

Session 1: State of the Economy

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Finance Committee Workshop

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Session Description

Economic and market signals continue to send mixed messages. Growth has remained resilient despite elevated interest rates, policy uncertainty, and ongoing geopolitical developments, while investors continue to navigate questions surrounding inflation, monetary policy, and the outlook for global growth. At the same time, trade policy, fiscal dynamics, and evolving market expectations are influencing both economic conditions and financial markets.

In this session, portfolio strategists will discuss the key economic and market themes shaping today's investment environment. The conversation will explore the outlook for growth, inflation, labor markets, and interest rates, while examining what fixed income and equity markets may be signaling about the road ahead. Attendees will gain practical insights into the forces driving economic conditions and financial markets, along with a framework for evaluating risks and opportunities in an increasingly complex global landscape.

This presentation is intended solely for 2026 ACI-NA Annual Conference attendees. The content is for educational purposes only and does not constitute investment, legal, tax, or fiduciary advice.

Update on Strait of Hormuz

195 Days

days of the
conflict

\$107.63 vs. \$72.48

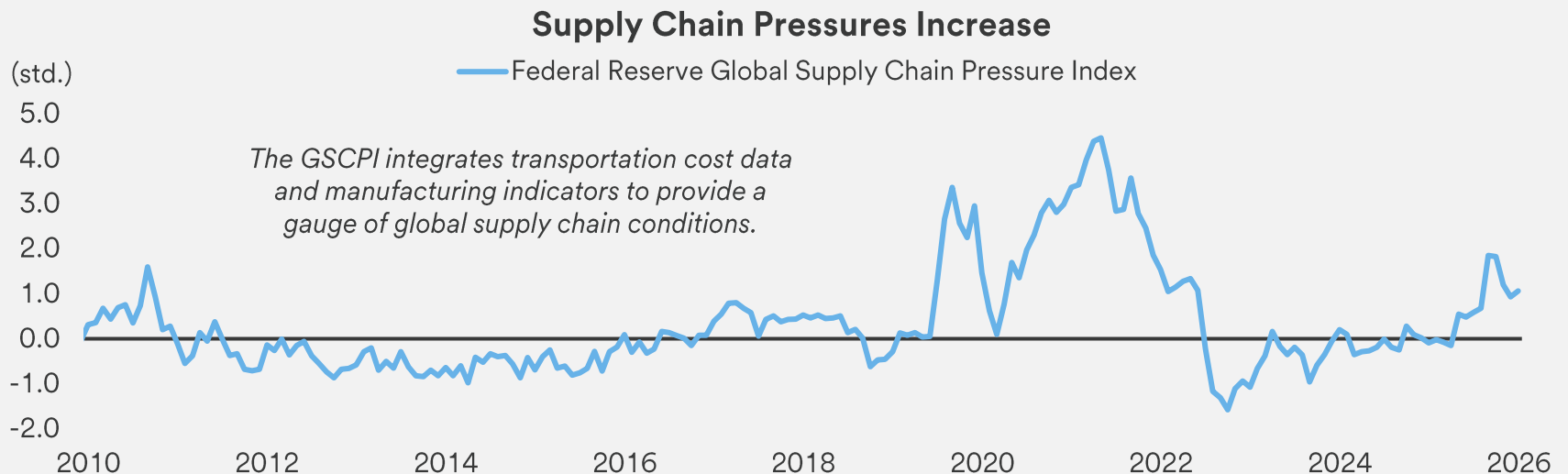
spot Brent crude prices,
per barrel

9 vs. 137 ships

daily average #
of transits

\$4.30 vs. \$2.98

national average gas price,
per gallon

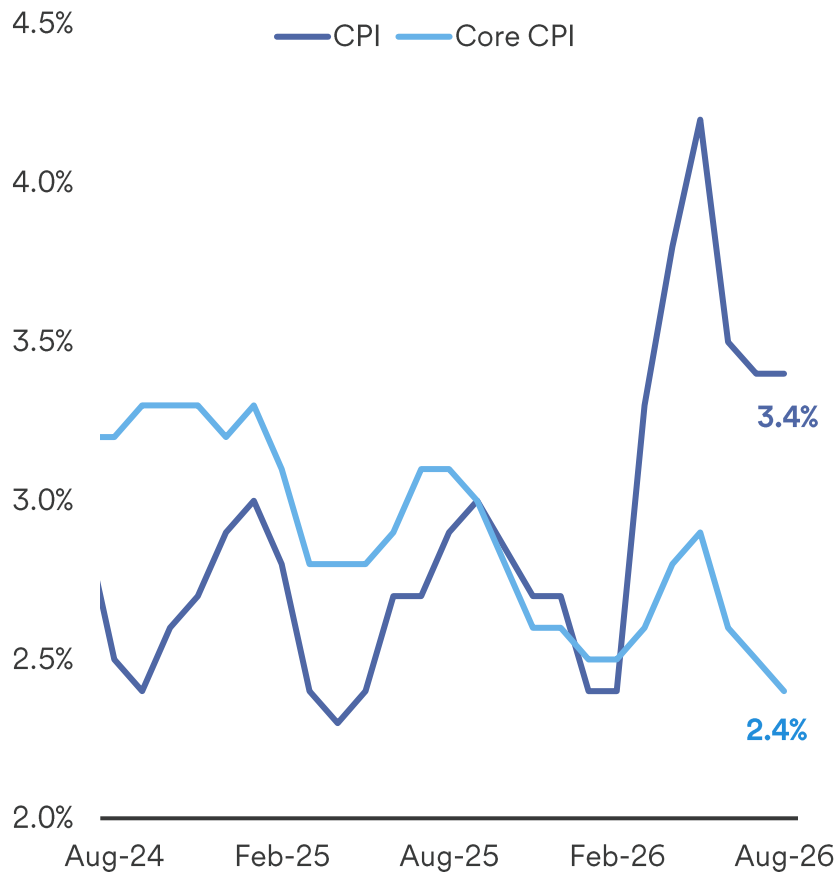


Sources: Bloomberg Finance L.P. and AAA.com. Transit changes as of September 11, 2026. Price changes as of September 10, 2026. Transit and price changes since February 27th, 2026. GSCPI index inception date is September 1997.

Inflation

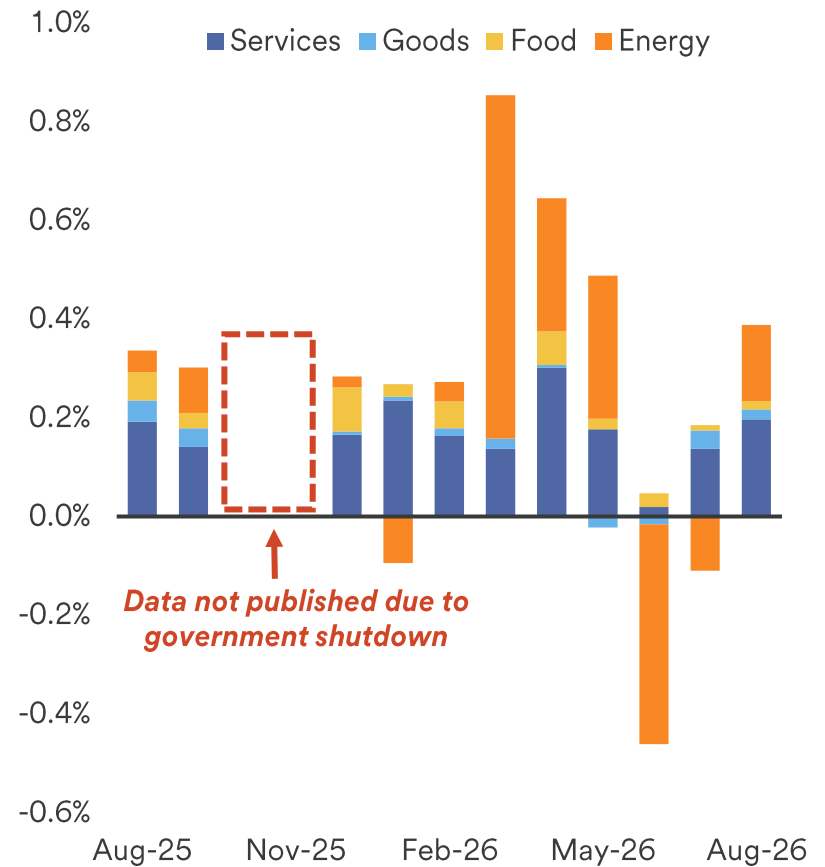
Consumer Price Index

Year-over-year Change



CPI Inflation

Contributions to Month-Over-Month Change



Source: Bureau of Labor Statistics and Bloomberg Finance L.P., as of August 2026.

