WELLS FARGO

Weekly — August 2, 2024

Weekly Economic and Financial Commentary

United States: **"The Downside Risks to the Employment Mandate Are Real Now"**

- We have just concluded what will become a historic week. The July employment report brought with it a crossing of the Sahm Rule threshold. That means we're either headed for recession, or about to break yet another recession rule this unique cycle. Either way, the Fed is getting ready to cut. We still see a 25 bps cut in September, though growing risks to the employment side of the Fed's mandate suggest more and/or a faster pace of easing may be warranted.
- Next week: ISM Services (Mon.), Trade Balance (Tue.)

International: **Global Central Banks Getting Busy**

- It was a busy week for global central banks. The Bank of Japan raised its policy rate to around 0.25%, while the Bank of England delivered an initial 25 bps rate cut to 5.00%. In Latin America, the Brazilian Central Bank held its policy rate steady, the Chilean Central Bank paused its easing cycle and Colombia's central bank kept up its 50-bps-per-meeting easing pace.
- Next week: Reserve Bank of Australia Policy Rate (Tue.), Japan Labor Cash Earnings (Tue.), Banxico Policy Rate (Thu.)

Interest Rate Watch: **Open Door to a September Cut, Where Have I Heard That?**

- This week's Fed meeting noted progress on inflation and opened the door to a rate cut in September. Why does this sound so familiar?

Credit Market Insights: **A HELOC Helping Hand**

- Given how the consumer has surprised to the upside before in this cycle, how might consumers today look beyond their income to increase purchases if pandemic-era savings are gone and credit is less widely available? One option may be increased use of home equity lines of credit (HELOCs).

Topic of the Week: **The Host with the Most: An Economic Overview of France**

- The XXXIII Olympiad kicked off last Friday in Paris and will continue until Aug. 11. Though Paris is the host city, events are being held in 16 additional cities across France, with one subsite in Tahiti, French Polynesia. In honor of this year's games, we provide an economic overview of the host country.

Submit a question to our "Ask Our Economists" podcast at askoureconomists@wellsfargo.com.

Wells Fargo U.S. Economic Forecast

	Actual 2023				Forecast 2024				Actual		Forecast	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	2022	2023	2024	2025
Real Gross Domestic Product [1]	2.2	2.1	4.9	3.4	1.4	2.8	1.6	1.5	1.9	2.5	2.3	1.9
Personal Consumption	3.8	0.8	3.1	3.3	1.5	2.3	1.9	1.7	2.5	2.2	2.1	1.9
Consumer Price Index [2]	5.7	4.0	3.6	3.2	3.2	3.2	2.7	2.7	8.0	4.1	3.0	2.4
"Core" Consumer Price Index [2]	5.5	5.2	4.4	4.0	3.8	3.4	3.2	3.1	6.2	4.8	3.4	2.7
Quarter-End Interest Rates [3]												
Federal Funds Target Rate[4]	5.00	5.25	5.50	5.50	5.50	5.50	5.25	5.00	2.02	5.23	5.31	4.38
Conventional Mortgage Rate	6.54	6.71	7.20	6.82	6.82	6.92	6.75	6.50	5.38	6.80	6.75	6.09
10 Year Note	3.48	3.81	4.59	3.88	4.20	4.36	4.15	4.00	2.95	3.96	4.18	3.83

Forecast as of: July 12, 2024 [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. Depart. of Commerce, U.S. Dept. of Labor, Federal Reserve Board and Wells Fargo Economics

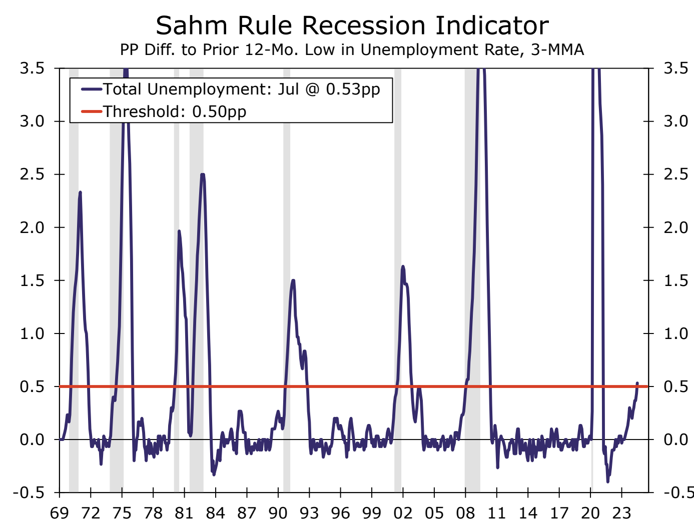
Please see our full U.S. Economic Forecast.

