

2026 U.S. Equity Market Direction: Key Data Points to Keep an Eye on



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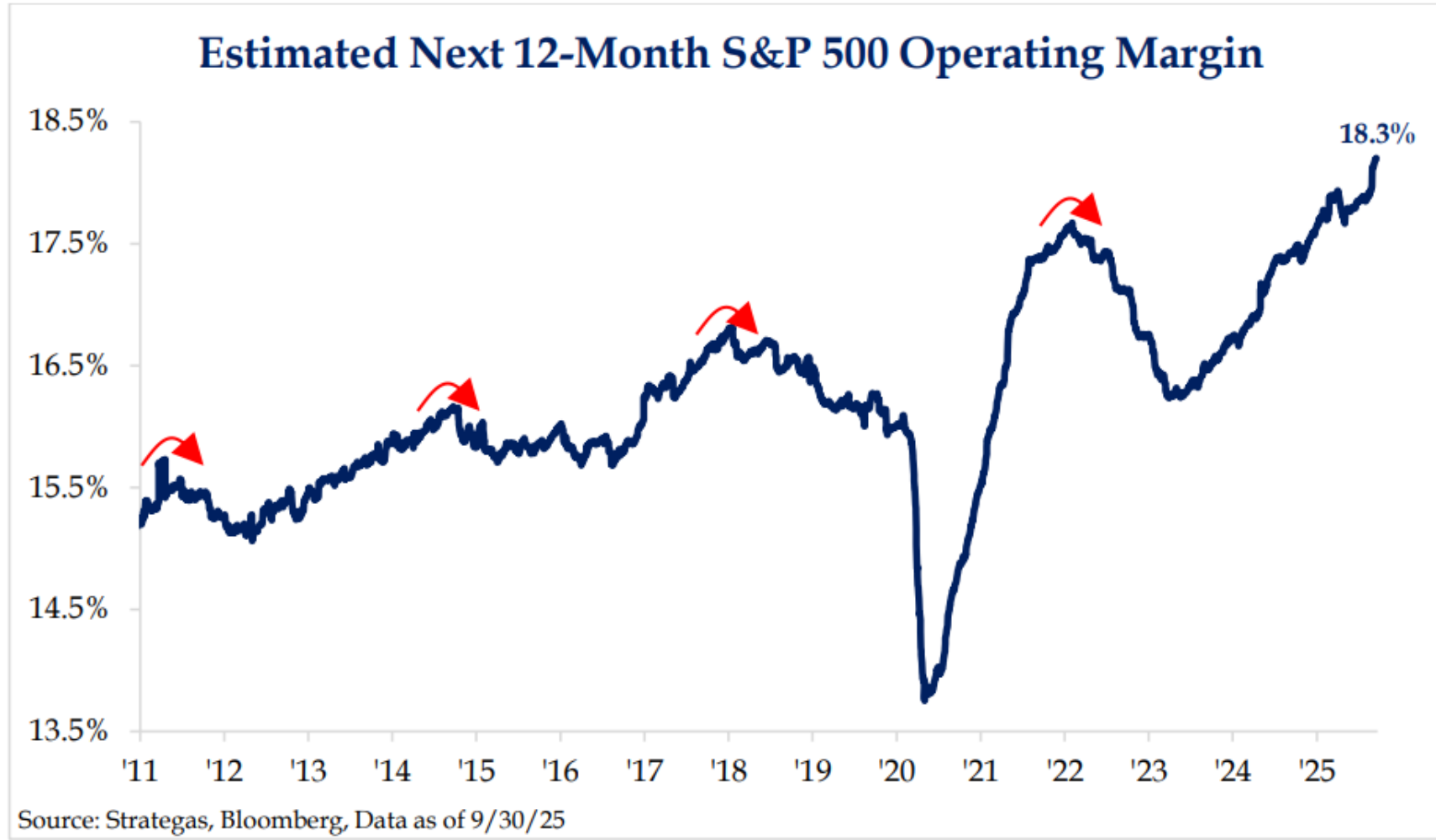


1) CORPORATE FINANCIAL CONDITION

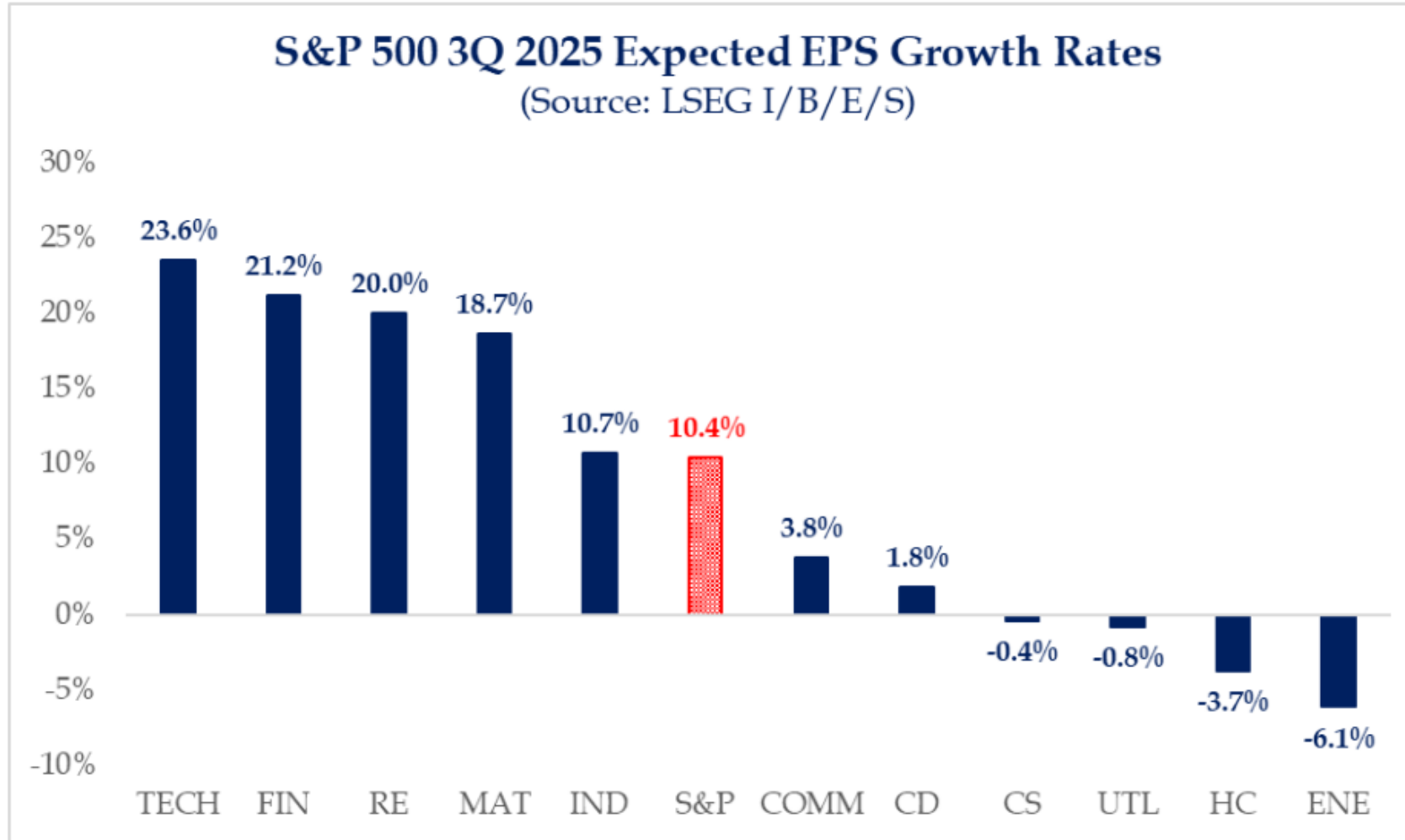
- **Corporate Spending Trickle Down**
 - Property/Plant/Equipment Spending
 - Employee Hiring/Retention/Firing
- **Earnings Trend**
 - Impact on Stock Valuation (P/E)
- **Good Indicator of General Economic Strength**
- **Impact on Credit Markets (Bankruptcies)**



