



Economic and Market Update

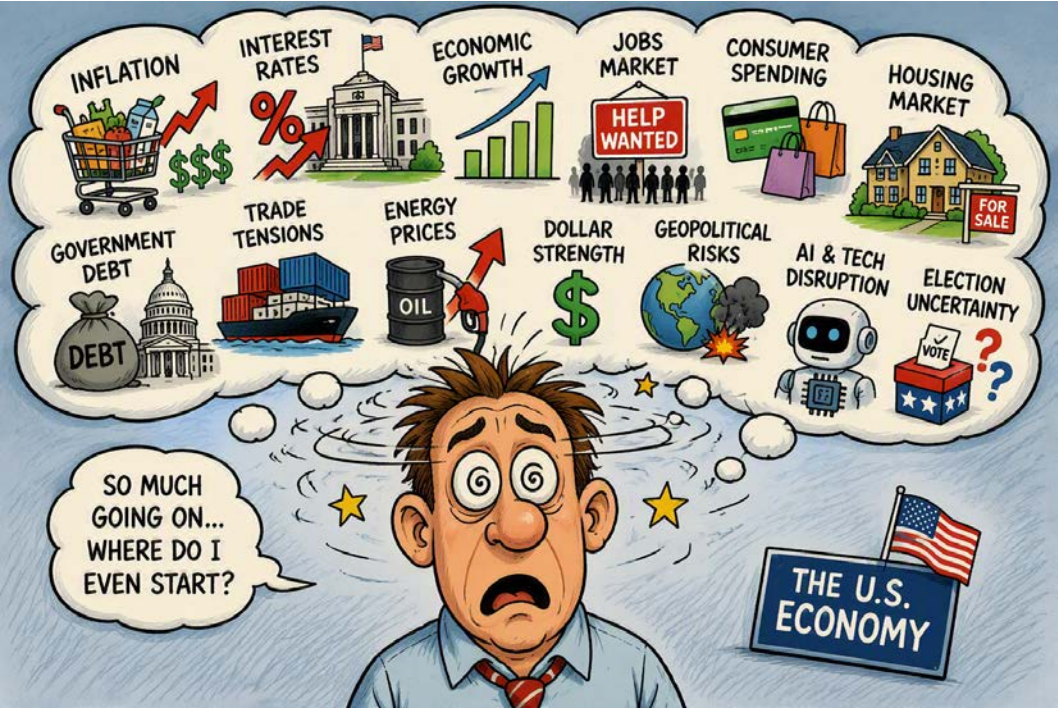
Jordon Cranston, CFA

Director, Funding & Derivatives

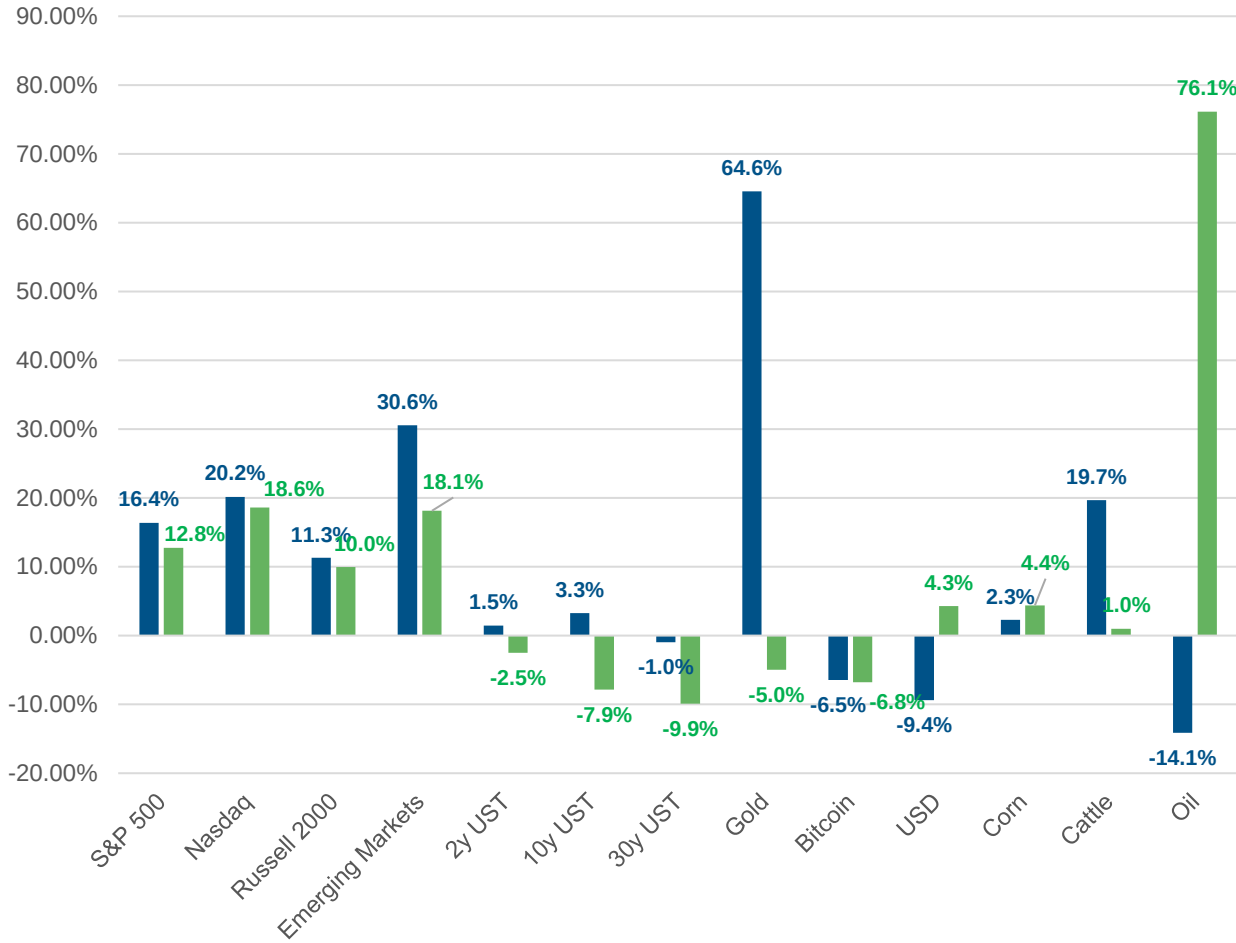


Proud Member of the Farm Credit System 

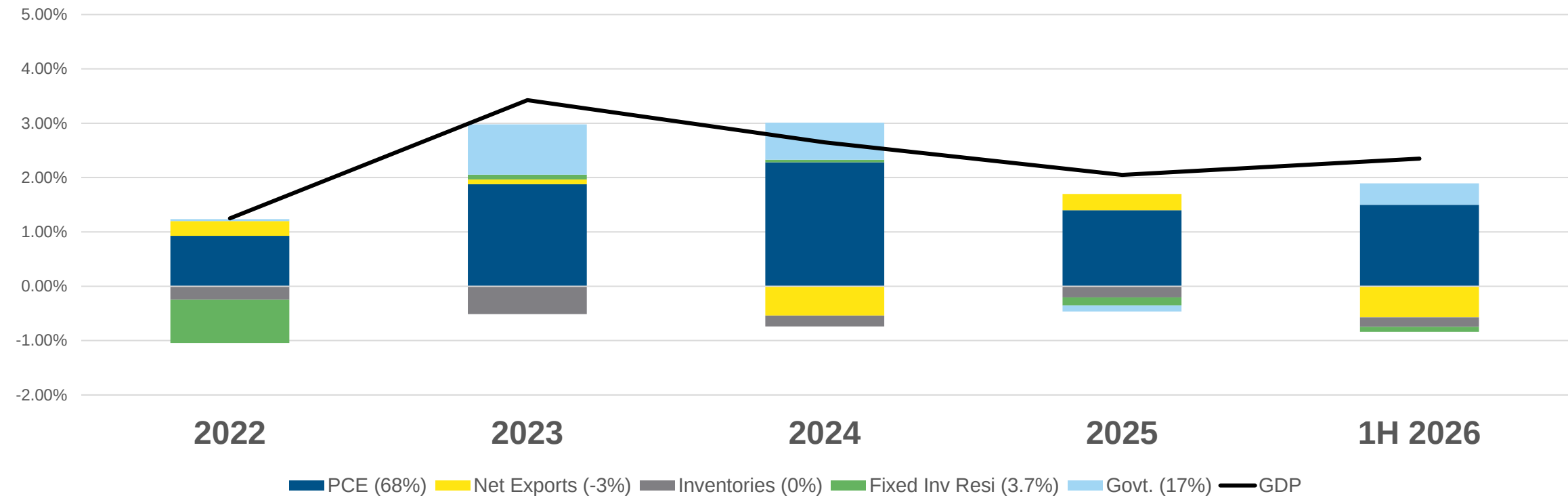
Year-to-Date Review



Return by Asset Class



US GDP



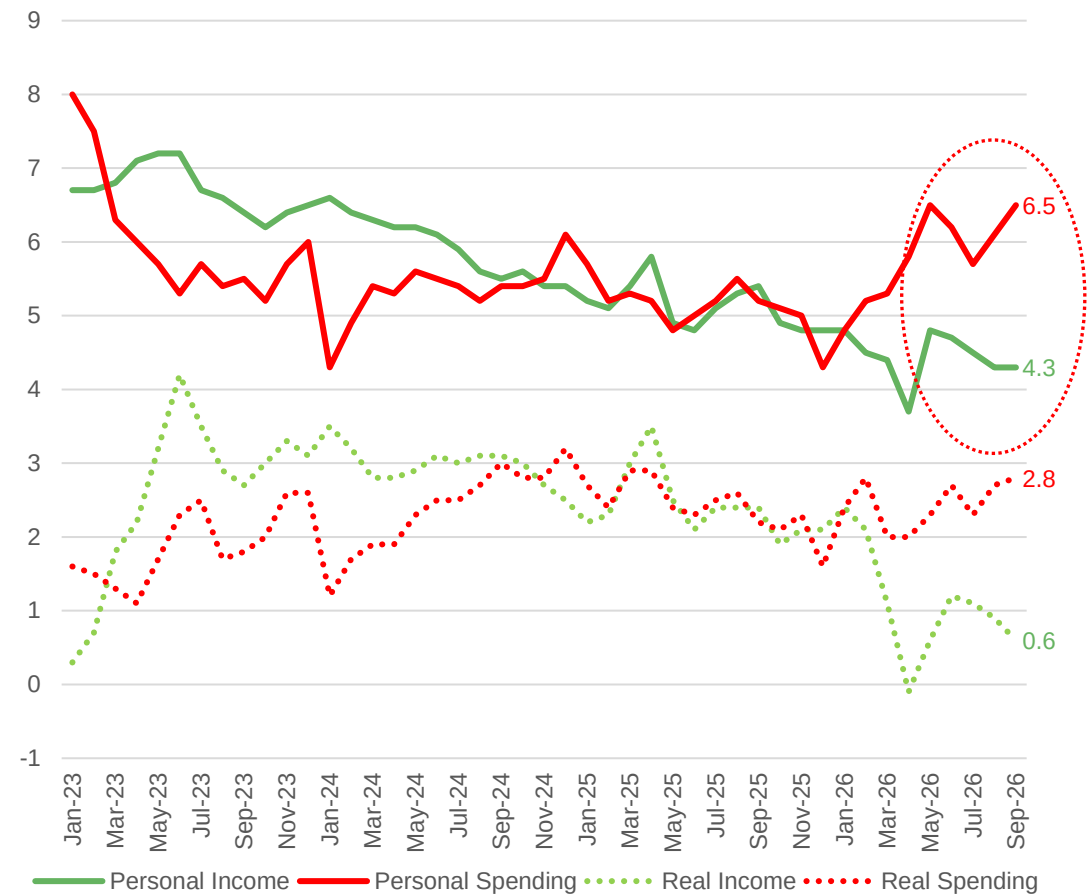
Contributions to GDP	2022	2023	2024	2025	2026-H1
Personal Consumption (PCE)	0.9%	1.9%	2.3%	1.4%	1.5%
Fix Inv - Nonresidential	1.0%	1.0%	0.4%	0.8%	1.3%
GDP	1.3%	3.4%	2.6%	2.1%	2.4%

Atlanta Fed GDP NOW – Q3

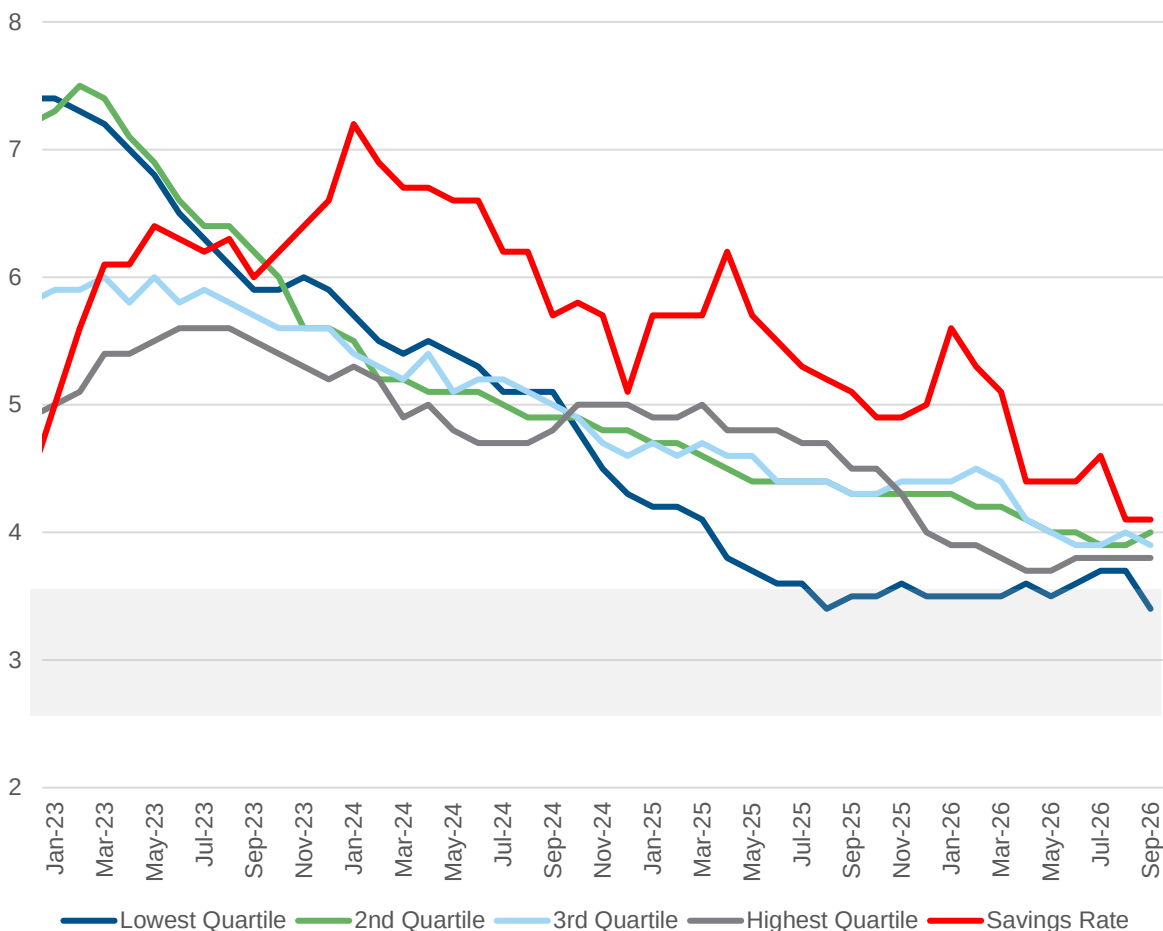
3.6%

Consumers Continue to Spend

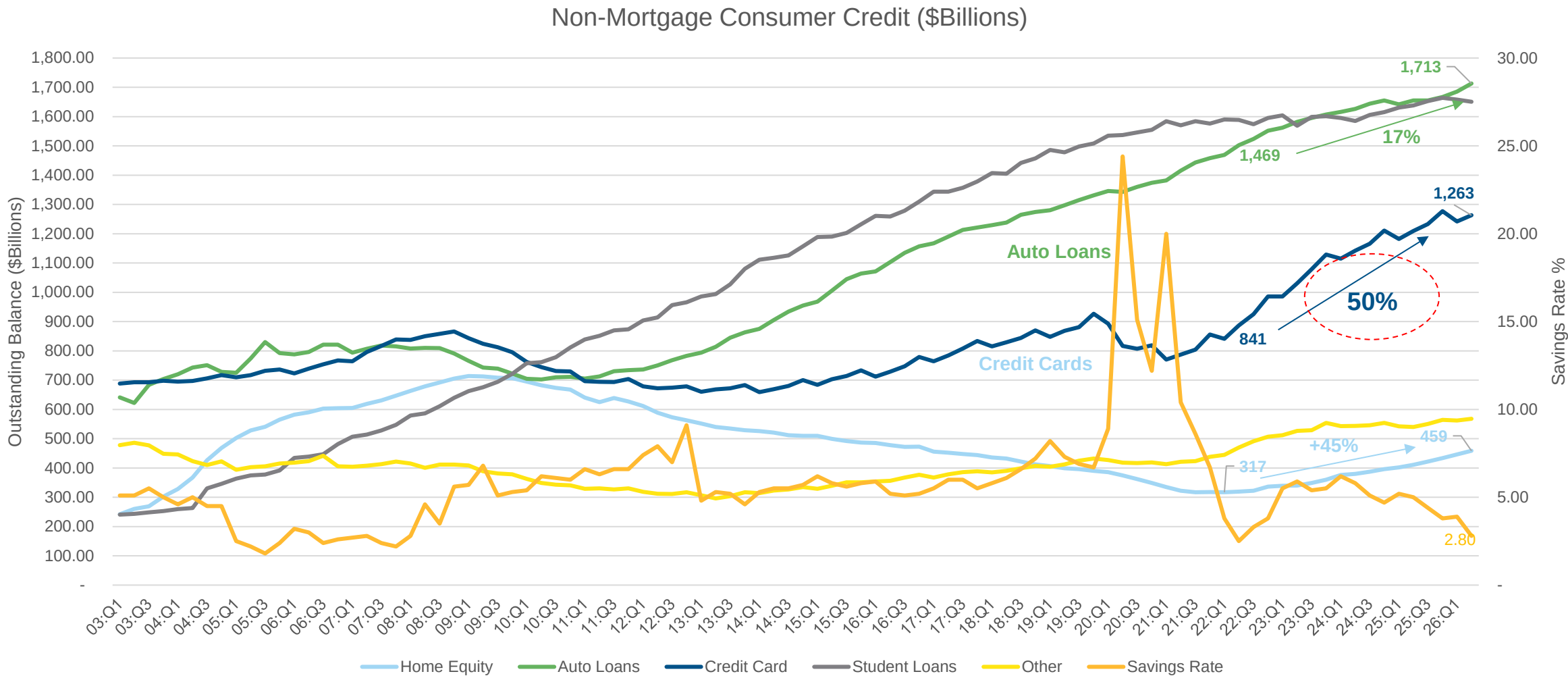
Spending Growing Faster Than Income
Spending vs Income (YoY%)



Wage Growth by Income Quartile



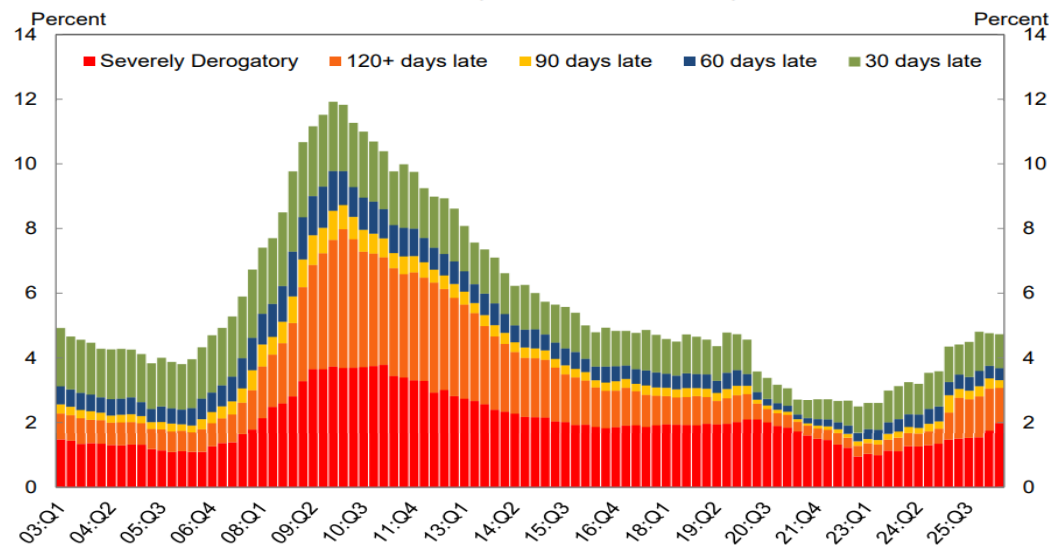
Consumer Credit Usage Increasing...



