That's so Nineties

Report for the week ending March 21, 2026

Dylan Smith

Key Takeaways

- MONOLOGUE: The parallels between 2026 and 1990 offer a better framework than either the 1970s stagflation or 2008 crisis for understanding how things may evolve. Separately, we're putting "Goldilocks" on pause as the war makes things a little too hot for her.
- MACRO: Central banks held the line with a consistent message: it's too early to judge the impact of the war. But markets aren't waiting, pricing in hikes across most jurisdictions as PPI data confirms inflation was already accelerating before the oil shock
- MARKETS: Energy and finance are providing ballast to an S&P 500 approaching correction territory, yields are surging as rate cut expectations evaporate, the WTI/Brent spread is widening, and gold's 9.6% plunge suggests speculative positioning is unwinding rather than safe-haven flows kicking in.
- MEMO: In Part 1 of a private credit deep dive, we argue that the 1990 junk bond collapse, not the 2008 crisis, is the right benchmark for private credit stress. But differences in market structure mean any deterioration will be a slow burn of rising defaults and weakening returns rather than an overnight crash. While private credit has earned its place in institutional portfolios, the era of excess returns looks over.

Monologue

War in the Middle East and oil price/inflation spike? Check. Fears of a sub-investment-grade credit crisis? Check. Elevated public debt levels? Check. A Republican president facing midterm election losses? Check. Emerging technological revolution expected to reshape the economy? Check.

It's 1990 all over again. Economic history doesn't repeat, and it doesn't even rhyme. It reverberates continually from cycle to cycle.

Drawing the parallels between 2026 and the second year of the George H.W. Bush administration in 1990 is more than a flippant observation. It's a framing that might help us draw the correct lessons from history and avoid fallacious reasoning, on at least three fronts.

First, the 1989-1991 "junk bond" crisis is a more accurate analogue for today's private credit fear than the 2008 Global Financial Crisis. We dedicate our Memo this week to a deep dive on junk bonds and explain why we see it that way.

Second, thinking back to 1990 – a few years into the personal computing revolution but a decade before the dot-com bubble popped – serves as an important reminder of how long it can take for potential overinvestment in new technologies to turn into popped bubbles.

Third, this framing gives us a more recent precedent for a spike in Gulf oil prices than the 1970s/80s "stagflation" episodes, which continue to mislead analysts. The First Gulf War occurred just as central banks were implementing explicit interest-rate-based inflation-targeting regimes that are still in place today, thereby preventing the monetary expansions that were at the root of the 1970s high-inflation era. This gives us a better sense of potential economic impact, which was important but much more limited than in the decades prior. Central banks have already tightened policy rather than easing it this time around. Inflation will rise, but it won't run away.

Let's dig a little deeper into each of those dimensions of the "that's so 90s" theme in reverse order.

Iran: Worst-case scenarios materializing

Last week's fear that we were entering an "escalate to de-escalate" phase of the war – with the attendant risk of no de-escalation any time soon – was sadly confirmed. Both sides expanded their targeting to include oil and gas facilities. Israel hit Iranian extraction and refinery facilities in South Pars with the aim of cutting off a direct source of income for the Iranian Revolutionary Guard. Iran retaliated with missile strikes on Ras Laffan in Qatar, the world's largest LNG export facility.

Then on Friday night, Iran took the war to a US ally that has so far stayed on the sidelines, sending missiles 4000km to the UK's Diego Garcia base on the British Indian Ocean Territory. That's roughly the distance from Tehran to Paris. There was no major damage, but a clear message to Europe: "Don't get involved, we can hit you." As we go to press on Sunday, President Trump has threatened to strike Iran's power plants if the Strait of Hormuz is not open within 48 hours, and Iran has bombed Israeli civilians.

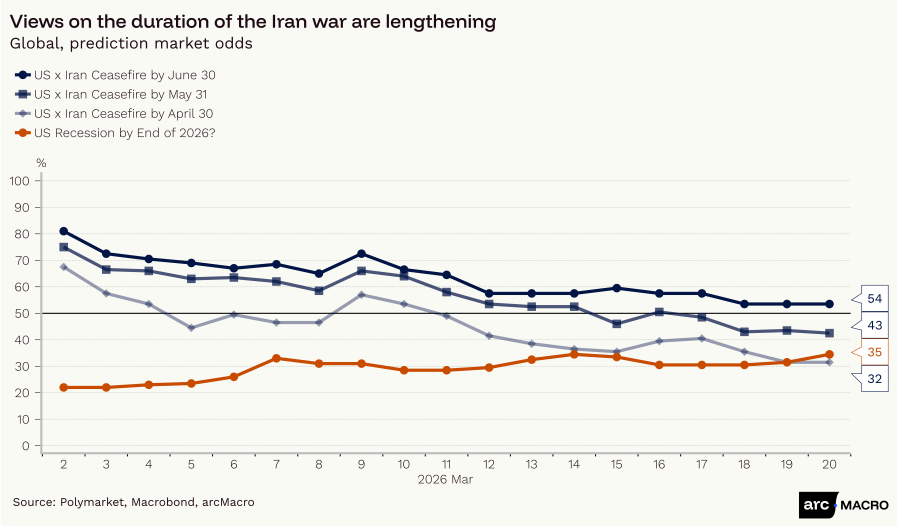
The trajectory of the war is bending toward scenarios that initially looked "worst case." Supreme Leader Mojtaba Khamenei rebuffed overtures for ceasefire negotiations this week. Iran is following a strategy of patiently exercising its control over the Strait of Hormuz to raise the global cost of the war via oil shortages and improve its bargaining position, and meeting any escalation with proportionate attacks on US allies on the Arabian peninsula.

This strategy forces the US into difficult choices about whether and how far to escalate, and how much face it can stand to lose on a ceasefire without achieving any of its initial stated aims, again prolonging the war.

It's getting very difficult to see a path to de-escalation on a timeline that mitigates the economic cost of the oil price surge (3+ months). Neither President Trump's claim that Iran's nuclear capacity was already "obliterated" by last year's targeted strikes, nor Prime Minister Netanyahu's assertion that re-opening the Strait and stabilizing oil prices is a priority, has opened an offramp or calmed oil markets.

Perhaps the most surreal development this week was US Treasury Secretary Scott Bessent musing that sanctions on Russia and Iran itself (!) might be lifted to ease supply shortages.

Most geopolitical analysts are still outlining a wide range of scenarios rather than taking a firm view on the war's end. I would treat that as a useful signal of pure uncertainty. Meanwhile, those with real skin in the game are projecting an ever-longer war.



