

March 2022 recap

U.S. equities staged a relief rally during a volatile March, notching their first monthly gains of 2022. Oversold conditions and growing attention on stocks as a potential inflation hedge supported risk appetite by mid-month, despite a decidedly *hawkish* tone from the Federal Reserve (Fed) and the ongoing war in Ukraine. The S&P 500 rose 3.6%, while the Dow Jones Industrial Average gained 2.3%. The Nasdaq Composite reversed an 8.5% monthly decline (which had pushed the tech-heavy index into bear market territory - defined as a 20% drawdown from a record level) to advance 3.4%. Still, all three benchmarks posted their worst quarterly performance since 2020, with the S&P 500 snapping a seven-quarter winning streak with a nearly 5% decline during the January-March period. The conflict in Eastern Europe and subsequent sanctions led to tumultuous trading in the commodity complex, while an inversion of a closely watched portion along the Treasury yield curve incited worries of a recession.

The major averages entered March coming off their first back-to-back monthly declines since October 2020. Wall Street extended a recent bout of volatility as investors focused on the potential economic risks associated with Russia's invasion in Ukraine. The war was exacerbating already tight supply conditions in the energy, metals, and agricultural markets, as the two countries represent major global exporters in the space. Notably, West Texas Intermediate crude briefly surpassed \$130/barrel for the first time since July 2008 after the U.S. announced a formal ban on Russian fossil fuels and its European allies contemplated similar actions despite their heavy reliance on energy supplies from Moscow. However, prices settled around \$100/barrel by month-end as the Biden administration announced plans to gradually release up to 180 million barrels of crude from its Strategic Petroleum Reserve. Furthermore, a fresh wave of COVID-19 cases in China and ensuing lockdown measures dented near-term demand prospects. Still, a closely watched inflation reading served as a reminder of mounting price pressures. The Consumer Price Index (CPI) climbed 7.9% year-over-year in February, accelerating to a fresh 40-year high. The update was in-line with consensus estimates, though analysts noted the full impact of the most recent rally in oil and food prices would not be fully captured until the next report.

Amid prospects of persistent inflation, the Fed voted 8-1 to raise its benchmark rate by 25 basis points (0.25%), the first such move since 2018. St. Louis Fed President Bullard was the lone dissenter, as he favored a 50-basis point (0.50%) increase. Meanwhile, the Summary of Economic Projections implied policymakers could raise rates six additional times in 2022 in an effort to combat rising price pressures. Fed Chair Jerome Powell anticipated inflation would peak mid-year, but signaled that officials could tighten monetary policy more quickly, if appropriate, noting that the U.S. economy was positioned to withstand the adjustments. Additionally, the central bank signaled it would start shrinking its nearly \$9 trillion balance sheet at an upcoming meeting. Following the meeting, a chorus of Fed officials increasingly voiced support for front-loading the current rate hike cycle, raising expectations of a 0.50% rate increase during the next policy meeting in May. Treasuries extended their rout amid prospects of aggressive monetary policy tightening. The yield on the more Fed-sensitive two-year Treasury posted its largest quarterly gain since 1984, having jumped 1.60% year-to-date (with 0.90% of the gain seen in March alone), while the 10-year note yield surged 0.51% during the month, extending its quarterly rise to 0.83%. Notably, the shorter-dated yield briefly surpassed the benchmark 10-year note yield for the first time since August 2019. This raised worries of a recession, as an inversion on this part of the yield curve has historically preceded recessionary periods. However, some analysts pointed to another part of the curve that offered a conflicting signal. The gap between the three-month T-bill yield and 10-year note yield had steepened at one point to its widest level in more than five years, which could serve as an indicator of an economic expansion.

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Price and Total Returns

U.S. markets

Index	Close	March Price Return (%)	March Total Return (%)	February Total Return (%)	First Quarter Total Return (%)*
S&P 500	4530.41	3.58	3.71	-3.00	-4.60
Dow Jones Industrial Average	34678.35	2.32	2.49	-3.29	-4.10
Nasdaq Composite	14220.52	3.41	3.48	-3.35	-8.94
S&P 400 Mid Cap	2693.66	1.21	1.38	1.11	-4.89
S&P 600 Small Cap	1318.54	0.18	0.35	1.40	-5.64

