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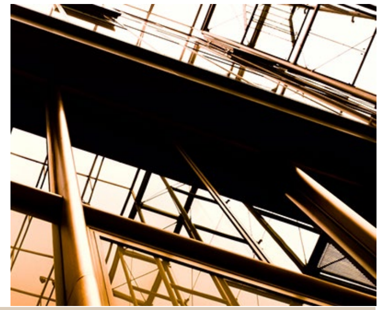
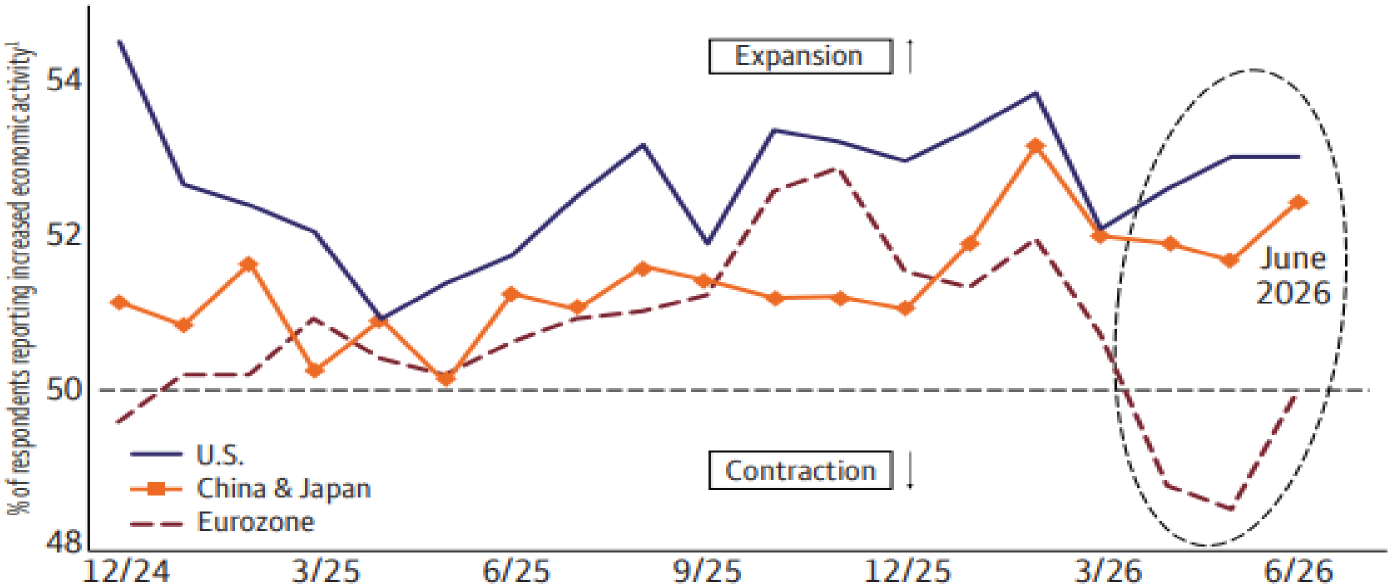
Chart of the Week



Weekly analysis of key themes in markets **July 28, 2026**

AI-oriented economies on top



Sources: Wells Fargo Investment Institute, S&P Global, Inc., Institute for Supply Management (ISM), China Federation of Logistics & Purchasing, and RatingDog. Data as of July 6, 2026. 1. Based on composite purchasing managers' indexes covering manufacturing and services activity.

Artificial intelligence (AI) continues to drive global growth

The above chart illustrates a clear dichotomy in global economic growth in recent months. A broad measure of economic activity in the U.S., as well as China and Japan, held firmly in expansionary territory in June, largely supported by AI-related investment. Meanwhile, activity in the eurozone lagged, weighed down by a relatively small technology sector and more limited exposure to the AI capital expenditure boom.

Looking ahead, some economic performance convergence may occur later this year, once supply chains begin to normalize following what we anticipate will eventually be a renegotiated U.S.-Iran ceasefire. This should benefit trade-sensitive Europe most, but the AI-related gap in performance still is likely to remain wide by historical standards, propelling the U.S. and certain economies in northern Asia, including South Korea and Taiwan.

What it may mean for investors

We favor U.S. over international assets, while using market pullbacks as potential buying opportunities to bring international portfolio allocations up to neutral, especially in areas tied to the AI boom. Within the U.S., we favor Large Cap Equities, especially Financials, Information Technology, Materials, and Utilities. In fixed income, we prefer short-term securities (1-3 year-maturities), and we also favor Commodities which can serve as a potential inflation hedge.

Jennifer Timmerman, *Investment Strategy Analyst* Excerpted from Asset Allocation Strategy Report (July 16)

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. **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. **Foreign investing** has additional risks including those associated with currency fluctuation, political and economic instability, and different accounting standards. These risks are heightened in emerging markets. **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. The **commodities markets** are considered speculative, carry substantial risks, and have experienced periods of extreme volatility. Investing in a volatile and uncertain commodities market may cause a portfolio to rapidly increase or decrease in value which may result in greater share price volatility. **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.

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