



A P O L L O N

F I N A N C I A L

Market Recap

April 2026



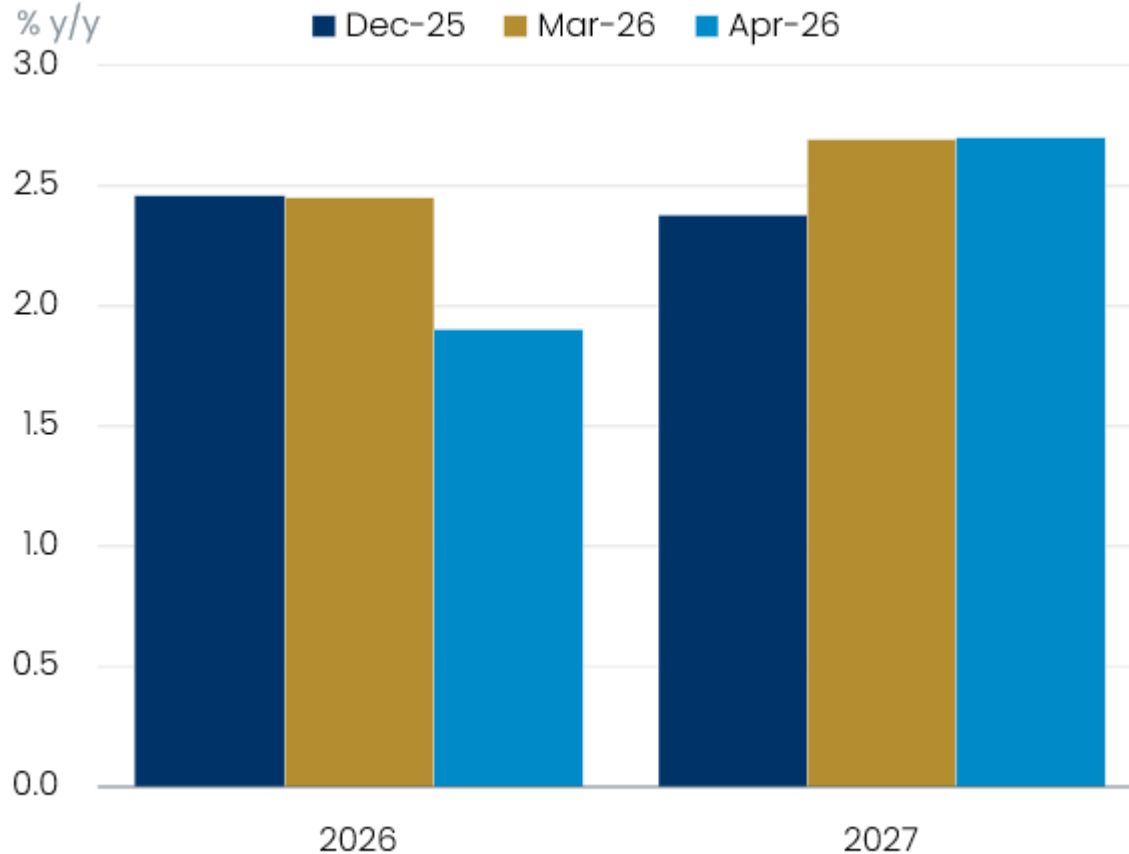


Disclosure

This report is intended for the exclusive use of clients or prospective clients (the “recipient”) of Apollon Financial and the information contained herein is confidential and the dissemination or distribution to any other person without the prior approval of Apollon Financial is strictly prohibited. Information has been obtained from sources believed to be reliable, though not independently verified. Any forecasts are hypothetical and represent future expectations and not actual return volatilities and correlations will differ from forecasts. This report does not represent a specific investment recommendation. The opinions and analysis expressed herein are based on Apollon Financial research and professional experience and are expressed as of the date of this report. Please consult with your advisor, attorney and accountant, as appropriate, regarding specific advice. Past performance does not indicate future performance and there is risk of loss.

Oil price shock to weigh on consumption, slowing 2026 GDP growth

US: GDP growth by forecast vintage



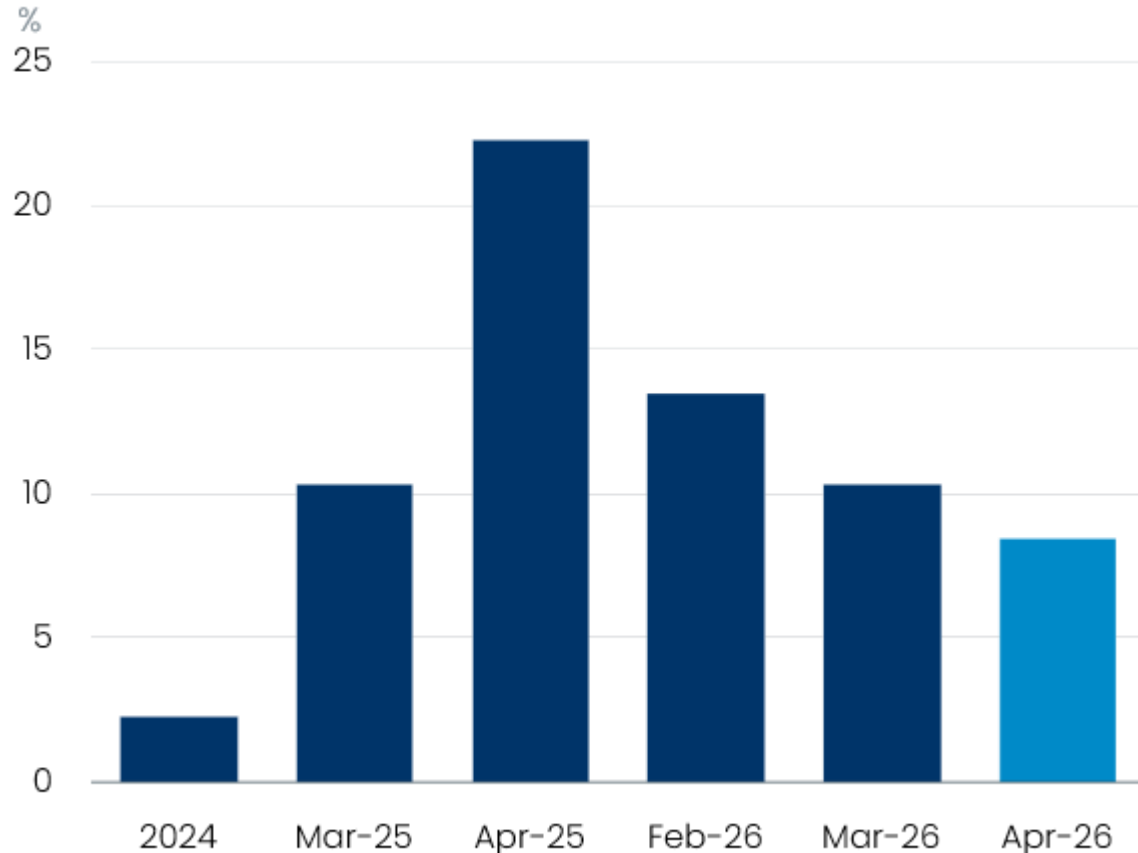
Sources: Oxford Economics, Haver Analytics

Key takeaways

- We lowered our 2026 US GDP growth forecast by 0.6ppts to 1.9% in April, reflecting the weak start to the year due to poor weather and the expected hit to consumer spending from higher oil prices. We expect growth to pick up in 2027 as the energy shock normalizes.
- The near-20% surge in individual tax refunds from the tax cuts passed last year will offer a buffer to consumers amid the energy shock. Still, higher gas prices will weigh on real incomes, forcing consumers dig deeper into their savings to maintain spending.
- AI related investment continues to be a key driver of economic growth. We estimate that investment in AI-related categories will contribute 0.5ppts to GDP growth this year, mostly via increased investment in software and IT equipment.

US effective tariff rate down to 9.2%

US: Effective tariff rate by forecast vintage



Sources: Oxford Economics, Haver Analytics

Key takeaways

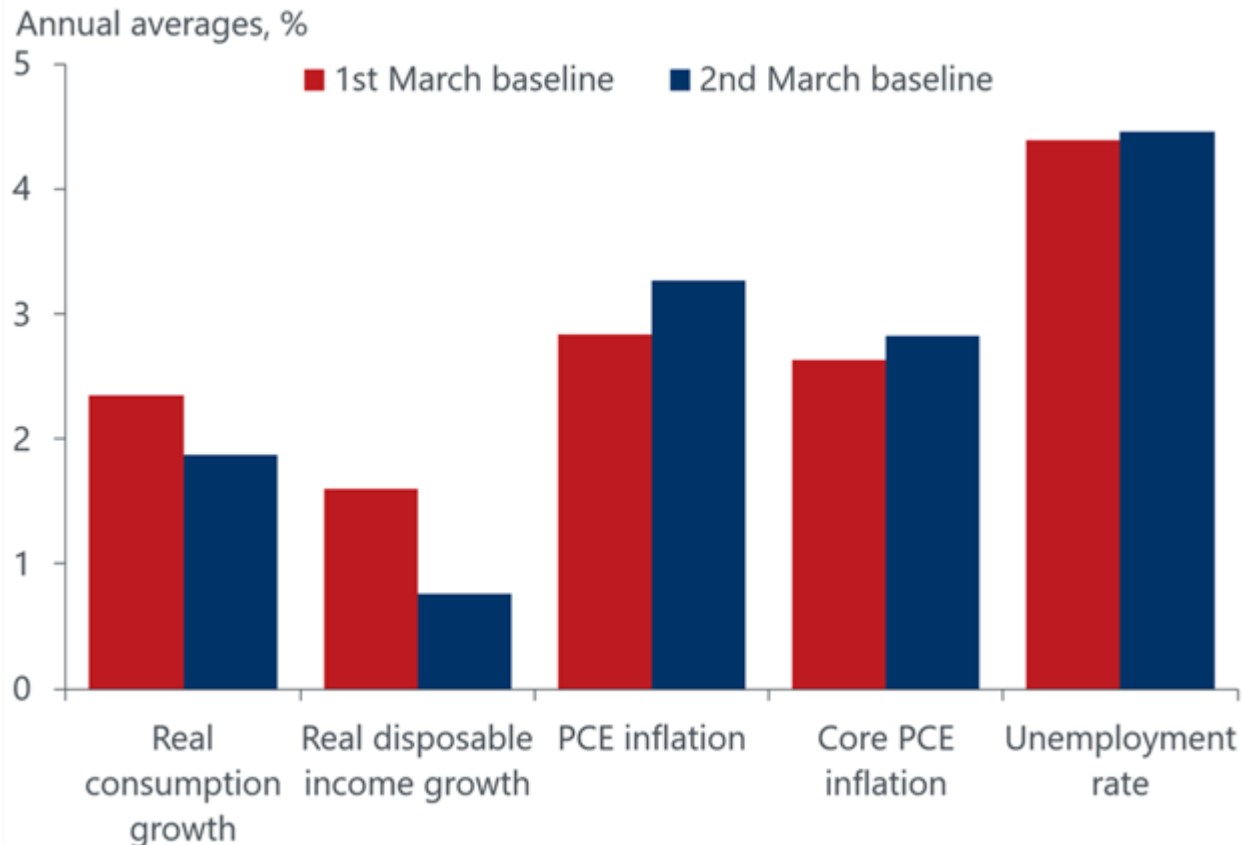
- Our estimate of the US effective tariff rate fell to 9.2%, down from 10.3% in March. The decline reflects updated metal and pharmaceutical tariffs as well as the removal of our assumption that Section 122 rates would rise from 10% to 15%.
- The 100% tariff on patented pharmaceutical tariffs are heavily watered down due to lower rates for key trading partners and exemptions for major firms signing pricing agreements. We estimate these tariffs will add just 0.8ppts to the overall effective tariff rate once they are implemented this summer.
- The revised metal tariffs close a loophole, rather than raise tariff rates. Raw steel, aluminum, and copper will remain tariffed at 50%, while derivative products will now be tariffed at a lower 25% rate, pushing the overall tariff rate down slightly.



Focus: Near-term pain, but no stagflation

The situation today is far from stagflation

US: Forecast changes due to unfolding US/Israel-Iran war



Sources: Oxford Economics, Haver Analytics

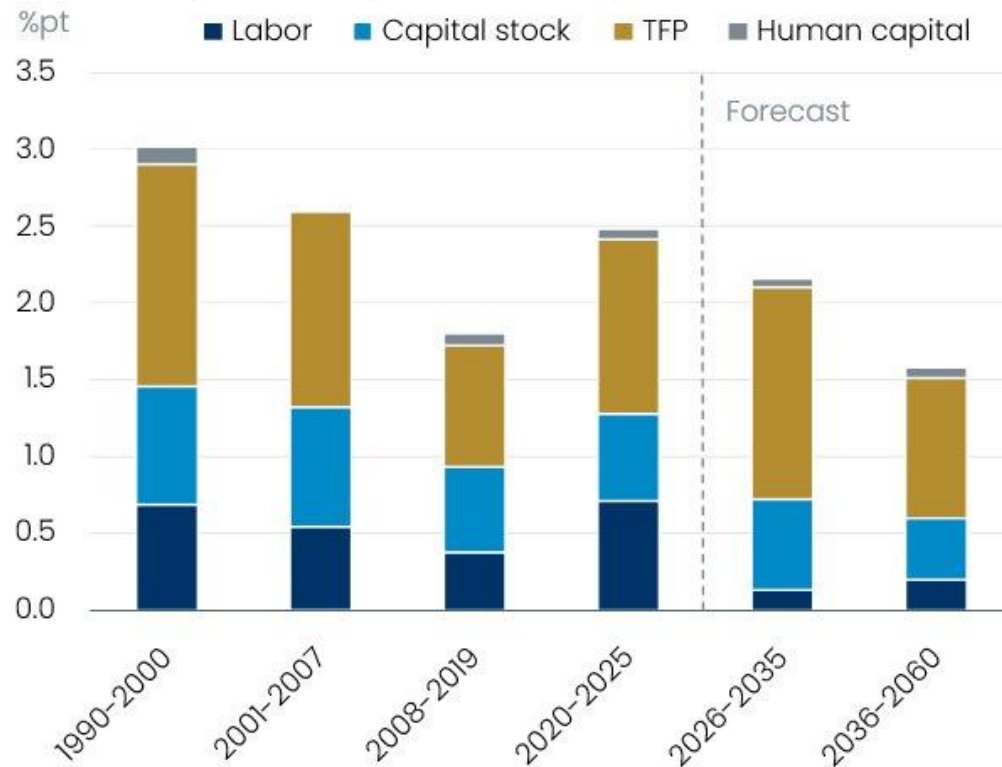
Key takeaways

- Although we've lowered our near-term growth forecasts and raised our inflation projections, the situation today is far from stagflation. Strong productivity growth and anchored inflation expectations are distinguishing factors from the stagflation of the late 1970s and early 1980s.
- While the closure of the Strait of Hormuz has echoes of 1970s oil shocks, the jump in oil prices hasn't rivaled those disruptions.
- For the inflation shock to prove persistent, as it did in the late 1970s and early 1980s, it would need to become embedded in higher inflation expectations, which appears unlikely. If that were a serious risk, we expect the Federal Reserve would eventually pivot to tighter policy settings to bring them back under control, avoiding stagflation.

