



Stifel 4Q26 **MARKET OUTLOOK**

THE LAND OF THE RISING RATES

STIFEL

S&P 500 RISING TO ~7,900 BY YEAR-END

“Strong EPS growth but rising **interest rates** from ‘Run Hot’ GDP **tighten financial conditions** and **compress P/Es.**”



Thomas Carroll
Equity Market Strategist

KEY TAKEAWAYS

‘Run Hot’ GDP Lifting Yields

Strong Nominal GDP Leading to Rising Long End Yields

Mid-Terms Loom Large

Past Republican legislative ‘flips’ led to ‘sell the rumor, buy the fact’

AI Factor Dominates

Continued influence on earnings and leadership

F E D E R A L R E S

“TALE OF TWO ECONOMIES”

Market Divergence

Non-Residential Investment



Running Hot

OUTPERFORMING

Consumer Pressure



Squeezed

LAGGING

OUR RUNNING HOT PLAYBOOK

STAY LONG

- ✓ *Financials
(Ex Consumer Finance)*
- ✓ *Materials*
- ✓ *Energy*
- ✓ *Industrials*
- ✓ *Semiconductors*
- ✓ *Tech Hardware*

UNDERWEIGHT

- ✓ *Squeezed Consumer*

HEDGE WITH

- ✓ *Defensive Value*
- ✓ *Healthcare - our preferred*

MAIN EQUITY MARKET RISKS

1. Compute scarcity **easing**
2. Hyperscaler capex **slowing**
3. Wages **re-accelerating** to
compensate for negative real
wage growth

F E D E R A L R E S

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