

# Second Quarter 2026 Economy & Central Banks Review

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April 10, 2026



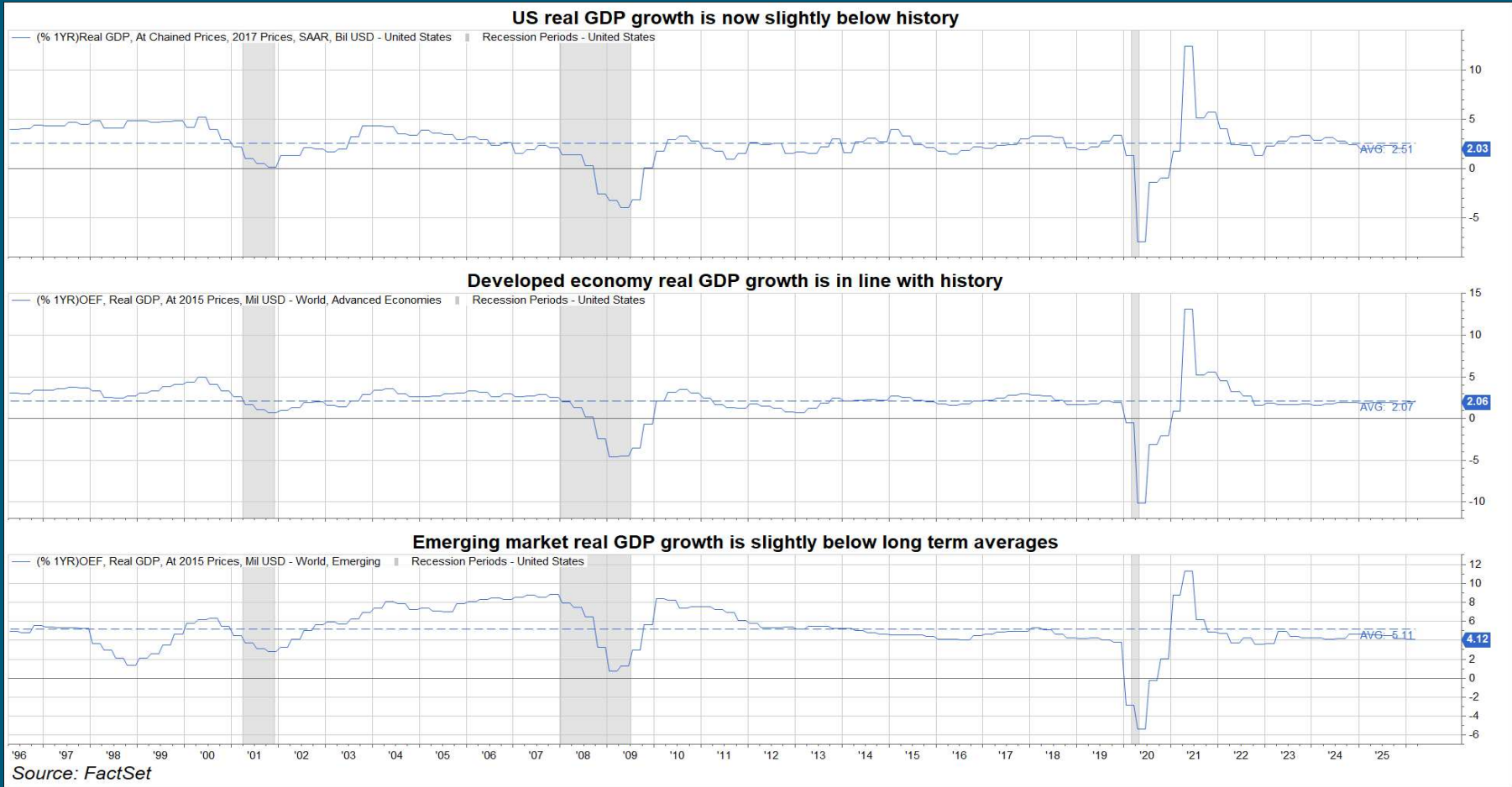
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# The Economy & Central Banks

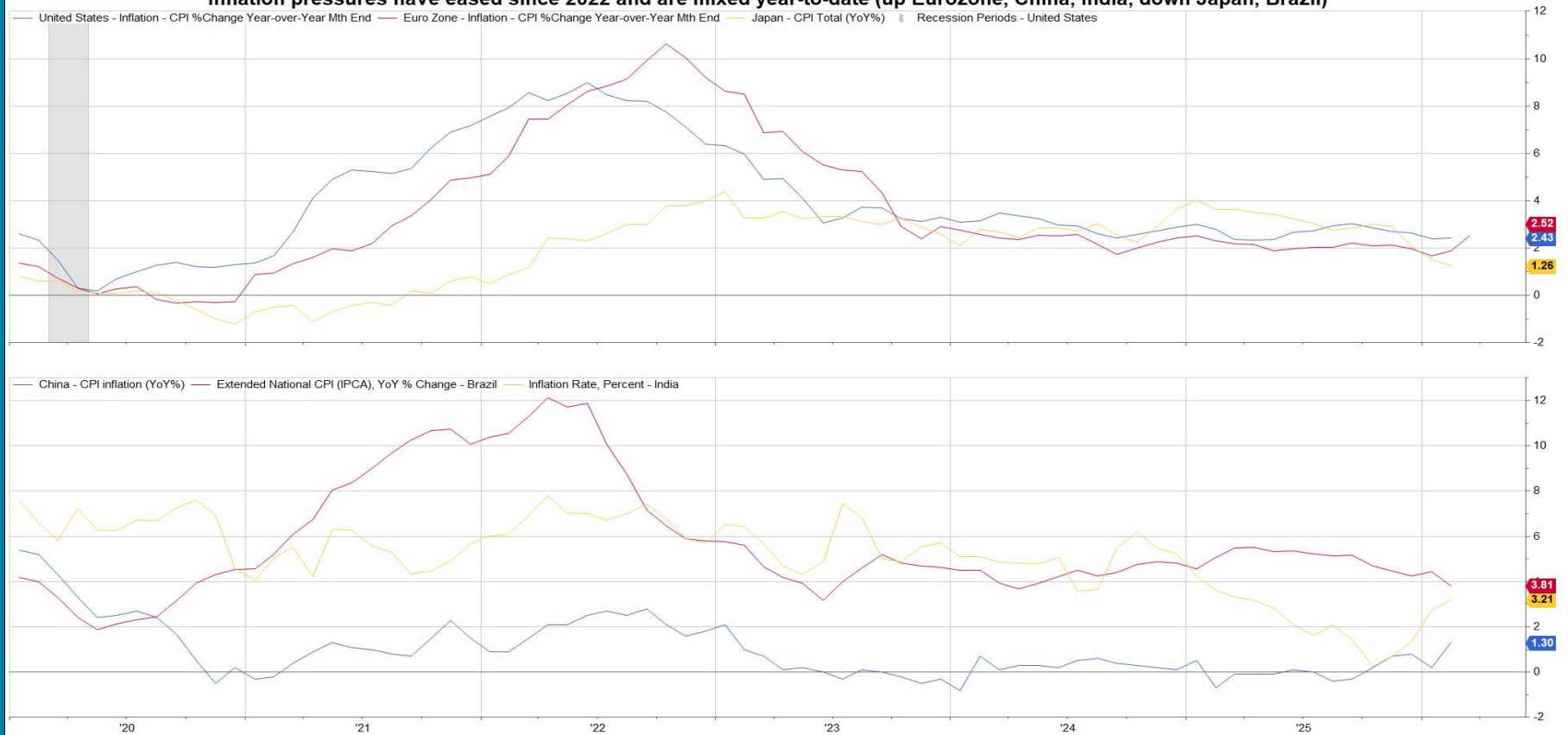
How will global economies be impacted by the energy price shock?

