

September 13, 2019

WELLS
FARGO

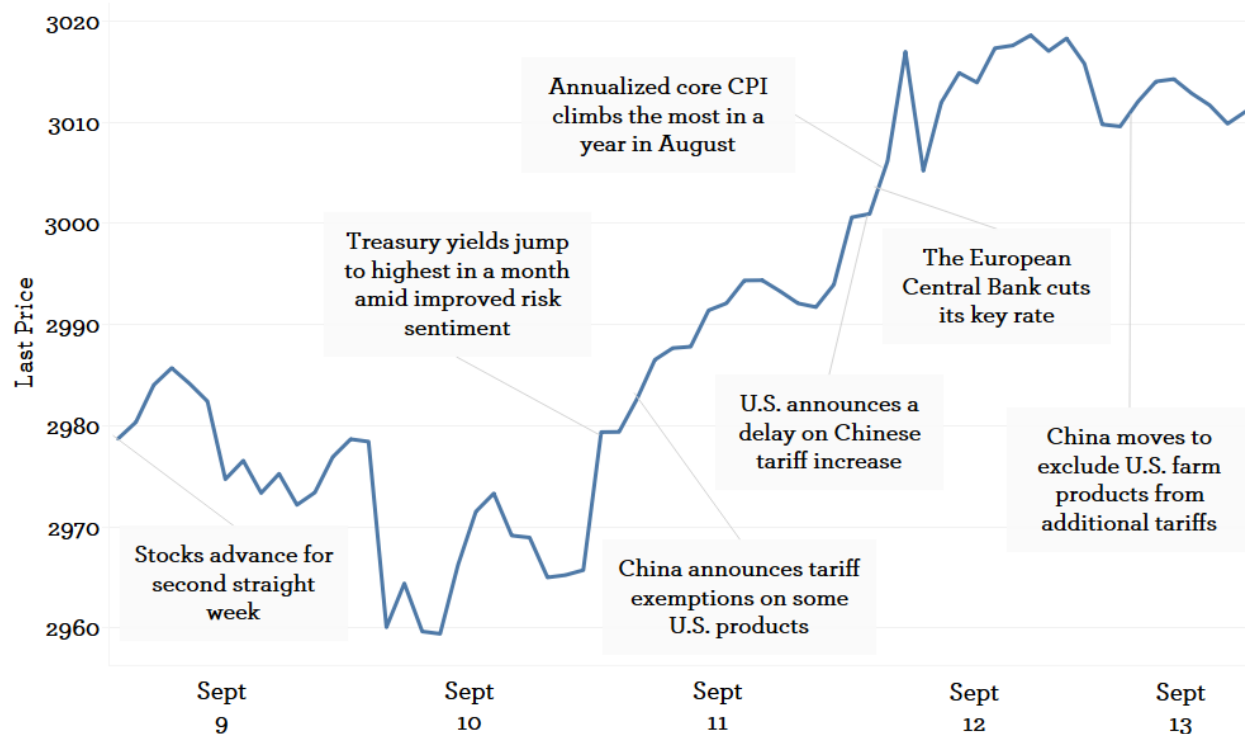
ADVISORS

Looking Ahead

Jenn Timmerman, Angela Shin, Jack Kraft – Advice and Research

Stocks continued to move higher this week, with the more unloved pockets of U.S. equities gaining favor. A market rotation gathered momentum amid a spike in bond yields, as thawing trade tensions extended an overall boost to risk sentiment.

