



Uncertain Outcomes: 2026 Economic Outlook

Phil Mackintosh

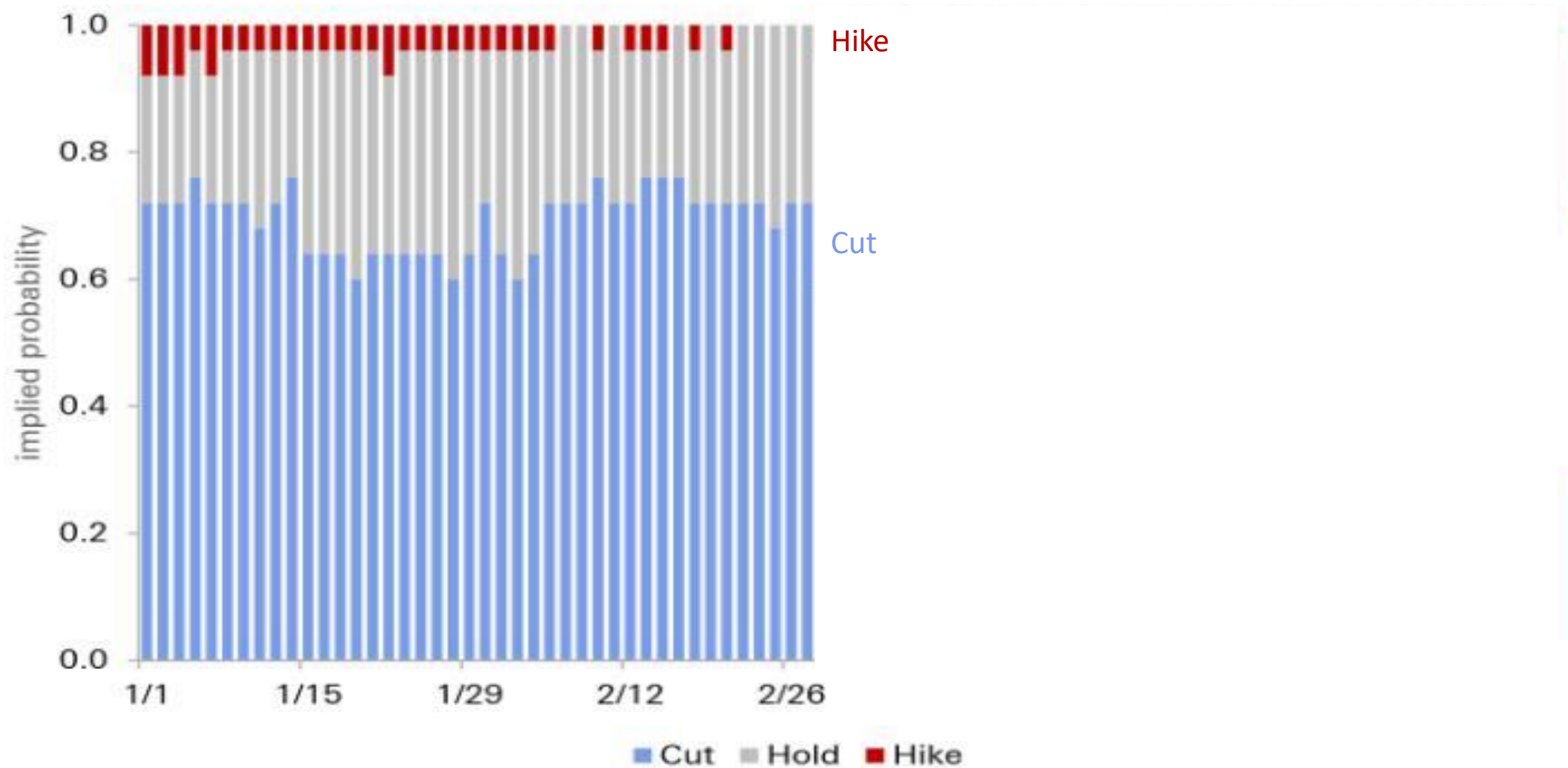
Nasdaq Chief Economist

May 26



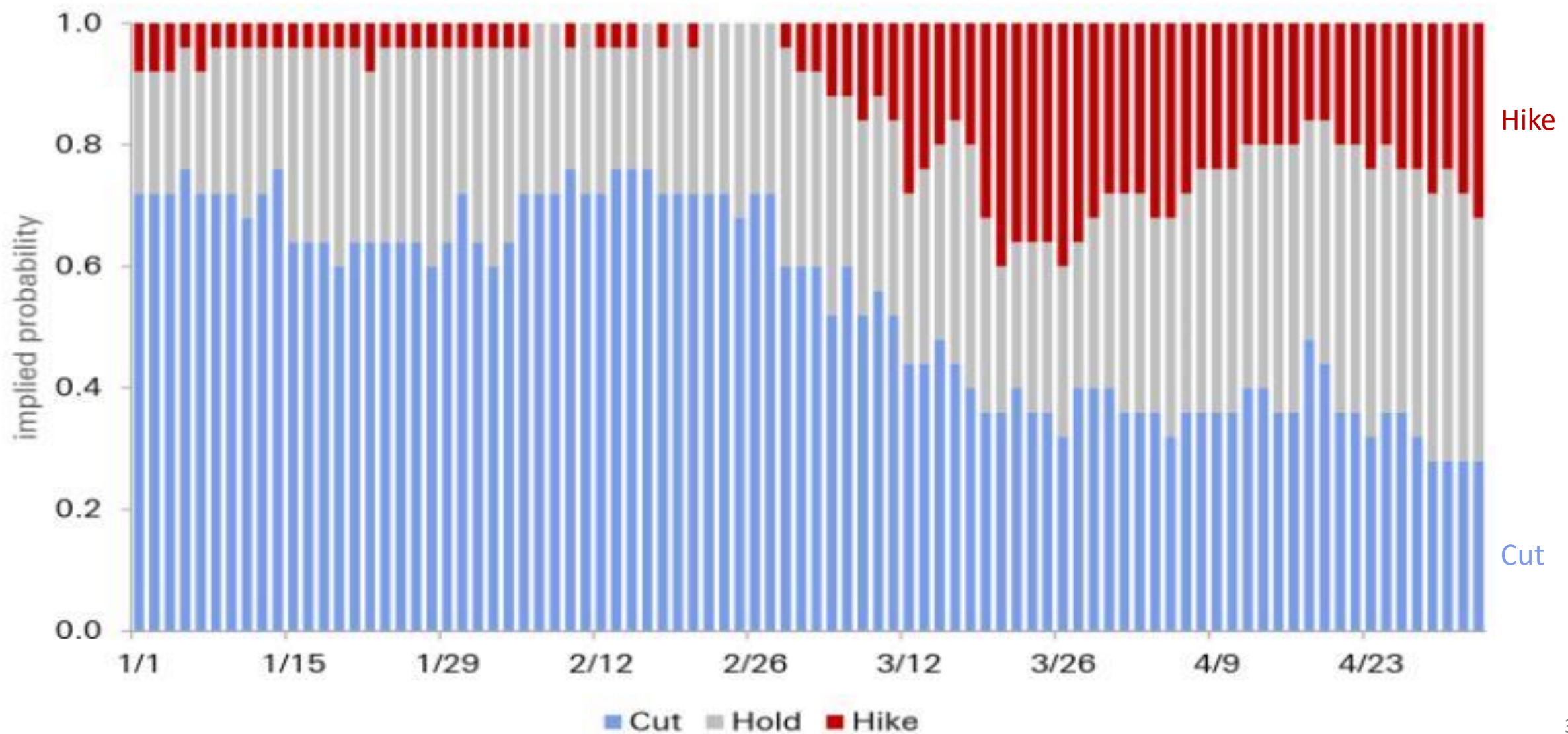
Just over two months ago...rates were falling

Fed rate moves implied by SOFRZ6 options

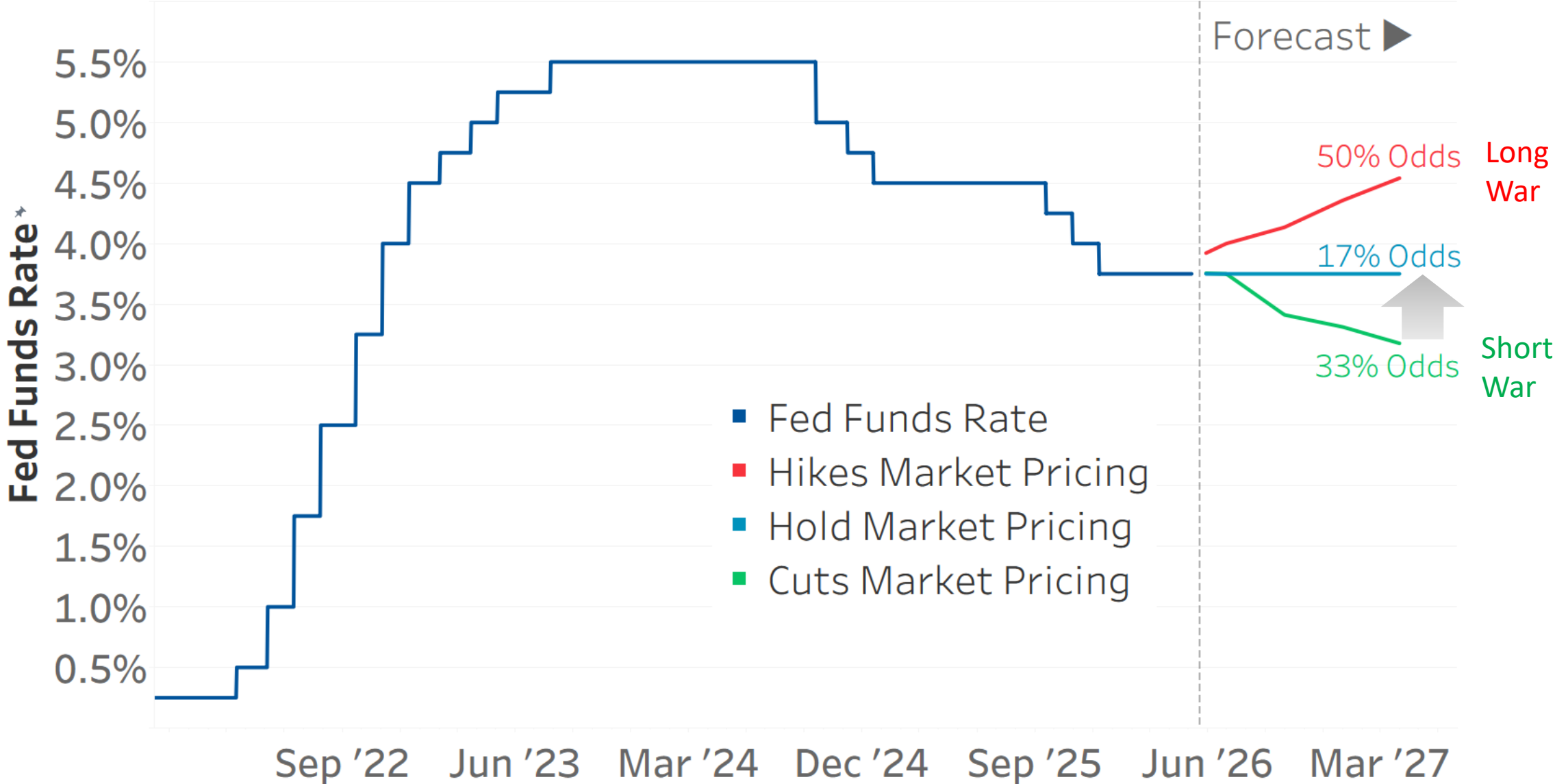


Higher inflation makes rate hikes possible

Fed rate moves implied by SOFRZ6 options



Different outcomes in one chart



Three Economic Views:

1. War and Oil
2. A Quick Resolution
3. Stocks at all time highs

War and Oil

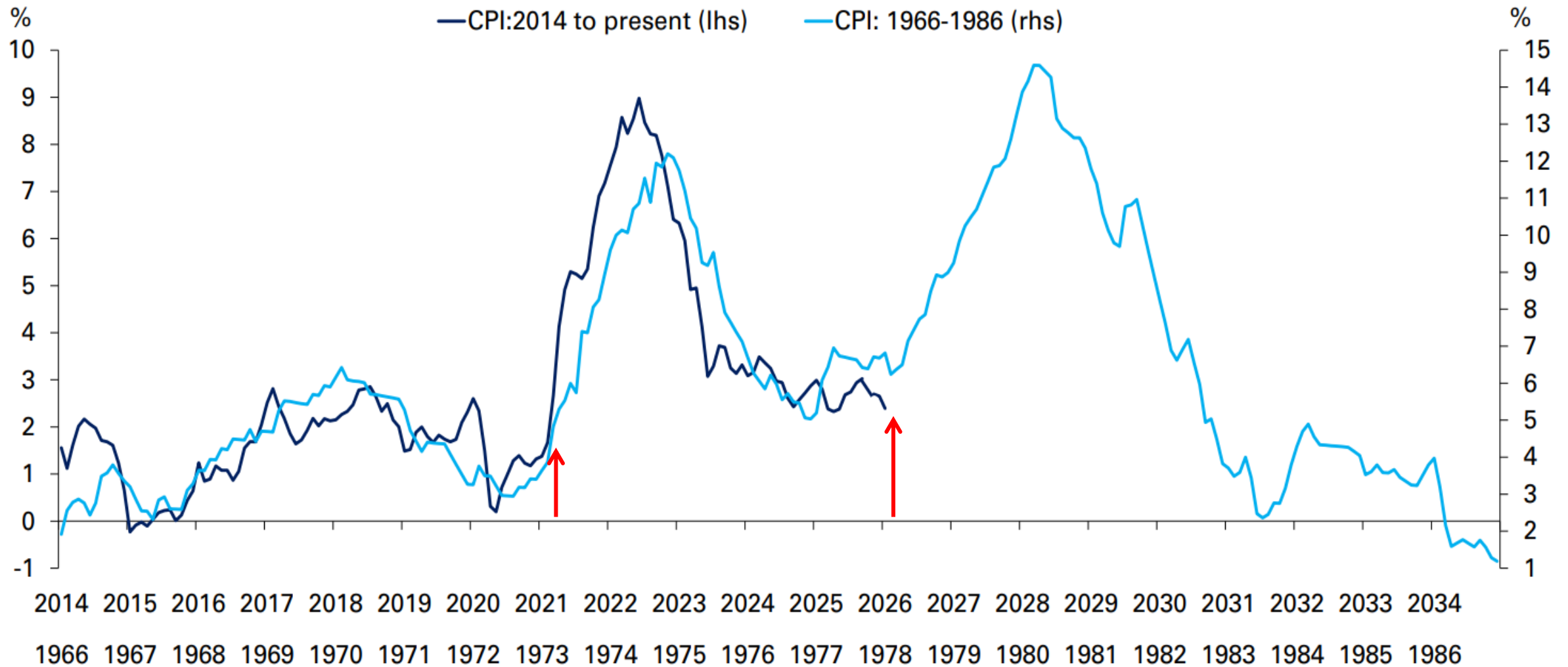
The case for rates to rise

Are we on track for another '70s-style inflation spike?

Figure 7: WTI Oil Prices (\$/bbl) in real terms - the 2026 shock doesn't particularly stand out relative to history, particularly with the pullback since March



Are we on track for another '70s-style inflation spike?

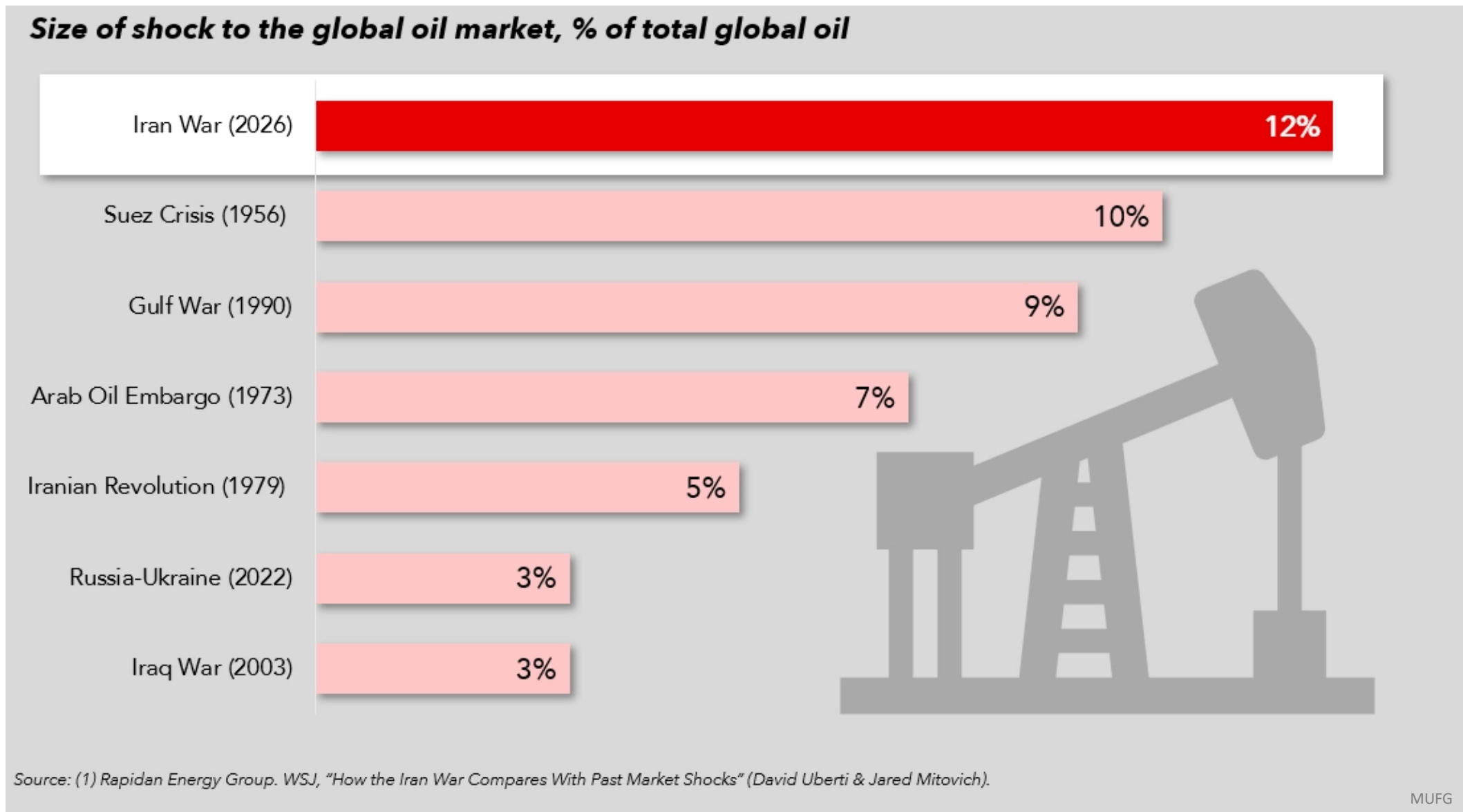


Source : BLS, Haver, Deutsche Bank

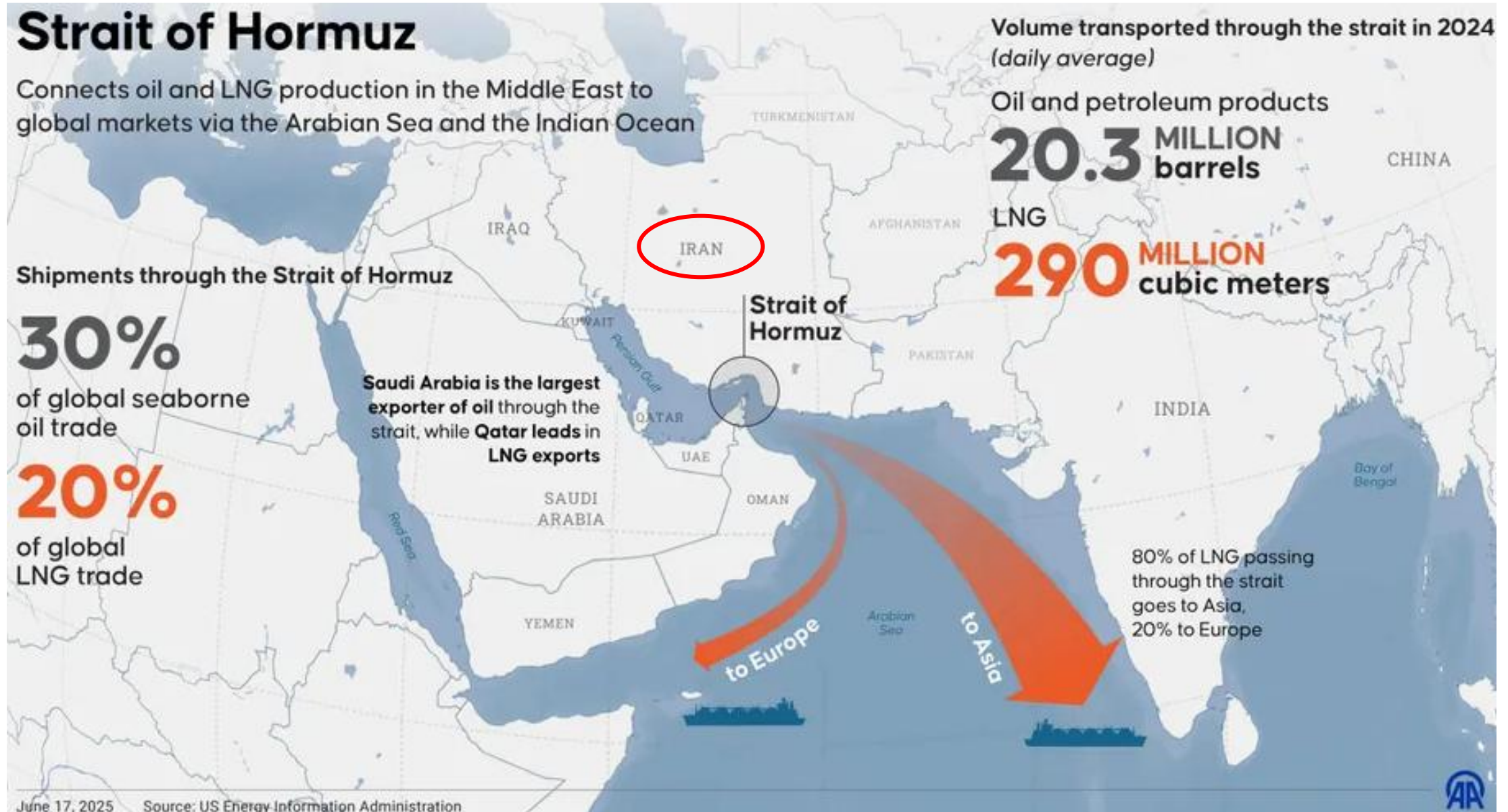


Why are we talking War when we have a cease-fire?

