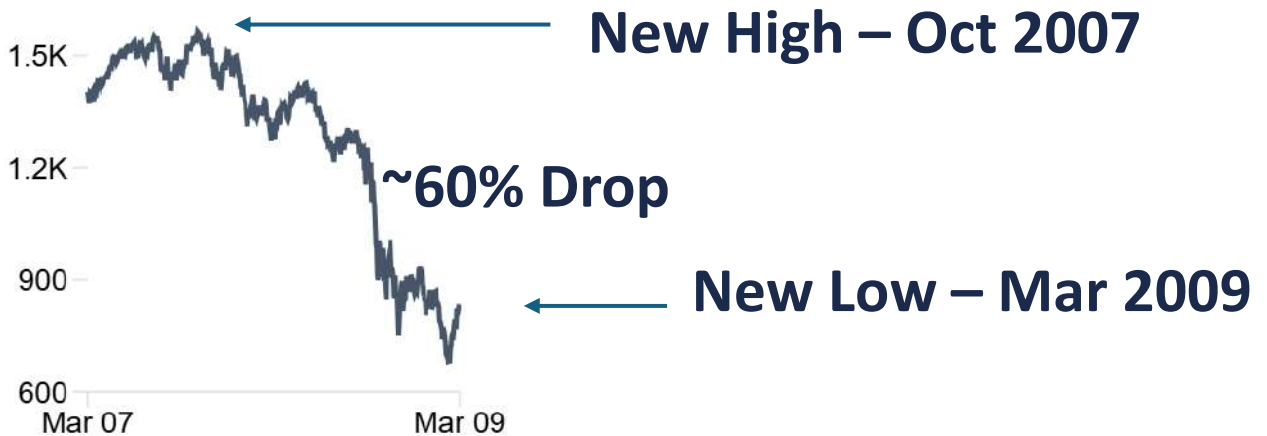


# The Disbelief Rally of 2026

2007 Repeating Itself - With an AI Wildcard

S&P 500



In Oct 2007, markets hit new highs while subprime was already cracking. Today the S&P is at all-time high. The cracks are in different places. The disbelief of reality is the same.

**Amar Harollikar ACA**  
Decision Sciences & Applied AI  
Ex-Derivatives Trader

18<sup>th</sup> April 2026  
[tremor.tigzig.com](http://tremor.tigzig.com)

# 2007 vs 2026

	2007	2026
<b>S&amp;P at Highs</b>	1,576 (Oct)	<b>7,100+ (Apr)</b>
<b>Shiller CAPE</b>	~27x	<b>~40x (2nd time ever)</b>
<b>Unemployment</b>	4.7% and rising	<b>4.3% - 35-mo drift from 3.4% trough</b>
<b>Hidden Losses</b>	Subprime CDOs at par	<b>Private credit BDCs at par</b>
<b>Hidden Leverage</b>	~\$1.5T subprime	<b>~\$2.7T private credit</b>
<b>Bank Losses</b>	Rising in mortgages	<b>Rising in Autos, cards, student loans.</b>
<b>Oil Shock / War</b>	Oil rose, no supply cut	<b>Hormuz 40-day closure. Brent \$112+</b>

## The Variable 2007 Didn't Have

**AI displacement of labor.** Entry-level hiring down & increasing layoffs of experienced workers. Computerization took **decades**. This is happening in **one cycle**, INSIDE another stress cycle.

# The Disbelief Rally

*S&P 500 new highs preceded both episodes – the temporary euphoria from an immediate news event*

***“Fed Minutes Spark Record Stock Moves”*** [NPR | Oct-9-2007](#)

## 2007-2008



***“S&P 500 notches first close above 7,100”*** [CNBC | Apr-17-2026](#)

## 2025-2026



# CAPE at ~40x - Second Time Ever

- Shiller CAPE at **~40x** as of Jan 2026 - a **135% premium** to the long-term mean of **~17.3**. Only the **second time in 155 years** the 40-point threshold has been breached - the first was the Dot-com peak in 2000.
- In 2007, CAPE was **~27x** before the crash. Today's reading is **50% higher than 2007's peak**.

