

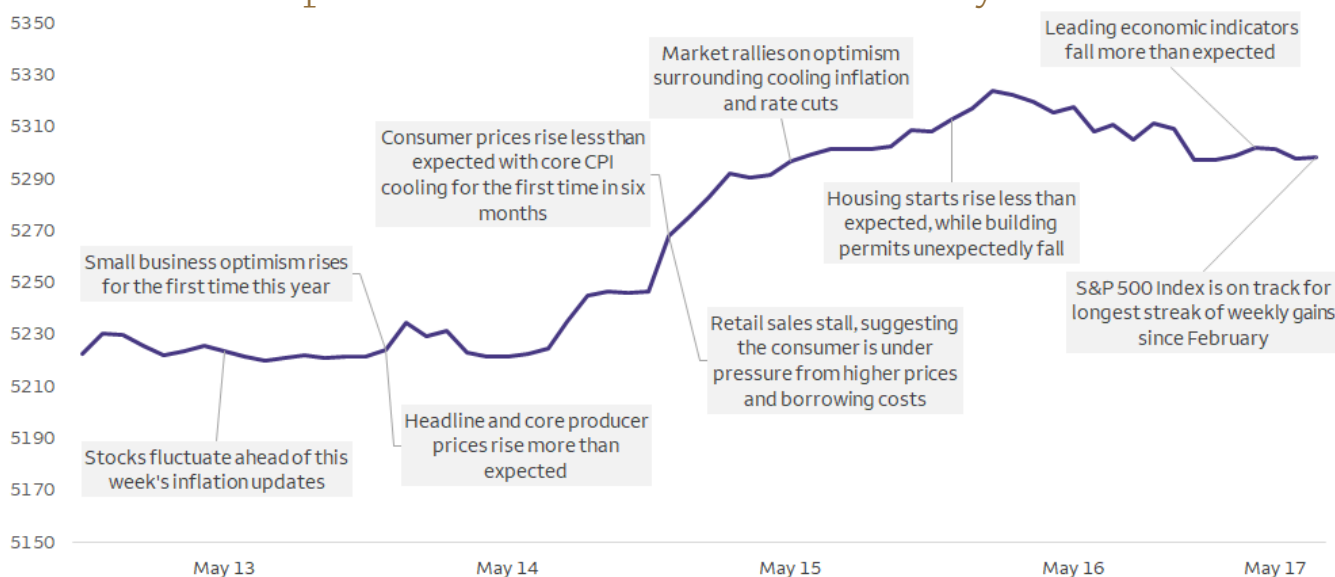
Looking Ahead

May 17, 2024

Stocks rise on rate cut optimism

Stocks continued to rally this week as economic data supported expectations that the Federal Reserve (Fed) will still be able to cut rates this year. The primary driver of market sentiment was the April release of Consumer Price Index (CPI) and Producer Price Index (PPI) inflation. The CPI print indicated a gradual slowdown in inflation while the less positive PPI print was seen as less consequential. Other economic data, including retail sales, the Leading Economic Index, housing starts, building permits, the National Association of Home Builders (NAHB) Housing Market Index, and industrial production came in under consensus. Next week, investors will be watching for S&P Global's Purchasing Managers' Indexes (PMIs) for manufacturing and services. Other key updates will include the Federal Open Market Committee's (FOMC's) meeting minutes from May, new and existing home sales, and durable goods orders.

S&P 500 Index performance for the week of May 13 – 17



Sources: Bloomberg, Wells Fargo Investment Institute. Data from May 13, 2024 through May 17, 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 13 – 17

