CFO OUTLOOK
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A NOTE FROM OUR CHIEF LENDING OFFICER, BILL FINK

APRIL 2026

In our latest issue of ***CFO Outlook***, we look at the financial and economic landscape, with a focus on the outlook for U.S. stocks, oil prices, Federal Reserve interest rate policy and interest rates. Since our inaugural issue in January, geopolitical events have dominated our attention and headlines, with the United States launching a military action against Iran on February 28th. This operation, nicknamed "Roaring Lion," marked the start of a new and direct conflict that involves widespread military action. As of April 8, 2026, the United States and Iran agreed to a conditional two-week ceasefire, intended to pause hostilities. Despite the current pause, a permanent resolution has not been achieved.

The impact of the military action by the United States against Iran has rippled across the global and domestic financial and economic markets. In addition to volatility across debt and equity markets, crude oil, liquified natural gas and urea fertilizer prices spiked due to restricted marine traffic navigating the Strait of Hormuz. West Texas Intermediate (WTI) crude oil prices increased to $120 per barrel on March 8th before settling at $96 per barrel on April 10th as a result of the cease fire. Similarly, urea fertilizer prices spiked from $462.88 per ton on March 2nd to $704.04 on April 8th.

In speaking with CFOs during the past 30 days, there is concern about the present hostilities with Iran and a possible spillover into a wider conflict, but there is optimism that a peaceful resolution will be reached in coming months and that lasting damage to the U.S. economy will be avoided. Based on the March 2026 FOMC Summary of Economic Projections, Federal Reserve officials expect U.S. GDP growth to continue at a solid pace, with a median projection of 2.4% - 2.5% for 2026. While the U.S. core inflation rate increased from 2.5% in February to 2.6% in March, it is a year-over-year reduction from the March, 2025 U.S. core inflation rate of 2.80%. It remains to be seen if U.S. inflation will remain constrained in the face of higher oil prices, particularly if a resolution of hostilities with Iran is not achieved in the near-term.

In the face of these uncertainties, CFOs have emphasized they remained focused on three areas to foster continued revenue growth and profitability within their organizations. These areas are:

1. **Strategically Pursue Capital Investments**
   - If a capital investment can permanently reduce costs while meeting the business hurdle rate for return on capital on a sustained basis, then the investment may make sense to undertake.
   - The long-term benefits of permanently reducing costs through capital investments could provide a positive investment return in excess of the cost of capital, despite the fact that the Federal Reserve is not projected to reduce interest rates through the balance of 2026.
2. **Growth Through Acquisitions**
   - Despite the present interest rate environment and economic uncertainty, opportunities for acquisition continued to exist as the M&A market is restrained but not closed.
   - This may provide opportunities for CFOs to strengthen existing lines of business, increase market penetration or enter new markets and/or lines of business which have stronger growth prospects and provide greater financial returns.
3. **Fostering Organic Growth**
   - While business risks must be balanced, opportunities selectively exist to foster increased revenue growth through introduction of a new product or service into an exiting market, thereby deepening market penetration.
   - Alternatively, the enhancement of an existing product through technology upgrades with feature improvements resulting in greater product utility could generate new revenue opportunities.
   - If a CFO can identify opportunities for organic growth which provide returns greater than the risk-adjusted cost of capital, then these opportunities may make sense for business to pursue now.

At Provident Bank, we understand that, as CFO's, you are stewards of capital and the strategic captains of your organizations. Whether navigating the risks of the present geopolitical environment, the outlook for interest rates or evaluating growth opportunities, clear, balanced insight and trusted guidance are paramount. Provident Bank stands ready to discuss your financing and Treasury management needs to assist your organization in achieving its strategic and financial goals as we have since 1839.

We are pleased to collaborate with Beacon Trust, Provident Bank's wealth division, in delivering ***CFO Outlook***. We hope this resource supports you, as you plan, adapt and lead in the present economic environment.

