

# WELLS FARGO

## Investment Institute

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## 2026 Outlook: Trendlines over headlines

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Like all investors, we see headlines almost daily that worry about corporate earnings growth and the uncertainties around trade, immigration, and other policy issues. But we also recognize positive, durable trends – like lower borrowing costs, deregulation, technology spending, along with significant, new tax cuts – all of which should promote household spending, business expansion, and strengthen profits. And we believe these trends will create investment opportunities in 2026 and likely beyond.

Our *2026 Outlook: Trendlines over headlines* aims to help investors separate the signal from the noise - and offers our highest conviction ideas on how to best position portfolios.

In equities, positive policy and economic trends should help accelerate earnings growth and broaden equity market participation by year-end 2026. We expect the best opportunities in U.S. large and mid-cap stocks, and we favor the Financials, Industrials, and Utilities sectors. These sectors should find support from moderating inflation, stronger economic and earnings growth, and especially spending on technology enhancements.

In Fixed Income, our outlook favors high-quality, investment-grade corporate bonds with maturities ranging from three to seven years. We also favor investment-grade municipal securities in both the general obligation and revenue sectors. Additionally, we view credit quality, diversification, and active management as crucial to managing a fixed-income portfolio.

In real assets, we favor precious metals as near-term policy uncertainties persist, as well as industrial metals due to solid global demand tied to ongoing tech investment.

Finally, in alternative investments, we prefer hedge funds and private capital strategies with the goal of adding resilience and reducing portfolio volatility, especially in periods of elevated market turbulence.

For more specific asset class guidance and our top five portfolio ideas, read our special report *2026 Outlook: Trendlines over headlines*.

## Disclosures

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. The prices of small and mid-cap company stocks are generally more volatile than large company stocks. They often involve higher risks because smaller companies may lack the management expertise, financial resources, product diversification and competitive strengths to endure adverse economic conditions. An investment that is concentrated in a specific sector may be subject to a higher degree of market risk.

Investments in fixed-income securities are subject to interest rate, credit/default, liquidity, inflation and other risks. Bond prices fluctuate inversely to changes in interest rates. Therefore, a general rise in interest rates can result in the decline in the bond's price. Credit risk is the risk that an issuer will default on payments of interest and principal. This risk is higher when investing in high yield bonds, also known as junk bonds, which have lower ratings and are subject to greater volatility. If sold prior to maturity, fixed income securities are subject to market risk. All fixed income investments may be worth less than their original cost upon redemption or maturity.

Municipal bonds offer interest payments exempt from federal taxes, and potentially state and local income taxes. Municipal bonds are subject to credit risk and potentially the Alternative Minimum Tax (AMT). Quality varies widely depending on the specific issuer. Municipal securities are also subject to legislative and regulatory risk which is the risk that a change in the tax code could affect the value of taxable or tax-exempt interest income.

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. Investing in the **Financial** services companies will subject an investment to adverse economic or regulatory occurrences affecting the sector. 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. **Real estate** investments have special risks, including possible illiquidity of the underlying properties, credit risk, interest rate fluctuations, and the impact of varied economic conditions. **Utilities** are sensitive to changes in interest rates, and the securities within the sector can be volatile and may underperform in a slow economy.

Investing in precious metals involves special risk considerations such as severe price fluctuations and adverse economic and regulatory developments affecting the sector or industry.

Alternative investments carry specific investor qualifications which can include high income and net-worth requirements as well as relatively high investment minimums. They are complex investment vehicles which generally have high costs and substantial risks. The high expenses often associated with these investments must be offset by trading profits and other income. They tend to be more volatile than other types of investments and present an increased risk of investment loss. There may also be a lack of transparency as to the underlying assets. Other risks may apply as well, depending on the specific investment product.

Hedge funds are complex, speculative investment vehicles and are not appropriate for all investors. They are generally open to qualified investors only and carry high costs, substantial risks, and may be highly volatile. There is often limited (or even non-existent) liquidity and a lack of transparency regarding the underlying assets. They do not represent a complete investment program. The investment returns may fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost. Hedge funds are not required to provide investors with periodic pricing or valuation and are not subject to the same regulatory requirements as mutual funds. Investing in hedge funds may also involve tax consequences. Speak to your tax advisor before investing. Investors in funds of hedge funds will incur asset-based fees and expenses at the fund level and indirect fees, expenses and asset-based compensation of investment funds in which these funds invest. An investment in a hedge fund involves the risks inherent in an investment in securities, as well as specific risks associated with limited liquidity, the use of leverage, short sales, options, futures, derivative instruments, investments in non-U.S. securities, "junk" bonds and illiquid investments. There can be no assurances that a manager's strategy (hedging or otherwise) will be successful or that a manager will use these strategies with respect to all or any portion of a portfolio. Please carefully review the Private Placement Memorandum or other offering documents for complete information regarding terms, including all applicable fees, as well as other factors you should consider before investing.

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