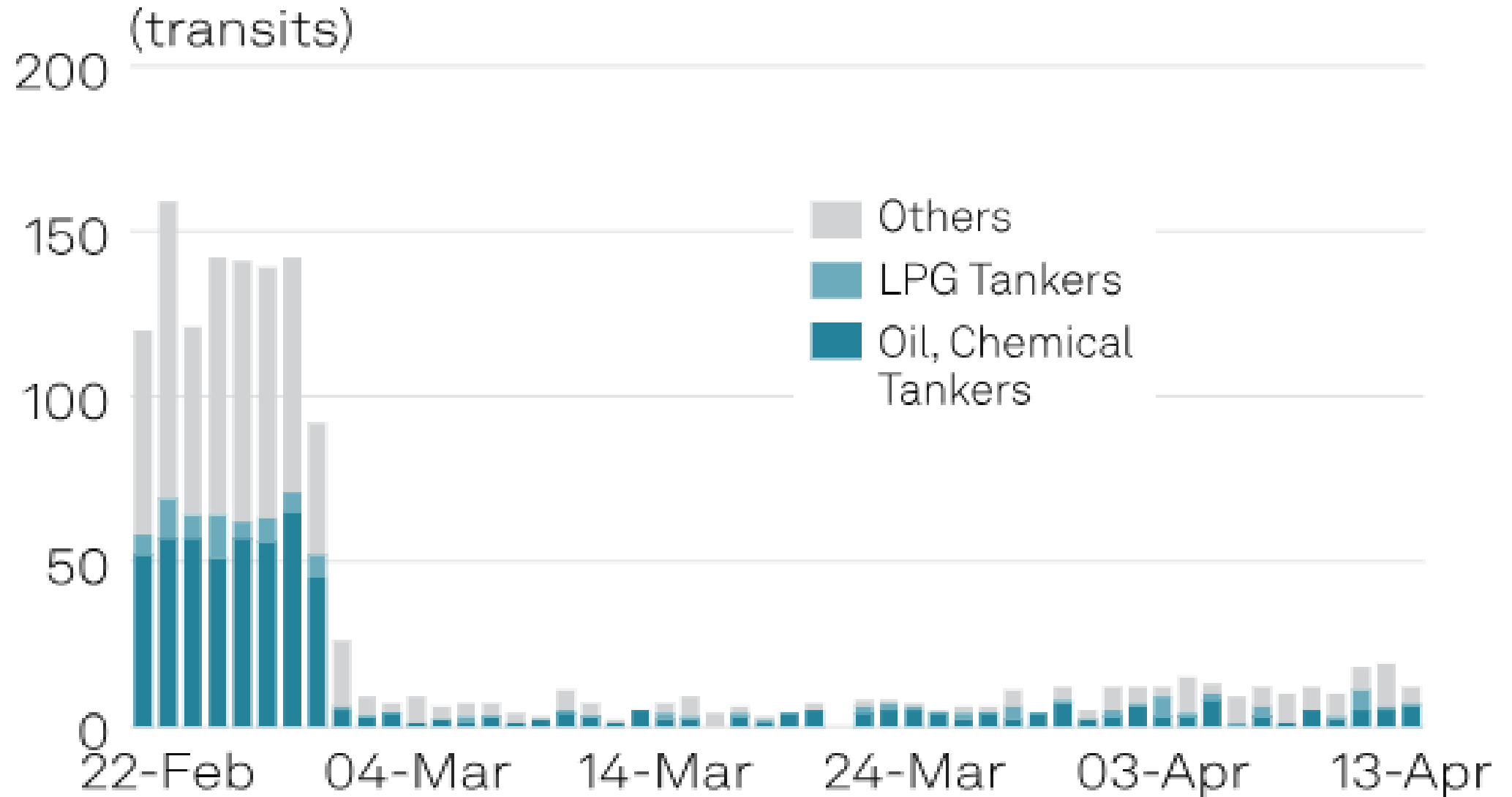
...Creating biggest oil supply shock on record



Strait of Hormuz is a chokepoint for Oil and LNG trade



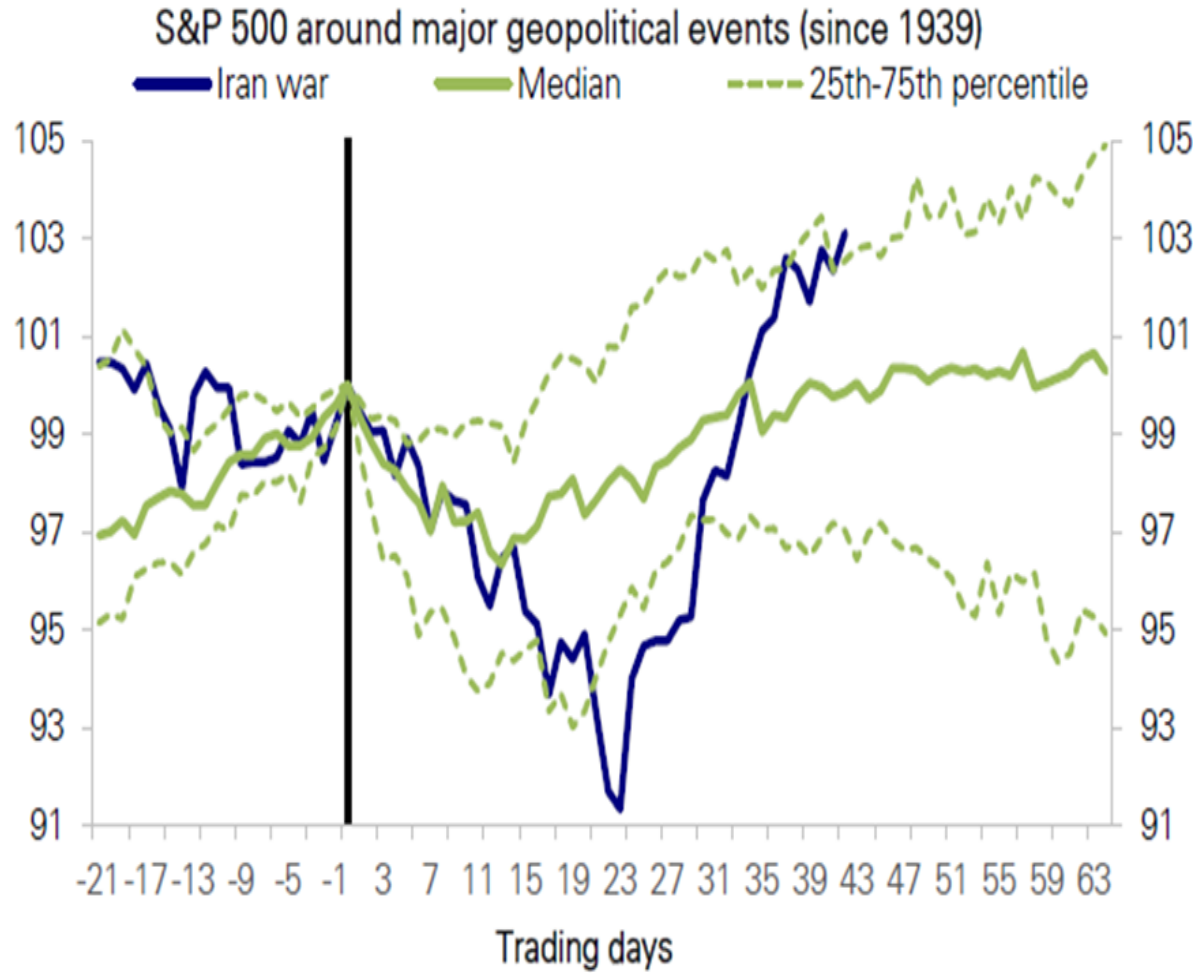
Strait of Hormuz traffic has ground to a halt...



Source: S&P Global Commodities At Sea

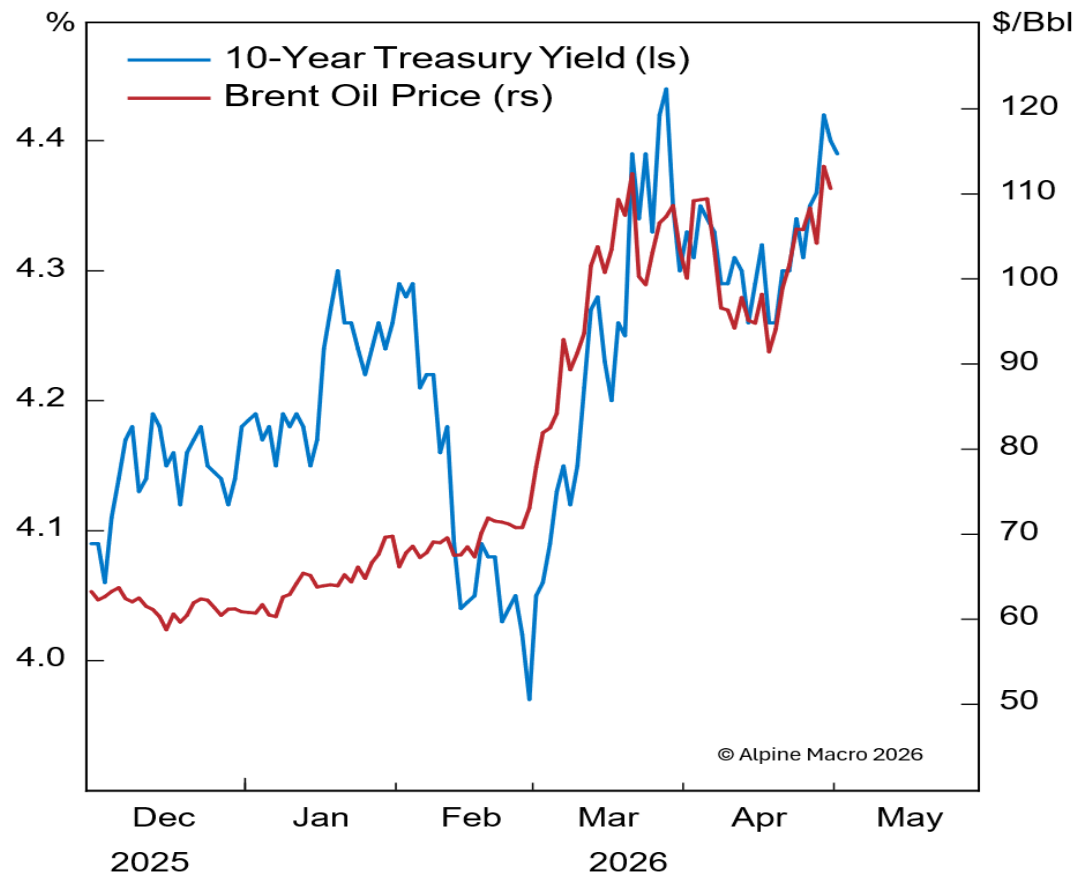


Stocks and Oil disagree. Who is right?



Source : Bloomberg Finance LP, Deutsche Bank Asset Allocation

Treasury Yields and Oil Spot

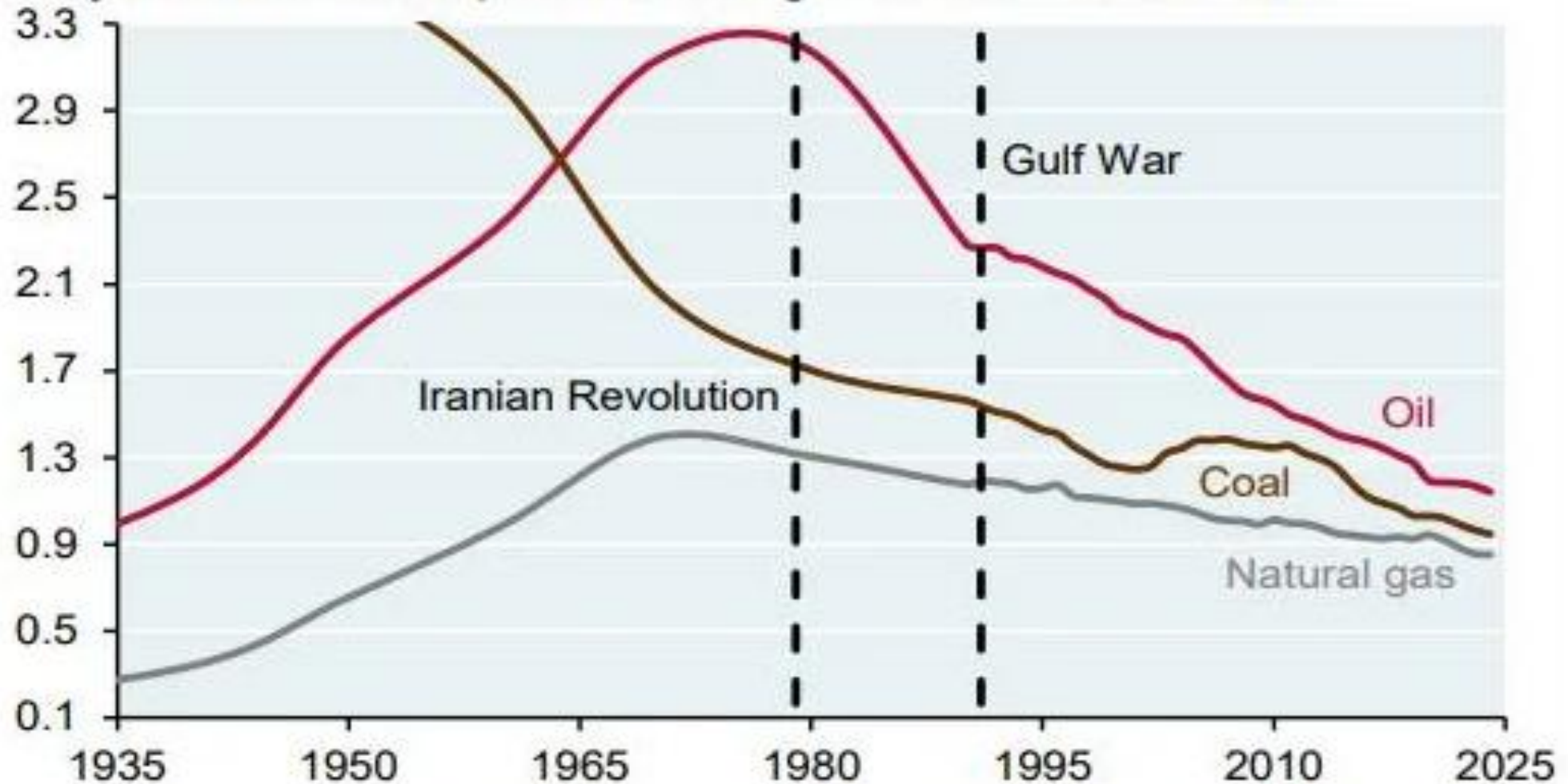


Offsetting factors limit Oil's impact vs 1970's

Global energy intensity has halved since '70s

Energy intensity of GDP, global

Exajoules of consumption / \$2021 global real GDP, trillions



Source: Energy Institute, IEA, OWID, Shift Energy Portal, JPMAM, 2025

Europe has grown alternatives

Sources of power generation in Germany

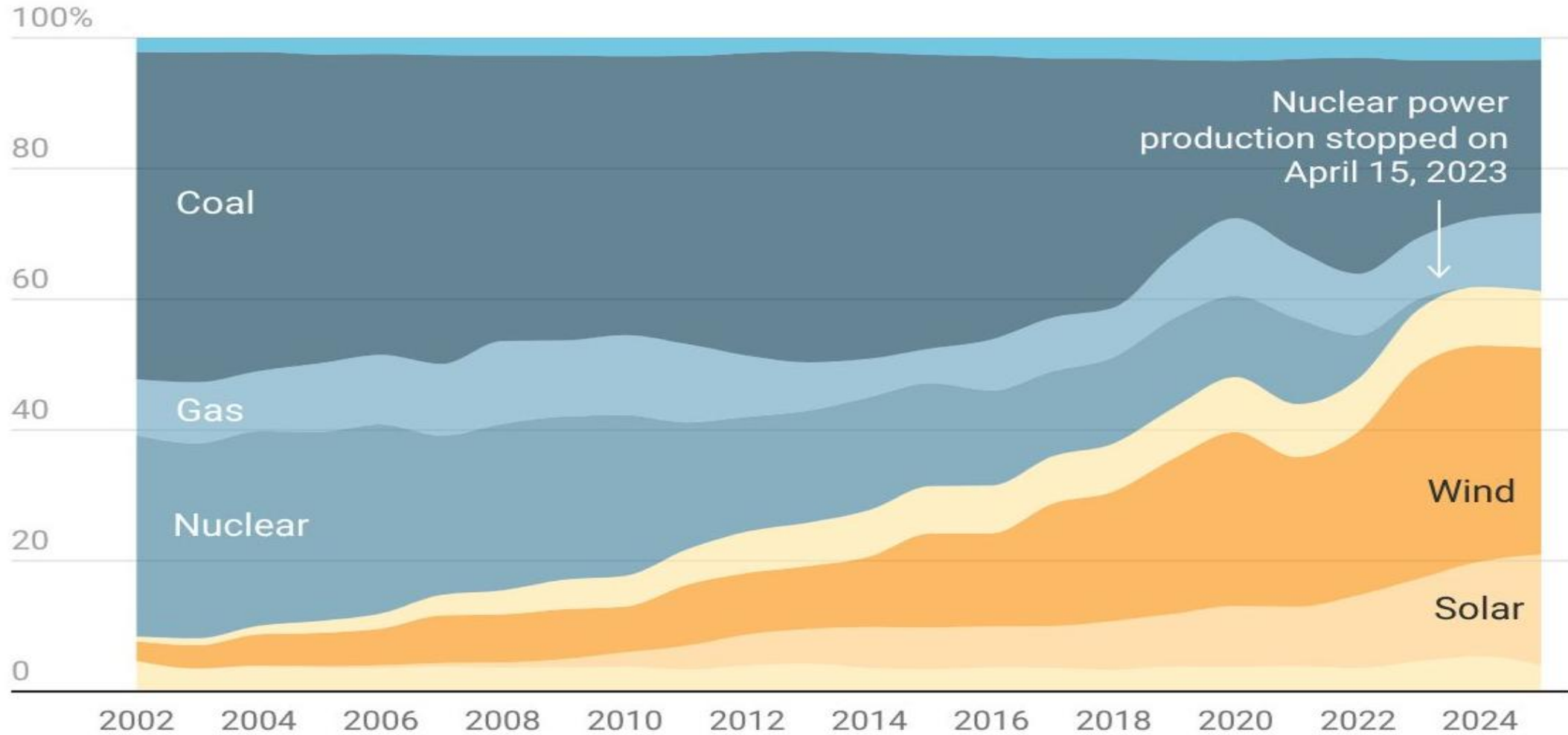
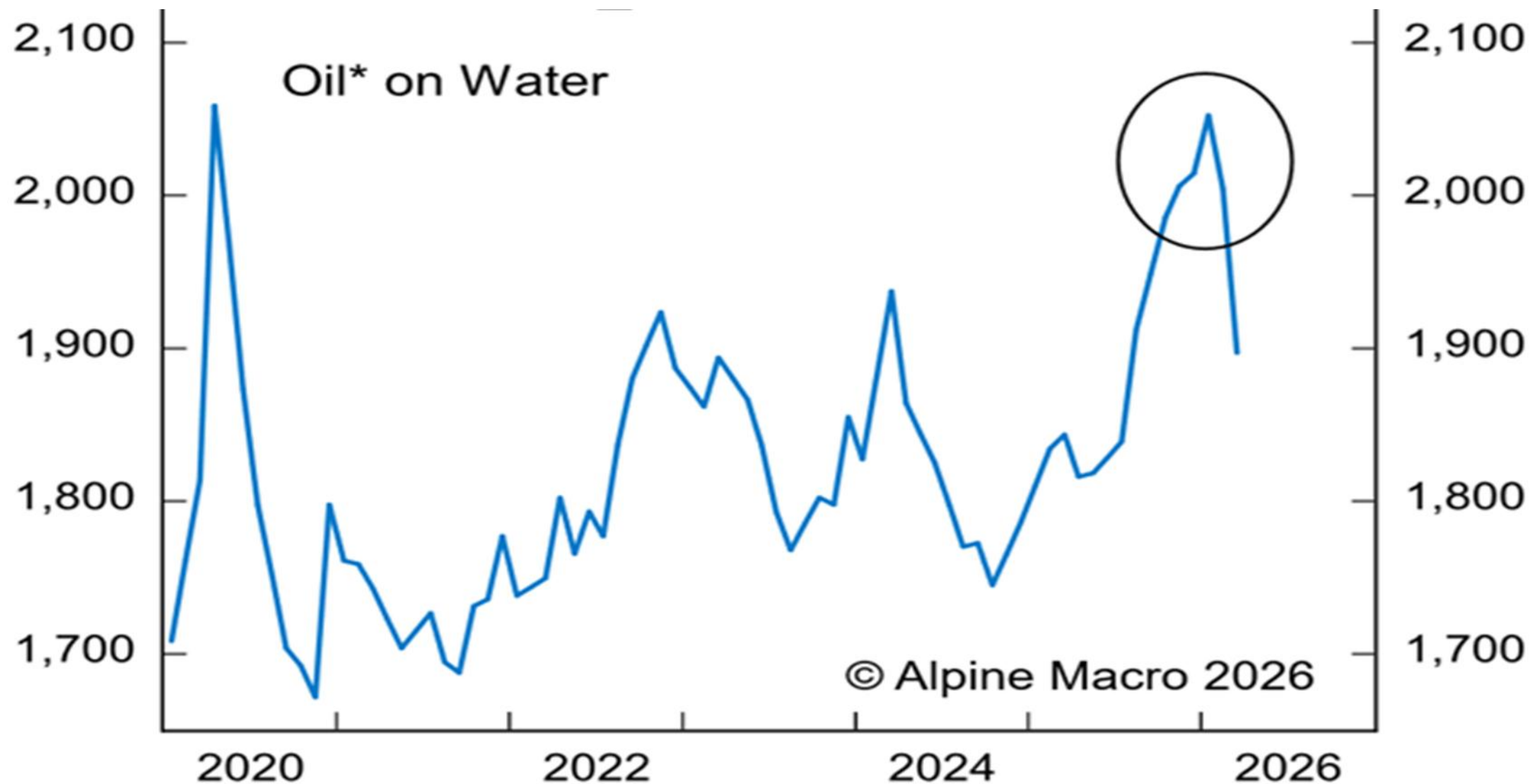


