



2026 ECONOMIC AND FINANCIAL OUTLOOK

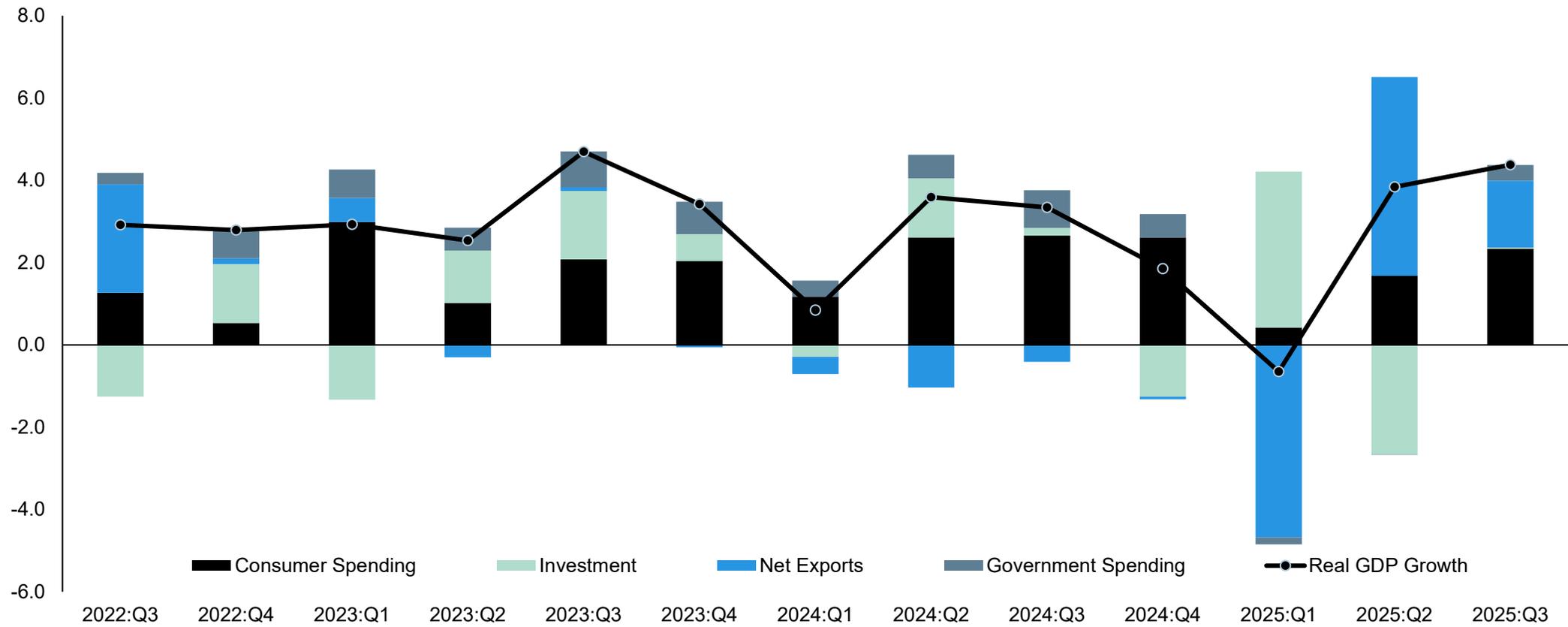
tim@accessmacro.com



Consumer spending continues to improve



Contributions to Real GDP Growth
(Percentage, seasonally adjusted annualized rate)



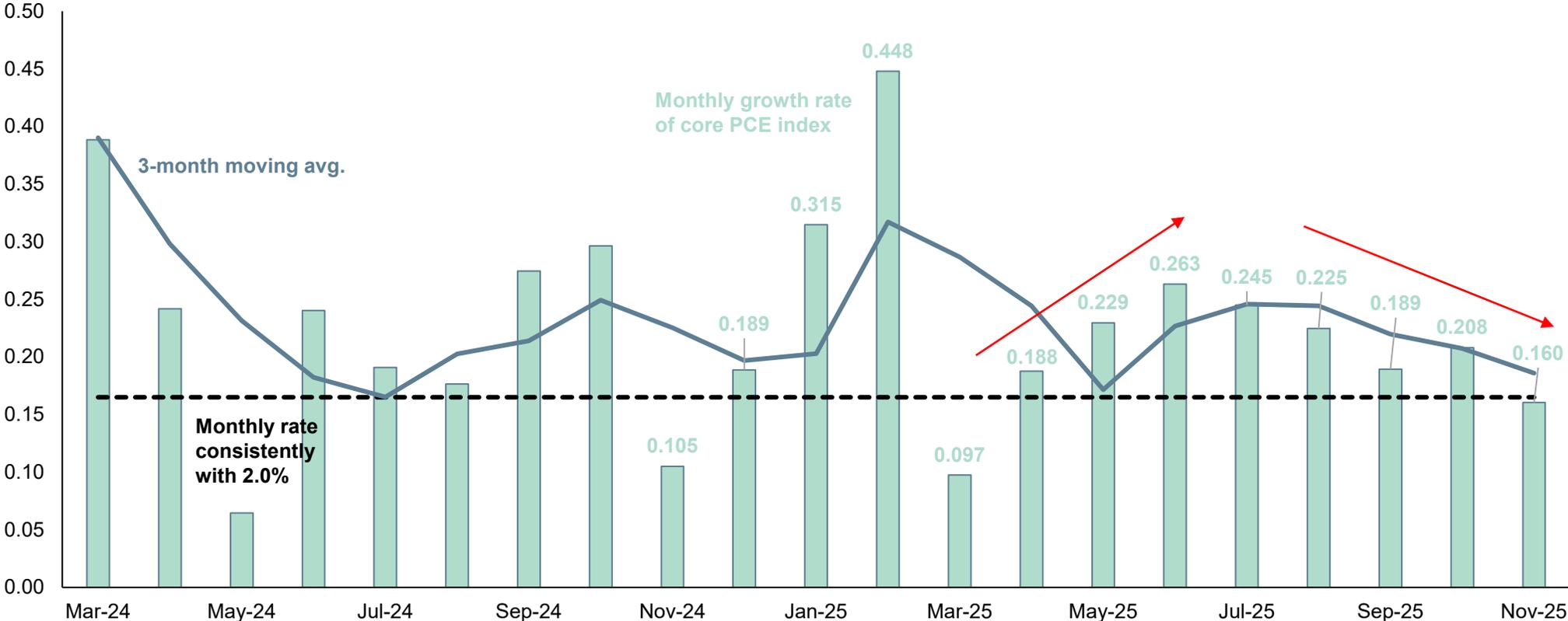
Source: The Bureau of Economic Analysis, Access/Macro.



