



Q2 Economic Update

| April 16, 2026



M O D E R A T O R

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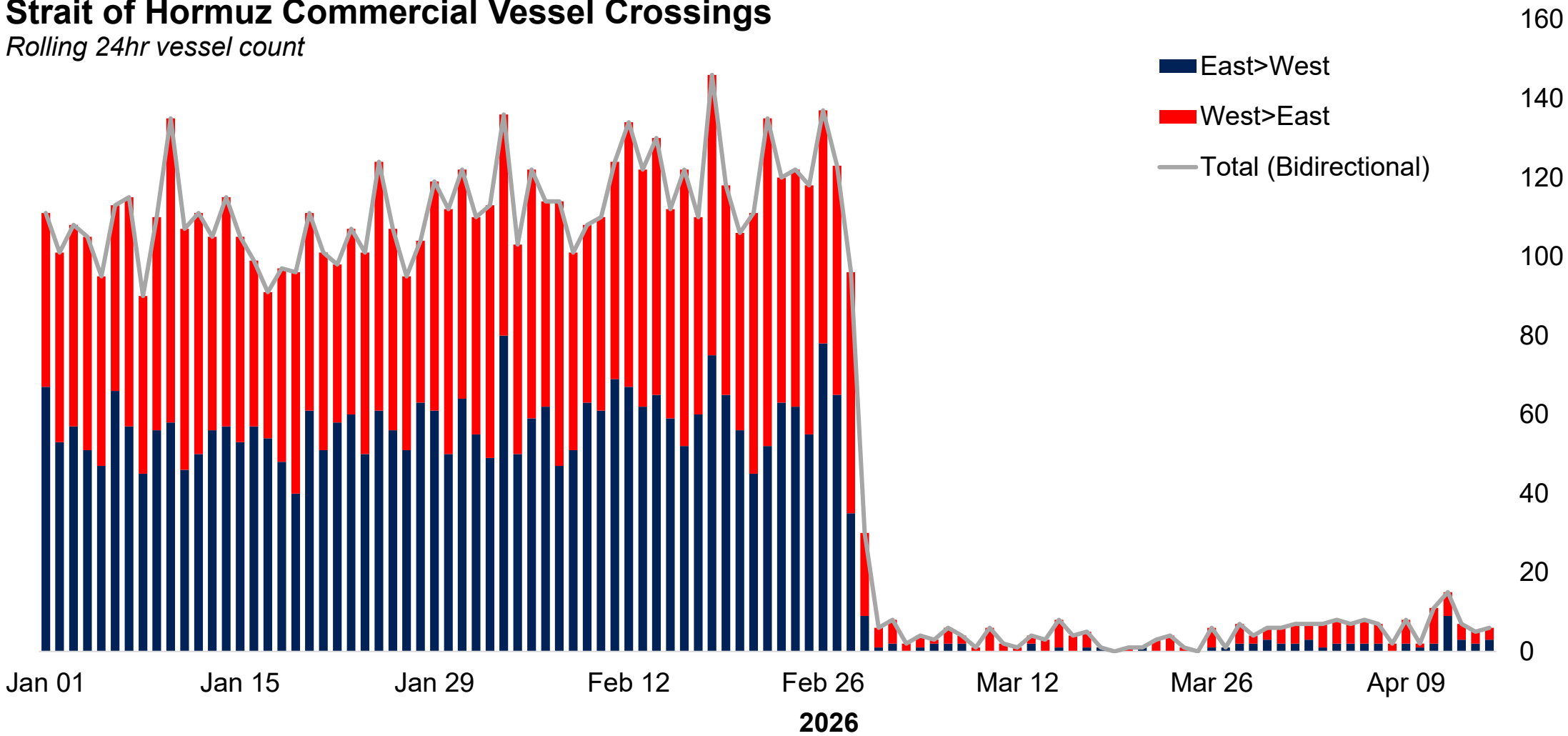
War upends inflation outlook, return of wait-and-see

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All eyes on the Strait of Hormuz

Strait of Hormuz Commercial Vessel Crossings

Rolling 24hr vessel count



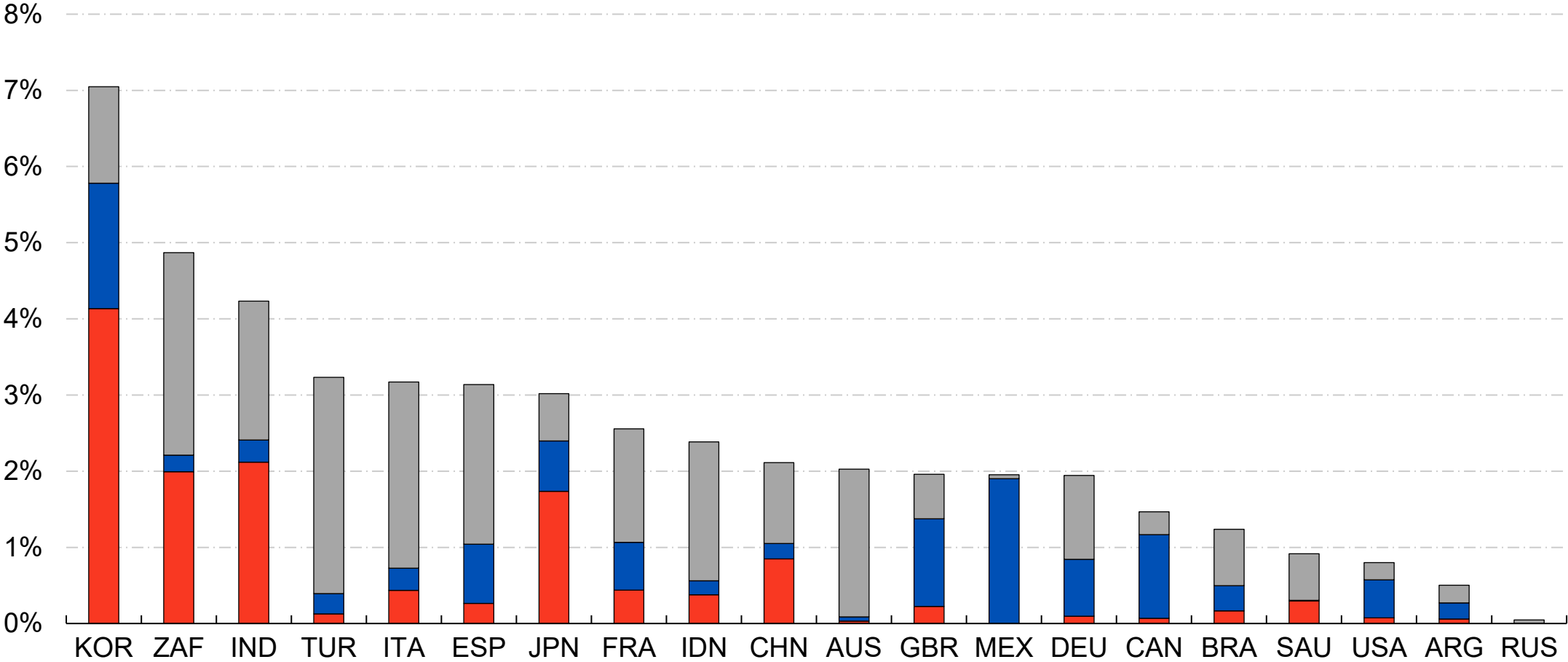
Source: Bloomberg

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Global disparity in oil & gas imports

