to 3.1% in February) and in the University of Michigan's survey (where March's jump from 4.3% to 4.9% marked the third consecutive month of unusually large increases of 50 bps or more).

Higher tariffs also threaten the labor market. Job openings rose slightly to 7.7 million in January and the vacancy-to-unemployed ratio ticked modestly higher to 1.13. Layoffs and discharges were historically depressed, as were initial jobless claims. That said, headwinds have mounted since then. Hiked tariffs could squeeze profit margins and soften hiring efforts. Meantime, the ongoing effort to shrink the federal workforce and its spillovers to the private sector also pose downside risks to hiring.

The mixture of weaker hiring and stronger inflation would present a challenge to the FOMC. As discussed in our latest U.S. Economic Outlook, we expect the Committee to view a tariff-induced increase in the price level as a one-off event and "look through" it. With the tariff pressure categorized as transitory, the FOMC is likely to place a bit more weight on the "full employment" side of its dual mandate. As such, we have added a 25 bps rate cut to our outlook. We now look for the FOMC to cut rates by 25 bps at each of its policy meetings in June, September and December, which will bring the fed funds rate target range to 3.50%-3.75% by the end of the year.

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U.S. Outlook

Weekly Indicator Forecasts

Domestic

Date	Indicator	Period	Consensus	Wells Fargo	Prior
17-Mar	Retail Sales (MoM)	Feb	0.7%	0.6%	-0.9%
17-Mar	Retail Sales Ex Auto (MoM)	Feb	0.4%	0.4%	-0.4%
17-Mar	Business Inventories (MoM)	Jan	0.3%	0.3%	-0.2%
18-Mar	Housing Starts (SAAR)	Feb	1375K	1385K	1366K
18-Mar	Import Price Index (MoM)	Feb	0.0%	-0.1%	0.3%
18-Mar	Import Price Index (YoY)	Feb	—	1.5%	1.9%
18-Mar	Industrial Production (MoM)	Feb	0.2%	0.3%	0.5%
18-Mar	Capacity Utilization	Feb	77.8%	77.8%	77.8%
19-Mar	FOMC Rate Decision (Upper Bound)	19-Mar	4.50%	4.50%	4.50%
19-Mar	FOMC Median Rate Forecast: Current Yr	19-Mar	—	3.875%	4.375%
19-Mar	FOMC Median Rate Forecast: Next Yr	19-Mar	—	3.375%	3.875%
19-Mar	FOMC Median Rate Forecast: +2 Yrs	19-Mar	—	3.125%	3.375%
19-Mar	FOMC Median Rate Forecast: Long-run	19-Mar	—	3.000%	3.000%
20-Mar	Leading Index (MoM)	Feb	-0.2%	-0.2%	-0.3%
20-Mar	Existing Home Sales (SAAR)	Feb	3.93M	3.93M	4.08M

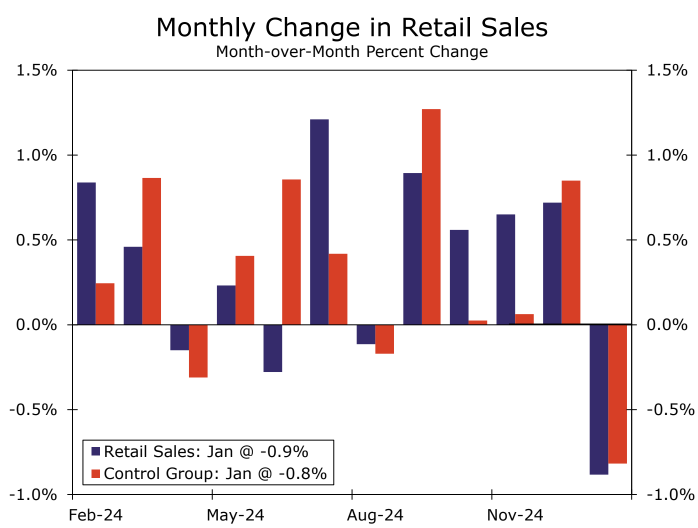
Forecast as of March 14, 2025

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

Retail Sales • Monday

Retail sales dipped 0.9% at the start of the year, marking the largest one-month decline in nearly two years. Control group sales, which is a good proxy for goods spending in GDP accounting, declined a similar 0.8%. Weak sales were broad-based across retailers, with the two largest categories by share of sales, autos (-2.8%) and nonstore (-1.9%), registering two of the three largest declines on the month. The largest drop was in the smaller category of sporting goods, which fell 4.6% after experiencing its largest one-month gain in nearly three years a month prior. Yet, the belt tightening in January followed a relatively impressive holiday season in November and December, which had sales revised even higher. The pullback in January, then, might say more about the strong end to the 2024 holiday shopping season, rather than a bend in consumer spending.