Will the central banks overreact?





**Inflation pressures have eased since 2022 and are mixed year-to-date (up Eurozone, China, India; down Japan, Brazil)**



Source: FactSet



### Brent Oil has spiked at the start of the Ukraine War in 2022 and Middle East Conflict in 2026



# The Middle East War and an energy price shock should be monitored

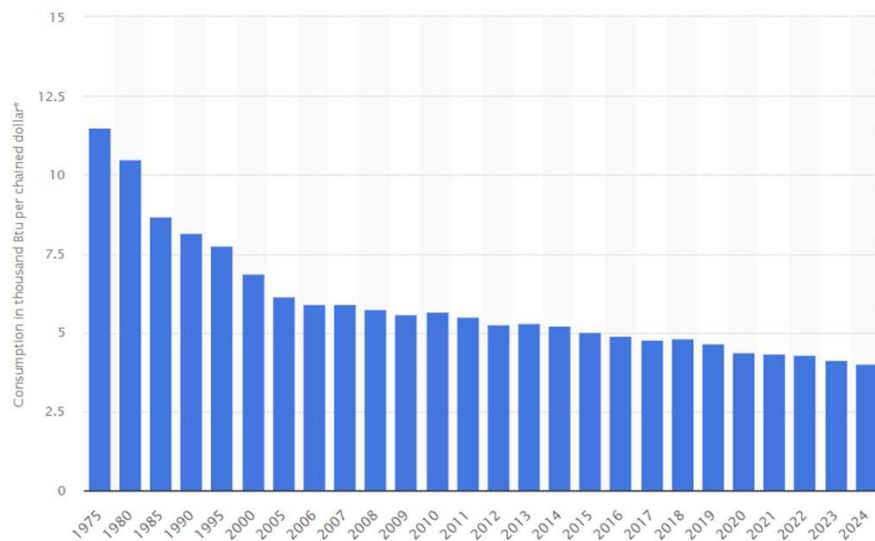
- Worth noting is energy price shocks have preceded 10 out of the 11 US recessions since World War II. While the shock has been a notable contributor to the downturns, they rarely are the sole cause; the shock typically acts as a contributor that tips weak economy into a contraction.

Source: Google Gemini Search



# Reasons to not be very worried about the impact of the Middle East Conflict and an energy price shock

## Energy consumption per real dollar of GDP has declined since 1975



Source: Statistica and JP Morgan Asset Management

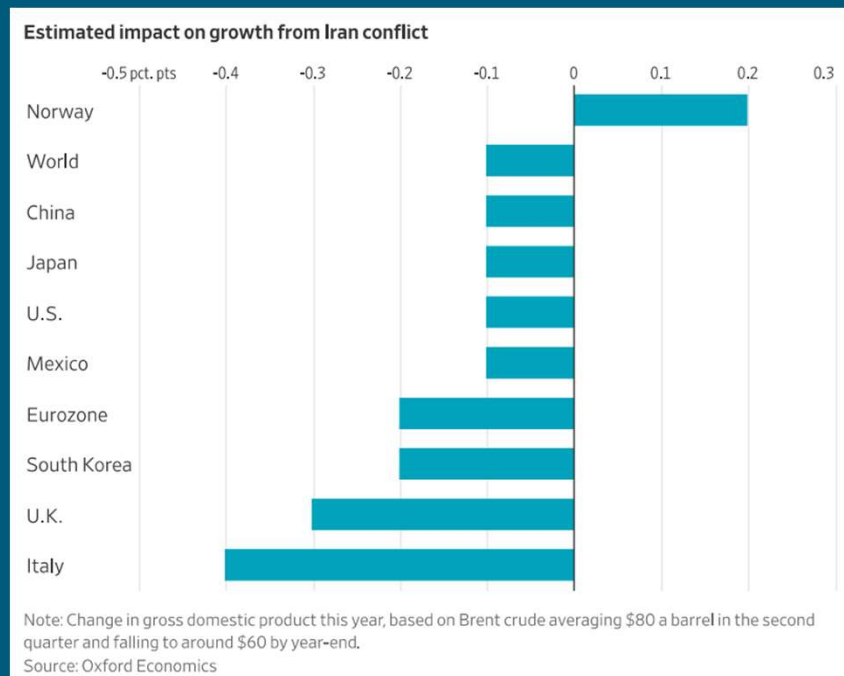
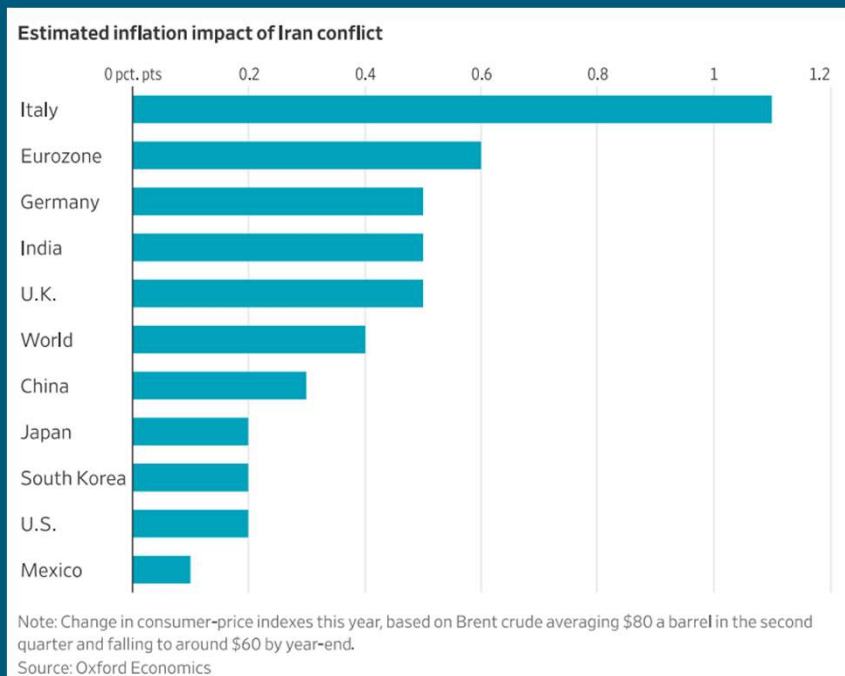
## The US is now an oil exporter

### U.S. net imports of petroleum and related products\*

% of nominal GDP, quarterly



Oxford Economics' energy shock forecast assumes only \$80 oil in 2Q 26 and \$60 by end of year 2026 vs \$96 as of 4/10/26. The Eurozone faces disproportionately greater inflation pressure and weaker economic growth.

