

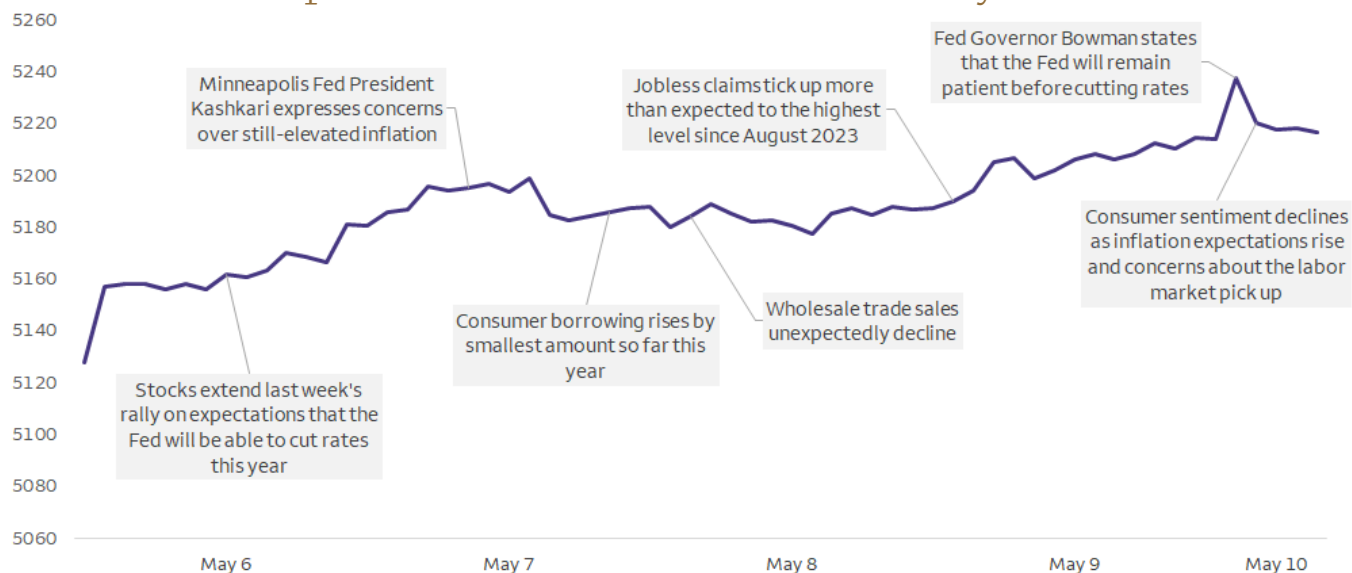
Looking Ahead

May 10, 2024

Stocks climb ahead of inflation updates

Stocks had a relatively calm week despite rising concerns of stagflation as economic growth expectations fell and inflation expectations rose. The University of Michigan’s Consumer Sentiment Index did weigh on stocks Friday morning as May’s print saw a notable decline and came in well below consensus expectations. Meanwhile, a host of Federal Reserve (Fed) speakers furthered the higher-for-longer narrative while stressing that the Fed will remain patient and take a cautious approach to cutting interest rates. In contrast to this week, next week will be full of data releases — of primary importance will be updates on Consumer Price Index (CPI) and Producer Price Index (PPI) inflation for April. Other key releases will include updates on retail sales, small business optimism, and leading indicators along with industrial production, business inventories, and housing market updates.

S&P 500 Index performance for the week of May 6 – 10



Sources: Bloomberg, Wells Fargo Investment Institute. Data from May 6, 2024, through May 10, 2024, at 12:00 p.m. ET. Past performance is no guarantee of future results. An index is unmanaged and not available for direct investment.

