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Subject:	Evercore ISI Macro Daily PULSE – Fri Mar 6: Employment and Fed + Jobs Report and Economy + Morning Thought + State Tax Receipts Survey + Employment Survey + China Survey
Date:	Friday, March 6, 2026 10:45:19 AM

6 March 2026

Macro Daily PULSE - *Policy, Surveys, Levels, Strategy, Economics*

Daily Macro Comment

Report

- **EMPLOYMENT REPORT SUPPORTS CUTS, BUT NOT NOW**: The US February employment report pours a large dose of cold water on the idea the labor market is firming in the wake of stronger growth, as opposed to in a bumpy process of stabilizing at levels that are a bit soft. The report was strikingly weak across the board, with 92,000 net job losses and a 12bp rebound in unemployment to 4.4 per cent. Job losses were very broad-based across industries, with healthcare – the main engine of job growth for many months – turning negative, exposing the vulnerability of a labor market highly dependent on this one relatively a cyclical driver. However, we read this February report as overstating weakness just as the prior strikingly strong January report overstated strength. (Krishna Guha)

- **Weak Feb Employment Offsets Jan's Strength**: Payroll surprisingly declined sharply in Feb, but an average of the past few months probably represents the best move for investors. The unemployment rate moved up to 4.4%. But among the weaker labor activity readings, wages posted a surprisingly strong +0.4% m/m gain. AHEs ticked up to +3.8% y/y in Feb. Winter Weather Hits Jan Retail Sales. (Eco Team)

- **Morning Thought**: U.S. Treasury yields continue to climb as the 'war' between Iran and U.S. / Israel disturbs capital markets. The 10-year yield rebounded from the '4%' floor and rose +4bps overnight to 4.169%. Other developed global sovereign yields are higher too. Oil and the dollar are higher. Bitcoin and gold are lower. Retail gasoline prices are up over 40 cents from last Friday. Credit spreads were little changed yesterday. The cost of risk is rising sharply. Fixed income markets are reducing expectations for the number of policy rate cuts this year. In fact, the markets now expect the ECB to raise their policy rate by the end of the year. (Stan Shipley)

- **State Tax Receipts Survey Mixed, But Softer Overall**: (James Walsh)

- **Employment Cos. Survey Ticks Up To Begin March**: (Oscar Sloterbeck)

- **China Sales Survey Improves In Early March**: (Oscar Sloterbeck)

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Macro Research Today

Economics & Central Banking Strategy

US ECON / FED – EMPLOYMENT REPORT SUPPORTS CUTS, BUT NOT NOW

February's employment report challenges the notion of a strengthening labor market, revealing significant job losses and a rise in unemployment. The data suggests a bumpy stabilization rather than firming, with healthcare job losses highlighting vulnerabilities.

Labor Market Dynamics: February saw 92,000 net job losses and unemployment ticked up to 4.4%. Broad-based declines, especially in healthcare, signal a reliance on this sector.
Interpretation Challenges: The report may overstate weakness due to strikes, weather, and new seasonal adjustments. A focus on smoothed averages is advised.
Wage Insights: Average hourly earnings rose 0.4% month-on-month, maintaining a stable trend. Despite firmer prints, productivity offsets inflation risks.

Additional Key takes:

- **Payroll Trends:** The three-month moving average of payrolls is a modest 6,000, indicating early stabilization.
- **Employment Ratios:** Participation rates dipped, with the labor force showing limited growth.
- **Fed Outlook:** The Fed is expected to adopt a cautious 'wait and see' approach, with no immediate cuts anticipated.
- **Sector-Specific Impacts:** Temporary strikes in healthcare may have skewed the data, hinting at potential recovery.

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Daily Economic Report

Weak Feb Employment Offsets Jan's Strength

The unemployment rate edged up to 4.4%, yet amidst this softer labor data, wages defied expectations with a robust +0.4% m/m increase. AHEs climbed to +3.8% y/y in February.

Labor Market Dynamics: February's weaker employment numbers counteract January's gains, pointing to a mixed labor landscape.
Small Business Sentiment: The NFIB survey indicates a persistent low firing-low hiring trend, extending into spring.

Additional Key takes:

- **Wage Growth:** Recent months have seen a notable increase in reported wage gains, surprising many observers.
- **Economic Indicators:** Despite the uptick in unemployment, wage growth remains a bright spot amid broader economic uncertainty.

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Capital Markets Chronicle

Morning Thought

Today's market focus shifts to employment and retail sales data, with payrolls expected to rise by 60K and unemployment steady at 4.3%. Risks lean towards higher numbers, aligning with upward-moving consensus estimates. However, markets are more preoccupied with other factors. Cold weather and declining vehicle sales suggest a soft January for retail sales. Inflation will dominate next week's discussions.

Market Dynamics: U.S. Treasury yields are climbing amid geopolitical tensions involving Iran, U.S., and Israel. The 10-year yield has bounced back from the 4% threshold, rising 4bps overnight to 4.169%.
Commodities and Currency Moves: Oil and the dollar are on the rise, while Bitcoin and gold are seeing declines. Retail gasoline prices have surged over 40 cents since last Friday.

Additional Key takes:

- **Credit Markets:** Credit spreads remained stable, though the cost of risk is increasing sharply.
- **Monetary Policy Expectations:** Fixed income markets are dialing back expectations for rate cuts this year, with a potential ECB rate hike anticipated by year-end.

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State Tax Receipts Survey

State Tax Receipts Survey Mixed, But Softer Overall.

State tax receipts have moderated as corporate gains were overshadowed by declines in personal income and sales receipts.

Overall Receipts: The index dipped from 53.1 to 51.3, reflecting softer personal income and sales receipts.
Personal Income Receipts: Declined from 52.9 to 51.4, with many reporting lower estimated payments.
Sales Receipts: After a strong 2025, early 2026 shows a drop from 48.5 to 43.8.

Additional Key takes:

- **Minimum Wage Increases:** 2026 sees hikes in 23 states, with an average rise of $0.70/hr, driven by inflation adjustments and significant increases in select states.
- **Inflation Adjustments:** Most wage hikes are annual adjustments, with notable hikes in Hawaii, Nebraska, and others.

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Employment Cos. Survey

Employment Cos. Survey Ticks Up To Begin March

Employment trends show signs of stabilization as the Evercore ISI Employment Cos. Survey ticked up to 49.8 to start March, following a choppy February. Temp and perm placements both improved slightly, indicating a potential shift in hiring dynamics.

Hiring Sentiment: Temp employment rose from 52.9 to 53.1, showing improved demand for IT temps and consultants. Perm placement also edged up, but remains cautious.
Sector Highlights: Technology-enabled services and medical devices continue to see robust activity, driven by foreign companies expanding in the U.S. Manufacturing, however, faces ongoing challenges.

Additional Key takes:

- **Wage Pressure:** Overall wage pressure slightly increased from 51.8 to 51.9, reflecting stable IT hiring and moderated manufacturing demand.

- **Client Confidence:** Tariffs and government cuts weigh on confidence, with hiring plans showing moderation for 2026.
- **Conversion Rates:** An increase in temp-to-perm conversions suggests stronger employment demand, with companies moving quickly to secure talent.

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China Sales Survey

China Sales Survey Improves In Early March

The Evercore ISI Company Survey of China Sales ticked up slightly from 31.5 to 31.9, thanks to improved manufacturing activity at the start of March. However, the overall survey remains weak, having lost some gains from early 2025.

China Sales Dynamics: Spring and early Summer saw an encouraging trend with the CSDI: China Sales showing positive momentum. However, the indicator plateaued in August and declined in subsequent months, reflecting a mixed sentiment in the manufacturing PMI, which has been volatile—rising above 50 in Spring, then experiencing a choppy period before improving in December through February.
Manufacturing Activity: Despite recent improvements, the manufacturing PMI's inconsistency highlights underlying challenges. The uptick in February to 53.3 is promising but comes after a period of fluctuations.

Additional Key Takes:

- **Sector Breakdown:** The survey comprises 67% manufacturers of capital goods and heavy industry, while 33% are consumer goods producers.
- **Export vs. Domestic Sales:** The survey captures both goods produced and sold in China, as well as exports to China.

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Economics & Central Banking Strategy

IRAN / ECB – DEBATE BEGINS OVER NAT GAS SHOCK, BECOMES LIVE FROM JUNE

The ECB is in a heated debate over how to tackle the natural gas shock from the Iran conflict, with differing views on whether to hike rates. Nagel suggests it's premature to decide, while Rehn advocates for patience as more data comes in.

ECB's Approach: Minutes from Thursday indicated a flexible stance in response to shocks. Schnabel is expected to lean hawkish, focusing on how long energy prices remain high.
Market Expectations: Current market sentiment overestimates the likelihood of a rate hike this year, with a 75% chance priced in. We're more cautious, seeing it below 50%, assuming the energy impact is short-lived.

Additional Key takes:

- **Hawkish View:** Lessons from Ukraine suggest energy pass-through might be quicker and less disinflationary than expected.
- **Centrist Concerns:** There's unease about inflation expectations and companies passing through costs.
- **Dovish Perspective:** Focus remains on medium-term inflation, balancing energy shocks against weaker core inflation due to trade and income pressures.
- **Energy Price Monitoring:** The ECB is closely watching wage drift and firm price intentions, with LNG supply concerns from Qatar being significant.

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Consumer Staples Cos. Survey

Consumer Staples Cos. Survey Improves For A 5th Straight Week

- Following steady improvement in late 2025 and then dropping to its lowest level since 2014 as snowstorms kept consumers away, the Evercore ISI Consumer Staples Cos. Sales Survey increased for a fifth straight week, rising from 55.6 to 56.4 in our latest release, and is above the pre-storm levels which may represent some restocking.
- Pricing power has been challenging but shows signs of stabilization and has moved higher in late 2025 and early 2026. This week the index moved up from 42.3 to 43.8 to begin March.. This portion of our index has largely given up the remarkable strength during COVID as customers have been

trading down to smaller package sizes and less expensive substitutes including private label.

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House Price Survey

Evercore ISI House Price Survey Ticks Up On Better Activity In Some Suburban Markets

Suburban markets are showing renewed strength as the latest house price survey indicates a slight uptick, driven by improved activity in these areas. Despite some earlier fluctuations, the index is moving upward again, reflecting a more positive sentiment.

Suburban Market Trends: Recent uptick in suburban house prices has been a key driver for the overall index's improvement, with suburban areas leading the charge in late 2025 and early 2026.
Commission Rate Dynamics: Downward pressure on buyers' agent commissions continues,

though listing agent rates have stabilized. This trend could indicate a shift in negotiation power.

Additional Key takes:

- **Unrepresented Buyers:** The share of unrepresented buyers is slightly higher than historic norms, though down from peaks seen last year.
- **Inventory Levels:** Inventory remains a challenge, with many markets reporting lower than normal levels, although some improvement is noted.
- **Contract Closures:** High share of contracts failing to close remains a concern, though the situation is improving compared to previous highs.
- **Market Balance:** Buyers are gaining leverage as fewer respondents see the market favoring sellers, especially in new and existing home sales.
- **Financing Conditions:** Mortgage availability is better than normal, easing the process of securing financing for buyers.

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Manufacturing & Chemical Cos. Survey

Manufacturing & Chemical Cos. Surveys: Mfg. Cos. Improve, Chemical Cos. Tick Down.

Manufacturing sentiment shows a slight uptick, while chemicals face headwinds.
Manufacturing's domestic activity is gaining momentum, but chemical companies are feeling the impact of external uncertainties.

Manufacturing Activity: The survey indicates an improvement from 48.5 to 49.0, with domestic orders rising from 50.3 to 51.5. However, foreign orders slipped slightly from 46.8 to 46.4.
Chemical Sector Challenges: Chemical companies saw a decline from 33.0 to 32.0, influenced by weather and geopolitical tensions. The U.S. segment also dipped from 41.0 to 40.0.

Additional Key takes:

- **Pricing Power:** Manufacturing pricing power improved from 45.8 to 47.2, signaling better pricing dynamics.
- **Inventory Levels:** Manufacturing inventories are reportedly "a little too high," while chemical inventories are "a little too low."

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Shopping Guide Cos. Survey

Shopping Guide Cos. Survey Continues To Trend Lower

The Evercore ISI Shopping Guide Cos. Survey shows a slight pullback in early 2026 after a modest holiday boost. The survey's index moderated from 45.3 to 45.2. This reflects ongoing caution among small businesses, auto dealers, and restaurants in the current economic climate, despite steady ad sales from real estate agents.

Ad Spending Trends: Many small businesses remain hesitant to invest in advertising due to economic uncertainties.
Sector Resilience: Real estate agents continue to maintain solid ad sales across various markets.

Additional Key takes:

- **Survey Stability:** The survey stabilized in late 2025 before the recent dip.
- **Digital Transition:** Shopping guides are increasingly shifting to online platforms, adapting to new advertising landscapes.

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Auto Dealers Survey

Auto Dealers Sales Survey Improved To Close A Choppy Month

The Auto Dealers Survey shows a mixed start to the year, with winter storms impacting sales but signs of stabilization emerging by February's end. New vehicle price expectations are easing, while used vehicles remain in high demand, especially at lower price points.

Market Dynamics: Winter storms slowed sales in late January and February, impacting dealer activity in the East & Northeast. However, the survey improved slightly by the end of February.
Price Trends: Expectations for new vehicle price increases have moderated. Dealers are adapting by focusing on retail sales of used vehicles to value-conscious consumers.
Used Vehicle Demand: Demand for lower-priced used vehicles remains robust, with dealers struggling to meet buyer interest.

Additional Key takes:

- **Inventory Levels:** Inventories, which were too low post-tariff surge, are now slightly high but expected to correct by the end of 1Q.
- **Financing Challenges:** Credit availability for new car buyers is tightening, with more consumers unable to secure financing.
- **Maintenance Deferrals:** A growing number of customers are deferring maintenance and repairs, up significantly from previous checks.
- **Future Outlook:** Most dealers anticipate positive unit growth for new vehicle sales by 2026, with a modal expectation of 0-2% growth.

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Europe Sales Survey

Europe Sales Survey Improves Boosted By Mfg. Cos. To Begin March

March kicks off on a positive note with the Europe Sales Survey inching up from 34.3 to 34.8, driven by a boost from manufacturing companies. Activity improved after a decent February, setting a promising tone for the month.

Market Activity: The sales breadth was quite mixed last year, with improvements in Spring before a summer lull. October and November saw gains, December stayed flat, and January softened, but February picked up again.
Manufacturing Insights: Manufacturing PMI new orders showed strength in Spring and early Summer, dipped slightly in July, and have been choppy since, but improved in January and February.

Additional Key takes:

- **Sample Composition:** The survey is heavily weighted towards industrial goods, with 81% of the sample in this sector, including cap goods, chemicals, and tech.

- **Sales Dynamics:** The survey captures U.S. multinationals' sales in Europe, highlighting a strong export dynamic.

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Restaurants Survey

Restaurants Survey Improves To Begin March Following A Choppy Month

Restaurant sentiment is on the rise as we kick off March with the index climbing from 53.3 to 54.5, thanks to improved weather in many areas.

Choppy Start to 2026: The survey's been all over the place due to weather, but there's a positive shift compared to last year.
Value-Driven Consumer Choices: Consumers are still hunting for value, selectively spending based on events and offers.

Additional Key takes:

- **Post-Shutdown Rebound:** The survey bounced back after the government shutdown, though data varies.
- **Tariff Relief Impact:** Recent tariff relief is a welcomed positive for industry contacts.
- **Cost and Demand Concerns:** There's still unease about costs and consumer demand.

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Commercial Real Estate Cos. Survey

Commercial Real Estate Cos. Survey Steady In February Following Improvement

The Evercore ISI Commercial Real Estate Survey saw a mixed February, maintaining a steady 54.4 after a January uptick. Despite a generally solid environment, geopolitical tensions in the Middle East and fluctuating energy prices introduce uncertainty.

Market Dynamics: The economy's resilience is bolstering demand for premium commercial spaces. However, lower quality locations are seeing a decline in interest.
Sector Highlights: Office leasing remains tough, though NYC shows some positive activity. Multifamily properties continue to perform well.

Additional Key takes:

- **Retail Activity:** Back-to-school and consumer activities boosted retail in September.
- **Survey Insights:** The survey reflects input from owners across office, retail, and hotel sectors, rating activities on a 0 to 100 scale.

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Date:	Friday, May 29, 2026 10:56:28 AM

29 May 2026

Macro Daily PULSE - *Policy, Surveys, Levels, Strategy, Economics*

Daily Macro Comment

Report

- **Contours of an Iran Deal are Emerging – The Question Is When**: We think it's more likely than not that Trump will accept an agreement as soon as this weekend, although it is still quite possible that some of the Iran hawks in Washington will get to him in the interim and talk him out of it and/or that he will decide he can't sell it domestically. Recent leaks surrounding the negotiations are likely designed, in part, to test public and market reactions to potential elements of a deal. The deal is comprised of two phases. First, the U.S and Iran would lift their respective blockades in the Strait of Hormuz, allowing commercial shipping traffic to resume. This is critical as we have long thought that the President could not walk away if the straits were not open. Second, reopening the Strait would trigger a 60-day negotiation period focused on the future of Iran's nuclear program. (Sarah Bianchi)

- **Europe Sales Survey Softens Again**: (Oscar Sloterbeck)

- **China Sales Survey Increases Following Moderation**: (Oscar Sloterbeck)

- **Evercore ISI Bond & Equity Mgrs. Surveys:** (James Walsh)

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Macro Research Today

Political Analysis

Contours of an Iran Deal are Emerging – The Question Is When

Potential contours of a U.S.-Iran deal are becoming clearer, raising anticipation around the timing of an agreement. The negotiations have advanced since the ceasefire, with reports suggesting a deal is on the horizon, likely to be accepted by President Trump soon. However, there's a possibility that hawkish elements in Washington may sway his decision, or he might find it challenging to communicate the benefits of the deal domestically.

Phased Deal Outline: The agreement appears structured in two phases: first, both the U.S. and Iran would lift blockades in the Strait of Hormuz, enabling essential commercial shipping. This opens the door for a subsequent 60-day negotiation focused on Iran's nuclear program. Should an agreement be finalized, both parties are expected to face risks regarding its stability, primarily based on varying interpretations of what "open" shipping means and divided opinions on economic relief measures.
Monitoring and Enforcement Challenges: Concerns loom surrounding the lack of clarity on monitoring and enforcement mechanisms once the deal is established. Unlike the previous Joint

Comprehensive Plan of Action (JCPOA), which allowed inspections, the current proposal lacks specified terms for oversight, raising questions over Iran's nuclear enrichment statuses.

Political Hurdles for the Administration:

- **Domestic Selling Points:** Trump may find it hard to frame this agreement as a more favorable option compared to past deals, especially amid criticisms from within his party.
- **Regional Dynamics:** The President's push for Gulf countries to recognize Israel complicates matters, given that such a condition is unlikely to gain traction among those nations.

The road ahead is intricate. While Trump could argue that the deal supports a moratorium on nuclear development and reopens the straits, the reality is it might not meet his initial expectations from the negotiations initiated in February. Nonetheless, it could represent a strategically valuable agreement under the current geopolitical landscape.

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Europe Sales Survey

Europe Sales Survey Softens Again

May sales in Europe show a noticeable decline, dropping from 36.0 to 34.8, indicating a softer market environment. This dip aligns with reports of manufacturing and chemical companies feeling the impact of tighter and more costly energy markets.

Sales Trend Analysis: The broader trends observed this year appeared more promising with positive readings in earlier months. However, recent data signals that momentum has weakened significantly in May. CSDI: Europe Sales depth has fluctuated but leans towards a negative outlook as manufacturing PMI new orders have shown improvement earlier this year but reversed course recently with the Flash survey showing early signs of contraction.
Industry Composition: The survey's findings are driven by a sample heavily weighted toward industrial goods producers (81%), including companies involved in capital goods, chemicals, and various tech sectors, while consumer goods represent a smaller segment (19%).

Additional Key takes:

- **Impact of Energy Markets:** Continuous tightening in energy resources poses challenges to production levels across industries, particularly affecting manufacturing outputs.
- **Forward-looking Concerns:** With declining sales metrics, the outlook for the coming months may warrant caution, especially for sectors tied closely to industrial activity.
- **Macro Environment Implications:** While this month's results indicate a softening, the year-to-date performance still suggests potential for recovery if conditions stabilize.

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China Sales Survey

China Sales Survey Increases Following Moderation

The recent China Sales Survey indicates a slight uptick in sales sentiment, moving from 31.0 to 31.5, signifying improved activity among manufacturers. However, broader conditions remain mixed and warrant cautious optimism.

Survey Insights: The April figures showed volatility, with earlier drops in both the CSDI and manufacturing PMI, reflecting continued uncertainty in the market.
Manufacturing Activity: Despite the fluctuations, manufacturing performance has brightened somewhat, as indicated by an uptick in the PMI to 52.2 for April.

Additional Key takes:

- **Sales Trends:** The ongoing weakness in the sales figures reveals persistence in economic headwinds.
- **Sector Performance:** The sample comprises 67% capital goods and heavy industry businesses, with consumer goods making up the remaining share, influencing overall sales dynamics.
- **Future Outlook:** While the recent improvements are welcome, attention remains on whether they can be sustained in light of broader economic conditions.

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Institutional Bond & Equity Managers Surveys

Evercore ISI Bond & Equity Mgrs. Surveys With May Sector Allocation Survey Results

Recent survey results indicate a stable outlook among institutional managers, with bond portfolio duration holding steady at 92.1, while credit exposure maintains at 53.9. Equity investors show some cautious optimism, as their bullish/bearish sentiment slightly increased to 53.8 this past week, suggesting a potentially favorable market view over the next six months.

Portfolio Management Sentiment: Advisors seem to be sticking to their strategies, as both bond and equity duration figures remain unchanged. With the bond market sentiment holding flat at 51.0, institutional managers reflect a neutral stance as the market grapples with ongoing macroeconomic concerns.
Sector Allocation Shifts: Over the past month, there has been a noticeable shift towards cyclical sectors, with increased allocations to consumer discretionary and real estate. Conversely, exposure to healthcare, technology, financials, energy, and consumer staples has been reduced, indicating a risk-on sentiment among long-only investors.

Additional Key Takes:

- **Equity Investment Levels:** The invested position among institutional equity managers remained steady at 64.9, suggesting a stable yet cautious approach to equity investments.
- **Overall Market Outlook:** With bullish sentiment slightly improving, the outlook for equities appears moderately optimistic, although managers remain wary of potential headwinds.
- **Shifts in Defensive Sectors:** Defensive sectors such as healthcare and consumer staples have seen reduced interest. This could signal a waning confidence in these traditionally stable investments as cyclical sectors gain traction.

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Economics & Central Banking Strategy

CORE PCE, DRAFT IRAN DEAL, DAMP CONSUMER HELP FED HOLD FOR NOW

Core PCE inflation showed a modest improvement at 0.24% month-on-month, signaling mixed consumer stability. The combination of a draft US-Iran deal and dwindling savings among consumers underlines a complex backdrop that could keep the Fed in a holding pattern for the time being. However, future prints are expected to maintain pressure on the central bank.
Inflation Dynamics: Despite the improvement in core PCE, year-on-year inflation remains a concern at 3.3%, suggesting that the recent respite may be temporary. Consumer spending growth is lagging behind inflation, amplifying concerns about overall economic health.
Federal Reserve Outlook: If the draft deal with Iran is finalized, it could provide additional macroeconomic stability, supporting a sustained Fed hold. However, the durability of this hold will be tested by upcoming signs of disinflation and the need for moderation in core inflation metrics.
Productivity and Interest Rates: NY Fed President Williams discussed the implications of rising productivity driven by AI, noting its potential to push real rates higher in the long term. Although initially perceived as a temporary change, the resulting disinflationary wedge between productivity and wages may create a persistent impact.
Consumer Activity Trends: Real personal consumption growth fell to 0.1%, with a marked slowdown in goods spending leading to a sharp decline in household savings rates. Weak performance in durable goods, including vehicles and clothing, is amplifying concerns, while

spending in services showed slight resilience.

Key Observations:

- **Core Goods Inflation:** Core goods prices rose 0.3% month-on-month, indicating strength in some areas despite overall inflation pressures.
- **Income Growth Concerns:** Total personal income growth was flat, significantly lower than expectations, raising alarms about consumer spending power going forward.
- **Savings Rate Decline:** A 0.5% drop in real disposable income over the month points to ongoing challenges for household finances.

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Consumer Staples Cos. Survey

Consumer Staples Cos. Survey Increases, Following Recent Slowing.

- After dropping to its lowest level since 2014 in early 2026 amid winter weather, the Evercore ISI Consumer Staples Cos. Sales Survey steadily increased throughout February and into early March. Since then, the index slowed in April and May before increasing this week from 49.7 to 52.8 in our latest release.
- Pricing power has been challenging but moved higher in late 2025 and early 2026. This week the index ticked down from 43.8 to 43.6

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View Report

Shopping Guide Cos. Survey

Shopping Guide Cos. Survey Pulls Back As The Overall Environment Remains A Challenge

The latest insights from the Shopping Guide Cos. Survey indicate a slight pullback in advertising sentiment, reflecting ongoing challenges for small businesses and local advertisers in the current economic landscape. Recent holiday-related advertisements led to a modest boost in December, but the survey has since stabilized and recently declined from 45.2 to 45.0, suggesting continued uncertainty among respondents.

Current Ad Environment: Respondents have expressed ongoing hesitation to invest in ad space, particularly among small businesses, auto dealers, and restaurants. The stabilizing survey results highlight persistent challenges that could hinder advertising growth in 2026.
Sector-Specific Observations: While certain sectors, like real estate, are experiencing solid ad sales, the overall declining trend in the survey underscores a broader need for improved economic conditions to support increased advertising spending.

Additional Key takes:

- **Consumer Spending Outlook:** With sales revenue tracking from 21 national and regional shopping guide companies indicating mixed signals, it's clear that economic pressures are weighing heavily on consumer spending behavior.
- **Future Projections:** The survey results reflect broader trends in business sentiment, implying that improving cash flows in small businesses will be critical to enhancing advertising expenditures moving forward.

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House Price Survey

Evercore ISI House Price Survey Ticks Higher

The recent trends in urban housing markets indicate continued strength, reflecting a resurgence in buyer activity. This is in contrast to suburban and rural markets that are seeing more mixed results, with some signs of improvement in specific areas.

Urban Market Dynamics: Urban areas have shown a positive uptick, with the house price index increasing from +2.9% to +3.0% recently due to some suburban gains. However, the suburban markets are still facing challenges, demonstrating a need for better inventory levels to sustain demand as 65% of agents report lower-than-normal inventory.
Buyer vs. Seller Market Conditions: Surveys indicate a shift towards a seller's market, evident in a rise in respondents stating sellers have the upper hand. Specifically, 41% see existing homes favoring sellers, a significant jump from previous months. Additionally, a notable 24% of agents report elevated contingencies being waived, indicating greater competition among buyers.

Additional Key Takes:

- **Contract Failures Declining:** The share of contracts failing to close has improved to 34%, down from 37% previously, hinting at better market stability.
- **Financing Landscape:** While financing remains better than normal, it is not as accessible as in early 2026, suggesting potential headwinds for some buyers.
- **Inventory Headwinds:** Despite recent urban price increases, inventory continues to be a significant obstacle, with many agents feeling constrained by lower stock levels.

