

Morningstar® Markets Observer

Q2 2026

Morningstar® Research

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Table of Contents

| | |
|-----------------------|----|
| ○ Market Overview | 3 |
| ○ Equities | 13 |
| ○ Fixed Income | 21 |
| ○ Funds | 30 |
| ○ Economic Indicators | 37 |

Market Overview



Market Dashboard

Poor stock performance in the first quarter of 2026 was primarily driven by a sharp escalation in geopolitical tensions following the outbreak of the Iran war, which triggered a massive spike in oil prices and renewed inflation fears. Investors also shifted away from mega caps amid growing artificial intelligence uncertainty. Rising yields held bonds back, too, though the Morningstar US Core Bond Index posted a marginal gain, thanks to January and February's strong returns.

| Equities | Dividend Yield | Return (%) | | | | | | Fundamental Measures | | | |
|-------------------------------------|----------------|------------|------|------|-------|-------|--------|----------------------|-----|-----|------|
| | | YTD | 3 Mo | 1 Yr | 3 Yrs | 5 Yrs | 10 Yrs | P/E | P/B | P/S | P/C |
| Morningstar US Large Cap | 1.1 | -6.1 | -6.1 | 18.5 | 19.8 | 12.5 | 14.8 | 27.0 | 5.8 | 4.5 | 20.5 |
| Morningstar US Small Cap | 1.5 | 0.0 | 0.0 | 19.5 | 12.7 | 5.0 | 9.6 | 18.5 | 2.3 | 1.5 | 11.1 |
| Morningstar Developed-Markets ex-US | 2.8 | -0.7 | -0.7 | 24.1 | 14.4 | 8.0 | 8.6 | 17.5 | 2.0 | 1.6 | 10.7 |
| Morningstar Emerging Markets | 2.3 | -0.4 | -0.4 | 27.8 | 14.2 | 4.2 | 8.1 | 15.8 | 2.0 | 1.7 | 10.9 |

| Fixed Income | Yield to Maturity | Return (%) | | | | | | Interest Rates (%) | | |
|-----------------------------------|-------------------|------------|------|------|-------|-------|--------|--------------------|----------|-----|
| | | YTD | 3 Mo | 1 Yr | 3 Yrs | 5 Yrs | 10 Yrs | Current | 1 Yr Ago | |
| Morningstar US Core Bond | 4.5 | 0.1 | 0.1 | 4.3 | 3.6 | 0.3 | 1.7 | 2 Yr Treasury | 3.8 | 3.9 |
| Morningstar US Corporate Bond | 5.1 | -0.4 | -0.4 | 4.7 | 4.6 | 0.7 | 2.7 | 5 Yr Treasury | 3.9 | 4.0 |
| Morningstar US High-Yield Bond | 7.5 | -0.5 | -0.5 | 7.0 | 8.6 | 4.3 | 6.1 | 10 Yr Treasury | 4.3 | 4.2 |
| Morningstar US Municipal Bond | 4.1 | -0.2 | -0.2 | 4.3 | 3.0 | 0.9 | 2.2 | 20 Yr Treasury | 4.9 | 4.6 |
| Morningstar Emerging-Markets Bond | 6.1 | -1.3 | -1.3 | 6.6 | 6.8 | 1.2 | 3.4 | Prime Rate | 6.8 | 7.5 |

| Broad Commodities | Return (%) | | | | | | Commodities (USD) | | |
|---------------------|------------|------|------|-------|-------|--------|-------------------|----------|-------|
| | YTD | 3 Mo | 1 Yr | 3 Yrs | 5 Yrs | 10 Yrs | Current | 1 Yr Ago | |
| Bloomberg Commodity | 24.4 | 24.4 | 32.3 | 13.9 | 14.0 | 8.0 | Brent Crude Oil | 118 | 73 |
| | | | | | | | Gold | 4,608 | 3,115 |

3-Month Return (%)

| | Value | Blend | Growth | |
|-------|-------|-------|--------|--------------|
| Large | 2.4 | -4.0 | -12.8 | > 8.0 |
| Mid | 5.2 | 0.7 | -2.4 | 4.0 to 7.9 |
| Small | 2.8 | -1.3 | -1.4 | 0.0 to 3.9 |
| | | | | -3.9 to -0.1 |
| | | | | -7.9 to -4.0 |
| | | | | < -8.0 |

1-Year Return (%)

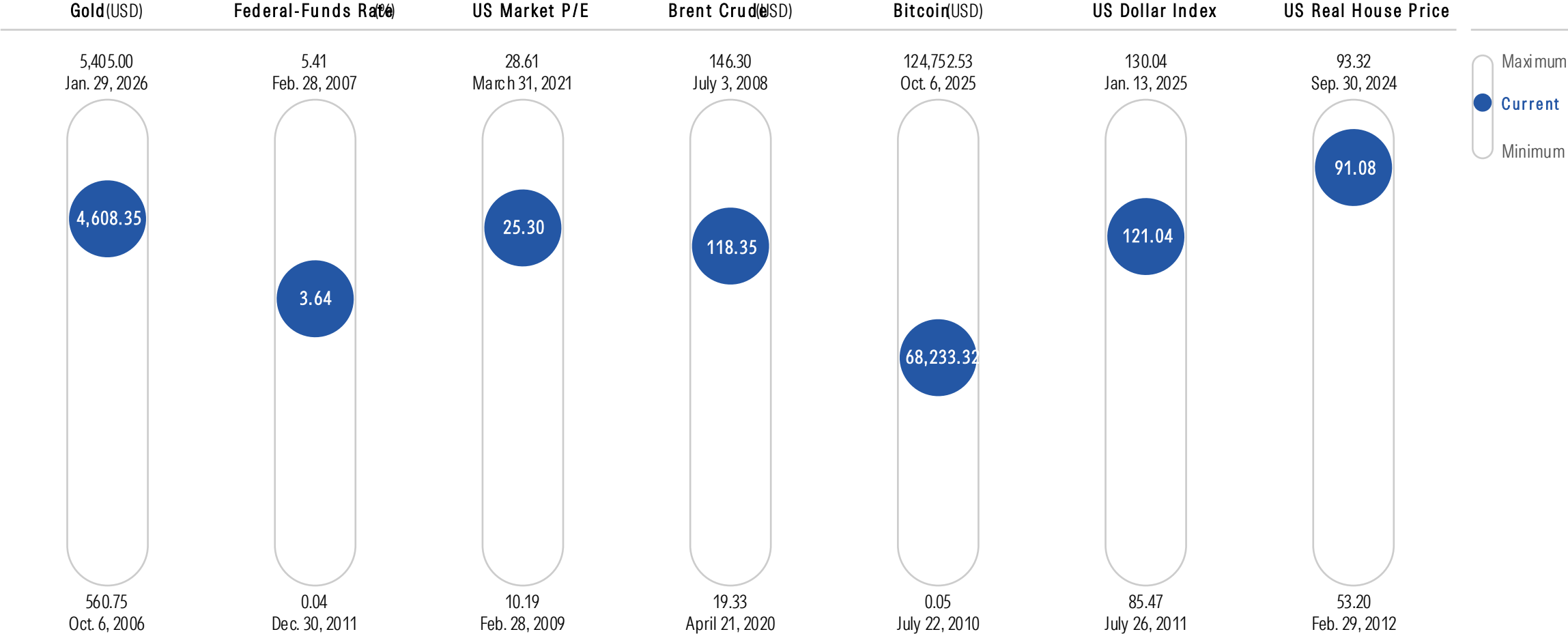
| | Value | Blend | Growth | |
|-------|-------|-------|--------|----------------|
| Large | 14.2 | 11.3 | 12.9 | > 20.0 |
| Mid | 19.3 | 12.7 | 9.7 | 10.0 to 19.9 |
| Small | 19.4 | 16.6 | 22.9 | 0.0 to 9.9 |
| | | | | -9.9 to -0.1 |
| | | | | -19.9 to -10.0 |
| | | | | < -20.0 |

5-Year Return (%)

| | Value | Blend | Growth | |
|-------|-------|-------|--------|----------------|
| Large | 11.4 | 10.8 | 7.5 | > 20.0 |
| Mid | 10.3 | 7.2 | 4.2 | 10.0 to 19.9 |
| Small | 7.9 | 5.6 | 1.3 | 0.0 to 9.9 |
| | | | | -9.9 to -0.1 |
| | | | | -19.9 to -10.0 |
| | | | | < -20.0 |

Market Thermometer

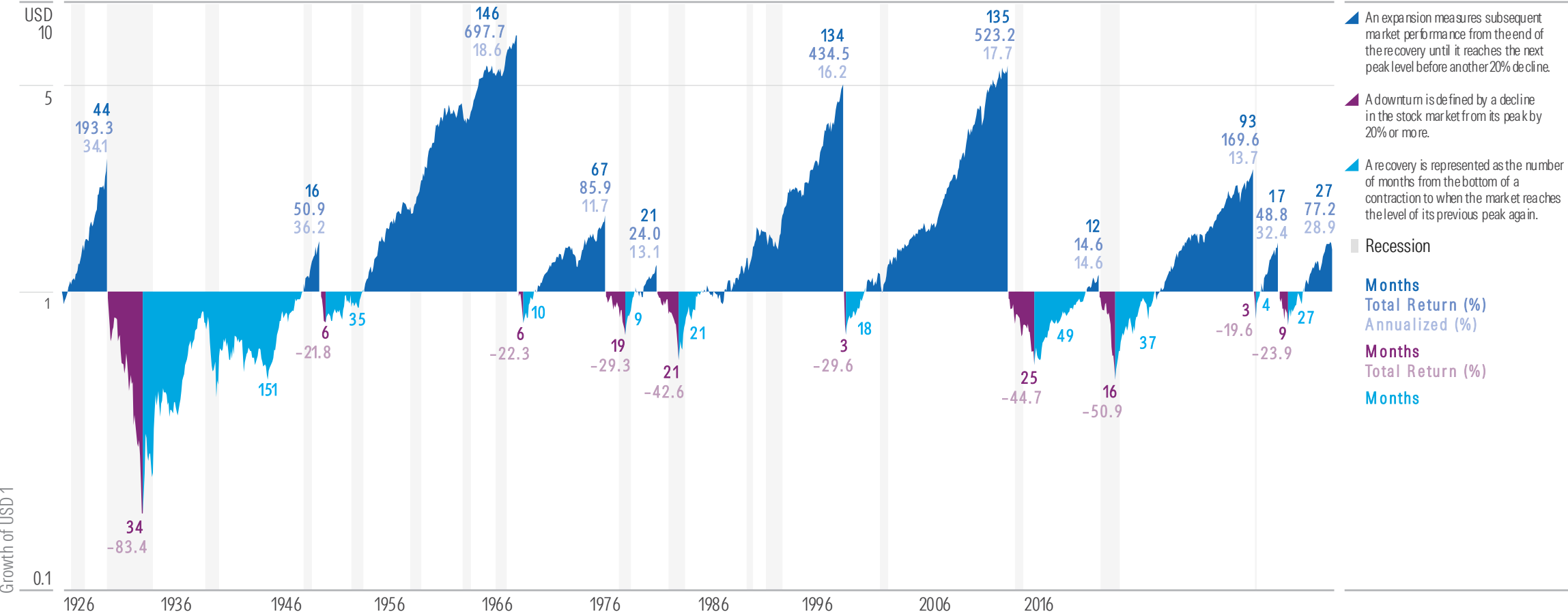
Gold reached a new high in January before retreating in March. The escalation of conflict in Iran served as a primary catalyst for crude oil prices, which nearly doubled over the course of the first quarter and is now more expensive than in 78% of prior observations. The conflict also helped stabilize the US dollar after falling for much of 2025. The Morningstar US Market Index's price/earnings ratio fell as equities sold off, while US house prices remain near record levels.



US Market Pulls Back Amid Iran War

Stocks remain in an expansion phase despite the broad pullback in March, bringing this current expansion to 27 months. US large-cap stocks have risen 28.9% annualized since 2022's downturn, or 77.2% total. More recently, small caps outperformed large caps in the first quarter of 2026, as AI and geopolitical uncertainty weighed on some of the market's largest companies.

US Market Downturns, Recoveries, and Expansions



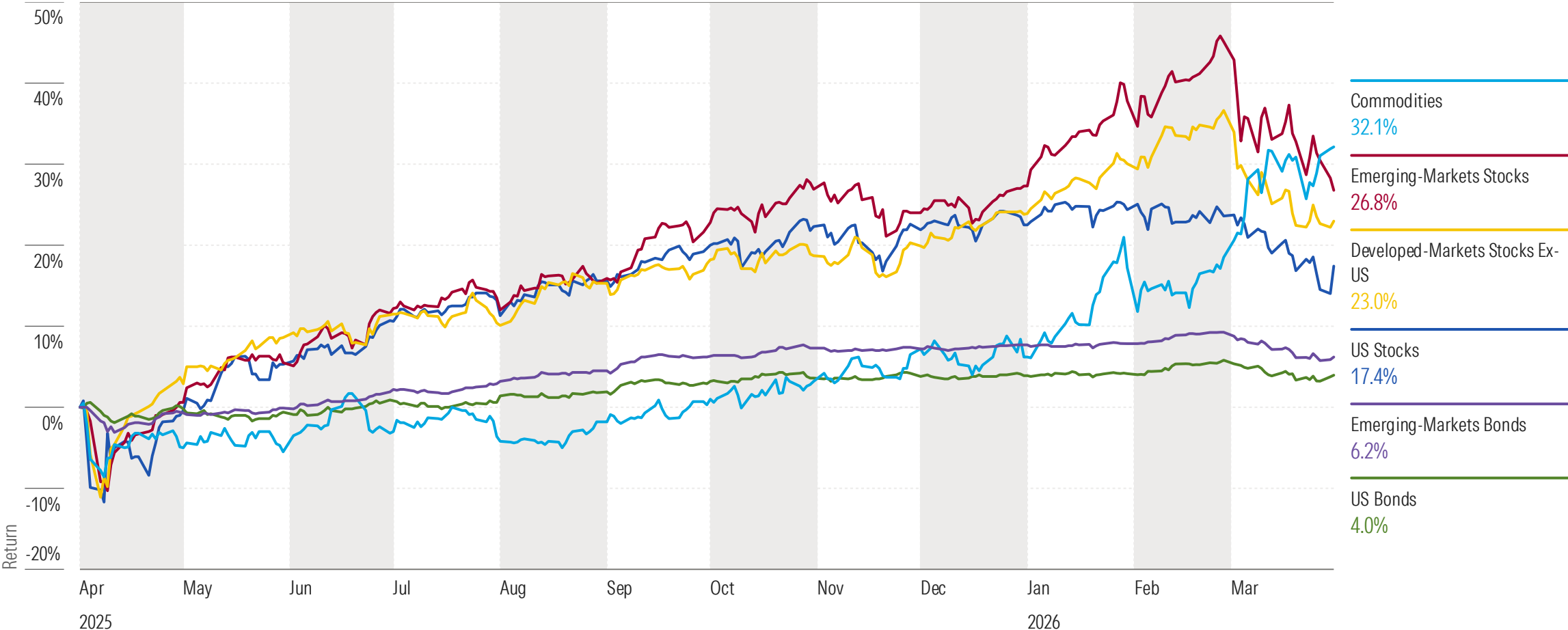
- ▲ An expansion measures subsequent market performance from the end of the recovery until it reaches the next peak level before another 20% decline.
- ▲ A downturn is defined by a decline in the stock market from its peak by 20% or more.
- ▲ A recovery is represented as the number of months from the bottom of a contraction to when the market reaches the level of its previous peak again.
- Recession

Months
Total Return (%)
Annualized (%)

Months
Total Return (%)
Months

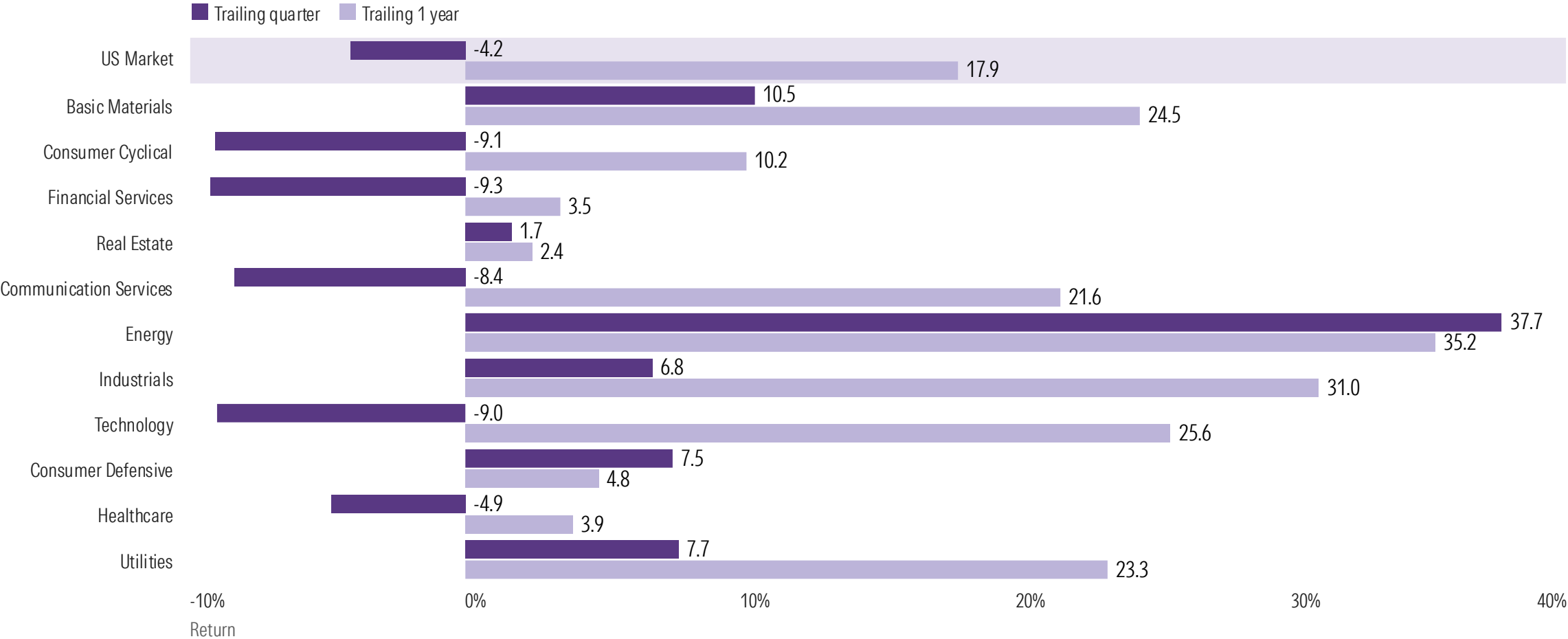
Trailing 12-Month Performance of Major Asset Classes

Commodities gained a robust 32% trailing in the 12 months ended March 2026, propelled by a dramatic surge in oil prices stemming from the Iranian conflict. Emerging-market stocks suffered in March as investors sold risky assets. Developed markets continue to outperform US stocks, though neither was insulated from March's broad decline. Even US bonds suffered, bringing their consistent run of performance to an end in March.



