



Partnership at Work®

You've Got Questions...

Genesis Client Forum

April 15, 2026



The Questions That Will Shape 2026

- Is the US in a fiscal crisis?
- Are we in an A/I bubble and is it about to pop?
- Is the trade war over and if so, who won?
- Will the Federal Reserve stay independent and what should we expect from them?
- Will the ceasefire in Iran hold and how long will the conflict last?
- What does this mean for capital markets?

The image features a white background with two large, overlapping, wavy shapes. The shape on the left is a dark blue curve that starts at the bottom left and rises towards the center. The shape on the right is a green curve that starts at the center and rises towards the top right. The two shapes meet at a point in the middle of the frame.

Is the US in a fiscal crisis?

What Does a Fiscal Crisis Look Like?

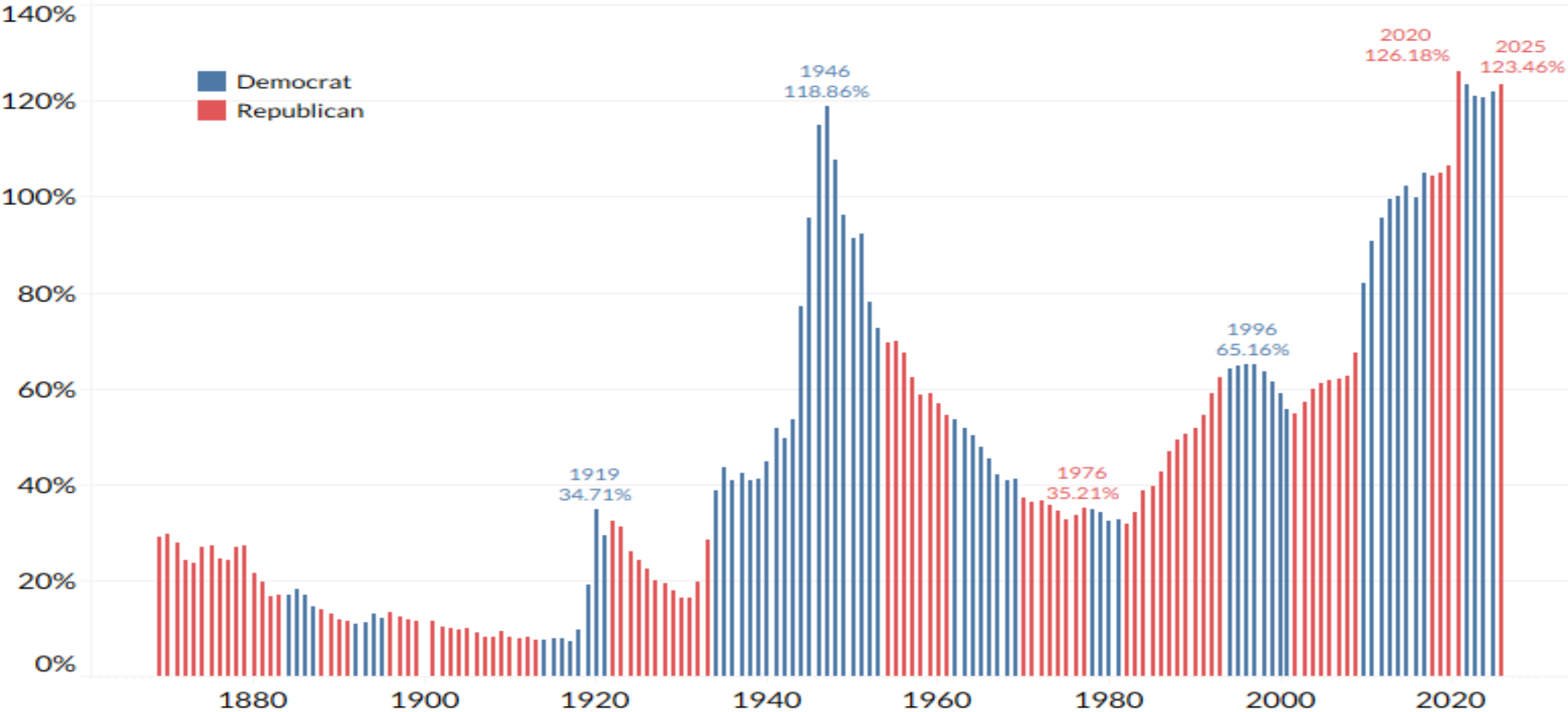
Classic Form

- Vulnerable Debt Composition - Term, Denomination, Holders
- Capital Flight and Capital Controls
- Currency Weakness and Hyperinflation – Argentina/Greece Style
- Payment default
- IMF Bailout / Currency Conversion / Debt Haircuts

Milder Form

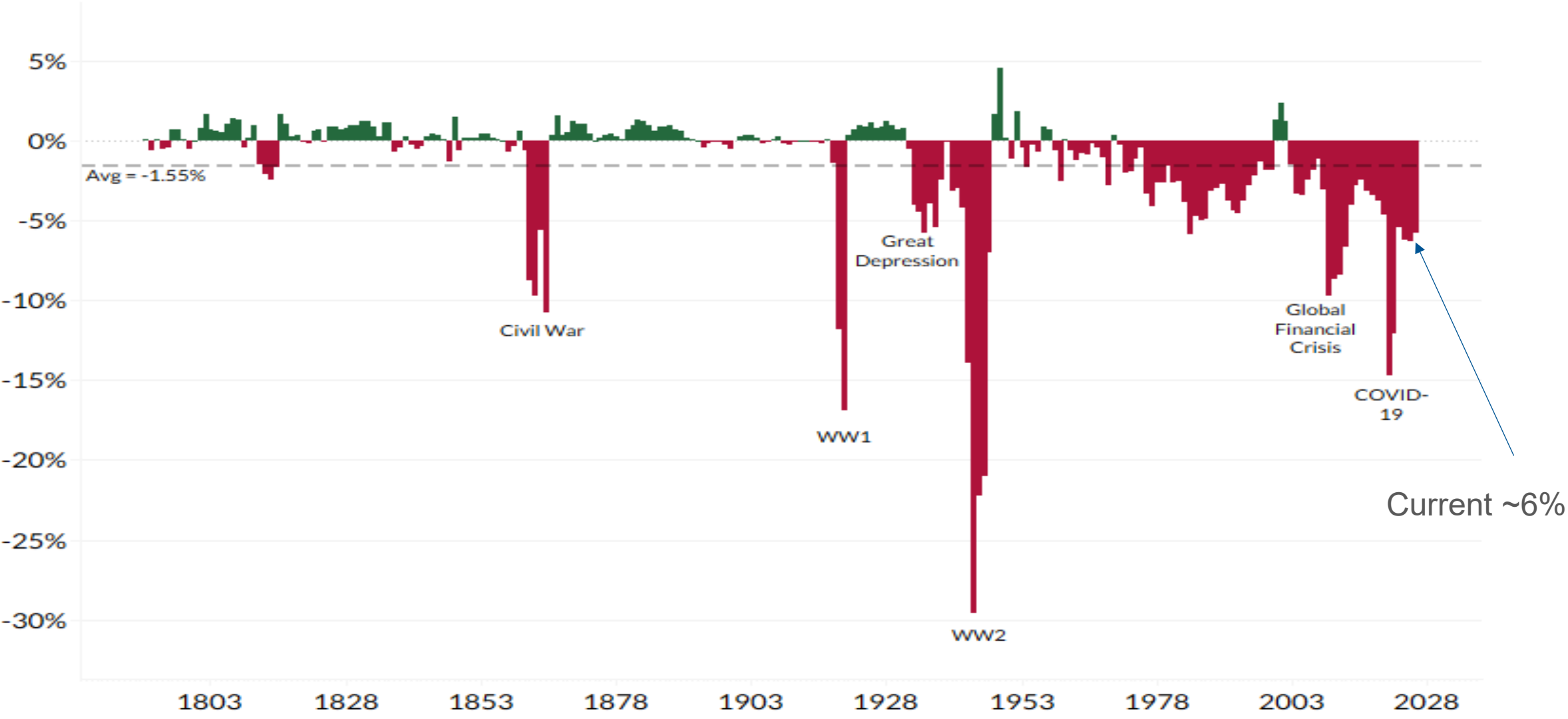
- High levels of Debt to GDP and Poor Debt Dynamics
- Loss of Fiscal Credibility
- Credit Downgrade
- Typical Options: Austerity, Reform, Inflation, Financial Suppression / Quantitative Easing
- Interest Rate “spikes”

Total Federal Debt to GDP by Political Party



Source: Office of Management and Budget, Bianco Research

US Budget Deficit/Surplus - % of GDP



Source: Office of Management and Budget, Bianco Research

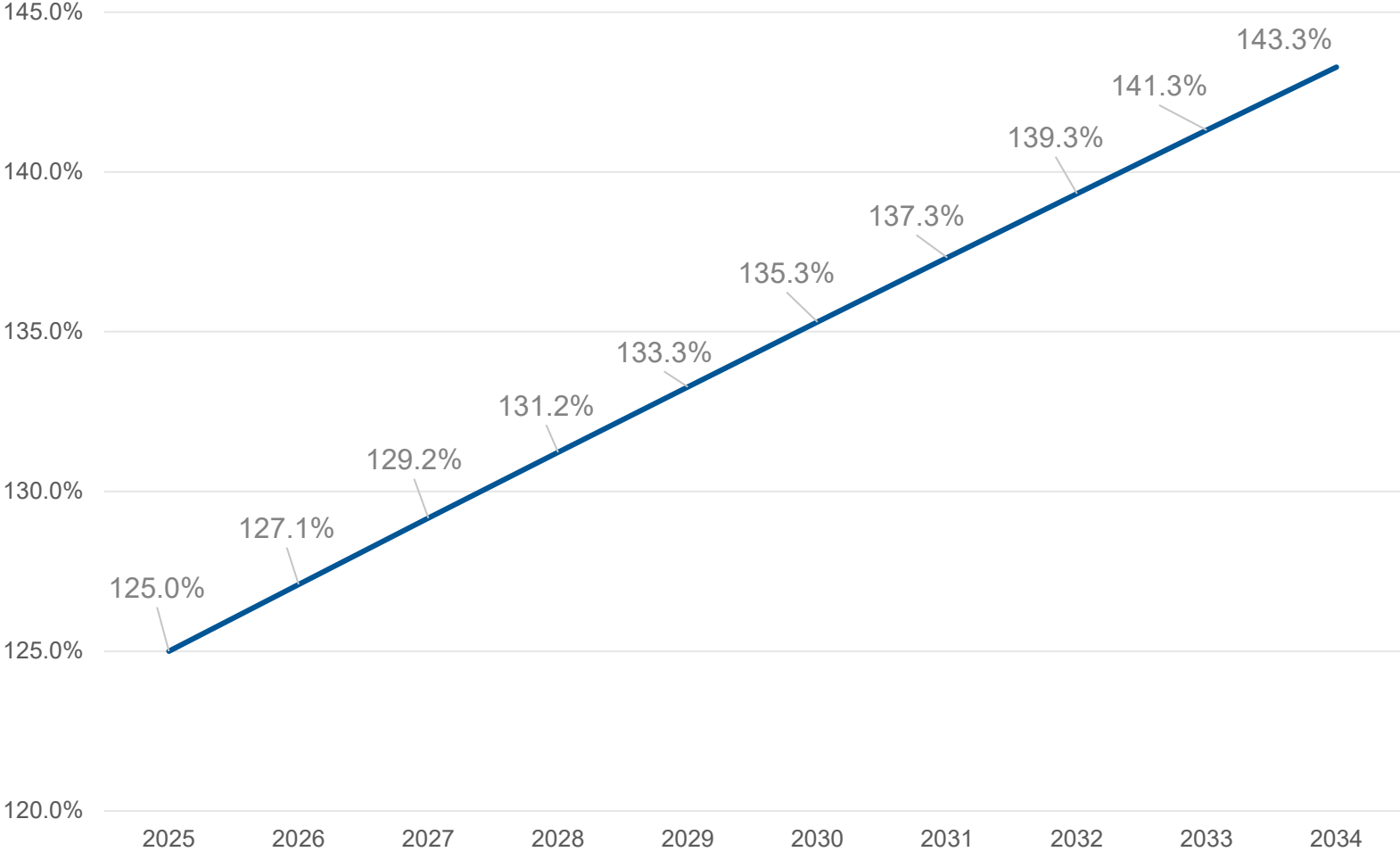
CBO Budget Forecast



	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>
Baseline Primary Deficit	-\$804	-\$703	-\$612	-\$630	-\$807	-\$812
<u>OBBBA Tax Plan</u>	<u>-\$131</u>	<u>-\$486</u>	<u>-\$601</u>	<u>-\$552</u>	<u>-\$488</u>	<u>-\$431</u>
Primary Deficit	-\$935	-\$1,189	-\$1,213	-\$1,182	-\$1,295	-\$1,243
Primary Deficit % of GDP	-2.7%	-2.9%	-2.8%	-2.6%	-2.8%	-2.5%
Net Interest Costs	-\$970	-\$998	-\$1,048	-\$1,134	-\$1,215	-\$1,294
Total Budget Deficit	-\$1,905	-\$2,187	-\$2,261	-\$2,316	-\$2,510	-\$2,537
Total Budget Deficit % of GDP	-5.9%	-6.0%	-6.0%	-5.9%	-6.2%	-6.0%

Source: CBO, NEAM Analytics. Core assumptions are RGDP growth of ~1.9% and interest rates of ~4.0%

US Debt to GDP Forecast



Assumptions:

Nominal GDP Growth = 4.5%

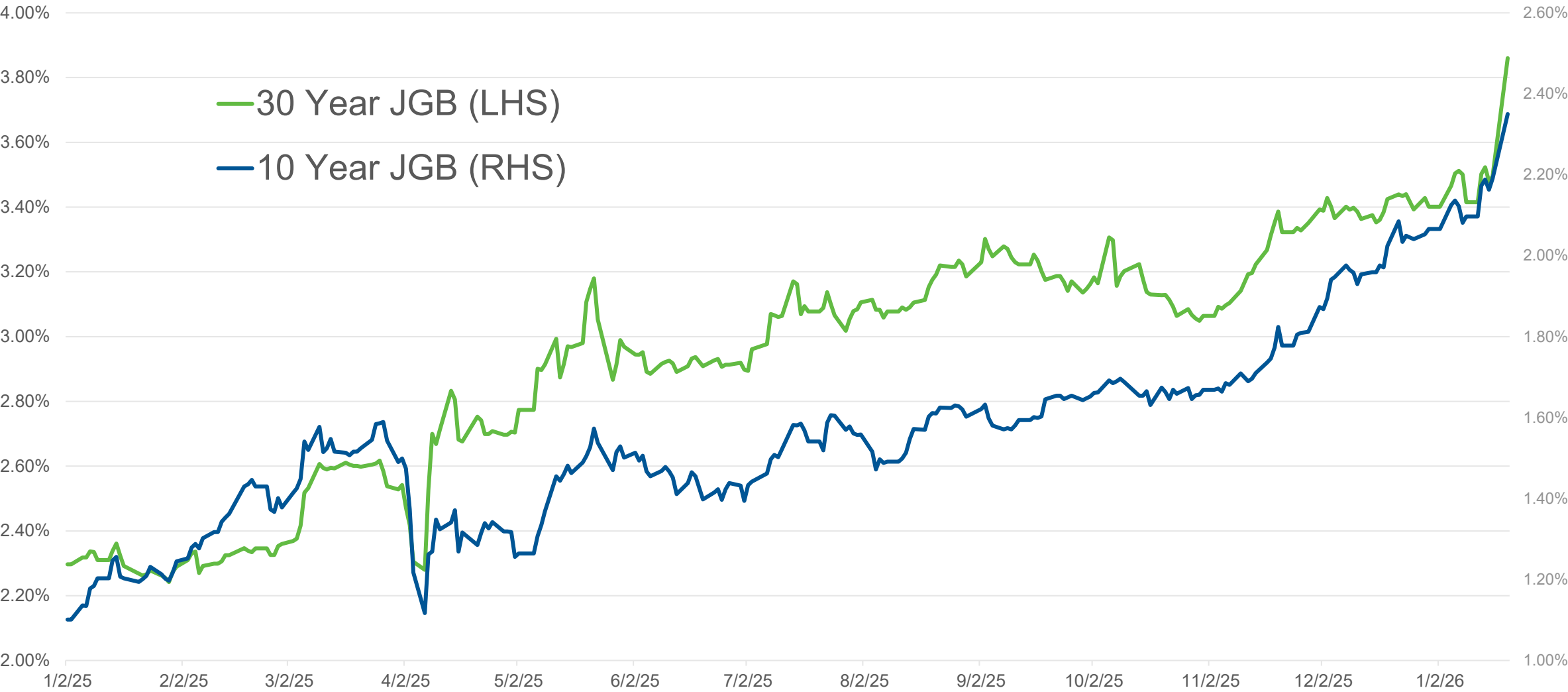
Effective Interest Rate = 3.75%

Primary Balance = (3.0%)

Interest Rate to Stabilize Debt	2.25%
Growth Rate to Stabilize Debt	6.25%

Source: CBO, NEAM Analytics

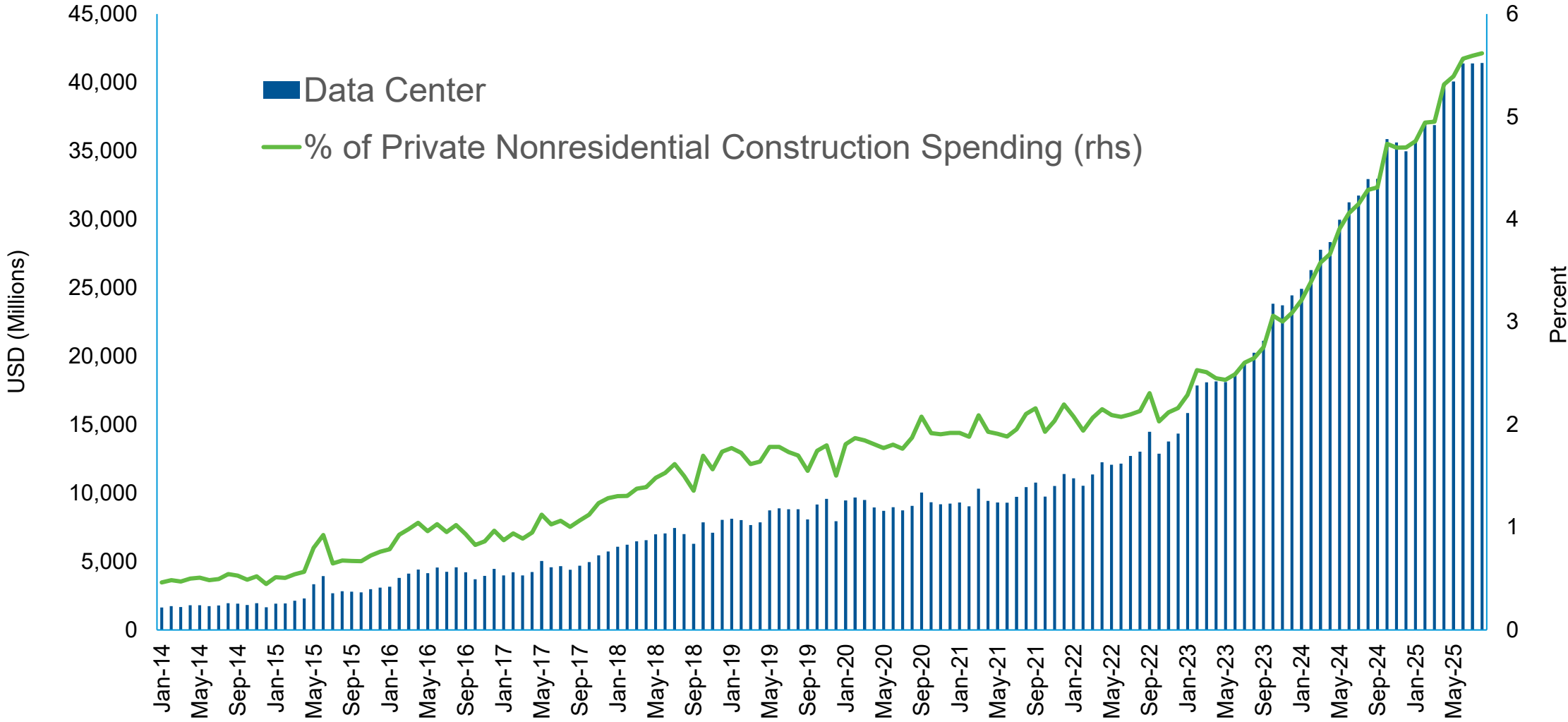
Bond Market Riot Example - Japan



A decorative graphic consisting of two overlapping, wavy, curved shapes. The left shape is dark blue and tapers to a point on the right. The right shape is green and starts from the point where the blue shape ends, extending to the right edge of the frame. The text is centered within the green shape.

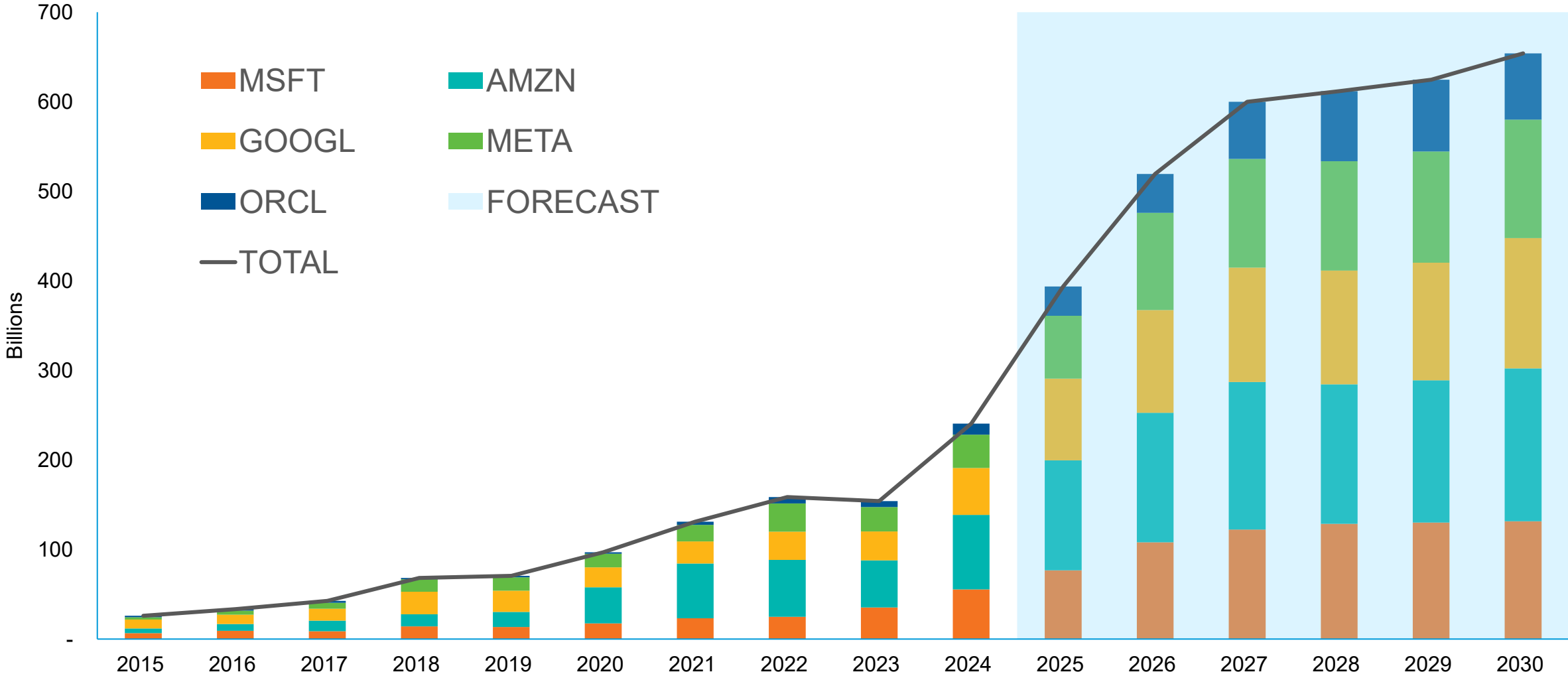
**Are we in an AI bubble
and is it about to pop?**

Data Center Construction Spending



Source: Census Bureau, Haver Analytics

Hyperscaler Capex



Source: Company Annual Reports, Bloomberg, NEAM Analytics

Hyperion Data Center – Richland Parish, LA



80% / 20% Ownership by
Blue Owl and Meta

\$30 billion facility

\$27 billion private debt
financing

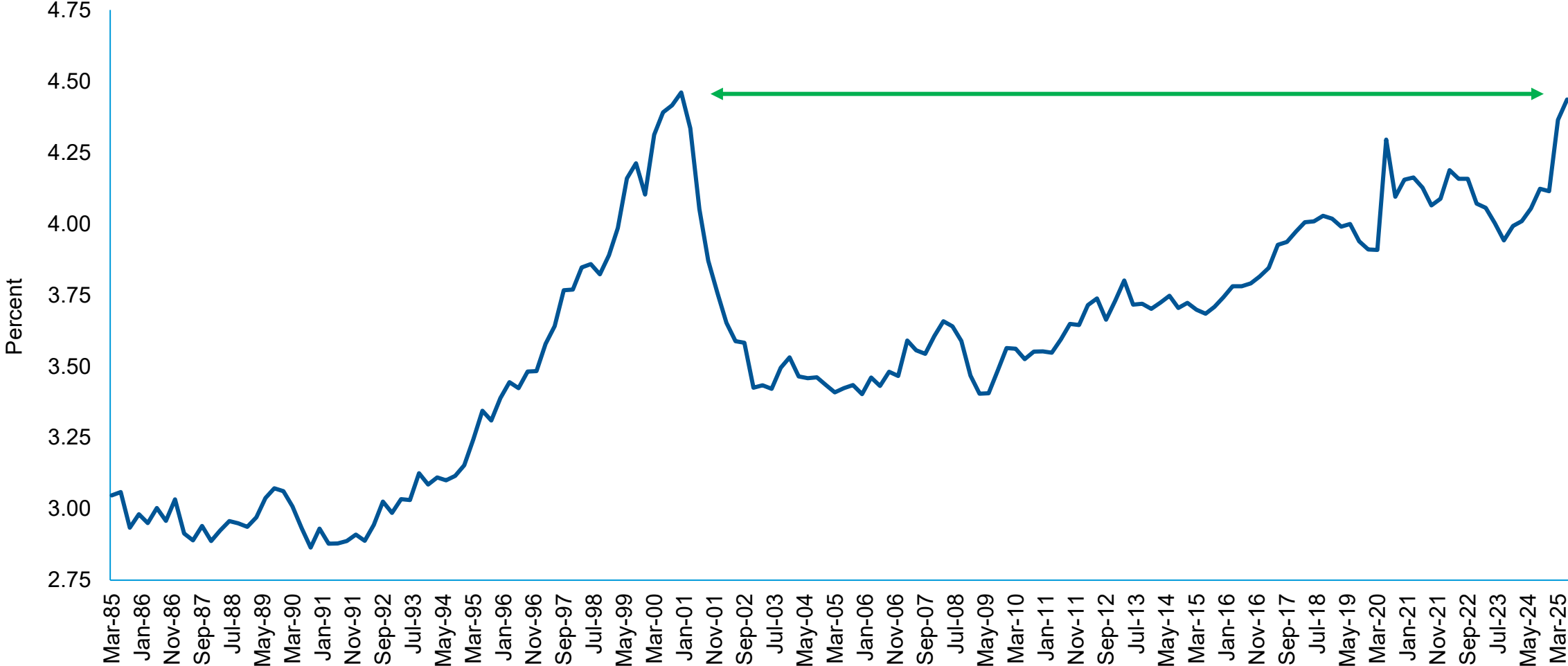
Ultimate capacity of 5 GW

~5 Nuclear Power Plants

Disquieting Similarities to History



Investment in Information Processing & Software - % of GDP

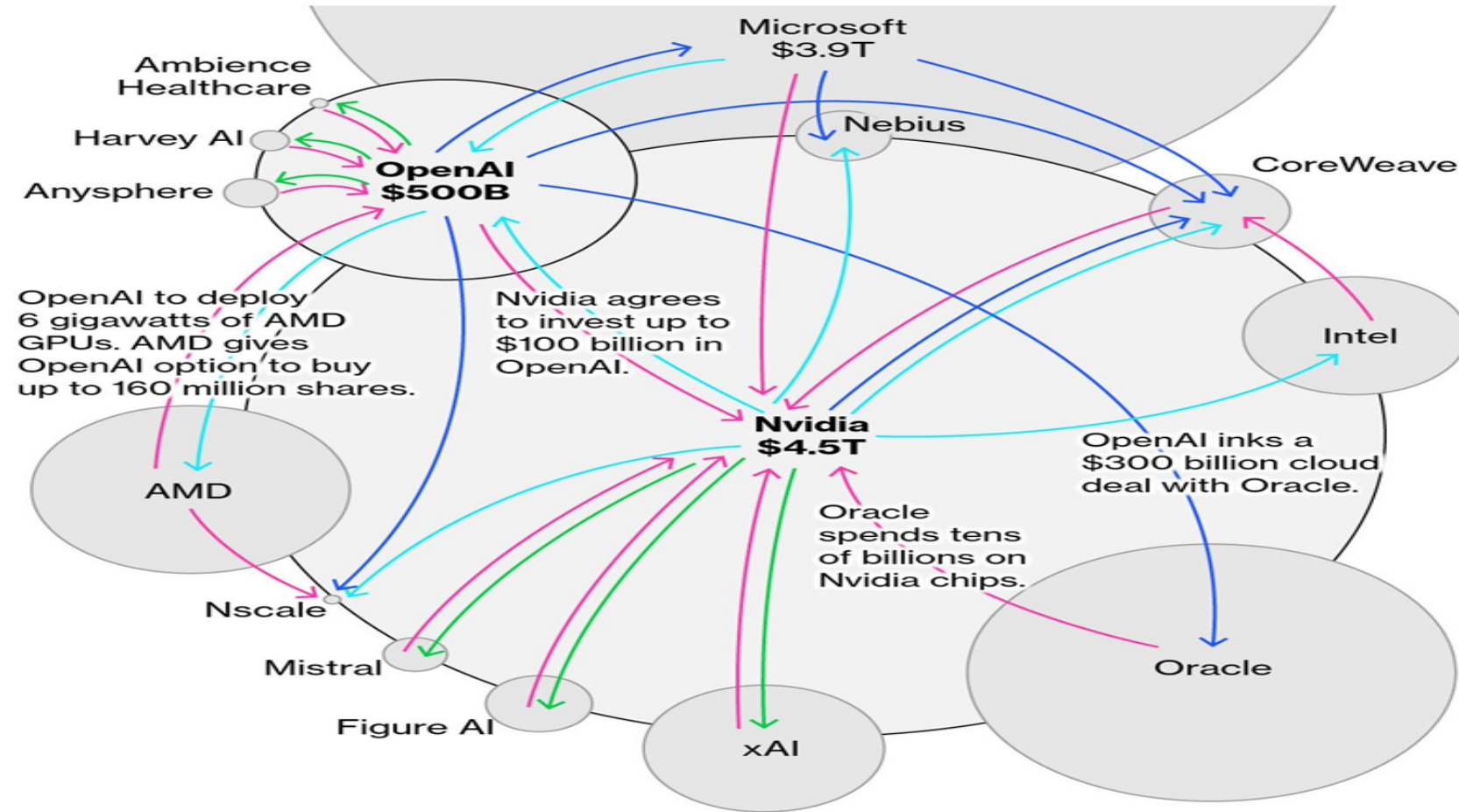


Source: Barclays. Seasonally adjusted annual rate. AI related investments include software, computers and peripherals and data centers