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Week in review: May 6 – 10

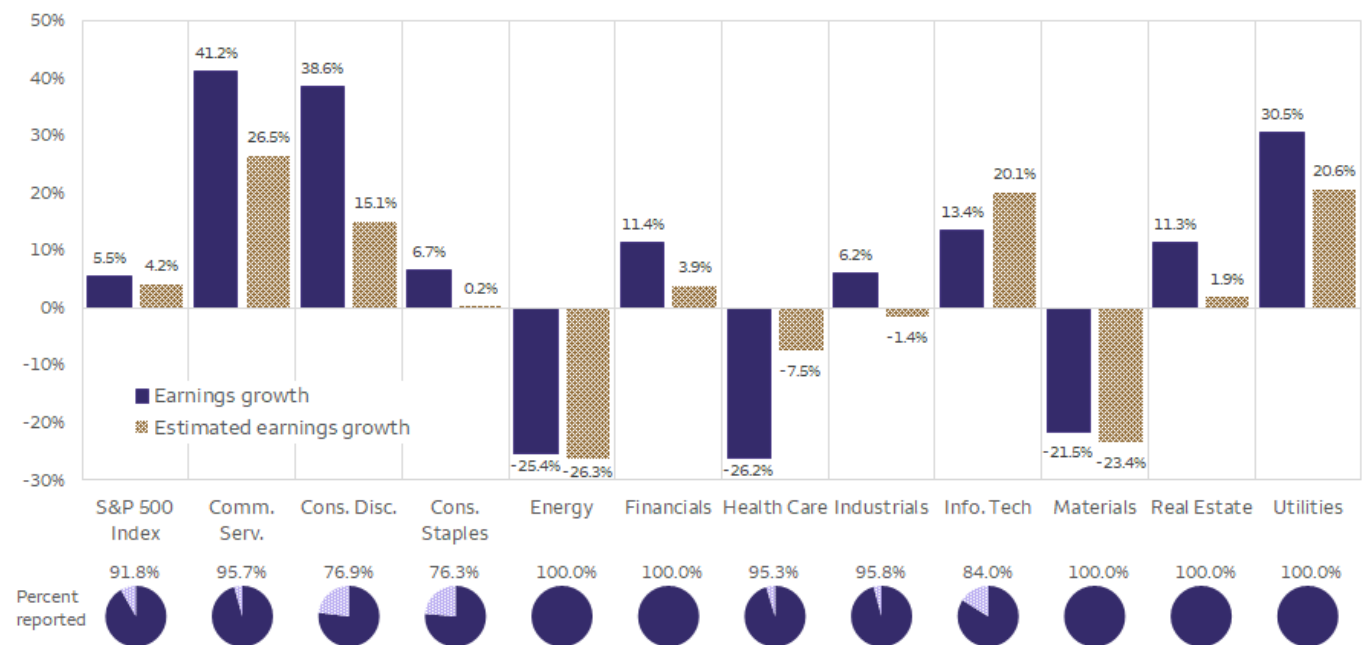
The key data release this week was Friday’s consumer sentiment update, which saw a significant decline to 67.4 — well below consensus expectations and the lowest reading since November 2023. Notable declines were seen in participants’ views of current conditions as well as expectations, coupled with higher year-ahead inflation expectations (3.5%) and five-year inflation expectations (3.1%). Consumers’ primary concerns included the potential paths of inflation, interest rates, and unemployment. Almost 40% of consumers anticipate the unemployment rate will rise in the year ahead, while only 25% expect interest rates to fall over the next 12 months. The print provided yet another indication that elevated rates, inflation, and job market uncertainty are weighing on the consumer.

Another piece of data in focus this week was consumer borrowing, which increased by a lower-than-expected \$6.3 billion for March. The print indicated that consumer reliance on credit is waning, with revolving debt (such as credit cards) seeing a relatively small increase of \$152 million. Revolving credit does, however, remain elevated on an absolute basis — since the start of the pandemic, credit card debt has seen a rate of growth three times greater than that seen in the twelve years prior to the pandemic. This month’s slowdown therefore suggests that consumers are beginning to reduce their reliance on credit to fuel spending, likely in connection with elevated rates and a prolonged period of unusually heavy reliance on credit.

Markets were also paying attention to Fed speak as a handful of speakers reiterated the recent theme of caution and patience, supporting the higher-for-longer narrative in light of still-elevated inflation. Fed Governor Michelle Bowman stated that the central bank should move “carefully and deliberately” along with her view that interest rates should remain at their current level “for a bit longer”. This aligns with her recent statement, that she anticipates inflation will remain elevated for some time, as well as Minneapolis Fed President Neel Kashkari’s statement that rates are likely to remain high “for an extended period of time”. To the same effect, Boston Fed President Susan Collins stated her view that it will take “more time than previously thought” to bring inflation down to the Fed’s 2% target. Meanwhile, Atlanta Fed President Raphael Bostic stated his belief that despite the first quarter’s price increases, interest rates can still be lowered this year. He did, however, state that he only sees one 0.25% cut as likely in 2024.

By Friday morning, the major averages were on track to close higher for the week. As of 12:00 p.m. ET, the S&P 500 Index was on track to climb 1.7%, the Nasdaq to advance 1.0%, and the Dow to move higher 2.0%.

First-quarter earnings season is wrapping up



Sources: Bloomberg, Wells Fargo Investment Institute. Chart shows actual versus projected S&P 500 Index earnings growth by sector. Actual earnings growth as of May 10, 2024, at 8:30 a.m. ET. Bloomberg consensus estimated earnings growth as of March 29, 2024, at 8:30 a.m. ET. **Past performance is no guarantee of future results.** An index is unmanaged and not available for direct investment.