S&P 500 Index Week of September 9 - 13



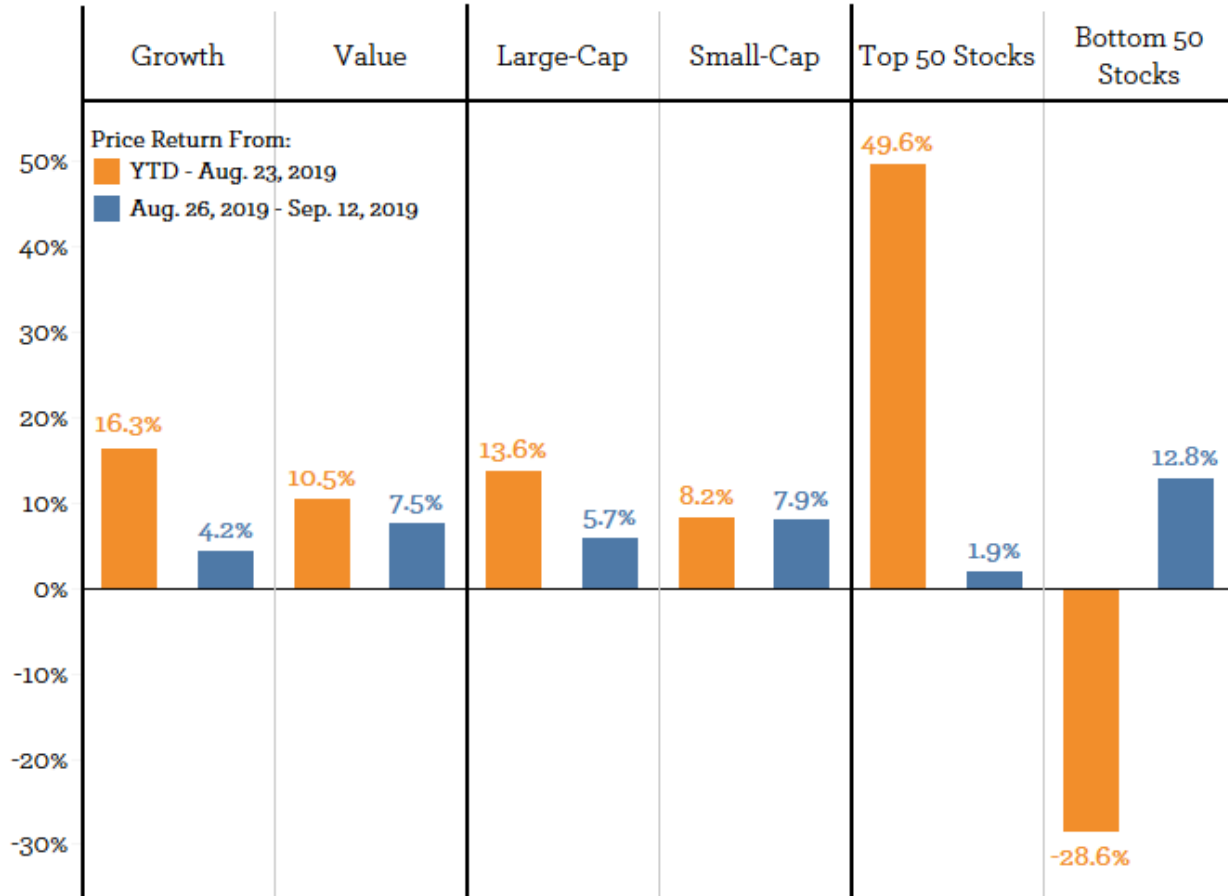
Source: Bloomberg *As of September 13, 1:00 p.m. E.T.

After notching a second consecutive week of gains, investors entered Monday with plenty of news to digest. Easing U.S.-China trade tensions and expectations of monetary easing from global central banks helped provide a positive backdrop despite a mixed August jobs report. As market participants awaited the next big catalyst, the S&P 500 treaded water, finishing little changed Monday and Tuesday. However, some larger movement rippled below the surface. An upheaval in equity performance gained traction, with some of 2019's most underappreciated segments rallying, while the year's biggest winners pared their advance. Since the final week of August, more cyclical and value-oriented stocks have outperformed more defensive and growth-oriented groups. Meanwhile, small-caps have staged a sharp comeback recently, with the Russell 2000 outpacing the S&P 500 by more than 1% for three consecutive days this week. In fact, the small-cap index has nearly doubled its 8.2% year-to-date return (through August 23rd) in just the last three weeks. Furthermore,

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

the market "shift" has been further evident in the fact that the top 50 performing stocks in the S&P 500 as of August 23rd have gained less than 2% over the past three weeks. On the flip side, shares in the bottom 50 companies have jumped nearly 13% over that same time-frame (after having shed almost 30% year-to-date through August 23rd).

