

MAY, 2026

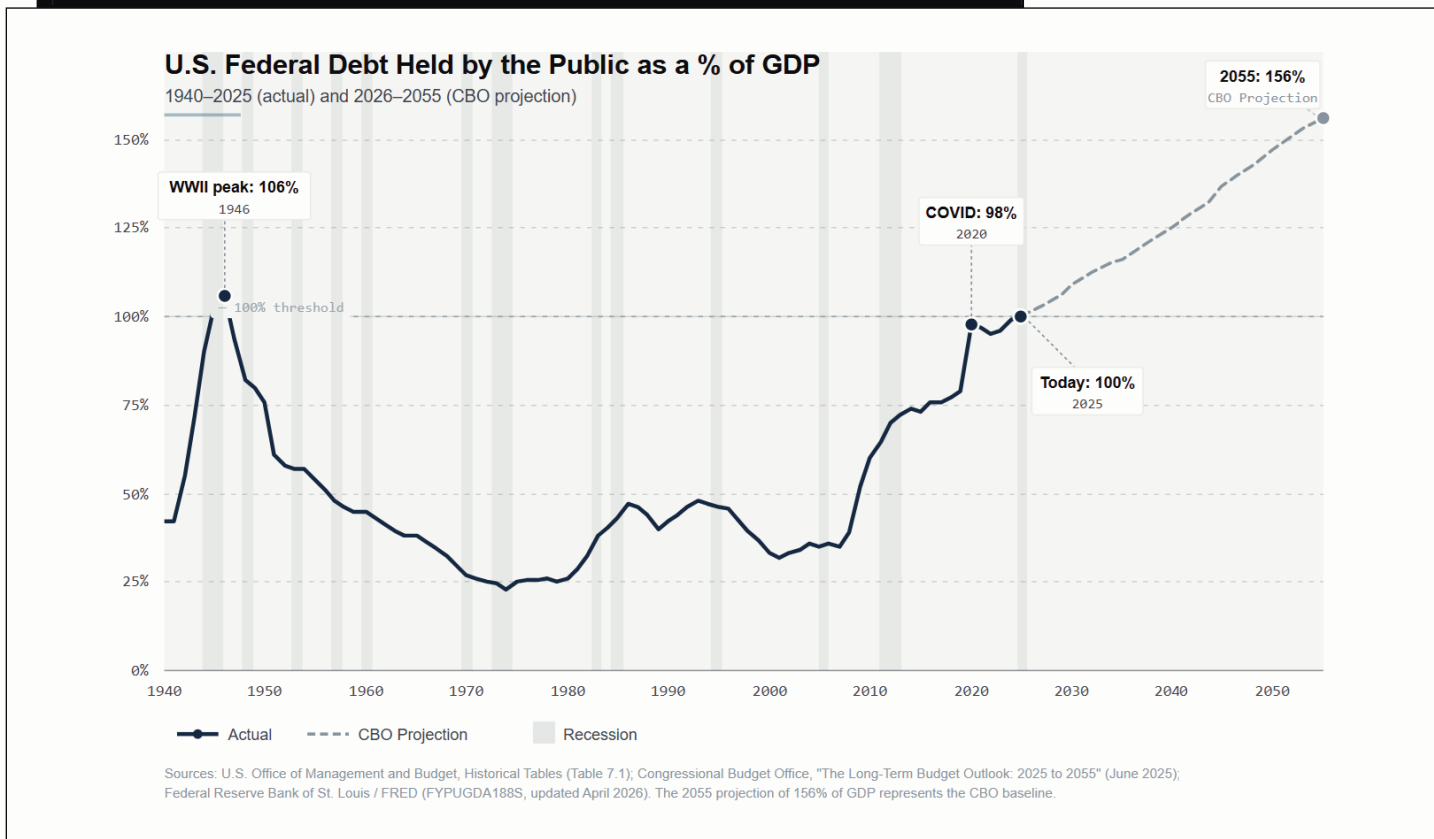
# America's Tab — What 100% Really Means

*“Blessed are the young, for they shall inherit the national debt.” — Herbert Hoover*

The United States has officially crossed a threshold not seen since the aftermath of World War II. Debt held by the public now exceeds 100% of Gross Domestic Product.<sup>1</sup> The last time America carried this burden, the country had just emerged from the most destructive conflict in human history, having mobilized its entire industrial and financial capacity to defeat fascism on two fronts. The context today could hardly be more different. We are navigating what is, by historical standards, a period of relative peace<sup>2</sup> and a labor market and economy that, despite recent turbulence, remains fundamentally healthy.

## DEBT SUSTAINABILITY

### U.S. FEDERAL DEBT HELD BY THE PUBLIC AS % OF GDP



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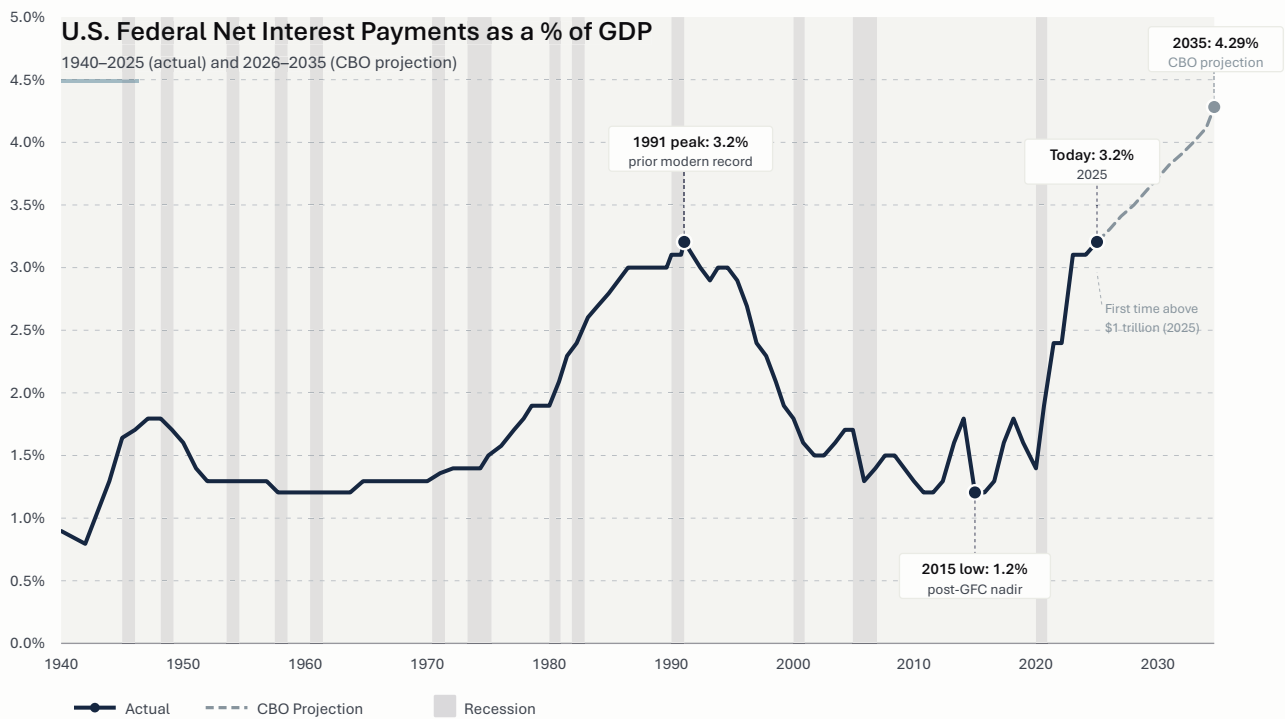
[1] Debt held by the public as a percentage of GDP, Congressional Budget Office, 2025

[2] The US launched military operations against Iran in 2025 and continues to support Ukraine and allies across multiple theaters, though the scale of these commitments remains materially smaller than prior major conflict periods.

