

2026 Economic & Market Outlook

What the New 'Warsh' Cycle Means for Markets

July 2026



Authors



Kevin Flanagan

Head of Investment and Fixed Income Strategy



Rick Harper

Chief Investment Officer, Fixed Income and Model Portfolios



Samuel Rines

Macro Strategist, Model Portfolios



Jeremy Schwartz, CFA

Global Chief Investment Officer



Jeff Weniger, CFA

Head of Equity Strategy

Key Takeaways

- + Middle East news should continue to be in the headlines creating a layer of uncertainty for the macro backdrop, but our base case still sees moderate growth and 'above-target'-inflation.
- + New Fed Chair Warsh has ushered in a changing process for how monetary policy will be conducted and communicated to the public, but for now, the Fed funds rate is in a holding pattern as policymakers await further data inputs.
- + The Treasury 10-year yield is expected to remain at an elevated, "normal" level, with heightened headline and data dependency producing continued volatility.
- + We believe the bond portfolio decision-making process could benefit from limiting duration and volatility risk by taking a barbell approach from a solution standpoint.
- + We think the bull market will continue in the second half. Our overweights are in stocks relative to bonds, small- and mid-caps over large-caps, and the U.S. over foreign equities.

The Macro Backdrop

Remaining on the Moderate Growth Path

While the Memorandum of Understanding (MOU) in the Middle East war has resulted in a visible decline in energy prices, as of this writing, the uncertainty quotient on the U.S. macro backdrop from the prior run-up in oil and gasoline prices still hovers over the investment landscape. It is against this backdrop that we feel investors should try to 'filter out the noise' (not necessarily an easy task) and focus on the state of the underlying fundamentals of the economy.

For all intents and purposes, the economic backdrop coming out of Q2 remained not only resilient to outside shocks but also revealed a relatively solid performance. Arguably the most noteworthy difference in the outlook has come from the labor markets. Earlier this year, the markets were operating under the impression that new hiring was still lackluster, giving rise to the "no-hire, no-fire" mantra. However, since February the three-month moving average for total non-farm payrolls has gone from a slight negative reading of -4k to a rather healthy increase of +111,000. In addition, the unemployment rate has remained below 4.5% since November of last year.¹

"Filter out the noise. The fundamentals still point to moderate growth."

¹ Bureau of Labor Statistics, 7/2/26.

Needless to say, household spending is providing underlying support for the economy, even in the wake of higher energy prices. While a case could be made that higher prices at the pump may act as a 'tax' on the consumer, it is fair to ask whether the opposite should also be true: the recent drop in energy costs would remove such a tax at a minimum and possibly be viewed as a tax cut?

Another cylinder of the economic engine, fixed investment, is also providing a positive contribution to the overall economy. The massive build-out within the AI space is showing up in the categories one would expect as part of the Bureau of Economic Analysis' GDP reports, and we anticipate this trend continuing. And don't forget the positive impacts provided by the One Big Beautiful Bill on the federal government component.

On the other side of the equation, residential investment, net exports and inventories continue to be either wild cards or negative factors to contend with. In other words, not all five cylinders of the growth engine are firing away all at once. In addition, wage growth has recently fallen below the annual rate of inflation. While we don't envision any notable retrenchment from the consumer, if continued, this could act as a cap of sorts.

Looking ahead, the aforementioned rebound in new hiring could potentially be pared back a bit in terms of upcoming monthly payroll figures. The last two years have seen either downward revisions or some cooling in the pace of new job creation during the summer months. Also, any increases due to the World Cup in areas such as leisure and hospitality could be reversed. A continued positive development is the fact that the key leading economic indicator, weekly jobless claims, continues to reside at levels that are about 100,000 below where they were historically prior to a looming recession onset.²

All in all, the underpinnings of the U.S. economy still seem to be on a relatively solid note and should help keep overall growth moderately positive during the second half of the year.

