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First Quarter 2026 Update

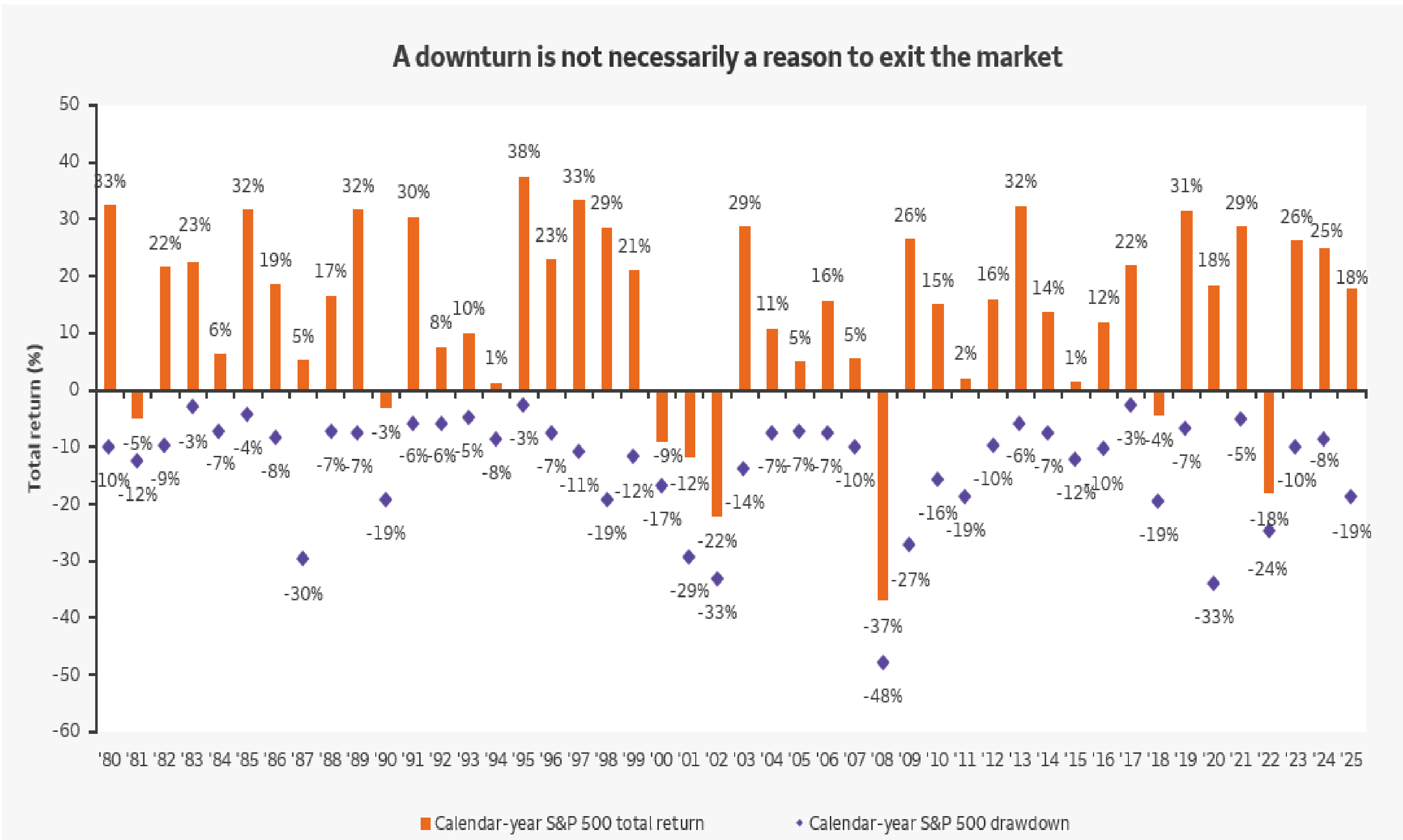
Markets entered 2026 with elevated valuations but increased volatility. After reaching record highs early in the quarter, major U.S. equity indices pulled back in March as investors reacted to weaker-than-expected labor data, rising energy prices, and heightened geopolitical tensions. The S&P 500 traded near the mid-6,500 range by late March, reflecting resilience supported by strong balance sheets and continued earnings durability among large-cap technology and AI-related leaders, even as broader market participation narrowed.[1,2] This environment highlights sustained investor confidence, tempered by signs of slowing economic momentum.

