



Growth on the Ropes?

The Economy and Markets in 2026

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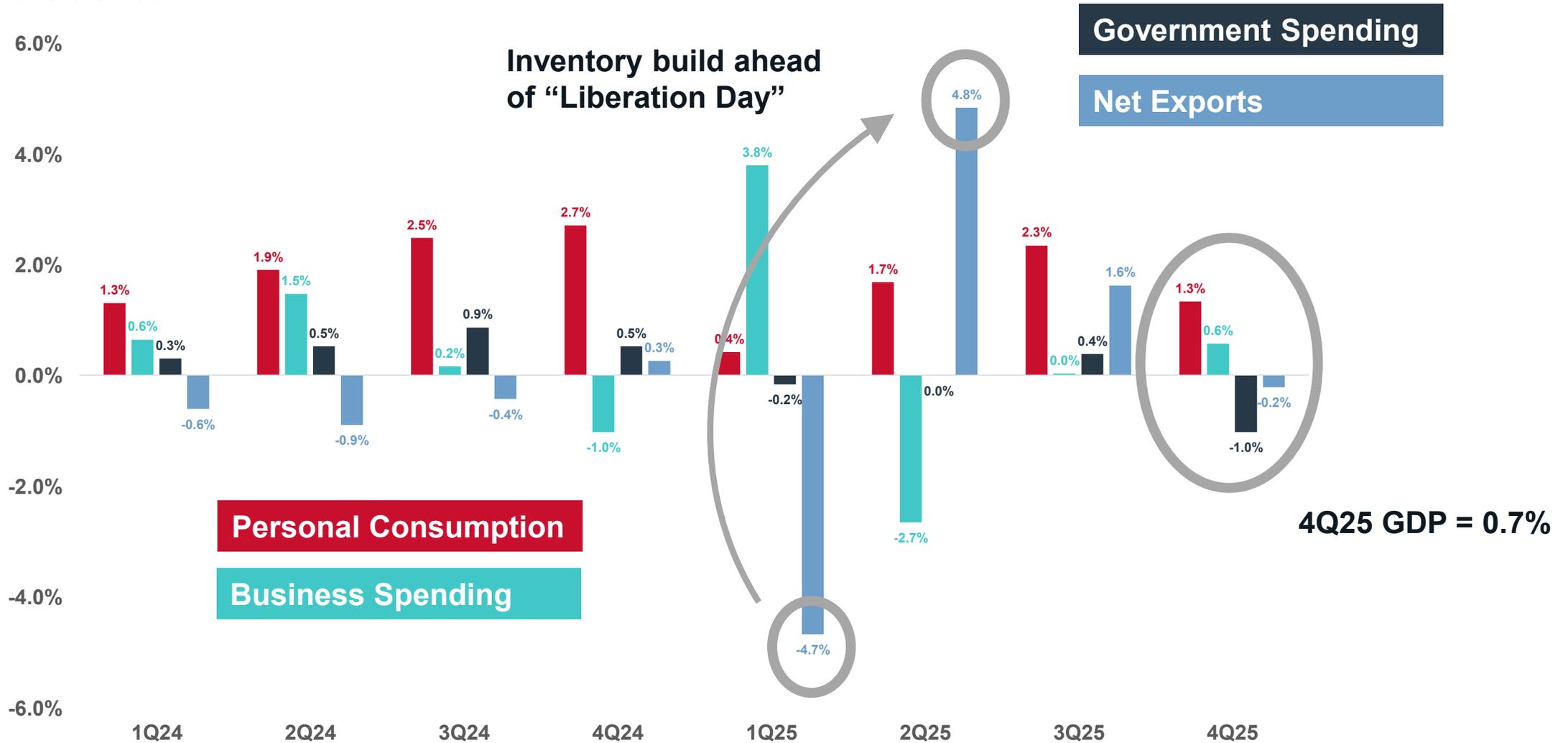
14 March 2026

The Big Questions

- Can **consumer spending** remain resilient despite rising concerns about the labor market and strained household finances?
- What economic disruption might the **war in Iran** impose on the United States?
- How will the **Federal Reserve** respond to all of this uncertainty, and what does it mean for interest rates?
- What are the implications for **investment portfolios**?

Contribution to Gross Domestic Product (GDP) Growth

A Late 2025 Slowdown?