Disquieting Similarities to History - Complex, Interdependent Ecosystem

How Nvidia and OpenAI Fuel the AI Money Machine

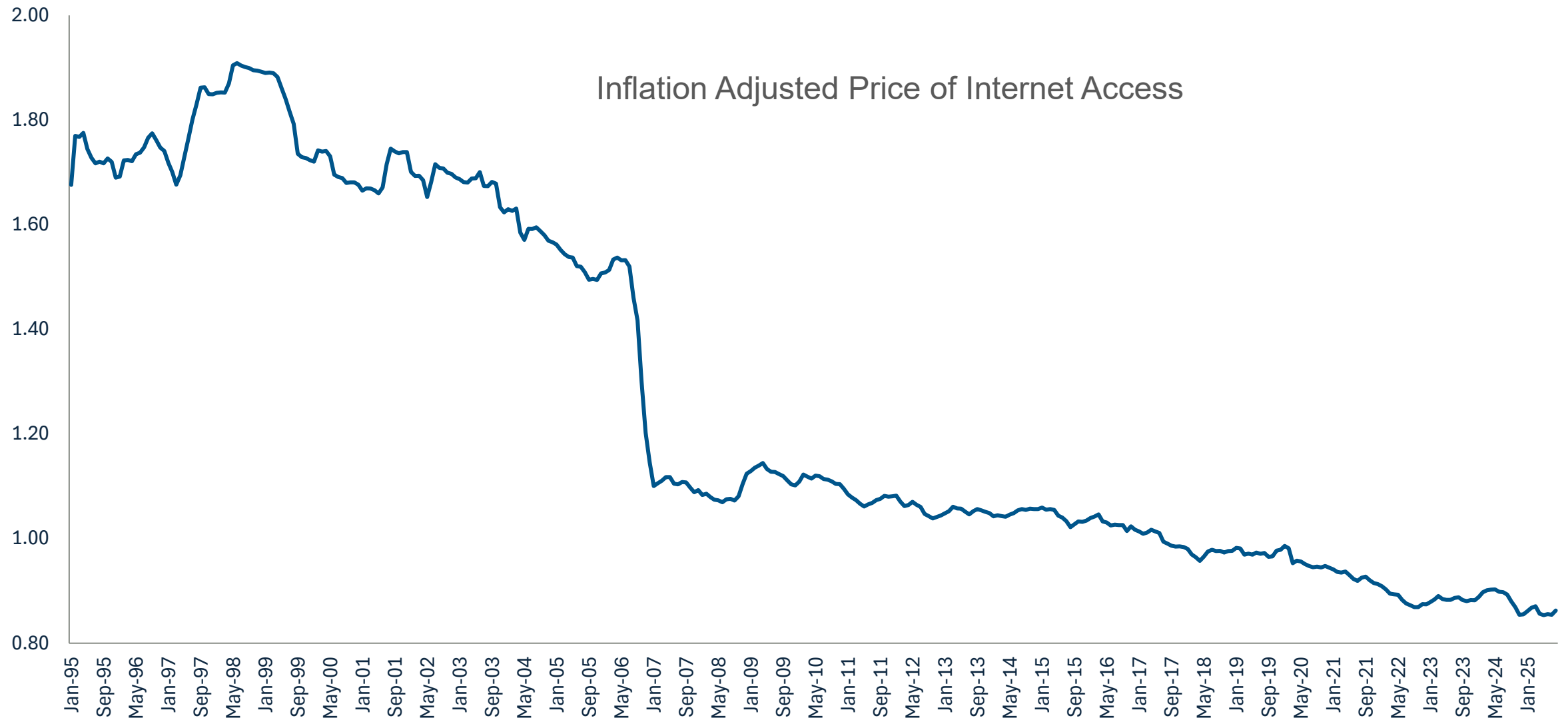
Hardware or Software Investment Services Venture Capital
Circles sized by market value



Complex, Interdependent Ecosystem

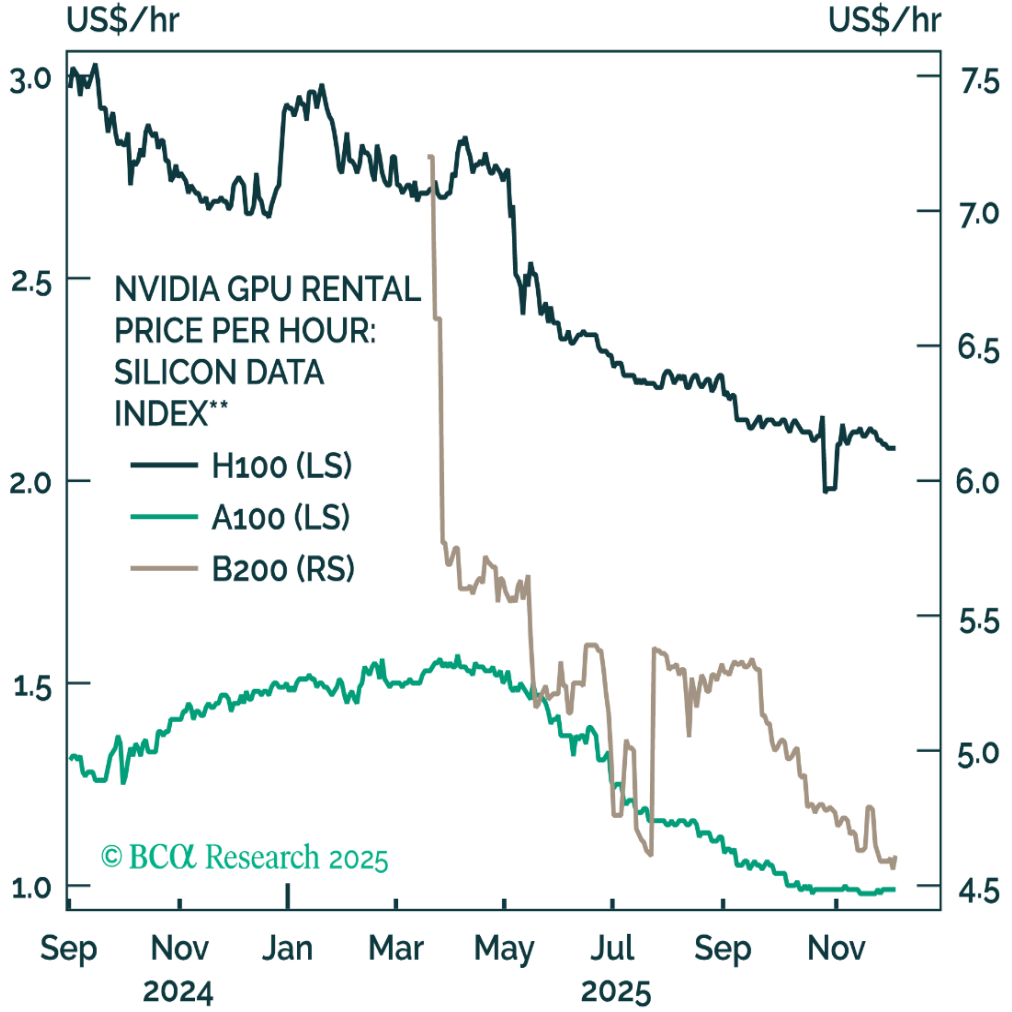
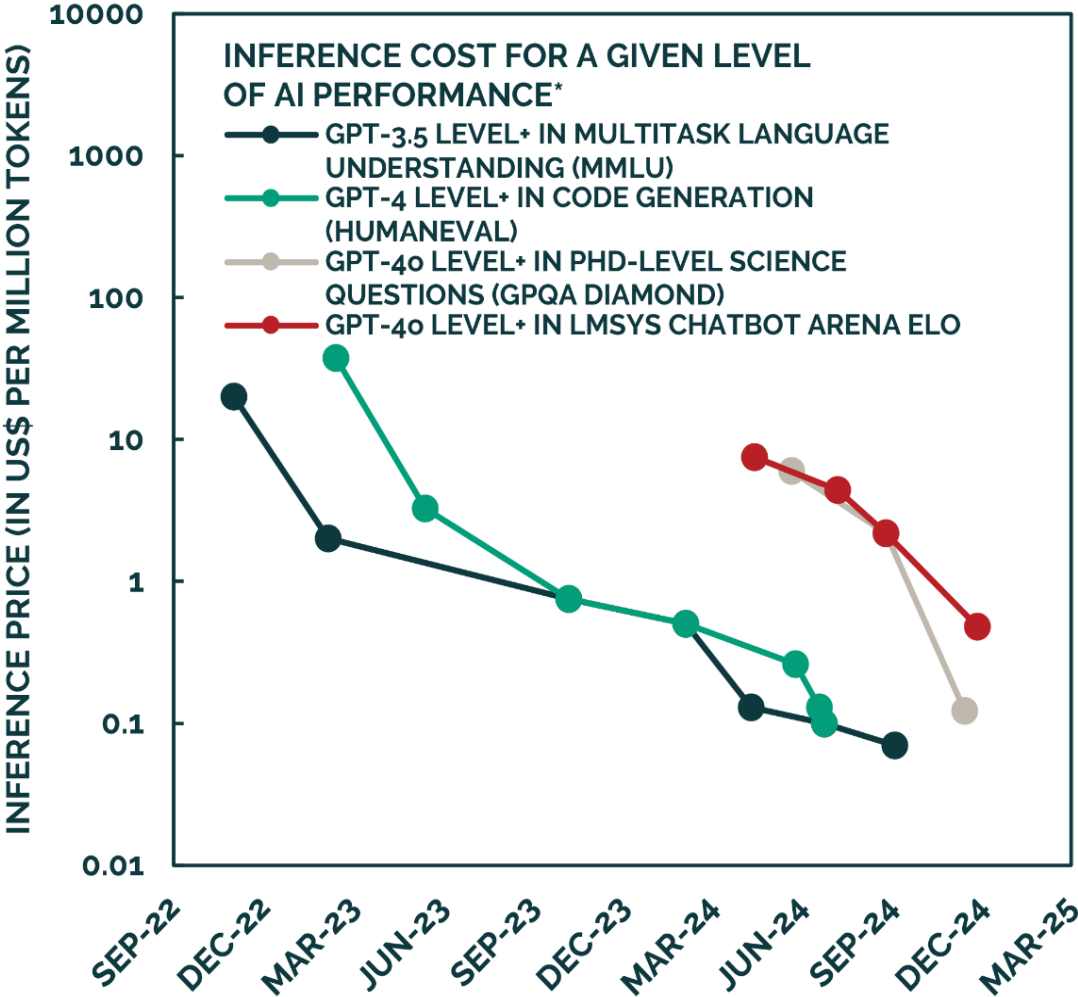