Source: NY Fed Quarterly Report on Household Debt and Credit

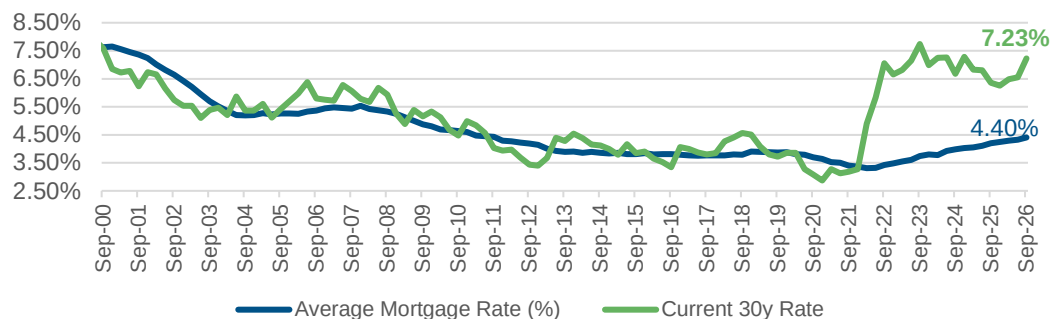
But, balance sheets in aggregate remain strong

Total Balance by Delinquency Status

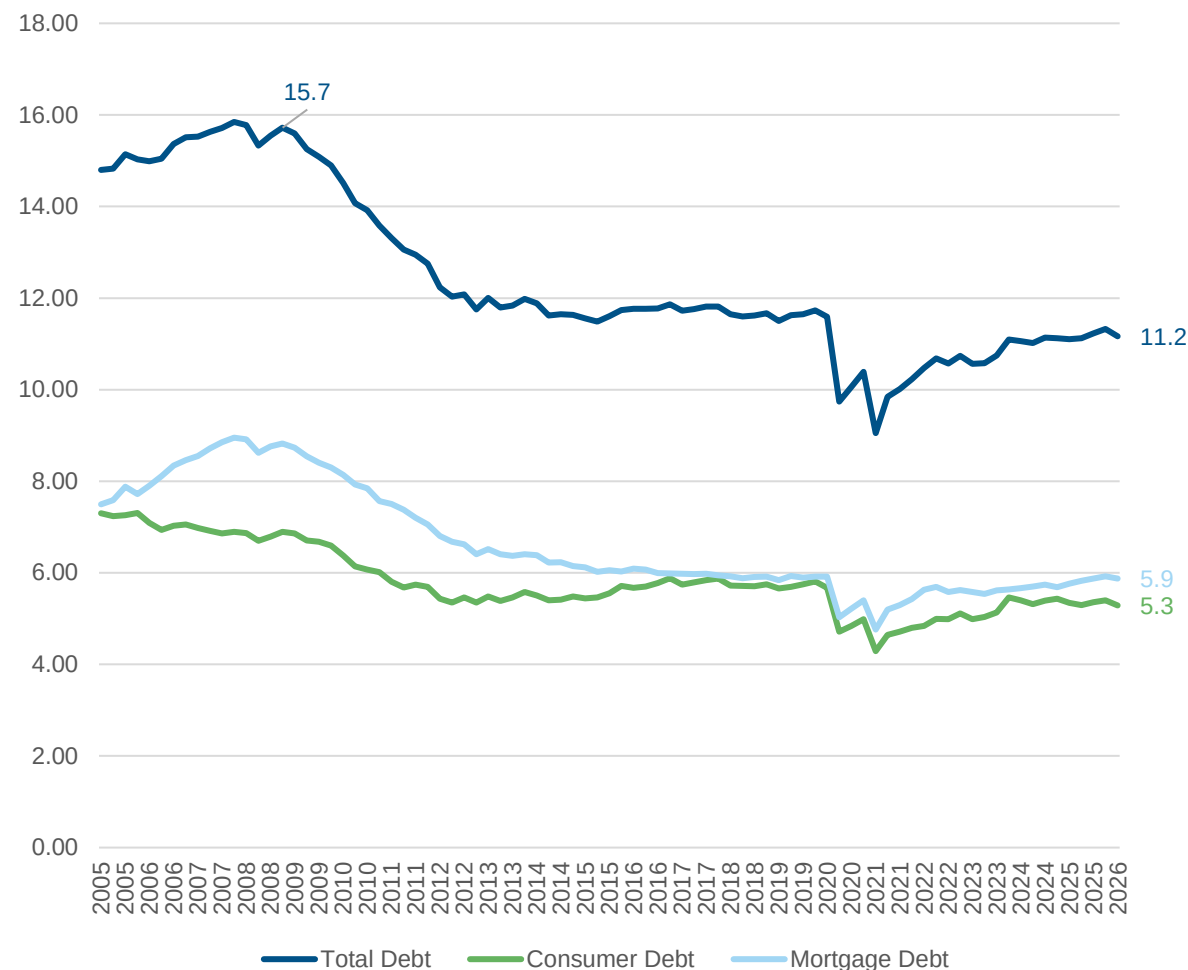


Source: New York Fed Consumer Credit Panel/Equifax

Mortgage Rates

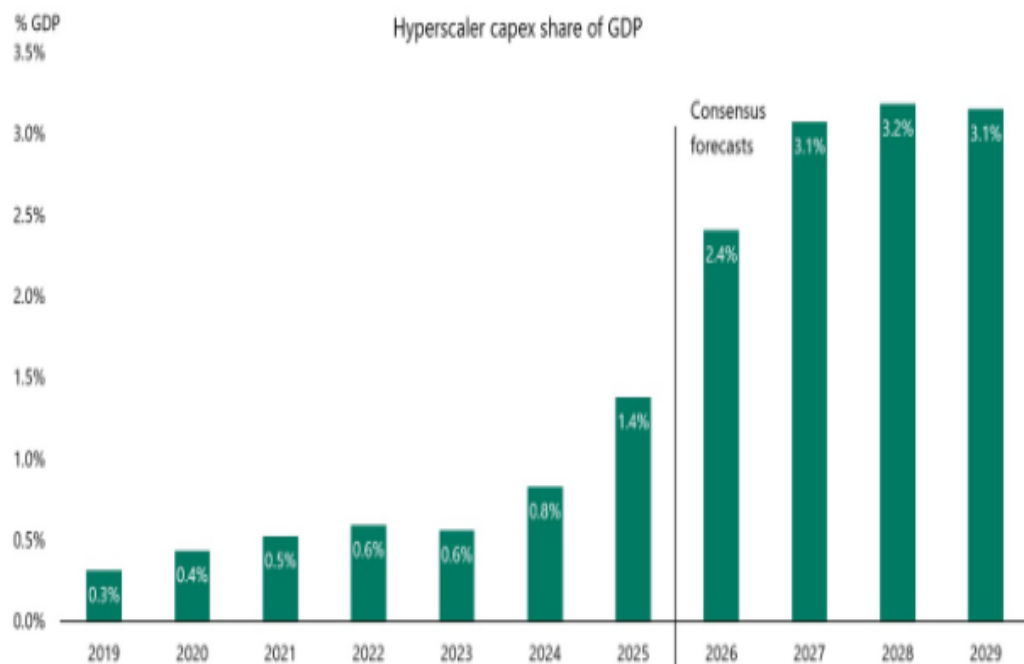


Debt Service Payments as % of Disposable Income



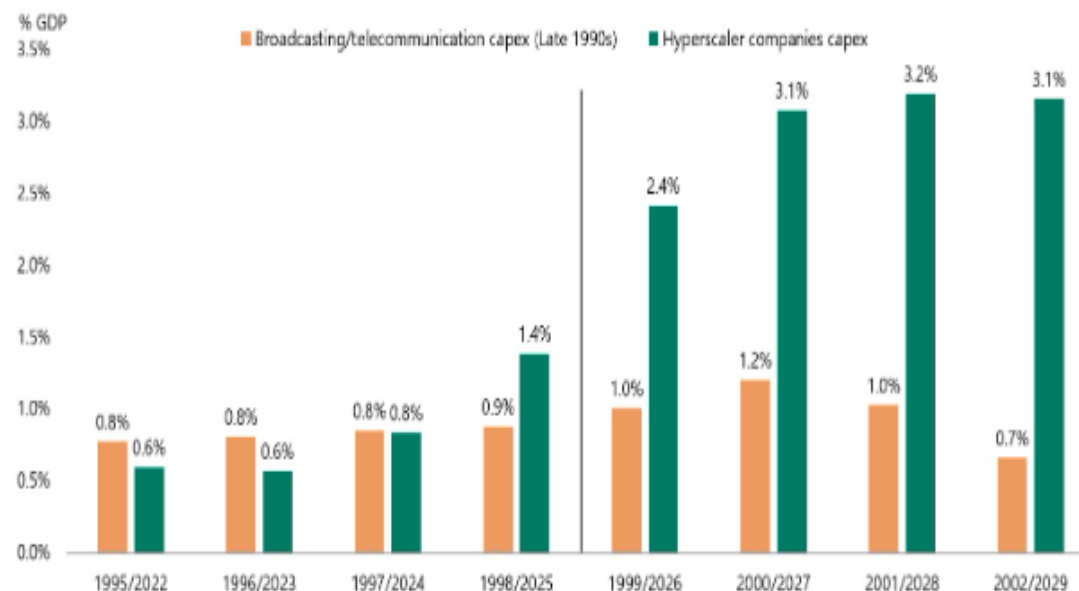
Data Center Investments Driving GDP

Consensus expects hyperscaler capex at 3% of GDP every single year for the next three years



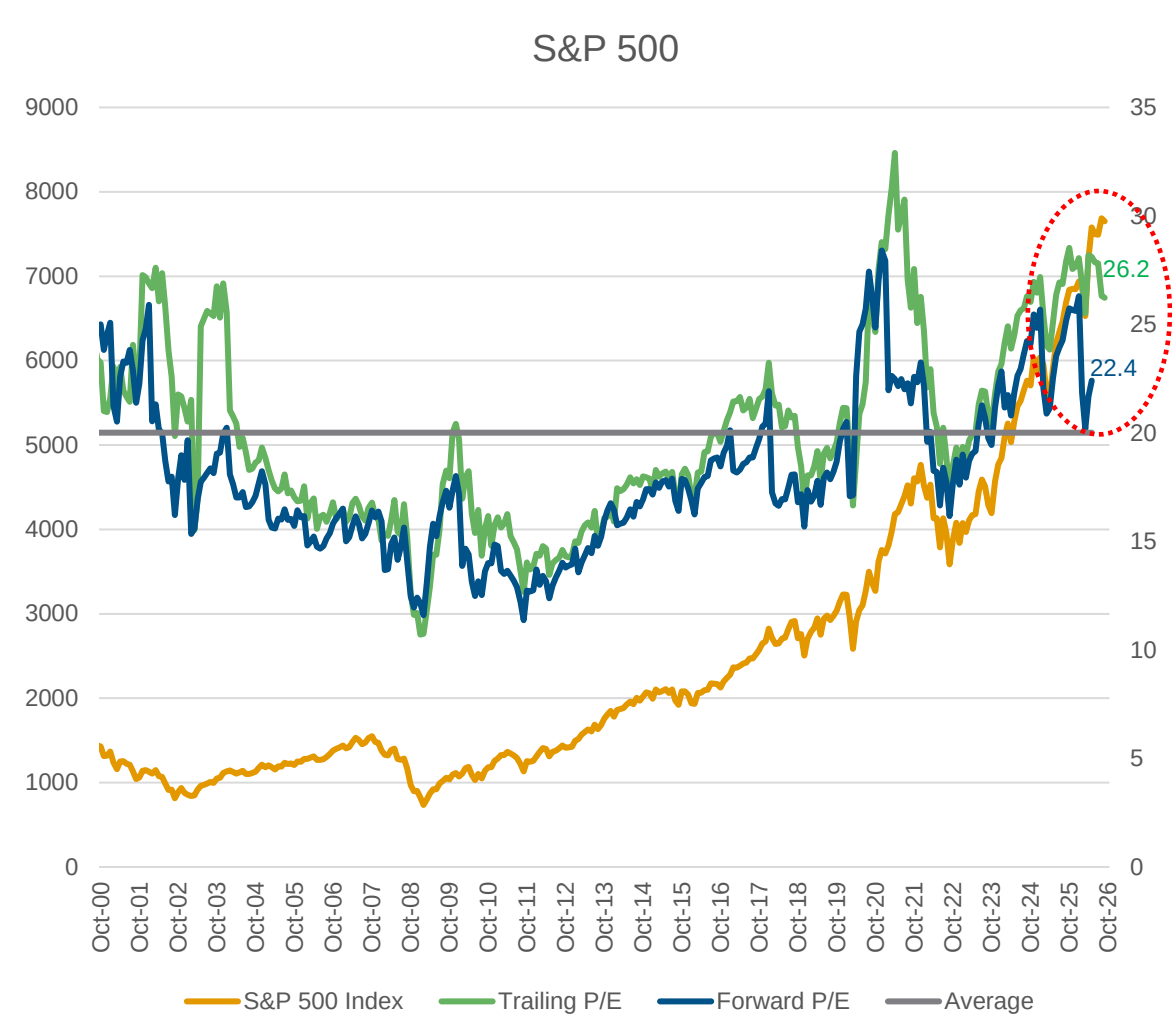
Sources: FactSet, Bloomberg, Apollo Chief Economist

Hyperscaler capex as a share of GDP higher than telecom capex share of GDP in the 2000s



Note: Broadcasting and telecommunication includes equipment and structures, and hyperscalers include Amazon, Meta, Oracle, Microsoft and Google. Sources: FactSet, BEA, Haver Analytics, Apollo Chief Economist

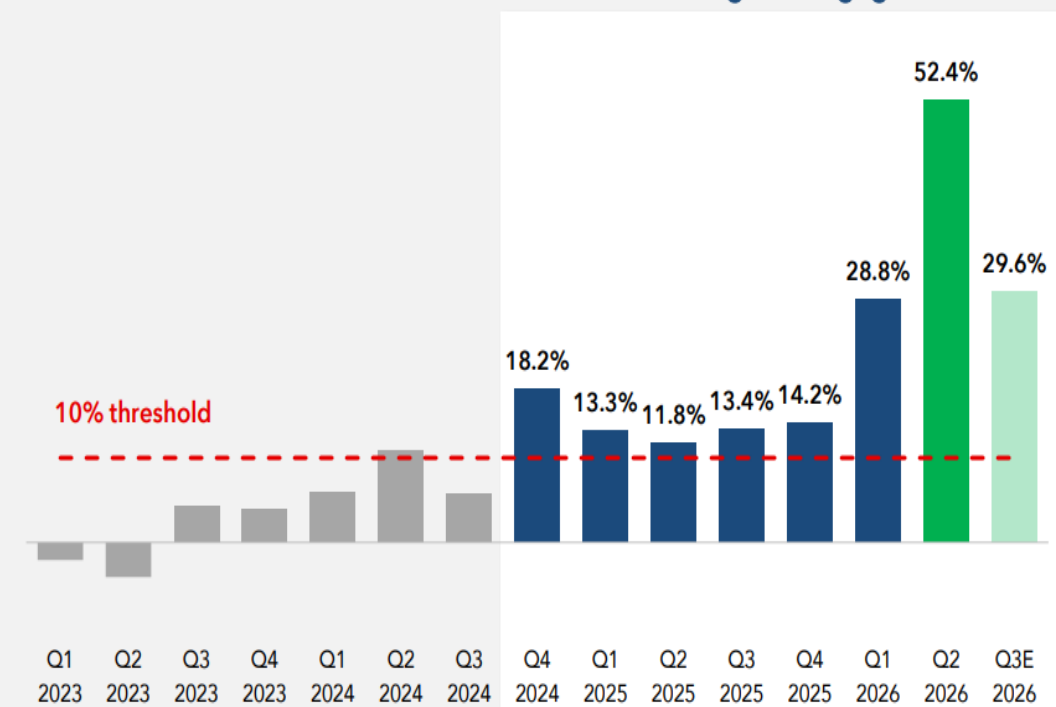
Risk On Continues On AI Earnings Optimism



