



2Q26 Outlook:

Here it Goes Again

April 8, 2026

2Q26 Outlook: Here it Goes Again

1. Here it Goes Again:
 1. Another Supply Shock
 2. Episode 3 of “Revenge of the Real World”
2. Economic Outlook
 - a) State of the Economy Pre-War
 - b) How Will the Economy Feel the Oil Shock?
3. Fixed Income Outlook
 - a) Expectations From the Fed
 - b) Positioning Within Bonds
4. Equity Outlook
 - a) Earnings vs. Valuations

Stating the Obvious

The path for markets in 2Q26 and the remainder of the year is inextricably linked to the path of the war in the Middle East and the degree and duration of its disruption to energy markets.

War Watch Items

- **Are Ships Passing Out Of (And Into) the Strait or Hormuz?**
- **Are Ships Paying a Fee or Toll to Transit the Strait?**
- **Is Energy Infrastructure Still Being Attacked in the Region?**
- **What is Happening to Energy Production in the Region?**
- **Are Oil Importers Experiencing Shortages?**
- **Are U.S. Energy Prices Falling?**

Ceasefire Reaction: Oil Plunges

WTI Oil



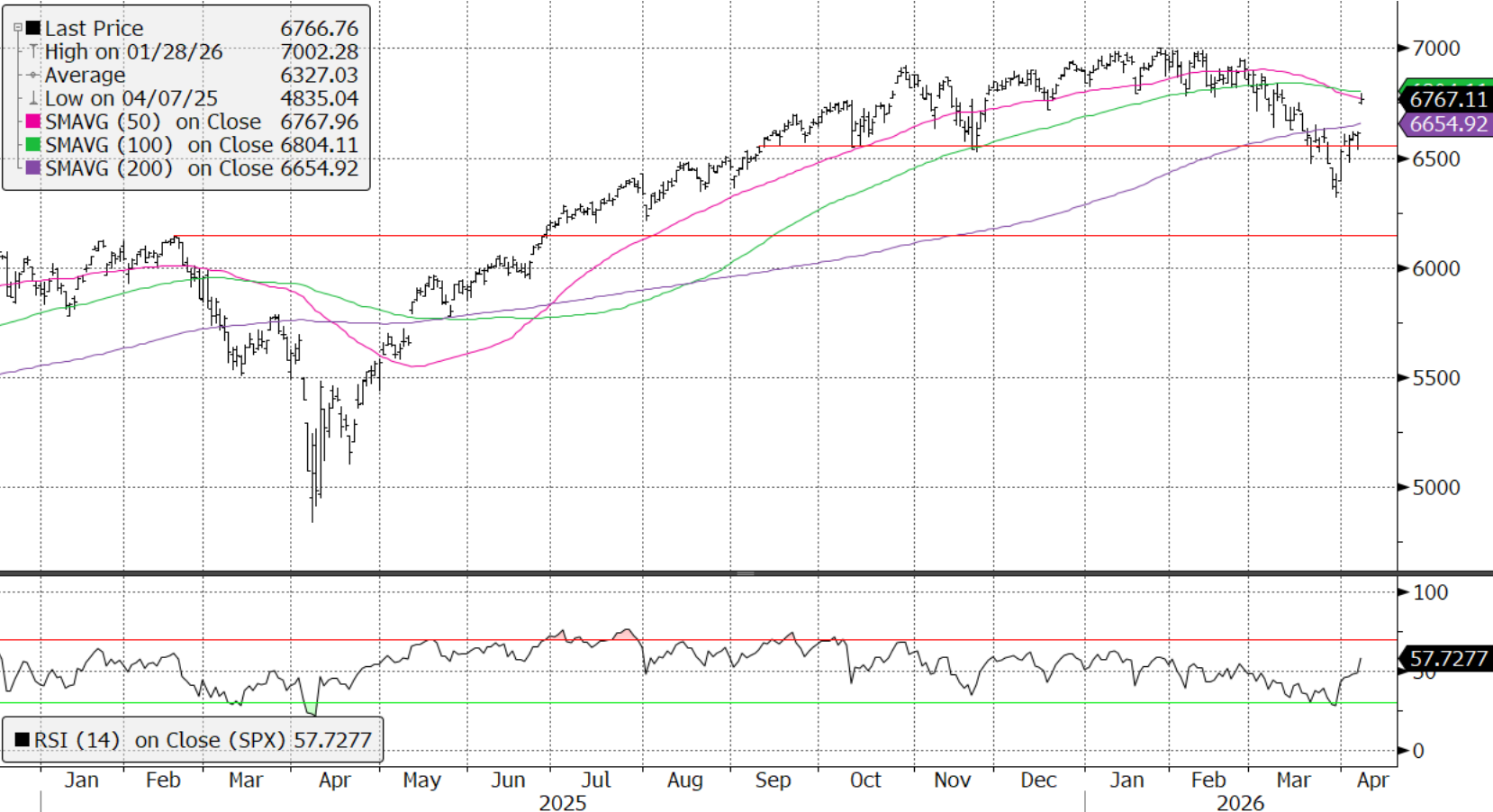
CL1 Comdty (Generic 1st 'CL' Future) WTI OIL Daily 15MAR2025-08APR2026

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Ceasefire Reaction: Stocks Jump

S&P 500 with RSI



SPX Index (S&P 500 INDEX) SPX RSI 1Y daily Daily 14DEC2024-08APR2026

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Ceasefire Reaction: Yields Drop

2 Year Treasury



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Ceasefire and Beyond: Lingerin Supply Shock

A ceasefire and prospect of resolution reduces the odds of the worst case scenario for the global economy and markets (complete commodity crisis).

But, there will be last impacts from this war such as: higher oil risk premia, lingerin high prices for refined products, pressure on agriculture prices, potential changes to capital flows, and more

The question is the market's ability to "look through" these impacts, which depends on where consensus currently lies.

Here it Goes Again: Another Supply Shock



A Series of Supply Shocks in the Past 5 Years

A supply shock is an unexpected event that disrupts the supply of a key input (commodity, good, labor) that results in an increase in prices.

We have had multiple supply shocks in the last 6 years.



Oil Related Supply Shocks Have Multiple Market Implications

Higher energy prices can have many impacts including:

Increases headline inflation with risk of metastasizing to other areas (such as higher transport costs for goods)

Act as a tax hike on consumers/businesses, weighing on growth

Restricts the Fed's ability to prioritize the labor market, keeping the central bank on hold in order to keep inflation expectations anchored

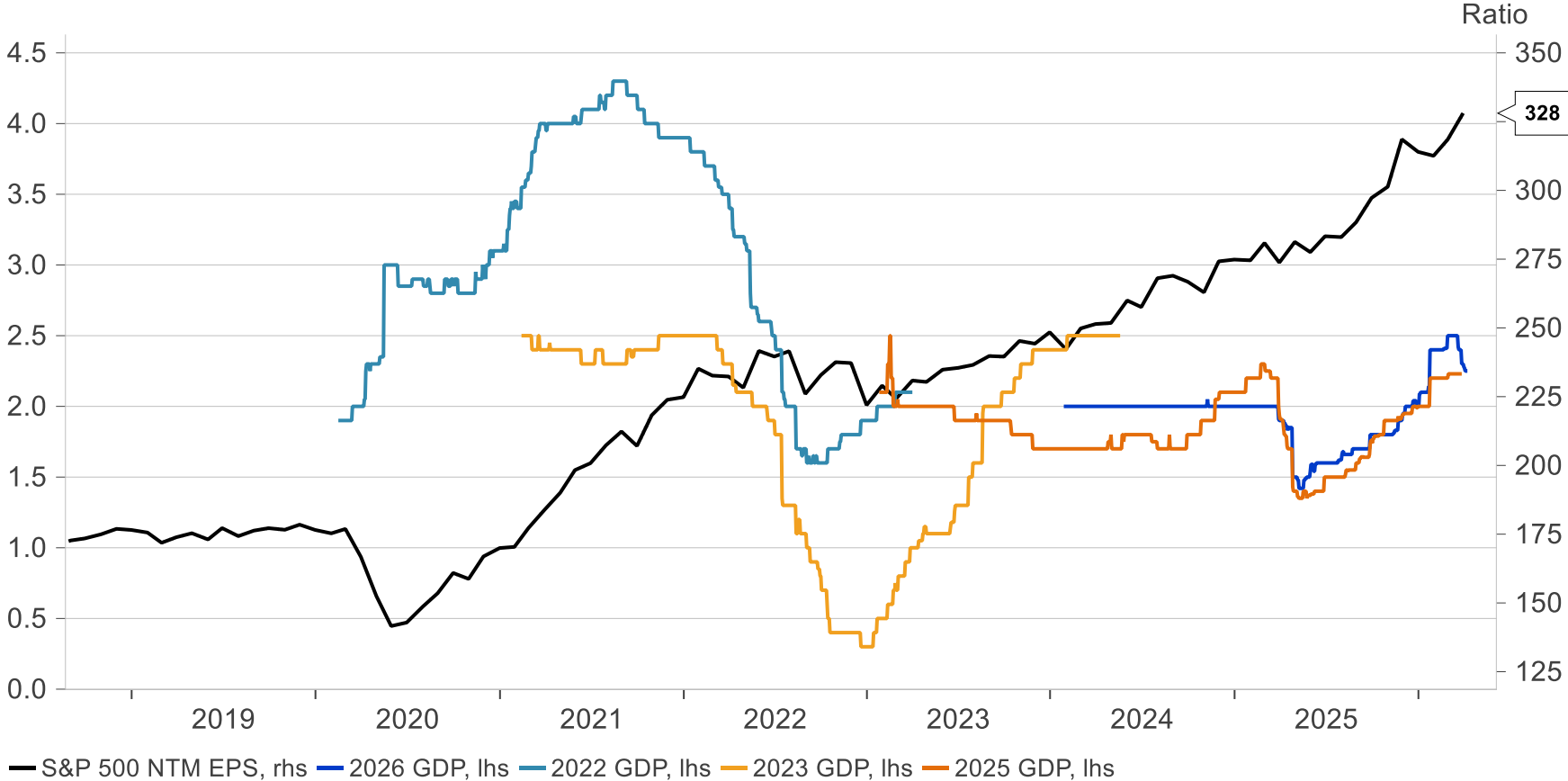
Tightens liquidity through higher rates, higher rate volatility, and potentially a stronger USD

Committed, Calm Consensus

After being quick to cut forecasts in the face of other supply shocks (2020, 2022, 2025), analysts are “holding the line” this time around, keeping forecasts for GDP and S&P 500 earnings steady.

Forecasters “Holding the Line” on GDP and EPS Forecasts

S&P 500 EPS and GDP Forecasts (Bloomberg Consensus)