The pace of core PCE inflation is easing



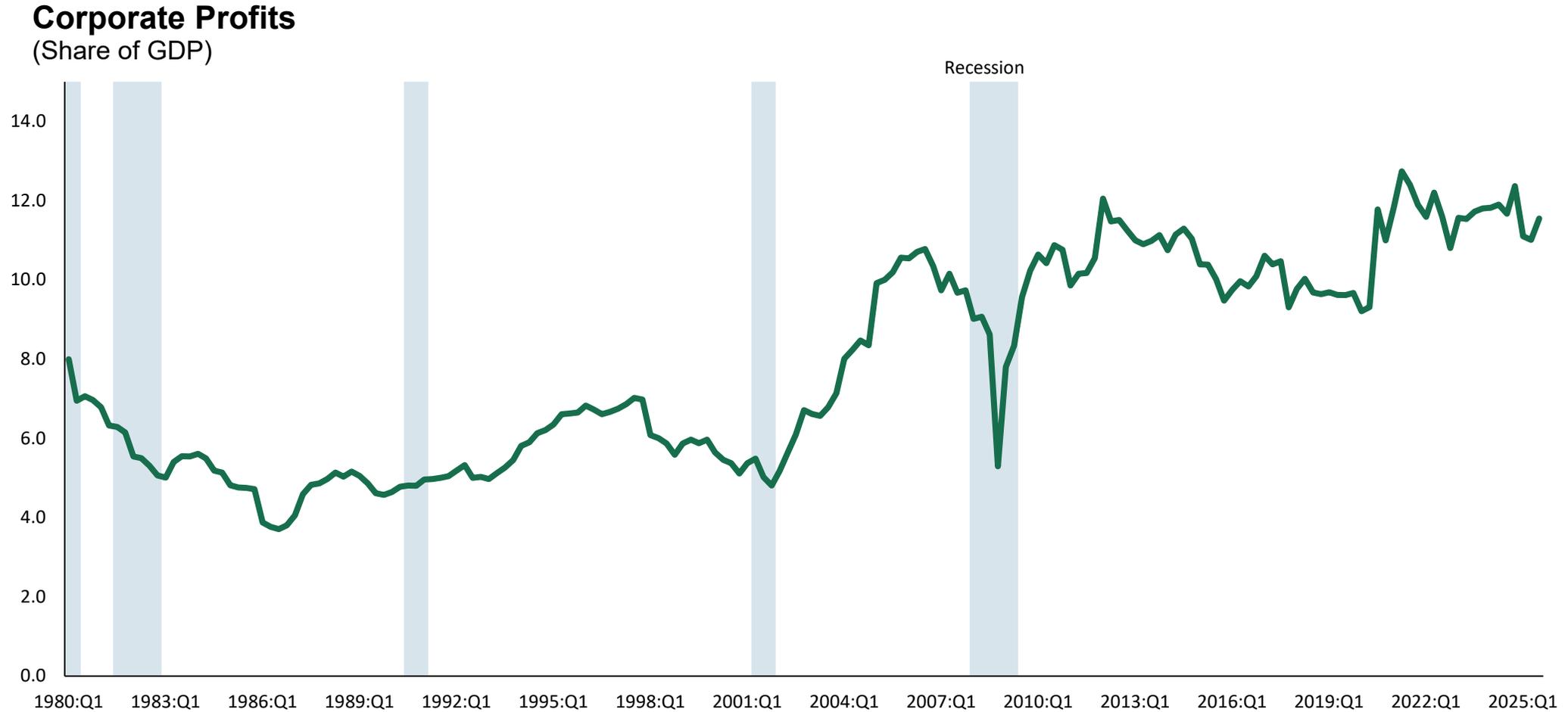
Velocity of core PCE inflation (Percent, month-over-month change in core PCE)



Sources: Bureau of Economic Analysis, Access/Macro.