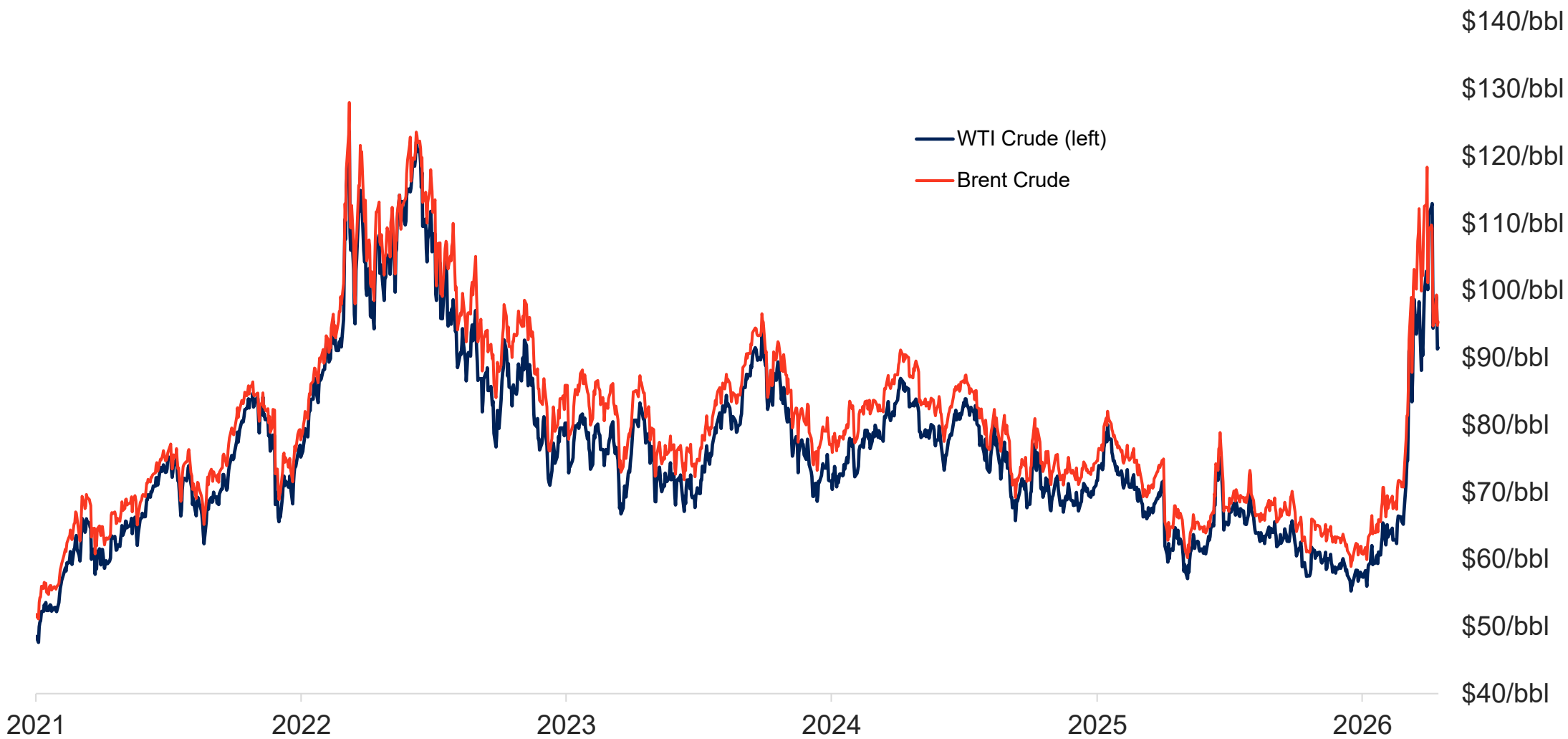
OECD: Oil & Gas Imports % of GDP 2024

■ Middle East ■ Selected OECD ■ Rest of World



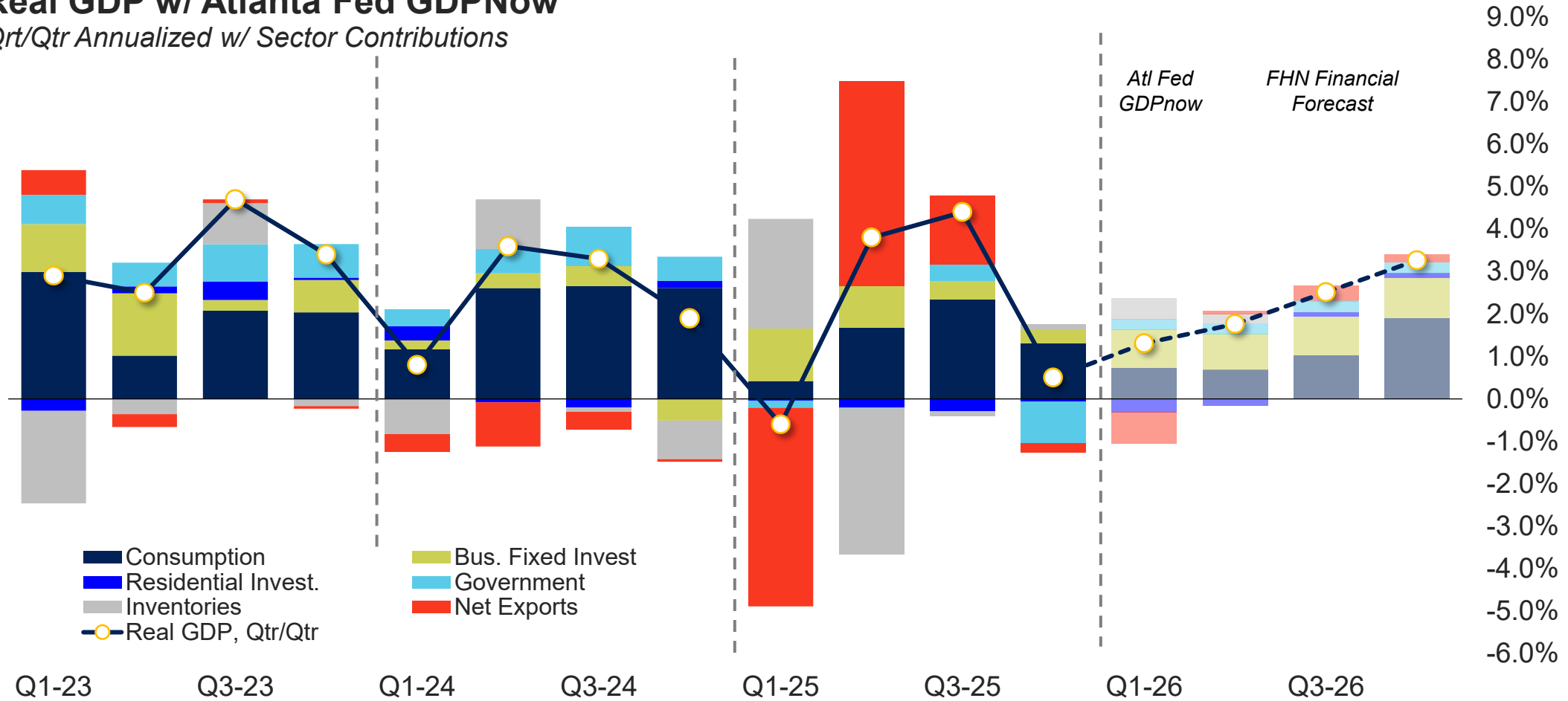
Source: OECD

No one is immune to global oil market



Economy has been resilient to uncertainty recently

Real GDP w/ Atlanta Fed GDPNow
Qrt/Qtr Annualized w/ Sector Contributions

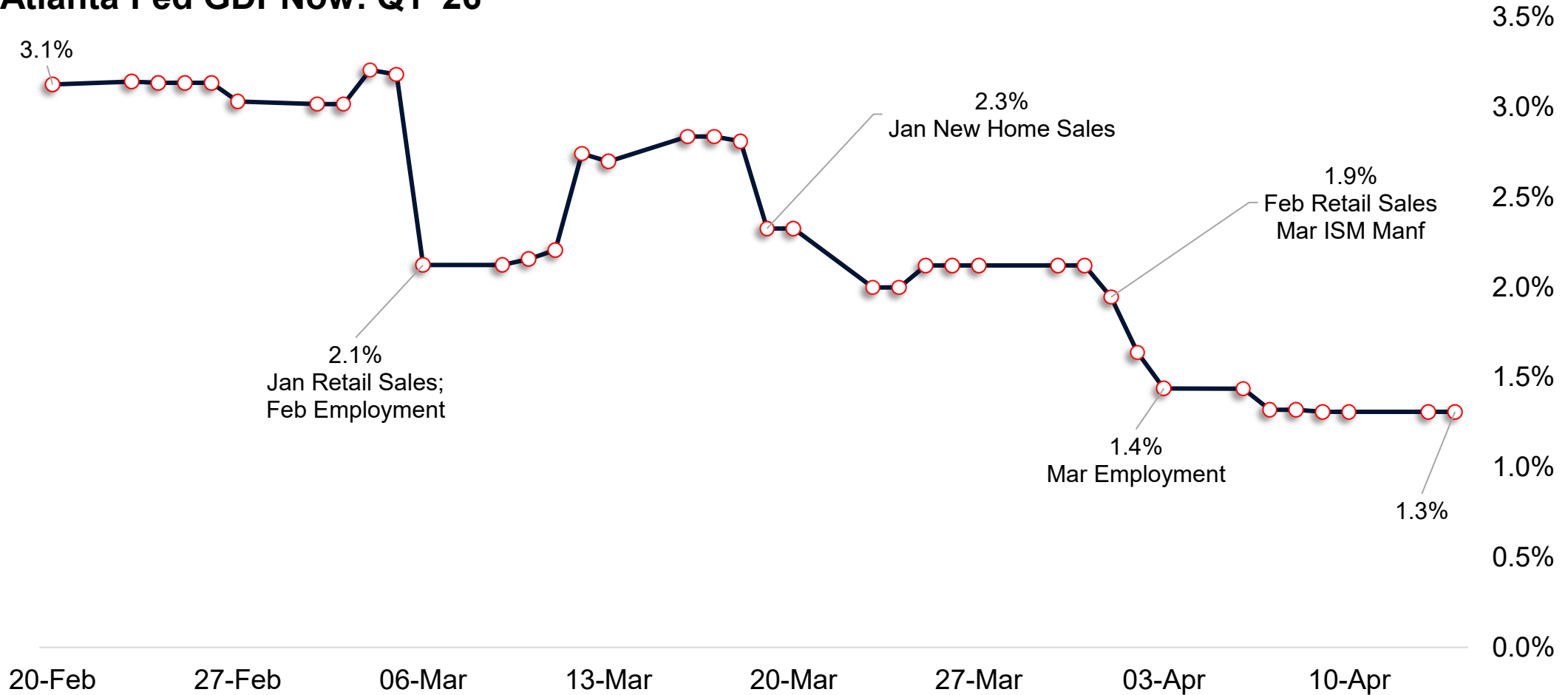


Source: Bureau of Economic Analysis, Federal Reserve Bank of Atlanta, FHN Financial



Q1 growth revised lower from initial estimate

Atlanta Fed GDPNow: Q1 '26



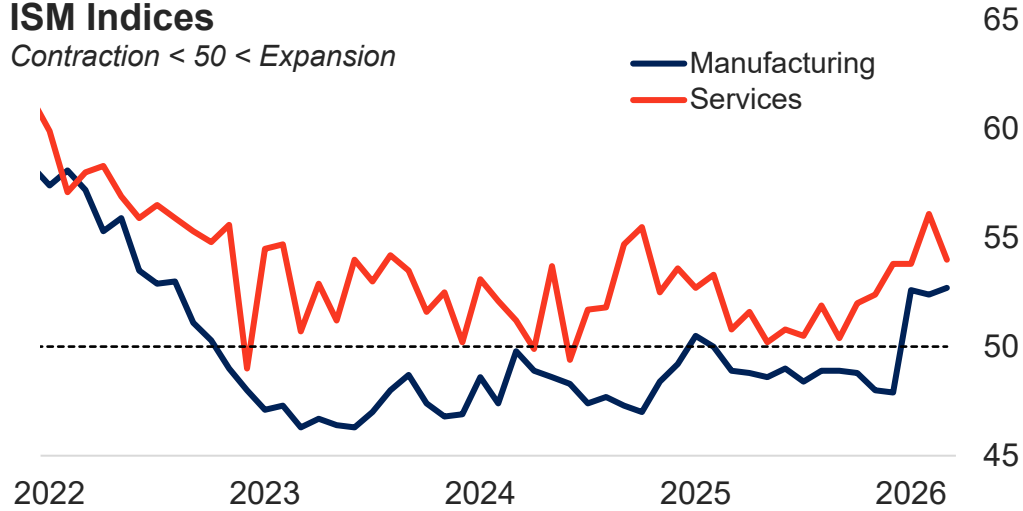
Source: Federal Reserve Bank of Atlanta

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New orders strong, prices paid jump