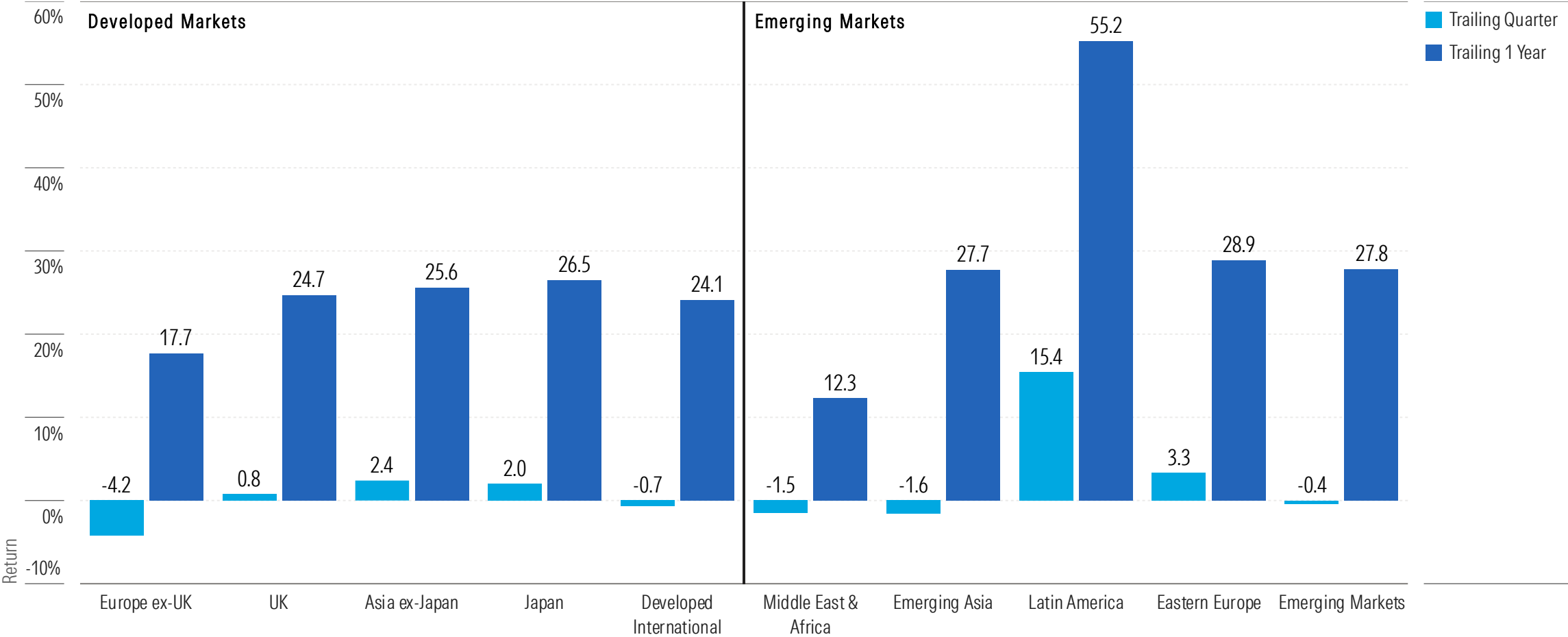
US Equity Sector Performance

Energy surged 37.7% in 2026's first quarter as the conflict in Iran and the Strait of Hormuz closure caused oil prices to soar. Consumer cyclical, financial services, and technology were all down around 9%, reflecting continued concerns over AI competition and spend. Defensive sectors did well in the first quarter of 2026, with utilities, consumer defensive, and healthcare all positive. The US market was down 4.2% in the quarter, but it still gained 17.9% over the past year.



International Stock Market Performance

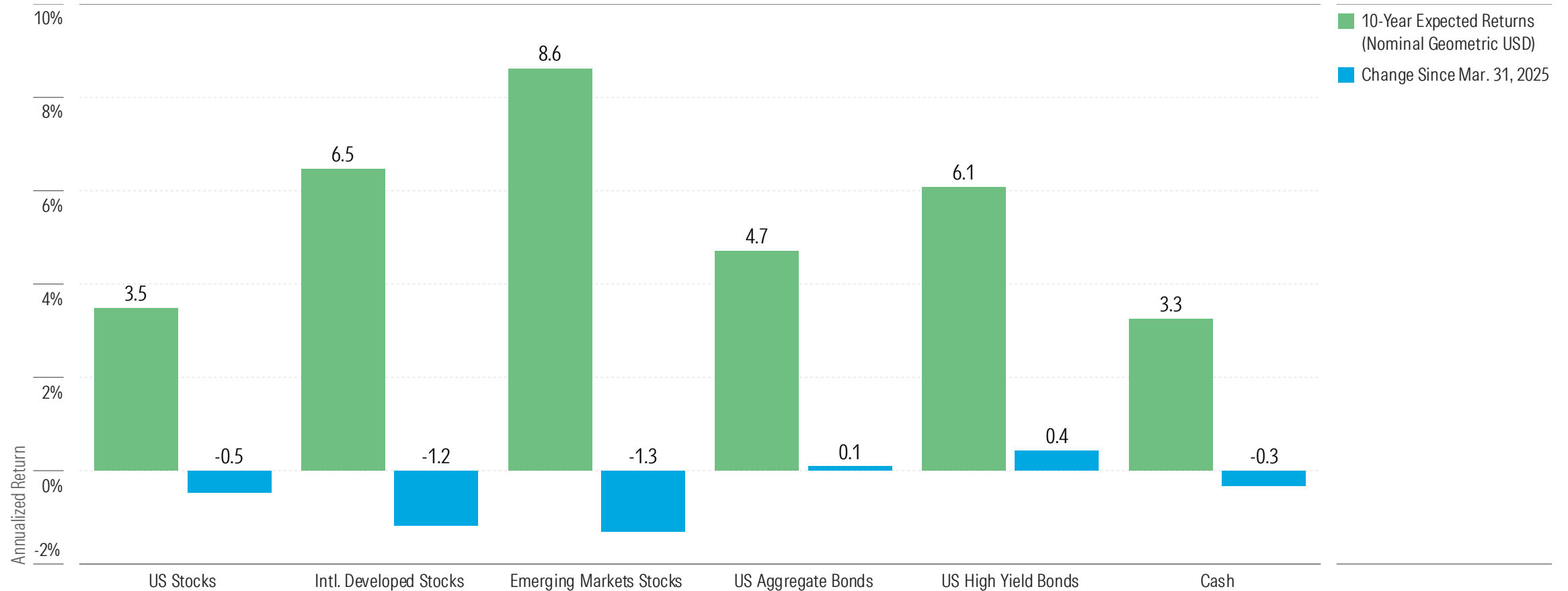
International stock markets were mixed in the first quarter despite a strong last year. Latin America performed exceptionally well, in large part, thanks to Brazil. Eastern European emerging markets also did well, up 3.3% in the quarter and 28.9% for the past year. Europe ex-UK did the worst among all foreign stock regions, posting a loss of 4.2% for the past three months on Iran war worries. Despite mixed recent results, international markets have fared quite well over the past year due to several factors, including a weakening US dollar.



Valuation-Implied Returns: Short-Term Moderation, Longer-Term Improvement

Valuation-implied returns serve as a useful measure for cross-asset-class comparisons. Emerging-market stocks continue to boast the highest 10-year expected return even after their recent run. Lofty valuations have seen equity VIRs fall over the past year despite the March selloff. US high-yield bonds have seen their VIRs increase 0.4% over the past year as spreads widened from historically tight levels.

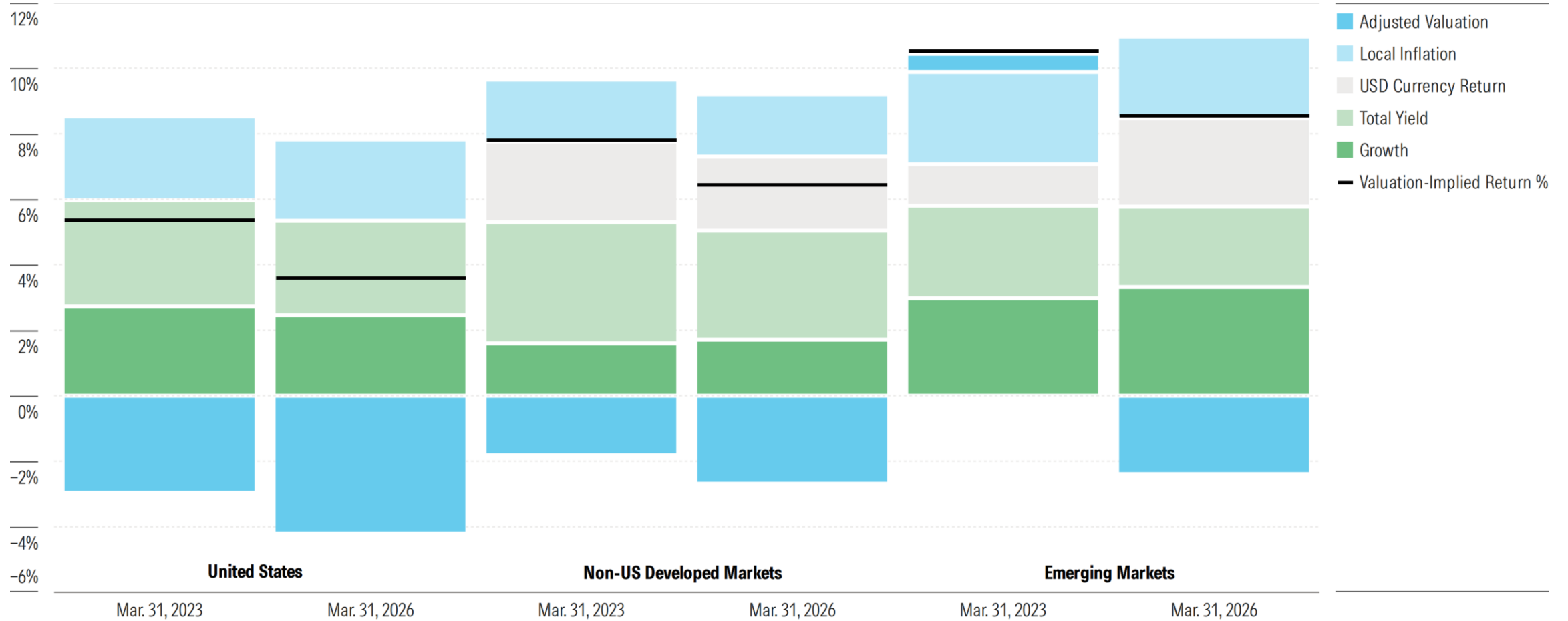
10-Year Valuation-Implied Returns



Valuations Suggest Lower Future Stock Returns

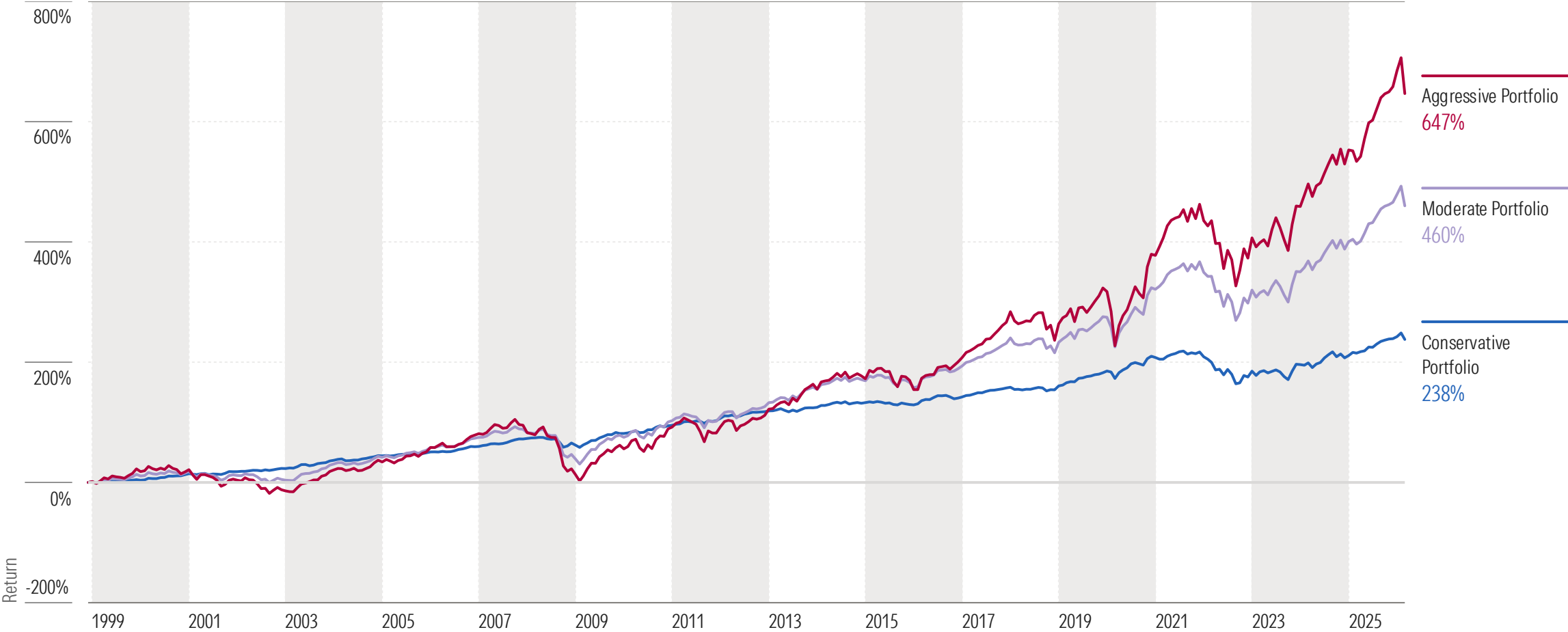
VIRs have declined for each of the three broad regions since March 2023. Emerging-market stocks currently have the highest VIR (8.6%), driven by positive expected growth and currency returns. Conversely, US stocks have the lowest VIR (3.5%) because of an expected reversion of P/E multiples back to fair value.

Valuation-Implied Return Building Blocks



Performance of Risk-Based Portfolios

The aggressive, moderate, and conservative risk-based portfolios all reversed early-year gains in March to end the first quarter of 2026 slightly down. The aggressive portfolio fared the worst, declining 1.5% last quarter because of its 95.0% target stock allocation. Stocks pulled back globally due to rising oil prices and heightened uncertainty associated with the Iran war. Rising yields also hurt bond returns in March, though bonds did not decline as much as stocks, helping the conservative portfolio lead the pack, declining just 0.4% on the quarter.



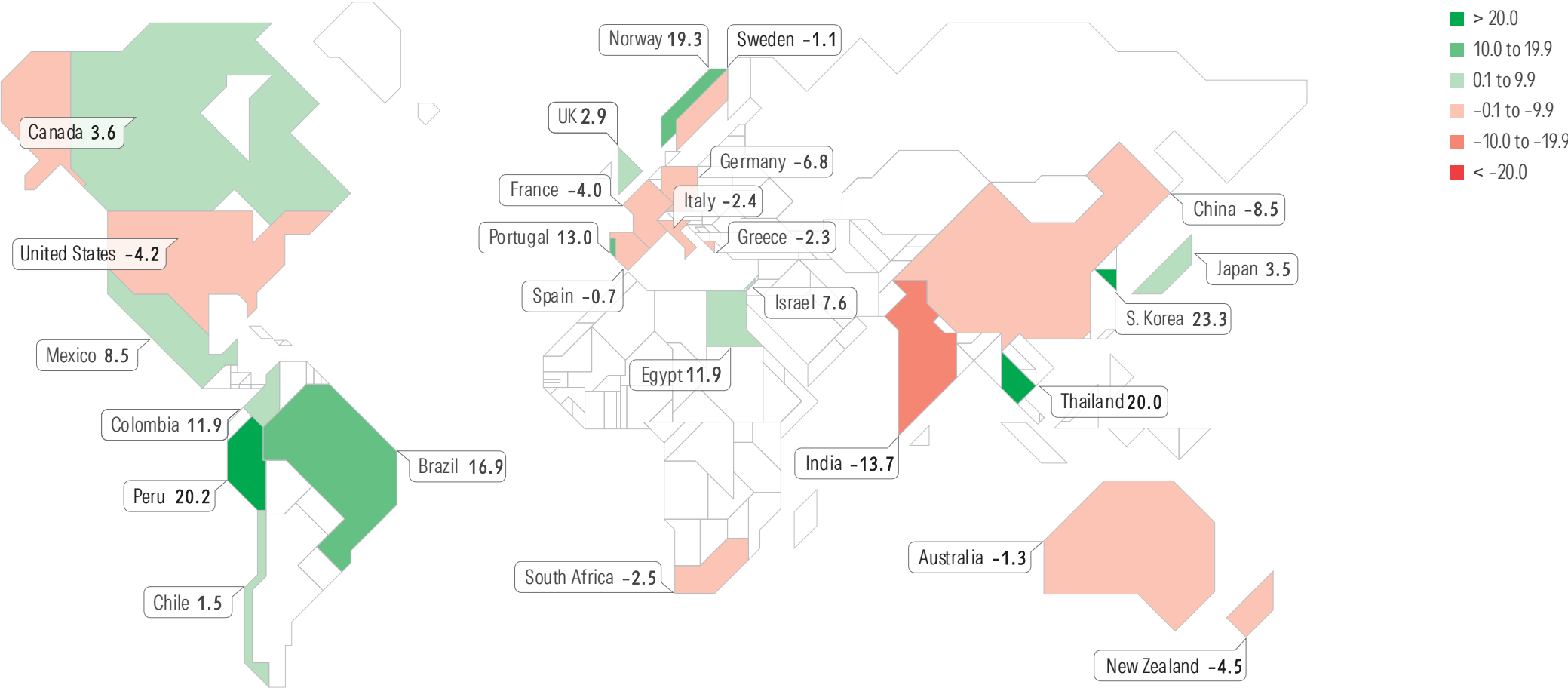
Equities



Global Market Barometer

Global stock markets swung from gains to sharp losses after the outbreak of the Iran war. Returns were broadly positive through late February, led by strong gains in South Korea, Thailand, and Egypt, alongside solid performance across Latin America and parts of Europe. Stocks fell across regions after the escalation beginning Feb. 28, reflecting global sensitivity to energy and trade shocks.

