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# CLA Outlook 2026 Mid-Year Update

June 18, 2026



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# Top 5 Risks

Seen by Business Owners and Investors

1



Recession in  
2026?

2



Inflation  
resurgence?

3



Fed rate  
decisions?

4



AI impact on  
economy and  
labor market?

5



Geopolitical  
risk impact on  
portfolio?

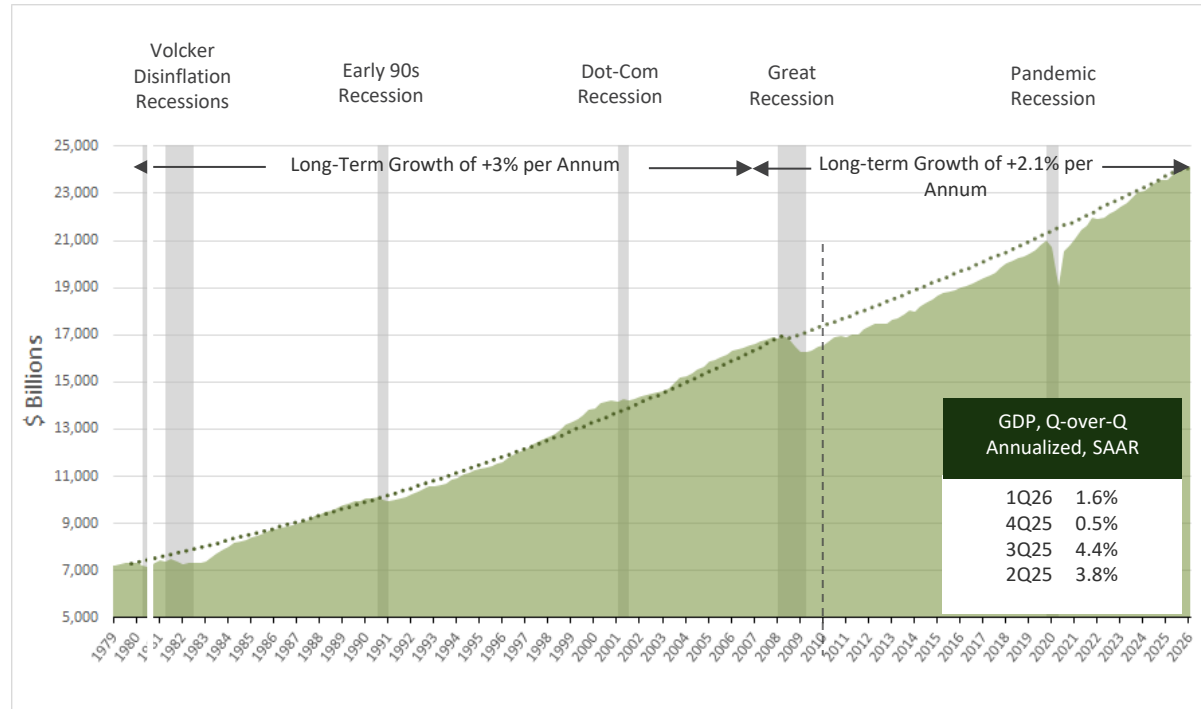


# Our 2026 Forecast – What has Changed?



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

Recession odds in 2026 are at an all-time low of 14% per Polymarket



Grey areas denote recessions.

