

# Reflation

Report for the week ending June 06, 2026

Dylan Smith

## Key Takeaways

- **MONOLOGUE:** We're officially calling a stagflation in Q2 of 2026, but the real news is that the forward probabilities in our tracking models are leaning toward more reflationary "Rebound" or "Overheating" scenarios, should improving labor market and activity data hold their momentum.
- **MACRO:** Payrolls beat big, capping off a week of positive labor market data, with firmer PMIs and a better Beige Book rounding out a bullish week in macro. Canada made up lost ground, posting the strongest net job creation in more than a year, to push the employment rate down from 6.9% to 6.6%.
- **MARKETS:** Friday's jobs print drove a sharp cross-asset macro move. Rate-hike odds jumped, spiking the two-year Treasury yield, while cyclicals and technology stocks got hammered.
- **MEMO:** Optimism that the coming IPO surge can "unstick" PE activity is misplaced, especially in the middle market. Most exits do not involve public markets, and trends in valuations and financing costs are working against a stronger recovery in deal flow taking hold.

## Monologue

Employment creation was significantly stronger than expected in May, and for a third month running. This topped off a week of firm labor market data, which we review in detail in the Macro Monitor below, alongside other positive signals from PMIs and the Beige Book.

Beneath the headline numbers, a clear trend has now conclusively emerged: the labor market is shifting from "stabilizing" to "improving" (if gradually). The fact that momentum has carried seamlessly into May suggests that higher oil prices are not (yet) weighing on employment.

The macro data flow this week was so good, in fact, that traders doubled down on bets that the Fed will raise interest rates later this year, sending cyclically sensitive equities into a tailspin on Friday afternoon. Given that markets appear to expect the Strait of Hormuz to reopen soon – at least for long enough to clear major backlogs (oil prices are still hovering near the \$90 per barrel mark) – this suggests that interest rate expectations are reflecting domestic fundamentals more than energy-shock risks.

It's starting to dawn on people that we're in the midst of a major capital expenditure cycle that is overpowering economic headwinds, and that a pickup in demand alongside a spike in inflation will bring higher interest rates. The sheer pace of AI-related investment and the inevitable deployment and adoption frictions it creates will generate both stronger demand and persistent inflationary pressures, regardless of what happens in the Gulf.

And if you see a doom-mongering chart showing a spike in tech layoffs related to AI, ask the author to show you the corresponding data on AI-related hiring and job openings across the broader economy. The effect of AI on the labor market needs to be studied in general equilibrium terms.

**Our factor and regime framework now has enough data since the start of the Iran conflict for us to officially update the current regime from "Sluggish" to "Stagflation."** As a reminder, in arcMacro nomenclature, "Stagflation" simply means a situation in which growth is below-trend, and inflation is spiking. See the Memo in [this note](#) for our analysis of what Stagflation regimes have historically meant for the economy and markets.

**All this said, I don't want the Stagflation regime to be the headline here, because I think it will likely prove to be a short transitional regime. The more interesting information to fall out of our model this week is that it now assesses an equal probability that, over the next 12 months, we could fall back into a "Sluggish" regime, remain in a "Stagflation," enter a "Rebound," or even an "Overheating."**

Which one we end up in depends on both how transitory the oil price shock proves *and* how durable the rise in demand is.

This is particularly interesting because only a few weeks ago, all the 12-month probability mass was piled up on the "Sluggish" and "Stagflation" scenarios. There has clearly been an improvement in activity indicators that the models are picking up on. Not quite enough to flip us into a growth-led regime in real time, but certainly enough for the model to say there is an even chance we're heading in that direction over the next 12 months. We could be in "Stagflation" before the "Reflation."

**What we can conclude from the shift in the 12-month probabilities is that (1) we're clearly at some form of inflection point after the protracted "Sluggish" period, and (2) there is a lot of uncertainty in the outlook.**

This is not to say there aren't significant risks ahead; the even odds the model assigns to more negative growth scenarios are there for a reason. The impasse between the US, Israel, and Iran might well drag on and on. Consumption could wane in the second half of the year as tax rebates run dry, and the inventory build, which constitutes a sizable share of current business investment, will fade as well. Plus, as always with stretched equity valuations, a "sudden stop" can materialize from very little new information at any time (the Friday afternoon session was a taster).

**Fundamentally, however, we're feeling confident in the near-term read we've maintained since the start of the war — that the inflationary implications of the conflict would be more consequential than the growth implications.** That read is holding up so far, and markets are understanding that it points to higher interest rates.

Do policymakers understand that too?

Next week, we look forward to new Fed Chair Kevin Warsh's first meeting. His read on the situation has the potential to meaningfully move markets. It will be interesting to see how his hawkish comments on reacting promptly to inflation shocks interact with the pressure from the President to ease rates and his prior comments that inflation-reducing productivity gains are on the horizon. This meeting could bring surprises, but he'll probably stick to a bland message that the Fed is on hold for now and watching the data closely in the interest of not rocking the boat in his first outing as Fed Chair.

What does all of this mean for markets, and especially private markets? The dance between economic uncertainty, positive growth signals, and higher interest rates can be very complex. In this week's Memo, we look at one facet of this question and unpack whether the shifting macro backdrop and IPO market dynamics could kickstart private equity activity.

With that, enjoy this week's note.

## Dylan Smith

*Founder and Chief Economist*

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## Marginal Movers

### Rising 📈

- **The greatest theory in economics:** [Beyond Exposure: Predicting AI Adoption Based on Comparative Advantage](#) — "The two approaches diverge substantially for approximately 30% of workers, highlighting that comparative advantage—not exposure alone—is crucial for assessing AI's labor-market impact."
- **Redemptions:** [PE stocks tumble on Partners Group redemption news](#) — "The Swiss investment manager said it was limiting the amount investors could redeem from Partners Group Global Value SICAV to 5% of the fund's net asset value, after receiving requests exceeding that limit during Q2."

### Falling 📉

- **Wealth managers:** [AI Is Upending One of Finance's Cushiest Jobs](#) — "Old-school wealth managers look more vulnerable to AI disruption than perhaps any other professionals in financial services."