Operating Margin Strength (Profit as a % of Sales)



3Q Expected EPS Growth Rate

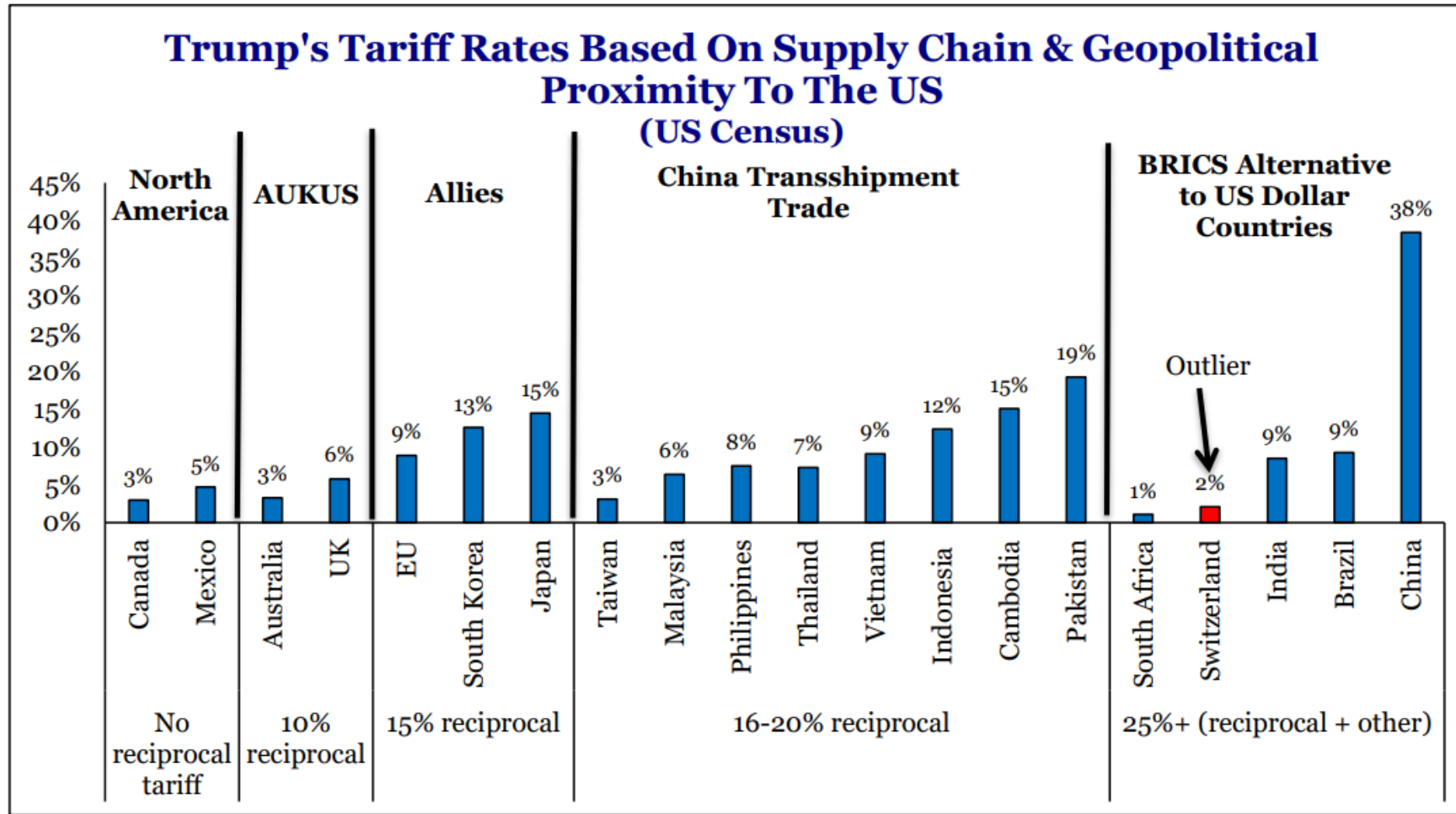


2) TARIFFS

- Short Term impact – Inflation Risk
- Impact on Budget Deficit (Tariff Revenue)
- Corporate Profit Impact (Absorb or Pass on?)
- Consumer Spending Patterns (Do Without/Explore Alternatives)
- Winners/Losers (Export v/s Domestic)
- U.S. Trade Deficit Reduction
 - Reduced Foreign Demand for U.S. Dollar
 - Reduced U.S. Debt Security Demand (Upward Rate Pressure)



Tariff Rates (Fluid Situation/Risk of Going Too High)



