

LOOK AHEAD

Q4 2026

Will the Consumer Hold?

Disclaimer

IMPORTANT INFORMATION | Q4 2026 LOOK AHEAD

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The Consumer Still Hasn't Quit

CONSUMER DASHBOARD | Q4 2026 LOOK AHEAD

The consumer is bending, not breaking. Real pay is flat, debt service is manageable, and job growth is increasingly concentrated. That keeps spending in the game—but it is no longer an easy story.

REAL WAGE CHANGE
SINCE AUG. 2020

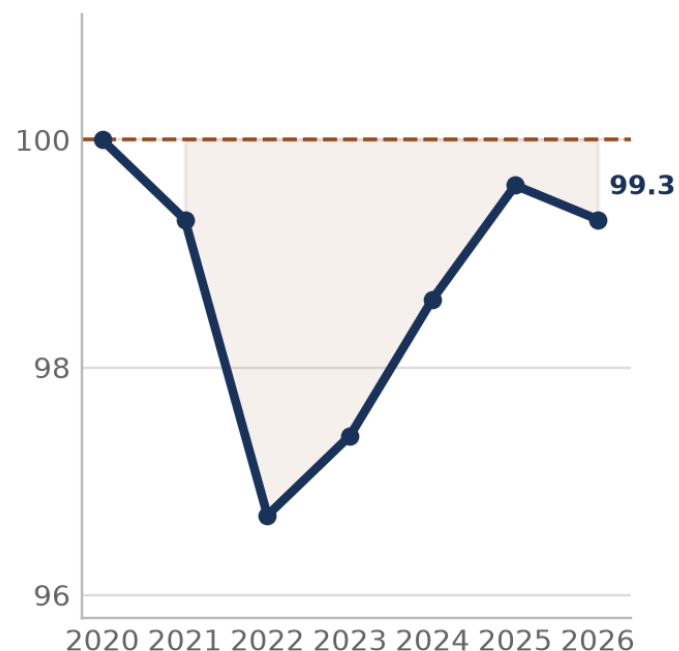
-0.7%

DEBT SERVICE
OF DISPOSABLE INCOME

11.1%

Real average hourly earnings

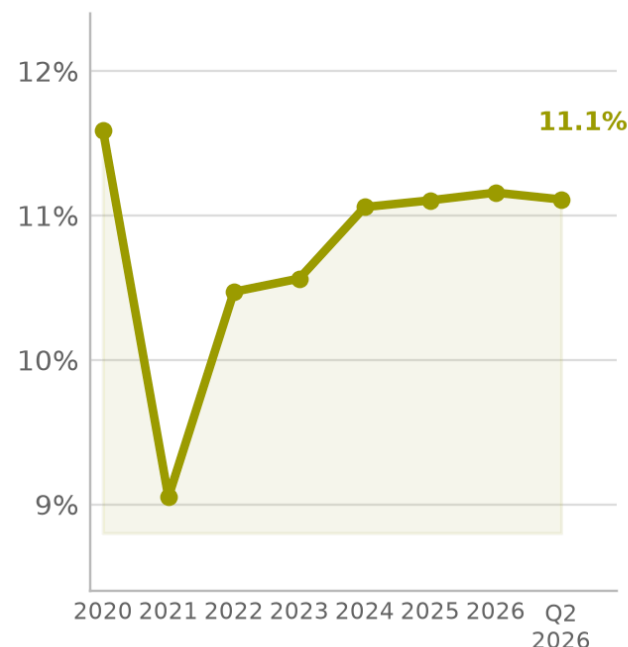
August each year; 2020 = 100



Real earnings remain below August 2020.