International equity markets delivered mixed results during the quarter. However, global sentiment remained cautious amid trade policy uncertainty, uneven global growth, and escalating geopolitical risks—particularly related to the Middle East and Asia-Pacific supply chains.[3]

Monetary policy remained a focal point. After cutting rates three times in 2025, the Federal Reserve held the federal funds target range steady at 3.50%–3.75% at its March 2026 meeting, emphasizing a data-dependent approach amid elevated uncertainty. Policymakers acknowledged that progress on inflation has continued but warned that energy-related price pressures and geopolitical developments complicate the outlook. Updated projections suggest a slower pace of easing than markets previously anticipated.[4,5] Despite near-term volatility, policy settings remain less restrictive than in prior years, helping to support financial conditions entering mid-2026.

Economic data reinforced signs of moderation. U.S. real GDP expanded at a 0.7% annualized pace in the fourth quarter of 2025, a sharp deceleration from earlier in the year, reflecting softer consumer spending and reduced government outlays.[6] Inflation measured by the Consumer Price Index rose 2.4% year-over-year in February, with core inflation near 2.5%, indicating continued—but uneven—progress toward price stability. Services inflation remained sticky, while goods prices showed further normalization.[7,8]

Looking ahead, we expect global growth to slow modestly in the near term as higher energy costs, lingering trade frictions, Middle East conflict and slower hiring weigh on activity. Tariff-related price pressures and supply disruptions may temporarily lift inflation in select regions, though we anticipate these effects to ease as one-time price increases work through the system. Even so, less efficient global trade and elevated geopolitical risk could keep trade-sensitive inflation measures higher than pre-pandemic norms in the coming quarters.[9]



Sources: © Morningstar Direct, All Rights Reserved[1], and Wells Fargo Investment Institute. Data from January 1, 1980, to December 31, 2025. Severe intra-year corrections do not necessarily indicate subpar performance for the calendar year. Analysis was compiled using the daily total returns of the S&P 500 Index. The S&P 500 Index is a market capitalization-weighted index composed of 500 stocks generally considered representative of the U.S. stock market. Calendar year drawdowns represent the largest market drops from peak to trough for each year. Investing in stocks involve risk and their returns and risk levels can vary depending on prevailing market and economic conditions. Index returns do not represent investment performance or the results of actual trading. Index returns represent general market results, assume the reinvestment of dividends and other distributions, and do not reflect deduction for fees, expenses or taxes applicable to an actual investment. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** All investing involves risk including the possible loss of principal.[10]

- A market downturn does not necessarily mean that markets will perform poorly for the year. Three of the past seven bear markets have resulted in positive annual returns.
- Market corrections and downturns can be difficult to endure. However, sell-offs can potentially offer opportunities for investors to purchase high-quality stocks at reasonable prices.[11]

Iran War Update:

Iran has become a key driver of global capital-market volatility as the U.S.–Iran conflict moves beyond geopolitics into direct macroeconomic transmission channels. Since open hostilities increased in early 2026, markets have focused less on Iran's domestic conditions and more on second-order effects: energy supply risk, shipping disruptions, and policy responses by major economies. Brent crude briefly surged well above $100 per barrel amid recurring threats to the Strait of Hormuz, through which roughly 20% of global oil and gas flows transit, reinforcing

Iran's outsized influence on inflation expectations despite its limited role in global financial markets. The result has been heightened volatility across energy, transportation, and emerging-market assets, alongside renewed safe-haven demand for U.S. Treasuries and the dollar.[12]

From an investing perspective, Iran's relevance lies not in direct exposure, which remains constrained by sanctions and capital controls, but in its ability to amplify systemic risk across asset classes. Sustained conflict raises the probability of prolonged energy price pressure, higher defense spending, and renewed stress on import-dependent economies, particularly in Europe and Asia. Equity markets have increasingly priced the situation as a persistent risk premium rather than a short-lived shock, while central banks remain alert to the risk that geopolitical energy inflation could complicate easing cycles. Until credible de-escalation emerges, Iran is likely to remain a structural volatility catalyst—linking geopolitics with inflation trends, commodity pricing, and global risk sentiment rather than acting as a standalone emerging-market story.[13,14]

