

## August 2022 recap – Stocks resume monthly declines amid hawkish Fed

U.S. stocks finished lower in August as a historic summer rally lost momentum. The S&P 500 fell 4.2%, while the Nasdaq Composite dropped 4.6%. The Dow shed 4%. Mid-month, the S&P 500 climbed more than 17% from its June 16 trough, eclipsing 4,300 for the first time since April. Investors had latched on to hopes for a potential pivot to a more accommodative monetary policy, but a relentless parade of *hawkish* commentary from Federal Reserve (Fed) officials eventually quashed optimism about a *dovish* shift. Fed Chair Jerome Powell’s speech at the annual Jackson Hole economic symposium was the primary catalyst inciting an equity market sell-off during the final days of the month. In an unusually short address, the Fed chief emphasized that restrictive monetary policy would remain in place for “some time” despite “economic pain.” Although Powell said the size of September’s rate hike would remain data dependent, he hinted that another “unusually large” increase could be appropriate, fanning expectations for a third-straight 0.75% hike. Treasuries slumped, with the yield on the two-year note briefly hitting 3.49%, a peak not seen since 2007. The yield on the 10-year note climbed 53 basis points (0.53%) to 3.19%.

The peak inflation narrative was supported early in the month by updates showing a moderation in prices. The Consumer Price Index (CPI) held steady in July, snapping a 25-month streak of gains, though the 8.5% year-over-year print remained far above the Fed’s 2% target. Meanwhile, West Texas Intermediate crude weathered its third straight monthly decline, its longest losing streak since April 2020, pressured by a stronger U.S. dollar and demand concerns. However, jobs data remained strong, with the unemployment rate dipping to 3.5%, matching a 50-year low. Elsewhere, other economic updates pointed to slowing growth. A measure of U.S. business activity contracted at the fastest pace since May 2020, while the housing market continued to weaken.

## Price and Total Returns

### U.S. markets

Index	Close	August Price Return (%)	August Total Return (%)	July Total Return (%)	2022 Total Return (%)*
S&P 500	3955.00	-4.24	-4.08	9.22	-16.15
Dow Jones Industrial Average	31510.43	-4.06	-3.72	6.82	-12.01
Nasdaq Composite	11816.20	-4.64	-4.53	12.39	-24.06
S&P 400 Mid Cap	2431.05	-3.25	-3.12	10.85	-13.60
S&P 600 Small Cap	1183.98	-4.51	-4.39	10.01	-14.77

### U.S. sector performance

Index	Close	August Price Return (%)	August Total Return (%)	July Total Return (%)	2022 Total Return (%)*
S&P 500 Communications Services	184.44	-4.21	-4.19	3.71	-30.61
S&P 500 Consumer Discretionary	1221.06	-4.72	-4.57	18.94	-23.75
S&P 500 Consumer Staples	758.99	-1.88	-1.75	3.30	-4.18
S&P 500 Energy	611.80	2.18	2.83	9.72	48.52
S&P 500 Financials	547.82	-2.18	-2.01	7.21	-14.62

**Investment and Insurance Products: ➤ NOT FDIC Insured ➤ NO Bank Guarantee ➤ MAY Lose Value**

Index	Close	August Price Return (%)	August Total Return (%)	July Total Return (%)	2022 Total Return (%)*
S&P 500 Health Care	1451.16	-5.88	-5.78	3.32	-10.77
S&P 500 Industrials	783.36	-3.08	-2.81	9.50	-11.44
S&P 500 Information Technology	2364.72	-6.26	-6.12	13.54	-22.09
S&P 500 Materials	473.30	-3.67	-3.47	6.14	-15.89
S&P 500 Real Estate	261.64	-5.71	-5.61	8.54	-18.16
S&P 500 Utilities	375.93	0.07	0.51	5.50	5.45

