

Angeles



Source: Michael Rosen
via ChatGPT

Fire Horse

Aguda was the eighth-generation descendant of the founder of the Wanyan clan of northeast China. Nine hundred years ago, the many clans of northeast China were under the control of the Liao emperor, whose archenemy was the Song, who controlled most of China to the south. Each year, the Liao emperor would visit the northern clans and require each chieftain to dance for him as an act of submission. Aguda refused to dance, and the emperor ordered his execution. His life was spared to demonstrate the emperor's compassion, but he would soon regret not killing him.

Aguda's defiance helped him unite all the clans under his rule. He declared himself the first emperor of a new dynasty, the Jin ("gold"), and led his troops in battle against the Liao. He allied with the Song, and together they vanquished the Liao dynasty. Seeking greater glory, the Jin then turned on their Song allies. The Jin crossed the Yellow River and laid siege upon the Song capital at Kaifeng, 1,000 kilometers to the south.



Jin Shangjing Museum, Harbin

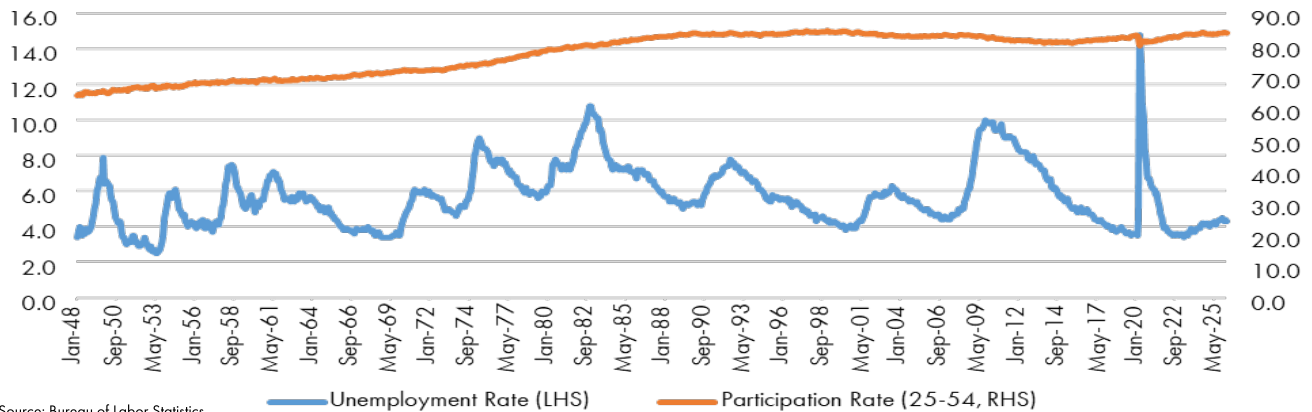
In January 1127, the Jin captured Kaifeng. The emperor and most of his family were killed, and the capital was razed in an act of unprecedented destruction. Art, libraries, buildings, gardens were all destroyed, the population raped, tortured and killed, atrocities so great that they were given a

name, the Jingkang Incident, a calamity taught to every schoolchild in China to this day.

Nothing encapsulates the state of the economy today better than the labor market. By conventional measures, the labor market is healthy. The unemployment rate of 4.3% is below its long-term average of 5.7%, and the percentage of core-age workers (25-54 years) working is 83.8%, near its all-time high of 84.3% (in 1997) (Chart 1).

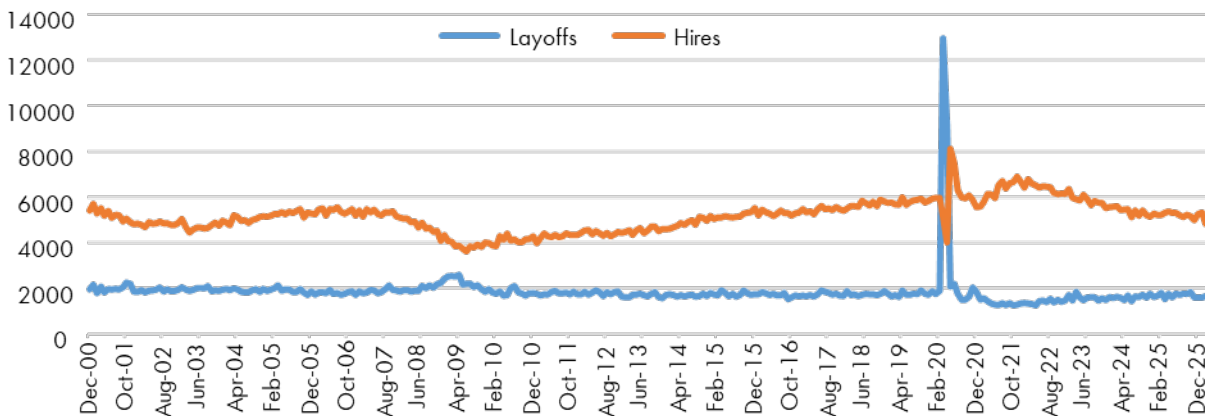
Likewise, layoffs are down 7.8% in the past year and well below its long-term average. But hires are also down by the same amount (Chart 2).