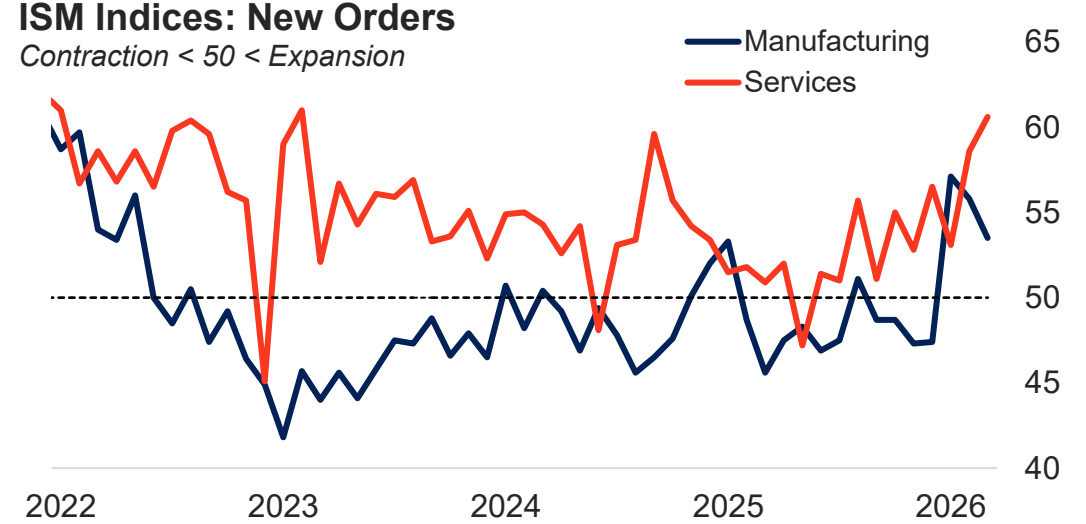
ISM Indices

Contraction < 50 < Expansion



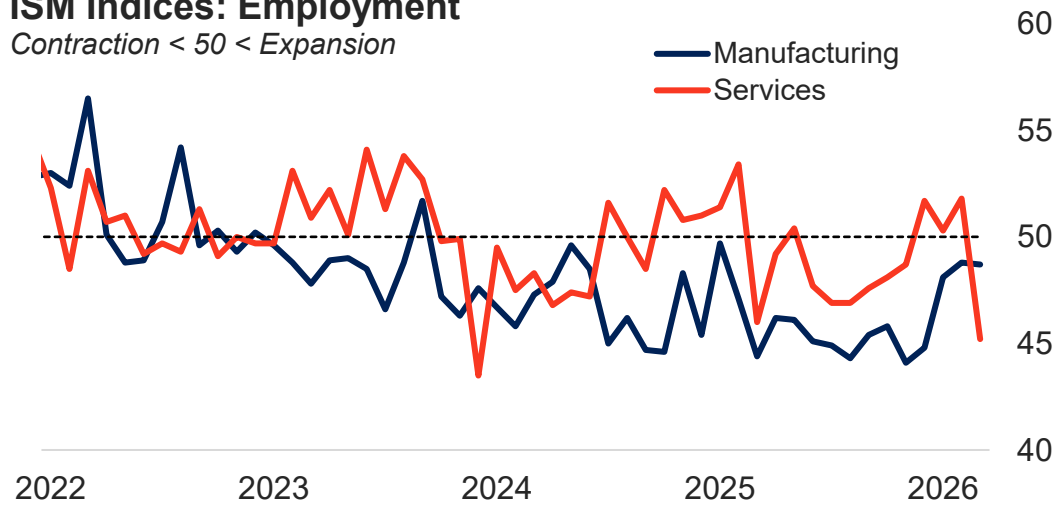
ISM Indices: New Orders

Contraction < 50 < Expansion



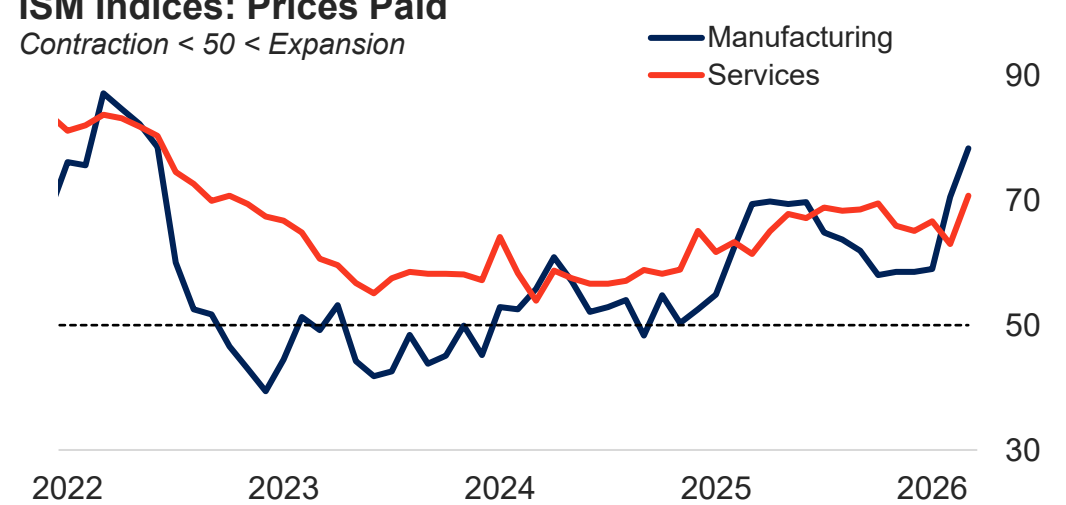
ISM Indices: Employment

Contraction < 50 < Expansion



ISM Indices: Prices Paid

Contraction < 50 < Expansion

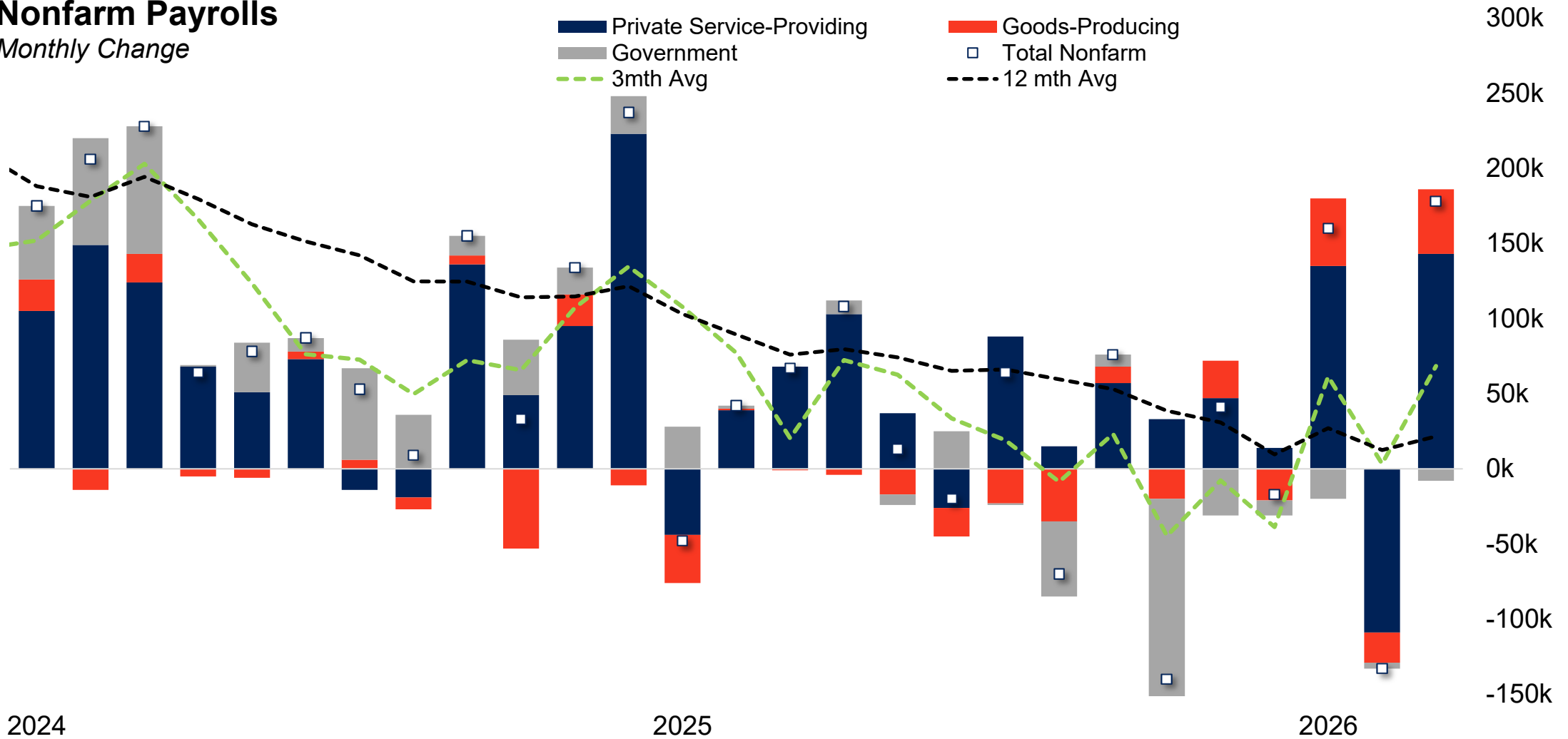


Source: Institute for Supply Management, Macrobond, FHN Financial