U.S. Review

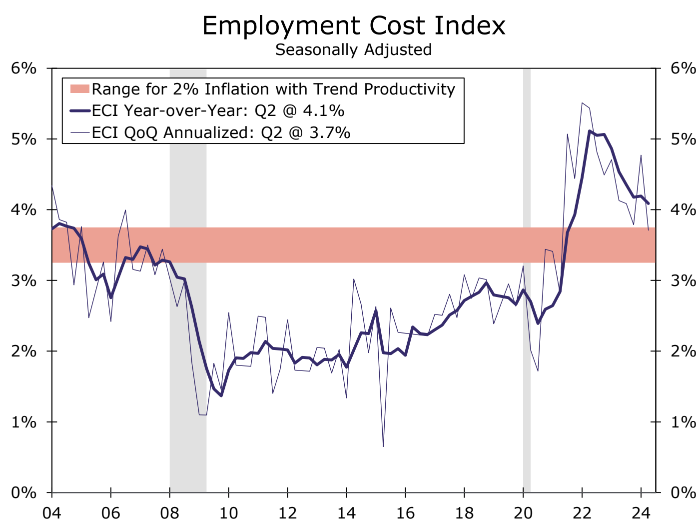
"The Downside Risks to the Employment Mandate Are Real Now"

The latest monetary policy meeting came and went as expected. The Federal Open Market Committee (FOMC) made no major changes to policy, though Chair Powell's press conference was littered with hints that the Fed is getting ready to ease restrictions, likely in September. Powell stressed that the two sides of the Fed's mandate—stable prices and maximum employment—are in better balance, and that "the downside risks to the employment mandate are real now." He also mentioned the Committee is getting closer to the point where it would feel confident to dial back restrictions but that the job is not done. In short, the Fed wants to keep its options open to see how the data evolve, but the July nonfarm payroll report puts on the pressure to act soon and potentially fast.

Employers added just 114K net new jobs in July, close to the smallest monthly gain this cycle, with downward revisions to prior months' hiring as well. The trend looks discernibly lower now, but the most striking development was the 0.2 percentage point (pp) rise in the unemployment rate, which has now triggered the 'Sahm Rule.' This rule highlights that whenever the three-month moving average of the unemployment rate (currently 4.1%) rises a half-a-percent (0.5pp) off its prior 12-month low (currently 3.6%), the economy has fallen into a recession. While it's not guaranteed we're now destined to slip into one, it's hard to deny something with such a steady track record (chart).



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



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

We're in a unique environment, as the increase in unemployment has been driven more by entrants into the labor force today than at the start of prior recessions. Increased supply, or the rise in unemployment for the "right" reasons, suggests the threshold for recession could be higher this cycle. Even if that's the case, this signal should not be ignored. There was an increase in job losses last month which also helped push unemployment higher. At the end of the day, if more workers are finding it harder to gain employment, the labor market is deteriorating.

It's worth remembering some moderation is necessary to quell wage growth and help stomp out the remainder of inflation. But we're walking what feels like a fine line between healthy moderation and outright contraction. Other data this week were consistent with a fading economy. The Employment Cost Index (ECI), a comprehensive measure of labor costs, eased in the second quarter and is now striking distance to a pace consistent with the Fed's inflation goal (chart). The ISM manufacturing index also slid to an eight-month low in July as more restrictive policy hits the sector.

We expect the FOMC to begin dialing back policy restriction at its next opportunity to do so in September. We still look for the FOMC to reduce the fed funds rate by 25 bps at its September meeting followed by an additional 25 bps at every other meeting through 2024, although growing risks to the employment side of the Fed's mandate suggest more and/or a faster pace of rate cuts may be warranted. The market was quick to bake in a faster pace of easing after Friday's employment data, with 100 bps of easing before year-end now fully priced in. (Return to Summary)

U.S. Outlook

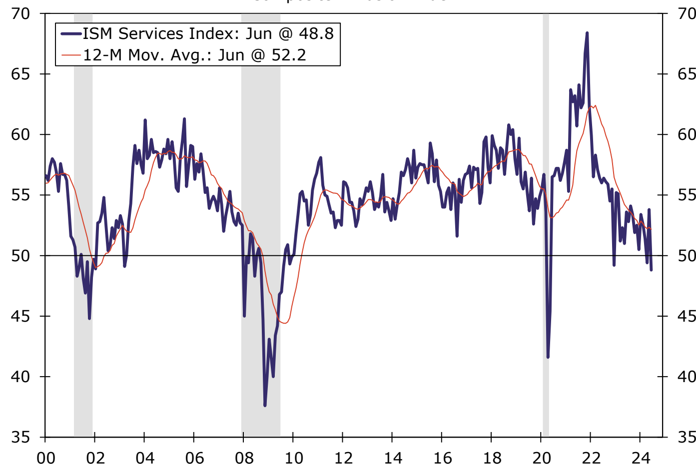
Weekly Domestic Indicator Forecasts					
Date	**Indicator**	**Period**	**Consensus**	**Wells Fargo**	**Prior**
5-Aug	ISM Services Index	Jul	51.3	51.4	48.8
6-Aug	Trade Balance	Jun	-$72.6B	-$72.4B	-$75.1B

Forecast as of August 02, 2024

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

ISM Services • Monday

The ISM Services Index has been volatile. In June, the index slipped into contraction territory for the second time this year. We suspect the index to break back into expansion territory with a reading of 51.4 in July, but the bounciness is illustrative of a sector that has lost its momentum and may be feeling the weight of more restrictive policy.

