Schrödinger's economy

Report for the week ending March 28, 2026

Dylan Smith

Key Takeaways

- MONOLOGUE: The Iran war dominated the week, with major headlines yielding a lot of volatility and very little new information. The diplomatic offramp isn't there yet, and the longer the war drags on, the more the economic picture darkens. We're on a path toward moderate stagflation, but a ceasefire could change everything overnight. The box containing Schrödinger's economy is still closed.
- MACRO: The flash PMI confirmed that the inflationary impulse from the Iran war is hitting faster than the 2022 Russia shock, with service sector prices rising sharply. Tariffs have eroded businesses' ability to absorb the oil price shock.
- MARKETS: Oil round-tripped on ceasefire hopes and disappointment, equities sold off further, and financial conditions continued to tighten. The gold selloff is creating a more favorable setup: whether the war intensifies or ends, the outlook is improving
- MEMO: The private credit industry is coming under increasing stress, and a sharp rise in defaults would result in losses for investors. In Part 2 of our deep dive, we argue that this is a localized risk in a new corner of the financial system, not a systemic issue on the scale of the 2008 Global Financial Crisis.

Monologue

Living through it, this felt like a potentially consequential week in world history. Oil price ticks recorded a grand narrative arc of joyous optimism in the wake of diplomatic attempts to end the Iran war, morphing into disappointment over the fragility of those attempts, and ending where it started, with Iran's chokehold on the global economy cast into ever-sharper relief.

In reality, nothing much changed this week:

- We already knew that President Trump wants a short war; that much was obvious from the start, with midterm elections looming in November and pump prices soaring.
- We also knew his options for finding a quick offramp are limited; the trajectory of the war remains in Iran's hands, and its control of the Strait of Hormuz is effectively unassailable.
- We know too that Israel will not entertain a ceasefire until its broader objectives in Lebanon have been achieved, which does not appear to be the case just yet.

I'm looking forward to writing a note on what things will look like when a ceasefire is reached — what will revert to pre-war status and what has been permanently changed. That will have to wait. I haven't seen any new evidence this week indicating that we're closer to a ceasefire than the week before. If we're lucky, I'll be proven spectacularly wrong soon.

Here is the crux of the problem. President Trump will have to lean on his ability to frame losses as wins to find a way out, but even though he's probably prepared to do so, Iran will demand unacceptable compromises. The red line on the US side is surely not to exit the war in a worse position in terms of Iran's nuclear program or the oil trade than was the case on the eve of the war. Given Iran's now uncontested control of Strait of Hormuz shipping, US strikes having apparently had the opposite effect than intended on internal resistance to the regime, and the unwillingness of the Trump administration or the US electorate to transition to a ground war, Iran has the leverage to make asks that cross that red line, and no incentive to let up on the pressure until it gets closer to it.

Therefore, a continuation of a bombardment escalation coupled with secret back-channel negotiations and public attempts to talk down the oil price will likely persist in the weeks and months ahead.

Based on my reading of the research from commodities analysts, the "market-clearing" price for a *sustained* restriction of Gulf oil supply sits north of $150 per barrel for Brent crude. A much higher percentage increase in some petrochemical byproducts would be needed to clear those markets.

What's keeping prices closer to $100? A combination of rerouted Gulf supply (now maxed out), plans for strategic reserve releases, and the expectation that the war will be over well before Christmas (Polymarket odds for a ceasefire before June were stable at 53% this week).

The longer the war drags on, the weaker these factors become. Eventually, higher prices would be necessary to force demand reductions. I'm more sanguine than most that this can be achieved with relatively minor medium-term damage, but in the short term, it's a recipe for pain.

Over time, the pain gets worse because interest rates will need to rise. Higher inflation reduces the real (inflation-adjusted) interest rate, especially if it leads consumers and businesses to expect higher future inflation. One completely uncontested finding in the economic literature is that an immediate increase in oil prices raises inflation expectations. Food and gasoline are the most tangible of cost increases a consumer can face. Interest rates need to rise to offset this, or central banks risk runaway inflation.

Higher interest rates also play a role in reducing demand when supply shocks are very large, as this one is. If central banks were to try to offset the economic impact of the shock with lower interest rates, they would free up funds to be spent on goods that the price mechanism is trying to ration, making the inflation of those prices worse.

In other words, I'm in the camp that sees the optimal response to major supply shocks as being a resolute focus on preventing any increase in inflation expectations, which turn supply shocks into general inflation, and staying away from communicating a willingness to "look through" the inflation. It's my view that central banks have taken the same lesson from the COVID-19 inflationary episode.

Put that all together, and we're on the path toward a moderate stagflation on the scale of the early 1990s – a downturn in activity, higher inflation, and higher interest rates.

It's not a rosy outlook, but the truly challenging thing is that you can't make your plans on that basis yet, because a ceasefire within a month or two would avert a serious downturn and maybe even spark a relief rally.

So, once again, uncertainty is preventing a decisive move toward recession or accelerated activity.

We're in Schrödinger's economy, and the box is locked.

Dylan Smith

Founder and Chief Economist

Marginal Movers

Rising 👆

- **Data Centers (Literally):** Orbital data centers: There's no way this is economically viable, right? — "A company called Starcloud recently modified and launched an Nvidia H100 GPU to a small satellite bus where it is running Gemini in space."
- **The 90%:** Have U.S. consumers gone "K-shaped"? A review of the data — A careful look at the latest data suggests reports of the "K-shaped economy" may have been exaggerated.