Payroll growth has slowed notably

Nonfarm Payrolls Monthly Change

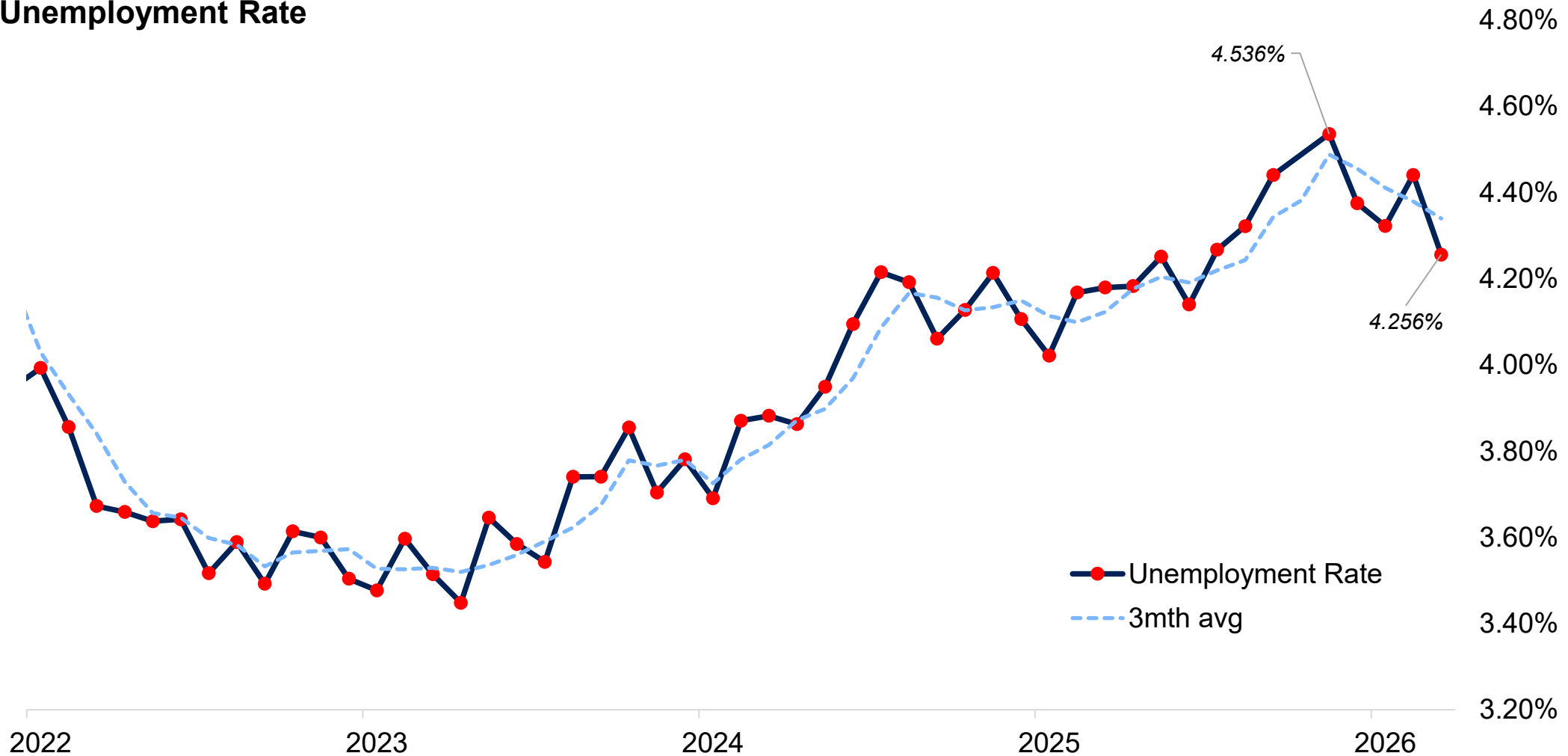


Source: Bureau of Labor Statistics, Macrobond, FHN Financial

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Unemployment rate dropping on shrinking labor force

Unemployment Rate



Note: Due to the government shutdown, October 2025 data was not reported

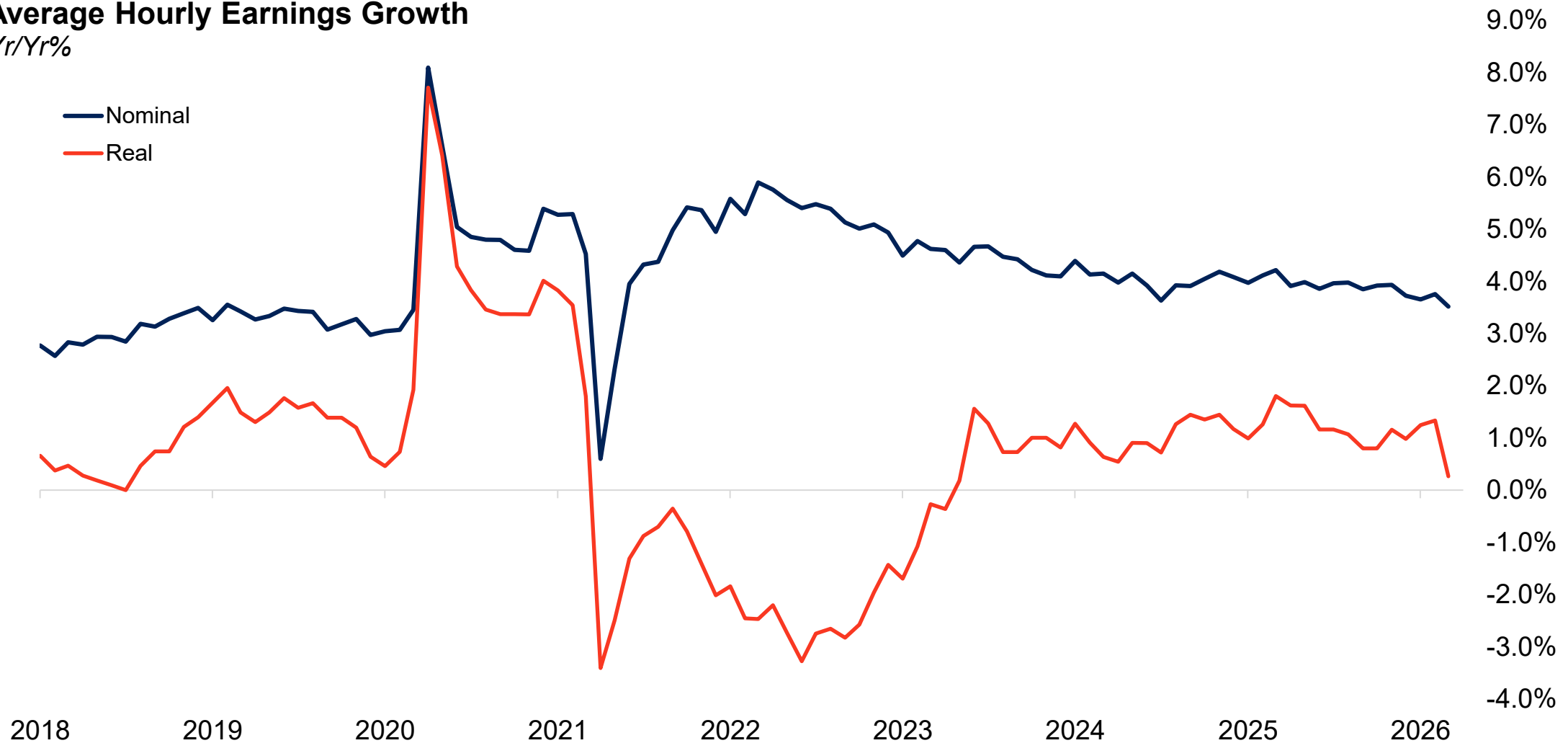
Source: Bureau of Labor Statistics, Macrobond, FHN Financial