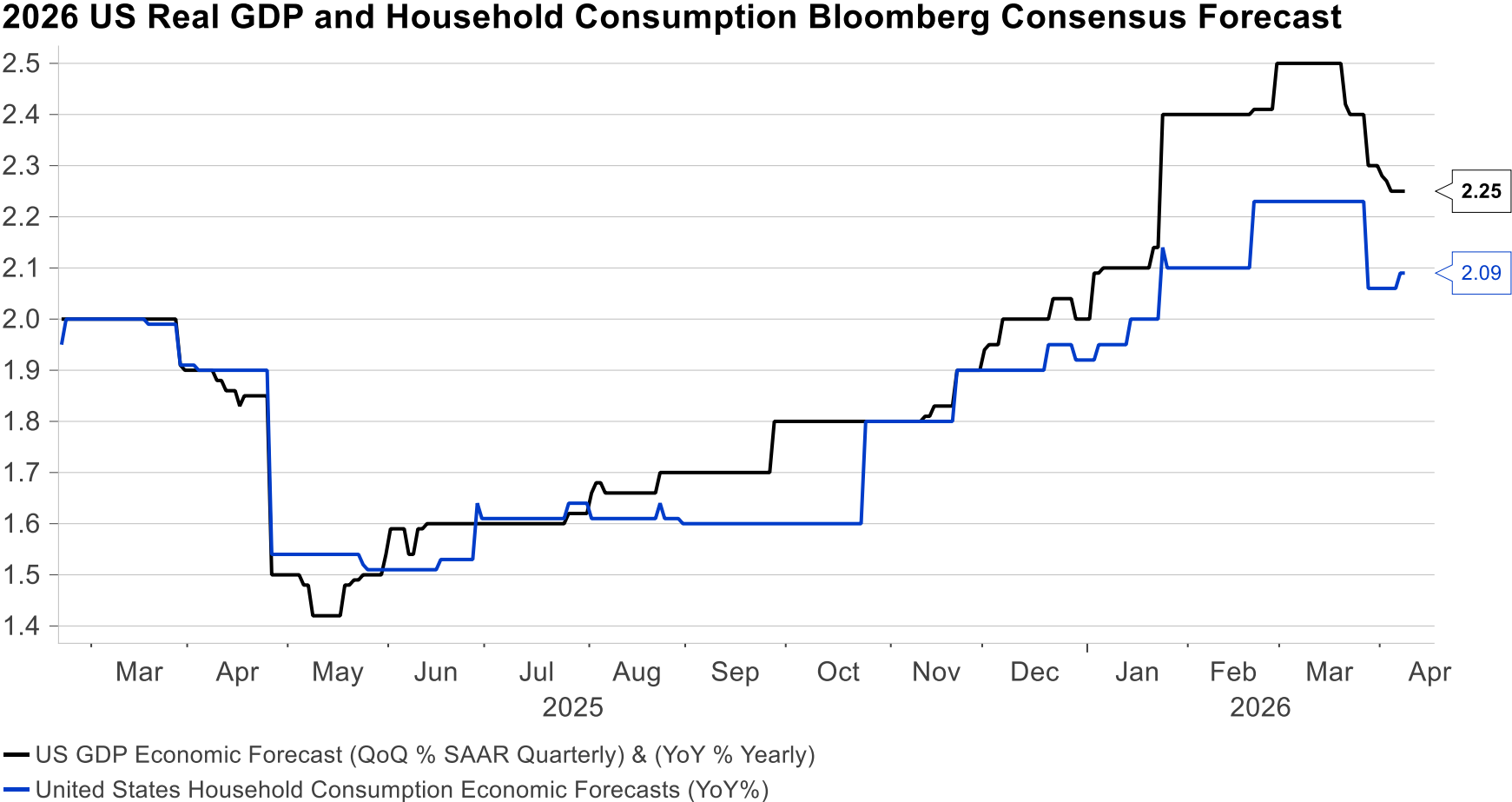


Source: NewEdge Wealth, Macrobond, Bloomberg S&P Global

Calm Consensus Summary

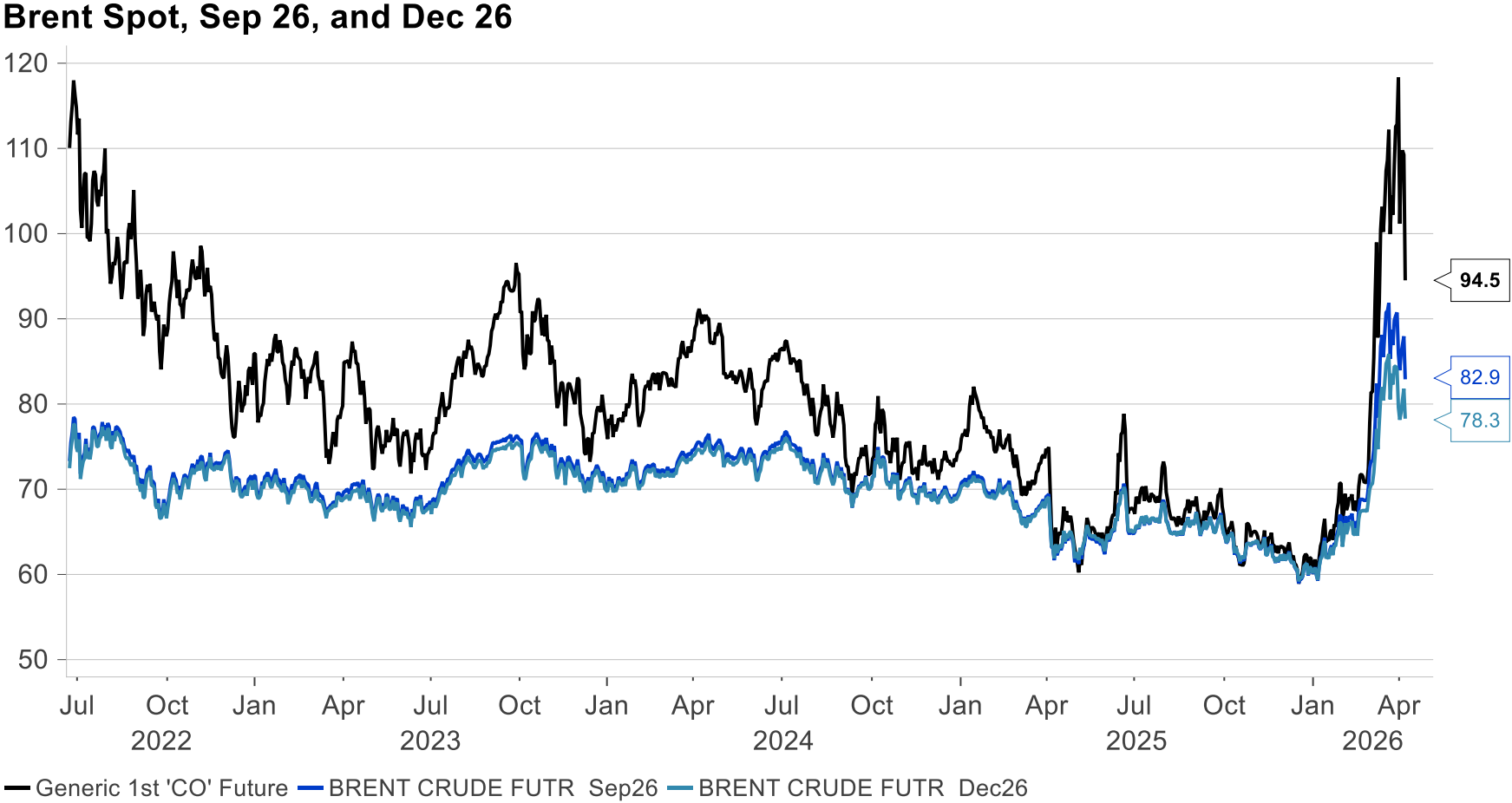
- **2026 US GDP Trimmed Slightly in March**
 - **2026 GDP:** 2.3%
- **S&P 500 Earnings Revised Higher in March**
 - **2026 EPS:** \$323 (+16.4% YoY)
 - **2027 EPS:** \$373 (+15.3% YoY)
- **Oil Futures:**
 - **Spot Brent:** \$95
 - **December Brent:** \$78
- **Bond Market Calm**
 - **HY Spreads Contained:** +40 bps from 2026 lows
 - **Record New IG Issuance YTD:** +17% YoY

Calm Consensus: GDP



Source: NewEdge Wealth, Macrobond, Bloomberg

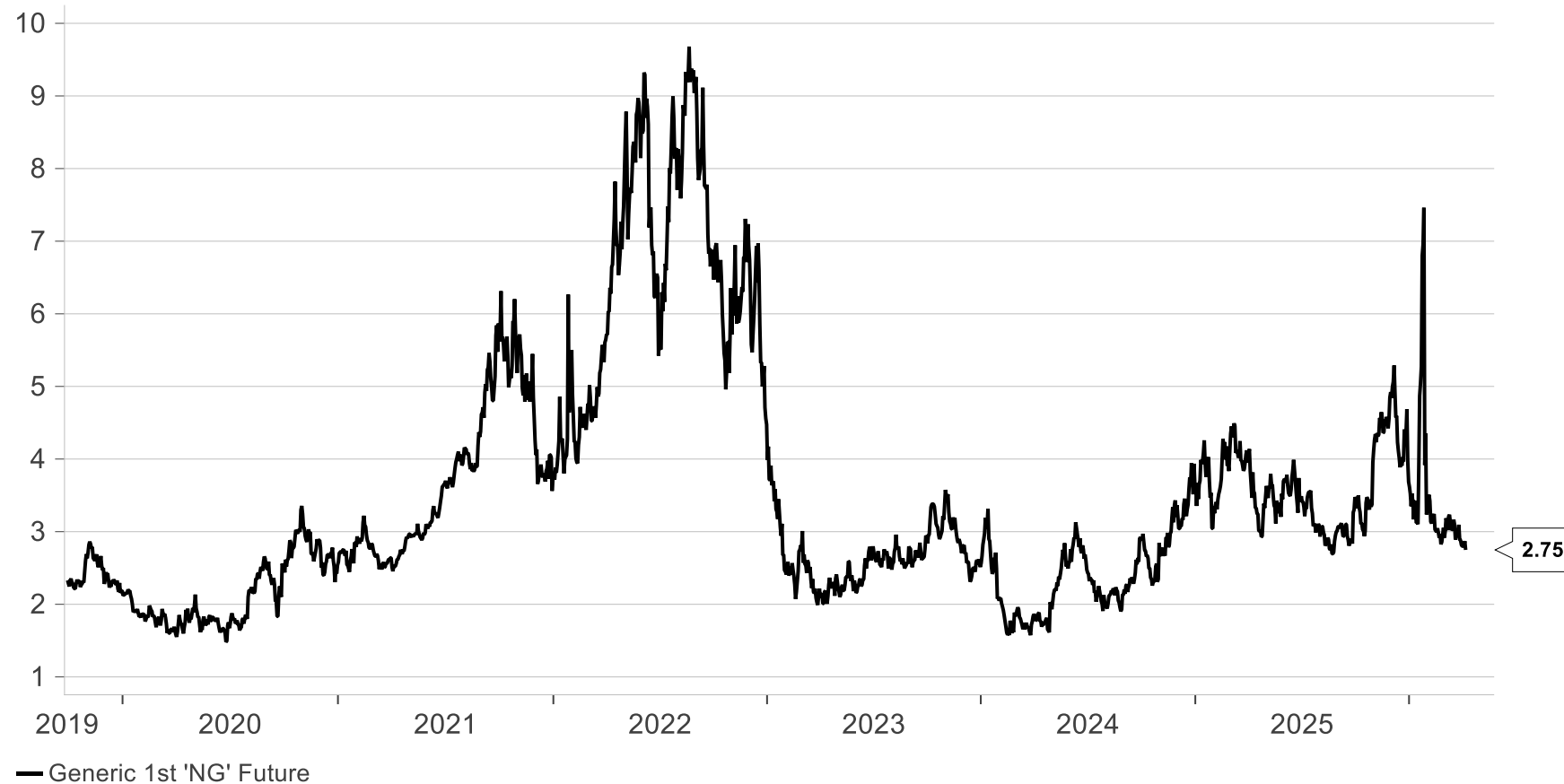
Calm (But Lingering) Consensus: Crude Futures



Source: NewEdge Wealth, Macrobond, Bloomberg

Note That US Natural Gas is Reacting Differently vs. 2022

Henry Hub Natural Gas



Source: NewEdge Wealth, Macrobond, Bloomberg

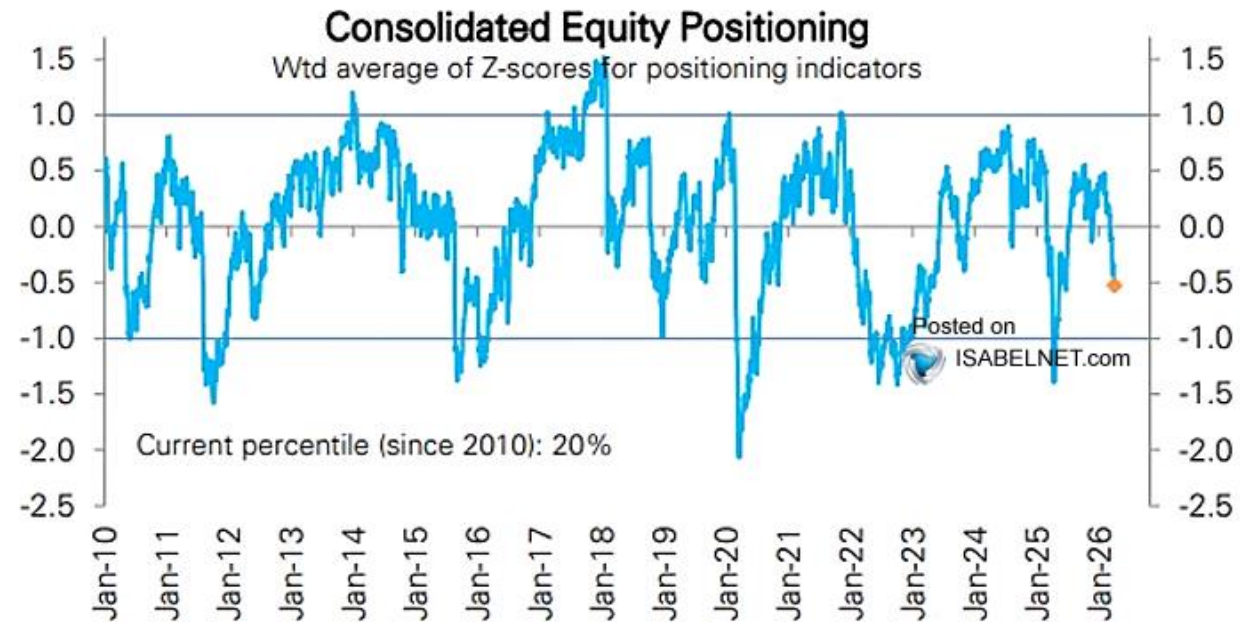
Calm Consensus: S&P 500 Earnings

S&P 500 with 2025, 2026, 2027 EPS Forecasts



Less Calm Positioning: Potential For Equities to Chase Higher?

Figure 1: Consolidated equity positioning¹



*Weights based on explanatory power in regression of equity performance on indicators

Source : Deutsche Bank Asset Allocation

Calm Consensus: High Yield Spreads



Source: NewEdge Wealth, Macrobond, Bloomberg

Committed, Calm Consensus

Given how calm consensus has remained through this supply shock, there is arguably less room to surprise to the upside vs. prior shocks, where analysts deeply cut forecasts and were forced to chase real activity higher.

Thesis: Revenge of the Real World

Episode 1

1970s

- Stagflation Heavy
- Surging oil prices due to Middle East conflict
- Wage price spiral
- Guns & Butter/Great Society fiscal dominance
- Nifty Fifty stock performance and index concentration unwind
- End of revenge: Volker hikes, new oil discoveries (North Sea), supply-side reforms

Episode 2

2000s

- More of a demand shock than a supply shock, driven by the industrialization of China which sparked an emerging markets boom
- Bursting of 90's tech bubble, unwind peak concentration and major leadership shift to prior losers (Value, Int'l, SMID)
- Stable inflation, falling UE
- End of revenge: GFC, US fracking boom

Episode 3

2020s

- COVID fiscal dominance, high peace-time deficits
- Rolling supply shocks ('20, '22, '25, '26)
- Deglobalization with security/reliability taking precedence over efficiency
- Technology shift from asset light to asset heavy (new economy cash funds old economy build)
- End of 40 yr bond bull market

Revenge of the Real World Episode 3: Portfolio Implications

- Suggests lower forward returns for equities as margins no longer the top priority and asset light business models shift asset heavy, while unwinds of index concentration usually come with lower forward returns and major leadership shifts
 - Question in Episode 3: How will AI impact broad margins? To whom will the spoils of AI efficiency accrue (Consumers in the form of deflation? Corporates in the form of lower labor costs? AI Infrastructure players? AI technology pioneers?)
- Creates risk for higher yields (the end of the bond bull market)
- Portfolio diversification between within asset classes important as era of concentrated returns unwinds
- Review real asset exposure if underweight, including real estate and infrastructure
- Deemphasize financial engineering as the key source of returns

Revenge of the Real World? Are We in a 2000's Throwback?

