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CLA Outlook 2026

September 2026

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Our 2026 Forecast – What has Changed?

Trough *(Pandemic)*	Bounce back	Peak		Slowdown	CLA's forecast
2021	**2022**	**2023**	**2024**	**2025**	**2026**
Recession Falling interest rates Recession Rising inflation	**Recovery** Low interest rates High growth Rising inflation	**Expansion** Rising interest rates High growth Peak inflation		**Slowdown** Moderating growth Lower rates Lower inflation	**Growth** **Growth at or above trend** **Short-term interest rates move lower, Inflation to ease**

US Economic Outlook – Snapshot

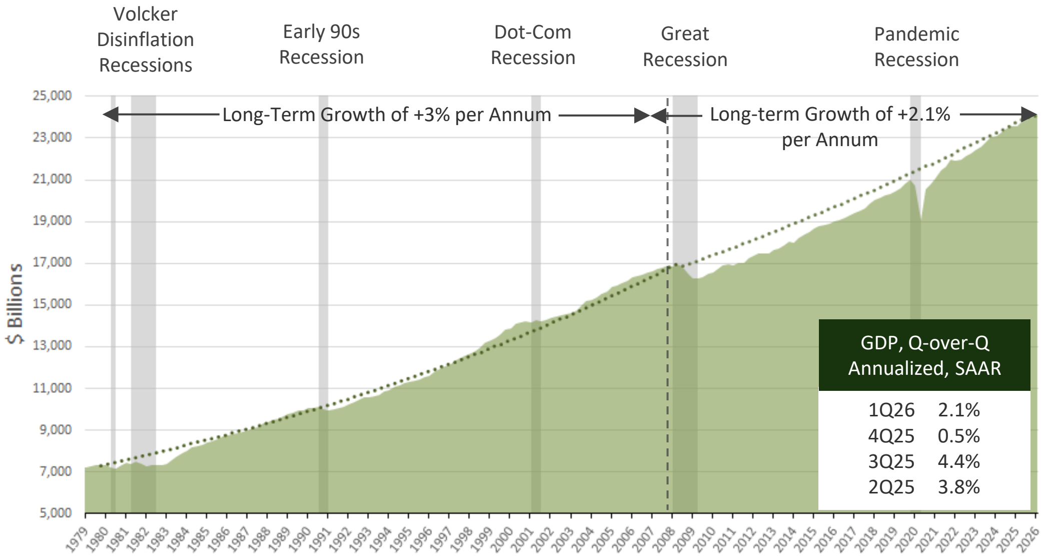
Monetary policy should remain "slightly restrictive" to "neutral", allowing the U.S. economy to continue growing near its long-term trend of 2% in 2026.

	2025	2026 Forecast	Takeaway
Economic Growth	**GDP**		• The U.S. economy should continue growing near trend (2%) in 2026. The lack of interest rate cuts so far this year has caused us to scale back our forecast.
Fed Policy	Interest rates Inflation Credit conditions Fed's balance sheet		• Monetary policy should remain "slightly restrictive" to "neutral". • A recent rise in energy prices has temporarily lifted inflation. • Credit conditions remain solid. • Fed discontinued "quantitative tightening."
Consumer Strength	Income/spending Consumer finances		• Consumer spending should slow amid higher unemployment and lower wage growth.
Business Conditions	Business finances Revenue/CapEx expectations ISM Purchasing Managers Index® Small business conditions		• Earning growth and profit margins remain healthy. • Small business confidence should hold steady at higher levels.
Labor Market	Unemployment rate Wage gains Number of job openings		• Labor market weakens although unemployment should remain low. • Wage gains moderate due to lower inflation.
Fiscal Policy	Spending Taxes Regulatory environment		• Some spending cuts are likely, but the magnitude remains uncertain. • OBBBA makes tax cuts permanent, encourages more business investment. • Fewer regulations are likely.

Why do we believe economic US growth will continue in 2026?

U.S. GDP Continues to Grow At Its Long-term Trend

Polymarket currently assigns a 10%–12% probability of a recession occurring in the U.S. by the end of 2026, one of the lowest readings since the market was created and indicative of broad investor confidence that the U.S. economy will avoid a recession over the next six months.



