

Weekly — August 8, 2025

Weekly Economic & Financial Commentary

United States: Tariff Headwinds Meet Productivity Tailwinds

- It was a quiet week on the economic indicator calendar, allowing analysts to continue to digest the array of data released last week that provided unambiguous signs of demand materially slowing. Solid labor productivity remains a bright spot, but slowing activity and broadening price pressures in the service sector point to mild stagflation.
- Next week:** Consumer Price Index (Tue.), Retail Sales (Fri.), Industrial Production (Fri.)

International: Mixed Data from Foreign Economies Amid Global Uncertainties

- This week, central banks across the U.K., India and Mexico made cautious policy decisions. The Bank of England and Banxico cut rates, while the Reserve Bank of India held steady amid currency stability concerns. Switzerland saw a surprise rise in inflation, and Mexico's core inflation remained sticky despite headline easing. And finally, down under, soft labor market data in New Zealand supports expectations for a rate cut.
- Next week:** Reserve Bank of Australia Policy Rate (Tue.), Norges Bank Policy Rate (Thu.), China Industrial Production and Retail Sales (Fri.)

Interest Rate Watch: For (Term) Premium Subscribers

- In this week's Interest Rate Watch section, we discuss the outlook for the neutral rate and term premiums in the context of the fair value for the 10-year Treasury yield. If we add our estimate of the overnight rate to current estimates of the 10-year term premium, we get a long-run, fair value estimate of the 10-year Treasury yield around 4%, not too far from the current spot rate.

Topic of the Week: Duty Calls

- In a recent escalation of trade policy, the Trump administration announced updated reciprocal tariffs ranging from 10% to 41% on goods from over 60 countries. The overall macroeconomic effect remains uncertain, and while the updated tariffs offer some clarity and stability in the short term, significant uncertainties remain.

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 ¹	1.6	3.0	3.1	2.4	-0.5	3.0	1.2	0.7	2.9	2.8	1.6	1.9
Personal Consumption	1.9	2.8	3.7	4.0	0.5	1.4	0.7	0.5	2.5	2.8	1.9	1.8
Consumer Price Index ²	3.2	3.2	2.7	2.7	2.7	2.6	2.9	3.0	4.1	3.0	2.7	2.8
"Core" Consumer Price Index ²	3.8	3.4	3.3	3.3	3.1	3.3	3.7	3.8	4.8	3.4	3.5	2.9
Quarter-End Interest Rates ³												
Federal Funds Target Rate ⁴	5.50	5.50	5.00	4.50	4.50	4.50	4.25	3.75	5.23	5.27	4.25	3.75
Conventional Mortgage Rate	6.82	6.92	6.18	6.72	6.65	6.82	6.65	6.55	6.80	6.72	6.67	6.51
10 Year Note	4.20	4.36	3.81	4.58	4.23	4.24	4.30	4.25	3.96	4.21	4.26	4.33

Forecast as of: August 06, 2025

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 Range

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

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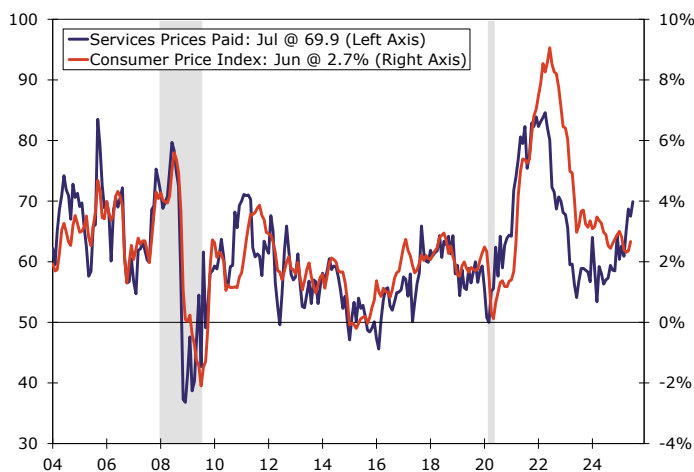
U.S. Review

Tariff Headwinds Meet Productivity Tailwinds

It was a quiet week on the economic indicator calendar, allowing analysts to continue to digest the array of data released last week that provided unambiguous signs of activity materially slowing. Higher tariffs, government spending cuts, stricter immigration enforcement and elevated uncertainty have weighed on consumer spending and business fixed investment, underpinning a weakening in labor demand and job creation slowing to a crawl. We anticipated economic output would stagnate this year and have left our macroeconomic forecast largely unchanged in the wake of last week's data; see our August [U.S. Economic Outlook](#) for more detail.

