CHANDLER ASSET MANAGEMENT

Economic Update

Nature Coast Chapter FGFOA

April 15, 2026

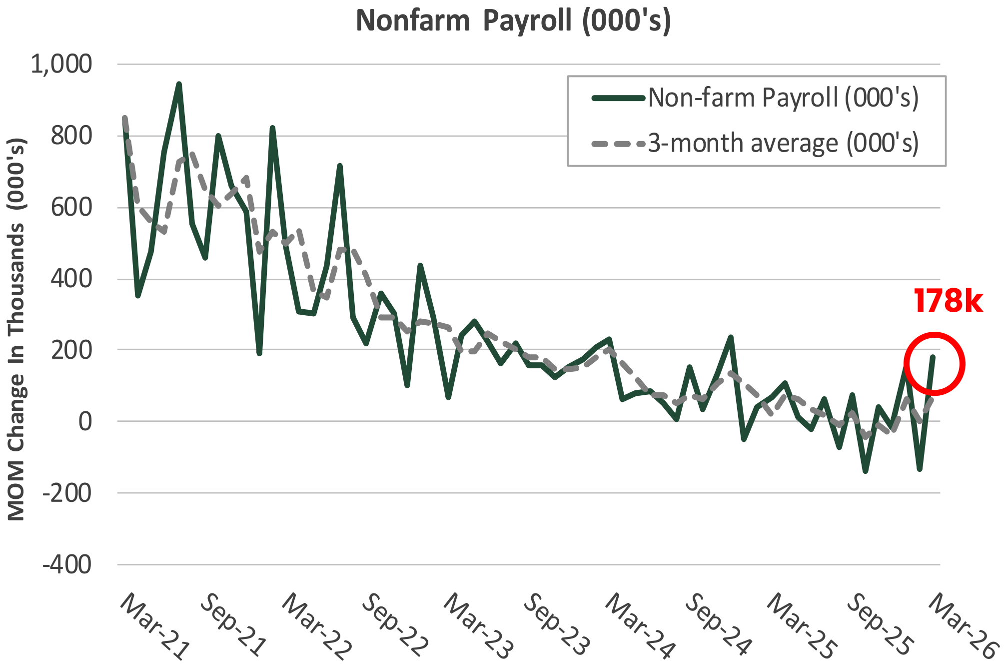
Section 1

Economic Update

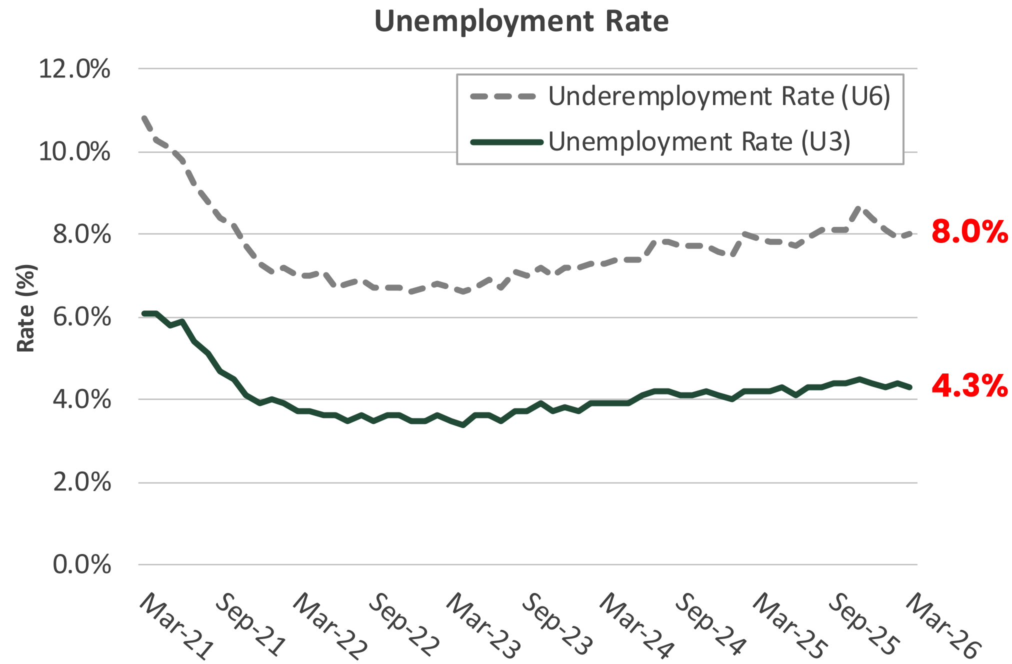
Economic Update

- Recent economic data suggests **slower growth in 2026** and **greater market uncertainty** as the war in Iran and disruption of the Strait of Hormuz have pushed oil above $112/barrel.
- **Injecting a potential inflationary shock** into an economy contending with sticky core prices above 3%
- The **labor market** is exhibiting a softening trend. Data reflects a labor market consistent with the Fed's characterization of a no-hire, no-fire environment
- As broadly anticipated, the Federal Open Market Committee (FOMC) held the Federal Funds Rate **target range at 3.50 – 3.75%** at the March, meeting
- Fed Governor **Stephen Miran** was the **only dissenting vote (11-1) in favor of a 25 basis point rate cut, median dot plot** continued to signal **one quarter-point cut in 2026**
- US Treasury **yields exhibited considerable first quarter volatility**, Treasury yields moved higher as energy driven inflation concerns outweighed softer growth signals.

Employment



Source: US Department of Labor

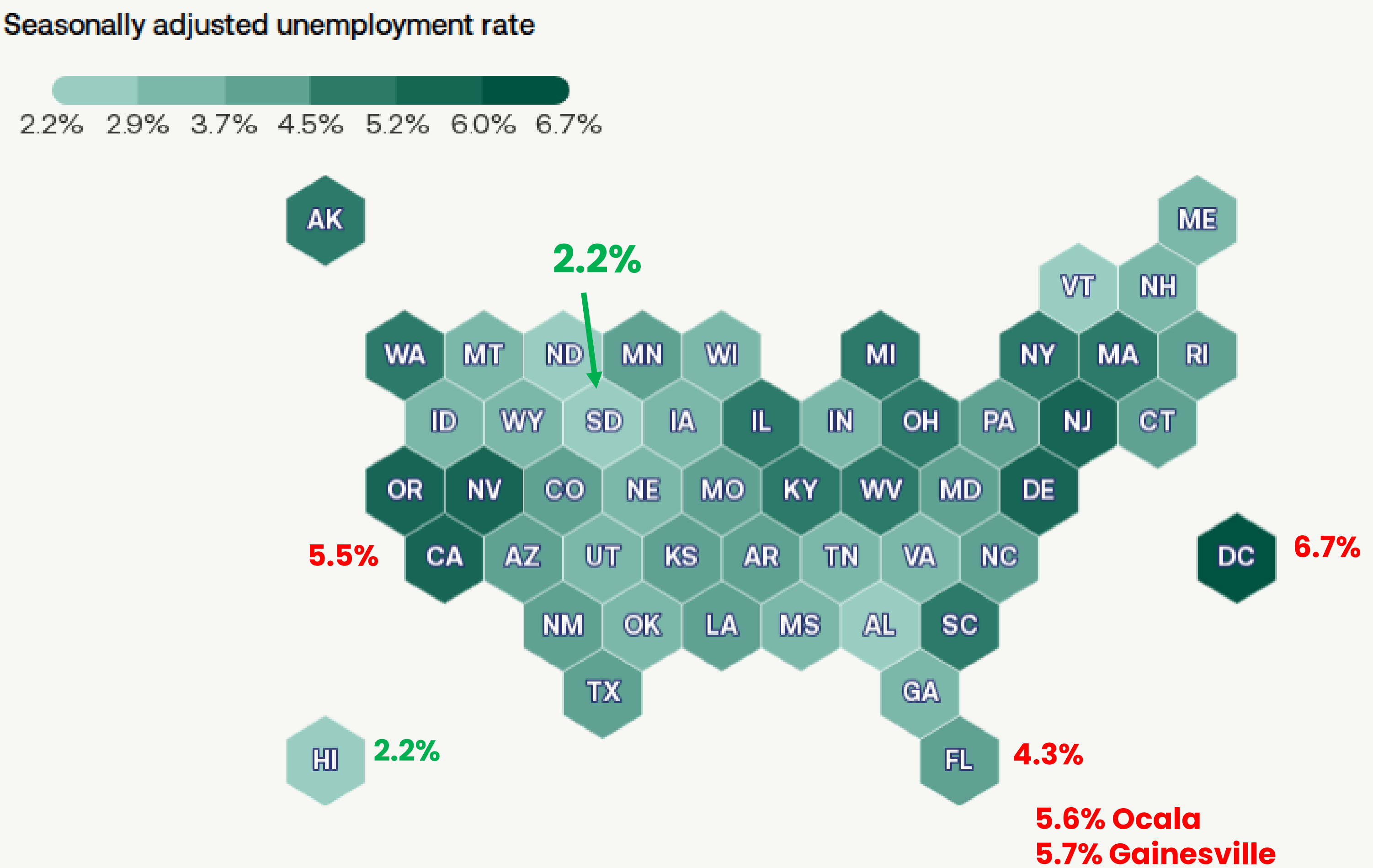


Source: US Department of Labor

- March **nonfarm payrolls rose by 178,000**, a decisive reversal from **February's 133,000 decline** distorted by a Kaiser Permanente strike affecting healthcare workers and severe winter weather
- The **unemployment rate edged lower to 4.3%** in March from 4.4% in February, mainly due to a shrinking labor force rather than hiring acceleration
- The **U-6 underemployment rate**, which includes those who are marginally attached to the labor force and employed part time for economic reasons also **edged up to 8.0% from 7.9% in February**

