

Conversations with Commerce Trust

2026 Midyear Outlook: A New Era Emerging

Recorded June 9, 2026

David Hagee, Chief Investment Officer: Hello, and welcome to Conversations with Commerce Trust, our show about the markets, investment themes, and economic insights that matter to you. I'm your host, David Hagee, Chief Investment Officer with Commerce Trust. Today, we're discussing our midyear outlook with Scott Colbert, our Chief Economist and Director of Fixed Income, and Brent Schowe, our Director of Research. Welcome back to the podcast, gentlemen.

Brent Schowe, Director of Research: Hi, David.

Scott Colbert, Chief Economist and Director of Fixed Income: Hi, David

David: Great to have you guys here. We're on the cusp of releasing our midyear outlook. The title of it is, *A New Era Emerging*. I thought it'd be helpful to kind of walk through how we're approaching the economy, fixed income, the equity markets, alts (alternative investments), kind of go across the spectrum here, as that's what the outlook is going to cover for us.

It seems to me that as we start talking about the economy, Scott, there's five major components that are altering or distorting the economic outlook, and maybe we could break out those components right now. First, oil and energy. You know, as I look at this, clearly a driver of inflation, but on top of that, that's kind of been the story for the second quarter here. How are we thinking about oil and energy right now?

Scott: Well, the bad news is, of course, it is pushing up inflation, and we now expect inflation to peak, you know, somewhat just over 4% on a year-over-year basis, probably in June. And then, hopefully, with any type of resolution, or at least slowdown, in the Persian Gulf, we get a slow but steady decline in the CPI and probably the PCE as well, as the year progresses. The good news is, is that energy as a percent of GDP (gross domestic product), particularly oil as a percent of GDP, if you will, is relatively modest in the United States as we've, you know, become more conservationally oriented over the last 30, 40 years, and as we become less manufacturing-oriented and more service-oriented, we just consume a lot less oil per unit of GDP. It's down to about 2% of GDP. Even at the household level, transportation fuels are only about 3.1% of the average household budget. And so, while it's a rather obvious, you know, smackdown and push up of price, and push up in inflation, and it's the price that everyone, you know, sees advertised every day as they drive around.

It's not as big an impact to our economy. And then there's a subtle positive effect of this, is that because we are drilling as much oil as we can possibly drill, natural gas is pretty much a byproduct of all that drilling, down in the Permian Basin in Oklahoma. And so, we're actually seeing lower natural gas prices here, year over year, down about 20%, compared to the rest of the world, which is still being bludgeoned to death by higher natural gas prices because of the closure of the Strait (of Hormuz).



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David: Yeah, I'm struck by that same idea here, that it certainly is a psychological impact of seeing a gallon of gas closer to \$5, or maybe over \$5 at some point, but if you look broadly across the conservation efforts that have been put in place since the 70s (1970s). The average price for a U.S. car is 29 times the average fuel cost, as opposed to in 1975, the average price of the car was 11 times its annual fuel cost. So, definitely some conservation in place. Looking at the next component having a large impact on the U.S. economy. Immigration and jobs. As we sit today, we just had some, recent, immigration, you know, a recent immigration ruling banning or restricting the \$100,000 golden visa to come in. Scott, how are you thinking about jobs and immigration right now, and the economic impacts?

Scott: Well, you know, the key to economic growth is simply job growth, and historically, when job growth turns negative, or we start to lose jobs, is when every recession has started. Last year, we had three kind of things all kind of come together at the same time that weren't likely to be repeated this year. Number one, of course, was that total shutdown in basically non-legal immigration, as well as a slowdown in legal immigration. That, of course, slowed the number of bodies that we could even put to work. Number two, of course, we had the so-called DOGE (Department of Government Efficiency) effect, where we literally let go of nearly 300,000 federal government workers, and that even spilled over into some state and local government work.

And then the last thing is the demographics, where we had every baby boomer last year turning 62 or older, and of course, 62 is when you collect Social Security, so we had a number of people leaving the workforce. So, the workforce barely grew last year at all. 18-year-olds are actually shrinking because of the, the echo effect of the subprime crisis 18 years ago.

