Economic Outlook

July 2026

FEDERAL RESERVE BANK OF KANSAS CITY

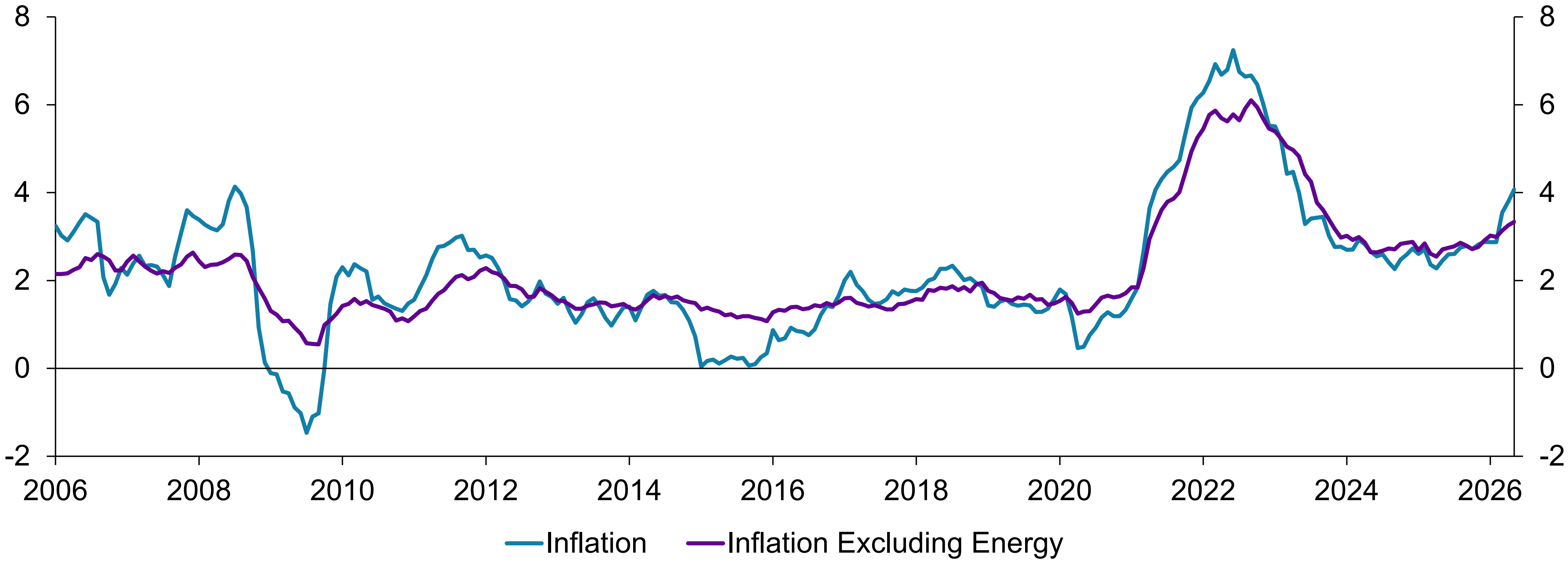
Denver / Oklahoma City / Omaha

U.S. Economic Outlook

- Inflation is still too high. Pressure from oil prices has been volatile.
- However, unemployment remains low and steady.
- Financial market values are high and concentrated. Speculative AI-related investment is extremely high.
- Concentration, a high risk-appetite, unprecedented investments, and leaner regulation may increase market risk.