Unemployment by State

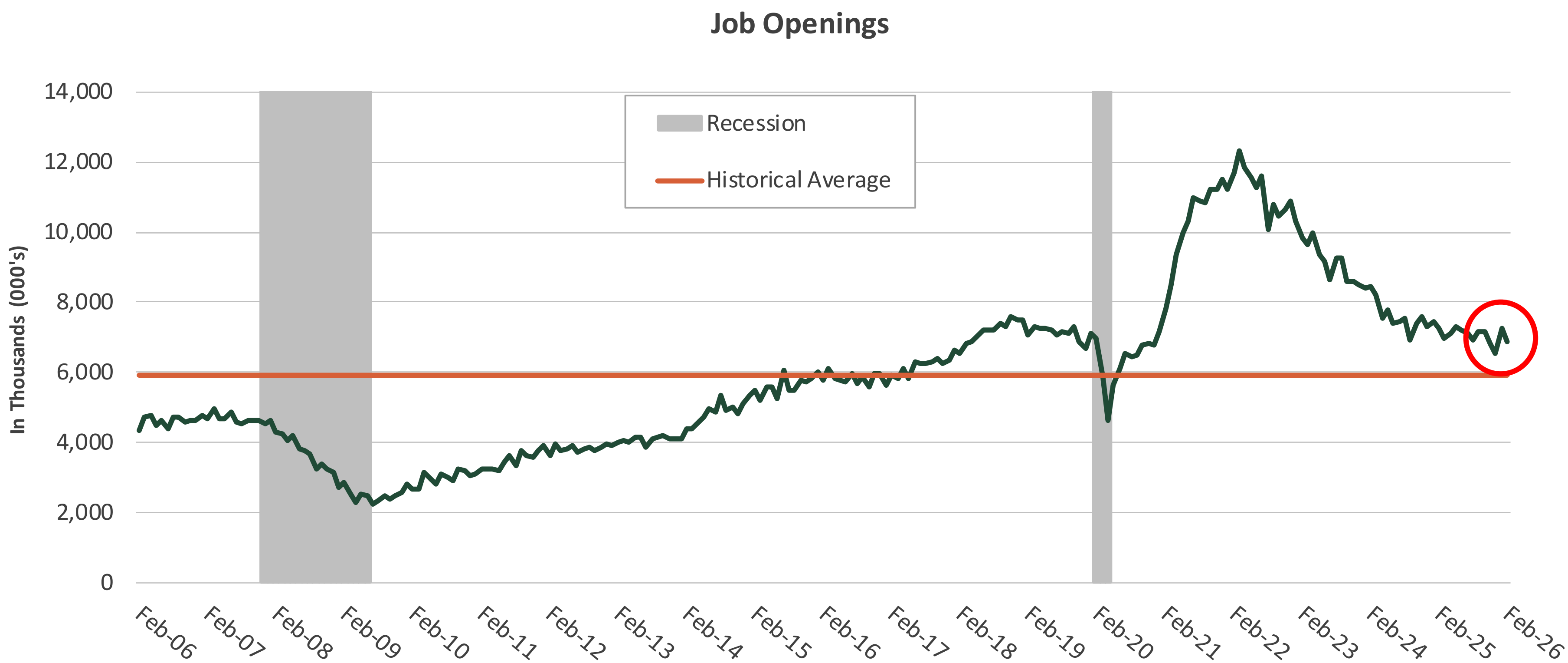
In December 2025, the unemployment rate varied across states.



Source: Bureau of Labor Statistics

USAFacts

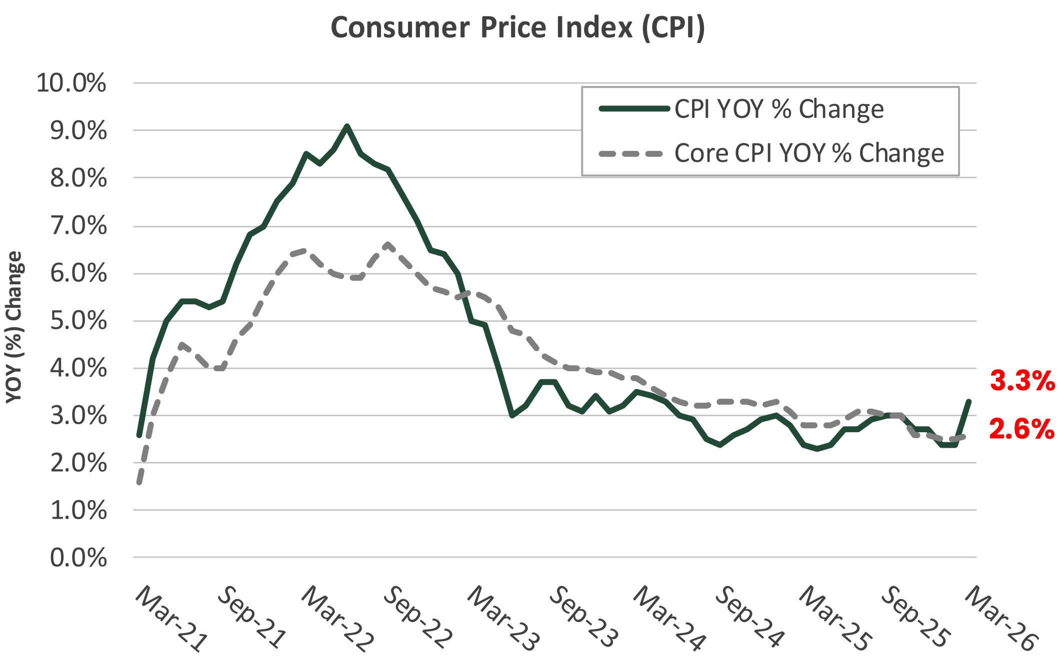
Job Openings and Labot Turnover Survey



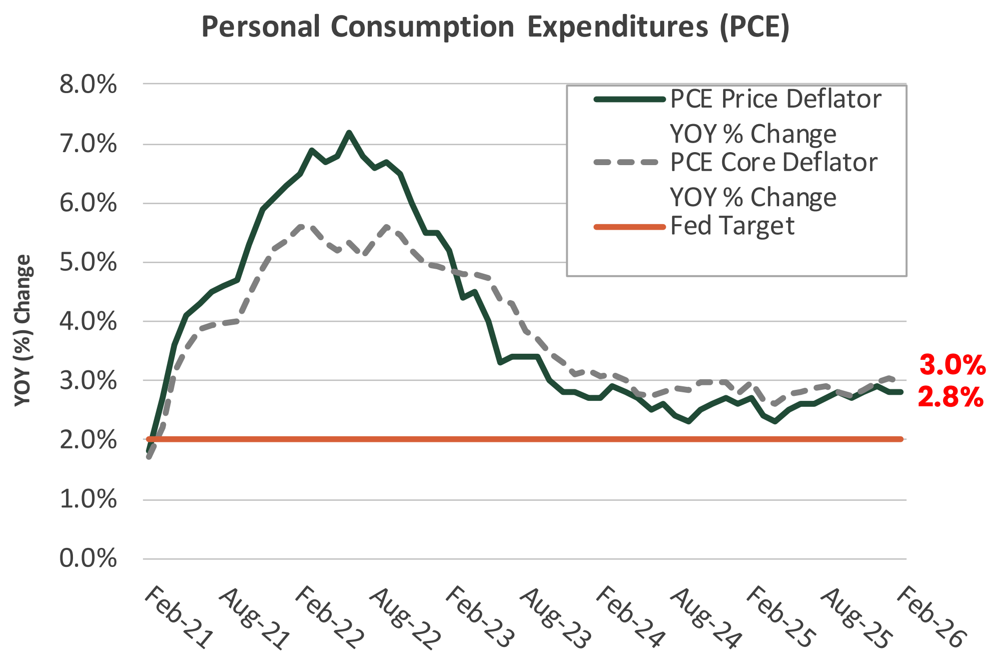
Source: US Department of Labor

- JOLTS showed a modest decrease to 6.9 million job openings in February from a revised 7.2 million in January **(427k FL Dec. 2025)**
- Job openings indicate a ratio of **0.9 jobs for each unemployed individual (1.1 in FL)**, representing a relatively balanced labor market and a gradual rebalancing of demand and supply
- The quits rate (1.9%) and layoffs (1.1%) remained relatively stable as of February **(3.0m and 1.7m respectively)**
- The quits rate (2.0%) and layoffs (1.0%) in-line with November (**196k and 103k respectively in FL Dec. 2025**)

