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Economic Forecast Breakfast

January 28, 2026

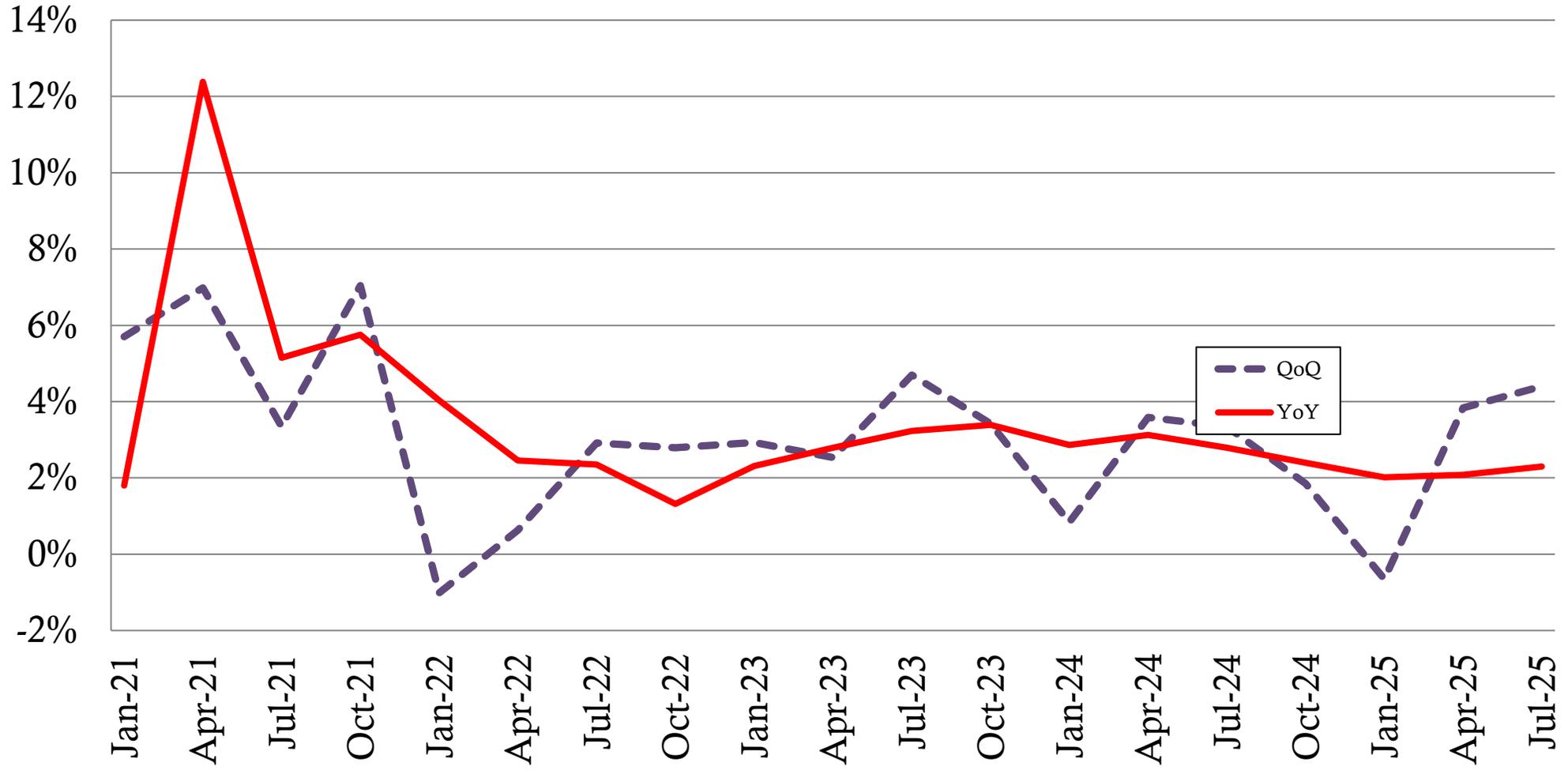
On the Economic, Business and Political Landscape

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Coles College of Business
Kennesaw State University
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***January 28, 2026
Atlanta, GA***

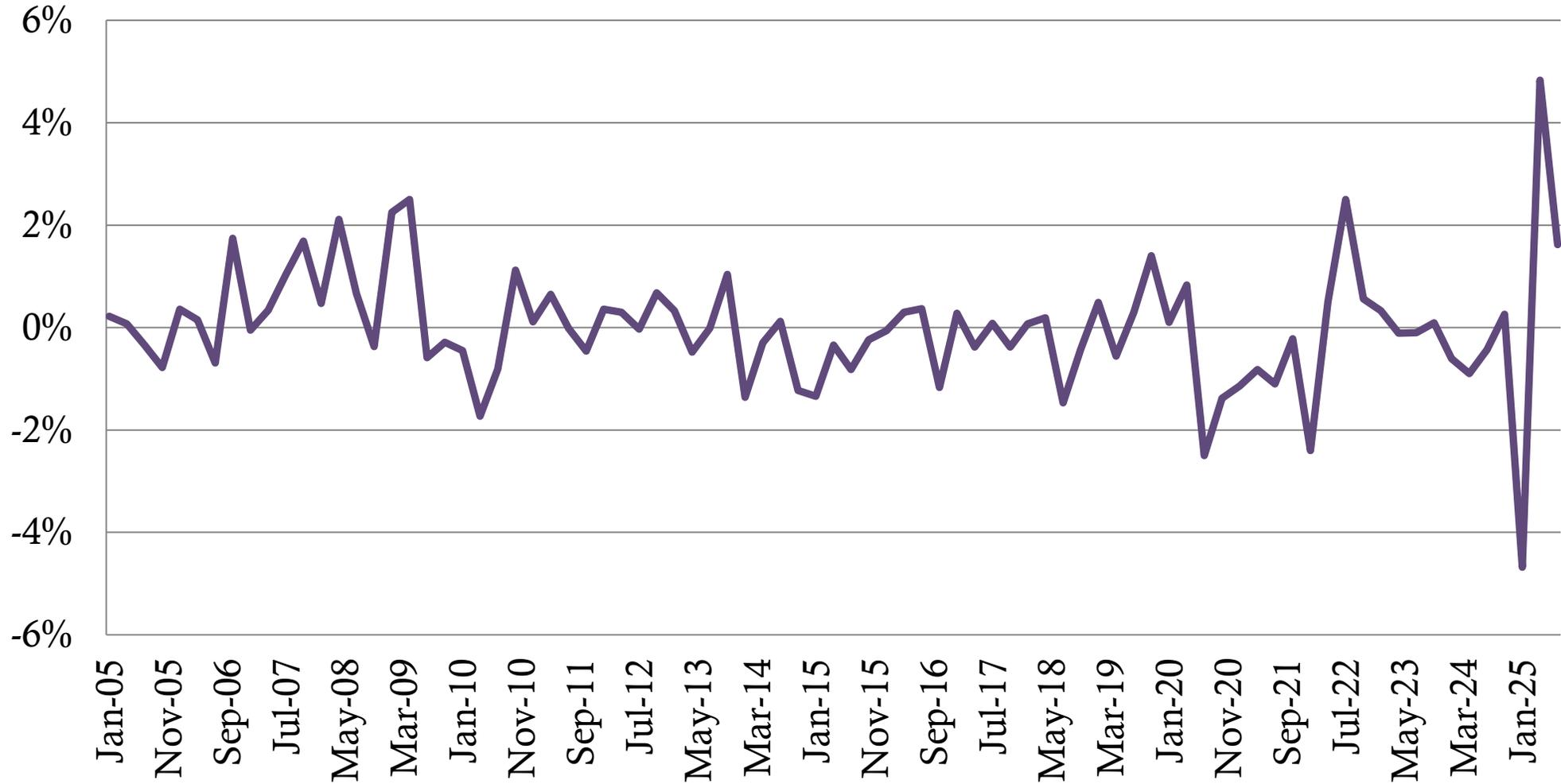
Gross Domestic Product

(source: Department of Commerce)



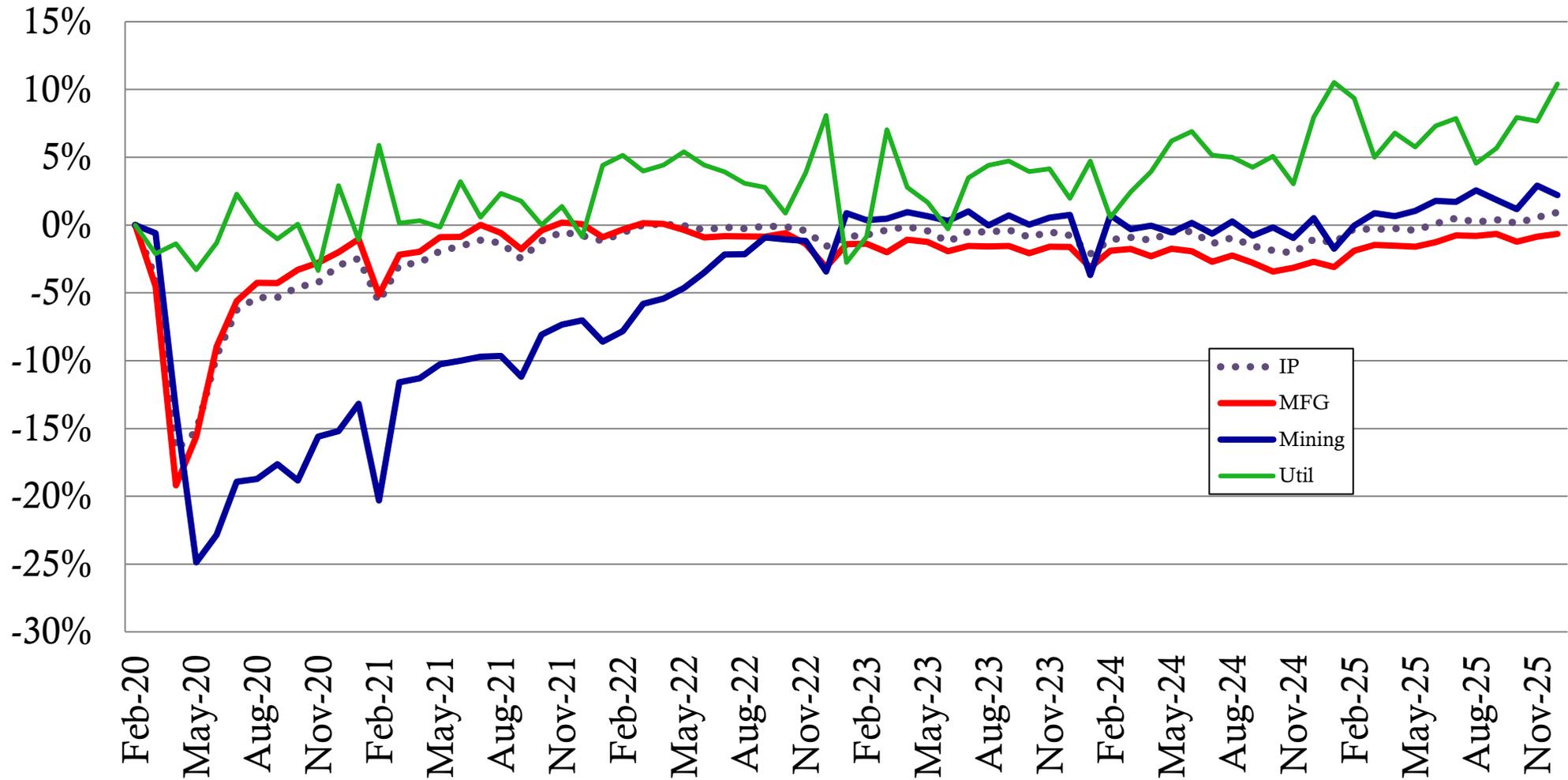
Gross Domestic Product: Contribution of Net Exports

(source: Department of Commerce)



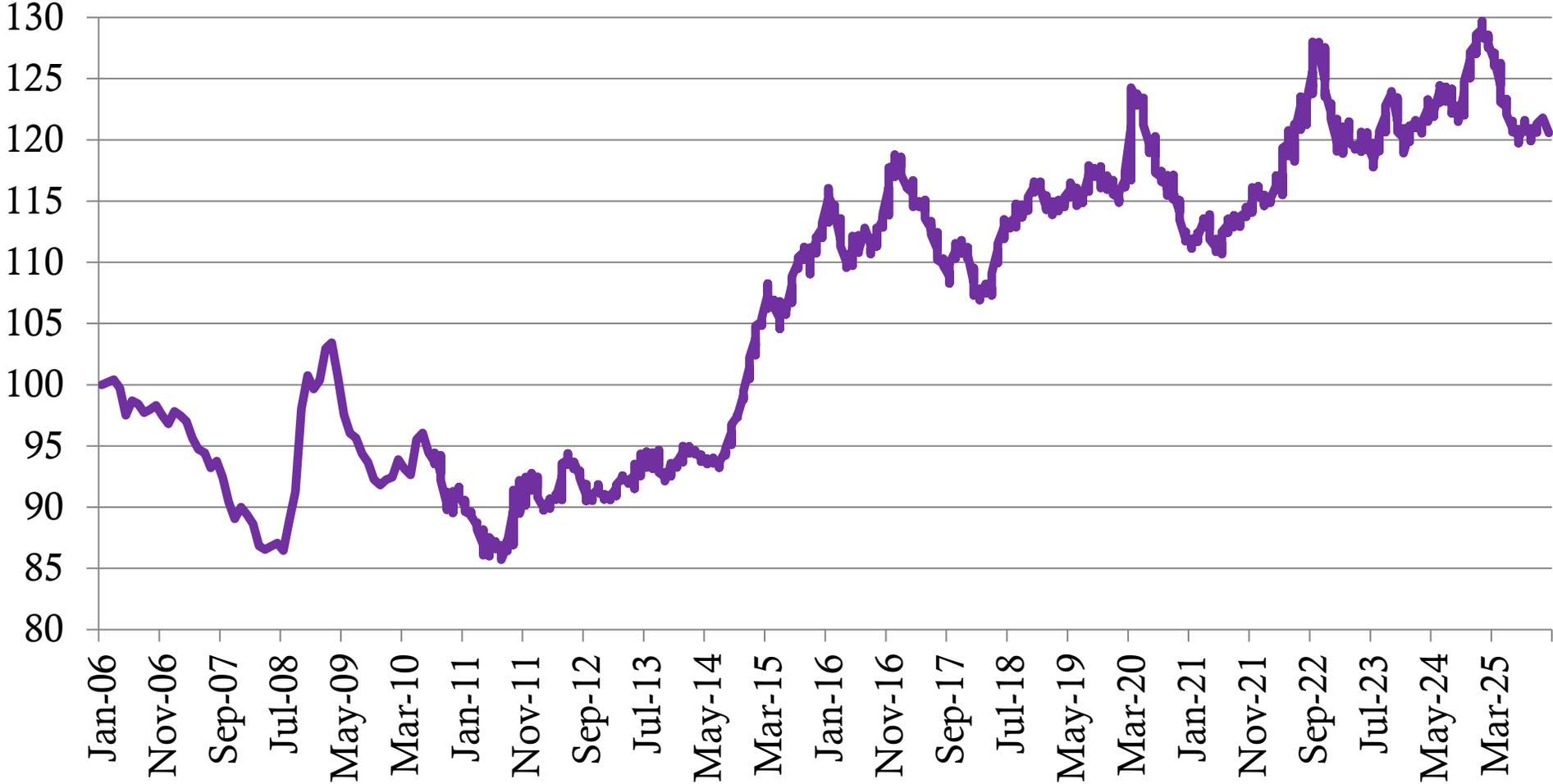
Industrial Production: From 2020 Peak

(source: Board of Governors of Federal Reserve)



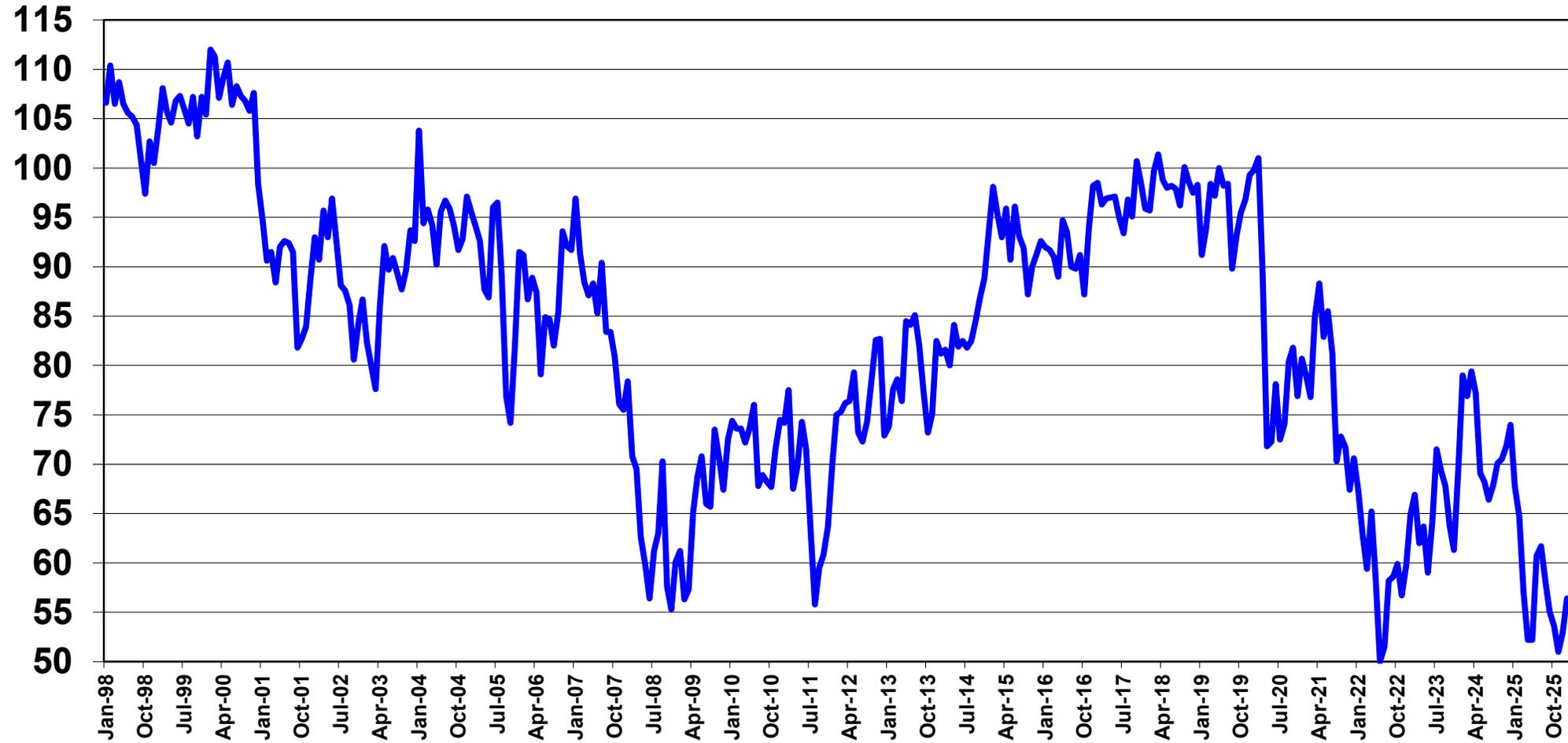
Foreign Exchange: Broad Dollar

(source: Board of Governors of Federal Reserve System)



