CFC solutions cooperative news
Economic & Market Watch

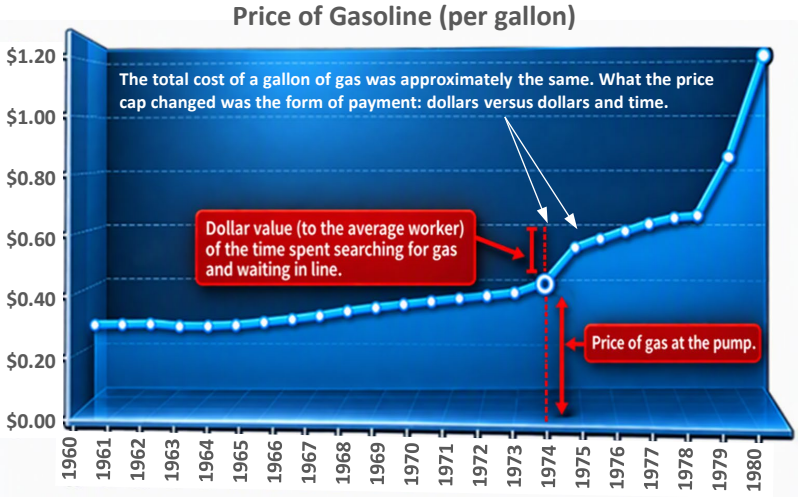
Economic & Market Watch Intelligence Brief

November 2, 2026

Briefing

- In 2021, voters in St. Paul, Minnesota, approved a cap on rent. The law, which went into effect in 2022, capped apartment rent increases at 3% per year. The impact was both to reduce the return and increase the risk to landlords. Consequently, apartment construction (relative to all residential construction) declined by half (**Figure 1**).
- Under Proposition 103, insurers in California must obtain permission from the state to raise their rates. Historically, the state approved hikes based on past losses, but ignored reinsurance costs and forward-looking wildfire models. The catastrophic 2017–2018 wildfire seasons and rising reinsurance costs pushed insurers to stop offering new coverage in California (**Figure 2**). Consequently, homeowners turned to California's FAIR Plan, the state's property insurer of last resort. FAIR is a state-created, state-mandated insurance program.
- Many price gouging laws automatically impose price caps during emergencies. Because price gouging laws vary by state, economists can examine differences in behaviors across the states to measure the effects of the laws. During COVID, demand for toilet paper and hand sanitizer increased, causing high prices in states without price gouging laws and shortages in states with price gouging laws. In response to the shortages, people in states with price gouging laws expended more effort searching for these products. This is revealed in the growth in Google searches (**Figure 3**).

Chart of the Week: Effect of Price Controls on Gas



Commentary

Apart from natural disasters, Americans have only experienced major gasoline shortages twice: 1973–1974 and 1979. Both times, they resulted from federally imposed caps on gas prices. The 1973–1974 oil embargo quadrupled oil prices. Previously enacted price caps on both oil and retail gasoline prevented prices from fully responding. Prices, however, are an effect not a cause. The cause of the problem was reduced oil supply. The price caps didn't create more oil. What they did do was force Americans to spend time looking for stations that had gas for sale and then waiting as long as an hour in line to buy the gas (**Chart of the Week**).

At the time, the average worker earned around $4.20 per hour. Suppose the search and wait extended the time it took the average person to buy gas by 30 minutes. Suppose also that the average person purchased 10 gallons (the government's recommended voluntary limit). To the average person, the search-and-wait time was worth $2.10, or $0.21 per gallon of gas purchased. Added to the capped price of roughly $0.40 per gallon, this brought the actual cost of the gas to $0.61 per gallon.

When the oil embargo ended, the price at the pump jumped to $0.57 per gallon, revealing that the primary effect of the cap wasn't to make gas less expensive, but to force people to pay for it in time and dollars rather than just dollars.