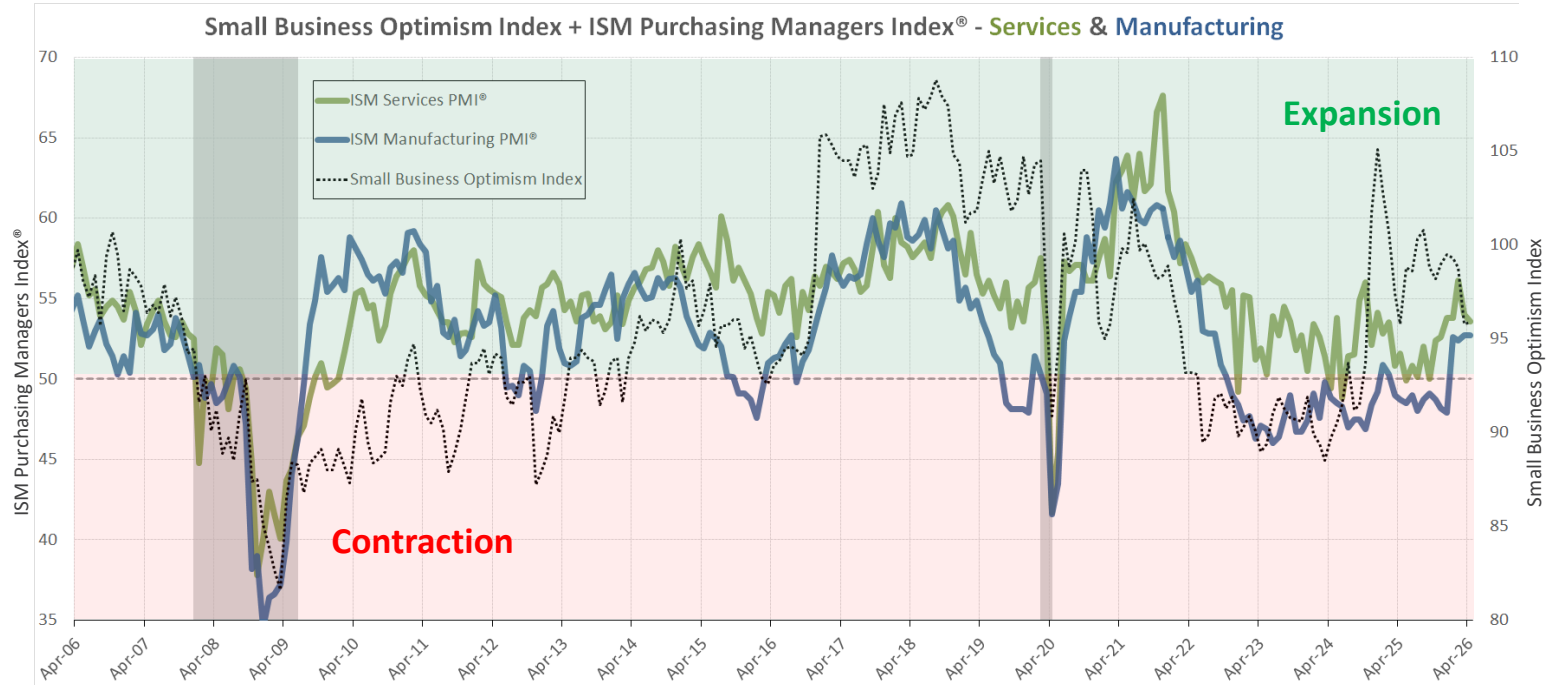
Data is based upon availability as of 5/29/2026