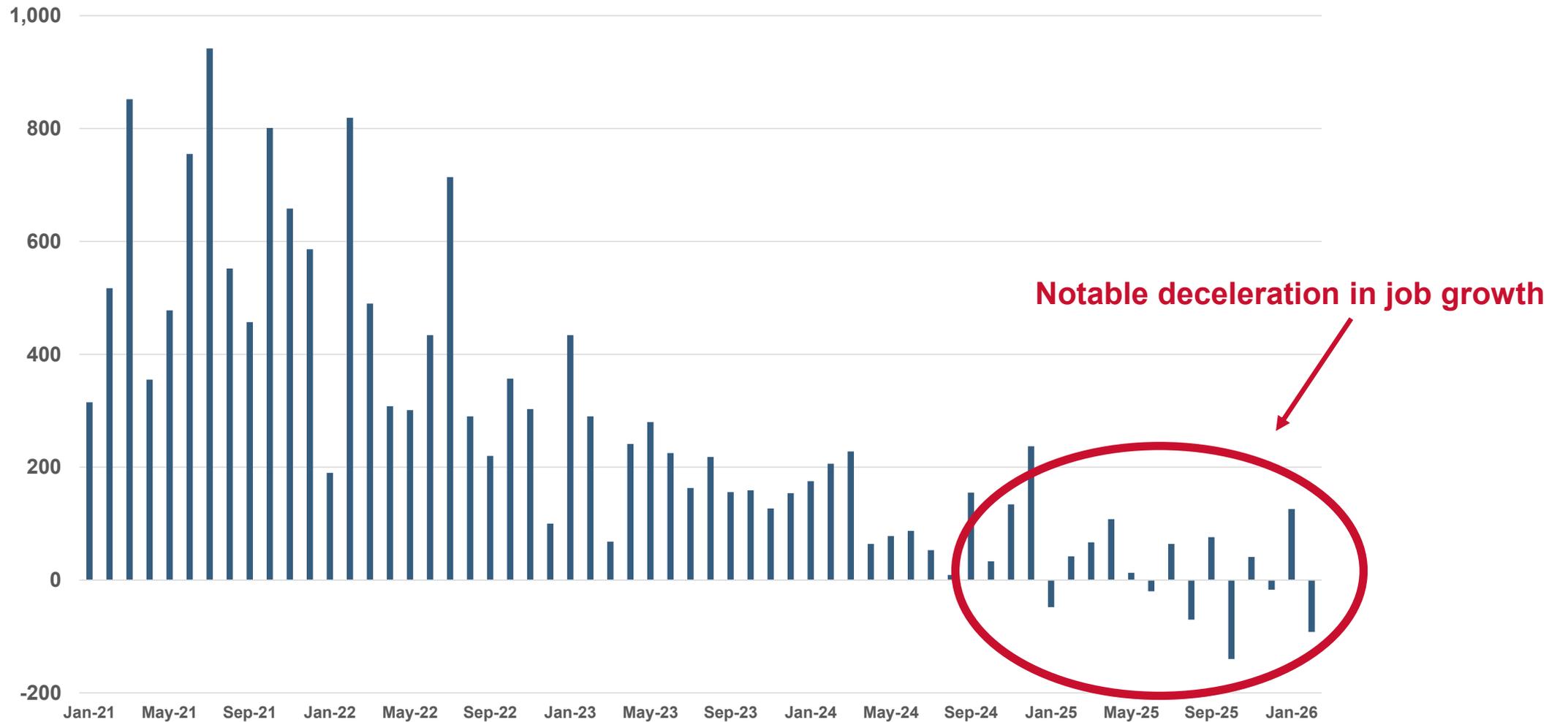


Sources: Bureau of Economic Analysis, BBH Analysis

Data as of 13 March 2026

Monthly Net Job Gains/Losses

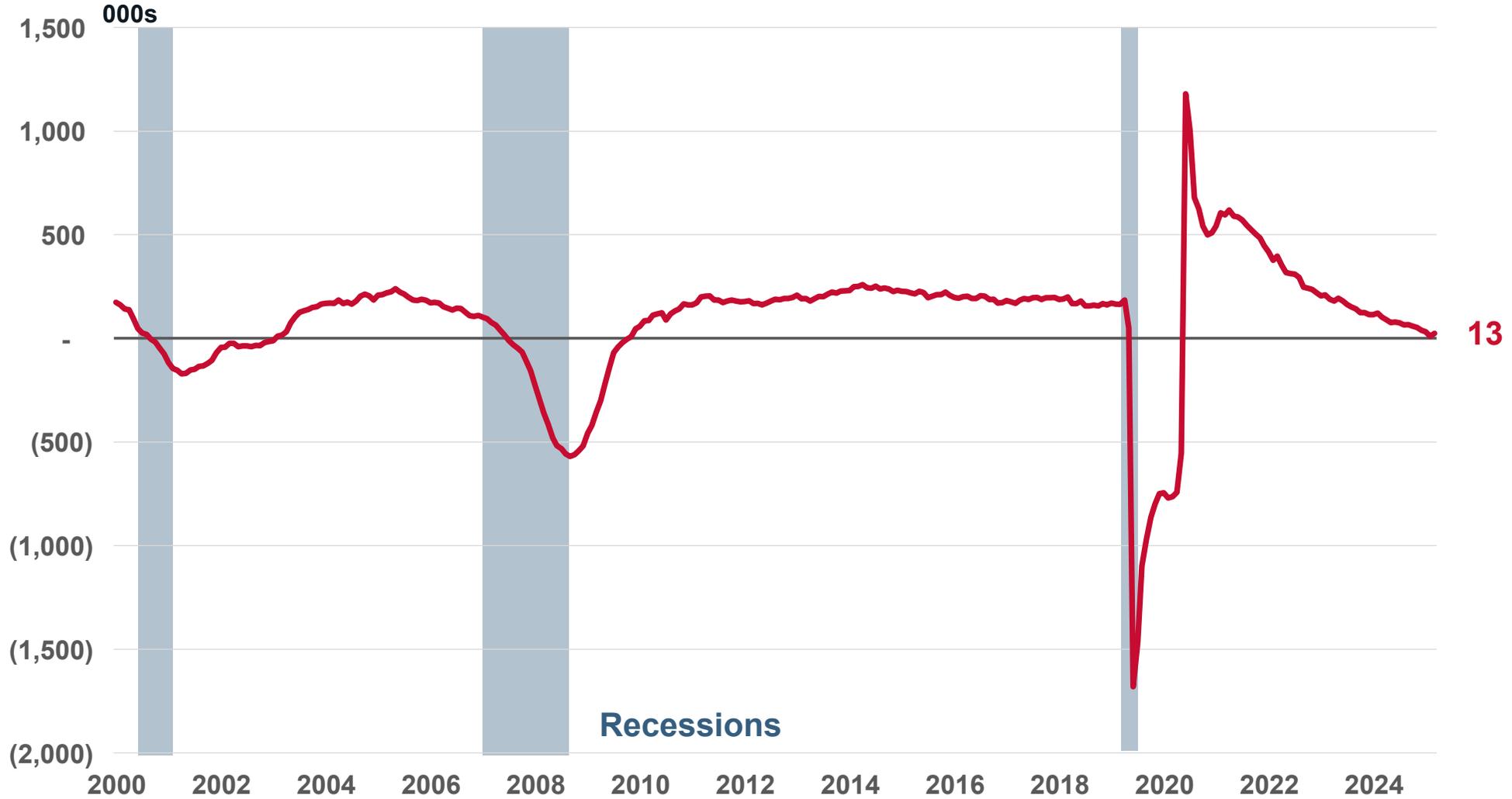
A Deceleration in the Job Market



Sources: Bureau of Labor Statistics, BBH Analysis Data as of February 2026

Monthly Net Job Gains/Losses

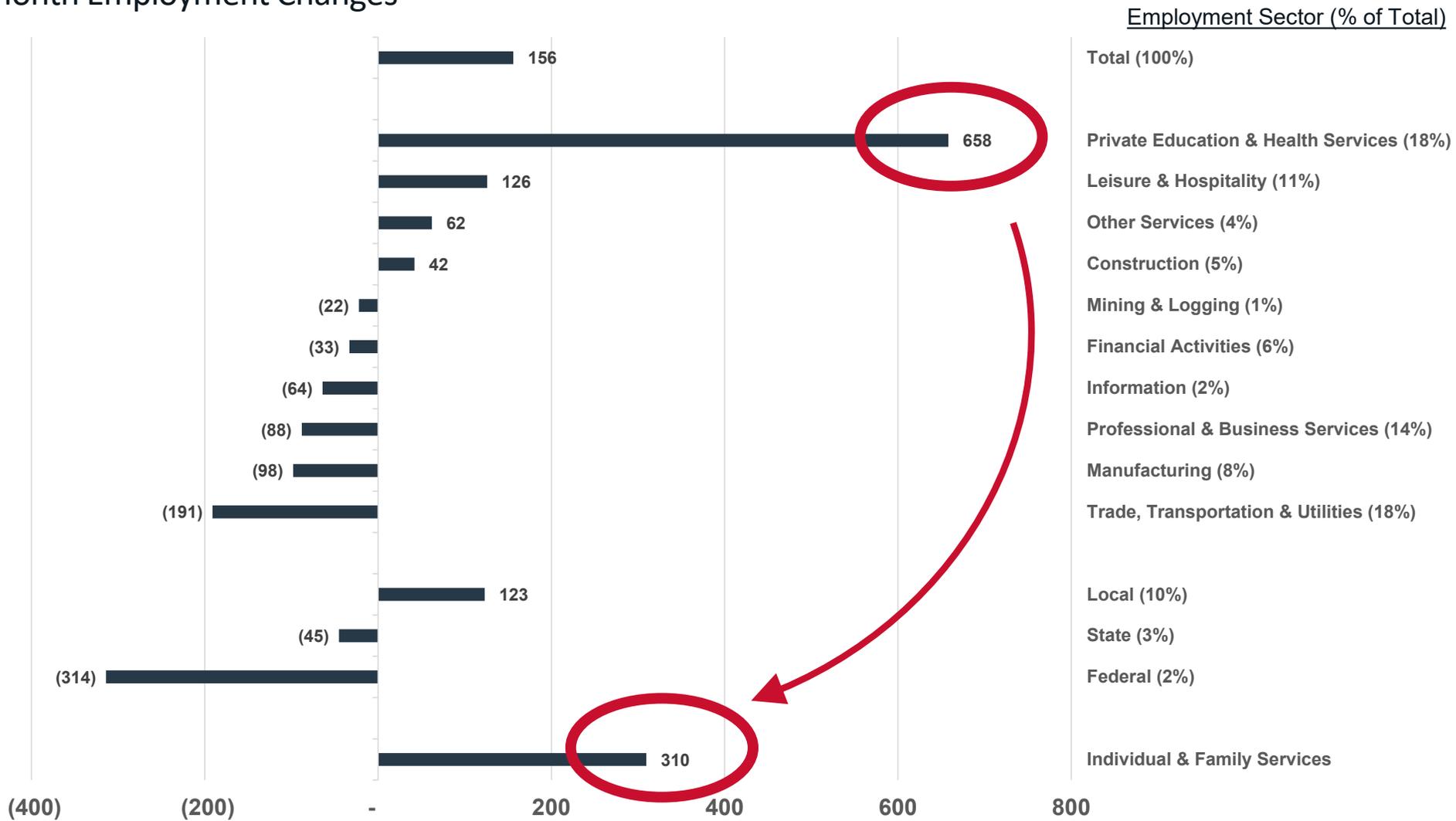
Rolling 12-Month Averages



Sources: Bureau of Labor Statistics, BBH Analysis Data as of February 2026

Where Are the Jobs?