US | Shiller CAPE Ratio (Cyclically Adjusted P/E) | MTHLY (ratio)



Source: Robert Shiller, Yale University / [shillerdata.com](http://shillerdata.com) via [tremor.tigzig.com](http://tremor.tigzig.com)

**What is the Shiller CAPE?** Developed by Nobel laureate **Robert Shiller**, it divides the S&P 500 price by the average of 10 years of inflation-adjusted earnings - smoothing out short-term profit cycles to show how expensive the market truly is. Readings above 25 have historically preceded below-average returns; above 40 has only occurred twice - both near major peaks.

# Labor Market - Same Creep

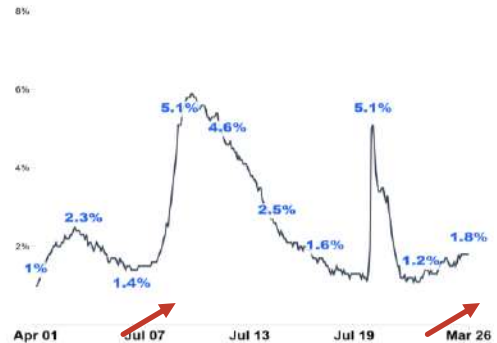
All three measures - long-term, headline, and underemployment - are rising, mirroring the pre-crisis pattern of 2007.

## U-1: Long-Term Unemployed

Nov 2007: **1.5%**

Mar 2026: **1.8%** ▲

*Already exceeds 2007*

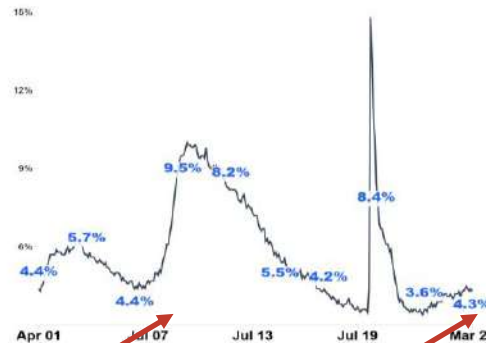


## U-3: Headline Rate

Nov 2007: **4.7%**

Mar 2026: **4.3%** ▲

*35-mo drift from 3.4% trough*

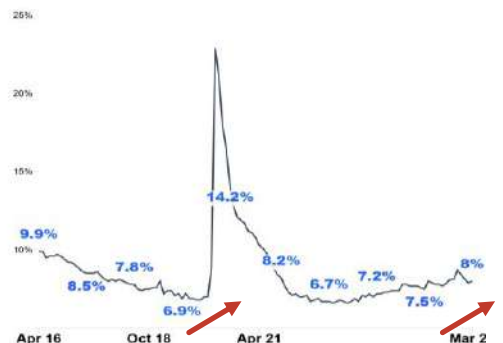


## U-6: Underemployment

Nov 2007: **8.5%**

Mar 2026: **8.0%** ≈

*Matching 2007 level*



Source: U.S. Bureau of Labor Statistics (BLS) / FRED via [tremor.tigzig.com](https://tremor.tigzig.com)

# AI Displacement (1/2)

## Entry-Level Already In Recession

*The headline 4.3% unemployment masks a recession-level shock at the bottom of the career ladder.*

- Recent grad unemployment: **5.7% in Q4 2025**, up from 5.3% in Q3. Underemployment at **42.5%** - highest since 2020. ([NY Fed](#))
- Unemployment rate for new college graduates could go **30%+** ([McDermott, CEO Service Now, CNBC, March'26](#))
- New grads now **7% of Big Tech hires**, down 50%+ from pre-pandemic. Under 6% at startups, down 30%+. ([SignalFire](#))



Source: [Federal Reserve Bank of New York, College Labor Market, Feb 2026](#)

*"I'm worried that when this year's college graduates enter the workforce, we could see the highest unemployment rate among them in years - even without a recession."* - **Larry Fink, CEO BlackRock** ([2026 Infrastructure Summit, March 2026](#))

# AI Displacement (2/2): Senior Layoffs Accelerating

*Announced cuts up 44% YoY. AI-attributed layoffs projected at 9x 2025. The AI producers are the ones warning.*