Chart: David Kokkelink • Source: NDR / Fraunhofer ISE



Inventories were unusually high



© Alpine Macro 2026

*Includes crude and oil products



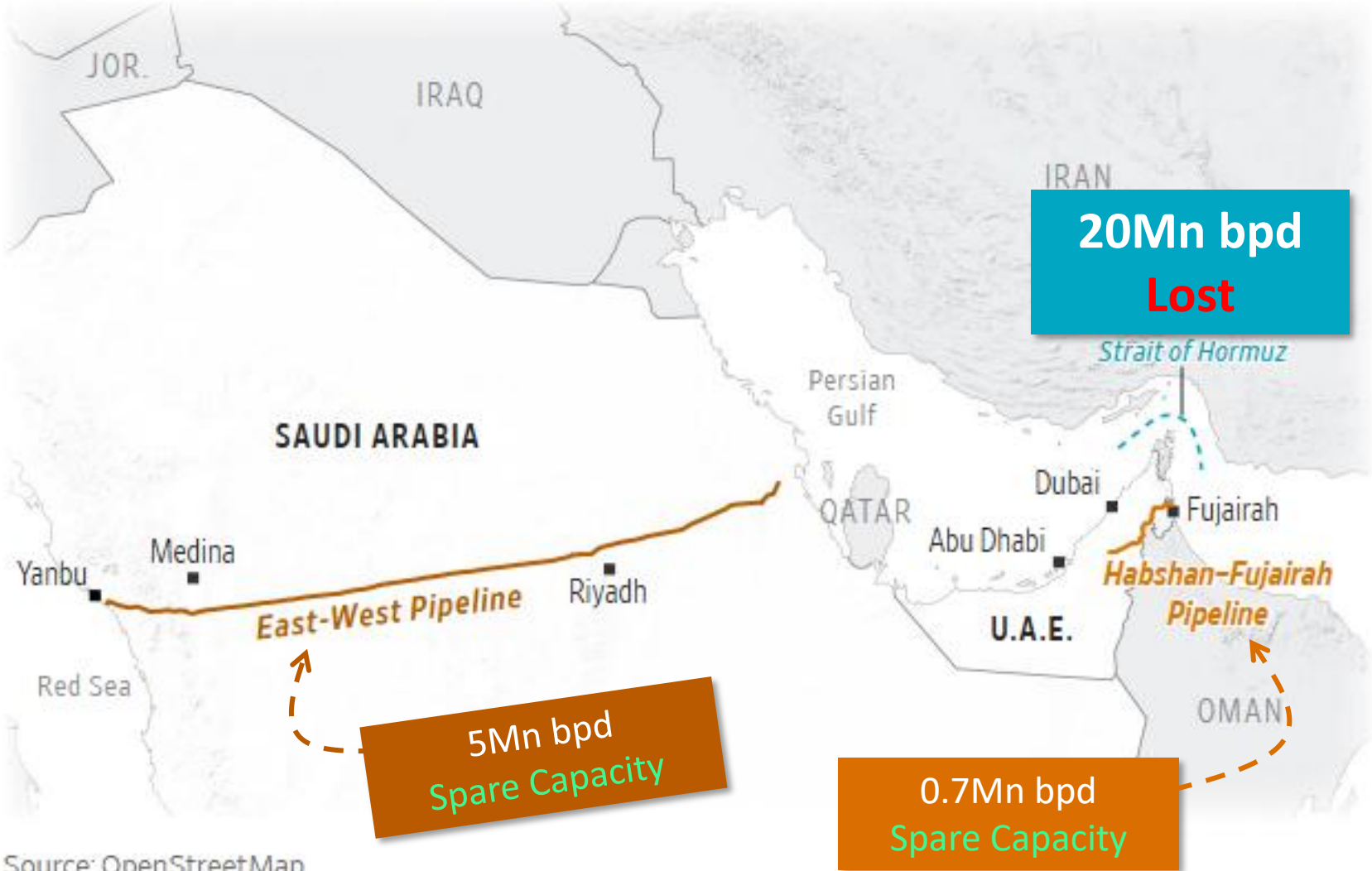
Global release of SPR 400m barrels boosts US oil exports

Buyers flock to US crude oil as Iran clash squeezes Mideast supply



Pipelines offset (only) a quarter of Hormuz traffic

Two vital pipelines for the Middle East

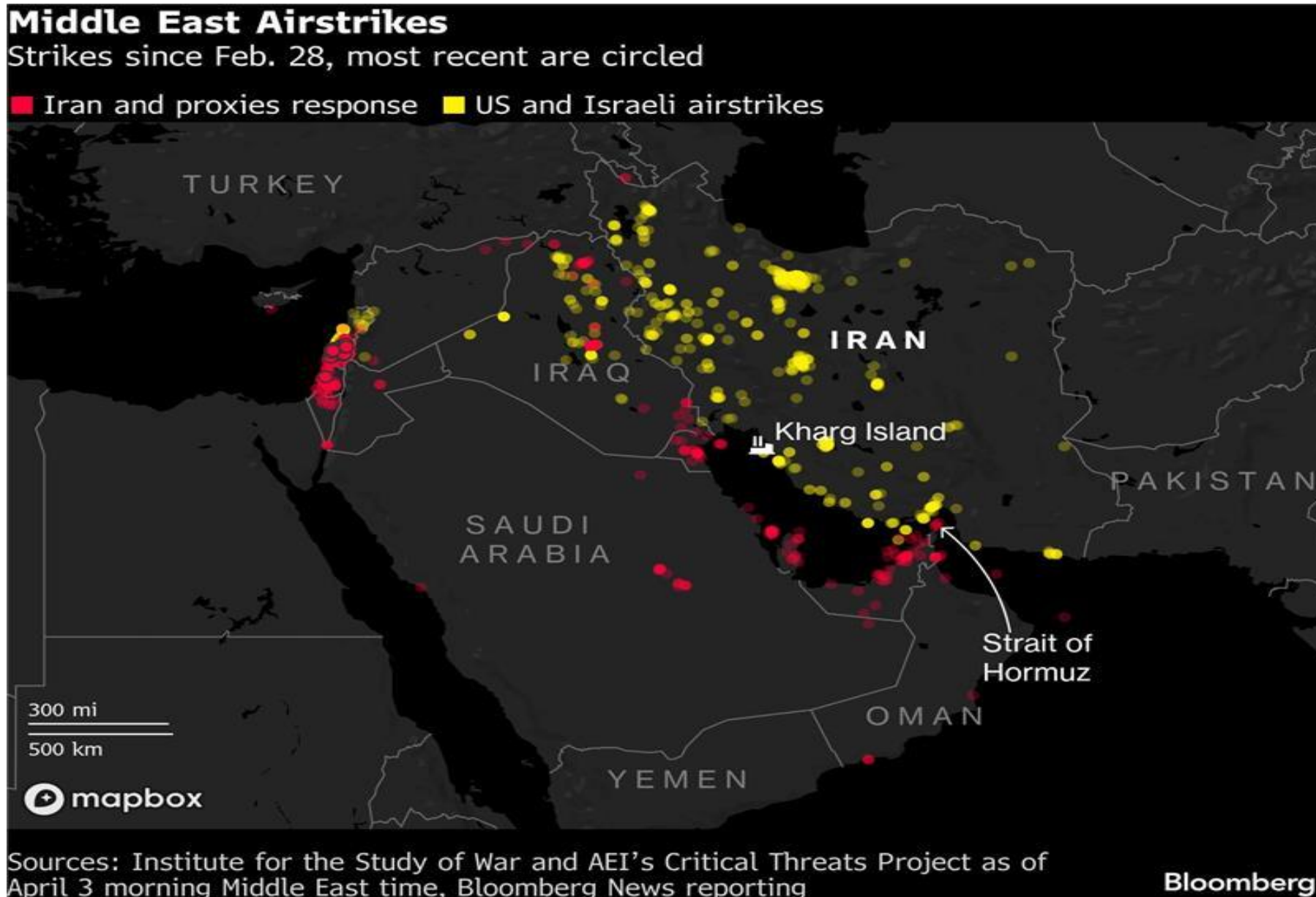


Source: OpenStreetMap

Drew An-Pham/WSJ

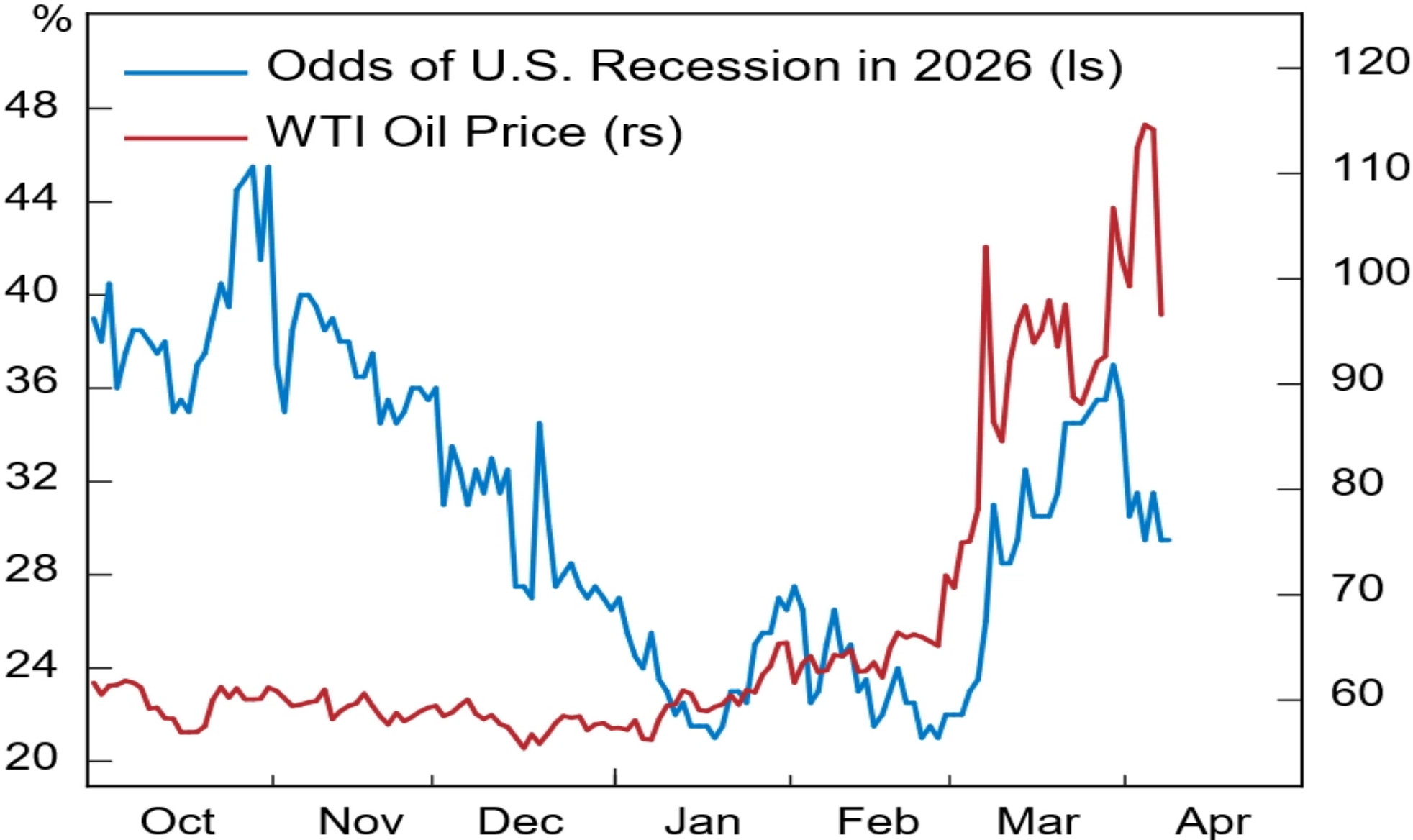


It will take time for global oil supply to recover



Could this cause a Recession?

Recession odds rising (a little) with oil prices



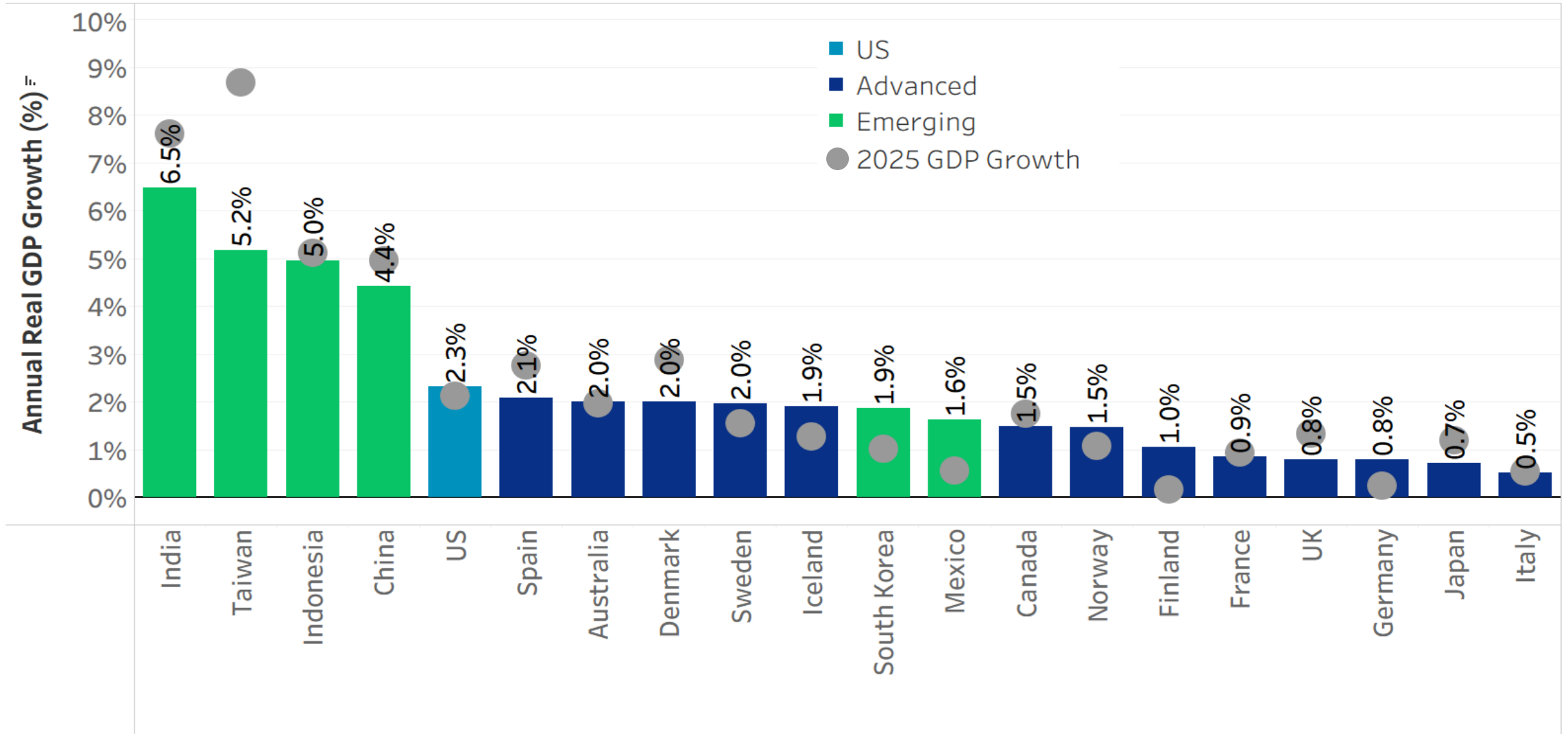
Source: Alpine Macro, Polymarket

A Quick Resolution Back to the old future

The case for rates to fall

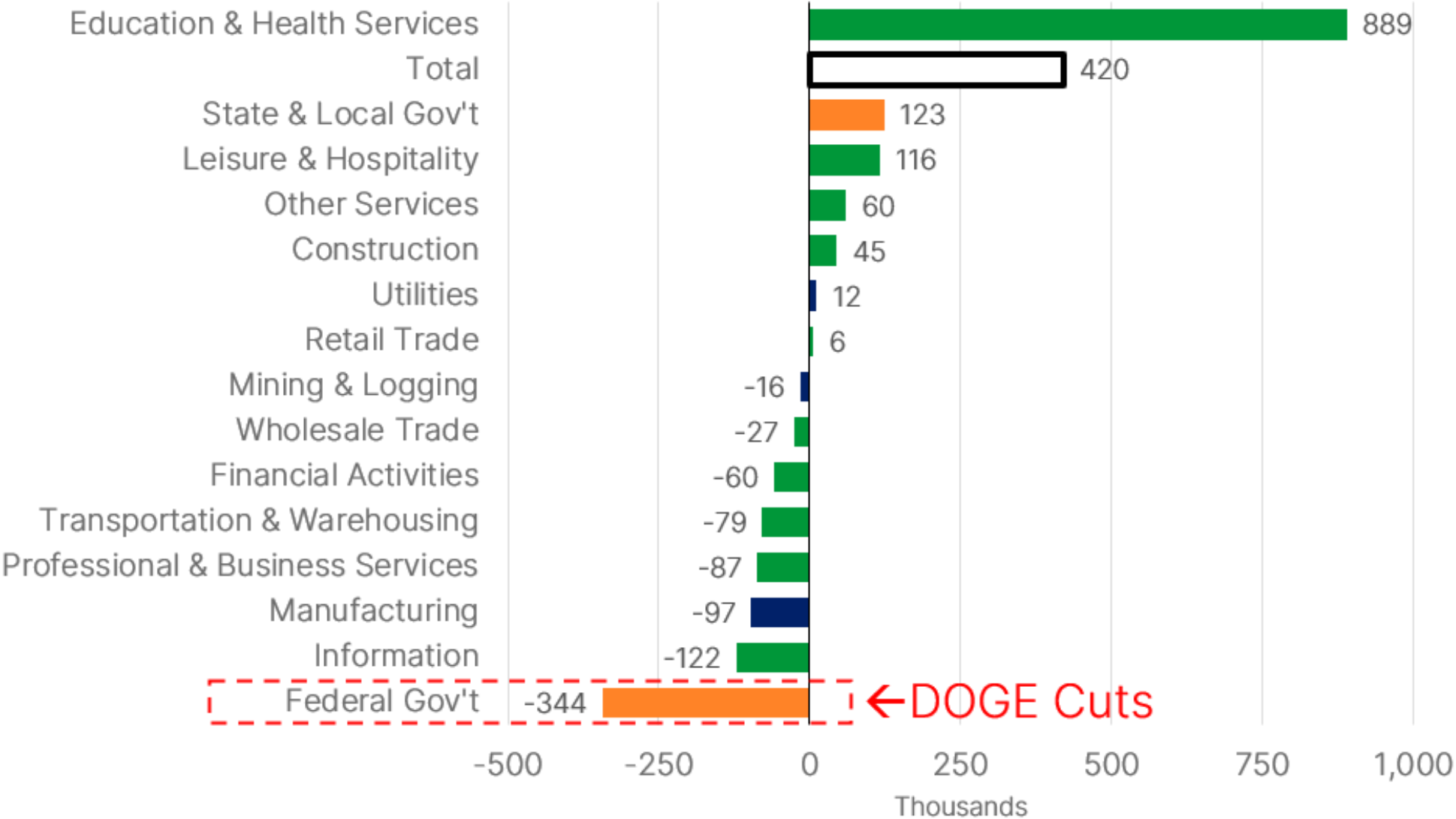
Goldilocks (with a K)

2026 Real GDP Growth Estimates



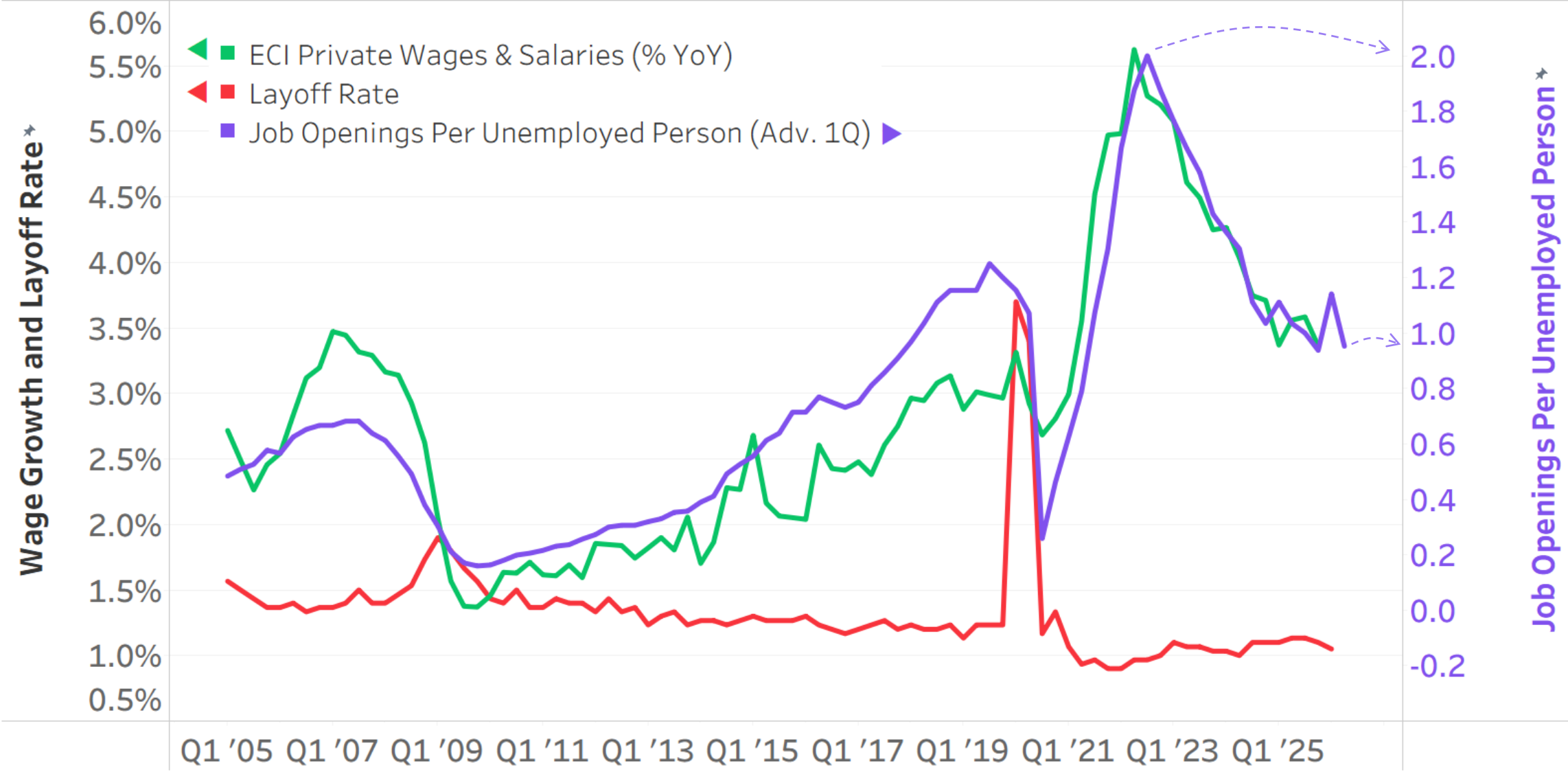
Most sectors are now fully staffed

Jan. 2025-Apr. 26 Job Gains/Losses (Thousands)



