

# Making Sense

Market Update | April 2026




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Recorded on April 29, 2026

## What are we going to cover?

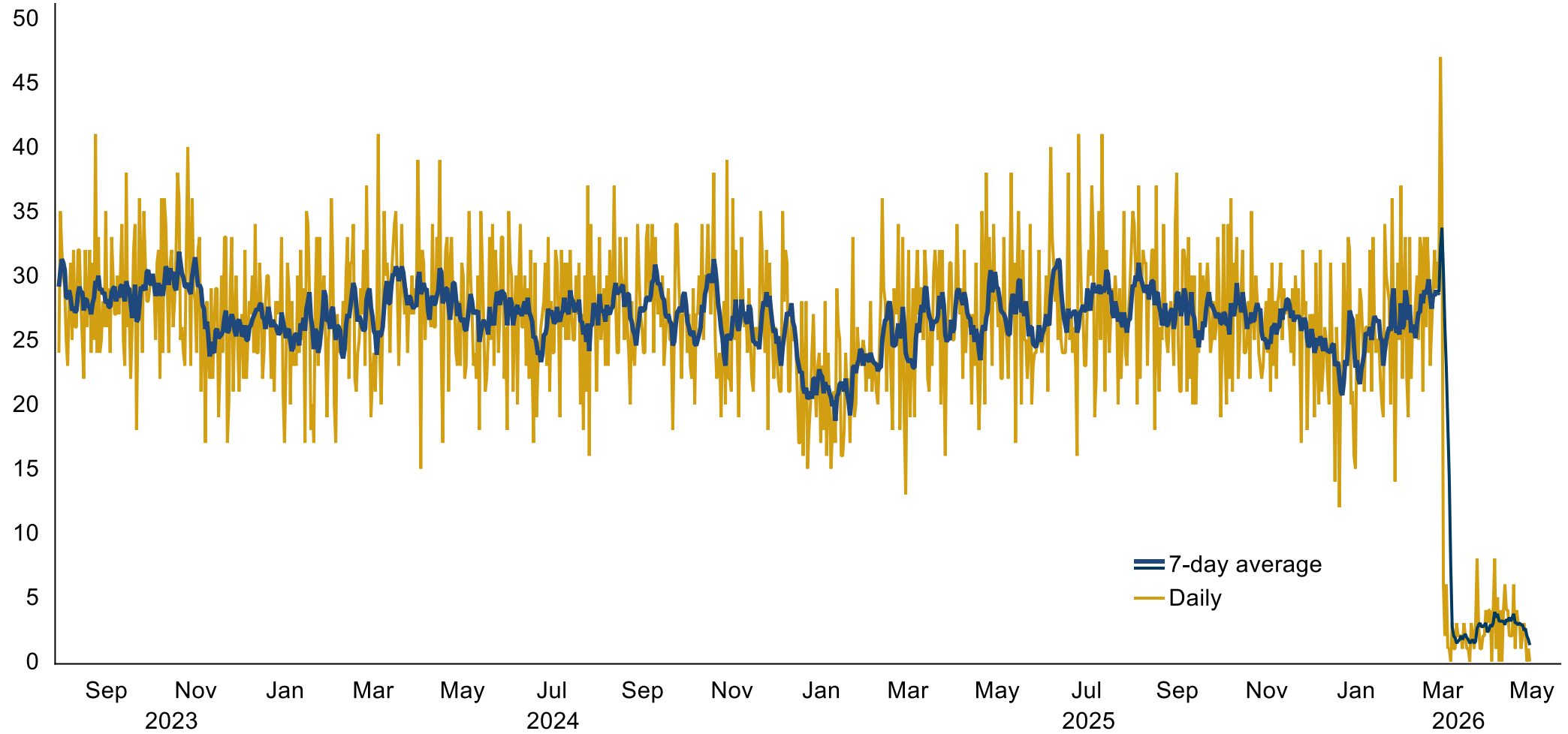
- 1. Special update: War in the Middle East**
  - 2. Economic update:**  
Growth expectations | Labor market | Inflation | Artificial intelligence
  - 3. Market update:**  
Equity markets | Fixed income | Interest rates
- 

# Special update: War in the Middle East



# The Middle East war is causing the largest oil supply disruption in history

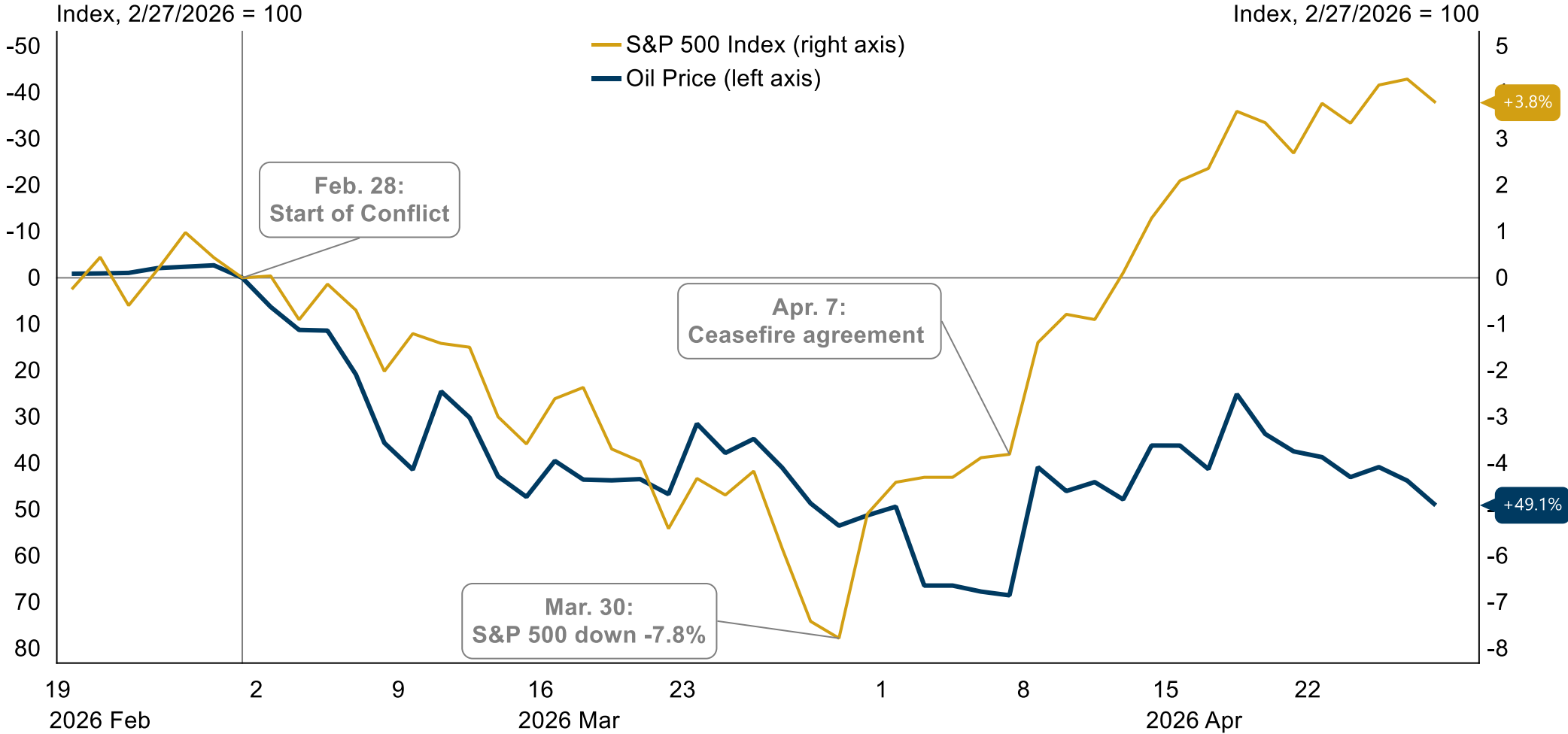
Number of Crude Oil Tankers Crossing the Strait of Hormuz



Source: Bloomberg, First Citizens Bank  
Data as of 4/28/2026

# US equities appear to have moved past the energy-price shock

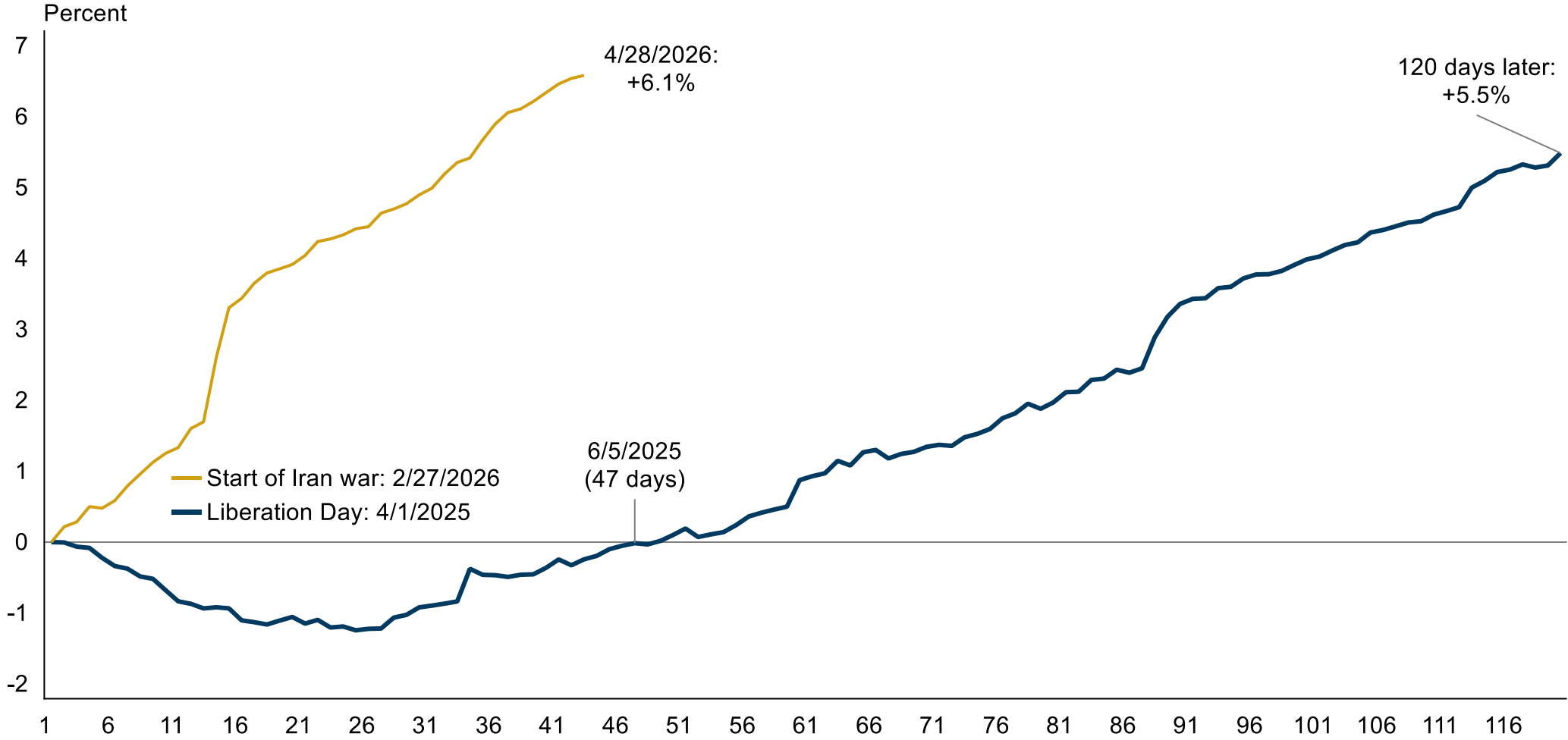
### Oil Price vs. S&P 500 Performance



Source: Bloomberg. Oil price is West Texas Intermediate front month future.  
Data as of: 4/28/2026