Household debt service burden

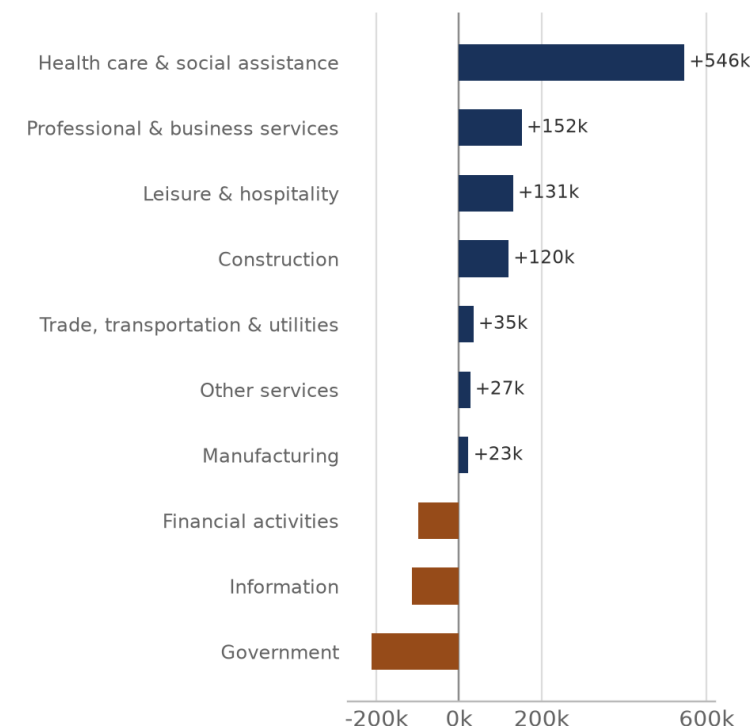
Payments as % of disposable personal income



Debt service remains below its Q1 2020 level.

Where the jobs are coming from

Change in payroll employment, Aug. 2025 to Aug. 2026



Health care supplied 91% of payroll growth.

Inflation Isn't Everywhere, But It's Somewhere

INFLATION MONITOR | Q4 2026 LOOK AHEAD

Inflation has a concentration problem. Core CPI is 2.4%, but energy is up 16.3% and is carrying roughly a third of headline CPI. The pressure is direct at the pump—and potentially visible elsewhere.

HEADLINE CPI
12-MONTH CHANGE

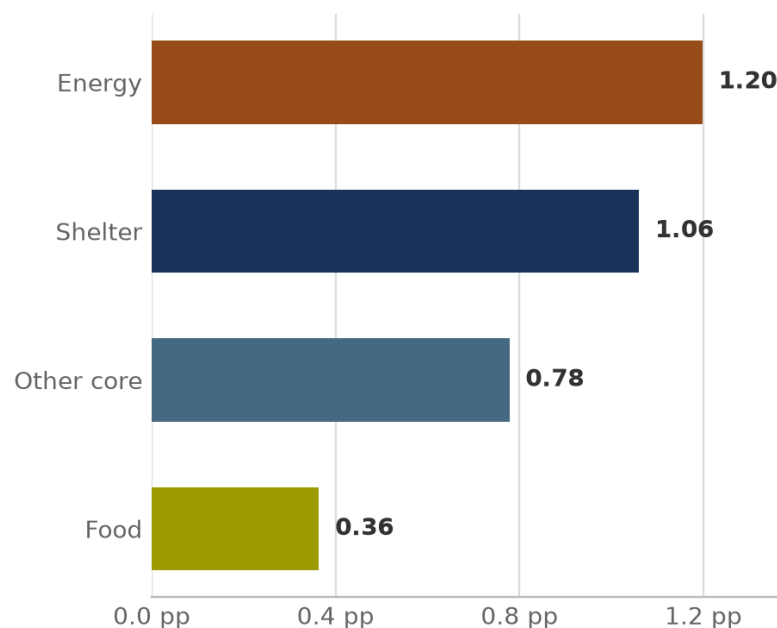
3.4%

DIRECT ENERGY EFFECT
APPROX. CONTRIBUTION

1.2 pp

What's inside 3.4% headline CPI?