Inflation: Can the 2% Target Ever be Attained?

The Middle East war created an environment where any potential tariff-induced inflation fears were being outweighed by concerns of any pass-through from higher energy prices. Interestingly, some measures of inflation suggest that the peak tariff effects may not only be behind us but also be waning in terms of price pressures. Nevertheless, even without tariffs and higher energy prices, inflation remained above the Federal Reserve's (Fed's) preference.

That brings us to the Fed's preferred inflation gauge, the core PCE deflator. Unlike core Consumer Price Index (CPI), this measure had actually been trending to the upside even on a pre-war basis. Indeed, the year-over-year reading now stands at +3.4% as of this writing. This figure is not only close to one and a half percentage points above the Fed's target, but it is also at its highest reading since the fall of 2023.³

“The path to 2% inflation remains elusive.”

² St. Louis Federal Reserve, 6/26/26.

³ Bureau of Economic Analysis, 6/26/26.

That brings us back to the energy component of the equation. Post-MOU news, energy prices have retreated more than we initially expected would be the case when hostilities came to a halt. In fact, as of this writing, nearby WTI crude oil has come close to retracing all of the war-related increase. Over the next few months, it seems highly likely that month-over-month CPI readings will begin to show this development.

However, from a core inflation perspective, a reversal from recent gains may encounter a few more headwinds. To be sure, the pass-through effects from higher energy prices to the broader macro landscape could linger and take more time to potentially reverse course. Demand pressures from the AI buildout perspective will remain a dominant force as well.

Either way, the Fed's 2% target will more than likely continue to be elusive.

Fed Policy: Changing of the Guard

The June FOMC meeting will go down in history as marking a milestone event in U.S. monetary policy. Interestingly, it was not the decision to keep interest rates on hold or remove the easing bias per se, but it was Kevin Warsh taking charge as the new Fed Chair and placing his stamp on the future direction of how policymaking will occur and be communicated to the public. In fact, five task forces have been formed to do just that.

It is interesting to note that the changes Warsh referred to at the June presser should not have come as a surprise to investors.

Forward guidance and the Fed's balance sheet were clearly identified as two key areas the Chair would be looking at ahead of time. In a new twist of sorts, Warsh stated that some of the economic data used for policymaking decisions might be an "echo of history," suggesting that decisions could be being made with flawed inputs. The Chairman emphasized he was "open-minded" about new data sources, particularly 'real-time' information.

While the Fed's 'Warsh out' of forward guidance makes for interesting discussions, the bottom line still comes down to: Where are rates headed? The new Chairman's emphasis on the Fed's 2% inflation target was a clear sign that he will not be a rubber-stamp for rate cuts, and he also mentioned that, outside of housing, it's "hard to say policy is restrictive." While the labor market and inflation backdrops have shifted in a visible fashion compared to earlier this year, and have removed rate cuts from the discussion at the point in time, we still don't see the Fed feeling an urgency to hike rates either.

Unless upcoming jobs and inflation data argue for a potential rate hike, our base-case scenario still sees the Fed on hold for the remainder of this year.

"A new Fed Chair. A new playbook. The same commitment to price stability."

Searching for GeoAlpha

There has been no shortage of headline risks. But the Iran conflict was a bit different. There was the risk that oil prices would spike and remain sustainably higher. The knock-on effects were broad and potentially troublesome. Some of the risks materialized. Oil prices spiked, gasoline prices followed suit, and everything from plastics to fertilizer suddenly became a source of risk.

Fortunately, the vast majority of the issues are now largely mitigated. The conflict is no longer kinetic, and the documents are being negotiated for a permanent(ish) end to the hostilities. Oil prices have reverted back to pre-conflict levels, and there is a sense of relief that “it’s over”. Our outlook for the Iran conflict was that it would cause a temporary, sharp increase in inflation and fear of future inflation pressures. This has materialized in a meaningful for markets.