Where does this all leave markets and the economy? Basically still in limbo. We agree with assessments that, from current levels, the oil price outlook is binary. Further escalation and lack of progress toward opening the Strait will push prices up toward the $140+ per barrel range (consistent with the 2022 Russia shock), and a credible re-opening could see them drop down to the $60-70 per barrel range again.

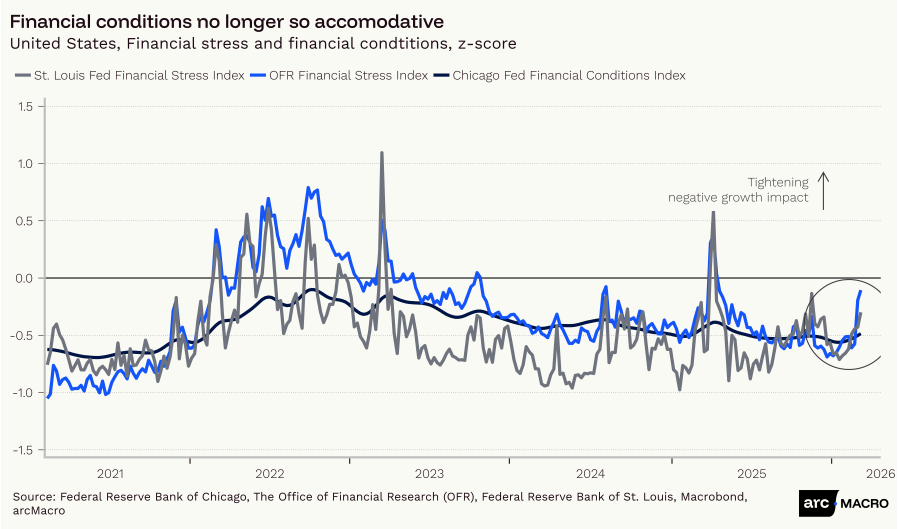
Too Hot for Goldilocks

Things don't feel "just right" for the transition from a "Sluggish" to a "Goldilocks" regime for the US economy that we announced with great fanfare just a week before the US and Israel attacked Iran.

With the war trending toward more negative scenarios, and recent economic and market data skewing negative as a result, we're officially putting "Goldilocks" on pause. The US economy should now be considered "between regimes," with the next potential transition ranging from "Financially Constrained" and "Stagflation" on one hand, to "Goldilocks" or even "Overheating" on the other, depending on the timing of a resolution to the war.

Part of the reason for the pause is that the war is already directly impacting economic activity via a tightening of financial conditions. Higher interest rates, wider credit spreads, a stronger dollar, and falling asset prices all work against business investment and personal consumption, taking the shine off the growth picture before any inflation hits the economy. We've also seen a significant deterioration in sentiment, compounding the impact. Anecdotally, businesses are trimming investment plans while they wait for uncertainty to resolve.

By historical standards, the tightening is not at all extreme (in fact, it's still milder than 2025's "liberation day" tariff shock), but it reverses the trend of easy financial conditions that have supported growth and materially shifts the economic outlook.



Many a true word is spoken in jest — and many a false one too

"So you're putting me on a strategy project for the guys who will be responsible for the next financial crisis?"

That was my response to the staffing team that assigned me to just the second project of my stint in consulting — a long engagement with a mid-market private credit provider.

I uttered that quip with tongue firmly in cheek, and immediately learned a few things. For one, the sense of humor in the Toronto office of a global consulting firm is not nearly as acerbic as on the trading floor of a London investment bank. Noted.

More importantly, the quizzical looks I received in place of a chuckle told me that the crisis possibility had never seriously occurred to the partnership. The prevailing thinking, it later emerged, was not to extrapolate too far. The industry is hot now, so get involved. If it cools down later, shift focus. Like lawyers, consultants always have something to offer through the business cycle. A lesson about herding and amplification dynamics.

Perhaps most importantly, this little interaction made me intensely interested in how private credit firms work and how they fit into the evolving financial ecosystem. In that and subsequent projects, the value of the floating interest rate model in private credit (base rate plus a juicy spread) became clear. It helped keep credit flowing to middle-market firms as the Fed hiked rates in 2022 and banks (who offer fixed-rate loans) tightened their lending standards. Private credit might well have been the difference between a slowdown and a full-blown recession.

I also saw how aggressively private credit firms were pursuing growth, using their moment in the limelight to gobble up as much traditional institutional funding as they could while expanding into the massive, untapped "retail" market of individual investors. They also broadened their lending activity from traditional mid-market buyout financing to mega-deals, direct lending to companies, and asset securitization.

We're now seeing the other side of that boom, as higher-for-longer rates combined with that floating model are putting a large interest burden on companies. There is no doubt that we should expect a cyclical upswing in restructurings and defaults as the bad loans made during that expansion come home to roost.

However, as we will show in our two-part Memo deep dive on private credit starting this week, a cyclical trough in private credit returns does not constitute a broader systemic risk to the financial system or the wider economy. The odds of a 1990 junk-bond-style blowup in private credit are small, but junk bonds are still the best historical analogy for the stress we're currently seeing. And even that spectacular crash did not collapse the economy in the way the 2008 crisis did. A rapid recovery was underway by 1991 after the default wave peaked. So junk bonds should be used as the "worst case" playbook in private credit.

So, my little joke turned out to be a bad one. Wherever the next big crisis is coming from, it won't be private credit.

With that, enjoy this week's note.

Dylan Smith

Founder and Chief Economist

Marginal Movers

Rising 👆

- **Securitization:** Collateralized Chip Obligations (CCOs) — "The [extended] thesis I'm exploring is the overarching theme of the rise of securitization in AI, GPU-backed loans and the birth of a new asset class which I'll call '*collateralized chip obligations*' (CCOs)."
- **Private Equity 🤝 Venture Capital:** VC may dominate AI computing deals, but PE supplies the capital — "These trends are shaping the market into a two-tiered landscape: one where VC fuels experimentation and services, and the other where PE provides the massive amounts of capital needed to build physical infrastructure."

Falling 👇

- **Private credit's retail push:** To Gate or Not to Gate — "Ultimately, the fundamental tension will always be meeting investors' desire for liquidity in an inherently illiquid asset class."
- **Our minesweeper skills, sadly:** Sweep the Strait — It doesn't look like we'll be contributing to the re-opening effort.

Macro Monitor

The macro data flow this week hinted that even before the Strait of Hormuz closed, price pressures in the US were accelerating, and an adjustment to dovish interest rate expectations may have been necessary. Diverging conditions in other economies – a soft labor market and low inflation in Canada, the exact opposite in Australia – would have driven an interesting divergence in global policy.