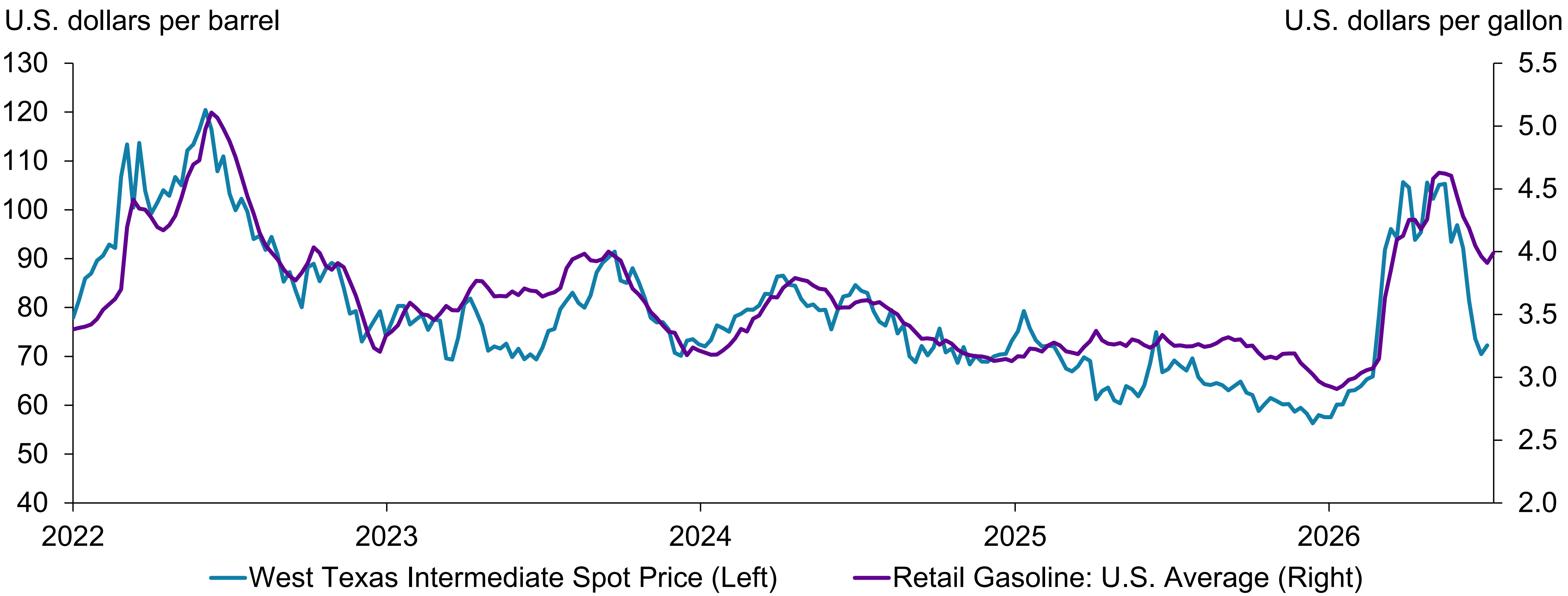
Inflation remains sticky, keeping pressure on Fed policy.

Year/year percent change, seasonally adjusted



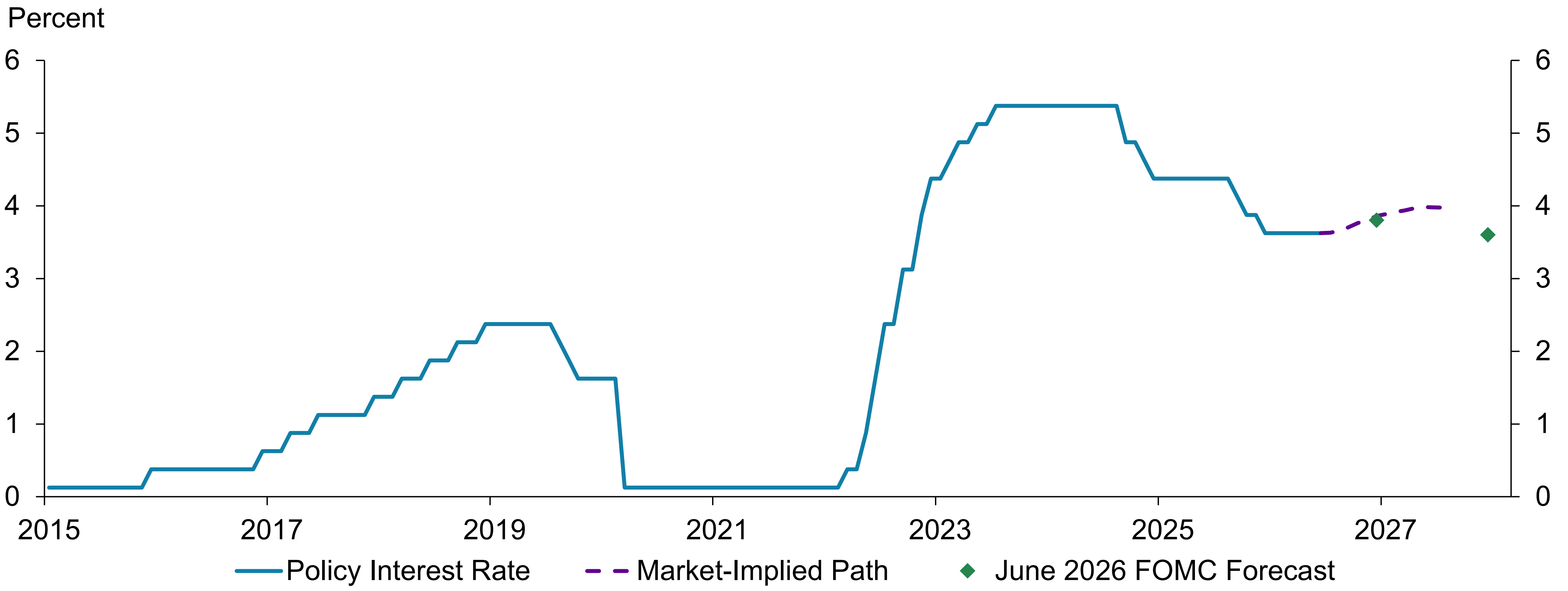
Sources: Bureau of Economic Analysis, Haver Analytics

