

APOLLO

# Outlook for public and private markets

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**Apollo Global Management**

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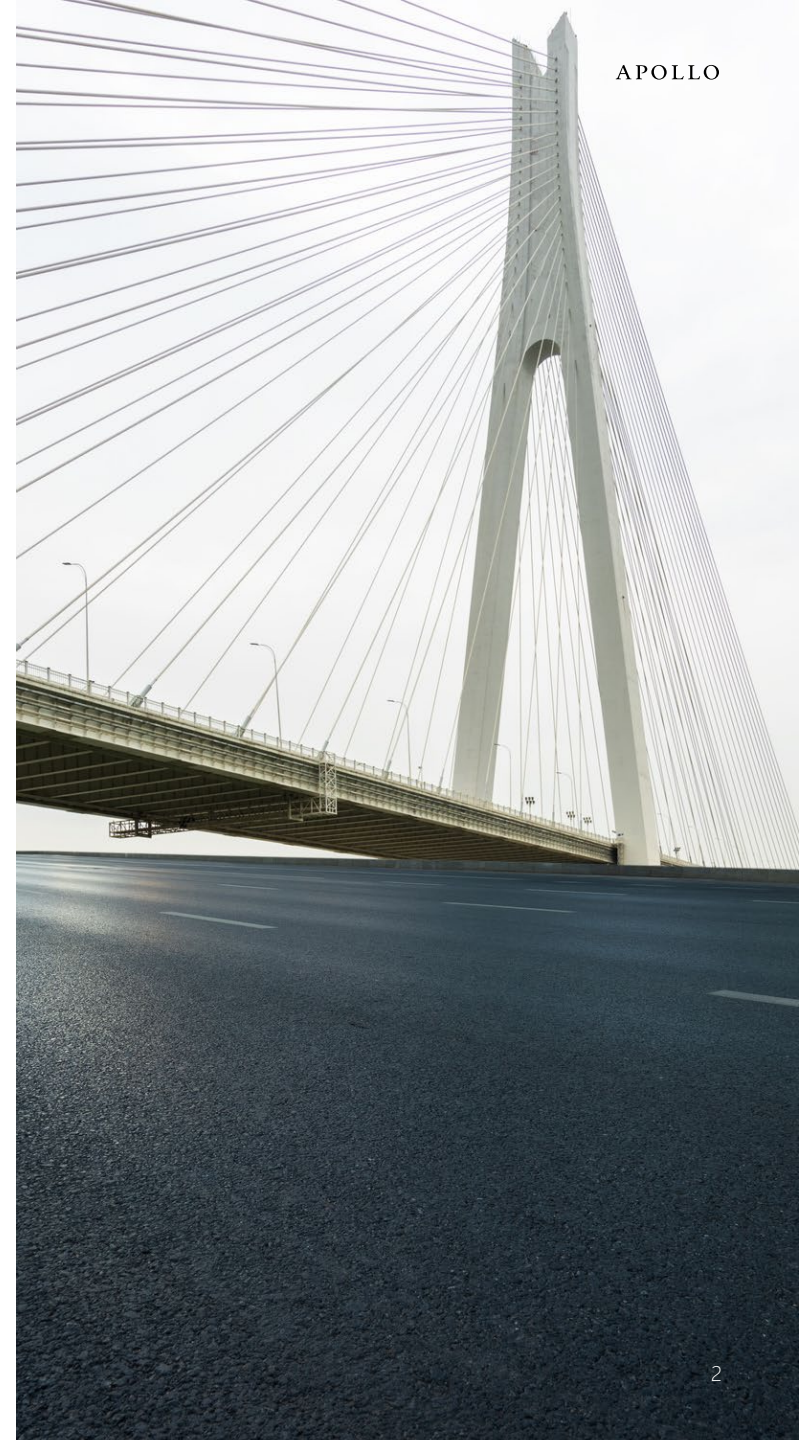
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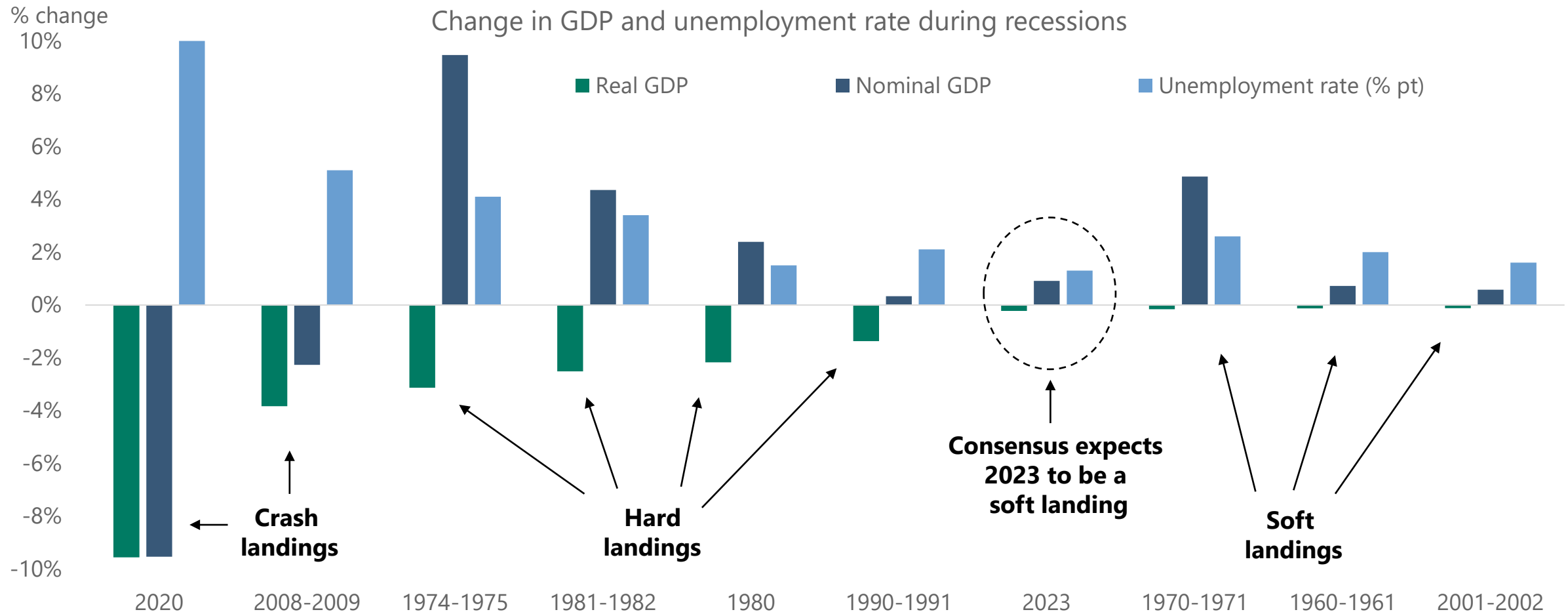
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# The consensus expects negative growth for the coming three quarters



# GDP and unemployment rate change during recessions

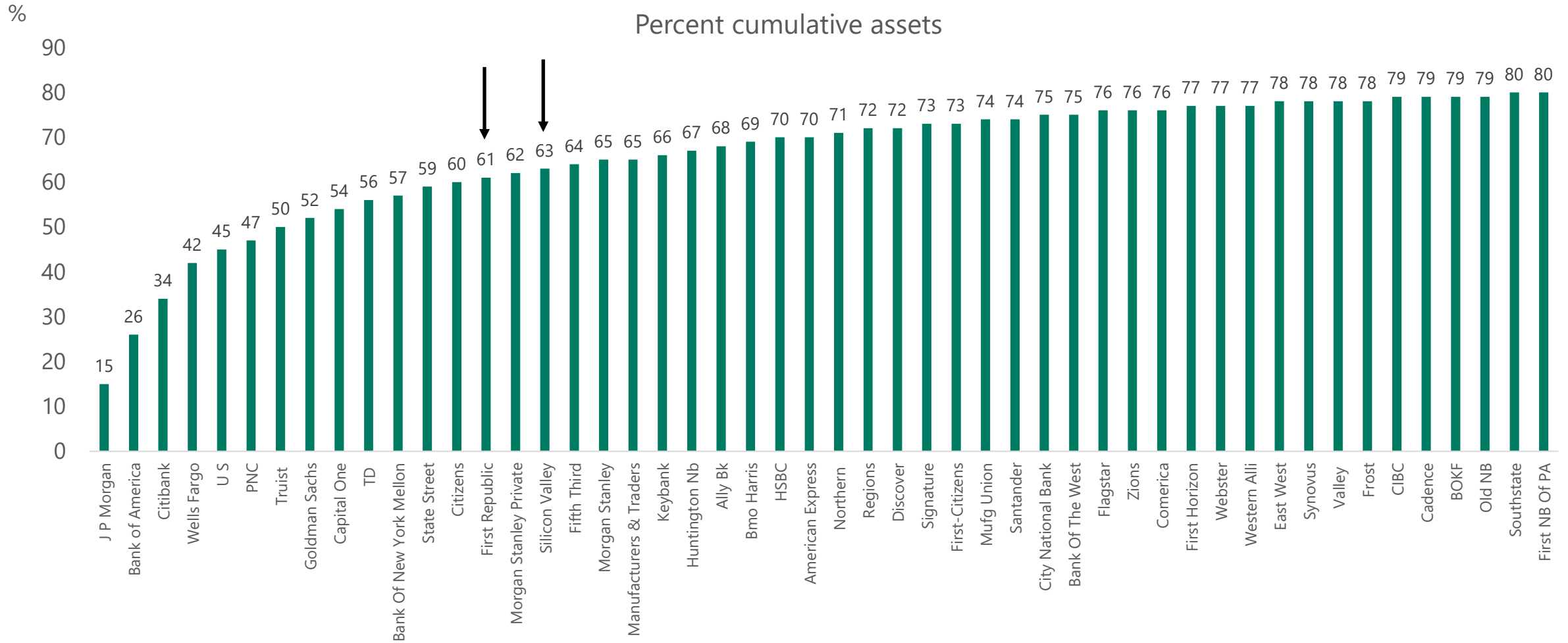


Source: BEA, Haver Analytics, Apollo Chief Economist. Note: Estimates shown for real GDP and nominal GDP are for the period covering the peak-to-trough decline in real GDP. Unemployment rate is trough to peak.

The banking sector

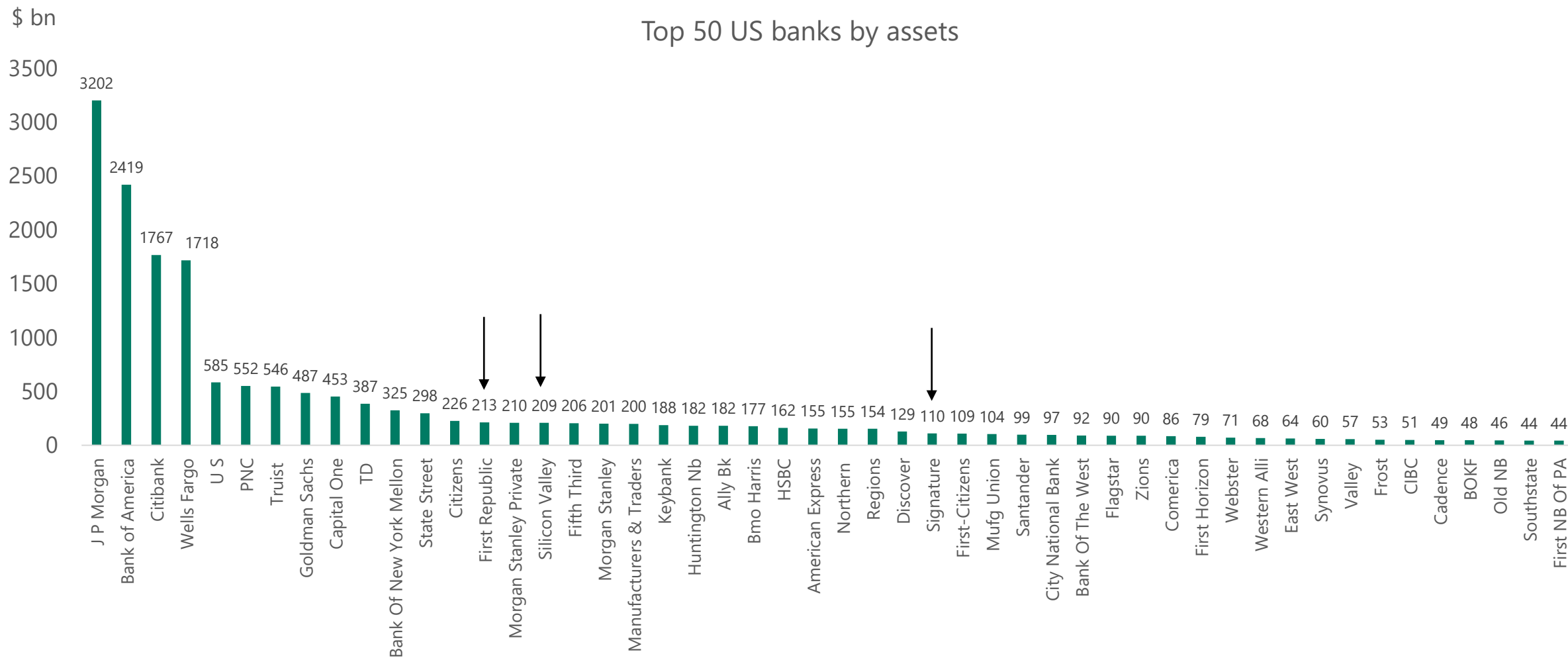


# Tighter credit conditions are coming: Banks “to the right” of SVB are likely to immediately start reorganizing their balance sheets



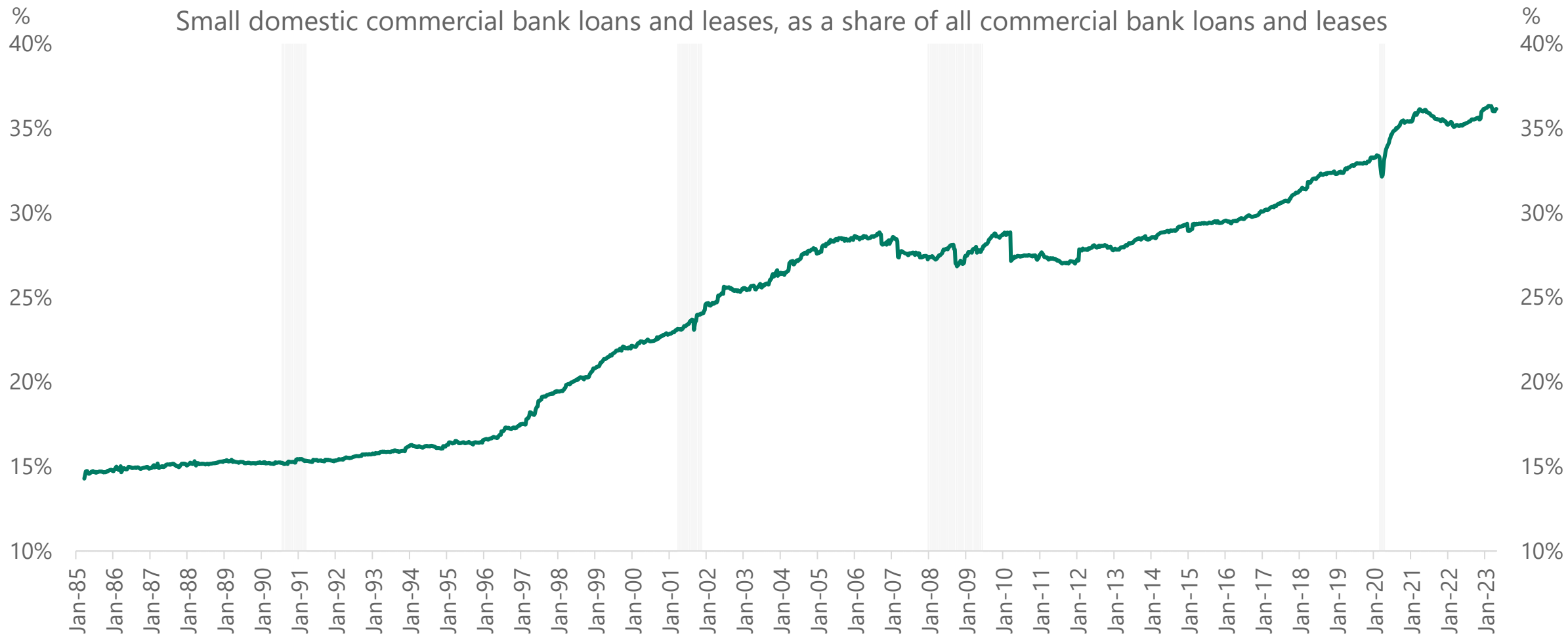
Source: Federal Reserve Board, Haver Analytics, Apollo Chief Economist. As of Q4 2022. Represents the views and opinions of Apollo's Chief Economist. Subject to change at any time without notice.

# Top 50 US banks by assets



Source: Federal Reserve Board, Haver Analytics, Apollo Chief Economist. As of Q4 2022.

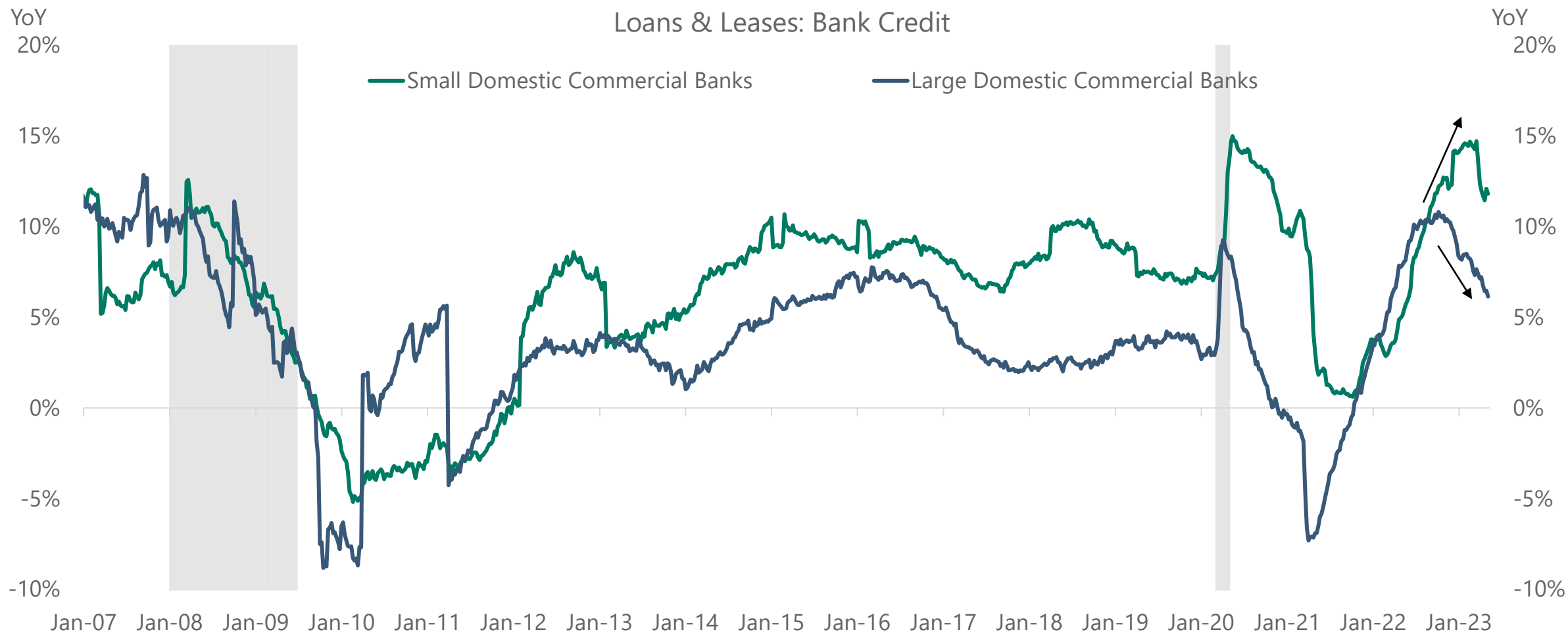
# Share of lending by smaller banks rising



Source: Federal Reserve Board, Haver Analytics, Apollo Chief Economist.