Approx. 12-month percentage-point contribution



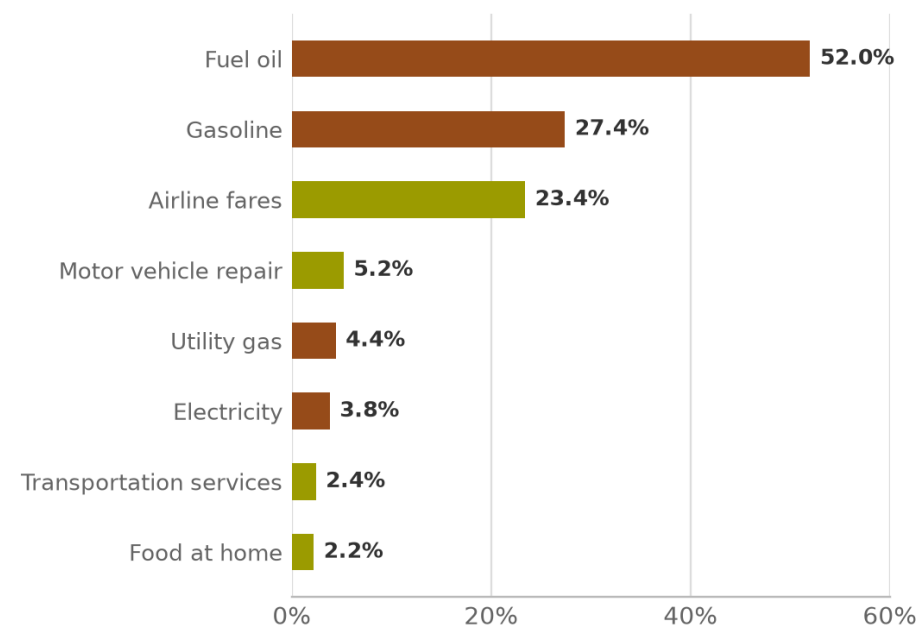
Selected effects reconcile to 3.4% headline CPI.

Energy is the largest selected contribution; core inflation is otherwise more dispersed.

Where energy is direct—and where it may echo

12-month price change; selected CPI categories

Direct household energy Energy-sensitive example



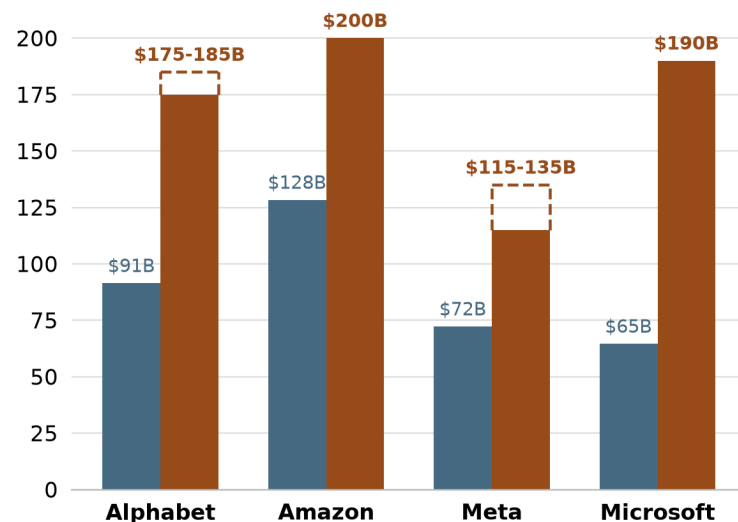
Green = observed co-movement, not BLS causal attribution.