# Earnings expectations have moved higher despite geopolitical risk

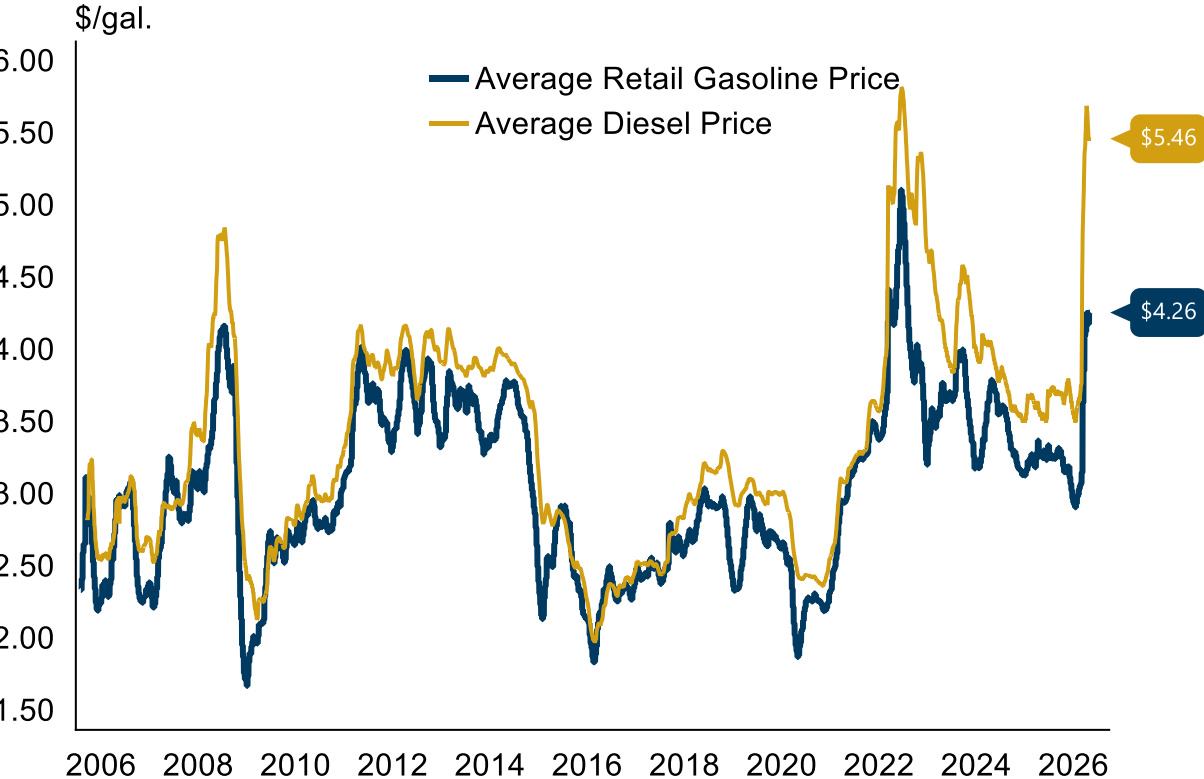
## Change in Next-Twelve Months Blended Forward Earnings Estimate



Source: Bloomberg  
Data as of: 4/28/2026

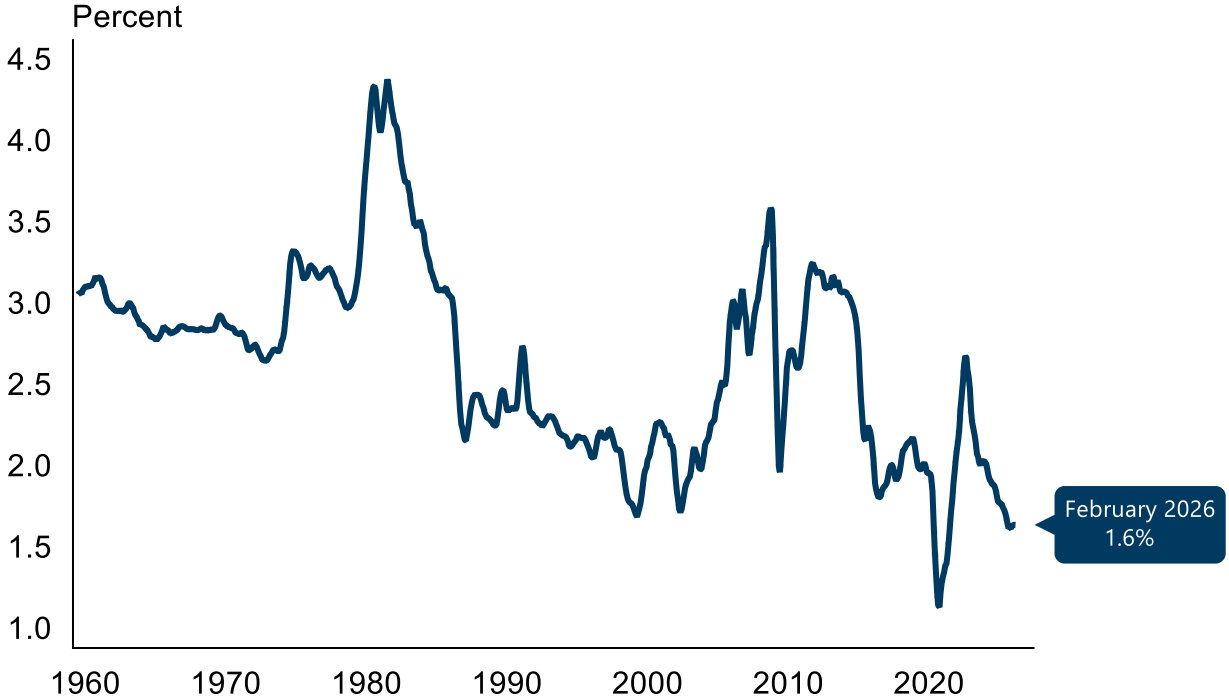
# Fuel prices have surged, but the economy is less energy intensive today

### Retail Gasoline & Diesel Price



Source: Energy Information Administration (EIA), First Citizens Bank  
Data as of April 28, 2026

### Gasoline and Motor Fuel Spending Share of Disposable Personal Income



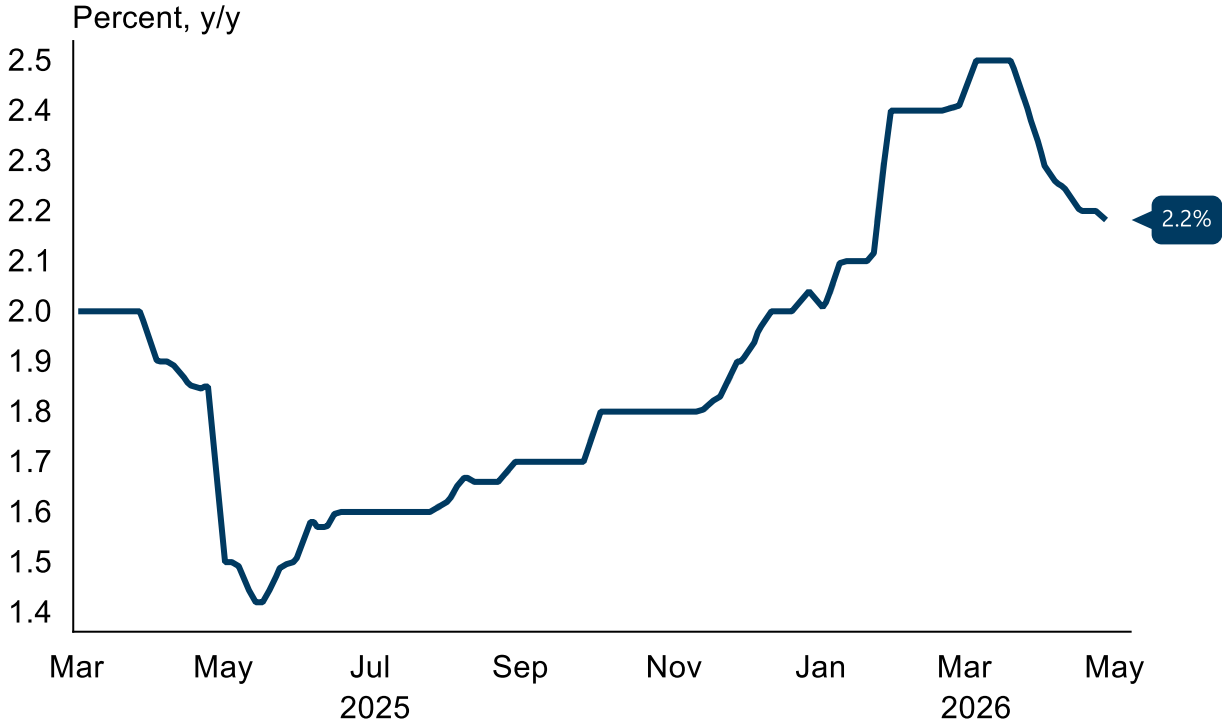
Source: U.S. Bureau of Economic Analysis (BEA), Energy Information Administration (EIA), First Citizens Bank  
Data as of April 28, 2026

# Economic update



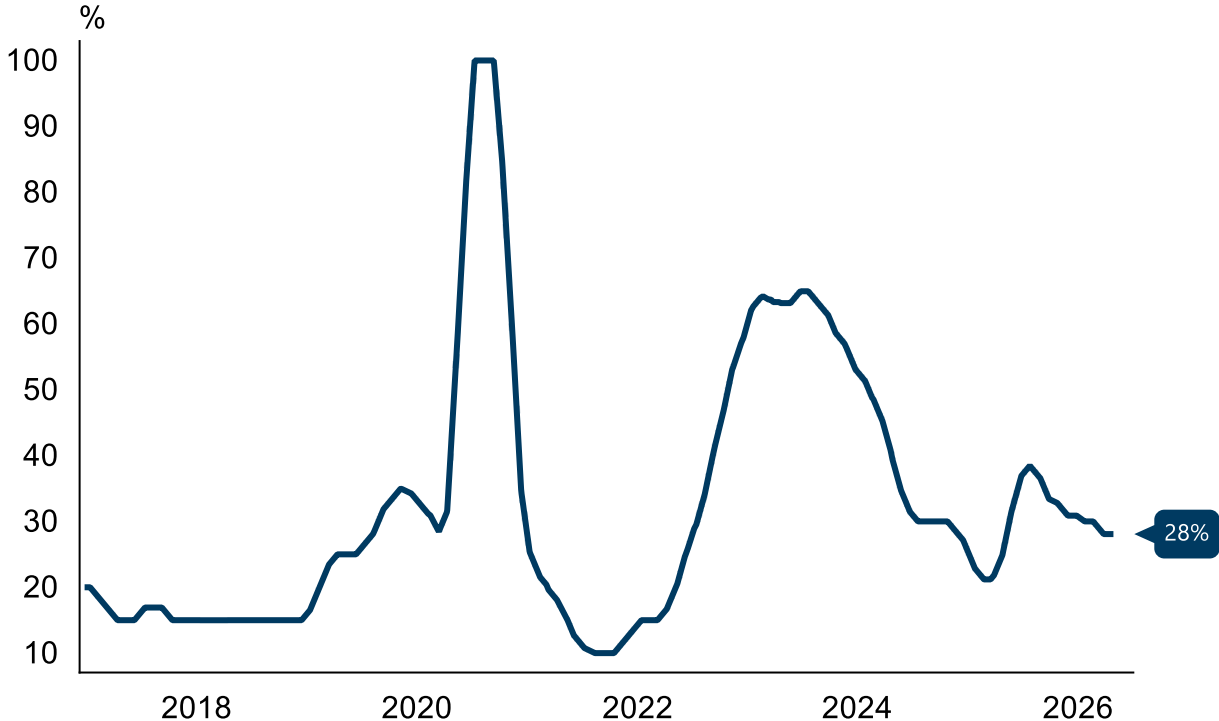
# Forecasters see little change to their already optimistic growth outlooks