Uncertainty in the Middle East continues. Oil prices have fallen, but gas prices have been slower to react.



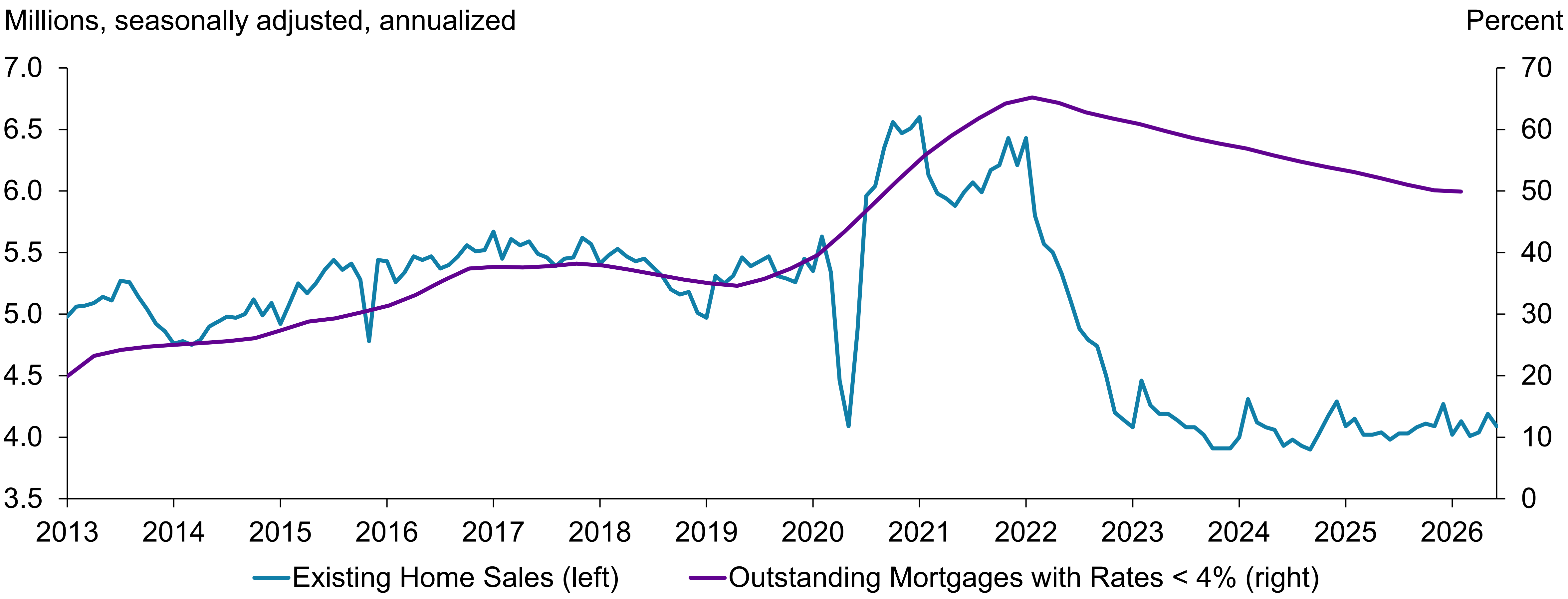
Sources: Energy Information Agency, Haver Analytics

Forecasts suggest a higher, longer interest rate path.