Falling 👇

- **The AI productivity boom:** Firm Data on AI — "Using representative surveys across four countries—answered by nearly 6,000 CFOs, CEOs, and executives—the authors of this working paper document widespread AI adoption with little impact so far but expected productivity gains and modest employment declines over the next three years" (for the record, our view is that the productivity gains will compound over decades and be very difficult to track).
- **Private credit derivatives:** Cliffwater's Father-Son Duo Is Lashed by Private Credit's Brewing Storm — Maturity mismatch x liquidity mismatch = fragility.

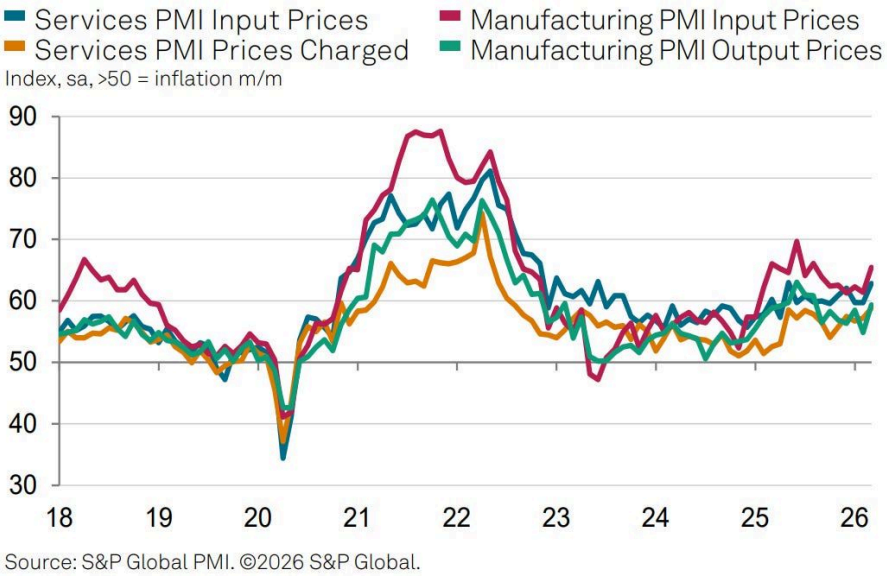
Macro Monitor

There was only one data release of note this week as we await official data covering March, which will help us parse the initial impact of the war.

That release was the US Flash Purchasing Managers' Index (PMI — the "flash" release is biased toward the beginning of March and liable to be revised), which dropped some big hints on how the war is affecting the economy. The most important line from the report is this:

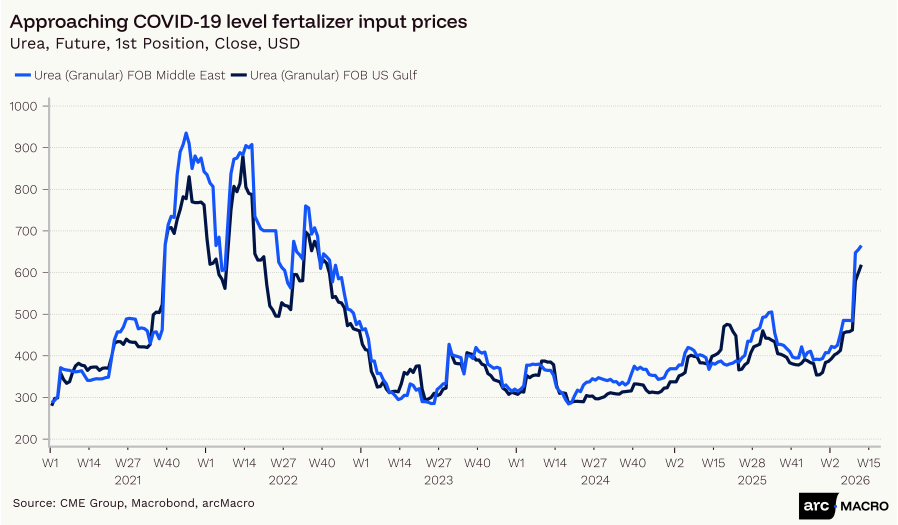
> *"Higher costs were passed on to customers to generate the largest rise in selling prices in over three-and-a-half years. Rates charged for services rose on average at a rate not seen since August 2022 while goods prices increased at the sharpest rate last August."*

It's not just energy prices rising. That service prices are up so sharply confirms my suspicion that another leg up in input prices is more than firms can absorb through tighter margins after tariffs are taken into account, accelerating the inflation pass-through process.



There were some signs of a slowdown in activity momentum, too, though the index was still above the 50 mark that signals an expanding economy. The pattern was the same, if somewhat more pronounced, in the UK and Eurozone flash PMIs.

It's rapidly becoming clear that the global inflationary implications of the Iran war will materialize faster than was the case after the Russian oil price spike in 2022. The reason is simple: in addition to crude oil and natural gas, a meaningful proportion of refined fossil fuels and byproducts are produced in the Gulf and shipped through Hormuz. Hence, we'll see a host of prices rise faster than the oil price has, feeding directly into non-energy price inflation. Fertilizer inputs and jet fuel have been hit first, and materials with important industrial applications, such as Sulfur, are up next.