Market Rotation

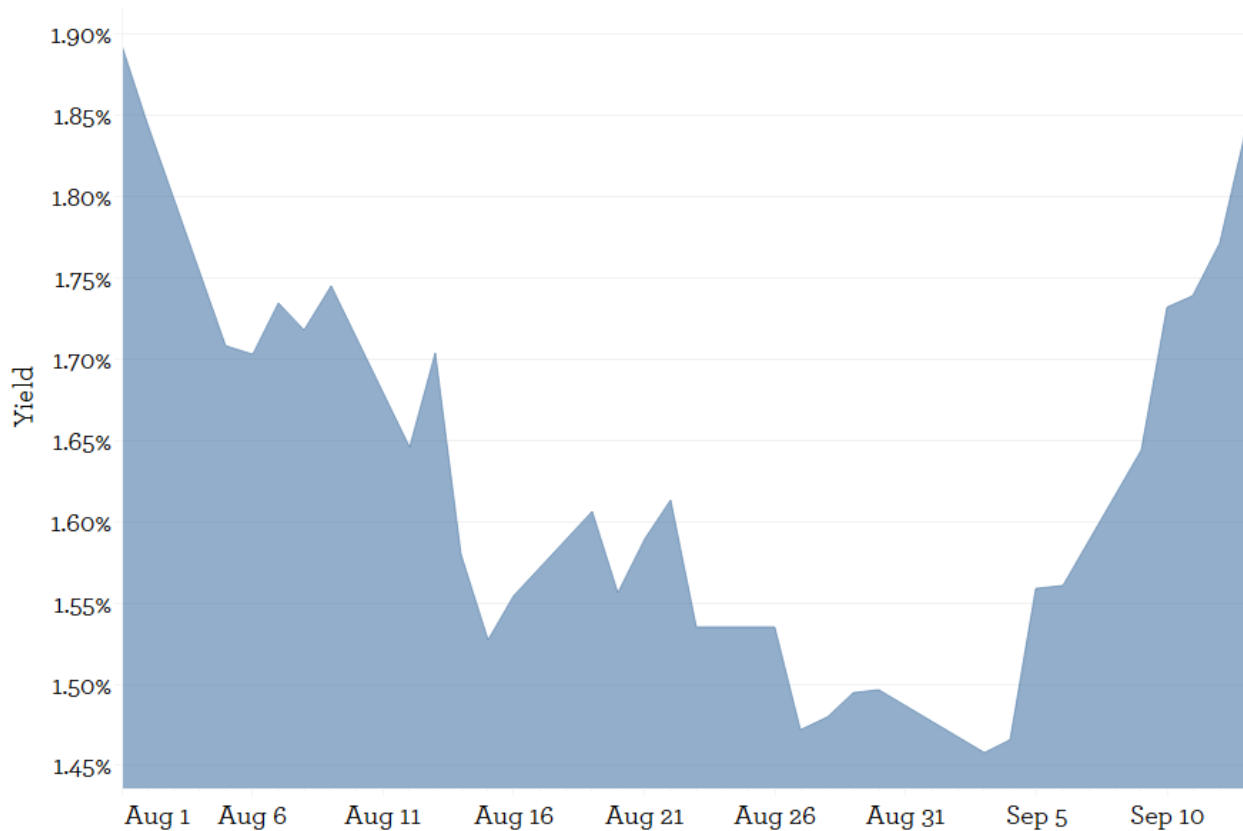


Source: Bloomberg *As of September 12, 4:00 p.m. E.T *Categories being measured using the following indices—Growth: S&P 500 Growth Index, Value: S&P 500 Value Index, Large-Cap: S&P 500 Index, Small-Cap: Russell 2000 Index **Top 50 and Bottom 50 Stocks selected from the best and worst S&P 500 Index performers YTD through August 23, 2019

Still, the broader S&P 500 has extended its September surge this week, as conciliatory gestures from both Washington and Beijing helped pacify trade tensions. China excluded several U.S. products from additional tariffs set to be implemented next week, including cancer drugs and pesticides. Although the list originally omitted more prominent items (such as soybeans, pork, and corn), Beijing followed up later in the week with a promise to exempt agricultural products as well. Further, China made its largest purchase of U.S. soybeans since June. These concessions followed President Trump's announcement that he would delay a scheduled 5% tariff increase of Chinese imports from October 1st to October 15th in a "gesture of good will." (Chinese Vice Premier Liu He had requested this consideration since the country's National Day falls on the first day of the month, with this year's celebration commemorating the 70th anniversary of the founding of the People's Republic of China.) By the end of the week, White House officials indicated they may be willing to accept a short-term deal as the two sides continue to sort through "structural issues" that are preventing a more comprehensive resolution. Top negotiators plan to meet in October for the 13th round of high level, face-to-face talks.