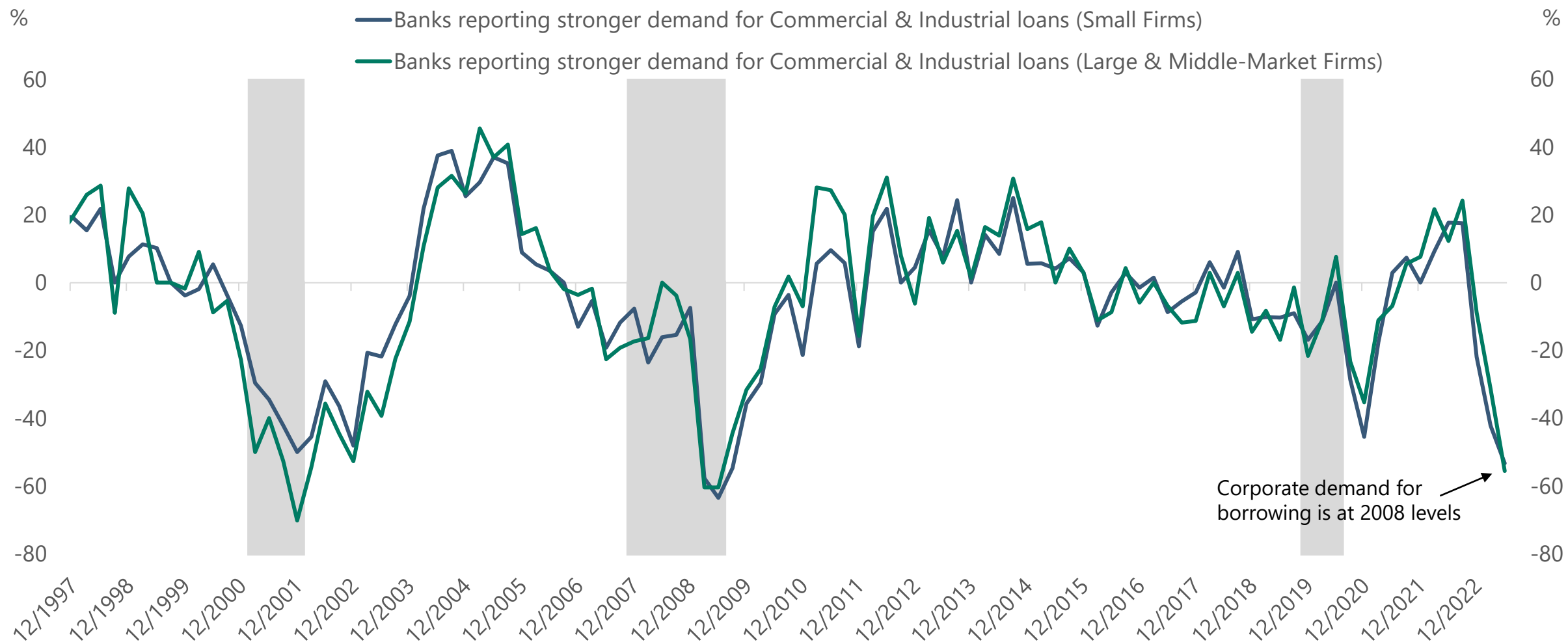


# Divergence between small bank and large bank lending growth over the past year



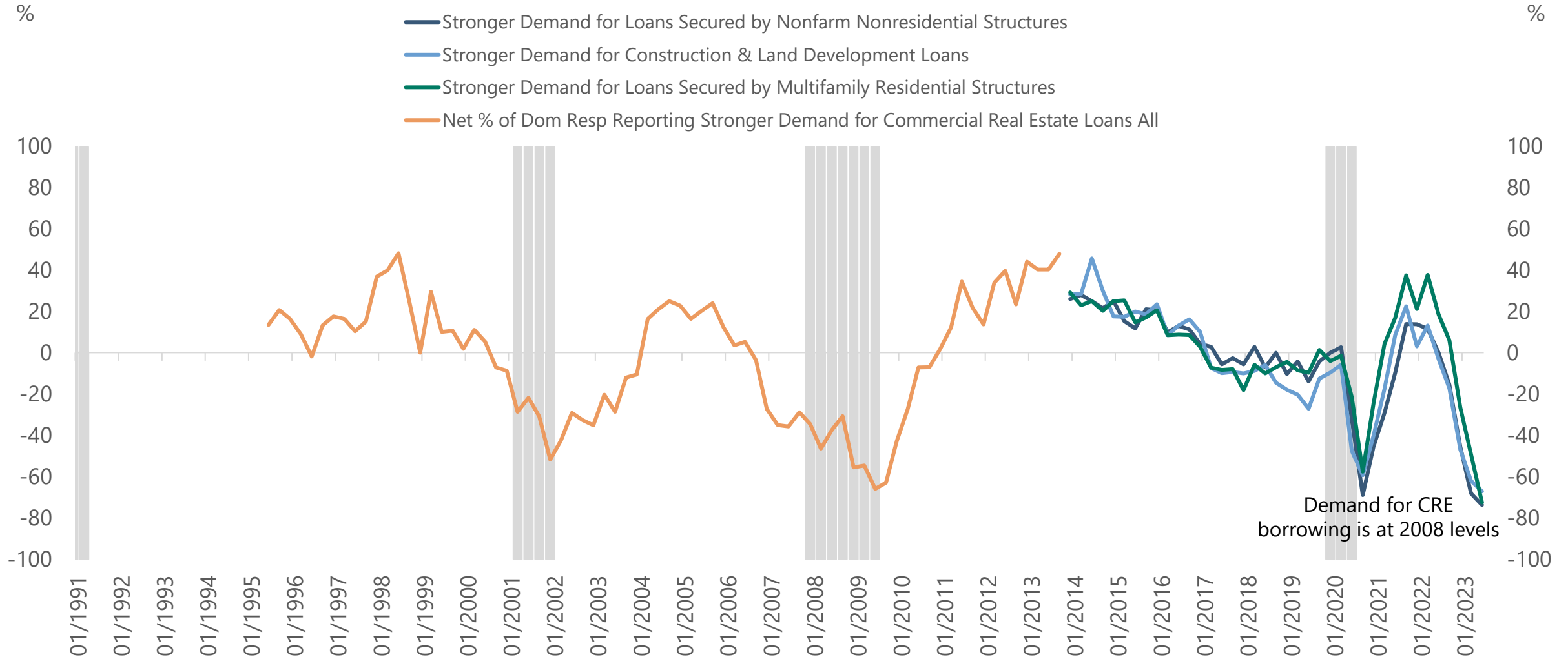
Source: Federal Reserve Board, Haver Analytics, Apollo Chief Economist.

# Demand for corporate loans is at 2008 levels



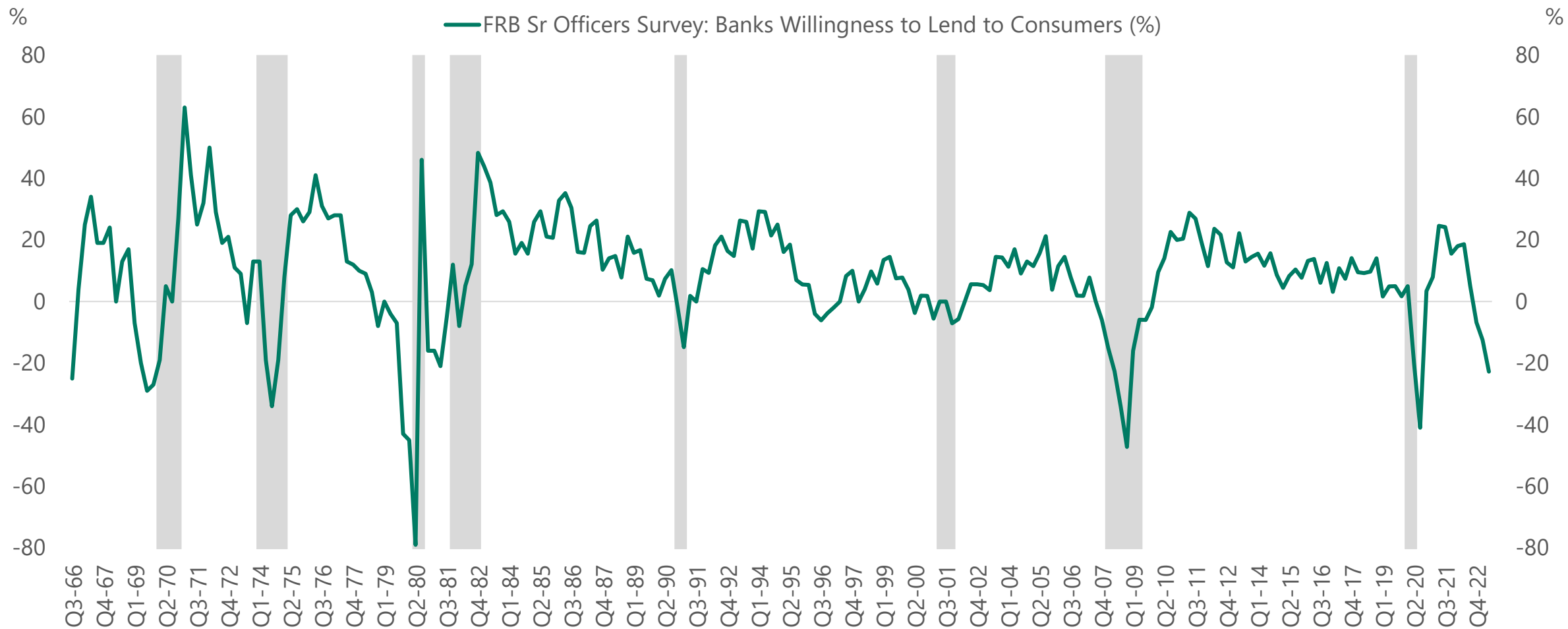
Source: FRB, Bloomberg, Apollo Chief Economist.

# Demand for commercial real estate loans is at 2008 levels



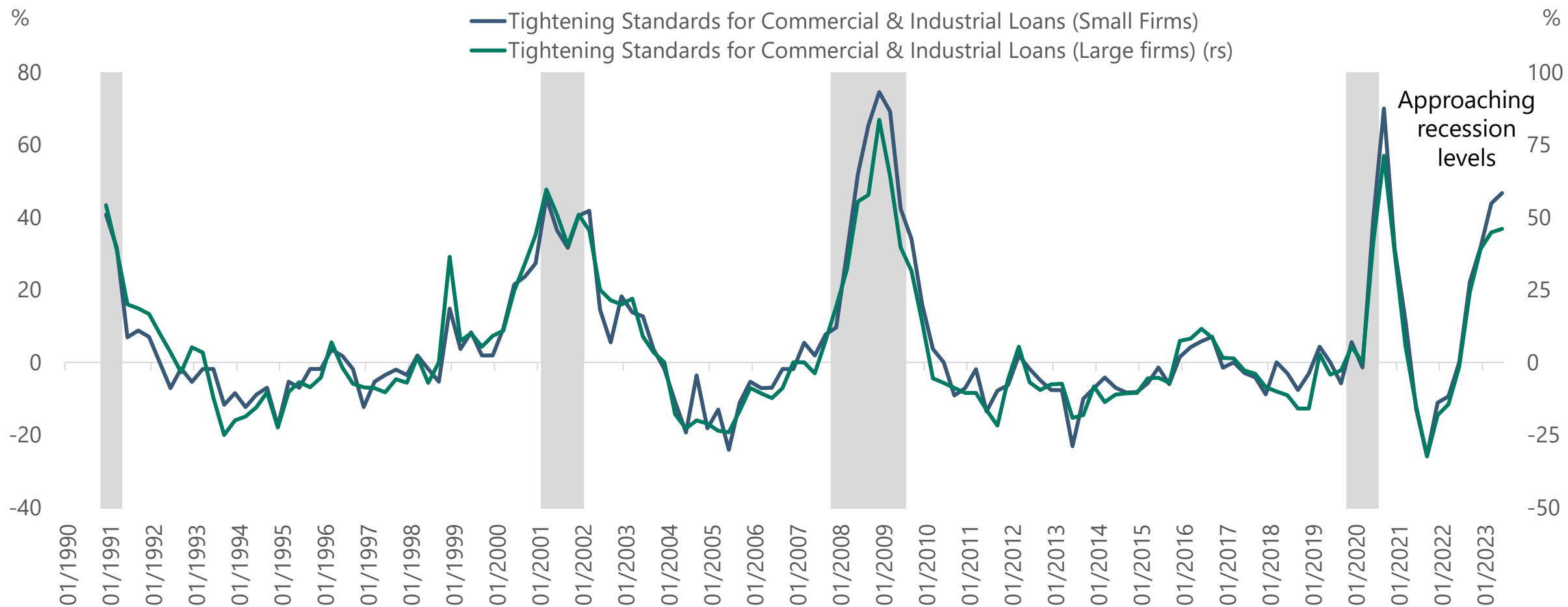
Source: FRB, Bloomberg, Apollo Chief Economist.

# Banks' willingness to lend to customers approaching 2008 levels



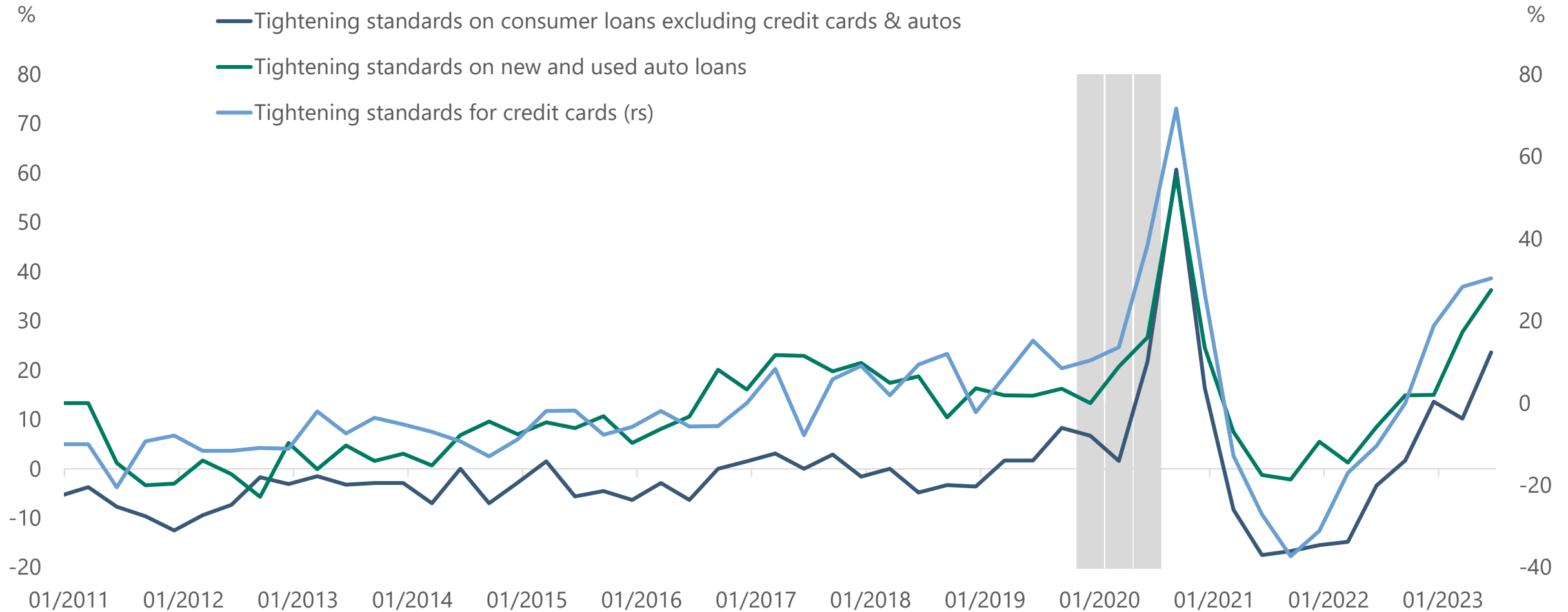
Source: FRB, Bloomberg, Apollo Chief Economist.

# Banks are tightening lending standards significantly, near 2008 levels



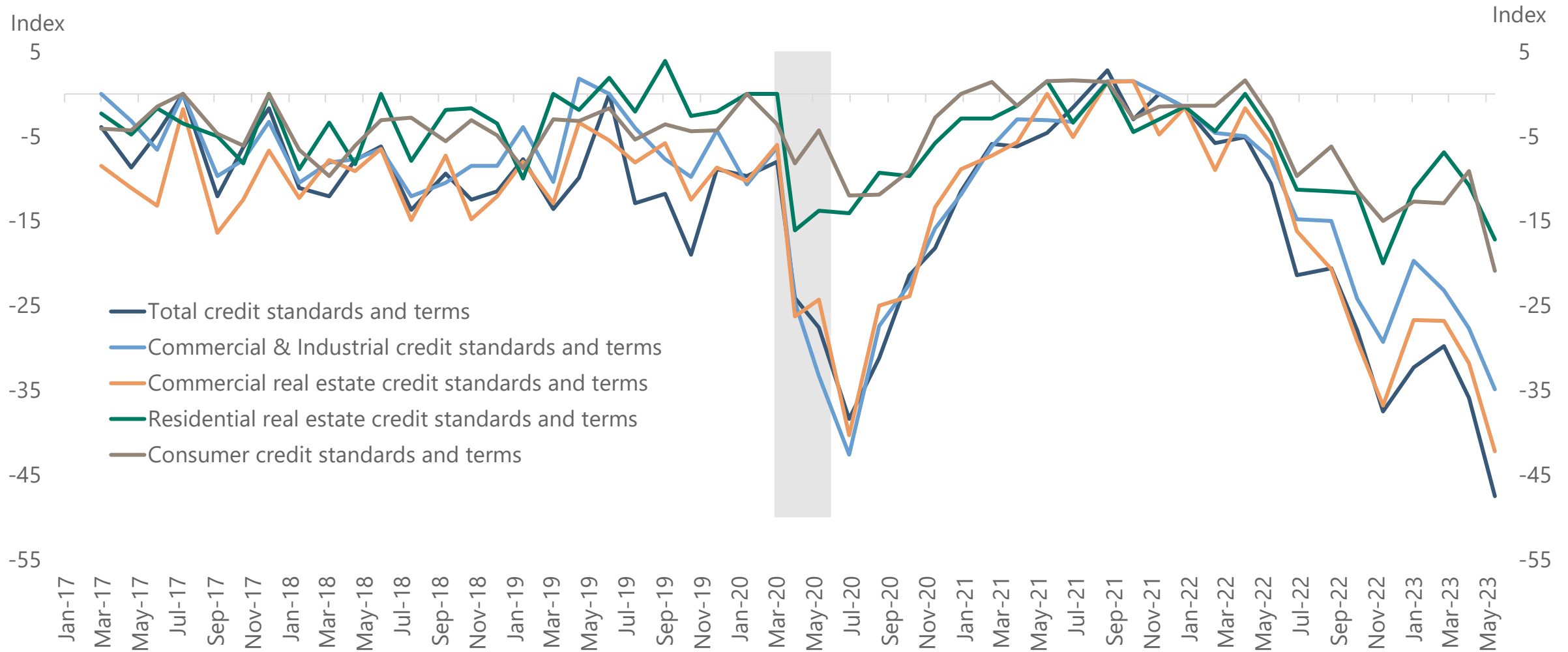
Source: FRB, Bloomberg, Apollo Chief Economist.

