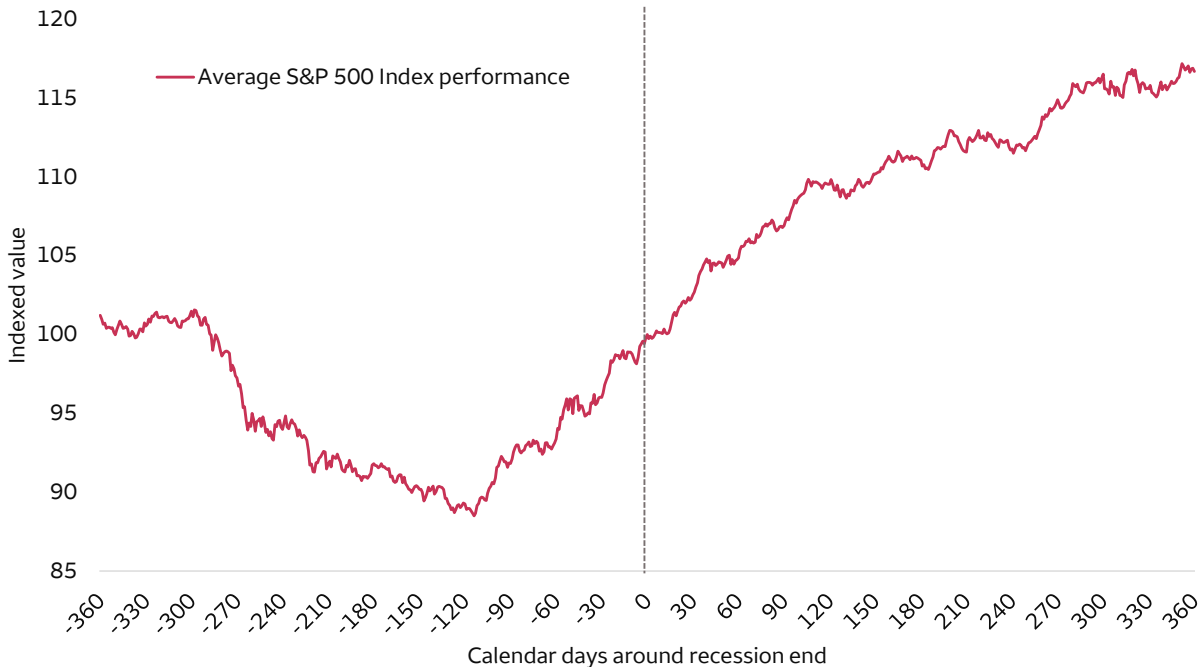


## Recession storm clouds gather — but hope on the horizon



Sources: Bloomberg and Wells Fargo Investment Institute. Indexed to 100 as of the end of every recession since 1948. Data as of May 2, 2023. **Past performance does not guarantee future results.** An index is unmanaged and not available for direct investment. Please see end of report for recession end dates and index definitions.

### Stocks have historically bottomed, on average, four months before recession end.

The chart shows the average performance of the S&P 500 Index before and after recessions since 1948. On average, the S&P 500 Index has bottomed about four months before the end of a recession. As the economy weakens, our current preference for quality and more defensive positioning in equity portfolios remains in effect. Once we believe the recession appears to be fully priced in to market valuations, however, we likely will begin to position for the early cycle recovery we see emerging in 2024. In 2024, we foresee the end of the recession, a global economic rebound, and easing credit conditions — in short, an ideal environment for risk assets.

### What it may mean for investors

While we believe it is important to plan for an early-cycle 2024 recovery, it is too early to position for that eventuality. We believe risks in the system are building and that recession storm clouds are gathering. We believe it unlikely that equities will surge meaningfully higher without a period of volatility first.

Austin Pickle, Investment Strategy Analyst, excerpted from *Investment Strategy* (May 8, 2023)

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

### Risk Considerations

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

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.

### Definitions

**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.

An index is unmanaged and not available for direct investment.

**Chart recession end dates:** 10/31/1949, 5/31/1954, 4/30/1958, 2/28/1961, 11/30/1970, 3/31/1975, 7/31/1980, 11/30/1982, 3/31/1991, 11/30/2001, 6/30/2009, 4/30/2020.

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