

4th Quarter 2026

Data as of October 7, 2026

Nationwide Market InsightsSM

Our perspectives on the market and economic forces influencing investment planning and retirement





Nationwide Market InsightsSM

One of the challenges of planning for a more secure financial future comes in understanding the market and economic forces that affect investment performance and influence investment decisions. With *Nationwide Market Insights*, we present insights and informative commentary about the economy and the financial markets from Nationwide's staff of economists. You can share *Nationwide Market Insights* with clients to help answer questions about investment performance and inspire greater confidence in the guidance you provide.

When you work with Nationwide, you not only get tools and resources from Nationwide Economics, but also the strength and stability of a Fortune 100 company standing behind the wide range of financial products we offer — from mutual funds and annuities to life insurance and retirement plans.

Plus, you can count on consultative support from the Nationwide Team of Specialists for assistance with the retirement planning challenges you and your clients face. Contact your wholesaler to learn more about *Nationwide Market Insights* and other resources available from Nationwide Economics or the many solutions Nationwide offers.

Executive Summary

The resilient economy and strong corporate revenue growth support equity valuations near all-time highs despite rising input costs and interest rates. On the fixed income front, Treasury yields rose and the curve (10-yr less 2-yr) flattened in Q3 as investors are betting on additional Fed tightening and for the economy to stay resilient even with elevated inflation. We expect continued healthy corporate earnings and economic growth to support stock prices and outweigh pressures from rising input prices and borrowing costs.

The economy looks to be persevering through current headwinds. We look for economic momentum to cool moderately in Q4 due the inflation headwinds, but activity should likely remain resilient. Buoyant employment and income gains along with ebullient AI investment and tax incentives support economic growth.

The FOMC raised the fed funds target range by 25 basis points (bps) to 3.75–4.0 percent in September, marking the first hike since 2023. Policymakers have lost patience with elevated inflation and our baseline forecast includes another 50 basis-points worth of hikes before year end followed by an extended pause in 2027.

Table of contents

Financial Markets

Federal Reserve	4
Commodities	9
Fixed Income	14
Equities	22
Currencies	27

U.S. Economy

GDP Growth Forecast	31
Inflation	33
Labor Market	38
Consumers	40
Businesses	44
Housing	48
Global Economy	53

Financial Markets

Highlights

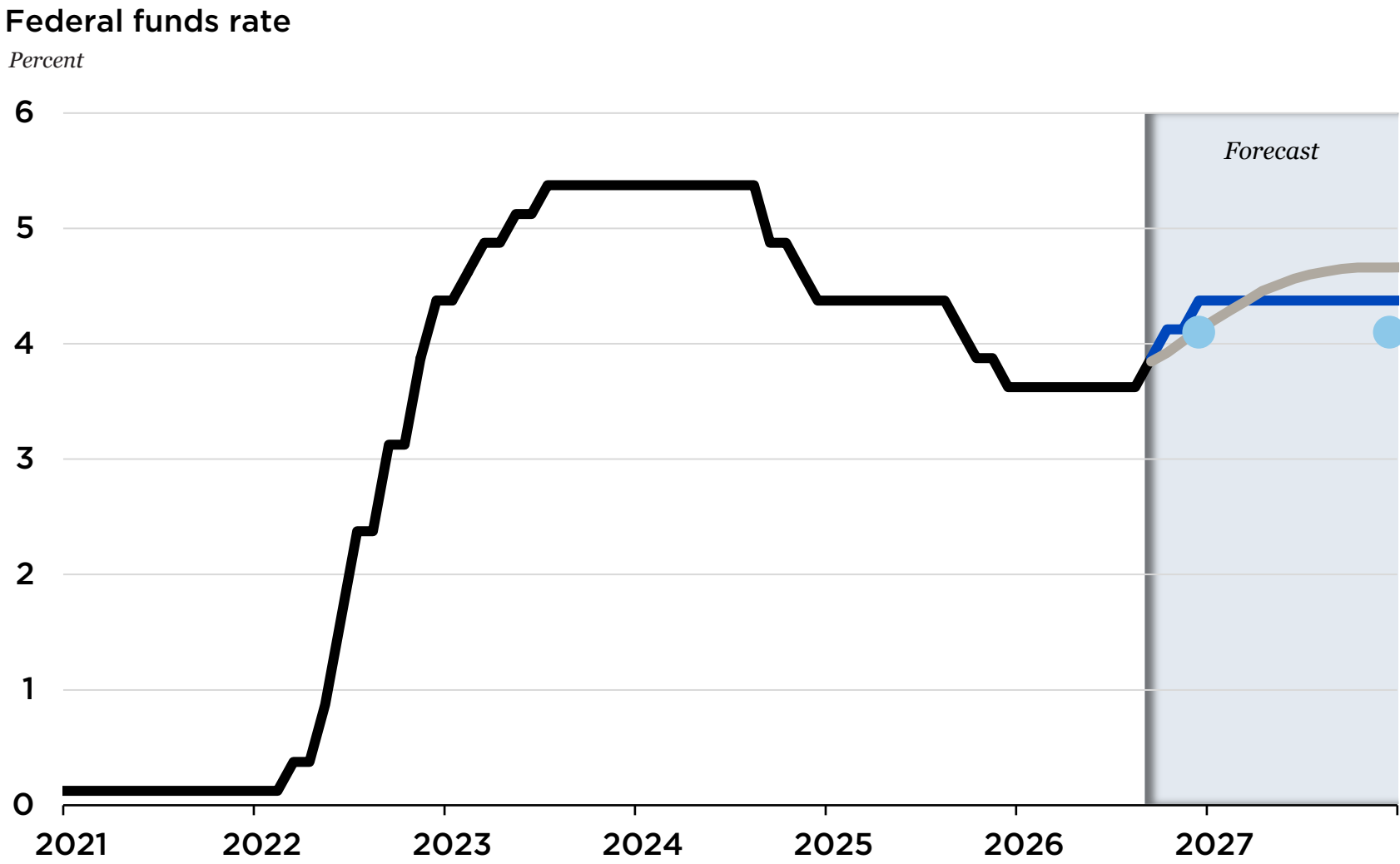
- 4 Fed gets serious about inflation
- 9 Borrowing costs, geopolitics, and AI are under investors' microscopes
- 16 Bond term premium and the yield curve normalization
- 20 The era of ultra-low government bond yields looks to be over
- 28 Consumer and corporate balance sheets don't flag major risks
- 29 Foreigners are increasingly key owners of U.S. equities and corporate debt

Fed gets serious about inflation

In a unanimous decision, the FOMC raised the fed funds target range by 25 basis points (bps) to 3.75-4.0 percent in September, marking the first hike since 2023. The decision, policy statement, and updated forecasts signal that policymakers have lost patience with elevated inflation.

We expect 75 basis points of rate hikes in total this year followed by an extended pause in 2027.

- Nationwide Economics' forecast
- Current bond market expectations
- FOMC's September 2026 median forecasts



Source: Federal Reserve, Bloomberg, Nationwide Economics

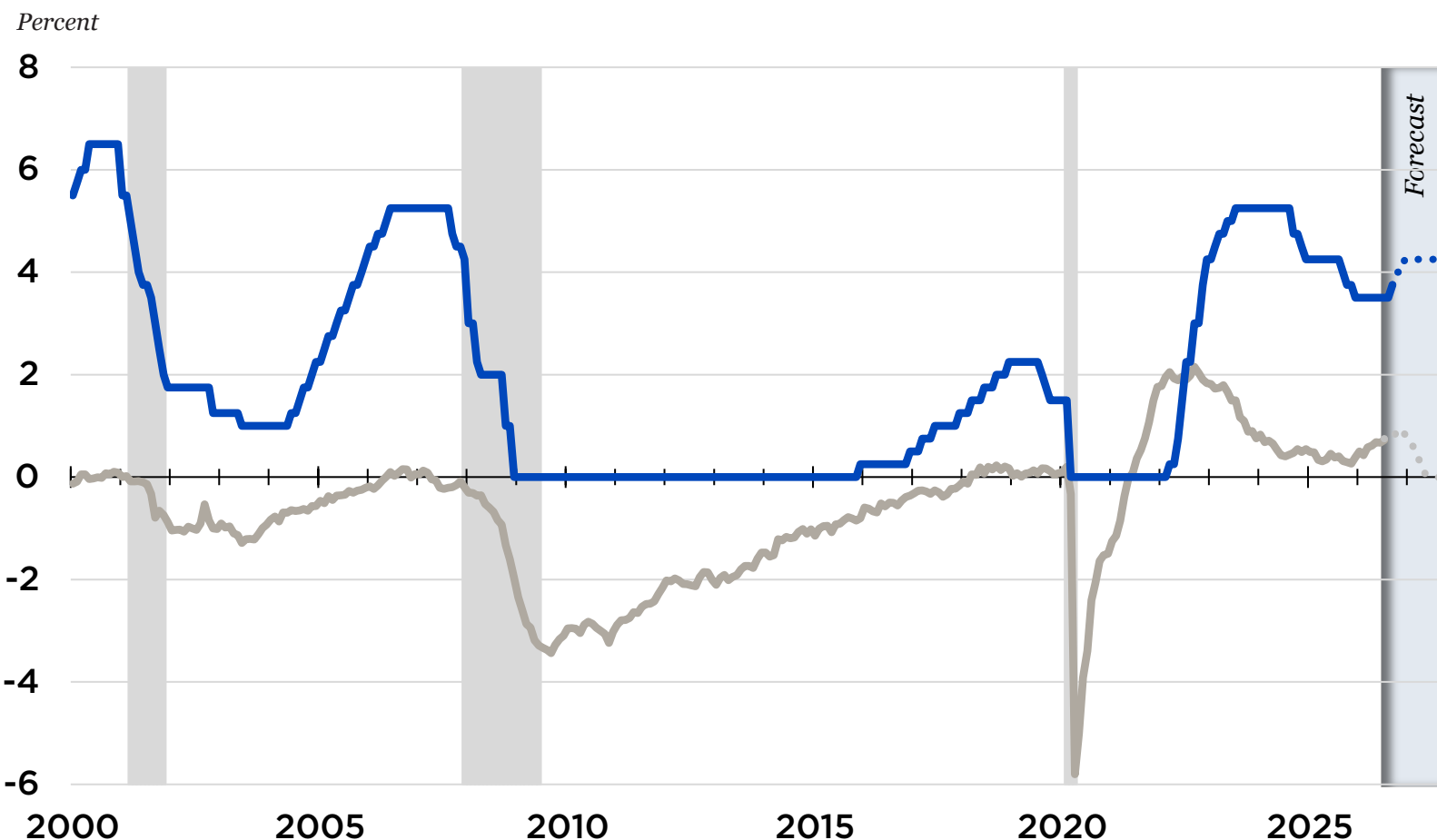
Above-target inflation likely to drive Fed rate hikes

The policy rate is not forecast to become overly restrictive, so it shouldn't lead the economy to stumble.

Hikes are also unlikely to quickly cool the drivers of higher inflation, but they should bolster the Fed's credibility and slow the economy without damaging the employment side of their dual mandate.

- Fed funds rate (lower bound)
- Deviation from Fed's inflation and employment mandate
- Recession

Fed funds rate and progress to dual mandate



Note: Deviation from the Fed's inflation and employment mandate defined as equal-weighted percentage point average deviation from two percent Personal Consumption Expenditures (PCE) inflation and the Fed's long-run NAIRU estimate. Dotted lines represent forecasts using Nationwide Economics' baseline.

Source: Bureau of Economic Analysis, Haver Analytics, Nationwide Economics

New Chair commits to new thinking

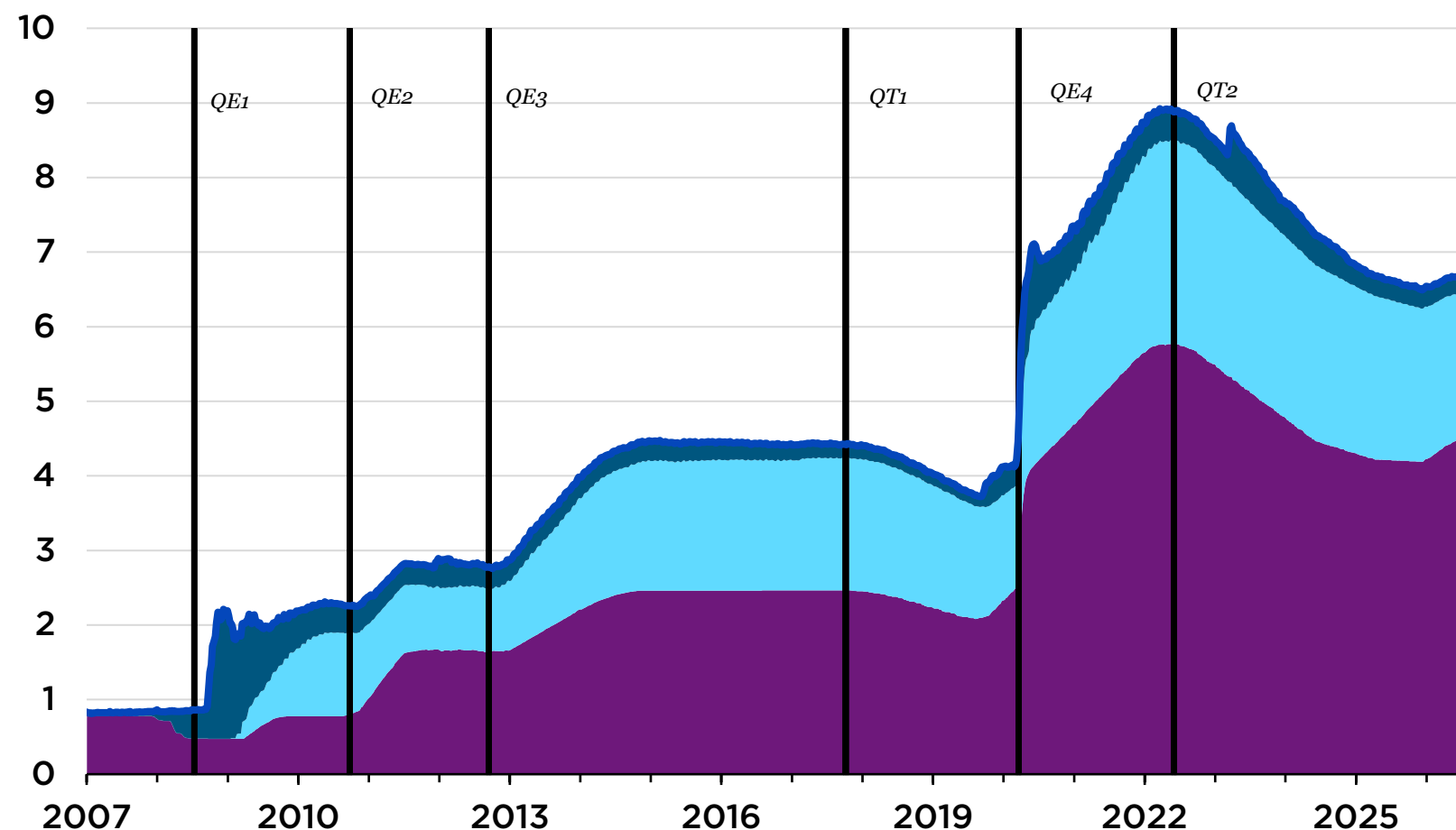
New Fed Chair Kevin Warsh has reiterated his commitment to “fresh thinking” at the central bank and set up task forces to revamp the approach to five key issues: communications, economic data, productivity and jobs, inflation, and balance sheet policy.

We are slated to receive announcements on these fronts over the coming months and years. Changes in the balance sheet should be gradual so as not to spark financial market turmoil.

- U.S. treasuries held outright
- Mortgage-backed securities
- All other credit outstanding
- Total credit outstanding

Fed balance sheet

Trillions of U.S. dollars



Note: QE marks the start of quantitative easing; QT marks the start of quantitative tightening.

Source: Federal Reserve Board, Haver Analytics, Nationwide Economics

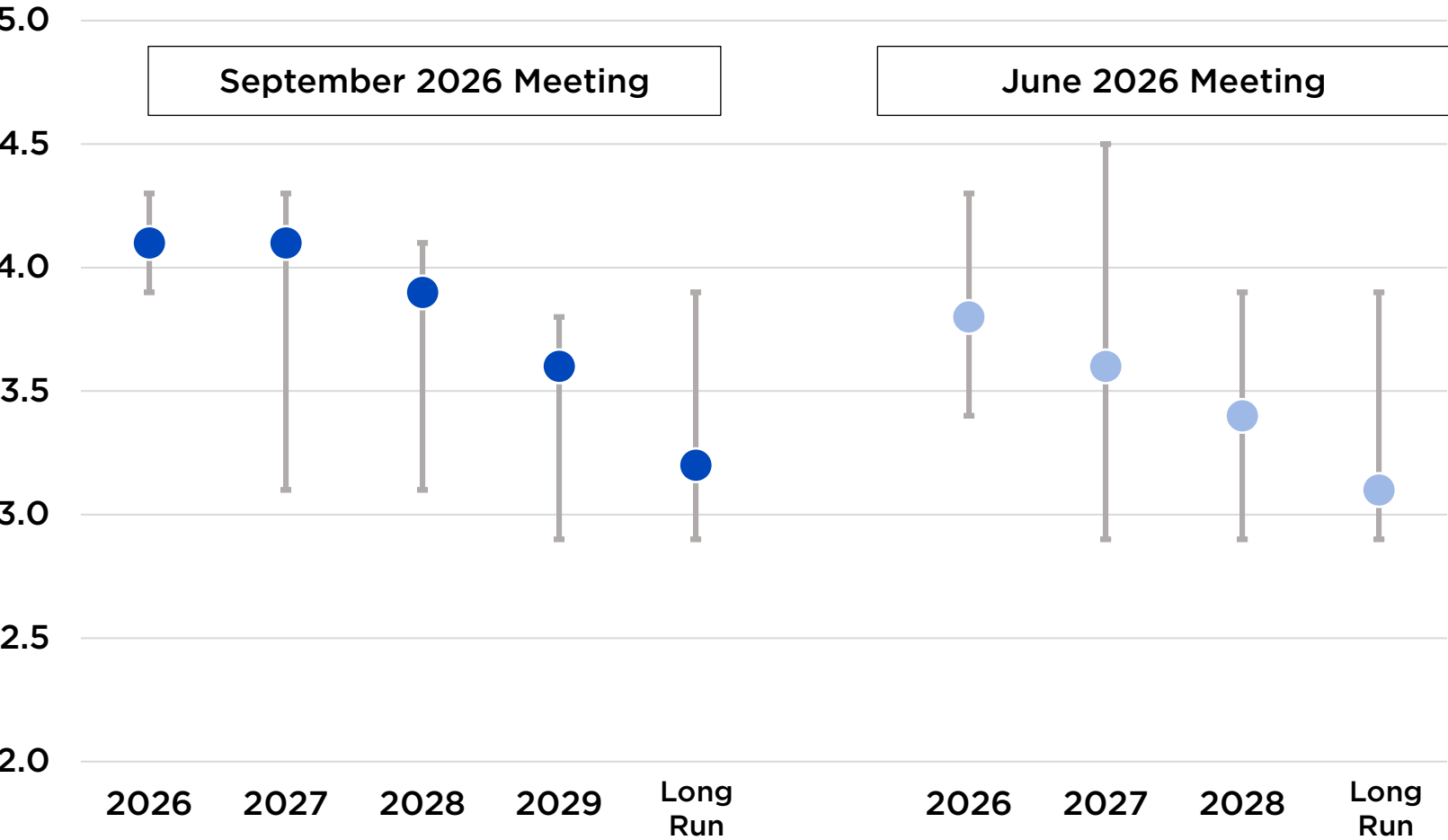
Fed doesn't expect to lower interest rates until 2028

The updated median fed funds interest rate dot plot now shows another hike this year, a hold next year, and cuts in 2028 and 2029.

The new forecast implies a gradual return to neutral after 2027, generally in line with our view.

Federal Funds Rate Projections

Percent



Note: Tick marks denote the upper and lower bound of FOMC policymakers' fed funds rate projections. Dots are median projections.

Source: Federal Reserve, Nationwide Economics

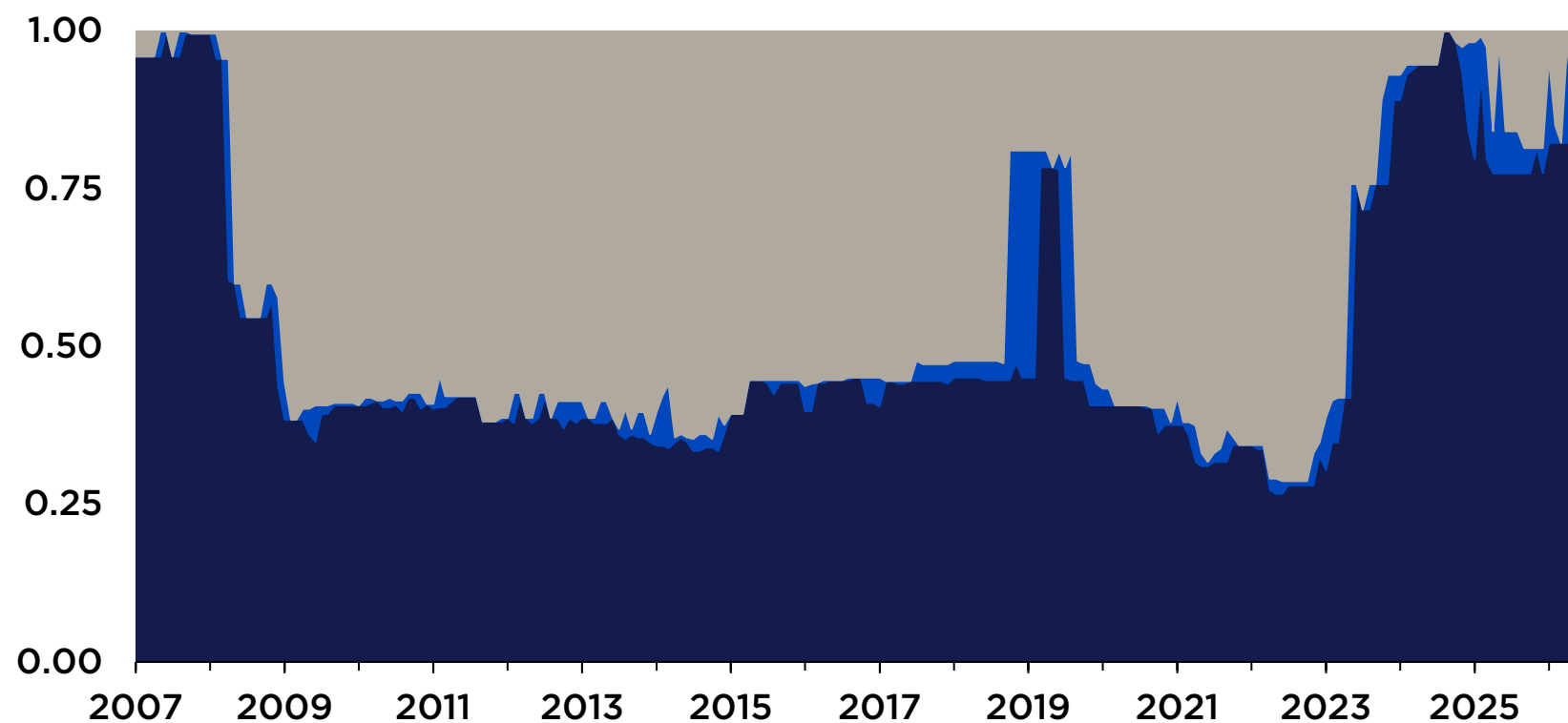
Many central bank policy rates are in restrictive territory

Many central banks across the world have adopted a hawkish stance, with their policy rates in restrictive territory in an effort to tame inflation and contain spillover effects from rising energy prices.

■ Restrictive
■ Neutral
■ Loose

Stance of global central bank policy

Share of total in percent



Includes: U.S., Mexico, Brazil, Canada, UK, Eurozone, China, Japan, India, South Korea, South Africa, Indonesia, Malaysia, Thailand, Colombia, Chile, Sweden and Norway. Countries in sample represent ~75% of global GDP.

Real policy rate is restrictive when $> 0.25\%$; Neutral when < 0.25 and > -0.25 ; Loose when < -0.25 . Deflated with core CPI inflation where available.