Disquieting Similarities to History – Price Declines



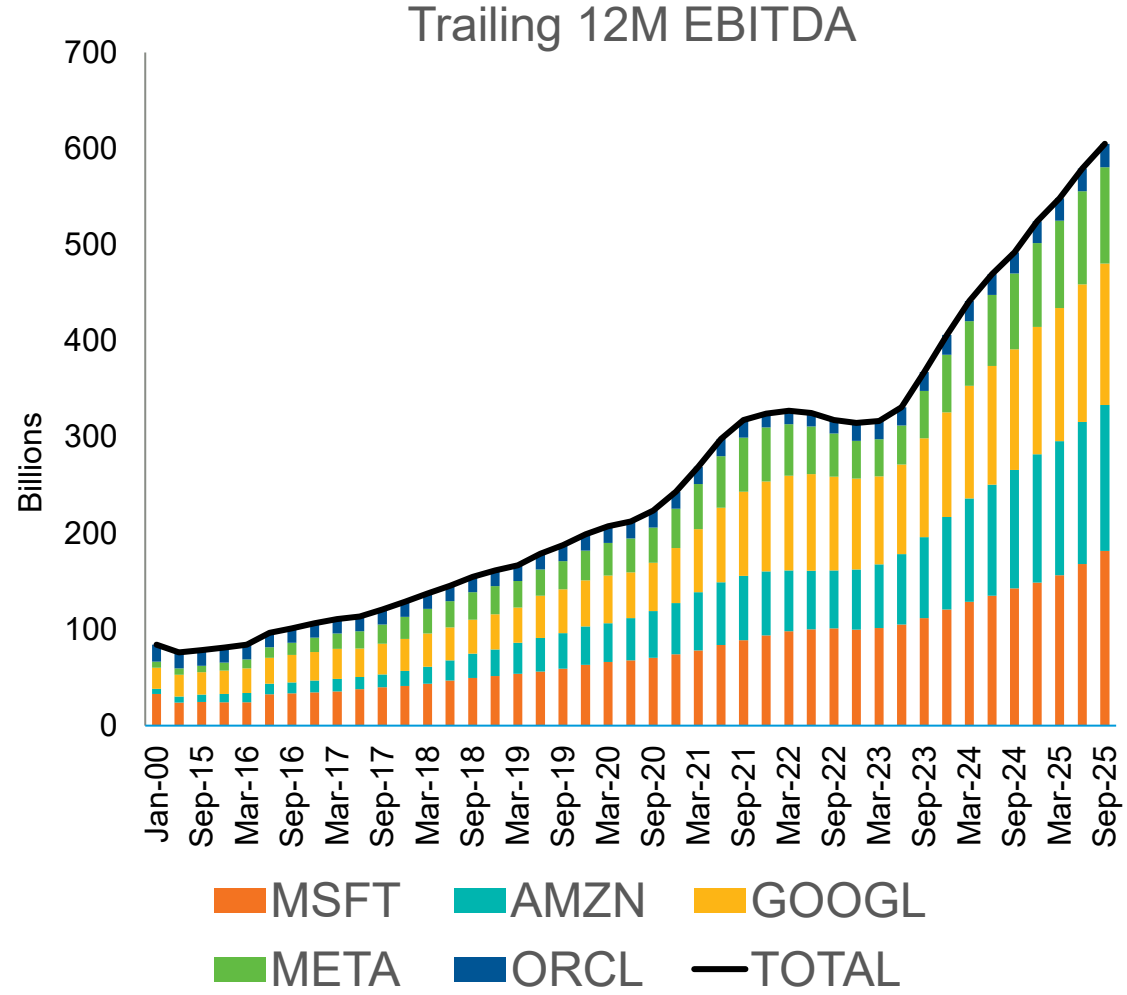
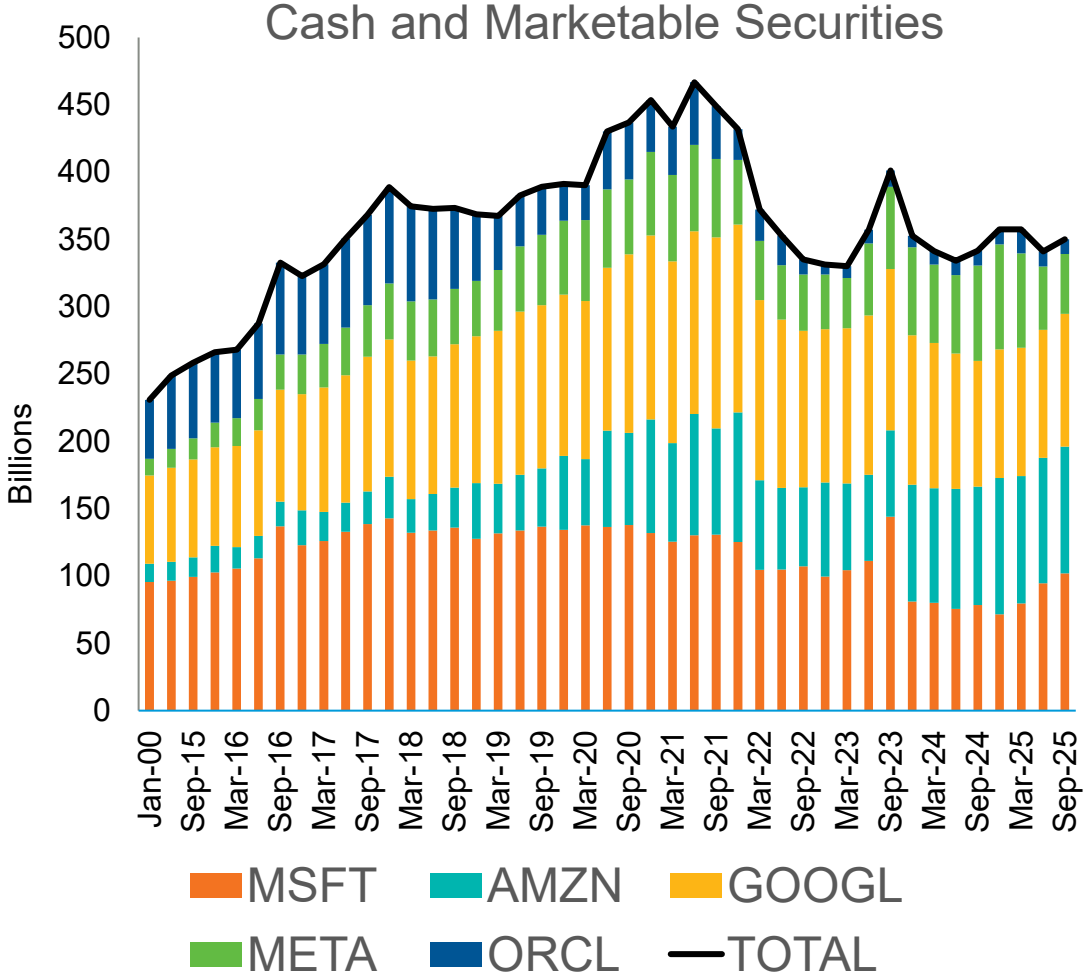
Source: Bureau of Economic Analysis, NEAM Analytics

Trends in the Cost of Compute



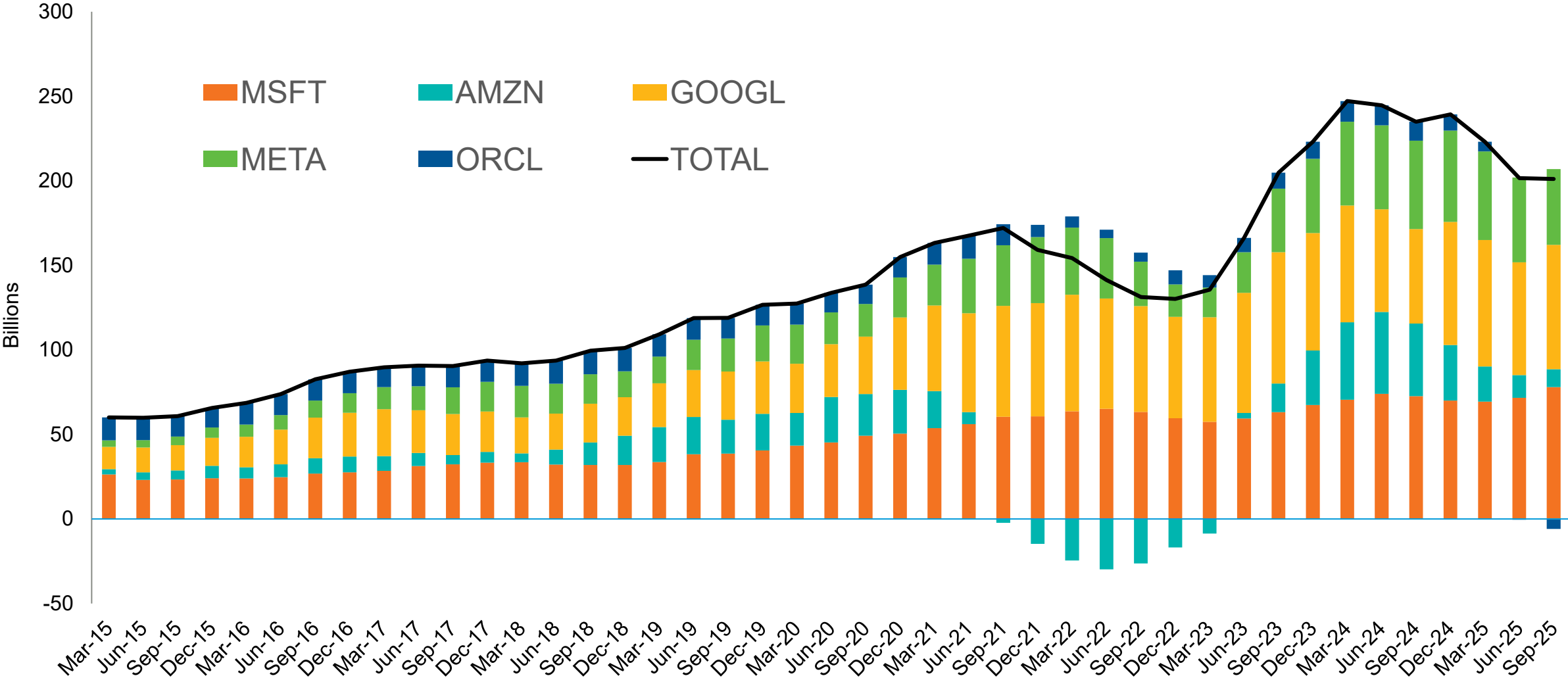
Source: Figure 1.3.22, Artificial Intelligence Index Report 2025, Institute for Human-Centered AI, Stanford University

What's Different? – Hyperscalers' Financial Condition



Source: Company Annual Reports, Bloomberg, NEAM Analytics

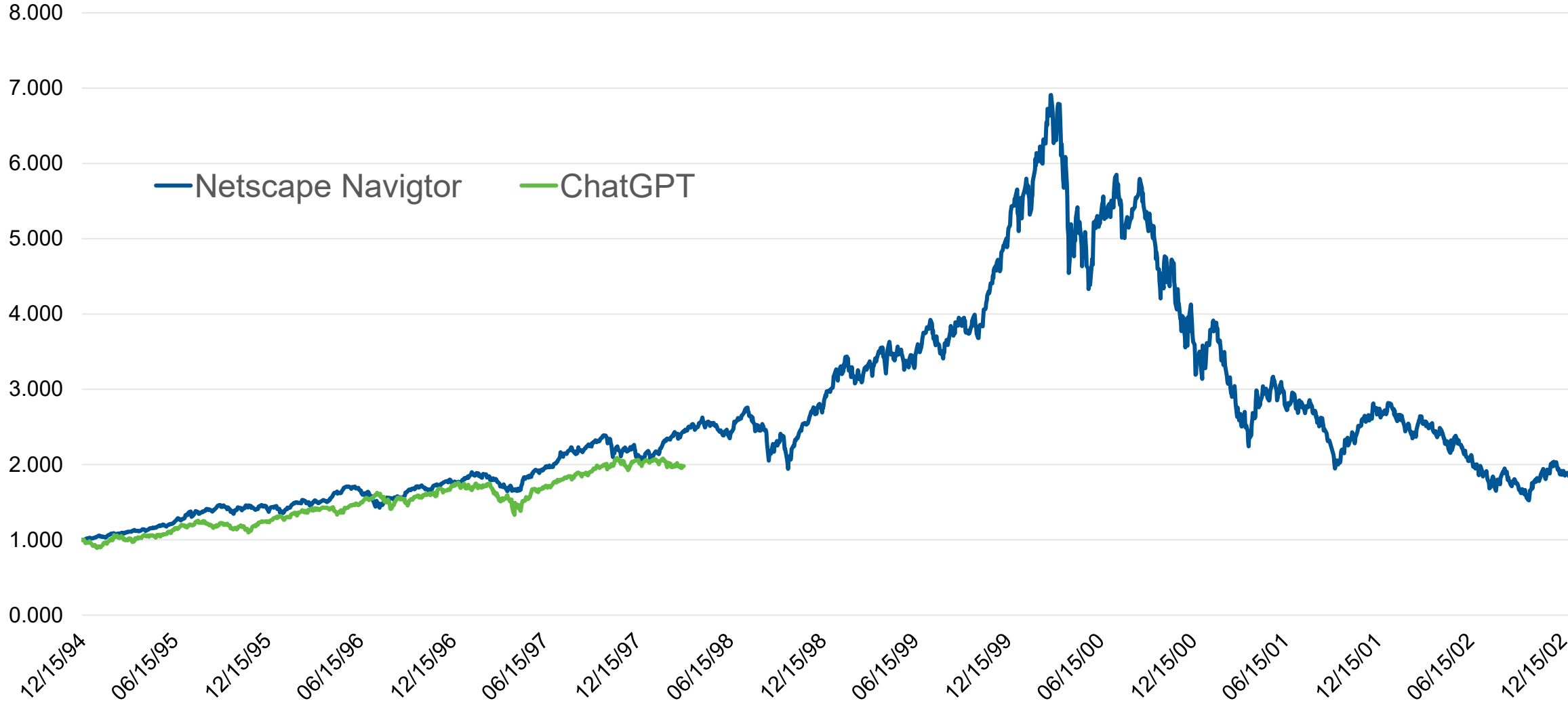
Hyperscalers' Free Cash Flow – Trailing 12 Months




Source: Company Annual Reports, Bloomberg, NEAM Analytics

- Limitations: Power, Equipment Availability, Labor Supply and Community Opposition
- Rate of Adoption & Pace of Monetization
- Emerging Business Models - Economies of Scale, Network Effects and Marginal Costs
- Catalyst for Market Declines and Potential Feedback Loop to Real Economy

Nasdaq Composite Return Index – Internet vs. A/I



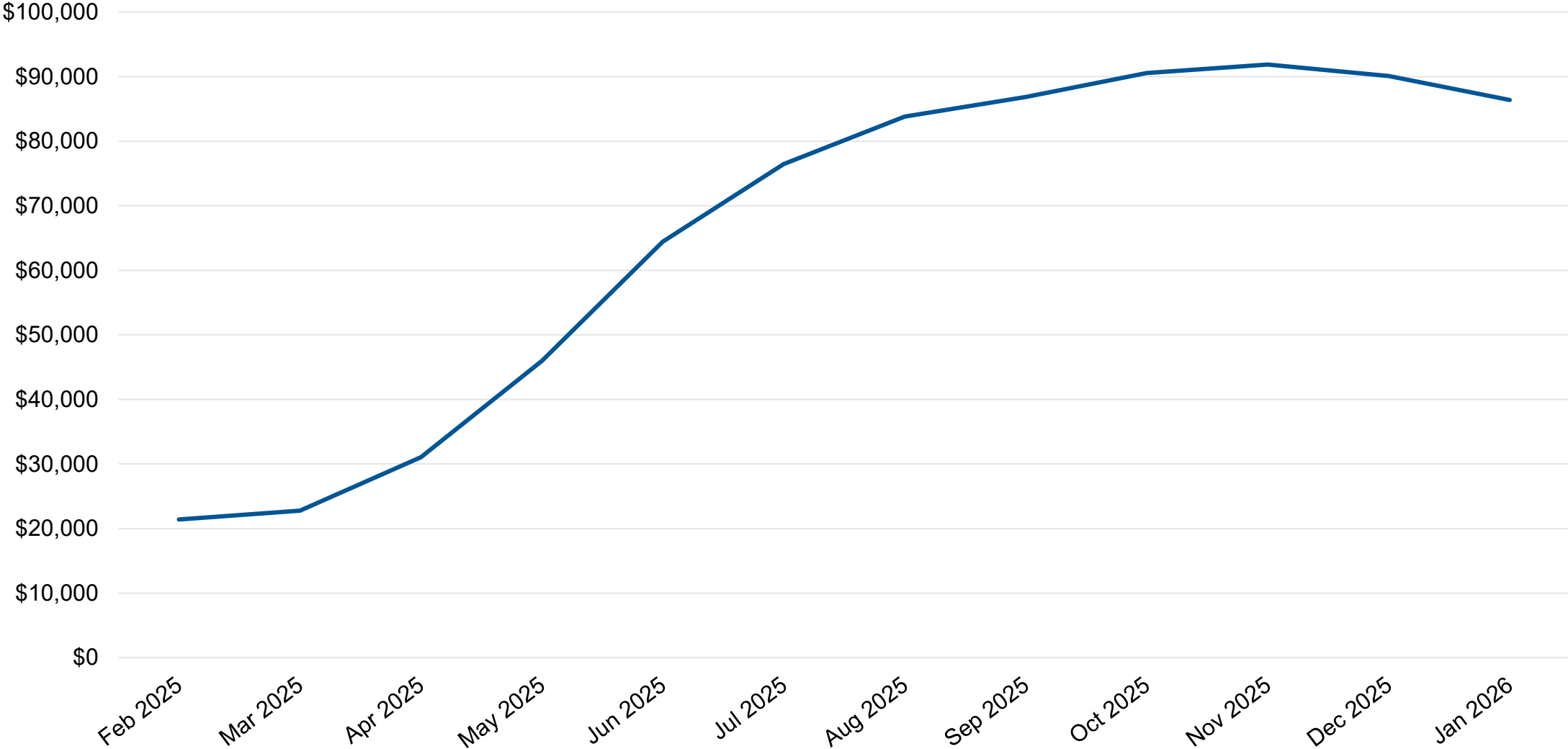
Source: Federal Reserve Bank of St. Louis, NEAM Analytics



**Is the trade war over and
if so, who won?**



US Customs Duties Collected – 3 Month Rolling Sum



Source: US Treasury Monthly Statement

Where Do the Tariffs Go?