Poll Question #1

Core CPI differs from CPI due to:

A. Exclusion of food and energy

B. Exclusion of higher inflation causing parameters

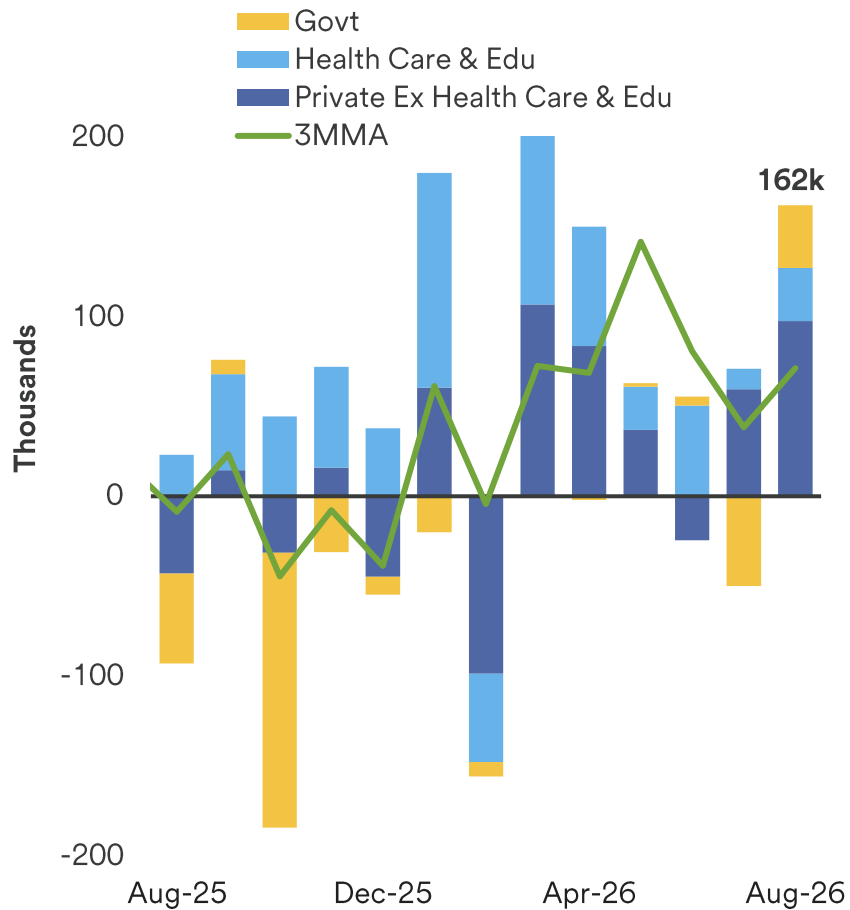
C. Exclusion of shelter component

D. Addition of essential services

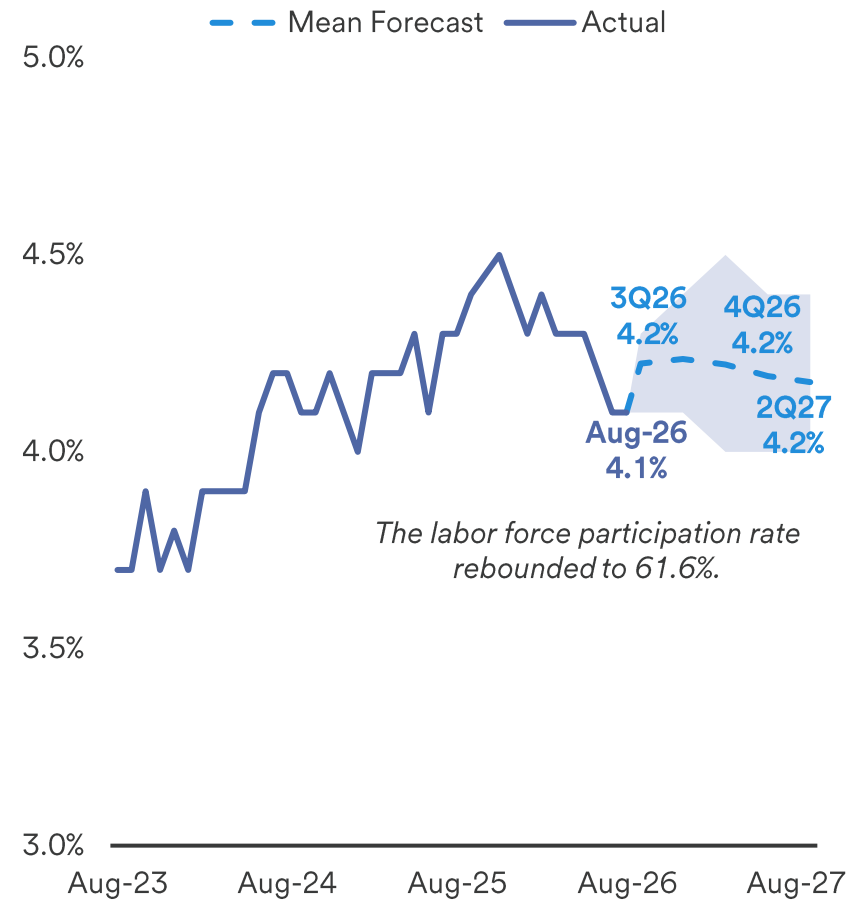


Labor Force

Monthly Change In Nonfarm Payrolls



Unemployment Rate



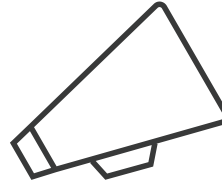
Source: Bloomberg Finance L.P. and Bureau of Labor Statistics, as of August 2026. Survey responses after August 21, 2026, included in mean and forecast range. Shading represents the central 80% of the forecasts.

July FOMC Meeting



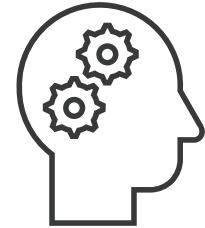
Hawkish Statement...

- Fed voted 9-3 to keep rates unchanged with dissents from Presidents Hammack, Kashkari, and Logan
- Beyond the dissents, the FOMC minutes revealed a broader hawkish sentiment, with “several” participants favoring a rate hike



...Dovish Presser...

- Chair Warsh downplayed the soft June CPI print
- He stressed the importance of Fed delivering price stability but gave little guidance on how to deliver it
- Higher yields framed as market-driven tightening, leaving the Fed’s reaction function opaque