Profits are a big reason tariff inflation is muted



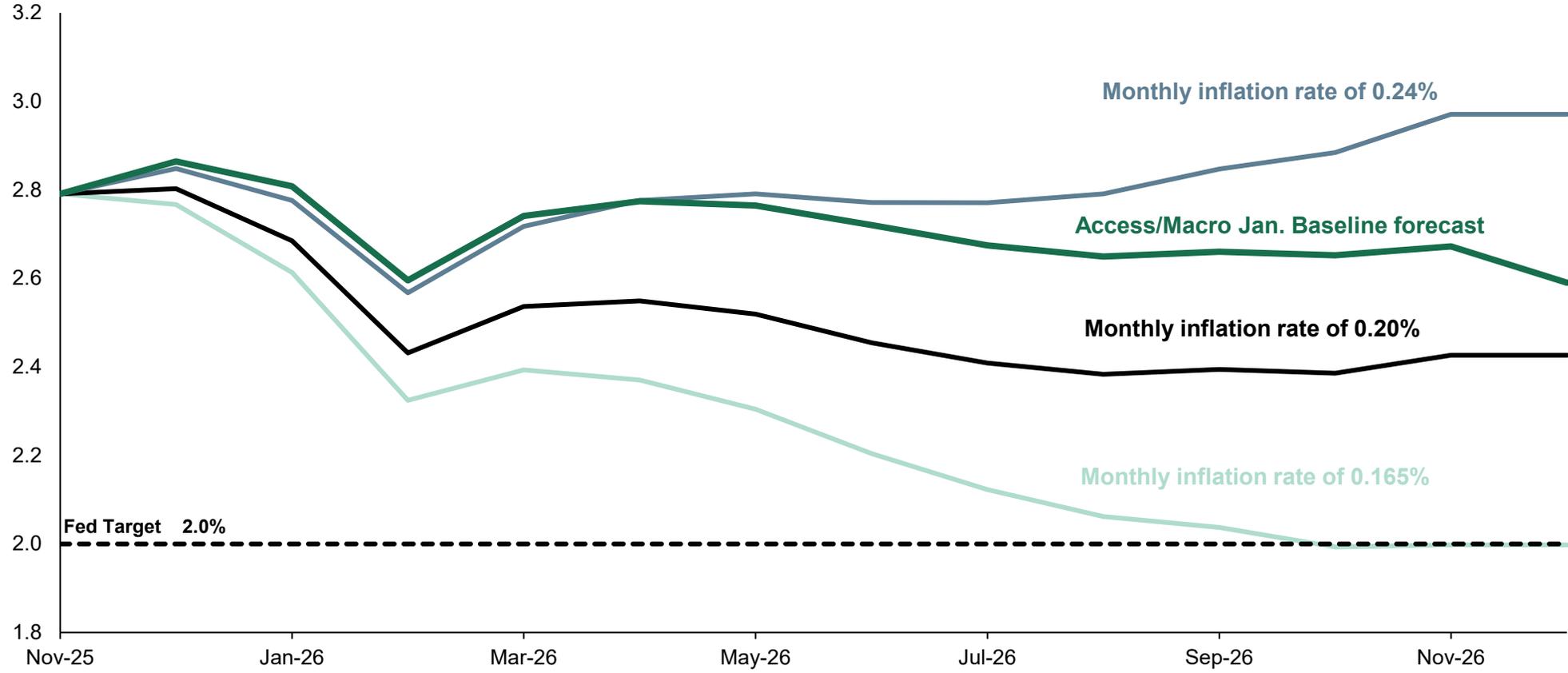
Sources: Bureau of Economic Analysis, Access/Macro.



Without a recession, we may not hit 2% in 2026



Selected inflation scenarios in 2026
(12-month change in the core PCE index, percent)



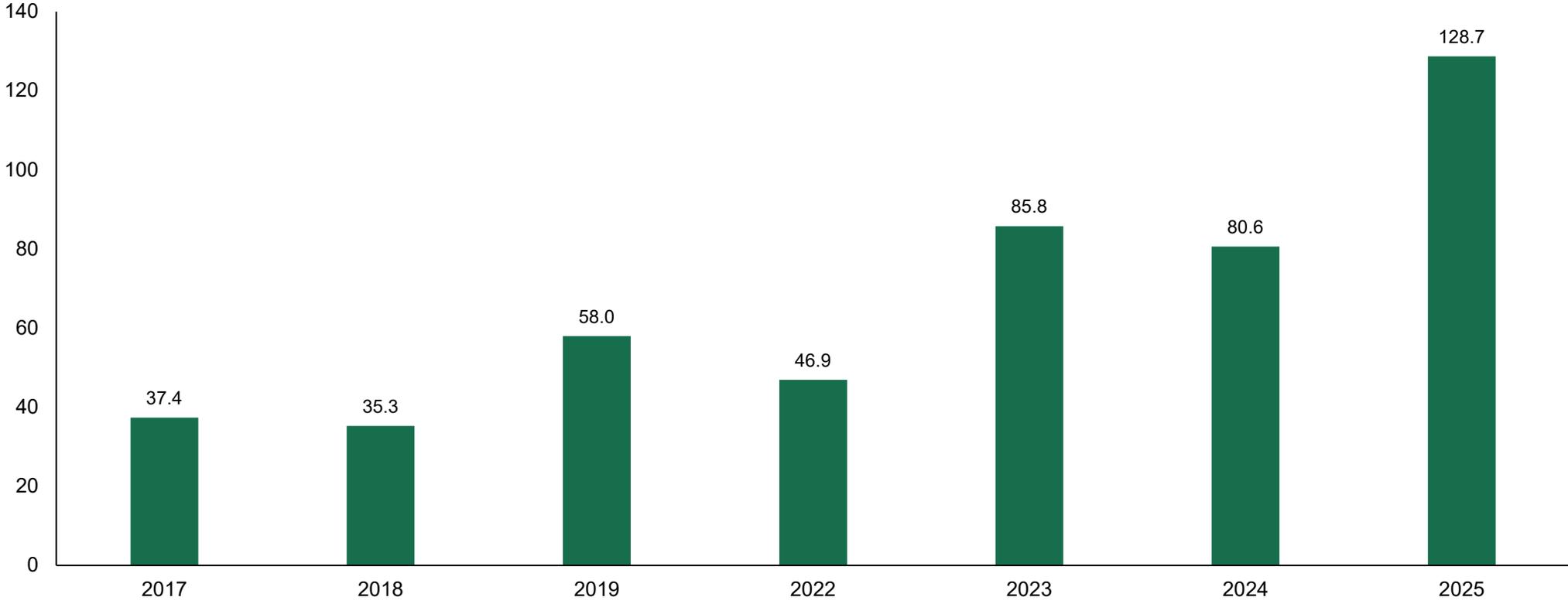
Sources: Access/Macro and the Bureau of Economic Analysis.



The labor market is balancing on one leg



Concentration of Job Gains in the Healthcare & Social Assistance Sector
(Percentage of total employment gains)



1/ The chart above includes only employment gains from the Leisure and Hospitality, healthcare and social assistance and government (all levels) sectors.
Sources: Access/Macro, Bureau of Labor Statistics.

