

Weekly — April 11, 2025

## Weekly Economic & Financial Commentary

### United States: **Thank you for your attention to this matter!**

- Economic data releases took a back seat to trade policy changes again this week, with President Trump declaring a 90-day pause on many of the “reciprocal” tariffs announced on April 2. The pause still leaves the United States in a materially higher tariff environment than any time in the past century. Inflation data for March were softer than expected and sentiment data continued to deteriorate. Congressional Republicans moved forward with a reconciliation bill that promises fiscal stimulus in 2026.
- Next week: Retail Sales (Wed.), Industrial Production (Wed.), Housing Starts (Thu.)

### International: **Foreign Central Banks in Dovish Mood as Trade Tensions Persist**

- Foreign central banks remained in an overall dovish mood this week amid ongoing trade uncertainties, as the Reserve Bank of New Zealand, Reserve Bank of India and Philippine central bank all lowered interest rates, while suggesting further easing to come. Mexico's benign CPI should also see another rate cut in May, while firm inflation and activity data should see Brazil's Central Bank hike rates at its next meeting.
- Next week: China GDP (Wed.), Bank of Canada Policy Rate (Wed.), ECB Policy Rate (Thu.)

### Interest Rate Watch: **What Is Going on in the Treasury Market?**

- After an initial plunge following “Liberation Day,” longer-term Treasury yields have risen this week and are now higher than they were on April 1. What is going on in the U.S. Treasury market?

### Topic of the Week: **Tariff U-Turn Puts China in the Hot Seat**

- On April 9, President Trump announced a 90-day pause to his “reciprocal” tariff plan just hours after it went into effect, replacing the country-specific rates with a 10% baseline tariff on most countries. China is the main exception, with Trump adding additional tariffs to bring the country's effective tariff rate to 145%.

Wells Fargo U.S. Economic Forecast												
	Actual				Forecast				Actual		Forecast	
	2024				2025				2023	2024	2025	2026
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Real Gross Domestic Product <sup>1</sup>	1.6	3.0	3.1	2.4	0.4	2.1	-1.0	-1.2	2.9	2.8	1.3	1.5
Personal Consumption	1.9	2.8	3.7	4.0	0.7	2.1	-1.2	-0.3	2.5	2.8	1.8	1.5
Consumer Price Index <sup>2</sup>	3.2	3.2	2.7	2.7	2.7	2.5	2.9	2.9	4.1	3.0	2.8	2.9
"Core" Consumer Price Index <sup>2</sup>	3.8	3.4	3.3	3.3	3.1	3.1	3.5	3.6	4.8	3.4	3.3	3.2
Quarter-End Interest Rates <sup>3</sup>												
Federal Funds Target Rate <sup>4</sup>	5.50	5.50	5.00	4.50	4.50	4.25	3.75	3.25	5.23	5.27	3.94	3.25
Conventional Mortgage Rate	6.82	6.92	6.18	6.72	6.65	6.35	6.15	6.00	6.80	6.72	6.29	6.19
10 Year Note	4.20	4.36	3.81	4.58	4.23	4.00	3.85	3.75	3.96	4.21	3.96	4.05

Forecast as of: April 08, 2025

<sup>1</sup> Compound Annual Growth Rate Quarter-over-Quarter

<sup>2</sup> Year-over-Year Percentage Change

<sup>3</sup> Quarterly Data - Period End; Annual Data - Annual Averages

<sup>4</sup> 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

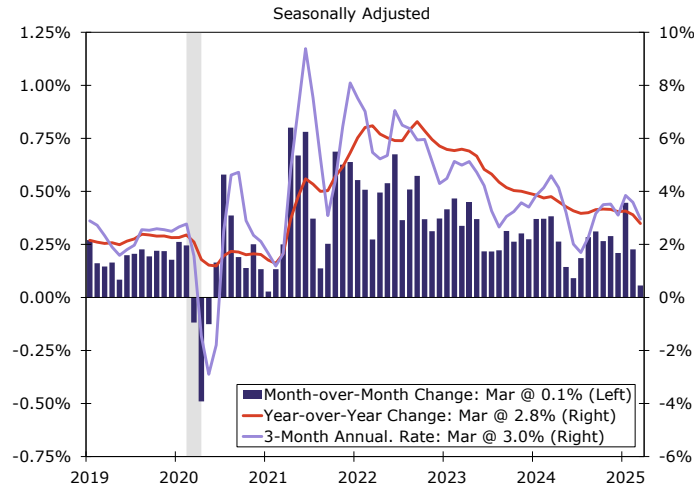
### Thank you for your attention to this matter!

Economic data releases took a back seat to trade policy changes again this week, with President Trump declaring a 90-day pause on many of the “reciprocal” tariffs announced on April 2. The pause still leaves the United States in a materially higher tariff environment than any time in the past century. For one, the suspension excludes China, which accounts for 13% of U.S. imports and faces a 145% tariff as we go to print. Furthermore, the 90-day pause only drops tariff rates for other countries down to the 10% baseline, rather than to zero. We estimate tariff policy as it stands presently results in an effective tariff rate of ~12% when excluding China, which is not far off from the 15% assumption that underpins our [April U.S. Economic Outlook](#). For more detail on the latest trade impacts, see [Topic of the Week](#).