Tariff Legality - Backup Plan's

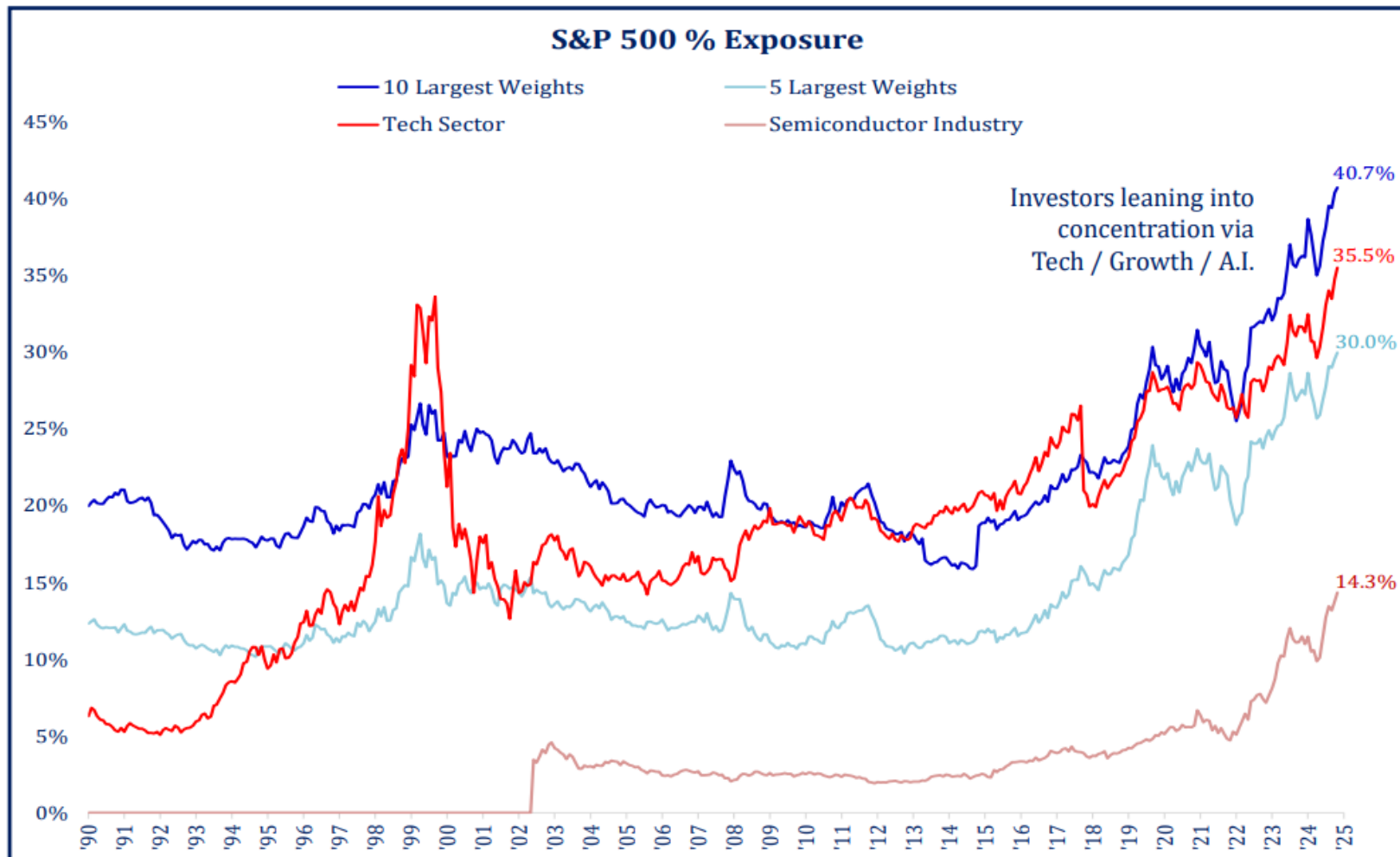
	Section 338	Section 122	Section 301
Usage	Discrimination Against US Trade	Balance Of Payments	Unfair Trade Practices
Targets	All Countries	All Deficit Countries	China (Others Can Be Added)
Maximum Rate	50%	15%	
Timeline To Implement	30 Days	Immediate	Weeks To Months
Limits?	None	150 Days (Unless Congress Acts)	4-Year Review

3) INDEX CONCENTRATIONS

- **Just a Few Names Have a Large Impact on Index Performance**
(Nvidia 8.06%, Microsoft 7.37%, Apple 5.76%, Amazon 4.11%, Meta 3.12%, Broadcom 2.57%, Alphabet A 2.08, Alphabet C 1.68%, Berkshire 1.61% and Tesla 1.61%)
- **Significant Balances Held in Index Funds**
 - Not Driven by Underlying Financial Performance
 - Lack of Diversification
 - Allocates More \$ Into Larger Weights
- **Increases BUBBLE Risks**



Does This Feel Right?