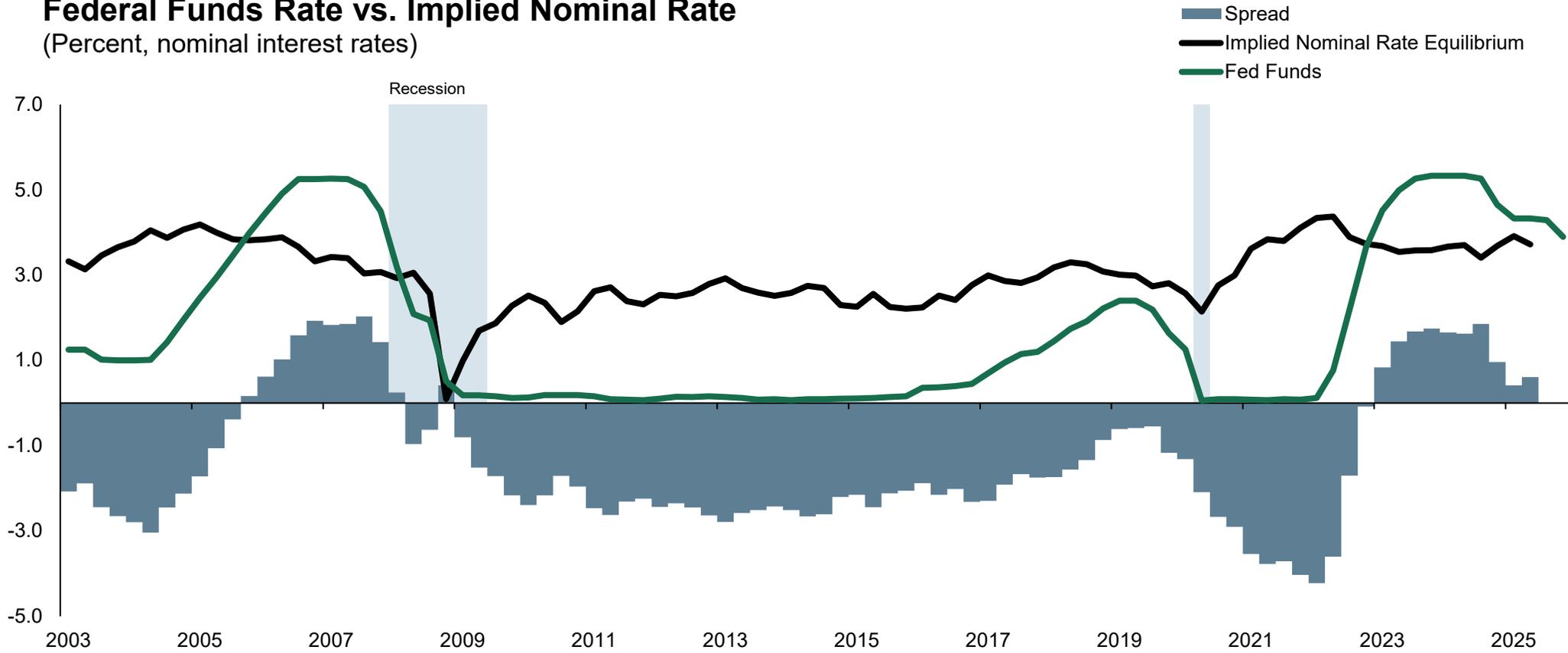


Monetary policy may be approaching neutral



Federal Funds Rate vs. Implied Nominal Rate

(Percent, nominal interest rates)



1/ The implied nominal interest rate is the LW real-time estimate of r-star plus the 5-year TIPS breakeven inflation rate.

2/ Data for the implied rate is through Q2. Data for the federal funds rate is through Q3.

Sources: New York Fed, University of Michigan, Access/Macro.

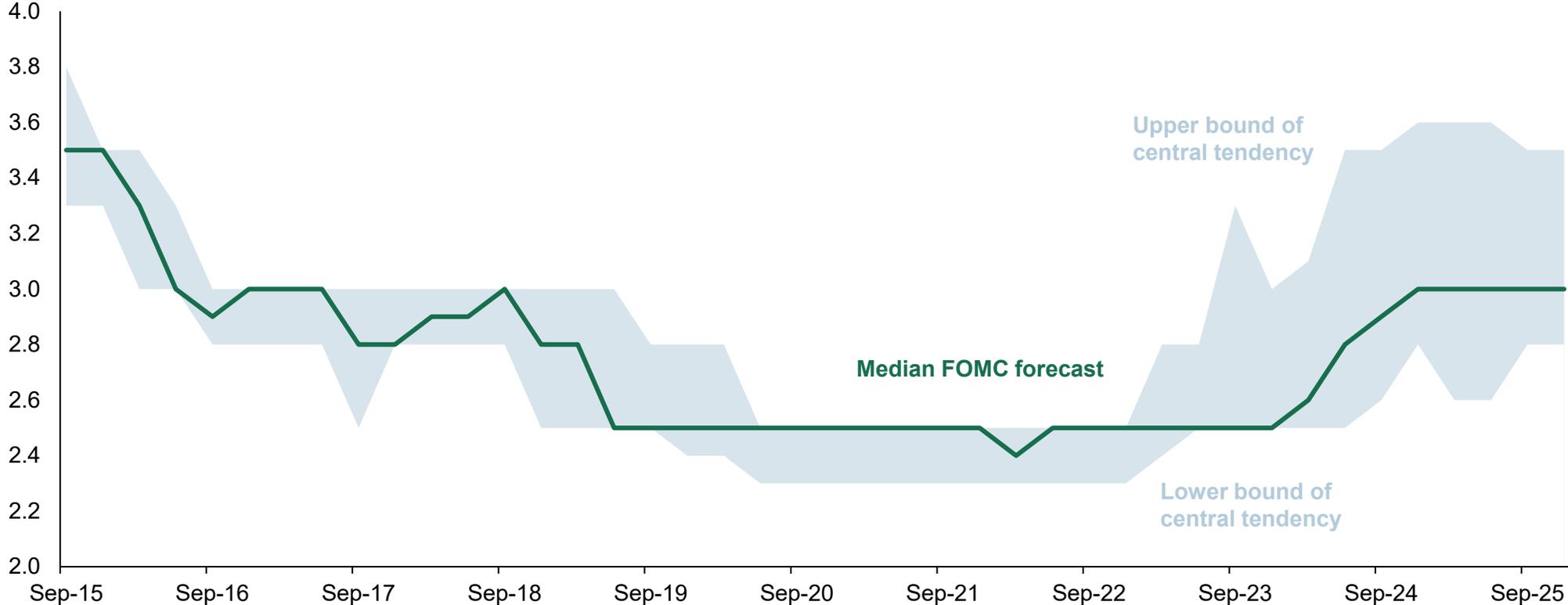




Policymakers are very unsure where they'll stop

SEP Longer Run Rate Projection and Central Tendency

(Percent, median, central tendency)