Corporate Earnings Growth in Double Digit Territory

S&P 500 quarterly earnings growth, y/y

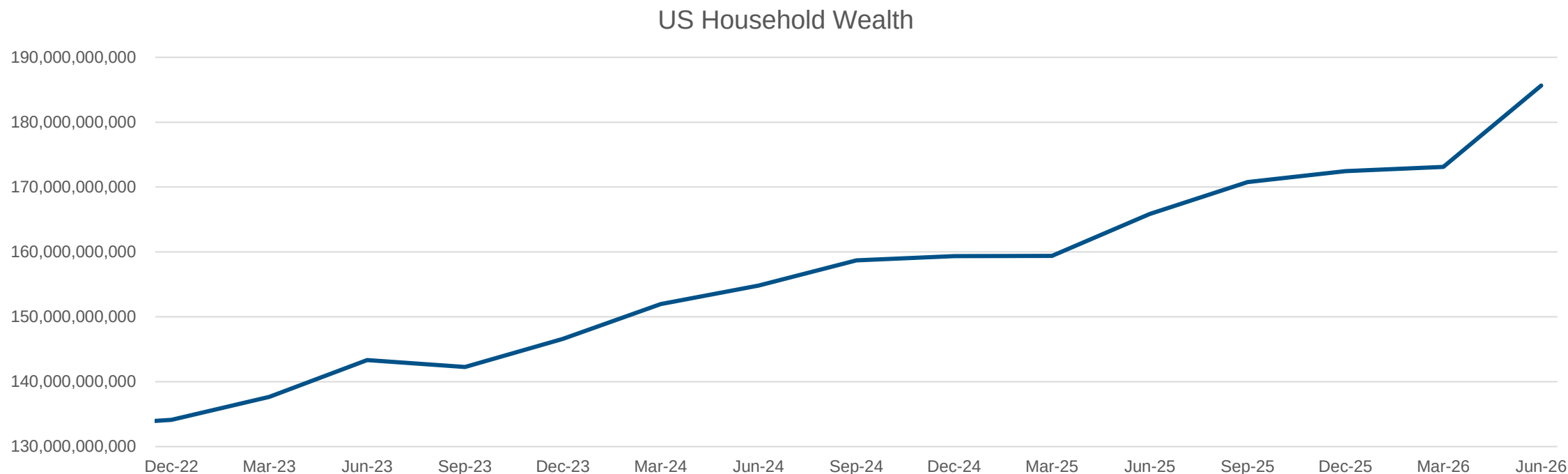
8 consecutive quarters of double-digit earnings growth



Source: (1) FactSet, Earnings Insight Report (October 9, 2026).

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Wealth Effect Contribution to GDP



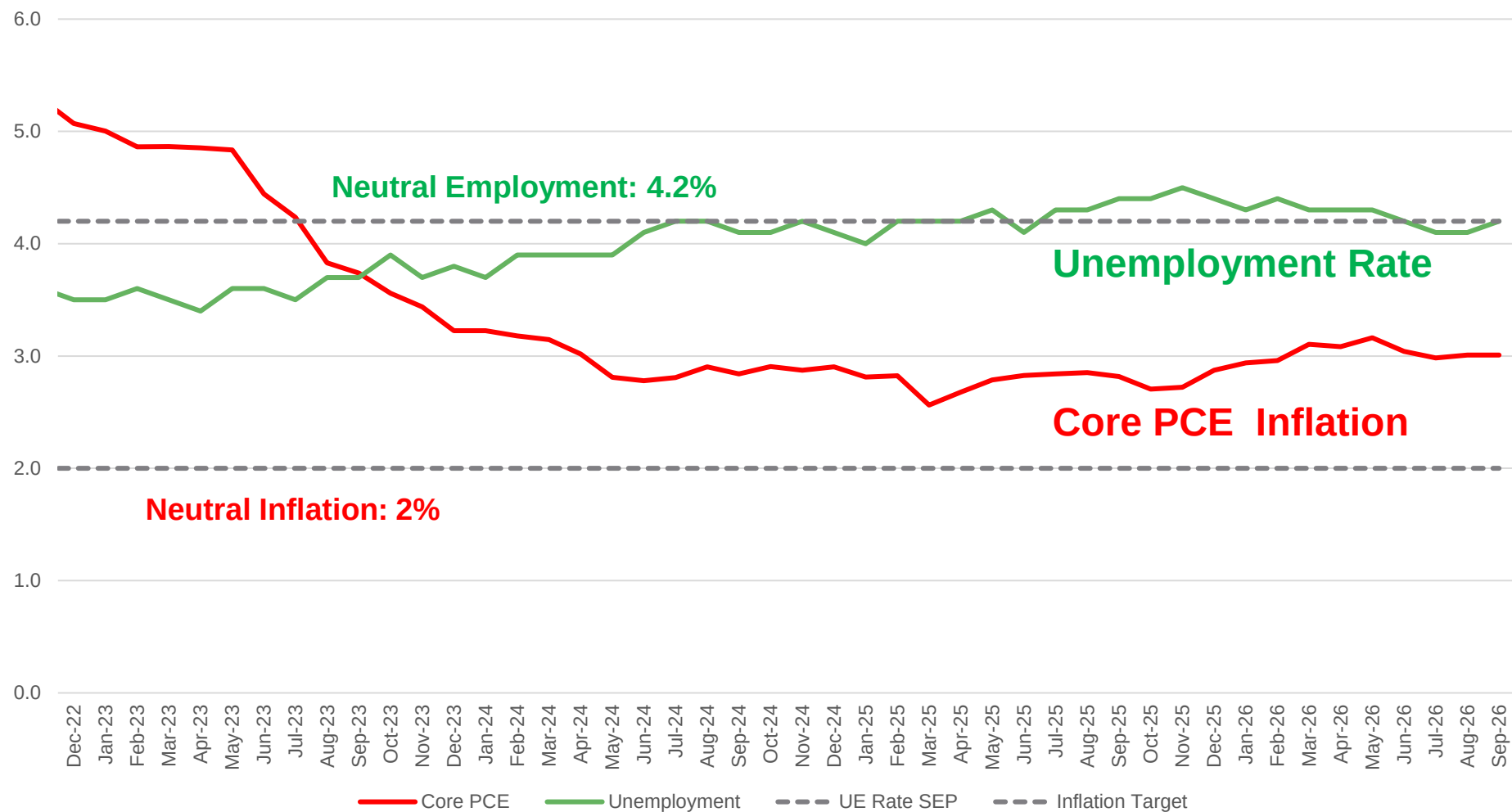
Year	Total Wealth (\$T)	YoY Increase (\$T)	Est Contribution	
			To GDP (\$0.03 - \$0.05) *	Total GDP
2023	146.61	8.94	0.9% - 1.6%	3.4%
2024	159.37	12.76	0.7% - 1.2%	2.6%
2025	172.47	13.09	1.3% - 2.1%	2.1%
2026-1H	185.65	13.19	0.6% - 1.0%	2.4%

* Marginal Propensity to Consume (MPC) 3-5 cents

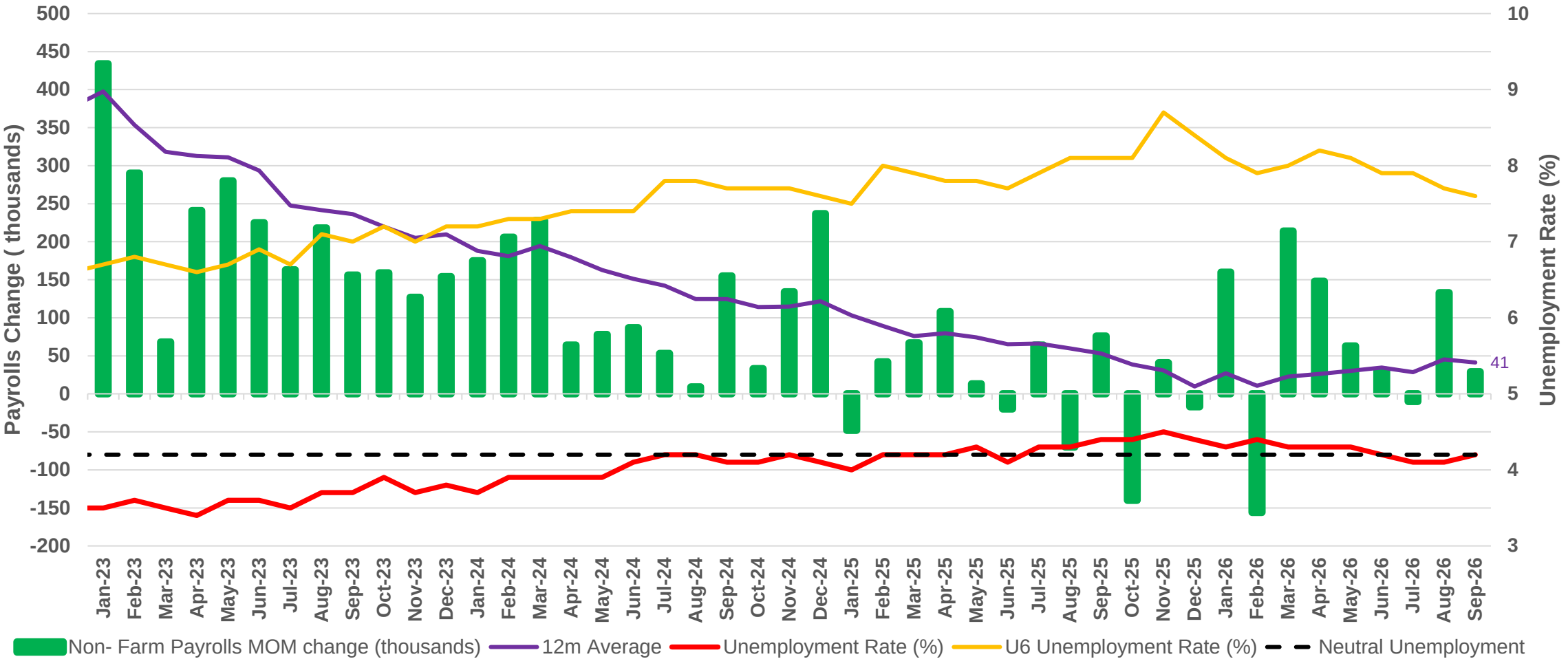
Let's Talk about the Fed



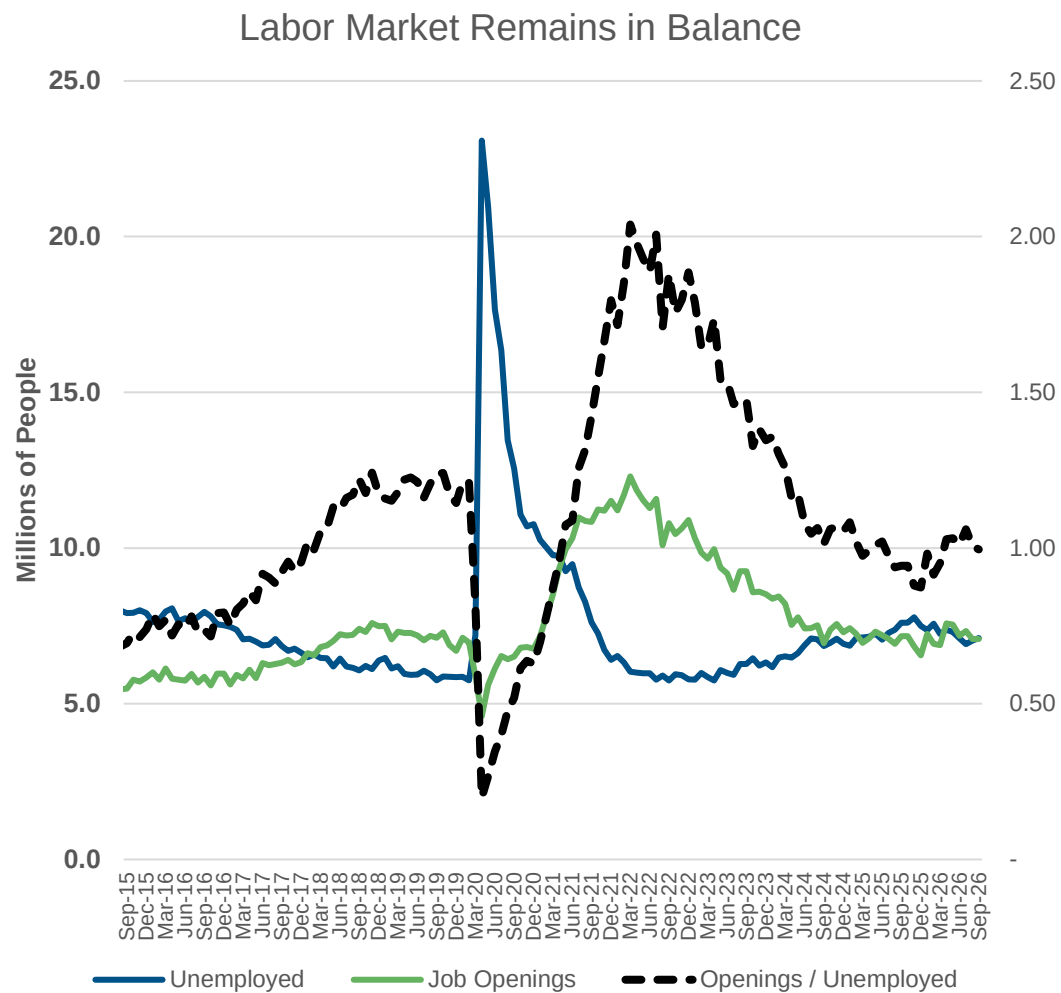
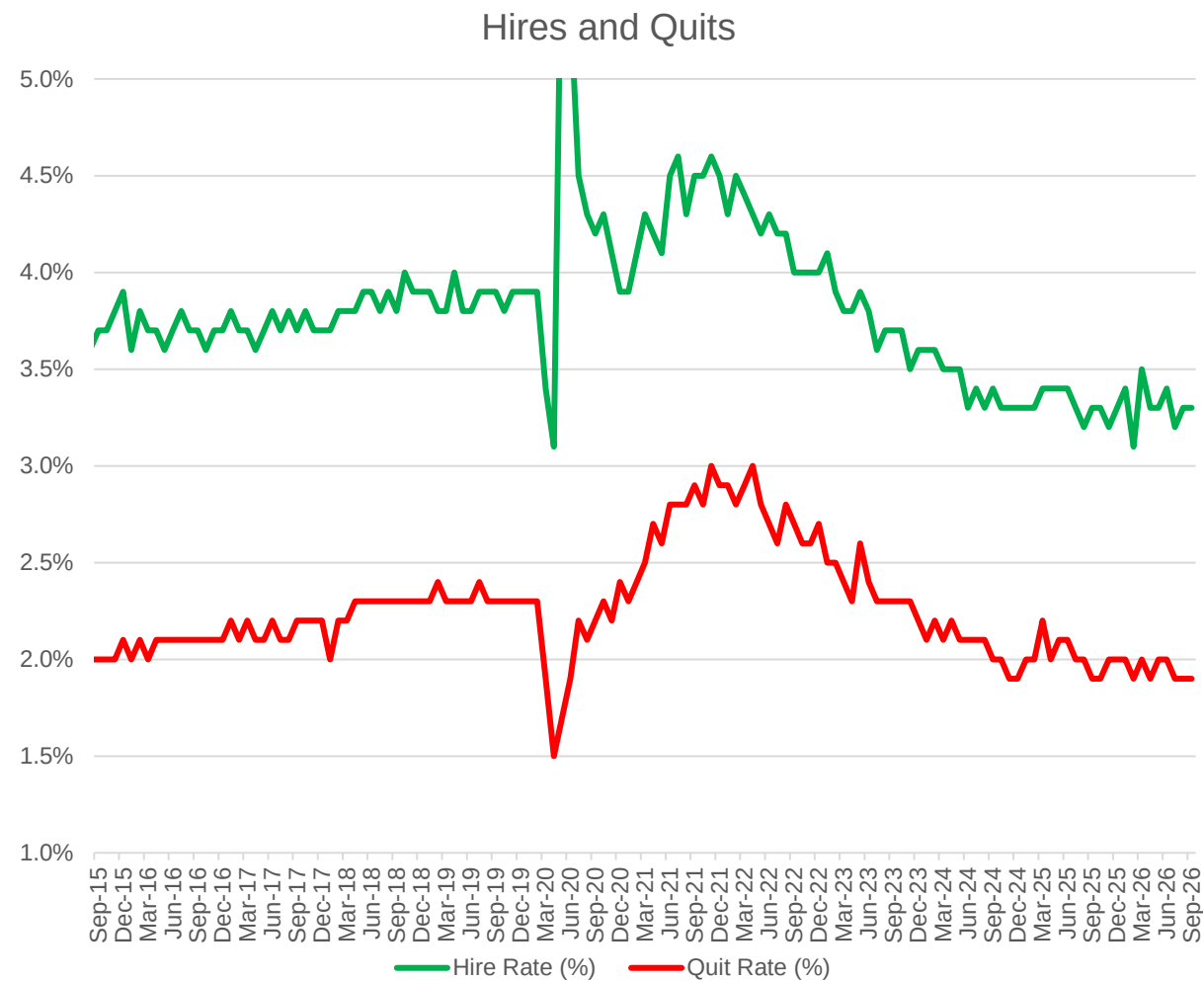
Dual Mandate



