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Economic and Market Update

Tom McKinstry, CFA

May 2026

Agenda

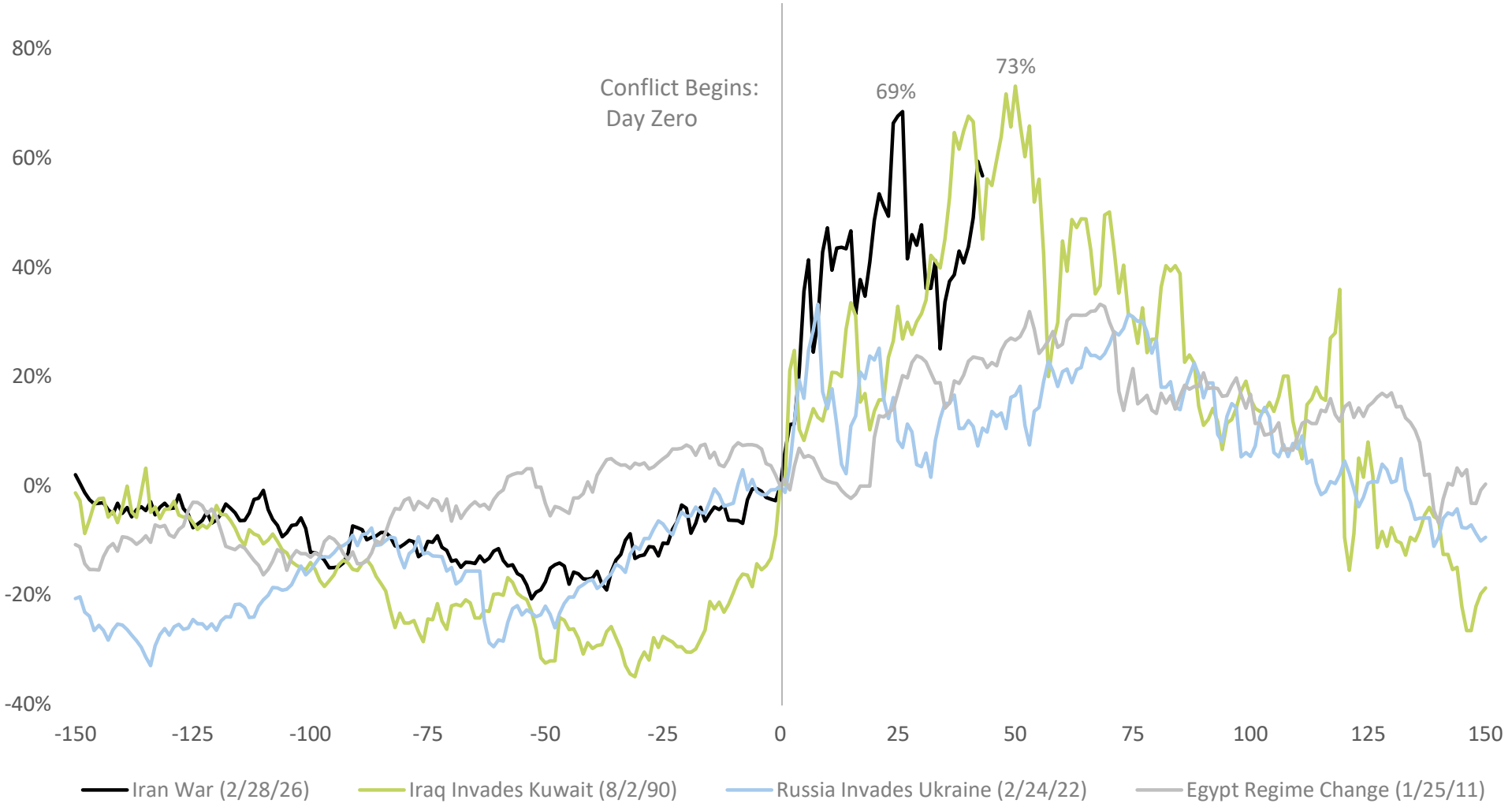
- Oil Price Shock
- The Power of Earnings Growth
- Labor Market Trends
- The AI Factor
- Inflation: Two-Party Story
- Fed Policy: The Handoff
- Treasury Yields: Home on the Range
- Credit Issues?
- Consumer Activity
- Outlook

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Oil Price Shocks: How High Have We Gone?

WTI CRUDE OIL PRICE CHANGE IN PERCENTAGE TERMS: +/- 150 DAYS OF CONFLICT START AS OF 4/30/26

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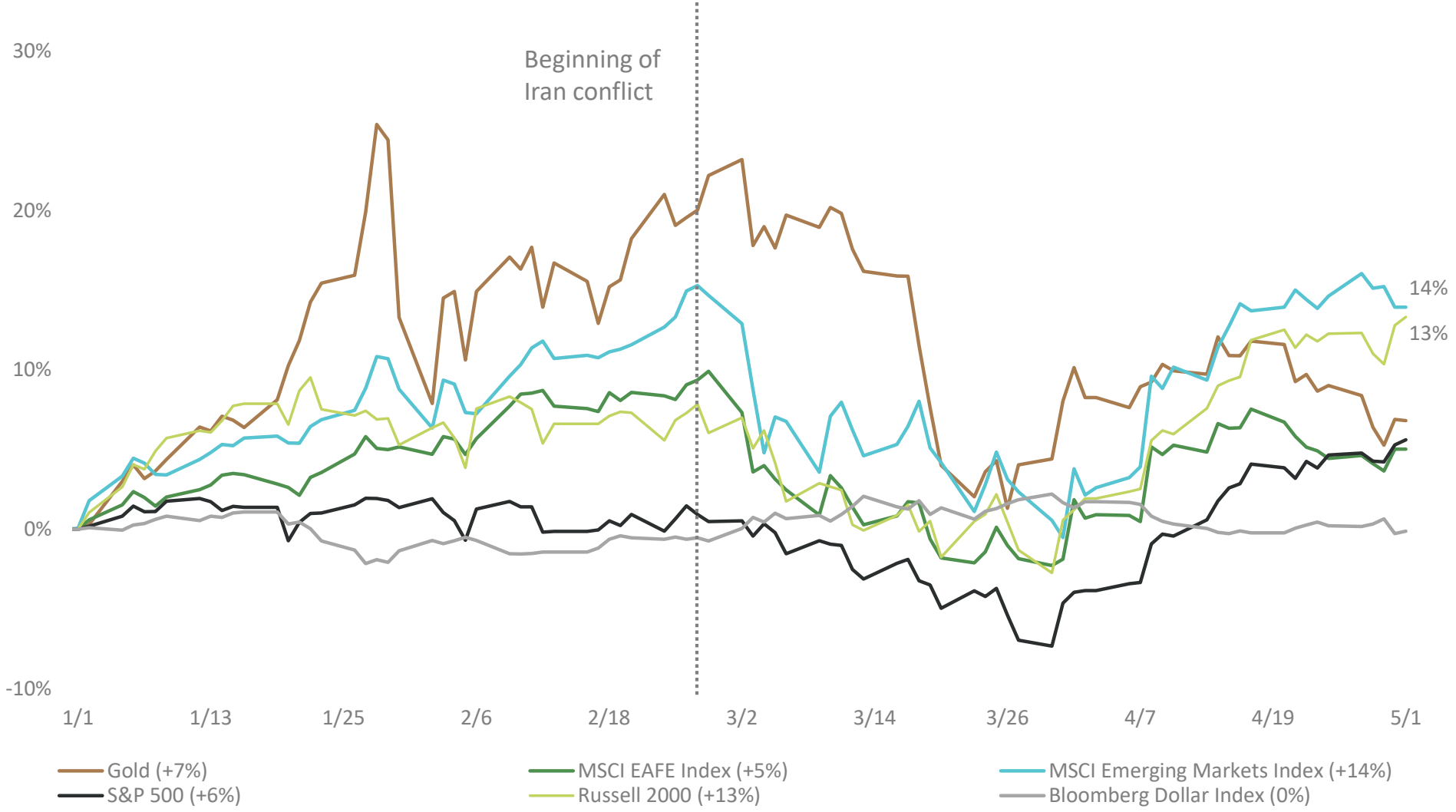
Source. St. Louis Federal Reserve, Bloomberg. Data as of 4/30/26. Past performance does not guarantee future results.