### International markets

Index	Close	August Price Return (%)	August Total Return (%)	July Total Return (%)	2022 Total Return (%)*
U.K. FTSE 100	7284.15	-1.88	-1.06	3.66	1.53
Germany DAX	12834.96	-4.81	-4.81	5.48	-19.20
France CAC 40	6125.10	-5.02	-5.02	8.98	-12.02
Spain IBEX 35	7886.10	-3.31	-3.30	1.52	-6.99
Italy FTSE MIB	21559.32	-3.78	-3.78	5.67	-18.27
Greece ATHEX	856.36	0.62	0.69	5.95	-2.35
MSCI Emerging Market	994.11	0.03	0.45	-0.17	-17.31
Shanghai Composite	3202.14	-1.57	-1.42	-3.10	-9.91
Japan Nikkei 225	28091.53	1.04	1.10	5.34	-1.29
Hong Kong Hang Seng	19954.39	-1.00	-0.78	-7.32	-12.47
Brazil Bovespa	109522.90	6.16	6.16	4.69	4.48
Russia Micex	2400.08	8.41	8.41	1.54	-35.02
India Sensex	59537.07	3.42	3.59	8.72	3.32

### Treasuries

Maturity	August Ask Yields	July Historical Yields	June Historical Yields	May Historical Yields	April Historical Yields
2-Year	3.49	2.88	2.95	2.56	2.71
5-Year	3.35	2.68	3.04	2.82	2.95
10-Year	3.19	2.65	3.01	2.84	2.93
30-Year	3.29	3.01	3.18	3.05	3.00

### Municipal bonds

Maturity	Close	August Price Return (%)	July Price Return (%)	June Price Return (%)	2022 Price Return (%)*
S&P Municipal Bond Index	257.07	-2.29	2.59	-1.78	-8.17
S&P Muni Bond Long Intermediate	269.19	-2.03	2.72	-1.36	-7.66
S&P Muni Bond Intermediate	256.44	-1.96	2.48	-1.13	-7.04
S&P Muni Bond Short	176.33	-1.05	0.85	-0.06	-2.43
S&P Muni Bond Investment Grade	253.04	-2.30	2.47	-1.63	-8.02
S&P Muni Bond High Yield	323.63	-2.12	4.08	-3.65	-10.09
S&P Muni Bond General Obligation	246.39	-2.39	2.59	-1.63	-8.00

### Commodities

Front Month Futures	Close	August Price Return (%)	July Price Return (%)	June Price Return (%)	2022 Price Return (%)*
CRB Index	290.41	-0.57	0.31	-8.02	24.97
Oil/bbl	89.55	-9.20	-6.75	-7.77	19.07
Natural Gas	9.13	10.91	51.71	-33.41	144.69
Gold	1716.90	-2.61	-2.46	-1.92	-6.11
Silver	17.76	-12.06	-0.42	-6.48	-23.94

Front Month Futures	Close	August Price Return (%)	July Price Return (%)	June Price Return (%)	2022 Price Return (%)*
Copper	351.85	-1.54	-3.80	-13.54	-21.17
Nickel	21337.00	-9.55	4.14	-20.10	2.22

### Foreign exchange

Currency	Close	August Price Return (%)	July Price Return (%)	June Price Return (%)	2022 Price Return (%)*
Dollar Index	108.70	2.64	1.16	2.88	13.62
Euro/USD	1.01	-1.62	-2.52	-2.33	-11.57
USD/Yen	138.96	4.27	-1.81	5.48	20.75
GBPound/USD	1.16	-4.51	-0.06	-3.36	-14.11
USD/CAD	1.31	2.62	-0.61	1.79	3.90
USD/Krona	10.66	4.97	-0.67	4.73	17.73
USD/Swiss Franc	0.98	2.64	-0.28	-0.46	7.08

Source: Bloomberg. \*All prices as of the close August 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.**

### Disclaimers

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

All investing involves some degree of risk, whether it is associated with market volatility, purchasing power or a specific security. **Stocks** may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors. **Bonds** are subject to interest rate, credit/default, liquidity, inflation and other risks. Prices tend to be inversely affected by changes in interest rates. The **commodities** markets are considered speculative, carry substantial risks, and have experienced periods of extreme volatility. Investing in a volatile and uncertain commodities market may cause a portfolio to rapidly increase or decrease in value which may result in greater share price volatility.