Source: Apollo Global Management



# Both Manufacturing and Services Sectors are Expanding

Re-onshoring of manufacturing incentives and consumer spending responsible



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

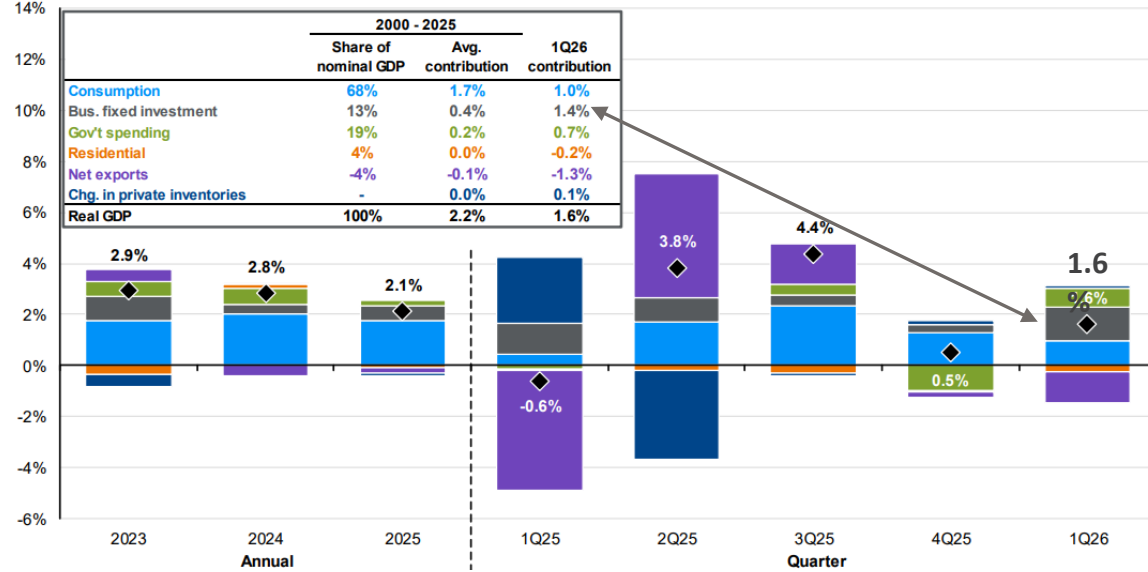


# Above-Trend Growth is Led by Business Investment

Contributors to real GDP growth

## Contributors to real GDP growth

Seasonally adjusted annualized rate