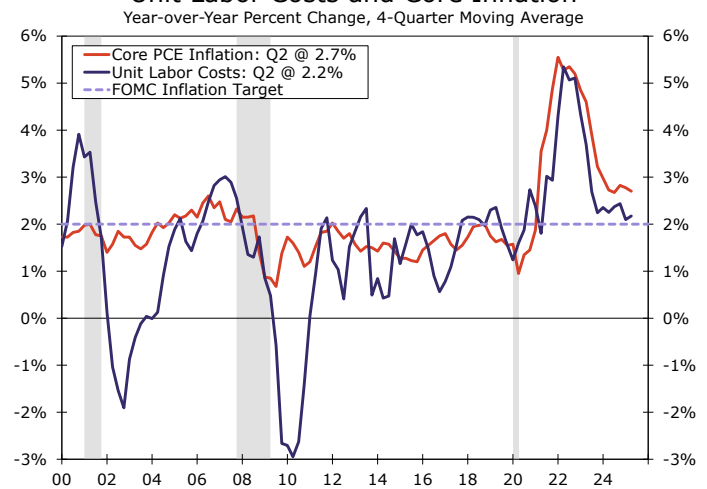
Data released this week leave our outlook intact. The ISM services index slipped to 50.1 in July, signaling a loss of momentum across the service sector. Gauges of business activity, new orders and employment all moved lower over the month, while the prices paid component edged higher. The mix is suggestive of stagflation and points to further strengthening in consumer price inflation in the coming months ([chart](#)). A respondent from the transportation & warehousing industry summarized: "Our business activity is flat. We are not trending up or down. Tariffs are now starting to show up in pricing, and we are seeing increases across the board."

ISM Services Prices Paid vs. CPI



Source: Institute for Supply Management, U.S. Department of Labor and Wells Fargo Economics

Unit Labor Costs and Core Inflation



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

The inflationary impulse of tariffs has been partially delayed by inventory front-running. The U.S. international trade deficit blew out during Q1 as businesses imported goods in droves to get ahead of higher tariffs. With a surplus of inventory on hand, import growth subsequently plummeted in Q2 and led the trade deficit to sharply narrow. In June, the deficit was -\$60.2 billion, narrower than the record-setting -\$138.3 billion in March and the -\$75 billion averaged throughout 2024. See [Topic of the Week](#) for the latest on trade policy.

Consumer prices are bound to head higher as preemptive inventories dwindle, yet the inflationary impact of tariffs could be somewhat counteracted by solid labor productivity growth. Output per hour worked rose at a 2.4% annualized pace in Q2, leaving the average annualized increase since the pandemic at 1.8%, notably stronger than the past cycle's average of 1.5%. When workers are more efficient, firms typically have more flexibility to absorb higher costs of production without needing to mark up their selling prices to the same degree.

Over the past year, the firmness in productivity has helped keep a lid on the cost-push from strong nominal compensation growth, evident in unit labor costs (i.e., the productivity-adjusted cost of labor) remaining consistent with the Federal Reserve's 2% inflation target ([chart](#)). With tepid interest in hiring and low turnover likely to limit upward pressure on wage growth in the coming months, we remain of the view that the labor market is not a source of significant inflationary pressure at present.

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U.S. Outlook

Weekly Indicator Forecasts

Domestic					
Date	Indicator	Period	Consensus	Wells Fargo	Prior
12-Aug	CPI (MoM)	Jul	0.2%	0.2%	0.3%
12-Aug	CPI (YoY)	Jul	2.8%	2.7%	2.7%
12-Aug	Core CPI (MoM)	Jul	0.3%	0.3%	0.2%
12-Aug	Core CPI (YoY)	Jul	3.0%	3.0%	2.9%
12-Aug	CPI Index NSA	Jul	323.286	323.110	322.561
14-Aug	PPI Final Demand (MoM)	Jul	0.2%	0.3%	0.0%
14-Aug	PPI Final Demand (YoY)	Jul	2.5%	2.6%	2.3%
14-Aug	Core PPI (MoM)	Jul	0.2%	0.3%	0.0%
14-Aug	Core PPI (YoY)	Jul	3.0%	3.0%	2.6%
15-Aug	Retail Sales (MoM)	Jul	0.5%	0.6%	0.6%
15-Aug	Retail Sales Ex Auto (MoM)	Jul	0.3%	0.3%	0.5%
15-Aug	Import Price Index (MoM)	Jul	0.0%	0.1%	0.1%
15-Aug	Import Price Index (YoY)	Jul	-	-0.2%	-0.2%
15-Aug	Industrial Production	Jul	0.0%	0.0%	0.3%
15-Aug	Capacity Utilization	Jul	77.6%	77.6%	77.6%
15-Aug	Business Inventories	Jun	0.2%	0.2%	0.0%

Forecast as of August 8, 2025

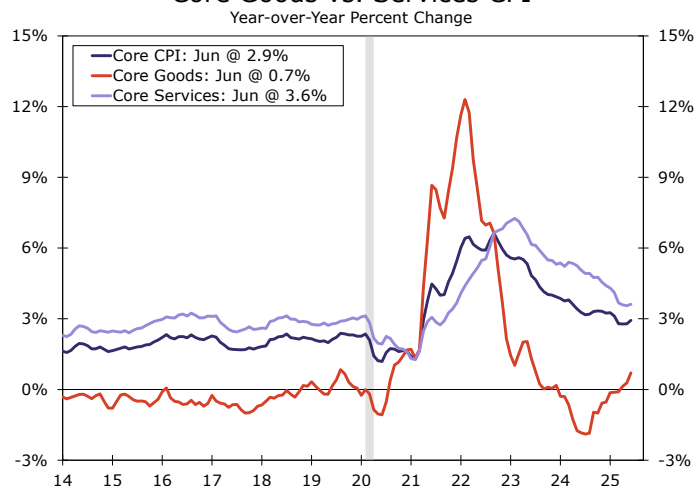
Source: Bloomberg Finance L.P. and Wells Fargo Economics

Consumer Price Index (CPI) • Tuesday

After a surprisingly weak jobs report, all eyes are on inflation when assessing the Fed's need to adjust policy rates. We expect the July CPI will bring further signs of higher tariffs pushing up prices. We estimate the core CPI rose 0.3% in July, which would mark the strongest gain in six months and push the year-ago rate back up to 3.0%, as a firming in goods inflation is no longer being offset by a softening in services. Headline inflation will likely rise a more modest 0.2% amid a drop in gas prices and tamer food inflation.