→ Debt has historically spiked during moments of genuine national emergency — the Civil War, the Great Depression, World War II, the Global Financial Crisis (GFC), COVID-19. In each case, the borrowing was a response to extraordinary circumstances, and in all cases the trajectory eventually reversed as conditions normalized. What is different and genuinely concerning about today is that no such normalization has followed either GFC or Covid. Our debt is not elevated because of a crisis we are managing. It is elevated and still growing during a period of reasonable growth and low unemployment.

FISCAL TRAJECTORY

U.S. FEDERAL NET INTEREST PAYMENTS AS % OF GDP



Sources: U.S. Office of Management and Budget, Historical Tables (Table 3.1, Net Interest Outlays as % of GDP); Congressional Budget Office, "The Budget and Economic Outlook: 2025 to 2035" (January 2025); Committee for a Responsible Federal Budget (August 2025); Federal Reserve Bank of St. Louis / FRED (FYOIGDA188S, updated Feb 2026). Net interest payments exceeded \$1 trillion for the first time in fiscal year 2025 per CBO, now the second largest federal budget item behind Social Security.

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- Perhaps the most important consequence of carrying debt at these levels during peacetime is the erosion of flexibility to deal with the next emergency or prudent spending. Today, that flexibility is being quietly consumed by three compounding realities:
- **Interest obligations now exceed \$1 trillion annually**, making net interest the second largest item in the federal budget behind only Social Security and larger than defense, Medicare, and Medicaid individually.<sup>3</sup> Unlike every other line item, this one cannot be negotiated, deferred, or voted away. It compounds automatically and grows with every dollar of new debt issued.<sup>4</sup>
  - Government borrowing crowds out private investment, competing with businesses, homebuyers, and entrepreneurs for the same pool of available capital. As the government absorbs an ever-larger share of that pool, the cost of capital rises for everyone.<sup>5</sup> This is a slow and largely invisible tax on future productivity and growth that rarely makes headlines but accumulates meaningfully over time.
  - Crisis capacity is being quietly depleted. In 2008 and again in 2020, America's ability to respond forcefully and quickly to economic catastrophe was one of its greatest assets. Each of those responses left the balance sheet more stretched. The honest question worth sitting with is what the response to the next crisis looks like when the starting point is 100% debt to GDP, a \$1.8 trillion annual deficit, \$1 trillion in annual interest costs, and a Federal Reserve balance sheet still well above pre-COVID levels.

The economic playbook is well established and broadly correct: Spend during downturns to prevent the self-reinforcing spiral of falling demand and rising unemployment, a lesson learned painfully during the Great Depression and applied with reasonable success in every major crisis since. Invest in productive growth during periods of strength, funding the infrastructure, research, and defense capabilities that generate real economic returns over time. And when the economy allows, do the housekeeping — pay down some debt, rebuild fiscal capacity, and prepare the balance sheet for the next inevitable shock. Most developed economies have managed at least some version of all three steps. The US has reliably executed the first two and consistently skipped the third over the last few decades.

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[3] Congressional Budget Office, *Monthly Budget Review: September 2025* (October 2025)

[4] We had discussed this inevitable obligation back in May 2023: "Are US Debts Too High?"

[5] Laws of supply and demand plus the fact that most debt pricing is priced off the "risk free rate" which is synonymous with treasury pricing.

FISCAL DIVERGENCE

**U.S. VS. OTHER ADVANCED ECONOMIES: DEBT GROWTH, 2011–2025**

Two measures of fiscal divergence over the same 14-year period

TOTAL DEBT GROWTH (%)

United States

**+145%**

Other advanced economies

**+17%**

*U.S. public debt grew more than 8x faster than the rest of the advanced world over the same period.*

CHANGE IN DEBT-TO-GDP RATIO (PERCENTAGE POINTS)

United States

**+25 pts**

Other advanced economies

**-4 pts**

*Debt-to-GDP ratio fell*

*Even adjusting for stronger U.S. economic growth, the debt-to-GDP divergence is striking.*

**8x faster**

The rate at which U.S. public debt grew relative to other advanced economies over the same 14-year period, a divergence with few historical precedents outside of wartime.

**-4 pts vs. +25 pts**

Other advanced economies collectively reduced their debt-to-GDP ratio by 4 percentage points while the U.S. added 25 points — a 29-point gap in fiscal trajectory.

SELECTED COUNTRY COMPARISONS, 2011 TO 2025

GERMANY

**80% → 63%**

debt-to-GDP

Fiscal consolidation post-GFC

SWEDEN

**38% → 33%**

debt-to-GDP

Consistent fiscal surplus discipline

CANADA

**83% → 107%**

debt-to-GDP

Modest increase; post-COVID spending

UNITED STATES

**74% → 100%**

debt-to-GDP

Fastest growth among peers

Sources: Visual Capitalist / VC+, "The Anatomy of America's Debt" (April 2026); International Monetary Fund, World Economic Outlook Database (April 2025); IMF Fiscal Monitor (April 2025); Federal Reserve Bank of St. Louis / FRED (GGGDTADEA188N for Germany, CANGGXWDGGDP for Canada, updated Apr 2025). "Other advanced economies" refers to the IMF's classification excluding the United States. Country-level figures represent general government gross debt per IMF WEO. U.S. figures represent debt held by the public as a percentage of GDP per CBO/OMB convention. Germany 2025 figure is IMF estimate (2024 actual: 63.9%).

The numbers starkly bear this out. Between 2011 and 2025, US public debt grew by 145% while other advanced economies grew their debt by just 17%. Similarly, other advanced economies saw their debt-to-GDP ratio fall by 4% over the same period, while ours rose by 25%.<sup>6</sup> Germany reduced its debt burden from 80% to 63% of GDP. Sweden held its ratio below 35%. These are not perfect economies, but their governments demonstrated a directional commitment to fiscal normalization that ours has not.

What makes this particularly striking is that it was not for lack of awareness. The Congressional Budget Office has published long-term budget outlooks for decades, each projecting the same deteriorating trajectory and each largely set aside.<sup>7</sup> The decision to keep spending during good times was not a failure of economic understanding. It was a deliberate political calculation — lower taxes and increase spending to win votes and kick the can down the road for the next congress, president and generation. The most damning illustration is fiscal year 2019: unemployment was 3.5%, GDP growth was 2.9%, and the annual deficit still approached \$1 trillion. It would have been a fantastic moment to clean up on debt.

[6] Visual Capitalist / VC+, *The Anatomy of America's Debt*, April 2026.

[7] Congressional Budget Office, *The Long-Term Budget Outlook*, various years 1995–2025.

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**WHAT IS THE RIGHT LEVEL OF U.S. GOVERNMENT DEBT?**

ECONOMISTS BROADLY AGREE ON THIS STRUCTURE - BUT NOT ON THE NUMBERS

Right level of debt		Productive Spending		Reserve Currency Advantage		Growth Advantage
<b>D*</b>	=	<b>P</b>	+	<b>R</b>	+	<b>F(g,r)</b>

**P Productive Spending**

Borrowing makes sense when what you build generates more value than it costs. Think highways, research labs, and bridges — investments that pay returns for decades.

**R Reserve Currency Advantage**

Because the world needs dollars to trade, buy oil, and hold in reserve, there is natural global demand for US debt that other countries simply do not enjoy.

**g, r Growth Advantage**

When the economy grows faster than the interest rate on its debt, the burden shrinks on its own — without spending cuts or tax increases.