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Earnings growth is slowing

Average Hourly Earnings Growth
Yr/Yr%

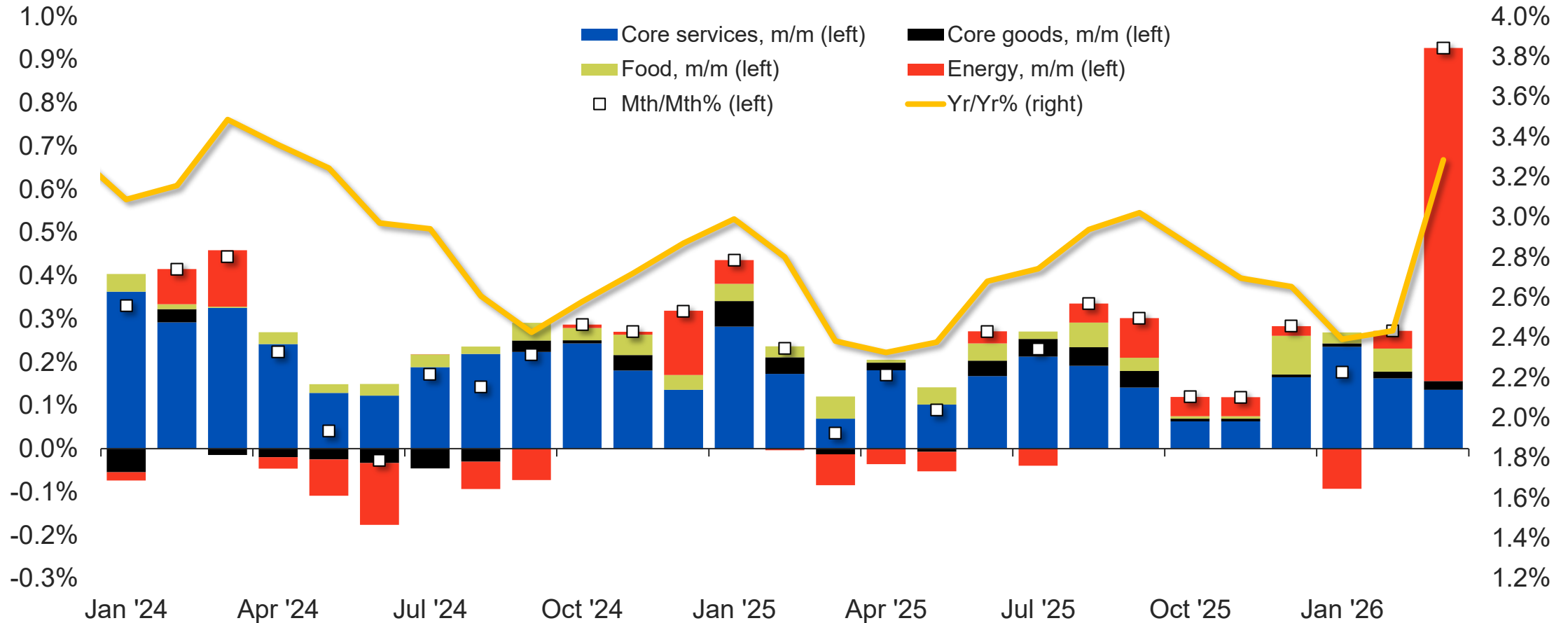


Source: Bureau of Labor Statistics, Macrobond, FHN Financial



Energy price surge sends March CPI to 3.3%

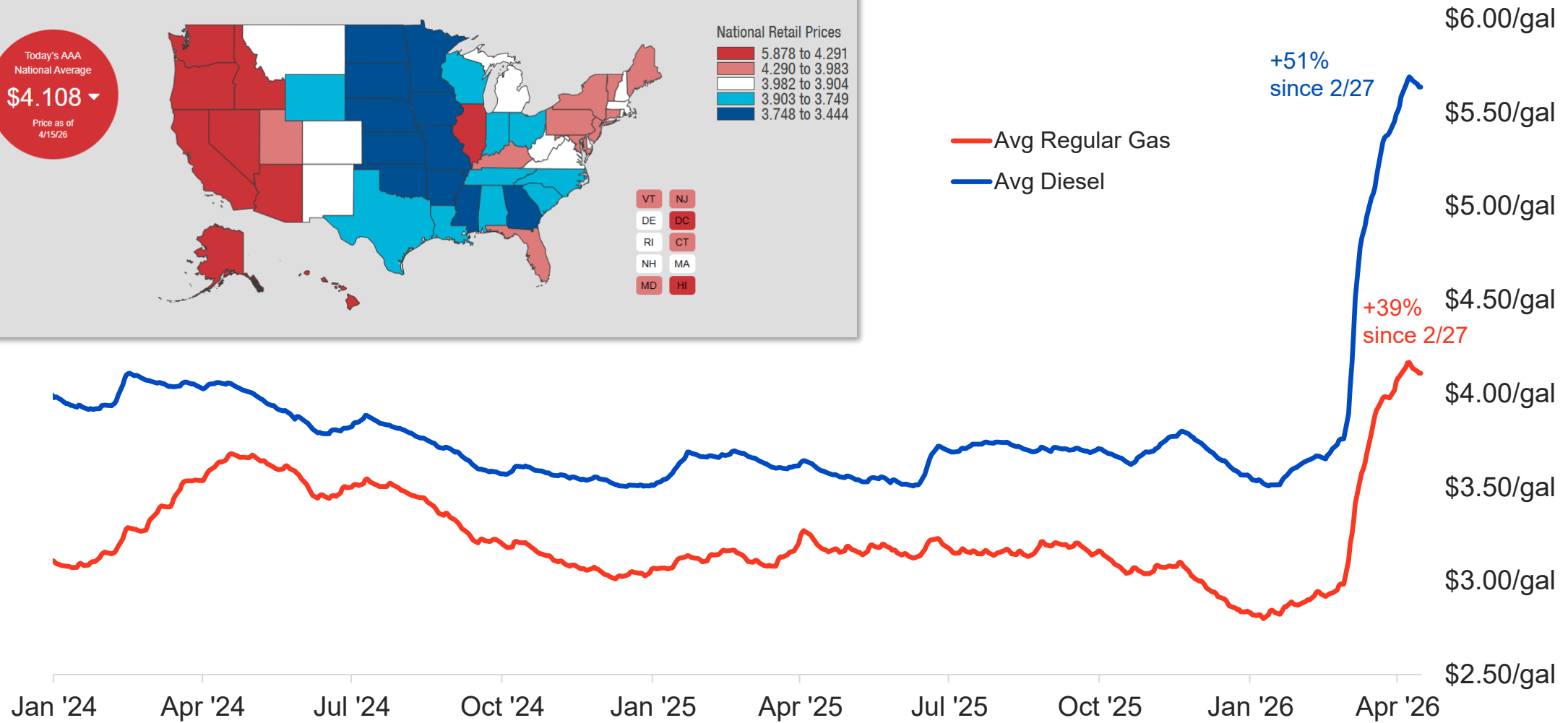
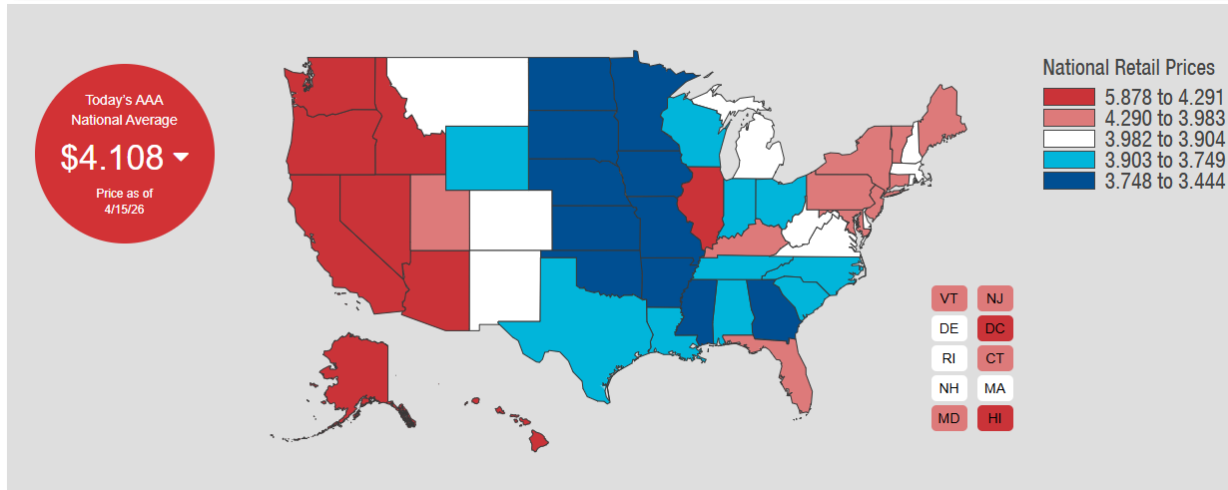
CPI Inflation Contributions



Note: Due to the government shutdown, Oct '25 CPI index levels were not reported. We calculated monthly changes using Sept & Nov indices and distributing two-month changes equally between Oct & Nov.

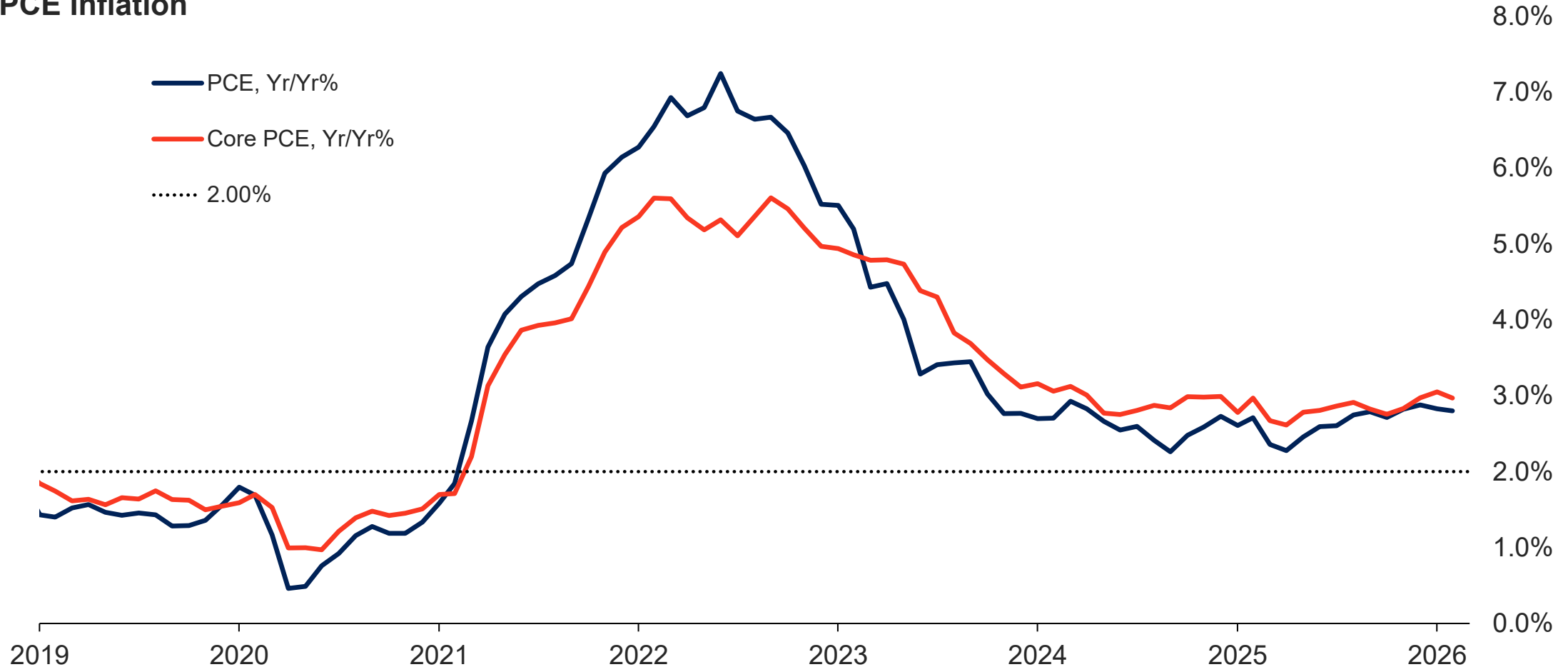
Source: Bureau of Labor Statistics, Macrobond, FHN Financial