March FOMC Meeting: Key Takeaways[15]

At its March 18 meeting, the Federal Open Market Committee (FOMC) **left the federal funds rate unchanged at 3.50%–3.75%**, noting that economic activity continues to expand at a solid pace while job gains have slowed and the unemployment rate has remained broadly stable. Inflation has moderated from prior peaks but remains somewhat elevated, and the Committee reiterated its commitment to balancing price stability with full employment. The Federal Reserve also plans to continue purchasing shorter-term Treasury securities as needed to maintain ample reserves in the financial system.

Looking ahead, policymakers emphasized a **data-dependent approach** to future rate decisions. The Fed stated it will closely monitor a wide range of indicators, including labor market conditions, inflation pressures and expectations, as well as financial and international developments. While markets largely anticipated the decision to hold rates steady, one voting member dissented, favoring a small rate increase—a signal that inflation risks remain part of the policy discussion.

Updated economic projections showed little change to the median outlook for interest rates in 2026, **suggesting rate cuts are unlikely before year-end**. Inflation forecasts for both GDP and personal consumption expenditures ticked slightly higher, while the unemployment rate outlook remained unchanged. Fed officials also highlighted that geopolitical developments—particularly in the Middle East—add uncertainty to the economic outlook, reinforcing the Committee's cautious and flexible posture as it assesses the path forward for monetary policy.[15]

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Federal Funds Rate Changes[16]

FOMC Meeting Date	Rate Change	Federal Funds Rate
14-Dec-22	50	4.25% to 4.50%
1-Feb-23	25	4.50% to 4.75%
22-Mar-23	25	4.75% to 5.00%
3-May-23	25	5.00% to 5.25%
26-Jul-23	25	5.25% to 5.50%
18-Sep-24	-50	4.75% to 5.00%
7-Nov-24	-25	4.50% to 4.75%
18-Dec-24	-25	4.25% to 4.50%
17-Sep-25	-25	4.00% to 4.25%
29-Oct-25	-25	3.75% to 4.00%
17-Dec-25	-25	3.50% to 3.75%

Where are we headed?

Source: Wells Fargo Investment Institute, as of December 31, 2025. Subject to change. GDP = gross domestic product. Fed = Federal Reserve.[17]

- Our view is that the U.S. economy's mild soft patch will extend into early 2026 before positive policy tailwinds and a broadening of artificial-intelligence- (AI-) related technology investment stoke a moderate growth recovery through much of the year.
- We expect drawn-out tariff implementation and AI-related productivity gains to limit inflation's rise in 2026. Renewed disinflation should support real-income growth and combine with stimulative policies to boost economic activity in 2026.[17]

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DID YOU KNOW?

- **Upcoming Financial Webinar:**
  Please join our Estate Planning webinar with Melissa Sidor on April 21st at 10:00AM PST. Melissa Sidor, Private Wealth Strategist and Executive Director at Wells Fargo, will be the guest speaker for our April webinar, where she will provide an engaging and educational overview of estate planning and strategies to protect your family's assets. With more than 20 years of experience in legal and financial services, Melissa will discuss why estate planning matters, key planning documents and decisions, best practices for effective wealth transfer, and the importance of working with legal professionals and understanding local laws.

  Please RSVP by Monday 4/20/2026 to Jack Elton – Financial Advisor at jack.elton@wfa.com or by phone at (303) 441-0625.

DID YOU KNOW?

- **Team Website –** We invite you to come see our updated website here which features full biographies of each financial advisor and client associate. Our website also includes wealth planning areas our team implements as needed, detailed examples of services we provide, articles, archived newsletters, and an account log-on link.

DID YOU KNOW?

- **Foreign Currency Delivery –** If you're planning international travel, Wells Fargo offers foreign currency delivery via a signature required FedEx from the website or mobile app. To access this feature from the Wells Fargo Bank site, go to Accounts → Foreign Currency. From the mobile app, select Menu → Account Services → Foreign Currency.