With higher prices a feature of tariffs rather than a bug, inflation data are one place we expect to see the impacts of new trade policy in the hard data. The consumer price data were unexpectedly soft in March. Headline CPI fell 0.1% over the month, marking the largest monthly decline since May 2020, and price increases excluding food and energy were also noticeably cool. Core CPI rose just 0.06% over the month, which was the smallest increase since January 2021 and led to annual core inflation notching a four-year low ([chart](#)). The data are backward looking and could be affected by seasonality issues related to the variable timing of the Easter holiday and school spring breaks. Nevertheless, the lower-than-expected reading may also offer an early whiff of weaker demand in the face of the growth-dampening effects of tariffs. Many of the price categories leading the soft print (e.g., gasoline, airfares, lodging away from home, recreational goods) are related to more discretionary spending, while the energy goods price decline, in particular, can be traced back to growth concerns weighing on oil prices last month.

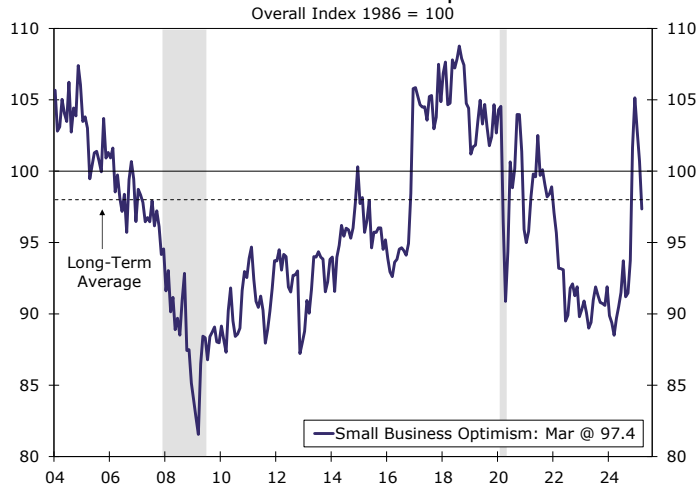
Producer price data also surprised to the downside in March. Final demand prices fell 0.4% over the month, compared to consensus expectations for a 0.2% gain, and the weakness was widespread across both goods (-0.9%) and services (-0.2%). Taking into account both the CPI and PPI for March, we estimate the PCE deflator, which is the Fed's preferred measure of inflation, will come in soft as well. Specifically, we forecast headline PCE inflation was flat in March and that the core measure rose a modest 0.1%. Of course, March was early innings for the trade war, and we continue to expect a meaningful pickup in inflation this year as the scope and scale of tariff hikes leave many companies no choice but to pass on at least some of the costs generated by higher import duties.

U.S. Core Consumer Price Index



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

NFIB Small Business Optimism



Source: NFIB and Wells Fargo Economics

March's benign inflation reading gives Fed officials a little breathing room to lean in a dovish direction if other economic data begin to sour, but for now, FOMC members remain focused on the price side of their mandate. The minutes of the March 18-19 FOMC meeting struck a modestly hawkish tone as participants discussed the possibility that inflation from tariffs could prove more long-lasting than a simple one-time shock, and noted the difficulty in distinguishing in real time whether inflation was more temporary or persistent. Given that the meeting occurred before the April 2 tariff announcements, we would not put too much weight on the minutes, and our expectation is that when

push comes to shove, the FOMC will cut the federal funds rate to limit damage to the labor market, even if inflation moves higher in the months ahead.

For now, the Fed's rhetoric can afford to be more hawkish as Committee members await incoming data to either confirm or run against a severe deterioration in soft data and survey measures of activity. Indicators of business and consumer sentiment released this week continued to worsen. The NFIB Small Business Optimism Index declined for the third consecutive month in March, dipping back below its historical average ([chart](#)). Dimming economic perceptions and sliding sales expectations drove March's drop. Meantime, consumer sentiment has seldom been worse in University of Michigan survey data going back 40 years. Both the measures of consumers' views on current conditions and expectations for the future slid lower, with the clear takeaway that households are feeling uneasy around tariffs; the release notes "about two-thirds of consumers spontaneously mentioned tariffs during interviews, up from about 40% in February and March of this year."

Will fiscal policy come riding to the economy's rescue? This week, Congress came to an agreement on a budget resolution, an important first step toward eventually passing a reconciliation bill. The reconciliation instructions permit an extension of the expiring 2017 tax cuts plus \$1.5 trillion in net new tax cuts over 10 years. The plan also calls for several hundred billion dollars of new spending on certain policy priorities, such as the military and border security. On spending cuts, there is a \$4 billion minimum, but no maximum. This setup affords lawmakers the flexibility to dial up or dial back spending cuts depending on political and economic realities. We write in detail about our expectations for next steps and the implications for the U.S. economy in our recent [special report](#), but the short of it is that we think it will be the summer at the earliest before a reconciliation bill becomes law, with the impact on the U.S. economy probably not felt until next year. Until then, we think the economic impact from trade policy changes will reign supreme.