Additional information available upon request.

### Definitions

**Brazil Bovespa Index** is an index of about 50 stocks that are traded on the São Paulo Stock, Mercantile & Futures Exchange (Bovespa: BÓlsa de Valores do Estado de São PAulo).

**CRB (Commodity Research Bureau) Index** measures the overall direction of commodity sectors. The CRB was designed to isolate and reveal the directional movement of prices in overall commodity trades.

**DAX German Stock Index** represents 30 of the largest and most liquid German companies traded on the Frankfurt Stock Exchange.

**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.

**France CAC 40 Index** tracks the 40 largest French stocks based on market capitalization on the Paris Bourse (stock exchange).

**FTSE 100 Index** is an index that measures the performance of the shares of the 100 largest companies listed on the London Stock Exchange, sometimes referred to as the LSE. It measures the daily share price performance of those 100 firms.

**Greece ATHEX Index** is a capitalization-weighted index of Greek stocks listed on the Athens Stock Exchange.

**Hong Kong Hang Seng Index** is a market capitalization-weighted index of 40 of the largest companies that trade on the Hong Kong Exchange. The Hang Seng Index is maintained by a subsidiary of Hang Seng Bank, and has been published since 1969. The index aims to capture the leadership of the Hong Kong exchange, and covers approximately 65% of its total market capitalization.

**India Sensex Index** is a free-float market-weighted stock market index of 30 well-established and financially sound companies listed on Bombay Stock Exchange. The 30 component companies which are some of the largest and most actively traded stocks, are representative of various industrial sectors of the Indian economy.

**Italy FTSE MIB Index** is a capitalization-weighted index of consisting of the 40 most liquid and capitalized stocks listed on the Borsa Italiana.

**MSCI Emerging Markets Index** is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets.

MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. This report is not approved, reviewed, or produced by MSCI.

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

**Nikkei 225 Index** is the leading and most-respected index of Japanese stocks. It is a price-weighted index comprised of Japan's top 225 blue-chip companies on the Tokyo Stock Exchange. The Nikkei is equivalent to the Dow Jones Industrial Average Index in the U.S.

**Russia Micex Index** is cap-weighted composite index calculated based on prices of the 50 most liquid Russian stocks of the largest and dynamically developing Russian issuers presented on the Moscow Exchange.

**S&P Midcap 400 Index** is a capitalization-weighted index measuring the performance of the mid-range sector of the U.S. stock market, and represents approximately 7% of the total market value of U.S. equities.

**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.

**S&P 500 Communication Services Index** comprises those companies included in the S&P 500 that are classified as members of the GICS® communication services sector.

**S&P 500 Consumer Discretionary Index** comprises those companies included in the S&P 500 that are classified as members of the GICS® consumer discretionary sector.

**S&P 500 Consumer Staples Index** comprises those companies included in the S&P 500 that are classified as members of the GICS® consumer staples sector.

**S&P 500 Energy Index** comprises those companies included in the S&P 500 that are classified as members of the GICS® energy sector.

**S&P 500 Financials Index** comprises those companies included in the S&P 500 that are classified as members of the GICS® financials sector.

**S&P 500 Health Care Index** comprises those companies included in the S&P 500 that are classified as members of the GICS® health care sector.

**S&P 500 Industrials Index** comprises those companies included in the S&P 500 that are classified as members of the GICS® industrials sector.

**S&P 500 Information Technology Index** comprises those companies included in the S&P 500 that are classified as members of the GICS® information technology sector.

**S&P 500 Materials Index** comprises those companies included in the S&P 500 that are classified as members of the GICS® materials sector.

**S&P 500 Real Estate Index** comprises those companies included in the S&P 500 that are classified as members of the GICS Real Estate sector.

**S&P 500 Utilities Index** comprises those companies included in the S&P 500 that are classified as members of the GICS utilities sector.