Growth vs. Value Long Term

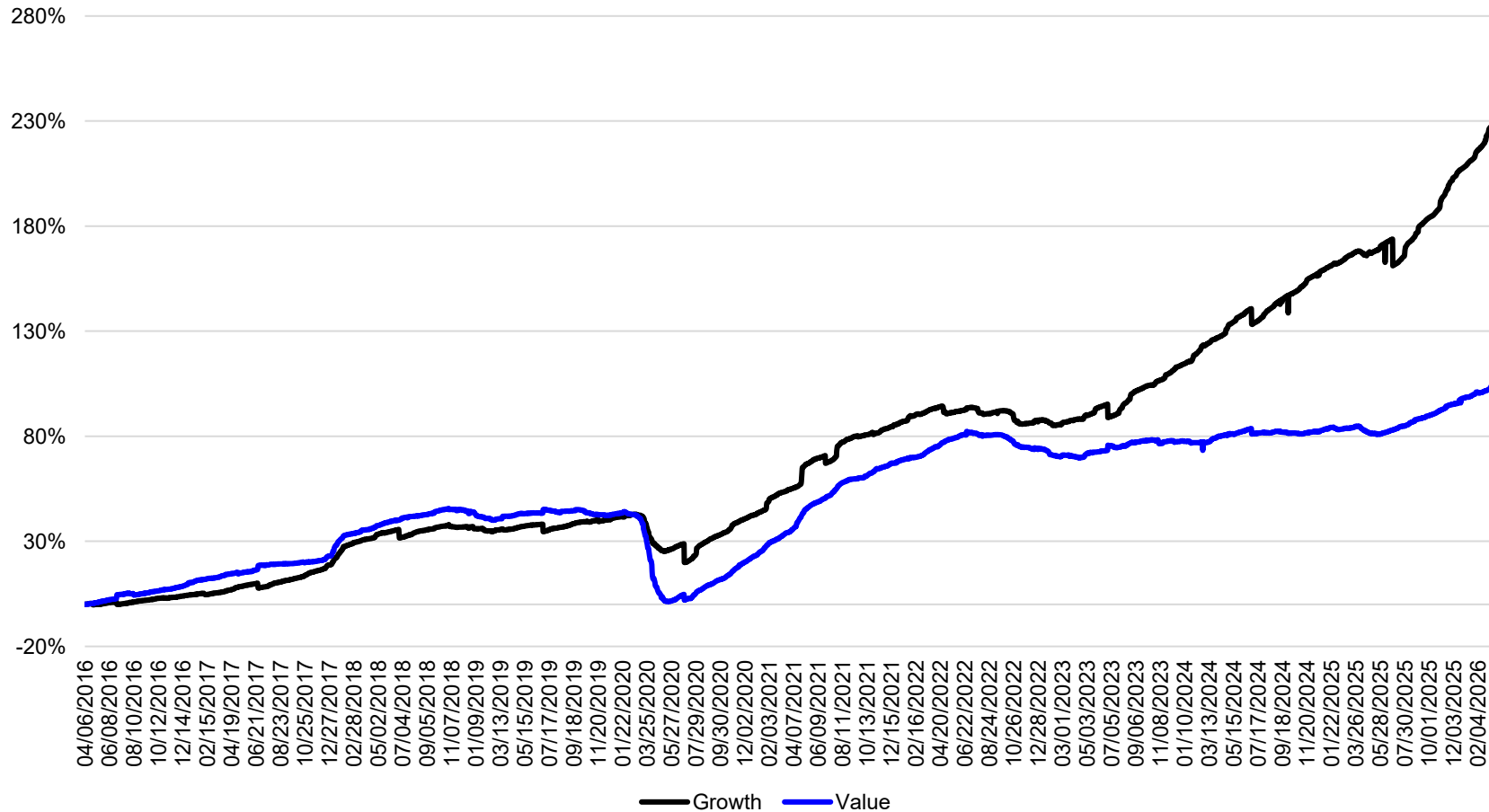
Russell 1000 Growth vs. Value



Source: NewEdge Wealth, Macrobond, Bloomberg

Revenge of the Real World? Growth Earnings Dominance Fades?

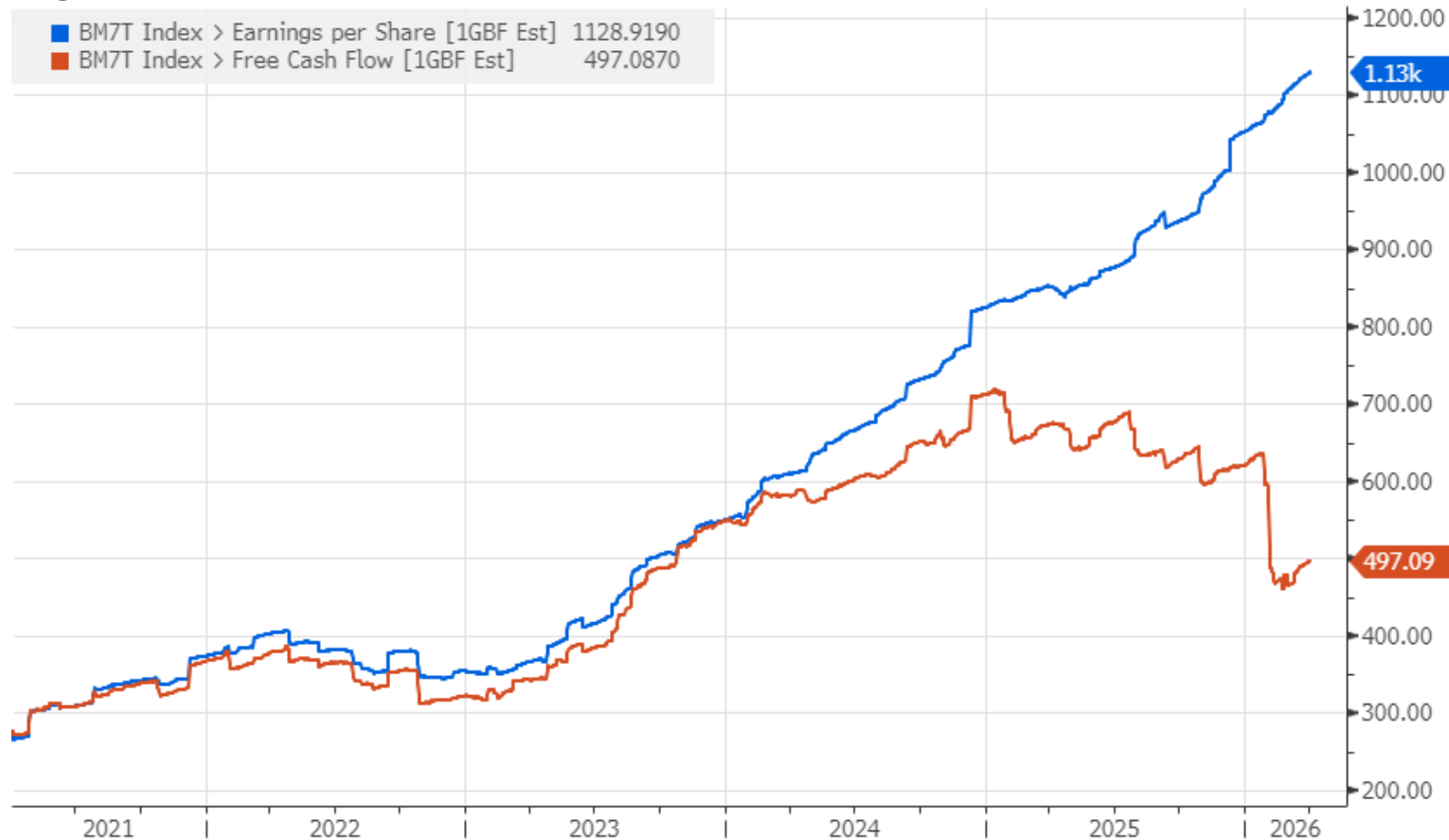
Russell 1000 Growth and Value Earnings Indexed to 2016



Source: Bloomberg, New Edge Wealth, 4-6-26

The New Economy is Using its Cash to Fund the Old Economy!

Magnificent 7 12 Month Forward EPS and FCF



Source: Bloomberg, New Edge Wealth, 4-6-26

**Free Cash Flow =
Cash Flow from Operations-CapEX**

EPS vs. FCF

Earnings (EPS) is what is reported on the income statement and includes accounting adjustments that can smooth earnings (making it easier to manipulate).

Cash flow calculations like Free Cash Flow (FCF) and Cash Flow from Operations measure cash generated by the business in the current period (making it harder to manipulate).

For CapEx, in EPS calculations, CapEx expense is spread out over many years (called depreciation), while in FCF calculations, CapEx is recognized in the period in which it is spent. This is how today's Mag 7 earnings can remain strong (not recognizing the entirety of their CapEx binge) but FCF is weak. Note, FCF *can* be manipulated by moving some CapEx to Investing Cash Flow, for example.

In the last year, Mag 7 EPS is +40% while FCF is -30%!

2Q26 Key Assertions

Economy

- Avoiding a worst-case scenario for energy supply helps to avoid a worst-case scenario for global growth, but there will be lingering impacts of the war on inflation and growth
- U.S. Labor: “low hire, low fire” remains; very few jobs need to be created every month to hold the unemployment rate steady; wage growth could slow further
- U.S. Inflation: Headline inflation will jump higher, while core inflation will likely remain high and sticky, despite subdued wage growth

Policy

- The Stagflation Playbook: the Fed will remain on hold until energy costs crest and/or unemployment jumps, even with a new Fed chair
- Benefits from the OBBB are almost fully offset by higher energy prices

Fixed Income

- Yields could shift from worrying about inflation (higher yields) to worrying about growth (lower yields)
- Public credit markets are expensive given recent rallies

2Q26 Key Assertions

Equities

- Equity markets could remain volatile post the relief rally as earnings estimates are very high through 2026 and 2027, but further upside is possible in the near term thanks to institutional investors becoming underweight equities during recent volatility (20th percentile on DB Consolidated Positioning)
- Equity valuations have dropped, mostly for Growth/Tech, but could remain under pressure (or likely unable to get back to 2025 highs) given tighter liquidity and leadership rotations

Real Assets

- Gold's January blow off top suggests softer returns in the near-term, even as long-term secular drives for Gold's properties remain
- Crypto continues to buckle under tight liquidity as questionable business models unwind

Alternatives

- Private Markets: Headline risk will remain elevated (with potential for further redemptions and gates), while underlying portfolios will not be immune to a potential slowing in growth
- Volatility Strategies: Sustained heightened volatility creates opportunity to put new capital to work in attractive structures



State of the World (Pre-War)

Close to No Volatility in High-Frequency Economic Indicators

Federal Reserve Bank of Dallas, Weekly Economic Index (WEI)

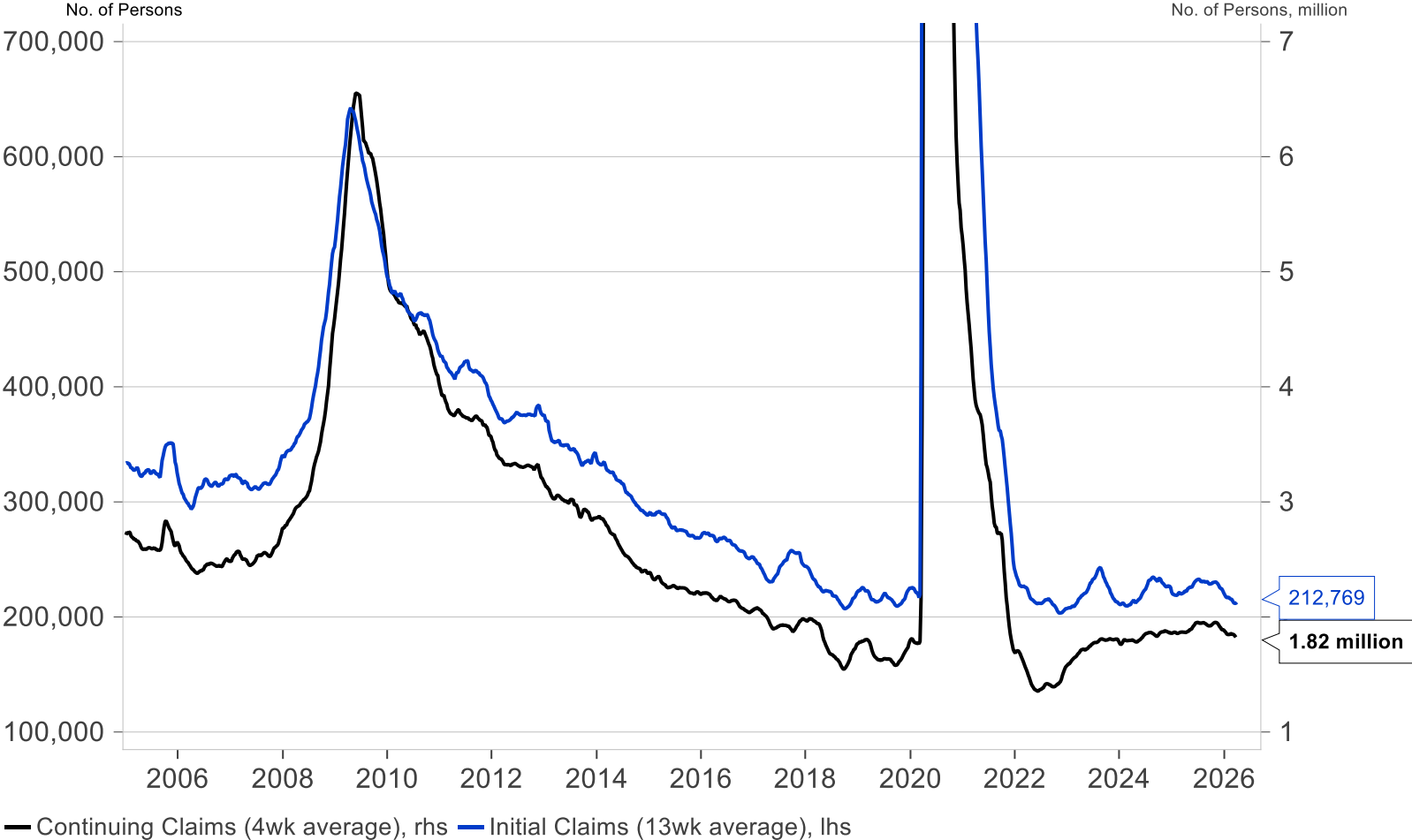


— Federal Reserve Bank of Dallas Weekly Economic Index (WEI), 4-week Moving Average

