



Tom Slefinger
Market Strategist

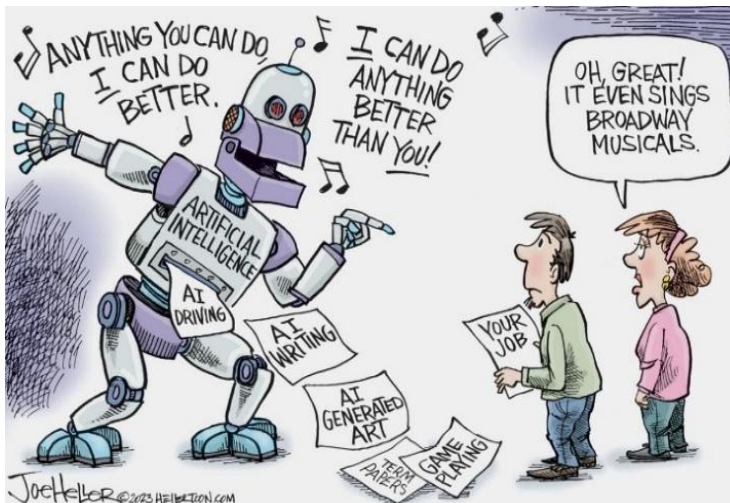
Weekly Relative Value

WEEK OF APRIL 13, 2026

FOBO — Fear of Becoming Obsolete

“When 1 in 5 workers say AI is already replacing parts of their job, we can start talking about labor market restructuring happening in real time... The fact that replacement seems to be outpacing augmentation should draw our attention: the policy window to shape how AI transforms work is probably closing faster than most governments realize.” — Nicholas Mialhe, Expert at the Global Partnership on Artificial Intelligence

FOBO — Fear of Becoming Obsolete — is now a major concern in U.S. workplaces. A poll conducted by Ipsos found 20% of full-time workers said that artificial intelligence (AI) has taken over parts of their job.



Likewise, Goldman Sachs economists published new research showing that AI is eliminating around 16,000 jobs per month when accounting for AI-caused automation. Previous research by Goldman estimated that AI can potentially automate tasks that consume around 25% of all work hours.

A Massachusetts Institute of Technology (MIT) study found AI models already perform 50–75% of text-based tasks at acceptable quality, projected to reach 80-95% by 2029. While FOBO is justified, MIT researchers say AI progress will be gradual, giving workers time to adapt.

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THIS WEEK

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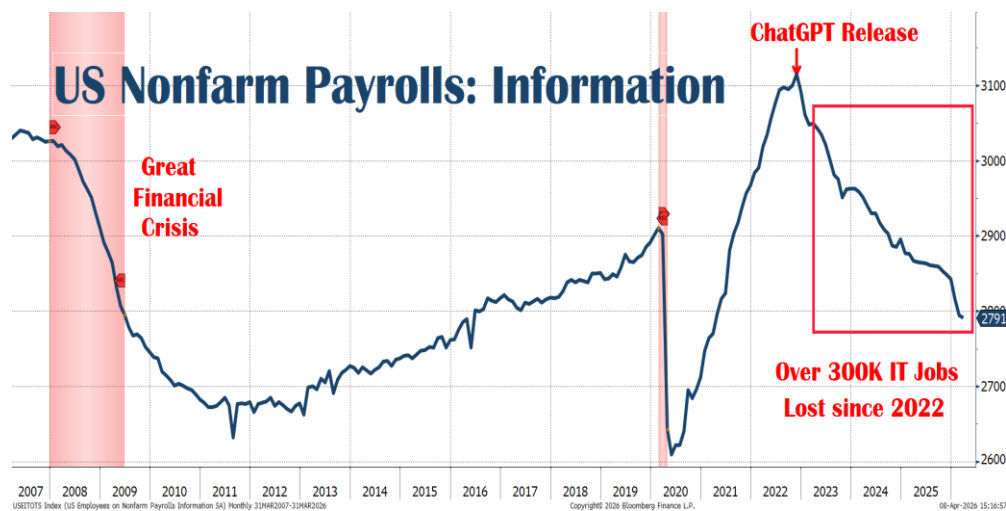
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Not surprisingly, four out of 10 workers worried about AI-driven job loss, nearly twice as many as last year. Sixty-three percent believe AI will make work less human, and skill demands in AI-exposed jobs are shifting 66% faster.

With all that in mind, I suggest a read of [“Economists Once Dismissed the A.I. Job Threat, but Not Anymore”](#) (*The New York Times*).

It is becoming very clear that AI is exerting an impact on the labor market, and these are early days of this disruptive force. Since 2023, when this reason was first tracked, AI has now been cited in 99,470 job-cut announcements, or 3.5% of all layoffs during that period. Meanwhile, U.S.-based employers have cited AI in 12,304 job cut announcements, or 8% of total layoff plans so far in 2026.

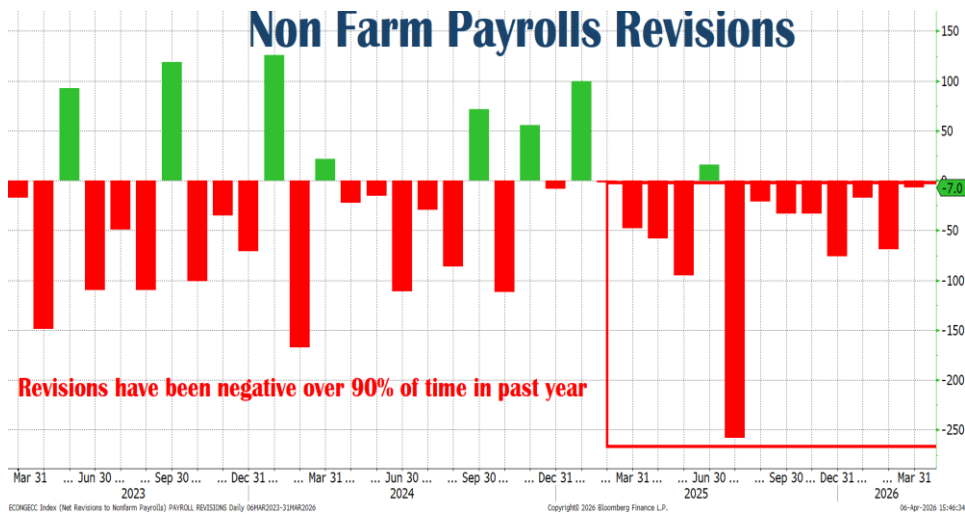
As shown below, U.S. information technology jobs have fallen below 2.8 million for the first time since the 2020 crisis. Over 300,000 jobs have been shed since late 2022. This is a similar decline to the one seen during the Great Financial Crisis.