### 2026 Real GDP Growth Median Professional Forecast



Source: Bloomberg  
Data as of: 4/28/2026

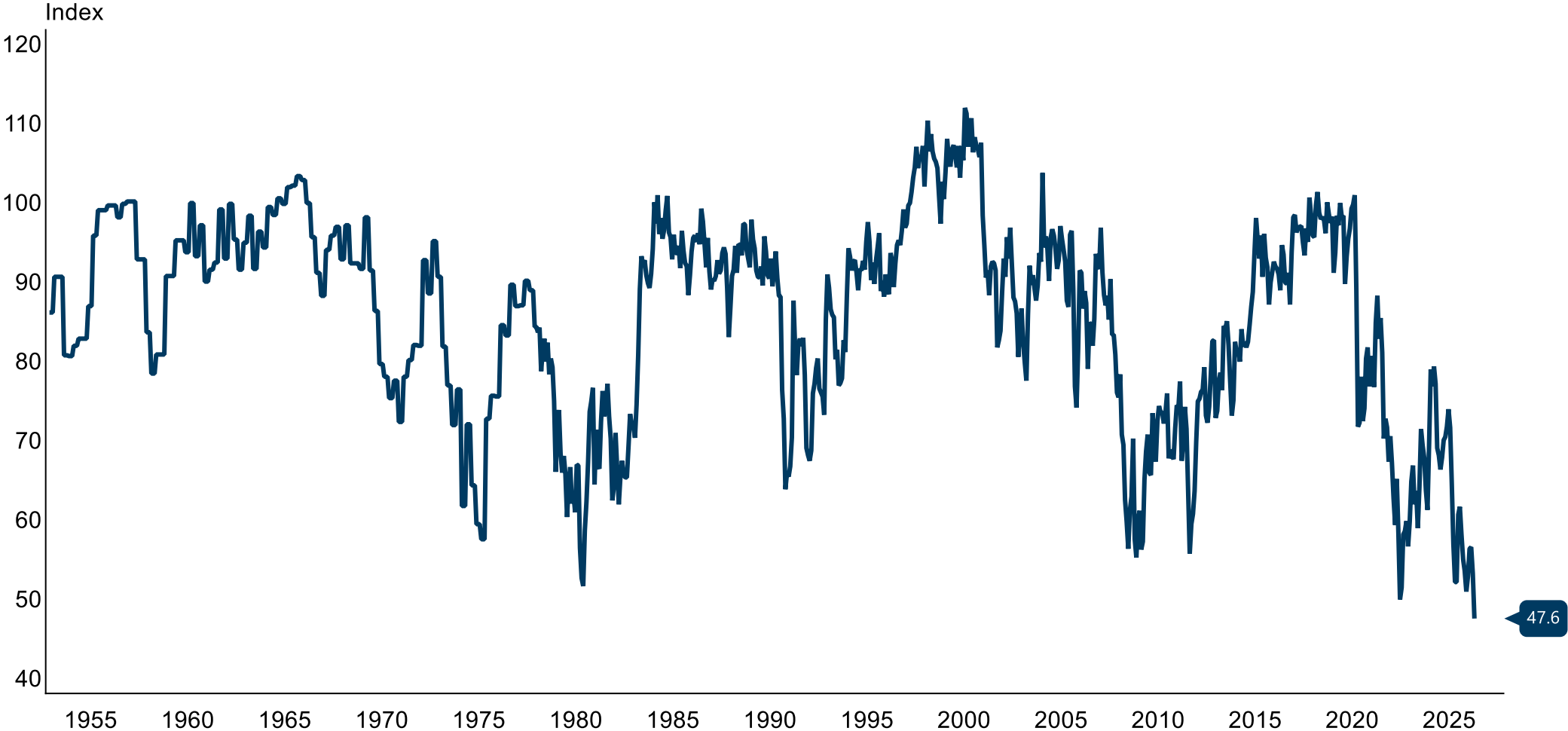
### United States Recession Probability Median Professional Forecast



Source: Bloomberg. Note: 3-month average.  
Data as of 4/28/2026

# Household sentiment is at a record low

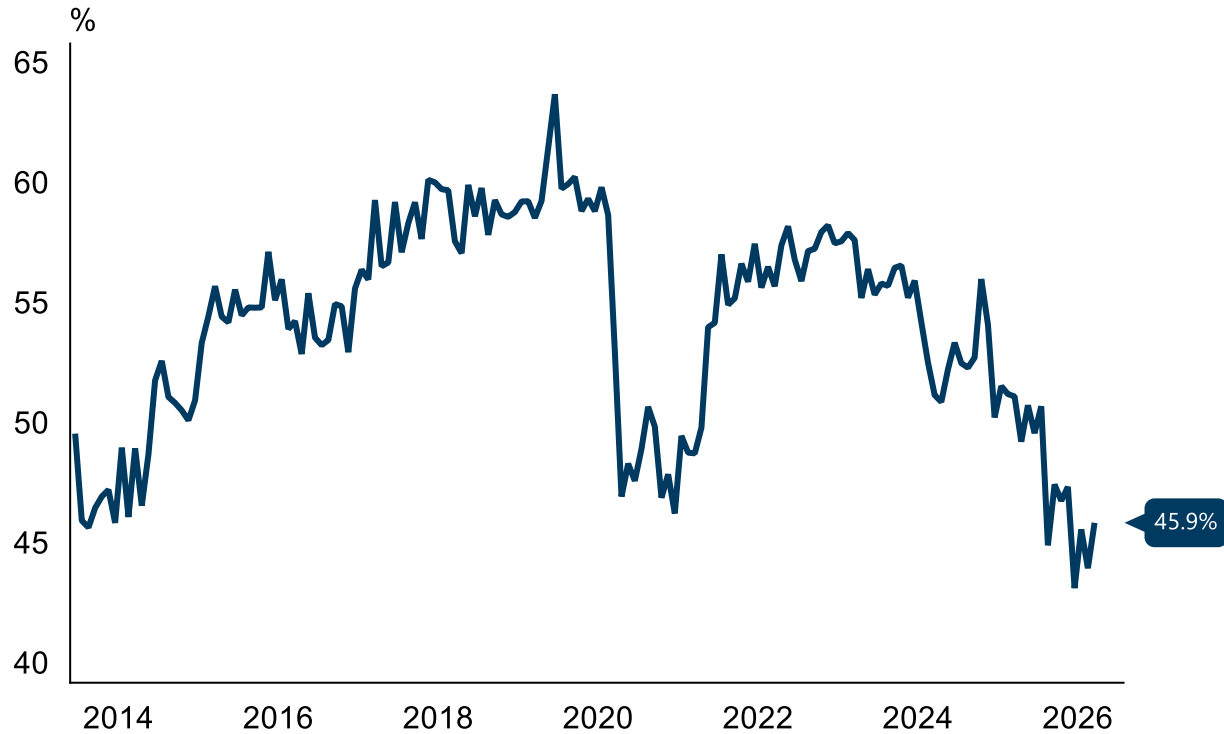
University of Michigan Consumer Sentiment



Source: University of Michigan, National Federation of Independent Business, First Citizens Bank  
Data as of April 14, 2026

# Workers are reporting significantly weaker hiring prospects

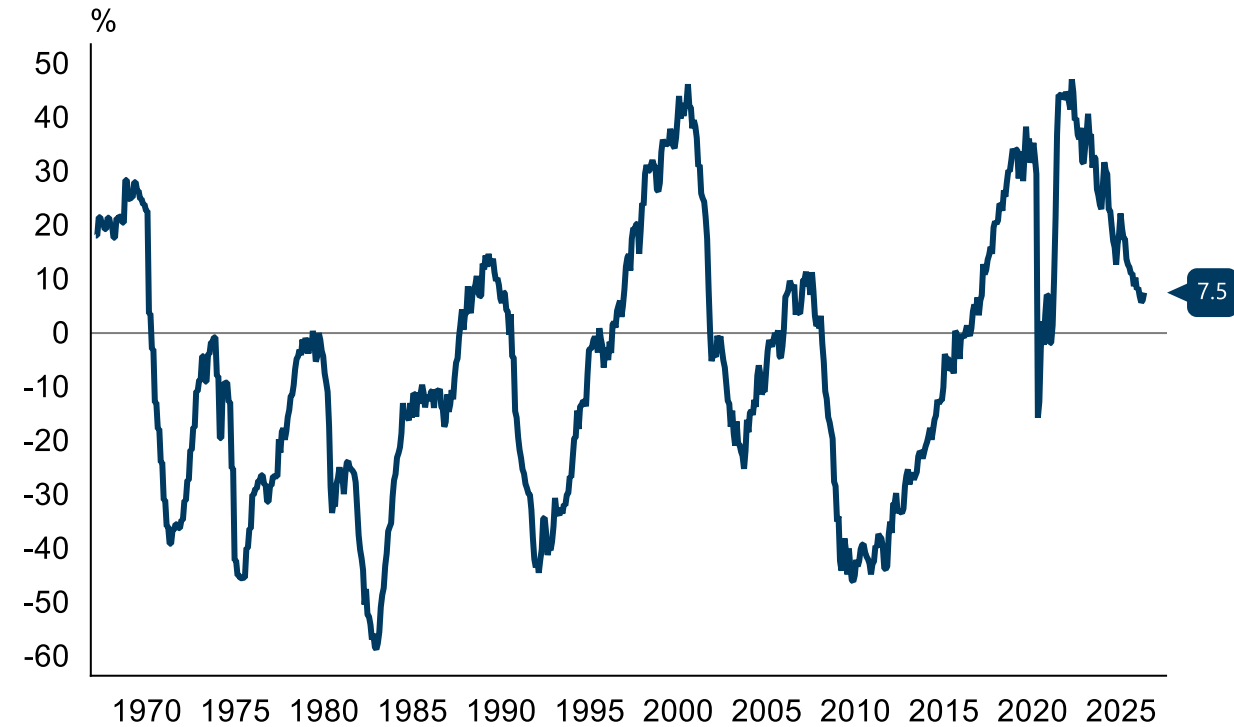
## Expected Probability of Finding a Job in the Next 3 Months if Job Is Lost Today



Source: Federal Reserve Bank of New York, First Citizens Bank  
Data as of April 7, 2026