Bill Fink
Executive Vice President
Chief Lending Officer
Provident Bank

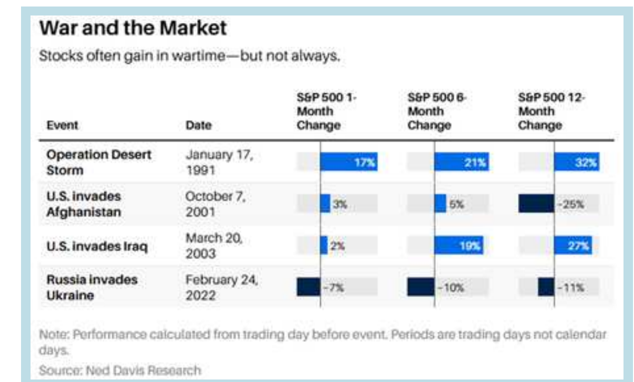
YOU HAVE QUESTIONS – HERE ARE OUR ANSWERS

1. How have U.S. stocks historically performed over the 6-12 months subsequent to the commencement of past military conflicts?
2. How is the military conflict with Iran likely to impact the economy?
3. What is the outlook for oil prices?
4. How might incoming Federal Reserve Chair Kevin Warsh's policies differ from those of Jay Powell?
5. What is the outlook for interest rates?
6. Will the problems in private credit noticeably impact the rest of the economy?
7. Will commercial real estate be impacted by the recent rise in long-term interest rates?

How have U.S. stocks historically performed over the 6-12 months subsequent to the commencement of past military conflicts?

Perhaps surprisingly, stocks on average have traded up over the 6-12 months subsequent to notable military actions since 1991's Operation Desert Storm. The numbers are similar going back to World War II, but we believe prominent wars over the past 35 years are likely the most relevant period. This period includes U.S. conflicts in Iraq (1991 and 2003), Afghanistan (2001), and Russia-Ukraine (2022). The average gain over the 6-month period was 8.8% and 6.5% over the longer 12-month period.

The exact sign and magnitude of the return vary, as shown in the graph below, but our point is that selling all stocks as part of a knee-jerk reaction at the advent of war may not be warranted. Instead, examining the impact of war on key economic variables and sectors may be a more levelheaded approach. Market participants tend to rapidly adjust to new information and look ahead several months. Our view is that if the current military actions in Iran wind down within the next few months, stocks may get back on track and provide returns similar to those cited above and in-line with their long-term historical averages. The tax benefits from the One Big Beautiful Bill, record high tax refunds, and the continued buildout of artificial intelligence (AI) give us reasons for optimism in the year ahead.



War and the Market

Stocks often gain in wartime—but not always.

Event	Date	S&P 500 1-Month Change	S&P 500 6-Month Change	S&P 500 12-Month Change
Operation Desert Storm	January 17, 1991	17%	21%	32%
U.S. invades Afghanistan	October 7, 2001	3%	5%	-25%
U.S. invades Iraq	March 20, 2003	2%	19%	27%
Russia invades Ukraine	February 24, 2022	-7%	-10%	-11%

Note: Performance calculated from trading day before event. Periods are trading days not calendar days.

Source: Ned Davis Research

How is the military conflict with Iran likely to impact the economy?

The main short-term economic impact of the military conflict with Iran is likely to result in higher inflation and depressed consumer confidence. Of course, the immediate inflation effect is visible in rising oil prices. West Texas Intermediate (WTI) crude oil prices increased from roughly $60 a barrel to over $110 a barrel as the conflict escalated. The jump in oil prices is easily seen in the graph below. Similar price patterns have been observed in Brent Crude prices which are more widely used in Europe.

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Natural gas prices have become even more distorted outside the U.S. since liquid natural gas (LNG) is difficult to transport and comes with additional production costs. Natural gas prices in the U.S. are trading below $3/MMBtu, a value even less than when the most recent military conflict with Iran started. In Europe and other regions, the picture is starkly different. Natural gas EU prices averaged $17.90 per MMBtu in March, up 59.4% from February.