Bottom line: It now appears that the widening impact of AI will end up being longer-lasting and more far-reaching than what many had believed.

LABOR MARKETS ARE NOT IN A GOOD PLACE

As I discussed last week, March non-farm payrolls shot the lights out — jumping by +178,000, the strongest in fifteen months while unemployment dipped to 4.3%. On the surface, the U.S. labor market looks strong. But the question I have is why economists were so enthusiastic about the March payroll report when we know with 100% certainty that this number will face revisions (and there is over a 90% chance that the revision will be down, not up).



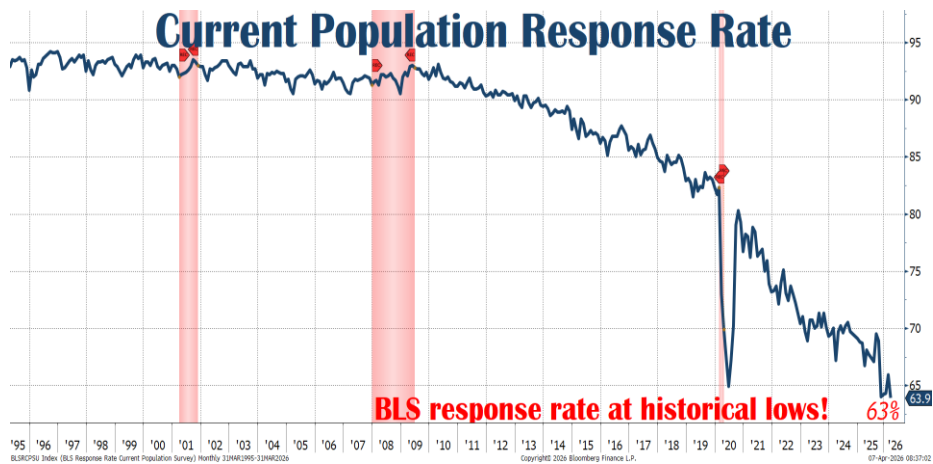
Let’s roll back the tape and review some of the latest non-payroll reports.

I am sure that all the Wall Street cheerleaders were all over the March 2025 payroll report like white on rice when it was first released, and the headline showed a gain of +228,000! How could they possibly have known that two months later, the actual headline was +120,000?

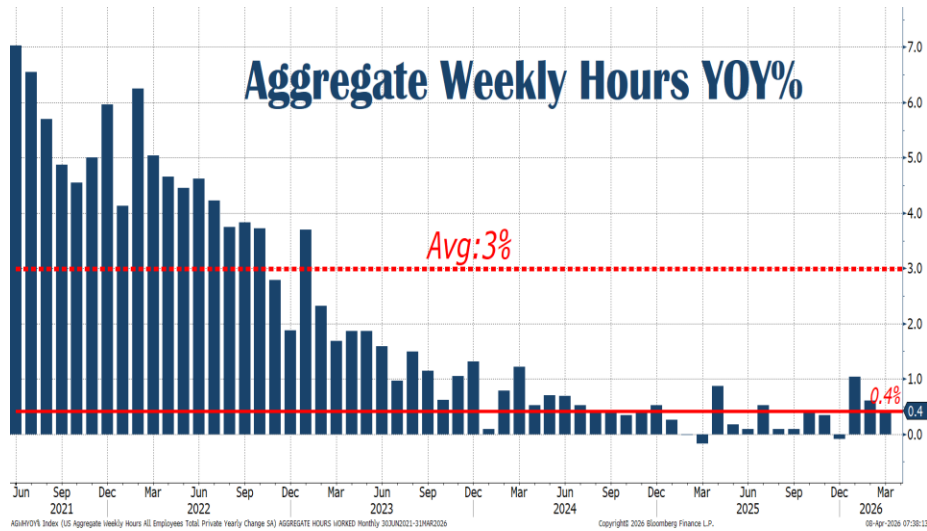
Or how about the +139,000 headline in May of last year that inevitably turned out to be +19,000? Or the +147,000 ripping headline in June that we now know was -13,000.

So, give me a GIANT break.

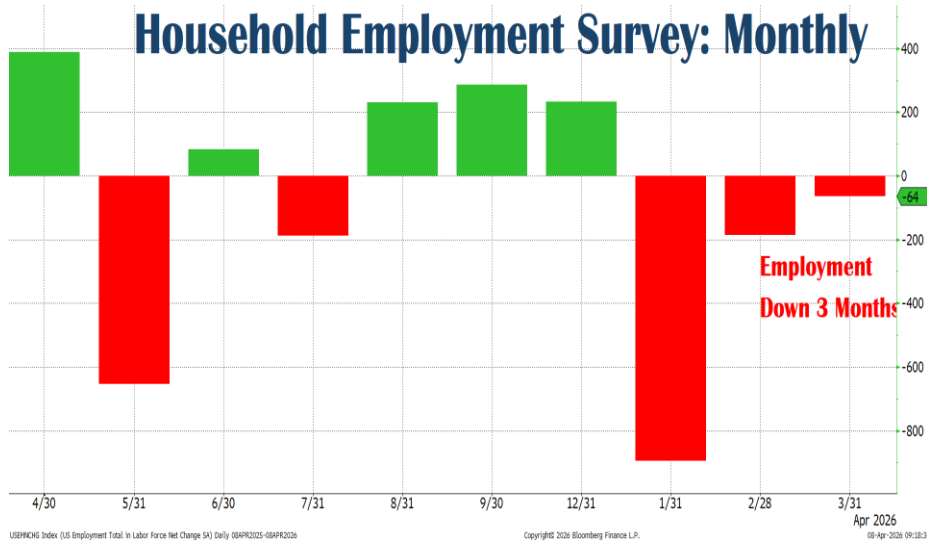
As shown below, the number of companies that respond to the survey is at a record low 63%! The cumulative revisions of the past year totaled -803,000 — having been revised down subsequently 92% of the time. Simply put: Garbage in, garbage out. In fact, why does anyone trade off these initial estimates based on record-low initial response rates and huge errors on the first release.