Chart 1 US Unemployment Rate and Labor Force Participation Rate 25-54 Years 1947-2026



Source: Bureau of Labor Statistics

Chart 2 Job Layoffs and Hires, 2000-2026 (.000)



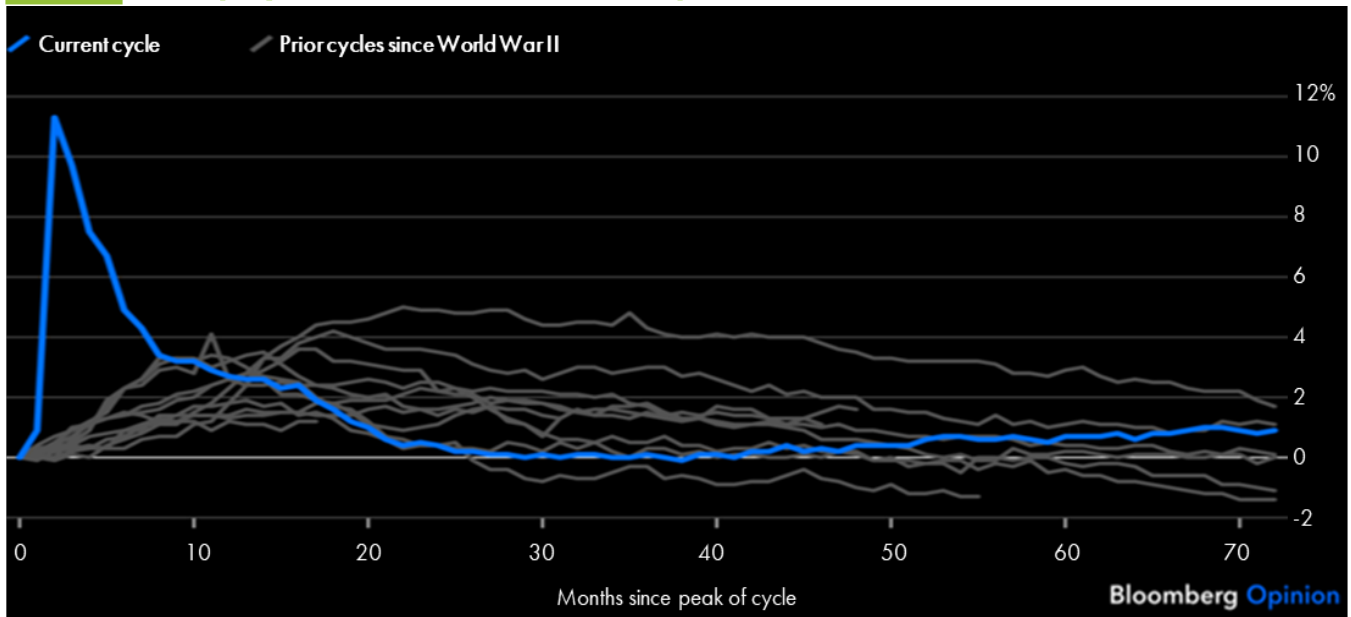
Source: Bureau of Labor Statistics

The unemployment rate is low, but it has risen a percentage point in the past three years, unusual in an economic expansion (Chart 3).

0.2% of total employment. In the first quarter of 2026, the trend shifted down, as 1.15 million workers have left the labor force this year (Chart 4).

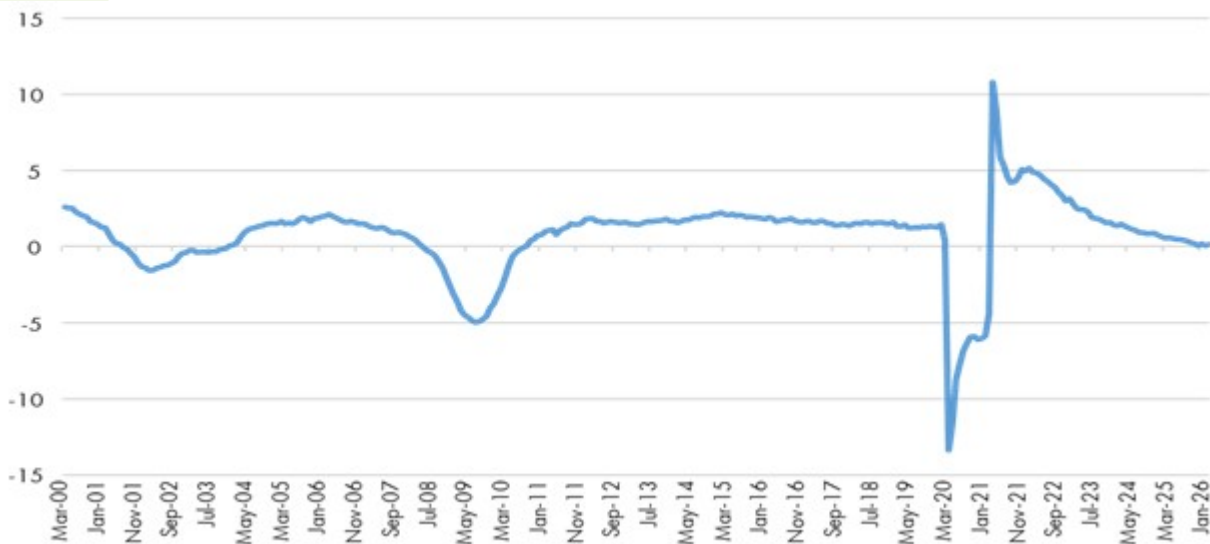
More ominous is the lack of new workers. Over the past year, 260,000 workers joined the labor force, less than

