



Global Investment Strategy Team

- Guidance change
- Forecast change
- Allocation change

Introducing our 2027 targets and adjusting 2026 targets

Guidance changes

- **Equities:** We are upgrading Materials from neutral to favorable, upgrading Health Care from unfavorable to neutral, and downgrading Real Estate from neutral to unfavorable.
- **Fixed Income:** We are downgrading Preferred Securities from favorable to neutral.

Forecast changes

- **Global economy:** We are lowering our 2026 U.S. and developed ex-U.S. economic growth targets but raising our 2026 global inflation forecasts to account for extended supply-chain disruptions. We are raising our 2026 emerging-market growth target to reflect resilience from the largest economies. We believe these directional differences should largely reverse in 2027 under a U.S.-led global economic recovery. Slower 2026 U.S. growth prompts our higher 2026-2027 unemployment rate estimates.
- **Equities:** We are raising our 2026 earnings and price targets for the S&P 500 Index, Russell Midcap Index, and MSCI Emerging Markets Index. We also debut our 2027 earnings and price targets for all equity asset classes.
- **Fixed Income:** Higher 2026 inflation, a resilient labor market, and modest economic growth over the next 18 months will likely leave the Federal Reserve's (Fed's) policy interest rate on an extended pause. We look for slightly higher 10- and 30-year U.S. Treasury yields by year-end 2027.
- **Real Assets:** We are raising our 2026 year-end forecasts for crude oil and the Bloomberg Commodity Index, but lowering our gold price target, to account for prolonged energy supply disruptions. Our 2027 year-end targets show comparatively muted year-over-year index price growth from crosscurrents in (higher) gold and (lower) crude oil prices.
- **Currency exchange rates:** We expect the U.S. dollar to trade in a range, slightly higher in 2026 and lower in 2027.

Allocation changes

- Following our several equity sector guidance changes, we favor reallocating from downgraded sectors into the sectors we are upgrading, as described in the text of this report.

Investment and Insurance Products: ➤ NOT FDIC Insured ➤ NO Bank Guarantee ➤ MAY Lose Value

Table 1. 2026 and 2027 forecasts and year-end market targets

Global economy¹	Previous 2026 targets	New 2026 targets	2027 targets
U.S. GDP growth	2.6%	2.2%	2.4%
U.S. CPI inflation ²	3.1%	3.4%	2.8%
U.S. unemployment rate ³	4.5%	4.7%	4.9%
Global GDP growth ⁴	2.8%	3.1%	3.2%
Global inflation ⁴	2.9%	3.5%	2.9%
Developed-market GDP growth ⁵	1.7%	1.5%	2.0%
Developed-market inflation ⁵	2.8%	3.4%	2.8%
Eurozone GDP growth	1.0%	0.8%	1.5%
Eurozone inflation ²	2.2%	3.4%	2.1%
Emerging-market GDP growth	3.7%	4.3%	4.1%
Emerging-market inflation	3.0%	3.5%	3.0%
Fixed income	Previous 2026 year-end targets	New 2026 targets	2027 year-end targets
Federal funds rate	3.50%-3.75%	3.50%-3.75%	3.50%-3.75%
10-year U.S. Treasury	4.25%-4.75%	4.25%-4.75%	4.50%-5.00%
30-year U.S. Treasury	5.00%-5.50%	5.00%-5.50%	5.25%-5.75%
Global equities	Previous 2026 year-end targets	New 2026 targets	2027 year-end targets
S&P 500 Index	7,400-7,600	7,800-8,000	8,600-8,800
S&P 500 Index EPS	\$300	\$345	\$390
Russell Midcap Index	4,200-4,400	4,400-4,600	4,800-5,000
Russell Midcap Index EPS	\$215	\$230	\$250
Russell 2000 Index	2,700-2,900	2,700-2,900	3,100-3,300
Russell 2000 Index EPS	\$85	\$85	\$100
MSCI EAFE Index	3,100-3,300	3,100-3,300	3,300-3,500
MSCI EAFE Index EPS	\$180	\$180	\$195
MSCI EM Index	1,500-1,700	1,700-1,900	2,000-2,200
MSCI EM Index EPS	\$100	\$130	\$150
Currencies	Previous 2026 year-end targets	New 2026 targets	2027 year-end targets
Dollar/euro exchange rate	\$1.14-1.18	\$1.14-1.18	\$1.17-\$1.21
Yen/dollar exchange rate	¥160-¥164	¥160-¥164	¥158-¥162
ICE U.S. Dollar Index ⁶	97-101	97-101	95-99
Real assets	Previous 2026 year-end targets	New 2026 targets	2027 year-end targets
WTI crude (\$ per barrel)	\$70-\$80	\$80-\$90	\$70-\$80
Brent crude (\$ per barrel)	\$75-\$85	\$85-\$95	\$75-\$85
Gold (\$ per troy ounce)	\$5,800-\$6,000	\$5,300-\$5,500	\$5,800-\$6,000
Bloomberg Commodity Index	325-345	360-380	380-400