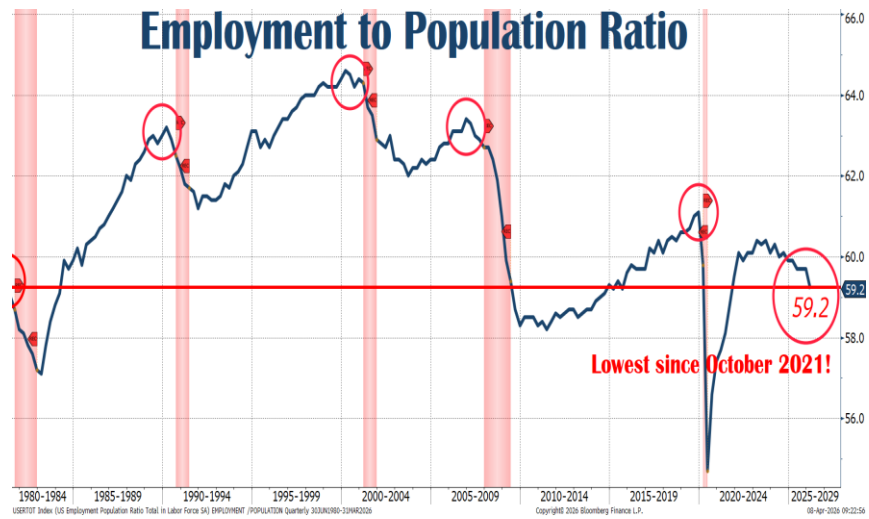
Meanwhile, the payroll report showed both average weekly earnings and aggregate hours worked fell in March (-0.1% and -0.2% month over month, respectively), a rare simultaneous decline that occurs only about 10% of the time. That’s what Wall Street says is a hot labor market?



Moreover, there was nary a mention anywhere that the household survey flagged a -64,000 drop after declining by -185,000 in February.



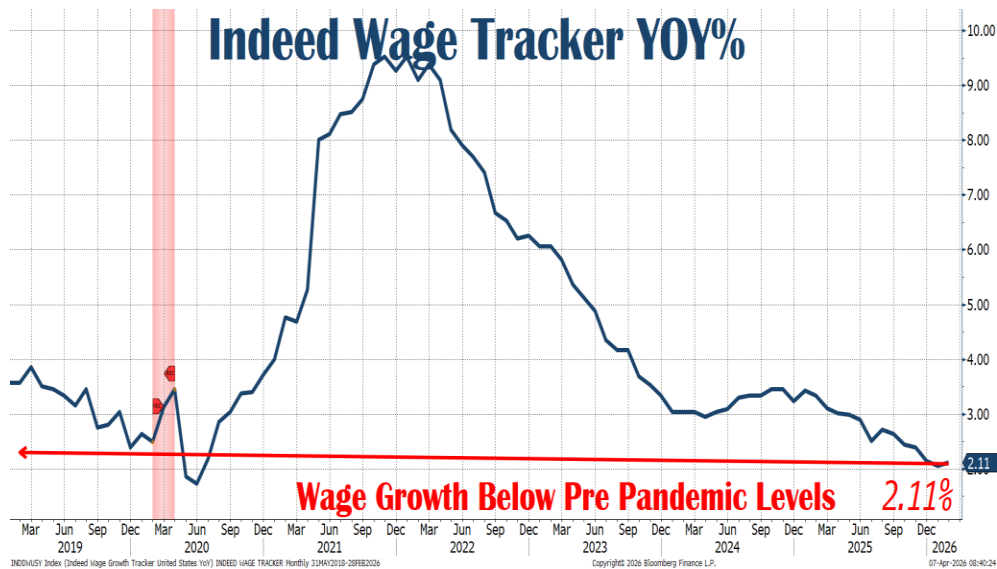
The employment-to-population ratio, which measures the percentage of a country's working-age population 15-64 that is currently employed, has gone from 59.7% in December to 59.2% as of March — the lowest it has been since October 2021 at the depths of the pandemic, and before that, during the Great Financial Crisis.



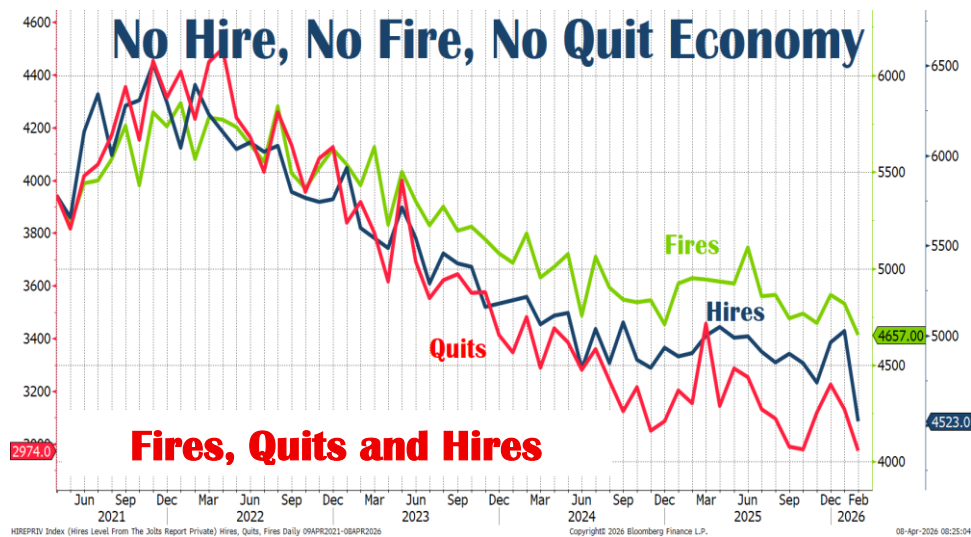
Despite claims that the U.S. labor market is strong, hiring rates — now at 3.3%, the lowest since the Great Financial Crisis in 2009 — suggest that labor demand is falling. Ultimately, labor demand drives wage rates, which are key for lasting inflation.