Inflation



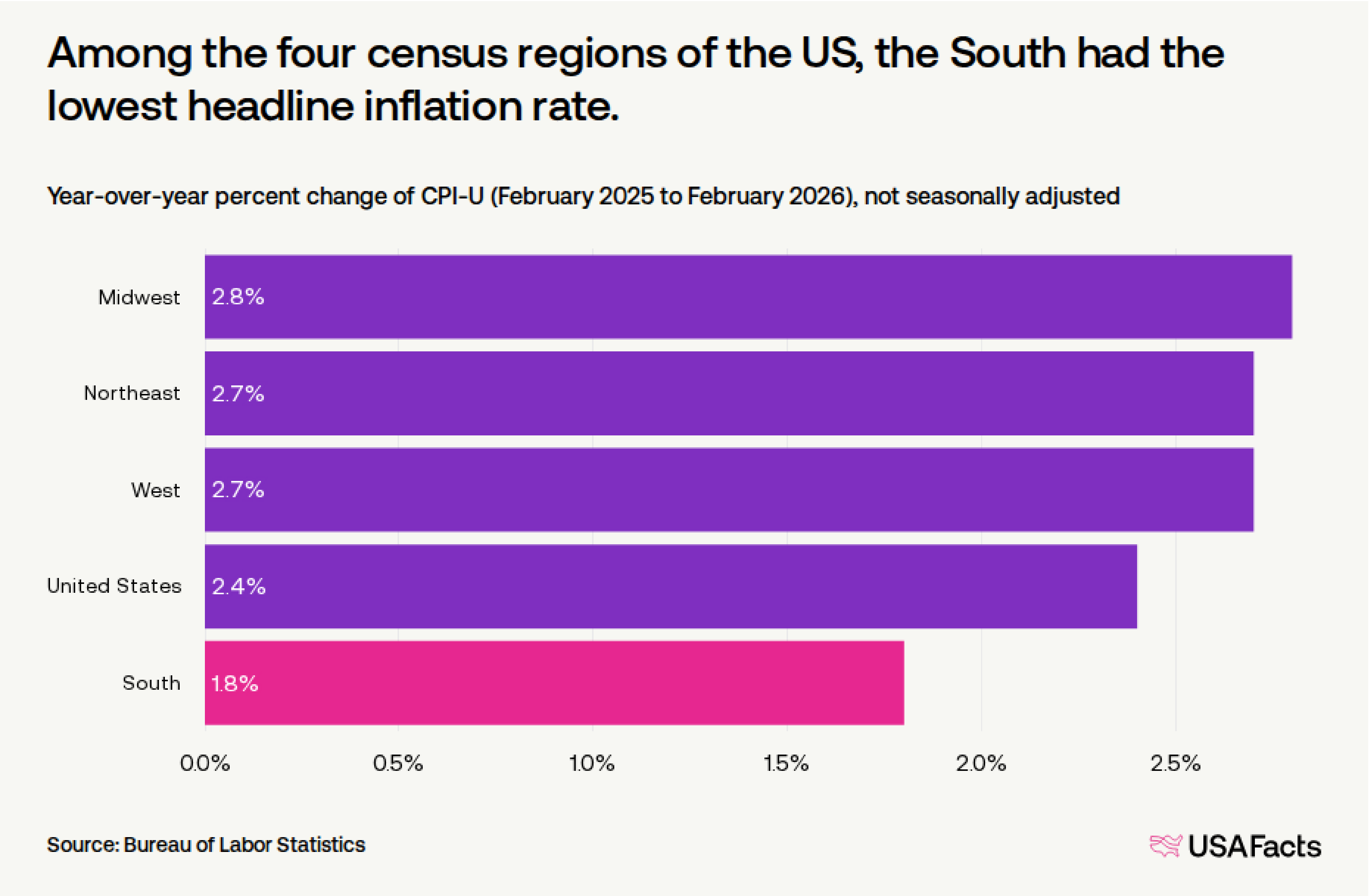
Source: US Department of Labor



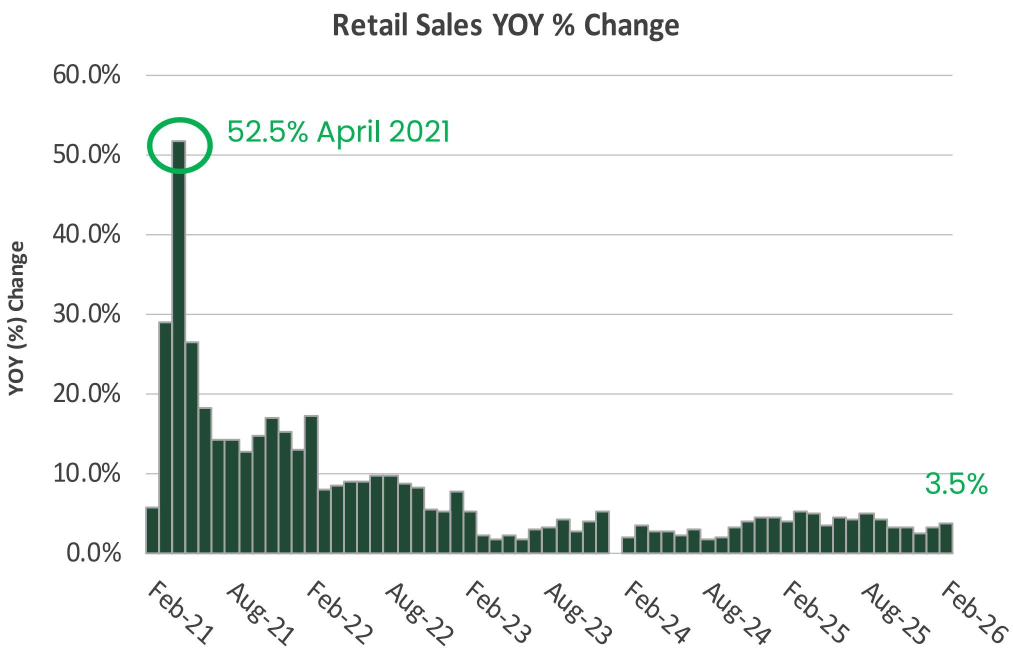
Source: US Department of Commerce

- In **March**, Consumer Price Index **(CPI) surged 0.9%, highest monthly rate since June 2022**, and was **up 3.3% on an annual basis** (spikes energy and airfare). **Core CPI**, which excludes volatile food and energy components, was **little changed with a monthly increase of 0.2%** and an **annual rise of 2.6%**
- The Personal Consumption Expenditures **(PCE) were little changed** in February, with the **headline PCE up 0.4% MOM and 2.8% YOY**. The Fed's preferred metric, **Core PCE**, **rose 0.4% during the month and 3.0% YOY.**
- PCE readings **remained elevated due to higher prices for goods** prior to the Iran War.