Targets are based on forecasts by Wells Fargo Investment Institute as of June 15, 2026, and provide a forecast direction over a tactical horizon through 2027. Bolded values indicate change from previously published values. GDP = gross domestic product. CPI = Consumer Price Index. EPS = Earnings per share. EM = Emerging Markets. WTI = West Texas Intermediate. 1. Average percent change from the same period a year ago, unless otherwise noted. 2. December-to-December change. 3. Three-month average, as of the fourth quarter, percent of labor force. 4. Weighted average of developed country and emerging-market forecasts. 5. Weighted average of U.S. and other developed-country forecasts. 6. The ICE U.S. Dollar Index is a weighted average of the value of the U.S. dollar relative to a basket of U.S. trade partner currencies, composed of the euro, Japanese yen, pound sterling, Canadian dollar, Swedish krona, and Swiss franc. A higher index value indicates dollar appreciation. **Forecasts, targets, and estimates are based on certain assumptions and on our current views of market and economic conditions, which are subject to change. An index is unmanaged and not available for direct investment. Past performance is no guarantee of future results.**

Summary

Two forces drive our 2026 target revisions, sector guidance changes, and the introduction of our 2027 targets. First, corporate spending on artificial intelligence (AI) hardware remains an established trend but with surprisingly tenacious acceleration into 2027. This technology spending largely has looked past higher semiconductor and raw materials prices to continue the global competition to develop AI capacity.

The second force at work in the global economy and markets is the timing and the degree to which energy and raw materials eventually flow again out of the Persian Gulf. Dueling blockades of the Strait of Hormuz, extended by diplomatic futility, restrain raw material supplies and remain a risk for economic growth into year-end. The timing and the details of reopening remain to play out over the next months of negotiations. Our revised targets allow for the possibility that oil and natural gas will flow again through the Strait of Hormuz, but with insurance premiums and costs of transportation above their pre-war rates.

We expect that the energy shortage will impact the U.S. economy by less than the more energy-intensive manufacturing economies of Europe, South Asia, and the agricultural economies of Africa. Also, we believe three of the largest resource-producing emerging-market economies, along with China (the largest, with diversified energy supplies), are likely to fare comparatively better through the crisis.

The central pillar of our equity outlook remains continued earnings growth. This outlook reflects our expectation for a broad, multiyear investment cycle in AI infrastructure, compute capacity, data-center expansion, electrification, and adjacent industrial and financial ecosystems. The power of the AI trend seems focused regionally on north Asia and, in the U.S., on large- and mid-cap equities. We have revised earnings and price targets in these asset classes to reflect the accelerating spending trend and foresee the trends extending into 2027.

Our fixed income changes reflect the dynamics of higher inflation and the less visible implications of years of technological innovation. Over the shorter term, our view is that upside inflation risks and a resilient labor market likely will hold Fed policy rates steady. But we expect higher long-term yields, principally the effect of expanding profit margins that require borrowers to pay higher yields to compete with equities. While technology has remained a persistent earnings driver, equities may remain comparatively more attractive than long-term fixed income. To that point, our 2027 targets slightly lift our long-term Treasury yield targets.

Our currency and commodity target revisions and 2027 values reflect divergences if, as we expect, energy shortages initially intensify this year and then fade next year. Among the commodities, we expect elevated crude oil prices over the coming 18 months, but less so next year. By contrast, we expect lower gold prices this year to reverse higher in 2027. In currencies, energy-related inflation may drive European interest rates higher, favoring the euro over the U.S. dollar, while other currencies depreciate against the greenback. The net result of these divergences is that we see the dollar in narrow ranges this year and next.

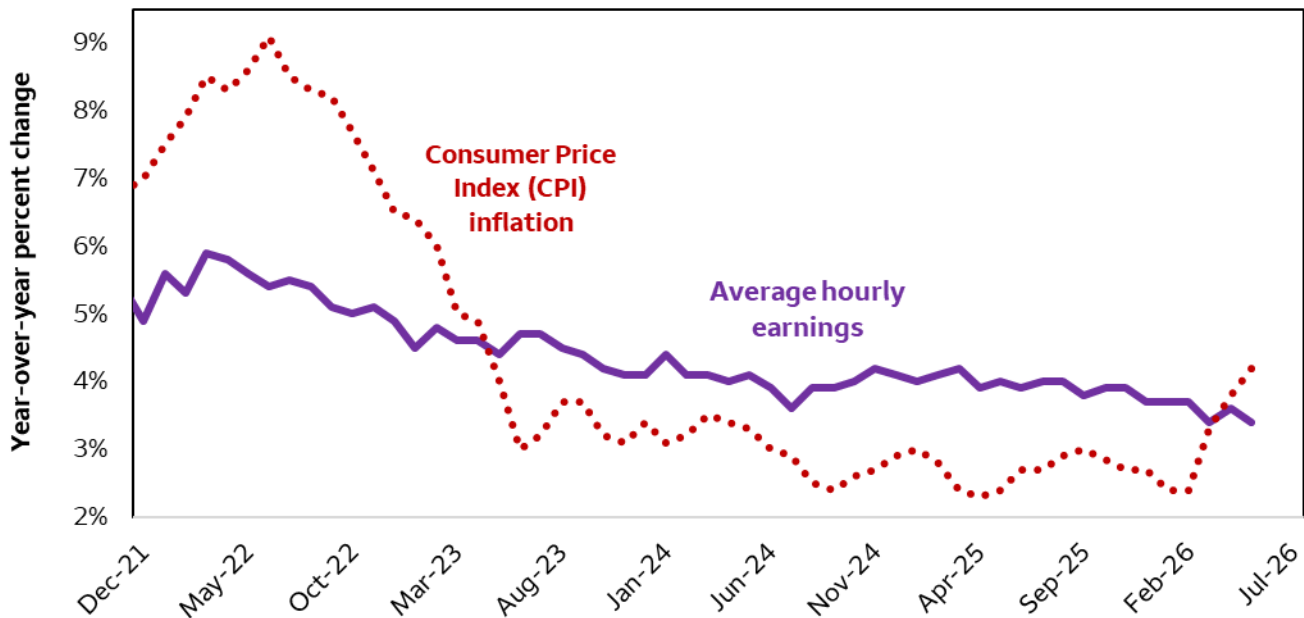
Finally, our sector guidance changes also reflect these two forces. A renewed global push to secure access to raw materials should reinforce pricing power and earnings capacity across the S&P 500 Index Materials sector. Separately, we believe the Health Care sector's defensive attributes, diversified earnings base, and lower economic sensitivity position the sector to perform in line with the broader market during variable economic growth and geopolitical uncertainty. We are upgrading Materials from neutral to favorable and Health Care from unfavorable to neutral. By contrast, the increase in long-term interest rates motivates our downgrades of the S&P 500 Index Real Estate sector (neutral to unfavorable) and, under fixed income, Preferred Securities (from favorable to neutral).