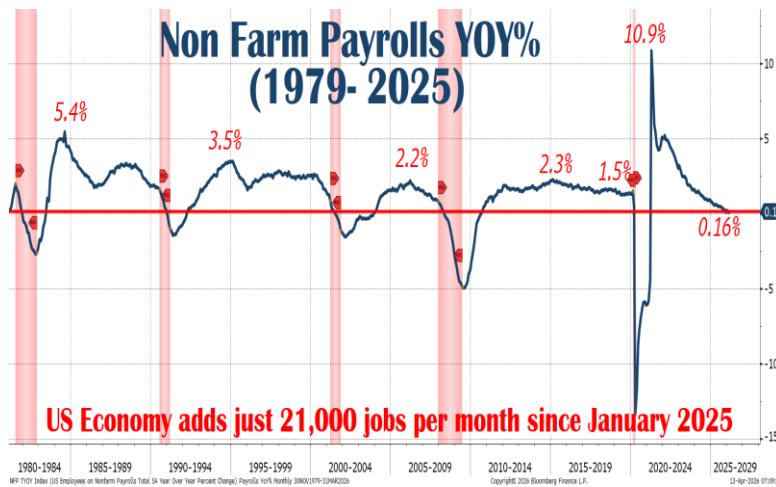
Yes, the unemployment rate did dip to 4.3% from 4.4%, but there is no evidence that the labor market is triggering any wage inflation. On this score, the year-over-year trend eased to +3.5% from +4.2% a year ago, and this is the slowest pace since May 2021. This is a fascinating anomaly because lower wage growth should not be happening in an alleged tight jobs market.



And let’s not forget the Job Openings and Labor Turnover Survey (JOLTS) data. The graph below pretty much summarizes the state of the labor markets in the U.S. today. Collectively, the hiring rate, firing rate and the voluntary quits rate were the worst since April 2020. Companies have significantly reduced both hiring new employees and laying off current ones. At the same time, employees are less likely to quit (as workers “hug” their jobs), preferring to stay in their current roles due to a lack of outside opportunities. The no fire, no hire, no quit labor market is a sign of a high-uncertainty economy, where hiring, firing, and job-switching plans are all on hold. This creates a frozen, stable, yet stagnant environment.



Here’s the cold, hard reality. U.S. job creation has NEVER been this weak outside of a RECESSION: The economy has added an average of just +21,000 jobs per month since the start of 2025, an annual pace of just +0.16%.

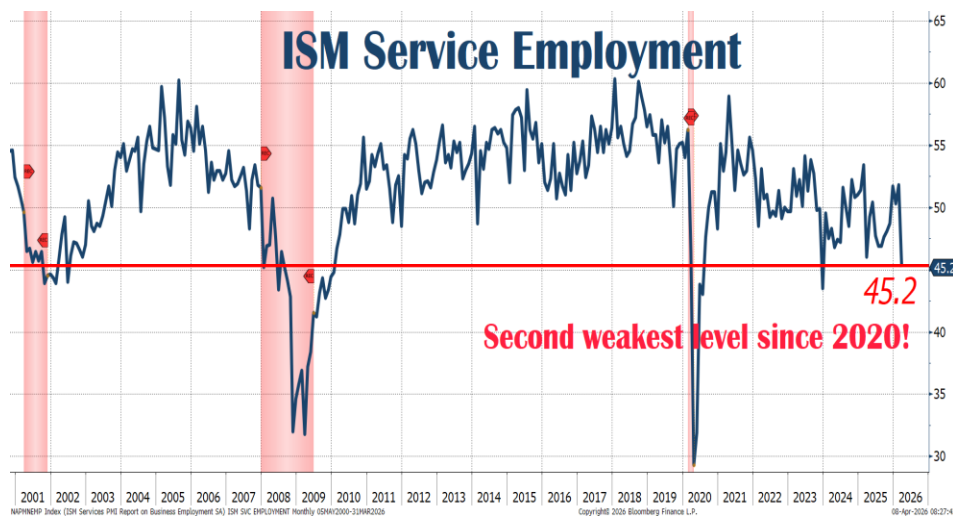


Bottom line: The folks at the Fed say the labor market is in “balance,” but from my perch, given the weak underlying hiring/quit rate and the near constant downward trend of payroll revisions, the labor market is not in a “good place.” In fact, without health care jobs, the economy would be losing jobs.

“BEST” OR “WORST” MONTH?

The Bureau of Labor Statistics (BLS) report painted a resilient picture, showing total non-farm payroll employment increasing by 178,000 in March. According to this report, the service-oriented industries drove much of these gains, (143,000 or 80% of the total payroll increase). This was the biggest increase since December 2024 if you believe the non-farm payroll report.

However, the Institute for Supply Management (ISM) Services Purchasing Managers’ Index (PMI) Report told a sharply different story. As if to smack Friday’s non-farm payroll report right in the face, the employment component sagged badly to a contractionary 45.2 from 51.8 in February. This was the worst month since 2023 and second softest since July 2020 if you believe the ISM survey.

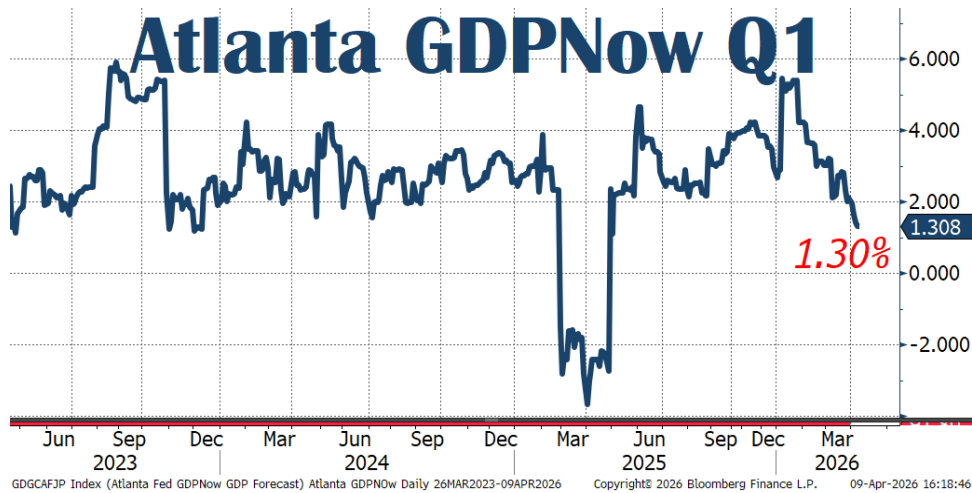


Bottom line: Take your pick because they both cannot be right! The thing is, does anyone really believe the non-farm payrolls headline when the revisions have been negative by over 90% of the time in the past year and by a total of ~ 800,000?

ECONOMY SLOWS

The final estimate of real gross domestic product (GDP) growth for Q4 was lowered from the initial figure of +1.4% to a microscopic +0.5% annual rate. We have come a long way in the wrong direction in a very short time. For all of 2025, the economy grew by a meager 2.1%, down sharply from 2.8% in 2024 and 2.9% in 2023. In fact, under Trump, the U.S. economy was weaker in 2025 than during any year under Biden!

