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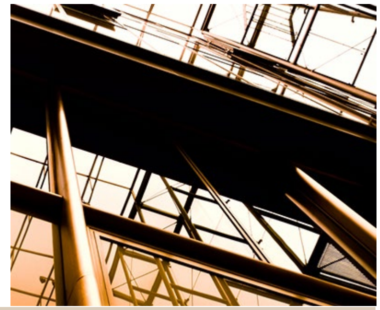
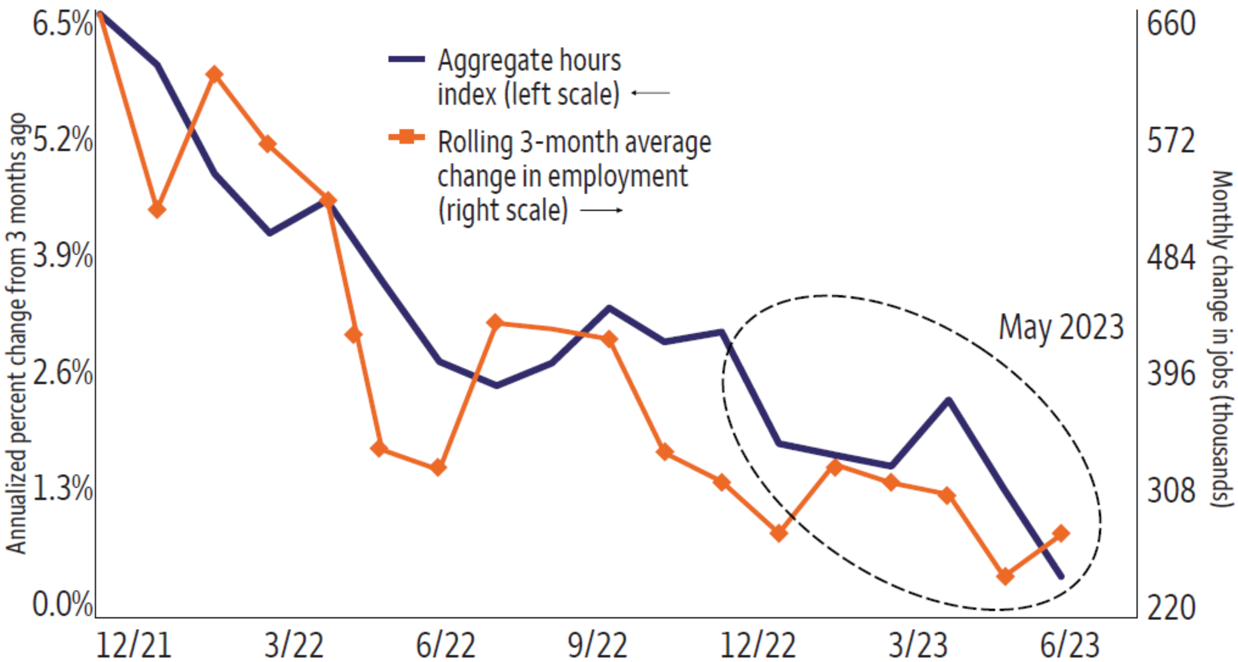
Chart of the Week



Weekly market analysis on key market indexes June 21, 2023

The slow unwinding of labor market growth



Sources: U.S. Labor Department and Wells Fargo Investment Institute. Data as of June 2, 2023. An index is unmanaged and not available for direct investment. Aggregate hours is the product of employment and the average workweek in the private sector.

U.S. Aggregate Weekly Hours Index signals a slow unwind of economic growth

Unbalanced U.S. growth is in a slow unwind, in our view, leaving it increasingly vulnerable to a recession later this year. The gap between resilient services industries and slumping manufacturing is at its widest in two years.[1]

Growth of the U.S. Aggregate Weekly Hours Index (solid blue line), a U.S. Labor Department gauge of monthly economic activity, slowed to a three-year low in the period through May on slippage in the average workweek. Meanwhile, the rolling 3-month average change in employment (orange line) has trended downward from more than 600,000 jobs at the beginning of 2022 to fewer than 270,000 jobs in May 2023.

What it may mean for investors

We see mixed U.S. economic data tilting increasingly toward a moderate recession. A slowdown in manufacturing and renewed weakness in housing are adding to storm warnings from an inverted yield curve, steepening declines in leading indicators, and broadening geographic weakness.

Gary Schlossberg, *Global Strategist* This chart was excerpted from the *Asset Allocation Strategy* report dated June 15, 2023.

1. Institute of Supply Management, purchasing managers' data as of June 5, 2023.

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. **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. **Real estate** has special risks including the possible illiquidity of underlying properties, credit risk, interest rate fluctuations and the impact of varied economic conditions.

Definitions

U.S. Aggregate Weekly Hours Index of aggregate weekly hours are calculated by dividing the current month's aggregate hours by the average of the 12 monthly figures, for the base year.

An index is unmanaged and not available for direct investment.

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