

Investment Strategy

Weekly guidance from our Investment Strategy Committee June 22, 2026

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- After lying mostly dormant for roughly the first 25 years following the Soviet Union’s 1991 collapse, geopolitical competition has reemerged and even accelerated since 2022, particularly in the global race to develop new technologies and to control the natural resources they require.
- We believe this competition will develop further and increasingly carry meaningful portfolio implications that investors can begin to consider now.

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- Stocks often weaken before elections, but history shows those declines have often been followed by strong rebounds and better returns in the year after midterm results are known.
- Markets typically respond to a clearer policy outlook, so long-term investors should stay focused on fundamentals and consider adding equity exposure during election-driven pullbacks.

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- Portfolio perspective: We believe artificial intelligence (AI) may reward patient investors, but the path is likely to be uneven; portfolios should be built to absorb volatility rather than chase every market move.
- Investment recommendation: Consider adding or maintaining exposure to high-quality intermediate-term fixed income as a stabilizer, alongside equity allocations tied to long-term growth themes.

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- The potential peace deal between the United States and Iran paves the way for lower oil prices through 2027; however, in the near-term risks remain.
- We recommend that investors use the shifting landscape to rotate from energy, where we see downside risks, and into Precious or Industrial Metals.

Alternatives: Fundraising weakness ensues despite select resilience 7

- Following a record peak in 2021, private market fundraising moderated through the first quarter of 2026, likely reflecting soft private fund distributions and continued exit backlogs.
- Despite the broader weakness, select segments showed resilience, with Private Infrastructure and Secondaries attracting strong capital commitments, likely supported by ongoing structural tailwinds.

Current tactical guidance 8

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

Geopolitical insight

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Global Investment Strategist

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Head of Global Investment Strategy

Position for structural shifts

Our report, “State of the Markets: The Amazing Race” (January 14, 2026) discusses the global competition for the raw materials used in advanced technologies. China and the U.S. are independently developing AI tools. The competition is intense. In January 2025 China’s DeepSeek AI tool upended the 2024-2025 rally in the S&P 500 Index, especially in the Information Technology sector. U.S. policies limit China’s access to advanced microchips, and China has threatened to curtail exports of minerals essential for chip production. More recently, the U.S. may be moving to build its own leverage by taking steps against governments in Venezuela and Iran, which provided 15% of China’s crude oil imports in 2025.¹

We see this resource race as the leading edge of an economic and political competition, in which the Iran war is just the latest example. Russian expansionist policies began in 2008 (Georgia invasion), took another big step in 2014 (Crimea invasion), and expanded to protracted war in 2022 (Ukraine). China’s claim on global leadership began in 2015, with an accelerated military buildup and, later, violations of Taiwan’s airspace. China and Russia protested the 2022 Western financial sanctions on Russia by proposing an alternative to the U.S.-sponsored SWIFT system.² In addition, data from the U.S. Treasury and the World Bank show that China essentially has rebalanced its reserves to favor more gold and fewer U.S. Treasury securities. The question is how should investors position for a combination of political and economic competition that together fuel the amazing race.

Geopolitical risks led by resource competition — will not fade easily or quickly

Energy and rare earth metals arguably lie at the center of the resource competition. Many products essential to daily life come from derivatives of crude oil and natural gas, including fertilizers and sulfuric acid to refine copper. Rare earth metals are necessary for miniaturizing electronic devices, such as cell phones, and various defense technologies.³ The U.S. has abundant rare earth metals, but their extraction process applies caustic chemicals to soil, and the environmental cost has allowed China to become a near-monopoly producer (see Chart 1).⁴ The U.S. Department of War is actively securing raw materials and remediating the production shortage through onshoring, but the long and costly extraction process may take years to make more than 25% of global production.⁵