Source: NewEdge Wealth, Macrobond, Bloomberg Federal Reserve Bank of Dallas

Low and Steady Jobless Claims Suggest a Stable Labor Market

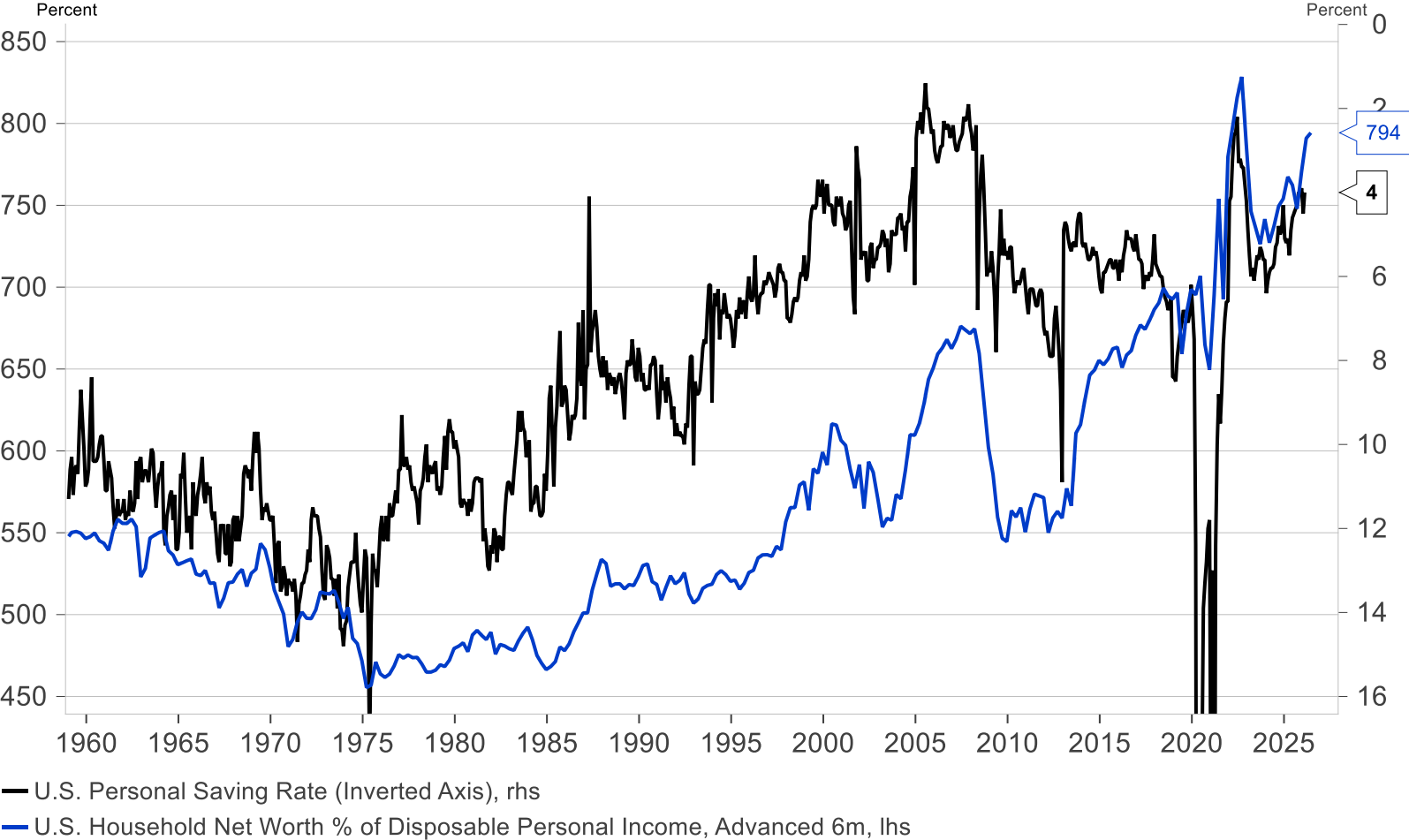
Initial and Continuing U.S. Unemployment Claims



Source: NewEdge Wealth, Macrobond, Bloomberg U.S. Department of Labor

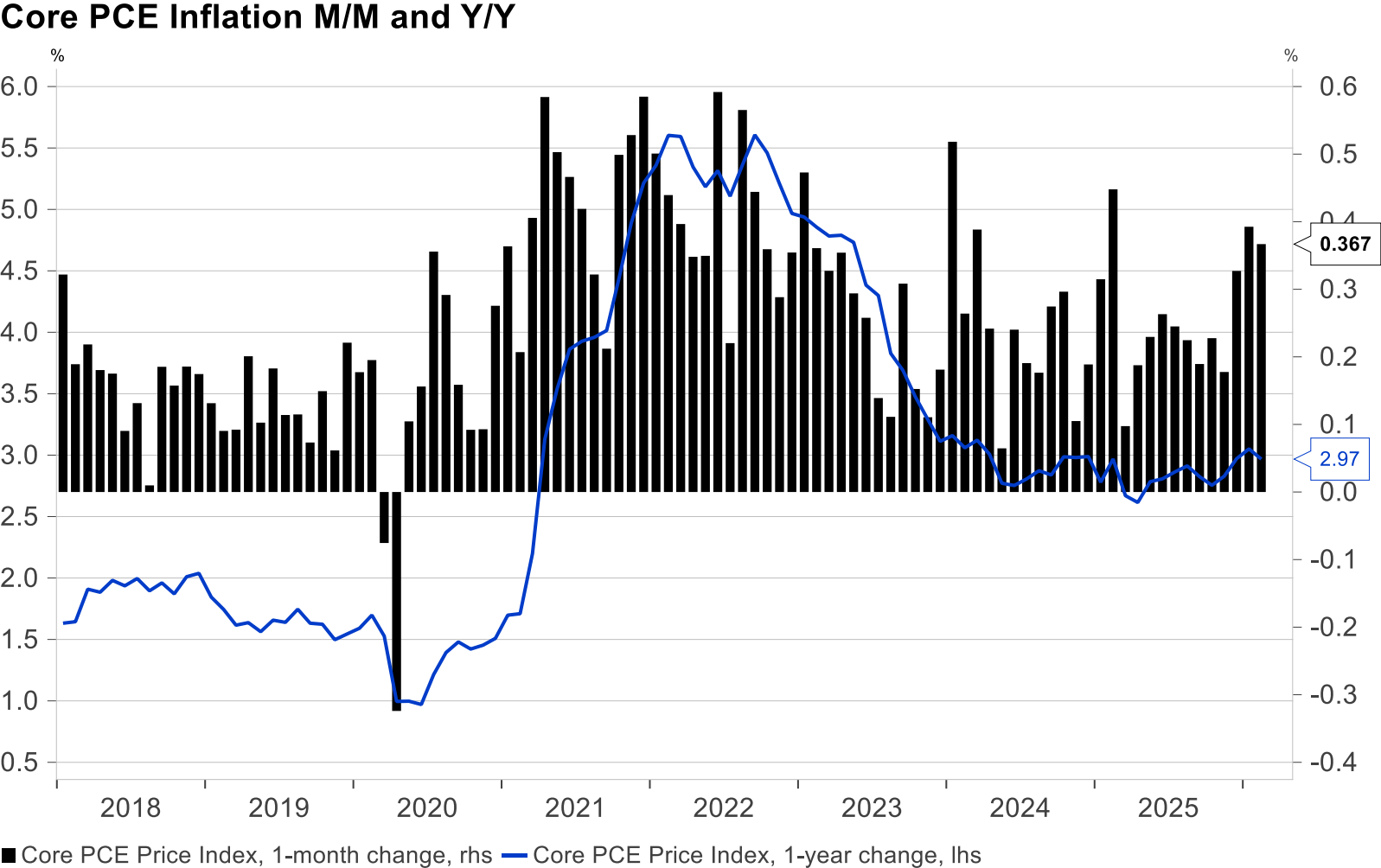
Rising Asset Prices Supporting Consumer Spending Growth

Personal Savings Rate (Inverted) vs. Household Net Worth



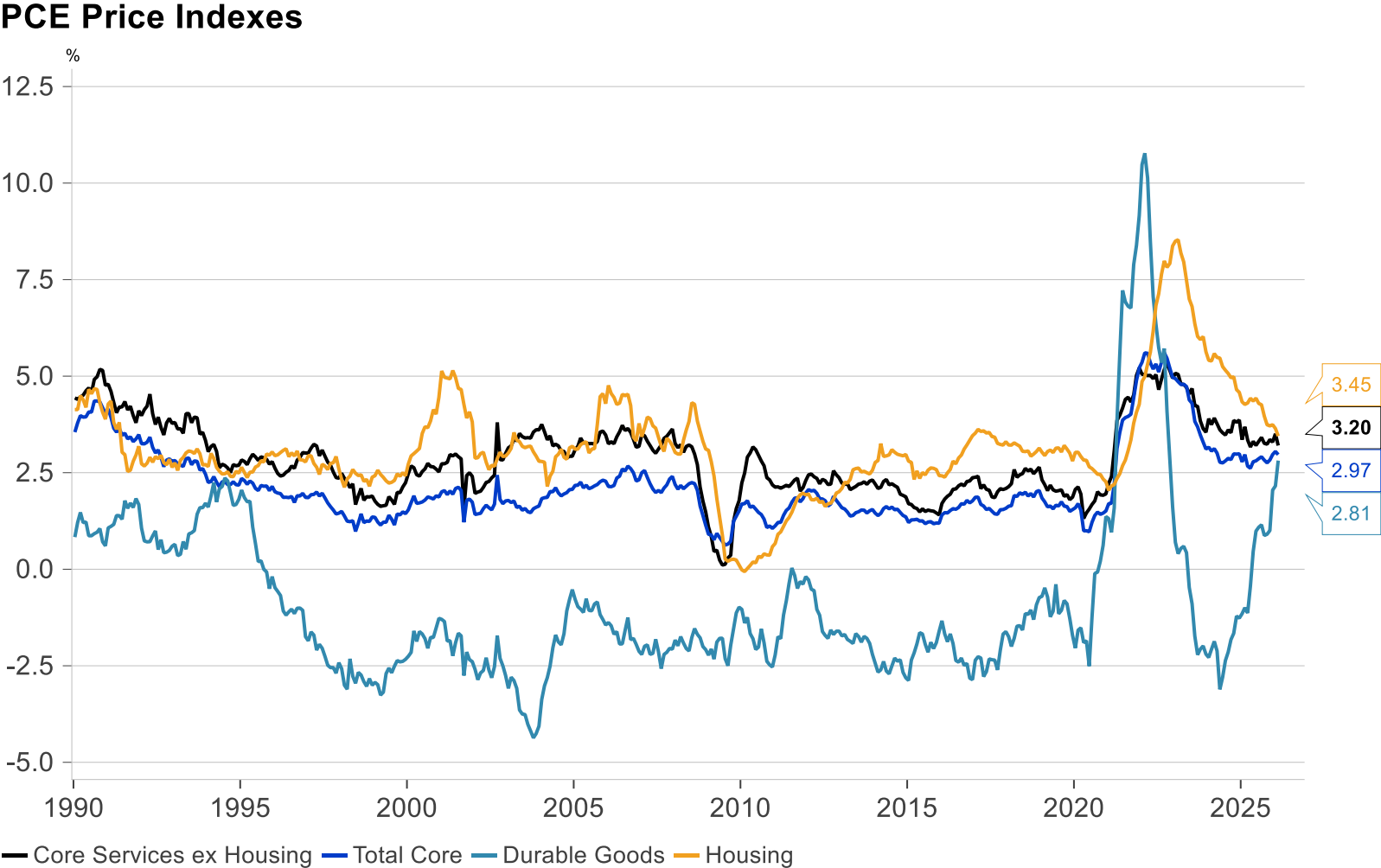
Source: NewEdge Wealth, Macrobond, Bloomberg U.S. Bureau of Economic Analysis (BEA), Federal Reserve

Sticky Core Inflation...



Source: NewEdge Wealth, Macrobond, Bloomberg U.S. Bureau of Economic Analysis (BEA)

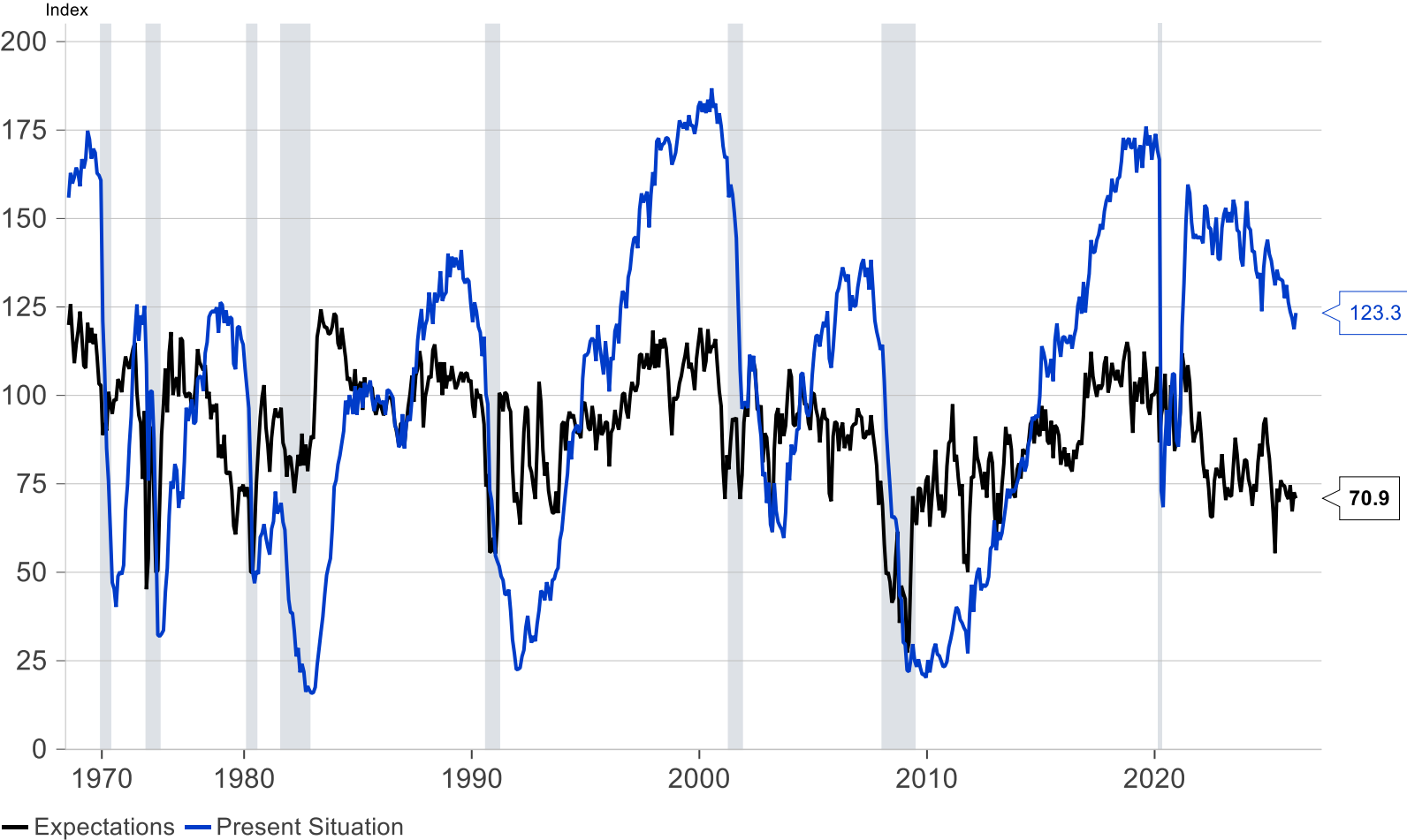
...Mainly from Rising Goods Inflation (Which Might Begin to Reverse Soon)



Source: NewEdge Wealth, Macrobond, Bloomberg U.S. Bureau of Economic Analysis (BEA)