So, we didn't need to create a lot of jobs to keep the unemployment rate fairly steady. This year, we expected the employment rate to bounce back, or the unemployment rate to stay fairly steady. And sure enough, this year, for the first five months of the year, we've averaged 100,000 jobs compared to creating just 10,000 jobs per month last year. So, we thought these effects would be modest, they'd be temporary, and we'd see a bounce back in employment. That's exactly what we're getting, and to the extent that we continue to grow, keep the unemployment rate fairly steady, we're going to have, you know, a positive economic activity, positive economy. It's just not going to be quite as robust as we thought because of the higher inflation, which subtracts, you know, from the net growth.

David: Yeah, that's a great point. You know, as we're looking at things, we definitely have seen an uptick in jobs, with Jolts coming out at about \$7.5 million, or job openings out there at about \$7.5 million right now. So, stronger job market, today than it was at the start of the year, certainly. Another component worth discussing is fiscal policy and the One Big Beautiful Bill Act (OBBBA), and its economic impact.



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You know, I'm struck by this, as we've had higher energy prices, we've also had greater tax refunds throughout the course of the year. You know, Scott, what are your thoughts around fiscal policy right now?

Scott: Well, the bad news about fiscal policy is we're still running a rather large structural deficit. Last year, the federal government budget deficit is a percent of the total economy. Our total economy is just something over \$30 trillion. It was just under 6%. So, in other words, the federal government basically spent \$1.8 trillion more than they took in in taxes. And it'll be a very similar amount this year, and of course, this is helping to drive, what, the deficit as a percent of GDP higher and higher. Everyone's heard that aggregate debt outstanding, public debt outstanding, has surpassed, you know, basically one times, you know, the size of the economy.

The One Big Beautiful Bill (OBBBA), positive impact was, you know largely offset, I think, by the higher energy prices, so the two of them became rather neutral, and that's how we probably powered through the first half of the year, with about a 1.5%, 1.6%, 1.7% growth rate when it's all put together. Of course, the One Big Beautiful Bill (OBBBA) then begins to fade. But what is accelerating is this thing, you know, called accelerated depreciation, which is in the One Big Beautiful Bill (OBBBA), meaning people that are building out these data centers or they're building anything can basically depreciate the assets that they're purchasing and take them off their taxes right away. It is, you know, creating a rather large increase in domestic fixed investment. Fixed investment is the productive type of investment that we want to see in the economy, because it generally leads to productive growth down the road. So, I think the One Big Beautiful Bill came at a timely time to offset some of the impact that nobody really saw coming with the, you know, Iranian war and the impact that we were going to find with energy prices.

David: And then, adjacent to that is going to be tariffs. We've seen the IEEPA (International Emergency Economic Powers Act) tariffs struck down, but we've seen a new 10% level come back in. You know, what are our thoughts on how tariffs are affecting the economy?

Scott: Well, I think we're growing used to the idea of tariffs. And, of course, last year, you know, the markets swooned, you know, with the official introduction of them. Recall that the stock market fell gosh darn near 20%, almost to the penny, I think about 19% before recovering. Tariffs as a percent of GDP (gross domestic product) aren't that big a deal. But I think small and middle market businesses that don't have the staff to, you know, work with this were relatively frozen last year because they didn't know how they were going to impact them.

Unfortunately, because of the way that the administration implemented them, and then the reversal of about half the tariffs, and now the trying to push tariffs back on, the refunds and everything, it's still a bit confusing, but at least, you know, from a top-down perspective the markets, the financial markets, recognize that this is small potatoes on a relative basis, and that we're going to be able to work through it. And of course, you



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know, the longer this persists, we have short-term memory, and basically, you know, this all started well over a year ago now. So, you know, the impact of the economy is very modest now, going forward.

