

2026 OUTLOOK: 'REGIMES'

RaboResearch Global Economics & Markets

US SUMMARY: HOW DID WE DO?



Headline CPI inflation will go back above 3% and core CPI inflation will stay above 3%. The Fed's 2% target will not be reached over the next two years.



Unemployment will rise but we expect it to remain sub-5% next year.



We expect one more 25bp cuts from the Fed in March to 4.25%. Risk is no cuts.



USD to remain supported and we don't expect a major bear market.



US GDP growth in 2024 at 2.7%, notably above 2% trend which we expect in 2025. Reglobalisation - expect onshoring, industrialization and more tariffs.



Uncertainty will be the story for the coming years: Statecraft, tariffs, geopolitics, and AI.

GEOPOLITICAL REGIME:

'STATECRAFT' – ECONOMIC TOOLS FOR NON-ECONOMIC GOALS

TARIFFS

SUBSIDIES

NATIONALISATION

CAPITAL CONTROLS

EXPORT CONTROLS

SANCTIONS

STABLECOINS



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07 November 2024

Macrostrategy vs. 'Grand Macro Strategy'

Trump-ling on market policy conventions?

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Summary

- This report underlines that economic *statecraft* has returned to the fore again and it fundamentally differs from economic *policy* – Trump's re-election underlines that point.
- This requires markets to focus not only on macrostrategy but on a broader, more geopolitical hybrid which we dub 'Grand Macro Strategy'.
- We will first define the differences between economic policy and statecraft as well as the related term of grand strategy, its key concepts, its toolkit, and the latter's dynamics.
- We will then look at how present economic statecraft in the US and EU sits relative to historical experience and highlight specific episodes from the past perhaps worth considering if the current geopolitical trend continues.

TRADE DEFICIT REDUCTION



REINDUSTRIALIZATION



GRAND STRATEGY AND STATECRAFT



REVENUE GENERATION

FORTRESS AMERICA AND THE “DON-ROE DOCTRINE”?



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Fortress America...

...there is more than meets the eye

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Summary

- Under President Trump, economic policy has shifted to economic statecraft. This means understanding a new US 'grand macro strategy' that focuses on national security.
- Tariffs are not the only economic tool in the statecraft toolkit, but they have been forefront in the market's mind, even if they fail to see the larger picture involved about who they target.
- The fraught relationship between Trump and Canadian PM Trudeau was clear. Caretaker PM Carney is belligerent for now as he has an election to win, but we think whoever wins will shift their approach in office.
- President Sheinbaum has threatened retaliation, but has tried to appease Trump, including by ratcheting up tariffs on China.
- Tariffs on metals are likely to remain in place, but we could see some watering down re: steel, aluminum, and potentially copper.
- We maintain the view that broad 25% tariffs on Canada and Mexico are unlikely to last, if imposed, but USMCA renegotiations have unofficially commenced.



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24 November 2025

Vene(zuela), vidi, vici?

Is there a Doctrine in the house?

Summary

- President Trump is threatening to extend the 'Donroe Doctrine' to Venezuela: could we see military action and/or regime change?

THE UNDERLYING STORY IS THE US PUSHING BACK AGAINST CHINA

★ ★ ★

Nicolás Maduro

NARCOTICS REWARDS PROGRAM:

BUREAU OF INTERNATIONAL NARCOTICS

\$50 MILLION REWARD

JANUARY 6, 2026

U.S. Forces Seize Sixth Oil Tanker Near Venezuela

U.S. military is targeting shadow fleet of vessels carrying sanctioned crude

Maduro's Rally May Shape Colombia's Election

Why are there protests in Iran and what has Trump said about US action?

ARDO ÁVILA
RY 12, 2026

The US Is Pressing Mexico to

WORLD NEWS

gton and Caracas are crucial wild cards in the

Allow European troops arrive in Greenland as talks with US highlight 'disagreement' over island's future

The United
governmen
according to

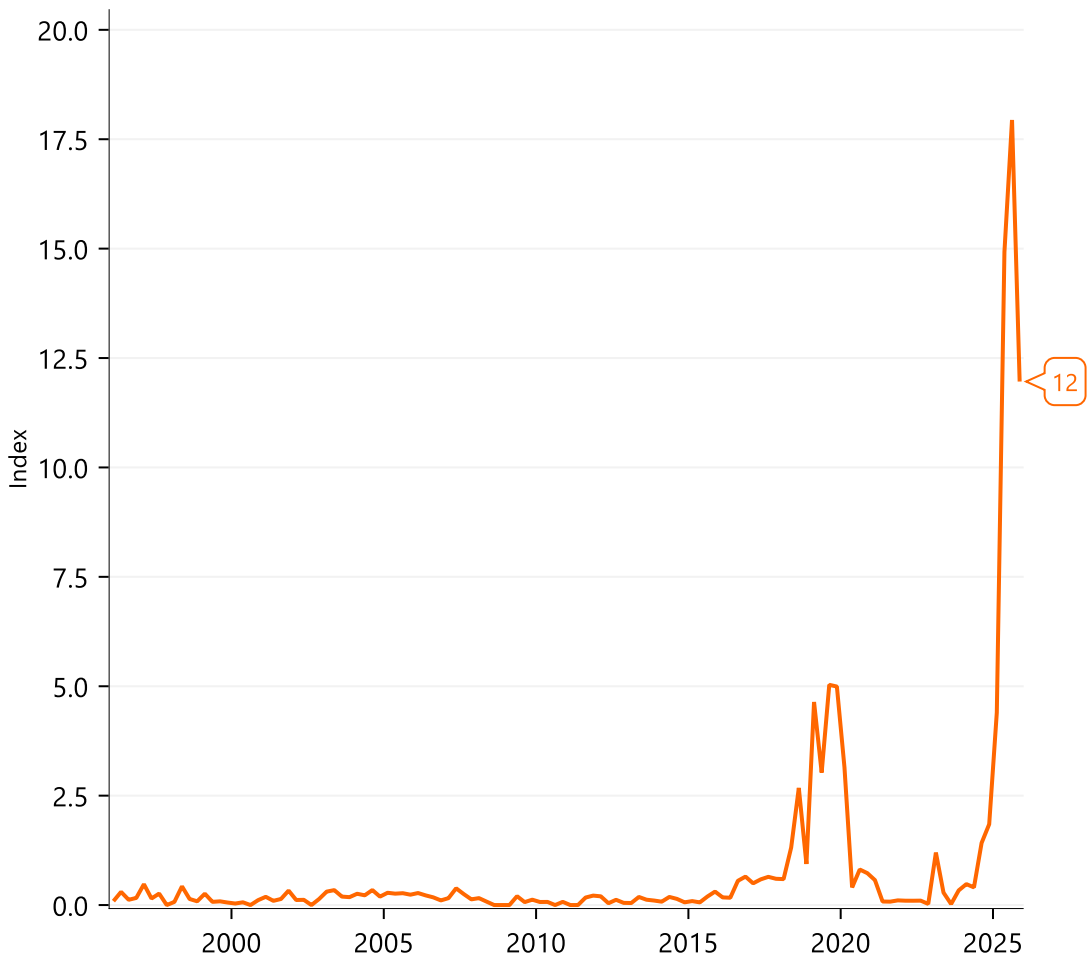
THE TARIFF LANDSCAPE – WE EXPECT THE AVERAGE RATE TO SETTLE IN THE LOW TEENS. TARIFF THREATS WILL REMAIN EVEN WHEN DEALS ARE STRUCK BUT PEAK PANIC HAS PASSED.

Average rate on all US imports

Source: The Tax Foundation



World trade uncertainty index



ECONOMIC REGIME:

K-SHAPED ECONOMY AND VULNERABILITY TO AI PERFORMANCE

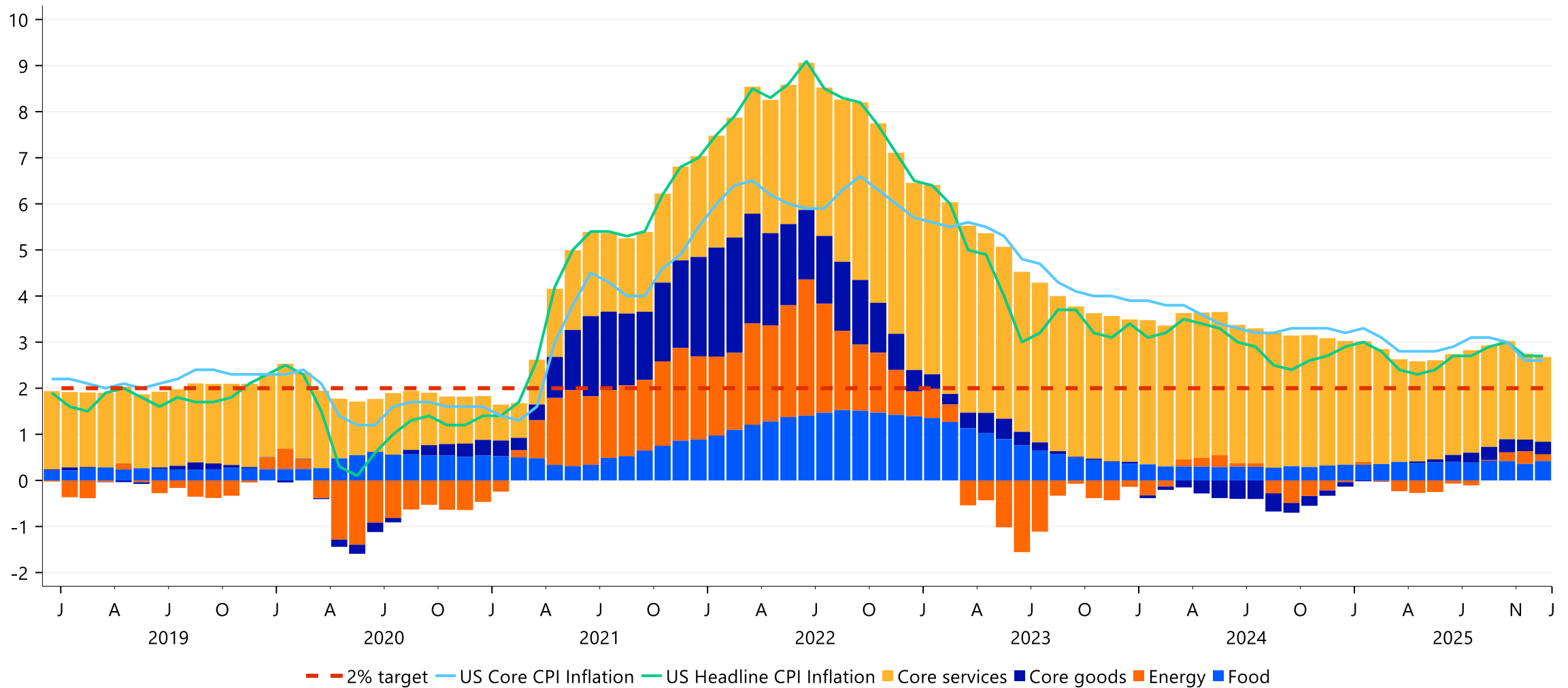


THE ECONOMIC REGIME

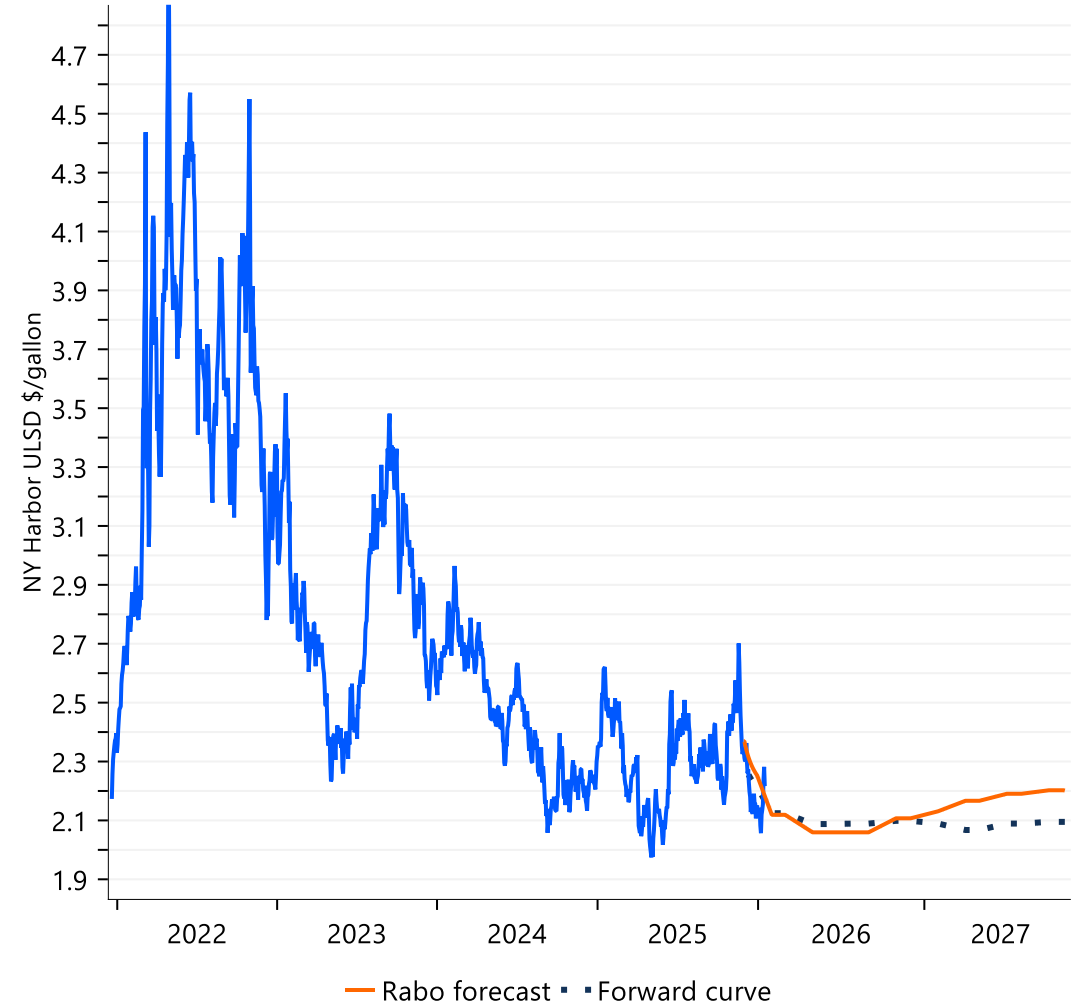
K-SHAPED ECONOMY AND VULNERABILITY TO **AI** PERFORMANCE



**WE WON'T SEE BELOW 2%, EXPECT HIGHER INFLATION THAN PEERS.
SERVICES STICKY, RISING GOODS, BUT ENERGY IS A SIGNIFICANT DISINFLATIONARY FORCE**