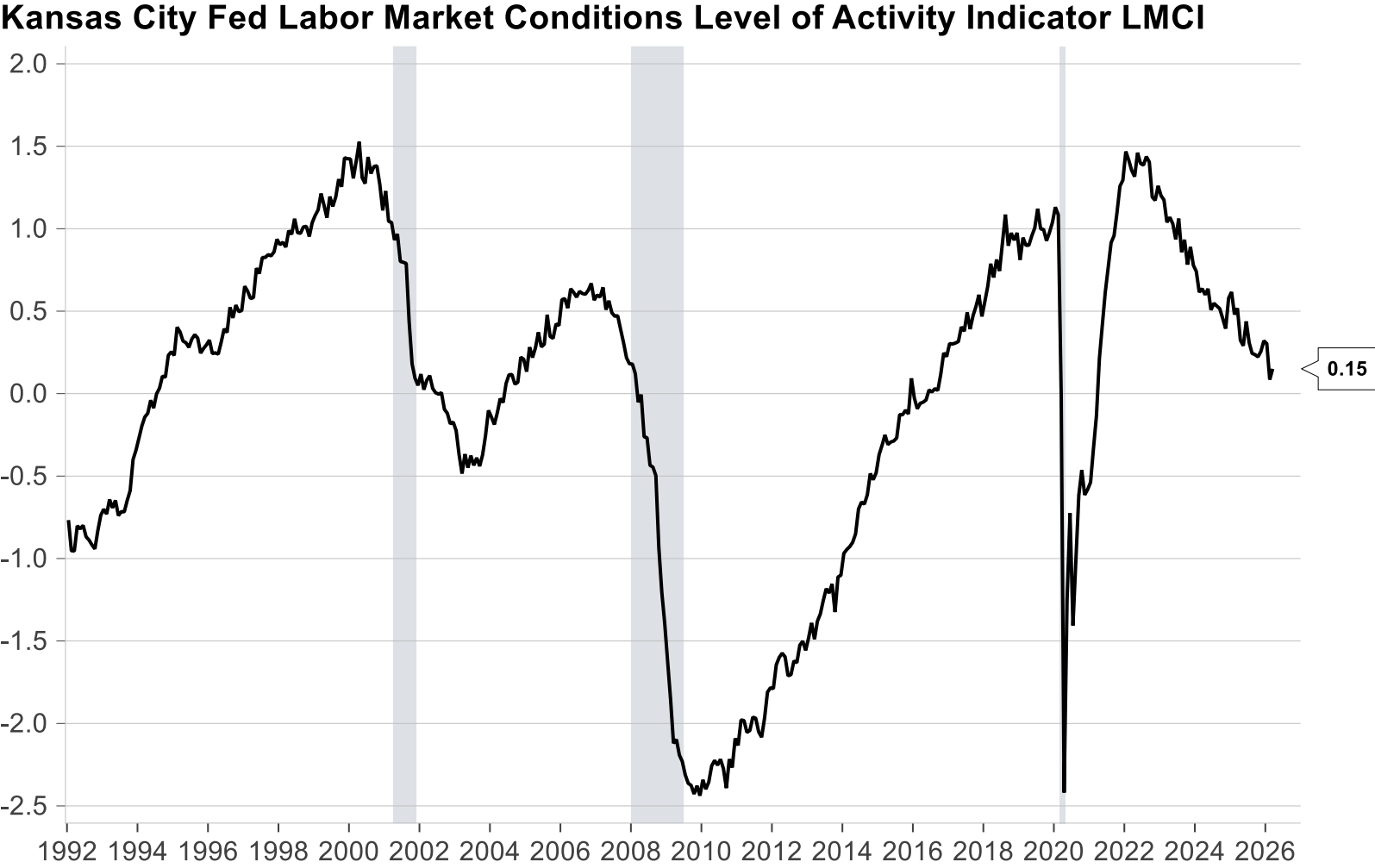
Consumers Are Unhappy With Today, Worried About Tomorrow

Conference Board Consumer Confidence Index, Present vs. Expected



Source: NewEdge Wealth, Macrobond, Bloomberg Conference Board

Broad Weakness in the U.S. Labor Market



Source: NewEdge Wealth, Macrobond, Bloomberg



Where Will We Feel the Energy Shock?

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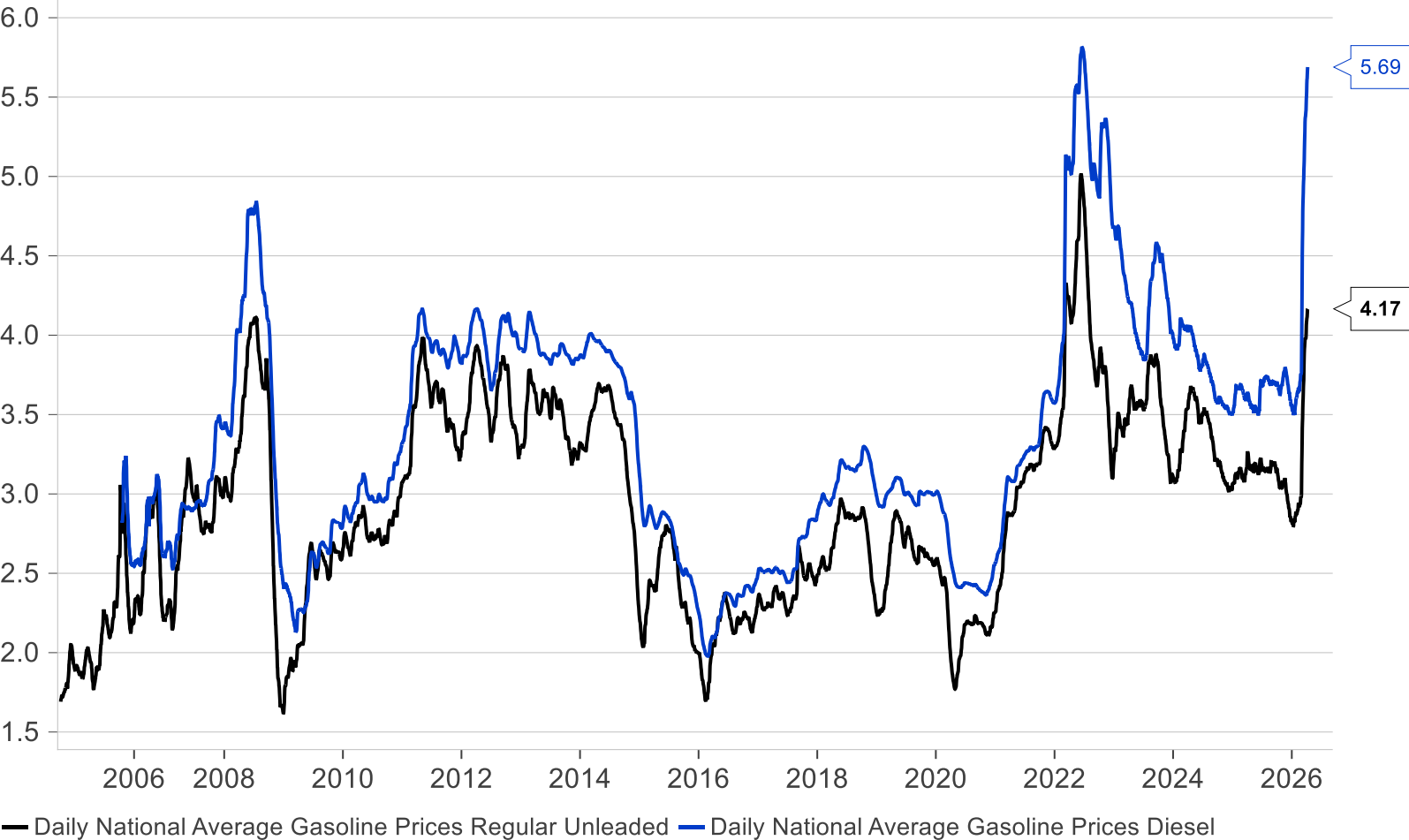
Energy Prices are High Enough to Be Annoying but Not to be Economically Crippling



Source: NewEdge Wealth, Macrobond, Bloomberg

Outsized Diesel Price Impact Means Higher Shipping Costs

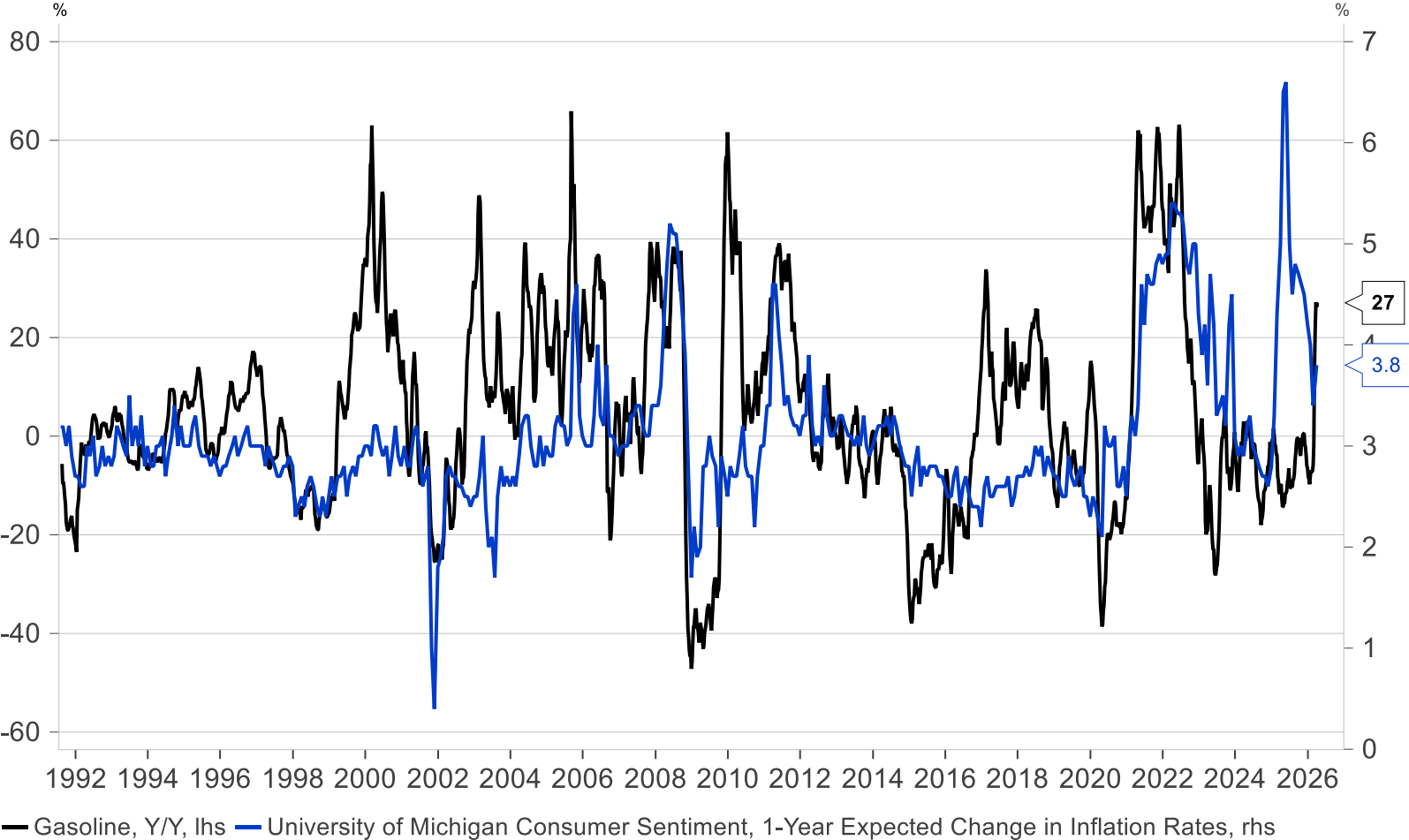
U.S. Average Gasoline and Diesel Prices



Source: NewEdge Wealth, Macrobond, Bloomberg

Higher Gasoline Prices Typically Create Higher Consumer Inflation Expectations

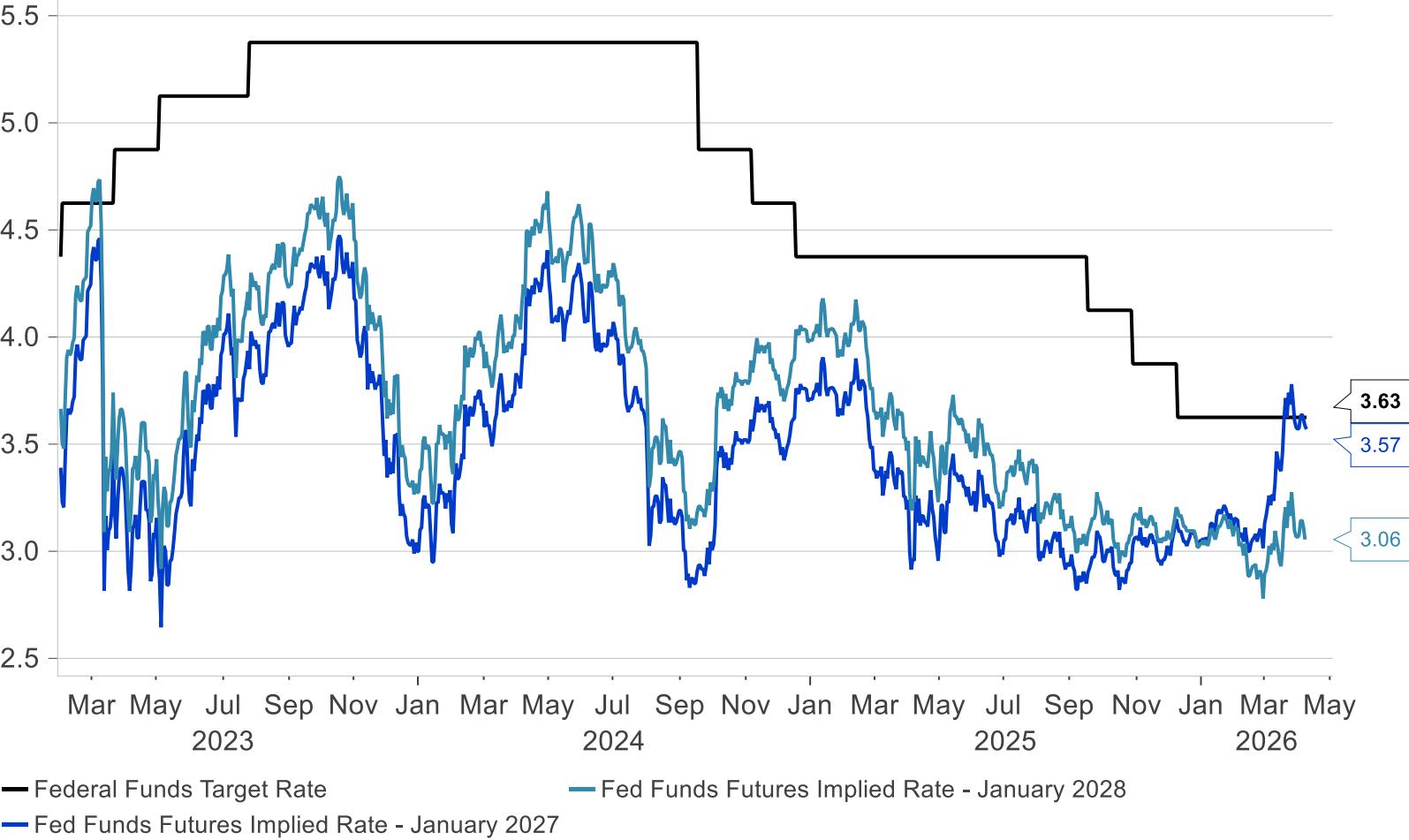
Consumer Inflation Expectations vs. Gasoline Price Changes