- **Biased consumer confidence data:** [Reassessing the Relationship Between Consumer Sentiment and Spending with a New Composite Index](#) — "Related daily measures of consumer sentiment can be used to correct for potential biases in the University of Michigan's Index of Consumer Sentiment."
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## Macro Monitor

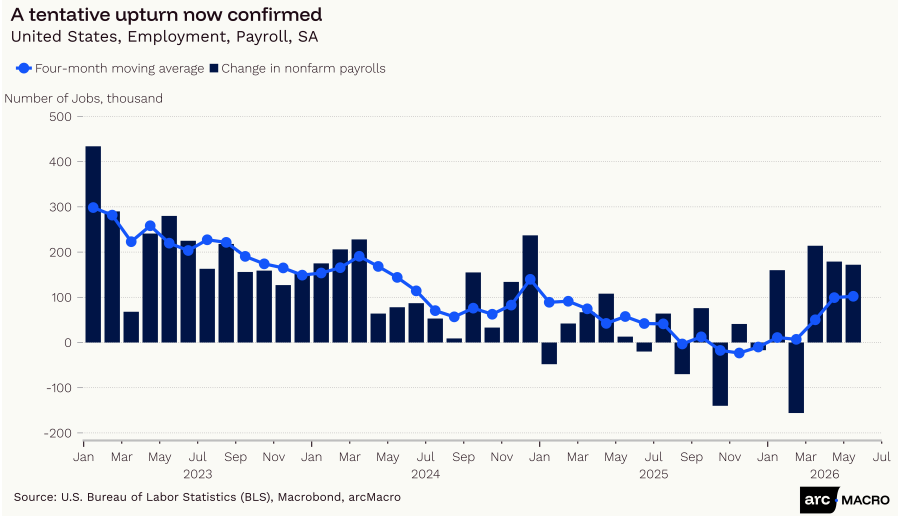
### Labor market moves from "stable" to "warming"

This week brought several major US labor market data releases, and the signal was overwhelmingly positive.

Nonfarm payroll (NFP) growth headlined, rising by 172k in May against a consensus forecast of 85k. That marks a third consecutive month of robust employment growth. The unemployment rate was unchanged at 4.3% as more people entered the labor force, offsetting the rise in overall employment.

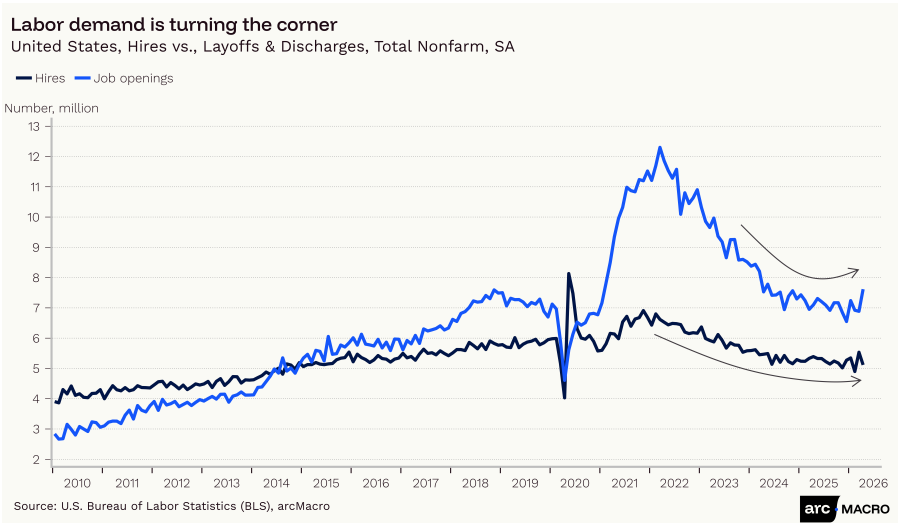
Some have pointed out that the FIFA World Cup is likely providing a short-term boost to job numbers, with 55k of the new jobs created in May coming from local government and another 70k from the leisure and hospitality sector. That's a fair point, but the totality of Friday's labor market report was too positive to dismiss:

- The prime working-age employment-to-population and labor force participation ratio rose by 0.1pp to their highest levels since January.
- The share of people working part-time for economic reasons declined (though the level remains high).
- Average weekly hours worked rose and have begun trending up, signaling rising labor demand.



Friday's NFP numbers built on solid labor turnover data earlier in the week, where job openings improved significantly and appear to have started trending up (see chart). Hiring fell a touch, but there too the trend offers reasons for optimism.

In a similar vein, high-frequency data continue to track a gradual improvement in the labor market. Weekly unemployment claims data are the lowest they've been at this time of year in three years, job cut announcements are trending down, and private employment data providers Revelio and ADP both posted their best monthly employment growth numbers since 2024. Indeed's job postings tracking even shows a steady rise in demand for software developers.



With the positive signal from employment numbers now difficult to disagree with, attention is shifting to wage growth. Doves are pointing out that hourly wages came in at a soft 2.8% in annualized 3-month terms in May, suggesting that the labor market may not be a factor in future interest rate decisions.

However, soft wage growth is not uniform across industries. Wage growth for non-management positions in cyclically sensitive sectors is running well above 5%. The aggregate softness is coming from human services industries, such as healthcare, education, and other services, which tend to lag economic conditions. On our read, the inter-industry wage growth pattern is fully consistent with a positive inflection in the labor market, not a contrarian signal.

### **Me too! Me too!**

Not to be outdone, America's little brother up north posted the third-strongest monthly job growth numbers since the start of 2023. The Canadian economy created 88k jobs in May, outpacing expectations of a tepid +10k gain. With the size of the labor force little changed, the unemployment rate fell from 6.9% to 6.6%.

The details beneath the headline numbers were positive. Employment growth was broadly based, with only the wholesale and retail trade industry losing ground. New jobs were concentrated in full-time rather than part-time positions, and students will be encouraged to hear that hiring was concentrated among younger Canadians, with the youth unemployment rate falling by a significant 0.9 percentage points to 13.4%.

The strong Labour Force Survey results are very welcome in a country already tiring of the nonstop political debate over the meaning of the "technical recession" revealed by last week's GDP data.