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Emerging Markets and U.S. Small Cap are YTD Leaders

YEAR-TO-DATE THROUGH MAY 1

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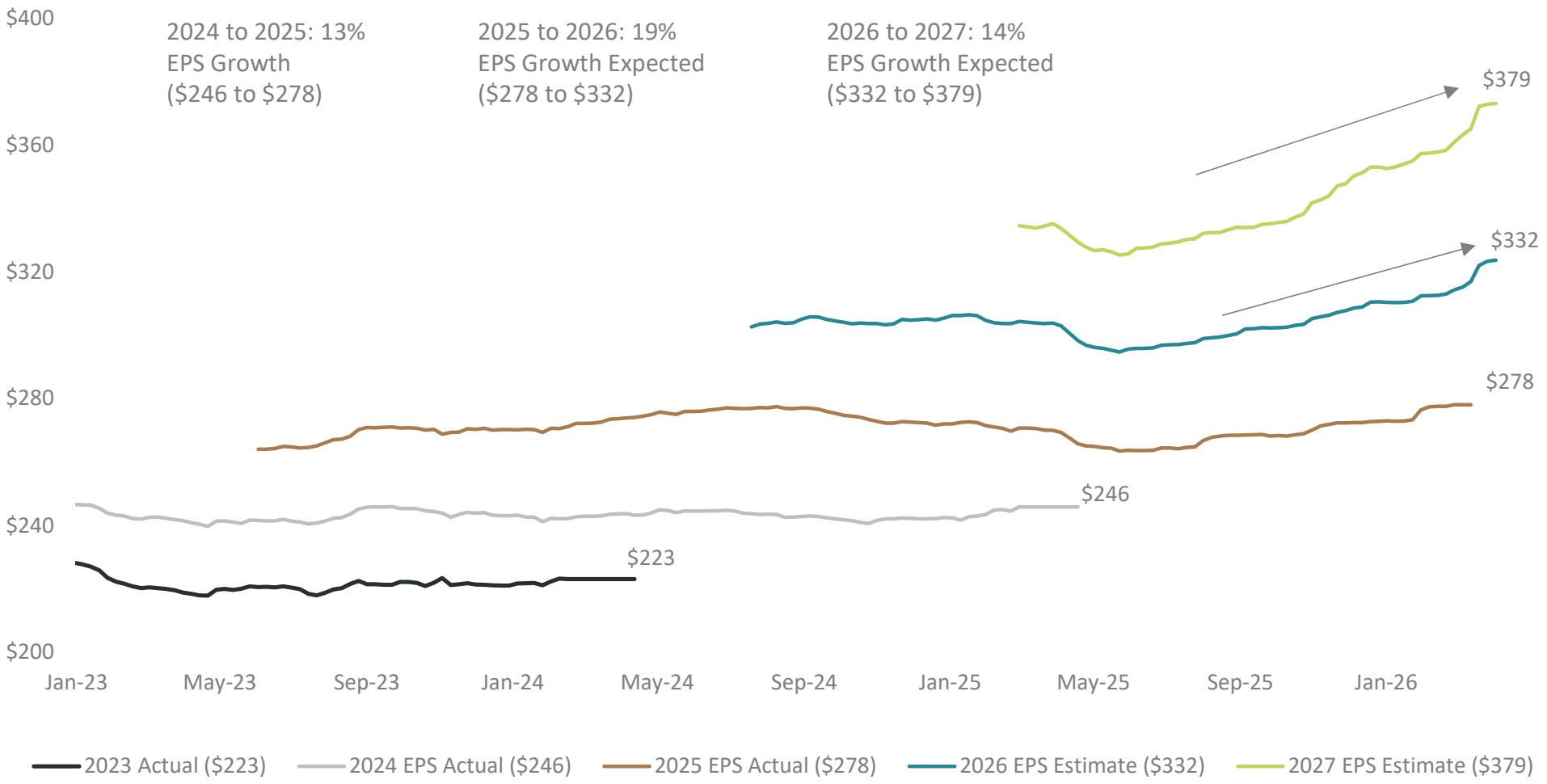
Source: Bloomberg. Data as 5/1/26. Price returns shown. Past performance does not guarantee future results.

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S&P 500 Earnings Growth: Actual and Estimated

JANUARY 2023 THROUGH APRIL 2026

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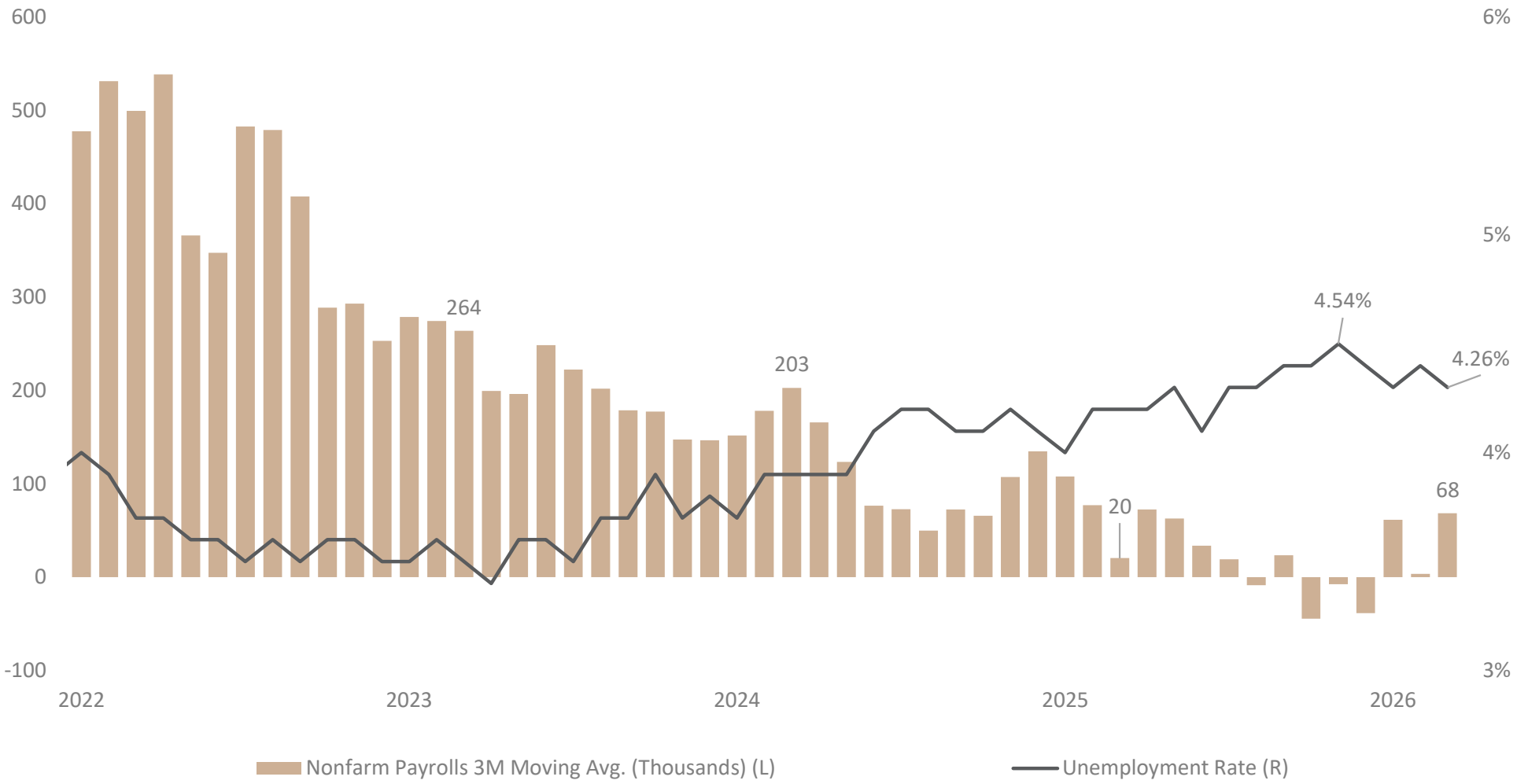
Source: Bloomberg. Data as 4/10/26. Past performance does not guarantee future results.