1/ The central tendency excludes the top three and bottom three FOMC forecasts.
Source: Access/Macro, the Board of Governors of the Federal Reserve.

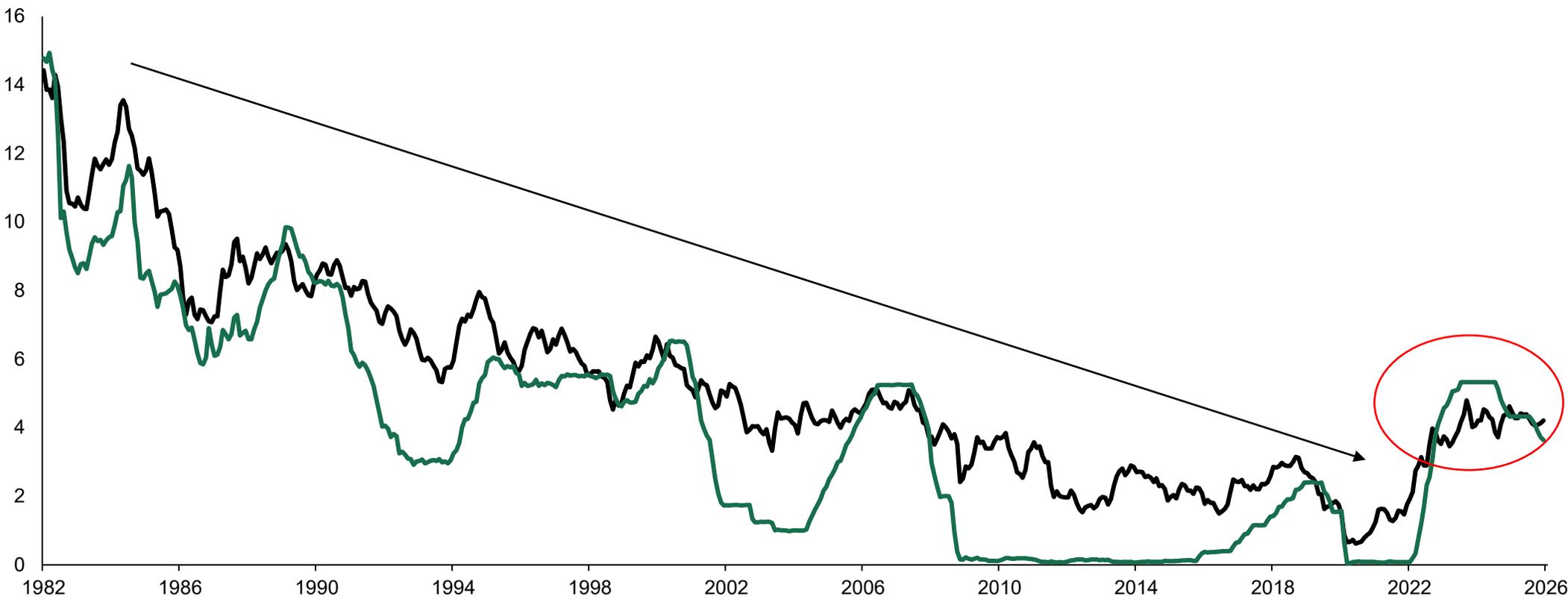




Is a structural shift in the 10-year under way?

10YR Treasury and Federal Funds Rates
(Percent)