1. See Erica Downs, “Where China Gets Its Oil,” Columbia University Center on Global Energy Policy, January 20, 2026.

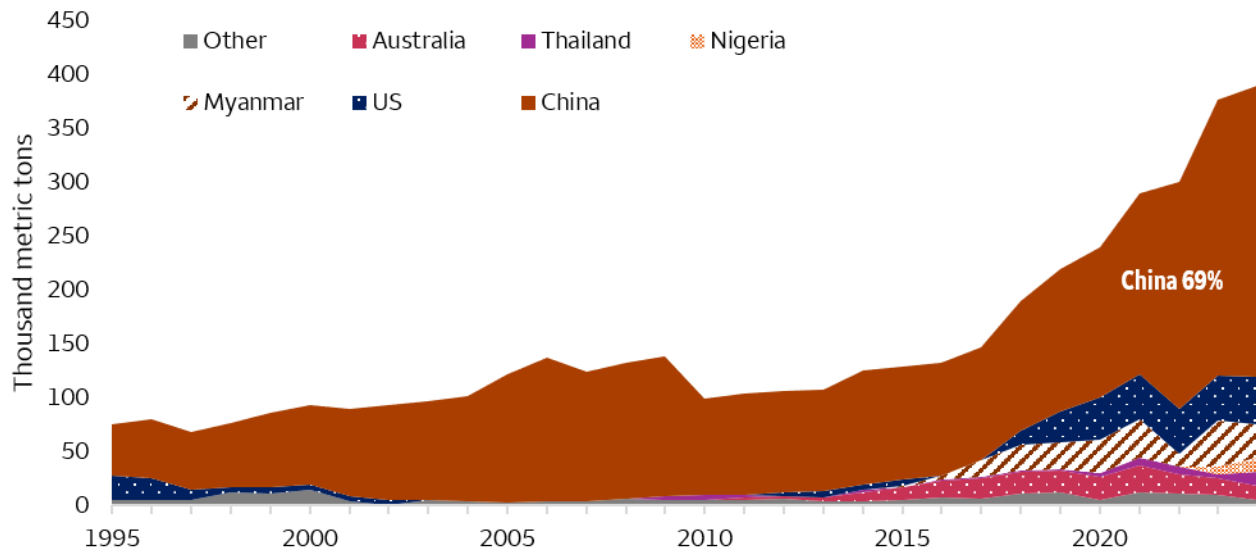
2. The Society for Worldwide Interbank Financial Telecommunication (SWIFT) is a global messaging network that banks use to transfer funds. For more on proposed replacements, see Barry Eichengreen, “Sanctions, SWIFT, and China’s Cross-Border Interbank Payments System,” Center for Strategic and International Studies, May 20, 2022.

3. “Securing rare earth elements a national security imperative, official says” U.S. Department of War, February 24, 2026.

4. For more on rare earth metals, see Jill Strait, “America Has Abundant Supply of Rare Earth Elements,” U.S. House Committee on Natural Resources, November 17, 2010.

5. “U.S. needs another decade to fix \$1.2 trillion rare earth crisis,” Bloomberg, May 15, 2026.

Chart 1. China currently produces close to 70% of global rare earth



Sources: United States Geological Survey (USGS) and Wells Fargo Investment Institute. Annual data is from 1995 – 2024. Rare earth metals represent a group of 17 metallic elements with unique properties, including scandium, yttrium, and 15 lanthanide elements.

In response, the U.S. seeks alliances with countries rich in raw materials, including Greenland, which has two of the largest rare earth deposits in the world.⁶ The island also lies on a path to monitor Russian naval vessels traveling from the Barents Sea into the Arctic Ocean. These features make Greenland a key strategic frontier for the U.S.

Venezuela has the world’s largest proven oil reserves and, until recently, had a government friendly to China.⁷ Cuba geographically sits in the Caribbean Basin, along a major U.S. oil trade artery. Finally, Iran, which is a key crude oil supplier to China, has proven its ability to effectively close the Strait of Hormuz, a chokepoint for roughly 25% of globally traded oil and natural gas.⁸ In sum, Greenland, Cuba, Ukraine, Venezuela, and Iran all matter for some combination of geography and geology.

Investment implications

Geopolitical competition could lead countries to prioritize national security over costs, a policy backdrop that could contribute to greater tolerance for more persistent inflation pressure. Notably, the Iran war may induce countries to increase strategic oil reserves, even if prices rise in the process. Even though the news of the Strait of Hormuz re-opening reduces the immediate urgency in the region, it does not remove all uncertainties; restarting pumps, filling ships, and delivering energy around the world may take the rest of the year, which could keep oil prices elevated. The U.S. may not see shortages in supply, but the inflation evident in recent U.S. consumer and producer inflation reports likely will stretch into year-end.

Our tactical guidance through 2027 focuses on underweighting the most inflation vulnerable assets and overweighting those likely to pass along higher materials costs. The former includes U.S. Long-Term Taxable Fixed Income, while the latter includes the S&P 500 Index Materials sector.