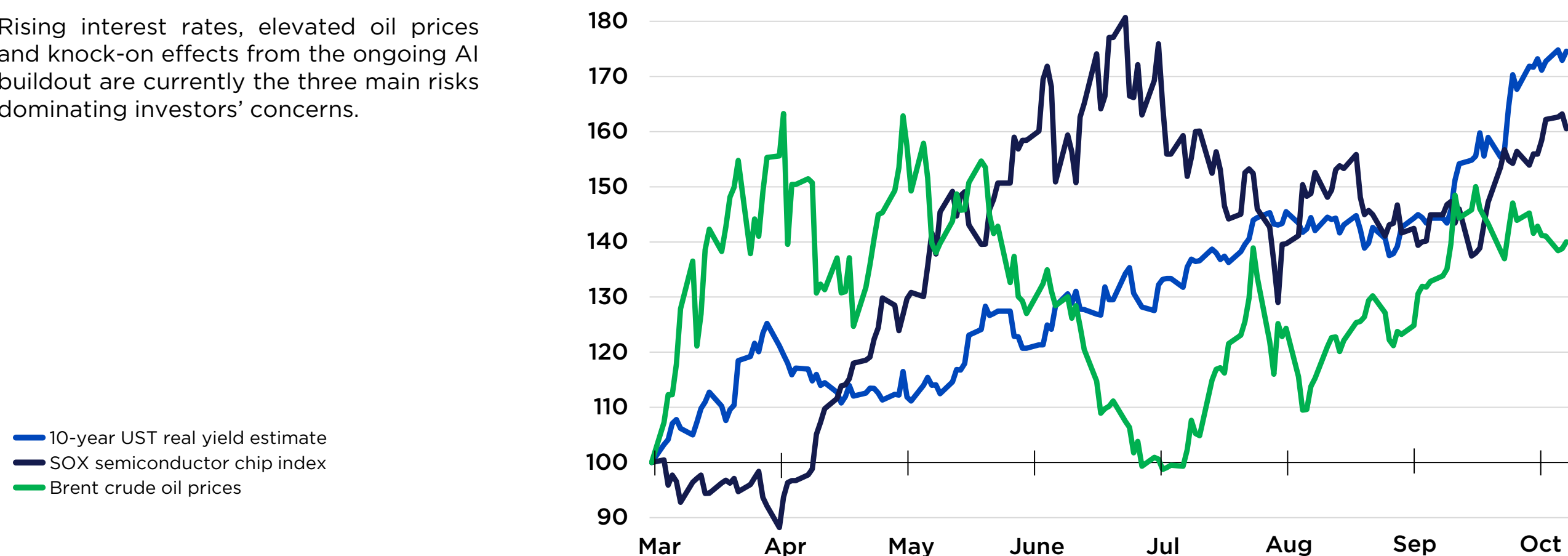
Source: Haver Analytics, Nationwide Economics

Borrowing costs, geopolitics, and AI are under investors' microscopes

Rising interest rates, elevated oil prices and knock-on effects from the ongoing AI buildout are currently the three main risks dominating investors' concerns.

Real yields, semiconductor chip stocks, and oil prices

Index; February 27=100



Source: Bloomberg, Nationwide Economics

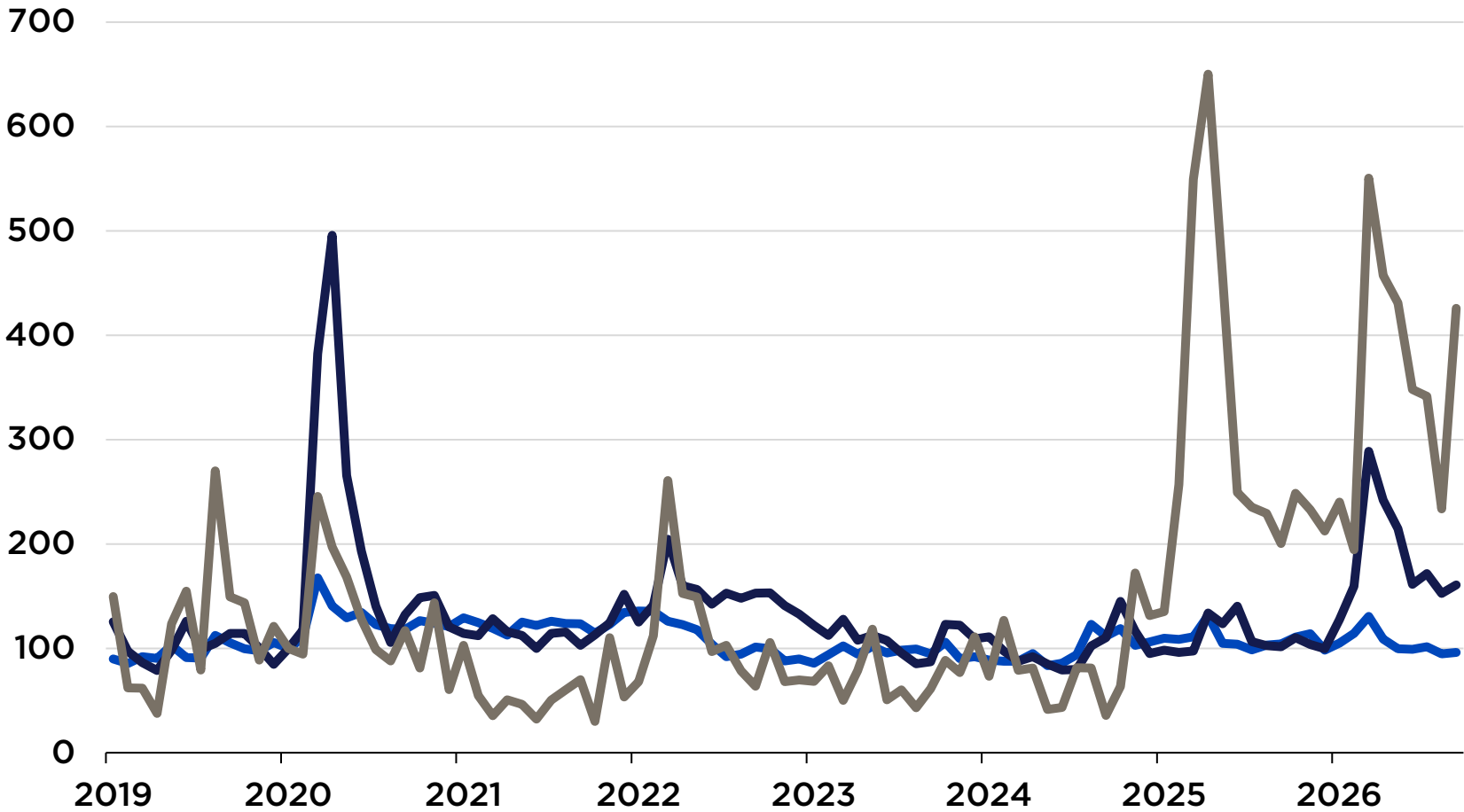
Iran risks re-emerge

Ongoing tensions regarding Iran and the lack of resolution in sight keep policy uncertainty and oil price volatility elevated. However, the equity market remains relatively quiescent about the risks surrounding the Iran conflict.

- VVIX
- Oil VIX
- Policy uncertainty index - national security

Uncertainty measures

Index; Jan 2020=100



Note: VVIX is a measure of implied equity market volatility 30-days forward. Oil VIX is the expected 30-day volatility of crude oil prices.

Source: CBOE, PolicyUncertainty.com, Haver Analytics, Nationwide Economics

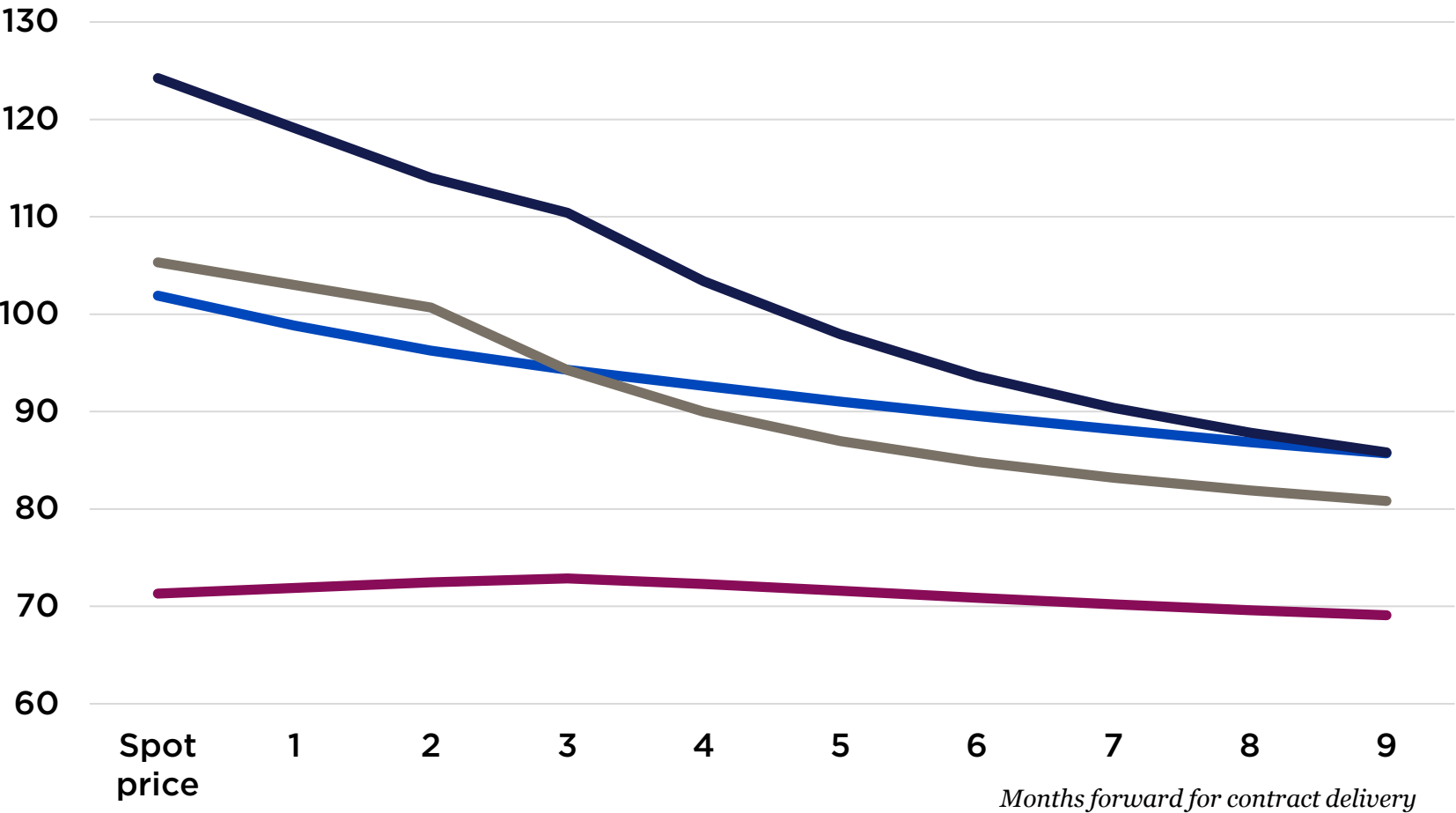
Oil markets discount risks of a protracted conflict

The price curve for brent crude — the global benchmark oil price — remains in backwardation, meaning near-term prices are higher than long-term prices, thus signaling investors are not anticipating long-lasting disruptions from ongoing Iranian tensions.

- February 27, 2026 *pre-conflict futures curve*
- April 30, 2026 *peak of spot oil prices*
- July 23, 2026 *summer peak of oil prices*
- October 7, 2026 *latest futures price curve*

Brent crude oil price futures curve

U.S.\$ per barrel



Source: ICE, Bloomberg, Nationwide Economics

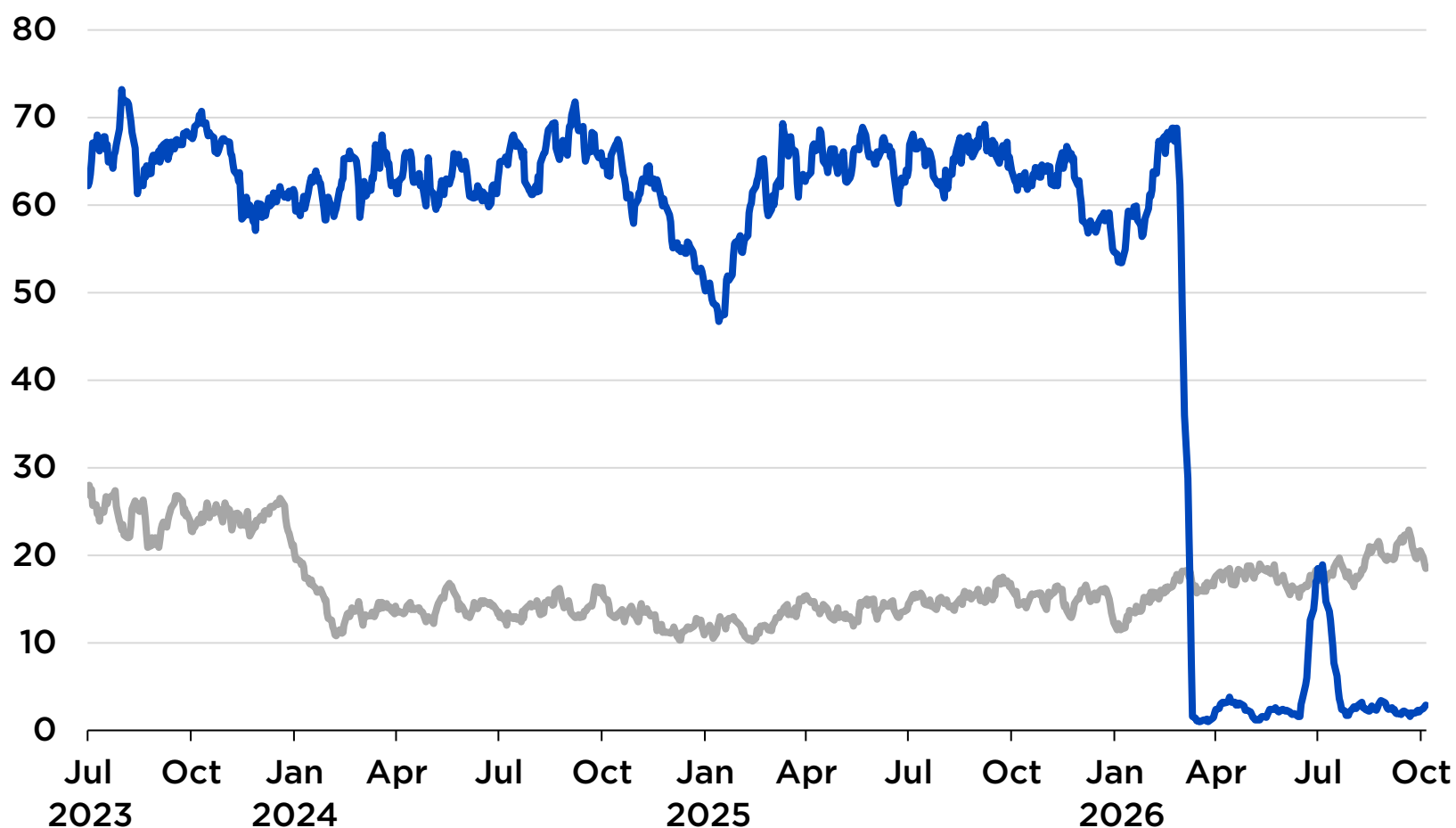
Oil supply is finding a way to get to its customers

A key reason oil prices are not elevated in the long term is supply is finding ways to bypass the Strait of Hormuz. One example of this is supply being shipped via Saudi Arabia's East-West pipeline and reaching end markets via the Suez Canal.

— Suez Canal
— Strait of Hormuz

Intraday tanker ship crossings - 10-day moving average

Number of vessels



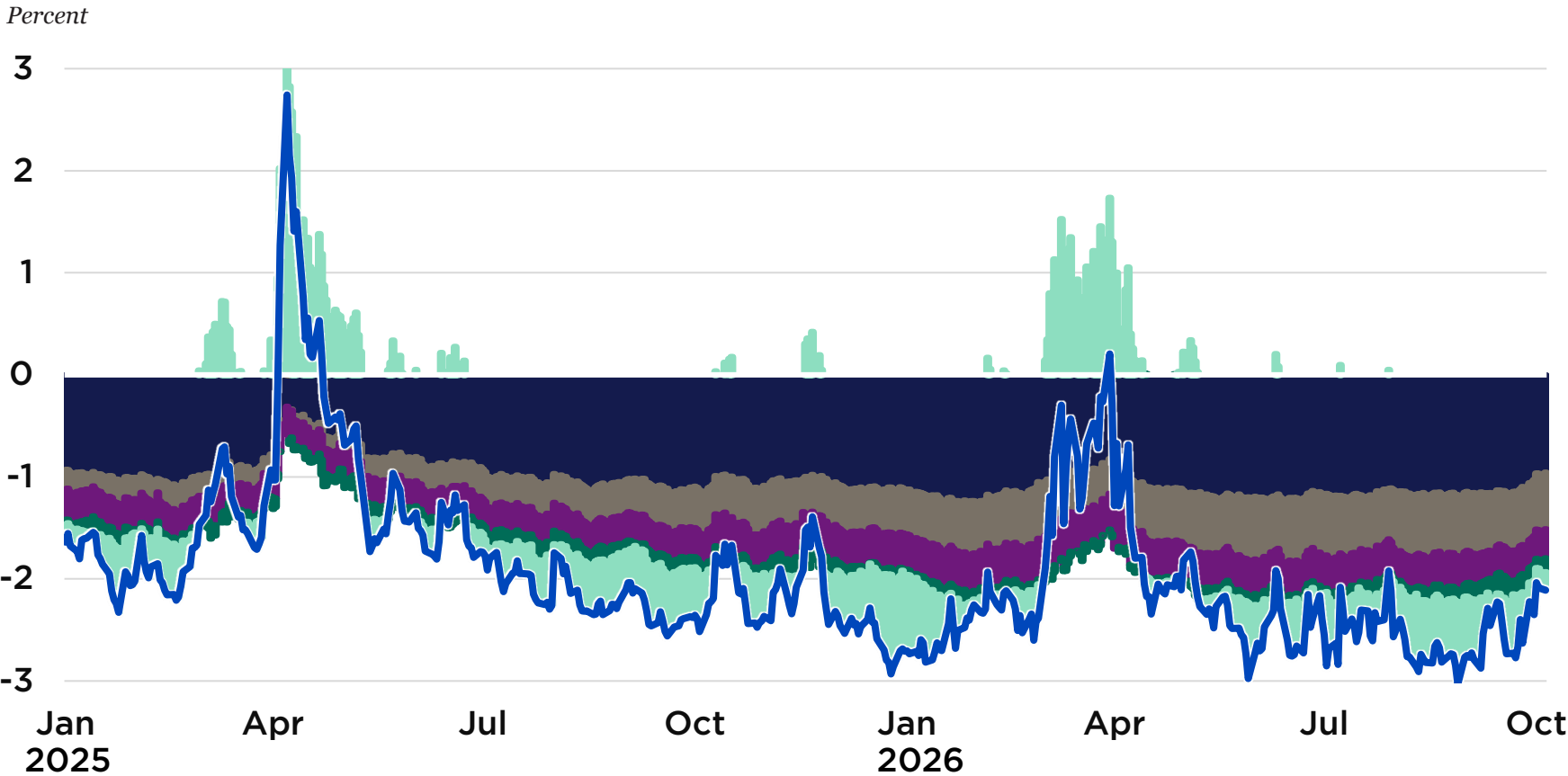
Source: Bloomberg, Nationwide Economics

Financial conditions remain accommodative

Financial conditions have unwound all the tightening that occurred in the initial stages of the Iran conflict. And despite the recent run-up in interest rates, financial conditions are loose and positive for GDP growth.

- Credit
- Equity valuation
- Safe assets
- Funding
- Volatility
- OFR Financial Stress Index

Financial conditions impact on growth



Note: Positive (negative) values measure headwinds (tailwinds) to GDP growth over the next year and three-years. A zero value means that the cumulative effect on growth of current and past changes in all financial variables sums up to zero, while a reading of 1 percent above (below) the zero line means that financial conditions are a notable headwind (tailwind) to economic activity that is equivalent to a 100-basis-point drag (boost) on GDP growth over the following year.

Source: Federal Reserve, Haver Analytics, Nationwide Economics

Which fixed income asset class has fared best so far in 2026?

High-yield corporates are the highest performing asset in fixed income markets year-to-date, followed by agencies and TIPS. Treasuries have underperformed amid spiking inflation risks.

Yearly changes by asset class

2020	2021	2022	2023	2024	2025	2026 YTD
TIPS 11.2%	TIPS 6.1%	Agencies -7.9%	HY Corporate 13.4%	HY Corporate 8.2%	HY Corporate 8.0%	HY Corporate 0.1%
Treasuries 10.6%	HY Corporate 5.3%	Municipals -8.5%	IG Corporate 8.5%	Agencies 3.2%	MBS 8.6%	Agencies -1.2%
IG Corporate 9.9%	Municipals 1.5%	MBS -11.8%	Municipals 6.4%	IG Corporate 2.1%	Treasuries 8.2%	TIPS -2.2%
Bloomberg Agg 7.5%	IG Corporate -1.0%	HY Corporate -11.9%	Bloomberg Agg 5.5%	TIPS 1.8%	IG Corporate 7.8%	Bloomberg Agg -2.9%
HY Corporate 7.1%	MBS -1.0%	TIPS -12.6%	Agencies 5.1%	Bloomberg Agg 1.3%	Bloomberg Agg 7.3%	IG Corporate -3.1%
Agencies 5.5%	Agencies -1.3%	Bloomberg Agg -13.0%	MBS 5.0%	MBS 1.2%	TIPS 6.9%	MBS -3.3%
Municipals 5.2%	Bloomberg Agg -1.5%	IG Corporate -15.8%	TIPS 3.8%	Municipals 1.1%	Agencies 6.1%	Municipals -4.2%
MBS 3.9%	Treasuries -3.6%	Treasuries -16.3%	Treasuries 3.2%	Treasuries -1.7%	Municipals 4.3%	Treasuries -5.3%

*Note: IG corporate represents investment grade corporate debt; HY corporate represents high yield corporate debt. Data through Sept 2026.
Source: Bloomberg, Nationwide Economics*

Treasury market reflects economic resilience

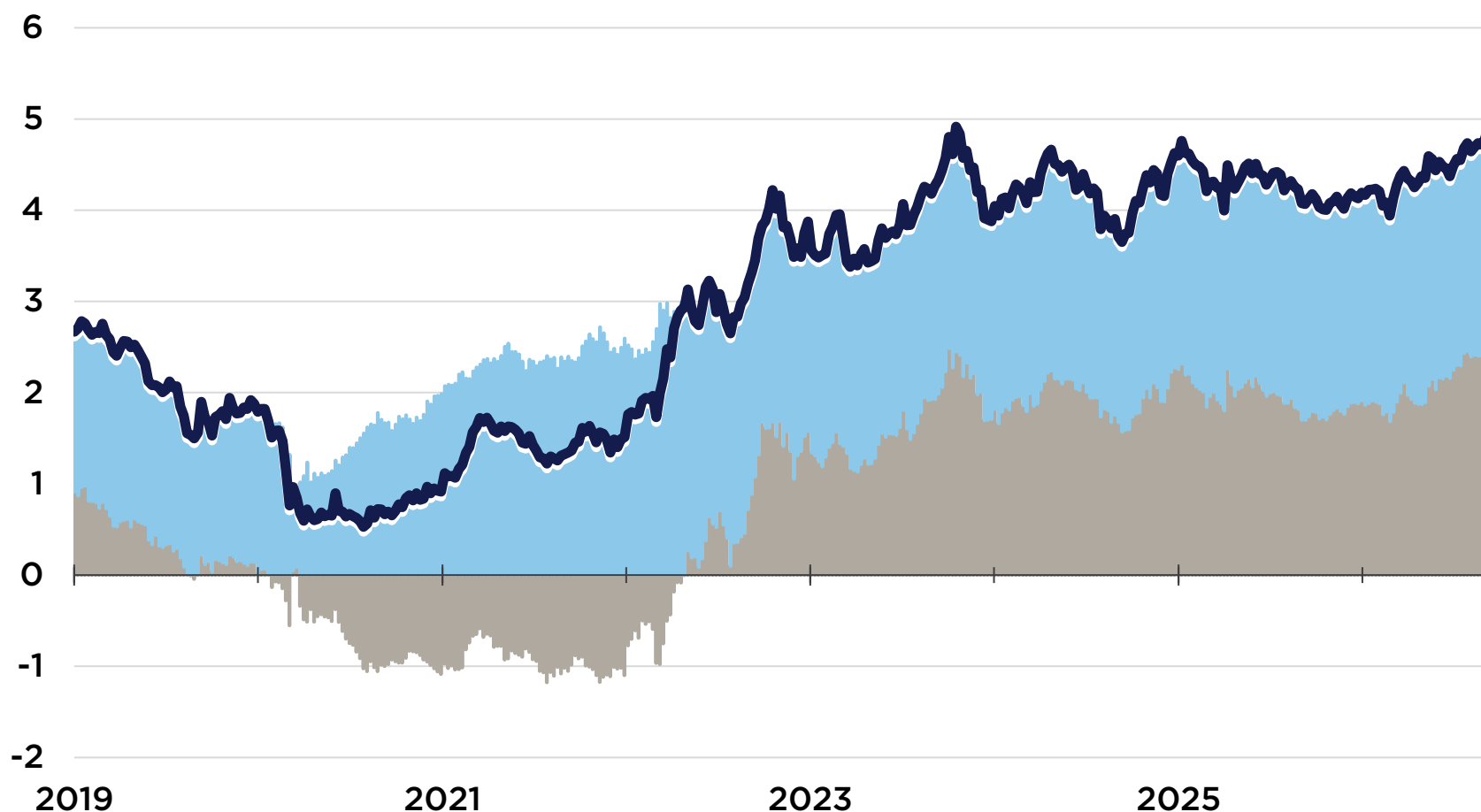
The breakdown of the inflation and real components of the benchmark 10-year nominal U.S. Treasury yield shows the rise in nominal interest rates has been driven by increased real yields, not higher inflation expectations.