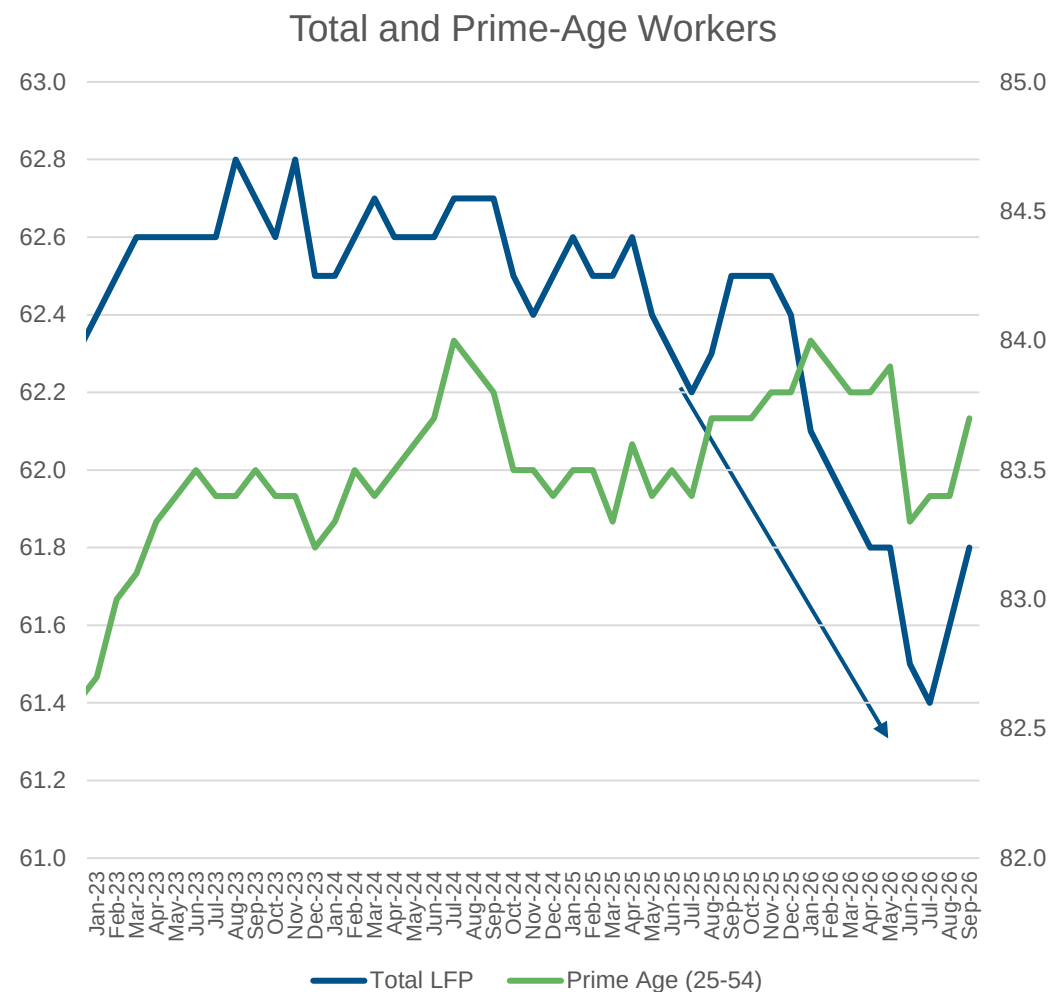
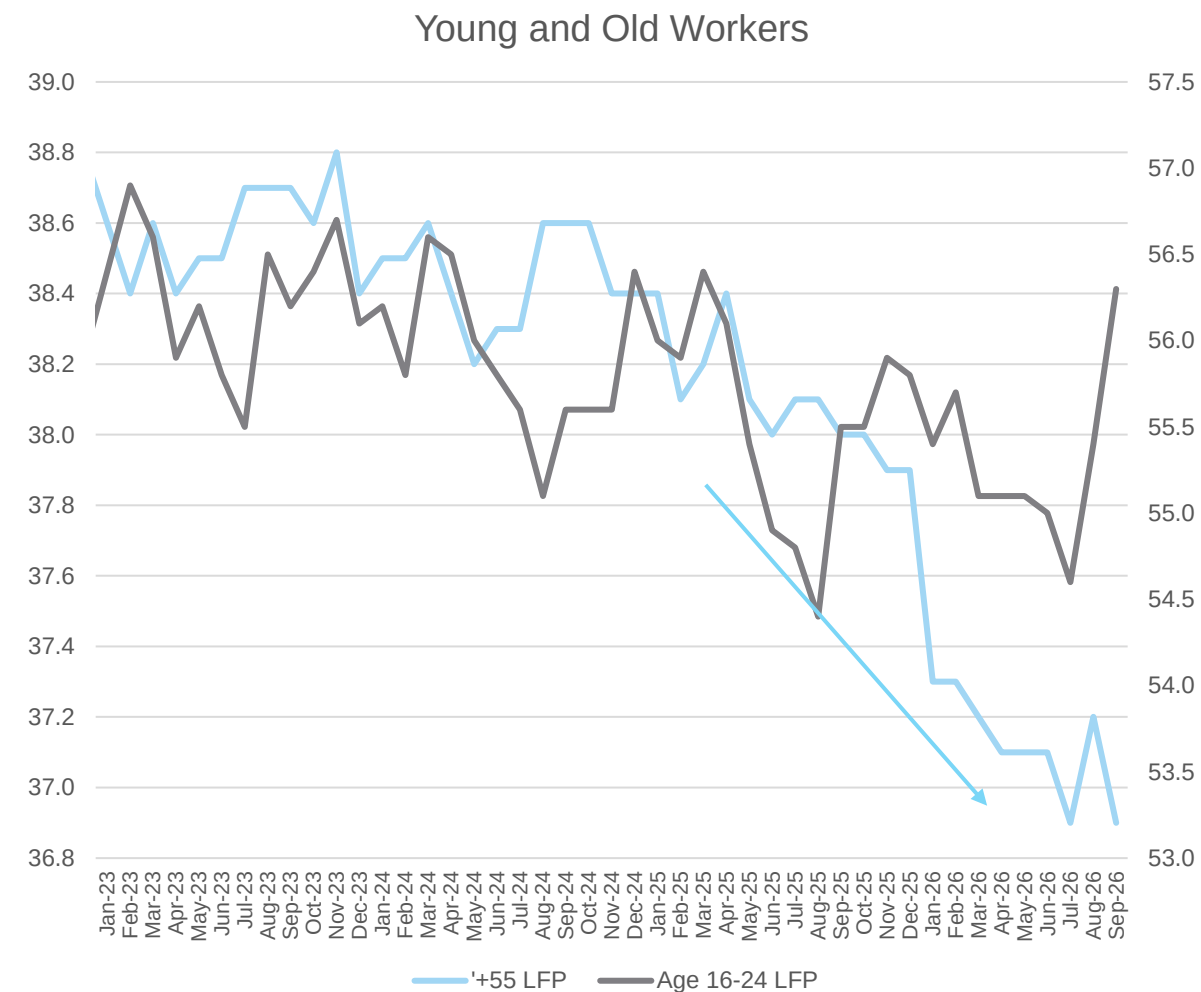
Labor Market



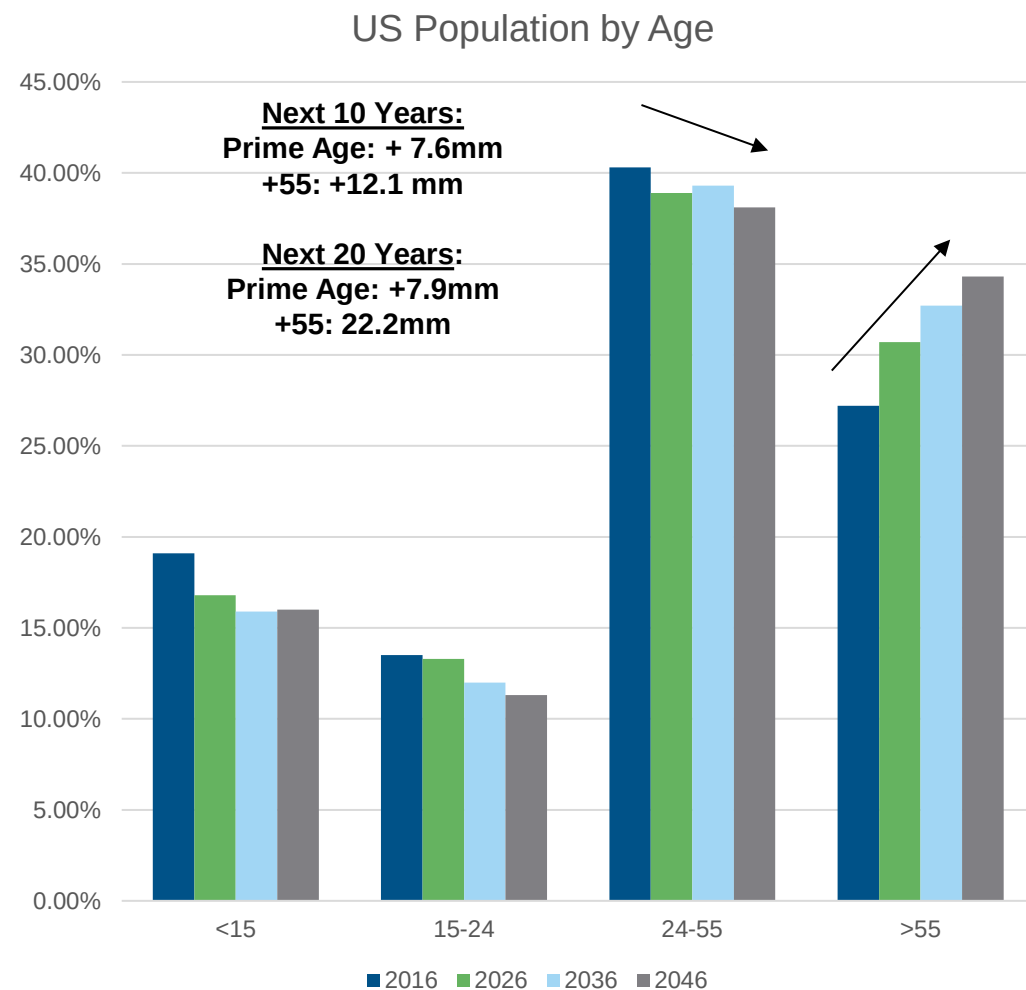
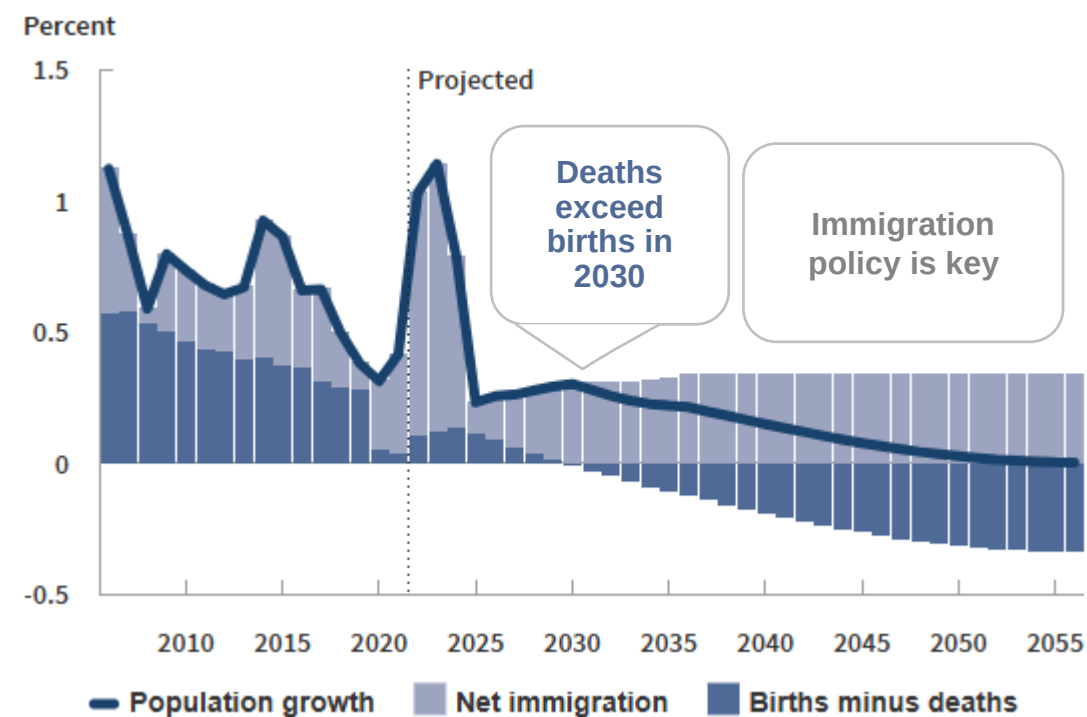
Unsteady Equilibrium?



Labor Force Participation



Demographics is Destiny?



Labor Market Break-evens

Net outflows of unauthorized immigration continued through 2025

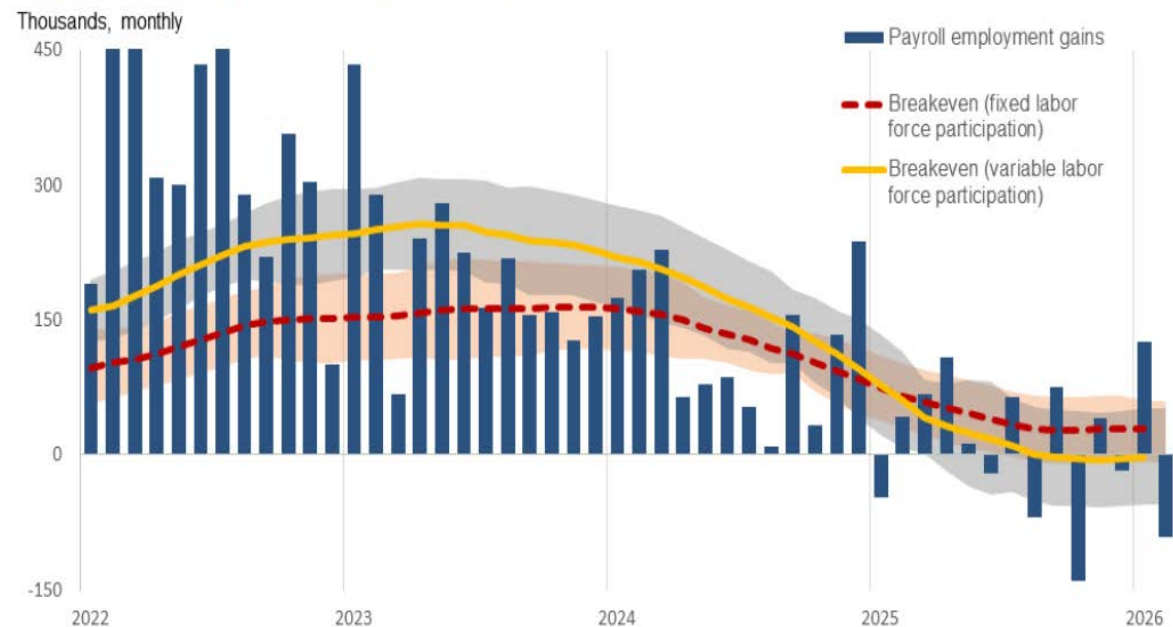


SOURCES: Transactional Records Access Clearinghouse; U.S. Department of Homeland Security; authors' calculations.

Federal Reserve Bank of Dallas

Chart 2

Payroll employment consistent with lower breakevens



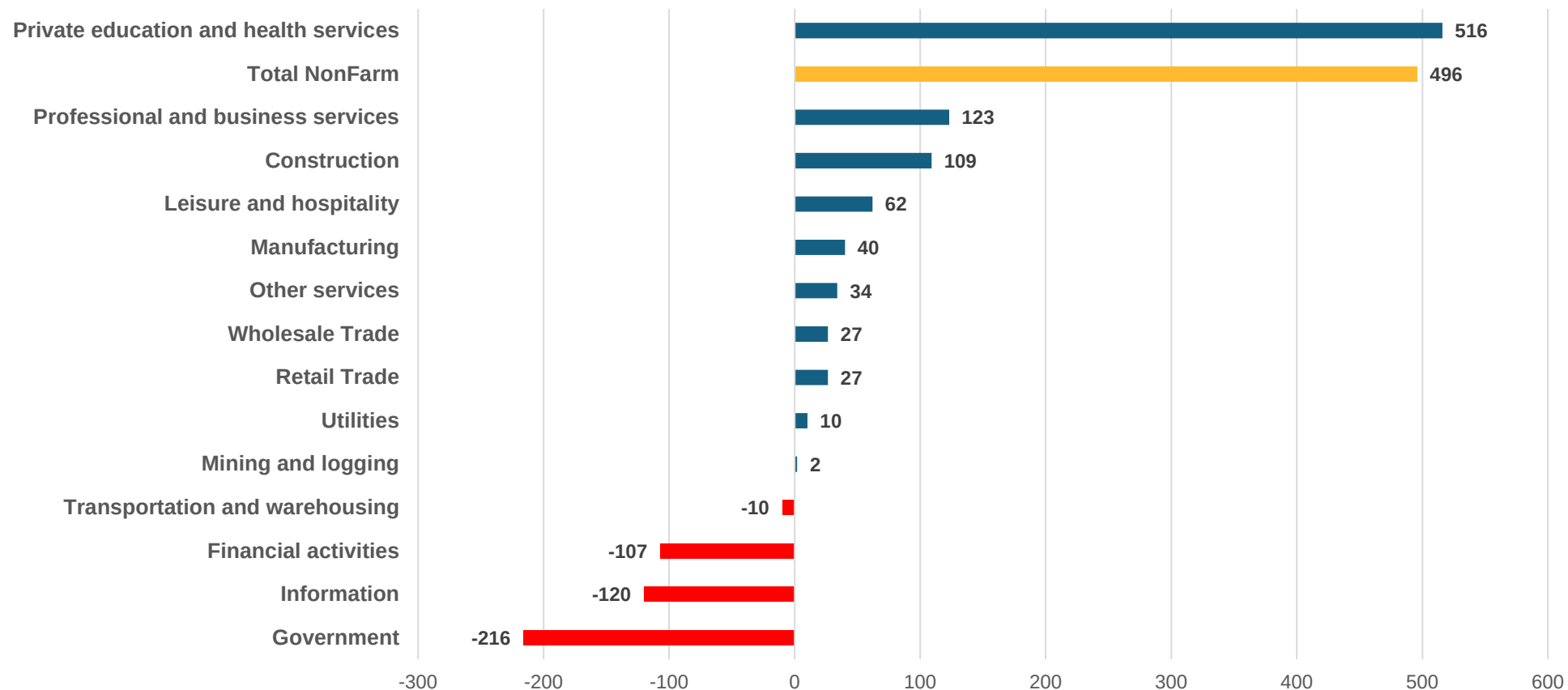
NOTE: Shaded areas show two-standard-deviation error bands.