- 2026 cuts across the board: **Oracle 20-30K, UPS 30K, Amazon 16K**, Dell 11K, Chevron 8K, Dow 4.5K, Block 4K, MS 2.5K, Atlassian 1.6K, Snap 1K. [Challenger, Gray & Christmas](#); [TrueUp](#); [Layoffs.fyi](#)
- AI can theoretically cover **94% of computer/math tasks** but currently handles ~33%. **49% of jobs** can now use AI in 25%+ of tasks - up from 36% in early 2025. Displacement so far is a fraction of what's feasible. [Anthropic Economic Index](#) - Massenkoff & McCrory, March 2026
- Companies shifting budgets toward AI investments at the expense of jobs. [Challenger CRO, Forbes](#), April 2026

*"AI will disrupt 50% of entry-level white-collar jobs over 1-5 years, while also thinking we may have AI that is more capable than everyone in only 1-2 years."*

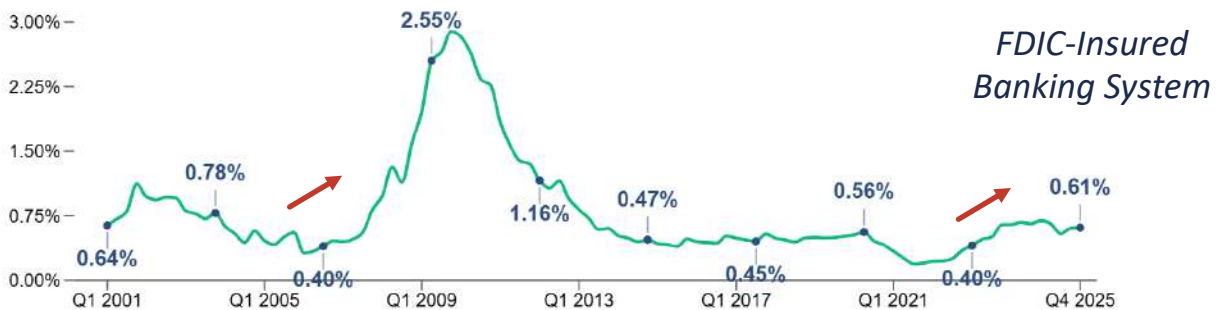
**Dario Amodei**, CEO Anthropic, Jan 2026

# Consumer Credit - Cracks Widening

- Post-COVID forbearance unwind: delinquencies and charge-offs rising across **credit cards, auto loans, and consumer portfolios** - many now exceeding pre-COVID levels.
- Both the banking system (FDIC) and broader consumer credit (NY Fed) confirm the **same upward trajectory** since forbearance expired.

Total Loans & Leases - Net Charge-Off Rate (Annualized) | Segment vs Overall

Quarterly net charge-offs (pre-computed) x 4 / Balance. Annualized. Net CO = gross charge-offs minus recoveries.



Source: FDIC SDI via [tremor.tigzig.com](https://tremor.tigzig.com)

## All Consumer Debt - 90+ DPD Rate (Stock)

= (90-day late + 120+ day late + Severely Derogatory) / Balance. Severely Derogatory includes accumulated charge-offs, repossessions, and foreclosures remaining on the credit file (up to 7 years; 10 for bankruptcy). See Methodology tab for details.



Source: NY Fed Consumer Credit Panel / Equifax via [tremor.tigzig.com](https://tremor.tigzig.com)

# Auto Loans - Worse Than 2007

*Delinquencies now exceed GFC peak levels. A \$1.67T market with cracks showing in both prime and subprime.*