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## U.S. Outlook

Weekly Indicator Forecasts					
Domestic					
Date	Indicator	Period	Consensus	Wells Fargo	Prior
15-Apr	Import Price Index (MoM)	Mar	0.0%	-0.2%	0.4%
15-Apr	Import Price Index (YoY)	Mar	—	1.2%	2.0%
16-Apr	Retail Sales (MoM)	Mar	1.4%	1.4%	0.2%
16-Apr	Retail Sales Ex Auto (MoM)	Mar	0.4%	0.4%	0.3%
16-Apr	Industrial Production (MoM)	Mar	-0.3%	-0.2%	0.7%
16-Apr	Capacity Utilization	Mar	77.9%	77.9%	78.2%
16-Apr	Business Inventories (MoM)	Feb	0.4%	0.3%	0.3%
17-Apr	Housing Starts (SAAR)	Mar	1410K	1416K	1501K

Forecast as of April 11, 2025

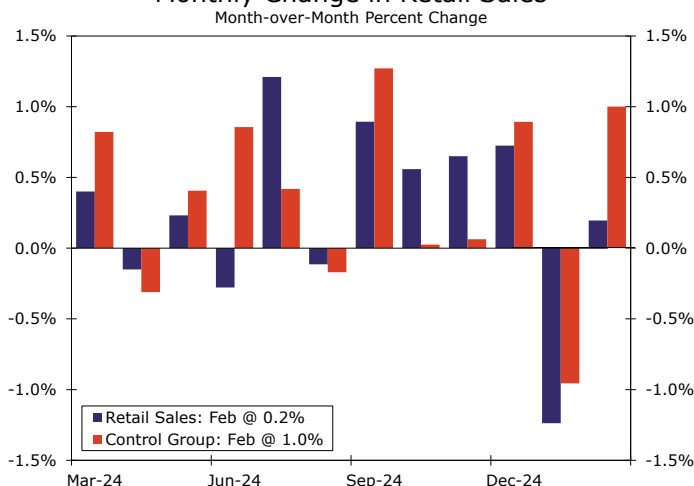
Source: Bloomberg Finance L.P. and Wells Fargo Economics

### Retail Sales • Wednesday

Despite a downward revision to January's performance to mark the largest monthly decline since 2021, overall retail sales rose a slight 0.2% in February. More encouragingly, control group sales increased by an impressive 1.0% over the month, reversing January's contraction. The control group excludes sales of the more volatile categories to offer a cleaner assessment of underlying spending. On balance, performance so far this year suggests consumer spending growth has stalled in the face of heightened uncertainty about tariffs and their impact on the outlook.

Underpinned by motor vehicle purchases pulled forward ahead of tariff implementation, we forecast retail sales jumped 1.4% in March, with sales excluding autos up just 0.4%. The first quarter is poised to be the softest quarter for consumer spending since 2020. Consumer confidence extended its string of declines to four months in March as consumers reported a broad deterioration in the assessment of the inflation outlook and overall economic conditions. The collapse in confidence is consistent with stagflationary concerns, which we expect to unfold over the coming year. Big-ticket spending in March and April could see a surge as consumers pull forward those purchases before tariffs take a significant bite. After that, however, we are likely to see a weak consumer spending performance in the second half of the year.

### Monthly Change in Retail Sales



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

**Industrial Production • Wednesday**

Despite trade uncertainty, industrial production came in better than expected in February, rising 0.7%. Manufacturing output increased 0.9%, the biggest sequential gain in a year, as a large 8.5% increase in motor vehicles & parts production lifted the sector following back-to-back declines in the prior two months. Elsewhere, gains were mixed among the industries. Utilities production fell 2.5% in February, while mining output rose 2.8% over the month. For March, we look for industrial output to decline 0.2%.

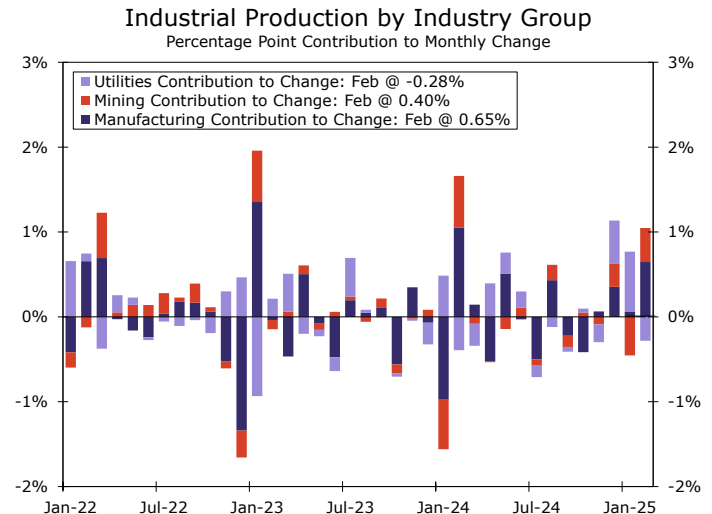
There are no shortages of headwinds facing the manufacturing sector, including the high costs of capital, persistent industry-specific labor shortages and elevated uncertainty about trade policy. Indeed, persistent trade policy uncertainty will continue to influence the outlook, particularly for business investment. We remain cautious on the outlook for manufacturing activity this year, as we are unlikely to see many firms commit to making large capital outlays until there is greater clarity on trade and economic uncertainty.

**Housing Starts • Thursday**

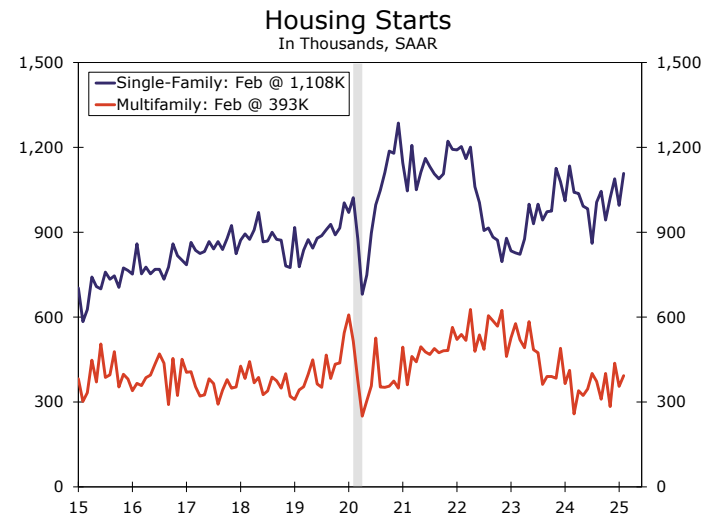
Rebounding from an 11.5% adverse weather-driven decline in January, total housing starts jumped 11.2% in February. Although starts increased across the board, building permits did not paint as strong of a picture. For the second straight month, single-family permits were essentially unchanged, coinciding with weakening builder confidence and increased policy and economic uncertainty. Multifamily permits also decreased in February, though the recent pace is essentially moving sideways, an improvement over the sharp pullback in multifamily construction over the past couple of years.