## Labor Market Differential

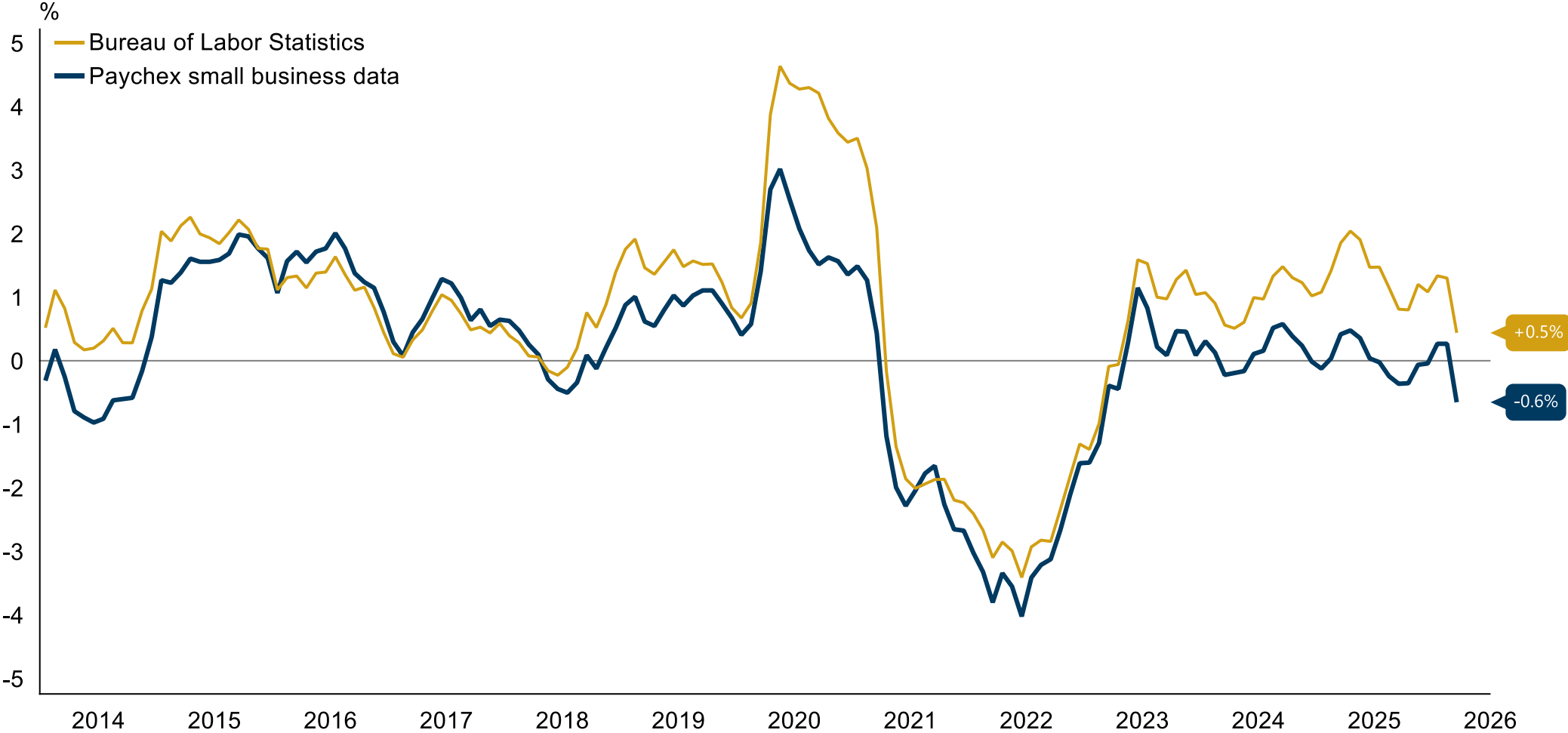
Net Percentage of Respondents Reporting Jobs Are Plentiful vs. Hard to Get



Source: Conference Board, First Citizens Bank  
Data as of April 28, 2026

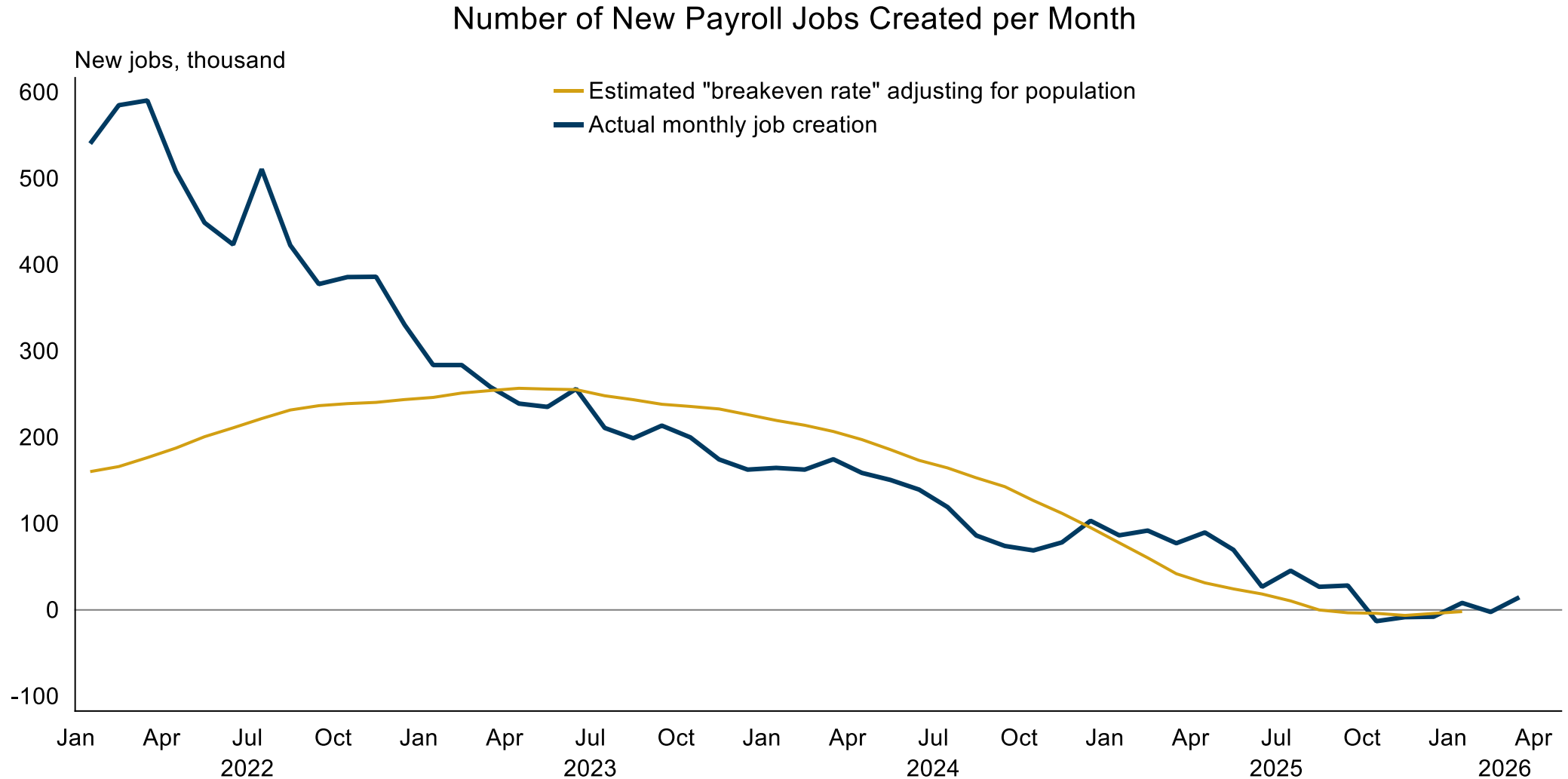
# Inflation-adjusted wage growth has been near zero for small businesses

### Hourly Wage Growth, Inflation-Adjusted



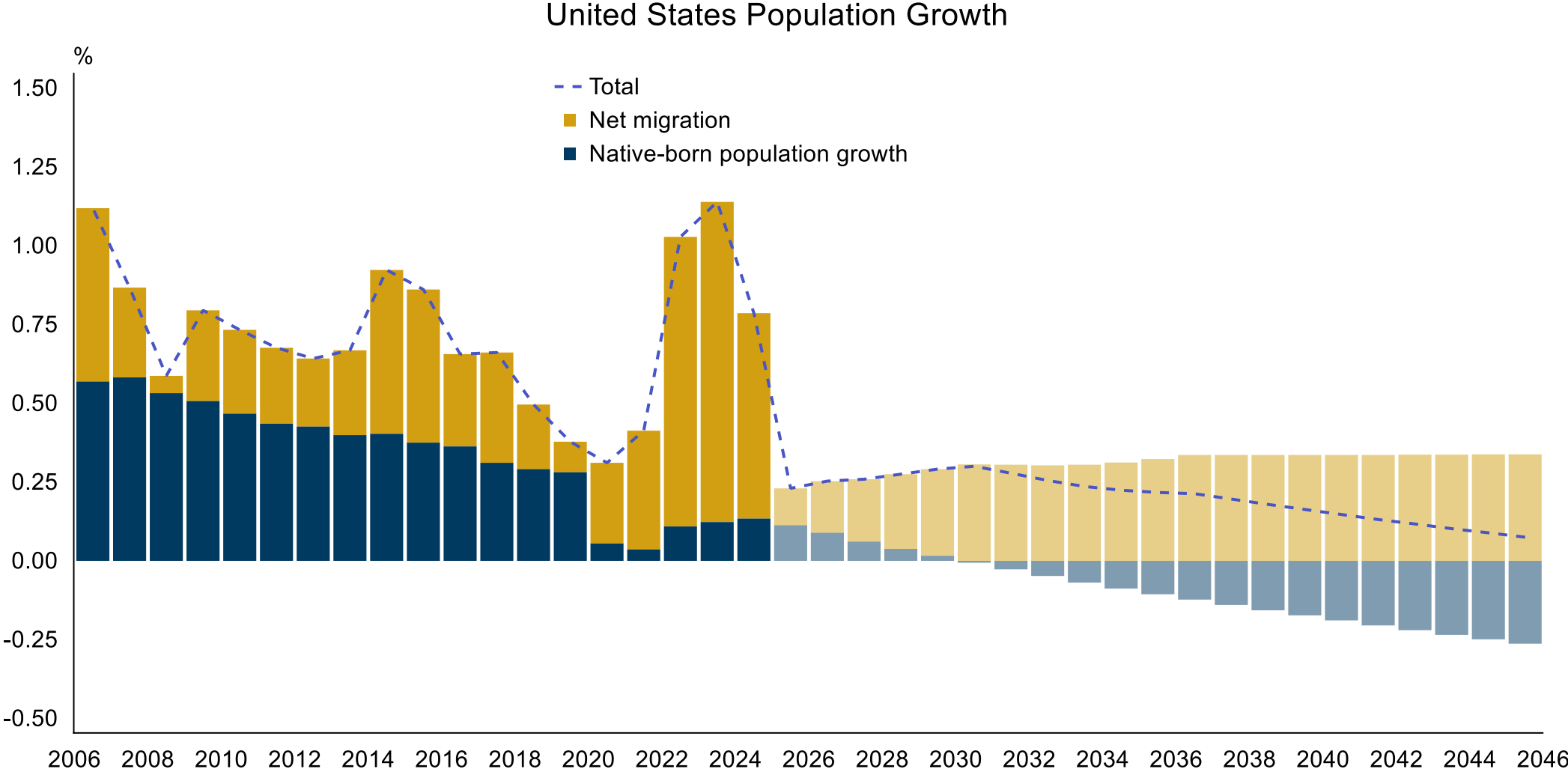
Source: U.S. Bureau of Labor Statistics (BLS), Paychex, First Citizens Bank  
Data as of March 2026