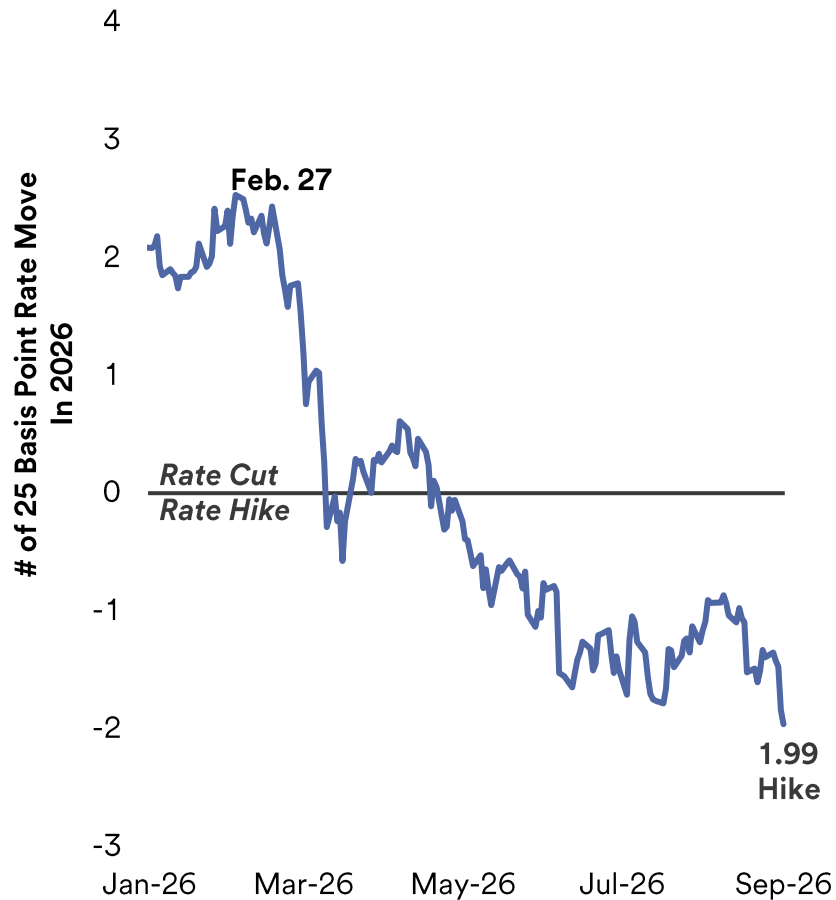


...Markets Unsure

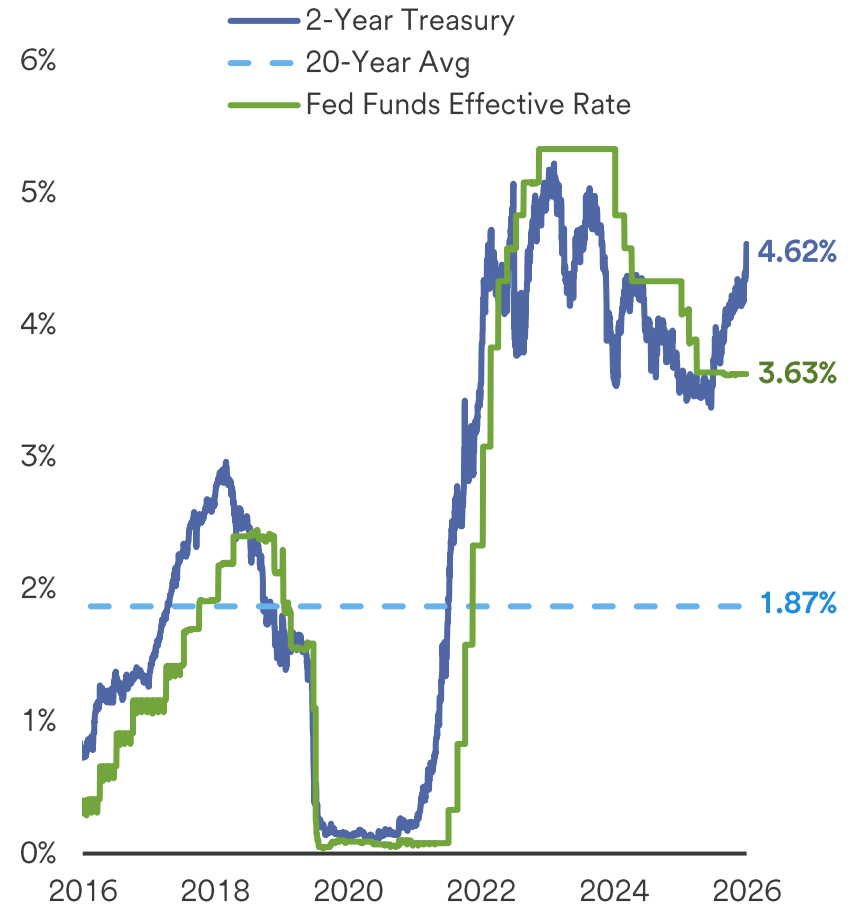
- Yield curve twisted as short end fell and long end rose
- Inflation breakevens (5Y5Y) widened
- As of September 11th, futures markets are pricing in 90% chance of hike in September

Yields Remain Above Historical Averages as Markets Price 2026 Fed Moves

25 Basis Point Rate Moves In 2026

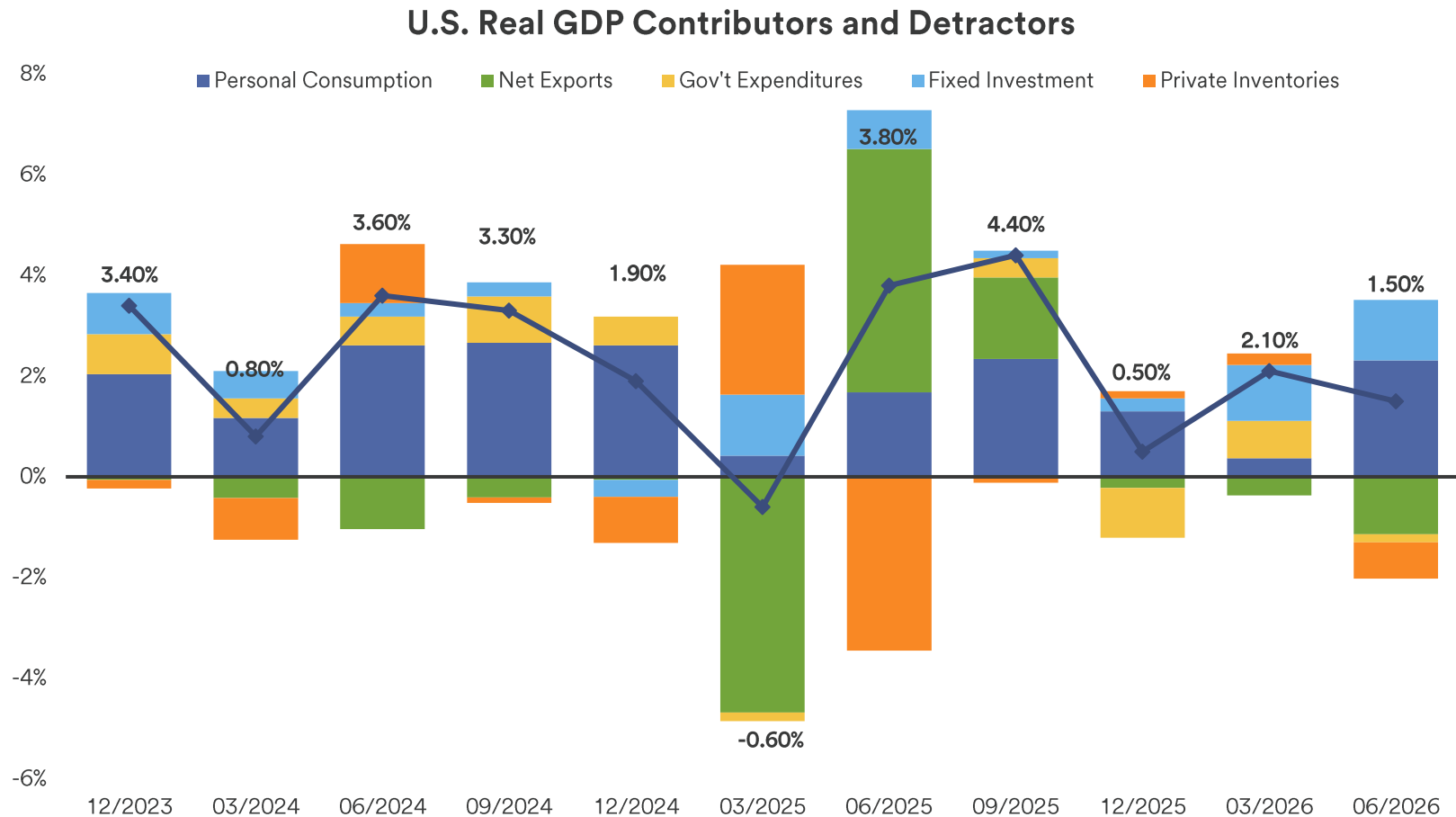


2-Year Treasury Yield



Source: Bloomberg Finance L.P., as of September 11, 2026. 1:00 PM ET.

U.S. Real GDP Contributors and Detractors



Source: FactSet, Bureau of Economic Analysis, as of August 2026.

Poll Question #2

Personal consumption makes up approximately __% of U.S. GDP

A. 50%

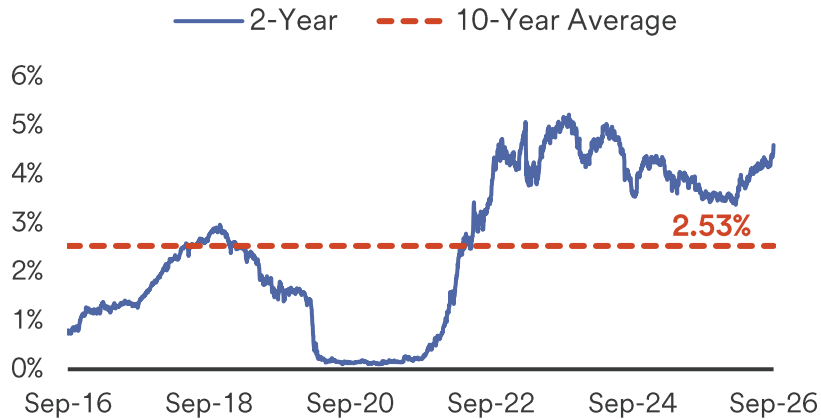
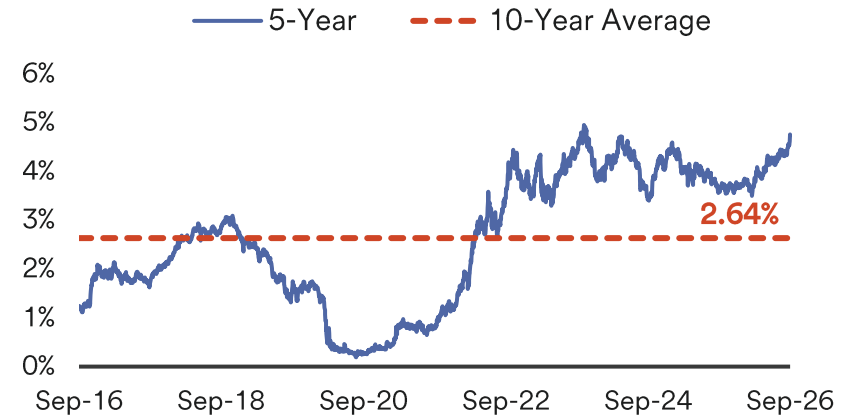
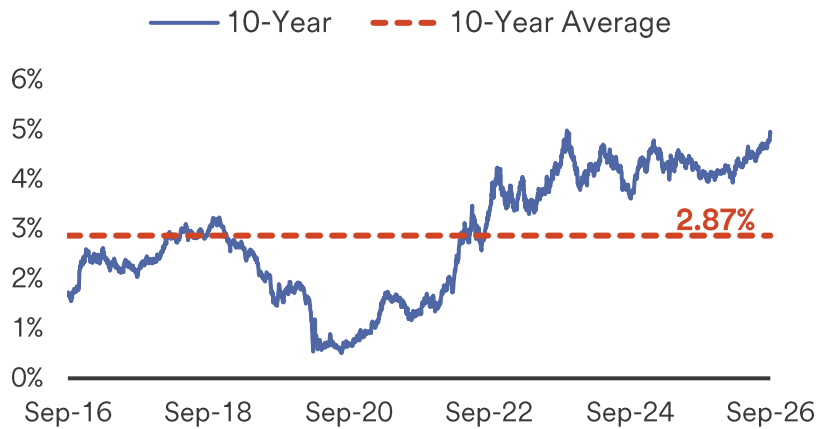
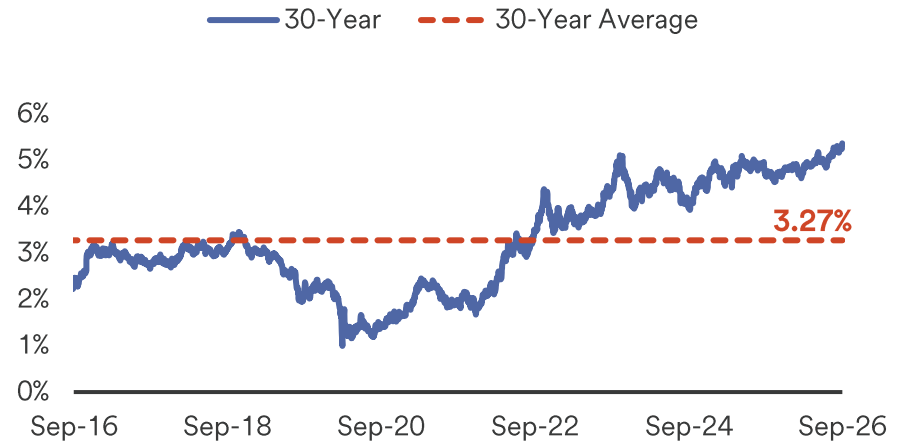
B. 25%

