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Thought Leadership: U.S. Banks – Q2’26

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Ain’t No Mountain High Enough: Banks Tout Consumers’ Continued Resilience

1. **Commentary was decisively positive**, with Banks pointing to resilient consumer spending, stable credit, continued loan growth, and healthy capital markets demand. However, executives have acknowledged the current environment is unusually favorable and unlikely to persist indefinitely.

2. **Consumers continue to outperform expectations**, as evidenced by strong spending habits across income cohorts and better-than-expected delinquencies. Still, questions remain concerning the degree to which aggregate spending was influenced by higher prices given the support from record tax refunds.

3. **IPO recovery from 2022 lows is accelerating and appears durable**. Management teams describe a pipeline that is healthy and broad-based, supported by improved strategic M&A flows and large mega-IPOs drawing attention.

4. **Private credit demand remains robust** and is broadening across borrowers. AI infrastructure requirements are creating additional financing opportunities, and insurers with long-duration liabilities are a key source of new demand.

5. **Household debt**, while manageable, has become increasingly concentrated behind auto loans, surpassing student loans.

6. **Tariff Refund Spotlight**: Across sectors, company disclosures reflect material differences in timing and certainty, but some have begun to quantify tariff refund impact on EPS.

Macro and Outlook: Steady Momentum and Stronger-than-expected Demand

Banking management teams remain constructive on growth, credit, and consumer health, but acknowledge uncertainty still warrants caution

JPMorgan Chase ($896.4B, Banks): "***It's getting close to as good as it gets. We just don't know how long it's going to last***."

Goldman Sachs, ($308.6B, Capital Markets): "***We continue to see a largely resilient economic backdrop in the U.S.*** It's clear that ***we are seeing broad-based momentum across the franchise and a very strong environment for client activity***."

Morgan Stanley ($348.7B, Capital Markets): "***The economy is in great shape. There is barely talk of the R word. The consumer, certainly at the spending higher end, is in very good shape***."

Wells Fargo ($265.5B, Banks): "Consumers and businesses remain strong. Consumer spending is higher, charge-offs are lower, and savings and investments are growing across customer segments. ***Businesses are cautious, but balance sheets and cash flows remain strong***, resulting in strong credit performance. ***Concerns around affordability and inflation exist***, ***but the labor market and wage growth remain strong. But markets and the U.S. economy have absorbed macroeconomic and geopolitical uncertainty well. Strong environments like this don't last forever, and we see large amounts of capital being deployed by both banks and non-banks across a broad range of risk assets***."

Wells Fargo ($265.5B, Banks): "We certainly have seen higher loan growth than what we had assumed in the beginning of the year and that's a positive. We'll have to see how the rest of the year goes. ***I think you definitely see tariff refunds coming through, impacting some commercial bank clients, in terms of the utilization and you see a bunch of other factors there.***"

PNC Financial ($102.2B, Banks): "***Our base case*** assumes GDP growth to be approximately 2.1% in 2026, with the ***unemployment rate holding steady and ending the year at approximately 4.3%. We expect the Federal Reserve to keep rates stable throughout 2026.***"

Citizens ($29.8B, Banks): "We provided our outlook for the third quarter, which ***contemplates the Fed holding rates steady***. We expect net interest income to be up in the range of 2.5 to 3.5% ***driven by continued expansion in net interest margin and earning asset growth.***"

First Horizon ($11.9B, Banks): "***I'm surprised at how optimistic things feel***, given some of the uncertainty around oil in particular, and the conflict in the Middle East. ***I would describe the loan markets…as maybe a little surprisingly optimistic. Pipelines have continued to be very strong, and people are still very optimistic about the economy***."

COMMUNICATION THEMES

Consumer Health and Spending: Robust Spending and Lower Delinquencies

Questions remain if aggregate spending is a function of higher prices or increasing demand