# Job growth has slowed to a stall...and to a new steady-state pace



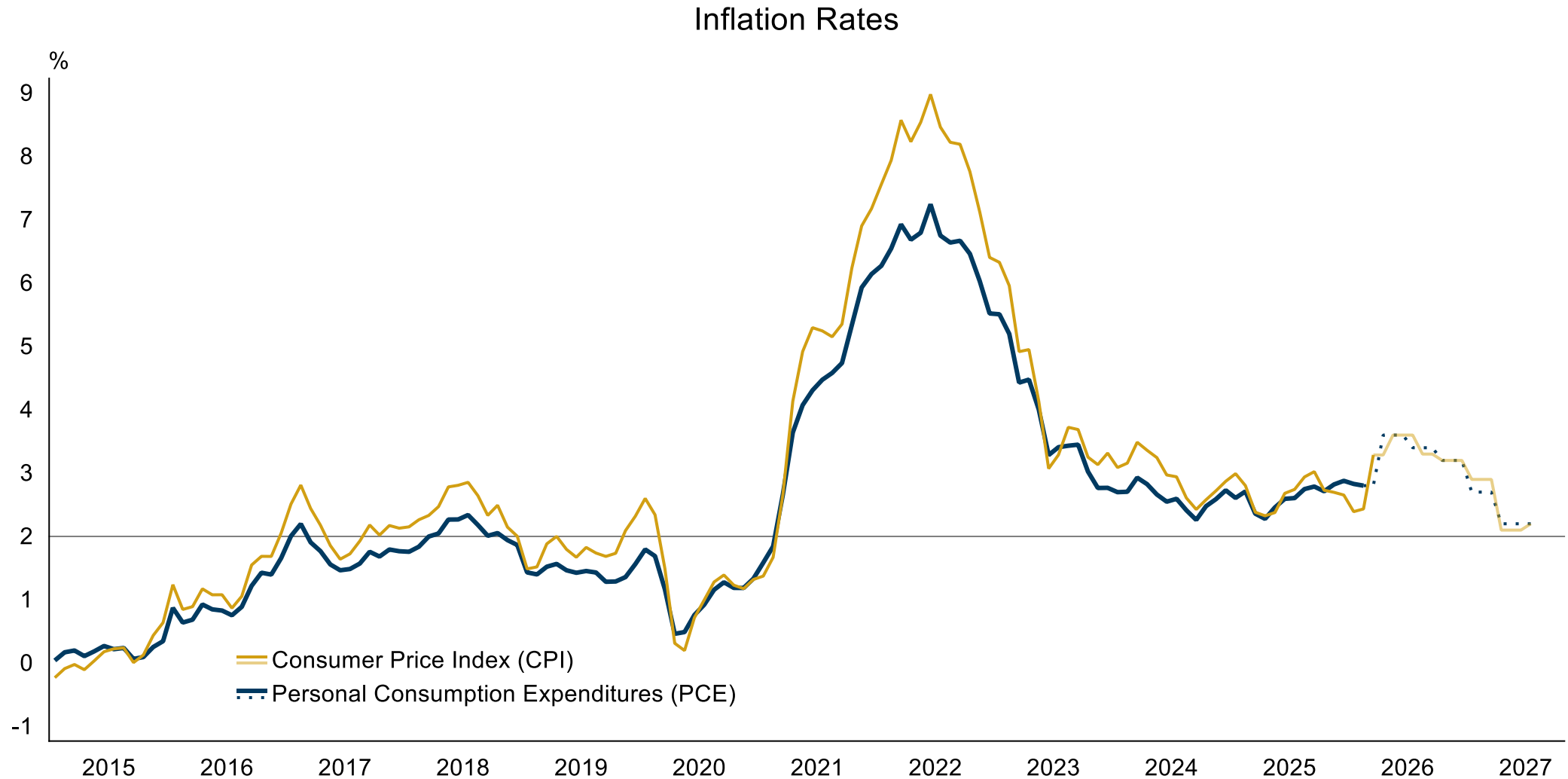
Source: U.S. Bureau of Labor Statistics (BLS), Murray and Vidangos (2026), First Citizens Bank  
Data as of April 17, 2026

# Future population growth is expected to be driven only by net migration



Source: Congressional Budget Office, First Citizens Bank  
Data as of January 2026

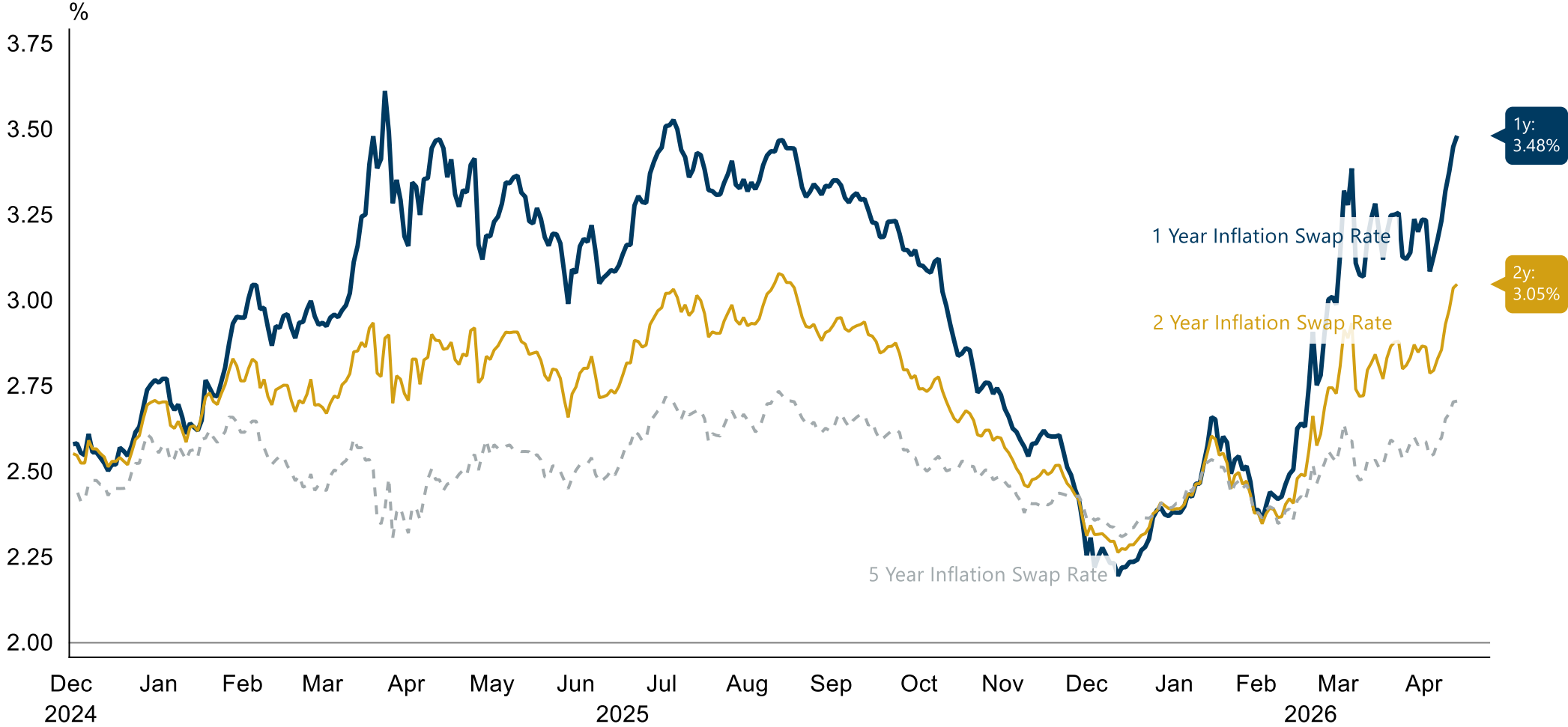
# Forecasters see a temporary bump in consumer price inflation



Source: U.S. Bureau of Economic Analysis (BEA), U.S. Bureau of Labor Statistics (BLS), First Citizens Bank  
Data as of April 28, 2026