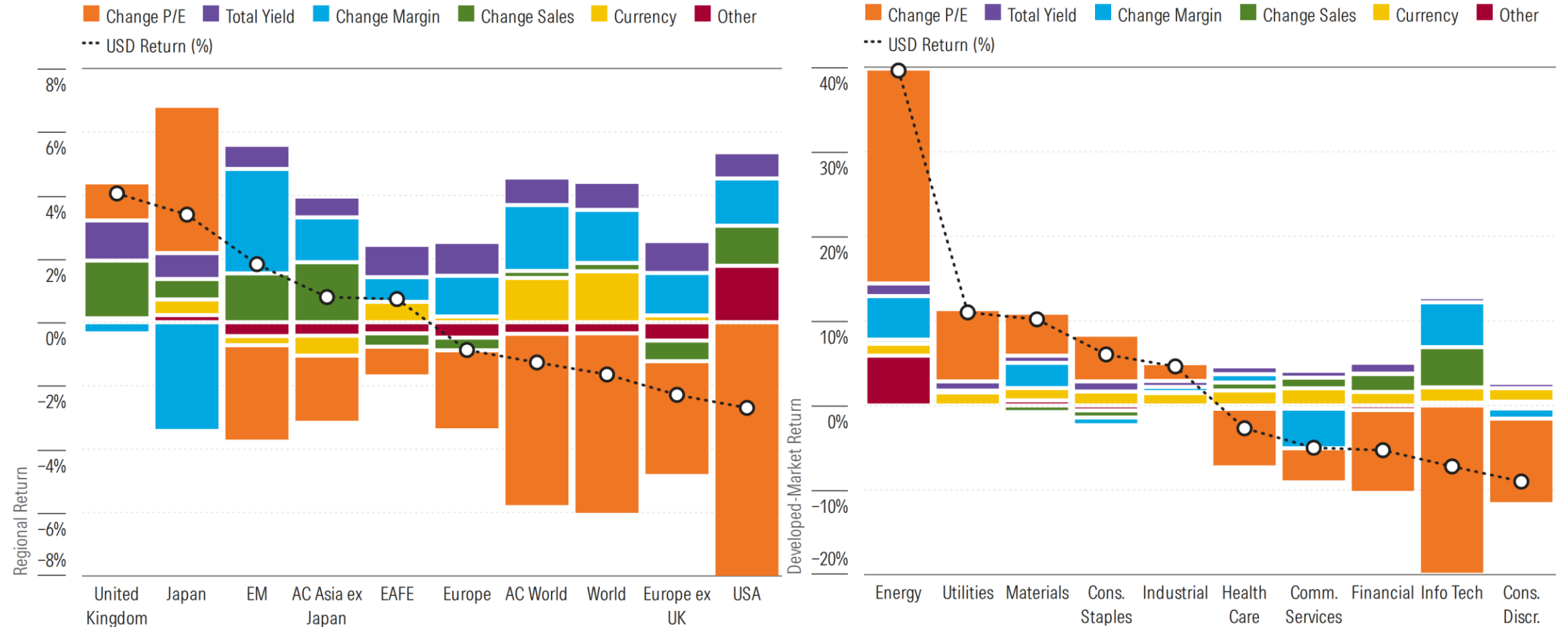
Year-to-Date Returns of Morningstar Country Indexes in Base Currency



Equity Market Performance Decomposition

Stock returns were muted last quarter, largely driven by valuation compression. This weighed on regional returns and developed-market sectors, including financials and information technology in the US. Unlike the prior quarter, currency effects were modest, leaving underlying earnings, margins, and sales growth as partial offsets rather than primary sources of returns.

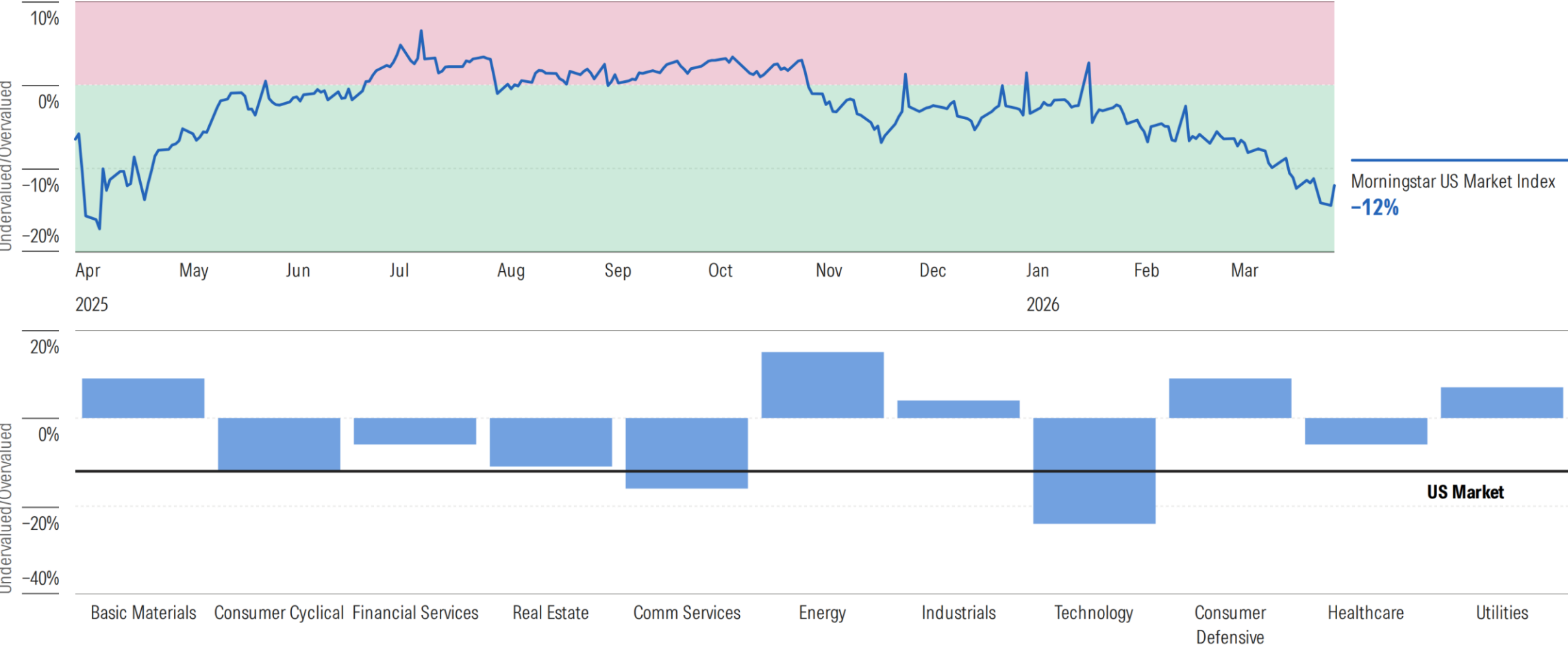
2026 Year-to-Date Return Decomposition



Morningstar Price/Fair Value

The median stock's fair value in the Morningstar US Market Index oscillated but was generally undervalued over the 12 months through March 2026. Valuations were broadly elevated at the sector level, with energy the most expensive, driven by a surge in oil prices. In contrast, only the technology and communication-services sectors were trading cheaper than the US market as of March 31, 2026.

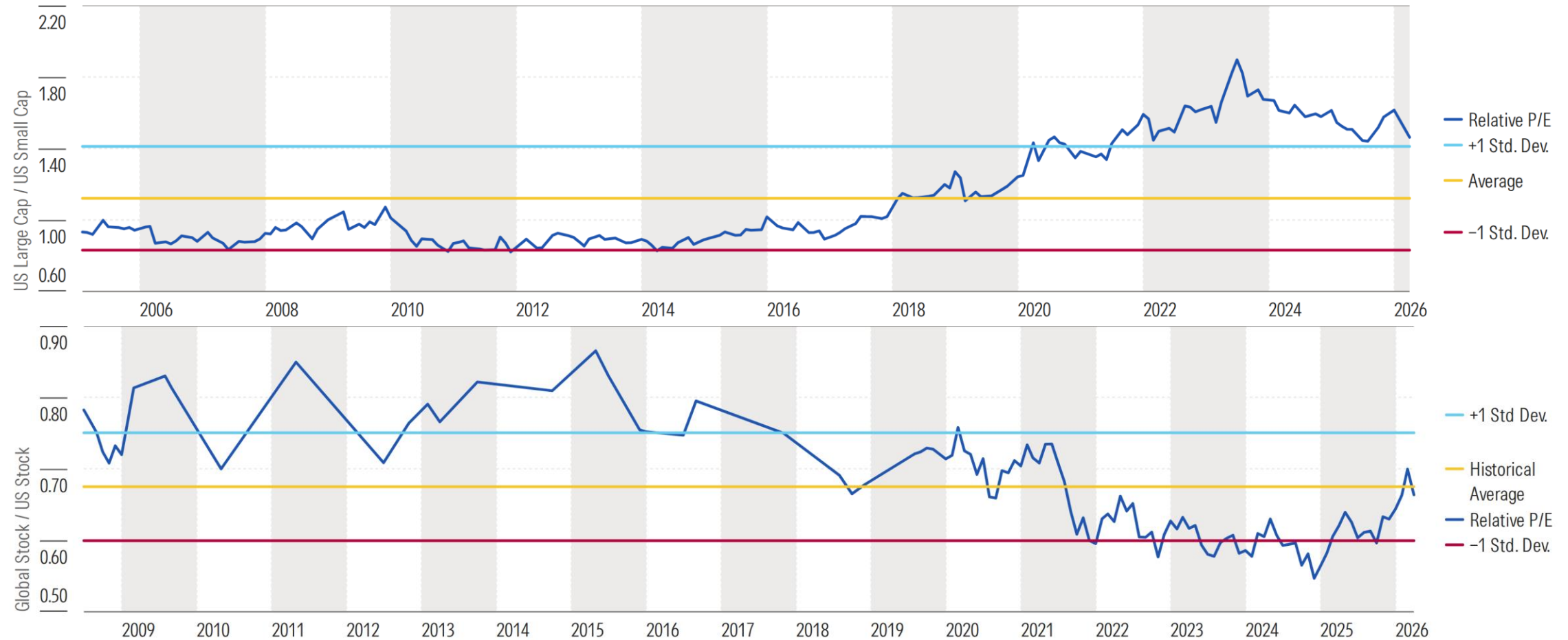
Morningstar US Market Price/Fair Value, TTM



What's Cheap? Breaking Down Valuation Disparities

US large-cap equities continue to trade at a pronounced premium to US small caps, with elevated relative price/earnings ratios reflecting sustained investor demand for AI-exposed growth leaders. At the same time, global ex-US equities remain historically cheap versus the US market, reinforcing that the recent valuation divergence is largely a US-centric phenomenon rather than a global rerating.

Trailing Relative P/E

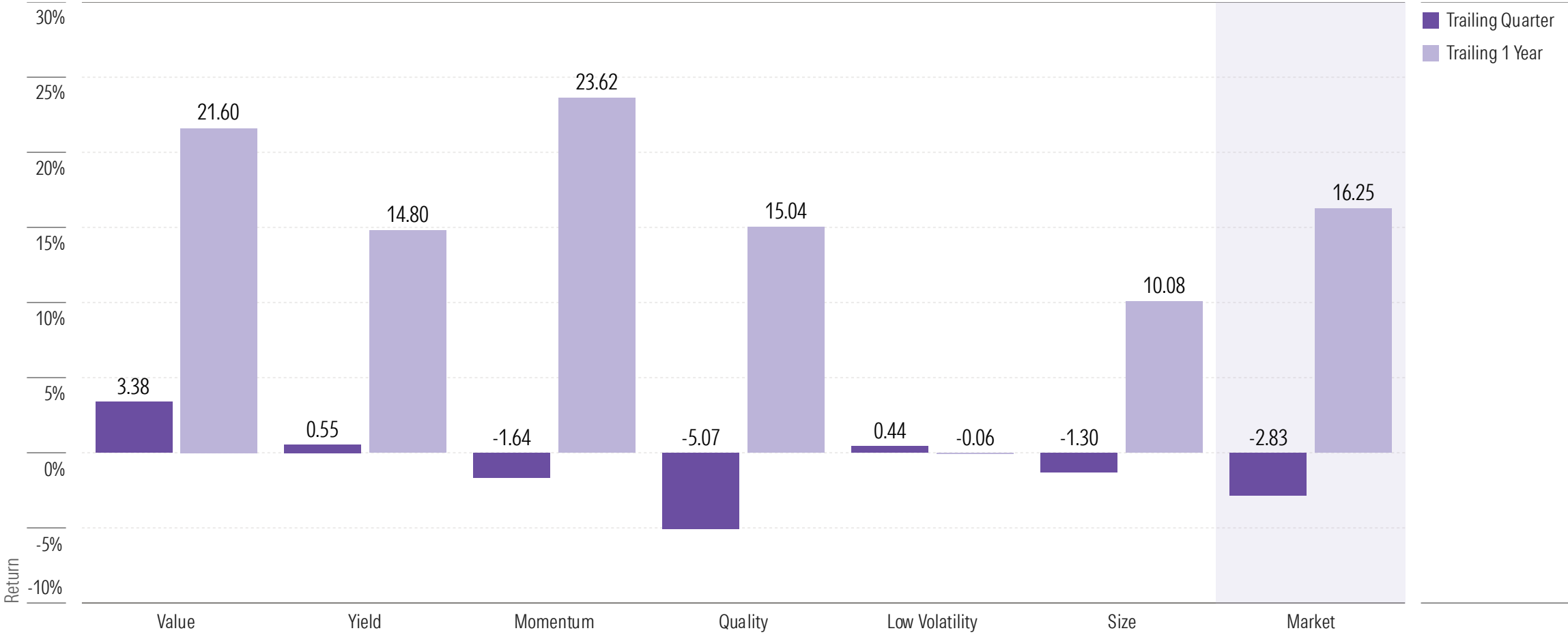


QE63

Source: Morningstar Direct, Morningstar Investment Management LLC Analysis. Indexes: Morningstar US Large, Morningstar US Small, Morningstar Global ex US TME, Morningstar US TME. Data as of March 31, 2026. For illustrative purposes only.
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Factor Leadership Faltered This Quarter

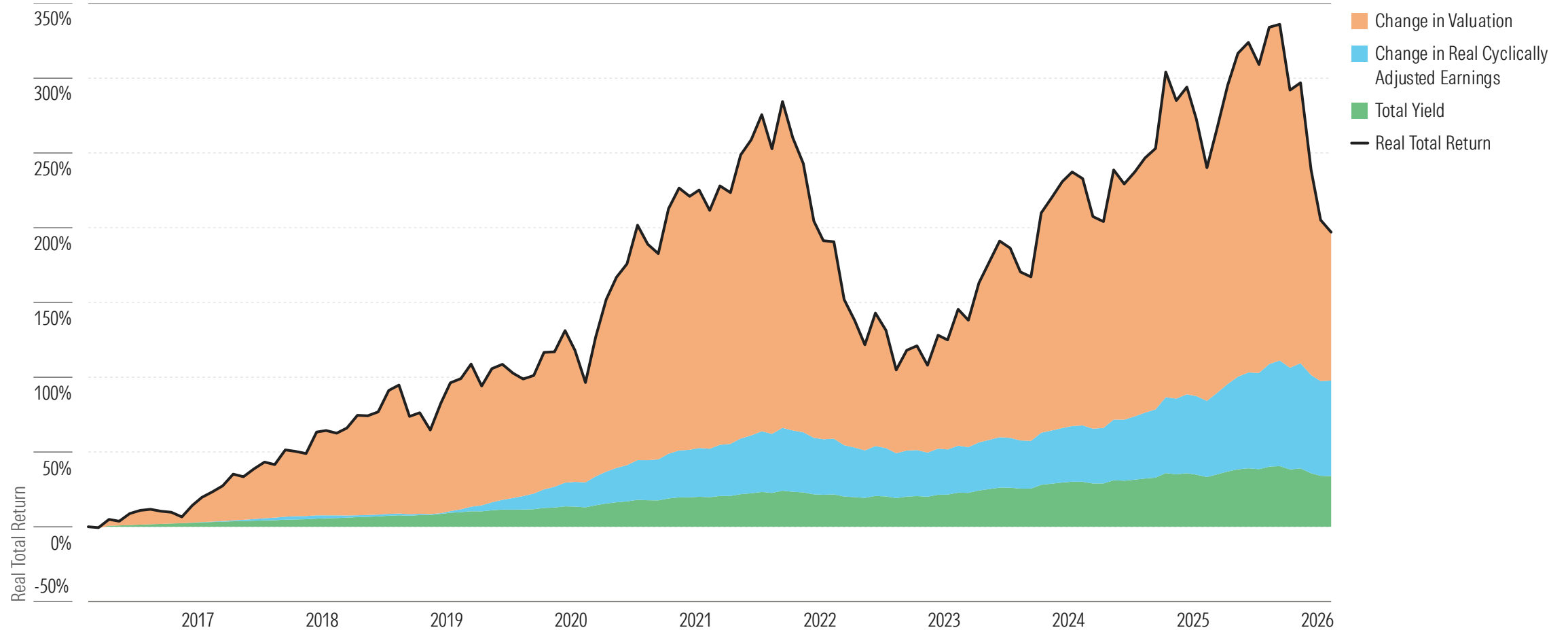
Factor performance weakened this quarter, with value being the primary positive contributor to overall market returns, while momentum, quality, and size detracted amid a broader pullback. Although trailing one-year returns remain strong across most factors, the quarter highlights a pause in factor leadership as market conditions became more challenging amid rising oil prices, geopolitical tensions, and continued trade uncertainty.



Valuation Remains the Dominant Driver of Software Returns

The software sector's trailing 10-year returns remain heavily driven by valuation expansion, despite a sharp selloff since October 2025*. Change in valuation still accounts for more than half the sector's cumulative performance since 2016, making future returns exposed to further valuation compression rather than incremental changes in underlying earnings or income.

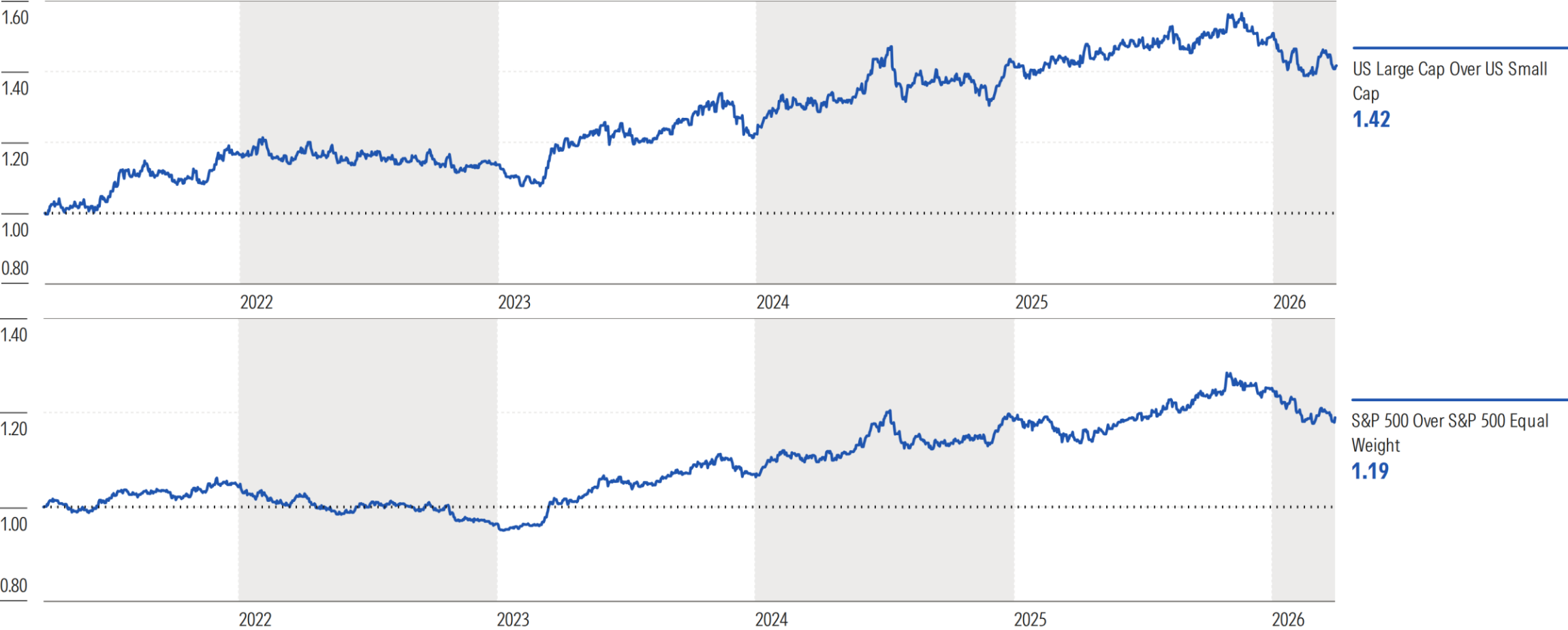
Sources of Total Return



Market Leaders Broadened to Start 2026

The dominance of the Magnificent Seven waned in late 2025 and early 2026 as market breadth expanded and small caps took the lead*. However, this trend shifted in March; escalating conflict in Iran prompted a flight to large-cap quality and a renewed concentration in larger energy stocks, allowing the cap-weighted S&P 500 to regain its edge.