**The Bottom Line**

Some debt is genuinely good. The disagreement is over how much. What is clear is that paying \$1 trillion in annual interest, cutting taxes without offsets, and expanding entitlements in good times fails every part of this framework. The US has not been borrowing strategically. It has been borrowing out of habit.

Sources: Blanchard, O., "Public Debt and Low Interest Rates," American Economic Review (2019); Caballero, R., Farhi, E., and Gourinchas, P.O., "The Safe Assets Shortage Conundrum," Journal of Economic Perspectives (2017); IMF Fiscal Monitor, "Fiscal Policy and Public Debt" (April 2025)

Debt, though, is not inherently bad. For an economy with genuine productive opportunities, some leverage is optimal. The same logic that drives a business to borrow at 6% when its returns are 15% applies, with appropriate nuance, at the government level. Borrow to build a highway that unlocks economic activity, fund research that generates decades of innovation, or prevent a financial collapse that would cost multiples of the intervention. That is productive debt, and it has real academic and practical support.

The framework above captures how economists think about the right level. The honest answer is that the structure is agreed upon but the inputs are not — nobody can say with precision how much debt the reserve currency premium justifies, or exactly which government spending clears the productive investment bar. What is considerably less contested is this: a large and growing share of recent US borrowing fails every component of the test simultaneously. One trillion dollars in annual interest payments produce no economic return. Spending that consistently outpaces revenue in good times and bad does not qualify as strategic leverage. The US has not been borrowing optimally. It has been borrowing indiscriminately.

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# Markets are Sending a Signal

For most of the past decade, global investors treated US debt as an unquestioned given — the world's safest asset, the instrument you held when everything else felt uncertain. That comfort is beginning to show cracks.

The US dollar fell approximately 10% in the first half of 2025, its worst performance in over fifty years.<sup>8</sup> What made the move unusual was not its size but its character. Historically, when US markets stumble, investors flood into dollars for safety. In 2025, stocks and the dollar fell together. Investors were not moving money around within the US — they were moving it out. Gold hit record highs. Foreign buyers of our debt began demanding higher interest rates before they would lend to us. These are not signs of a crisis. They are early signs of wavering confidence, and confidence is far easier to maintain than it is to rebuild once lost.

There is also a contradiction in current policy worth noting. A weaker dollar helps US exporters and has genuine appeal. But it simultaneously makes our debt more expensive to finance, because foreign lenders demand higher returns when the currency they are being repaid in is losing value. The desire for a weaker dollar and the need for cheap borrowing are pulling in opposite directions. Markets have noticed.

## The Path Forward

The historical playbook for managing high debt levels offers three broad paths: austerity, financial repression, and growth. The first is theoretically available but historically damaging — austerity deepened the Depression in the 1930s, and even in Europe's 2010s experiment, debt-to-GDP ratios in Greece actually rose as GDP collapsed faster than spending was cut.<sup>9</sup> The second is keeping real interest rates below real growth to quietly erode the debt burden which is partially underway and likely to continue. The third, and by far the most desirable, is simply growing the economy faster than the debt accumulates.

The encouraging reality is that the United States has more tools to address this than almost any other country on earth.

Growth is the most powerful one. When the economy expands faster than debt accumulates, the problem gradually solves itself without anyone writing a painful check. America's businesses, its culture of innovation, and the rise of artificial intelligence represent a genuine productivity opportunity. The generation that came home from World War II reduced debt from 106% of GDP to 23% by 1974 — not through painful cuts but through an extraordinary economic expansion. That is the model worth aiming for.

The encouraging reality is that the United States has more tools to address this than almost any other country on earth.

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[8] J.P. Morgan Asset Management, "Where Is the U.S. Dollar Headed in 2025?," August 2025.

[9] US Bank Asset Management, *Dollar Fluctuation Analysis*, April 2026.

THE IMMIGRANT ADVANTAGE

AMERICA'S GREATEST IMPORT

Nearly half of all Fortune 500 companies were founded by immigrants or their children. Immigrants represent 16% of inventors but produce 23% of all US patents. The following are eight examples spanning a century of contribution.

<p><b>AE</b> <b>Albert Einstein</b> Germany - 1933</p> <p>Fled Nazi Germany. Fathered modern physics, developed the theory of relativity, and contributed to the Manhattan Project that ended WWII.</p>	<p><b>NT</b> <b>Nikola Tesla</b> Serbia - 1884</p> <p>Invented alternating current electricity. His work built the power grid that lights every American home and business today.</p>	<p><b>AC</b> <b>Andrew Carnegie</b> Scotland - 1848</p> <p>Arrived penniless. Built the American steel industry, funded over 2,500 public libraries, and became the symbol of immigrant-driven industrial America.</p>	<p><b>AGB</b> <b>Alexander Graham Bell</b> Scotland - 1871</p> <p>Invented the telephone. Founded AT&amp;T, which for over a century anchored American telecomms and connected the country.</p>
<p><b>SB</b> <b>Sergey Brin</b> Russia - 1979</p> <p>Fled Soviet antisemitism at age 6. Co-founded Google, now processing over 8.5 billion searches daily and generating hundreds of billions in economic activity.</p>	<p><b>EM</b> <b>Elon Musk</b> South Africa - 1992</p> <p>Founded Tesla, SpaceX, and multiple other companies. Pioneered electric vehicles, private space travel, and satellite internet from an adopted country.</p>	<p><b>SN</b> <b>Satya Nadella</b> India - 1992</p> <p>CEO of Microsoft since 2014. Transformed the company from a legacy software firm into a cloud and AI leader, adding over \$2 trillion in market value.</p>	<p><b>DH</b> <b>David Ho</b> Taiwan - 1965</p> <p>Arrived speaking no English at 12. Pioneered the AIDS cocktail treatment that transformed HIV from a death sentence into a manageable condition.</p>

**45%**

of Fortune 500 companies founded by immigrants or their children

**23%**

of all US patents produced by immigrants, who make up just 16% of inventors

**\$8.1T**

combined revenue of immigrant-founded Fortune 500 firms, exceeding most national GDPs

Immigration is the second lever. Nearly half of all Fortune 500 companies were founded by immigrants or their children.<sup>10</sup> The US has an ability to attract and absorb global talent that Japan and most of Europe simply do not. It is a genuine advantage and a largely reversible policy choice, which makes the current restrictive posture a self-inflicted headwind at exactly the wrong moment.

The third is political will. The 1990s proved that fiscal discipline is possible in America when leaders of both parties decide it matters. Four consecutive budget surpluses were achieved through a combination of spending restraint and revenue growth.

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[10] American Immigration Council, "New American Fortune 500 in 2025: The Largest American Companies and Their Immigrant Roots," August 2025.

## What This Means for Your Portfolio

None of this is a near-term crisis. The US retains enormous structural advantages, and the dollar remains the world's dominant reserve currency by a wide margin — a position that is eroding at the edges but nowhere near collapse. The CBO projects debt reaching 120% of GDP by 2036 under current law, on its way to levels that will increasingly crowd out productive investment and raise the cost of everything from mortgages to business loans.<sup>11</sup> The direction of travel matters more than today's snapshot.

For the long-term investor, the actionable implications are not about alarm but about positioning. International diversification deserves renewed attention — the 2025 dollar weakness demonstrated concretely that currency exposure itself is a source of return, and that years of US equity dominance have left many portfolios with a concentration they may not fully appreciate. Real assets such as real estate, infrastructure, and commodities, have historically held value better during periods of dollar softness and financial repression. Duration risk in long-term bonds deserves consideration; if the market demands a higher premium for lending long-term to a heavily indebted government, long bond prices feel the consequence first. And maintaining exposure to the specific American advantages that make the growth path genuinely plausible such as technology, innovation, and dynamic capital markets, remains as important as ever.