# Lending standards are tightening for consumers, approaching 2008 levels



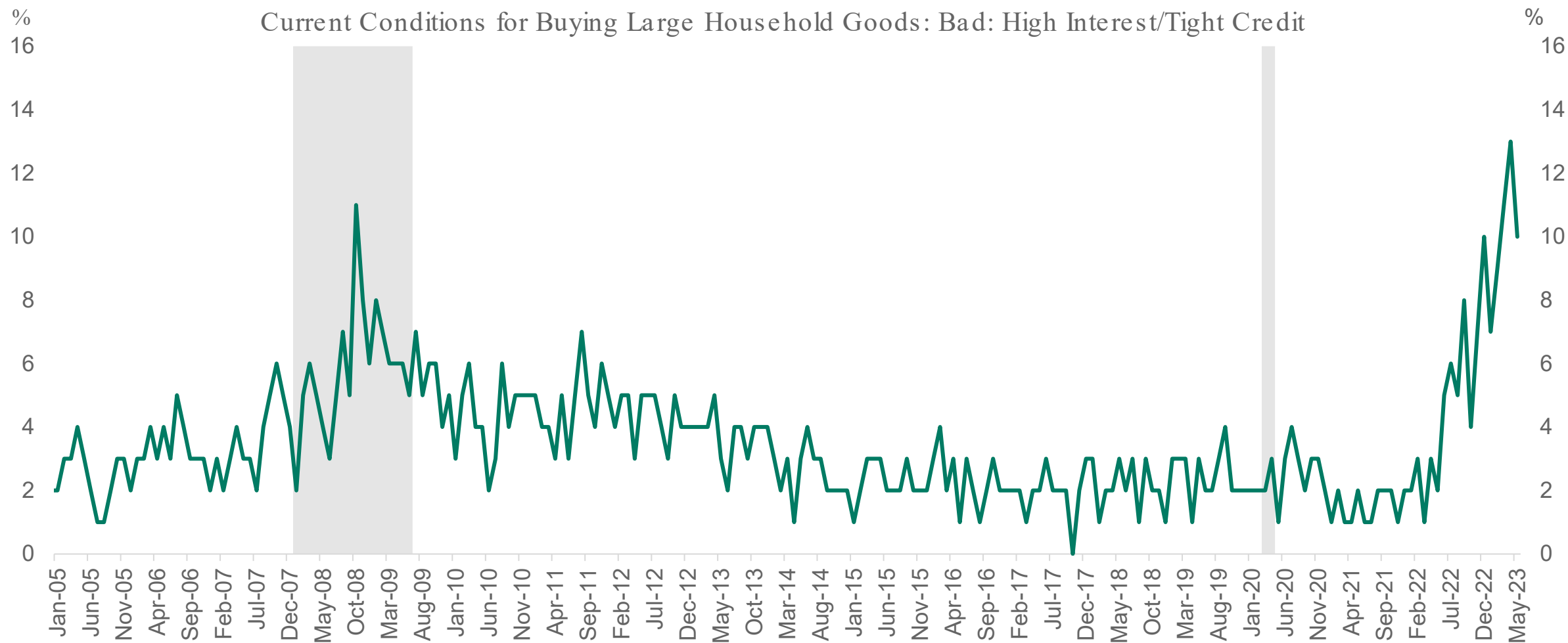
Source: FRB, Bloomberg, Apollo Chief Economist.

# Credit standards at 2020 levels and deterioration continues



Source: Banking Conditions Survey, Federal Reserve Bank of Dallas, Apollo Chief Economist. Note: Data were collected May 2–10, and 67 financial institutions responded to the survey headquartered in the Eleventh Federal Reserve District.

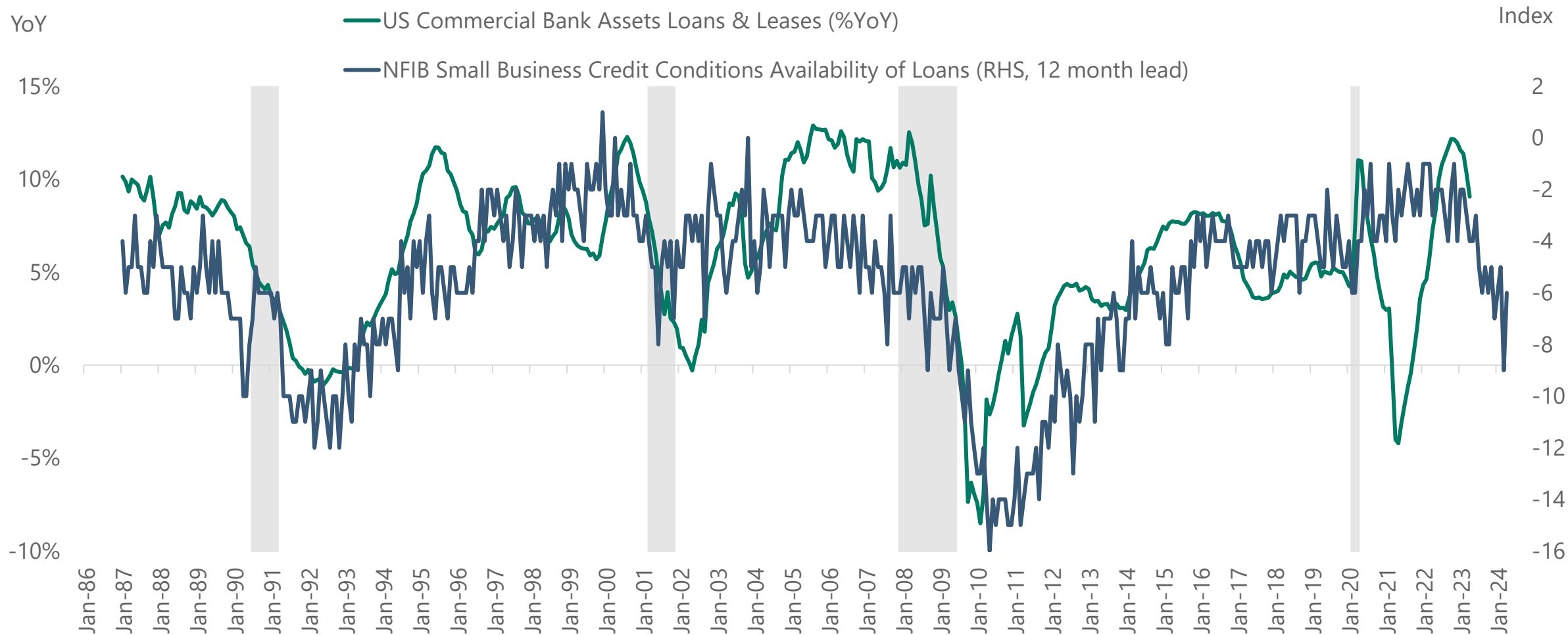
# Credit conditions for consumers are much tighter than 2008 levels



Source: University of Michigan, Haver Analytics, Apollo Chief Economist



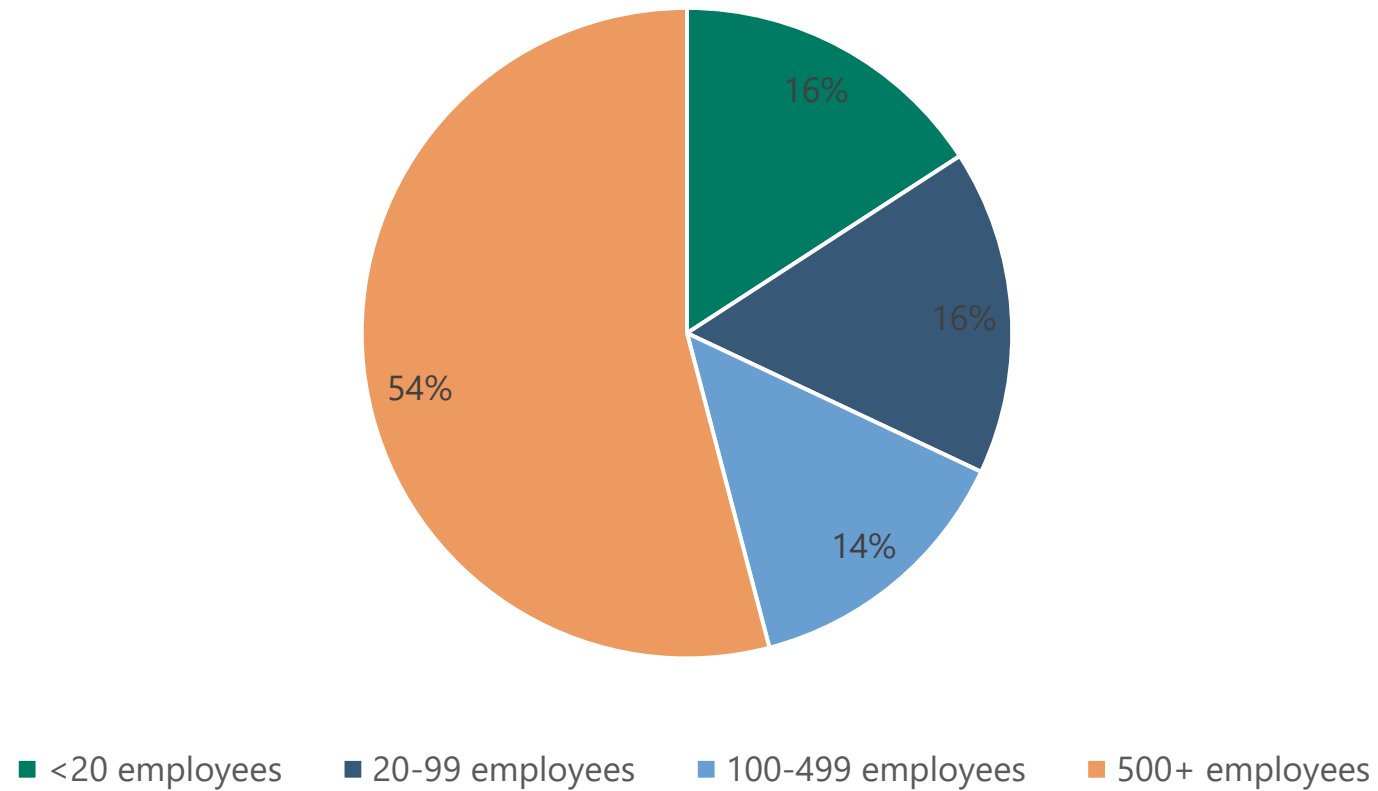
# After SVB: Small firms are reporting that financing is harder to get



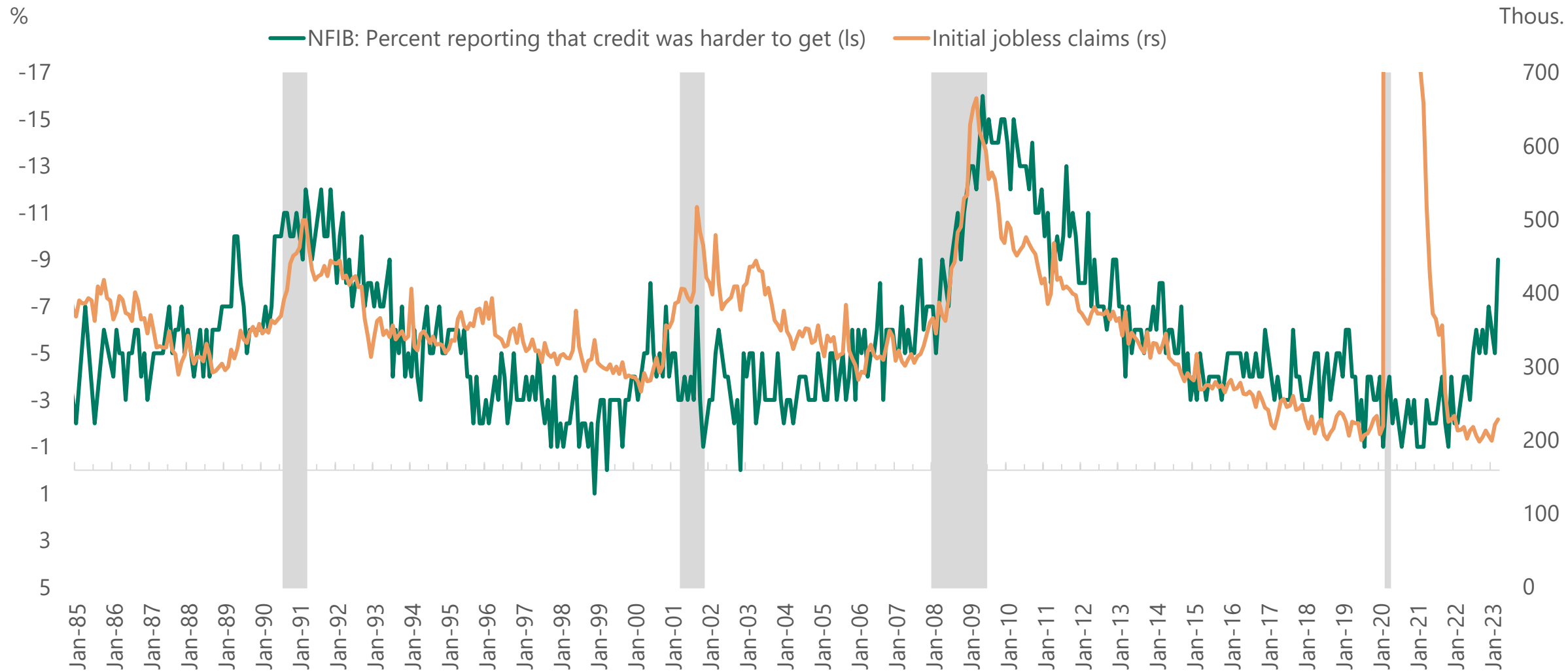
Source: NFIB, FRB, Bloomberg, Apollo Chief Economist

# Roughly half of US employment is in firms with less than 500 employees

Share of total employment by employment size of the firm, 2020

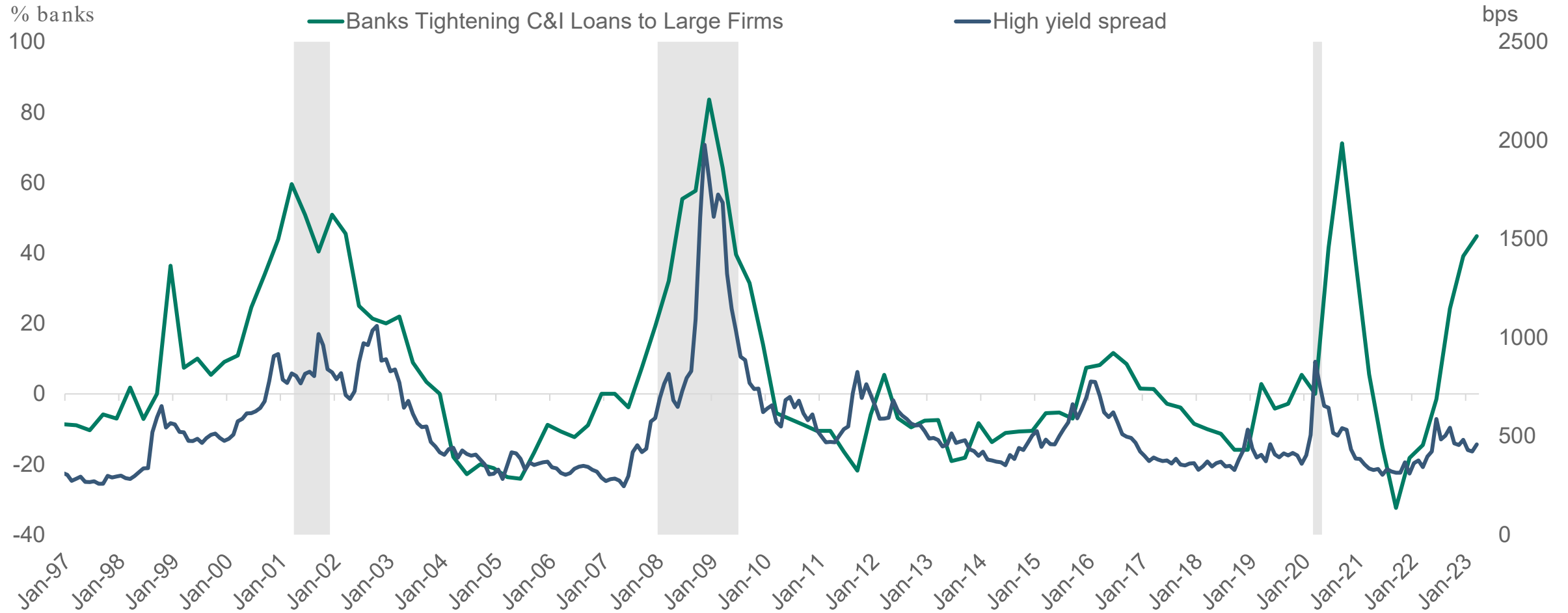


# Tighter credit is likely to hurt employment



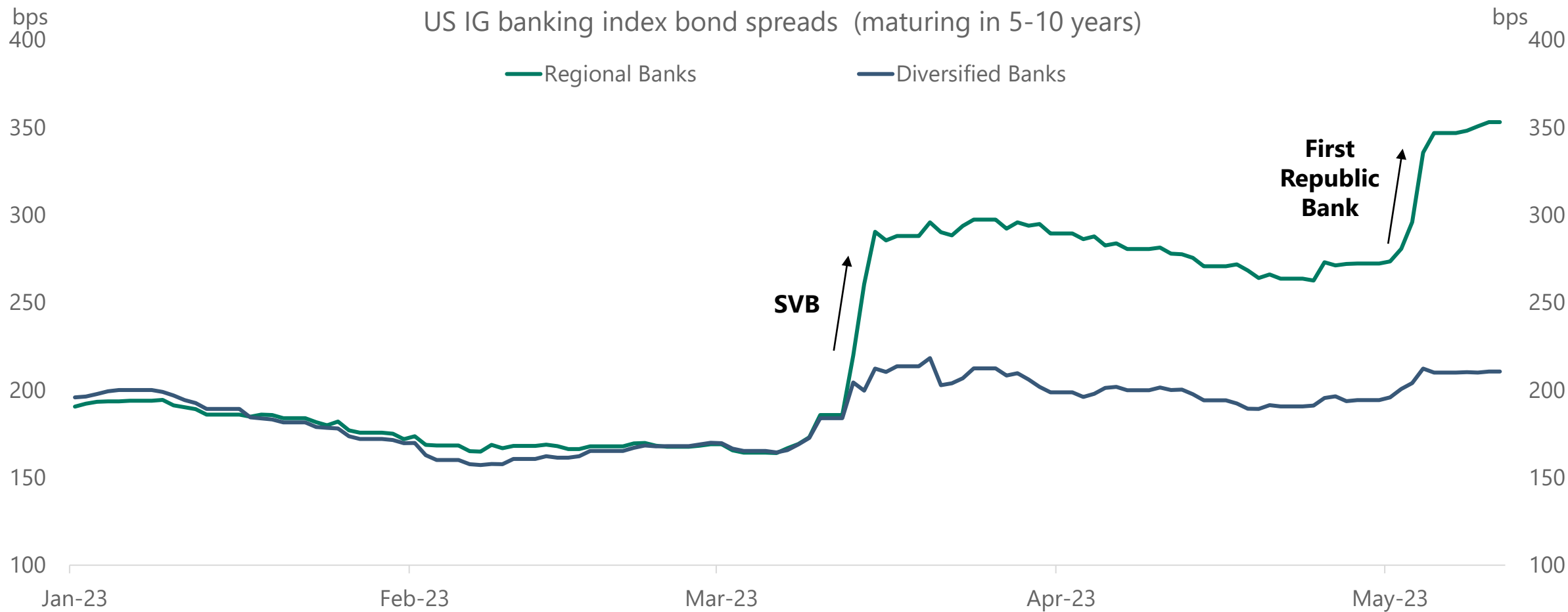
Source: NFIB, Department of Labor, Haver Analytics, Apollo Chief Economist