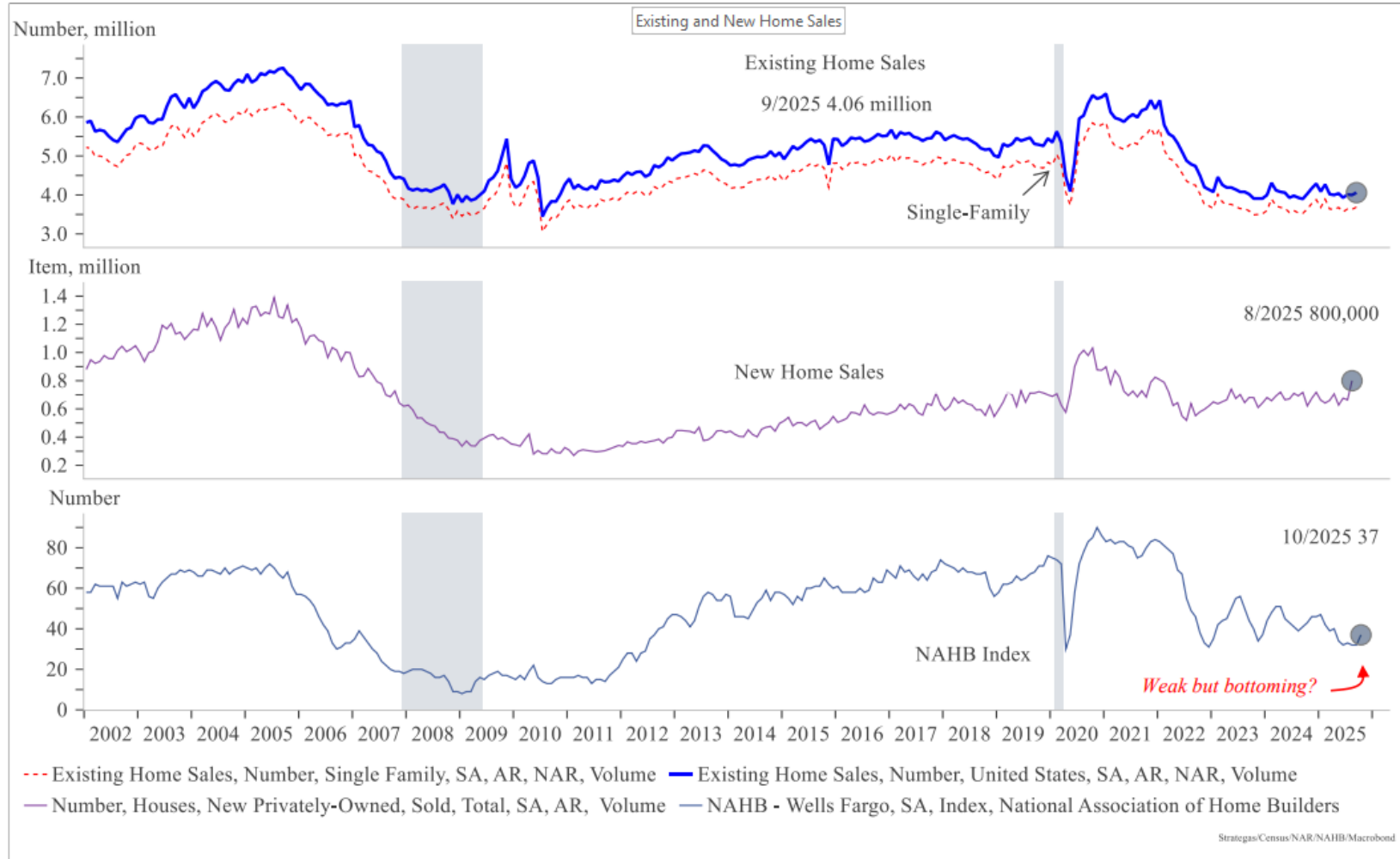


4) HOUSING MARKET

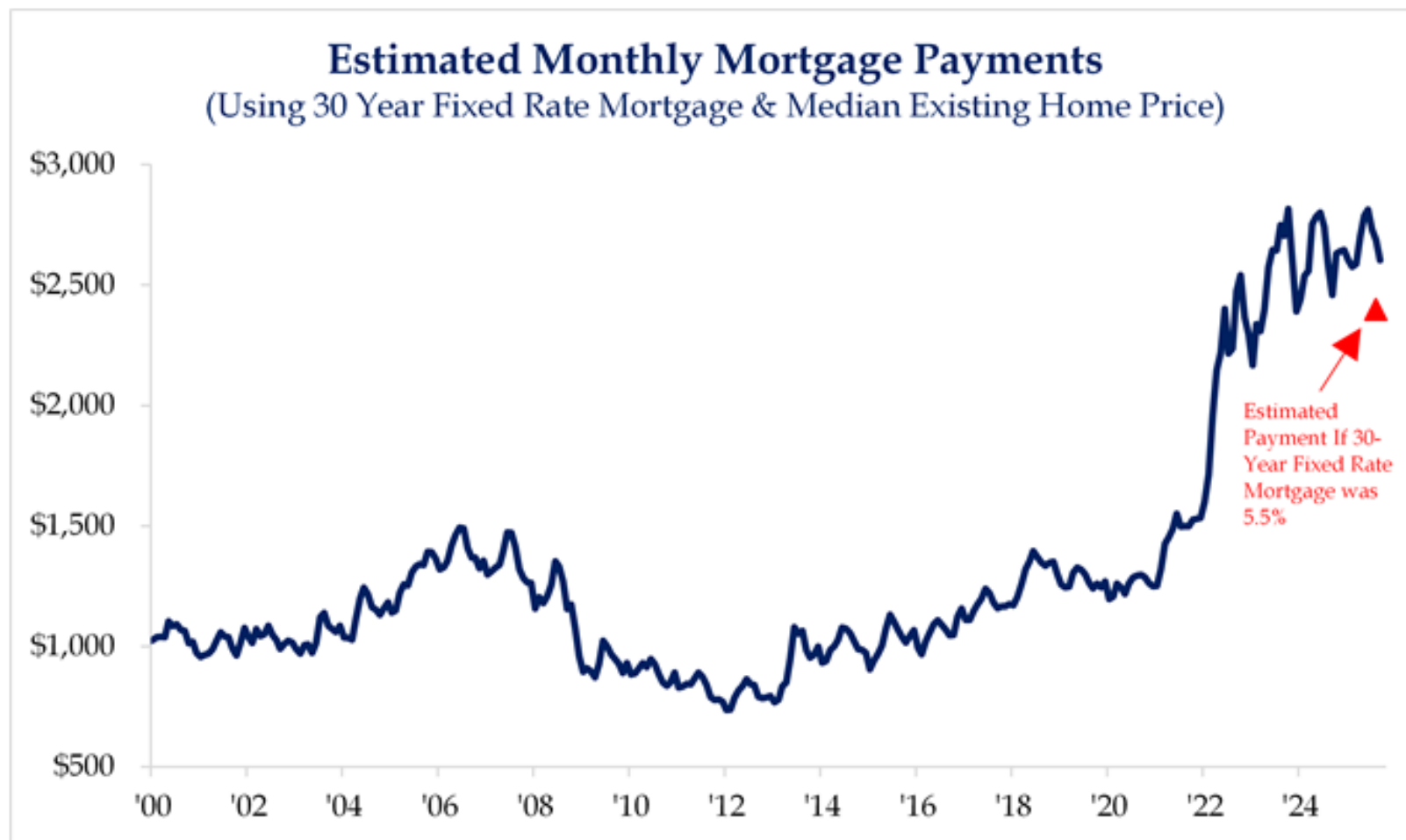
- **Widespread Economic Impact**
 - Building Material/Components
 - Furniture
 - Electronics
 - General Home Goods
- **Home Equity Trickle Down**



Existing and New Home Sales



Housing Affordability – Yikes!