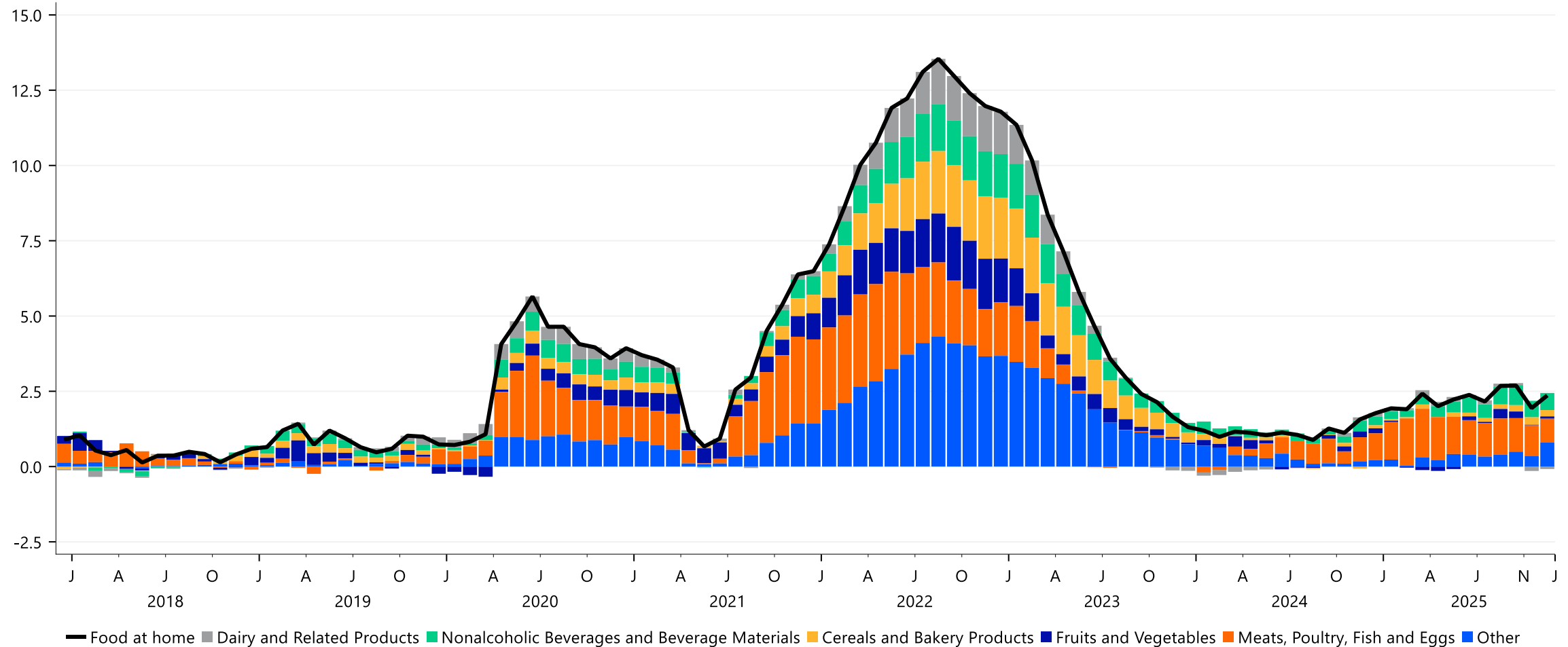


...AND WE EXPECT MORE HELP IN 2026 FROM ENERGY PRICES WHICH SHOULD KEEP INFLATION A LITTLE BELOW 3%

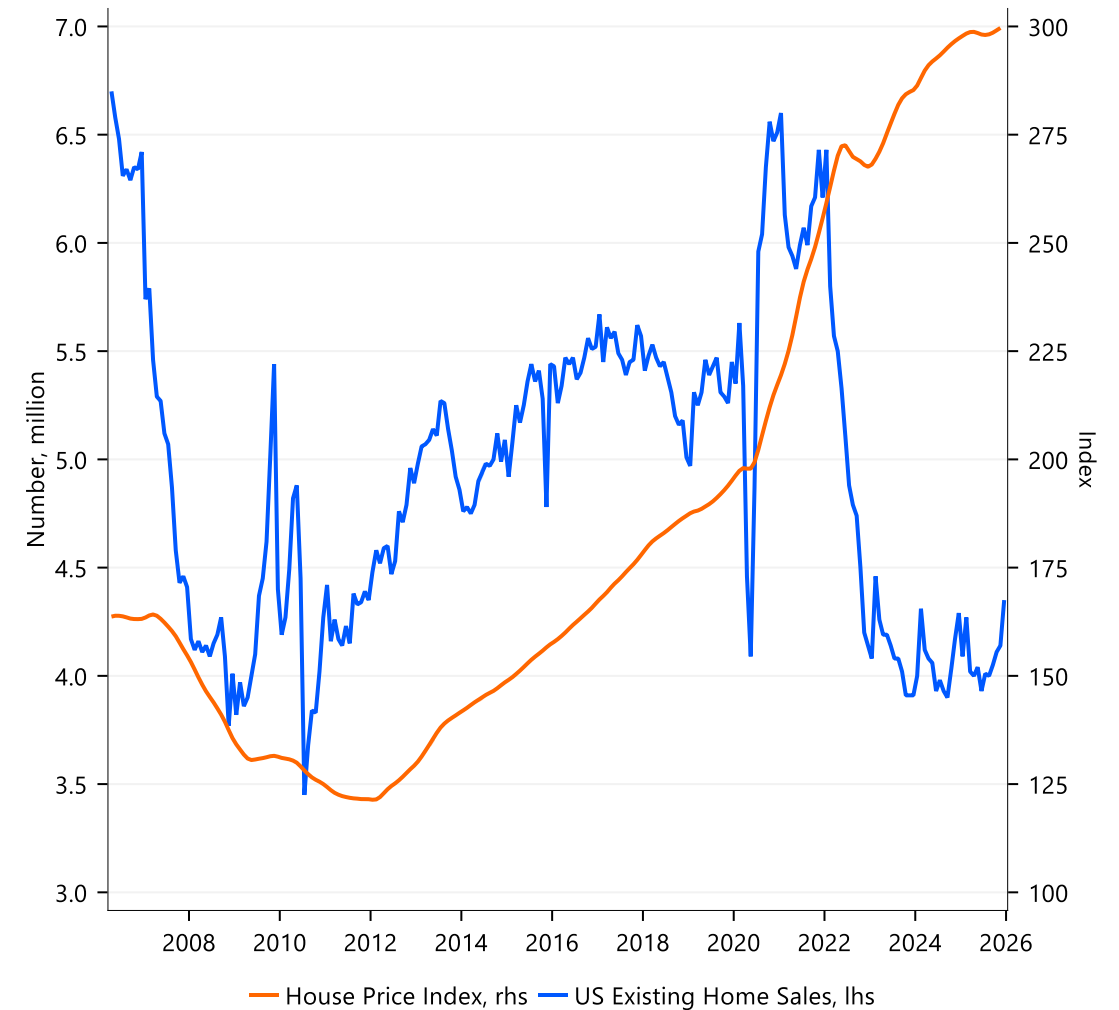
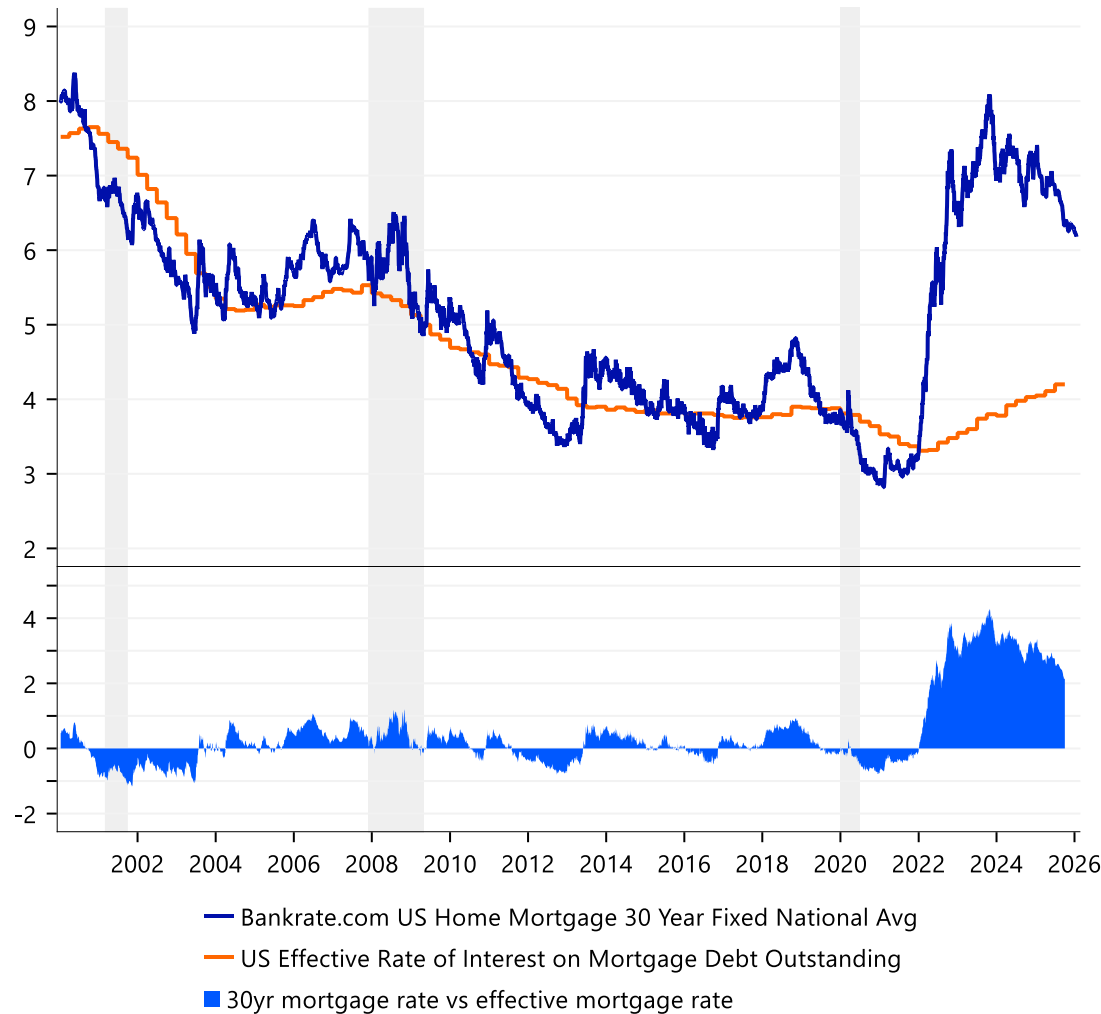


FOOD INFLATION IS PICKING UP, BUT THIS IS NOT 2022, OR 2020...

Food inflation, year-over-year, %



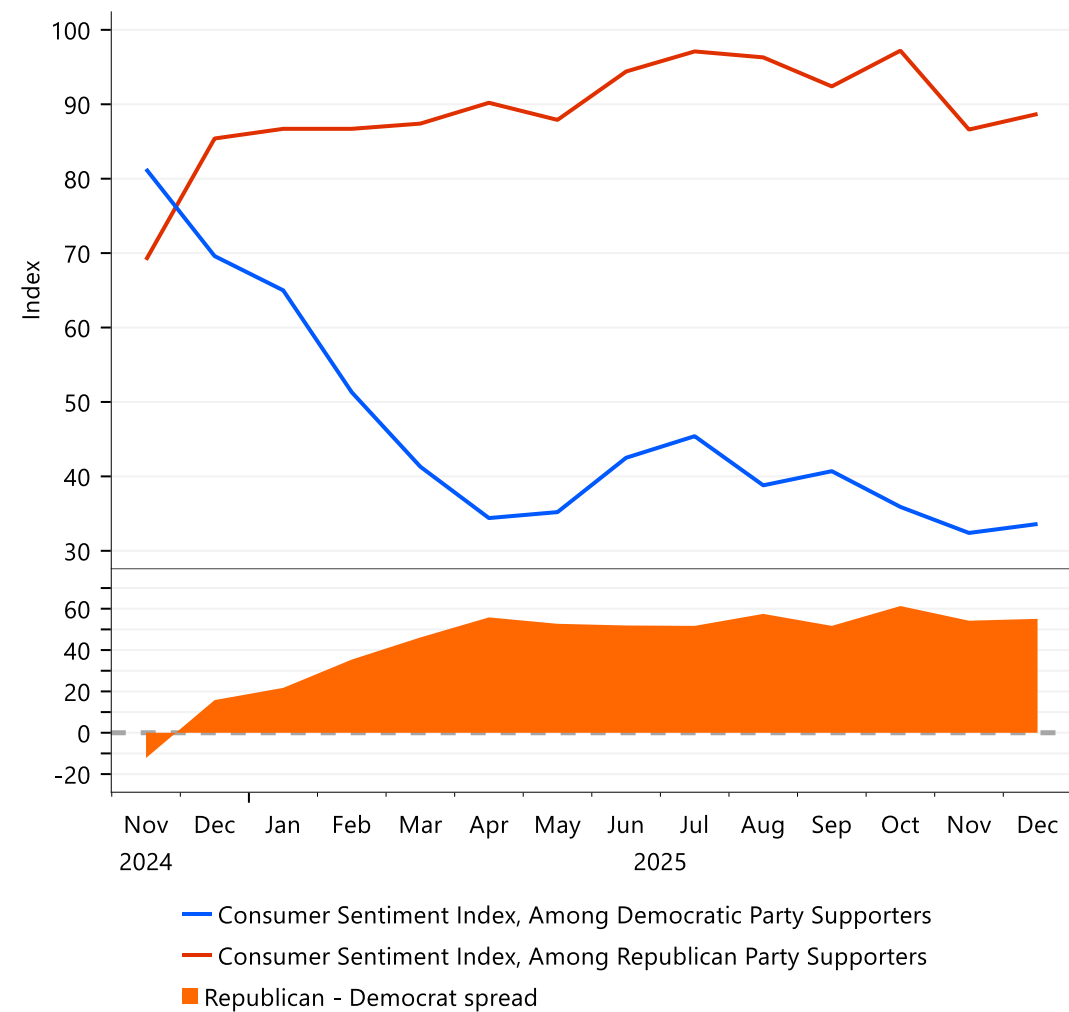
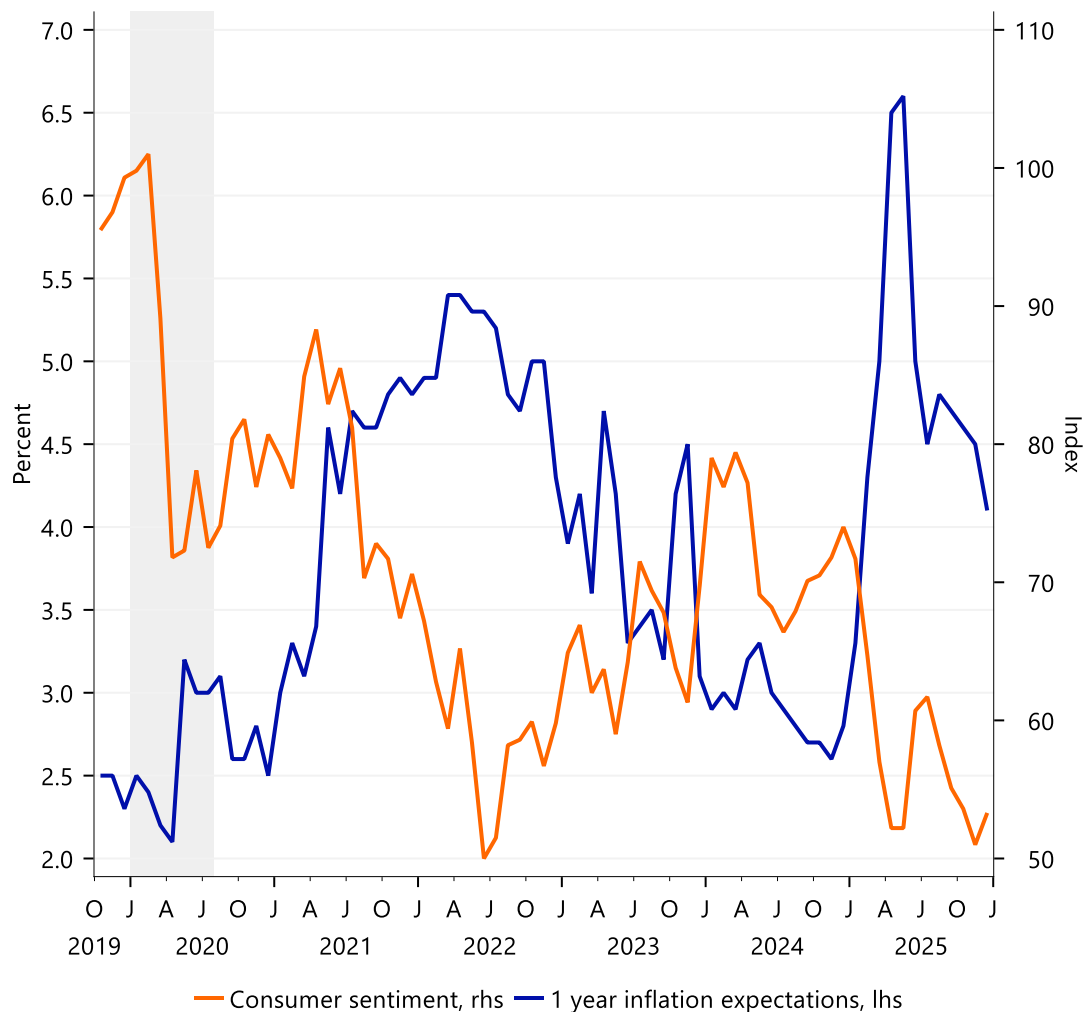
MORTGAGE RATES ARE LOWER AND DEMAND FOR MORTGAGES IS RISING BUT, PRICE APPRECIATION IS STARTING TO SLOW AND HOME SALES ARE UP



