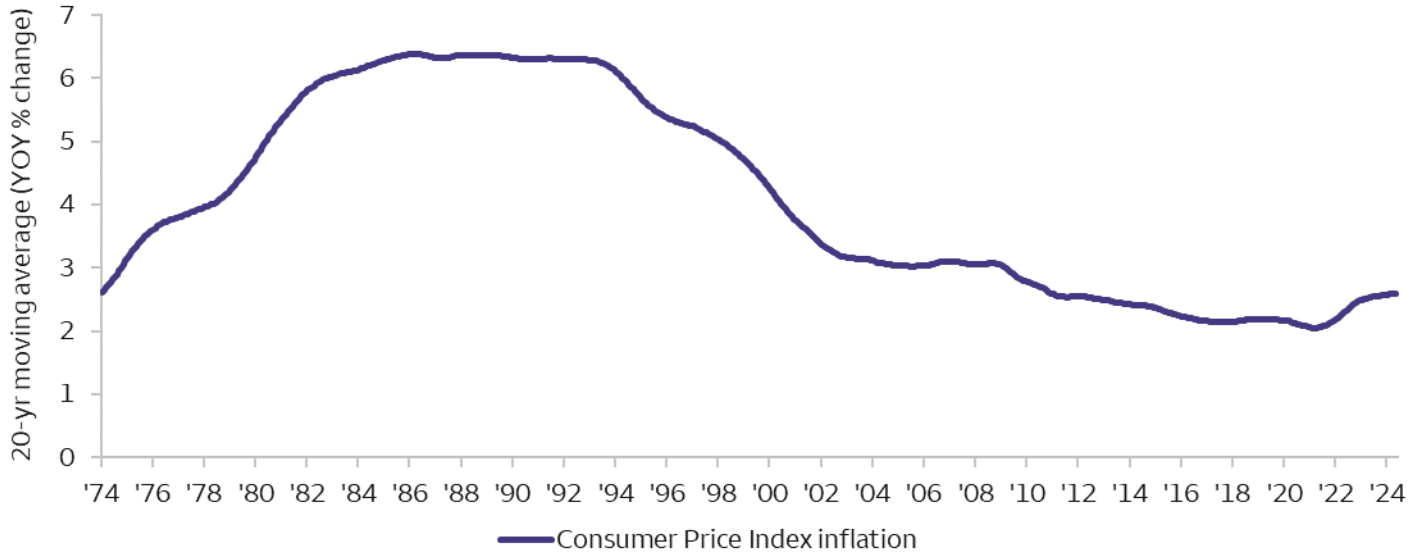


Chart of the Week

Weekly market analysis on key market indexes

July 23, 2024

Long-term trend in inflation has moved higher



Sources: Bloomberg, Bureau of Labor Statistics, and Wells Fargo Investment Institute. Monthly data from January 1, 1974 to May 31, 2024. Chart is for illustrative purposes only. Start date chosen to reflect 50 years of data. YOY = year over year.

Long-term financial goals require equally long-term horizon and tools for managing wealth

We recently released our 2024 capital market assumptions (CMAs), which are the foundation for our strategic asset allocation portfolios and are based on the trends we expect to persist or change over the long term as the global economy slowly evolves.* Inflation, which we see as one of the greatest threats to accumulating and preserving wealth, is the basic building block we use to create our CMAs.

Given the long-term focus of CMAs and inflation's central role, the chart above takes a closer look at its long-term trend by showing consumer price inflation's 20-year moving average for each month since 1974. This figure declined to 2% in 2021, but it has since risen to 2.6% as of May 2024. Similarly, the average of this figure over the past 20 years sits at 2.5%, which is one factor supporting our assumption that consumer price inflation will average 2.5% over the long term.

What it may mean for investors

Our CMAs focus on what may happen in the future and are designed to reflect what investors may experience through multiple market cycles. This year, we maintain an inflation expectation of 2.5%, acknowledging that inflation could remain elevated over the next couple of years before eventually trending to lower levels over time. For further insight on our CMAs and their implications for portfolios, please see our *2024 Capital Market Assumptions* special report.

Global Asset Allocation Team

Excerpted from *2024 Capital Market Assumptions Special Report* (July 16)

* CMA forecasts are not promises of actual returns or performance that may be realized. They are based on estimates and assumptions that may not occur.

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Risk Considerations

Forecasts, estimates, and projections are not guaranteed and are based on certain assumptions and views of market and economic conditions which are subject to change.

All investments are subject to market risk which means their value may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors due to numerous factors some of which may be unpredictable.

Definitions

The Consumer Price Index is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food, and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them.

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