# Bank credit conditions are tight, market credit conditions are easy



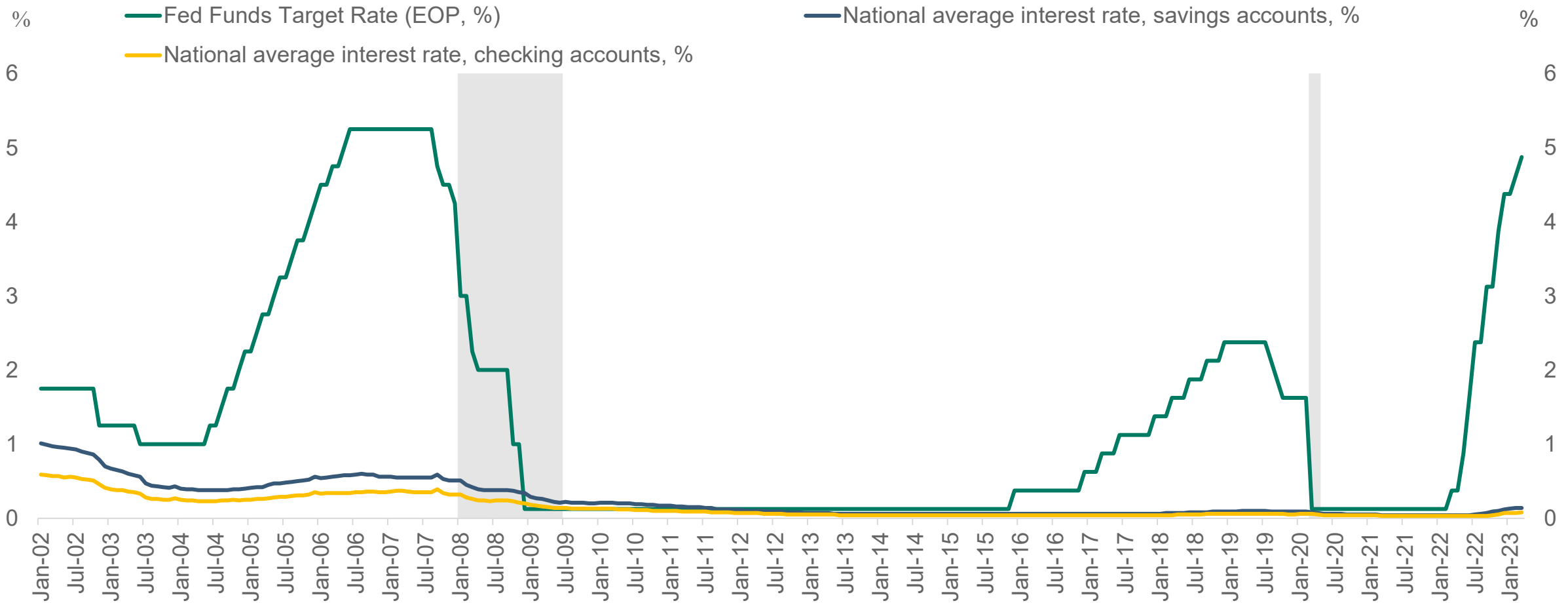
Source: FRB, Haver Analytics, Bloomberg, Apollo Chief Economist

# SVB and FRC lifted funding costs for banks permanently



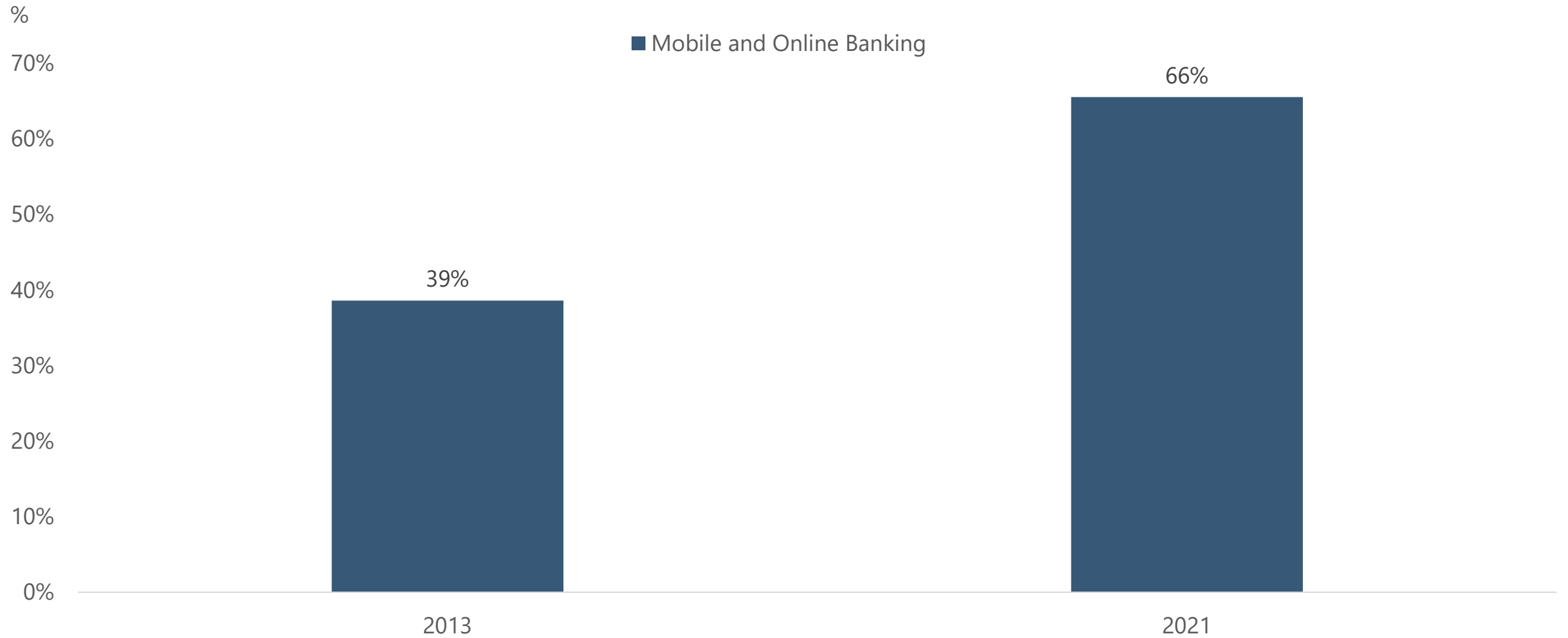
Source: ICE BofA, Bloomberg, Apollo Chief Economist. Note: Unweighted average spreads of bonds from ICE 5-10 Year US Banking Index, C6PX Index for bonds issued before 1st Jan 2023. There are 8 banks in the Regional index and 41 banks in the Diversified index, and Regional banks include BankUnited, Citizens Financial, Huntington, and Zions, and Diversified banks includes JP Morgan, Citibank, and Bank of America.

# Growing divergence between the Fed funds rate and interest rates on checking accounts is increasing the risk of bank deposit outflows

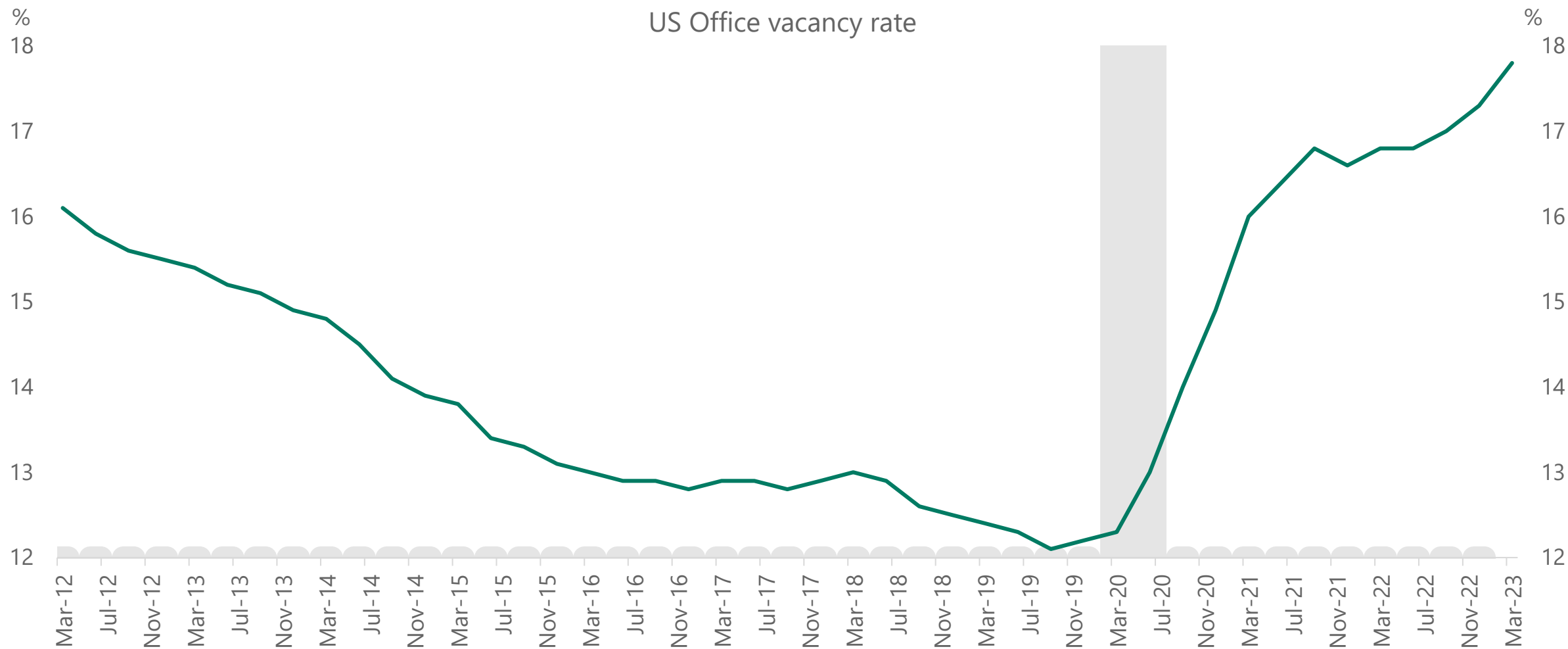


Source: FRB, RateWatch, Haver Analytics, Apollo Chief Economist

# Primary method of bank account access: More and more households use mobile and online banking

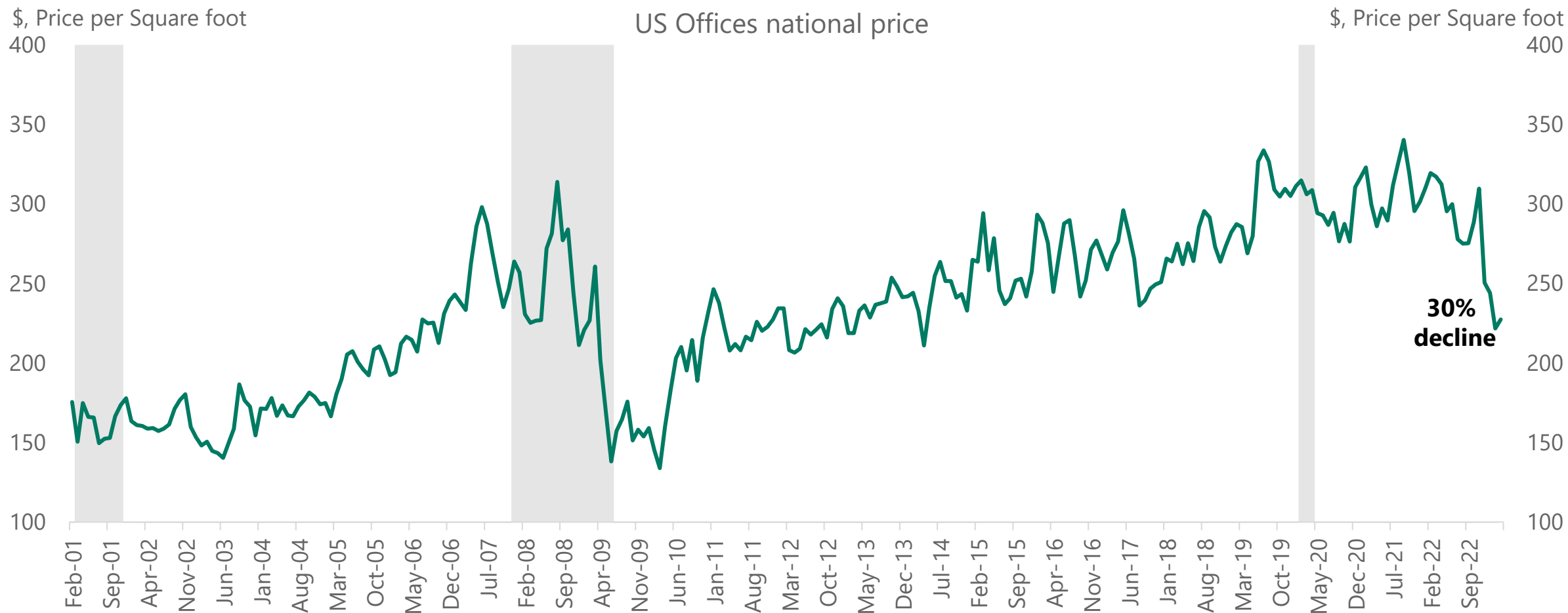


# US Office vacancy rate rising





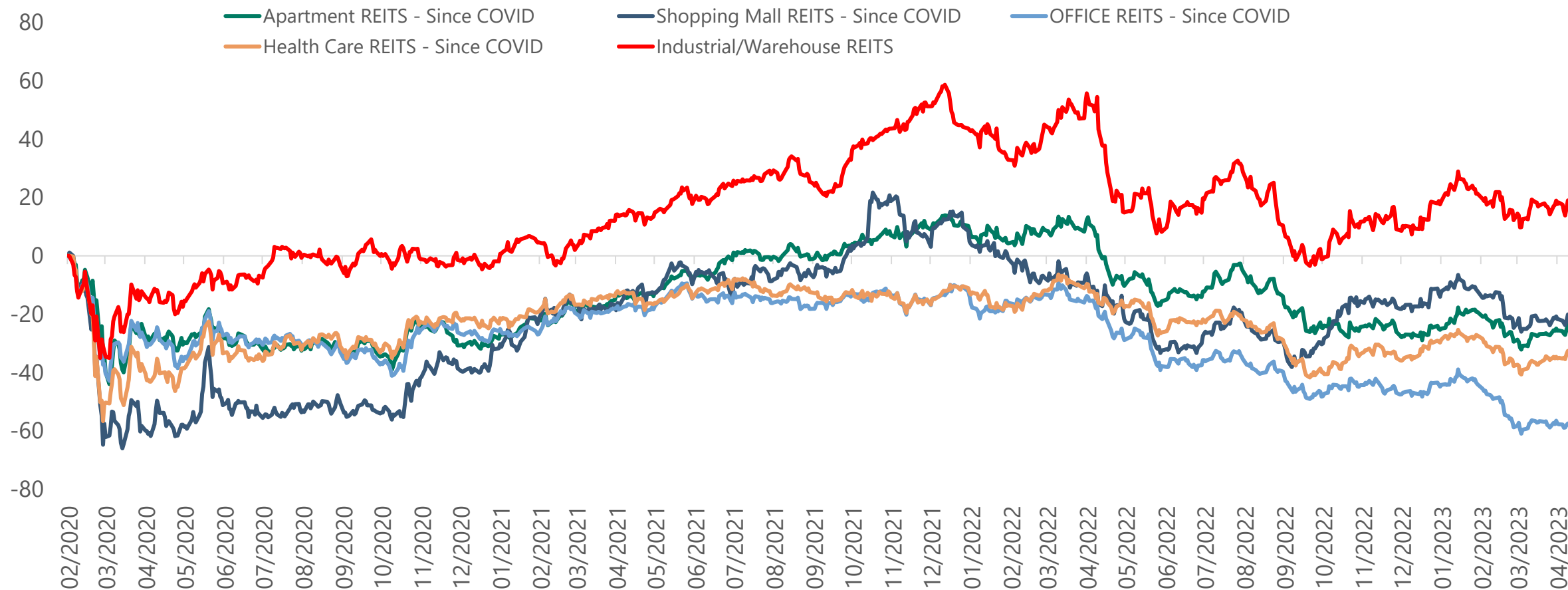
# Price per square foot for US offices falling



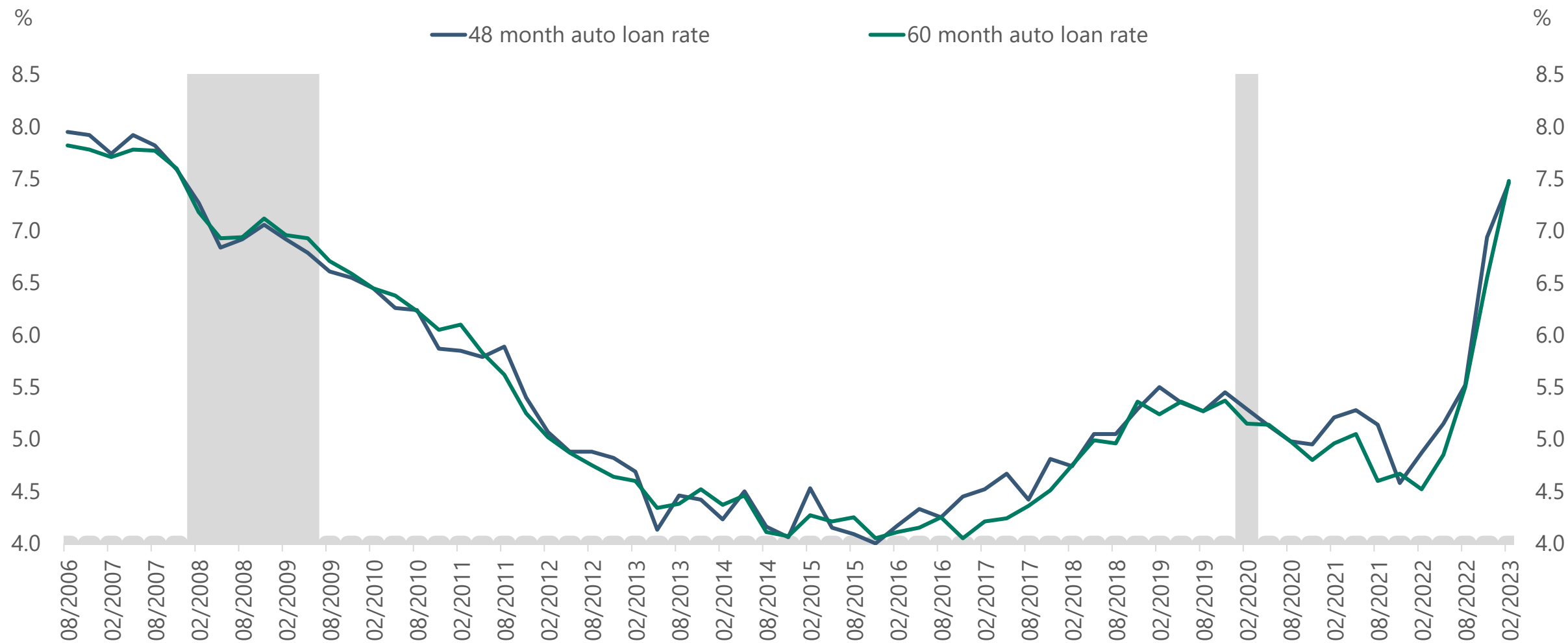
Source: RCA, Bloomberg, Apollo Chief Economist