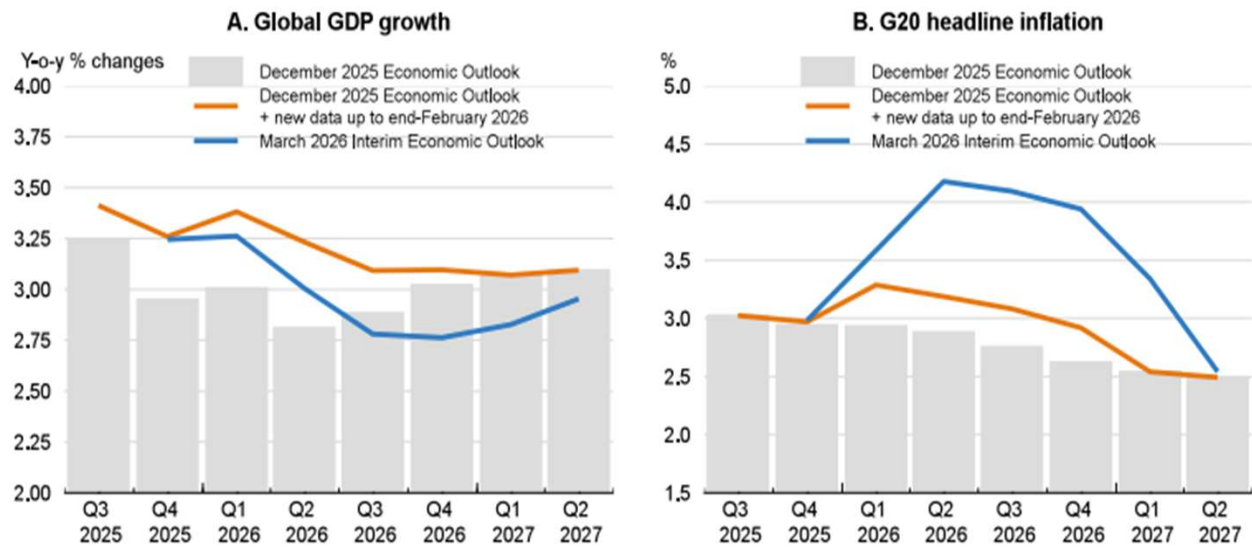


Source: The Economic Winners and Losers of the Iran War from *Wall Street Journal*, 3/11/26



The OECD 3/26/26 energy shock forecast is more dire because it assumes oil peaking at \$135 by 2Q 26 and gradually falling through the rest of 2026.

Figure 10. The Middle East conflict has led to a sizeable change in growth and inflation prospects



Note: The figures show the projections for global GDP growth and G20 headline inflation from the December 2025 OECD Economic Outlook, the current March 2026 Interim Economic Outlook and a preliminary update of the December 2025 Economic Outlook projections using revised data for 2025 and monthly information up until the end of February 2026. The preliminary update has a revised assessment for the first quarter of 2026, with quarter-on-quarter growth and inflation in subsequent quarters set in line with those projected in the December 2025 Outlook. Source: OECD Interim Economic Outlook 119 database; OECD Economic Outlook 118 database; and OECD calculations.



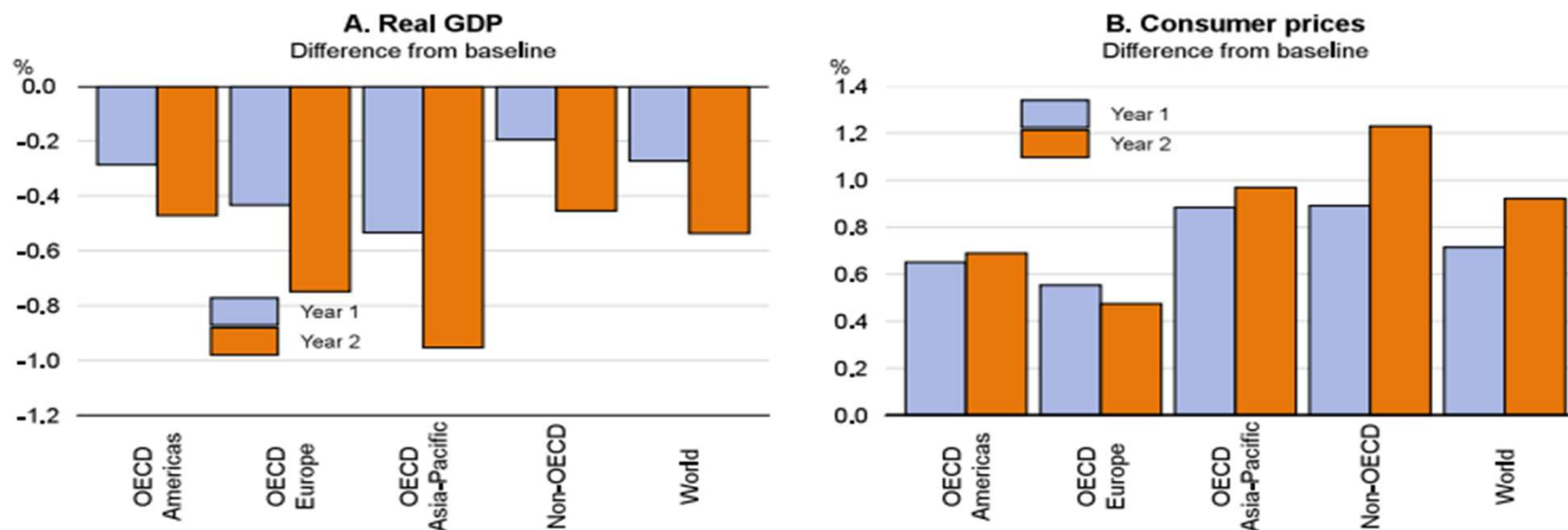
The OECD has revised down GDP growth and revised up inflation forecasts. This forecast assumes a bigger inflation shock. The Euro Area appears disproportionately hit on economic growth.

|           | 2025 GDP* | % of total | GDP Growth ^ |           |                   | Headline Inflation^ |           |                   |
|-----------|-----------|------------|--------------|-----------|-------------------|---------------------|-----------|-------------------|
|           |           |            | 2025         | Forecasts |                   | 2025                | Forecasts |                   |
|           |           |            |              | Mar-26    | Change from 12/25 |                     | Mar-26    | Change from 12/25 |
| World     | 123.58    |            | 3.3%         | 2.9%      | 0.0%              |                     |           |                   |
| G20       | 111.48    | 90.2%      | 3.3%         | 3.0%      | 0.1%              | 3.4%                | 4.0%      | 1.2%              |
| Euro Area | 36.6      | 29.6%      | 1.4%         | 0.8%      | -0.4%             | 2.3%                | 2.6%      | 0.7%              |
| US        | 30.62     | 24.8%      | 2.1%         | 2.0%      | 0.3%              | 2.6%                | 4.2%      | 1.2%              |
| China     | 19.4      | 15.7%      | 5.0%         | 4.4%      | 0.0%              | -0.1%               | 1.3%      | 1.0%              |
| Germany   | 5.01      | 4.1%       | 0.4%         | 0.8%      | -0.2%             | 2.3%                | 2.9%      | 0.8%              |
| Japan     | 4.28      | 3.5%       | 1.2%         | 0.9%      | 0.0%              | 3.2%                | 2.4%      | 0.2%              |
| India     | 4.13      | 3.3%       | 7.6%         | 6.1%      | -0.1%             | 2.0%                | 5.1%      | 1.7%              |
| UK        | 3.96      | 3.2%       | 1.3%         | 0.7%      | -0.5%             | 0.9%                | 1.8%      | 0.5%              |
| France    | 3.36      | 2.7%       | 0.9%         | 0.8%      | -0.2%             | 0.9%                | 1.8%      | 0.5%              |
| Italy     | 2.54      | 2.1%       | 0.5%         | 0.4%      | -0.2%             | 1.6%                | 2.4%      | 0.7%              |
| Russia    | 2.54      | 2.1%       | 1.0%         | 0.6%      | 0.1%              | 8.7%                | 6.4%      | 1.0%              |
| Canada    | 2.28      | 1.8%       | 1.8%         | 1.2%      | -0.1%             | 2.1%                | 2.4%      | 0.3%              |

\* IMF data in trillions  
^ OECD March 2026 Projections and year-over-year growth cited

The OECD also provided economic scenarios of a prolonged oil price shock over \$135 a barrel for one year (through 3/27) and two years (through 3/28) instead of their base case of peaking in 2Q 26. Developed Europe and Asia face more economic pressure. EM and Developed Asia face more inflation pressure.

