

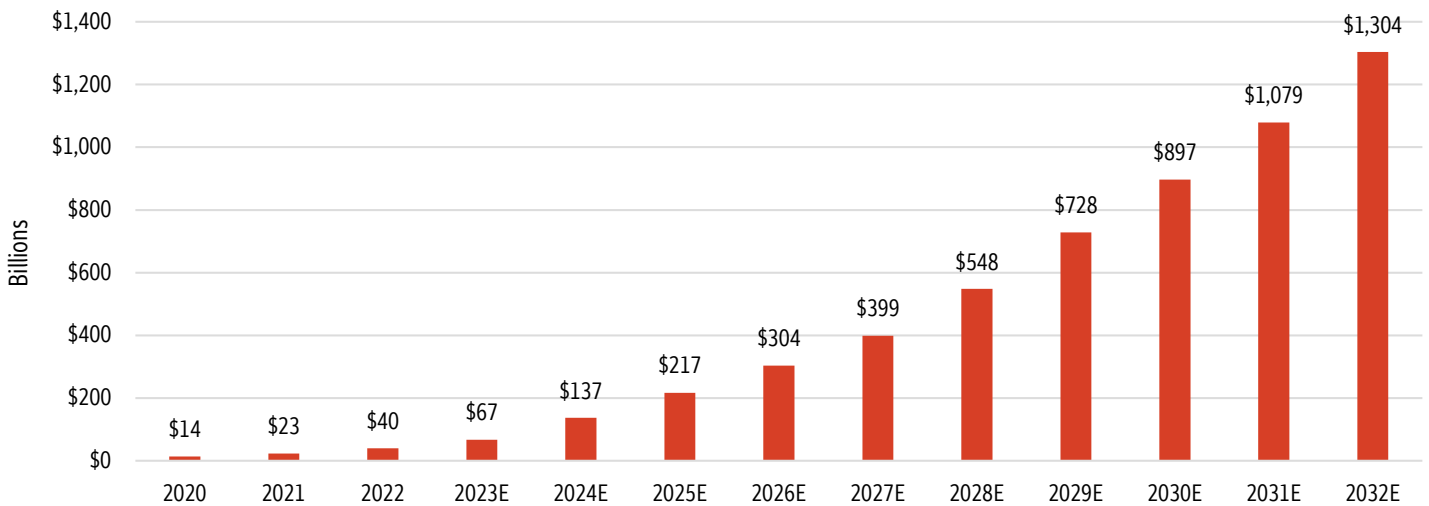


## Chart of the Week

Weekly market analysis on key market indexes

September 12, 2023

### Generative AI — Potential for growth and evolving risks



Sources: Wells Fargo Investment Institute, Bloomberg, and IDC. Data as of June 1, 2023. E = estimated. Estimates based on Bloomberg Intelligence forecasts using IDC data for the overall generative AI market. Forecasts are not guaranteed and based on certain assumptions and on views of market and economic conditions which are subject to change.

#### Growth of the generative AI market since 2020 and estimated growth through 2032

Generative artificial intelligence (AI) is a subset of deep learning that uses large language models to generate original new content (for example, images or conversations) based on text prompts. In our view, ChatGPT represents a major technological breakthrough in the rapidly growing field of generative AI.

According to Bloomberg and the International Development Corporation (IDC), the market for generative AI could grow at a compound annual growth rate of approximately 45%, from \$14 billion in 2020 to \$1.30 trillion in 2032. We expect this potential growth to support demand for semiconductor chip, software, networking, and memory storage solutions.

#### What it may mean for investors

Historically, markets have often priced in technological advances well in advance of adoption. In this case, there are several evolving risks that investors need to understand, including: the unknown pace of innovation and adoption and the potential for regulation to accelerate. Within the Information Technology sector, we are neutral on semiconductors and favorable on software. We prefer high-quality semiconductor and software companies with exposure to generative AI.

Excerpted from *Special Report*: “The ascent of generative AI — What investors should know” (September 8, 2023)

**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. Risks associated with the **Technology sector** include increased competition from domestic and international companies, unexpected changes in demand, regulatory actions, technical problems with key products, and the departure of key members of management. Technology and Internet-related stocks, especially smaller, less-seasoned companies, tend to be more volatile than the overall market.

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