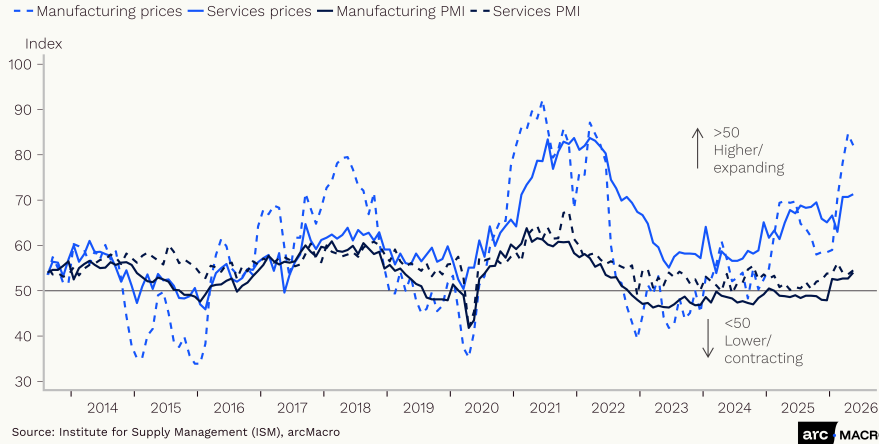
### Firm signals from "soft" data

Two separate Purchasing Managers Indices (PMIs), which provide a reliable leading signal on the near-term direction of the economy, may have been lost in the excitement around the employment data. The ISM manufacturing PMI picked up to 54.0 from 52.7, and the non-manufacturing PMI to 54.5 from 53.6. Any reading above 50 represents an expansion, so activity accelerated in May.

This is not a uniquely American phenomenon; S&P's country PMIs for May have now all been published, and a pickup in global activity momentum is undeniable.

Finally, the Fed's latest [Beige Book](#), which provides a narrative account of the state of the economy based on reports from business contacts of the regional Federal Reserve Banks, improved compared with the April edition. The number of regions reporting growth rose from eight out of twelve to ten, with manufacturing activity picking up nationally and consumer spending still rising overall. Discussions on inflation revealed that, despite a severe rise in input costs, firms are allowing margins to compress before passing price increases on to consumers. This may indicate future consumer price inflation still to come.