**Figure 11. Further sharp rises in energy prices would impact growth and inflation prospects**



Note: See text for explanation of the shocks applied. The panels show the impact on the level of real GDP and consumer prices.  
Source: OECD calculations using the NiGEM macroeconomic model.



# World employment & retail sales

|                | Unemployment Rate |              |               | Retail Sales Growth |              |               |
|----------------|-------------------|--------------|---------------|---------------------|--------------|---------------|
|                | 2 Month Ago       | 3 Months Ago | 12 Months Ago | 2 Months Ago        | 3 Months Ago | 12 Months Ago |
| United States  | 4.30%             | 4.40%        | 4.20%         | 3.10%               | 2.11%        | 4.89%         |
| Eurozone       | 6.10%             | 6.20%        | 6.40%         | 2.63%               | 2.63%        | 2.95%         |
| United Kingdom | -                 | 5.20%        | 4.60%         | 5.54%               | 3.36%        | 2.57%         |
| France         | -                 | 7.90%        | 7.50%         | 0.29%               | 0.03%        | -2.27%        |
| Germany        | 4.00%             | 4.00%        | 3.60%         | 2.27%               | 3.25%        | 5.24%         |
| Canada         | 6.50%             | 6.80%        | 6.70%         | 1.52%               | -0.14%       | 5.50%         |
| South Korea    | 3.00%             | 3.30%        | 2.80%         | 1.88%               | 3.72%        | 1.97%         |
| Japan          | 2.70%             | 2.60%        | 2.50%         | 1.82%               | -0.17%       | 2.96%         |
| China          | 2.70%             | 5.10%        | 5.20%         | -                   | -0.08%       | 4.92%         |
| India          | -                 | 4.80%        | -             | -                   | -            | -             |
| Brazil         | 5.20%             | 5.10%        | 7.00%         | 4.26%               | 4.02%        | 9.60%         |
| Russia         | 5.00%             | -            | -             | -                   | -            | -             |

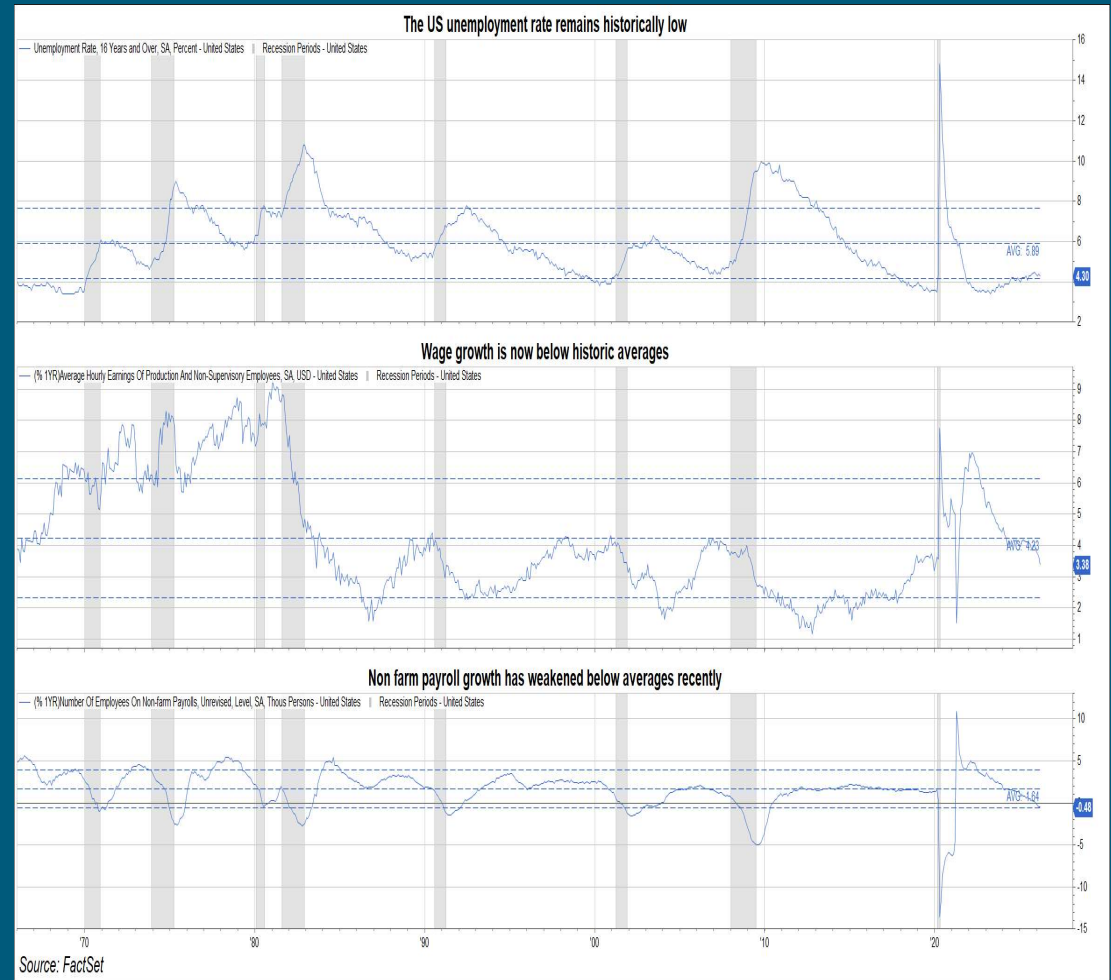
Unemployment remains low in most countries and is relatively flat over the last 90 days

Retail sales are anemic in most countries

Source: FactSet

The US labor picture is mixed:

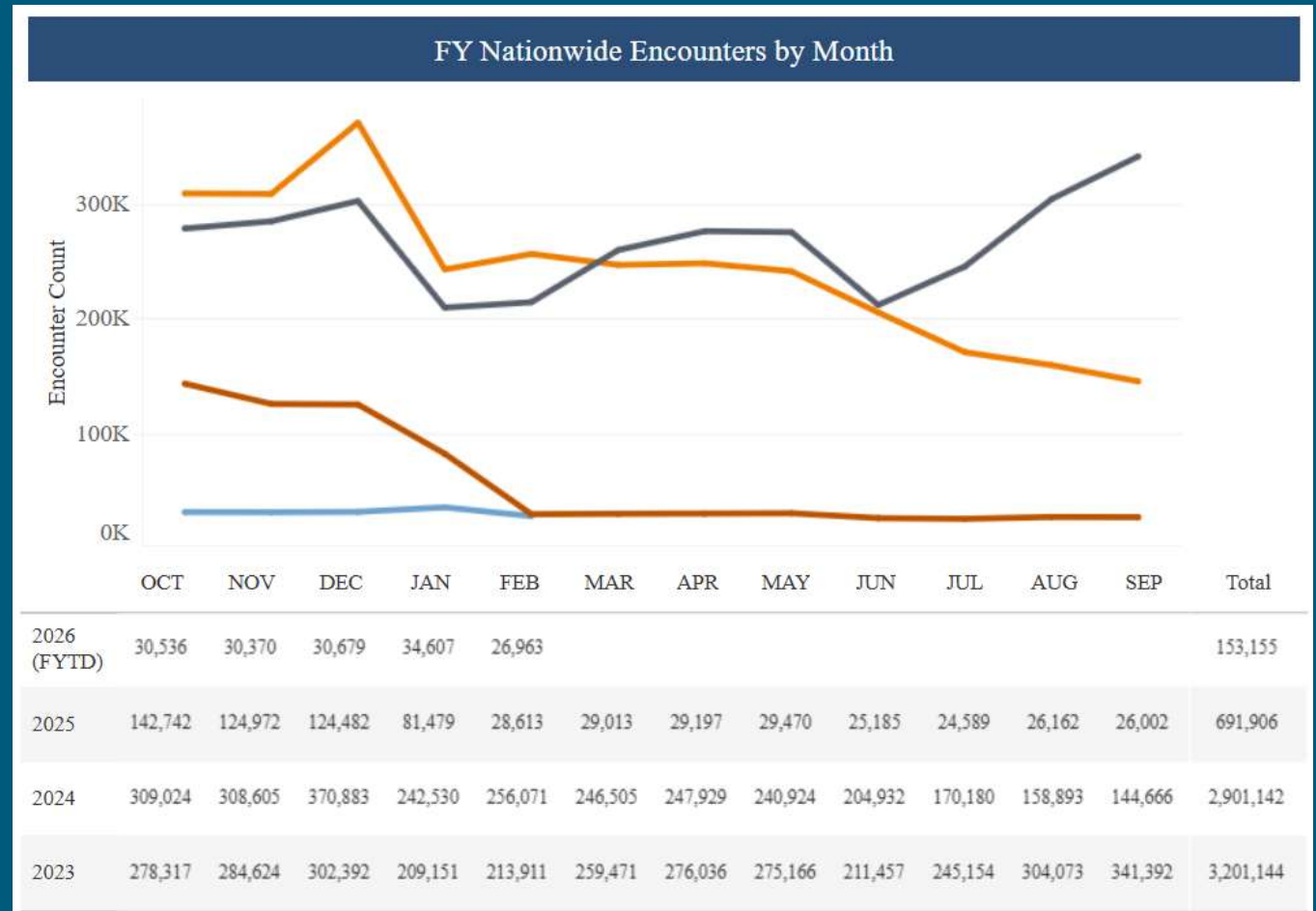
- Tight employment market with low unemployment
- Weakening wage growth
- Weakening non-farm payroll growth