Rising gas prices exacerbate “K-shaped” economy



Fed was waiting for inflation to fall even before the war

PCE Inflation

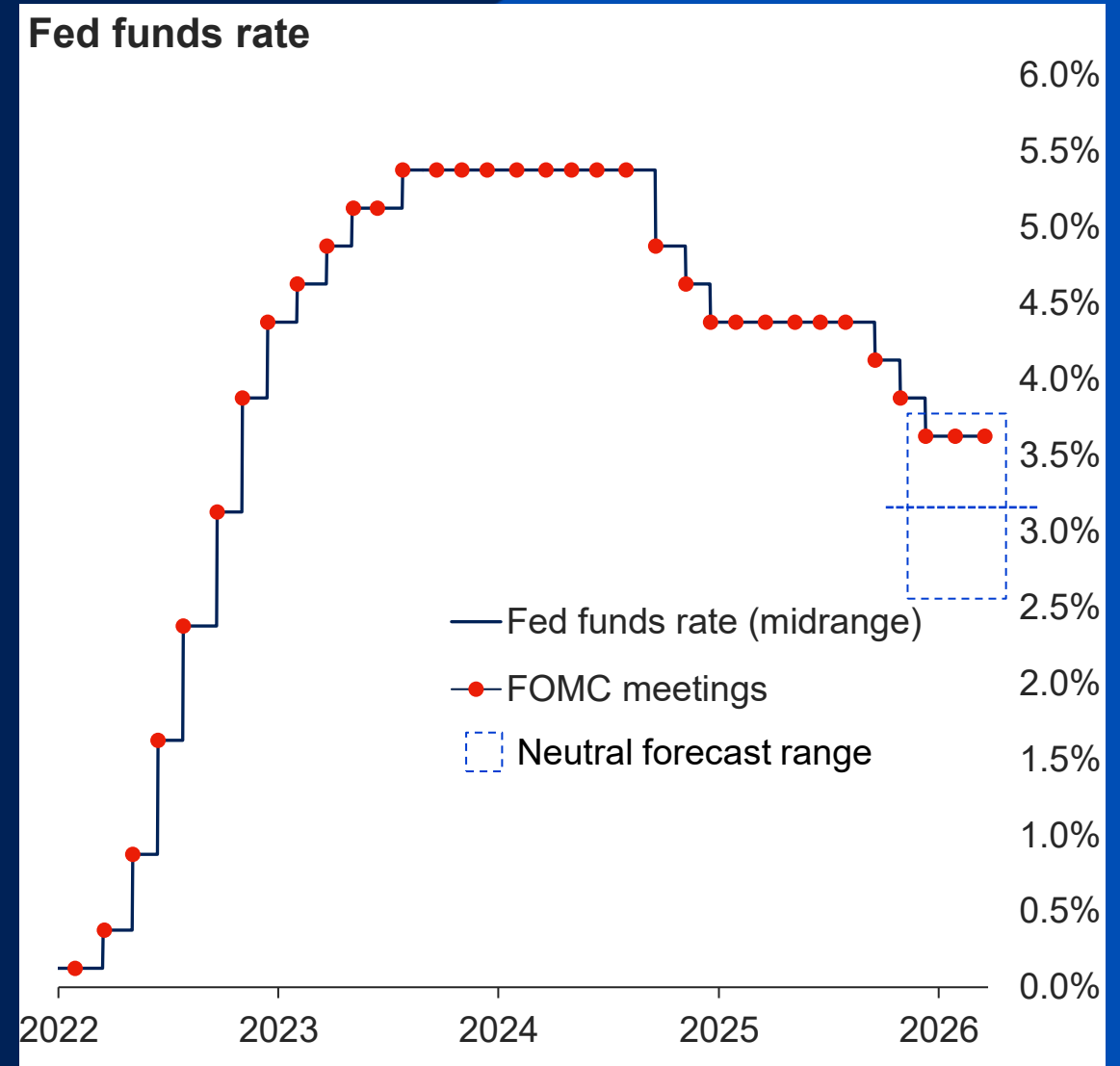


Source: Bureau of Labor Statistics, Bureau of Economic Analysis, FHN Financial



Fed further sidelined by new uncertainties

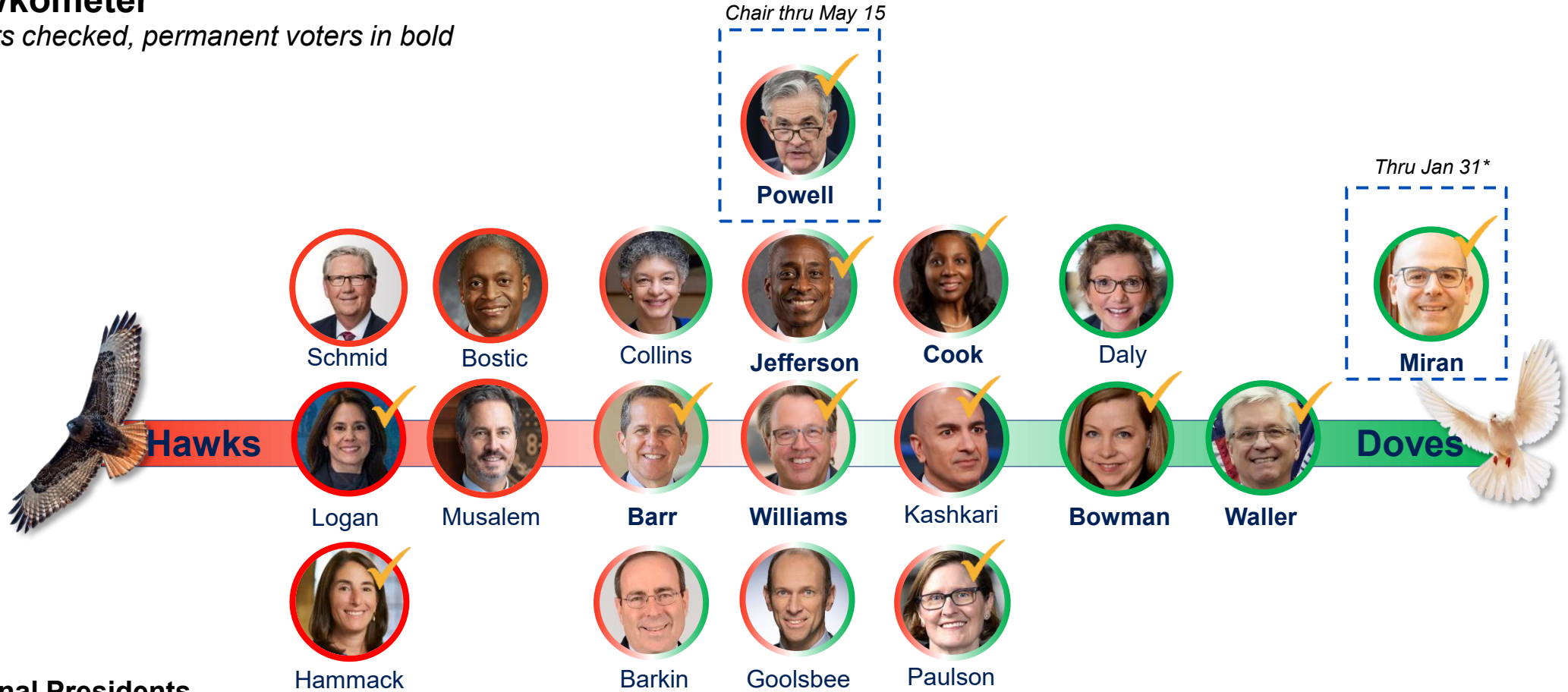
- The Fed was already firmly on hold, even before recent events added more uncertainty around the outlook, notably to inflation.
- FOMC is committed to no further cuts until inflation falls. The Fed tends to look through energy price shocks, as long as long-run inflation expectations remain anchored.
- The longer oil prices remain high, the higher the likelihood they will pass through to core inflation.



2026 FOMC as of April

Hawkometer

Voters checked, permanent voters in bold



Regional Presidents

✓ 2026 Voter

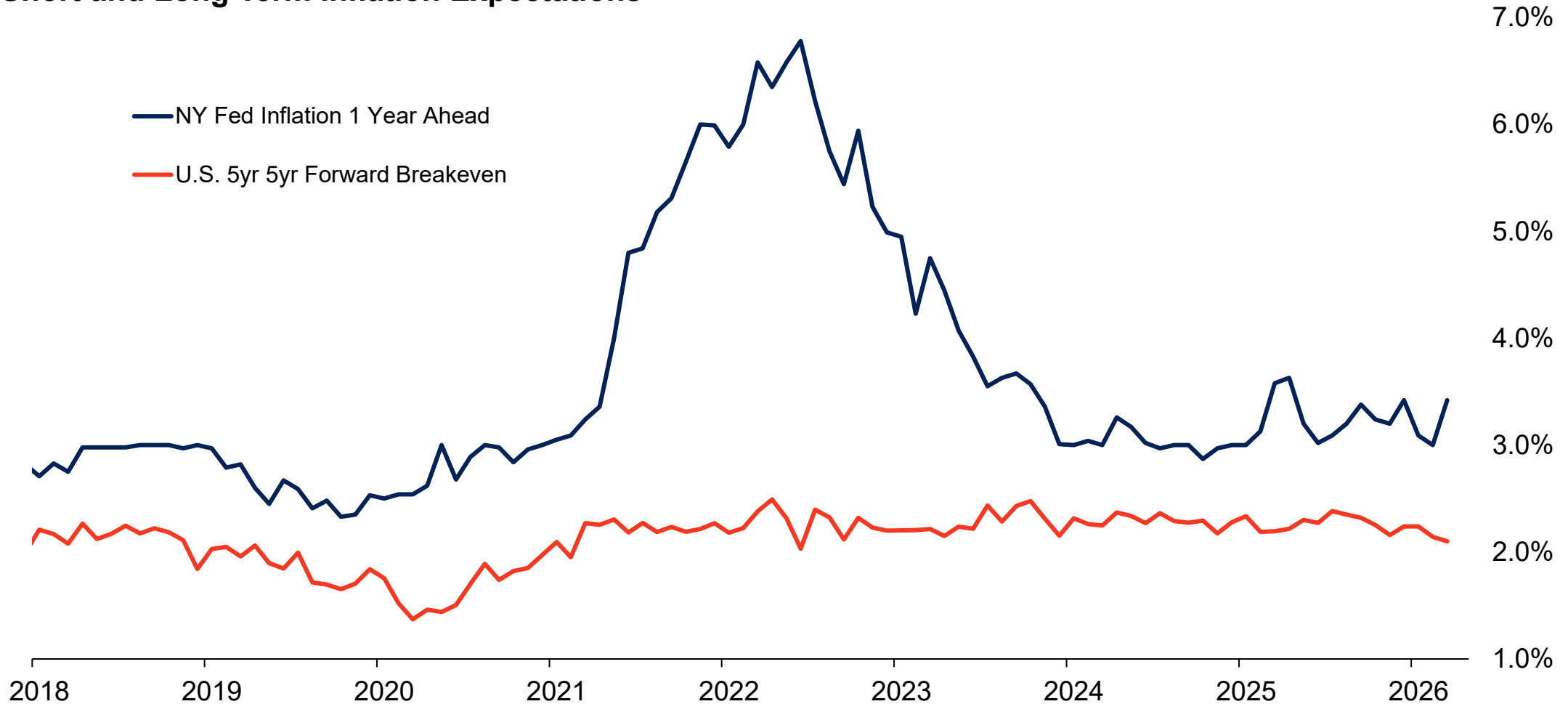


Source: Federal Reserve, FHN Financial

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Short- and long-term inflation expectations