That said, demand conditions are weaker, and the monetary base is stable rather than expanding, so there is some skepticism (not least from the Federal Reserve) that the shock, while large, will be "transitory." This debate – whether central banks should respond to the supply shock by raising rates to avoid second-round effects – will dominate financial markets over the next few months.

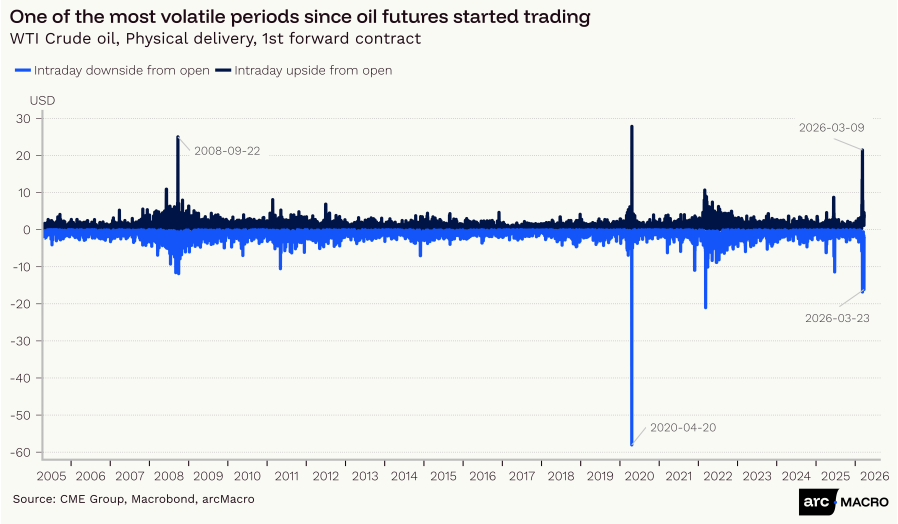
See the appendix for arcMacro proprietary Factors and the Key Macroeconomic Indicators tracking chart.

Market Monitor

Public markets

This was another wild week for energy markets, where the oil price has become a derivative of President Trump's Truth Social feed. The President's claims early in the week that productive engagement with Iran would soon see a negotiated end to the war sent Brent crude from $113 per barrel all the way down to $98. Markets initially ignored Iran's rebuff in response, but by the end of the week, it was obvious to all that President Trump can't talk the war to an end; Iran remains in control of Hormuz and is content to keep it closed to improve its negotiating position. Oil prices essentially round-tripped, finishing within two percentage points of where they started, with Brent at $115 and WTI crude at $100 per barrel.

Some context on just how volatile oil markets are: Monday's intraday decline from the opening price was the fourth-largest in US$ terms in history, coming just a couple of weeks after the single most volatile trading day ever.



The other market trends that have defined the past few weeks continued unabated. Financial conditions tightened further as both rates and spreads rose, and the dollar strengthened.

Equities fell sharply. The tech sector was hit by a combination of renewed AI infrastructure skepticism and war-related pessimism, sending the Nasdaq Composite Index down by 3.2% and into official "correction" territory. More diversified stock indices like the S&P 500 are getting support from rising energy, utilities, and materials stocks (see table in appendix).

Golden linings

Gold lost another 1.3% this week, closing at $4,500 per ounce. We've been slightly snarky about gold's recent run-up and high retail participation turning it into a volatile "speculative" asset. We owe readers a bit more detail on what's going on and how the outlook is shaping up.

On our read of the volume and positioning data, there are four forces driving the gold price (and that of related precious metals) lower.

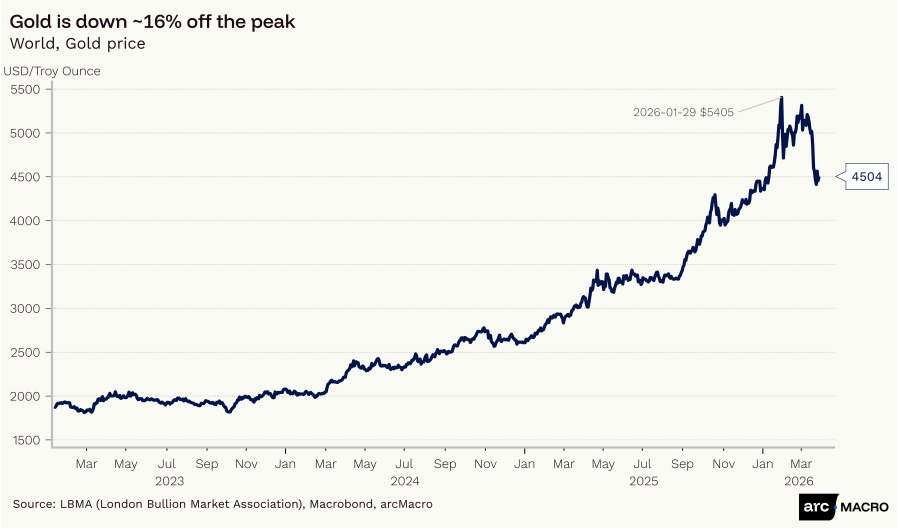
1. Higher interest rates make the opportunity cost of holding gold more punitive.
2. Forced liquidations among hedge funds and other investors to cover margin calls.
3. Profit-taking by professional investors who participated in the 2025 rally.
4. The factors above spooking retail investors, who primarily trade on price momentum.