## Auto Loans - 90+ DPD Rate (Stock)

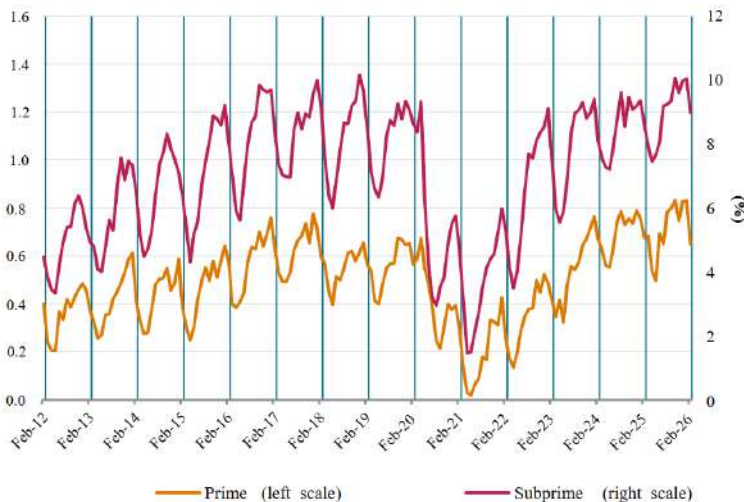
= (90-day late + 120+ day late + Severely Derogatory) / Balance. Severely Derogatory includes accumulated charge-offs, repossessions, and foreclosures remaining on the credit file (up to 7 years; 10 for bankruptcy). See Methodology tab for details.



## NY Fed / Equifax (All Lenders)

- Auto 90+ DPD: **5.21%** (Q4 2025) vs **3.05%** (Q4 2007)
- Total market: **\$1.67T** outstanding (Q4 2025)

Source: NY Fed Consumer Credit Panel / Equifax via [tremor.tigzig.com](https://tremor.tigzig.com)



## S&P Global Auto ABS Pool (\$176B)

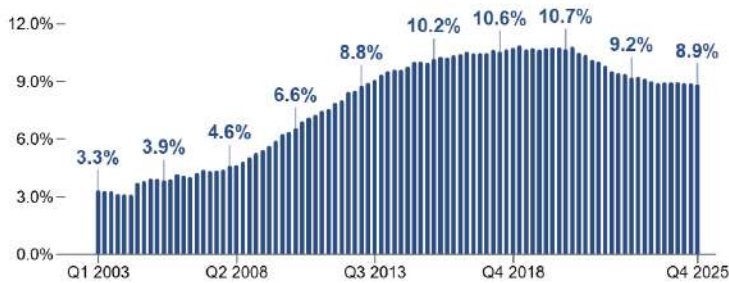
- Subprime charge-offs: **~10%**; prime: **~6%**
- Not just subprime – **prime is cracking too**

Source: [S&P Global Auto Loan ABS Tracker – Feb 2026 Performance](#)

# Student Loans - The Pressure Nobody Had in 2007

*Student loans were ~3% of consumer debt in 2007; now ~9%. \$1.66T outstanding, 40M+ borrowers. A new drag on disposable income that didn't exist last cycle.*

Student Loans - % Share of Total Consumer Debt  
Segment balance / Total consumer debt x 100



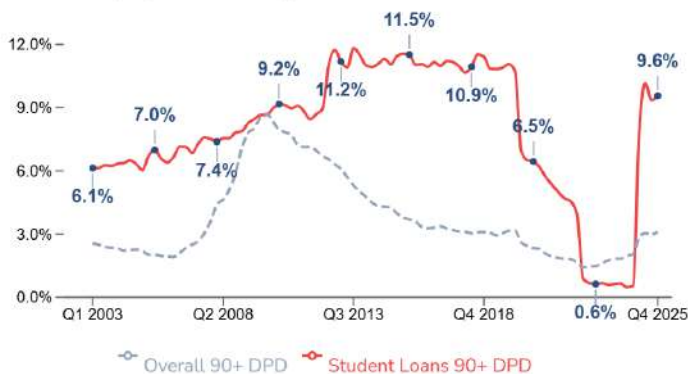
Source: NY Fed Consumer Credit Panel / Equifax via [tremor.tigzig.com](https://tremor.tigzig.com)

## Share of Consumer Debt

- \$1.66T outstanding. 2007: ~3% of total debt. Now: **8.9%** - tripled in 15 years
- This debt didn't exist at scale in 2007

## Student Loans - 90+ DPD Rate (Stock)

= (90-day late + 120+ day late + Severely Derogatory) / Balance. Severely Derogatory includes accumulated charge-offs, repossessions, and foreclosures remaining on the credit file (up to 7 years; 10 for bankruptcy). See Methodology tab for details.