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Nonfarm Payrolls and the Unemployment Rate

JUNE 2021 THROUGH MARCH 2026

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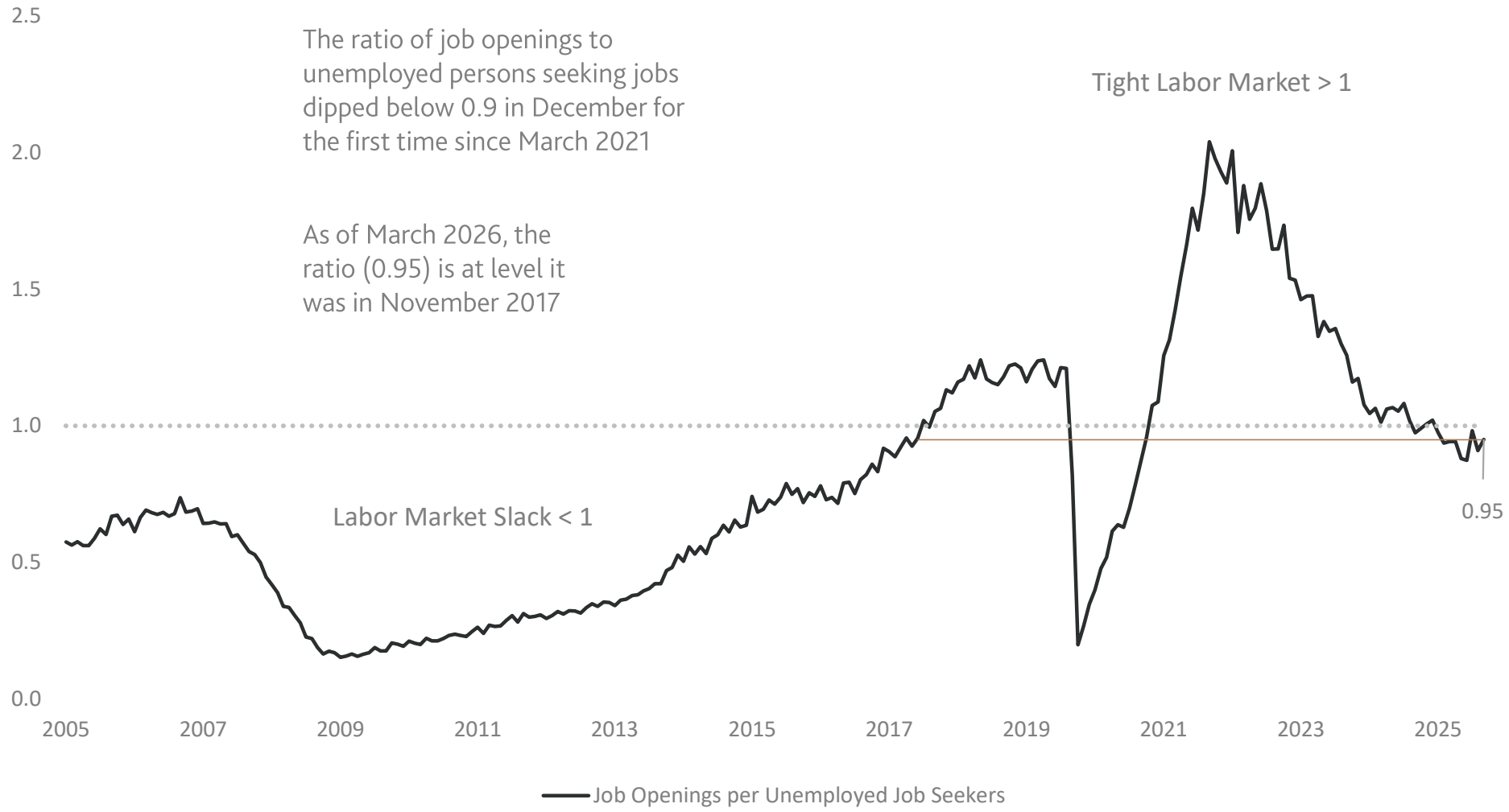


Source: U.S. Bureau of Labor Statistics. Data as 3/31/26. Past performance does not guarantee future results.

Job Openings to Unemployed Job Seekers Ratio

JANUARY 2005 THROUGH MARCH 2026

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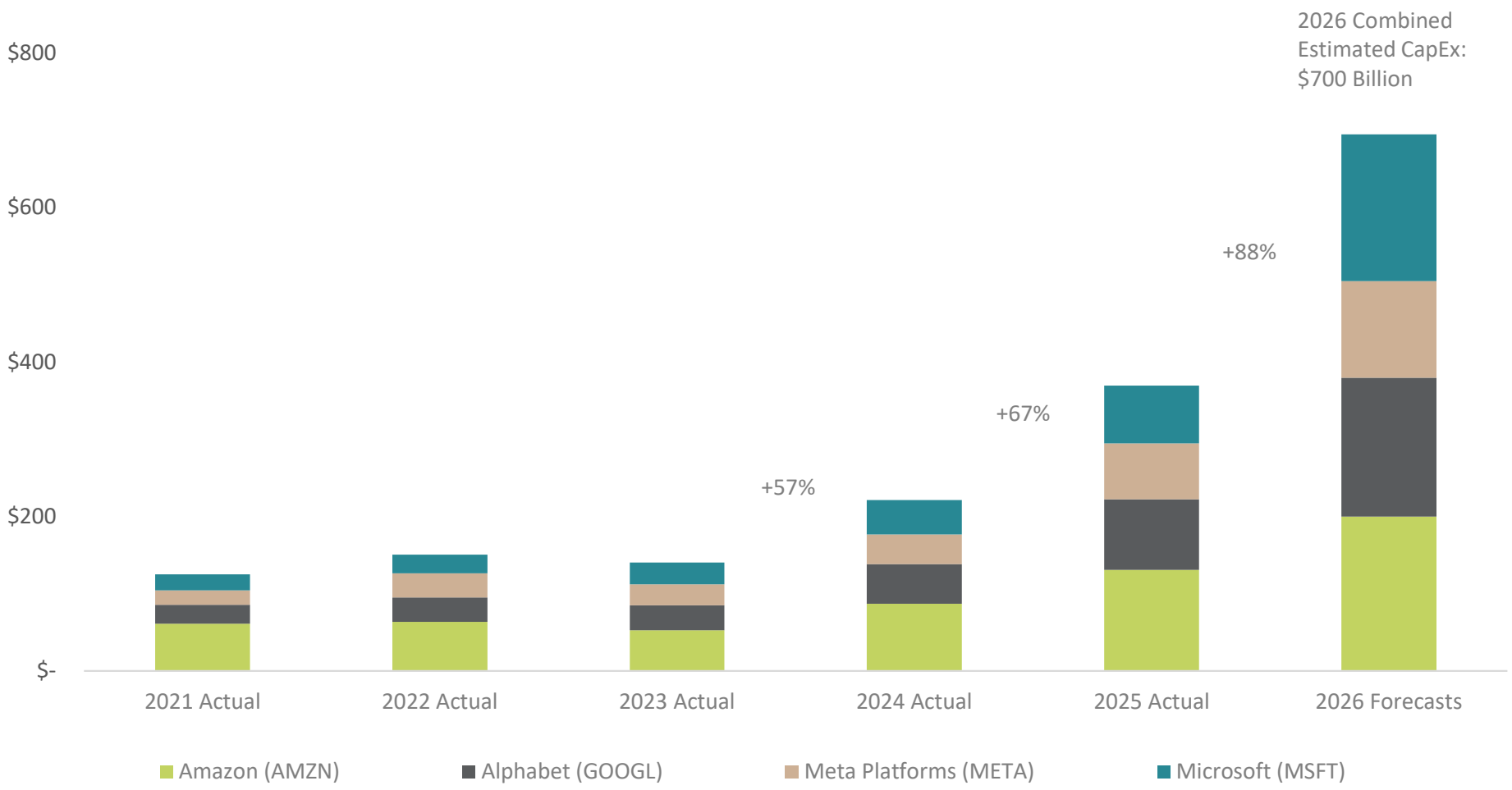


Source: U.S. Bureau of Labor Statistics. Data as 3/31/26. Past performance does not guarantee future results.