EXPORTER OPTIONS:

- Lower Price of Good
- Re-route Export



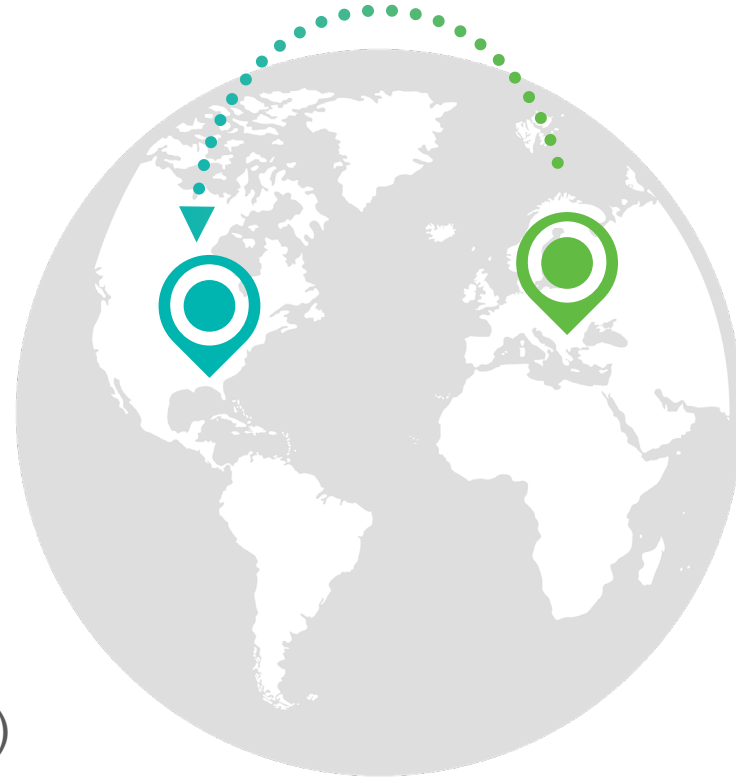
IMPORTER OPTIONS:

- Reduce Margins by Paying Tariff
- Raise Prices to Cover Cost



CONSUMER OPTIONS:

- Decrease Demand
- Buy at Inflated Cost
- Find a Substitute (Ex. Buy Domestic)



END RESULT

**DEMAND
DESTRUCTION**



**GOODS
INFLATION**

Case Study on Tariffs: Washing Machines in 2018



BACKGROUND



2012 Tariffs against South Korea & Mexico

10% – 82%



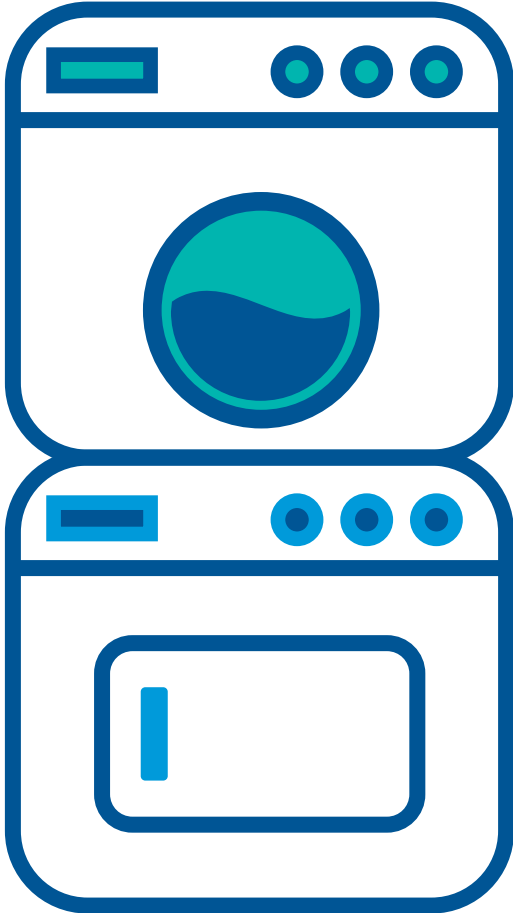
2016 Tariffs against China

38% – 57%



2018 Section 201 Global Safeguard Tariffs

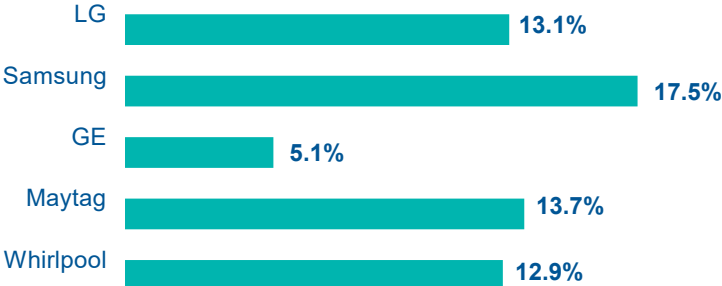
20% – 50%



PRICE RESPONSE

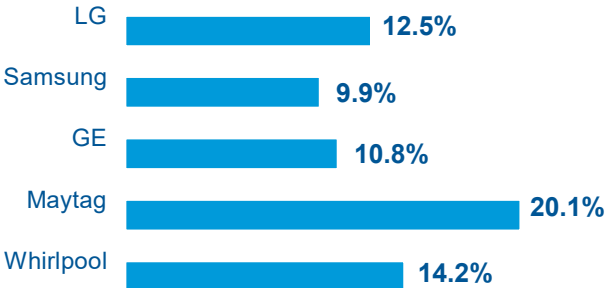
WASHER

Median Price Increase = \$86



DRYER

Median Price Increase = \$92



Source: The Production, Relocation and Price Effects of US Trade Policy: The Case of Washing Machines. Flaaen, Hortacsu and Tintelnot. April 2019, NEAM Analytics, USITC



**Will the Federal Reserve
stay independent?**

2026 FOMC
12 VOTING MEMBERS

BOARD OF GOVERNERS - 7

Presidential Appointment, Confirmed by Senate

- Jerome Powell
- Philip Jefferson
- Michelle Bowman
- Michael Barr
- Lisa Cook
- Christopher Waller
- Stephen Miran

VOTING DISTRICTS - 5

Voting / Non-Voting District Seats Rotate Annually (Except New York)

- New York
- Philadelphia
- Cleveland
- Dallas
- Minneapolis

NON-VOTING DISTRICTS - 7

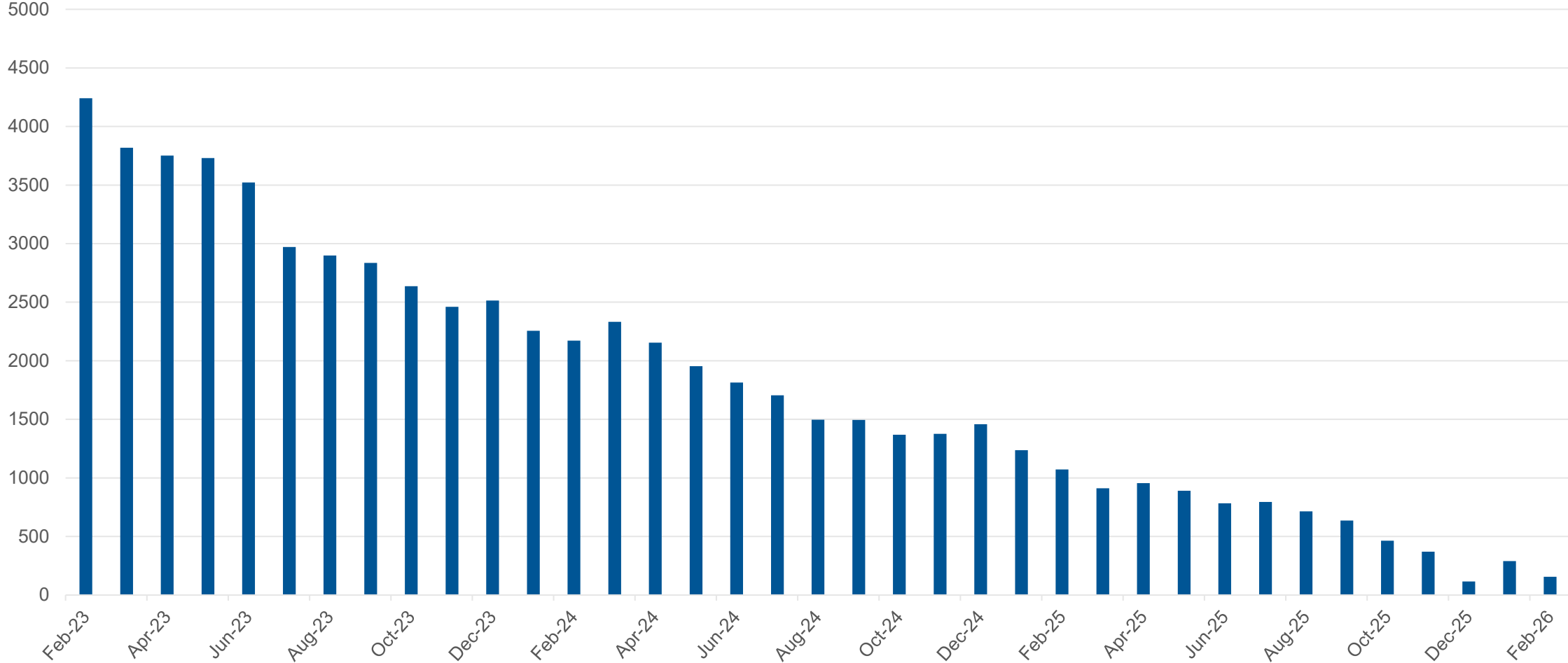
Voting / Non-Voting District Seats Rotate Annually

- Boston
- Chicago
- Kansas City
- St. Louis
- Richmond
- Atlanta
- San Francisco