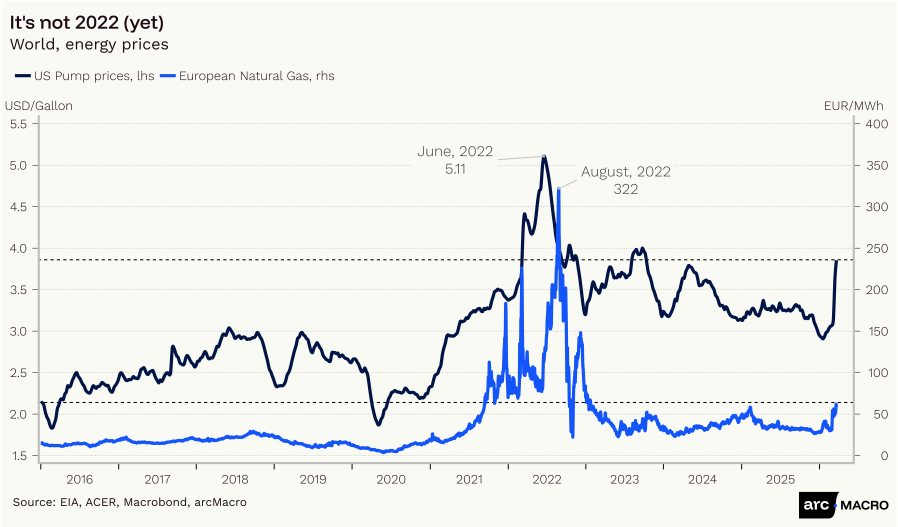
Alas, it's all about Iran now. In light of the historical oil price shock we're experiencing, markets are pricing a hiking cycle in almost all jurisdictions. This is a structural shift in the rate environment that investors cannot afford to overlook.

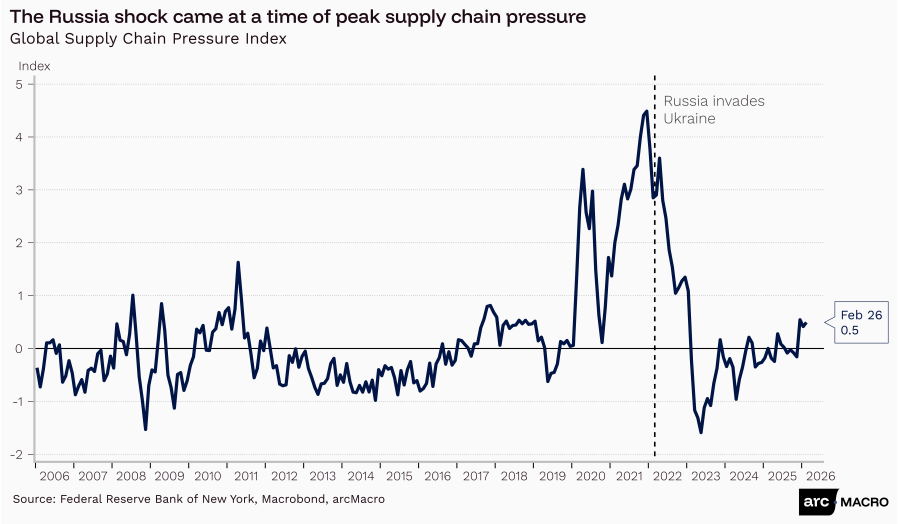
Six central banks, one message, one repricing

Listing them off from west to east, the US Federal Reserve, the Bank of Canada (BoC), the Bank of England (BoE), the European Central Bank (ECB), the Bank of Japan (BoJ), and the Reserve Bank of Australia (RBA) all announced policy rate decisions this week.

Their message was completely consistent: it's too early to assess the full impact of the Iran War; much depends on how long the conflict lasts and on how global energy suppliers respond.

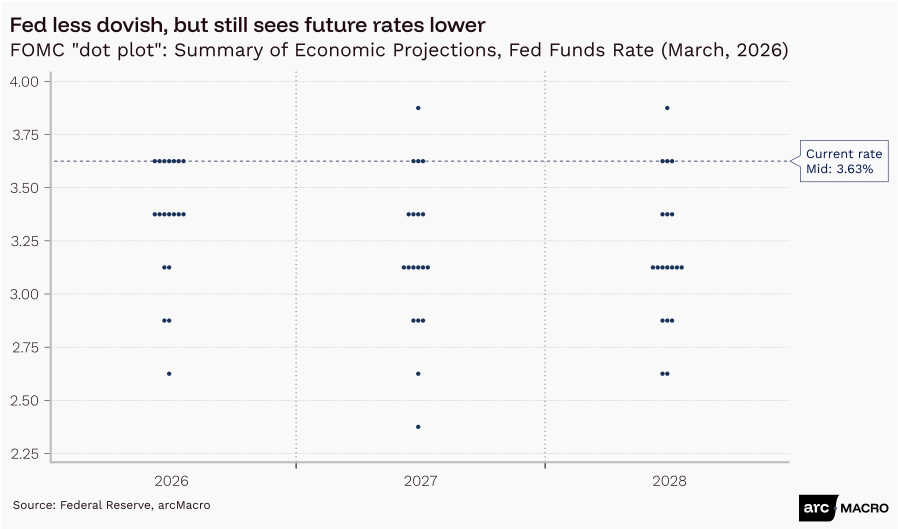
They also took the position that near-term inflation risks are significant, but that core inflation dynamics (and the growth impact) may differ from the 2022 Russian oil price spike, because starting conditions are so different. The Iran shock is hitting a more balanced global economy, with weaker demand and healthier supply conditions. That might mean a smaller (core) inflation impact and a larger hit to growth.

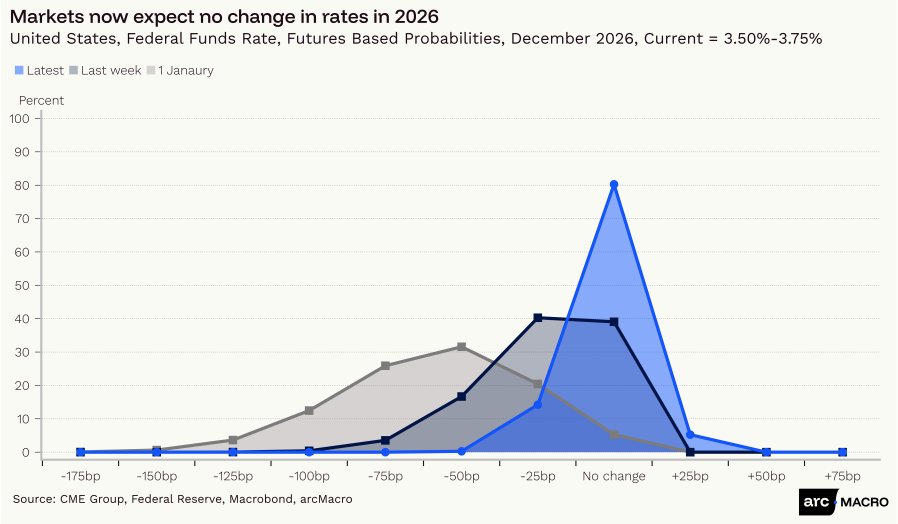




It took a day or two for markets to digest the information from the central banks. Encouraged by hawkish rhetoric from BoE officials ("ready to act" at the first signs of rising inflation), traders ignored officials' cautious tone and have converged on the view that **rates are more likely to rise than fall in most jurisdictions** (Australia has already raised rates).