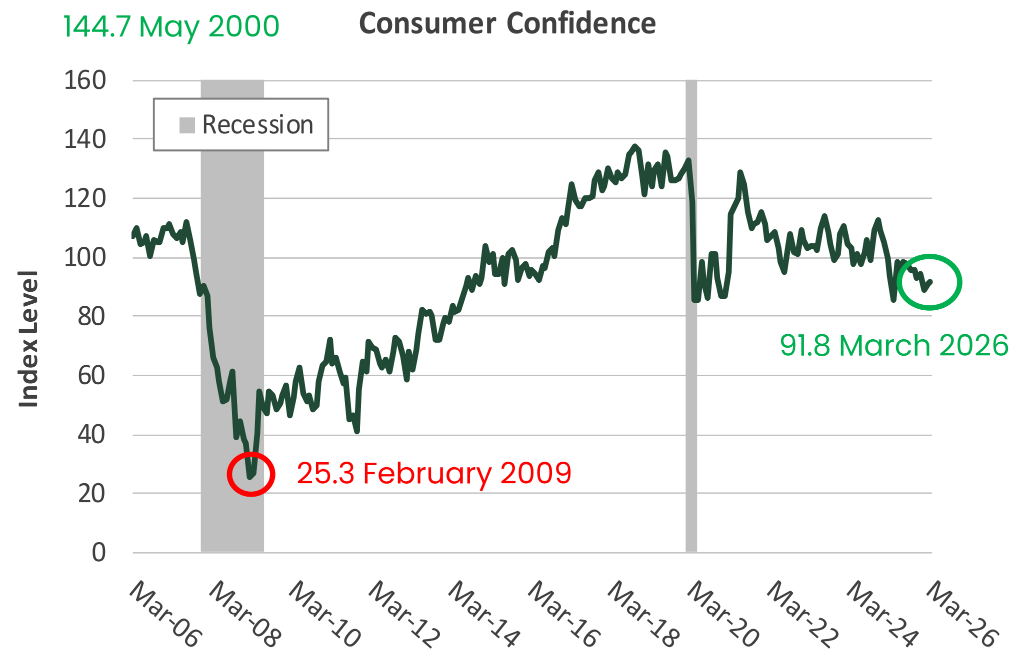
Inflation by Region



Consumer



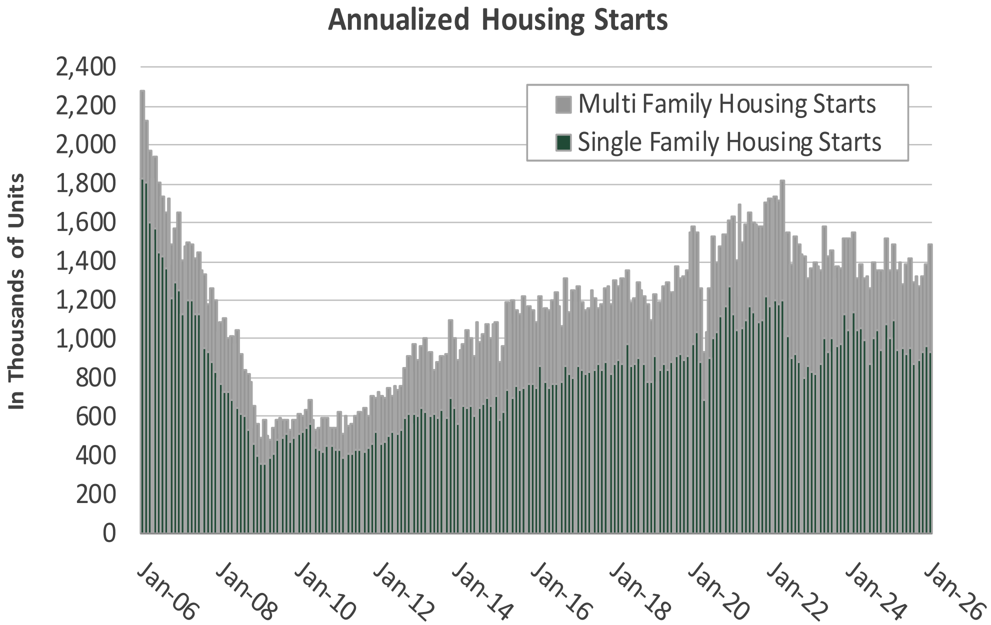
Source: US Department of Commerce



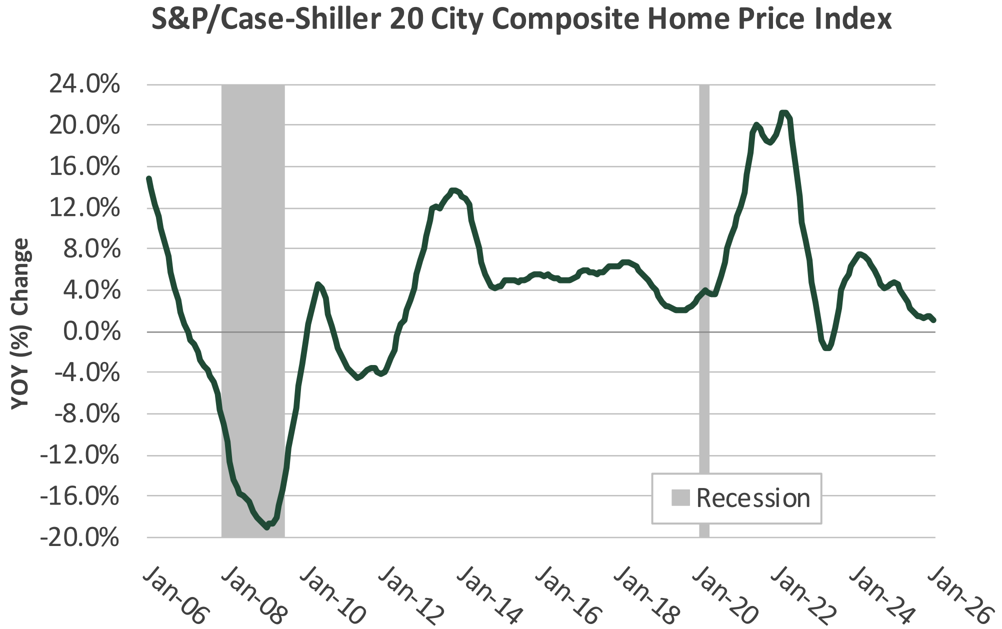
Source: The Conference Board
All time high is 144.70 (1/31/00); All time low is 25.30 (2/28/09)

- Advance Retail Sales showed continued strength **jumping 0.6%** month-over-month **in February**, following a downwardly revised **0.1% decrease in January**. Sales were driven by gains in department stores, clothing and motor vehicles. Control group sales, which feeds into gross domestic product, **increased by 0.5% from prior month**
- On a **YOY basis** Retail Sales **grew 3.5% in February** following a 3.1% increase in January
- The Consumer Confidence Index edged up to **91.8 in March (2nd consecutive gain, well below all-time peak of 144.7 in early 2000)** from **91.0 in February**
- Consumer sentiment **in Florida fell in March for the first time in 2026**, **falling 1.0 points to 78.1** from a revised figure of **79.1 in February** - driven primarily by reduced spending intentions and growing concerns about the national economy

Housing



Source: US Department of Commerce

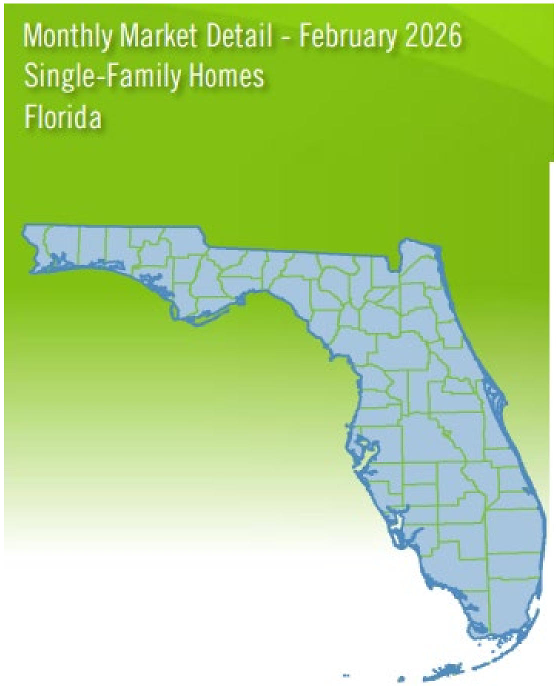


Source: S&P

- Housing **starts rose 7.2%** in **January** to a seasonally adjusted annual rate of **1.487 million units**
- Including **935,000 single family** starts and **552,000 multi-family** starts
- Uncertainty around the cost of materials, and elevated mortgage rates continue to challenge homebuilding

- Housing **prices increased 1.18%** year-over-year in January, continuing deceleration from **December's revised 1.43%** annual increase (2-mo lag in data)
- **Inflation** again **outpaced home price appreciation**, extending erosion of real housing returns (began in 2nd half of 2025)
- **High asking prices and elevated mortgage rates** (30-yr fixed at 6.46% in April) continue to **challenge affordability**

Florida Housing Market Update



Summary Statistics	February 2026	February 2025	Percent Change Year-over-Year
Closed Sales	18,379	17,697	3.9%
Paid in Cash	5,646	5,467	3.3%
Median Sale Price	$412,000	$415,000	-0.7%
Average Sale Price	$639,288	$628,642	1.7%
Dollar Volume	$11.7 Billion	$11.1 Billion	5.6%
Median Percent of Original List Price Received	95.1%	95.5%	-0.4%
Median Time to Contract	59 Days	54 Days	9.3%
Median Time to Sale	98 Days	93 Days	5.4%
New Pending Sales	24,289	23,344	4.0%
New Listings	30,311	33,503	-9.5%
Pending Inventory	32,698	30,748	6.3%
Inventory (Active Listings)	103,339	111,827	-7.6%
Months Supply of Inventory	4.8	5.3	-9.4%

- **Positive** indicators include: Closed Sales, Average Sales Price, and Dollar Volume
- **Negative** Indicators include: Median Sales Price, Median Time to Contract and To Sale, and New Listings
- **Overall cooling in the market remains** after Pandemic Housing Boom due to lower net migration (+23k in 2025), increased pressure from HOA assessments, hurricane damage in SWFL, new build buy downs, and home insurance shocks
- **Inventory varies greatly by region**: Punta Gorda tops the list at -17.6% YOY with areas like Ocala on the other end showing +12.6% YOY (4^{th} in the state)
- **Big Picture: Softness remains across parts of Florida's Housing Market however, the intensity of the downturn has eased in recent months**