The AI Bill Is Due—And Being Paid

INFRASTRUCTURE & MONETIZATION | Q4 2026 LOOK AHEAD

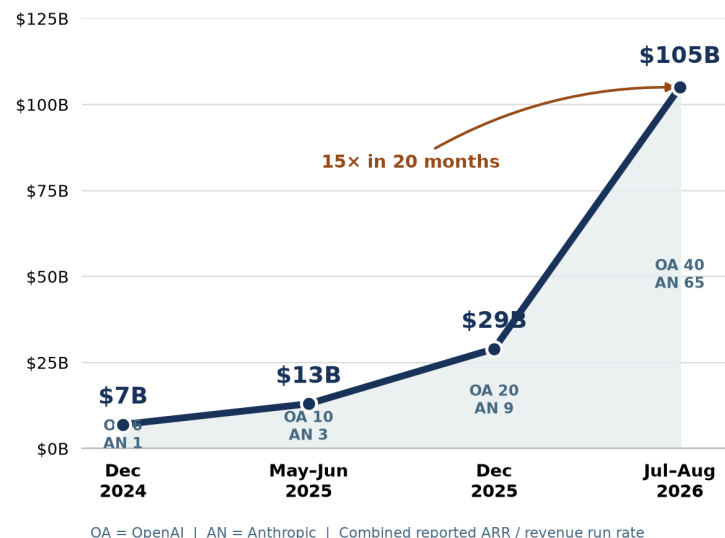
Where's the beef? It's showing up in the run rates. The four largest platforms are planning roughly \$680 billion of total infrastructure spend in 2026. The payoff is emerging in enterprise: the two leading labs' combined reported run rate rose from roughly \$7 billion at year-end 2024 to more than \$100 billion by mid-2026.

1. The Bill: Cloud & AI Infrastructure



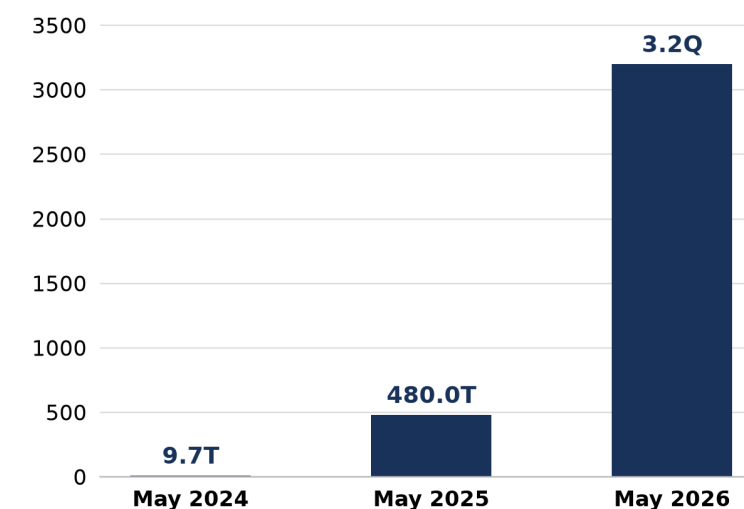
Slate = 2025 actual. Rust = 2026 plan. These are total technical and physical footprints—not AI-only—but AI capacity is a major driver of the step-up.

2. The Payoff: A Revenue Hockey Stick



Combined reported annualized run rates: \$7B to \$105B+ in 20 months. Run rate is not audited revenue—but the direction and scale say customers are paying for real workloads.

3. The Demand: Token Volume



Google's self-reported monthly token processing volume across its surfaces (May 2026). Usage has scaled by a factor of roughly 330x in two years, confirming that AI capacity is actually being consumed.

The Price of Money Has Changed

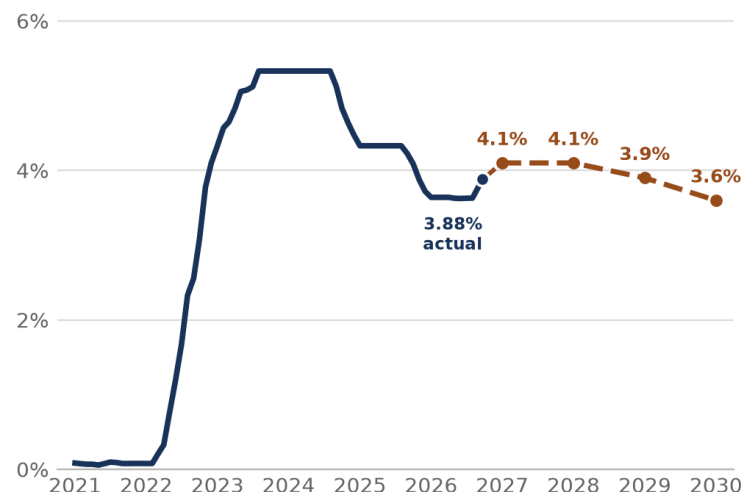
RATES & VALUATION | Q4 2026 LOOK AHEAD

There is nothing especially exotic about a 4% policy rate. The adjustment is psychological. The FOMC's median path keeps policy near 4% through 2027, leaving less room for the zero-rate era's generous multiples. Cash flow, duration, and the cost of capital matter again.