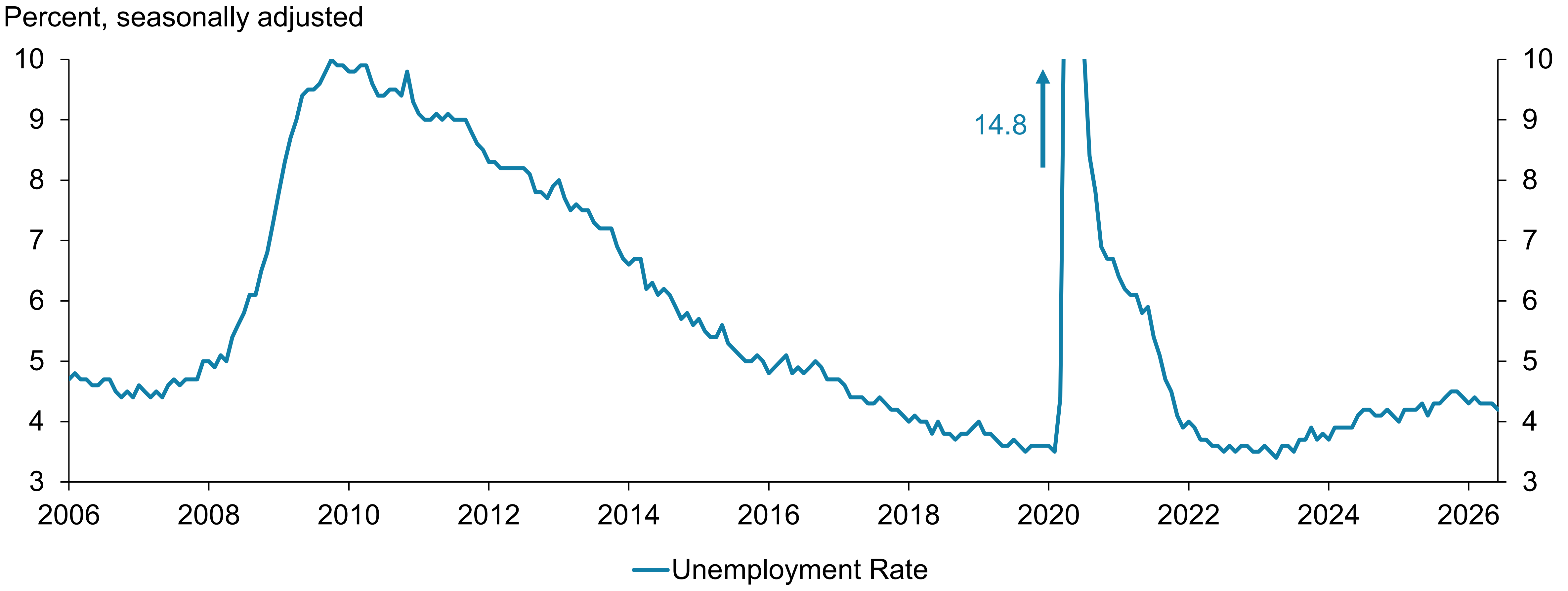
Sources: Chicago Board of Trade, Federal Reserve Board, Haver Analytics

Mortgage rate lock-in limits housing inventory.