We see the 10-year yield remaining elevated and edging only marginally lower in 2027.

- 10-year nominal Treasury yield
- 10-year inflation breakeven
- 10-year real TIPS yield

Breakdown of the 10-year U.S. Treasury yield

Percent



Source: Bloomberg, Nationwide Economics

Bond term premium and the yield curve normalize

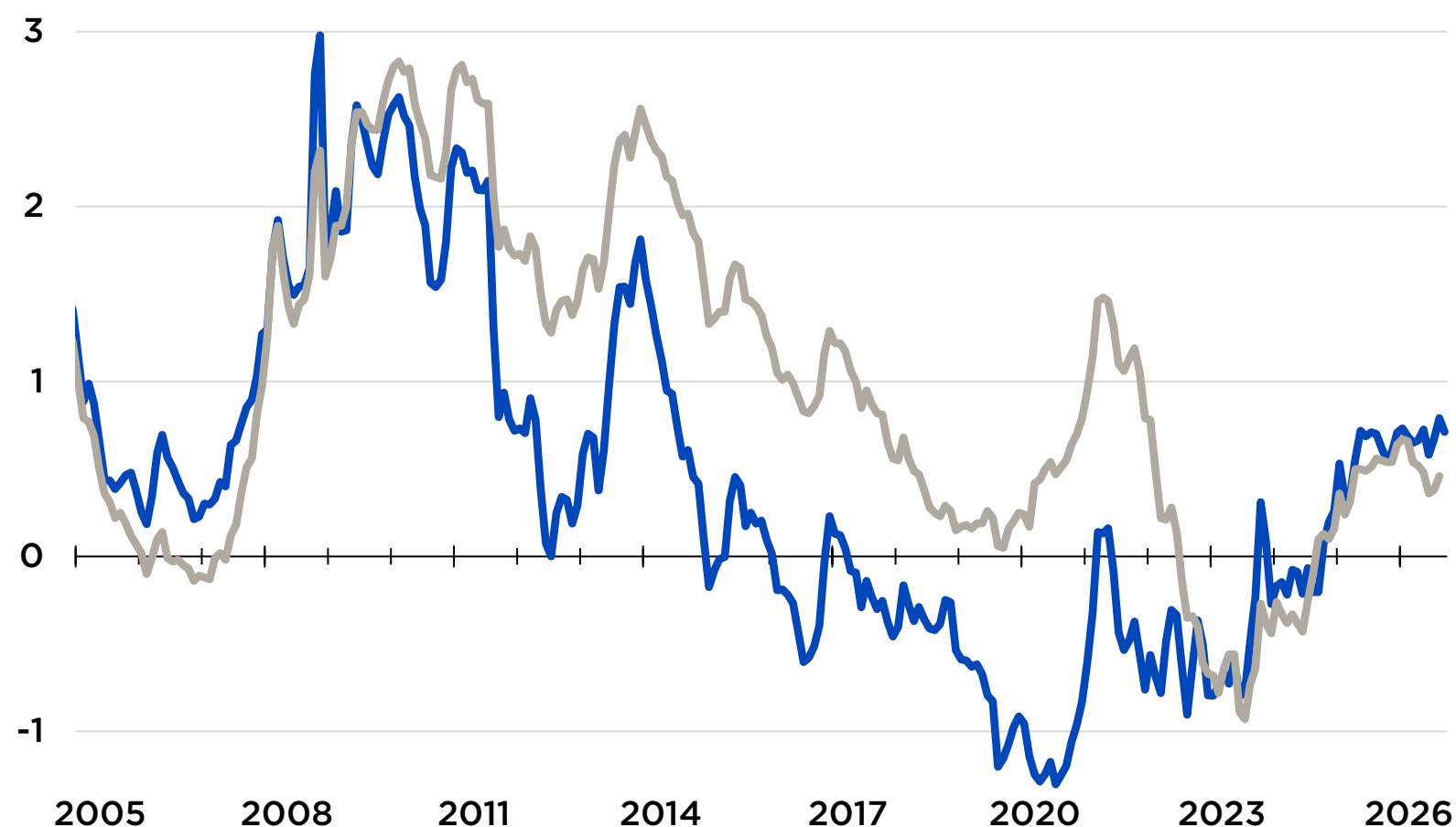
The term premium on 10-year U.S. Treasuries — the extra compensation investors demand to hold long-term debt — is at multi-year highs. After years of an abnormally negative and low bond term premium, it has returned to positive territory.

This has helped the yield curve normalize into an upwardly sloping shape following years of inversion and flatness.

— 10-year UST term premium
— 10- vs. 2-year UST spread

Term premium and the U.S. Treasury yield curve

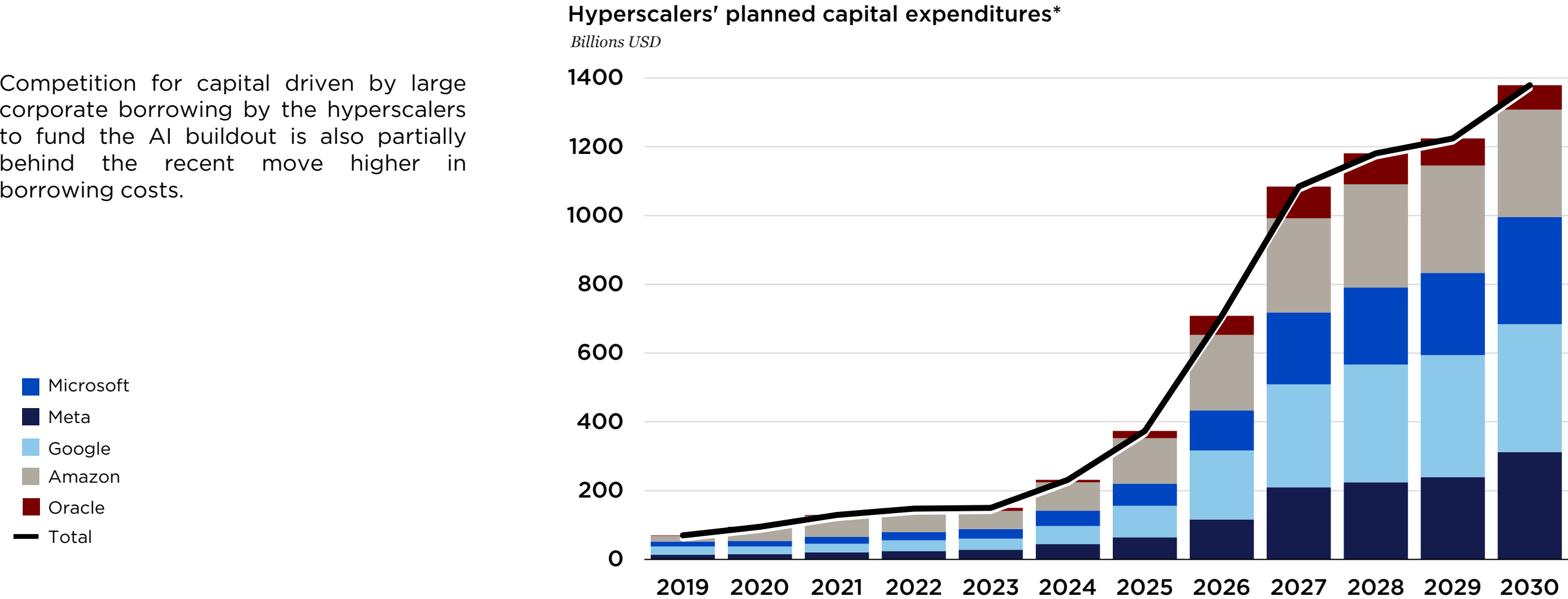
Percentage points



Source: FRB, FRBNY, Haver Analytics, Nationwide Economics

Hyperscalers' capex plans are partly responsible for higher interest rates

Competition for capital driven by large corporate borrowing by the hyperscalers to fund the AI buildout is also partially behind the recent move higher in borrowing costs.



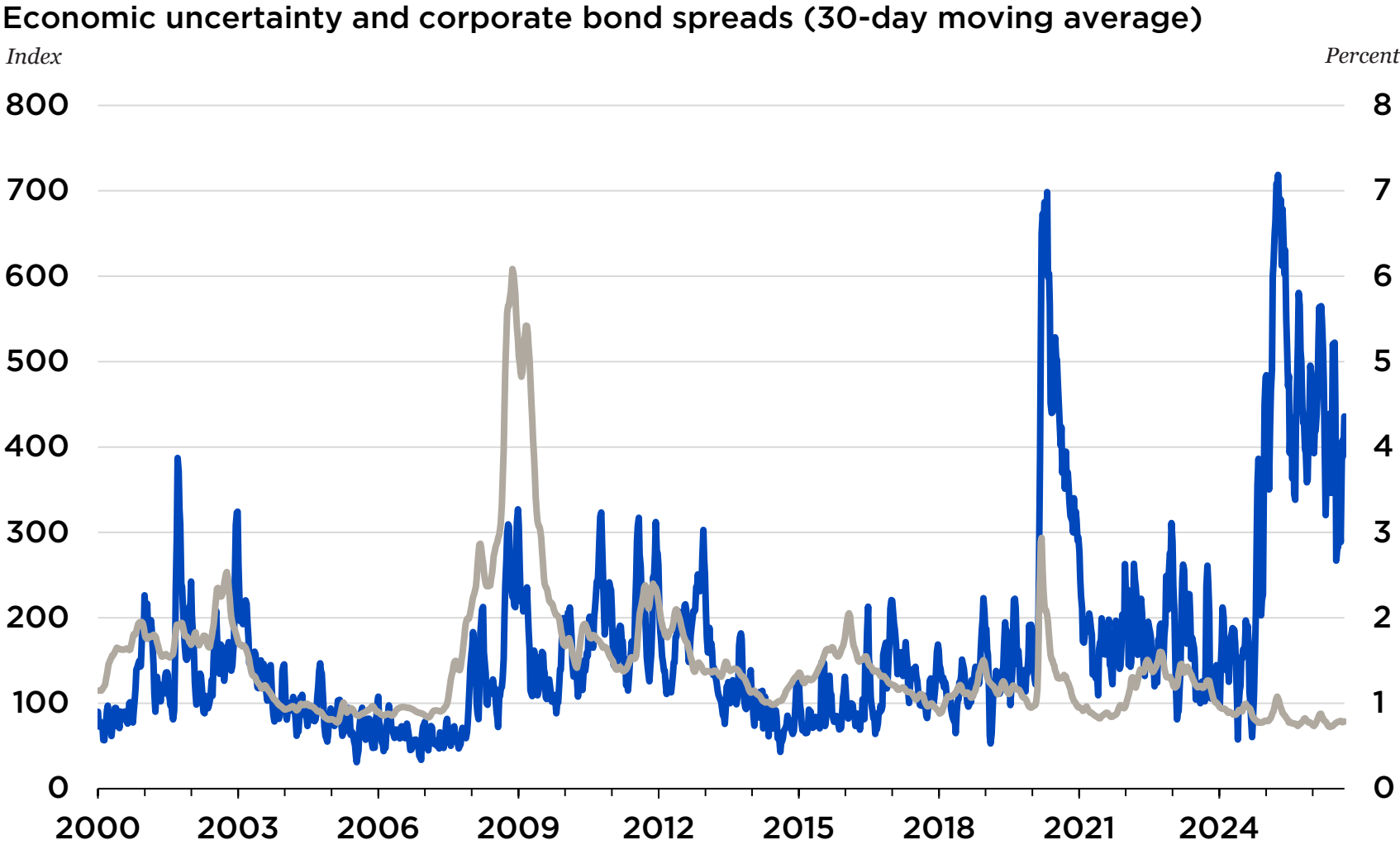
Note: Planned expenditures as per equity analysts' consensus estimates
Source: Company filings, Bloomberg, FactSet, Nationwide Economics

Corporate bond spreads remain extremely tight

While some stress is emerging in the high-yield corporate debt space, supportive fundamentals, including solid economic trends, healthy balance sheets, and buoyant earnings and forward guidance, are keeping corporate bond spreads tight. Spreads have not responded to the spike in uncertainty as they normally do, a sign of investor optimism.

— U.S. economic policy uncertainty index
left axis

— Bloomberg U.S. Aggregate Corporate Bond OAS
right axis



Source: Bloomberg, Nationwide Economics

Corporate bond spreads move in tandem with relative issuance

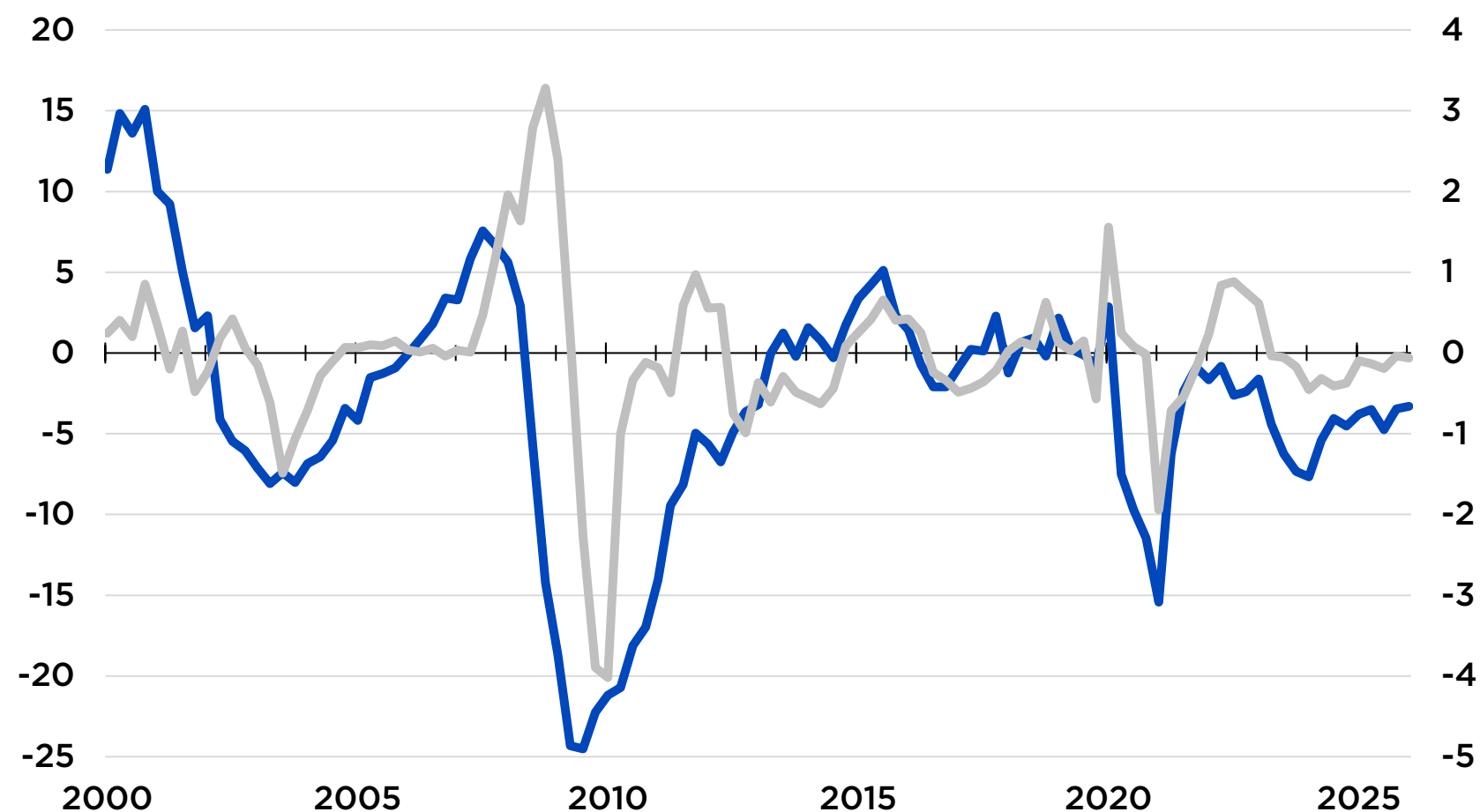
Corporate bond issuance has been relatively smaller compared to the large U.S. government debt issuance. Lower relative supply supports the value of corporate debt and other fixed income securities, keeping credit spreads tight.

— Corporate vs. federal debt outstanding *left axis*
— Corporate bond spreads *right axis*

Corporate and federal debt issuance relative to corporate bond spreads

Percent change year-over-year

Percentage points, year-over-year change



Source: Bloomberg, Nationwide Investments, Nationwide Economics

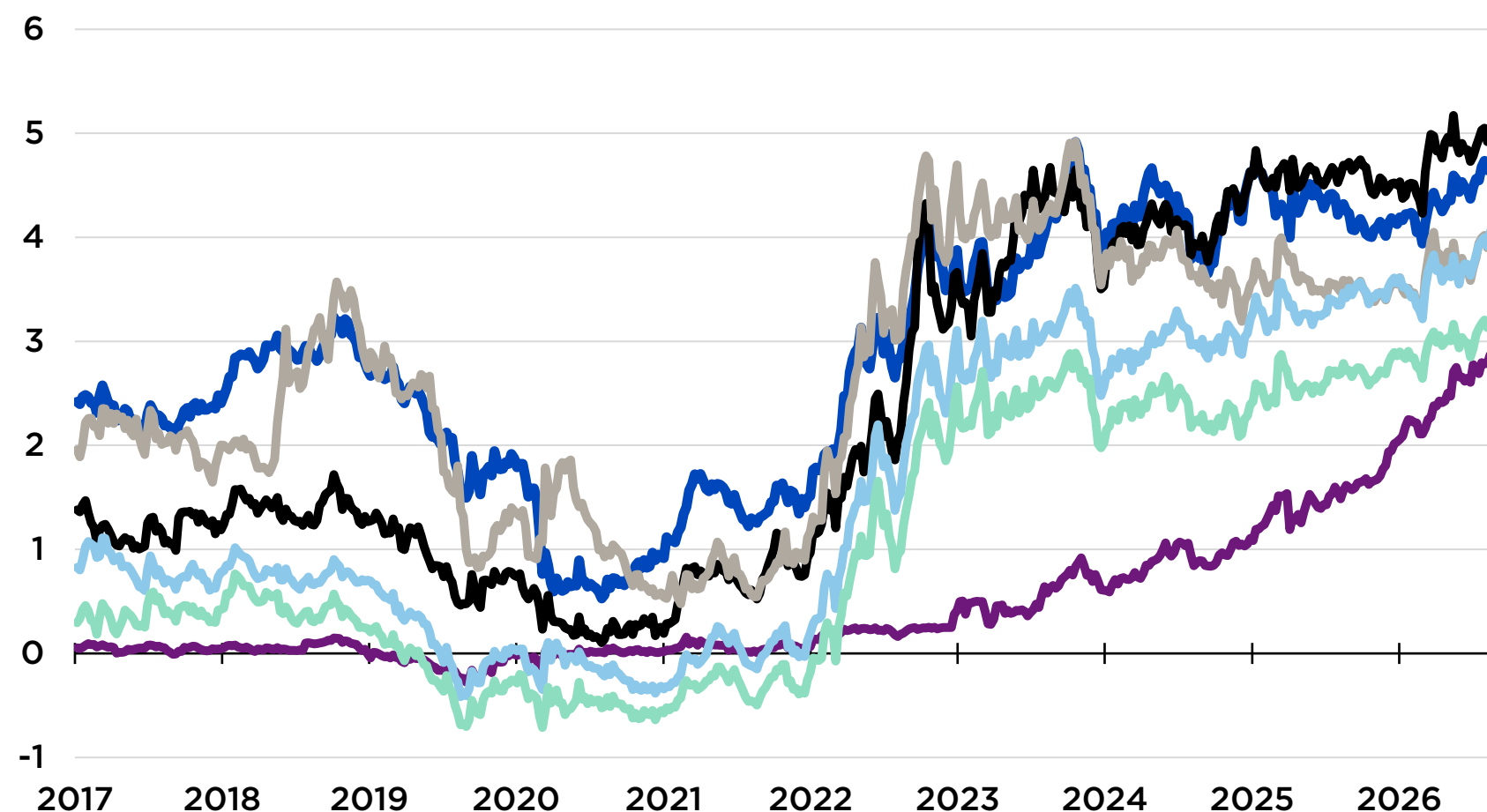
The era of ultra-low government bond yields looks to be over

Interest rates on government debt across multiple economies rose last year and are moving higher in 2026, marking a significant departure from the post-Global Financial Crisis norm.

U.S.
Italy
U.K.
France
Germany
Japan

10-year sovereign bond yields

Percent



Source: Bloomberg, Nationwide Economics

Interest rates are poised to stay high

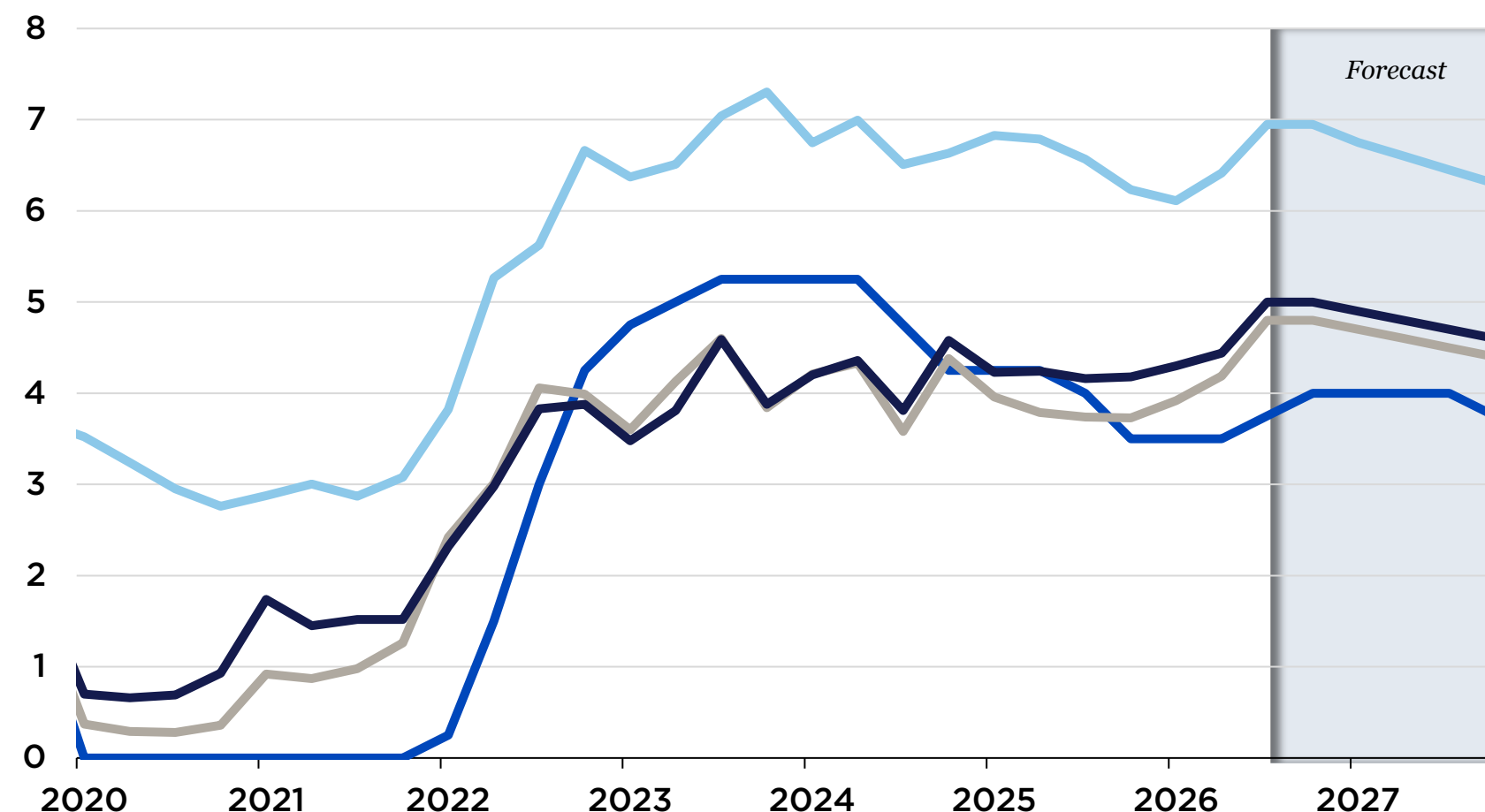
We expect long-term U.S. interest rates to remain elevated into 2027 as economic growth holds firm. The spread between short- and long-end Treasury yields has narrowed lately but we expect it to remain positive through year end.

