



Market Commentary

Weekly perspective on current market sentiment

September 30, 2026

Alex Sagal

Global Equity Analyst

Last week's S&P 500 Index: 1.2%

Positioning portfolios for rougher waters

Key takeaways

- Strong growth, persistent inflation, and a rising debt supply have driven interest rates higher, creating rougher waters for borrowers and rate-sensitive assets but potential income opportunities for bond investors.
- We favor short-term bonds for income and lower rate sensitivity, U.S. large cap equities for resilient fundamentals, and commodities as a potential hedge against persistent inflation.

Financial markets are navigating stronger currents as U.S. Treasury yields have climbed across maturities to their highest levels in years. Short-term rates are rising because resilient economic growth and persistent inflation have led investors to expect the Federal Reserve to increase interest rates by a full percentage point between now and the end of 2027. Longer-term yields have risen as heavy Treasury borrowing and growing corporate-bond issuance has increased the supply of debt competing for investor capital. Buyers of debt remain present, but they are demanding higher yields as compensation.

These currents are creating both challenges and opportunities for businesses, investors, and consumers. Higher rates generally increase borrowing and refinancing costs for consumers and businesses and falling bond prices have weighed on fixed-income portfolio returns. Yet that same lift in yields has provided new buyers with their potentially most attractive opportunity in nearly two decades. Higher rates may make the voyage more difficult for borrowers, but they also appear to offer investors better income opportunities and potentially stronger starting points for future return destinations.

With waves building, we still see fixed income as useful ballast to support returns when equity markets turn volatile. But we also see an opportunity to take advantage of higher yields in short-term instruments, which generally have lower price risk than longer maturities. For investors already positioned in fixed-income funds, we favor checking the maturities of the fund, which may already have a lower exposure to maturity risk. Investors may also consider tax loss harvesting. The idea is to shift from funds with longer maturities to shorter ones, ideally on the same day but with no more than 30 days between the sale and purchase. A financial advisor can be a big help with either of these ideas.

For equities, higher rates do not automatically sink the market. We remain favorable on U.S. Large Cap Equities, where resilient earnings, strong balance sheets, pricing power, and continued artificial-intelligence (AI) investment should help companies navigate higher financing costs. Expanding AI adoption also has continued to support demand for computing capacity, networking, electricity, and related infrastructure. Smaller companies, however, generally carry greater refinancing exposure, weaker profitability, and less capacity to absorb elevated borrowing costs. These disadvantages reinforce our unfavorable view, particularly as investors have increasingly rewarded companies with durable earnings and financial flexibility.

Finally, we believe commodities remain a useful ballast against inflation and geopolitical uncertainty. Energy disruptions and supply constraints can send ripples throughout the economy by raising transportation, production, and consumer costs. Commodities may also strengthen portfolio diversification when inflation pressures traditional stocks and bonds simultaneously.

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** are volatile. Stock values may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors. **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.

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-03292028-5972310