Over the next decade, however, inflation may become more variable under the growing momentum to diversify global raw material supplies. Thus, we favor complementing diversified equity and bond exposure with long-term allocations to commodities and alternative investment strategies — including private infrastructure, distressed credit, and long-short strategies — to help manage volatility and capture potential opportunities arising from increased market dispersion if, as we expect, geopolitics plays a greater role in markets.

6. “Greenland, Rare Earths, and Arctic Security,” Center for Strategic and International Studies, January 8, 2026.

7. EIA — U.S. Energy Information Administration

8. “World oil transit chokepoint,” U.S. Energy Information Administration, March 3, 2026.

Equities

Alex Sagal

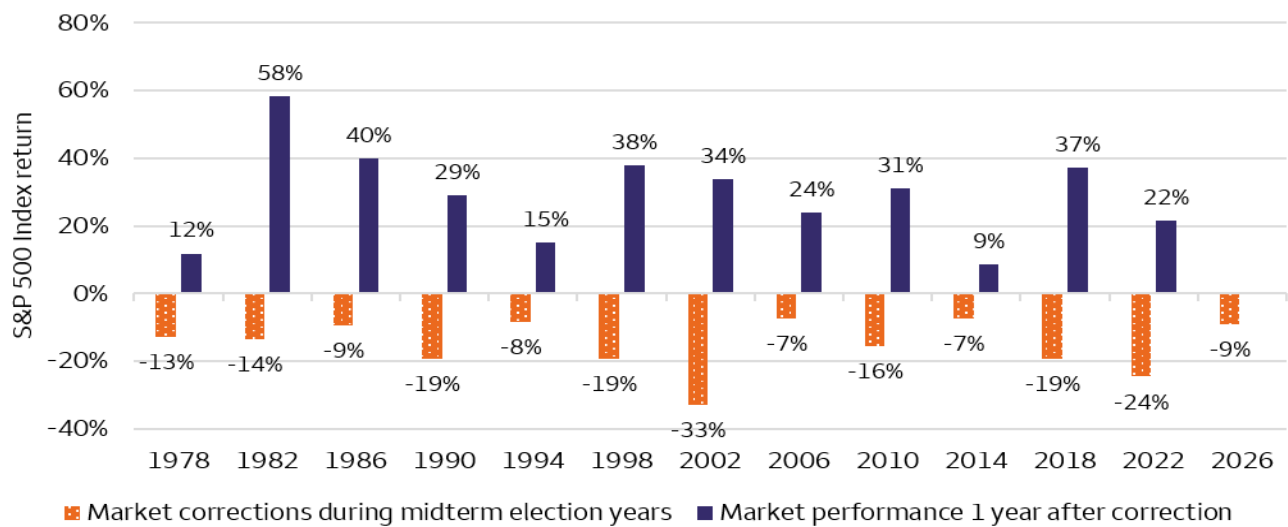
Global Equity Analyst

Midterms matter: The equity market view

Market volatility this year has been driven more by the Iran war, AI-led disruption, and shifting expectations around Federal Reserve (Fed) policy than by the upcoming U.S. midterm election. But as November draws closer, election-related uncertainty could become a more meaningful factor for equity markets.

Historically, the pattern has been familiar: since 1978 equity performance was choppy in the months leading up to midterm elections, as investor uncertainty weighed on risk appetite. Chart 2 shows since 1978 declines in the S&P 500 Index during midterm election years have been followed by positive returns. Even if investors do not time the bottom of a correction perfectly, we believe they can potentially rely on the trend. Again, looking at midterm election periods since 1978, the S&P 500 Index has delivered an average return of 5.5% in the year leading up to a midterm election, versus 13.1% in the year after the election.⁹ Of course past performance is not a guarantee of future results.

Chart 2. S&P 500 Index corrections and rebounds in midterm election years



Sources: Bloomberg and Wells Fargo Investment Institute. Data from January 1, 1978, to May 29, 2026. Analysis was compiled using the daily total returns of the S&P 500 Index. Calendar-year drawdowns represent the largest market drops from peak to trough for each year. An index is unmanaged and not available for direct investment. Please see page 10 for additional date information. **Past performance is no guarantee of future results.**

In our view, equity markets have tended to respond more favorably to reduced uncertainty than to any particular political outcome. As election-related ambiguity can potentially give way to clearer expectations, we believe investors are better positioned to assess the policy landscape and refocus on fundamentals. This improvement in visibility has historically been a supportive factor for market sentiment.