Although mortgage rates have ticked down somewhat in recent weeks, home builder confidence remains subdued alongside dimming growth prospects, elevated inventory levels, tariff concerns and heightened economic uncertainty. Residential construction looks to be challenged by higher construction costs and tighter immigration policies. Indeed, costs associated with building a new home are expected to rise and be passed on to homebuyers. Elevated costs will leave some homebuyers on the sidelines for a while longer despite lower borrowing costs. We forecast a pull back in starts in March to an annualized rate of 1,416K. Our expectations for a weaker labor market would also reduce residential demand, weighing on the pace of residential investment in the coming year.

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Source: Federal Reserve Board and Wells Fargo Economics



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

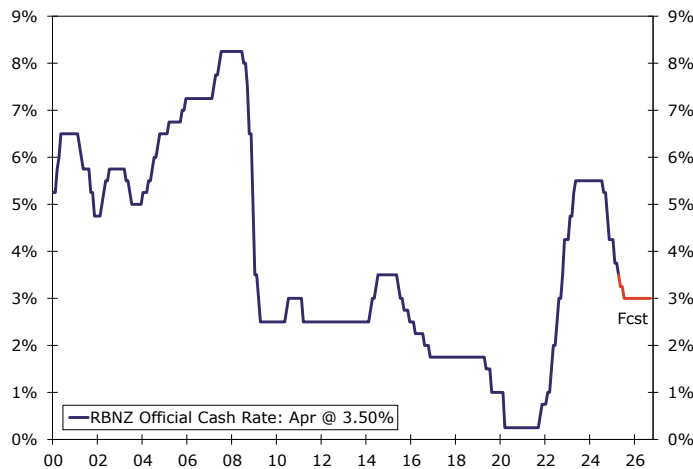
## International Review

### Foreign Central Banks in Dovish Mood as Trade Tensions Persist

In a week where the news continued to be dominated by tariff headlines, and as market participants continued to react to the changing landscape for international trade, there was also steady flow of monetary policy decisions and economic data internationally. The Reserve Bank of New Zealand (RBNZ) delivered a 25 bps policy rate cut to 3.50%, a decision that was unanimously expected and also a step down from the 50 bps rate cuts delivered at recent meetings. The RBNZ offered mixed comments on the economy, noting higher export prices and primary sector incomes, but also saying household spending and residential investment have remained weak. The central bank also said inflation was near the midpoint of its target range, and core inflation and inflation expectations were consistent with inflation remaining near that target over the medium term. Important, however, the RBNZ said global trade tensions created downside risks for activity and inflation in New Zealand. The central bank said as “the extent and effect of tariff policies become clearer, the Committee has scope to lower the OCR further as appropriate.” Our outlook currently envisages 25 bps rate cuts in May and July, though the risks are that RBNZ easing extends further and the policy rate falls below our current forecast trough of 3.00%.

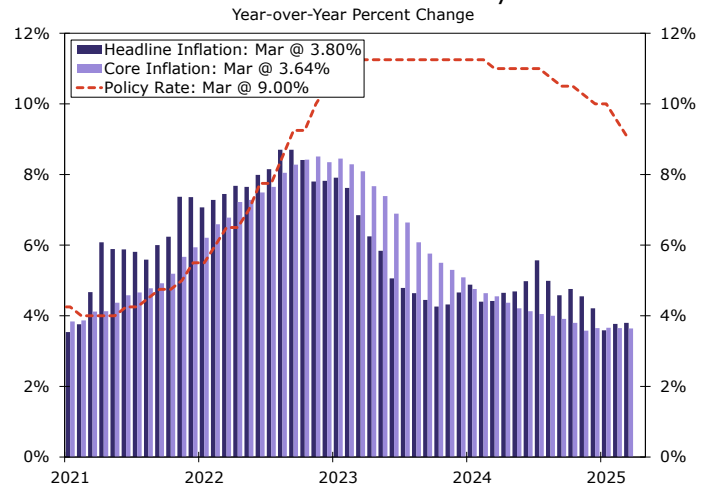
The Reserve Bank of India (RBI) also cut its Repurchase Rate by 25 bps to 6.00% in a unanimous decision, while its accompanying announcement was dovish in tone. Perhaps most significant, the RBI shifted its policy stance to “accommodative” from “neutral,” suggesting more rate cuts in the coming months. The central bank said that growth was still on a recovery path but that there has been a decisive improvement in the inflation outlook. The RBI’s updated economic forecasts reinforced the dovish tone of the announcement. For fiscal year 2026 (which runs from April 2025 to March 2026), the central bank projects GDP growth of 6.5% (previously 6.7%), while it forecast CPI inflation of 4.0% for the same period (previously 4.2%). The dovish announcement suggests the Reserve Bank of India’s easing could be more pronounced than envisaged in our base case, which currently anticipates a policy rate low of 5.50% to be reached during Q2-2026. Finally, the Philippine central bank cut its policy rate 25 bps to 5.50% and signaled further easing to come.