Relative Growth



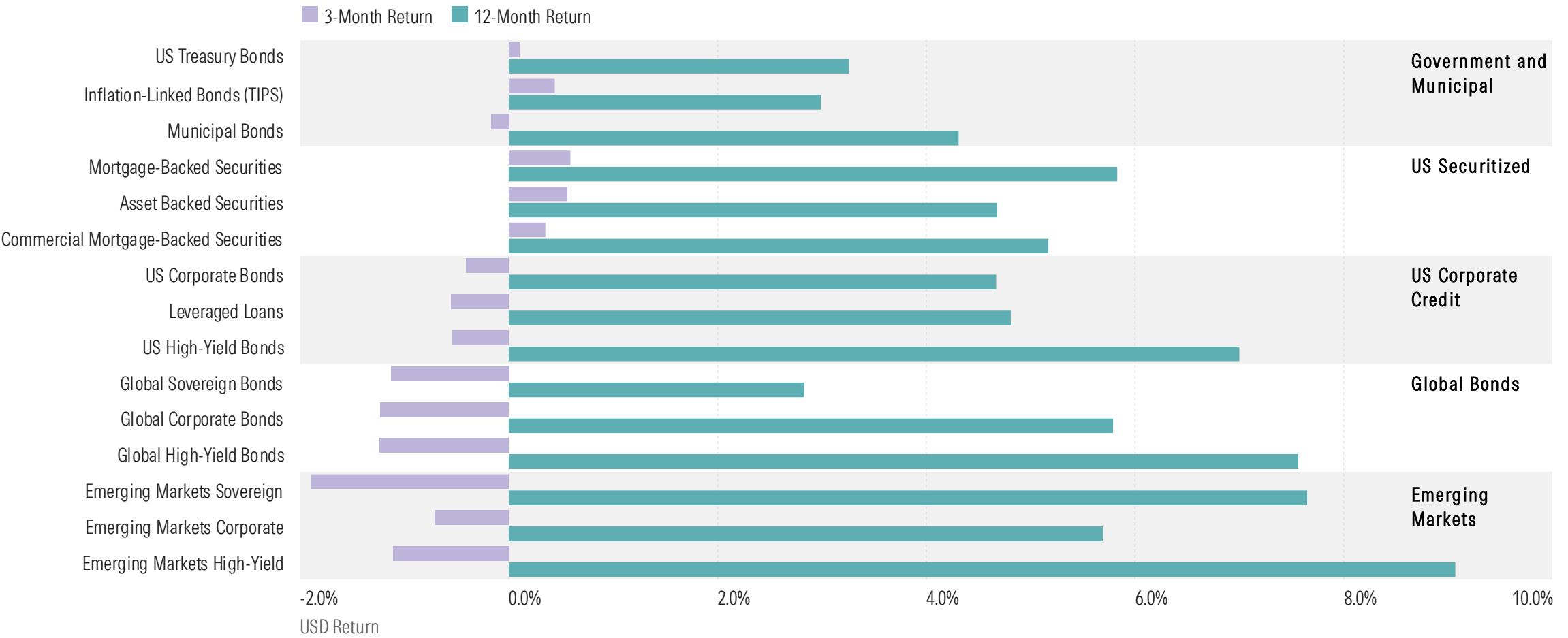
Fixed Income



Riskier Debt Lagged Amid Rising Uncertainty

The first quarter of 2026 was a story of two distinct halves: While most fixed-income sectors delivered positive returns through the first two months, most of those gains were wiped away in March after the onset of the Iran war on Feb. 28. Riskier segments underperformed as investors took shelter in higher-quality debt, leaving emerging-market bonds as the worst performer for the quarter.

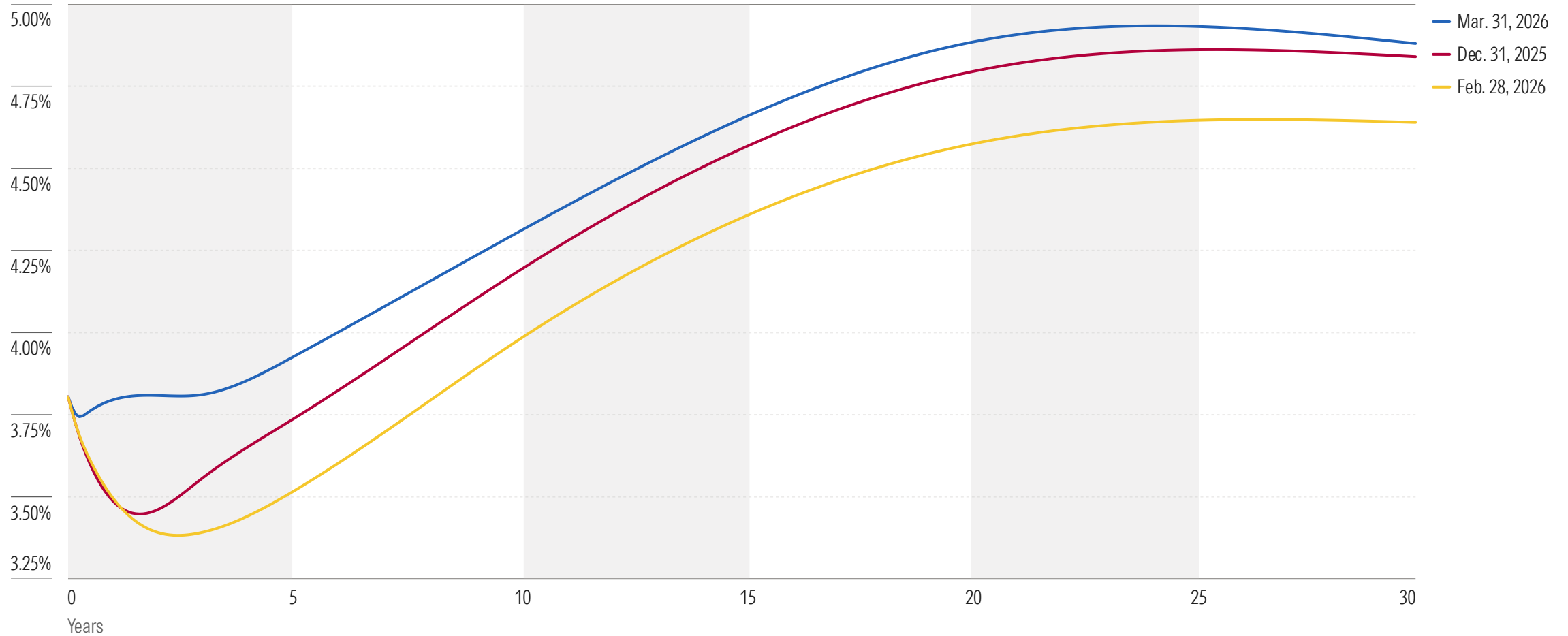
Fixed-Income Returns in USD



Yields Rose Across the Curve in March

After inching lower through January and February, thanks to softer economic data and expectations of Federal Reserve rate cuts, yields reversed course in March. The Feb. 28 start of the Iran war drove yields higher across the curve as markets priced in higher inflation owing to higher energy prices. Five-, 10-, and 30-year bond yields rose to 3.92%, 4.30%, and 4.88%, respectively.

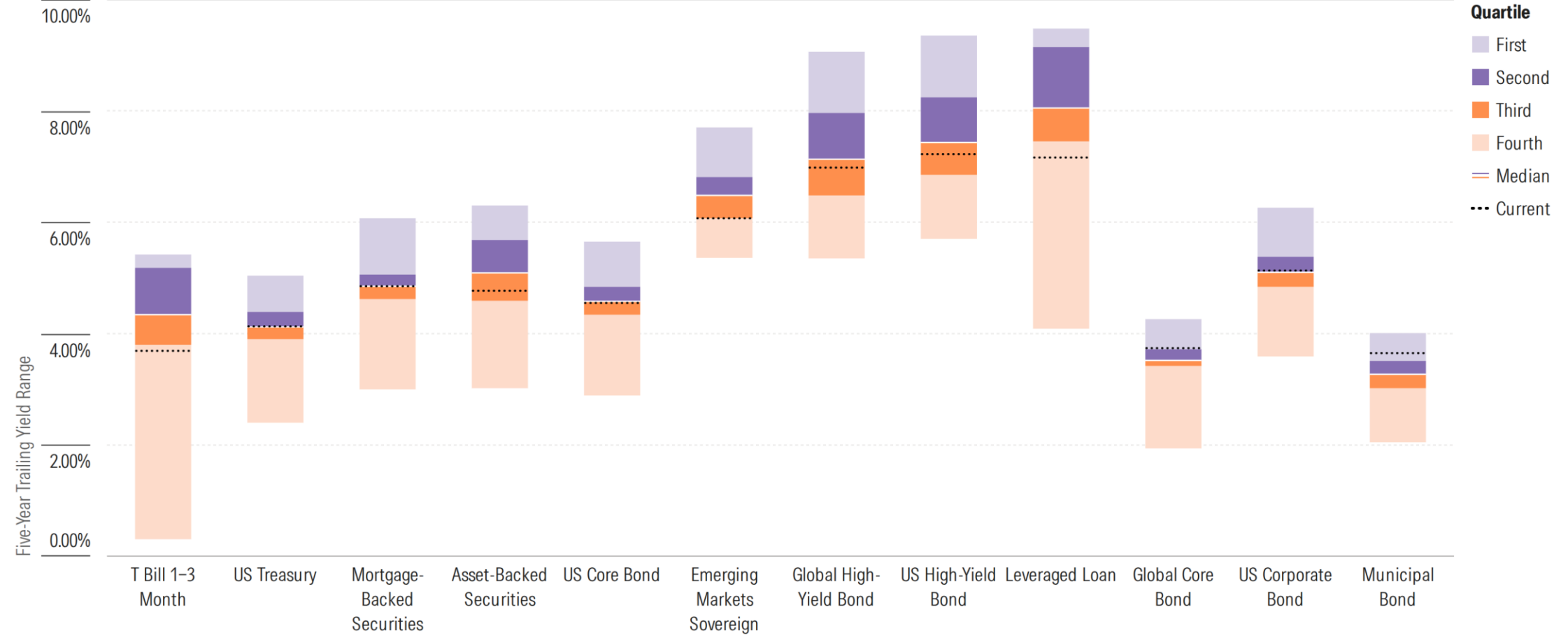
US Treasury Yield Curve



Yields Across Fixed Income Remain Attractive

Yields inched higher across most fixed-income sectors in March. The onset of the Iran war increased expectations of rates remaining higher for longer. Bonds remain attractive for their steady income, given volatile equity markets and many sectors offering yields near their five-year median. Riskier categories like global high-yield, US high-yield, and leveraged loans continue to offer the highest yields.

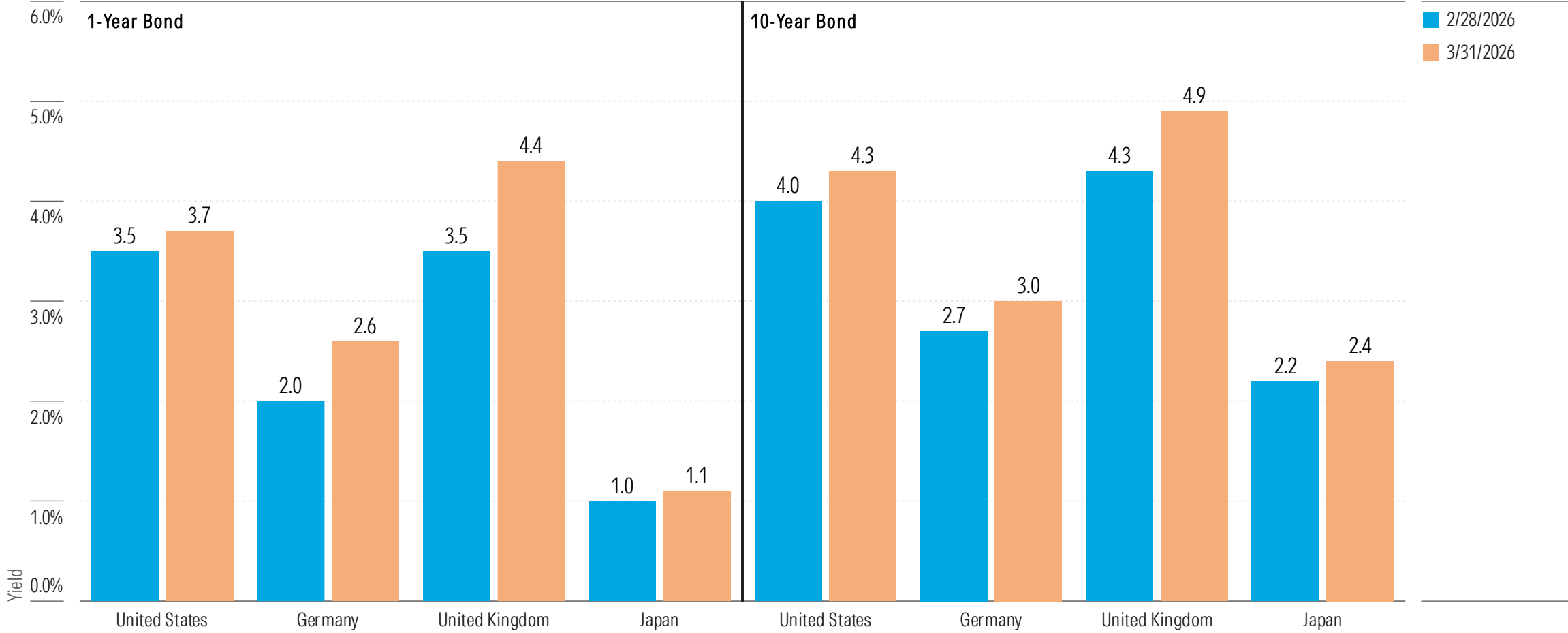
Morningstar Index Yields: Five-Year Trailing Range



Global Bond Yields Pivot Higher in March

Global bond yields drifted lower during the quarter’s first two months, but the backdrop quickly shifted at the onset of the Iran war in late February. The impact on the oil trade sent prices for the commodity higher and stoked inflation concerns. With inflation back in the spotlight, most sovereign bond yields reversed course and increased in March.

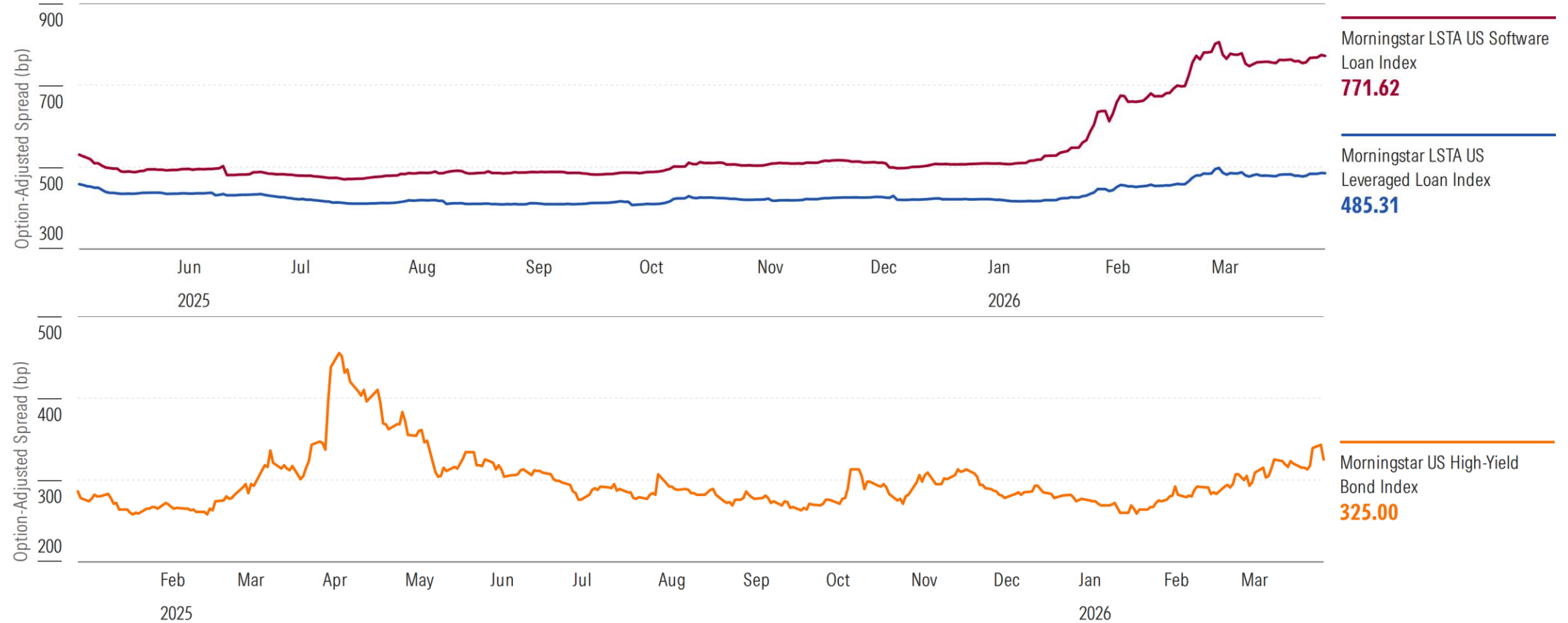
Global Sovereign Bond Yields



Credit Spreads Widened

High-yield corporate credit and bank-loan spreads widened in March. While high-yield corporate credit spreads remained well below their historical median levels, leveraged-loan spreads touched their 10-year historical 75th-percentile range. Within the bank-loan sector, spreads for software loans widened by 263 basis points since the start of 2026, with worries around AI.