That is not, however, the look ahead at the moment. Oil prices are on the decline. Gasoline—though “up like a rocket, down like a feather”—will follow. Simply, the geopolitical risk of the Iran-Israel-U.S. conflict was priced in and then priced out in the space of a quarter. For better or worse, that is the way the geopolitical risks typically work. They are quickly priced in. And they are quickly priced out.

Where are the next headlines going to come from? That is always the question that matters most, albeit the most difficult to answer. Tariffs will make a comeback in some form or the other. That is a known, and round two is not to be as meaningful as round one. Companies have done a fantastic job of mitigating the effects of tariffs on their businesses, and the absolute tariff levels are lower from the first go around. This makes it less of a risk to earnings and something worth looking through.

Generally, the geopolitical risks should now pivot back toward where they were earlier in the year. The relationship of the U.S. and China, the AI revolution, and government investment across the technology stack. That is a refreshing turn from “headline risk to bottom line risk”, something investors should embrace.

“Headline risk is fading.
Fundamentals are taking
center stage again.”

Equities: We Can Justify This Bull Market

We think the bull market will continue in the second half. Our overweights are in stocks relative to bonds, small- and mid-caps over large-caps, and the U.S. over foreign equities.

Though many of the Magnificent Seven stocks have had a rough spring and summer, general participation in the rally is broad. We count eight of the 11 S&P 500 sectors currently resting above their 50-day moving averages while nine are above their respective 200-day averages.⁴ We don't like seeing the cyclical Energy and Consumer Discretionary sectors as two of the three weaker areas (Communication Services is the other), but at least we can say that Energy is weak for a good reason: the stock market is getting past the Strait of Hormuz as a bearish driver.

On that matter, stocks have been given serious respite: the plunge in Brent crude oil from \$115 in May to the current \$72. Still, don't take your eyes off the Strategic Petroleum Reserve. It has witnessed 84 million barrels drained in three months, a deeper draw than the 2022 Russia-Ukraine reaction, Obama's 2011 Libya draw, or any previous tapping.⁵

Additionally, managed money short interest in Brent just touched a new record high, indicating intense bearish sentiment that is noteworthy for the contrarian-inclined.⁶ The real shock for the rest of the summer is if oil decides to disappoint the bears and head higher, hitting consumer sentiment. If the oil price does find footing, we imagine it will benefit our models' underweight to overseas equities, owing to greater energy independence in the U.S. than in places like Europe, South Asia and East Asia.

Meantime, Health Care has suddenly found some oxygen. The group has had a rough half-decade but is suddenly challenging 52-week highs. On price-to-sales, the sector trades at a 58% discount to the S&P 500, the widest gap in the last 20 years, while healthcare's quality measure, ROE (18%), roughly equals that of the S&P (19%).⁷

Because the sector has generally been on the outside looking in ever since the COVID-19 crash, its weight has dwindled to 7% in the S&P 500 Growth Index, but it is 12.5% of the S&P 500 Value.⁸

In Russell indices, this summer just witnessed something eyebrow-raising: the large-cap Russell 1000 Growth Index divided by the small-cap Russell 2000 Value has broken several support levels on multi-decade horizons. Critical support registered in 1999 and 2020 has become resistance in recent weeks. Similarly, post-First Gulf War support from 1991 and 1992 has also been taken out.

“We think the bull market will continue in the second half.”

⁴ Refinitiv, as of 6/30/2026.

⁵ Energy Information Administration, as of 6/19/2026.

⁶ CFTC, as of 6/30/2026.

⁷ WisdomTree PATH software, as of 5/31/2026.

⁸ Ibid.