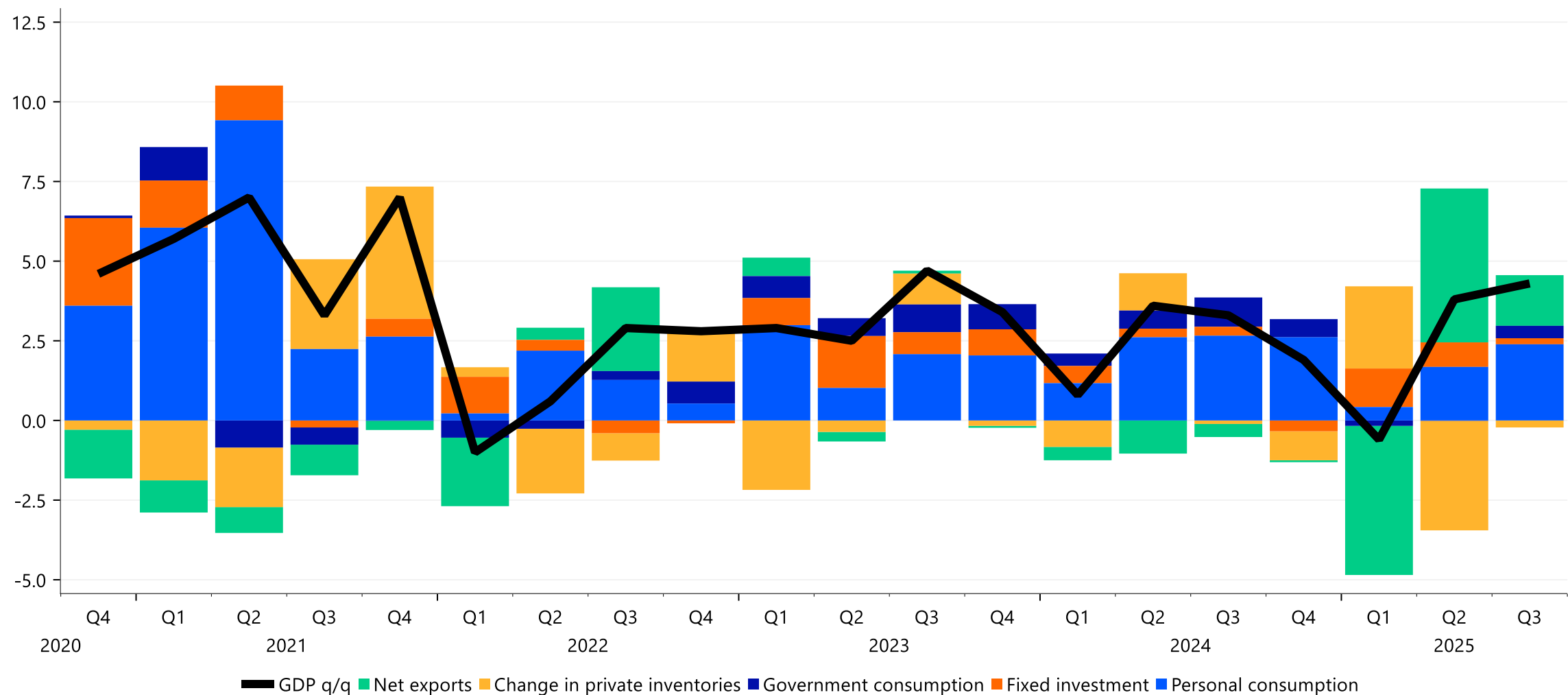
US GROWTH



CONSUMER CONFIDENCE HAS COLLAPSED DESPITE LOW GAS AND HIGH EQUITY PRICES. BUT, THESE SURVEYS HAVE BECOME TOO POLITICAL AND AREN'T ACTING AS A GOOD LEAD.



PERSONAL CONSUMPTION REMAINS STRONG, AVERAGING 2.4% FROM 2021, THIS COMPARED TO 1.7% IN THE 5YRS BEFORE COVID AND 1.5% IN THE PRIOR 20YRS



WE EXPECT US GROWTH CLOSE TO TREND JUST SHY OF 2% IN 2026 BUT THERE ARE HEAD WINDS AND TAIL WINDS A PLENTY...

Immigration collapse impacting activity

Slowing employment and lower real wage growth

Student loans will now impact credit scores (1/4 are behind on payments)

Growth quality: K-shaped recovery and reliance on AI for capex and consumption

End of affordable care act credits

Impact of tariffs

AI boost to capex and consumption (via wealth effect)

Accelerated depreciation (100% in year one) is a major benefit for corporates

Increased tax refunds (20-25%) to boost spending and savings

No tax on tips or overtime

Strong household and corporate balance sheets

Lagged impact of monetary

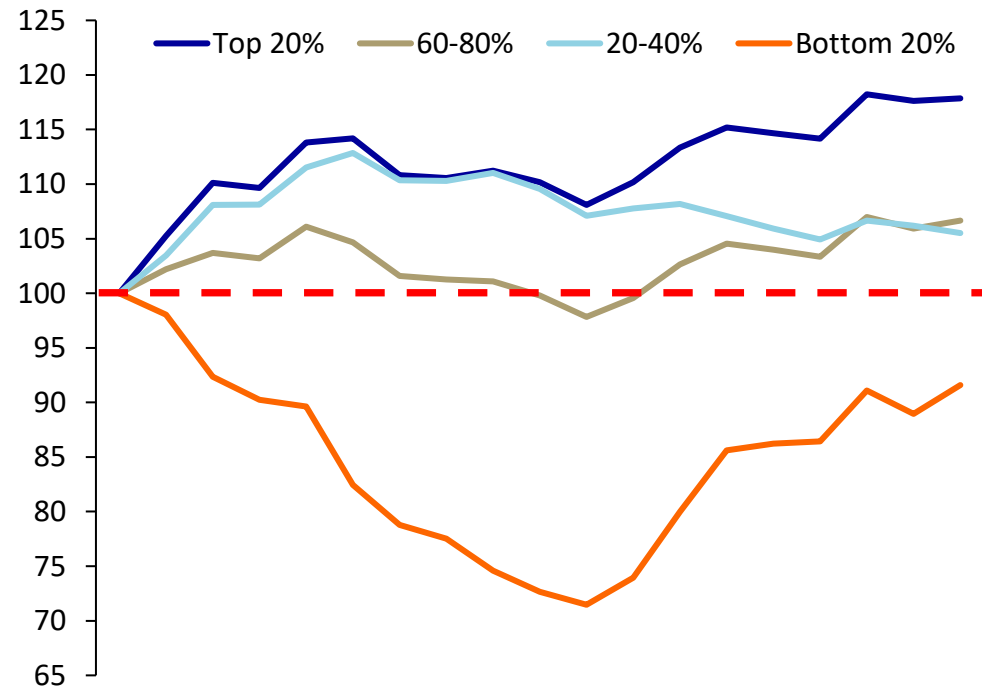
Lower oil prices

Lower USD

THE 'BIFURCATED' OR 'K-SHAPED' ECONOMY

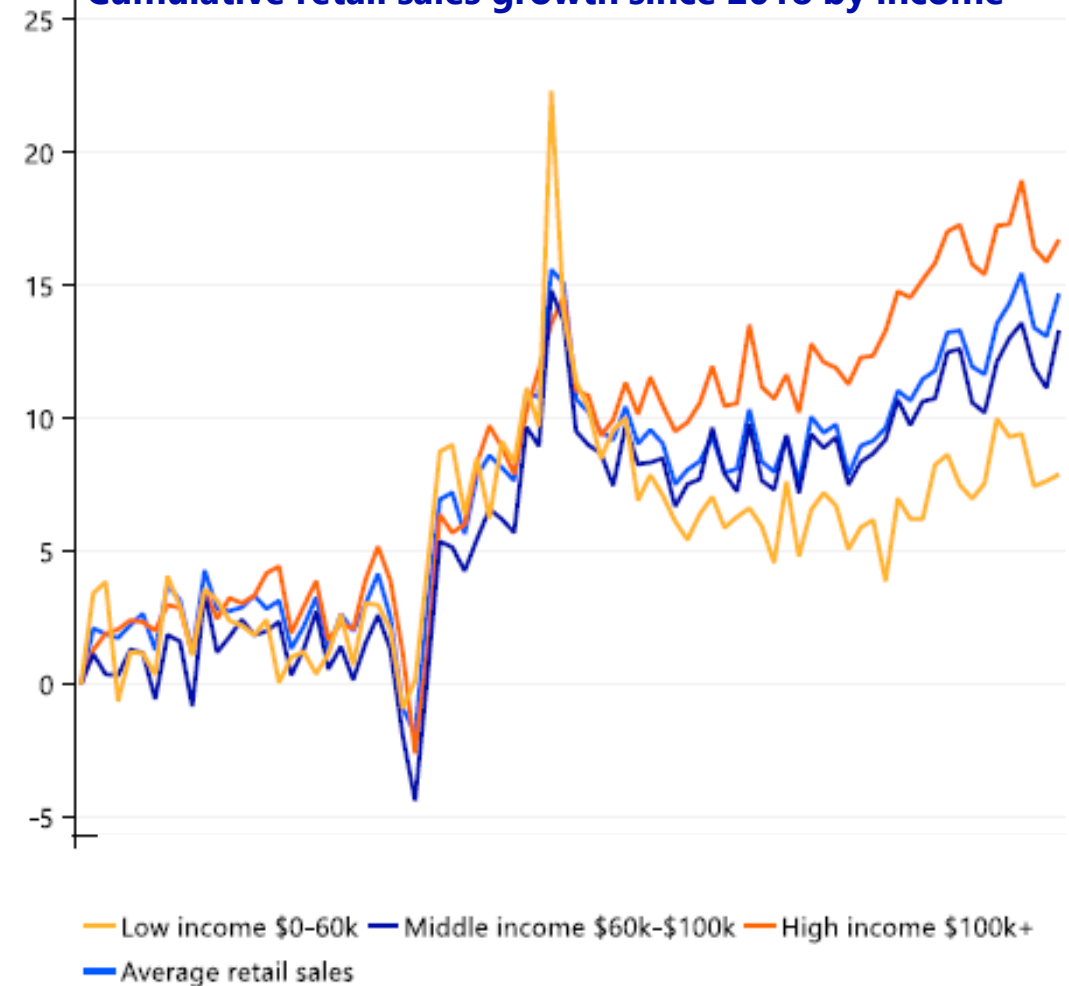
THE TOP 10% OF HOUSEHOLDS WERE RESPONSIBLE FOR AROUND HALF OF US HOUSEHOLD CONSUMPTION IN 2025

US real household liquid assets* by income group
(Q4 2019 = 100)

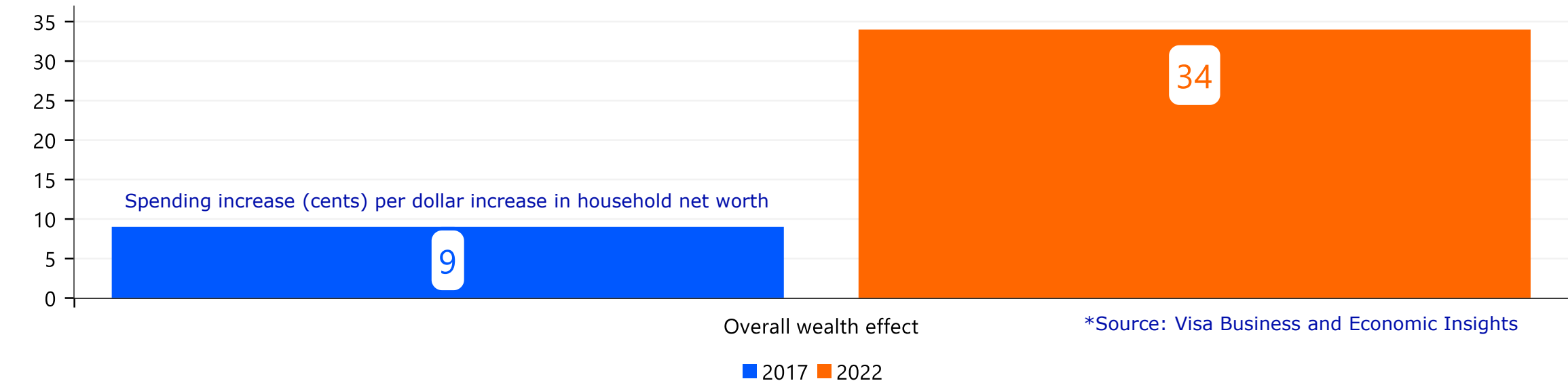


*Liquid assets comprise of deposits, govt and municipal securities & money market fund shares ; Source: Fed Distributional Financial Accounts

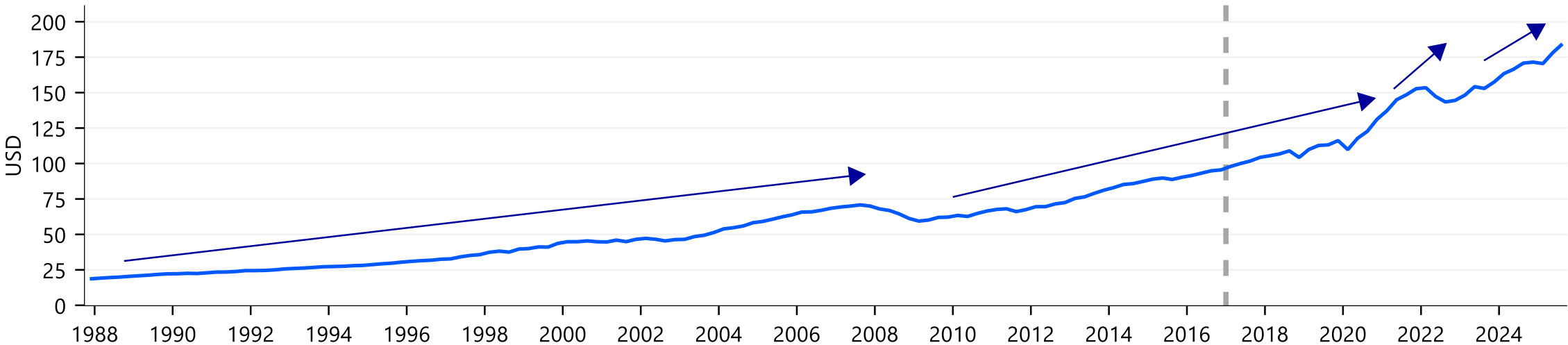
Cumulative retail sales growth since 2018 by income



THE WEALTH EFFECT IS REAL IN THE US... IS SPENDING RELIANT ON EQUITY PERFORMANCE? IF SO, BOTH INVESTMENT AND CONSUMPTION ARE DEPENDENT ON AI