**Inflationary pressures remain extreme, but growth is improving**  
 United States, ISM Report on Business (PMI)



**Global greening**

World, S&P Global PMI, >50 signals expansion

|                           | May '25 | Jun '25 | Jul '25 | Aug '25 | Sep '25 | Oct '25 | Nov '25 | Dec '25 | Jan '26 | Feb '26 | Mar '26 | Apr '26 | May '26 |
|---------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| <b>World</b>              | 49.5    | 50.4    | 49.7    | 50.9    | 50.7    | 50.8    | 50.5    | 50.4    | 50.9    | 51.8    | 51.3    | 52.6    | 52.6    |
| Developed                 | 50.0    | 50.5    | 49.2    | 50.9    | 50.3    | 50.6    | 50.5    | 50.5    | 51.4    | 51.8    | 52.0    | 53.8    | 53.9    |
| Emerging                  | 49.2    | 50.4    | 50.1    | 50.9    | 51.2    | 51.1    | 50.5    | 50.4    | 50.6    | 52.0    | 50.7    | 51.6    | 51.6    |
| <b>Americas</b>           |         |         |         |         |         |         |         |         |         |         |         |         |         |
| United States             | 52.0    | 52.9    | 49.8    | 53.0    | 52.0    | 52.5    | 52.2    | 51.8    | 52.4    | 51.6    | 52.3    | 54.5    | 55.1    |
| Canada                    | 46.1    | 45.6    | 46.1    | 48.3    | 47.7    | 49.6    | 48.4    | 48.6    | 50.4    | 51.0    | 50.0    | 53.3    | 52.9    |
| Brazil                    | 49.4    | 48.3    | 48.2    | 47.7    | 46.5    | 48.2    | 48.8    | 47.6    | 47.0    | 47.3    | 49.0    | 52.6    | 49.1    |
| Mexico                    | 46.7    | 46.3    | 49.1    | 50.2    | 49.6    | 49.5    | 47.3    | 46.1    | 46.3    | 47.1    | 48.9    | 47.7    | 49.6    |
| <b>Europe</b>             |         |         |         |         |         |         |         |         |         |         |         |         |         |
| EU                        | 49.2    | 49.2    | 49.6    | 50.4    | 49.7    | 49.8    | 49.5    | 48.8    | 49.5    | 50.5    | 51.3    | 52.0    | 51.4    |
| Euro Area                 | 49.4    | 49.5    | 49.8    | 50.7    | 49.8    | 50.0    | 49.6    | 48.8    | 49.5    | 50.8    | 51.6    | 52.2    | 51.6    |
| Austria                   | 48.4    | 47.0    | 48.2    | 49.1    | 47.6    | 48.8    | 50.4    | 49.3    | 47.2    | 49.4    | 52.4    | 51.2    | 51.7    |
| Czechia                   | 48.0    | 50.2    | 49.7    | 49.4    | 49.2    | 47.2    | 48.0    | 50.4    | 49.8    | 50.0    | 52.8    | 52.9    | 52.2    |
| France                    | 49.8    | 48.1    | 48.2    | 50.4    | 48.2    | 48.8    | 47.8    | 50.7    | 51.2    | 50.1    | 50.0    | 52.8    | 49.7    |
| Germany                   | 48.3    | 49.0    | 49.1    | 49.8    | 49.5    | 49.6    | 48.2    | 47.0    | 49.1    | 50.9    | 52.2    | 51.4    | 50.1    |
| Greece                    | 53.2    | 53.1    | 51.7    | 54.5    | 52.0    | 53.5    | 52.7    | 52.9    | 54.2    | 54.4    | 54.5    | 52.4    | 53.3    |
| Ireland                   | 52.6    | 53.7    | 53.2    | 51.6    | 51.8    | 50.9    | 52.8    | 52.2    | 52.2    | 53.1    | 53.7    | 54.9    | 55.9    |
| Italy                     | 49.2    | 48.4    | 49.8    | 50.4    | 49.0    | 49.9    | 50.6    | 47.9    | 48.1    | 50.6    | 51.3    | 52.1    | 52.9    |
| Netherlands               | 49.0    | 51.2    | 51.9    | 51.9    | 53.7    | 51.8    | 51.8    | 51.1    | 50.1    | 50.8    | 52.0    | 54.4    | 55.9    |
| Poland                    | 47.1    | 44.8    | 45.9    | 46.6    | 48.0    | 48.8    | 49.1    | 48.5    | 48.8    | 47.1    | 48.7    | 48.8    | 49.4    |
| Spain                     | 50.5    | 51.4    | 51.9    | 54.3    | 51.5    | 52.1    | 51.5    | 49.6    | 49.2    | 50.0    | 48.7    | 51.7    | 51.2    |
| Switzerland               | 42.4    | 48.7    | 49.5    | 48.2    | 46.1    | 48.1    | 49.6    | 46.4    | 48.8    | 47.4    | 53.3    | 54.5    | 57.3    |
| UK                        | 46.4    | 47.7    | 48.0    | 47.0    | 46.2    | 49.7    | 50.2    | 50.6    | 51.8    | 51.7    | 51.0    | 53.7    | 53.9    |
| <b>Asia &amp; Pacific</b> |         |         |         |         |         |         |         |         |         |         |         |         |         |
| ASEAN                     | 49.2    | 48.6    | 50.1    | 51.0    | 51.6    | 52.7    | 53.0    | 52.7    | 52.8    | 53.8    | 51.8    | 50.7    | 51.5    |
| Australia                 | 51.0    | 50.6    | 51.3    | 53.0    | 51.4    | 49.7    | 51.6    | 51.6    | 52.3    | 51.0    | 49.8    | 51.3    | 50.7    |
| China                     | 48.3    | 50.4    | 49.5    | 50.5    | 51.2    | 50.6    | 49.9    | 50.1    | 50.3    | 52.1    | 50.8    | 52.2    | 51.8    |
| India                     | 57.6    | 58.4    | 59.1    | 59.3    | 57.7    | 59.2    | 56.6    | 55.0    | 55.4    | 56.9    | 53.9    | 54.7    | 55.0    |
| Indonesia                 | 47.4    | 46.9    | 49.2    | 51.5    | 50.4    | 51.2    | 53.3    | 51.2    | 52.6    | 53.8    | 50.1    | 49.1    | 50.0    |
| Japan                     | 49.4    | 50.1    | 48.9    | 49.7    | 48.5    | 48.2    | 48.7    | 50.0    | 51.5    | 53.0    | 51.6    | 55.1    | 54.5    |
| Malaysia                  | 48.8    | 49.3    | 49.7    | 49.9    | 49.8    | 49.5    | 50.1    | 50.1    | 50.2    | 49.3    | 50.7    | 51.6    | 49.9    |
| New Zealand               | 46.4    | 49.3    | 53.0    | 50.2    | 50.3    | 51.7    | 52.0    | 56.1    | 55.0    | 54.6    | 52.8    | 50.5    |         |
| Philippines               | 50.1    | 50.7    | 50.9    | 50.8    | 49.9    | 50.1    | 47.4    | 50.2    | 52.9    | 54.6    | 51.3    | 48.3    | 50.8    |
| Russia                    | 50.2    | 47.5    | 47.0    | 48.7    | 48.2    | 48.0    | 48.3    | 48.1    | 49.4    | 49.5    | 48.3    | 48.1    | 48.8    |
| South Korea               | 47.7    | 48.7    | 48.0    | 48.3    | 50.7    | 49.4    | 49.4    | 50.1    | 51.2    | 51.1    | 52.6    | 53.6    | 54.8    |
| Taiwan                    | 48.6    | 47.2    | 46.2    | 47.4    | 46.8    | 47.7    | 48.8    | 50.9    | 51.7    | 55.2    | 53.3    | 55.3    | 56.1    |
| Thailand                  | 51.2    | 51.7    | 51.9    | 52.7    | 54.6    | 56.6    | 56.8    | 57.4    | 52.7    | 53.5    | 54.1    | 52.7    | 52.6    |
| Turkey                    | 47.2    | 46.7    | 45.9    | 47.3    | 46.7    | 46.5    | 48.0    | 48.9    | 48.1    | 49.3    | 47.9    | 45.7    | 49.8    |
| Vietnam                   | 49.8    | 48.9    | 52.4    | 50.4    | 50.4    | 54.5    | 53.8    | 53.0    | 52.5    | 54.3    | 51.2    | 50.5    | 52.8    |

Source: S&P Global, Macrobond, arcMacro



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

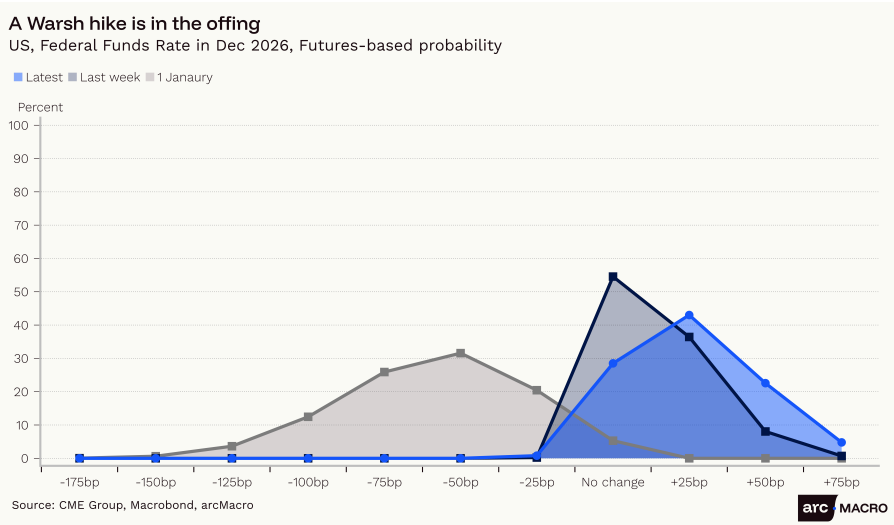
# Market Monitor

## Public markets

After trading sideways through most of the week, Friday's jobs data triggered a major cross-asset macro trade in the final session, which, given the narrow trading window, is likely to carry some momentum into Monday's opening.