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The AI Infrastructure Buildout is Accelerating

HYPERSCALER CAPITAL EXPENDITURES: 2021 THROUGH 2025 AND 2026 FORECASTS



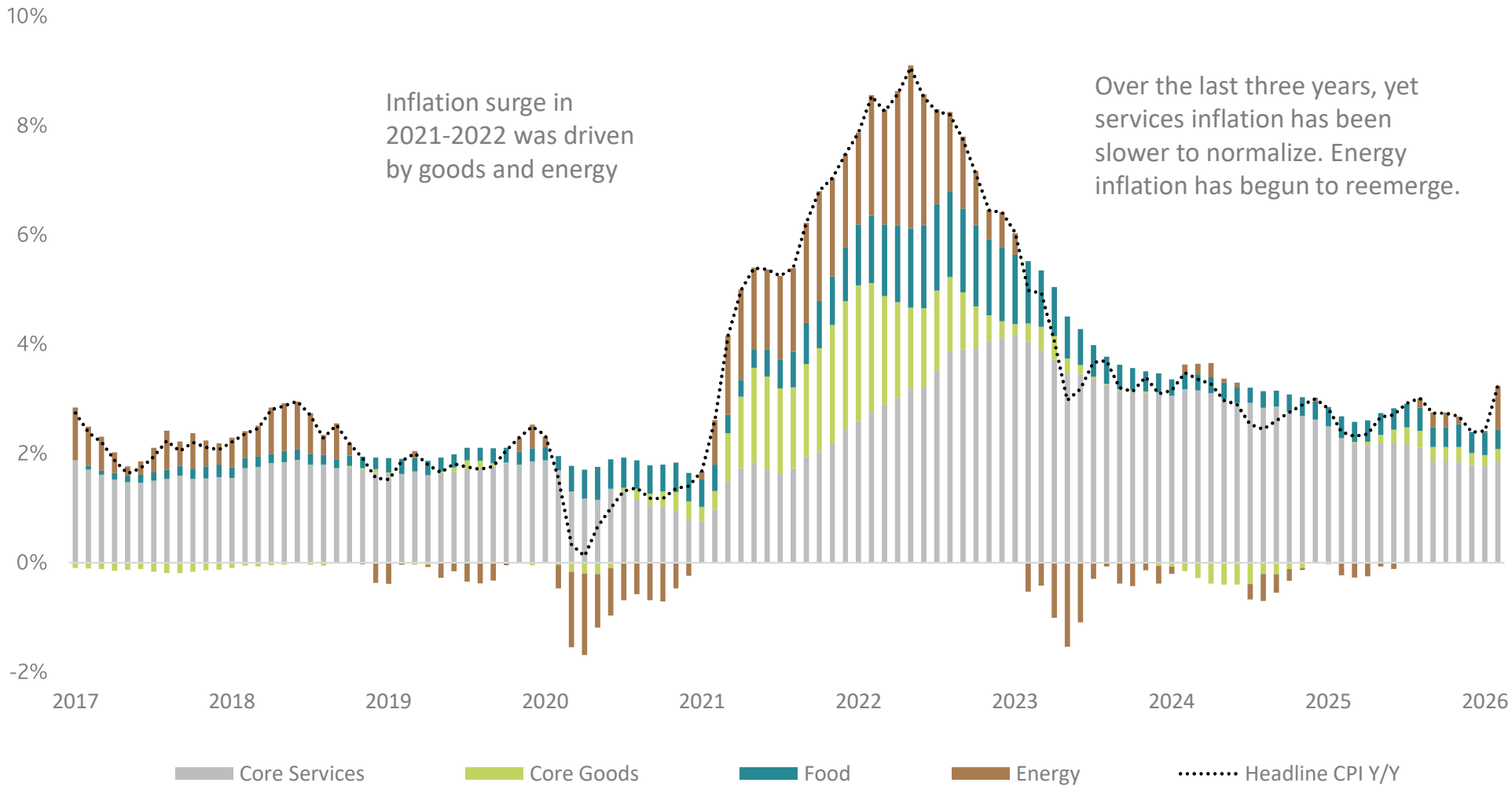
Source: Bloomberg, Company Reports. Data as 4/30/26. Past performance does not guarantee future results.

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Composition of U.S. Consumer Price Index (CPI)

FEBRUARY 2017 THROUGH MARCH 2026

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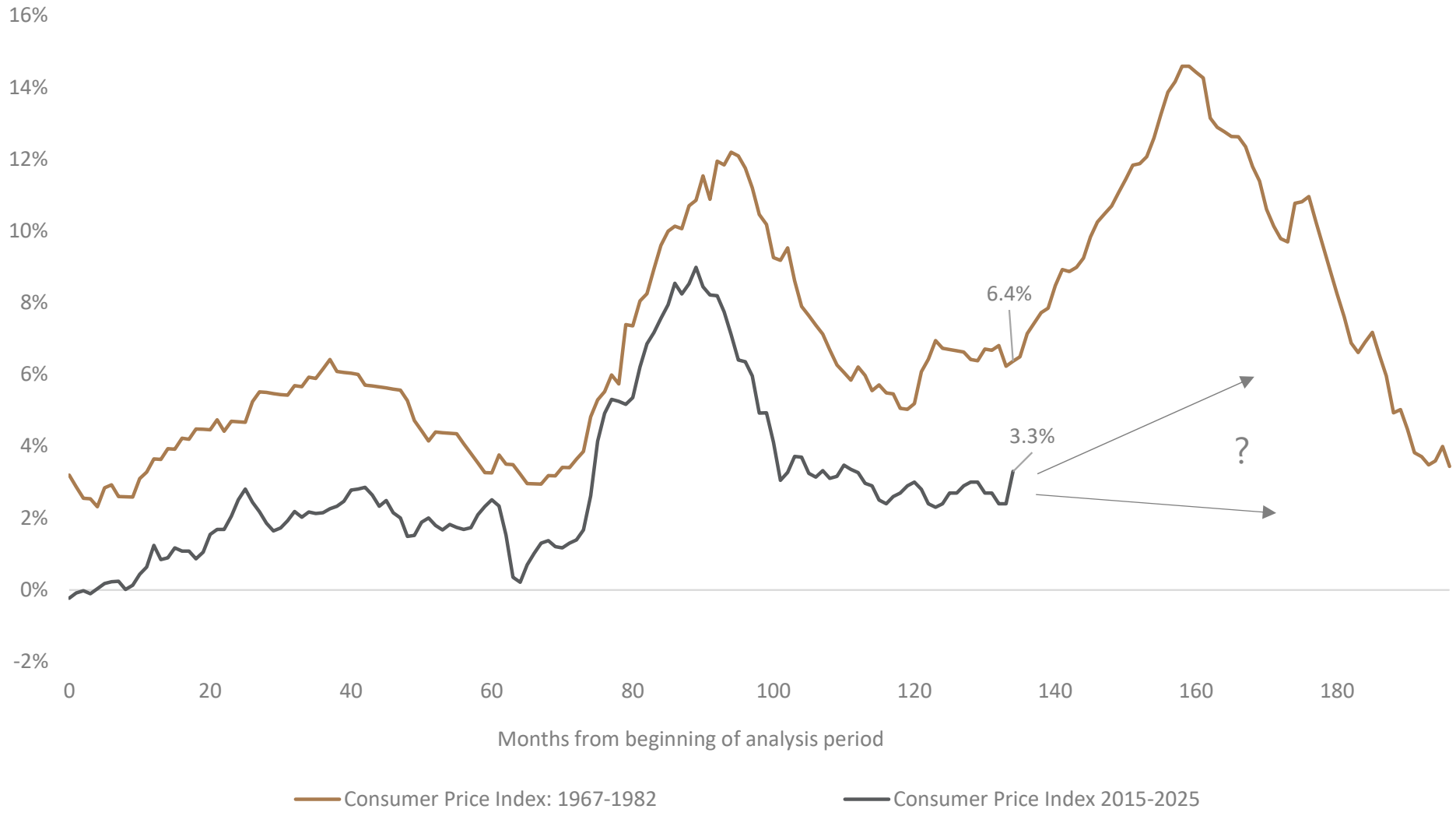
Source: U.S. Bureau of Labor Statistics. Data as of 3/31/26. Past performance does not guarantee future results.