David: And so, I think the one item that's been a strength of the U.S. economy, sort of ties in those other four components, is the AI (artificial intelligence) capital spend. That's been sort of the all-encompassing thing, whether it's hit energy with the power needed to power the data centers, the energy needed to power the data centers, whether it's a jobs issue of, is AI taking away jobs, is AI creating more jobs? How, as we unpack the AI capital spend, how is that affecting the U.S. economy? How large an impact is it?

Scott: You know, aggregate capital spending isn't changing very much, but it's rotating from what? Almost nobody is building, what, a downtown office building? Apartment construction has slowed materially. Residential construction, of course, because the unaffordability of housing, higher interest rates, high home prices, building, you know, at a subdued level, has largely rotated from those types of fairly normal and understandable capital investment towards all this AI. So, if in fact, AI had to boom, this isn't a bad time to boom, because there's a lot of other parts of fixed investment that have faded.

It's hard to tell exactly what the job impact is. There are two pretty good studies out there, one by Goldman (Goldman Sachs), one by The Yale Budget Lab, that would suggest last year, AI probably subtracted a net 10,000 jobs. They would expect AI to subtract even more jobs this year, and then the impact, you know, probably increasing down the road.

The positive benefits to AI, you know, initially are what? In the construction space, and in the demand space for, you know, the build-out of these rather massive data centers. If you've ever driven by some of them, some of them are, you know, basically a mile long. So, they're awfully big facilities, and so that's helping push certain parts of the economy along.

Down the road, of course, the hope is that technology, as in general in the past, has always added new jobs because of job creation, things that we just don't see coming down the road. That is the opportunistic, I guess that's the optimistic thought. We'll have to see how this impact is. I will say it's rather trying, if you're a younger person, to try and figure out, you know, where it is that you fit into this, you know, new job world that AI is likely to create for us.

David: Yeah, I like the optimistic view on this, in the sense that, remember when e-commerce was coming around, retail brick and mortar really took it on the chin, and you saw a lot of closures, certainly malls are in different shape today than they were three decades ago. But you've seen, you know, those warehouses, right? So, Amazon and all the logistics really kind of backfill a lot of those, those brick-and-mortar retail jobs out there. So, just because it's a new technology doesn't mean it's going to consume jobs. It could also add jobs in there, too.



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Scott: It's a Malthusian thought to think that technology should subtract jobs, because otherwise the wheel should have subtracted jobs, the steam engine should have subtracted jobs, electricity should have subtracted jobs. It's generally not the way it works out.

David: Yeah, I couldn't agree more. You know, Brent, as we think about Scott mentioned earlier, fiscal policy, that we continue to be, profligate spenders, that we continue to overspend, and that is now above, our GDP. Our total debt pile is above our annual GDP. How are you thinking about rates in that environment?

Brent: Yeah, well, what we've seen this year is just a real move in the yield curve in the short end. The short end has been driven up, the two-year (yield curve) especially, up over a half a percent, more than 50 basis points, as it starts to price out a Fed (Federal Reserve) rate cut. As Scott was saying, we've had the inflation spike due to oil, and the Fed now moving to a wait-and-see mode. When we started the year, markets were anticipating up to two rate cuts this year, with perhaps more in 2027, and now that's been a complete reversal.

And so now, the market is actually hinting at perhaps one rate hike by the end of the year, and that two-year part of the yield curve has risen in anticipation of that. So now, you've got a two-year that's above 4%, you've got a 10-year that's around 4.5%, And then that long end is really paying attention to that fiscal deficit and fiscal policy. Because, you know, they all know that if the Fed, or if the federal government continues to issue more and more bonds longer and longer, that means more supply, that means higher yields are going to be needed. So, that long end of the curve is right around 5% and doesn't seem to be wanting to move below that anytime soon.

David: Yeah, that's consistent with our thinking, that there's a higher term premium given the amount of debt that the government has issued. And we've been talking about that for about a year now. It's been a slow-moving train, but we are at that point where it seems that the market has its eye on this amazing debt pile that we have in place right now.

As we're thinking about that, you mentioned the Fed. We have a new Fed chair. Expectations have changed from rate cuts to rate hikes, according to the, the Fed Fund's futures out there. How is that impacting credit spreads right now?