Chart 3 Unemployment Rate in Post-WW2 Expansions



Source: US Bureau of Labor Statistics

Chart 4 All Employees, Pct. Change from a Year Ago, 2000-2026



Source: Bureau of Labor Statistics.

It's no wonder that workers were so pessimistic about finding a job at the end of last year (Chart 5).

The aging of the population and curtailment of immigration means the percentage of workers in the population will continue to decline. Just 61.9% of the population is now working, the lowest level, outside the pandemic months, since 1977 (Chart 6).

This is the new reality for the economy. We are close to full employment, but we are not creating new jobs. Consequently, businesses are not hiring, or (not yet) firing, employees, and workers are not quitting for fear of not finding a new job. The labor market is in balance, but it is a precarious balance where a modest increase in layoffs will translate directly into a rise in unemployment.

Chart 5 Job Market Sentiment Among US Workers, 2022-2025

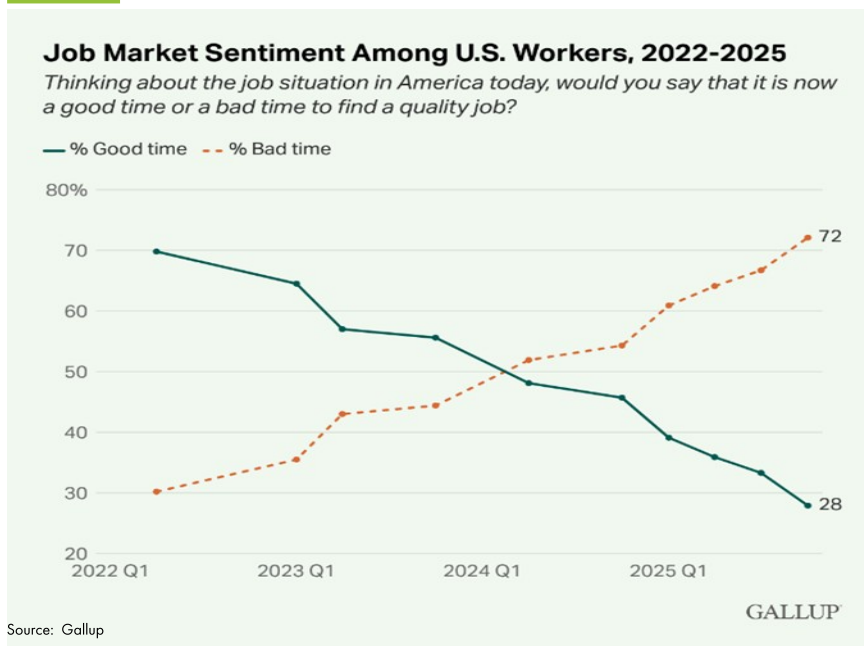
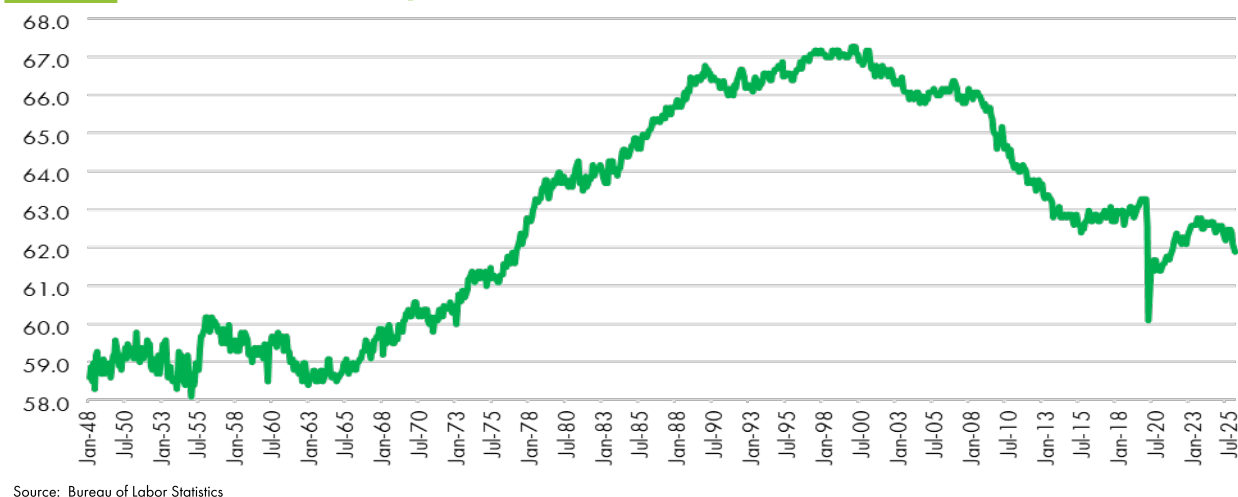