Source: NewEdge Wealth, Macrobond, Bloomberg Energy Information Administration (EIA), University of Michigan

Fed Rate Cuts on Hold Unless and Until Inflation Dies Down

Fed Funds Rate With Market-Based Projections for 2026 & 2027



Source: NewEdge Wealth, Macrobond, Bloomberg

GDP Growth Estimates Will Probably Not Collapse for Now

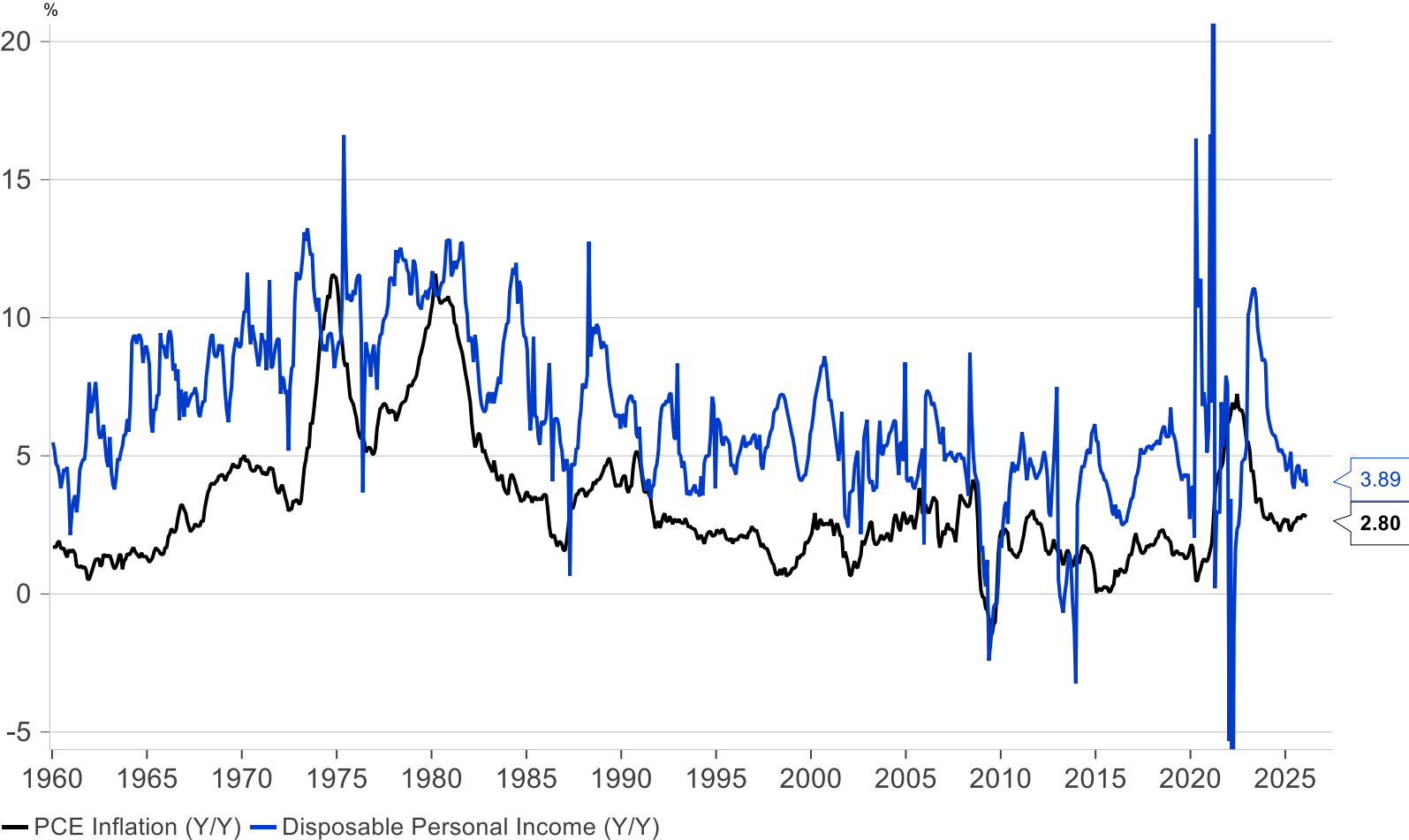
Bloomberg Consensus 2026 U.S. Real GDP Growth Forecast



Source: NewEdge Wealth, Macrobond, Bloomberg

Consumers May Be About to Get Squeezed by Inflation

Disposable Income Growth vs. PCE Inflation



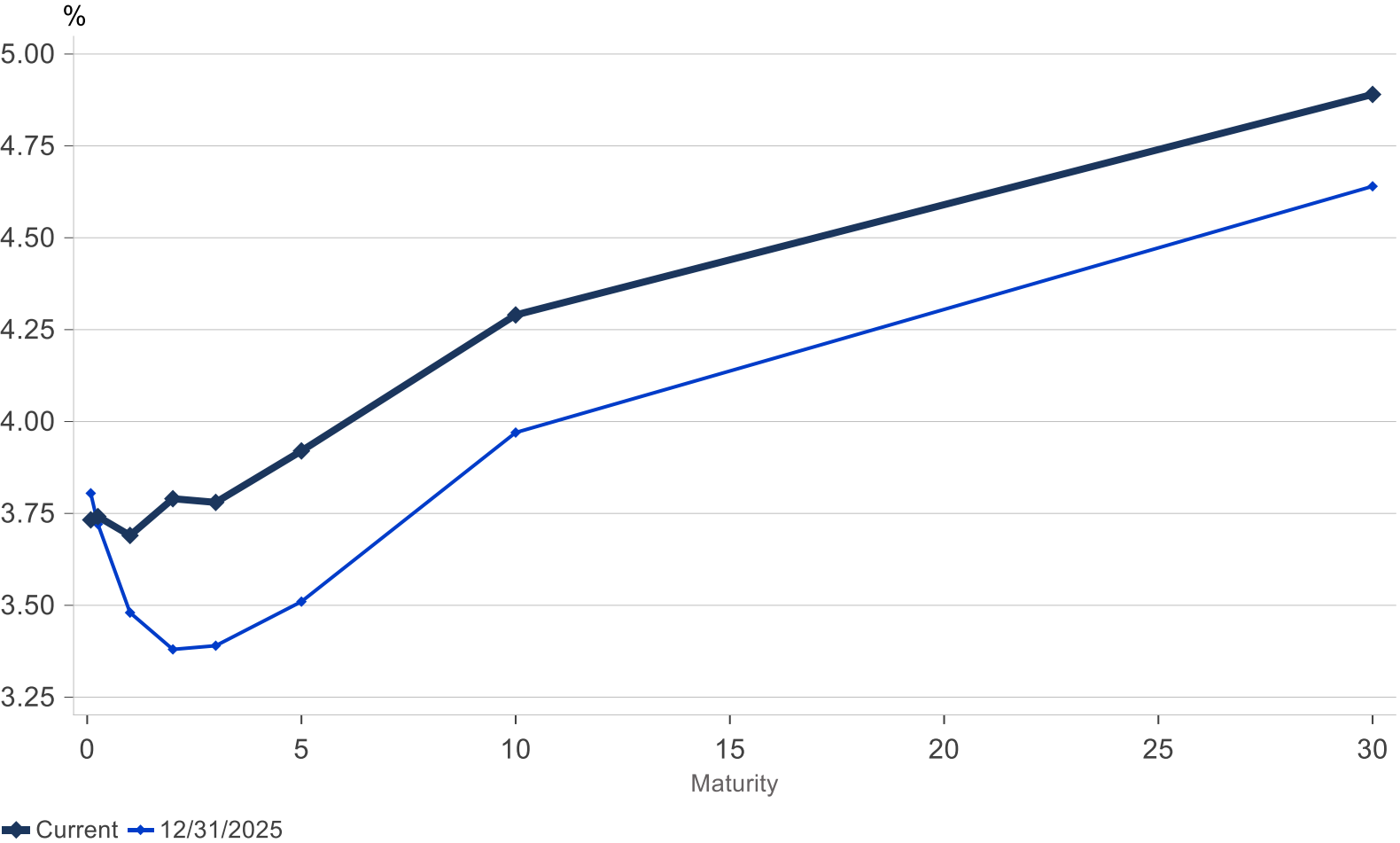
Source: NewEdge Wealth, Macrobond, Bloomberg U.S. Bureau of Economic Analysis (BEA)

How Should Investors Be Positioned in Bonds?



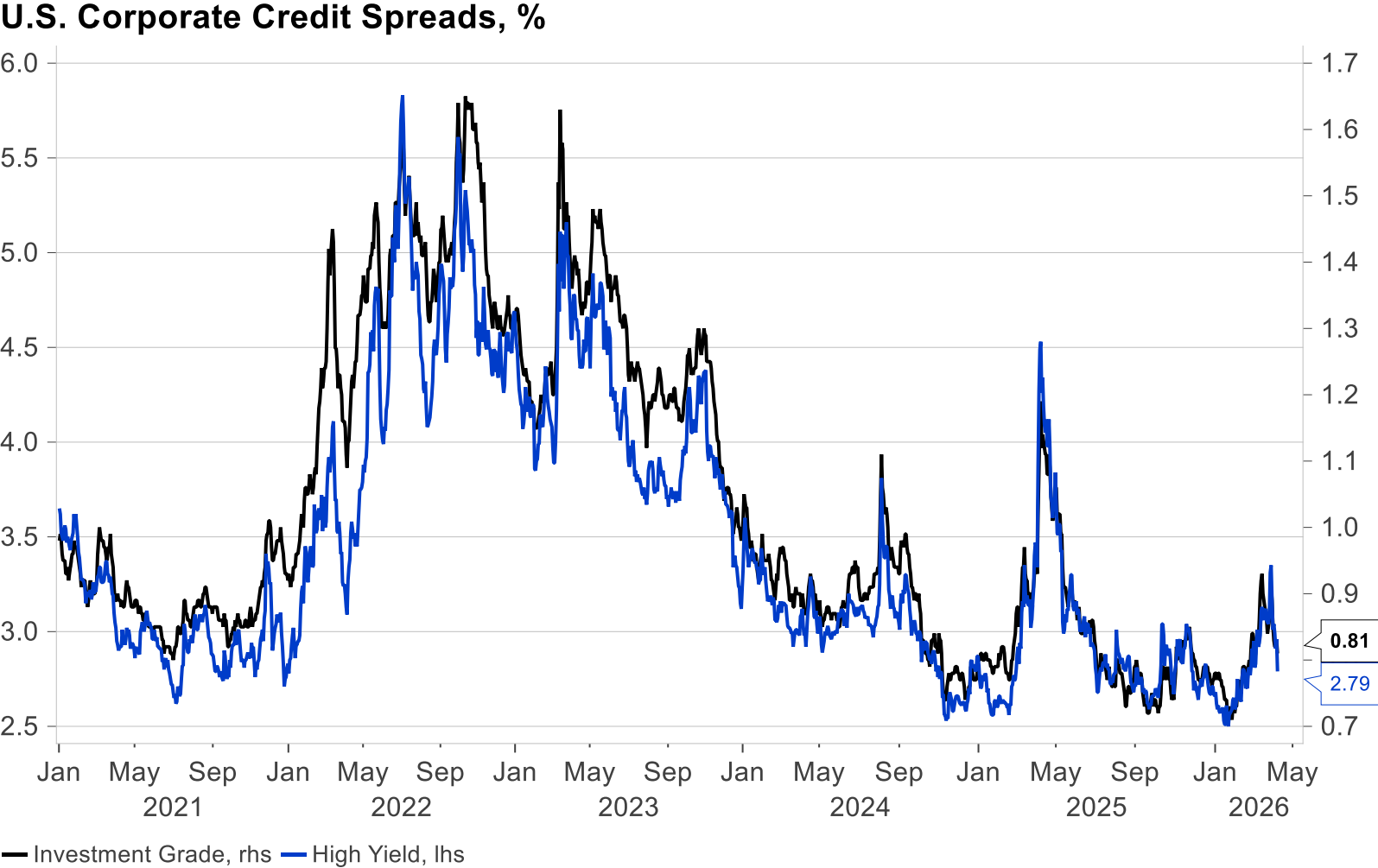
Treasury Yields are Quite a Bit Higher Than They Were at the Start of the Year

US Treasury Yield Curve



Source: NewEdge Wealth, Macrobond, U.S. Department of Treasury, Federal Reserve

Corporate Bonds Spreads are Not Compensating Investors for Much



Source: NewEdge Wealth, Macrobond, Bloomberg

Steeper Treasury Curve Means Duration Extension is More Attractive

U.S. Treasury Curve (3m10y)