SOURCES: Bureau of Labor Statistics; authors' calculations.

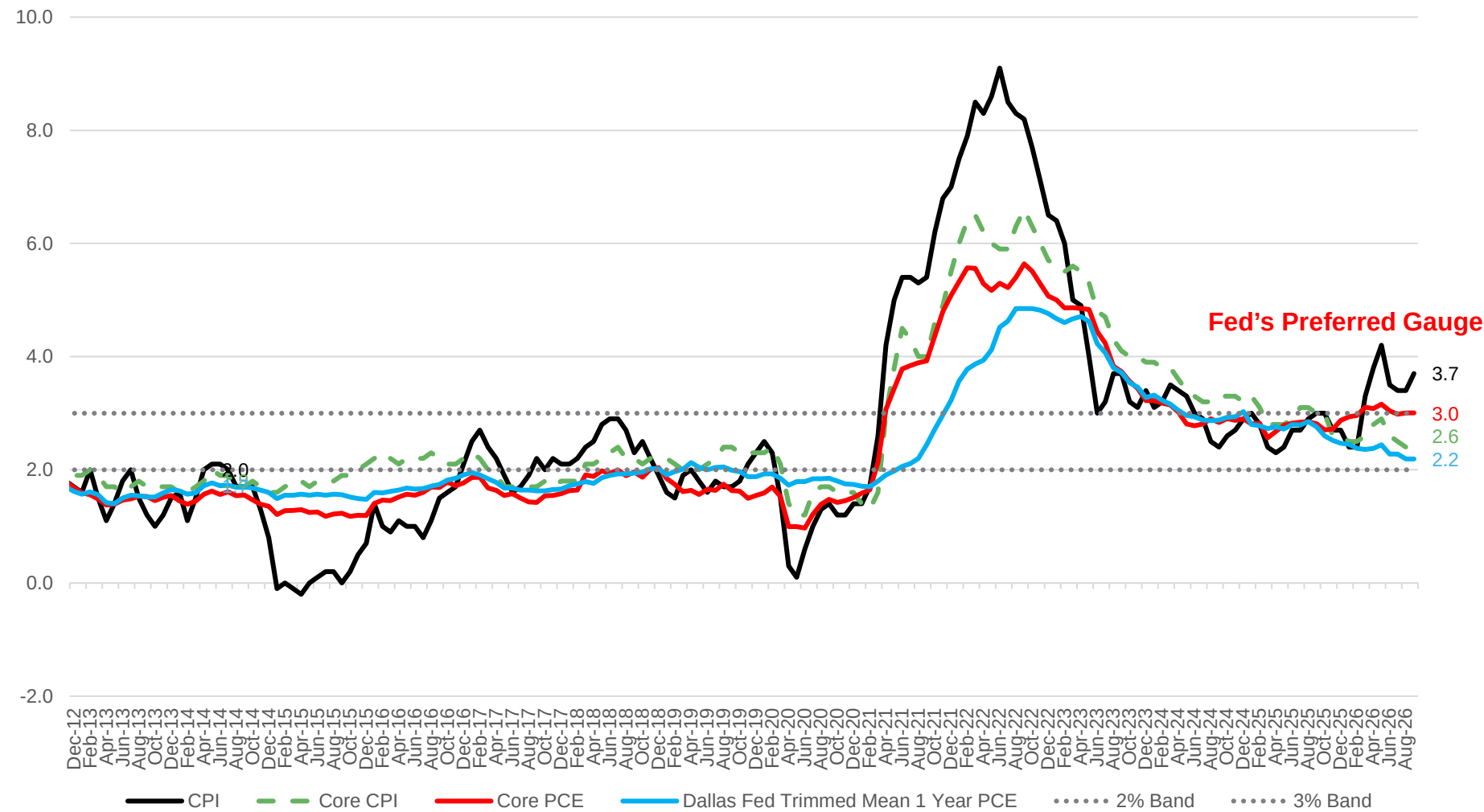
Federal Reserve Bank of Dallas

Employment Change by Industry

Nonfarm Employment Change by Industry



Inflation



The Fed's price-stability objective of 2 percent, as measured by the personal consumption expenditures (PCE) price index, is a firm, fixed target. Let's be equally clear about another aspect of the objective: Price stability is not self-executing, nor is inflation necessarily mean-reverting. It is the Fed's job to deliver stable prices.

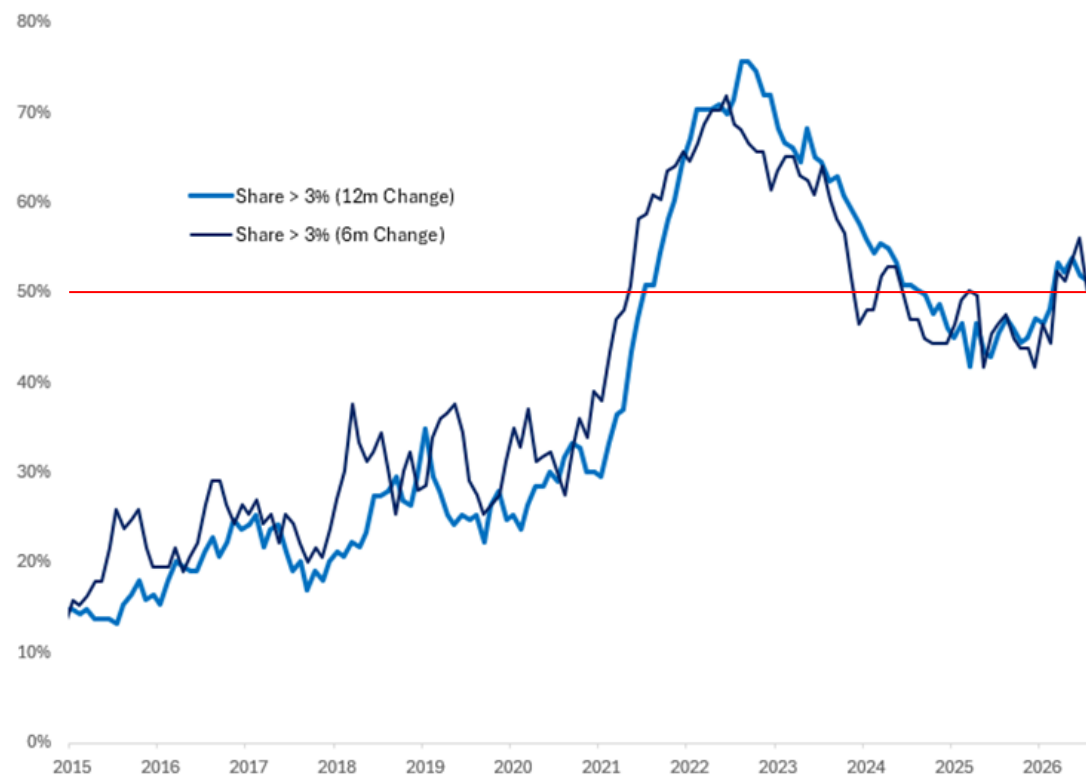
"None of these measures are perfect, but they all tell a similar story: Inflation is running above our 2% target. So the Fed's predominant focus right now should be on prices."

-- Kevin Warsh, Jackson Hole 8/28/26



Inflation Diffusion Index

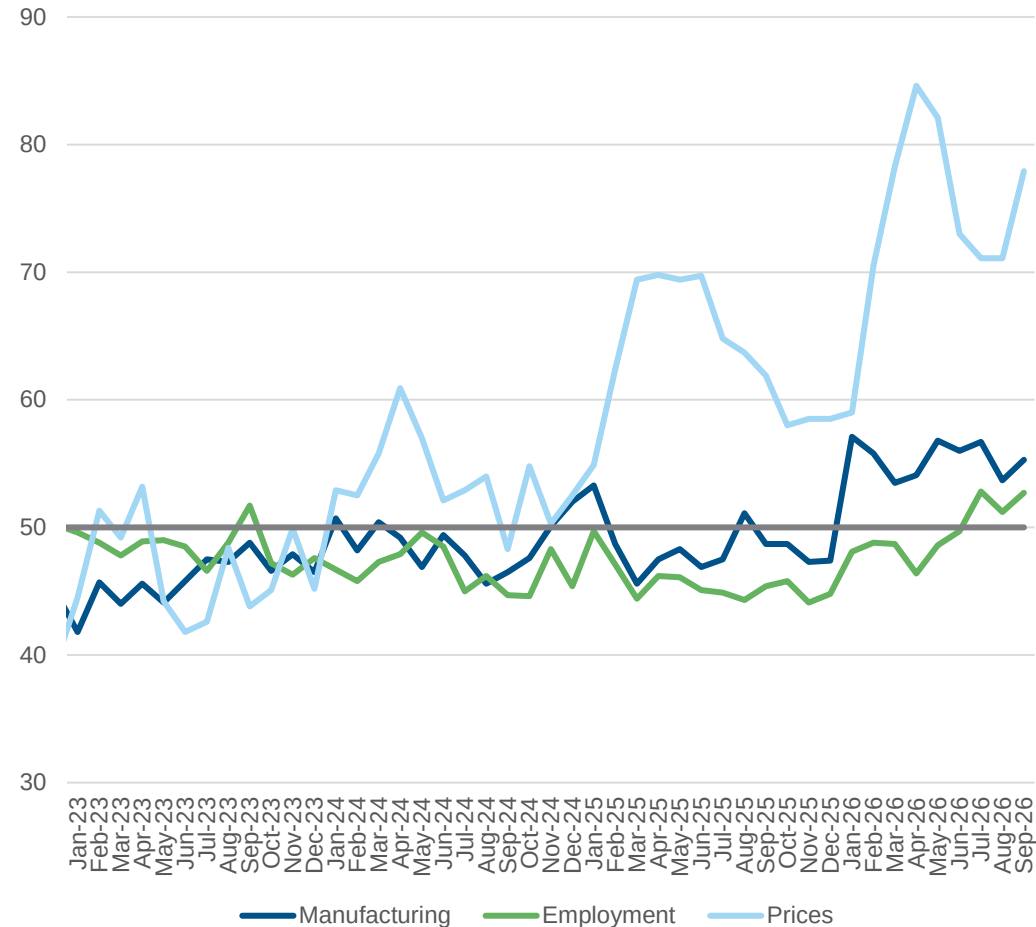
The Inflation Breath is Elevated but Lower than in it was at the July Meeting
Share of PCE Basket Rising > 3% on a 6m and 12m Change Basis



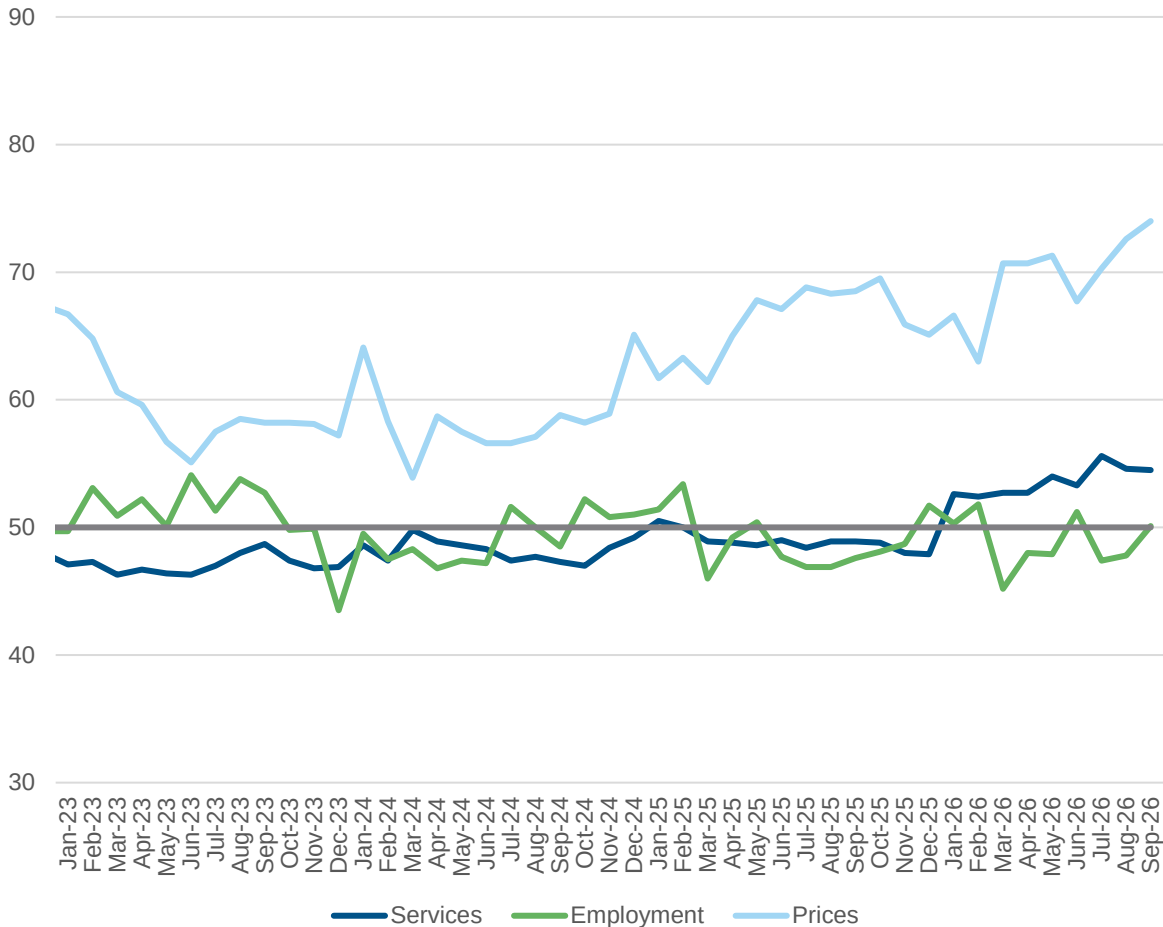
Source: Bloomberg, Citadel Securities, data as of Aug 2026. Figures are for illustrative purposes only. Past performance does not guarantee future returns.