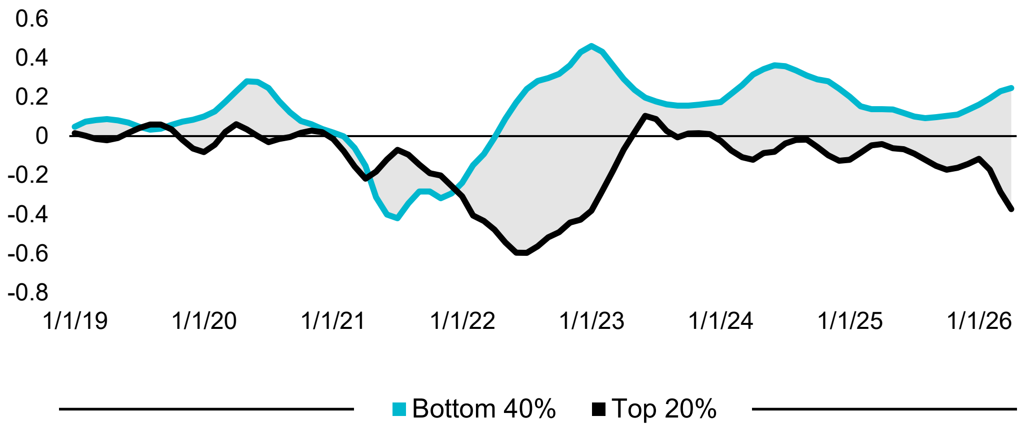
JPMorgan Chase ($896.4B, Banks): "Going to the consumer for a second…***spend is fine, robust and across income segments. Seems like a bit of a tailwind there from tax refunds. Delinquencies are a little lower than we expected***. And again, that's better performance. ***You see pretty much across the board by FICO Score***. There's some of that economic heterogeneity data came out from the Fed recently, which also I think ***doesn't give a lot of support to the k-shaped narrative***."

Bank of America ($417.6B, Banks): "***The U.S. economy has proved more durable than expected, supported by the strong consumer***, ongoing AI-driven investments across the board, and easing energy costs, though inflation and higher, tighter monetary policy remain key risks."

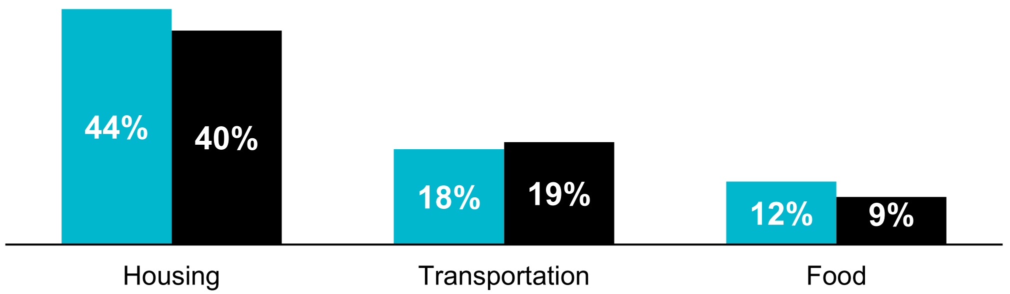
Citigroup ($240.0B, Banks): "***We're seeing a stable current environment. The U.S. consumer is showing up, and I know it sounds like a broken record from a few quarters, but the U.S. consumer has been resilient***, and you can see that with the spend."

U.S. Bancorp ($97.1B, Banks): "We are ***seeing a very resilient consumer and a lot of demand and beginning to lean into that in a fair way***."

Demographic Inflation Gaps[1,2] (percentage points)



Percent Share of Expenses[1]



[1] Source: Federal Reserve Bank of New York, Economic Heterogeneity Indicators; National report; data through 4/1/26
[2] Demographic inflation gaps are calculated as demographic inflation less overall inflation using 3-month moving averages

Private Credit: Institutional Demand Remains Strong with a Broadening Investor Base

Lenders describe a healthy private credit environment supported by hyperscalers with growing balance sheet and capital requirements; insurance companies cited as a growing source of demand

JPMorgan Chase ($896.4B, Banks): "We had $15B of inflows in private markets in Q2. **$6B of that was really from private credit, and we've seen incredible opportunities in the marketplace. Private credit spreads have widened.** So far in 2026, we've closed about ***$10 billion in high-grade and infrastructure debt mandates for insurance companies…especially the insurance company with long liabilities could earn 150 to 350 basis points over Treasuries. More and more insurance companies worldwide are looking to access private markets*** to achieve those higher yields for their asset base. We see this accelerating."

Goldman Sachs ($308.6B, Capital Markets): "***We raised $31B in private credit this quarter alone***, a testament to our strong track record of performance and our clients' continued desire to partner with experienced investors like Goldman Sachs. More broadly, ***demand for private markets remains robust*** as clients deploy capital across credit, equity, and real assets and our ability to originate and structure opportunities continue to differentiate our offerings."