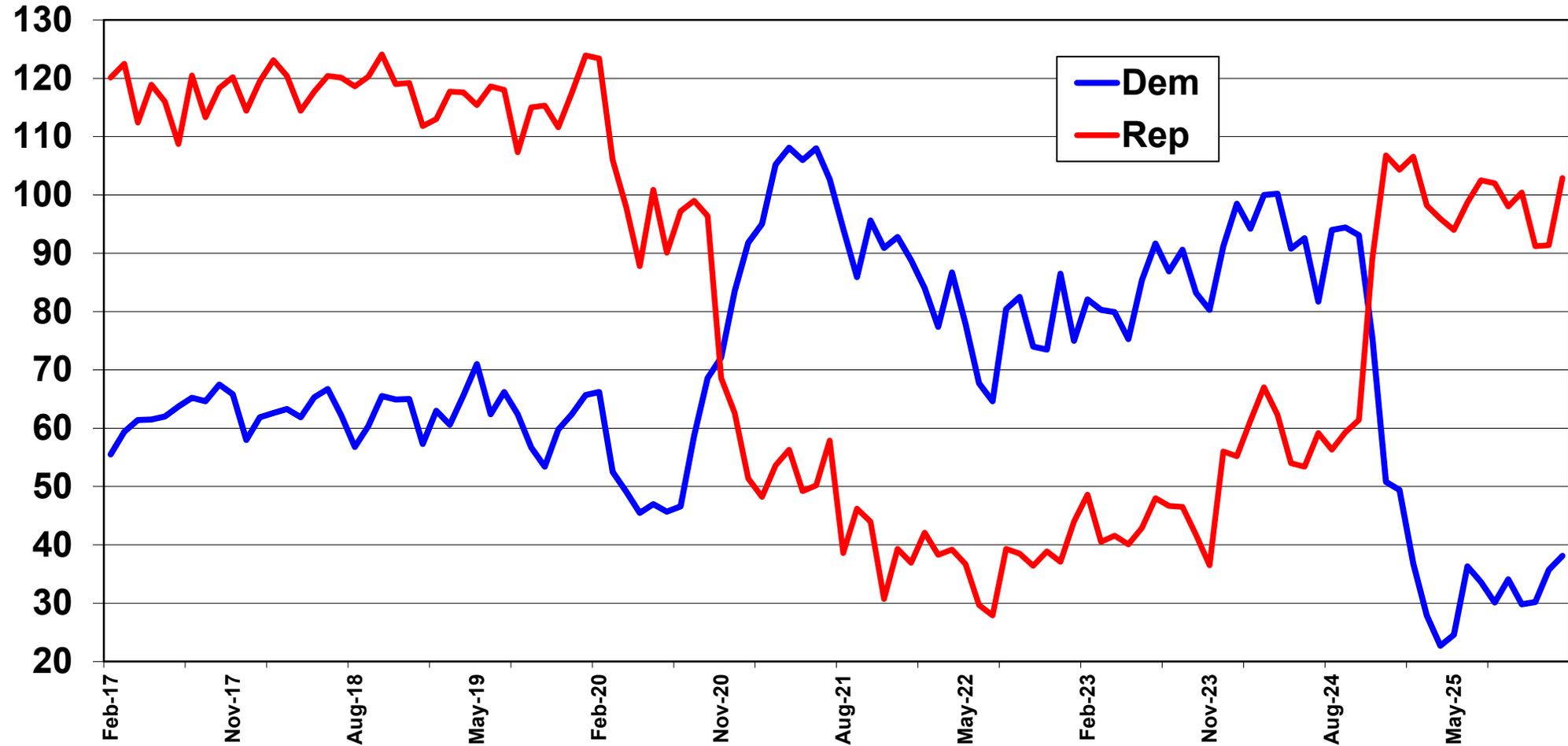
Consumer Sentiment

(source: University of Michigan, Survey Research Center)



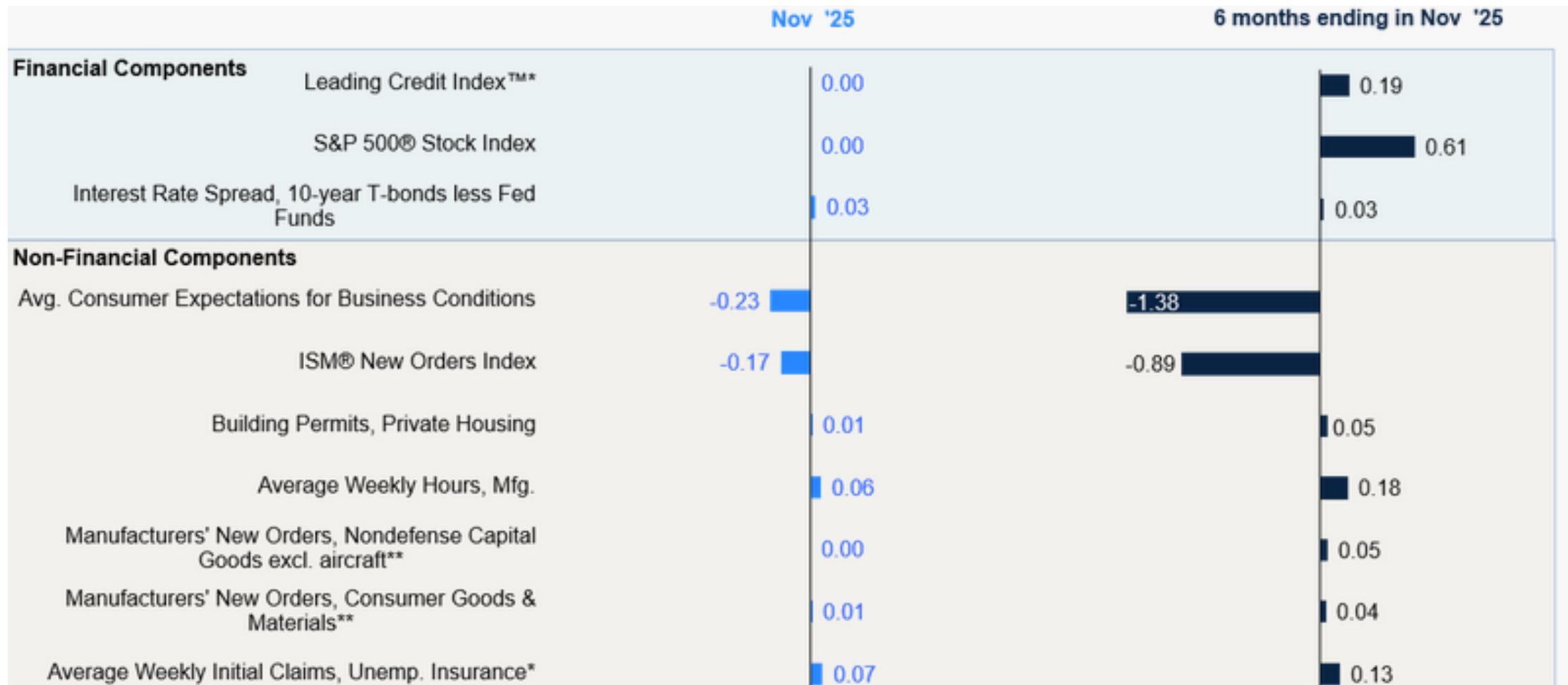
Consumer Expectations: By Party

(source: University of Michigan, Survey Research Center)



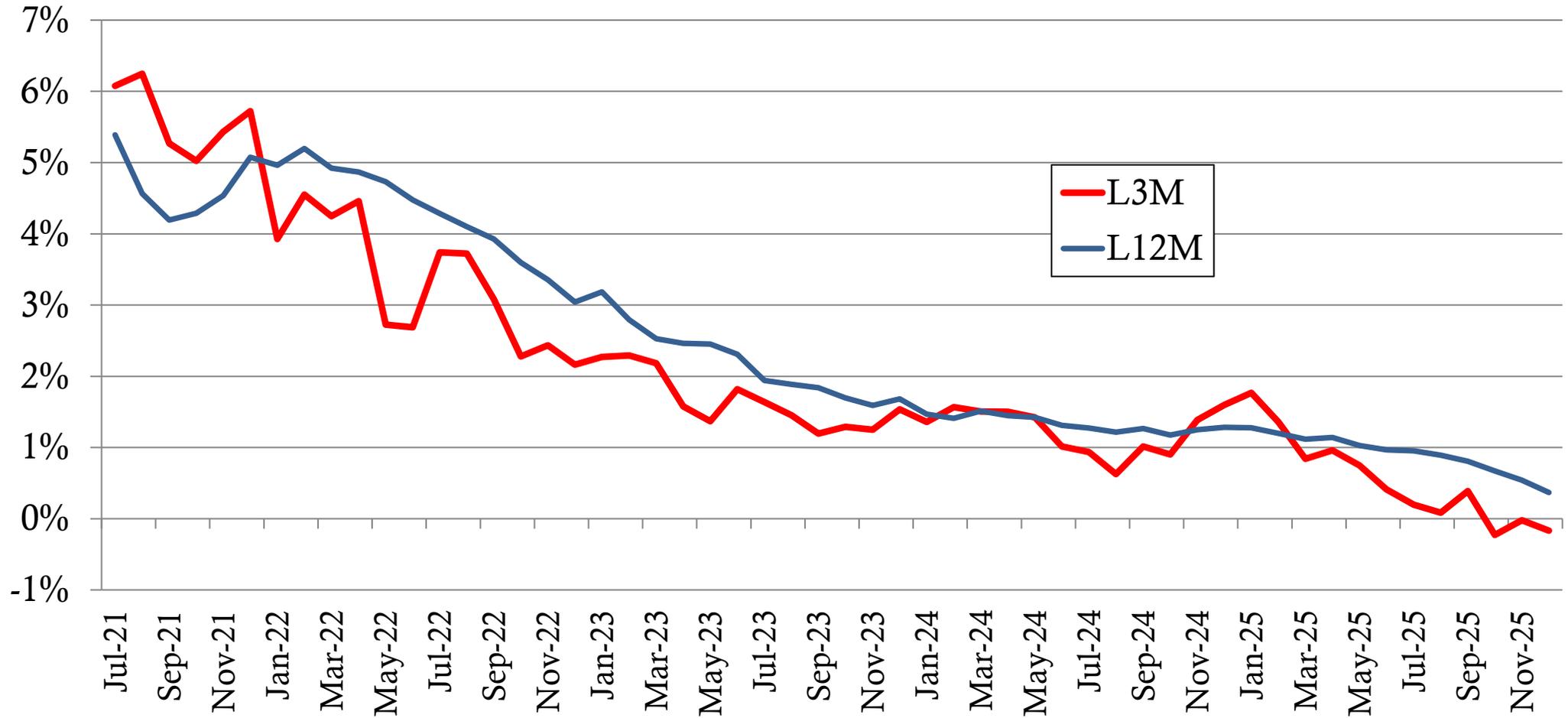
Leading Economic Indicators

(source: The Conference Board, 6 month change)



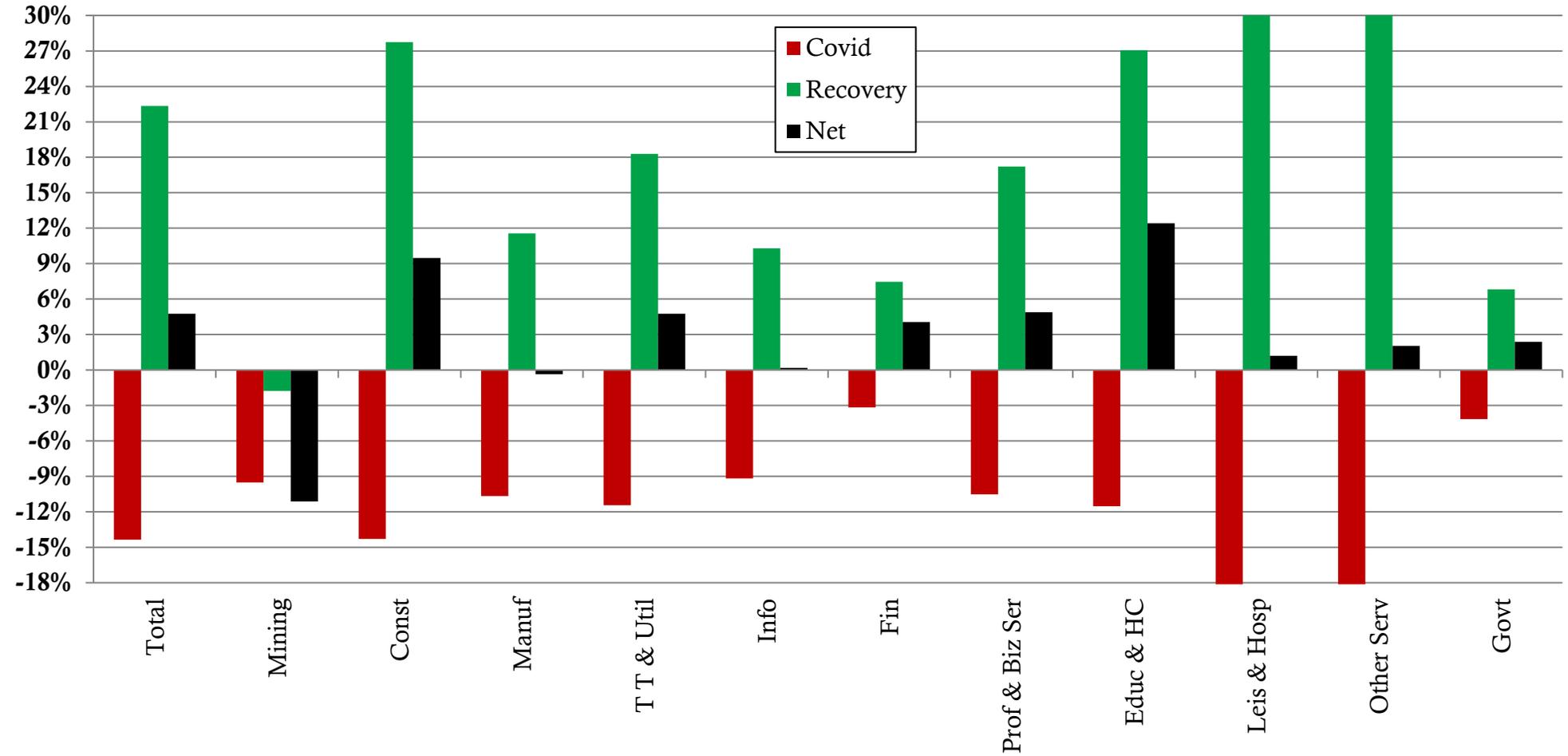
Payrolls Growth

(Source: Bureau of Labor Statistics; 3-month & 12-month growth rate)



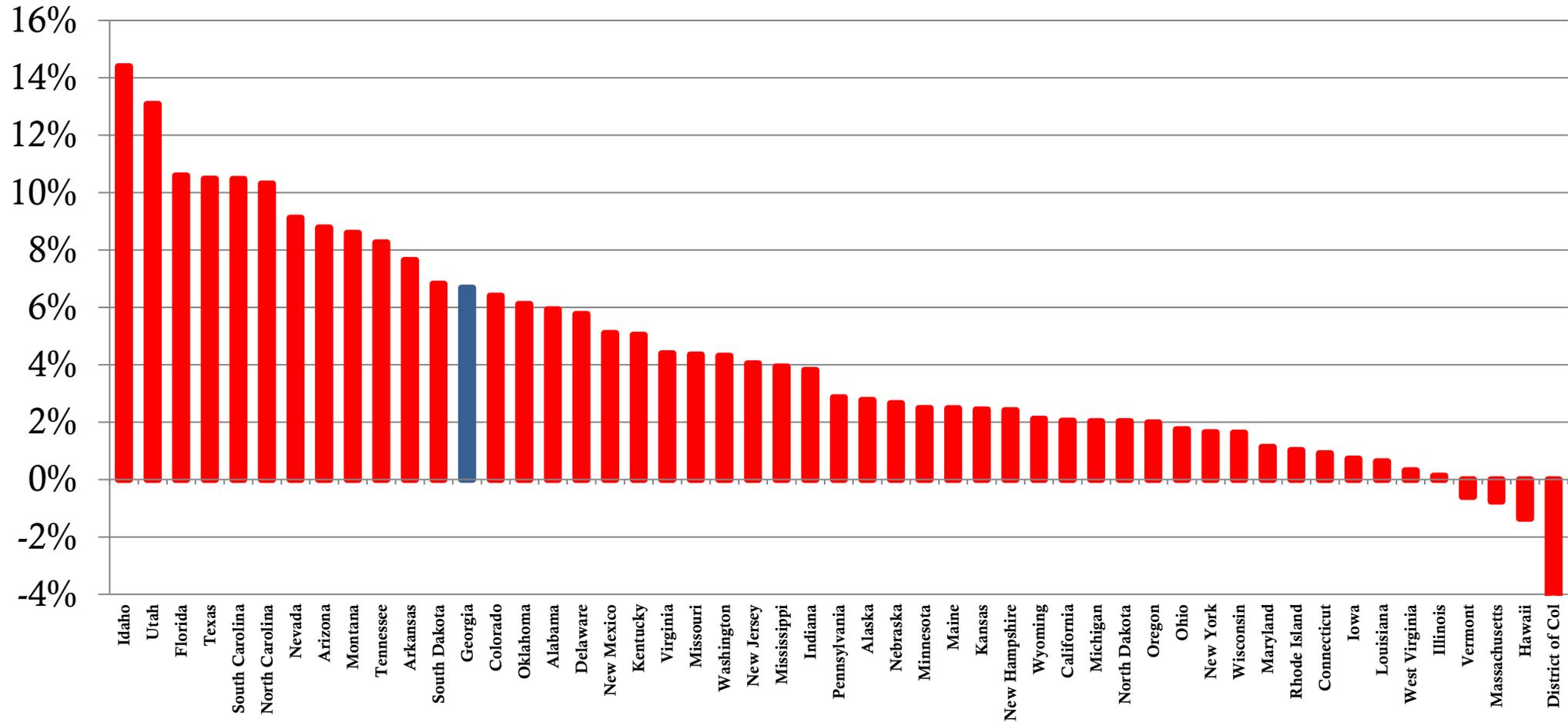
Employment: by Sectors

(source: Bureau of Labor Statistics, thru November 2025)