We forecast some rebound in February, with retail sales rising 0.6% and retail sales excluding autos rising 0.4%. Even though households continue to take on more debt, the household sector at present broadly remains in good financial shape. Personal income growth started off the year strong, and the strength of income growth in recent months remains supportive of a decent pace of consumption growth going forward.

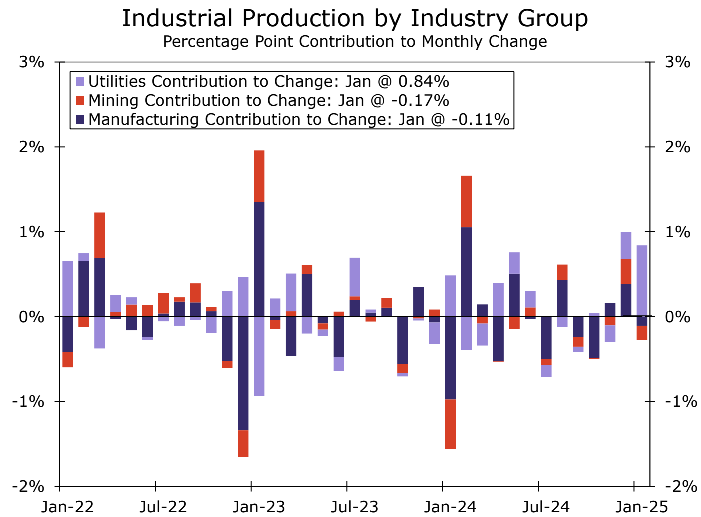


Source: U.S. Department of Commerce and Wells Fargo Economics

Industrial Production • Tuesday

Overall industrial production started off the year strong, rising 0.5% in January following upward revisions to December data. The strength was solely concentrated in the utilities sector, which grew 7.2% on the month. Beyond utilities, the rest of the industrial sector registered declines. Mining production declined 1.2% and shaved nearly 0.2 percentage points off the headline gain. The manufacturing sector—the largest sector by far and comprising nearly three-quarters of total industrial production—pulled back 0.1%. Most of the weakness in the manufacturing category was due to a 5.2% drop-off in motor vehicles and parts production, with manufacturing excluding autos registering a 0.2% gain.

We look for continued growth in February, with industrial production rising 0.3% and capacity utilization remaining flat at 77.8%. Further out, the outlook for industrial production is clouded with tariff-induced uncertainty, as industries such as chemical and computers & electronics import many of their production inputs.

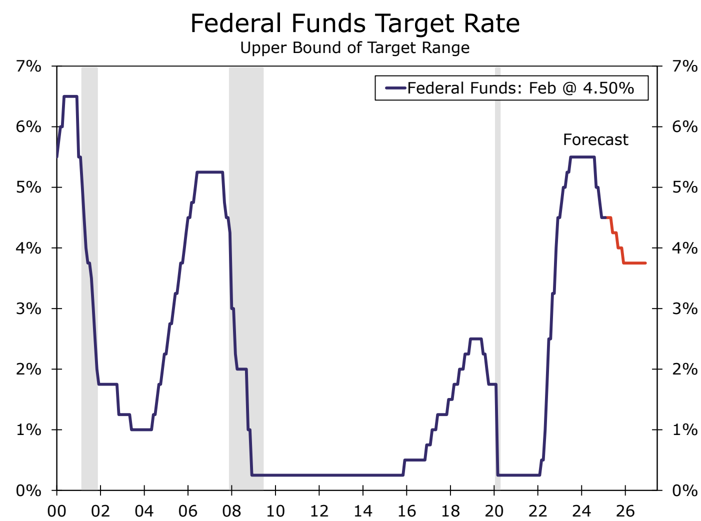


Source: Federal Reserve Board and Wells Fargo Economics

FOMC • Wednesday

The FOMC remained on hold at its January 29 meeting, as a strong economic environment and policy uncertainty left it operating in "wait and see" mode. Economic activity has moderated since then. The labor market has continued to cool, and consumer spending experienced a lackluster start to the year. Even so, we expect the FOMC to remain on hold at the conclusion of its March 19 meeting. The cooling in the labor market has been gradual, and inflation, though it remains frustratingly above the Committee's 2% target, has cooled. The core Consumer Price Index subsided to its lowest year-over-year rate since 2021 in February. Furthermore, Chair Powell has noted that the FOMC "does not need to be in a hurry" to adjust its stance on policy.