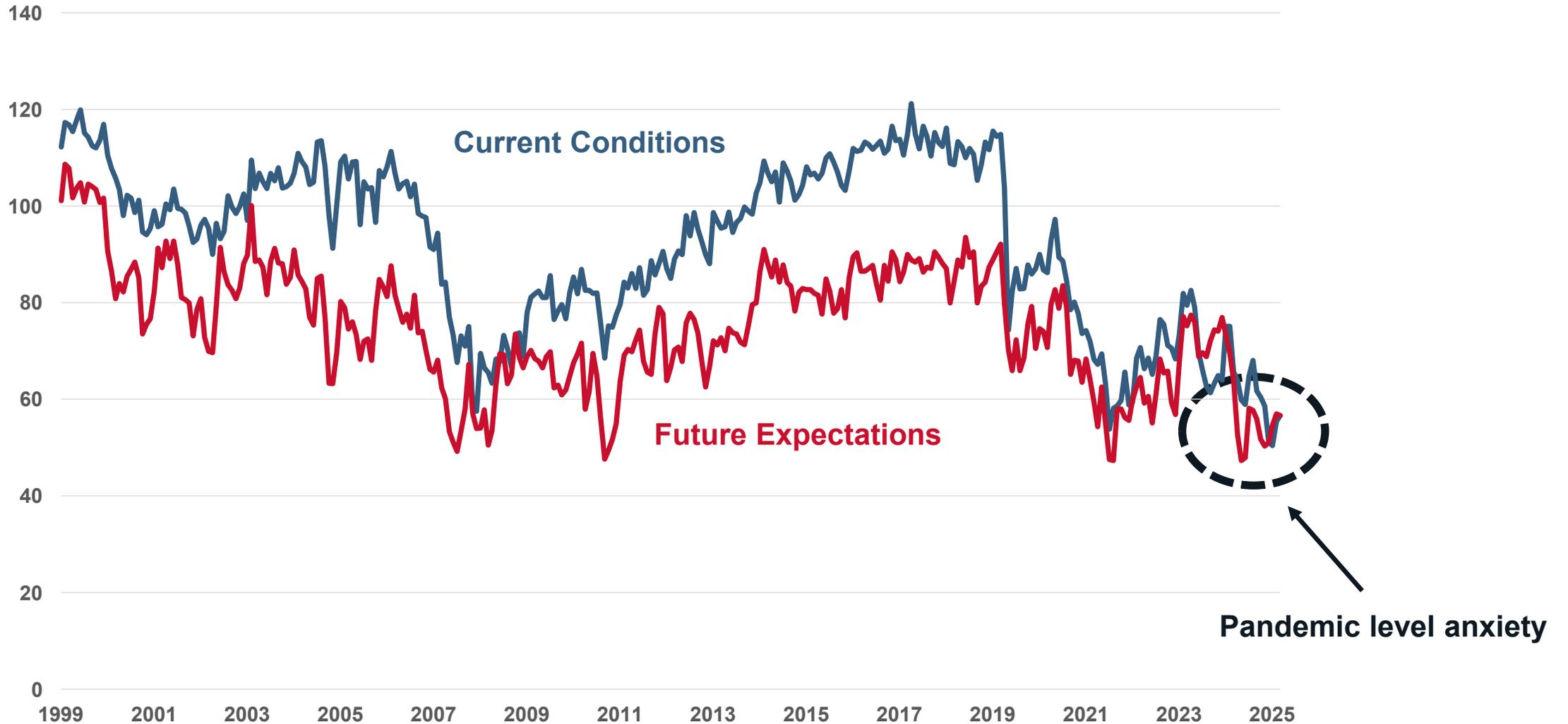
Trailing 12-Month Employment Changes



Sources: Bureau of Labor Statistics, BBH Analysis Data as of January 2026

U.S. Consumer Confidence

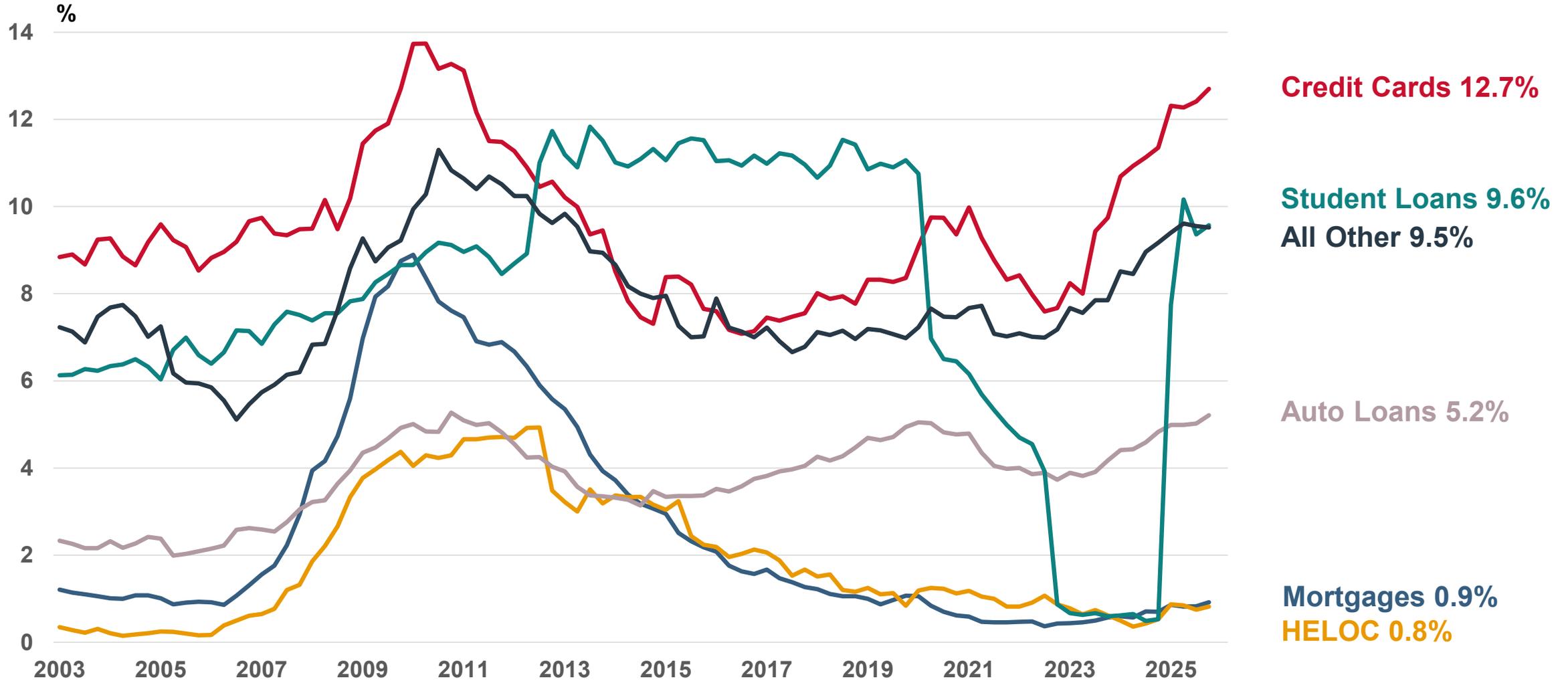
Pandemic Level of Anxiety



Sources: University of Michigan, BBH Analysis Data as of February 2025

Household Delinquency Rates

% of Outstanding Debt More Than 90 Days Delinquent

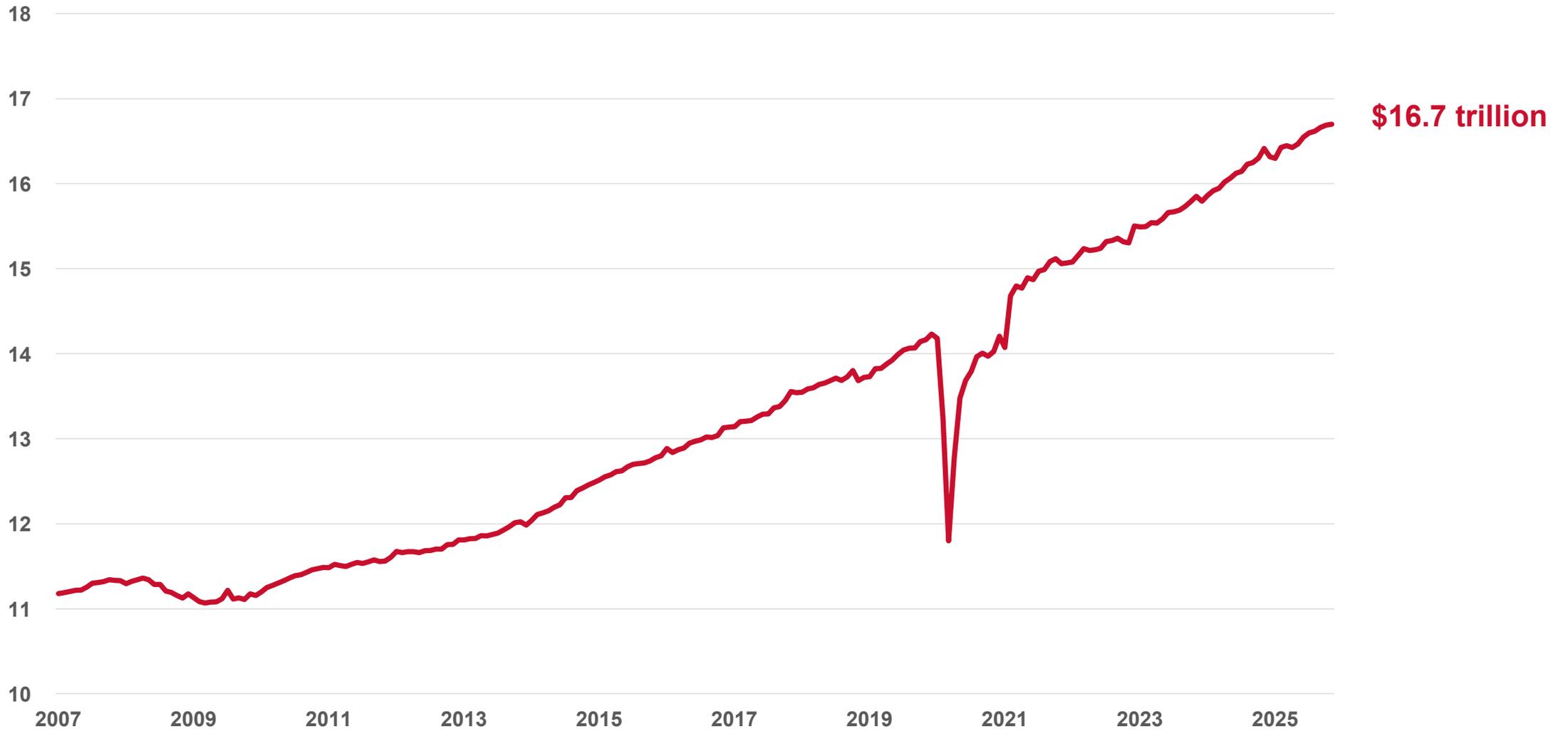


Sources: NY Fed Consumer Credit Panel, BBH Analysis

Data as of December 2025

U.S. Consumer Spending

No Signs (Yet) of Weakness

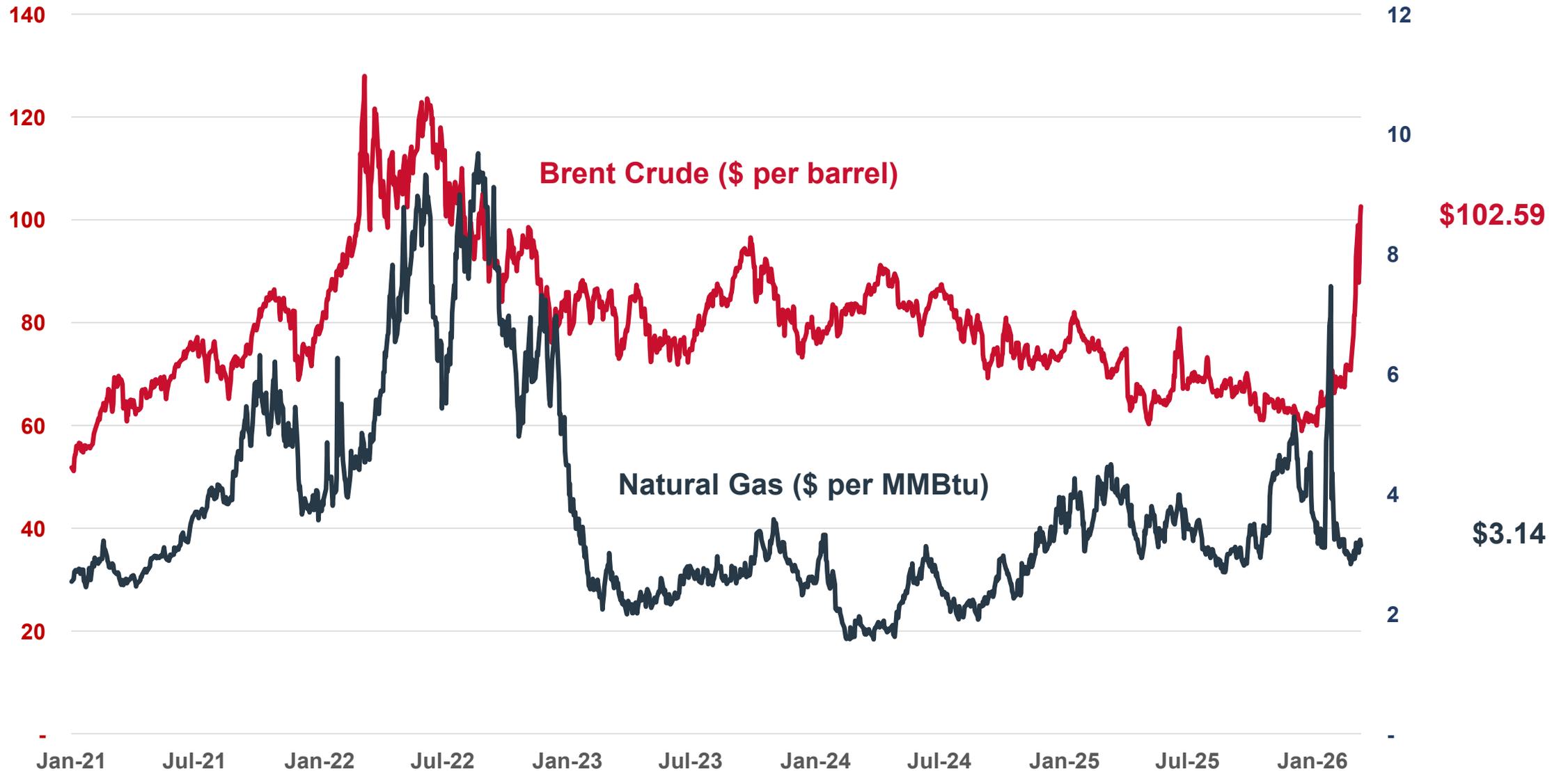