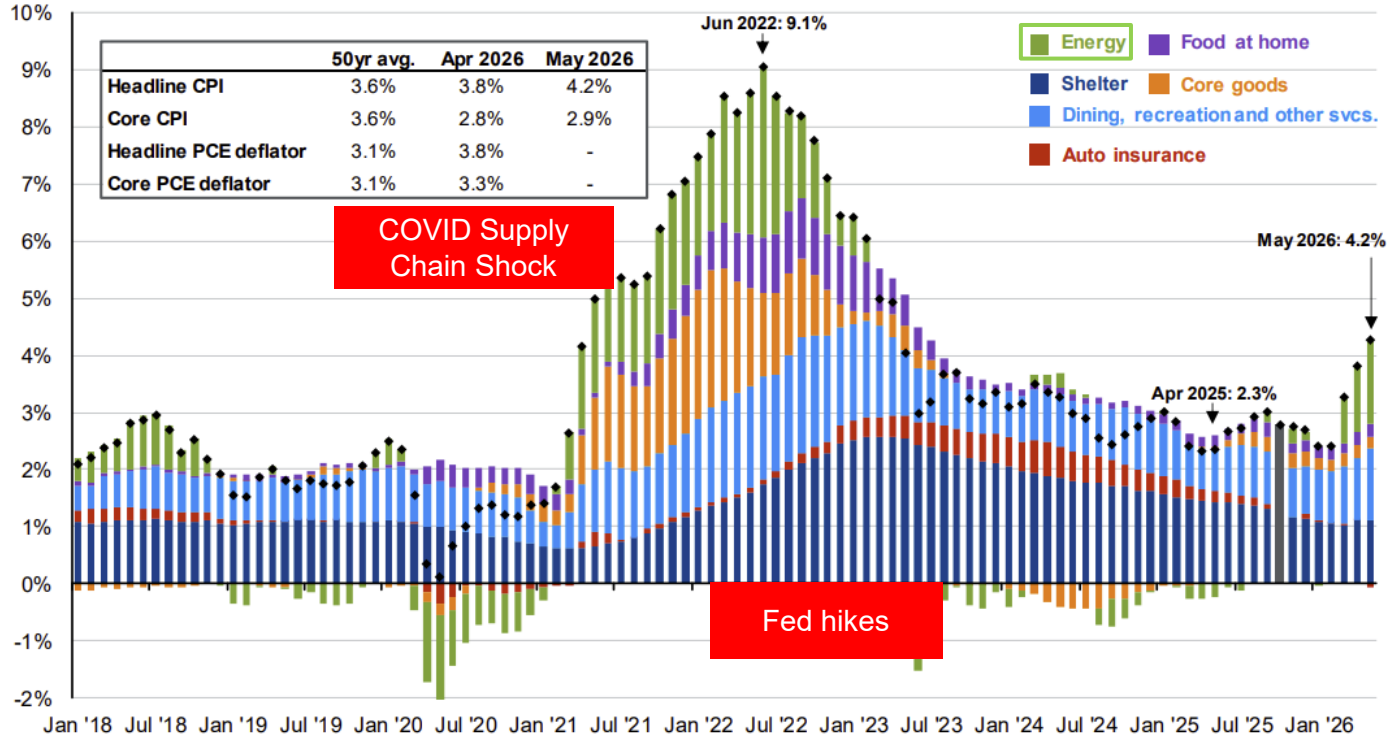
Source: BEA, FactSet, Standard and Poor's, J.P. Morgan Asset Management.  
Data is based upon availability as of 5/29/2026



# Iran Conflict Leads to a Near-term Rise in Inflation

## Contributors to headline CPI inflation

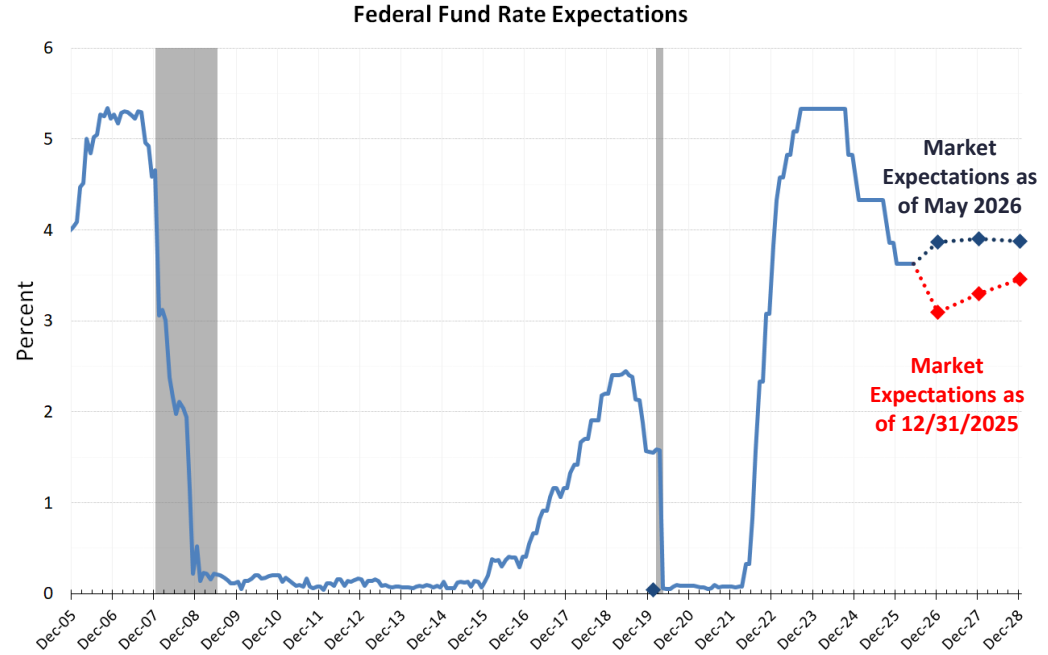
Contribution to year-over-year % change in CPI, non-seasonally adjusted