The conclusion of the March meeting will bring an updated Summary of Economic Projections. We expect the median participant to continue to reflect 50 bps of further easing this year, though if there were to be a move in expected easing, we believe the risks are skewed more toward 75 bps rather than 25 bps. Our own forecast calls for 75 bps over the rest of the year, as we believe the slowdown in the labor market will lead the Committee to cut in June in addition to cuts in September and December. For more detail on next week's FOMC meeting, please read our March Flashlight report.



Source: Federal Reserve Board and Wells Fargo Economics

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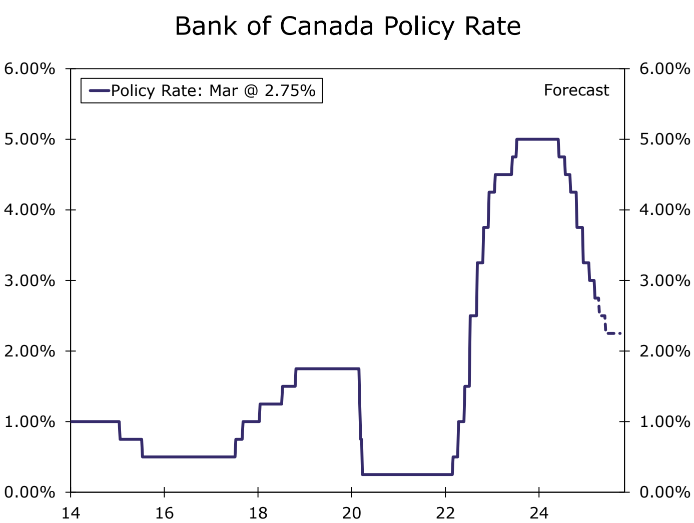
International Review

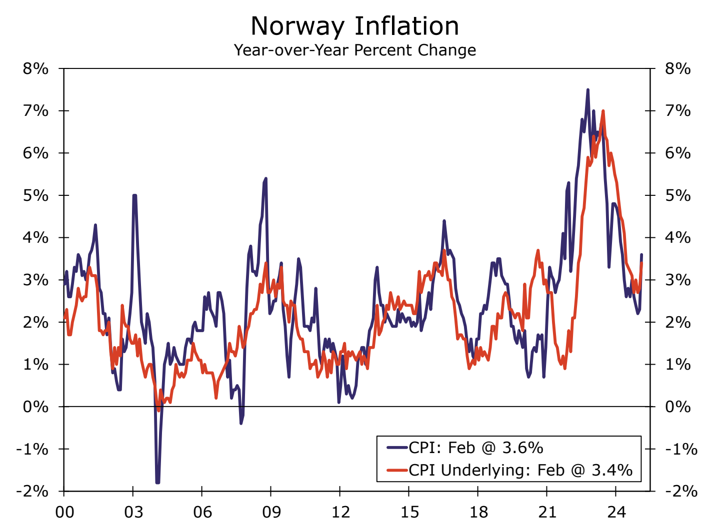
Mix of Economic News and Data from Global Economies

This week saw a variety of economic developments and data releases from G10 and emerging economies. To start, the Bank of Canada (BoC) lowered its policy rate by 25 bps this week to 2.75% and provided accompanying commentary that was somewhat mixed, but overall dovish-leaning, in our view. The justification for its rate cut was that inflation is close to the central bank's 2% inflation target, and policymakers highlighted that the uncertainty around U.S. tariff policy is "restraining consumers' spending intentions and businesses' plans to hire and invest." Officials remarked that a slowdown in domestic demand will likely show up in first quarter GDP growth data. Another dovish-leaning point was that tariff uncertainty around trade with the United States could have the potential to hinder the still-ongoing recovery in the labor market. On the other hand, officials did make it clear that they remain attuned to upside inflation risks going forward amid new tariff policy as well as how tariffs could affect inflation expectations. Policymakers concluded their announcement by pointing to potential downside risks to price growth due to slower economic growth and upside risks to inflation because of higher costs for businesses that could arise due to tariffs. All in all, we maintain our view for the Bank of Canada to proceed with rate cuts, though with a degree of caution. We forecast the BoC to lower its policy rate by 25 bps in Q2 and Q3, to reach a terminal policy rate of 2.25%.