Brent: Yeah, I think credit spreads have largely looked through the Fed Chair, I guess, politics of that. We know that, you know, Chair (Jerome) Powell is going to remain on the Board of Governors, and so there's some consternation about that, about, you know, for the first time, having a former chair also on the FOMC (Federal Open Market Committee). But credit markets, I think, much like the equity markets, we're looking at corporate earnings, at corporate balance sheets, and those show no signs of weakness whatsoever. We



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have tremendous growth. I think S&P (S&P 500 Index) earnings are now approaching 25% or even higher growth on a first quarter basis.

So, the corporate bond market is following that, and so corporate credit spreads are quite narrow. Actually, compared to history, they're near their all-time tights. And in high yield, that's especially so. And so, the corporate bond market is wide open to issuance. All these hyper-scalers, like Amazon issued the biggest debt issuance ever this year, some \$54 billion across 19 tranches, a couple of currencies, and other companies like Oracle and Meta have done similarly, and that has not had any impact on spreads whatsoever. They just keep wanting to ratchet tighter.

David: So, and finally, when we're looking at fixed income markets, the municipal (muni) market. Seems like we've had a lot of issuance this year but still offer value for investors in the higher tax brackets. What are your thoughts around the muni market? What are we seeing there? Any significant changes?

Brent: Yeah, again, a pretty benign situation. We've seen, you know, states' rainy-day funds somewhat replenished. Many are still running deficits, but many have enjoyed this boom in the stock market, you know, the capital gains that go along with that. And so, you know, municipal credit has been reasonably strong.

We are seeing at the fringes of the municipal market, things like higher education, you might have some smaller universities, and even some smaller, not just private universities, but public universities, where enrollment declines, just the demographics of things, as Scott was alluding to earlier, that you just have fewer and fewer entrants in the college, and so some universities are dealing with that.

But overall, we think corporate, or municipal credit is quite strong, much like its corporate counterpart. And yes, if you're fortunate enough to be in the highest tax bracket, you can, you know, generate some yields, tax equivalent of about 5% if you go out 10 years, and even upwards of 7% if you really want to get long and go out 20 years. So, we think there are some good opportunities in the muni market.

David: So, still some good value. If we look at a chart of total debt inside the U.S, the really, the surge in total debt growth has been at the federal government level, not the municipal bond, or not the municipal level. And so, you know, that, that's, significant in offering value over the long term. Pivoting real quickly to the equity market, Scott, Brent mentioned the surge in profit growth, mostly for domestic securities. How are we interpreting that?

Scott: Well, it's, it's probably not hard to believe, but I think everybody's read now that, you know, corporate profits on a year-over-year basis, at least S&P 500 corporate profits, are at naturally record levels, but are, you know, up more than 20%, and perhaps by the time we finally get the full count in.



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We're still counting, by the way, because the first quarter profits aren't all in entirely yet. They will be by the end of the second quarter. You're looking at growth that could approach 30% year over year. And of course, most of this is coming from AI, but it's also come from every sector within the S&P 500. In other words, every sector participated, somehow or another, you know, in the earnings growth story on a year-over-year basis. Earnings growth, or earnings as a percent of total economic activity, total income in the economy, are at the highest level ever, about 16%. They were 8% 45 years ago, in 1980. They were 12% on average over our lifetime, and, you know, now they're at the highest levels they've ever been. So this is what's helping keep, you know, the stock market elevated, and it's also, of course, self-reinforcing in the sense that, you know, because folks are wealthier that own these stocks, they are spending, and the wealth effect, you know, is helping to drive our economy forward. Probably also keeping pressure on inflation, and probably also keeping these interest rates up a bit.

David: So, as we look at the equity markets, certainly a strong start to the year. We've seen a little bit of rotation as small-cap securities are the best performing domestic area. But the S&P's still having a robust year as we sit today. In early June, S&P's up about 8.5% year-to-date. But interestingly enough, as you mentioned earlier, we've seen, you know, participation across the board. So far this year, the big winner inside the domestic markets, from a sector perspective, has been energy. Energy's up 29.2%. A strong start to the year. What's been a concern longer term is valuations. It's worth noting that we've seen valuations actually come down, if you examine price-to-earnings ratio, because that earnings growth has been so strong in the front half here in 2026. So, Scott, how are you thinking about valuations inside the equity markets right now?