From zero to a 4% world

Effective federal funds rate and FOMC median policy path

— Actual effective rate — FOMC median end-of-year path

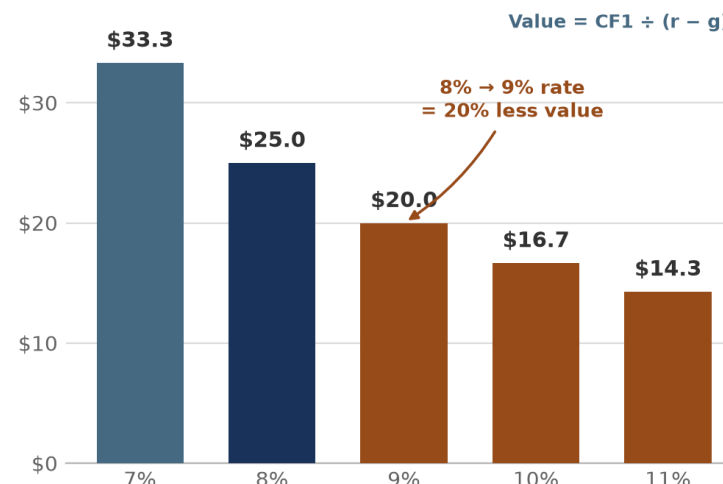


Dashed line = participant projections, not market pricing or Fed guidance.

The participant median sees fewer rate cuts than a zero-rate reflex would suggest.

The math is not sentimental

Illustrative terminal value per \$1 of next-year cash flow



Assumes 4% perpetual growth; illustrative only, not a valuation of any security.

When the discount rate rises, distant cash flows do not negotiate; their present value simply falls.

CURRENT EFFECTIVE
FED FUNDS RATE

3.88%

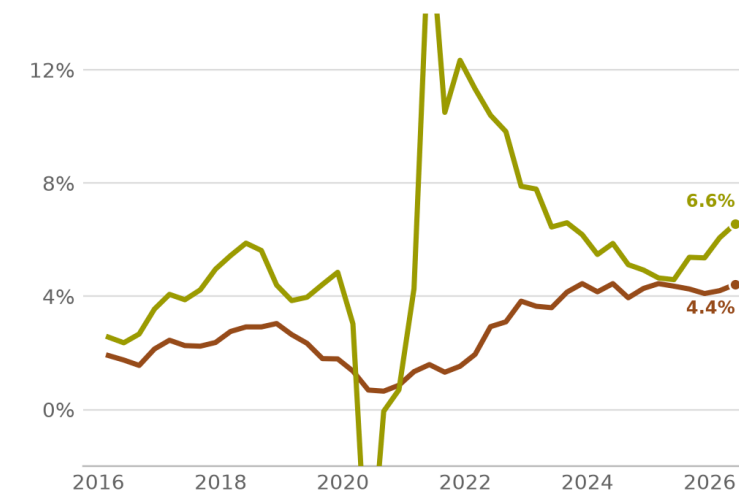
FOMC MEDIAN
2029 RATE

3.6%

Long rates now have competition

10-year Treasury yield versus nominal GDP growth

— 10-year Treasury — Nominal GDP, 4-qtr growth



Quarterly average yield; GDP is nominal, 4-quarter change. Descriptive, not causal.

Nominal growth still exceeds the 10-year yield, but the bond market is no longer offering free duration.