The price is now 16.7% below its January peak. In our view, we're now approaching the point where the outlook shifts from negative to positive.

One reason is that gold price dynamics have disconnected from the trajectory of the war. Our research shows that during prior geopolitical shocks, the gold price has risen only after the sectoral inflationary shock turns broad-based consumer inflation. That makes the one-year ahead outlook for the yellow metal strong, should the war intensify.

Ironically, we also view a relief rally as highly likely if the war is ended on a shorter timeline, with lower interest rates and improved sentiment among speculators bringing investors back into the market.

While we can't call the bottom, the outlook for gold is getting less binary.



See the appendix for the market monitor table

Memo

Private Credit Part 2: Risky, but not systemic

Bottom line: *The private credit industry is coming under increasing stress, and a sharp rise in defaults would result in losses for investors. However, this is a localized risk in a new corner of the financial system, not a systemic issue on the scale of the 2008 Global Financial Crisis.*

What it means for investors: *Investors without direct exposure to private credit funds can ignore the noise and focus on their own portfolios. We argue that a rethink of the retail component of the private credit model is in order.*

In Part 1 of our deep dive into emerging stress in the private credit market, we provided a primer on the asset class and made the case that the appropriate precedent for potential market dislocations is the late 1980s and early 1990s "junk bond" boom and bust.

Comparing the key similarities and differences between the two asset classes (both of which emerged to finance the leveraged buyout industry), we argued that the structure of private markets means that, even if underlying defaults rise to similar levels to the peak of the junk bond crisis, investors are facing a slow burn of weak returns and subdued activity, not a sudden run and collapse in the market.

In Part 2, we're expanding the scope of our analysis to examine how significant a systemic risk the private credit industry poses to the financial system and the economy. One important feature of the junk bond crisis is that it was not systemic — junk bonds were not too big to fail. In fact, junk bonds were a casualty of the separate problems in the savings and loan industry, not a root cause.

Our motivation for the analysis stems from the widely reported comparisons between private credit dynamics and the lead-up to the 2008 financial crisis made by financial commentators and regulators. A representative example comes from former PIMCO CEO Mohamed El-Erian, who stated that private credit has the makings of a "classic contagion phenomenon" reminiscent of 2007/8.

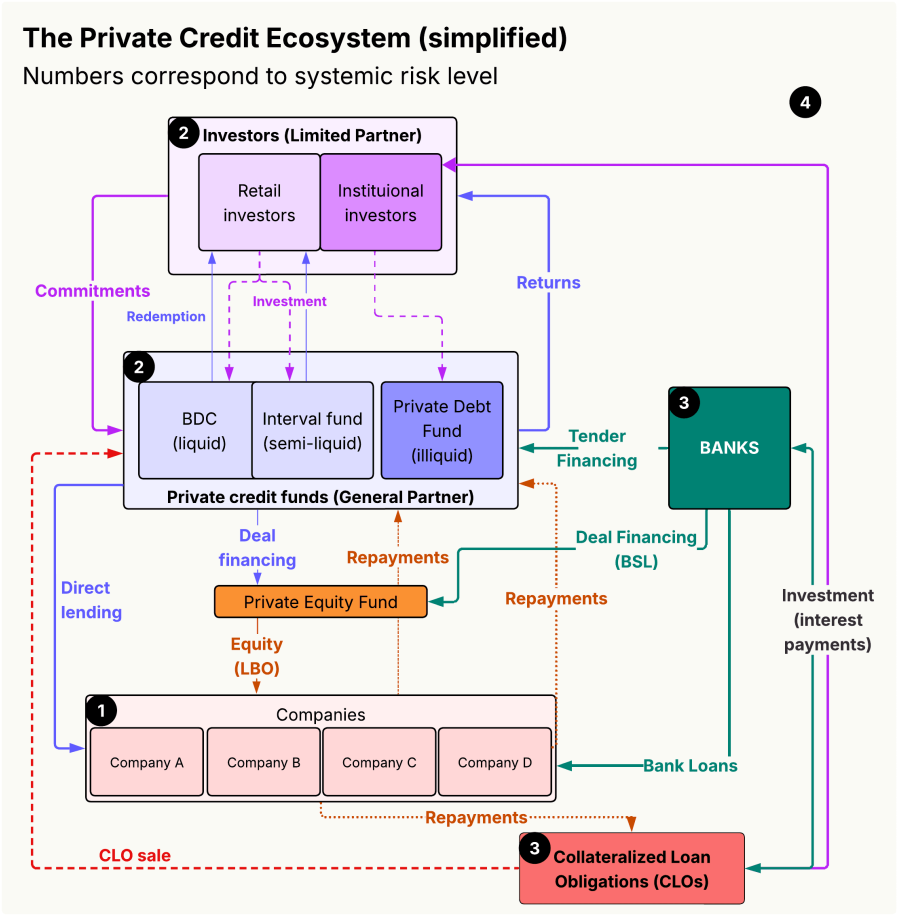
That's a concern because the Global Financial Crisis (GFC) was a once-in-a-century collapse of the financial system after decades of imbalances and economic over-leverage were allowed to accumulate.

While regulators cannot afford to overlook potential risks in the sector, and while we applaud their efforts to monitor non-bank financial sector risks more closely, we do not see a spike in private credit defaults as a deeply systemic issue on the scale of the GFC.