Source: BLS, Nasdaq Economic Research

Labor Market back in balance...wages rising slower



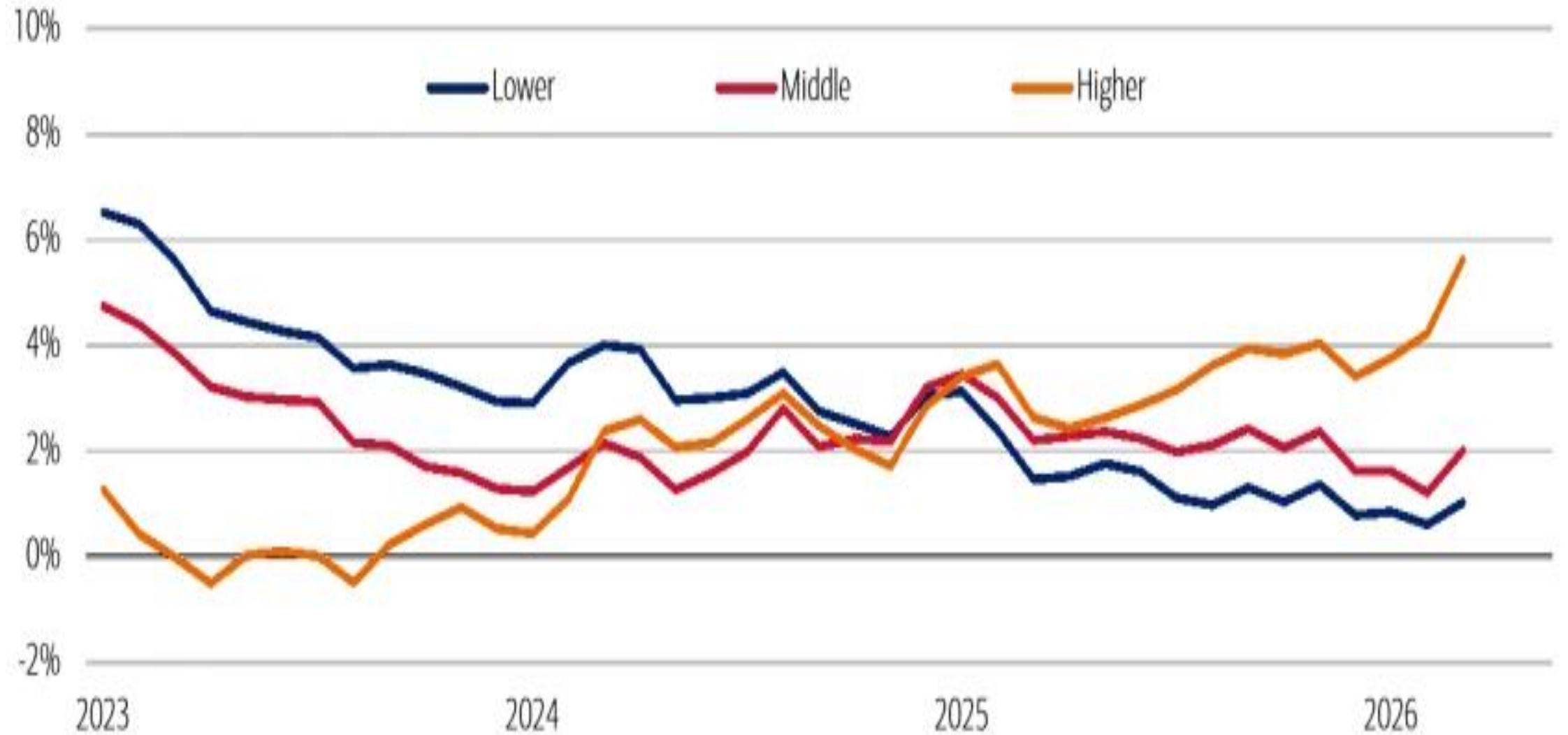
Source: FactSet, Nasdaq Economic Research

Consumer holding up:

K-shaped

Wages: becoming K-shaped

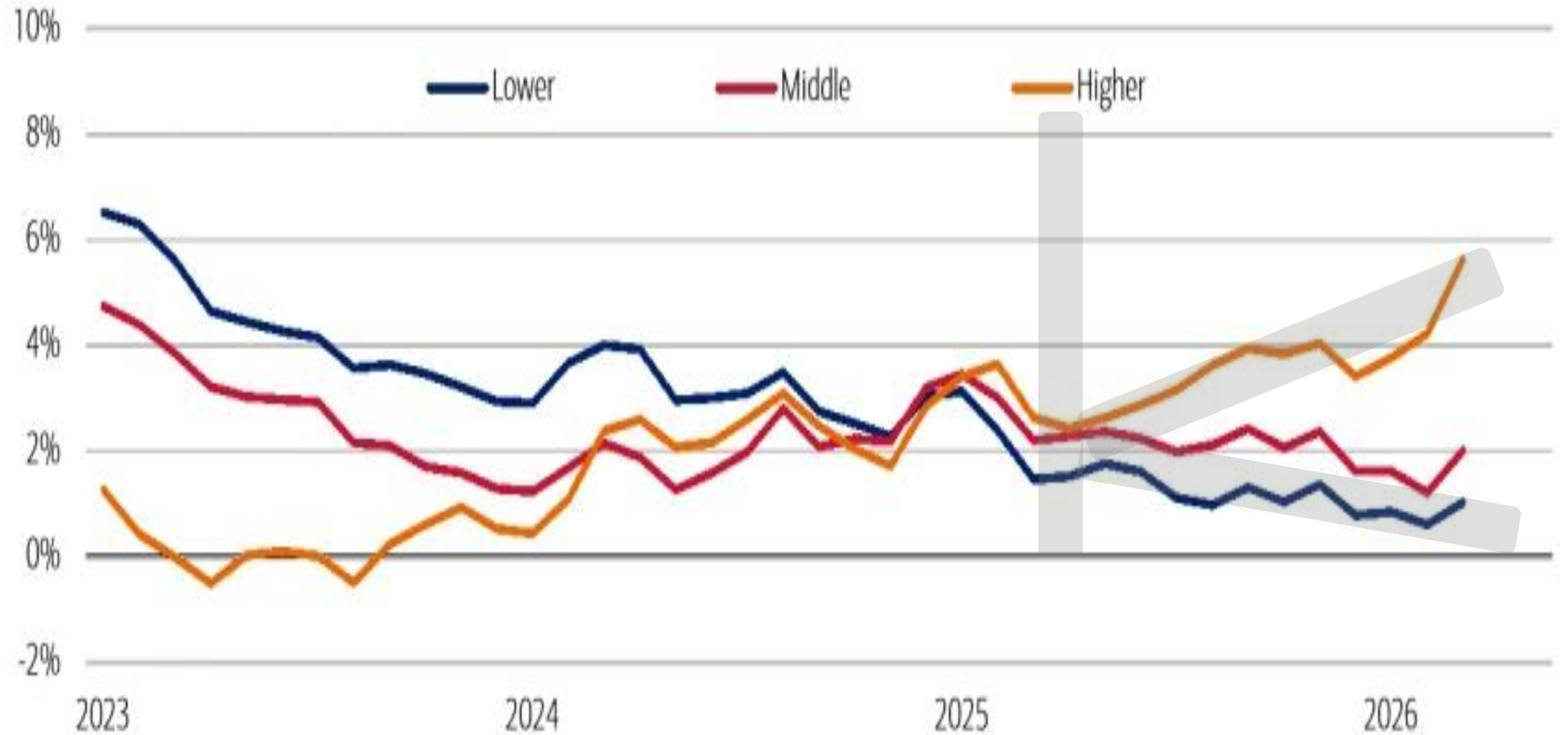
After-tax wages and salaries by household income, change from a year earlier



Source: Bank of America internal data

Wages: becoming K-shaped

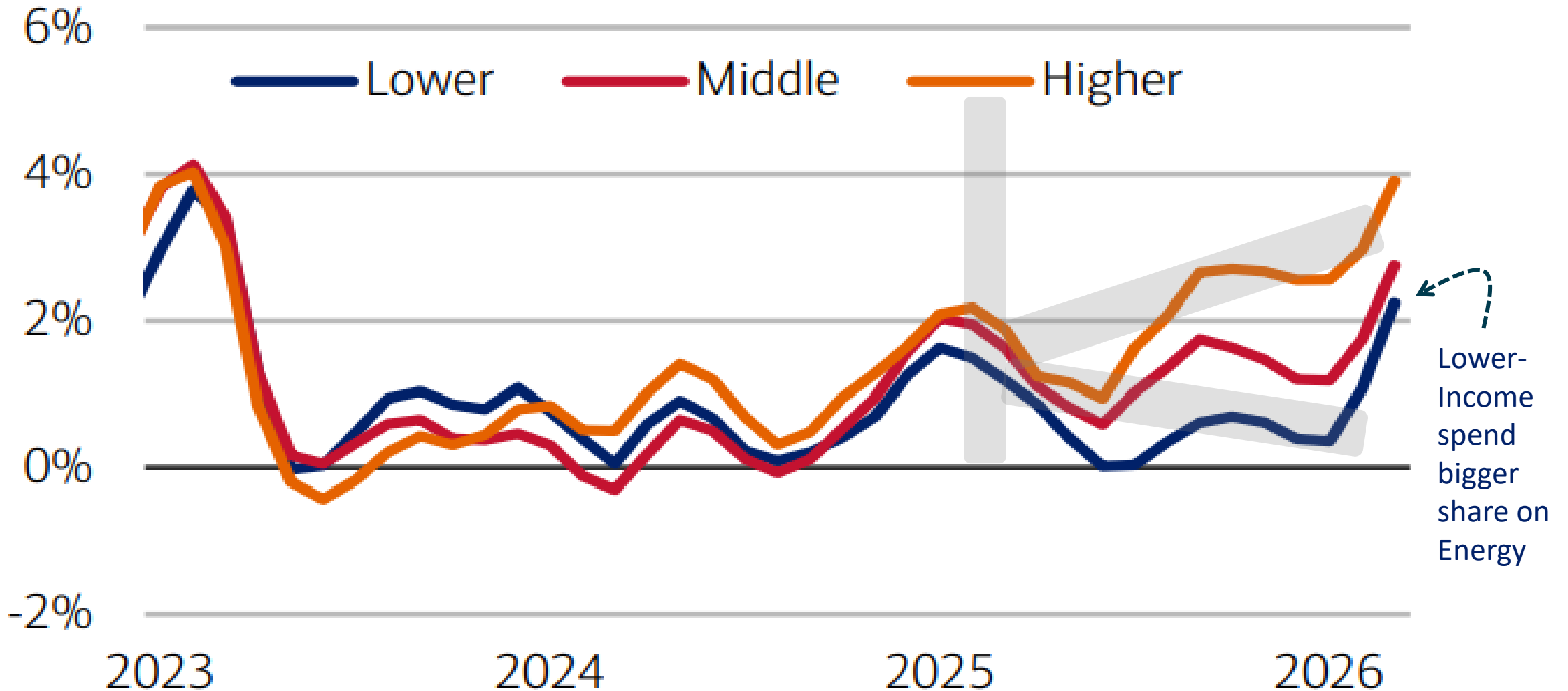
After-tax wages and salaries by household income, change from a year earlier



Source: Bank of America internal data

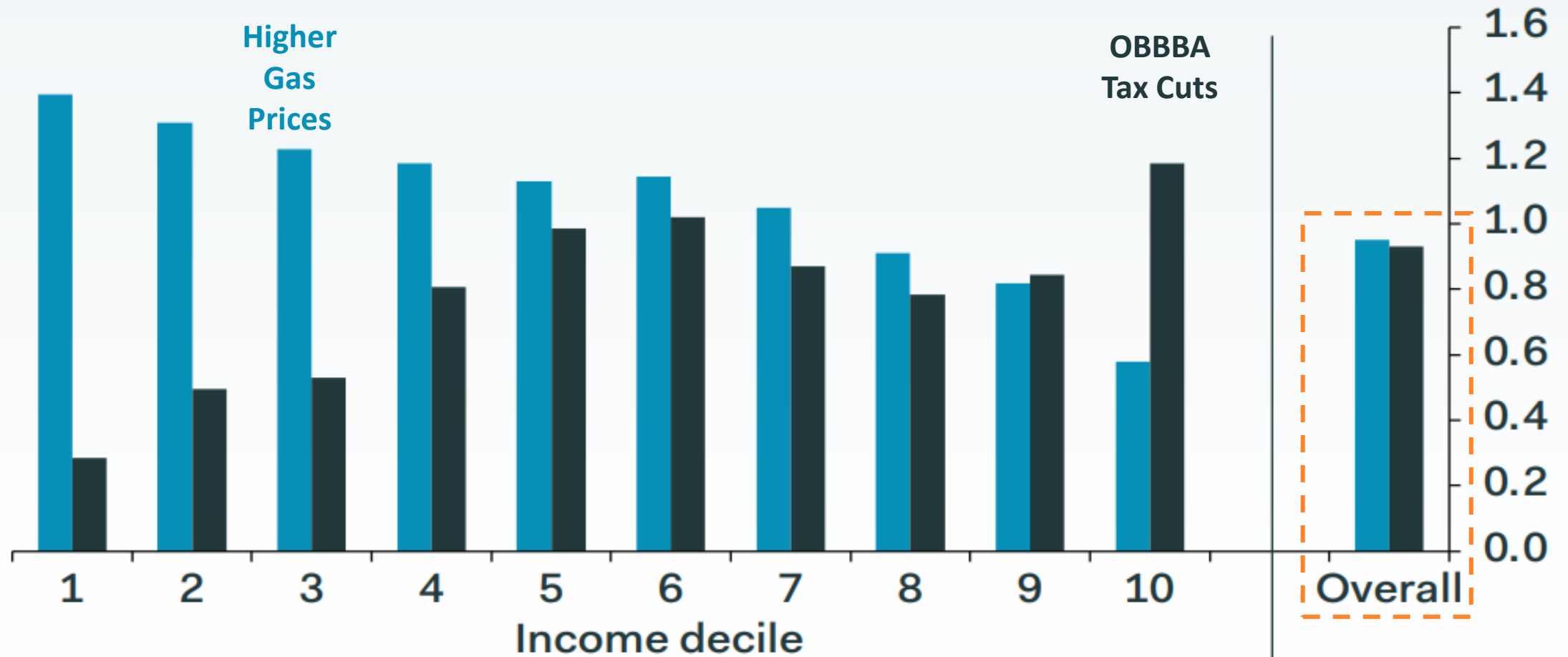
Consumer spending: Also K-shaped

Total credit- and debit-card spending by household income, change from a year earlier

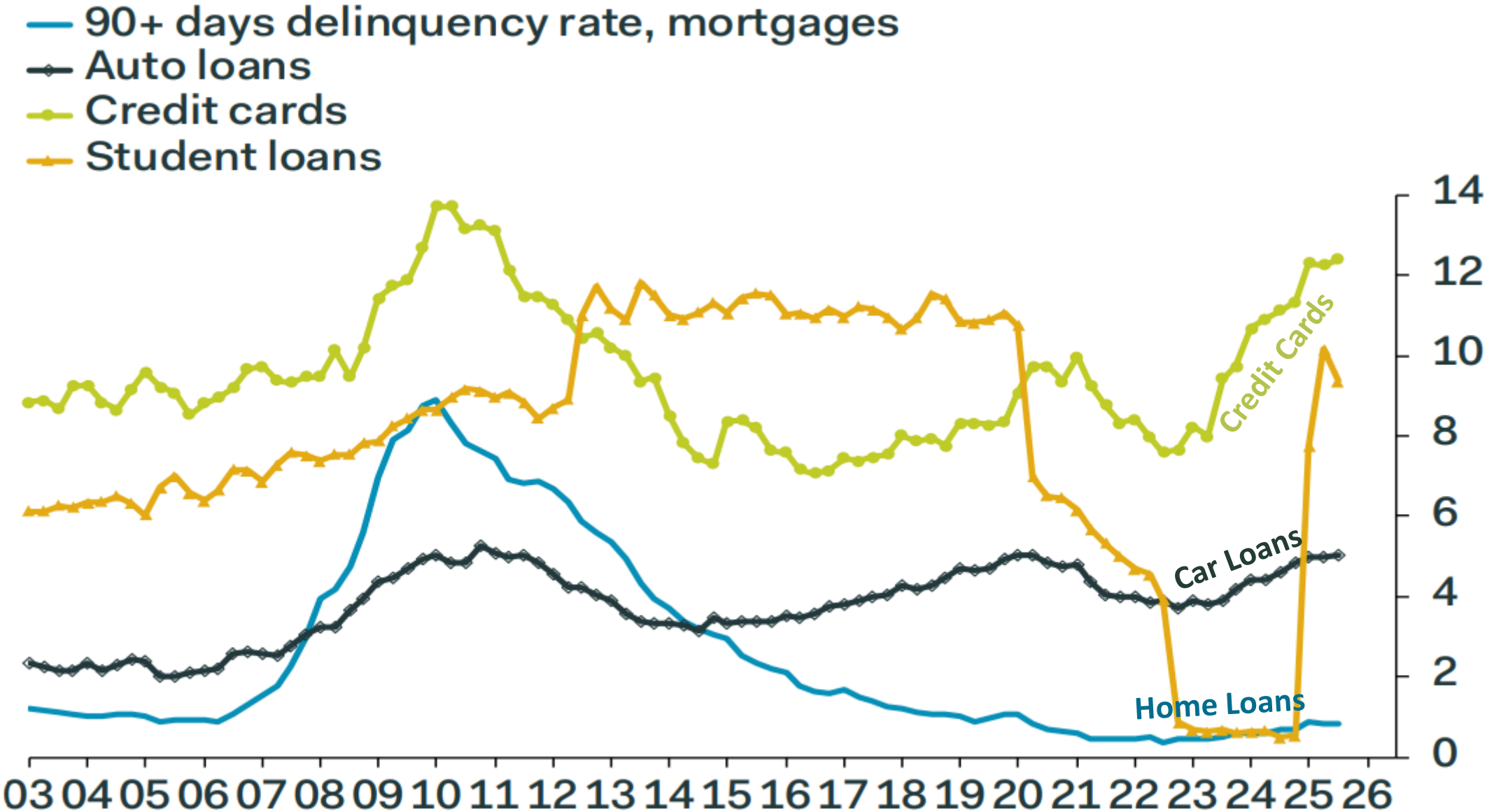


Gas prices might absorb the OBBBA Tax cuts

- Increase in spending if gasoline prices rise to \$4.20 and gasoline consumption is unchanged, % of total
- Boost to incomes in 2026 from new measures in the OBBBA, %



K-shaped credit: Wealth Effect vs Credit Cards

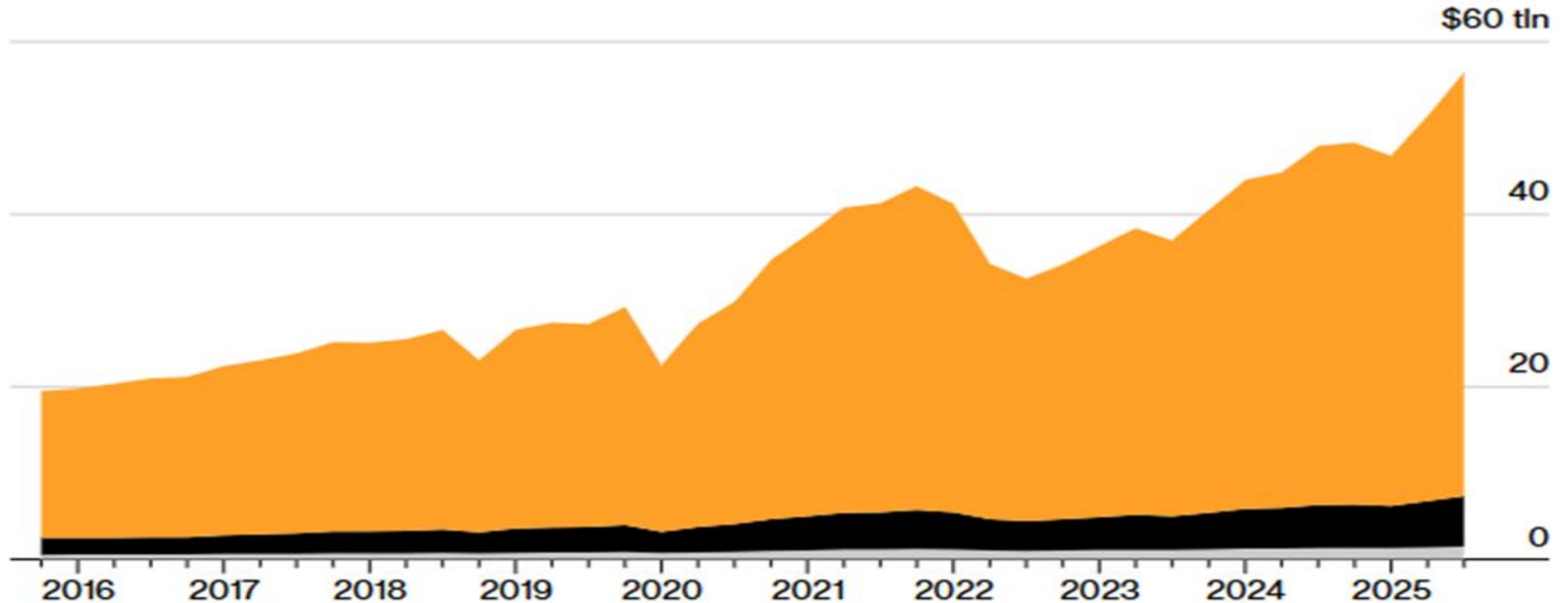


Wealth Effect: K-shaped

High Earners Saw Stock Wealth Surge Since Pandemic

Distribution of equity/mutual fund ownership by income groups

■ Top 20% ■ Middle 40% ■ Bottom 40%



Source: Federal Reserve Distributional Financial Accounts

Do Rates matter?