Source: NY Fed Consumer Credit Panel / Equifax via [tremor.tigzig.com](https://tremor.tigzig.com)

## 90+ DPD Stock Rate

- Q4 2007: **7.5%** → Q4 2025: **9.57%**

## New Delinquency Flow Rate

- Q4 2025: **16.35%** - highest since 2009, exceeds GFC peak of ~12%

**Forbearance ended Oct 2024; now competes with mortgage, auto, cards. No bankruptcy discharge; wages garnished w/o court order**

# Banking System Charge-Offs Rising

*Banks are writing off more loans across all sectors.*

- **Overall NCO rate (all sectors):** Q3 2007: **0.56%** → Q4 2025: **0.61%** (annualized) - already past 2007 pre-crisis levels
- **Consumer NCO rate:** Q4 2007: **2.74%** → Q4 2025: **2.90%** (annualized) - surpassed 2007 pre-crisis levels
- It is not just consumer loans - the **entire banking system** is writing off more across C&I, CRE, and consumer portfolios combined

Total Loans & Leases - Net Charge-Off Rate (Annualized)

Segment

vs Overall

Quarterly net charge-offs (pre-computed) x 4 / Balance. Annualized. Net CO = gross charge-offs minus recoveries.



Source: FDIC SDI via [tremor.tigzig.com](https://tremor.tigzig.com)

# Bank Lending to Private Credit & Non Banking Lenders

*Banks can't make risky loans post-2008. So they lend to the funds and Non Depository Financial Institutions that do.*

- NDFI lending at **\$1.57T** (Q4 2025), grew **35% in a single year**. Fastest-growing segment in banking - CAGR of **21.9%** since 2010, nearly 3x the next-fastest segment. (Source: FFIEC Call Reports, | Analysis & interactive data: [tremor.tigzig.com](https://tremor.tigzig.com) → US-NDFI)
- Another **\$1T in undrawn commitments**- total potential exposure: **\$2.6T**. PE Funds category alone has **70% undrawn-to-outstanding ratio**. (Source: FFIEC Call Reports, | Analysis & interactive data: [tremor.tigzig.com](https://tremor.tigzig.com) → US-NDFI)
- Lending default rates to reach 8%, approaching Covid peak levels. ([Morgan Stanley, Mar'26](#))
- Bank credit lines tightening - transmission confirmed. Banks, including JPMorgan are marking down private credit loan collateral and raising rates on back-leverage, prompting funds to swap out holdings ([Bloomberg](#), [CNBC](#), [Capital Advisors Group](#))

*"Banks fund private lenders through credit lines and could pose systemic liquidity risk to the banking sector under certain circumstances, including borrowers defaulting together... tail risk may be underappreciated."* - [Federal Reserve Bank of Boston, Current Policy Perspectives 25-8, May 2025](#)

# Private Credit - Ghosts of 2008

Q1 2026 data is in. Every major manager hit. The slow-motion bank run is now quantified.

- Q1 2026 redemption surge - all four majors hit: Blue Owl OCIC **21.9%**, OTIC **40.7%**, Ares **11.6%**, Apollo **11.2%**, Blackstone **7.9%**. Apollo returned just **45 cents per dollar** requested. **Moody's cuts Blue Owl rating** to 'Negative' Industry total: **\$20.8B** ([CNBC](#), [CNBC](#), [CNBC](#), [Reuters](#), [Reuters](#), [Stanger](#), [Wealth Management](#))
- Median listed BDC is trading at just 0.73x its net asset value (NAV), the lowest since 2020 ([Kobeissi Letter](#), [March 2026](#))
- BlackRock TCP Capital: writedowns cut NAV by **19% in Q4 2025** - valuations catching up to reality ([Wealth Management](#))
- Tricolor indicted (Dec 2025) - DOJ alleges **\$800M double-pledged collateral**. JPM **\$170M hit**. First Brands: **\$2B+ unaccounted** ([CNBC](#))

*"When you see one cockroach, there are probably more."* - Jamie Dimon, JPMorgan CEO ([Oct 2025](#)) . *"The credit cycle has not been repealed."* - David Solomon, Goldman Sachs CEO ([Mar 2026](#))

Detailed analysis: March 2026 - [The \\$2.7 Trillion Shadow Lending Market Is Showing Cracks](#)

# Hormuz Reopened. Futures Fell 12%. The Damage Is Still Here.

Market celebrates, but 40 days of closure doesn't reverse in a day.