We are paying attention to this because in our model work, we upgraded our exposure to Growth this spring. But aside from the tough price action, Tech, and in turn a large chunk of Growth, is justifying itself with earnings resilience. Nothing is wrong with Value fundamentally; the group grew earnings 7.1% last year and is forecast to grow 17% and 9% again in 2026 and 2027, respectively. But for context, the 2025–2027 EPS growth rates for the S&P itself are simply higher: 12%, 24% and 17%, respectively. The S&P 500 Growth Index's respective figures for 2025, 2026 and 2027 are higher than that: 20%, 29% and 26%.⁹

Big figures, yes. Doable? Also yes.

Consider that the market is sitting on a gift of several rate cuts from outgoing Fed Chair Jay Powell, the first of which occurred 22 months ago in September 2024. After pausing for most of last year, the Powell Fed followed through with more easing again in the second half of 2025. Looking at Fed easing cycles since the early 1980s, the S&P's annual earnings growth rate peaked 53, 76, 59, 44, 40, and 41 months after the Fed embarked on rate-cutting cycles. The year-over-year earnings growth rate at those peaks was 41%, 20%, 16%, 23%, 41% and 51%, sequentially.¹⁰ Again, continued broad market earnings growth rates in the twenties would mark a big number, and we respect that. But if prior Fed cycles are the guide, it is very doable.

We are also constructive on small caps relative to large caps. The small cap S&P 600's P/E is 22% lower than the S&P 500, and thus lower than about four-fifths of all readings since 1972. Critically, small caps' biggest discounts came in three clusters: 1973-1976, 1998-2001 and most of the time since COVID-19 arrived. The major secular runs for small caps were from 1974-1981 and from 2000-2017.¹¹

Our predilection for small caps has one clear obstacle: the group is simply not forecasted to grow earnings as fast as large caps, largely because the big semiconductor and memory stocks are large caps. The S&P 600 is forecast to grow earnings "only" 13% this year, but in 2027 the group should clock in at a similar pace as the S&P 500.

One thing to keep in mind for a small cap outperformance run, should it be global: such a thing may hinder our overweight to the U.S. relative to foreign equities, as most bourses simply do not have the megacap skew of the NASDAQ and NYSE.

Nevertheless, by placing a chunk of capital in small caps, our models mitigate the potential for error if that megacap skew flops, i.e., if the AI storyline of robust distant year cash flows goes sour.

After all, 24% of the S&P 500's market cap is in stocks that are trading north of 10x FY0 revenues. In the S&P 500 Growth Index it is one-third. In contrast, just 4% of the small cap S&P 600 Index trades at such a multiple.¹² We like that situation in small cap because it is a nice little offset if we get things wrong on the recent Growth upgrade.

⁹ Ibid.

¹⁰ Refinitiv, as of 6/30/2026.

¹¹ Ibid.

¹² Ibid.

On the big players, these numbers are so stunning. Goldman says Amazon will spend \$200 billion on capex this year, while Alphabet will spend \$175 billion–\$185 billion. Similar figures apply to the other hyperscalers. Some of the Magnificent Seven players have already depleted their cash hoards and are issuing debt and/or equity to fuel the AI buildout, sending free cash flow negative in many cases.

We tally the Q1 total free cash flow across Amazon, Alphabet, Tesla and Meta at just \$6.6 billion. Oracle, also in the “hyperscaler” conversation, had negative free cash flow in 2025, with the Street expecting deeper red ink from 2026–2028. At least Microsoft will have positive free cash flow in 2028, though it trades for 76x that figure.

In prior cycles, these valuations would have necessarily been an obstacle for our Growth overweight. But in this cycle, many of the index houses, from S&P to FTSE Russell to MSCI to WisdomTree, characterize chunks of the Magnificent Seven in both Growth and Value. To name one index as an example, Apple, Amazon, Intel and Tesla are all in the top seven holdings of the S&P 500 Value Index. If the AI story busts up, we are all taking a hit.

One more thing on equities. Something wild just happened in the market’s internals. At first blush it looks bad for the bulls, but it’s not.

At one point toward the end of Q2, we clocked the 60-trading day performance gap between the surging S&P 500 High Beta Index and the left-behind S&P 500 Low Volatility Index in the 99.5th percentile of its historic range.