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Auto Dealers Survey

Auto Dealers Survey Ticks Down

The latest Auto Dealers Survey indicates a slight dip in sentiment, reflecting a challenging environment for sales. April's decent performance was impacted by seasonal distractions and overall moderation in May, dropping from 50.5 to 50.4, which signals that consumer engagement may be softening.

New & Used Vehicle Sales Trends: While used vehicle sales previously showed promise, the latest metrics revealed a decrease from 51.3 to 51.0. This decline underscores ongoing challenges amidst fluctuating supply and demand dynamics.
Financing Availability: A notable 62% of dealers reported that financing for new vehicle purchases has become more difficult to secure, increasing from 42% in December. Yet, only 31% indicated a rise in customers unable to buy due to financing issues, suggesting that while accessibility is tightening, it's not completely prohibitive.
Maintenance & Repair Trends: There is increasing reports of customers deferring maintenance and repairs, with a net +46% reflecting this trend. Dealers have noted that weather has played a role in pulling parts and service sales back down to -17%, another sign of consumer constraint.
Inventories and Wholesaling: Inventories appear to be "a little too low" based on dealer feedback. This follows a pattern of uncertainty in wholesaling used vehicles as demand shifts toward value-driven choices.

Additional Key Takes:

- **Expectations for Sales Growth:** Despite current headwinds, 67% of dealers anticipate some positive unit growth in 2026, which highlights potential resilience in the market.
- **Parts & Service Revenue:** Slower trends in parts and service revenue persist, illustrating a comprehensive impact on dealer operations beyond new vehicle sales.
- **Value Focus:** There is a notable shift as dealers increasingly focus on retailing used vehicles instead of wholesaling, indicating confidence in consumer value-seeking behavior.

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Employment Cos. Survey

Employment Cos. Survey Moderates For 4th Week After 2 Months Of Increase.

The recent Employment Cos. Survey reflected a slight decline after two months of improvements, indicating cautious optimism within the labor market. Key metrics like temp employment and wage pressure have shown signs of moderation, but sectors such as technology remain robust, contributing positively to overall employment trends.

Employment Trends: The Employment Cos. Survey eased from 50.9 to 50.8 this week, with temp employment dipping slightly to 54.6. This follows earlier peaks, emphasizing a mild pullback in confidence. Manufacturing clients are still struggling with ongoing headwinds, while sectors like technology-enabled services demonstrate resilience, often driven by expansions from foreign firms here in the U.S.
Wage Pressure Insights: Wage growth expectations slightly improved, moving from a previous forecast of -3% to +11% for the next 12 months. This shift may reflect increased confidence over labor availability, which has remained stable after a long period of improvement. Hiring in IT continues to be stable amid more selective hiring practices, particularly in manufacturing.

Additional Key Takes:

- **Concerns Impacting Hiring:** Tariffs, government cuts, and broader macroeconomic conditions are causing hesitance among clients in hiring.
- **Sector Performance Variability:** Consumer goods and agriculture are seeing improved activity levels, contrasting with the sluggish manufacturing sector.
- **Internship Placements:** Encouraging trends in college internship placements indicate a positive outlook for future talent pipelines.

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Manufacturing & Chemical Cos. Survey

Manufacturing & Chemical Cos. Surveys: Mfg. Increases, While Chemical Pulls Back

The Manufacturing and Chemical Cos. Surveys show a mixed picture, with domestic manufacturing activity improving while chemicals face a downturn. The Manufacturing Cos. Survey saw domestic orders increase slightly, hinting at resilience, whereas the Chemical Cos. Survey's decline signals potential challenges ahead.

Manufacturing Survey Insights: Domestic orders bounced back to 50.3, indicating stability, while foreign activity remained steady at 44.6. This suggests that local demand is holding up, potentially fueled by recent economic measures. However, pricing power remains unchanged at 47.5, indicating a cautious market environment where manufacturers are facing headwinds in passing on costs to consumers.
Chemical Sector Trends: The Chemical Cos. Survey slipped from 35.5 to 33.0, marking three consecutive declines. This downtrend is particularly concerning as the U.S. component of the survey

dropped from 42.0 to 41.5, indicating weakening demand and pricing conditions could be setting the stage for tighter margins among chemical producers.

Additional Key Takes:

- **Manufacturing Recovery:** The recent uptick in manufacturing may signal a sustainable recovery cycle, at least domestically.
- **Pricing Power Stagnation:** The unchanged pricing power reflects ongoing pressures, preventing manufacturers from increasing prices despite cost inflation.
- **Chemical Industry Vulnerability:** Persistent declines in the chemical sector could indicate a broader economic slowdown affecting industrial applications.

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Restaurants Survey

Restaurants Survey Improves In Late May

The recent uptick in the Restaurants Survey, climbing from 53.0 to 55.5, signals a possible recovery in consumer dining trends. Overall sales dynamics have shown volatility this year, yet the prevailing sentiment is more optimistic compared to last year. Marketing strategies seem to have positively impacted sales previously, although recent adjustments suggest a reactive consumer landscape focused on value amidst a competitive backdrop.

Sales Trends: Sales figures have been inconsistent in 2026, but the latest surge could indicate improving consumer confidence. It's noteworthy that participants in the survey have linked recent sales slowdowns to rising gas prices, highlighting how macroeconomic factors are influencing consumer behavior.
Consumer Spending Behavior: Consumers are increasingly selective in their dining choices, emphasizing value and timing, influenced by ongoing geopolitical issues and economic pressures. These trends suggest that while there may be opportunities for growth, significant headwinds remain that could dampen spending.

Additional Key takes:

- **Choppy Sales in 2026:** Despite fluctuations, the overall sales trend is improving relative to last year, reflecting strategic marketing efforts by restaurants.
- **Impact of Gas Prices:** The correlation between increased gas prices and consumer spending serves as a critical factor for the industry, warranting close attention in the coming months.
- **Competitive Landscape:** The current market is highly competitive, which could create both challenges and opportunities for restaurants to differentiate themselves through pricing and service.

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From: Evercore ISI
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Subject: Evercore ISI Macro Daily PULSE – Mon Apr 13; Iran War and BoJ + Strategy and 1Q EPS + Inflation and Consumer + Blockade and DC + Morning Thought
Date: Monday, April 13, 2026 10:54:06 AM

13 April 2026

Macro Daily PULSE - *Policy, Surveys, Levels, Strategy, Economics*

Daily Macro Comment

Report

- **IRAN WAR / JAPAN – UEDA SIGNALS NO APRIL HIKE:** Bank of Japan governor Ueda has on our read signaled that the BoJ is likely not going to hike rates as previously planned at its meeting this month in spite of domestic data that to date has generally held up well. We now expect a "hawkish hold" in which the BoJ will underline that it continues to expect that it will likely be appropriate to raise rates further once uncertainty around US-Iran moderates and is targeting June / July for the next move. (Krishna Guha)

- **Perfection Amid Chaos – On 1Q26 Earnings Season:** Reasons for Optimism after YTD Chaos. U.S./Iran ceasefire sets stage for extreme Bearish hedging unwind. Track record of Mar/Apr market turns. Robust Revisions point to strong 1Q and 2026 EPS. n Buy "Stocks for Stability" EVR ISI analyst top picks, "Dogs of War" at P/E discount to Pandemic troughs. Focus on stocks with Double Beats in all 8 past quarters. Incl O/P rated MSFT, MS, BKNG. n Short/Hedge covering will lift SPX to 7,000 in 2Q; Earnings Drive Stocks to SPX 7,750 by YE 2026. (Julian Emanuel)

- **Inflation Wave From Oil Arrives, Consumer Looking Weaker:** The surge in gasoline prices has hit consumer price inflation, driving headline CPI inflation up to +3.1%. Gasoline accounted for three-fourths of the overall increase in CPI this month. We are also seeing some cost pressures from AI capex spilling over into consumer prices, particularly in computers and related software. But under the hood there is encouraging news on underlying inflation. Services inflation, which had looked sticky, is looking better. Core services ex housing stepped down this month to +0.18% m/m. Plus, longer term inflation expectations are so far well-behaved. Of course, this is still early in the inflation shock. Consumer spending in 1Q is turning out to be weaker than expected. With another downward revision to 4Q GDP growth and a weak Feb report, this suggests less momentum in consumption going into the Iran shock as well as less looking forward. Consumer sentiment plunged to an all-time low. We updated our work and now estimate that the gasoline "tax" could offset almost 50% of the BBB stimulus. (Krishna Guha)

- **Trump Responds to No Deal in Islamabad with Naval Blockade of Strait, Setting Up High-Risk Days Ahead—But Neither Side Ruling Out Additional Dialogue:** The U.S.-Iran talks in Islamabad over the weekend ended largely in line with our expectations of no deal (link), and President Trump has responded by announcing a U.S. naval blockade of the Strait of Hormuz aimed at preventing

Iranian oil or tankers that pay a toll to Iran from reaching the market. These developments underscore that the: U.S. and Iran are headed for a prolonged period of elevated tensions which are managed to a limited extent by dialogue rather than a clean resolution (link). The announcement of the blockade will likely weigh on markets in the near-term as potential encounters between the U.S. Navy and Iran-linked vessels now might cause a flare-up that ends the fledgling ceasefire. (Sarah Bianchi)

- **Morning Thought:** The failure of the Mideast cease fire talks is weighing down global capital markets over the weekend. The U.S. blockade of Iranian exports will go in effect at 10:00 this morning Treasury yields are higher over the weekend. The 10-year yield is at 4.334%. The yield curve is little changed. Other major developed global sovereign yields are higher too. The gold and bitcoin are lower, while oil jumped. The dollar has changed little. Not surprisingly U.S. credit spreads edged lower on Friday. Germany (and many other countries) will institute $1.9 billion in fuel price relief. Italian sovereign debt sentiment is deteriorating. (Stan Shipley)

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Macro Research Today

Economics & Central Banking Strategy

IRAN WAR / JAPAN – UEDA SIGNALS NO APRIL HIKE

BoJ set to hold in April as geopolitical risk trumps domestic strength; "hawkish hold" now base case with rate hike likely pushed to June/July. Cautious tone from Ueda reflects the Bank's wariness of hiking into a potential US-Iran escalation, despite constructive domestic data and wage gains.

Geopolitical Uncertainty Takes Center Stage: Ueda's remarks, relayed by Himino, make clear the Bank is prioritizing "lingering uncertainty over the Middle East situation" over recent positive local data, with the risk of renewed US-Iran conflict and energy market disruption driving a wait-and-see approach.
Domestic Backdrop Remains Supportive: Underlying inflation is still on track for the 2% target, with solid wage settlements and a gradual recovery. Tankan, Sakura, and Shunto updates all point to continued normalization, and companies are seen as better able to manage import cost pressures than in the past.
Energy Shock Cuts Both Ways: Ueda's two-sided assessment: higher oil could both raise and lower underlying inflation, depending on how the output gap and expectations evolve. There's concern about supply chain impact if the Middle East

war drags on, but also potential for inflation expectations to firm if energy costs persist.

Yen Weakness No Longer a Hard Red Line: Y160 isn't the "absolute red line" it once was, given the changing nature of Japan's terms of trade and the asymmetric impact of energy shocks.

Additional Key takes:

- **Policy Board Was Split Pre-Weekend:** Confidence for an April hike was tentative and likely contingent on a positive turn in US-Iran talks-which didn't materialize.
- **"Hawkish Hold" Expected:** Assuming no further escalation, the Bank will likely signal readiness to resume hikes once uncertainty moderates, targeting June/July for the next move.
- **Communication Strategy:** Look for emphasis on data-dependent forward guidance and close monitoring of global risks, rather than a shift in the underlying domestic narrative.
- **External vs. Internal Drivers:** Near-term policy is being dictated much more by external risk (war, energy) than by domestic macro signals, a notable pivot for the BoJ.

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View Report

Equity Strategy

Perfection Amid Chaos – On 1Q26 Earnings Season: Top of the Market's Mind

Robust earnings resilience and a historic unwind of bearish hedges are setting the stage for a surprisingly strong 1Q26 and a path toward new SPX highs, even as the market digests a year that's been anything but perfect. "Stocks for Stability" and "Dogs of War" (including MSFT, MS, BKNG) are the standout picks, with a focus on names that have delivered double beats for eight straight quarters.

Chaos and Perfection-A Market in Flux: 2026 YTD has been a test-AI disruption, credit scares, wild swings in precious metals, government shutdowns, and real geopolitical conflict have kept investors on edge. But the recent U.S./Iran ceasefire, with oil dropping and extreme bearish hedges being unwound, has catalyzed a powerful rally reminiscent of past March/April inflections. Forward returns after vol/geopolitical spikes have been double-digit positive 12 months out.

Earnings-The Real Driver: Despite the oil shock, 1Q26 earnings are shaping up to be robust, with SPX 2026 consensus EPS revised up from $312 to $320 (+17% YoY consensus; +11% house view). This is not just about Energy (up 26%), but also Info Tech (+40%) and Materials (+28%). Years with 10%+ EPS growth have historically produced 13% average SPX gains, up 10 of 11 times since 1996.

Guidance Games-Investors Won't Get Fooled Again: Companies are likely to use oil volatility as cover for conservative or withdrawn guidance (just like during the 2025 tariff drama), but the lesson from last year is that estimate cuts don't always mean stock pressure-especially with the current strong earnings trajectory.

Where to Hide-Stability and Value in Chaos: The playbook: tilt toward "Stocks for Stability" and "Dogs of War" trading below pandemic trough P/Es, especially those with a perfect record of double beats (EPS & sales) over the last eight quarters. Tech is now "value" with NDX trading at its lowest P/E premium to SPX post-pandemic. MSFT, MS, and BKNG stand out with both high short interest and a proven track record.

Catalysts and Macro Backdrop: Short/hedge covering and earnings momentum are expected to push SPX to 7,000 in 2Q and 7,750 by YE 2026. Credit spreads have tightened back to 2H25 ranges, signaling low recession risk and contained tech stress. The labor market remains fragile but stable, with the expectation that unemployment will hold steady, barring a deeper energy shock.

Additional Key takes:

- **Bearish Positioning Unwind:** Investors came into March heavily hedged; the ceasefire and oil drop triggered a major squeeze, with more fuel left for upside as hedges are unwound.
- **Sector Leadership:** Energy, Info Tech, and Materials are driving the EPS revision wave. Tech, often seen as stretched, is now attractively valued vs. the broader market.
- **Short Interest as a Tailwind:** Names like MSFT, MS, and BKNG-each with two-year high short interest-could see outsized moves as shorts are forced to cover into positive prints.
- **Macro Risks Remain:** Inflation and affordability fears haven't disappeared-persistent $4/gal gasoline and food inflation are still a threat if supply shocks return.
- **Financials-Not All Bad News:** While the broad sector has lagged, large banks have held up and regional banks are higher YTD, suggesting credit contagion is not spreading.
- **India-Growth Without Equity Outperformance:** Despite robust macro, Indian equities have lagged global peers and remain vulnerable to global energy shocks and IT services volatility.

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Weekly Economic Report

Inflation Wave From Oil Arrives, Consumer Looking Weaker

Headline inflation just got a jolt from gasoline, with March CPI up +0.9% m/m and energy alone accounting for three-fourths of the move. Underlying inflation is actually a bit tamer, but the consumer is clearly feeling the pinch-sentiment just hit an all-time low and real spending is losing momentum. Investment and capex are still holding up, but the near-term consumer picture is definitely wobblier than it looked a month ago.

Inflation Pulse: The oil shock is front and center-gasoline prices up +21% in March drove the big CPI print. Short-term consumer inflation expectations jumped +100bp to 4.8%. That's a lot, but longer-term expectations are still anchored, which is a positive.
Core Trends: Core CPI (+0.2%) and core services ex-housing (+0.2%) both came in better than feared. Services inflation looks less sticky this month, and the "supercore" (core services ex-housing) stepped down to +0.18% m/m.
Consumer Weakness: Real spending is underwhelming (+0.1% m/m), and sentiment just set a new record low. Downward revisions to Q4 GDP and weak Feb data mean less momentum heading into the current oil shock.
"Oil Tax" vs. Stimulus: The gasoline "tax" is now offsetting almost half the benefit from the One Big Beautiful Bill tax cuts. If prices hold, the lower 50% of households will feel it most.
Capex and Profits: Q4 corporate profits soared +28% q/q a.r. (+10% y/y). Nondefense cap goods ex-aircraft orders and shipments are still rising, pointing to resilience in investment and manufacturing-even if the data is a bit stale post-Iran.

Additional Key takes:

- **Labor Market:** Initial claims ticked up but remain low at 219k. The labor market is stabilizing, but at a softer level-almost zero net payroll gains, with both low hiring and firing.
- **Wages & Income:** Wages and salaries up just +0.2% m/m, with real disposable income down -0.5%. The consumer cushion is getting thinner.
- **AI Capex Spillover:** Computer software & accessories prices are rising, likely reflecting AI capex. Tiny in CPI, but more meaningful in PCE (1.1% of index as of Feb).
- **Supply Chains:** ISM services PMI input prices surged nearly +8pp in March as energy costs spiked. GSCPI (supply chain pressure) ticked up, but is still well below pandemic highs.
- **GDP Outlook:** Current tracking for 4Q/4Q real GDP is +2.2% y/y (down from +2.8% pre-war), assuming the ceasefire holds. Strong investment tailwinds vs.

meaningful consumer headwinds.

- **Tax Refunds:** IRS data shows refunds are about $350 higher than last year, but rising gas prices are eating into that benefit fast.
- **Shelter/OER:** Shelter OER rose +0.3% m/m in March. Expect a bigger jump in April as the survey rolls over from the missed Oct report during the 2025 shutdown.

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View Report

Political Analysis

Trump Responds to No Deal in Islamabad with Naval Blockade of Strait, Setting Up High-Risk Days Ahead—But Neither Side Ruling Out Additional Dialogue

Naval blockade of the Strait of Hormuz marks a clear escalation following the expected stalemate in Islamabad, setting up a period of heightened risk and volatility-though both sides still leave the door open to further talks. Markets likely to remain on edge as the situation evolves, with attention shifting to any signs of de-escalation or additional dialogue.

Strait Blockade and Market Tensions: The U.S. move to block Iranian oil flows through Hormuz is a significant step up in pressure, introducing new risks of direct confrontation and likely weighing on risk assets in the near term.
Dialogue Not Off the Table: Despite the saber-rattling, neither side is fully closing off the prospect of renewed discussions, suggesting that escalation is still being used as leverage rather than a prelude to all-out conflict.
Negotiation Dynamics: Vice President Vance's hardline rhetoric post-Islamabad is a short-term negative for sentiment, though it's seen as part of a broader negotiating playbook rather than a signal of imminent breakdown.
Focus of Talks: Core sticking points remain: Iran's nuclear program, sanctions relief, and the status of the Strait. These are tough but not impossible to bridge, whereas issues like proxies and regional military presence are likely to remain unresolved and keep tensions simmering.
Strait Operations and Risk of Incident: U.S. Navy mine-clearing operations are

underway, with more assets expected. While successful clearance would help restore confidence, the risk of Iranian interference remains a persistent threat to stability in the Strait.
Israel-Lebanon Dynamics: Israel continues its campaign against Hezbollah, operating outside the Iran ceasefire. Direct talks between Israel and Lebanon in Washington are notable, but Netanyahu's domestic pressures and alignment concerns with the U.S. could limit flexibility at the table.

Additional Key takes:

- **Near-term Volatility:** Blockade and risk of naval confrontation likely to keep oil and broader markets jumpy until there's more clarity on next steps or a credible path back to talks emerges.
- **Strategic Posturing:** Despite the optics, the underlying view is that Trump is still aiming to avoid a slide into open conflict, using escalation as a tool to force engagement rather than as an end in itself.
- **Ceasefire Fragility:** Ceasefire in the Strait remains fragile, with both operational and political risks that could quickly reignite tensions if mismanaged.
- **Regional Complexity:** Multiple unresolved issues-especially those tied to proxies and military postures-mean that even best-case scenarios don't offer a clean resolution, keeping the risk premium elevated for now.

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Capital Markets Chronicle

Morning Thought

Geopolitics and a lack of progress in Mideast ceasefire talks have left global markets on edge to start the week, with risk assets under pressure and Treasury yields climbing. Key U.S. data this week-PPI, existing home sales, regional Fed surveys, and industrial production-are all second-tier, but could still nudge sentiment, especially with energy-driven inflation in focus.

Inflation Watch: PPI is expected to pop in March, mostly on energy, but the real signal will come from the core strips (ex-food/energy and ex-food/energy/trade). These are the numbers to watch for any surprises that might move the Fed needle.

Housing Market Pulse: Existing home sales probably saw a bump last month, but overall, the spring selling season has been sluggish. Buyers and sellers alike seem to be waiting for more clarity on rates and affordability.
Industrial Activity: Industrial production likely outperformed consensus, hinting at some underlying resilience in the manufacturing sector despite broader macro headwinds.
Central Bank Chatter: Chicago Fed President and Fed Governor Barr are both on deck to speak, but expectations are for little in the way of policy fireworks.
Global Macro: Canadian housing and the UK visible trade balance are both expected to deteriorate, adding to the cautious tone overseas.

Additional Key takes:

- **Rates & Credit:** Treasury yields are up (10-year at 4.33%), with the curve steady but global sovereign yields also moving higher. U.S. credit spreads edged tighter Friday, but the overall risk backdrop is less constructive to kick off the week.
- **Commodities:** Oil is rallying on the U.S. blockade of Iranian exports, while gold and bitcoin are both lower-suggesting a rotation in safe haven flows.
- **FX & Policy:** Dollar is little changed, but European policy action is in focus, with Germany and others pushing $1.9 billion in fuel price relief. Italian sovereign sentiment is turning more negative.

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Daily Economic Report

Weak Demand For Existing Homes

Existing home sales dropped -3.6% m/m in Mar as mtg rates climbed higher. Affordability remains a constraint, though inventory has steadily improved from its 2023 lows. Prices improved +0.5% m/m; the level of prices has flattened recently. With a softer labor market, mtg rates back over 6.30%, and declining consumer sentiment, the housing market looks unlikely to improve in Apr.

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China Research

China 'Sat Nite' – Reflation, Services, Iran War, Taiwan, DPRK

Top-level service sector focus signals policy tailwinds ahead, but consumption and manufacturing data remain a mixed bag. Geopolitical frictions are reshaping export dynamics and Beijing's foreign policy calculus. Recent data and events point to a more nuanced outlook than headlines suggest.

Services get a front-row seat: Beijing's highest-level conference yet on the service sector signals a clear shift in policy priority-think more targeted support and a likely bright spot for growth into 2026 and beyond. The sector's now 58% of GDP, up from 36% in 2012, and should see more action from policymakers as they look for new growth levers.
Tourism spending: more trips, less wallet: Despite a bump in trip numbers over the Tomb Sweeping holiday, per-trip spending actually fell again, echoing Chinese New Year weakness. Inbound tourism is growing fast (thanks to looser visa rules), but it's still a drop in the bucket compared to domestic travel. The urgency to boost consumption is showing up in more relaxed entry policies.
Producer prices: optics vs. reality: PPI turned positive for the first time in 41 months, but this is more about an energy shock from the Iran war than any real demand recovery. If Middle East tensions ease, PPI could slip back into the red. No real case for a monetary policy shift here.
Iran conflict flips the script for green exports: China's NEV exports soared 140% y/y in March, offsetting weak domestic sales and helping the auto sector punch above its weight in exports. The Iran war has nudged buyers and governments alike toward electrification, and China's supply chain is well-placed to ride this tailwind.
China-Russia: united front, different motives: Vetoing the Hormuz resolution at the UN looked coordinated, but motivations diverged-Moscow benefits from the closure, while Beijing's main concern is avoiding escalation that could force it to pick sides.
China-North Korea: engagement heats up: Resumption of flights and high-level visits hint at Pyongyang's gradual reopening. Several scenarios are in play-Xi may be leveraging Kim ahead of a Trump summit, or Beijing could be facilitating dialogue as a transactional favor. A Xi-Kim meeting before Trump's Beijing trip looks increasingly likely.

Taiwan cross-straits politics: pragmatic moves: Xi's meeting with KMT's Cheng Li-wun is all about political utility. For Xi, it's a way to reinforce peaceful engagement narratives and slow DPP's defense push; for Cheng, it's a shot at boosting her standing within the KMT, despite internal resistance.

Additional Key takes:

- **Service sector in the spotlight:** Policy support for services is set to intensify, with growth momentum likely to outpace other sectors in the coming years.
- **Consumption remains a concern:** Stagnant per-trip spending highlights the need for stronger demand-side measures, especially if tourism is to be a meaningful growth driver.
- **NEV exports cushion domestic softness:** March export surge more than made up for weak home sales, showing just how critical global demand is for the sector.
- **PPI bounce is fragile:** The positive print is more about energy prices than real economic momentum-don't expect a policy pivot on this alone.
- **Geopolitics shaping trade and diplomacy:** Beijing's balancing act in the Gulf and on the Korean peninsula underscores its preference for stability and leverage, not escalation.

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View Report

Eco Data Outlook

Between the Numbers

Core inflation signals next week should stay contained, but headline PPI will pop on energy-won't likely change the Fed's tone unless core also surprises. Regional Fed surveys, existing home sales, and industrial production all get their moment in the sun, but none look poised to meaningfully shift the macro narrative.

Inflation pulse: Headline PPI likely jumps in March on energy, but core readings (ex food/energy and ex food/energy/trade) are the real focus and should remain subdued-no alarm bells for now.
Spring housing: Despite a modest uptick in March, existing home sales remain well below demographic demand. The spring selling season has been soft, with mortgage apps and pending sales stuck in a rut.

Industrial production: March likely saw a solid gain, but probably not as strong as consensus expects. Still, a step in the right direction for manufacturing activity.
Labor market: Unemployment claims are expected to tick down to 215K after last week's wobble. The overall range-bound trend since 2022 remains intact, with no real sign of labor market stress.
Consumer sentiment: High retail gasoline prices are dragging on consumer mood, and if they stick around into driving season, the risk to spending rises. So far, though, the hit hasn't shown up in broader consumption data.
International watch: Canadian housing starts and U.K. visible trade balance both likely to disappoint, adding to global growth headwinds.

Additional Key takes:

- **Headline inflation vs. core:** Energy-driven headline PPI surge is less relevant to policy than the stickier core measures, which are expected to stay tame.
- **Housing:** Even with a March bounce, demand is still well below what demographics would suggest-supply constraints and affordability issues linger.
- **Labor:** Claims volatility last week spooked markets, but the underlying trend remains steady-no meaningful sign of cracks yet.
- **Consumer risk:** The real channel to watch is consumer spending if gas prices remain elevated; sentiment has already taken a hit, but spending hasn't rolled over.
- **Overseas:** Both Canada and the U.K. are flashing weaker signals, which could amplify concerns about global demand as we move into Q2.

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View Report

Company Survey Report

Company Surveys Strengthen To 52.2, Just Below 2-Yr. High.

Company Surveys ticked up again to 52.2, just shy of recent highs, with consumer-facing sectors showing real momentum. Retailers and restaurants both saw standout weeks, while the overall survey average remains comfortably above levels associated with recession risk.