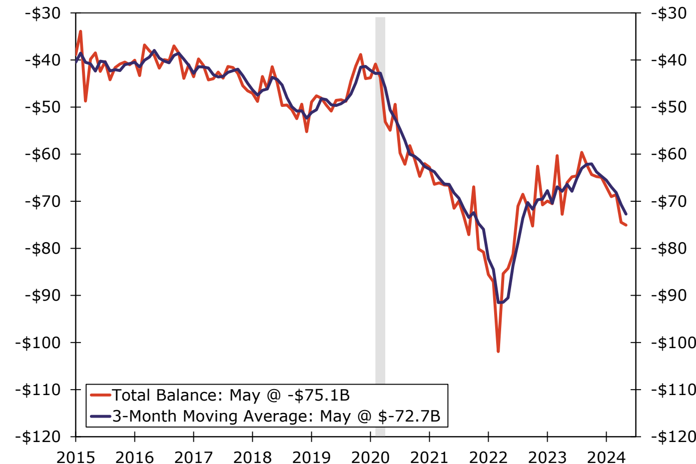


Source: Institute for Supply Management and Wells Fargo Economics

Service providers have contended with elevated input costs and uncertain demand for the better part of the past year. While the prices paid sub-component has edged closer to its historical norm, production has been particularly weak. The business activity sub-component plunged nearly 12 percentage points in June, while the new orders gauge slipped seven percentage points. The weakening in activity is underpinned by sluggish retail sales, declining construction spending and challenging supply chain conditions with the ongoing conflict in the Red Sea. While we do not look for the tide to turn on these issues quickly, we suspect that the ongoing resilience in consumer spending, particularly on services, will remain somewhat supportive of the service sector in the coming months.

Trade Balance • Tuesday

We learned last week that net exports sliced 0.7 percentage points off of real GDP growth in the second quarter. The negative contribution stemmed from real imports (6.9%) far outpacing real exports (2.0%) over the quarter. We expected trade to be a drag on GDP growth, as imports came into Q2 with stronger momentum than exports, but we did not yet have the monthly details for June; that data is due for release next week.



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

We forecast the U.S. international trade deficit narrowed to -$72.4B in June. Advance data on goods trade show merchandise exports jumping 2.5% over the month, while merchandise imports rose a softer 0.7%. Strong capital goods and industrial supplies exports boosted overall merchandise outflows during June, which corroborates the recent strength in U.S. industrial production. In the second half of this year, we look for trade to become a neutral factor on overall GDP growth, as domestic demand is expected to cool and ease the strength in import flows.

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International Review

Global Central Banks Getting Busy

This week was abuzz with major central bank decisions and economic data releases alike from both G10 and emerging economies. To start, Bank of Japan (BoJ) policymakers sprung a mild surprise earlier this week as they raised their policy rate to around 0.25% from around 0.0%-0.10% previously. The BoJ also said it would reduce the pace of its monthly bond purchases by 400 billion yen every quarter, to reach 2.9 trillion yen per month in early 2026.

The BoJ's announcement and Governor Ueda's post-meeting press conference also contained several notable hawkish-leaning comments, including a remark that if the outlook for economic activity and prices evolves broadly as expected, the central bank will "accordingly continue to raise the policy interest rate and adjust the degree of monetary accommodation." The announcement also highlighted upside risks to prices. In addition, this meeting ushered in updated BoJ economic projections. With respect to its outlook on price pressures, the BoJ lowered its core inflation forecast for fiscal year 2024 to 2.5% (from 2.8% previously) and increased its forecast for fiscal year 2025 to 2.1% (from 1.9%), while keeping the fiscal year 2026 forecast unchanged at 1.9%.

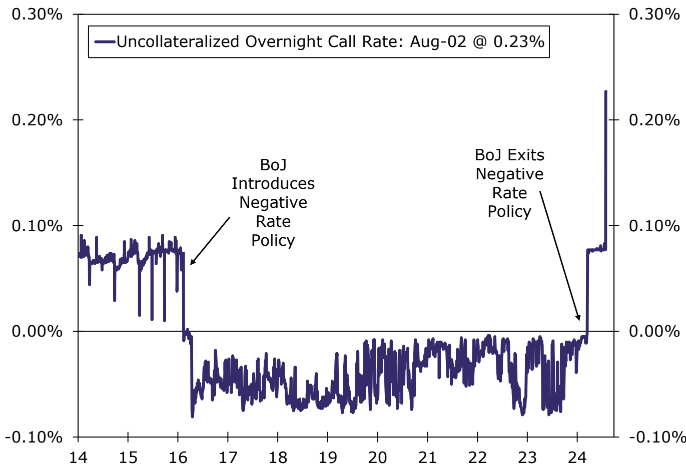
In considering the BoJ's commentary and new forecasts, our main takeaways are as follows: First, the BoJ appears to be willing to discount subdued economic activity to some extent, given this rate increase decision came at a time of recent weakness in GDP data. This suggests that wage and inflation data, rather, will likely remain of elevated importance in terms of the timing and magnitude of any further rate increases. Our second key takeaway was that it appears possible that the BoJ is trying to "front load" rate increases such that it can make progress in normalizing monetary policy ahead of the significant and sustained monetary easing that is expected from the Fed. Against this backdrop, we now expect earlier and more pronounced rate hikes from the Bank of Japan than previously. We forecast the next 25 bps policy rate hike to around 0.50% at the October monetary announcement. We also forecast another 25 bps rate increase to around 0.75% at the January 2025 announcement, though we acknowledge this 2025 rate hike is less certain, depending on how price and growth trends evolve. Beyond that, we expect the BoJ to hold its policy rate steady through the rest of 2025. For further reading, please see our recent report.