Gut instinct shouts danger when you see that type of thing, but the historic record is more mixed. For example, a similar reading for high beta vs. low volatility was marked in December 1998, a year-and-a-half before that cycle’s S&P 500 top. Then again, we saw high beta snap furiously higher after the September 11th plunge and the bears would have gotten that one right: 2002 was an ugly year. But other extremes were marked in 2003, 2009, summer 2020 and January 2021. Nobody would have been happy getting out of the market off those readings, though the NASDAQ peak in 2021 was only ten months away.

In summary: it is okay to be bullish on U.S. equities here. We think heady S&P earnings growth projections in 2026 and 2027 have a live chance of coming to pass. We are sticking with the overweight to U.S. equities over developed and emerging markets with an emphasis on SMID.

“Corporate earnings remain on solid footing.”

¹³ Bloomberg, 6/26/26.

¹⁴ Ibid.

Fixed Income: Chasing Duration Has Been a Fleeting Strategy

The Middle East war has proven to be an important pivot for the Treasury (UST) market. Flight-to-quality buying emanating from private credit fears pushed UST yields to their year-to-date lows in late February, but since the first headlines surrounding the war “hit the tape,” rising energy prices have fueled a complete reversal with rates rising by roughly +70 basis points (bps) to +85 bps depending on the maturity. As a result, the 2-year and 10-year yields peaked out at 4.23% and 4.67%, respectively.¹³

While crude oil prices had retraced the lion’s share of their war-related increase, UST yields have declined more modestly from their high watermarks. The shifting market expectation of rate cuts to rate hikes has clearly played a role in the UST market’s behavior, with the 2s/10s yield curve flattening by almost 50 bps as rate-hike speculation hit a fever pitch in the two-year sector. In contrast, the 3-month/10-year curve actually steepened at one point by 70 bps as the T-bill yield was anchored to the actual Fed funds rate while the 10-year yield rose.¹⁴

Much like upcoming Fed policy decisions, future yield developments will be highly data dependent as well. While there seems to be some debate as to what the Fed’s ‘new’ forward guidance approach will have on the UST market, in our opinion, it won’t reduce volatility, but could potentially increase it, as the broader money and bond markets react to each piece of incoming data that may influence policy decisions. However, our economic backdrop of moderate growth and above Fed target inflation keeps the UST 10-year yield in a fair-value trading range of 4%–4.50%, with potential to overshoot the top of this band.

Against this backdrop and given the track record for long duration over the last two-year period, as well as our macro outlook and relative value analysis, we would hold off on the “long duration” trade and recommend a barbell approach for fixed income portfolios.

Fixed Income Allocation

At the start of 2026, we argued that with lower yields and tighter valuations across many sectors, investors should temper return expectations and view income, not price appreciation, as the primary driver of fixed income returns.

Broadly, that view has played out. As rates drifted modestly higher over the first half of the year, investors benefited from a more conservative duration stance while continuing to capture attractive all-in yields across corporate and securitized credit.

“Income remains the primary driver of fixed income returns.”

That simple income narrative, however, understates the volatility investors experienced, particularly during February and March. Concerns surrounding AI-related investment spending, private credit jitters, and the outbreak and escalation of the Iran conflict all hit in quick succession. Treasury yields first declined and then reversed sharply higher. Credit spreads widened before retracing, while inflation expectations rose alongside energy prices before easing as geopolitical tensions de-escalated. Investors were rewarded for allocating to strategies such as U.S. dollar bullish currency strategies, which benefited from heightened uncertainty. Those investors who looked through the volatility and remained focused on fundamentally resilient credit markets found attractive opportunities to add exposure at compelling levels.

Our core view has not changed. The U.S. economy continues to show resilience, corporate earnings remain on solid footing, and inflation expectations, while still elevated, are largely anchored. But markets rarely move in a straight line, and the near-term backdrop has plenty of moving parts.