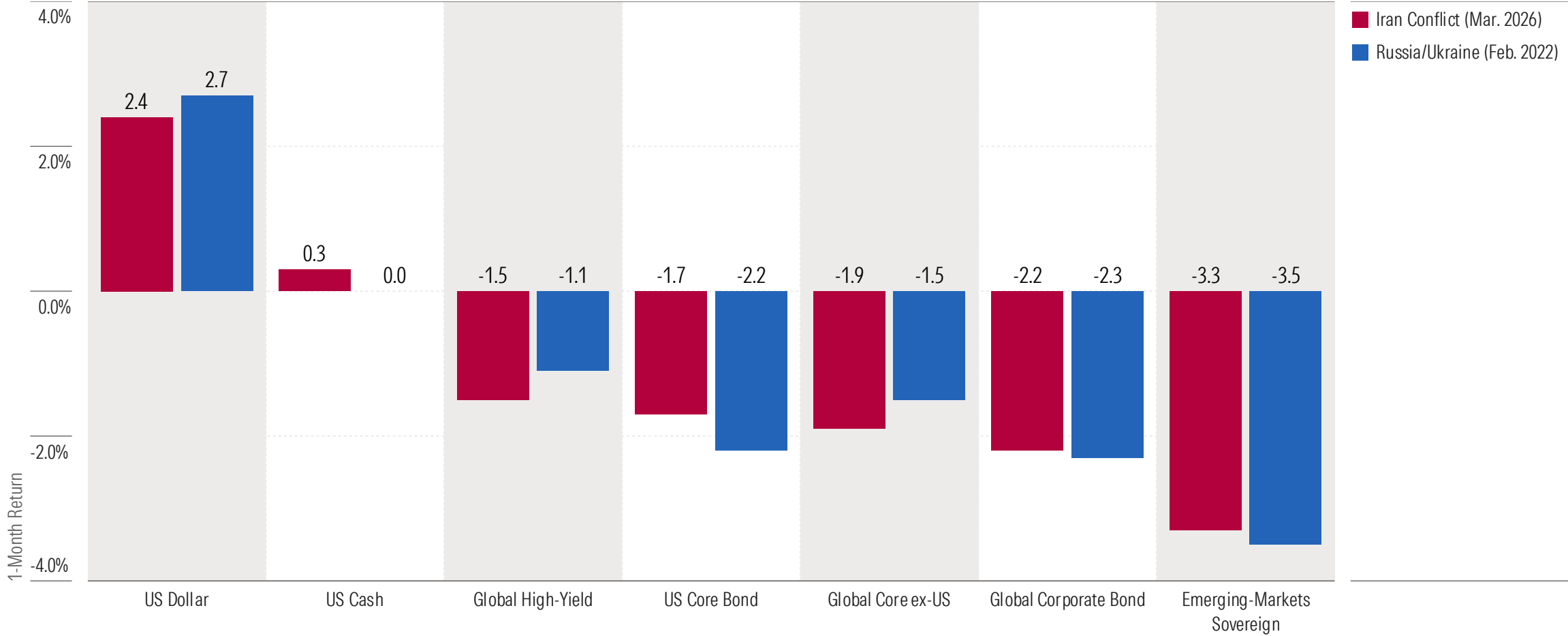
Spread to Maturity (basis points)



Déjà Vu—or a Different Ending?

The first month of fixed-income market reaction to the Iran conflict looks strikingly similar to the aftermath of Russia's invasion of Ukraine—but that may be misleading. Unlike 2022, today's environment started with higher yields and softer growth. The key risk is whether the shock evolves into sustained energy-driven inflation, especially if Strait of Hormuz disruptions persist.

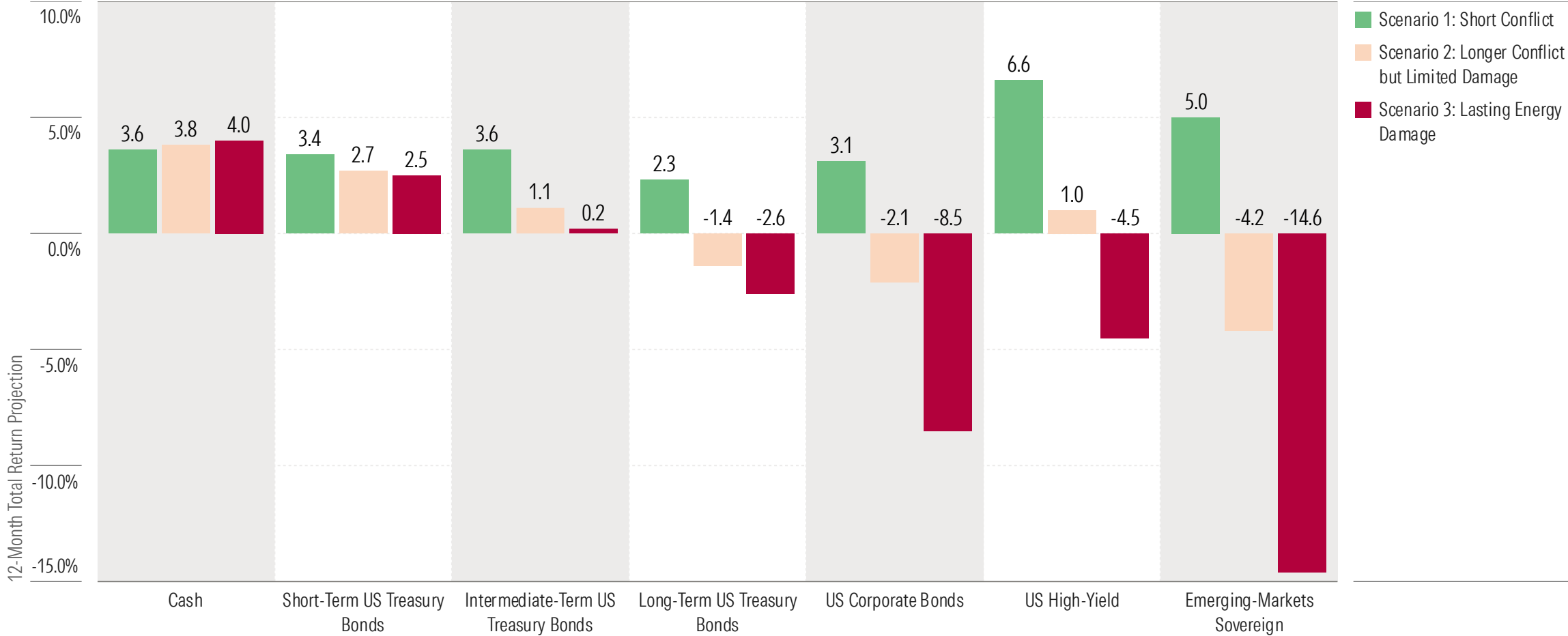
1-Month US Dollar and Fixed-Income Asset Returns After Conflict Outbreak



From Brief Flare to Lasting Shock: What Energy Conflict Means for Fixed-Income Assets

A brief spike that quickly reverses (scenario 1) is manageable for most portfolios. A longer but partially contained disruption (scenario 2) starts to separate winners from losers, while a sustained shock that keeps oil elevated (scenario 3) is something else entirely—duration becomes a liability, credit spreads widen, and emerging-market sovereign debt faces double-digit losses.

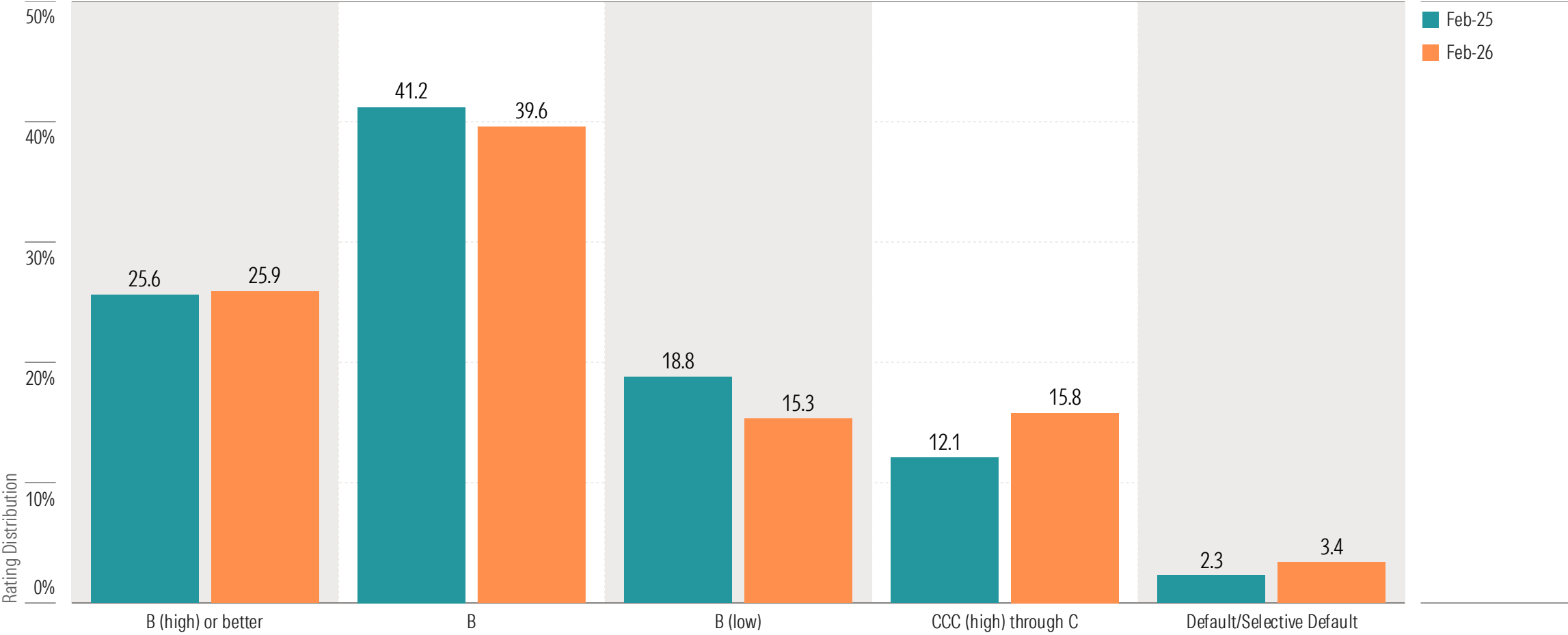
Simulated 12-Month Returns by Conflict Scenarios



Credit Quality Deterioration Deepens Across Middle-Market Borrowers

The share of middle-market private corporate borrowers in North America rated CCC or below has grown to nearly 20% of the total cohort. Defaults are accelerating, and the downgrade/upgrade ratio has held above 3 times for several consecutive quarters. Margin compression and rising leverage leave the 2026 private credit outlook firmly negative.

Distribution of Active Credit Ratings for Middle-Market Corporate Borrowers



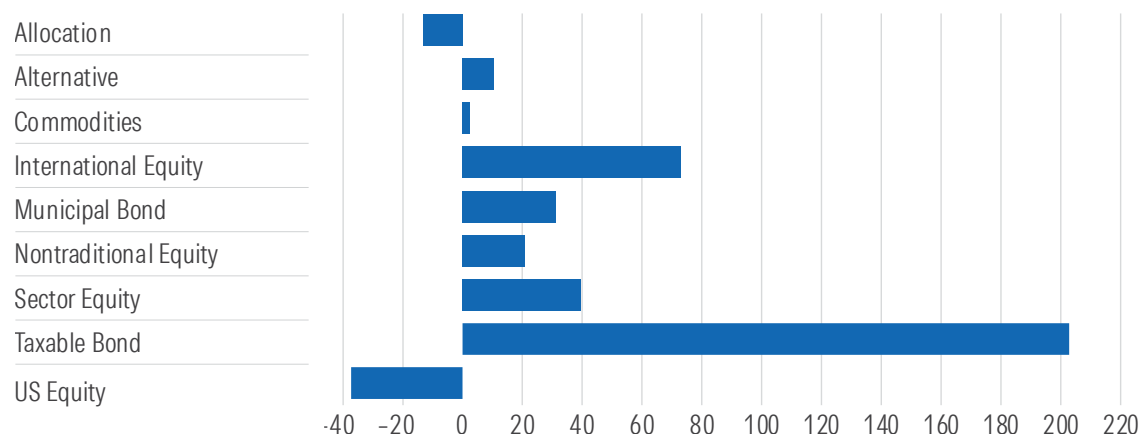
Funds



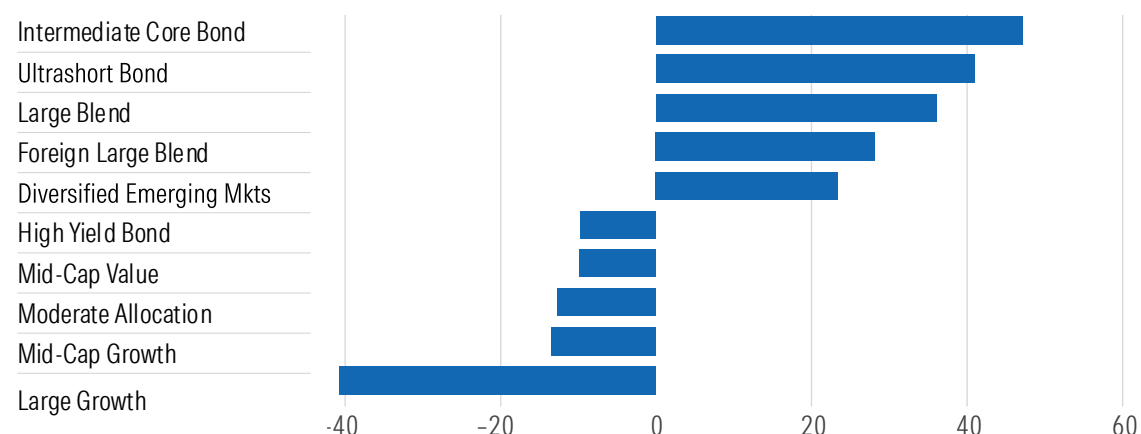
Top- and Bottom-Performing Morningstar Categories

The equity energy Morningstar Category surged in the first quarter of 2026 as global tensions drove oil prices higher. The diversified Pacific/Asia stock category also posted strong gains. In contrast, the volatile digital assets category fell sharply as investors grew more risk-averse amid heightened market uncertainty. From a flows perspective, taxable bond and intermediate core bond saw the largest inflows in the first quarter, while US equity and large-growth funds saw the greatest outflows.

Trailing Quarter Flows by Category Group (USD Bil)

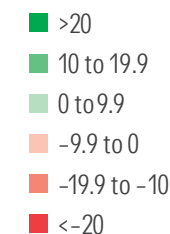


Top and Bottom Trailing Quarter Flows by Category (USD Bil)



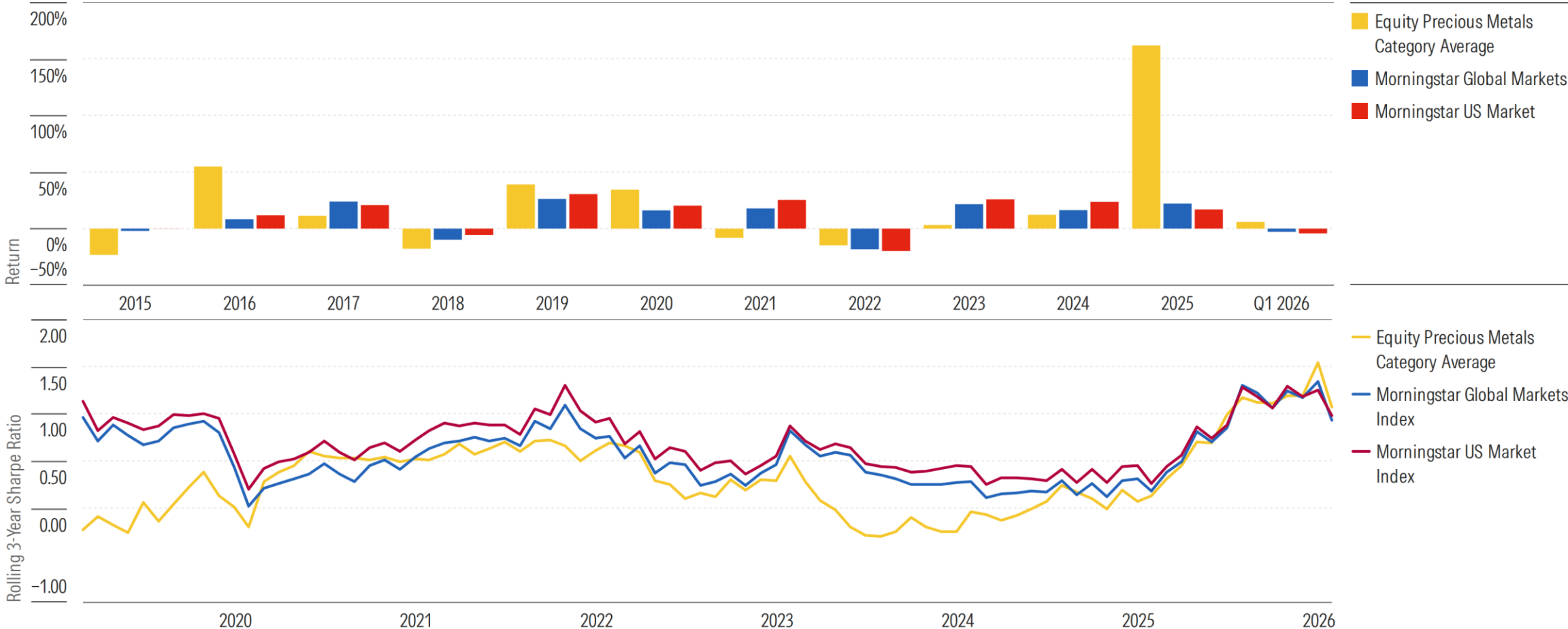
| Top-Performing Morningstar Categories | US Category Group | Return (%) | | Quarterly Flow (USD Mil) |
|---------------------------------------|----------------------|------------------|-----------------|--------------------------|
| | | Trailing Quarter | Trailing 1 Year | |
| Equity Energy | Sector Equity | 31.0 | 43.0 | 13,276 |
| Diversified Pacific/Asia | International Equity | 25.1 | 15.5 | -1,427 |
| Commodities Focused | Commodities | 22.1 | 56.3 | -1,652 |
| Commodities Broad Basket | Commodities | 21.5 | 30.8 | 4,159 |
| Energy Limited Partnership | Sector Equity | 20.5 | 18.5 | 1,102 |
| Latin America Stock | International Equity | 14.9 | 50.6 | 3,408 |
| Natural Resources | Sector Equity | 12.0 | 55.6 | 10,995 |

| Bottom-Performing Morningstar Categories | US Category Group | Return (%) | | Quarterly Flow (USD Mil) |
|--|----------------------|------------------|-----------------|--------------------------|
| | | Trailing Quarter | Trailing 1 Year | |
| Digital Assets | Alternative | -23.3 | -11.6 | 127 |
| India Equity | International Equity | -17.0 | -12.1 | -1,967 |
| Large Growth | US Equity | -8.4 | 16.5 | -40,639 |
| Consumer Cyclical | Sector Equity | -7.9 | 7.0 | -2,691 |
| Financial | Sector Equity | -7.7 | 5.4 | -1,930 |
| Global Large-Stock Growth | International Equity | -6.7 | 11.9 | -3,072 |
| Communications | Sector Equity | -5.7 | 19.1 | -3,201 |



Gold's 2025 Rally Was Not Typical

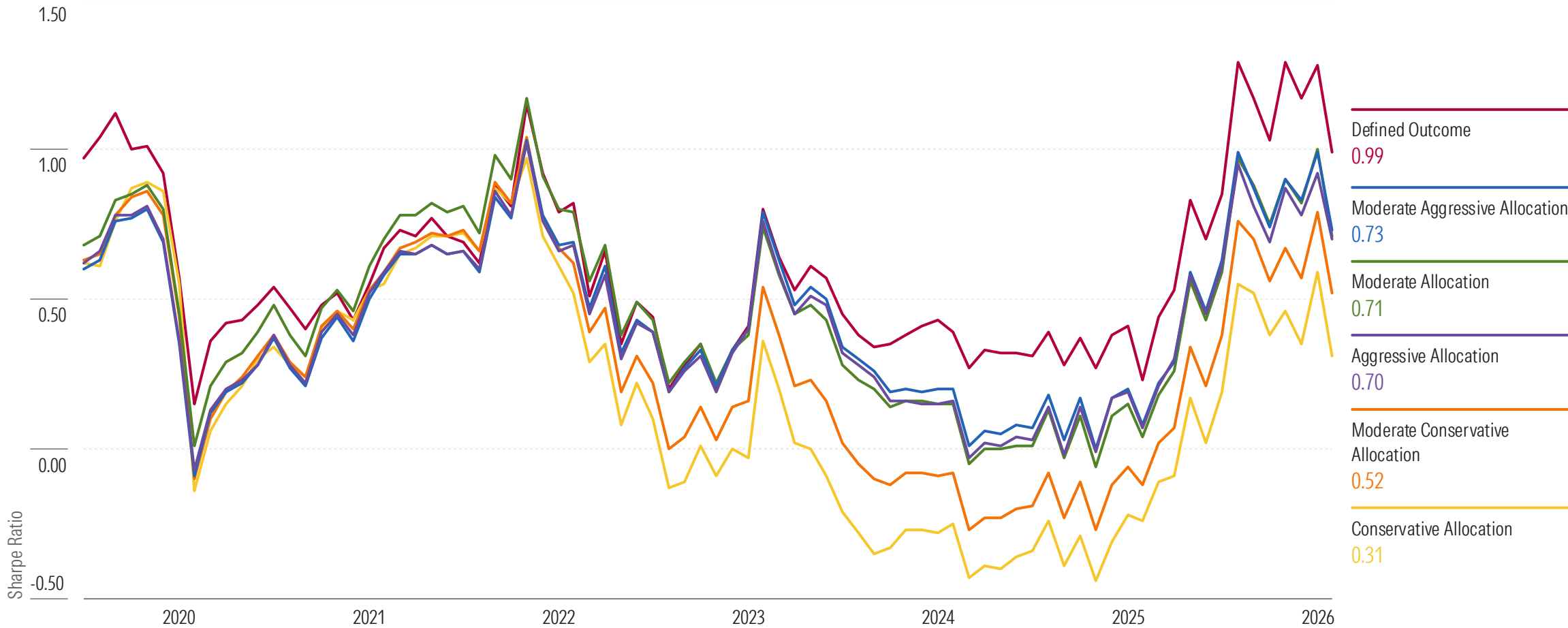
Gold prices soared in 2025, marking the largest rally for the precious metal since 1979. Central bank purchases, interest rate cuts, and growing market uncertainty drove investors to the safe-haven asset. Equity precious metals funds—which usually invest in gold-related businesses—rode the rally, beating nearly every other asset class last year. However, that was just an aberration. Three-year rolling risk-adjusted returns over the past decade, measured by the Sharpe ratio, reveal that the typical investor's experience over longer periods would have been unreliable at best compared with broader markets.