Supply-chain disruptions raise inflation in 2026, dampen U.S. economic growth

The extension of war-related supply-chain disruptions should produce a more pronounced inflation bulge and a slower economy in the coming months than we previously anticipated. The prolonged closure of the Strait of Hormuz likely will lead to a higher (and later) peak in energy, food, and other tradeable goods prices. Moreover, war-related risk premiums and product shortages likely will linger in 2027. Even after the Strait of Hormuz reopens, it could take several months for seaborne cargoes to reach intended ports. Moreover, higher-for-longer inflation risks spreading to components of services inflation, such as air travel. Even once the Strait of Hormuz reopens, we expect the 2026 inflation peak later in the year (Table 1).

In our view, higher energy-led inflation will squeeze the purchasing power of consumers already grappling with slowing income growth (see Chart 1.) Even before the war began, credit-sensitive, lower-income households faced rising financial strains from elevated borrowing costs, sizable increases in food and other essentials prices, and a falling savings rate. We expect higher oil prices and the wind-down of tax refunds to temporarily dampen inflation-adjusted consumer spending growth, especially for big-ticket discretionary purchases. Fortunately, the boom in AI and other technology spending should support the U.S. economy amid an ongoing rotation from consumer- to investment-led growth that is likely to become more noticeable as the year unfolds. Nonetheless, some loss of consumer momentum prompts us to lower our full-year 2026 U.S. inflation-adjusted gross domestic product (GDP) growth forecast (Table 1).

Chart 1: Higher inflation squeezing consumer purchasing power



Sources: Wells Fargo Investment Institute and U.S. Bureau of Labor Statistics. Data as of June 10, 2026. CPI inflation data through April 2026, average hourly earnings data through May 2026.

The unemployment rate has typically lagged economic conditions, so we expect it to peak several months after economic growth revives later in 2026. However, a shallow slowdown should limit layoffs, while the aging workforce and immigration restrictions make for fewer job seekers. On balance, limited labor supply growth should restrain the rise in the unemployment rate this year and next and buoy wage growth.

A modest U.S. growth recovery in 2027 as war-related supply-chain disruptions unwind

We look for moderating inflation and interest-rate pressures later this year in a lagged response to what we expect will be the eventual reopening of the Strait of Hormuz. Beyond an unwind in energy, food, and other tradeable goods prices, we see room for the slowing economy this year to subsequently cool inflation in most services prices (with the notable exception of utility prices). Since core services account for roughly 60% of the Consumer Price Index (CPI), this is an important element that we believe can carry over to lower inflation in 2027.