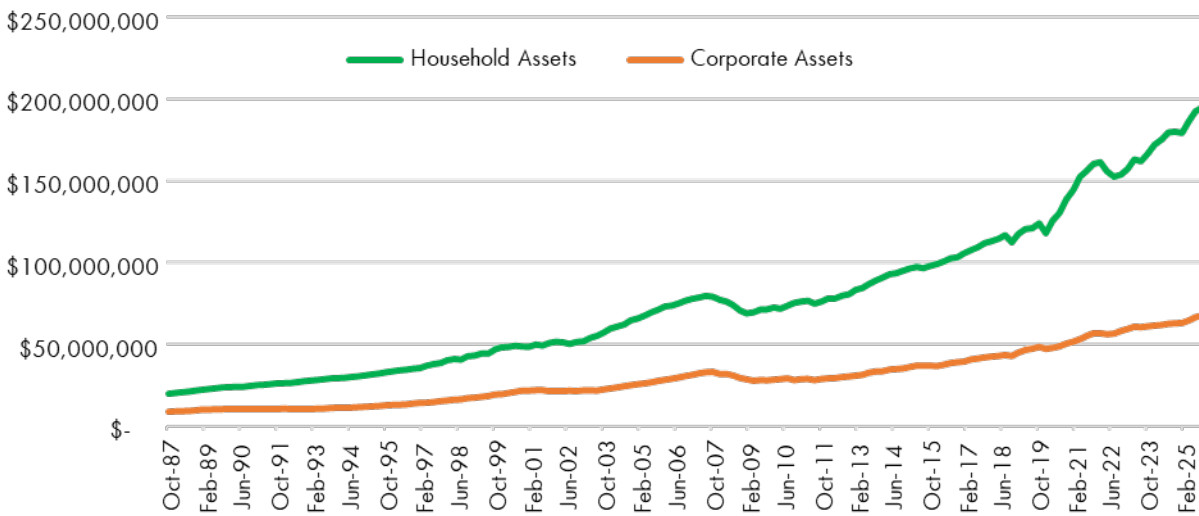
Chart 6 Labor Force Participation Rate, 1948-2026



Despite the precarious balance in the labor market, the underlying economic fundamentals are strong. Households and corporations hold a record level of assets, \$195 trillion and \$68 trillion, respectively (Chart 7), and both households and businesses have been reducing debt (Chart 8). Balance sheets in the private sector are as strong as ever.

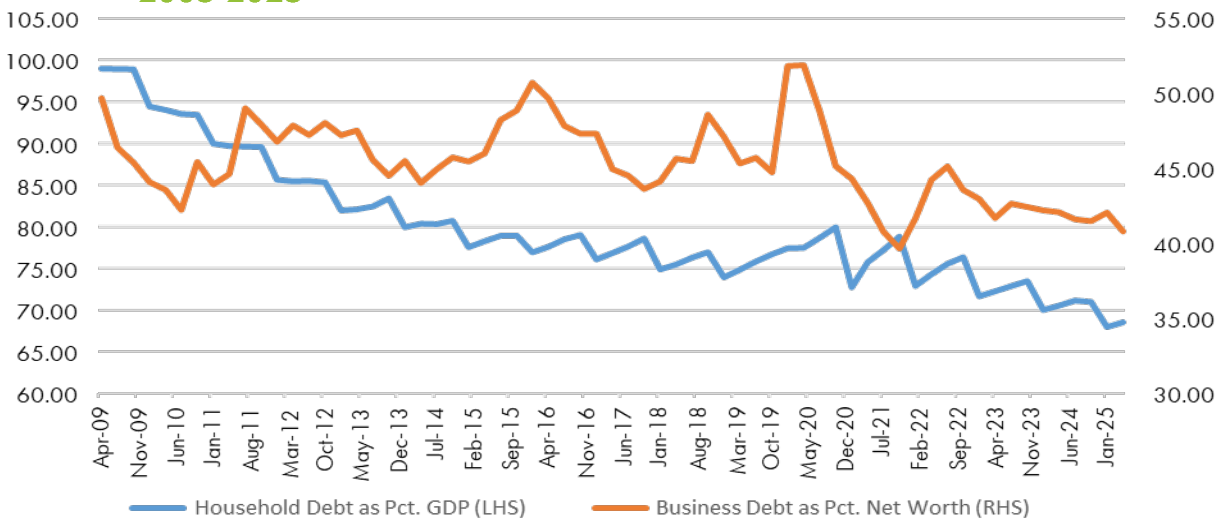
Pax Americana, a global order of rules and institutions established and enforced by the United States, was born in 1945. This American order promoted free trade and free markets, organized around economic and military alliances that united the free world under the US umbrella of security and prosperity.