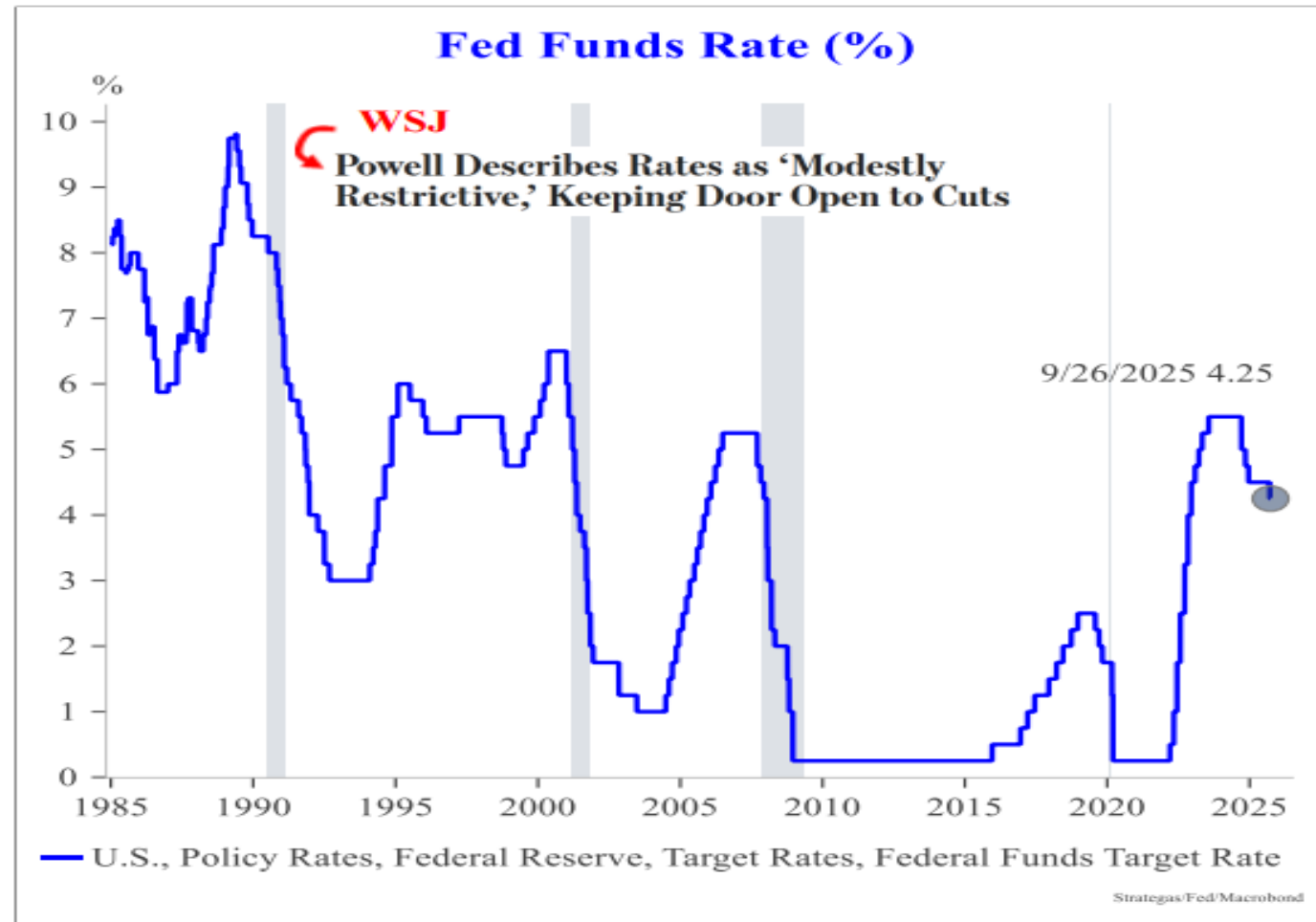


5) FEDERAL RESERVE POLICY

- **Dual Mandate**
 - Full Employment (Signs of Softening)
 - Inflation (Anchored for now)
- **Impact on Interest Rates (Lending Rates)**
 - Lower Rates to Stimulate Growth
 - Increase Rates to Slow Growth



Fed Funds Rate (Historical Perspective)