The Bank of England (BoE) also met this week. In a finely balanced decision, policymakers voted 5-4 for an initial 25 bps policy rate cut to 5.00%. We believe the accompanying announcement and updated economic projects were generally consistent with our view for cautious and gradual BoE monetary easing going forward. While policymakers did offer a softer assessment of the outlook for underlying inflation, they also acknowledged that there may be some upside risks to price pressures. Balancing these factors, the BoE said it is now appropriate to reduce the degree of policy restrictiveness "slightly." In terms of the updated economic projections, using the assumption of a market-implied rate path, the central bank now forecasts stronger economic growth for 2024 than previously and held steady its GDP growth projections for 2025 and 2026. Meanwhile, headline CPI inflation is expected to rebound to 2.7% by the end of this year, but, based on market assumptions, fall below the 2% inflation target over the medium term.

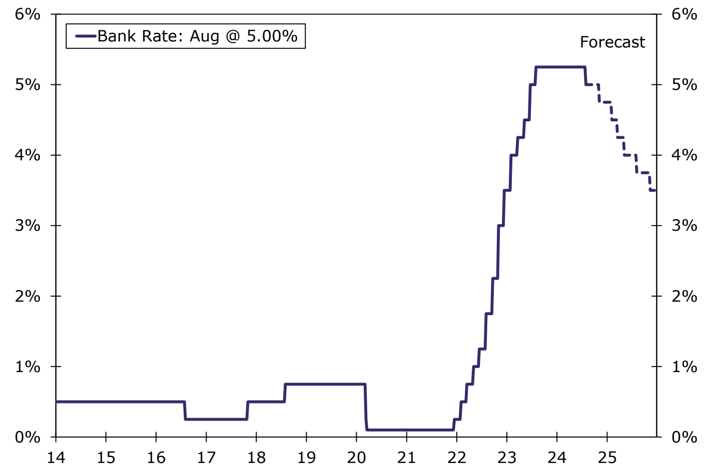
Overall, stronger near-term economic growth, a likely rebound in near-term inflation and the possibility of upside surprises, and the BoE's careful guidance all point to an initially gradual pace of rate cuts. We expect the BoE to deliver one more 25 bps rate cut this year, in November. Next year, as inflation recedes further and given the potential for inflation to undershoot 2% in the medium term, we do expect a faster pace of easing for 125 bps total of rate cuts in 2025. For further reading, please see our recent report.

In other G10 economic data, key Eurozone economic data released this week provided data-dependent European Central Bank (ECB) policymakers as well as market participants with further insight into growth and price developments in the region's economy. Second quarter GDP growth for the Eurozone as a whole surprised slightly to the upside, at 0.3% quarter-over-quarter and 0.6% year-over-year. Breaking down GDP growth among the region's largest economies, it appears that Germany's 0.1% contraction over the quarter was generally offset by more steady readings in France, Italy and Spain. Overall, we see these growth figures as consistent with our view that the Eurozone economic recovery will continue to take shape this year. Turning to price pressures, the July headline and core CPI inflation readings for the Eurozone surprised to the upside, at 2.6% and 2.9% year-over-year, respectively. Services inflation, which has been a key area of interest for ECB policymakers, ticked down slightly but remained elevated at 4.0% year-over-year. When we consider this week's Eurozone

economic data, we maintain our outlook for the ECB to continue with a cautious and data-dependent approach to monetary easing; we look for two more 25 bps policy rate cuts this year, in September and December.



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



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

Turning to emerging economies, this week the Brazilian Central Bank (BCB) held its policy rate at 10.50% for the second-straight meeting. In the accompanying monetary policy announcement, policymakers offered some hawkish-leaning commentary, pointing to a slower process of headline disinflation, elevated underlying inflation and a de-anchoring of inflation expectations. BCB officials also commented on the current fiscal scenario, which, as we wrote in a recent report, is another risk to Brazil's inflation environment. In light of these concerns, policymakers stated that “even greater caution” will be required with the conduct of monetary policy and that it should “continue being contractionary for sufficient time.” This hawkish-leaning commentary is consistent, in our view, with our forecast for BCB policymakers to maintain a Selic Rate of 10.50% through the end of 2025.

The Chilean Central Bank (BCCh) also met this week. BCCh policymakers voted unanimously to pause its easing cycle at a policy rate of 5.75%, against consensus expectations for a 25 bps rate cut. Officials stated that if economic conditions evolve as expected, it is likely that the policy rate saw “the bulk of cuts foreseen for the year” already in the first half of this year, but that the policy rate will continue to be reduced throughout the forecast horizon.

Rounding out the slate of Latin American central banks that met this week, Colombia's central bank (BanRep) delivered a 50 bps policy rate cut to 10.75%. Officials were somewhat divided on the pace of easing to deliver at this meeting; as with the past few meetings, two policymakers voted for a faster pace of easing against five that supported the 50 bps cut. While we believe BanRep officials appear to be generally comfortable with the inflation outlook, in our view, looser fiscal policy and currency depreciation remain risks that will likely prevent the pace of easing from picking up. We see a steady 50-bps-per-meeting pace of easing will prevail through the end of 2024.

In other emerging economy data, China's official July PMIs were yet another instance of sluggish economic data for the country this year. The manufacturing PMI slipped to 49.4, in line with the consensus expectation and notching the third-straight month below the 50 "breakeven" level. The non-manufacturing PMI dropped by more than expected, to 50.2. We view these readings as consistent with our outlook for sub-5% GDP growth for China this year. For further reading, please see our recent report.