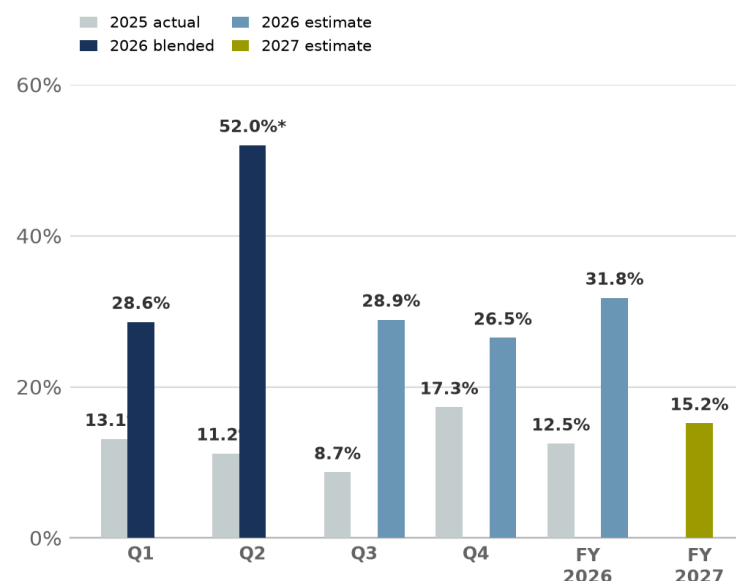
U.S. Earnings Are Doing the Heavy Lifting

EARNINGS & VALUATION | Q4 2026 LOOK AHEAD

The market can be expensive and still be supported by results. FactSet sees earnings growth above 25% through Q4, while margins remain at levels that were records only a few quarters ago. The fine print matters: Q2 was helped by large investment gains. But even after backing those out, the earnings story remains more substantial than the narrative usually allows.

S&P 500 Earnings Growth: 2026 vs. 2025

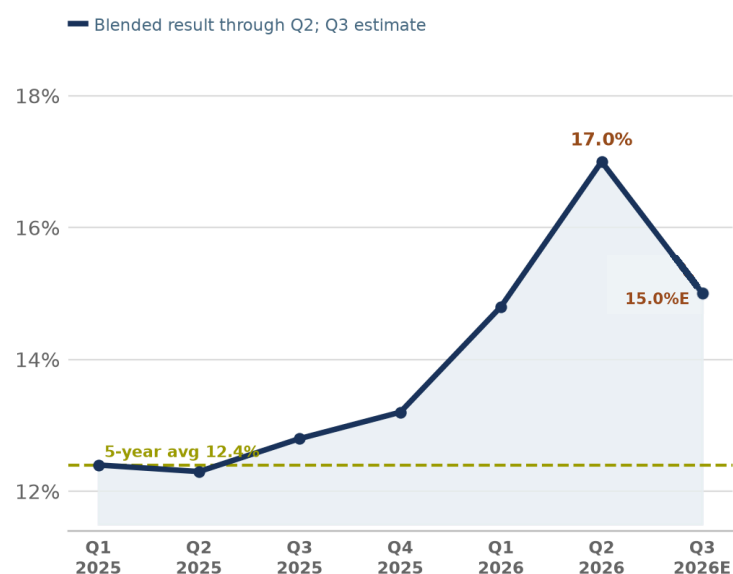
(Year-over-Year EPS Growth by Quarter)



*Q2 includes unusual Alphabet/Amazon gains. FY 2027E is the current FactSet outlook.

Profit margins have stepped higher

S&P 500 blended net profit margin



Q3 estimated margin is above Q3 2025 (13.0%) and the 5-year average (12.4%).