The point of origin for the market moves was a shift in expectations around the Federal Funds rate. According to CME, interest rate futures prices now imply a ~70% probability that interest rates will rise by December, with a 22% chance that there will be more than 25 basis points of hikes.

This reassessment of monetary policy triggered a whiplash-inducing 19-basis-point rise in the two-year Treasury Note yield, which is now at its highest level since February 2025 at 4.17%. Longer-dated yields rose significantly, too; the 5-year yield rose by 16 basis points, and the 10-year by 10 basis points, to 4.29% and 4.55%, respectively. In Europe and the UK, where traders have already been expecting tighter monetary policy, yields rose by less. Credit spreads held steady, transmitting the full impact of the increase in the risk-free rate to small borrowers and private markets.



Cyclical equities got hammered by the rise in interest rates. Consumer Discretionary stocks in the S&P 500, for instance, fell to the tune of 6.2% on the week. Information Technology stocks, and especially chip markets, took a one-two jab to the face on Friday, with the rise in borrowing costs coming alongside rising unease over

profitability projections for AI companies ahead of a crowded IPO calendar. Consequently, the Nasdaq Composite index fell by 4.7%, compared with just a 0.3% drop in the more defensively oriented Dow Jones Industrial Average.

Meanwhile, WTI crude prices drifted up above \$90 per barrel again as talks between the US and Iran stalled. Gold prices fell by 4.0% as the risk-off attitude took hold across markets (a reminder that, following its incredible rise over the past two years, gold is now trading as a risk asset).

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*See the appendix for the market monitor table*

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## Memo

### Will the coming AI IPO surge unstick private equity?

**Bottom line:** *Probably not. IPOs generate a lot of attention, but most PE-backed companies are sold to other private owners or to large corporations. The financing math in this segment remains both challenging and highly macro-sensitive. Stretched valuations are compressing expected earnings yields, while rising interest rates are making the financing end of the equation less appealing. Both factors are working against an improvement in exits and deal flow.*

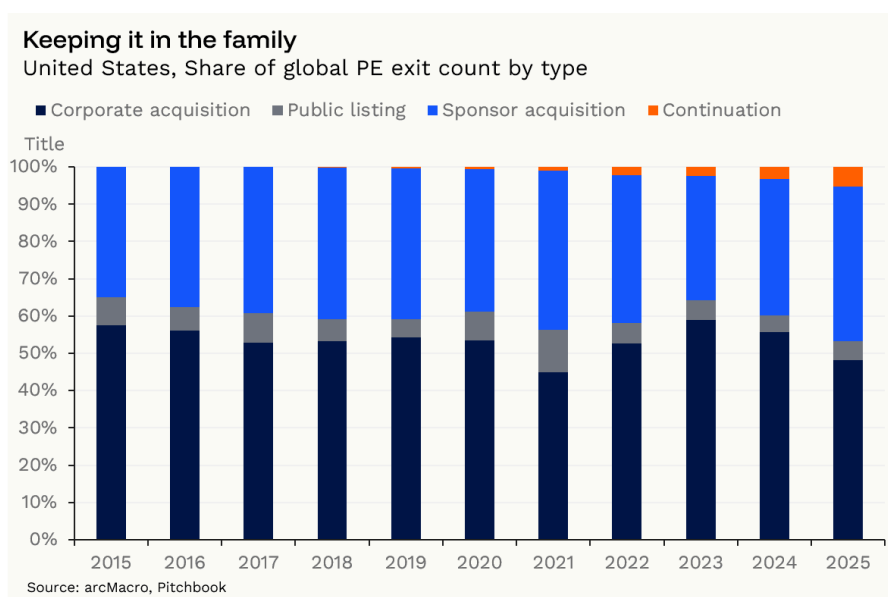
**What it means for investors:** *Unless a powerful new catalyst emerges to flip the financing math, average hold times will continue to grow, and the concentration of private equity investors in funds offering scale, a quality track record, and core growth themes (e.g., defense) will continue to rise. This, in turn, will power the evolution of the PE liquidity sub-industry (secondaries and continuation funds) and risk management tactics like co-investments.*

**Private equity is in the doldrums.** The fundamental problem is now very well understood and much discussed. After the irrational exuberance of the COVID-19-era deal boom, funds are carrying portfolio companies at historically high book values. This makes exiting these investments with strong returns difficult, so funds are holding out for an improvement in market conditions and investing in operational value creation strategies in the meantime. This in turn is stalling new deal-making as investors wait for PE funds to distribute returns before recycling fresh capital into the sector.

**Some are hoping that the upcoming surge in initial public offerings (IPOs) will trigger a wave of private equity exits and kick-start the stalled industry cycle.**

To be sure, the second half of 2026 will be a very busy time for Wall Street. SpaceX is on track to break the IPO record when it comes to market in a few weeks' time. It will be followed by generative AI market leader Anthropic, which has filed paperwork for its market debut. OpenAI is not far behind. And those are just the mega-IPOs. High valuations are attracting the attention of a range of tech companies, including Databricks, Discord, Lime, and possibly Stripe. Seasoned equity offerings are on the rise, too.

**From the perspective of the PE industry writ large, and especially the middle market, there is a major chink in this logic:** IPOs play a relatively small role in exits, comprising only around 5% of all deals on average over the past decade.