The US has navigated debt levels at 100% of GDP before. It grew out of them through productivity, demographics, and the extraordinary dynamism of its people and institutions. We have the tools to do so again.

### Deep Thoughts: If America's So Rich, How'd It Get So Sad?

Derek Thompson, Atlantic staff writer and co-author of *Abundance* (one of the year's most optimistic and widely discussed books about rebuilding America), recently posed a question that cuts right to the heart of a puzzle we face as long-term investors: why is one of the most prosperous nations in history so deeply unhappy?<sup>12</sup>

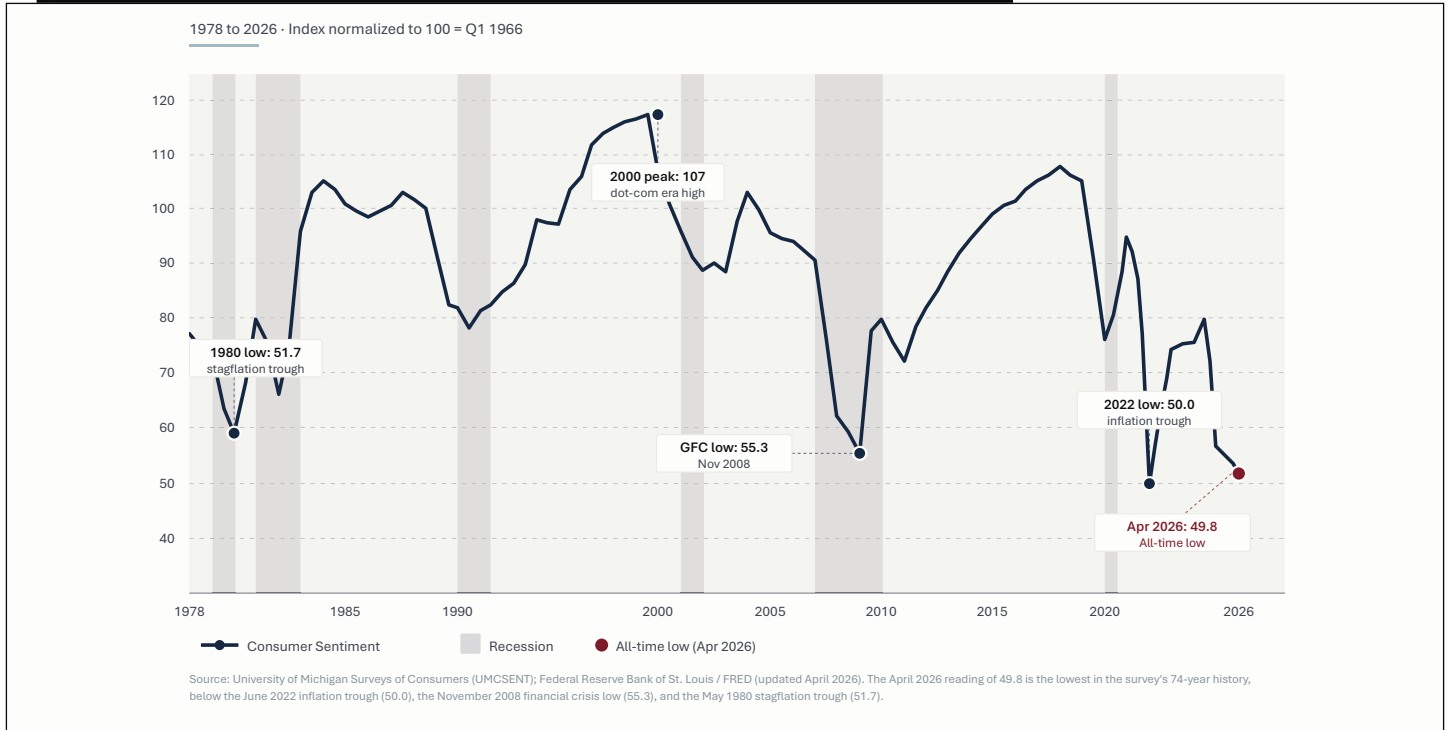
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[11] Congressional Budget Office, *The Budget and Economic Outlook: 2026 to 2036* (February 2026).

[12] Derek Thompson, "If America's So Rich, How'd It Get So Sad?" *The Derek Thompson Newsletter*, April 23, 2026; Sam Peltzman, "Unhappiness in America," *University of Chicago / SSRN Working Paper* (2026); *University of Michigan Surveys of Consumers, Index of Consumer Sentiment (UMCSENT)*, April 2026; *World Happiness Report 2025*, Oxford Wellbeing Research Centre / Gallup (March 2025).

CONSUMER CONFIDENCE

UNIVERSITY OF MICHIGAN CONSUMER SENTIMENT INDEX



The data is striking. Consumer sentiment recently hit 49.8 on the University of Michigan's 74-year-old index, lower than the depths of the 2008 financial crisis (55.3), lower than the stagflation trough of 1980 (51.7), and lower than the COVID shock of 2020. Americans are telling pollsters they feel worse about the economy right now than at any point in recorded survey history. Meanwhile, the U.S. has fallen to its lowest-ever ranking of 24th in the World Happiness Report, and among adults under 30, the U.S. would not crack the top 60.

Thompson calls it the "Tragic Twenties." What makes the phenomenon so puzzling is that the decline is not concentrated among the poor or the young; it has hit every demographic with near-equal force. Thompson and University of Chicago economist Sam Peltzman, whose 2026 research underpins the piece, rule out the easy culprits:

- Not income inequality. Low-wage growth has actually been strong, and the largest happiness declines hit the most affluent demographics.
- Not the decline of religion. That has been a steady 30-year trend; the happiness crash happened suddenly in 2020.
- Not phones and social media alone. Youth misery preceded 2020; something larger broke that year and never recovered.

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→ Thompson's primary thesis is that the pandemic never truly ended as a cultural force. Cumulative inflation — prices up 25% in five years versus 25% in the prior thirteen — left families feeling financially unmoored even as headline numbers improved. Full employment paradoxically raised the cost of every service involving other human beings. And a relentlessly negative media ecosystem amplified it all: American outlets produced 91% negative COVID coverage versus 54% for non-U.S. peers.

MEDIA & SENTIMENT

THE NEGATIVITY FEEDBACK LOOP

How the press, social media, and human psychology combine to amplify bad news — and why the U.S. is more exposed than peer nations

**91%**

of U.S. COVID-19 news coverage was negative — vs. 54% for non-U.S. outlets. America's media is an outlier globally.

**63%**

higher click-through rate for headlines with negative framing vs. positive ones. Negative words consistently outperform positive language.

**150%**

more likely to be shared on social media: negative articles vs. non-negative ones, per a 2024 Scientific Reports study across major news platforms.

HOW NEGATIVE IS U.S. COVERAGE VS. PEERS?



Sacerdote et al. (2020). U.S. media produced nearly twice the negative COVID coverage of international peers.



Pew Research Center (2024); World Happiness Report (2025). 1-in-5 young Americans report having no one they can count on.

**Why the U.S. Is More Exposed**

The U.S. has weaker public service broadcasting and a more polarized media ecosystem than European peers. Research consistently finds this combination amplifies negative coverage beyond what objective conditions warrant — creating a persistent gap between economic and perceived reality.

**The Sentiment–Policy Loop**

The World Happiness Report (2025) found that declining trust and happiness are "highly associated" with rising votes for anti-system parties. Feelings shape voting; voting shapes policy; policy shapes markets. For investors, the sentiment deficit is not a soft concern — it is a leading indicator of volatility.