# Where are the problems in CRE?

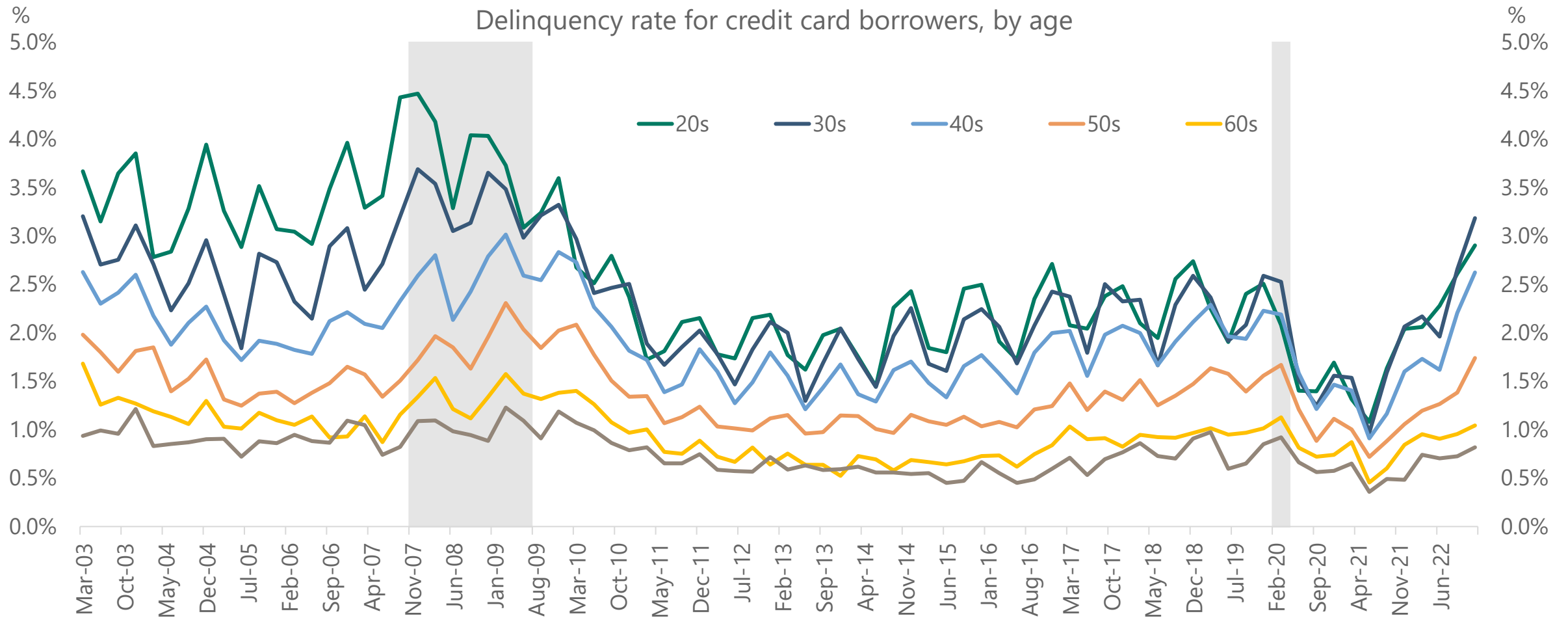
Normalized as of 20 Feb 2020



# Auto loan interest rates at highest level since 2008

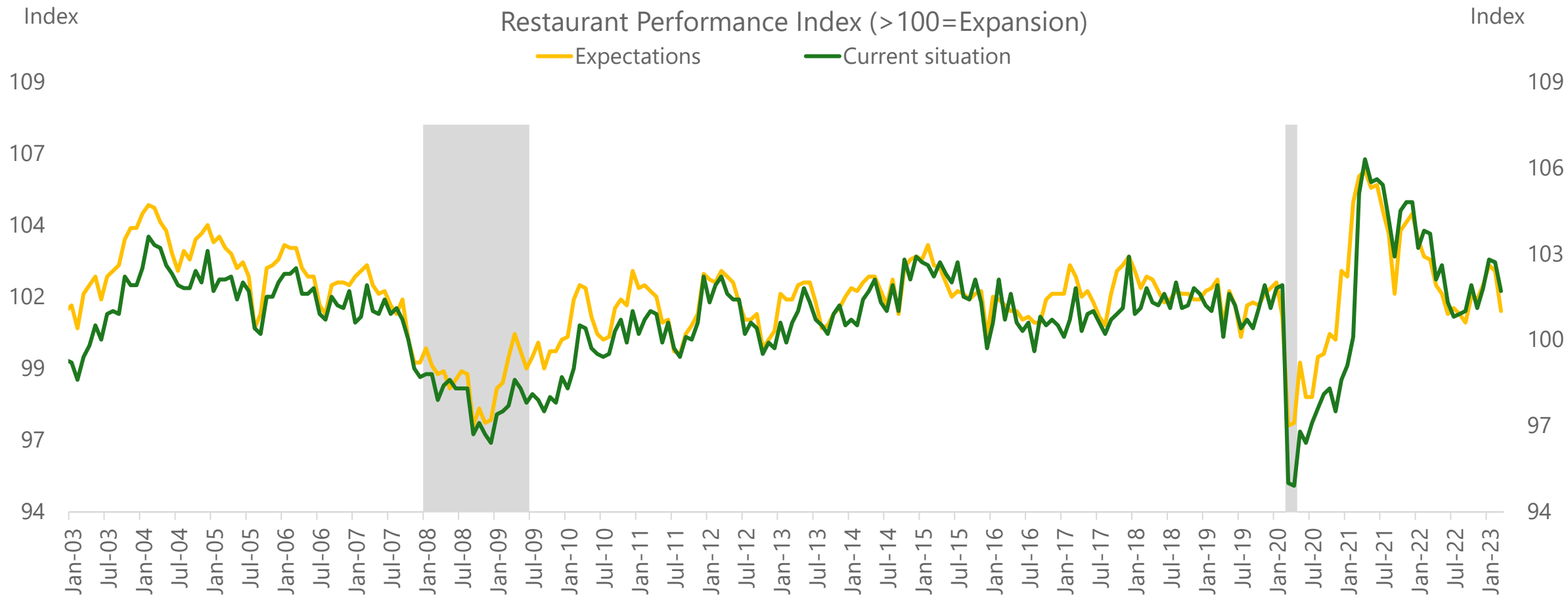


# Credit card delinquency rates at 2008 levels



Source: New York Fed Consumer Credit Panel / Equifax, Apollo Chief Economist

# Restaurant demand starting to slow down

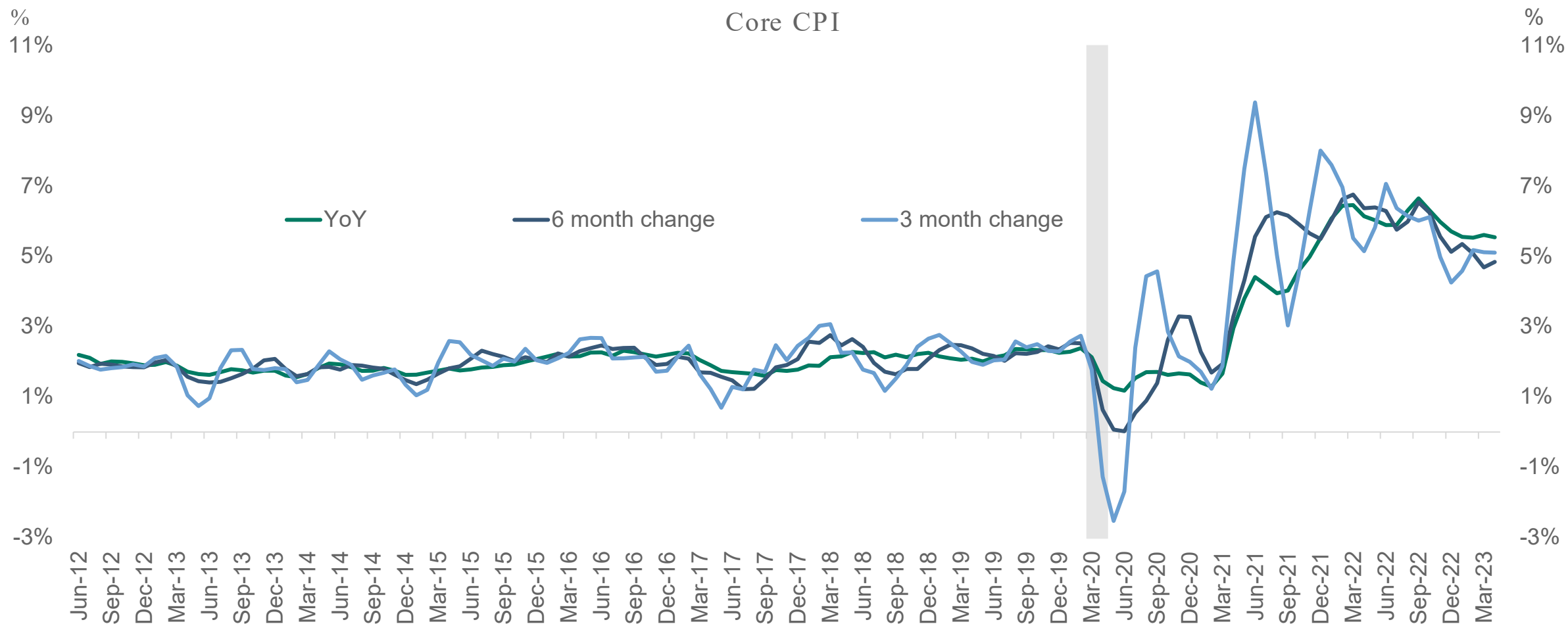


Source: National Restaurant Association, Haver, Apollo Chief Economist

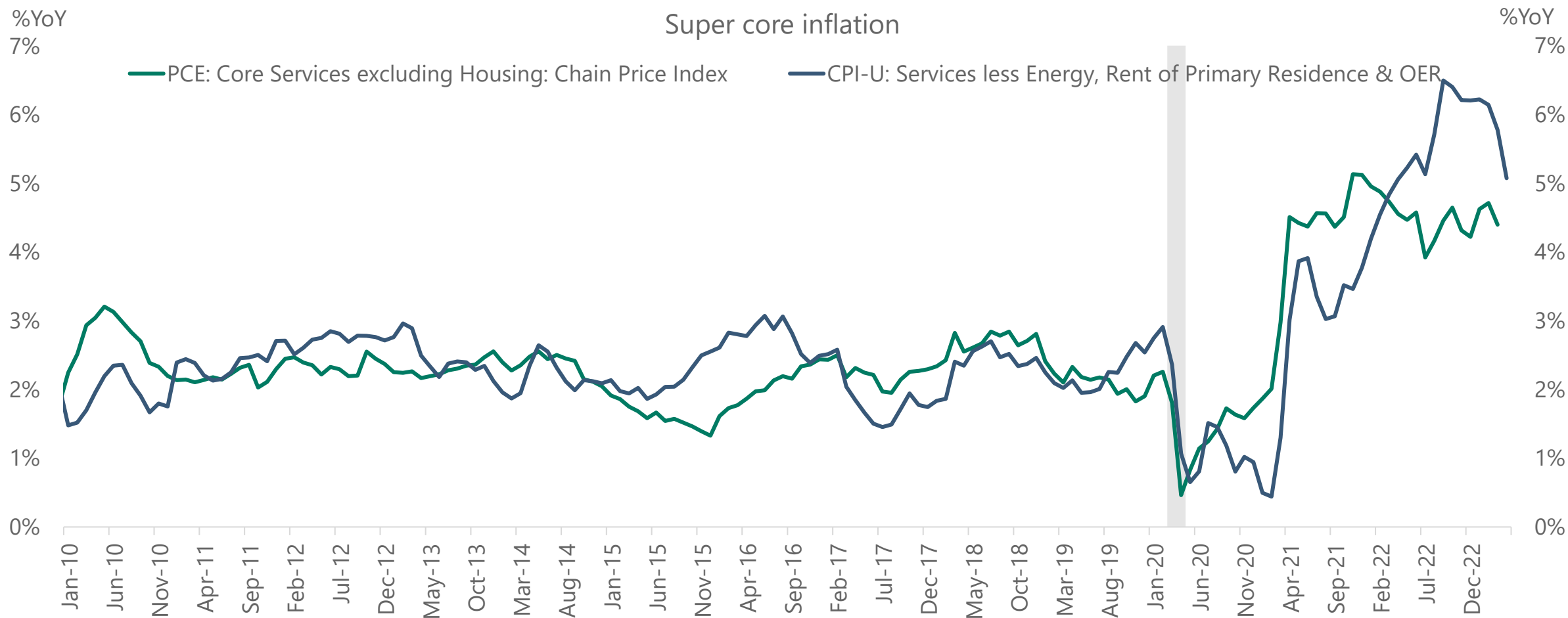
# Outlook for the economy



# Sticky inflation around 5%

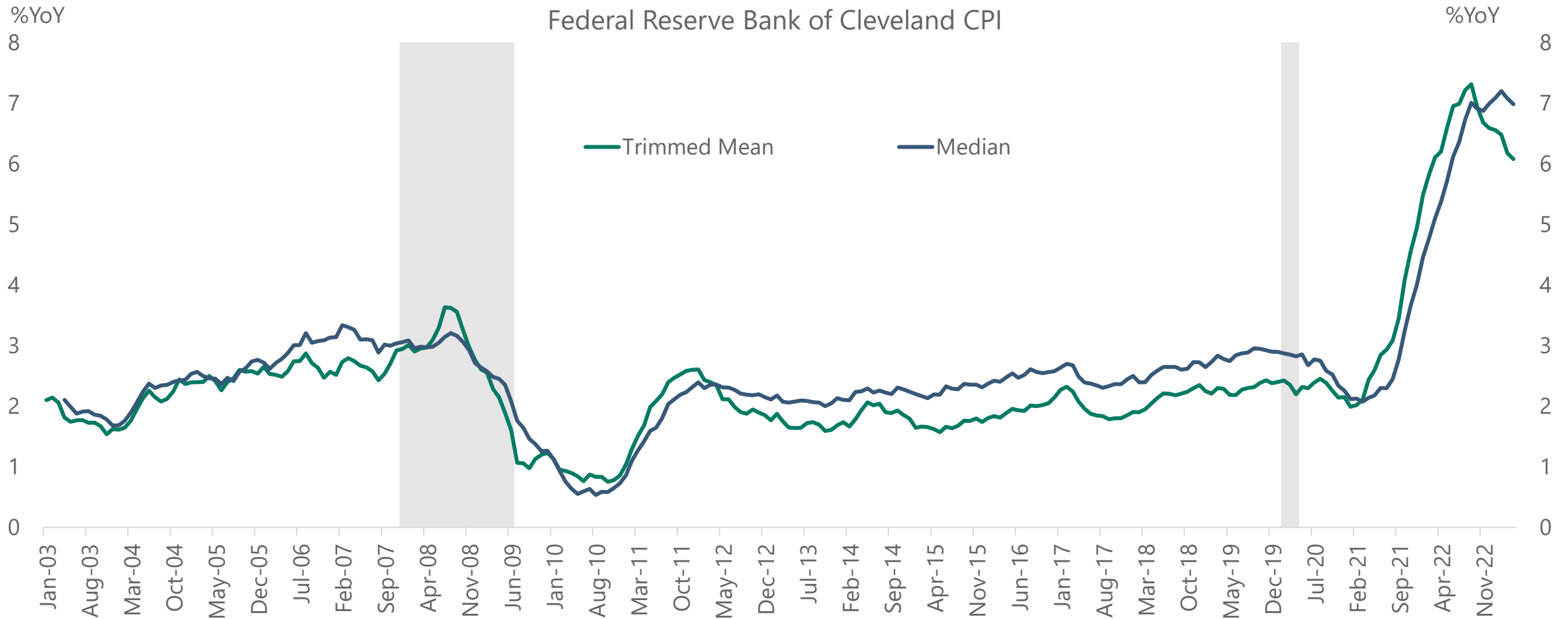


# Super core inflation is coming down but still elevated



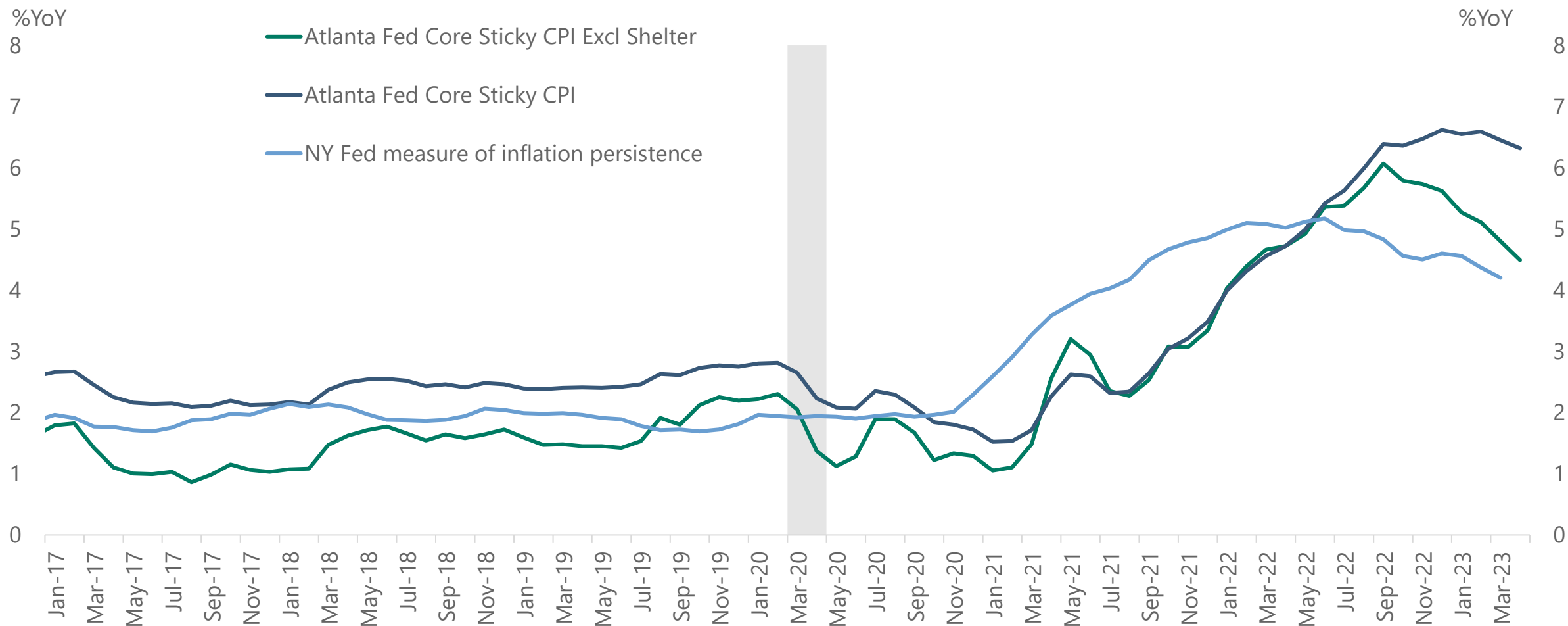


# Additional measures of inflation persistence



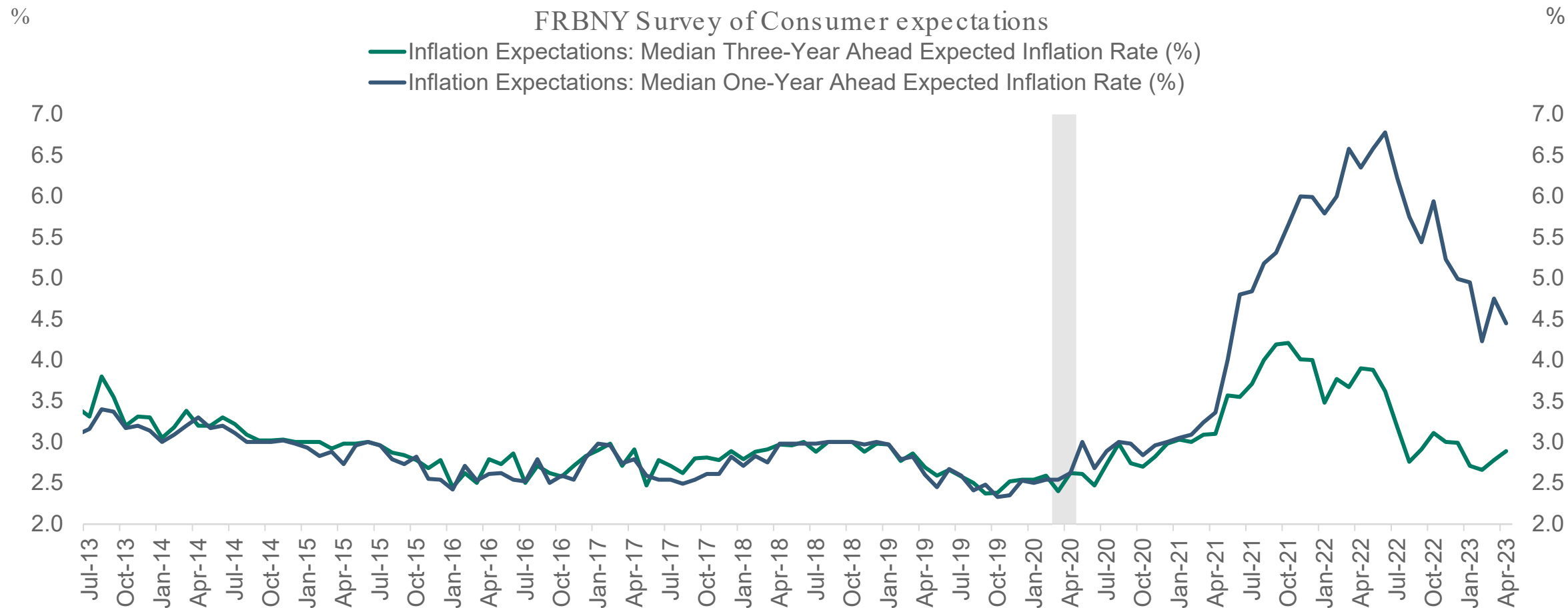
Source: Bloomberg, Federal Reserve Bank of Cleveland, Apollo Chief Economist

