

Looking Ahead

March 17, 2023

Stocks are looking to reverse early loses in the week as two of the three major averages push to finish in the green Friday amid ongoing turmoil in the Financials sector. At the beginning of the week, market participants honed in on the news regarding Silicon Valley Bank's inability to secure capital to offset losses, leading to the company shutting its doors after 40 years in operation. After the news broke, a domino effect raged through the banking industry, causing three more banks to seek funding and re-evaluate their balance sheets. While banks stormed headlines, the market had some notable economic data released throughout the week. February's Consumer Price Index (CPI) mostly met analyst expectations, while February's Producer Price Index (PPI) showed slight easing. Rounding out the week, multiple housing market data points showed exceptional growth last month, indicating the consumer remains resilient.

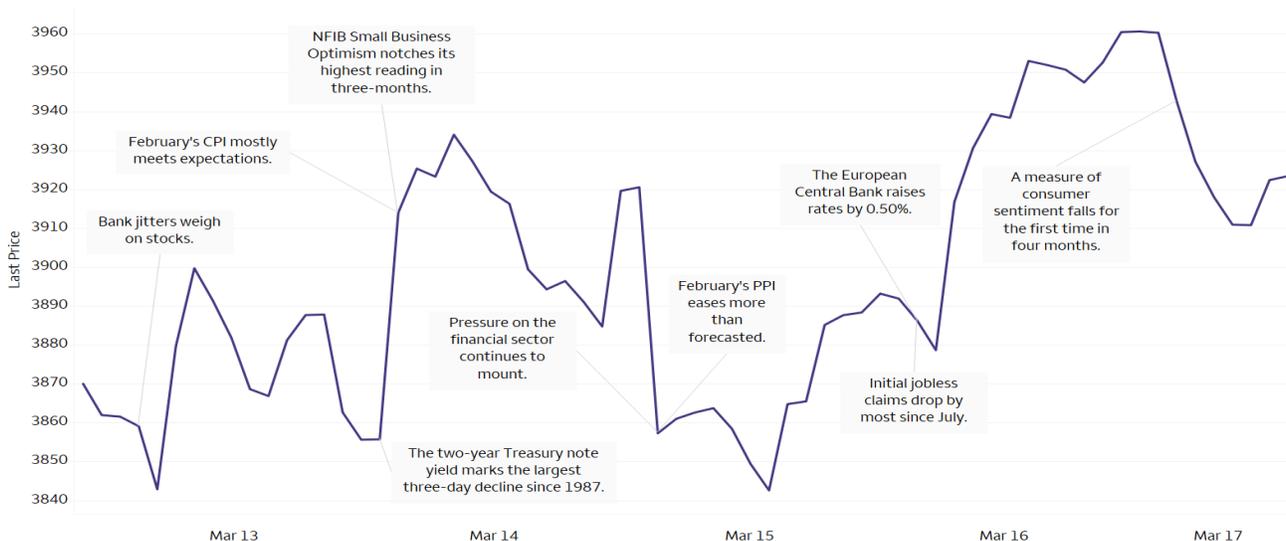


Anne Lipsett
Wealth and Investment Management
Program Analyst



Stephanie Campbell
Business Growth Strategy Consultant

S&P 500 index performance week of March 13 – March 17



Source: Bloomberg. As of March 17, 2023 12:30 p.m. ET. CPI = Consumer Price Index, PPI = Producer Price Index. Past performance is no guarantee of future results. An index is unmanaged and not available for direct investment.