Short and Long Term Inflation Expectations



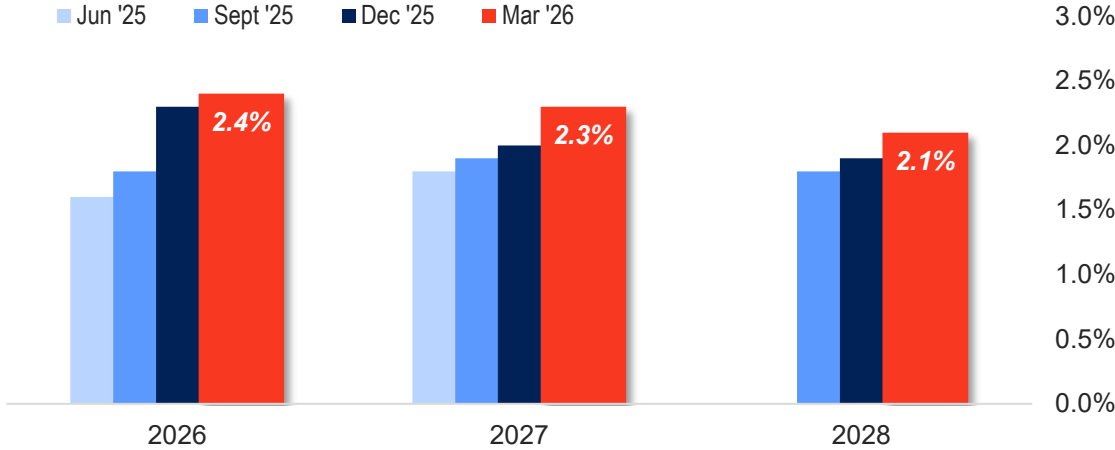
Source: Federal Reserve Bank of New York, Bloomberg, FHN Financial



Slow inflation progress projected this year

Evolution of median participants' projections: Real GDP

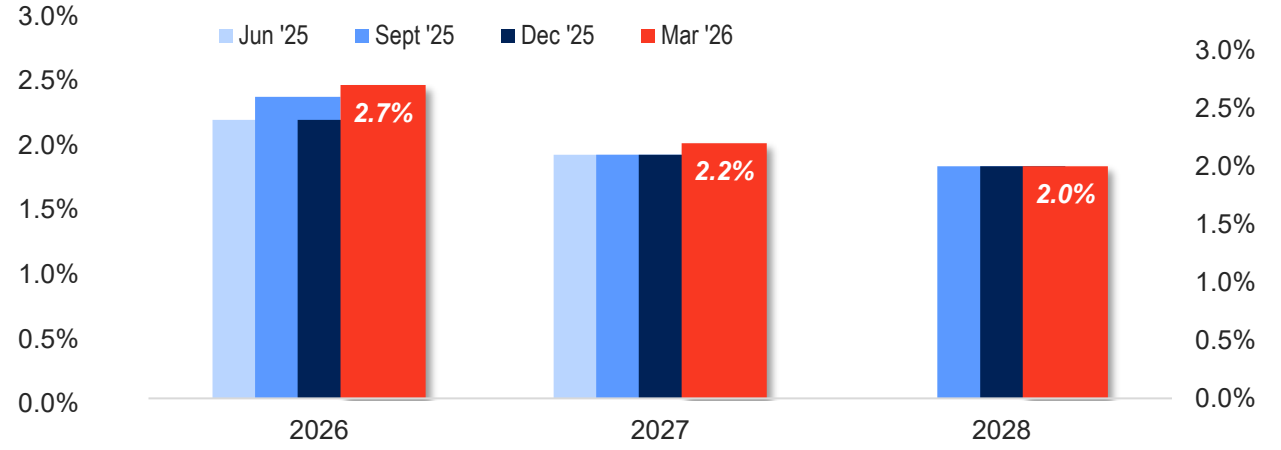
Jun '25 Sept '25 Dec '25 Mar '26



Note: Projections for change in real GDP are 4Q/4Q%

Evolution of median participants' projections: PCE

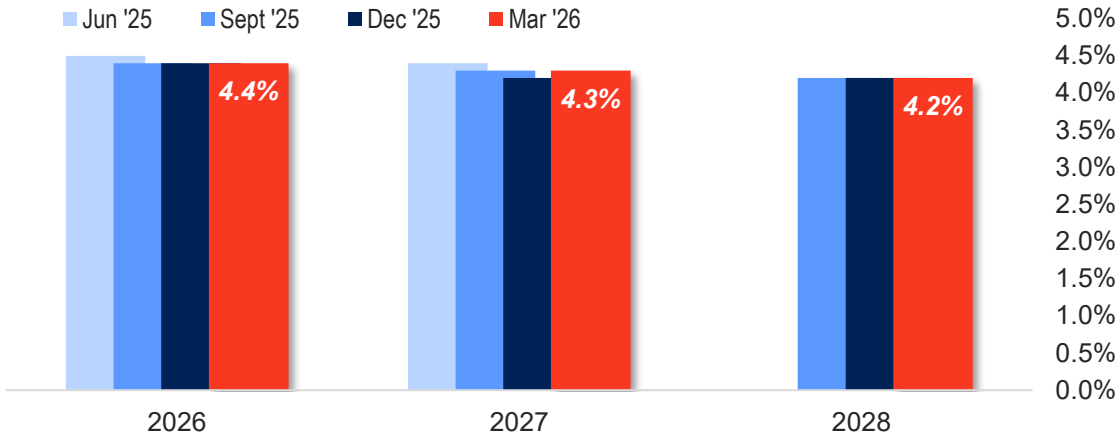
Jun '25 Sept '25 Dec '25 Mar '26



Note: Projections for change in PCE are 4Q/4Q%

Evolution of median participants' projections: Unemployment Rate

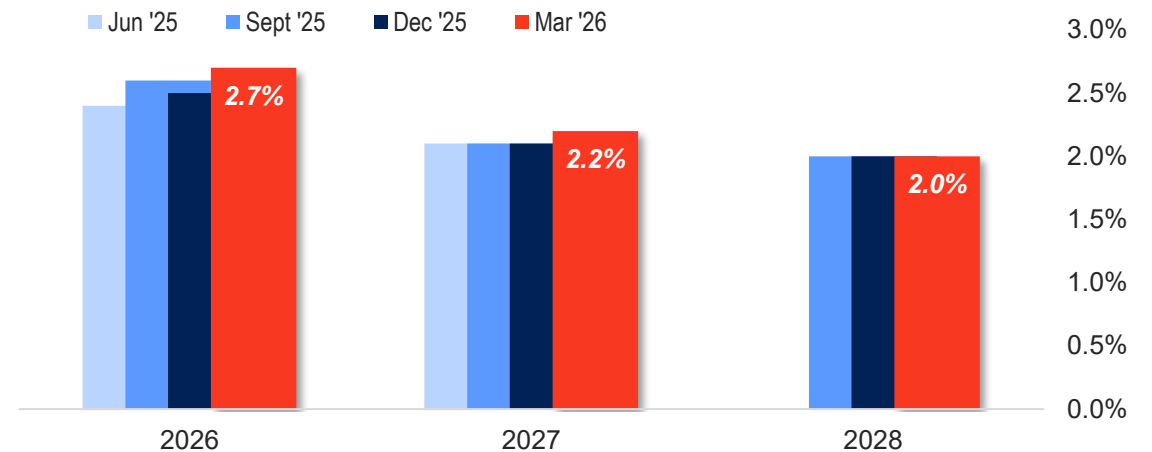
Jun '25 Sept '25 Dec '25 Mar '26



Note: Projections for unemployment rate are 4Q average.

