WELLS FARGO
Investment Institute

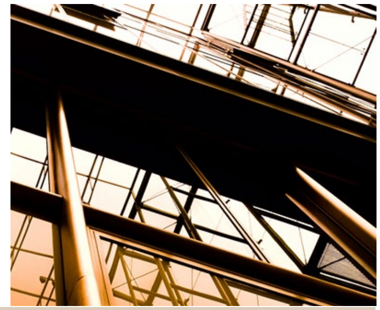
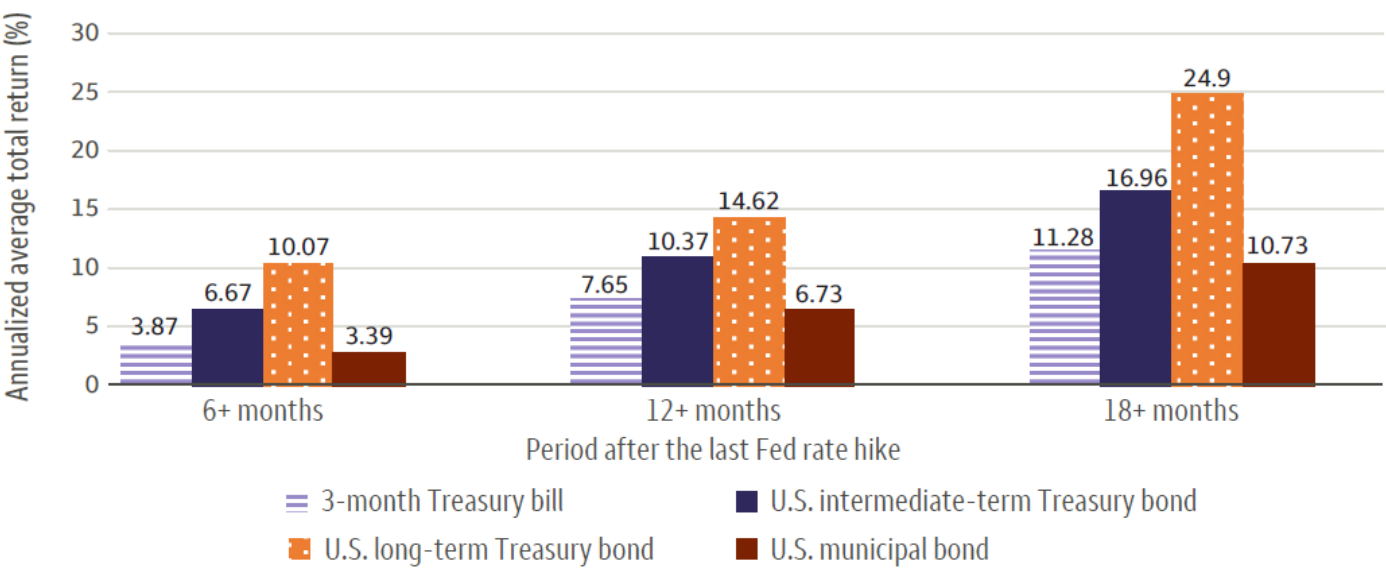


Chart of the Week

Weekly market analysis on key market indexes | **December 5, 2023**

Why we favor long-term, high-quality bonds for 2024



Sources: Wells Fargo Investment Institute and Bloomberg. Data represents the annualized average performance of the ICE BofA 3-Month Treasury Bill Total Return (TR) Index, the Bloomberg U.S. Intermediate-Term Treasury TR Index, the Bloomberg U.S. Long-Term Treasury TR Index, and the Bloomberg U.S. Municipal Bond TR Index over the 6-month, 12-month, and 18-month periods following the last hike in the federal funds rate in the previous seven tightening cycles by the U.S. Federal Reserve. (Last hike dates were: February 15, 1980; May 5, 1981; February 24, 1989; February 1, 1995; May 16, 2000; June 29, 2006; and December 19, 2018.) **Past performance is not a guarantee of future results. Indexes are unmanaged, do not reflect the deduction of fees or expenses, and are not available for direct investment.**

Performance after the last Federal Reserve (Fed) rate hike of a tightening cycle (1980 through 2018)

Longer-term bond yields historically have tended to peak near the end of a Fed tightening cycle. The chart shows that since 1980, U.S. Treasury long-term bonds on average outperformed the 3-month Treasury bill and U.S. intermediate-term Treasury bonds in the periods 6, 12, and 18 months after the Fed's last rate hike.

We expect U.S. Treasury yields to remain volatile in 2024. In our view, the year will be the tale of two halves — a decline in yields during the first half of 2024 as the economic slowdown deepens, followed by a climb in yields in the second half as the recovery begins to take shape.

What it may mean for investors

We believe that maintaining exposure in short- and long-term high-quality fixed income may provide an advantage before potentially moving into lower credit exposure in the second half of the year.

2024 Outlook: "A pivotal year for the economy and markets" (December 2023)

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. **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. **Municipal bonds** offer interest payments exempt from federal taxes, and potentially state and local income taxes. Municipal bonds are subject to credit risk and potentially the Alternative Minimum Tax (AMT). Quality varies widely depending on the specific issuer. Municipal securities are also subject to legislative and regulatory risk which is the risk that a change in the tax code could affect the value of taxable or tax-exempt interest income.

Definitions

An index is unmanaged and not available for direct investment.

ICE BofA 3-Month Treasury Bill Total Return (TR) Index - tracks U.S. Treasury securities maturing in 90 days.

Bloomberg U.S. Intermediate-Term Treasury TR Index includes all publicly issued, U.S. Treasury securities that have a remaining maturity of greater than or equal to 1 year and less than 10 years, are rated investment grade, and have $250 million or more of outstanding face value.

Bloomberg U.S. Long-Term Treasury TR Index – includes all publicly issued, U.S. Treasury securities that have a remaining maturity of 10 or more years, are rated investment grade, and have $250 million or more of outstanding face value.

Bloomberg U.S. Municipal Bond TR Index is an unmanaged index composed of long-term tax-exempt bonds with a minimum credit rating of Baa.

Standard & Poor's (S&P) and Fitch use upper-case letters to identify a bond's credit quality rating. 'AAA' and 'AA' (high credit quality) and 'A' and 'BBB' (medium credit quality) are considered investment grade. Credit ratings for bonds below these designations ('BB', 'B', 'CCC', etc.) are considered low credit quality, and are commonly referred to as "junk bonds". S&P ratings may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

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