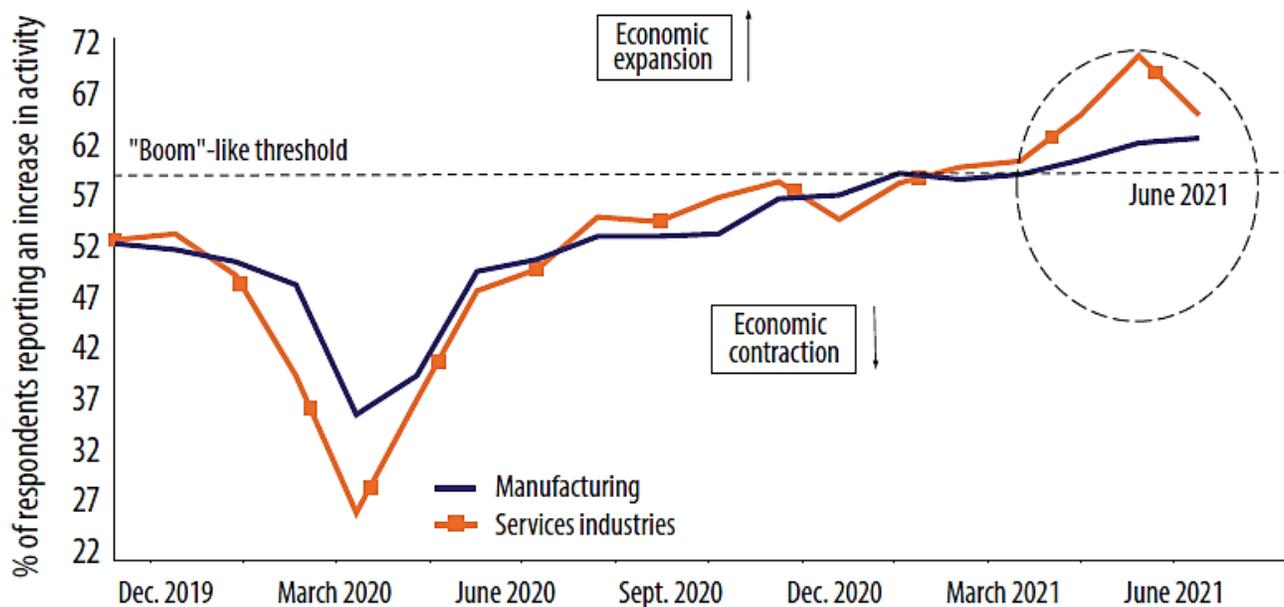


U.S. economy enters a new phase in the growth cycle



Sources: Institute of Supply Management and Wells Fargo Investment Institute, July 1, 2021.

Powering into the second half of 2021

The U.S. economic boom lost a step at midyear, but we believe it still carries enough momentum for solid growth through the balance of 2021. June business surveys showed broad-based strength in manufacturing (purple line) and services activity (orange line).

Wages accelerated at midyear, softening inflation's squeeze on purchasing power, and households continue to draw support from elevated savings, mortgage payments reduced by refinancing, and expanded wealth from gains in home and stock prices.

What it may mean for investors

Our view is that the economy has transitioned from recovery to an expansion phase of the growth cycle. The most visible signs of the transition have been the return of inflation-adjusted output in June to pre-pandemic levels; productivity-enhancing investment in high-tech equipment; broadening loan growth beyond consumers to businesses; and strong job gains as businesses gained renewed confidence.

Global Investment Strategy Team

This chart was excerpted from the July *Asset Allocation Strategy Report* dated July 19, 2021

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