Reserve Bank of New Zealand Policy Rate



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

Mexico CPI Inflation vs. Policy Rate



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

The U.K. February GDP report showed a relatively solid economy during early 2025. GDP rose 0.5% month-over-month, much more than expected, while January GDP was also revised slightly higher. Within the details, industrial output jumped 1.5% and factories ramped up production ahead of the threat of U.S. tariffs. Services activity was also firmer than expected, rising 0.3%. Overall, the U.K. economy is on course for solid growth in the first quarter of the year, with GDP for the January-February period 0.5% higher than the Q4 average. We do expect U.K. growth to slow as the year progresses, given the fiscal tightening announced in the government's Spring budget update and the likelihood of slower global growth amid tariff uncertainties. Still, solid growth (for now) and still-elevated inflation and wage growth suggest to us the Bank of England will continue to lower interest rates at a gradual 25-bps-per-quarter pace.

In Mexico, the March CPI was relatively benign, paving the way for more rate cuts from Banxico, the country's central bank. Headline inflation edged up slightly more than expected to 3.80% year-over-year, while core inflation was broadly steady at 3.64%. Within the details, core goods inflation quickened somewhat, although services inflation eased. With the Mexican peso maintaining some semblance of stability—despite the recent global turmoil—our view is that the benign inflation outcome will allow for 50 bps rate cuts from Banxico at both the May and June meetings, before the central bank steps down to a slower pace of monetary easing later in the year.

This week's Brazilian data supported the view of another Selic rate hike at Brazil Central Bank's next announcement in May. Most notably, March headline inflation quickened to 5.48% year-over-year, slightly more than expected, driven by an acceleration in prices for food and beverages, clothing, transportation and communications. There were also signs that growth remained relatively solid in the early part of the year, as services activity firmed to 4.2% year-over-year, while overall economic activity unexpectedly firmed to 4.1%. We expect Brazil's Central Bank to raise rates in May, though given the less-hawkish guidance at its most recent announcement, we expect a smaller 50 bps Selic rate increase to 14.75%.

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## International Outlook

### Weekly International Indicator Forecasts

Date	Indicator	Period	Consensus	Wells Fargo	Prior
16-Apr	China GDP (QoQ)	Q1	1.4%	—	1.6%
16-Apr	China GDP (YoY)	Q1	5.2%	—	5.4%
16-Apr	Bank of Canada Policy Rate	16-Apr	2.75%	2.75%	2.75%
17-Apr	European Central Bank Deposit Rate	17-Apr	2.25%	2.25%	2.50%

Forecast as of April 11, 2025

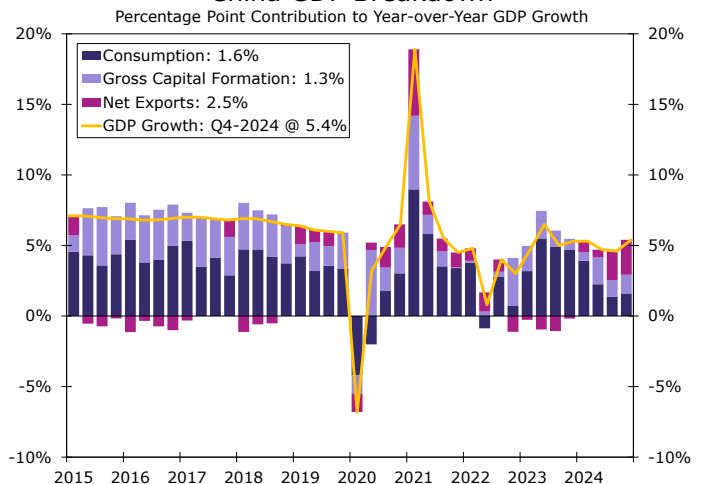
Source: Bloomberg Finance L.P and Wells Fargo Economics

### China GDP • Wednesday

China releases its first quarter GDP figures next week, which will provide insight on the extent to which the strength in activity seen in late 2024 has carried over into early 2025. The activity and sentiment data so far this year have been somewhat encouraging. In particular, both retail sales and industrial output rose more than forecasted for the January-February period, although property investment continued to decline in early 2025. China's manufacturing and service sector PMIs have also improved in recent months.

Against this backdrop, the consensus forecast is for a solid Chinese Q1 GDP outcome, though not a blockbuster report. Q1 GDP is expected to rise 1.4% quarter-over-quarter and 5.2% year-over-year, which would be slightly slower than the growth rates registered in Q4-2024. While the likelihood is that Chinese GDP growth remained respectable in the early part of this year, the outlook is for a marked deceleration in activity as the year progresses. In recent quarters, much of the gain in China's GDP has been driven by net exports, a sector that now faces significant downside risk, given the sharp increase in U.S. tariffs imposed on imports from China. We don't expect local monetary and fiscal stimulus to be sufficient enough to fully offset an export slowdown and see China's GDP growth slowing to 4.1% for full-year 2025.

### China GDP Breakdown



Source: Bloomberg Finance L.P and Wells Fargo Economics

### Bank of Canada Policy Rate • Wednesday

The Bank of Canada (BoC) announces its monetary policy decision next week and—in what we think will be a finely balanced decision—we believe the central bank will lean toward holding its policy rate steady at 2.75%. Heading into next week's announcement, activity and inflation indicators are sending opposing signals. Reflecting elevated uncertainty and the imposition of tariffs, there are signs of softer growth. These include a 32.6K drop in March employment and a softening in the BoC's Q1 Business Outlook Survey, which was conducted during February, even before higher tariffs went into effect. That same survey, however, also indicated expectations for higher input costs and higher inflation, while the February CPI report saw some firming in both headline and underlying inflation.