Evolution of median participants' projections: Core PCE

Jun '25 Sept '25 Dec '25 Mar '26



Note: Projections for change in core PCE are 4Q/4Q%

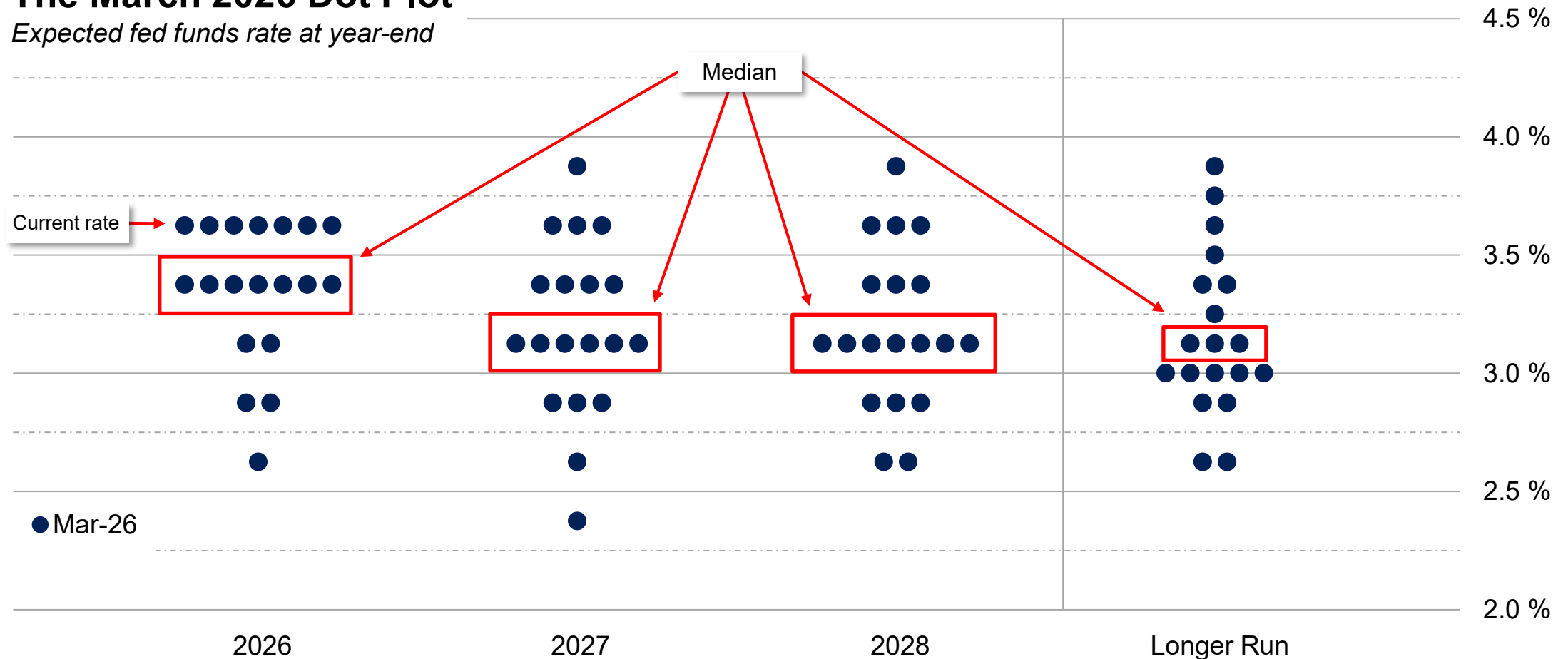


Source: Federal Reserve, FHN Financial

Medians didn't move, but the dots did

The March 2026 Dot Plot

Expected fed funds rate at year-end



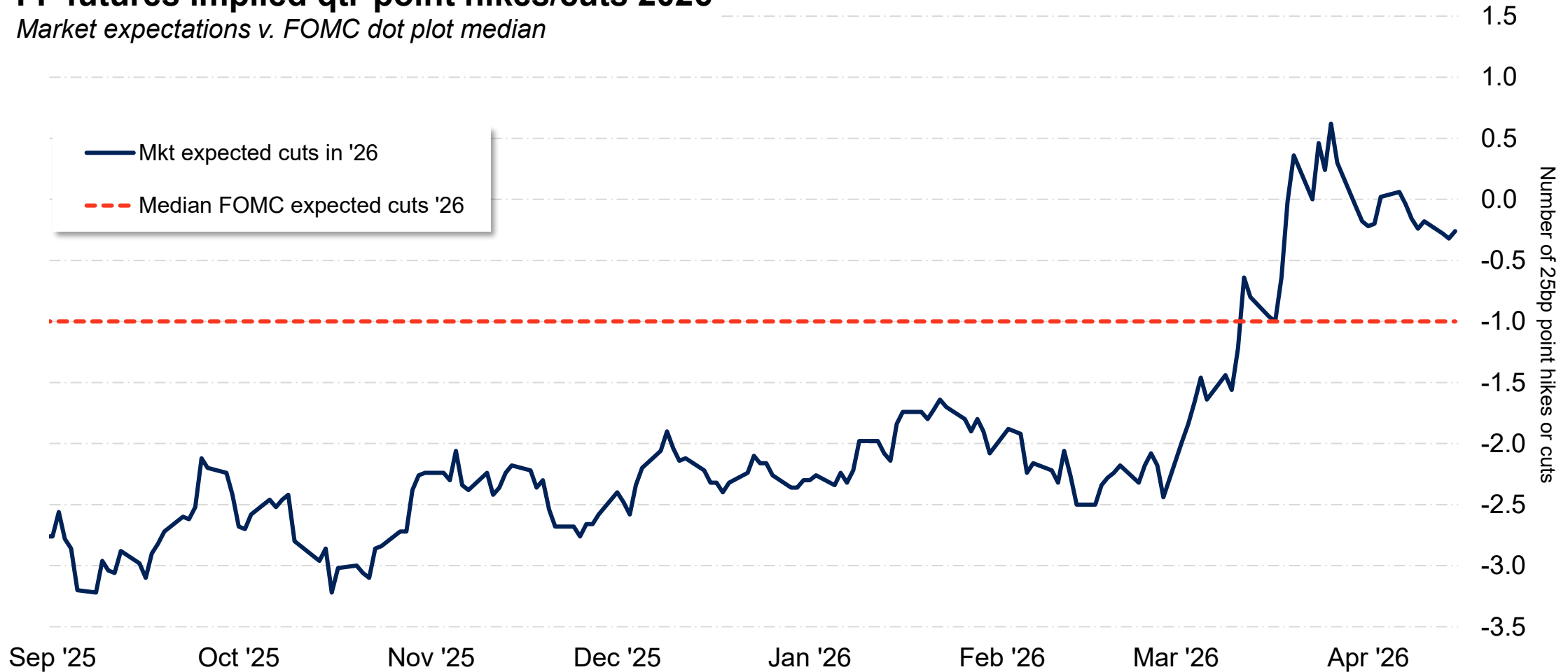
Note: Each dot represents the expectations of one FOMC member. Median projection 3.375% for 2026, 3.125% for 2027, and 3.125% for 2028. The longer run median is 3.125%.



Market ff expectations have changed a lot

FF futures implied qtr-point hikes/cuts 2026

Market expectations v. FOMC dot plot median

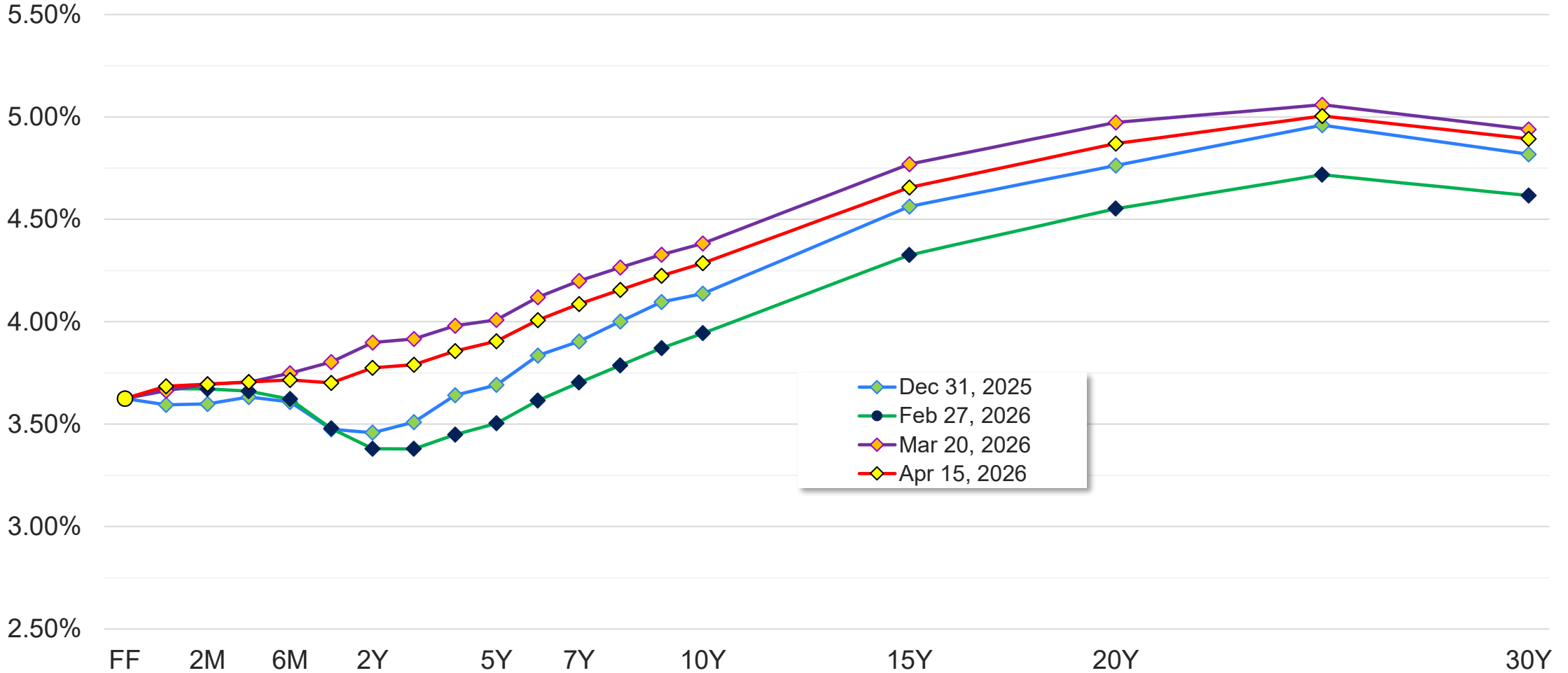


Source: Federal Reserve, Bloomberg, FHN Financial

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Yield Curve

The Treasury yield curve



Source: Bloomberg, FHN Financial

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Uncertainty brings back wait-and-see

- Iran war creates downside risk for growth and upside risk for inflation globally. In the US, the upside risk for inflation is greater than the downside risk to growth (for now). Next steps in peace process critical for outlook.
- “No hire” labor market is undermining affordability.
- Inflation was already too high for the Fed at 3.0% core PCE. War could lift it closer to 4.0%.
- Fed is sidelined as it waits to see economic impacts from war. Fed will look through energy price spike, but only to a certain extent. Rate cuts are unlikely this year, but possible in 2027.



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Q & A



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Please reach out to your banker with any questions or to set up a meeting with our Economist.

A recording of this event will be forwarded next week.

Next virtual event: Q3 Economic Update on July 23.

Thank you.