Meanwhile, the Atlanta Fed Nowcast is down to just +1.3% for Q1 (+0.9% for real final sales) from +2.8% in mid-March. Yet, in the mother of all anomalies, everyone seems to believe the economy is running hot! And that includes the policymakers over at the Federal Reserve. Go figure that one out.



Bottom line: The economy continues to weaken under the weight of high tariffs, lower immigration and now the war with Iran. Mark Zandi, the chief economist at Moody’s, believes that the U.S. economy may have already tipped into recession.

INCOME DECLINES

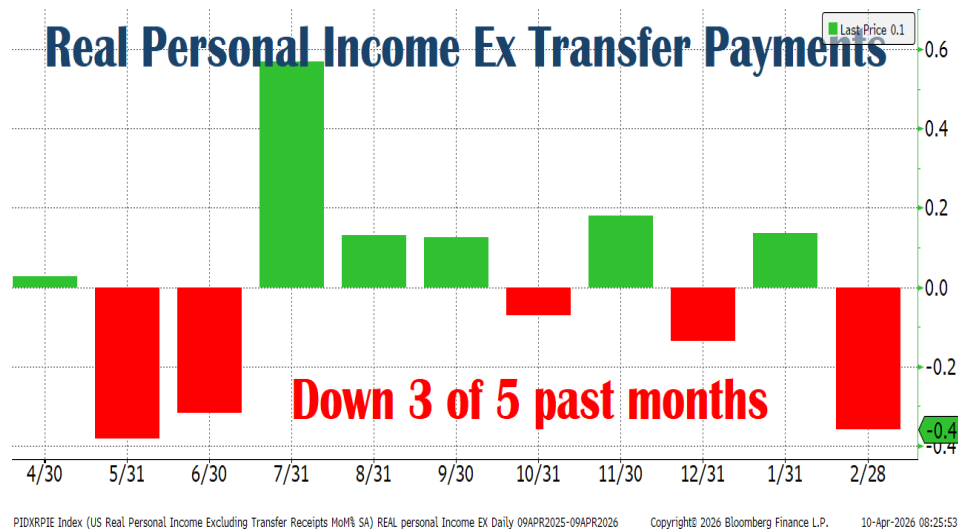
The Bureau of Economic Analysis’s (BEA) Personal Income and Outlays report for February 2026 showed an unexpectedly big decline in real (inflation adjusted) income. Real personal incomes were down a hefty -0.4%, and we know from last Friday’s non-farm payroll data that we can expect more of the same for March even with all the ballyhooed income tax refunds! Inflation-adjusted after-tax incomes contracted by -0.5% on a month-over-month basis, which is a real shocker.

Personal Income and Real Personal Income Month-Over-Month

Metric	Month-Over-Month%
Personal Income	-0.1%
Real Personal Income	-0.4%
Real Disposable Personal Income	-0.5%
Real Personal Income Excluding Transfers	-0.4%

Moreover, real personal incomes net of government transfer receipts (e.g., Medicare, Medicaid, Social Security, disability payments and food stamps (SNAP), a bellwether recession sign, slumped by -0.4% month over month and have

been running negative in three of the past five months. This metric peaked last November and is now down by -1.4% at an annual rate, in a telltale sign of a shift taking hold with respect to the economic cycle.



Meanwhile, with January and February data in the books, real consumer spending for Q1 is thus far running at the grand total of a +0.6% annual rate. This likely spells more downward GDP revisions and should dispel the notion that the U.S. economy had any forward momentum to speak of before the Iran war broke out.

Something else to consider: Had the savings rate not been drawn down to 4.0% from 4.5% in January — as in, if households had dared to spend within their means — real consumption would have plunged -0.4% in what would have been the biggest drubbing in nearly two years.



Bottom line: If it feels like you are not getting ahead, here’s the simple explanation: You aren’t getting ahead. Real personal income, real personal income excluding transfers, and real disposable income are all lower than they were in April of 2025. Looking ahead, inflation from the war in Iran is going to weaken real incomes and real GDP.

And the Fed is in a difficult spot. The only way the Fed will cut rates is if demand destruction from job losses is sufficient to reduce the inflationary impacts of war and tariffs. This is not a good economic setup for the average person.

LOPSIDED ECONOMY

“Their financial situation is about as good as it’s ever been.” – Mark Zandi, Chief Economist, Moody’s Analytics

According to Moody’s Analytics, almost half the consumer spending growth last year came from the top 10% of income earners. Those top earners, defined as Americans making at least \$251,000 in 2024, drove 49.2% of consumer spending in the second quarter of 2025. That share has steadily grown for years: It was about 46% in 2023 and roughly 43% in 2020. Surging stock prices, record-high home values, and years of pandemic-era savings have boosted their purchasing power even as many other households remain squeezed.

Meanwhile, there is a real crisis developing for lower-income Americans who have struggled with the end of pandemic-era aid and inflation. Credit card delinquency rates for low- and medium-income borrowers are now higher than at the pre-pandemic economic peak.

The thing is that these problems are now gravitating towards the middle class. And if the wealth effect on spending that has supported the consumer these past two years reversed course, now that home prices have stopped going up and the equity market is weakening, the high-end will no longer be able to be relied upon to act as an antidote.



Bottom line: The U.S. economy has been relying on the “wealth effect” to drive consumer spending. Should asset prices begin to decline, look for the higher end consumer to pull in his horns and reduce spending. If so, that could tip the economy into a recession.

INFLATION RISES

The Fed's favorite inflation indicator, Core Personal Consumption Expenditures (PCE) (a measure of price changes in consumer goods and services that exclude volatile food and energy costs), rose 0.4% month over month in February (pre-war), in line with expectations, with year-over-year PCE rising 3.0% (as expected, the lowest since December), down from January's +3.1%.



The much-watched Supercore PCE (services excluding shelter) rose 0.2% month over month with the year-over-year rise tumbling to +3.2%, in line with its lowest level since March 2021. However, it is notable that tariff effects are becoming more pronounced, with durable goods prices rising +1.1%, marking the sharpest increase since January 2022, while the service sector's pricing power appears to be moderating (+0.2%). According to Powell, when adjusting for the impact of tariffs on product prices, both headline and core inflation are closely aligned with the +2.0% target.