Mortgage rates will likely gradually trend lower as the spread between mortgage rates and Treasuries narrows but could remain a significant impediment to improved housing affordability.

- Fed funds rate
- U.S. Treasury 5-year yield
- U.S. Treasury 10-year yield
- 30-year mortgage rate

Nationwide Economics' interest rate forecasts

Percent



Note: September 2026 forecast vintage

Source: Federal Reserve, Haver Analytics, Nationwide Economics

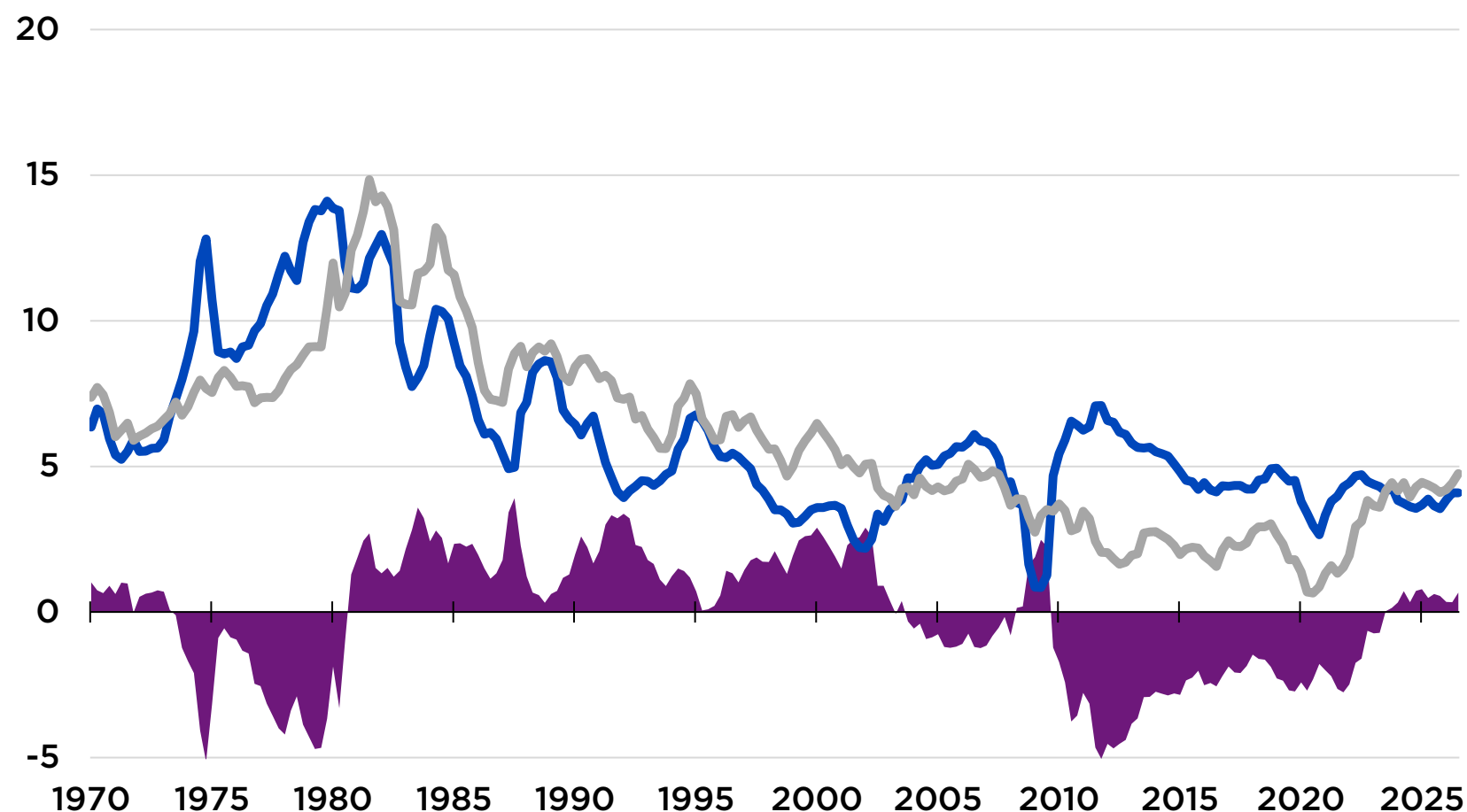
A normalized Treasury and equity yield relationship

The difference in the earnings yield between the stock and fixed income markets appears to have reverted to its pre-Global Financial Crisis norm. The rapid rise in interest rates has largely leveled the playing field for yield across financial markets.

— S&P 500 earnings yield
— 10-year Treasury yield
■ 10-year Treasury yield minus the S&P 500 earnings yield
percentage points

S&P 500® Index earnings yield vs. the 10-year U.S. Treasury yield

Percent



Note: Q2 2026 S&P 500 earnings yield is a Nationwide Economics preliminary estimate

Source: S&P, Bloomberg, Federal Reserve, Haver Analytics, Nationwide Economics

The stock market often shrugs off various risks and focuses on earnings

Whether it's the energy shock of 2026, tariff shock of 2025, or other episodes, recent history shows equities tend to discount risks and take an optimistic view as long as earnings expectations remain upbeat.

— S&P 500 Index
— 200-day moving average

S&P 500® stock index

Index; 1941-43=10



The results shown represent past performance; past performance does not guarantee future results.

Source: S&P, Haver Analytics, Nationwide Economics

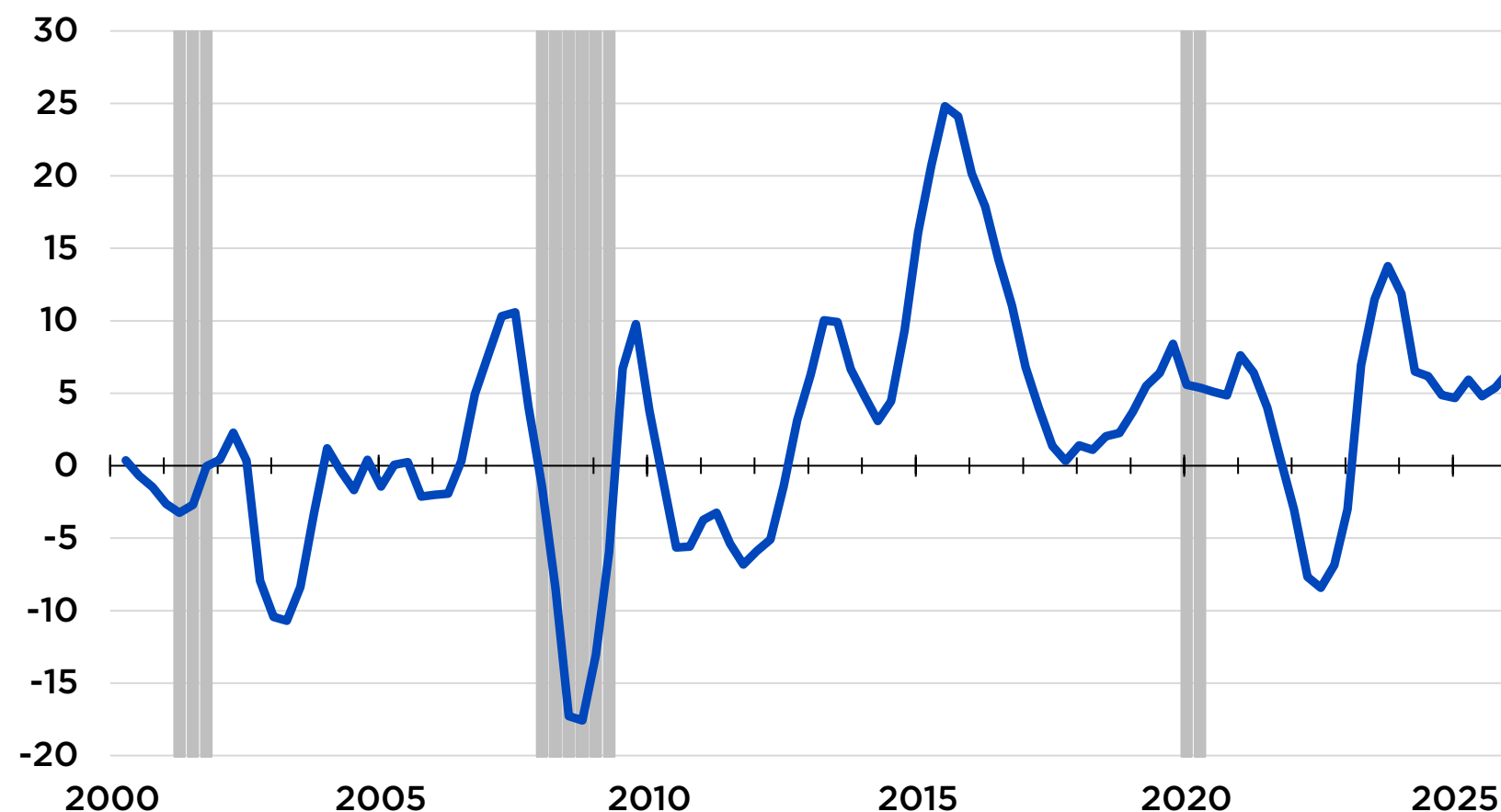
Buoyant revenue growth signals solid economic growth

Corporate earnings are growing at a healthy rate, backed by upbeat revenue growth. Excluding energy and adjusted for inflation, S&P 500® revenues grew a commendable four percent year-over-year rate in Q2 2026.

Expectations for earnings for the rest of 2026 and 2027 are very buoyant.

Nominal S&P 500 revenues excluding energy, \$/share

Percent, year-over-year



The results shown represent past performance; past performance does not guarantee future results.

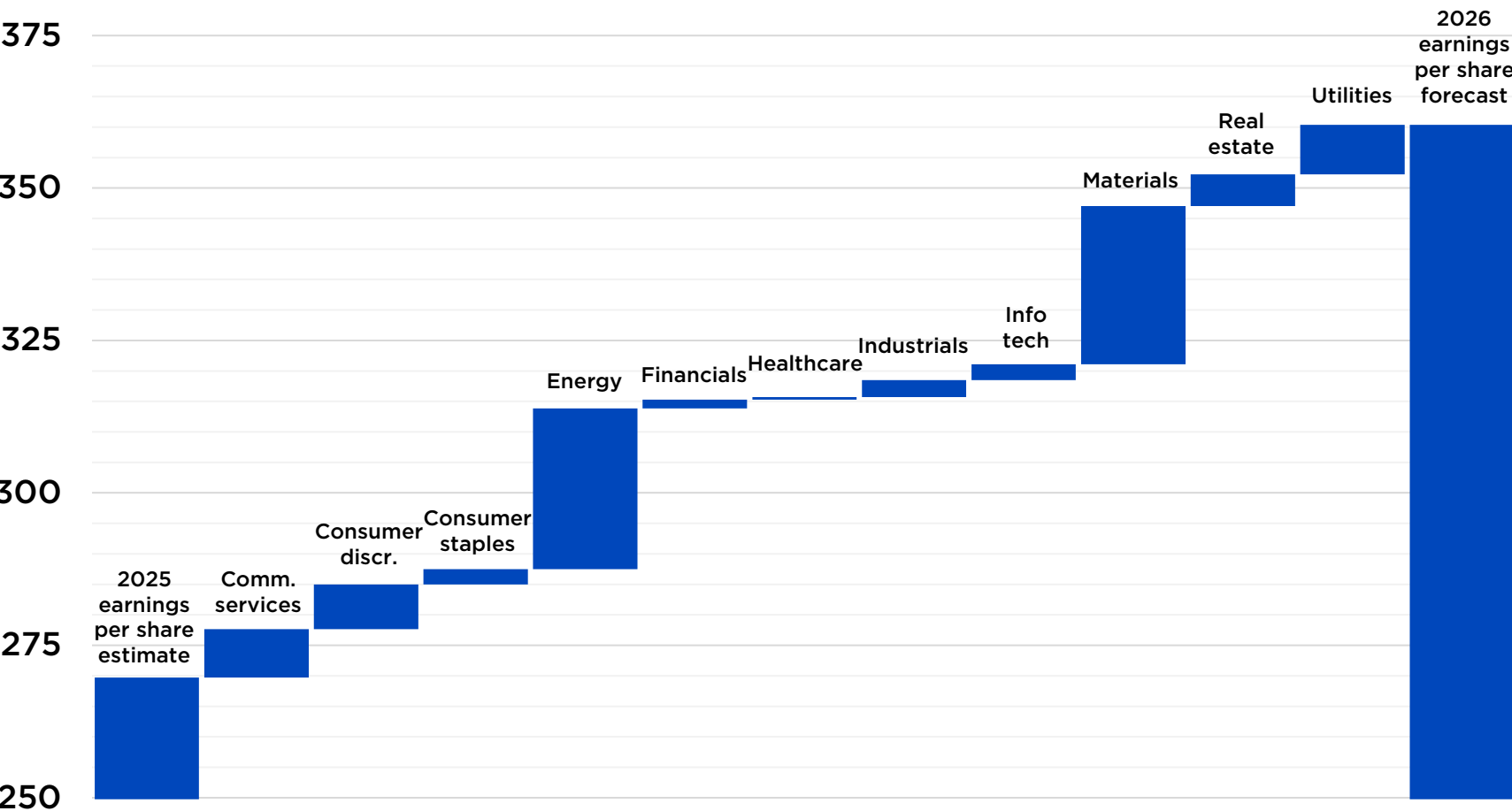
Source: S&P, Haver Analytics, Nationwide Economics

Earnings expectations remain very upbeat

Forward earnings expectations are constructive across sectors for 2026 despite various risks, namely rising interest rates, higher input costs, the Iran conflict, private credit, and AI-related disruption and buildout.

Earnings per share growth breakdown - calendar year 2026 forecast

Earnings per share estimates as of September 30, 2026



Source: FactSet, Nationwide Economics

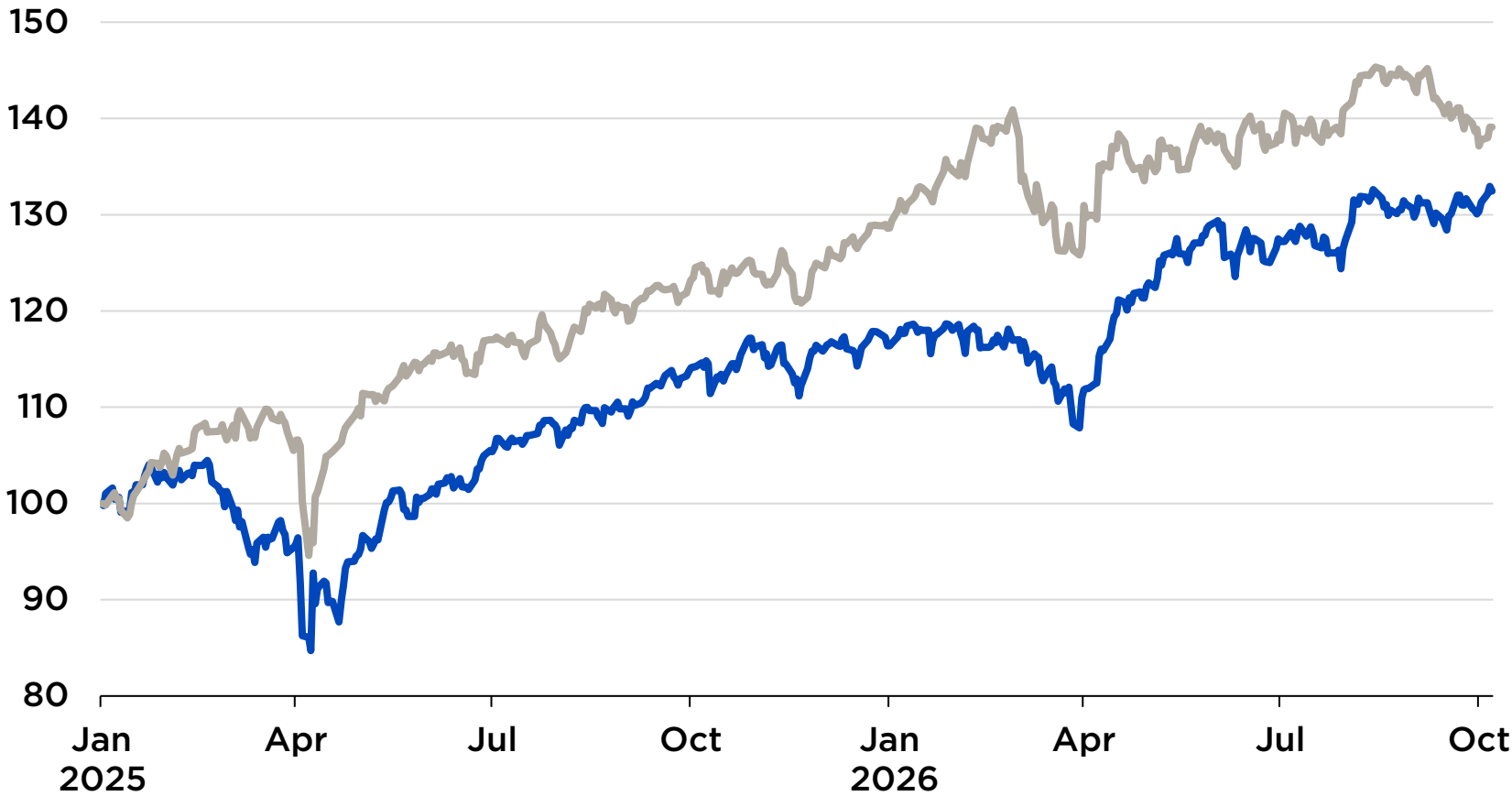
Global stock rally is an underappreciated story

It's been a good year for U.S. stock investors, with the benchmark S&P 500® Index up a healthy 12 percent year-to-date, building on last year's gain. The stock market rally has also been impressive outside the U.S.

— S&P 500
— MSCI World ex USA® Index

Equity market performance: U.S. versus the rest of the world

Index; 1/1/2025 =100



The results shown represent past performance; past performance does not guarantee future results.

Source: Morgan Stanley Capital International, Standard & Poor's, Bloomberg, Nationwide Economics

Investors seek safety in the U.S. dollar amid global turmoil

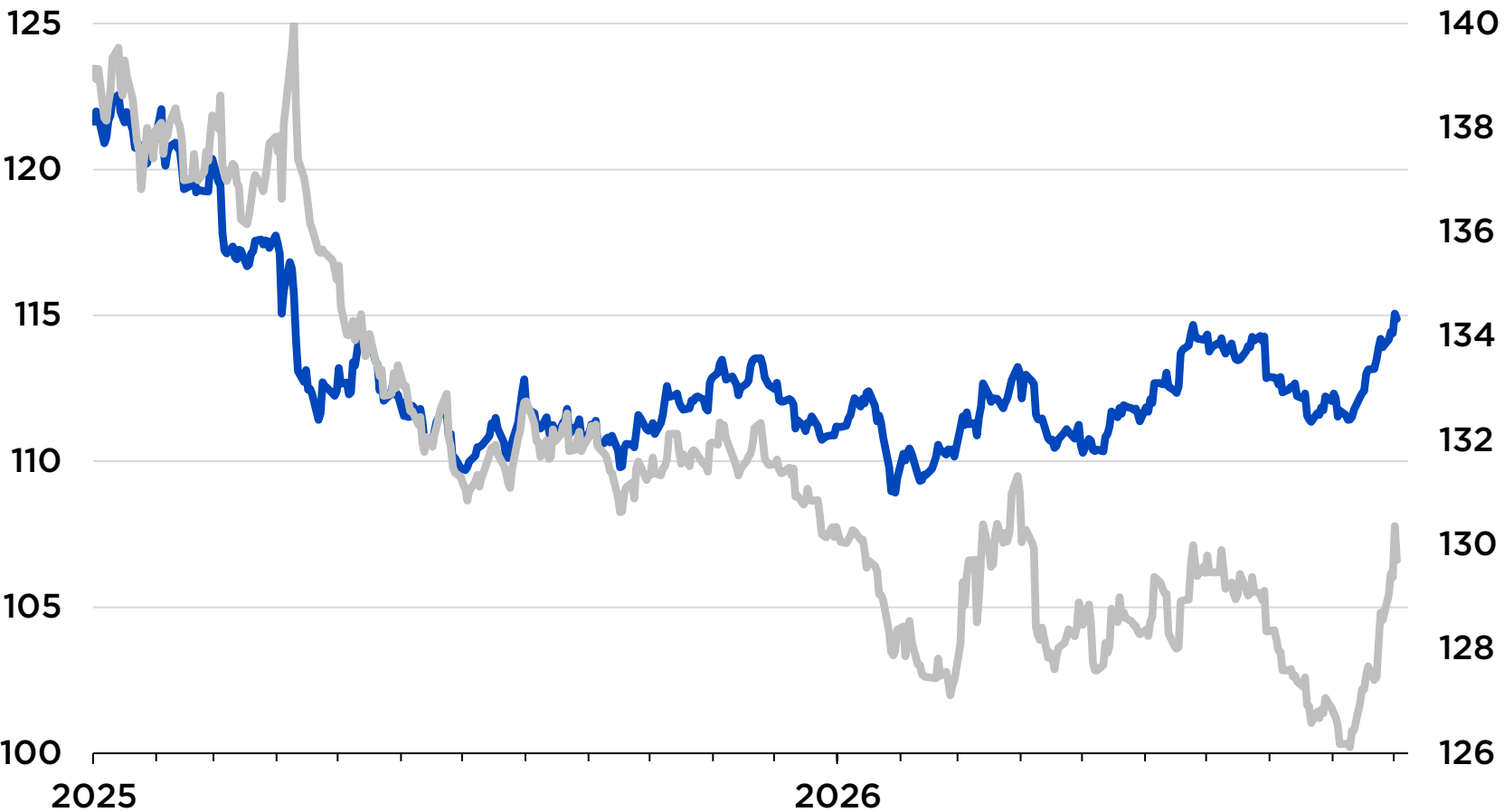
The U.S. dollar has stayed well supported through the geopolitical turmoil and market movements this year. Depreciation relative to emerging market currencies — on the heels of encouraging economic growth — has offset the greenback’s modest appreciation relative to developed market currencies.