A contagion framework

The chart below provides a simplified overview of how the key players in the private credit system interact. We've used numbers to label how the progression of a rise in defaults would propagate through the system in discrete stages.

Level 1 is the companies that private credit funds lend to, where the assumption is that a surge in defaults would trigger wider problems for the industry. Level 2 is the lending funds themselves, the entities to which the companies would default, as well as the investors in the funds, who are liable for any losses. Next is the banking system, which has several layers of exposure to the industry and would be the nexus of broader systemic collapse. Level 4 is the wider economy of consumers and households.



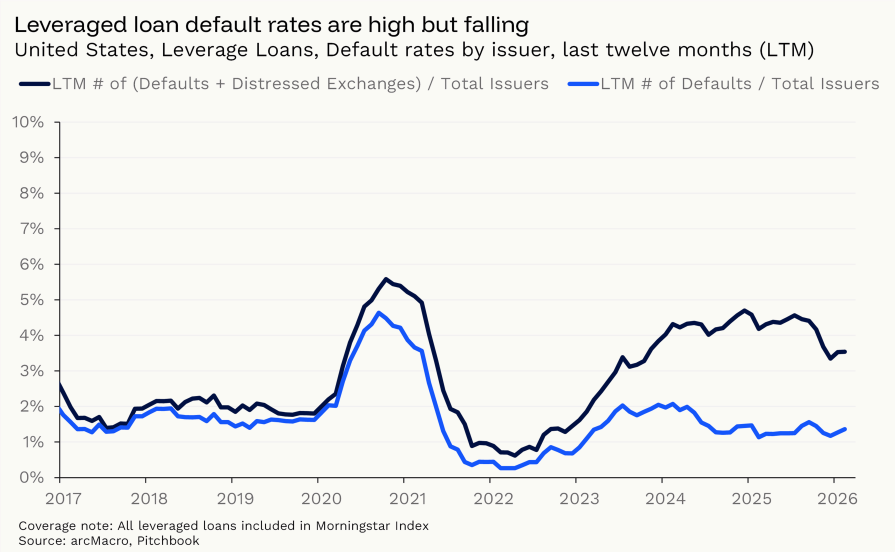
Level 1: Distress and default

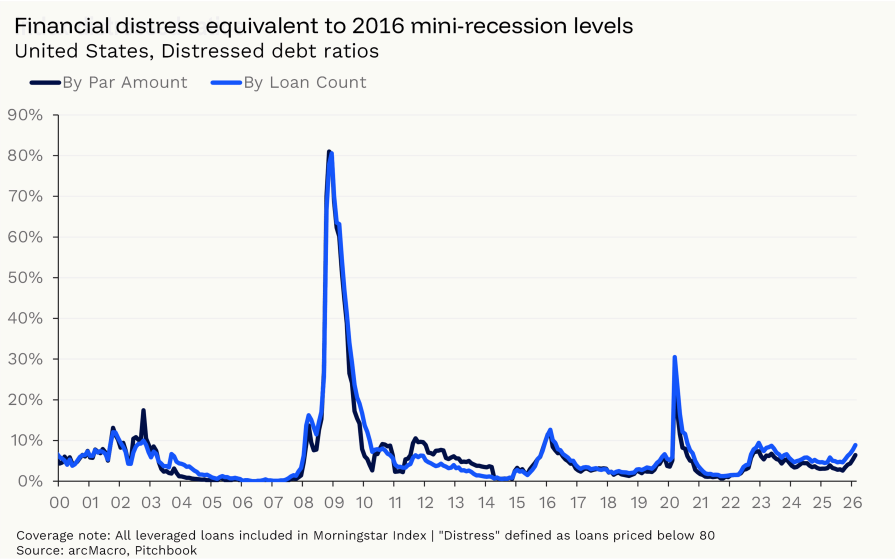
The first level of risk lies with the companies that private credit funds lend to, both directly and through financing leveraged buyouts (LBOs) and add-on investments, which appear on those companies' balance sheets. The current fear in the market is that higher-for-longer interest rates are causing distress and rising default rates.

High-profile events such as the First Brands Group bankruptcy last year have put this issue top-of-mind for investors.

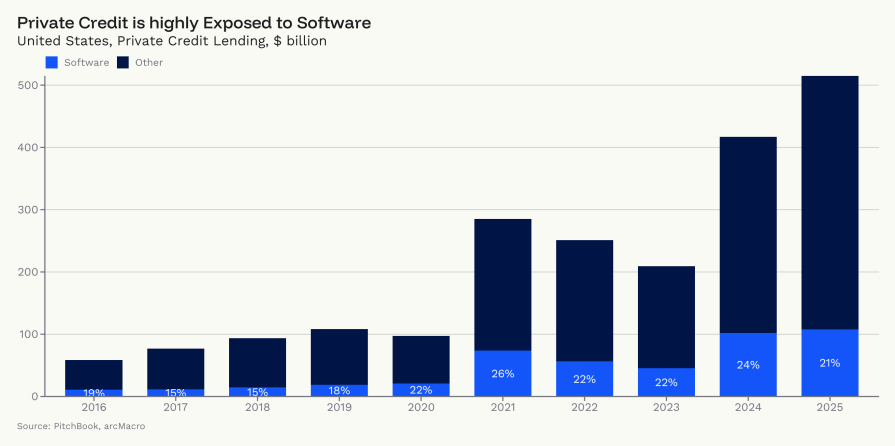
The private market is opaque by design, so reliable and up-to-date default data is not available. Instead, investors rely on the more transparent institutional leveraged loan market as a proxy benchmark. These are loans that compete with private credit in the riskier mid-market and LBO sector.