It's still the early innings when it comes to answering the question: Who will bear the brunt of tariffs? Will it be the end-consumer, domestic sellers or foreign exporters? That said, growing consumer fatigue is making it more difficult to raise prices in general. While we continue to expect inflation to pick up, we're also not expecting it to ratchet higher over the second half of the year. We look for core inflation to return to around a 3% annual pace in the fourth quarter. We still expect the Fed to elect to reduce interest rates by 25 bps at its September meeting as labor softening outweighs the only-modest gain in inflation. For more, see our full [July CPI Preview](#).

Core Goods vs. Services CPI



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

Retail Sales • Friday

We forecast overall retail sales expanded 0.6% in July, but that likely looks stronger than the underlying run rate of sales activity today. A bounce in auto sales and higher prices during the month are mostly behind the 'stronger' retail print. Previously reported data show auto sales rose to a 16.4 million annualized clip in July, which is up 7% from June and marks the second-fastest month after the tariff-induced pop back in March in two years. We expect this rebound in auto sales to provide a sizable lift to headline sales. Excluding autos, we look for the sales gain to be half as large (+0.3%). As we touch on above, we expect goods prices to rise a similar amount, suggesting that, on an inflation-adjusted basis, retail sales were flat in July.

Consumers have shown signs of spending fatigue recently as they've cut back sharply on discretionary purchases. We've [highlighted](#) the sharp drop in the year-ago pace of discretionary services, but discretionary goods purchases have also slipped the past three months after a pop in March. We suspect the moderating job market and concern over tariff-induced price pressure has led consumers to grow more choosy.

Industrial Production • Friday

We expect the industrial sector looked very similar in July to what it looked like in June and forecast no change in overall production. Beneath the surface, a drop in utilities output is likely after a surge last month, but we look for a mixed manufacturing picture across industry that shakes out to a flattish print.

Recent hard data on the manufacturing sector have held up better than the survey data had suggested, but we still anticipate that a slowdown in traditional capex—in the form of plant, property and equipment—is under way. Increased uncertainty around tariffs and broader economic conditions have left businesses in a holding pattern and many have turned instead to prioritize software. Although capex growth was fairly sturdy in the first half of the year, it was concentrated in software and information processing equipment specifically—two areas that are likely helping lead the artificial intelligence transition.

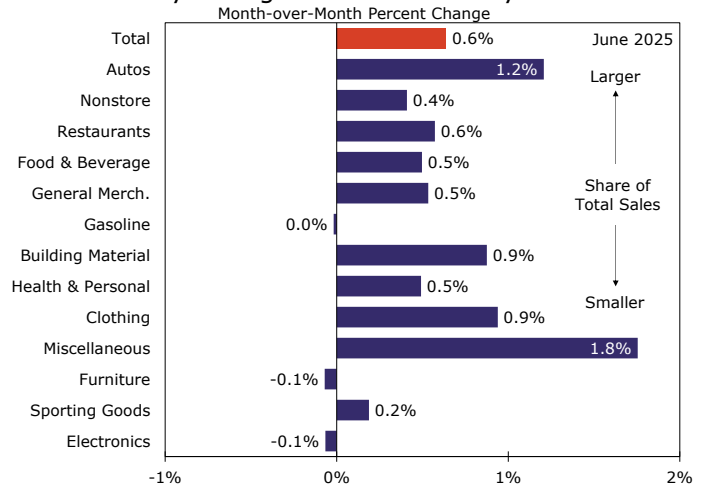
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International Review

Mixed Data from Foreign Economies Amid Global Uncertainties

This week's central bank activity saw monetary policy announcements from the United Kingdom, Mexico and India. In advanced economies, the Bank of England (BoE) cut its policy rate by 25 bps to 4.00%, marking the fifth rate reduction in the current easing cycle. However, the decision was far from straightforward, with policymakers voting by a narrow 5-4 margin (and a second round of voting) to lower rates. The accompanying statement also offered a mixed assessment of the U.K. economy. Officials noted subdued GDP growth and signs of a gradually loosening labor market, while acknowledging persistent downside risks to both domestic and global activity. The central bank's comments on inflation were less clear-cut. While disinflation in wages and prices continues, the BoE now sees a higher near-term peak in headline inflation at 4.0% in September and flagged slightly elevated medium-term inflation risks. Governor Andrew Bailey reinforced the cautious tone in separate comments, warning against cutting rates too quickly or too deeply, and highlighting the genuine uncertainty surrounding the future path of interest rates. The BoE's updated projections were consistent with a gradual easing approach, with the policy rate expected to fall to around 3.50% by Q2-2026. GDP growth is forecast to remain modest at around 1.2% in 2025 and 2026, firming slightly to 1.5% in 2027, while inflation is projected to slow to 3.6% by Q4-2025, 2.5% by Q4-2026 and 2.0% by Q2-2027. Overall, we interpret this week's hawkish tone and cautious guidance as consistent with