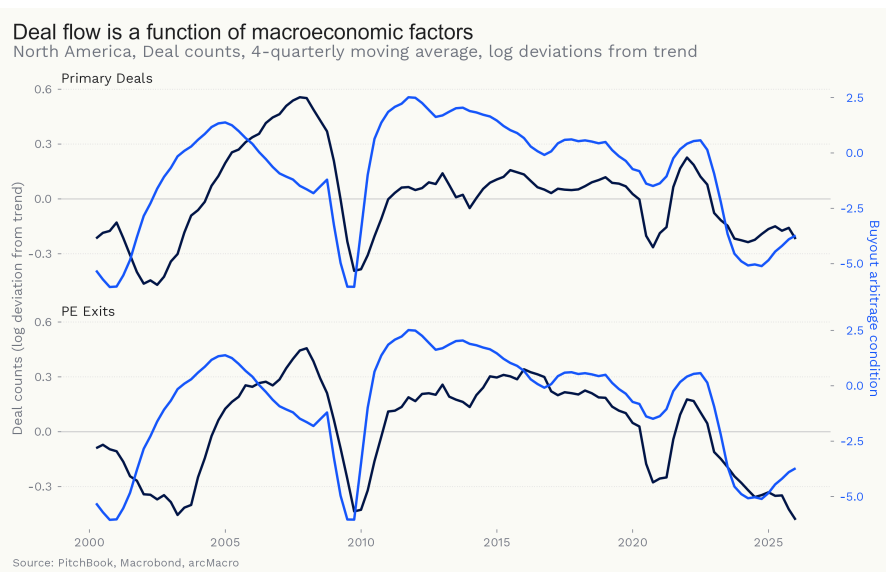


**IPOs are simply not the dominant exit strategy for most private investments.**

Most PE portfolio companies are sold to other PE companies or private investors, or they become strategic acquisitions for large corporates.

**In this space, deal flow is all about deal math.** The basic logic is that, for a leveraged deal to be done, the anticipated yield on the capital invested needs to more than compensate for the cost of debt to finance the deal. It's that simple.

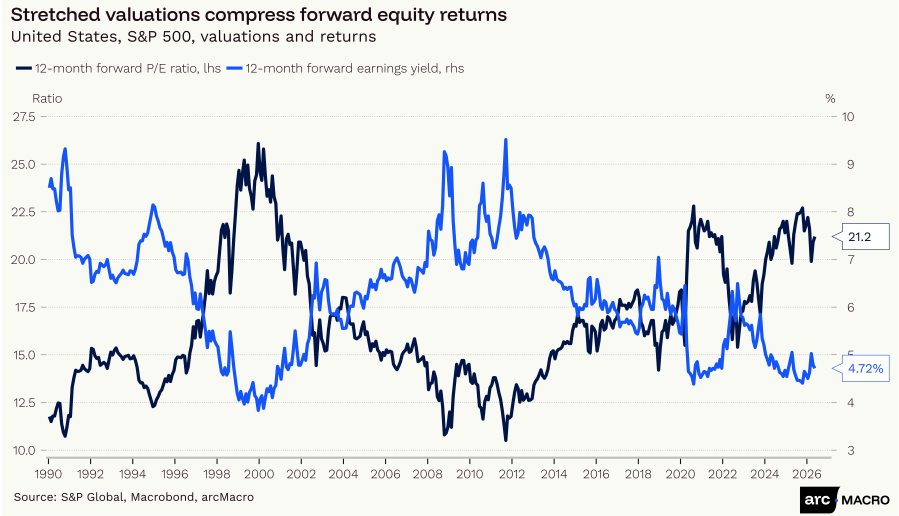
**This logic can be proxied by a metric called the "buyout arbitrage condition,"** which subtracts the average yield on leveraged loans from the earnings yield reflected in public markets (1-year-ahead expected earnings divided by price). As the chart below shows, this proxy is remarkably predictive of the deviation of private equity deal counts from their long-run trend (i.e., the PE deal cycle) — including exits.



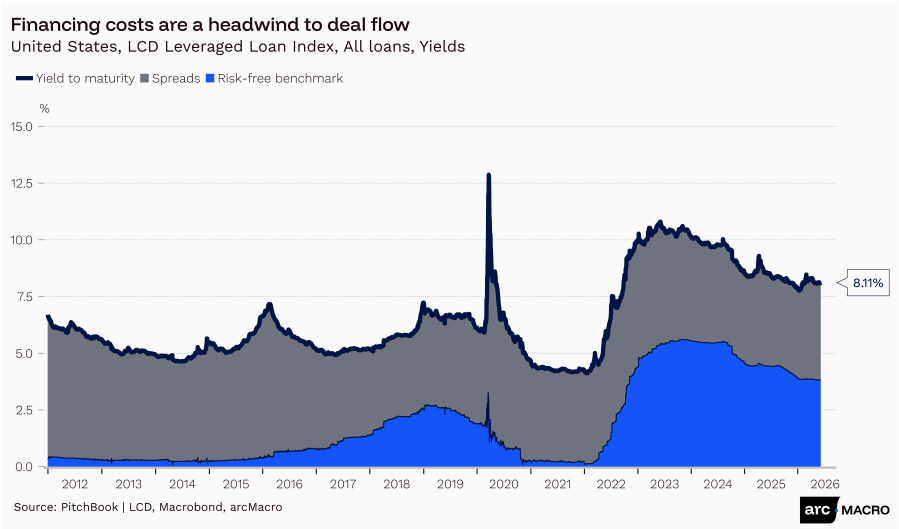
**The chart is a simple but powerful summary of the central challenge facing private investors, and a demonstration of just how important macro drivers are to industry activity.**

**Both components of the buyout arbitrage condition are working against a recovery** of deal flow back to historical trends, a situation that has worsened over the course of 2026.

**The bull market in equities has driven valuations to near-record highs.** The earnings yield is the inverse of the more commonly cited P/E ratio. On average in public markets, for every dollar of expected future earnings, investors are willing to pay more than \$21 at present, compressing the earnings yield to just 4.7%. That's only marginally more than an essentially risk-free US Treasury note will pay out.



**On the other end of the buyout arbitrage equation, financing costs have risen and look set for a "high for long" era.** The Fed's historically aggressive hiking cycle in 2022-2023 stopped the music in the PE industry, and the gradual easing cycle that commenced in 2024 has done little to help, especially as spreads on both bank loans and private debt, which finance these types of deals, have widened.



**Conclusion**

PE went into the year expecting more rate cuts and hoping that earnings would outpace pricing to improve expected returns. Alongside regulatory tailwinds and a general sense that animal spirits were turning to a pickup in dealmaking, there was reason for optimism. That changed dramatically with Epic Fury.

The brutal deal math, and its macro drivers, is hard to argue against. Unless a powerful new catalyst emerges to flip the financing math, average hold times will continue to grow, and concentration of private equity investors in funds offering scale, a quality track record, and core growth themes (e.g., defense) will continue to rise. This, in turn, will drive the continued evolution of the PE liquidity sub-industry (secondaries and continuation funds) and of risk management tactics such as co-investments.