Business Activity

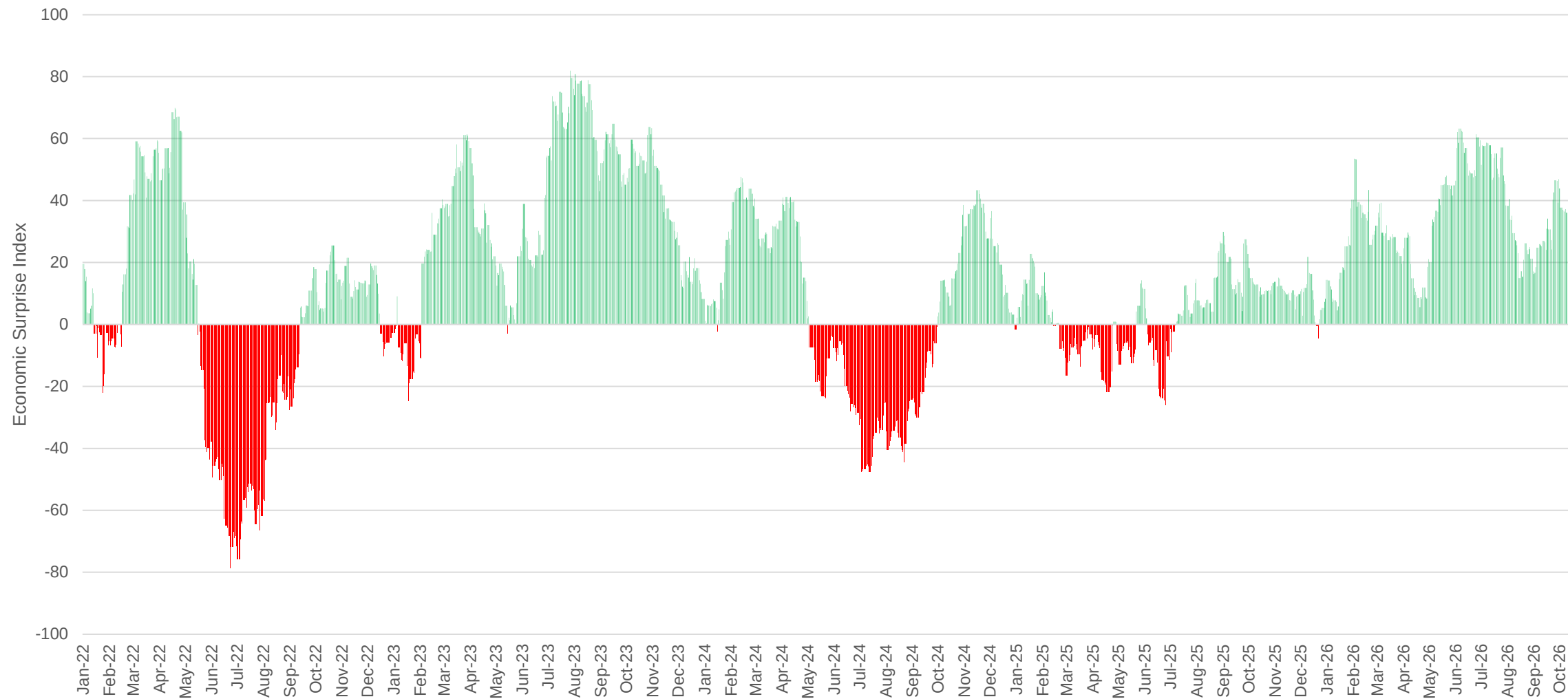
ISM Manufacturing



ISM Services



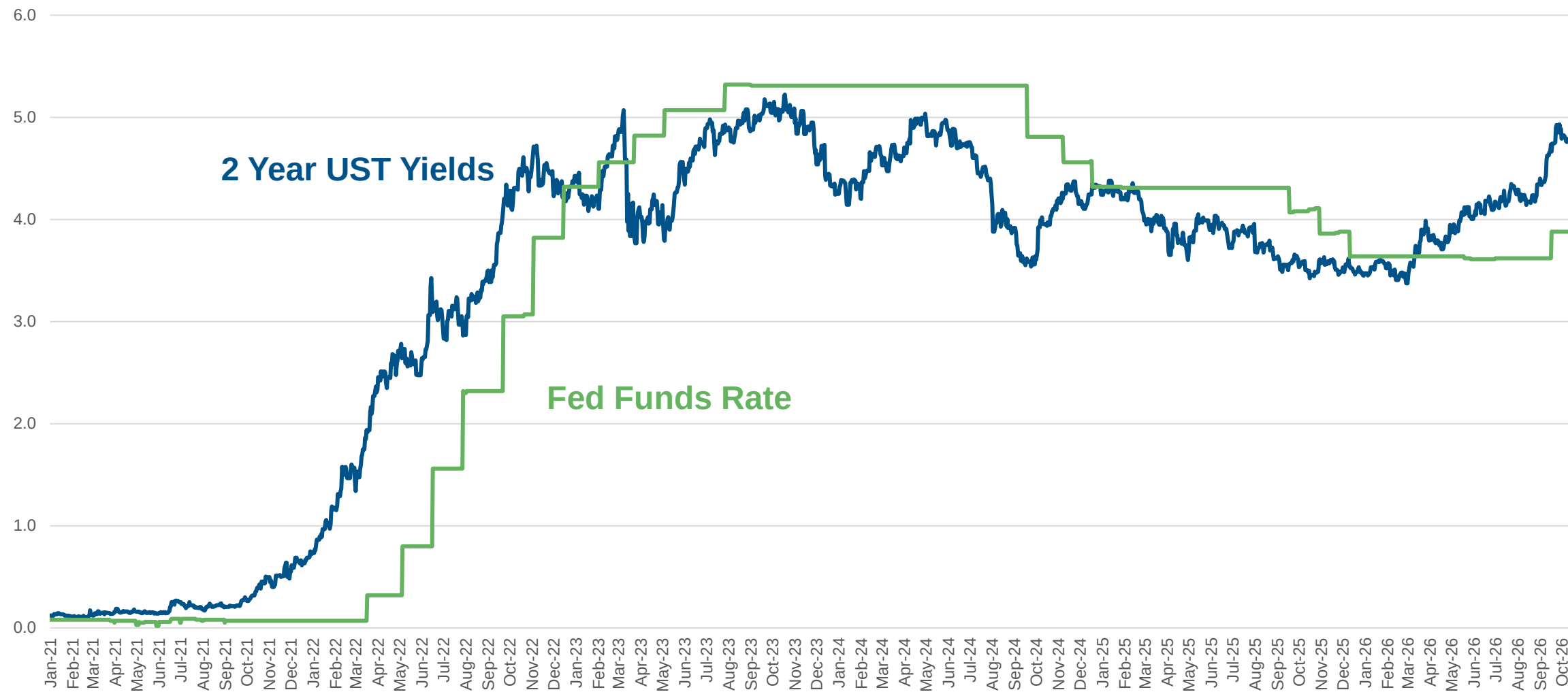
Citi's Economic Surprise



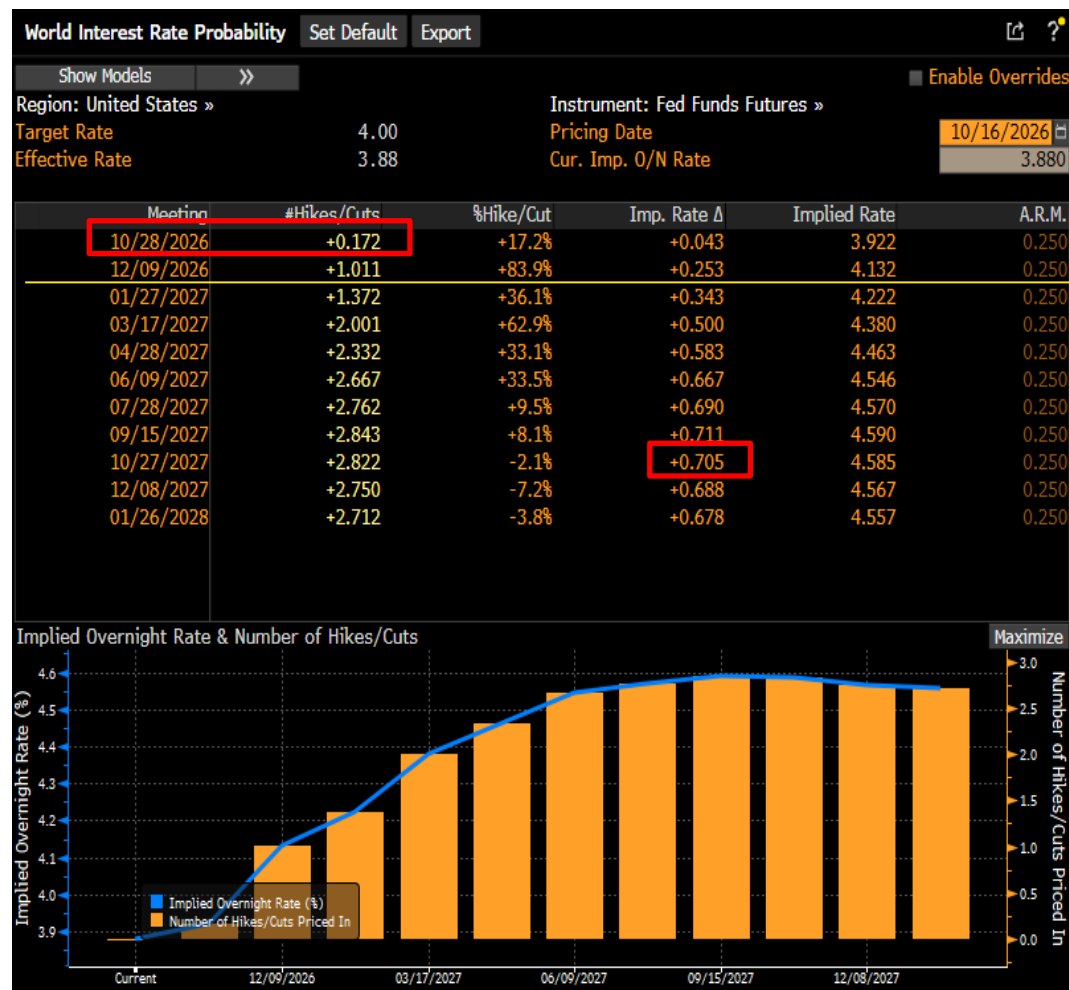
Interest Rate Outlook



2 Year UST and Fed Funds



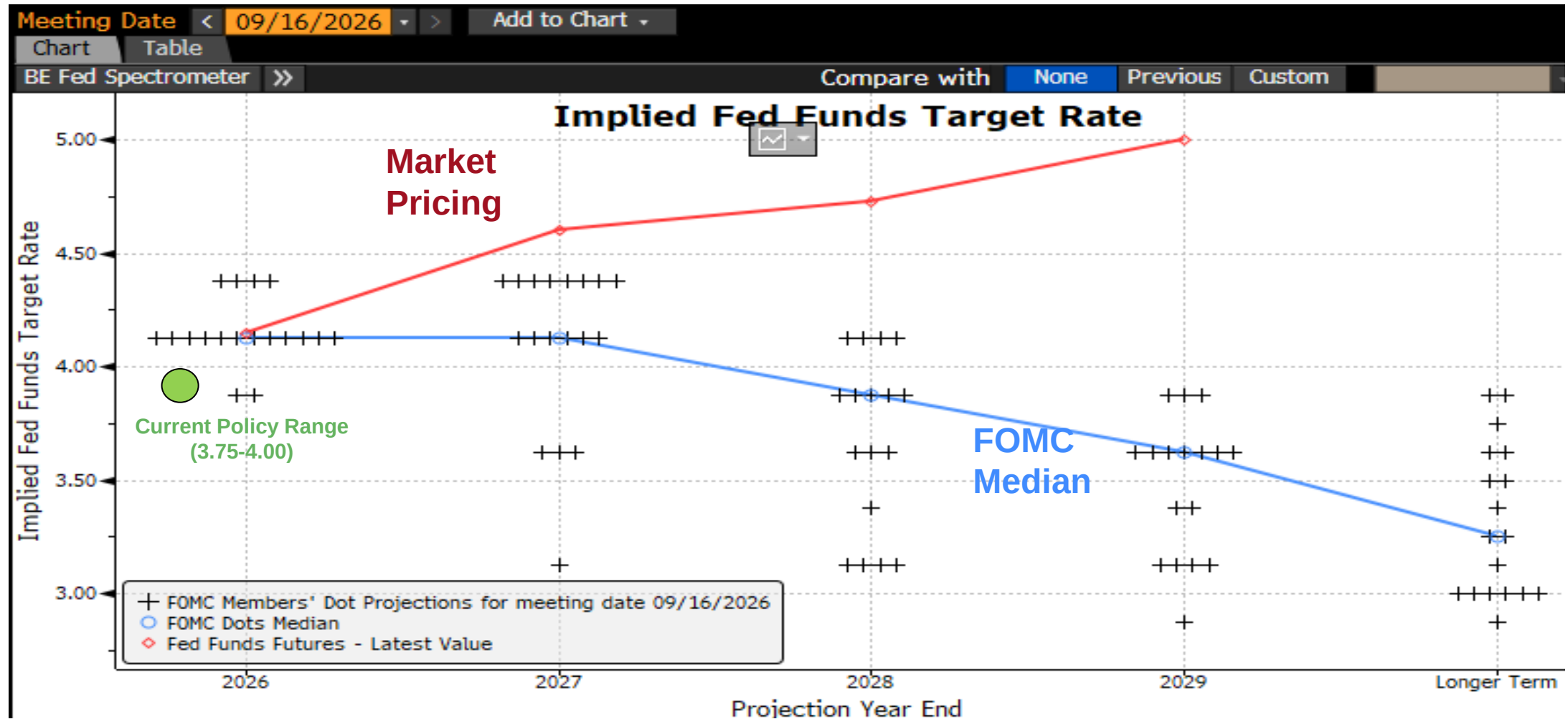
Probabilities of Next Rate Move



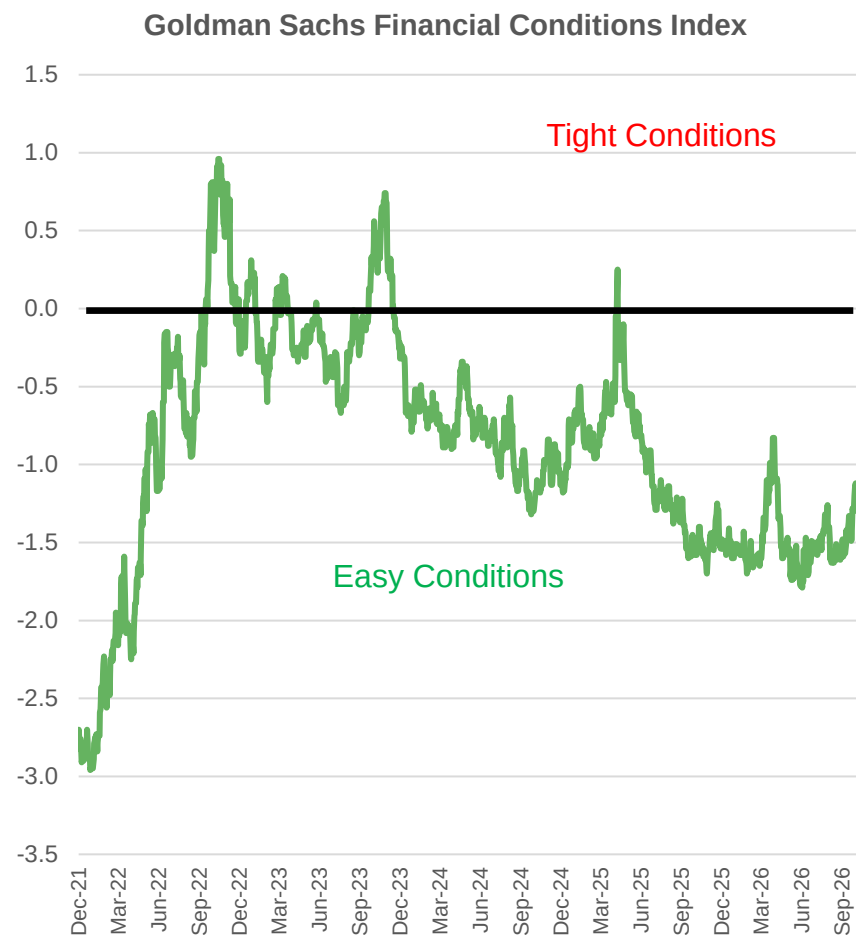
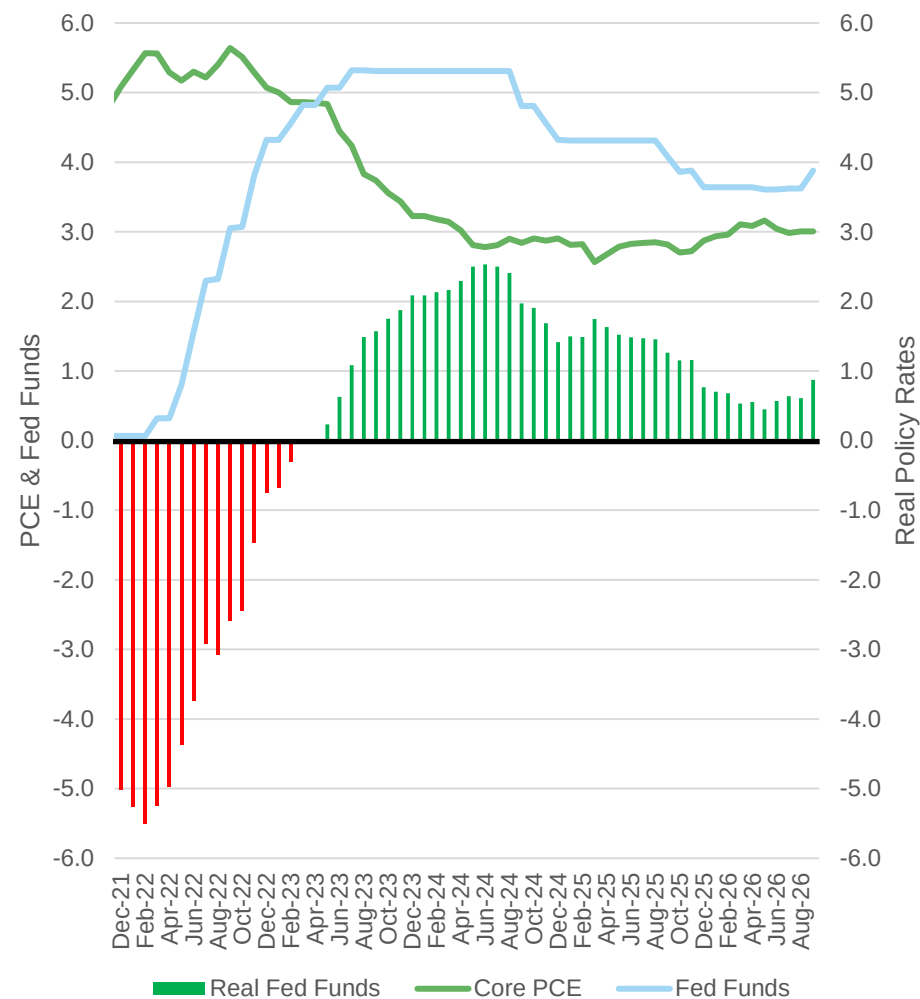
Estimate of Terminal Fed Funds Rate now at 4.59%, or 71 bps of additional tightening (2-3 additional 25 bps hikes through 2027)



Dot Plot and Market Expectations (September 2026)



