

# WELLS FARGO

## Investment Institute

August 2020 Transcript

## Our election base case

**Presenter:** John LaForge, Head of Real Asset Strategy, Wells Fargo Investment Institute

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

### ***Title graphic: Our election base case***

A lot could change between now and the November 3rd election, but our current base case is that the Democrats will capture the White House and control both chambers of Congress in 2021.

In every swing state we have been watching, unemployment is rising, and, according to the July polls by RealClearPolitics, Biden leads Trump. *(Source: RealClearPolitics, July 24-26, 2020 polls.)*

We believe there may be some market-negative implications under a potential Biden administration, but we see potential counterbalancing implications as well. Some policy changes may be a potential positive for the economy and the markets during the next year or two.

New government spending initiatives should potentially create new targeted investment opportunities. For example, we expect infrastructure spending will likely favor the Materials and Industrial sectors, government involvement in the health care industry will likely favor the Health Care sector, and even income support strategies will likely generate additional earnings in the Consumer Staples sector.

## Risks Considerations

Forecasts are not guaranteed and 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.

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. **Consumer Staples** industries can be significantly affected by competitive pricing particularly with respect to the growth of low-cost emerging market production, government regulation, the performance of the overall economy, interest rates, and consumer confidence. Some of the risks associated with investment in the **Health Care** sector include competition on branded products, sales erosion due to cheaper alternatives, research and development risk, government regulations and government approval of products anticipated to enter the market. There is increased risk investing in the **Industrials** sector. The industries within the sector can be significantly affected by general market and economic conditions, competition, technological innovation, legislation and government regulations, among other things, all of which can significantly affect a portfolio's performance. **Materials** industries can be significantly affected by the volatility of commodity prices, the exchange rate between foreign currency and the dollar, export/import concerns, worldwide competition, procurement and manufacturing and cost containment issues.

## General disclosures

The opinions expressed reflect the judgment of the speaker as of the recording date and are subject to change without notice. The material has been prepared or is distributed solely for information purposes and is not a solicitation or an offer to buy any security or instrument or to participate in any trading strategy. Past performance is no guarantee of future results. Additional information is available upon request.

Wells Fargo Investment Institute, Inc. is a registered investment adviser and wholly owned subsidiary of Wells Fargo Bank, N.A., a bank affiliate of Wells Fargo & Company.

The information contained herein constitutes general information and is not directed to, designed for, or individually tailored to, any particular investor or potential investor. This report is not intended to be a client-specific suitability or best interest analysis or recommendation, an offer to participate in any investment, or a recommendation to buy, hold or sell securities. Do not use this report as the sole basis for investment decisions. Do not select an asset class or investment product based on performance alone. Consider all relevant information, including your existing portfolio, investment objectives, risk tolerance, liquidity needs and investment time horizon.

Wells Fargo Advisors is registered with the U.S. Securities and Exchange Commission and the Financial Industry Regulatory Authority, but is not licensed or registered with any financial services regulatory authority outside of the U.S. Non-U.S. residents who maintain U.S.-based financial services account(s) with Wells Fargo Advisors may not be afforded certain protections conferred by legislation and regulations in their country of residence in respect of any investments, investment transactions or communications made with Wells Fargo Advisors.

Wells Fargo Advisors is a trade name used by Wells Fargo Clearing Services, LLC and Wells Fargo Advisors Financial Network, LLC, Members SIPC, separate registered broker-dealers and non-bank affiliates of Wells Fargo & Company.

© 2020 Wells Fargo Investment Institute. All rights reserved. CAR-0820-02019