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International Outlook

Weekly International Indicator Forecasts					
Date	**Indicator**	**Period**	**Consensus**	**Wells Fargo**	**Prior**
6-Aug	Reserve Bank of Australia Policy Rate	6-Aug	4.35%	4.35%	4.35%
6-Aug	Japan Labor Cash Earnings (YoY)	Jun	2.4%	–	2.0%
8-Aug	Banxico Policy Rate	8-Aug	10.75%	11.00%	11.00%

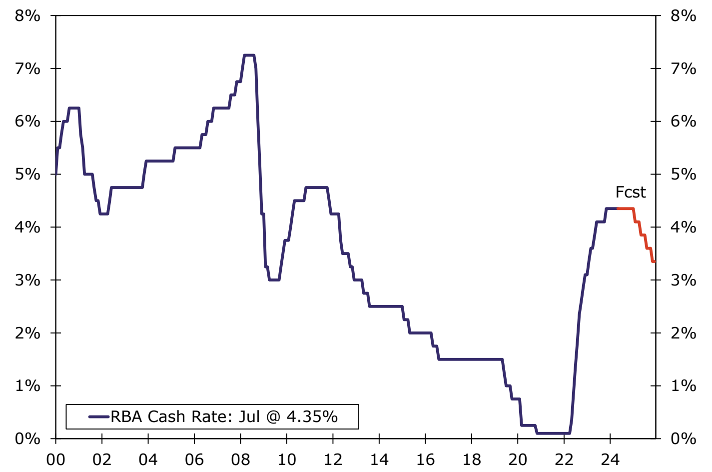
Forecast as of August 02, 2024

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

Reserve Bank of Australia • Tuesday

Next week, the Reserve Bank of Australia (RBA) will deliver its latest monetary policy announcement and updated economic projections. Our view, as well as the consensus, is for the RBA to hold the policy rate steady at 4.35% amid lingering inflation concerns.

The RBA's latest monetary policy announcement in June was generally hawkish in tone, with policymakers highlighting persistent inflation, especially services inflation. Officials also reiterated that they suspect it will be some time yet before inflation is sustainably in the target range and stated that recent data have reinforced the need to remain vigilant. Q2 headline inflation picked up, whereas underlying inflation figures were a bit more encouraging, slowing more than expected. With that said, measures of both headline and core inflation remain above the RBA's target. Economic growth in Australia has been somewhat subdued, but we believe recent inflation developments will be the most important factor in RBA policymakers' decision-making process. In terms of our outlook, we see the central bank keeping rates on hold through the rest of 2024. As inflationary pressures slow from their current pace, we expect the RBA to proceed with a gradual monetary easing cycle next year, beginning with a 25 bps rate cut in February 2025.

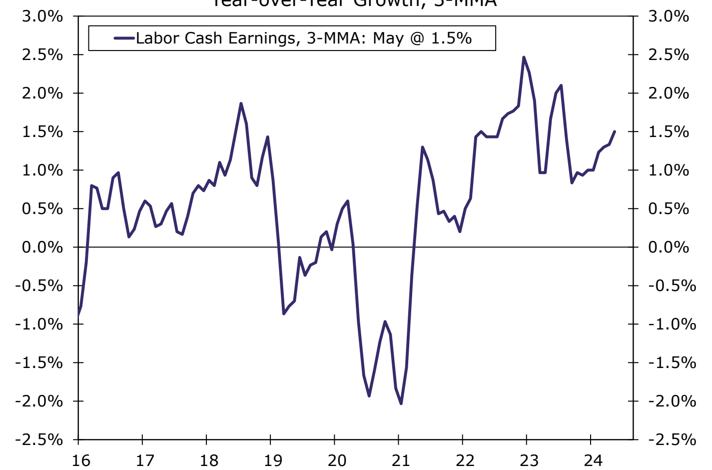


Source: Bloomberg Finance L.P. and Wells Fargo Economics

Japan Labor Cash Earnings • Tuesday

Next week will see the release of Japan's labor cash earnings data for June. As we wrote above, we believe that wage and inflation data will be especially important in terms of the timing and magnitude of further Bank of Japan (BoJ) rate increases. In our view, policymakers and market participants alike will be examining monthly wage figures for any signs of an acceleration that could contribute to the often-mentioned "virtuous cycle" of wages and prices, as well as income and spending, that could help to bolster the case for further BoJ monetary policy normalization. After Japan's labor unions secured a historically high average wage increase for fiscal year 2024 of 5.1% in this year's spring wage negotiations, attention has turned to how monthly wage figures have evolved following that milestone.

Consensus economists expect a generally encouraging turnout for the June wage data. Expectations are for headline labor cash earnings growth to speed up to 2.4% year-over-year from an upwardly revised 2.0% pace in May. And while growth in real labor cash earnings is expected to remain negative, if the consensus forecast of -0.9% is realized, this would be the smallest contraction in inflation-adjusted earnings since mid-2023. Overall, we believe a firming in wage growth can be a key factor behind continued monetary policy normalization from the BoJ. As we wrote in a report earlier this week, we expect the BoJ to deliver a 25 bps rate increase in October, followed by another in January 2025.



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

Banxico Policy Rate • Thursday

Next week, Mexico's central bank, Banxico, will deliver its latest monetary policy decision. We expect the central bank to keep its policy rate steady at 11.00% and communicate a cautious stance toward monetary easing.