Productivity growth & anchored inflation expectations mean no stagflation

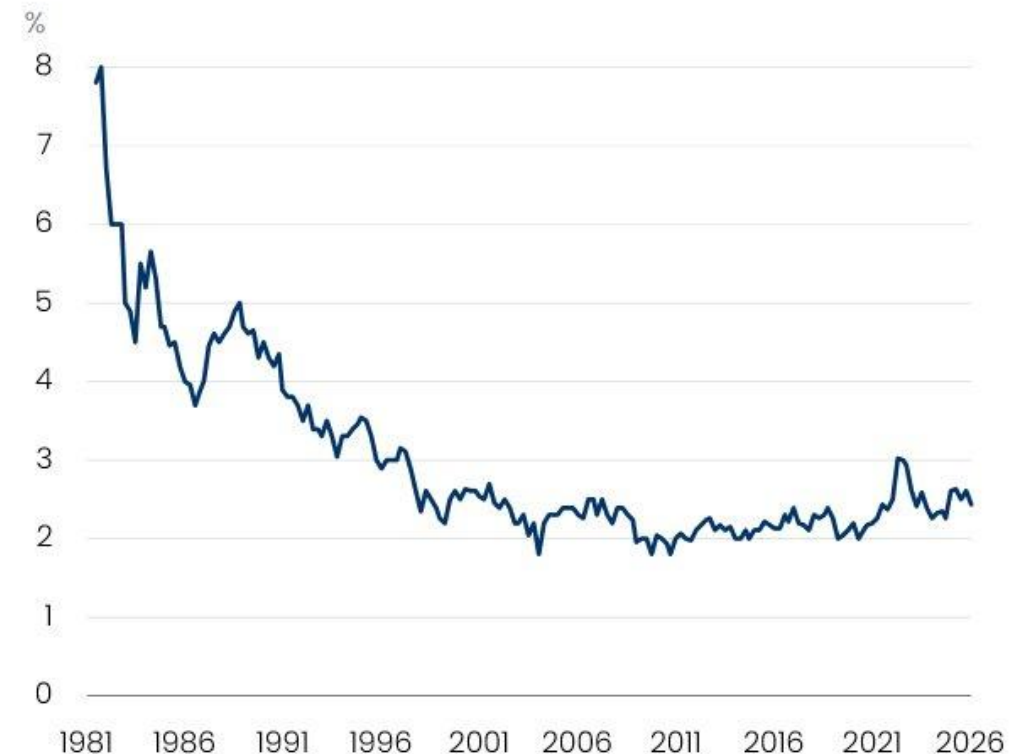


US: Decomposition of potential GDP growth



Sources: Oxford Economics, Haver Analytics

US: Professional forecasters' median projection of CPI



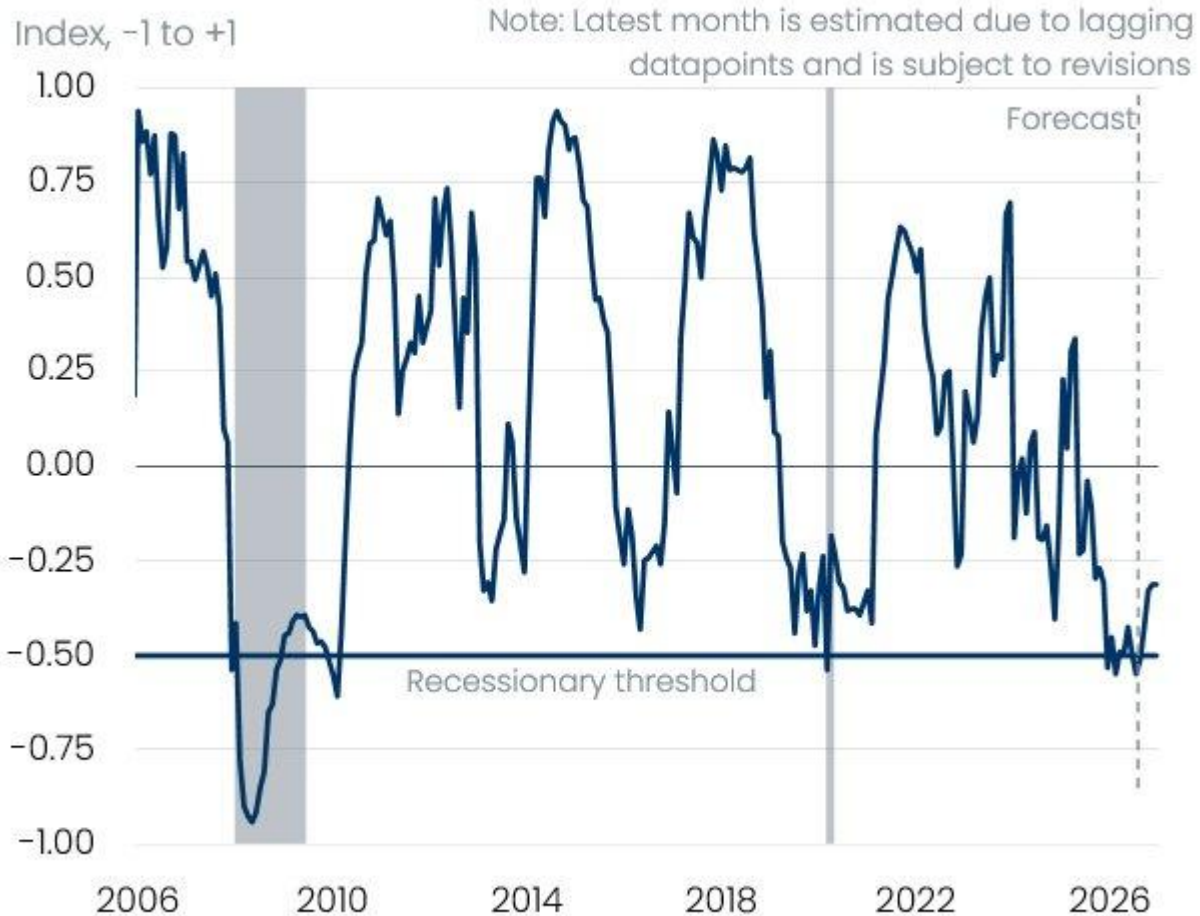
Sources: Oxford Economics, Haver Analytics



Health check on the economy

Continued expansion expected, despite headwinds

US: Oxford Economics' US Business Cycle Indicator

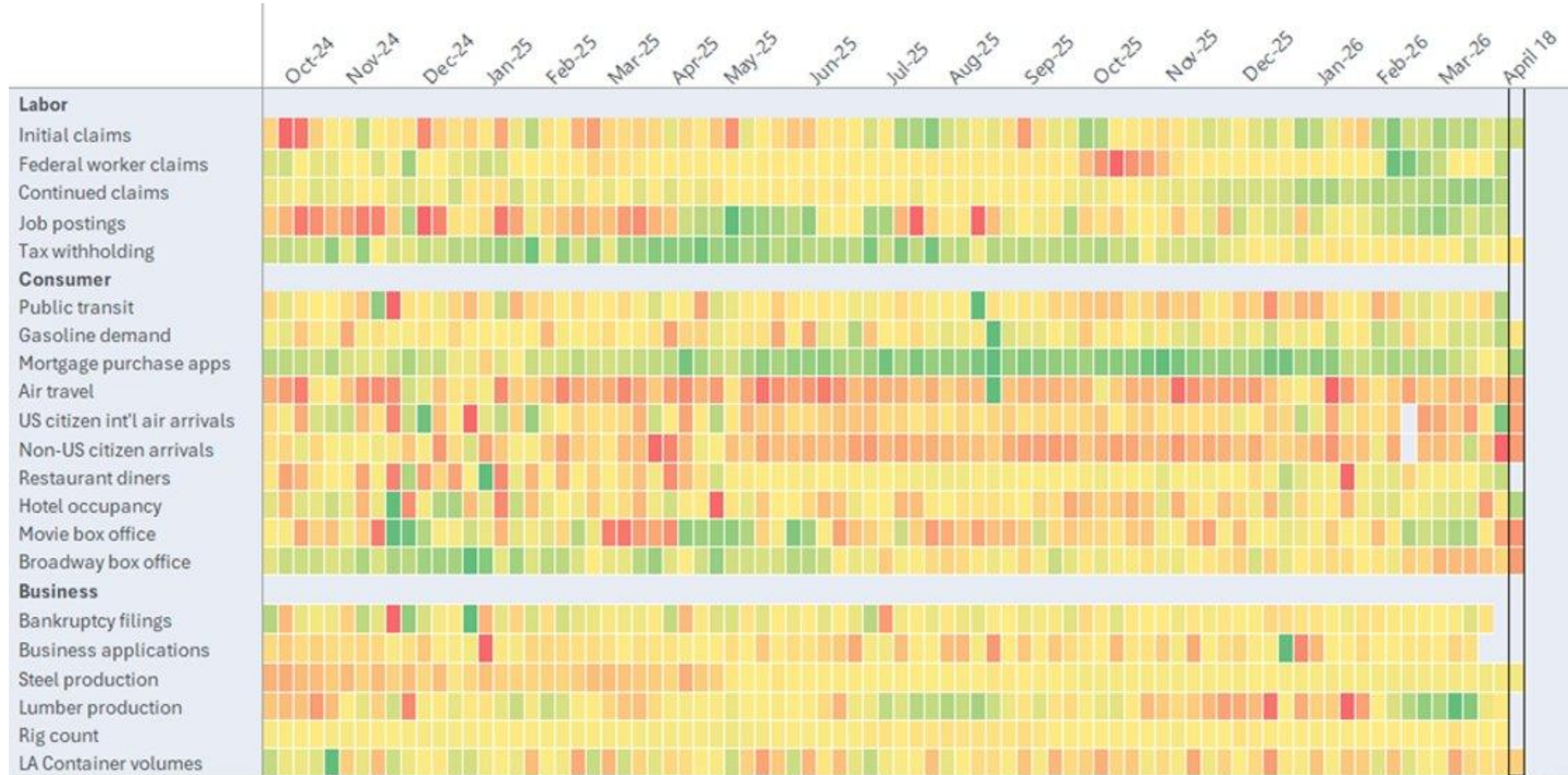


Sources: Oxford Economics, Haver Analytics

Key takeaways

- Our in-house Business Cycle Indicator suggests that the economy will continue expanding at a relatively solid pace, even as higher prices and elevated uncertainty slow the pace of growth.
- Key to the more optimistic outlook is the rebound in equity markets, which will keep high-income households spending at a strong pace.
- The labor market remains stable, and more industries are expanding payrolls than not.

Energy shock is weighing on consumption high frequency indicators



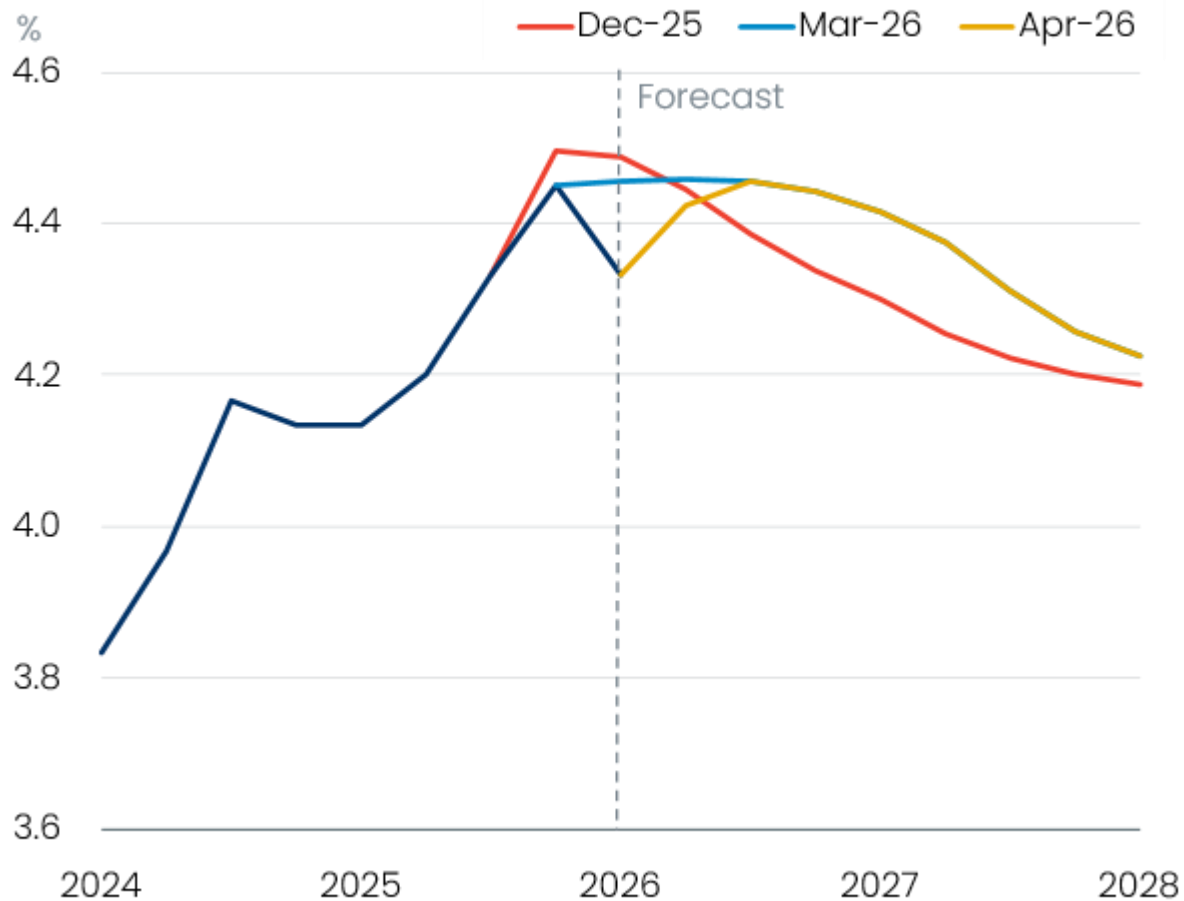
Sources: Oxford Economics, Haver Analytics



Labor market stable for now

Unemployment will stay elevated in 2026

US: Unemployment rate by forecast vintage



Sources: Oxford Economics, Haver Analytics

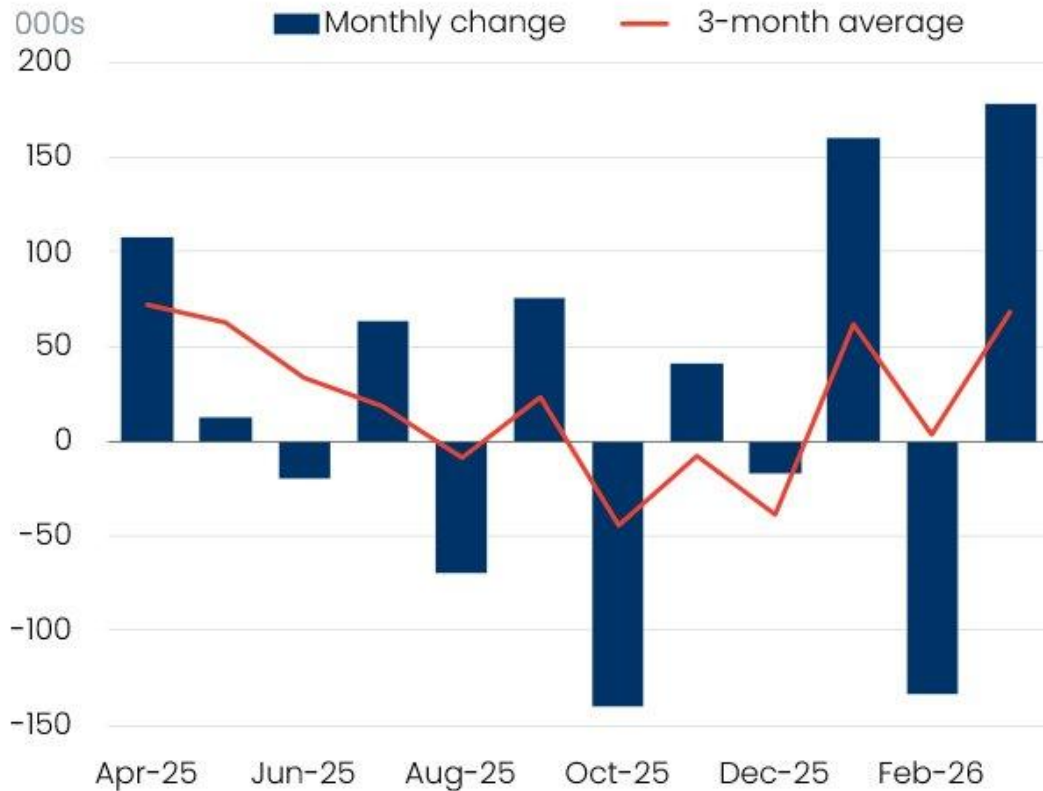
Key takeaways

- The March jobs report doesn't change our assessment that the downside risks to the labor market have increased due to the US/Israel-Iran war. We expect job growth to trend lower in the months ahead due to the spillover effects from the rise in oil prices, slower labor force growth and the depressed hiring rate.
- The decline in new entrants into the labor force pushed the unemployment rate down to 4.3% in March. However, as the labor market softens due to the fallout from the war, we expect the unemployment rate to edge back up, hovering between 4.4% and 4.5% until mid-2027.
- Jobless claims remain consistent with stable labor-market conditions. That said, the war's negative spillover effects on the labor market will come with a delay.