In other economic news from the advanced economies this week, in the United Kingdom, the economy unexpectedly contracted in January. GDP shrank 0.1% against economist expectations for a rise of the same magnitude. Also released alongside the headline monthly GDP growth figure were industrial, manufacturing and services production monthly figures. Industrial production contracted by more than expected, 0.9%, in January, and manufacturing production activity shrank 1.1% over the month against expectations for a flat (0.0%) outcome. Services activity growth came in at 0.1% over the month, as expected. We view this economic growth and activity data as consistent with a Bank of England easing cycle that continues through the first quarter of 2026; to see our full forecasts, please see our monthly outlook report published this week. Turning to Japan, the spring wage negotiations have been an area of focus lately. This week, the first tally of the average wage increase for workers included in Rengo—the country's largest labor union group—was released. Workers secured an average pay gain of 5.46%, which is higher than last year's initial tally of 5.28%. While subsequent tallies will be released in the coming weeks and months (last year, the final tally ended up being 5.1%), this is an encouraging first look and, in our view, affirms our forecast for the Bank of Japan to proceed with further rate hikes. To that point, we forecast the Bank of Japan to lift the policy rate by 25 bps at its May and July meetings, ultimately reaching a peak policy rate of 1.00%.



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



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

Also among the G10 economies, Norway released its February CPI inflation report this week. Price pressures in the Nordic economy blew past expectations, coming in at 1.4% month-over-month (versus the economist consensus of 0.5%) and 3.6% year-over-year, a full percentage point above the consensus expectation. Underlying inflation also surprised to the upside, at 1.0% month-over-month and 3.4% year-over-year, marking the fastest pace of price growth since mid-2024. This week's data will certainly serve as a key area of consideration as Norges Bank policymakers contemplate their upcoming rate decision, to be released on March 27. While central bank officials have previously signaled that they would be initiating an easing cycle with a 25 bps rate cut at this meeting, in our view, this week's price data seriously call this move into question. Markets have also reflected this growing uncertainty about the March rate cut, having gone from fully pricing in the 25 bps rate reduction, to, as of this writing, only pricing in about half of such a move. Stay tuned for any updates to our Norges Bank forecast as we get additional economic data in the coming weeks.

Turning to the emerging economies, we also got February inflation data from Brazil this week, which came in right as expected by economists. On a year-over-year basis, price growth sped up to 5.06%, the fastest pace since late 2023, and to 1.31% month-over-month, the quickest monthly pace since early 2022. Price pressures were broad-based, with eight of nine underlying categories gaining over the month. In our view, this inflation data are consistent with our forecast for further Brazilian Central Bank (BCB) tightening in the coming months. We forecast a further 200 bps of rate hikes from the BCB by the end of the second quarter, for a peak policy rate of 15.25%.

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International Outlook

Weekly International Indicator Forecasts

Date	Indicator	Period	Consensus	Wells Fargo	Prior
17-Mar	China Industrial Production (YTD YoY)	Feb	5.3%	—	—
17-Mar	China Retail Sales (YTD YoY)	Feb	3.8%	—	—
19-Mar	Bank of Japan Policy Rate Decision	19-Mar	0.50%	0.50%	0.50%
19-Mar	Brazilian Central Bank Selic Rate	19-Mar	14.25%	14.25%	13.25%

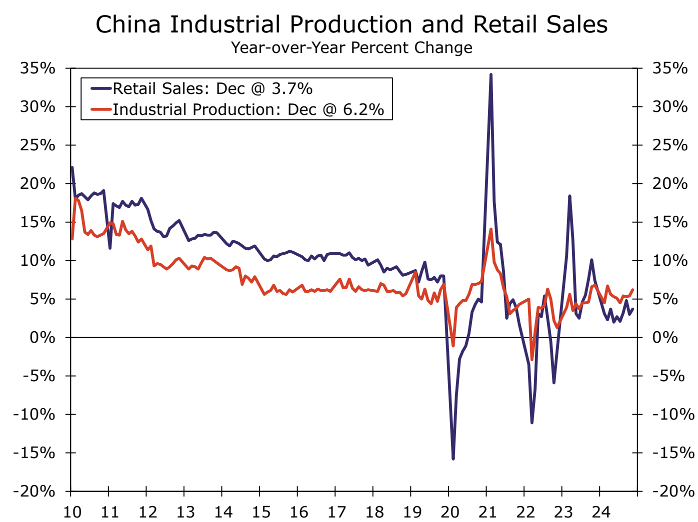
Forecast as of March 14, 2025

Source: Bloomberg Finance L.P and Wells Fargo Economics

China Industrial Production and Retail Sales • Monday

Next week, industrial production and retail sales data from China will offer market participants insight into how the economy has fared at the start of the new year. Consensus expects industrial production grew 5.3% this January-February period compared to this time last year, and to also see retail sales growth of 3.8%. If realized, both of these readings would be considered somewhat subdued by historical standards.