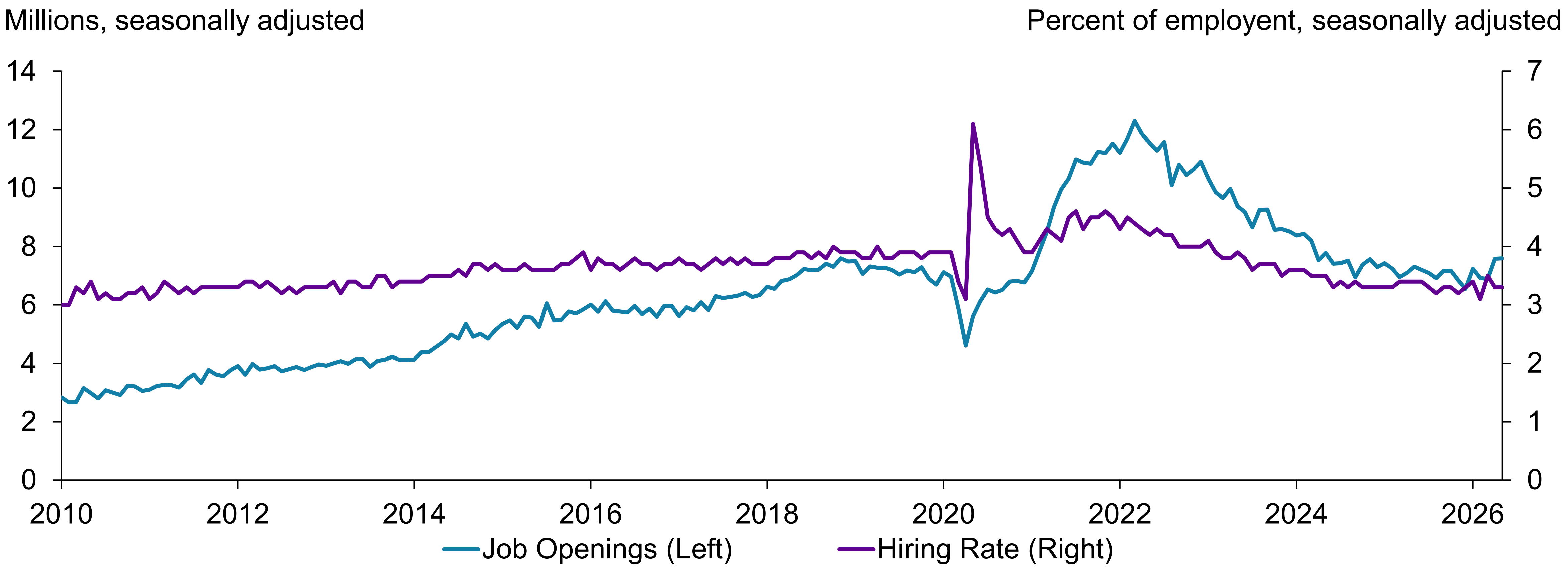
Sources: Federal Housing Finance Agency, National Association of Realtors, Haver Analytics

Unemployment remains near historic lows.