Leveraged loan default rates have been elevated for some time, but have actually fallen from a peak of 5% to below 4% as of February 2026. And distress more broadly defined is rising, but nowhere near crisis levels.



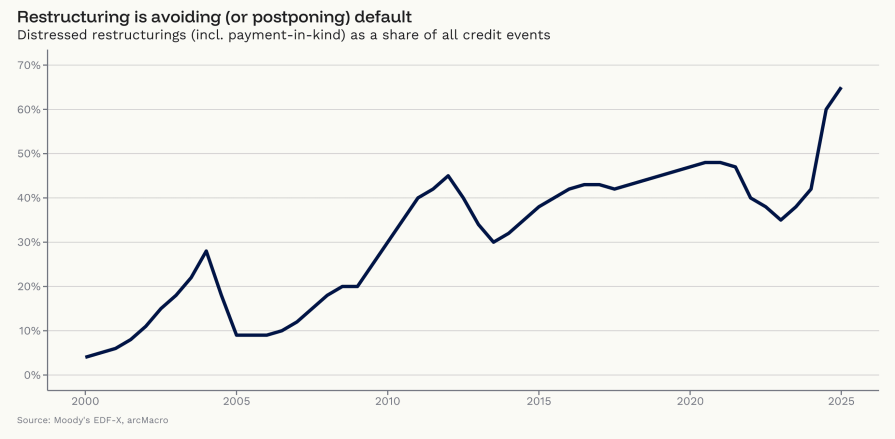


Therefore, we must assume that investors are seeing specific private credit risk that is not currently reflected in leveraged loans. One potential source is private credit's exposure to the software industry, which is high. However, as we argued a few weeks back, we think the indiscriminate software selloff has been overdone. The process of AI integration within the software industry will create winners and losers, not a widespread collapse of software as an industry.



A more legitimate concern is private credit firms' unique ability to restructure debt before defaults, which some argue is masking an underlying deterioration in credit quality. This is a double-edged sword. Strong covenants and close relationships with private equity operators enable private creditors to anticipate problems and adjust terms in advance. In many cases, this will give firms the breathing room they need to avoid major problems.

The other edge of the sword is when restructurings intensify underlying business model failures. One practice that is coming under serious scrutiny is the use of "payment-in-kind" (PIK) to avoid defaults, in which creditors add missed interest payments to the outstanding principal without triggering an official credit event. This can create solvency problems while avoiding liquidity challenges.

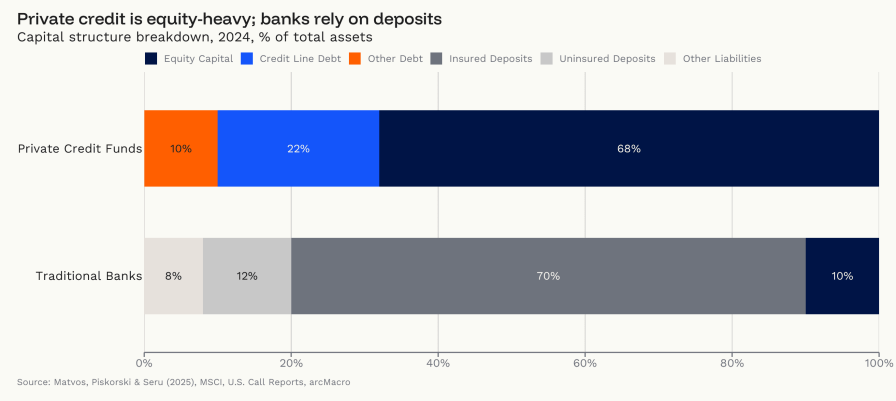


This concern should be taken seriously, but it's difficult to gauge the balance between successful and unsuccessful restructurings or assess how high defaults might rise. Scenarios range from 8% (Morgan Stanley) to a much more severe 15% (UBS, assuming AI investment distress), compared with current estimates of 5-6%. As much as anything, this depends on the economic outlook. A recession scenario (perhaps triggered by the Iran war) could push defaults above 10%, but we don't see this as a base case or a reason for panic. Still, we'll work with a shock of around that scale to study how systemic propagation might look.

Level 2: Investor exposures

The second level of exposure is about who absorbs losses should defaults rise meaningfully. Level two comprises two groups. First is the private credit funds themselves. As the chart below shows, they are primarily capitalized by their investors. The funds are not significantly leveraged, and mostly borrow using short-term credit lines to provide liquidity around deals and redemption periods.

This is important: private credit is not a leveraged play. That makes it less systemic, because it does not trigger secondary waves of defaults. Private credit may provide the debt component of leveraged private equity bets, but it is itself a relatively standard lending market.



The firms that manage private credit funds (such as Blue Owl or Blackstone) charge fees for their services, but do not own the risk. Therefore, any major rise in defaults is transmitted directly to investors via fund performance, which may turn negative.

There are two categories of investors: institutional investors, such as pension funds, sovereign wealth funds, and endowments, and "retail" investors, who at this stage are mostly high-net-worth individuals.