## 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 (%) |
|-------------------------------|---------|--------------------------------|----------------------------|------------------------|--------------------|-----------------------------|-------------------------|
| <b>US Equities</b>            |         |                                |                            |                        |                    |                             |                         |
| S&P 500                       | 7384    | -196                           | -2.6                       | 514                    | 7.5                | 538                         | 7.9                     |
| Information Technology        |         |                                | -5.4                       |                        | 22.4               |                             | 16.8                    |
| Financials                    |         |                                | 1.3                        |                        | 1.6                |                             | -4.8                    |
| Consumer Discretionary        |         |                                | -6.2                       |                        | 1.0                |                             | -2.6                    |
| Communication Services        |         |                                | -3.9                       |                        | 4.9                |                             | 4.8                     |
| Health Care                   |         |                                | 2.3                        |                        | -2.6               |                             | -1.4                    |
| Industrials                   |         |                                | 0.6                        |                        | -1.0               |                             | 12.1                    |
| Consumer Staples              |         |                                | 0.9                        |                        | -4.6               |                             | 7.6                     |
| Energy                        |         |                                | 2.5                        |                        | 2.2                |                             | 27.4                    |
| Utilities                     |         |                                | -0.3                       |                        | -6.2               |                             | 3.3                     |
| Real Estate                   |         |                                | 1.5                        |                        | 2.0                |                             | 11.1                    |
| Materials                     |         |                                | -1.2                       |                        | -3.6               |                             | 9.9                     |
| Nasdaq Composite              |         |                                | -4.7                       |                        | 12.7               |                             | 10.6                    |
| Dow Jones Industrial Average  |         |                                | -0.3                       |                        | 4.4                |                             | 5.8                     |
| Russell 2000                  |         |                                | -2.9                       |                        | 7.5                |                             | 14.2                    |
| <b>Global Equities</b>        |         |                                |                            |                        |                    |                             |                         |
| DM: MSCI World index          |         |                                | -2.2                       |                        | 7.9                |                             | 9.9                     |
| EM: MSCI EM Index             |         |                                | -1.9                       |                        | 17.5               |                             | 23.3                    |
| CAN: TSX Composite            |         |                                | -1.0                       |                        | 1.4                |                             | 8.5                     |
| EUR: STOXX 600                |         |                                | -0.5                       |                        | 1.6                |                             | 5.1                     |
| HK: Hang Seng                 |         |                                | -0.9                       |                        | -1.1               |                             | -2.6                    |
| JPN: TOPIX                    |         |                                | -0.2                       |                        | 8.7                |                             | 15.8                    |
| UK: FTSE 100                  |         |                                | -0.4                       |                        | -1.9               |                             | 4.4                     |
| <b>Sovereign Fixed Income</b> |         |                                |                            |                        |                    |                             |                         |
| US: 2-year Treasury           | 4.17    | 0.19                           |                            | 0.63                   |                    | 0.7                         |                         |
| US: 5-year Treasury           | 4.29    | 0.16                           |                            | 0.62                   |                    | 0.56                        |                         |
| US: 10-year Treasury          | 4.55    | 0.10                           |                            | 0.46                   |                    | 0.37                        |                         |
| CAN: 2-year GoC               | 2.8     | 0.030                          |                            | 0.29                   |                    | 0.22                        |                         |
| CAN: 10-year GoC              | 3.43    | 0.02                           |                            | 0.19                   |                    | 0.010                       |                         |
| UK: 10-year Gilt              | 4.97    | 0.090                          |                            | 0.5                    |                    | 0.43                        |                         |
| GER: 10-year Bund             | 3.03    | 0.08                           |                            | 0.27                   |                    | 0.18                        |                         |
| CHN: 10-year CGB              | 1.72    | 0.01                           |                            | -0.0561                |                    | -0.127                      |                         |
| JPN: 10-year JGB              | 2.64    | -0.030                         |                            | 0.52                   |                    | 0.58                        |                         |
| <b>Corporate Bond Spreads</b> |         |                                |                            |                        |                    |                             |                         |
| US: A-rated                   | 64.5    | -0.3                           |                            | -8.3                   |                    | -5.3                        |                         |
| US: BBB-rated                 | 96.3    | 0.6                            |                            | -13.3                  |                    | -8.2                        |                         |
| <b>Foreign Exchange Rates</b> |         |                                |                            |                        |                    |                             |                         |
| DX/US Dollar Index            | 100     |                                | 1.2                        |                        | 1.3                |                             | 1.8                     |
| EUR/USD                       | 1.16    |                                | 0.0                        |                        | 0.3                |                             | -0.9                    |
| USD/CAD                       | 1.39    |                                | 0.7                        |                        | 1.5                |                             | 1.4                     |
| USD/CNY                       | 6.78    |                                | 0.1                        |                        | -1.8               |                             | -3.1                    |
| USD/JPY                       | 160     |                                | 0.4                        |                        | 1.6                |                             | 2.3                     |
| GBP/USD                       | 1.34    |                                | 0.2                        |                        | 1.1                |                             | -0.1                    |
| USD/CHF                       | 0.789   |                                | 0.8                        |                        | 0.4                |                             | -0.4                    |
| <b>Commodities</b>            |         |                                |                            |                        |                    |                             |                         |
| WTI Crude                     | 90.5    | 3.18                           | 3.6                        | 15.9                   | 21.3               | 33.1                        | 57.7                    |
| Gold                          | 4365    | -181                           | -4.0                       | -783                   | -15.2              | -2.65                       | -0.1                    |
| S&P GSCI Commodities          |         |                                | -0.1                       |                        | 6.7                |                             | 26.5                    |
| S&P GSCI Industrial Metals    |         |                                | -1.5                       |                        | 5.5                |                             | 12.5                    |
| S&P GSCI Agriculture          |         |                                | -5.1                       |                        | -3.0               |                             | -4.5                    |