Scott: Well, there's no doubt that most sectors of the S&P 500 say the valuation level has come down. If earnings have grown 30% year-over-year, and the stock market's only up 20% year-over-year, well, that gives you, you know, a reduced price-to-earnings ratio. The stranger part about this is the acceleration in earnings has put the current earnings so much higher than, say, the last 10 years average that historically, this largely isn't, you're not able to maintain that kind of distance between an average earning rate and this kind of peak earnings momentum that we have.

I think that's our biggest worry is if this momentum begins to fade, then so too does, you know, the equity market because of these semi-stretched valuations. Another way to think about the equity market is its total, you know, the cost of all the equities relative to the size of our economy. It's about a \$66 trillion S&P 500 market. In other words, you could buy the entire S&P 500 for about \$66 trillion today, versus a \$31 or \$32 trillion economy. Anytime stock prices have gotten to be two times the size of the economy, that's generally been kind of a tipping point for equity. So, its positive earnings momentum, better valuation, but stretched valuations relative to kind of their longer-term historical averages. And the question going forward is, you



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know, are the S&P 500-type companies, or companies in general, going to be able to maintain this extra earnings capacity that they seem to have right now?

David: Yeah, and, you know, examining the global markets really quickly, I think the surprise leader last year was international markets. Certainly, they'd had, you know, a tougher run of it over the past 15 years or so. But so far this year, the highest area of equity markets has been emerging markets. Looks like they're up again here in early June, around 24%, for the year. Any thoughts around the international piece right now?

Scott: Well, the larger cap international piece is up about the exact same amount as the S&P 500, which is great, that's fine, and that's been driven by basically cheaper valuations overseas, higher dividend yields. But this year, not because of a falling dollar, because the dollar has actually strengthened up just a touch. So, you know, it's been driven by, you know, just positive earnings momentum.

But they are the only part of the market that is down post-February 27, when the Iranian conflict started. So, in other words, the larger cap developed stocks around the world are actually down a bit since the war started, whereas almost every other part of the world is up. The reason for that, of course, are those natural gas prices, because, you know, Europe, Japan, so energy dependent upon, you know, what comes through the (Persian) Gulf. The emerging markets, though, are surging primarily because of their chip exposure, really, really driving this is South Korea and Taiwan. Taiwan Semiconductor is the, you know, manufacturer of all the NVIDIA chips around the planet, and half of the South Korean market is chip-related with Samsung, and you know the name of the other company. What is the name of the other?

David: SK Hynix, they make the high-bandwidth memory chips that, it makes sense, right? Not only do you need the computer processing from NVIDIA with the GPUs (graphic processing unit), but you also need the ability to store all that information, so it's...

Scott: And that's half the South Korean market, and those markets have just surged. The most interesting thing is that generally, historically, when you think of emerging markets, you just simply say that's synonymous with China. But China's actually down year-to-date, and we still have this 27-plus percent return to the emerging markets. If we ex China out of it, it's about a 33% return. So, it's quite a positive, you know, quite a, you know, having any exposure to the emerging markets has been a huge positive impact to portfolios for the last couple years.

David: So, Brent, I think that takes us over to the alt side of the ledger here. I'm struck by its sort of a tale of two halves in the first half of 2026. The first quarter was defined by this private credit stress that we saw going on. Maybe we could work through exactly what we're seeing on the private credit side of things.



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Brent: Yeah, I think the story in private credit, at least, you know, through the first three or four months of the year, was the flip side, or the bad side, I guess, of this AI boom. You know, private credit had been funding a lot of software companies. I think upwards of 20% of some books were into software. And they like those for the reason that, you know, once you're in a business and they have you locked in into a contract, and you're embedded into their workflows, and it's hard to get them out. And so, this software as a service type function, kind of an annuity-like cash flow stream, was really welcomed by the markets.