While views among market participants and economists regarding a hold or a cut are almost evenly split, we believe lingering inflation concerns and currency deprecation will keep policymakers on hold in August. At their latest meeting in June, Banxico officials did nod to the possibility of re-starting rate cuts, but since then, headline inflation for June and the first half of July surprised to the upside. In addition, the Mexican peso remains under pressure following the June election. The political environment in both Mexico and the U.S. is also conducive, in our view, to a cautious pace of Banxico easing following the August decision. Locally, concerns around constitutional amendments are front and center, while the U.S. election later this year could also have ramifications for U.S.-Mexico relations. In that sense, we believe Banxico will deliver another 25 bps rate cut once the local and external political arena crystallizes a bit more and as the peso eventually stabilizes. As of now, we forecast the Banxico policy rate to end 2024 at 10.75%.

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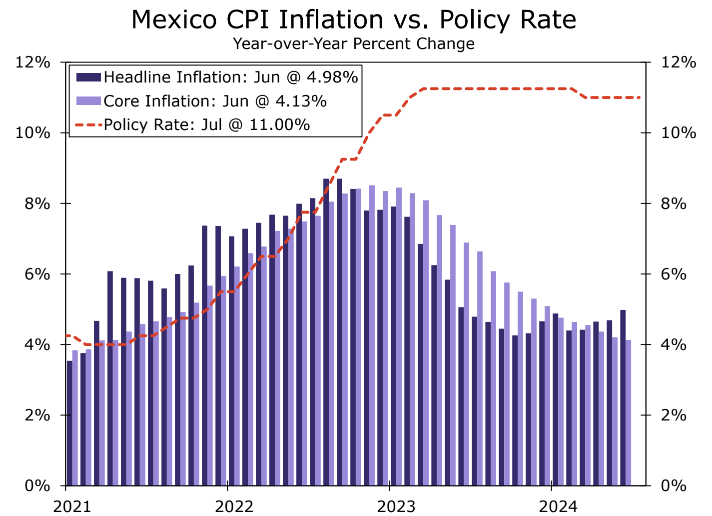

Source: Bloomberg Finance L.P. and Wells Fargo Economics

Interest Rate Watch

A September to Remember

As was widely anticipated, the FOMC left the fed funds rate unchanged at its summer meeting though it opened the door to the possibility of a rate cut in September. This came after the FOMC raised rates at multiple consecutive meetings before holding the terminal rate just north of 5% for the prior year. No one was expecting what happened next. The FOMC did cut rates in September, but stunned the market by cutting 50 bps when the expectation was for just a quarter point cut. The year was 2007.

From June 2006 until September 2007, the FOMC held the fed funds rate at 5.25%. If the FOMC cuts at the September meeting, this plateau will roughly match that one. If rate cuts are put off any longer, this will mark the longest hold at the terminal fed funds rate since 1998.

The goal of keeping rates higher for longer, of course, is to put downward pressure on inflation. While it is still not back to the 2% target, the year-over-year pace of core PCE inflation has come down to 2.6% in the latest print from a 4.3% rate in June 2023.

But inflation is not the only thing coming down. The labor market has cooled. Employers added just 114K net new jobs in July and the upward move in the unemployment rate triggered the Sahm Rule, which historically signals recession. On trend, the jobs market has continued to cool and by many measures has returned to its pre-pandemic state. The post-meeting statement indicated that the FOMC now sees the risks of a too-hot economy or a too-cool one as more equally balanced. No wonder that the FOMC "is attentive to risks to both sides of its dual mandate," as it said in the statement.

Rate cuts are not promised, but the stage is certainly set. Chair Powell stated in the press conference that "a rate cut could be on the table in September" and "the broad sense of the committee is that the economy is moving closer to the point at which it will be appropriate to reduce our policy rate."

We look for the Committee to reduce the fed funds rate by 25 bps at its September meeting. Further labor-market weakening could support more and/or a faster pace of easing, but we're not expecting the sorts of surprises that emerged during the same stretch exactly 17 years ago.

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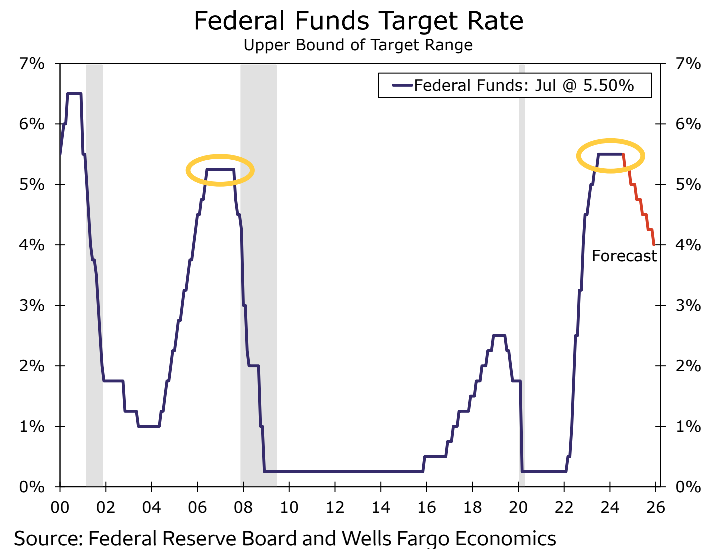