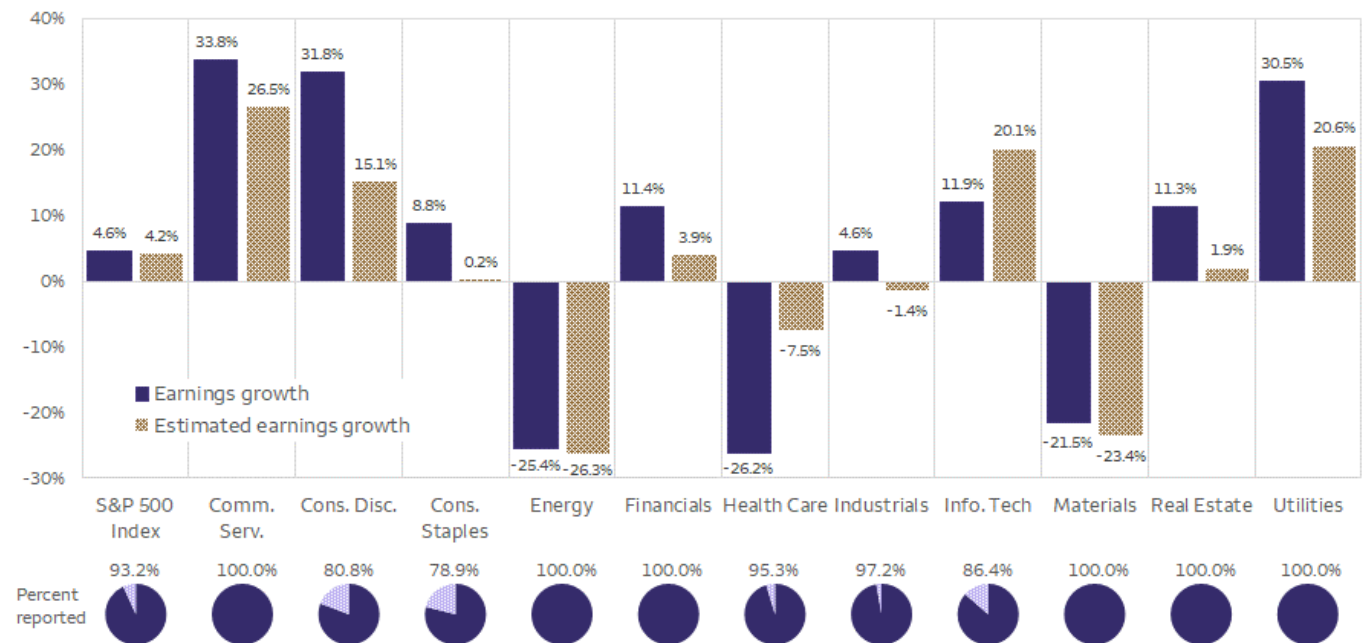
April’s CPI report provided a much-anticipated indication that inflation is cooling, albeit slowly. The release showed a step down from the prior month on all counts — that is, the month-over-month (MOM) and year-over-year (YOY) prints of both headline and core CPI inflation slowed — and all prints were either in line with or below consensus expectations. Notably, the YOY core print of 3.6% represented the slowest pace seen in three years. Meanwhile, the YOY headline print of 3.4% remained above the post-pandemic low of 3.0% (seen in June 2023). Both are still above the Fed’s target of 2%, and the services component remained a primary culprit — services ex-energy inflation increased 5.3% on a YOY basis. Also pointing to the slow pace of disinflation was the PPI report, which came in mostly above consensus expectations and increased from the prior month on all counts. Concerns were limited, however, on the basis of PPI’s historically limited impact on personal consumption expenditures (PCE) inflation, the Fed’s preferred inflation indicator. Taken together, the CPI and PPI prints were seen as a step in the right direction. However, as confirmed by Fedspeak that followed the releases, more evidence of disinflation will be needed to constitute sustained progress toward the 2% target.

Some of the other economic data contributed to an overall picture of a gradual economic slowdown. Retail sales came in flat for April, slowing from March’s 0.6%. The report surprised to the downside as consumers remained under pressure from elevated inflation, higher rates, and a cooling labor market. The Leading Economic Index saw another month of contraction (-0.6%) and surprised to the downside. Small business optimism, on the other hand, increased slightly after three months of declines. Concerns about inflation were partially offset by improvements in sales expectations and cost pressures, but it is worth noting that the index remains well below pre-pandemic averages.

Housing starts, building permits, and the NAHB Housing Market Index all surprised to the downside as the ongoing headwinds posed by elevated rates weighed on activity. The NAHB index fell below 50 for the first time since February, and building permits saw their third month of declines amid concerns about demand. Housing starts, however, did improve relative to the prior month. Meanwhile, industrial production was flat on a MOM basis for April, and manufacturing production (April) and business inventories (March) both saw a slight contraction. All three surprised to the downside, also pointing to a slowing pace of economic activity.

By Friday morning, the major averages were on track to close higher for the week. As of 12:00p.m. ET, the S&P 500 Index was on track to climb 1.5%, the Nasdaq to advance 2.2%, and the Dow to move higher 1.0%.