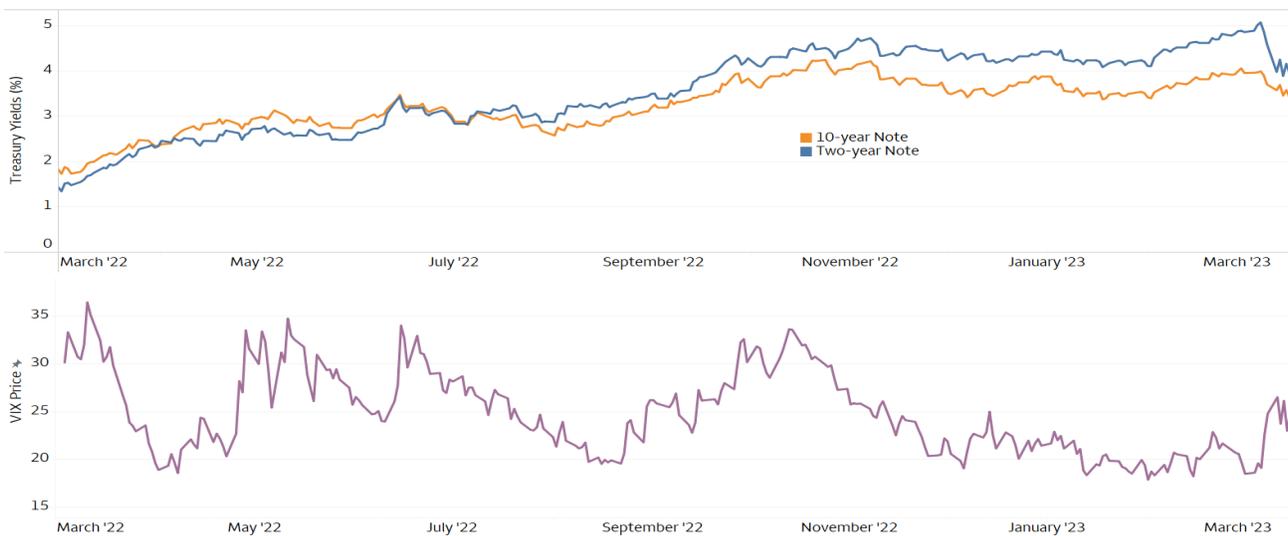
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Heading into Monday’s session, equities were coming off a downbeat week as bank jitters rippled through the market and investors retreated from what they believed to be riskier assets. Market participants digested comments from Federal Reserve (Fed) Chair Jerome Powell and a slew of jobs data which painted a mixed picture of the labor market. On Capitol Hill, Powell reiterated that the central bank would continue to monitor incoming data as they head into their next meeting and will reassess how much further interest rates will need to climb to tackle the persistently high inflation. On Friday, February’s nonfarm payrolls came in better-than-expected at 311,000, down from last month’s revised 504,000 print. Unemployment ticked higher to 3.6% while average hourly earnings growth moved lower, signaling the labor market may be softening around the edges. However, turmoil in the Financials sector overshadowed Powell’s comments and the economic data.

As the markets opened Monday, bank shares remained under pressure following Friday’s announcement that Silicon Valley Bank, which is owned by parent company **SVB Financial Group**, is closing after failing to raise capital to offset around \$2 billion in losses. Following suit, **Signature Bank**, which is based in New York and served as a notable funding source for cryptocurrency companies, shuttered over the weekend amid heightened contagion fears. On Sunday, regulators agreed to a plan to provide a backstop for depositors who have money at Silicon Valley Bank. The plan seeks to help avoid systemic panic and large-scale bank run. Despite the emergency measures, equities started the week on a low note while shorter-dated Treasuries posted a sharp rally. The two-year note yield tumbled 63 basis points (0.63%) on Monday to cap three days of declines which saw the yield fall over 100 basis points (1%) and notch its largest decline over three days since 1987.

By Tuesday, it seemed the turmoil had abated, and markets rebounded. But the rally was short-lived as **Credit Suisse Group AG** added to banking sector woes on Wednesday. The Swiss bank plummeted after its largest investor, Saudi National Bank, said they would not provide further funding. The bank also reported they found issues with internal controls for their financial reporting in 2021 and 2022. As the news broke, several European banking stocks were halted from trading due to steep losses, and shares of U.S. banks were also in the red. Later in the day on Wednesday, the Swiss-owned bank announced plans to borrow \$54 million from the Swiss National Bank to shore up short-term liquidity. Further relief came on Thursday when it was announced major banks were in discussions to buoy **First Republic Bank**. First Republic is another regional U.S. bank which has been struggling this week amid fears it could be the next to fail. The lifelines tossed to Credit Suisse and First Republic sent a wave of relief through the market and investor sentiment began to recover, though once again, the rally was short, and markets fell in Friday’s trading. Throughout the course of the week, volatility reigned, sparked by bank shares whipsawing between gains and losses. The Chicago Board Options Exchange Volatility Index (VIX), Wall Street’s oft-cited “fear gauge”, edged up over 27 in the morning (above the long-term average of 20), but it dipped to 23 by market close (4:00 p.m. E.T.) on Thursday.