GDP, Q-over-Q Annualized, SAAR	
1Q26	2.1%
4Q25	0.5%
3Q25	4.4%
2Q25	3.8%

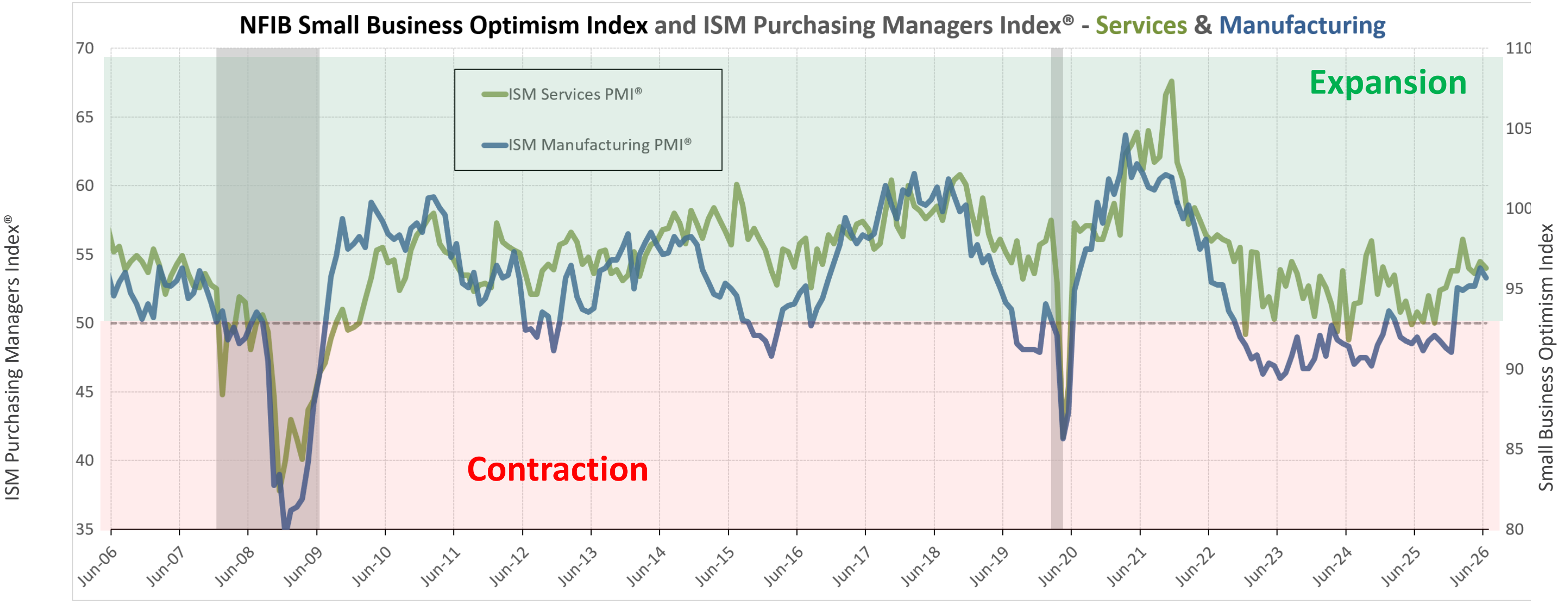
Grey areas denote recessions.

Source: Bureau of Economic Analysis, Federal Reserve Bank of St. Louis, CLA Wealth Advisors