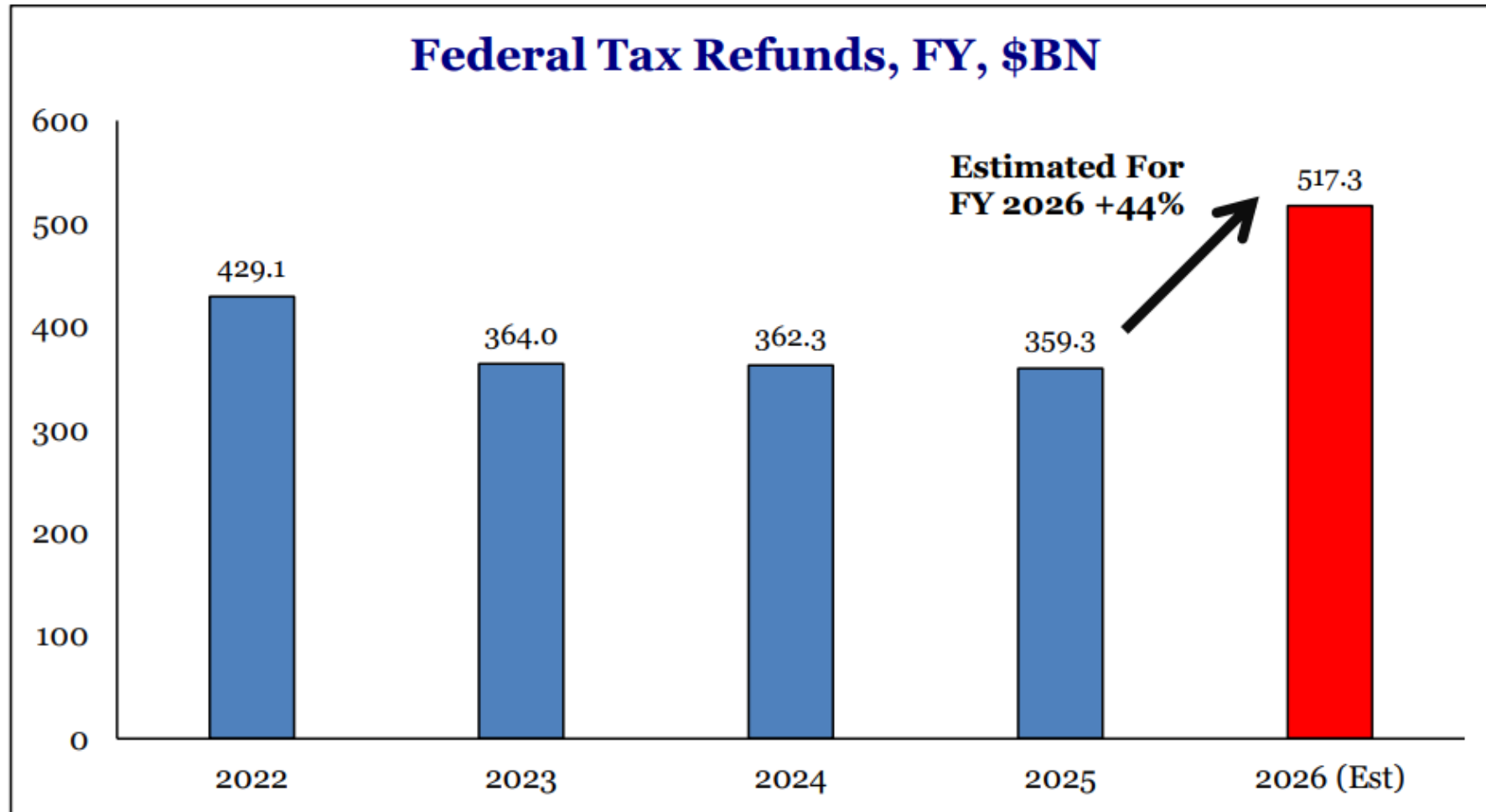


6) 2026 STIMULUS VIA ONE BIG BEAUTIFUL BILL

- Impacts Consumer Spending (Consumers Spend “Free” \$)
- Impacts Corporate Spending (Expense Deductibility Lowers Tax Burden)



One Big Beautiful Bill Tax Refunds



Summary of Significant Consumer Benefits

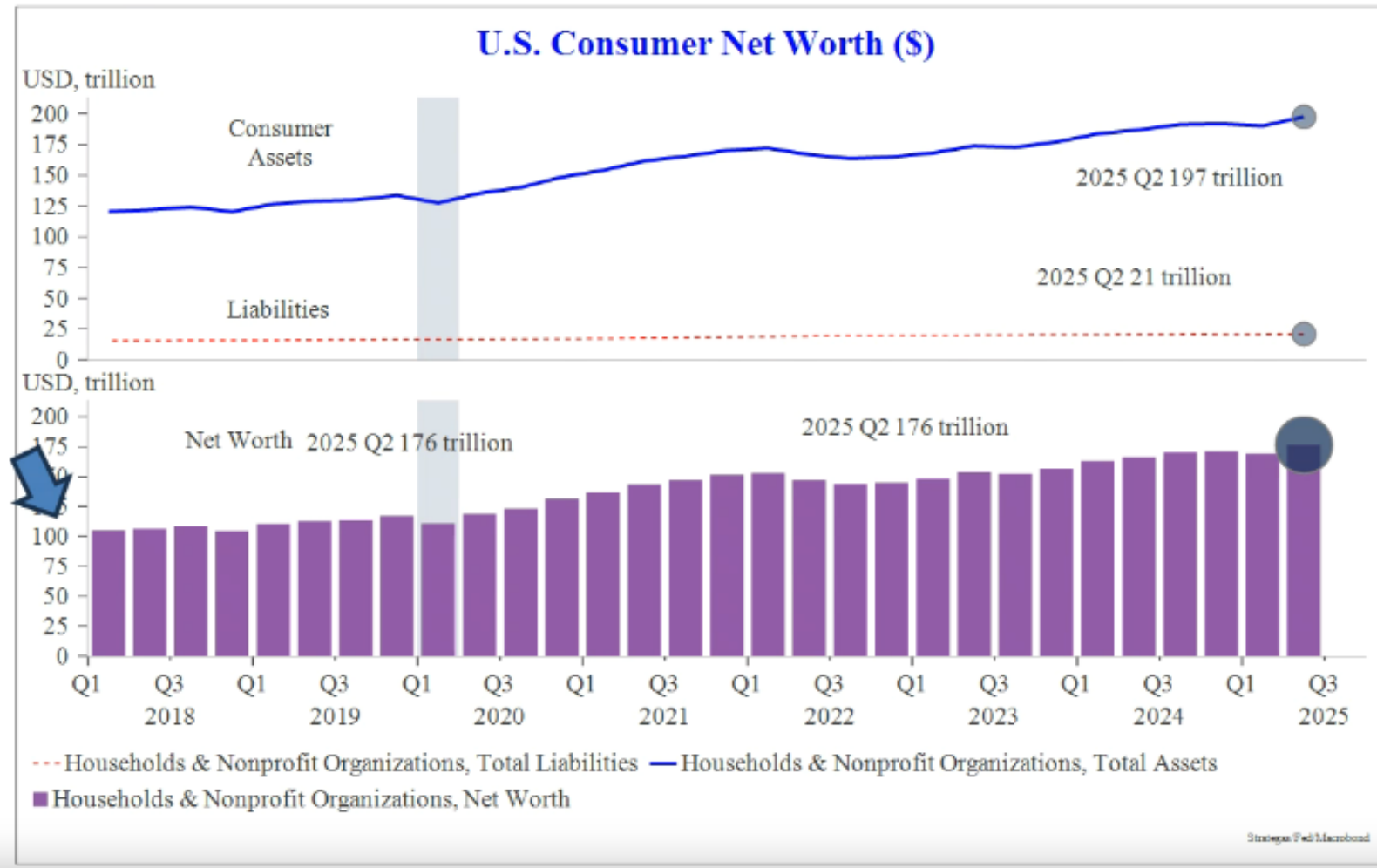
Consumer Aid For Fiscal Year 2026 In OBBBA, \$BN	
Provision	FY 2025-2026
Limitation on SALT	\$ 39.2
No Tax on Overtime	\$ 32.8
Termination of Deduction for Personal Exemptions	\$ 32.3
Extension and Enhancement of Increased Standard Deduction	\$ 26.5
No Tax on Tips	\$ 10.1
Extension and Enhancement of Increased Child Tax Credit	\$ 10.0
No Tax on Car Loan Interest	\$ 7.3
Trump Accounts and Contribution Pilot Program	\$ 7.3
Extension and Enhancement of Reduced Rates Standard Deduction	\$ 4.9

7) CONSUMER FINANCIAL CONDITION

- **Consumers Drive U.S. Economy**
 - Responsible for Just Under 70% of U.S. Gross Domestic Product
- **Two Key Datapoints**
 - How Much \$ Do They Have To Spend?
 - Are They Spending It?