In the US, the odds of no interest rate move by the end of 2026 have moved from 5% at the start of the year to 80% now (very much in line with the guidance in our Outlook, although for different reasons). That makes the "dot plot" of the Federal Funds Rate path projected by the median FOMC member already rather stale.

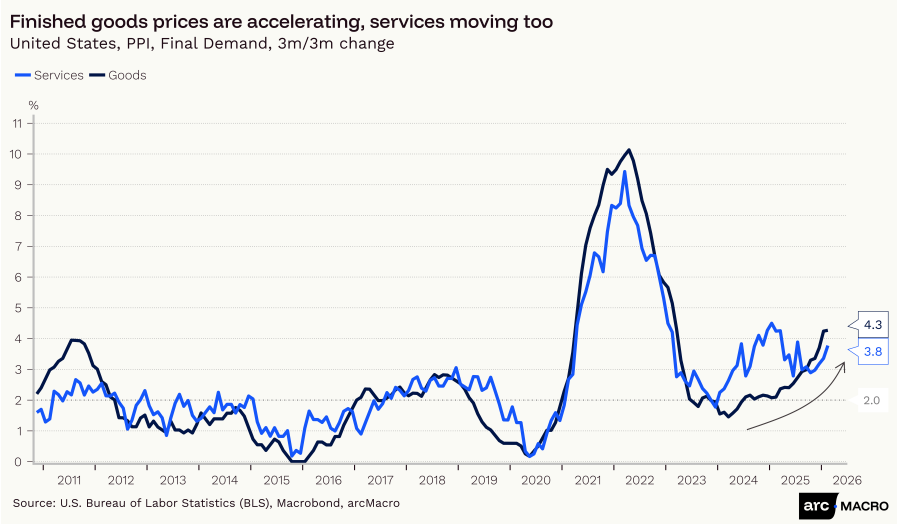


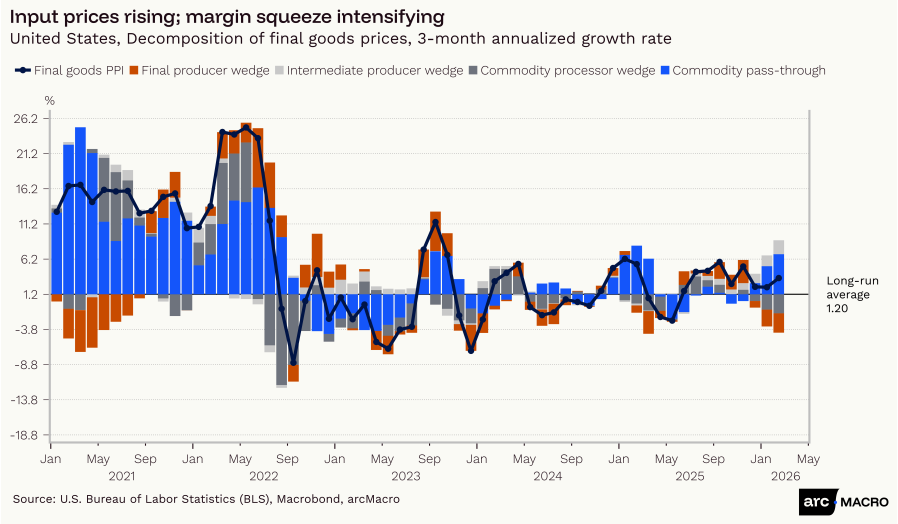


Inflation was already rising

There is a very simple message in this week's US Producer Price Index data for February. Firms are already working overtime to absorb rising input costs (mostly stemming from tariffs). There is not much room to take an oil price increase, too; that will need to be passed on.

Final core goods prices are up 4.2% on a 3m/3m annualized basis, and services prices are trending up too, at 3.8% year-on-year. Compared to relatively demure CPI inflation of ~2.5% (distorted by lagged low rent and insurance costs), faster final PPI inflation will chime more closely with consumers' experience.





See the appendix for arcMacro proprietary Factors and the Key Macroeconomic Indicators tracking chart.

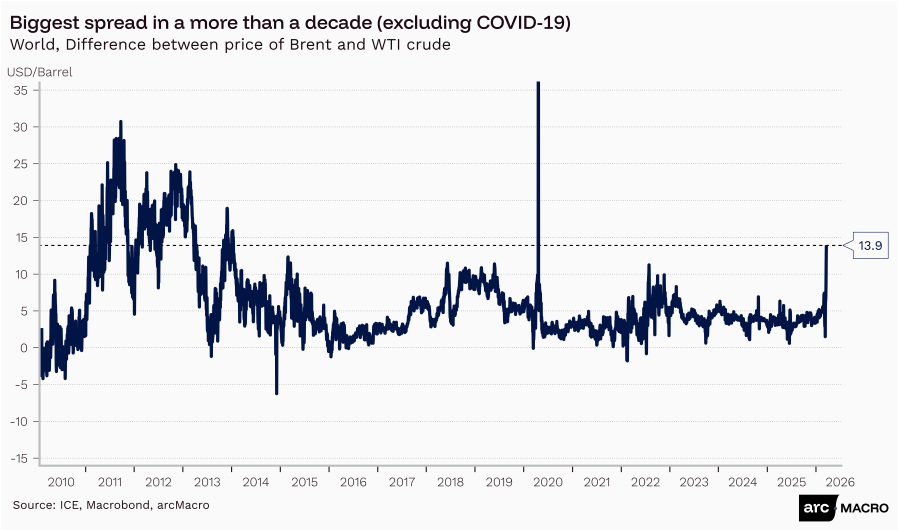
Market Monitor

The S&P 500 is 6.7% below the January 27th high, and approaching the 10% mark that usually signals an official correction. Given the growth jitters caused by the Iran war (which drove the index down by 1.9% this year) and the **software and private markets asset management** selloff before that, it's actually surprising that it's not there yet. The **energy** (+2.8% this week) and **finance** (+0.4%) sectors are providing ballast.