Chinese officials recently announced an official growth target of around 5% for 2025 but have a range of challenges contending with their effort to achieve this goal, both locally and globally. Locally, the Chinese economy has struggled with sluggish domestic demand for some time. Officials did recently appear to acknowledge this and offer some signs that the government may be working to turn the tide. This includes the announcement of special bond issuance to fund areas such as infrastructure, and for the government to sell sovereign bonds and use some proceeds to fund a program that supports consumer spending. Turning to the global front, China must confront elevated trade tensions with the United States, which certainly presents a significant challenge to the export-driven Chinese economy. In our view, we are generally pessimistic and struggle to see how China achieves 5% growth this year. As of now, we forecast growth to slow to 4.5% in 2025 and slow even further to 4.1% in 2026.

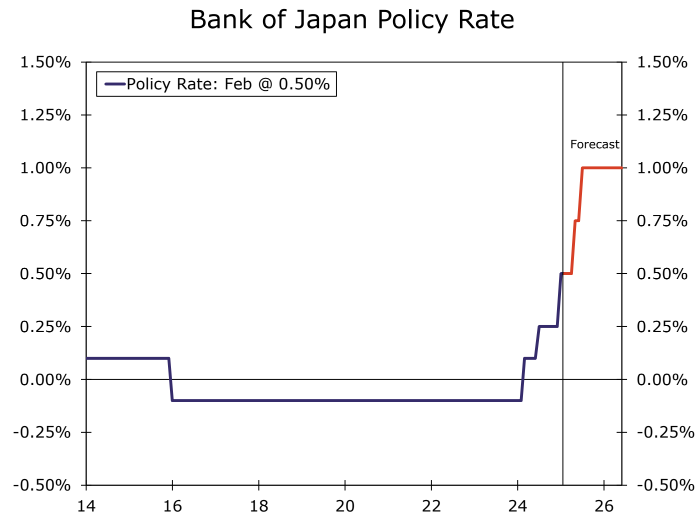


Source: Bloomberg Finance L.P. and Wells Fargo Economics

Bank of Japan Policy Rate • Wednesday

Bank of Japan (BoJ) policymakers will offer their latest monetary policy decision next week. We, as well as consensus economists, expect the central bank to hold its policy rate steady at 0.50%, though we forecast the BoJ to resume monetary policy normalization via another 25 bps rate hike in May, followed by another hike of the same magnitude in July. This would see the policy rate reach 1.00% by the third quarter of this year.

The BoJ has taken a cautious approach to monetary policy normalization thus far, having raised its policy rate three times in the past year. Market volatility in the latter half of last year, some uncertainty as to the status of Japan's economic recovery and uncertainty surrounding global trade policy under the new U.S. administration have, in our view, been some key factors behind the BoJ's more measured approach to rate hikes. However, we believe economic conditions in Japan lend themselves to further monetary policy tightening in the coming months. In terms of developments in global trade policy, while market participants have certainly been attuned to a higher-than-normal level of uncertainty, we believe Japan will ultimately not be in the tariff crosshairs. We also believe policymakers will become more comfortable with rate hikes as this year's spring wage negotiations continue to reflect indications that inflation will remain above the central bank's 2% target and the economic recovery continues to chug along. We see the policy rate reaching a high of 1.00% for this tightening cycle.

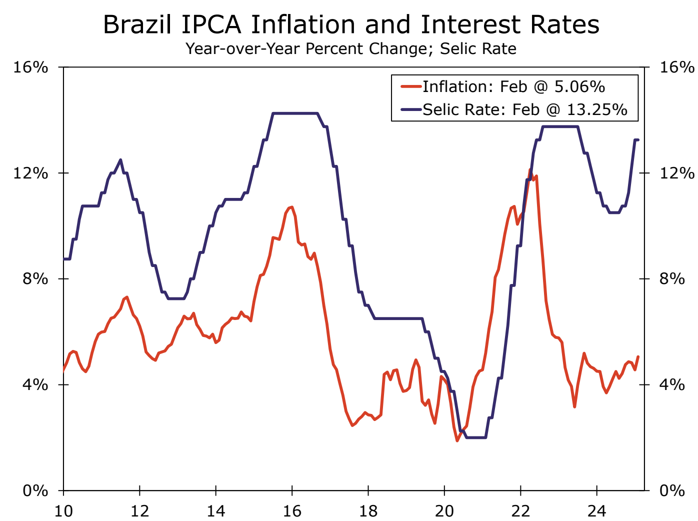


Source: Bloomberg Finance L.P. and Wells Fargo Economics

Brazil Central Bank Selic Rate • Wednesday

Next week the Brazilian Central Bank (BCB) will offer its latest policy rate decision. In our view, the central bank will deliver on previous forward guidance and lift its Selic rate 100 bps to 14.25%. If realized, this would mark the third consecutive rate increase of that magnitude.

