



Quarterly economic outlook: The world just keeps truckin' on.

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SEI recently released its third-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.

- President Trump continues to push policy changes aggressively across many fronts, including tariffs, immigration and personnel changes at the Federal Reserve.
- The U.S. economy remains resilient despite all the policy uncertainty, although there are recent signs of deterioration in the labor market.
- Canada's growth is supported by consumer spending but hurt by U.S. tariffs.
- Growth in the U.K. and Europe remains sluggish.
- Accelerated productivity growth is the key to a more optimistic inflation outlook, but it will take time for new technologies to have a measurable impact.
- The Supreme Court will decide on the constitutionality of the reciprocal tariffs imposed by Trump—but, even if those duties are negated, there are other tools at the president's disposal to maintain tariffs at a high level.
- Tariffs have become a significant revenue source for the U.S. government and if that flow is disrupted, the government's deficit will widen, and financial markets could become more volatile for a time.
- The administration is challenging the Fed's independence, but it is unlikely the president will succeed in the attempt.
- Core inflation remains almost a percentage point above the Fed's target and services inflation is a persistent problem across developed economies.
- Long-term bond yields are likely to remain elevated, especially in the U.S. and the U.K. reflecting inflation and fiscal-policy concerns.
- Investors remain surprisingly complacent, with high-yield credit spreads extremely tight.
- U.S. and international equity markets are in new-high territory.
- Mega-cap U.S. tech stocks are once again leading equity markets higher, although valuations and index over-concentration are yellow flags.
- International equities remain cheaper compared to U.S. stocks and offer potential upside for diversified portfolios.

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

Glossary

A **tariff** is a tax imposed by the government of a country on imports or exports of goods.

A **reciprocal tariff** is a tax or trade restriction that one country imposes on another in response to similar actions taken by that country, aiming to create balance in trade by mirroring the tariffs or trade barriers imposed by the other nation.

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