Rates are still too high to move

THE NEW-EXISTING MORTGAGE RATE GAP WILL REMAIN WIDE

- Average interest rate on outstanding mortgages, %
- 30-year rate for a new conventional mortgage, %



Pantheon
Macro end-
2026 projection



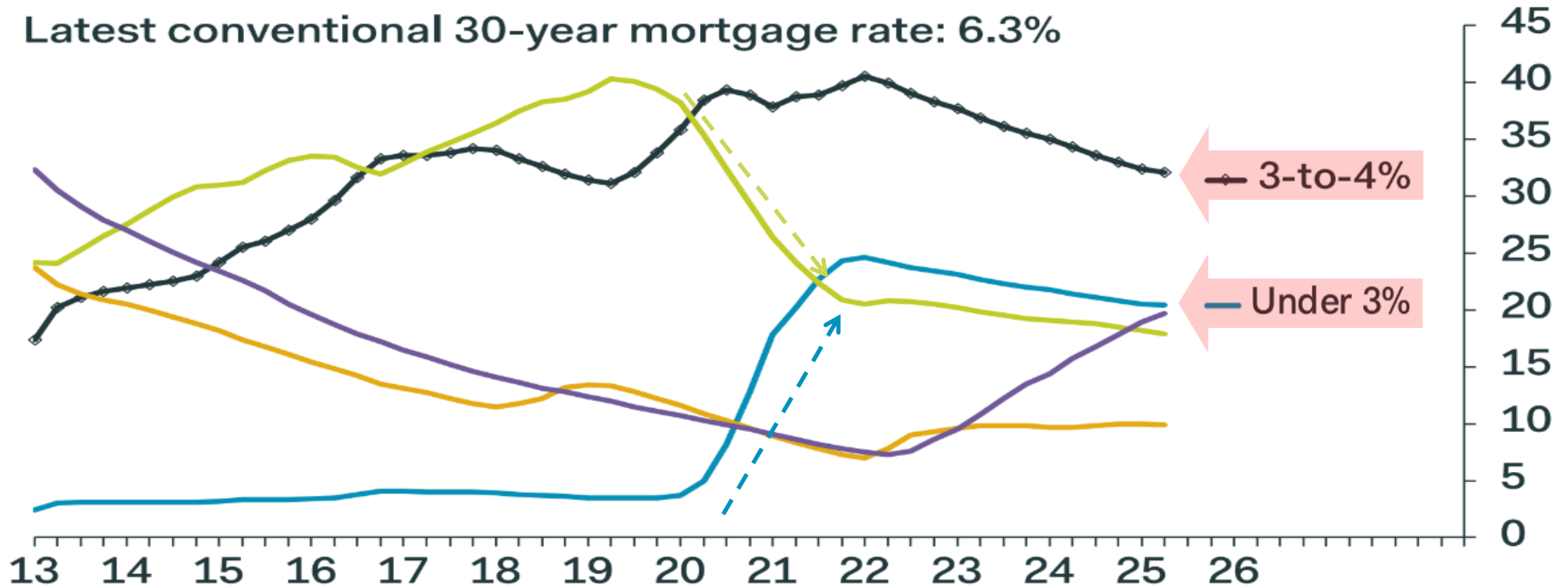
Over 50% of mortgages still under 4%

23. ...AS VERY FEW HOUSEHOLDS WILL REFINANCE AT A LOWER RATE NEXT YEAR

Distribution of stock of mortgages by interest rate, % of total

— Under 3% — 3-to-4% — 4-to-5% — 5-to-6% — Over 6%

Latest conventional 30-year mortgage rate: 6.3%

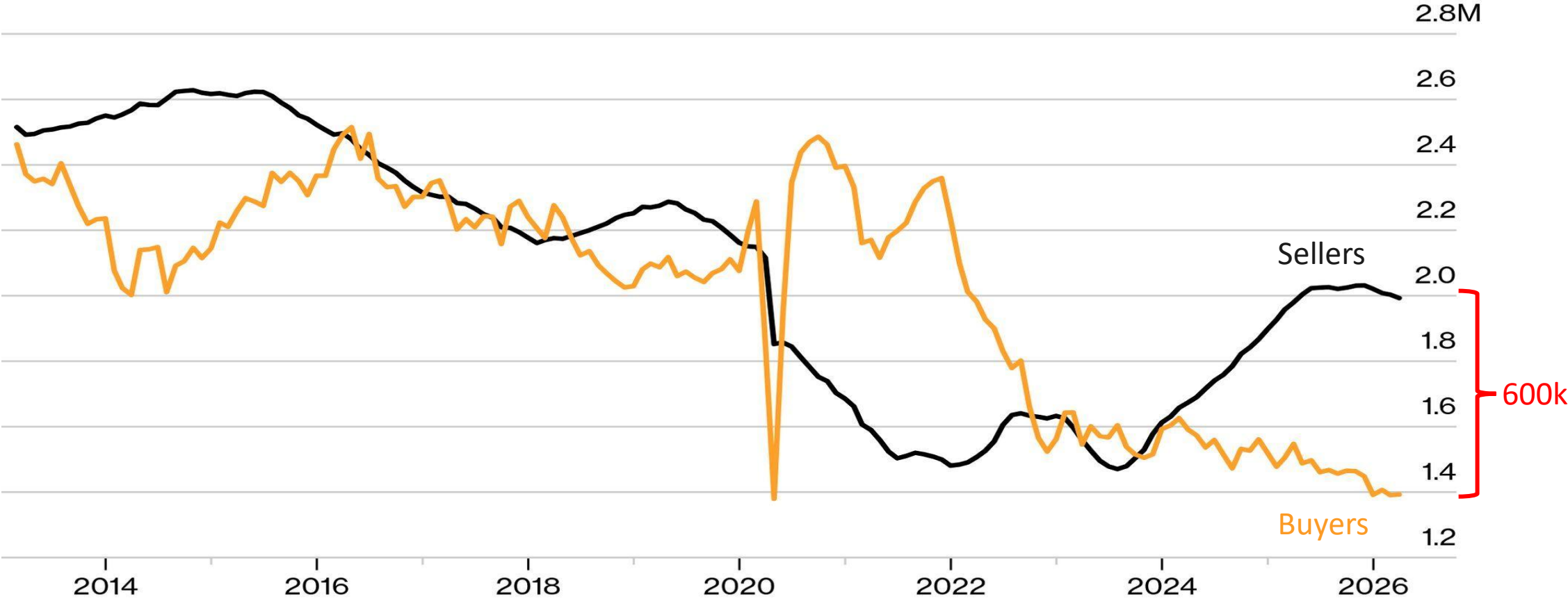


Rates are still too high for buyers

Home Sellers Are Far Outnumbering Buyers

The gap is near the biggest in more than a decade

Buyers Sellers

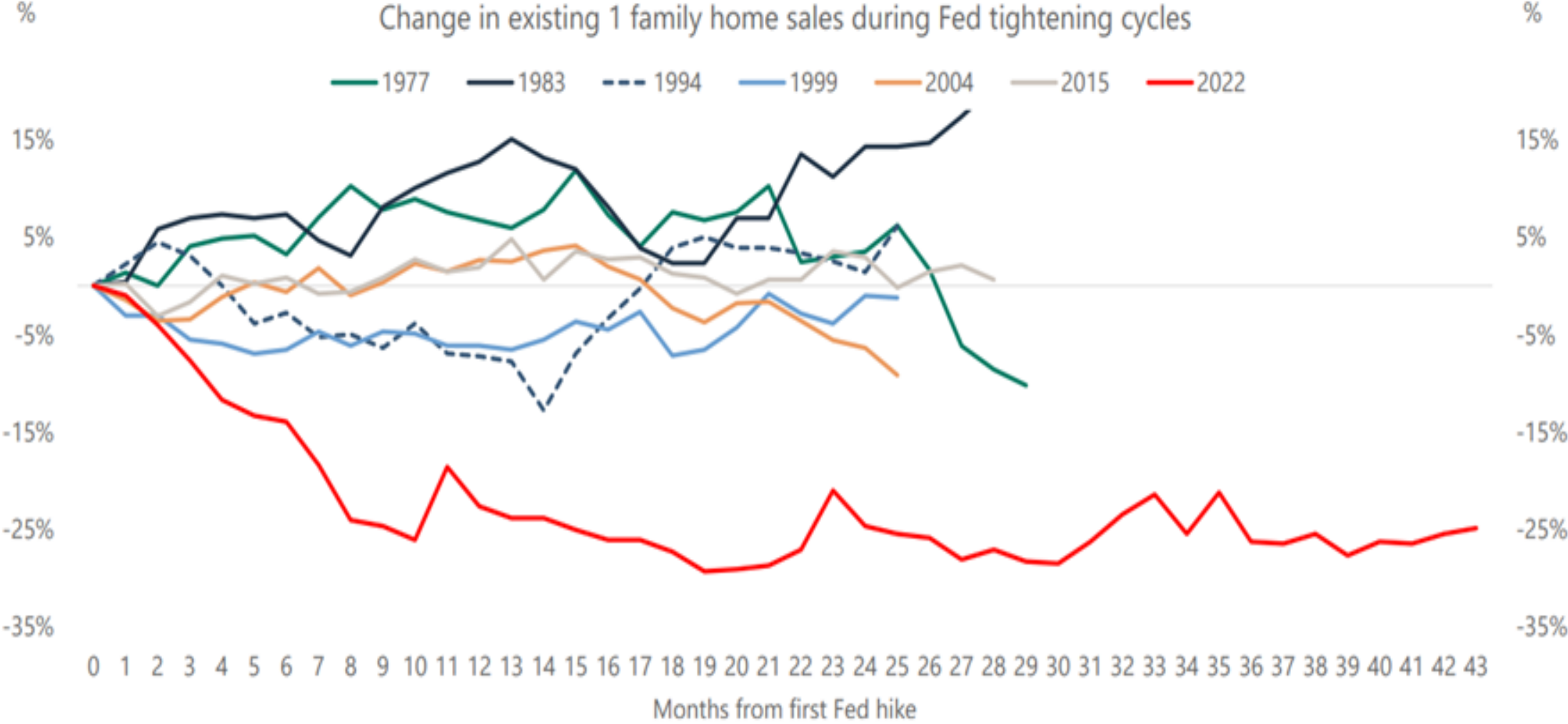


Note: Estimated number of US homebuyers and sellers actively in the market

Source: Redfin



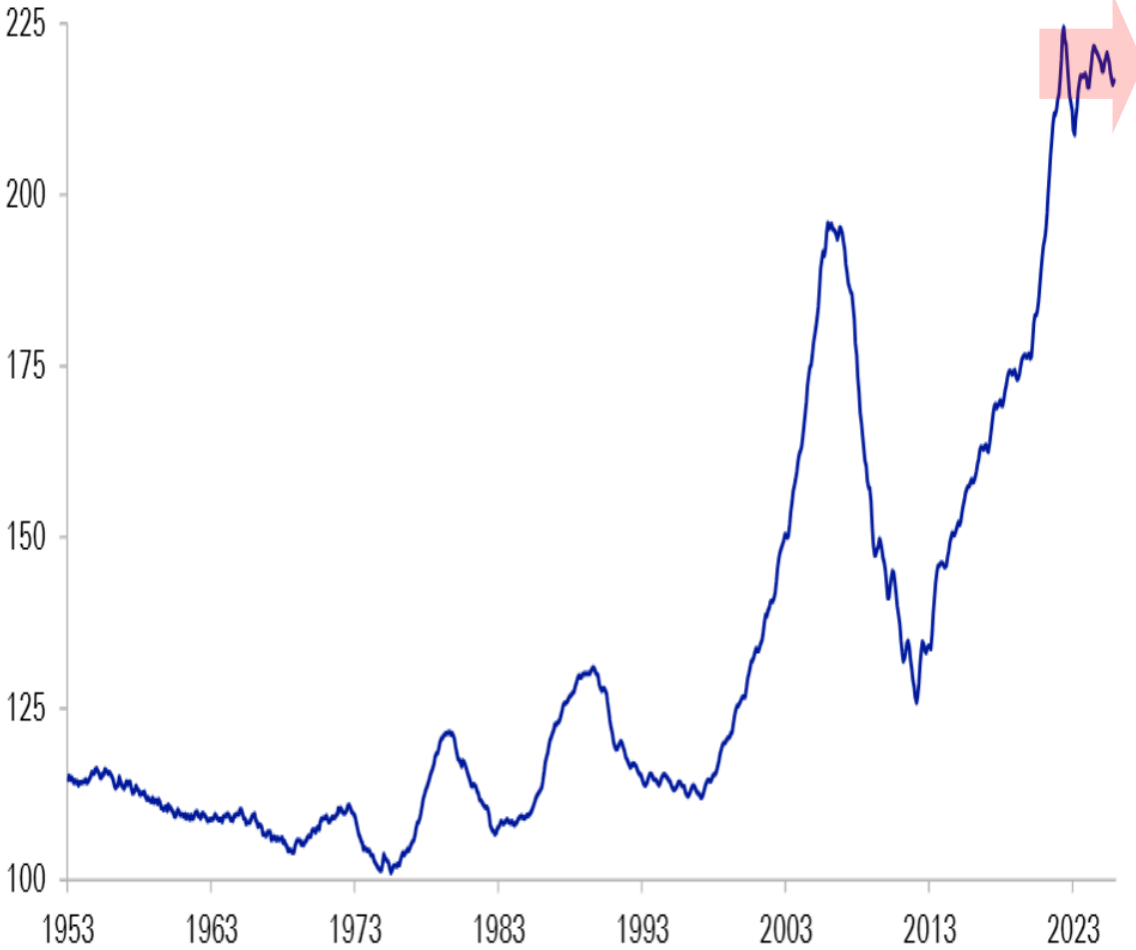
Fastest Fed-driven housing slowdown on record



Source: NAR, Haver Analytics, Apollo Chief Economist

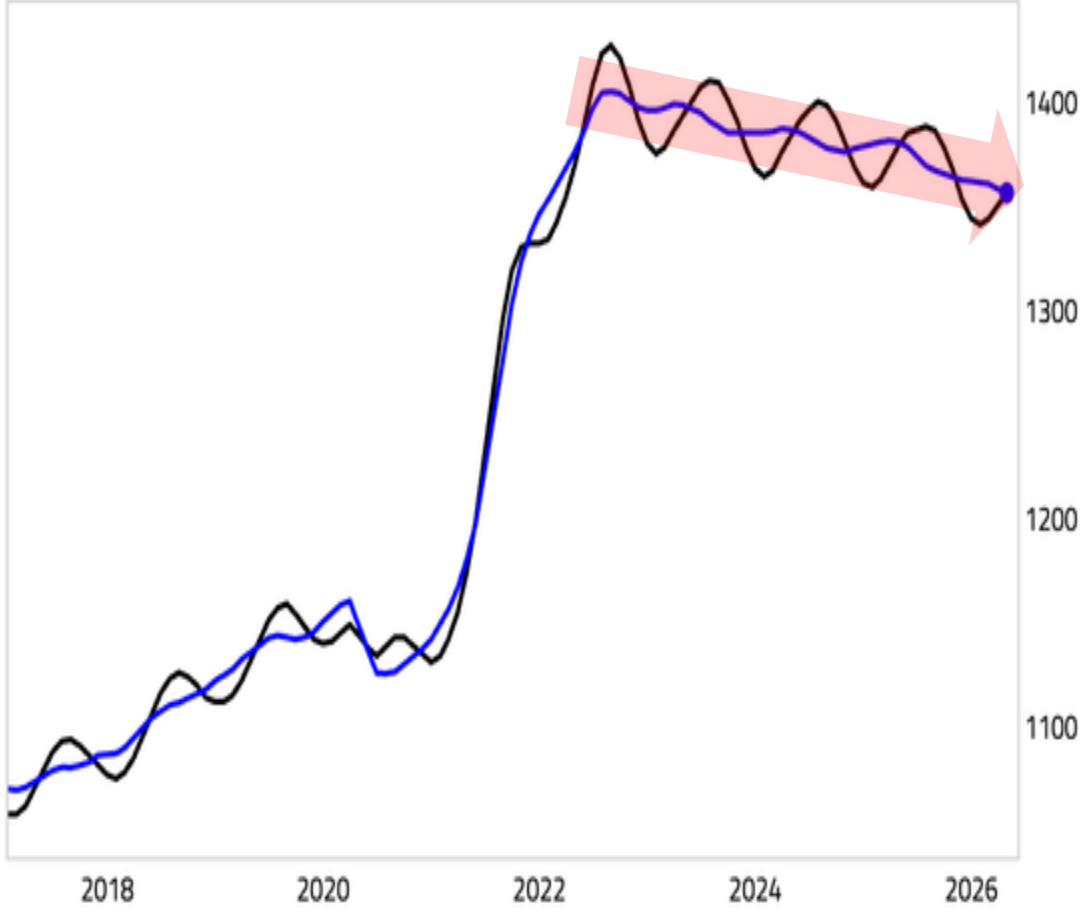
House prices are under pressure

Real Home Price Index (NSA, 1890=100)



Apartment List Median Rent Prices

— National, Overall — Augur SA



Source: Robert Shiller, Haver Analytics, Deutsche Bank

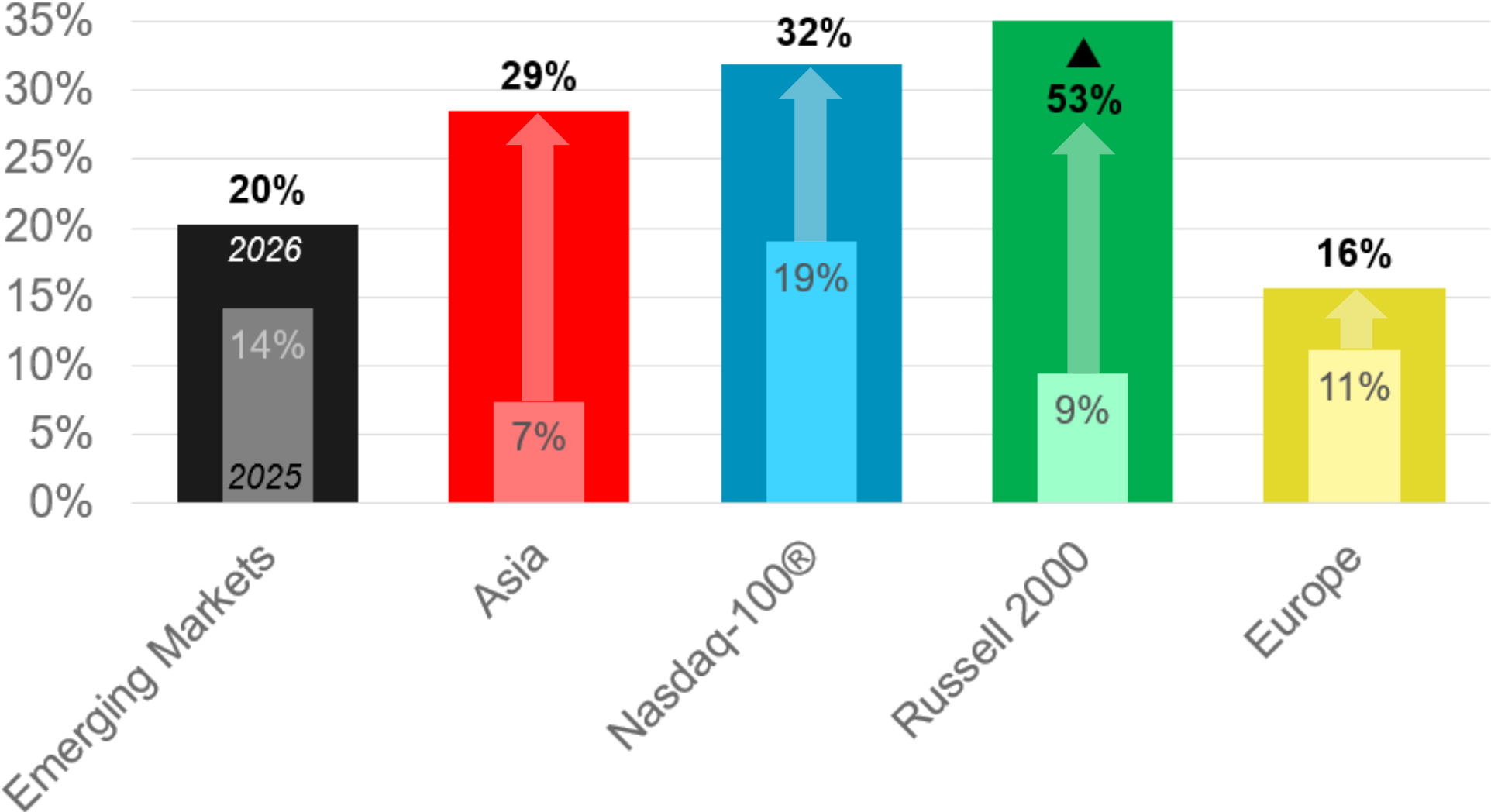
Stocks are all time highs?

Two tailwinds

1. Company fundamentals are strong

Earnings growth is accelerating

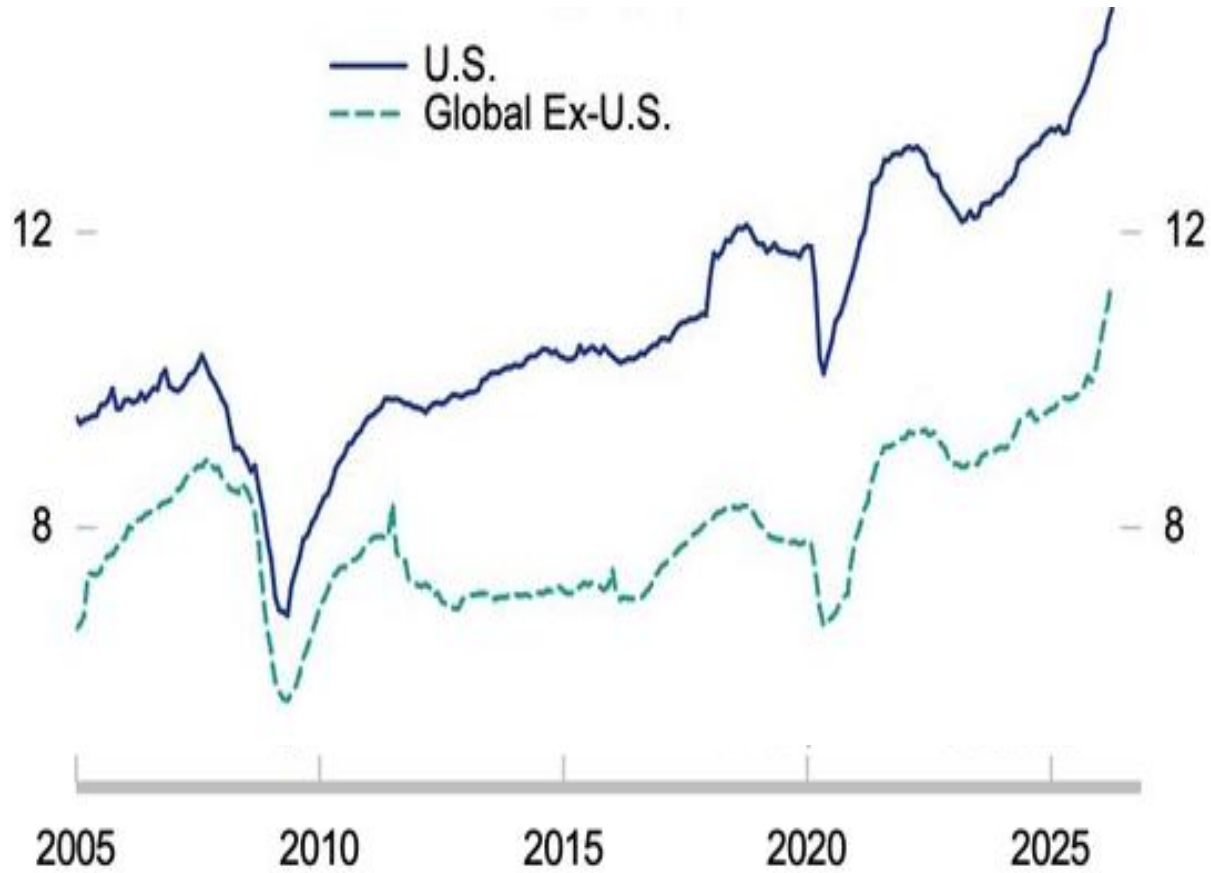
2025 & 2026 Earnings Growth Estimates (% YoY)