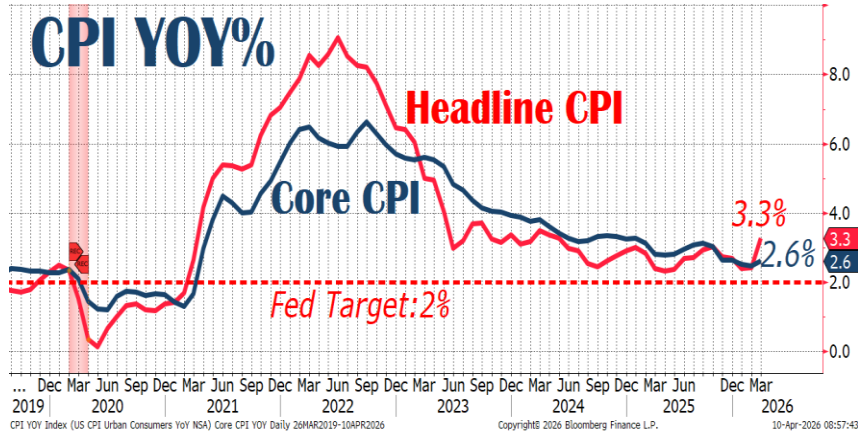


Bottom line: While the PCE was stable, one should take this with a giant grain of salt because this was pre-war. While PCE showed some signs of higher energy prices leaking into inflation prints, it was still February data. March Consumer Price Index (CPI) data will bear the full brunt of the Iran War's impact on energy costs.

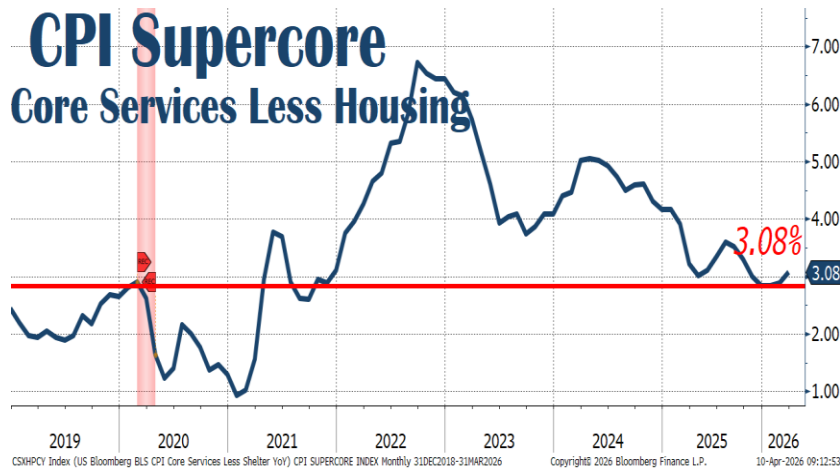
GASOLINE SOARS

In the first (and likely last) month of the Iran war, the CPI for March rose an as expected +0.9% month over month (the highest number since June 2022, when the Russian war with Ukraine was gaining momentum). Obviously, energy dominated the rise in headline CPI. The index for energy rose 10.9% in March, led by a 21.2% increase in the index for gasoline, the most pronounced increase ever — triple the worst month we saw in the 1970s energy crisis!

But the real key was the core index, which came in at +0.2% on a month-over-month basis (consensus was +0.3%). While the headline inflation rate accelerated to +3.3% from +2.4% in February, the core rate of inflation did tick up to +2.6% year over year from +2.5%. Strip out shelter, and the core rose just +0.1%, which is impressive price restraint.



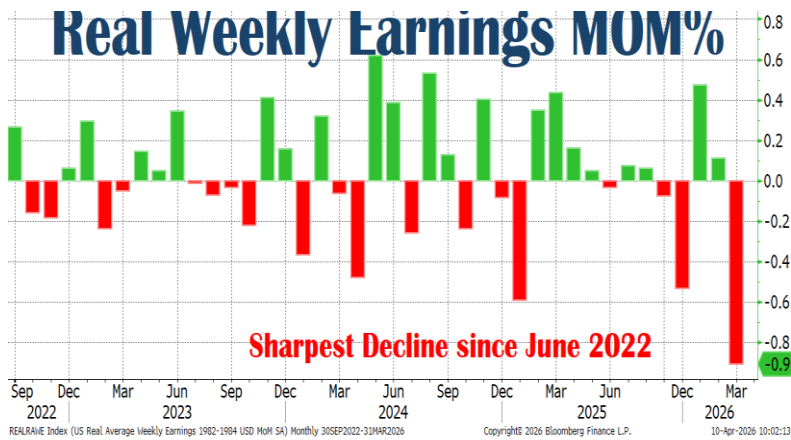
The Powell “supercore” services index came in below +0.2% as well and rose very modestly to 3.08% on a year-over-year basis.



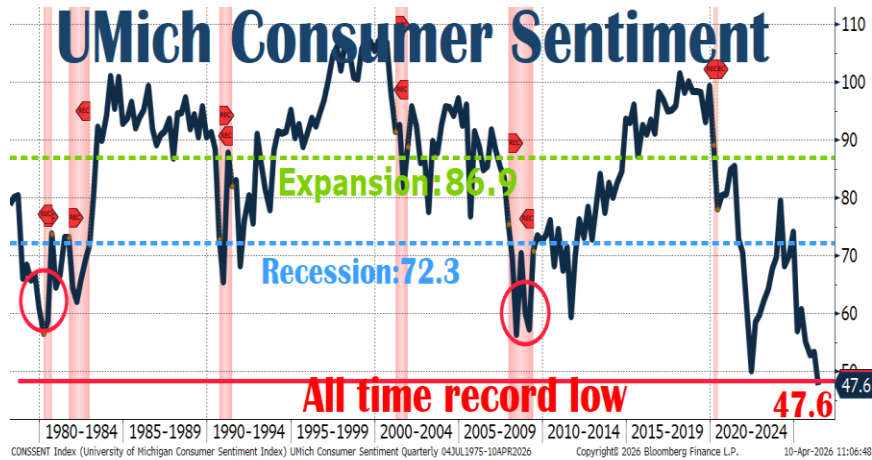
Bottom line: In the end, nothing too surprising for policymakers to fret over. All that should matter to the Fed is whether the energy is transmitted to wages and core prices. For the here and now, the market seems willing right now to look through the oil spike.