Data is based upon availability as of 7/11/2026

Manufacturing and Services Sectors Continue to Grow

Re-Onshoring of Manufacturing and Strong Consumer Spending Remain Key Drivers



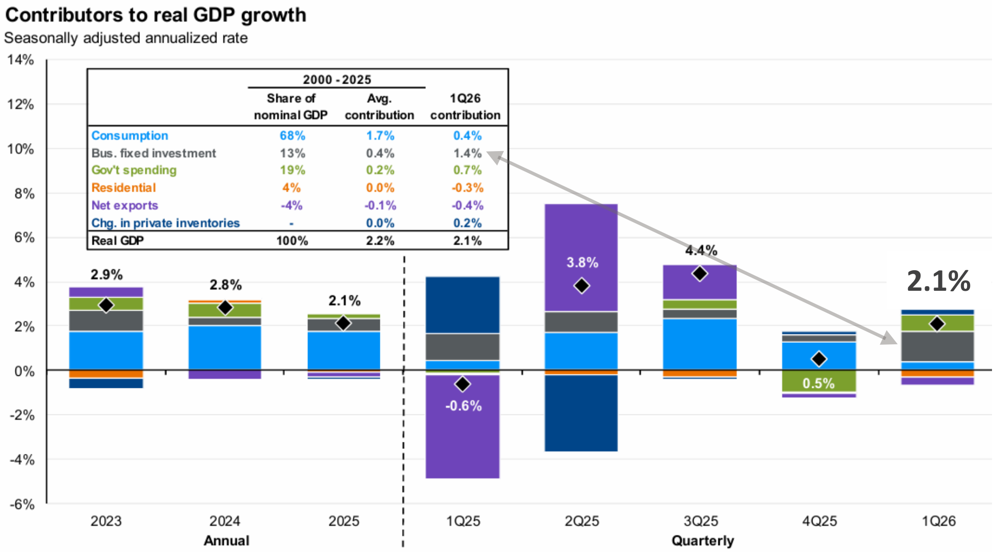
Manufacturing PMI and Services PMI are hovering near their highest levels since 2022.

Note: A reading above 50 (dotted line) indicates growth. Readings below 50 indicate contraction.

Grey areas denote recessions.
Source: Institute for Supply Management, NFIB, CLA Wealth Advisors.