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Comparing U.S. Inflation Cycles

YEAR-OVER-YEAR U.S. CONSUMER PRICE INDEX: 1967-1982 VS. 2015-2026

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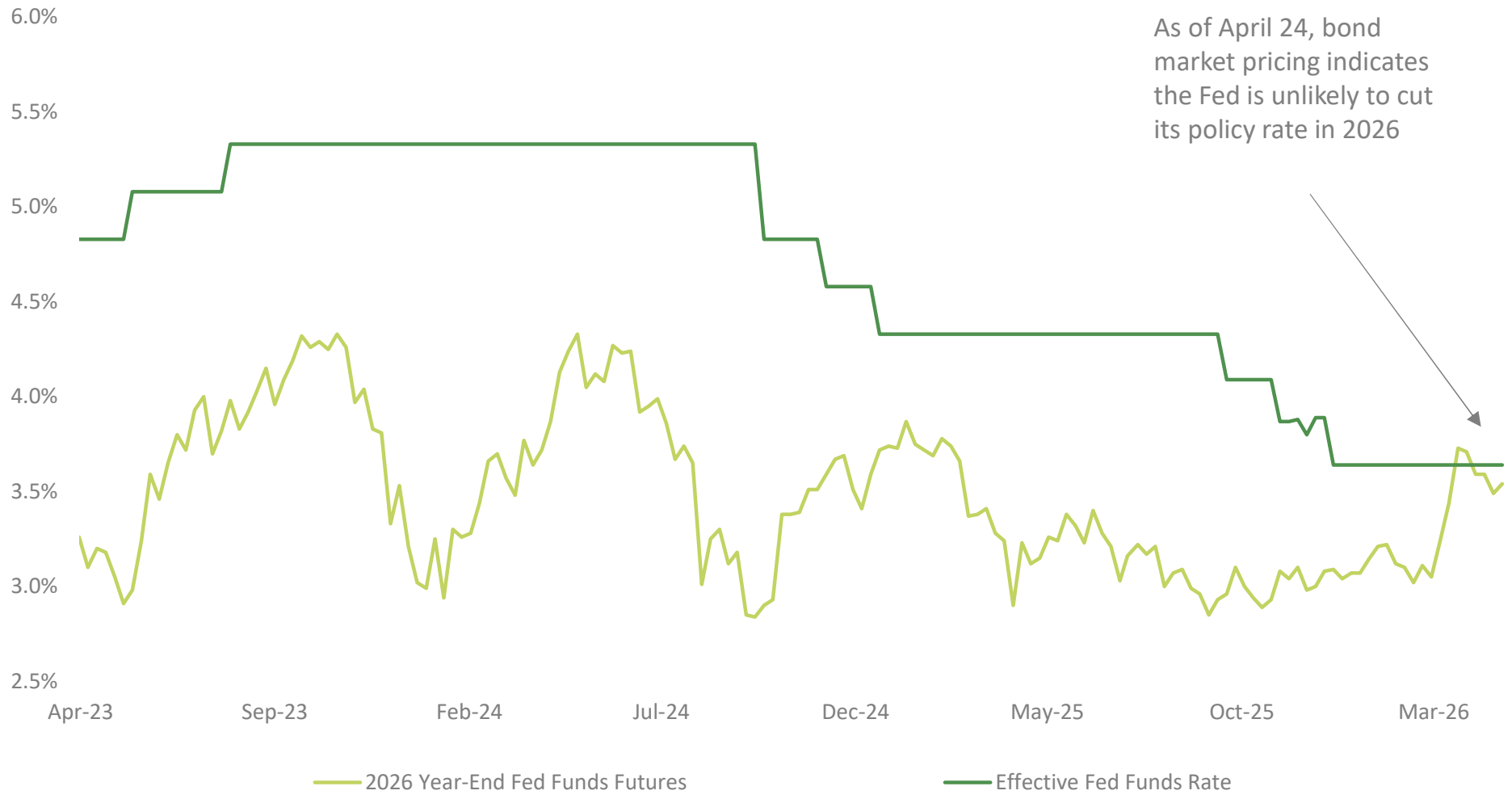


Source: U.S. Bureau of Labor Statistics. Data as of 3/31/26. Past performance does not guarantee future results.

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Fed Policy Rate Expectations: Year-End 2026