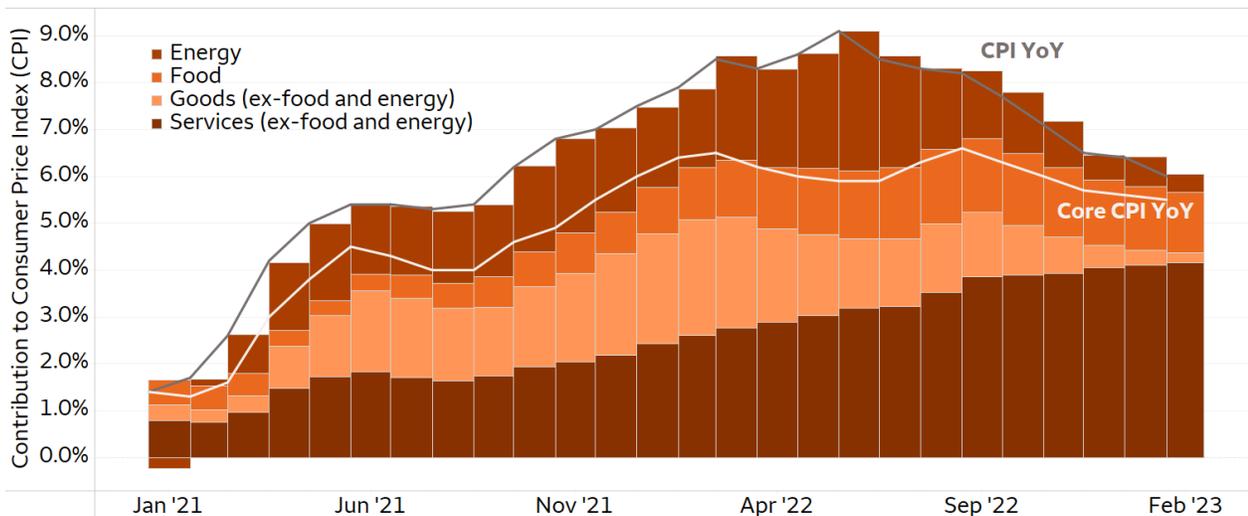
Treasury yields + VIX chart



Source: Bloomberg as of March 17, 2023, 12:30 p.m. ET. VIX = The Chicago Board Options Exchange Volatility Index. Past performance is no guarantee of future results. An index is unmanaged and not available for direct investment.

As the Financials sector turmoil lured investor viewership, most overlooked this week’s inflationary data. While market participants did not pay much attention, the Fed continued to review each individual economic data release to assist in justifying their next rate decision. February’s CPI mostly met analyst expectations, slowing to a 0.4% month-over-month growth rate and a 6% year-over-year growth rate. Meanwhile, Core CPI, which excludes the more volatile food and energy prices, grew 0.5% month-over-month, topping estimates, while year-over-year growth eased to a 5.5% growth, meeting estimates. Elsewhere, February’s PPI, which serves as a measure of wholesale inflation, came in at -0.1% month-over-month, easing from the prior month’s revised 0.3% print, while the annual rate of growth eased to 4.6%. Core PPI, which excludes the more volatile food and energy prices, was unchanged on a monthly basis and eased to a 4.4% year-over-year growth rate. The easing figures for both inflationary readings were a welcoming sign for market participants as they try to determine the Fed’s monetary policy path.