- IEA: even with full reopening, oil flows **not expected to reach pre-conflict levels till late 2026** [IEA](#)
- Kuwait Petroleum CEO: "**full production within three or four months.**" Capacity doesn't switch back on at a press conference [CNBC](#)
- Tanker fleet **mispositioned** - pointed toward the US. Redirecting back to the Gulf takes months. [Windward](#)
- Pump prices: "**months if not a full year**" to return to pre-war levels. [Newsweek](#)

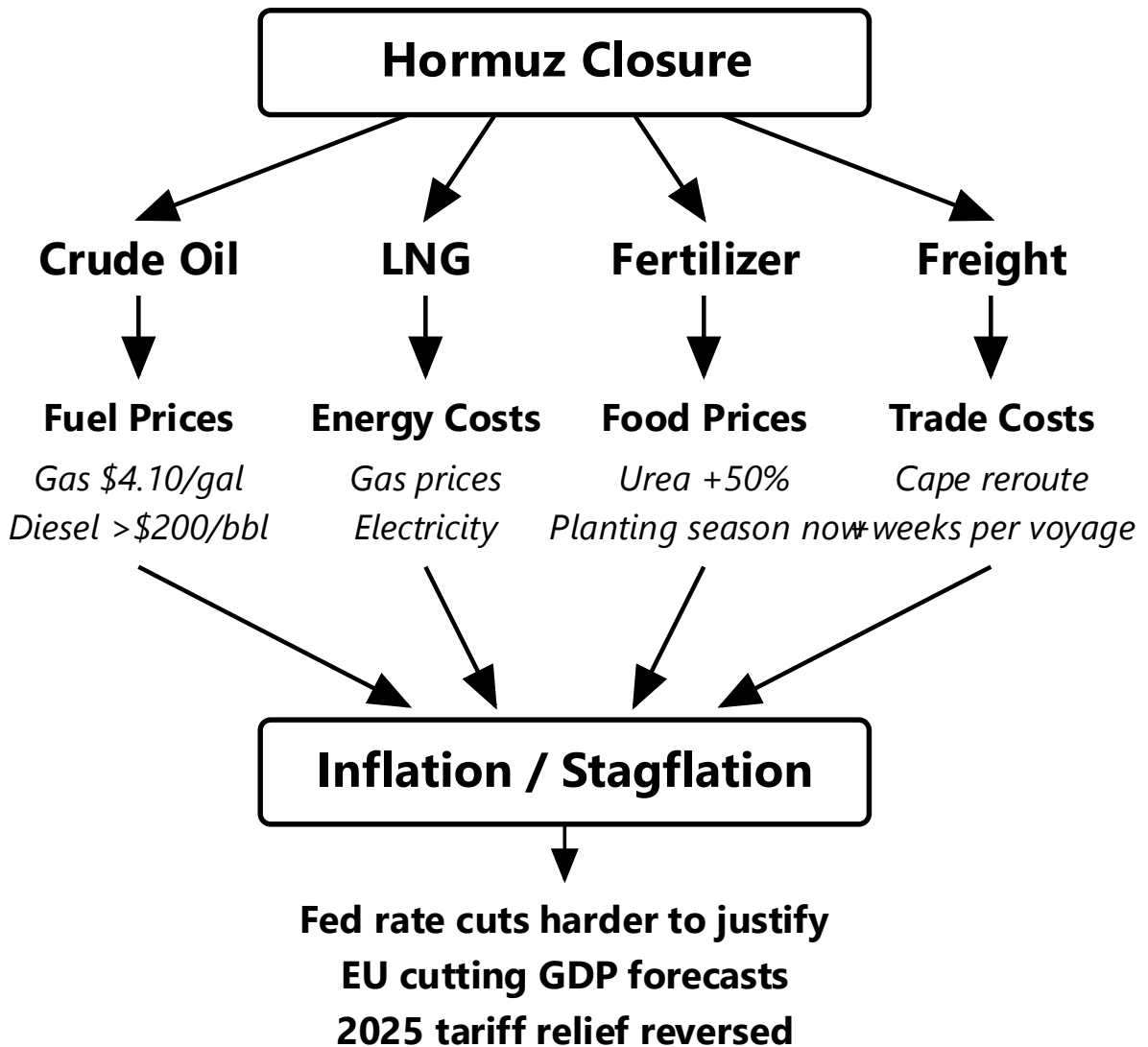
*"This is a historic disruption to world oil. There has never been anything of this scale. Even the oil crises of the 1970s, the Iran-Iraq war of the 1980s, Iraq's invasion of Kuwait in 1990 - none come close to the magnitude of this disruption."* **Daniel Yergin, vice chairman of S&P Global** [CNBC](#)