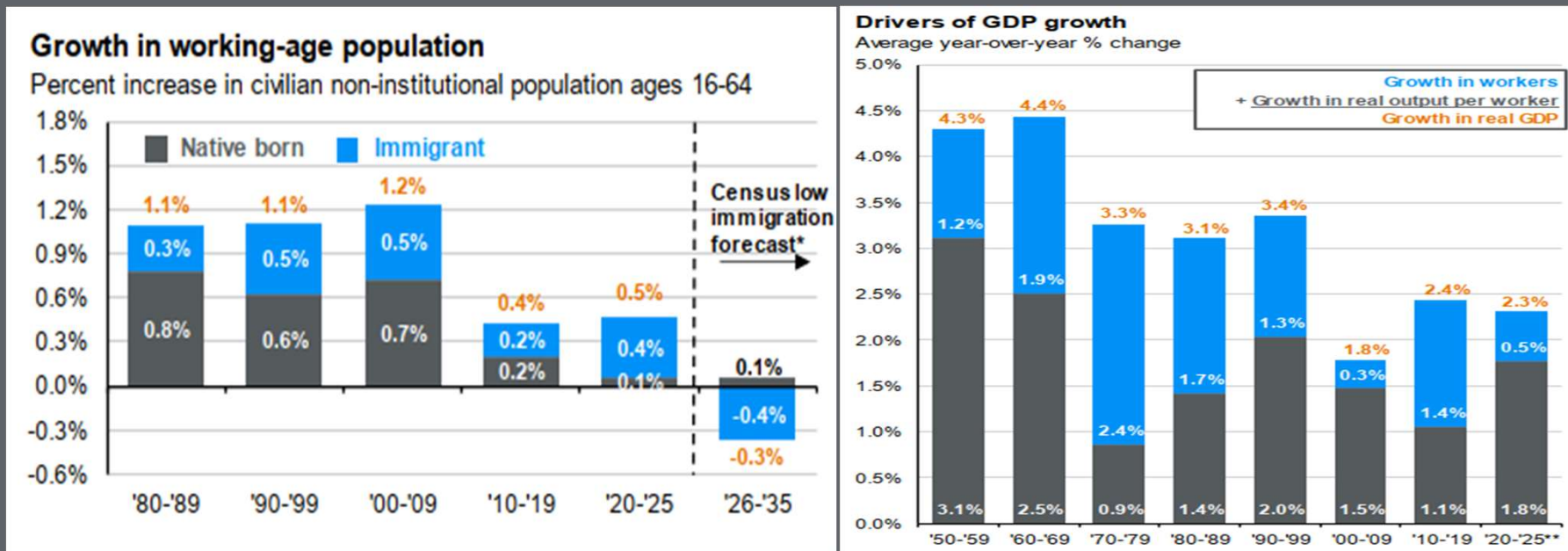
Immigration is worth monitoring as it is down under the Trump administration

Encounters cover unlawful crossings and travelers denied entry

Source: U.S Customs & Border Protection



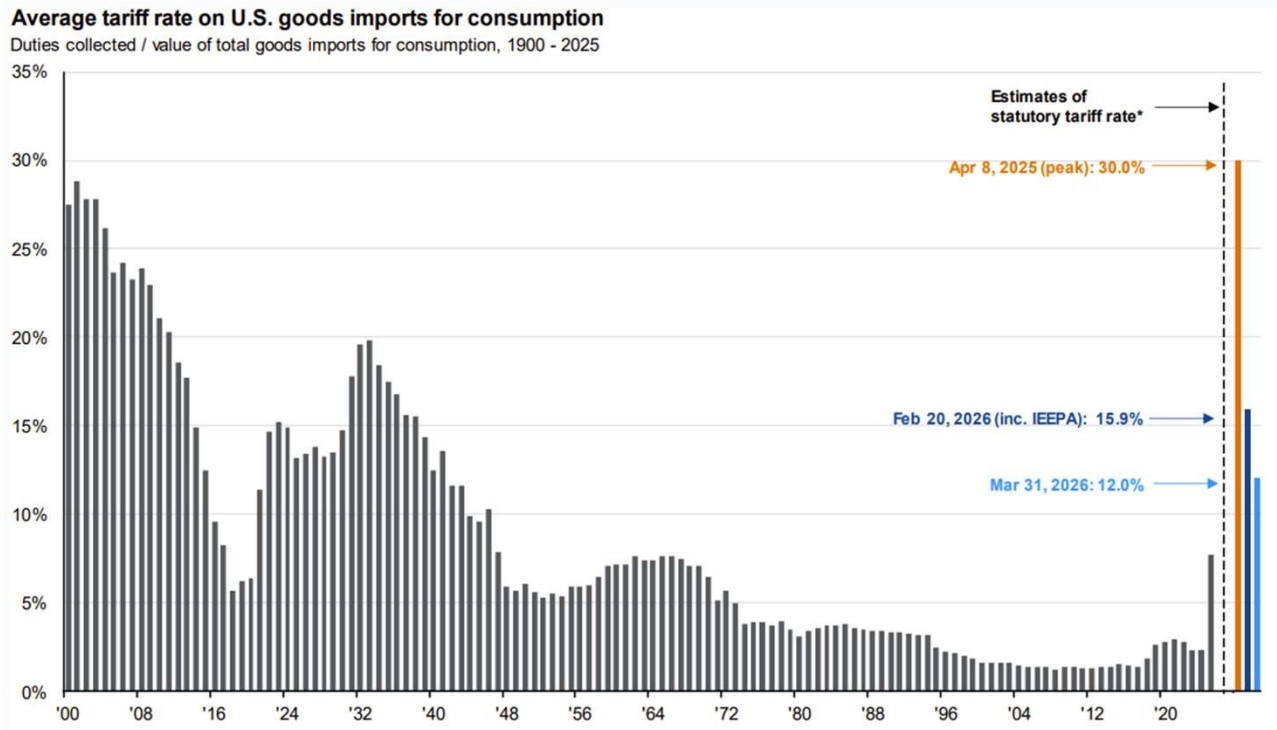
# Lower immigration should result in lower population growth and likely lead to lower GDP growth



Source: JP Morgan Asset Management



Tariffs impact on the economy remains a wild card. Fortunately, the effective tariff has been coming down from April 2025 highs.



