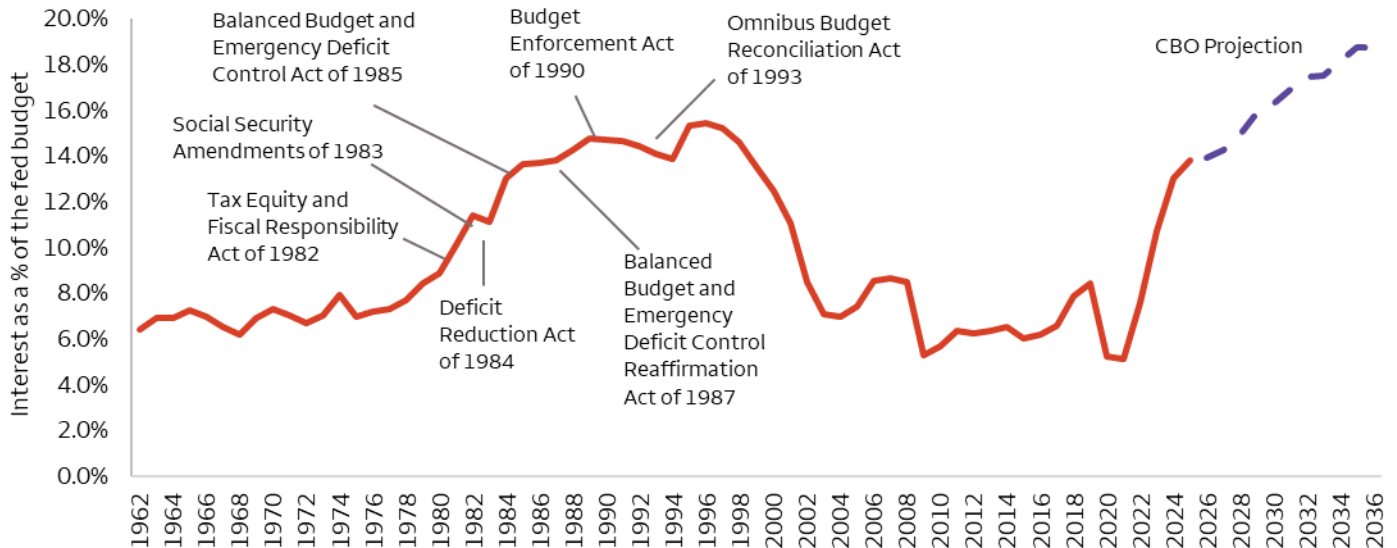


# Chart of the Week

Weekly analysis of key themes in markets

May 19, 2026

## Navigating the future of the U.S. fiscal health



Sources: "The Budget and Economic Outlook: 2026 to 2036," Congressional Budget Office (CBO), February 2026 and Wells Fargo Investment Institute, May 5, 2026. Projections are not guaranteed and are based on certain assumptions and views of market and economic conditions which are subject to change. Fed = Federal Reserve. **Past performance is no guarantee of future results.**

### Rising federal interest costs are squeezing the budget

As overall debt levels and interest expenses grow, the U.S. government will likely see interest costs consume a larger percentage of the budget. Fortunately, there have been historical precedents for action by Congress and the president. Forty years ago, the U.S. federal debt servicing cost rose sharply, and rising interest costs squeezed the budget. The chart above illustrates the increase and the slew of laws passed to control the budget's expansion.

We are not seeing inclination yet in Congress, but the budget's share of interest payments is already as high as in those earlier periods. The longer Congress waits to address the rising share of interest payments, the more investors demanding austerity are likely to push yields higher, in our view.

#### What it may mean for investors

We believe U.S. Treasury securities remain important for domestic and international investors, but uncertainty remains about how much and how quickly Congress can adjust budgets. This risk can still be part of an investor's consideration for their portfolios. Portfolio diversification is a foundational principle that allows investors the flexibility to adjust to dynamic risks and potential rewards. For example, a diversified portfolio seeking to reduce the risk of fiscal crisis may adjust the types of fixed-income securities and may include real assets such as real estate, infrastructure, and gold.

**Global Fixed Income Strategy Team**

Excerpted from GIS report Q&A — Addressing concerns about rising U.S. federal debt (May 11)

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

### Risk Considerations

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. **Bonds** are subject to market, interest rate, price, credit/default, liquidity, inflation, and other risks. Prices tend to be inversely affected by changes in interest rates. Although **Treasuries** are considered free from credit risk, they are subject to other types of risks. These risks include interest rate risk, which may cause the underlying value of the bond to fluctuate. The **commodities markets** are considered speculative, carry substantial risks, and have experienced periods of extreme volatility. Investing in a volatile and uncertain commodities market may cause a portfolio to rapidly increase or decrease in value which may result in greater share price volatility. Investing in **gold** or other precious metals involves special risk considerations such as severe price fluctuations and adverse economic and regulatory developments affecting the sector or industry. Investments in **infrastructure companies** expose an investment to potentially adverse economic, regulatory, political, and other changes affecting such companies. **Real estate** has special risks including the possible illiquidity of underlying properties, credit risk, interest rate fluctuations and the impact of varied economic conditions.

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