Florida Property Tax Bill Uncertainty

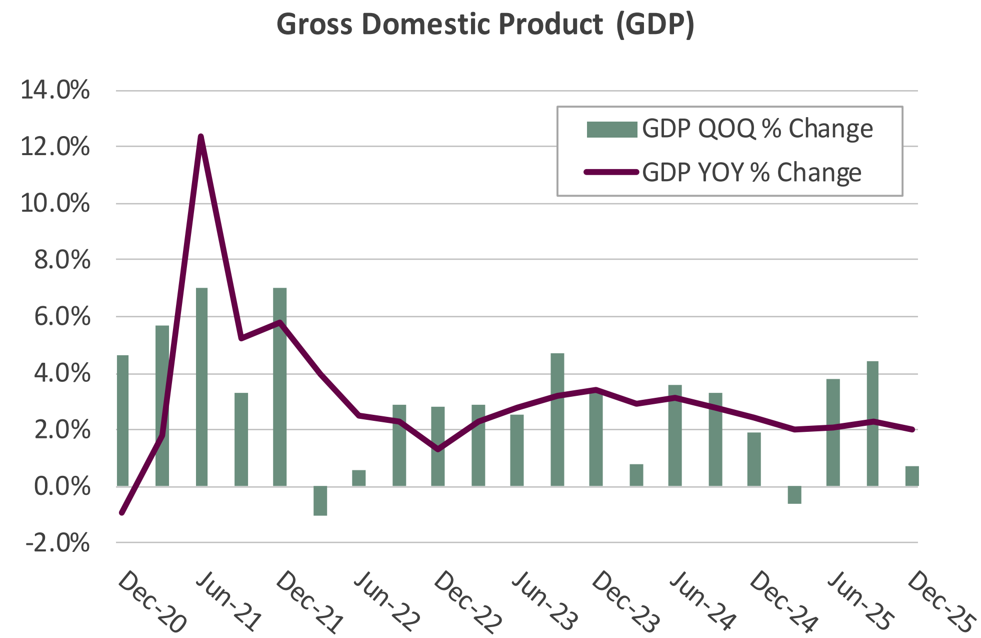
- Florida Republicans have been discussing meaningful relief from property tax for Floridians
- Any **proposal must receive three-fifths** support **in both chambers** of legislature to get a **constitutional amendment on the ballot** which then **must receive 60% support via public vote**
- One proposal, **HJR 203**, **made it past House but Senate declined to vote March 2026**, the proposal called for eliminating all non-school property tax for homesteaded properties over 10 years
- **Not unique to Florida** and none have succeeded yet (Georgia, Ohio, Nebraska, South Dakota, Oklahoma & Indiana)
- Rep. Ryan Chamberlin has announced plan to lead a citizen's initiative to get rid of property taxes.

"I will help lead an effort to pass a citizen constitutional amendment that bans ad valorem taxes on real estate levied by any level of government," Chamberlin declared. "Then, the Legislature will be forced to implement new solutions to make sure we have a system in place for funding police, fire departments, and schools."

Gross Domestic Product (GDP)

Components of GDP	3/25	6/25	9/25	12/25
Personal Consumption Expenditures	0.4%	1.7%	2.3%	1.3%
Gross Private Domestic Investment	3.8%	-2.7%	0.0%	0.4%
Net Exports and Imports	-4.7%	4.8%	1.6%	-0.2%
Federal Government Expenditures	-0.4%	-0.4%	0.2%	-1.2%
State and Local (Consumption and Gross Investment)	0.2%	0.3%	0.2%	0.2%
Total	**-0.6%**	**3.8%**	**4.4%**	**0.5%**

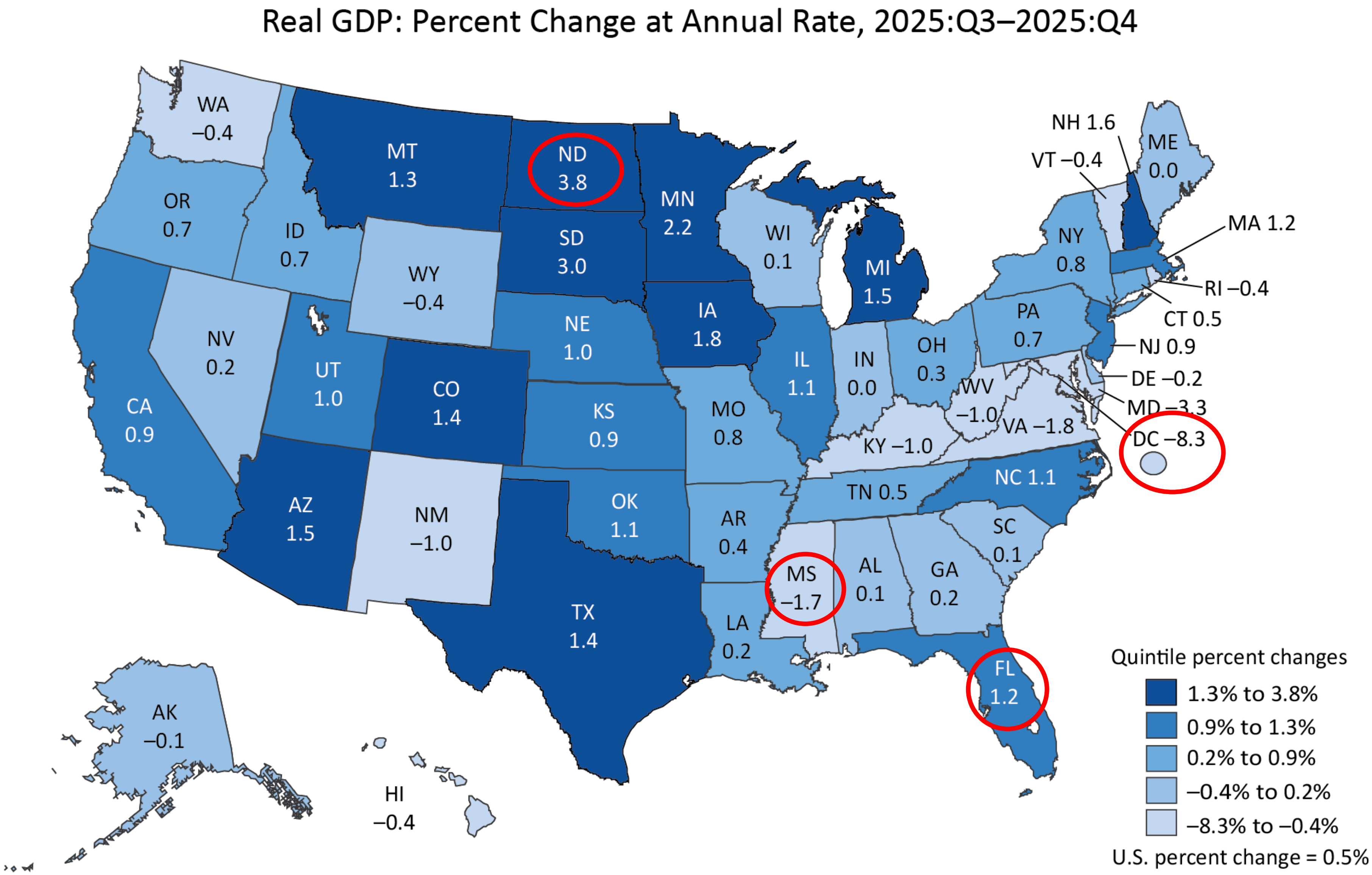
Source: US Department of Commerce



Source: US Department of Commerce

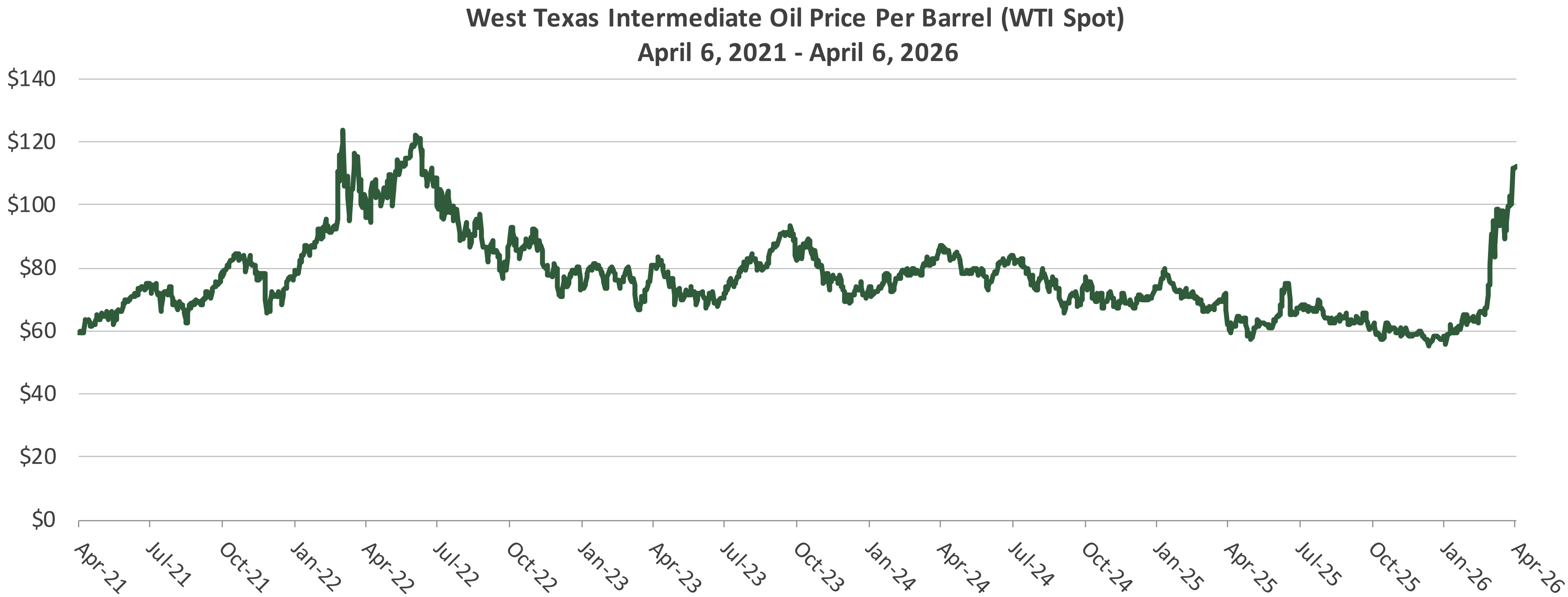
- The third and final estimate of real GDP showed **fourth-quarter** growth revised down to **0.5% from the initial 1.4%** estimate
- The **slowdown from 4.4%** in the third quarter primarily **reflected a sharp pull back in government spending**, as federal government shutdown (43 days) weighed on activity.
- Consensus projection calls for **2.0-2.2% growth in 2026** after **2.1% growth for the full year 2025** down from **2.8% in 2024**
- **Forecasts for Q1 2026** indicate a slight recovery from the Q4 2025 slowdown to around **1.8%–2.4% as consumer spending remains resilient**