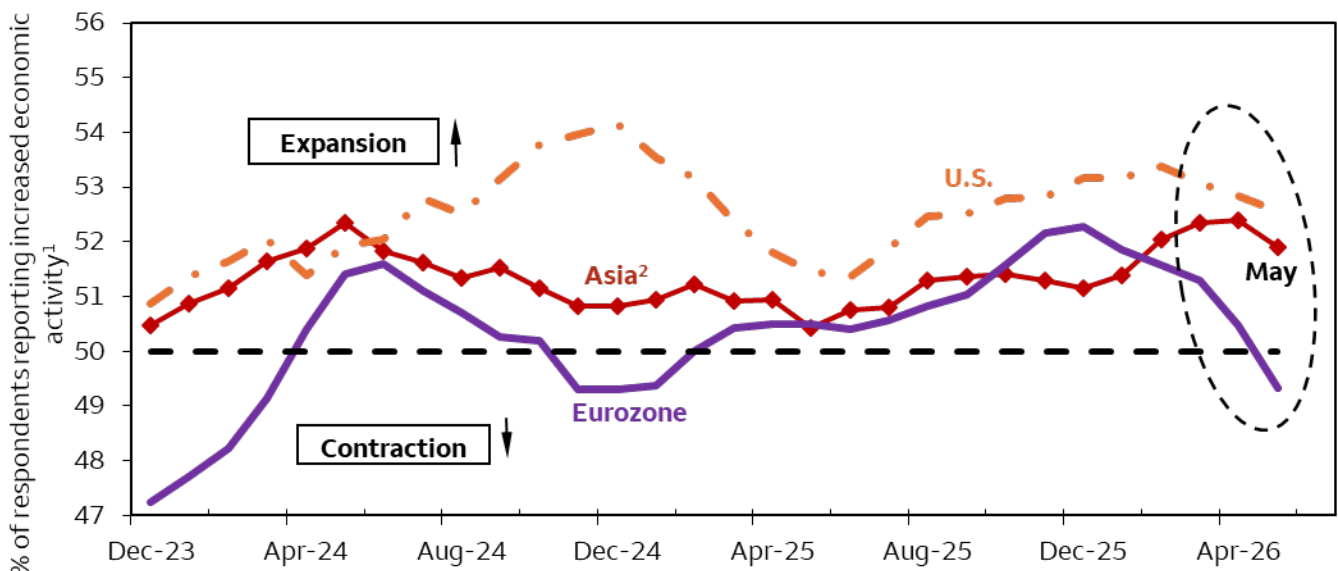
Renewed disinflation likely will lift household purchasing power enough to revive consumer-led economic growth in 2027. Lower inflation also should limit upward pressure on U.S. interest rates and, by extension, downward pressure on housing and other credit-sensitive sectors of the economy. Additionally, our view is that the broadening AI boom will continue to provide three-fold support to U.S. economic growth: directly through increased investment, indirectly by lifting corporate profits, and by generating equity market gains that support household spending.

International growth outlook

We expect the developed-market ex-U.S. economies abroad to track with energy price swings and follow similar growth and inflation directions as the U.S. economy: slower 2026 growth and higher inflation than we had previously targeted, followed by a modest 2027 growth rebound and cooler inflation. However, we project larger annual inflation changes in the overseas economies because these economies depend comparatively more on energy imports and energy-intensive manufacturing, which makes them more sensitive to the energy price swings we expect, higher in 2026 and lower in 2027.

Moreover, energy-related inflation likely will raise borrowing costs by more in these other developed economies (particularly in Europe), because their inflation-focused central banks are likely to raise interest rates. Lingering structural challenges (especially high levels of regulation in Europe) and a smaller, less dynamic technology sector are likely additional restraints (see Chart 2). The energy sensitivity in these countries should also produce more pronounced disinflation overseas in 2027 than in the U.S., once the Iran war ends and supply chains normalize. Japan and South Korea also rely heavily on imported energy but should enjoy a partial economic benefit from their AI-led investment. Chart 2 shows a widening economic growth divergence between the AI-intensive economies — the U.S. and Asia — and Europe, which has much less of the positive AI counterweight.

Chart 2: AI investment boom cushioning economic activity in U.S. and parts of Asia



Sources: Wells Fargo Investment Institute, S&P Global, Inc., Institute for Supply Management, China Federation of Logistics & Purchasing, and Caixin Global. As of June 3, 2026. ¹Three-month moving average data. ²Represented by an average of China and Japan composite indexes.

Within emerging markets, we expect inflation to rise and then fall this year and next, as in the rest of the world, but we expect a slightly different pattern for economic growth than in the U.S. and Europe. Four of the five largest emerging-market economies are either (i) energy producers (Brazil, Mexico, and Russia) or (ii) have very large energy inventories and diverse energy suppliers (China). And, to reiterate, we view the AI investment in north Asian economies as a benefit to weather the economic challenges. China is perhaps the best example as well insulated in the near term by the country's strategic oil stockpiles, diversified energy sourcing, focus on renewable energy, and its exposure to the AI technology boom. The resilience among these large economies prompts us to raise our 2026 emerging-market growth target.

A moderate shift lower for the U.S. dollar reemerges

As the global economy recovers from a likely resolution to the Iran war and as oil prices fall, we expect the perceived "flight-to-quality" benefit for the U.S. dollar to fade and for a trading range to reemerge, similar to 2025. While demand for dollar-priced securities remains a source of dollar strength, uncertainties about U.S. foreign policies may prompt non-U.S. investors to continue hedging, that is, to contract to sell the dollar ahead of time at a given price. Hedging typically puts downside pressure on the dollar. However, the current importance of the U.S. in the global economic order, as well as relatively high interest rates compared with other developed countries, should help limit the greenback's downside to create effectively a range in 2026 and a slightly lower range in 2027. We see this weakness in the dollar primarily versus the euro, with still sluggish economic growth and lingering fiscal risks in Japan preventing any sustainable strength in the yen.