Economists expect tariffs will cause real GDP growth to be lower by 0.2-0.6% in 2026. Tariff inflation comparisons should ease however in 2026.

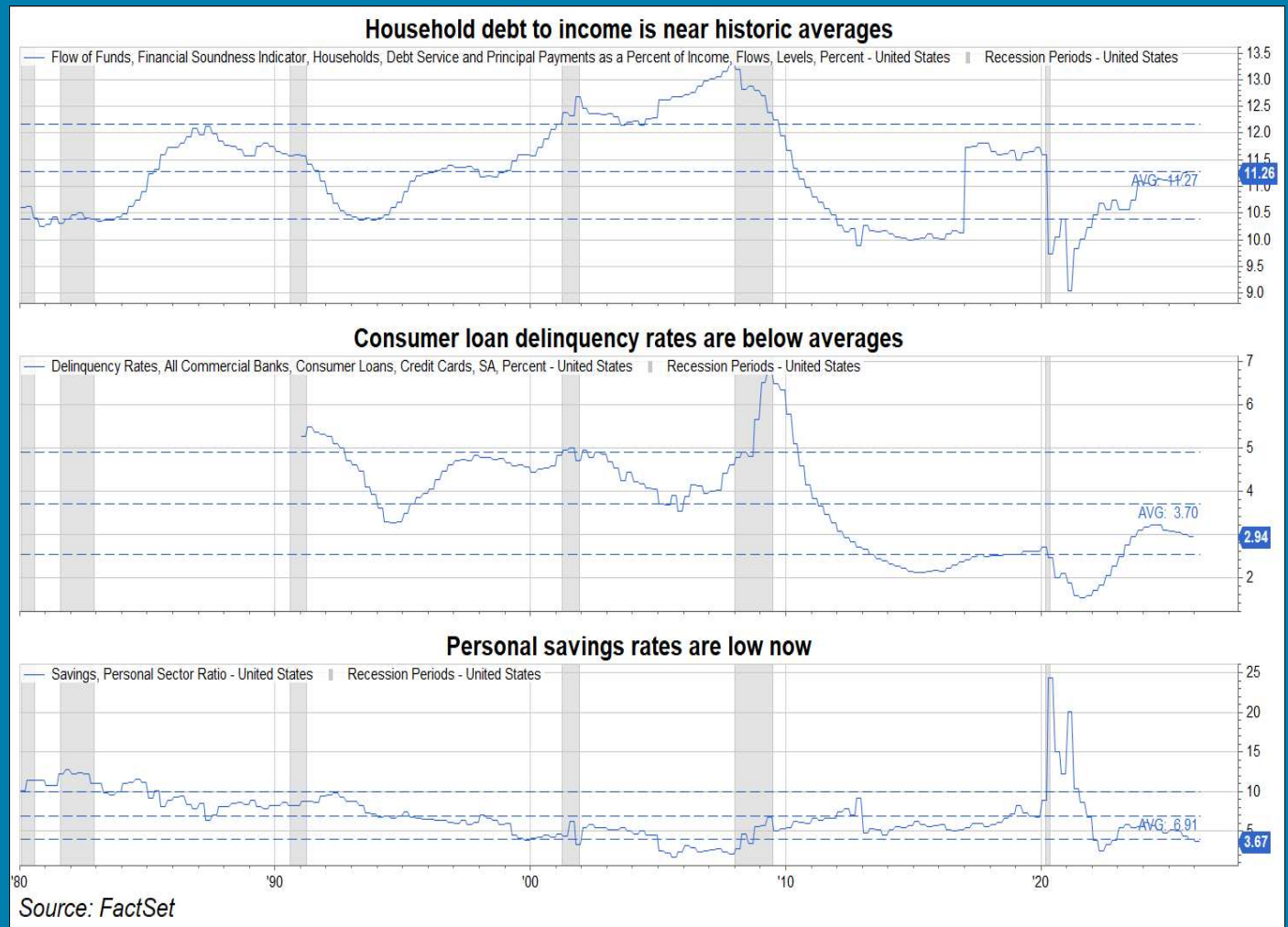
Source: Google AI Mode Search 4/9/26

Source: U.S. Census Bureau, U.S. Department of Treasury, U.S. International Trade Commission, J.P. Morgan Asset Management. For illustrative purposes only. The estimated weighted average statutory U.S. tariff rate includes all tariffs that are currently in effect, not announced. Imports for consumption: goods brought into a country for direct use or sale in the domestic market. \*Figures are based on 2024 import levels and assume no change in demand due to tariff increases. Tariff revenue shown are figures from the Monthly Treasury Statement. Import figures included in the table are from the U.S. Census Bureau. Estimates, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated. *Guide to the Markets - U.S. Data are as of March 31, 2026.*

**J.P.Morgan**  
 ASSET MANAGEMENT

The US consumer debt picture looks ok.

Personal savings rates have been anemic lately.



# Central Bank Interest Rates

|                | Short Term Interest Rate |              |               | Long Term Rates  |              |               | Term Spread      |              |               |
|----------------|--------------------------|--------------|---------------|------------------|--------------|---------------|------------------|--------------|---------------|
|                | Latest Available         | 3 Months Ago | 12 Months Ago | Latest Available | 3 Months Ago | 12 Months Ago | Latest Available | 3 Months Ago | 12 Months Ago |
| United States  | 3.69%                    | 3.66%        | 4.29%         | 4.24%            | 4.14%        | 4.27%         | 0.56%            | 0.48%        | -0.02%        |
| Eurozone       | 1.90%                    | 1.97%        | 2.16%         | 3.02%            | -            | 2.70%         |                  | #VALUE!      |               |
| United Kingdom | 3.98%                    | 3.81%        | 4.42%         | 4.68%            | 4.49%        | 4.65%         | 0.71%            | 0.68%        | 0.24%         |
| France         | 2.15%                    | 2.07%        | 2.36%         | 3.60%            | 3.55%        | 3.47%         | 1.44%            | 1.49%        | 1.10%         |
| Germany        | 1.90%                    | 1.97%        | 2.16%         | 2.93%            | 2.84%        | 2.78%         | 1.02%            | 0.86%        | 0.62%         |
| Canada         | 2.25%                    | 2.17%        | 2.66%         | 3.44%            | 3.37%        | 3.01%         | 1.19%            | 1.20%        | 0.35%         |
| South Korea    | 2.65%                    | 2.34%        | 2.47%         | 3.71%            | 3.39%        | 2.79%         | 1.07%            | 1.05%        | 0.32%         |
| Japan          | 0.79%                    | 0.62%        | 0.31%         | 2.23%            | 1.97%        | 1.52%         | 1.44%            | 1.36%        | 1.21%         |
| China          | 1.06%                    | 1.24%        | 1.29%         | 1.81%            | 1.84%        | 1.82%         | 0.75%            | 0.60%        | 0.54%         |
| India          | 5.32%                    | 5.30%        | 6.49%         | 6.77%            | 6.59%        | 6.70%         | 1.45%            | 1.28%        | 0.22%         |
| Brazil         | 13.98%                   | 14.96%       | 15.25%        | 13.98%           | 13.70%       | 15.09%        | 0.00%            | -1.27%       | -0.16%        |
| Russia         | 85.18%                   | 93.16%       | 88.30%        | 47.94%           | 47.94%       | 47.94%        | -37.25%          | -45.23%      | -40.37%       |

Short term rates are relatively flat over the last quarter and down year-over-year.