Consumer activity: Retailers posted their best sales since September '22, up sharply on the back of holiday spending, improved weather, and higher tax refunds. Restaurants also notched a solid gain, with new marketing and the holiday giving sales a boost.

Business spending & employment: Cap goods demand is trending higher and C&I lending is picking up. Employment activity is stabilizing, with temp-to-perm conversions improving (albeit at a slower pace), and the employment survey at its highest since last August.

Autos & airlines: Auto dealers and airlines softened after strong March data, with some normalization post-weather disruption and earlier surges in bookings.

State tax receipts: March saw a notable improvement in state tax collections, confirming solid nominal activity and a rebound from February's weather-driven dip.

Investor sentiment (Flash Survey): Most investors expect an extension of the Strait of Hormuz ceasefire, though nearly half see Iranian control persisting into May. 60% see the next 10% S&P move as up, but oil bullishness has faded modestly since March. Geopolitical conflict remains the top risk, with inflation concerns rising and credit fears easing a bit.

Additional Key takes:

- **Retail & restaurant sales:** Both categories are seeing broad-based strength, especially in discretionary and staples during the holiday week, with some expected normalization ahead.
- **Employment trends:** Temp employment is stabilizing, and conversion to permanent roles is improving, though at a more measured pace than last quarter.
- **Industrial activity:** Cap goods are a bright spot, but manufacturing remains a bit soft. Trucking continues to grind higher, led by TL carriers.
- **Macro pulse:** Company surveys remain comfortably above recessionary levels, with breadth still positive on an 8-week average.
- **Investor positioning:** Sentiment is constructive but not euphoric, with geopolitical risk still front of mind and a modest pullback in oil bullishness.

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View Report

Weekly Survey Charts

Weekly Company Survey Charts

Broad improvement across most U.S. consumer and industrial surveys to start April, with retail, restaurants, and shipping notably stronger, while China and Europe remain persistently soft. Airline and trucking momentum faded a bit after recent surges, and housing data continues to show uneven footing between new and existing markets.

Consumer Pulse: Retailers posted their strongest sales since late 2022, up sharply on the back of holiday demand, tax refunds, and better weather. Restaurants also saw a sizable jump, with consumers picking spots and timing carefully but showing more willingness to spend around events and promotions. Used vehicles remain a bright spot at auto dealers, even as new car sales and financing availability tighten. Consumer staples cooled a touch but are still holding up, with some trade-down to value and private label.

Housing & Real Estate: Spring selling season for new homes is described as "a little slow," but better than last summer. Public homebuilders hold up better than privates. Inventory of existing homes remains tight, with 65% of agents reporting lower-than-normal supply. Mortgage access is still better than normal, but not quite as easy as early in the year. House price gains are strongest in suburban and rural markets, and the share of contracts failing to close is trending down from last year's highs.

Industrial & Transport: Shipping and air cargo both improved, with shipping at a multi-month high thanks to dry bulk strength, and air cargo benefitting from trade route shifts and successful price increases. Trucking demand ticked higher, led by truckload, and the broad transport index is up on better activity across the board. Airlines gave back some recent gains as booking strength normalized post-holiday/conflict, and higher fuel costs remain a headwind.

Employment & Wages: Hiring activity is steady, with temp employment showing more resilience than permanent placement. Wage pressure has softened slightly, and labor availability is improving, helped by easing immigration policy impacts. Conversion of temp to perm remains healthy, signaling underlying confidence, but clients remain selective and strategic in hiring, especially around AI and automation roles.

Macro & Policy: State tax receipts rebounded, led by corporate and sales taxes. Minimum wage hikes across 23 states and D.C. are set to lift base pay further in 2026, mostly inflation-linked but with a few outsized jumps.

International: China sales surveys remain stuck at weak levels, giving back early-year progress as both tech and chemicals slow. Europe is also soft, but holding steady after recent improvement, with most strength in industrials.

Market Positioning & Sentiment: Hedge funds and long-onlys slightly increased net exposures, with a tilt back toward defensive sectors after a cyclical push earlier in the year. Investor sentiment is more bullish on the next 10% move in the S&P 500 (60% see it higher), but geopolitical/military conflict is still the top risk, followed by inflation. Oil price expectations are mixed, with a slim majority seeing the next move as higher.

Additional Key takes:

- **Dental demand:** Purchase intent for dental equipment ticked up from cycle lows, with intraoral scanners seeing the most interest. Dentists are optimistic on patient base and practice growth, but cite staffing and recession risk as concerns.
- **Auto aftermarket:** Order levels remain solid, especially for maintenance and failure parts, and promotions are still below normal. Retailer channel is outpacing

dealer channel.

- **Apartment rents & traffic:** Rents are stabilizing, traffic is better than last year, and "move out to buy" remains below normal but is ticking higher. New supply is still a drag on rent growth, especially in the Southeast and Southwest.
- **Homebuilder labor & inventory:** Labor availability has improved, with wage growth slowing slightly. Inventories are now "about right" after being too high last summer.
- **Ad sales and small business:** Shopping guide ad sales remain challenged, as small businesses, auto dealers, and restaurants stay cautious on marketing spend outside of real estate.
- **Macro flash survey:** Most investors expect the Iran ceasefire to be extended and see Iran controlling the Strait of Hormuz by May. Geopolitical risk is the clear top concern for equities, but the mood has turned more constructive on the S&P 500's upside potential.

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View Report

Flash Survey

Flash Survey: Iran Post-Ceasefire, Oil Price, S&P 500, Hormuz Control, Biggest Risk.

Ceasefire expectations are leaning optimistic, with 60% of investors seeing an extension as the most likely outcome, but a meaningful 36% still expect tensions to flare or the truce to break before April 21. S&P 500 sentiment has turned notably more bullish, while oil direction is still skewed higher, though with fading conviction.

Ceasefire Outlook: Majority expect the truce to hold a bit longer, but there's still a sizable camp bracing for renewed escalation. The split highlights persistent uncertainty on the ground and in markets.
Strait of Hormuz Control: Nearly half see Iran controlling the Strait by May 1, with only a third expecting shared oversight with U.S./Allies. Confidence in international or neutral control is low.
Oil Price Direction: 54% see the next $10 move in crude as up, but that's down from 62% post-conflict-suggesting bullishness has moderated as the war drags on and some tail risks are priced in.
S&P 500 Direction: Bullish tilt returns: 60% now see the next 10% move in the S&P

as up, a clear shift from the 50/50 split that's dominated since hostilities began. Still, optimism hasn't reached the highs from earlier in the year.

Top Risks to Equities: Geopolitical military conflict remains the #1 concern, with inflation creeping up as the second-biggest worry. Economic growth is a distant third, and credit risk has faded in the background.

Additional Key takes:

- **Ceasefire extension favored, but not a done deal:** The market is cautiously positioned for a pause, but not discounting the risk of renewed conflict.
- **Hormuz anxiety persists:** Control by Iran is seen as the base case, which could keep a floor under crude and stoke risk premiums across assets.
- **Oil bullishness softening:** Investors are less convinced of a sharp move higher in crude than they were at the war's outset-watch for changing positioning as headlines evolve.
- **S&P 500 sentiment improving:** The balance has tipped back toward risk-on, but not with the exuberance seen pre-conflict. Still, more are betting on upside than at any point since hostilities began.
- **Risks are shifting, but geopolitics still dominate:** Inflation is gaining as a concern, but military conflict is still the headline risk for equity investors.

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Equity Strategy

Déjà Vu, Bull vs. Bear: The Take From “The Best 30 Minutes on Wall Street” - April 10, 2026

Bullish unwind of historic hedges sets the stage for a retest of YTD highs, with the "War Policy Pivot" echoing past market turning points. Geopolitical risk is being reframed as a buying opportunity for stocks, even as oil prices remain an overhang. Earnings season and the 4/21 ceasefire deadline are next week's big catalysts.

Turning Points (Deja Vu): April's "War Policy Pivot" lands right in the sweet spot for historic market inflections-think 2025's "Tariff Pivot," 2020's "Pandemic Pivot," and 2009's "GFC Capitulation." Market history doesn't repeat, but in D.C., it sure does rhyme.

Unwinding Bearish Hedges: Unprecedented hedging across stocks, credit, and bonds is only just starting to unwind, providing "fuel" for further upside as even negative headlines are met with dip buying.
Geopolitics as Opportunity: Ceasefire talks and high hedge levels mean even adverse headlines could be shrugged off-unless Iran walks away from negotiations. "Good news is good news, no news is good news, only very bad news is bad news."
Earnings Resilience: Earnings season kicks off next week and results are expected to be strong. Even conservative guidance or guidance pulls (a la DAL) aren't likely to spook investors, given last year's pattern of guidance resets followed by upward revisions.
Bull Market Base Case: Structural bull remains intact. The unwind of hedges is expected to push stocks toward 7,000 in 2Q and new all-time highs later in 2026.
Stock Selection - Stability & Value: For those looking to play defense, "Stocks for Stability" and "Dogs of War" (with NTM P/E below pandemic troughs) are the go-to lists. Tech is morphing into value, with NDX 100 NTM P/E now back at pre-pandemic relative lows.
Reasons for Bullishness: Strong earnings, positive forward returns after geopolitical/VIX spikes, and a resilient economy all underpin the constructive outlook.
Reasons for Bearishness: Oil, Oil, Oil. Persistently high oil prices are the main threat-historically, they can drag down both stocks and the economy. Political urgency is rising to get oil and gasoline prices down before the midterms; if WTI doesn't fall below $90 and gas below $4 by Memorial Day, medium-term damage could be done.

Additional Key takes:

- **Hedge Unwind:** Still in the "early innings" of unwinding massive bearish positioning, which should continue to support risk assets.
- **Geopolitical Playbook:** Last 40 years show geopolitical crises are as much about opportunity as danger-market tends to rally as risk is repriced.
- **Macro Watch:** Ceasefire deadline (4/21) and ongoing talks with Iran are the biggest near-term swing factors-market is pricing for a constructive outcome, but remains vulnerable to a true breakdown in negotiations.
- **"Stocks for Stability" & "Dogs of War":** Defensive and deep value names are in focus for a "normalizing" macro backdrop; let us know if you want the lists.
- **Tech as Value:** Tech's P/E discount to SPX is back to pre-pandemic levels, making it increasingly attractive for value-oriented investors.
- **Oil Pressure:** If oil and gasoline prices don't break lower soon, the risk of economic drag rises into the summer.

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Evercore ISI Podcasts

Evercore ISI's Weekly Macro and Fundamental Spotlight: Our 30 Minute (or less) Analyst & Strategist Podcast

Channel checks point to strengthening chip fundamentals, with broad-based improvement in demand and pricing across analog and MCU, while AI and datacenter end-markets remain especially hot. Macro backdrop remains stable with state tax receipts confirming solid nominal growth, but Middle East policy risk and supply chain disruptions linger.

Macro & Policy Framework: State tax receipts are tracking well, supporting a view of steady nominal growth. However, the two-week ceasefire between Iran and the West is off to a fragile start, with lingering uncertainty over the Strait of Hormuz and ongoing negotiation risks. Expect a slow normalization of shipping traffic and only incremental progress on talks, while Congress returns to a packed agenda including metals and pharma trade issues.
Semis & Supply Chain: Analog/MCU demand is improving quarter-over-quarter, with lead times now stretching as far as 99 weeks and expedite requests on the rise. Backlogs are building, and allocation is spreading beyond memory into other chip categories. Multiple rounds of price hikes are coming through-16 companies raised prices this quarter, including notable moves by TXN, NXP, and IFX.
AI, Datacenter, and Vertical Markets: AI, datacenter, drones, aerospace/defense, and robotics are all running red-hot, driving robust chip demand and exacerbating supply constraints. Memory in particular is being bid away from auto and industrial users toward AI buyers willing to pay more, with some downstream effects like product shutdowns in unrelated sectors (e.g., laundromat machines).
Supply Risks & Geopolitics: Shortages are broadening, with every chipmaker now seeing at least 1-2 products on allocation. Military demand is getting priority, and Mideast disruptions remain a wild card-Qatar supplies 35% of global helium for semis, and there's exposure to precious metals, resin, and energy supply, particularly in Southeast Asia. Some mitigation is in place (e.g., six months of helium inventory), but risks are non-trivial.

Additional Key takes:

- **Backlog and visibility:** OEMs are placing longer-lead orders, and last-minute requests are increasingly going unfulfilled, suggesting further upside for chip pricing and margins if demand persists.
- **Price hikes spreading:** Not just a memory story-analog, MCU, and legacy products are all seeing price increases, with some legacy chips up as much as 85%.

AI memory demand: AI is crowding out other buyers, with memory BOMs now exceeding the price of entire end-products in some cases, and some non-AI verticals forced to halt production due to lack of supply.

- **Mideast supply chain watch:** Energy and material flows from the Middle East are a growing concern, especially if the ceasefire falters or if shipping at the Strait remains restricted.
- **Macro pulse:** No signs of a meaningful slowdown in nominal activity; tax receipts and surveys both point to ongoing resilience, even as policy and supply chain risks simmer in the background.

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20 April 2026

Macro Daily PULSE - *Policy, Surveys, Levels, Strategy, Economics*

Daily Macro Comment

Report

- **Lucky 13: Key Points**: * Lucky 13 is driving April 2026. 13 trading days from the March 30 low, pivot in 13th trading week of 2026 accelerating a hedge unwind, and EPS is supporting upside to 2026 SPX 7,750 YE (+13%). * Double digit S&P 500 EPS years and 12m fwd returns after geopolitical shocks average 13% for the index. But stay alert to Oil, 13+ weeks of $4/gal+ gas would inflict damage and risks to Stocks/Econ. * Base case 3/30 low is springboard to more upside; buy AI names in O/P Comm Svcs., Cons Disc. and Info Tech.; Focus skews to "Perfection Amid Chaos" stocks – MSFT, BKNG, NVDA among them. (Julian Emanuel)

- **Looking Past Iran And Focusing On Earnings; Hopefully Not Too Soon**: Markets seem to be moving past the Iran conflict and refocusing on earnings. Earnings are strong. Looking at this week's eco data: a mixed set of reads on inflation, though on balance not too bad. Despite a lackluster report for IP in March, early mfg readings for Apr are showing strength. (Krishna Guha)

- **US / FED – WALLER SUPPORTS RATE CUTS LATER THIS YEAR IF THE STRAITS REOPEN**: Fed governor Waller said that in the scenario in which the Straits reopen, underlying inflation would continue to move towards the target of 2 percent, leaving him "cautious about rate cuts now and more inclined toward cuts to support the labor market later this year when the outlook is more steady." These remarks support our view that Fed rate cuts are delayed, but not derailed, and could possibly come later this year if the Straits reopen, which Waller believes is a scenario with a reasonable probability. Waller also considered a scenario in which the Straits remain closed, and the Fed faces high inflation together with a weak labor market. (Marco Casiraghi)

- **Between the Numbers:** Next week's economic calendar is filled with many second order market moving releases. Retail sales, flash PMIs and consumer sentiment are key metrics to watch. Retail sales should jump as gasoline prices are up over 22% and vehicle sales are solid. The regional Fed surveys and Evercore ISI company surveys indicates the flash mfg PMI should climb higher. (Stan Shipley)

- **China 'Sat Nite' – Infra Boom, Credit Slump, a Lot of Geopol:** Our weekly 7 China bullets below. • Infrastructure investment deserves credit & more attention • Household credit slump overstated the underlying picture • Behind the Sino-Vietnam "comrades & brothers" relations • Beijing's attempt to leverage Madrid in the EU carries risks • China fast-tracking efforts to enhance gas supply security • Taipei leverages energy shock to highlight Beijing's threat • Strategic composure of Beijing can withstand Trump's test   (Neo Wang)

- **Morning Thought:**   Treasury yields are modestly higher over the weekend. The 10-year yield is up +2bps at 4.261%. Other major developed global sovereign yields are mixed. Most are following Treasury yields except for France and Japan. Bitcoin, the dollar and gold are lower over the weekend, while oil is higher. U.S. credit spreads were little changed on Friday. Bond investors are increasing their positions for a steeper yield curve. Asia bonds holdings witnessed the largest outflow in 4 years. This is especially true for India. Foreign travel to Greece surge. China left lending benchmarks unchanged for the last 11 months. A large earthquake hit the east coast of Japan, north of Tokyo.   (Stan Shipley)

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Macro Research Today

Equity Strategy

Lucky 13: Top of the Market's Mind

"Lucky 13" is more than superstition-April's 13th trading day marked a decisive pivot, with the S&P 500's March 30 low looking more and more like a springboard for further gains into 2026. Double-digit EPS growth years have a strong track record (+13% average return), and hedge unwinds are helping fuel the rally, especially as AI-centric names in Comm Svcs, Cons Disc, and Info Tech look attractive on valuation and sentiment resets. Still, don't lose sight of the risk: 13+ weeks of $4/gallon gas would be a real headwind for stocks and the economy. "Perfection Amid Chaos" is the theme-MSFT, BKNG, NVDA, and other names with consistent double beats and high short interest remain favored.

Hedge Unwind & Technicals: The 13th trading week of 2026 coincided with peak bearish hedging in both stocks and credit; as the S&P 500 broke through 7,000, a sharp unwind began-fueling more upside and volatility as bearish positioning gets squeezed out.
Earnings Power: 1Q26 earnings season is tracking ~13% growth, reinforcing a double-digit EPS year ahead. Since 1996, 10 out of 11 years with 10%+ EPS growth saw the S&P 500 finish higher, averaging +13% returns.
Geopolitical Reset: Despite this being one of the riskiest macro backdrops in decades, history shows markets tend to outperform 12 months after peak geopolitical risk-average +13.6% 12m forward returns post-shock.
Oil & Gasoline Watch: Sustained $4+ gasoline for 13+ weeks (into July 4) would

inflict lasting damage to consumer sentiment and stocks-making a pullback in prices as important for D.C. as for markets.
AI & Tech Valuations: NDX 100 P/E premium to S&P 500 is at pandemic lows, supporting a continued bias toward AI-centric names in O/P rated sectors. Tech's relative value is compelling, especially with "perfection amid chaos" stocks showing strong earnings beats, attractive valuations, and high short interest.

Additional Key takes:

- **Money on the Sidelines:** Money market fund assets have surged to ~$8T, providing dry powder for risk assets if geopolitical worries subside and "animal spirits" return-potentially juiced by blockbuster IPOs (SpaceX, OpenAI, Anthropic) in the pipeline.
- **Crypto Sentiment:** Crypto winter may be thawing, with Bitcoin breaking its downtrend and speculative appetite improving-mirroring broader risk-on sentiment in software and tech.
- **Macro Outlook (Evercore ISI team):** 2026 US GDP seen at 2.2%, PCE inflation at 2.7%, 10-year yield at 4.3%, and a base case of 1-2 Fed cuts. Oil forecasts: $82/bbl (WTI), $88/bbl (Brent).
- **Capital Markets Activity:** M&A and IPO activity picking up, but not yet frothy-suggesting more room for risk appetite to grow before bubble risks become a concern.
- **Upcoming Data:** Watch for retail sales (4/21) and S&P PMI (4/23) as next catalysts.
- **Risks:** Prolonged high gasoline prices and a resurgence in geopolitical tension could derail the bullish narrative-keep a close eye on both as summer approaches.

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Weekly Economic Report

Looking Past Iran And Focusing On Earnings; Hopefully Not Too Soon

Markets shrugged off Iran headlines and zeroed in on earnings, sending the S&P 500 to a fresh high and pushing oil down to $91. A choppy weekend in the Straits keeps geopolitical tension alive, but the focus is shifting back to fundamentals-strong earnings, mixed but manageable inflation, and the start of an AI-driven capex wave.

Geopolitics vs. Fundamentals: Saturday's renewed Straits closure drama shows how fragile the interim calm is, with both near-term and long-term Iran risks sticking around. But, as discussed with Dale (ex-BP/BoE), even in a best-case scenario, energy markets will need 3-4 months to stabilize.
Oil & Inflation Dynamics: Brent rolled off highs, and gasoline should stay around $4 this summer-sticky for consumers, but not a new shock. PPI came in softer than feared, and core PCE is tracking a manageable 3.1% y/y. AI capex and memory chip price spikes could add 10-20bps to core PCE, so some cost spillover is coming, but it's not a runaway story yet.
Manufacturing & Capex Trends: April's early regional Fed surveys (Empire/Philly) are solid, with new orders and shipments up-domestic demand is there, and the ISM mfg PMI is likely to print strong. March industrial production was a disappointment, and small business optimism/capex plans remain in the doldrums. Most capex is still hyperscaler/AI-led.
Labor Market & Housing: Unemployment claims are low, but the overall labor market is "low-firing, low-hiring"-wage pressures look contained for now. Housing is still stuck: higher rates, weak sales, and homebuilder sentiment rolling over.

Additional Key takes:

- **Energy markets:** Even with the Straits "reopened" Friday, hardliners reversed course Saturday-headline risk isn't going away, and normalization will be slow.
- **Inflation:** PPI and CPI prints suggest core PCE is cooling, with trade services inflation rolling over and food helping the headline.
- **AI spillover:** AI-related capex and memory price surges are starting to bleed into consumer prices, but the impact is incremental (10-20bps) rather than disruptive.
- **Capex leadership:** Large corporates are still driving the investment cycle, while small business remains cautious and on the sidelines.
- **Housing:** Spring selling season is slow, with more promotions and little sign of a pickup-higher mortgage rates keep a lid on activity.
- **Looking ahead:** The base case is for stronger investment-led growth into 2026, but confirmation in the data is still needed before getting too excited.

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View Report

Economics & Central Banking Strategy

US / FED – WALLER SUPPORTS RATE CUTS LATER THIS YEAR IF THE STRAITS REOPEN

Waller continues to keep the door open for rate cuts later this year, but only if the Straits situation resolves and inflation resumes its move toward target-so the recent optimism around US-Iran talks is a subtle but important swing factor. The main risk: if the Straits remain closed and inflation stays sticky, the Fed is likely to hold rates steady rather than hike, but the bar for actual easing is now higher and more conditional on global events. Improved odds of a benign scenario (Straits reopening) lift the probability of cuts, but the labor market's underlying fragility is increasingly in focus.

Fed policy path (scenario-dependent): Rate cuts are still in play for later this year if supply shocks fade and inflation trends back toward target. Waller is not ready to move now, preferring to wait for more clarity. If the Straits remain closed and inflation persists, don't expect hikes, but also don't expect cuts-just a longer hold.
Labor market dynamics: Waller flags a structural shift-immigration is down, population is aging, and breakeven job growth is now "close to zero." This means weak or even negative payrolls may not signal recession the way they used to, but the labor market is still fragile, with firms hesitant to hire or fire. The risk: a negative shock could break today's low-hiring, low-firing standoff, leading to sharper job losses.
Inflation risk assessment: Waller is increasingly wary of looking through "transitory" inflation shocks-tariffs first, now oil. He's cautious about repeating the 2021-22 mistake of underestimating persistent price pressures, especially as energy prices spike post-Iran war.

Additional Key takes:

- **Fed's reaction function is more balanced but cautious:** Waller's baseline is still dovish, but he's signaling a higher bar for cuts-he wants to see both inflation progress and labor market stability before acting.
- **Labor market "tightrope" is getting riskier:** Firms are stuck between not wanting to lose workers (after past hiring headaches) and not wanting to add headcount in an uncertain environment. If consumer spending rolls over, job losses could accelerate quickly.
- **Headline inflation will likely stay elevated in the near term:** Oil and gasoline are already feeding through to higher inflation prints, complicating the near-term path for policy easing.
- **Breakeven payrolls are now "close to zero":** Waller is prepping the market for weaker jobs data not necessarily being a recession signal-so don't overreact to soft payroll prints in coming months.
- **Benign scenario odds have improved, but not guaranteed:** Recent US-Iran developments tilt the odds toward a more constructive outlook, but geopolitical risk remains elevated and could still derail the path to rate cuts.

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View Report

Eco Data Outlook

Between the Numbers

Resilience remains the theme: Despite high gasoline prices and persistent uncertainty, March retail sales tracked well above expectations and risk of recession continues to fade. Flash PMIs and consumer sentiment are next week's key swing factors; watch for a potential upside surprise in manufacturing.

Retail Sales Dynamics: March retail sales likely jumped +2.0% m/m, with gasoline (+34%) and steady auto sales providing the bulk of the lift. Control group sales also solid, pointing to broad-based consumer activity. The tax cut from BBB is still offsetting the drag from higher fuel costs.
Consumer Behavior Shift: Spending patterns remain more cautious than historical norms, especially ex-autos/gas/building materials. Lingering uncertainty around tariffs, employment outlook, and now geopolitical risks are keeping some wallets closed, but not dramatically so.
Manufacturing Outlook: Regional Fed surveys and proprietary company checks flag an improving flash mfg PMI for April. However, employment components within these surveys are still soft, so any upside on the headline will need confirmation from jobs data.
Labor Market: Unemployment claims expected to tick up to 210K (from 207K), but remain in a tight range-no meaningful signal of cracks in the labor market yet. Floating holidays aren't distorting the data.
Market Volatility: MOVE index volatility has dropped sharply, reflecting growing confidence that near-term recession risk is off the table.

Additional Key takes:

- **Retail sales ex-volatile categories:** Control group numbers are holding up, suggesting the consumer remains engaged despite headline concerns.
- **Sentiment vs. reality:** Consumer sentiment is being dragged down by high fuel prices and "war" fears, but actual spending is proving resilient.
- **Manufacturing pulse:** April's flash PMI should show improvement, but keep an eye on the employment sub-index for confirmation of broader strength.
- **Labor market steadiness:** Weekly claims in a holding pattern, reinforcing the message of a still-tight jobs market.
- **Macro risk backdrop:** With most indicators beating expectations, the "hard

landing" narrative is fading fast.

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View Report

China Research

China 'Sat Nite' – Infra Boom, Credit Slump, a Lot of Geopol

Infrastructure investment quietly outperformed, helping drive China's upside GDP surprise in 1Q26-worth more attention than it's getting. Household credit data looks worse than it is, with consumption trends more resilient than the headline slump implies. Diplomatic chess in Asia and Europe unfolds with Beijing playing both offense and defense, while energy security and strategic calm remain front-of-mind for policymakers.

Infrastructure's unsung strength: Infrastructure investment was the clear standout in 1Q26, up 8.9% y/y-even on top of tough comps. Contrary to some market narratives, Beijing hasn't abandoned infrastructure; the recent pause was more about saving fiscal ammo for when it really matters.
Household credit-don't read too much into the slump: The sharp slowdown in household lending is not just a housing story. Pullback in auto loans post-incentives played a role, and the drop in short-term loans likely signals more liquidity and less need for mortgage saving-not a collapse in consumer appetite.
Sino-Vietnam relations-practical over ideological: Vietnam's new president made Beijing his first stop, but it's economic necessity, not just shared political DNA, driving the engagement. Vietnam needs Chinese tech and materials, especially with Middle East turmoil threatening key inputs like fuel and plastics.
Beijing's EU play-risk and reward: Beijing's bet on Spain as its new EU partner carries risk. Madrid's willingness to break ranks on tariff policy is helpful, but with Hungary no longer in China's corner, Beijing is exposed if Sanchez decides to leverage China's diplomatic vulnerability for his own gain.
Energy security-gas supply gets a boost: China is moving quickly to shore up gas supply, fast-tracking the Central Asia pipeline expansion with Turkmenistan. This adds much-needed diversification, especially as LNG flows from Qatar look shakier

post-Iran War.
Taipei uses energy fears to highlight cross-strait risk: Taiwan's government is using the current energy supply scare to spotlight the risk from Beijing, but might be overstating the case-geography and supply chains differ from the Middle East, and a blockade would hurt the global chip market as much as the region.
Strategic calm-Beijing unfazed by Trump or Middle East turmoil: China's leaders are keeping their cool, with energy risks still manageable and little incentive to get dragged into Middle East conflict. Claims that a US blockade would pressure Beijing don't hold up-higher oil prices would hit the US first. Meanwhile, China's green sector quietly benefits as global energy diversification efforts accelerate.
Auto and household goods-weakness to persist: Sales remain soft and aren't expected to bounce back near-term, with both sectors weighed down by structural and cyclical headwinds.