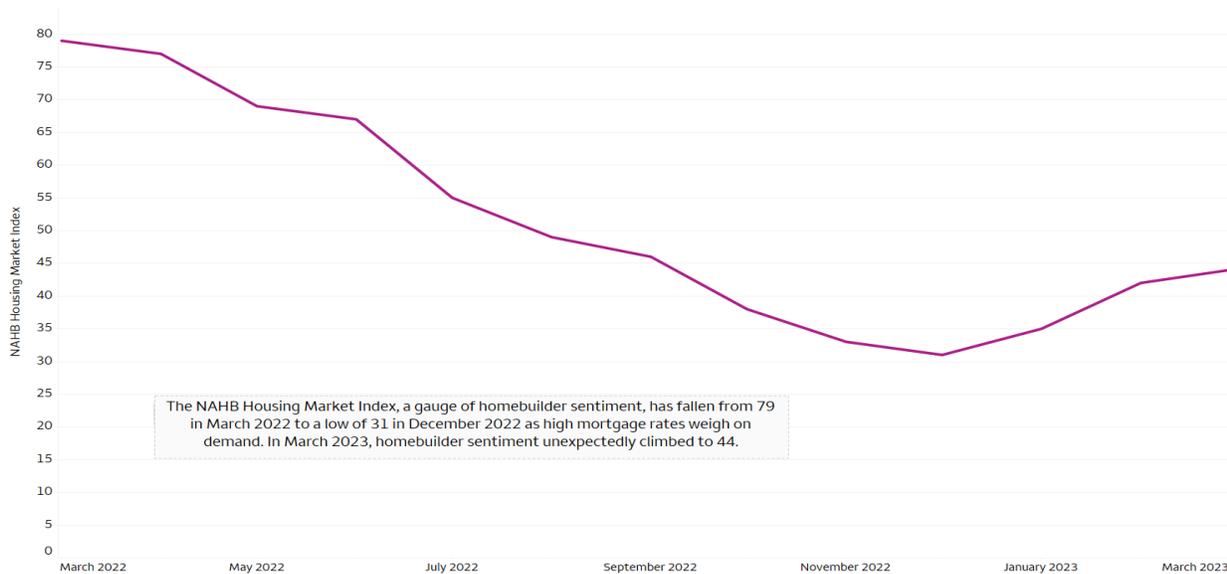
Inflation eases in February



Source: Bloomberg as of March 14, 2023, 8:30 a.m. ET. CPI = Consumer Price Index, YoY= year over year. An index is unmanaged and not available for direct investment.

In other economic data this week, February’s housing market unexpectedly showed tremendous growth as monthly housing starts jumped 9.8%, topping analyst expectations of 0.1% and the prior month’s revised 2.0% decline. Housing starts were able to notch its first increase in six months. Meanwhile, building permits, a proxy for future construction, surged 13.8% last month, beating the 0.3% estimated growth and the 0.1% shown in January. Many analysts suggest the housing market may be starting to stabilize as homebuilder sentiment ticked higher for its third-consecutive month following a pickup in foot traffic for both sales and prospective buyers. March’s National Association of Home Builders (NAHB) Housing Market Index unexpectedly rose two points to 44, notching a six-month high, despite the last five-consecutive weeks of increased borrowing costs. Fortunately, relief came on Thursday after mortgage rates for the week ending March 16 showed both the 15- and 30-year rates pulled back after uncertainty in the financial markets put downward pressure on rates.