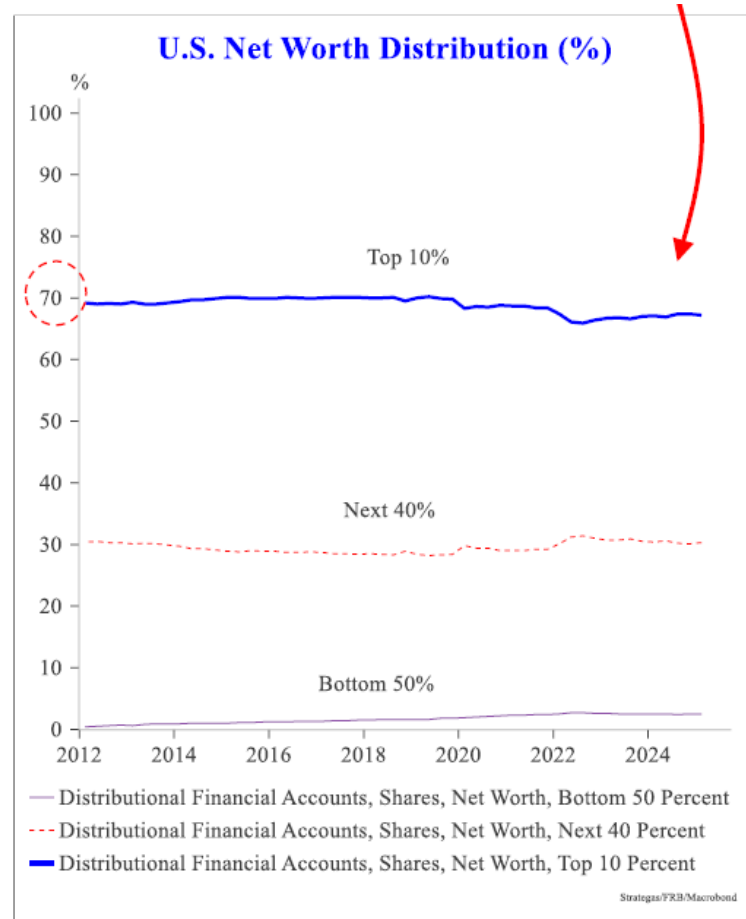


Consumer Net Worth (\$ to Spend)