Additional Key takes:

- **Liquidity conditions:** Sovereign yields slipped on ample liquidity, giving the market some breathing room.
- **FX and equities:** CNY/CNH strengthened as the Iran War truce eased global risk-off flows. Local equities rebounded, with ChiNext leading the charge.
- **Export outlook:** Stronger currency basket could become a drag on exports, especially if global demand stays soft.
- **Policy signals:** Beijing's strategic patience is evident-support is being deployed with precision, not urgency, as policymakers balance growth with longer-term stability.

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View Report

Capital Markets Chronicle

Morning Thought

Retail sales should show a noticeable pop this week, with gasoline prices up more than 22% and vehicle sales holding firm-setting up for a potentially upbeat read on the consumer. Mixed signals elsewhere: Treasury yields are ticking up, global sovereign yields are a patchwork (notably for France and Japan), and Bitcoin, the dollar, and gold all drifted lower over the weekend, while oil is ticking higher.

Economic Data in Focus: Retail sales, flash PMIs, and consumer sentiment are the main events to watch. Expect a lift in retail sales, driven by energy and autos, and a likely improvement in the flash manufacturing PMI, based on regional Fed surveys and company-level inputs.
Rates & Credit: 10-year Treasury yields nudged up +2bps to 4.26%. U.S. credit spreads were essentially flat on Friday. Bond buyers are increasingly positioning for a steeper yield curve, reflecting a shift in rate expectations.
Global Macro Check: Developed market yields are mixed-France and Japan are the outliers. In Asia, bond holdings are up, especially in India. China kept lending benchmarks steady for an 11th straight month. A major earthquake struck Japan's east coast, north of Tokyo, but no immediate market impact noted.

Additional Key takes:

- **Consumer Pulse:** Strong gasoline and auto sales should provide a tailwind for retail data, hinting at resilient consumer spending.
- **Travel & Tourism:** Foreign travel to Greece is surging, adding to the positive narrative for southern European tourism.
- **Commodities & FX:** Bitcoin, the dollar, and gold all slipped over the weekend, while oil is on the rise-potentially stirring up sector-specific volatility.
- **Asia Watch:** India's bond market continues to attract foreign flows, a sign of growing international confidence in the region.
- **Calendar Note:** No major U.S. data releases today, so attention shifts to international developments and positioning ahead of the week's big economic prints.

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View Report

Political Analysis

The State of the Strait – Moving Towards a Tentative Resolution Even as Long-Term Risks Persist

Tentative progress in the Strait of Hormuz is easing some immediate market jitters, but the underlying risks are far from resolved. Short-term relief is real, but don't get lulled-longer-term geopolitical and energy market uncertainties still loom large.

Ceasefire and Strait Reopening: Iran's announcement that commercial traffic is fully open again and the 10-day Israel-Lebanon ceasefire are both helping to calm nerves and reduce immediate supply disruption fears.
Deal Chatter and Political Noise: Both sides are inching closer to negotiations, with the U.S. signaling caution-no senior officials at the table unless a breakthrough looks likely. Trump's posts suggest he expects a blockade on Iran to be short-lived, but there's still no concrete agreement.
Energy Market Implications: Iran has demonstrated it can rattle global oil flows, keeping a structural bid under crude prices even if near-term tensions cool.
Potential Agreement Structure: Any deal will likely be focused on uranium enrichment, economic relief, and Strait security, but will almost certainly lack the detail and durability of the JCPOA-think more handshake than contract.

Additional Key takes:

- **Fragile Resolution:** Even a short-term agreement would leave major issues (regional proxies, missile program) unresolved-expect the region to stay a source of market risk.
- **Oil Price Overhang:** Gasoline likely stays above $4/gallon into the summer, with political consequences as the U.S. enters the peak driving season and the White House looks for ways to offset consumer pain.
- **Deal Mechanics:** One floated idea: the U.S. gets Iran's enriched uranium in exchange for access to frozen assets. Still, any agreement is expected to be more vague, less enforceable, and potentially less lasting than prior frameworks.
- **Domestic Political Pressure:** Persistent high energy prices could push Trump to revive populist affordability measures, especially as the Administration's BBB tax refund messaging risks getting drowned out by pain at the pump.

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Company Survey Report

Company Surveys Moderate After Recent Surge

Company Surveys cooled a bit after a strong run, with the headline slipping to 51.5

from 52.2, though still comfortably above recessionary territory. Consumer-facing sectors are holding up, but there's more nuance under the surface-restaurants and airlines are bright spots, while retailers and homebuilders are seeing some softness.

Consumer & Retail Pulse: Retailers lost momentum, pulling back sharply from a recent high as the post-Easter bump faded. Still, the drop mostly unwinds a temporary surge, not a fundamental shift.
Travel & Leisure: Airlines and restaurants are both showing real strength-airlines rebounded after some TSA and holiday-related noise, and restaurants just posted their best survey reading in over three years, with QSR and fast casual leading the way.
Homebuilders & Housing: Spring is off to a slow start for both public and private builders. The homebuilders survey fell again, with no sign of a pickup in seasonal demand.
Labor Market & Employment Trends: Employment data is stabilizing after last year's moderation. Temp-to-perm conversions are still happening, but the pace has slowed. Labor availability is steady, and wage pressure remains low-but companies are now expecting wage growth to pick up over the next year.
Industrials & Manufacturing: Industrial activity is picking up, led by capital goods and chemicals. Orders and pricing are improving, especially for chemicals, and US multinationals are reporting better sales in Europe.
China & International: China sales remain soft, with the survey hitting a new low for the year. Europe is still sluggish but showing slight improvement, mainly due to better industrial results.
Investor Sentiment (Flash Survey): Investors are leaning bullish-82% see the next 10% move in the S&P as up, a new high for the survey. Info Tech and Industrials are the top sector picks, with AI seen as an "emerging but secondary" labor market driver.

Additional Key takes:

- **Retail sales volatility:** The sharp drop in retailer survey readings mostly reverses recent holiday/tax refund-driven strength, not a sign of broad consumer weakness.
- **Labor market outlook:** Wage growth expectations have turned up, with companies now forecasting a meaningful pickup over the next 12 months (+11% vs. -3% three months ago).
- **Industrial recovery:** Chemicals and capital goods companies are driving the improvement in industrial surveys, with Europe benefiting from this uptick.
- **China drag:** China continues to underperform for US multinationals, with little sign of near-term improvement.
- **Investor positioning:** Broadly constructive on equities, tech, and industrials; most expect gas prices to stay sub-$4 this summer and see a strong likelihood of a SpaceX IPO in 2026.
- **Homebuilder caution:** Spring selling season remains muted, with no evidence yet of a rebound in buyer activity.

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Weekly Survey Charts

Weekly Company Survey Charts

Travel, shipping, and consumer spending trends are showing pockets of resilience, but the overall tone across surveyed industries is mixed with ongoing volatility tied to macro and sector-specific headwinds. Homebuilders and autos remain sluggish, while wage and healthcare cost expectations are ticking higher. Industrials and tech are the sectors most favored by investors right now, per the latest flash poll.

Travel & Transport: Airlines bounced back sharply post-Easter, with the survey jumping from 50.0 to 66.3 as both demand and pricing improved, particularly internationally (now 75.0, up from 62.5). Shipping remains strong (73.0), though tanker pricing is volatile due to Middle East tensions. Trucking softened (45.6), with truckload activity moderating and only slight improvement in LTL. Air cargo cooled a bit after a solid 1Q, with domestic especially weak (44.2).
Housing & Real Estate: Homebuilders survey ticked down (42.9), with both public and private builders seeing slower sales and higher-than-normal promotions. Labor availability is better, but cancellation rates are creeping up. Apartment rents are stabilizing just below "normal," with California still the strongest region, but supply is pressuring rents, and "move out to buy" remains muted. House price growth is up modestly, especially in suburban markets, but inventory headwinds persist and contract fallout rates are still elevated.
Consumer & Retail: Retailers had a strong run into Easter, but the latest survey cooled to 49.8 after a brief surge. Pricing power is recovering (44.8) as markdowns work through the system. Auto dealers saw a second straight pullback (50.6), with tougher financing and more customers deferring maintenance-demand for value-priced used vehicles remains robust. Consumer staples sales are steady, but pricing power is still challenged as trading down continues.
Shopping Guides & Wine/Spirits: Ad sales are stabilizing but the environment is still tough for small businesses and restaurants. Wine & spirits sales are holding up, but the mix is skewed toward discount products again.
Macro & Labor: Wage growth expectations are up for the next 12 months (+11% net), especially in consumer sectors like retail and restaurants, and 100% of industrial companies expect to raise average wages. Healthcare benefit cost pressure is rising, with a broad-based expectation of higher costs across sectors.

Manager & Investor Positioning: Institutional equity managers remain well invested (64.4), with a tilt toward healthcare, tech, and consumer discretionary. Hedge funds are slowly increasing net exposure (54.1), rotating into energy, healthcare, materials, and comm services. Bond managers are holding duration steady, and there's a subtle shift toward defensive equity sectors after a run in cyclicals.
China & Europe Sales: China sales survey remains weak (31.7) after giving up early-year gains, with chemicals especially soft. Europe sales ticked up to 36.8, the best since last October, led by chemicals, but still well below long-term trends.
Manufacturing & Chemicals: Manufacturing is steady (48.3) with domestic slightly outperforming foreign. Chemicals improved (36.5), the best since last summer, as demand and pricing see a modest lift on higher energy.

Additional Key takes:

- **Investor sentiment:** 82% of flash survey respondents see the next 10% move in equities as up-a new high for this measure.
- **AI & sector preferences:** Info Tech is the runaway favorite sector, followed by Industrials and Financials. AI is seen as an emerging but not yet dominant driver of labor market conditions.
- **Housing inventory & financing:** Inventory remains tight in most markets, and while mortgage availability is "better than normal," it's tougher than earlier in the year. Contract fallout rates are high, but trending down from last fall's peak.
- **Auto credit:** Credit is harder to get for new car buyers (62% say it's tougher), but the share of buyers unable to get a loan is falling, suggesting tighter but not frozen credit.
- **Labor market:** Labor availability has stabilized after a long period of improvement, with employment agencies reporting the best conditions.
- **IPO expectations:** 90% of investors expect a SpaceX IPO in 2026; OpenAI and Anthropic are seen as 50/50 bets.

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Flash Survey

Flash Survey: Gas Prices, AI Impact, 2026 IPOs, Favorite Sectors, & Next Move In Stocks.

Flash survey crowd is leaning bullish: 82% see the next 10% move in equities as higher, with new highs in sight. Info Tech is the runaway favorite sector, and there's strong conviction SpaceX will IPO in 2026. Industrials and Financials are also seeing renewed interest, while the market remains split on OpenAI and Anthropic IPO timelines.

Equity Direction: Overwhelming majority (82%) expect the next major move in stocks to be up-bullish sentiment is building even after a strong run.
Gasoline Price Outlook: 58% expect July 4th pump prices to stay below $4/gal, with most clustered between $3.50-$4. Still, a notable 42% see $4+ gas as a risk, so inflation anxiety isn't gone.
AI & Labor Market Impact: AI's influence on the labor market is viewed as "emerging but secondary" by 63% (up from March), while only 20% see it cracking the top-3 driver list-a notable drop from prior readings.
Sector Preferences: Info Tech is the clear favorite (68% picked it as a top-2 sector, up sharply from February). Industrials and Financials round out the podium, suggesting investors are rotating into both growth and cyclical stories.
IPO Watch: 90% expect SpaceX to go public in 2026. OpenAI and Anthropic are seen as 50/50 bets for IPOs in the same window. Only 4% think none of these will make it to market next year.

Additional Key takes:

- **Stocks' Next Leg:** Strong consensus for a continued rally, with little fear of a near-term correction despite stretched sentiment.
- **Gas Price Skepticism:** A meaningful minority still bracing for $4+ gas, keeping inflation and consumer spending risks in focus for summer.
- **AI Narrative Shifts:** AI is gaining mindshare but isn't yet viewed as a dominant labor force disruptor-investors are watching but not panicking.
- **Sector Rotation:** Tech is the anchor, but Industrials and Financials are gaining traction-hints of broadening participation if the rally continues.
- **IPO Anticipation:** SpaceX is the consensus "most likely" IPO of 2026; OpenAI and Anthropic are wildcards, with sentiment evenly split.

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Equity Strategy

Perfection and The 4 Pillars: The Take From “The Best 30 Minutes on Wall Street” - April 17, 2026

Path to 7,750 resumes as the rally finds fresh fuel in short covering, oil price relief, capital markets momentum, and robust earnings-Tech now wears the "Value" crown. A more concentrated market leadership and persistent macro risks keep the "just buy everything" mindset in check, but perfection stocks (especially in Tech) are the ones to own into earnings.

Monster Short Covering/Hedge Unwinding: A wave of short covering is driving the latest leg higher, with record short interest across credit, mega-cap tech, and popular ETFs now unwinding. This is a green light for near-term upside, though it comes with a side of higher volatility as shorts get squeezed both ways.
Oil Price Moderation: WTI holding below $90 is calming nerves, and gasoline futures point to sub-$4/gallon by July if Ed's "rule of thumb" holds. This is a key macro tailwind as inflation headwinds fade, at least for now.
Capital Markets Supercycle: M&A is heating up, IPOs are stirring, and while activity is not at peak levels, the direction of travel is positive. More deals and "generational" Tech IPOs are a sign of risk appetite returning-still early innings, but the trend is supportive.
Earnings Strength: Q1 results are tracking for double-digit EPS growth in 2026, historically a strong setup for the market. When EPS is +10% or more, the S&P is up in 10 of the last 11 years, with a typical gain of 13%-enough to justify the 7,750 call.
Market Breadth & Leadership: Despite the bullish backdrop, advance/decline lines are lagging, highlighting a market led by a narrower group of Big Tech winners while defensives underperform. This isn't a classic "everything rallies" tape.
Perfection Stocks & Short Interest: The real edge this earnings season is with companies that have delivered "perfect" double beats for 8 straight quarters. These names, especially those with high short interest, are primed to outperform as shorts scramble to cover in a tape that's rewarding consistency.
Tech as Value: Big Tech now trades at its lowest relative P/E to the S&P since the pandemic, making dependable growers look like value stocks. The "perfection" list is heavily tilted to Tech-let us know if you want to see it.

Additional Key takes:

- **Short Covering Volatility:** While short covering is fueling the rally, it's also increasing volatility-expect choppier trading as positioning normalizes.
- **Geopolitical Risks:** Macro risk remains elevated, particularly on the geopolitical front. This tempers the "risk-on" mood and argues for selectivity.
- **Tech's Value Rotation:** With Tech now trading at or below pandemic trough valuations, the sector is attracting both growth and value investors-rare alignment that could extend leadership.
- **Capital Markets Still Early:** M&A and IPO activity are up but still nowhere near past peaks. There's room for further acceleration if sentiment keeps improving.
- **Not a Broad-Based Rally:** Market gains are concentrated-stock-picking and focusing on "perfection" earners is key rather than chasing the index.

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Evercore ISI Podcasts

Evercore ISI's Weekly Macro and Fundamental Spotlight: Our 30 Minute (or less) Analyst & Strategist Podcast

Macro and policy signals remain constructive, but cross-currents are building-especially around tariffs, geopolitics, and sector-specific drivers. Multi-Industrials and IT Hardware/Networking both see outsized opportunity tied to AI and datacenter themes, while Life Insurance faces a competitive shakeup as private credit allocations rise.

Macro & Policy: Mixed but Resilient Backdrop: Company surveys show activity moderating from earlier highs, but still solid. Wage growth expectations are ticking up, though levels remain contained-so inflation jitters aren't running wild here. Tariff simplification (steel/aluminum) should ease compliance headaches and help affordability, but creates new winners and losers depending on product mix and country of origin. Policy fixes will take time, and lobbying is already heating up.
Geopolitics: Strait of Hormuz & U.S.-Iran: While Iran claims the Strait of Hormuz is "completely open" after a ceasefire, U.S. policy remains in flux with negotiations ongoing and some blockades still in effect for Iranian traffic. Talks are progressing, but the path forward (nuclear, sanctions, shipping) is still unpredictable.
Multi-Industrials: AI, Electrification, and Regional Mix: Names tied to AI/datacenter/electrification themes are expected to deliver the strongest organic growth and margin expansion, with power generation standing out for growth at reasonable multiples. Valuations are broadly in-line with history, but select pockets (Elevators, HVAC) offer differentiated exposure and relative value. Regional mix matters: HUBB, NVT, TT, ALLE skew Americas; SIE, ENR, KONE more EMEA/APAC.
Life Insurance: Private Credit Edge: Private credit allocations keep climbing, especially at mutuals and alt-sponsored insurers (20-30% vs. 10-15% at traditional lifecos). These newer entrants have a 100bps yield edge on their private portfolios,

suggesting traditional players may need to scale up or rethink their investment approach to stay competitive.

IT Hardware/Networking: Flash Memory as an AI Winner: SNDK is being repositioned as a structural AI beneficiary, not just a cyclical memory play. Current setup offers upside on EPS and multiple expansion as AI demand ramps-valuation not fully reflecting this potential yet. NAND pricing normalization is a risk, but the near-term setup skews positive.

Additional Key takes:

- **Tariff regime changes:** Winners and losers will emerge based on product content and country of origin; near-term uncertainty as the new rules settle in.
- **AI infrastructure over applications:** Infra software vendors (MSFT, ORCL, SNOW) are outpacing app peers as enterprise AI budgets prioritize foundational layers.
- **Sector valuation context:** Most industrials trade in-line or below historical multiples, but select sub-sectors (Elevators PEG >1.5x, HVAC) offer relative bargains for datacenter exposure.
- **Life Insurance portfolio construction:** No major evidence of ratings inflation in private credit, but traditional lifecos' lower allocations may be a longer-term competitiveness issue.
- **Geopolitical risk premium:** Middle East and tariff uncertainty are keeping risk premia elevated in certain sectors-watch for volatility as policy and negotiations evolve.

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Date:	Monday, April 6, 2026 10:22:04 AM

6 April 2026

Macro Daily PULSE - *Policy, Surveys, Levels, Strategy, Economics*

Daily Macro Comment

Report

• **US – FED COMMS LIKELY TO TACK MORE HAWKISH AFTER EMPLOYMENT REPORT.** We are bracing for a hawkish shift in Fed communication following the strong – though volatile – March employment report. This is because for the time being, the March employment report eases concern that a fragile labor market might quickly cave in the face of the Iran war shock and allows the Fed to focus for now on risks to the inflation side of its dual mandate. We are not talking about a crazy hawkish lurch, rather a recalibration in light of a shifting balance of risks that the Committee knows might shift back the other way. We expect this will take the form of signaling that – provided the labor market does not weaken abruptly – policy will remain on hold for as long as it takes to check that the oil shock generated by the war is not contaminating inflation expectations and underlying inflation is heading back to target. (Krishna Guha)

• **Trump Likely to Blow Through Another Deadline This Week – But with Each Delay the Landscape Changes Which Could Take a 'Toll.'** President Trump's speech last Thursday disappointed the markets and anyone trying to understand the path forward in the Iran conflict. And now, there is a new deadline for Tuesday April 7 with some hope for a U.S./Iran deal by then with Trump threatening consequences if there is no deal. (Sarah Bianchi)

• **U.S. Jobs Market On Firmer Footing Into the Iran Shock.** The strong March jobs report showed the US labor market was on firmer footing than we all thought heading into the Iran shock. Month to month volatility in payrolls is nuts. But the trend is better. • Unemployment claims and Challenger job cuts confirm this trend. This will allow the Fed to focus more on inflation for now. • Wages are still moderating though, both in the employment report and NFIB small business survey. • Nominal retail sales, EVRISI retailers survey, and vehicle sales came in overall reasonably good. (Krishna Guha)

• **Company Surveys Hold Steady Into Easter Holiday**. Breadth moderated to +4.9% on an 8 wk. avg. • Our Consumer Surveys show volatility week to week in 1Q, but overall spending appears solid. Retailers reported improved sales in February and much of March before a pull back last week and a strong rebound in sales heading into the Easter holiday. Airlines and Restaurant Surveys showed strength in March and some deceleration late in the month. • Auto sales are holding up at a slower pace than late last year, as financing availability is harder to get. Parts

& service revenues were slower in the most recent quarter. • Industrial activity has improved so far this year and we are seeing signs of better volumes in our Trucking Cos. Survey. (Oscar Sloterbeck)

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Macro Research Today

Economics & Central Banking Strategy

US – FED COMMS LIKELY TO TACK MORE HAWKISH AFTER EMPLOYMENT REPORT

We are bracing for a hawkish shift in Fed communication following the strong – though volatile – March employment report.

This is because for the time being, the March employment report eases concern that a fragile labor market might quickly cave in the face of the Iran war shock and allows the Fed to focus for now on risks to the inflation side of its dual mandate.

We are not talking about a crazy hawkish lurch, rather a recalibration in light of a shifting balance of risks that the Committee knows might shift back the other way.

We expect this will take the form of signaling that – provided the labor market does not weaken abruptly – policy will remain on hold for as long as it takes to check that the oil shock generated by the war is not contaminating inflation expectations and underlying inflation is heading back to target.

We do not think the Fed leadership will explicitly embrace the idea that there is two sided risk to rates, and it will certainly not suggest there is equal likelihood the next move will be up or down.

But it may inch in the direction of nothing is ever ruled out and the Fed would act as needed if the shock were to destabilize expectations and generate second round effects in wage and price setting.

We think it will continue to point towards a base case in which expectations remain well-behaved, inflation does head back towards target and when that is validated it will be appropriate to deliver a final few cuts.

And it will continue to note that if the labor market were to crack at any point it remains ready to respond.

So the base case remains good news inflation progress cuts delayed not derailed, while earlier bad news labor weakness cuts remain possible, just less likely after the March print.

Our base case is this hawkish tack will prove to be a phase that will last for a quarter or two and not ultimately prove to be a marker of where policy is going.

A hike this year has to be a bit more likely than it was before the March release, but we think it remains low probability, with one or more cuts still much more likely.

Still, those of us who hold this view may have to endure a period in which the communication tacks hawkish and appears to confirm market pricing that cut vs hike is a close call.

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Political Analysis

Trump Likely to Blow Through Another Deadline This Week – But with Each Delay the Landscape Changes Which Could Take a 'Toll'

President Trump's speech last Thursday disappointed the markets and anyone trying to understand the path forward in the Iran conflict. And now, there is a new deadline for Tuesday April 7 with some hope for a U.S./Iran deal by then with Trump threatening consequences if there is no deal.

A U.S./Iran deal this week is quite unlikely as the parties are too far apart for a resolution. As former Deputy Iran Envoy Richard Nephew said on our webinar last week (link), right now neither side thinks it is losing, which makes it hard to give up a lot to get a deal. If there is no agreement, we expect Trump will respond with some more bombings but stay clear of sending real troops on the ground. At this point given Iran is still able to inflict pain in the Strait and in the broader region, and the United States still has plenty of room to escalate. That is largely where things have stood for a couple of weeks.

However, a few dynamics have changed. The President has signaled a willingness to withdraw without opening the Strait of Hormuz, leaving that for others to solve. Meanwhile, Iran's Islamic Revolutionary Guard Corps has asserted more control of the Strait by imposing tolls for vessels that pass through from friendly countries. This toll regime raises many questions around sanctions, given the IRGC is a sanctioned entity and designated foreign terrorist organization. However, the longer it persists the more invested Iran is to continue the toll post-conflict.

We still think the most likely outcome is a withdrawal with a fragile ceasefire (still hovering around 50%). It is possible this resolution could be brokered by other countries, although there are challenges to that as it's important that Iran, Israel and the U.S are bought in on the outcome. Next most likely (~35%) is the President could withdraw without a ceasefire, claiming that the United States has achieved its goals of weakening Iran and the regime. Finally, there is some chance, the President could significantly escalate with significant ground troops (~10-15%).

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Weekly Economic Report

U.S. Jobs Market On Firmer Footing Into the Iran Shock

Labor market looked stronger than expected heading into the Iran shock-solid March payrolls, low unemployment claims, and resilient consumer data. Growth outlook has softened post-conflict, but the economy hasn't tipped into "worse" territory yet; the main swing factor now is how long the war drags on and where oil settles.

Labor Market Trajectory: Payrolls surged +178k in March, with three- and six-month averages pointing to a firmer trend than headline volatility suggests. Unemployment rate dipped to 4.26%, but labor force participation remains a weak spot. Both unemployment claims and announced layoffs are at historically low levels, supporting a low-hiring, low-firing equilibrium narrative.
Wage and Inflation Dynamics: Wage growth continues to moderate-average hourly earnings up just +0.2% m/m, with NFIB's survey reinforcing the softening trend. Slower wage growth, even with low unemployment, hints the "real" equilibrium jobless rate is lower than consensus and possibly the Fed's own view.
Consumer and Retail Pulse: Consumer confidence held up better than expected in March, even as future expectations softened and oil/war concerns dominated write-ins. Retail sales and vehicle sales both surprised to the upside in February and March, though higher energy costs are starting to bite and may weigh on spending going forward.
Macro Impact of Iran Conflict: Growth tracking has been revised down from +2.8% pre-war to +2.2% now, as the oil "tax," tighter financial conditions, and uncertainty offset prior tailwinds. Medium-term inflation expectations remain contained for now, despite a jump in 12-month expectations and gasoline prices topping $4/gal.
Manufacturing & Business Sentiment: ISM manufacturing PMI ticked up +0.3pp in March, defying expectations for a drop amid the war. Input cost pressures have clearly intensified, with ISM prices paid up sharply and commodity pass-throughs evident across the supply chain.

Additional Key takes:

- **Labor market volatility:** Recent payroll swings are likely statistical noise from survey changes-look to rolling averages for a truer read on momentum.
- **Fed focus:** With jobs data on solid ground, the Fed can stay focused on inflation, at least for now.
- **Consumer headwinds:** Sustained high gasoline prices would sap the benefit of recent fiscal support, especially if the conflict lingers.
- **Policy uncertainty:** White House options on Iran are all risky-escalation, a flawed deal, or walking away-each with different macro/energy implications.
- **Global spillovers:** Surveys in the UK and Japan are flagging rising uncertainty and expectations for worsening conditions, though the US has held up comparatively well so far.
- **Forecast caveats:** The growth downgrade is provisional-outlook could shift rapidly depending on the war's path and oil's next move.