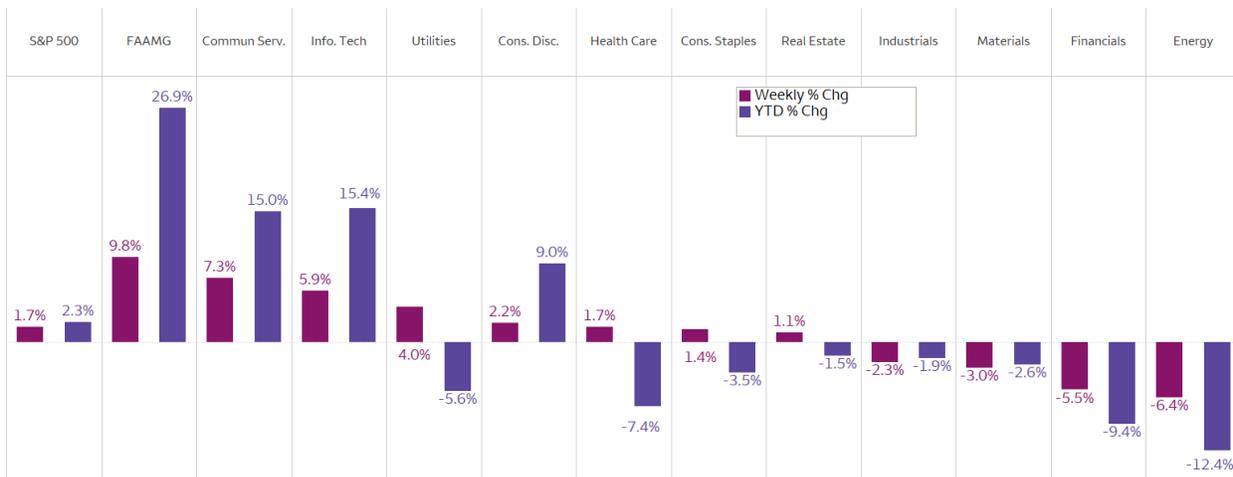
The NAHB* Housing Market Index unexpectedly climbs



Source: Bloomberg as of March 15, 2023, 10:00 a.m. ET. NAHB = National Association of Home Builders. An index is unmanaged and not available for direct investment.

Across the pond, investors were looking towards the European Central Bank’s (ECB) monetary policy decision. Last week, traders were pricing in a 0.50% rate hike, but the financial turmoil which plagued this week had many questioning whether the central bank would implement a smaller, quarter-point hike or opt to pause until the troubles in the banking world were sorted. However, on Thursday, the ECB opted to implement a 50-basis point (0.50%) rate hike, matching the earlier expectations. For the ECB, inflation, which they project to remain too high for too long, outweighed their concerns over the financial system. They did, however, deviate away from recent practice by not providing guidance on next steps. The ECB noted the level of uncertainty is too elevated to determine the next course of action and they reiterated the need for a data-dependent approach. In her post-meeting presser, ECB President Christine Lagarde asserted the lack of forward guidance does not mean they are shrinking away from their commitment to curbing inflation. The decision to not provide guidance is to accommodate recent market volatility and uncertainty in the banking sector. Market tensions were acknowledged, and ECB pledged “to respond as necessary to preserve price stability and financial stability in the euro area.”

S&P 500 Sector Performance with FAAMG *



Source: Bloomberg. As of March 17, 2023 12:30 p.m. ET. *FAAMG represented by an equal weight portfolio of Meta Platforms (formerly known as Facebook), Amazon, Apple, Microsoft, and Alphabet. YTD = year-to-date. **Past performance is no guarantee of future results.** An index is unmanaged and not available for direct investment.

By Friday, two of the three major averages were on course to notch weekly gain as bank jitters continued dominate headlines. As of 12:30 p.m. ET, the S&P 500 Index was on pace for a 1.6% weekly gain, while the Nasdaq Composite was set to added 4.5%. The Dow was positioned to remain unchanged for the week.

Looking Ahead to Next Week: March 20-24

Next week, market participants can expect the second Federal Open Market Committee (FOMC) meeting of 2023 to conclude Wednesday, followed by an announcement of their rate decision. Currently, analysts forecast a quarter-point to a half-point increase, bringing interest rates between 4.75% - 5.00%. Meanwhile, investors can expect an update in the housing sector along with March's preliminary reading of S&P Global U.S. Manufacturing and Services Purchasing Managers' Index (PMI). **Internationally**, Japan, the U.K., and the Eurozone are slated to report March's preliminary reading of PMI data on Thursday and Friday. Elsewhere, market participants can expect more inflationary readings from Germany and the U.K. **In the central bank space next week**, Fed Chair Jerome Powell is slated to speak directly after the FOMC's rate decision to explain their policy move. Following similar suit, the U.K. is slated to release their Bank Rate early Thursday morning followed by a press conference with the Bank of England's Catherine Mann.