WAGES TANK

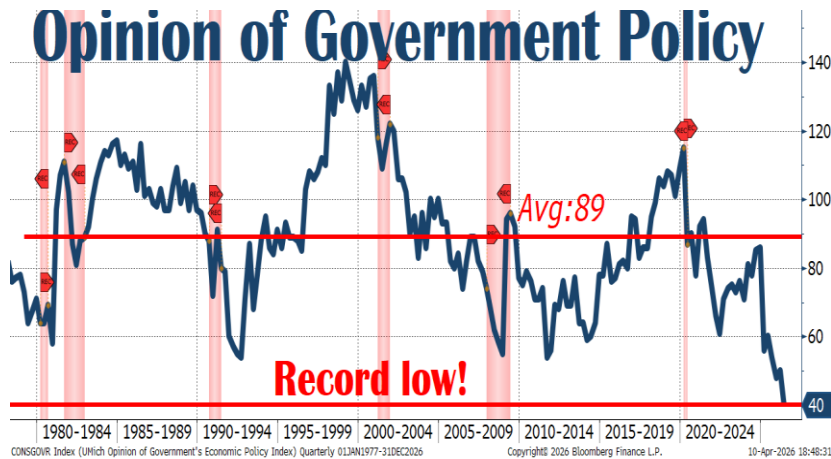
Consumers focus on headline CPI, not core. A -0.9% drop in average weekly earnings marks the steepest monthly decline since June 2022, when households had \$2 trillion in excess savings from pandemic stimulus checks. The year-over-year trend has slowed from +1.2% last year to nearly flat now.



With all that is going on, it's hardly surprising that the consumer remains in a deep funk. Indeed, the University of Michigan has been conducting a consumer confidence survey for 74 years (starting in 1952). The lowest reading in this history is the number out for April 2026 at 47.6. Today!



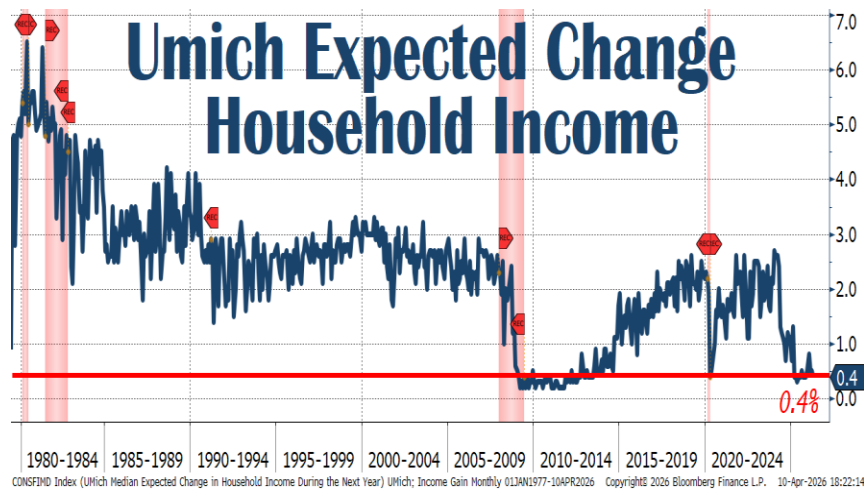
Could it be due to the lack of faith in the government? In early April, a record low 40% of Americans said the government is doing a good job on economic policy.



No wonder the proletariat is losing faith in the government — and it transcends this unpopular war. We have the Fed trying to fool the public with the oft-used word “stability” to depict the labor market. The average Jane and Joe obviously see things rather differently, because the share saying that unemployment will climb in the coming year has swelled from 58% in February to 68% in April — a level that was seen during the worst recessions of the post-World War II era, including 1973-75, 1980 and 2008-2009. There may not be a recession in purely technical terms, but for the majority, it still feels like one. The Federal Open Market Committee (FOMC) hawks would do well to shift their narrative because it is losing credibility.



Americans now see just a 38% chance of a nominal wage increase in the next 12 months, and just a 25% chance of any gain coming in real terms. As for the median expectation of nominal income growth — try a grand total of +0.4%. There is no evidence that the price shock is going to morph into a wage shock, as was the case in 2022 and 2023.

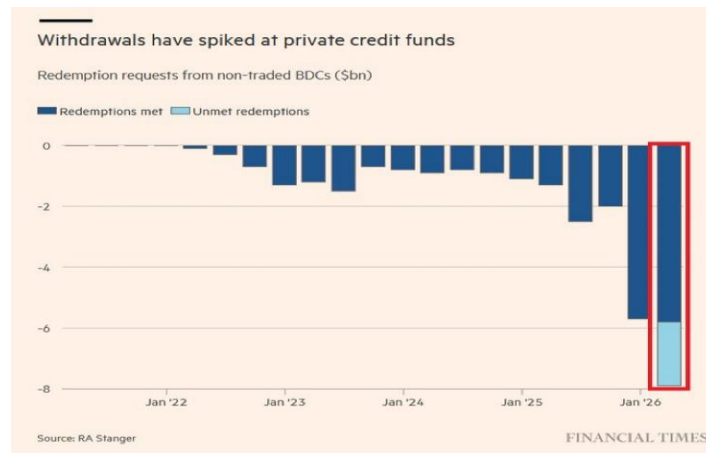


Bottom line: The consumer is in deeper trouble than commonly perceived.

PROSPECT OF A CREDIT CRUNCH

“Private credit insiders are remarkably proficient at kicking the can down the road, but it looks like the end of the road to me.” — Michael Burry, American Investor and Hedge Fund Manager

It seems that daily, we are seeing a private credit fund limit redemptions. Blue Owl stated late last week that it will cap redemptions from two of the largest private credit funds after confronting a wave of withdrawal requests — joining Apollo, Ares, Cliffwater and BlackRock on this path.



While virtually everyone is downplaying the prospect of a broadening credit crunch, asset manager stocks are now in an official bear market, down -20% from their nearby highs; the S&P 500 Insurance Industry Stock Index is off -13%; and the banks themselves are in correction terrain, off -10%.

Software producers are facing stress as a major funding source weakens; with stock prices down 30% from recent highs and compressed valuations, many companies may not last in their current form over the next decade.

Some investors recognize that risks in the sector could spread, as Wall Street banks have lent significantly to private credit firms using loan funds as collateral; defaults are rising, especially among insurance companies. Though big banks face less danger than during the subprime mortgage crisis, their lending to nondepository financial institutions has nearly doubled in three years — from \$1.1 trillion to \$1.9 trillion, now making up 14% of outstanding loans.