— Versus developed markets *left axis*
— Versus emerging markets *right axis*

Broad nominal effective USD index

Index; January 2006 = 100

Index; January 2006=100



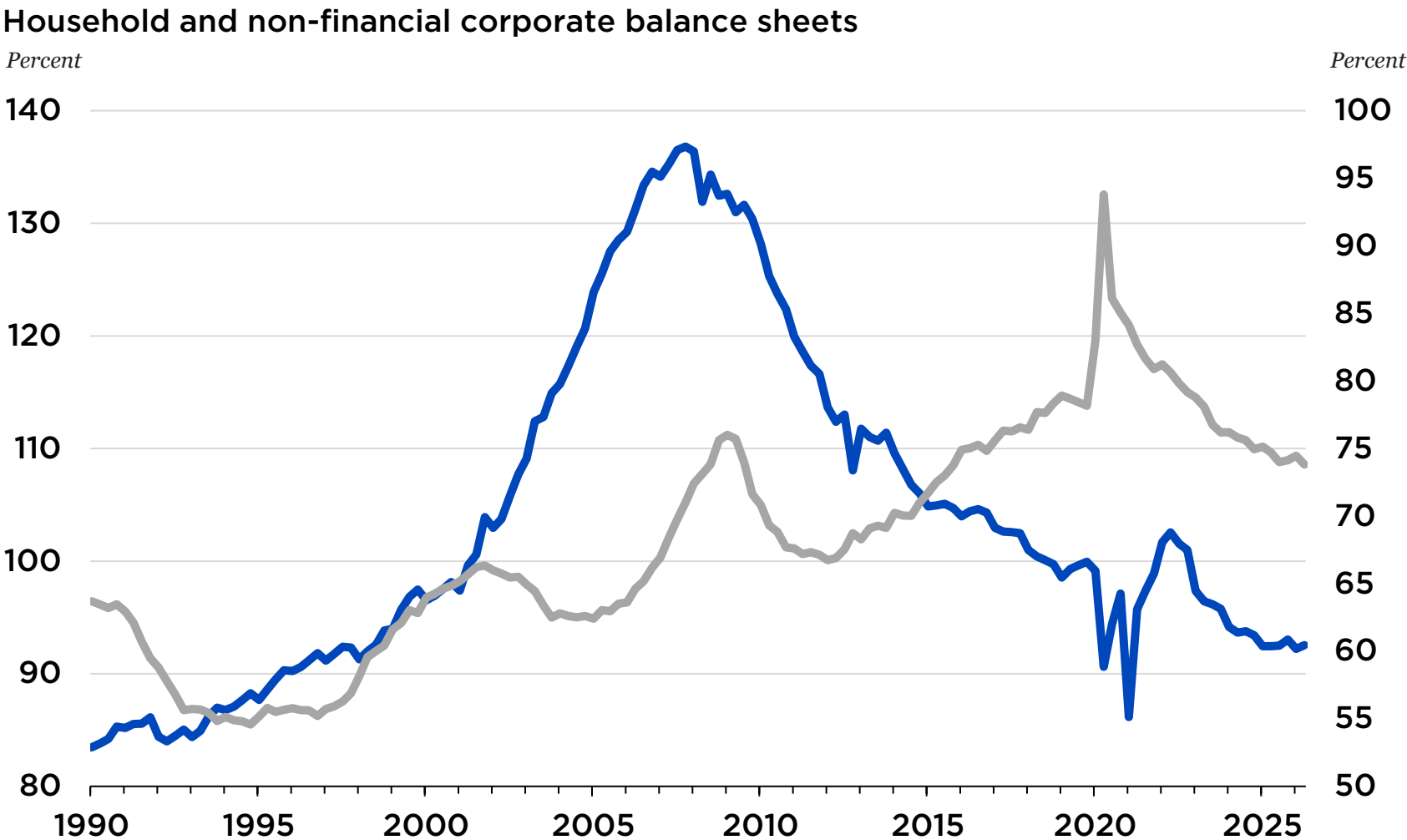
Source: FRB, Haver Analytics, Nationwide Economics

Consumer and corporate balance sheets aren't flagging major risks

U.S. household and corporate sector balance sheets are in good health. Household debt burdens are manageable relative to incomes and well below their late-2000s peaks. Corporate sector debt cast a similar, favorable, light. This means U.S. households and corporations have buffers to smooth their spending through any forthcoming risks.

— Household liabilities relative to disposable income
left axis

— Non-financial corporate debt as a share of GDP
right axis



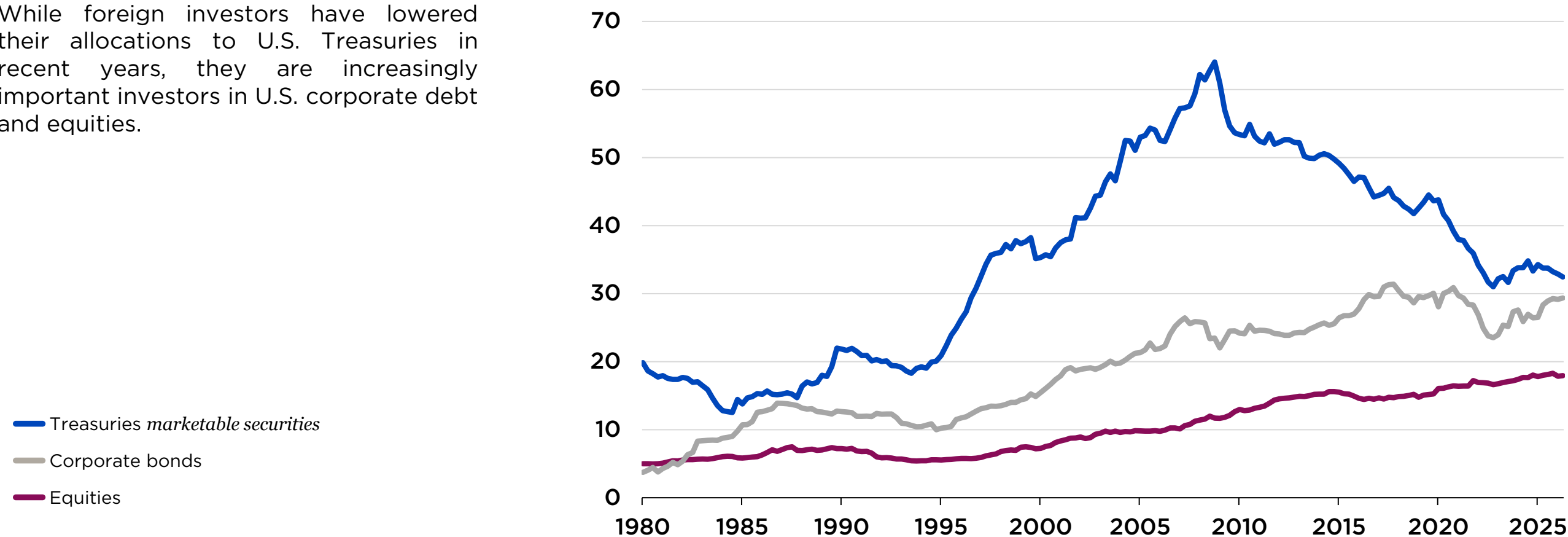
Source: Federal Reserve, Haver Analytics, Nationwide Economics

Foreigners are increasingly key owners of U.S. equities and corporate debt

While foreign investors have lowered their allocations to U.S. Treasuries in recent years, they are increasingly important investors in U.S. corporate debt and equities.

Foreign ownership of U.S. financial assets

Percent of total



Source: Federal Reserve, Haver Analytics, Nationwide Economics

U.S. & Global Economy

Highlights

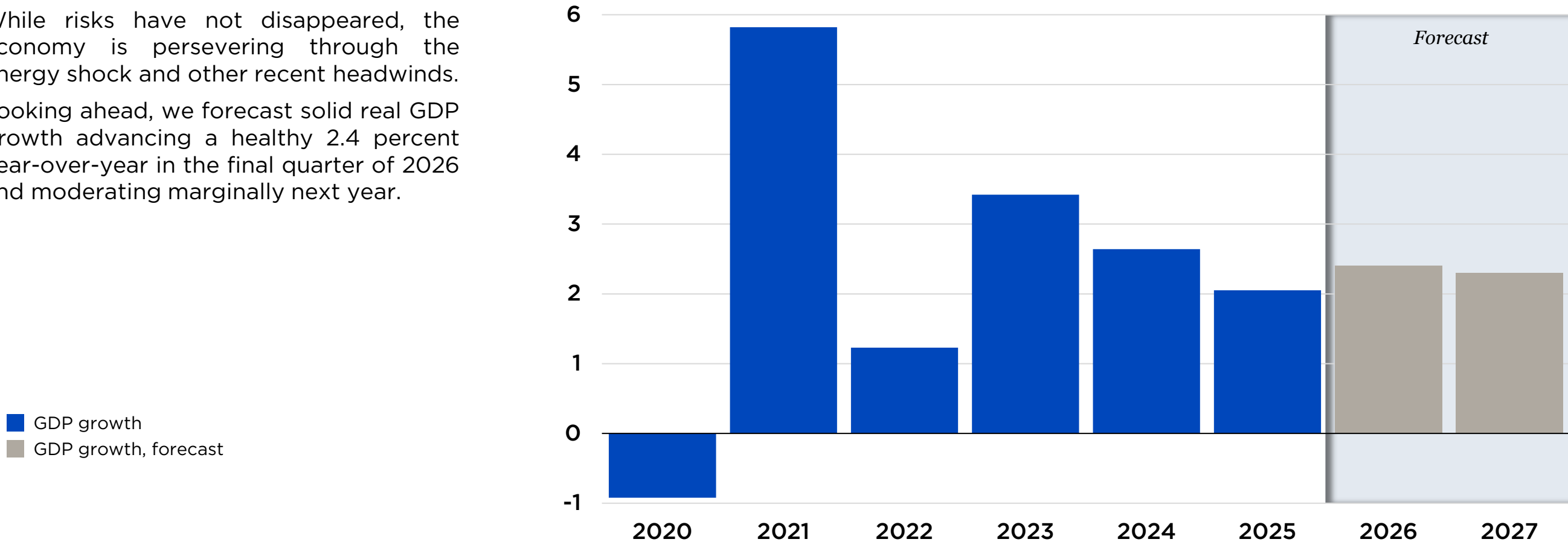
- 31 Solid GDP growth likely this year and next
- 35 What is driving high inflation?
- 40 Rising real incomes should likely support consumer spending
- 45 Institute for Supply Management (ISM) readings point to a cyclical upturn
- 51 Home sales remain subdued amid elevated mortgage rates
- 54 Global economy is expected to persevere

Solid GDP growth likely this year and next

While risks have not disappeared, the economy is persevering through the energy shock and other recent headwinds. Looking ahead, we forecast solid real GDP growth advancing a healthy 2.4 percent year-over-year in the final quarter of 2026 and moderating marginally next year.

GDP growth – historical and forecast

Percent, Q4/Q4 change



Source: Bureau of Economic Analysis, Haver Analytics, Nationwide Economics

Where are we in the business cycle?

The economy remains in a late-cycle phase, but no signs of a recession are on the horizon.

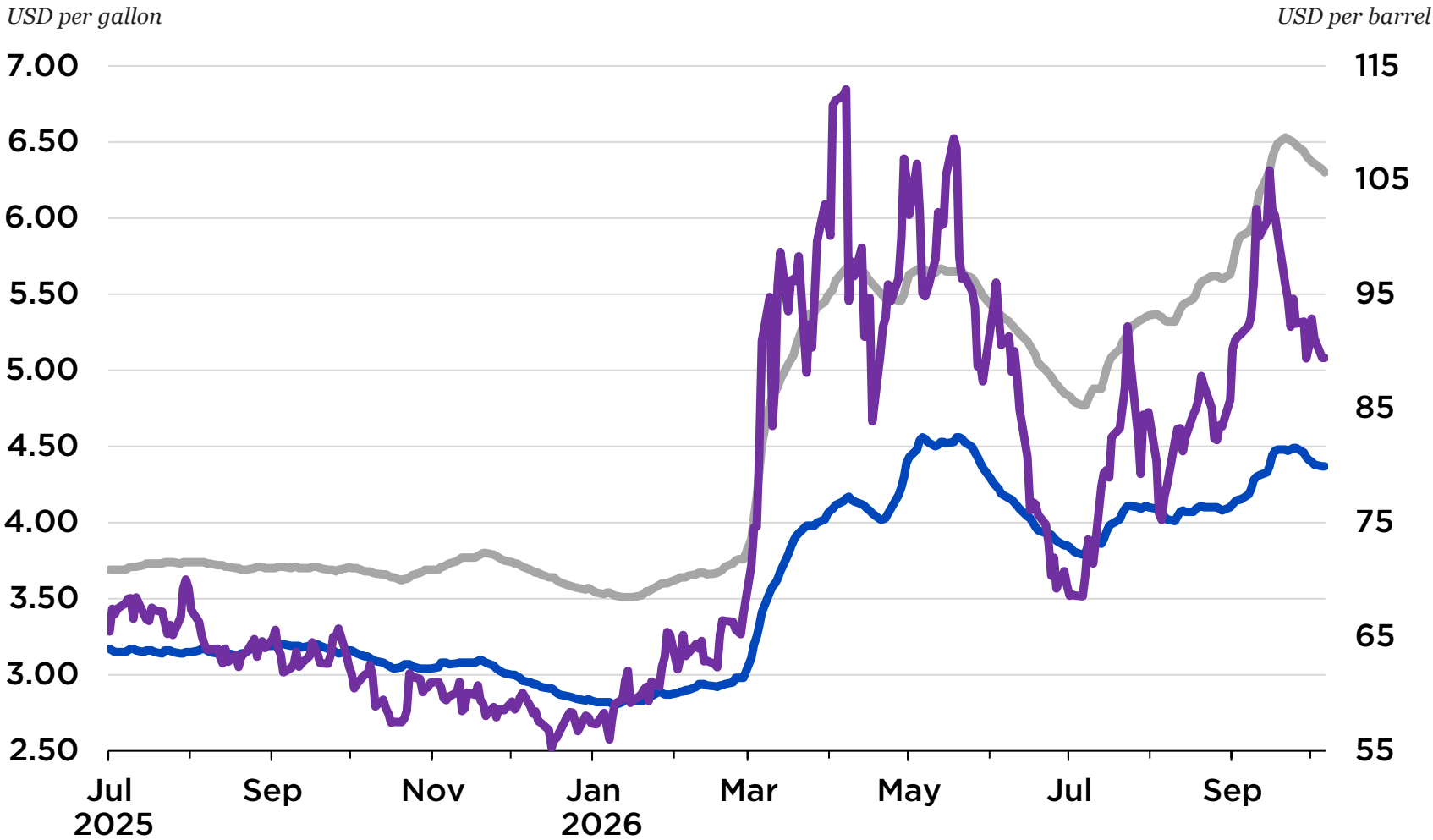


Energy price shock escalates

The price of crude oil has come off its most recent high while the cost of refined energy products such as gasoline and diesel are near historic highs, raising the risk that higher-for-longer inflation spills over into the cost of non-energy goods and services.

- Retail regular gasoline price *left axis*
- Retail regular diesel price *left axis*
- WTI crude oil price *right axis*

Refined energy products and crude oil prices



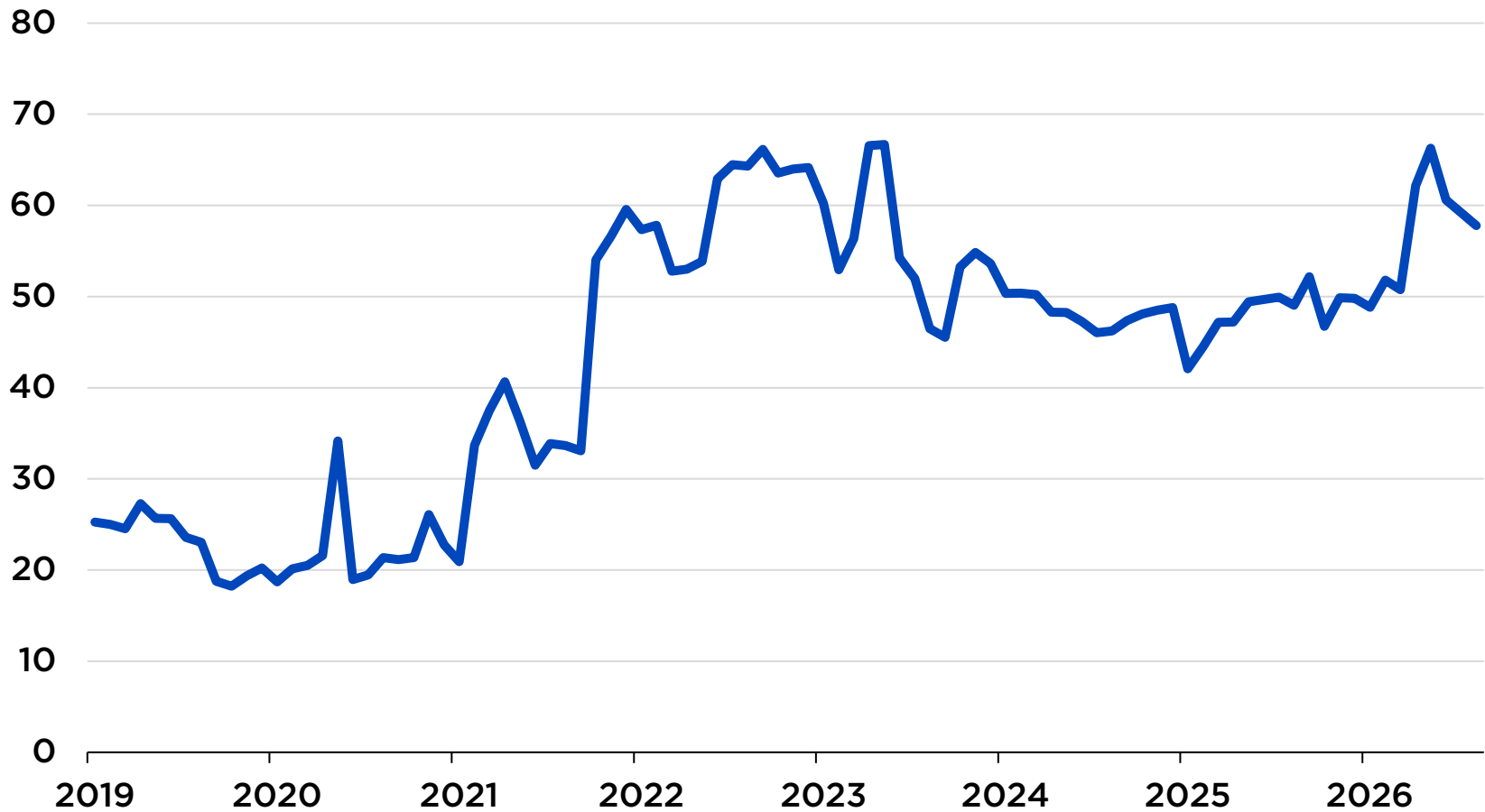
Source: EIA, Haver Analytics, Nationwide Economics

Inflation remains elevated

The recent diffusion of price increases across a broader range of goods is also contributing to the elevated pace of inflation. Over half of the core inflation basket is running well above the Fed’s 2 percent year-over-year goal.

Share of core PCE inflation rising above 3 percent y/y

Percent of total



Source: BEA, Haver Analytics, Nationwide Economics

What is driving high inflation?

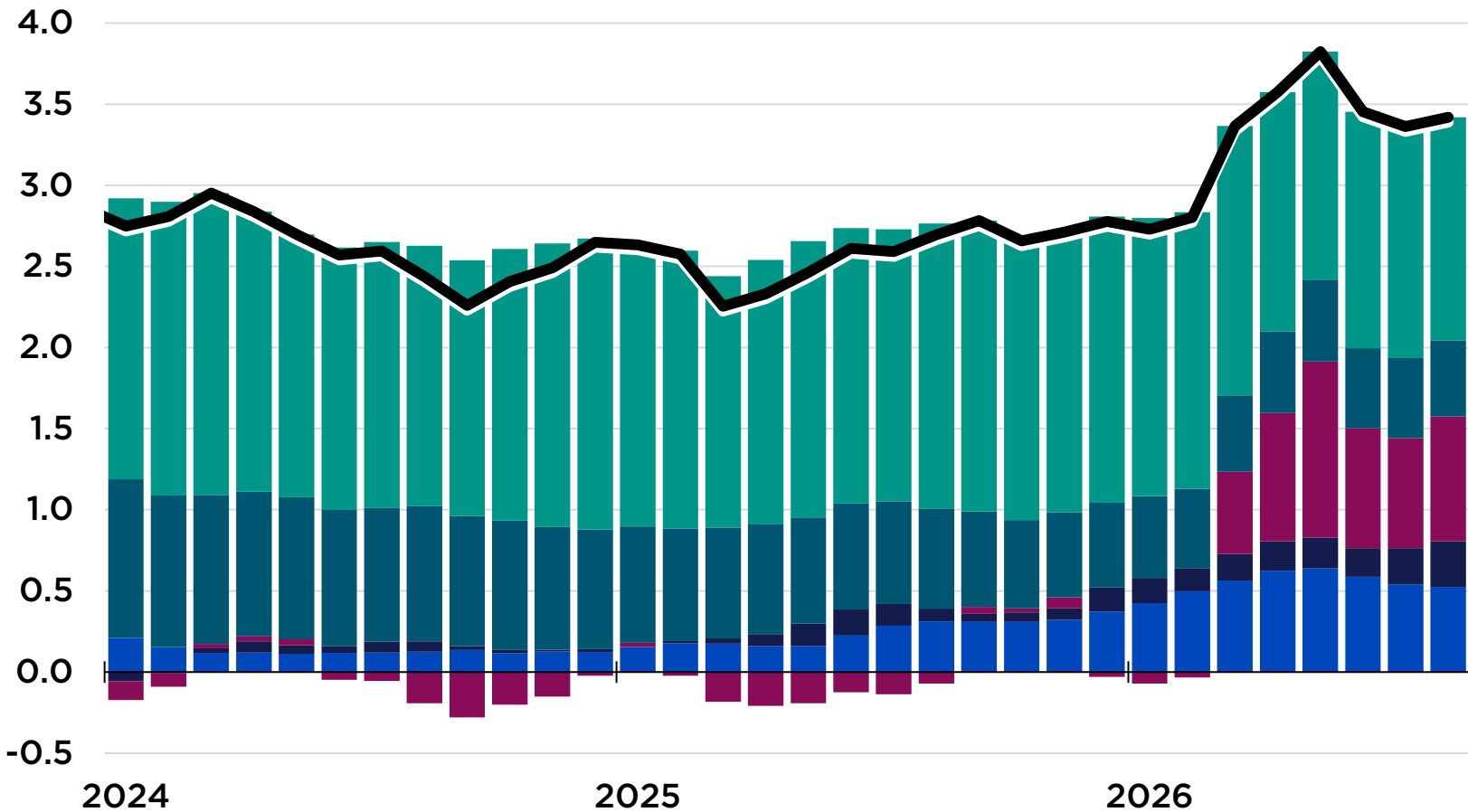
Higher energy prices tied to the Iran conflict continue to exert significant upward pressure on inflation. Tariff- and AI-related costs account for a notable share of current inflation, particularly within core inflation.

Inflation is more quiescent, but still above the Fed’s goal, after removing today’s topical themes.

