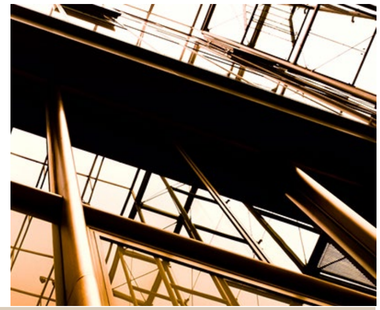
WELLS FARGO
Investment Institute

Chart of the Week



Weekly analysis of key themes in markets — October 22, 2024

Opportunity potential for income generation in longer-term bonds

Source: Bloomberg. Data as of October 14, 2024. 10-year U.S. Treasury yields represented by the mid yield of the generic 10-year U.S. Treasury bond. Yields represent past performance and fluctuate with market conditions. Current yields may be higher or lower than those quoted above. **Past performance is no guarantee of future results.**

Investors may benefit from extending maturity profile amid run-up in Treasury yields

The past month has been an almost perfect storm of factors helping to drive long-term bond yields higher. Since the Federal Reserve's (Fed's) September 18 meeting, 10- and 30-year Treasury yields are up almost 50 basis points.[1] Recent economic data has surprised to the upside, diminishing near-term recession risks, and this has also caused fixed-income investors to reduce the number of expected Fed rate cuts for the remainder of the year and into 2025.

In our view, this run-up in long-term yields presents a potential opportunity for investors with excess cash positions given our expectation for ultra-short-term yields to decline. The chart shows that while 10-year yields are down from recent years' peaks, they are considerably higher than the average after the global financial crisis — with yields hovering above 4% as of October 14, we think investors may benefit from extending the maturity profile of their bond holdings.

What it may mean for investors

The Fed is poised to decrease rates over the coming months, meaning investors who have held excess cash at relatively high ultra-short-term interest rates may see their income generation decrease once those investments mature and need to be reinvested. Given the run-up in 10- and 30-year U.S. Treasury yields over the past month, we see the potential for an attractive buying opportunity for investors looking to redeploy excess cash holdings into longer maturities.

Anthony Miano, CFA; *Investment Strategy Analyst*

Excerpted from Investment Strategy (October 21)

1. According to Bloomberg. Data as of October 14, 2024, and measured by the generic 10- and 30-year Treasury bonds. 100 basis points equals 1%.

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. Although **Treasuries** are considered free from credit risk they are subject to other types of risks. These risks include interest rate risk, which may cause the underlying value of the bond to fluctuate.

General Disclosures

Global Investment Strategy (GIS) is a division of Wells Fargo Investment Institute, Inc. (WFII). WFII is a registered investment adviser and wholly owned subsidiary of Wells Fargo Bank, N.A., a bank affiliate of Wells Fargo & Company.

The information in this report was prepared by Global Investment Strategy. Opinions represent GIS' opinion as of the date of this report and are for general information purposes only and are not intended to predict or guarantee the future performance of any individual security, market sector or the markets generally. GIS does not undertake to advise you of any change in its opinions or the information contained in this report. Wells Fargo & Company affiliates may issue reports or have opinions that are inconsistent with, and reach different conclusions from, this report.

The information contained herein constitutes general information and is not directed to, designed for, or individually tailored to, any particular investor or potential investor. This report is not intended to be a client-specific suitability or best interest analysis or recommendation, an offer to participate in any investment, or a recommendation to buy, hold or sell securities. Do not use this report as the sole basis for investment decisions. Do not select an asset class or investment product based on performance alone. Consider all relevant information, including your existing portfolio, investment objectives, risk tolerance, liquidity needs and investment time horizon. The material contained herein has been prepared from sources and data we believe to be reliable but we make no guarantee to its accuracy or completeness.

Wells Fargo Advisors is registered with the U.S. Securities and Exchange Commission and the Financial Industry Regulatory Authority, but is not licensed or registered with any financial services regulatory authority outside of the U.S. Non-U.S. residents who maintain U.S.-based financial services account(s) with Wells Fargo Advisors may not be afforded certain protections conferred by legislation and regulations in their country of residence in respect of any investments, investment transactions or communications made with Wells Fargo Advisors.

Wells Fargo Advisors is a trade name used by Wells Fargo Clearing Services, LLC and Wells Fargo Advisors Financial Network, LLC, Members SIPC, separate registered broker-dealers and non-bank affiliates of Wells Fargo & Company. PM-04182026-7204313.1.1