The Iran conflict is a good example. Some markets are beginning to look through it, but it would be premature to call it a non-issue yet, and it will likely hang over sentiment for some time, complicating decisions for both policymakers and investors. Add to that the new Fed leadership's deliberate shift away from forward guidance, and investors have one more variable to navigate without the benefit of a clear roadmap.

However, once the dust settles, we would expect longer-term Treasuries to remain range-bound at these higher levels, with elevated but anchored inflation expectations defining the ceiling and a resilient economy underscoring the floor. In that kind of environment, the path to strong fixed income returns runs through income. Finding differentiated sources of income across sectors, structures, and geographies is where we see the real opportunity.

Current Positioning: All About the Yield, Income Remains Key

Within fixed income, we remain confident in our current positioning, which reflects a deliberate balance between income generation and capital preservation:

+ Duration: NEUTRAL

We maintain a neutral duration stance, rooted in our conviction that long-term rates are likely to remain range-bound while shorter maturities offer greater opportunity, given the market's recent repricing of policy expectations. Overall, this positioning provides flexibility. We remain generally underweight Treasuries.

+ Credit Exposure: NEUTRAL with an Income Tilt

While tight valuations limit scope for further spread compression, all-in yields across both investment-grade and high-yield corporates remain attractive. Corporate fundamentals are healthy, and we continue to favor investments in quality-screened high-yield debt over longer-duration investment-grade corporate bonds.

+ Securitized Assets: OVERWEIGHT

We retain a modest overweight to securitized credit, where a broad opportunity set, structural protections, and high-quality underlying collateral continue to offer attractive risk-adjusted returns. Investments in non-agency residential mortgage-backed securities and commercial mortgage-backed securities are particularly attractive alongside agency mortgage-backed securities.

+ Emerging Market Local Debt: NON-CORE POSITION

Emerging market local debt remains an attractive source of income, supported by solid macroeconomic fundamentals. We continue to favor overweight positions to select Latin American countries.

+ Municipal Bonds: OVERWEIGHT

Within tax-sensitive accounts, we continue to favor municipal securities. After-tax income remains compelling and credit fundamentals across the sector remain solid.

Risks to the Outlook

Recent market conditions reinforce the importance of remaining nimble as risks evolve. The ability to identify and respond to risks as they develop is just as important as getting the broad macro thesis right. The shifting dynamics of the Iran conflict and the new Fed leadership's evolving policy posture are just two prominent examples of the uncertainty investors are currently navigating.











Elevated sovereign debt burdens are a global challenge, not simply a U.S. fiscal issue, yet markets have remained relatively complacent in demanding additional yield compensation. Meanwhile, the rapid expansion of corporate debt financing associated with AI-related investment has attracted greater scrutiny but continues to accelerate. These imbalances have a way of being absorbed until a catalyst forces a reassessment. Maintaining a diversified, income-oriented, tactically flexible posture remains the most prudent way to manage through it.

“Flexibility may prove just as valuable as conviction.”

WisdomTree Asset Allocation Views

Equities











- + Our model portfolios remain overweight U.S. equities, with an overweight to mid- and small-caps.
- + We upgraded large cap U.S. growth stocks in the second quarter as it offered a rare relatively inexpensive valuation opportunity.
- + Our approach to valuation discipline aims to be both flexible and opportunistic, rather than limited to the lowest absolute P/E or P/B segments of the market.
- + On that basis, U.S. growth stocks appear less extended than headline narratives suggest: multiples are near their 10-year average, while NVDA trades roughly in line with the S&P 500 Index.
- + Despite their impressive performance in 2026, positioning in small caps is still extremely light, offering a potential catch up opportunity.