The increase in energy prices not only reduces discretionary income, but may also negatively impact consumer confidence. Although consumer confidence is considered a "soft" data point, it bears watching since the consumer accounts for nearly 70% of U.S. GDP. The economy appears to have grown at roughly 2% during Q1 and the increase in inflation may crimp spending in real terms, potentially putting the economy at close to stall speed if wage growth does not accelerate and high energy prices persist. The long-term potential impacts of the war are currently unknown, but JP Morgan's Jamie Dimon has written aspirationally about the prospects of a more durable peace in the Middle East if the Iranian nuclear threat is eliminated.

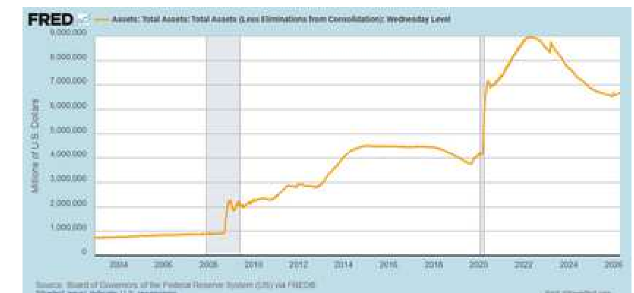
What is the outlook for oil prices?

Of course, the outlook depends to a significant extent on the duration of the conflict with Iran. Oil futures prices are showing a steady decline in the expected price of oil over the course of the year, from north of $100 a barrel today to less than $75 a barrel by year end. Drops of this magnitude are uncommon, so the market is likely pricing in a somewhat swift end to the conflict, or at a minimum, a ceasefire that would reopen the Strait of Hormuz. Roughly 20% of the world's oil supply passes through the Strait of Hormuz and the conflict with Iran has largely ground shipments to a halt. The Strait is not only a conduit of Iranian oil and gas, but also of other leading Persian Gulf exporters, including Saudi Arabia, Qatar, and the United Arab Emirates (UAE).

Oil is a global commodity, so although the U.S. is the world's largest oil producer, its multinational firms will gravitate towards the markets with the highest prices. America's effective control of Venezuela's substantial oil supply may place downward pressure on prices in the long-term, but it will take years and U.S. government guarantees to update its aged infrastructure. Petroleum is used in more than 6,000 products so its impact spans far beyond the traditional headline items, such as gasoline, jet fuel, and heating oil. The path of oil prices has become an unofficial barometer for the market's assessment of the duration of the military conflict and the path of the global economy.

How might incoming Federal Reserve Chair Kevin Warsh's policies differ from those of Jay Powell?

It is clear that President Trump wants the next Fed Chair to lower short-term interest rates, but Warsh, if confirmed, may need some time to persuade his fellow Fed governors to follow suit given the increasing levels of inflation. We have a hint of Warsh's prospective behavior from his earlier tenure as a Fed governor. Apparently, one reason for his resignation in 2011 was due to his disagreement with the Fed majority to keep expanding its balance sheet under its quantitative easing programs. Hence, we may infer that a long-term goal of Warsh's is to continue to shrink the size of the Fed's enormous balance sheet, shown in the graph below.



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Of course, before Warsh takes the reins as Fed Chair, he must be approved by the U.S. Senate. Republican Senator Thom Tillis, has vowed to block Warsh's nomination until the criminal investigation against Jay Powell is dropped. Furthermore, Jay Powell stated after the Fed's most recent press conference that he has no intention of stepping down either as Fed Chair or as Fed governor, until he is fully exonerated.

In some respects, Kevin Warsh may be cut from the same cloth as Alan Greenspan. That is, both believe that productivity improvements driven by technology may lead to economic growth without stoking inflation. Hence, Warsh may tout the benefits of AI as one lever to convince his fellow Fed governors to lower short-term interest rates. Warsh has also spoken about relying to a greater extent on real-time data to help set Fed policy as well as greater coordination with the U.S. Treasury.

What is the outlook for interest rates?

Of course, interest rates are not a single number but rather span the entire yield curve. It is fairly safe to assume that with Jay Powell still running the Fed and given our discussion about near-term inflation pressures, the Fed will likely be on hold over the next couple of meetings with respect to the short-term end of the yield curve. The Fed Funds futures market tends to be highly accurate looking out about 30 days. Forecasting short-term interest rates over longer periods of time is far less reliable. Nevertheless, it may be instructive to see what futures markets are pricing in by year-end, as shown in the picture below.