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View Report

Company Survey Report

Company Surveys Hold Steady Into Easter Holiday

Company Surveys are holding steady at 51.3, just off recent highs, with breadth moderating but still comfortably above recessionary levels. Under the surface, consumer-facing sectors showed a clear boost into Easter, while some cyclical industries are seeing more nuanced trends.

Consumer and Retail Trends: Retailers enjoyed a notable sales rebound heading into the Easter holiday, reversing the previous two weeks of moderation. February and much of March saw a steady improvement, with volatility mostly tied to weather and tax refund timing.
Travel and Leisure: Airlines and restaurants both posted solid results through March, though each saw a late-month slowdown-airlines from normalizing post-conflict bookings, restaurants from higher gas prices and broader economic uncertainty.
Auto Market Dynamics: Auto sales are hanging in but at a slower pace versus late

last year, as financing is becoming tougher to secure. Parts and service revenues were notably soft, hitting a new low in the latest quarter.
Industrial and Employment Activity: Industrial activity is on the mend, with cap goods and manufacturing helping lift the index. Trucking volumes have also improved in recent months, and employment trends are steadying after last year's moderation.
Commercial Real Estate: Recent gains are moderating, but the sector continues its post-COVID recovery.

Additional Key takes:

- **Financing Headwinds for Autos:** 62% of auto dealers now say credit is harder to get for new car buyers (up from 42% in December), the highest since March 2024. However, fewer customers are outright unable to buy for lack of financing (down to 31% from 47%), suggesting credit is still flowing, just at a higher cost or with more friction.
- **Retailers' Pricing Power:** Remains mixed, with only modest sequential changes-no clear trend toward more or less pricing flexibility.
- **Employment Companies:** Temp and perm placement activity is stabilizing after last year's dip, with survey levels holding steady around 51.
- **House Prices and Rents:** House price growth is running just below 3% y/y, with apartment rents flat to slightly higher, indicating a steady but unspectacular housing backdrop.
- **China and Europe Sales:** Sales trends out of China and Europe remain stuck in the low 30s (on a 0-100 scale), with no sign of a near-term pickup.

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View Report

Daily Economic Report

Strong, Though Volatile, Employment Report

March wage growth came in softer than expected at +0.2% m/m, with the three-month annualized pace now cooling to +3.6%-a sign that the labor market is losing a bit of its heat. Some of this moderation likely reflects weather distortions, so don't be surprised if the series gets a little bumpy in the coming months.

Wage Trends: The deceleration in average hourly earnings is a welcome sign for those watching inflation risk, as it points to less wage-driven pressure in the near term.

Volatility Ahead: Choppiness is expected in the earnings data going forward, with seasonal and weather-related noise likely to produce some uneven prints-even as the broader direction remains toward cooling.

Additional Key takes:

- **Labor Market Dynamics:** While overall job growth remains solid, the softer wage gains suggest less urgency for policy tightening, at least from the wage-inflation angle.
- **Macro Implications:** Slower wage growth may give the Fed a bit more breathing room as it navigates the path for rates this year.
- **External Data Factors:** Weather and other one-off factors played a role in March's softer numbers, so investors should stay alert for potential rebounds or further volatility in coming prints.

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View Report

Eco Data Outlook

Between the Numbers

Headline CPI likely pops higher on Friday, but so far, the jump in gasoline prices isn't feeding into core inflation. Treasury auctions could be a soft spot next week, and the U.S. deficit story is quietly shifting-keep an eye on supply.

Gasoline Price Surge: Headline inflation for March should print around +0.6%, with gasoline prices up over 22% (NSA) leading the charge. The move is eye-catching, but there's still little evidence of spillover into core prices-so the market's inflation fears are running a bit ahead of the data.

Core Inflation Channels: Despite all the noise, long-term inflation expectations (5y/5y forward) remain anchored. The Fed's credibility is holding up, and the debate now is whether higher energy costs can eventually filter into broader core measures-Friday's CPI is the next checkpoint.

Treasury Auctions: 3/10/30-year Treasury auctions land next week, and demand is expected to be on the softer side. Wider deficits and rising auction sizes are adding to the supply overhang.

Deficit Dynamics: U.S. deficit expected to widen again after a period of narrowing, with revenue growth slowing (tax cuts, tariff suspensions) and spending likely to accelerate due to Middle East conflict. This adds more pressure to Treasury supply.
Labor Market: Unemployment claims seen ticking up to 208K (from 202K), but overall claims remain range-bound since 2022 and continuing claims are still drifting lower. The pre-Easter week has little historical impact on claims.
Canada Watch: Canadian PMI and employment data are the key international releases to keep on the radar.

Additional Key takes:

- **Retail pricing power is mixed:** Survey data shows some softening, but no clear pass-through to core goods/services inflation yet.
- **Food and rent trends:** Food price momentum is fading, and rent gains are moderating on a lagged basis-both helping keep core CPI steady.
- **Energy's outsized role:** Energy commodities are driving most of the headline move, but core ex-energy remains subdued.
- **Market focus:** All eyes on Friday's CPI for signs of core inflation moving up-so far, the evidence is thin.
- **Supply overhang risk:** Larger Treasury auctions could keep yield volatility elevated, especially with deficit projections moving up.

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View Report

Economics & Central Banking Strategy

US / FED – STRONG MAR JOBS REPORT WEIGHS ON PROSPECTS FOR CUTS

March jobs print came in much stronger than expected, with payrolls up 178k and unemployment falling to 4.3%, making it harder to argue for near-term "bad news" cuts from the Fed. Still, the volatility in recent payrolls and the pre-war timing of the data keep the outlook fluid, especially as energy and geopolitical shocks continue to play out.

Labor Market Stability: Recent data suggest the labor market was firmer than feared heading into the Iran shock, with broad-based job gains and a notable drop in

permanent layoffs.
Fed Reaction Function: Officials remain in wait-and-see mode, focused on inflation and labor market signals post-shock. The latest numbers make labor-driven cuts less likely in the near term, but "good news" cuts are still possible if inflation moderates as expected.
Payrolls and Unemployment Trends: Three-month payrolls average rebounded to 68k, with the six-month trend at 15k-both above or within the Fed's newly lowered breakeven range (now close to zero). Unemployment's drop to 4.3% reverses some recent weakness and suggests stabilization, but the labor force is shrinking and participation rates are slipping.
Wage Dynamics: Wage growth came in below expectations, with private hourly earnings up just 0.2% m/m and annual growth moderating to 3.5%.

Additional Key takes:

- **Labor Market Resilience:** Despite headline layoffs in tech/AI, underlying data show a persistently low-firing environment, and the drop in unemployment was driven by fewer unemployed workers, not just a shrinking labor force.
- **Fed's Breakeven Payroll Math:** Fed staff and Board research now peg breakeven job growth at near zero, given weak immigration and population aging-meaning even modest payroll gains are enough to keep unemployment steady.
- **Volatility and Revision Risks:** Wild swings in monthly payrolls and mixed revisions (Jan revised up, Feb down) reinforce the need to smooth the data and not overreact to any single print.
- **Sector Breakdown:** March's job gains were broad-based, with strength in education/health, leisure/hospitality, trade/transport, construction, and manufacturing-some of which reflected temporary boosts from strike resolution and weather.
- **Cut Timing and Path:** Base case remains that cuts are delayed, not derailed. More than one cut this year likely requires some labor market softness post-war. A hike is still viewed as very unlikely, unless labor tightens further and inflation fails to moderate.
- **Participation and Labor Force:** Overall and prime-age labor force participation rates slipped again, and the overall LFPR is now nearly a full percentage point below its post-pandemic peak.
- **Unemployment Duration:** Average duration of unemployment remains elevated, signaling a low-hiring, low-firing equilibrium-consistent with a stable but not overheating labor market.
- **Fed's Policy Implication:** If inflation trends back to target as expected, the Fed will ultimately need to cut twice just to maintain today's real rate, even if policy is already at neutral.

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Equity Strategy

Bull vs. Bear: Top of the Market's Mind

Bull market not over - history and earnings say more upside ahead, but Oil is the linchpin. Strong post-geopolitical-spike returns, no recession in sight, and select "Stocks for Stability" and "Dogs of War" at compelling relative value (CRM, XYZ, NOW, AMZN, ALGN, DIS, MSFT, DHR) are favored if Oil pressure fades by Memorial Day.

Wall of Worry: Valuations remain stretched, equity exposure & margin debt elevated, AI disruption and Tech Credit stress are weighing, and geopolitical risk is as high as it's been since WWII.
Geopolitical Crisis = Opportunity: Historically, S&P 500 returns average +13.6% one year after major geopolitical spikes, with positive outcomes in 10 of 12 instances once initial volatility subsides.
Oil as the Decider: WTI July contract must stay below $96.05 - sustained Oil above the $93-$98 "chokepoint" risks real, lasting damage to stocks and the economy.
Earnings Strength: Bottoms-up EPS estimates revised higher, now +11% YoY, supporting the case for more market upside - stocks have rarely declined in years with double-digit earnings growth.
Positioning & Sentiment: Contrarian bearishness in stocks, credit, bonds, and gold (and bullishness in Oil) sets up a potential unwind tailwind if macro risks fade.
Sector Rotation: Tech and Communication Services remain the only sectors outperforming since the AI bull market began; recent selloff has left Big Tech at the lowest P/E relative to the S&P since the pandemic.
Europe's Relative Strength: Europe outperformed YTD, helped by Energy tilt and weaker USD, but recent energy price surge and dollar strength have created new headwinds.

Additional Key takes:

- **Recession Watch:** Despite 42% of survey respondents expecting a U.S. recession in 2026, economic data and earnings revisions argue against it; Krishna Guha projects 2.2% U.S. GDP growth for 2026.
- **Fed & Rates:** Fed unlikely to hike; long-end yields remain rangebound - neither seen as a catalyst for a bear market.
- **Energy Market Dynamics:** Persistent $4/gal gasoline and structurally higher Oil threaten consumer and market stability; Middle East situation remains fluid, and any U.S. withdrawal from NATO or further escalation would be bearish for risk assets.
- **Tech Value Proposition:** Many "Dogs of War" are Tech names now trading at P/E troughs vs. the S&P, supporting the case for renewed leadership if macro headwinds ease.
- **Capital Markets:** Delayed, not derailed - marquee IPOs and mega-deals signal robust capital markets activity once volatility abates.

- **Investor Psychology:** Extreme hedging, expensive puts, and high short interest signal potential for a "FOMO" rally as risks recede and positioning normalizes.
- **Key Dates Ahead:** Watch for PCE (4/9), inflation expectations (4/7), ISM Services (4/6) for near-term catalysts.
- **Springboard for Stocks:** If Oil and geopolitical risks fade, current correction could be an attractive entry point - "Spring" could live up to its reputation as a market turning point.

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Weekly Survey Charts

Weekly Company Survey Charts

Company Surveys held at 51.3-slightly below the recent two-year high. Breadth moderated, but the overall tone remains steady, with most end markets showing a mix of resilience and pockets of softening. Under the hood, some consumer-facing sectors are perking up into spring, while industrials and global-facing businesses are still finding their footing.

Airlines: Activity cooled sharply after a March surge, with the survey dropping -18.7 pts. as booking strength moderated post-Iran conflict. Higher fuel costs remain a headwind, but demand and pricing have improved since the conflict began. Premium cabins are outperforming economy, and tax refunds could be helping demand at the margin.
Shipping: Survey steady as tanker pricing remains very strong in the near term, though production cuts are a longer-term negative. Disruptions from the Middle East conflict keep the outlook volatile, but rerouting and OPEC moves continue to support activity for now.
Trucking: Improvement continues, with both TL and LTL volumes ticking up. Spot rates benefit from tighter capacity, and overall volumes are better than late last year. Still, the absolute level remains below long-term trend, so this is more of a stabilization than a boom.
Homebuilders: Sales pulled back for a second week, reflecting a "little slow" spring selling season and higher-than-normal promotions. Labor availability improved, but cancellation rates are creeping up. Inventory levels are "about right," and mortgage

availability, while tighter, is still better than normal.
Auto Dealers: Sales rebounded into March, especially for used vehicles, which are seeing strong demand as consumers trade down. Financing is tightening but not locking out buyers; more are deferring maintenance and repairs, and inventories have shifted from "too low" to "a little too high."
Retailers: Sales jumped into the holiday week, with both discretionary and staples categories seeing a lift. Pricing power slipped, but the consumer remains active, shopping for value and deals. Tax refunds and better weather have helped, but normalization likely follows the holiday pop.
Restaurants: Sales remain choppy but improved vs. last year. Consumers are selective, focusing on value and events. Higher gas prices and Middle East conflict remain overhangs, but overall tone is firmer than much of 2025.
Consumer Staples: Sales have increased off early-year lows, though pricing power is still challenged as customers trade down to value options. The COVID-era strength in pricing is largely gone.
Wine & Spirits: Sales moderated slightly but remain above trend. Product mix is tilting a bit more toward discount, reversing the premium move seen in late 2025.
Housing Market/Prices: House price survey ticked higher, especially in suburban and rural markets. Inventory is still a constraint, and agents expect demand to improve once mortgage rates fall to the 5-5.5% range. Contract fall-throughs are elevated but improving, and sellers have gained the upper hand in both new and existing homes.
Apartment Rents: Rents and occupancy are stable to slightly up, with California strongest and Southeast/Southwest weakest. "Move out to buy" remains below normal, and new supply is a growing headwind for rent growth.
Commercial Real Estate: Sales moderated in March after a solid run. Retail and premium locations are holding up, but office remains tough outside NYC. The macro backdrop and energy price volatility are adding uncertainty.
Employment & Staffing: Employment surveys are stabilizing, with temp hiring steady and perm placement still soft. Conversion of temps to full-time is solid, and wage pressure is muted. Clients are cautious, especially in manufacturing, but IT and consumer sectors are holding up. AI is not yet a major driver of new hiring demand.
Hedge Fund/Asset Manager Positioning: Net equity exposure ticked up, with increased allocations to energy, healthcare, materials, and financials. Long-only managers have shifted toward defensives after leaning into cyclicals in early 2026. Bond managers' duration is steady, with credit exposure unchanged.
China & Europe Sales: China sales survey remains weak and flat, giving back early-2025 gains as tech and chemicals slow. Europe is holding steady but at low levels, with industrials-heavy exposure. Manufacturing momentum is lacking in both regions.
Manufacturing & Chemicals: Manufacturing pulled back, especially on the domestic side, and pricing power is soft. Chemical orders are steady but at very low levels, with recent improvement likely driven by prebuying after last year's inventory rundown.

Additional Key takes:

- **Front-End vs. Back-End:** Front-end companies (retailers, auto dealers) improved, while back-end (manufacturing, chemicals) was steady, with some offsetting weakness.

- **Shopping Guide Cos.:** Ad sales remain stuck at low levels as small businesses, auto dealers, and restaurants are hesitant to spend. Real estate ad sales are a relative bright spot but not enough to move the needle.
- **Labor Availability:** Labor supply is improving across homebuilders and employment agencies, with less impact from recent immigration policy changes versus late 2025.
- **Macro Sentiment:** While overall activity is mixed, there's a sense of stabilization and selective improvement, especially in U.S. consumer-facing sectors. Global-facing and industrials are still lagging, with China notably soft.
- **Sector Positioning:** Managers are tilting toward healthcare and defensives, with some rotation out of consumer discretionary and communication services. Energy and materials saw increased exposure among hedge funds.

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Date:	Monday, June 15, 2026 10:23:30 AM

15 June 2026

Macro Daily PULSE - *Policy, Surveys, Levels, Strategy, Economics*

Daily Macro Comment

Report

- **IRAN DEAL, OIL AND US / GLOBAL RATES.** The price of oil – which never broke new highs as many expected during the slow-moving US-Iran negotiations – was already falling back fast before the news that we finally have a US-Iran deal, and fell further in Europe / Asia trading Monday with front-month Brent futures down $4 at $83. And while this is an interim agreement only and Israel / Hezbollah remains a risk, markets are likely right to sense that neither side has any appetite for resuming serious conflict, so the ceasefire should stick. (Krishna Guha)

- **Softer Mfg Activity Than Expected.** The Empire mfg index slowed more than expected in June, as respondents reporting an increase in new orders and shipments fell this month. Both prices paid and received remained elevated, while expectations of prices received rose to its highest level since 2022. (Francesca Ponziani)

- **US/Iran: Interim Deal to Extend Ceasefire a Limited Positive, with Many Remaining Hurdles to Stability.** President Trump announced—and Iranian officials have confirmed—that an interim deal has been reached to extend the ceasefire 60 days, re-open the Strait of Hormuz, and deepen talks on Iran's nuclear weapons program. The announcement is broadly in line with what has been telegraphed over the past several weeks and should be viewed as a limited positive for markets, though significant hurdles remain to achieving durable peace. (Sarah Bianchi)

- **The IPO That Changed the World: Top of the Market's Mind.** SPCX's IPO today, like Netscape 30 years ago, could catalyze "Dream Big FOMO" and the next leg of the Bull Market. Early enthusiasm is positive for landmark IPOs. SPX index tends to rise following big IPOs but posts below average returns further out as the cycle matures. (Julian Emanuel)

- **Company Surveys Remain Solid. Strong Tech Capex Plans, Caution On Hiring.** Our Company Surveys ticked down from 52.1 to 51.9 and remain solid overall. Breadth which was at +5% earlier in the year, remains positive at +0.7% this week. Our Flash Survey of investors focuses on sentiment around SpaceX, the Fed, & oil prices. (Oscar Sloterbeck)

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Macro Research Today
Economics & Central Banking Strategy

IRAN DEAL, OIL AND US / GLOBAL RATES

Oil prices have dipped significantly, falling below many year-end forecasts, influenced by the recent US-Iran deal. This interim agreement has led to a drop in Brent futures, which fell $4 to $83, indicating a shift in market dynamics. While geopolitical risks remain, there is a prevailing sentiment that major parties are disinclined to return to conflict, supporting market stability.

Impact on Inflation and Rates: The decline in oil prices is expected to ease inflationary pressures, which has potential implications for central bank policies, particularly ahead of the upcoming FOMC meeting.
US Rate Outlook: Despite the drop in oil prices, uncertainty remains surrounding underlying inflation dynamics, which could potentially lead the Fed to maintain or increase rates if inflation doesn't stabilize.
Bank of Japan and Future Hikes: The recent developments may give the BoJ room to maintain a cautiously hawkish stance, potentially supporting further rate increases in the near term.
European Central Bank Challenges: The revision of oil price forecasts to a lower trajectory challenges the ECB's previous assumptions, suggesting that further hikes may not be as imminent as previously thought.
Bank of England Dynamics: For the BoE, the current economic conditions, marked by significant headwinds, make an immediate rate hike seem unlikely, though hot inflation expectations remain a concern.

Additional Key Takes:

- **Oil Price Dynamics:** Market conditions suggest a reduced likelihood of inflation spikes from energy prices, affecting central bank calculations.
- **Surveys and Expectations:** Consumer inflation expectations may begin to moderate, reflecting changes in commodity prices.
- **Future Monitoring:** Both the ECB and BoE will need to carefully assess macro conditions before proceeding with any decisions on hikes.

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Daily Economic Report

Softer Mfg Activity Than Expected

The Empire mfg index slowed more than expected in June, as respondents reporting an increase in new orders and shipments fell this month. Both prices paid and received remained elevated, while expectations of prices received rose to its highest level since 2022.

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View Report

Political Analysis

US/Iran: Interim Deal to Extend Ceasefire a Limited Positive, with Many Remaining Hurdles to Stability

An interim deal to extend the U.S.-Iran ceasefire presents a limited positive outlook for markets, but many significant challenges remain. The agreement aims to prolong the ceasefire by 60 days and reopen the Strait of Hormuz, while also initiating discussions about Iran's nuclear program.

Ceasefire Dynamics: Progress towards the signing ceremony in Switzerland hinges on stability between Israel and Hezbollah, which has recently been shaky. Overcoming these immediate tensions will be crucial.
Nuclear Talks Complexity: Although Iran has expressed commitments not to pursue nuclear weapons, difficult negotiations lie ahead. Key questions remain regarding

verification, sanctions relief, and Iran's enriched uranium stockpile.
Sanctions and Economic Relief: While the U.S. intends to phase in sanctions relief, Iran is likely to have high expectations. The governance of the Strait of Hormuz is a sticking point, with Iran seeking some form of compensation, complicating discussions.

Additional Key takes:

- **Geopolitical Risks:** The absence of consensus on ballistic missile programs and Iran's regional influence raises concerns about a potential escalation of tensions.
- **Market Impact:** Resuming traffic through the Strait of Hormuz will be gradual, requiring de-mining and restoring confidence, prolonging uncertainties in global energy markets.
- **Domestic Political Landscape:** Resistance from Congressional Iran hawks and pro-Israel factions suggests that finalizing any agreement will involve significant political obstacles.

Investors remain cautious, aware that while the interim deal is a foundation for progress, achieving lasting stability will be complex and fraught with hurdles.

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Equity Strategy

The IPO That Changed the World: Top of the Market's Mind

SPCX's historic IPO today might be the spark that initiates a wave of "Dream Big FOMO," reminiscent of Netscape's launch. The enthusiasm around major IPOs often predicts gains in the S&P 500, although longer-term returns tend to normalize. Early indicators show that while benchmark equity issuances are currently below historical peak levels, the potential for significant gains remains, especially in sectors like Info Tech, Comm. Svcs, and Cons. Disc.

The IPO Landscape: Much like Netscape's 1995 debut ignited a new technological era, SPCX's IPO is anticipated to bolster investor interest in AI and innovative sectors. The current lack of recession signals and stable long-end yields could sustain investor optimism for several more months, positioning this IPO cycle favorably.

Market Comparisons: While there are growing comparisons to the 1999 boom, the market's current equity issuance levels are moderate and suggest that a frenzied peak might still be ahead.

Key Market Insights:

- **Future Projections:** With record cash reserves and a current S&P 500 forecast of 7,750 by the end of 2026, the potential remains strong for further gains driven by O/P Info Tech and other leading sectors.
- **IPO Performance Trends:** Historical data shows that IPOs tend to have strong initial returns, with a positive performance rate of 81% on their first day. However, the long-term performance can diverge significantly based on market conditions.
- **Investment Sentiment:** Despite the recent volatility in tech stocks, enthusiasm seems to be returning, with the focus on AI-driven sectors expected to lead the market's recovery.

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Company Survey Report

Company Surveys Remain Solid. Strong Tech Capex Plans, Caution On Hiring.

Company Surveys indicate continued resilience in various sectors, with notable improvements observed in retail and transportation. Despite some fluctuations, overall sentiment remains robust. Retailers and restaurants report a bounce in sales after a gradual decline, while trucking companies see the highest activity levels since late 2022. Emerging tech capex trends suggest a more aggressive growth trajectory heading into 2026.

Retail Resurgence: Sales surveyed over the Memorial Day weekend showed substantial improvement. Although there's a slight week-over-week moderation from 55.7 to 54.4, this still reflects a stronger performance compared to May averages, indicating a rebound in consumer spending.

Trucking Sector Momentum: The Trucking Survey has improved to 54.7, marking the best performance since October 2022. This uplift is attributed to increased pricing power and growing industrial volumes, presenting favorable conditions for trucking firms.

Capex and Hiring Insights: While overall capex projections have shown upward revisions, especially in tech, hiring plans are notably softer. This shift signals a cautious approach from businesses despite optimistic capital spending plans.

Investor Sentiment Flash: In a recent flash survey, investors expressed mixed views on key topics such as SpaceX's future and the Fed's interest rate decisions, highlighting uncertainty in market trajectories.

Additional Key Takes:

- **Overall Sentiment:** The Company Surveys index remains well above recessionary thresholds, with breadth indicating modest positivity.
- **Employment Plans:** Recent surveys show a pullback in employment plans, reflecting a reactive strategy from companies following stronger-than-expected job growth earlier this year.
- **Oil Price Expectations:** There's a diminishing expectation for oil prices to rise, as only 28% predict a $10 increase, marking the lowest level of bullish sentiment since the question was introduced in 2021.

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Weekly Economic Report

Frustrating Inflation News, Over To Warsh

The inflation landscape is proving to be more complicated than anticipated, with mixed signals that may impact monetary policy decisions. Key highlights indicate that the all-in CPI inflation surged to +4.2% y/y, largely propelled by soaring gasoline prices, even as core CPI came in cooler than expected at +0.2% m/m and +2.9% y/y.

Core Inflation Dynamics: Despite the milder core CPI readings, PPI data suggests persistent underlying inflation pressures, particularly through components affecting the core PCE metric, expected to print in the +0.3% m/m range. The contribution from tariff-related inflation appears to be rolling over, whereas oil prices continue to influence airfares but less so in other areas.

Fed's Tightrope: Upcoming monetary policy from the Fed may hinge on these inflation figures, especially for Kevin Warsh's inaugural meeting as chair, where a misstep towards either hawkishness or dovishness could have significant market implications.

Employment Sentiments: Mixed signals continue from employment surveys. While capex intentions are robust among larger firms, small businesses exhibit caution with plans to scale back on hiring in the latter half of the year. This juxtaposition raises questions about the sustainability of recent payroll growth.

Consumer Spending Trends: Real wage growth remains negative, putting pressure on consumer purchasing power and contributing to lower savings rates. Although nominal spending holds steady, the decline in savings-at just 2.6%-highlights consumer strain amid rising living costs.

Additional Key Takes:

- **Tariffs and Pricing Power:** Retailers seem to be done passing on tariff increases, although pricing pressures persist due to other costs.
- **Employment Outlook:** Weakening employment intentions from small businesses suggest caution in hiring that aligns with broader economic uncertainties.
- **Inflation Expectations:** Consumer sentiment ticked up as oil price fears receded slightly, reflected in dropping short- and long-term inflation expectations.

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View Report

China Research

China 'Sat Nite' – AI vs. Jobs, Credit Growth, CMC List, Taiwan

Beijing is taking strategic steps to bolster private AI investments, aiming for technological self-reliance amid economic challenges. Amid announcements of significant state funding, the future landscape of AI in China could shift considerably as state funds reportedly facilitate smoother private sector investment.

State Investment in AI: A rumored allocation of 2 trillion yuan ($295 billion) over five years marks a significant commitment to advance computing infrastructure, albeit with concerns over clarity in investment sources. The expectation is that this funding, primarily through government bonds and state-backed funds, could stabilize the volatile investment landscape, despite potential shortcomings in matching the scale of US private sector spending.

AI's Job Impact Concerns: An editorial from Workers' Daily highlights the growing tension between the rapid expansion of AI and social stability, a key CCP concern, as job displacement emerges as a significant issue. Though the narrative is yet to gain traction in major media outlets, this reflection suggests heightened awareness at the policymaking level around the socio-economic implications of AI.

Weak Credit Growth: China's credit growth has plummeted to its lowest in 18 years, intensifying discussions for fiscal stimulus. This downturn, marked by contracted household borrowing and muted corporate investment, signifies a fragile economic environment that may push policymakers to prioritize fiscal measures to revive growth.

Regional Diplomacy Focus: Xi's increased diplomatic efforts with neighboring countries, particularly Mongolia, highlight a strategic pivot in foreign relations pending future engagements. Such initiatives align with Xi's preference for nearby alliances over long-distance diplomacy, reinforcing vital economic ties.