Forced loan portfolio liquidations may happen if mass selling occurs, raising contagion risk. Investor withdrawals could prompt funds to shrink or sell loans cheaply, increasing borrowing costs and reducing bank revenues while tightening credit.

The latest news indicates that the Federal Reserve is now requesting major U.S. banks provide information about their exposure to private credit due to rising redemptions and troubled loans in the sector. These inquiries aim to evaluate stress levels within private credit and its potential impact on the broader financial system. This follows the Treasury Department calling a meeting with domestic and international insurance regulators this month to discuss the same concerns.

Fed Chair Powell said last month that he is watching private credit but does not currently see it infecting the broader financial system. Then again, Powell saying he doesn't see private credit stress spreading to the broader financial system is exactly what central bankers say before it does. The Fed said the same thing about mortgage markets in 2007.

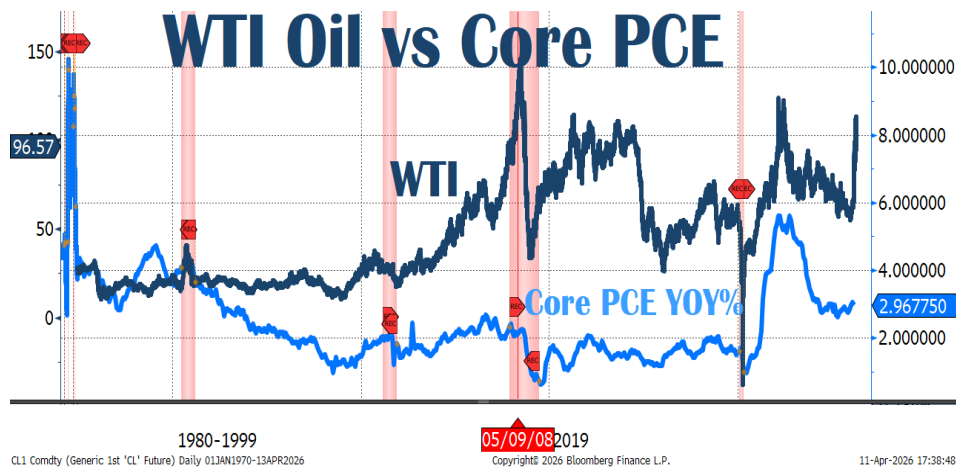
Bottom line: The actual structural problem at the heart of private credit isn't complicated. These funds made long-term illiquid loans and promised investors they could get their money out every quarter. That works until everyone wants out at the same time. What nobody can tell you is how a \$3 trillion market that barely existed before 2015 behaves when it gets there, because it never has before. A liquidity crunch in the making.

MARKET OUTLOOK AND PORTFOLIO STRATEGY

Geopolitical risks remain extremely high, and the macro data continue to confirm a significant slowdown ahead. As highlighted above, the U.S. Consumer Sentiment Index has hit record lows (with the weakest reading since the start of the survey in 1952!) and a deleveraging cycle is slowly taking hold, with private credit markets leading the way.

Long-term interest rates have gone up as some in the market are operating under the theory that high oil prices will drive inflation higher. This has the Fed Futures market projecting a 70% probability that the Fed keeps the target rate the same throughout the year. The balance is split between a cut or an increase. Once again, investors need to get a history book. **High oil prices do not cause sustainable core inflation.** The Fed doesn't look at CPI or PCE – they look at core inflation. This excludes the items that are most quickly and directly impacted by oil prices.

As the graph depicts, every time the price of oil has spiked, the core PCE has remained stable.



The week ahead will feature several useful surveys, including the New York Fed Empire State Manufacturing Survey on Wednesday and the Philly Fed Business Outlook on Thursday, along with the Fed's Beige Book on Wednesday. Industrial production will be released on Thursday. Producer Price Index (PPI) on Tuesday will also provide an update on inflation views, helping to gauge the effect of the March energy shock.

The Q1 earnings season is about to kick off with the banks, as usual. This time around, the key focus will be on the consumer, private credit and the oil price shock. Goldman Sachs reports on Monday, but the bulk of the releases will arrive on Tuesday and Wednesday, with major banks reporting before the market open. These reports will almost certainly drive sentiment and risk pricing around the mounting losses in private credit and private equity.

Another topic to watch in the bank reports is the impact of AI on hiring and firing activity, along with rising worries about cybersecurity. These will have implications for the outlook of the AI scare trade. I also expect to see signs of slower growth and a deleveraging cycle taking hold in the forward guidance of banks.

Bottom line: After a flurry of economic data these past two weeks, what we have been left with is a weakening labor market and degradation of U.S. first-quarter real GDP growth of +1.3% from over +2.0%, and real final sales of just +0.8% at an annual rate. There is precious little margin of error now in terms of moving into economic contraction.

I favor the front end of the yield curve where too much central bank tightening or not enough easing is priced in, from my point of view, and where real yields are attractive.

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The financial world and social media are often crowded with opinions and commentary about the markets and economy. I focus on filtering out the usual noise, rhetoric, and optimism that tend to emphasize potential rewards but often overlook related risks — a recurring issue in Wall Street research. My analysis strives to move beyond misleading narratives, critically evaluate headlines, and deliver comprehensive reviews of financial market movements and economic realities. While some may consider this approach too cautious, I see it as similar to a mechanic double-checking all safety features—recognising and understanding risk is vital and must not be ignored. This dedication sets the *Weekly Relative Value (WRV)* publication apart. Subscribers receive timely updates on important trends in the economy and markets, as well as key risks. To get future issues of *WRV* sent straight to your inbox, please subscribe [here](#).

MORE INFORMATION

For more information about credit union investment strategy, portfolio allocation and security selection, please contact the author at tom.slefinger@alloyacorp.org or (630) 276-2753.

As Alloya's Market Strategist, **Tom Slefinger** leverages nearly 40 years of investment strategy expertise to deliver insightful commentary on the economy and market events to optimize balance sheet performance at the credit union level. With thousands of subscribers, Tom's daily and weekly publications are widely read amongst credit union executives.

Prior to becoming the corporate's Market Strategist, Tom served as the Senior Vice President of Institutional Fixed Income Sales at Alloya Investment Services, a division of Alloya Solutions, LLC. In this role, Tom developed and managed operations associated with institutional fixed income sales in addition to developing investment portfolio strategies, identifying appropriate sectors and securities, and optimizing portfolio performance at the credit union level.

Tom holds a B.S. in business administration from the University of Maine. In addition, he holds a Series 7 and 63 through ISI.

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