



Market Commentary

Weekly perspective on current market sentiment

May 13, 2026



Scott Wren

Senior Global Market Strategist

Last week's S&P 500 Index: +2.3%

Comparative advantage

Key takeaways

- The investing world is focused on the Trump/Xi meeting that starts tomorrow, but the outcome of that meeting is pure speculation at this point.
- In the meantime, we believe the current environment calls for more selectivity in terms of sectors, industries, and market capitalizations.

The investing world is focused on the Trump/Xi meeting that starts tomorrow, but the outcome of that meeting is pure speculation at this point. Prior to the war with Iran, the topic of soybeans would likely have been front and center. After all, American farmers represented a solid base of support for President Trump and much of the administration's efforts have been focused on trade agreements. But now, given that 80% to 90% of Iran's exported oil goes to China and the Strait of Hormuz remains largely closed with a U.S. blockade intact, it is likely that the war has moved toward the top of the list of topics to be discussed. The financial markets will be looking for and reacting to headlines throughout this two-day meeting between the leaders of the world's two largest economies.

In the meantime, there are portfolios to manage. In our view, the current environment calls for more selectivity in terms of sectors, industries, and market capitalizations. Rather than jumping in and chasing equity sectors that look overdone in price, we have been looking for areas that we think are better values. A recent example is the Energy sector — the best performer on a year-to-date basis of the 11 sectors making up the S&P 500 Index (through May 11). Energy-related commodities such as oil, which have provided what we believe are temporary earnings benefits to companies in the S&P 500 Energy sector, have been recognized by the market through meaningfully higher share prices that our analysis suggests are fully valued for this point in time.

We see a better opportunity and more reasonable relative valuations in the S&P 500 Information Technology sector. This sector has gained in the past six weeks, but Bloomberg consensus 2026 earnings estimates for the sector have risen by much more. Part of the benefit we see is that many technology companies can benefit from a reliable source of energy. The U.S. has abundant natural gas and imports only 2% of its crude oil from the Middle East, giving the U.S. a comparative advantage to much of the world, including Japan, China, and the eurozone, which rely on energy imports from the Middle East. Consequently, on April 6 we downgraded the Energy sector to unfavorable (below market weight) and upgraded the Information Technology sector to favorable (overweight). More generally, we look to rebalance portfolios as opportunities present themselves in an effort to take advantage of price movements we feel are out of sync with the underlying fundamentals.

We also want to focus on sub-sectors where companies can pass along higher energy costs and that we think present opportunities as longer-term investment trends play out in such areas as artificial intelligence (AI), industrial automation, and defense.

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. **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. 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. **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.

General Disclosures

Global Investment Strategy (GIS) is a division of Wells Fargo Investment Institute, Inc. (WFII). WFII is a registered investment adviser and wholly owned subsidiary of Wells Fargo Bank, N.A., a bank affiliate of Wells Fargo & Company.

The information in this report was prepared by Global Investment Strategy. Opinions represent GIS' opinion as of the date of this report and are for general information purposes only and are not intended to predict or guarantee the future performance of any individual security, market sector or the markets generally. GIS does not undertake to advise you of any change in its opinions or the information contained in this report. Wells Fargo & Company affiliates may issue reports or have opinions that are inconsistent with, and reach different conclusions from, this report.

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. The material contained herein has been prepared from sources and data we believe to be reliable but we make no guarantee to its accuracy or completeness.

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. [PM]-11112027-5484169