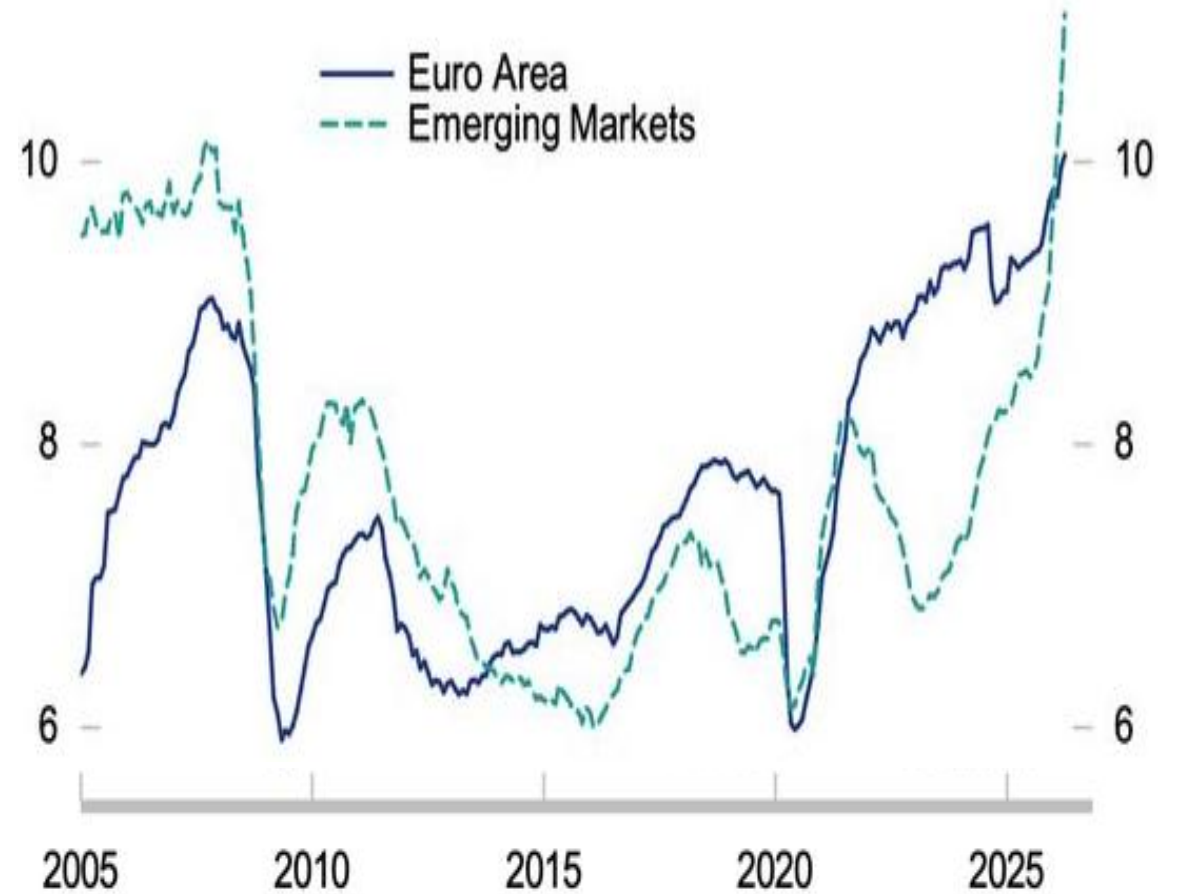
Source: FactSet country and region aggregates, Nasdaq Economic Research

Margins improving everywhere

12-Month Forward Profit Margin*



* Source: Refinitiv I/B/E/S Global Aggregates



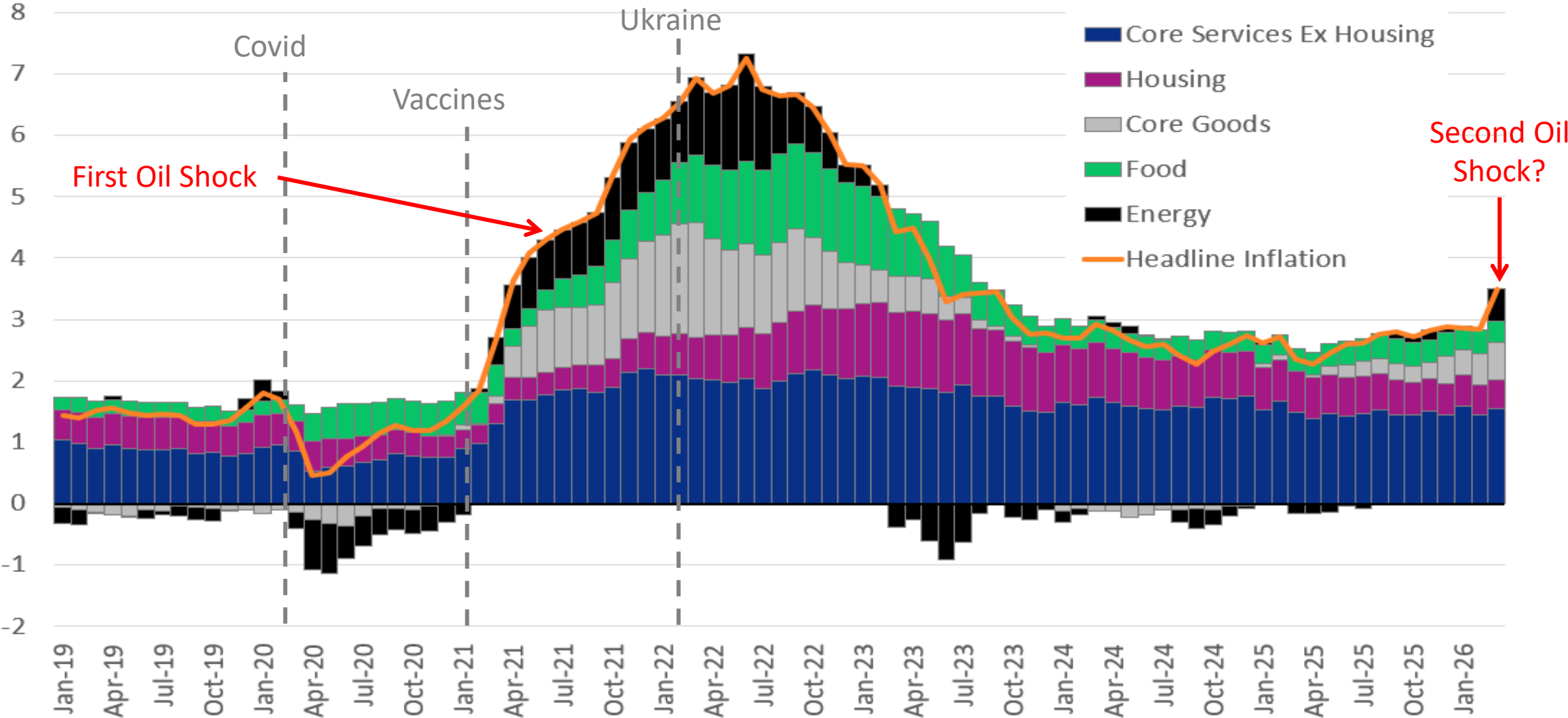
* Source: Refinitiv I/B/E/S Global Aggregates

Why?



Lower inflation

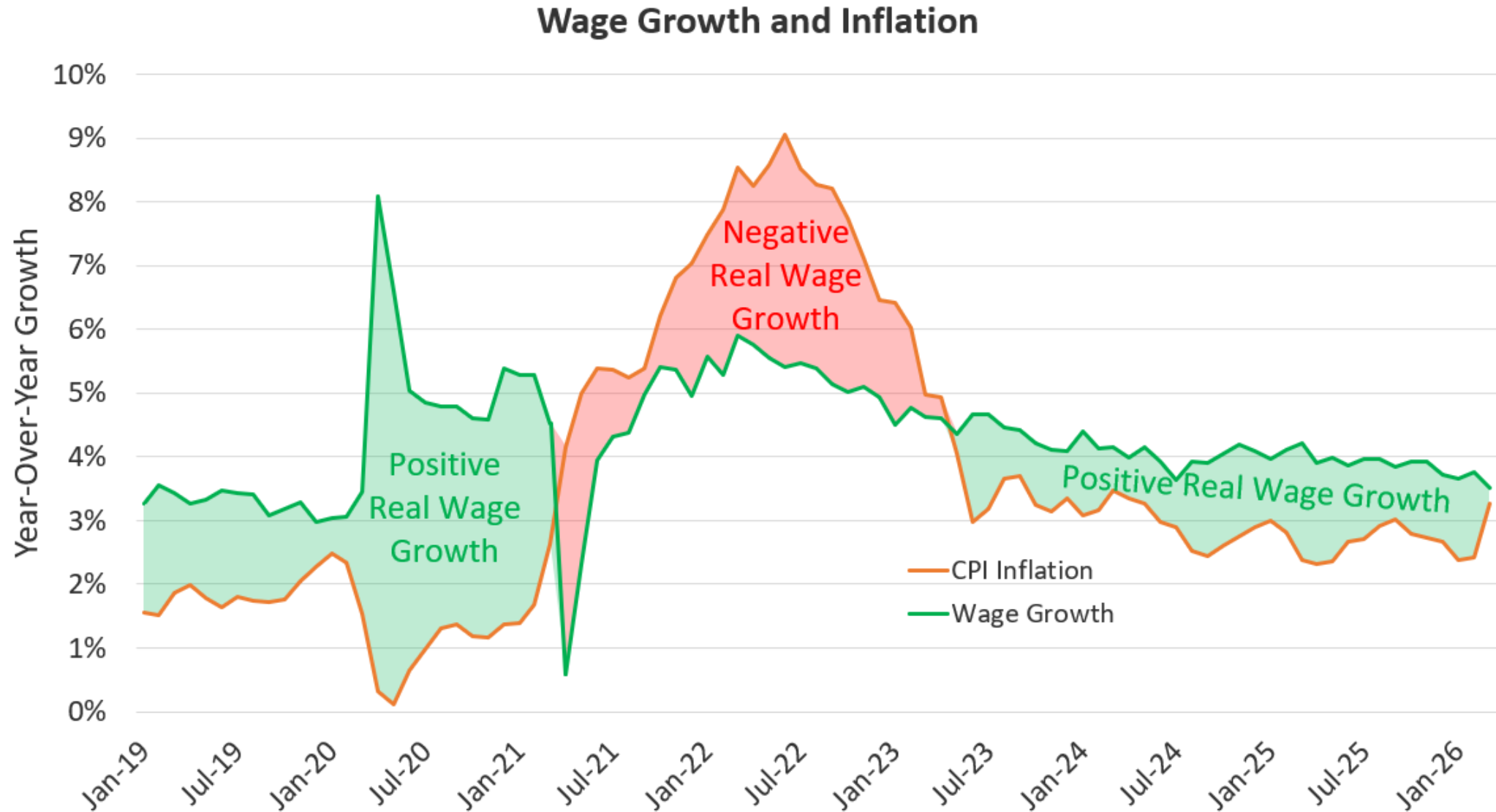
Contribution to Annual PCE Inflation



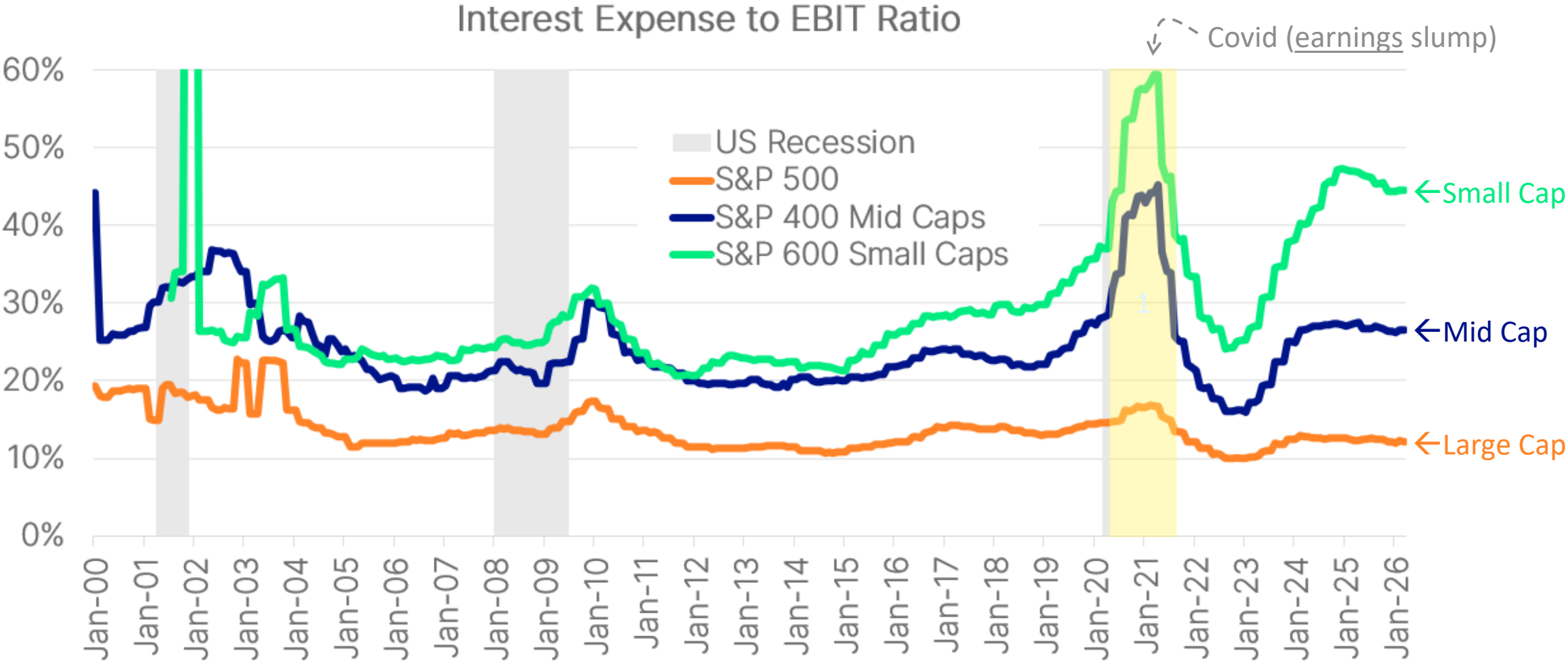
Source: FactSet, Nasdaq Economic Research and Economic Research



Slower but real wage growth



Lower interest rates



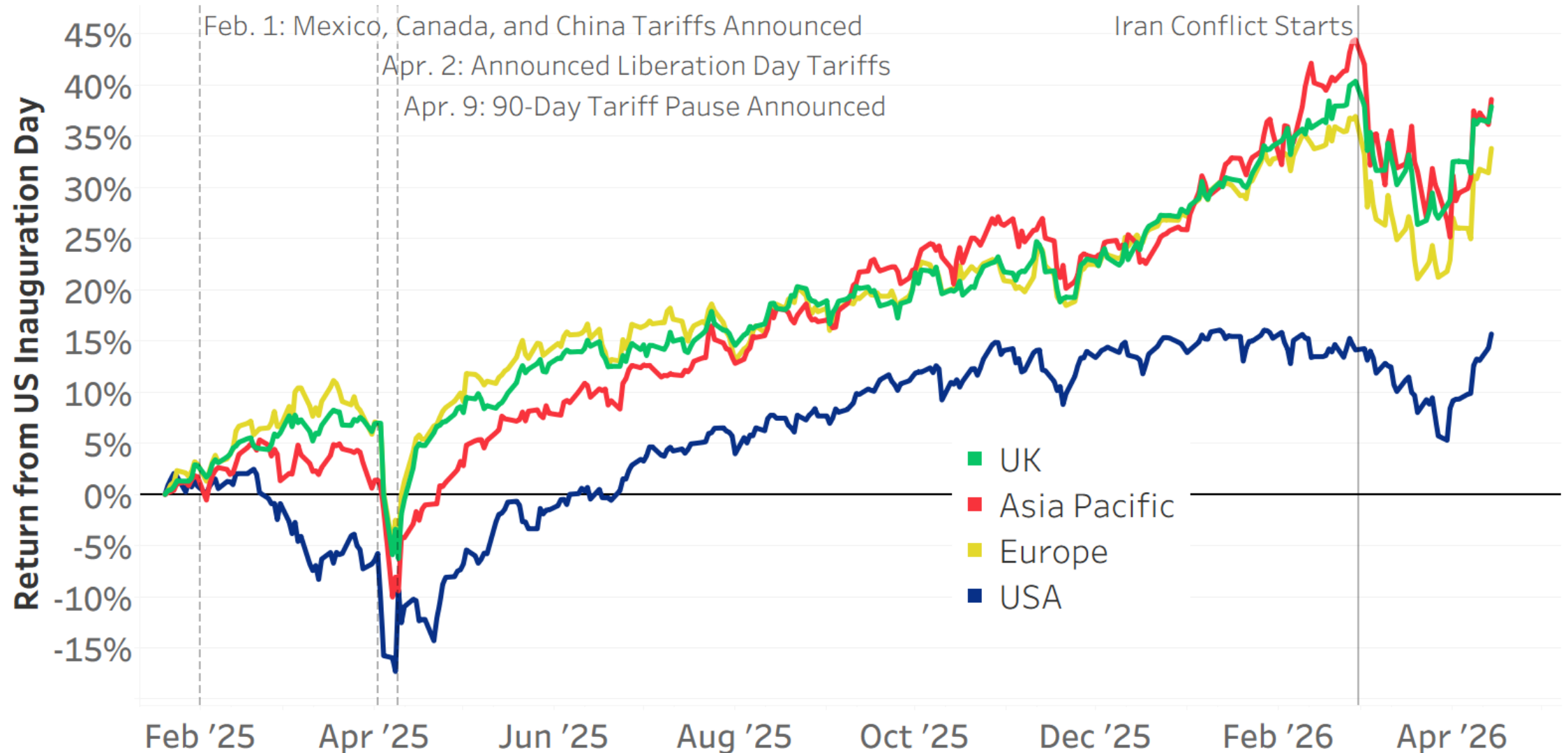
Source: FactSet, Nasdaq Economic Research



Stock market: US Underperforming

Stock Markets' Performance Since Inauguration Day

Data shows MSCI Index (in USD) performance per country since January 20, 2025.

