

# Positives

- ❖ Consumer spending, especially for the more affluent, has remained relatively strong despite inflationary pressures and economic uncertainty.
- ❖ 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.
- ❖ 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.
- ❖ Spending on AI related infrastructure and projects has increased economic activity and GDP.
- ❖ AI has the potential to increase productivity for workers at all levels of income, which could lead to higher corporate profits.

# 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.
- ❖ The requirements for student loan payments to restart may add pressure to consumers who have not properly planned for the monthly obligation. There are already signs of stress for a portion of borrowers.
- ❖ We remain in a heightened state of geopolitical instability, further increased with the Iran War.
- ❖ 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, especially related to the Iran war and its impact on the global economy.
- ❖ 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, which could lead to increased unemployment.

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