Slowing Job Growth

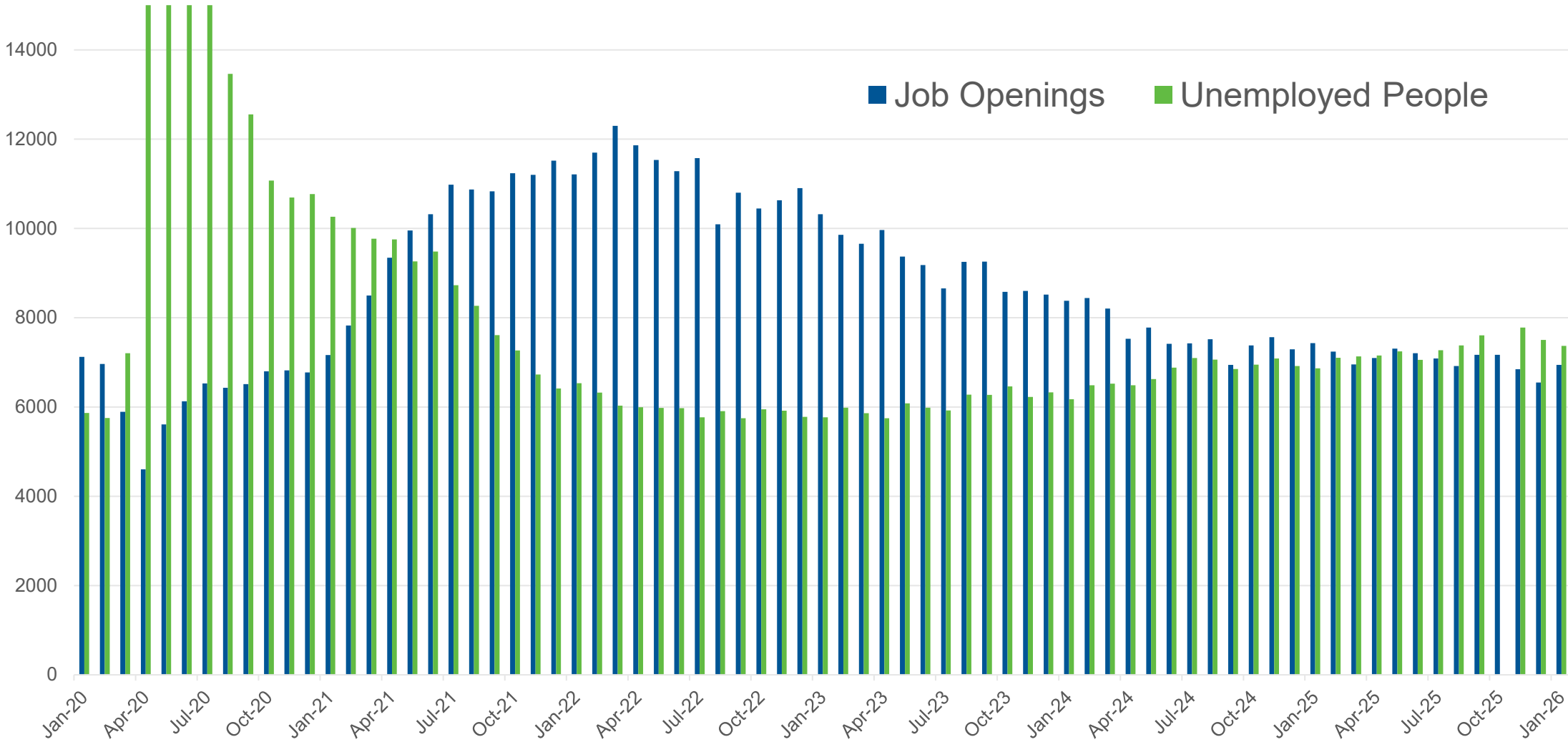


12 Month Change in Non Farm Payrolls



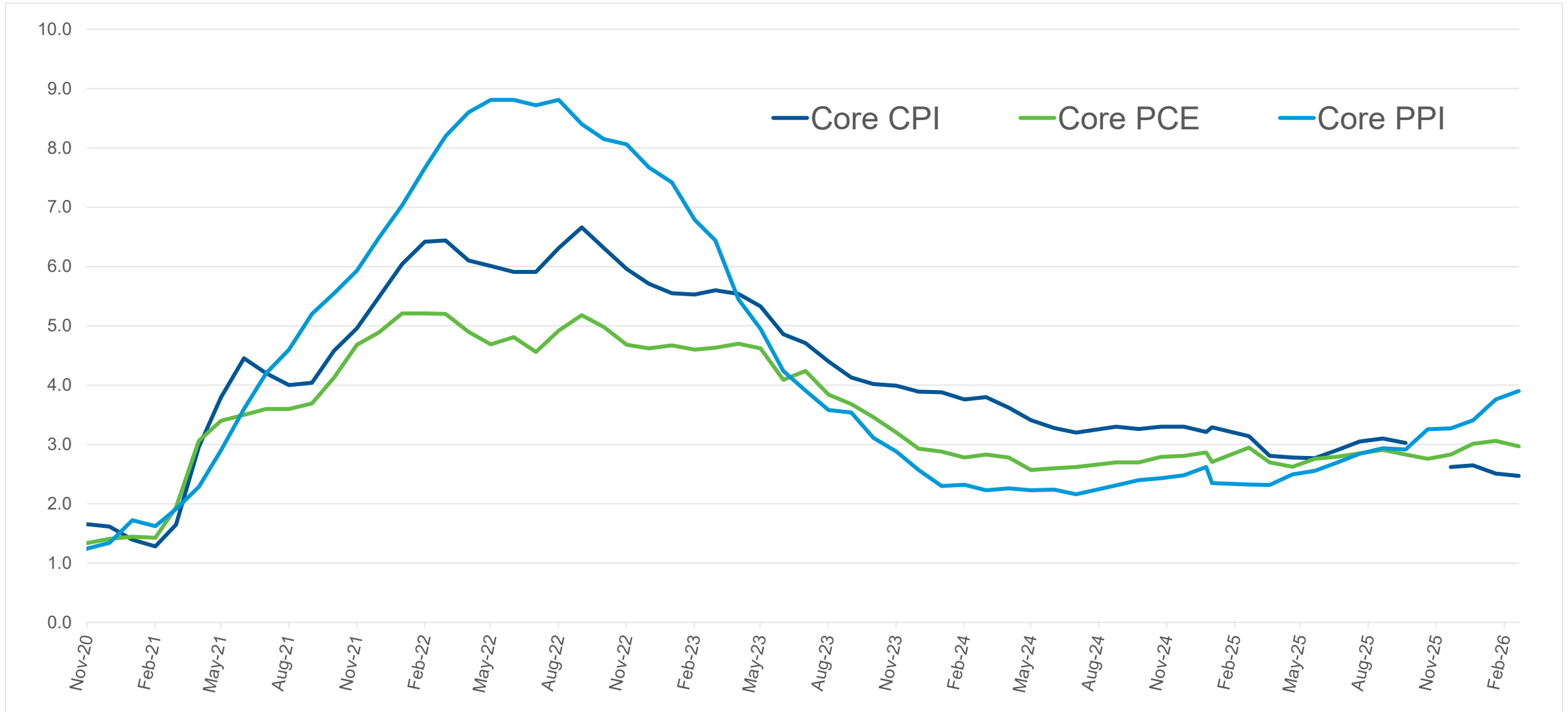
Source: Federal Reserve Bank of St. Louis, Bureau of Labor Statistics, NEAM Analytics

Job Openings vs. Unemployed



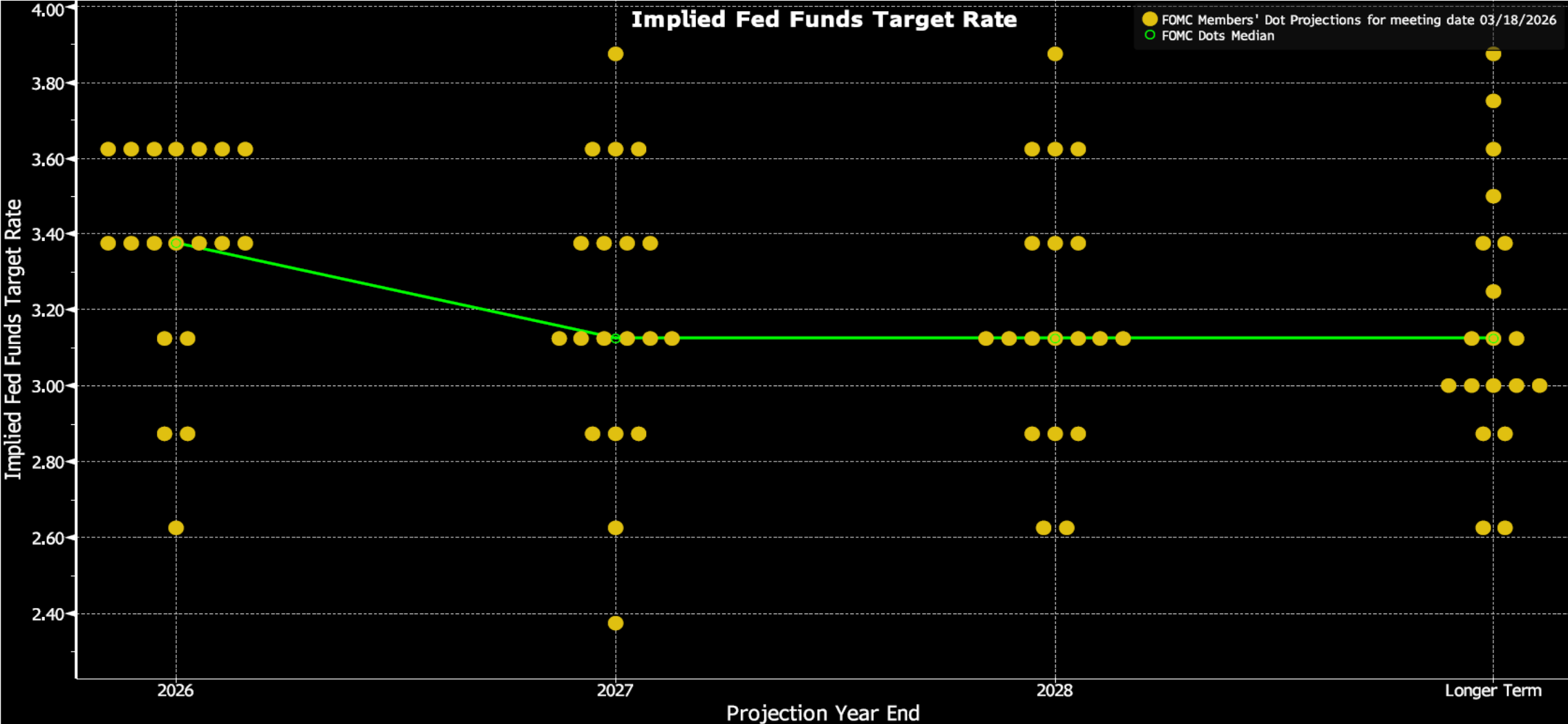
Source: Bureau of Labor Statistics, FRED

Core Inflation Readings



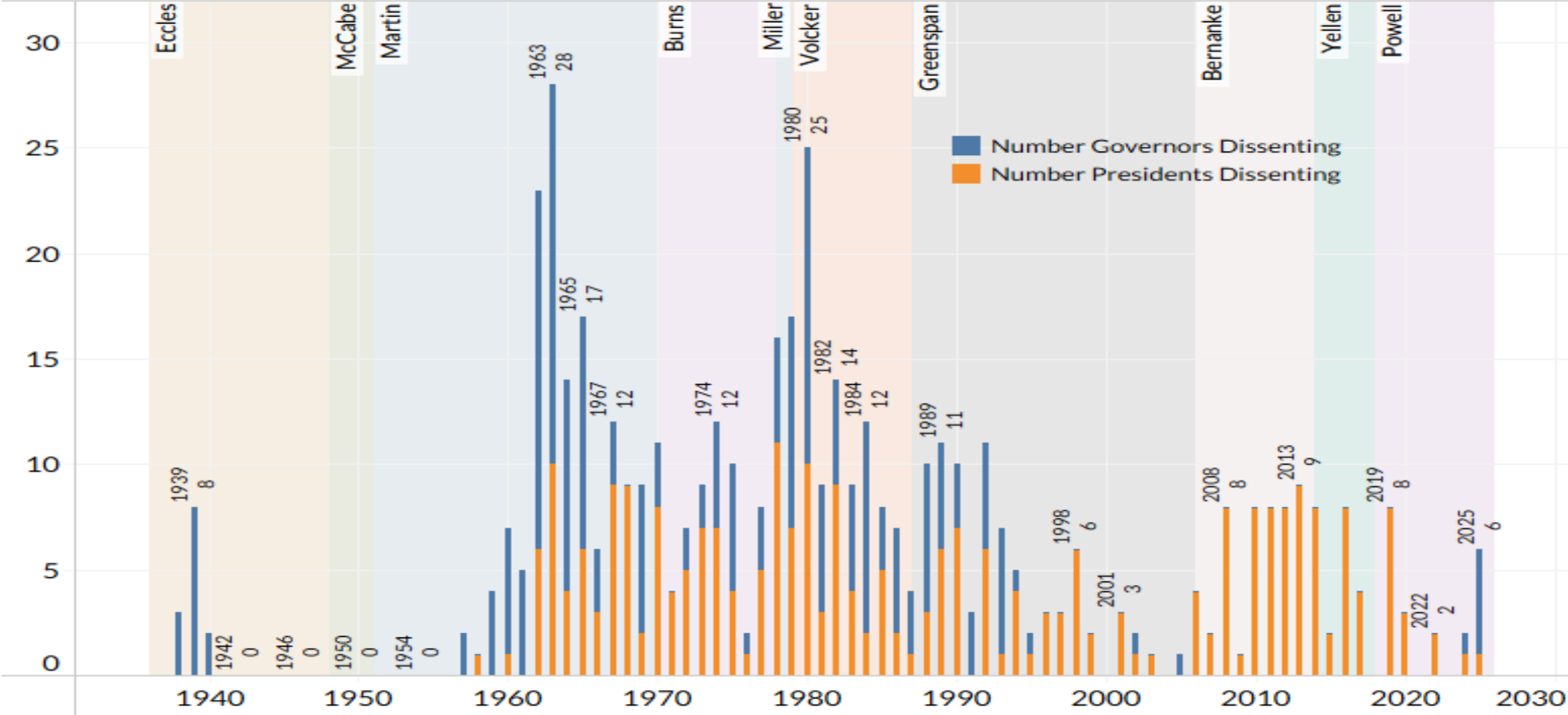
Source: Bureau of Labor Statistics, FRED, NEAM Analytics

March 2026 Summary of Economic Projections



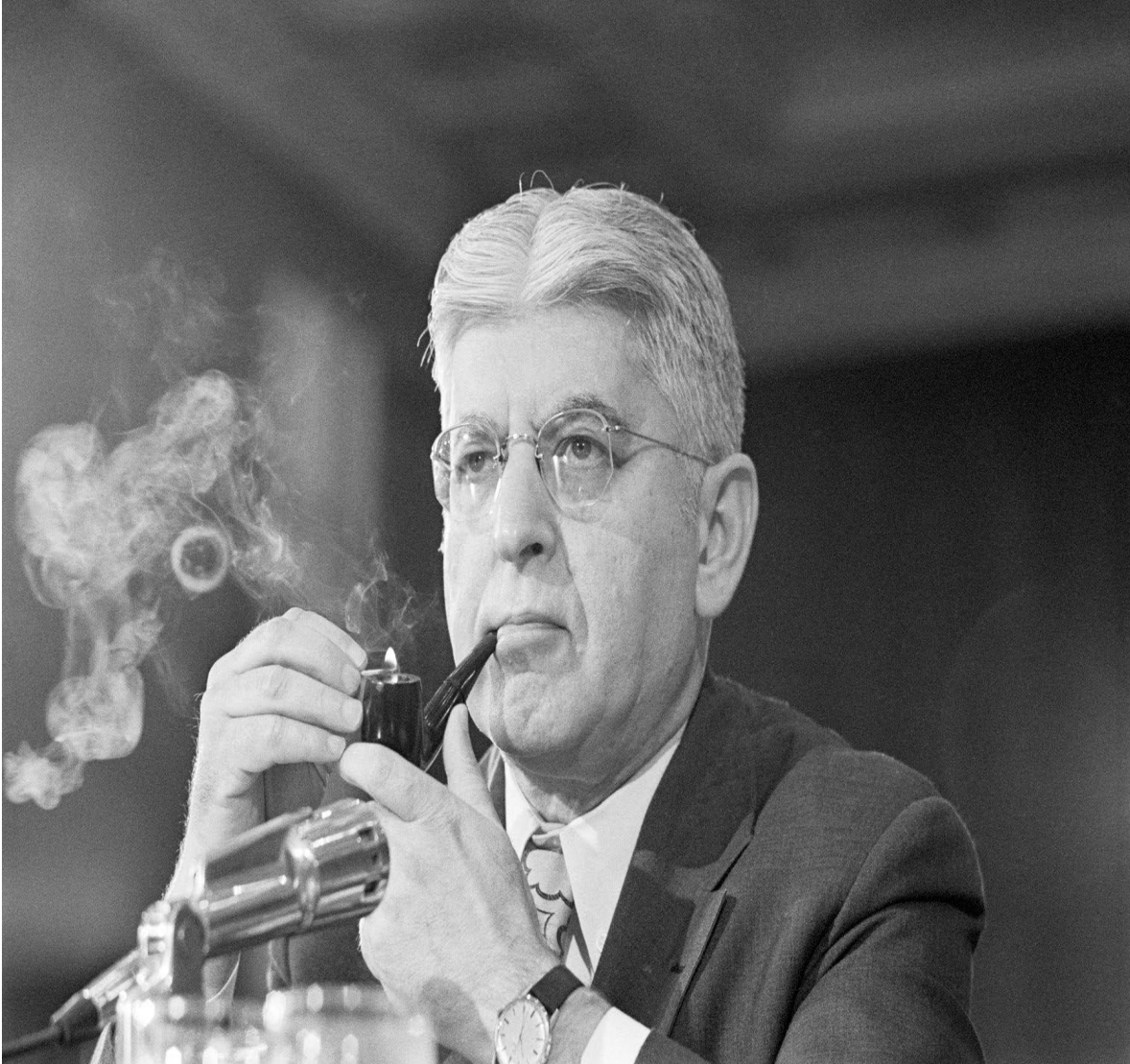
Source: Board of Governors of the Federal Reserve, Bloomberg