Institutional investors bring the virtues of patience (they have long-term liabilities), sophistication, and diversification. They are locked into closed-end funds and can absorb losses by marking down their positions over time. They may even be rewarded for their patience if loan-level restructurings help smooth out temporary liquidity challenges.

Retail investors are a different kettle of fish. They invest in semi-liquid or fully liquid funds, have less access to liquidity outside these investments (and so may need to redeem their positions), and are more sensitive to news cycles. It is these investors who are currently inundating funds with redemption requests, which has triggered the current stress in the industry.

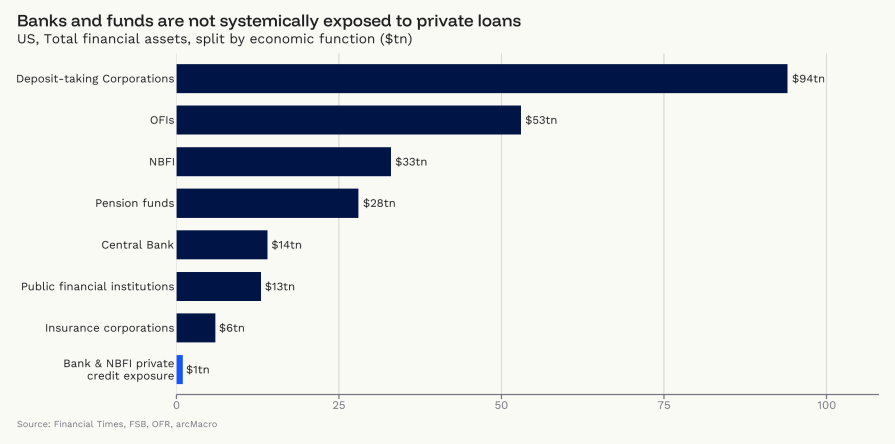
Importantly, both types of investors are unlikely to transmit losses systemically. They do not have major liquidity mismatches that would trigger contagion and would simply have to eat the losses on their private credit investments if a default crisis emerges.

Level 3: The banking system

Banks get their own category in the systemic risk framework. They sit at the heart of the economy, and there has never been a major financial crisis that has not been transmitted by bank collapses.

The links between the banking system and the private credit industry are complex and layered. Banks make their own loans to the same companies as private credit funds (it is an underappreciated fact that the First Brands Group collapse involved primarily bank lending, not private loans), they provide liquidity to those funds, they have relationships with the investors in those funds and with the private equity groups who own the companies, and they may buy portfolios of private credit loans if funds securitize their portfolios.

That these losses would create concerns about financial system contagion is understandable. But size matters here. Bank exposures are simply too small to create a systemic event (see chart). The worst-case scenario looks more like Silicon Valley Bank than Lehman Brothers in terms of economic fallout.



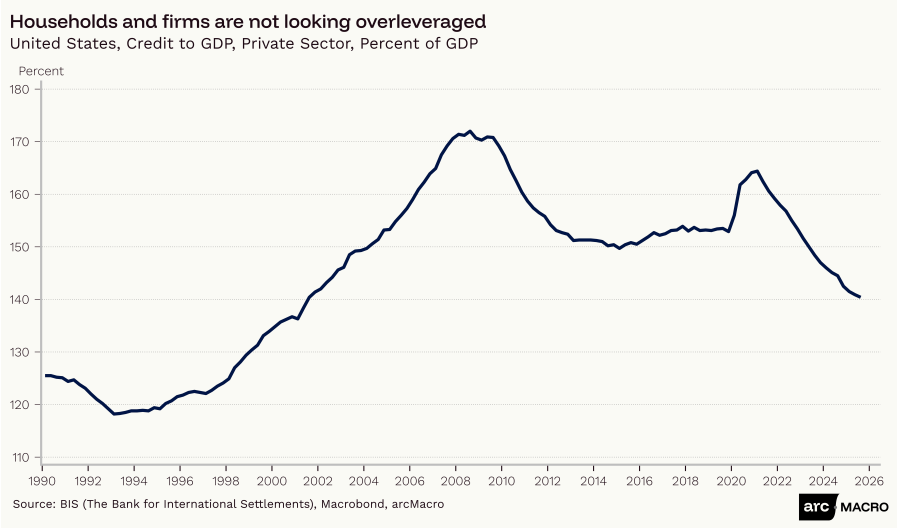
Level 4: the broader economy

The final level to consider is the Main Street economy. Let's imagine that some combination of an unprecedented rise in defaults, underestimated bank exposure, and fire sales of public assets by investors for liquidity purposes created a genuine contagion situation.

This would undoubtedly trigger a recession. But the likelihood, depth, and duration of this scenario all depend on how leveraged the general economy is going into the private credit crisis. We should take comfort from the fact the private sector has been deleveraging in recent years, and does not look at all overextended.

This means defaults are likely to be localized to specific industries (maybe software), and that the broader fallout from a private credit collapse would be less severe than in the aftermath of the GFC, when the global economy had to endure a painful deleveraging process.

Again, the precedent is 1990, not 2008.



Conclusion: a business model rethink

Instead of fretting about a repeat of a once-in-a-century crisis, the industry and its regulators should be growing more skeptical of the liquidity mismatch created when a fundamentally illiquid product is offered to retail investors, who do not have the patience or balance sheet to weather temporary cash-flow downturns or valuation markdowns.