Sources: Bureau of Economic Analysis, BBH Analysis | Data as of December 2025

The War in Iran

- It is **far too early** to assess how long hostilities will continue, or whether they will broaden.
- The transmission effect of hostilities into the US economy will take place through the **energy markets** ...
- ... where the United States is **relatively well insulated** due to reduced reliance on energy and increased domestic demand ...
- ... although the impact of **gasoline prices** on inflation may influence monetary policy and interest rates.

Energy Prices



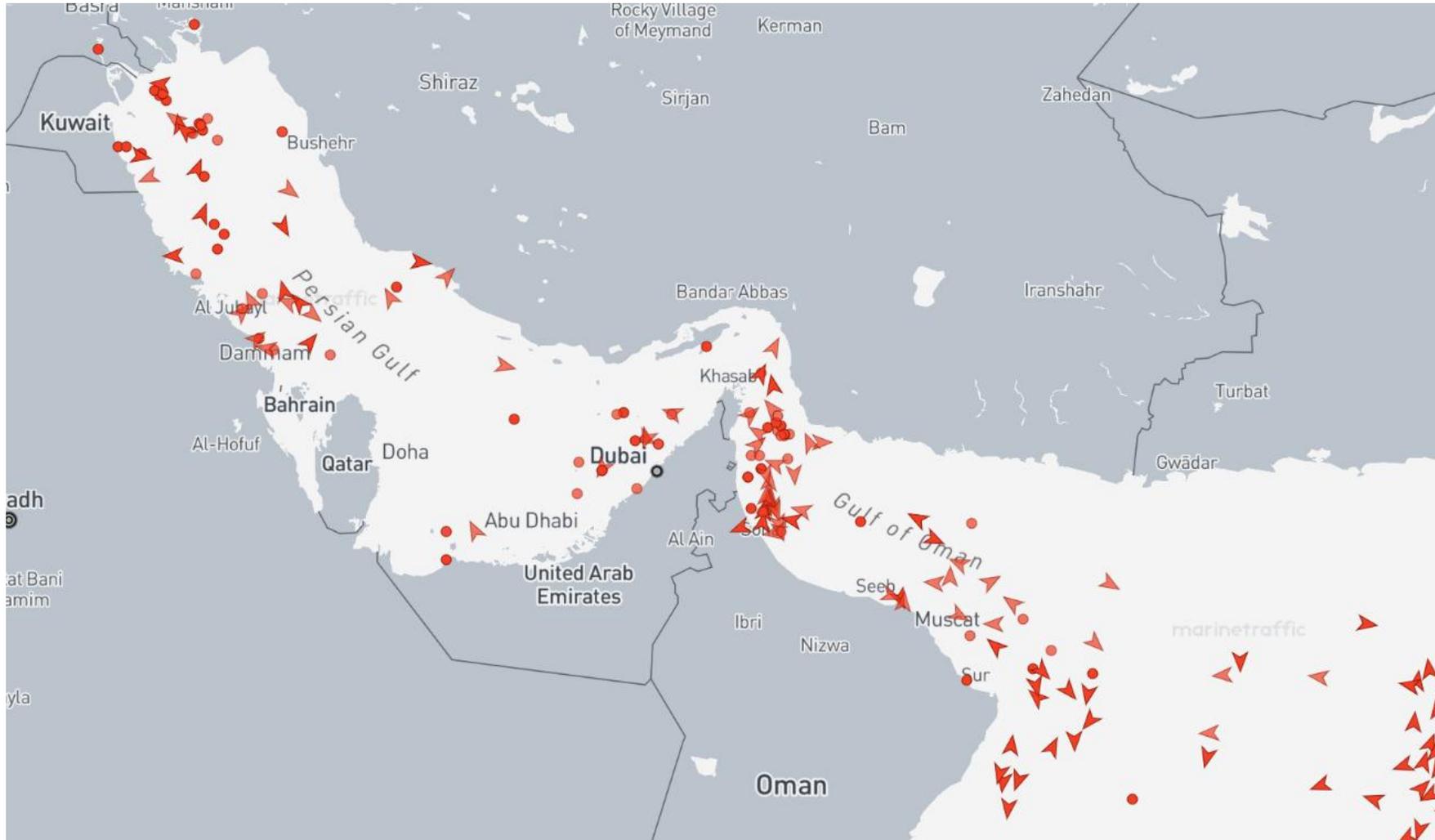
Sources: Bloomberg, BBH Analysis | Data as of 11 March 2026