Defined-Outcome ETFs Have a Role in the Right Context

Historically, the risk profile of options-based defined outcome exchange-traded funds is like that of a more traditional stock/bond allocation of a moderately conservative target-risk funds, measured by beta to the Morningstar US Market Index. And as a group, they have delivered better risk-adjusted returns. However, outcomes and risk levels vary greatly depending on the specific ETF chosen.

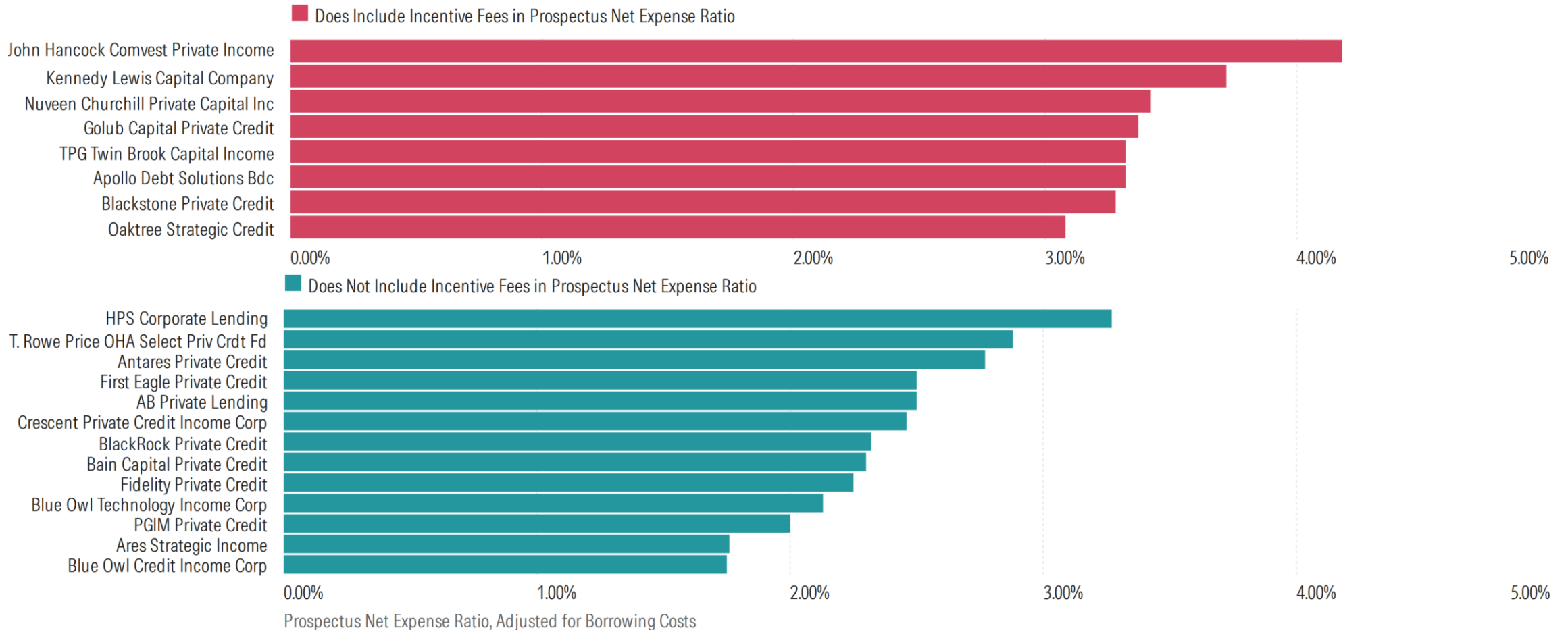
Rolling 3-Year Risk-Adjusted Returns for US Categories



Private Credit Fees Can Be Opaque

Semiliquid funds come with distinct costs. Unlisted business-development companies often levy incentive fees but do not consistently report them in prospectus filings. Including or omitting incentive fees reflect a difference in approach by fund companies. Incentive fees can change based on fund performance, but investors are likely to pay some incentive fee for their semiliquid fund.

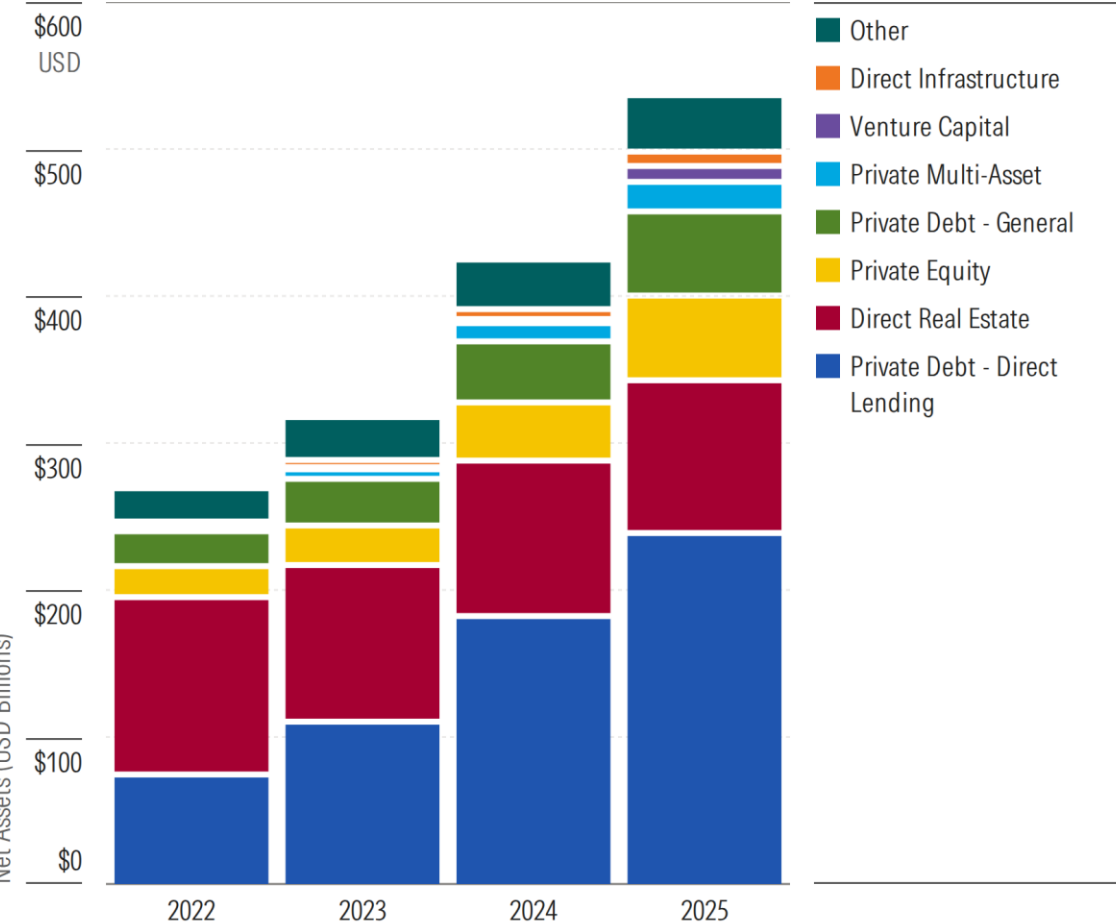
Unlisted BDC Fees Vary Significantly



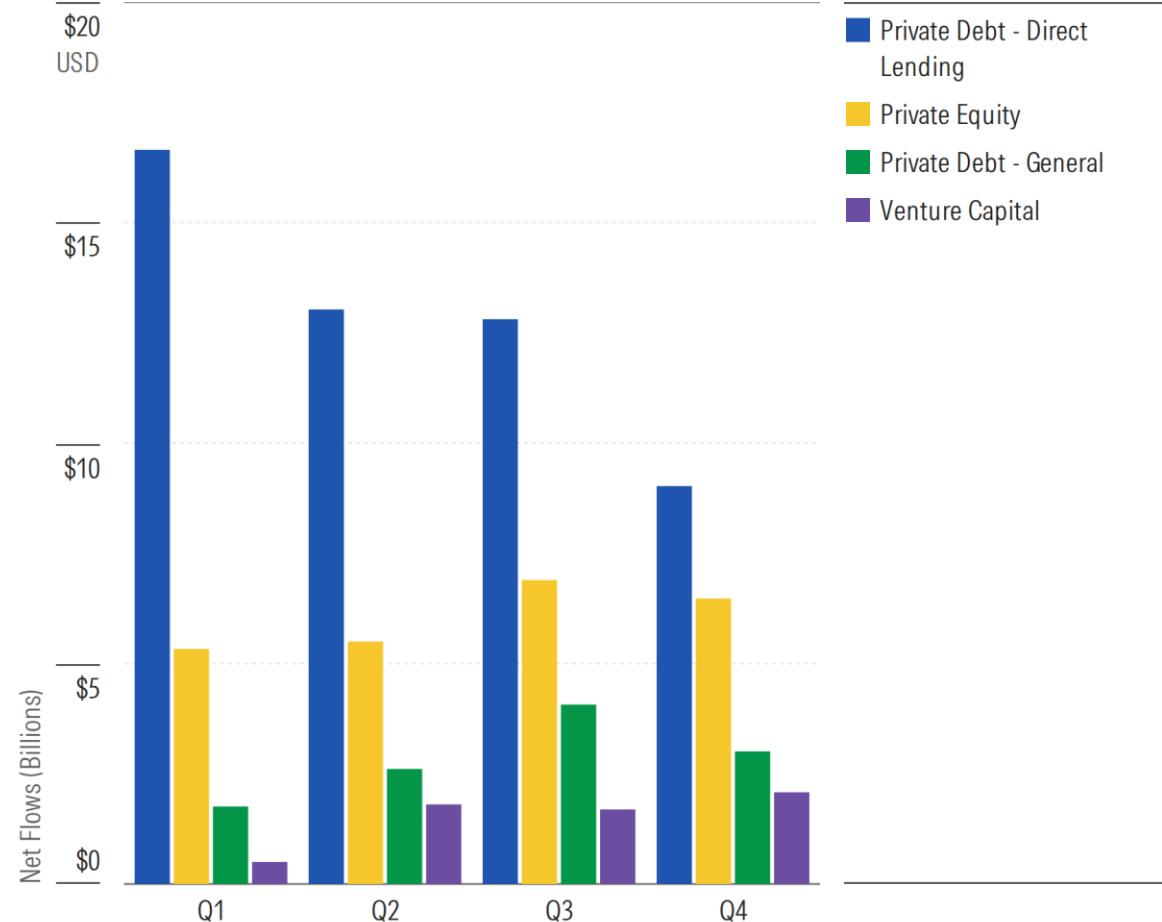
How Semiliquid Vehicles Stack Up

Semiliquid assets climbed to USD 530 billion by the end of 2025, up 26% from a year before. While the direct lending category grew to a record USD 236 billion by year-end, demand tapered off in the final months of 2025. Direct lending inflows fell to USD 9 billion in the fourth quarter of 2025, a 45% decline from the first quarter's USD 16 billion.

Semiliquid Fund Assets by Vehicle Type



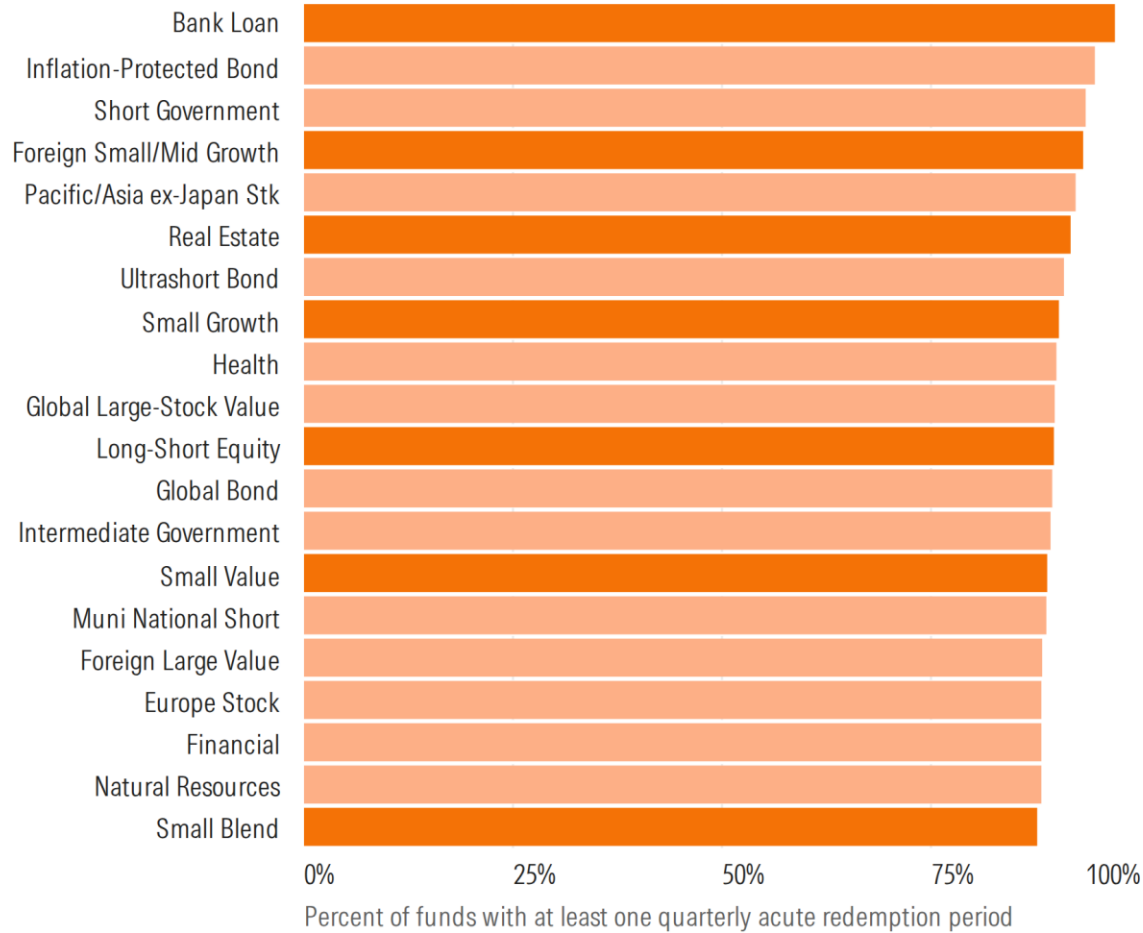
2025 Net Flows by Largest Morningstar Category



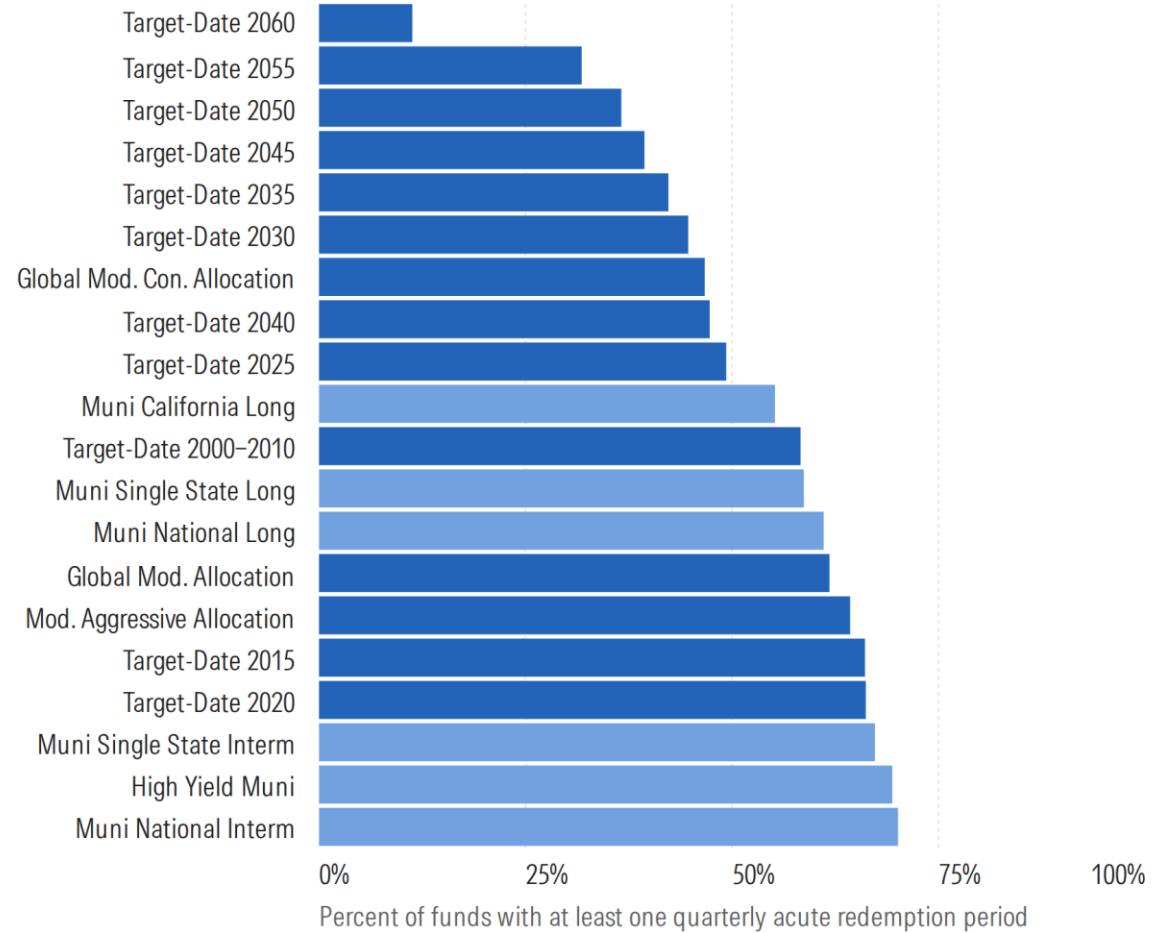
When Investor Behavior Meets Illiquid Assets

Investor behavior matters. Strategies most like semiliquid funds—those with less liquid or more complex exposures—tend to experience frequent outflows, while retirement-oriented funds consistently exhibit stable, long-term capital. This mismatch underscores the difficulty semiliquid funds face in aligning illiquid assets with unpredictable investor flows—which is why many restrict withdrawals.