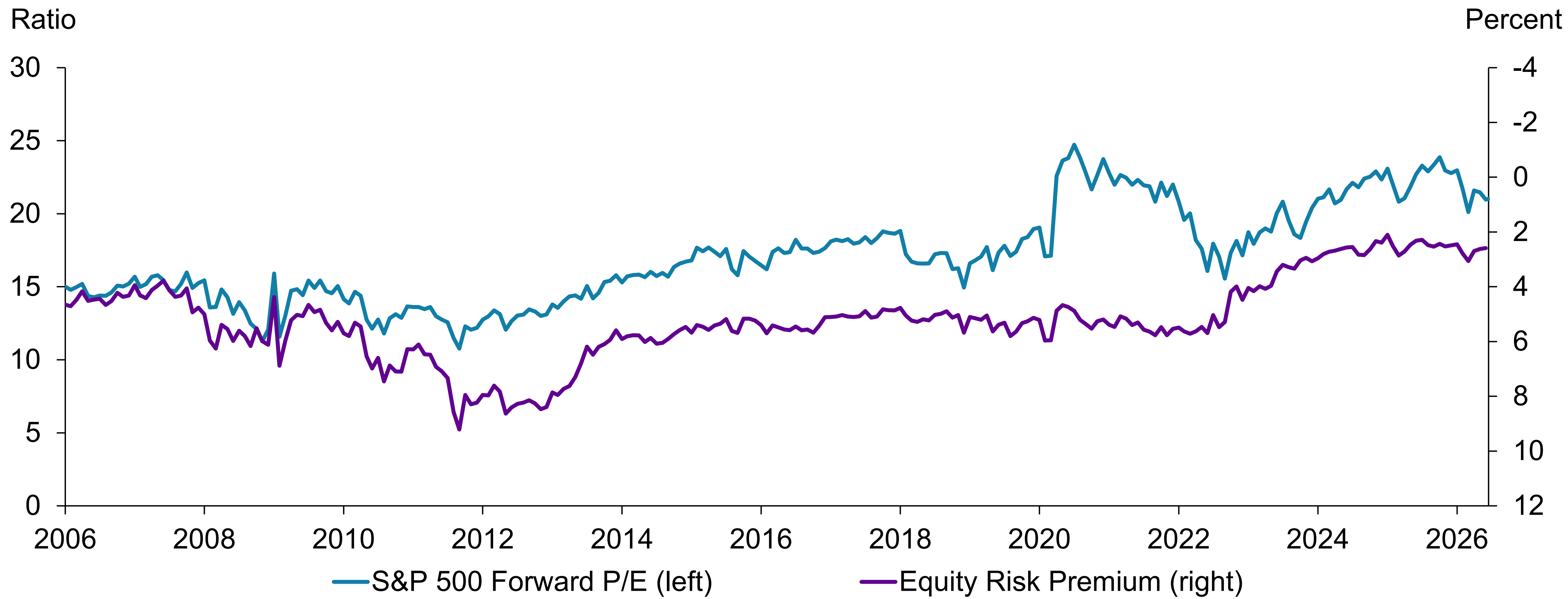
Sources: Bureau of Labor Statistics, Haver Analytics

Job openings and hiring have remained relatively steady.



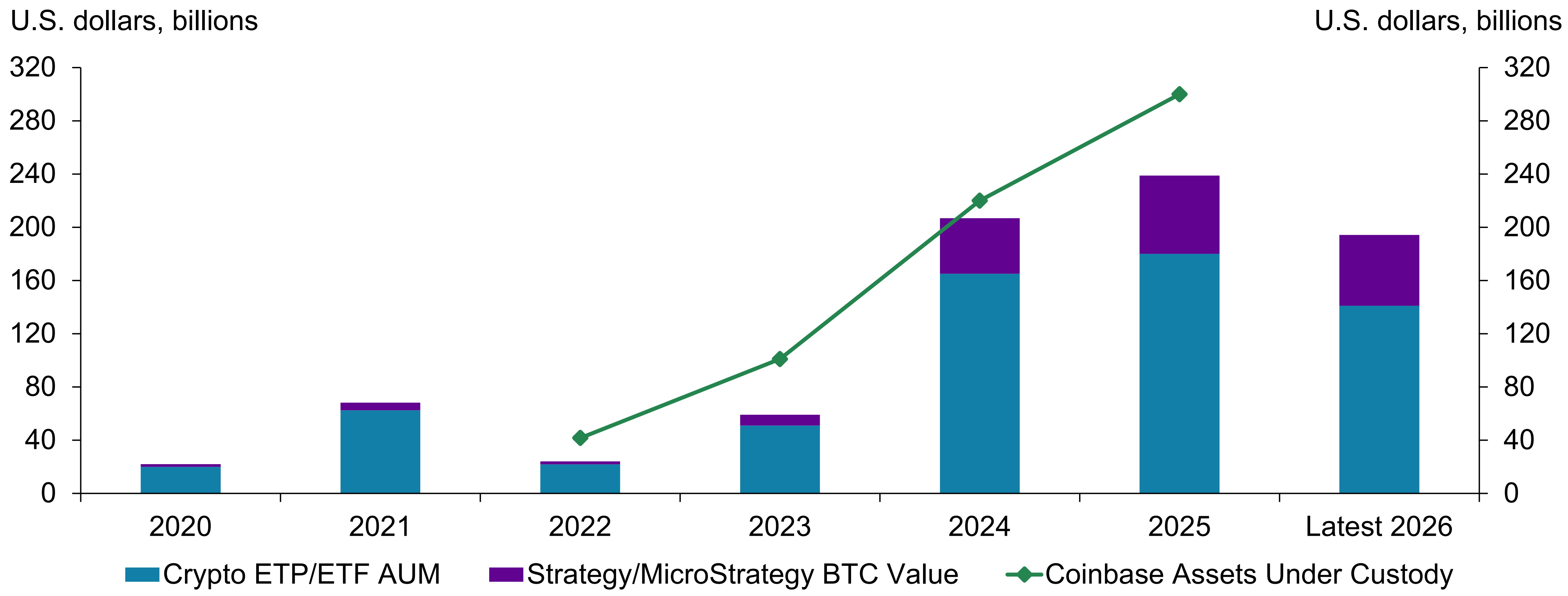
Sources: Bureau of Labor Statistics, Haver Analytics