Disclaimers

Ticker	Price	Ticker	Price	Ticker	Price
META	204.93	AAPL	\$155.85	AMZN	100.04
MSFT	276.20	GOOGL	\$100.32	GOOG	101.07
SIVB*	106.04	SBNY**	\$70.00	CS	2.16
FRC	34.27				

Source: Bloomberg. As of March 16, 2023, 4:00 p.m. ET. *Price as of March 9, 2023, 4:00 p.m. E.T. ** Price as of March 10, 2023, 4:00 p.m. E.T.

Risk Considerations

Different investments offer different levels of potential return and market risk. 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. **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. Although **Treasuries** are considered free from credit risk they are subject to other types of risks. These risks include interest rate risk, which may cause the underlying value of the bond to fluctuate.

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Sector investing can be more volatile than investments that are broadly diversified over numerous sectors of the economy and will increase a portfolio's vulnerability to any single economic, political, or regulatory development affecting the sector. This can result in greater price volatility.

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sell or a solicitation of an offer to buy or sell any security or investment product. Opinions and estimates are as of a certain date and subject to change without notice.

Definitions

An index is unmanaged and not available for direct investment.

The 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.

The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market.

FAAMG is an abbreviation coined by Goldman Sachs for five top-performing tech stocks in the market, namely, Facebook (now known as Meta Platforms), Amazon, Apple, Microsoft, and Alphabet's Google.

The Chicago Board Options Exchange Volatility Index (VIX) is a financial benchmark designed to be an up-to-the-minute market estimate of the expected volatility of the S&P 500 Index, and is calculated by using the midpoint of real-time S&P 500 Index option bid/ask quotes.

Initial jobless claims track the number of people who have filed jobless claims for the first time during the specified period with the appropriate government labor office. This number represents an inflow of people receiving unemployment benefits.

The change in nonfarm payrolls measures the number of employees on business payrolls. It is also sometimes referred to as establishment survey employment to distinguish it from the household survey measure of employment.

The unemployment rate tracks the number of unemployed persons as a percentage of the labor force (the total number of employed plus unemployed). These figures generally come from a household labor force survey.

The Consumer Price Index (CPI) is a measure of prices paid by consumers for a market basket of consumer goods and services. The yearly (or monthly) growth rates represent the inflation rate.

The Producer Price Index (PPI) is a measure of the change in the price of goods as they leave their place of production (i.e. prices received by domestic producers for their outputs either on the domestic or foreign market).

Industrial production measures the output of industrial establishments in the following industries: mining and quarrying, manufacturing and public utilities (electricity, gas and water supply). Production is based on the volume of the output.

Retail sales (also referred to as retail trade) tracks the resale of new and used goods to the general public, for personal or household consumption. This concept is based on the value of goods sold.

S&P Global Purchasing Managers' Index (PMI) Surveys track sentiment among purchasing managers at manufacturing, construction and/or services firms. An overall sentiment index is generally calculated from the results of queries on production, orders, inventories, employment, prices, etc.

The University of Michigan Consumer Sentiment Index collects data on consumer attitudes and expectations summarized in the Consumer Sentiment, in order to determine the changes in consumers' willingness to buy and to predict their subsequent discretionary expenditures. This Index is comprised of measures of attitudes toward personal finances, general business conditions, and market conditions or prices.

Housing Marketing Index (HMI): The National Association of Home Builders (NAHB) Housing Market Index (HMI) is a weighted, seasonally adjusted statistic derived from ratings for present single-family sales, single-family sales in the next six months and buyer's traffic. A rating of 50 indicates that positive responses received from builders is about the same as the number of negative responses; ratings higher than 50 indicate more positive responses.