- Tariffs
- AI
- Energy prices/Iran conflict
- Housing
- Other
- Headline

Contribution to headline PCE inflation

Ppt contribution to y/y change

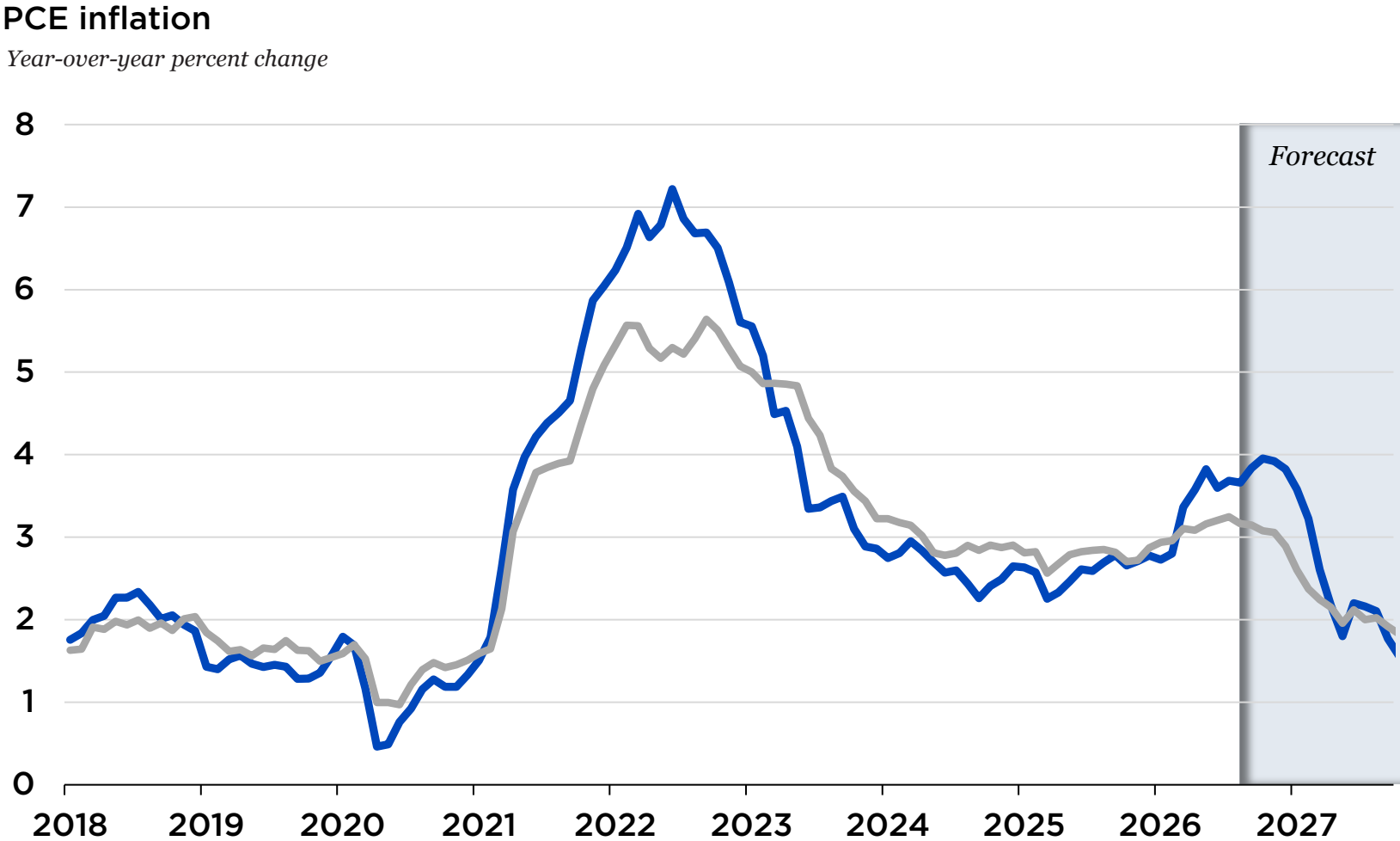


Source: BEA, Haver Analytics, Nationwide Economics

Inflation likely to remain elevated into 2027

Our bottom-up PCE inflation forecast suggests headline price increases will likely stay elevated over the coming months and that it may take time to reach the Fed’s inflation goal.

— Headline PCE inflation
— Core PCE inflation



Source: BEA, Haver Analytics, Nationwide Economics

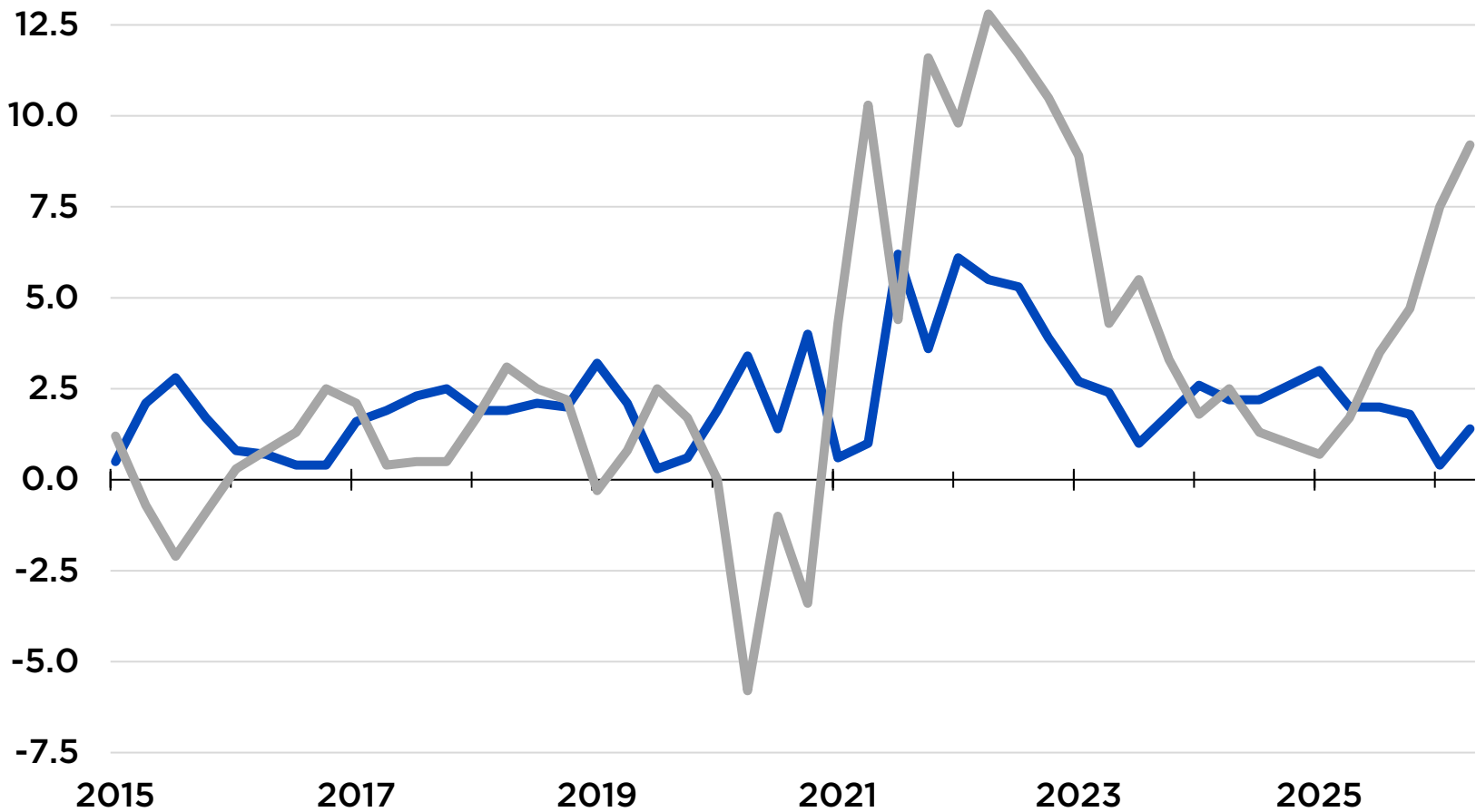
Labor costs aren't part of the inflation problem

The slow growth rate for unit labor cost indicate the labor market has moved from being part of the inflation problem in recent years to no longer being so.

Meanwhile, U.S. productivity growth is surpassing its pre-pandemic run rate and other advanced economies. If efficiency gains from AI are captured as expected, strong U.S. productivity growth will likely enhance the economy's long-term potential and support its expansion.

Unit labor costs
Unit non-labor payments

Labor vs non-labor cost growth
Year-over-year percent change



Source: BLS, Haver Analytics, Nationwide Economics

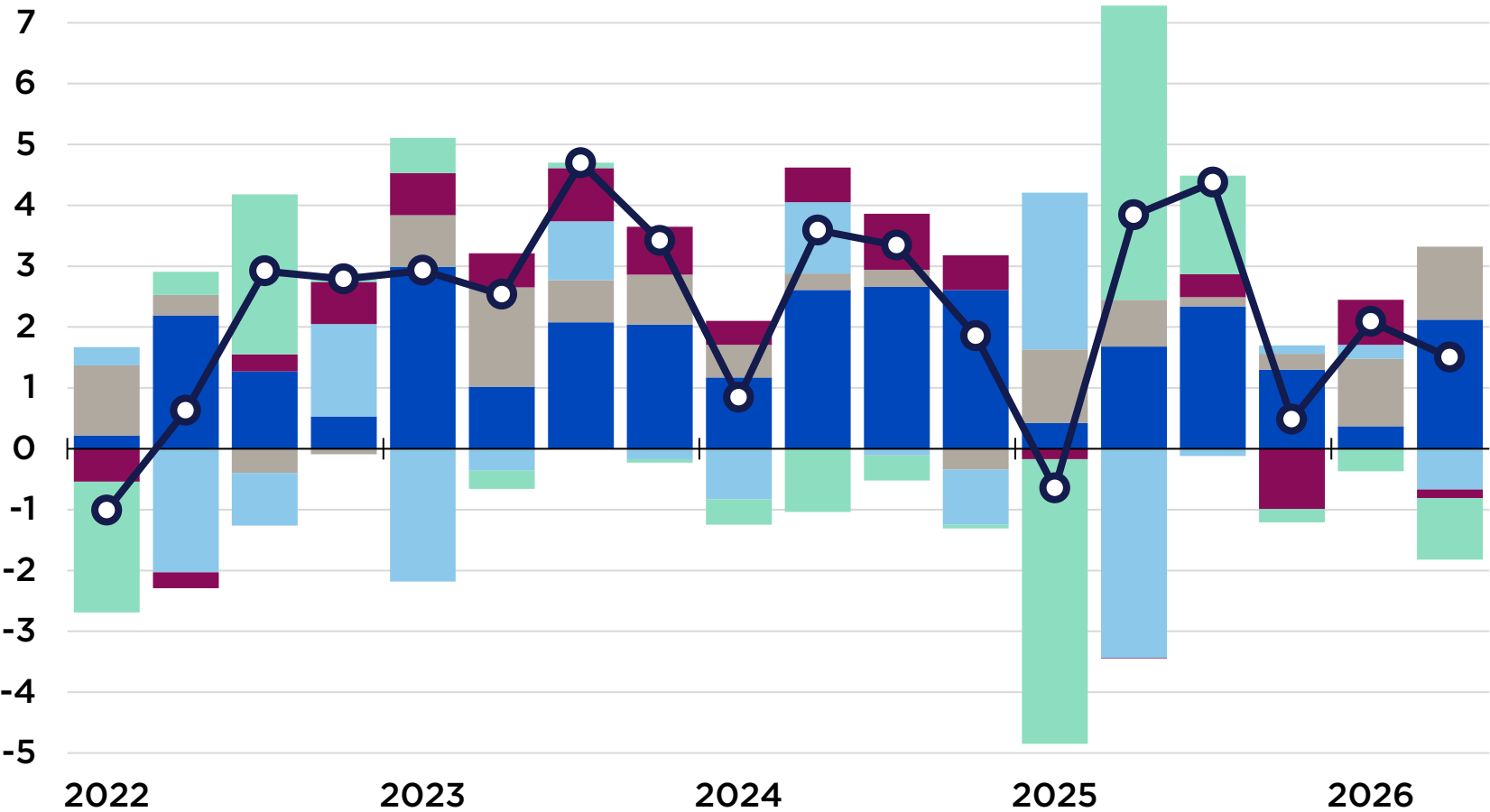
Economy maintains buoyant momentum

The second-quarter GDP report showed resilient economic growth. Under the surface of the 2.2 percent annualized advance, the core of the economy grew a robust 4.7 percent on the back of strong consumer spending and business investment.

- Consumer spending
- Fixed investment
- Inventories
- Government
- Net exports
- Real GDP growth

Contribution to GDP growth

Percentage point contribution to q/q annualized growth



Source: BEA, Haver Analytics, Nationwide Economics

It's a “low hire, low fire” job market

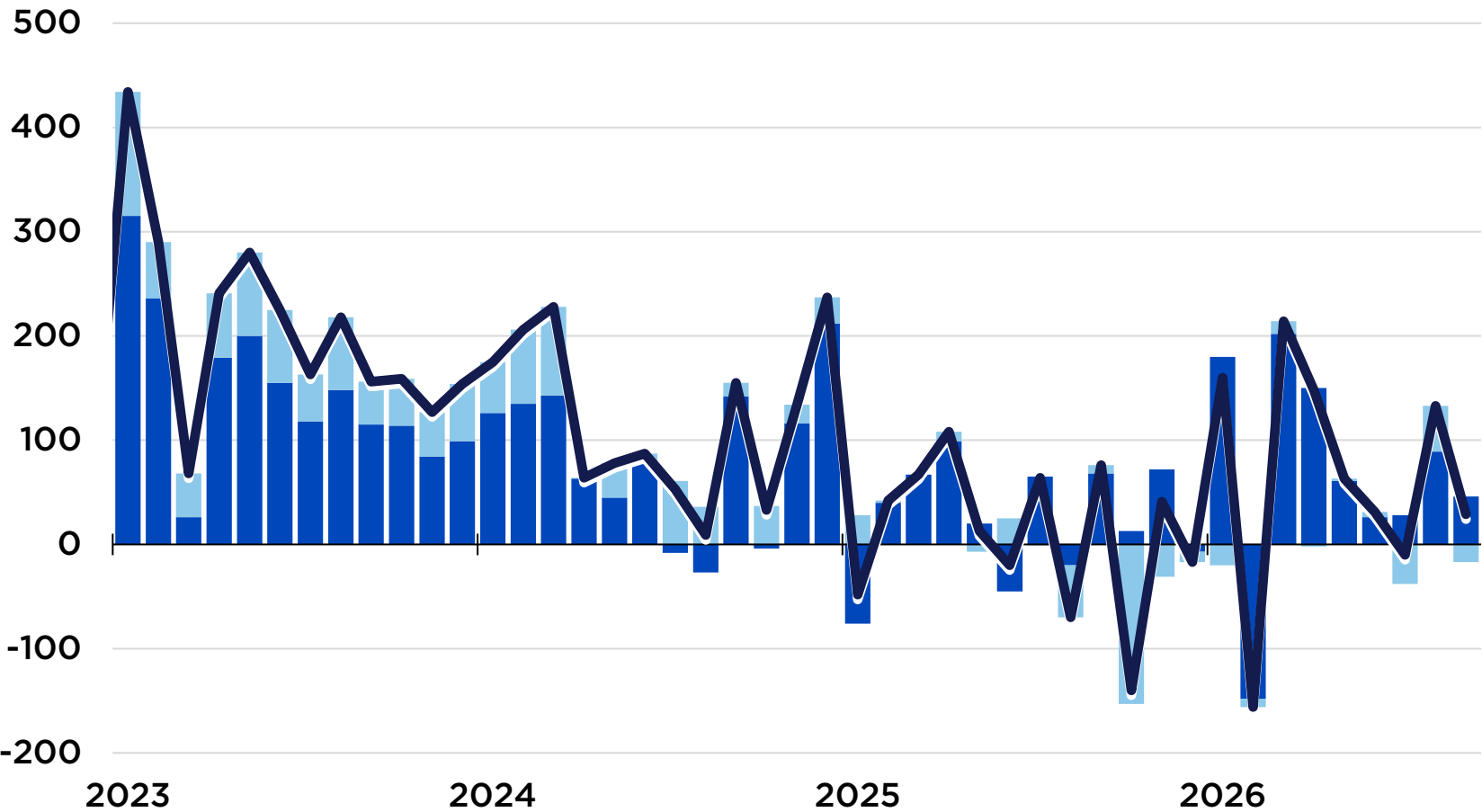
Employment growth cooled markedly in September to an increase of 29,000, however more importantly the three- and 12-month moving averages of job growth remain above our estimate of the breakeven rate.

The unemployment rate inched higher but for good reason as labor force participation rebounded and job gains in the household survey were robust. As such, the labor market remains solid.

- Nonfarm payrolls
- Private sector
- Federal, state, and local government

Employment growth

Monthly change; thousands



Source: Bureau of Labor Statistics, Haver Analytics, Nationwide Economics

Rising real incomes should likely support consumer spending

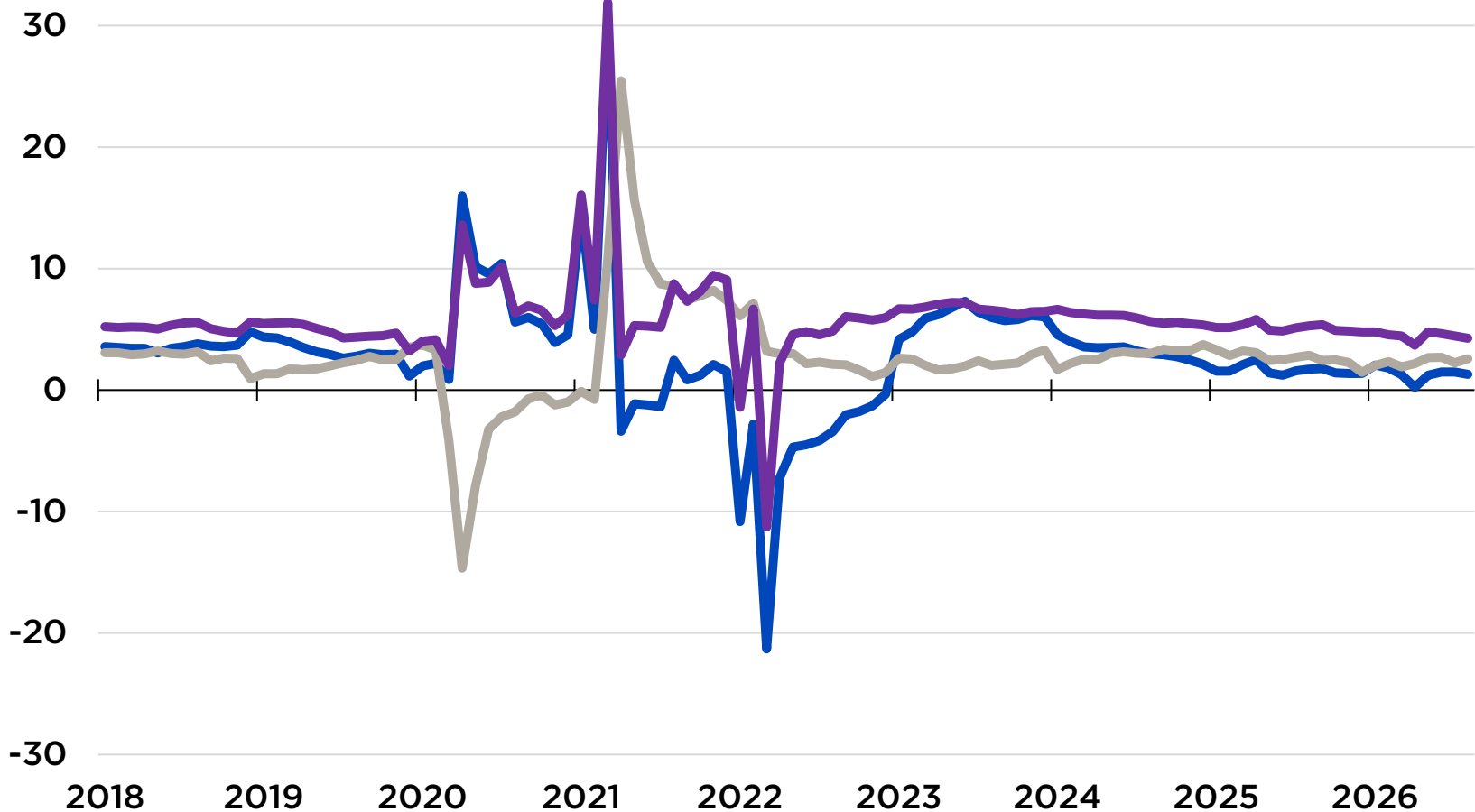
Real income growth remains positive. The inflation shock negatively impacted real income growth in Q2, but encouragingly this impact has largely unwound though risks losing momentum temporarily again as higher energy prices bite.

Monitoring real income growth is important since it is the main driver of consumer spending and consumers account for about 70 percent of overall economic activity. As long as real incomes continue to rise, consumers could keep spending.

- Real disposable income growth
- Real personal consumption expenditures
- Nominal personal income growth

Real income and spending growth

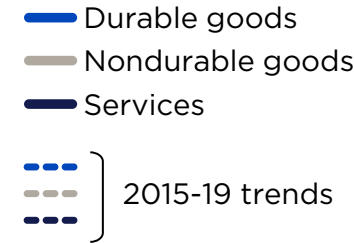
Year-over-year percent change



Source: Bureau of Economic Analysis, Haver Analytics, Nationwide Economics

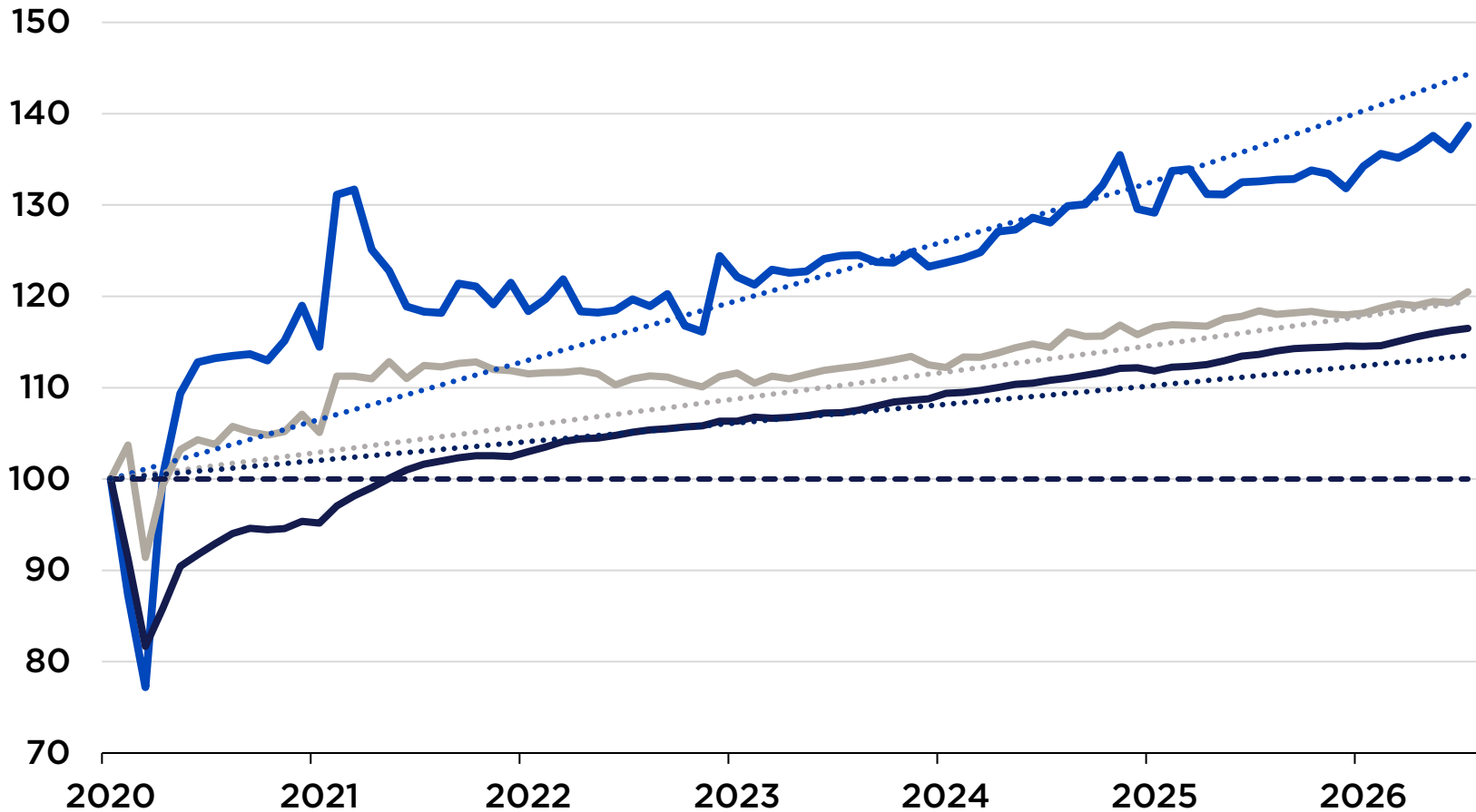
Consumer spending trends remain positive

Consumer spending remains healthy. Nondurable goods and services spending are trending at or above their pre-pandemic run rate. Durable goods has slumped, partly on weaker motor vehicle sales after the expiration of a federal tax credit on electric vehicles, but now looks to be rebounding.