Mostly positive data readings also helped support the perceived "risk on" mood. The closely watched retail sales figure rose 0.4% in August, topping estimates and demonstrating the resilience of the U.S. consumer. Separately, a preliminary gauge from the University of Michigan revealed consumer sentiment has strengthened this month. Additionally, an update on inflation showed core consumer prices (excluding food and energy) increased at the fastest pace in a year. As of 1:00 p.m. ET Friday, stocks were on track for their third consecutive weekly advance, leaving benchmarks within striking distance of record levels. The S&P 500 was set to climb 1.1%, less than 0.5% from its all-time high reached on July 26th. The Dow was poised to rally 1.6% for the week, riding a seven-session (and counting) winning streak to push the blue chip index above 27,000.

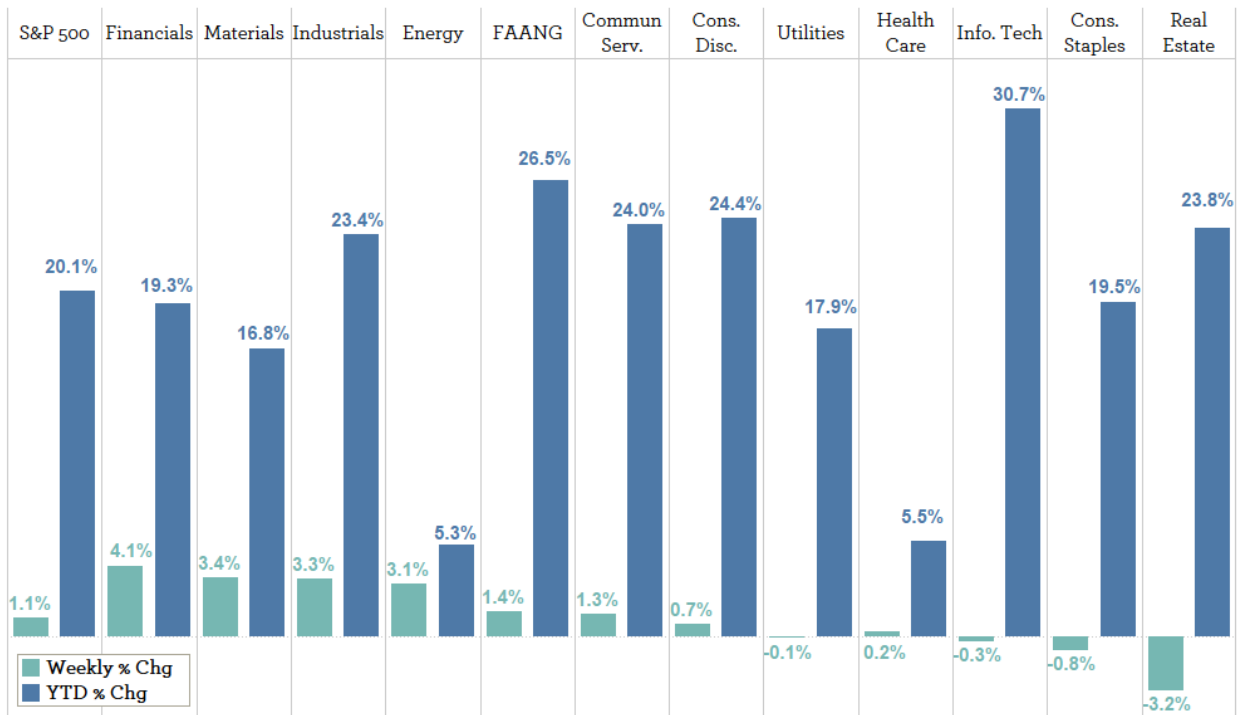
10-Year U.S. Treasury Yield



Source: Bloomberg *As of Sept. 13, 9:00 a.m. ET

In bond land, improved risk sentiment sent benchmark sovereign rates rebounding to their highest levels in six weeks. Reversing the recent trend of steep inflows into government debt and Treasuries, investors pulled \$6.1 billion out of fixed income mutual funds and ETFs in the week ended September 11th, the second largest weekly outflow on record, according to EPFR fund flow data. The 10-year U.S. Treasury note spiked to 1.85% Friday morning, up a whopping 30 basis points for this week alone, retracing most of August's slide. The 30-year bond yield experienced a similar bounce, hovering around 2.32% Friday after hitting an all-time low of 1.90% at the end of last month. A weak auction in this maturity further supported the 30-year rate this week. Overseas, Germany's 30-year bund yield climbed back into positive territory on heightened expectations of fiscal stimulus from Europe's largest economy. Monetary easing from the European Central Bank also supported the mood, as policymakers opted to reduce its main lending rate by 10 basis points to -0.50%, as anticipated, while also restarting its bond-buying program of 20 billion euros a month.

S&P 500 Sector Performance with FAANG*



Source: Bloomberg *As of Sept. 13, 1:00 p.m. ET *FAANG represented by an equal weight portfolio of Facebook, Amazon, Apple, Netflix and Alphabet

Looking Ahead to Next Week: September 16 - 20