For long-term investors, periods of election-related weakness may create opportunity. Rather than reacting to short-term swings, we recommend investors focus on fundamentals, such as earnings growth, valuation discipline, and sector diversification. In our view, drawdowns tied to midterm election uncertainty have historically been moments to consider adding to equity exposure than to retreat from it.

9. Please see page 10 for additional date information.

Fixed Income

Brian Rehling, CFA

Co-Head of Global Fixed Income and Digital Asset Strategy

Fixed income's role in an AI-driven market

AI has created potential for investment opportunities, but it has also made parts of the stock market more volatile. AI-related stocks can move sharply when companies report earnings, new regulations are proposed, or a major technology breakthrough changes investor expectations. Our key question is not whether AI matters — it is how to consider investing long-term without letting short-term market swings drive emotional decisions.

That is where we believe fixed income can help. Bonds often behave differently than stocks. When equity markets fall because of uncertainty, high-quality bonds may provide income, stability, and a smoother ride. We believe today's starting yields may also make fixed income more attractive than it was for much of the past decade.

We believe intermediate-term bonds may be especially useful now because they can help balance income and interest-rate risk. In plain terms, they may provide more yield than very short-term bonds, while avoiding some of the larger price swings that can affect longer-term bonds when interest rates move. We believe a thoughtful allocation to intermediate fixed income may help investors stay committed to growth-oriented investments, including AI-related equities, through periods of volatility.

Bonds are not risk-free. If interest rates rise, bond prices can fall, and inflation can reduce the value of bond income. Over long periods, stocks have generally offered higher return potential than high-quality bonds. The point is not to replace stocks with bonds. The point is to seek to build a balanced portfolio with potential to generate income, reduce volatility, and make it easier to stay invested when markets become uncomfortable.

For many investors, a simple approach may work best. Bond funds or managed fixed-income products can provide broad diversification and professional oversight. Investors with specific income needs, tax considerations, or known future cash needs may also consider a ladder of individual bonds.

Bottom line: AI may continue to create potential opportunities in the stock market, but those opportunities may come with sharp ups and downs. In our view, fixed income can help provide balance, income, and discipline to participate in growth potential without taking more risk than they are comfortable with.

Real Assets

Mason Mendez
Global Real Assets Analyst

Peace deal? Why risks to oil prices remain

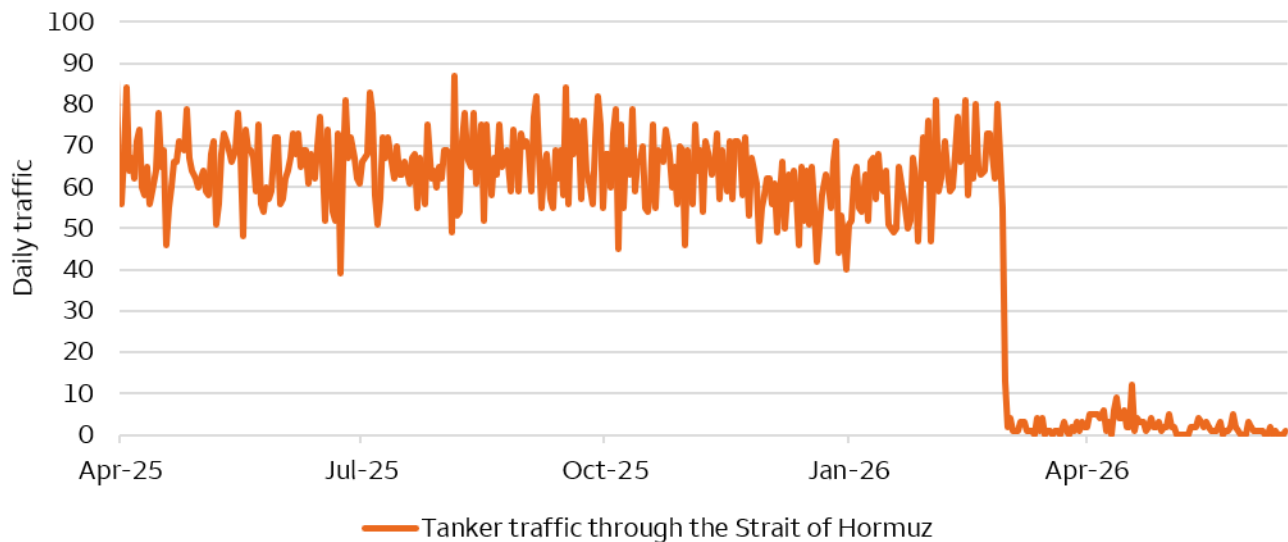
A potential peace deal between the United States and Iran paves the way for lower energy prices over the next 12–18 months, once constraints on global trade and supply ease. However, near-term risks remain. While the overall trajectory for oil prices is lower, ongoing risks and delays in restoring supply conditions will likely keep prices above pre-war levels in the coming months.