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Required Minimum Distribution (RMD) Start Ages:

Birth Date	Applicable RMD Age
Before July 1, 1949	70 ½
July 1, 1949 – 1950	72
1951-1959	73
1960 or later	75

Turning 73 in 2026?

You can take your first Required Minimum Distribution (RMD):

- Either by December 31, 2026 -or-
- Delay until no later than April 1, 2027.

If you delay your first RMD to April 1, 2027, you will be required to take 2 RMDs in 1 tax year:

- The first by April 1, 2027 (satisfies 2026 required distribution) -and-
- The second by December 31, 2027 (satisfies 2027 required distribution).

Important Dates

Please note the contribution limits and plan funding deadlines below:

- 401(k) and 403(b) and governmental 457(b) plans - For 2026, the maximum contribution under age 50 is $24,500. The catch up is $8,000 for age 50 and over. The catch-up for ages 60-63 is $11,250**.**
- Traditional and Roth individual retirement account (IRA) funding – For 2026, the maximum allowable contribution is $7,500 with a $1,100 catch-up for age 50 and over. The 2025 deadline to contribute $7,000 with a $1,000 catch-up for age 50 and over is 4/15/2026 (or tax filing date).
- SEP IRA - $70,000 contribution limit for 2025 – deadline to contribute is 4/15/26 (or tax filing date). The 2026 contribution limit is $72,000.

Milestones

- 50: Catch-up contributions to IRAs and qualified retirement plans. 60-63 special catch-up contributions.
- 59 ½: Can take distributions from qualified retirement plans and possibly in-service withdrawals to an IRA without a 10% additional tax. One can also take distributions from IRAs without a 10% additional tax.
- 62-70: Can apply for Social Security benefits (we will help you estimate the best age to begin Social Security to maximize lifetime benefit). With good health, Social Security benefits increase greatly every year you wait.
- 65: Can apply for Medicare.
- 73-: Must begin RMDs (Required Minimum Distributions) from Traditional IRA accounts (excluding Roth IRAs).

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Financial Education Corner

• If you are in Required Minimum Distribution years and would like to reduce your taxable income, the IRS allows donations up to $115k ($230k married filing jointly – both spouses need to have IRA's) in 2026 to Qualified Charities for a dollar-for-dollar reduction of taxable income. Wells Fargo Advisors offers IRA checkbooks, and you can mail payments directly to these Qualified Charities. In 2026, please check with your tax professional about your continued ability to self-report IRA checks on IRS form 1040.

• From your IRA, you are allowed to make a one-time $54,000 (2025 limit) to a split-interest entity like a charitable remainder trust or charitable annuity trust which is not taxed as ordinary income.

• **Catch-up contribution amendment.** If you are between the ages of 60-63 (by 12/31), in 401(k), 403(b), Gov't 457(b) plans, you are entitled to a catch-up contribution of $11,250. The maximum catch-up for ages 50-59 and 64+ is $8,000 for 2026.

•Tax Planning and Retirement Plan Contributions.

For those still working, we want to make sure you are maximizing deferrals into retirement plans and taking advantage of other employer options to save like Stock Purchase Plans, Deferred Compensation, and Health Savings Accounts. Please consult your tax preparer with deduction questions.

We will continue to monitor these topics as well as other economic and geopolitical concerns that may continue to impact markets:

• **U.S.–Iran relations**: Tensions escalated further in Q1 2026 amid ongoing conflict in the Middle East. In February, the U.S. imposed new sanctions on entities and vessels tied to Iran's oil "shadow fleet," reinforcing its maximum-pressure campaign. In March, however, the U.S. Treasury issued a temporary license allowing the sale of Iranian oil stranded at sea to ease global supply disruptions and contain surging energy prices—highlighting the policy tension between geopolitical objectives and inflation management.[18]

• **Russia–Ukraine war**: Diplomatic efforts intensified early in 2026, with U.S., Ukrainian, and Russian officials engaging in intermittent U.S.-brokered talks. While Ukrainian leadership has expressed readiness for further negotiations, progress remains limited due to unresolved disputes over territorial control and security guarantees. Fighting has continued along key front-line areas as talks have been postponed amid shifting U.S. priorities tied to Middle East developments.[19]