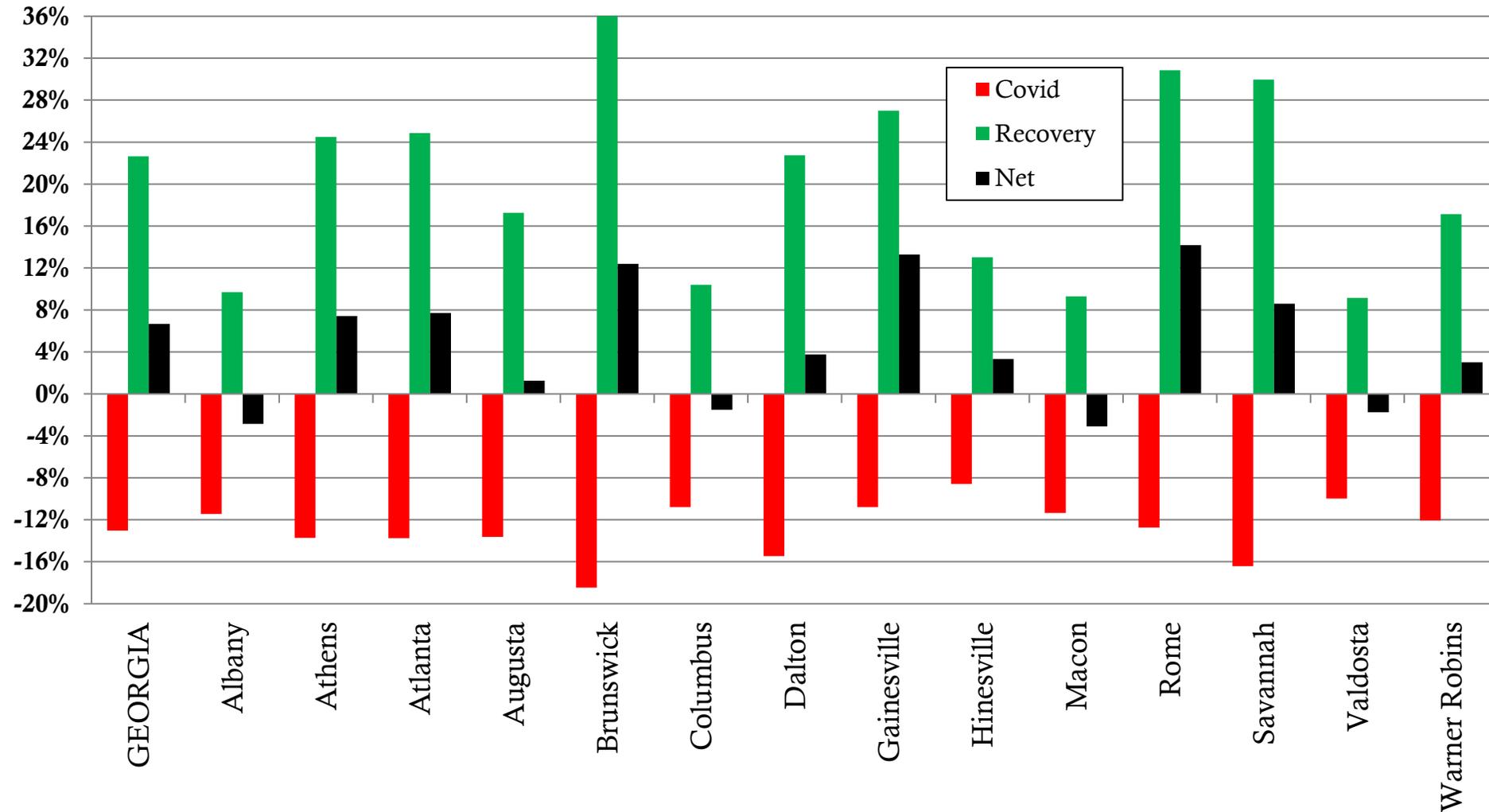
Recovery from Bottom

(Source: Bureau of Labor Statistics; through November 2025)



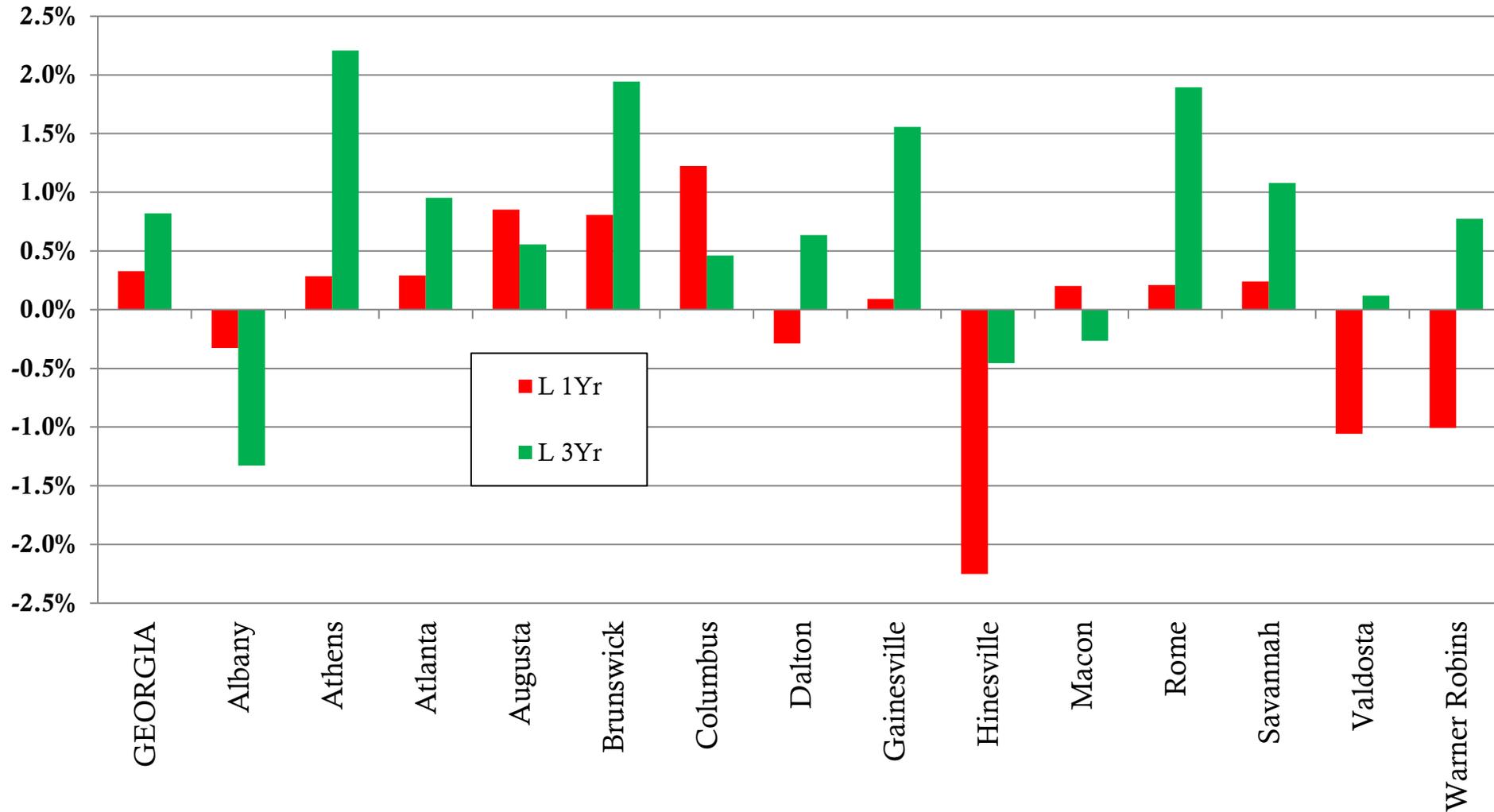
Employment: Georgia

(source: Bureau of Labor Statistics, thru November 2025)



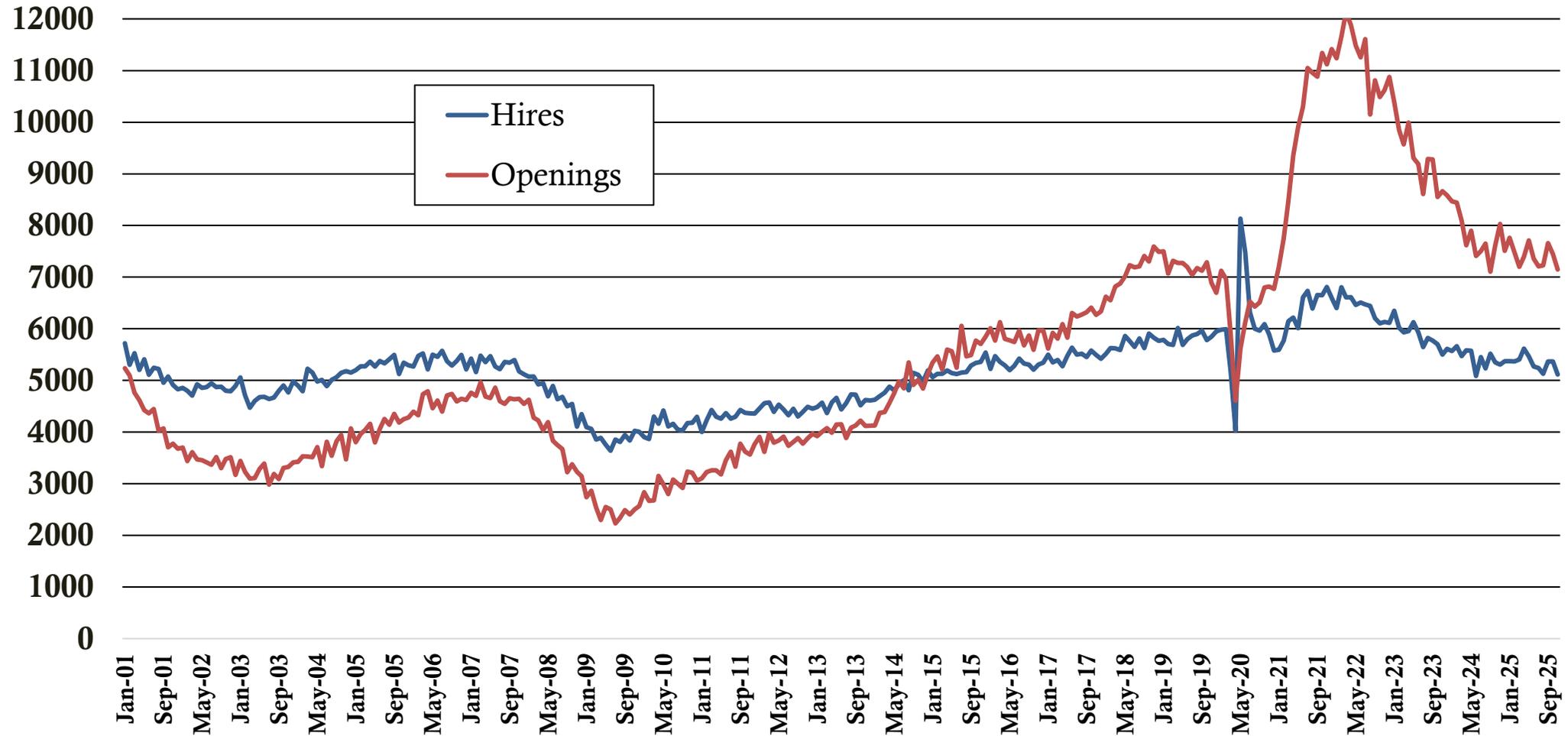
Employment: Georgia

(source: Bureau of Labor Statistics, thru November 2025)



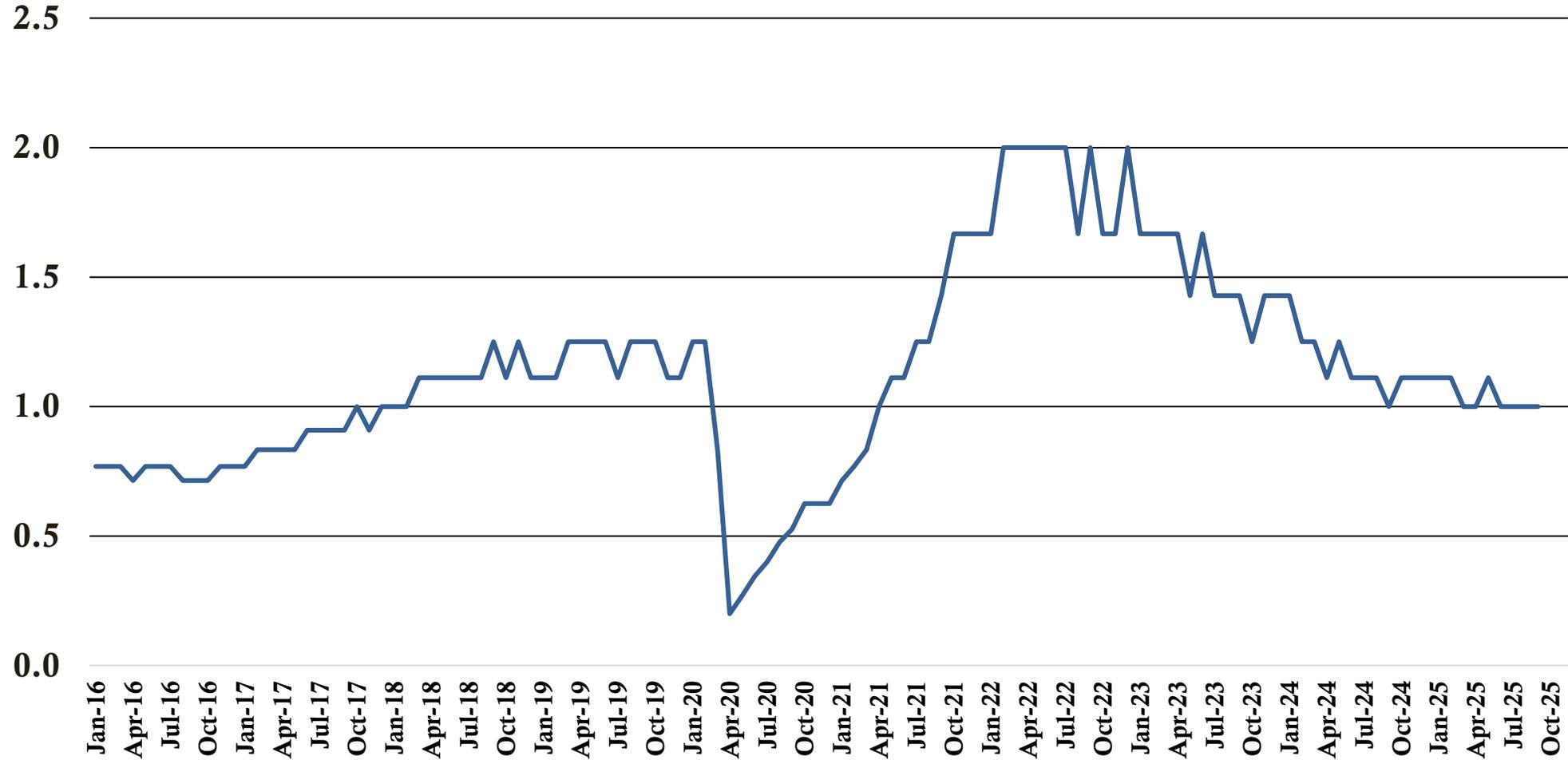
JOLTS: Openings & Hires

(Source: Bureau of Labor Statistics)



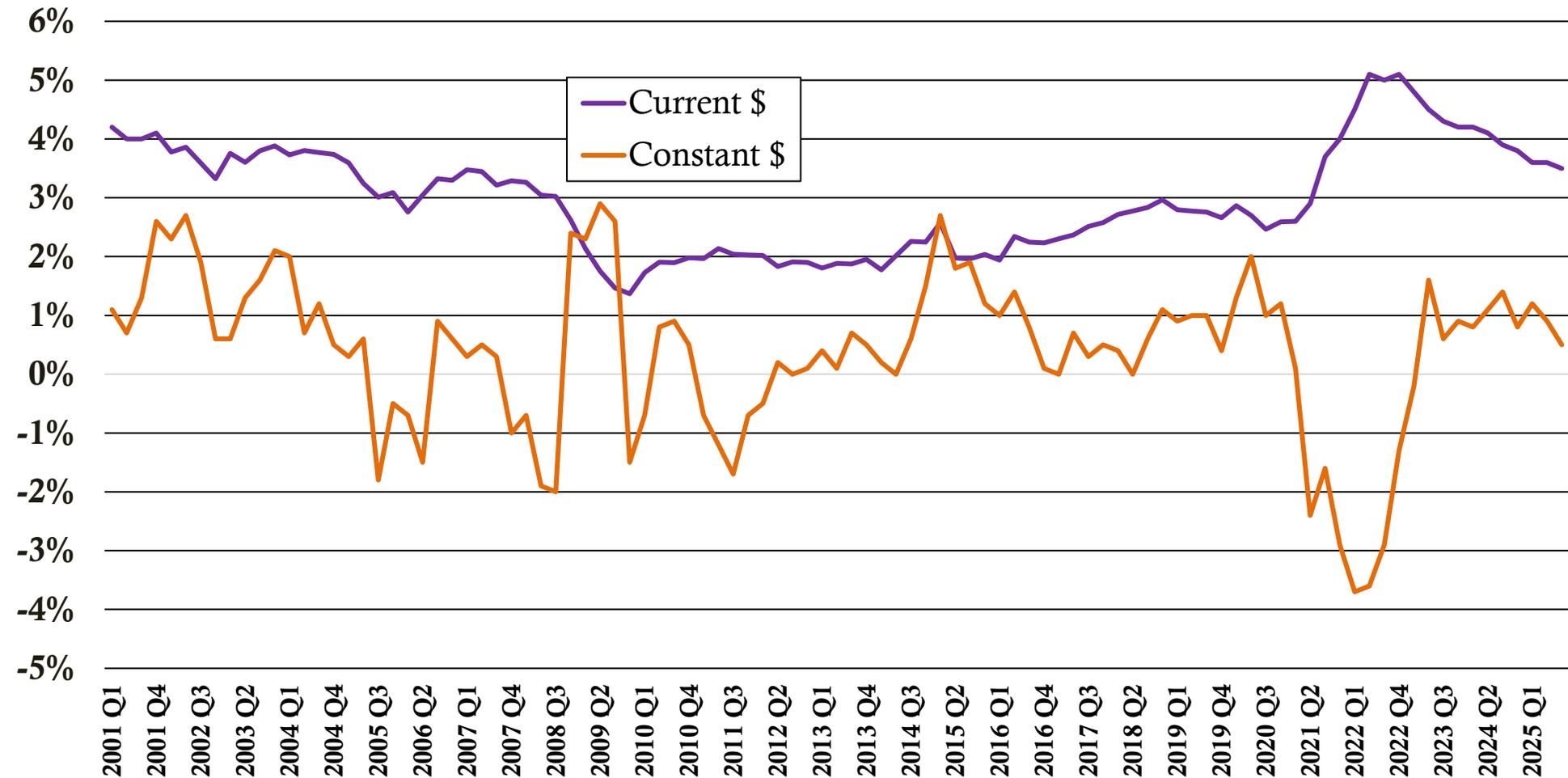
JOLTS: Openings/Unemployed

(Source: Bureau of Labor Statistics)