Job growth rebounds as healthcare strike ended, and weather improved

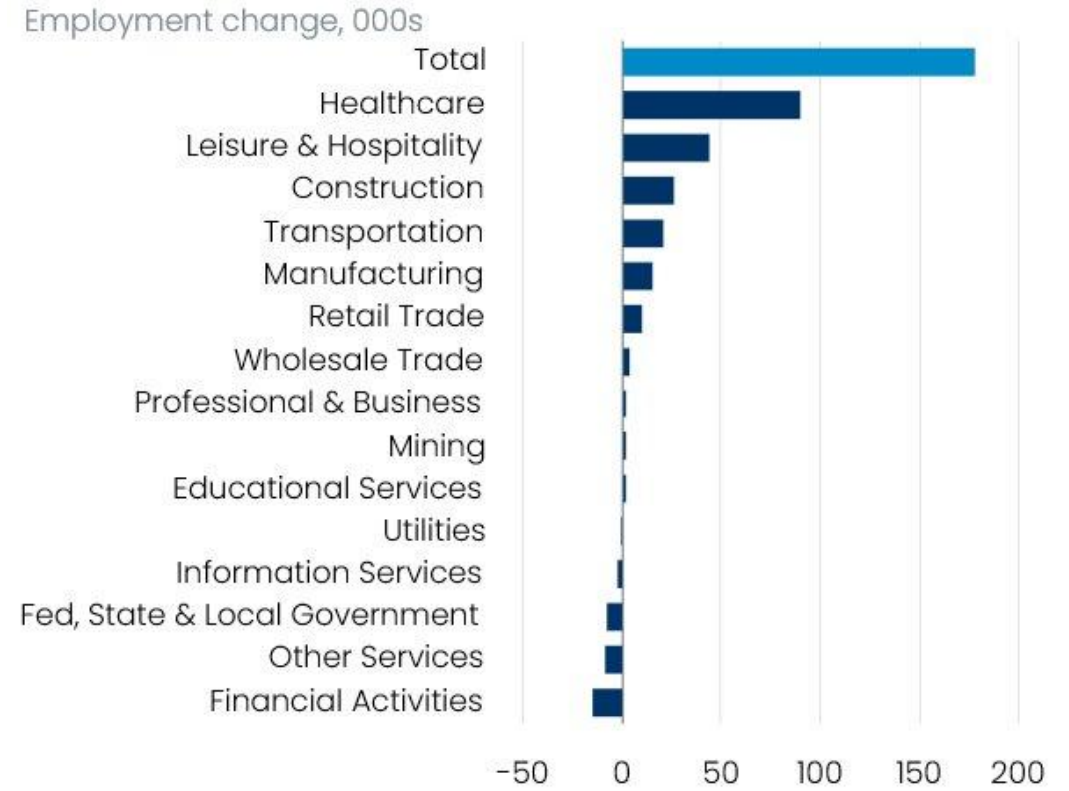


US: Nonfarm payroll employment



Sources: Oxford Economics, Haver Analytics

US: Monthly change in payrolls by industry- Mar 2026

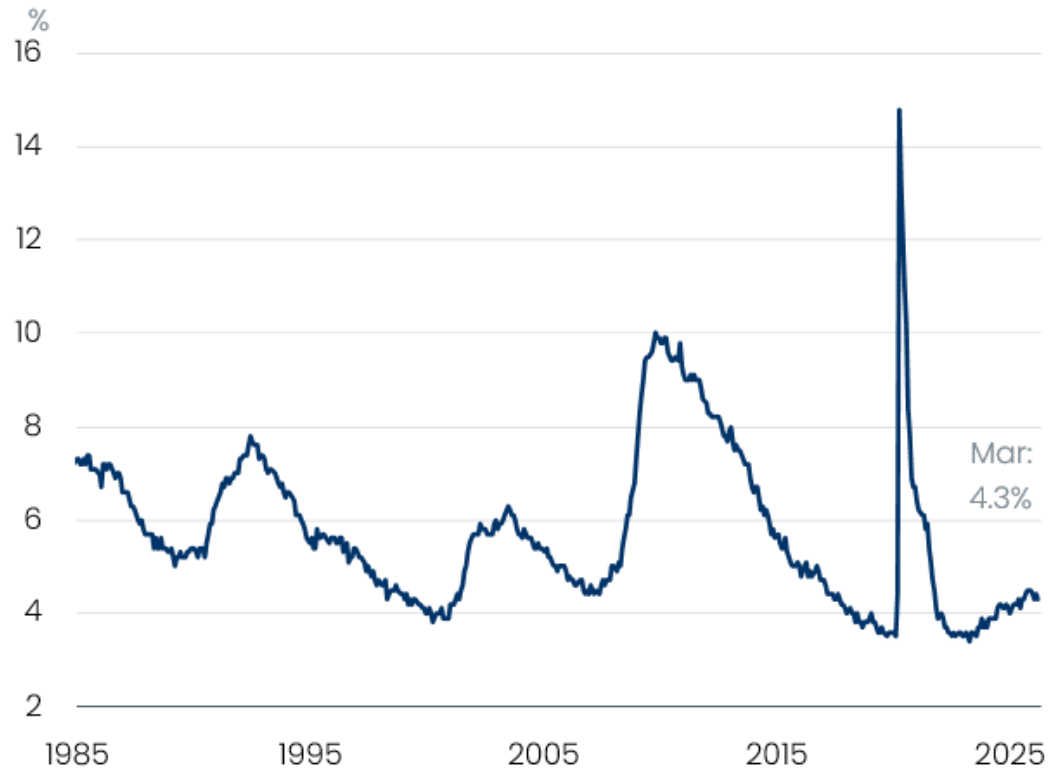


Sources: Oxford Economics, Haver Analytics

Decline in new entrants pushed down the unemployment rate

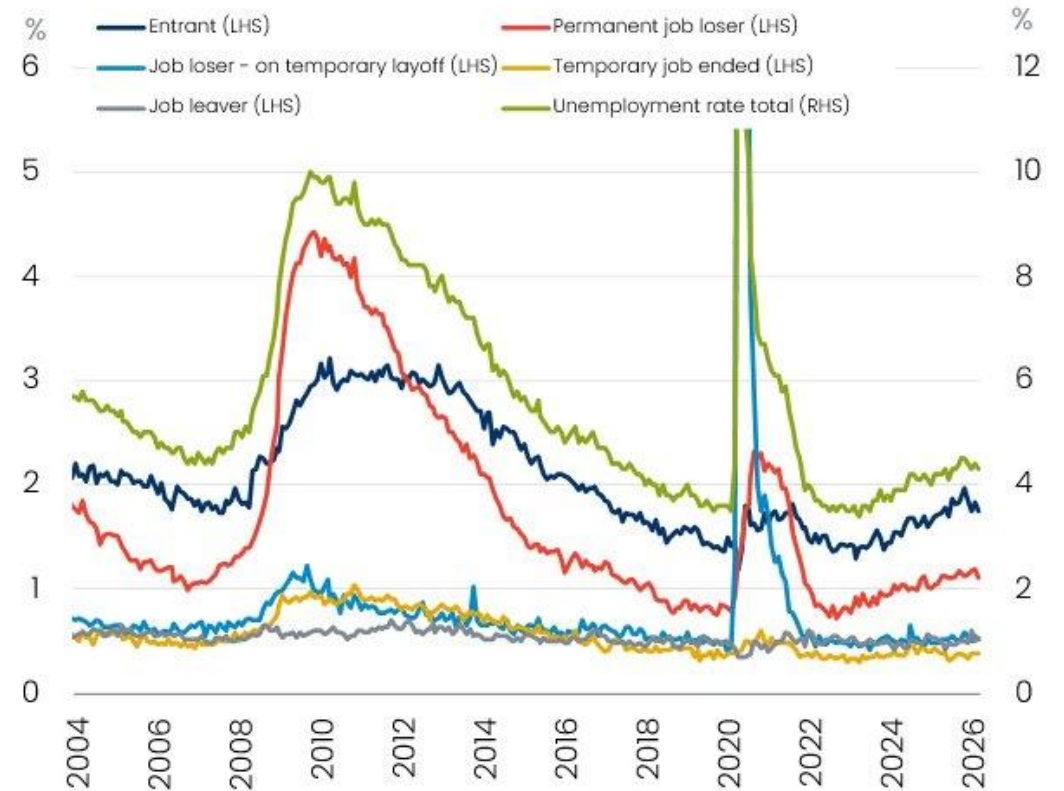


US: Civilian unemployment rate



Source: Oxford Economics, Haver Analytics

US: Unemployment rate decomposed

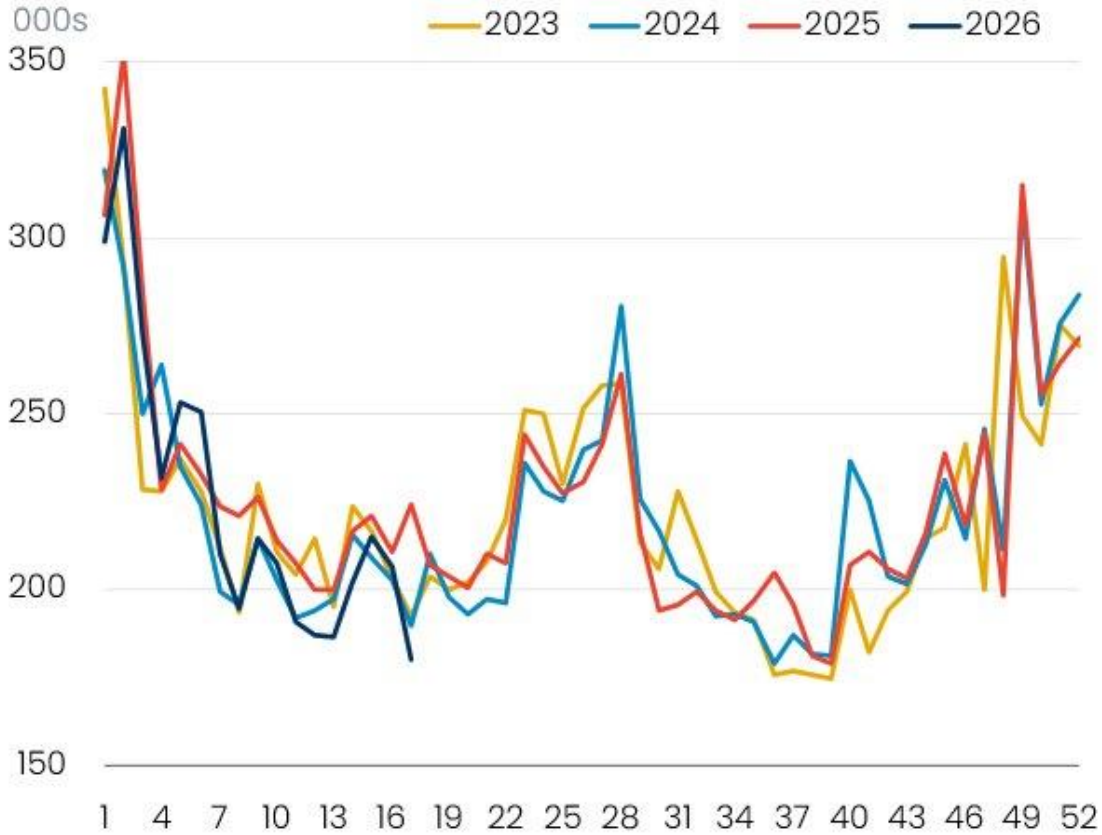


Source: Oxford Economics, Haver Analytics

Jobless claims continue to signal slow pace of layoffs

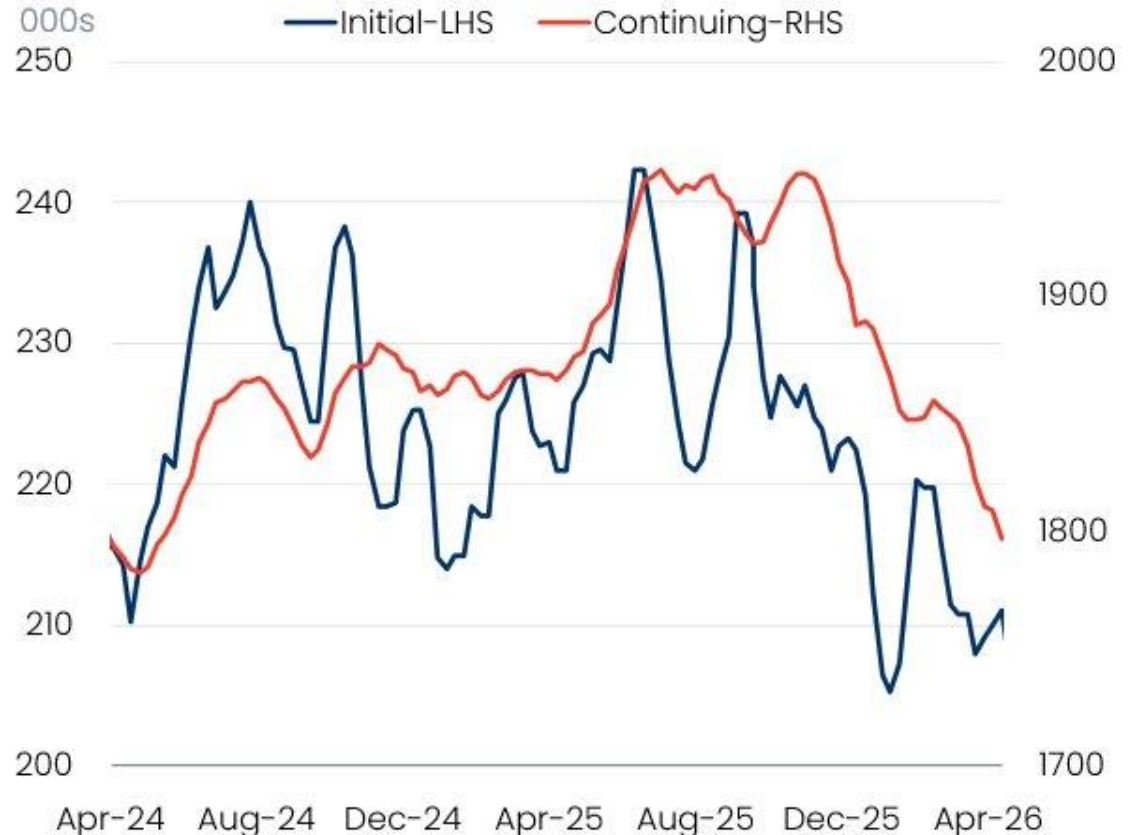


US: Initial jobless claims, not seasonally adjusted



Sources: Oxford Economics, Haver Analytics

US: Initial and continued jobless claims, 4wma



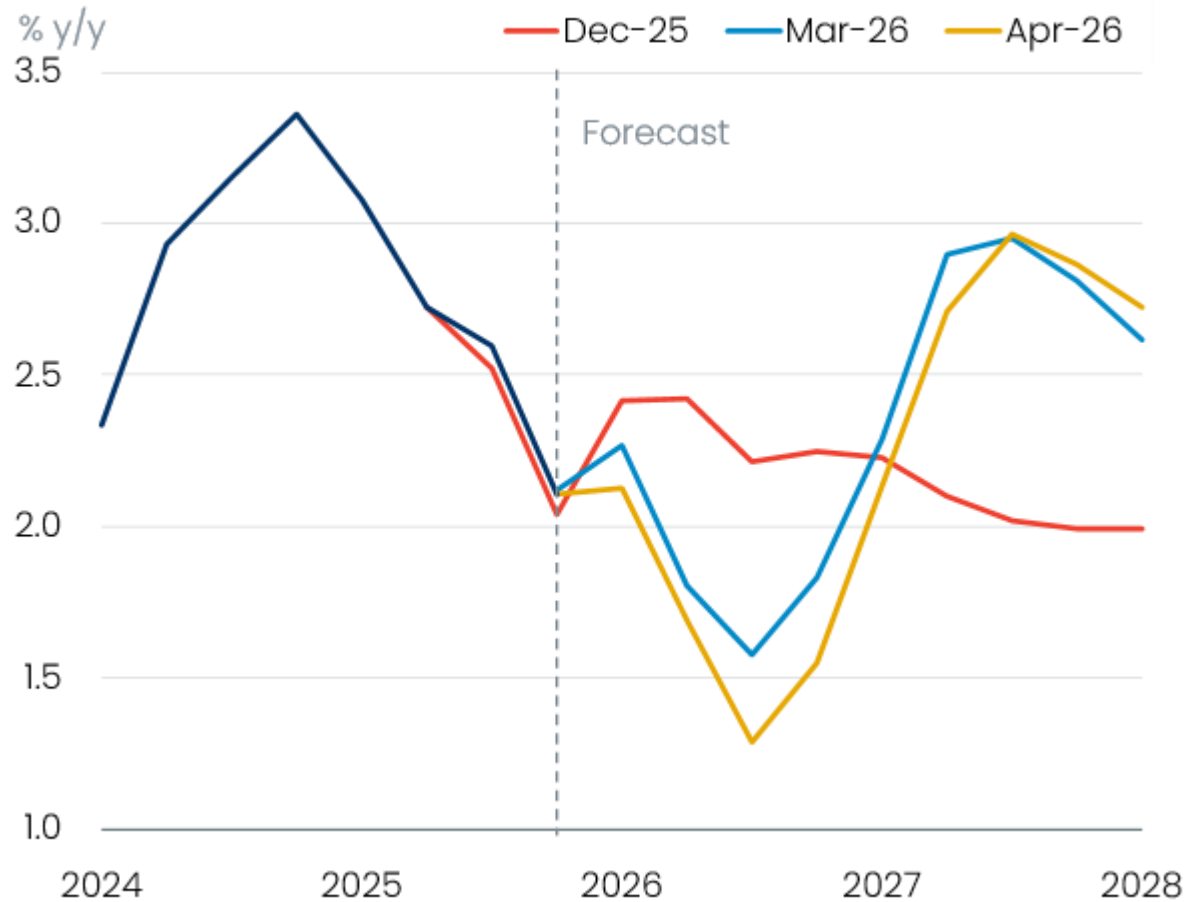
Sources: Oxford Economics, Haver Analytics



Consumer outlook is increasingly bifurcated

High oil prices will weigh on spending, increasing bifurcation

US: Consumer spending by forecast vintage



Sources: Oxford Economics, Haver Analytics

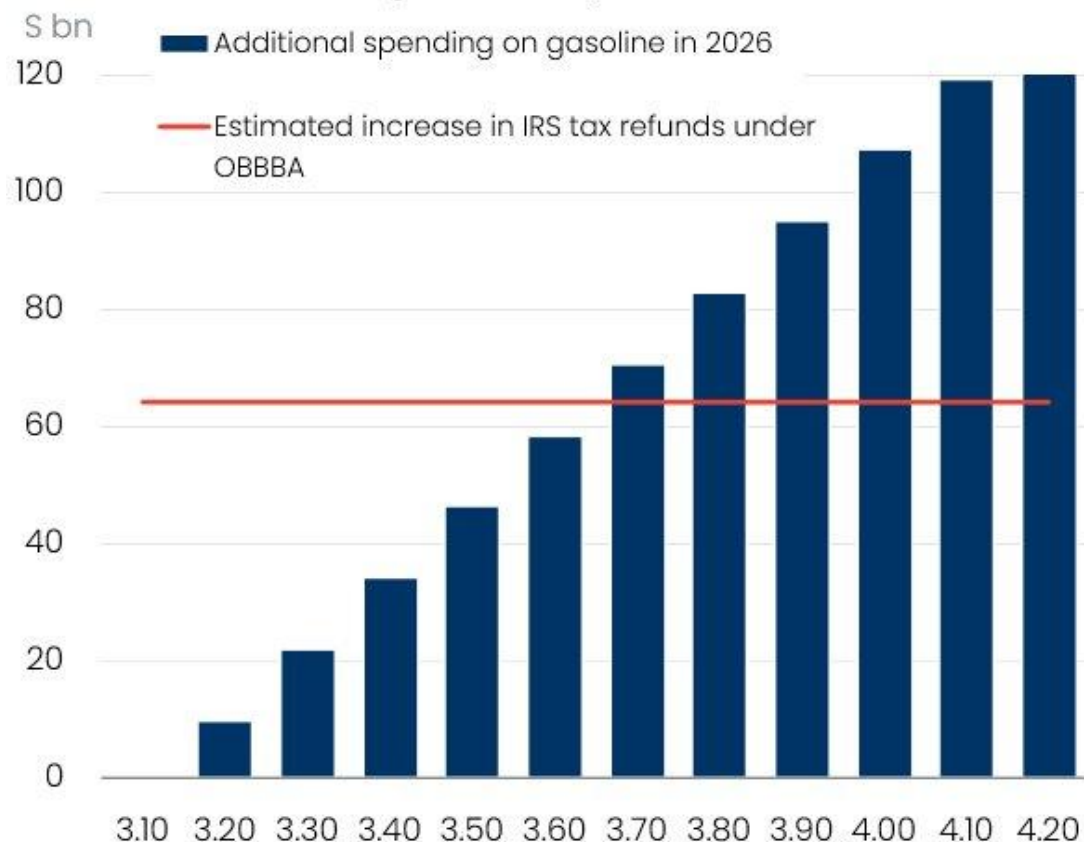
Key takeaways

- Due to drag from higher energy prices, we now expect consumption growth to be softer than 2% in 2026, marking a considerable slowdown from 2025's pace of 2.6% growth
- Consumer spending is becoming increasingly bifurcated. Higher gasoline and food prices will weigh most heavily on low- and moderate-income households. At the same time, the net impact of fiscal policy and trade policy changes benefits higher-income households, while the poorest 20% of households see a net decline in their real household income.
- The spike in gas prices pushed consumer sentiment to a historic low in April. Higher gas prices will take a bite out of consumers' real disposable incomes, forcing them to reel in spending.