C. 70%

D. 95%



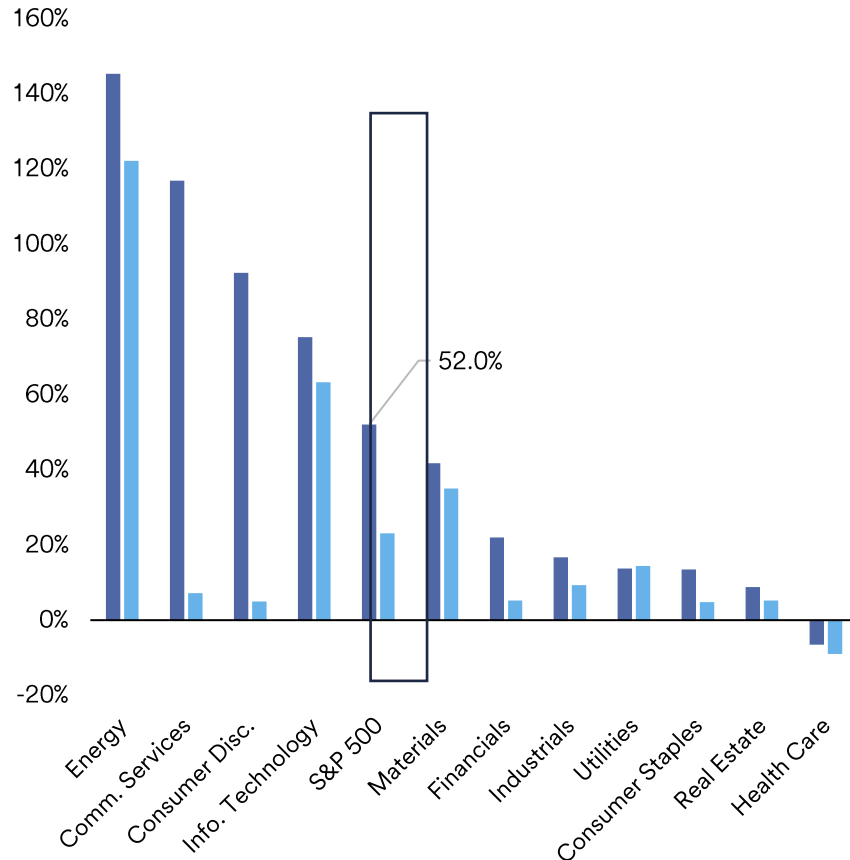
U.S. Treasury Yields



Source: Bloomberg Finance L.P as of 9/10/2026.

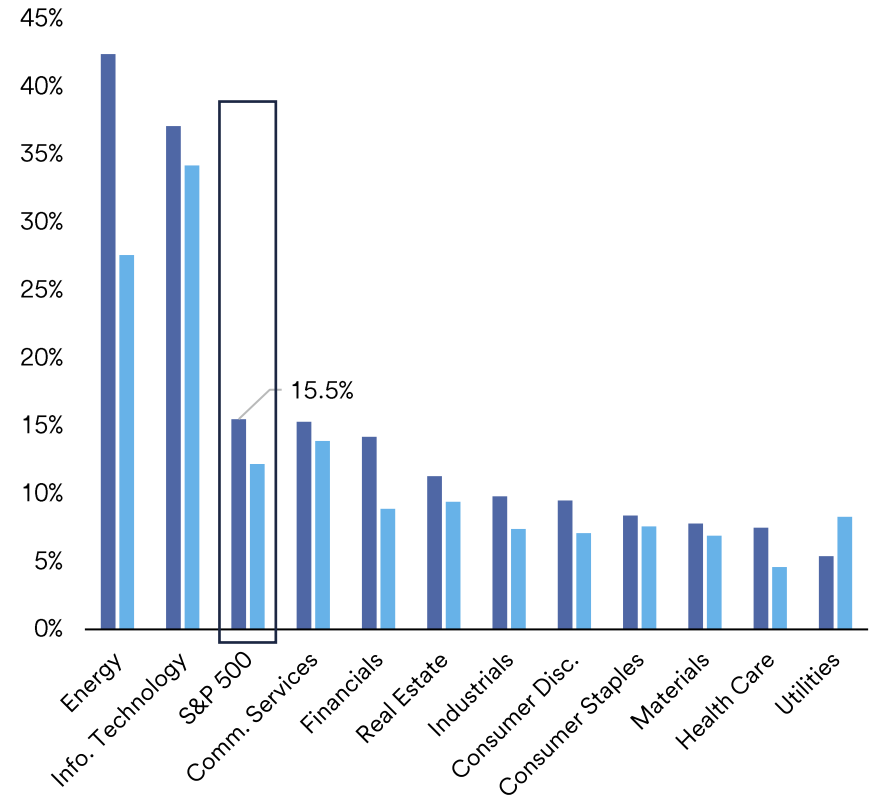
S&P Q2 2026 Growth Estimates

**S&P 500 Earnings Growth
(Y/Y): Q2 2026**



Estimate date: ■ 8/28/2026 ■ 6/30/2026

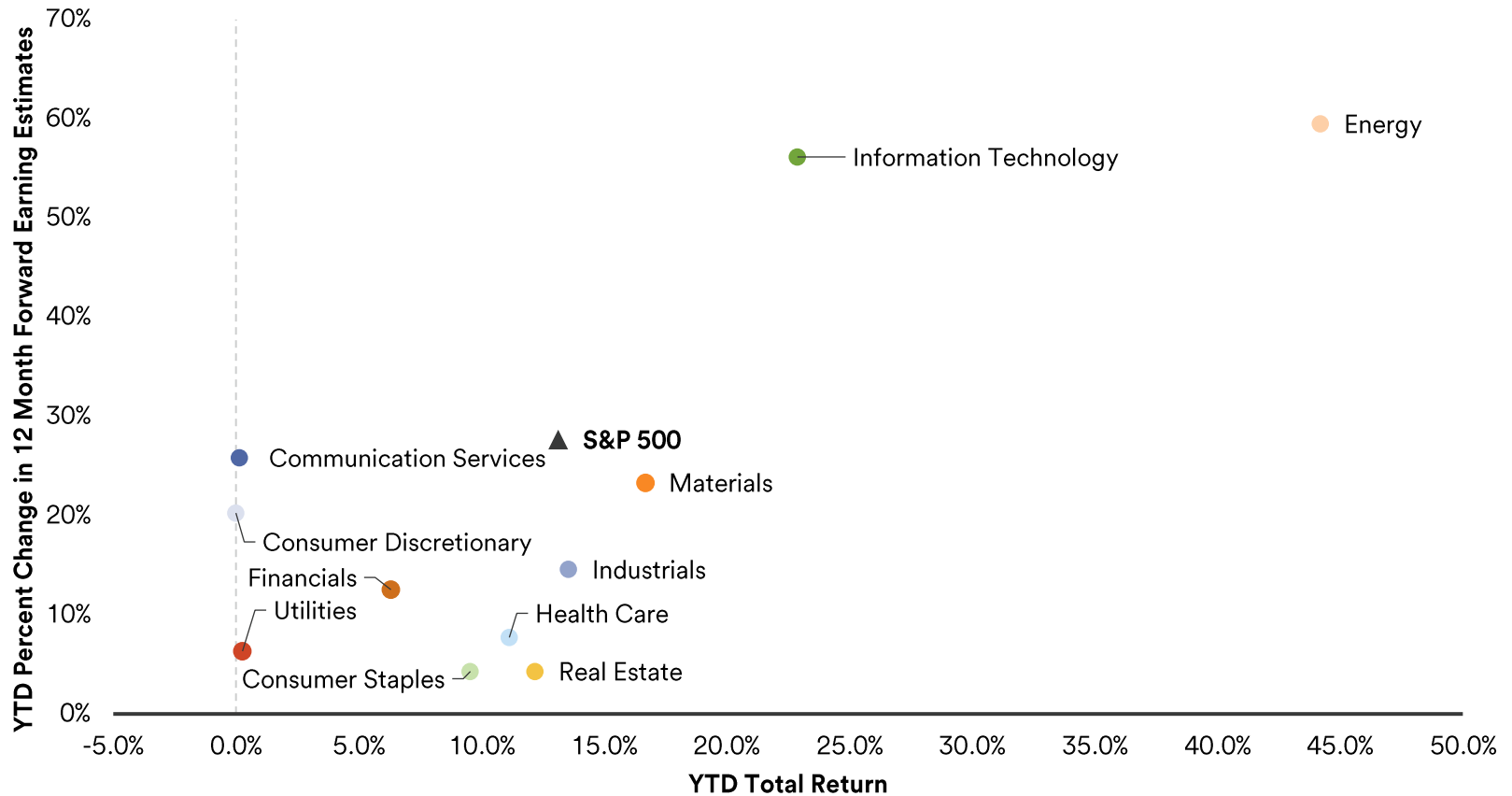
**S&P 500 Revenue Growth
(Y/Y): Q2 2026**