# Markets now see inflation at about 3% for the next 2 years

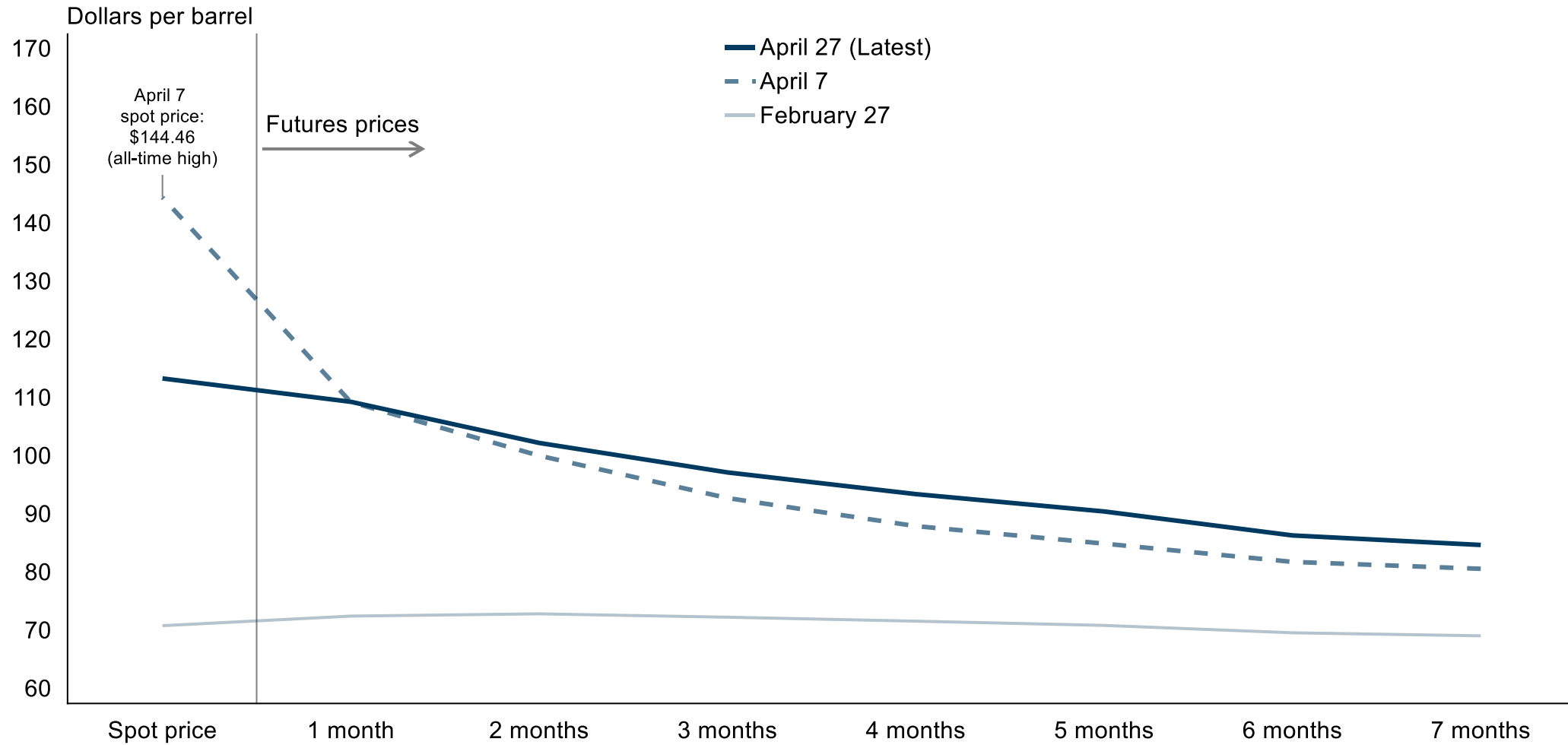
### Market Inflation Expectations



Source: Bloomberg, First Citizens Banks  
Data as of 4/28/2026

# Commodity markets see oil prices moving lower but remaining elevated

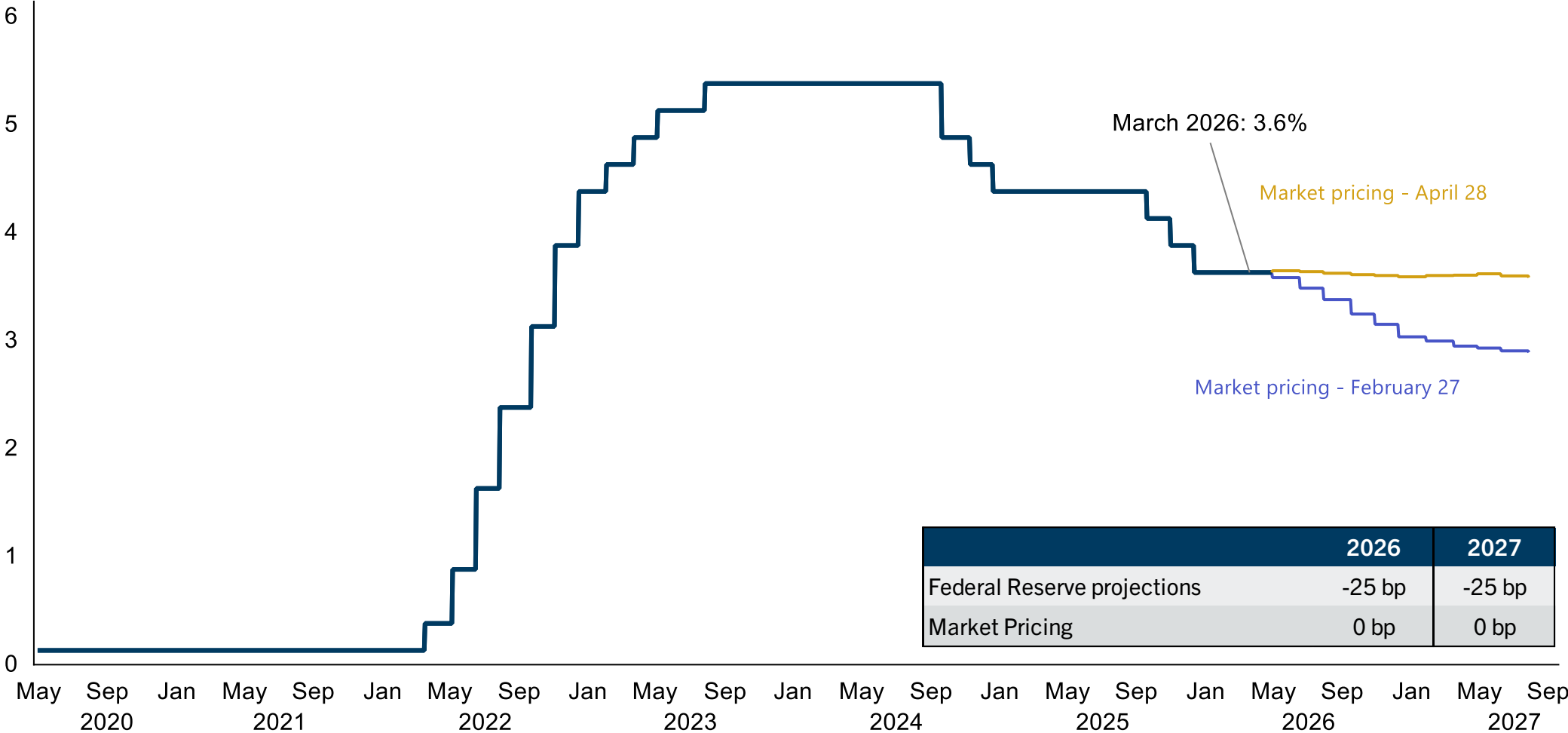
## Brent Crude Oil Prices



Source: Bloomberg  
Data as of: 4/27/2026

# Markets no longer expect the Fed to cut interest rates this year

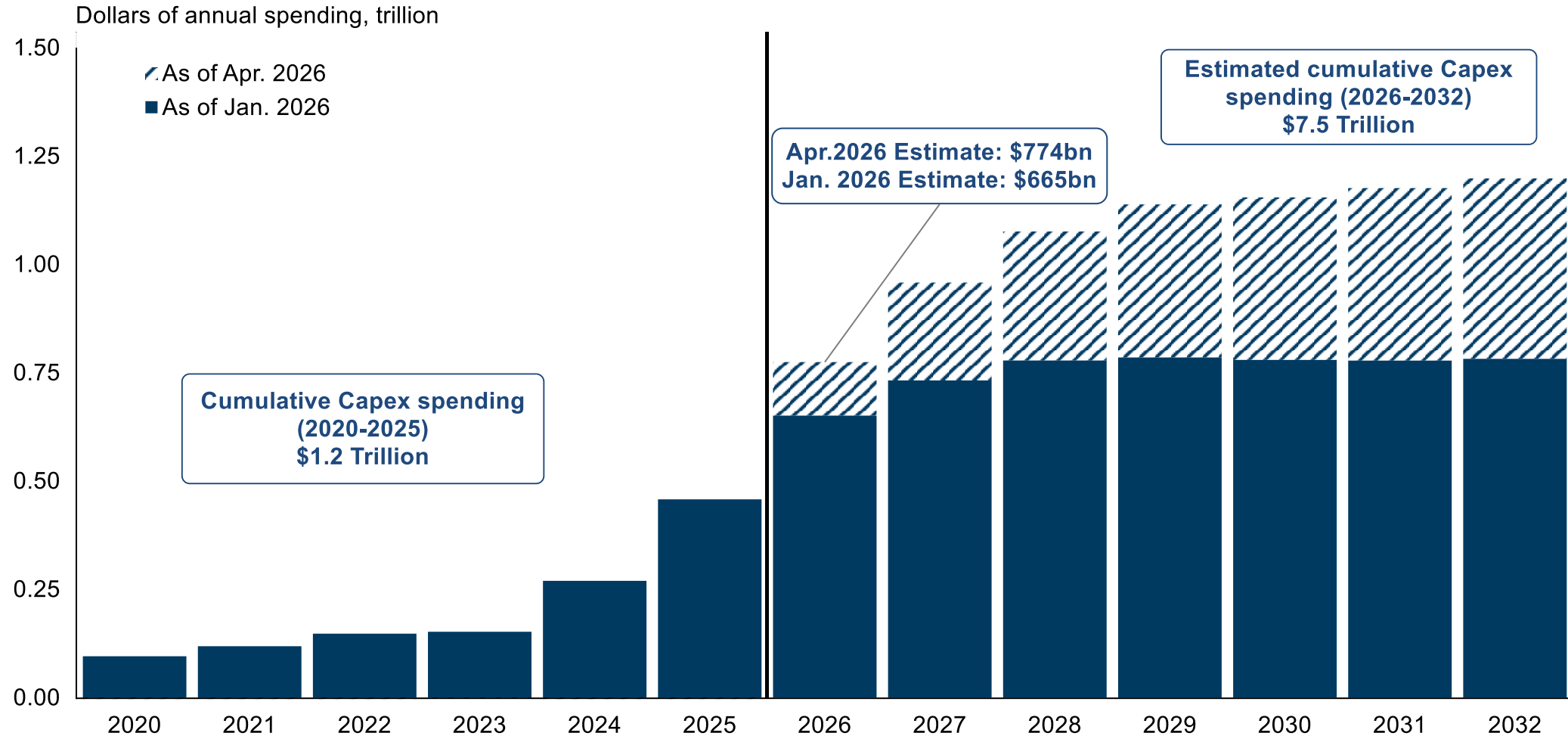
Federal Funds Rate & Market-Implied Path