*"The current oil and gas crisis triggered by the blockade of the Strait of Hormuz is **more serious** than the ones in 1973, 1979 and 2022 together."*  
**Fatih Birol, IEA Head** | Reuters

*Analysis: "[The Oil Price You See Is Wrong](#)" (Apr 12, 2026)*

# How a Blocked Strait Hits Economies

*The closure doesn't need to last forever to cause lasting damage. It just needs to last long enough for these transmission chains to embed in prices. That process has already started.*



*The process has already started*

# Hormuz - Three Scenarios – One Thing in Common

## Scenario 1

**Ceasefire holds  
Hormuz reopens**

**3-5 months**  
to restore supply

**\$80-90**

Brent by Q3

*Painful but  
manageable*

## Scenario 2

**Ceasefire holds  
Hormuz restricted**

**Ships trickle**  
through with approval

**\$100-120**

Brent through 2026

*Recession risk  
rises materially*

## Scenario 3

**Ceasefire  
collapses**

**Full blockade**  
SPR mostly spent

**\$130+**

Brent futures

*Stagflation  
base case*

**The next 4-8 weeks are tight  
in all three scenarios**

Tankers move at 12-15 knots  
Reservoirs take weeks to restart  
Refineries need crude in hand not in a contract

***The 40-day void is real and it's here***

# What Kills This Thesis (1/2)

*Each item has an observable trigger - track these, not the narrative.*

- **Fed cuts aggressively + credit stress flattens.** 75bps+ by Sept (not the 25bp drip priced in) and consumer 30+ DPD flow rates turn down from 4.8%. Hormuz relief is easing inflation - could give Fed cover. Apr 28-29 FOMC is the first test
- **Labor market stabilizes without rolling over.** 35-month drift (3.4% to 4.3%) unprecedented without recession. But JPM: 'weakness from subdued hiring, not widespread layoffs' Non-farm payrolls above 150K for 3+ months begins invalidating this leg
- **Private Credit redemptions ease + BDC NAV recovers.** Q1 requests ran 8-40% across majors; BDCs at 20% discount to NAV. If Q2 requests fall below 5% and price/NAV recovers toward 0.85x+, the bank-run dynamic breaks. No sign of easing yet
- **AI productivity shows up in wages, not just layoffs.** BofA data: K-shaped compression (upper +5.6%, lower +1%). Real wages positive across all brackets for 2+ quarters weakens consumer stress story. No data supports this yet
- **Consumer savings rebuild above 5%.** Student loan delinquency flow at 16.35% - highest since 2009. If oil normalizes, inflation falls, and savings rate rebuilds, the default transmission closes. Possible but needs 2-3 quarters of data

# What Kills This Thesis (2/2)

*The Bull Case Has Data Behind It*

*“Private credit probably does not present a systemic risk.”* Jamie Dimon | Shareholder Letter, Apr 2026.