Real consumer spending

Index, Feb. 2020 = 100



Source: Bureau of Economic Analysis, Haver Analytics, Nationwide Economics

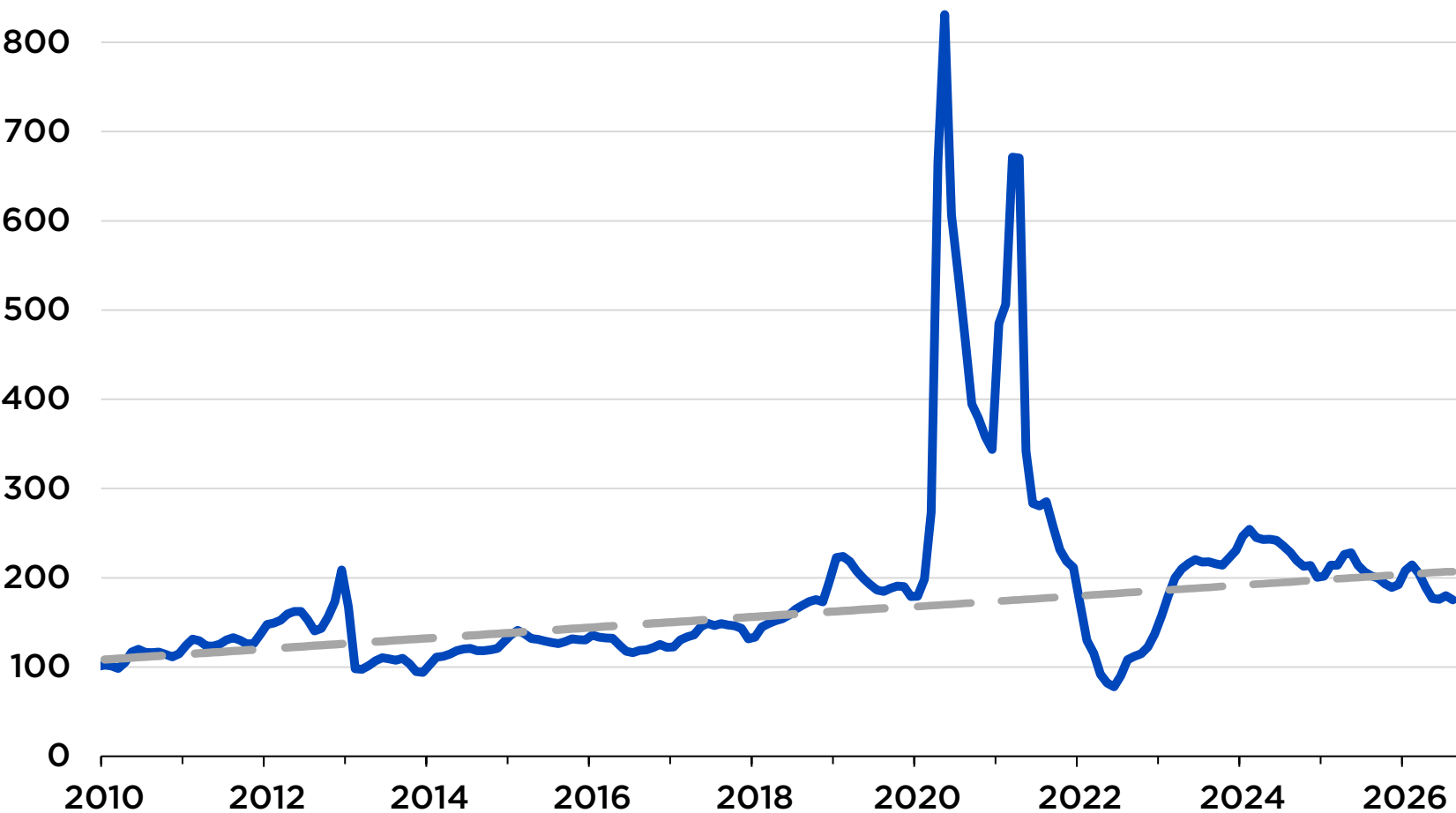
Consumers tap their savings to finance spending

Consumers reduced their savings rate during the run-up in energy prices earlier this year. A positive wealth effect from the rising stock market and elevated housing values has likely made upper- and middle-income consumers comfortable tapping these cushions, while lower-income households have little other choice.

Personal savings
Pre-Covid trend

Personal savings relative to pre-Covid trend

Billions USD



Source: BEA, Haver Analytics, Nationwide Economics

Near-term consumer inflation expectations remain elevated

Energy prices have retreated from their highs, but near-term consumer inflation expectations show many households are still worried about higher prices.

Encouragingly though, longer-term inflation expectations remain stable. Unless they un-anchor, medium- and long-term inflation expectations at current levels likely shouldn't significantly deter consumer spending or affect Fed policymaking.

- University of Michigan
- The Conference Board
- Federal Reserve Bank of New York: Survey of Consumer Expectations



Source: University of Michigan, The Conference Board, Federal Reserve Bank of New York, Haver Analytics, Nationwide Economics

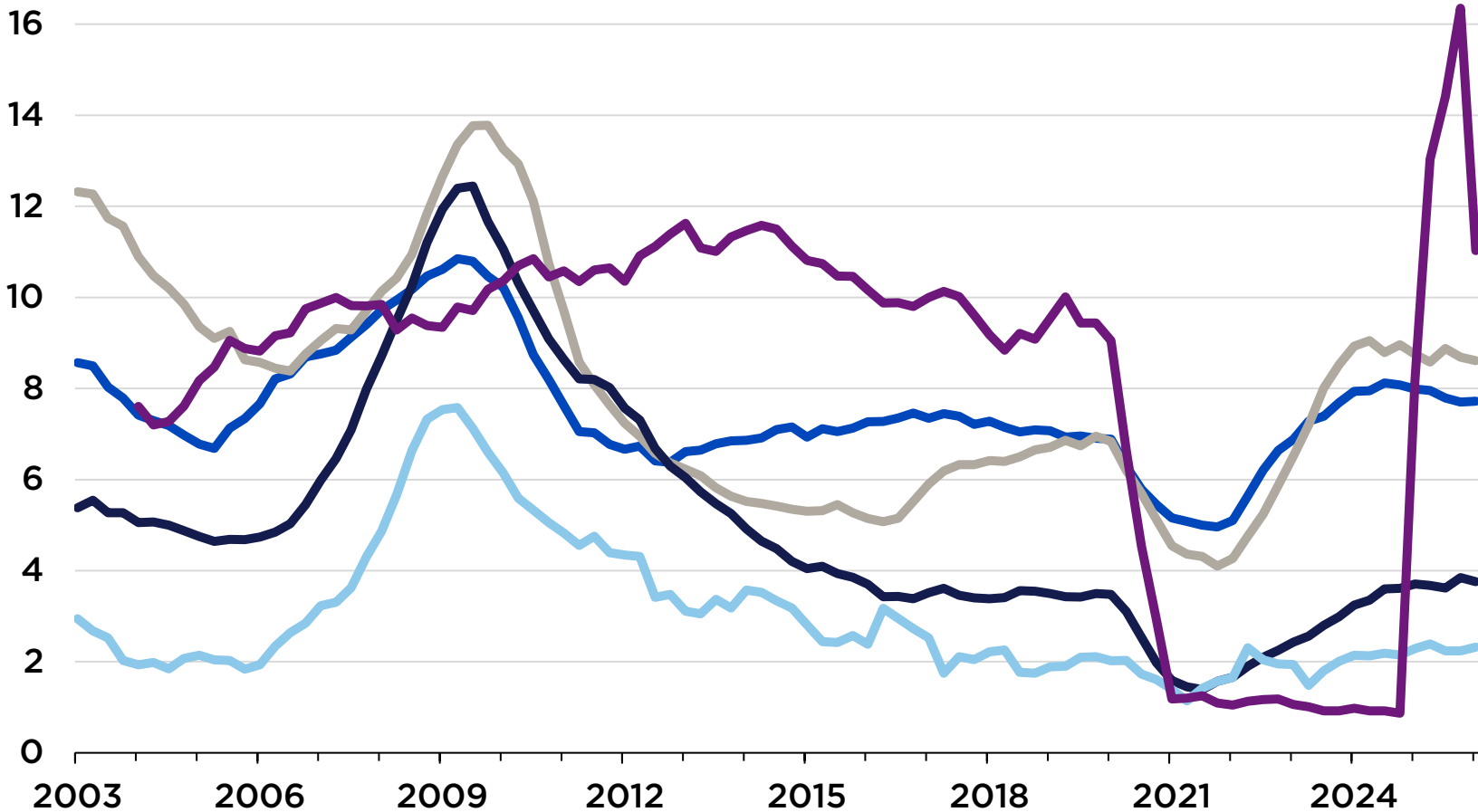
Rising delinquencies warrant selective caution

Delinquency and charge-off rates have leveled off or are ticking lower, yet all remain at elevated levels, warranting caution, namely for lower income households. That said, we see risks as contained in aggregate.

Student loan delinquencies have spiked sharply higher since the restart of reporting in 2025, after a pause in reporting that began during the pandemic.

- Auto loan
- Credit card
- Mortgage
- HE revolving
- Student loan

Transition into delinquency (30+) by loan type
Percent of balance



Source: New York Fed Consumer Credit Panel/Equifax, Nationwide Economics

ISM readings point to a cyclical upturn

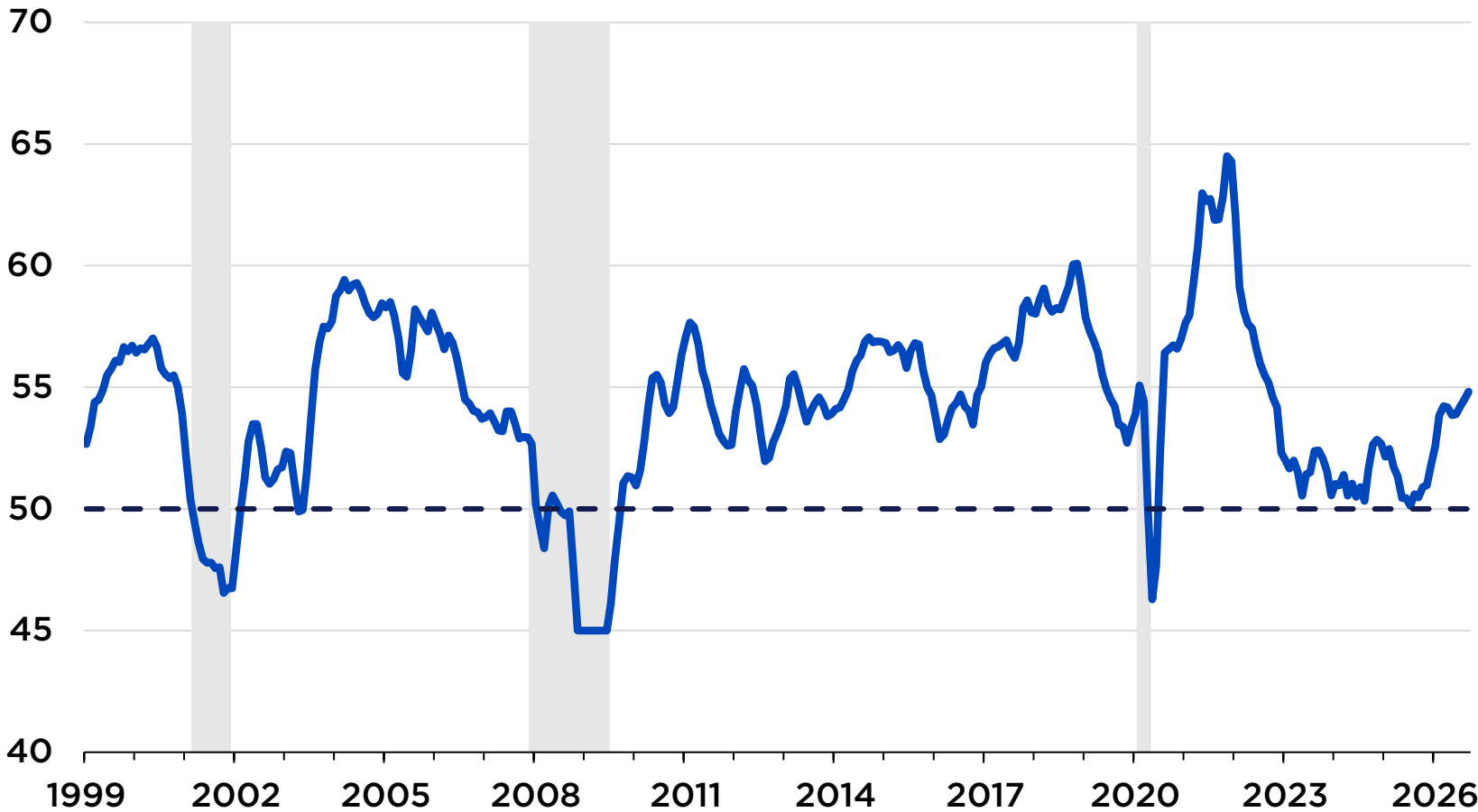
The ISM Reports on Business, which includes both Manufacturing Purchase Managers Index (PMI) and Services PMI, are delivering good news as both sectors remain in expansion mode. Overall, the reports portray strong demand amid constrained supply.

While off their recent highs, the prices paid components of both surveys flag continued upside inflation risks.

— Economy-weighted ISM composite PMI
■ Recession

Economy-weighted ISM composite PMI

Index; > 50 = expansion; three-month moving average



Source: Bureau of Economics Analysis, Institute for Supply Management, Haver Analytics, Nationwide Economics

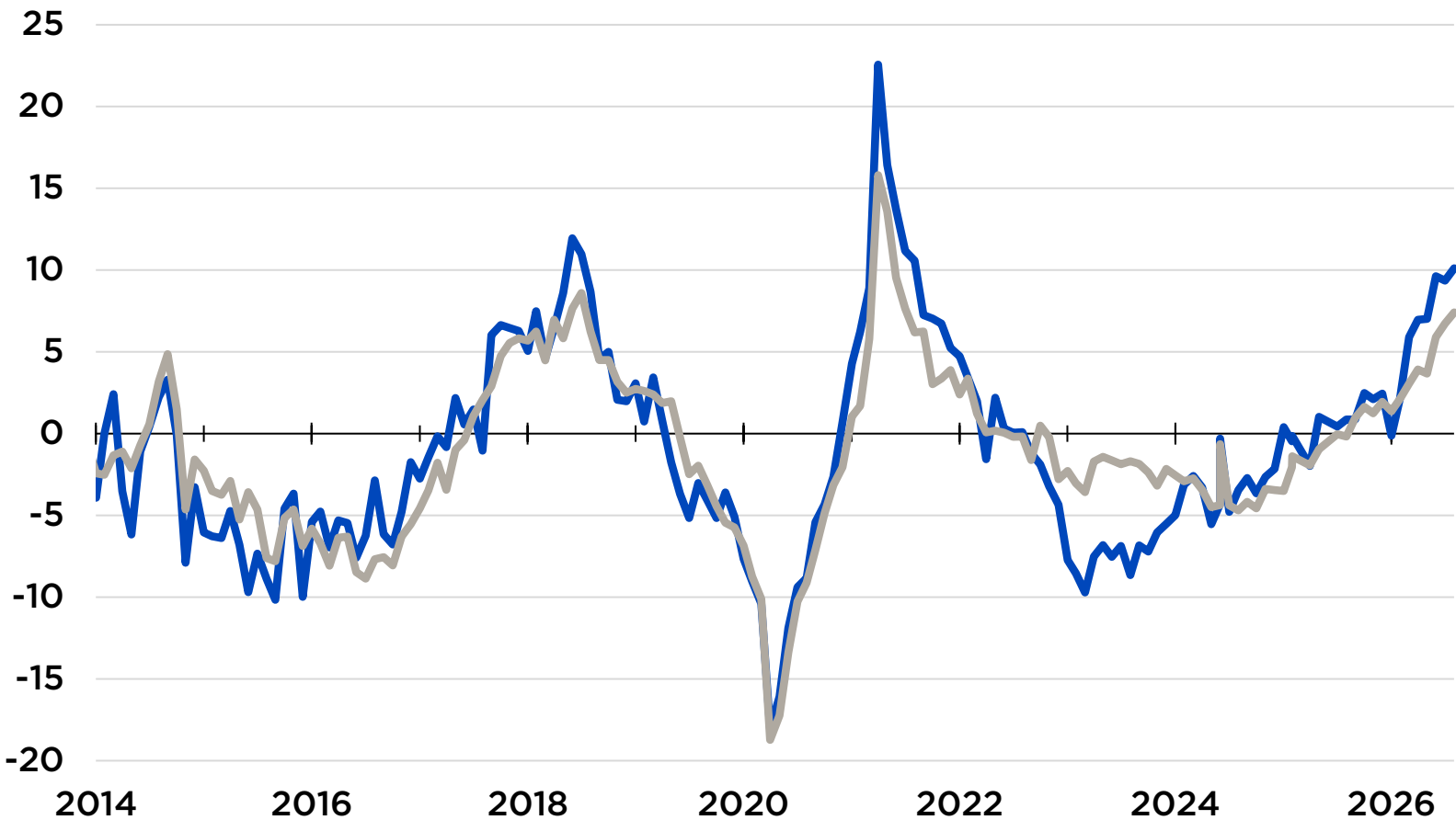
AI is propelling business investment

Granular GDP data shows that capital outlays on artificial intelligence have been a key driver of aggregate business investment's persistent growth over the past year.

More recent data shows that business investment growth is becoming more broad-based, which we see as a healthy development that will likely help sustain growth in capital outlays.

Core orders
Core shipments

Inflation-adjusted durable goods core orders and shipments*
Year-over-year percent change



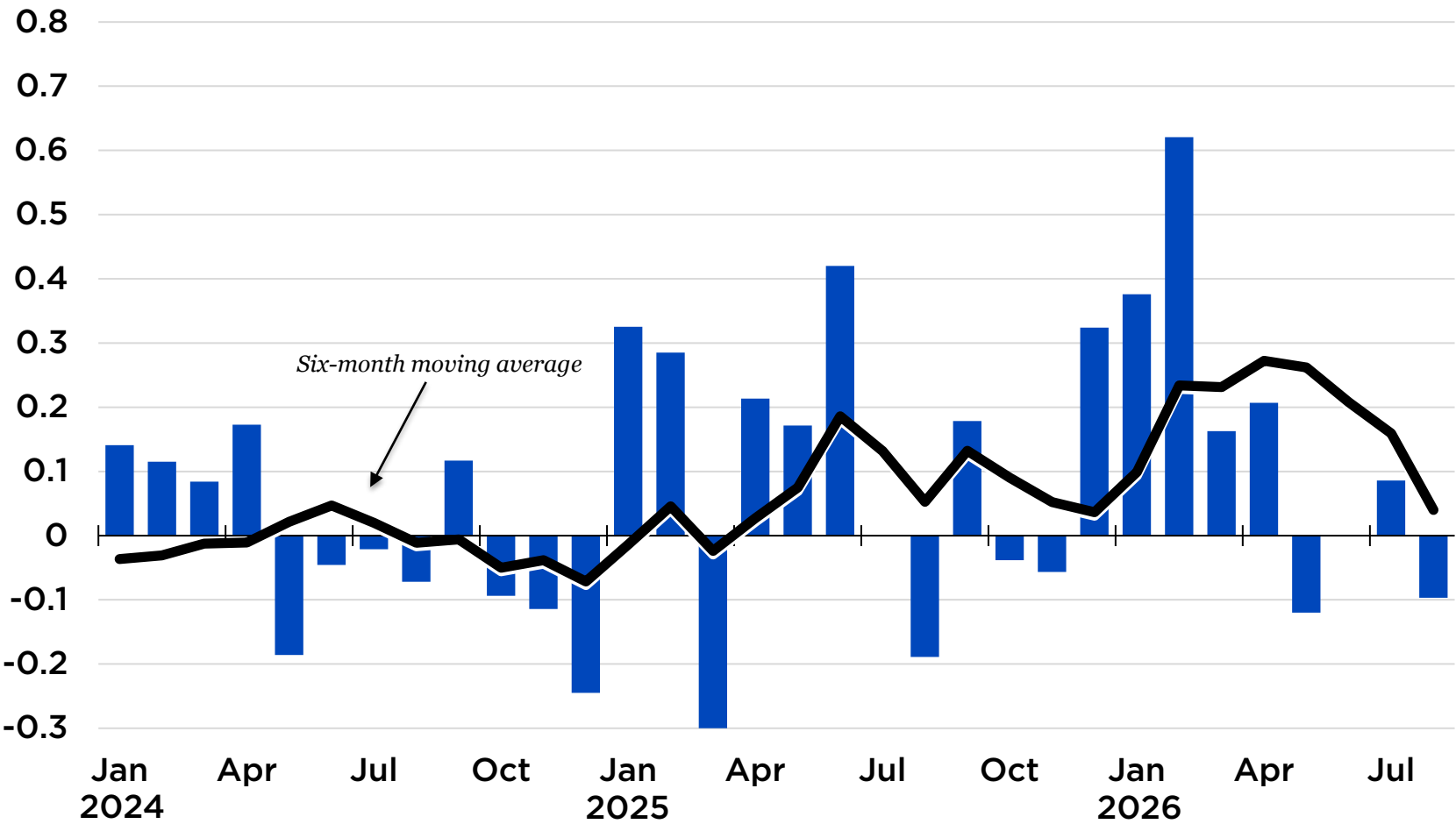
Note: Inflation-adjusted data are Nationwide Economics estimates. Core defined as nondefense capital goods excluding aircraft
Source: Census Bureau, Haver Analytics, Nationwide Economics

Brunt of the tariff shock is behind us

Tariffs exerted upward pressure on inflation, but the burden was manageable and now looks to be fading. While trade policy risks have not dissipated completely, tariffs likely shouldn't exert meaningful upward pressure on inflation going forward.

Core PCE goods prices exposed to tariffs

Month-over-month percent change



Note: Includes new motor vehicles, motor vehicle parts, furnishings and durable household goods, household supplies, personal care products, jewelry and watches, clothing, audio and video equipment, sporting goods, toys, and pharmaceutical goods.

Source: BEA, Haver Analytics, Nationwide Economics

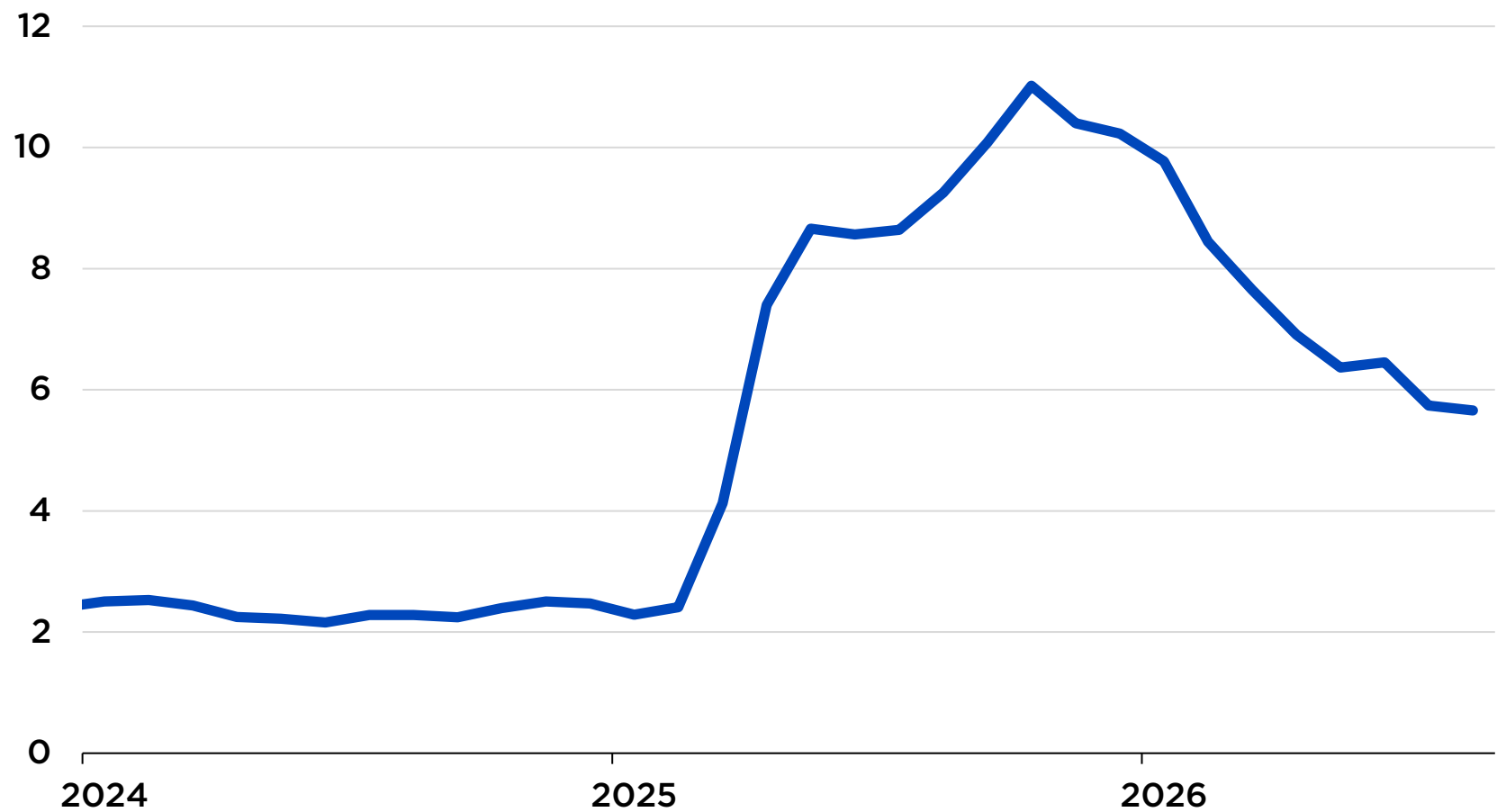
Diminishing, but not negligible, tariff risks

Tariff revenue and import data show that the effective tariff rate has declined since peaking in October 2025.