— 10YR Treasury Rate — Federal Funds Rate

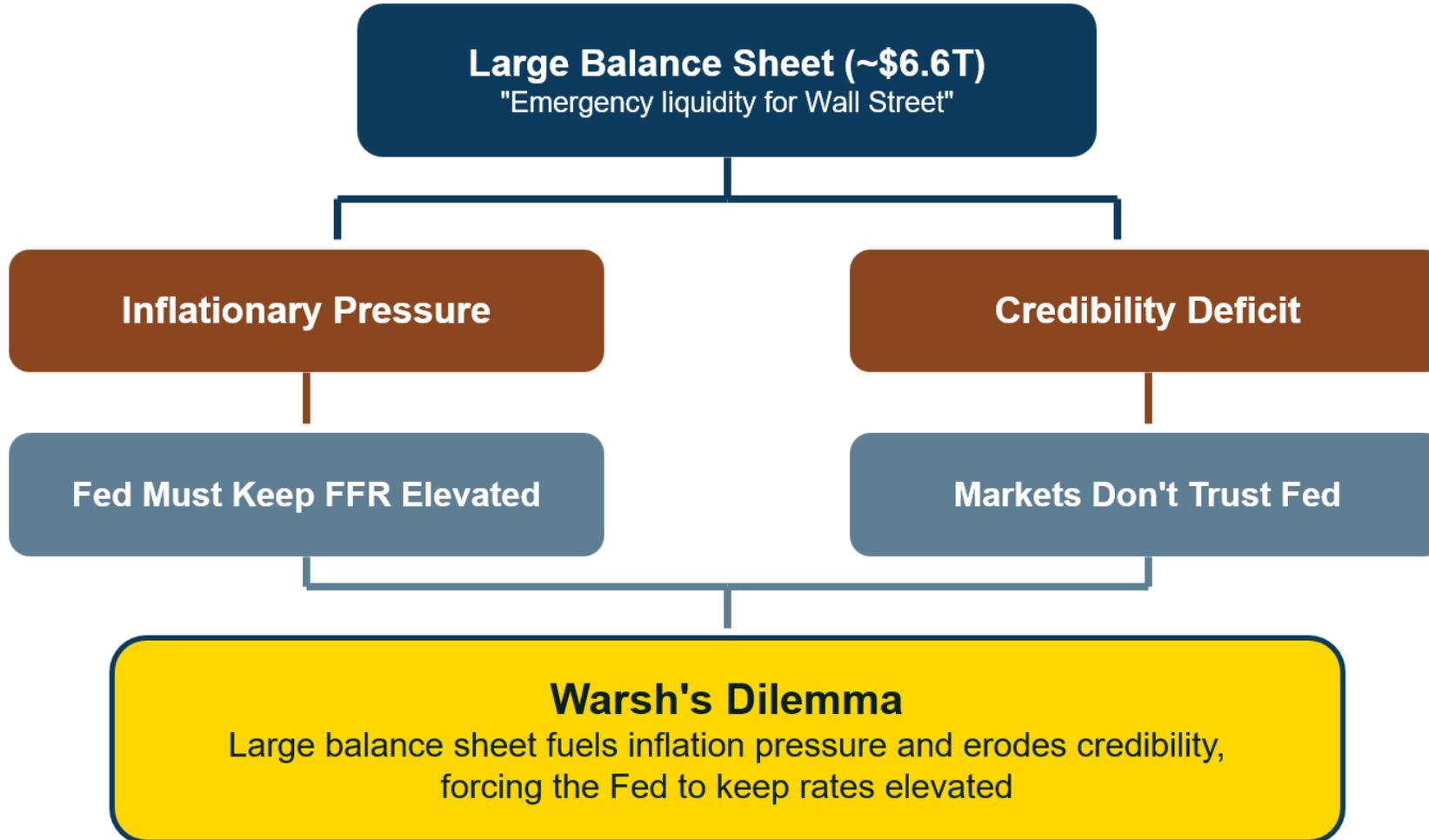


Source: Board of Governors of the Federal Reserve System, Access/Macro.



Warsh's Argument: The Problem

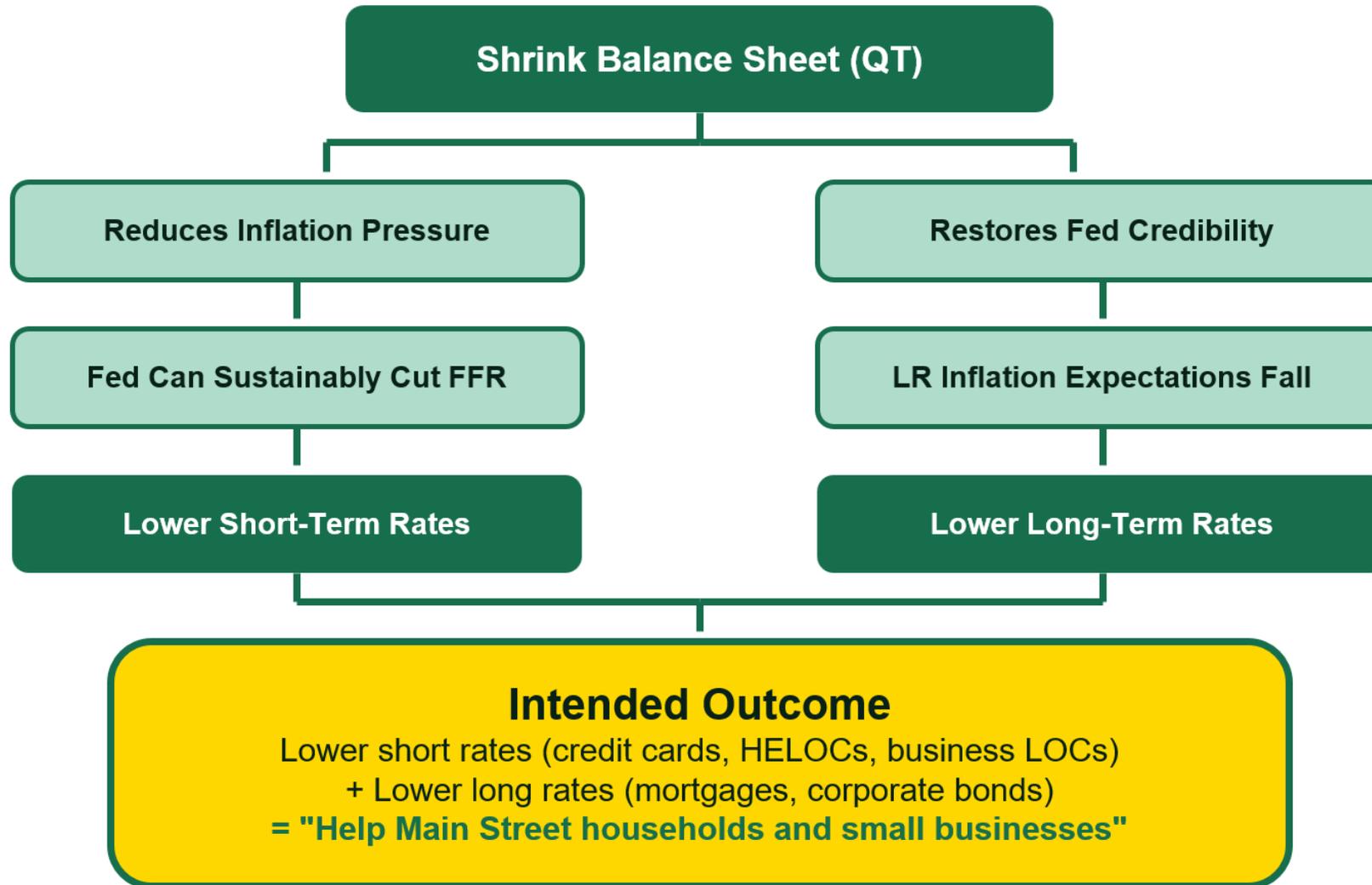
Steelman Version — Why current policy isn't working





