If you’ve ever been caught off guard by rapidly changing weather, you know how important it is to be prepared.

Fortunately for us, meteorologists are constantly monitoring weather conditions, watching for any signs of instability. We depend on them to keep us prepared whenever a storm is brewing.

[on screen text] Paul Christopher, CFA, Head of Global Market Strategy, Wells Fargo Investment Institute

Financial markets are not a force of nature like the weather, but just as we want to know when to pack an umbrella, investors want to know when a storm is brewing in the economy and how they should prepare.

Take the current economic expansion as an example. The sheer length of our current expansion has made many investors increasingly anxious—wondering when the current recovery will end and the next market contraction will begin.

Much like meteorologists, we constantly watch for indicators and warning signals that can predict changes in the markets, and right now the indicators we’re watching don’t suggest it’s time to issue a storm warning. But rather, we think a storm watch is more appropriate.

A watch usually means conditions are favorable, but there’s no imminent threat. For investors, this means be prepared for a market downturn, but don’t overreact and let fear tempt you to abandon your long-term investment plan.

[on screen text] Diversify across markets and types of investments

We recommend broadening exposure across markets and types of investments—including alternative investments like hedge funds and private capital.
Use cash as a tool

Try to use cash as a tool—that is, put cash to work gradually and as market pullbacks create opportunities.

Know what you own

And know what you own. Focus on quality companies, and don’t fall for overinflated return expectations.

Unsettled weather is a natural part of the seasonal cycle that we all experience periodically. And recessions are a natural part of an economic cycle that all investors should expect and plan for accordingly. So don’t get caught without your umbrella.

Download our special report

To find out more about the investment strategies we think investors should use for weathering the storm of an eventual bear market, download our Wells Fargo Investment Institute special report: *How Bull Markets End.*

Risk Considerations

All investing involves risk including the possible loss of principal. Investors should be aware of, and understand, all risks associated with a particular investment product before investing.

Alternative investments, such as hedge funds and private capital, are not suitable for all investors and are only open to “accredited” or “qualified” investors within the meaning of U.S. securities laws.

General Disclosures

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