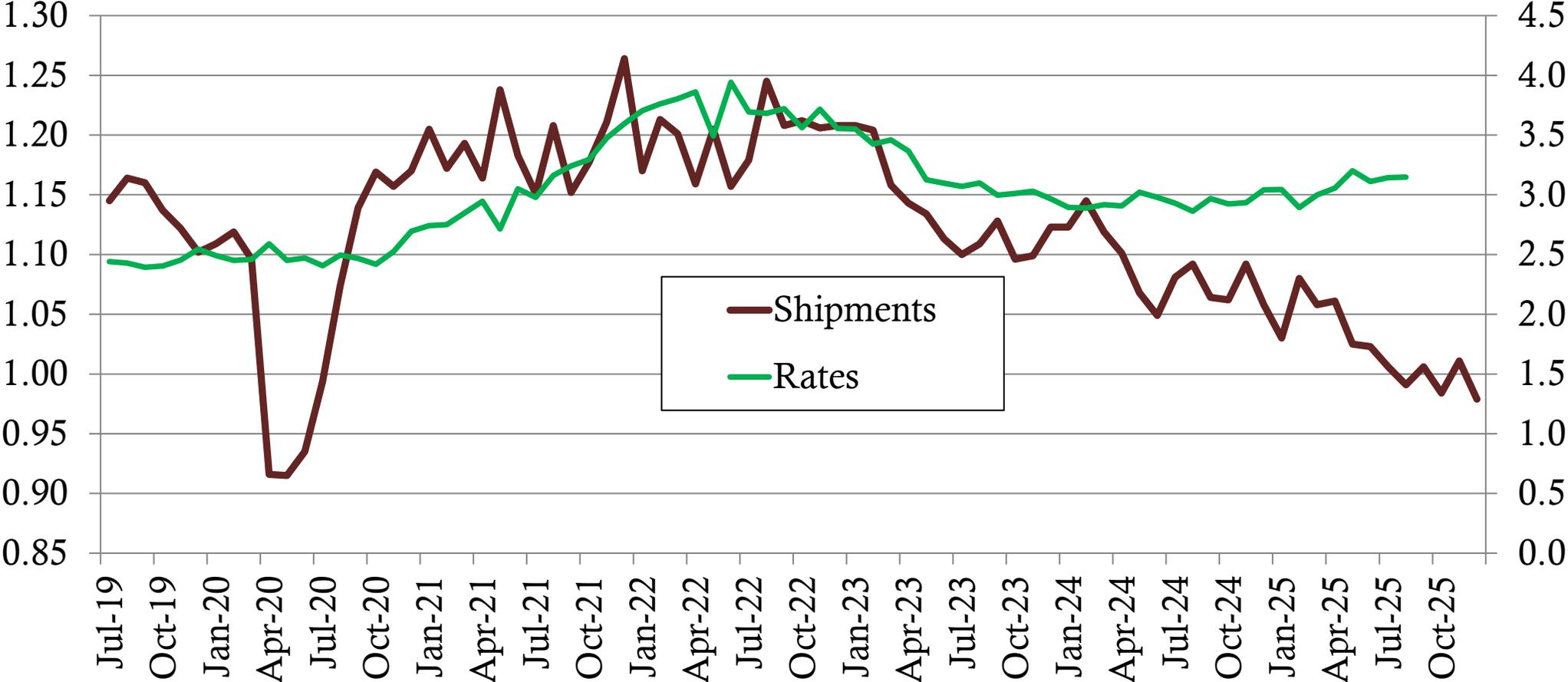
Employment Cost Index: Role of Inflation

(Source: Bureau of Labor Statistics)



Freight: Shipments & Rate

(source: Cass Freight Index, Seasonally Adjusted)



Global Supply Chain Pressure

(Source: Federal Reserve Bank of New York)



Basis of Tariffs

Congress has constitutional standing.

Section 232 (1962): certain circumstances allows the president to impose tariffs based on the recommendation from the Secretary of Commerce if "an article is being imported into the United States in such quantities or under such circumstances as to threaten or impair the national security.

Section 201 & 301 (1974): designed to eliminate unfair foreign trade practices that adversely affect U.S. trade and investment in both goods and services.

International Emergency Economic Powers Act of 1977

Impact of Tariffs

- ISM-PMI still contracting – lowest in 9 months. Imports in contraction for nine straight months. Prices Index still rising.
- Manufacturers were slowing capital expenditures as they wait for more “clarity”
- IEEPA (77) finished oral argument on July 31; appellate court against Trump; SCOTUS next
- Domestic impact is product of
 - Tariff rate
 - Margin compression for producer
 - Change in FX
 - Percentage of final good subject to tariff
 - Ability of final consumer to substitute
- Level shifts versus untick in inflation.
 - Lags in system
 - Feedback on retaliatory tariffs

Open questions:

Will we build redundant supply chains or “reshore”

What does it mean for capital flows?

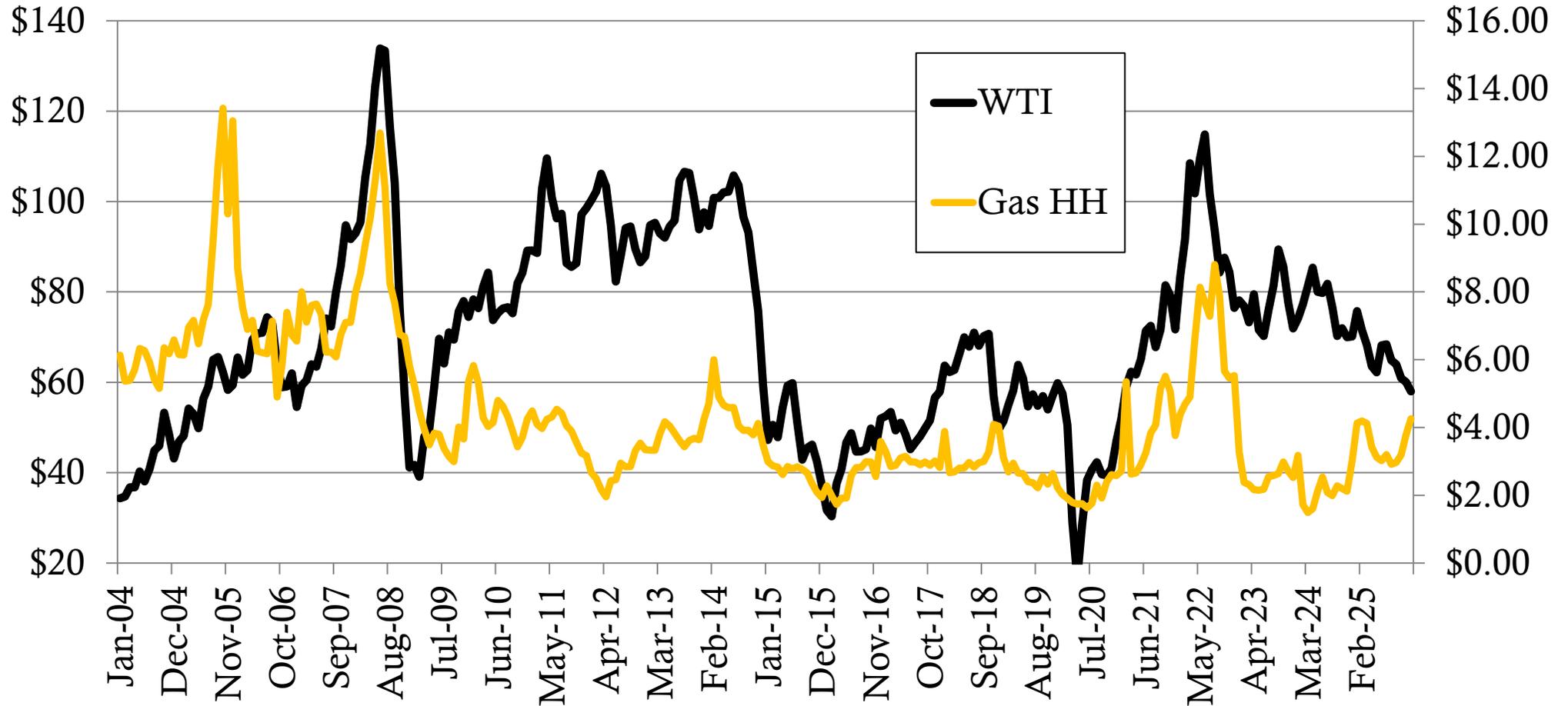
Inflation: Transitory or Persistent?

(source: Bureau of Labor Statistics)

- CPI up 0.3% in December. Overall CPI up 2.7% over last 12 months.
- Core CPI up 0.2% in December. Core up 2.6% over last year.
- Energy component was up 0.7% in December. The energy component is now up 4.0% over the last 12 months.
- PCE up 2.8% for 12 months ending in November, core PCE up 2.8% over the same period.

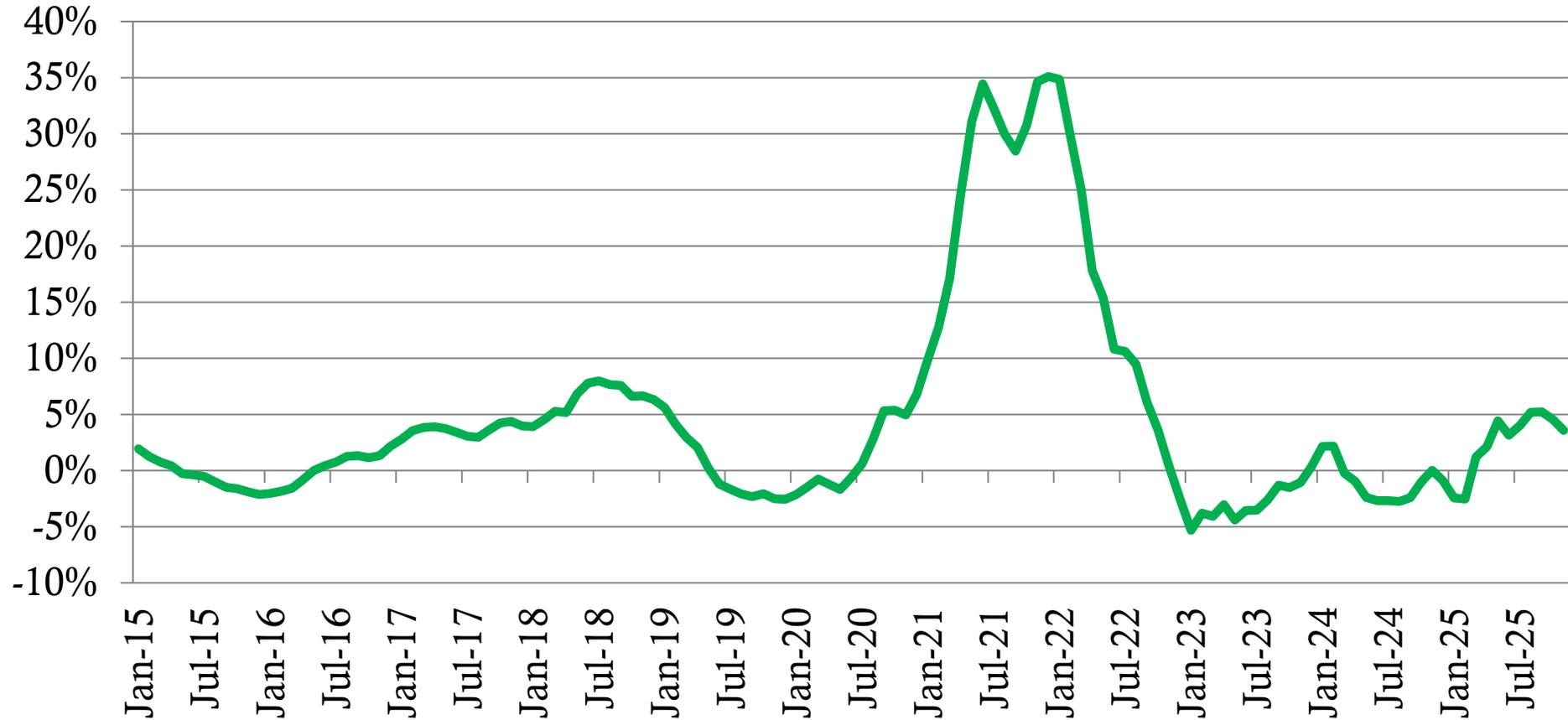
Energy Cost: Oil & Natural Gas

(source: U.S. Energy Information Administration)



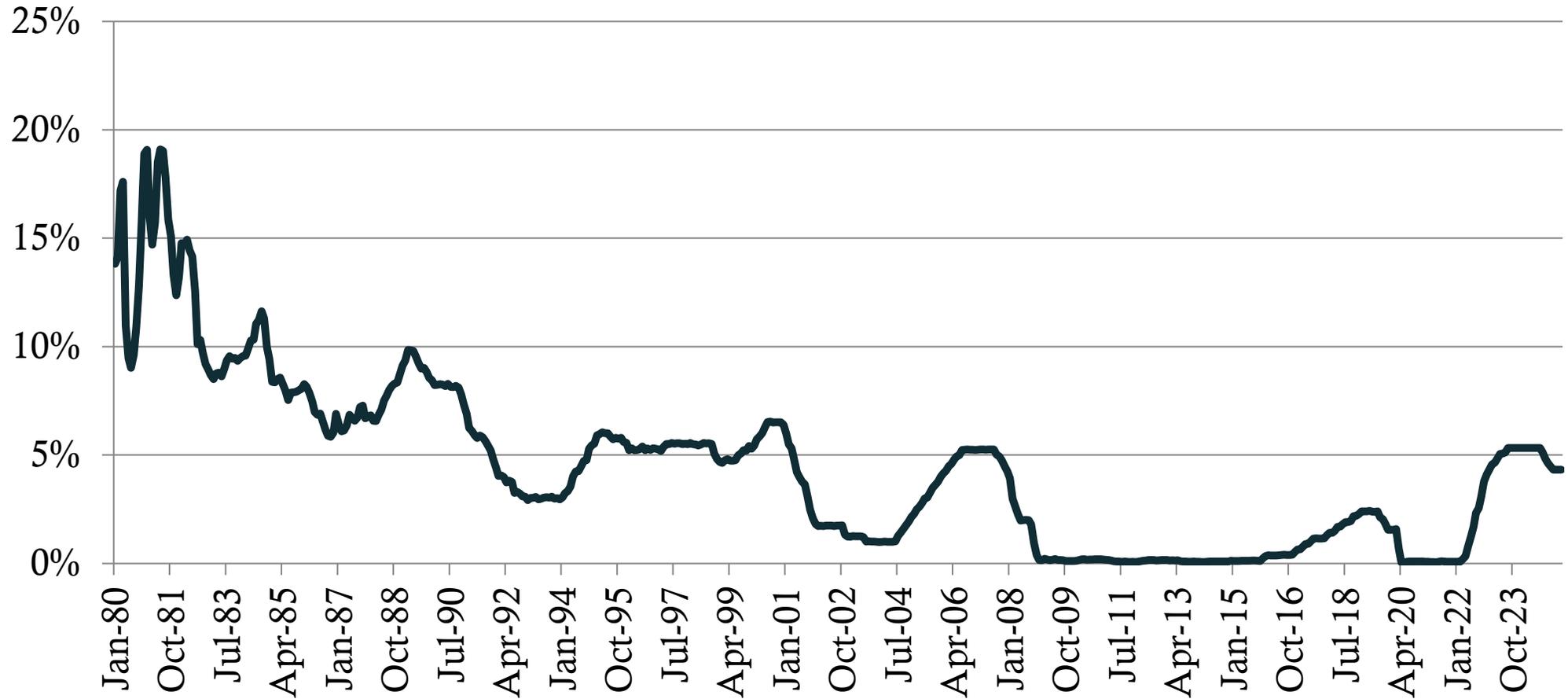
Producer Price Index: Construction Materials

(Change L12M, source: Bureau of Labor Statistics)



Federal Funds Rate

(source: Board of Governors of the Federal Reserve System)



Market's Expectation for Federal Funds Rate:

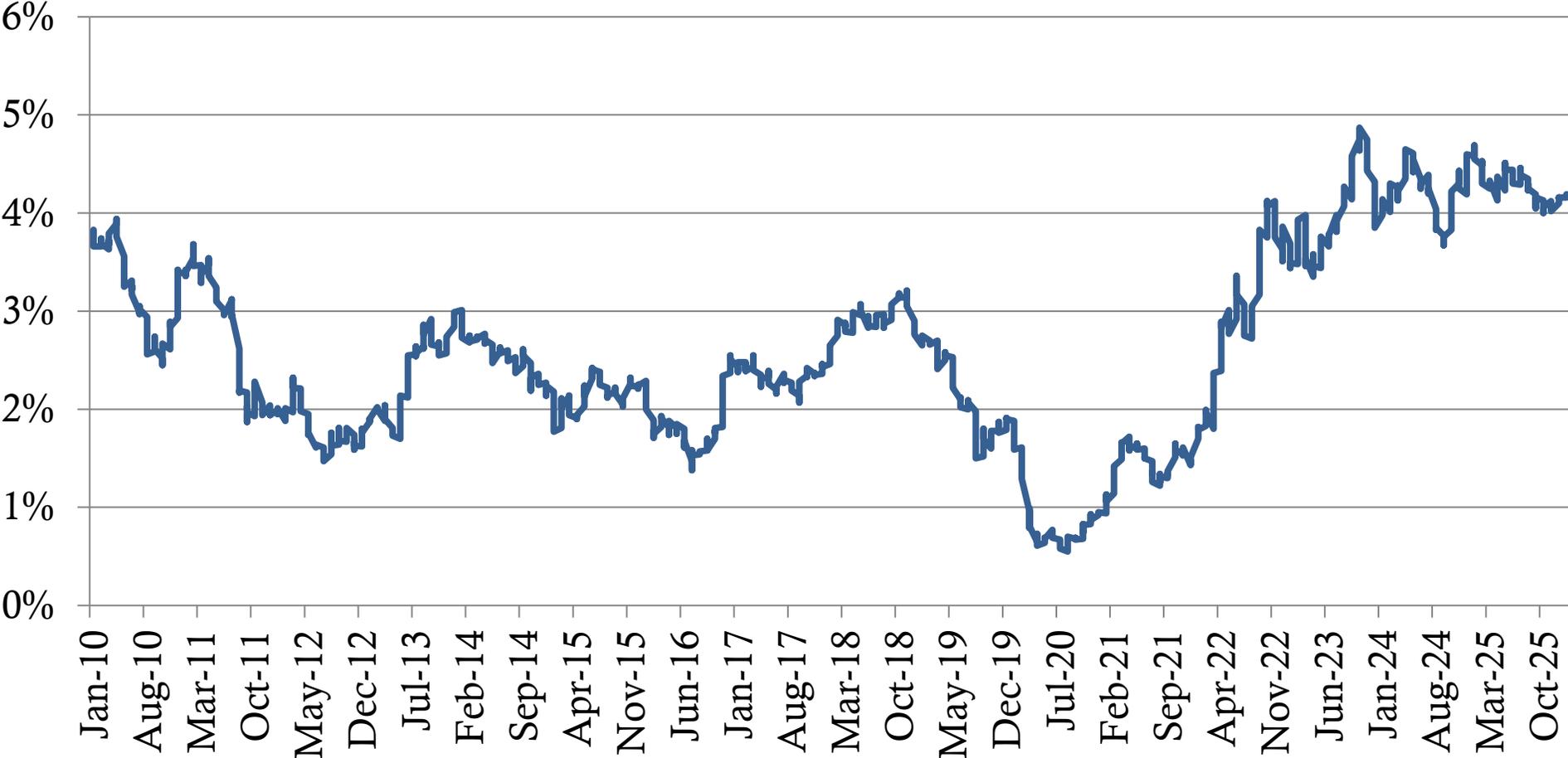
January 26, 2026

(Source: CME Group)

	CME FEDWATCH TOOL - CONDITIONAL MEETING PROBABILITIES								
MEETING DATE	200-225	225-250	250-275	275-300	300-325	325-350	350-375	375-400	400-425
1/28/2026		0.0%	0.0%	0.0%	0.0%	2.8%	97.2%	0.0%	0.0%
3/18/2026	0.0%	0.0%	0.0%	0.0%	0.4%	15.5%	84.1%	0.0%	0.0%
4/29/2026	0.0%	0.0%	0.0%	0.1%	2.6%	25.5%	71.9%	0.0%	0.0%
6/17/2026	0.0%	0.0%	0.0%	1.2%	12.7%	45.9%	40.2%	0.0%	0.0%
7/29/2026	0.0%	0.0%	0.4%	4.6%	22.6%	44.2%	28.2%	0.0%	0.0%
9/16/2026	0.0%	0.1%	2.0%	11.6%	31.1%	38.0%	17.2%	0.0%	0.0%
10/28/2026	0.0%	0.5%	3.9%	15.5%	32.4%	33.8%	13.7%	0.0%	0.0%
12/9/2026	0.1%	1.2%	6.2%	18.8%	32.7%	30.0%	11.1%	0.0%	0.0%
1/27/2027	0.1%	1.2%	6.1%	18.6%	32.5%	30.0%	11.3%	0.1%	0.0%
3/17/2027	0.1%	1.1%	5.9%	18.2%	32.0%	30.1%	12.0%	0.5%	0.0%
4/28/2027	0.1%	1.1%	5.7%	17.5%	31.3%	30.2%	13.0%	1.2%	0.0%
6/9/2027	0.1%	1.0%	5.6%	17.2%	31.0%	30.2%	13.4%	1.4%	0.1%

10-Year Treasury Bonds

(source: Board of Governors of Federal Reserve System)



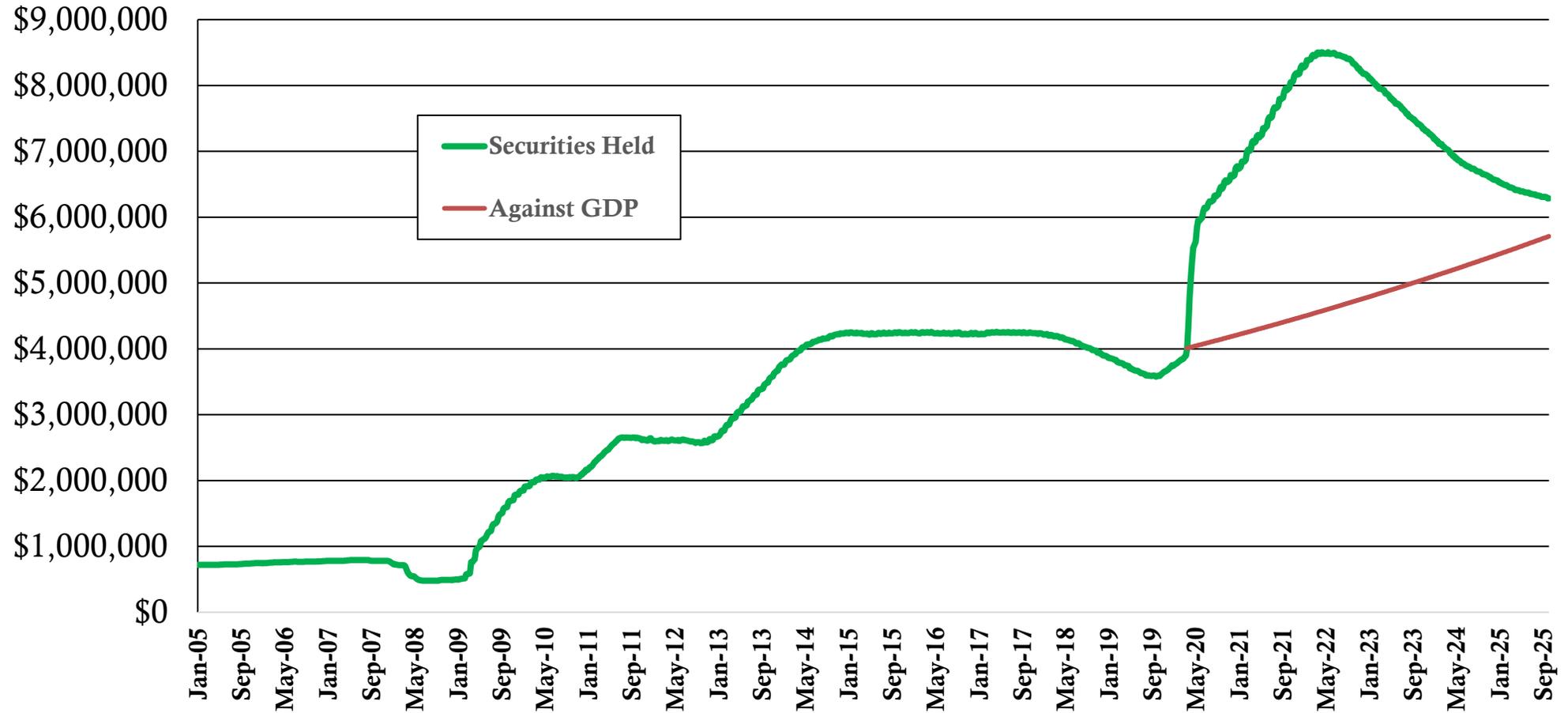
Mortgages vs 10-Year T-Bonds

(source: Board of Governors of Federal Reserve System)



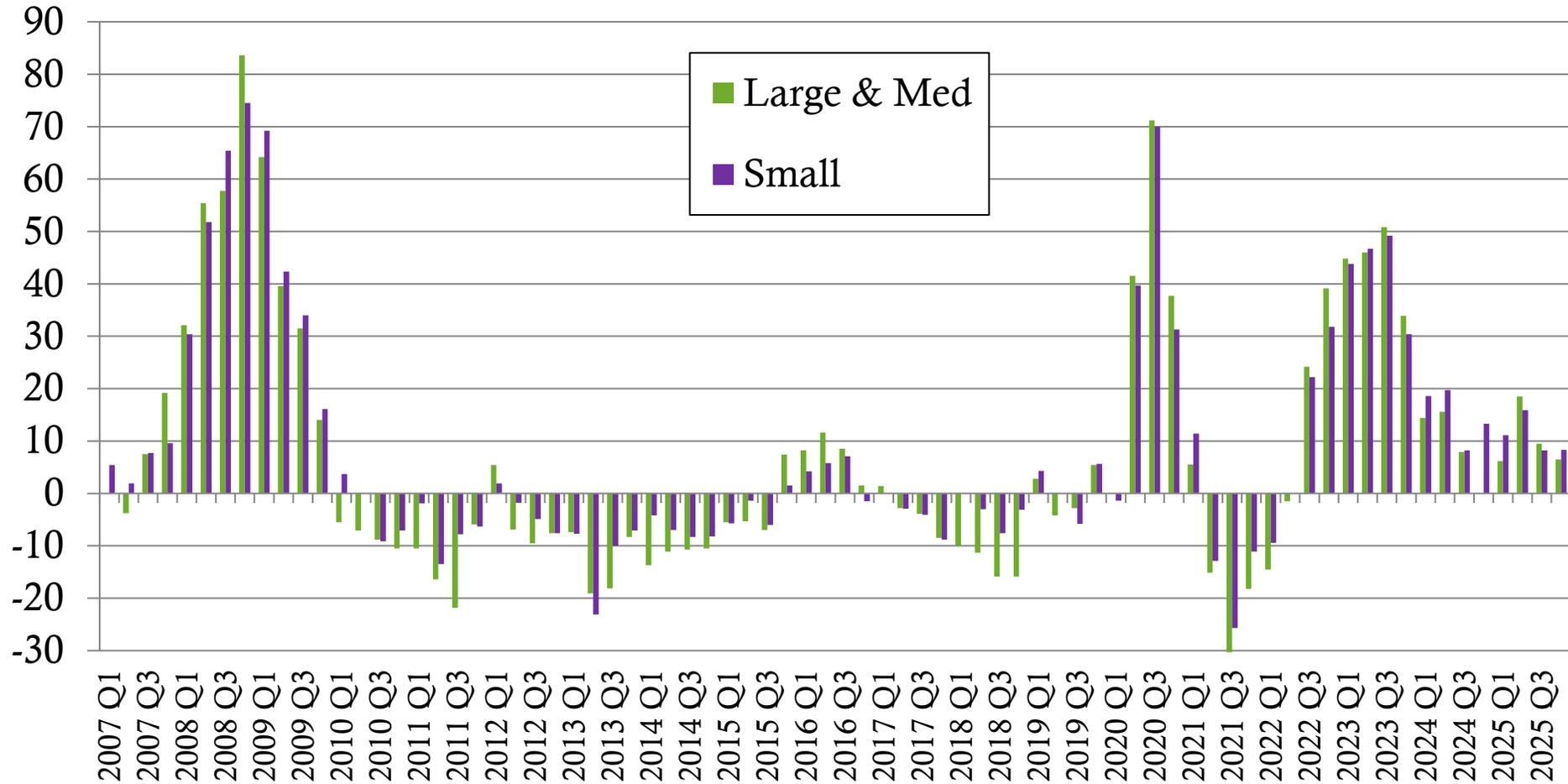
Fed: Securities Held Outright

(in millions, source: Board of Governors of Federal Reserve System, Department of Commerce)



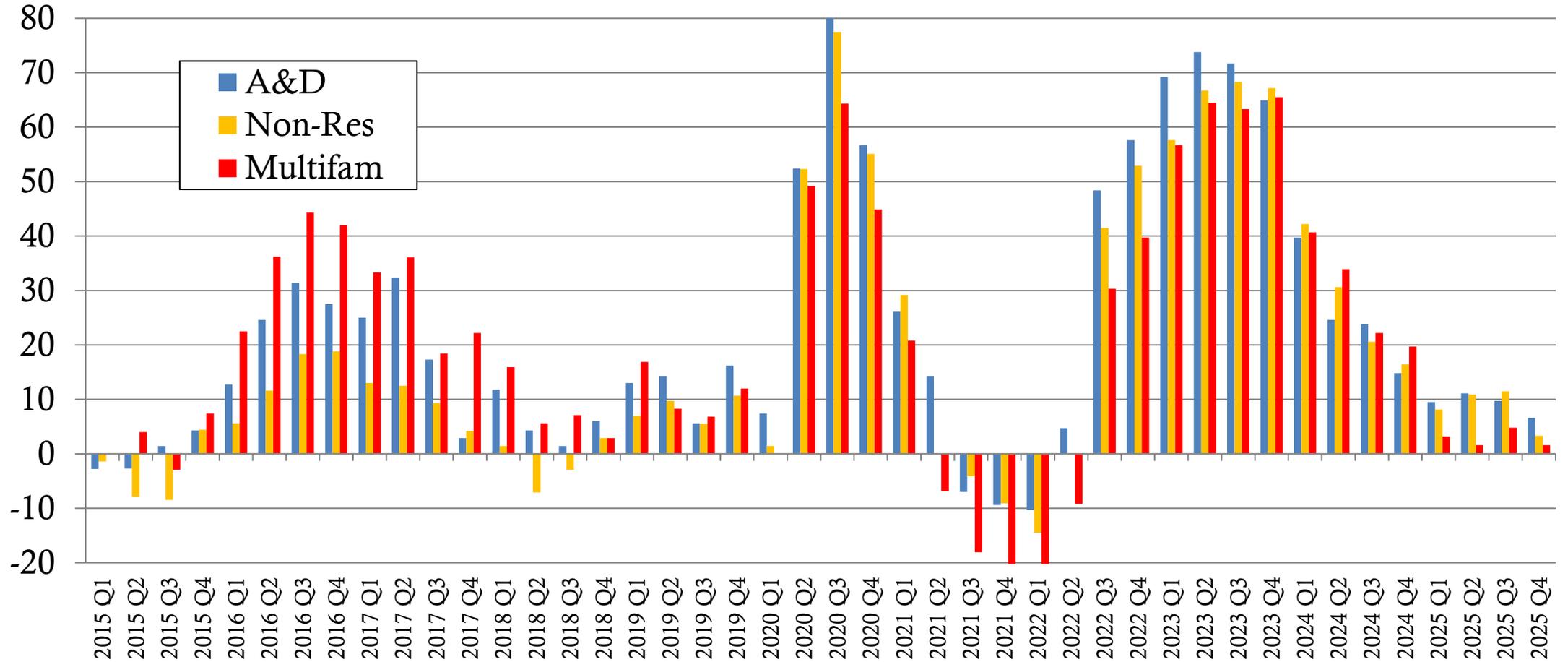
C&I Loan Standards: Net Tightening

(Source: Federal Reserve System, Senior Officers Lending Survey)



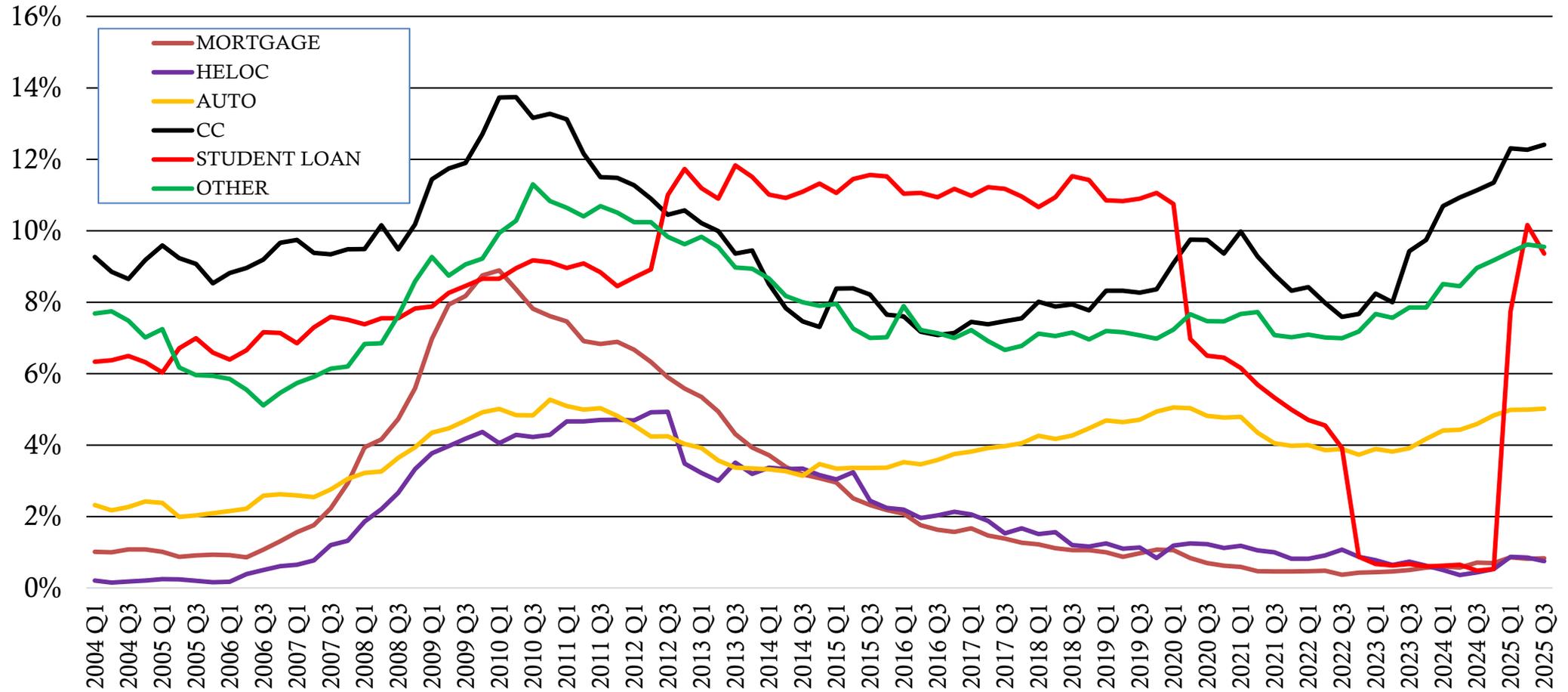
CRE Loan Standards: Net Tightening

(Source: Federal Reserve System, Senior Officers Lending Survey)