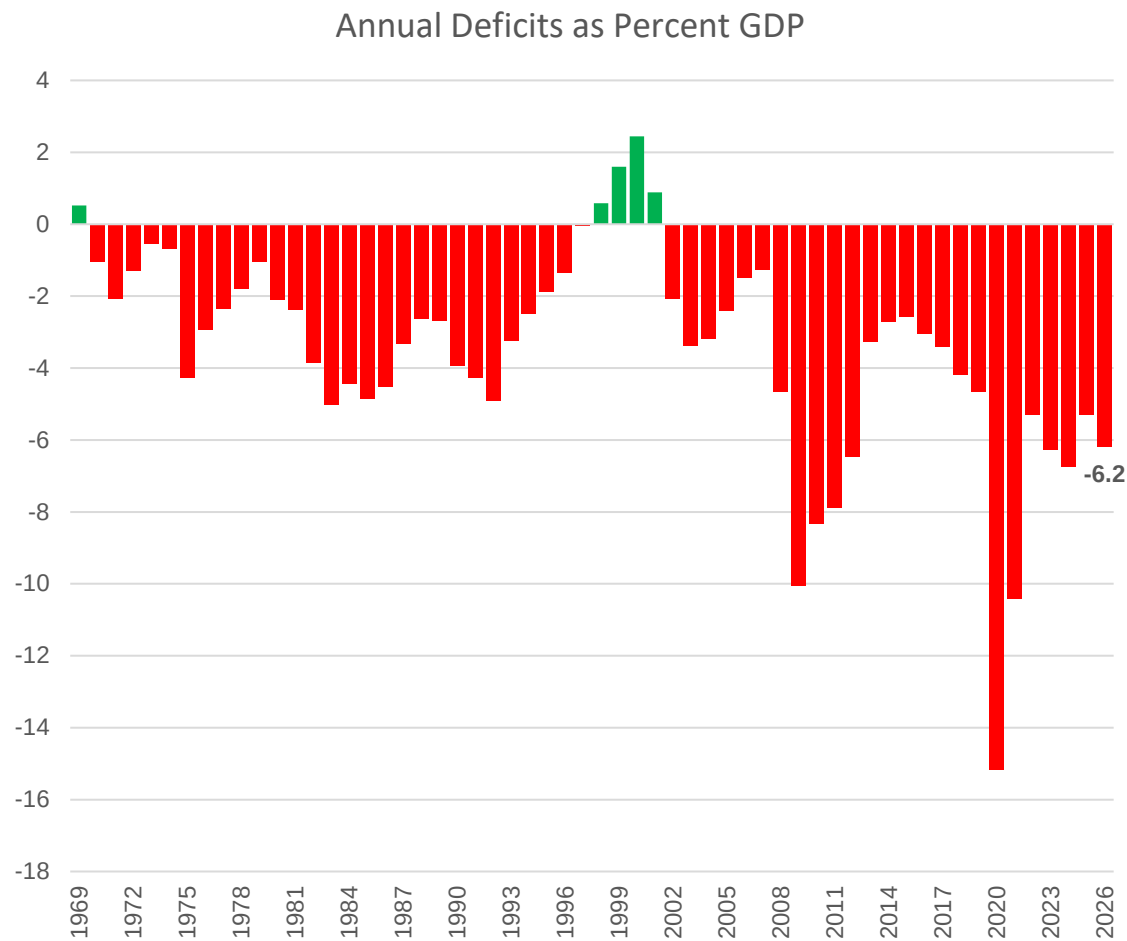
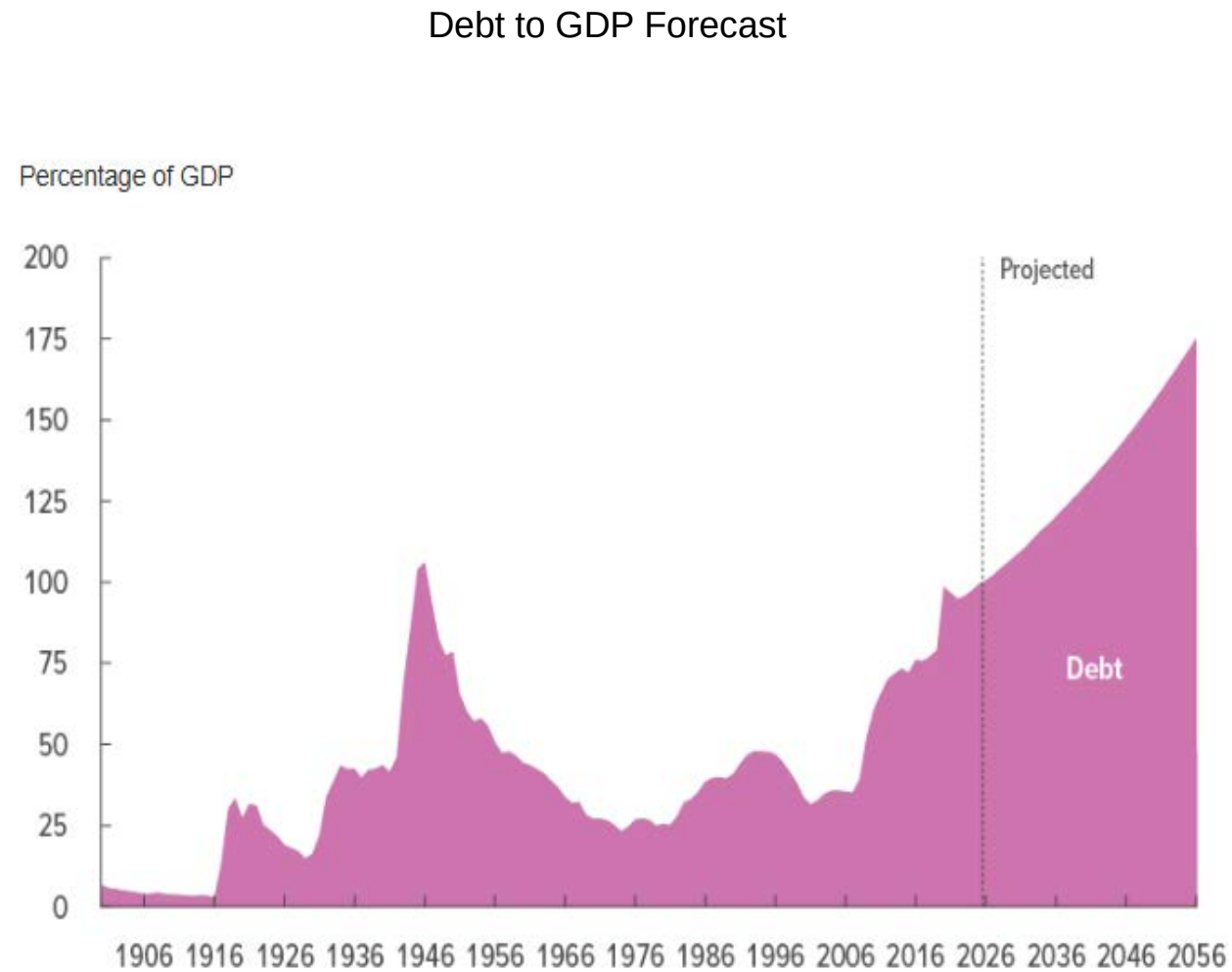
Financial Conditions



But, on balance, I would be hard pressed to describe broad financial conditions as restrictive.
 --Kevin Warsh, Jackson Hole 8/28/26

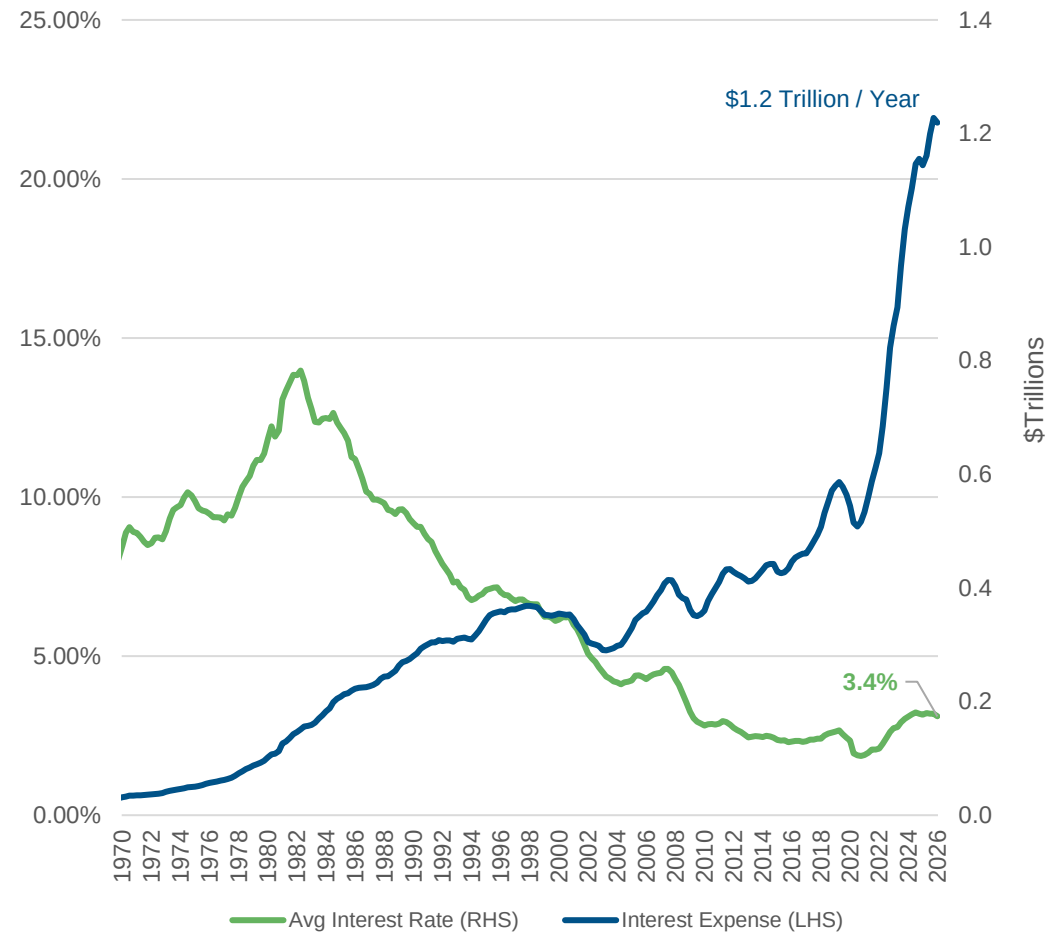


Fiscal Situation Continues to Deteriorate

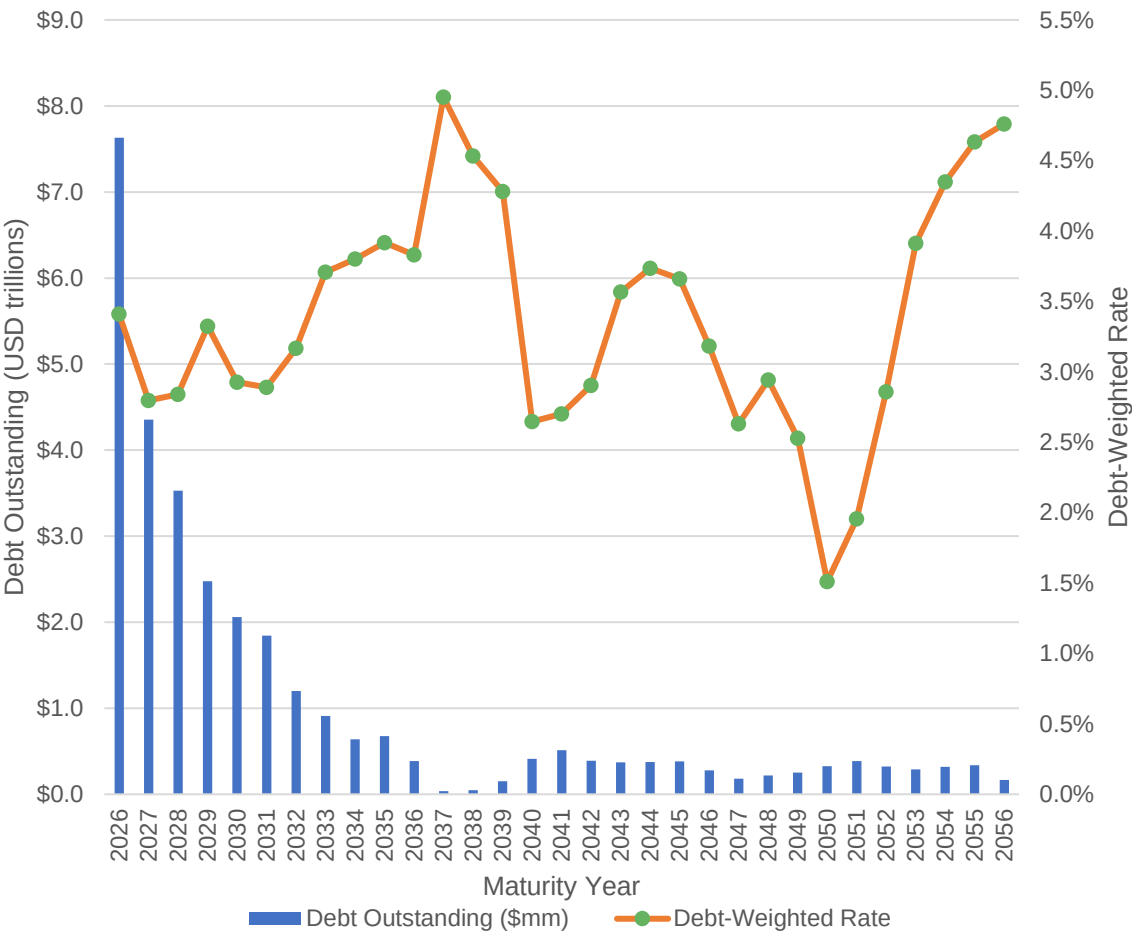


US Debt Details

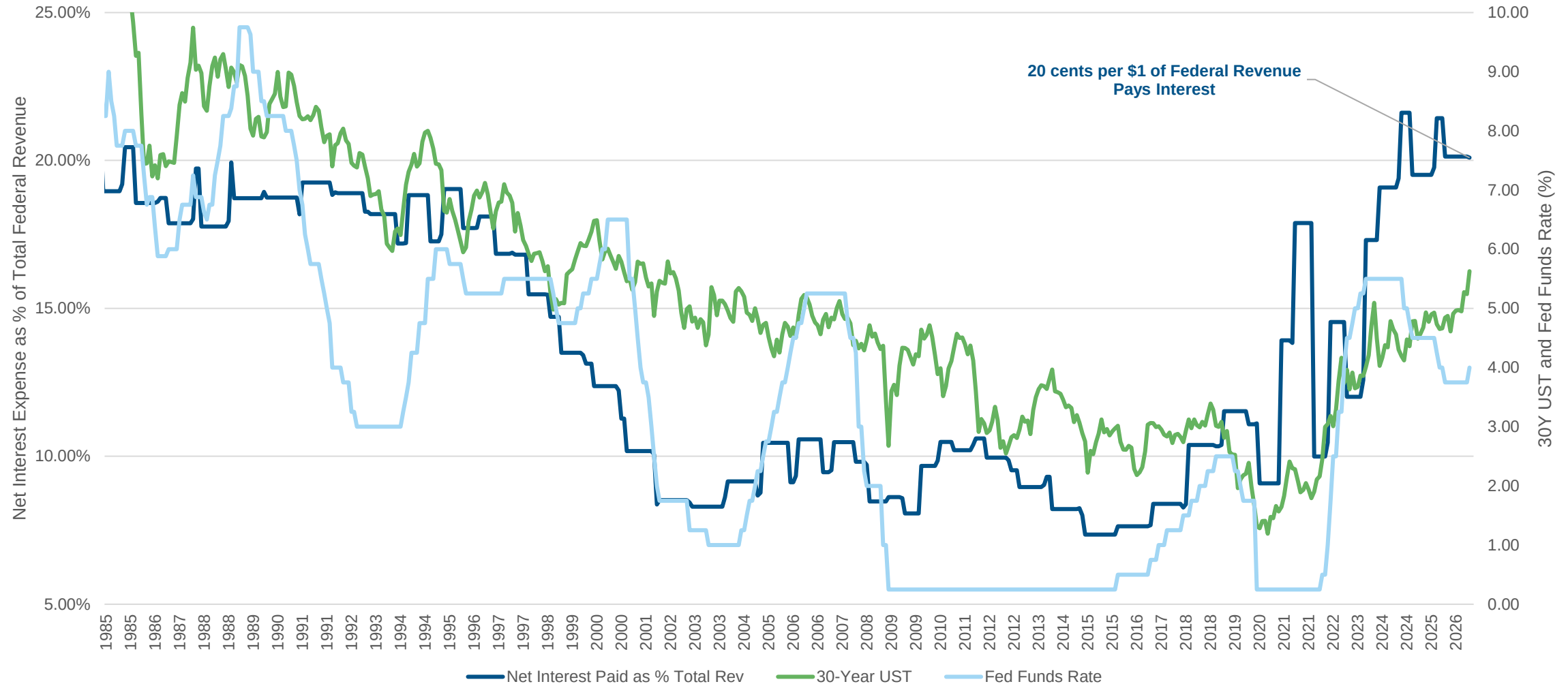
Interest Expense



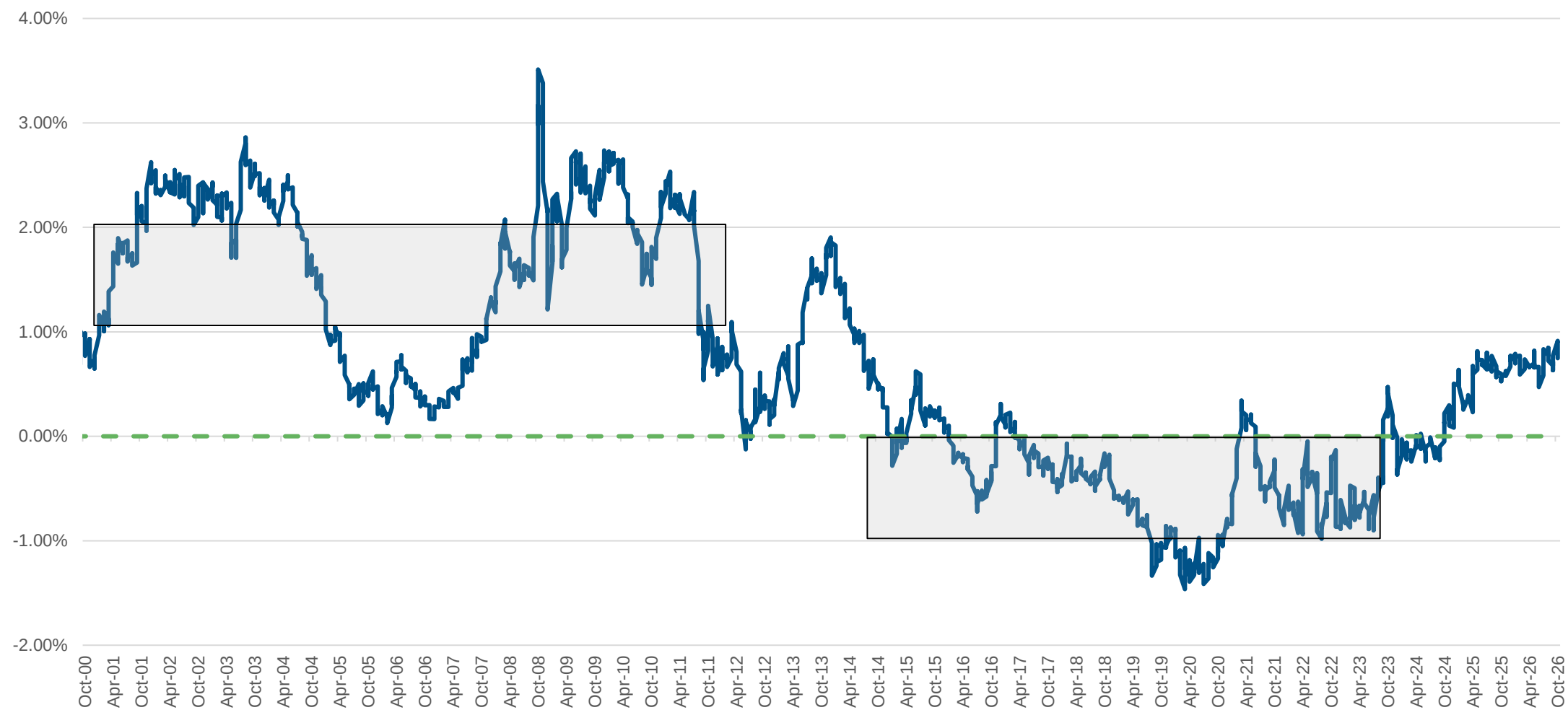
Maturity Ladder



30 Year Treasury Yield vs Net Interest % Federal Revenue



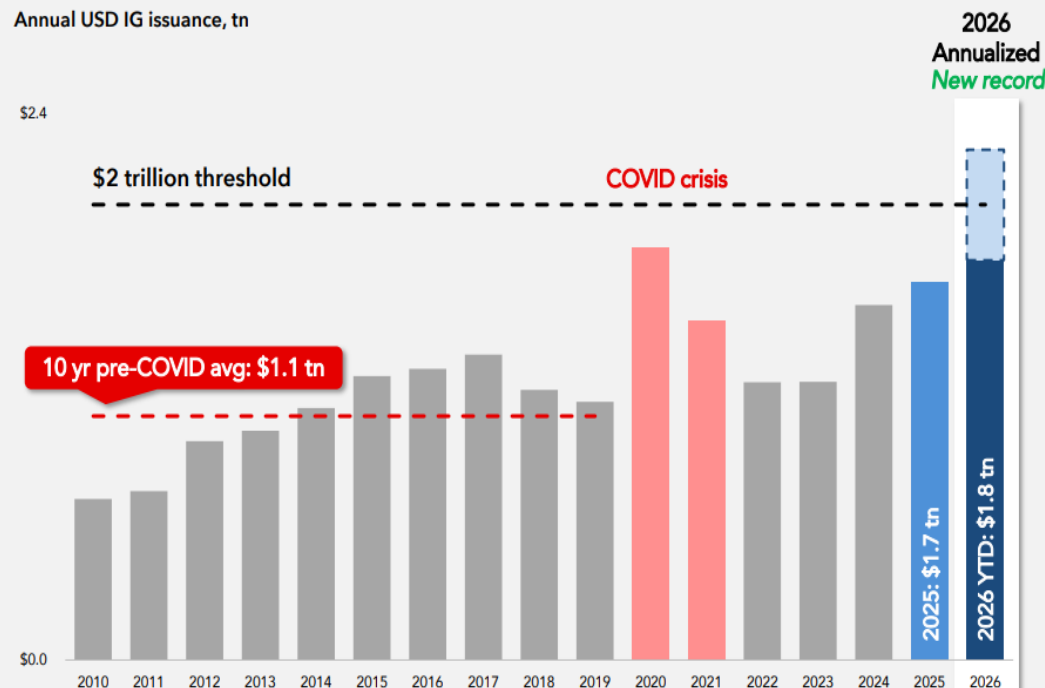
10 Year UST Yield Term Premium



Big Tech Debt Issuance

Tech Scale Capital Now Competing with Treasuries

Annual USD IG issuance, tn



Source: (1) CFR. Data as of October 13, 2026.