Bank of America ($417.6B, Banks): "***We feel very good about the credit quality. It's all going to come down to the economy. And right now, our team is fairly very constructive on the economy*** and unemployment at 4.2% or whatever it is, new claims unemployment staying low. It's a pretty good place. And so that's why you're seeing a complete sort of steadiness in our credit cost. And importantly, ***the issues of the moment, whether it was real estate 4 or 5 years ago or whether it was private capital lending and all the stuff just aren't surfacing the way people thought they would.***"

Citizens ($29.8B, Banks): "As ***we look broadly across the portfolio, the credit outlook remains positive*** though we continue to carefully monitor the macroeconomic environment."

IPO Market: U.S. Banks Cite Robust M&A and IPO Activity and Strong Pipelines

Investment banks point to a robust AI investment cycle and ripple effects across industries

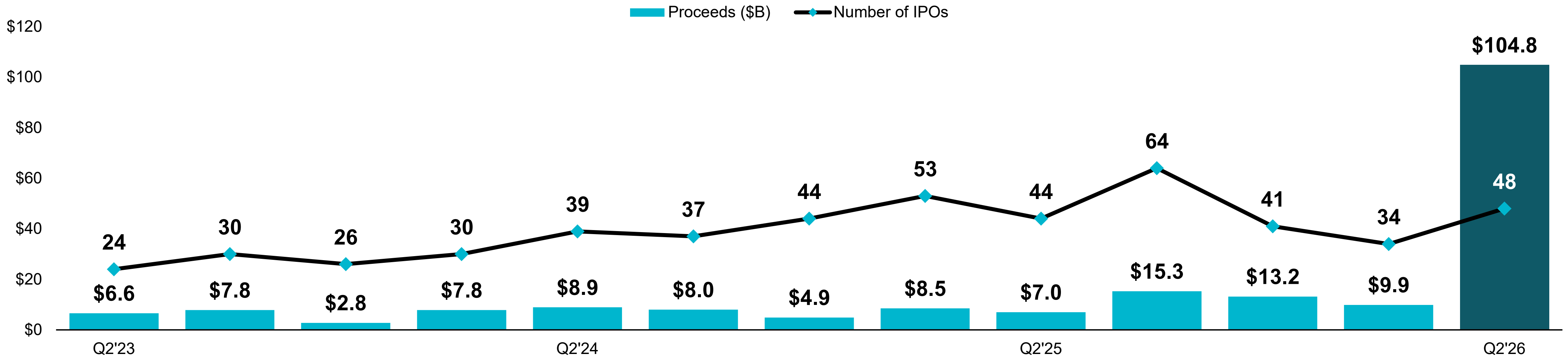
JPMorgan Chase ($896.4B, Banks): "The ***pipeline remains quite robust, and…we expect activity levels to remain healthy***."

Goldman Sachs ($308.6B, Capital Markets): "Momentum across our franchise… has driven a ***significant increase in strategic dealmaking activity, with large cap corporate M&A volumes up 90% through H1 2026. The AI investment cycle is expanding capital needs beyond core technology into infrastructure, energy, and data centers, generating a ripple effect across industries***."

Morgan Stanley ($348.7B, Capital Markets): *"**The Investment Banking outlook is constructive, and pipelines are healthy**. Client dialog is broad-based across sectors, and while YTD activity has been led by the Americas, global activity is building."*

Citigroup Inc ($236.0B, Banks): "***As we enter the second half, the pipeline looks healthy and we are continuing to invest in talent to fill the gaps in our coverage to gain share including in M&A***."

U.S. IPO Activity, Quarterly[1]



[1] Source: Renaissance Capital; data as of 7'15'26; includes $75B from Q2'26 SpaceX IPO

TARIFF REFUND SPOTLIGHT

Company Disclosures Reflect Material Differences in Timing and Certainty

Our analysis of late-cycle reporters and conference transcripts shows that companies favor excluding refunds from guidance

Sector	Discussed Tariff Refunds	Provided Amount[1]	Incl. in Guidance[2]	Excl. from Guidance
Cons. Disc.	11	4	0	7
Cons. Staples	9	4	4	4
Health Care	4	3	0	3
Industrials	2	1	0	0
Tech	1	0	0	1
Total	**27**	**12**	**4**	**15**

Hallmarks of Strong Tariff Refund Messaging
1. Quantify impact to earnings and margins
2. Provide results both including and excluding refund impact
3. Note whether including or excluding from guidance
4. Describe how refunds will be used or what they may offset

[1] Includes tariff refund, claim, or earnings benefit from tariffs directly quantified
[2] Includes management assumption, explicit or otherwise, of tariffs included in forward guidance

Notable Commentary

McCormick ($14.2B, Consumer Staples): "Gross profit margin expanded 270 basis points in the second quarter, driven by accretion from McCormick de Mexico, ***the benefit of a tariff refund***, surgical pricing and savings from our Comprehensive Continuous Improvement program or CCI, partially offset by increased commodity costs. ***This tariff refund reversed tariffs the business absorbed in prior periods. For this quarter, it drove 140 basis points of margin expansion year-over-year. The tariff refund contributed approximately $0.07 per share***....the Middle East conflict is really driving more inflation that we had not contemplated before. If you think about our guide, which is mid-single-digit cost inflation, we're tracking towards the high end of that number, which is about 6% right now. So, we are going to use the majority of the refunds to offset these higher costs. ***I mean, these tariffs, they hurt us last year. We're going to use it now to offset the majority, these costs***."