Long rates are generally up YOY and sequentially.

Term spreads widened out in most countries YOY and sequentially.

Source: FactSet

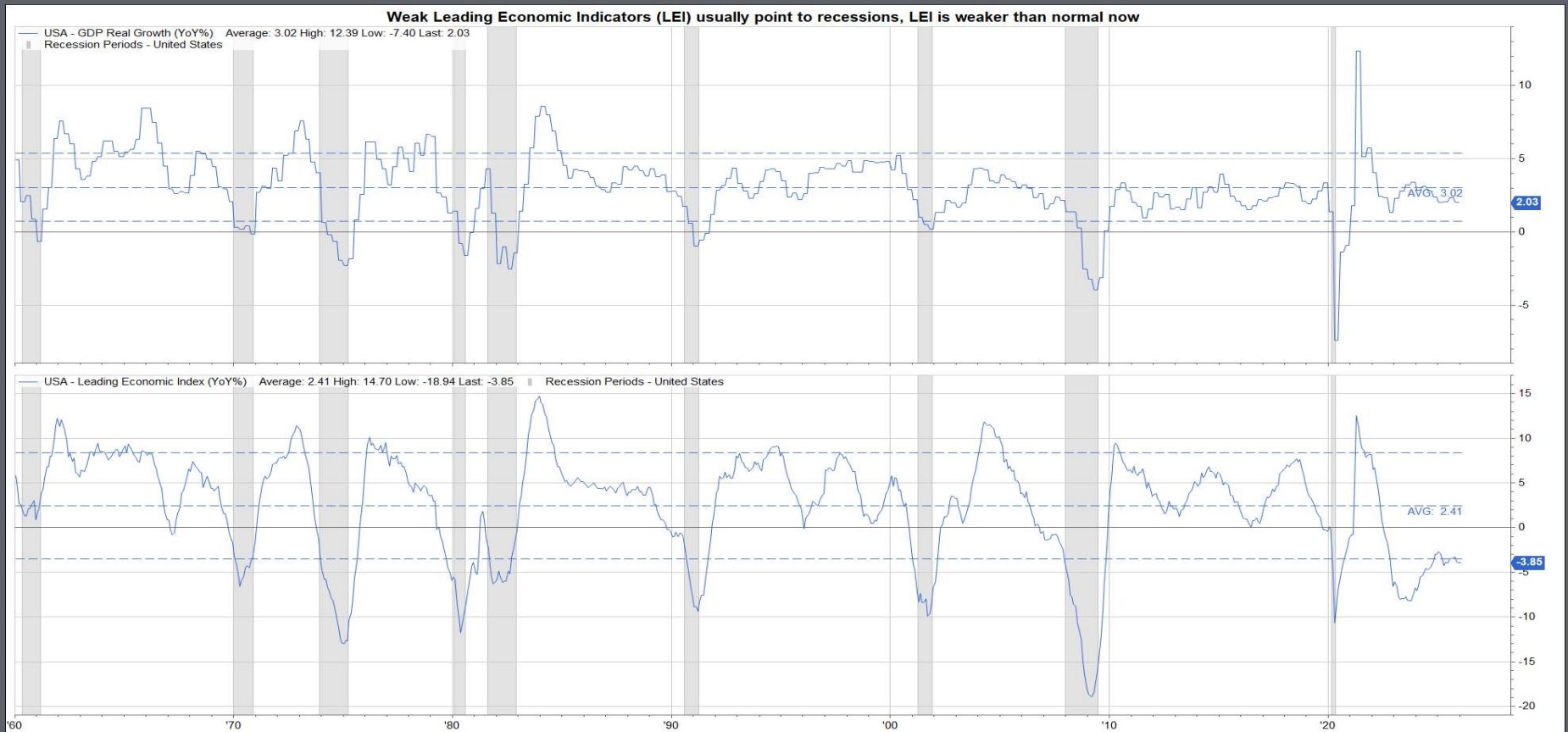
The Fed expects modest real GDP growth, a strong labor market, moderating inflation and slightly lower fed funds.

Over the last quarter the Fed has come to expect more near term inflation due to the Middle East conflict.

| MEDIAN PROJECTIONS  | 2026 | 2027 | 2028 | Long Term |
|---------------------|------|------|------|-----------|
| Real GDP Growth     | 2.4% | 2.3% | 2.1% | 2.0%      |
| December Projection | 2.3% | 2.0% | 1.9% | 1.8%      |
| Unemployment Rate   | 4.4% | 4.3% | 4.2% | 4.2%      |
| December Projection | 4.4% | 4.2% | 4.2% | 4.2%      |
| PCE Inflation       | 2.7% | 2.2% | 2.0% | 2.0%      |
| December Projection | 2.4% | 2.1% | 2.0% | 2.0%      |
| Fed Funds Rate      | 3.4% | 3.1% | 3.1% | 3.1%      |
| December Projection | 3.4% | 3.1% | 3.1% | 3.0%      |

Source: Federal Reserve FOMC Projections March 18, 2026





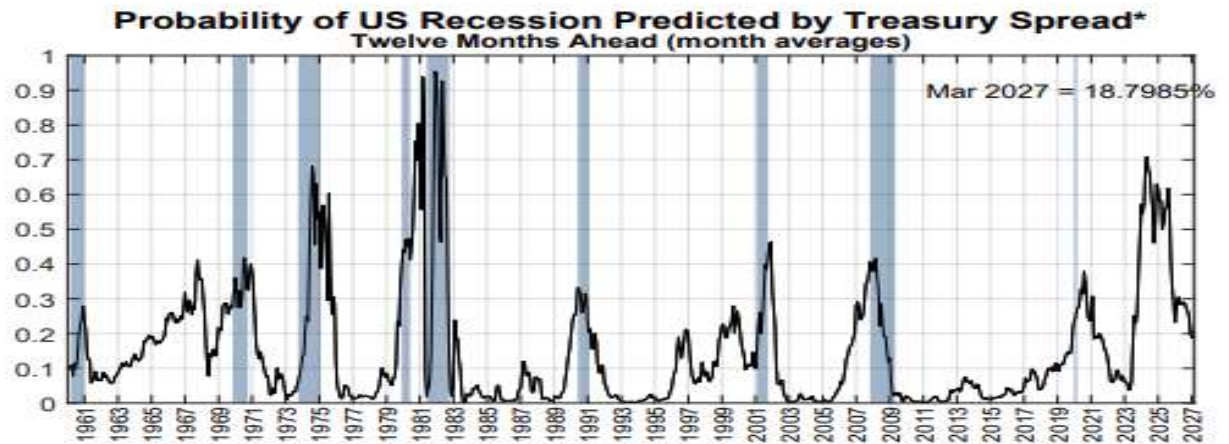
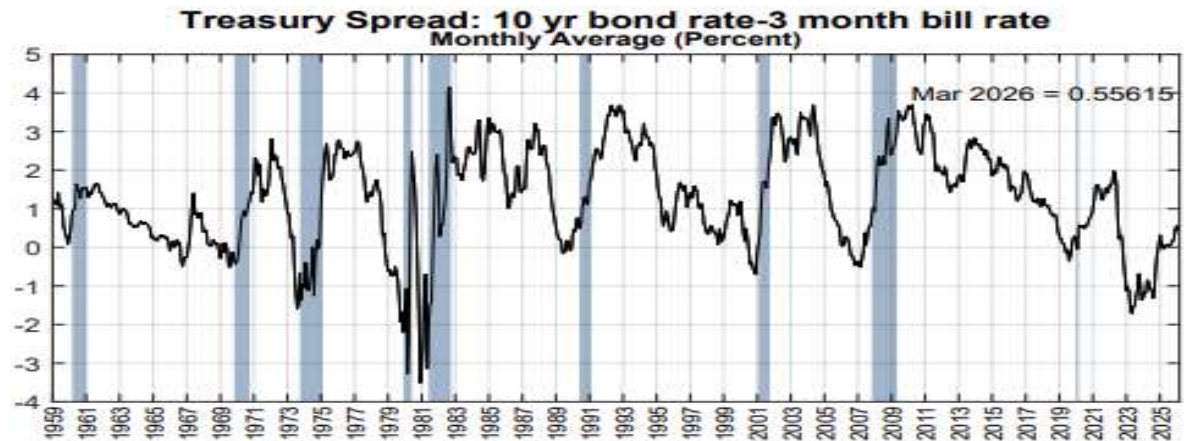
According to NBER, a recession is defined as a significant decline in economic activity lasting more than a few months. Economic activity has slowed recently.