Sources: Sacerdote, B. et al., "Why Is All COVID-19 News Bad News?" NBER Working Paper 28110 (2020); Scientific Reports, "Negative Online News Articles Are Shared More to Social Media" (2024); Pew Research Center, "Americans' Views of the News Media" (December 2024); World Happiness Report (2025), Oxford Wellbeing Research Centre / Gallup; Robertson, C. et al., "Negativity drives online news consumption," Nature Human Behaviour (2023).

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For investors, this matters. Unhappy, distrustful populations vote differently, spend differently, and price risk differently. The World Happiness Report found that declining trust and happiness are directly correlated with rising support for anti-system parties. Thompson, the same writer who co-authored an optimistic blueprint for American renewal, believes the country can find its way back. But the Tragic Twenties are a real variable in any long-term outlook, and one that no balance sheet captures.

INVESTMENT WARS PODCAST

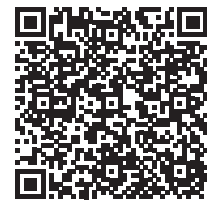
RECENT EPISODES WORTH YOUR TIME

EP. 36 **Private Credit: Navigating Bumps in the Road**

*Guest: Robert Grunewald, 30-year veteran of middle market finance*

Private credit has been making negative headlines, and investors are asking hard questions about valuations, covenants, and defaults. Robert Grunewald walks through how direct lending actually works from origination to exit, where the real risks lie, and why first lien senior secured debt is fundamentally different from what imploded in 2008. A ground-up education on one of the fastest-growing asset classes in the world.

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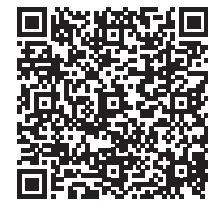


EP. 37 **Prediction Markets: Forecasting, AI, and the Future of Information**

*Guest: Zvi Mowshowitz, trader, researcher, and prediction market expert*

Are prediction markets genuine economic tools or sophisticated entertainment? Zvi Mowshowitz cuts through the hype, explaining how well-designed questions create real informational value, where AI is now outperforming all but the very best human forecasters, and why we are living in the "centaur phase" of forecasting where the winning approach is human and AI working together. Essential listening for anyone making decisions under uncertainty.

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Investment Wars is hosted by Joe Halpern, Managing Partner and CIO of Obsidian CIO. New episodes drop regularly. Subscribe on Apple Podcasts, Spotify, or YouTube so you never miss a conversation.

# Talking Points – April 2026

## Monthly Market Recap

After a tough first quarter, markets surged through the month of April primarily due to optimism surrounding the US/Iran war. The Nasdaq was up over 15% while the S&P 500 and Dow were up over 10% and 7% respectively. April also experienced more than typical attention on the Fed between the Warsh confirmation and historical levels of disagreement among Fed members.

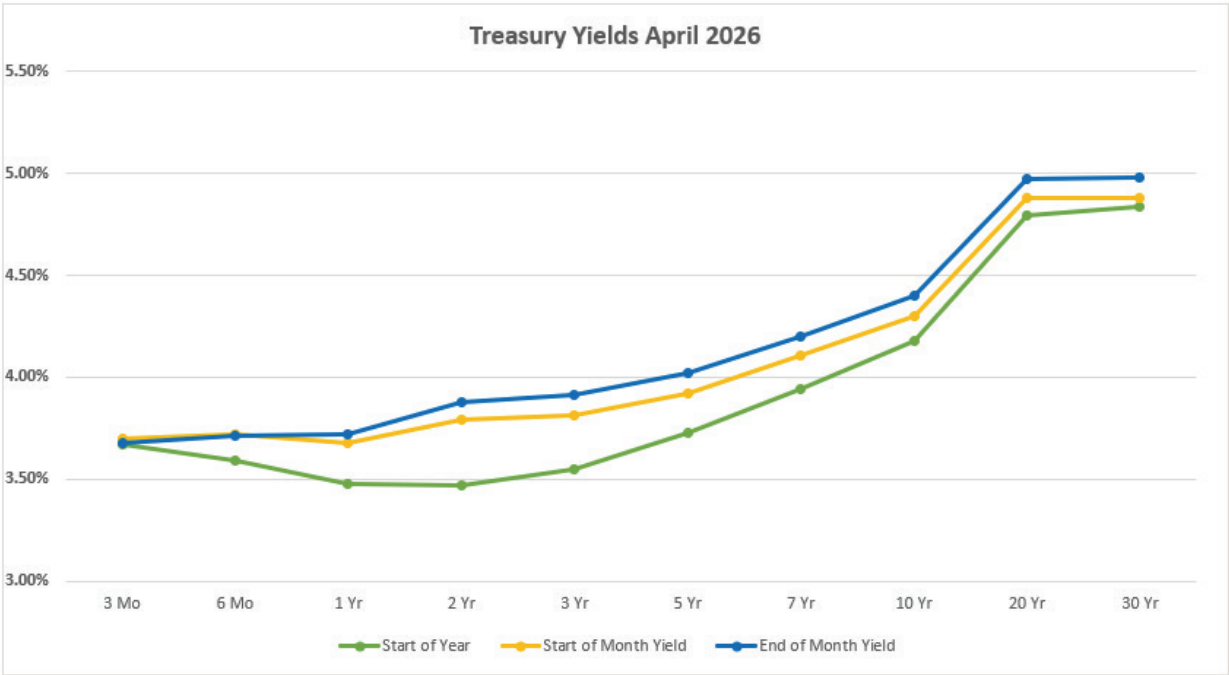
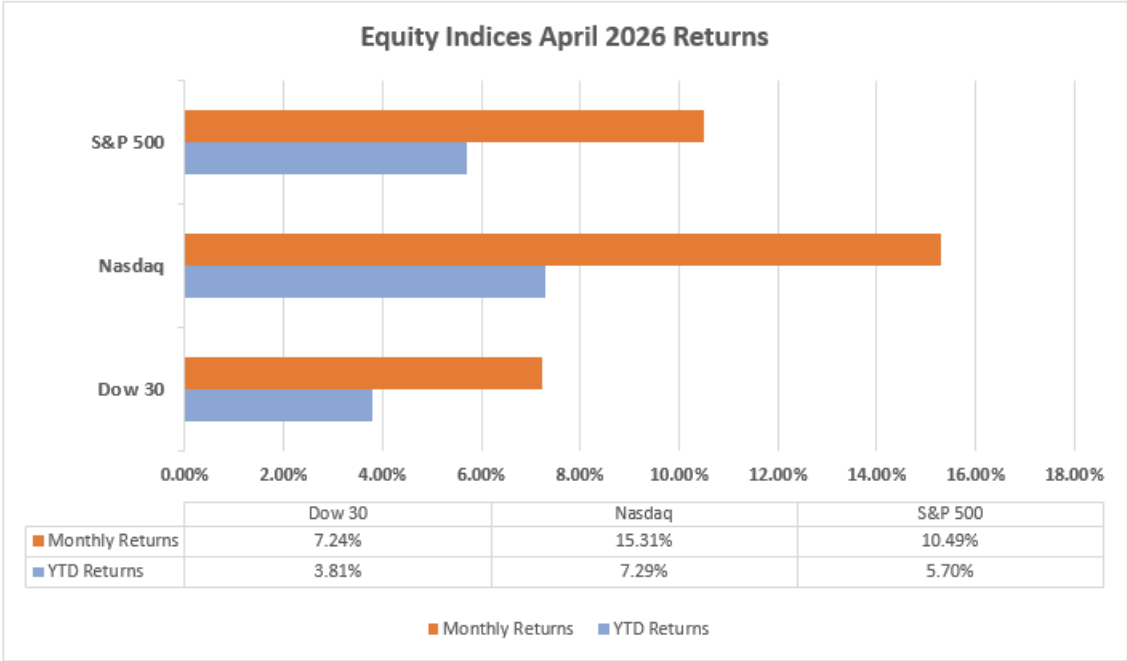
The US-Iran conflict was the dominant driver throughout April. Early in the month, markets were pressured after Iran rejected a proposed 45-day ceasefire and President Trump escalated threats against Iranian infrastructure, including power plants and bridges. Sentiment improved sharply after the US and Iran agreed to a two-week ceasefire just before Trump's deadline, with both sides agreeing to begin negotiations toward a broader end to the conflict. However, the ceasefire remained fragile as Iran refused to reopen the Strait of Hormuz, instead allowing only a limited number of ships to pass and reportedly charging tolls (and ultimately attacking more ships). Later in the month, the US blockade of the Strait, renewed threats from both sides, and uncertainty around Iran's proposals kept geopolitical risk elevated, although markets were encouraged by signs that both sides were hesitant to raise tensions further.