Raising year-end 2026 equity targets, with further upside in 2027

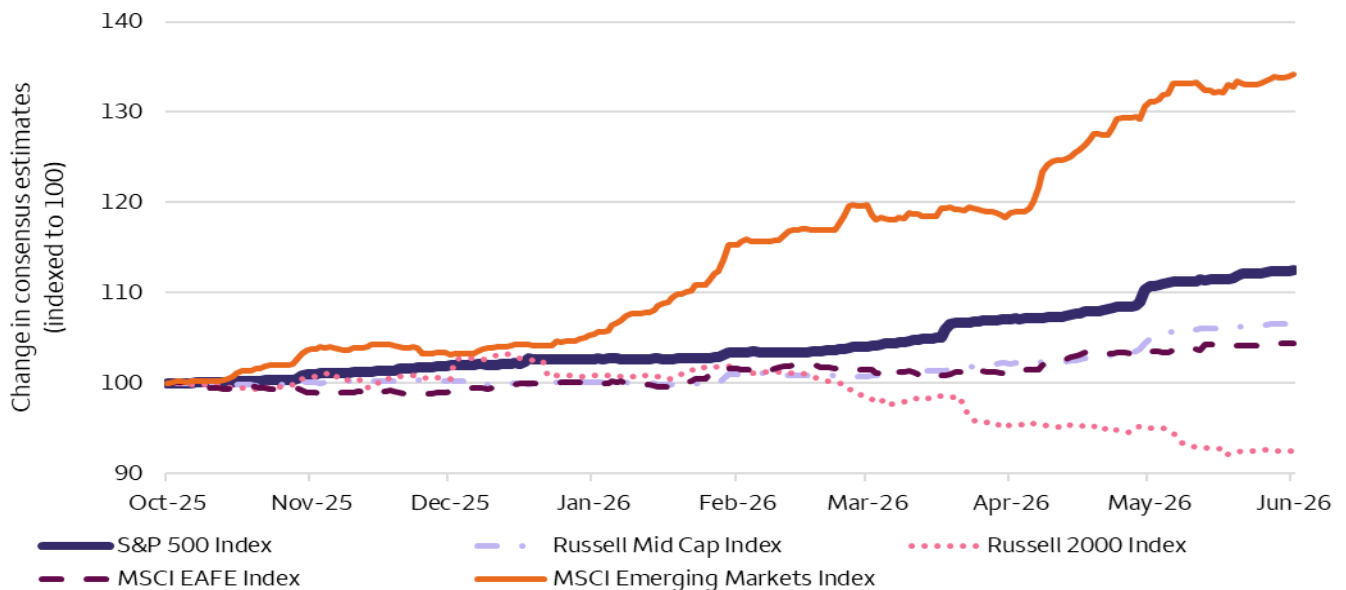
Recent corporate earnings results and revisions support an upward adjustment to some of our 2026 earnings per share (EPS) and price targets (Table 1). Starting with our domestic asset classes, 2026 EPS estimates, since the start of the year, have risen materially, and the first-quarter reporting season showed broad earnings strength in the S&P 500 Index. Importantly, this strength is not confined to a narrow set of sectors. The consensus of analysts on Bloomberg points to double-digit EPS growth across five of 11 sectors in 2026 and no sector earnings declines, as of June 1, 2026. Many of these revisions are related to the trend in AI capital investment, which we expect to broaden beyond the initial cohort of hyperscalers into power generation, grid infrastructure, electrical equipment, engineering services, and machinery, supported by a diverse set of capital markets players.¹ Company guidance indicates continued spending growth, even should microchip and other hardware costs rise due to higher petrochemical and power generation costs.

We believe our 2026-2027 S&P 500 Index targets are reasonable and not overly aggressive (Table 1). Our targets assume that the S&P 500 Index price-to-earnings ratio compresses modestly from about 25x to 23x through year-end 2026. Our revised 2026 S&P 500 Index EPS target is in line with broader Wall Street expectations and reinforces our view that stronger earnings, rather than merely stronger sentiment, are most likely to drive U.S. Large Cap Equity returns over the coming quarters. We expect U.S. Mid Cap Equities also to benefit from this environment, and earnings consensus expectations have also increased. Our revised targets reflect higher EPS and price targets for the S&P 500 Index and the Russell Midcap Index (Table 1).

In contrast, Russell 2000 Index earnings expectations have lagged the large-and-mid-cap counterparts, declining from what we view as overly optimistic levels, as shown in Chart 3. While we expect moderating inflation and energy prices in 2027, we still see headwinds from stubbornly high borrowing costs and a slight uptick in unemployment in 2026. We believe these dynamics justify raising our 2026 S&P 500 Index and Russell Midcap Index earnings and price targets while maintaining our Russell 2000 Index targets.

1. Hyperscalers are large technology companies providing cloud services platforms, computing infrastructure, and storage services.
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Chart 3: 2026 consensus EPS estimate changes: Strong revisions for S&P 500 and MSCI Emerging Markets Indexes



Sources: Wells Fargo Investment Institute and Bloomberg. Data as of June 1, 2026. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.**

Internationally, we expect MSCI Emerging Markets Index earnings growth to outpace that of Developed ex-U.S. Equities markets, supported by meaningful exposure to AI hardware, semiconductors, and technology-enabled manufacturing. We believe exposure to these industries can allow for rapid growth, and the acceleration in corporate technology spending leads us to raise our 2026 MSCI Emerging Markets Index EPS and price targets (Table 1). Our outlook for Developed ex-U.S. Market EPS growth is constrained by less-favorable sector weightings, slower economic growth, greater vulnerability to higher fuel costs, demographic challenges, and fiscal constraints. While consensus earnings estimates for the MSCI EAFE Index have crept higher so far this year, the pace and outlook hinder our willingness to increase our target at this time.

