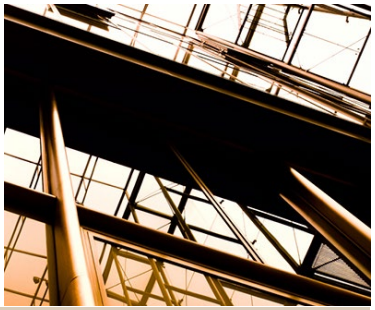
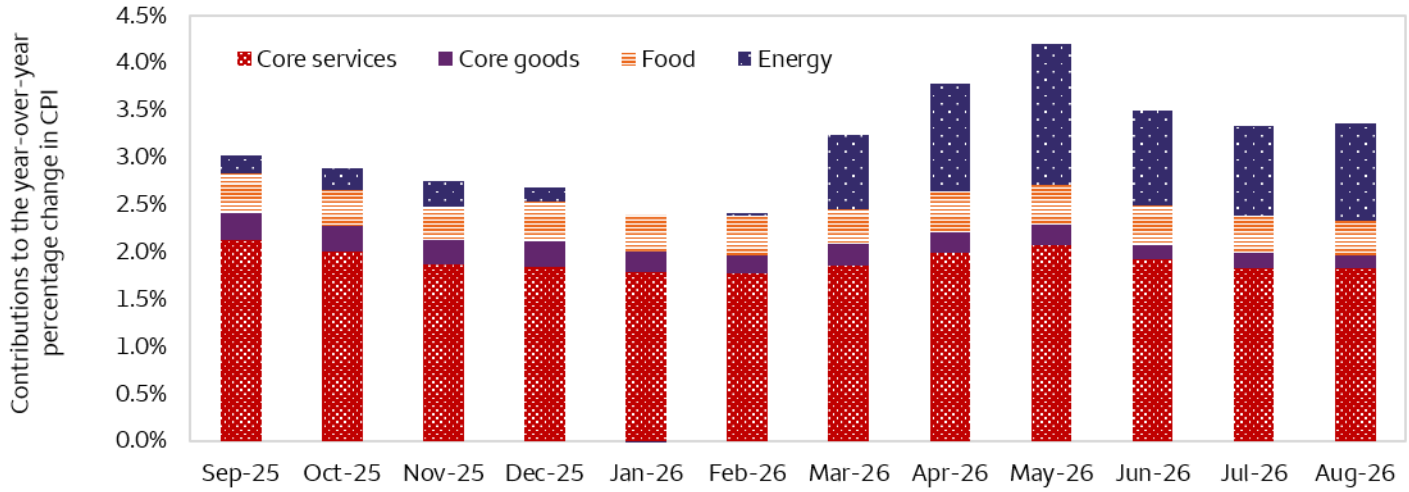
WELLS FARGO
Investment Institute

Chart of the Week



Weekly analysis of key themes in markets **October 13, 2026**

Not just crude prices: Inflation pressures likely to persist into 2027



Sources: Wells Fargo Investment Institute and U.S. Labor Department. Data as of September 22, 2026. CPI = Consumer Price Index.

Energy disruptions and AI demand will likely keep prices elevated into 2027

Crude oil is moving through the Strait of Hormuz but remains below its pre-war pace. Even after key waterways fully reopen, lost refining capacity and distribution problems may delay lower energy prices until mid-2027. Damaged refining and export capacity in the Middle East and Russia will likely take time to recover, while China's decision to redirect more refined fuel to its domestic market is tightening fuel supplies across Asia. Refined fuel prices may therefore remain unusually high relative to crude oil costs into 2027, even if the Middle East conflict ends.

As the chart shows, this year's firmer inflation has been primarily led by higher energy prices. However, strong demand is also adding to upward price pressures, especially from artificial intelligence (AI) business investment. Companies are expanding capacity for computers, chips, software, research, power, communications, and other equipment, increasing demand for industrial goods and materials.

What it may mean for investors

We believe inflation pressures will push the Federal Reserve to additional rate hikes, likely between now and spring 2027. We expect topline Consumer Price Index inflation to settle near our unchanged 3.0% year-end 2027 target, which masks broadening, more pronounced price pressures early in the year. Higher prices and borrowing costs may slow U.S. growth more than we previously expected, so we recently lowered our 2027 growth forecast to 2.2%.

Jennifer Timmerman, *Global Macro Analyst*
Gary Schlossberg, *Global Macro Strategist*

Excerpted from Institute Alert (September 29)

Investment and Insurance Products: ➤ NOT FDIC Insured ➤ NO Bank Guarantee ➤ MAY Lose Value

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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. **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. 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. 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

Consumer Price Index (CPI) produces monthly data on changes in the prices paid by urban consumers for a representative basket of goods and services.

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