Yields rose substantially for a second week running as traders priced in higher inflation and rapidly fading expectations of any rate cuts by any major central banks this year (switching to hikes in many jurisdictions). The US 2-year Treasury yield now stands at a hair below 3.9%, above the current Federal Funds Rate (dot plots showing cuts be damned!). **Credit** moves were mixed, with higher-rated bond spreads tightening while riskier leveraged loan spreads rose.

Of course, the real action is in **energy commodities**, which remain extremely sensitive to any news relating to the duration of the closure of the Strait of Hormuz. The North American crude benchmark, WTI, stands at $97.5 per barrel, and the benchmark for the rest of the world, Brent, at $107.5. The spread between the two is

widening as American and Canadian production increases while stockpiles get drawn down elsewhere.



Rather than Bitcoin representing "digital gold", has gold become so speculative that it's trading like "physical Bitcoin?" A huge surge in expected near-term inflation and a geopolitical explosion should, in theory, be driving another leg of gold's rally (even with interest rates rising). Instead, the price fell by a whopping 9.6% this week, to $4,500. It's likely that portfolio rebalancing and forced selling in response to losses elsewhere are playing a role. But this also hints that there was heavy **speculative positioning in gold** on the eve of the Iran war, and that these investors have lost their risk appetite.

The upshot of this week's action is a tightening in financial conditions, meaning that a negative growth shock is already hitting the global economy.

See the appendix for the market monitor table

Memo

Private Credit Part 1: The Dream of the 90s is Alive

Bottom line: *Kicking off our deep dive into the private credit industry and its level of systemic risk, we identify the rise and fall of junk bonds in the late 1980s and early 1990s as the closest historical precedent. A close comparison of the two financing structures suggests that even if private credit default rates were to rise to similar*

levels, the upshot would be a slow-burn decline in returns over a number of years, rather than an overnight crash. In Part 2, we'll explore the systemic implications of such an episode.

What it means for investors: *Reports of a repeat of 2008 are exaggerated, and the market risk is lower than it was during the junk bond crisis, too. Private credit has earned its place in the credit sleeve of large institutional investor allocations, but the era of excess returns relative to the underlying risk profile appears to be over.*

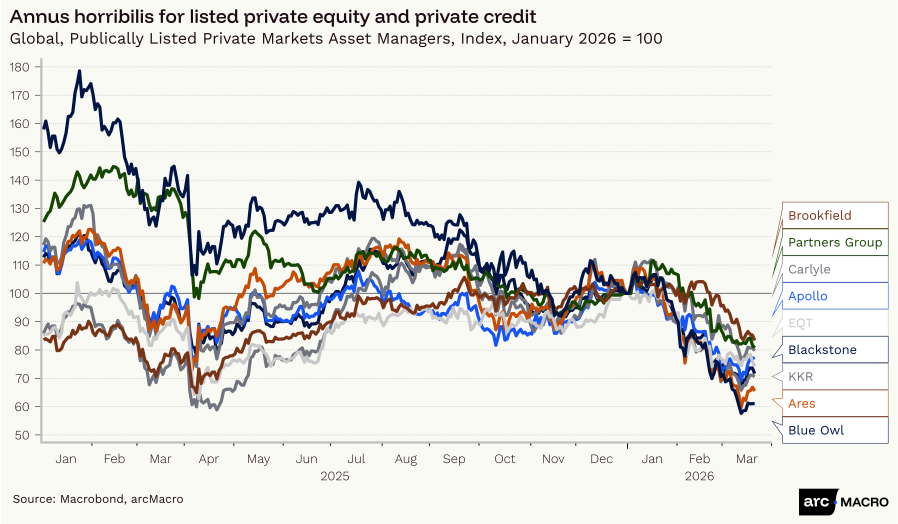
Since the start of 2026, shares in listed private markets asset managers have declined by 15% to 40%, with the worst-hit firms doing most of their business in private credit. This poor performance has coincided with rising concerns about the health of the private lending model, fueled by high-profile defaults in 2025 and warnings from financial-sector leaders.

A quick browse of the financial news will unearth a host of comparisons with the run-up to the 2008 Global Financial Crisis, such as that of Mohamed El-Erian. The tone is steadily more breathless the deeper you go into Substack, LinkedIn, and podcast commentariat.

The industry is certainly opaque, which makes risk difficult to assess. But that same opacity means that not everyone is talking from a position of authority when it comes to private credit risks to the broader economy.

Our goal in this Memo is to shed some light on the actual scale of the risk posed by a potential deterioration in private credit performance. We argue that the more accurate analogy is not 2008, but 1990. We compare the "junk bond" crisis to the private credit boom (and decline?) and argue that a spike in default rates in private credit does not automatically imply a financial crisis is underway. That said, private credit has some serious business-model challenges to address.

Because not everyone follows the nuances of different lending structures, we start with a quick review of what private credit is and why it's under the spotlight.



A short primer on private credit stress

"Private credit" is broadly defined as a form of non-bank lending in which multiple investors commit funds to a common pool managed by an investment company. The capital is used to make loans to businesses or other financial companies. The investment company charges fees for its services, after which the fund's earnings are paid back to investors.

The types of loans made by private credit funds have expanded widely, but the most common type remains the lending that forms the credit portion of leveraged buyouts (LBOs). This ties private credit to the same underlying assets as the private equity industry, and makes it highly exposed to the LBO cycle.

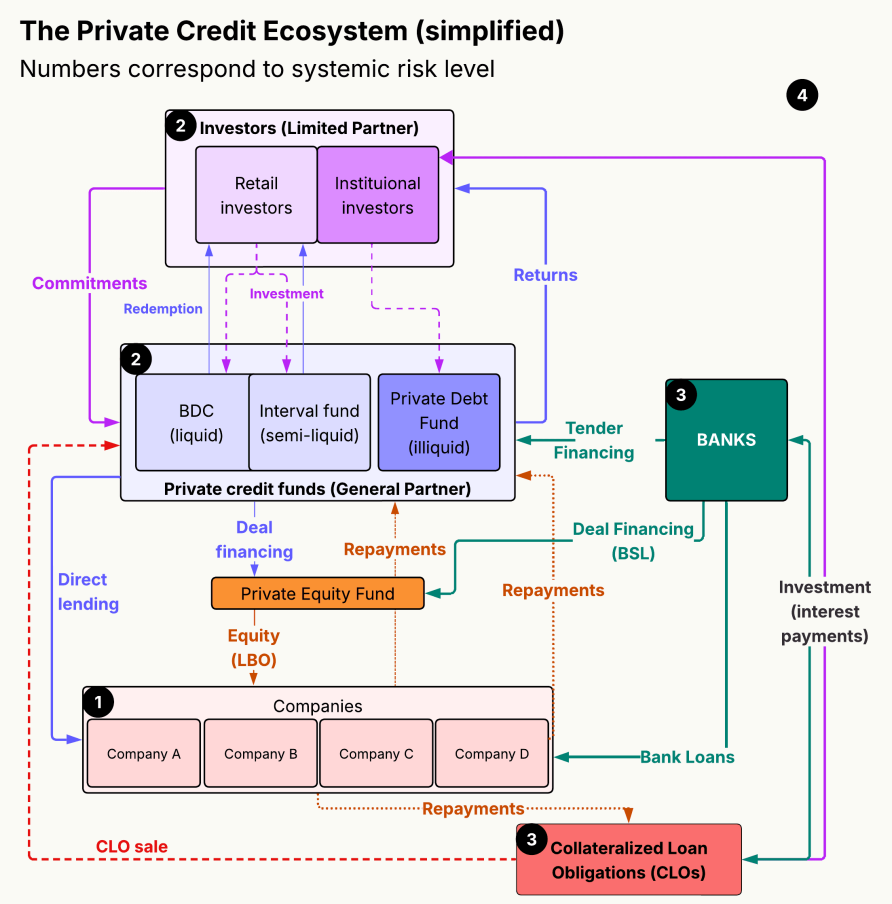
Private credit competes directly with bank lending, particularly the "syndicated loan" market, where groups of banks collectively underwrite LBO financing. They also compete with publicly traded bonds. For the types of mid-market companies that private credit funds usually lend to, these bonds are typically rated as sub-investment grade.