CMC List Developments: While recent updates to the Chinese Military Companies list included notable tech firms, the lack of punitive actions implies the ongoing complexity of US-China trade relations. The listings may serve as cautionary flags for US investors, marking potential risks yet not signaling an immediate threat to current agreements.

Maritime Patrols and Taiwan: China's maritime patrols near Taiwan are being framed as politically motivated actions rather than prelude to military interventions, reflecting ongoing regional tensions. The narrative suggests a calculated approach by Beijing to assert its stance while managing international perceptions.

Additional Key Takes:

- **Global AI Sentiment:** AI investment sentiment remains optimistic yet cautious, with implications for A-shares amidst geopolitical and economic uncertainties.
- **Trade Patterns:** The dynamics of global demand for clean-tech products have evidently influenced trade growth, underscoring a nuanced shift in export strategies.

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Political Analysis

China is the Elephant in the Room of the USMCA Review—But What Can Washington Actually Get Done?

The upcoming USMCA review process is significantly shaped by the shadow of China, with Washington aiming for greater alignment on restrictive economic policies between Canada and Mexico. Although President Trump has threatened not to renew the agreement, we expect a withdrawal is unlikely, though renewal beyond the 2036 deadline seems limited.

China's Role in Trade Dynamics: Persistent unresolved issues surrounding China's economic involvement complicate negotiations. The U.S. is strategically using the review as leverage to urge Canada and Mexico to adopt more restrictive policies towards China.
U.S. Trade Relations with Mexico and Canada: Mexico appears better positioned for negotiations, having already aligned certain tariffs and pressures against Chinese imports, while Canada navigates more friction with U.S. trade policies.

Potential Scenarios for USMCA Renewal:

- **No Deal:** Continuous reviews with persistent uncertainty are likely if no agreement is reached, potentially discouraging long-term investment in North America.
- **Fractured Outcomes:** Mexico might individually reach an agreement with the U.S., focused on reducing China's influence in exchange for tariff relief.
- **Trilateral Collaboration:** A comprehensive deal to restrict Chinese access across both nations seems less probable given the many outstanding issues.

Specific U.S. Trade Priorities:

- **Stricter Auto Rules:** Higher regional content requirements in auto manufacturing may help redirect production away from China.
- **Investment Scrutiny:** Increased screening of foreign investment is anticipated, particularly from Chinese entities, enhancing national security measures.
- **Preventing Forced Labor Exploitation:** New restrictions on imports produced with forced labor, especially from China, are being discussed, although these may face challenges in Mexico.

Overall, the USMCA negotiations symbolize an intricate balancing act between addressing domestic economic concerns and navigating international trade relations, with the shadow of China's economic posture hanging heavily above them.

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Eco Data Outlook

Between the Numbers

Inflation continues to dominate the market narrative, with the latest CPI and PPI figures reflecting a mixed picture. Headline metrics showed elevated levels, while the core CPI came in below expectations, contrasting sharply with a significant uptick in the core PPI. Upcoming data on housing and retail sales will be crucial as it's anticipated that elevated mortgage rates and rising oil prices may hinder growth in cyclical sectors. Mild disappointments in both housing starts and retail sales are projected for May, indicating potential risks ahead.

Economic Outlook on Employment and Inflation: The labor market shows signs of strain, with unemployment claims estimated to slip to 225K. Initial claims have recently stabilized around 200K, posing questions about labor market resilience. Temporary employment may receive a boost from the impending 'World Cup,' but other indicators suggest challenges ahead, as continuing claims appear stagnant.
Housing Market Trends: Predictions for housing starts indicate a downturn, with May expectations set lower than previous figures. Declining housing activity, while not in recession territory, reflects weak demand due to soaring mortgage rates, which need to improve for a meaningful rebound in starts.
Retail Landscape Insights: Despite early June showing a slight improvement in consumer sentiment, the overall outlook remains tepid. Retail sales figures are holding steady, but continued low consumer confidence may hinder growth prospects.

Additional Key Takes:

- **Temp Employment Trends:** Significant declines in temp employment, a leading indicator for overall employment growth, further complicate the revenue outlook for employment service companies.
- **Weekly Earnings Insights:** Average weekly earnings among service employees appear to be diminishing, which could negatively impact profitability in the employment services sector.

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Weekly Survey Charts

Weekly Company Survey Charts

Company Surveys indicated a slight dip in metrics, with the overall index dropping from 52.1 to 51.9, suggesting stability amid mixed signals regarding economic activity. Notably, breadth remains positive at +0.7%, reflecting ongoing resilience in various sectors.

Manufacturing and Economic Sentiment: The Manufacturing Companies Survey held steady at 47.4, illustrating balanced levels of domestic and foreign orders. There are emerging concerns as pricing power remains tenuous, with the index steadying at 47.5.

Airlines Activity: The Airlines Survey held firm at 61.3, maintaining its position as the second strongest survey. Good bookings and pricing strength continue to support this positive outlook, although rising fuel costs pose challenges.

Shipping and Tanker Dynamics: The Shipping Companies Survey softened slightly to 71.0, primarily impacted by uncertainties related to oil demand due to geopolitical tensions. Despite strong near-term tanker pricing, long-term concerns persist regarding production cuts affecting availability.

Construction and Housing: The Homebuilders Survey remained stable at 42.1, capturing mixed results with public builders declining slightly while private builders showed improvement amid a slow Spring selling season.

Retail Environment:

- **Restaurants Survey:** Improved to 58.0, bolstered by seasonal marketing strategies, though consumer sentiment reflects caution in spending.
- **Consumer Staples Survey:** Secured steady results at 52.1, although pricing power is challenged as consumers shift toward more economical choices.

Sector Highlights:

- **Trucking Sector:** The Trucking Companies Survey increased to 54.7, aided by better truckload activities despite softening in less-than-truckload metrics.
- **Cargo Transport:** The Air Cargo Companies Survey showed moderate strength with an index rise, driven by robust international demand.

Key Insights:

- **Capex Plans:** Greater tech capital expenditure is expected, reflecting the growing importance of AI investments.
- **Market Sentiment:** General bearishness persists with institutional managers showing lower confidence in market movements.

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Flash Survey

Flash Survey: SpaceX Price & Outlook, Oil, & Next Fed Move.

Current sentiment around SpaceX suggests a cautious outlook, with investors divided on short-term price movements. Only 35% foresee potential upside over the next six months, contrasted with 50% anticipating some downside. This skepticism might stem from broader market uncertainties.

Investor Expectations on SpaceX: Looking ahead, 62% believe SpaceX could establish itself as a viable competitor to traditional U.S. wireless frameworks. This optimism hinges on the company's ambitions with its Starlink Direct-to-Cell service. Additionally, 57% expect significant investment in domestic chip manufacturing, indicating confidence in long-term infrastructure growth.
Orbital Infrastructure Development: 38% anticipate that SpaceX will launch 1GW of dedicated orbital resources tailored for commercial compute and AI workloads. This ambition may position the company strongly within emerging tech sectors.

Monetary Policy Insights:

- **Interest Rate Projections:** 54% of respondents predict the Fed will maintain current rates through the latter half of 2027, reflecting a mixed sentiment on near-term economic conditions.
- **Oil Price Sentiment:** Only 28% foresee the next $10 shift in WTI oil prices to be upward, marking the lowest confidence level since survey inception, potentially signaling market saturation or external economic pressures.

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Equity Strategy

The Biggest “Watch Party” of All Time & The Breakfast Club: The Take From “The Best 30 Minutes on Wall Street” - June 12, 2026

All eyes are on the upcoming SpaceX IPO as a pivotal moment in this market landscape. It's set to be a landmark event comparable to Netscape's debut in 1995, kicking off a new chapter in the "AI Revolution" Bull Market. The upside potential is underscored by a robust economy driving the SPX toward 7,750, with an overshoot possibility up to 9,000, especially led by the tech sector.

Expectations for the SpaceX IPO: Day 1 price performance is anticipated to fall between a 5% and 40% gain above the IPO price. This sweet spot is crucial; volatility leading up to the IPO births caution from shorts. Recent tech volatility combined with the capital-raising demands of major players like GOOGL and META adds pressure for SpaceX to perform.
Outlook from The Breakfast Club: Conversations with CIOs suggest a mixed sentiment for 2027, acknowledging ongoing AI-related Capex expenditures will underpin market gains in 2026. Key concerns center on potential deal failures and widening credit spreads, though energy prices and yields aren't identified as primary threats.

Additional Key takes:

- **Capex Focus:** Anticipated Capex for 2027 may exceed $1 trillion, reflective of confidence in continued investment momentum, particularly in technology.
- **Strategic Positioning:** Stay long on AI-centric themes across Communication Services, Consumer Discretionary, and Information Technology. The potential for significant upside exists, particularly around the SpaceX IPO.
- **Geopolitical Risks:** For immediate term hedging, acquiring July SPY 725 puts is advised to navigate geopolitical event risks.

This moment is not merely about a singular IPO but signifies a broader trend of technological innovation and economic resilience. Reach out if you'd like to discuss how this fits into your portfolio strategy.

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Evercore ISI Podcasts

Evercore ISI's Weekly Macro and Fundamental Spotlight: Our 30 Minute (or less) Analyst & Strategist Podcast

The latest insights suggest a resilient macro environment, although certain challenges persist. Overall consumer sentiment remains steady, bolstered by improving data, even as sector-specific dynamics introduce complexities.

Macro & Policy Framework: The macro landscape continues to show signs of stability, driven by easing inflationary pressures and solid consumer metrics. However, geopolitical tensions, particularly with Iran, could create ripples in markets.
Consumer Sentiment: Recent surveys indicate a rebound in consumer activity, especially in late May and early June, with a notable uptick in discretionary spending. Conversely, traffic decline among lower-income consumers highlights challenges within the restaurant sector, particularly affecting casual dining chains.

Retail Insights: As tax-refund tailwinds diminish, the impact of rising gas prices looms large, creating a headwind for broader retail sales. Despite this, continued emphasis on cost management and inventory discipline is expected to enhance profitability in the retail hardlines sector.
Food Sector Trends: Key players in the food industry face pressure from smaller brands winning market share due to consumer preference shifts, despite some major firms expecting favorable input costs. Looking ahead, names like HSY and MDLZ appear well-positioned for growth, while CAG and GIS struggle.

Fundamental Spotlights:

- **Restaurant Trends:** The adverse effect of COVID pricing is palpable, as lower-income segments report diminishing visits to establishments, affecting brands like MCD.
- **Technology Adoption in Retail:** AI innovations by leaders like Amazon are amplifying competitive advantages in the retail hardlines space.

In summary, the macro backdrop retains positive elements, but sector-specific challenges remain, particularly related to consumer spending behavior and competitive dynamics across various industries.

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From: Evercore ISI
To: mliposky@mapension.com
Subject: Evercore ISI Macro Daily PULSE – Mon June 22; U.K. Politics + Negative Beta Stocks + U.S. Iran + Weekly Economic Calendar
Date: Monday, June 22, 2026 10:51:32 AM

22 June 2026

Macro Daily PULSE - *Policy, Surveys, Levels, Strategy, Economics*

Daily Macro Comment

Report

- **UK POLITICS – PREPARING FOR A BURNHAM GOVERNMENT**: Keir Starmer has bowed to the inevitable and promised to step down as UK PM and Labour party leader, paving the way for Andy Burnham to become PM. With potential rival Wes Streeting backing Burnham it looks as if Burnham may well avoid a leadership contest and simply be crowned party head and PM, though at the time of writing there is still some chance Al Carns might try to gather enough support to run against him. (Krishna Guha)

- **"Negative Beta" Stocks - Diversification Under the Index Hood:** More upside ahead as record momentum is catalyzed by rising capital markets cycle, cooling geopolitical tensions and speculation. Index Concentration is making Index investing AI investing. Diversification benefits from RoW allocation, Bonds and Gold are diminishing. Look under the SPX Index Hood as a surging number of "Negative Beta" Stocks are trading inversely with the S&P 500. Remain O/P AI exposed sectors for S&P 500 to 7,750 by YE (9,000 Bull). Buy Negative Beta stocks providing diversification for generalist investors if AI exposure runs "too hot" and to navigate near term volatility from a new Warsh Fed. Among them EVR ISI O/P rated KO, COST, TMUS, MDLZ. (Julian Emanuel)

- **US-Iran, Oil And A Warshquake:** Oil fell below $80 on the signing of the US-Iran deal. The deal is being tested by renewed fighting between Israel and Hezbollah. • New Fed Chair Warsh shook markets with a single-minded hawkish focus on price stability and a pullback from communication. This extended far beyond not providing forward guidance. He refused to give much current guidance on economic conditions or discuss the Fed's strategy or reaction function. (Krishna Guha)

- **Between the Numbers:** Our economic estimates this week are generally more bullish than consensus. If this plays out, then the 10-Year Treasury yield cannot fall significantly. New home sales, personal income/consumer spending/deflators and flash PMIs are the key releases. EU business confidence is potentially market moving with the PMIs, Ifo and BNB all scheduled. The 2 / 5 / 7-year Treasury auction demand is likely subpar. (Stan Shipley)

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Macro Research Today

Economics & Central Banking Strategy

UK POLITICS – PREPARING FOR A BURNHAM GOVERNMENT

Keir Starmer has bowed to the inevitable and promised to step down as UK PM and Labour party leader, paving the way for Andy Burnham to become PM.

With potential rival Wes Streeting backing Burnham it looks as if Burnham may well avoid a leadership contest and simply be crowned party head and PM, though at the time of writing there is still some chance Al Carns might try to gather enough support to run against him.

In theory a contest would be a moment to surface and test policy ideas, which would require Burnham to flesh out his as yet vague agenda for government. In practice it would just as likely to lead to an auction of promises to win the support of party members, so for the market a coronation is probably no bad thing.

UK politics has been structurally unstable ever since Brexit, with old political coalitions fractured and weak growth, squeezed public finances and the buffeting actions of the US and other world powers fueling public discontent – giving rise to a run of short-lived prime ministerships of the kind we traditionally associated more with Italy than the UK.

It is far from clear that Burnham – a popular former mayor – has the answer to these structural challenges.

Markets worry about a lurch to the left from the relative managerialism of Starmer and Reeves (who actually did step up public investment and taxes substantially.)

With the first budget probably unlikely before November, the choice of the next Chancellor and his / her early comments on the government's fiscal rules and policy intentions will be a key signal to markets.

Some (particularly international) investors worry about a second Liz Truss episode. We think that risk is low.

We worry less about a deliberate decision to blow out the deficit and more about a reliance on more taxes to fund additional public spending that will further dampen growth and likely in the end disappoint on revenues and therefore the deficit too.

More on the picks below.

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Equity Strategy

“Negative Beta” Stocks - Diversification Under the Index Hood: Top of the Market's Mind

Investors can anticipate more upside ahead, fueled by strong market momentum and improving conditions. Recent shifts in capital markets, coupled with reduced geopolitical tensions, are paving the way for potential gains, particularly in tech-heavy sectors. With heavy index concentration, investing in the S&P 500 is increasingly akin to betting on AI advancements.

Negative Beta Stocks: A noteworthy trend is the rise of "Negative Beta" stocks, which are currently showing promise as a diversification strategy. These stocks are moving inversely with the S&P 500 and present opportunities for generalists seeking to balance their portfolios amid expected volatility from Fed policy shifts. Stocks such as COST, KO, TMUS, and MDLZ are highlighted as top picks for those seeking diversification benefits.
Market Dynamics: The S&P 500 is undergoing significant concentration, where the top ten stocks now constitute 40% of the index's weight. This level raises concerns about the diminishing benefits of broad index investing. The cooling from traditional diversification assets-like global bonds and gold-has been palpable, pushing investors to explore alternatives.

Key Insights:

- **Capital Markets Cycle:** An upturn in equity issuance and IPO activity suggests room for growth in the broader market, with an S&P 500 target of 7,750 by year-end.
- **Single Stock Volatility:** With elevated single-stock volatility and decreasing implied correlations, the market is seeing increased dispersion, offering selective stock opportunities.
- **Diminishing Diversification:** Investors should note that historical diversification benefits from traditional assets like bonds and gold have eroded amid rising inflation.

Exploration of "Negative Beta" stocks offers a unique pathway to counterbalance prevalent market conditions without relying solely on index puts or cash overload. Keeping a pulse on both AI progression and traditional market dynamics will be key for investors navigating the upcoming economic landscape.

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Weekly Economic Report

US-Iran, Oil And A Warshquake

Oil prices have dropped below $80, providing a boost for consumer sentiment as retail gasoline falls below $4 for the first time since March. The recent US-Iran agreement, designed to normalize oil flows, is already being tested by regional tensions, particularly conflict involving Israel and Hezbollah. This backdrop illustrates the fragile balance in global oil markets as inventories remain at a relatively normal level despite fluctuations.

Federal Reserve Signals: The new Fed Chair's hawkish stance has unsettled markets, moving away from previous communication strategies. This shift has led to a notable increase in the 2-year yield, reflecting expectations of tighter monetary policy.
Inflation Dynamics: The Fed's dot plot shows a split among officials, leaning towards a rate hike by September amidst rising inflation pressures. Interestingly, real retail sales were positive yet lackluster, suggesting consumer sentiment remains muted despite lower gasoline prices.
Economic Indicators: Initial unemployment claims are trending upwards, signaling potential cooling in payroll growth, while import price inflation remains hot, particularly in tech components like computer accessories.
Manufacturing Trends: Although industrial production showed slight softness, high-tech sectors fueled by AI capex continue to thrive, indicating robust trends within specific industries.

Additional Key takes:

- **Energy Market Dynamics:** A potential surge in supply from the Strait of Hormuz could stabilize oil prices, although geopolitical risks persist.
- **Housing Market Outlook:** A sharp decline in housing starts adds to concerns about affordability and demand in the current environment of high rates.
- **K-shaped Recovery Debate:** While personal income data does not paint a clear K-shaped recovery, wealth distribution shows growing divides, emphasizing the disparity between asset accumulation and income growth.

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Eco Data Outlook

Between the Numbers

This week's economic outlook reveals a generally bullish perspective that could influence yield trends. New home sales, personal income, consumer spending, and flash PMIs are pivotal releases to monitor. Additionally, European business confidence indicators could be market-moving, with key PMIs, Ifo, and BNB data forthcoming. Notably, there's an expectation of below-average demand for the 2-, 5-, and 7-year Treasury auctions, which may impact the market dynamics.

Economic Trends: If the optimistic estimates hold, significant drops in the 10-Year Treasury yield may not materialize, impacting investment strategies.
Consumer Insights: Personal income and spending data are likely to reaffirm economic resilience, supporting consumer confidence.
Market Sentiment: Subpar demand in upcoming Treasury auctions suggests potential concerns about government borrowing, which could exacerbate yield pressures.

Additional Key takes:

- **New Home Sales Outlook:** An uptick in new home sales could signal a robust housing market and bolster economic forecasts.
- **European Economic Indicators:** The forthcoming EU business confidence data should be carefully evaluated, as it could reflect broader market trends.
- **Consumer Spending Patterns:** Increases in consumer spending may indicate sustained economic momentum, benefiting various sectors.

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To:	mliposky@mapension.com
Subject:	Evercore ISI Macro Daily PULSE – Mon Mar 2: Economy and Iran War + Four Issues Concerning the Mideast + Inflation, AI and Iran + China
Date:	Monday, March 2, 2026 11:07:29 AM

2 March 2026

Macro Daily PULSE - *Policy, Surveys, Levels, Strategy, Economics*

Daily Macro Comment

Report

- **IRAN WAR / GLOBAL ECONOMY – $80-$85 OIL FOR EVEN A FEW MONTHS = MODEST IMPACT, PERSISTENT $100-$120 + NAT GAS = SERIOUS SHOCK, MOSTLY EX-US:** A market and global economy grappling with the new economics of AI creative destruction – high productivity, job displacement and potential disinflation – now has to consider the old economics of an oil price shock – higher prices, lower real incomes in oil importing countries and risk of stagflation. Under standard assumptions a $10 increase in oil results in a 30-40bp increase in headline PCE inflation; in most models the impact on US core inflation is trivial, with core medium term lower on weaker demand in oil-importing economies where the negative growth impact is bigger. (Krishna Guha)

- **Four Issues We're Watching as War in the Middle East Unfolds**: The United States' coordinated attack with Israel against Iran obviously has extraordinary implications for the Middle East, geopolitics, and the trajectory of the Trump Administration. The early U.S. military efforts were deemed successful, with the death of Khamenei and many others throughout the Iranian leadership, further degradation of Iran's air capabilities, and the recent reports that some Iranian naval ships have been destroyed. However, there are already confirmed American casualties in the context of Iranian retaliation stretching across the region, with many questions as to what comes next. (Sarah Bianchi)

- **Inflation, AI, and Iran Conflict Weigh On Markets**: Last week saw very few eco releases. Market focus remained on AI, particularly with the circulation of the Citrini research paper to start the week. Krishna Guha laid out his thinking on this AI doomsday scenario here. Moving beyond the hypothetical scenarios, AI concerns continued to proliferate, with capex investment under scrutiny and jobs fears after Block's halving of its workforce. (Eco Team)

- **China – Iran not Worth the Strategic Gamble**: We view Beijing's response in the context of its broader Middle East strategy – one that centers on balancing its relationships with all major regional players and maximizing business opportunities. Saudi Arabia, Qatar, and the UAE are all more important to China from a trade and investment perspective than Iran. Unlike the U.S., Beijing remains reluctant to assume a security-provider role in the region. (Neo Wang)

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Macro Research Today

Economics & Central Banking Strategy

IRAN WAR / GLOBAL ECONOMY – $80-$85 OIL FOR EVEN A FEW MONTHS = MODEST IMPACT, PERSISTENT $100-$120 + NAT GAS = SERIOUS SHOCK, MOSTLY EX-US

A market and global economy grappling with the new economics of AI creative destruction – high productivity, job displacement and potential disinflation – now has to consider the old economics of an oil price shock – higher prices, lower real incomes in oil importing countries and risk of stagflation.

Under standard assumptions a $10 increase in oil results in a 30-40bp increase in headline PCE inflation; in most models the impact on US core inflation is trivial, with core medium term lower on weaker demand in oil-importing economies where the negative growth impact is bigger.

We consider two cases: our energy team's base case, conditioned on some further escalation, of a further increase to $80-85 (Brent) that persists for up to a quarter, and, the risk case of a surge to $100-120 with interruption to Qatari natural gas flows, which would happen if the war spreads to energy infrastructure and Iran attempts to close the Straits – neither of which has happened at time of writing (4.30pm ET Sunday).

We think $80-85 for weeks or even a few months followed by a gradual decay towards the $60s (given underlying excess supply) would leave only a small impact on the global economy and very little on the US.

A more persistent shift to $80-85 (with unresolved conflict but both sides holding back from energy escalation) would leave a larger imprint on headline inflation globally and have a more lasting impact on terms of trade and real incomes in oil-importing Europe and Asia.

The risk case of $100-120 oil is in our mind qualitatively different.

The price shock would be much more material, raising risks to inflation expectations, and, while prior oversupply would prevent an immediate quantity constraint, any sustained closure of the Straits could bring quantity constraints as well as price impacts.

Any interruption to Qatari natural gas would be highly material for Europe.

Given US energy economics the dollar should rally strongly with Treasuries leading global yields lower Monday. If we do not see this, it would raise additional concerns about the impaired safe haven properties of US assets.

Do join the EVRISI webinar with former CIA director Bill Burns Monday 8.30am ET (link). Read on for more, including central bank reactions.

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Political Analysis

Four Issues We're Watching as War in the Middle East Unfolds – Join Us for Expert Calls Tomorrow

The unfolding conflict in the Middle East is reshaping geopolitical dynamics with significant implications for energy markets and U.S. domestic politics.

Iran's Leadership Future: Uncertainty looms over Iran's next moves following leadership losses. The U.S. stance remains firm, with ongoing military actions and high demands for negotiations.
Energy Market Impact: Brent prices have a $10/bbl premium due to geopolitical risks. Potential disruptions in the Straits of Hormuz could push prices higher, affecting global logistics.
U.S. Political Landscape: Democrats express concerns over the intervention's process. The War Powers resolution might struggle to gain traction against the current administration's actions.
Domestic Effects on Trump Administration: Rising gas prices could challenge the administration's domestic agenda. The conflict tests Trump's coalition, especially among those wary of military engagements.

Additional Key takes:

- **Iranian Retaliation:** Potential for further aggressive responses remains a concern.
- **Straits of Hormuz:** Tanker attacks increase logistical and insurance worries.
- **Venezuela Strategy Comparison:** Differences in approach highlight unique challenges with Iran.
- **Trump's Domestic Strategy:** Linking foreign actions to domestic issues remains limited.

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Weekly Economic Report

Inflation, AI, and Iran Conflict Weigh On Markets.

Inflation and geopolitical tensions are casting shadows over market sentiment. AI remains a focal point, stirring both opportunities and concerns, particularly around workforce impacts and investment strategies.

AI and Market Dynamics: Krishna Guha's analysis highlights the dual nature of AI's influence—while it promises innovation, it also raises alarms about job security and capital expenditure.
Inflation Pressures: The unexpected rise in PPI, driven by trade services, complicates the outlook for potential Fed rate cuts, with core PCE deflator estimates also climbing.
Geopolitical Concerns: Tensions in Iran have pushed crude prices higher, reflecting market anxiety over potential supply disruptions in the Middle East.

Additional Key takes:

- **Housing Market:** The drop in 30-year mortgage rates below 6% is a positive signal, yet high home prices and consumer sentiment remain challenges.
- **Consumer Sentiment:** An uptick in consumer confidence, driven by future expectations, suggests some resilience despite broader economic concerns.
- **Retail Activity:** The EVRISI retailers survey shows improvement, though the overall trend remains subdued due to weather-related factors.

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China Research

China – Iran not Worth the Strategic Gamble

Beijing's support for Iran remains largely rhetorical, aligning with its broader Middle East strategy that prioritizes economic ties with Saudi Arabia, Qatar, and the UAE over Iran. This approach highlights China's reluctance to assume a security-provider role, contrasting sharply with the U.S.

Middle East Strategy: China's focus is on balancing regional relationships and maximizing business opportunities. Iran's situation underscores the lack of a security dimension in organizations like BRICS and the Shanghai Cooperation Organization.
Geopolitical Dynamics: Iran's predicament is distinct from countries like Russia and North Korea, which share land borders with China, and Pakistan, which serves a strategic purpose against India.
Impact on Xi-Trump Meeting: The conflict is unlikely to affect the meeting, as Beijing prioritizes U.S. tariff discussions over Iranian issues.

Additional Key takes:

- **Global South Leadership:** China's limited support for Iran doesn't diminish its image as a leader, given Iran's self-inflicted challenges and the lack of cohesion within the Global South.
- **Energy Sector Implications:** Potential disruptions in crude oil supply may accelerate China's green energy transformation efforts.

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Economics & Central Banking Strategy

IRAN / MACRO – UPDATE: MARKETS PERFORMING OK, WATCH OIL ATTACKS AND NATURAL GAS, WITH NAT GAS MAJOR RISK FOR EUROPE

Markets are holding steady despite recent geopolitical tensions. The drone strike on Saudi's Ras Tanura and Qatar's LNG production halt haven't escalated to a full-blown crisis yet.

