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MARKET SIGHT*LINES*

Outlook 2026: *Rewiring Growth*
Spotlight No. 1:
A Brief Summary

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As is our practice at the start of each year, this week we released our annual outlook report, Outlook 2026: *Rewiring Growth*. The report brings together a series of articles designed to help investors look back at the forces that shaped 2025 and look forward to the themes, risks, and opportunities that may define the year ahead. You can read the full report, watch a video summary, or join our upcoming client webinar, but in this week's Sight|Lines, we offer a brief overview of the publication and its major components.

THE TAKEAWAY: OUR OUTLOOK REPORT OFFERS SEVERAL ARTICLES

Outlook 2026: *Rewiring Growth* combines a review of 2025 with thematic, policy, and market outlooks for 2026 and beyond. In summary:

- Our *2025 in Review* discusses last year's market volatility, firmer-than-expected inflation, Federal Reserve rate cuts, resilience in economic growth and company earnings, and wide-ranging equity returns.
- Stifel Chief Washington Policy Strategist Brian Gardner shares *Washington in a Midterm Election Year*, explaining how policy uncertainty remains an important swing factor this year.
- *Geopolitical Dashboard: A Fragmented World* highlights key geopolitical risks and their potential investment implications.
- *Artificial Intelligence: Runway for Growth* explores why we view AI not as a short-term bubble, but as a long-duration growth catalyst.
- *Fiscal Trajectory: Borrowed Time* examines the troubling scale of federal deficits and debt, outlining four possible paths forward.
- *Outlook 2026: Rewiring Growth* builds on this work to explain how our future growth trend is being rewired by AI investment, evolving policy, and shifting capital deployment.
- We again share other articles about our asset allocation approach and insights, our investment management process, and where to find our guidance going forward.

IN-DEPTH: A CLOSER LOOK AT THE ARTICLES THAT SHAPE OUR 2026 OUTLOOK

Each section of the Outlook 2026: *Rewiring Growth* publication addresses a distinct force influencing the economic and market landscape. Going deeper:

- Our *2025 in Review* shares that a volatile year ended up better than most expected:
  - GDP was negative in the first quarter but is estimated to have grown above 2% for the year.
  - Markets declined on trade worries in April but rebounded on AI optimism and resilient earnings.
  - Equity returns were varied: The MSCI EAFE index posted a 31% return, the S&P 500 returned 18%, the equal-weighted S&P 500 returned 11%, and the quality small cap-focused S&P 600 returned 1%.
- Chief Washington Policy Strategist Brian Gardner shares *Washington in a Midterm Election Year*:
  - Midterm dynamics narrow the legislative window for major policy changes.
  - Trade, tariffs, and industrial policy remain central themes.
  - Leadership changes at the Fed add another layer of uncertainty.
- *Geopolitical Dashboard: A Fragmented World* highlights geopolitical risks and investment implications:
  - U.S.-China competition remains a central long-term risk, including AI infrastructure and deployment.
  - Cybersecurity and defense-related risks remain elevated, with more military hotspots emerging.
  - Fragmentation and protectionism continue to challenge global supply chains.
- *Artificial Intelligence: Runway for Growth* explores AI as a long-duration growth catalyst:
  - Hyperscalers continue record investment in important infrastructure – chips, data centers, and power.
  - Enterprise adoption is early, but the focus will soon turn from investment to measured productivity.
  - Some studies project global GDP could be 14% higher by the early 2030s as adoption accelerates.
- *Fiscal Trajectory: Borrowed Time* explains how the U.S. fiscal outlook remains a growing issue:
  - Federal debt exceeds $38 trillion, or roughly 125% of GDP.
  - Interest costs continue rising due to elevated rates, big deficits, and increasing debt.
  - Four scenarios illustrate outcomes ranging from gradual adjustment to more disruptive corrections.
- In Outlook 2026: *Rewiring Growth* builds on this work to offer our views for 2026 and beyond:
  - We see future growth being rewired by AI investment, setting up for a higher trend going forward.
  - AI optimism and execution keep economic growth positive, with GDP up 1.75%-2.5% in 2026.
  - Inflation cools further, and the Fed cuts rates one or two times toward the end of the year.
  - Equity market returns broaden, and the S&P 500 earns a return of 10%, ending the year at 7,450.
- We share these articles about investing: *Stifel's Approach to Asset Allocation*, *Our Investment Management Process*, *Allocation Insights*, and where to find our guidance, stifelinsights.com.

CONCLUSION

Outlook 2026: *Rewiring Growth* presents a constructive but disciplined view of the year ahead, framed by the accelerating influence of artificial intelligence, evolving policy dynamics, and a shifting global backdrop. Together, the articles are intended to provide context, perspective, and practical guidance as investors navigate an environment defined less by a single macro inflection point and more by structural change. We invite you to read the full report, watch a video summary, or join our upcoming client webinar.

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