# Measures of inflation persistence



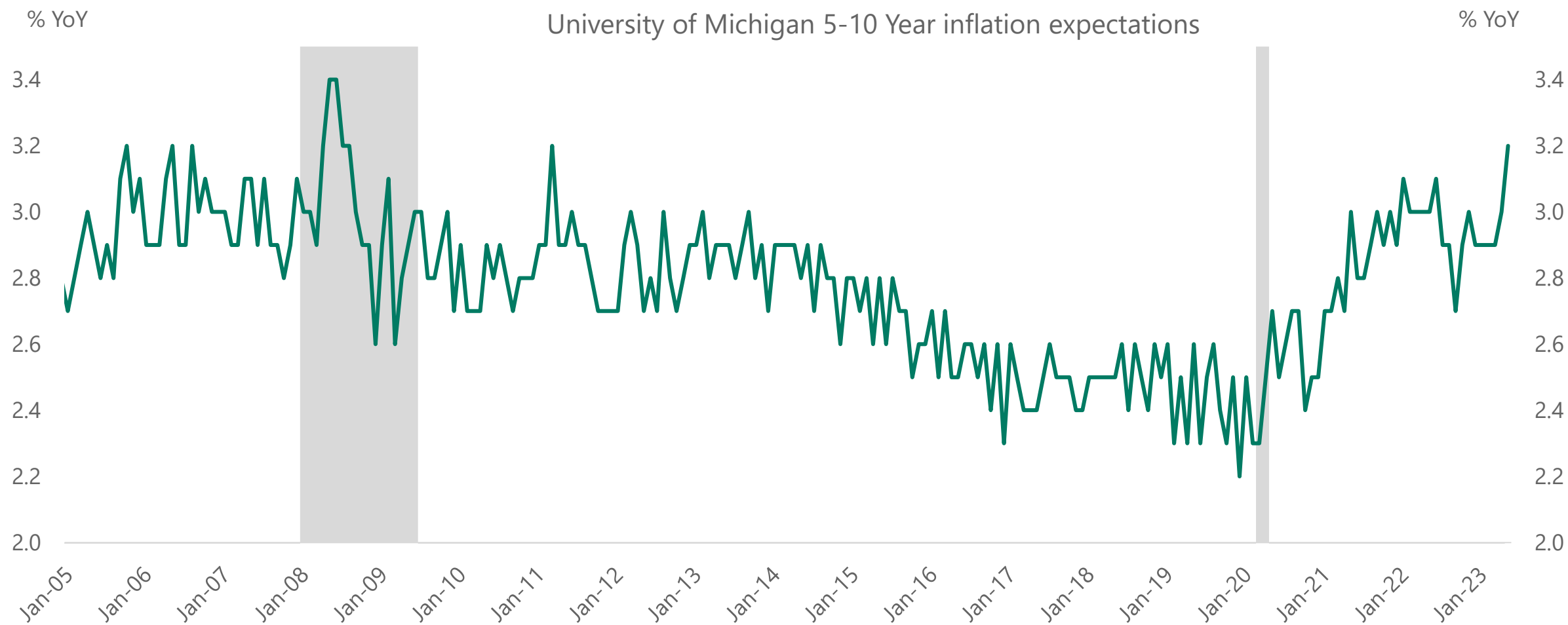
Source: Haver Analytics, Atlanta Fed, FRBNY, Apollo Chief Economist

# 3-year inflation expectations rising



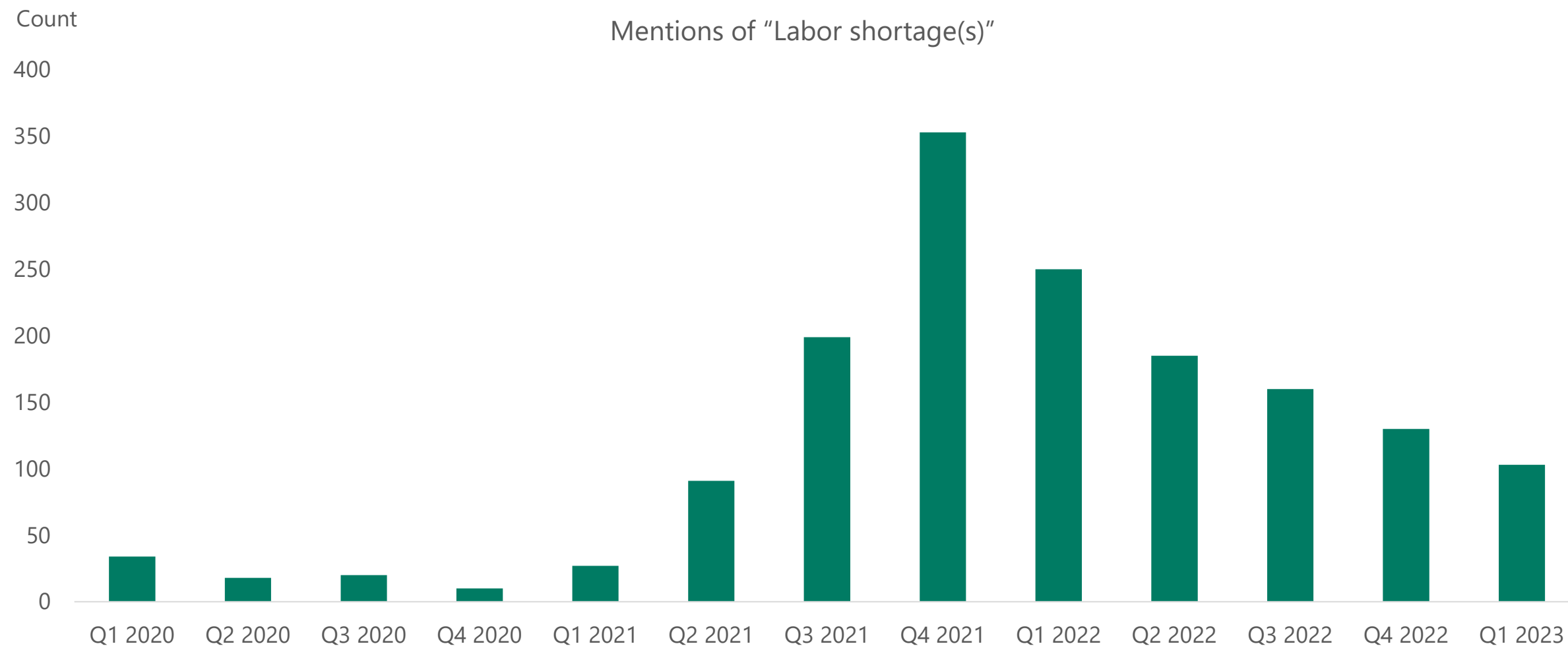
Source: FRBNY, Haver Analytics, Apollo Chief Economist

# 5-10 year inflation expectations rising



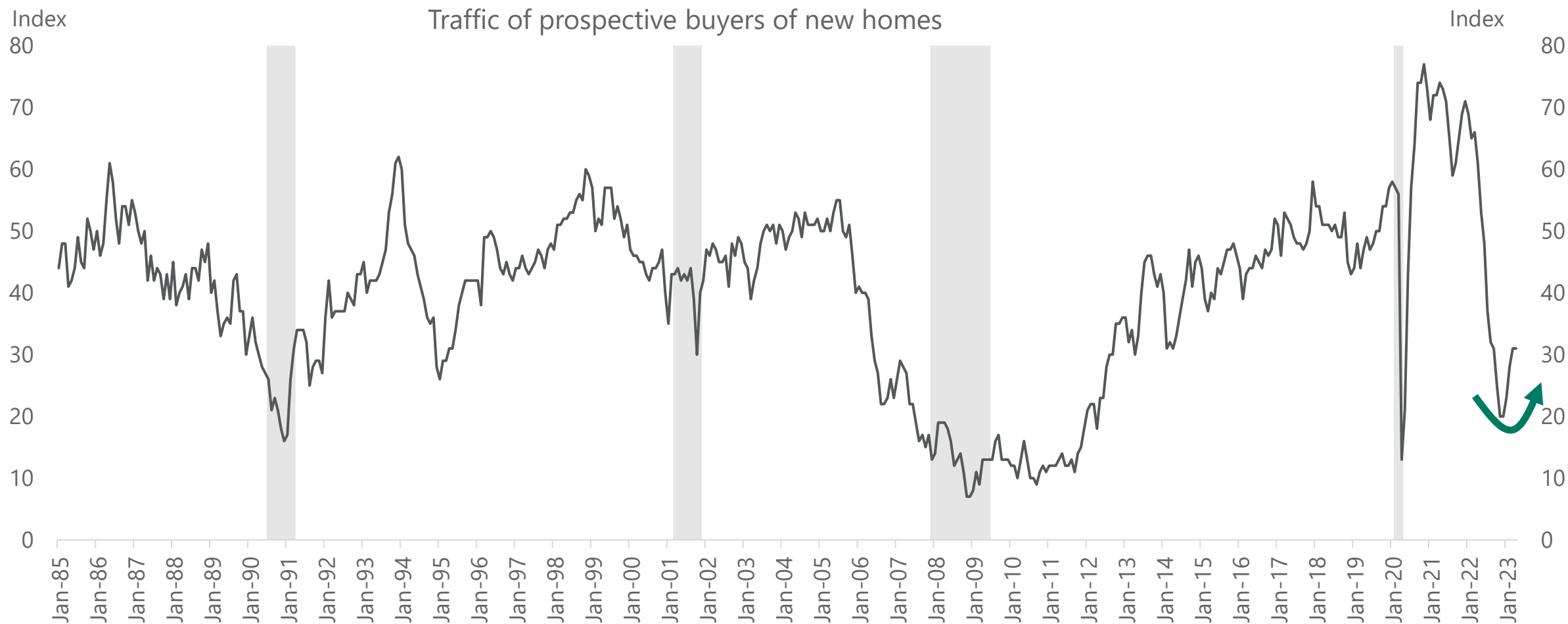
Source: University of Michigan, Haver Analytics, Apollo Chief Economist

# Fewer firms are on conference calls talking about labor shortages



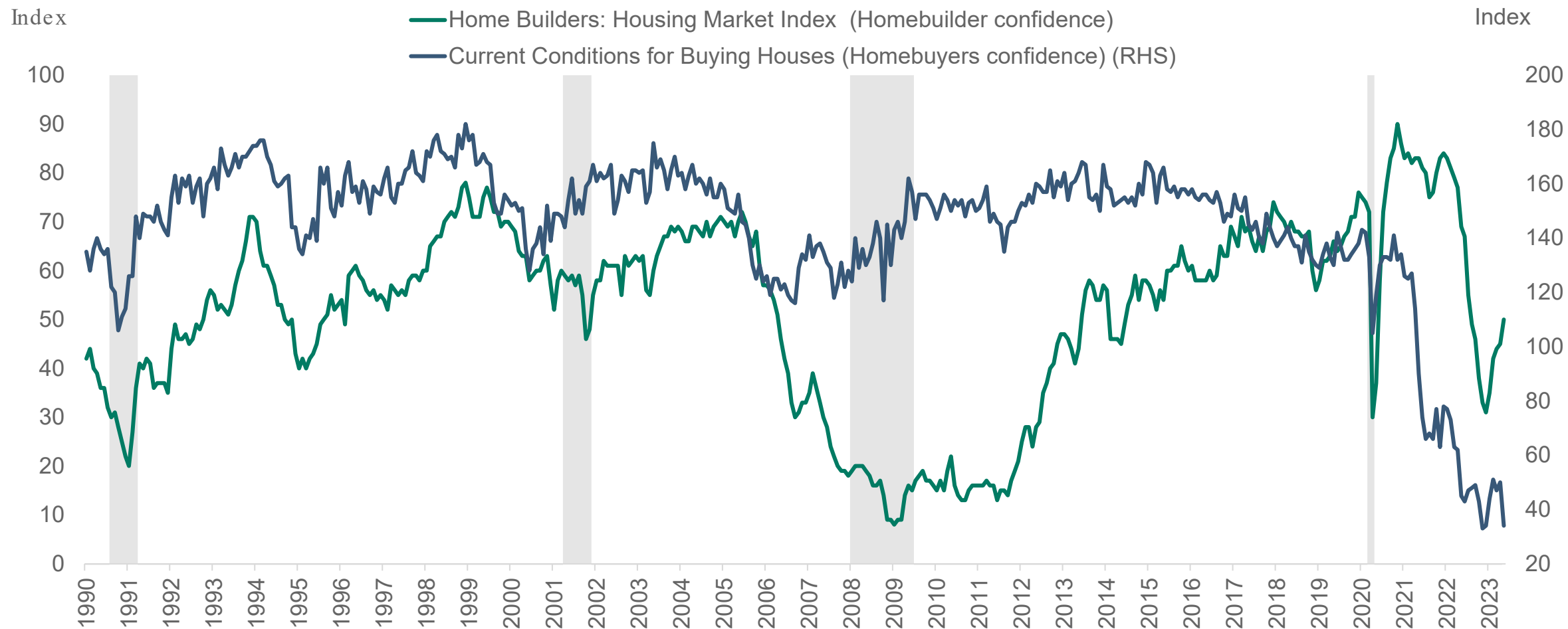
Source: Bloomberg, Apollo Chief Economist. Note: Search includes Earnings calls, Conference presentation calls, Shareholder management calls, Guidance calls, M&A calls, Sales results calls.

# Traffic of prospective homebuyers starting to improve



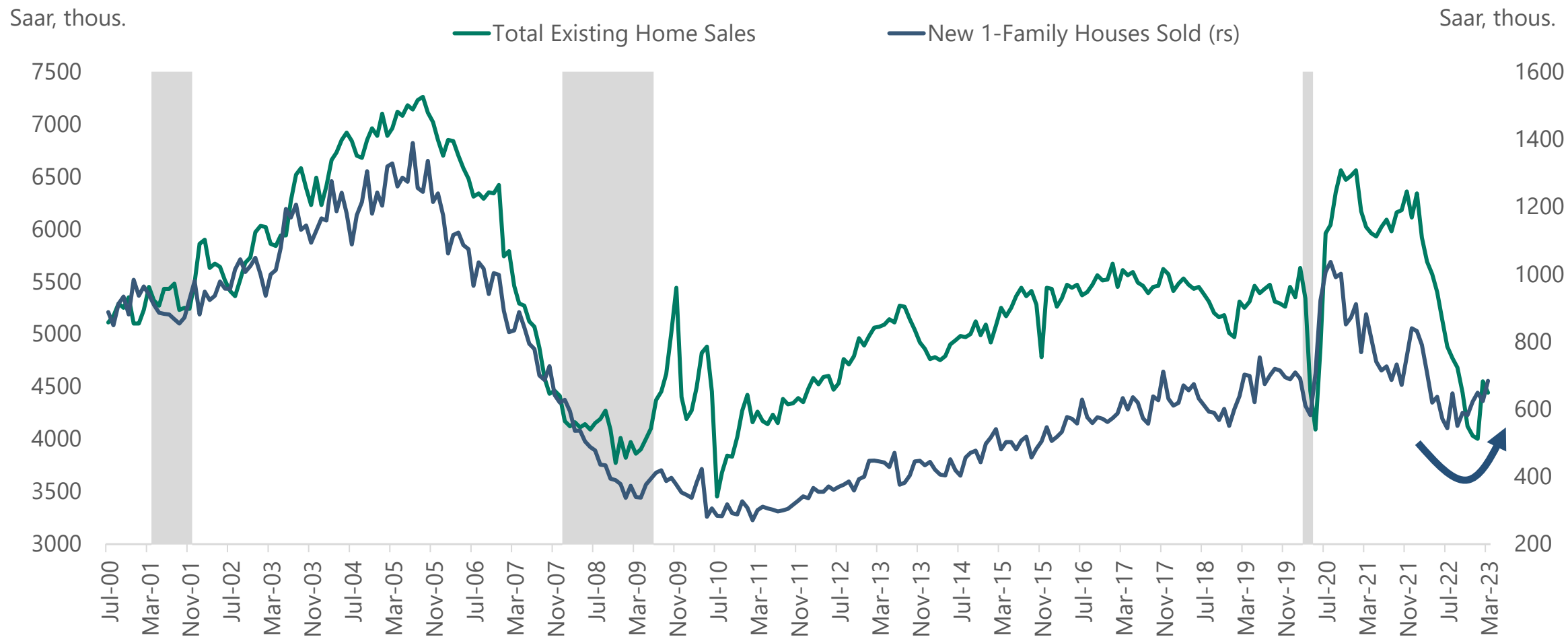
Source: National Association of Homebuilders, Bloomberg, Apollo Chief Economist