Gross Domestic Product (GDP)



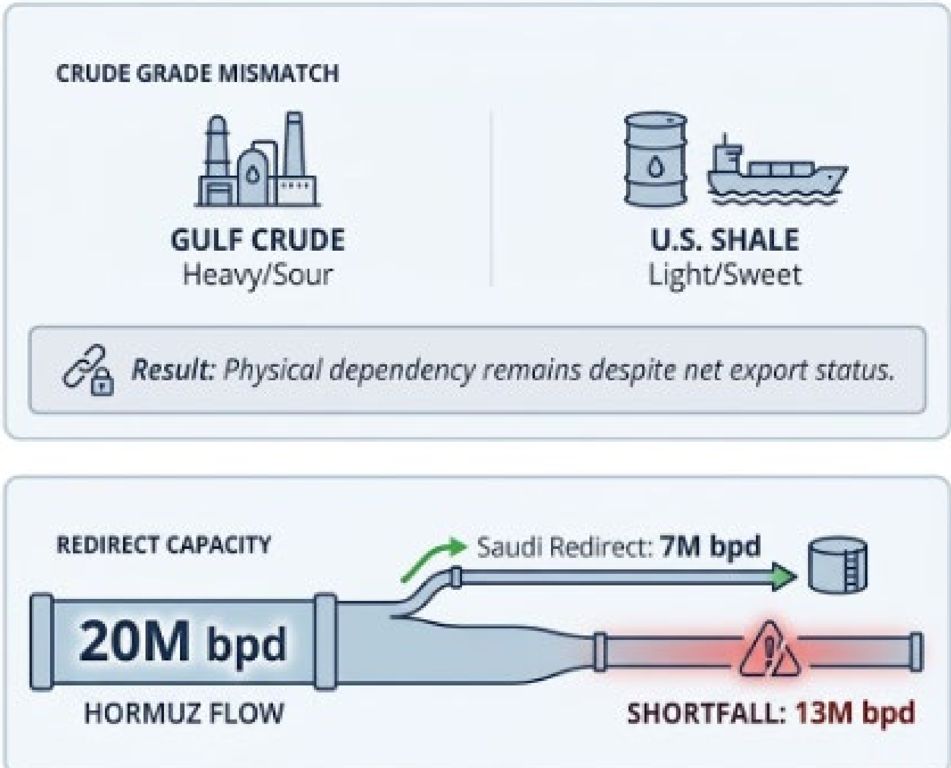
GDP Gross domestic product
U.S. Bureau of Economic Analysis

Crude Oil Prices



- West Texas Intermediate **(WTI)** crude settled at **$90.90/barrel** on March 6, and **topped $117/barrel** prior to Tuesday's temporary ceasefire announcement - well above its **one-month average** of **$68.47/barrel** and its one-year average of **$63.24/barrel**
- Oil **prices have soared** to the **highest levels since 2023**.
- Oil **prices could continue to rise** in the coming weeks if the disruption continues.

Why Energy Independence Does Not Prevent Shortages

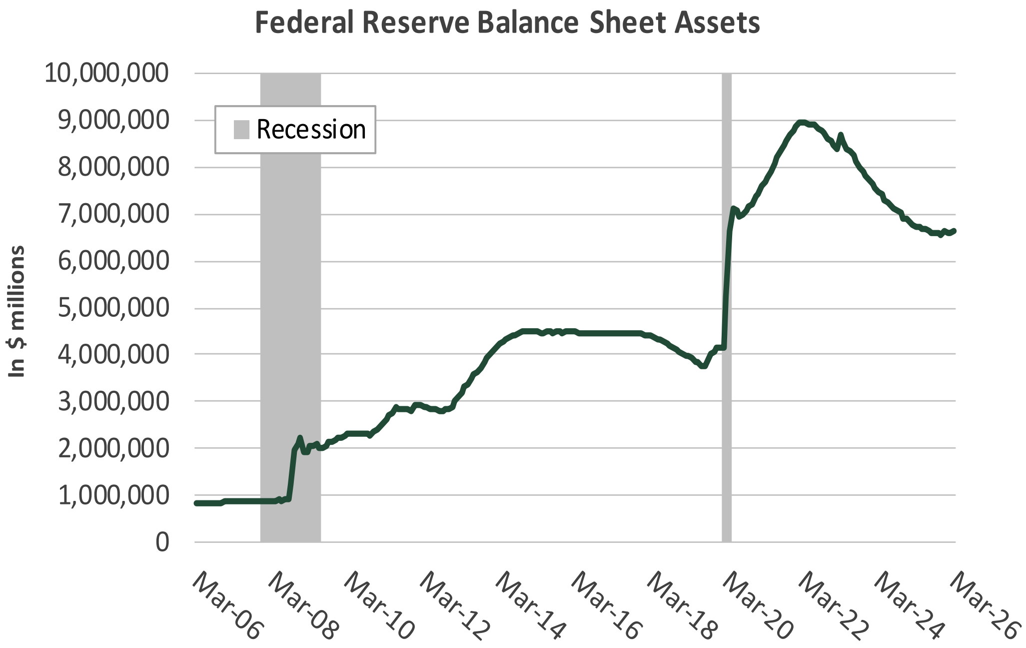


- Although the U.S. is a net exporter, our refineries are structurally configured for heavy sour crude from the Gulf, not the light sweet shale oil produced domestically.
- This mismatch means domestic production cannot immediately replace lost supply.
- Saudi Arabia's East-West pipeline can redirect 7 million bpd, but this is expensive, slower, and only partially offsets the 20 million bpd Hormuz loss.

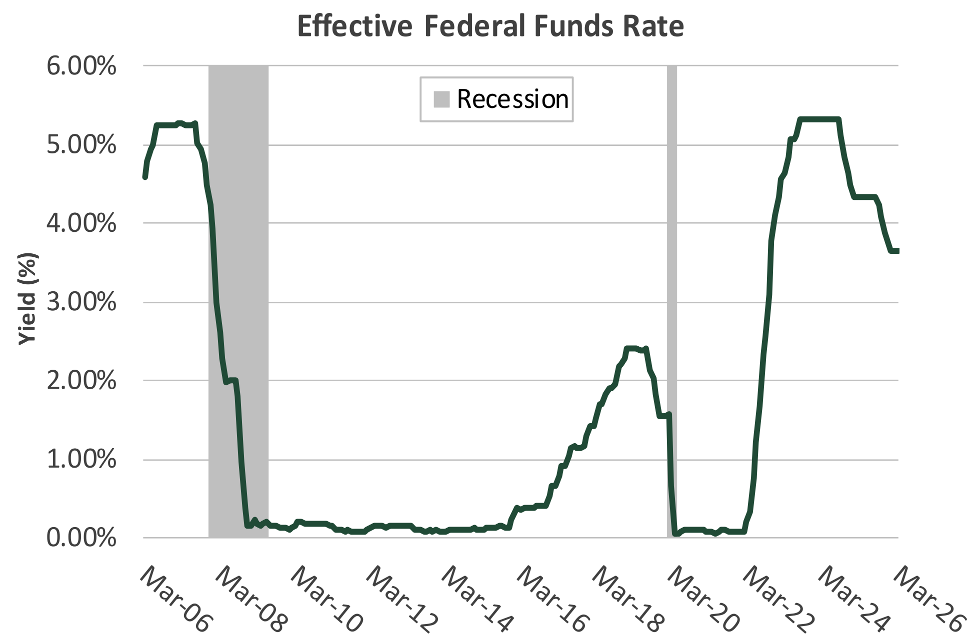
U.S. refinery configurations create a physical dependency on heavy crude that domestic production cannot immediately solve, leading to a localized supply cliff by late April.