Private credit funds have historically fallen into two broad categories. The first is usually referred to (confusingly) as a "private debt" fund. This is an illiquid vehicle that mirrors a private equity fund in all ways except that it takes debt rather than equity exposure. The investor base is limited to sophisticated institutional investors such as pension funds or sovereign wealth funds who enjoy an illiquidity premium for committing their capital to the fund for up to a decade without seeing returns.

The second type of fund is a publicly traded Business Development Company (BDC), a tax-efficient structure designed by US regulators to encourage access to finance for mid-market and small companies. These offer instant liquidity – investors can move in and out of the fund at prevailing market rates – and therefore attract a wide range of investors including smaller retail buyers.

More recently, a third structure, "semi-liquid" funds, has exploded in popularity. These can be structured as unlisted BDCs or "interval funds." They try to offer investors the best of both worlds by locking them in to improve long-run returns while allowing a small amount of liquidity (usually up to 5% of the fund's net asset value) to be withdrawn quarterly. These funds have been heavily marketed to retail investors.

Semi-liquid funds are at the heart of the current stress in private credit markets. Retail investors have become spooked by rising perceived default risk and have turned out to be much less patient than institutional investors. They're attempting to redeem far more than their funds' mandates allow, creating a dilemma for the fund managers, who are caught between preserving their reputation by allowing investors to cash out and damaging returns for loyal investors by selling assets at a discount to meet the redemptions.



What's making retail investors so skittish? Two things. First, a handful of high-profile defaults linked to private credit firms in 2025, amplified by warnings from high-profile financial figures that private credit managers were too loose with their credit standards during the post-COVID boom and that returns were headed for a nosedive.

The second factor is the recent software selloff, driven by concerns that AI will destroy the industry's business model. Around a quarter of private debt lending (due to its links with private equity) is to high-growth software companies.

It's these dynamics – rising restructuring and default levels, loose underwriting standards, and a slow-motion run on private credit from retail investors – that have drawn comparisons with the years leading up to the global financial crisis.

The junk bond precedent

While we do see a period of subdued returns and a "clearing out" of bad loans on the horizon for private credit, we think comparisons to 2008 are badly misleading.

The global financial crisis was a 100-year financial flood. Private credit is not as large or systemic as the real estate bubble, poses no risk to overnight bank lending markets, and coincides with an economy that is not nearly as highly leveraged as it was in 2008.

There is a much better precedent. An example of a new, niche, fast-growing financing vehicle that worked around the existing regulatory framework to finance a hot LBO market, which ended in tears. That was the "Junk Bonds" episode of the late 1980s and early 1990s.

The junk bond market grew from $8.5 billion to $189 billion in a decade, built around one dominant dealer (Drexel Burnham Lambert, led by Michael Milken). "Junk bonds" were sub-investment-grade bonds (rated below BBB) issued to underwrite an LBO wave that grew from $1.3 billion in 1979 to $77 billion by 1988. When fraud prosecutions and a forced divestiture of savings & loan (S&L) Institutions from junk bonds hit at the same time, the market collapsed. Defaults surged to over 10% and spreads doubled. A sharp recovery in 1991 rewarded the distressed investors who bought the collapse.

The parallels with private credit are obvious, and we can learn a lot about what to expect from the current star of the financial sector by looking at what fueled the rise and triggered the fall of junk bonds. We'll highlight the similarities and important differences.

1. **Rapid scaling based on LBO activity**: Junk bonds were used to finance the burgeoning leveraged buyout (LBO) industry. Volume and deal size grew rapidly, culminating in KKR's (in)famous $25 billion takeover of RJR Nabisco. Similarly, private credit started as a specialist buyout financing industry, and remains closely tied to private equity deal flow.

   Key differences: The junk bond industry was highly concentrated, dominated by Michael Milken's Drexel operation. Its collapse took down the whole industry. Junk bond-financed LBOs were also much more highly leveraged, financing reverse-takeovers with 85%+ leverage ratios. PE deals now typically involve 4-6x EBITDA multiples.

2. **Opacity, Illiquidity and Fraud Concerns**: Junk bonds traded over-the-counter with limited price transparency. The majority of private credit is illiquid,

complex and opaque by design. Opacity makes external credit quality assessments difficult and fraud monitoring challenging.

Key difference: Fraud concerns in private credit are focused on borrowers, not the manager (as in Milken's case). Private credit managers have high visibility into underlying companies, and the resolution of fraudulent borrowing, such as the First Brands episode, arguably demonstrates that the system is working.

3. **Regulatory-driven expansion:** Deregulation played a key role in enabling the growth and collapse of the junk bond industry. Similarly, light-touch regulation of the private credit industry, compared with banks, has enabled its growth. Banks must hold expensive capital against syndicated loans, making this lending unappealing to them (especially when interest rates are high).

   Key difference: Private credit has found a way to circumvent tight regulation rather than taking advantage of a deregulation wave. The industry is arguably filling an important niche that broad post-crisis regulation has left underserved. Regulators, especially in Europe, are increasingly vigilant to private lending risks.

4. **Underwriting and defaults**: Both the junk bond episode and the private credit boom have been characterized by weak underwriting standards. The junk bond market was dominated by original-issue credits with no default history. Much of today's private credit book was originated in a low-rate, low-default environment, with limited data on how borrower performance holds through a full cycle.