Morningstar Categories With the Highest Acute Redemption Rates



Morningstar Categories With the Lowest Acute Redemption Rates



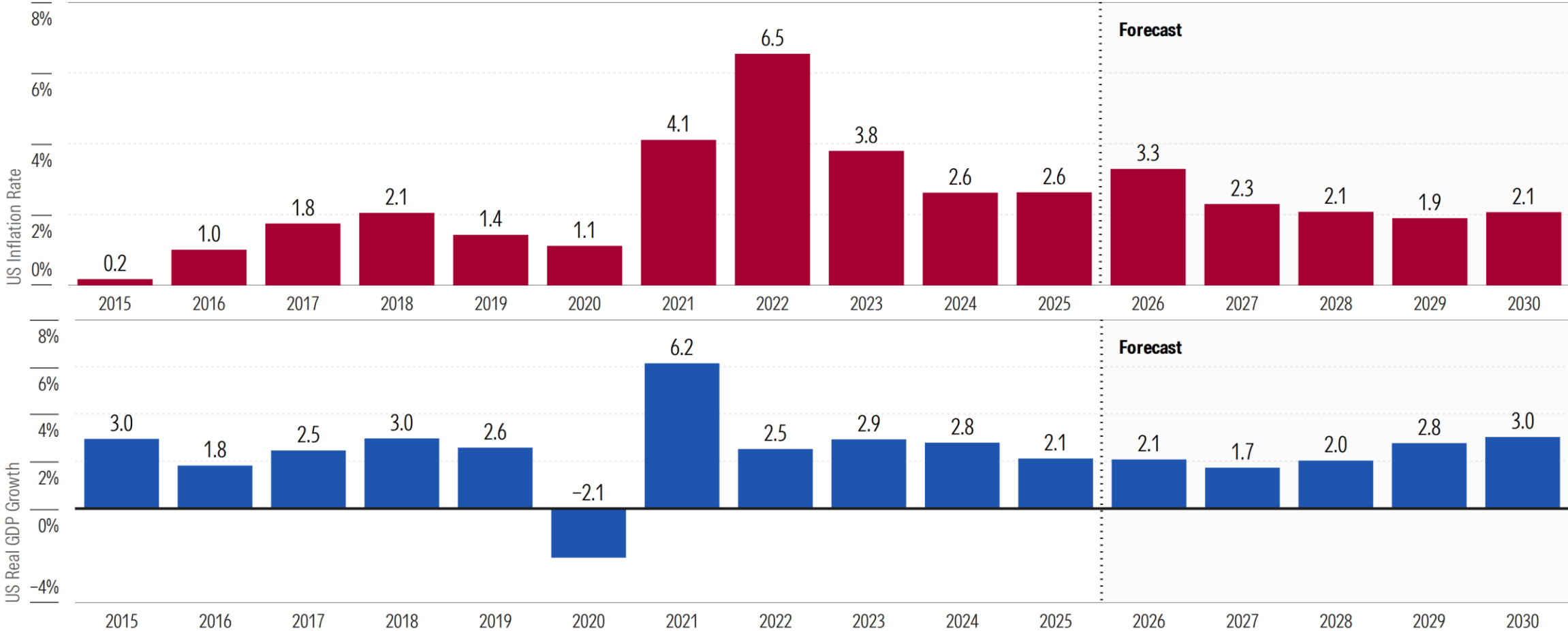
Economic Indicators



GDP Growth to Reaccelerate in Later Years of Our Forecast, While Inflation Recedes

The oil price shock, along with lingering tariff impact, will push up inflation significantly in 2026 and weigh on gross domestic product growth. Any waning of the AI boom also poses a downside risk for GDP growth in the near term. But we expect growth to reaccelerate over 2028-30 as monetary easing kicks in. Inflation should converge back near the Fed's 2% target once the oil and tariff shocks fade.

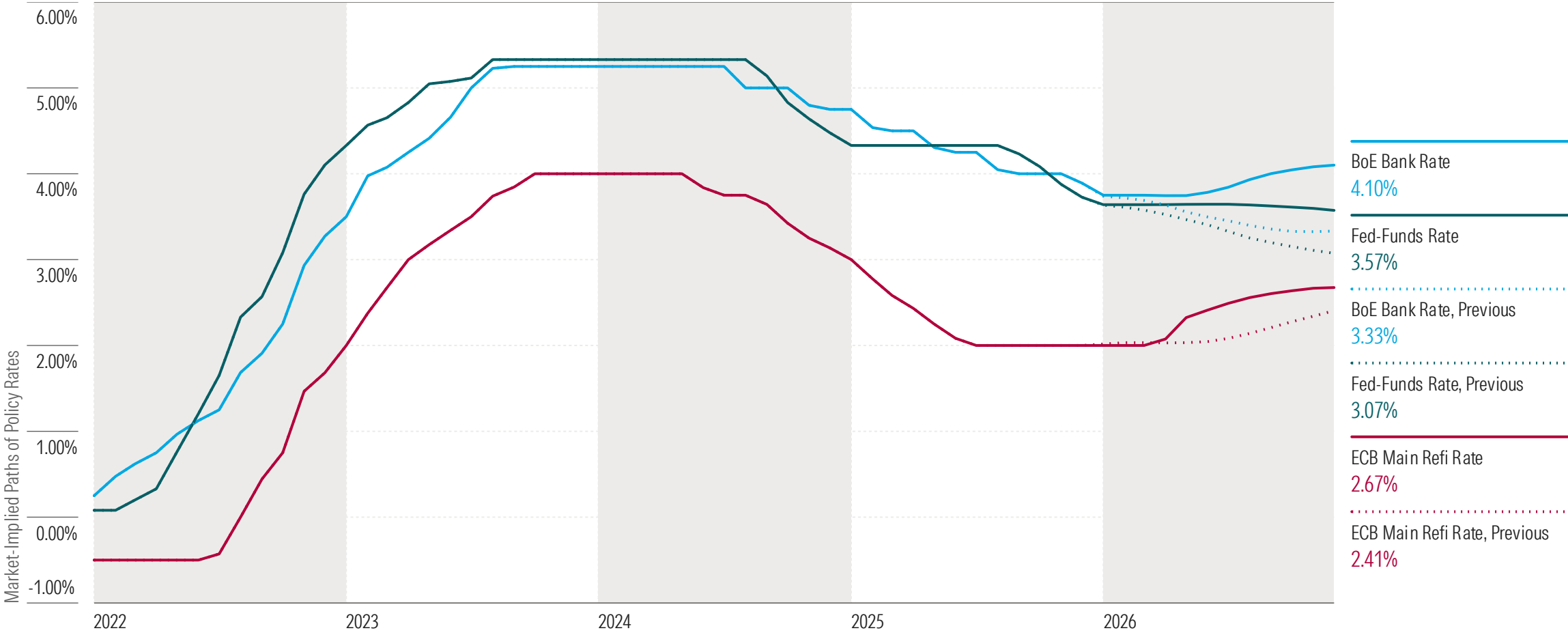
US Inflation Rate and US Real GDP Growth (%)



Monetary Policy To Be More Restrictive to Combat Oil Price Shock

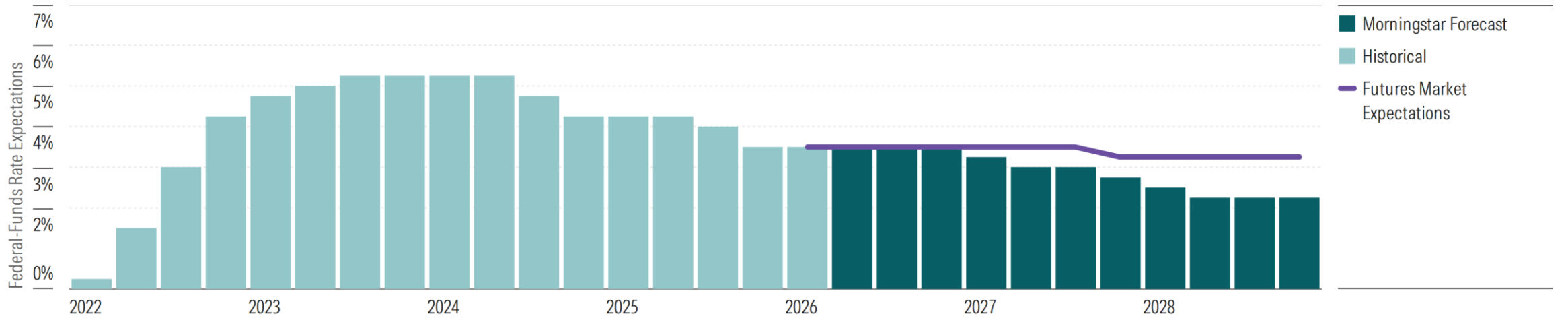
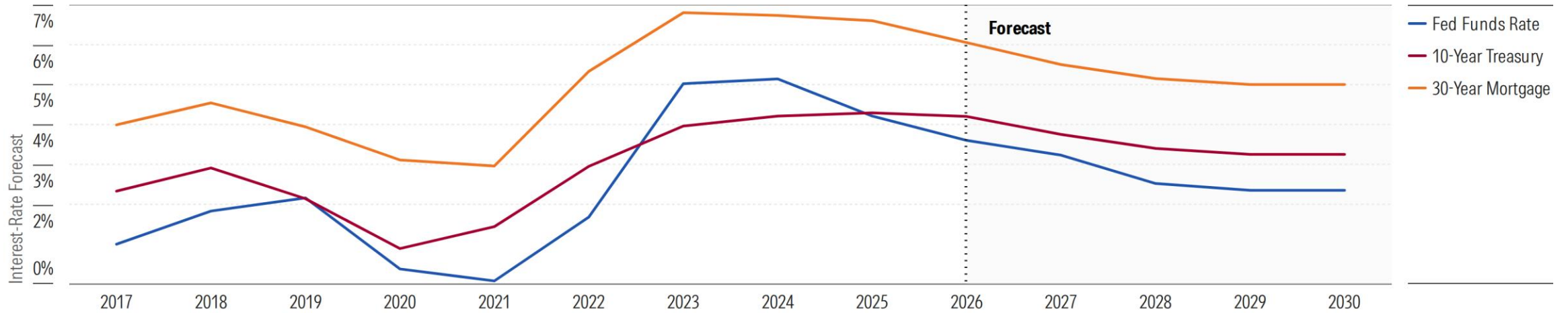
Market expectations for central bank policy rates have moved upward owing to the oil price shock. As of December 2025, futures markets had been pricing in about 0.5 percentage points in federal-funds rate cuts in 2026, but now they're pricing in zero cuts. For the Bank of England and European Central Bank, markets are even pricing in rate hikes in 2026.

Federal Reserve, European Central Bank, and Bank of England Market-Implied Paths of Policy Rates



Fed Poised to Pause Cuts in 2026, But Resumption in Cuts Will Be Needed Later

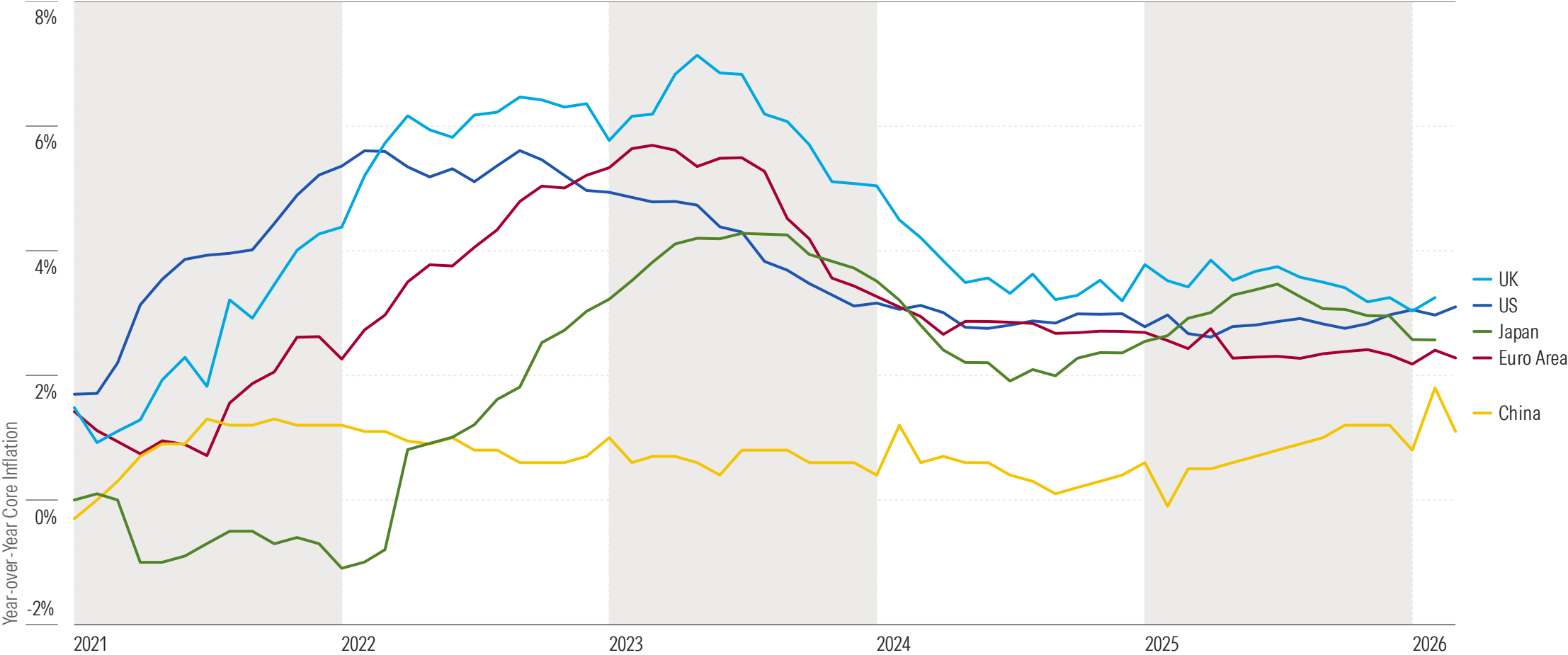
In the near term, the Fed is likely to wait for the inflationary impact of the oil surge to fade before enacting further rate cuts. We think the Fed will keep rates unchanged in 2026, before delivering a cumulative 1.25 percentage points in cuts over 2027-28, more than market expectations. This should help push longer-term interest rates down further, with the 10-year Treasury yield dropping to 3.25% by 2029. Lower rates will be needed to support continued healthy economic growth.



Some Inflation Stickiness Even Before the Oil Price Shock

Before the oil price shock, the euro area and Japan had been closing in on their target inflation of 2%, while the US and UK remained somewhat above. In the US in particular, core inflation trended upward over 2025 and to start 2026, with accelerating core goods inflation more than offsetting the impact of falling housing inflation. Higher core goods inflation has been principally due to tariffs.

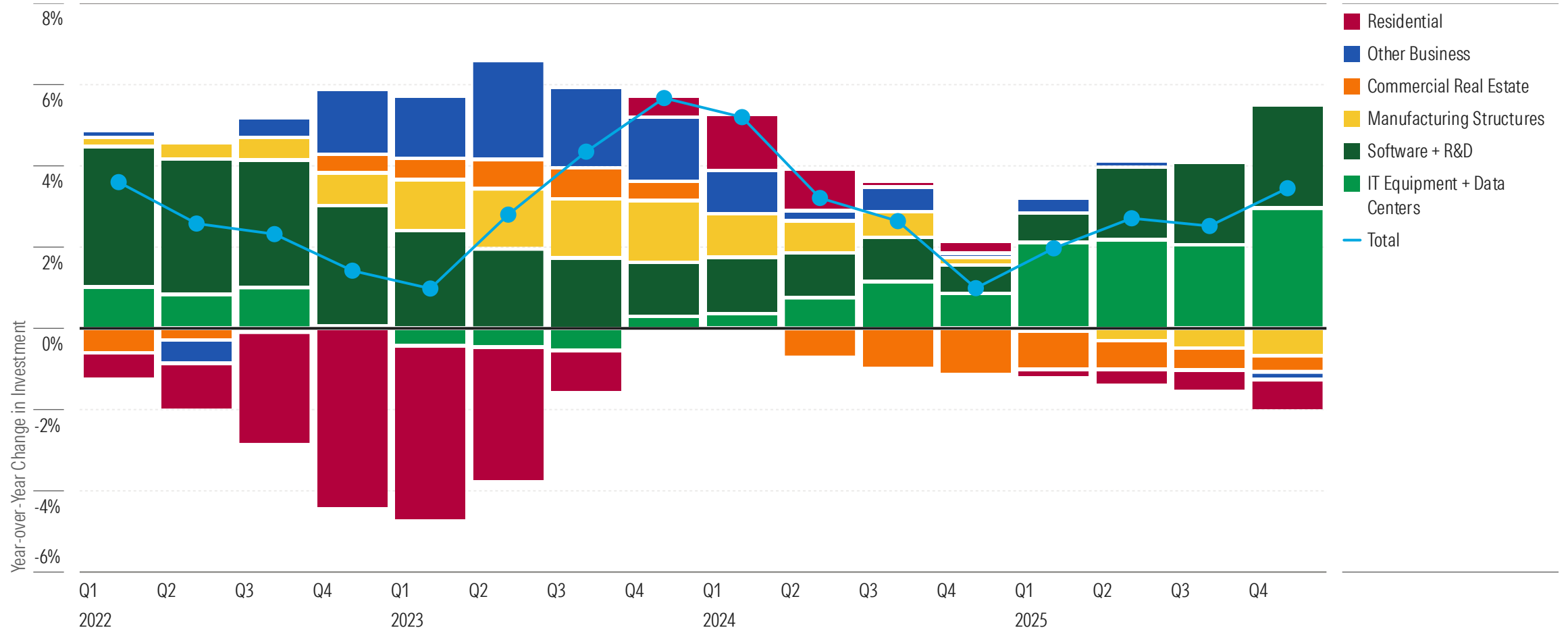
Core Consumer Price Inflation (% Year Over Year)