# Confidence improving for homebuyers and homebuilders



Source: University of Michigan, NAHB, Haver Analytics, Apollo Chief Economist

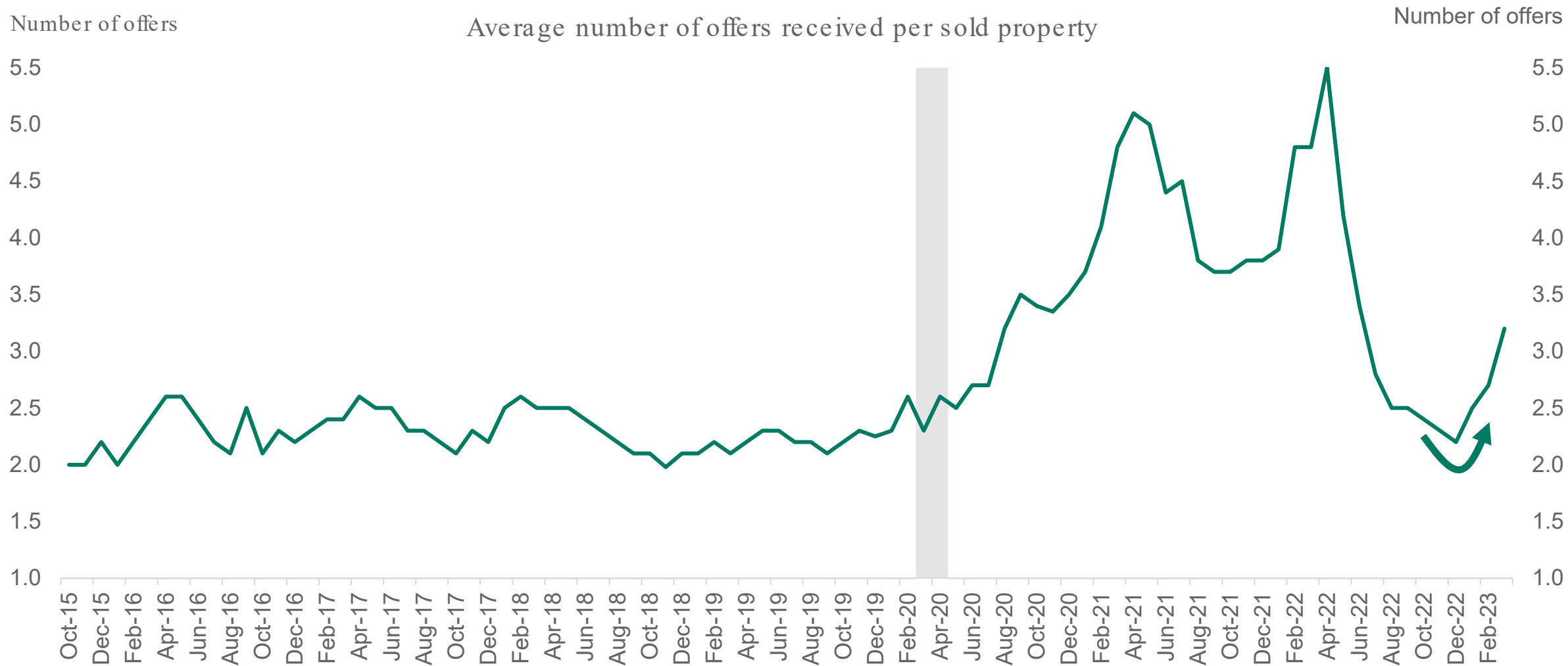
# Home sales starting to recover



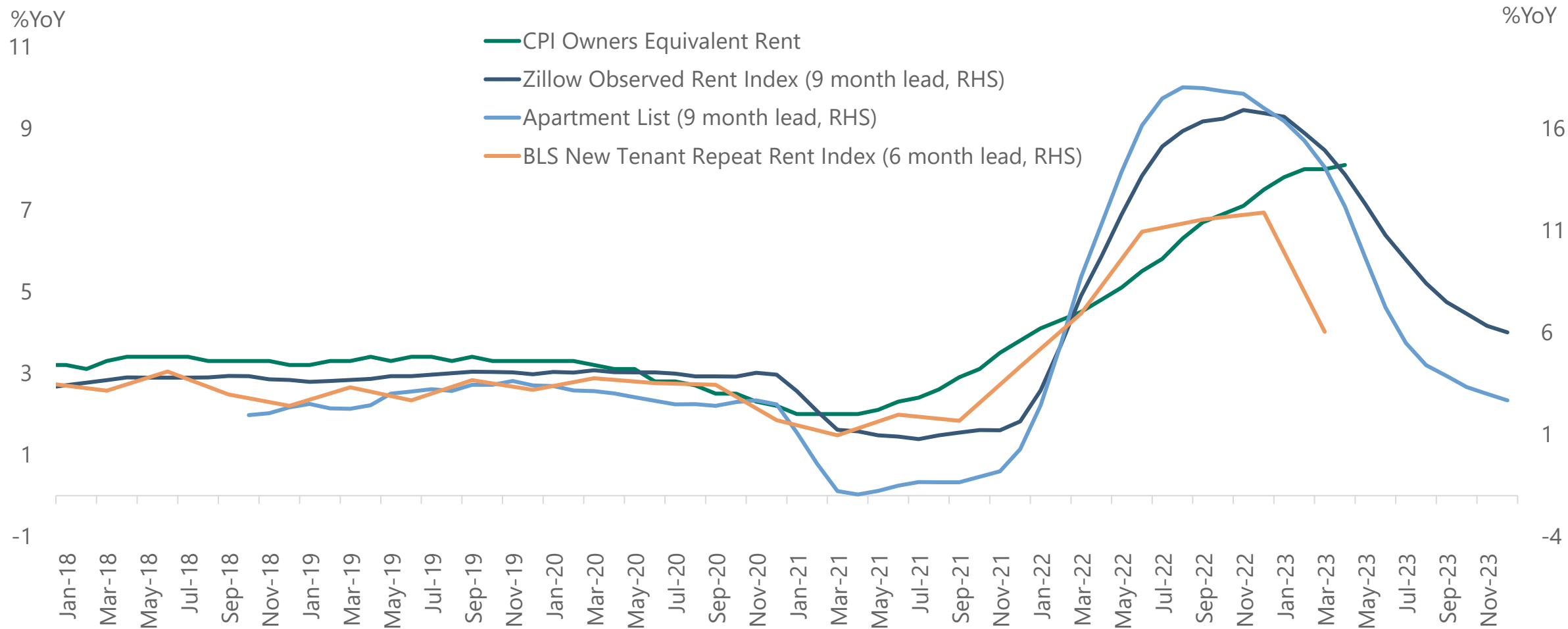
Source: Census Bureau, NAR, Haver, Apollo Chief Economist; Forecast is Bloomberg consensus



# Average number of offers received per sold property is starting to recover



# Will housing inflation come down now that housing is rebounding?

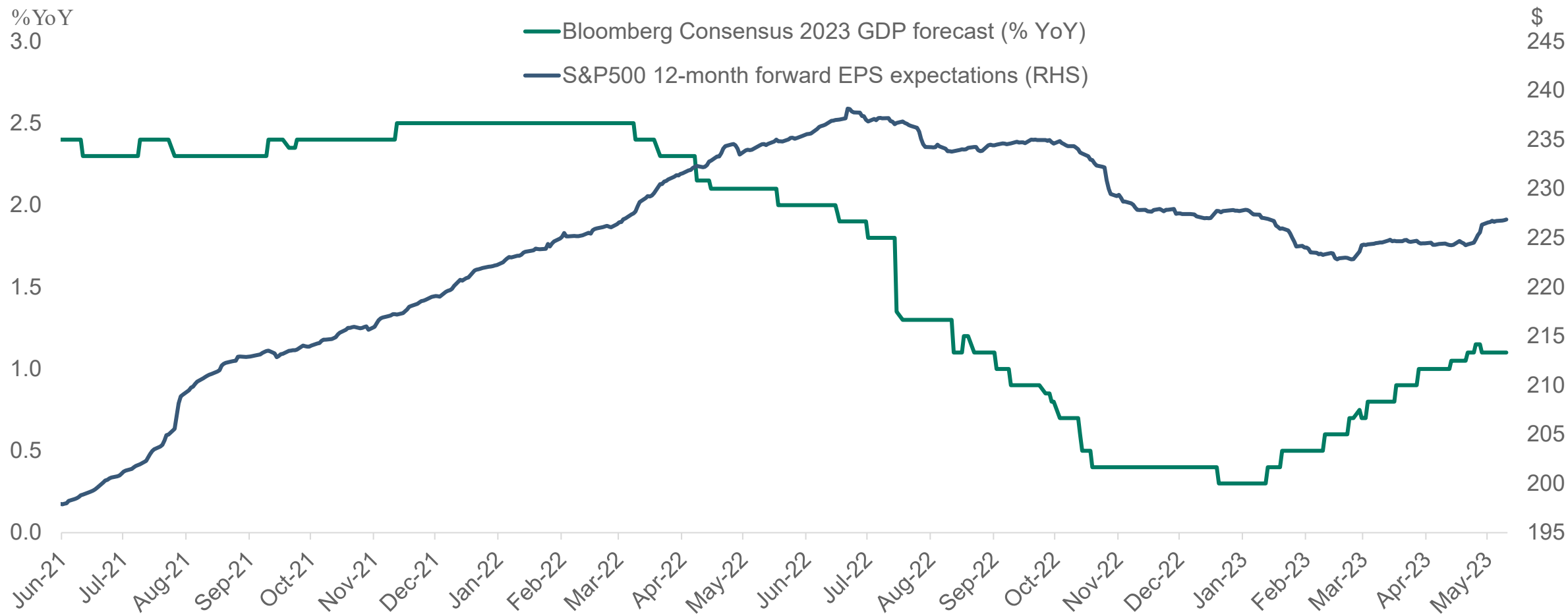


Source: BLS, Apartment List, Zillow, Haver Analytics, Apollo Chief Economist

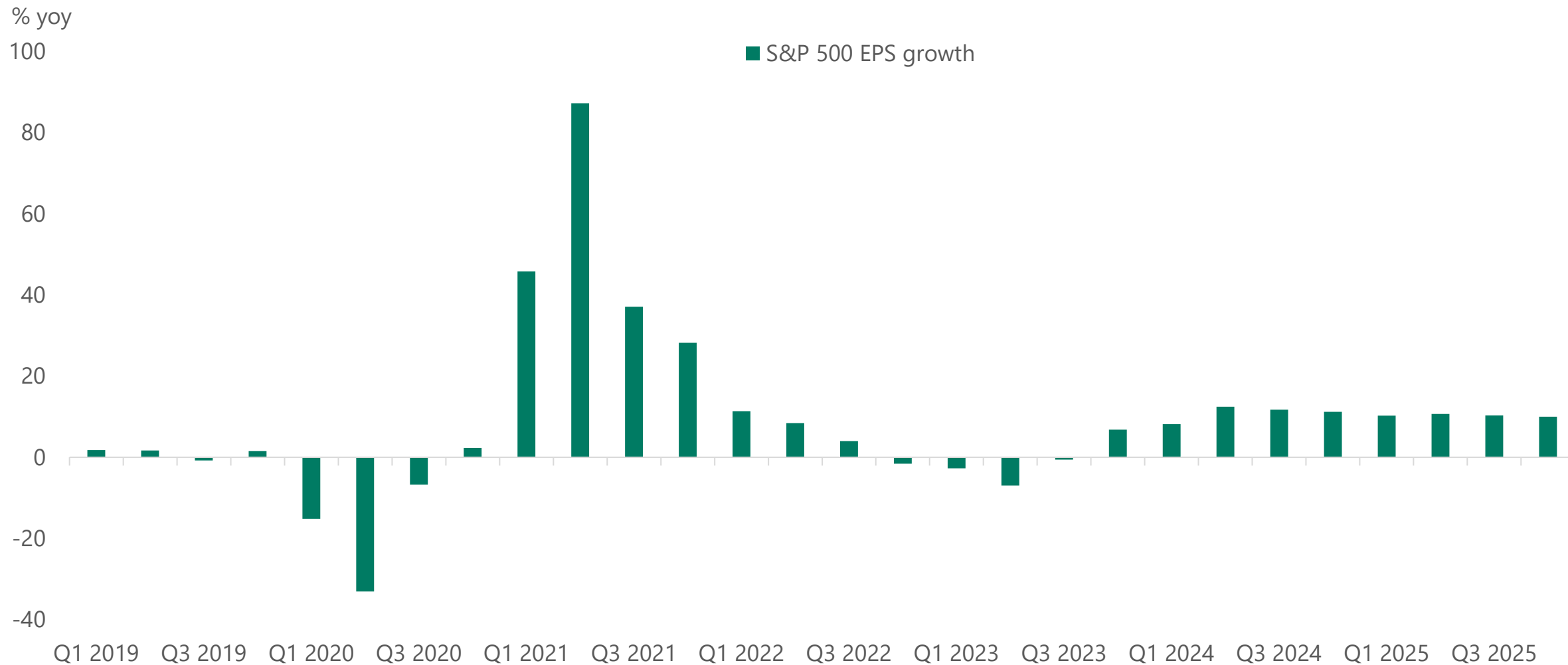
# Outlook for financial markets



# Divergence between S&P500 earnings expectations and GDP growth expectations

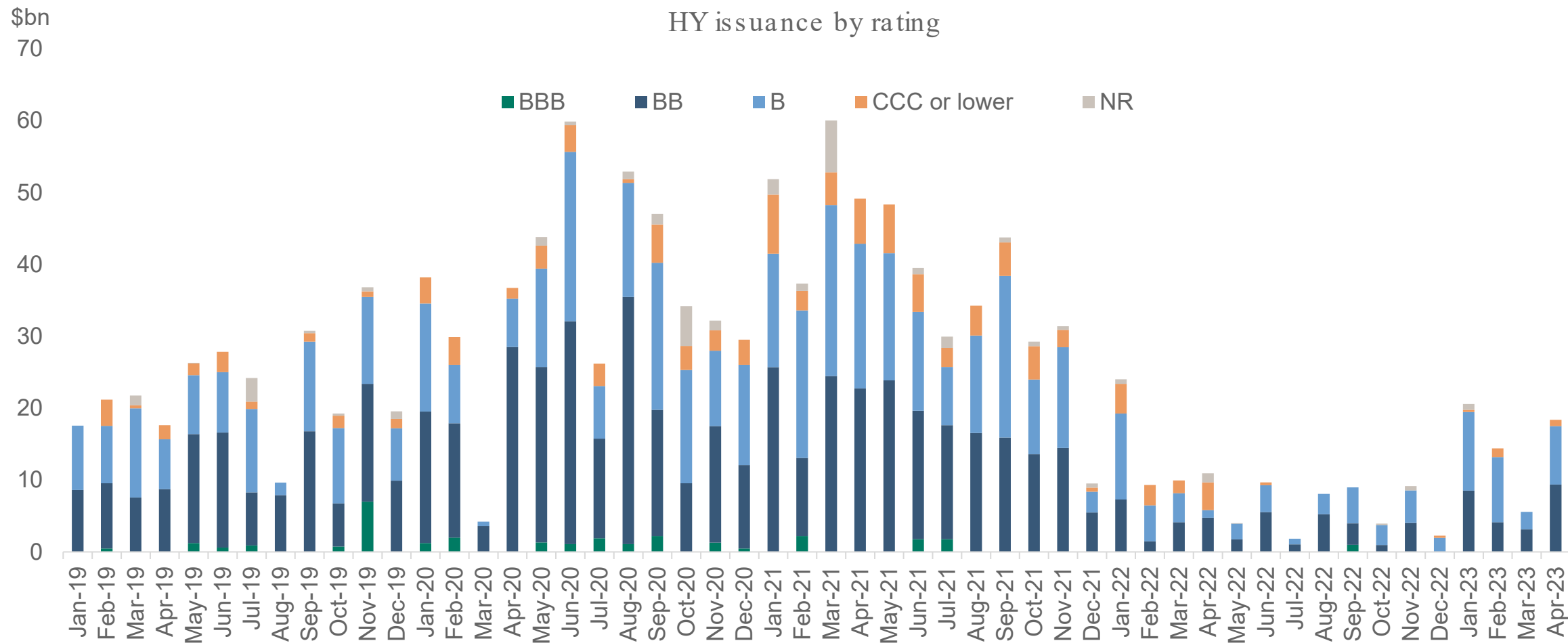


# Equity investors expect a mild recessions



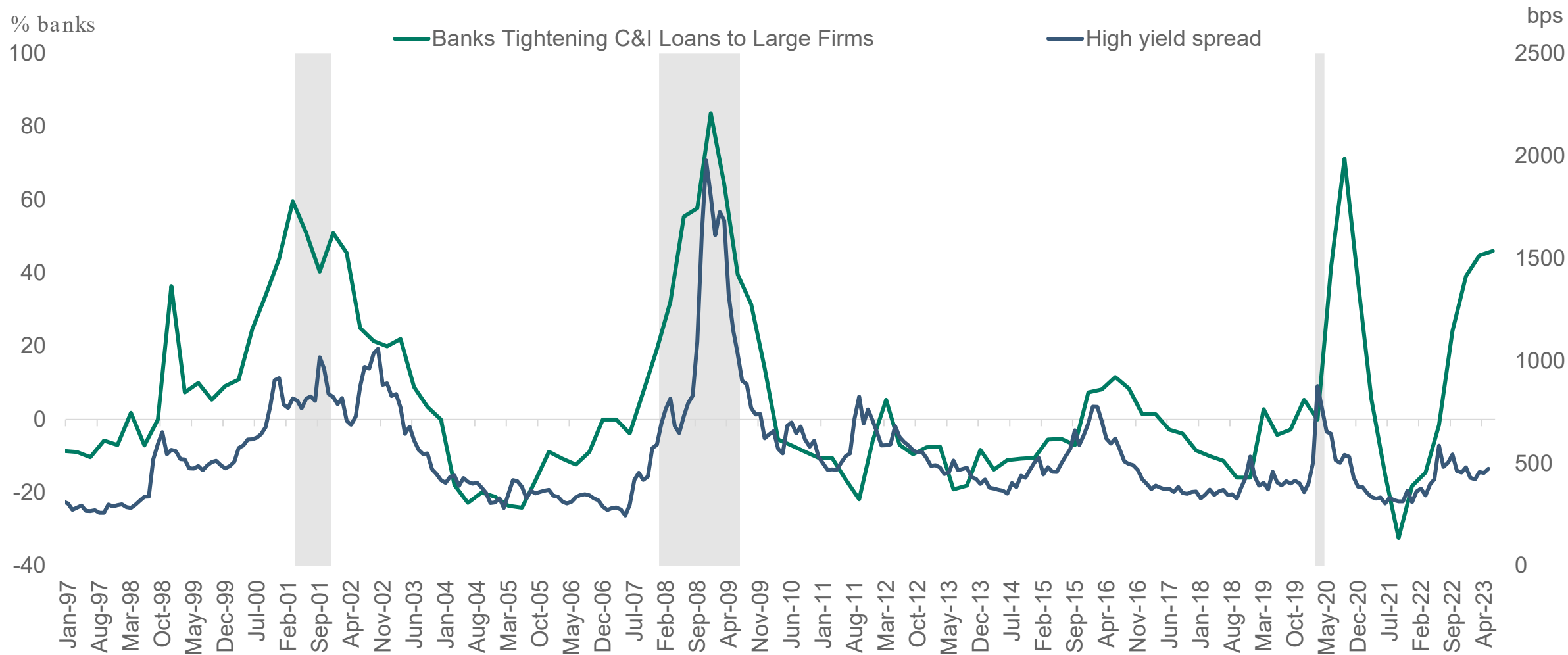
Source: Bloomberg Intelligence, Apollo Chief Economist

# HY issuance by rating



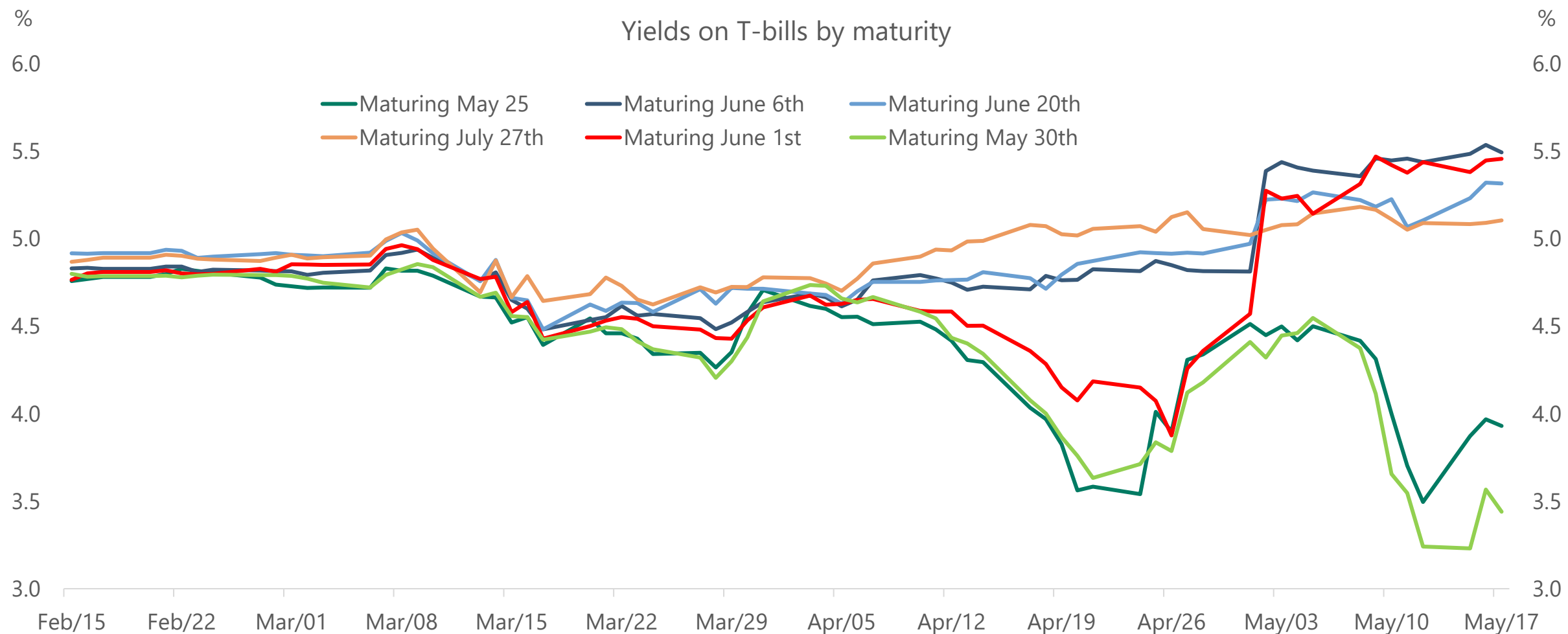
Source: S&P LCD, Apollo Chief Economist.