Our rationale as to why the BCB is advancing its monetary tightening cycle when so many of the world's central banks are easing includes: above-target inflation, a positive output gap, de-anchored inflation expectations and signs of fiscal irresponsibility from President Lula. To elaborate, inflation accelerated in February and food price growth remains especially elevated. High inflation ties into concerns around Lula's political popularity, and more specifically, that he may turn to increased government spending as a strategy to gain support from voters unhappy with current economic conditions. Brazil will hold general elections in 2026, and the interconnection between rising inflation and fiscal spending has been taking on increasing significance. All told, we see recent economic data from Brazil as well as fiscal concerns consistent with our outlook for a 100 bps rate cut at its meeting next week, and beyond that, additional hikes in Q2 taking the Selic rate to 15.25%.



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

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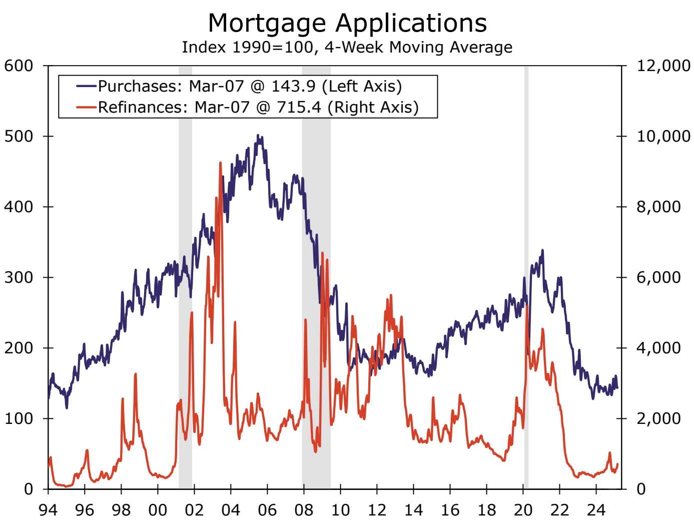
Credit Market Insights

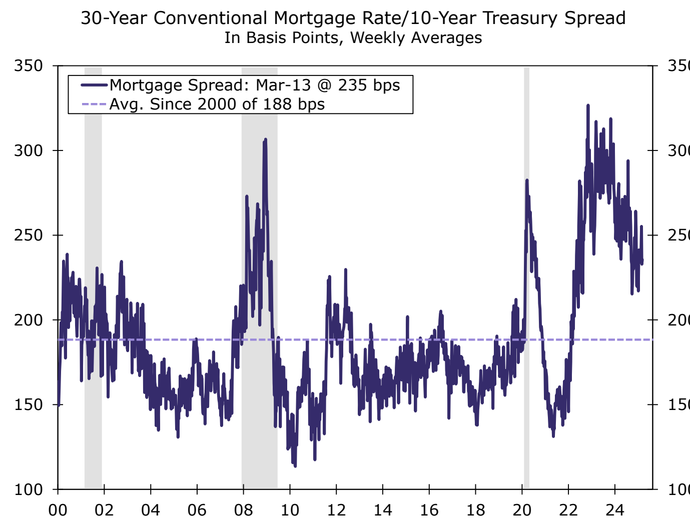
Why Have Mortgage Rates Remained Elevated?

Activity in the mortgage lending sector has not picked up as much steam as many had anticipated despite the FOMC having reduced its policy rate by 100 bps in 2024. In the week measured through March 7, the four-week moving average for mortgage purchase applications remains ~55% lower than its peak in 2020. The same metric for refinancing activity remains ~85% lower, according to the Mortgage Bankers Association (chart). The culprit is most likely high mortgage rates, with the latest Freddie Mac 30-year fixed rate mortgage at 6.65%.

However, the question arises, if the Fed has lowered its policy rate by 100 bps already, why have mortgage rates largely remained the same? The fact is that mortgage rates are not directly affected by the Federal Reserve. To understand why mortgage rates have mostly moved sideways since the Fed's first rate cut in September, it's important to delve into how mortgage rates are broken down.



Source: Mortgage Bankers Association and Wells Fargo Economics



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

First, it's important to realize that the average homeowner only holds a mortgage for about 7-10 years. Typically, by this time, homeowners either sell their mortgage by moving to another property, refinance their current mortgage to a more favorable rate, or begin prepaying their mortgage to avoid an extended burden. Therefore, most fixed-rate mortgages are benchmarked with the US 10-year Treasury versus the very short-term Federal Funds Rate, which is the rate banks lend to one another on an overnight basis. Second, many mortgages are bundled into mortgage-backed securities (MBS), which pools mortgages for investors. Of course, the risk of mortgage default or full prepayment mandates a risk premium. Hence, to make MBS more attractive for investors, a *mortgage spread* is added.

