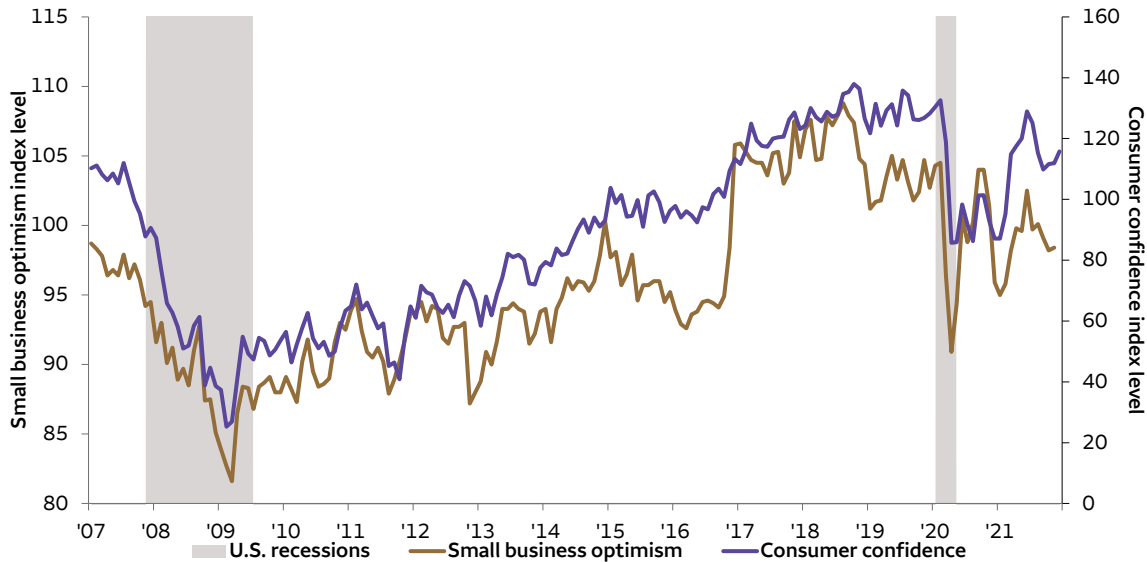


## The Omicron surge — Two trends we are tracking in 2022



Sources: Bloomberg and Wells Fargo Investment Institute. Consumer confidence data as of December 31, 2021 and small business optimism data as of November 30, 2021. Shaded bars represent a recession period. The Conference Board Consumer Confidence Index® is a barometer of the health of the U.S. economy from the perspective of the consumer. The National Federation of Independent Business (NFIB) Small Business Optimism Index is a composite of 10 seasonally adjusted components. It provides an indication of the health of small businesses in the U.S., which account for roughly 50% of the nation's private workforce.

### Consumer confidence and small-business optimism modestly improved late in 2021 amidst rising Omicron cases

The chart shows that after rising for the first half of 2021, small-business optimism (brown line) and consumer confidence (purple line) declined in the third quarter of 2021. Since then, consumer confidence steadily improved in the fourth quarter and small business became more optimistic in October and November 2021. But both readings remain well below pre-pandemic levels. We expect investors to eventually look beyond case surges from the Omicron variant of COVID-19 and consumption strength to continue.

After hitting a six-month low of 98.2 in October, the National Federation of Small Business Optimism Index nudged up to 98.4 in November but still indicated pessimism over future capital expenditures and finding labor to fill job openings. The Conference Board Consumer Confidence Index increased to 115.8 in December, up from 111.9 in November.

#### What it may mean for investors

In our view, the U.S. will continue to be the global growth locomotive through the early part of 2022. Early returns indicate that the highly contagious Omicron variant may slow — but is not likely to reverse — the economy's growth recovery. We expect above-average first-half growth in the U.S. to average 4%–4.5%, backed by solid job gains and a sizable financial cushion supporting spending.

This chart was excerpted from the December *Economic and Market Strategy Update*

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### **Risk Considerations**

Each asset class has its own risk and return characteristics. 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.

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