# Fed Rate Expectations Have Now Flipped to Hikes

**Jan 2026:**  
95% chance of  
at least  
1 rate cut

**May 2026:**  
62% chance of  
at least  
1 Fed Rate hike

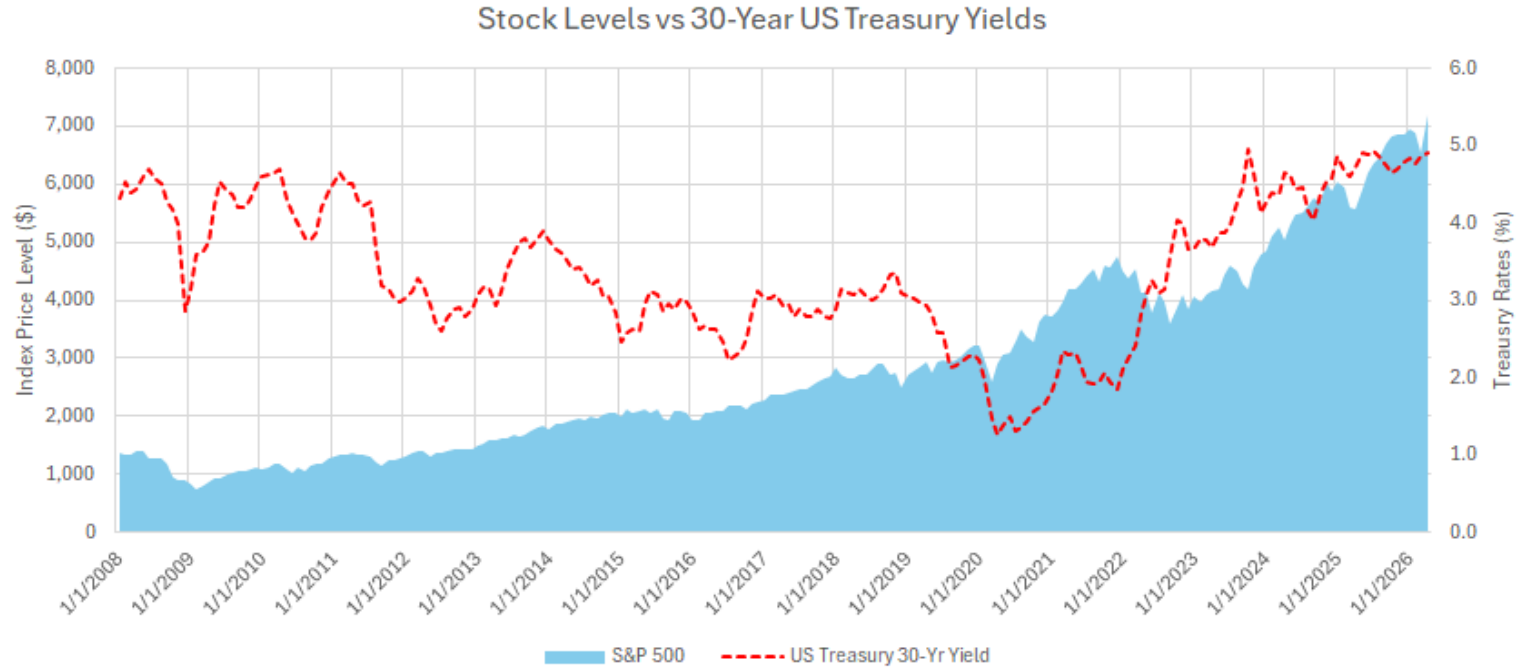


Source: JP Morgan Asset management, Federal Reserve of St. Louis



# Divergence in Markets

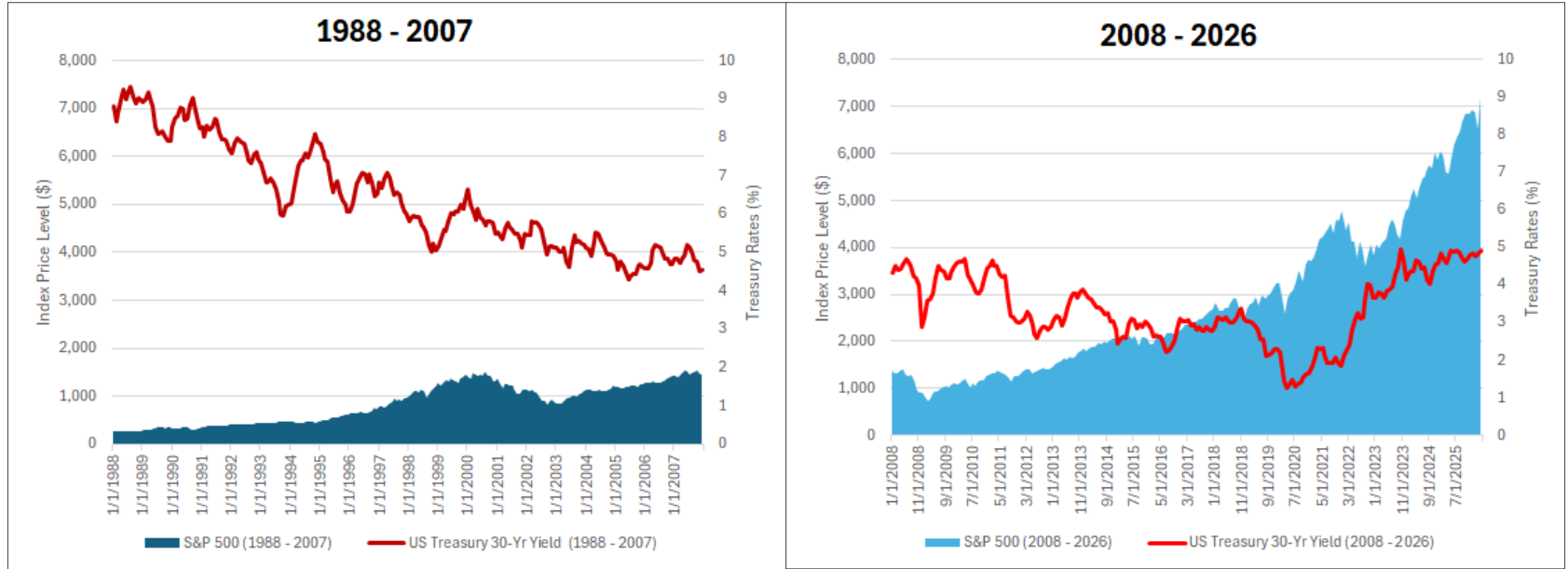
Stocks at all-time highs even as bond yields at 18-year highs as Fed rate hikes priced in