The Fed also remained a key focus. Markets had largely priced in the Fed's decision to keep benchmark interest rates unchanged, so the decision itself generated a muted reaction. The more notable development was the level of disagreement inside the Fed: four of twelve officials dissented, the most since 1992, with one favoring a rate cut and others objecting to the Fed's easing bias. Powell's post-meeting commentary did not materially change the market's outlook, as he continued to emphasize inflation monitoring and noted no major shift in the labor market. Markets also absorbed Kevin Warsh's Senate confirmation hearing, where questions around Fed independence were closely watched, and later reacted positively to news that the Justice Department would end its investigation into Powell. As for interest rate expectations over the rest of 2026, currently futures are pricing in over a 70% chance that rates close out the year at current levels (no cuts/hikes). There is a slightly higher probability of at least one hike (16%) given expected inflationary pressures from the Iran war as compared to the odds of at least one cut (13.5%).

Market reaction to inflation data was mixed. March CPI and Core CPI were elevated, with headline CPI rising to 3.3%, up 0.9 percentage points from the prior month, largely driven by higher gasoline prices (PCE did not show the same effects because it lags CPI by a month). The silver lining was that the CPI print was slightly below expectations, suggesting markets had already anticipated much of the jump.

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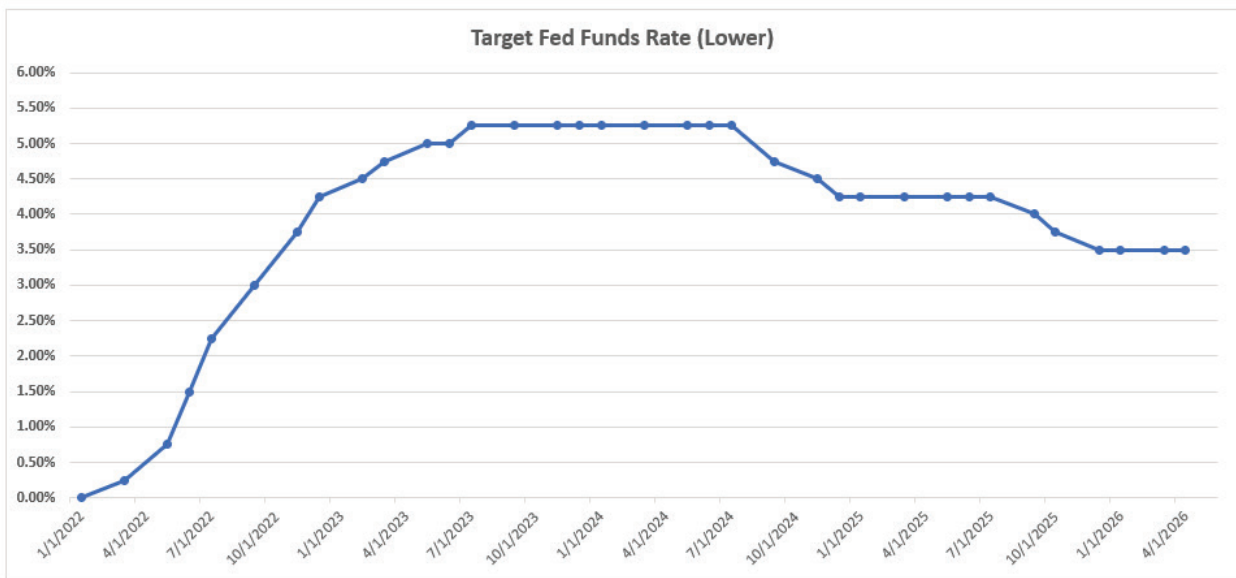
Graphs/Visuals



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### Fed Interest Rate Decisions Since Start of Hiking Cycle

FOMC Meeting Date	Hike/Cut	Target Fed Funds Rate (Lower)	Target Fed Funds Rate (Upper)
<i>Start of 2022</i>	-	<i>0.00%</i>	<i>0.25%</i>
3/16/2022	0.25%	0.25%	0.50%
5/4/2022	0.50%	0.75%	1.00%
6/15/2022	0.75%	1.50%	1.75%
7/27/2022	0.75%	2.25%	2.50%
9/21/2022	0.75%	3.00%	3.25%
11/2/2022	0.75%	3.75%	4.00%
12/14/2022	0.50%	4.25%	4.50%
2/1/2023	0.25%	4.50%	4.75%
3/22/2023	0.25%	4.75%	5.00%
5/3/2023	0.25%	5.00%	5.25%
6/14/2023	0.00%	5.00%	5.25%
7/26/2023	0.25%	5.25%	5.50%
9/20/2023	0.00%	5.25%	5.50%
11/1/2023	0.00%	5.25%	5.50%
12/13/2023	0.00%	5.25%	5.50%
1/31/2024	0.00%	5.25%	5.50%
3/20/2024	0.00%	5.25%	5.50%
5/1/2024	0.00%	5.25%	5.50%
6/12/2024	0.00%	5.25%	5.50%
7/31/2024	0.00%	5.25%	5.50%
9/18/2024	-0.50%	4.75%	5.00%
11/7/2024	-0.25%	4.50%	4.75%
12/18/2024	-0.25%	4.25%	4.50%
1/29/2025	0.00%	4.25%	4.50%
3/19/2025	0.00%	4.25%	4.50%
5/7/2025	0.00%	4.25%	4.50%
6/18/2025	0.00%	4.25%	4.50%
7/30/2025	0.00%	4.25%	4.50%
9/18/2025	-0.25%	4.00%	4.25%
10/29/2025	-0.25%	3.75%	4.00%
12/10/2025	-0.25%	3.50%	3.75%
1/28/2026	0.00%	3.50%	3.75%
3/18/2026	0.00%	3.50%	3.75%
4/29/2026	0.00%	3.50%	3.75%



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As of 5/6/26 assuming 25bp Cuts/Hikes

2026 Interest Rate Forecast	
More than 2 Hikes	0.0%
2 Hikes	0.8%
1 Hike	15.2%
At Least 1 Hike	16.0%
Hold	70.5%
At Least 1 Cut	13.5%
1 Cut	12.7%
2 Cuts	0.8%
More than 2 Cuts	0.0%

As of 5/6/26 assuming 25bp Cuts/Hikes

2026 Interest Rate Forecast	
At Least 1 Hike	16.0%
Hold	70.5%
At Least 1 Cut	13.5%

February PCE and Core PCE (yoy)	Feb.	vs. Expected	vs. Jan
PCE	2.8%	2.8%	2.8%
Core PCE	3.0%	3.0%	3.1%

March CPI and Core CPI (yoy)	March	vs. Expected	vs. Feb.
CPI	3.3%	3.4%	2.4%
Core CPI	2.6%	2.7%	2.5%