Equities	Negative 	Neutral 	Positive 
Equities vs. Bonds			
U.S. Equities			
U.S. Large-Cap Growth			
U.S. Large-Cap Value			
U.S. Mid/Small-Cap			
Developed International			
Emerging Markets			

Source: WisdomTree, as of 6/30/26. Evaluations are subject to change as market conditions change. This is for illustration purposes only and does not represent investment advice. All evaluations are on a relative and not an absolute basis. Red = a negative relative evaluation; gray = a neutral relative evaluation; green = a positive relative evaluation. **Past performance does not guarantee future results.**

Fixed Income

- + We continue to seek attractive yield opportunities across differentiated fixed income exposures while managing duration, credit, and overall portfolio volatility.
- + In the second quarter we upgraded Local Emerging Market Debt, which we believe can enhance income while introducing return drivers that are less directly tied to U.S. interest rate volatility.

Fixed Income	Negative 	Neutral 	Positive 
Duration			
U.S. Treasuries			
Investment-Grade Credit			
High-Yield Credit			
Securitized Credit			
Non-U.S. Developed Government Bonds			
EM Local Currency Debt			

Source: WisdomTree, as of 6/30/26. Evaluations are subject to change as market conditions change. This is for illustration purposes only and does not represent investment advice. All evaluations are on a relative and not an absolute basis. Red = a negative relative evaluation; gray = a neutral relative evaluation; green = a positive relative evaluation. **Past performance does not guarantee future results.**

Alternatives

- + For investors that are hesitant to reduce their allocation to equities and fixed income, efficient core strategies may provide an innovative solution to free up capital for alternative strategies.
- + With stock-bond correlations at historically high levels, we believe trend-following and other liquid alternative strategies can play an important role in multi-asset class portfolios.
- + We continue to favor strategies which seek to generate uncorrelated returns in periods of heightened volatility.

Alternatives	Negative 	Neutral 	Positive 
Liquid Alternatives			
Real Assets			

Source: WisdomTree, as of 6/30/26. Evaluations are subject to change as market conditions change. This is for illustration purposes only and does not represent investment advice. All evaluations are on a relative and not an absolute basis. Red = a negative relative evaluation; gray = a neutral relative evaluation; green = a positive relative evaluation. **Past performance does not guarantee future results.**

Please see the [WisdomTree Glossary](#) for definitions of terms

IMPORTANT INFORMATION

Investors should carefully consider the investment objectives, risks, charges and expenses of the Fund before investing. For a prospectus or, if available, the summary prospectus containing this and other important information about the Fund, call 866.909.9473 or visit [WisdomTree.com/investments](https://www.wisdomtree.com/investments). Read the prospectus or, if available, the summary prospectus carefully before investing.

Foreign investing involves currency, political and economic risk. Investments in emerging markets, real estate, currency, fixed income and alternative investments include additional risks. Fixed income investments are subject to interest rate risk; their value will normally decline as interest rates rise. In addition, when interest rates fall, income may decline. Fixed income investments are also subject to credit risk, the risk that the issuer of a bond will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuers ability to make such payments will cause the price of that bond to decline. Securities with floating rates can be less sensitive to interest rate changes than securities with fixed interest rates but may decline in value. Investing in mortgage- and asset-backed securities involves interest rate, credit, valuation, extension and liquidity risks and the risk that payments on the underlying assets are delayed, prepaid, subordinated, or defaulted on.

This material contains the opinions of the authors, which are subject to change, and should not be considered or interpreted as a recommendation to participate in any particular trading strategy or deemed to be an offer or sale of any investment product, and it should not be relied on as such. There is no guarantee that any strategies discussed will work under all market conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast or guarantee of future results. This material should not be relied upon as research or investment advice regarding any security in particular. The user of this information assumes the entire risk of any use made of the information provided herein.

WisdomTree Funds are distributed by Foreside Fund Services, LLC.

Kevin Flanagan, Rick Harper, Jeremy Schwartz and Jeff Weniger are registered representatives of Foreside Fund Services, LLC.