Source: Federal Reserve Board and Wells Fargo Economics

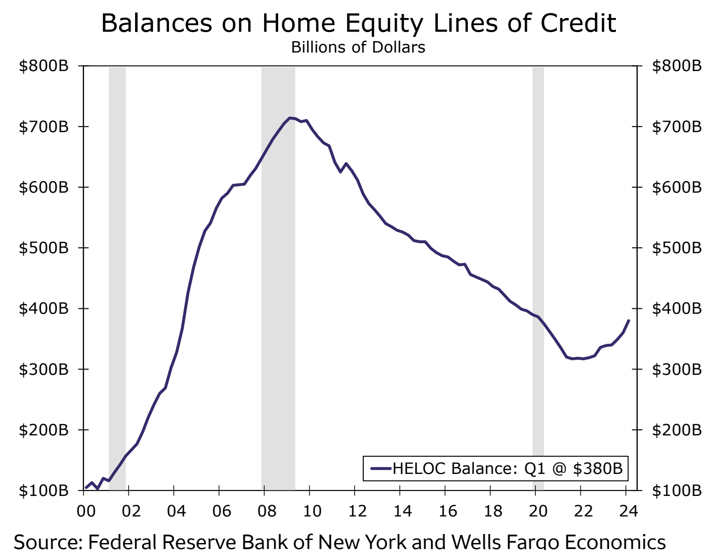
Credit Market Insights

A HELOC Helping Hand

More than half the overall economic growth in the second quarter came from consumer spending, which contributed 1.6 percentage points to the overall 2.8% growth rate. There are signs of fatigue amid a lower take-up in revolving credit and slower growth in discretionary spending.

Yet, given how the consumer has surprised to the upside before in this cycle, how might consumers today look beyond their income to increase purchases if pandemic-era savings are gone and credit is less widely available?

One option is to decrease the amount saved each month, and the savings rate indeed fell to an 18-month low of 3.4% in June, as we noted in a recent report. Another option may be increased use of home equity lines of credit (HELOCs), which can finance both big-ticket items or be used to pay down credit card debt.



Source: Federal Reserve Bank of New York and Wells Fargo Economics

There is some evidence this is already happening. HELOC balances increased by 5.6% in the first quarter, the fastest pace since before the financial crisis. After the housing bubble burst in 2008, the drop in home prices made lenders less willing to extend credit, and HELOC balances suffered a trend decline for more than a decade. Some of that lost ground is being gradually regained: HELOC balances have grown every quarter since the Fed began a rate-hiking cycle in March 2022 and are now up $63B or 20% from their 2021 low (chart).

That upswing comes as the Fed's rate hikes have made many other borrowing options comparatively expensive. Interest rates on credit cards were north of 21% in the second quarter, making the average HELOC rate of 9% a relative bargain. Some consumers could even be using HELOCs to refinance credit card debt and bring interest payments down to more manageable amounts.

The renewed interest in HELOCs comes with a deep backstop—the record level of homeowners' equity. As of the first quarter, homeowners' equity rested at an all-time high of $46T, an increase driven in part by appreciating home prices. The level of outstanding mortgage debt is now just 40% of the aggregate value of homeowners' equity, compared to around 70% on the eve of the financial crisis. That suggests homeowners have further headroom to sustain spending growth by borrowing against their homes. Non-homeowners, who occupy 34% of the nation's housing stock, of course, cannot access such deep pools of further credit. Our baseline expectation is that a moderation in consumer spending is in store for the second half of the year, but to the extent that consumers attempt to tap the liquidity afforded by record-high homeowners' equity, there is scope for even more staying power in consumer spending.

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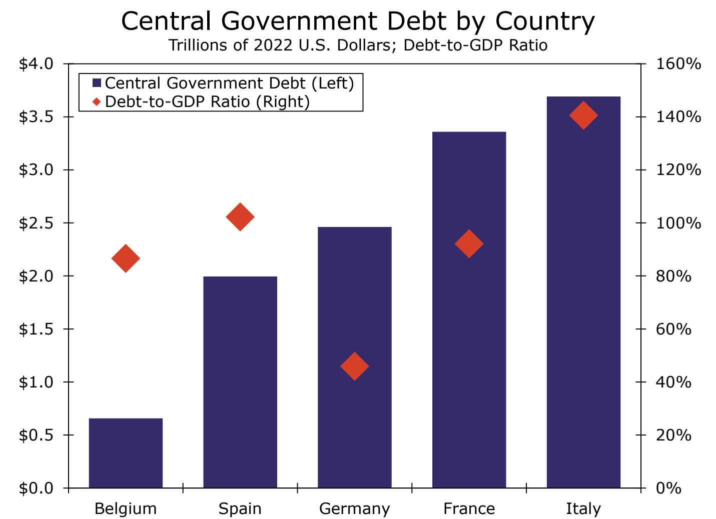
Topic of the Week

The Host with the Most: An Economic Overview of France

The XXXIII Olympiad kicked off last Friday in Paris and will continue until Aug. 11. Over the 19 days of competition, 10,500 athletes from over 200 National Olympic Committees will compete in 32 sports in the hopes of bringing home the gold. Though Paris is the host city, events are being held in 16 additional cities across France, with one subsite in Tahiti, French Polynesia. Paris is the second city ever to host the Summer Olympics three times (after London), and France itself has hosted six Olympic Games in total. In honor of this year's games, we provide an economic overview of the hosting country.