Estimate date: ■ 8/28/2026 ■ 6/30/2026

Earnings and Performance Across Sectors

Change in Forward Earnings and Performance
Year to Date



Source: FactSet, as of 8/31/2026

Poll Question #3

Information technology sector includes the following industry groups

A. Software & Services

B. Technology Hardware & Equipment

C. Semiconductors & Semiconductor Equipment

D. All of the above



Q&A

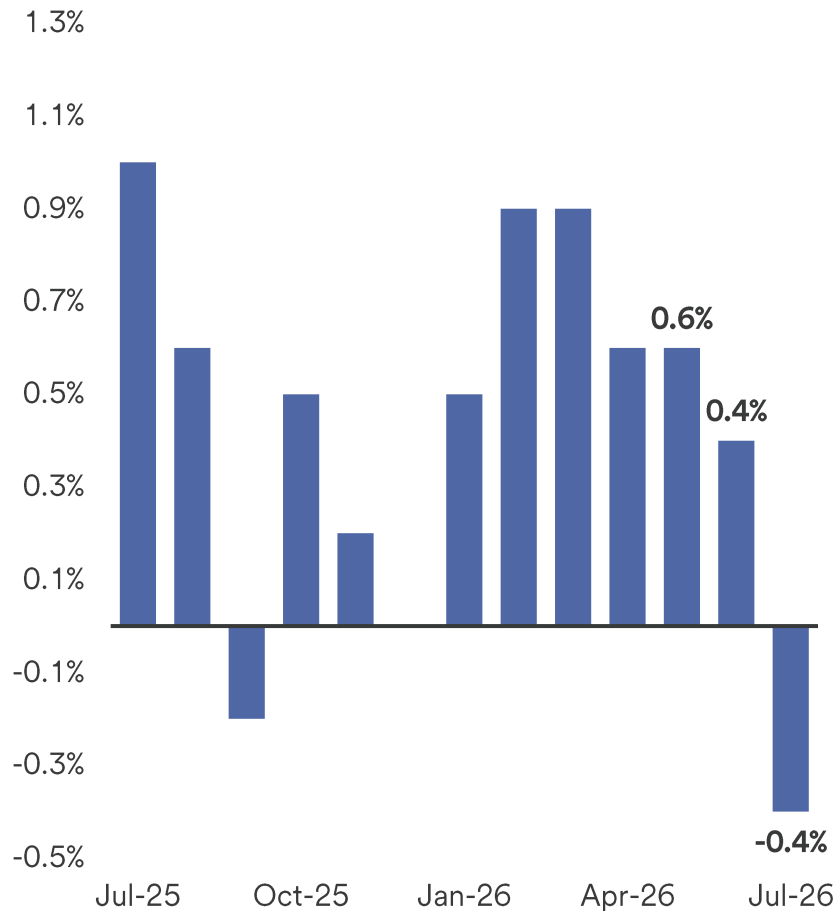


Appendix



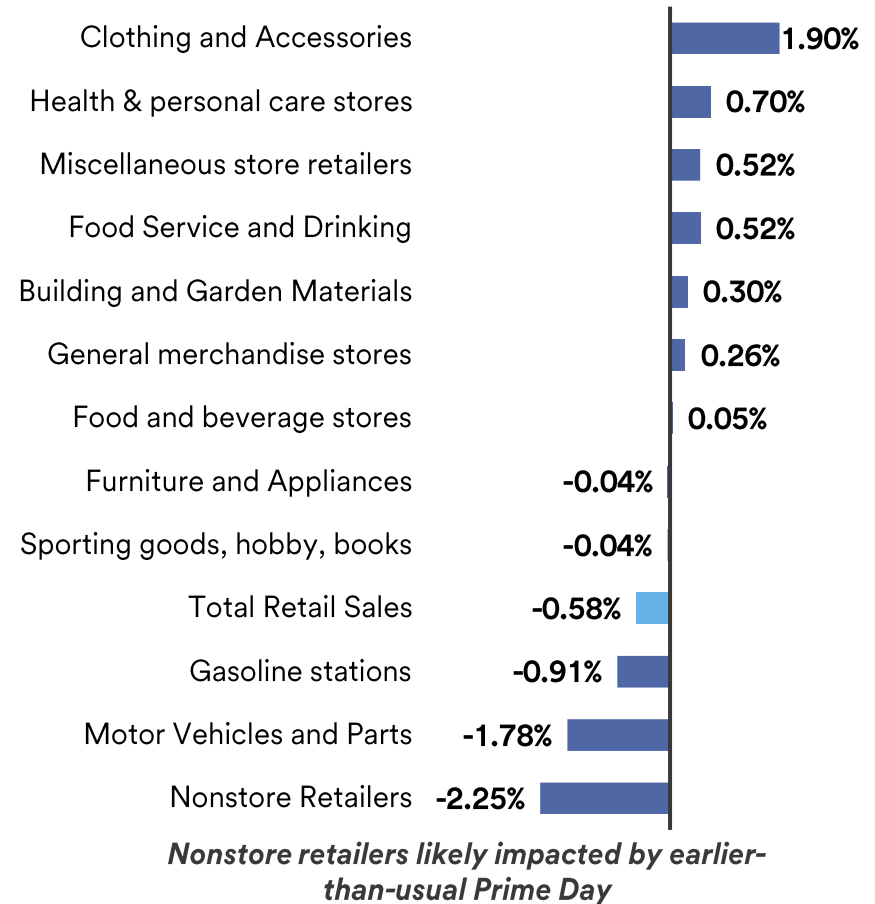
Retail Sales Pull Back in July

Retail Sales Control Group



Retail Sales (Month over Month)