Monthly Change in Retail Sales by Retailer



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

Manufacturing Production



Source: Federal Reserve Board and Wells Fargo Economics

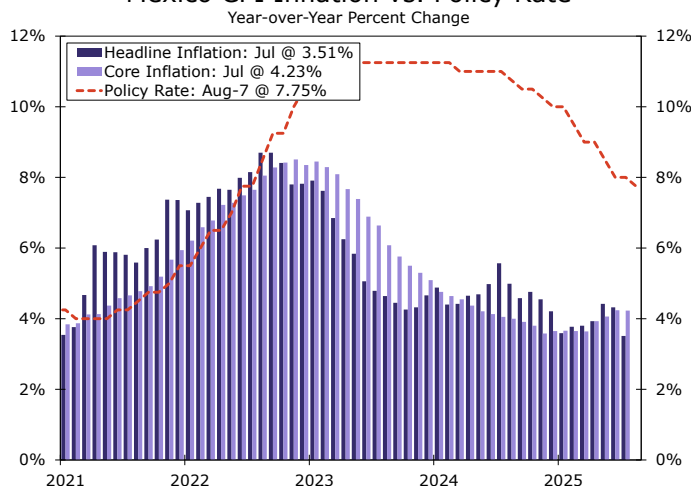
our forecast for continued, measured BoE easing. We expect two more 25 bps rate cuts, one each in November and February, bringing the policy rate to 3.50% by early next year, in line with our relatively subdued outlook for U.K. economic growth and inflation.

Turning to emerging markets, policymakers from the Reserve Bank of India (RBI) unanimously voted to keep the Repurchase Rate steady at 5.50%. While this outcome was in line with consensus expectations, we had leaned toward a 25 bps cut at the August meeting considering June's sharply lower headline inflation, which eased to just 2.1% year-over-year. However, the decision to hold was likely influenced by the need to limit further rupee weakness, especially amid rising geopolitical tensions. Lingered threats of new U.S. tariffs in response to oil imports from Russia added a layer of complexity to the RBI's policy calculus. In the accompanying press release, officials cited subdued inflation but emphasized that ongoing uncertainties warranted a steady policy rate. Governor Malhotra reiterated in the post-policy press conference that future rate cuts will be data-dependent. The RBI also revised down its inflation forecasts, with CPI now projected at 3.1% for 2025. Meanwhile, real GDP growth is expected to remain solid, with full-year projections at 6.5% and quarterly growth ranging between 6.3% and 6.7%.

In other emerging market central bank news, Mexico's central bank, Banxico, lowered its benchmark interest rate by 25 bps, in line with consensus expectations. Policymakers offered limited forward guidance, but justified the rate cut by highlighting a stronger peso, subdued economic growth and shifting global trade dynamics as key drivers behind the decision. While headline inflation forecasts were largely unchanged, the bank revised its Q3-2025 forecast downward to 3.8% year-over-year from 4.1%. In contrast, core inflation forecasts were nudged slightly higher through the remainder of 2025 and into early 2026. Inflation is still projected to converge to the 3% target by Q3-2026. That said, barring any upside surprises in inflation or external shocks, we now expect Banxico to deliver one final 25 bps cut in September. This marks a revision from our earlier view that the August cut would be the last of the current easing cycle, and with our revised forecast, Mexico's terminal rate would be 7.50% come September.

On the inflation front, Mexico's July figures provided further insight into domestic price dynamics. Headline inflation eased to 3.51% year-over-year, below consensus expectations and down from 4.32% in June, driven primarily by declines in non-core food (notably fruits and vegetables) and energy prices. Base effects also contributed to the moderation. However, core inflation remained sticky at 4.23%, only marginally lower than June's 4.24%, underscoring persistent underlying price pressures. Within the core basket, goods inflation accelerated to 4.02% from 3.91%, while services inflation edged down slightly to 4.44% from 4.62%.

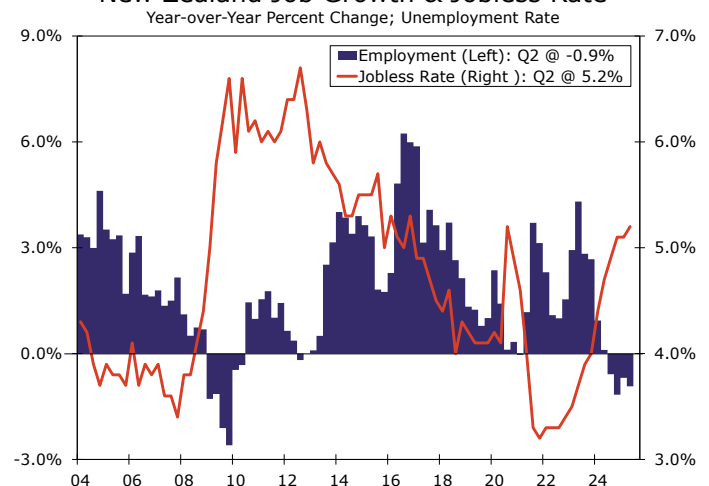
Mexico CPI Inflation vs. Policy Rate



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

Across the Atlantic, Switzerland saw an unexpected uptick in prices. Headline inflation rose in July to 0.2% year-over-year, surpassing consensus expectations for a steady 0.1% reading. Core inflation also surprised to the upside, increasing to 0.8% year-over-year versus expectations for it to remain steady at 0.6%. Despite these signs of upward price pressure, Switzerland faces a challenging external