Snapshots

Figure 1. Apartment Construction as a Fraction of Annual Minnesota Residential Construction

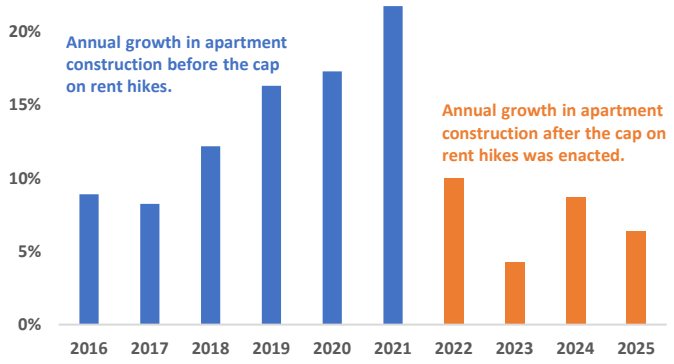


Figure 2. California Home Insurance Policies

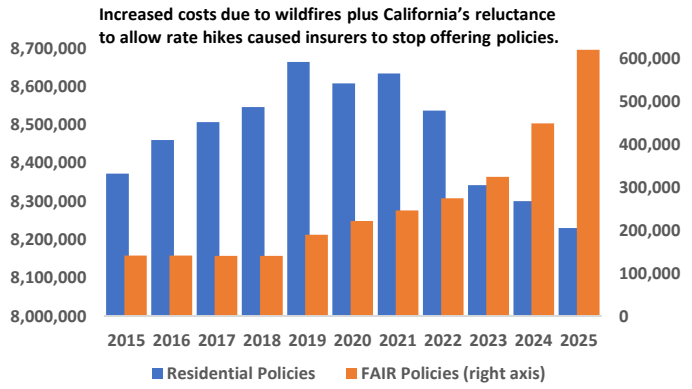
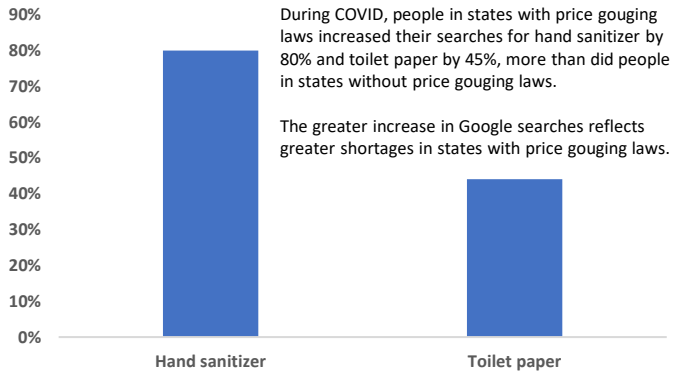


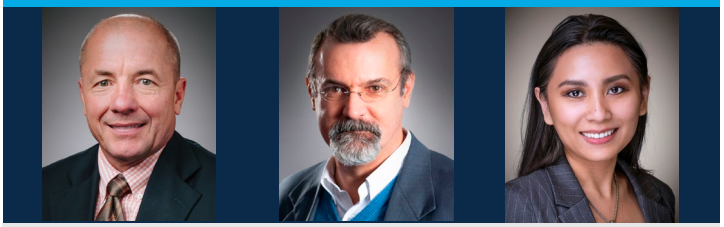
Figure 3. Google Search Increase in States with Price Gouging Laws



During COVID, people in states with price gouging laws increased their searches for hand sanitizer by 80% and toilet paper by 45%, more than did people in states without price gouging laws.

The greater increase in Google searches reflects greater shortages in states with price gouging laws.

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Key Indicators

INTEREST RATES[1]

	Current	2026 Q4	2027 Q1	2027 Q2	2027 Q3	2027 Q4
Fed Funds Target[2] (%)	4.00	4.25	4.50	4.50	4.50	4.50
SOFR (%)	3.95	4.11	4.23	4.23	4.16	4.05
2Y UST (%)	4.59	4.71	4.66	4.55	4.42	4.29
5Y UST (%)	4.71	4.88	4.82	4.72	4.61	4.50
10Y UST (%)	4.91	5.10	5.02	4.92	4.82	4.73
30Y UST (%)	5.27	5.46	5.40	5.31	5.22	5.15

ECONOMY

	Current	2026 Q4	2027 Q1	2027 Q2	2027 Q3	2027 Q4
PCE Inflation (YoY %)	3.6	3.0	2.6	2.4	2.2	2.3
CPI Inflation (YoY %)	3.7	3.3	2.4	2.3	2.1	2.3
Real GDP (QoQ %)	3.4	1.9	1.9	2.0	2.1	2.1
Unemployment (%)	4.2	4.2	4.2	4.3	4.3	4.2
Consumer Spending (QoQ %)	3.8	2.3	2.5	2.0	1.8	1.9
Industrial Production (QoQ %)	2.8	1.6	1.5	1.8	1.8	1.8