The administration is looking to impose new tariffs that will essentially replace the IEEPA tariffs struck down by the Supreme Court earlier this year. This means tariffs and trade policy uncertainty likely risk boosting inflation and diminishing economic growth, albeit marginally, over the coming months.

Effective tariff rate based on tariff revenue and import data

Percent



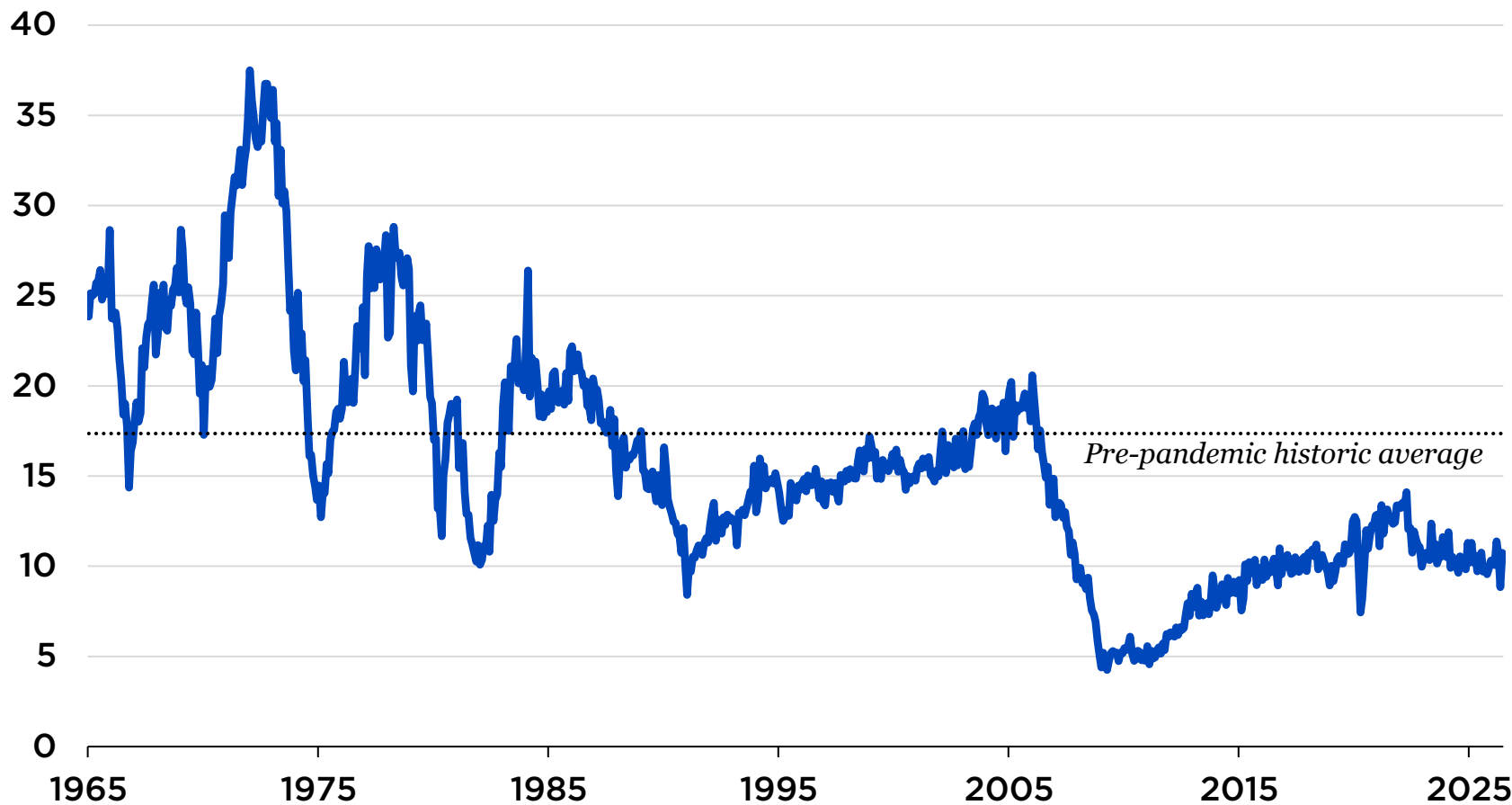
Source: Census Bureau, Haver Analytics, Nationwide Economics

Housing construction activity likely stays in the doldrums

Homebuilding remains lackluster, with single-family construction weak and housing starts running well below their long-term average, in line with subdued homebuilder sentiment. Multifamily construction has been comparatively solid, but not strong enough to offset the prolonged shortfall in new home supply.

We do not expect housing construction to pick up substantially in the coming months.

Housing starts versus household growth
Housing starts per 1,000 households



Source: Census Bureau, Nationwide Economics calculations

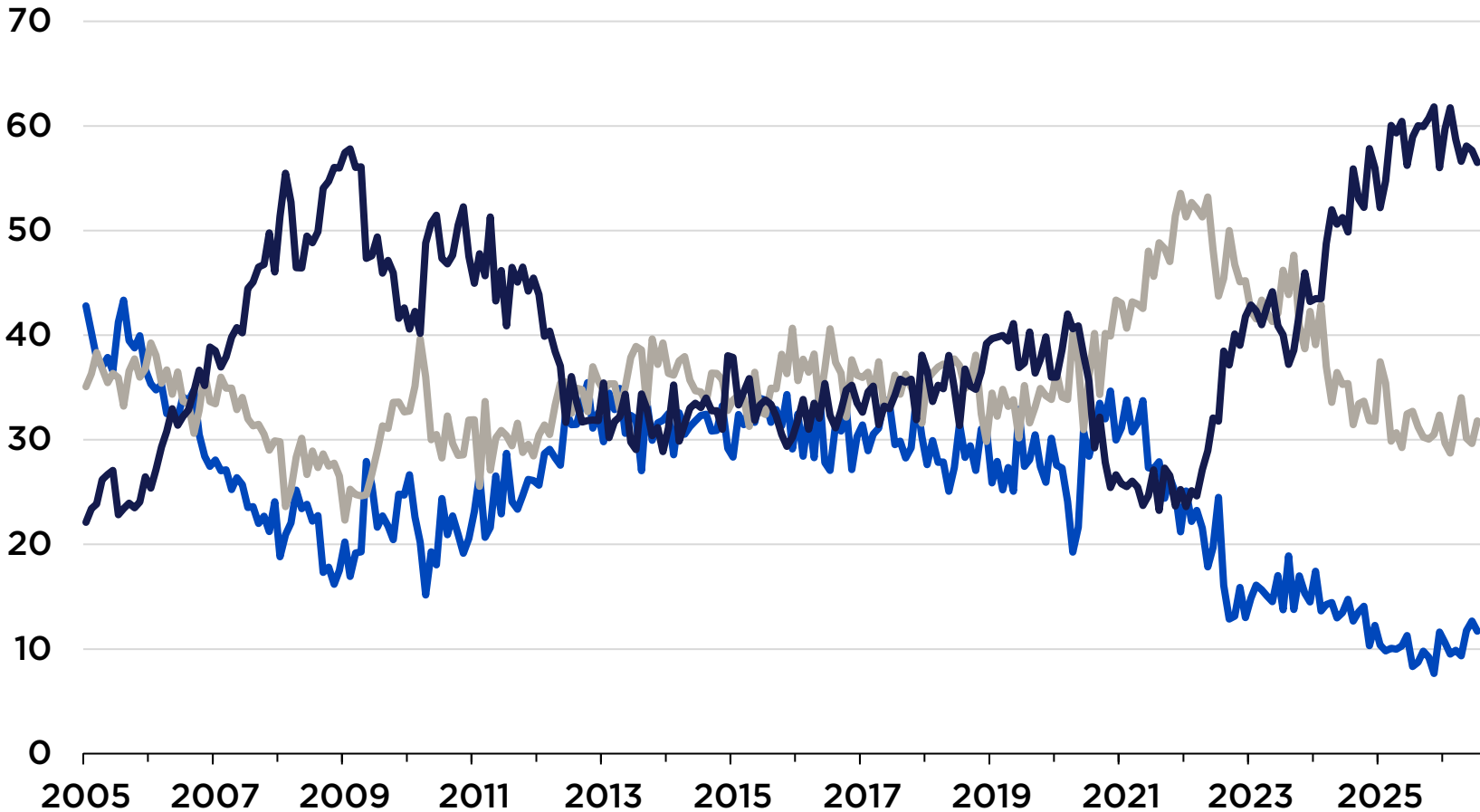
Pipeline for new home construction is drying up

The pipeline for future housing construction looks to be meager. Home builders are not in a rush to ramp up activity amid paltry demand and the persistent affordability constraints that buyers face.

- Houses not started
- Houses under construction
- Houses completed

New home sales by stage of construction

Percent of total



Source: Census Bureau, Haver Analytics, Nationwide Economics

Home sales remain subdued amid elevated mortgage rates

Demand for homes stayed lackluster in Q3. Existing home sales remain weak and forward-looking data do not signal an acceleration.

Builders have been lowering prices and offering incentives to lure in buyers for new homes, but many still aren't biting amid steadfast affordability challenges.

Existing home sales *left axis*
Pending home sales: one-month lead *right axis*

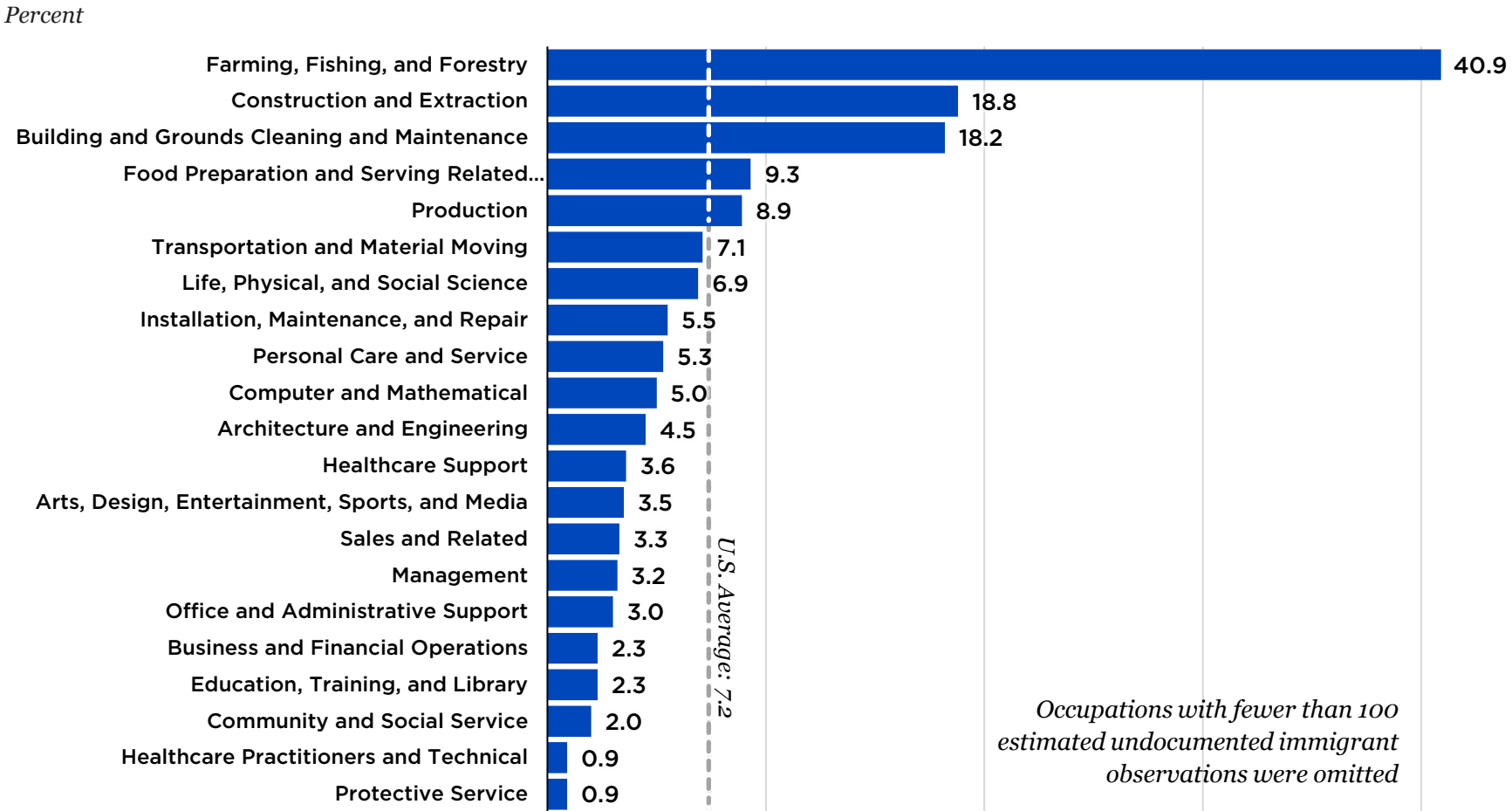


Source: NAR, Haver Analytics, Nationwide Economics

Immigration clampdown has reduced labor supply

The increase in border policy enforcement has decreased undocumented immigration and reduced the pool of available labor – most notably in the agriculture and construction sectors.

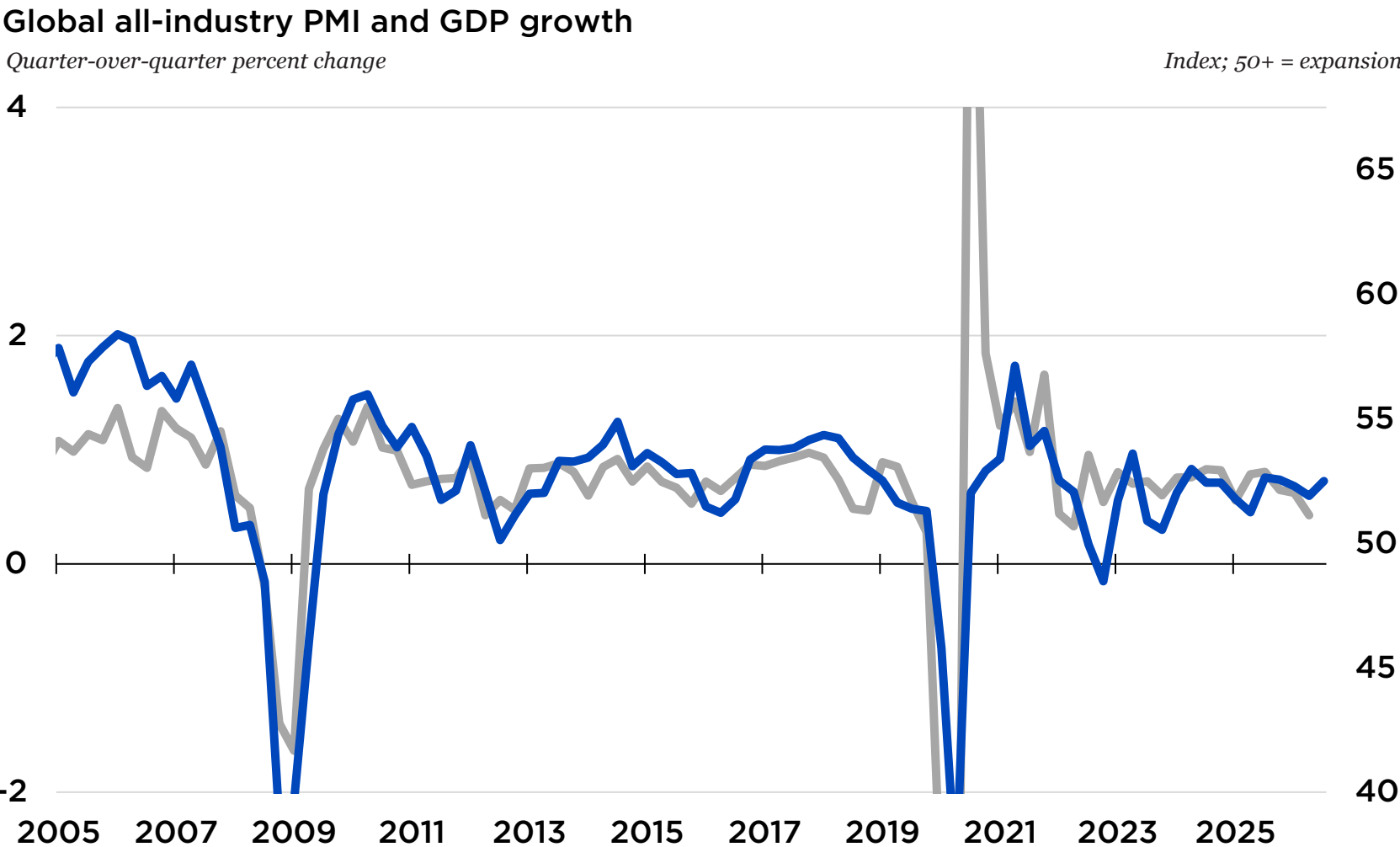
Estimated undocumented immigrant employment share by occupation



Source: The Burning Glass Institute; authors' calculations using CBO, 'The Demographic Outlook: 2024 to 2054'; Baker, B. and Warren, R., Apr. 2024, U.S. Dept. of Homeland Security: Office of Homeland Security Statistics, 'Estimates of the Unauthorized Immigrant Population Residing in the United States: Jan. 2018 – Jan. 2022'; American Community Survey, U.S. Census Bureau, 2023 1-yr estimates

Global economy is rebounding from the energy shock

Various surveys, including the widely regarded PMIs, show the global economy is maintaining a respectable pace of growth despite the energy shock and other growth headwinds.



— Global GDP growth *left axis*
— JP Morgan Global Composite PMI *right axis*

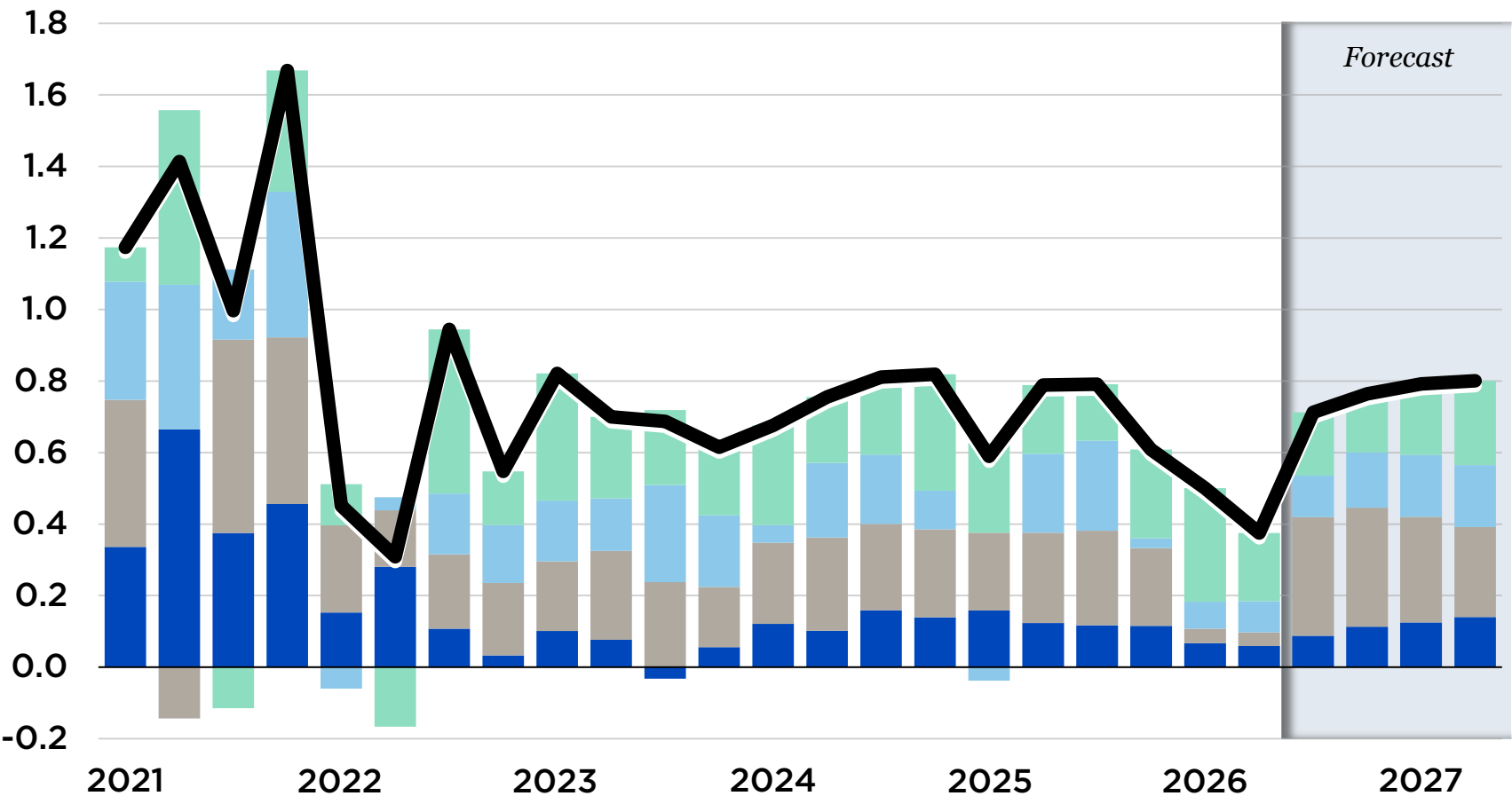
Source: JPM, Oxford Economics, Haver Analytics, Nationwide Economics

Global economy is expected to persevere

The Iranian conflict remains a risk, but global activity is expected to maintain positive momentum. Expansionary fiscal policy and solid private sector spending in certain key economies should likely help global growth persevere through higher energy costs, rising global yields and other headwinds.

- Advanced economies excluding US
- Emerging markets excluding China
- U.S.
- China
- World

Contribution to world GDP growth
Percentage point contribution to quarterly growth



Source: Oxford Economics, Haver Analytics, Nationwide Economics



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NFIB Small Business Optimism Index: A monthly indicator of the state and outlook of the small business sector in the U.S.. It is based on a survey of about 620 members of the National Federation of Independent Business (NFIB). The index is a composite of ten seasonally adjusted components that measure the expectations and outlook of small business owners regarding the economy, sales, employment, and other business-related factors.

ISM Manufacturing Purchasing Managers' Index (PMI) is a monthly economic indicator that measures the level of business activity in the U.S. manufacturing sector and is calculated from five major components: new orders, production, employment, supplier deliveries, and inventories.

Consumer Price Index (CPI): The CPI measures the average change in price over time of a market basket of consumer goods and services. The market basket includes everything from food items to automobiles to rent.

ISM Report on Business: Includes both Manufacturing (PMI) and Services (PMI), which are composite indexes that measure economic activity in the manufacturing and non-manufacturing sectors, respectively, based on surveys of purchasing managers.

OFR Financial Stress Index (OFR FSI): The Index is a daily market-based snapshot of stress in global financial markets. It is constructed from 33 financial market variables, such as yield spreads, valuation measures, and interest rates. The OFR FSI is positive when stress levels are above average, and negative when stress levels are below average. The OFR FSI incorporates five categories of indicators: credit, equity valuation, funding, safe assets and volatility. The FSI shows stress contributions by three regions: United States, other advanced economies, and emerging markets.

U.S. Economic Policy Uncertainty Index: The Index quantifies uncertainty about economic policy by analyzing newspaper articles for terms related to the economy, uncertainty, and policy actions such as legislation, regulation, or federal decisions. It is updated daily and monthly, with data available from 1985 to the present. The index is normalized to allow comparison over time, with a long-term average around 100.

Federal Reserve Bank of NY's Global Supply Chain Pressure Index (GSCPI): The Index is a composite metric developed to measure global supply chain conditions by integrating transportation cost data and manufacturing indicators. It acts as a comprehensive, monthly barometer of constraints, spanning back to 1997, to identify if global supply chains are under pressure or easing.

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