The chart shows that the most probable scenario is that the Fed will remain on hold for the duration of the 2026 calendar year. There is nearly a 27% chance of at least one cut of 0.25% and only a 1% chance of at least one increase of 0.25% by the end of the year. In our view, incoming Chair Warsh, if confirmed, will aim for at least one rate cut by year end, but his hands may be tied by inflationary pressures due to the ongoing military conflict in Iran. Long-term interest rates are determined by a mix of inflation expectations, economic growth, foreign investment, and budget deficits. The picture of these factors is mixed to negative, hence we believe a trading range of 4.0% - 4.5% for the benchmark 10-Year U.S. Treasury Note is the most likely scenario over the near-term.

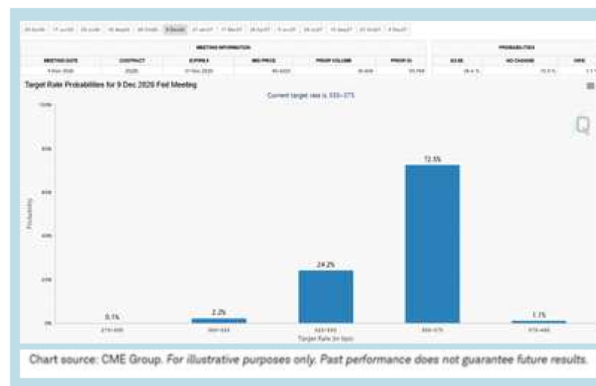

Chart source: CME Group. *For illustrative purposes only. Past performance does not guarantee future results.*

Will the problems in private credit noticeably impact the rest of the economy?

There may be a negative impact to the economy from the problems in the private credit market, but we expect it to be far less than what occurred during a run on many large banks during the Great Recession. First, private debt and equity funds are fundamentally different from banks. Many of these funds have a lockup period that often span 5 to 10 years. In addition, these funds often contain "gates" that allow firms to slow the process of redemptions. In contrast, a bank offers demand deposits. As the phrase indicates, depositors can literally demand all their money back on any business day. Hence, the likelihood of severe dislocations with the economy are muted for private credit funds. Jay Powell offered similar remarks during a recent speech at Harvard University.

Firms with poor credit ratings may find it more challenging to borrow capital. Private credit funds are finding it increasingly difficult to raise fresh investor capital, essentially curtailing their activities and lending operations. Private firms looking for capital may face a "back to the future" scenario, looking to local and regional banks for funding. Traditional banks are generally more conservative in their lending policies and have more restrictive covenants, often resulting in fewer losses. The graph below shows that commercial bank allowance for loan

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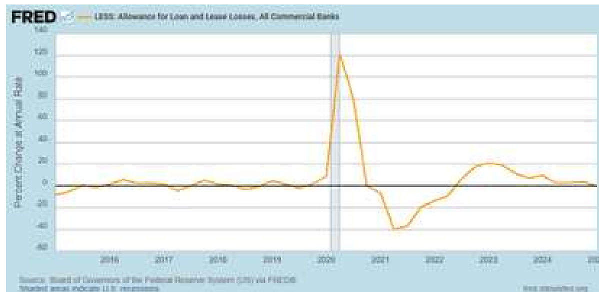
and lease losses is generally at or below long-term averages, resulting in a somewhat healthy loan environment. Hence, their balance sheets may be in relatively decent shape, allowing them to fill some of the gaps created by the retrenchment of newer, private credit funds.



Will commercial real estate be impacted by the recent rise in long-term interest rates?

To some extent the rise in long-term interest rates will negatively affect commercial real estate due to pure mathematics. That is, higher interest rates generally lower profitability for developers and increase costs for tenants, other things equal. The effect will mostly be related to organizations pursuing new loans and for those seeking to refinance existing debt. The 10-Year U.S. Treasury Note often acts as a base rate for both commercial and residential mortgages. The yield on the 10-Year U.S. Treasury Note bottomed at roughly 3.95% in late February. As of this writing, the 10-Year U.S. Treasury Note yield has increased to 4.35%. The forementioned problems with private credit funds may make it more challenging for marginal borrowers to get loans.