FACTSET FY 2026
EARNINGS GROWTH

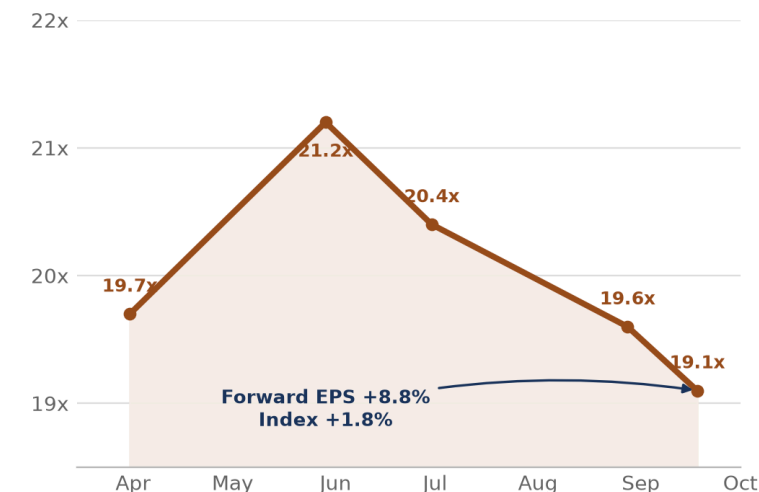
31.8%

FORWARD P/E
SEPTEMBER 18

19.1x

Valuations are moderating

S&P 500 forward 12-month P/E ratio



FactSet observations; P/E fell 1.3 turns from May 29 to September 18.

The Q3-style comparison makes the step-up plain: current 2026 growth is materially higher than 2025, while FY 2027E returns to a more measured 15.2%.

Q3 is expected to remain well above both the year-ago 13.0% and the 5-year 12.4% average.

Valuation has moderated as estimates moved faster than prices. The multiple is still not cheap.

International Earnings Are Broadening

DEVELOPED & EMERGING MARKETS | Q4 2026 LOOK AHEAD

International earnings are broadening. EM leads the 2026 outlook and retains the stronger 2027 estimate, while trading at a much lower multiple. The catch: a large share of the forecast rests on the Asian technology supply chain.