Source: S&P Global, Bloomberg, Federal Reserve of St. Louis, CLA Wealth Advisors



# Stock Levels vs. 30-Year U.S. Treasury Yields



Source: S&P Global, Bloomberg, Federal Reserve of St. Louis, CLA Wealth Advisors

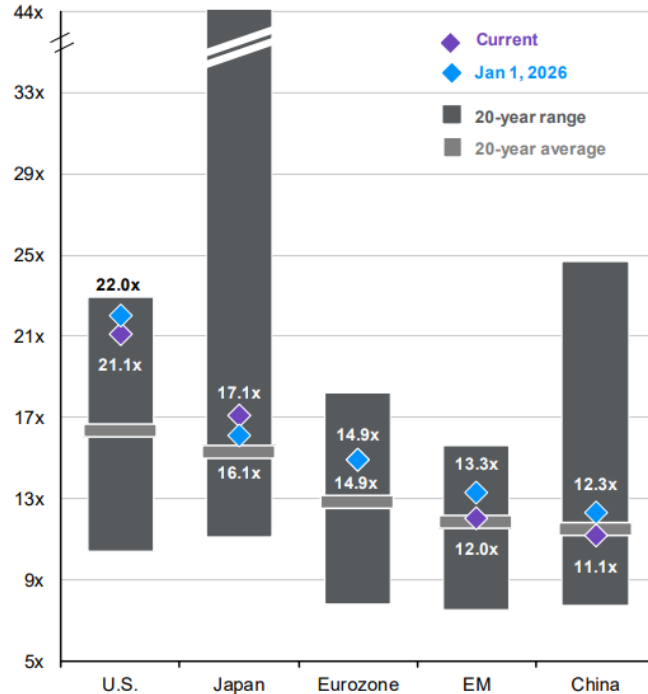


# Stock and Bond Valuations Moving In Opposite Directions



## Valuations by region/country

Forward P/E ratio

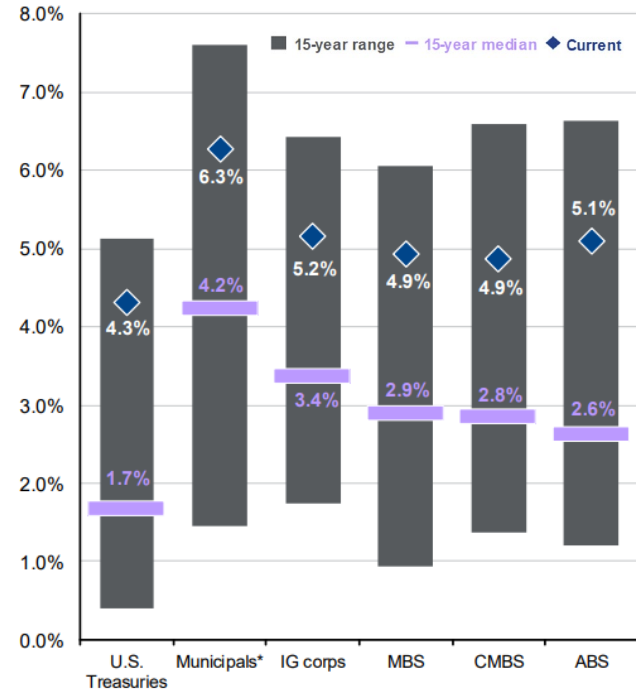


Source: FactSet, MSCI, Standard and Poor's, J.P. Morgan Asset Management.

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## Yield to worst across fixed income sectors

Percent, past 15 years

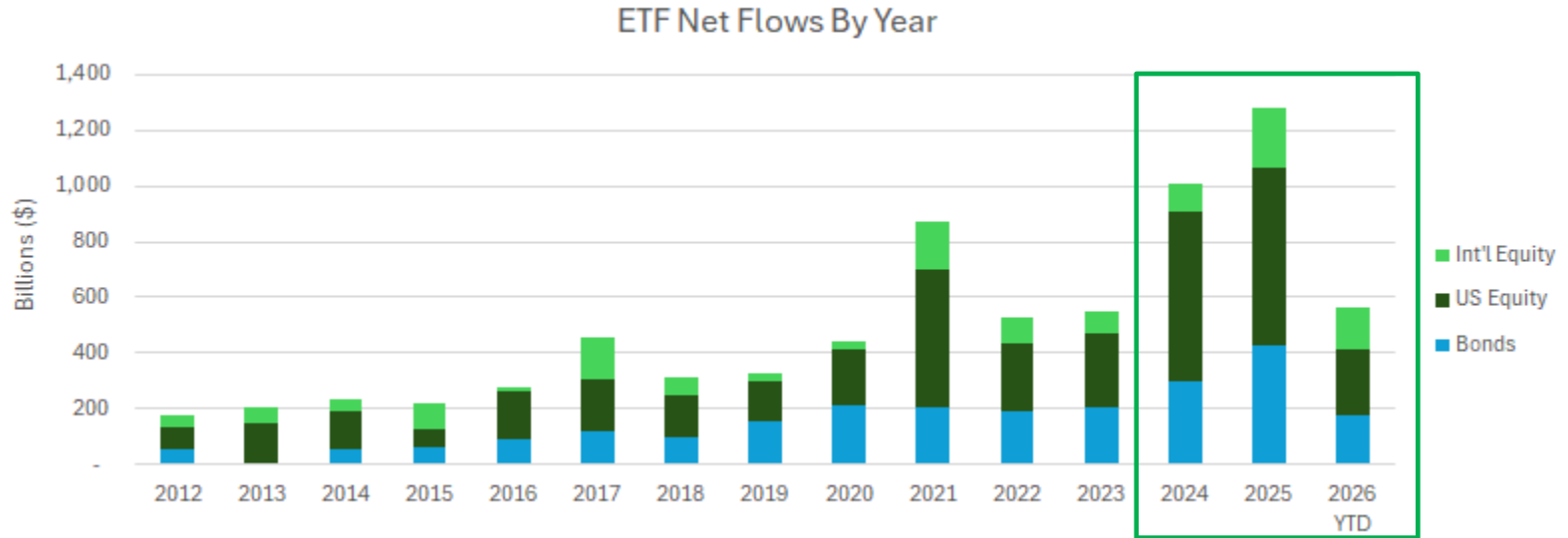


Source: Bloomberg, FactSet, J.P. Morgan Credit Research, J.P. Morgan Asset Management.