   Key difference: Junk bonds were fixed-rate, protecting businesses from interest rate increases but shifting risk to investors. Private credit is floating-rate, shifting risk to borrowers (but preventing credit crunches when rates rise). To manage this, private credit imposes very strong covenants and actively restructures debt before risk crystallizes. This can avoid default or delay the inevitable. Companies' tolerance for high-for-longer rates will determine the extent of the rise in defaults in private credit.

Conclusion: Slower, duller burn

Junk bonds are the closest case study we have, but they're still materially different from private credit.

Specifically, the effects of the very different market structures defining these two financing instruments boil down to a matter of speed. Outside of traded BDCs, there is no mark-to-market mechanism that can crash overnight, and there is no forced selling mechanism imposed by regulators. Managers can gate semi-liquid funds if needed.

This makes the risk in private credit one of a slow burn of higher defaults and weaker returns over a number of years, which most funds will be able to tolerate or restructure around. That said, the days of private credit's stellar returns look like they're over for a while, and their pitch to retail markets is weakening.

Next week in Part 2, we'll examine the degree of systemic risk posed by this type of slowdown in detail.

Appendix

Proprietary Factor and Regime Model and Key Indicators

The Week in Markets

	Latest*	Change since last week (units)	Change since last week (%)	3-month change (units)	3-month change (%)	Year-to-date change (units)	Year-to-date change (%)
Equity							
S&P 500	6506	-126	-1.9	-268	-4.0	-339	-5.0
Information Technology			-1.9		-6.4		-8.5
Financials			0.4		-10.1		-10.8
Consumer Discretionary			-2.7		-12.1		-10.6
Communication Services			-1.5		-2.7		-4.5
Health Care			-3.0		-5.6		-6.5
Industrials			-1.8		4.6		3.9
Consumer Staples			-4.5		3.8		5.1
Energy			2.8		34.9		31.8
Utilities			-5.0		3.4		3.9
Real Estate			-4.0		1.4		0.8
Materials			-4.5		3.7		2.6
Nasdaq Composite	21648	-458	-2.1	-1359	-5.9	-1594	-6.9
Dow Jones Industrial Average	45577	-981	-2.1	-2374	-5.0	-2486	-5.2
Russell 2000	6060	-103	-1.7	-173	-2.8	-108	-1.8
Sovereign Fixed Income							
US: 2-year Treasury Note	3.88	0.15		0.42		0.41	
US: 5-year Treasury Note	4.01	0.14		0.35		0.28	
US: 10-year Treasury Note	4.39	0.11		0.27		0.21	
FRA: 10-year OAT benchmark	3.73	0.07		0.18		0.17	
GER: 10-year Bund benchmark	2.99	0.04		0.14		0.14	
CHN: 10-year CGB benchmark	1.83	0.02		-0.00250		-0.0174	
CAN: 10-year GoC benchmark	3.45	-0.07		0.030		0.030	
Corporate Bond Spreads							
US: A-rated	77.5	-4.5		5.1		7.7	
US: BBB-rated	116	-3.8		8.6		11.8	
Leveraged Loan Spreads							
US: B-rated	452	2.34		54		60	
US: BB rated	258	0.161		0.86		2.54	
US: CCC-rated	1881	11.4		336		318	
Foreign Exchange Rates							
DXY US Dollar Index	99.7		-0.7		1.2		1.4
EUR/USD	1.15		-0.5		-2.0		-2.2
USD/CAD	1.37		0.8		-0.3		0.2
USD/CNY	6.9		0.4		-2.0		-1.3
USD/JPY	160		0.5		2.7		2.2
GBP/USD	1.33		-0.8		-0.6		-1.2
USD/CHF	0.795		1.8		-0.1		0.3
Commodities							
WTI Crude	97.5	0.11	0.1	42	74.6	40.2	70.1
Gold	4563	-482	-9.6	229	5.3	195	4.5
S&P GSCI Commodities			1.8		36.6		34.2
S&P GSCI Industrial Metals			-5.9		4.8		0.1
S&P GSCI Agriculture			-0.4		3.2		3.2

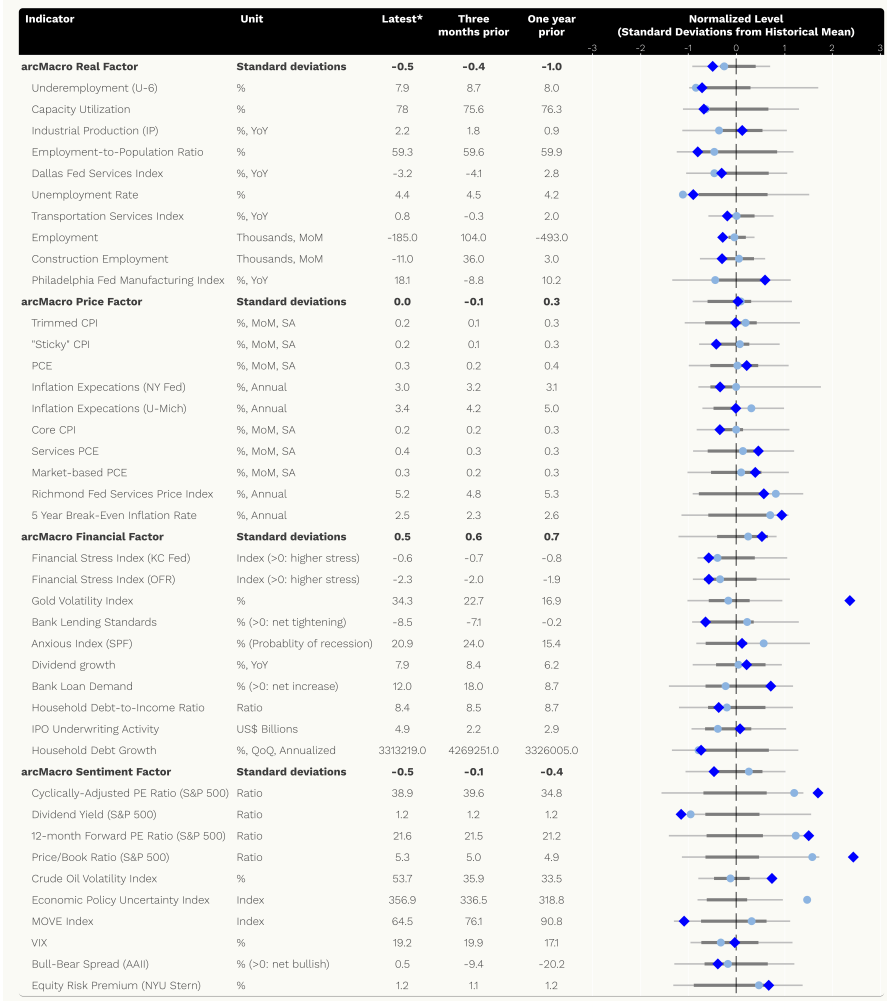
* Weekly closing value. Color indicates positive (green) or negative (red) change since prior week.