The New York Fed's Recession Probability Model has predicted all recessions since the 1960s.

Spreads have widened out year-to-date reducing the probability of a recession by 6% to 19%. 19% represents a higher-than-normal probability of a recession.

Source: New York Federal Reserve



\*Parameters estimated using data from January 1959 to December 2009, recession probabilities predicted using data through Mar 2026. The parameter estimates are  $\alpha = -0.5333$ ,  $\beta = 0.6330$ .

Updated 04-Apr-2026



## Recessions and Stock Bear Markets Frequently Asked Questions

What is a recession? How often does it occur?

- Recessions as defined by NBER are a significant decline in economic activity spread across the economy and lasting more than a few months. Since 1945 economic expansions have lasted 6.25 years on average while recessions have averaged 10 months. Our last recession was a two-month recession in 2020.

What is a stock bear market? How often does it occur?

- Stock bear markets are defined as a 20% decline in stock prices. Since 1945, we have had twelve stock bear markets, and they occurred every 6.7 years on average. Our last stock bear market was in 2020.

Are stock bear markets and recessions often correlated with one another?

- Yes, they are often related. We have had 12 stock bear markets since 1945 and 10 of them have occurred around recessions. 6 stock bear markets have preceded & occurred during recessions, 2 stock bear markets occurred during recessions and 2 stock bear markets happened within 12 months of after a recession.

Source: NBER, Wealth of Common Sense, Candor Asset Advisors



## Recessions and Stock Bear Markets FAQ Continued

What was the average stock bear market decline since 1945 and how long did it take on average to breakeven?

- The average stock bear market decline was 33.6% and it lasted 12 months. It took 1.7 years on average for the S&P to get back to breakeven.

Provide some stats on the worst three bear markets since 1945.

- The worst three bear markets since 1945 averaged a 51.4% decline and lasted 23 months. It took 3.6 years on average for the S&P to get back to breakeven.

Source: NBER, Wealth of Common Sense, Candor Asset Advisors



# Economy & Central Bank Conclusions

- Real GDP growth is 2% in the US and developed economies ex US and 4% in emerging markets. Growth rates are 0-1% below 30-year averages.
- Inflation is 2-4% in most countries.
- The Middle East conflict needs to be monitored for its duration and impact on energy prices. Energy shocks have preceded 10 out of 11 US recessions since WWII. Energy price shocks have usually been a contributor to tipping a weak economy into a contraction.
- There are sound reasons why we should be less concerned about the energy price shock causing a recession: energy represents a lower % of the economy and US now exports oil.
- Oxford Economics estimates an \$80 oil price shock through 2Q 26 results in a -0.4% reduction in world GDP growth and +0.1% increase in inflation.
- The OECD base scenario plans on a \$135 oil price shock through 2Q 26 and a gradual falling of prices throughout 2026. The 2026 impacts are expected to be 0% on world GDP growth (AI productivity offsets the shock) and a 1% lift in world inflation.
- Unemployment remains low in most countries
- Retail sales are anemic in most countries and have weakened in most areas year-to-date.
- US wage growth has weakened while non-farm payroll growth has weakened



# Economy & Central Bank Conclusions Continued

- The US consumer's debt load remains ok while the savings rate is low today
- Lower immigration is expected to result in lower US GDP growth over the long run
- Tariffs are elevated and the impact has yet to be fully felt. Fortunately, tariff expectations have come down from early 2025 highs.
- Central bank term spreads have generally widened year-over-year and sequentially suggesting investors are pricing in less recession risk
- The US fed funds outlook has become murkier with near term energy inflation.
- US FOMC consensus forecasts call for modest real US GDP growth, stable and low unemployment, moderating inflation and slightly lower fed funds.
- The Fed sees slightly more inflation due to an energy shock in 2026.
- Leading economic indicators and the yield curve suggest elevated recession risk but an improvement from 2025.
- If a recession occurs there is a good chance we will have a stock bear market. The average stock bear market decline since 1945 was 33.6% and it lasted 12 months on average. It took 1.7 years on average for the S&P to get back to breakeven.



# For more information

- Check out our website at:

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Achieving these financial goals helps you realize what's important to you -- whether that's purchasing a home, funding a child's education, taking the vacation of your dreams, starting a business, providing care for loved ones, making charitable donations, or retiring on your terms.

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## William E. Hawes, CFA, CFP® President and Chief Investment Officer

*With over 27 years of industry experience, Bill brings a wealth of knowledge in investment management and financial planning. Prior to earning his MBA, Bill worked in mortgage banking and insurance, and the insights gained provided him with a broader perspective of the financial issues facing clients.*

*Bill has been a Chartered Financial Analyst since 2000 and is a Certified Financial Planner. Bill also enjoys golf, travel, studying history, watching his favorite sports teams, and spending time with family.*

Before founding Candor Asset Advisors®, Bill co-created and managed Century Management's Large Cap Absolute Value and Large Cap Value strategies. Bill also analyzed companies in a variety of industries for the firm's all-cap value strategy.

Prior to moving back to Texas, Bill served as an equity analyst for Engemann Asset Management in Southern California. He co-managed a mid-cap growth fund and served as a multi-sector analyst for the mid-cap and large-cap growth teams.

After graduate school, Bill served as co-portfolio manager and equity analyst at Franklin Templeton. While there he served as portfolio manager on All Cap, Large Cap Core, and Consumer Sector portfolios. Notable institutional clients included CalPers, Mitsui Trust, Norges Bank, and Penn Mutual. He also spent considerable time analyzing auto, transportation, and consumer stocks.

Bill earned his Master in Business Administration from the University of Southern California. While there he also served on USC's MBA student investment fund.

Between his graduate and undergraduate studies, Bill worked at North American Mortgage Company in California as a management trainee and later as a financial analyst and marketing coordinator. The experience gave him a better understanding of the mortgage and real estate markets which he leverages to this day.

Bill earned his Bachelor of Business Administration from the University of Texas at Austin. While a student, he also served as a special agent for Northwestern Mutual. The experience gave him an understanding of life and disability insurance and the work ethic, tools, and temperament needed to grow a financial services practice.





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# Disclosures Continued

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- The Bloomberg Barclays US Aggregate Bond Index, or the Agg, is a broad base, market capitalization-weighted bond market index representing intermediate term investment grade bonds traded in the United States. Investors frequently use the index as a stand-in for measuring the performance of the US bond market.
- The Russell 2000 Value Index measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.
- The Russell 2000 Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 companies with higher price-to-value ratios and higher forecasted growth values.
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