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Paige Wilhelm

Senior Vice President

Senior Portfolio Manager

Federated Investment Counseling

Looking back

A host of news about past events emerged last week. The loudest came Friday, when the US Supreme Court ruled that the Trump administration's bevy of tariffs imposed last year were illegal. The implications of the ruling are not yet clear, as President Trump said in a news conference that he is exploring other means of enacting the levies.

Another look back came with the release of fourth quarter US gross domestic product (GDP). It was both lower than expected and unsurprising. How? The Commerce Department's Bureau of Economic Analysis (BEA) said its growth rate was 1.4%, about half the consensus forecast and much lower than the third quarter's strong 4.4%. But the weakness was anticipated due to the extended government shutdown in fall, which smothered spending on the federal level. But this was the flash GDP report, meaning the BEA's first calculation, and we would expect it to change in the coming revisions.

The third recap of a past event was the release of the minutes of the Federal Reserve's January Federal Open Market Committee meeting. They revealed that several members would support further rate cuts if inflation declined as expected. Core Personal Consumption Expenditures Index, which strips out volatile food and energy prices, remains about a percentage point above the Fed's 2% target.

Some participants expressed it was appropriate to leave rates unchanged "for some time" to assess more economic reports. Yet others supported "a two-sided description of the Committee's future interest rate decisions," meaning rate hikes could become appropriate under certain circumstances. Despite the varying opinions, the markets are still pricing two rate cuts during the second half of this year.

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