Looking ahead to next week: May 13 – 17

The highlight of the week will be inflation data, with the April PPI, CPI, and import prices due Tuesday, Wednesday, and Thursday, respectively. Also on tap: updates on retail sales and industrial production for the month, along with the index of leading economic indicators, small business optimism, and a first look at May regional business surveys from the New York and Philadelphia Fed districts. Rounding out the docket is a flurry of housing market data, including housing starts, building permits, and homebuilder sentiment. In the central bank space, Fed Chair Jerome Powell will speak at an event organized by The Netherlands' Foreign Bankers' Association.

In China, the focus will be on industrial production, retail sales, money supply, and fixed asset investment, in addition to the one-year medium-term lending facility rate and volume from the People's Bank of China. From Japan, watch for a preliminary reading on first-quarter gross domestic product (GDP), along with updates on industrial production and the PPI. Elsewhere in the region, Australia's labor market data and business confidence hit the tape, while South Korea will release its unemployment rate and export prices.

In Europe, the highlight will be an advance reading of first-quarter eurozone GDP, along with finalized April CPIs and May's ZEW expectations for economic growth. From the U.K., look for labor market data — including the unemployment rate, jobless claims, and weekly earnings — while from Germany there will an update on the ZEW index of current conditions.

Scheduled economic releases for week of May 13, 2024

Date	Time	Country	Release	For	Consensus	Prior
Monday, 5/13	8:30 AM	Canada	Building Permits MoM	March	-5.0%	9.3%
Monday, 5/13	7:50 PM	Japan	PPI YoY	April	0.8%	0.8%
Tuesday, 5/14	2:00 AM	U.K.	Jobless Claims Change	April	NA	10.9k
Tuesday, 5/14	5:00 AM	Germany	ZEW Survey Expectations	May	45.9	42.9
Tuesday, 5/14	6:00 AM	U.S.	NFIB Small Business Optimism	April	88.0	88.5
Tuesday, 5/14	8:30 AM	U.S.	PPI Ex Food and Energy YoY	April	2.3%	2.4%
Tuesday, 5/14	8:30 AM	U.S.	PPI Final Demand YoY	April	2.2%	2.1%
Wednesday, 5/15	5:00 AM	Eurozone	Industrial Production SA MoM	March	0.2%	0.8%
Wednesday, 5/15	5:00 AM	Eurozone	GDP SA QoQ	1Q Prelim	0.3%	0.3%
Wednesday, 5/15	8:15 AM	Canada	Housing Starts	April	240.0k	242.2k
Wednesday, 5/15	8:30 AM	U.S.	CPI YoY	April	3.4%	3.5%
Wednesday, 5/15	8:30 AM	U.S.	CPI Ex Food and Energy YoY	April	3.6%	3.8%
Wednesday, 5/15	8:30 AM	U.S.	Empire Manufacturing	May	-10.0	-14.3
Wednesday, 5/15	8:30 AM	U.S.	Retail Sales Advance MoM	April	0.4%	0.7%
Wednesday, 5/15	10:00 AM	U.S.	NAHB Housing Market Index	May	51	51
Wednesday, 5/15	7:50 PM	Japan	GDP SA QoQ	1Q Prelim	-0.4%	0.1%
Wednesday, 5/15	9:30 PM	Australia	Unemployment Rate	April	3.9%	3.8%
Thursday, 5/16	8:30 AM	U.S.	Building Permits	April	1489k	1467k
Thursday, 5/16	8:30 AM	U.S.	Housing Starts	April	1433k	1321k
Thursday, 5/16	9:15 AM	U.S.	Capacity Utilization	April	78.4%	78.4%
Thursday, 5/16	9:15 AM	U.S.	Industrial Production MoM	April	0.20%	0.39%
Thursday, 5/16	7:00 PM	South Korea	Unemployment rate SA	April	2.7%	2.8%
Thursday, 5/16	10:00 PM	China	Retail Sales YoY	April	3.7%	3.1%
Thursday, 5/16	10:00 PM	China	Industrial Production YoY	April	5.5%	4.5%
Friday, 5/17	5:00 AM	Eurozone	CPI YoY	April Final	2.4%	2.4%
Friday, 5/17	10:00 AM	U.S.	Leading Index MoM	April	-0.3%	-0.3%

Source: Bloomberg. Data as of May 10, 2024, as of 12:00 P.M. ET. Times shown in table are in Eastern Time. 1Q = first quarter. MoM = month-over-month. QoQ = quarter-over-quarter. YoY = year-over-year.