Chart 7 Household and Corporate Assets, 1987-2025 (\$MM)



Source: Bureau of Labor Statistics

Chart 8 Household Debt as Pct. of GDP and Business Debt as Pct. Of Net Worth, 2005-2025



Source: IMF (Household Debt) and Federal Reserve System (Business Debt)

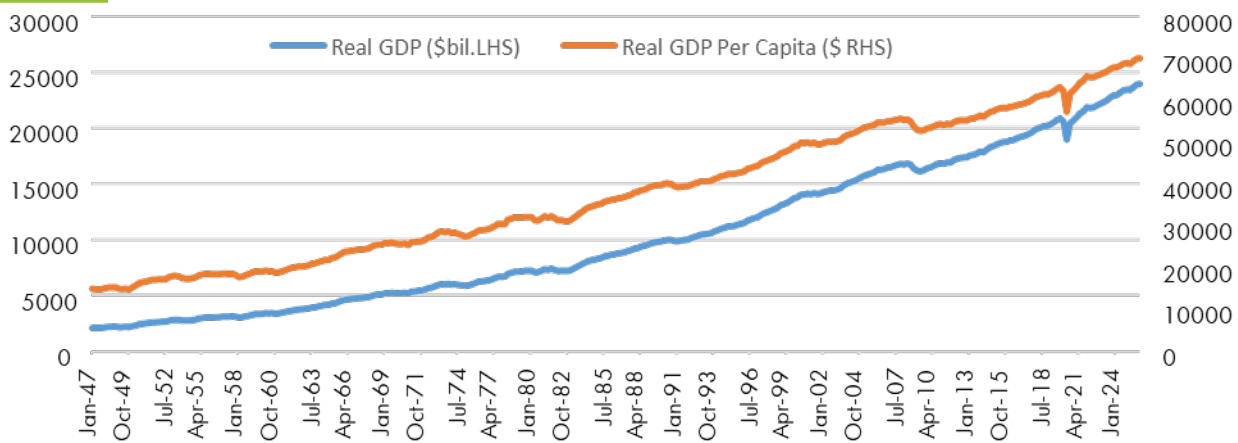
The real (inflation-adjusted) wealth of the United States soared in this American-led world order. Real GDP grew from \$2 trillion to \$24 trillion since 1947, and real GDP per capita rose from \$15,000 to \$70,000 (Chart 9). Americans saw the greatest accretion of wealth in history.

The world benefited as well. To take one example, the percentage of the world population in extreme poverty

(living on less than \$2/day in 2017 dollars), fell from nearly 60% in 1950 to under 40% by 1990. The collapse of the Soviet Union brought billions more people into the American-led order, helping to reduce extreme poverty to just 8% of the global population over the past 30 years (Chart 10).

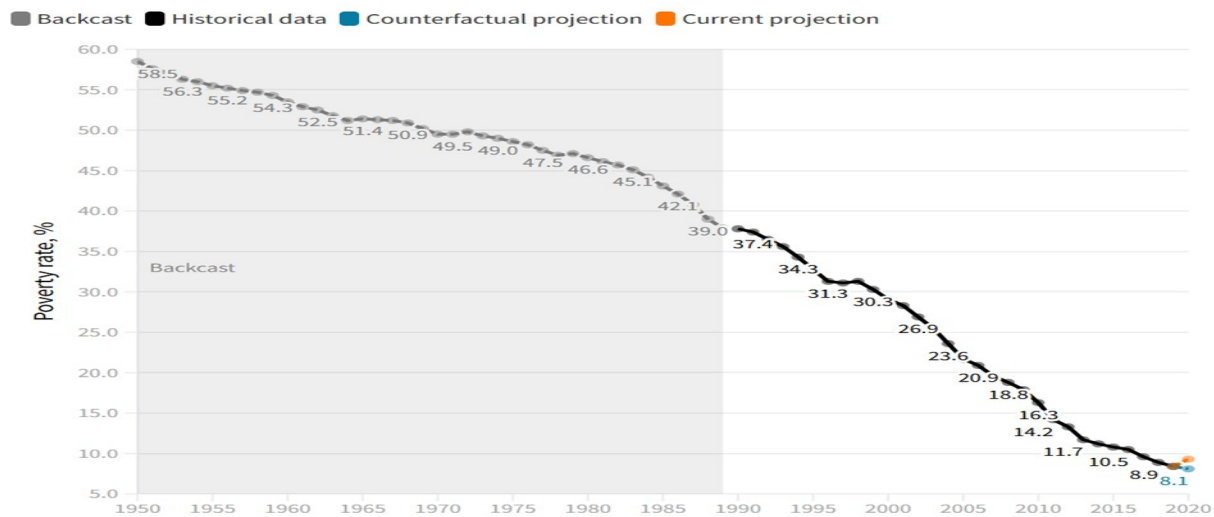
Amidst the prosperity and decline in poverty, tensions in the system arose. In the US manufacturing was thought