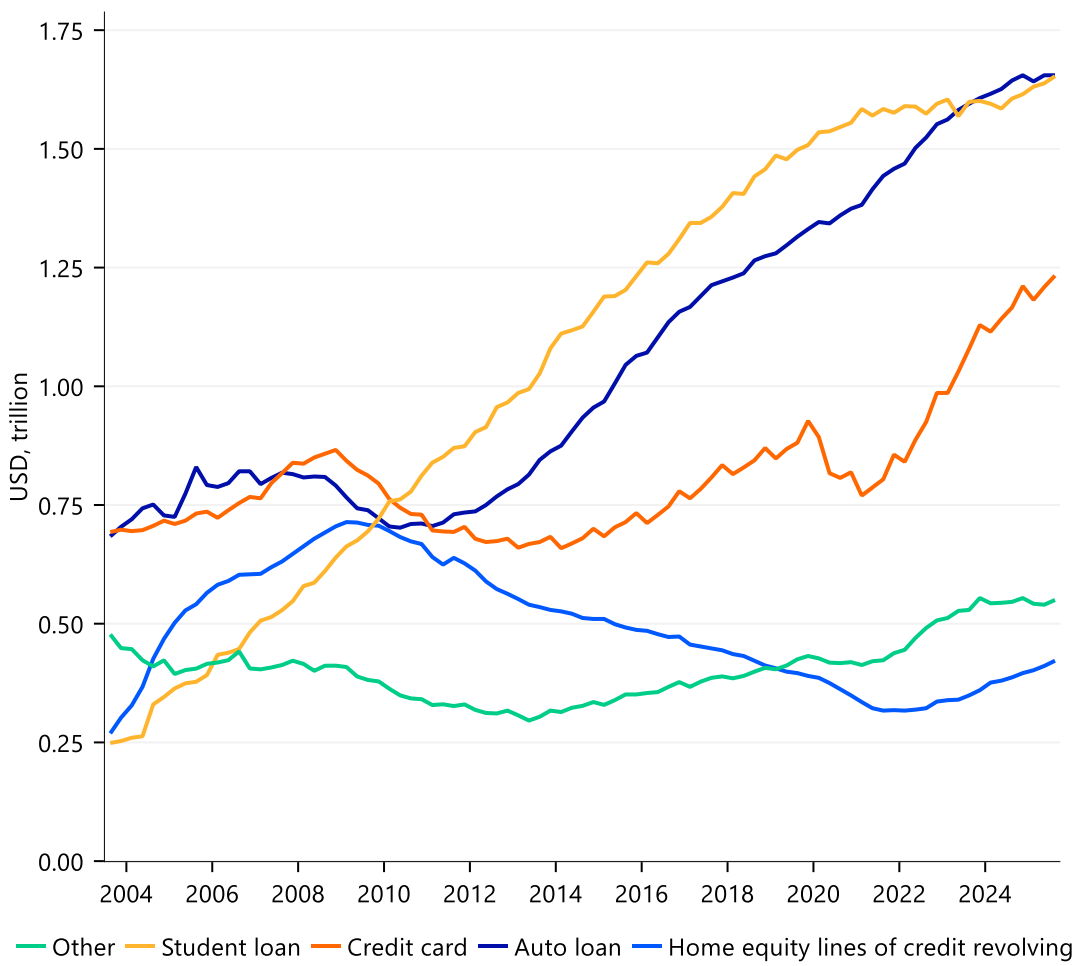


US Household Net Worth

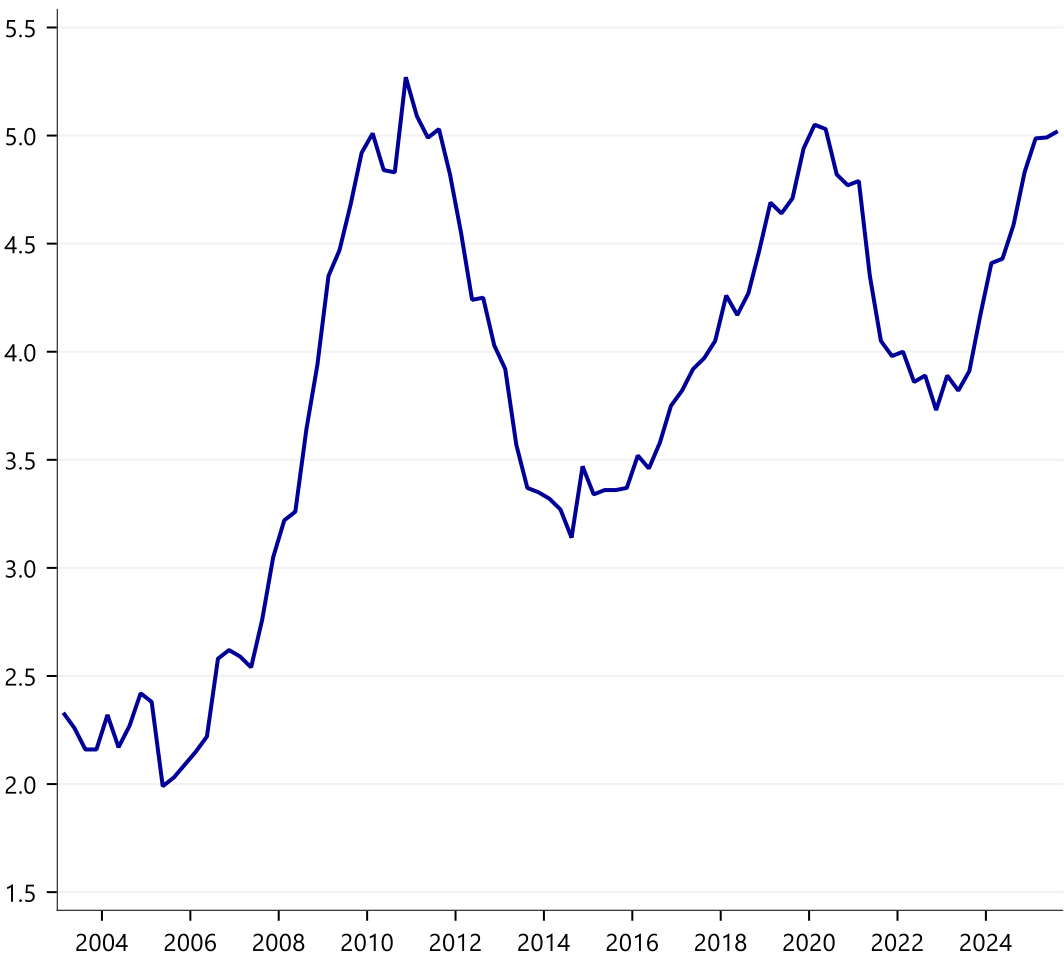


CREDIT CARD DEBT KEEPS RISING BUT DELINQUENCY RATES ARE DECLINING. YOUNG PEOPLE ARE PAYING DOWN DEBT, BUT CRACKS REMAIN.

Consumer Credit by Type

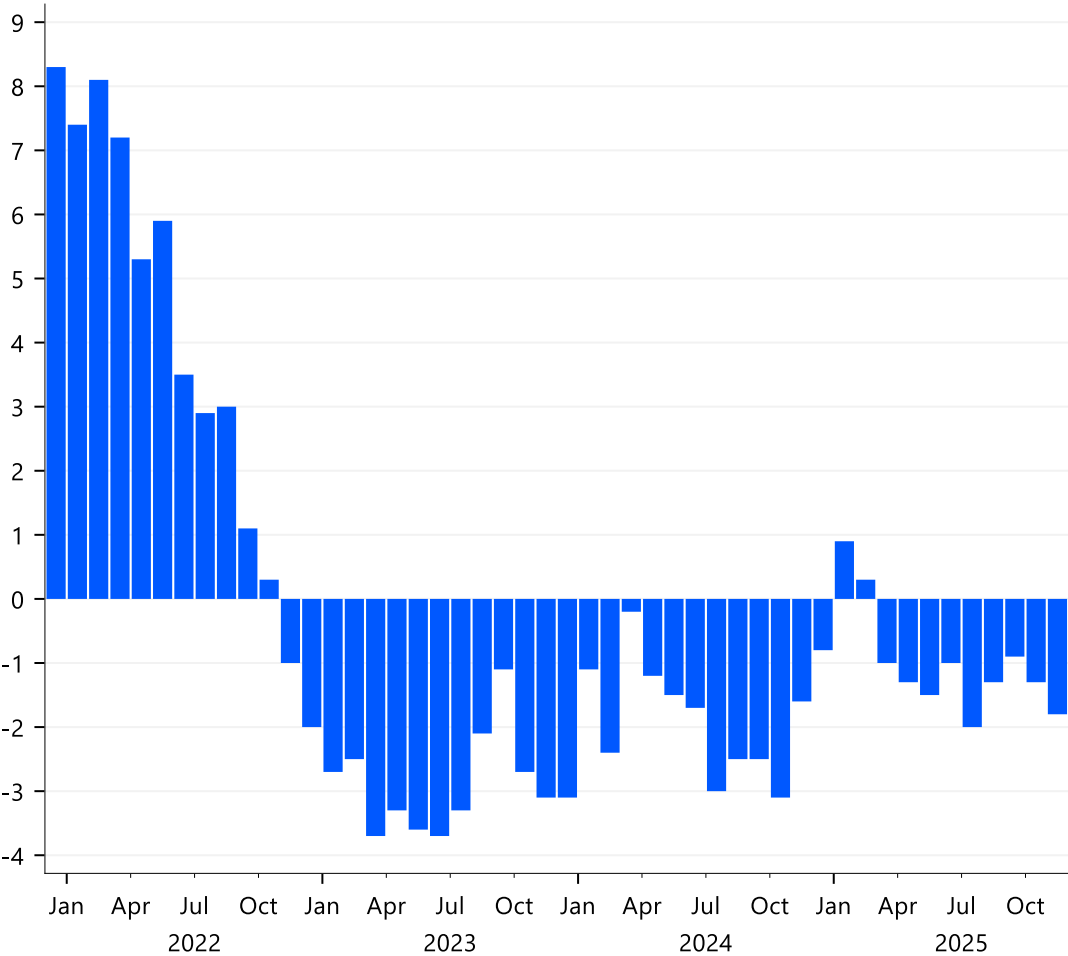


Fed Rsv Percent Balance 90+ Days Delinquent Auto Loan

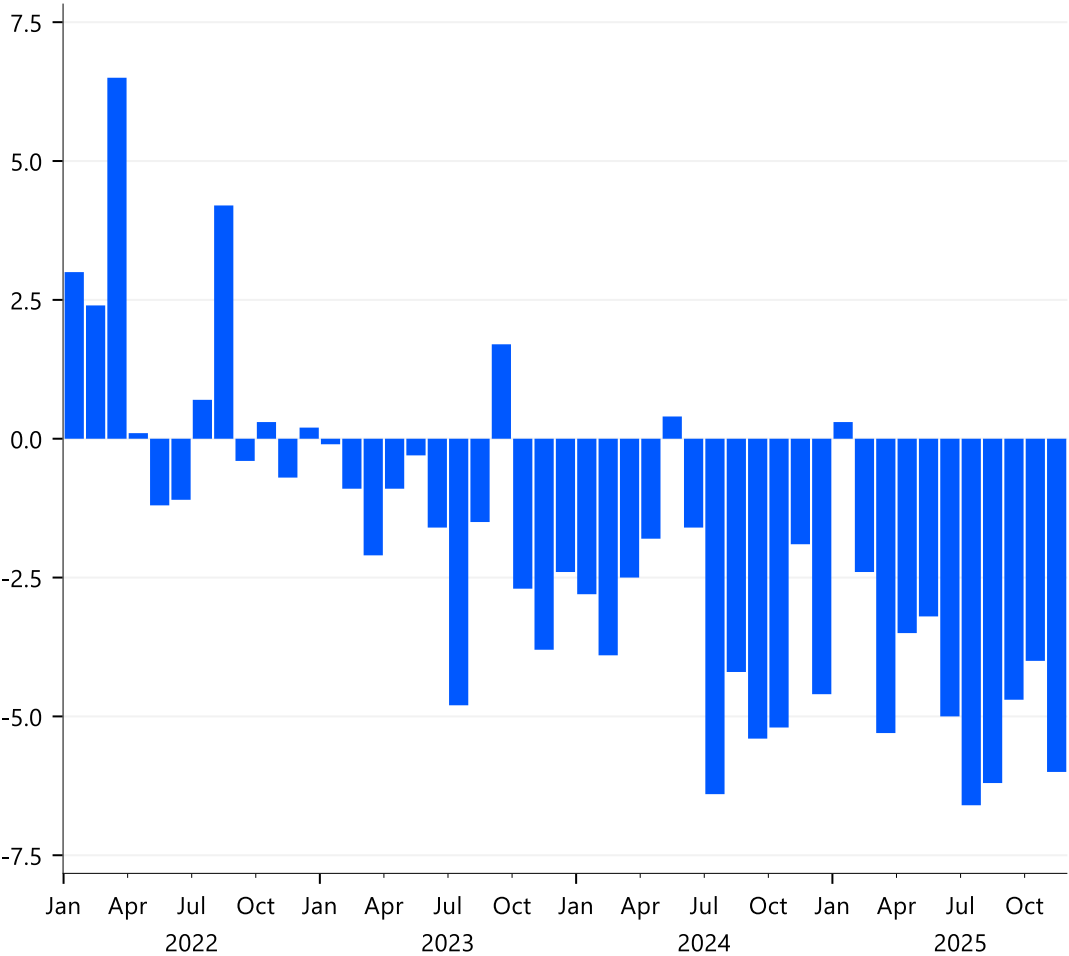


THE US MANUFACTURING RECESSION CONTINUES: 3YRS WITH ONLY 2 MONTHS OF ACTIVITY AND 4 MONTHS OF LABOR EXPANSION.

US ISM Manufacturing SA (50=0)



US ISM Manufacturing, Employment SA (50=0)



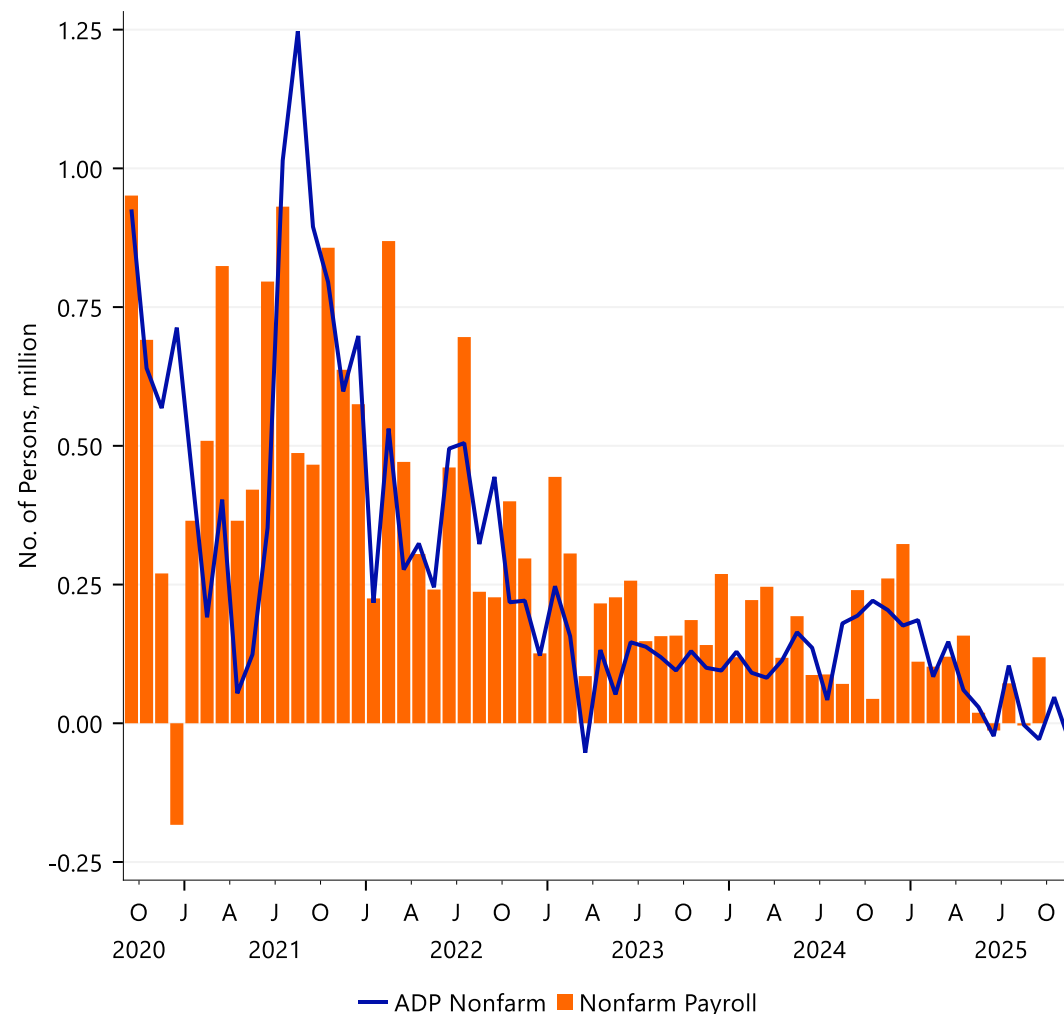
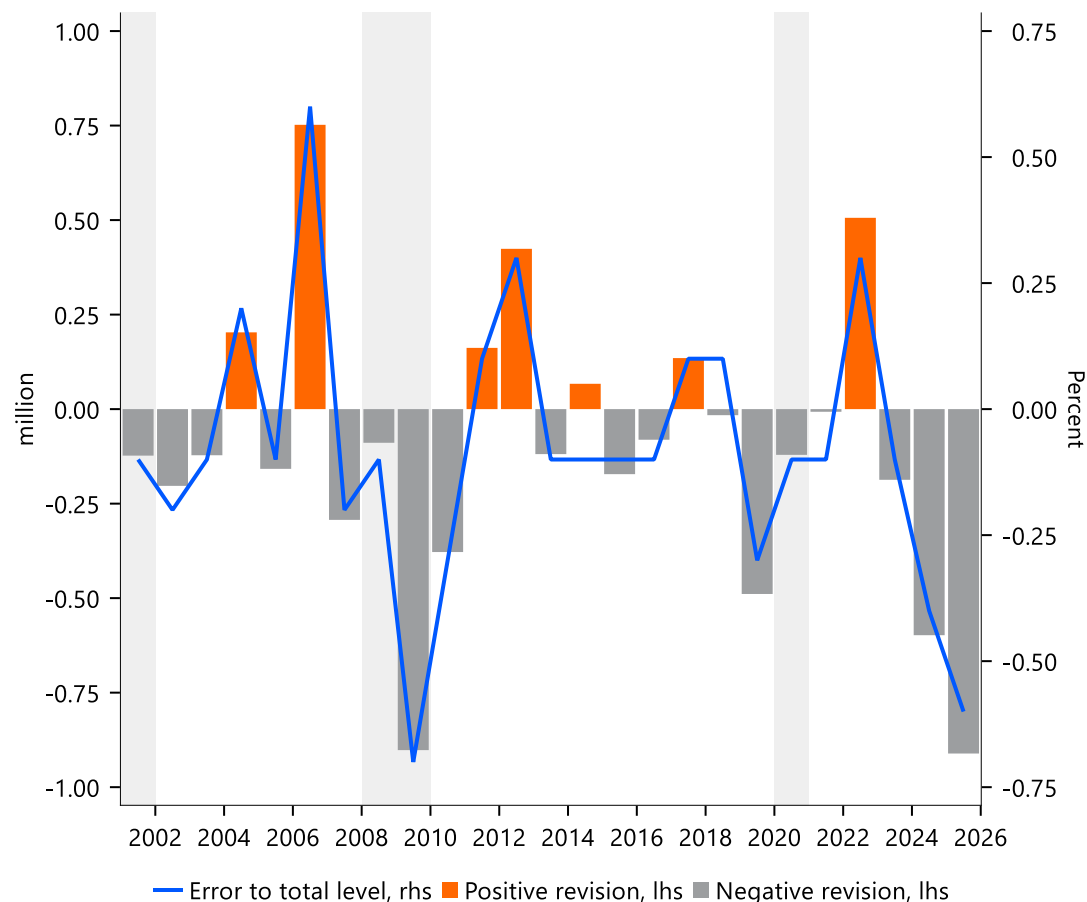
LABOR