This spread is measured into two components: a *primary-secondary* spread and a *secondary* spread. The primary-secondary spread reflects the costs of originating and servicing mortgages, while the secondary spread accounts for the risks associated with MBS relative to Treasuries. Changes in these spreads, which are subject to market stress and regulatory dynamics, further impact mortgage rates independent of the federal funds rate. The combined mortgage spread reached a peak of 326 bps around 1990—and at 235 bps recently (chart), still remains quite elevated above its historical average of 188 bps since 2000. Consequently, even as the Fed has shifted toward easing, credit risk associated with homeowners still exists. The 10-year Treasury yield also remains elevated around 4.30% as of this writing, putting upward pressure on mortgage rates.

This is not to say that the Fed has no impact on mortgage rates. Inflation and expectations for the economy affect Treasury yields, especially the 10-year. In addition, the Fed's use of quantitative tightening and easing includes both MBS and Treasuries (although there has been a shift away from MBS recently). Hence, instead of viewing a direct relationship between the Fed's policy rate and mortgage rate, it is best to summarize mortgage rates as a balanced equation with multiple variables influenced by the Fed's policy. (Return to Summary)

Topic of the Week

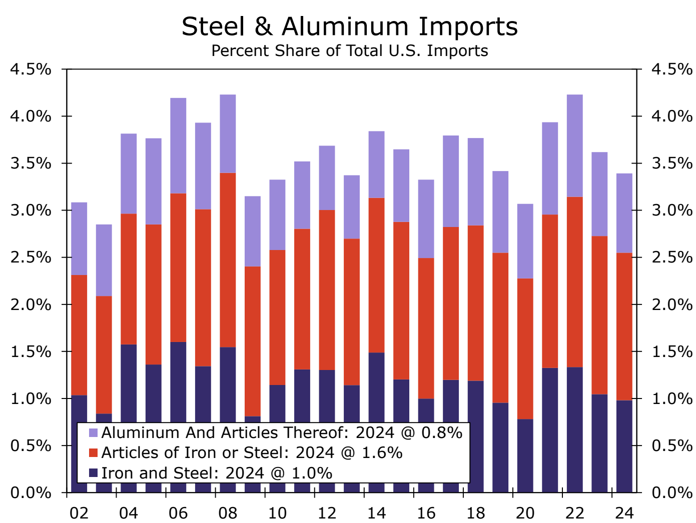
Steel Yourself for a Section 232 Revival

This week, the 25% tariffs on steel and aluminum imports announced by the Trump administration last month went into effect. All imports of certain steel articles and derivative steel articles are subject to the 25% tariffs under Section 232, essentially eliminating the carve-outs to the original Section 232 tariffs enacted during President Trump's first term (with a few changes). In 2018, Trump imposed a 25% tariff on steel and a 10% tariff on aluminum. However, these tariffs were later lifted for Canada, Mexico and the European Union, which account for almost 50% of U.S. steel and aluminum imports. This go-around, the levy applies to all trading partners without exception. They are also in addition to tariffs already imposed on some countries. In both 2018 and now, the Trump administration has stated its goals in protecting domestic steel and aluminum makers with the implementation of tariffs. While we can look to the past for potential clues as to the outcome of such tariffs, this round presents more of a bite. Not only are the levies higher, but they apply to both finished metal products and raw materials. In addition, the interest rate environment is considerably higher today than in 2018. What can we expect for this Section 232 revival?

In 2024, the U.S. imported $85.6B worth of iron, steel and articles thereof, which represents roughly 2.5% of all U.S. imports. In terms of aluminum and articles thereof, the U.S. imported $28.3B—less than a 1% share of total imports. In total, the combined share of steel and aluminum hovers below 4% of total imports (chart). Because steel and aluminum imports represent a smaller share of total U.S. imports, higher levies on these commodities are likely to have a marginal effect on the U.S. economy at large. However, as seen in 2018, they will not come without a cost. The U.S. International Trade Commission estimated that the Section 232 tariffs increased domestic production of steel and aluminum in 2021 but also increased selling prices, which led to negative downstream effects for production in industries that use steel and aluminum as inputs, such as motor vehicle parts and business equipment manufacturing. The production cutbacks exacerbated the procurement challenges that many businesses faced in 2021 and 2022 when demand ramped up faster than supply.