However, the news is not all bad. In somewhat underpublicized news, regulatory reform may enable banks to utilize more leverage, likely spurring increased lending activity. These regulations will positively impact community banks as well as their larger competitors. Morgan Stanley estimates that these reforms may unlock up to $100 billion in additional lending capacity or shareholder return initiatives. Return-to-office mandates continue to increase, allaying some of the fears of a commercial real estate apocalypse. Bank loan delinquency rates have continued to trend downward, creating a somewhat favorable backdrop for increased commercial lending.

Outlook provided by

John M. Longo, PhD, CFA
Chief Investment Officer
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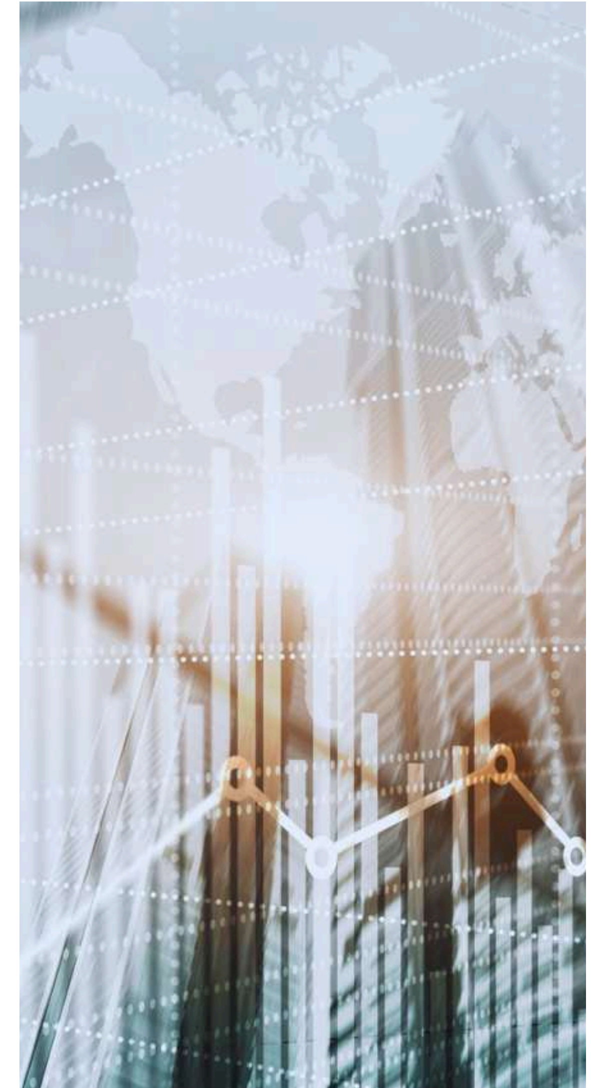

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AUTHOR INSIGHTS

Mr. Longo plays a key role in developing Beacon Trust's macroeconomic outlook and serves as co-portfolio manager for several of the firm's investment products. He has 25 years of investment management experience. He contributes to Beacon Trust's thought leadership in the field of investment management and strategy and represents the firm, as invited speaker, at numerous financial-related conferences throughout the world. He is the author of *The Art of Investing: Lessons from History's Greatest Traders and Buffett's Tips: A Guide to Financial Literacy and Life.*

Mr. Longo is also a Distinguished Professor of Finance & Economics at Rutgers Business School and spent 7 years at Global EMBA Asia – the joint international Executive MBA Program of Columbia University, London Business School, and The University of Hong Kong. Columbia Business School bestowed upon him its Executive MBA Commitment to Excellence award in 2022. Previously, Mr. Longo was a Vice President at Merrill Lynch, where he played an instrumental role in creating and managing investment strategies for Merrill Lynch's Strategy Power product. Strategy Power eventually gathered over $1 billion in managed account assets.

Mr. Longo holds PhD and MBA degrees in Finance and a B.A. degree with a double major in Computer Science and Economics, all from Rutgers University and is a chartered financial analyst (CFA).

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