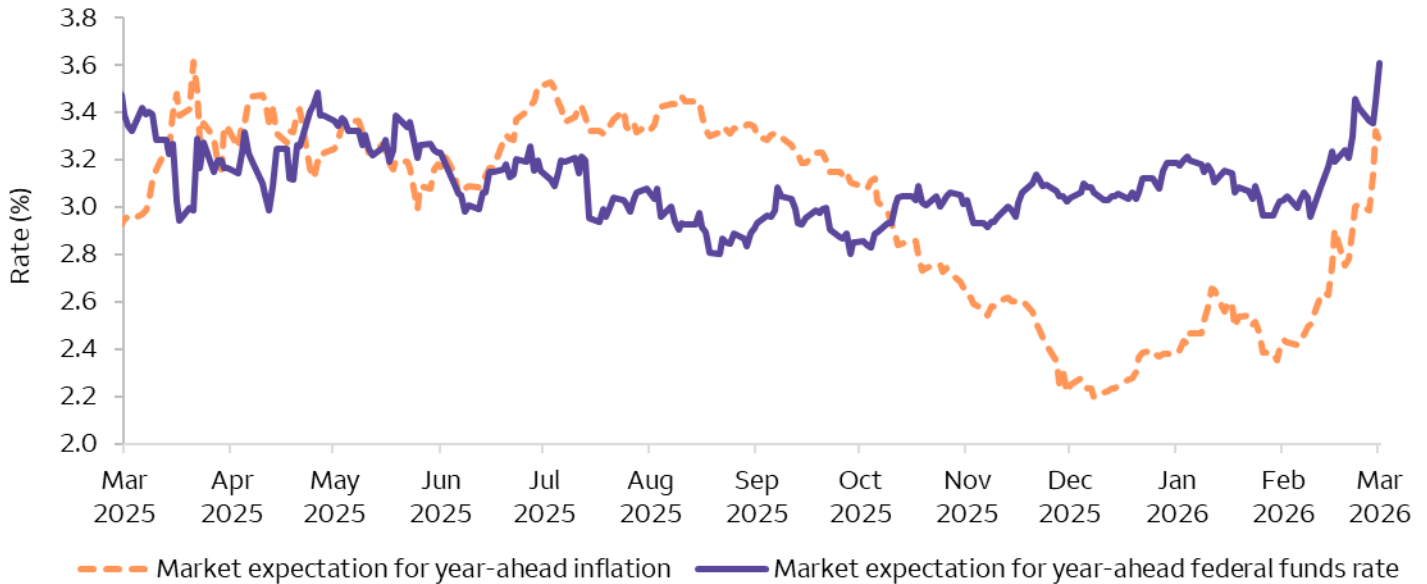


Chart of the Week

Weekly analysis of key themes in markets

March 24, 2026

Stubborn inflation, a constrained Fed



Sources: Bloomberg and Wells Fargo Investment Institute. Latest data as of March 17, 2025 through March 19, 2026. Chart represents market expectations over the coming year. Market expectation for year-ahead inflation is derived from inflation swaps. Market expectation for year-ahead federal funds rate is derived from federal funds futures contract curve.

Confidence that inflation will settle near the Fed’s 2% target in the near term remains elusive

At its March 17 – 18 meeting, the Federal Reserve (Fed) held policy rates steady, reinforcing a message that has become increasingly clear: the hurdle for future rate cuts is high. Inflation has moderated, but progress has slowed, and concerns about the impact of the Iran war on oil prices have added to uncertainty. Ultimately, confidence that inflation will settle near the Fed’s 2% target in the near term remains elusive.

This is shown in the chart above, with market expectations for inflation over the coming year having increased by nearly a full percentage point year to date (through March 19) following a steady downtrend in the second half of 2025. Shifting inflation expectations have weighed on assessments of how much additional Fed policy support is realistic, with markets now anticipating no rate cuts in the coming year.

What it may mean for investors

Recent volatility in fixed-income markets has once again highlighted how sensitive bond markets remain to the anticipation of higher inflation and Fed policy. With policy uncertainty increasing and long-term rates driven by both inflation and fiscal-supply dynamics, we believe intermediate-term maturities (three to seven years in the taxable space); emphasis on quality; and selective exposure to high-grade credit remain appropriate.

Luis Alvarado, Co-Head of Global Fixed Income Strategy

Excerpted from Investment Strategy report (March 23)

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

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. **Bonds** are subject to market, interest rate, price, credit/default, liquidity, inflation and other risks. Prices tend to be inversely affected by changes in interest rates. **High yield (junk) bonds** have lower credit ratings and are subject to greater risk of default and greater principal risk.

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