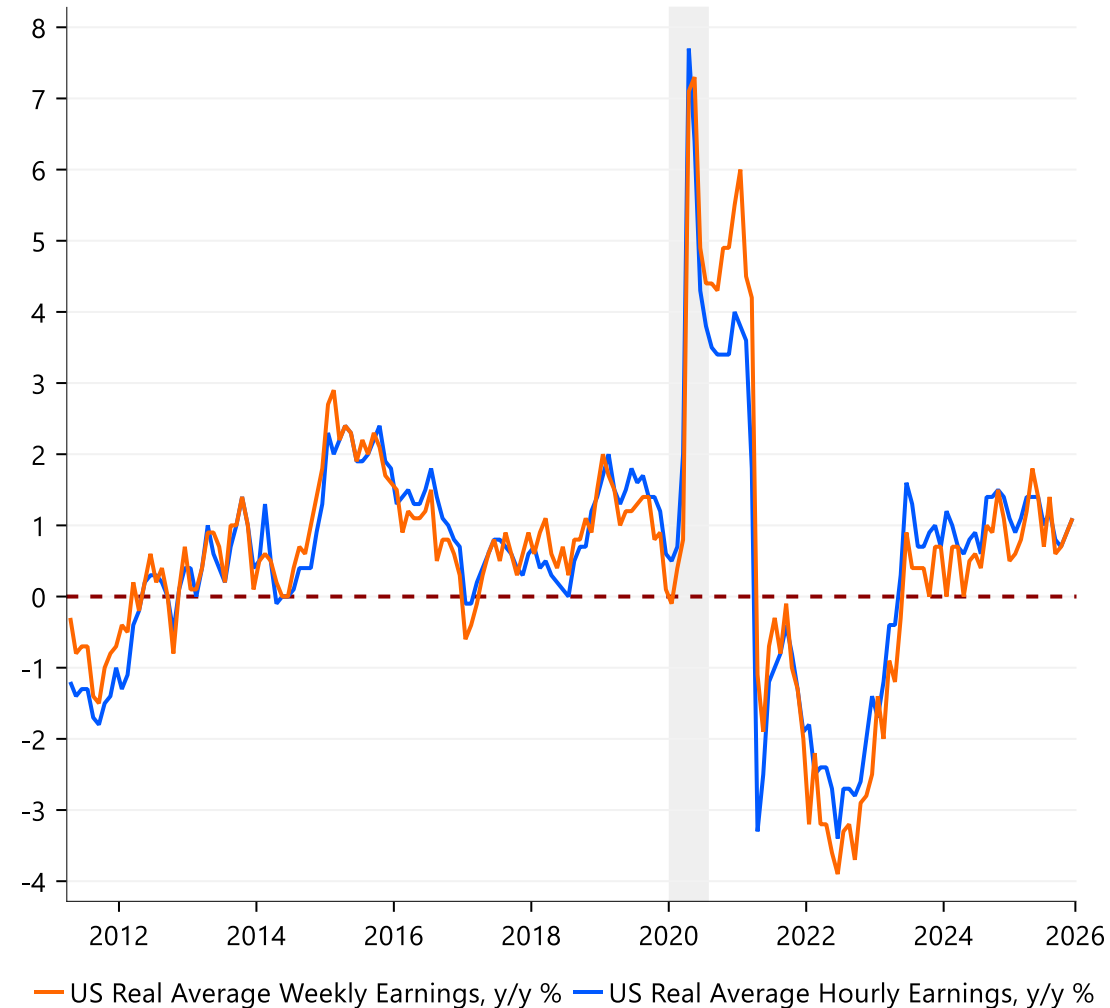
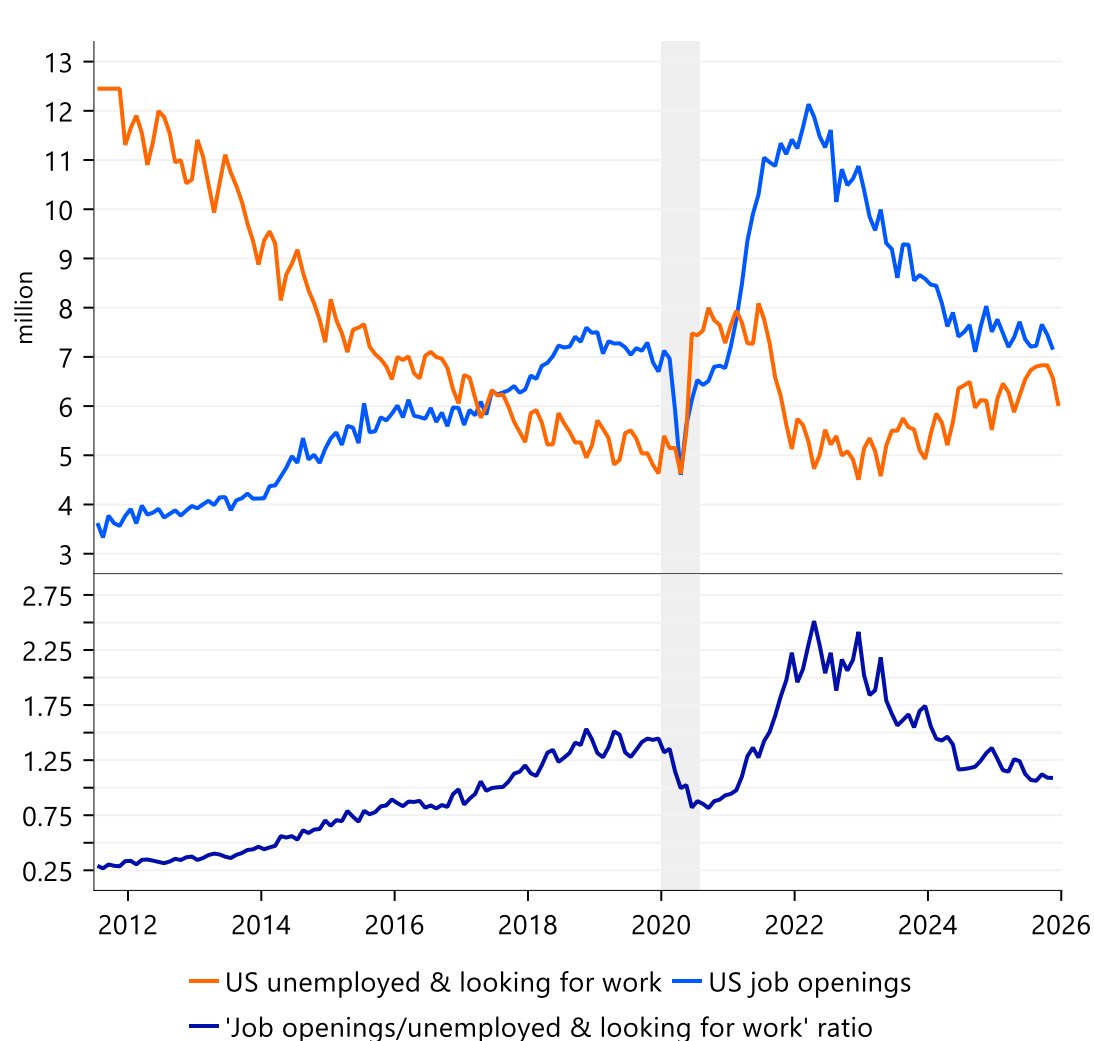
LABOR DATA HAVE BEEN “NOISY” TO PUT IT POLITELY. LESS THAN HALF THE JOB CREATION INITIALLY EXPECTED APR’ 24 TO MAR’ 25.

US nonfarm payrolls: 12-month revisions

12m revisions: Apr-Mar cycles

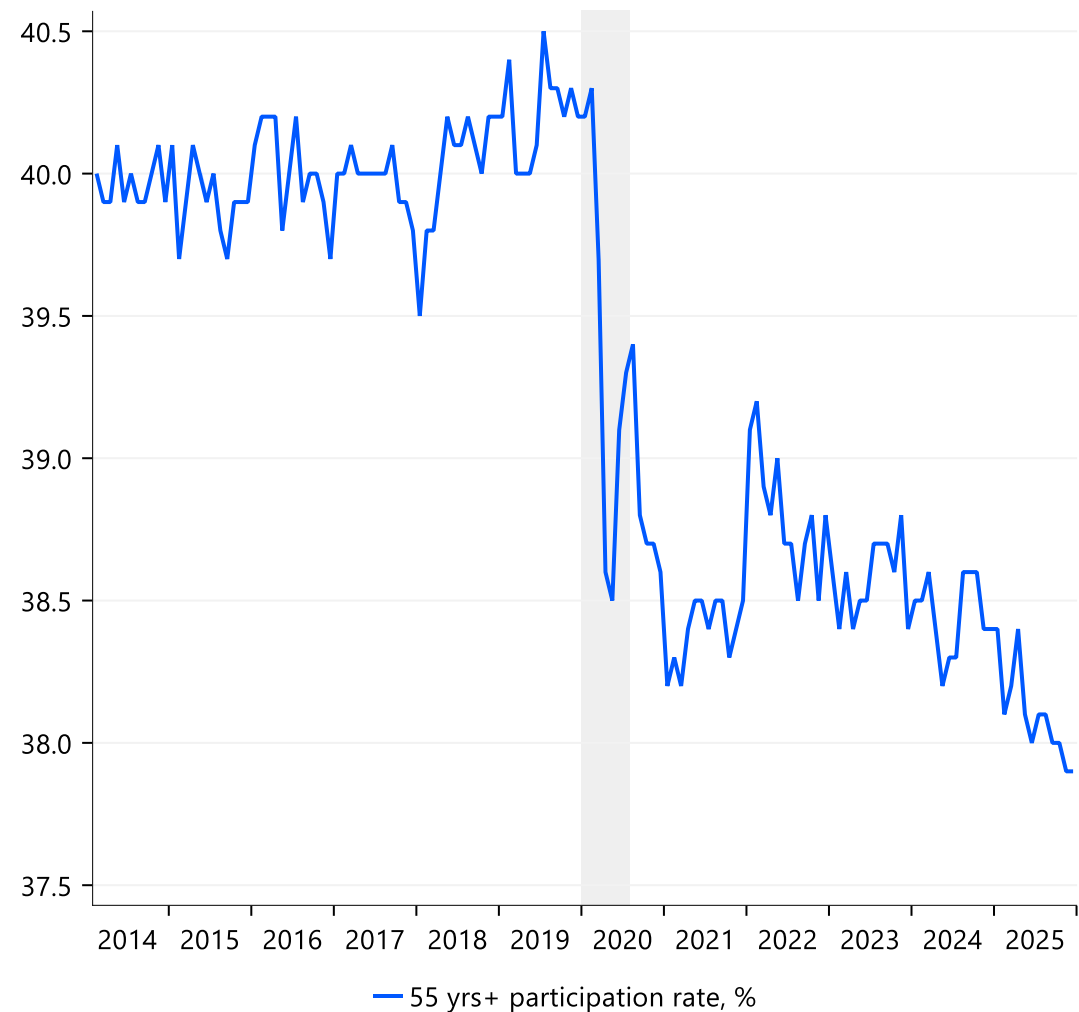


JOB OPENINGS GROWTH IS SLOWING, REAL WAGE GROWTH IS SLOWING. BUT, LESS JOB CREATION IS NEEDED TO KEEP UNEMPLOYMENT STABLE.



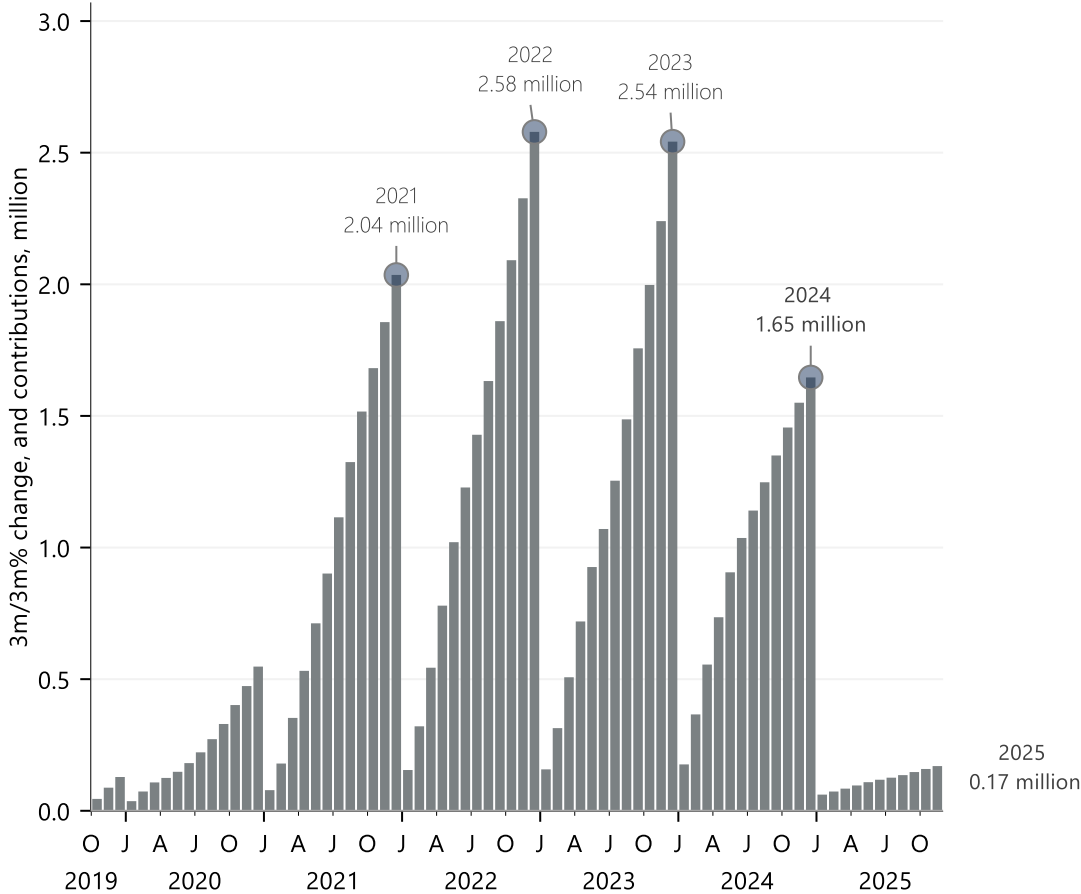
OVER 55 PARTICIPATION STILL DECLINING, AND IMMIGRATION HAS COLLAPSED.