New Zealand Job Growth & Jobless Rate



Source: Datastream and Wells Fargo Economics

environment. The country is contending with steep 39% tariffs on exports to the U.S., including potential duties on pharmaceutical imports, a sector critical to the Swiss economy. Compounding these pressures, the Swiss franc has continued to appreciate against the dollar, making imports cheaper and exports more expensive, both of which are disinflationary forces. With inflation still hovering near zero and risks of it slipping back into negative territory, policymakers will remain cautious about the franc’s movements. While we continue to expect the Swiss National Bank (SNB) to maintain its policy rate at 0.00%, the combination of trade headwinds and currency strength could complicate the decision-making process at the next policy meeting. It is not out of the question for the SNB to cut rates by 25 bps into negative territory, possibly as soon as September, should downside risks to inflation intensify.

Finally, down under in New Zealand, the Q2 labor market report came in broadly as expected, with employment declining 0.1% quarter-over-quarter and 0.9% year-over-year. The unemployment rate edged up to 5.2%, slightly below consensus expectations of 5.3%. Wage growth remained subdued, with total salary and wage rates rising 2.4% year-over-year, down from 2.9% in Q1, though quarterly growth picked up modestly to 0.6%. With inflation still within the Reserve Bank of New Zealand's (RBNZ) 1%-3% target range at 2.7%, we believe the soft labor market data supports a 25 bps rate cut at the RBNZ’s August meeting, bringing the policy rate to 3.00%.

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International Outlook

Weekly International Indicator Forecasts					
Date	Indicator	Period	Consensus	Wells Fargo	Prior
12-Aug	Reserve Bank of Australia Policy Rate	12-Aug	3.60%	3.60%	3.85%
14-Aug	Norges Bank Policy Rate	14-Aug	4.25%	4.25%	4.25%
15-Aug	China Industrial Production (YoY)	Jul	4.6%	—	4.8%
15-Aug	China Retail Sales (YoY)	Jul	6.0%	—	6.8%

Forecast as of August 08, 2025

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

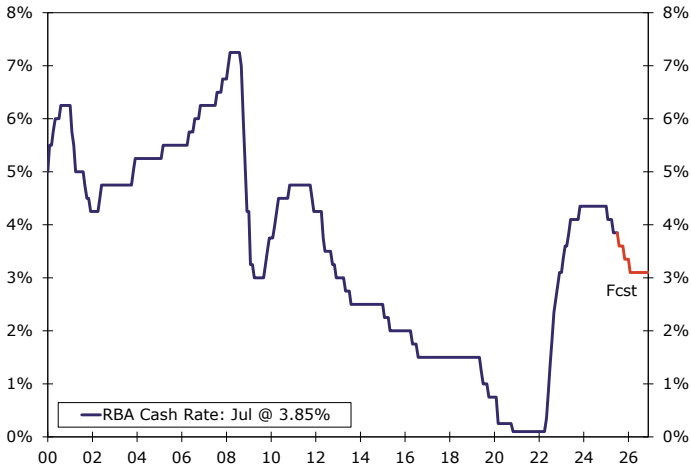
Reserve Bank of Australia Policy Rate • Tuesday

Next week, the Reserve Bank of Australia (RBA) will deliver its latest monetary policy announcement and updated economic projections. Our view, in line with consensus, is for the RBA to lower the cash rate to 3.60% from its current level of 3.85%. The RBA surprised markets in July by holding rates steady, citing persistent inflation, resilient household spending and a still-tight labor market.

Recent data support a more dovish stance. Headline inflation rose just 2.1% year-over-year in Q2, below consensus expectations, while trimmed mean inflation—a key measure of underlying price pressures—eased to 2.7%, comfortably within the RBA’s 2%-3% target range. Labor market indicators have softened as well, with June employment rising by only 2.0K (vs. 20.0K expected) and the unemployment rate climbing to 4.3%. Wage figures for Q2 are also due next week and will be closely watched. In Q1, wage growth came in stronger than forecast at 3.4% year-over-year, though this was largely driven by public sector agreements. The updated figures will be critical in shaping the path of further rate cuts.

In our view, these developments are consistent with a continued gradual pace of RBA easing into early 2026. We expect a 25 bps rate cut next week, followed by additional cuts in November and February, bringing the policy rate to 3.10% by Q1 2026. The RBA appears to be in a wait-and-see mode, emphasizing a “gradual and measured” approach. Forward guidance is likely to remain flexible, with policymakers signaling data dependency and global uncertainty as key factors shaping the path ahead.

Reserve Bank of Australia Policy Rate



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

Norges Bank Policy Rate • Thursday

Norway's central bank, Norges Bank, meets next week, and we, in line with consensus estimates, expect policymakers to keep the deposit rate steady at 4.25%. The June meeting marked a turning point, with the central bank surprising markets by cutting the policy rate by 25 bps to its current level, signaling the start of a cautious monetary easing cycle.