As with other commodities, disrupted oil supply cannot be restored immediately. While Persian Gulf producers may restart shut-in output within weeks, production recovery is only part of the challenge. Shipping flows through the Strait of Hormuz remain severely constrained, with traffic averaging just 2 tankers per day over the past three months versus 60 pre-conflict, according to Bloomberg (see Chart 3). This has created a significant backlog of vessels awaiting transit, delaying the movement of physical crude to global markets. Additionally, uncertainty around safe passage persists, as operators still face risks from naval mines, elevated insurance costs, potential tolls, and the threat of renewed conflict.

These logistical and geopolitical challenges are likely to keep supply flows tight in the near term, forcing economies to rely on dwindling inventories, while awaiting normalized imports. Moreover, the risk of re-escalation cannot be ignored, as geopolitical tensions in the region historically take time to resolve.

Our revised 2026 year-end targets of \$80–\$90 per barrel on West Texas Intermediate (WTI) and \$85–\$95 per barrel on Brent crude reflect these heightened risks and uncertainties, and we suspect prices will likely remain elevated before fully normalizing in 2027 (\$70–\$80 per barrel on WTI, \$75–\$85 per barrel on Brent). For investors, we recommend reducing exposure to energy commodities, as we see greater downside risk over the next 12 months. We also would rather rotate exposure to our favored sectors, Precious or Industrial Metals, where we see a more positive outlook.

Chart 3. Shipping traffic through the Strait of Hormuz



Sources: Bloomberg and Wells Fargo Investment Institute. Daily data is from April 1, 2025 – June 15, 2026.

Alternatives

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Global Portfolio and Investment Strategist

Sam Lombardo

Alternative Investment Analyst

Fundraising weakness ensues despite select resilience

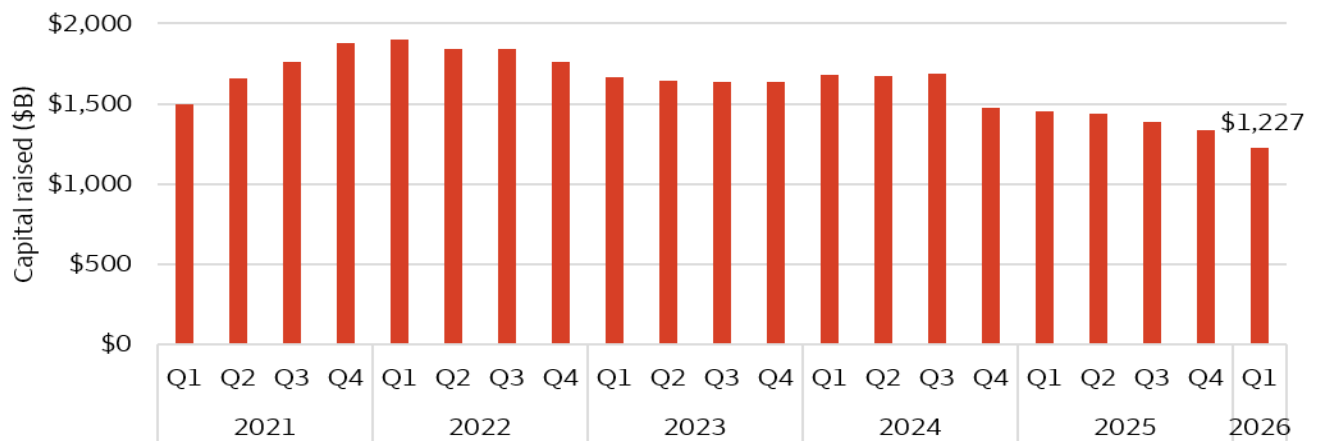
Private market fundraising has moderated over the past four years through the first quarter of 2026, following the record levels reached in 2021 (see Chart 4). We believe fundraising activity generally reflects investors’ willingness and capacity to commit capital and is likely shaped by market sentiment, distribution conditions, and overall private market performance. The recent slowdown appears linked to persistent exit backlogs and weaker distributions, particularly in private equity.