Source: Federal Reserve, First Citizens Bank  
Data as of April 28, 2026

# Tech companies are poised to spend \$1 trillion per year on AI capex

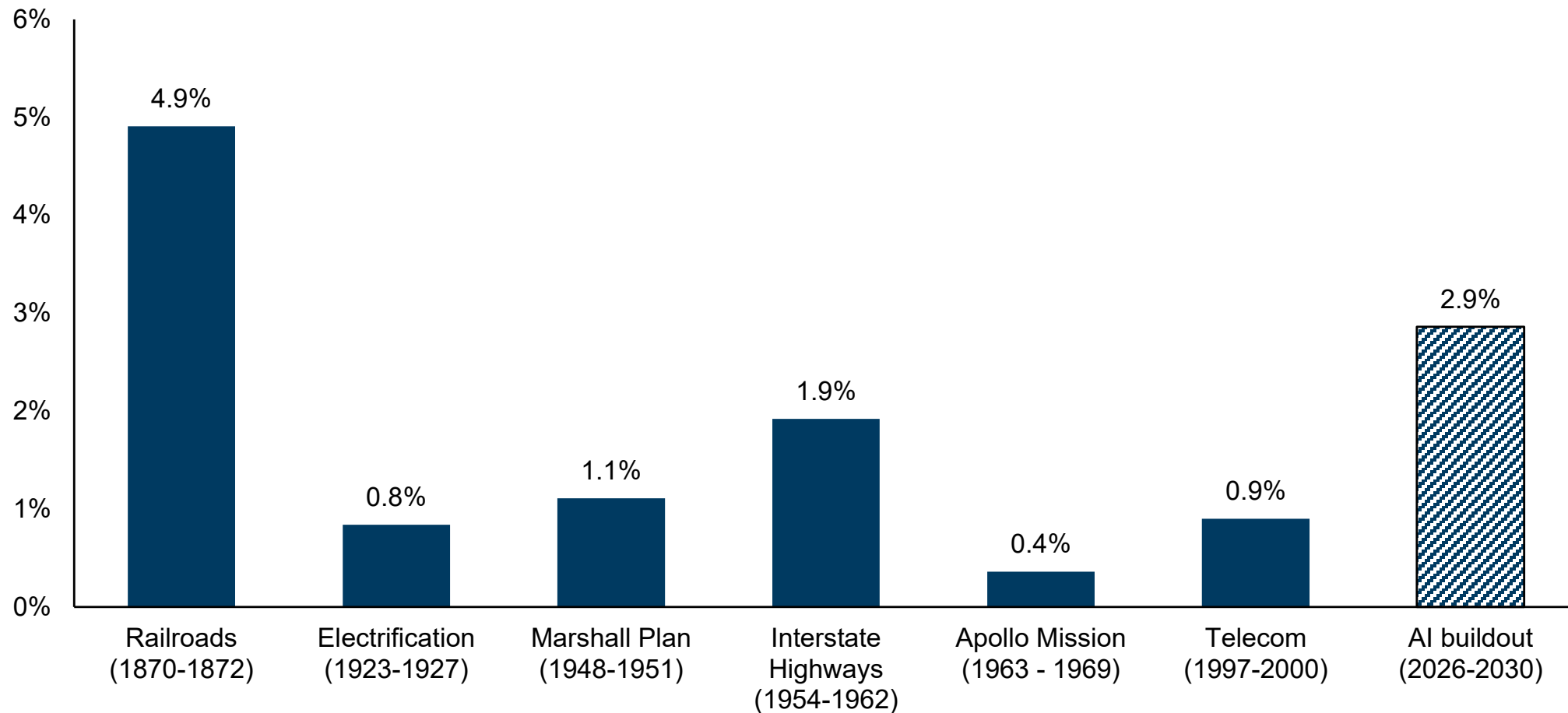
## Capex Spending on Generative AI



Source: Bloomberg  
Data as of: 4/14/2026

# The AI buildout is potentially the most expensive project in 150 years

Capex Spending as a Share of GDP



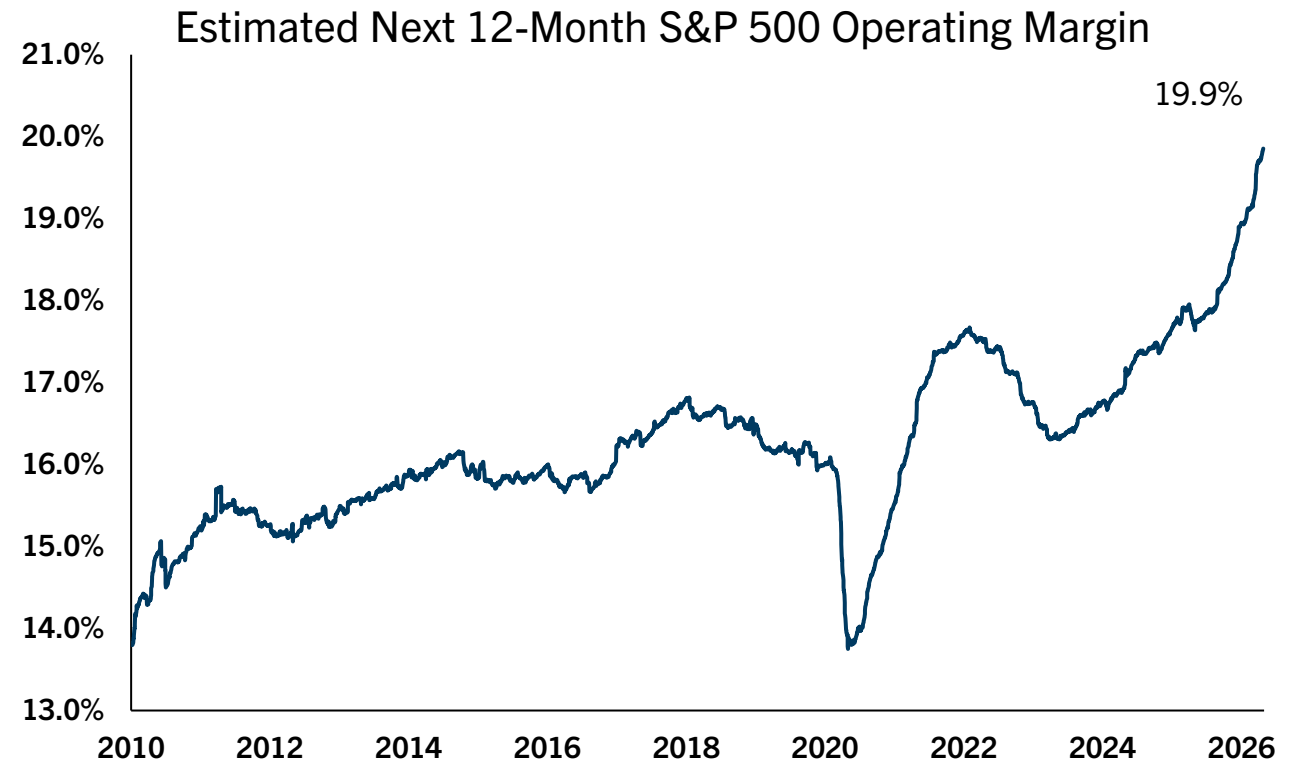
Source: Ulmer (1960) "Capital in Transportation, Communications, and Public Utilities: Its Formation and Financing" (NBER); Eichengreen and De Long (1991) "The Marshall Plan: History's Most Successful Structural Adjustment Program" (NBER); Federal Highway Administration, "Highway Statistics Summary to 1995"; Dreier (2022) "An Improved Cost Analysis of the Apollo Program" (Space Policy); Doms (2004) "The Boom and Bust in Information Technology Investment" (Federal Reserve Bank of San Francisco); Bloomberg; Johnston and Williamson (2026) "What Was the U.S. GDP Then?" MeasuringWorth.

# Market update



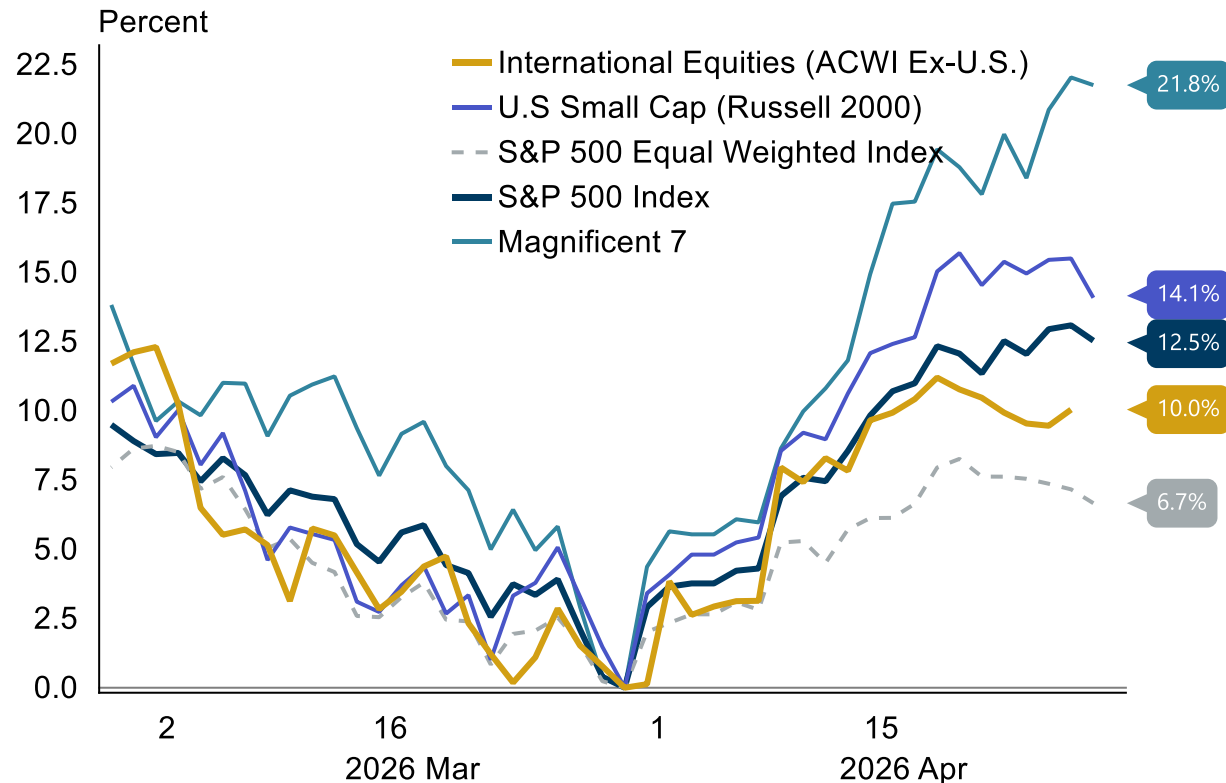
# Estimates point to robust corporate earnings and margin growth for 2026

- CY 2025 estimated growth is **13.6%**  
Q1 2026 estimated growth is **15.1%**
- CY 2026 estimated growth is **18.6%**
- Average growth since 1950 is **7.6%**

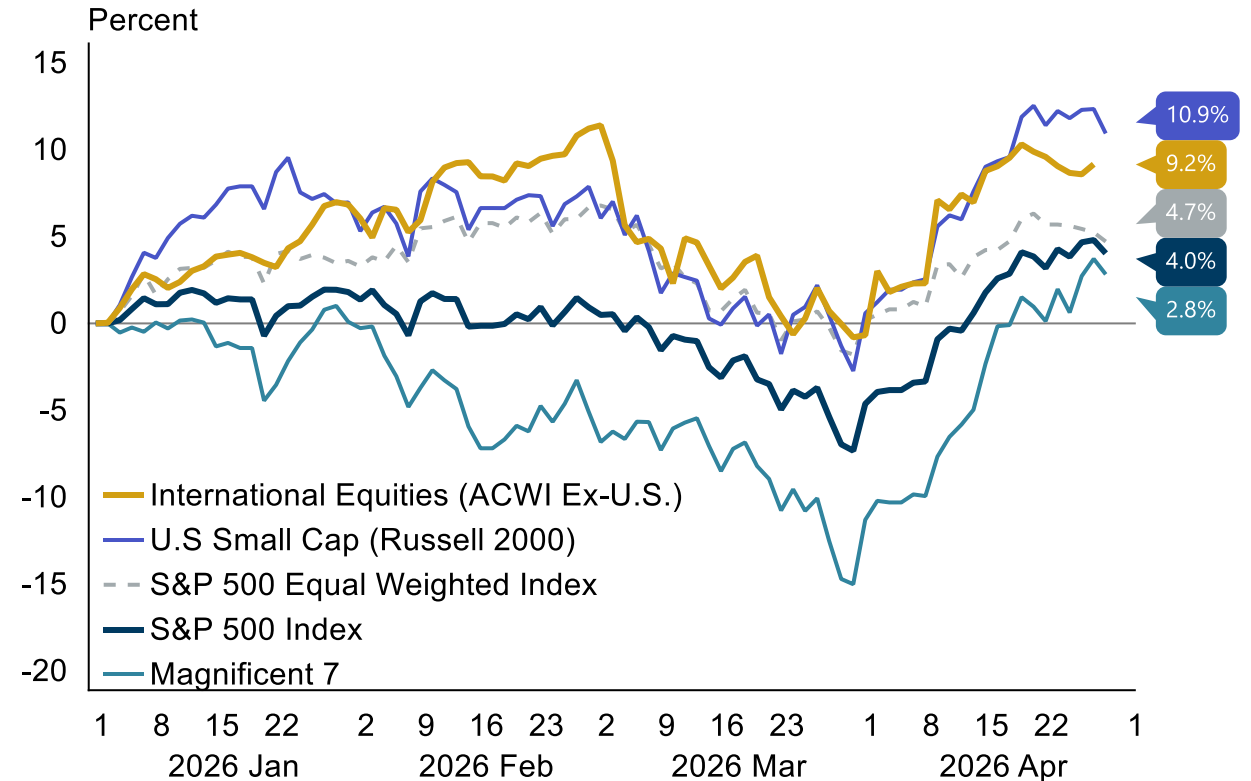


# After broadening in Q1, equity returns are again concentrated at the top

Price Return Since Market Bottom During Iran War (Mar. 30)



Year to Date Price Return



Source: Bloomberg  
Data as of: 4/28/2026

Source: Bloomberg  
Data as of: 4/28/2026.

