

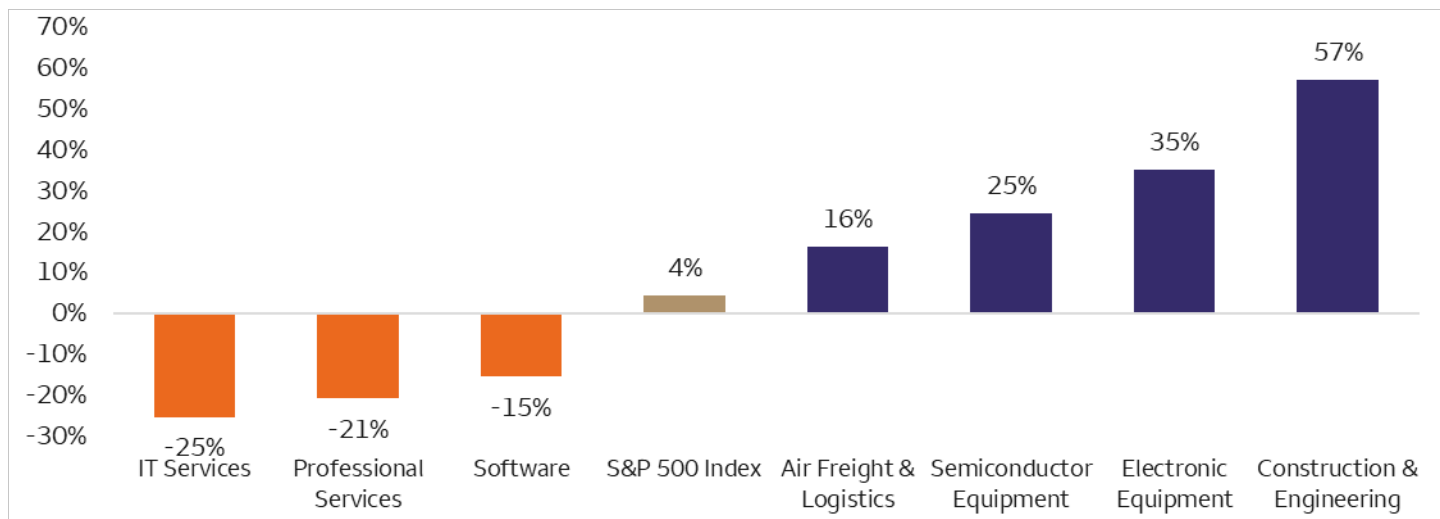


Chart of the Week

Weekly analysis of key themes in markets

May 5, 2026

S&P 500 advances, with returns driven by AI



Sources: Bloomberg and Wells Fargo Investment Institute. Year-to-date total return of S&P 500 index sub-sectors. Data as of April 28, 2026. IT = Information Technology. An index is not managed and not available for direct investment. **Past performance is no guarantee of future results.**

Artificial-intelligence (AI) exposure regains center stage

Equity markets have taken investors on a full round trip so far this year, with the S&P 500 Index falling from January highs to March lows before rebounding to a new record by mid-April. As geopolitical concerns eased, investor focus shifted back toward companies' exposure to AI. This shift has driven returns increasingly at the sub-industry level rather than across the broader market.

The chart illustrates this divergence, with direct beneficiaries of AI capital spending or businesses largely insulated from its potentially disruptive effect posting strong year-to-date gains and outperforming the broader S&P 500 Index's modest rise. In contrast, sub-industries viewed as most vulnerable to AI-driven disruption — including IT services, Professional Services, and Software — have materially underperformed.

What it may mean for investors

As geopolitical risks around Iran have eased, investor attention has returned to secular growth trends with strong fundamentals. In early April, we believed that much of the geopolitical risk premium had been priced into oil and we downgraded the Energy sector. Meanwhile, more attractive valuations, durable fundamentals, and renewed confidence in AI-driven growth led us to upgrade the Information Technology sector.

Alex Sagal, *Investment Strategy Analyst*

Excerpted from Investment Strategy report (April 27)

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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. Sector investing can be more volatile than investments that are broadly diversified over numerous sectors of the economy and will increase a portfolio's vulnerability to any single economic, political, or regulatory development affecting the sector. This can result in greater price volatility. The **Energy** sector may be adversely affected by changes in worldwide energy prices, exploration, production spending, government regulation, and changes in exchange rates, depletion of natural resources, and risks that arise from extreme weather conditions. Risks associated with the **Technology** sector include increased competition from domestic and international companies, unexpected changes in demand, regulatory actions, technical problems with key products, and the departure of key members of management. Technology and Internet-related stocks, especially smaller, less-seasoned companies, tend to be more volatile than the overall market.

Definitions

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.

An index is unmanaged and not available for direct investment.

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