JOB CREATION NEEDED FOR STABLE UNEMPLOYMENT: 2023=250K, 2024=150K 2025=50K

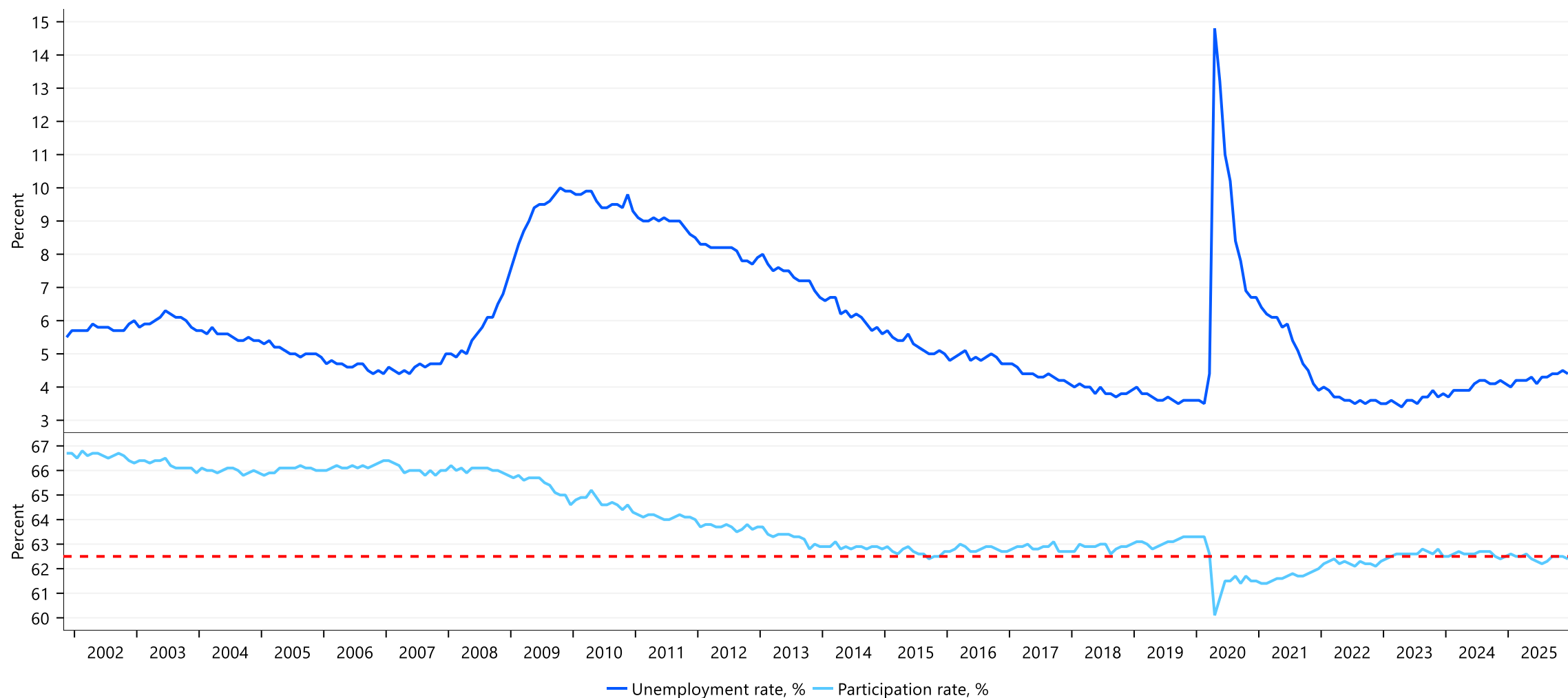


United States: encounters at the Southwest Land Border

Source: U.S. Customs & Border Protection (CBP)



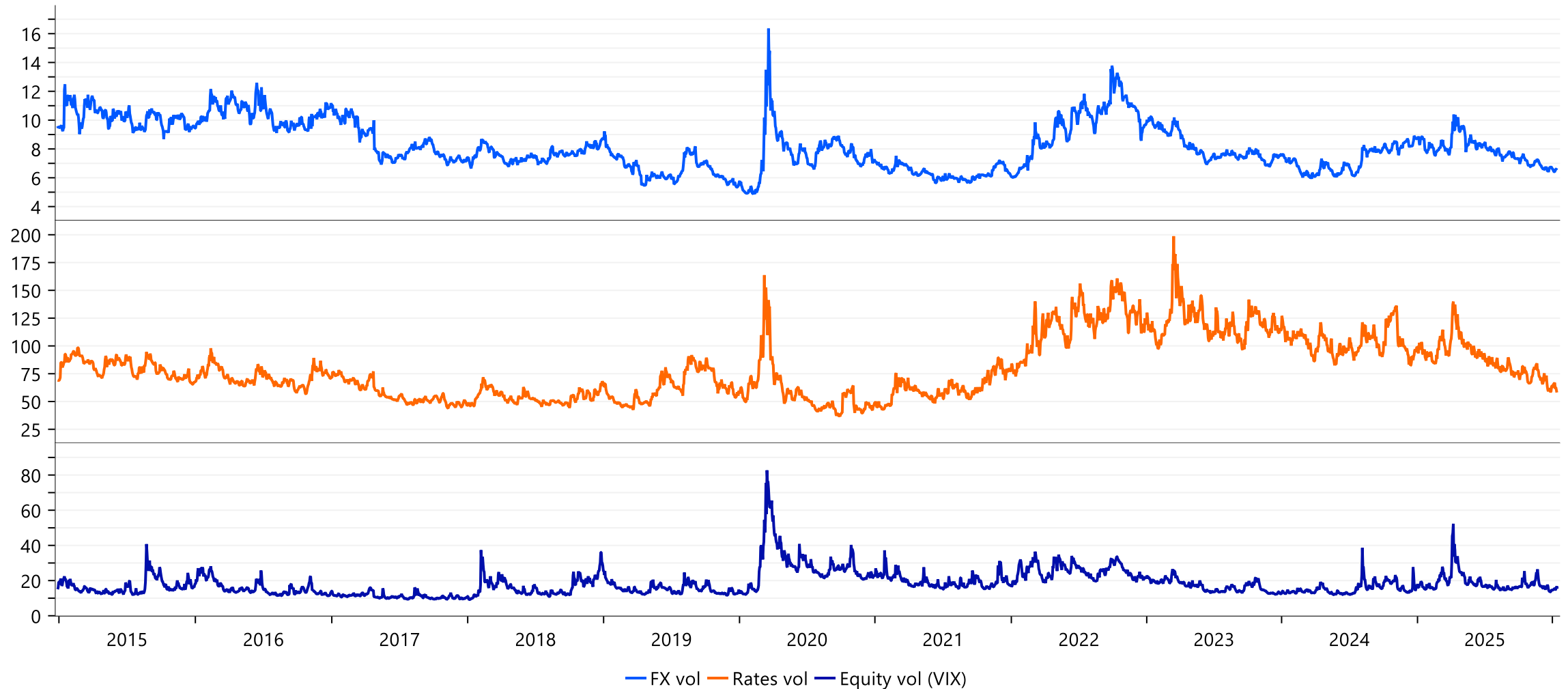
SLOWER GROWTH IN THE SIZE OF THE WORKFORCE MEANS THE RISE IN THE UNEMPLOYMENT RATE MAY BE SOMEWHAT MUTED. WE EXPECT 4.7% BY THE END OF 2026.



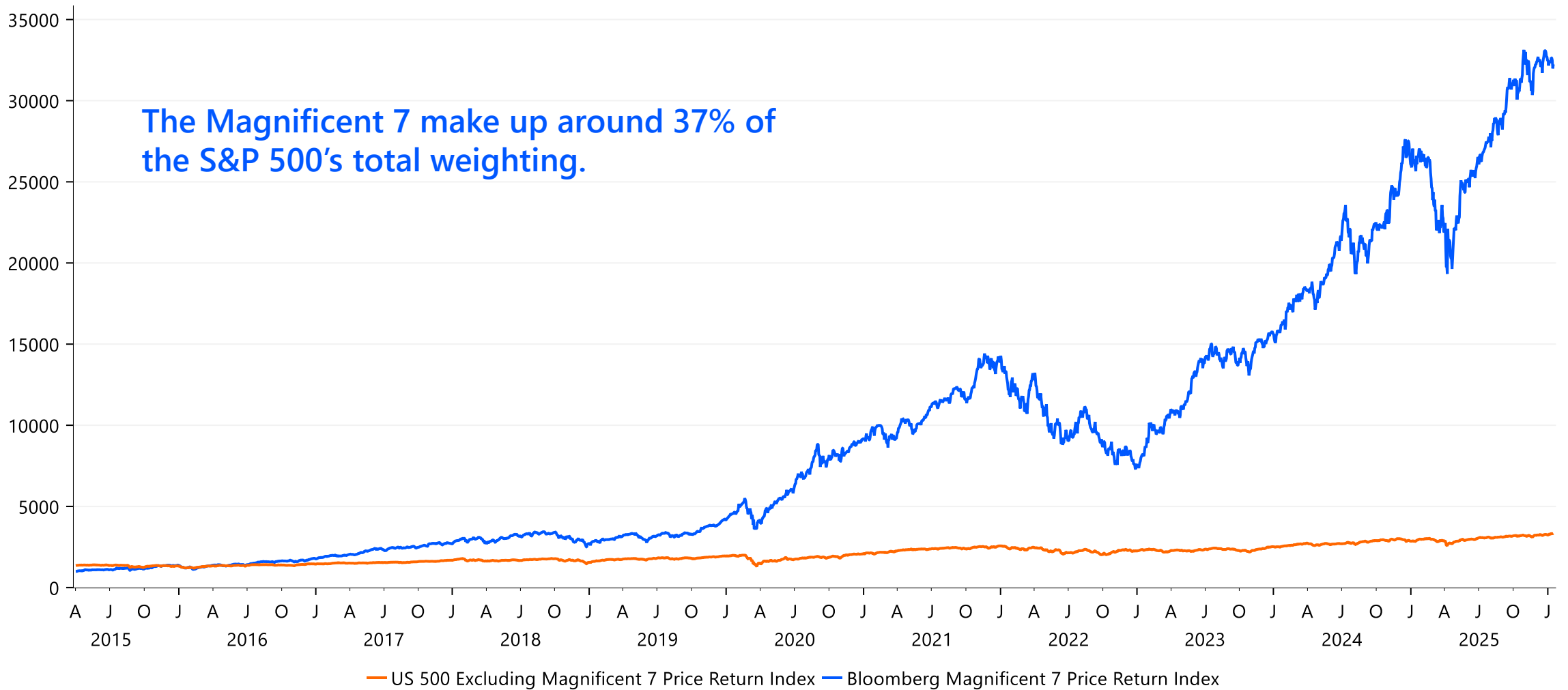
MARKETS REGIME: “VOLATILITY SUPPRESSION”



DESPITE EVERYTHING GOING ON IN THE WORLD, FINANCIAL MARKET VOLATILITY HAS FALLEN ACROSS ASSET CLASSES



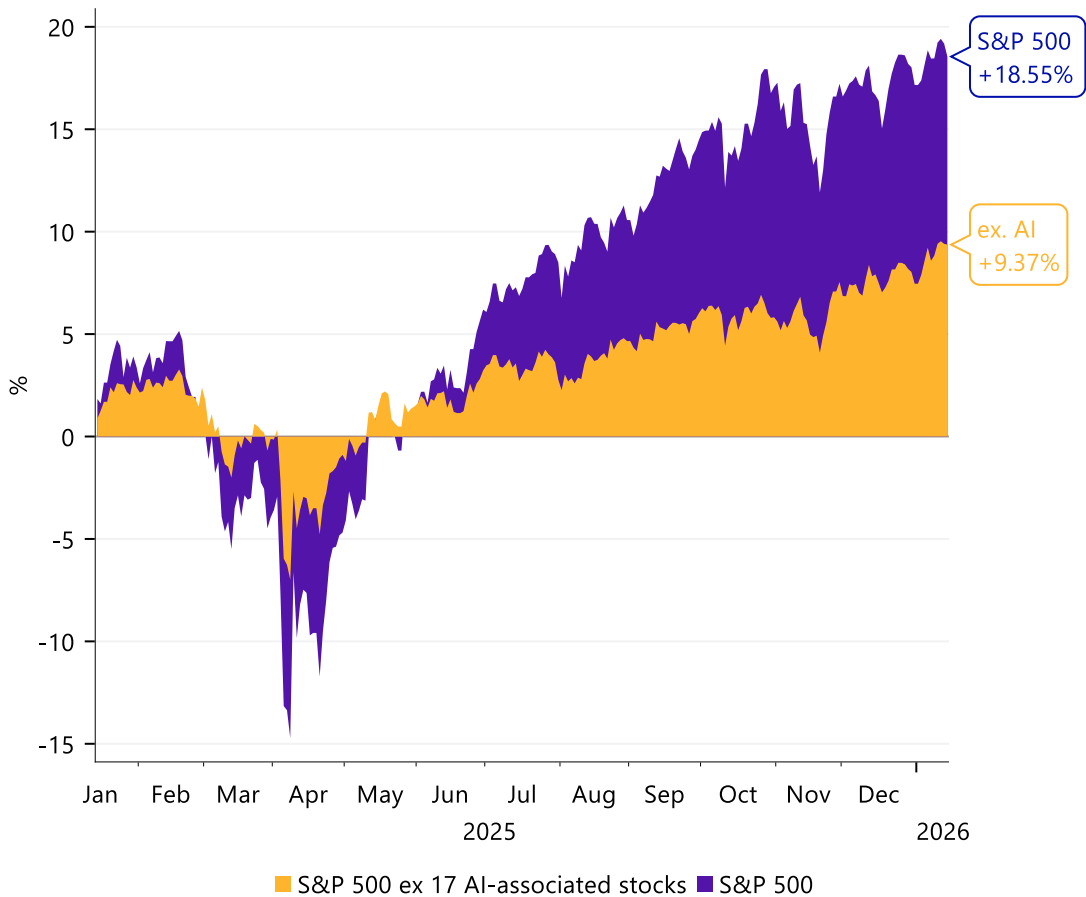
THE RISE OF PASSIVE INVESTMENT AT THE COST OF ACTIVE INVESTING IS ALSO A VOLATILITY SUPPRESSING DYNAMIC WHICH CREATES GREATER CONCENTRATION IN EQUITY INDICES.



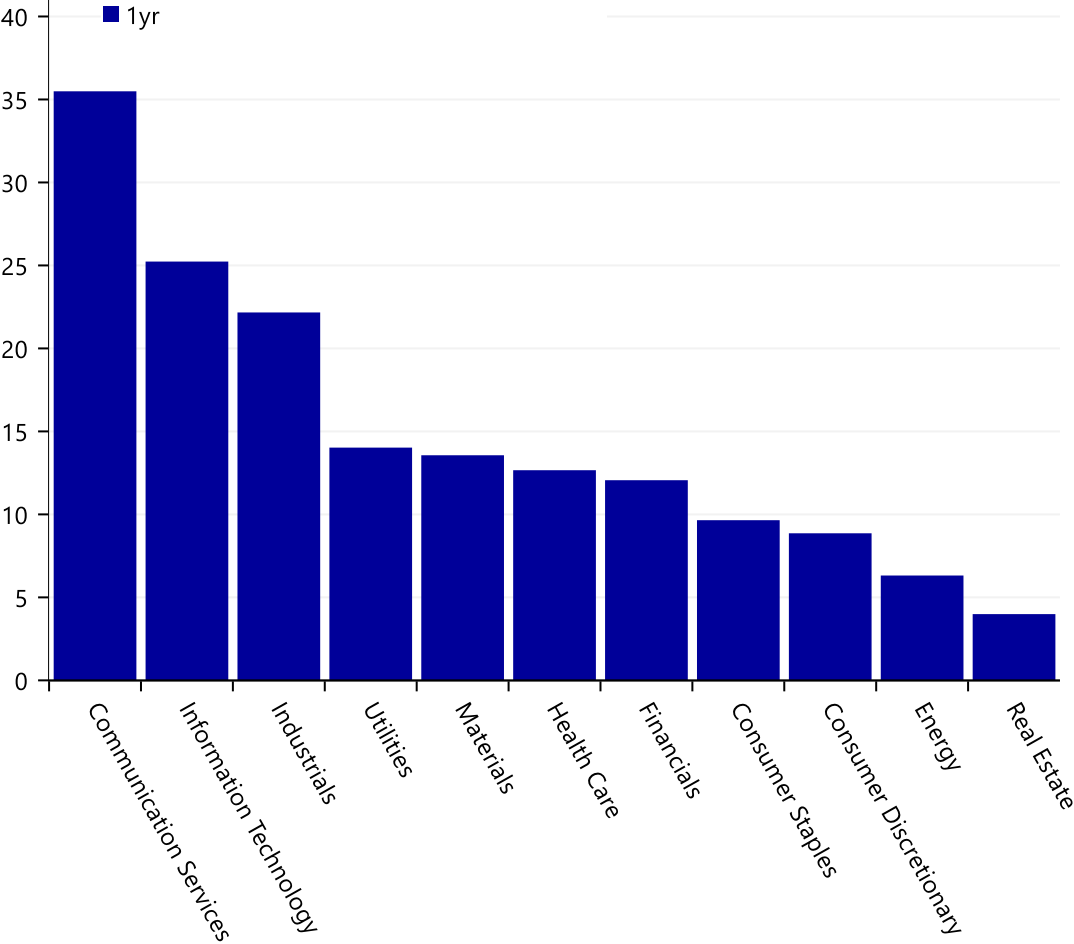
IN FACT, IN THE PAST 12 MONTHS WE HAVE SEEN JUST HOW IMPORTANT THE RISE OF AI HAS BEEN IN KEEPING US EQUITY INDICES SUPPORTED, AND THEREFORE CONSUMPTION.