Source: S&P Global, Russell Investment Group, Nasdaq, U.S. Department of Treasury, Macrobond Financial AB, Central Bank of Germany (Deutsche Bundesbank), Bank of Canada, Intercontinental Exchange (ICE), International Monetary Fund (IMF), LBMA (London Bullion Market Association), Robert Shiller, Chicago Board Options Exchange (CBOE), U.S. Department of Labor, U.S. Bureau of Labor Statistics (BLS), Federal Reserve Bank of Atlanta, Citi, Federal Reserve Bank of St. Louis, Energy Information Administration (EIA), Pitchbook | LCD, arcMacro

arcMacro Factor Input Monitor

Top 10 inputs by factor loading

Indicator	Unit	Latest*	Three months prior	One year prior
arcMacro Real Factor	**Standard deviations**	**-0.5**	**-0.4**	**-1.0**
Underemployment (U-6)	%	7.9	8.7	8.0
Capacity Utilization	%	78	75.6	76.3
Industrial Production (IP)	%, YoY	2.2	1.8	0.9
Employment-to-Population Ratio	%	59.3	59.6	59.9
Dallas Fed Services Index	%, YoY	-3.2	-4.1	2.8
Unemployment Rate	%	4.4	4.5	4.2
Transportation Services Index	%, YoY	0.8	-0.3	2.0
Employment	Thousands, MoM	-185.0	104.0	-493.0
Construction Employment	Thousands, MoM	-11.0	36.0	3.0
Philadelphia Fed Manufacturing Index	%, YoY	18.1	-8.8	10.2
arcMacro Price Factor	**Standard deviations**	**0.0**	**-0.1**	**0.3**
Trimmed CPI	%, MoM, SA	0.2	0.1	0.3
"Sticky" CPI	%, MoM, SA	0.2	0.1	0.3
PCE	%, MoM, SA	0.3	0.2	0.4
Inflation Expecations (NY Fed)	%, Annual	3.0	3.2	3.1
Inflation Expecations (U-Mich)	%, Annual	3.4	4.2	5.0
Core CPI	%, MoM, SA	0.2	0.2	0.3
Services PCE	%, MoM, SA	0.4	0.3	0.3
Market-based PCE	%, MoM, SA	0.3	0.2	0.3
Richmond Fed Services Price Index	%, Annual	5.2	4.8	5.3
5 Year Break-Even Inflation Rate	%, Annual	2.5	2.3	2.6
arcMacro Financial Factor	**Standard deviations**	**0.5**	**0.6**	**0.7**
Financial Stress Index (KC Fed)	Index (>0: higher stress)	-0.6	-0.7	-0.8
Financial Stress Index (OFR)	Index (>0: higher stress)	-2.3	-2.0	-1.9
Gold Volatility Index	%	34.3	22.7	16.9
Bank Lending Standards	% (>0: net tightening)	-8.5	-7.1	-0.2
Anxious Index (SPF)	% (Probablity of recession)	20.9	24.0	15.4
Dividend growth	%, YoY	7.9	8.4	6.2
Bank Loan Demand	% (>0: net increase)	12.0	18.0	8.7
Household Debt-to-Income Ratio	Ratio	8.4	8.5	8.7
IPO Underwriting Activity	US$ Billions	4.9	2.2	2.9
Household Debt Growth	%, QoQ, Annualized	3313219.0	4269251.0	3326005.0
arcMacro Sentiment Factor	**Standard deviations**	**-0.5**	**-0.1**	**-0.4**
Cyclically-Adjusted PE Ratio (S&P 500)	Ratio	38.9	39.6	34.8
Dividend Yield (S&P 500)	Ratio	1.2	1.2	1.2
12-month Forward PE Ratio (S&P 500)	Ratio	21.6	21.5	21.2
Price/Book Ratio (S&P 500)	Ratio	5.3	5.0	4.9
Crude Oil Volatility Index	%	53.7	35.9	33.5
Economic Policy Uncertainty Index	Index	356.9	336.5	318.8
MOVE Index	Index	64.5	76.1	90.8
VIX	%	19.2	19.9	17.1
Bull-Bear Spread (AAII)	% (>0: net bullish)	0.5	-9.4	-20.2
Equity Risk Premium (NYU Stern)	%	1.2	1.1	1.2

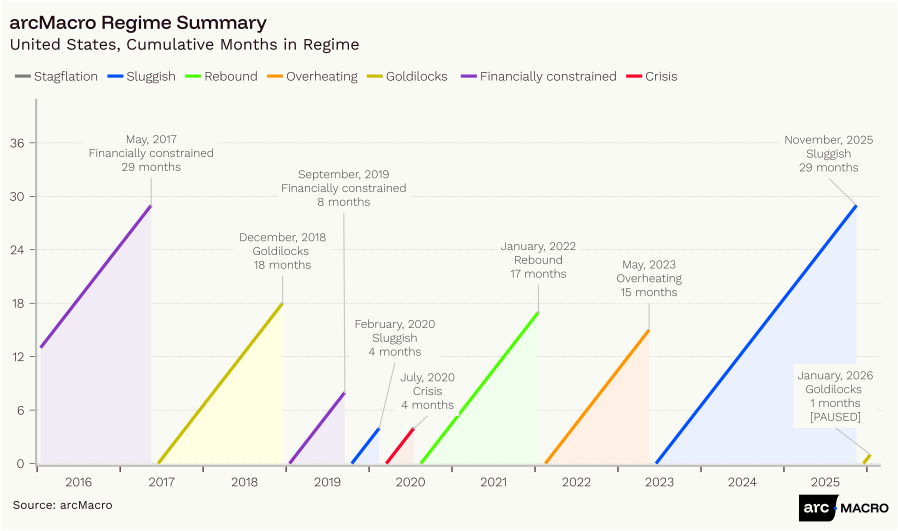


Source: arcMacro, BLS, Fed, Dallas Fed, DOT, Philadelphia Fed, Cleveland Fed, Atlanta Fed, BEA, New York Fed, University of Michigan, Richmond Fed, Macrobond, Kansas City Fed, The Office of Financial Research (OFR), CBOE, S&P Global, SIFMA, Robert Shiller, Economic Policy Uncertainty, ICE BofAML, LJKmfa, AAII
*Most recent published data point. Time period and frequency do not necesarily align.

arcMacro Real Time Factors

United States, z-score

Source: arcMacro



Disclosures

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