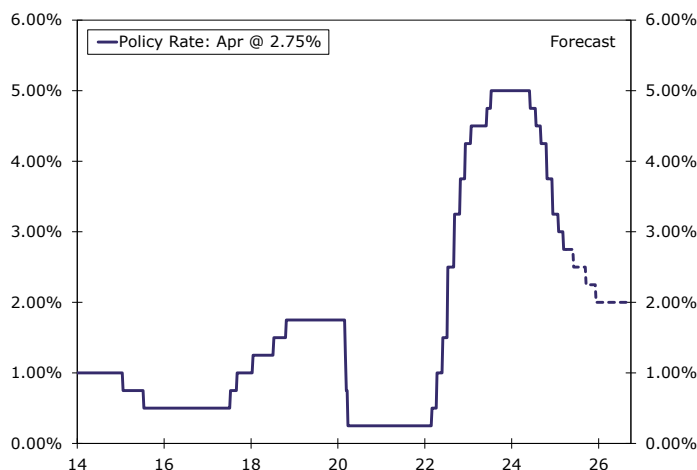
The imposition of U.S. tariffs clearly creates downside risks to Canada's growth, although Canada did avoid any “new tariffs” at President Trump's early April tariff announcement. A slower growth trend points to further easing, while persisting inflation pressures suggest a gradual pace of rate cuts, in our view. Against this backdrop, we lean toward the BoC holding rates steady in April and instead see the next 25 bps rate cut taking place at the June monetary policy meeting.

### European Central Bank Policy Rate • Thursday

The European Central Bank (ECB) announces its latest monetary policy decision next week, with both ourselves and the consensus expecting another 25 bps cut in the Deposit Rate to 2.25%. For a time, the ECB's monetary policy outlook had started to lean in a less-dovish direction. The central bank described its monetary policy stance as “meaningfully less restrictive” at its March announcement, while plans for German fiscal stimulus improved the medium-term outlook for both Germany and the Eurozone. However, more recent developments suggest that although the ECB is getting closer to the end of its easing cycle, it will probably continue with rate cuts for the time being. The United States announced aluminum and steel tariffs, which affect the European Union, while also imposing a broader 10% tariff on other imports from the EU. These factors add uncertainty and weigh on the outlook for activity, especially for 2025. Meanwhile, the latest CPI report for March was encouraging, with core inflation and services inflation slowing perceptibly. Against this backdrop, and to protect against downside economic risks, we expect European Central Bank to lower its policy rate 25 bps next week. We also forecast 25 bps of policy rate cuts in June and September, for a year-end low of 1.75%.

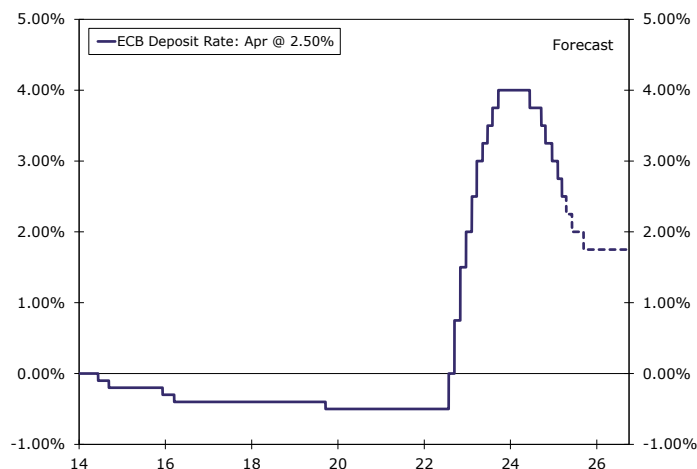
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Bank of Canada Policy Rate



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

ECB Deposit Rate



Source: Datastream and Wells Fargo Economics



## Interest Rate Watch

### What Is Going on in the Treasury Market?

Like U.S. equity markets, the U.S. Treasury market has been incredibly volatile over the past week. The initial market reaction to President Trump's tariff announcement on April 2 was for a sharp decline in U.S. Treasury yields. On April 4, the 10-year yield finished the day around 4%, down more than 30 bps from the prior week. However, this week longer-term yields have jumped back up, and as we go to print the 10-year yield is 4.57%, which is *above* where it was on April 1. Some of this move may be attributed to the improvement in risk assets and general market sentiment after President Trump announced a 90-day pause on reciprocal tariffs, but we doubt that tells the whole story. What else is going on?

The culprit does not appear to be higher inflation expectations. Longer-term inflation expectations as measured by Treasury Inflation-Protected Securities (TIPS) have *fallen* since April 1. Interestingly, short-term inflation expectations as measured by market-based tools have *increased* over the same period of time. This suggests that markets are generally in agreement with the economic models that indicate the initial burst of tariff-induced inflation should not be long-lasting.