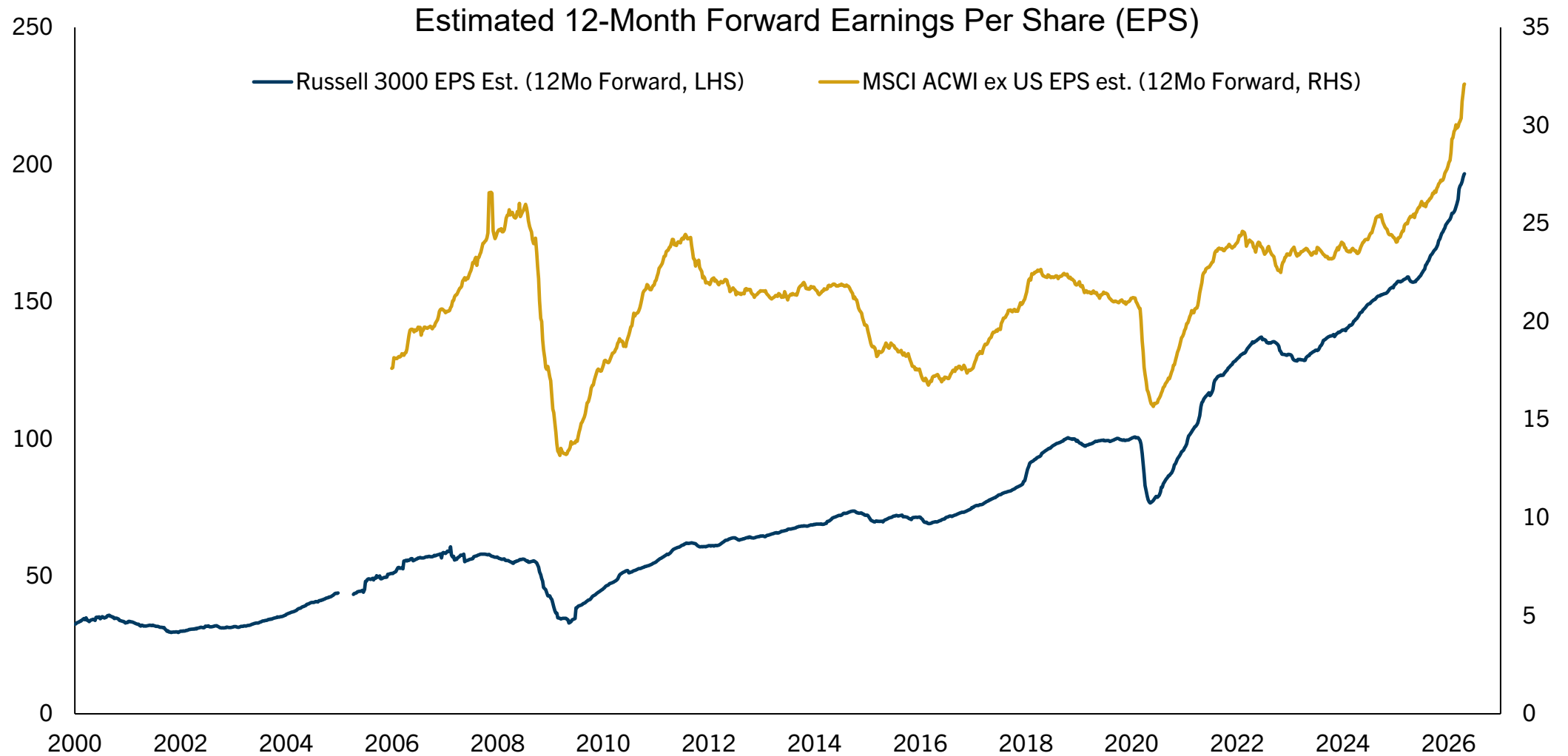
# Forward valuations have recovered as the conflict persists

### 12 Month Forward Price-to-Earnings Ratio



Source: Bloomberg, First Citizens Bank  
Data as of 4/27/2026

# Global corporate fundamentals are strong and improving



# We are cautiously constructive on the S&P 500

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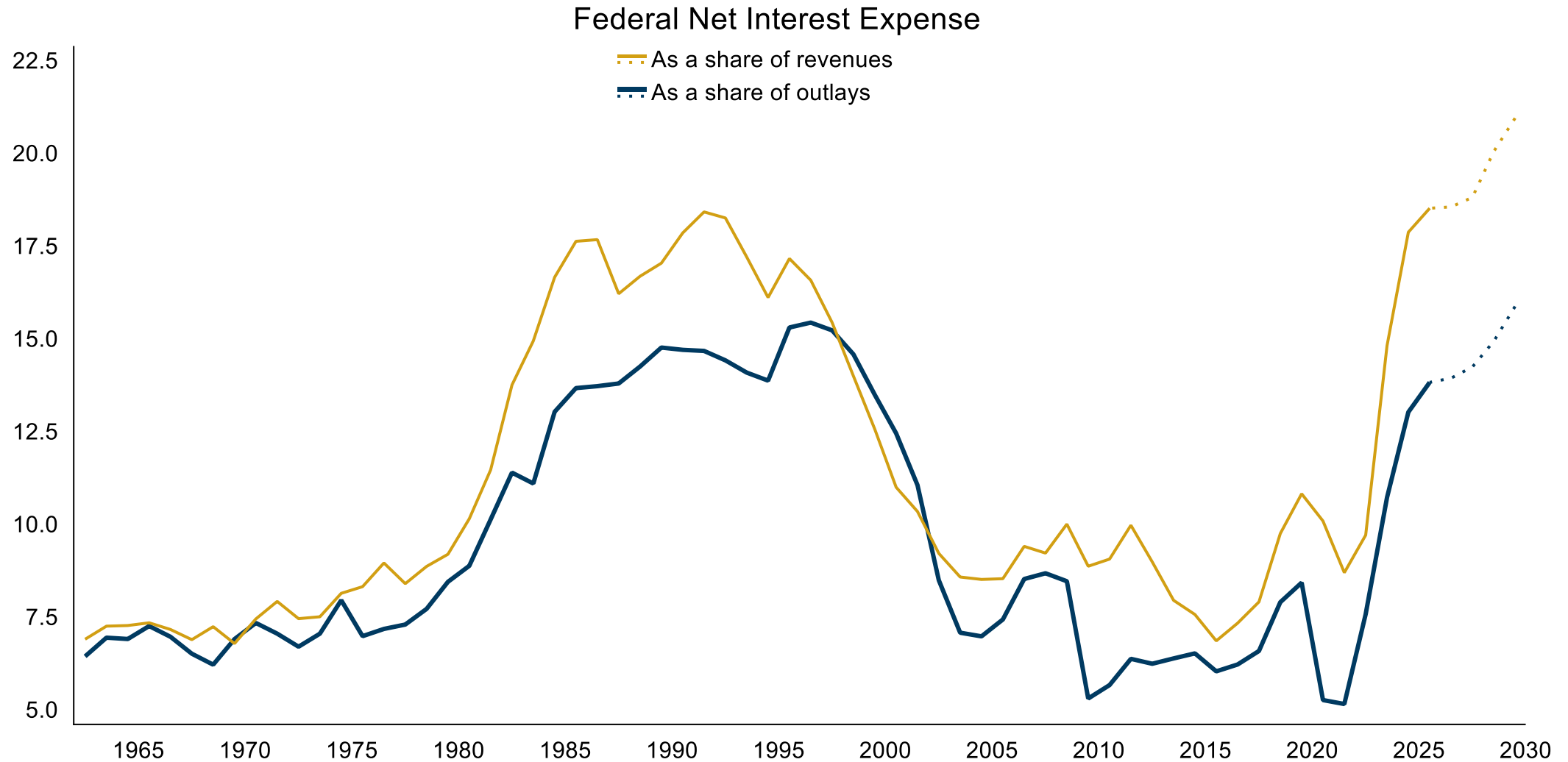
## Next Twelve-Month S&P 500 Price Target

	Next Twelve Months Price Level	Percent Change from 4/28/2026
Bear	5,300	-25.8%
Base	7,300	2.3%
Bull	7,900	10.7%

# Interest rates have stepped higher in recent weeks

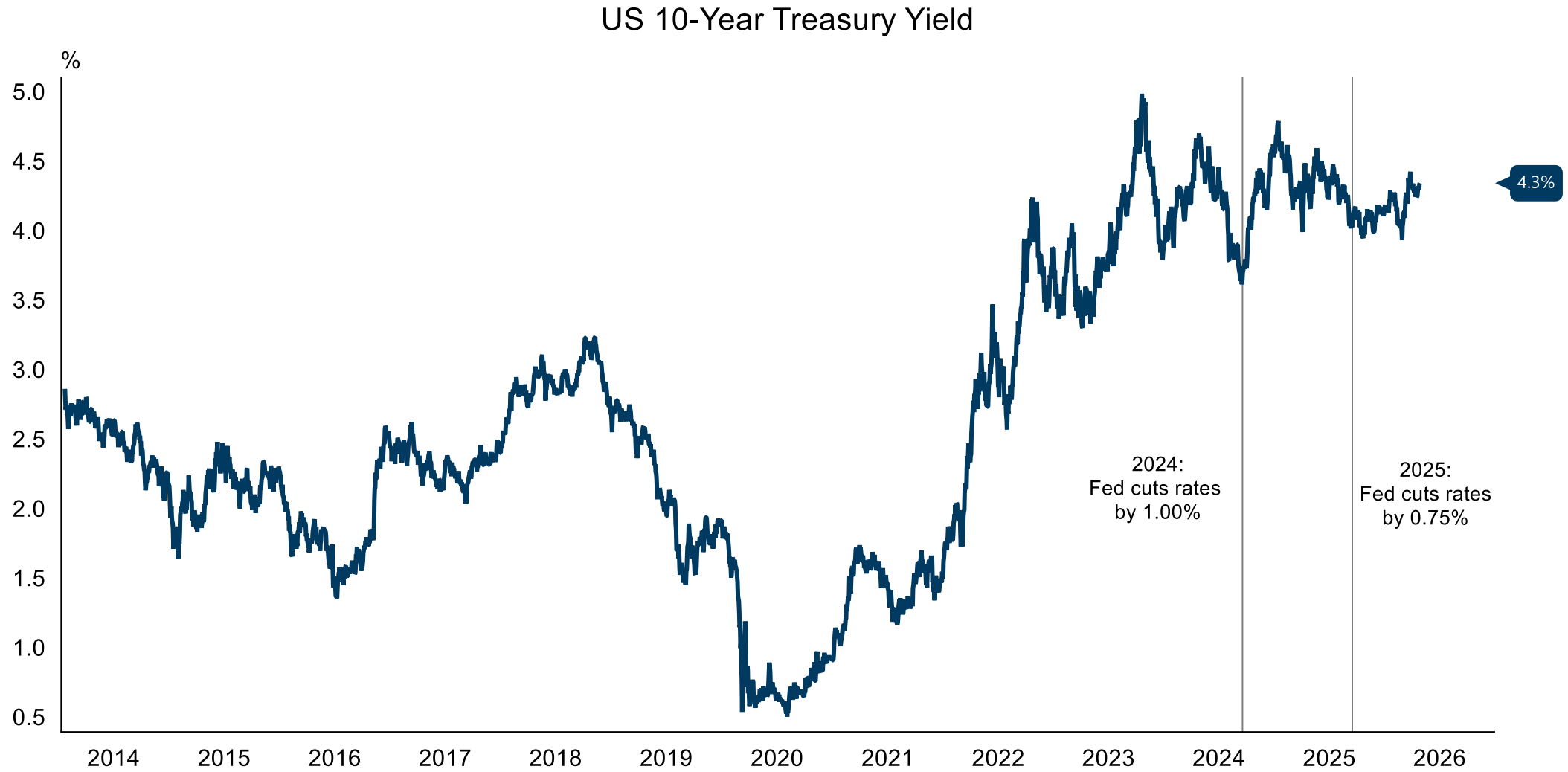
Fixed Income Indices			
	Yield to Worst		
	Latest	2/27/2026	12/31/2025
2-Year Treasury	3.8%	3.4%	3.5%
10-Year Treasury	4.3%	3.9%	4.2%
Aggregate Bond	4.6%	4.2%	4.3%
Intermediate Government/Credit	4.2%	3.8%	3.9%
Municipal Bond	3.6%	3.3%	3.6%
Investment Grade Corporate Bond	5.1%	4.7%	4.8%
High Yield Corporate Bond	7.0%	6.7%	6.5%

# Federal government finances are on an unsustainable path



Source: U.S. Congressional Budget Office (CBO), First Citizens Bank  
Data as of February 11, 2026

# The 10-year Treasury yield has remained elevated despite Fed rate cuts



Source: Bloomberg  
Data as of: 4/28/2026

# Making Sense

**In Brief** | A look at the week ahead in under two minutes every Monday morning

**Q&As** | Monthly conversations covering 2-3 of the top questions we're hearing from clients

**Market updates** | Monthly interactive discussions with in-depth analysis of markets and the economy

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