Data is based upon availability as of 7/10/2026

Above-Trend Growth is being Led by Business Investment

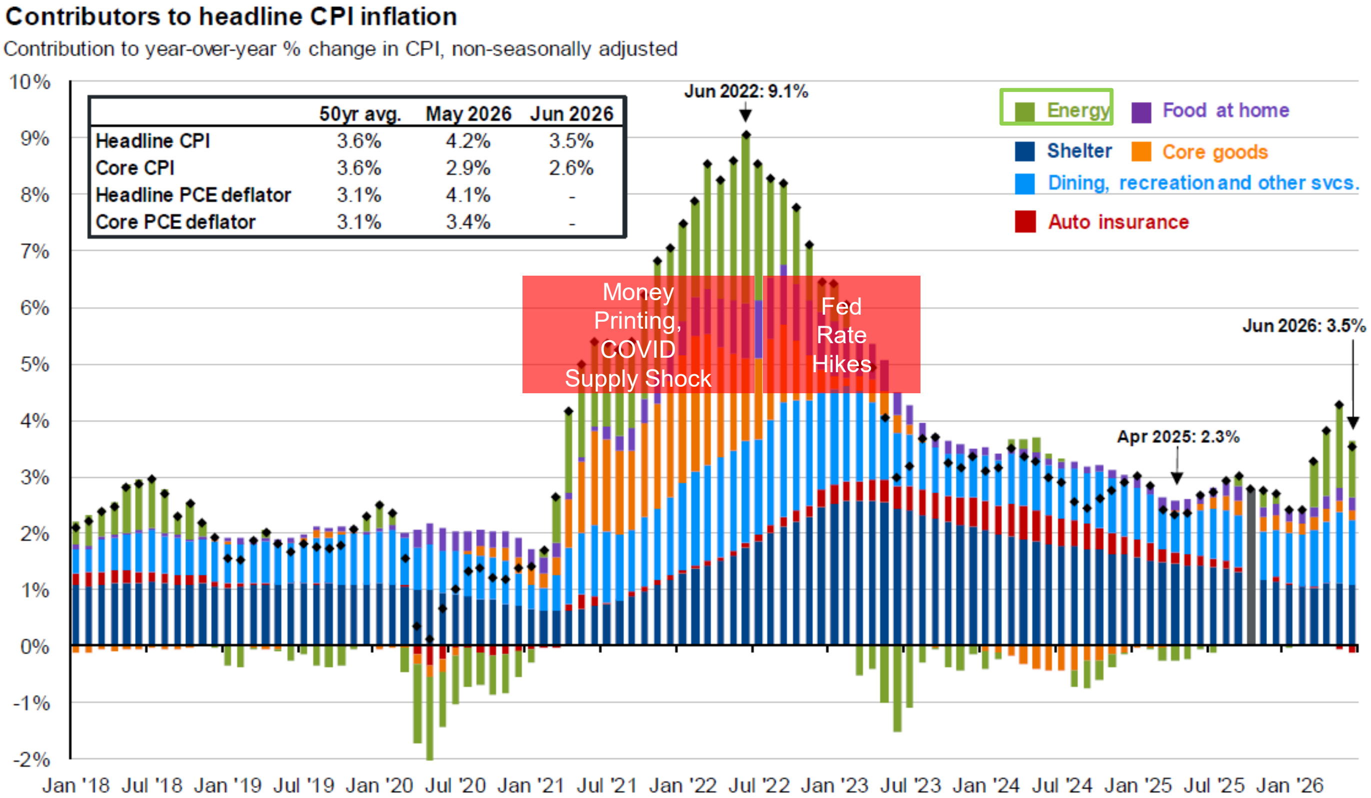


	2000 - 2025 Share of nominal GDP	2000 - 2025 Avg. contribution	1Q26 contribution
Consumption	68%	1.7%	0.4%
Bus. fixed investment	13%	0.4%	1.4%
Gov't spending	19%	0.2%	0.7%
Residential	4%	0.0%	-0.3%
Net exports	-4%	-0.1%	-0.4%
Chg. in private inventories	-	0.0%	0.2%
Real GDP	100%	2.2%	2.1%

Source: BEA, FactSet, Standard and Poor's, J.P. Morgan Asset Management.

Data is based upon availability as of 7/10/2026

Iran Conflict Leads to a Near-term Rise in Inflation



	50yr avg.	May 2026	Jun 2026
Headline CPI	3.6%	4.2%	3.5%
Core CPI	3.6%	2.9%	2.6%
Headline PCE deflator	3.1%	4.1%	-
Core PCE deflator	3.1%	3.4%	-