Governor Ida Wolden Bache has emphasized a “cautious normalization” approach, with the bank indicating that further rate reductions are likely if the economy evolves broadly in line with current projections. Inflation remains a key concern as it stays above the central bank's target range: Headline inflation held steady at 3.0% in June, below consensus expectations, while core inflation rose to 3.1%, above the consensus. Despite this, the inflation data are unlikely to derail the bank's measured path toward easing. Recent economic indicators have been encouraging. Q1 mainland GDP growth was strong at 1.5% year-over-year, and Q2 data point to continued momentum.

Given this backdrop, we expect Norges Bank to maintain a once-per-quarter pace of rate cuts, with the next move likely coming at the September meeting. By then, policymakers will have greater clarity on inflation dynamics from July and August data. While inflation remains above the 2% target, the central bank appears willing to wait for additional information before proceeding with further easing.

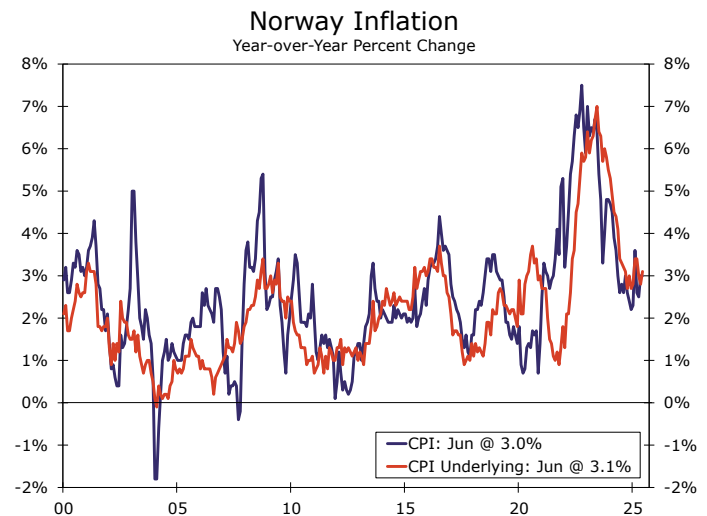
China Retail Sales & Industrial Production • Friday

In China, next week's retail sales and industrial production data for July will offer a timely read on the economy's momentum heading further into the second half of 2025. Consensus expectations point to softness in both indicators, with industrial production growth expected to slow to 6.0% year-over-year from 6.8% and retail sales growth easing to 4.6% from 4.8%.

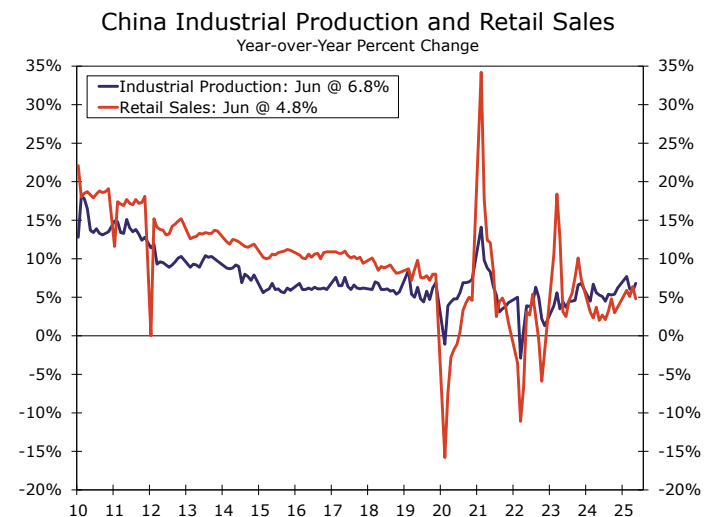
Recent trends suggest these expectations are well-founded. Industrial activity is likely under pressure from ongoing trade tensions and weakening external consumer demand, while retail sales—previously supported by government subsidies—may begin to cool as those supports fade. Last week's softer-than-expected July PMIs already signaled a slowdown across both manufacturing and non-manufacturing sectors, and we expect next week's figures to reflect similar signs of lost momentum.

Overall, these results would be consistent with our outlook for slower Chinese economic growth over the second half of the year, as external headwinds and fading domestic stimulus weigh on activity.

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



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

Interest Rate Watch

For (Term) Premium Subscribers

One simple but effective way to model long-term interest rates is as a function of expectations for future short-term interest rates. For example, if you expect overnight interest rates to average roughly 3% over the next 10 years, then you might surmise that long-term yields ought to be something similar. If you knew for sure that overnight rates would be 3% indefinitely, and long-term rates were, say, 2%, long-term bonds would be a very unattractive investment. Similarly, if long-term rates were 4%, there would be an arbitrage opportunity where investors could borrow at 3% with confidence, invest at 4% and collect the difference.