AI Fueling Tech Investment Boom in the US, But Other Investments Are Contracting

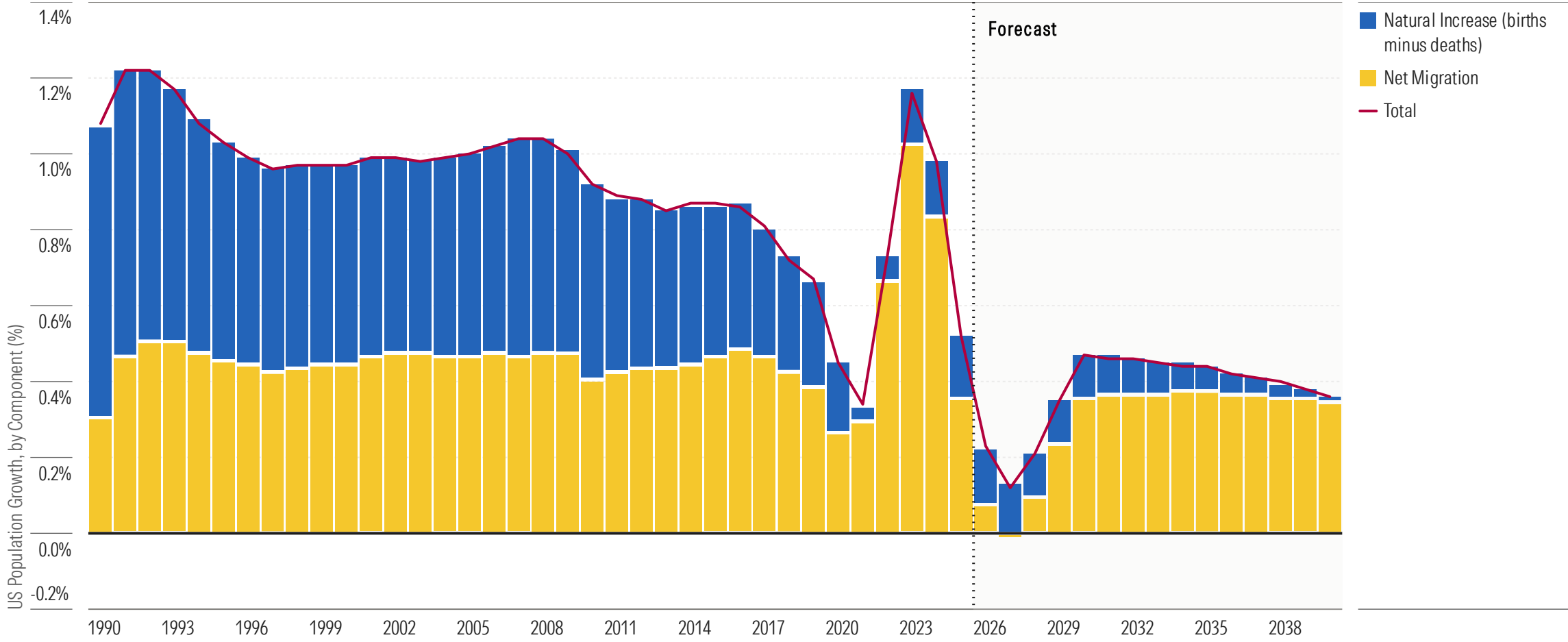
High-tech investment growth was 11.1% in 2025, matching the rapid growth rate averaged over 2021-22. Within high tech, spending on IT equipment and data center construction has exploded upward to facilitate the training and operation of AI models. But fixed investment ex-tech is contracting in the US, probably reflecting the continued weight from high interest rates.

US Real Private Fixed Investment (% Growth Year-over-Year)



US Population Growth to Dip Owing to Immigration Crackdown

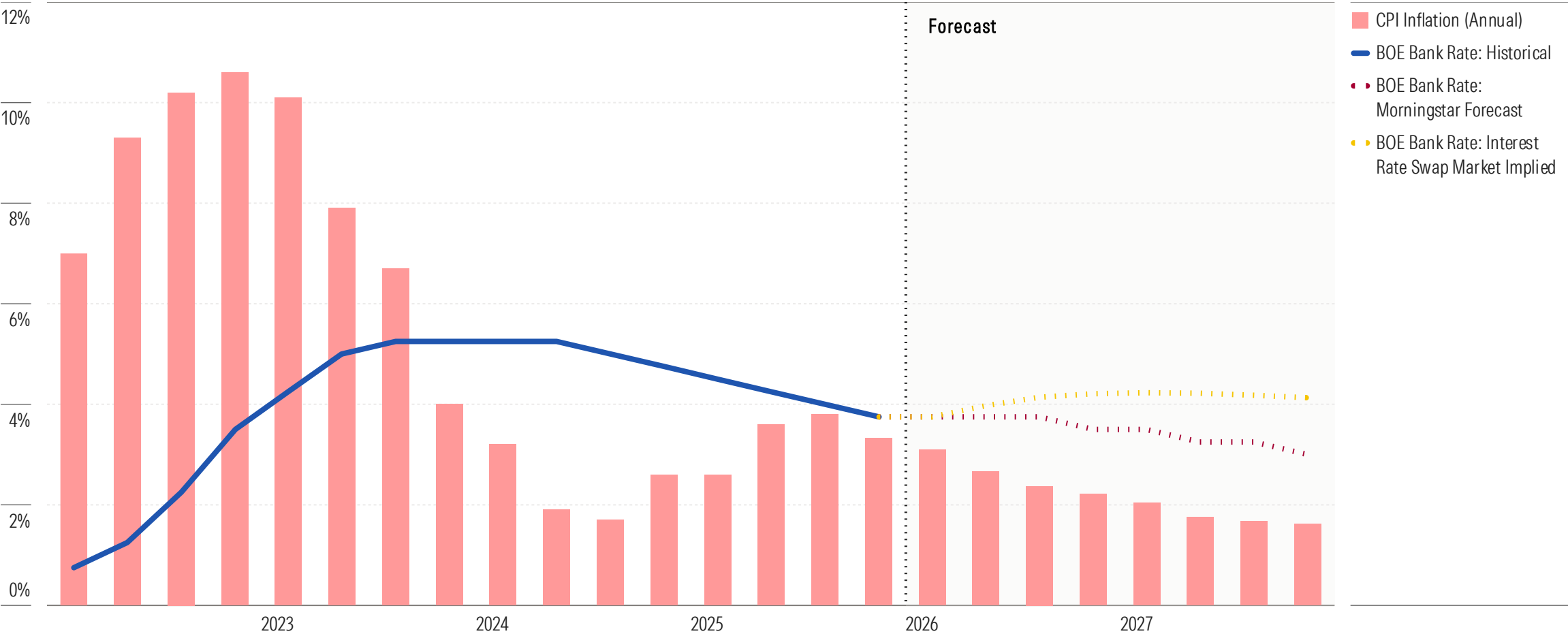
We project US population growth to drop to an annual rate of 0.28% over the 2025-30 period, after averaging 0.75% over 2020-25 and 0.79% over 2010-20. Net immigration is expected to average 0.15% between 2025 and 2030 (even dipping below zero in 2027), much below its historical average of around 0.4%-0.5%. This is mainly driven by net outflows of illegal immigrants, but legal immigration is likely dropping as well. This is one major factor weighing on the US GDP growth in the near term.



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UK Inflation Should Continue Its Downward Trend Once the Energy Shock Passes

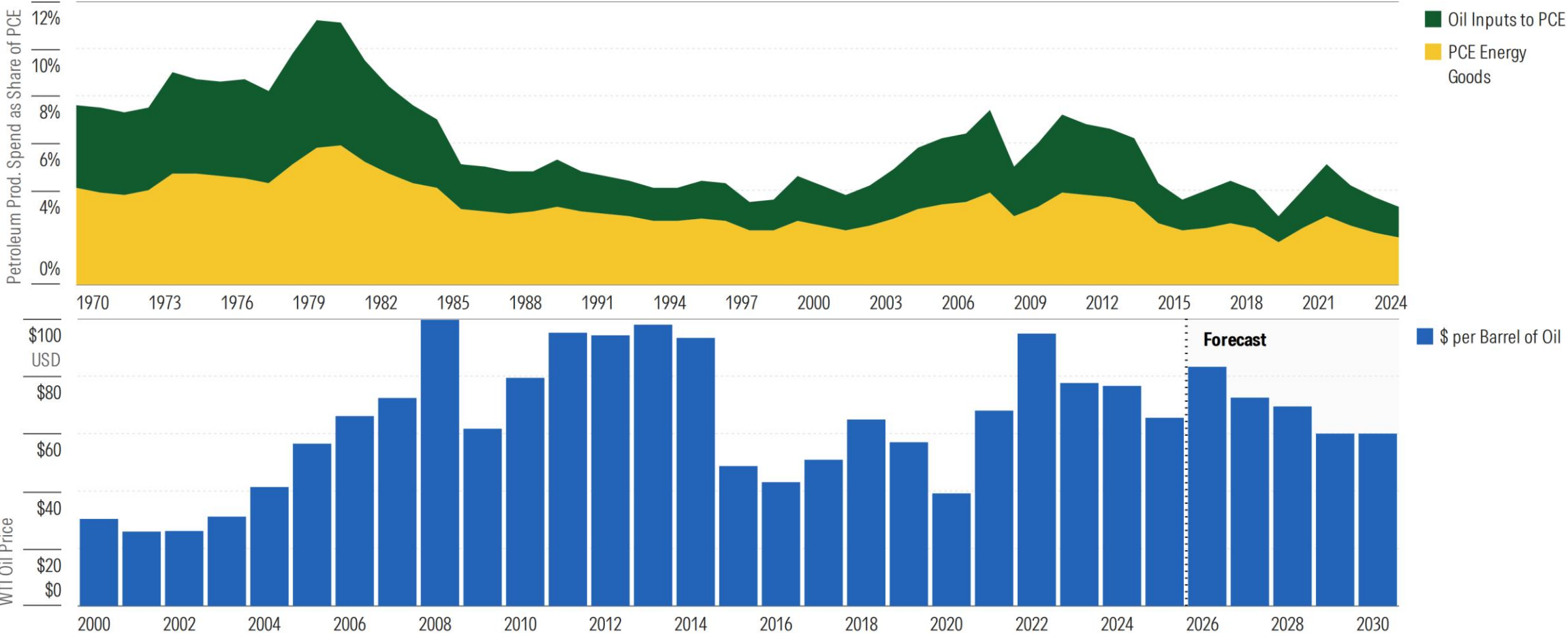
The Middle East energy price shock will place renewed upward pressure on prices in the UK in the coming quarters. Still, we think the energy price shock will prove transitory, with inflation likely to recede back near 2% by year-end as energy prices recede from midyear highs. Consequently, we still expect one 25-basis-point cut to the BOE's policy rate in late 2026, contrasting with the swap market, which has priced in approximately two rate hikes by year-end.



Source: Morningstar Estimates, Office for National Statistics (UK). Data as of Jan. 15, 2026. ©2026 Morningstar. All Rights Reserved.

Oil Is Far Less Important to the US Economy Than in the 1970s

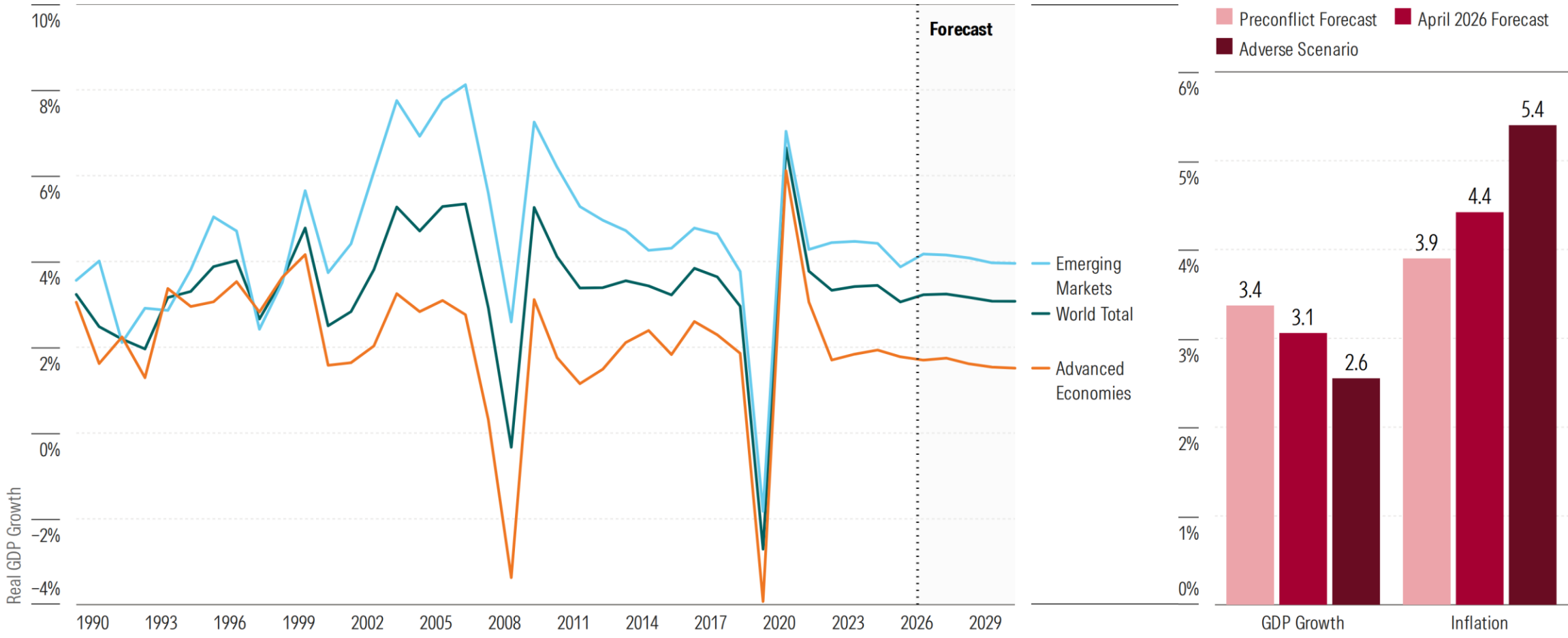
Based on futures pricing as of March 31, West Texas Intermediate oil prices are expected to rise by 27% on average in 2026. That will contribute 0.65 percentage points to US inflation (Personal Consumption Expenditures) in 2026. The impulse to inflation is sizable but not catastrophic, which partly reflects oil's diminishing role in the US economy. Spending on petroleum products as a share of US personal consumption was 3.3% in 2025, less than one-half of its 8.3% average in the 1970s.



Source: Bureau of Economic Analysis, Energy Information Administration, International Energy Agency, Chicago Mercantile Exchange, Morningstar. ©2026 Morningstar. All Rights Reserved.

Impact on Global GDP Growth From Oil Shock Projected To Be Mild

The International Monetary Fund's latest forecast projects global GDP growth to slow to 3.1% in 2026 from 3.4% in 2025, with that slowdown mostly attributable to the oil price shock. The oil price shock exerts a 0.5 percentage-point upward impact on inflation. The IMF's current forecasts assume Brent oil prices averaging USD 82 per barrel in 2026 (up 21% versus 2025), about in line with futures prices as of mid-April. But in an adverse scenario, with oil prices averaging USD 100 per barrel, GDP growth would be a further 0.5 percentage points slower in 2026 and inflation 1.0 point higher.

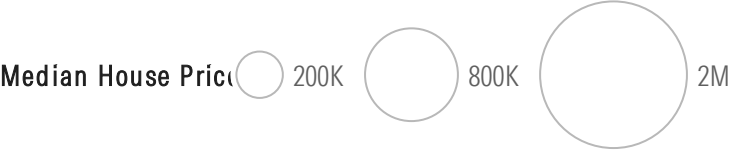
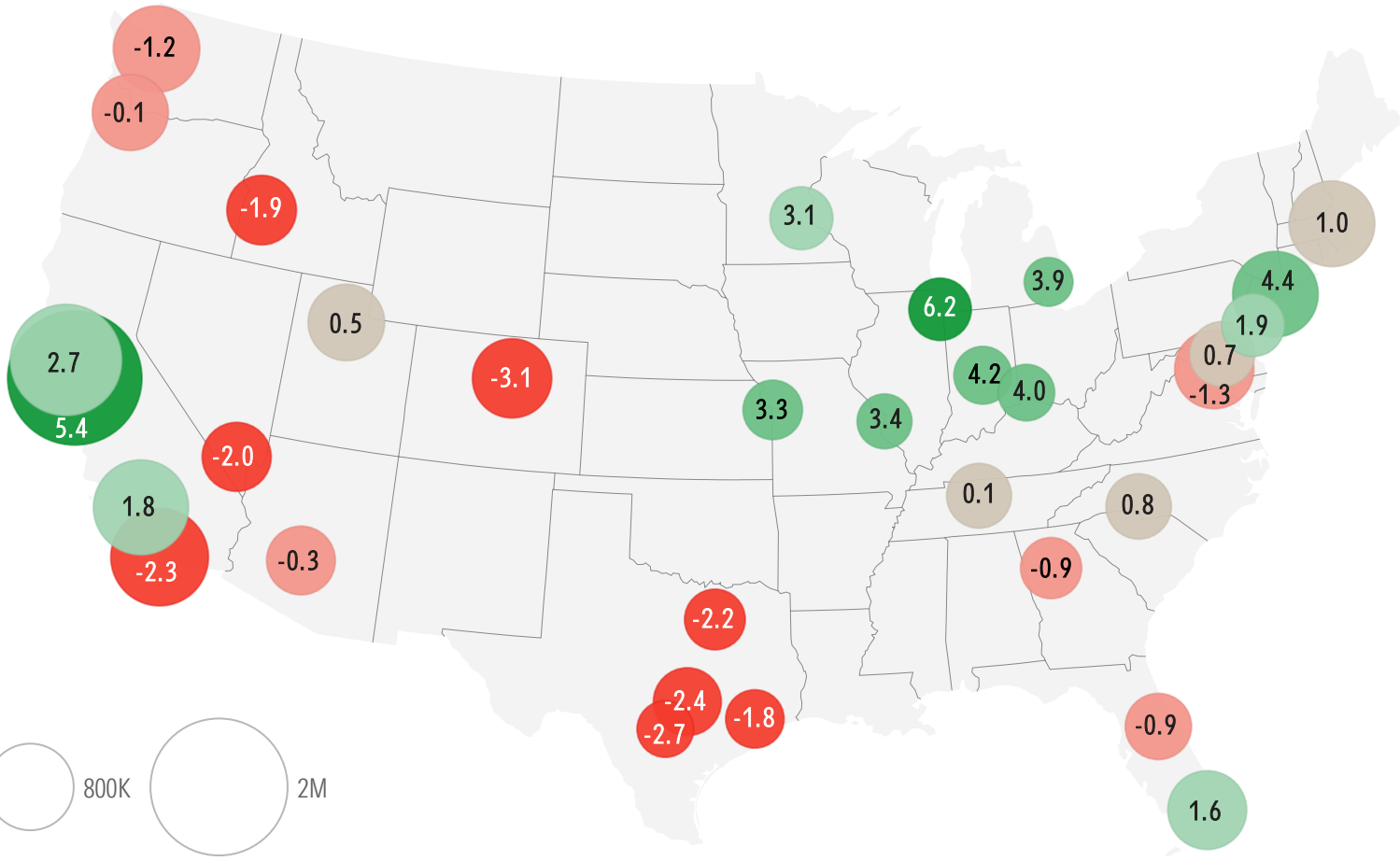


Source: International Monetary Fund, Morningstar. ©2026 Morningstar. All Rights Reserved.

US Home Price Appreciation Continuing to Cool

Home price growth has continued to decelerate, dropping to 1.8% year over year as of the fourth quarter of 2025, down from 5.4% average growth in 2024. The deceleration in home price growth has been broad, while Midwestern markets were more resilient. Sunbelt markets continue to see weak or negative growth owing to vigorous building in response to the postpandemic runup in prices.

Year-Over-Year Price Growth (%) Q4 2025



Index and Disclosure



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