In the first quarter, investors remained selective in making new commitments, likely influenced by economic and inflation concerns tied to ongoing geopolitical tensions and supply chain pressures. Private equity and venture capital fundraising continued to be subdued, with much of the activity concentrated in a small number of large, AI-focused funds.¹⁰ Private real estate fundraising also stayed soft, likely reflecting performance challenges, elevated interest rates, and broader macroeconomic uncertainty.

By contrast, private infrastructure and secondaries saw stronger demand.⁹ We believe private infrastructure fundraising benefited from long-term structural trends, including rising capital needs for infrastructure, accelerating data centers development, and the related energy transition. Secondaries have also gained traction, likely as investors look for ways to generate distributions. Meanwhile, despite concerns with credit conditions, private credit fundraising has remained relatively stable, largely supported by continued interest from institutional investors.

Looking ahead, we believe stabilizing borrowing costs, firmer public markets, and improving macroeconomic conditions may provide a more supportive backdrop for private markets. However, a sustained recovery in fundraising likely depends on stronger deal activity and improved distributions. In the near term, we remain focused on segments showing relative resilience, including private equity small- and mid-buyouts, growth equity, secondaries, and private infrastructure.

Chart 4. Private capital fundraising sees continued declines in the first quarter of 2026



Sources: Pitchbook and Wells Fargo Investment Institute. Data as of March 31, 2026. Chart is based on data collected by Pitchbook. No index is used. B = billions. Q1 = first quarter.

Alternative investments, such as hedge funds, private equity, private debt and private real estate funds are not appropriate for all investors and are only open to “accredited” or “qualified” investors within the meaning of U.S. securities laws.

10. Pitchbook, “Global Private Market Fundraising Report,” May 22, 2026.

Tactical guidance*

Cash Alternatives and Fixed Income

Most Unfavorable	Unfavorable	Neutral	Favorable	Most Favorable
	U.S. Long Term Taxable Fixed Income U.S. Short Term Taxable Fixed Income	Cash Alternatives Developed Market Ex-U.S. Fixed Income Emerging Market Fixed Income High Yield Taxable Fixed Income	U.S. Intermediate Term Taxable Fixed Income	

Equities

Most Unfavorable	Unfavorable	Neutral	Favorable	Most Favorable
	U.S. Small Cap Equities	Developed Market Ex-U.S. Equities Emerging Market Equities	U.S. Large Cap Equities U.S. Mid Cap Equities	

Real Assets

Most Unfavorable	Unfavorable	Neutral	Favorable	Most Favorable
		Commodities Private Real Estate	Private Infrastructure	

Alternative Investments**

Most Unfavorable	Unfavorable	Neutral	Favorable	Most Favorable
		Hedge Funds—Equity Hedge Hedge Funds—Macro Hedge Funds—Relative Value Private Equity Private Debt	Hedge Funds—Event Driven	

Source: Wells Fargo Investment Institute, June 22, 2026. Please see Wells Fargo Investment Institute's Asset Allocation Strategy Report for more detailed, investable ideas in each asset group.

*Tactical horizon is 6-18 months

**Alternative investments are not appropriate for all investors. They are speculative and involve a high degree of risk that is appropriate only for those investors who have the financial sophistication and expertise to evaluate the merits and risks of an investment in a fund and for which the fund does not represent a complete investment program. Please see end of report for important definitions and disclosures.

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. **Small- and mid-cap stocks** are generally more volatile, subject to greater risks and are less liquid than large company stocks. **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. **High yield (junk) bonds** have lower credit ratings and are subject to greater risk of default and greater principal risk. 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, silver** or other **precious metals** involves special risk considerations such as severe price fluctuations and adverse economic and regulatory developments affecting the sector or industry.

Forecasts, estimates, and projections are not guaranteed and are based on certain assumptions and views of market and economic conditions which are subject to change.

Long/short credit strategies seek to mitigate interest rate and credit risks regardless of market environment through investment in credit-related and structured debt vehicles. These strategies involve the use of market hedges and involve risks associated with the use of derivatives, fixed income, foreign investment, currency, hedging, leverage, liquidity, short sales, loss of principal and other material risks.