All eyes will be on global central banks next week. The U.S. Federal Reserve meeting is set to kick off on Tuesday, with a policy decision due Wednesday. Market participants are widely expecting a 25 basis point rate cut, with Fed-fund futures data from CME Group pricing in an 86.5% chance of this move. Following the meeting, investors will pay close attention to Fed Chair Jerome Powell's press conference at 2:30 p.m. ET for clues concerning future monetary policy. The Bank of Japan and the Bank of England will also hold meetings next week. **The economic calendar remains light**, with a flurry of housing market data garnering attention. Investors will receive updates on the NAHB Housing Market Index (Tuesday), housing starts (Wednesday), and existing home sales (Thursday). Other key economic releases include Empire Manufacturing (Monday) and an update on the Leading Index of Economic Indicators (Thursday). **In earnings**, shipping conglomerate FedEx and computer software company Adobe Systems will report on Tuesday after the bell. Quarterly results from General Mills and Darden Restaurants will round out the week. **In other news**, Japan will become the first Asian country to host the Rugby world Cup.

Disclaimers

Ticker	Price
FDX	173.51
ADBE	278.02
GIS	54.09
DRI	126.06

Pricing as of market close on September 12, 2019 unless indicated otherwise.

All investing involves risks including the possible loss of principal. Equity securities are subject to market risk which means their value may fluctuate in response to general economic and market conditions and the perception of individual issuers. Investments in equity securities are generally more volatile than other types of securities. Dividends are not guaranteed and are subject to change or elimination.

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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.

The **Russell 2000 Index** is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization.

The **S&P 500 Growth Index** is a market capitalization weighted index. All the stocks in the underlying parent index are allocated into value or growth. Stocks that do not have pure value or pure growth characteristics have their market caps distributed between the value & growth indices. Prior to 12/19/2005 this index represented the S&P 500/Barra Growth Index.

The **S&P 500 Value Index** is a market capitalization weighted index. All the stocks in the underlying parent index are allocated into value or growth. Stocks that do not have pure value or pure growth characteristics have their market caps distributed between the value & growth indices. Prior to 12/19/2005 this index represented the S&P 500/Barra Growth Index.