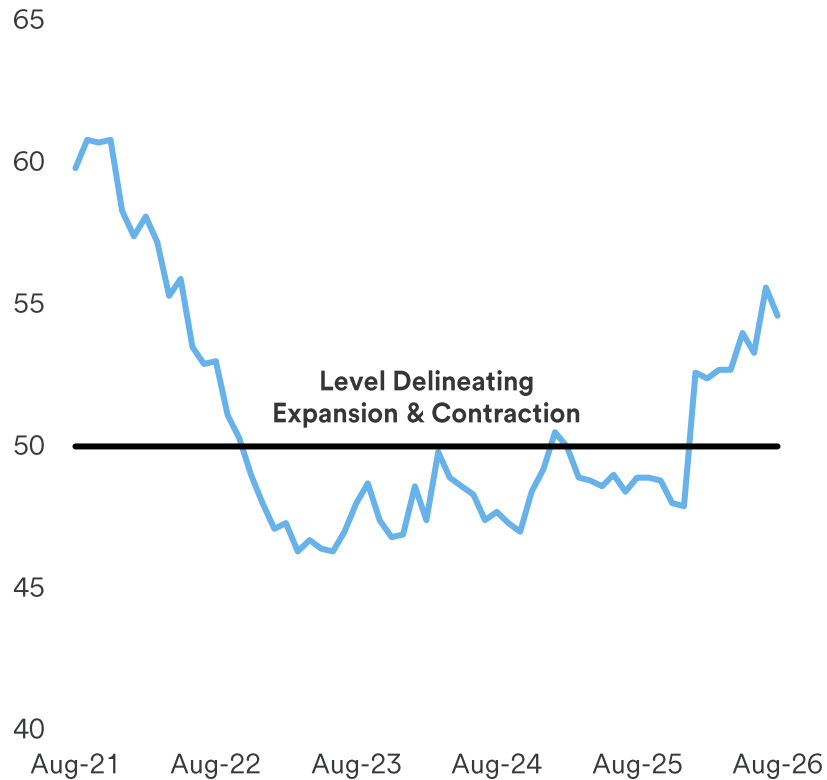
July 2026



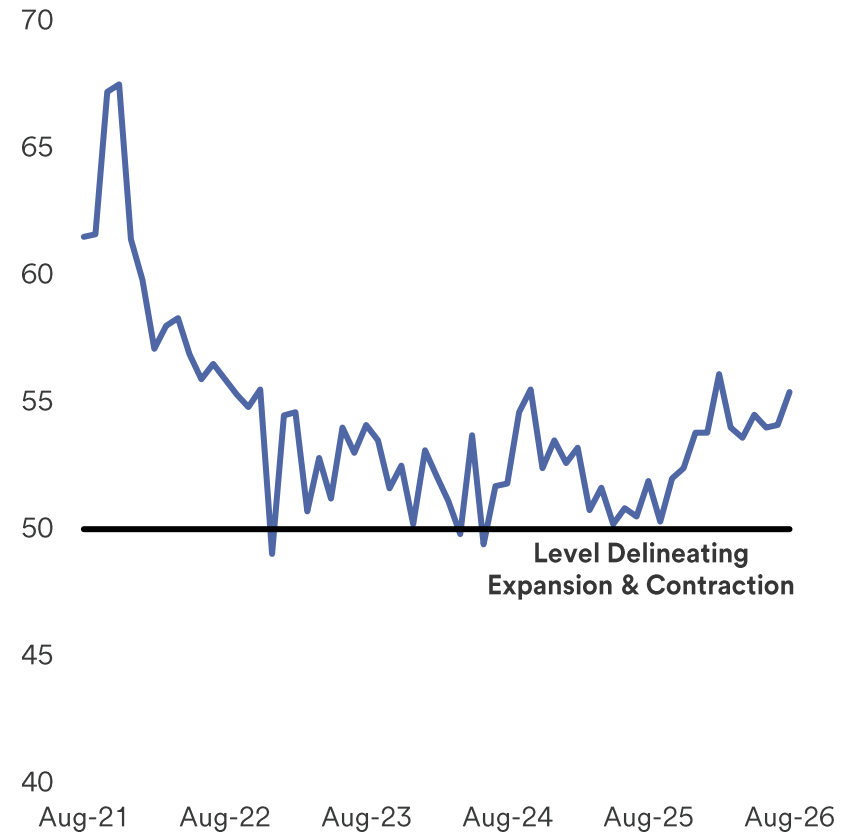
Source: Bloomberg Finance L.P. and U.S. Census Bureau, as of July 2026.

Manufacturing and Non-Manufacturing Activity

ISM Manufacturing PMI



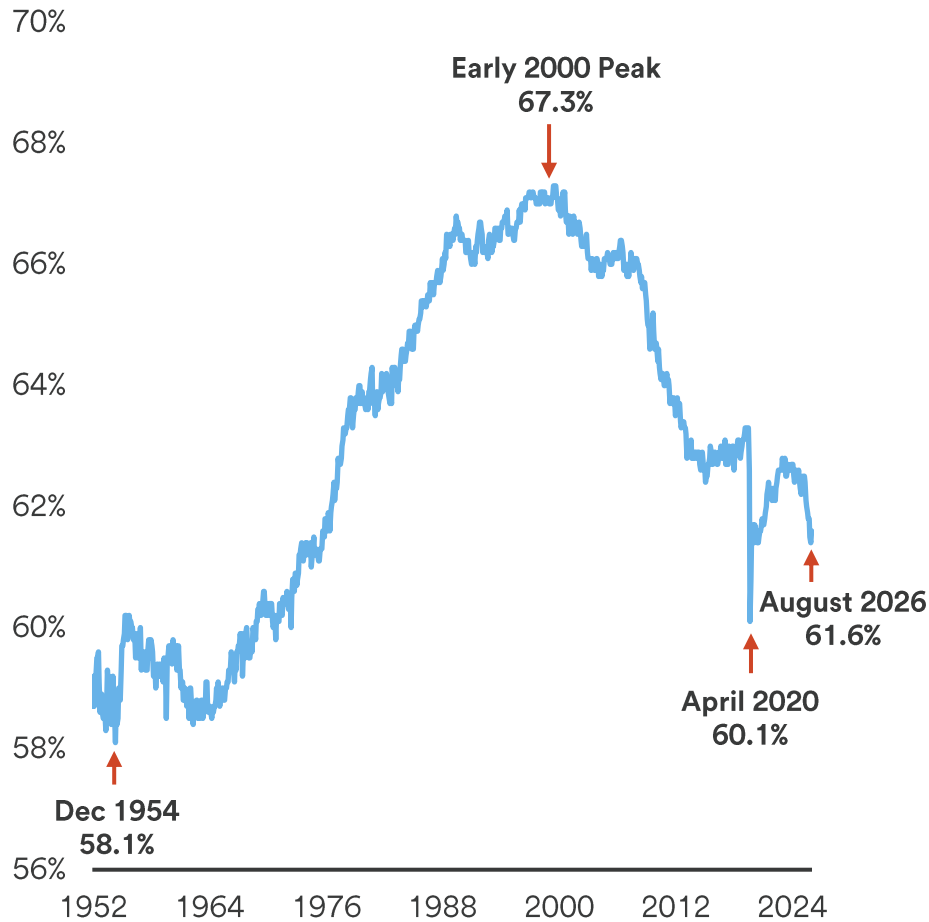
ISM Non-Manufacturing PMI



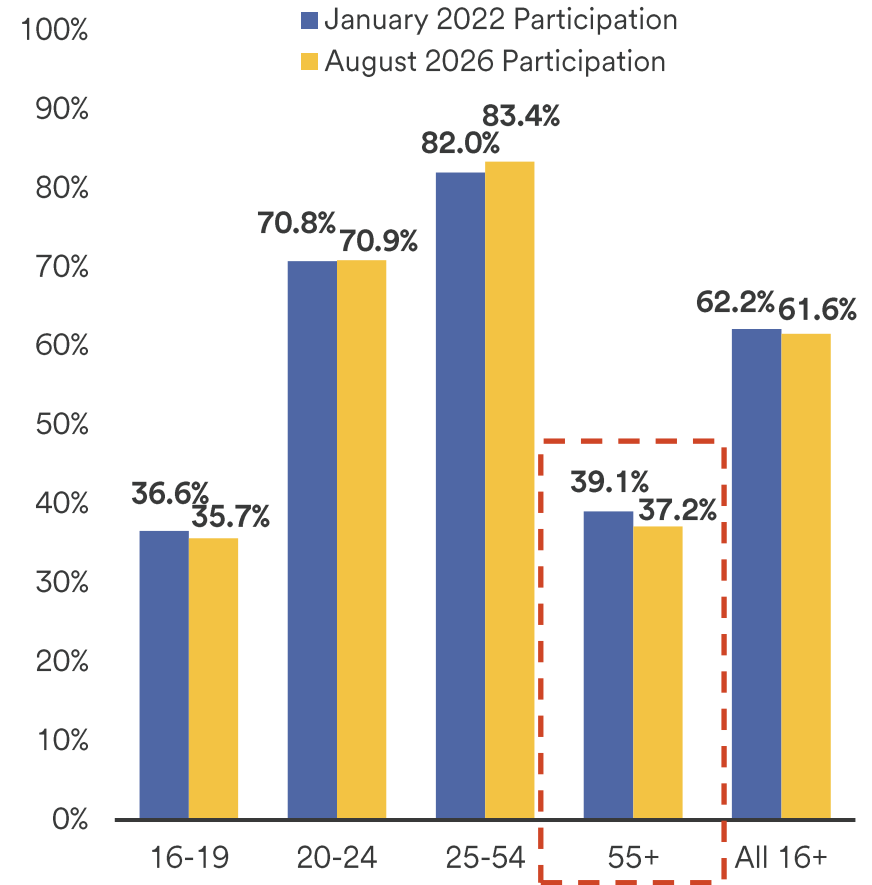
Source: FactSet, Institute for Supply Management. As of August 2026.

Aging Population Continues to Reshape the Labor Force

U.S Labor Force Participation



Older Demographics Pull Down the Overall Participation Rate



Source: Bloomberg Finance L.P. and Bureau of Labor Statistics, as of August 2026.

