August 2026

<u>Has Some Form of Rationality Entered the Room?</u>

Over the course of the past few years, inflation caused prices to skyrocket. This is due to decreasing supplies, an overabundance of cash-to-spend chasing goods and services, and many other factors. At the same time we have heard and watched the Federal Reserve decrease rates in 2024 and 2025, and stay steady thus far in 2026. Not much, or at least, not enough, has been done to stem the rising prices.

Now, under a new Federal Reserve Chairman, there is talk ‘on the Street’ (aka, in the markets) that the FED may actually RAISE rates later in 2026, rather than lower them further. This is an action typically taken to stem rising prices. There are other tools in the FED’s toolbox, as well.

Historically, when there’s this type of divide among investors, in this case between those calling for higher rates and those calling for lower, it means that there are unresolved sticky issues, typically difficult ones.

Further, keep in mind that rising interest rates typically cause equity market values to decrease. This is based on the mathematical calculations used to determine stock prices. As interest rates rise, equity prices fall. If a company will have higher costs as a result of higher costs to borrow, then those increased expenses will cut into profitability, thereby justifying a lower stock price.

When it comes to bonds, increasing rates mean that currently-lower-priced bonds are worth less, relative to the new bonds with higher rates. As a result, bond prices typically decrease as well. This can cause the value of bonds and bond funds, for example, to fall. The values of the bonds may fall, but this in no way affects the interest that is continued to be paid by the bonds.

Historically, these things, rising inflation and rising interest rates and a declining economy, don’t occur at the same time. The word ‘stagflation’, a stagnating economy and rising inflation, are used to describe such a condition. It’s not usually a fun time for investors.

At the same time that interest rate discussions continue, we’re over a year into the meteoric rise in prices associated with firms that ought to benefit from increased development and usage of Artificial Intelligence. We’ve watched prices rise to unbelievable levels, based upon expectations of <u>*future*</u> profits. As the prices rose, naysayers questioned whether the revenue would also follow sufficiently to justify the lofty valuations, citing problems of energy to power the needs of the grid, chip availability, and other related issues.

Today, it appears that the unbridled enthusiasm that caused the Nasdaq index (essentially the top 100 tech firms) to jump from 23,000 in April to over 30,000 in June, has waned and now the index has fallen back to the mid 27 thousands. Has Rationality Entered the Room??? Or, is this just a breather for what must be an exhausted market that has climbed a mountain over the past 14 months? We like to say that "Bull Markets don't die of exhaustion. They die of monetary tightening." Basically, stock markets can continue to climb in the face of seeming irrationality, longer than we think they should. But they don't typically stop until spending stops.

Recessionary indicators still aren't forecasting a recession in the next 6 months. Still, that fact has done little to assuage investor concerns about lofty valuations in the stock markets. With another month of summer ahead of us, and then 2 months to prepare for mid-term elections, investors need to watch closely for signs of whether government, business and individual spending will continue unabated. After all, these types of spending have fueled the past 10+ years of market growth, especially since Covid (2020).

Personally, I fear that when the spending slows, these concerns will come home to roost. *And this is the reason that our team is building defensive portfolio strategies in client households and accounts.*

All this to say that our team is watching these developments very closely. We'll continue to discuss changes on the monthly teleconference call, and via these newsletters.

For more on keeping up with the markets, please join us for 15 minutes during our monthly teleconference. For the 16th year at Wells Fargo Advisors, our commitment is to be communicative and transparent in our thinking, and in the development of our recommendations. These 15-minute calls are held at both noon and 7:45 p.m.

Wednesday August 12th
Wednesday September 10th
Wednesday October 7th
Wednesday November 18th
Wednesday December 16th

We are planning a few Fall educational client events for later this year. Please join us to learn about the markets, together with our partners. Each event will be followed with a different gathering. More to come.

We believe in creating and maintaining strong, communicative, relationships with your team of financial professionals. Please let us know if you would like us to speak with your accountant or attorney in order to address the myriad of issues that overlap between investment planning and tax/estate issues. This year, *we've added a new capability for your tax professional to be able to download your tax forms directly. Contact us for more details*.