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 17, 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 20 – 24

The highlight of the week will be a first look at S&P Global's May PMIs for both the manufacturing and service sectors on Thursday, preceded by the release of the FOMC's May 1 meeting minutes on Wednesday. Other potentially market-moving reports include durable goods orders, finalized May consumer sentiment from the University of Michigan, and the Chicago Fed's National Activity Index as well as new and existing home sales. In the central bank space, Fed Chair Jerome Powell will deliver a speech at the Georgetown Law commencement ceremony. In the auction space, the U.S. Treasury department issues \$32 billion in 10-year Treasury Inflation-Protected Securities (TIPS) and 20-year bonds.

In China, an otherwise-quiet week will feature updates on the one- and five-year loan prime rates. From Japan, look for preliminary May Jibun Bank PMIs along with updates on the national CPI, core machine orders, Tertiary Industry Index, and the trade balance. The Bank of Korea's policy meeting will be accompanied by the country's PPI, updated business surveys, and consumer confidence, while releases from Australia include consumer confidence and preliminary May PMIs.

In Europe, the highlight will be the first release of May PMIs in addition to updates on consumer confidence and the trade balance. From the U.K., look for the CPI and a companion Retail Price Index along with readings on consumer confidence, retail sales, and house prices. Elsewhere in the region: France's manufacturing confidence as well as Germany's PPI and finalized first-quarter gross domestic product (GDP). In other news, G7 finance chiefs and central bank officials will congregate in Italy.

Scheduled economic releases for week of May 20, 2024

Date	Time	Country	Release	For	Consensus	Prior
Monday, 5/20	8:30 PM	Australia	Westpac Consumer Conf SA MoM	May		-2.4%
Tuesday, 5/21	8:30 AM	Canada	CPI YoY	April	2.7%	2.9%
Tuesday, 5/21	5:00 PM	South Korea	PPI YoY	April		1.5%
Tuesday, 5/21	7:50 PM	Japan	Core Machine Orders MoM	March	-2.0%	7.7%
Wednesday, 5/22	2:00 AM	U.K.	CPI YoY	April	2.1%	3.2%
Wednesday, 5/22	10:00 AM	U.S.	Existing Home Sales	April	4.19m	4.19m
Wednesday, 5/22	2:00 PM	U.S.	FOMC Meeting Minutes	May 1		
Wednesday, 5/22	8:30 PM	Japan	Jibun Bank Japan PMI Mfg	May Prelim		49.6
Wednesday, 5/22	8:30 PM	Japan	Jibun Bank Japan PMI Services	May Prelim		54.3
Wednesday, 5/22	9:00 PM	South Korea	BOK Base Rate	May 23	3.5%	3.5%
Thursday, 5/23	1:00 AM	India	HSBC India PMI Mfg	May Prelim		58.8
Thursday, 5/23	4:00 AM	Eurozone	HCOB Eurozone Manufacturing PMI	May Prelim	46.1	45.7
Thursday, 5/23	4:00 AM	Eurozone	HCOB Eurozone Services PMI	May Prelim	53.6	53.3
Thursday, 5/23	4:30 AM	U.K.	S&P Global UK Manufacturing PMI	May Prelim	49.5	49.1
Thursday, 5/23	4:30 AM	U.K.	S&P Global UK Services PMI	May Prelim	55	55
Thursday, 5/23	9:45 AM	U.S.	S&P Global US Manufacturing PMI	May Prelim	50	50
Thursday, 5/23	9:45 AM	U.S.	S&P Global US Services PMI	May Prelim	51.3	51.3
Thursday, 5/23	10:00 AM	Eurozone	Consumer Confidence	May Prelim	-14.3	-14.7
Thursday, 5/23	10:00 AM	U.S.	New Home Sales	April	675k	693k
Thursday, 5/23	7:30 PM	Japan	Natl CPI YoY	April	2.4%	2.7%
Friday, 5/24	2:00 AM	U.K.	Retail Sales Inc Auto Fuel MoM	April	-0.6%	0.0%
Friday, 5/24	8:30 AM	U.S.	Durable Goods Orders MoM	April Prelim	-0.8%	0.9%
Friday, 5/24	8:30 AM	Canada	Retail Sales MoM	March	-0.1%	-0.1%
Friday, 5/24	8:30 AM	U.S.	Cap Goods Orders Nondef Ex Air MoM	April Prelim	0.1%	-0.2%
Friday, 5/24	10:00 AM	U.S.	U. of Mich. Sentiment	May Final	67.8	67.4

Source: Bloomberg. Data as of May 17, 2024, as of 12:00 P.M. ET. Times shown in table are in Eastern Time.