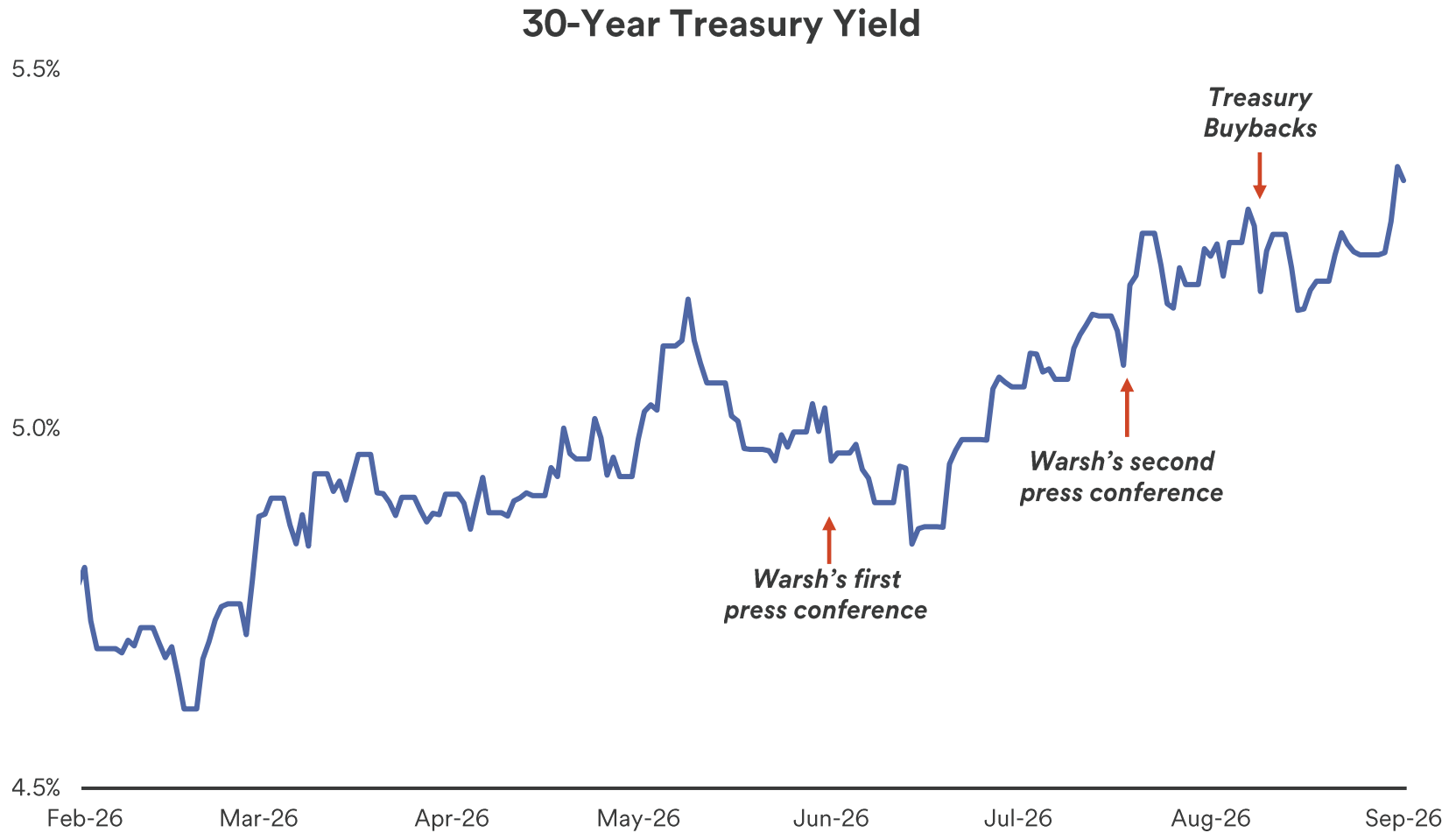


Jackson Hole Press Conference

- **Federal Reserve Chair Kevin Warsh put a September hike firmly back in play**, noting the Fed “has work to do” if underlying inflation is not moving towards the Fed’s target “clearly and at sufficient speed”
- He stated the inflation numbers are “more concerning” while reiterating price stability is the Fed’s current priority and its **2% target is a “firm, fixed target”**
- He also reiterated the importance of Fed credibility saying “it’s the Fed’s job to make sure that inflation expectations” remain anchored
- Warsh said he would “be hard pressed to describe financial conditions as restrictive”, noting “**labor markets are consistent with full employment**” while real consumer spending and business investment both remain strong
- The Fed will continue to avoid forward guidance as it believes “...the practice has overstayed its welcome” and will instead remain “committed to a discipline, not a decision”
- The odds of a September rate hike increased from 35% before the speech to over 50% after the speech while the yield on the 2-year Treasury rose by approximately 7-10 basis points