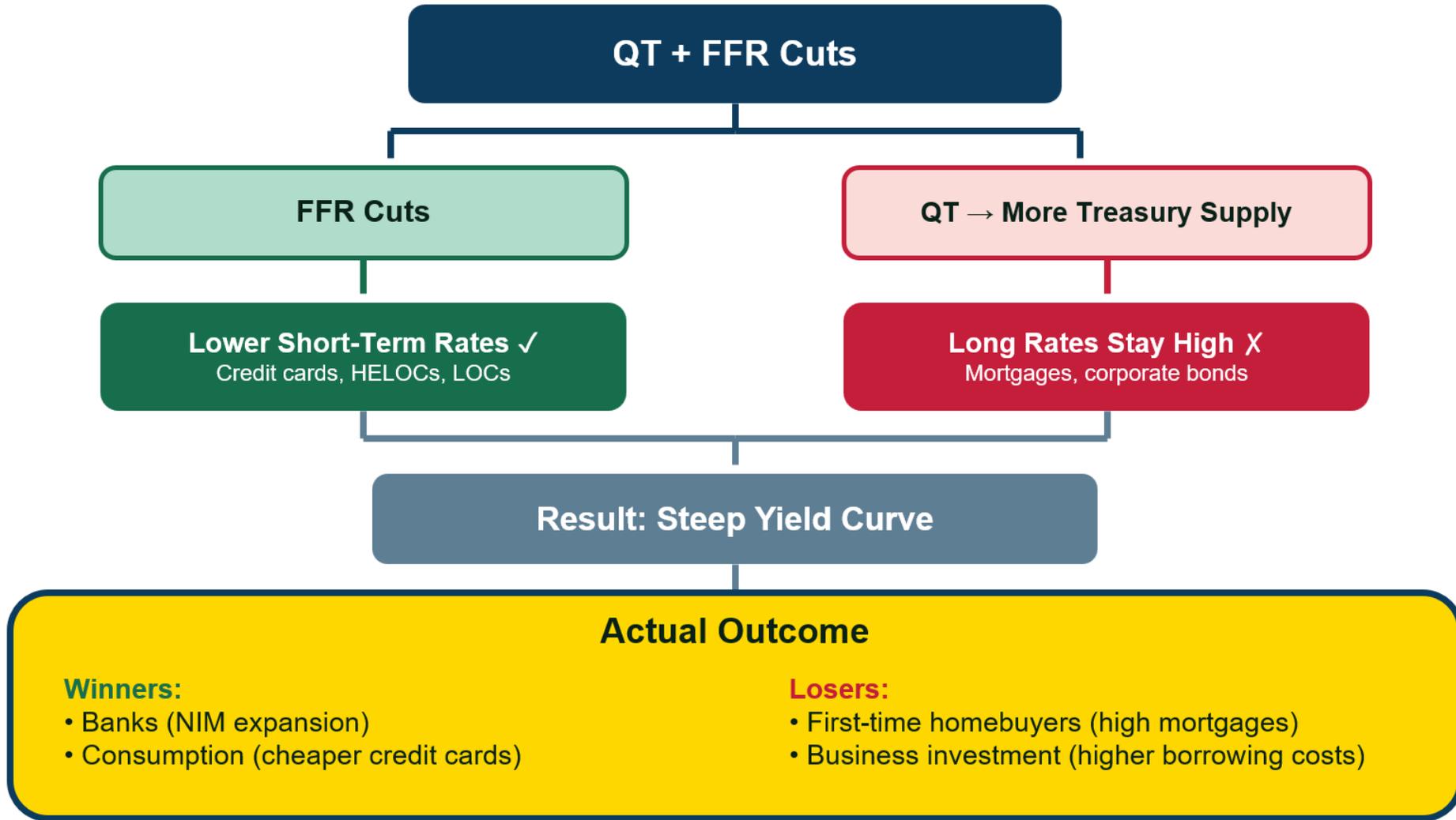
Warsh's Argument: The Solution

Steelman Version — QT + rate cuts working together



Reality: What Warsh's Policies Would Actually Do

Same starting point, different outcome



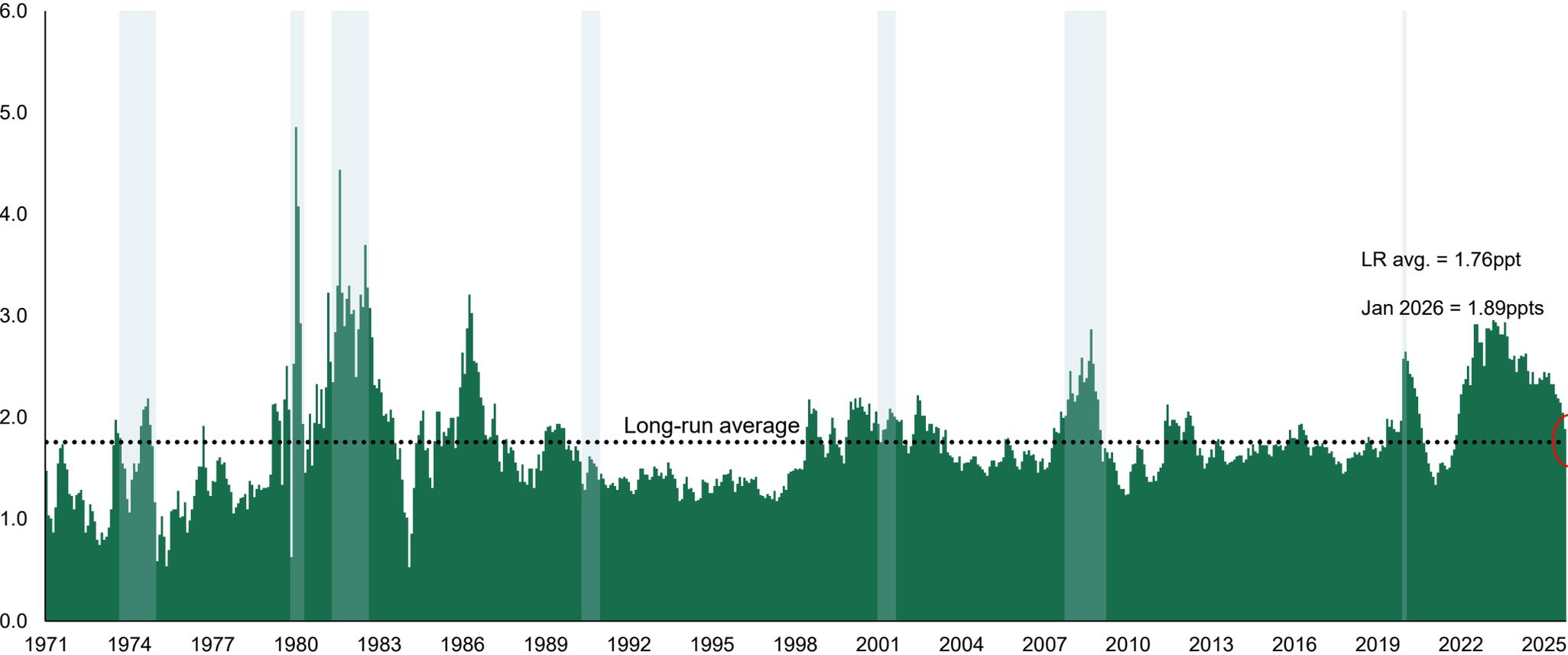
Critical: Inflation expectations already at ~2%. No credibility problem to solve — QT's supply effect dominates.