Scheduled earnings releases for week of May 20, 2024

Ticker	Company	Report date	Call time	Revenue est. (billions)	EPS est.	EPS year ago
KEYS	Keysight Technologies Inc	Monday, 5/20	4:30 PM	\$1.20	\$1.39	\$2.12
PANW	Palo Alto Networks, Inc.	Monday, 5/20	4:30 PM	\$1.97	\$1.25	\$1.10
NDSN	Nordson Corporation	Monday, 5/20	8:30 AM	\$0.66	\$2.32	\$2.26
LOW	Lowe's Companies, Inc.	Tuesday, 5/21	9:00 AM	\$21.14	\$2.95	\$3.67
ADI	Analog Devices, Inc.	Wednesday, 5/22	10:00 AM	\$2.10	\$1.26	\$2.83
VFC	V.F. Corporation	Wednesday, 5/22	4:30 PM	\$2.42	\$0.02	\$0.17
NVDA	NVIDIA Corporation	Wednesday, 5/22	5:00 PM	\$24.53	\$5.58	\$1.09
SNPS	Synopsys, Inc.	Wednesday, 5/22	5:00 PM	\$1.51	\$3.05	\$2.54
TGT	Target Corporation	Wednesday, 5/22	8:00 AM	\$24.51	\$2.06	\$2.05
TJX	TJX Companies Inc	Wednesday, 5/22		\$12.49	\$0.88	\$0.76
ROST	Ross Stores, Inc.	Thursday, 5/23	4:15 PM	\$4.83	\$1.35	\$1.09
DECK	Deckers Outdoor Corporation	Thursday, 5/23	4:30 PM	\$0.89	\$2.92	\$3.46
INTU	Intuit Inc.	Thursday, 5/23	4:30 PM	\$6.65	\$9.38	\$8.92
WDAY	Workday, Inc. Class A	Thursday, 5/23	4:30 PM	\$1.97	\$1.59	\$1.31
MDT	Medtronic Plc	Thursday, 5/23	8:00 AM	\$8.44	\$1.45	\$1.57
RL	Ralph Lauren Corporation Class A	Thursday, 5/23	9:00 AM	\$1.57	\$1.67	\$0.90
KEYS	Keysight Technologies Inc	Monday, 5/20	4:30 PM	\$1.20	\$1.39	\$2.12

Source: FactSet. Data as of May 17, 2024, as of 8:30 A.M. ET. Times shown in table are in Eastern Time. EPS = earnings per share.

Risk Considerations

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 inventories track inventories (either goods ready for sale or shipment that are still being held by the producer, or goods acquired for the purpose of reselling them without further processing) in the manufacturing, as well as retail and wholesale trade industries.

The Chicago Fed National Activity Index is a monthly index designed to gauge overall economic activity and related inflationary pressure. The index is a weighted average of 85 indicators of national economic activity drawn from four broad categories of data: 1) production and income; 2) employment, unemployment, and hours; 3) personal consumption and housing; and 4) sales, orders, and inventories. A zero value for the index indicates that the national economy is expanding at its historical trend rate of growth; negative values indicate below-average growth; and positive values indicate above-average growth.

Consumer confidence (or consumer sentiment) tracks sentiment among households or consumers.

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.

Core machine orders tracks the value of new orders received during the reference period. Orders are typically based on a legal agreement between two parties in which the producer will deliver goods or services to the purchaser at a future date.

Durable goods orders track the value of new orders received during the reference period. Orders are typically based on a legal agreement between two parties in which the producer will deliver goods or services to the purchaser at a future date.

Existing home sales tracks the sales of previously owned homes during the reference period.

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.

House/home prices track changes in residential property prices.

The National Association of Home Builders (NAHB) Housing Market Index 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.

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.

The international trade balance measures the difference between the movement of merchandise trade and/or services leaving a country (exports) and entering a country (imports). This measure tracks the value of the merchandise trade balance.

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

Manufacturing confidence tracks business sentiment within the industry sector.

Industrial or manufacturing sales/profits (sometimes referred to as shipments or turnover) tracks producers' sale or shipment of their goods to third parties. This concept tracks the value of those sales or shipments.

New home sales tracks sales of newly constructed homes during the reference period.

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).

Purchasing Managers' Indexes (PMI) track sentiment among purchasing managers at manufacturing, construction and/or services firms. An overall sentiment index is generally calculated from the results of queries on production, orders, inventories, employment, prices, etc.

The retail price index is a measure of inflation that tracks changes in retail prices paid by households for a market basket of goods and services.

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 Tertiary Industry Index measures the change in the total value of services purchased by businesses.

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