• **Unemployment**: The U.S. labor market cooled further in early 2026. In February, non-farm payrolls declined by 92,000 jobs, marking the third monthly job loss in five months, while the unemployment rate rose to 4.4%. Job losses were concentrated in health care, manufacturing, and government employment, with strike activity and seasonal factors contributing to volatility.[20]

• **Housing starts**: U.S. housing activity showed a rebound at the start of the year. January housing starts increased to 1.49 million units (annualized), driven by a sharp rise in multifamily construction, while single-family starts edged lower. The pickup reflects pent-up demand for rental housing despite continued affordability constraints for buyers.[21]

• **Existing home prices:** The housing market remained price-resilient. In **February 2026**, the median existing-home price rose modestly to **$398,000**, up **0.3% year-over-year**, marking the 32nd consecutive month of annual price gains even as overall sales activity stayed subdued.[22]

• **Gasoline prices**: Energy prices rose sharply during the quarter. By **late March 2026**, the national average price for regular gasoline climbed to approximately **$3.95 per gallon**, reflecting higher crude oil prices linked to Middle East supply disruptions and seasonal demand increases.[23]

• **Personal savings rate**: Household finances showed modest stabilization. The U.S. personal savings rate increased to **4.5% in January 2026**, the highest level since mid-2025, supported by higher disposable income and lower tax outlays, though still well below pre-pandemic norms.[24]

• **Consumer debt**: Household borrowing continued to rise. Total U.S. household debt reached approximately **$18.8 trillion in Q4 2025**, up **$191 billion** from the prior quarter, driven primarily by mortgage and credit-card balances. Delinquency rates edged higher, particularly among lower-income borrowers.[25]

• **Trade deficit**: The U.S. trade balance improved at the start of 2026. In **January**, the goods and services trade deficit narrowed sharply to **$54.5 billion**, down from **$72.9 billion in December**, reflecting stronger exports and lower imports following late-2025 trade distortions.[26]

• **Rare earth reserves**: Strategic resource concentration remains high. As of **2025–2026**, China continues to control the largest share of global rare-earth oxide reserves (approximately **44 million metric tons**), followed by Brazil, India, Australia, Russia, Vietnam, the U.S., and Greenland—underscoring ongoing geopolitical and supply-chain vulnerabilities.[27]

Conclusion

Our 2026 outlook stresses looking beyond short-term headlines to focus on durable economic and policy trends. Despite early-year challenges from tariffs and immigration constraints, Wells Fargo Investment Institute expects U.S. economic momentum to strengthen as lower interest rates, deregulation, and tax cuts converge to support growth. Artificial intelligence (AI) investment is projected to expand across industries, driving productivity gains and reinforcing business modernization. These factors, combined with accommodative monetary policy, should create a constructive backdrop for markets and broaden equity participation through the year.

Globally, growth is expected to remain uneven, with the U.S. acting as the primary engine of expansion. Overseas economies face structural headwinds such as elevated debt burdens and geopolitical risks, while China's emphasis on AI contrasts with persistent weakness in consumer and manufacturing sectors. Despite these challenges, long-term trends—such as technology adoption, infrastructure investment, and policy support—are anticipated to reinforce each other and sustain global economic recovery. Investors are encouraged to focus on these thematic drivers rather than reacting to short-term volatility. Key themes include technological transformation led by AI, policy tailwinds from rate cuts and tax incentives, and the interplay of productivity gains with capital spending.[28]

Volatility is likely to persist, particularly around global trade developments and policy shifts, but history shows that patient, long-term investors have been rewarded for staying the course through market cycles. Aligning investments with goals and maintaining discipline remain critical. Diversification and asset allocation have historically helped reduce portfolio risk and smooth returns over time. As always, we encourage investors to focus on long-term objectives—such as retirement, education, and wealth preservation—rather than reacting to short-term market noise.

We are available to review your goals and plans to ensure they remain aligned with your needs and time horizons. Staying invested through periods of uncertainty has historically proven to be a sound strategy for building wealth over time.

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