Alternative investments, such as hedge funds, private equity/private debt and private real estate funds, are speculative and involve a high degree of risk that is appropriate only for those investors who have the financial sophistication and expertise to evaluate the merits and risks of an investment in a fund and for which the fund does not represent a complete investment program. They entail significant risks that can include losses due to leveraging or other speculative investment practices, lack of liquidity, volatility of returns, restrictions on transferring interests in a fund, potential lack of diversification, absence and/or delay of information regarding valuations and pricing, complex tax structures and delays in tax reporting, less regulation and higher fees than mutual funds. Hedge fund, private equity, private debt and private real estate fund investing involves other material risks including capital loss and the loss of the entire amount invested. A fund's offering documents should be carefully reviewed prior to investing.

Hedge fund strategies, such as Equity Hedge, Event Driven, Macro and Relative Value, may expose investors to the risks associated with the use of short selling, leverage, derivatives and arbitrage methodologies. Short sales involve leverage and theoretically unlimited loss potential since the market price of securities sold short may continuously increase. The use of leverage in a portfolio varies by strategy. Leverage can significantly increase return potential but create greater risk of loss. Derivatives generally have implied leverage which can magnify volatility and may entail other risks such as market, interest rate, credit, counterparty and management risks. Arbitrage strategies expose a fund to the risk that the anticipated arbitrage opportunities will not develop as anticipated, resulting in potentially reduced returns or losses to the fund.

Secondary investments are interests in existing private equity funds that are acquired in privately negotiated transactions after the end of the private equity fund's fundraising period. Typically these funds have portfolios of existing investments as well as capital available for new investments. Alternative investments, such as hedge funds, private equity, private debt and private real estate funds are not appropriate for all investors and are only open to "accredited" or "qualified" investors within the meaning of U.S. securities laws.

Definitions

Pitchbook Data – Pitchbook uses a variety of publicly available sources found in targeted online searches including more than 1,000,000 web crawlers using national language processing and machine learning, secondary sources (those authored by someone not directly involved in the deal or fund), news (largest source of information) and other online sources. Quality assurance uses preventive validations, corrective validations, and mutual reviews in an effort to ensure accuracy of data. Data is educational and illustrative purposes only and there are no guarantees as to accuracy of data or content.

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.

S&P 500 Materials Index comprises those companies included in the S&P 500 that are classified as members of the GICS® materials sector.

An index is unmanaged and not available for direct investment.

Data for Equities:

Dates 1 year before election	Dates 1 year after election
November 7, 1977 - November 7, 1978	November 7, 1978 - November 7, 1979
November 2, 1981 - November 2, 1982	November 2, 1982 - November 2, 1983
November 4, 1985 - November 4, 1986	November 4, 1986 - November 4, 1987
November 6, 1989 - November 6, 1990	November 6, 1990 - November 6, 1991
November 8, 1993 - November 8, 1994	November 8, 1994 - November 8, 1995
November 3, 1997 - November 3, 1998	November 3, 1998 - November 3, 1999
November 5, 2001 - November 5, 2002	November 5, 2002 - November 5, 2003
November 7, 2005 - November 7, 2006	November 7, 2006 - November 7, 2007
November 2, 2009 - November 2, 2010	November 2, 2010 - November 2, 2011
November 4, 2013 - November 4, 2014	November 4, 2014 - November 4, 2015
November 6, 2017 - November 6, 2018	November 6, 2018 - November 6, 2019
November 8, 2021 - November 8, 2022	November 8, 2022 - November 8, 2023

Year	Start date of correction	End date of correction	One year after market correction
1978	September 12, 1978	November 14, 1978	November 14, 1979
1982	January 29, 1982	August 12, 1982	August 12, 1983
1986	September 4, 1986	September 29, 1986	September 29, 1987
1990	July 16, 1990	October 11, 1990	October 11, 1991
1994	February 2, 1994	April 4, 1994	April 4, 1995
1998	July 17, 1998	August 31, 1998	August 31, 1999
2002	January 4, 2002	October 9, 2002	October 9, 2003
2006	May 5, 2006	June 13, 2006	June 13, 2007
2010	April 23, 2010	July 2, 2010	July 2, 2011
2014	September 18, 2014	October 15, 2014	October 15, 2015
2018	September 21, 2018	December 24, 2018	December 24, 2019
2022	January 3, 2022	October 12, 2022	October 12, 2023
2026	January 27, 2026	March 30, 2026	—

General disclosures

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