**S&P 600 Index** consists of 600 domestic stocks chosen for market size, liquidity (bid-asked spread, ownership, share turnover and number of no trade days) and industry group representation. It is a market value-weighted index (stock price times the number of shares outstanding), with each stock's weight in the index proportionate to its market value.

**S&P Municipal Bond Index** is a broad, market value-weighted index that seeks to measure the performance of the U.S. municipal bond market. All bonds in the index are exempt from U.S. federal income taxes or subject to the alternative minimum tax. The state level municipal bond indices consist of bonds that have been issued by municipalities or municipal authorities within the 50 states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands.

**S&P Municipal Bond General Obligation Index** includes bonds from both the state and local municipality-secured general obligation sectors in the S&P Municipal Bond Index, a broad, market value-weighted index that seeks to measure the performance of the U.S. municipal bond market.

**S&P Municipal Bond Intermediate Index** consists of bonds in the S&P Municipal Bond Index with a minimum maturity of 3 years and a maximum maturity of 15 years. S&P Municipal Bond Index is a broad, market value-weighted index that seeks to measure the performance of the U.S. municipal bond market. All bonds in the index are exempt from U.S. federal income taxes or subject to the alternative minimum tax.

**S&P Municipal Bond Investment Grade Index** consists of bonds in the S&P Municipal Bond Index that are rated investment grade by Standard & Poor's, Moody's and/or Fitch.

**S&P Municipal Bond High-Yield Index** consists of bonds in the S&P Municipal Bond Index that are not rated or are rated below investment grade.

**S&P Municipal Bond Long Intermediate Index** consists of bonds in the S&P Municipal Bond Index with a minimum maturity of 5 years and a maximum maturity of 15 years.

**S&P Municipal Bond Short Index** consists of bonds in the S&P Municipal Bond Index with a minimum maturity of 6 months and a maximum maturity of 4 years.

**Spain IBEX 35 Index** is a market capitalization weighted index comprising the 35 most liquid Spanish stocks traded in the Madrid Stock Exchange General Index and is reviewed twice annually.

**Shanghai Stock Exchange Composite Index** is a capitalization-weighted index. The index tracks the daily price performance of all A-shares and B-shares listed on the Shanghai Stock Exchange.

**U.S. Dollar Index (USDIX)** measures the value of the U.S. dollar relative to majority of its most significant trading partners. This index is similar to other trade-weighted indexes, which also use the exchange rates from the same major currencies.

An index is unmanaged and not available for direct investment.

#### General Disclosures

Investment Implementation ("II") is a team within Wells Fargo Investment Institute, Inc. (WFII). WFII is a registered investment adviser and wholly owned subsidiary of Wells Fargo Bank, N.A., a bank affiliate of Wells Fargo & Company.

The information in this report was prepared by Investment Implementation. Opinions represent II's opinion as of the date of this report and are for general information purposes only and are not intended to predict or guarantee the future performance of any individual security, market sector or the markets generally. II does not undertake to advise you of any change in its opinions or the information contained in this report. Wells Fargo & Company affiliates may issue reports or have opinions that are inconsistent with, and reach different conclusions from, this report. The information contained herein constitutes general information and is not directed to, designed for, or individually tailored to, any particular investor or potential investor.

This report is not intended to be a client-specific suitability or best interest analysis or recommendation, an offer to participate in any investment, or a recommendation to buy, hold or sell securities. Do not use this report as the sole basis for investment decisions. Do not select an asset class or investment product based on performance alone. Consider all relevant information, including your existing portfolio, investment objectives, risk tolerance, liquidity needs and investment time horizon. The material contained herein has been prepared from sources and data we believe to be reliable but we make no guarantee to its accuracy or completeness.

Wells Fargo Advisors is a trade name used by Wells Fargo Clearing Services, LLC and Wells Fargo Advisors Financial Network, LLC, Members SIPC, separate registered broker-dealers and non-bank affiliates of Wells Fargo & Company.

CAR-0922-00249