Scheduled earnings releases for week of May 13, 2024

Ticker	Company	Report date	Call time	Revenue est. (billions)	EPS est.	EPS year ago
ALC	Alcon AG	Tuesday, 5/14	8:00 AM	\$2.46	\$0.73	\$0.70
HD	Home Depot, Inc.	Tuesday, 5/14	9:00 AM	\$36.66	\$3.60	\$3.82
CSCO	Cisco Systems, Inc.	Wednesday, 5/15	4:30 PM	\$12.51	\$0.83	\$1.00
DE	Deere & Company	Thursday, 5/16	10:00 AM	\$13.30	\$7.89	\$9.65
AMAT	Applied Materials, Inc.	Thursday, 5/16	4:30 PM	\$6.54	\$1.99	\$2.00
TTWO	Take-Two Interactive Software, Inc.	Thursday, 5/16	4:30 PM	\$1.31	\$0.09	\$0.59
CPRT	Copart, Inc.	Thursday, 5/16	5:30 PM	\$1.11	\$0.39	\$0.36
WMT	Walmart Inc.	Thursday, 5/16	8:00 AM	\$159.40	\$0.51	\$0.49
RBC	RBC Bearings Incorporated	Friday, 5/17	11:00 AM	\$0.41	\$2.34	\$2.13

Source: FactSet. Data as of May 10, 2024, as of 8:30 A.M. ET. Times shown in table are in Eastern Time. EPS = earnings per share.

Risk Considerations

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

Different investments offer different levels of potential return and market risk. 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. **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.

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Definitions

An index is unmanaged and not available for direct investment.

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

The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market.

Building permits (or building approvals) track the number of permits that have been issued for new construction, additions to pre-existing structures or major renovations. These statistics are based on the number of construction permits approved.

Business confidence tracks the general state of the economy as it relates to businesses. It can include broad economy-wide conditions or specific economic conditions of a particular industry.

Consumer or household credit tracks the outstanding amount of credit (or loans) used by consumers to finance purchases of goods or services. It can include everything from credit card lending, to auto loans, to lines of credit but it excludes mortgage loans.

The Consumer Price Index (CPI) is a measure of prices paid by consumers for a market basket of consumer goods and services. The yearly (or monthly) growth rates represent the inflation rate.

The University of Michigan Consumer Sentiment tracks sentiment among households or consumers.

Export price indexes track changes in the prices of goods produced domestically and sold abroad (exports).

Fixed assets investment tracks investment in or capital expenditures on fixed assets such as buildings, plant, equipment, machinery, etc.

Gross domestic product (GDP) measures the final market value of all goods and services produced within a country. It is the most frequently used indicator of economic activity. The GDP by industry approach (or output-based GDP) is the sum of the gross value added (output less intermediate consumption) of all industry and services sectors of the economy (at basic prices), plus all taxes less subsidies on products. This concept is adjusted for inflation.

Homebuilder sentiment tracks sentiment among participants in the housing industry.

Housing (or building) starts track the number of new housing units (or buildings) that have been started during the reference period.

Import price indexes track changes in the prices of goods produced abroad and sold domestically (imports).

Industrial production measures the output of industrial establishments in the following industries: mining and quarrying, manufacturing and public utilities (electricity, gas and water supply). Production is based on the volume of the output.

Jobless claims tracks the total number of people who have filed jobless claims with the appropriate government labor office; typically, in order to receive unemployment benefits.

Leading indicators (leading indexes) include economic variables that tend to move before changes in the overall economy.

The money supply (or money stock) measures the total amount of money in circulation in a country or group of countries in a monetary union.

The Producer Price Index (PPI) is a measure of the change in the price of goods as they leave their place of production (i.e. prices received by domestic producers for their outputs either on the domestic or foreign market).

Retail sales (also referred to as retail trade) tracks the resale of new and used goods to the general public, for personal or household consumption. This concept is based on the value of goods sold.

Small business optimism tracks the general state of the economy as it relates to businesses. It can include broad economy-wide conditions or specific economic conditions of a particular industry.

The unemployment (or jobless) rate tracks the number of unemployed persons as a percentage of the labor force (the total number of employed plus unemployed). These figures generally come from a household labor force survey.

Weekly earnings tracks total weekly remuneration (in cash or in kind) paid to employees in return for work done (or paid leave).

The ZEW Germany survey of current conditions (or business conditions) tracks the general state of the economy as it relates to businesses. It can include broad economy-wide conditions or specific economic conditions of a particular industry.

The ZEW survey of expectations for economic growth concept tracks the general state of the economy as it relates to businesses. It can include broad economy-wide conditions or specific economic conditions of a particular industry.

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