

May 2022 recap – Stocks endure a volatile month

U.S. stocks and bonds weathered a tumultuous May as investors recalibrated to shifting market expectations around the Federal Reserve's (Fed) monetary policy. Early in the month, Wall Street took to heart the old adage "sell in May and go away" as U.S. central bank officials reiterated plans for the most aggressive Fed tightening cycle in decades. Signs of restrictive financial conditions and suggestions from retailers of waning consumer demand fueled increasing calls from strategists for a looming U.S. recession. However, indications of peak inflation inspired traders to dial back expectations for ultra-aggressive rate hikes, while more attractive equity valuations seemed to spark a month-end relief rally. The S&P 500 had slumped as much as 5.5% by mid-May and came within striking distance of closing in bear market territory (defined as a 20% drawdown from a recent record) before reversing course to end just above the flat line. The Dow Jones Industrial Average eked out a monthly gain of less than 0.1% despite suffering an eight week losing streak, its worst run since 1923. The tech-heavy Nasdaq Composite pared steeper declines to shed 2.1% in May.

As broadly anticipated, the Fed endorsed the first 50 basis point (100 basis points equals one percent) rate hike since 2000 and set the stage for additional increases of similar magnitude in an effort to tackle the highest inflation in over 40 years. The move brought the federal funds rate to a target range of 0.75%-1.00% and followed March liftoff that had commenced with a more traditional 0.25% rate increase. Additionally, FOMC (Federal Open Market Committee) members detailed plans to begin reducing its nearly \$9 trillion balance sheet on June 1. With rising price pressures driving much of the Fed's policy pivot, investors took solace in still elevated inflation readings as they hoped the figures marked a peak. The Consumer Price Index (CPI) climbed a hotter-than-expected 8.3% year-over-year in April, cooling somewhat from the prior 8.5% annual reading. The core PCE deflator (the Fed's preferred proxy for inflation) advanced 4.9% year-over-year in April, in-line with estimates and down from the previous 5.2% annual gain. Meanwhile, solid updates on the U.S. labor market added credence to Fed Chair Jerome Powell's view that the economy could withstand the projected pace of monetary policy tightening. The monthly jobs report from the Department of Labor revealed non-farm payrolls increased by a better-than-expected 428,000 in April, marking a 12th consecutive monthly addition of more than 400,000, while the unemployment rate held steady at 3.6%. Separately, the Jobs Opening and Labor Turnover Survey (JOLTS) showed the number of available positions surged to a record in March.

While the labor market provided a bright spot, a string of other disappointing economic data and a lack of a *hawkish* surprise from the Fed's meeting minutes raised doubt for further 0.50% rate hikes beyond the June and July policy meetings. The Citi U.S. Economic Surprise Index (which measures data surprises relative to market expectations) fell into negative territory and slid to its lowest level in roughly eight months. Gloomy updates on the real estate market garnered attention. New home sales—often cited as a leading economic indicator—slumped a worse-than-forecasted 16.6% in April to a two-year low. Separately, pending home sales fell for a sixth straight month, the worst streak since 2018. Treasury yields reversed an early month backup as government securities saw a perceived safe haven bid amid growing worries of a U.S. recession and on optimism that peak central bank policy tightening may be priced in to the markets. The yield on the 10-year note briefly traded as high as 3.20% before settling nine basis points (0.09%) lower in May to 2.84%. The modest move in the benchmark yield marked the first monthly decline in six months.

Six of 11 S&P 500 sectors finished in positive territory. Energy stocks outperformed as West Texas Intermediate crude advanced for a sixth straight month, extending its best streak of monthly gains since 2011. The Consumer Staples and Consumer Discretionary groups each slid nearly 5% as a pair of key big-box retailers provided disappointing forward guidance. **Walmart Inc.** (WMT \$128.63) and **Target Corp.** (TGT \$161.88) suffered their worst

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sessions since 1987's notorious Black Monday after the retailers' profit tallies and forward guidance came in well below consensus estimates. Both big-box chains flagged inflationary pressures squeezing margins and warned of restrained consumer spending. However, U.S. retail sales told a different story, with the release reflecting a solid 0.9% advance in April. Other updates also supported the notion of resilient consumer demand amid elevated inflation. Despite a second reading on first-quarter U.S. GDP (Gross Domestic Product) confirming a contraction during the January-March period, the personal consumption component was upwardly revised to reflect a positive contribution of 3.1%. In other corporate news, **Twitter Inc.**'s (TWTR \$39.60) shares fell nearly 20% during the month as investors kept tabs on Elon Musk's bid to take the social media company private in a deal worth roughly \$44 billion. Meanwhile, **Walt Disney Co.** (DIS \$110.44) posted profit and revenue below consensus estimates, though reported a stronger-than-forecasted growth in subscribers for its Disney+ streaming service.