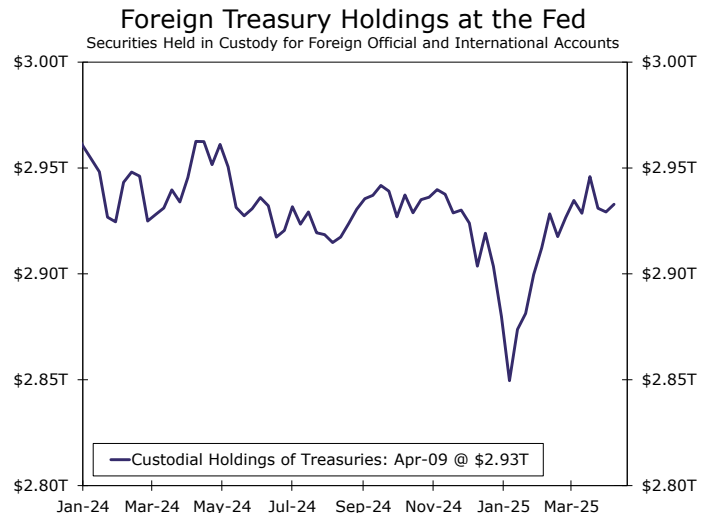
Some analysts have pointed to potential foreign selling of Treasury securities. The hypothesis suggests that some foreign investors may not want or need Treasury securities in the midst of a trade war with the United States. Data on foreign Treasury security holdings and FX reserves often comes out with a long lag, and it likely will take time before this hypothesis can be rigorously tested. That said, based on the data we do have, we are somewhat skeptical this was the main driver of the rebound in longer-term Treasury yields. The Federal Reserve holds roughly \$2.9 trillion of Treasury securities in custody for foreign official and international accounts, and these holdings were roughly unchanged between April 2 and April 9 ([chart](#)).

A third possibility is an unwinding of "Treasury basis" trades. A deep dive into Treasury basis trades is beyond the scope of this short write-up, and we would encourage interested readers to learn more [here](#). In short, Treasury basis trades typically involve buying a Treasury security, shorting a Treasury future and using leverage to amplify returns. Somewhat similar trades can exist in other structures, such as swap spreads. In times of significant market volatility, hedge funds and other basis trade investors may need to reduce their positions, a phenomenon that has led to rising Treasury yields in past episodes of market stress, such as March 2020.

Perhaps less discussed, but no less important, has been market views of the path for the federal funds rate. On April 1, fed funds futures were priced for roughly 76 bps of easing by the FOMC this year. Fast-forward to today and the market is priced for about 80 bps of rate cuts from the FOMC. The first 25 bps rate cut is not fully priced until the June FOMC meeting. Given the tremendous uncertainty and volatility over this period, the relatively small move in Fed pricing speaks to the tricky stagflationary conundrum facing monetary policymakers.

Ultimately, as financial markets eventually become less volatile in the months ahead, we expect slower economic growth and eventual rate cuts to put downward pressure on longer-term interest rates. We look for the 10-year Treasury yield to fall to 3.75% by the end of this year before rising to 4.15% by the end of 2026.

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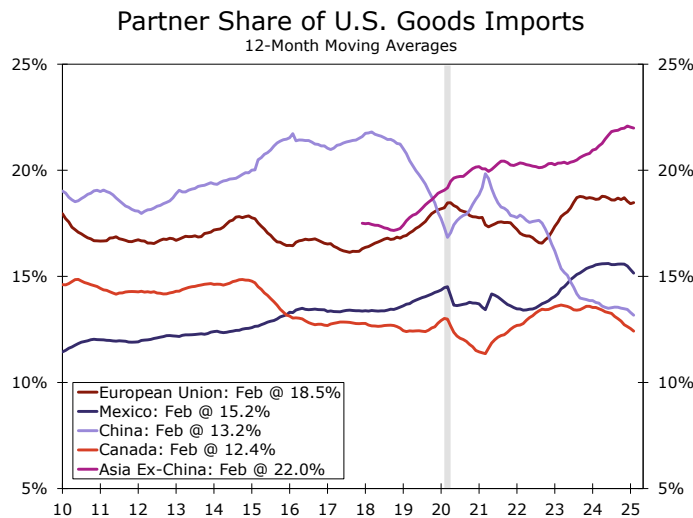
Source: Federal Reserve Board, Bloomberg Finance L.P. and Wells Fargo Economics

## Topic of the Week

### Tariff U-Turn Puts China in the Hot Seat

On April 9, President Trump announced a 90-day pause to his “reciprocal” tariff plan just hours after it went into effect, replacing the country-specific rates with a 10% baseline tariff on most countries. China is the main exception. Trump not only kept the country’s reciprocal tariff in place, but raised it even further in response to the retaliatory tariffs Beijing placed on U.S. imports, bringing China’s effective tariff rate to 145%. These tariff changes are in addition to the preexisting levies Trump already put in place, including a 25% tariff on steel, aluminum and auto and parts imports. Goods from Canada and Mexico that are compliant with the USMCA trade agreement are still duty-free for now, while a 25% tariff is imposed on non-USMCA goods.

Though we estimate the effective tariff rate remains essentially unchanged at 30% following the changes announced on April 9, the tariff burden has shifted primarily onto China. This sudden “u-turn” reflects Trump’s agenda during the prior trade war, where he primarily targeted imports from China and imports of certain global goods, such as steel and aluminum. Isolating trade pressure on China certainly had an effect the first time around. Before the 2018 trade war, 22% of all U.S. merchandise imports came from China; that share has fallen to 13% today ([chart](#)). The current escalation may prove even more detrimental to the share of imported goods from China, as the effective tariff rate has increased tenfold from its peak reached during the first trade war ([chart](#)).