For 2027, we are introducing initial EPS and price targets across major equity asset classes. These targets reflect our assumptions for continued strength in earnings (+13% for the S&P 500 Index compared with year-end 2026 expectation, Table 1), yet stable to lower valuation multiples versus 2026 due to the potential for higher interest rates and elevated uncertainties. We expect near double-digit returns across all equity asset classes from current prices, led by U.S. Large-cap Equities, U.S. Mid-cap Equities, and Emerging Market Equities.

Equity-sector guidance changes

Upgrading Materials from neutral to favorable

We are upgrading the Materials sector to favorable, as we see powerful secular and cyclical forces aligning to improve the outlook. A renewed global push to secure access to raw materials, critical inputs, and industrial commodities is supporting capital investment and reinforcing pricing power across the Materials value chain. Geopolitical tensions in the Middle East are contributing to a higher risk premium on key trade routes, particularly through the Strait of Hormuz, raising costs for energy, petrochemicals, and metals, such as aluminum. This dynamic is supporting pricing and encouraging some end-markets to diversify sourcing toward more stable, domestically aligned supply chains, including U.S.-based suppliers. Over time, we believe ongoing infrastructure spending, supply-chain re-regionalization, and growing demand tied to energy transition and advanced manufacturing should further support volumes and margins. Additionally, any weakening in the U.S. dollar would likely provide an incremental catalyst, enhancing global competitiveness and earnings translation for the sector.

Upgrading Health Care from unfavorable to neutral

We are upgrading the Health Care sector to neutral from unfavorable. Even as fundamentals remain resilient, the sector has consistently reflected a pessimistic outlook, primarily around potential regulatory changes. But we think the sector’s defensive attributes, diversified earnings base, and lower economic sensitivity position it to perform more in line with the broader market during periods of variable economic growth and geopolitical uncertainty. We believe the positive factors roughly balance with the negatives; hence our neutral rating.

Downgrading Real Estate from neutral to unfavorable

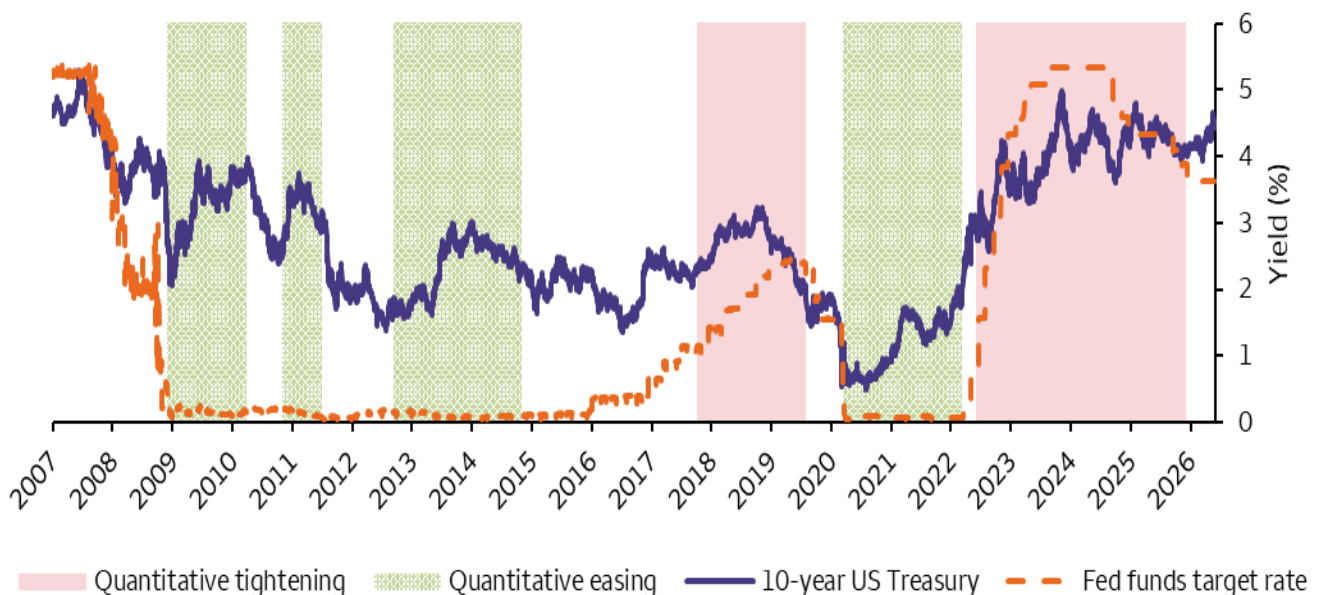
We are downgrading the Real Estate sector to unfavorable, reflecting downward price pressure from valuations, refinancing costs, and acquisition economics, all due to persistently high interest rates. Although fundamentals vary by property type, the sector broadly remains exposed to modest demand growth, ongoing tenant uncertainty in select segments, and constrained balance-sheet flexibility. In this environment, we expect Real Estate Investment Trusts (REITs) to struggle to generate sustained outperformance and view the sector primarily as a funding source for portfolios rather than an area of opportunity.