# Yet Money Continues to Flow to Both U.S. Stocks And Bonds

Stocks higher following earnings growth while bonds are seeing inflows as investors lock in yield

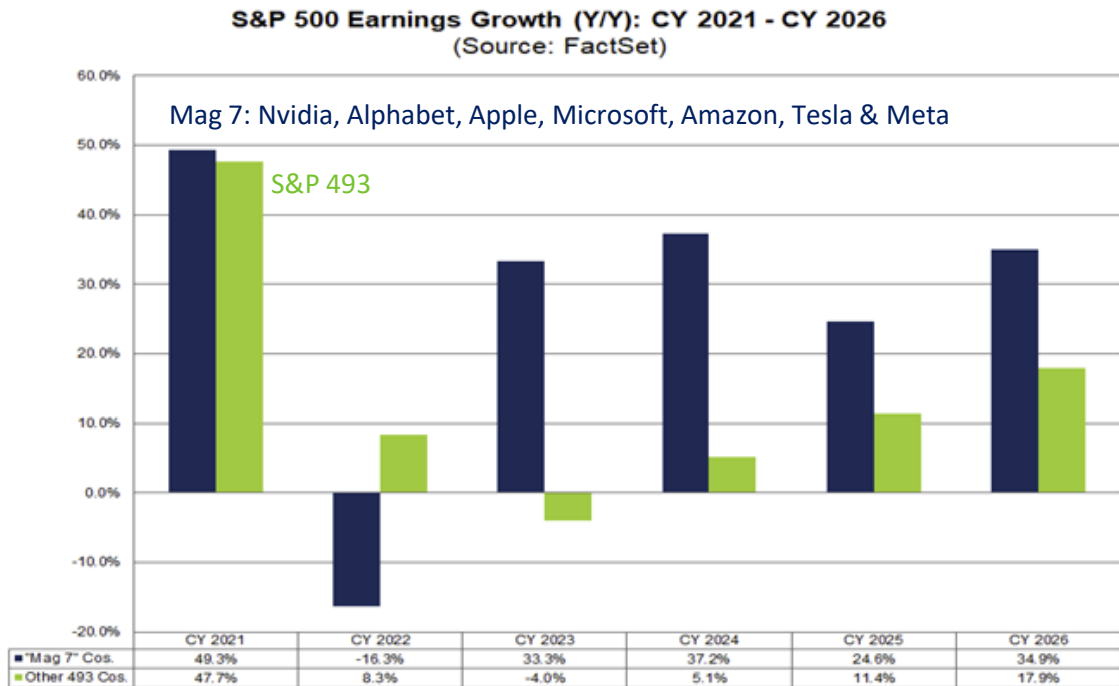


Source: Morningstar



# Stock Earnings Growth Is Broadening Out

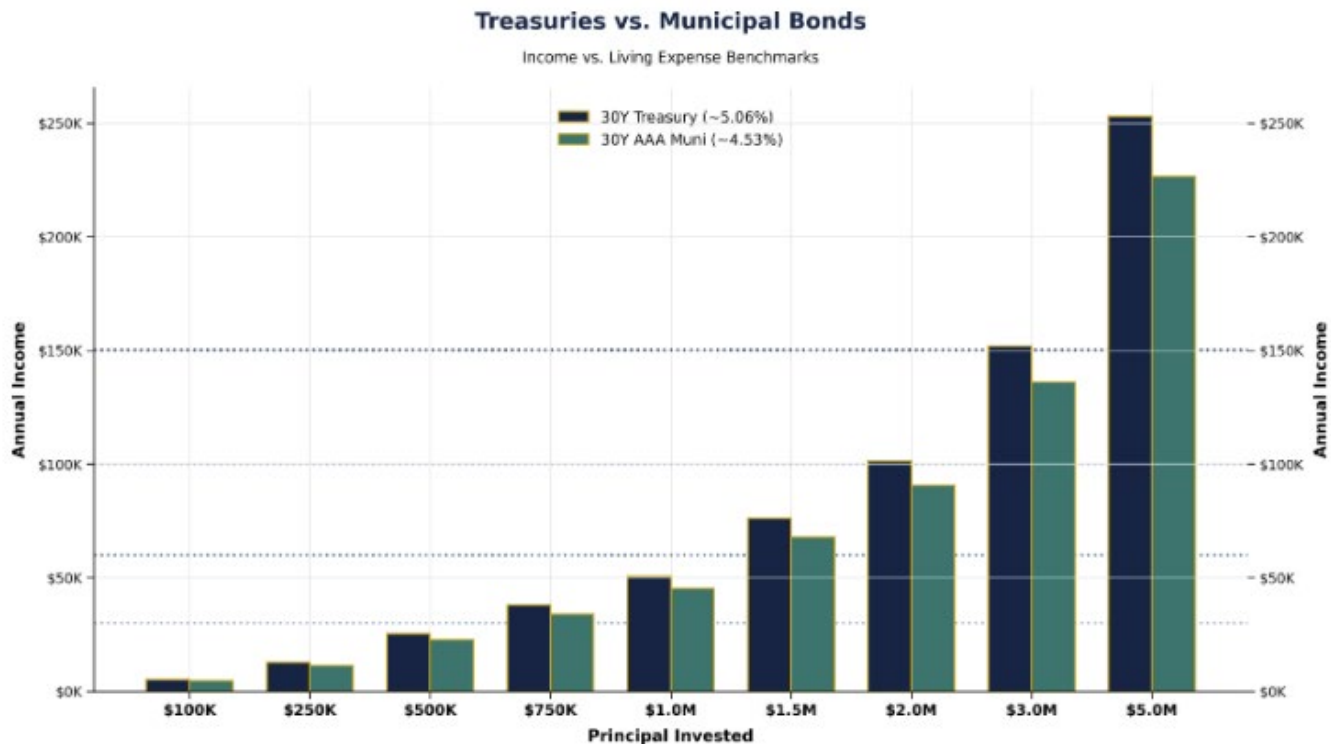
Non-mag 7 stocks seeing highest growth since 2021