Oil Market Dynamics: Oil prices have risen but remain below recent highs, suggesting market confidence that disruptions may be temporary.
European Exposure: Europe is particularly vulnerable due to reliance on Qatari LNG, risking a repeat of past natural gas shocks.

Additional Key takes:

- **Currency Movements:** The dollar has strengthened slightly, reflecting cautious investor sentiment.
- **Safe Havens:** Gold's rise indicates moderate risk aversion, while USTs are not as favored as before.
- **Military Developments:** Iran's actions may escalate if the regime feels threatened, impacting global energy markets.
- **Strategic Stability:** Both Iran and the US are avoiding actions that could lead to mutual economic harm.

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Equity Strategy

More Earnings + More Volatility = More Upside, Delayed Not Derailed: Top of the Market's Mind

More Earnings + More Volatility = More Upside, Delayed Not Derailed 2026 kicks off with a volatile mix, but the potential for upside remains strong.

EPS Growth: S&P 500 2026 EPS raised to $304 from $296, reflecting strong earnings growth across sectors, especially in Tech and Materials.
Geopolitical and AI Disruption: Increased volatility expected due to geopolitical tensions and AI disruptions, yet the market is well-hedged, suggesting upside is delayed, not derailed.

Additional Key takes:

- **Market Resilience:** Despite geopolitical tensions, the S&P 500 support at 6,520 is expected to hold, offering opportunities to add exposure to discounted AI names.
- **Sector Strength:** Tech and Materials sectors are leading EPS growth, with broad sector upgrades defying the usual downward trend.
- **Volatility and Hedging:** Options hedging at high levels indicates a market prepared for dislocations, with potential buying opportunities on pullbacks.

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China Research

China 'Sat Nite' – RMB, Housing, Robots, US-China & Tariffs

Beijing's strategic move to slow RMB appreciation highlights a tactical approach to stabilize the market while keeping export competitiveness in check.

RMB and Market Stability: The PBoC's decision to lower reserve requirements is a clear signal to manage RMB's pace without setting strict boundaries. This move aims to stabilize expectations ahead of significant political events.
Housing Market Dynamics: Tier-1 cities alone can't uplift the entire housing market. While local support is promising, the broader impact remains limited due to the vast number of smaller cities without similar measures.
Environmental Goals and Energy Transition: China's tightened air quality standards are set to drive clean energy adoption, leveraging environmental targets as a catalyst for technological progress.
PLA Purge Developments: Xi's actions suggest a focused deepening of existing investigations rather than a broadening scope, maintaining procedural integrity while advancing legal processes.

Additional Key takes:

- **Trade Tensions and Tariffs:** Beijing's response to USTR's tariff probes indicates a preference to move past previous trade deal shortcomings, focusing on strategic rather than tariff levels.
- **US-China Relations:** Trump's omission of China in key speeches reflects a tactical shift rather than a strategic change, with underlying competition remaining a strong US consensus.
- **Robotics as Export Frontier:** China's ambition to position robotics as a major export sector signals a strategic pivot, leveraging less competitive European markets.

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From:	Evercore ISI
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Subject:	Evercore ISI Macro Daily PULSE – Mon Mar 30: Iran and Risk of Recession + Strategy + Financial Conditions + Prediction Market + Morning Thought
Date:	Monday, March 30, 2026 11:10:18 AM

30 March 2026

Macro Daily PULSE - *Policy, Surveys, Levels, Strategy, Economics*

Daily Macro Comment

Report

IRAN / UK – HIGH RISK OF RECESSION, BOE NOT HELPING: The Iran war energy shock is pushing up recession risk everywhere, easing (excessive) market bets on rate hikes. The risk is much greater outside the US than in the US, and greatest in UK, where the labor market was weakest among major economies heading into the shock, the negative terms of trade shock is among the biggest and the tightening of financial conditions has been on many measures the largest. Even before Iran the UK was at risk of recession on the US definition – material underutilization of resources – with unemployment threatening to push to 5.5 per cent and several rate cuts needed to stabilize the labor market. A rise in unemployment to the mid-high 5s now looks like a slam dunk, and there is high risk of a recession on the UK definition of two consecutive quarters of negative growth. (Krishna Guha)

Stocks for Stability: By almost any measure we as Investors, Consumers and global Citizens are living through one of the Riskiest times in the 21st Century (Figure 1) fast becoming on par with the Oil and Geopolitically fueled uncertainty of the 1970's. While the War between the U.S./Israel and Iran continues while negotiations are underway in front of President Trump's newest deadline of 8:00 PM EDT on April 6, oil prices have resumed their climb into the "Danger Zone" where the prospect of $4/gal. gasoline, catalyzing Stagflation and a Minor Bear Market in 2022 and Recession and a Major Bear Market in 2008, looms. (Julian Emanuel)

Financial Conditions Tightening On Iran War Bid-Offer Spread: There is a wide bid-offer spread between the US and Iran over terms for ending the Iran war. Tighter financial conditions will slow growth. So will uncertainty. We are seeing the first signs of the war shock in surveys. Next Friday's employment report for March will be closely watched after negative payrolls in February. A weak print would increase growth fears further. However, EVRISI employment surveys favor a firmer print. (Eco Team)

Prediction Market Policy: What to Watch as Scrutiny Grows and Political Battles Heat Up: Prediction markets have surged in popularity and prominence, with one recent study finding that aggregate monthly trading volume has reached $20bn+. This growth has led to increasing scrutiny across the judicial, executive, and legislative branches. In this note, we highlight four key policy areas to watch that will shape the trajectory of prediction markets going forward. (Matthew Aks)

Morning Thought: U.S. Treasury yields fell over the weekend. The 10-year yield is down -4bps to 4.390%. The yield curve has stopped flattening over the past few days. Other major developed global sovereign yields (except U.K.) are lower too. Gold and oil are higher. Credit spreads were higher on Friday. Sovereign yield spreads, which were myopically focused on inflation for the past two months, seem to be shifting towards recession risk. Atsushi Mimura, Japan fx diplomat, said the possibility of decisive fx intervention is increasing. Kevin Warsh nomination hearings may start by mid-April. (Stan Shipley)

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Macro Research Today

Economics & Central Banking Strategy

IRAN / UK – HIGH RISK OF RECESSION, BOE NOT HELPING

UK recession risk is sharply rising as the Iran war energy shock collides with an already fragile backdrop, while the Bank of England's approach is doing little to reassure markets or anchor expectations. UK stands out as the most exposed among major economies, with labor market weakness, a hefty terms of trade hit, and the most aggressive tightening in financial conditions. The core message: the market is overestimating the scope for sustained BoE hikes, and the real debate is about how quickly the cycle will reverse.

Recession Risk & Labor Market: A move to 5.5%+ unemployment looks almost inevitable, and the UK is flirting with both the US and UK technical definitions of recession. Even before the latest shock, the economy was teetering, and now the odds of two negative quarters are high.
Policy Missteps & Communication: The BoE's hawkish March pivot amplified rate hike bets at exactly the wrong time, ignoring the need to "look through" one-off energy shocks if expectations can be managed. Mixed signals since have only muddied the waters, with no clear collective reaction function.
Inflation Dynamics: Headline inflation is set to spike back to the high 3s/4% zone, but the underlying setup is less threatening than 2022: supply chains are normal, the labor market is loose, and pent-up demand is gone. This should cap core inflation pressure, especially as slack widens.
Structural Challenges: The Bank's governance and communication model are not fit for purpose in a crisis: too much focus on individual voices, not enough on a unified policy stance. The "median voter" model leads to stale, fragmented messaging and undermines market confidence.

Additional Key takes:

- **Market pricing:** The market is mispricing the policy path-odds of a string of sustained hikes are low. If anything, expect a stunted hiking cycle halted by labor weakness and then reversed as slack mounts.
- **BoE's dilemma:** While a hike or two might be needed to stabilize expectations, there's little justification for 3-4 hikes unless inflation expectations really deteriorate. Any tightening should be clearly justified and communicated as a one-off signal, not the start of a cycle.

- **Scenario analysis:** Quarterly scenario work has improved, and the April update (likely energy-driven) will be more useful than ECB equivalents, but the Bank's communication between reports remains patchy.
- **Governance fix:** Publishing MPC minutes weeks after meetings (not same day) and focusing on a collective reaction function would help restore credibility and policy traction.
- **OECD vs in-house view:** OECD's 0.7% UK growth forecast looks optimistic; sub-0.5% is more realistic after factoring in the tightening in financial conditions.
- **Equity/market impact:** UK equities have underperformed peers, and the macro backdrop offers little near-term relief.

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Equity Strategy

Stocks for Stability: Fundamental Analysts' Picks for a Stabilizing Macro Backdrop

Macro risk feels maxed out, but the "tail risk" may actually be stability - with markets heavily hedged for more turmoil, few are prepared for the possibility that newsflow improves, oil prices cool off, and the Fed stays patient, all supporting a structural bull market that could have further to run into 2026.

Stability as the Overlooked Scenario: If geopolitical tensions ease, oil drifts to a more manageable $88 Brent, and both short and long rates calm, the foundation is laid for 2%+ U.S. GDP in 2026, a Fed that could cut by year-end, and an S&P 500 that continues to benefit from double-digit EPS growth - a setup historically positive for equities.
Positioning for a Stable Macro: The "Stocks for Stability" basket is a cross-sector group of names with strong fundamentals, valuation support, and positive estimate revision potential if the macro backdrop steadies. Think quality, market share gainers, and those with idiosyncratic catalysts.

Additional Key takes:

- **Consumer/Discretionary:** AS, ULTA, and PHM are flagged for having seen outsized pullbacks despite healthy underlying trends. For ULTA, expectations are likely too low after a cautious guide, while AS is poised for a breakout year with Salomon. PHM stands out among builders for its focus on higher-end buyers and capital return.

- **Auto/Aftermarket:** AN and ORLY both benefit if consumers and rates stabilize. ORLY's defensive profile and guidance already bake in most risks, while AN would see sentiment and multiples recover with better SAAR and AI-driven efficiency gains.
- **Beverages:** BUD, KO, and STZ are all gaining share and have levers for multiple expansion, with BUD and KO especially exposed to a weaker dollar and global demand.
- **Restaurants:** YUM and EAT offer strong earnings growth and capital return, with Taco Bell and Chili's both well-positioned for continued momentum.
- **Travel/Lodging:** DAL, UAL, CPA, ALGT, MAR, and RHP stand to benefit as travel demand remains robust and could accelerate if geopolitical and oil risks fade. MAR's fee growth levers are underappreciated.
- **Energy:** HAL, BKR, and SLB are best positioned among oilfield services for a rebound as the sector shifts from deflationary pressures to supply security and inventory normalization.
- **Fintech/Payments:** AFRM, ADYEN-NL, CHYM, TOST, and XYZ are all trading at steep discounts on macro fear, but underlying trends are solid; stabilization should drive rerating, particularly for those with AI leverage or international exposure.
- **Insurance & Financials:** CBRG (post-merger) and MS are both flagged for valuation upside and capital return potential, with MS also a beneficiary of bank deregulation and a less rate-sensitive revenue mix.
- **Banks & Specialty Finance:** HBAN, PNFP, and ALLY all offer idiosyncratic value stories, with conservative estimates and discounted multiples more than pricing in current risks.
- **Healthcare:** ALGN, CRL, ELAN, MDGL, BBIO, NBIX, ZBIO, BSX, DHR, ILMN are all positioned to accelerate with macro stability, funding recovery, or product catalysts. ALGN and CRL in particular are set for margin and revenue inflection.
- **Industrials/Machinery:** CAT's multi-year backlog and structurally higher energy prices support strong earnings visibility. UNP and CHRW both offer "heads you win, tails you win" setups on M&A or operational execution, with CHRW's AI-driven moat underappreciated.
- **European Industrials:** ENR GY and SIE GY are deeply discounted on Europe fears, but a macro turn would bring focus back to structural grid, power, and automation demand, supporting re-rating.
- **Utilities/Power:** NRG and TLN are levered to incremental power demand and have double-digit FCF yields, with upside as hyperscalers lock in supply.
- **Real Estate:** CBRE stands out for mid-teens EPS growth and attractive valuation post-AI narrative dislocation.
- **Tech/Hardware/Semis:** APH, STX, AAPL, ON, MCHP, NXPI all benefit from stable rates, AI demand, and sector-specific catalysts. APH and STX are especially leveraged to AI infrastructure and hyperscale storage, while AAPL is insulated by services and currency stability.
- **Internet/Media:** AMZN, BKNG, EXPE, UBER, DIS, FWONK are all high-quality, dislocated leaders with valuation support and idiosyncratic growth levers. AMZN and UBER both have margin and FCF inflection potential, while DIS and FWONK would benefit from easing macro/geopolitical headwinds.
- **Software/Cybersecurity:** MSFT, SNOW, CRM, NOW, and PANW are the preferred "scaffolding" and platform plays, with AI demand, scale, and security/trust as key differentiators. PANW's end-to-end AI security moat is only getting stronger with recent deals.

Bottom line: The market's braced for more pain, but the real surprise could be a return to stability - and this basket of names is where the upside lives if that plays out.

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Weekly Economic Report

Financial Conditions Tightening On Iran War Bid-Offer Spread

Financial conditions are tightening as markets reprice for a longer, messier Iran conflict, with no ceasefire in sight and a wide bid-offer spread between the US and Iran keeping oil "higher for longer." S&P now off ~9% from highs, with the DJIA and Nasdaq both dipping into correction territory. Growth headwinds are building, but resilient employment and productivity trends are providing some offset.

War premium and market reaction: With no near-term resolution, the energy shock is feeding through to both stocks and bonds. Both short- and long-end yields have moved higher, reflecting less room for rate cuts and even risk of hikes, while equities are feeling the pinch from the combination of higher oil, weaker sentiment, and ongoing uncertainty.

Consumer and business sentiment: First signs of a war shock are showing up: global PMIs softened, especially in Europe, and US consumer sentiment (U Mich) fell. That said, Oscar's weekly surveys show only a modest dip, with US consumer resilience still intact for now.

Import prices & capex: Import prices rose the most since 2022, with AI-related capex demand pushing up capital goods prices. Some of this will spill over into consumer prices, though the impact is not yet alarming.

Labor market signals: Initial claims remain steady at 210k, and Oscar's employment surveys suggest the labor market is holding up, even as payrolls have looked softer lately. March jobs data next Friday is a key watchpoint; a weak print would stoke further growth fears, but internal surveys lean firmer.

Inflation expectations: Near-term consumer inflation expectations jumped (U Mich +40bps to 3.8%), but longer-term expectations actually ticked down-a sign that consumers see the current oil-driven inflation as a potential blip, giving the Fed some breathing room.

Hedging not working: Gold, bitcoin, and most non-energy commodities have failed to provide protection since the war broke out, compounding the pain for portfolios.

Macro resilience: Productivity remains solid (averaging +2.4% since 2023), and tax refunds plus broadening investment are still providing some cushion against energy and war headwinds.

Additional Key takes:

- **Energy shock is a two-edged sword for the US:** As a net energy producer, the US is somewhat insulated from the worst of the oil spike, but higher gasoline prices are still weighing on consumer sentiment and spending power.
- **Wealth effect turning negative:** The market drawdown is starting to drag on consumer net worth, reversing a prior tailwind to spending and adding to the headwinds from higher energy costs.
- **Deal timeline uncertain, war risk premium persists:** Oscar's Friday poll: 44% of investors expect a resolution by April, but >45% see it dragging into May or beyond. The longer the uncertainty, the greater the drag on growth and the more persistent the inflation risk.
- **Eurozone hit harder than US:** PMIs and consumer confidence in Europe have dropped more sharply, reflecting greater vulnerability to energy shocks and geopolitical uncertainty.
- **Fed flexibility preserved for now:** Despite higher near-term inflation, anchored long-term expectations and solid productivity give the Fed some leeway to avoid overreacting to the current spike.

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Political Analysis

Prediction Market Policy: What to Watch as Scrutiny Grows and Political Battles Heat Up

Prediction markets are gaining real traction, but the regulatory path ahead is increasingly tangled as both federal and state authorities ramp up scrutiny. Growth is visible in trading volumes and mainstream adoption-think ICE's recent move into Polymarket-yet the policy and legal backdrop is anything but settled, with big questions still hanging over the sector's future shape.

Jurisdictional Uncertainty: The tug-of-war between CFTC and the states over sports-related contracts is intensifying, with neither side close to a win. Legal experts see this heading to the Supreme Court, but the outcome is hard to handicap given the technical nature of the arguments and the lack of clear ideological splits on the bench.

Regulatory Framework in Flux: CFTC is making an early push to build a comprehensive rulebook for prediction markets, but details are thin and the process is just getting started. The latest ANPRM is wide open, asking for input on everything from market integrity to contract eligibility, with the comment window open until April 30. Notably, CFTC is considering whether to restrict contracts tied to especially sensitive events-wars, terrorism, or other "public interest" flashpoints-which could put a chill on certain high-profile markets.

Enforcement & Insider Trading: CFTC is signaling it wants to police insider trading, but existing laws don't fit prediction markets neatly. For now, exchanges like Kalshi and Polymarket are stepping up their own rules-blocking insiders from trading on markets they can influence-but the legal playbook is still being written. The agency's recent advisories show a willingness to defer to exchange-level enforcement, at least until there's a clearer statutory basis.

Congressional Noise, Little Action: Multiple bills have been floated to address prediction markets-ranging from outright bans on sports contracts to tweaks around insider trading and government participation. But the odds of anything passing soon are low, echoing the slow burn seen in crypto regulation. For now, exchanges, CFTC, and the courts are likely to drive the next phase.

Additional Key takes:

- **State pushback on sports contracts:** States argue prediction markets are sidestepping their sports betting rules, especially in the 11 states without legal sports gambling. If states win, platforms could face a fragmented, state-by-state regime-much like traditional sportsbooks.
- **Margin trading enters the chat:** Kalshi just got the green light for margin trading from the National Futures Association, a first for the sector. CFTC is now probing how margin should work for event contracts, so expect more debate and possible changes here.
- **Market integrity in focus:** Both major exchanges are proactively tightening controls on insider participation, aiming to stay ahead of regulators and build trust as volumes scale.
- **Insider trading enforcement gaps:** CFTC's authority to punish insider trading in prediction markets is largely untested, and current statutes may not cover all scenarios. For now, self-policing by exchanges is the main line of defense, though DOJ and CFTC could eventually seek to test their reach in court.
- **Legislative inertia:** Despite headline-grabbing proposals, meaningful Congressional action is unlikely in the near term, leaving the sector's trajectory largely in the hands of regulators and the courts.

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Capital Markets Chronicle

Morning Thought

U.S. macro setup this week feels lively, with both payrolls and retail sales expected to outpace consensus-setting up for a potentially upbeat tone on the economic front. Europe's consumer and business confidence readings, however, have underwhelmed, and the global rates backdrop is shifting as yields slide and spreads hint at recession risk.

Jobs and Spending Momentum: Forecasts for both March employment and February retail sales are running ahead of the Street. Leisure and hospitality jobs, which dipped last month (possibly due to weather), are expected to bounce back as conditions normalize.
Energy and Consumer Impact: Retail spending likely got a lift from a sharp jump in gasoline prices-up more than 21% since the start of the Iran conflict. This could show up as a surprise in upcoming data.
Rates and Risk Tone: U.S. Treasury yields moved lower over the weekend, with the 10-year now at 4.39%. The curve has stopped flattening, and sovereign yield spreads are starting to trade more on recession risk than inflation worries.
Fed Watch: Powell's speech today (10:30am) is the key domestic event; markets will be watching for any fresh signals on the inflation and growth outlook.
Global Markets: Gold and oil are firmer, while credit spreads widened on Friday. Outside the U.K., most global sovereign yields are lower, echoing the risk-off tilt.

Additional Key takes:

- **Weather distortion:** Some employment strength in February may have been weather-driven, suggesting a potential reversal in March as conditions normalize.
- **Japan FX intervention risk:** Japanese officials are talking up the odds of decisive intervention, which could add volatility to FX markets near-term.
- **U.S. political calendar:** Kevin Warsh's Fed nomination hearings could begin by mid-April, adding a new dimension to the policy conversation.
- **European sentiment:** March confidence readings from the EU came in below expectations, reinforcing the region's softer economic tone.

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Eco Data Outlook

Next It Is All About Jobs and Retail Sales

Next week's economic calendar is packed and should keep markets on their toes, with the March payroll employment print standing out as the headline event. The call is for a modest +70K gain, which, if realized, would nudge the Q1 monthly average just above what's considered sustainable. Retail sales, German unemployment, and Japan's Tankan survey round out a week that looks anything but dull.

Labor Market Pulse: March payrolls expected to rise only +70K, signaling a notable downshift and putting Q1 job growth just barely above the "sustainable" zone (0K-30K/month).
Consumer Spending Watch: February retail sales projected to climb +0.6%, a decent showing given the backdrop and just ahead of the Iran conflict escalation.
Global Backdrop: German unemployment and Japan's Tankan survey both likely to deteriorate, echoing broader international softness and adding to the cautious tone.

Additional Key takes:

- **Home Price Data:**January home price indices (FHFA, Case-Shiller) expected to show incremental gains, but the trend remains tepid.
- **Manufacturing & Services:**March ISM PMIs (both manufacturing and services) seen holding just above 50, pointing to a sluggish but still-expanding backdrop.
- **Labor Market Internals:**JOLTS job openings likely to stay soft, reinforcing the sense of cooling in hiring appetite.
- **Wage Growth:** Average hourly earnings forecast to rise +0.3%, continuing the recent trend of moderate wage pressure.
- **Vehicle Sales:**March light vehicle sales expected to remain steady, offering little new direction for autos.

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Equity Strategy

Bear Market/Bear Trap – The Dogs of War: The Take From “The Best 30 Minutes on Wall Street” - Mar 27, 2026

Geopolitical risk is at a decade high and this remains one of the riskiest moments of the 21st century, yet stocks are rangebound as investors have loaded up on hedges across equity, credit, oil, yields, and even gold. “Dogs of War” names (NVDA, AMZN, CRM, XYZ, BAX, NFLX, ACN, CMCSA, AJG) are trading at or below pandemic trough valuations, with bottoming signals emerging in distressed sectors. Any volatility tied to escalation or negotiation impasse is seen as a patient buying opportunity, especially in those names.

Geopolitical & Macro Landscape: Geopolitical “highs” have been steadily rising, with this week ranking among the most fraught in recent memory. Despite this, the VIX hasn’t broken above recent highs and credit stress is contained—suggesting markets are bracing for impact but not in panic mode.
Valuation & Hedging: Indices have been rangebound for seven months, moderating valuations even as earnings remain robust. At 21.7x on $304e, the market is still “top decile” expensive, but options activity and client conversations reveal investors are more hedged than in any recent crisis, including the pandemic and GFC.
Energy as the Swing Factor: Oil remains the key swing factor. Sustained WTI above $90/bbl and gasoline above $4/gallon are seen as the “danger zone” for both markets and the economy. Relief is needed by the start of the summer driving season (May 25) to avoid stagflation echoes of 2022 or recessionary echoes of 2008.
“Dogs of War” & Tactical Playbook: Some high-profile stocks—dubbed “Dogs of War”—have compressed to valuations not seen since the COVID-19 bottom, despite still-strong earnings and resilience in software and alternative asset managers. History suggests March/April is a pivot window, and downside from military escalation or failed negotiations should be viewed as a window to accumulate these names, rather than a reason to panic.

Additional Key takes:

- **Unprecedented Hedging:** Aggregate hedging across all major asset classes is at levels not seen in any previous crisis, reflecting both anxiety and preparedness.
- **Market Structure:** Despite lower lows in indices, volatility measures aren’t confirming a new panic, and certain sectors (software, alt asset managers) remain above their February troughs.
- **Policy & Event Watch:** The market is discounting political signaling (e.g., Trump-Xi rescheduling) and focusing more on hardline stances from Iran and energy market developments.
- **Pivotal Timing:** Historically, major market turns—both highs and lows—occur in

March and April, with support levels for S&P 500 at 6,470 and 6,150 in play if volatility picks up.
• **Accumulation Playbook:** Downside volatility linked to military or diplomatic developments is best seen as a patient accumulation opportunity in "Dogs of War" names, which are now trading at crisis-level valuations.

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Company Survey Report

Company Surveys Pull Back Following Recent Strength

Company Surveys cooled off a bit after a strong run, dropping from 52.4 to 51.3, but still holding well above recession territory. Breadth actually improved on an 8-week average, so the overall tone remains steady, even as some consumer-facing areas lost a little momentum this week. Consumer activity decelerated, with retailers showing the most pronounced pullback, while airlines and restaurants held up. Industrials and employment data continue to look relatively resilient, and investor sentiment is shifting as geopolitical risks and Fed expectations evolve.

Retail momentum slows: Retailer sales took a noticeable step down, with the survey dropping from 57.3 to 49.8. This broad moderation follows a stretch of recovery, but now softness is showing up more widely, likely tied to higher gas prices and geopolitical noise. The Easter shopping readout later this week could be a swing factor.
Airlines and restaurants steady: Airline demand and pricing remain strong, possibly benefiting from prebuy and a tilt toward U.S. carriers. The index is steady at 72.5, up 8.7 points for the month. Restaurants are also holding firm at 56.8, with better weather and stepped-up marketing offsetting consumer headwinds.
Employment picture stabilizing: Employment survey data is choppy but showing signs of stabilization, up 1.1 to 51.0, with temp and perm placement activity picking up. Temp-to-perm conversions remain healthy versus history, and AI's impact on employment is still more talk than action for most firms, though there's a pickup in engineering and data-related roles.

Industrials improving: Industrial surveys, especially in cap goods, are trending better on an 8-week average, with March orders showing real improvement. This is the strongest pocket among industrials right now.
Investor flash survey—rising geopolitical caution: A larger share of investors now expect U.S. "boots on the ground" in Iran in 2026 (64%, up from 51%), and fewer see hostilities ending soon. Most expect the Fed to stay on hold through year-end, and recession timing expectations are split, with more than half seeing it pushed out to 2027 or later, but a sizable minority still bracing for a downturn this year.

Additional Key takes:

- **Consumer surveys:** Momentum has cooled, with tax refund tailwinds fading and higher gas prices biting.
- **Industrial breadth:** Cap goods, chemicals, and manufacturing surveys are lifting the industrial index, suggesting underlying strength beyond the consumer.
- **Wage and pricing trends:** Wage pressure in temp and perm placements is stable; pricing power remains muted in most categories, but no major cracks yet.
- **Travel plans:** Despite energy and geopolitical uncertainty, most investors report no change to personal or family travel plans for 2026.
- **AI and employment:** AI is not yet driving a material shift in hiring, but demand is picking up for roles tied to automation, data, and engineering project management.

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Flash Survey

Flash Survey: Fed, U.S. Recession, Travel, Hostilities With Iran, "Boots on the Ground".

Cautious tone from the survey: a majority now expect U.S. "boots on the ground" in Iran by 2026, and conviction in a near-term ceasefire in the Middle East has faded. Macro expectations are split, but most see no change to Fed policy through 2026 and recession fears have shifted further out.

Middle East Hostilities: Only 44% expect hostilities between the U.S./Israel and Iran to end by April, down notably from 52% last week. The mood is clearly more skeptical about a quick resolution.