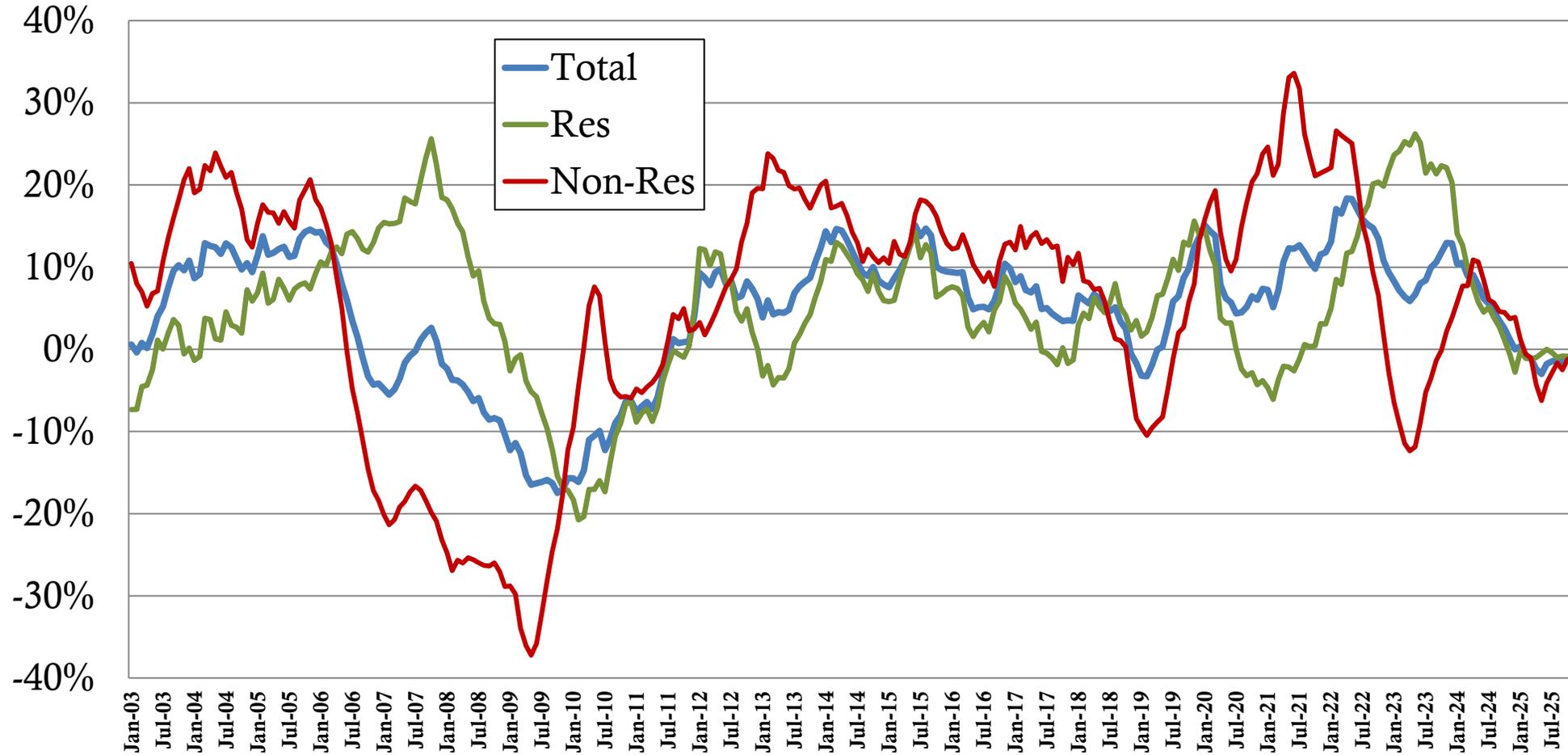
90+ Days Delinquent by Loan Type

(source: Federal Reserve Bank of New York Credit Panel/Equifax)



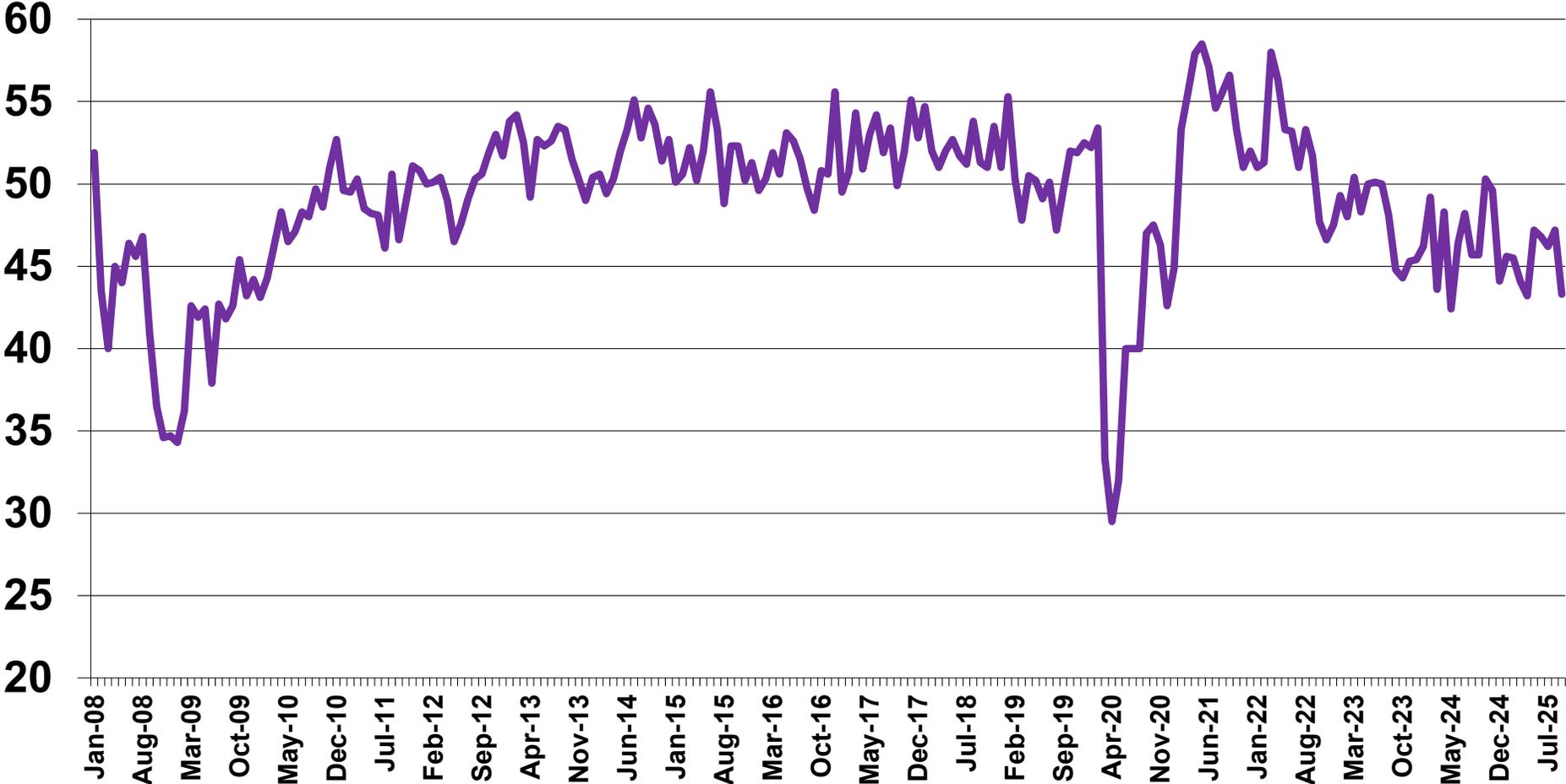
Construction Spending: Annual Change

(Source: U.S. Census Bureau)



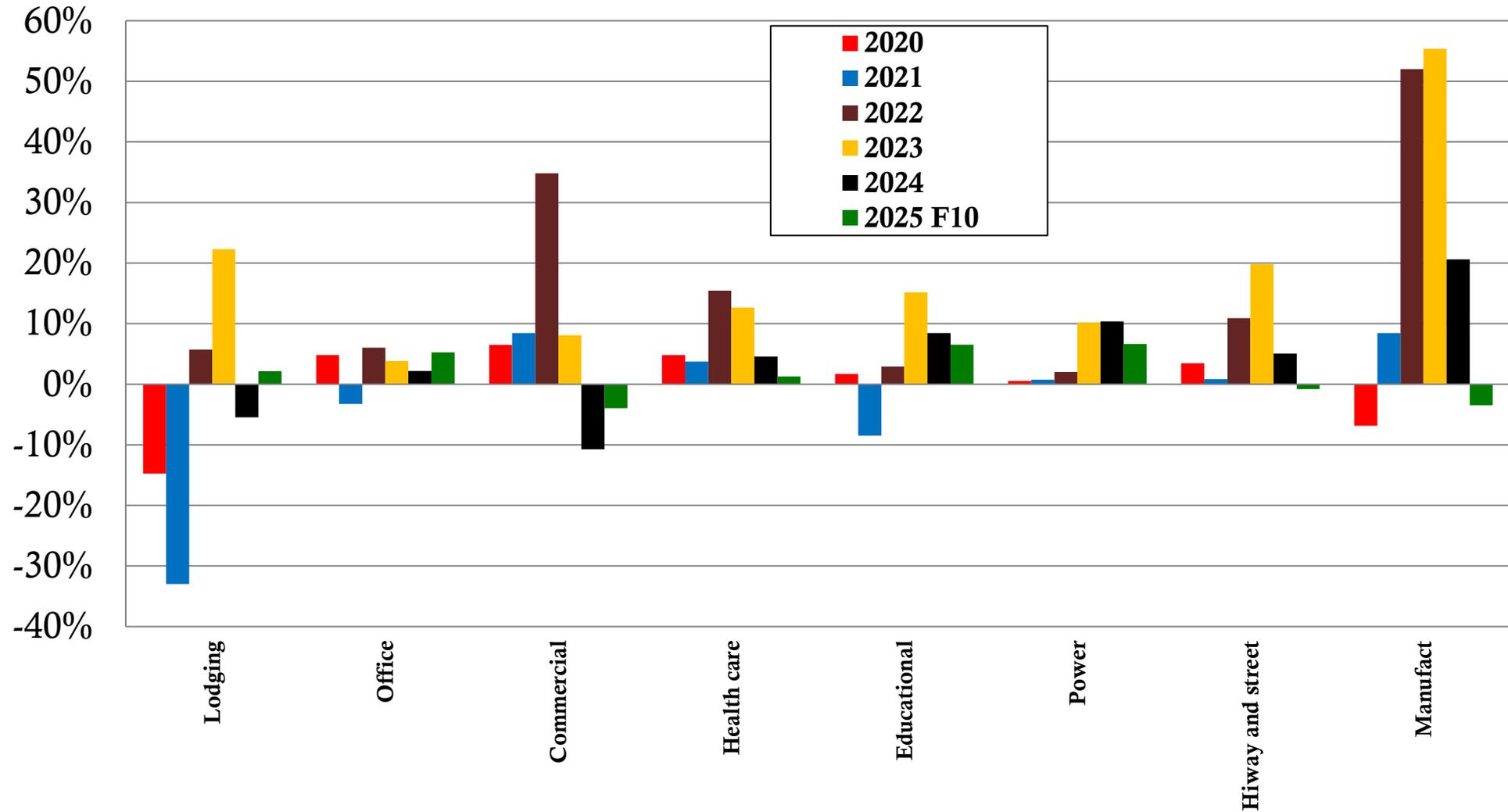
Architecture Billings Index (AIA)

(Source: American Institute of Architects)



Non-Residential Construction

(Source: U.S. Census Bureau)

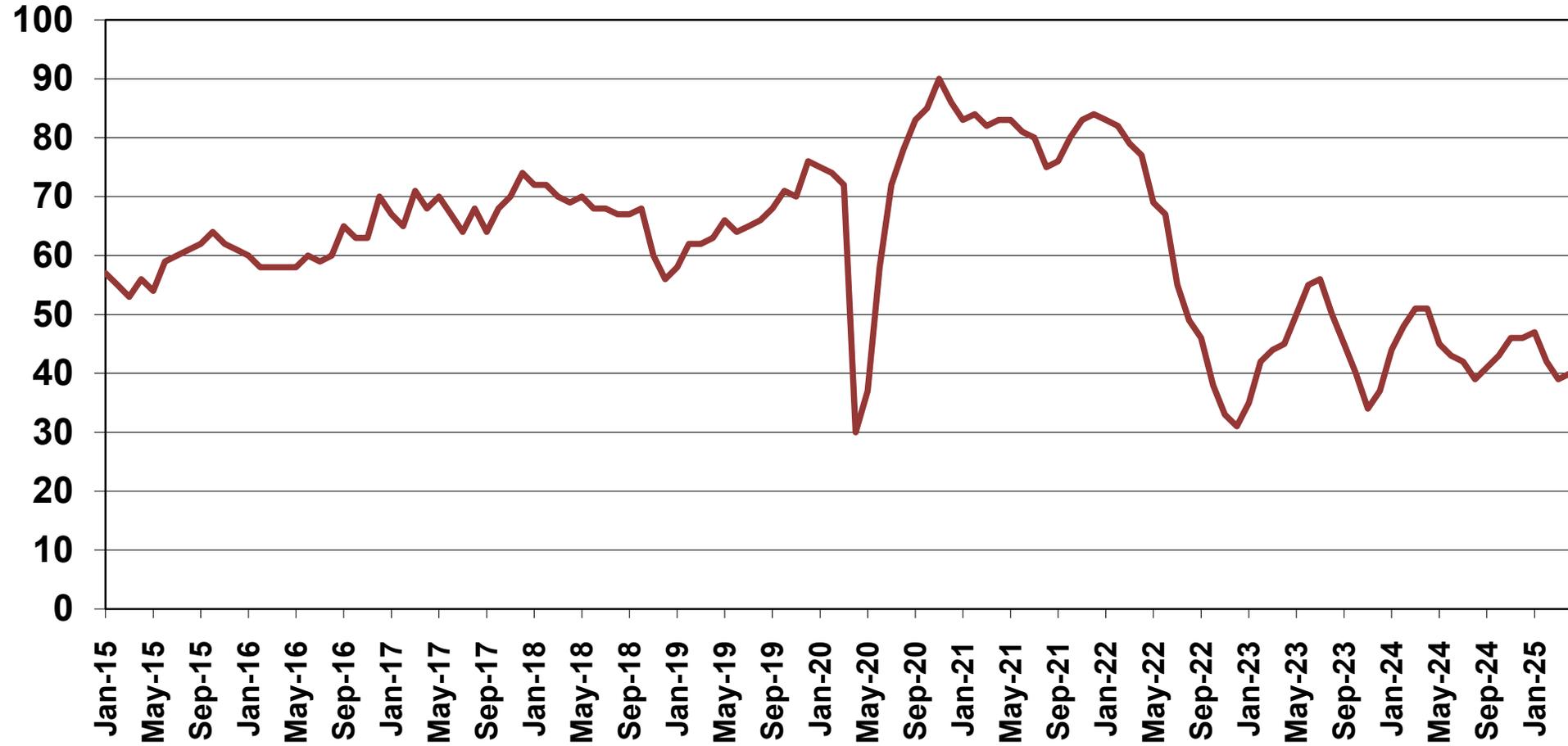


Comments on Cap Rates

- General long-term downward trend was moderating before pandemic shock
- Factors always at play
 - GDP growth and unemployment rate
 - Inflation (general and rents)
 - General level of interest rates
 - Credit spreads
 - Debt flow