The Strait of Hormuz



The Strait of Hormuz

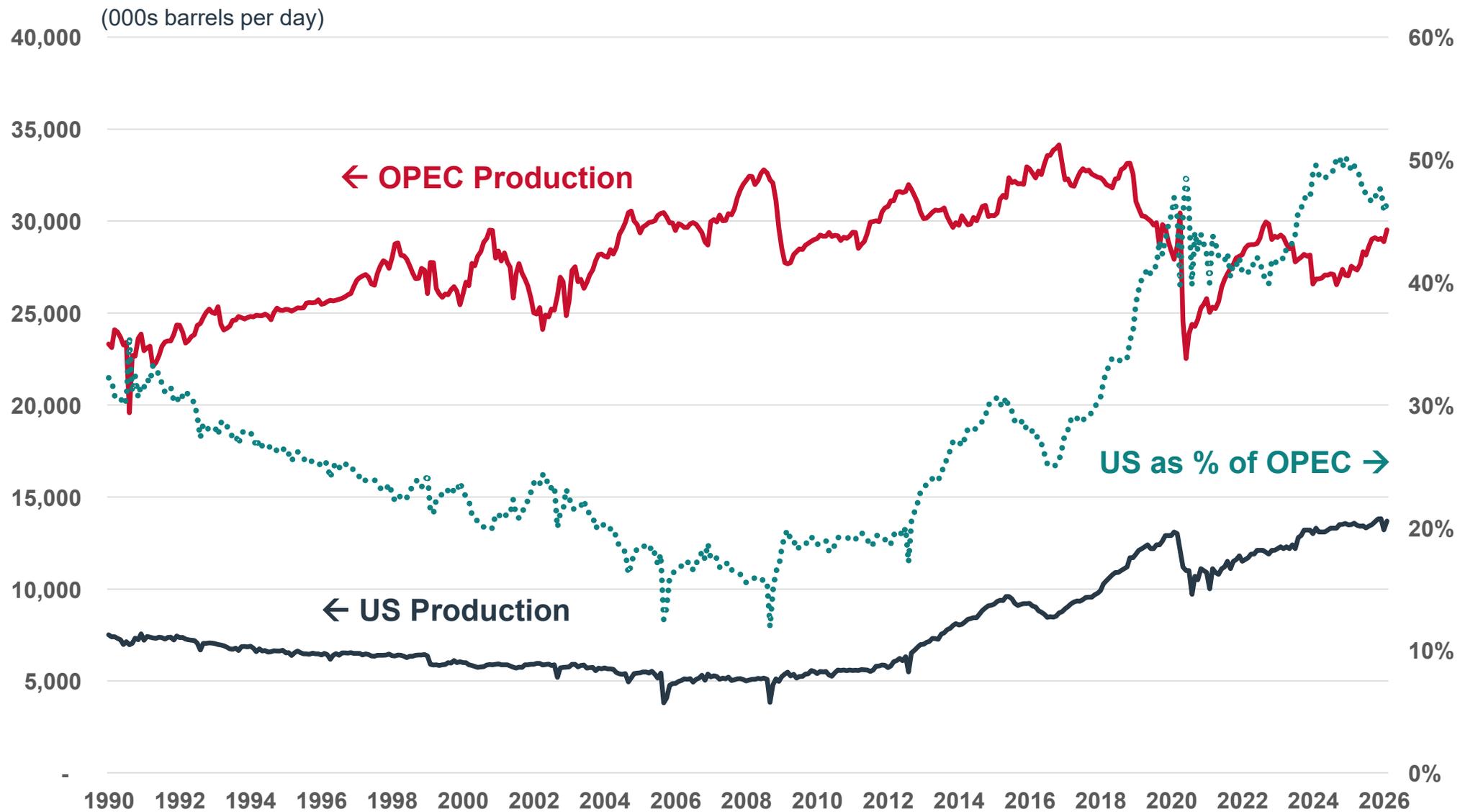
Tanker Positions as of 14:45 EDT 13 March 2026