Well, if you have an AI bot that can do what your software does, how hard is it to extricate you from that contract? And so, there was a lot of pressure on those software firms, and in turn, on the private credit market who had had exposure to that. And so you saw spreads gap out, you saw these business development companies (BDCs), which are sort of like REITs, these real estate investment trusts that we're probably more familiar with, where they make loans to these private companies, and instead of commercial loans or real estate loans, as you have in real estate investment trusts, they pool them together, and send the income to the investors.

Well, the investors got a little nervous in these BDCs and decided to ask for their money back sooner than the BDCs would have wanted. And embedded in that structure is, are these things called gates, where they can say, well, if we have more than 5% of our monies threatening to go out the door, we can close the gates, and so that's what's happening in a lot of these funds, that they're limiting people to a 5% withdrawal rate. So now that subsided a little bit, but we are still seeing anxious investors try to leave those funds, and we're still seeing spreads a little bit wide in those software names. And so, it's just a matter of seeing how much disruption is it going to bring to them, and how embedded are these software companies into the firms that are subscribing to those services.

David: So, on the other side of it, in the second half of the first half of the year, I guess, why don't we do a little definitional work there. But, you know, it's been this talk around the IPOs (initial public offerings) coming. We're looking at SpaceX, we're looking at Anthropic, we're looking at OpenAI coming. These are major players in both the AI and the tech spending area right now. How are we thinking about deal flows right now, in addition to these IPOs? Kind of the first excitement we've had in the IPO market for quite some time.

Brent: Yeah, and alts, especially in the private markets, deal flow has been pretty slow the last several years. I mean, you had a big pop of activity in roughly 2019, pre-COVID, and usually about four or five years after that is when you get exits, where people then start cashing in those investments and start moving monies into other investments. Well, that got interrupted post-COVID. And right now, most of the exits are happening in the larger tech type names, and again, the biggest one coming here with SpaceX, I guess, this week, right? They're talking upwards of almost a \$2 trillion valuation there.



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And so, it's just, it's been more of a function of the big getting bigger and the strong getting stronger, and not so much what you think of as these small and middle market type companies in the private equity space. So hopefully this will kind of dislodge the market. Many are thinking that the IPO market as a whole will benefit from this, get people more interested in putting money to work in the IPOs, and in turn in privates as well, on the other side. So, hopefully, you know, these deals will go well, and the markets will continue to be liquid, and we'll see more deal activity as the year goes on.

David: Yeah, I think that'd be very welcome news in the private placement area to start to see additional deals coming and start to maybe unlock some of the other deals that could be pending out there. You know, in terms of what we're looking for in the second half of 2026, Scott, what are you looking out for? What's key for you out there?

Scott: Well, the key is, you know, where will inflation peak, and how accommodative will the Fed be? Will they continue to look through this? As we, Brent, you know, alluded to, the Fed has become, frankly, accommodative, given the fact that inflation, as we sit here today now, is just slightly higher than the short-term cash rate. That's not very typical, historically. That would be a very accommodative stance. And so, by them holding steady, they're being very, very accommodative, hoping that this energy, you know, punch that the economy is suffering won't be perpetual and won't, you know, basically turn into higher core inflation that they're going to have to try and nip in the bud down the road.

So, it's clearly inflation. Secondly, how does that impact, you know, the employment situation, and will that, will it push back, or will it hurt employment? Because we said employment's the key driver. And then the third thing, because of this massive amount of wealth that's been created because of stock market appreciation to the extent that the stock market slows or falls materially, I think that's an even bigger problem for the economic activity overall than even the energy, you know, push-up in prices. In other words, a 20% decline in the S&P 500 probably has more impact to economic spending and economic activity than the doubling of the price of a barrel of oil. So those would be the three key things. Inflation, as driven by oil prices going forward. What will the Fed do? And of course, will the equity markets hold up in the face of this higher inflation?

David: And Brent, anything you're looking out for in the second half of 2026?