Impact of Excluding AI Stocks on S&P 500 Performance

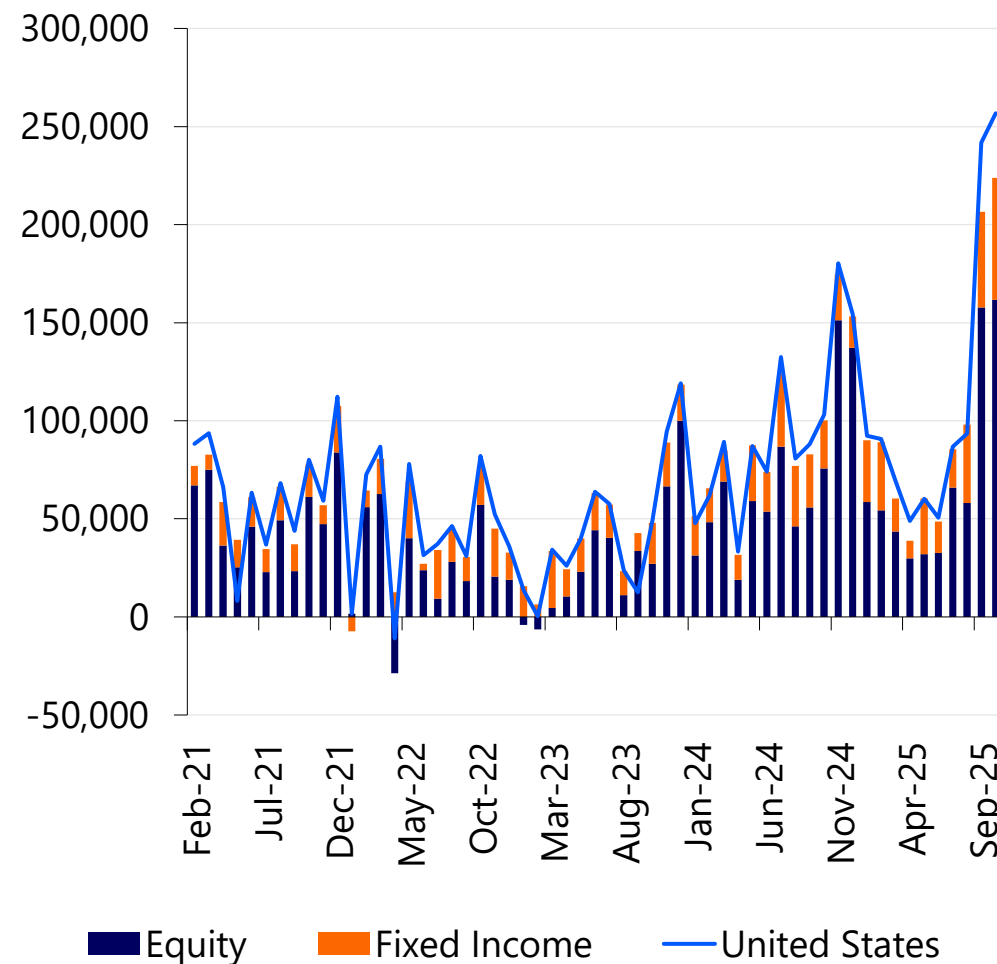
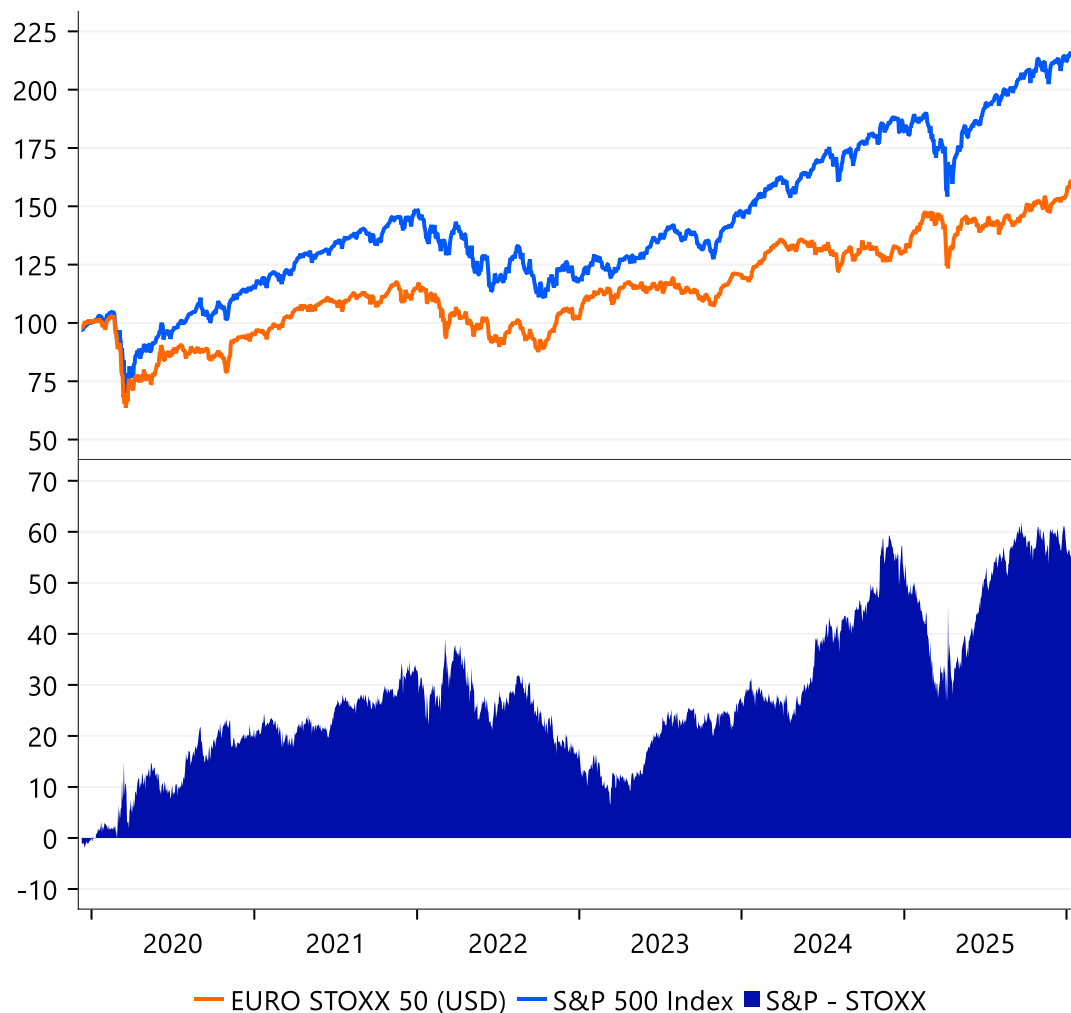
YTD returns of the S&P 500 ex 17 AI-associated stocks



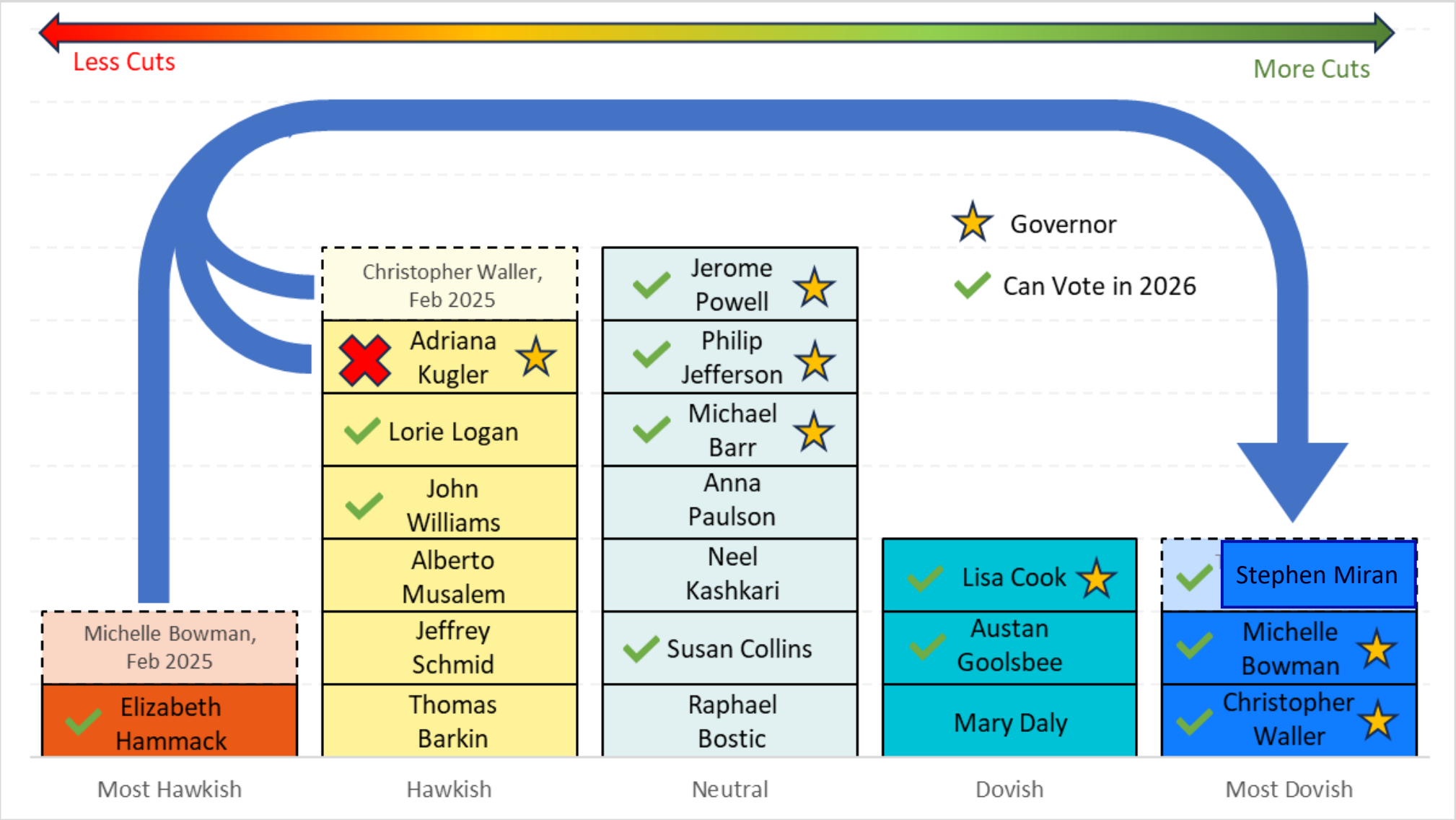
S&P 500 Sectors: 12 month performance



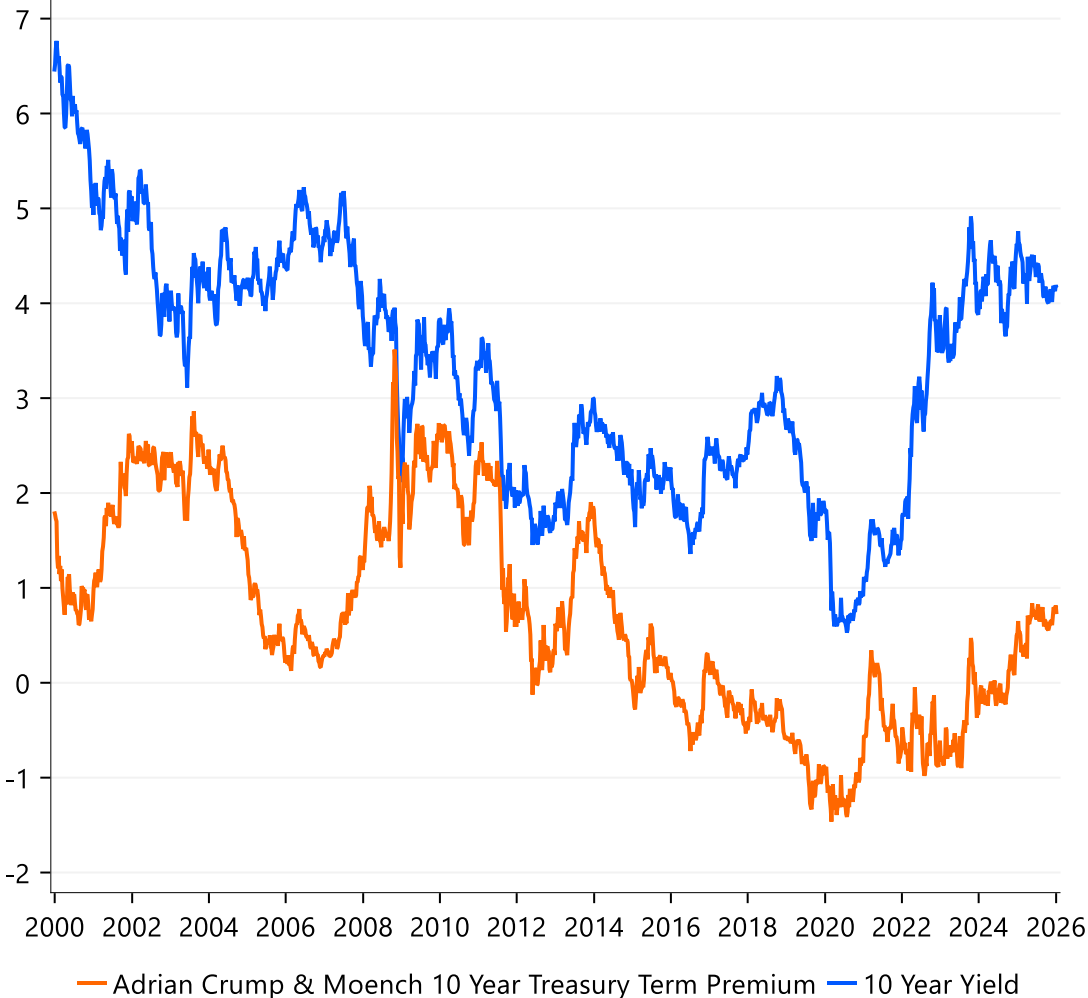
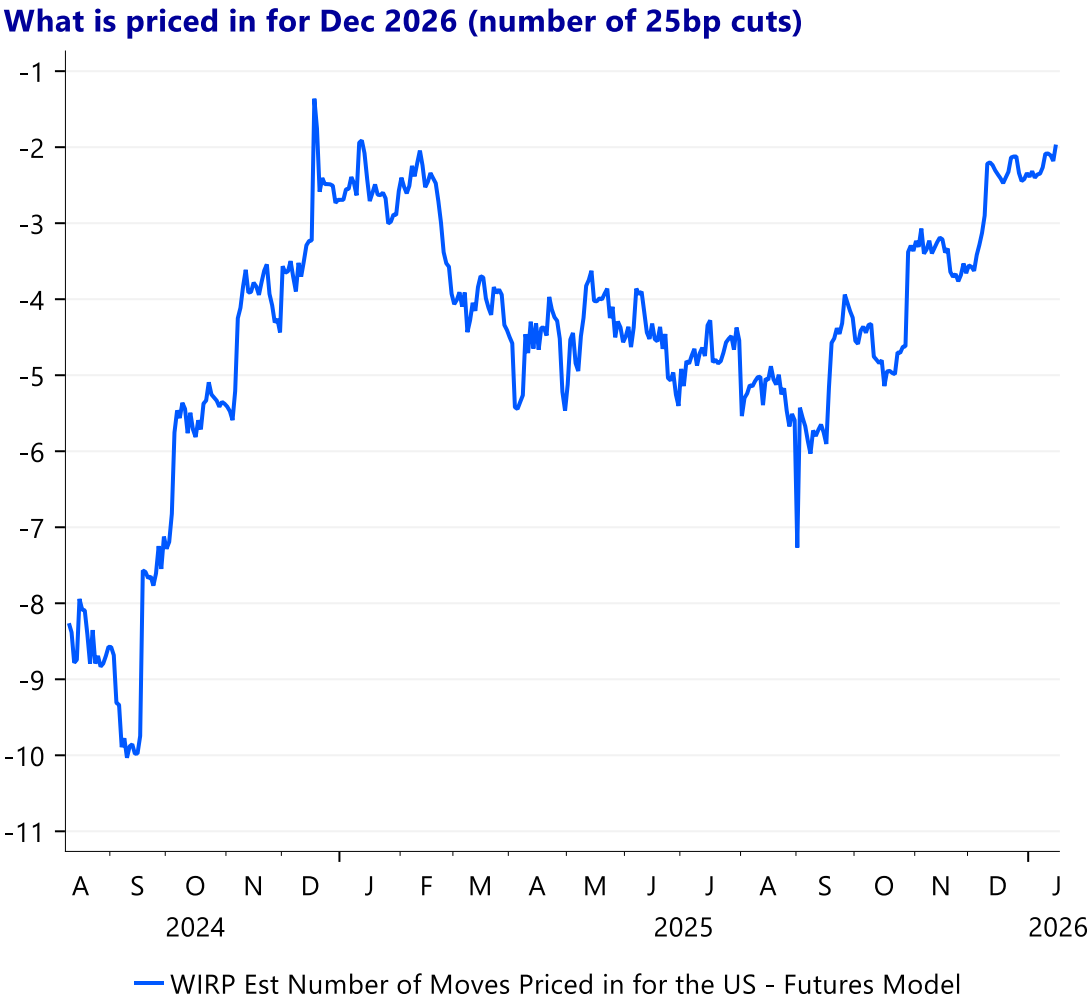
THE APRIL “SELL AMERICA, BUY EUROPE” TRADE PROVED SHORT LIVED BUT, EUROPEAN AND GLOBAL EQUITIES PERFORMED WELL IN 2025