APRIL 2023 THROUGH APRIL 2026

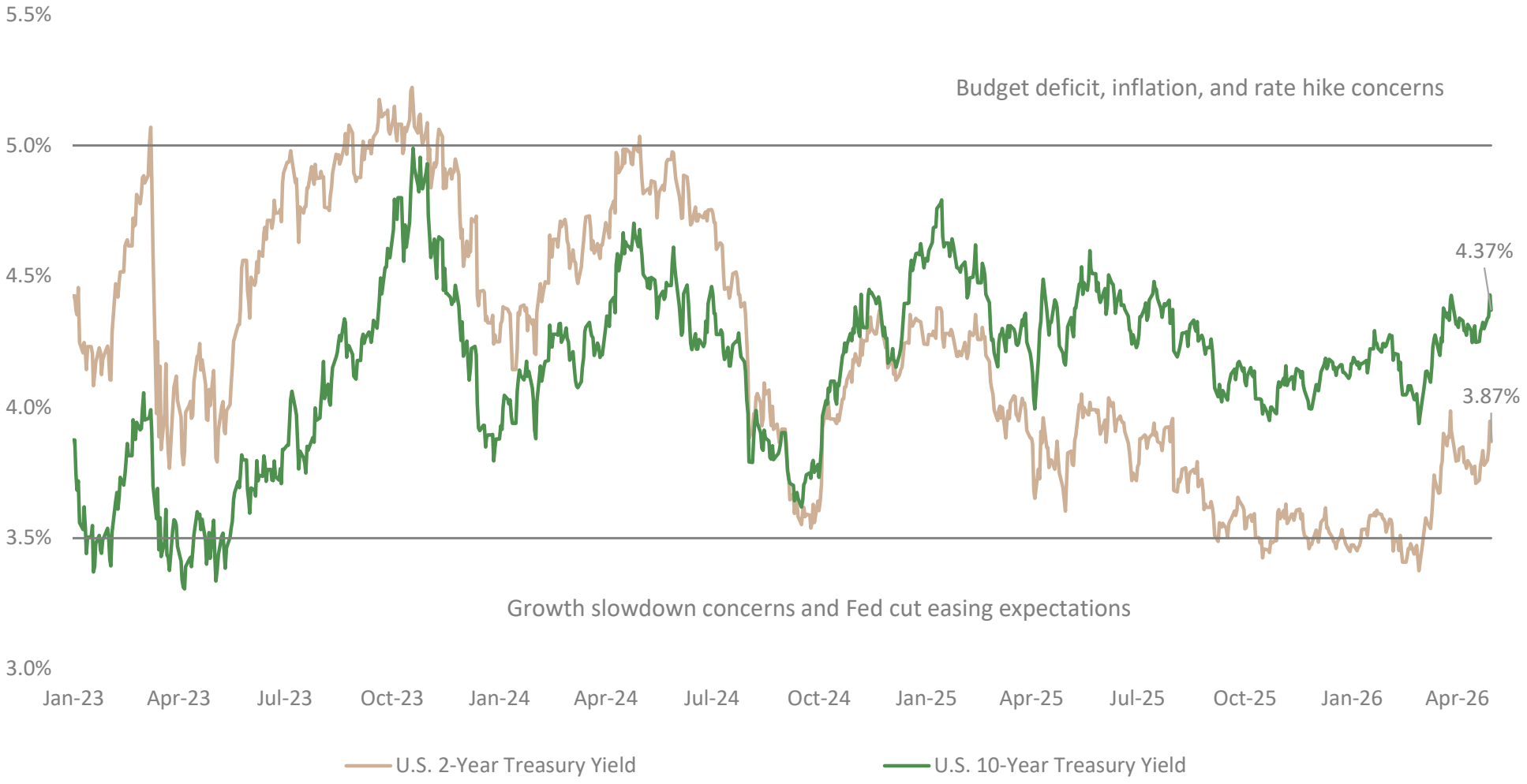


Source: Federal Reserve Bank of St. Louis; CME Fed Watch Tool. Data as 4/24/26. Past performance does not guarantee future results

U.S. Treasury Yields

JANUARY 2023 THROUGH APRIL 2026

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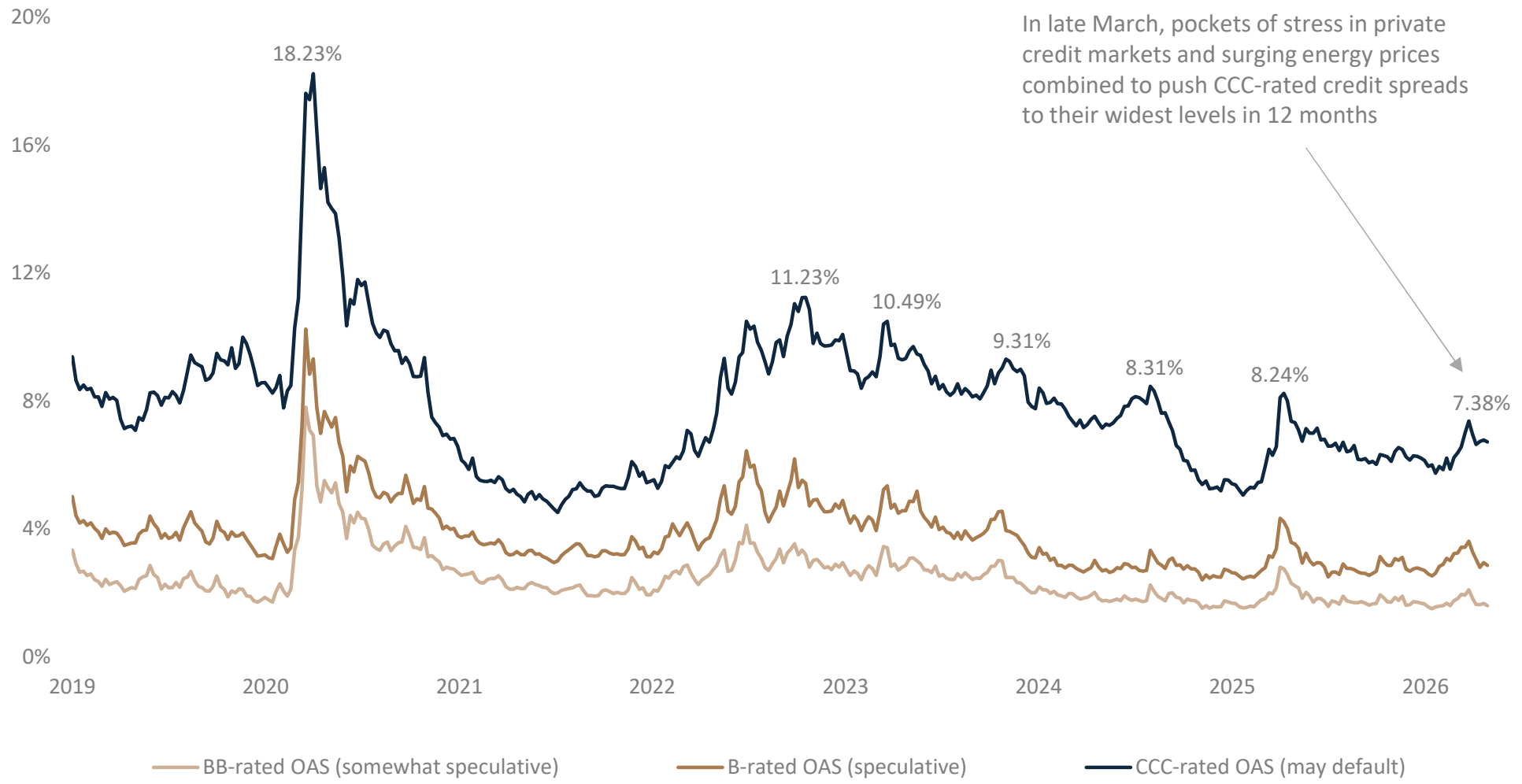
Source: Bloomberg. Data as 4/30/26. Past performance does not guarantee future results.

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U.S. High Yield Credit Spreads

JANUARY 2019 THROUGH MARCH 2026

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Source: Bloomberg. Data as of 4/30/26 Past performance does not guarantee future results. OAS = Option-adjusted Spread, which is the additional yield required by investors for an individual security or index compared to a similar-maturity Treasury security after factoring in call features

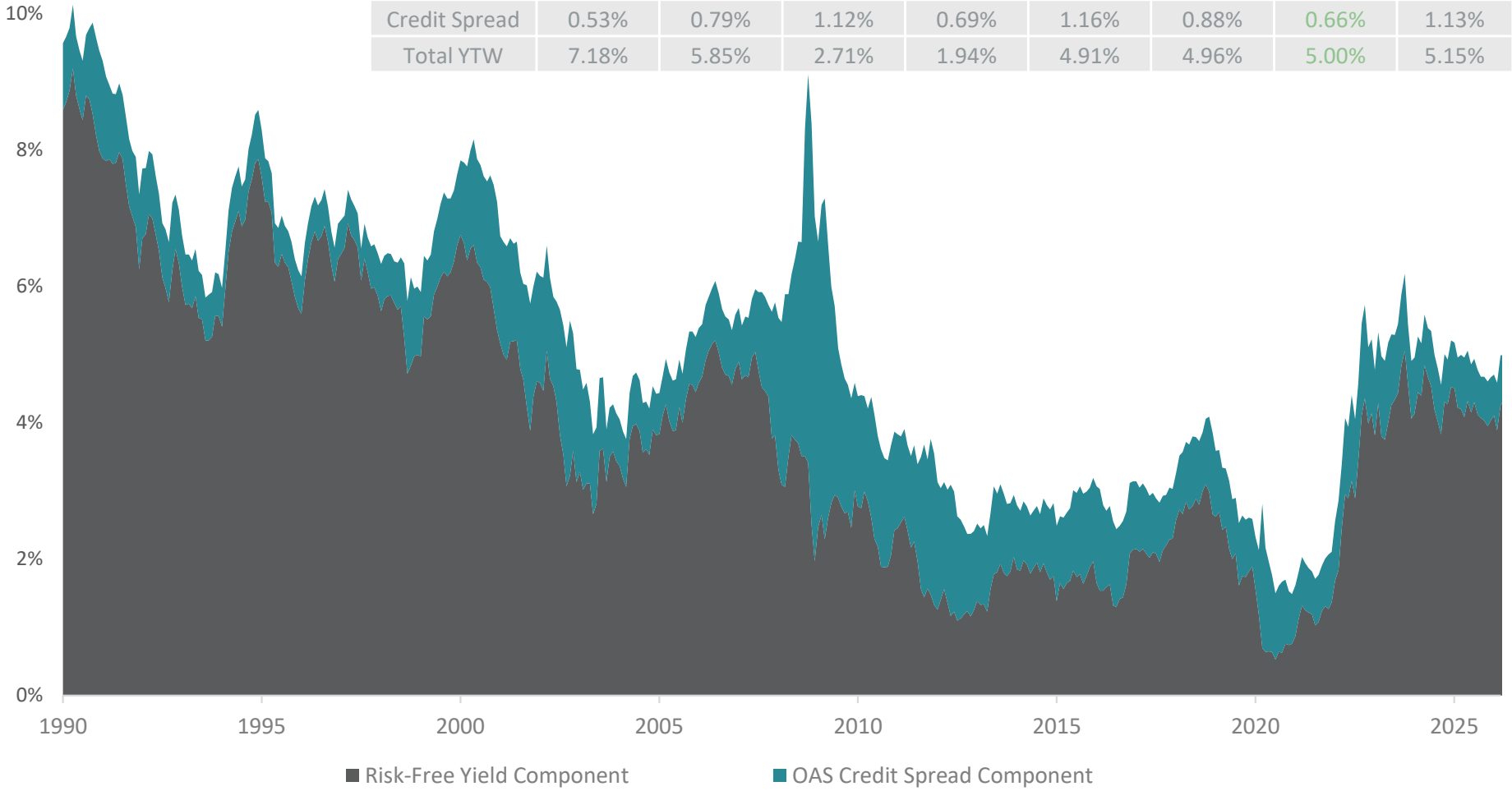
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U.S. A-Rated Corporate Bond Yield Breakdown