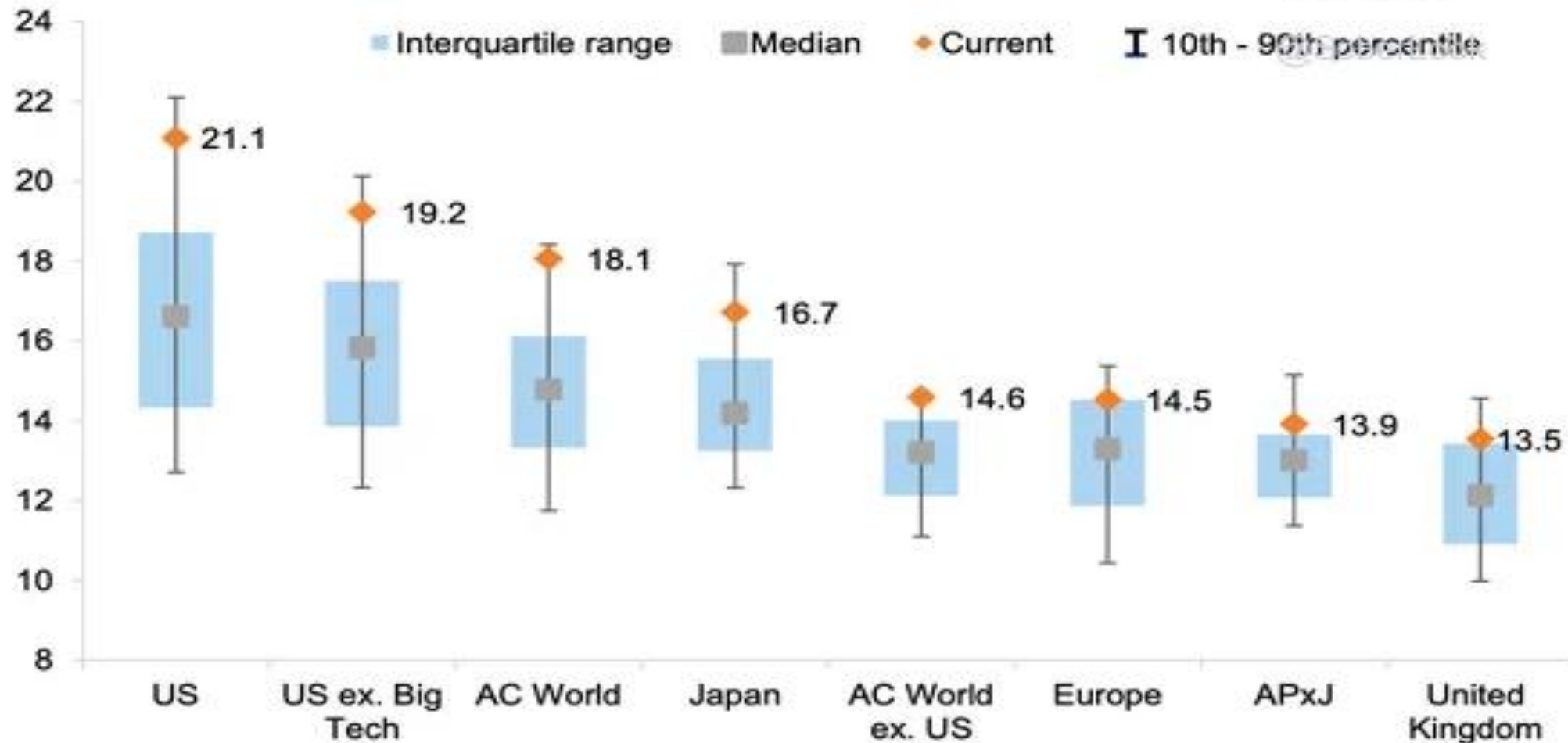


All Equity valuations now elevated

Exhibit 26: MSCI Regions valuations

12-month forward P/Es relative to the last 20 years - STOXX 600 P/E for Europe

Posted on
The Daily Shot
17-Mar-2026

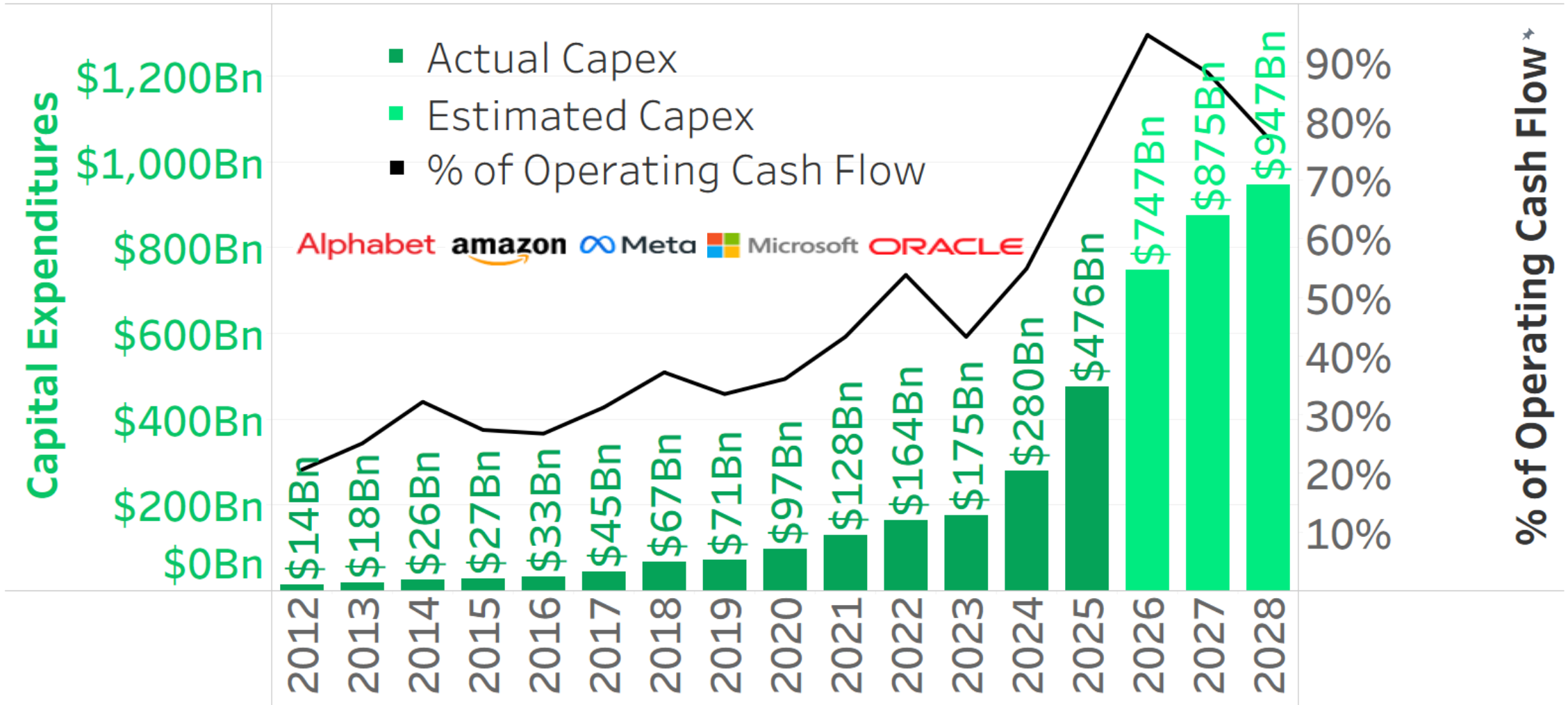


2. AI is driving stocks (and the real economy)

AI Spending on Investments Is Also BIG

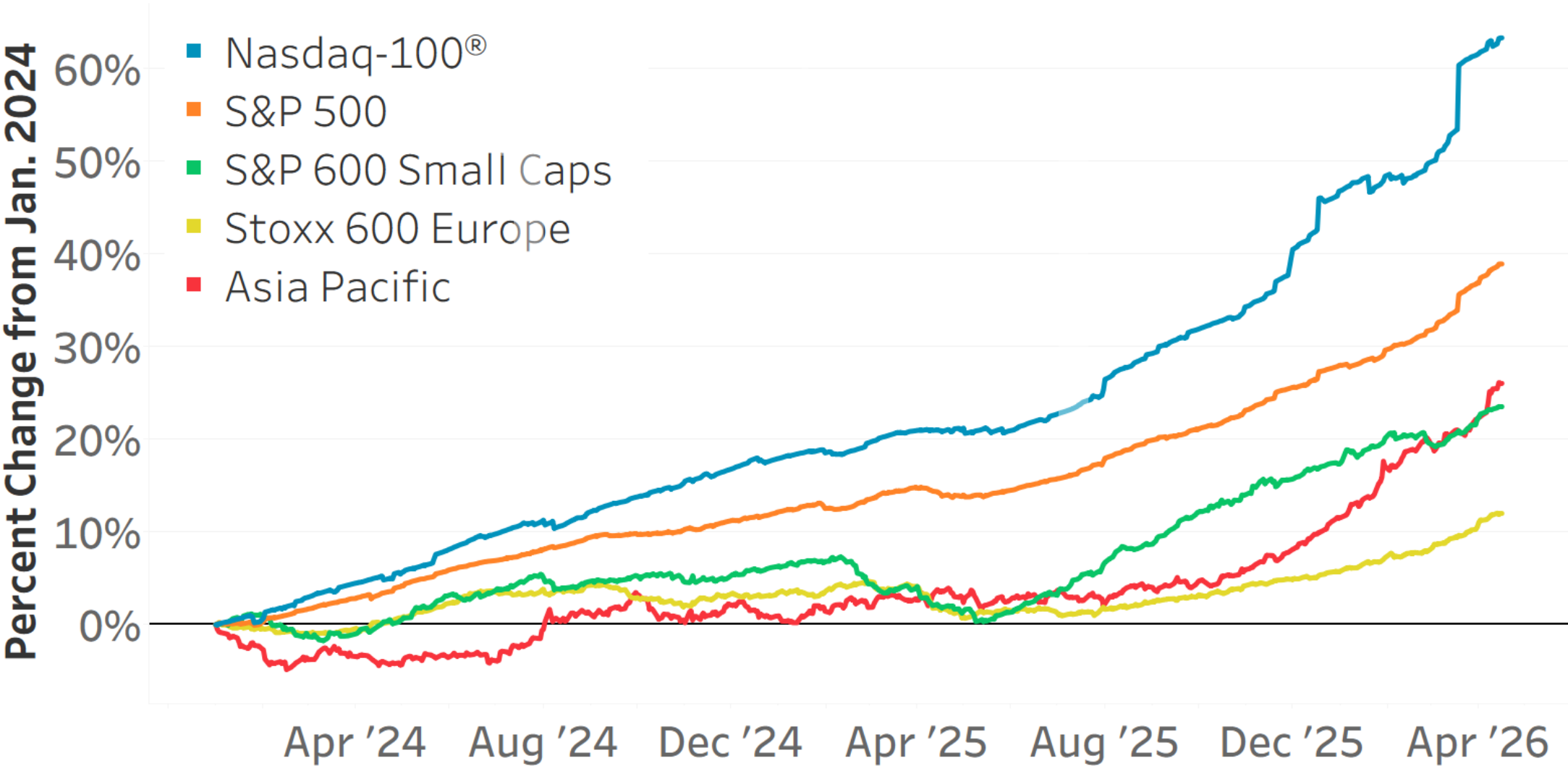
AI Hyperscaler Capital Expenditures

AI hyperscalers are Alphabet, Amazon, Meta, Microsoft, and Oracle.

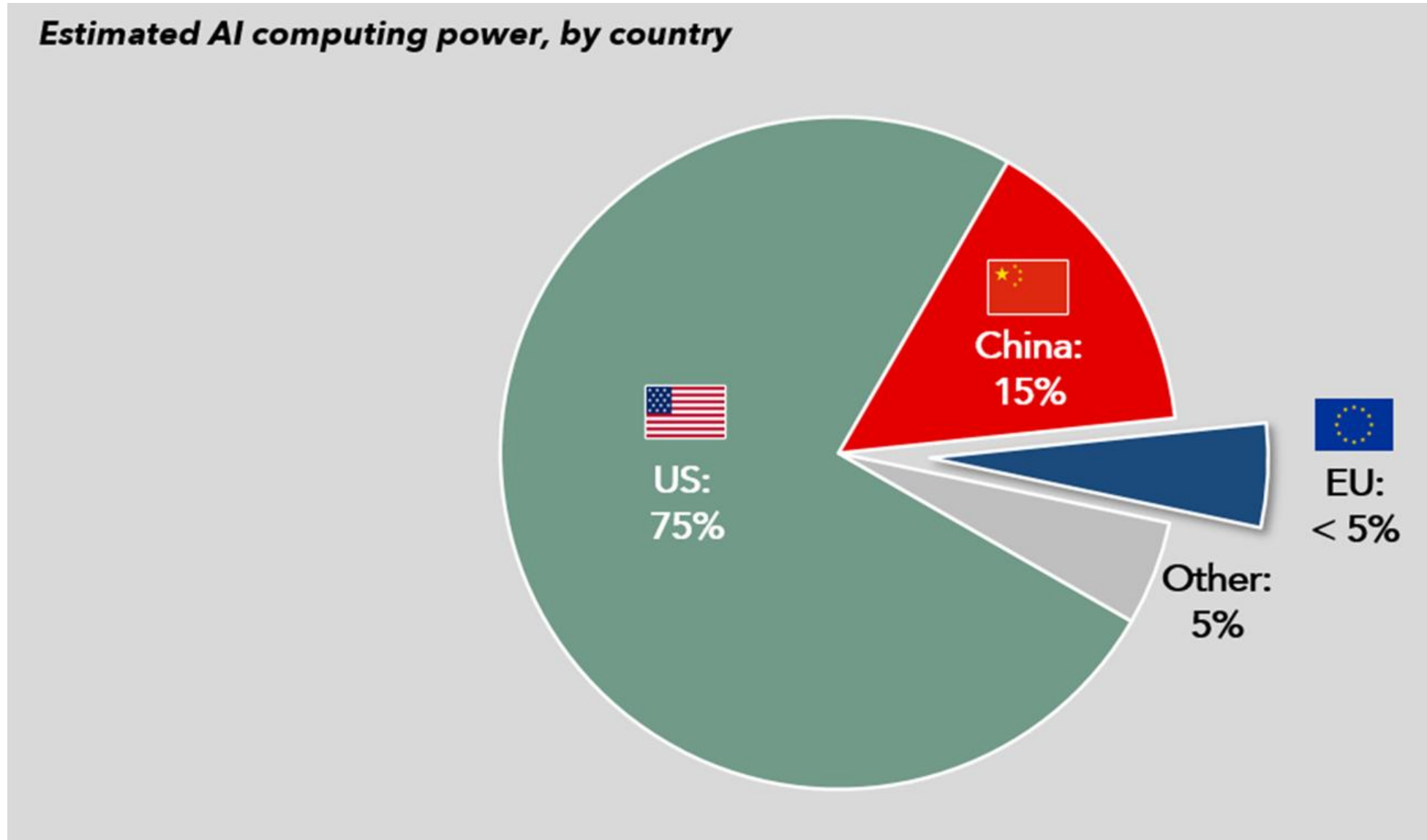


Earnings growing everywhere

Index Next 12 Months Earnings Evolution (% Change from 2024)

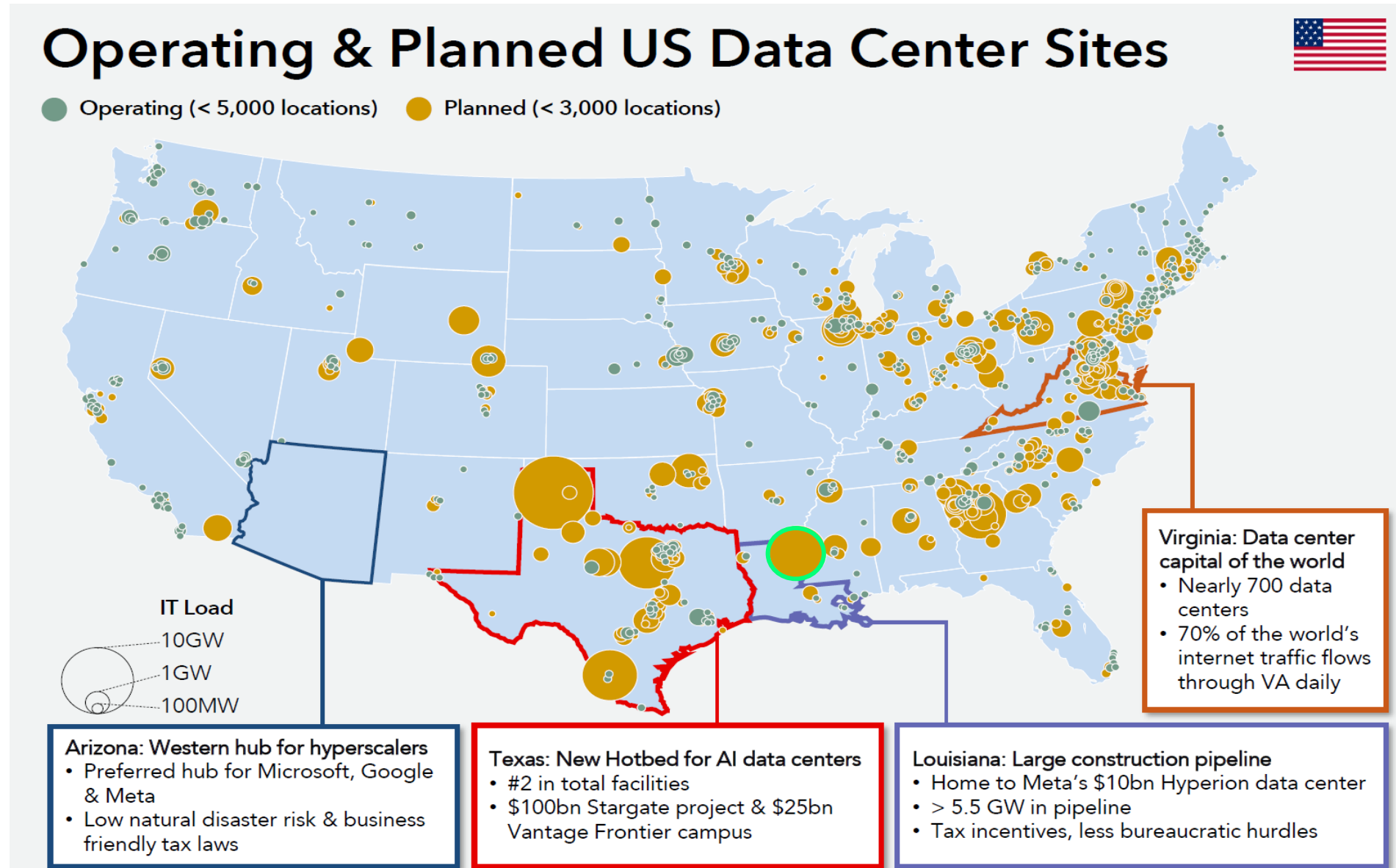


AI compute is a (mostly) US Story



Source: Epoch AI, Federal Reserve, MUFG. Data shows 2025-26 estimates.

Lots of data centers planned



And they're BIG

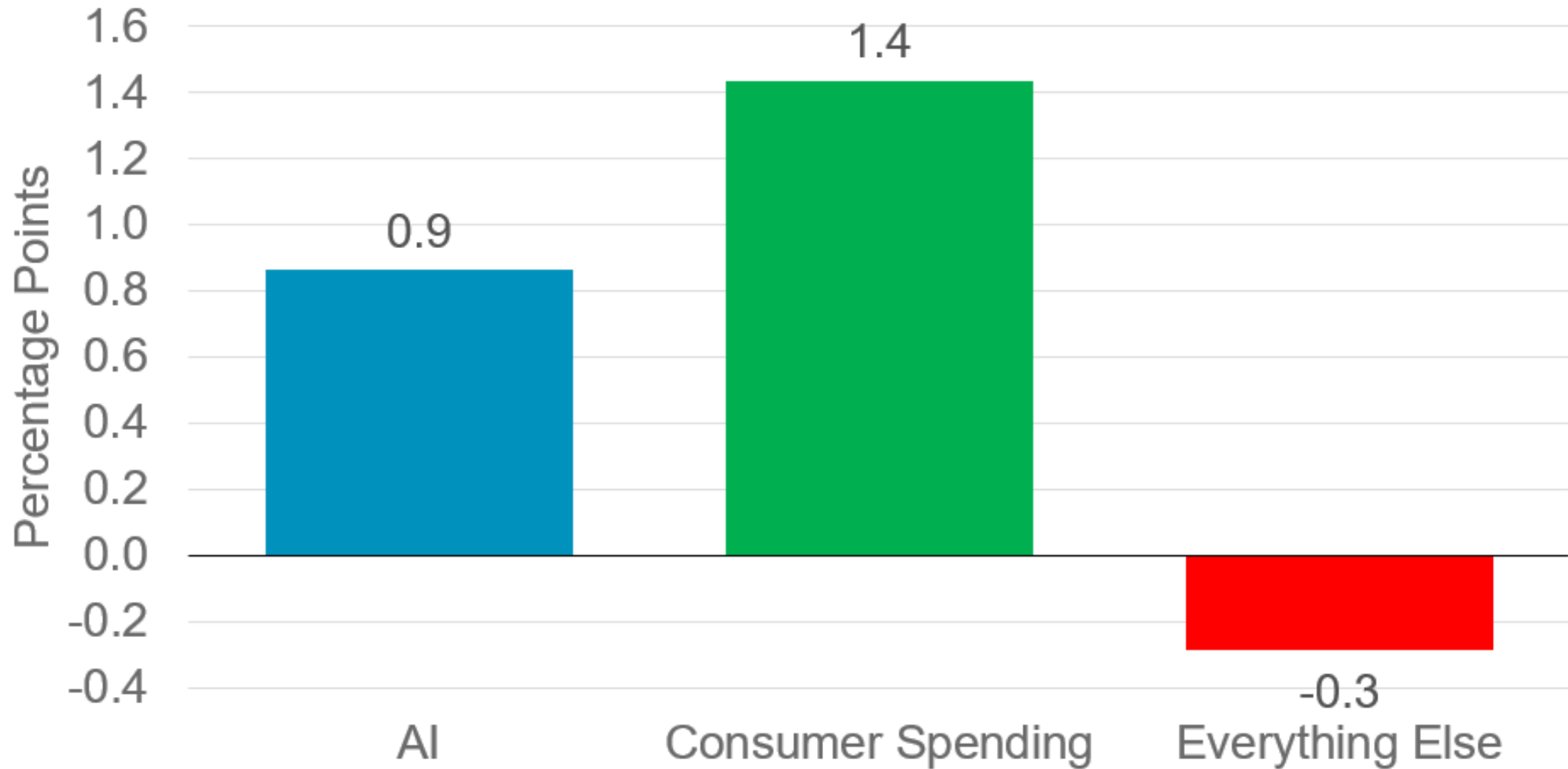
Meta's Hyperion Data Center

*Meta's Hyperion
Data Center in Louisiana
(superimposed over
Manhattan)*

- 2,250 acres
(2.7x Central Park)
- 5 GWh of power
(mid-size American city)
- 30% increase to Louisiana
energy demand
- Millions of GPUs
(2030 compute power >
RoW in 2020)

AI investment is driving US GDP

Average Contribution to 2025 Real GDP Growth



Source: FactSet, Nasdaq Economic Research

Note: AI is data center structures, computers and peripheral equipment, and software.

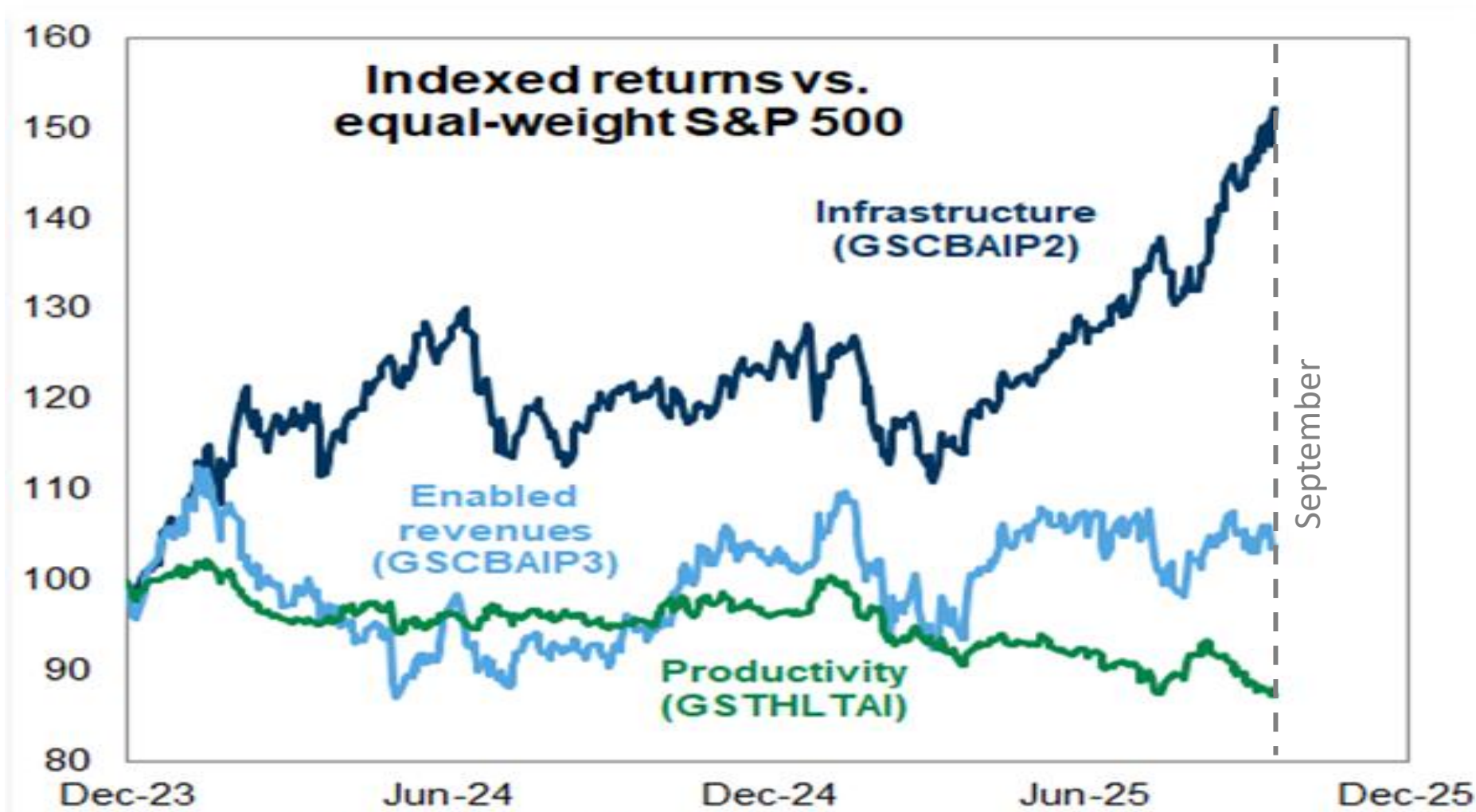


AI:

Trade evolving

Phase 1: All about AI builders

Exhibit 7: Investors have primarily rewarded AI infrastructure stocks



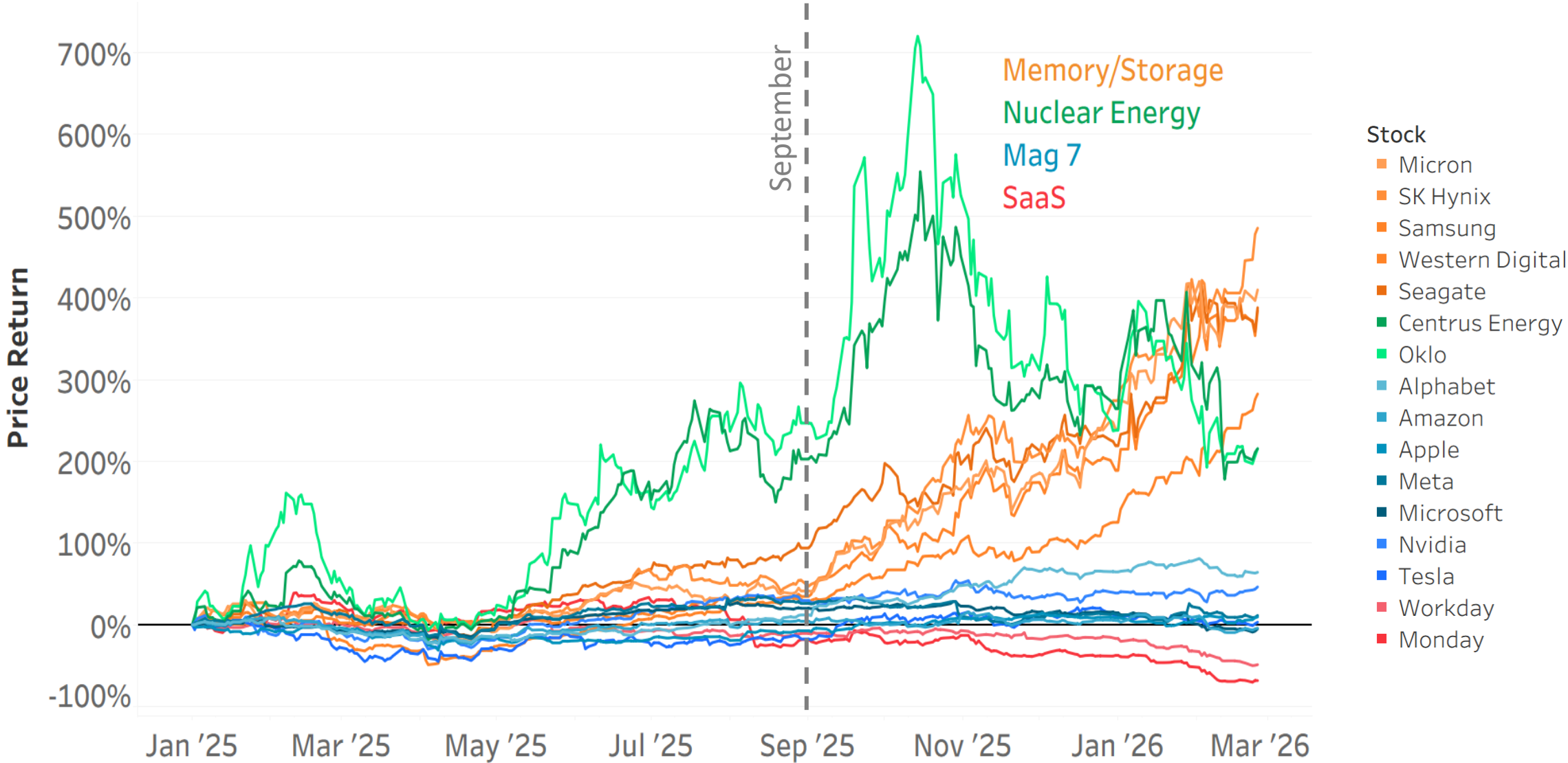
GSCBAIP2 and GSCBAIP3 developed by GBM.