High gas prices to take a bit out of the boost from stronger tax refunds

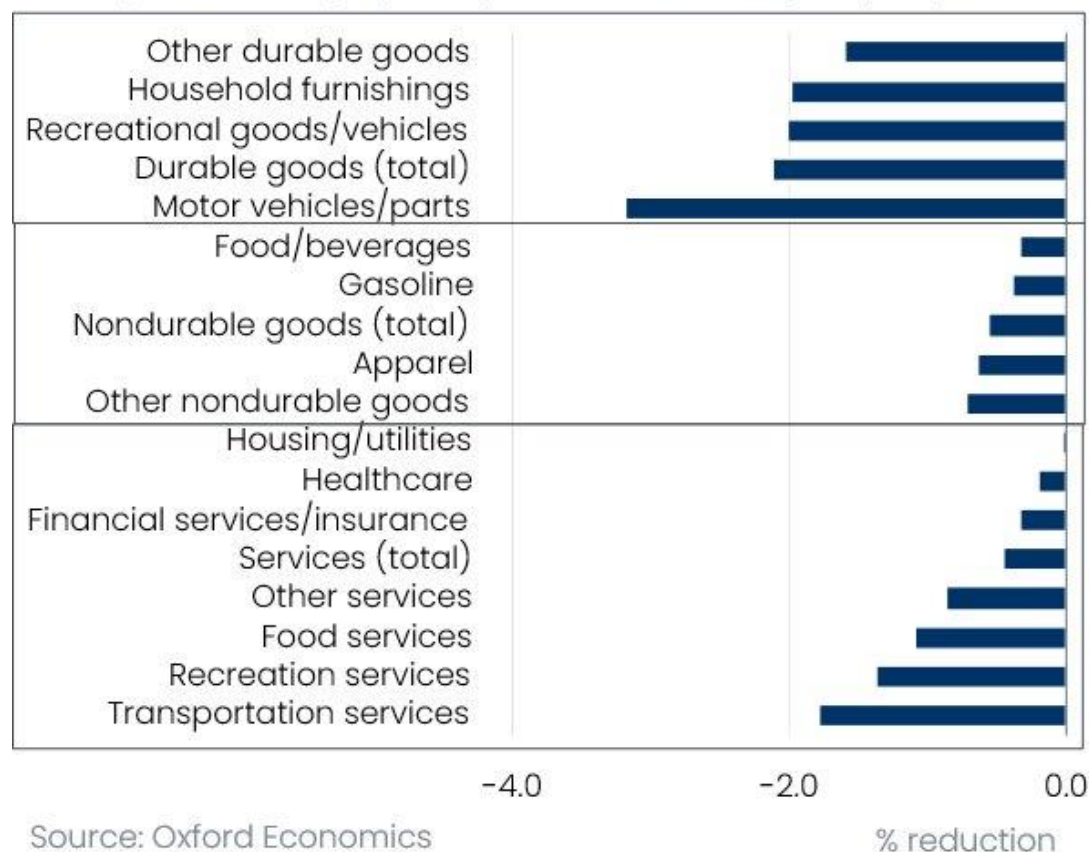
US: Extra household gasoline expenses & tax refund boost



Sources: Oxford Economics, Haver Analytics

US: Cumulative decline in real consumer spending

... in response to a 10% jump in oil prices relative to their prior 3-year peak



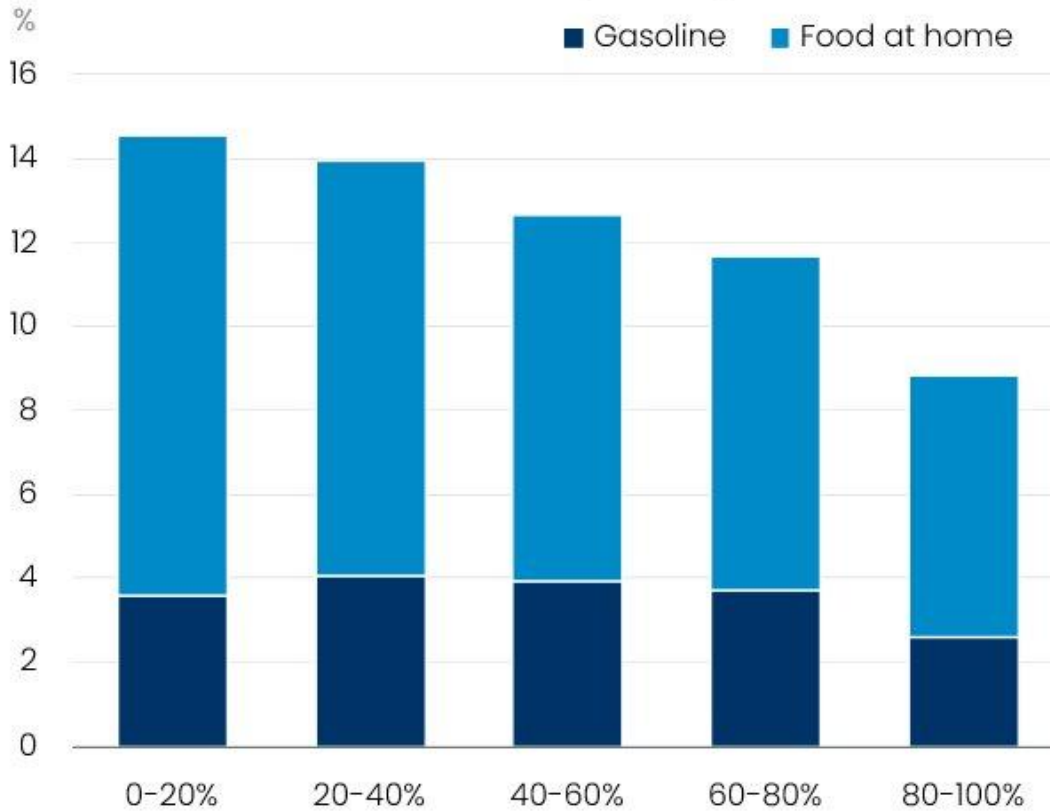
Source: Oxford Economics

% reduction

Higher food gas prices and wealth effects will widen the spending gap



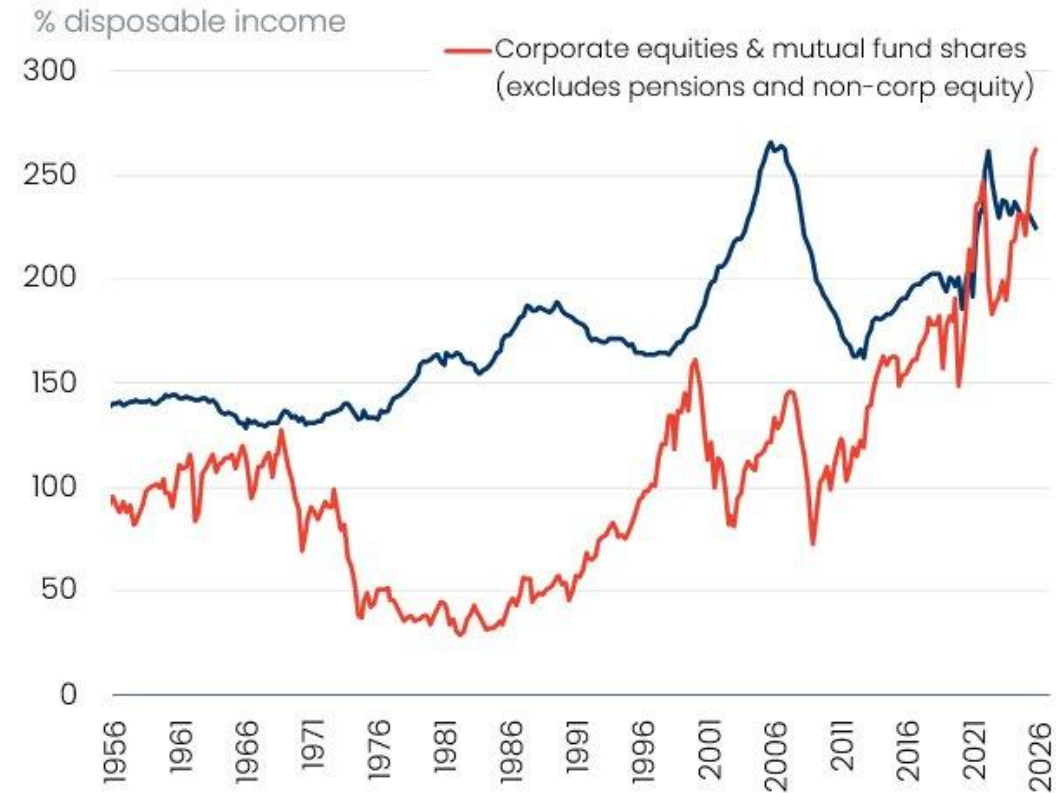
US: Essentials as % of consumer spending



Sources: Oxford Economics, Haver Analytics

Income quartile

US: Household wealth

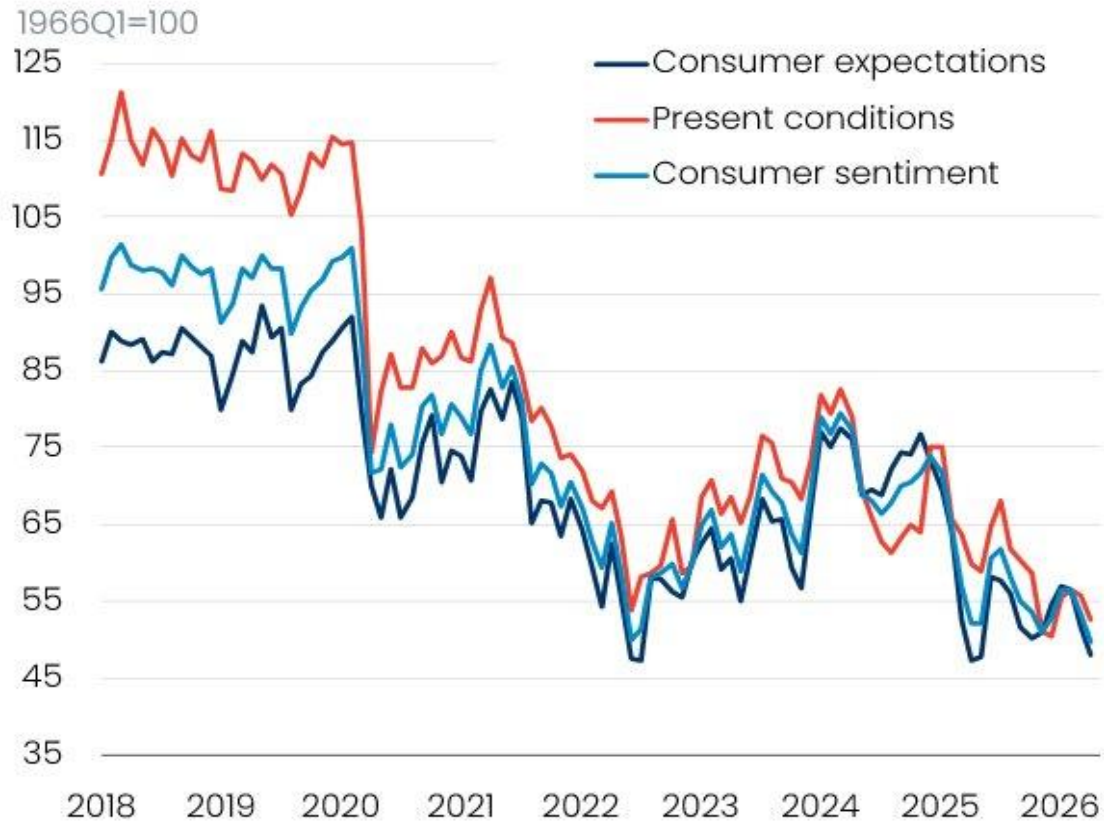


Sources: Oxford Economics, Haver Analytics

Sentiment fell to a historic low, though it's a poor predictor of spending

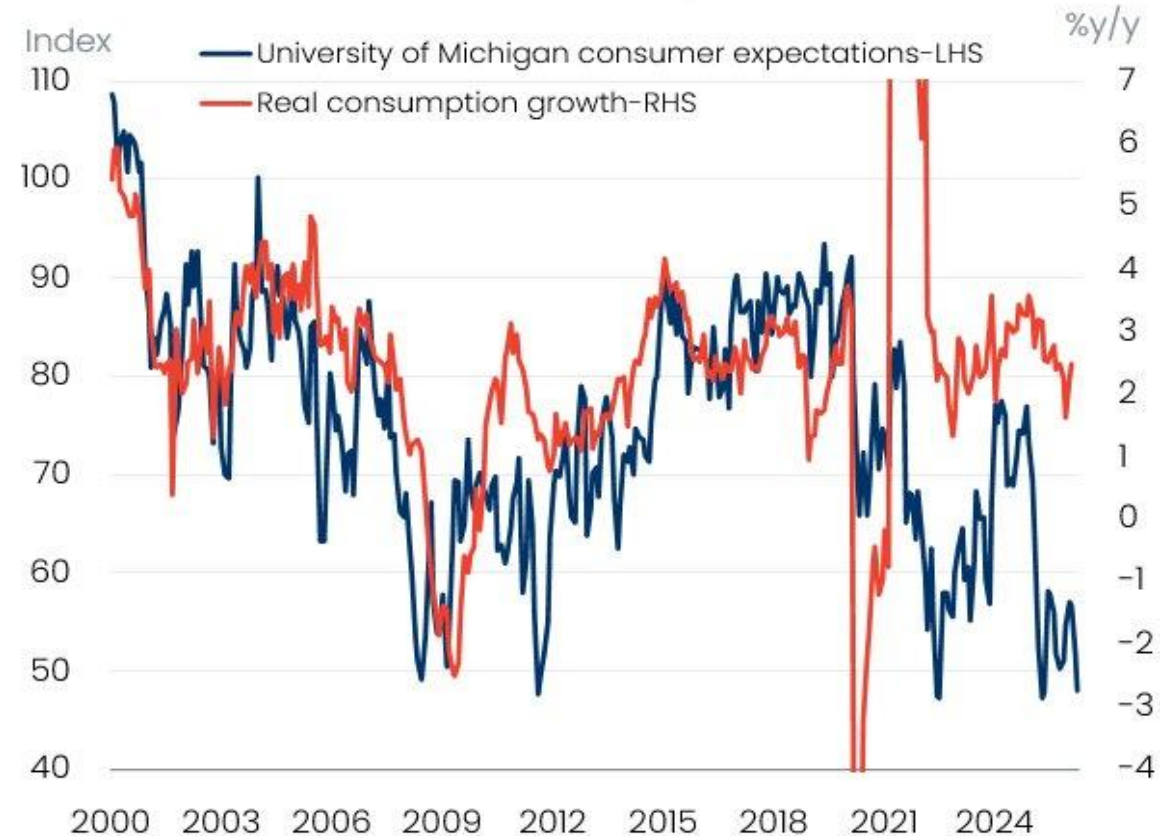


US: Consumer sentiment



Sources: Oxford Economics, Haver Analytics

US: Consumer sentiment & spending



Sources: Oxford Economics, Haver Analytics

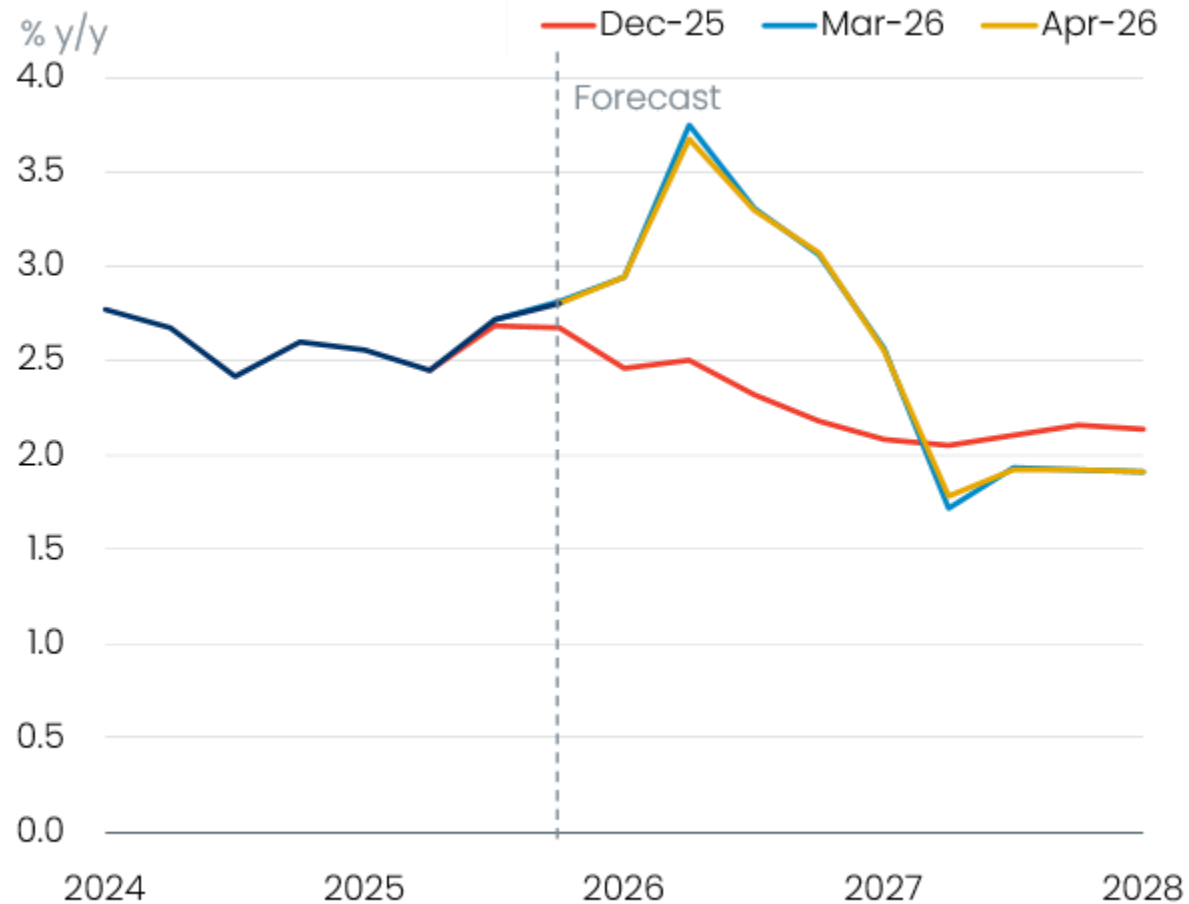


Inflation to stay elevated in 2026

Inflation will stay higher for longer

Key takeaways

US: Headline PCE by forecast vintage



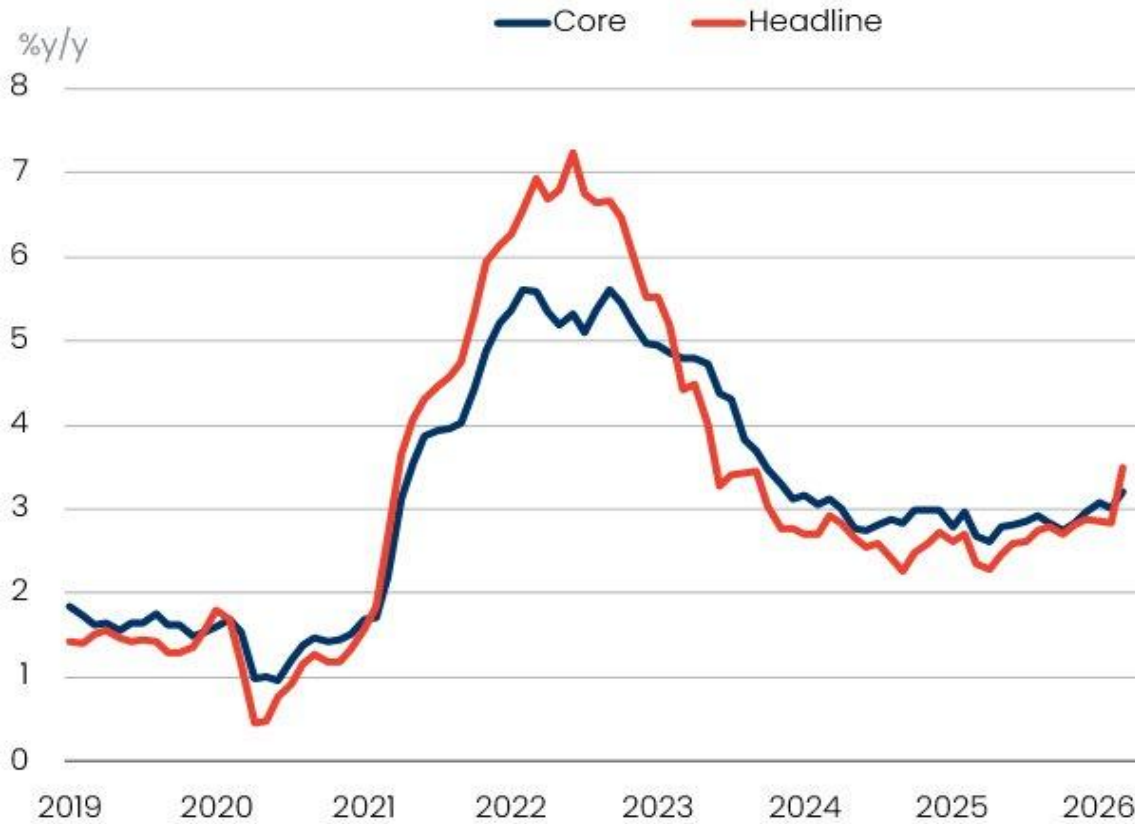
Sources: Oxford Economics, Haver Analytics