PepsiCo ($190.4B, Consumer Staples): "On the positive side, we continue to expect international ***to be strong, and we do expect, like you said, approximately one point of EPS benefit from tariff refund claims, likely in the quarter***."

Campbell's ($6.8B, Food, Beverage & Tobacco): "***The impact we're projecting for Q4 from a tariff refund is about $0.03 to $0.04 a share. That is solely offset by the higher fuel costs***, the driver shortage and the impacts of the Iran conflict that we're already seeing so far."

Nike ($66.0B, Consumer Discretionary): "In the fourth quarter, we determined that the financial recovery of claims related to incremental tariffs paid under IEEPA had become probable. This resulted in the ***recognition of a onetime benefit of $986 million, offsetting the IEEPA tariffs embedded within cost of sales that had been expensed*** through the income statement throughout fiscal 2026."

Acuity ($10.0B, Capital Goods): "This quarter we also had a ***$6.4 million tariff refund in ABL that we have adjusted out of our numbers***."

Companies Quantify Tariff Refund Impact

Management teams can differentiate by offering refund disclosures that include the size of claim, impact to earnings, and timing

Company	Sector	Quantified Impact	Impact Timing	Notes
Agilent	Healthcare	$70M	Pending – timing unknown	Claim sized as tariffs paid
Campbell's	Cons. Staples	$0.03 - $0.04 per share	Primarily Q4'26; recoveries may extend to FY27	Described impact as being offset by higher fuel costs
CooperCompanies	Healthcare	$15M expected earnings uplift	Potential FY26 benefit	Provided expected impact
Deckers Outdoor	Cons. Disc.	$120M claim size	Pending – timing unknown	Claim sized as tariffs paid
Deere	Industrials	$272M / 2.5% margin uplift	Recognized Q2'26 as one-time benefit	Described margin impact in quarterly and annual terms
Hasbro	Cons. Disc.	$50M claim size	Pending – timing unknown	Refund in process but not recognized
McCormick	Cons. Staples	$31M full-year benefit / $0.07 per share / 1.4% margin	$28M recognized in Q2, additional $3M for full year	Provides full size, per share and margin impact
Nike	Cons. Disc.	$986M / $0.52 per share	Recognized $986M in Q4'26, cash receipt in progress	Recognized full amount, collected ~$300M
PepsiCo	Cons. Staples	1% EPS growth uplift	Expected in Q3'26	Refunds described as offset to commodity pressure
Walmart	Cons. Staples	Less than 1% of annual U.S. sales	Pending – timing unknown	Claim sized as percentage of annual U.S. sales
Zimmer Biomet	Healthcare	$0.20 EPS impact / 2.0% margin benefit	Recognized in Q1'26 as one-time benefit	Described both EPS and margin impact

The Big So What®

Banks point to resilient consumer spending, stable credit, and improving capital market pipelines despite macro uncertainty

1. **Consumer resilience is the story so far.** Spending continues to hold up across income cohorts, credit performance is stable, and delinquency trends have been more favorable than expected.

2. **Management teams are factoring in a higher-for-longer rate environment.** Initial views included rate relief in 2026, but ongoing uncertainty regarding the path of inflation dampens hope for a cut.

3. **Capital markets momentum has been robust and appears to be durable.** IPO activity has accelerated from the 2022 trough, deal pipelines are at the strongest levels in years, and private credit demand remains healthy.

4. **Banks cite an unusually favorable operating environment.** Executive teams point to resilient business and consumer activity, but language hints at expected future normalization.

What the Street is Still Asking

1. Is consumer spending being driven by underlying demand, high prices, or tax-refund support?
2. Can delinquencies remain contained despite growing auto balances?
3. How much longer can higher rates support bank earnings before affordability and credit pressure impact consumers?
4. Is the IPO recovery broader than the headline mega deals?
5. Will tariff refunds provide meaningful upside to business liquidity, or will they be mostly noise?

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Onward!

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