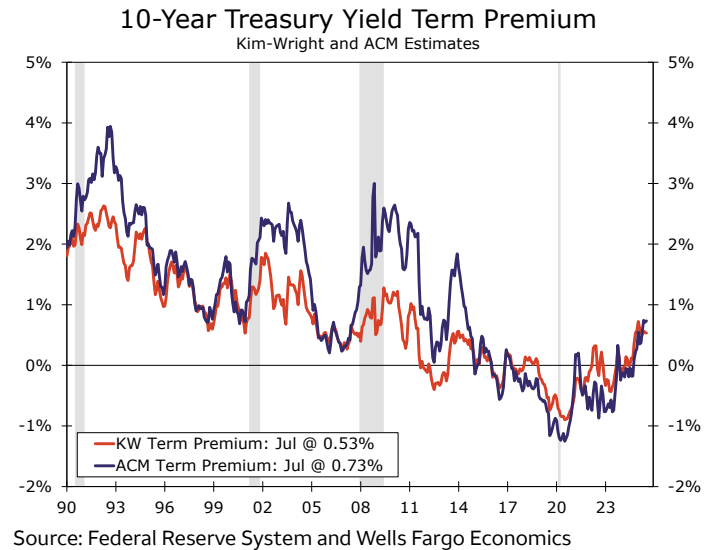
Of course, this simplified example is not fully representative of how the world works. In the real world, investors are operating under uncertainty. No one is sure what overnight rates will be every day for the next five, 10 or 30 years. In a world of uncertainty, locking your money up for 10 years via the purchase of a long-term government bond comes with additional risk relative to lending your money on an overnight basis and rolling that investment each day. To compensate for this greater risk/foregone flexibility, investors generally demand additional compensation.

This basic idea is what term premiums represent in interest rate markets. One way to think of the 10-year Treasury yield is the average expected overnight interest rate over the next 10 years plus the term premium, i.e., the additional yield an investor demands to lend their money for 10 years. Measuring term premium is a difficult task and requires a variety of modeling techniques, but when looking at a couple of the leading estimates, we see that Treasury term premiums generally fell between the 1990s and 2020 ([chart to the right](#)). More recently, term premiums have been on the rise, and most estimates place the current 10-year Treasury term premium around 50 bps-75 bps.

What about expectations for short-term interest rates? If we look to survey-based measures, such as the FOMC's [Summary of Economic Projections](#) or the [Survey of Market Expectations](#) from private sector forecasters, we see that the median estimate for short-term interest rates over the long run is at or slightly above 3%. Our own estimate for the longer-run overnight rate is 3.25%-3.50%. If we add our estimate of the overnight rate to current estimates of the 10-year term premium, we get a long-run, fair value estimate of the 10-year Treasury yield around 4%. Note that this estimate is not too far off from the current spot rate on the 10-year yield of 4.27%.

Despite all the uncertainty about the economic and policy outlook this year, the 10-year Treasury yield has been relatively range-bound between 4.20% and 4.60% in recent months. Perhaps with a few more rate cuts by the FOMC sometime in the next couple quarters, interest rates in the United States will be close to longer-run, neutral levels. That is, until the next shock comes along and alters expectations about the future again.

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Topic of the Week

Duty Calls

In a recent escalation of trade policy, the Trump administration announced updated reciprocal tariffs ranging from 10% to 41% on goods from over 60 countries. While this marks a significant shift in the administration's global trade strategy, it was not as much of an escalation as we had been bracing for. We estimate that these new tariffs *moderate* previous expectations, resulting in an average effective tariff rate of 18%, compared to the 20% expected if rates simply reverted to those announced previously on Liberation Day.

This week brought additional tariff headlines. India is facing pressure with an additional 25% tariff (50% total) for buying Russian oil, set to go into effect in about three-weeks' time. Talks with Switzerland were inconclusive, leaving the country exposed to a steep 39% rate. The big developments centered around semiconductors and pharmaceuticals. Trump mentioned a 100% tariffs on semiconductors (with exception for firms with existing or planned U.S. investment) and that tariffs on pharmaceutical products were coming, but details remain limited. Combined, these levies could push the effective tariff rate to as high as 30%, although, anticipating many carve-outs, our estimates put this closer to 25%.

China and Mexico are still operating under a 90-day pause on higher reciprocal rates, now extended through October. This adds uncertainty, as future changes could significantly shift the average tariff rate due to the heavy volume of trade with these nations. These evolving policies create a challenging landscape for businesses making investment and supply chain decisions. A grace period is in effect for shipments sent before the new rates apply, allowing firms to accelerate orders and potentially again inflate short-term import growth.

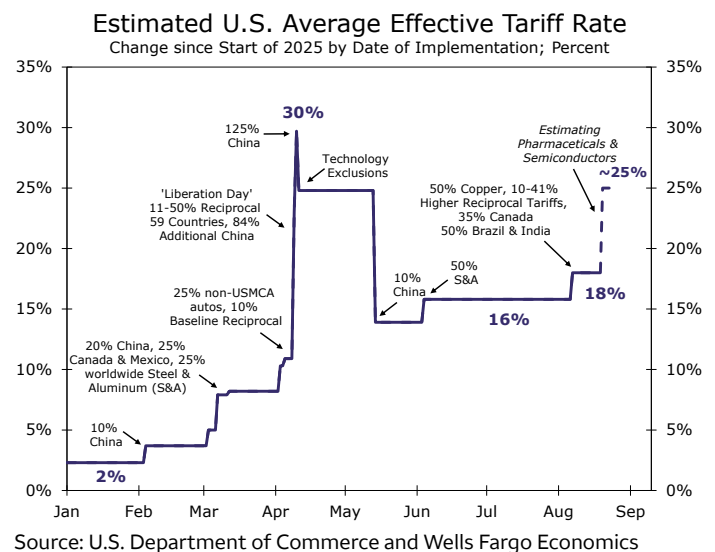
On the legal front, tariffs imposed under the International Emergency Economic Powers Act (IEEPA), which mostly covers country-specific tariffs tied to immigration, fentanyl and trade imbalances, are under judicial review. The outcome could mandate refunds for tariffs collected under potentially unlawful authority. Meanwhile, Section 232 investigations into other sectors like timber, critical minerals, trucks and aircraft are ongoing. Sectoral tariffs, which follow a formal investigative process, are seen as more durable due to stronger legal footing.