EM 2026E
EPS GROWTH

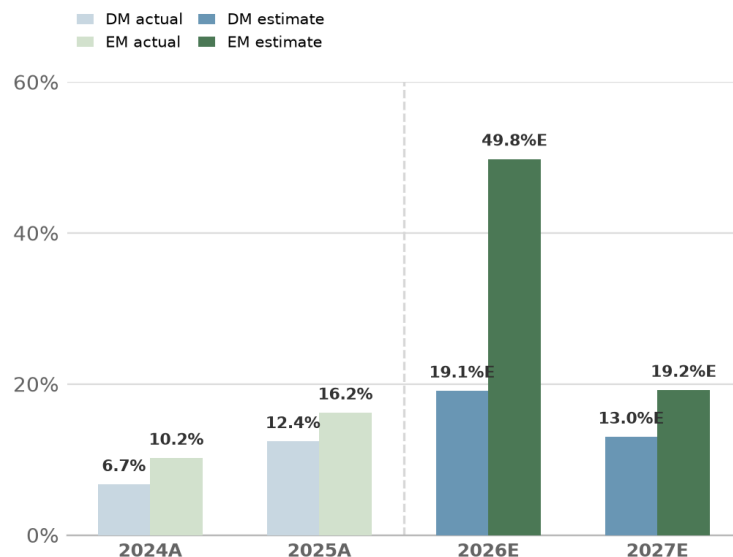
49.8%

EM FORWARD P/E
DISCOUNT TO DM

45.7%

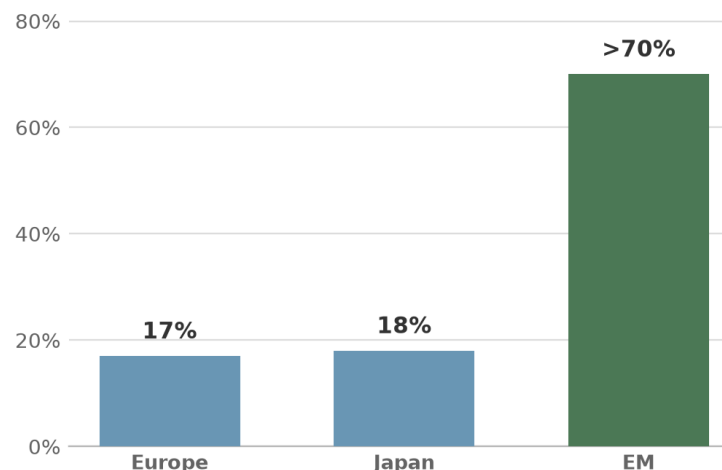
Earnings Growth: DM vs. EM

Annual EPS growth | MSCI World versus MSCI EM



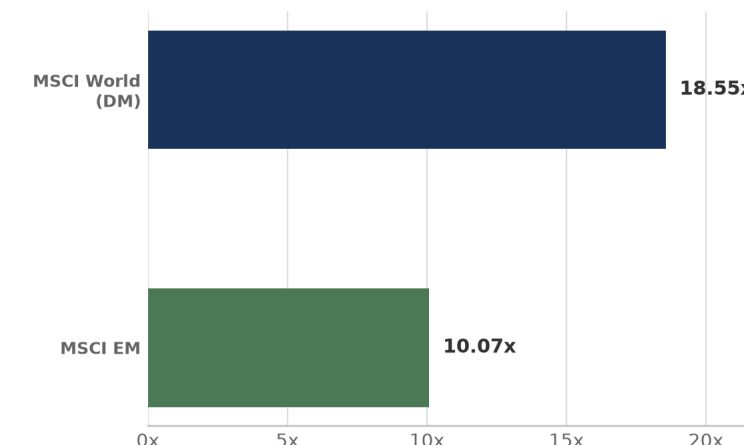
EM Leads the 2026 Earnings Race

Regional consensus EPS growth, September 8



EM Still Trades at a Discount

MSCI 12-month forward P/E, August 31



2024–25 are actual; 2026–27 are FactSet consensus estimates. EM's lead is expected to widen in 2026.

The current snapshot is even clearer: Europe 17%, Japan 18%, and EM more than 70%.

Forward P/E is 18.55x for MSCI World and 10.07x for MSCI EM—a 45.7% discount.

Mean Reversion Dashboard

VALUATION | Q4 2026 LOOK AHEAD

Data as of 9/28/26

Style Forward P/E as a % of 20-Year Average

		Style		
		Value	Blend	Growth
Size	Large	117.8%	112.6%	107.3%
	Mid	93.8%	95.4%	117.7%
	Small	96.5%	117.1%	113.4%

Regions & Countries Forward P/E as a % of 20-Year Average

Regions			
World	Developed Markets	Emerging Markets	Frontier Markets
109.6%	100.7%	65.4%	70.2%

Countries					
United States	Germany	United Kingdom	China	Brazil	India
127.2%	96.2%	82.8%	67.0%	56.0%	124.2%

Sector Forward P/E as a % of 20-Year Average

Sectors										
Energy	Materials	Industrials	Consumer Discretionary	Consumer Staples	Health Care	Financials	Technology	Telecom	Utilities	Real Estate
89.3%	112.6%	152.4%	140.4%	140.5%	125.1%	96.9%	138.7%	118.6%	100.4%	223.1%

Q4 2026 Portfolio Discipline

PORTFOLIO POSITIONING | Q4 2026 LOOK AHEAD

The consumer is bending, not breaking, AI spending is showing up in revenue, and earnings are broadening beyond the U.S. In a 4% world, discipline matters more than prediction.



Stay Invested

- The consumer is bending, not breaking.
- AI spending is showing up in real revenue.
- Don't let headline inflation drive investment decisions.



Stay Diversified

- International earnings are broadening.
- EM trades at a ~46% discount to developed markets.
- EM growth leans on Asian tech.



Focus on Cash Flow

- At a 4% rate, the math is not sentimental.
- Durable cash flow and strong balance sheets matter.
- Valuation discipline remains essential.



Use Volatility — Don't Fear It

- Inflation is concentrated, not everywhere.
- Rebalance strategically when headlines overreact.
- Upgrade quality on pullbacks.



Bottom Line

- The economy keeps adapting to a 4% world.
- Earnings leadership is broadening beyond the U.S.
- Process, patience, and discipline remain the investor's greatest advantages.



Thank You

Q4 2026 LOOK AHEAD

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