Scheduled Economic Releases for Week of September 16, 2019**Monday, September 16**

Time	Country	Release	For	Consensus	Prior
8:30 AM	U.S.	Empire Manufacturing	Sep	4	4.8

Tuesday, September 17

Time	Country	Release	For	Consensus	Prior
5:00 AM	Germany	ZEW Survey Expectations	Sep	-38	-44.1
5:00 AM	Germany	ZEW Survey Current Situation	Sep	--	-13.5
9:15 AM	U.S.	Industrial Production MoM	Aug	0.20%	-0.20%
9:15 AM	U.S.	Capacity Utilization	Aug	77.60%	77.50%
10:00 AM	U.S.	NAHB Housing Market Index	Sep	66	66
4:00 PM	U.S.	Net Long-term TIC Flows	Jul	--	\$99.1b

Wednesday, September 18

Time	Country	Release	For	Consensus	Prior
4:30 AM	U.K.	CPI YoY	Aug	1.80%	2.10%
5:00 AM	Eurozone	CPI YoY	Aug F	1.00%	1.00%
7:00 AM	U.S.	MBA Mortgage Applications	13-Sep	--	2.00%
8:30 AM	U.S.	Building Permits MoM	Aug	-0.20%	8.40%
8:30 AM	U.S.	Housing Starts MoM	Aug	5.00%	-4.00%
10:30 AM	U.S.	DOE U.S. Crude Oil Inventories	13-Sep	--	-6912k
2:00 PM	U.S.	FOMC Rate Decision (Upper Bound)	18-Sep	2.00%	2.25%
2:30 PM	U.S.	Powell Holds Post-FOMC Meeting Press Conference		--	--

Thursday, September 19

Time	Country	Release	For	Consensus	Prior
--	Japan	BOJ Policy Balance Rate	19-Sep	--	-0.10%
--	Japan	BOJ 10-Yr Yield Target	19-Sep	--	0.00%
12:30 AM	Japan	All Industry Activity Index MoM	Jul	--	-0.80%
7:00 AM	U.K.	Bank of England Bank Rate	19-Sep	0.75%	0.75%
8:30 AM	U.S.	Current Account Balance	2Q	-\$125.7b	-\$130.4b
8:30 AM	U.S.	Philadelphia Fed Business Outlook	Sep	11.5	16.8
8:30 AM	U.S.	Initial Jobless Claims	14-Sep	--	204k
10:00 AM	U.S.	Leading Index	Aug	0.10%	0.50%
10:00 AM	U.S.	Existing Home Sales MoM	Aug	-0.60%	2.50%
7:30 PM	Japan	Natl CPI YoY	Aug	0.30%	0.50%

Friday, September 20

Time	Country	Release	For	Consensus	Prior
10:00 AM	Eurozone	Consumer Confidence	Sep A	-7.1	-7.1
11:20 AM	U.S.	Fed's Rosengren Speaks in New York	--	--	--
1:00 PM	U.S.	Baker Hughes U.S. Rig Count	20-Sep	--	--

Source: Bloomberg

Data as of September 12, 2019

Scheduled Earnings Releases for Week of September 16, 2019**Monday, September 16**

*** No Scheduled Earnings Releases of Note***					
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Tuesday, September 17**Before the Open**

Company	Symbol	Price	EPS Est.	Year Ago	Revenue Est. (\$MM)
Cracker Barrel Old Country Store	CBRL	\$162.02	\$2.48	\$2.19	\$775.00

After Market Close

Company	Symbol	Price	EPS Est.	Year Ago	Revenue Est. (\$MM)
Adobe Inc	ADBE	\$278.02	\$1.97	\$1.34	\$2,818.75
Chewy, Inc	CHWY	\$29.51	-\$0.10	--	\$1,133.00
FedEx Corp	FDX	\$173.51	\$3.17	\$3.46	\$17,092.82

Wednesday, September 18**Before the Open**

Company	Symbol	Price	EPS Est.	Year Ago	Revenue Est. (\$MM)
General Mills Inc	GIS	\$54.09	\$0.77	\$0.71	\$4,085.69

After Market Close

Company	Symbol	Price	EPS Est.	Year Ago	Revenue Est. (\$MM)
Herman Miller Inc	MLHR	\$44.23	\$0.78	\$0.69	\$662.50

Thursday, September 19**Before the Open**

Company	Symbol	Price	EPS Est.	Year Ago	Revenue Est. (\$MM)
Darden Restaurants Inc	DRI	\$126.06	\$1.35	\$1.34	\$2,139.27

After Market Close

Scholastic Corp	SCHL	\$40.16	-\$1.80	-\$1.74	\$218.00
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Friday, September 20

*** No Scheduled Earnings Releases of Note***					
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Source: Bloomberg

Prices as of close on September 12, 2019

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