Brent: Yeah, I guess, you know, growing up as a credit analyst, a good credit analyst is always supposed to look for the next problem. And, you know, the software story is a big one, and, you know, to the extent that AI disrupts many more of these firms, and then it starts bleeding into broader credit markets, like the high-yield market or the investment-grade market, that could pose a problem.



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An old commercial lending adage is that, you know, the worst loans are made in the best of times, and so any of the credit that was issued, you know, in the last several years that were to maybe some marginal companies that could come home to roost here in the next couple of years. So, we're watching that very closely, but again, as I mentioned earlier, credit spreads in the public credit markets are quite benign, and anticipate that, you know, things are going to be good for the rest of the year.

Scott: Isn't the biggest surprise that the equity markets and the credit markets have taken this energy price shock so very, very well? Almost as though it never happened.

David: I think that remains the surprise for me, is that number one, you know, looking at things, I would agree with both of you that now's not a time for complacency. It is a time to evaluate stress inside the market and be able to understand that better. But yes, the biggest surprise for the first half of 2026 has been, the Iran conflict has not had a large impact on the equity markets, and really, energy prices are significantly lower than they were 45 days ago, but the conflict has not had any resolution so far. So, as we're looking forward, keeping an eye on the geopolitical concerns, which can be a short-term driver inside the marketplace. You know, Scott, any number or stat that has stood out to you, over the past couple of weeks?

Scott: Well, of course, everybody knows that inflation, you know, is up, and it's going to be, you know, when we get our next inflation statistics, it's probably going to be the CPI's going to, you know, touch 4% or 4.1%, 4.2%, but 10% is a nice round number that caught my eye in the last, personal consumption expenditure report. That's the Fed's favorite measure of inflation. But basically, all the materials that are going into this AI build-out are now up, in terms of price, 10% year over year. I actually talked to the construction people that do this, and they feel like that's even an understated number. So, it's not like energy prices are the only things pushing up inflation on a year-over-year basis. This massive build-out in the AI spend, the chip price increases and things like that are also contributing to it. So, there's a little more to this than just energy. So, 10% is kind of the strange number that popped out to me in the personal consumption expenditure report recently.

David: Brent, do you have a stat that has stood out to you over the past couple of weeks?

Brent: Well, I already gave mine, I guess earlier, a \$54 billion deal in a single day in the corporate credit market would have been almost unheard of a couple of years ago. So, I think that's the big number, that these hyper-scalers are going across every market they can to fund this build-out. And again, this is the public bond market. They're also issuing in things like asset-backed securities markets. Private credit markets, anywhere that there's money to be lent, that's where they're going. So I think the billions and billions you're seeing in the AI build-out is the spectacular number I'm looking at.



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Scott: I'll throw out a word of caution there, Brent, when you said that, it reminded me of WorldCom, with the largest bond issue ever, \$10 billion bond issue, you were around for it, you know, three decades ago, and that was gosh darn near the peak of the internet bubble.

David: So, I have one number for you, 16.7 billion. What that is here we are on the cusp of the World Cup™ starting. There'll be, what, 104 games played. Global beer consumption for the World Cup™ is targeted to be 16.7 billion pints consumed during the World Cup™. So, that's quite a lot of suds there, for, for the world's biggest sporting event. Brewers have been in a slump, recently over the past couple of years. An industry magazine or industry publication predicted 16.7 billion pints to be served over the course of the World Cup. So, quite a lot of beer.

Scott: Well, it looks like the brewery here in St. Louis is going to be working full-time.

David: A lot of Mick Ultras rolling off the, off the line down on, Pestalozzi Street.

Thanks for the interesting discussion today, guys. For more on this topic, please visit www.commercetrustcompany.com for our midyear outlook, as well as a fun article around the World Cup™. If you've enjoyed what you've heard today, you can subscribe to our show on Apple Podcasts, Spotify, Amazon Music, or wherever you get your podcasts from.

Thank you for joining us on Conversations with Commerce Trust. I'm David Hagee. We'll talk again soon.



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