Illiquidity is best concentrated among investors such as pension funds, who can carefully match maturities, and "evergreen" investors like endowments and SWFs that have a very long-term investing horizon.

All of these institutions are designed for public benefit, so it's not clear why regulators should be worried about the inequality effects of who earns the illiquidity premia embedded in private assets.

Ironically, the push to include private assets in retirement savings vehicles like 401ks may actually be a more appropriate target than high-net-worth individuals (fee concerns aside), since retirement savings pools are designed to be illiquid. Of course, access and management should be carefully thought through.

In other words, a specific branch of Level 2 systemic risk needs to be patched up, but the private credit industry has earned its place in the financial system.

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	6369	-138	-2.1	-563	-8.1	-477	-7.0
Information Technology			-3.5		-12.8		-11.6
Financials			-2.1		-14.2		-12.6
Consumer Discretionary			-1.9		-14.5		-12.3
Communication Services			-7.2		-11.8		-11.4
Health Care			-1.0		-8.0		-7.4
Industrials			-1.2		1.1		2.7
Consumer Staples			1.2		5.6		6.4
Energy			6.2		41.3		40.0
Utilities			2.9		6.5		6.9
Real Estate			-0.7		-0.4		0.1
Materials			4.2		5.6		6.9
Nasdaq Composite	20948	-699	-3.2	-2665	-11.3	-2294	-9.9
Dow Jones Industrial Average	45167	-411	-0.9	-3565	-7.3	-2897	-6.0
Russell 2000	6088	27.9	0.5	-245	-3.9	-80.1	-1.3
Sovereign Fixed Income							
US: 2-year Treasury Note	3.88	0.00		0.41		0.41	
US: 5-year Treasury Note	4.06	0.05		0.36		0.33	
US: 10-year Treasury Note	4.44	0.05		0.29		0.26	
FRA: 10-year OAT benchmark	3.85	0.12		0.28		0.29	
GER: 10-year Bund benchmark	3.11	0.12		0.24		0.26	
CHN: 10-year CGB benchmark	1.82	-0.01		-0.00250		-0.030	
CAN: 10-year GoC benchmark	3.47	0.03		0.070		0.050	
Corporate Bond Spreads							
US: A-rated	79.2	1.7		8.3		9.4	
US: BBB-rated	119	2.5		13.1		14.3	
Leveraged Loan Spreads							
US: B-rated	456	4.36		61		64.4	
US: BB rated	261	2.68		5.1		5.23	
US: CCC-rated	1914	32.6		346		350	
Foreign Exchange Rates							
DXY US Dollar Index	100		0.5		2.3		1.9
EUR/USD	1.15		0.4		-2.1		-1.8
USD/CAD	1.38		0.8		1.2		1.0
USD/CNY	6.9		0.0		-1.6		-1.3
USD/JPY	159		-0.2		2.1		2.0
GBP/USD	1.33		0.3		-1.4		-1.0
USD/CHF	0.794		-0.2		0.9		0.1
Commodities							
WTI Crude	99.6	1.32	1.3	41	70.8	42.2	73.5
Gold	4504	-58.4	-1.3	55	1.2	136	3.1
S&P GSCI Commodities			0.4		33.3		34.8
S&P GSCI Industrial Metals			2.3		4.3		2.4
S&P GSCI Agriculture			0.2		1.5		3.4

* 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), CME Group, 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

arc MACRO

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**	**0.2**	**-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	3.8	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	4.8	6.1	5.2
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)	-14.1	11.2	-35.9
Equity Risk Premium (NYU Stern)	%	1.2	1.1	1.2

Normalized Level (Standard Deviations from Historical Mean)

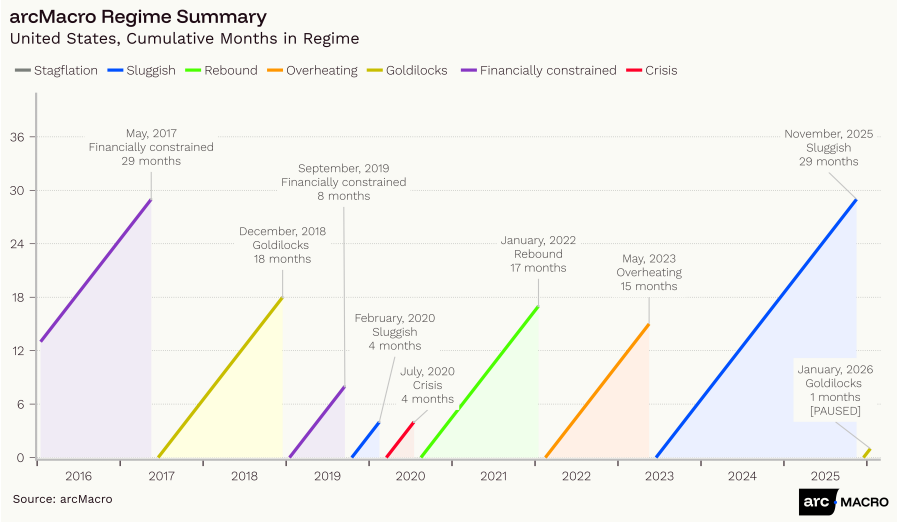
10th-90th Percentile · 25th to 75th Percentile · Mean of past 5 years · Latest Value

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



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