In closing, over the past years many of you have shared our updates and content with your friends, family and professional networks. We want to thank you and express how honored we are. This letter is no exception. Please don't hesitate to share it. If someone important to you is in need of financial advice, guidance, or that they simply don't know what they don't know, our "20-Minute Ask Anything Sessions" are available.

Feel free to share our monthly teleconferences and regular updates/newsletters. We're thrilled to hear many of you are already doing so. The content of the newsletter is curated with our highest conviction insights and information. Let us know if you'd like to add an email address to the distribution list.

As always, this letter is written by-hand and by-mind (no AI involved!).

Sincerely,

Christopher P. Yalanis, CFP®, MBA
Managing Director – Investments
Branch Manager

Gregory Fater
Financial Advisor

Darcy F. Coyle
Senior Registered Client Associate

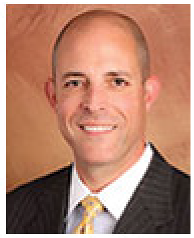
Hannah McNomee
Registered Client Associate

PM-01302028-5799694

Click on my business card and its tabs to learn more.

Schedule a consultation | Are you on track? | Investment tools and insights

YALANIS
PRIVATE WEALTH MANAGEMENT GROUP
of Wells Fargo Advisors



Christopher P. Yalanis, CFP®, MBA
Managing Director - Investments
Senior PIM Portfolio Manager

Wells Fargo Advisors
7 Brown & Howard Wharf
Newport, RI 02840
Tel: 401-848-3009 | Cell: 401-935-0449
Text: 401-240-4740 | Fax: 401-847-0329
Toll-free: 888-848-9738

christopher.yalanis@wellsfargoadvisors.com
www.yalanispwmg.com

Save details to address book

Christopher P. Yalanis, CFP®, MBA
Managing Director - Investments
Senior PIM Portfolio Manager

The Yalanis Private Wealth Management Group of Wells Fargo Advisors

Named one of 2018, 2019, and 2021-2025 Forbes Best-In-State Wealth Advisors
Named one of 2012, 2014-2016, 2018-2019, 2021-2025 Wells Fargo Advisors Platinum Council

Wells Fargo Advisors | 7 Brown & Howard Wharf | Newport, RI 02840
MAC H4271-010
Tel 401-848-3009 | Toll-free 888-848-9738 | Cell 401-935-0449 | Text 401-240-4740 | Fax 401-847-0329

christopher.yalanis@wellsfargoadvisors.com | http://www.yalanispwmg.com

2025 Forbes Best-In-State Wealth Advisors; Awarded April 2025; Data compiled by SHOOK Research LLC based on the time period from 6/30/23 - 6/30/24 (Source: Forbes.com).
2024 Forbes Best-In-State Wealth Advisors; Awarded April 2024; Data compiled by SHOOK Research LLC based on the time period from 6/30/22 - 6/30/23 (Source: Forbes.com).
2023 Forbes Best-In-State Wealth Advisors: Awarded April 2023; Data compiled by SHOOK Research LLC based on the time period from 6/30/21 - 6/30/22 (Source: Forbes.com).
2022 Forbes Best-In-State Wealth Advisors: Awarded April 2022; Data compiled by SHOOK Research LLC based on the time period from 6/30/20 - 6/30/21 (Source: Forbes.com).
2021 Forbes Best-In-State Wealth Advisors: Awarded February 2021; Data compiled by SHOOK Research LLC based on the time period from 6/30/19 - 6/30/20 (Source: Forbes.com).
2019 Forbes Best-In-State Wealth Advisors: Awarded February 2019; Data compiled by SHOOK Research LLC based on the time period from 6/30/17 - 6/30/18 (Source: Forbes.com).
2018 Forbes Best-In-State Wealth Advisors: Awarded February 2018; Data compiled by SHOOK Research LLC based on the time period from 6/30/16 - 6/30/17 (Source: Forbes.com).

Award Disclosures

The Platinum Council distinction [2024-2025] is held by a select group of Financial Advisors within Wells Fargo Advisors as measured by business production from the previous year and professionalism.

The Platinum Council distinction [2012, 2014-2016, 2018-2019, 2021-2023] is held by a select group of Financial Advisors within Wells Fargo Advisors as measured by one or more of the following: completion of educational components, business production from the previous year, and professionalism. Additional consideration may have included best practices and team structure.