Source: Goldman Sachs FICC and Equities, Goldman Sachs Global Investment Research



Phase 2: AI supporters (“TMT-2”?)

Equity Returns Since Jan. 1, 2025



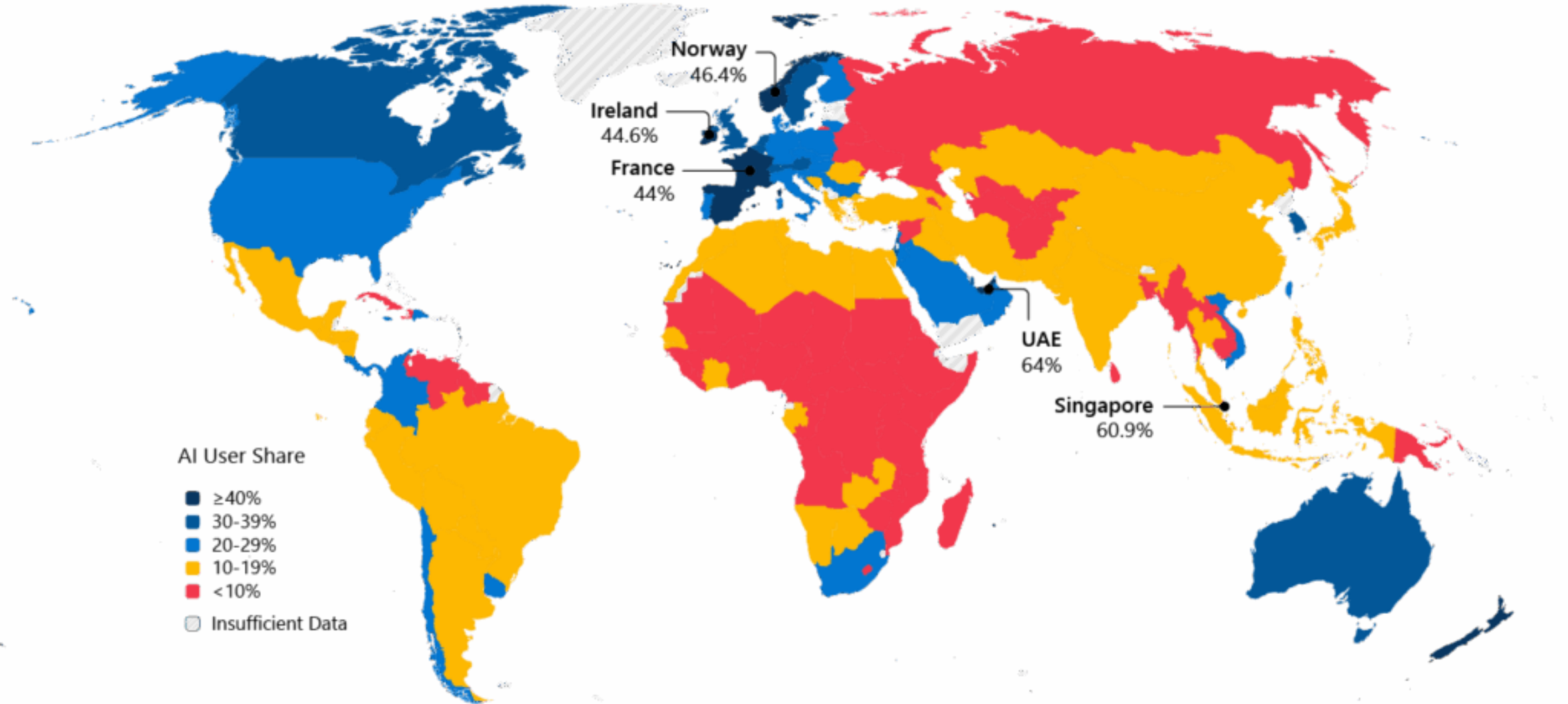
Source: FactSet, Nasdaq Economic Research

Who wins the Phase 3?

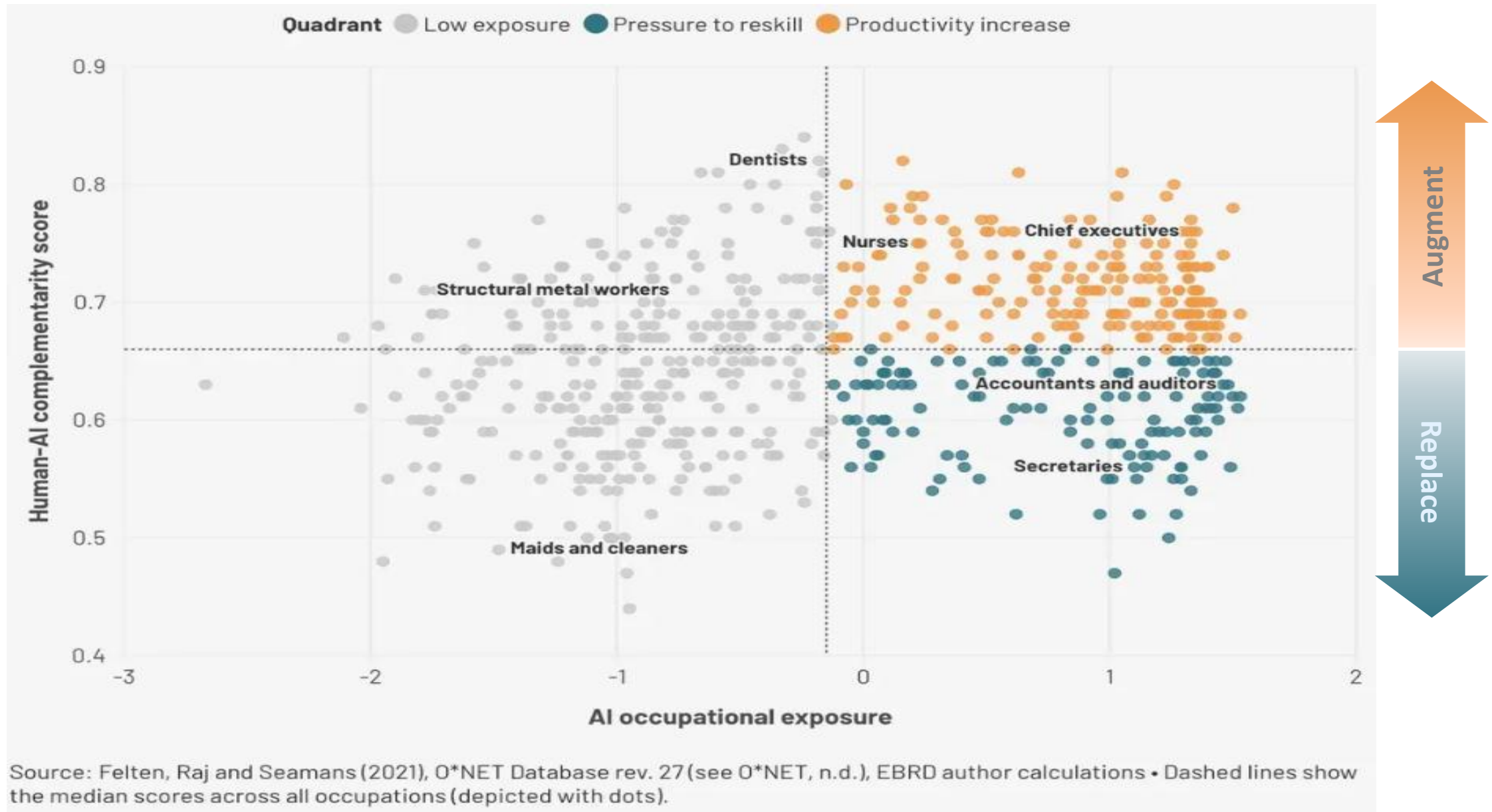
Productivity, Margin gains, New products.



AI adoption will be important



No agreement on what & how jobs are affected



History suggests “there will be new jobs too”

Innovation leads to new occupations that account for most employment growth



Source: Autor et al. (2022), Goldman Sachs Research

We all win in Phase 3

AI can fight against
Demographics & Debt



Population Shrinkage: automation coming at perfect time?

Countries with fertility rates **above** or **below** replacement level, 2025

Our World
in Data

Fertility rates measure the average number of live births per woman. The "replacement level" is the rate at which population size remains constant from generation to generation, crudely defined as **2.1 births per woman**.

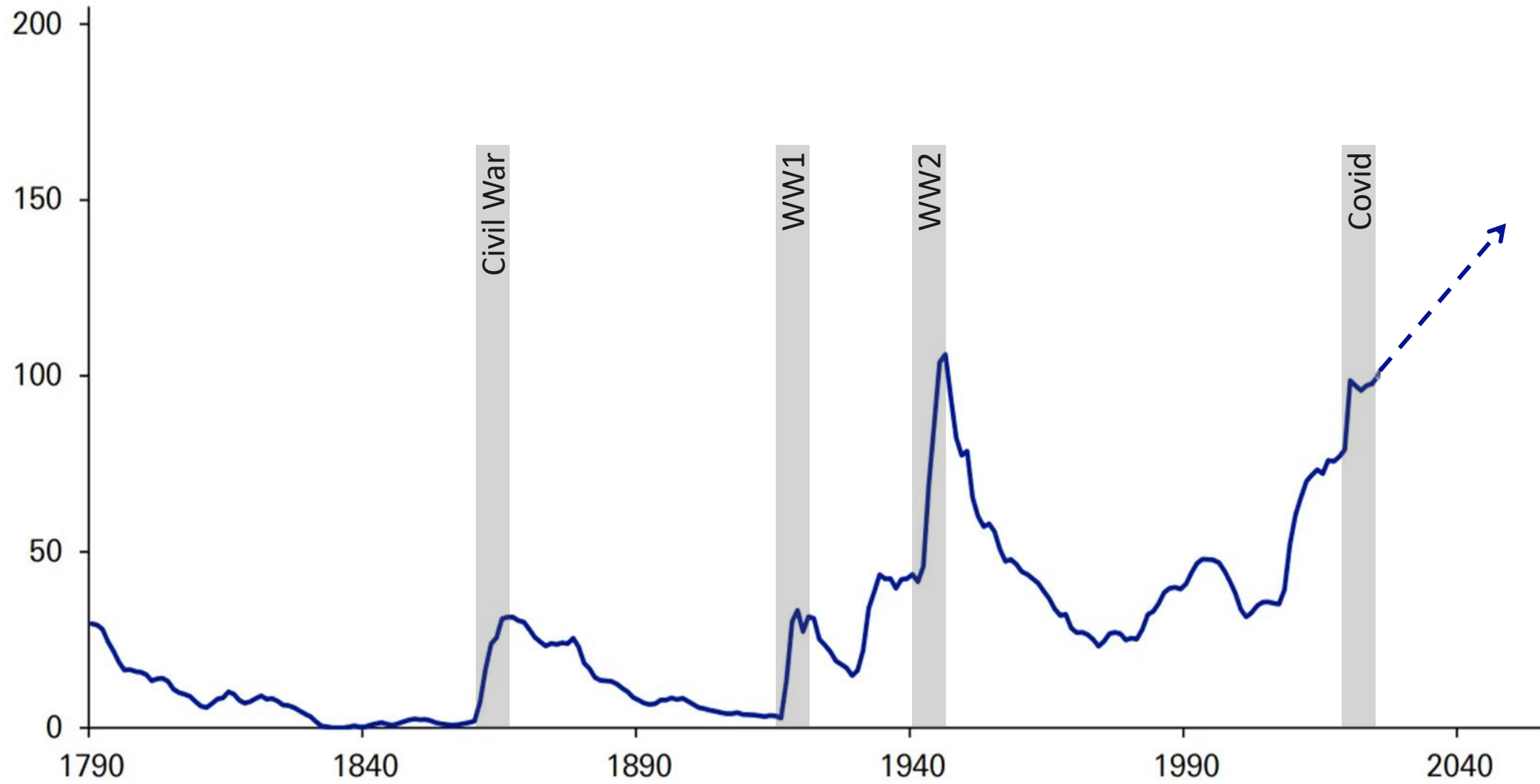
In the **US, UK or France**, women have **1.5 to 1.6 live births** on average

In **China**, women have **1 live birth** on average. In **South Korea**, they have **0.8 live births**



In **Chad or Somalia**, women have **5.9 live births** on average, the highest in the world

Government Debt: AI productivity to the rescue?



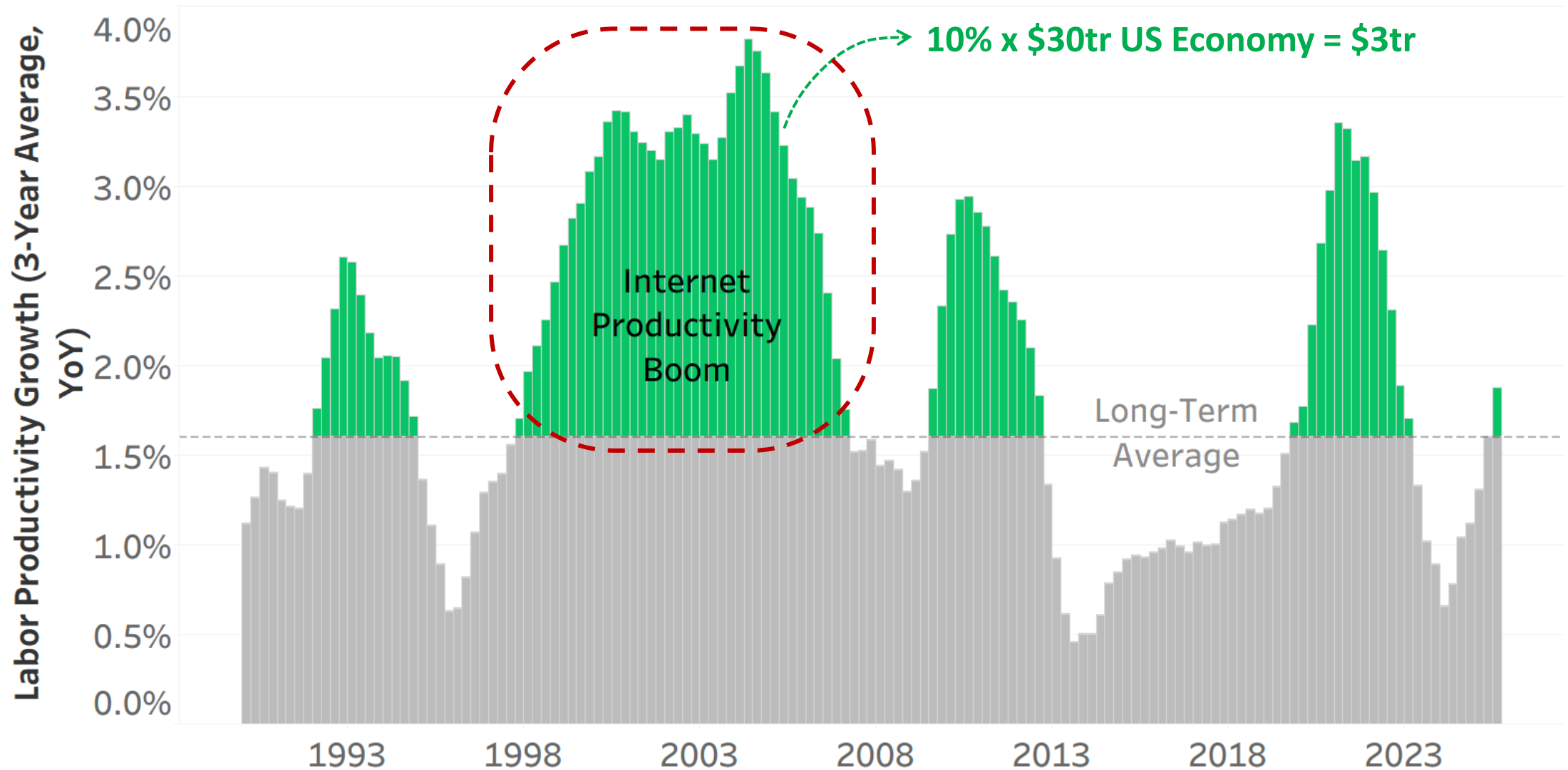
Note: From CBO analysis on May 28, before passage of tax bill

Source: CBO, Deutsche Bank,

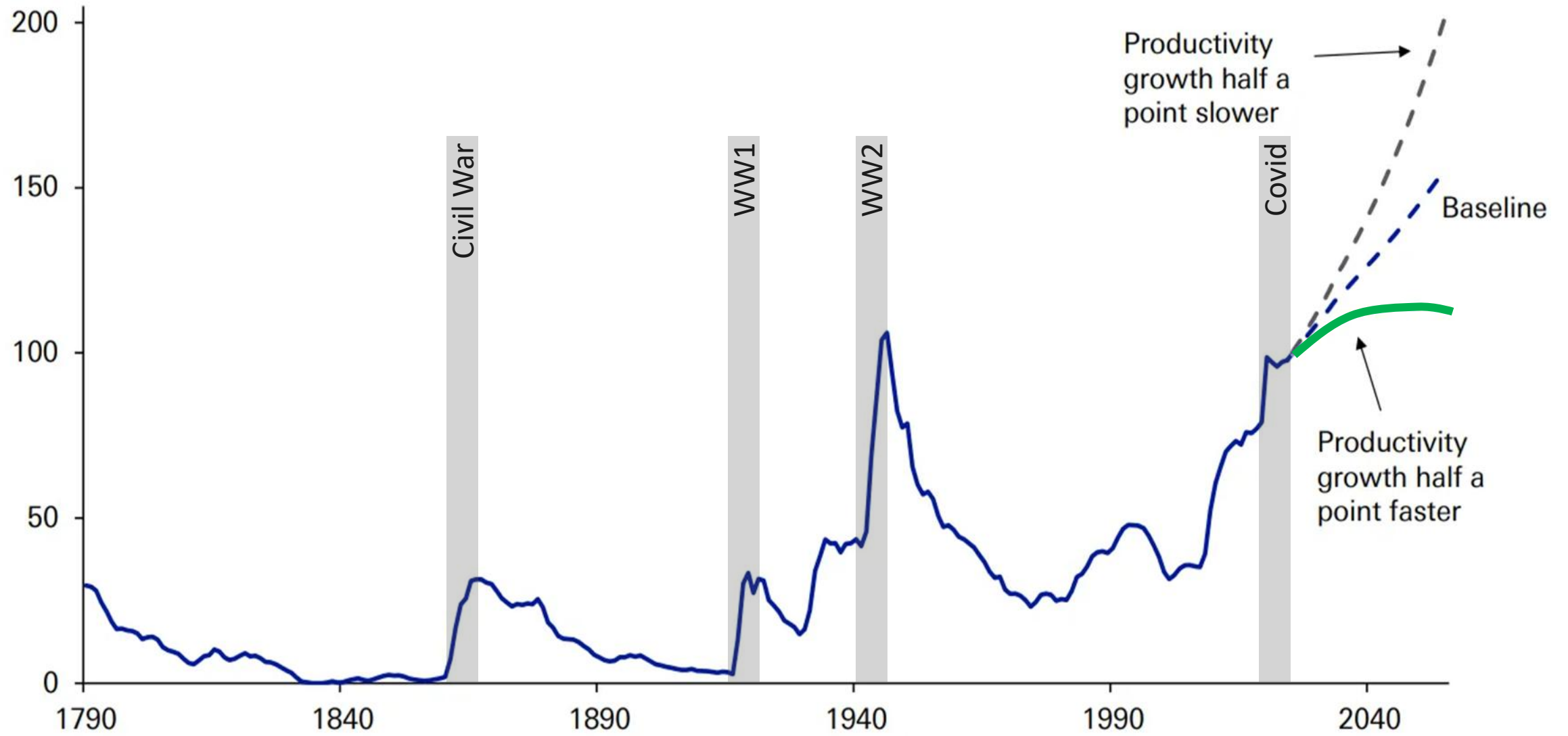


Hope: AI gives us a productivity super-cycle

AI Could Boost Productivity Growth Like the Internet Did



Government Debt: AI productivity to the rescue?



Note: From CBO analysis on May 28, before passage of tax bill
Source: CBO, Deutsche Bank,



Questions?

Sign up for our research at:
nasdaq.com/authors/phil-mackintosh

Disclaimer:

Nasdaq® is a registered trademark of Nasdaq, Inc. The information contained above is provided for informational and educational purposes only, and nothing contained herein should be construed as investment advice, either on behalf of a particular security or an overall investment strategy. Neither Nasdaq, Inc. nor any of its affiliates makes any recommendation to buy or sell any security or any representation about the financial condition of any company. Statements regarding Nasdaq-listed companies or Nasdaq proprietary indexes are not guarantees of future performance. Actual results may differ materially from those expressed or implied. Past performance is not indicative of future results. Investors should undertake their own due diligence and carefully evaluate companies before investing.

ADVICE FROM A SECURITIES PROFESSIONAL IS STRONGLY ADVISED.