Fed Dissenting Votes by Year



Source: St. Louis Federal Reserve

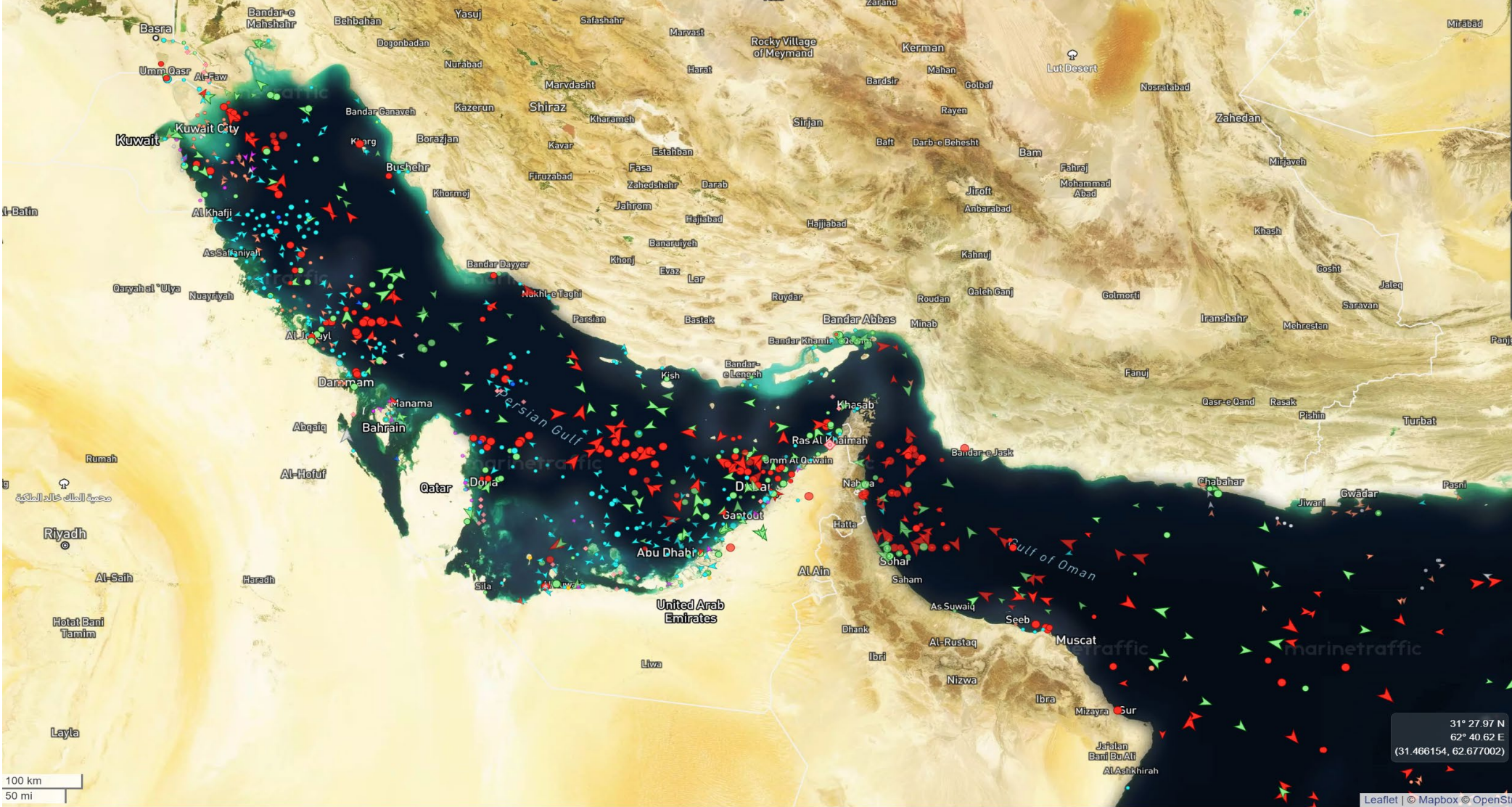
Ghosts of the FOMC



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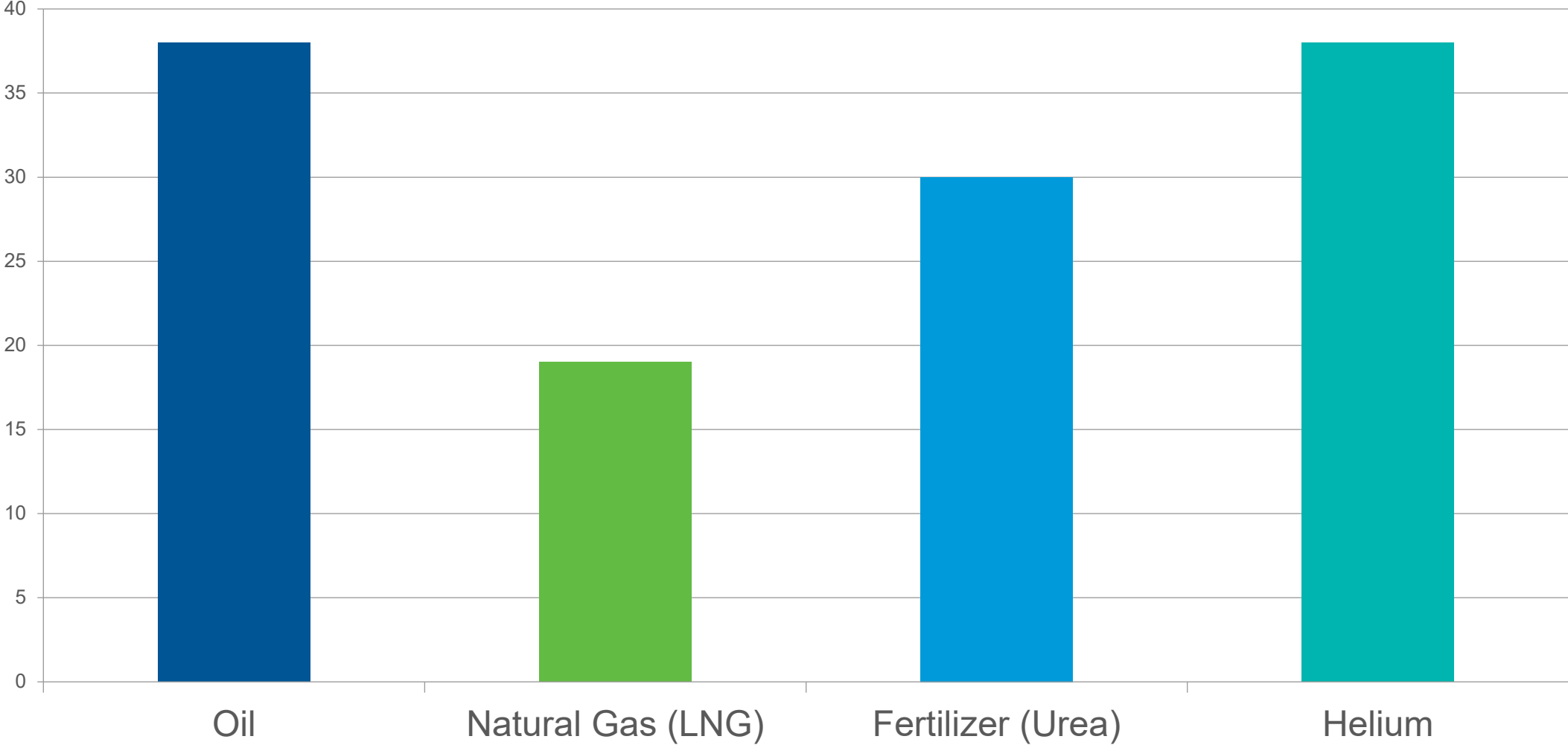
**Will the ceasefire in Iran
hold and how long will
the conflict last?**

Stranded Vessels in Persian Gulf & Gulf of Oman



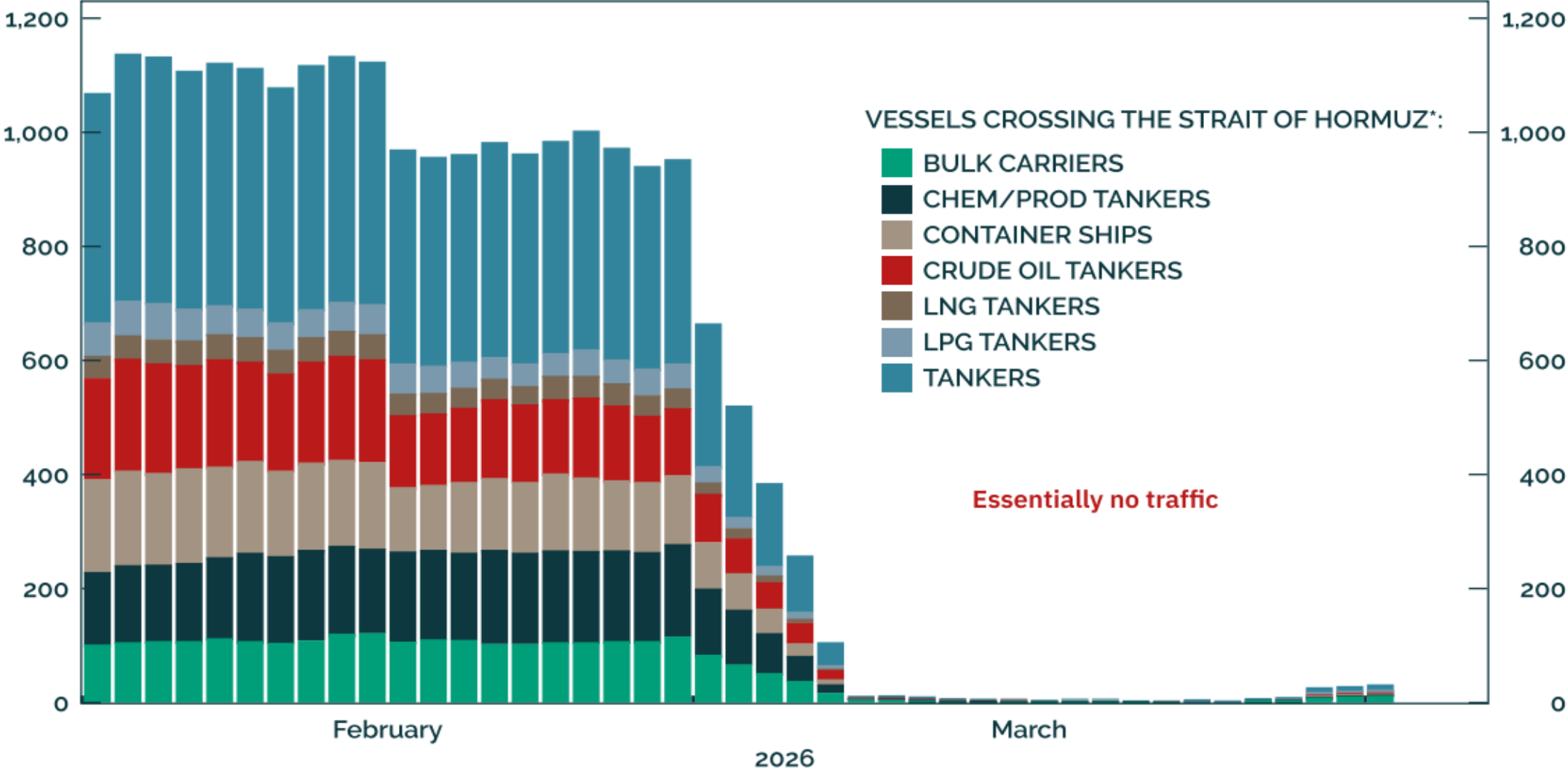
Source: MarineTraffic.com

Percent of Global Exports via Strait of Hormuz



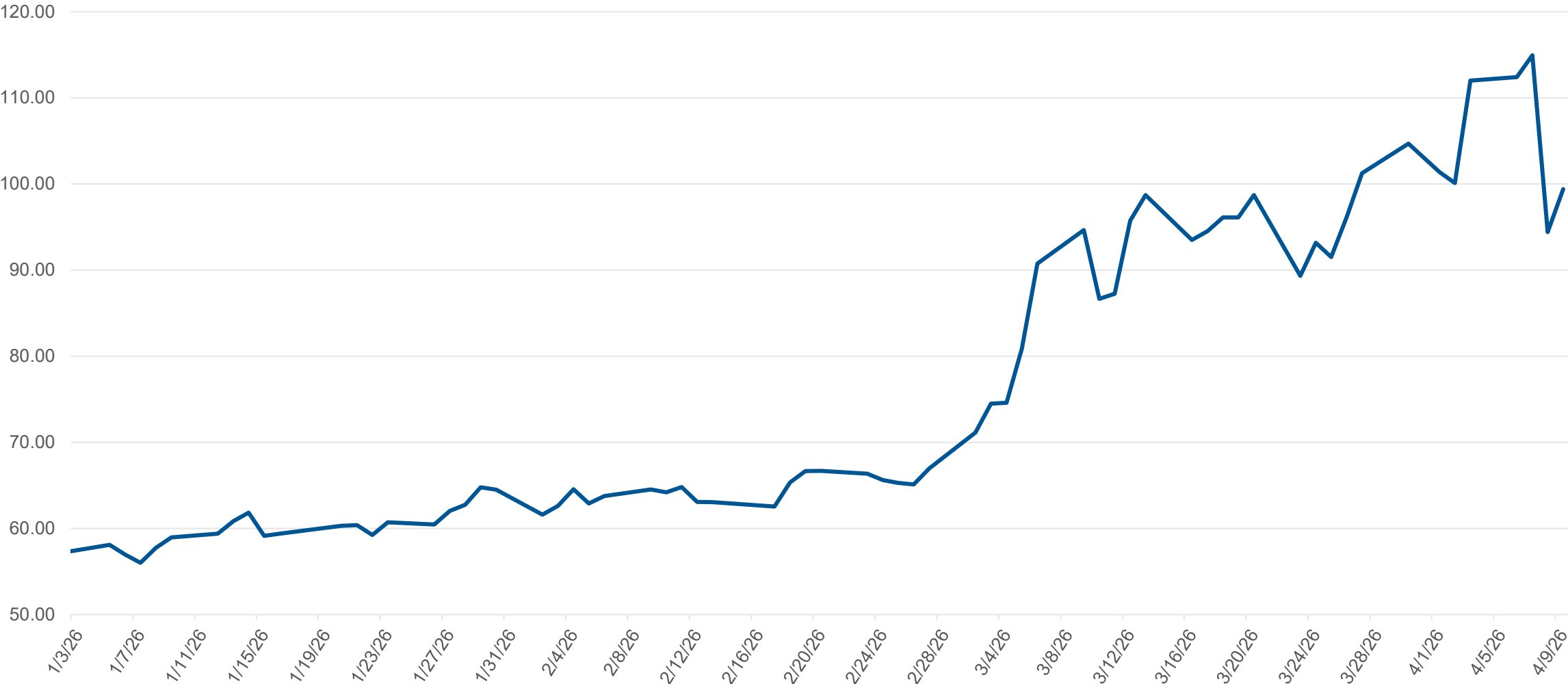
Source: UN Conference on Trade and Development