- We expect high energy prices will keep headline inflation averaging 3.5% in 2026. Disinflation in core inflation will likely be delayed until 2027, thanks to lingering tariff passthrough, AI buildout, and higher input energy costs.
- Although higher oil prices will lift short-run inflation expectations, we expect the impact on long-run expectations and the passthrough to wages to be muted.
- Rampant demand for AI-related goods has led to a significant rise in their prices. Supply-chain constraints, including damaged natural gas and helium production plants in the Middle East, could exacerbate rising electronics costs.

Energy prices on track to lift headline inflation to 3.4%

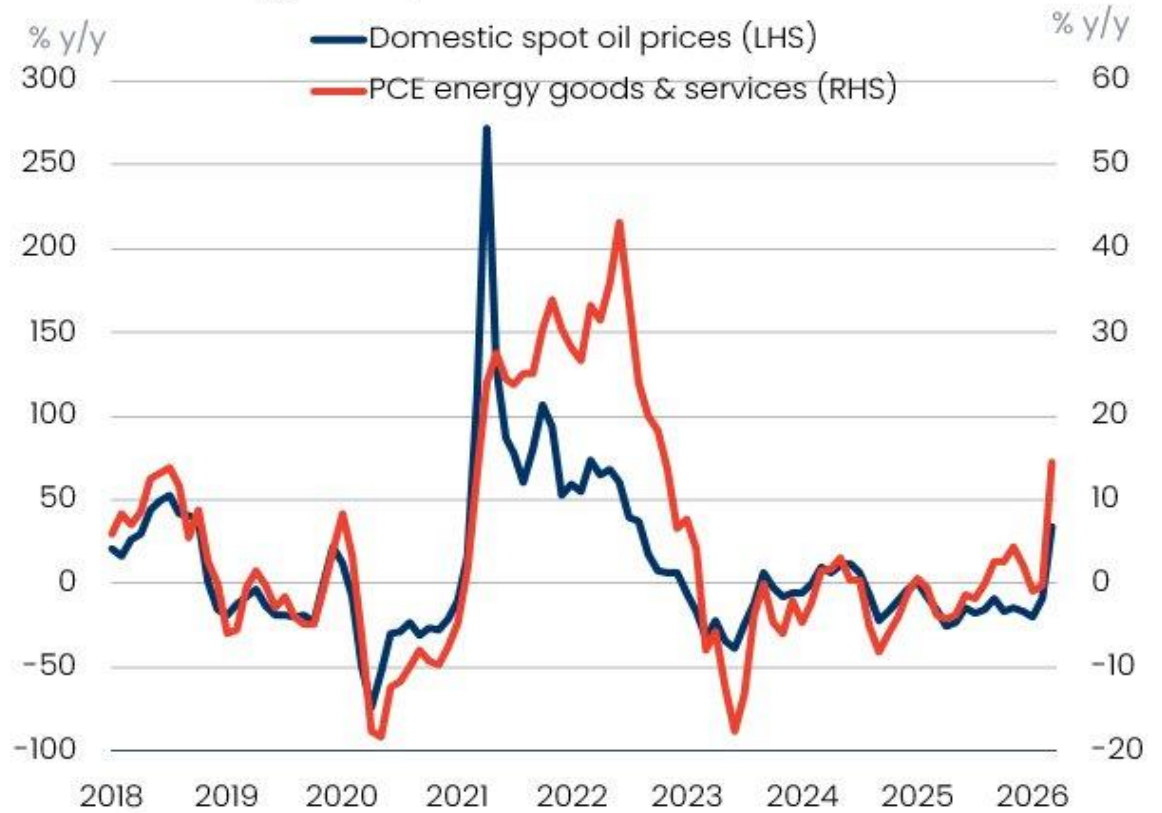


US: PCE inflation



Sources: Oxford Economics, Haver Analytics

US: PCE energy vs oil prices

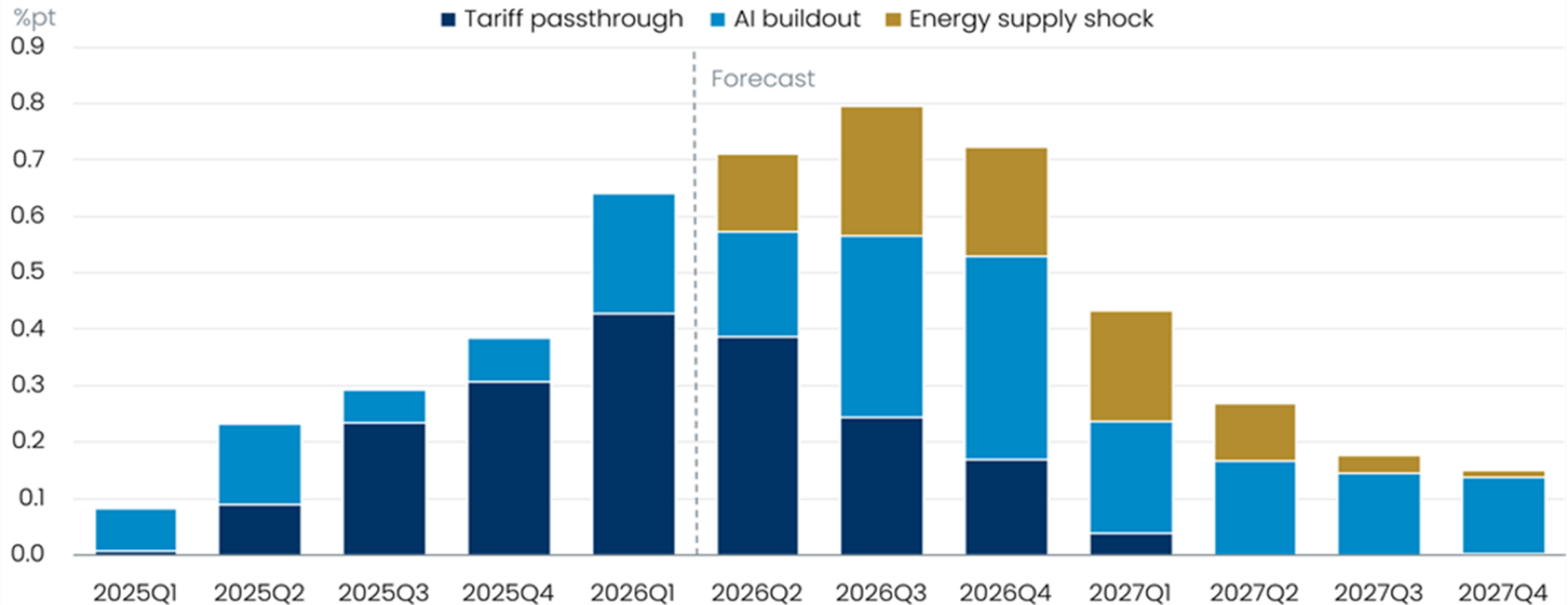


Sources: Oxford Economics, Haver Analytics

Tariffs, AI buildout, and energy shock will keep core inflation sticky



US: Contributions to annual core PCE inflation

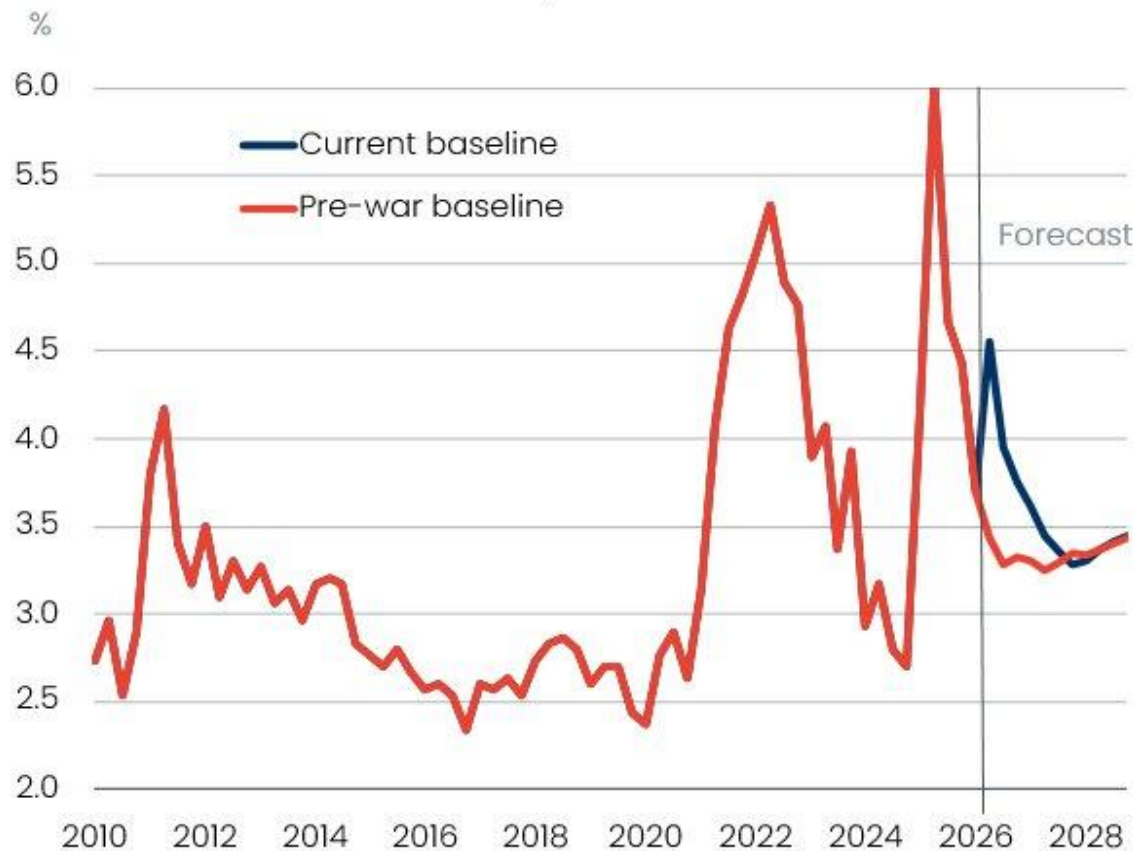


Sources: Oxford Economics



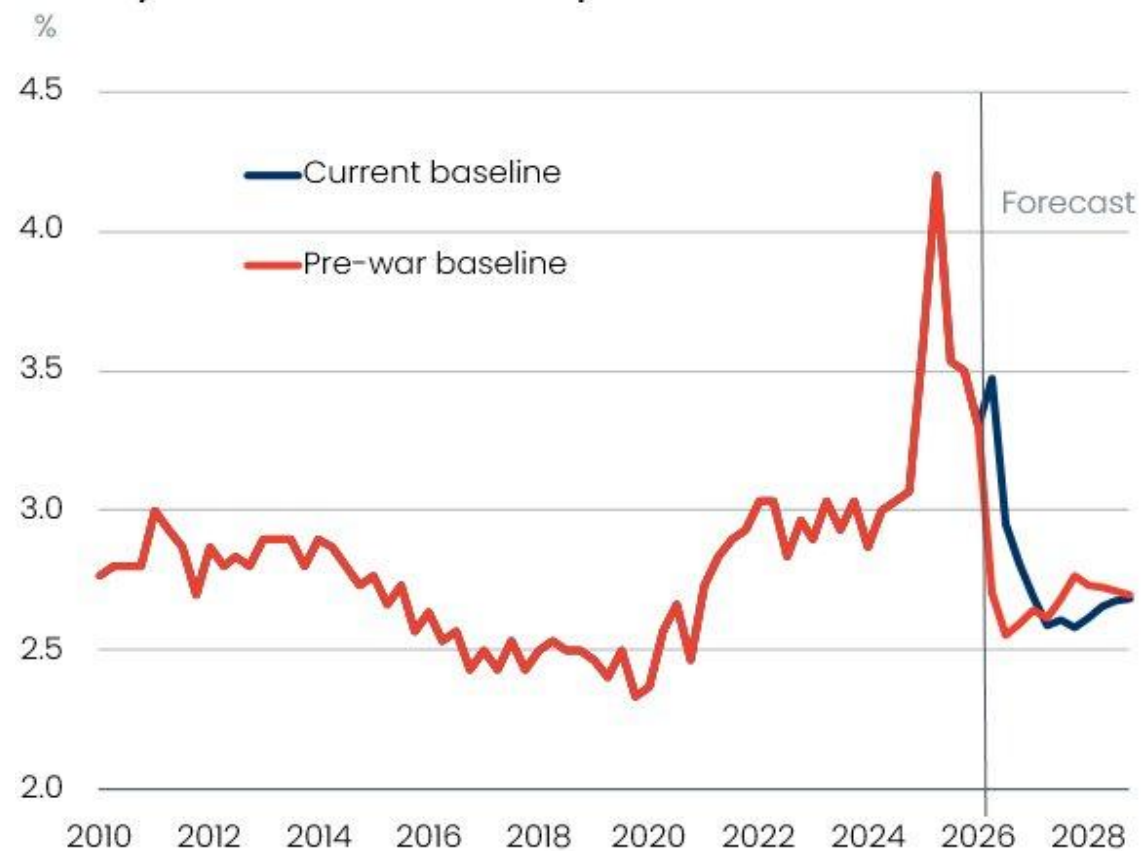
Long-run inflation expectations unlikely to become unanchored