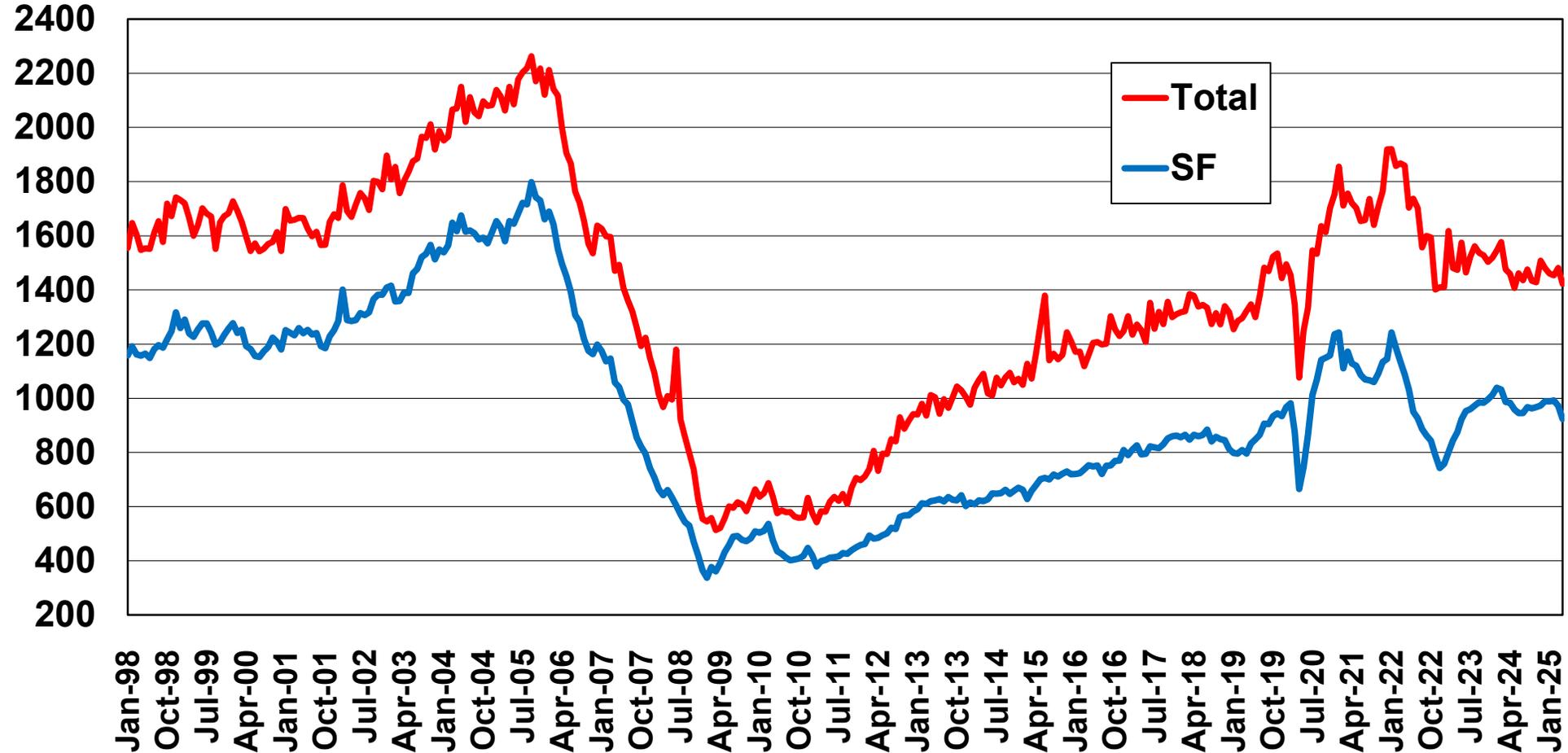
Housing Market Index

(source: NAHB/Wells Fargo)



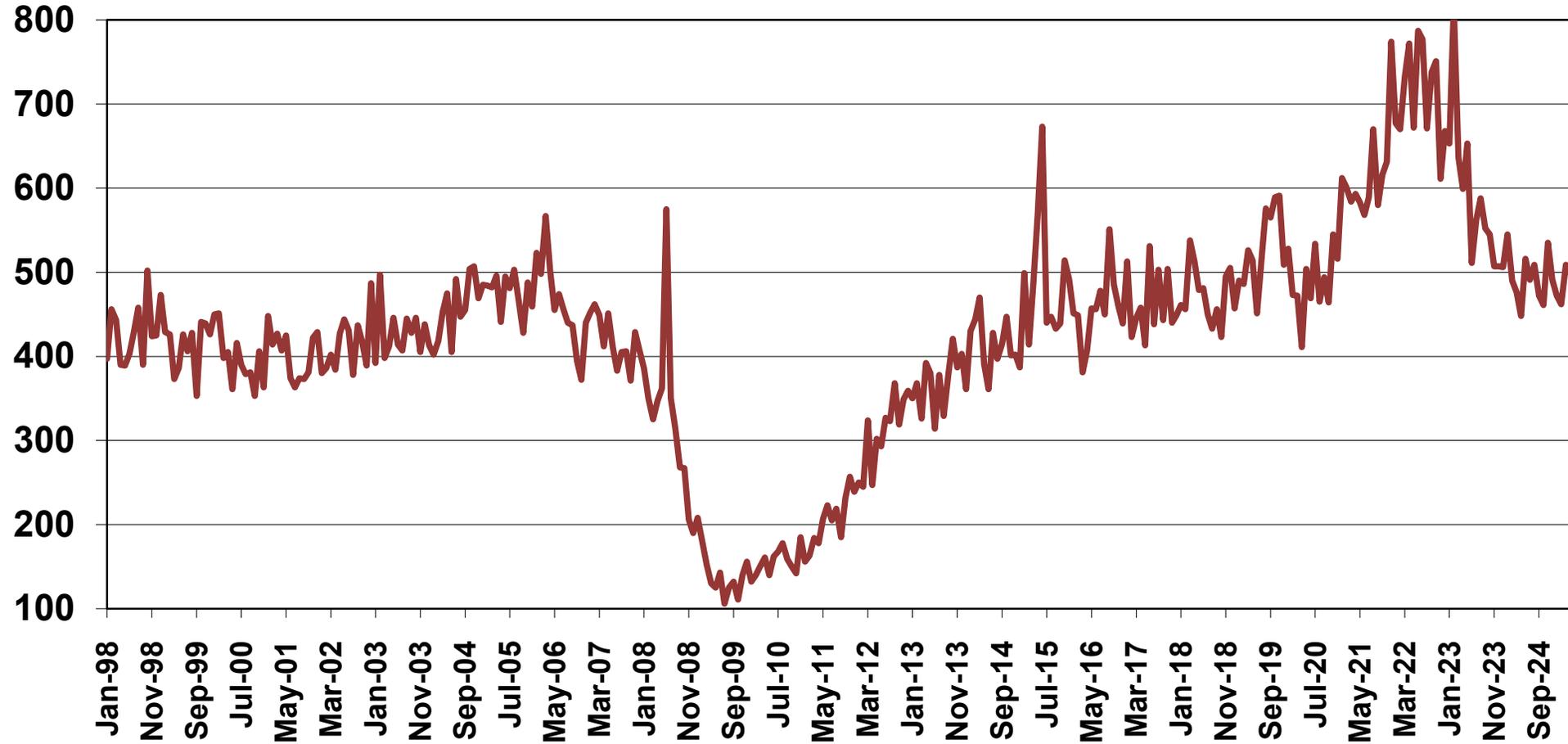
US Housing Permits: SF and Total

(source: U.S. Census Bureau)



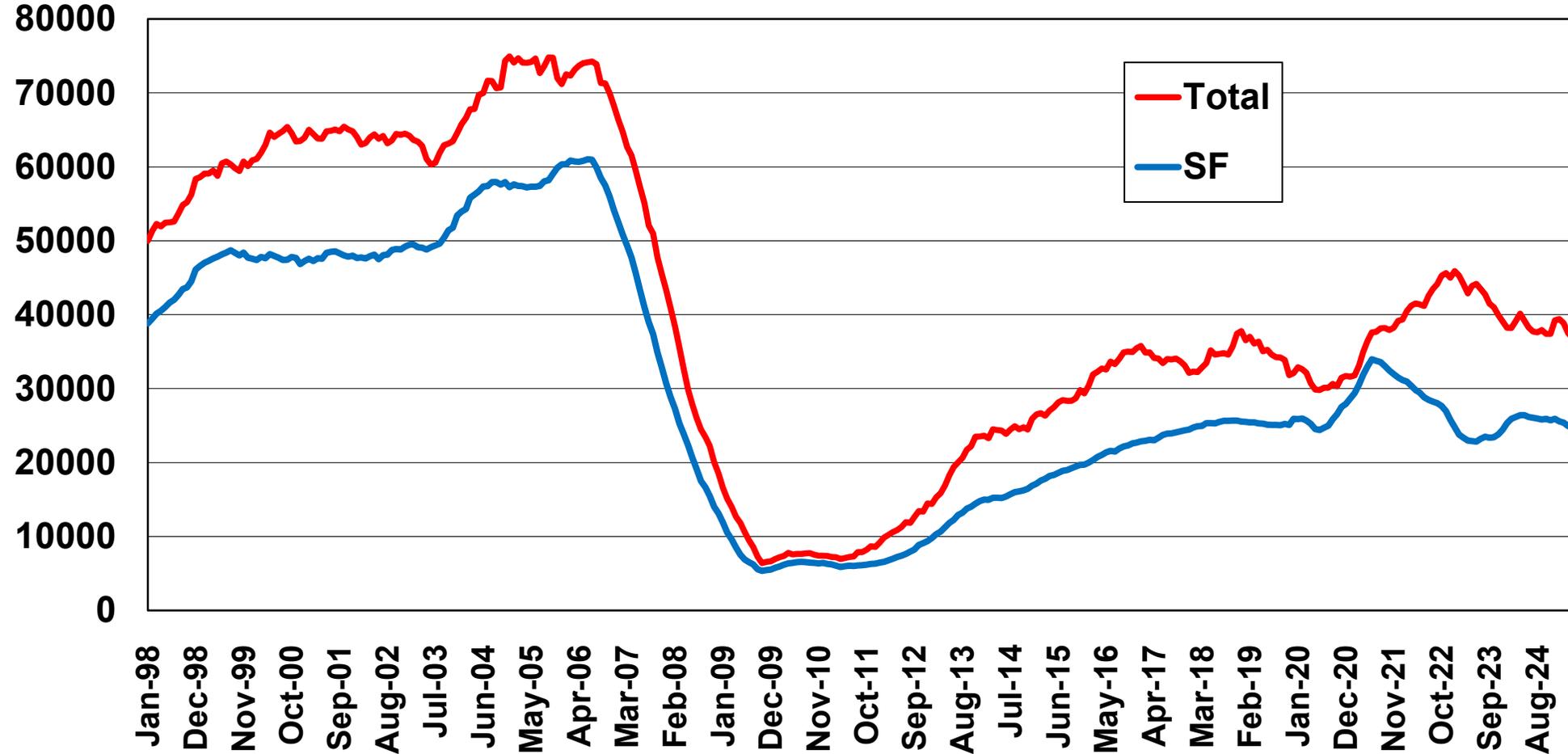
US Housing Permits: Multi-family

(source: U.S. Census Bureau)



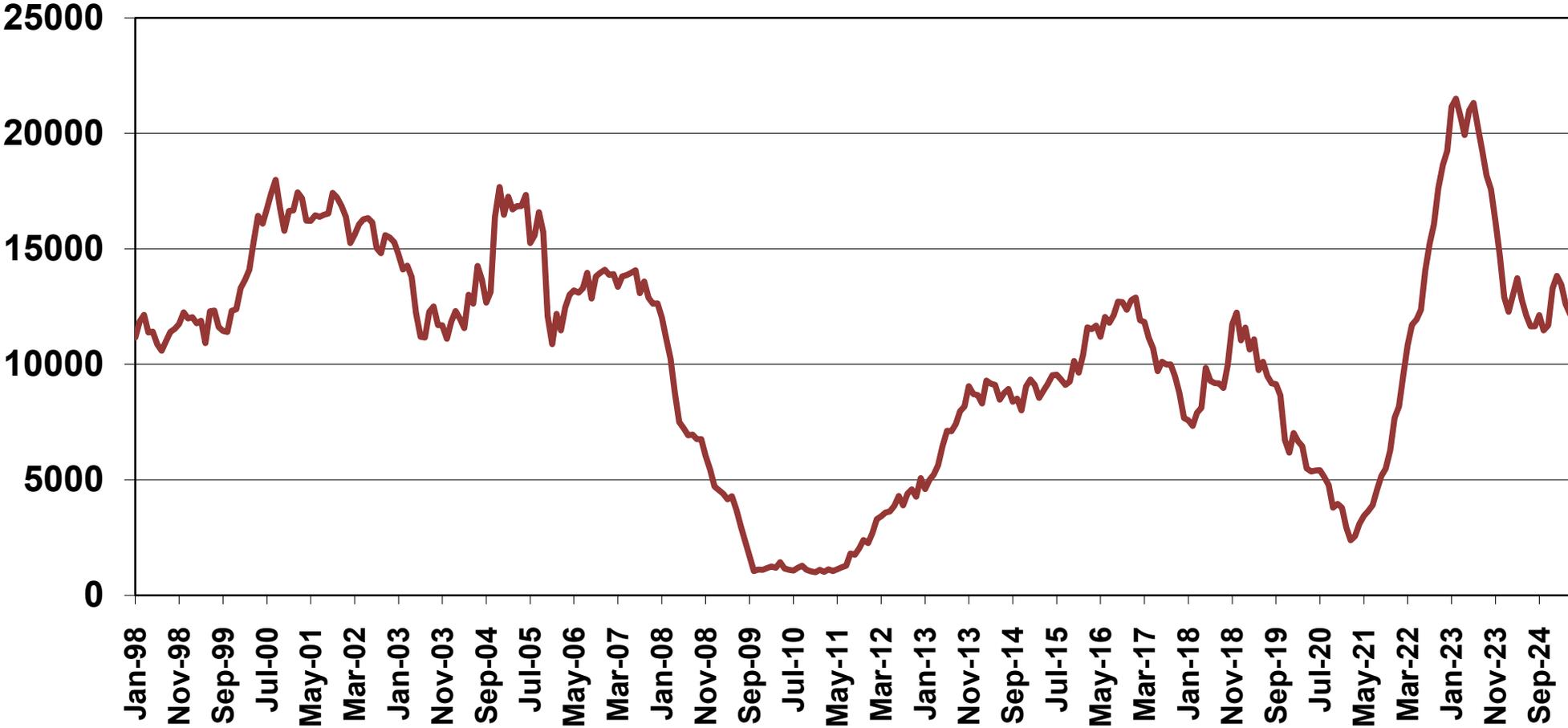
ATL Housing Permits: SF and Total

(source: U.S. Census Bureau)



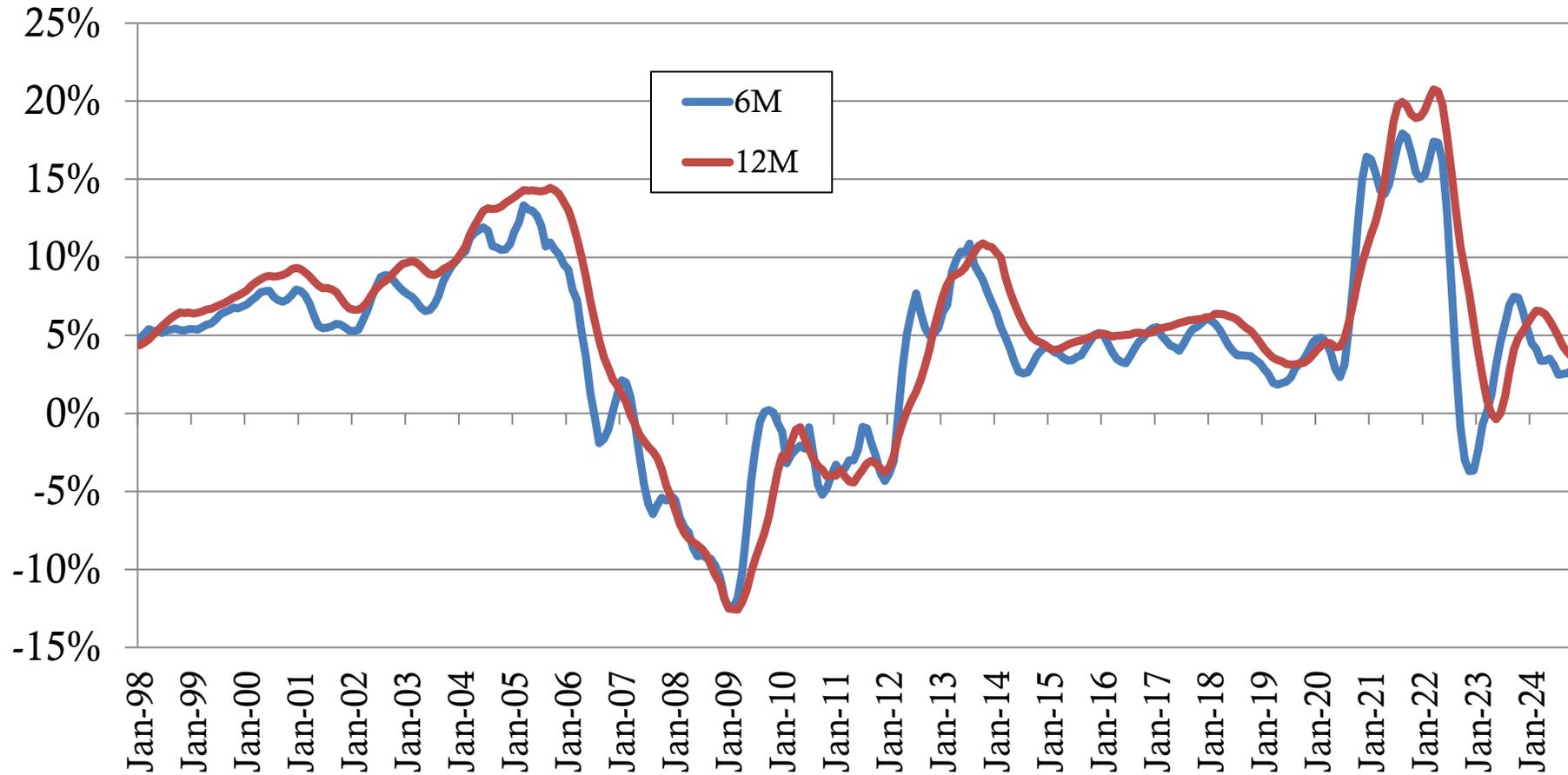
ATL Housing Permits: Multi-family

(source: U.S. Census Bureau)