Sources: [1] U.S. Energy Information Administration (EIA), [2] BCA Research (March 2026), [3] Saudi Aramco / Fortune (March 2026)

Federal Reserve



Source: Federal Reserve



Source: Bloomberg

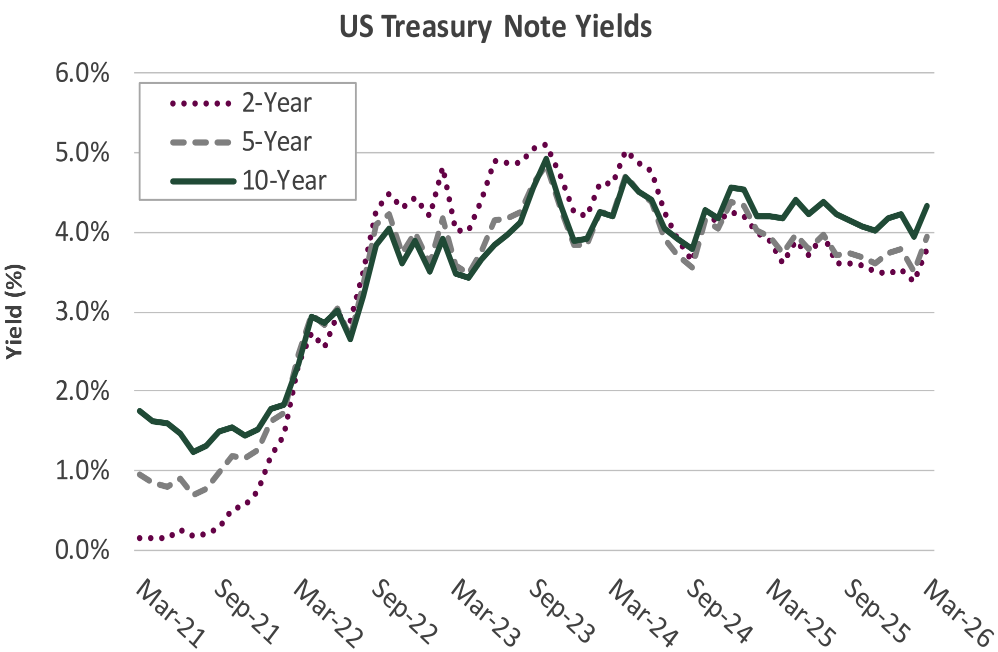
- The Committee also **reaffirmed its December decision** to halt balance sheet runoff and to **reinvest principal and interest payments** from its security holdings

- Signaling a **continued emphasis** on **maintain ample reserves** and **supporting orderly market functioning.**

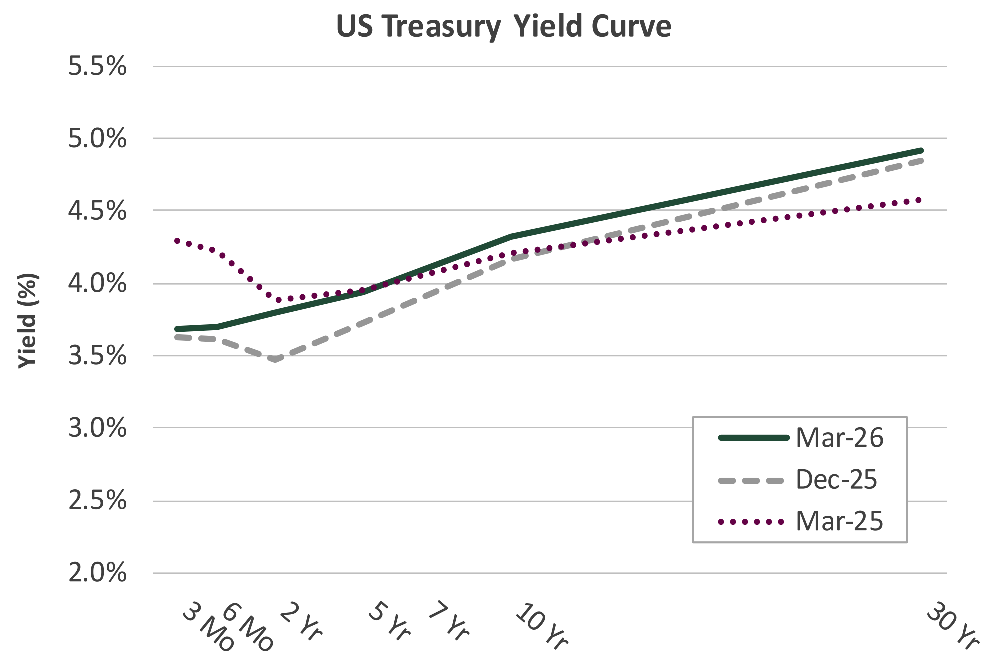
- The Fed **left its benchmark interest rate unchanged** in March, Keeping the **target range 3.50%-3.75%** following three late-2025 rate cuts justified by the softening labor market,

- Some participants supported **two-sided language** on **future rate direction** given the **upside risks to inflation** and **downside risks to employment.**

Bond Yields



Source: Bloomberg



Source: Bloomberg

- At the **end of March**, the **2-Year** Treasury yield stood at **3.79%** down ~9 basis points lower from a year ago, and the **10-Year** Treasury yield finished at **4.32%**, 11 basis points higher, year- over-year aaaa

- The **spread between the 2-Year and 10-Year** Treasury narrowed to **+52** basis points, wider by 20 basis points YOY

- The **recent yield curve inversion** which began in July 2022 – August 2024 was **historically long**

- The average **historical spread** (since 2005) is about **+95 basis points.**

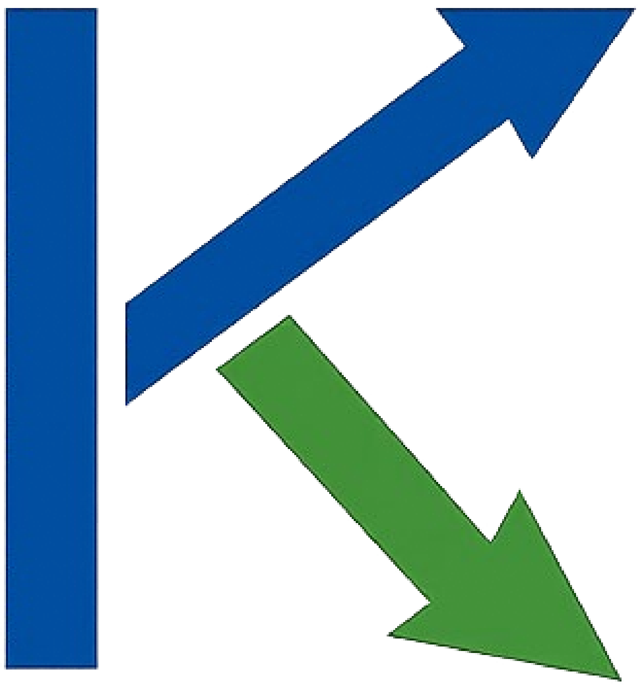
- Suggesting the **current slope** sits **well below its long-run norm**

- 2-year @ 3.67%, 5-year @ 3.91%, 10-year @ 4.29% (as of 4.13.2026)

Section 2

Supplemental Slides

Unintended Consequences: The K-Shaped Economy



The "Haves"

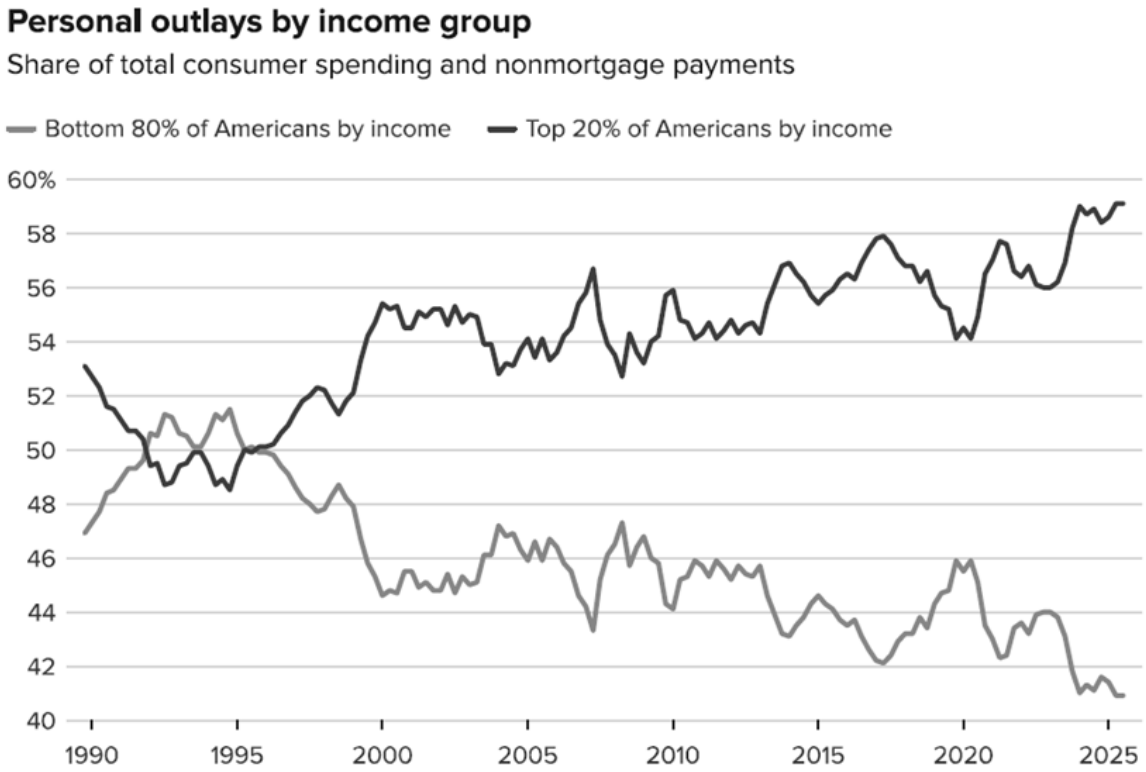
- Wealth growth fueled by assets
- Continued spending
- Benefits from investments

The "Have-Nots"

- Financial strain from high prices
- Wages lag others
- Increased job insecurity

What is the K-Shaped Economy?