Scheduled Economic Releases for Week of March 20, 2023

Monday, March 20

Time	Country	Release	For	Consensus	Prior
3:00 AM	Germany	PPI MoM	February		-1.00%

Tuesday, March 21

Time	Country	Release	For	Consensus	Prior
6:00 AM	Germany	ZEW Survey Current Situation	March		-45.1
6:00 AM	Germany	ZEW Survey Expectations	March		28.1
8:30 AM	Eurozone	ECB's Lagarde, Villeroy Speak			
10:00 AM	U.S.	Existing Home Sales MoM	February	5.00%	-0.70%
10:00 AM	U.S.	FOMC Begins Two-Day Meeting			

Wednesday, March 22

Time	Country	Release	For	Consensus	Prior
3:00 AM	U.K.	CPI MoM	February		-0.60%
4:45 AM	Eurozone	ECB's Lagarde Speaks			
2:00 PM	U.S.	FOMC Rate Decision (Upper Bound)	March, 22	5.00%	4.75%
2:00 PM	U.S.	FOMC Concludes Two-Day Meeting			
2:00 PM	U.S.	FOMC Rate Decision (Lower Bound)	March, 22	4.75%	4.50%
2:30 PM	U.S.	Fed Chair Holds Press Conference			

Thursday, March 23

Time	Country	Release	For	Consensus	Prior
8:00 AM	U.K.	Bank of England Bank Rate	March, 23		4.00%
8:30 AM	U.S.	Current Account Balance	Fourth Quarter	-\$213.2b	-\$217.1b
10:00 AM	U.S.	New Home Sales MoM	February	-3.70%	7.20%
11:00 AM	U.K.	BOE's Catherine Mann speaks			
11:00 AM	Eurozone	Consumer Confidence	March Prelim		-19
7:30 PM	Japan	Natl CPI YoY	February	3.30%	4.30%
8:30 PM	Japan	Jibun Bank Japan PMI Services	March Prelim		54
8:30 PM	Japan	Jibun Bank Japan PMI Mfg	March Prelim		47.7

Friday, March 24

Time	Country	Release	For	Consensus	Prior
5:00 AM	Eurozone	S&P Global Eurozone Services PMI	March Prelim		52.7
5:00 AM	Eurozone	S&P Global Eurozone Manufacturing PMI	March Prelim		48.5
5:30 AM	U.K.	S&P Global/CIPS UK Services PMI	March Prelim		53.5
5:30 AM	U.K.	S&P Global/CIPS UK Manufacturing PMI	March Prelim		49.3
8:30 AM	U.S.	Durable Goods Orders	February Prelim	1.70%	-4.50%
9:45 AM	U.S.	S&P Global US Manufacturing PMI	March Prelim		47.3
9:45 AM	U.S.	S&P Global US Services PMI	March Prelim		50.6
12:00 PM	U.K.	BOE's Catherine Mann speaks on panel			

Source: Bloomberg. Data as of March 15, 2023.

Scheduled Earnings Releases for Week of March 20, 2023

Monday, March 20

Company	Symbol	EPS Est.	Year Ago	Revenue Est. (\$MM)
No Earnings Releases of Note				

Tuesday, March 21 – Before the Open

Company	Symbol	EPS Est.	Year Ago	Revenue Est. (\$MM)
No Earnings Releases of Note				

Tuesday, March 21– After Market Close

Company	Symbol	EPS Est.	Year Ago	Revenue Est. (\$MM)
NIKE Inc	NKE	0.54	0.87	\$11,483.90

Wednesday, March 22 – Before the Open

Company	Symbol	EPS Est.	Year Ago	Revenue Est. (\$MM)
No Earnings Releases of Note				

Thursday, March 23 – Before the Open

Company	Symbol	EPS Est.	Year Ago	Revenue Est. (\$MM)
Accenture PLC	ACN	2.49	2.54	\$15,584.81
Darden Restaurants Inc	DRI	2.22	1.93	\$2,724.18
FactSet Research Systems Inc	FDS	3.67	3.27	\$515.71
General Mills Inc	GIS	0.91	0.84	\$4,931.13

Thursday, March 23 – After Market Close

Company	Symbol	EPS Est.	Year Ago	Revenue Est. (\$MM)
No Earnings Releases of Note				

Friday, March 24

Company	Symbol	EPS Est.	Year Ago	Revenue Est. (\$MM)
No Earnings Releases of Note				

Source: Bloomberg. Data as of March 15, 2023, 4:00 p.m. ET. EPS = earnings per share.

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