- **CDS markets aren't alarmed.** JPMorgan 5yr CDS at ~45bps today (52-week range 37-67bps), well below crisis-era peaks when IG CDX hit 280bps. Big-bank CET1 ratios now ~15-16% vs ~5-7% pre-2008 - roughly 2.5-3x thicker buffers. Credit pricing says "stress, not crisis"
- **Private Credit too small to be systemic.** \$2T vs \$13T public bonds. Morgan Stanley: even 8% defaults "significant but not systemic." IMF Apr: "contained"
- **Fiscal stimulus flowing.** One Big Beautiful Bill Act tax cuts live (signed July 2025, bulk active 2026). Hyperscalers committed \$600B+ AI capex 2026 - nearly double 2025. Bessent (Apr 16): "None of our work has shown there would be a systemic problem"
- **Recession probability fading.** J.P. Morgan: "We no longer see a US recession." RSM US cut 40% to 30%. National Association for Business Economics GDP revised up. Same consensus that missed 2008

**This deck isn't certainty - it's asymmetry. If three invalidators print next two quarters, the 2007 mirror shatters.**

# Gradualism Plus A New Variable

*Credit cycles have had slow burns before. 2006-07 is the reference case. The setup is same - delinquencies creeping, marks held at par, markets at highs.*

**What has no precedent:** a structural labor shift happening *inside* the same cycle.

- AI displacement is **not cyclical**. Jobs lost to AI don't return when credit stabilizes
- Two pressures running simultaneously with **no historical playbook**
- The slow pace gives time to react. **Complacency is the risk**. When it breaks, it breaks with two engines - credit *and* structural labor - not one

**The economic cycle is familiar.**

**The AI displacement is not.**

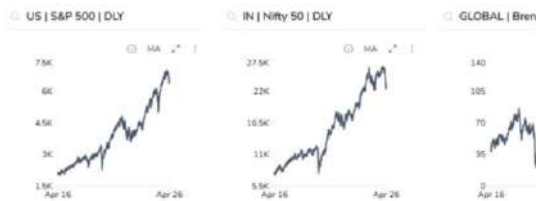
# Data & Tools

## Primary Data Sources

- NY Fed Consumer Credit Panel / Equifax
- FFIEC Call Reports via FDIC
- FDIC Statistics on Depository Institutions
- SNL Global Market Intelligence (auto ABS, subprime)
- BLS (unemployment, wages), SEC/EDGAR (BDC filings, 10-K/10-Q)

## Live Interactive Tool

- **TREMOR** - [tremor.tigzig.com](https://tremor.tigzig.com)
- US-Banks-Aggregates
- US-NDFI Module
- Macro Charts



**TREMOR** TIGZIG

Macro Signals Indicators US NDFI IND Credit **US Banks**

### US BANK AGGREGATES

FDIC Banks: 100 quarters, \$13.6T total loans | NY Fed Consumer: 108 quarters, \$18.8T total debt

Time Series Cross-Section Download FDIC Recon

Methodology Validations

1Y 5Y 10Y 15Y 20Y **All** From: Q1 2001 To: Q4 2025

### FDIC Banks NY Fed Consumer

#### LOAN SEGMENTS

Total Loans & Leases	\$13.60T
Real Estate	\$6.15T
Construction & Development	\$461B
Nonfarm Nonresidential (CRE)	\$1.91T
Multifamily Residential	\$662B
Farmland	\$122B
1-4 Family Residential	\$2.94T

https://tremor.tigzig.com/tools/us-ndfi?tab=exposure

**TREMOR** Macro Early Warning Signals Dashboard Indicators **US NDFI** Indicators

### US NDFI - Bank Lending to Nondepository Financial Institutions

FFIEC Call Report analysis. Loans from FDIC-insured banks to NDFIs including mortgage intermediaries, business credit, and others.

Coverage Balances Commitments Credit Quality **Exposure** Bank Explorer

Quarter: Q4'24 Q1'25 Q2'25 Q3'25 **Q4'25**

NDFI / CET1	NDFI / Tier 1	NDFI / Total Capital	NDFI / Equity
<b>80.5%</b>	<b>80.1%</b>	<b>73.9%</b>	<b>69.3%</b>
\$1,569.1B / \$1,950.1B	\$1,569.1B / \$1,957.9B	\$1,569.1B / \$2,123.3B	\$1,569.1B / \$2,264.1B

Capital adequacy metrics for 629 NDFI-lending banks. NDFI loans (\$1,569.1B) represent 80% of these banks' loan loss reserves (ACL \$190.3B) cover 12.1% of NDFI exposure.

NDFI / CET1 - Trend  
NDFI as percentage of Common Equity Tier 1 capital

NDFI / Equity - Trend  
NDFI as percentage of total bank equity

ACL Coverage Ratio