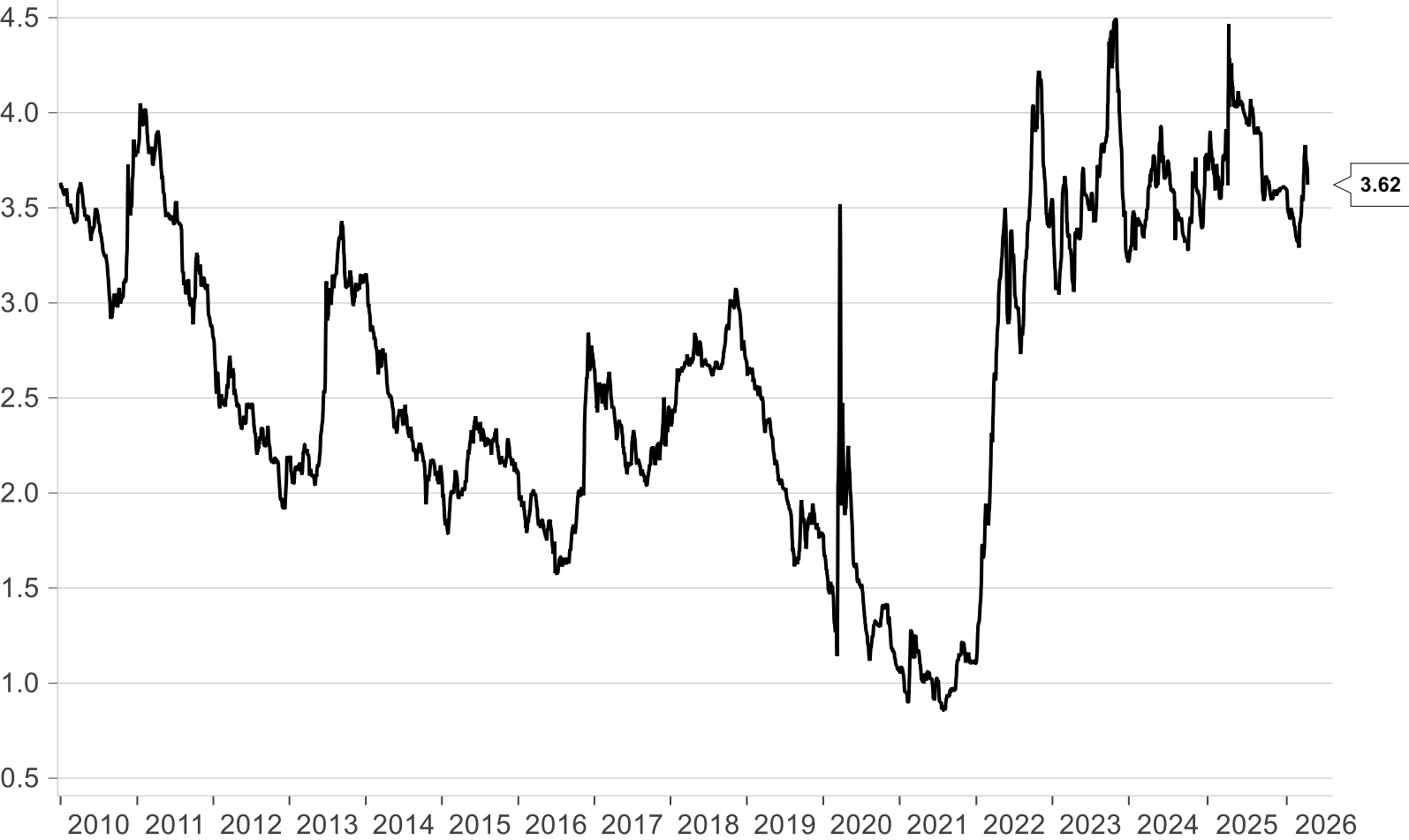


— U.S. Treasury Curve - 3-Month vs. 10-Year Maturity Spread

Source: NewEdge Wealth, Macrobond, Bloomberg Citi

Municipal Bonds Sold off in March Like Just About Everything Else

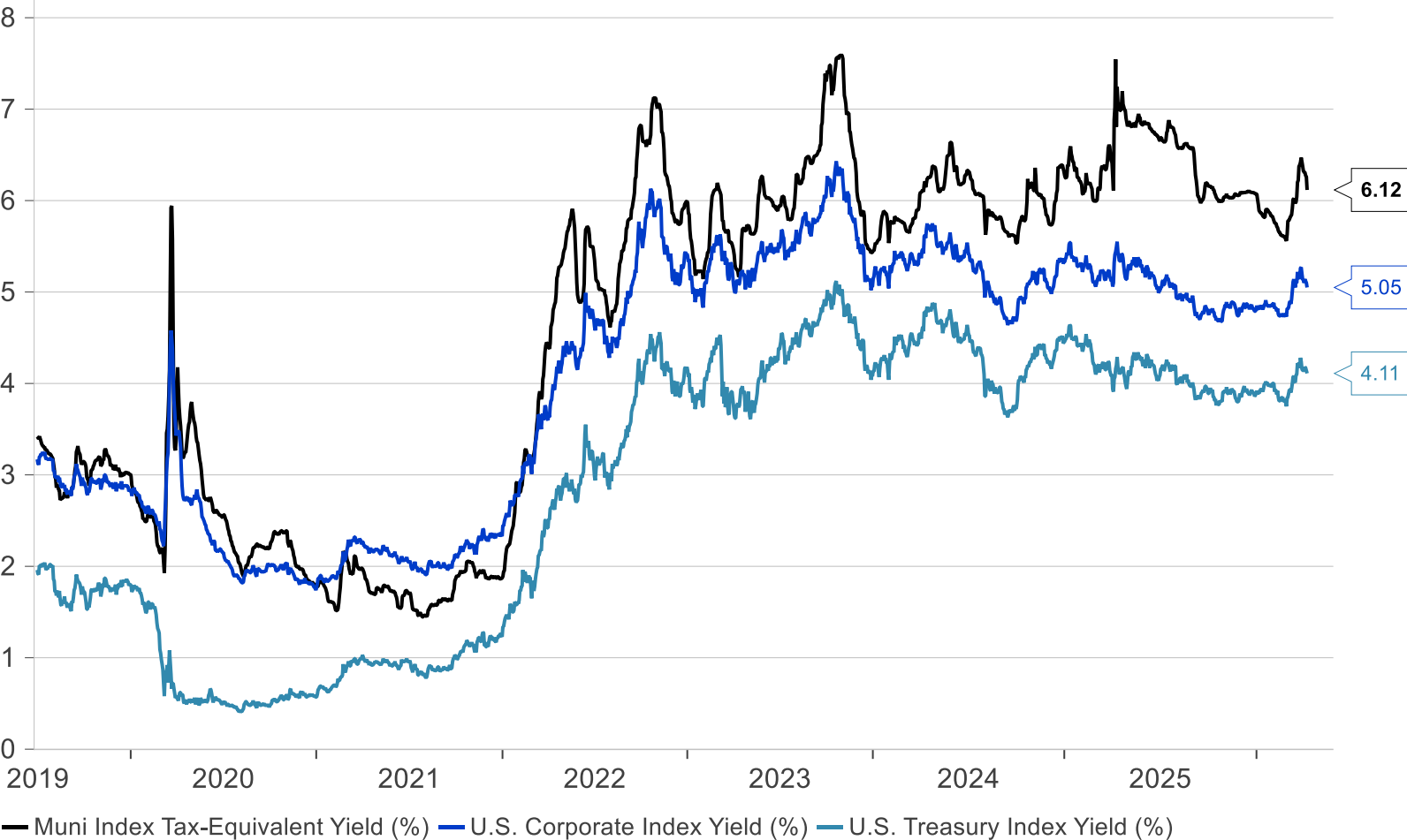
Bloomberg Municipal Bond Index Yield To Worst



Source: NewEdge Wealth, Macrobond, Bloomberg

Municipal Yields Provide Meaningful Improvement on Taxable Bonds

Muni Yields vs. Taxable Bonds on an After-Tax Basis



Source: NewEdge Wealth, Macrobond, Bloomberg



Equities: Can Earnings Deliver on Expectations?

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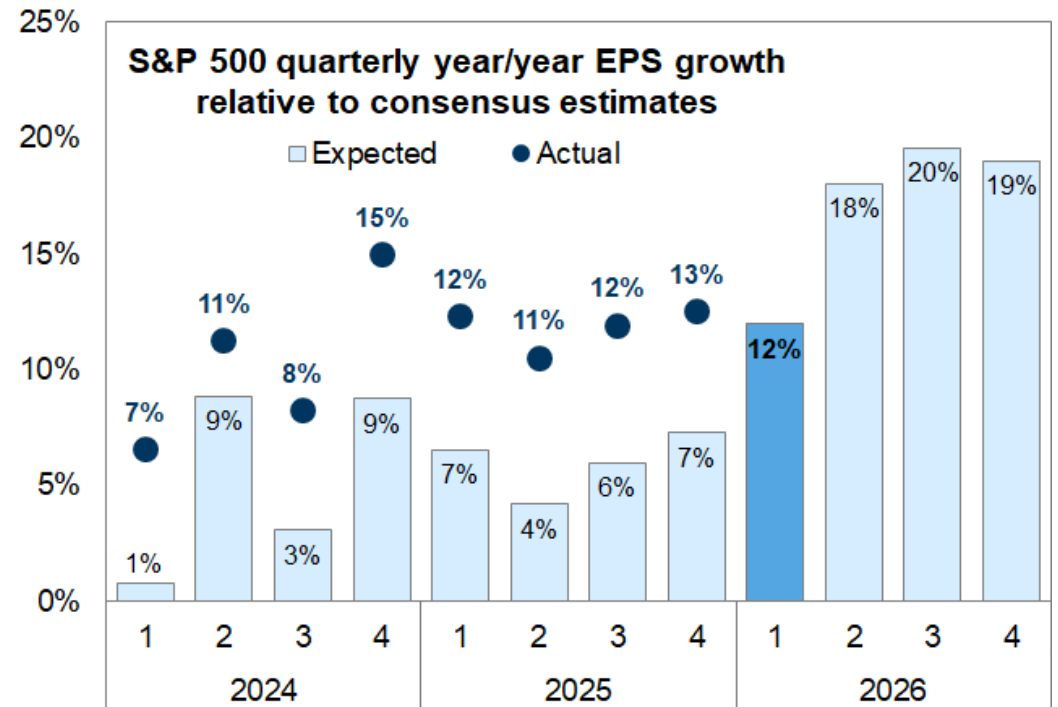
Q1 Equity Market Recap

Geopolitical Uncertainty Weighs on Valuations & Performance

Q1 Performance Recap - Global Equity Markets

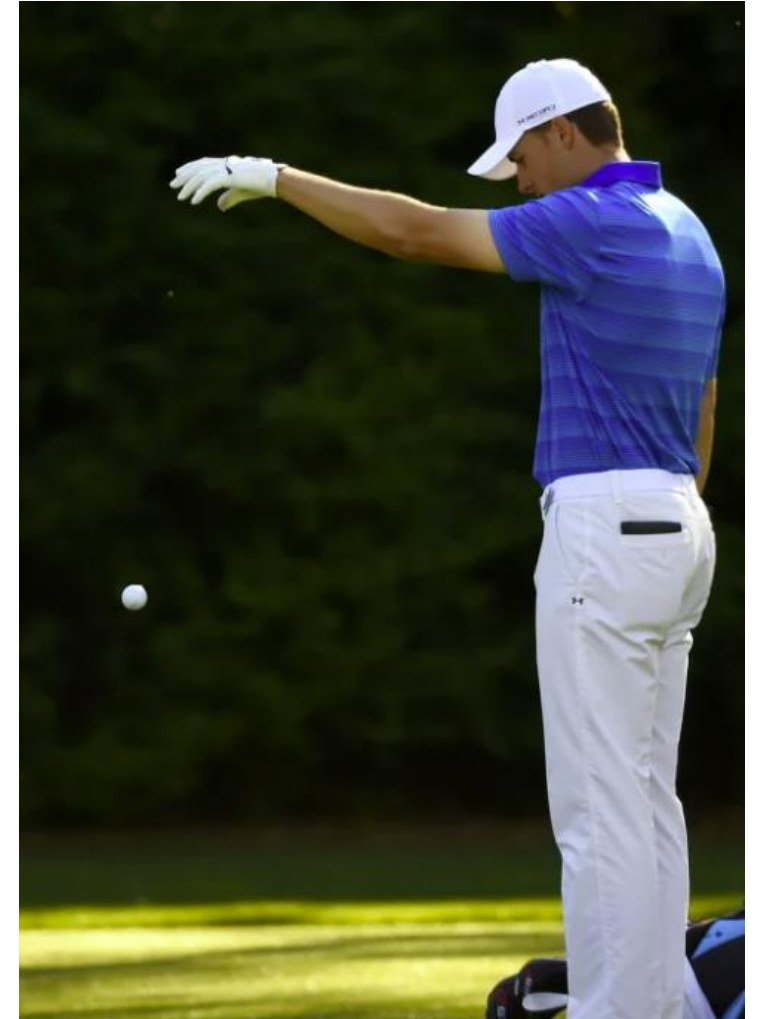
Index	Q1 Total Return	% Change in Forward P/E	Peak to Trough Decline
S&P500	-4.4%	-11.8%	-9.4%
Russell 1000 Growth	-9.8%	-16.3%	-14.5%
Russell 1000 Value	2.1%	-5.3%	-7.2%
S&P500 Equal Weight	0.7%	-7.1%	-8.1%
Russell 2000	0.9%	-3.3%	-11.2%
MSCI EAFE	-1.1%	-5.0%	-13.5%
MSCI Emerging Market	-0.1%	-15.3%	-13.6%

But S&P500 Earnings Growth Continues to Power Higher



Q2 Equity Market Outlook

- As we noted in our 2026 outlook, expect volatility and play the more conservative shot
- We continue to focus on durable over cyclical growers, and prioritize diversification
- Earnings growth remains the key fundamental pillar of this market
- Expectations are high but if companies can continue to deliver, this may provide the ballast needed for equities to navigate this environment



Earnings Inflect Higher, Valuations Plunge Lower

S&P 500 12 Month Forward PE and EPS



Earnings are a lagging indicator, but it is notable that EPS estimates have inflected higher for the S&P 500 in the past month (driven primarily by semi conductor earnings, with just a small contribution from Energy).

Valuations on the other hand have plunged lower. The forward PE is just 1 turn above its liberation low of 18x, but still well above its 2022 low of 15.5x.

Growth Valuations & Earnings Expectations Diverge

Russell 1000 Growth 12 Month Forward PE and EPS



Tech's large weight in the Growth index, along with weakness in the other Mag 7 areas, is leading to a valuation collapse even as earnings forecasts remain optimistic.

Value Has Held Up Better But Also Diverging From Earnings Expectations

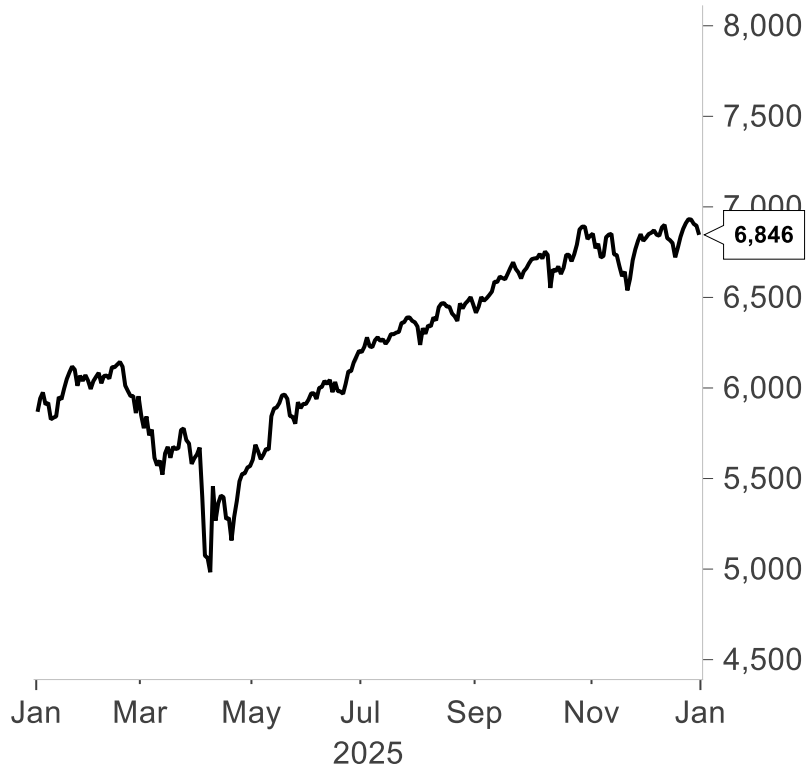
Russell 1000 Value 12 Month Forward PE and EPS



Value valuations have fallen as well (after all GOOGL, MU and WMT are all in the top 10 weights) but are not as washed out versus recent history as growth.