Vessel Crossings through the Strait of Hormuz



Source: BCA Research

West Texas Intermediate Spot Price

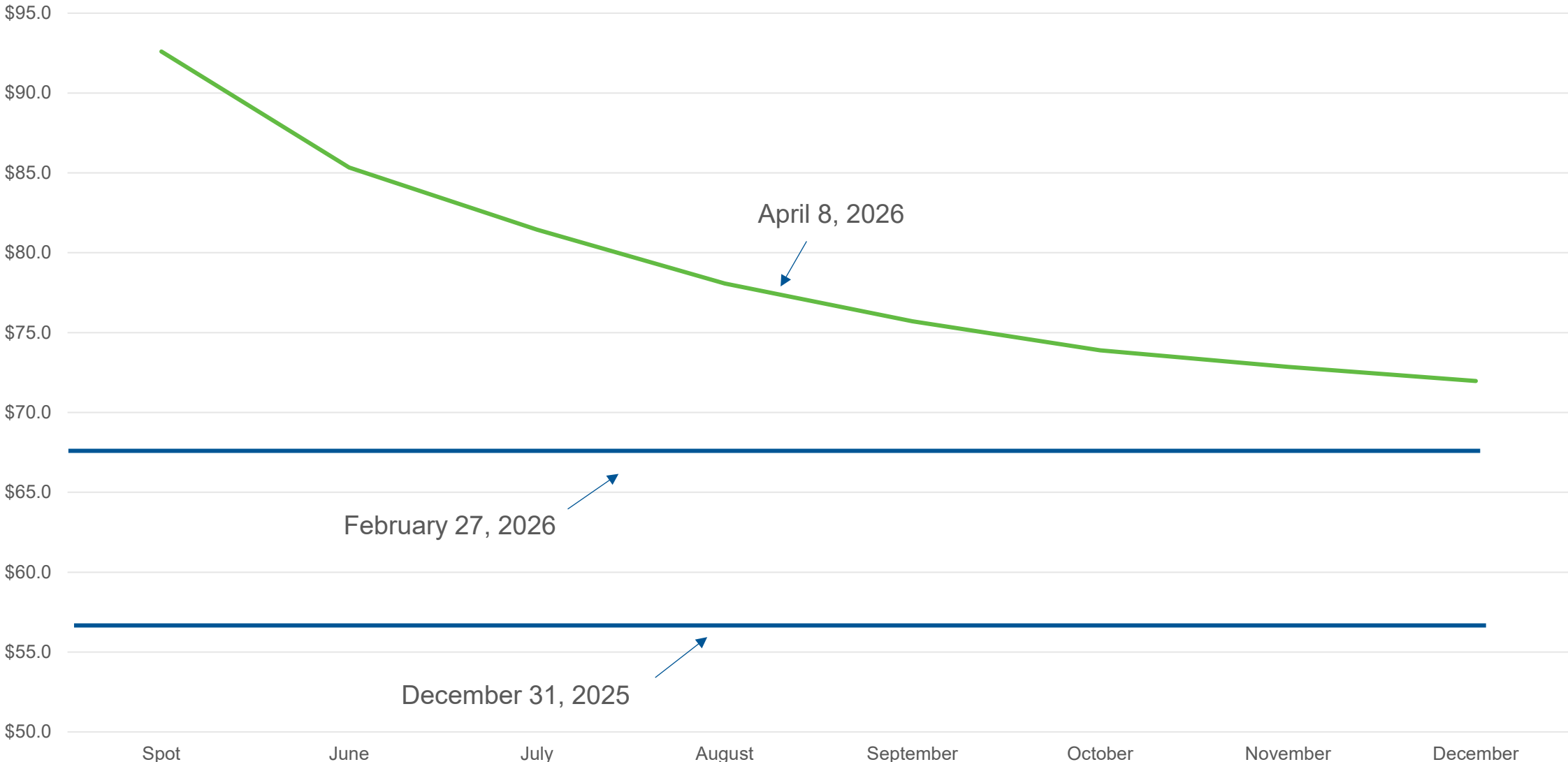


Source: Bloomberg

US and Iran Plan Comparison

Issue	U.S. 15-Point Plan	Iran 10-Point Plan
Ceasefire	Immediate ceasefire; compliance-based talks	Permanent end to war required
Non-Aggression	No binding pledge	Binding U.S. non-aggression guarantee
Uranium Enrichment	Zero enrichment on Iranian soil	Right to enrich recognized
Nuclear Facilities	Dismantle Natanz/Fordow/Isfahan	No dismantlement
IAEA Oversight	Anytime/anywhere inspections	UN/IAEA actions terminated
Missiles	Severe limits	No limits
Proxies	End all proxy support	End attacks on Iran/allies
Hormuz Status	Neutral, international passage	Iranian control retained
Sanctions	Phased, conditional relief	Immediate lift of all sanctions
U.S. Forces	No withdrawal required	U.S. withdrawal from region

West Texas Intermediate Futures Prices

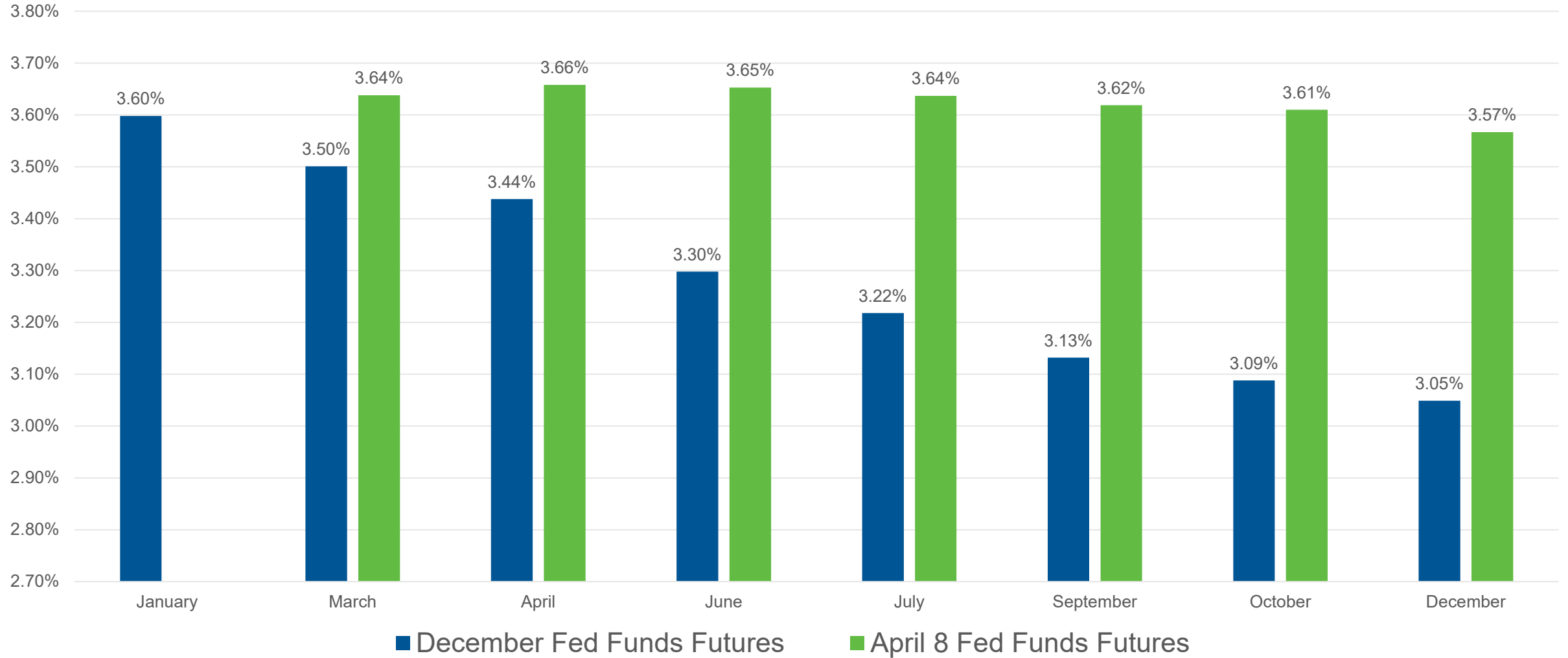


Source: Bloomberg, NEAM Analytics

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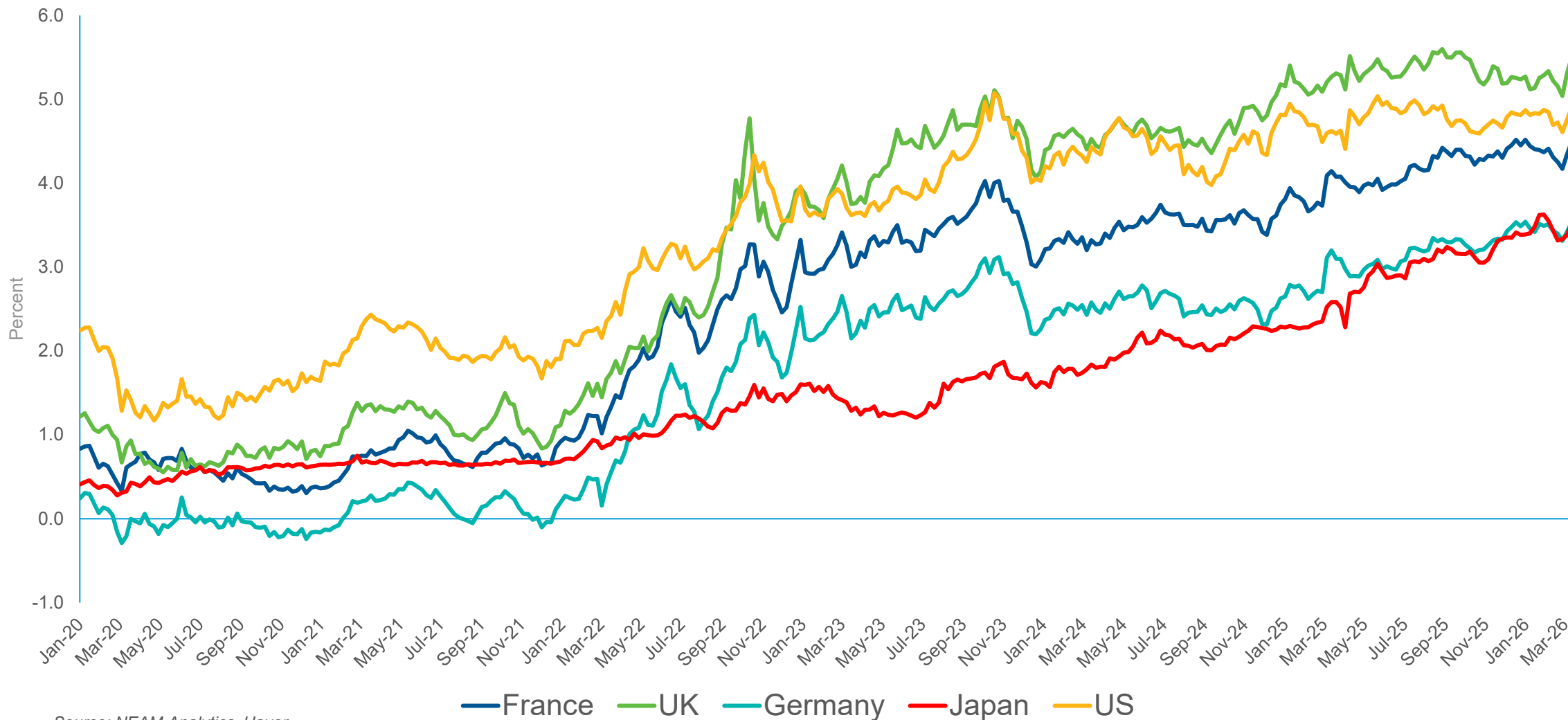
**What does this mean for
capital markets?**

Short Term Interest Rates



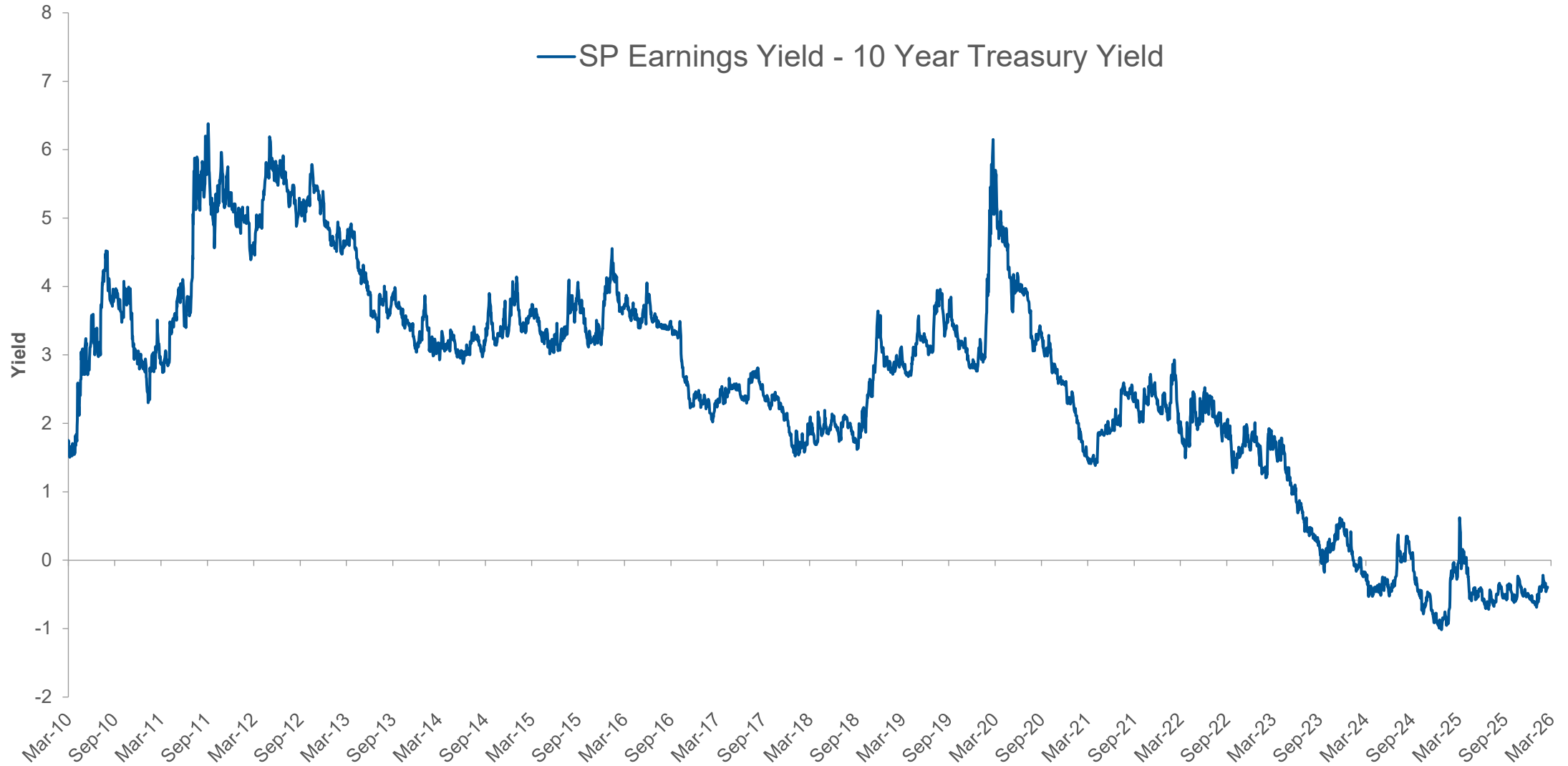
Source: NEAM Analytics, Bloomberg

30 Year Sovereign Bond Yields



Source: NEAM Analytics, Haver

Stock and Bond Relative Value



Source: NEAM Analytics, Haver