Apart from the Olympics, the past few months have been eventful for France. In June, President Macron called for a snap legislative election after France's far-right National Rally (RN) party earned 31.4% of the French vote for the European Parliament, more than double the 14.6% won by Macron's party. In the National Assembly election, the RN party took the lead after the first round of voting, but a surge in support for the left-wing New Popular Front (NFP) coalition in the second round resulted in a divided parliament. Out of the 577 seats of the National Assembly, the NFP coalition won 178, Macron's party won 156 and the RN party won 143. With no clear majority won (a party would need at least 289 seats), France faces political gridlock, leaving President Macron with the difficult decision of appointing a prime minister capable of charting a path forward in the polarized Assembly.

Macron's selection holds major implications for the future of the French economy. While Macron has the ultimate say in naming the prime minister, the challenge lies in finding a figure who would not be vulnerable to a vote of no confidence, which would lead to even more political gridlock. Macron will not appoint a prime minister until after the Olympics, and until then, the Assembly will remain at a political impasse.



Source: International Monetary Fund and Wells Fargo Economics

One of the more divergent stances among the parties is the extent of government spending. In 2022, France held the second-largest amount of central government debt in the E.U., which amounted to almost 100% of its GDP (chart). Recently, the E.U. warned France of potential financial penalties should it fail to rein in its ballooning deficit and debt. E.U. legislation typically requires member countries to keep debt levels below 60% of GDP or budget deficit levels below 3% of GDP. In 2023, France's deficit represented 5.5% of economic output. In order to meet the limits set by the E.U., France would have to make considerable changes to its budget, a task that seems unlikely given the current political gridlock. That being said, 2024 has seen positive activity data for France. Gross domestic product surprised to the upside in the three months through June, and the two previous quarters received upward revisions. The stronger-than-expected growth data, alongside the increased consumer spending from the Olympics, could boost the French economy beyond the government's original 1% GDP growth forecast for 2024, and potentially help narrow its deficit.

Despite the current political and economic uncertainty, France is making a strong showing on its home soil in the Olympics. As of this writing, France is in third place, with a total of 31 medals, including nine golds. It is closely following the U.S., which currently has 41 medals, with nine golds. China holds the top slot at the moment, with 27 medals, 13 of which are gold. There is still over a week left until the closing ceremony, with plenty of time for all competing countries to cement their spot as the best in the world. Go Team USA!

(Return to Summary)

Market Data • Mid-Day Friday

U.S. Interest Rates

	Friday 8/2/2024	1 Week Ago	1 Year Ago
SOFR	5.35	5.35	5.31
Effective Fed Funds Rate	5.33	5.33	5.33
3-Month T-Bill	5.19	5.29	5.38
1-Year Treasury	4.45	4.68	5.21
2-Year Treasury	3.90	4.38	4.88
5-Year Treasury	3.65	4.07	4.24
10-Year Treasury	3.82	4.19	4.08
30-Year Treasury	4.14	4.45	4.17
Bond Buyer Index	3.94	3.94	3.75

Foreign Exchange Rates

	Friday 8/2/2024	1 Week Ago	1 Year Ago
Euro ($/€)	1.092	1.086	1.094
British Pound ($/£)	1.281	1.287	1.271
British Pound (£/€)	0.853	0.844	0.861
Japanese Yen (¥/$)	146.690	153.760	143.320
Canadian Dollar (C$/$)	1.386	1.384	1.335
Swiss Franc (CHF/$)	0.859	0.884	0.878
Australian Dollar (US$/A$)	0.652	0.655	0.654
Mexican Peso (MXN/$)	19.048	18.461	17.026
Chinese Yuan (CNY/$)	7.158	7.251	7.192
Indian Rupee (INR/$)	83.748	83.728	82.588
Brazilian Real (BRL/$)	5.746	5.656	4.810
U.S. Dollar Index	103.181	104.316	102.590

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

Foreign Interest Rates

	Friday 8/2/2024	1 Week Ago	1 Year Ago
3-Month German Govt Bill Yield	3.30	3.36	3.49
3-Month U.K. Govt Bill Yield	4.94	5.15	3.89
3-Month Canadian Govt Bill Yield	4.30	4.43	5.05
3-Month Japanese Govt Bill Yield	0.16	0.06	-0.09
2-Year German Note Yield	2.34	2.62	3.00
2-Year U.K. Note Yield	3.62	3.92	5.00
2-Year Canadian Note Yield	3.18	3.60	4.69
2-Year Japanese Note Yield	0.41	0.40	0.02
10-Year German Bond Yield	2.17	2.41	2.54
10-Year U.K. Bond Yield	3.83	4.10	4.40
10-Year Canadian Bond Yield	3.00	3.32	3.62
10-Year Japanese Bond Yield	0.95	1.07	0.63

Commodity Prices

	Friday 8/2/2024	1 Week Ago	1 Year Ago
WTI Crude ($/Barrel)	73.86	77.16	79.49
Brent Crude ($/Barrel)	77.26	81.13	83.20
Gold ($/Ounce)	2434.51	2387.19	1934.45
Hot-Rolled Steel ($/S.Ton)	700.00	664.00	825.00
Copper (¢/Pound)	411.80	410.45	384.35
Soybeans ($/Bushel)	10.42	10.98	14.62
Natural Gas ($/MMBTU)	1.99	2.01	2.48
Nickel ($/Metric Ton)	16,023	15,503	22,143
CRB Spot Inds.	541.69	542.66	560.07

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