US: Year-ahead inflation expectation forecasts



Sources: Oxford Economics, Haver Analytics

US: 5 year-ahead inflation expectation forecasts

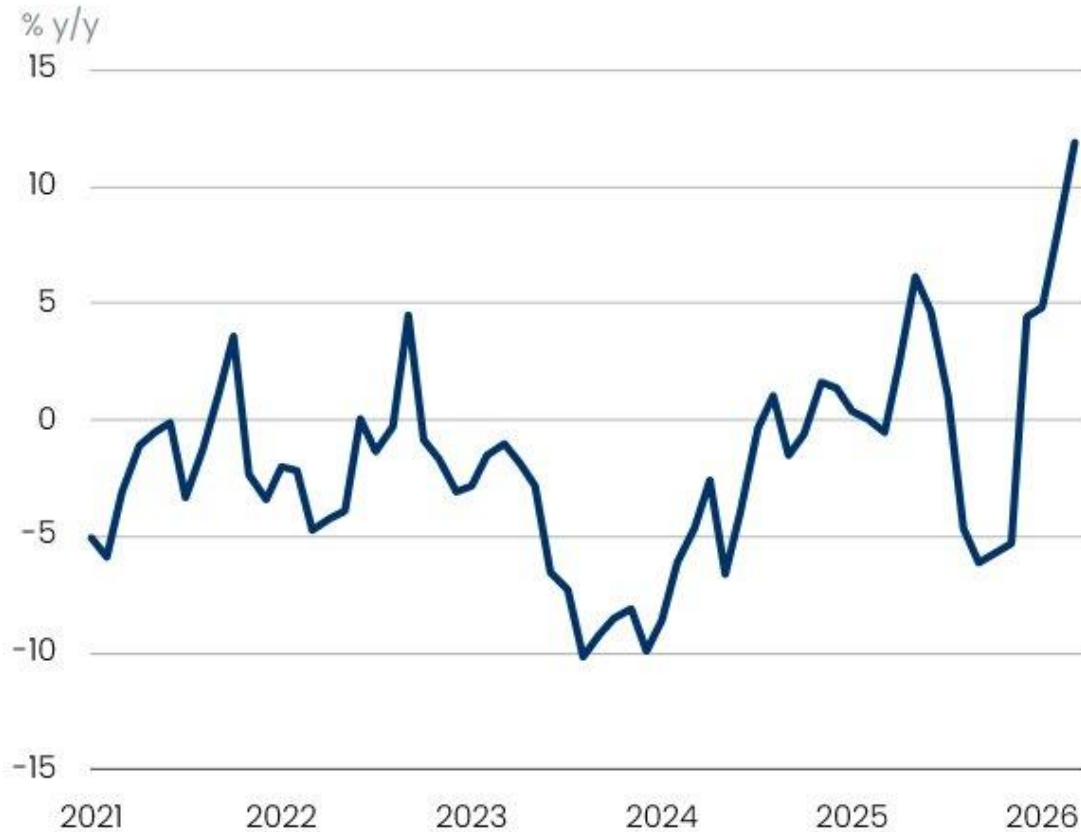


Sources: Oxford Economics, Haver Analytics

Supply-chain issues could exacerbate rise in AI-related goods prices



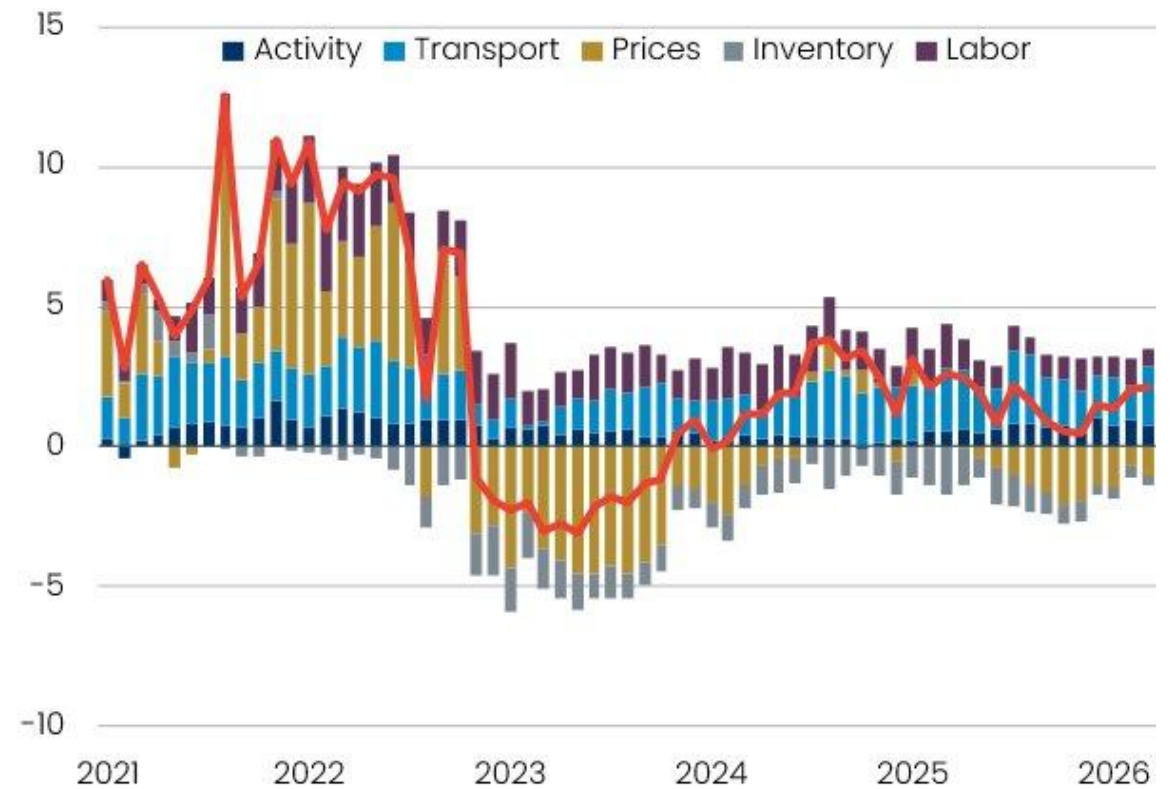
US: CPI for computer software and accessories



Sources: Oxford Economics, Haver Analytics

US: Supply-chain stress tracker

Index; > 0 = heightened stress



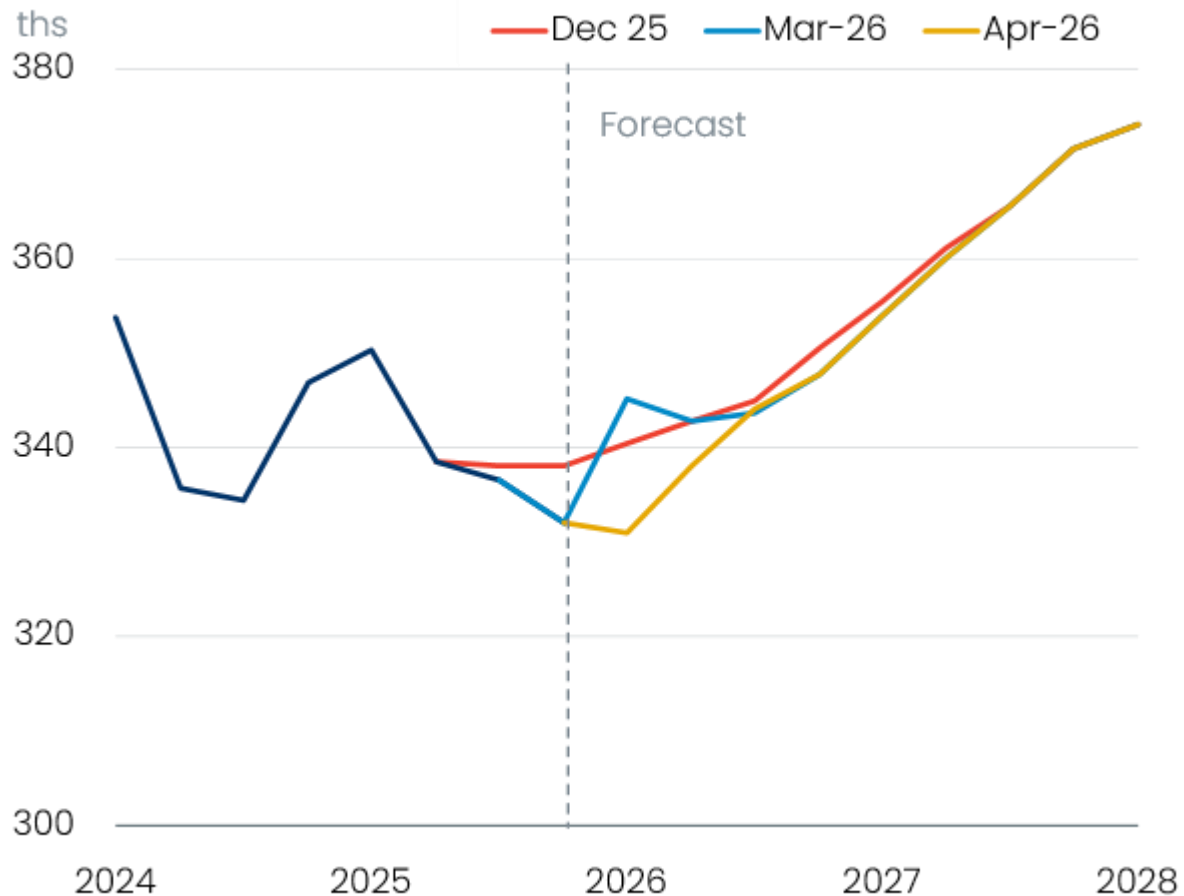
Sources: Oxford Economics, Haver Analytics



Housing market outlook still weak

Slow recovery ahead for housing sector

US: Housing starts by forecast vintage



Sources: Oxford Economics, Haver Analytics

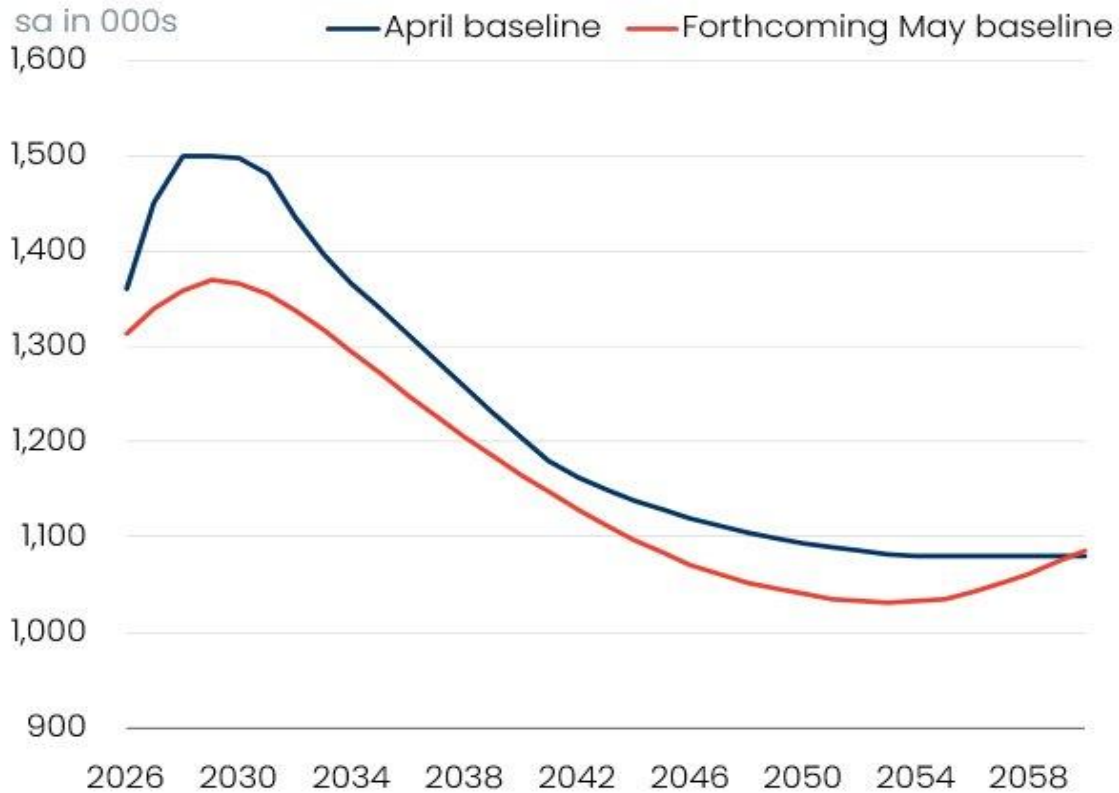
Key takeaways

- We will lower our forecast for housing starts by 2mn through 2060, with 1mn occurring through 2035, to reflect lower household formation due to a plunge in net immigration and a lower baseline assumption of how much housing stock will be lost each year to obsolescence or other factors, including natural disasters.
- Homebuilder sentiment is glum due to the US war with Iran, with builders citing declines in consumer sentiment, higher mortgage rates, and rising building material costs related to higher oil prices as drag on the sector.
- Home price growth at the national level continued to decelerate on a y/y basis, but we expect annual price growth to stabilize before improving in the coming months.

Lower household formation will weigh on housing starts

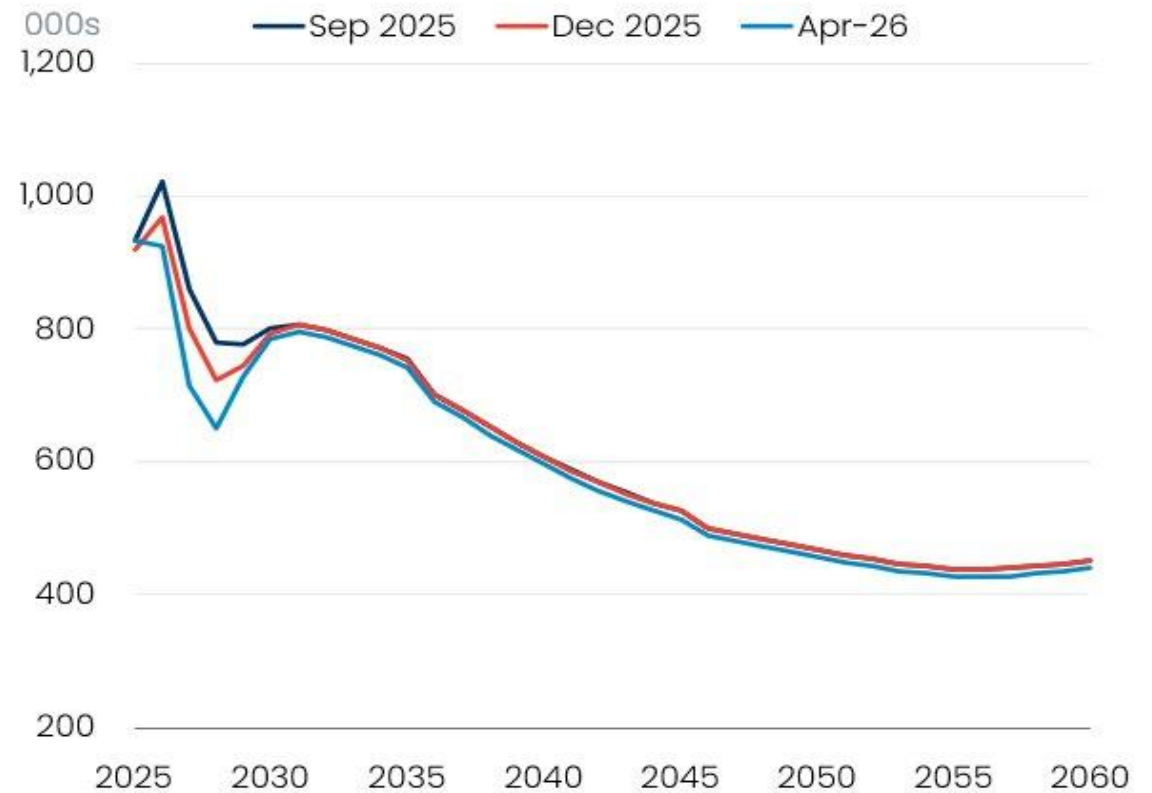


US: Long-term housing starts projections



Sources: Oxford Economics, Haver Analytics

US: Projections for household formation



Sources: Oxford Economics, Haver Analytics

Homebuilder sentiment has become more pessimistic since the war



US: NAHB Housing Market Index Components

Index >50=conditions are good



Sources: Oxford Economics, Haver Analytics

US: Homebuilder sentiment and completed homes for sale



Sources: Oxford Economics, Haver Analytics



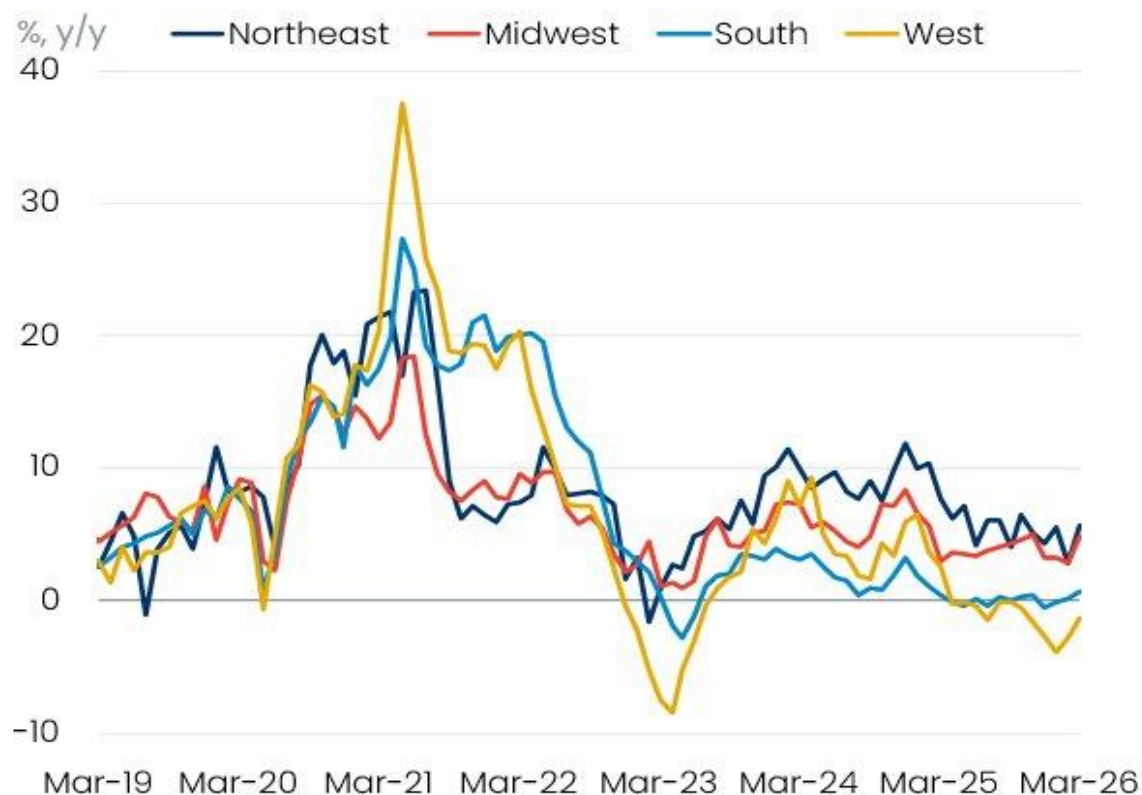
Home price growth decelerated nationally, thanks to weakness in West