Source: BLS, FactSet, JP Morgan Asset management

Data is based upon availability as of 6/11/2026

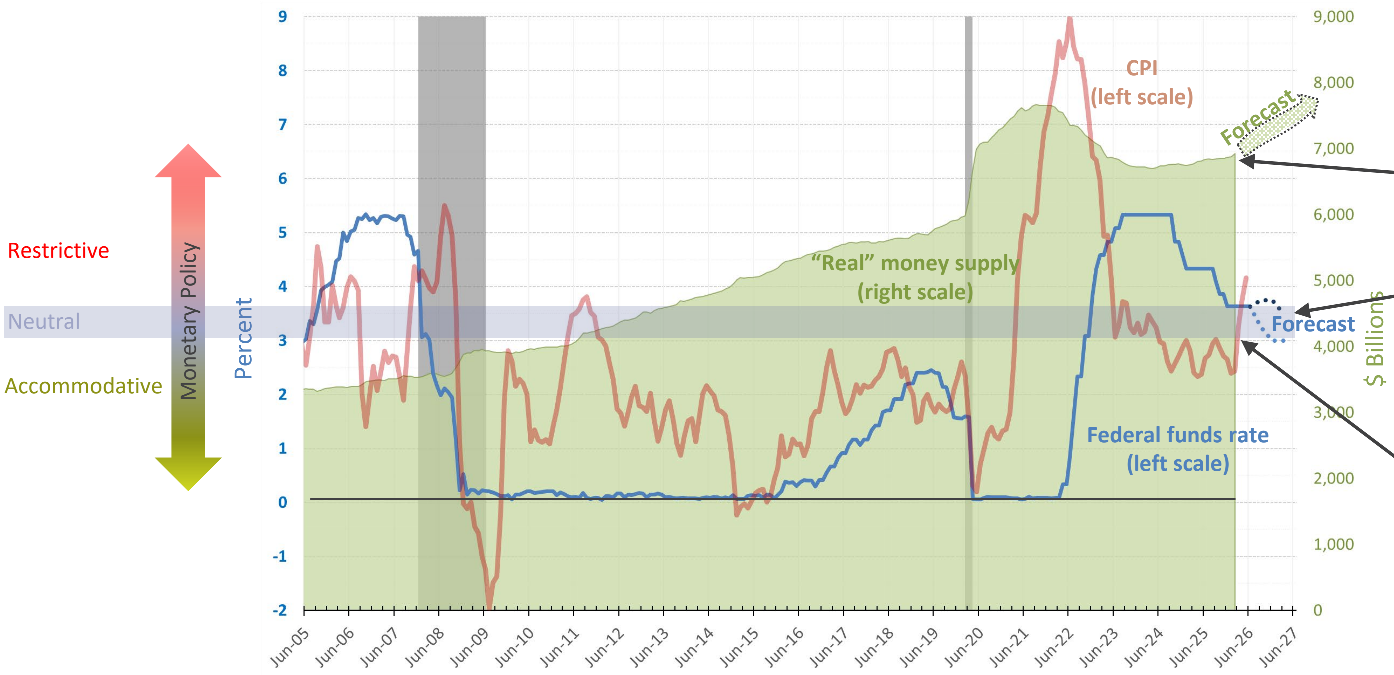
Federal Reserve Policy Outlook

How does Fed monetary policy support economic growth in 2026?

The spike in energy prices and corresponding spike in inflation has curtailed market expectations for further Fed rate cuts this year, with some even calling for rate increases. CLA maintains the upper end of our forecast range (one more cut) is reasonable and achievable.

Takeaway

Federal Funds Rate, Money Supply, CPI



Source: Board of Governors of the Federal Reserve System, U.S. Federal Open Market Committee, Federal Reserve Bank of St. Louis, NBER, Organization for Economic Co-operation and Development, CLA Wealth Advisors

Lower interest rates helped boost money supply growth to 2.5% YOY. Since 2023, it had only been growing at 1.5% YOY. In a "heathy economy", the money supply should grow between 3-4% per year.

The unexpected spike in inflation has curtailed market expectations for further Fed rate cuts this year, with some even calling for a rate hike.

A surge in energy prices, linked to the Persian Gulf conflict, helped push CPI significantly higher in March and April. Any resolution of the conflict or reopening of the Strait of Hormuz would likely send oil prices and inflation plummeting.

Data is based upon availability as of 6/11/2026

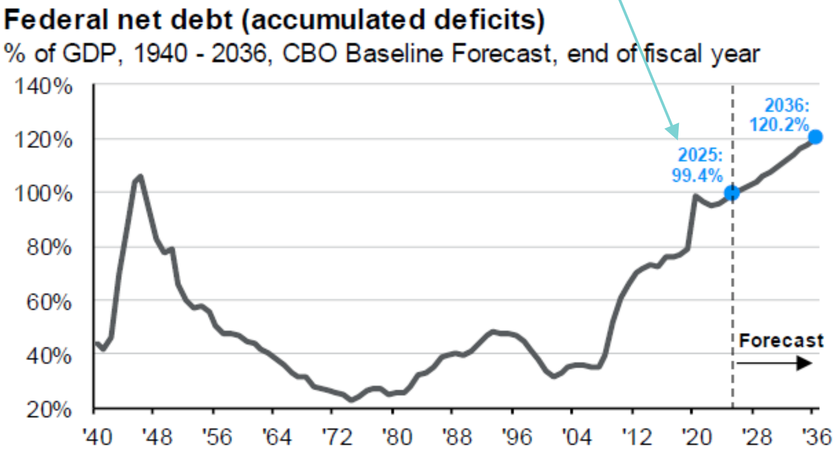
Fiscal Policy: Federal Debt and Interest Expense

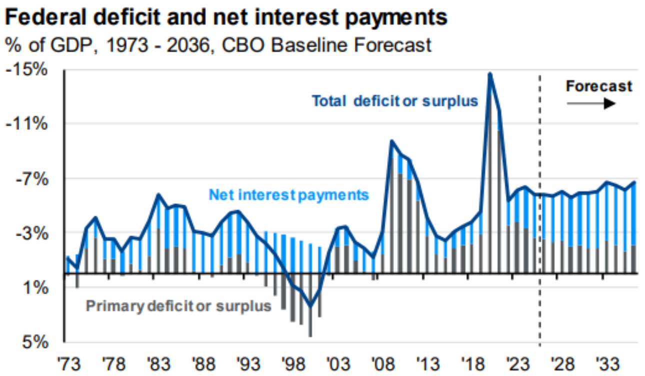
How does federal debt impact economic growth?