Patience is the watchword at the Fed; likely upward pressure on long-term yields

With the threat of rising inflation, a resilient labor market, and an economy that is likely to grow at a respectable clip over the next 18 months, Fed speakers since May 2026 have attempted to reinforce the view that policy risks are now more balanced. Our base case remains that inflation will be above the Fed’s target but not at a level that would force the Fed to act. We do not expect any Fed interest rate cuts or hikes through 2027 (Table 1).

Expectations for an improving economic outlook coupled with still elevated inflation toward year-end 2027 should support our bias for higher interest rates in longer-dated maturities (see Chart 4). Furthermore, additional U.S. Treasury issuance to refinance maturing government debt, a shrinking Fed balance sheet, and likely wider federal deficits may also lead to a higher term-premium — or the extra yield required for holding a long-term bond compared to a short-term bond — which could also drive long-term yields higher.

Chart 4: Our bias for the 10-year U.S. Treasury yield to remain elevated



Sources: Wells Fargo Investment Institute and Bloomberg. Data as of May 29, 2026. Fed funds target rate is measured by the U.S. federal funds effective rate. “Quantitative tightening” refers to Fed balance sheet shrinkage; “Quantitative easing” refers to balance sheet expansion. Dates used for Quantitative easing: 11/25/2008–3/31/2010, 11/3/2010–6/29/2011, 9/13/2012–10/29/2014, and 3/15/2020–3/10/2022. Dates used for Quantitative tightening: 10/1/2017–8/1/2019 and 6/1/2022–12/1/2025. Yields represent past performance and fluctuate with market conditions. Current yields may be higher or lower than those quoted above. **Past performance is no guarantee of future results.**

Fixed income sector guidance change

Downgrading Preferred Securities from favorable to neutral

On the same note, our view that long-term interest rates will now move higher through year-end 2027 makes us more cautious about duration (the sensitivity of a fixed-income asset’s price to a 1% change in yield; sensitivity increases the longer the asset’s maturity). The perpetual (long-duration) nature of preferred securities makes them very sensitive to changes in interest rates. However, we still believe that the fundamentals of many of the issuers (mostly financial and insurance companies) remain strong and do not anticipate credit risk related issues. We view preferred securities as an income-generating asset, notably for investors seeking tax-efficient yield and diversification. At this time, we believe they are best suited for investors searching for yield, who can tolerate interest-rate risk and limited capital appreciation in the near term.

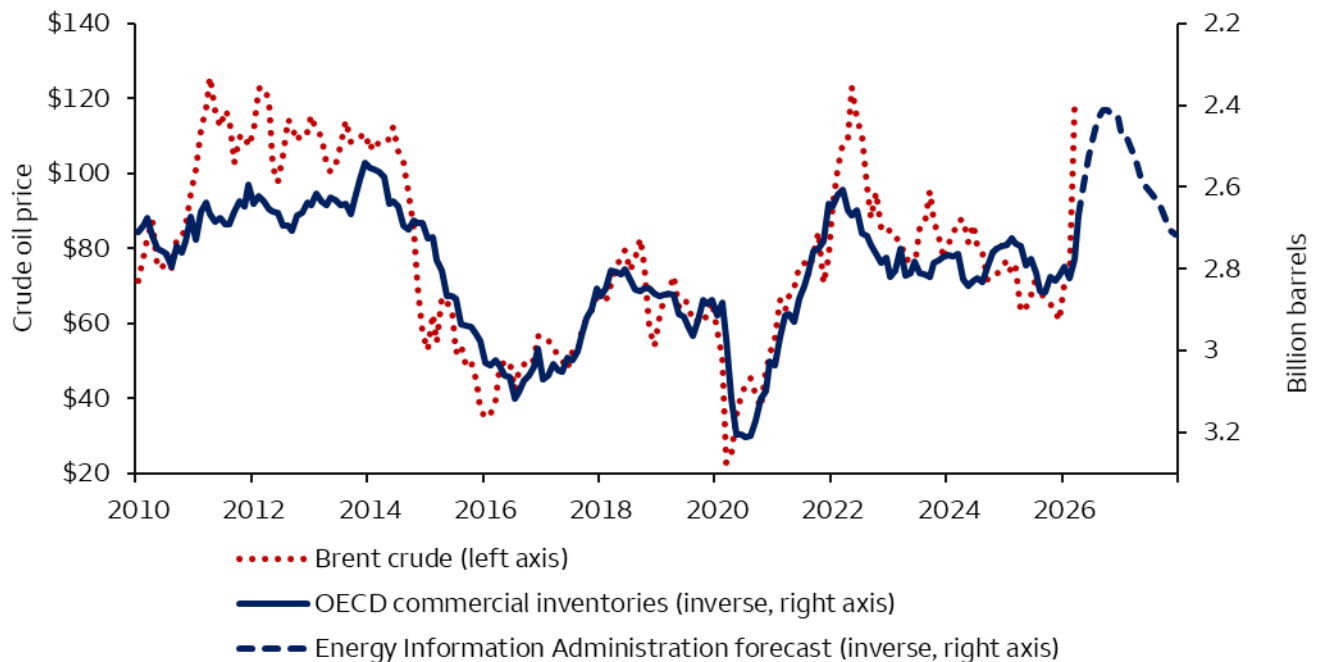
Positioning for 2027 in commodities: From broad gains to selective opportunities

We are raising our 2026 year-end Bloomberg Commodity Index target. Our 2027 targets anticipate that Persian Gulf energy flows will resume more completely, but that rising metals prices will persist (Table 1).