US: Homes for sale and home prices



Sources: Oxford Economics, Haver Analytics

US: Existing home price growth by region



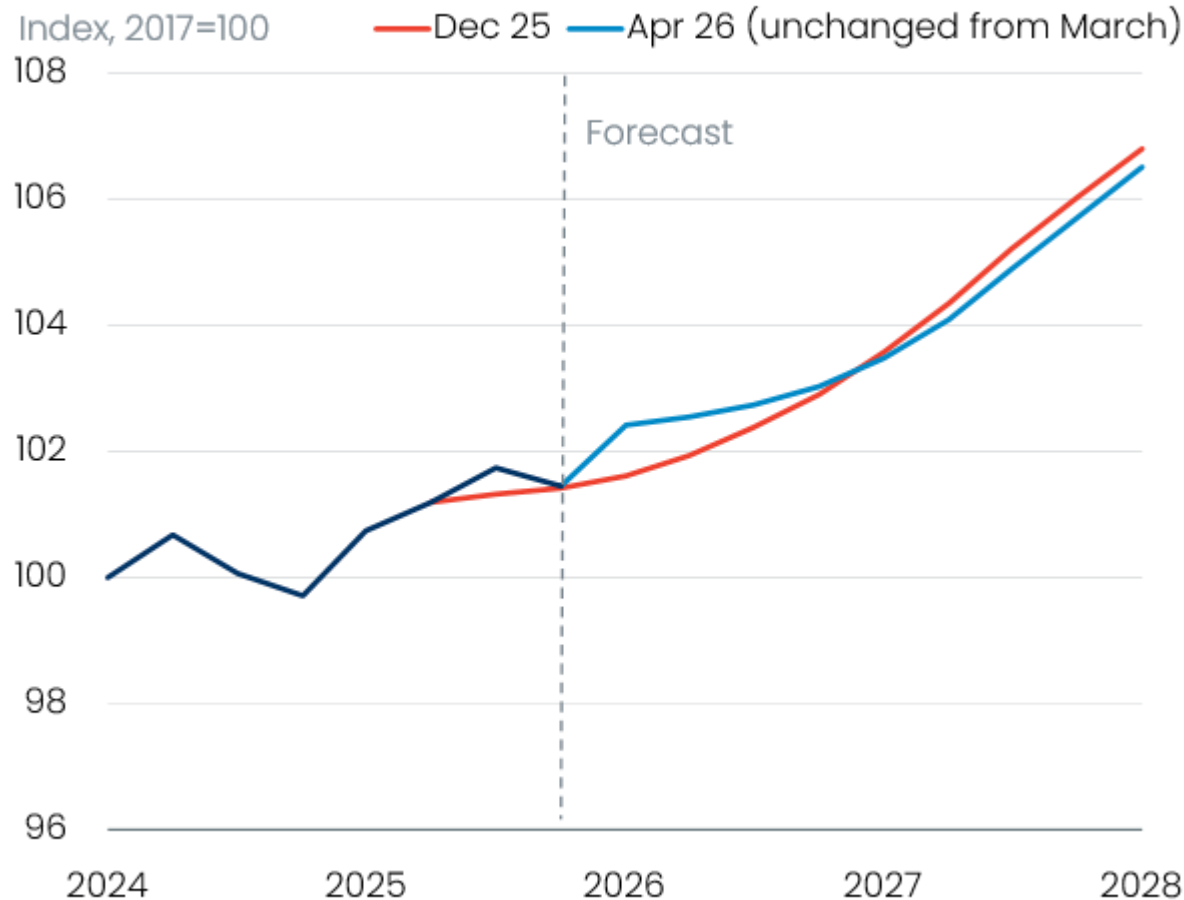
Sources: Oxford Economics, Haver Analytics



Manufacturing faces pressures from tariffs and war

Manufacturing activity resilient, despite headwinds

US: Industrial production by forecast vintage



Sources: Oxford Economics, Haver Analytics

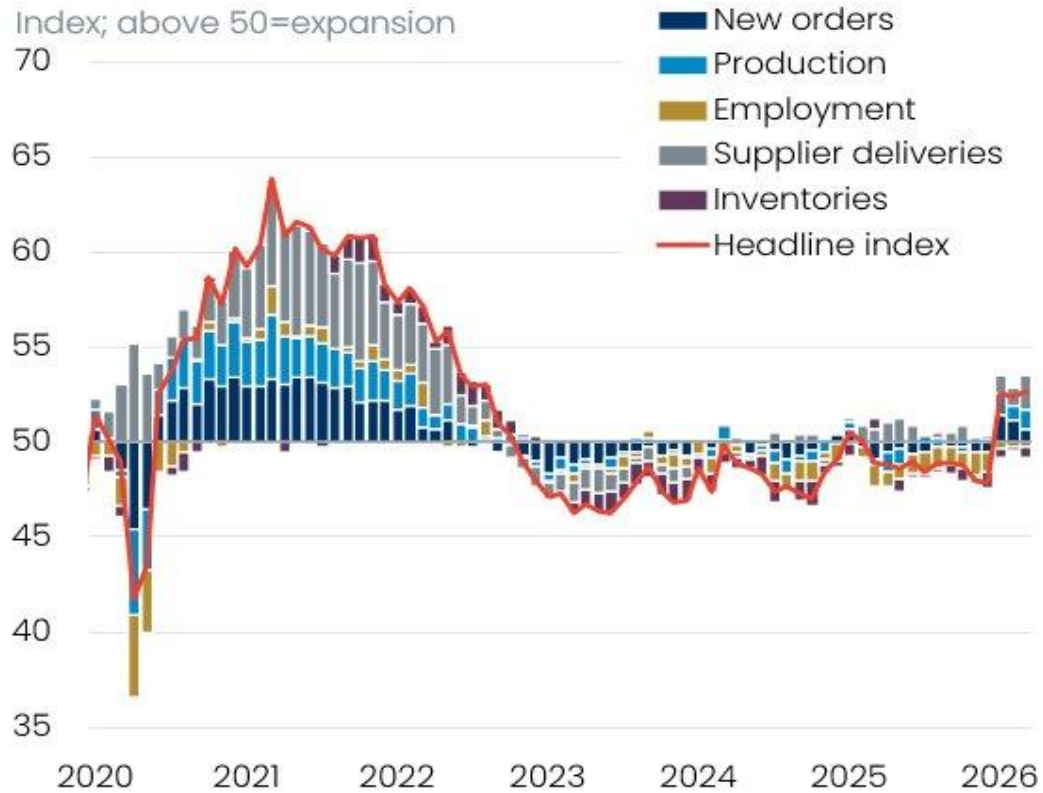
Key takeaways

- Even though we pared back our forecast for growth in industrial production due to the Iran war, prospects are still brighter than they appeared at the end of last year. The AI buildout and the investment the AI buildout and the investment incentives in last year's fiscal package will lend crucial support.
- The ISM manufacturing index remained solidly in expansionary territory in March. Strong new orders, a rising backlog of orders, and low customer inventories suggest the sector may be able to retain momentum, despite higher input costs and supply disruptions due to the war.
- Tariffs have pushed up steel and aluminum producer prices, raising the input costs and slowing employment in downstream industries.

Strong new orders and inventories supported ISM index, despite war



US: Contribution to ISM Manufacturing



Sources: Oxford Economics, Haver Analytics

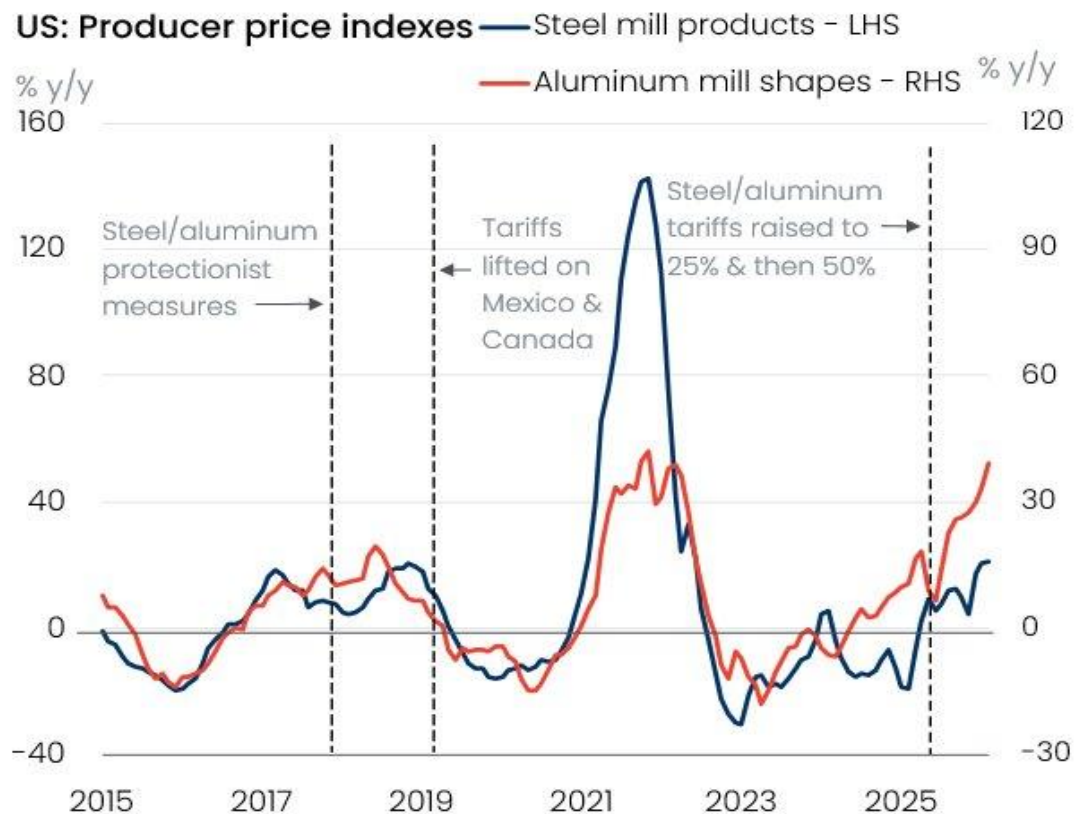
US: ISM manufacturing index



Sources: Oxford Economics, Haver Analytics



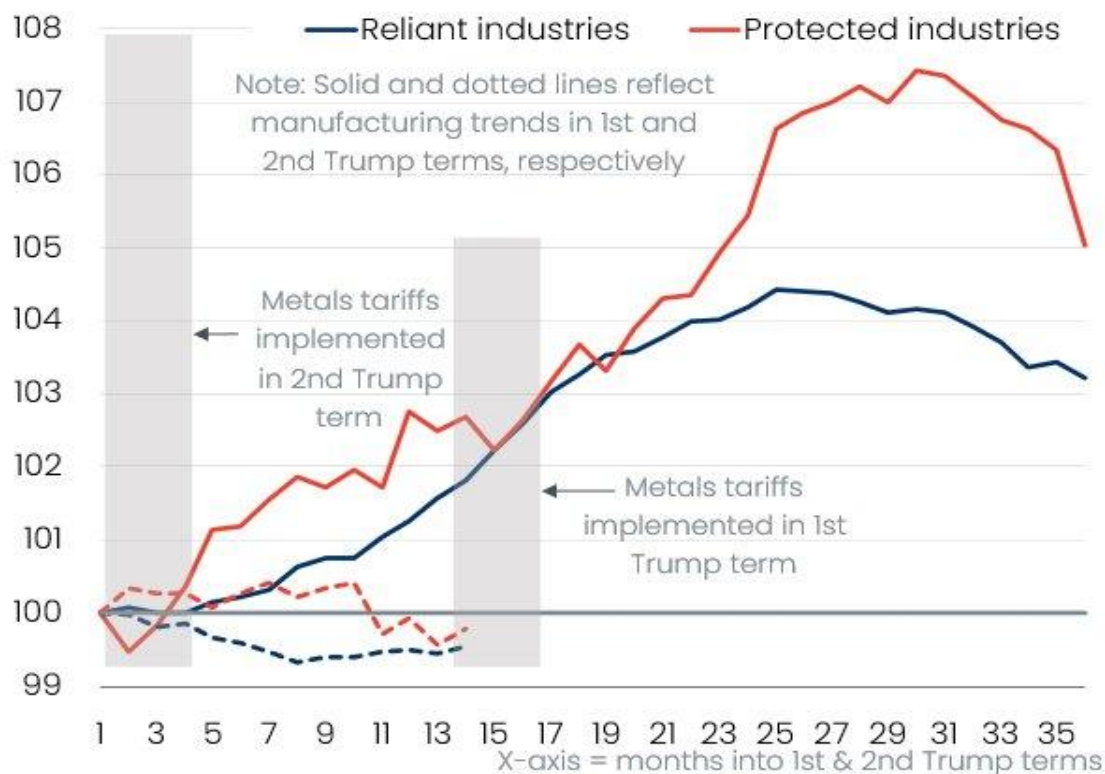
Metal tariffs have lifted prices, weighing on manufacturing employment



Sources: Oxford Economics, Haver Analytics

US: Steel/aluminum producers & downstream industries

Manufacturing employment at start of Trump term = 100



Sources: Oxford Economics, Haver Analytics

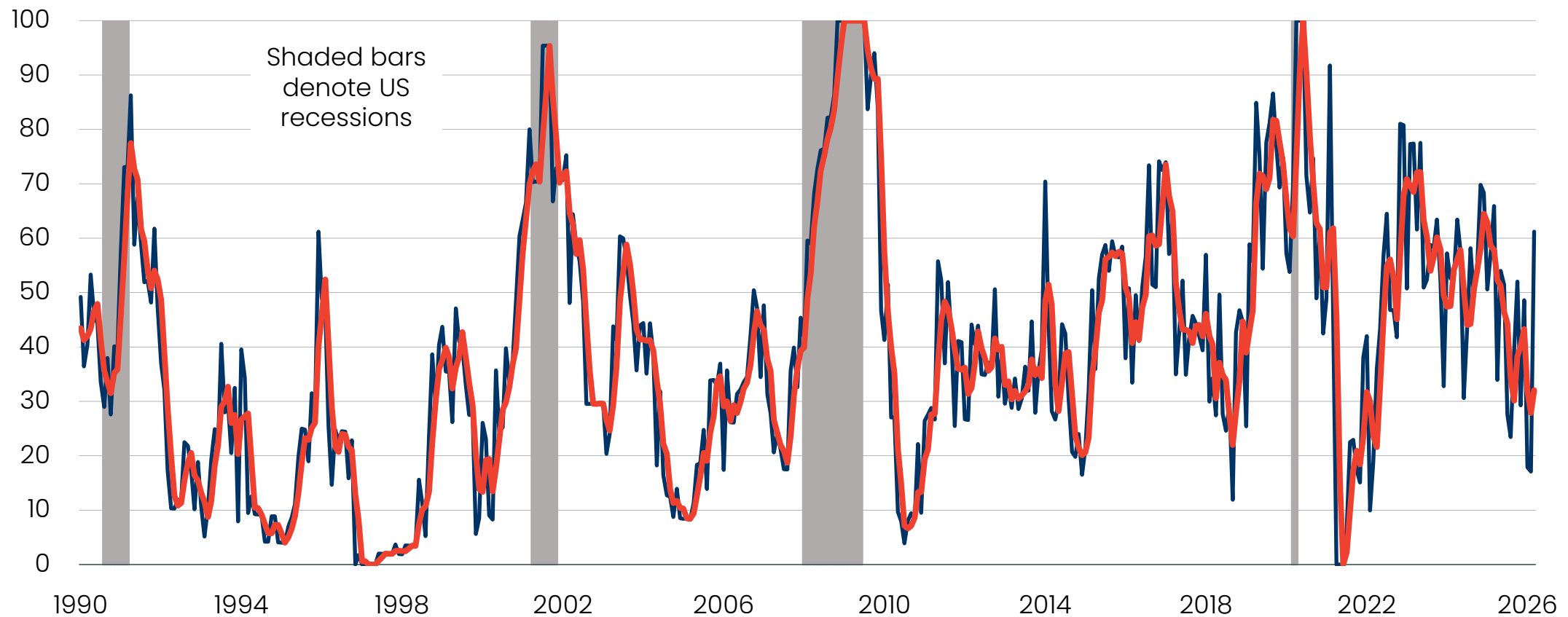
Still, less than a third of manufacturing subsectors are recession



US: Recessionary manufacturing activity

Share of manufacturing sub-sectors contracting (% , weighted average)

— Share — 3-mo average



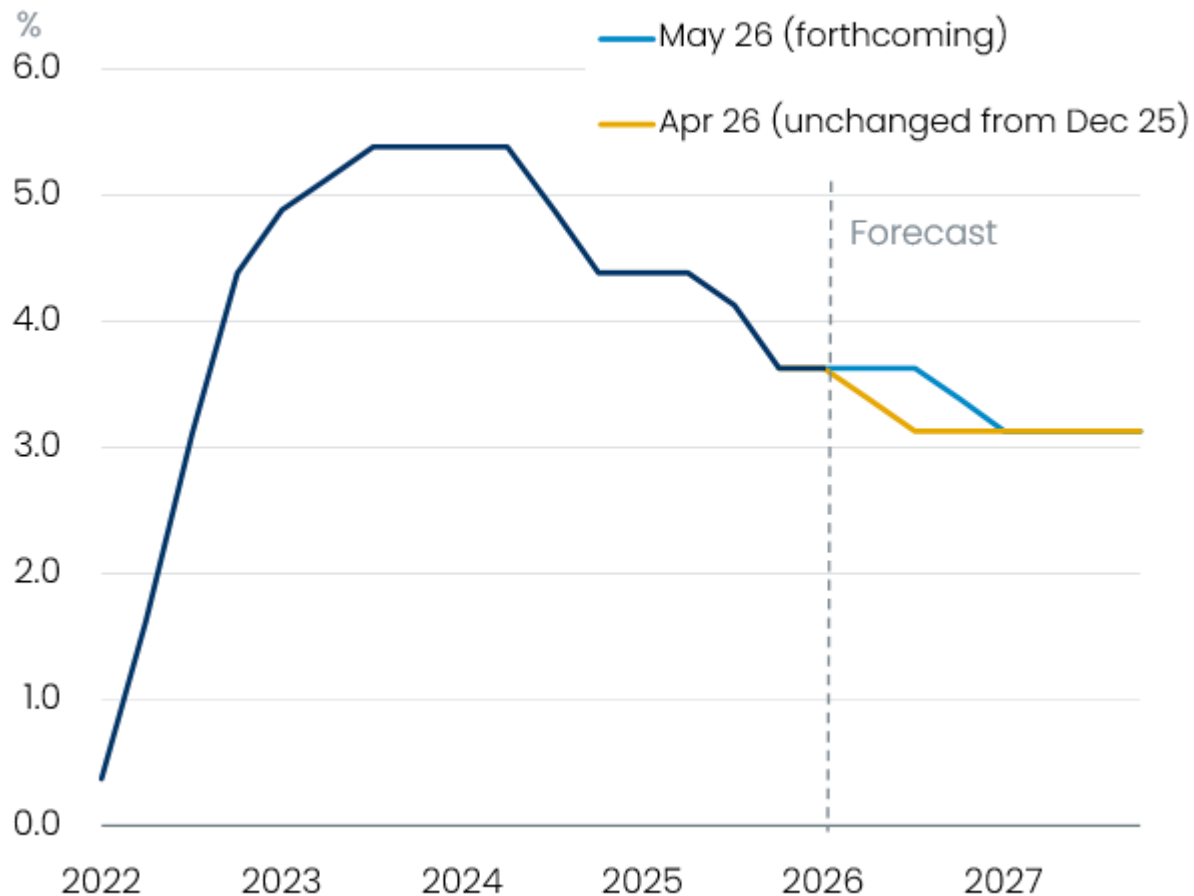
Sources: Oxford Economics, Haver Analytics