Source: Factset



# Bonds Now Have Attractive Income – Even After Taxes



Source: Apollo Global Management



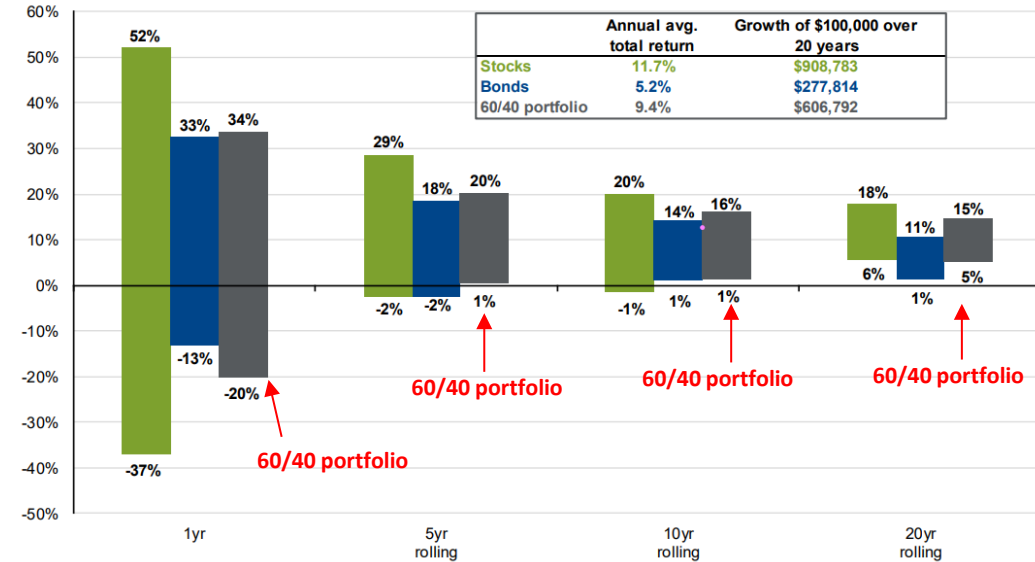
# Diversified Portfolios Help Navigate Market Volatility

Annualized volatility and total return, 1Q98 – 4Q25

Portfolio allocation	Volatility	Annualized returns
40 Equities/60 Bonds	6.8%	6.5%
60 Equities/40 Bonds	9.8%	7.6%
80 Equities/20 Bonds	13.2%	8.4%
35 Equities/55 Bonds/10 Alts	6.3%	6.9%
55 Equities/35 Bonds/10 Alts	9.4%	7.9%
75 Equities/15 Bonds/10 Alts	12.8%	8.8%

## Range of stock, bond and blended total returns

Annual total returns, 1950 - 2025



Source: Bloomberg, FactSet, Federal Reserve, Standard & Poor's, Strategas/Ibbotson, J.P. Morgan Asset Management.



# 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



# Key Opportunities For Business Owners



Leverage AI and automation to expand capacity and reduce costs



Explore selling your business as valuations across industries remain elevated



Take advantage of OBBBA benefits (100% bonus depreciation, immediate R&D expensing, Opportunity Zone extension)

# Key Opportunities For Investors



Stay broadly invested in quality U.S. stocks (indexes, dividend payers, small cap and international)



Lock in attractive bond yields for income and cash management needs



Be selective about alternative exposure – and be careful about leverage



# Thank you!



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