Chart 9 Real GDP and Real GDP Per Capita, US, 1947-2025



Source: Bureau of Economic Analysis

Chart 10 Global Extreme Poverty Rate, 1950-2020



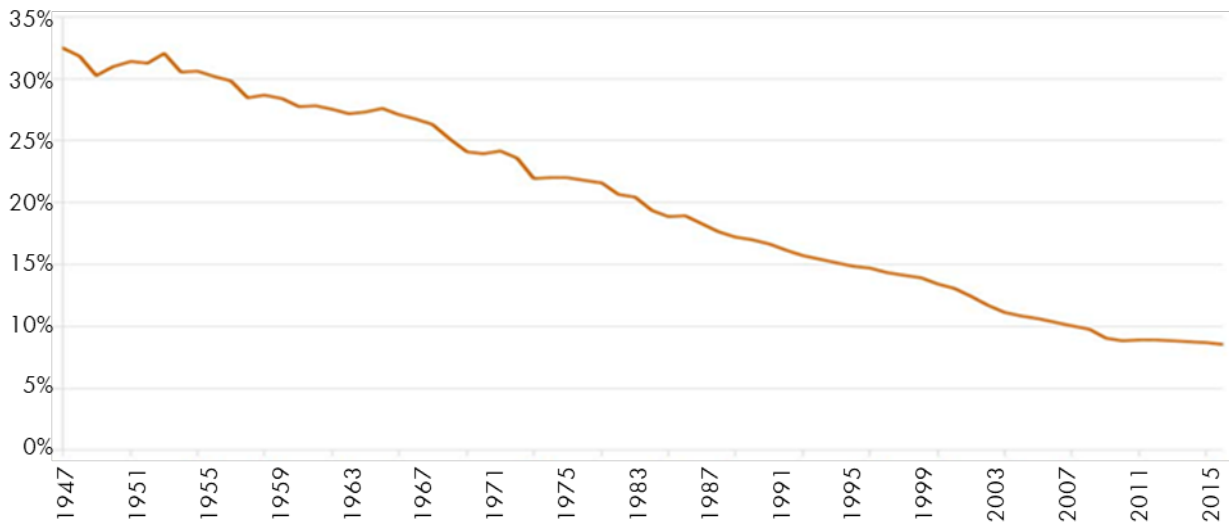
Source: Poverty and Shared Prosperity (2022), Poverty and Inequality Platform, Mahler (c) Yonzan (c) Lakner (2022)

to have been hollowed out. In 1947, one in every three American workers were employed in manufacturing. Today, it is fewer than one in ten (Chart 11). Manufacturing's share of nominal GDP was 28% in 1953 and it is under 10% today.

These statistics are a bit misleading, though. Manufacturing contributed a record-high value to GDP, around \$2.5 trillion last year, despite having far fewer workers than in the past. Because prices for manufactured goods

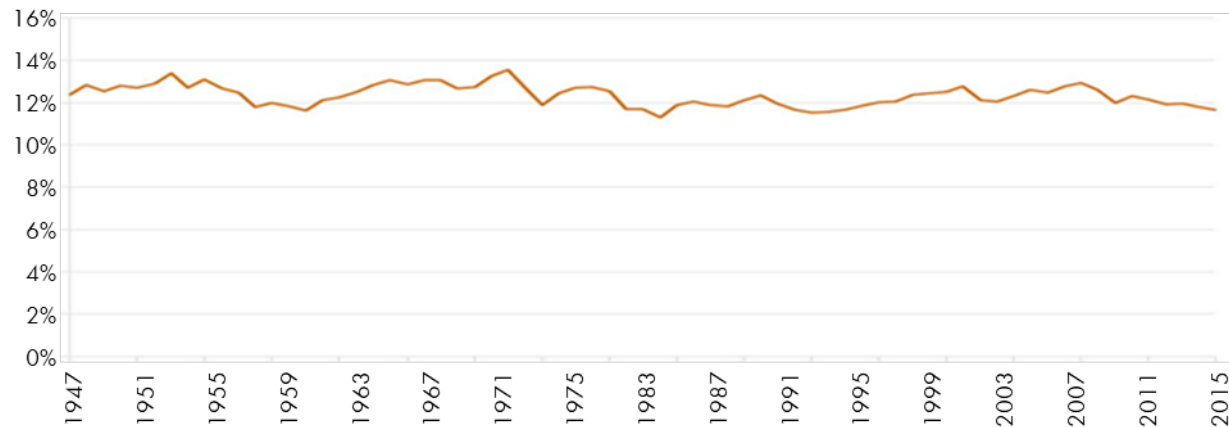
have increased more slowly than the broader price level, even as manufacturing's share of nominal GDP fell, its share of real GDP has remained constant (Chart 12). American manufacturing did not disappear, and produces a growing economic output. It's the American service economy that has grown much faster which makes it appear that manufacturing has been hollowed out, but it has not.