U.S. Military Involvement: 64% now see the U.S. putting "boots on the ground" in Iran in 2026, a meaningful jump from 51% last week. This is the highest reading since tracking began and signals heightened anxiety over escalation risk.
Fed Policy Outlook: 41% anticipate the Fed will leave rates unchanged through year-end 2026, with another 37% expecting just one cut and 14% seeing a hike or more. There's little conviction in aggressive easing or tightening—investors are bracing for a long plateau.
Recession Timing: 58% now expect the next U.S. recession to be pushed out to 2027 or later, up from prior surveys. Only 42% see a recession this year, and most of those are focused on the back half.
Travel Plans: Despite energy and geopolitical volatility, 76% report no change to 2026 travel plans—households seem to be taking the headlines in stride for now.

Additional Key takes:

- **Middle East escalation risk:** The sharp rise in expectations for U.S. military involvement in Iran is the standout shift this week, and could weigh on risk sentiment if the trend continues.
- **Fed expectations:** Consensus is for "higher for longer"—very few believe in a return to aggressive policy moves, which may limit rate-driven volatility in the near term.
- **Recession timeline:** The center of gravity for recession calls has shifted further out, suggesting investors are less worried about imminent economic downside.
- **Consumer resilience:** The lack of change in travel plans, even with persistent geopolitical and energy headwinds, points to surprising durability in consumer attitudes.

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Weekly Survey Charts

Weekly Company Survey Charts

Company Surveys slipped from 52.4 to 51.3, giving back some of the two-year high momentum but breadth is still improving, notably on an 8-week average. Underneath the surface, the tone is mixed, with a few bright spots in Airlines and Auto Dealers, while Homebuilders and Trucking remain under pressure.

Airlines & Travel: Airlines Survey held steady at elevated levels (72.5), reflecting robust demand and pricing, even with higher fuel costs. International travel is particularly strong, and premium cabins are outperforming. Tax refunds and anticipation of higher fares are pulling demand forward.
Shipping & Trucking: Shipping ticked down for a third week as oil market uncertainty weighs, despite tanker pricing strength. Trucking is stuck in the low 40s—better than late last year, but still soft, with LTL and TL both seeing little improvement.
Homebuilders & Housing: Homebuilder Survey moved down again, with Spring selling described as "a little slow." Promotions are up, but labor availability has improved. Mortgage access is easier, but cancellation rates are creeping higher and inventory has normalized from last summer's highs.
Auto Dealers & Aftermarket: Auto Dealers Survey rose for a fourth straight week as new and especially used vehicle sales improved. Lower-priced used vehicles are in high demand. Auto Aftermarket orders are stable at solid levels, with promotions still below normal.
Retail & Consumer: Retailers Sales Survey pulled back sharply after recent strength, with broad moderation across contacts. Consumer Staples and Restaurants are holding up, but pricing power remains challenged as trade-down behavior persists.
Employment & Temp Staffing: Employment Cos. Survey improved slightly, with temp hiring outpacing perm placement. Wage pressure is easing, and conversion from temp to perm remains healthy, suggesting some underlying labor market confidence. AI and automation impacts are still more talk than action for most clients.
Real Estate & Housing Market: Apartment rents and traffic are inching up, but "move out to buy" remains below normal. House price growth is steady, but inventory remains tight and contract fall-throughs are above normal. Commission rates are trending down, especially for buyers' agents.
Macro & Investment Manager Positioning: Hedge fund net exposure is stable, with a recent tilt toward energy, healthcare, materials, and financials. Institutional equity managers have shifted from cyclicals to defensives this month. Bond managers have trimmed duration slightly as bullishness ticks up.
China & Europe Sales: China Sales Survey remains weak at 31.9, giving back early-year gains. Europe is steady but still soft at 35.3, with some recent improvement in industrials and cap goods.

Additional Key takes:

- **Airline demand:** Still running hot, with consumers booking early and shifting destinations/carriers as needed. Premium outperforms economy.
- **Homebuilder labor:** Labor availability is easier than late last year, and wage growth is moderating, even as immigration policy impacts fade.
- **Retail/Consumer pricing:** Trade-down to private label and smaller packs continues; pricing power remains subdued outside a few categories.
- **Auto dealers financing:** Credit availability for new car buyers is still a headwind, with more customers unable to secure loans. Dealers see 4.5% as the "unlock" rate for pent-up demand.
- **Employment market:** Temp-to-perm conversions remain strong, signaling

employer confidence in core hires. Demand for IT and functional roles (PM, BA, data) is picking up.

- **Housing commissions:** Buyers' agent commissions are drifting lower and unrepresented buyers are more common than pre-2024, reflecting changing market structure post-NAR settlement.
- **Shopping Guide/Ad market:** Small businesses, auto dealers, and restaurants remain hesitant to spend on advertising; the environment is still challenging for local ad sales.
- **Hedge fund/institutional positioning:** Gross and net exposures are steady, with recent sector rotation away from cyclicals toward defensives. Bond managers are marginally less long duration than last month.
- **China/Europe sales:** Both regions remain soft, with China especially weak in tech and chemicals. Europe's modest bounce is led by industrials and capital goods.

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Evercore ISI Podcasts

Evercore ISI's Weekly Macro and Fundamental Spotlight: Our 30 Minute (or less) Analyst & Strategist Podcast

Trump's extension of the Iran deadline is keeping volatility front and center, with markets caught between hopes for a diplomatic "off-ramp" and the risk of further escalation. Macro and policy signals remain fluid, but there are emerging signs of a possible path to de-escalation by early-to-mid April—though the U.S. military build-up in the region is still a key overhang. Meanwhile, fundamental sector spotlights highlight the ongoing AI-driven transformation in semis, evolving cycle dynamics in industrials, and a delicate inflection in transports.

Macro & Policy: Volatility Persists Amid Unclear Off-Ramps: The U.S. 15-point plan (nukes, missiles, proxies, Hormuz) and Iran's 5-point counter (reparations, guarantees, sovereignty) set the stage for a drawn-out process, with skepticism on both sides. The rescheduling of the China visit to mid-May signals the White House's preferred timeline for progress, but the continued U.S. troop build-up keeps escalation risk alive and tempers optimism for any near-term ceasefire.
Washington Watch: Congress in Motion: A late-night Senate breakthrough opens

the door to TSA funding, while the House is up next. Republicans are telegraphing a second reconciliation bill—smaller than BBB, but with a focus on ICE, defense, and affordability. Bipartisan talks on crypto and housing are moving forward, with stablecoin yield language no longer a sticking point.

Semis & AI: Value Capture Accelerates: Server CPU pricing is set to double over 3-4 years ($1,500 to $3,000 per chip), with one ecosystem capturing 70-80% of the value. The rise of agentic computing (CPU-intensive vs. LLM GPU-intensive) is reshaping the competitive landscape. NVDA's AI/parallel processing dominance (now 7% of the S&P500) is the poster child, while ARM's move to become the de facto CPU standard—by making the chip itself—lowers the bar for others to follow.

Transports: ISM Inflection Faces Geopolitical Headwinds: The inflection in manufacturing new orders is encouraging, but the "fog of war" is a real test. Large operators cut headcount during lockdowns, but owner-operators have since flooded the market—making the recovery path less clear. Spot rates are tracking early-cycle years, but the sector remains highly sensitive to macro shocks.

Additional Key takes:

- **Credible diplomatic off-ramp could materialize by April, but the current military posture means escalation risk is still live:** Market sentiment is likely to remain jumpy until a firmer de-escalation path is visible.
- **Congressional momentum on funding and bipartisan policy is building:** Progress on TSA, crypto, and housing could provide modest tailwinds if gridlock is avoided.
- **In semis, AI and agentic computing are driving a step-change in value capture and pricing power:** Select names with ecosystem control and exposure to new compute paradigms are best positioned for outsized returns.
- **Transports face a mixed backdrop as macro signals improve but geopolitical risk clouds visibility:** Freight recovery is underway, but owner-operator dynamics and external shocks remain key swing factors.

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From: Evercore ISI
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Subject: Evercore ISI Macro Daily PULSE – Mon Mar 9; Sizing the Oil "Tax", Investment-Led Growth, Strategy, Company Surveys
Date: Monday, March 9, 2026 10:53:58 AM

9 March 2026

Macro Daily PULSE - *Policy, Surveys, Levels, Strategy, Economics*

Daily Macro Comment

Report

- **US ECON – SIZING THE OIL "TAX": BIG ENOUGH TO DAMPEN 1H CONSUMER.** US consumer spending was set to step up markedly in 1H 2026 with a shot in the arm from tax refunds – which we modelled as raising six-month annualized GDP growth by 50bp. Now the oil "tax" from the Iran war is set to dampen the firming in consumer spending, even as it boosts profits and (at the margin) investment and employment at US energy producers, reducing the overall hit to the US – though with a potential financial conditions shock on top. The oil "tax" is highly regressive, with gasoline a larger share of spending for low income consumers. The duration of higher oil prices is key. (Krishna Guha)

- **Broader, Stronger, Investment-Led Growth Heading Into Iran Shock.** All eyes are on the Iran war and energy prices, with oil moving over $90 on Friday. The longer the war goes on, the bigger its impact on energy will be, and the longer that impact will last.The good news is the data are showing signs of economic activity broadening and strengthening in the early months of 2026. We had momentum heading into the Iran shock.(EcoTeam)

- **Lines of Greed, Lines of Fear - Top of the Market's Mind Key Points:** * Cycle of Greed and Fear defining markets for 6 months has manifested in SPX rangebound between 7,000 and 6,520. Building Fear has resulted in extreme Options hedging surpassing other scares of the Cycle – which gave way to buying opportunities, Greed. * To inform on how SPX, NDX Lines of Greed/Fear resolve, watch Lines in Credit, Copper ($5.50/lb), DXY (100.5), Software (IGV ETF 200WMA). We believe these will hold. * Most important, watch for break in QQQ options' Line of Fear to signal an unwind of hedges, kicking off the next leg of the Bull Market toward SPX year end 7,750 PT.(Julian Emanuel)

- **Company Surveys rose from 49.9 to 50.3, a fifth week of improvement.** Breadth increased to +5.0% on an 8 wk. avg.(Oscar Sloterbeck)

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Macro Research Today

Economics & Central Banking Strategy

US ECON – SIZING THE OIL "TAX": BIG ENOUGH TO DAMPEN 1H CONSUMER

US consumer spending was set to step up markedly in 1H 2026 with a shot in the arm from tax refunds – which we modelled as raising six month annualized GDP growth by 50bp.

Now the oil "tax" from the Iran war is set to dampen the firming in consumer spending, even as it boosts profits and (at the margin) investment and employment at US energy producers, reducing the overall hit to the US – though with a potential financial conditions shock on top.

The oil "tax" is highly regressive, with gasoline a larger share of spending for low income consumers. The duration of higher oil prices is key.

Our energy team underlines how sensitive both the peak price and the end-year price is to how long the Straits remain effectively closed (link).

In addition to a base case in which oil peaks near $100 and falls to $70 by year end, they calculate an upside case in which a longer 40 day interruption to oil flows raises spot oil to around $110 and year end futures to $95. At the time of writing oil was at $105 in Asia.

The average gasoline price was $3.38 on Friday, compared with around $2.90 in February – up nearly 50 cents.

If oil stays around $100 the gasoline price will reach around $3.85, $1 above February. In the very short term that would be an annualized hit to consumers of $105bn or 78 per cent of the OBBB boost. Enough to wipe out tax refunds from OBBB on an annualized basis for all but the top 30 per cent.

Never say never, but oil prices are unlikely to stay around $100.

We consider two cases: the energy team's base case with oil falling to $70 by year end, the other the energy team's upside risk case with oil at $85 at year end.

Under simplifying assumptions (year one perfectly inelastic demand but also no increase in refining margins etc) the hit through year end is around $26bn, or 19 per cent of OBBB refunds, enough to wipe out OBBB refunds for the bottom 30 per cent. In the upside case around $68bn, or 51 per cent of OBBB stimulus, enough to wipe out OBBB refunds for the bottom 50 per cent.

Bottom line: the longer the war and the closure of the Straits drags on, resulting in higher-for-longer oil, the more the boost to consumption would be limited to the high-end consumer, amplifying K-shaped dynamics in the economy.

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View Report

Weekly Economic Report

Broader, Stronger, Investment-Led Growth Heading Into Iran Shock

Broader, stronger, investment-led growth is on the horizon as we navigate the implications of the Iran conflict and its impact on energy prices. Despite oil surpassing $90, early 2026 data shows promising economic momentum.

Manufacturing and Services: PMIs indicate an uptick in manufacturing, driven by new orders and a robust AI sector. Services are also on a firming trend, suggesting a broadening of economic strength.
Trucking and Heavy Equipment: Oscar's trucking survey and David's report on heavy truck orders (up +155% y/y) highlight significant growth in industrial activity. This momentum was set before the Iran shock, but investment-led growth is expected to continue through 2026.

Additional Key takes:

- **Energy Impact:** The Iran energy shock poses a greater threat to global growth outside the US. High energy prices may dampen investment in some sectors but could boost US energy production.
- **Labor Market:** February saw a surprising payroll decline of -92k, with unemployment ticking up to 4.4%. Despite this, the US labor market appears to be stabilizing at softer levels.
- **Productivity:** 2025 productivity was strong at +2.8%, supporting an optimistic outlook for 2026. AI continues to drive productivity gains, suggesting growth without significant inflation.
- **Global Outlook:** The global manufacturing PMI shows improvement, while services remain steady. However, the Middle East situation presents risks, particularly for Europe and Asia.
- **Investment Trends:** Tech-related investments remain robust, with hopeful signs of broader investment growth. Nondefense capital goods orders are rising as tariff uncertainties recede.

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Equity Strategy

Lines of Greed, Lines of Fear: Top of the Market's Mind

Cycle of Greed and Fear defining markets for 6 months has manifested in SPX rangebound between 7,000 and 6,520. Building Fear has resulted in extreme Options hedging surpassing other scares of the Cycle – which gave way to buying opportunities, Greed.

Market Dynamics: The cycle of Greed and Fear has kept SPX rangebound, capped by AI concerns and geopolitical risks at 7,000, with support at 6,520 from strong earnings and economic stability.
Indicators to Watch: Key levels to monitor include Copper at $5.50/lb, DXY at 100.5, and the Software ETF (IGV) at its 200WMA. A break in QQQ options' Line of Fear could signal a bullish move toward year-end targets.

Additional Key takes:

- **Options Hedging:** Options hedging has reached extreme levels, surpassing prior cycles, indicating potential buying opportunities.
- **Oil Market Tension:** Fear of higher oil prices has led to significant hedging, reminiscent of the post-Ukraine invasion environment.
- **Tech Sector:** Tech's underperformance and extreme QQQ hedging suggest that Fear may be nearing its peak, potentially setting the stage for a tech-led rally.

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Company Survey Report

Company Surveys Improve For 5th Week

Our Company Surveys have shown a steady rise, climbing from 49.9 to 50.3, marking the fifth consecutive week of improvement. Breadth has also increased to +5.0% on an 8-week average.

Consumer Trends: Consumer data is solid, with various surveys showing improvement this week. February's choppiness, influenced by weather, seems to be smoothing out. Tax refunds might be boosting sales, as retailers and restaurants report better outcomes.
Construction Insights: Our Construction Contractors' Survey indicates softness in current revenues, particularly in residential sectors. However, there's optimism for the next 12 months.
Employment Landscape: Our Employment Companies Survey remains stable, contrasting with recent payroll data. State tax receipts show softer personal income receipts, but the overall picture stays solid.
Investor Concerns: A Flash Survey of investors highlights geopolitical conflict as the top risk for equities, surpassing AI disruption.

Additional Key takes:

- **Retail Sales:** Retailer sales are improving, with strength across discretionary and staples, aided by larger tax refunds.
- **Trucking Sector:** Trucking companies report slightly better volumes, enhancing the industrial data outlook.
- **Construction Contractors:** 64% of residential contractors report project cancellations or scale-backs, up from 39% a year ago.
- **Oil Price Expectations:** 62% of surveyed investors see further upside in the next $10 move in oil prices, the highest in two years.

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China Research

China 'Sat Nite' – Deciphering Gov't Work Report

Floor of lower GDP target matters despite positive spin Beijing's optimistic tone on the 4.5-5% GDP target for 2026 masks a deeper concern. While they aim for closer to 5% growth, there's little room for error below 4.5%, signaling potential stimulus if needed. The focus on structural adjustments and reforms hints at limited options to sustain growth. Our outlook suggests a 4.6% growth rate.

Reflation Agenda: Reflation is back on the table, with plans to balance supply and demand to achieve a modest rebound in consumer prices. The absence of "positive territory" in previous conferences highlights a shift in priorities.
Goods Consumption Struggles: Subsidies have propped up equipment and home appliance purchases, but the waning effect is evident. The narrative of a "unified national market" seems more like a cover for the sluggish consumption recovery.
Export Diversification: Progress in export diversification moves up the value chain, with less resistance from emerging markets. However, the shift towards boosting imports suggests a cautious approach to export ambitions.
Housing Market Caution: The housing sector remains in decline with no concrete progress. The cautious language and lack of support measures indicate limited optimism for recovery.
Innovation Focus: Robotics and biomedicine lead China's innovation agenda, showing significant progress in 2025. These sectors, along with AI and quantum technology, remain key investment areas.
Tourism Growth: Tourism is on the rise, surpassing pre-pandemic levels. Beijing is expected to continue supporting both domestic and inbound tourism, despite some stagnation in per-trip spending.

Additional Key takes:

- **Energy Concerns:** The Hormuz situation threatens 6% of China's energy use, impacting RMB as the USD strengthens.
- **Tech Emphasis:** Beijing's focus on hard technologies is evident in the Government Work Report and the draft of the 15th 5-year plan.

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View Report

Economics & Central Banking Strategy

ECON / IRAN – FED, ECB OFFICIALS MEASURED ON EMPLOYMENT, ENERGY

Fed and ECB speakers Friday struck a measured tone on the weak US employment report and the escalating Iran war energy shock – consistent with our take that these are not yet gamechangers for the rate outlook, though if the war and the closure of the Straits of Hormuz continue too long it could become more of a gamechanger in particular for Europe and Asia.

Fed doves – including Daly and Waller – expressed less confidence that the US labor market is stabilizing, and redoubled the need to monitor the data. But, Goolsbee's comment that "if you got several months like that, that would be a concerning spot for the labor market" underscores that for the Committee as a whole, it would take multiple bad months to conclude that the labor market is back on a weakening trend.

We think most Fed officials put a bit of weight on temporary weather and strike effects and are inclined to smooth the data over the past few months, including the surprisingly strong January data as well as the surprisingly weak February data.

Most are more focused on the unemployment rate – which has been stable on net over the past few months around 4.4 per cent – than on payrolls, which are hard to interpret. We think most judge as we do that the labor market stabilization trend is likely intact, though it is uncomfortable to see this occur at such low levels of average payroll gains even allowing for the sharp decline in labor force growth.

It is telling that Fed speakers did not generally see the need to offer a comprehensive discussion of the Iran energy shock.

For the ECB, which faces a potentially much larger shock from higher oil and natural gas prices, Schnabel struck a materially less hawkish tone than many expected based on her reputation as a hawk.

She said the ECB should take a symmetric approach to deviations of inflation from its target, look through small and temporary deviations, and focus on the medium term outlook for prices. Schnabel indicated that risks have moved to the upside, but said policy "remains in a good place" at present.

This confirms our view stated Thursday (7am ET) that the market massively overshot in pricing in an ECB hike this year. We continue to think this is materially less than 50 per cent likely.

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Weekly Survey Charts

Weekly Company Survey Charts

Our Company Surveys have shown a slight uptick, marking the fifth consecutive week of improvement, with the index rising from 49.9 to 50.3. The breadth of improvement averaged over eight weeks is now at +5.0%.

Airlines: Despite winter disruptions, demand remains strong with a steady survey at 63.8. The Middle East conflict is a concern but hasn't impacted demand significantly yet.
Shipping: Spot tanker revenues continue to strengthen, moving the survey from 69.0 to 70.0. OPEC production and geopolitical tensions are key factors.
Trucking: February showed improvement post-storm, but the survey remains mixed, edging from 41.6 to 42.0.

Additional Key takes:

- **Homebuilders:** The survey pulled back for a second week, reflecting a soft sales environment.
- **Wine & Spirits:** Sales held steady at 56.8, with a shift towards less premium products.
- **Auto Dealers:** Sales improved slightly to 49.5, with used vehicles in high demand.
- **Restaurants:** The survey ticked up to 54.5 as weather conditions improved.
- **Retailers:** Sales rose to 54.0, benefiting from post-holiday deals and larger tax refunds.

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Flash Survey

Flash Survey: Biggest Risk To Equities, Oil, Iran, AI & Employment, & S&P 500.

Geopolitical military conflict now seen as the biggest risk to equities, surpassing AI disruption, inflation, and credit issues.

AI & Employment: 49% foresee AI leading to modestly reduced hiring over the next year, with a focus on attrition and less backfill.
Oil Prices: A significant 62% expect the next $10 move in oil to be higher, marking a notable shift.
S&P 500 Outlook: Investors are split 50/50 on whether the next 10% move will be up or down, a shift from previous bullish sentiment.

Additional Key takes:

- **Geopolitical Tensions:** 36% anticipate hostilities between the U.S./Israel and Iran to ease by April, while 26% expect resolution by March.
- **AI's Economic Impact:** 22% believe AI will mostly enhance productivity with limited displacement.

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Equity Strategy

Navigating the Straights, Oil and Earnings: The Take From "The Best 30 Minutes on Wall Street" - Mar 6, 2026

Market resilience is a key theme despite geopolitical tensions. Stocks remain stable, driven by strong earnings growth and favorable credit conditions.

Geopolitical Tensions: Despite record uncertainty, markets are holding steady within narrow ranges.
Earnings and Stimulus: Earnings projections are robust, with a notable increase to +11.1% for 2026, supported by tax refund boosts.
Valuation Concerns: Elevated valuations and rising oil prices due to the conflict with Iran are capping market gains.

Additional Key takes:

- **Investor Positioning:** Bearish options positioning suggests potential upside, reminiscent of past buying opportunities.
- **Oil Price Impact:** A spike to $90/bbl.+ could pose risks, turning S&P 500 returns negative if sustained.

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Evercore ISI Podcasts

Evercore ISI's Weekly Macro and Fundamental Spotlight: Our 30 Minute (or less) Analyst & Strategist Podcast

Company surveys show positive momentum, increasing for the fifth consecutive week. Macro and policy updates highlight ongoing geopolitical complexities and their market implications.

Macro & Policy Framework: Oscar's proprietary surveys indicate solid growth despite softer state tax receipts in February.
Global Policy Update: Sarah outlines risks in Iran, with military successes overshadowed by economic concerns. Oil prices remain a focal point, with potential presidential actions anticipated.
China Outlook: Neo discusses the uncertain timing of the Xi-Trump summit, with energy trade and a possible Boeing deal on the agenda.

Additional Key takes:

- **Non-Life Insurance:** AI is driving distribution shifts and cost savings, with TRV and HIG benefiting from AI productivity.
- **Life Insurance:** UNM is positioned for growth through LTC reinsurance, while AFL explores reinsurance opportunities in Japan.
- **Homebuilders:** Stephen notes tepid demand despite improved rates, with margins slipping back to pre-pandemic levels.

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Date:	Thursday, June 11, 2026 10:58:15 AM

11 June 2026

Macro Daily PULSE - *Policy, Surveys, Levels, Strategy, Economics*

Daily Macro Comment

Report

- **FED VS ECB THEORY OF HIKES – FED HIGHER BAR, BUT MIN 2-3 HIKES IF HURDLE MET:** The ECB will today become the first big central bank to raise rates in response to the Iran war energy shock – inevitably drawing comparisons with the Fed which will hold rates next week. Part of the difference lies in relative exposure to the energy shock and the initial level of rates. Part appears to reflect a difference in preferences and the loss function in terms of weight put on risks to inflation vs growth and employment. But we think there is also a key difference in terms of how policymakers see rate hikes operating in current circumstances. The ECB has set a low bar for raising rates but envisages an approach in which – for now at least – hiking means one or two tap-the-brakes hikes that operate mostly through a signaling channel. The Fed is setting a higher bar for hiking rates, but under its approach if this bar is met, the Fed would raise rates at least two or three times in a 50-75bp mid-cycle adjustment in order to restore a more appreciable degree of policy restraint. (Krishna Guha)

- **ECB HIKES RATES, NO SIGN OF FOLLOW-ON JULY MOVE:** The ECB has raised rates as widely expected taking the deposit rate from 2 to 2.25 per cent. The hike came as euro system staff revised up their projections for inflation higher and growth lower over the next two years. The new projections in general split the difference between the old March baseline and the March adverse scenario, but lean hawkish, with staff seeing significant indirect effects from energy costs on core inflation in 2027 and some effect even in 2028. (Krishna Guha)

- **PPI Hot and Boosts PCE Inflation:** Headline PPI increased a hotter-than-expected +1.1% and the core PPI was +0.4% in May. All this suggests a +0.31% increase in the core PCE for May. Trade service prices (a proxy of gross retail profit margins) decreased -1.1% in May. Claims edge up to 229K. (Francesca Ponziani)

- **U.S./Iran Air Attacks Intensify, but Remain Calibrated Signaling Intent to Resume Negotiations:** Both sides continue to seek to avoid a return to all-out war and are preserving space for continued negotiations. That said, important details remain unresolved, particularly around the definition of an open strait, sequencing of sanctions relief, nuclear commitments, and the framework for future negotiations. The pattern in Trump 2.0 has been that unresolved details do not necessarily prevent a deal once Trump is ready to move on. However, they do create medium-term risks of renewed disagreement and potential future flare-ups. (Sarah Bianchi)

- **Morning Thought**: Inflation is again the key macro theme today. The large increase for May's U.S. CPI was highlighted in the press. But fixed income market recognized the downside surprise to the core CPI was favorable and more important. Today's headline PPI release should be elevated, but the core PPI should not be as favorable as the core CPI was. Furthermore, unemployment claims likely fell after jumping higher last week. Finally, there is a 30-year Treasury auction. Yesterday's 10-year Treasury auction was solid with yields over 4.5% and we graded it a 'B+'. This contrasts with many subpar auctions over the past two months. (Stan Shipley)

- **Utilities Cos. Survey: Capex Plans Hold Steady At Its All-Time High:** (Oscar Sloterbeck)

- **Limousine Cos. Survey Improves:** (Oscar Sloterbeck)

- **Evercore ISI Hedge Fund Survey:** (James Walsh)

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Macro Research Today

Economics & Central Banking Strategy

FED VS ECB THEORY OF HIKES – FED HIGHER BAR, BUT MIN 2-3 HIKES IF HURDLE MET

Central banks are set to diverge in their approaches to interest rate hikes, with the ECB likely to be more aggressive than the Fed given current economic headwinds. The ECB aims for gradual hikes, while the Fed is maintaining a higher threshold before making moves, indicative of their differing stances on inflation control and growth risks.

Rate Hike Strategies: The ECB is prepared for modest hikes aimed at signaling commitment to inflation control, largely through short-term expectations. This contrasts starkly with the Fed, which is setting the stage for more substantial increases to create tangible policy restraint.
Economic Conditions: Despite a more favorable growth outlook in the U.S., the Fed's current modestly restrictive position implies a cautious approach. This is