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Big Tech Issuing USD Bonds in Unprecedented Size

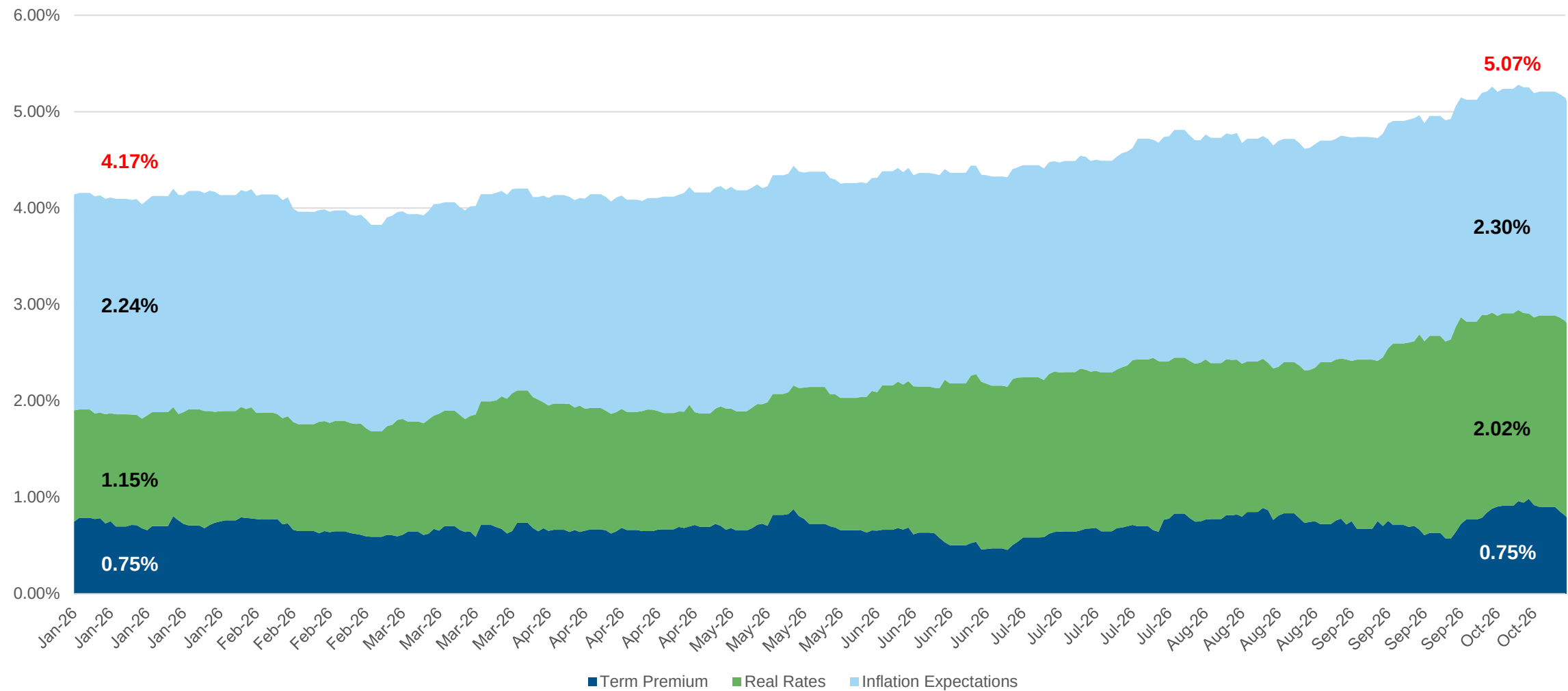
Largest USD IG tech deals since Jan 2025, bn



Source: (1) CFR. Data as of October 13, 2026.

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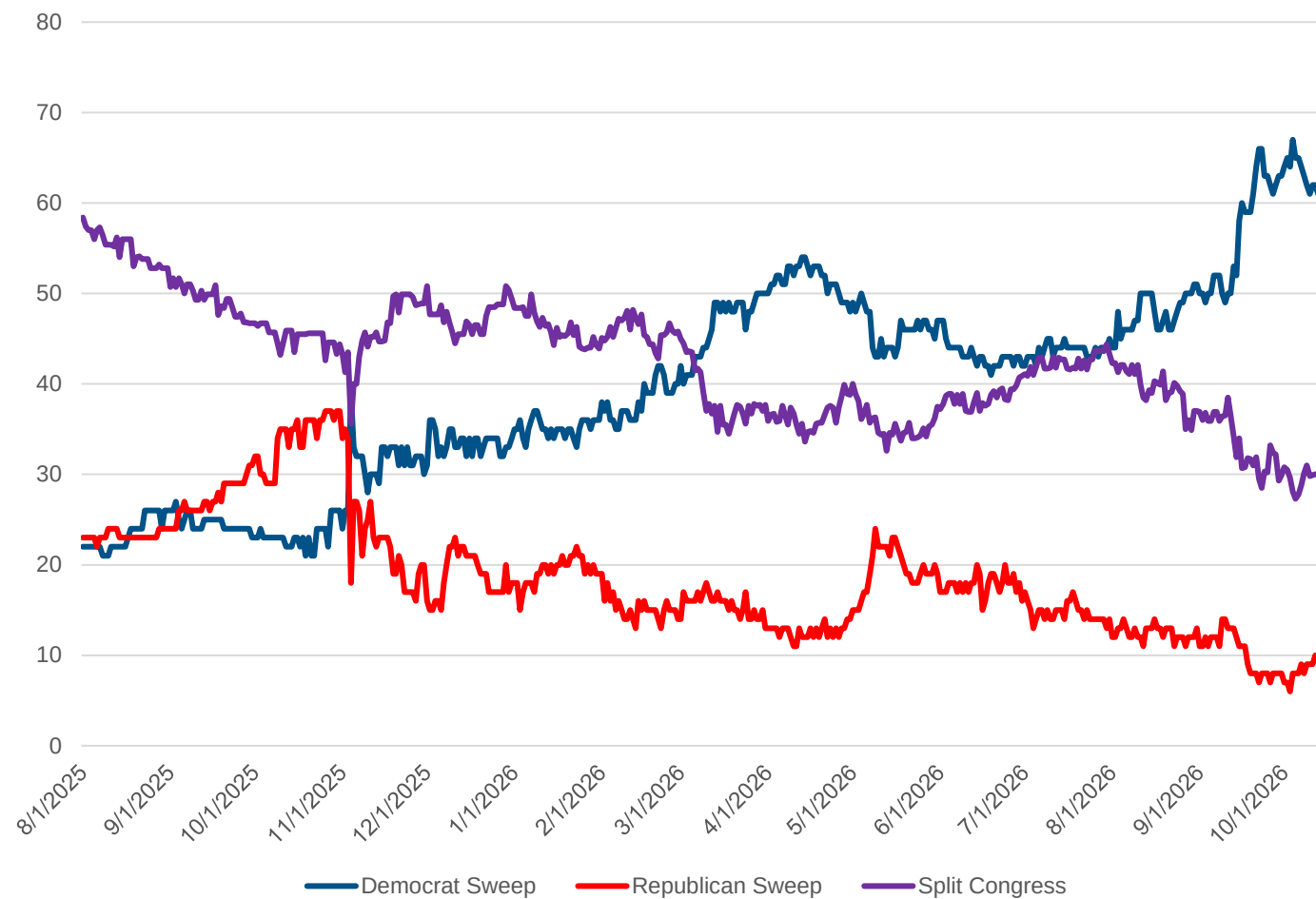
10 Year UST Yield YTD



Mid-terms Coming Up



Balance of Power Odds



Macroeconomic Summary



Growth:

GDP will remain volatile but expected to be above long-run potential of 1.9% in 2026 given positive tail winds (2.0 – 2.5% estimate) from strong business investment, fiscal impulse, and a resilient consumer, but ongoing geopolitical risks could significantly dampen the outlook. Additionally, a pullback in an AI-heavily concentrated equity market could dampen wealth effect and consumer sentiment.



Jobs:

Unemployment rate to remain in 4.0-4.5% range, as lower participation offsets slowing payroll growth. Labor market appears stable but remains in an unsteady equilibrium with low turnover. Not a significant source of inflationary pressures.



Inflation:

Inflation remains elevated due to Iran war, supply chain disruptions, and large-scale infrastructure investments. Fed typically looks through supply shocks (e.g. war and tariffs), but concern is building around second order effects.



Deficits:

Fiscal situation continues to deteriorate with ~6% annual deficits and federal debt as a % of GDP projected to increase to 175% by 2055. Surging global debt supports higher long-end rates.



Population:

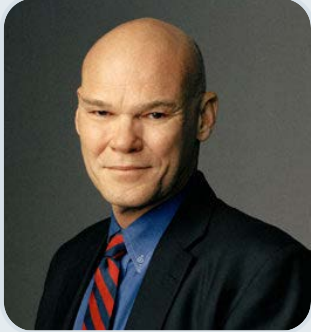
Demographic situation worsening through a combination of aging population, tighter immigration policy and low birth rates with implications for long term growth.



Interest Rates:

Recent Fed communication indicates the bar for additional hikes remains low. Incoming inflation data will be key as long as labor market remains steady. High levels of deficits combined with significant demand for capital from the private sector to keep rates higher for longer.

Questions?



“I used to think that if there was reincarnation, I wanted to come back as the president or the pope or as a .400 baseball hitter. But now, I would like to come back as the bond market. You can intimidate everybody.”

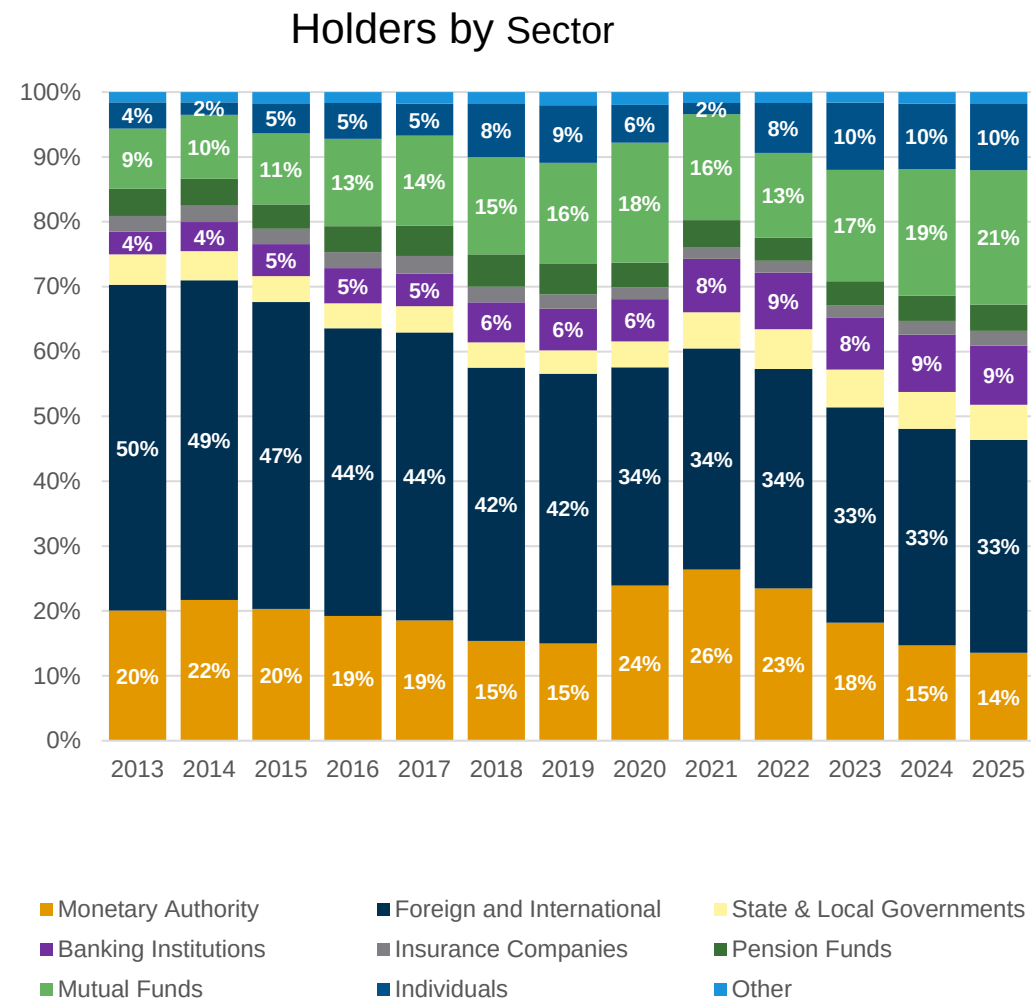
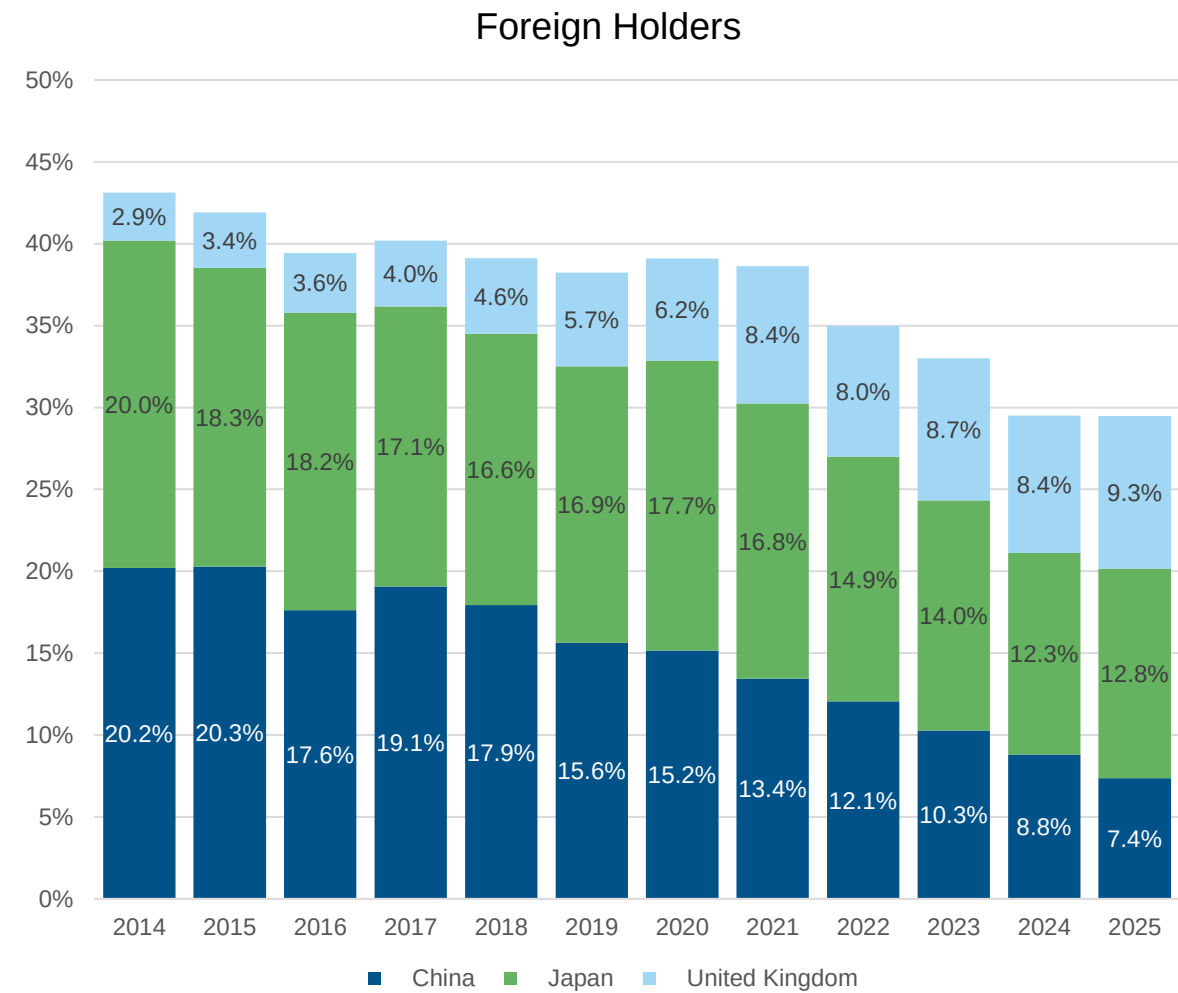
— James Carville

10-year treasury yields (1993-1994)



Appendix

Largest Holders US Debt



Global Yields