The overall macroeconomic effect remains uncertain. While official indicators suggest modest impacts so far, consumer pullbacks in discretionary spending and a soft July jobs report may signal hidden economic strain. If more economic weakness emerges, political pressure could build to moderate the tariff stance.

While the updated tariffs offer some clarity and stability in the short term, significant uncertainties remain. Key upcoming developments include final decisions on China and Mexico, potential court rulings on IEEPA tariffs and outcomes of Section 232 investigations. The focus will remain on the largest U.S. trading partners (China, Mexico, Canada and the EU), which account for around 60% of imports and are most likely to shape the overall trade and economic impact moving forward.

For more see, [Sector Rotation: Semiconductor & Pharmaceutical Tariffs](#).

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Market Data • Mid-Day Friday

U.S. Interest Rates			
	Friday 8/8/2025	1 Week Ago	1 Year Ago
SOFR	4.35	4.39	5.33
Effective Fed Funds Rate	4.33	4.33	5.33
3-Month T-Bill	4.23	4.27	5.21
1-Year Treasury	3.85	3.85	5.24
2-Year Treasury	3.75	3.68	4.04
5-Year Treasury	3.82	3.76	3.83
10-Year Treasury	4.28	4.22	3.99
30-Year Treasury	4.85	4.82	4.28
Bond Buyer Index	5.20	5.29	3.85

Foreign Exchange Rates			
	Friday 8/8/2025	1 Week Ago	1 Year Ago
Euro (\$/€)	1.167	1.159	1.092
British Pound (\$/£)	1.345	1.328	1.275
British Pound (£/€)	0.867	0.873	0.856
Japanese Yen (¥/\$)	147.710	147.400	147.230
Canadian Dollar (C\$/ \$)	1.375	1.379	1.373
Swiss Franc (CHF/\$)	0.807	0.804	0.867
Australian Dollar (US\$/A\$)	0.653	0.647	0.659
Mexican Peso (MXN/\$)	18.530	18.860	18.872
Chinese Yuan (CNY/\$)	7.185	7.193	7.176
Indian Rupee (INR/\$)	87.661	87.528	83.964
Brazilian Real (BRL/\$)	5.420	5.542	5.547
U.S. Dollar Index	98.179	99.141	103.209

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

Foreign Interest Rates			
	Friday 8/8/2025	1 Week Ago	1 Year Ago
3-Month German Govt Bill Yield	1.78	1.83	3.25
3-Month U.K. Govt Bill Yield	4.06	4.05	5.00
3-Month Canadian Govt Bill Yield	2.65	2.66	4.29
3-Month Japanese Govt Bill Yield	0.41	0.43	0.08
2-Year German Note Yield	1.96	1.93	2.40
2-Year U.K. Note Yield	3.89	3.79	3.66
2-Year Canadian Note Yield	2.66	2.70	3.35
2-Year Japanese Note Yield	0.77	0.82	0.28
10-Year German Bond Yield	2.68	2.68	2.27
10-Year U.K. Bond Yield	4.59	4.53	3.98
10-Year Canadian Bond Yield	3.37	3.38	3.18
10-Year Japanese Bond Yield	1.49	1.56	0.85

Commodity Prices			
	Friday 8/8/2025	1 Week Ago	1 Year Ago
WTI Crude (\$/Barrel)	63.70	67.33	76.19
Brent Crude (\$/Barrel)	66.38	69.67	79.16
Gold (\$/Ounce)	3393.46	3363.48	2427.53
Hot-Rolled Steel (\$/S.Ton)	835.00	847.00	678.00
Copper (\$/Pound)	448.55	443.55	395.90
Soybeans (\$/Bushel)	9.93	9.90	10.50
Natural Gas (\$/MMBTU)	3.01	3.08	2.13
Nickel (\$/Metric Ton)	14,914	14,736	16,031
CRB Spot Inds.	569.12	567.34	536.65

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Economics Group

Tim Quinlan	Senior Economist	704-410-3283	Tim.Quinlan@wellsfargo.com
Sam Bullard	Senior Economist	704-410-3280	Sam.Bullard@wellsfargo.com
Nick Bennenbroek	International Economist	212-214-5636	Nicholas.Bennenbroek@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 Grein	Economist	704-410-0369	Shannon.Grein@wellsfargo.com
Nicole Cervi	Economist	704-410-3059	Nicole.Cervi@wellsfargo.com
Delaney Conner	Economic Analyst	704-374-2150	Delaney.Conner@wellsfargo.com
Ali Hajibeigi	Economic Analyst	212-214-8253	Ali.Hajibeigi@wellsfargo.com
Azhin Abdulkarim	Economic Analyst	212-214-5154	Azhin.Abdulkarim@wellsfargo.com
Anagha Sridharan	Economic Analyst	704-410-6212	Anagha.Sridharan@wellsfargo.com
Andrew Thompson	Economic Analyst	704-410-2911	Andrew.L.Thompson@wellsfargo.com
Coren Miller	Administrative Assistant	704-410-6010	Coren.Miller@wellsfargo.com

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