Chart 11 US Manufacturing's Share of Employment, 1947-2015



Source: Bureau of Labor Statistics

Chart 12 US Manufacturing's Share of Real GDP, 1947-2015



Source: Bureau of Economic Analysis

However, the global pandemic exposed the risks of offshoring much of our manufacturing. The shortage of critical supplies of protective equipment, drugs and vaccines highlighted our vulnerabilities.

It also became apparent that there is a natural limit to immigration. Immigrants peaked at around 15% of the population in 1890 and restrictive immigration limits were soon enacted. A similar pattern was repeated a year ago as the immigrant share of the population again reached 15%.

The foundations of Pax Americana have cracked. Free trade has been replaced by trade barriers, including the highest tariffs in a century. The free market has been overtaken by a growing statism, with the US government forcibly taking ownership stakes in American companies (Intel, MP Materials, Lithium America, Trilogly Metals, US Steel, i.a.). Economic treaties have been unilaterally breached and global organizations defunded and abandoned. The US commitment to its bedrock military alliance, NATO, is seriously in doubt.

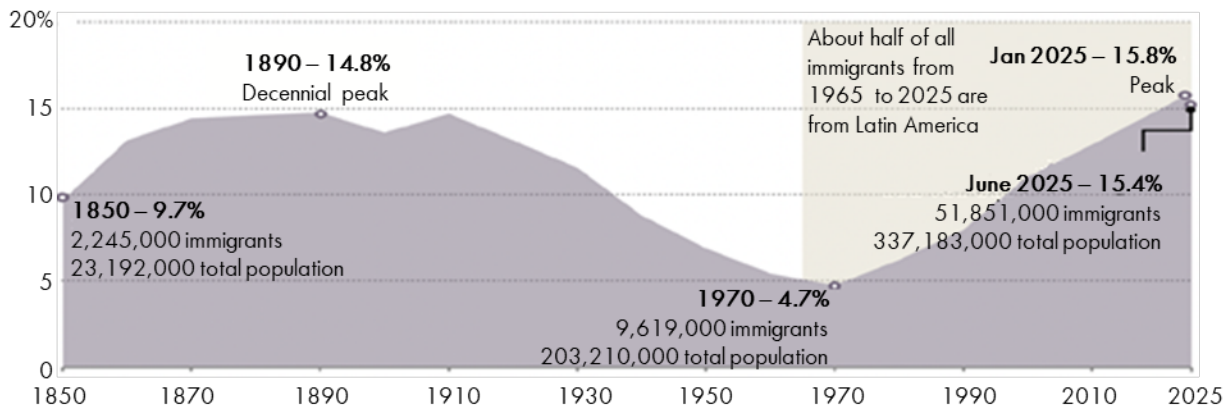
America failed to address the needs of the many displaced by the otherwise broadening prosperity, and has determined that the costs of our military alliance exceed the benefits to the US, and so concluded that the system should no longer be sustained. In its place will be a world in which every country is out for itself, seeking

the maximum gain in a zero-sum world. Collective defense, collective prosperity would no longer be national goals, much less shared values.

In building this new order, its architects hope to strengthen US power, but they risk overreaching. Deporting criminals has become deporting productive immigrants. Pressing NATO members to increase defense spending has turned into threats to take Greenland and Canada. Energy independence has meant abandoning renewable energies, paying \$1 billion to a French company to drop its plans for a wind farm off the East Coast, at a time when demand for electricity is soaring and the US electrical capacity will fall far short of demand in the coming years, hampering our leadership of AI development and limiting our overall economic growth.

The end of this American-led order does not necessarily mean the rise of another country-led system. Europe and China have economic heft, but fall well short in military power or, in the case of Europe, the political cohesion needed to lead the world. The US is not likely to be replaced as the world's leading economic and military power, but by stepping back, will leave a more fragmented global economy with more frequent conflicts propelled by rising geopolitical tensions and environmental stresses.

Chart 13 Percentage of US Population Foreign-Born, 1850-2025



Note: Populations are rounded to the nearest 1,000. Shares are calculated using unrounded population numbers. Data for 2025 represents the civilian, noninstitutional population.

Source: US Census Bureau. "Historical Census Statistics on the Foreign-Born Population of the United States: 1850-2000." Pew Research Center tabulations of 2010 and 2023 American Community Surveys and 2025 Current Population Surveys (IPUMS). PEW RESEARCH CENTER

Legend has it that the Jade Emperor wanted to give his subjects a calendar, and to help them remember the year, he decided to name each year after an animal. He decided that he would select twelve animals for the honor; but which ones? The Jade Emperor announced that he would hold a Great Race, and the first twelve animals to visit him would have the years named for them. The distance to the Emperor was far and there was a wide, swift river to cross. The rat and the cat knew they wouldn't be able to cross the river on their own, so they asked the ox if they could hitch a ride on his back. The ox, a genial beast, agreed. The cunning rat really wanted to be first, and he knew he could not outrun the cat when they got to the other side, so the rat pushed the cat off into the river where it drowned. When the ox reached land, the rat jumped off and ran to the Emperor. That is why the first year in the calendar is the Year of the Rat. It is also why there is no cat in the Chinese zodiac, and the reason why cats hate rats. Following behind were the ox, tiger, rabbit, dragon, snake, horse, goat, monkey, rooster, dog and pig.

