

# Positives

- ❖ Despite continued consumer concerns related to inflation and economic uncertainty, household spending has remained somewhat steady.
- ❖ Certain sectors of commercial real estate continue to perform well in the higher rate environment. Examples include multi-family housing, student housing, warehouses, and data centers.
- ❖ The labor market remains stable, which allows consumers to continue their spending trend.
- ❖ An improved regulatory environment from the new administration is benefiting companies of all sizes.
- ❖ The Federal Reserve has embarked on a rate cutting cycle that may lead to further cuts in 2026.
- ❖ There is more clarity on tariffs to certain countries and continued discussions that could help finalize more tariff deals.
- ❖ Many sectors of the fixed income market may offer opportunities based on the current interest rate environment.
- ❖ With 2026 being a mid-term election year, the current administration will be focused on favorable policies and actions that could benefit equity and fixed income markets.

# Concerns

- ❖ Government, corporate, and consumer debt levels remain elevated and could be a barrier to future growth and stimulus needs.
- ❖ The government debt to GDP ratio remains elevated and unsustainable; higher interest rates on new debt may cause further economic headwinds in the future.
- ❖ Current economic data suggests that there is a steady increase in outstanding consumer debt on a month-to-month basis.
- ❖ We remain in a heightened state of geopolitical instability.
- ❖ There is a concern that short- and long-term tariff policies could be inflationary.
- ❖ Markets are volatile in both directions based on short-term headlines.
- ❖ While markets are near or at all-time highs, many US households are feeling increasingly stretched financially.
- ❖ By traditional measures, many US sectors are at high valuations and are vulnerable to a correction.
- ❖ AI could lead to a changing landscape with respect to how companies allocate resources and spending.

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