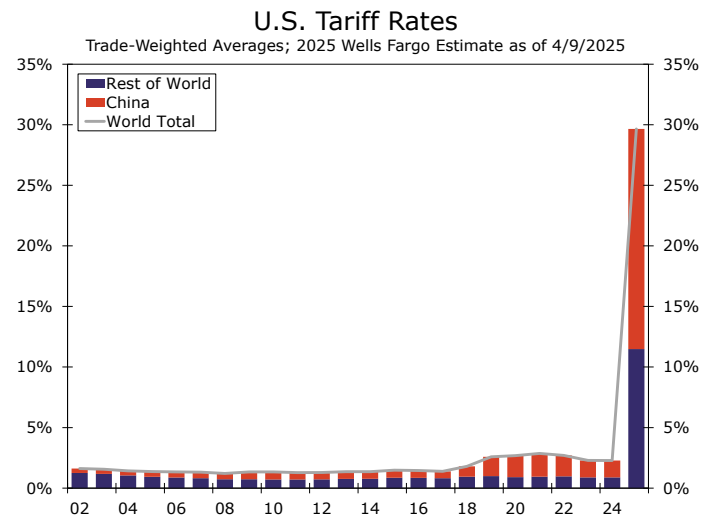


Source: U.S. Department of Commerce and Wells Fargo Economics

A longer-term solution for firms to avoid a tariff-related margin squeeze could be sourcing imports from countries with relatively low tariff rates. This was seen in the prior trade war: the U.S. imported less from China but sourced more goods from other nations in Asia, Latin America and Europe. However, many of these trading partners are still under the threat of hiked tariffs later this year if negotiations fall apart. As a result, rerouting shipments and relocating production to side-step additional tariffs looks more challenging in today’s environment.

The announcement made on April 9 shows that the Trump administration is willing to negotiate on trade policy. While it is uncertain where tariff rates may lay following the 90-day pause, a marked reduction in tariff rates does not appear likely, in our view. The president seems inclined to keep elevated tariffs in place to facilitate his stated goal of significantly increasing U.S. manufacturing employment. We currently look for the effective tariff rate to recede to 15%. We assume the United States will strike trade deals during this 90-day pause that could lead to lower tariffs for trading partners. However, we believe the tariffs on China have less room for negotiation due to the large bilateral trade deficit and the geopolitical tension between the world’s two largest economies. We readily acknowledge that uncertainty around our outlook remains greater than normal. To keep track of any changes made to trade policy in the upcoming weeks, please see our [Tariff Tracker](#).

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

## Market Data • Mid-Day Friday

U.S. Interest Rates	Friday	1 Week	1 Year
	4/11/2025	Ago	Ago
SOFR	4.37	4.39	5.31
Effective Fed Funds Rate	4.33	4.33	5.33
3-Month T-Bill	4.31	4.24	5.39
1-Year Treasury	3.86	3.79	5.29
2-Year Treasury	3.94	3.65	4.96
5-Year Treasury	4.20	3.71	4.63
10-Year Treasury	4.57	3.99	4.59
30-Year Treasury	4.97	4.41	4.68
Bond Buyer Index	5.11	4.34	3.76

Foreign Exchange Rates	Friday	1 Week	1 Year
	4/11/2025	Ago	Ago
Euro (\$/€)	1.133	1.096	1.073
British Pound (\$/£)	1.305	1.289	1.255
British Pound (£/€)	0.868	0.850	0.854
Japanese Yen (¥/\$)	143.640	146.930	153.270
Canadian Dollar (C\$/ \$)	1.392	1.422	1.369
Swiss Franc (CHF/\$)	0.816	0.861	0.910
Australian Dollar (US\$/A\$)	0.623	0.604	0.654
Mexican Peso (MXN/\$)	20.399	20.444	16.440
Chinese Yuan (CNY/\$)	7.294	7.282	7.237
Indian Rupee (INR/\$)	86.054	85.235	83.194
Brazilian Real (BRL/\$)	5.891	5.842	5.093
U.S. Dollar Index	99.993	103.023	105.282

Foreign Interest Rates	Friday	1 Week	1 Year
	4/11/2025	Ago	Ago
3-Month German Govt Bill Yield	2.02	2.05	3.75
3-Month U.K. Govt Bill Yield	4.39	4.45	5.26
3-Month Canadian Govt Bill Yield	2.64	2.55	4.91
3-Month Japanese Govt Bill Yield	0.34	0.40	0.01
2-Year German Note Yield	1.75	1.83	2.96
2-Year U.K. Note Yield	4.05	3.93	4.40
2-Year Canadian Note Yield	2.67	2.36	4.36
2-Year Japanese Note Yield	0.61	0.64	0.27
10-Year German Bond Yield	2.53	2.58	2.46
10-Year U.K. Bond Yield	4.75	4.45	4.20
10-Year Canadian Bond Yield	3.29	2.88	3.73
10-Year Japanese Bond Yield	1.32	1.22	0.87

Commodity Prices	Friday	1 Week	1 Year
	4/11/2025	Ago	Ago
WTI Crude (\$/Barrel)	60.24	61.99	85.02
Brent Crude (\$/Barrel)	63.47	65.58	89.74
Gold (\$/Ounce)	3238.23	3038.24	2372.52
Hot-Rolled Steel (\$/S.Ton)	930.00	913.00	845.00
Copper (¢/Pound)	448.25	440.20	425.30
Soybeans (\$/Bushel)	10.36	9.82	11.67
Natural Gas (\$/MMBTU)	3.48	3.84	1.76
Nickel (\$/Metric Ton)	14,594	15,521	18,185
CRB Spot Inds.	565.84	571.29	555.72

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

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