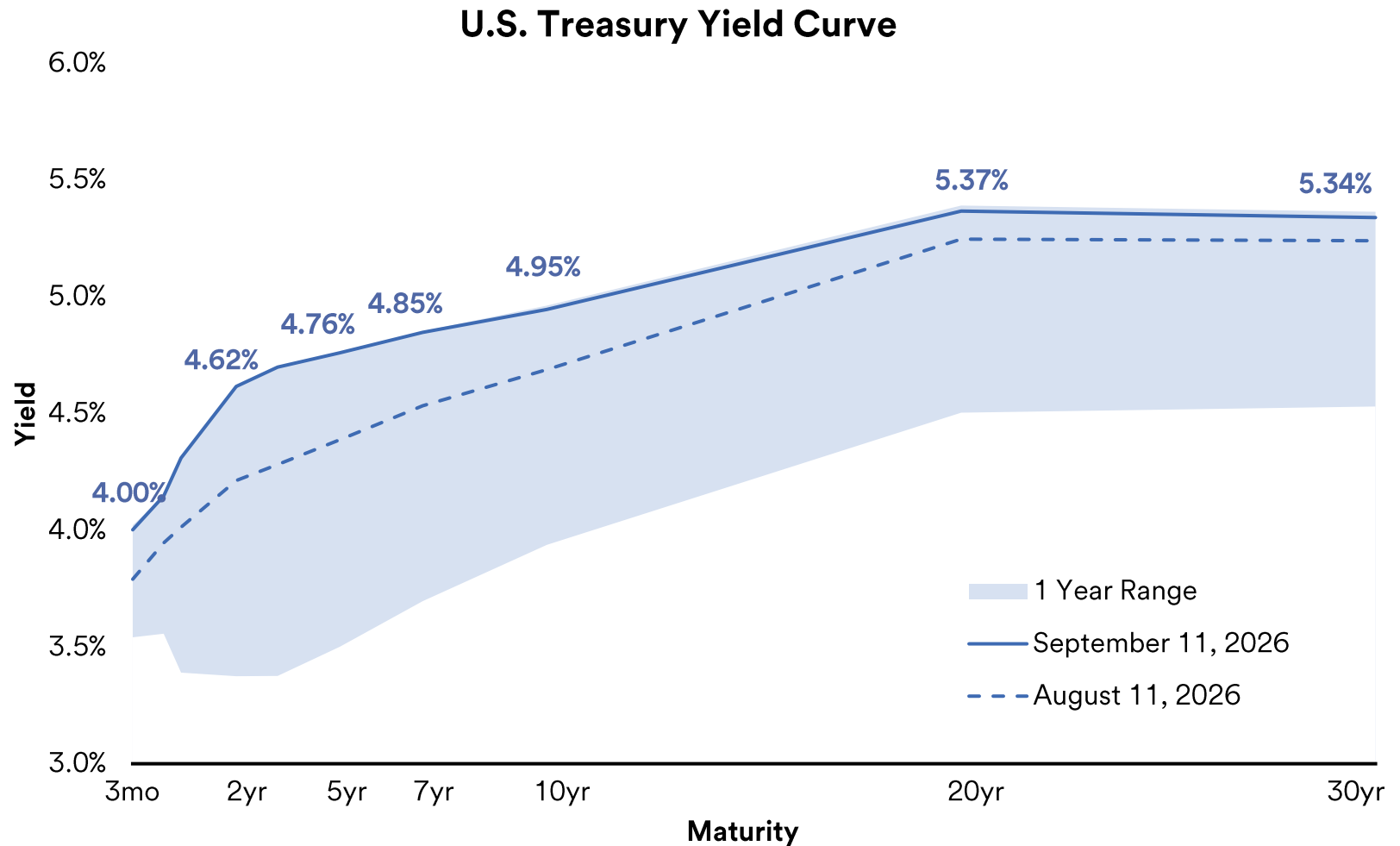


U.S. Treasury Buybacks



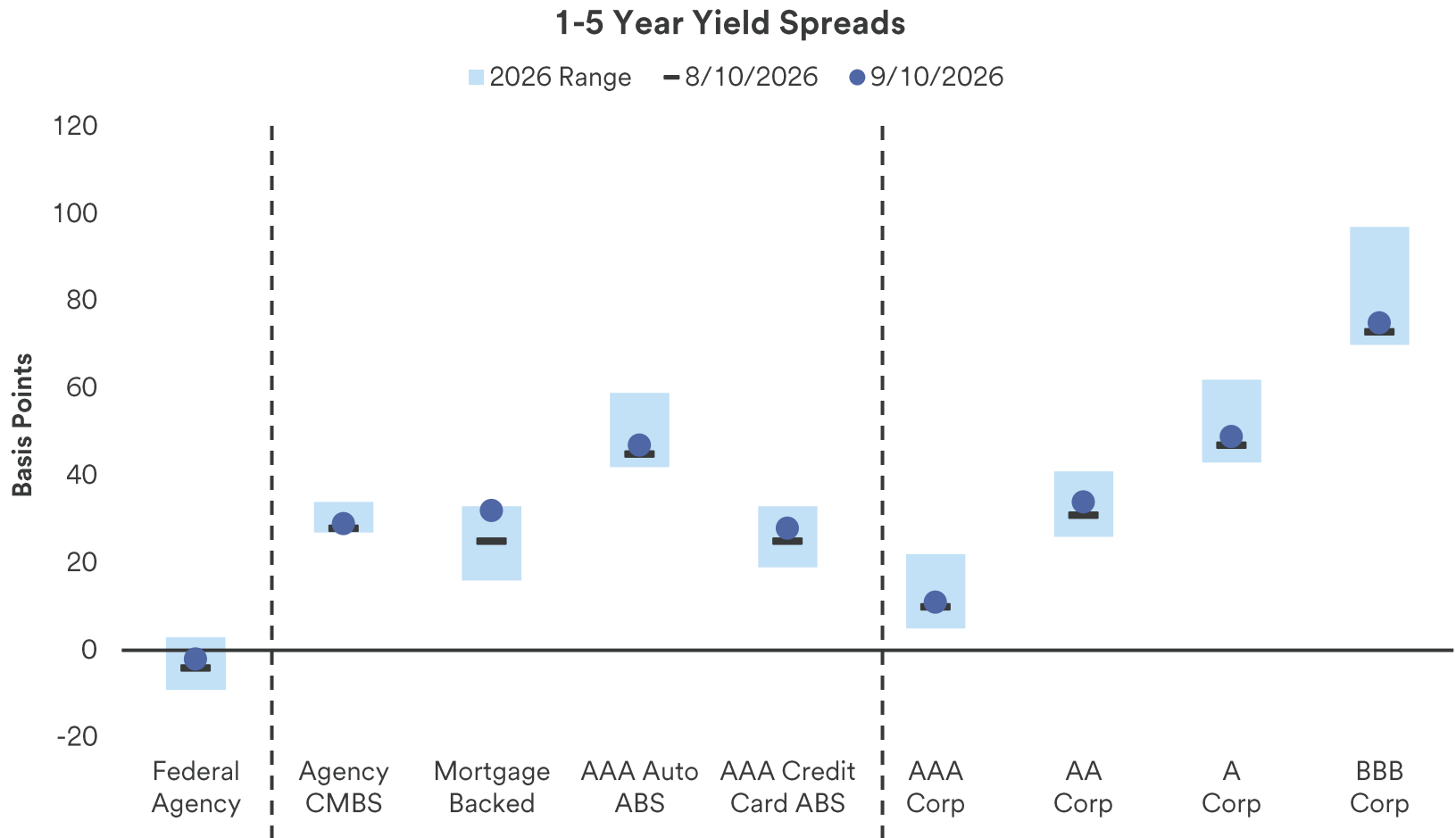
Source: Bloomberg Finance L.P., as of September 11, 2026. 1:00 PM ET

U.S. Treasury Yield Curve



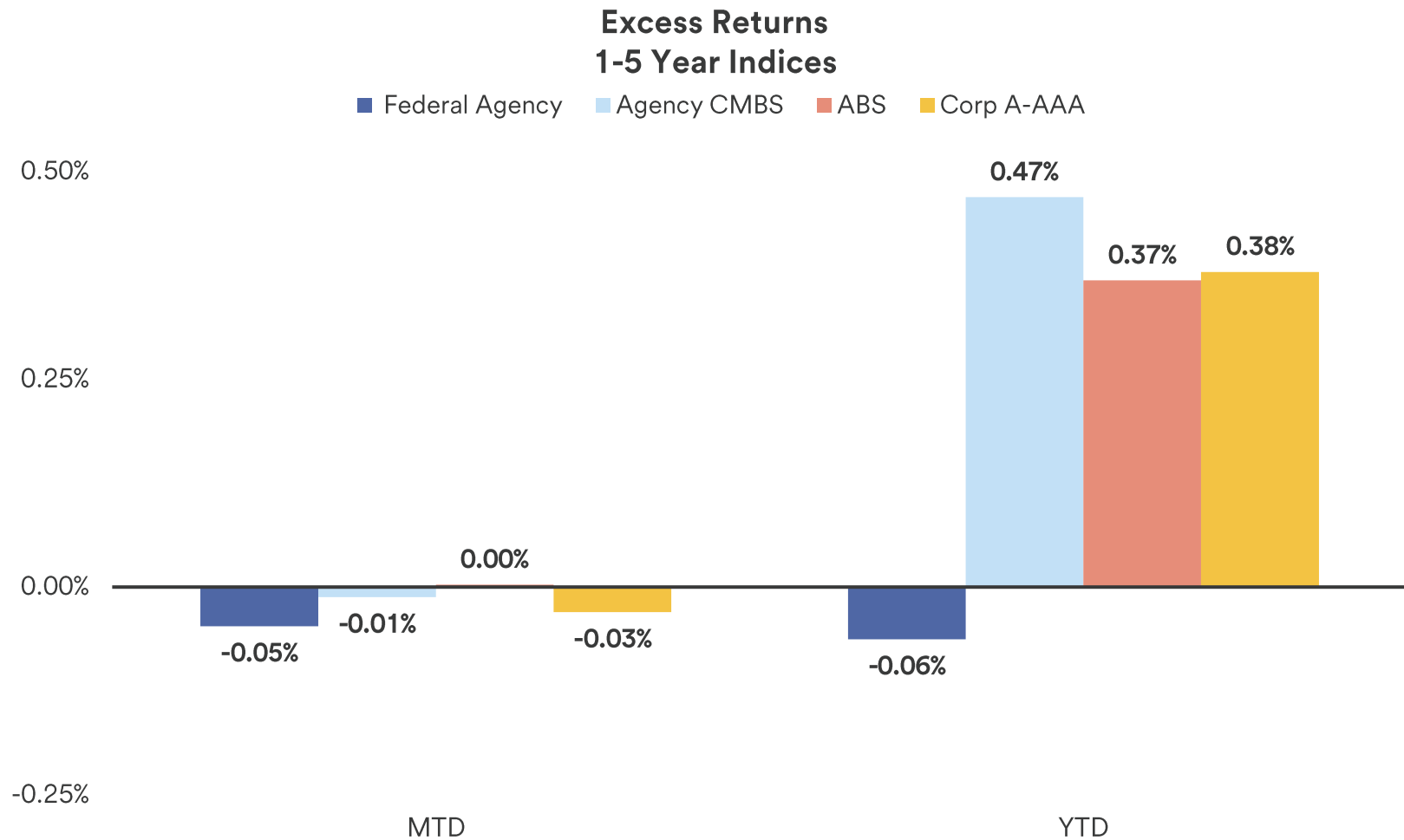
Source: Bloomberg Finance L.P., as of September 11, 2026. 1:00 PM ET.

Sector Yield Spreads



Source: ICE BofA 1-5 year Indices via Bloomberg Finance L.P. as of September 10, 2026. Spreads on ABS and MBS are option-adjusted spreads based on weighted average life; spreads on agencies are relative to comparable maturity Treasuries. CMBS is Commercial Mortgage-Backed Securities and represented by the ICE BofA Agency CMBS Index. Mortgage Backed is the ICE BofA US Mortgage-Backed Securities Index.

Fixed-Income Index Excess Returns



Source: ICE BofA Indices. ABS indices are 0-5 year, based on weighted average life. Agency CMBS represented by ICE BofA CMBY Index.
As of September 10, 2026.

Major Equity and Fixed Income Market Indices

Market Indices as of 8/31/2026						
Domestic Equity	MTD	QTD	YTD	One Year	Three Year	Five Year
S&P 500	2.72%	2.66%	13.14%	20.38%	21.04%	12.79%
Russell 3000	2.74%	2.26%	13.37%	20.10%	20.62%	11.80%
Russell 2000	0.98%	-2.08%	20.01%	26.46%	17.46%	6.85%
Russell Midcap	1.86%	1.23%	16.72%	17.94%	16.85%	8.05%
Russell 1000	2.82%	2.46%	13.03%	19.77%	20.79%	12.10%
International Equity	MTD	QTD	YTD	One Year	Three Year	Five Year
MSCI ACWI ex US (net)	2.57%	2.92%	17.01%	27.35%	20.22%	9.37%
MSCI EAFE (net)	1.99%	3.99%	13.81%	21.62%	18.25%	9.35%
MSCI Emerging Markets (net)	3.37%	0.19%	24.08%	39.25%	23.23%	8.18%
Fixed Income	MTD	QTD	YTD	One Year	Three Year	Five Year
Bloomberg U.S. Aggregate	0.39%	-0.92%	-0.31%	1.89%	4.08%	-0.29%
Bloomberg Global Aggregate	0.45%	-0.08%	-0.30%	0.60%	3.62%	-1.74%
High Yield Fixed Income	MTD	QTD	YTD	One Year	Three Year	Five Year
ICE BoFA High Yield	0.99%	0.69%	2.60%	4.78%	8.42%	4.09%
Listed Real Assets	MTD	QTD	YTD	One Year	Three Year	Five Year
FTSE Nareit All Equity REITs	-2.71%	-0.35%	14.49%	12.52%	10.45%	2.33%
FTSE Global Core Infrastructure 50/50 Index (Net)	-1.82%	-1.29%	9.24%	12.26%	13.08%	6.63%

Source: FactSet, as of 8/31/2026. It is not possible to invest directly in an index. The index returns shown do not represent the results of actual trading of investor assets. Net total return is calculated by MSCI using the companies' country of incorporation and maximum withholding tax rate applicable to institutional investors to determine the relevant dividend withholding. Net return comprises of price returns and net dividends, which incorporate impact of taxes on dividends.

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