U.S. sector performance

Index	Close	March Price Return (%)	March Total Return (%)	February Total Return (%)	First Quarter Total Return (%)*
Communications Services	235.09	0.93	0.95	-6.98	-11.92
Consumer Discretionary	1462.69	4.82	4.91	-3.99	-9.03
Consumer Staples	791.47	1.41	1.81	-1.42	-1.01
Energy	581.93	8.78	8.93	7.13	38.99
Financials	637.61	-0.35	-0.19	-1.35	-1.48
Health Care	1594.81	5.39	5.56	-1.02	-2.58
Industrials	870.46	3.29	3.38	-0.87	-2.36
Information Technology	2794.09	3.44	3.49	-4.90	-8.36
Materials	553.45	5.82	6.11	-1.24	-2.38
Real Estate	302.42	7.28	7.79	-5.02	-6.32
Utilities	378.12	10.08	10.36	-1.85	4.77

International markets

Index	Close	March Price Return (%)	March Total Return (%)	February Total Return (%)	First Quarter Total Return (%)*
U.K. FTSE 100	7515.68	0.77	1.42	0.32	2.89
Germany DAX	14414.75	-0.32	-0.32	-6.53	-9.25
France CAC 40	6659.87	0.02	0.13	-4.86	-6.68
Spain IBEX 35	8445.10	-0.40	-0.33	-1.55	-2.64
Italy FTSE MIB	25021.26	-1.55	-1.54	-5.21	-8.12
Greece ATHEX	879.45	-1.36	-1.36	-4.77	-1.35
MSCI Emerging Market	1141.79	-2.52	-2.25	-3.01	-6.99
Shanghai Composite	3252.20	-6.07	-6.07	3.00	-10.65
Japan Nikkei 225	27821.43	4.88	5.68	-1.71	-2.58
Hong Kong Hang Seng	21996.85	-3.15	-2.82	-4.58	-5.66
Brazil Bovespa	119999.20	6.06	6.06	0.89	14.48
Russia Micex	2703.51	9.43	9.43	-30.02	-28.24
India Sensex	58568.51	4.13	4.13	-2.91	0.71

Treasuries

Maturity	March Ask Yields	February Historical Yields	January Historical Yields	December Historical Yields	November Historical Yields
2-Year	2.33	1.43	1.18	0.73	0.57
5-Year	2.46	1.72	1.61	1.26	1.16
10-Year	2.34	1.83	1.78	1.51	1.44
30-Year	2.45	2.16	2.11	1.90	1.79

Municipal bonds

Maturity	Close	March Price Return (%)	February Price Return (%)	January Price Return (%)	First Quarter Price Return (%)*
S&P Municipal Bond Index	264.46	-2.72	-0.51	-2.39	-5.53
S&P Muni Bond Long Intermediate	274.41	-2.81	-0.46	-2.70	-5.87
S&P Muni Bond Intermediate	260.60	-2.61	-0.45	-2.57	-5.54
S&P Muni Bond Short	176.44	-1.07	-0.25	-1.06	-2.37
S&P Muni Bond Investment Grade	260.11	-2.67	-0.49	-2.37	-5.45
S&P Muni Bond High Yield	336.22	-3.38	-0.74	-2.60	-6.59
S&P Muni Bond General Obligation	252.96	-2.75	-0.44	-2.45	-5.54

Commodities

Front Month Futures	Close	March Price Return (%)	February Price Return (%)	January Price Return (%)	First Quarter Price Return (%)*
CRB Index	295.18	9.70	5.47	9.79	27.03
Oil/bbl	100.28	4.76	8.59	17.21	33.33
Natural Gas	5.64	28.17	-9.68	30.67	51.26
Gold	1949.20	2.55	5.89	-1.84	6.60
Silver	25.13	3.17	8.79	-4.11	7.63
Copper	475.10	6.90	2.77	-3.11	6.44
Nickel	32115.00	30.54	7.96	9.17	53.86

Foreign exchange

Currency	Close	March Price Return (%)	February Price Return (%)	January Price Return (%)	First Quarter Price Return (%)*
Dollar Index	98.31	1.66	0.17	0.91	2.76
Euro/USD	1.11	-1.35	-0.14	-1.19	-2.66
USD/Yen	121.70	5.83	-0.10	0.03	5.75
GBPound/USD	1.31	-2.10	-0.20	-0.63	-2.91
USD/CAD	1.25	-1.34	-0.26	0.56	-1.04
USD/Krona	9.40	-0.79	1.60	2.97	3.79
USD/Swiss Franc	0.92	0.62	-1.12	1.57	1.05

Source: Bloomberg. *All prices as of the close March 31, 2022. An index is unmanaged and not available for direct investment. Yields represent past performance and fluctuate with market conditions. Current yields may be higher or lower than those quoted above. **Past performance is no guarantee of future results.**

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Pricing as of market close on March 31, 2022, unless indicated otherwise.

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Additional information available upon request.

Definitions

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.

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.

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

An index is unmanaged and not available for direct investment.

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