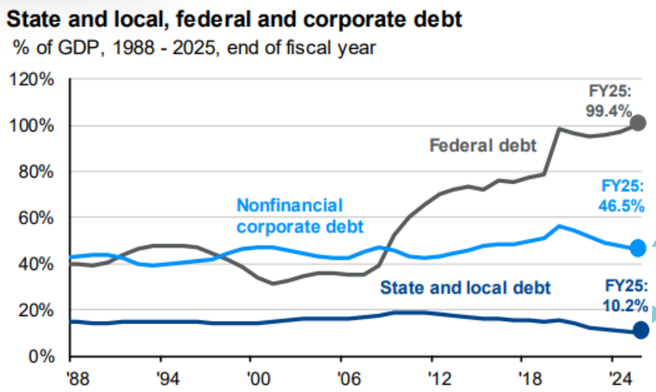
The CBO is forecasting U.S. federal debt to increase beyond the level of GDP over the next 10 years, with interest expense consuming an ever-larger portion of GDP. Increasing federal debt runs the risk of "crowding out" the private sector.

Takeaway

Increasing federal debt can boost economic growth over the short-run...







… but it risks "crowding out" the private sector from the capital markets, depriving them of the funding they need to grow their businesses.

Source: BEA, CBO, Treasury Department, JP Morgan Asset Management

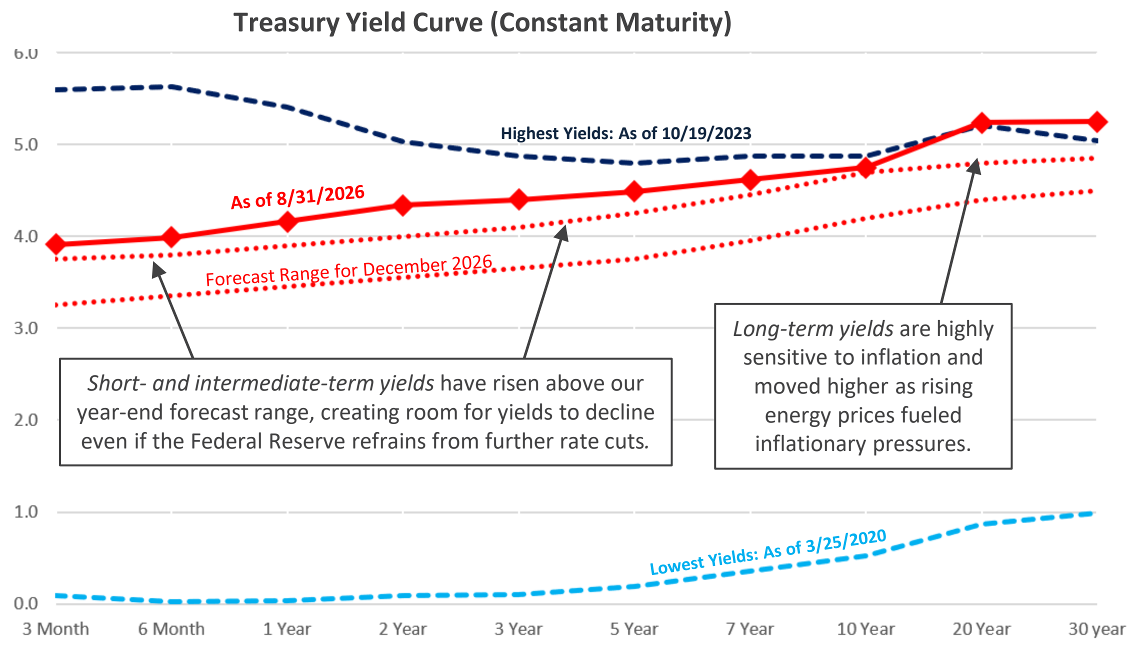
Data is based upon availability as of 7/14/2026

Fixed Income Outlook – Yield Curve

What do we expect the yield curve to look like at year-end?

Based on our year-end forecast, interest rates across the curve have room to fall.

Takeaway



Source: Federal Reserve Bank of St. Louis, Board of Governors of the Federal Reserve System.

