

US Economy

The outlook for Q2 and the rest of the year is contingent on the currently unknown duration of the Iranian conflict and the ultimate impact it will have on energy and other commodity prices. Adding higher energy prices as an additional headwind in the last month has brought estimates of Q1 2026 growth from 3.0% at the beginning of the year to 2.0%. While this level of growth is close to the long-term trend US growth rate, continued high energy prices will offset any benefit expected from the 2025 tax act.

Monetary Policy

The Fed held rates steady at 3.50% - 3.75% at the March meeting. The outbreak of hostilities in Iran and the resulting spike in energy prices may be forcing the Fed to quickly shift back to inflation fighting as its primary objective. Unless the Iranian conflict ends early in the second quarter, further federal funds rate cuts are likely off the table for the rest of the year, as inflation forecasts are rising due to supply pressures not only in energy but also in the broader commodities complex.

Bond Markets

The US Treasury yield curve is now fully upward sloping and shifted notably higher during March. Additionally, the curve exhibited some distinctive flattening, which is likely predictive of the second stage of a protracted move higher in commodity prices. Tighter monetary policy reflected in the shorter end of the curve will eventually cause a slowdown in economic growth and in a worst-case scenario a recession whose early signal could be an inversion of the curve. This is not yet a base case forecast at current energy price levels, but it is a development worth carefully monitoring.

Equity Markets

First-quarter earnings for S&P 500 companies are expected to grow by 13% year over year. The IT sector will account for the bulk of this growth with earnings expected to be 45% higher as the dramatic innovations in AI continue to be monetized and deliver sharply higher revenues. Unfortunately, higher interest rates across the yield curve plus a greater premium demanded by investors due to heightened geopolitical risk have combined to cause a decrease in valuation multiples, which led to the declines seen during the quarter.

LBO Market Commentary

In April 2026, U.S. leveraged buyout activity remains cautiously active as sponsors re-engage on quality assets, though the Iran conflict's disruption to oil markets, upward pressure on inflation, and compression of Fed rate-cut expectations have tightened the macro backdrop for new financings. Elevated energy costs and stagflation risk have pushed private credit spreads wider, with debt pricing reflecting a higher-for-longer rate environment and reduced visibility on borrower cash flows. Consistent with this cautious lending environment, purchase price multiples have risen quarter-over-quarter while leverage multiples have compressed, as lenders hold firm on coverage thresholds amid broader macro uncertainty.

Forecast Provided by Cerity Partners

	Current		2025 est.
Fed Funds Rate	3.72%	World GDP Growth Rate	3.25%
US 10-Year Treasury Yield	4.32%	US GDP Growth Rate	2.25%
S&P 500 Index	6,529		
HY Fixed Income Spread**	333 bps		

*Source: Factset

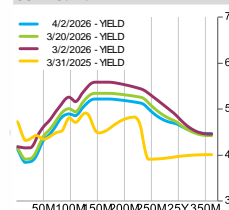
**High Yield Spread is the BofA Merrill Lynch High Yield Master II relative to the US 10-Year Treasury Bond.

Rate Environment

Treasury Statistics/Rates

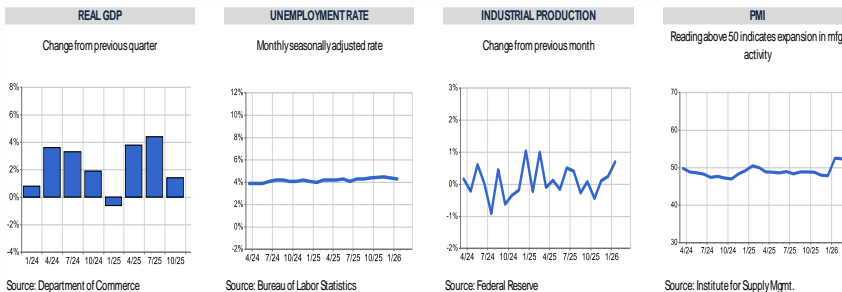
	Current	YTD %	Historical	
			52-Wk HI	52-Wk LO
US Treasury 2yr	3.79%	0.32%	4.39%	3.39%
US Treasury 5yr	3.94%	0.22%	4.61%	3.52%
US Treasury 10yr	4.32%	0.15%	4.79%	3.95%
US Treasury 30yr	4.91%	0.06%	5.08%	4.43%
SOFR - 3 Month	3.68%	0.03%	4.33%	3.63%
SOFR - 6 Month	3.70%	0.13%	4.32%	3.56%
SOFR - 12 Month	3.73%	0.32%	4.29%	3.40%

SOFR Curve



Treasury Statistics and SOFR Curve provided by Factset

Key Economic Data

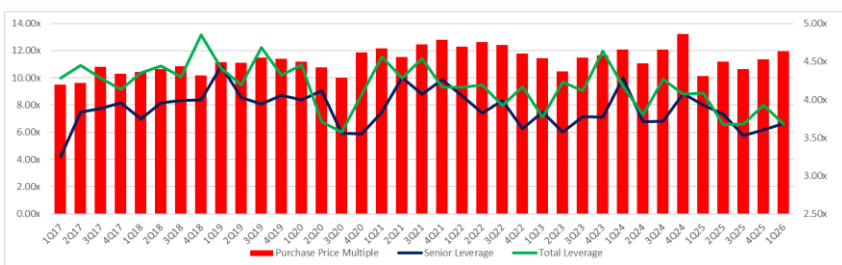


Equity Market Performance

Index	Current	% Change			52 Week HI	52 Week LO	Trailing P/E	Forward P/E	Current Yield
		Last Week	YTD	52 Week					
DOW	46,341.51	-1.97%	-3.19%	12.23%	50,188.14	37,645.59	21.69	19.02	0.00%
S&P500	6,528.52	-3.24%	-4.33%	17.80%	6,978.60	4,982.77	24.24	19.85	1.21%
NASDAQ	21,590.63	-4.37%	-5.82%	23.99%	23,958.47	15,267.91	31.56	23.24	0.00%
R2000	2,496.37	-3.64%	0.89%	26.72%	2,718.77	1,760.71	36.24	23.32	0.00%
VIX (S&P)	25.25	13.58%	68.90%	13.33%	52.33	13.47	N/A	N/A	N/A

*Source: Factset

LBO Market Performance



LBO Market Data was provided by Refinitiv LPC

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