2026's Potential Equity Paths

S&P 500 INDEX in 2025



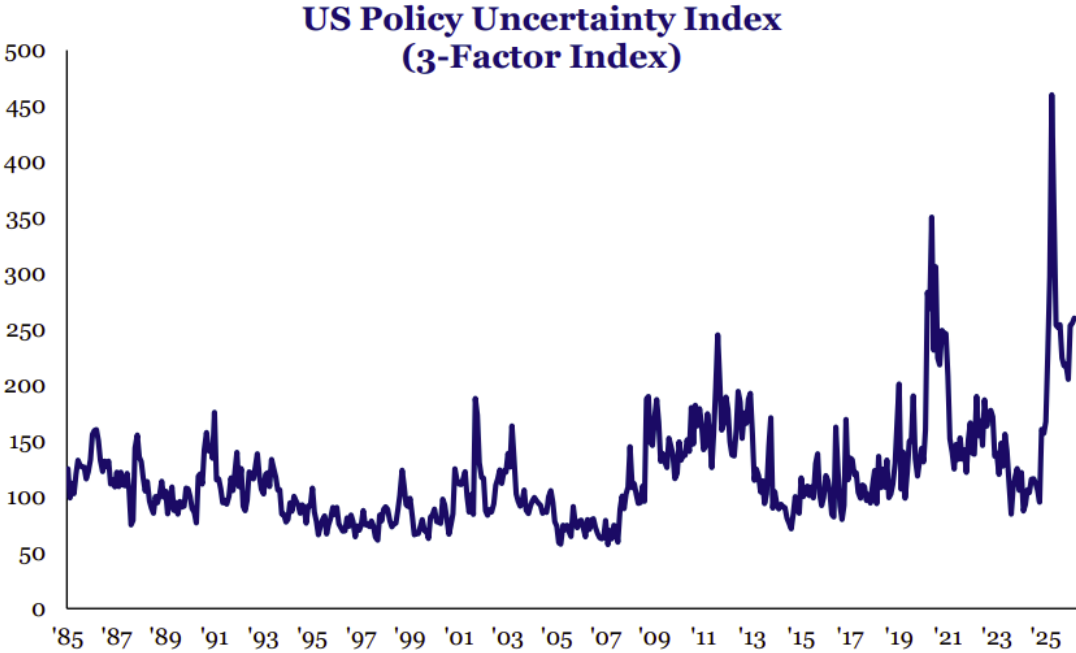
— S&P 500 INDEX

Source: NewEdge Wealth, Macrobond, Bloomberg

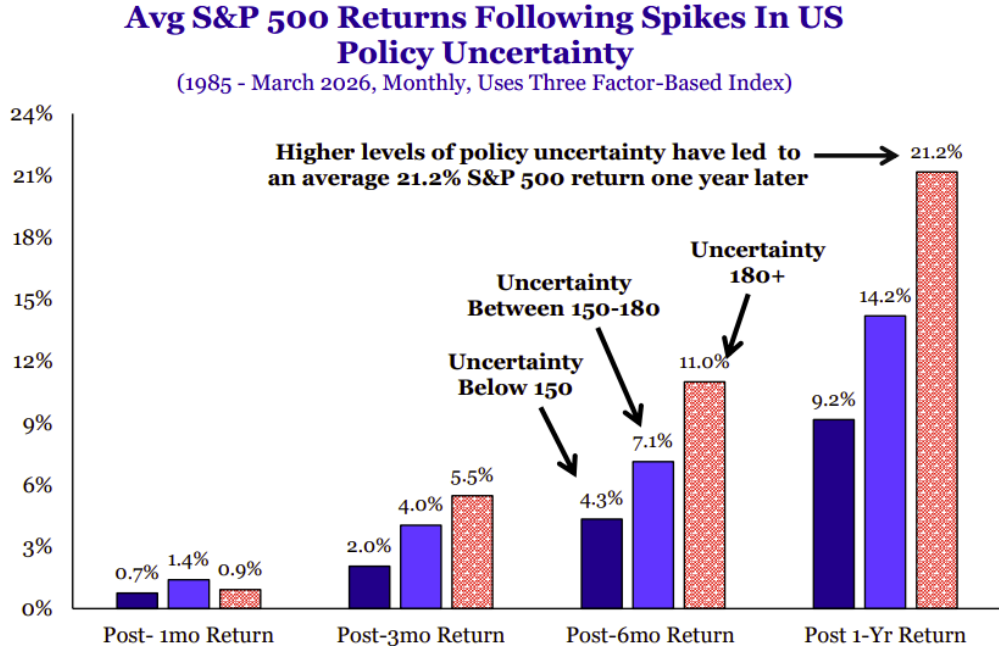


Geopolitical Risks & Policy Uncertainty Remain Elevated

Policy Uncertainty Remains Elevated Relative to History

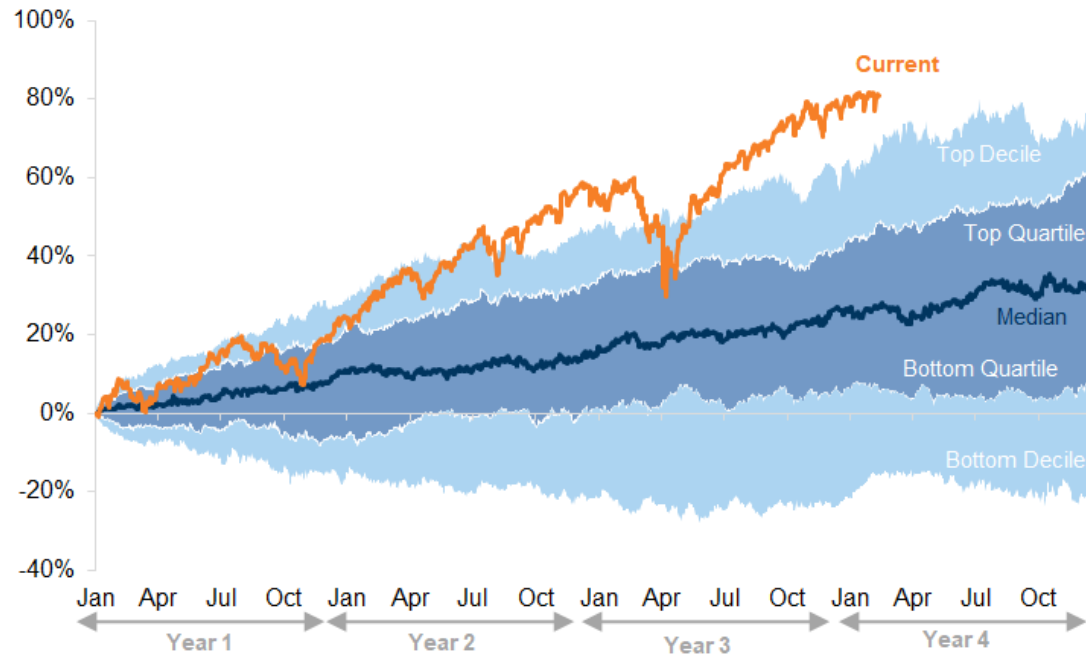


However Forward Returns Skew Positive From These Levels

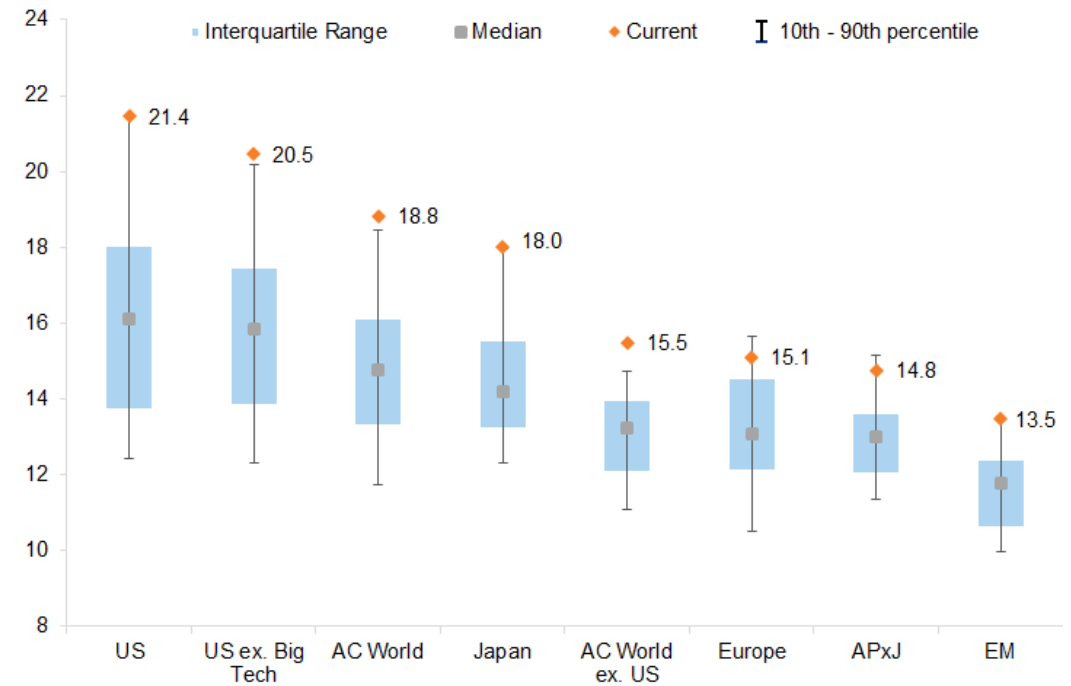


Still a Bull Market but Important to Remember Where we Stand

Above average returns over the past three years



And valuations are elevated relative to history



12m fwd P/E multiple, MSCI Regions, STOXX 600 for Europe and S&P 500 for US; data for the last 20 years

Key Takeaways for Q2

- Still constructive on equities but not a goldilocks environment
- Prioritize durable growers, reasonable valuations, be opportunistic but continue to play the more conservative shot
- Heightened geopolitical uncertainty and macro driven markets will likely lead to continued bouts of volatility
- Earnings growth expectations are high and the operating environment is more difficult than these estimates reflect
- This is likely to result in increased dispersion and make diversification a key risk management tool
- Continued progress in AI adoption and innovation, with demonstrated ROI and efficiency gains are the key watch items, justifying the AI infrastructure build out and supporting many of the largest contributors to index EPS



High Conviction Alternative Strategies



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Alternative Investment Outlook: Core Themes 2Q 2026 – Private Equity

Manager selection and quality of return generation matter more than ever as the dispersion between winners and losers continues to widen. **Managers focused on building higher quality businesses through margin improvements, growth initiatives and optimization of business models to drive returns will prevail** over those that lean on financial engineering. We see more opportunities for quality growth across the lower middle market and middle market buyout vs. the upper market where financial engineering tends to be more prevalent and margins are narrower. We also remain constructive across uncorrelated and opportunistic strategies.

Credit conditions have tightened measurably, with lending standards at their most restrictive since 2023, further pressuring high-leverage strategies and widening the performance gap between financially engineered and operationally driven managers.

AI-driven productivity tools are increasingly being deployed at the portfolio company level, enabling leaner operating models, faster revenue scaling, and measurable EBITDA margin improvement - particularly in the lower middle market where operational upside is greatest.

Exit markets remain constrained: sponsor-to-sponsor deal volume is down, and IPO windows remain narrow, slowing distributions and prompting a more disciplined approach to new commitment pacing.

Manager dispersion continues to widen. Top quartile managers are outperforming bottom quartile peers by the largest spread in over a decade, underscoring the outsized importance of selection.

The Opportunity: The combination of tighter credit, macro uncertainty, and AI-enabled operational uplift is creating a clear bifurcation in outcomes. We continue to see the most attractive risk-adjusted opportunity in the lower middle market and middle market, where managers with genuine operational capabilities are driving returns. Businesses that are proactively integrating AI tools into their operating infrastructure are demonstrating measurable efficiency gains, and we are prioritizing exposure to managers with the frameworks to identify and accelerate these improvements at the portfolio level.

Alternative Investment Outlook: Core Themes 2Q 2026

Uncorrelated

Equity valuations remain stretched, increasing the urgency to reduce reliance on equity risk premia and broaden diversification across return streams.

Market volatility has accelerated in Q2, driven by macro uncertainty, tariff policy shifts, and renewed concerns around credit amplifying the case for strategies uncorrelated to public markets.

We continue to identify opportunities in structurally inefficient markets that lack institutional capital, offering attractive risk-adjusted returns with low correlation to broader indices.

Idiosyncratic return opportunities - those driven by specific structural or situational dynamics rather than market beta - remain a priority focus.

The Opportunity: As cross-asset correlations rise during periods of market stress, we believe it is an opportune time to increase allocations to strategies that are uncorrelated not only to public markets but also to each other. This diversification across return drivers can help expand the efficient frontier of a portfolio and provide stability through continued market volatility.

Infrastructure & Real Assets

Global infrastructure demand continues to accelerate, driven by aging assets in developed markets, urbanization, population growth, and rapid digital transformation across both developed and emerging economies.

The AI buildout is creating an unprecedented and sustained demand signal for power generation and data center infrastructure, with long-term contracted revenue providing visibility and stability for investors.

Infrastructure has historically served as an inflation hedge; today, the combination of elevated inflation sensitivity and surging power/digital demand strengthens the case for increased allocations.

Real estate is presenting the ability to be opportunistic in some sectors through taking advantage of dislocation as well as strategies with tax benefits.

Structurally, infrastructure assets offer contractual cash flows and regulatory protections that make them well-suited to the current uncertain macro backdrop.

The Opportunity: We see meaningful opportunity to build exposure in core areas with strong secular tailwinds, including power generation, digital infrastructure, transportation, and select real estate segments. The convergence of AI-driven power demand, infrastructure underinvestment, and real estate normalization creates a compelling entry point for long-duration, income-generating real asset strategies.