Macro & Market Outlook

as at June 30, 2026

Central Banks

(unchanged*)

- Policy is likely to remain data-dependent and uneven across regions, with inflation volatility limiting the scope for synchronized easing.
- The Federal Reserve ("US Fed") held rates steady through the Second quarter of 2026, maintaining the federal funds rate range at 3.50% - 3.75%. The Committee remains focused on restoring price stability.
- The most likely scenario is that interest rates will hold through 2026 as employment and the economy have both remained stable. The key concern is persistent inflation pressure, although policymakers appear reluctant to raise rates further given the potential risk to the labour market.
- The European Central Bank continues to increase likelihood of an interest rate hike due to high inflation and lower base rate. The Bank of England, like the US Fed has maintained higher rates but may still increase rates further before the end of the year. Europe has increased pressure due to energy cost driven inflation.

Liquidity & Credit

(unchanged*)

- Total household debt increased by $18 billion, or 0.1 percent, to reach $18.8 trillion in the first quarter, according to the latest Quarterly Report on Household Debt and Credit. Aggregate delinquency showed little change, with transitions into early delinquency holding steady for auto loans and ticking down for credit cards and mortgages.[1]
- Persistent inflation may cause central banks to keep rates tighter for longer and increase borrowing costs. Increased tension or further supply chain disruptions could weaken household purchasing power and tighten liquidity.
- According to S&P Global Ratings, the Global Credit Cycle Indicator pointed to continued credit expansion into 2026. However, the war in the Middle East could reverse the expansionary trend.[2]

Economics

(unchanged*)

- Geopolitical tensions in the Middle East are becoming a more persistent downside risk to the global economic outlook as the conflict remains unresolved. Continued disruption around key energy and shipping routes raises the risk of renewed commodity-price spikes, higher freight and insurance costs, and broader supply-chain stress. These pressures could keep inflation elevated for longer, weigh on household purchasing power and business margins, and force economists to further reduce GDP growth expectations if the conflict broadens or persists.[3]
- According to the OECD, global GDP growth estimates for 2026 decreased to 2.8% but 2027 remained 3.1%.[4]
- The economic data remains volatile with strong employment data and AI investment powering the economy. But continued disruptions through the past few years have hurt long-term growth potential and continue to be a drag.

Legend:

NEG. NEUTRAL POS.

*Change from the previous 12-month outlook.

[1] https://www.newyorkfed.org/microeconomics/hhdc
[2] https://www.spglobal.com/ratings/en/regulatory/article/credit-cycle-indicator-q2-2026-the-middle-east-war-could-accelerate-credit-deterioration-s101677494
[3] https://www.oecd.org/en/publications/oecd-economic-outlook-volume-2026-issue-1_2d1956f0-en.html
[4] https://www.oecd.org/en/publications/oecd-economic-outlook-volume-2026-issue-1_2d1956f0-en.html

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Valuations (unchanged*)	• Overall valuations have stayed relatively steady since last quarter. The US equity market remain on the higher end of their historical range. For reference, the S&P 500's price-to-earnings (P/E) ratio is currently at 25. In comparison, the P/E ratio for the S&P 500 Equal Weight Index Fund is at 19, which falls within its 10-year range of 15 to 25. • S&P 500 valuations remained stretched due to the AI trade despite geopolitical uncertainty. Fixed income offers more attractive starting yields than in the prior decade, making high-quality duration and income strategies more competitive with equities. • International stocks (MSCI EAFE) maintain a lower valuation (P/E at 18) compared to domestic US Equity, as less growth is priced in.
Sentiment (unchanged*)	• The University of Michigan's Consumer Sentiment Index, which tracks US consumer sentiment, stood at 54 in June 2026 after low of 45 in May 2026. Consumer sentiment remains below long-term average and is at 10-year lows.[5] • The July 15th, 2026, American Association of Individual Investors Sentiment Survey showed a bullish split of 44.9% bullish, 32.9% bearish and 22.2% neutral.[6] • CEO sentiment improved in Q2 2026, with negative assessments of general economic conditions declining to 15%, down from 39% in Q1. However, the short-term outlook remained cautious: 24% of CEOs expected conditions to improve, while 40% expected them to worsen.[7]
Technical (US Large Cap)[8] (unchanged*)	• The S&P 500 Index is assessed as weak positive for medium-term and positive for long-term horizons. • S&P 500 signals increasing optimism among investors and indicates continued rise. The index is approaching resistance at 7600 points; however, a breakthrough will be a positive signal. • Leadership concentration remains a technical risk; narrow market breadth could make indices more vulnerable to reversals in a small number of dominant stocks.
Overall (unchanged*)	**Conclusion:** Overall, the outlook is constructive due to extended uncertainty. Risk assets can continue to perform if earnings remain resilient and inflation gradually moderates, but valuations, credit spreads and crowded positioning leave markets vulnerable to shocks. Portfolio positioning should emphasise quality, diversification and disciplined risk management. Flexibility in portfolio construction is valuable during times of volatility.

[5] https://tradingeconomics.com/united-states/consumer-confidence [6] https://www.aaii.com/sentimentsurvey
[7] https://www.conference-board.org/topics/CEO-Confidence/
[8] https://www.investtech.com/main/market.php?CompanyID=99200005&product=4

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* Change from the previous 12-month outlook.
** The weights to calculate the Overall rating are determined by Argus Wealth at its discretion.

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