Data is based upon availability as of 8/10/2026

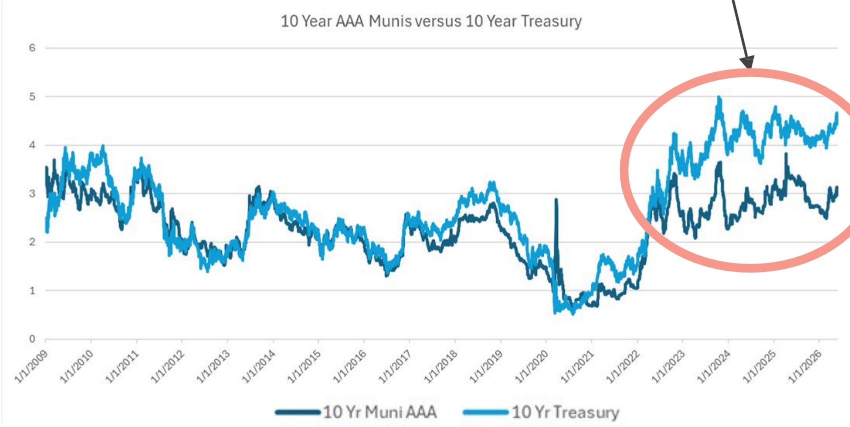
Fixed Income Outlook – Municipals

Municipal bond yield credit spreads

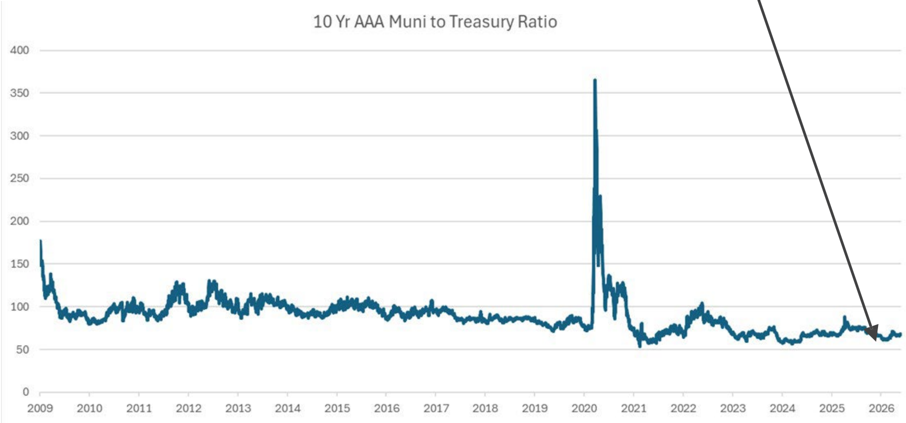
Yields on both 10-year municipal bonds and 10-year Treasuries remain attractive. With the municipal-to-Treasury yield ratio currently low relative to historical norms, investors should consult their tax advisor to determine which option offers the most attractive after-tax yield.

Takeaway

10-year yields have spiked higher in recent years.



The ratio of 10-year municipal bond yields to 10-year treasury yields is near its low point of the last 15 years



Data is based upon availability as of 6/11/2026

Current Catalysts We are Watching

Persian Gulf Conflict
Energy price spike and inflation reducing odds of Fed rate cuts

Tariffs
10% blanket tariff under Section 122; court challenge with key mid-2026 decision

Russia/Ukraine War
Conflict stalemated, peace negotiations remain stalled

Fiscal Policy
Shaping expectations for spending, deficits, and tax policy

Upcoming Catalysts We are Watching

New Fed Chair Kevin Warsh
may shift policy toward inflation credibility and a smaller balance sheet

Market reaction
to major IPOs (SpaceX, Anthropic, OpenAI) and new Opportunity Zones

2026 midterm elections
to determine Congressional control and remaining policy agenda

US/China trade relations
post Trump-Xi summit and sector-specific impacts

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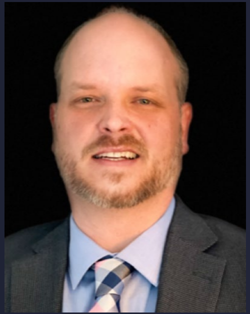

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