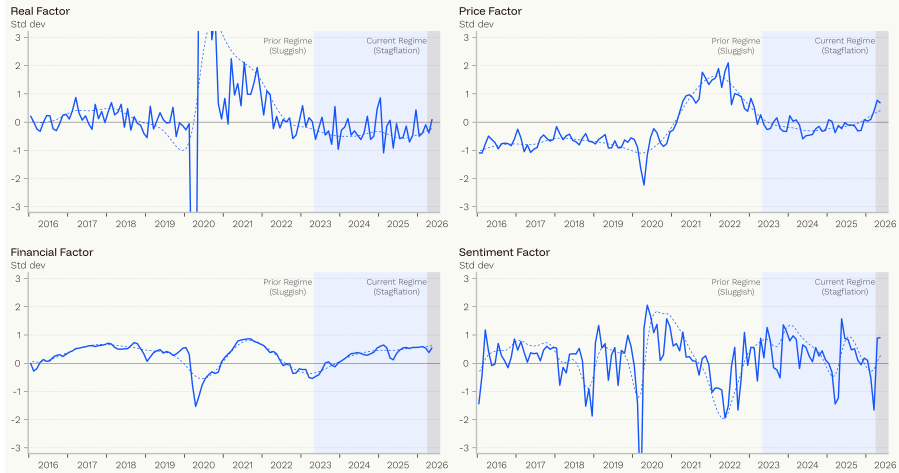
\* Weekly closing value. Color indicates positive (green) or negative (red) change since prior week.

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), MSCI, STOXX, Tokyo Stock Exchange, Toronto Stock Exchange, FTSE Russell, Hang Seng Indexes Company, Pitchbook | LCO, arcMacro

arc MACRO

**arcMacro Real Time Factors**

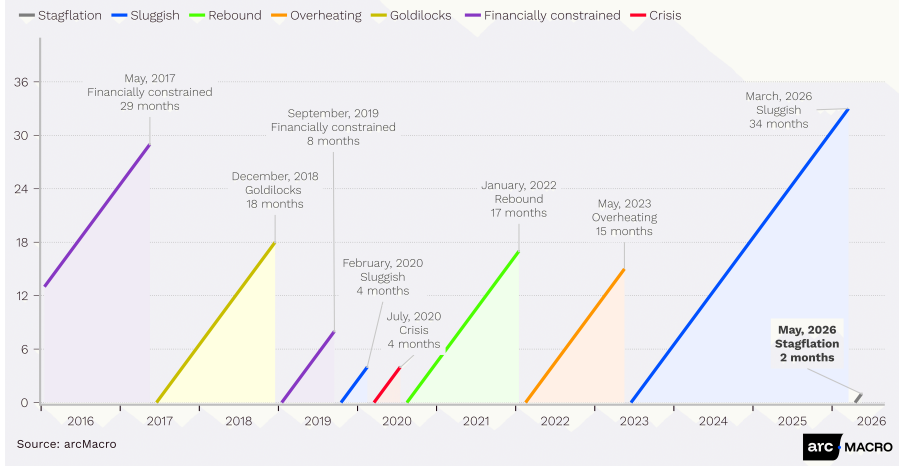
United States, z-score



Source: arcMacro

**arcMacro Regime Summary**

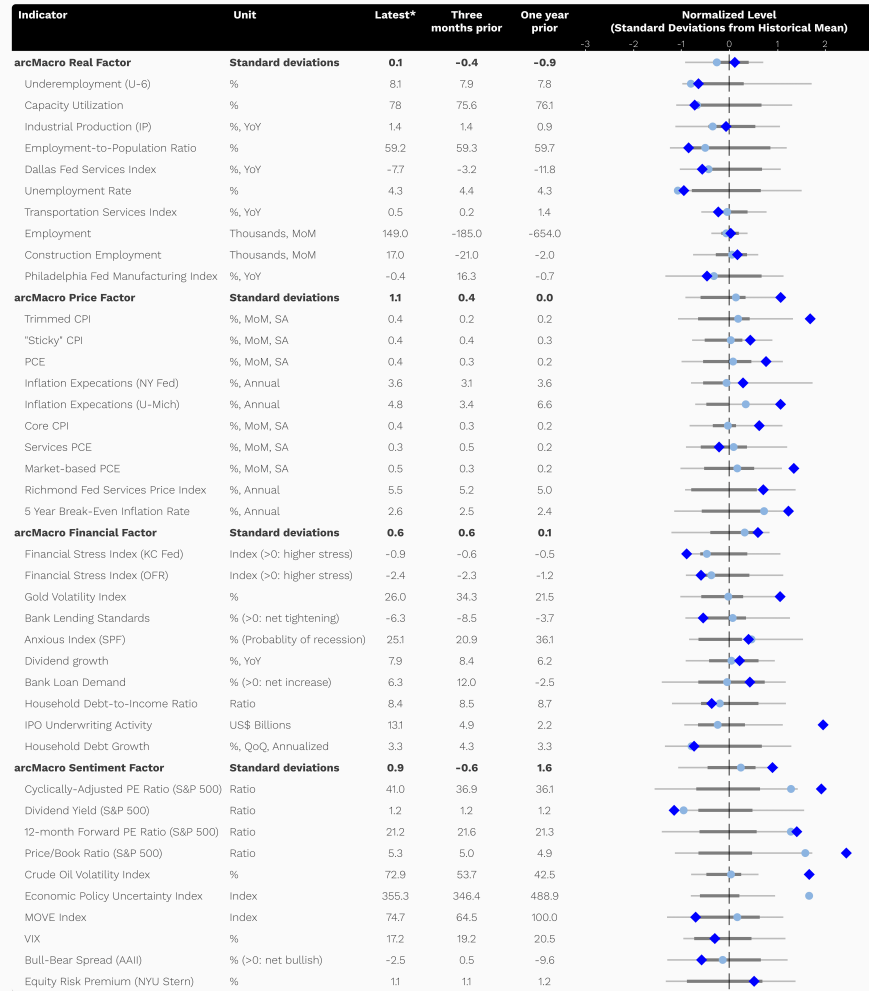
United States, Cumulative Months in Regime



Source: arcMacro



**arcMacro Factor Input Monitor**  
Top 10 inputs by factor loading



■ 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, SPINA, Robert Shiller, Economic Policy Uncertainty, ICE BofAML, Ljwmta, AAI  
\*Most recent published data point. Time period and frequency do not necessarily align.

## Disclosures

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