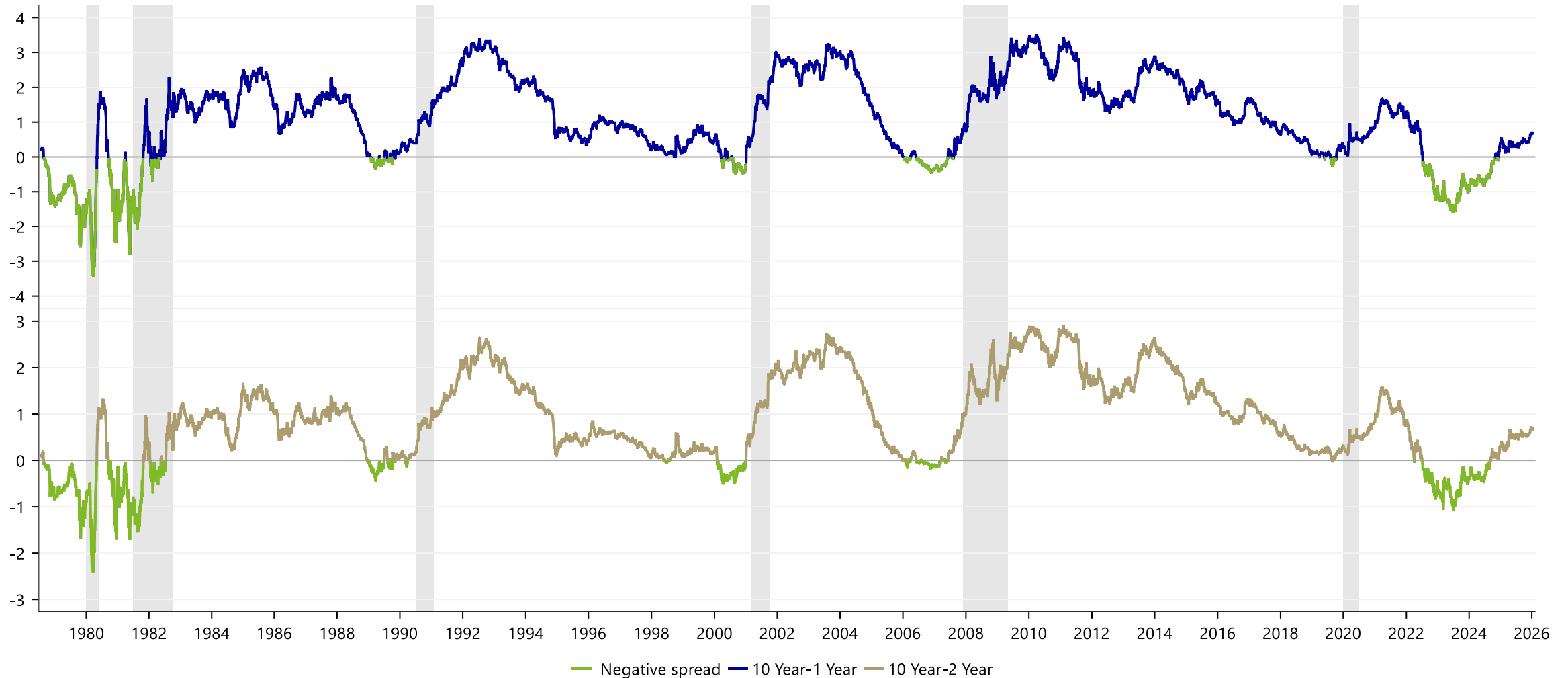
TRUMP'S INFLUENCE ON THE FOMC



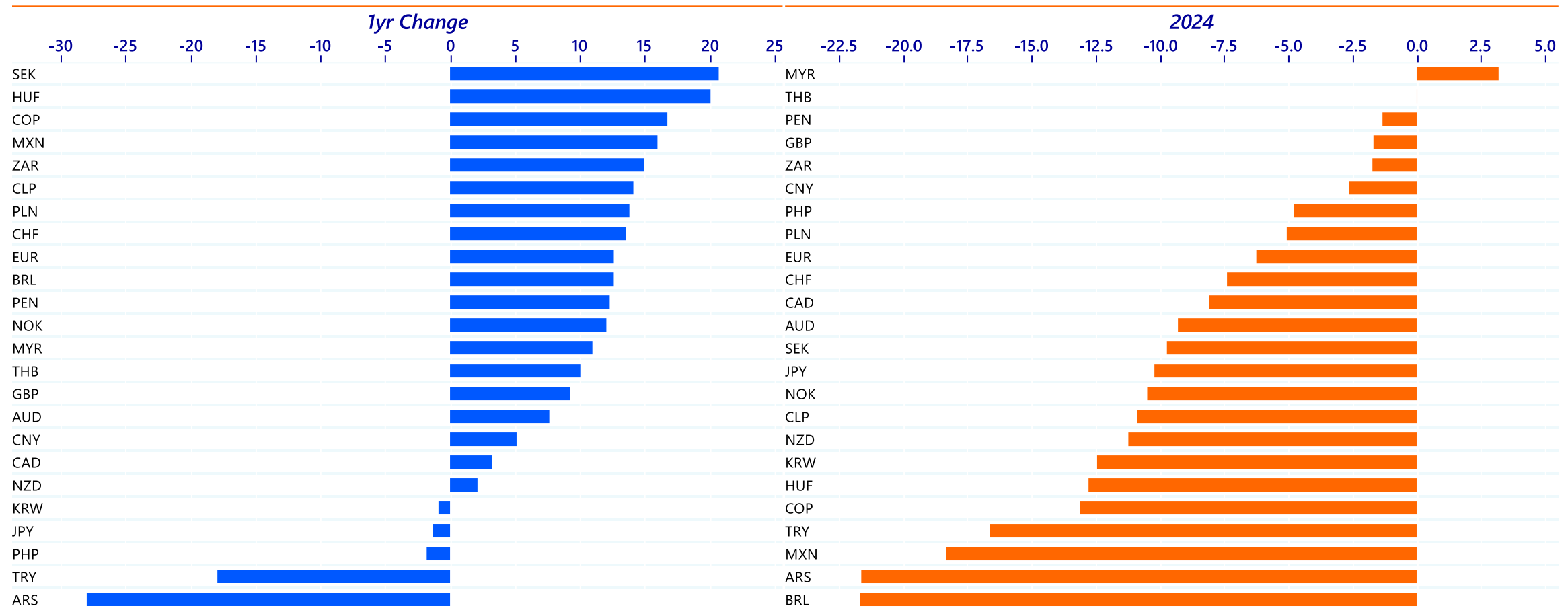
THE MARKET EXPECTS 2 RATE CUTS BY END OF 2026. TERM PREMIUM KEEPS RISING AND FOREIGN DEMAND MAYBE MOVING IN FAVOR OF EVEN SHORTER TENORS.



THE CURVE HAS STEEPENED: LONG TERM RATES HIGHER THAN SHORT TERM RATES AGAIN

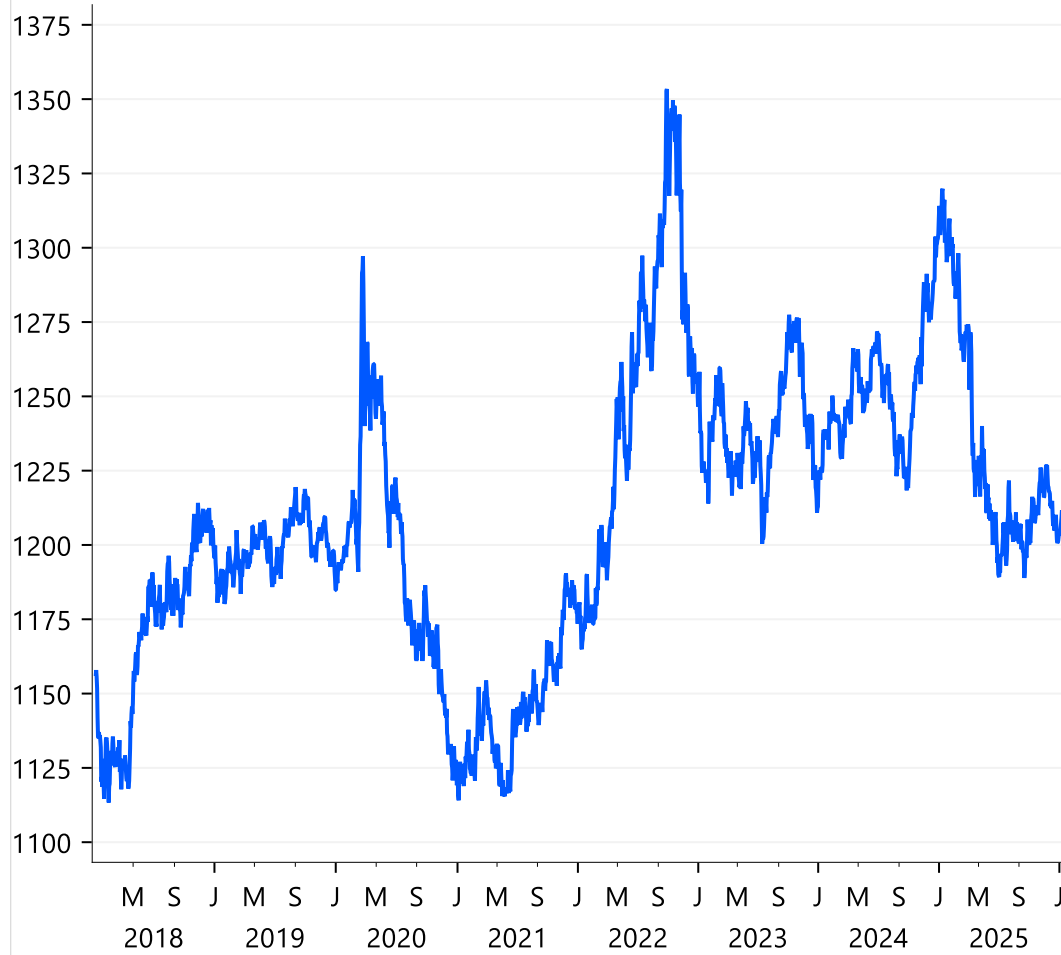


USD HAD THE WORST H1 IN DECADES, IT EVEN BROKE FROM ITS SAFE HAVEN STATUS FOR A WHILE. RISING FOREIGN HEDGE RATIOS ARE A DRAG ON USD.



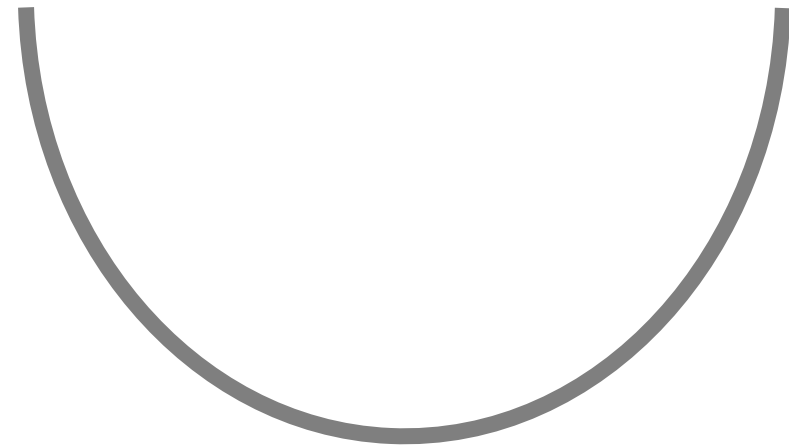
USD IS STILL A SAFE HAVEN, BUT, EXPECT A MIXED PERFORMANCE IN 2026.

Bloomberg Dollar Spot Index



- Weak global economy
- Risk aversion
- USD safe-haven status

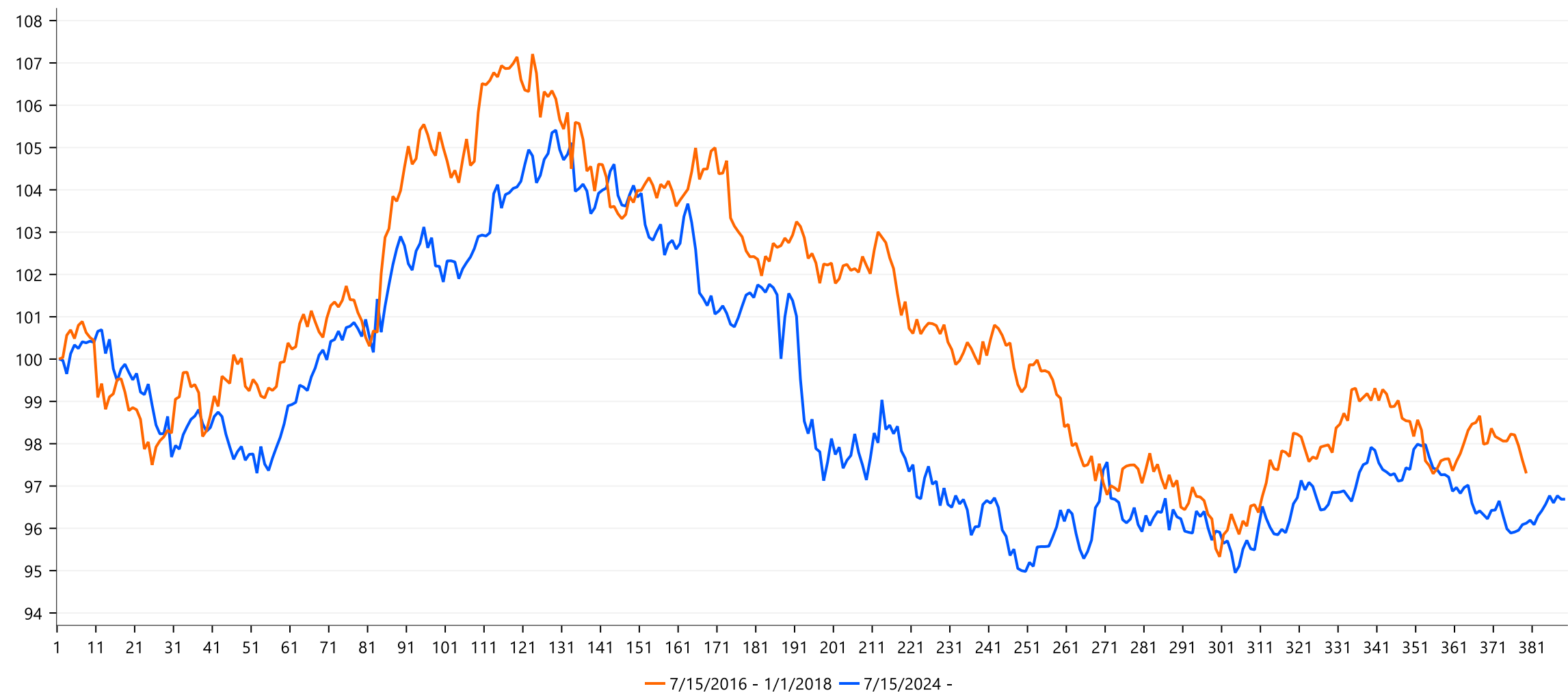
- US outperforming
- Tightening Fed



- US lagging global growth
- Dovish Fed

HISTORY DOESN'T REPEAT BUT IT DOES RHYME

USD DURING TRUMP 2.0 SHARES A STRIKING RESEMBLANCE TO TRUMP 1.0



US SUMMARY: 2026 OUTLOOK

Inflation will stay sticky near 3%
The Fed's 2% target will not be reached over the next two years.

Unemployment will rise but we expect it to remain sub-5% this year.

More cuts this year, starting in Q2, as the labor market slowly deteriorates, and the composition of the Fed skews more dovish.

We see some downward pressure on USD due to Fed credibility issues, but see upside due to strong US economic growth projections compared to peers.

US GDP growth in 2025 at 2.1%, a touch above the 2% trend. Similar in 2026.
Reglobalization - expect continued onshoring, industrialization and more tariffs.

Uncertainty is still the story for the coming years: Statecraft, tariffs, geopolitics, and AI.

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