Sources: Kpler, marinetraffic.com, BBH Analysis

Data as of 13 March 2026

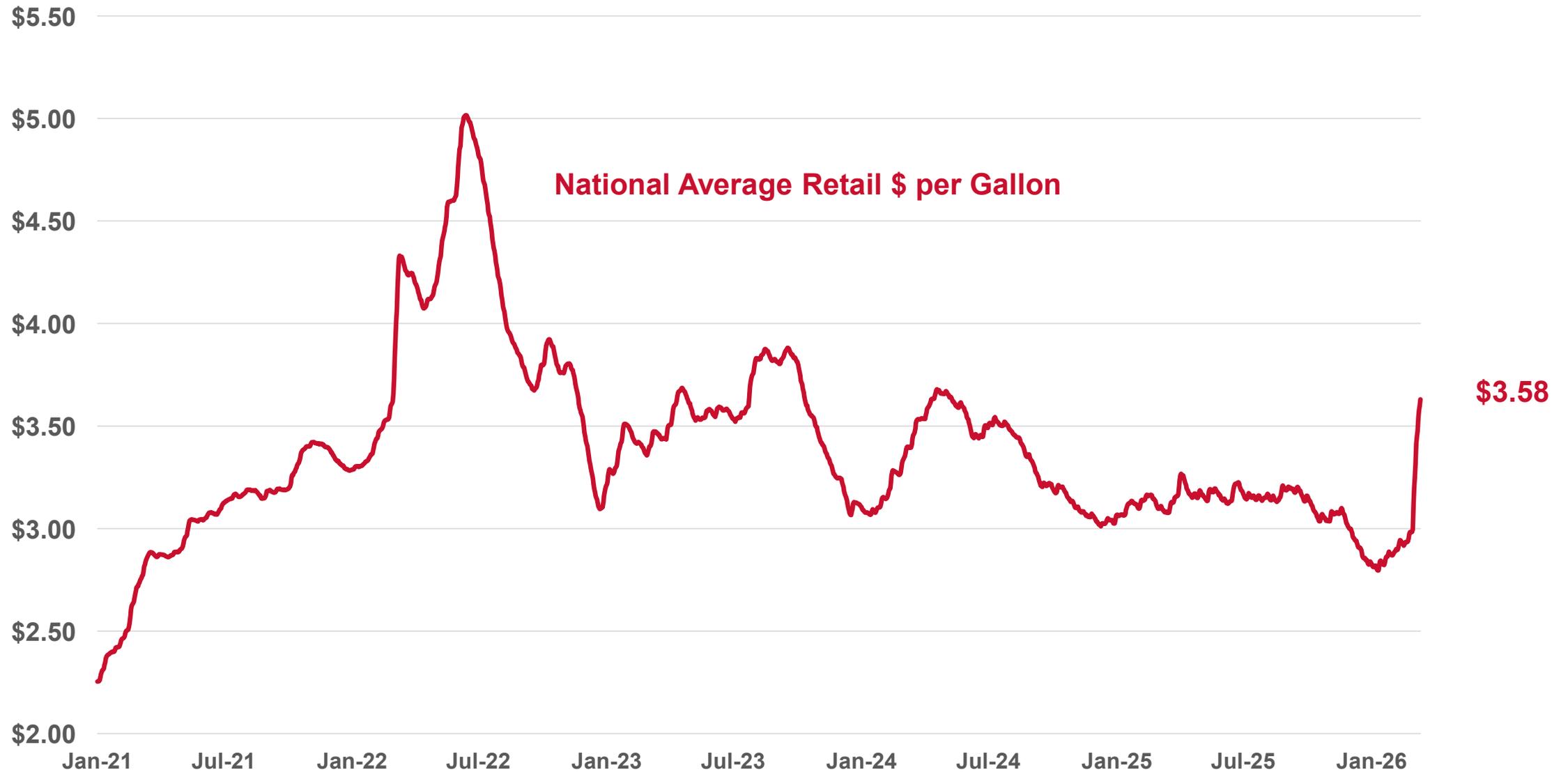
Energy Production



Sources: OPEC, US Department of Energy, BBH Analysis

Data as of February 2026

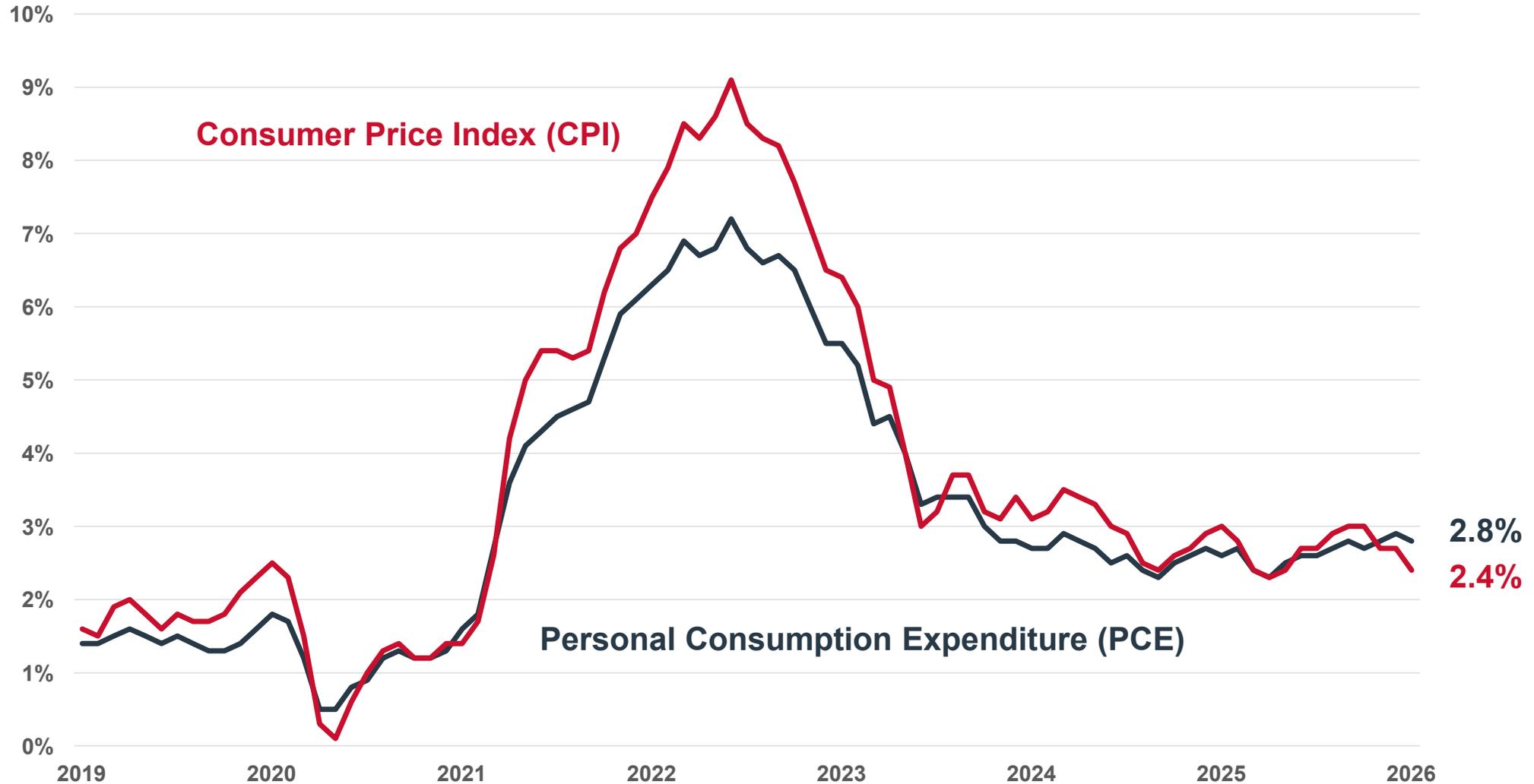
Gasoline Prices



Sources: American Automobile Association, BBH Analysis Data as of 10 March 2026

Inflation

Stubbornly Persistent

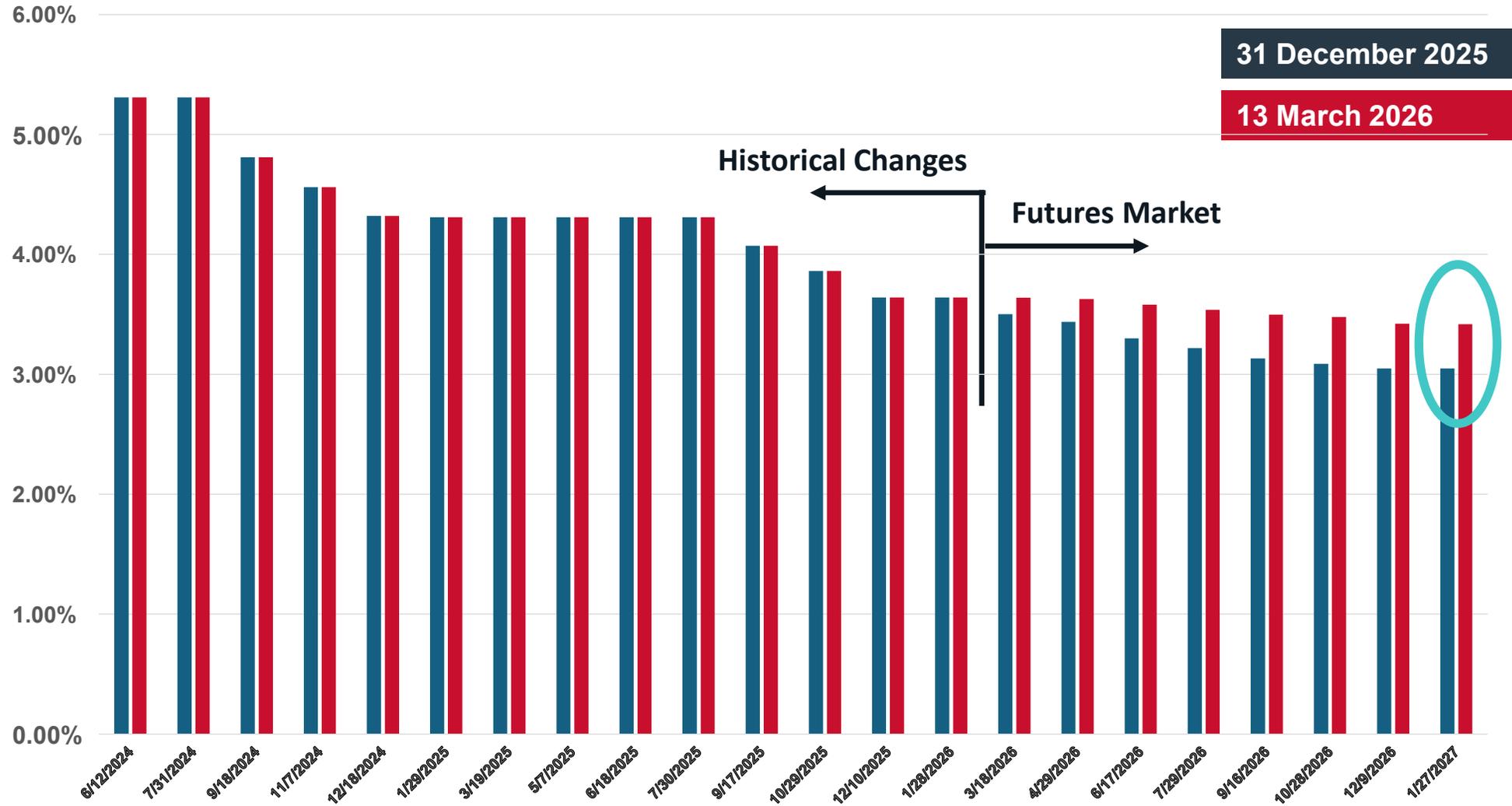


Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, BBH Analysis

Data as of January 2026

Fed Funds Futures Market

No cuts in 2026?