# Banks tightening credit conditions, HY spread should be trading wider



Source: FRB, Haver Analytics, Bloomberg, Apollo Chief Economist

# Debt ceiling starting to show up in markets



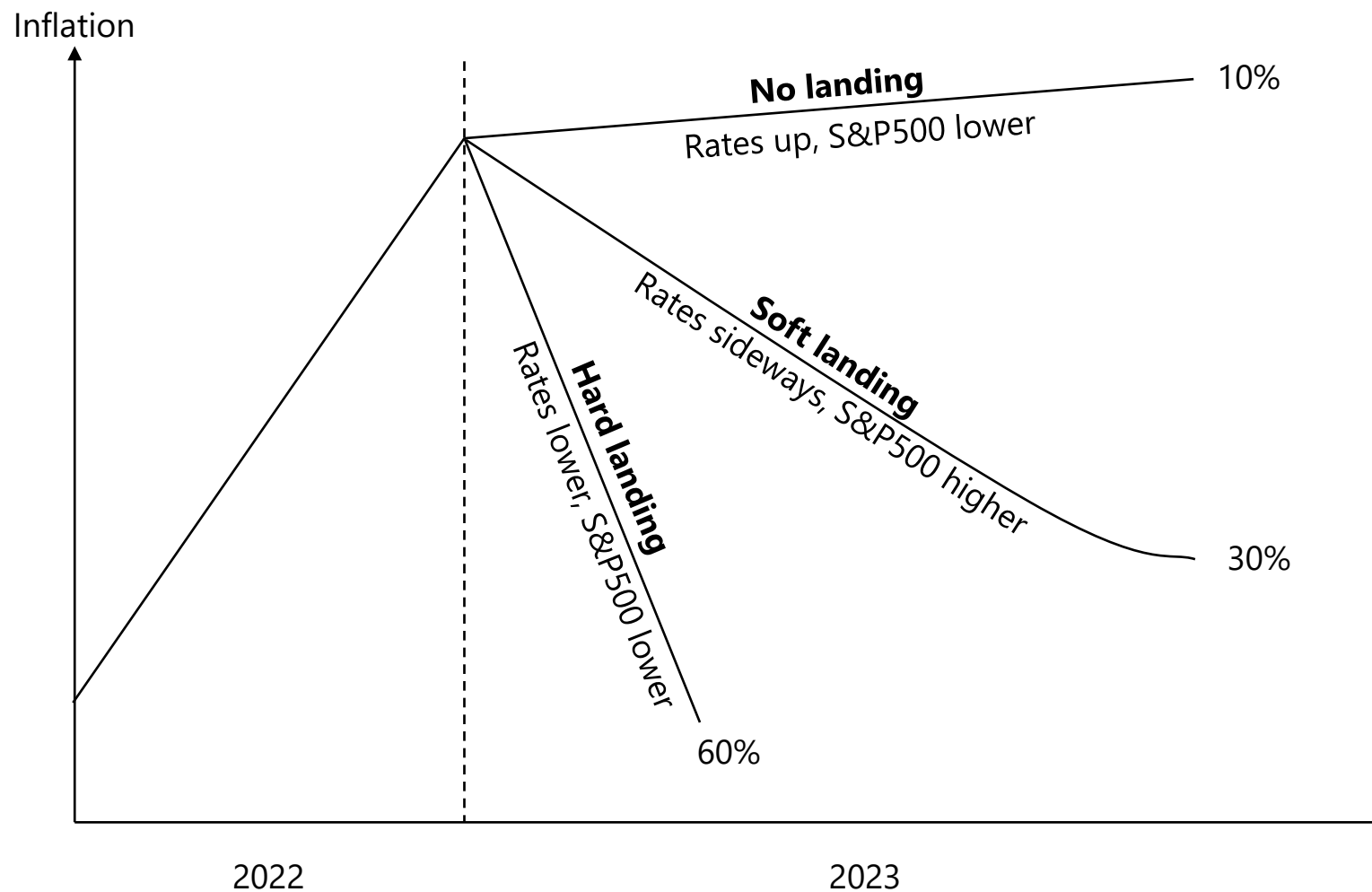
Source: Bloomberg, Apollo Chief Economist.



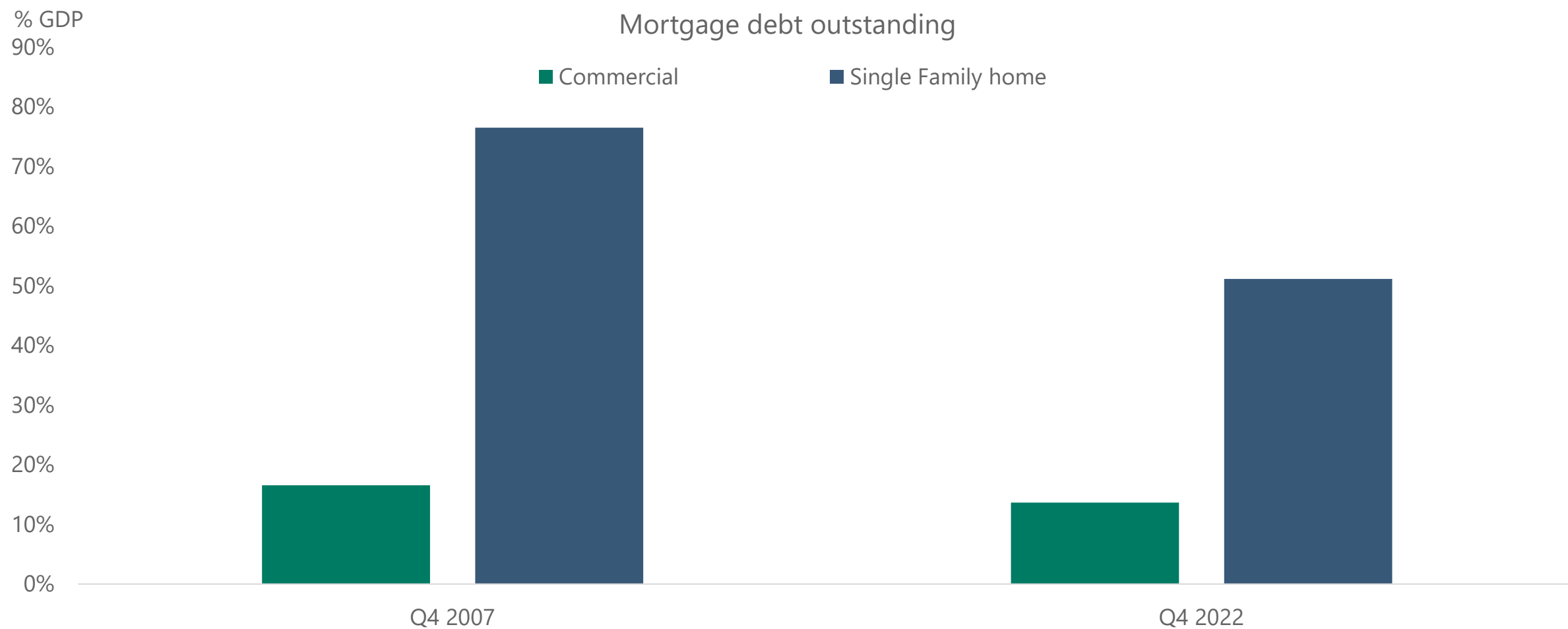
Investment implications



# Asset allocation under no landing, soft landing, and hard landing

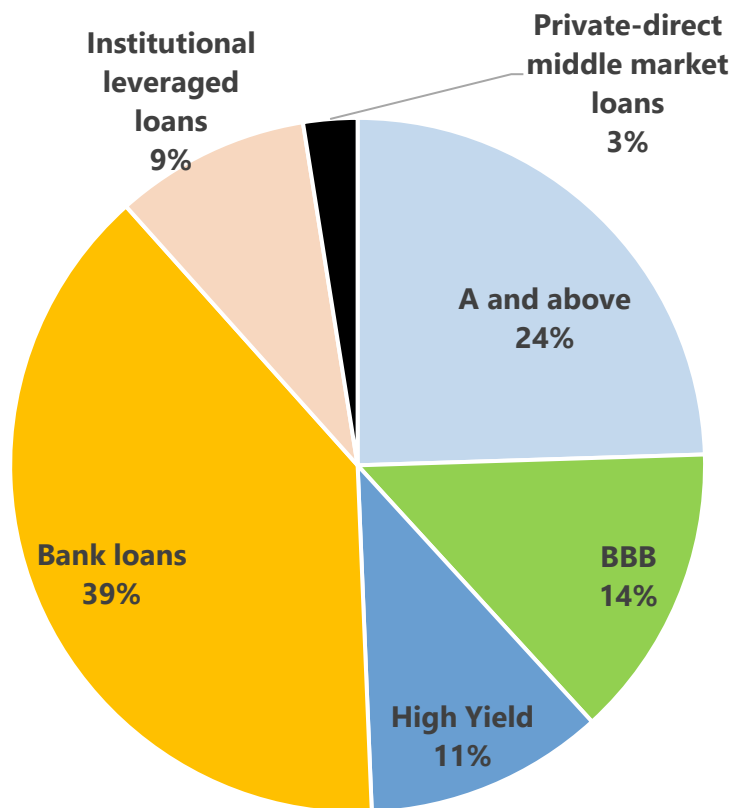


# This recession will be milder than in 2008

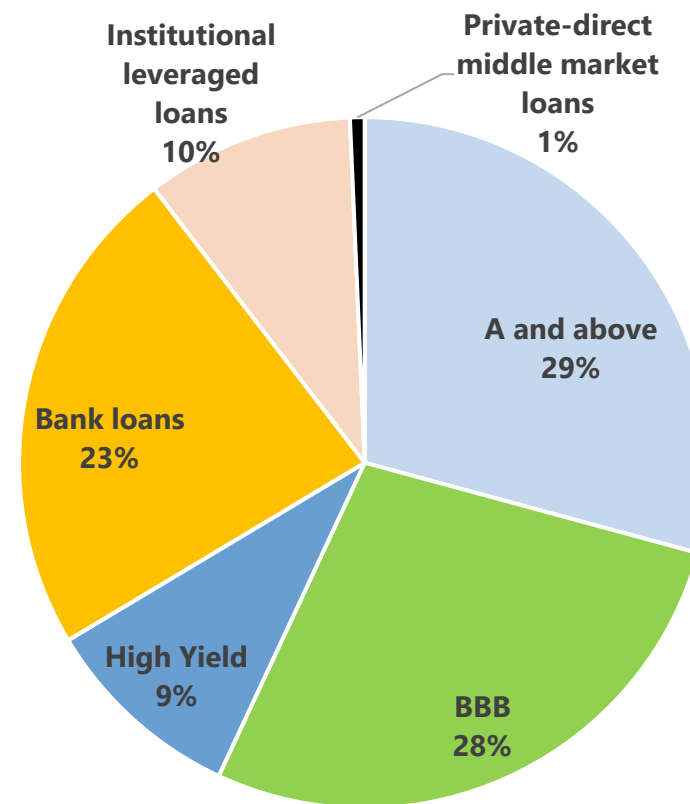


# US: Sources of financing for the corporate sector

2008

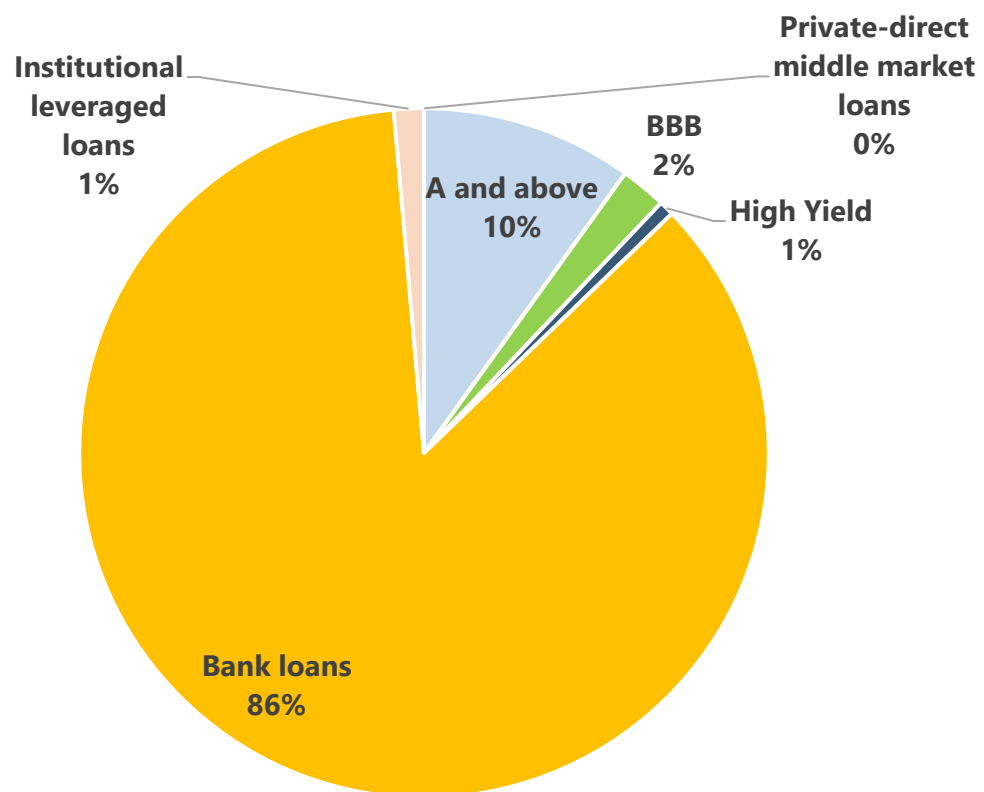


Q4 2022

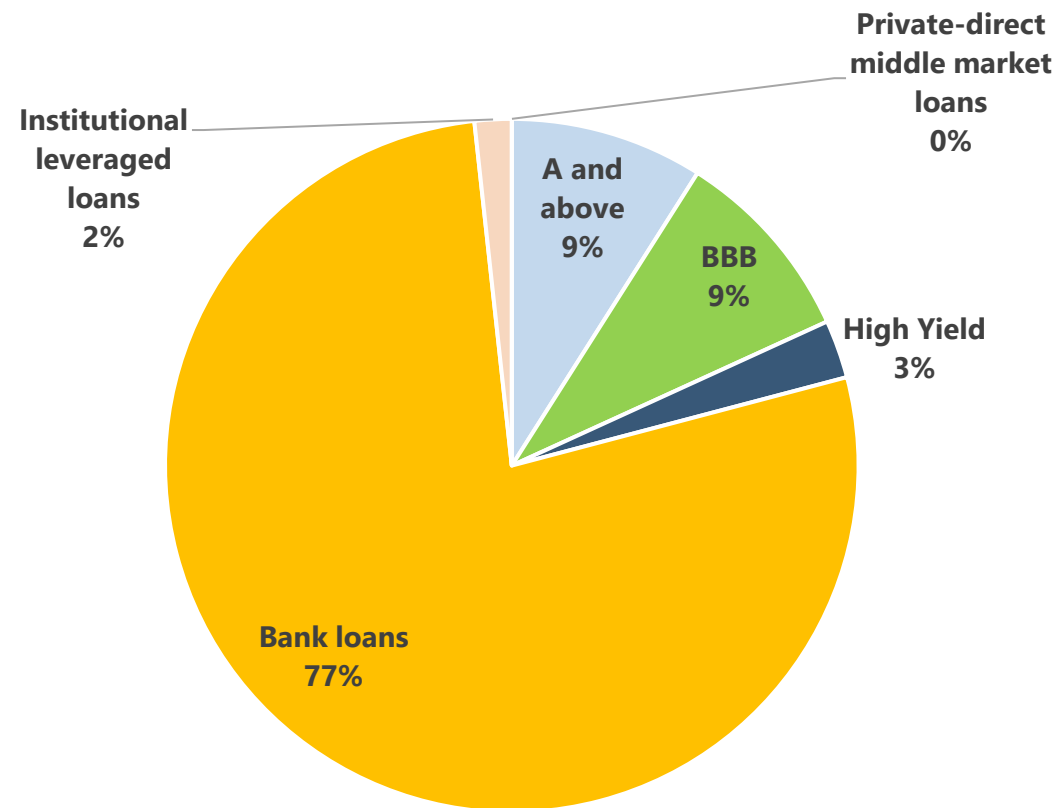


# EU: Sources of financing for the corporate sector

2008



Q4 2022





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Torsten Slok joined Apollo in August 2020 as Chief Economist and he leads Apollo's macroeconomic and market analysis across the platform.

Prior to joining, Mr. Slok worked for 15 years as Chief Economist at Deutsche Bank where his team was top ranked in the annual Institutional Investor survey for a decade. Prior to joining Deutsche Bank Mr. Slok worked at the IMF in Washington, DC and at the OECD in Paris.

Mr. Slok has a Ph.D in Economics and has studied at the University of Copenhagen and Princeton University.