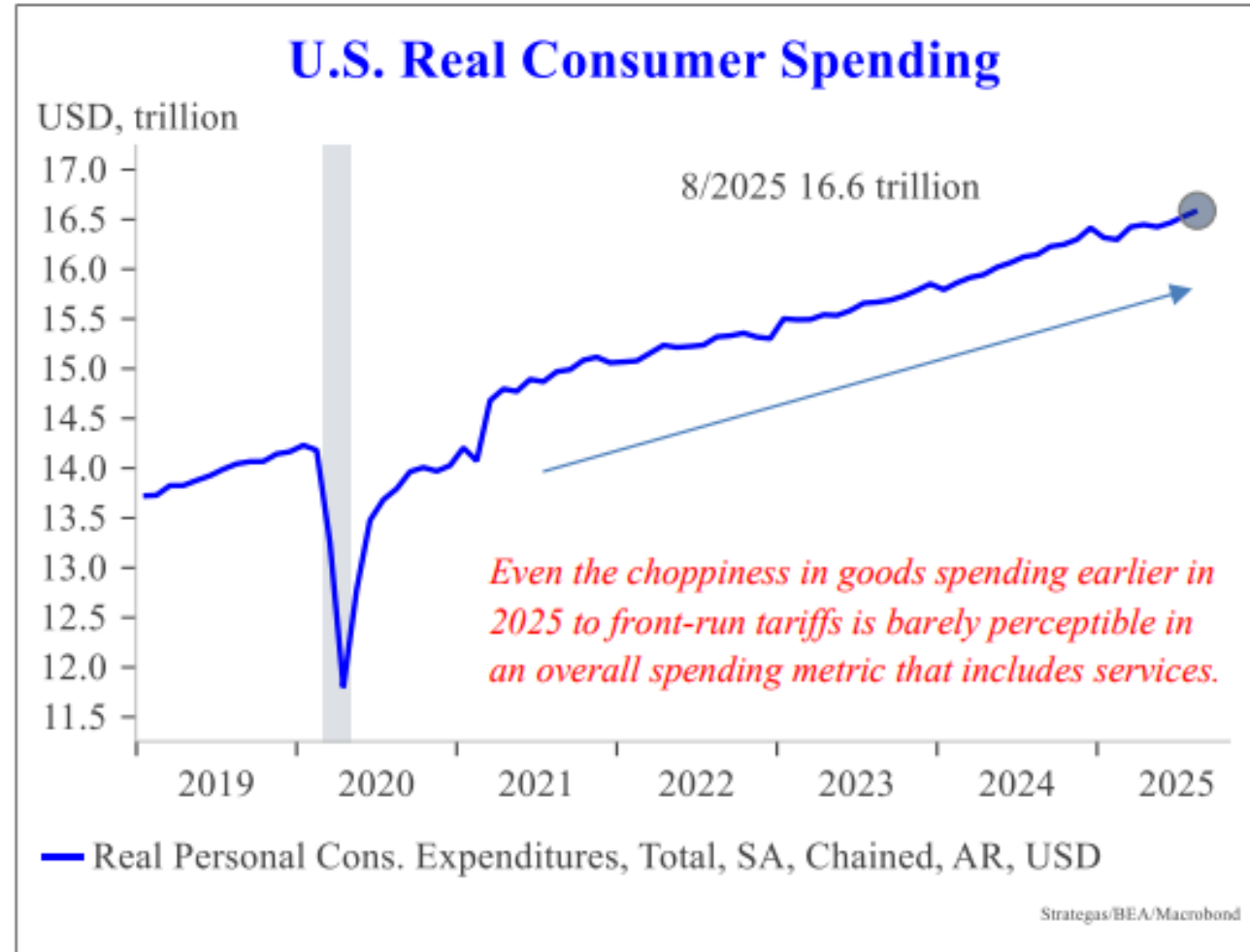


Distribution of Wealth

Concentrated



Real Consumer Spending



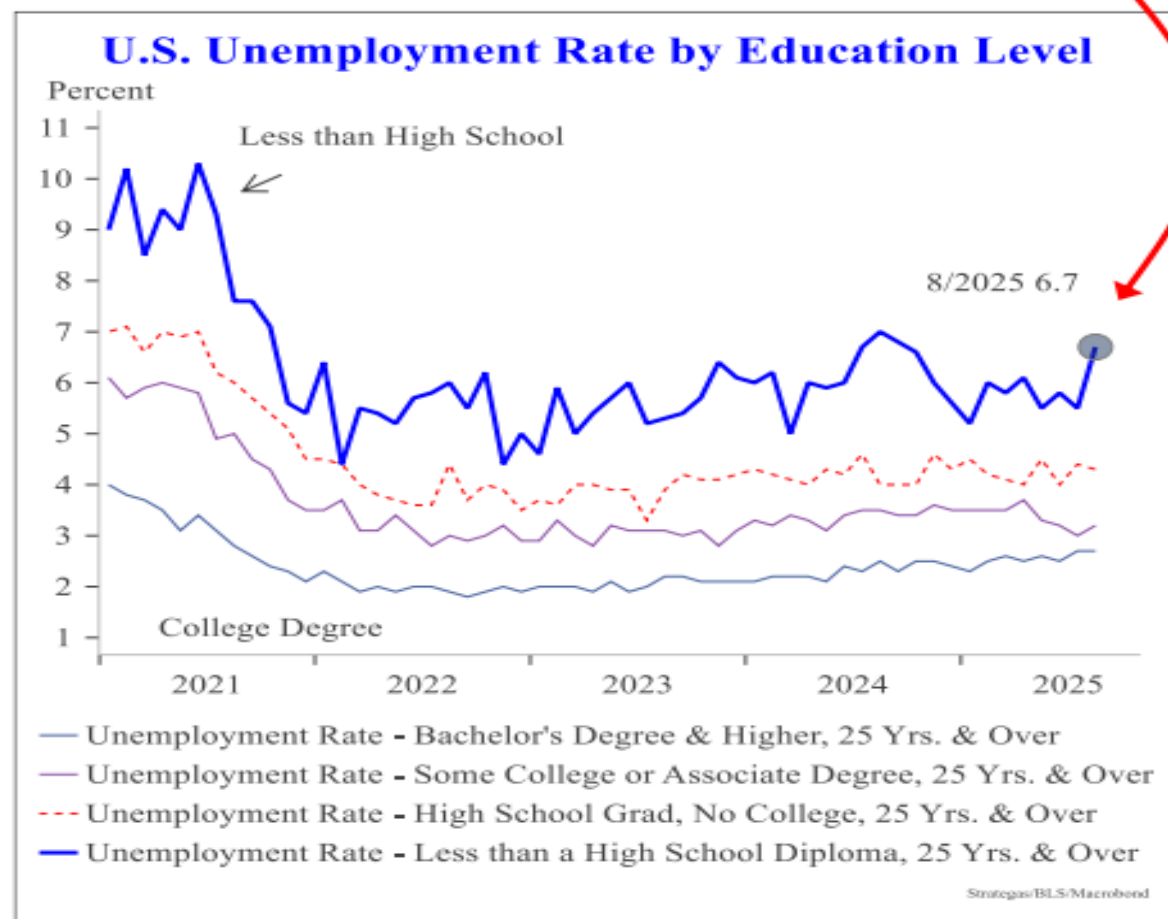
8) EMPLOYMENT

- **Direct Impact on Consumer**
 - Make \$ to Buy More Stuff
 - Higher Job Confidence = Willingness to Take on More Debt



U.S. Unemployment Rate (4.3%)

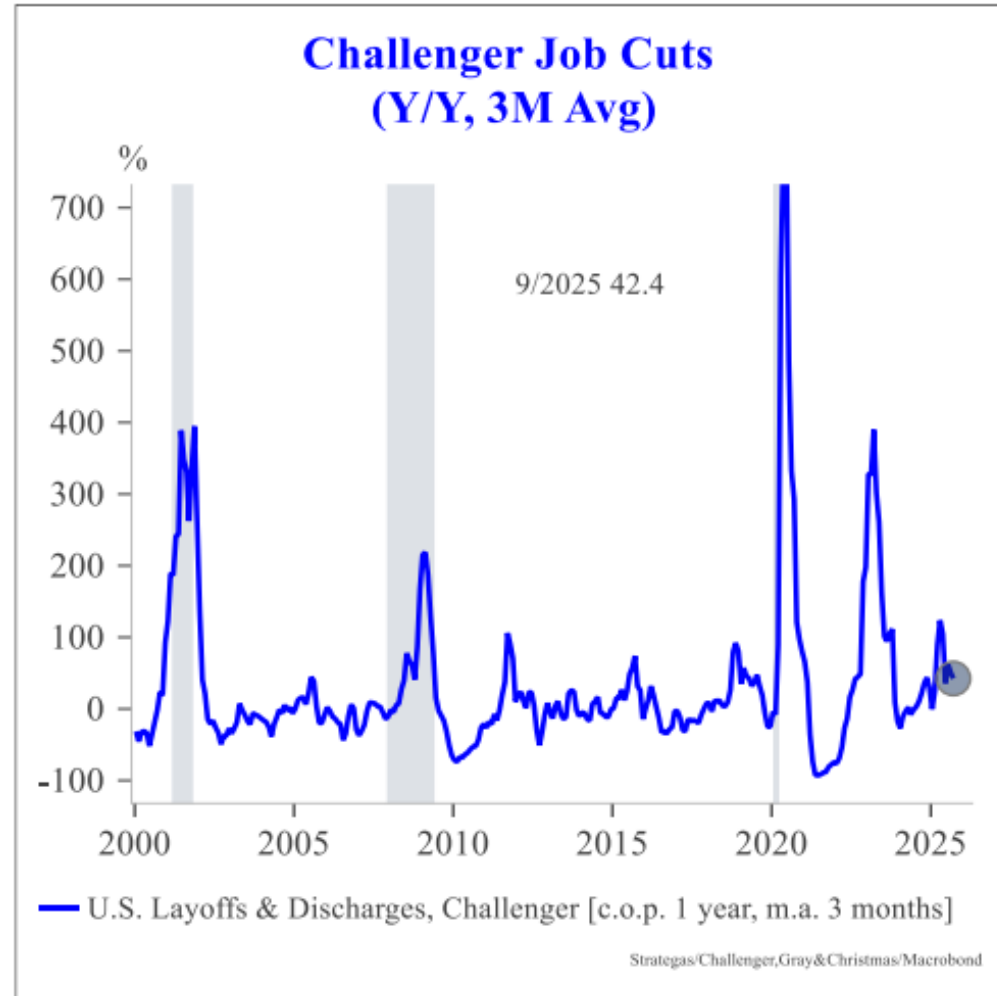
Education Perspective



Slowdown in Hiring



Counterbalanced by Low Level of Firing



Other Items to Watch

- Geopolitics (War/Peace)
- U.S. Semiquincentennial
- Valuations (P/E, P/S, P/B, etc)
- Inflation (CPI, PCE)
- Financial Deregulation
- Mid-Term Political Shift ?
- Impact of Artificial Intelligence on Global Economies (Productivity/Employment)
- U.S. Budget Deficit Trend (National Debt)



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