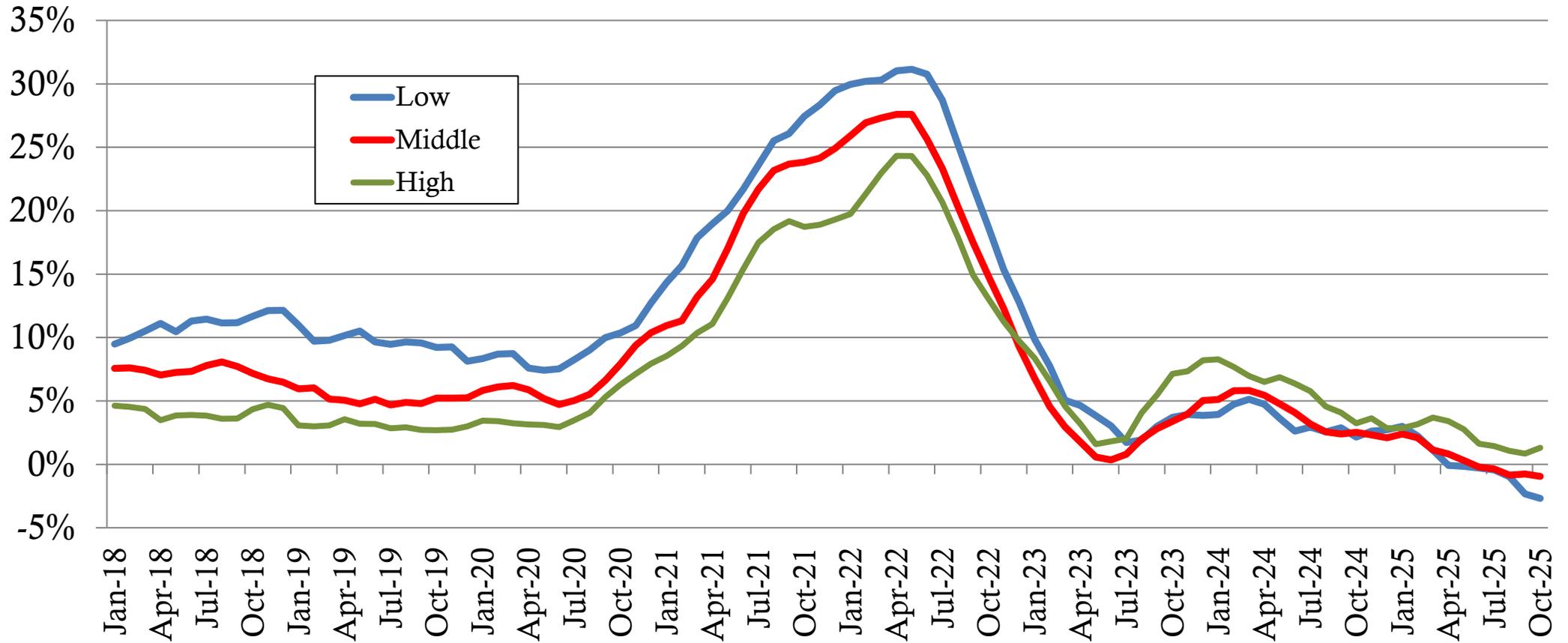
Case Shiller: National Index

(source: Standard & Poor's Case-Shiller)



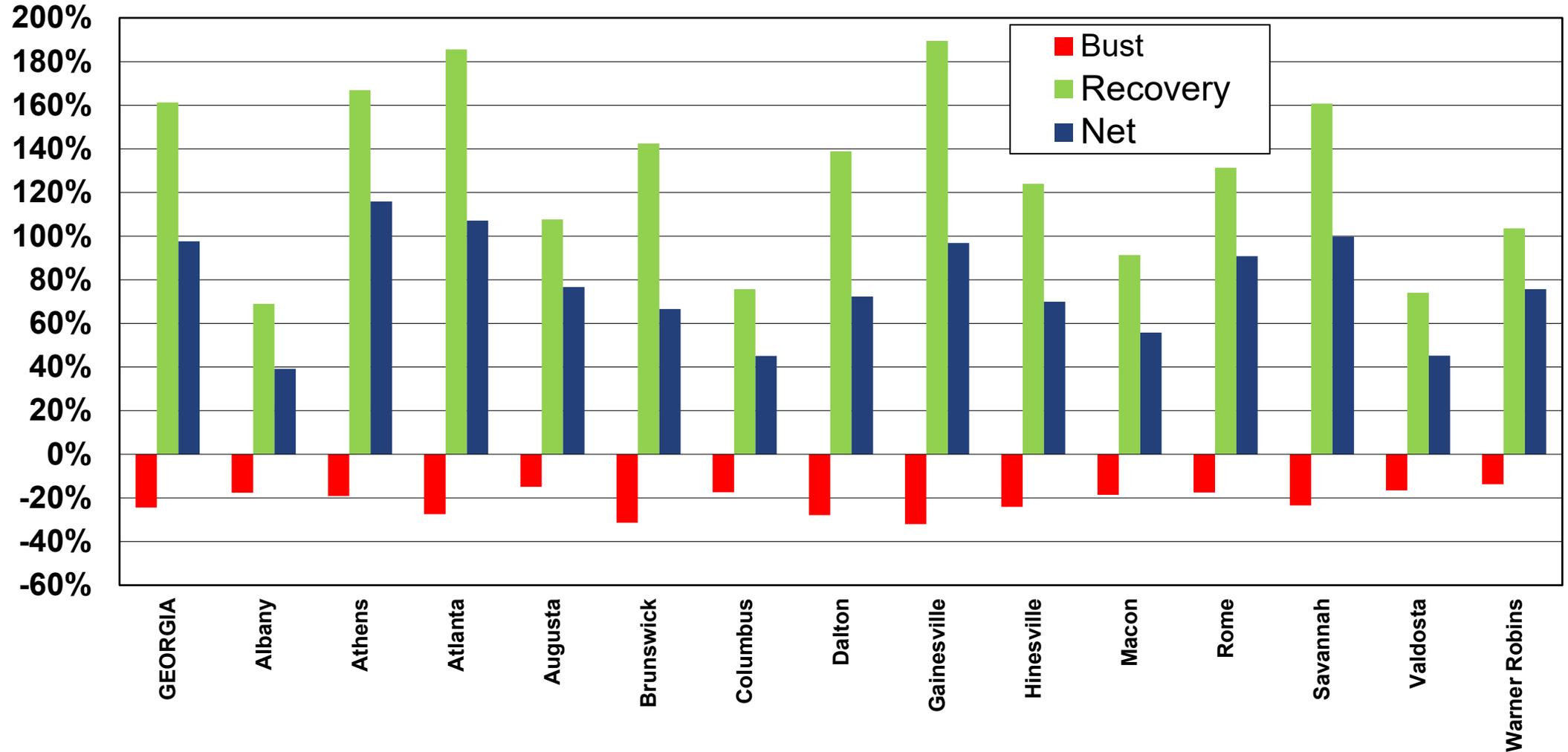
Case Shiller: Atlanta Index

(source: Standard & Poor's Case-Shiller)



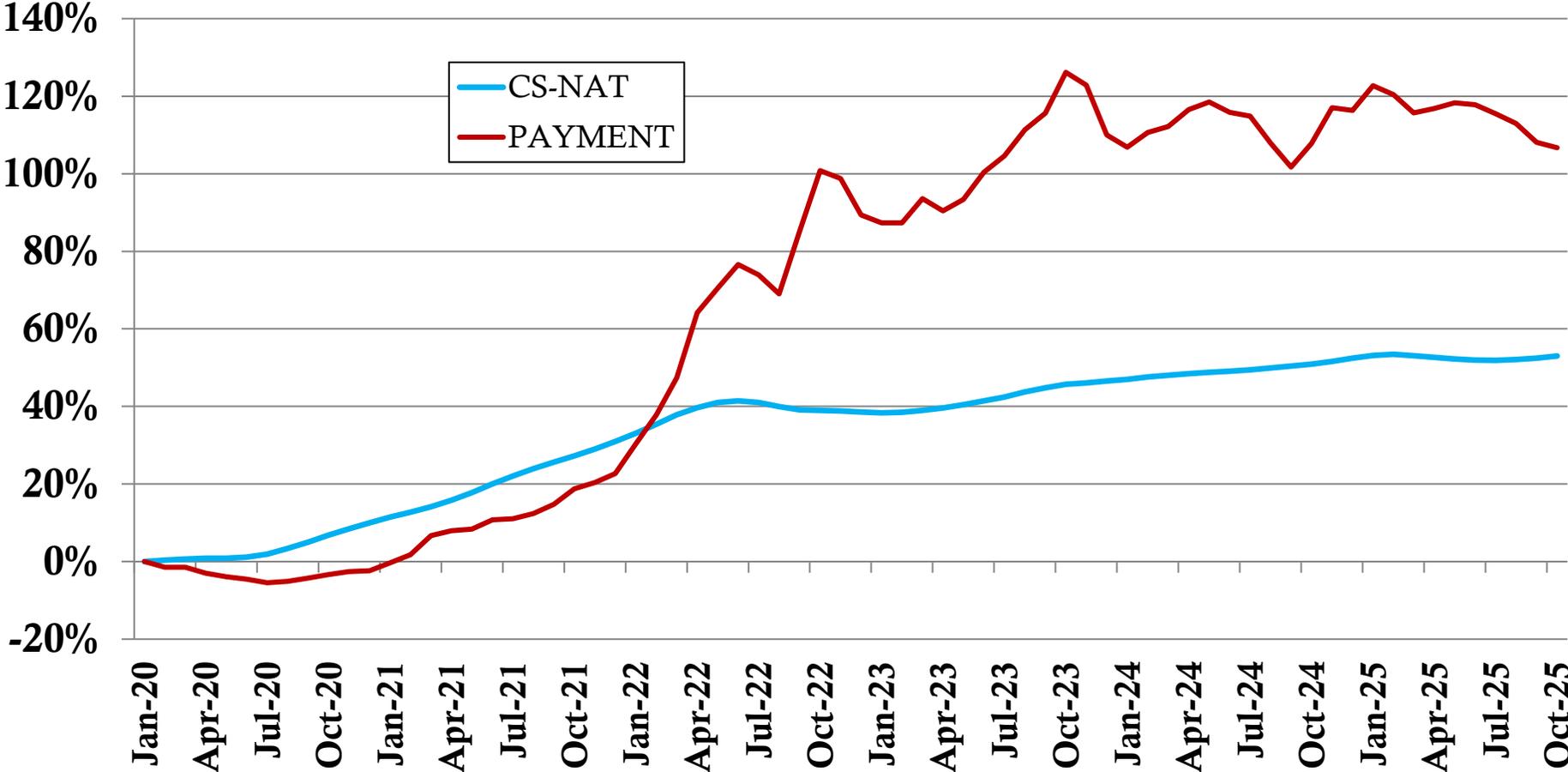
Home Prices: Georgia

(Source: Federal Housing Finance Agency)



Housing Affordability: Rate Effect

(source: S&P Case-Shiller, Freddie Mac)



Comments on the New Regime

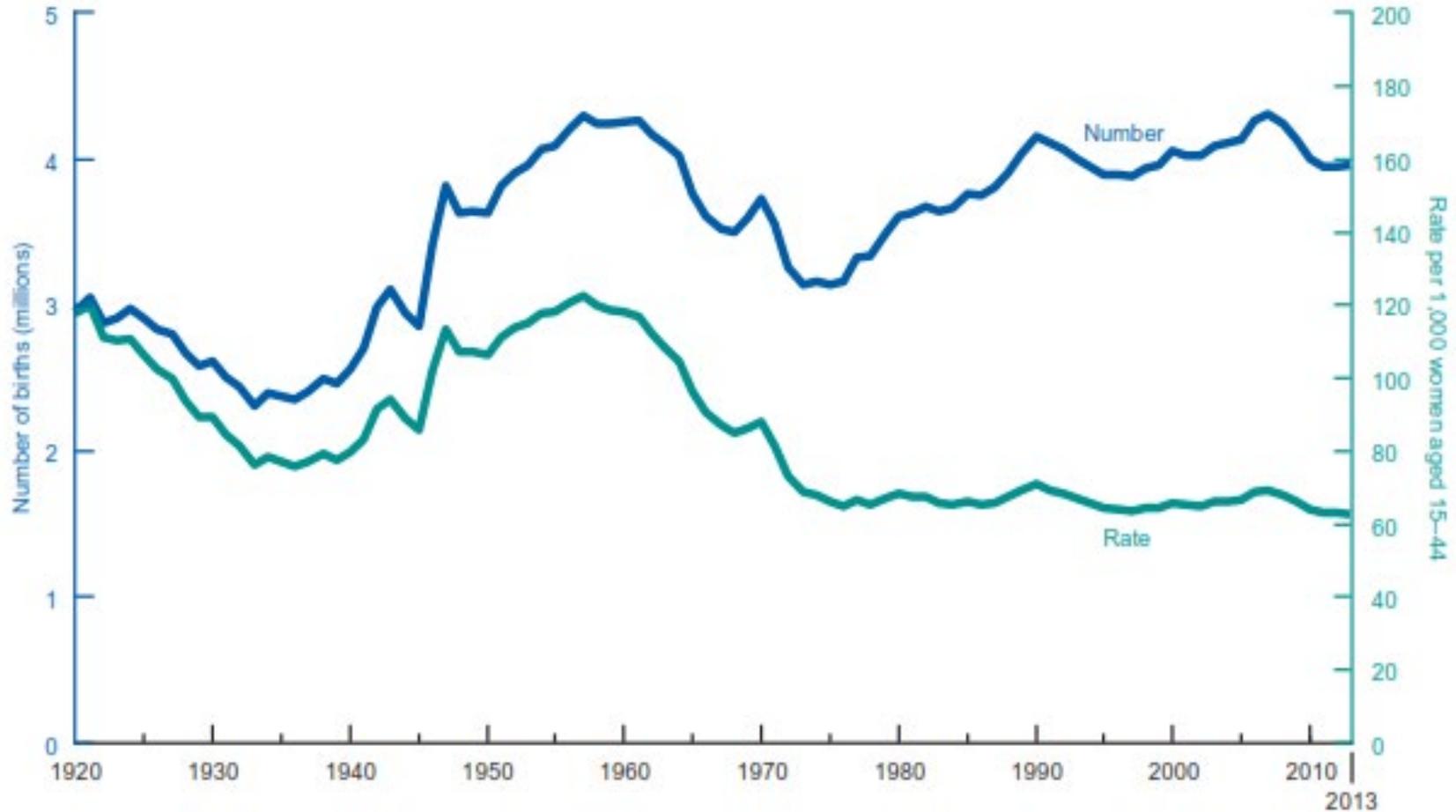
- General Paradigm
 - Shift in regulation
 - Team Doge
 - M&A activity
 - Tariffs as tool
 - Digital Currencies
- Cabinet Picks
 - Treasury: Scott Bessent (Key Square)
 - Commerce: Howard Lutnick (Cantor Fitz)
 - Energy: Chris Wright (Liberty Energy)
 - Justice: Pam Bondi (R-Fl.)
 - Labor: Lori Chavez-DeRemer (R-Ore.)
- “A.I.”
 - FinTech, HealthTech, Cybersecurity, Education

Comments on Shifting Fiscal Policy

- Extend 2017 TCJA (Tax Cuts and Jobs Act)
 - Corporate Tax Rate
 - Shifted to flat 21%; Global & Territorial Tax regimes
 - Changes in Depreciation & Net Loss Carryback
 - Individual Tax Rates (made permanent)
 - Cut in marginal tax rates
 - Treatment for Pass-Through Entities
 - Tax on tips & overtime; SSI
 - “SALT” Deduction; Estate Tax
- Local fiscal outlook
 - \$14B+ “rainy day fund”
 - Income & property tax reductions
 - Top debt rating

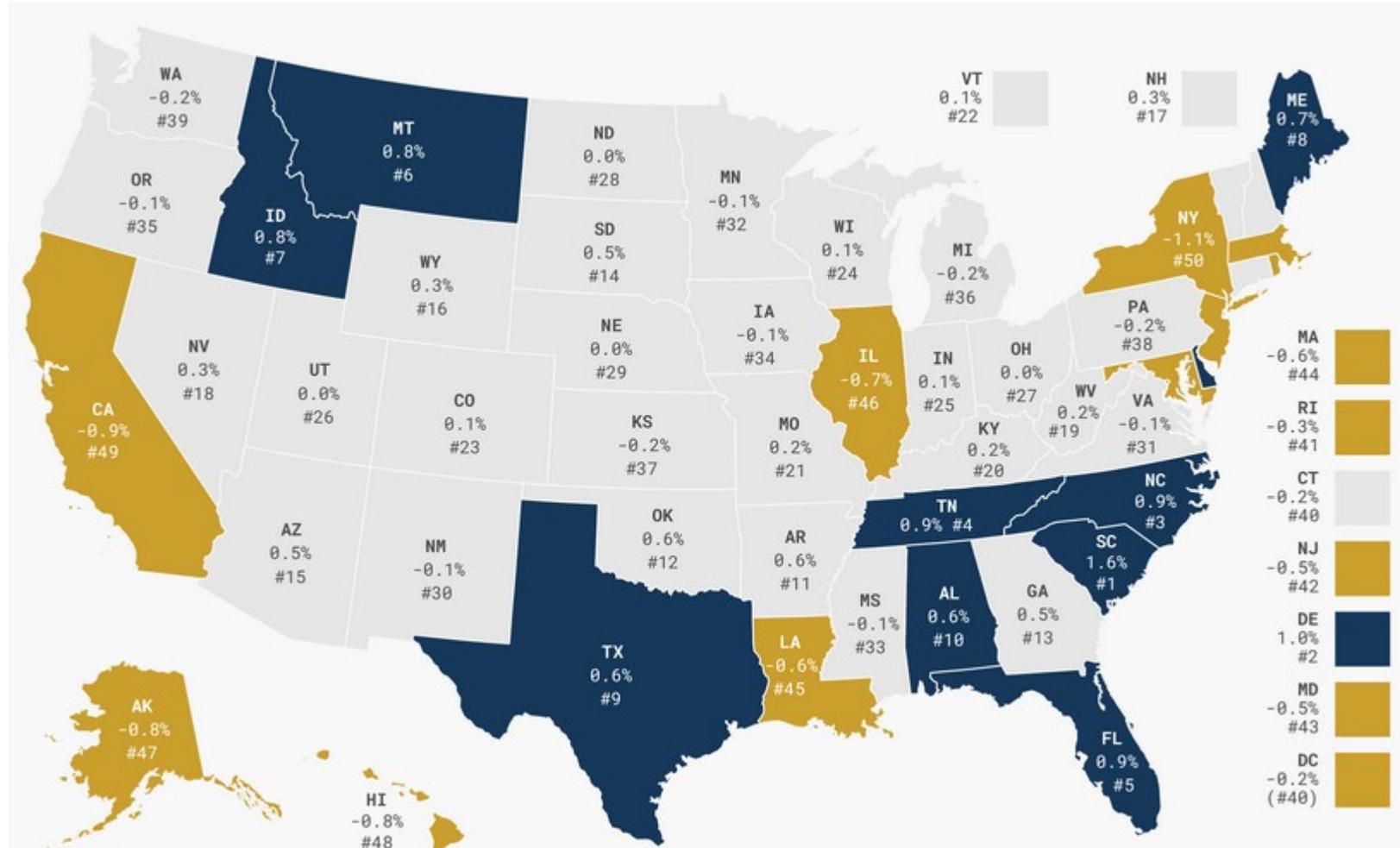
The Demographics: Boom & Bust

(source: U.S. Census Bureau)



Internal Migration

(source: Tax Foundation)



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