Financial Markets and the Fed

Elevated inflation to keep the Fed on hold for longer

US: Fed funds rate by forecast vintage



Sources: Oxford Economics, Haver Analytics

Key takeaways

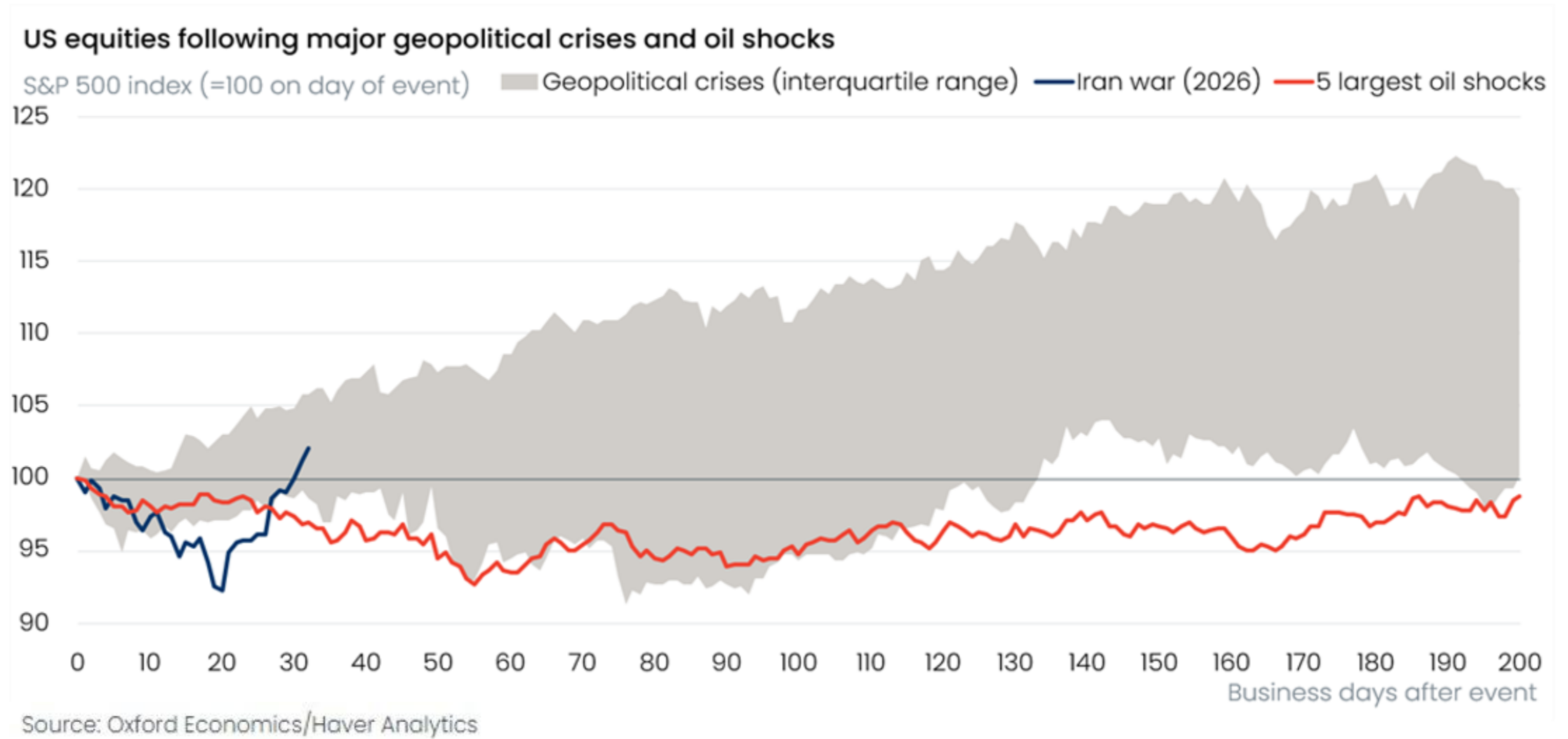
- The Federal Reserve left interest rates unchanged in April. The accompanying FOMC meeting statement read relatively hawkish, citing inflation as “elevated,” rather than “somewhat elevated,” and only “in part” due to the rise in energy prices.
- Our upcoming May baseline will push back the timing of the next rate cut from June to December. The AI buildout, the passthrough of energy cost increases to other consumer prices, and lingering tariff effects all point to underlying inflation settling at higher rate during the remainder of the year.
- Despite the uncertainty of the war, US equities have proved resilient and are set to weather the oil shock, thanks to the strength of AI-related sectors.

Financial markets respond to hawkish tone at April's FOMC meeting



Note: Data collected April 30, 2026
 Sources: Oxford Economics, Bloomberg

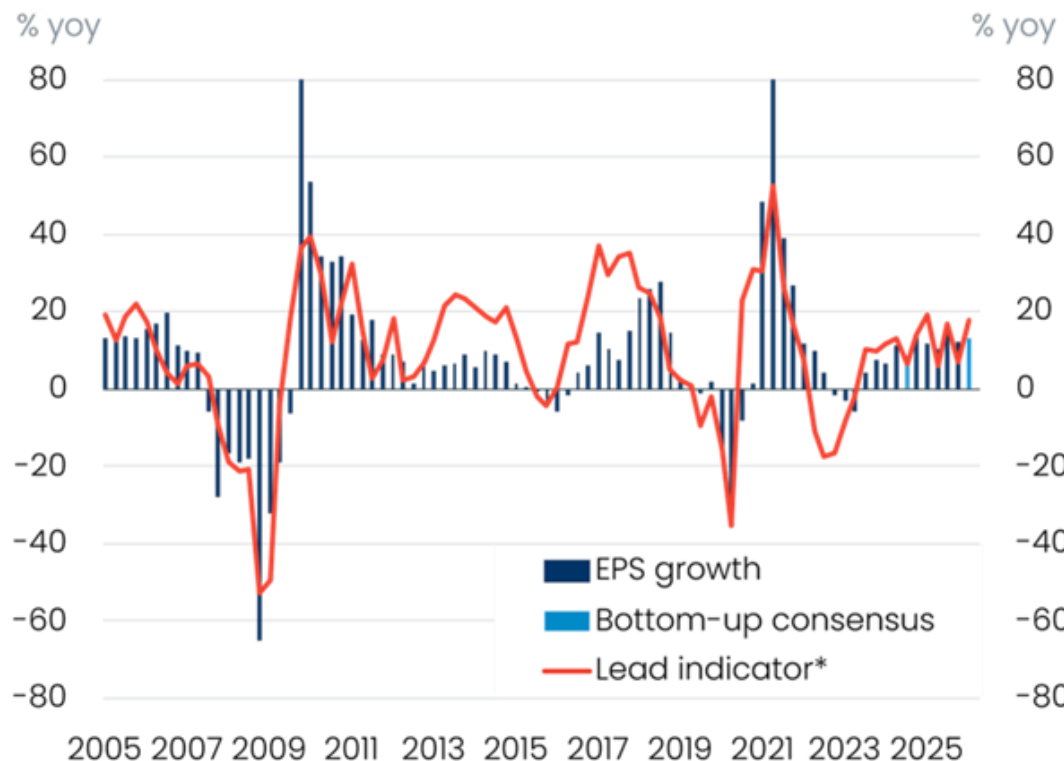
Equities have rebounded more sharply than past oil price shocks





Equities outlook remains strong following bout of extreme pessimism

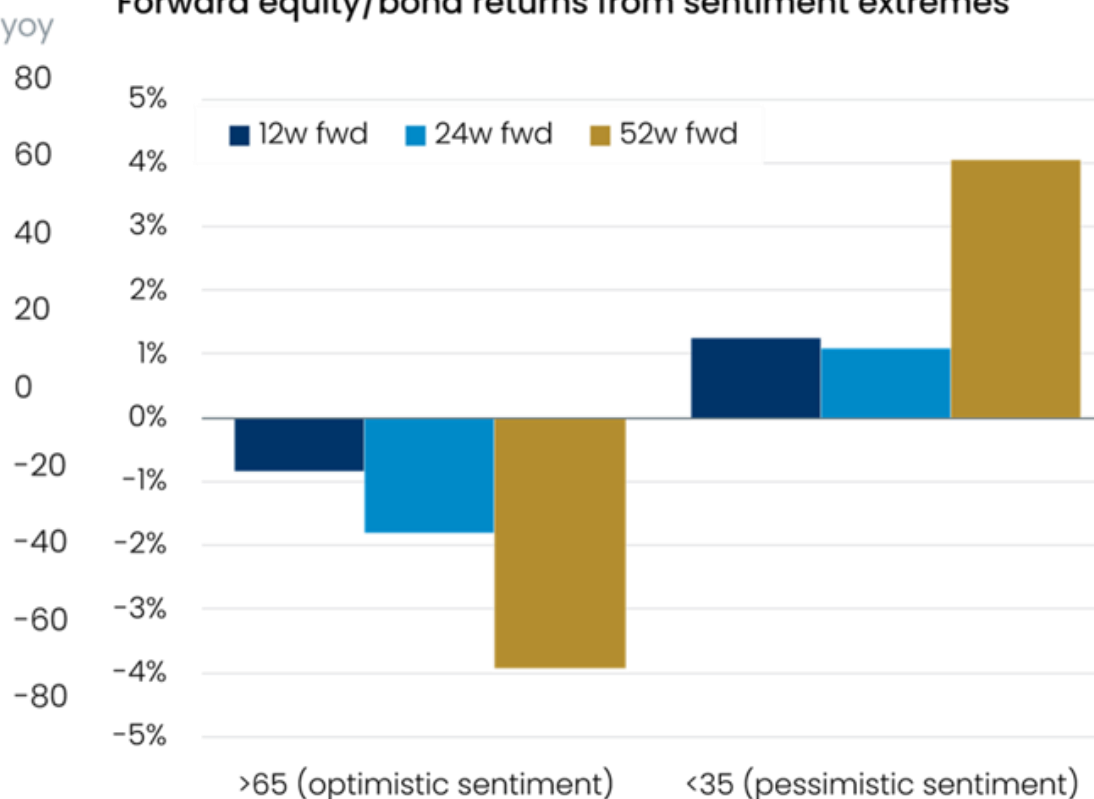
S&P 500 EPS growth vs leading indicator



*Combines ISM new orders, CEO confidence, NFIB sales and OE US short cycle indicator

Source: Oxford Economics, LSEG Datastream

Forward equity/bond returns from sentiment extremes



Note: S&P 500/US 10Y bond returns relative to average since 2010

Source: Oxford Economics, LSEG Datastream



Forecast Summary

US yearly outlook table



(ANNUAL PERCENTAGE CHANGES UNLESS SPECIFIED)						
	2023	2024	2025	2026	2027	2028
GDP	2.9	2.8	2.1	1.9	2.7	2.6
Private consumption	2.6	2.9	2.6	1.7	2.7	2.5
Fixed investment	3.8	3.5	2.7	3.3	3.7	3.9
Government consumption	3.0	3.3	0.6	2.2	1.1	1.1
Exports of goods and services	2.8	3.6	1.6	2.9	1.4	2.2
Imports of goods and services	-0.9	5.8	2.7	0.0	3.1	3.1
Industrial production	-0.2	-0.6	1.2	1.4	1.8	3.0
Consumer price index	4.1	3.0	2.7	3.3	2.1	1.9
Unemployment rate (%)	3.6	4.0	4.3	4.4	4.3	4.2
Current a/c balance (% of GDP)	-3.3	-4.0	-3.6	-3.2	-3.3	-3.3
Government balance (% of GDP)	-6.1	-6.2	-5.8	-7.1	-6.6	-6.3
Central bank policy rate (% EOP)	5.375	4.375	3.625	3.375	3.125	3.125
10yr government bond yield (% EOP)	3.88	4.58	4.18	4.22	4.20	4.20
Exchange rate (Yen per US\$, EOP)	141.91	156.65	156.43	157.02	151.67	147.13
Exchange rate (US\$ per euro, EOP)	1.11	1.04	1.18	1.17	1.18	1.18

Source: Oxford Economics

US quarterly outlook



	2025	2026	2026	2026	2026	2027	2027	2027
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
GDP (% chg, saar)	0.5	1.3	1.5	2.0	2.7	3.0	3.0	2.9
CPI inflation (% year)	2.8	2.8	3.9	3.3	3.1	2.8	1.7	2.0
Core CPI inflation (% year)	2.8	2.6	2.8	2.7	2.7	2.6	2.4	2.4
PCE inflation (% year)	2.8	2.9	3.7	3.3	3.1	2.6	1.8	1.9
Core PCE inflation (% year)	2.9	3.0	3.0	2.8	2.7	2.1	1.9	1.9
10-year Treasury yield (% EOP)	4.2	4.3	4.3	4.2	4.2	4.2	4.2	4.2
Federal funds rate (% EOP)	3.625	3.625	3.625	3.625	3.375	3.125	3.125	3.125

Source: Oxford Economics

Fiscal Policy Assumptions



PERMANENT VERSION IN THE ONE BIG BEAUTIFUL BILL ACT AS ASSUMED IN THE BASELINE FORECAST												
Estimated Budgetary Effects Relative Current Policy												
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025-2029	2025-2034
Net Deficit Impact	-46,962	270,653	153,507	134,089	73,542	14,477	-29,525	-55,489	-29,925	-19,544	584,828	464,819
TCJA Expansions	21,878	89,657	82,395	87,036	82,709	87,131	91,987	95,447	100,226	103,535	363,677	842,003
Campaign Tax Proposals	2,663	54,773	44,970	44,603	48,447	51,633	53,645	55,045	56,624	58,380	195,456	470,783
Investment Incentives	100,034	128,307	100,156	83,070	61,882	40,132	22,144	15,018	13,118	12,703	473,449	576,564
Defense	2,020	41,864	44,677	45,741	47,868	48,932	51,059	52,123	54,251	55,314	182,170	443,850
Border Security/Immigration	0	13,683	25,455	35,890	37,966	38,533	41,349	41,490	42,902	44,281	112,994	321,549
IRA Recissions (Outlays)	-857	-1,027	-1,316	-937	-607	-360	-112	0	0	0	-4,744	-5,216
IRA Recissions (Tax Credits)	138	-11,276	-36,791	-53,755	-67,749	-79,073	-86,370	-94,397	-60,658	-52,728	-169,433	-542,659
Social Benefits Cuts (Medicaid)	-835	-21,813	-54,248	-73,117	-106,367	-127,074	-146,220	-156,518	-170,171	-186,243	-256,380	-1,042,606
Social Benefits Cuts (SNAP)	0	-7,961	-16,116	-21,645	-21,744	-21,748	-21,565	-24,743	-25,150	-25,268	-67,466	-185,940
Social Benefits Cuts (Other health)	4	-4,047	-11,992	-16,518	-12,543	-9,233	-10,715	-12,274	-14,706	-16,533	-45,096	-108,555
Other (Spending)	-171,940	-9,411	1,144	-7,304	-11,174	-23,155	-31,933	-33,690	-28,685	-19,642	-198,685	-335,790
Other (Revenue)	-68	-2,097	-24,828	11,024	14,853	8,759	7,206	7,009	2,324	6,656	-1,114	30,836

Source: Oxford Economics

Major tariff assumptions



TARIFF ASSUMPTIONS IN OUR BASELINE		
TARIFFED COUNTRIES	US TARIFFS	RETTALIATION MEASURES
US / Canada	50% tariffs on steel, aluminium, and copper, 10% on lumber, 25% on furniture, 25% on the non-US content of USMCA-compliant autos and trucks, 10% on non-USMCA-compliant energy and potash, and 15% on many other non-USMCA-compliant products. USMCA compliance is high, so the effective tariff rate peaks at just 4.5%. We assume most tariffs are removed by Q3 2026 as the USMCA is renegotiated, but smaller 10% targeted tariffs remain in place permanently for metals and select agricultural products	25% counter tariffs on C\$15.6bn of US steel and aluminum products and C\$36bn of US autos. We estimate that C\$31.6bn of US auto imports are eligible for tariff relief under the auto remission framework until mid-2026. Most tariffs are assumed to be removed by Q3 2026 as the USMCA is renegotiated, but smaller 10% targeted tariffs remain in place permanently for steel and aluminium products.
US / Mexico	Tariffs of 50% on steel, aluminium, and copper, 10% on lumber, 25% on furniture, 10% on non-USMCA-compliant potash, 15% on non-USMCA goods and 25% on the non-US content of autos and trucks. As with Canada, USMCA compliance has risen sharply. As a result, the average tariff rate on Mexico is estimated to peak at 8.4% this year. We assume these tariff hikes are largely reversed in mid-2026 when a new USMCA trade deal is agreed.	Mexico does not retaliate and instead concedes to US demands on border security, hoping to secure a reduction in the current tariff on non-USMCA-compliant exports and autos.
US / EU	The 50% tariff on steel, aluminium, and copper apply to the EU. However, the EU-US trade deal imposes a 15% tariff ceiling for EU goods subject to reciprocal tariffs. The 15% flat rate also applies to autos, auto parts, and furniture, not to mention additional product categories such as pharmaceuticals and semiconductors that are subject to Section 232 trade investigations. For now, the baseline is holding off from assuming a 15% tariff on pharma and chips until more details are known. The US cut tariffs on aircraft and parts to zero as part of the deal.	We assume no retaliation from EU countries, even if the trade deal with the US signed in July 2025 is now under question and ratification has been postponed.
US / China	We estimate the Supreme Court ruling helped push the effective tariff rate on China down to 20%, from closer to 30% previously. The administration has authority to increase or widen the scope of existing Section 301 tariffs on most imports from China, but has so far not opted to do so.	Revised bilateral trade terms in October brought China tariffs on US goods down to around 18%, from around 30% previously. Under those terms China would also suspend retaliatory non-tariff countermeasures taken against the US since March – including restrictions on export licenses valid for critical minerals and the listing of certain American companies on China's unreliable entity lists. We expect the effective tariff rate to stay at the new current level, despite still-meaningful risks that a re-escalation of bilateral tensions could drive tariffs back up again.

Source: Oxford Economics



A P O L L O N

FINANCIAL

Apollon Financial is a SEC registered investment advisor. This document is intended for the exclusive use of clients or prospective clients of Apollon Financial. Any dissemination or distribution is strictly prohibited. Information provided in this document is for informational and/or educational purposes only and is not, in any way, to be considered investment advice nor a recommendation of any investment product or service. Advice may only be provided after entering into an engagement agreement and providing Apollon Financial with all requested background and account information. Please visit our website for other important disclosures.

www.apollonfinancial.com