JANUARY 1990 THROUGH APRIL 2026

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	4/30/96	4/30/06	4/30/16	4/30/21	4/30/23	4/30/25	4/30/26	Average
RF Yield	6.65%	5.06%	1.59%	1.25%	3.75%	4.08%	4.34%	4.02%
Credit Spread	0.53%	0.79%	1.12%	0.69%	1.16%	0.88%	0.66%	1.13%
Total YTW	7.18%	5.85%	2.71%	1.94%	4.91%	4.96%	5.00%	5.15%



Source: Bloomberg. Data as of 4/30/26 Past performance does not guarantee future results. OAS = Option-adjusted Spread, which is the additional yield required by investors for an individual security or index compared to a similar-maturity Treasury security after factoring in call features

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Consumer Activity: OpenTable Reservations

U.S SEATED DINERS YEAR-OVER-YEAR 10-DAY MOVING AVERAGE: APRIL 2023 THROUGH APRIL 2026

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Source: OpenTable. Data as of 4/30/26. Past performance does not guarantee future results.

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The Path Forward

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Reasons for Optimism

- U.S. consumer and corporate balance sheets are not overleveraged compared to 2005-2007
- Signs of tariff-related inflation have been mostly muted
- The pace of AI CapEx and the energy infrastructure buildout is accelerating
- Major elements of the OBBBA Act should provide a fiscal boost in 1H26
- IPO and merger activity have been percolating in recent months

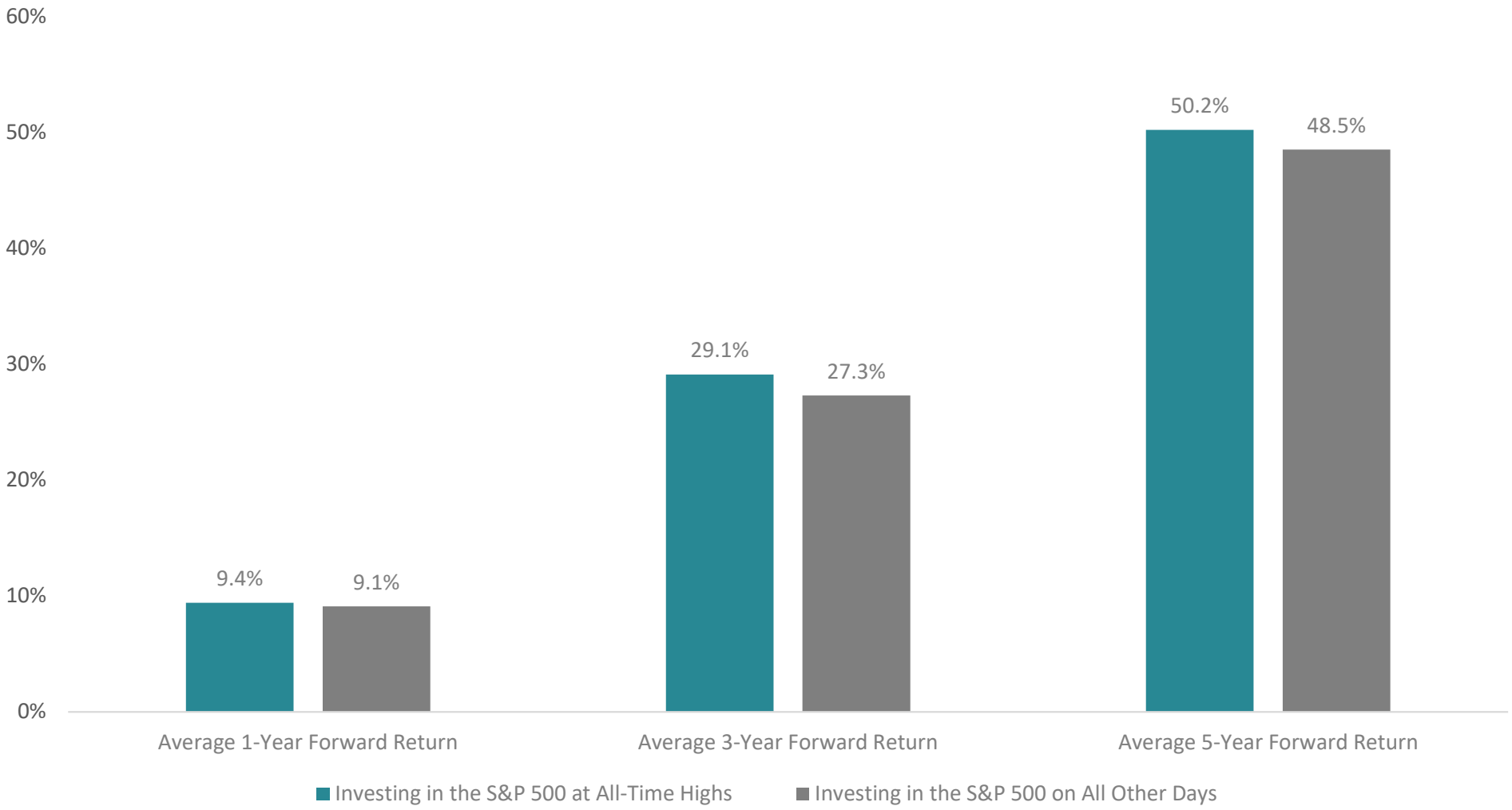
Past performance does not guarantee future results.

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How Can We Think About All-Time Highs?

AVERAGE S&P 500 RETURNS INVESTING AT ALL-TIME HIGHS VS. ALL OTHER DAYS

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Source: Morningstar. Data as of 12/31/25. Past performance does not guarantee future results.