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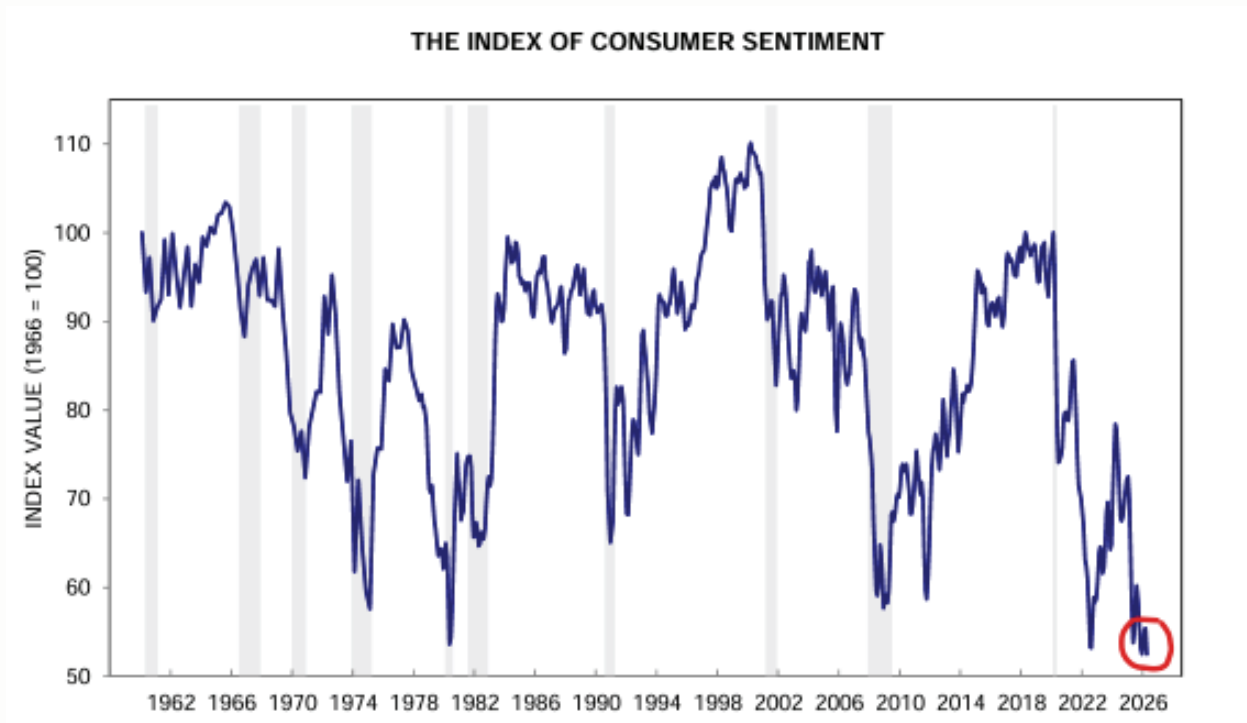
## Highlights/Notes

Highlight: Optimism that the US/Iran conflict was progressing towards and end pushed equities higher throughout the month.

## Obsidian CIO Sentiment Summary 2026:

2026	January	February	March	April
<b>Fed</b>	<b>Mildly Bearish</b>	<b>Neutral</b>	<b>Neutral</b>	<b>Neutral</b>
<i>Interest Rate Decisions</i>	<i>Neutral</i>	<i>Neutral</i>	<i>Neutral</i>	<i>Neutral</i>
<i>Commentary</i>	<i>Mildly Bearish</i>	<i>Neutral</i>	<i>Mildly Bearish</i>	<i>Mildly Bearish</i>
<i>Fed Independence</i>	<i>Mildly Bearish</i>	<i>Neutral</i>	<i>Neutral</i>	<i>Neutral</i>
<b>Economic Data</b>	<b>Mildly Bullish</b>	<b>Mildly Bullish</b>	<b>Mildly Bearish</b>	<b>Mildly Bearish</b>
<i>Inflation</i>	<i>Bullish</i>	<i>Mildly Bullish</i>	<i>Neutral</i>	<i>Mildly Bearish</i>
<i>Employment/Labor Market</i>	<i>Neutral</i>	<i>Mildly Bullish</i>	<i>Bearish</i>	<i>Neutral</i>
<i>GDP</i>	<i>Neutral</i>	<i>Neutral</i>	<i>Neutral</i>	<i>Neutral</i>
<i>Consumer Spending</i>	<i>Neutral</i>	<i>Mildly Bearish</i>	<i>Neutral</i>	<i>Neutral</i>
<i>Consumer Sentiment</i>	<i>Neutral</i>	<i>Neutral</i>	<i>Mildly Bearish</i>	<i>Bearish</i>
<i>Housing/Real Estate</i>	<i>Neutral</i>	<i>Mildly Bullish</i>	<i>Mildly Bullish</i>	<i>Neutral</i>
<b>Global Events/News</b>	<b>Mildly Bearish</b>	<b>Mildly Bearish</b>	<b>Bearish</b>	<b>Bullish</b>
<i>China</i>	<i>Neutral</i>	<i>Neutral</i>	<i>Mildly Bearish</i>	<i>Neutral</i>
<i>Middle East</i>	<i>Bearish</i>	<i>Bearish</i>	<i>Bearish</i>	<i>Bullish</i>
<i>Russia</i>	<i>Neutral</i>	<i>Neutral</i>	<i>Mildly Bearish</i>	<i>Neutral</i>
<i>South America</i>	<i>Mildly Bullish</i>	<i>Neutral</i>	<i>Neutral</i>	<i>Neutral</i>
<i>Europe</i>	<i>Mildly Bearish</i>	<i>Neutral</i>	<i>Neutral</i>	<i>Neutral</i>
<i>Japan</i>	<i>Neutral</i>	<i>Neutral</i>	<i>Neutral</i>	<i>Neutral</i>
<b>US Politics/Government</b>	<b>Mildly Bearish</b>	<b>Mildly Bullish</b>	<b>Neutral</b>	<b>Neutral</b>
<i>Tariffs</i>	<i>Mildly Bearish</i>	<i>Bullish</i>	<i>Mildly Bearish</i>	<i>Neutral</i>
<i>Economic Policy</i>	<i>Mildly Bearish</i>	<i>Neutral</i>	<i>Neutral</i>	<i>Neutral</i>
<b>Market Trends</b>	<b>Mildly Bearish</b>	<b>Bearish</b>	<b>Mildly Bearish</b>	<b>Neutral</b>
<i>Earnings</i>	<i>Mildly Bearish</i>	<i>Neutral</i>	<i>Neutral</i>	<i>Mildly Bullish</i>
<i>AI/Chips</i>	<i>Mildly Bearish</i>	<i>Bearish</i>	<i>Neutral</i>	<i>Mildly Bullish</i>
<i>Private Markets</i>	<i>Bearish</i>	<i>Bearish</i>	<i>Bearish</i>	<i>Mildly Bearish</i>
<i>Energy Prices</i>	<i>Mildly Bearish</i>	<i>Bearish</i>	<i>Bearish</i>	<i>Mildly Bearish</i>
<i>Metals/Critical Minerals</i>	<i>Mildly Bullish</i>	<i>Neutral</i>	<i>Neutral</i>	<i>Neutral</i>
<i>Crypto</i>	<i>Mildly Bearish</i>	<i>Neutral</i>	<i>Mildly Bearish</i>	<i>Neutral</i>

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### Noteworthy Sentiment Items:

- Global Events/News – Bearish to Bullish
- Despite the fact that the Middle East was the only bullish part of the category (rest all neutral) it was enough to fuel the rally that took place in equities throughout the month. This was despite the fact that tensions still remain elevated (US blockade, Iran still targeting ships, still pretty far apart in negotiations on several key items).