Price and Total Returns

U.S. markets

Index	Close	May Price Return (%)	May Total Return (%)	April Total Return (%)	2022 Total Return (%)*
S&P 500	4132.15	0.01	0.18	-8.72	-12.76
Dow Jones Industrial Average	32990.12	0.04	0.33	-4.82	-8.43
Nasdaq Composite	12081.39	-2.05	-1.93	-13.24	-22.52
S&P 400 Mid Cap	2514.80	0.58	0.72	-7.11	-11.01
S&P 600 Small Cap	1235.61	1.72	1.85	-7.81	-11.39

U.S. sector performance

Index	Close	May Price Return (%)	May Total Return (%)	April Total Return (%)	2022 Total Return (%)*
Communications Services	201.56	1.78	1.79	-15.62	-24.35
Consumer Discretionary	1209.69	-4.91	-4.85	-13.00	-24.69
Consumer Staples	772.20	-4.73	-4.61	2.56	-3.16
Energy	658.00	14.95	15.77	-1.54	58.43
Financials	588.47	2.57	2.73	-9.87	-8.78
Health Care	1537.92	1.28	1.44	-4.71	-5.83
Industrials	798.27	-0.78	-0.48	-7.53	-10.15
Information Technology	2452.89	-1.01	-0.85	-11.28	-19.39
Materials	539.06	0.95	1.14	-3.49	-4.72
Real Estate	276.44	-5.13	-5.02	-3.56	-14.19
Utilities	375.72	3.82	4.32	-4.25	4.65

International markets

Index	Close	May Price Return (%)	May Total Return (%)	April Total Return (%)	2022 Total Return (%)*
U.K. FTSE 100	7607.66	0.84	1.13	0.69	4.78
Germany DAX	14388.35	2.06	2.06	-2.20	-9.42
France CAC 40	6468.80	-0.99	0.49	-1.27	-7.42
Spain IBEX 35	8851.50	3.11	3.24	2.62	3.16
Italy FTSE MIB	24505.08	1.04	2.49	-2.06	-7.77
Greece ATHEX	890.70	-3.44	-3.41	5.06	0.11
MSCI Emerging Market	1077.67	0.14	0.46	-5.55	-11.72
Shanghai Composite	3186.43	4.57	4.76	-6.27	-12.26
Japan Nikkei 225	27279.80	1.61	1.61	-3.50	-4.32
Hong Kong Hang Seng	21415.20	1.54	2.15	-4.12	-7.60
Brazil Bovespa	111350.50	3.22	3.22	-10.10	6.23
Russia Micex	2355.75	-3.66	-3.43	-9.56	-37.32
India Sensex	55566.41	-2.62	-2.17	-2.53	-3.96

Treasuries

Maturity	May Ask Yields	April Historical Yields	March Historical Yields	February Historical Yields	January Historical Yields
2-Year	2.56	2.71	2.33	1.43	1.18
5-Year	2.82	2.95	2.46	1.72	1.61
10-Year	2.84	2.93	2.34	1.83	1.78
30-Year	3.05	3.00	2.45	2.16	2.11

Municipal bonds

Maturity	Close	May Price Return (%)	April Price Return (%)	March Price Return (%)	2022 Price Return (%)*
S&P Municipal Bond Index	261.10	1.48	-2.71	-2.72	-6.73
S&P Muni Bond Long Intermediate	271.18	1.51	-2.64	-2.81	-6.98
S&P Muni Bond Intermediate	258.14	1.47	-2.38	-2.61	-6.43
S&P Muni Bond Short	176.80	0.91	-0.70	-1.07	-2.17
S&P Muni Bond Investment Grade	256.94	1.46	-2.64	-2.67	-6.60
S&P Muni Bond High Yield	329.70	1.72	-3.60	-3.38	-8.40
S&P Muni Bond General Obligation	250.14	1.70	-2.77	-2.75	-6.60

Commodities

Front Month Futures	Close	May Price Return (%)	April Price Return (%)	March Price Return (%)	2022 Price Return (%)*
CRB Index	316.54	2.68	4.43	9.70	36.22
Oil/bbl	114.67	9.53	4.40	4.76	52.47
Natural Gas	8.15	12.44	28.39	28.17	118.36
Gold	1842.70	-3.61	-1.92	2.55	0.77
Silver	21.69	-5.87	-8.33	3.17	-7.13
Copper	429.60	-2.25	-7.49	6.90	-3.75
Nickel	28348.00	-10.71	-1.15	30.54	35.81

Foreign exchange

Currency	Close	May Price Return (%)	April Price Return (%)	March Price Return (%)	2022 Price Return (%)*
Dollar Index	101.75	-1.17	4.73	1.66	6.36
Euro/USD	1.07	1.79	-4.72	-1.35	-5.59
USD/Yen	128.67	-0.79	6.57	5.83	11.81
GBPound/USD	1.26	0.22	-4.29	-2.10	-6.87
USD/CAD	1.26	-1.56	2.74	-1.34	0.08
USD/Krona	9.76	-0.69	4.60	-0.79	7.82
USD/Swiss Franc	0.96	-1.27	5.34	0.62	5.10

Source: Bloomberg. *All prices as of the close May 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 May 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.

The Citi Economic Surprise Indices measure data surprises relative to market expectations. A positive reading means that data releases have been stronger than expected and a negative reading means that data releases have been worse than expected.

PCE deflator or Personal Consumption Expenditure Deflator is a measure of inflation based on changes in personal consumption.

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