Mortgage spread almost back to “normal”

Spread 30-Year Mort. Rate and 10-Year Treasury
(Percentage point difference)

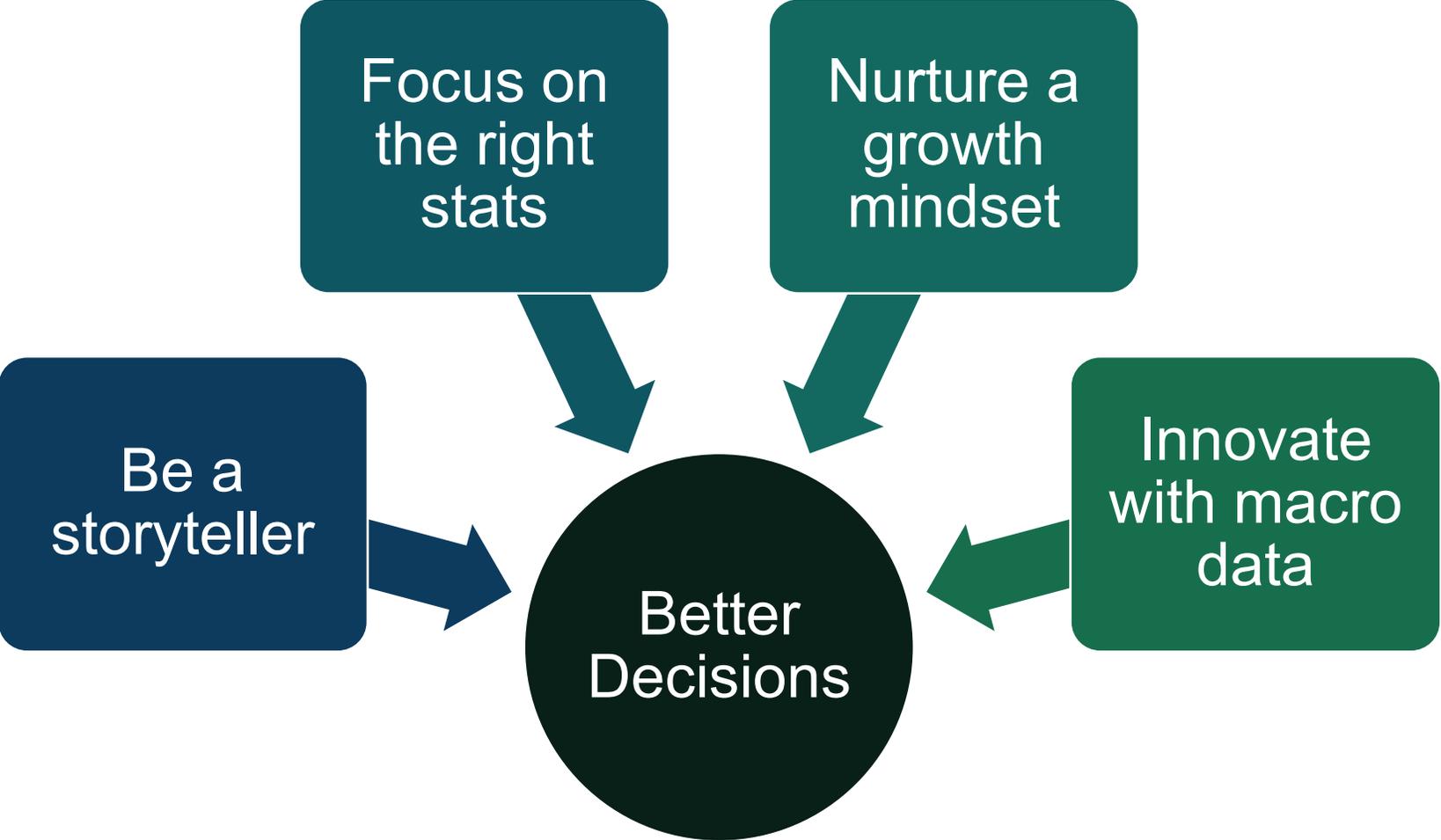


Sources: Freddie Mac, Board of Governors of the Federal Reserve System, Access/Macro.





How to leverage volatility





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