Economic divergence where wealthier households benefit from asset appreciation, education, and technology, while lower-income families face structural disadvantages and financial strain.



Note: Data uses four-quarter moving averages.

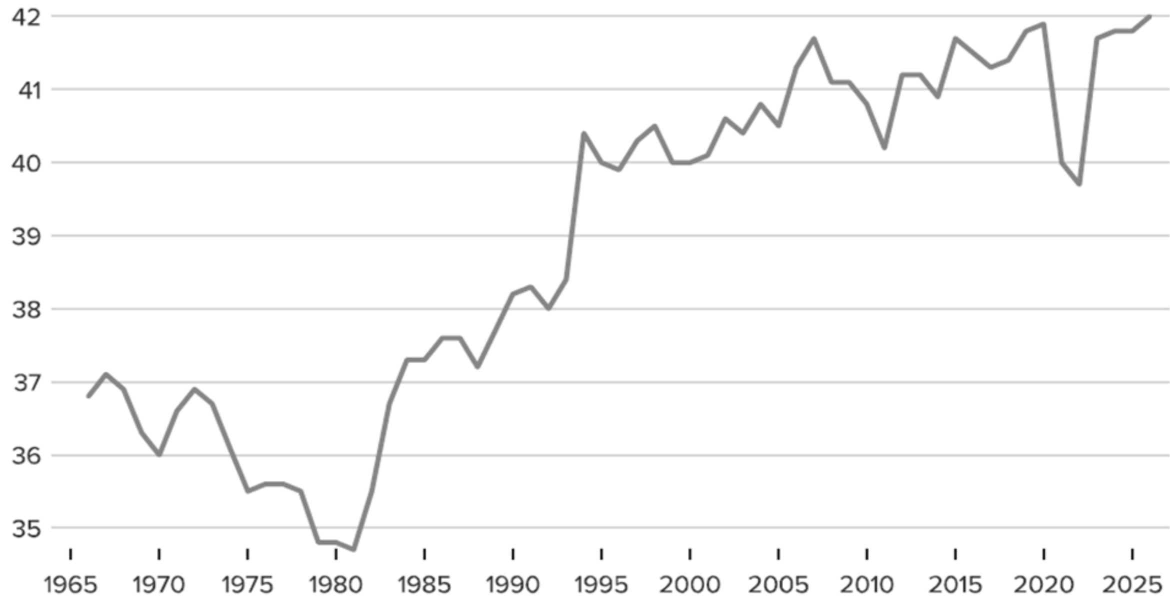
Source: Federal Reserve Board, Bureau of Economic Analysis, Census, Moody's Analytics

- Consumer spending typically accounts for about 2/3 of GDP growth.
- Consumer spending has been resilient, but not all sectors contribute equally.

Wealth Inequality has Grown to the Highest Level in Over 60 Years

Wealth inequality over the last six decades

The Gini coefficient from 1965 to 2025

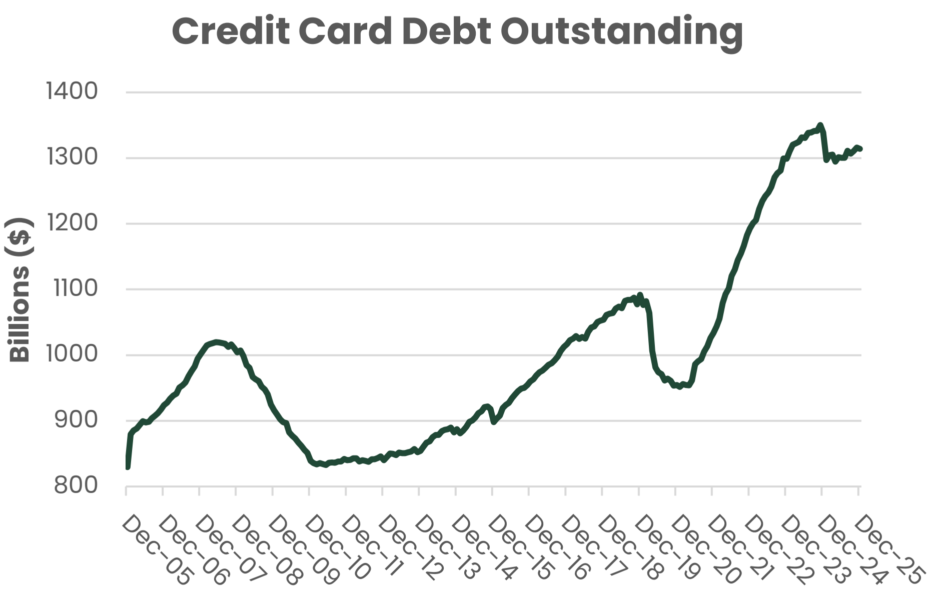


Note: Numbers closer to 100 indicate higher inequality and wealth concentration; numbers closer to zero indicate the reverse. 2024 and 2025 data utilize some estimates.

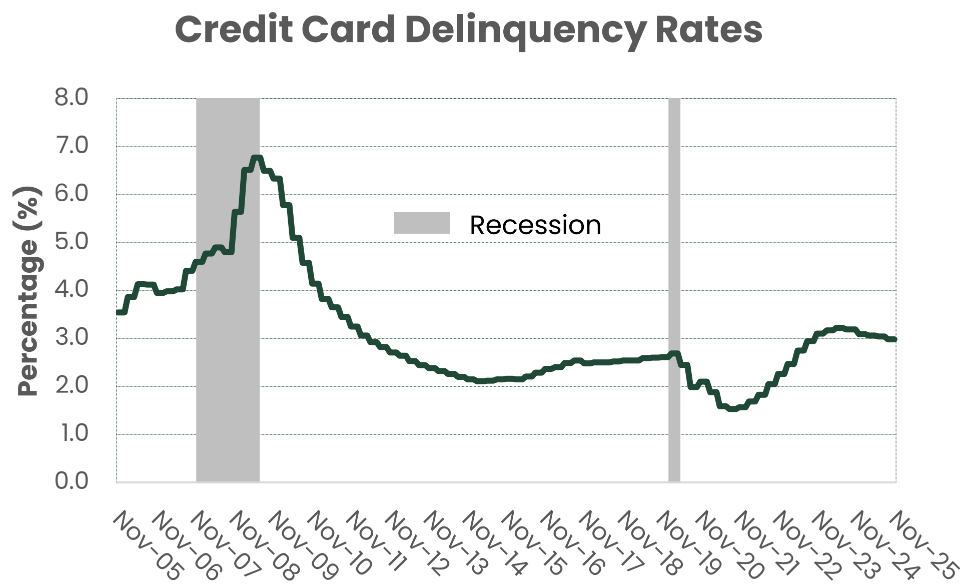
Source: U.S. Bank Economics calculations via Bloomberg, World Bank, Census and Statistica

- The **Gini coefficient** is an index for the degree of inequality in the distribution of income/wealth.
- The **net worth** of America's **top 1%** hit a record share **of nearly 32%** in the third quarter of 2025; the **bottom 50% cumulatively held 2.5%** of overall net wealth. (Federal Reserve)
- Higher income/wealth sectors contribute disproportionately to economic growth due to equity market and property value appreciation resulting in "wealth effect" spending.
- **S&P 500 has climbed over 130%** since the Covid crisis' onset in March 2020 (through Feb); **home prices are up 52%** over the same period. (SPCS Index)
- **Lower income sectors** are **pressured by** pandemic era **stimulus ending** and **savings exhausted**, inflation and persistently higher prices for goods and services, amplified by tariffs and oil shock (prices up over 25% cumulatively since 2020 according to Bloomberg)

Consumer spending has relied heavily on revolving debt



Source: Bloomberg



Source: Bloomberg

- Revolving credit outstanding exceeds $1.3 Trillion
- Credit card delinquency rates have surpassed pre-pandemic levels

- The gap between high-and middle-income households is growing.
- Consumer sentiment has weakened for all income sectors. (Conference Board, University of Michigan)
- Households with incomes under $75,000 are allocating less on discretionary categories like travel and experiences than in 2019, while those above $150,000 are allotting more. (Bank of America)

Disclosures

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