



# Quarterly economic outlook: Wall Street bulls, Main Street bears.

James R. Solloway, CFA, Chief Market Strategist and Senior Portfolio Manager

SEI recently released its fourth-quarter economic outlook. Here is a summary of our key perspectives, focusing on global economic growth, monetary policy, inflation, geopolitics, elections across the globe, and equity markets.

- **U.S. growth leadership expected to continue:** The U.S. is projected to remain the standout performer among developed economies, with momentum from strong consumer spending and ongoing investment in AI and technology infrastructure.
- **Global growth divergence:** The eurozone is expected to see an uptick in growth in 2026, supported by fiscal stimulus and low interest rates. In contrast, the U.K. may experience further slowing due to tighter fiscal policy and elevated inflation. Canada faces another challenging year, with tough USMCA trade negotiations ahead.
- **Trade policy uncertainty:** U.S.-Canada trade relations will be tested as the USMCA treaty comes up for review. The Supreme Court will decide whether the reciprocal tariffs are constitutional; a ruling against the Trump administration's position would reduce goods inflation but sharply cut government revenues and increase the deficit.
- **Demographic shifts:** By 2050, major economies including China, Japan, and South Korea, will see significant declines in their working-age populations, while the U.S., U.K., and Canada are expected to register gains—assuming continued immigration and stable fertility rates.
- **Inflation outlook:** U.S. core inflation is forecast to fluctuate in the 2.75%–3.25% range in 2026. There is potential for lower inflation if tariffs are scaled back or found unconstitutional, but near-term pressures remain owing to recent tariff increases.
- **Monetary policy:** Central banks have limited room for further rate cuts. The Bank of England may cut rates to counteract the deflationary effects of tax increases, while the Federal Reserve's future direction could be influenced by a new Fed chair more sympathetic to the administration's views.
- **Fiscal expansion:** Fiscal policy is expected to be even more expansive in 2026 in the U.S., Canada, the U.K., Europe and Japan.
- **Geopolitical risks:** Ongoing conflicts (Ukraine-Russia, U.S.-Venezuela) and trade tensions (U.S.-China, U.S.-Canada) will continue to shape the global landscape but are not expected to cause major market disruptions unless oil markets become more volatile.
- **Investor sentiment:** Analysts expect robust earnings growth in 2026; earnings in emerging markets remain healthy, though sentiment is tempered by political and economic risks.
- **Political calendar:** The U.S. mid-term elections in November 2026 could lead to even worse policy gridlock in 2027 if the Democrats regain control of the House.

**A full-length paper is available if you wish to learn more about these timely topics.**

## GLOSSARY AND INDEX DEFINITIONS

For financial term and index definitions, please see: <https://www.seic.com/ent/imu-communications-financial-glossary>

## IMPORTANT INFORMATION

This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. Positioning and holdings are subject to change. All information as of the date indicated.

Statements that are not factual in nature, including opinions, projections and estimates, assume certain economic conditions and industry developments and constitute only current opinions that are subject to change without notice.

Nothing herein is intended to be a forecast of future events, or a guarantee of future results.

Certain economic and market information contained herein has been obtained from published sources prepared by other parties, which in certain cases have not been updated through the date hereof. While such sources are believed to be reliable, neither SEI nor its affiliates assumes any responsibility for the accuracy or completeness of such information and such information has not been independently verified by SEI.

There are risks involved with investing, including loss of principal. The value of an investment and any income from it can go down as well as up. Investors may get back less than the original amount invested. Returns may increase or decrease as a result of currency fluctuations. Past performance is not a reliable indicator of future results. Investment may not be suitable for everyone.

Diversification does not ensure a profit or guarantee against a loss. International investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles or from economic or political instability in other nations. Emerging markets involve heightened risks related to the same factors as well as increased volatility and lower trading volume. Narrowly focused investments and smaller companies typically exhibit higher volatility. Bonds and bond funds will decrease in value as interest rates rise. High-yield bonds involve greater risks of default or downgrade and are more volatile than investment-grade securities, due to the speculative nature of their investments.