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The Path Forward

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Notes of Caution

- Elevated energy costs driven by the conflict with Iran could depress global economic activity
- Further Fed rate cuts are likely to be deferred until energy inflation stabilizes
- Building signs of stress in private credit markets could weigh on banking sector loan growth
- Uncertainty around the duration of Section 122 tariffs could slow business spending
- Pockets of extended leverage across the AI infrastructure landscape

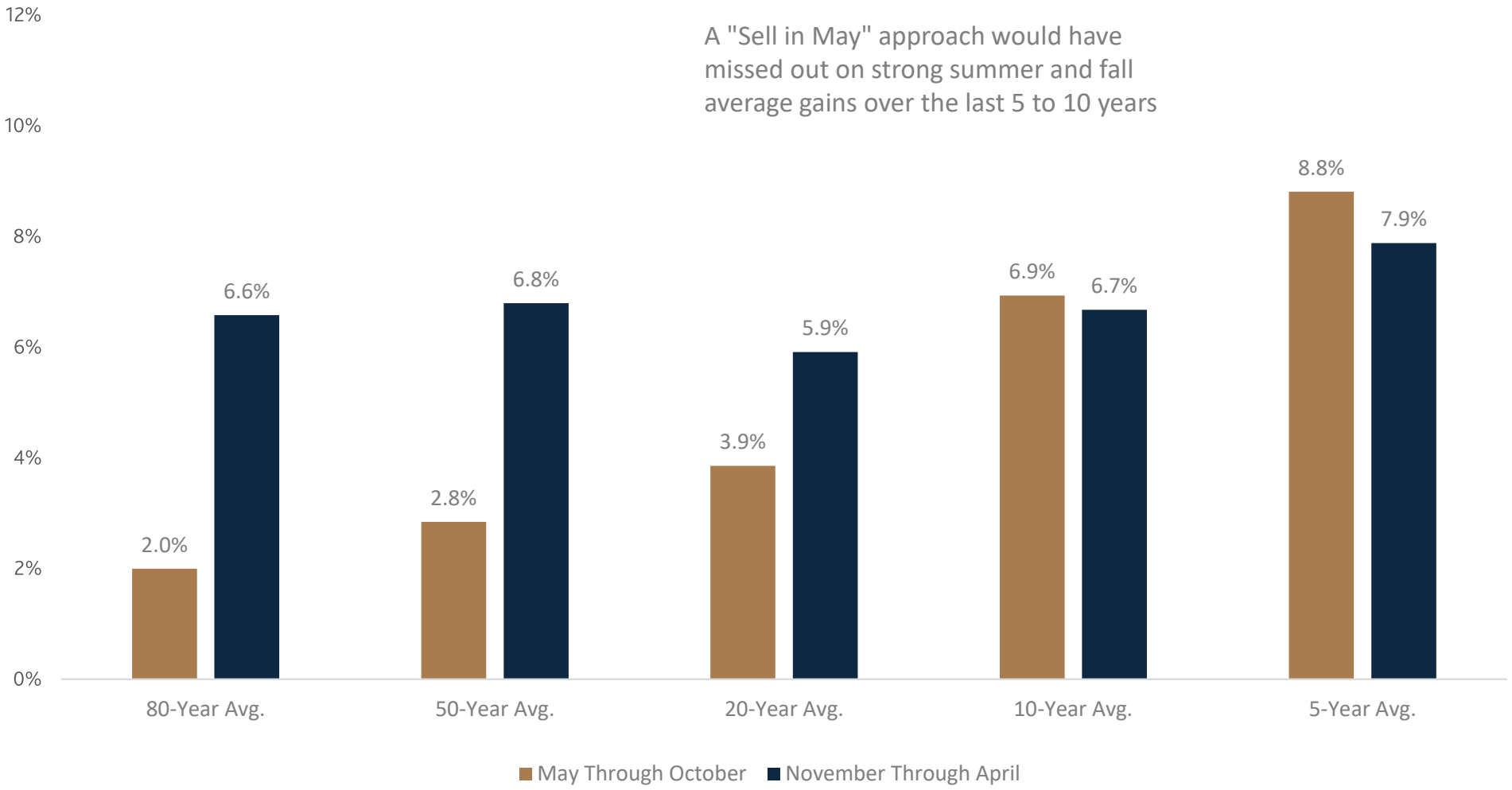
Past performance does not guarantee future results.

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Sell in May and Go Away?

S&P 500 AVERAGE RETURNS: MAY-OCTOBER VS. NOVEMBER-APRIL

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Source: Bloomberg. Data as 4/30/26. Past performance does not guarantee future results.

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The Path Forward

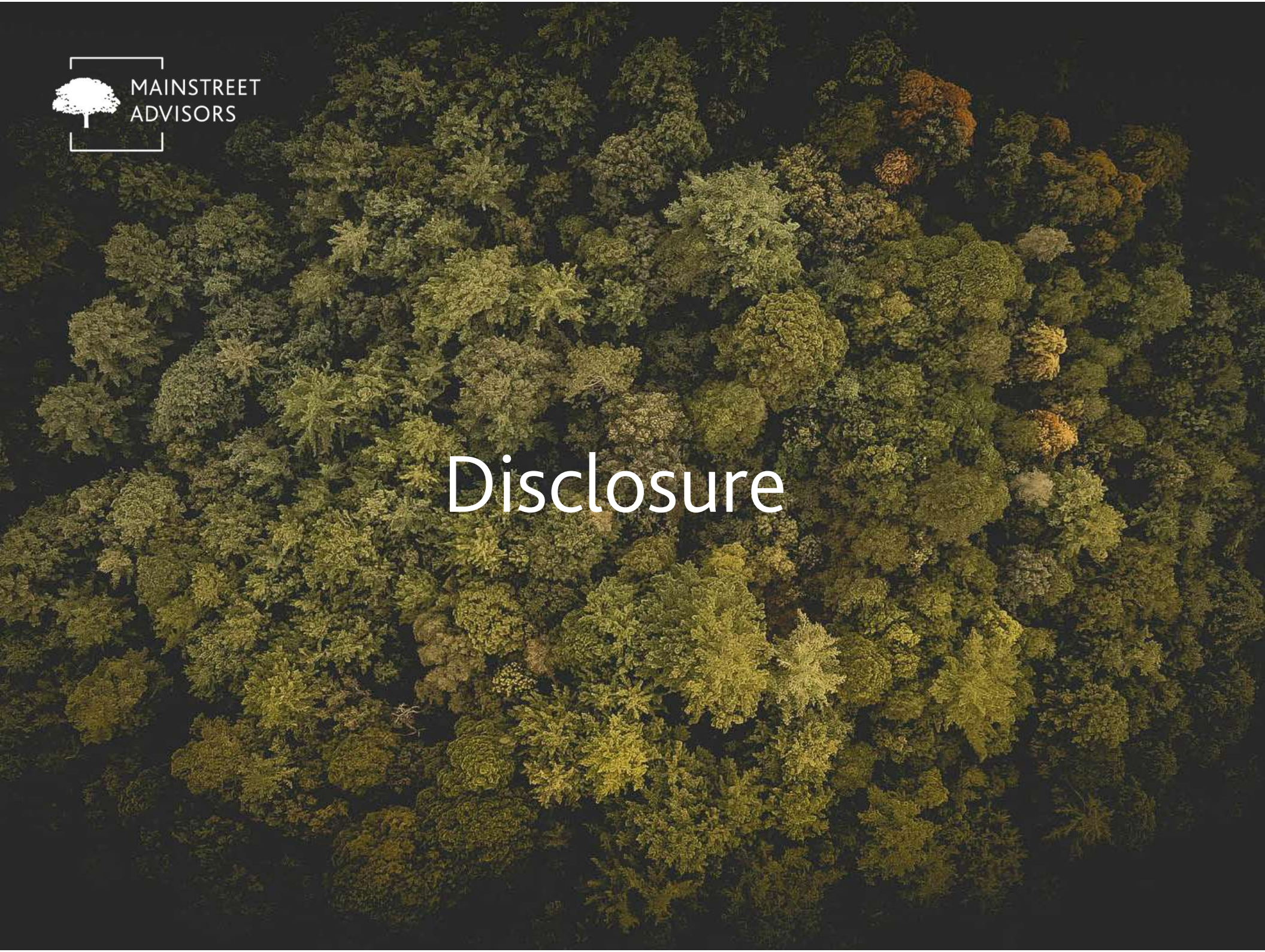
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Expectations

- U.S. GDP growth should recover in 1H26 as OBBBA stimulus comes online
- “Low-hire, low-fire” labor market could still support 50 bps of Fed rate cuts by the end of 2026
- S&P 500 earnings appear to be on pace for 10%-15% growth in 2026
- The trend of broadening stock market participation is likely to be a feature of 2026
- Intermediate-Term Treasury yields are likely to remain in 4% to 5% range

Past performance does not guarantee future results.

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