Oil prices: Upside risks for 2026, downside risks for 2027

In energy markets, we see a growing risk that prices will remain elevated in 2026, before gradually easing through 2027. Chart 5 illustrates the sharp crude oil price gain and the subsequent matching inventory drawdown, while Persian Gulf exports have been largely shut off. Other global oil producers — notably Canada, Brazil, and the U.S. — have increased production, but the gain is incremental and cannot cover the loss of Persian Gulf output.

Chart 5: Elevated oil prices driven by lower global inventories



Sources: Wells Fargo Investment Institute, Bloomberg, and Energy Information Administration. Monthly data is from January 2010 – December 2027. Actual inventories are from January 2010 – April 2026. Forecasts are from May 2026 – December 2027. OECD = Organization for Economic Co-operation and Development. Forecasts are based on certain assumptions and on views of market and economic conditions which are subject to change.

Chart 5 also allows an instructive comparison to the oil price spike around Russia’s 2022 invasion of Ukraine. That war triggered European and U.S. sanctions on Russian energy exports, which caused oil inventories to draw down early in that war, albeit more moderately than in the current episode. By contrast, the current and projected

inventory drain is likely to hold prices materially above their pre-war levels. Even after the Persian Gulf energy taps reopen and prices retreat, the fear of future Persian Gulf closures will likely linger in the minds of tanker owners and maritime insurance companies. The ghost of the current conflict may become a risk premium that holds prices above their pre-war levels in 2027 and likely beyond.

Headwinds for gold remain, but 2027 outlook improves

Gold and other precious metals likely will face ongoing downward pressure through 2026 from higher global interest rates and energy prices. Central banks around the world have had to sell gold this year, in large part to raise dollars to pay for much more expensive oil and natural gas. In addition, energy-driven consumer price inflation has lifted interest rates and attracted speculative buying toward interest-bearing assets and away from gold. We are lowering our 2026 gold price target to anticipate further selling of gold reserves and reduced speculative gold demand. As energy disruptions dissipate, we foresee a more constructive macroeconomic environment in 2027. Specifically, we expect a strong outlook for gold, supported by fewer central bank interest rate hikes. Instead, central banks could gradually restock their gold reserves, after their significant 2026 gold sales.

For the overall commodity basket (as measured by the Bloomberg Commodity Index), our targets suggest a composite basket price that is stronger in 2026. However, the 2027 gain looks more muted, because our targets indicate cross currents between higher gold but lower crude oil prices. These two sectors account for over 50% of the index, so the cross currents are likely stronger than the continued AI-related gains we expect in base metals.

Risk Considerations

Forecasts and targets are based on certain assumptions and on views of market and economic conditions which are subject to change.

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. **Stock markets**, especially foreign markets, are volatile. Stock values may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors. **Foreign investing** has additional risks including those associated with currency fluctuation, political and economic instability, and different accounting standards. These risks are heightened in emerging markets. **Small- and mid-cap stocks** are generally more volatile, subject to greater risks and are less liquid than large company stocks. **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. **Bonds** are subject to market, interest rate, price, credit/default, liquidity, inflation and other risks. Prices tend to be inversely affected by changes in interest rates. **High yield (junk) bonds** have lower credit ratings and are subject to greater risk of default and greater principal risk. Although **Treasuries** are considered free from credit risk, they are subject to other types of risks. These risks include interest rate risk, which may cause the underlying value of the bond to fluctuate. **Preferred securities** have special risks associated with investing. Preferred securities are subject to interest rate and credit risks. Preferred securities are generally subordinated to bonds or other debt instruments in an issuer's capital structure, subjecting them to a greater risk of non-payment than more senior securities. In addition, the issue may be callable which may negatively impact the return of the security. 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. Investments in **gold and gold-related investments** tend to be more volatile than investments in traditional equity or debt securities. Such investments increase their vulnerability to international economic, monetary and political developments. They are also exposed to the risk of severe price fluctuations in the price of gold bullion. **Real estate** has special risks including the possible illiquidity of underlying properties, credit risk, interest rate fluctuations and the impact of varied economic conditions. **Currency risk** is the risk that foreign currencies will decline in value relative to that of the U.S. dollar. Exchange rate movement between the U.S. dollar and foreign currencies may cause the value of a portfolio's investments to decline.

Definitions

Bloomberg Commodity Index is comprised of 22 exchange-traded futures on physical commodities and represents 20 commodities weighted to account for economic significance and market liquidity.

ICE U.S. Dollar Index is a weighted average of the value of the U.S. dollar relative to a basket of U.S. trade partner currencies, composed of the euro, Japanese yen, pound sterling, Canadian dollar, Swedish krona, and Swiss franc. A higher index value indicates dollar appreciation.

MSCI EAFE Index is designed to represent the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada.

MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets.

Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index.

Russell 1000 Index measures the performance of the 1,000 largest companies in the Russell 3000 Index, which represents approximately 90% of the total market capitalization of the Russell 3000 Index.

Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index.

Russell 3000 Index measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market.

S&P 500 Index is a market capitalization-weighted index composed of 500 widely held common stocks that is generally considered representative of the U.S. stock market.

An index is unmanaged and not available for direct investment.

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