Additional risks lie in the retaliatory tariffs placed on U.S. exports. As of this writing, Canada has imposed a levy on $20.6B in U.S. imported goods, in addition to the $21B in tariffs placed on March 4 in response to the United States' 25% tariff on non-USMCA compliant goods. These tariffs will target U.S. steel and aluminum products, as well as other U.S. imports such as computers and sports equipment. The European Union, another major exporter of steel to the United States, threatened a 50% import tariff on American whiskey, motorcycles and motorboats beginning on April 1, with additional tariffs on American chewing gum, poultry, soybeans and other goods starting in mid-April. Ultimately, tariff policy remains fluid. To see a full list of tariff proposals and policies, please visit our Tariff Tracker.

As we wrote in our recent U.S. Economic Outlook, we believe the potential for further tariff implementation is more than just a "tail risk," but we are also hesitant to fully incorporate all the aforementioned levies in our forecast. President Trump could be using any implemented tariffs or tariff threats as negotiating leverage and remove them if acceptable deals are reached with trading partners. Even if levies remain in place, carve-outs could be made for specific countries or goods that would reduce the *effective* tariff rate. Thus, our forecast assumes 20% tariffs on China, 10% on the EU and 5% on the rest of the world. As tariff hikes lead to a modest uptick in inflation, growth in real income would downshift, weighing on real consumer spending and thus real GDP growth. In all, these tariffs likely reflect the early innings of a trade war, with trade tensions unlikely to ease any time soon.



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

(Return to Summary)

Market Data • Mid-Day Friday

U.S. Interest Rates

	Friday 3/14/2025	1 Week Ago	1 Year Ago
SOFR	4.30	4.35	5.31
Effective Fed Funds Rate	4.33	4.33	5.33
3-Month T-Bill	4.29	4.30	5.39
1-Year Treasury	3.93	3.98	5.06
2-Year Treasury	4.01	4.00	4.69
5-Year Treasury	4.08	4.09	4.29
10-Year Treasury	4.31	4.30	4.29
30-Year Treasury	4.62	4.60	4.43
Bond Buyer Index	4.29	4.15	3.52

Foreign Exchange Rates

	Friday 3/14/2025	1 Week Ago	1 Year Ago
Euro ($/€)	1.088	1.083	1.088
British Pound ($/£)	1.293	1.292	1.275
British Pound (£/€)	0.841	0.838	0.853
Japanese Yen (¥/$)	148.500	148.040	148.330
Canadian Dollar (C$/$)	1.439	1.437	1.353
Swiss Franc (CHF/$)	0.886	0.880	0.884
Australian Dollar (US$/A$)	0.632	0.631	0.658
Mexican Peso (MXN/$)	19.875	20.254	16.701
Chinese Yuan (CNY/$)	7.238	7.246	7.194
Indian Rupee (INR/$)	87.008	87.118	82.860
Brazilian Real (BRL/$)	5.733	5.790	4.990
U.S. Dollar Index	103.685	103.838	103.360

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

Foreign Interest Rates

	Friday 3/14/2025	1 Week Ago	1 Year Ago
3-Month German Govt Bill Yield	2.16	2.17	3.70
3-Month U.K. Govt Bill Yield	4.42	4.42	5.25
3-Month Canadian Govt Bill Yield	2.64	2.73	4.93
3-Month Japanese Govt Bill Yield	0.32	0.33	-0.05
2-Year German Note Yield	2.20	2.25	2.92
2-Year U.K. Note Yield	4.19	4.20	4.32
2-Year Canadian Note Yield	2.57	2.59	4.22
2-Year Japanese Note Yield	0.84	0.85	0.20
10-Year German Bond Yield	2.89	2.84	2.43
10-Year U.K. Bond Yield	4.68	4.64	4.09
10-Year Canadian Bond Yield	3.05	3.03	3.53
10-Year Japanese Bond Yield	1.52	1.52	0.78

Commodity Prices

	Friday 3/14/2025	1 Week Ago	1 Year Ago
WTI Crude ($/Barrel)	67.02	67.04	81.26
Brent Crude ($/Barrel)	70.31	70.36	85.42
Gold ($/Ounce)	2981.47	2909.10	2162.19
Hot-Rolled Steel ($/S.Ton)	940.00	925.00	793.00
Copper (¢/Pound)	486.75	468.30	403.70
Soybeans ($/Bushel)	10.06	10.18	12.01
Natural Gas ($/MMBTU)	4.03	4.40	1.74
Nickel ($/Metric Ton)	16,289	16,085	18,125
CRB Spot Inds.	573.48	564.94	548.64

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