Around 2,500 years ago, the Wuxing philosophy spread across China. One of its principles was the idea that there are five elements, or forces, in nature that follow a path of natural energy. These five elements—Wood, Fire, Earth, Metal and Water—were adopted into the zodiac so that each year pairs one of the twelve animals with one of the five elements. This combination

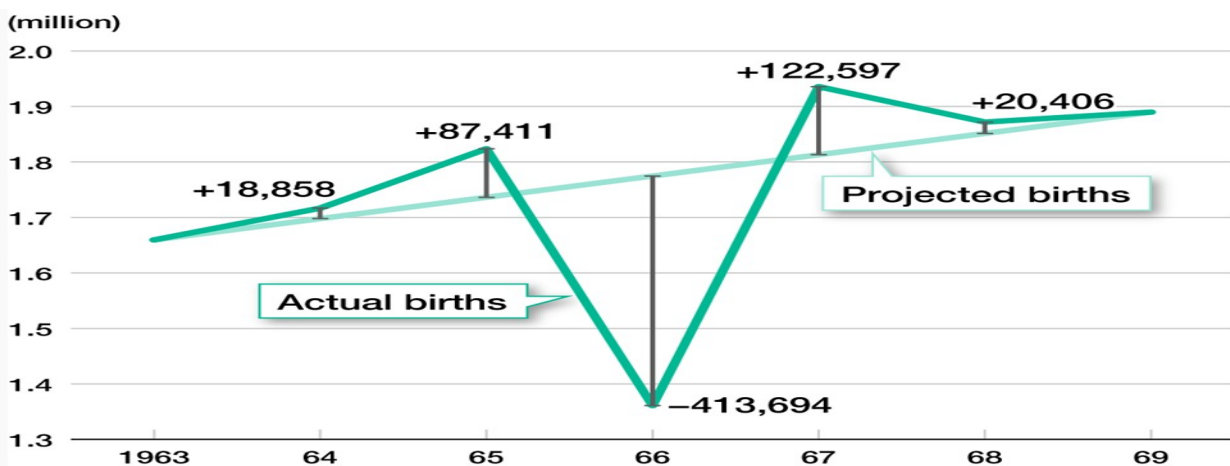
of animals and elements makes for a 60-year cycle.

The horse is considered a volatile animal, associated with aggressiveness, stamina and independence. Fire adds passion and heat, amplifying the traits of the animal, both good and bad. When the horse and fire combine every 60 years, it is an especially ominous moment in time.

After driving the Song out of Kaifeng, the Jin were indisputable rulers of northern China. The remaining Song regrouped near today's Hangzhou, waiting to avenge the atrocities of the Jingkang Incident. They never would, as the Jin dynasty was soon conquered by Genghis Khan and the Mongols, and the Song dynasty fell to the Ming, who then defeated the Mongols and united all of China.

The Jingkang Incident occurred in the year of the Fire Horse, and ever since, this 1-in-60-year event has been considered an ominous year. In 1666, the Great Fire destroyed all of London. In 1906, earthquake and fire destroyed all of San Francisco. In 1966, the most recent year of the Fire Horse, the Chinese Cultural Revolution began, resulting in the deaths of millions and the displacement of tens of millions. In that year, fearful of tempting the fate of the Fire Horse, births in Japan fell 25% (Chart 14).

Chart 14 Projected and Actual Births in Japan, 1963-1969



Source: nippon.com, created by Kikkawa Toru

We are in another Year of the Fire Horse, promising turmoil and turbulence, but also potentially great achievements. Investors must be both cautious and vigilant, guarding risks but also nimble to seize the opportunities that may arise in this Year of the Fire Horse.



Source: Michael Rosen via ChatGPT



Michael A. Rosen

Principal & Chief Investment Officer

April 2026

Please follow the Angeles Insights by Michael Rosen at

<https://www.angelesinvestments.com/insights/home>

CONNECT WITH US



Founded in 2001, Angeles is a multi-asset investment firm, building customized portfolios for institutional and private wealth investors.

This report is not an offer to sell or solicitation to buy any security. This is intended for the general information of the clients of Angeles Investment Advisors. It does not consider the investment objectives, financial situation or needs of individual investors. Before acting on any advice or recommendation in this material, a client must consider its suitability and seek professional advice, if necessary. The material contained herein is based on information we believe to be reliable, but we do not represent that it is accurate, and it should not be relied on as such. Opinions expressed are our current opinions as of the date written only, and may change without notification. We, along with any affiliates, officers, directors or employees, may, from time to time, have positions, long or short, in, and buy and sell, any securities or derivatives mentioned herein. No part of this material may be copied or duplicated in any form by any means and may not be redistributed without the consent of Angeles Investment Advisors, LLC.

If you would like to receive a copy of our Form ADV Part 2A free of charge, please email Nick Shaver, Chief Compliance Officer, at nshaver@angelesinvestments.com, or call 310.393.6300.