Equities & Currency

	Current	Year ago	YoY Δ
DJIA	52,274	47,337	10.4%
Nasdaq	25,640	23,835	7.6%
S&P 500	7,630	6,852	11.4%
US Dollar Index	$1,220.04	$1,221.43	(0.1%)

Commodities

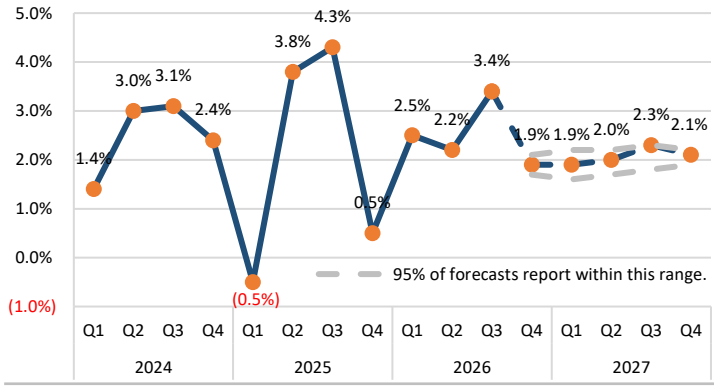
	Current	Year ago	YoY Δ
Crude Oil (Per Barrel)	$96.92	$61.05	58.8%
Natural Gas (Per MMBtu)	$2.93	$4.27	(31.4%)
Coal (Per Short Ton)	$15.25	$10.96	39.5%
Gold (Per Ounce)	$3,956.60	$4,002.60	(1.2%)
Corn (Per Bushel)	$4.49	$4.34	3.6%
Soybean (Per Bushel)	$12.12	$11.12	8.4%

Industry

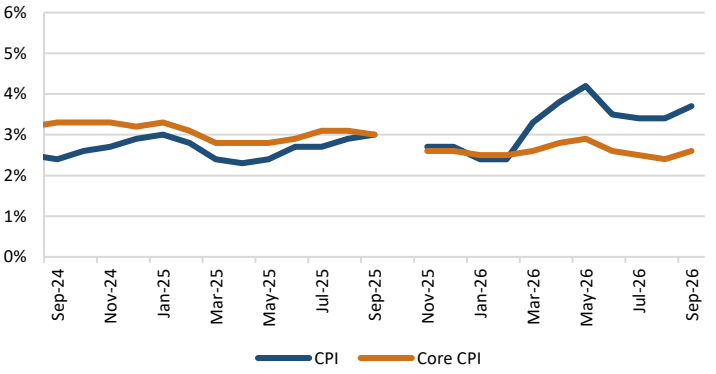
	Current	Year ago	YoY Δ
Natural Gas Storage (Billion Cubic Feet)	3,724	3,871	(3.8%)
U.S. Daily Power Consumption (MWh)	10,476,052	10,229,148	2.4%
World Container Index (Per 40ft)	$4,429	$1,822	143.1%

Forecasts

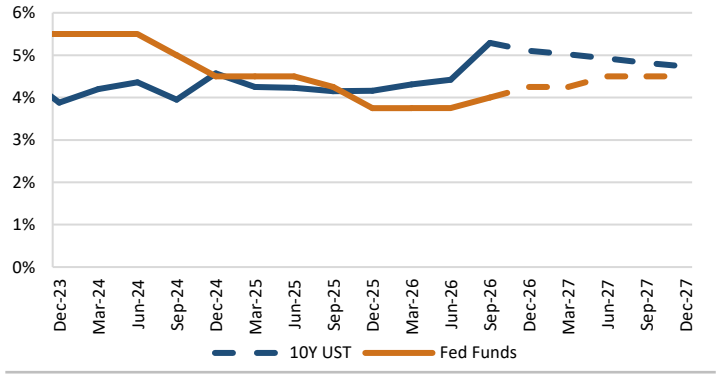
Real GDP Growth Trend



Headline vs. Core Inflation



10-Year US Treasury vs. Fed Funds Trend



[1] *Unless otherwise indicated, forecasts are from the Blue Chip Professional Forecasters.*
[2] *Target rate forecast is based on futures market contracts.*

Sources: © Oxford Economics, Blue Chip Financial Forecasts, Trading Economics, Moody's Analytics, Statista, Oxford Economics, U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, U.S. Energy Information Administration, U.S. Treasury Department, Federal Reserve Bank of Atlanta, Federal Reserve Bank of New York, Federal Reserve Bank of St. Louis, International Monetary Fund, World Bank, University of Michigan, The Conference Board.

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