### Key Topics/Items from Below:

- **BEARISH**
  - Iran rejecting a proposed 45-day ceasefire in the beginning of the month
  - President Trump doubling down on threats to target Iran’s power plants and bridges if a deal was not made by his stated deadline
  - President Trump following up on his threats on Iranian power plants/bridges with threats to “wipe out the entirety of the country’s civilization” if the Strait of Hormuz was not opened by his stated deadline
  - Iran failing to follow through on re-opening the Strait as a part of its ceasefire agreement with the US (claimed that they would be allowing around 12 ships to pass through each day, which did not end up happening)

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- Release of University of Michigan’s Consumer Sentiment Survey which showed that sentiment dropped to an all-time low due to concerns over the economic impact of the war with Iran
- Tensions escalating between the US and Iran after President Trump ordered a blockade of the Strait of Hormuz – attempting to cut off Iran’s ability to continue to export and sell its oil via the Strait

■ **MILDLY BEARISH**

- March CPI and Core CPI data showing material impacts from elevated energy prices with headline CPI coming in at 3.3% (0.9% higher than the month prior) – silver lining was that this material jump was accurately forecasted (3.3% was actually below the expected 3.4%)
- Moody’s downgrading the credit rating on one of Blue Owl’s (large private credit manager) flagship funds due to elevated outflows
- Concerns over AI disruption in the software sector picking back up after disappointing earnings results from ServiceNow (unexpected decline in profit margins)
- Four out of the twelve Fed officials dissenting (i.e., not voting with the majority of the group) with one being in favor of lowering rates and the others dissented against “the easing bias” meaning that they were not in favor of the Fed signaling near to medium term future cuts (four dissents are the most since 1992)
- OpenAI missing internal revenue and user targets, reigniting concerns about whether the massive capex spend across the industry will ultimately be justified by windfalls of profit (making current valuation levels look stretched)

■ **NEUTRAL**

- February PCE and Core PCE data coming in right at forecasted levels, offering no surprises to the upside and no material impacts from elevated energy prices
- Kevin Warsh’s (replacing Powell as Fed Chairman) Senate confirmation hearing where he faced several questions on “Fed independence”
- Later in the month, Iran presenting a new proposal to end the conflict that would reopen the Strait but table talks surrounding anything nuclear for the time being (did not gain traction with the US as nuclear is their main focus outside of reopening the Strait)
- Fed announcing that they would be keeping benchmark interest rates at current levels this month (expected, priced in for weeks)
- Powell stating that he would remain on the Fed’s board once his term as Chairman was over (unprecedented but markets took no issue with it)
- UAE announcing that it would be leaving OPEC

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■ **MILDLY BULLISH**

- Meta announcing the release of a new AI model that will power the company's AI chatbot and other features
- The release of PPI data which came in lower than expected
- Solid earnings reports from big banks
- Earnings commentary from big banks which noted that both consumer spending and overall economic activity remained solid through the first quarter, even amid rising energy costs and geopolitical uncertainty
- Despite repeat threats of escalation, President Trump opting to extend the cease-fire with Iran to give Iran's leadership time to work on a "unified proposal."
- News that the Justice Department would be ending its investigation into current Fed Chairman Powell

■ **BULLISH**

- The US and Iran announcing that they had agreed on a two-week ceasefire in the final hour before President Trump's stated deadline (with both sides also agreeing to begin negotiations on a deal to officially end the conflict)
- Israel and Lebanon separately agreeing to a ceasefire and starting negotiations on a potential deal
- President Trump commenting mid-month that the war was "very close to over"
- Iran and President Trump both claiming that the Strait was officially open mid-month even as the US continued to enforce its blockade on the waterway



Wednesday, markets had a positive reaction to President Trump extending the cease-fire with Iran. Despite his continued threats, Trump opted to extend the cease-fire to give Iran's leadership more time to work on a "unified proposal". The President claimed that Iran's leadership could not get on the same page after the massive turnover it has been faced with in the past weeks. It is unclear whether or not this is entirely true but markets were satisfied about the extension anyways. The announcement came as the US continued to enforce its blockade and Iran continued to target ships crossing the Strait. The following day tensions picked right back up. A third US aircraft carrier arrived in the Middle East and President Trump threatened to "shoot and kill" any boat laying mines in the Strait.

- **Fed:** On Tuesday, markets had a muted reaction to Kevin Warsh's Senate confirmation hearing. The soon to be Chairman faced a variety of questions, but markets paid closest attention to his responses regarding anything to do with the Fed's independence. Warsh avoided completely distancing himself from President Trump but did state that he does believe that the Fed should remain independent. He was critical about the size of the Fed's balance sheet and recent interest rate decisions. Then on Friday, markets had a positive reaction to the news that the Justice Department would be ending its investigation into current Fed Chairman Powell. The move is expected to help fast track the official confirmation of Warsh.
- **AI Disruption/Software:** On Thursday, concerns over AI disruption in the software sector picked back up. This came after ServiceNow reported earnings which showed an unexpected decline in profit margins.

#### ■ **Week Ending 5/1/26**

- *Equities up, yields up*
- *The big news this week was the Fed's decision to hold rates at current levels. The decision itself was expected but markets were paying close attention to the commentary post decision which offered up no major surprises (i.e. still keeping an eye on inflation, no major shifts in labor market). The base case for the Fed's next meeting in June is that they will once again opt to keep rates right where they are.*
- **Iran War:** On Monday, markets in the US had a muted reaction to news that Iran had presented a new proposal to end the war. The proposal would see Iran end its attacks on ships crossing the Strait of Hormuz in exchange for the US lifting its naval blockade on the waterway. Anything related to Iran's nuclear program would be discussed at a later point in time. Nuclear is the biggest red line for the US and President Trump so this proposal is unlikely to gain any traction. Then on Wednesday, energy prices rose after reports that President Trump told aides to prepare for an extended blockade of the Strait started to circulate. Finally, on Friday Iran shared yet another proposal to end the war but President Trump said that it would not be enough. Markets found a silver lining

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in the fact that Iran appears to be pushing for negotiations to start back up even if their proposals aren't quite good enough to get the US officially back to the table.

- **Fed:** On Wednesday, markets had a muted reaction to the Fed announcing that they would be keeping rates at current levels this month. The move to hold was expected and priced in for weeks. Of interest was that four out of the twelve Fed officials dissented (i.e. did not vote with the group, most since 1992) this meeting. One was in favor of lowering rates while the others dissented against “the easing bias meaning that they were not in favor of the Fed signaling near to medium term future cuts. In his commentary post decision, Powell announced that he planned to stay on the Fed board after his term as Chairman was officially up. The move is unprecedented as most Chairman have opted to leave all together, but markets did not seem to take much issue with it.
- **AI:** Anything even remotely related to OpenAI on Tuesday was down after the still private company missed internal revenue and user targets. Outside of AI disruption (ex: software), one of the underlying concerns with AI is that the massive capex spend across the industry will not result in the windfall of profits that would justify the amount of spend. Recall, this was a big issue prior to all of the concerns about AI disruption popping up - stretched valuations were essentially pricing in perfection across the board for all of these companies.
- **Earnings:** Later in the week markets had a positive reaction to several earnings reports from big tech. Microsoft, Google, Meta, and Amazon all beat expectations partly due to their AI initiatives.
- **OPEC:** On Tuesday, the UAE announced that it would be leaving OPEC. The year started with the US taking control of energy output in Venezuela, then came the war with Iran which effectively closed the Strait of Hormuz, and now the dynamics of the Middle East energy markets will be further changed by the departure of the UAE from OPEC. Since its inception back in the 1960s, OPEC has been able to significantly influence the price of oil with its production increases and cuts.