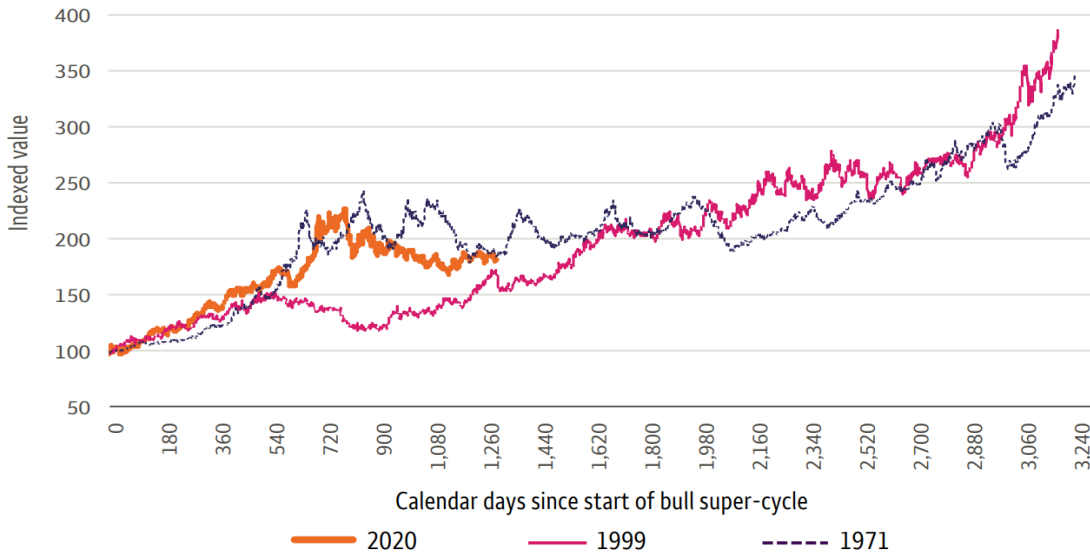


# Chart of the Week

Weekly market analysis on key market indexes

December 19, 2023

## Commodity bull intact, but gains slow



Sources: Wells Fargo Investment Institute and Bloomberg. Daily data, October 4, 1971 – November 13, 2023. Indexed to 100 as of the start of the bull super-cycle (March 18, 2020). Performance measured from October 4, 1971 – November 20, 1980, July 13, 1999 – July 2, 2008, and March 18, 2020 – November 13, 2023. Commodity performance measured by the Refinitiv Equal Weight Commodity Index from October 4, 1971 – November 20, 1980. The Bloomberg Commodity Total Return Index is used to measure performance from July 13, 1999 – November 13, 2023. **Past performance is not a guarantee of future results. Indexes are unmanaged, do not reflect the deduction of fees or expenses, and are not available for direct investment.**

### Current commodity bull super-cycle behaving similarly to past periods

The commodity bull super-cycle<sup>1</sup> that began in 2020 has pushed many commodity prices to decade highs, but price gains have slowed recently. These long cycles have typically experienced periods of consolidation as persistently rising prices have led to added supply or slow demand, and they are often followed by a reassertion of the bull super-cycle.

The current bull super-cycle appears to be behaving similarly to recent super-cycles, which have also experienced consolidation periods (see chart above) — this contributes to our view that while commodity prices are likely to stagnate in early 2024 amid a looming economic slowdown, the rally should resume by year-end.

#### What it may mean for investors

At three years into the current commodity bull super-cycle, we see more upside potential ahead — we remain favorable on the Commodities asset class, and we see any pullbacks in prices at this point in the cycle as an opportunity for investors to add exposure. Within commodities, we are favorable on the Energy and Precious Metals sectors. We would, however, remind investors to remain diversified and not concentrate in one class or subclass, including gold.

John LaForge, Head of Global Real Asset Strategy

Excerpted from **2024 Outlook: A pivotal year for the economy and markets (December 2023)**

1. Bull super-cycles are extended periods of time, historically 15-20 years, where commodity prices move upward together.

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### Risk Considerations

Each asset class has its own risk and return characteristics. The level of risk associated with a particular investment or asset class generally correlates with the level of return the investment or asset class might achieve. The **commodities** markets are considered speculative, carry substantial risks, and have experienced periods of extreme volatility. Investing in a volatile and uncertain commodities market may cause a portfolio to rapidly increase or decrease in value which may result in greater share price volatility. Investing in gold, silver or other **precious metals** involves special risk considerations such as severe price fluctuations and adverse economic and regulatory developments affecting the sector or industry.

Sector investing can be more volatile than investments that are broadly diversified over numerous sectors of the economy and will increase a portfolio's vulnerability to any single economic, political, or regulatory development affecting the sector. This can result in greater price volatility. The **Energy** sector may be adversely affected by changes in worldwide energy prices, exploration, production spending, government regulation, and changes in exchange rates, depletion of natural resources, and risks that arise from extreme weather conditions.

### Definitions

**Bloomberg Commodity Total Return Index** reflects the returns that are potentially available through an unleveraged investment in the futures contracts on 19 physical commodities comprising the Index plus the rate of interest that could be earned on cash collateral invested in specified Treasury Bills. The Index is a rolling index rebalancing annually.

**Refinitiv Equal Weight Commodity Index** (formerly known as the Continuous Commodity Index) is a major US barometer of commodity prices.

An index is unmanaged and not available for direct investment.

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