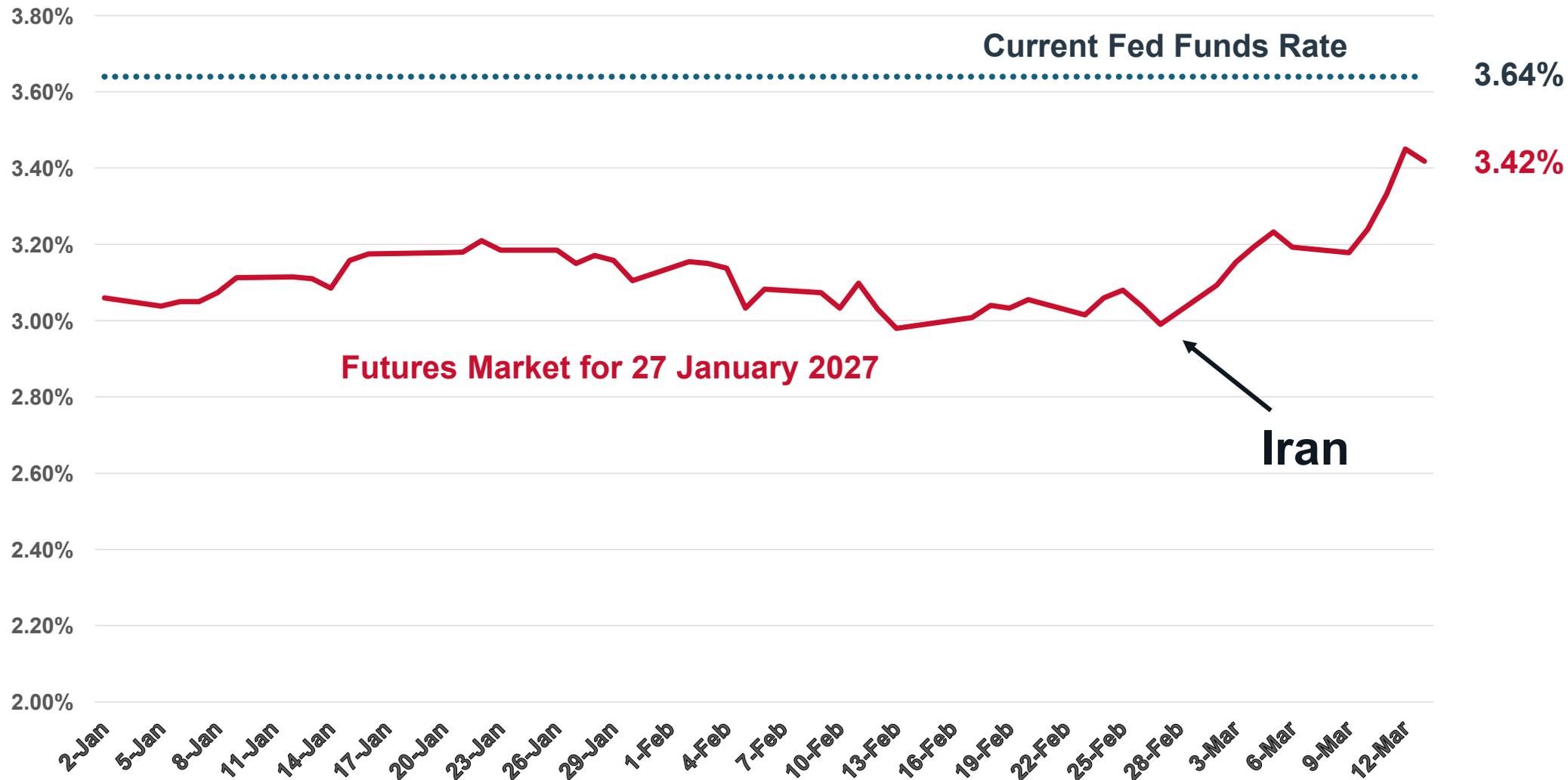


Sources: Bloomberg, BBH Analysis

Data as of 13 March 2026

Fed Funds Futures Market

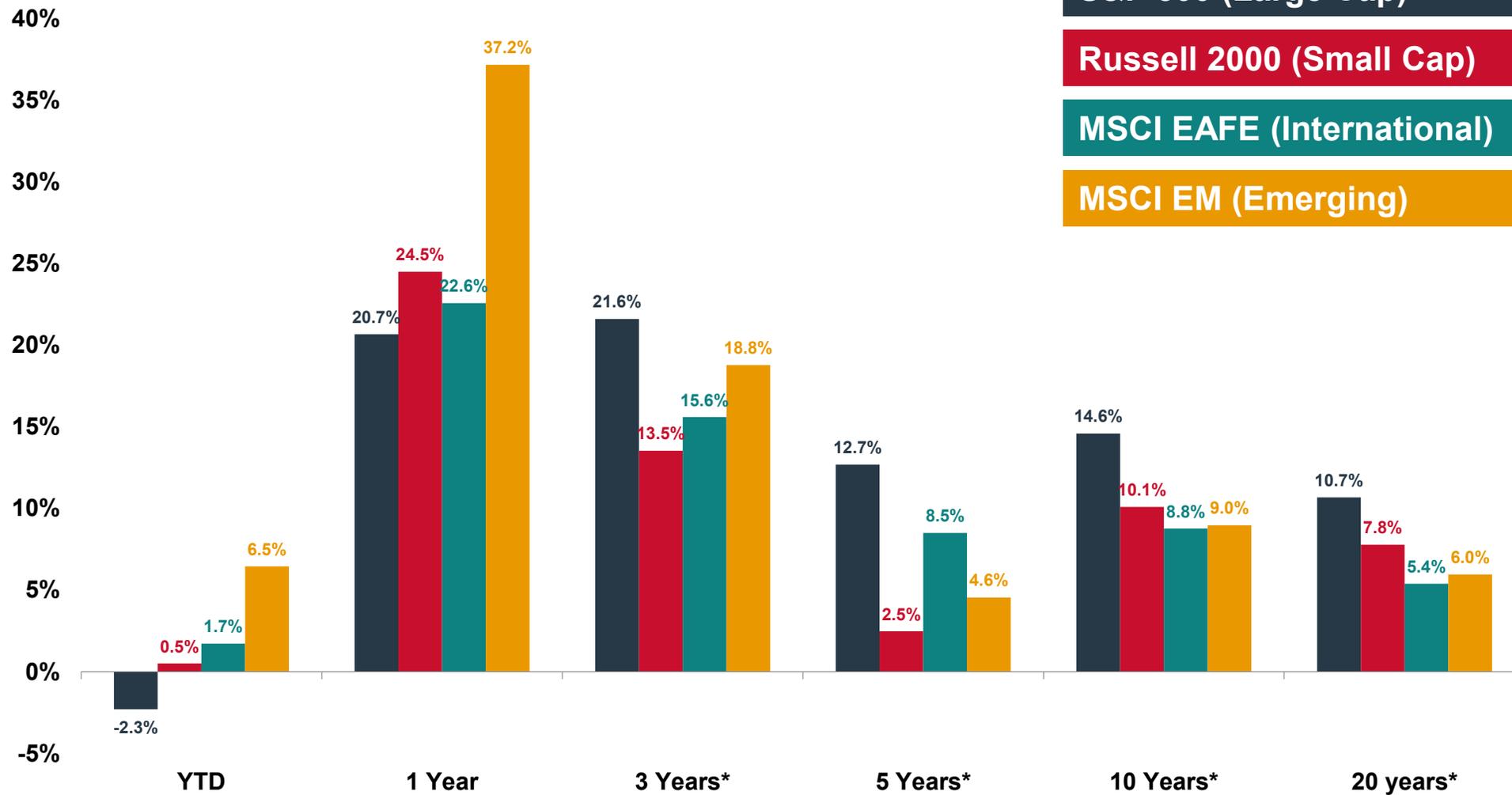
Narrowing Expectations of a Cut in 2026



Sources: Bloomberg, BBH Analysis | Data as of 13 March 2026

Equity Market Returns

Returns Through 13 March 2026



Sources: Bloomberg, BBH Analysis

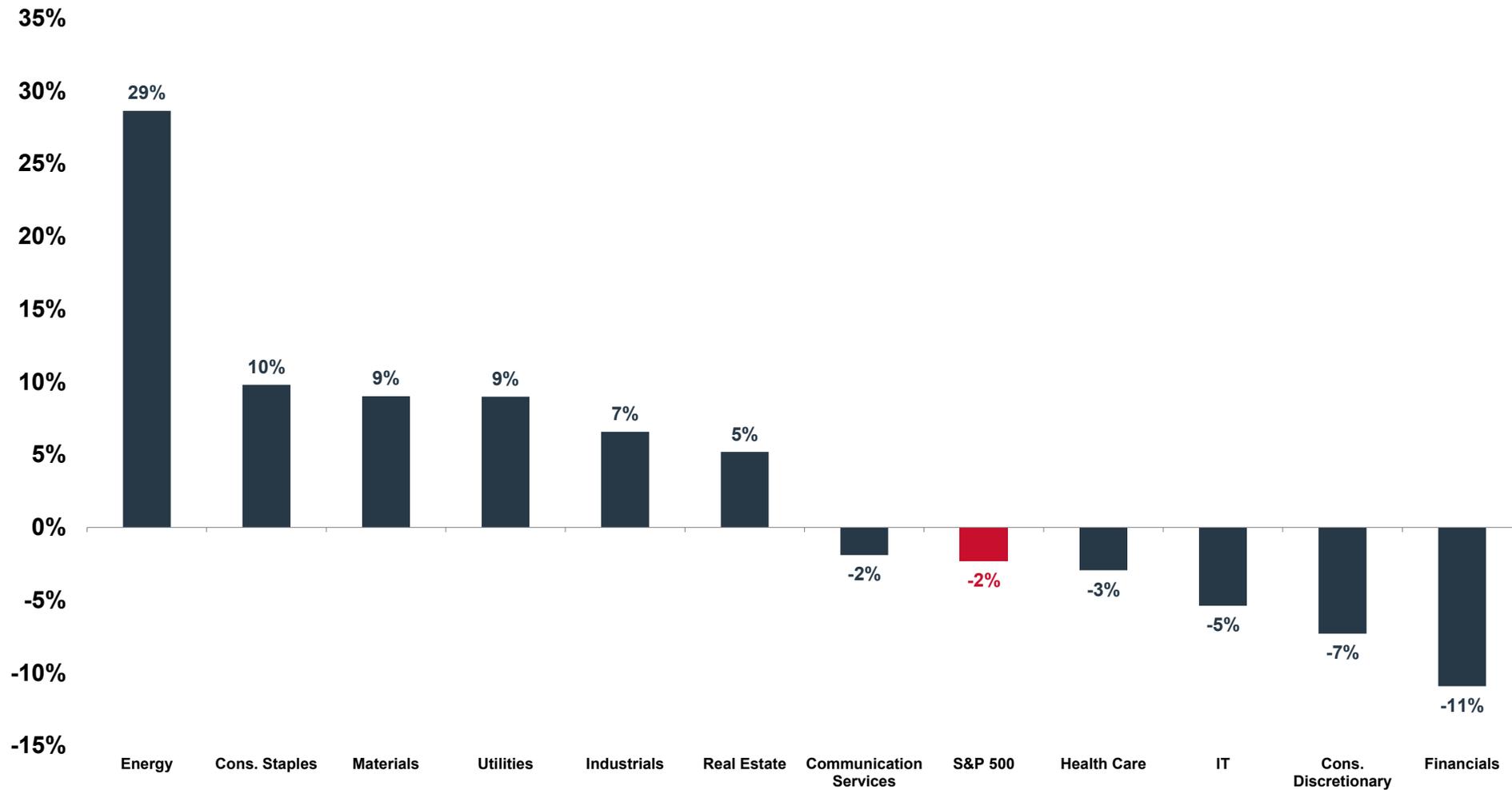
Data as of 13 March 2025

* Annualized

Past performance does not guarantee future results.

Equity Sector Returns

YTD Through 13 March 2026



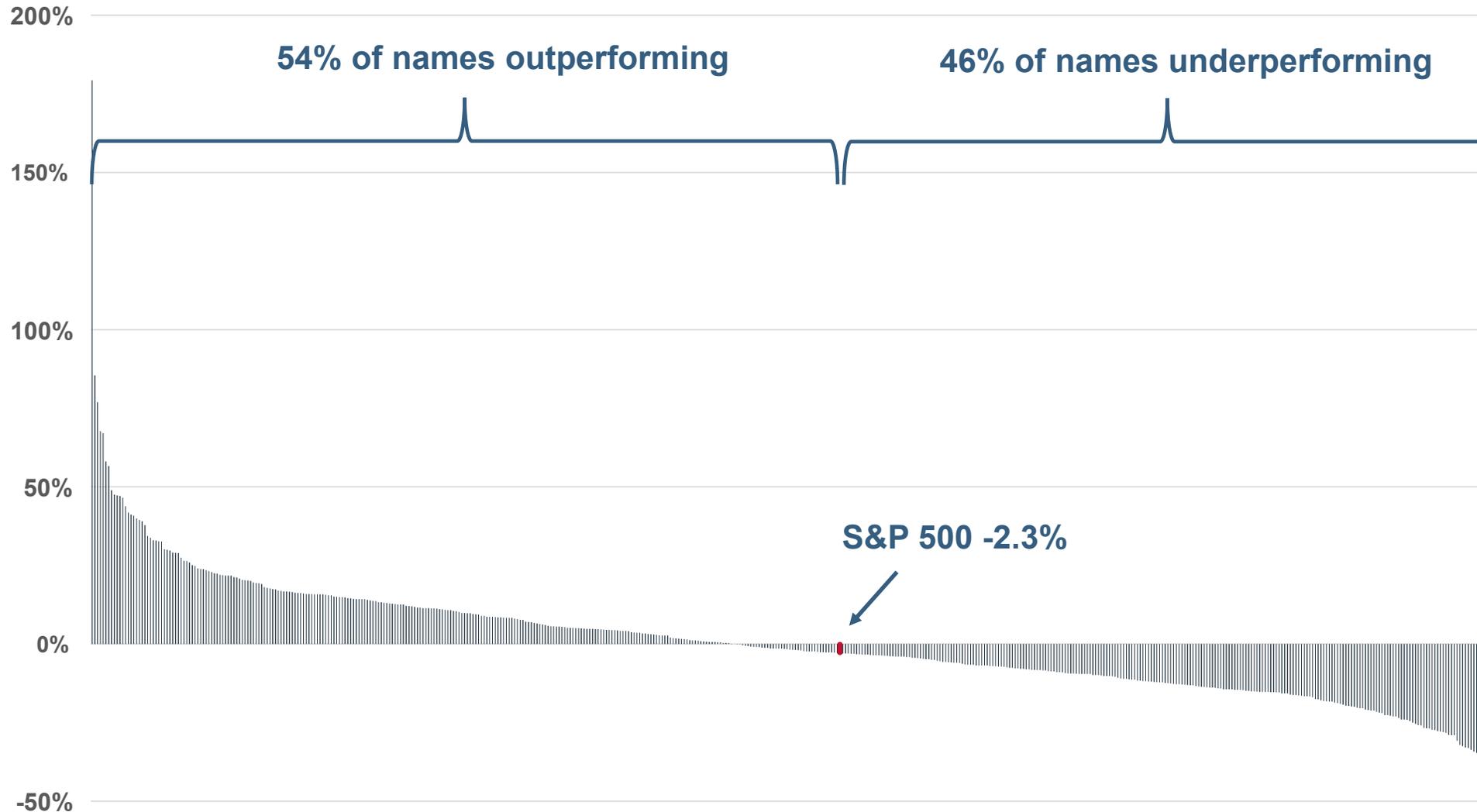
Sources: Bloomberg, BBH Analysis

Data as of 13 March 2025

Past performance does not guarantee future results.

Equity Market Breadth

Year-to-Date Return for S&P 500 Constituents (Through 13 March 2026)



Sources: Bloomberg, BBH Analysis

Data as of 13 March 2026

What to Watch

- Will the **war in Iran** translate into higher gasoline prices, stubborn inflation and poorer consumer sentiment, or can the economy rebound from this weak patch?
- **SCOTUS** has ruled that tariffs applied under IEPPA are unconstitutional, and it took the White House less than a day to replace them with Section 122 tariffs. How will the tariff showdown play out in 2026?
- **The Federal Reserve** meets on March 17-18. The futures market at present is pricing in less than a 1% chance of a rate cut.
- **Midterm elections** take place in 233 days, and the result will likely be divided government. What does this imply for economic policy and political stability?



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