Index returns are for illustrative purposes only and do not represent actual portfolio performance. Index returns do not reflect any management fees, transaction costs or expenses. One cannot invest directly in an index.

This material is not directed to any persons where (by reason of that person's nationality, residence or otherwise) the publication or availability of this material is prohibited. Persons in respect of whom such prohibitions apply must not rely on this information in any respect whatsoever.

The information contained herein is for general and educational information purposes only and is not intended to constitute legal, tax, accounting, securities, research or investment advice regarding the strategies or any security in particular, nor an opinion regarding the appropriateness of any investment. This information should not be construed as a recommendation to purchase or sell a security, derivative or futures contract. You should not act or rely on the information contained herein without obtaining specific legal, tax, accounting and investment advice from an investment professional.

SEI sources data directly from FactSet, Lipper, and BlackRock unless otherwise stated.

Information provided by SEI Investments Management Corporation, a wholly owned subsidiary of SEI Investments Company (SEI). They should not be construed as investment advice.

Information issued in the UK by SEI Investments (Europe) Limited, 1st Floor, Alphabet, 14-18 Finsbury Square, London EC2A 1BR which is authorised and

regulated by the Financial Conduct Authority. Investments in SEI Funds are generally medium- to long-term investments.

This document has not been registered by the Registrar of Companies in Hong Kong. In addition, this document may not be issued or possessed for the purposes of issue, whether in Hong Kong or elsewhere, and the Shares may not be disposed of to any person unless such person is outside Hong Kong, such person is a "professional investor" as defined in the Ordinance and any rules made under the Ordinance or as otherwise may be permitted by the Ordinance.

The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

This information is made available in Latin America and the Middle East FOR PROFESSIONAL (non-retail) USE ONLY by SIEL.

Any questions you may have in relation to its contents should solely be directed to your Distributor. If you do not know who your Distributor is, then you cannot rely on any part of this document in any respect whatsoever.

Issued in South Africa by SEI Investment (South Africa) (Pty) Limited FSP No. 13186 which is a financial services provider authorised and regulated by the Financial Sector Conduct Authority (FSCA). Registered office: 3 Melrose Boulevard, 1st Floor, Melrose Arch 2196, Johannesburg, South Africa.

This material is intended for information purposes only and the information in it does not constitute financial advice as contemplated in terms of the Financial Advisory and Intermediary Services Act.

SIEL is not licensed under Israel's Regulation of Investment Advising, Investment Marketing and Portfolio Management Law, 5755-1995 (the "Advice Law") and does not carry insurance pursuant to the Advice Law. No action has been or will be taken in Israel that would permit a public offering or distribution of the SEI Funds mentioned in this email to the public in Israel. This document and any of the SEI Funds mentioned herein have not been approved by the Israeli Securities Authority (the "ISA").

The information contained herein is for general and educational information purposes only and is not intended to constitute legal, tax, accounting, securities, research or investment advice regarding the strategies or any security in particular, nor an opinion regarding the appropriateness of any investment. This information should not be construed as a recommendation to purchase or sell a security, derivative or futures contract. You should not act or rely on the information contained herein without obtaining specific legal, tax, accounting and investment advice from an investment professional.

The views contained herein are not to be taken as advice or a recommendation to buy or sell any investment in any jurisdiction. Our outlook contains forward-looking statements that are judgments based upon our current assumptions, beliefs, and expectations. If any of the factors underlying our current assumptions, beliefs or expectations change, our statements as to potential future events or outcomes may be incorrect. We undertake no obligation to update our forward-looking statements.

### ABOUT SEI

SEI® (NASDAQ: SEIC) is a leading global provider of financial technology, operations, and asset management services within the financial services industry. SEI tailors its solutions and services to help clients more effectively deploy their capital—whether that's money, time, or talent—so they can better serve their clients and achieve their growth objectives.

1 Freedom Valley Drive

P.O. Box 1100

Oaks, PA 19456

610-676-1000



seic.com