Elevated valuations and compressed risk premiums leave little margin for earnings disappointments.



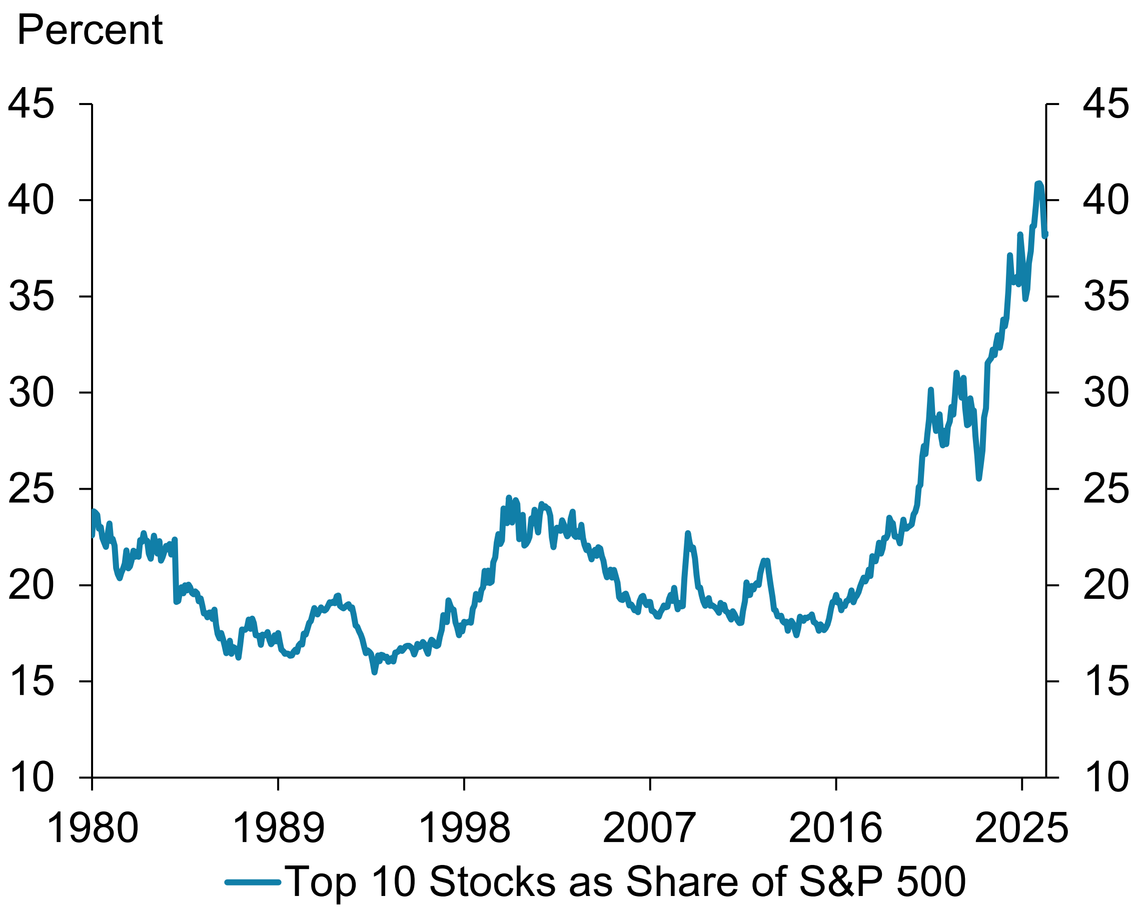
Sources: Bloomberg, Federal Reserve Board, Haver Analytics

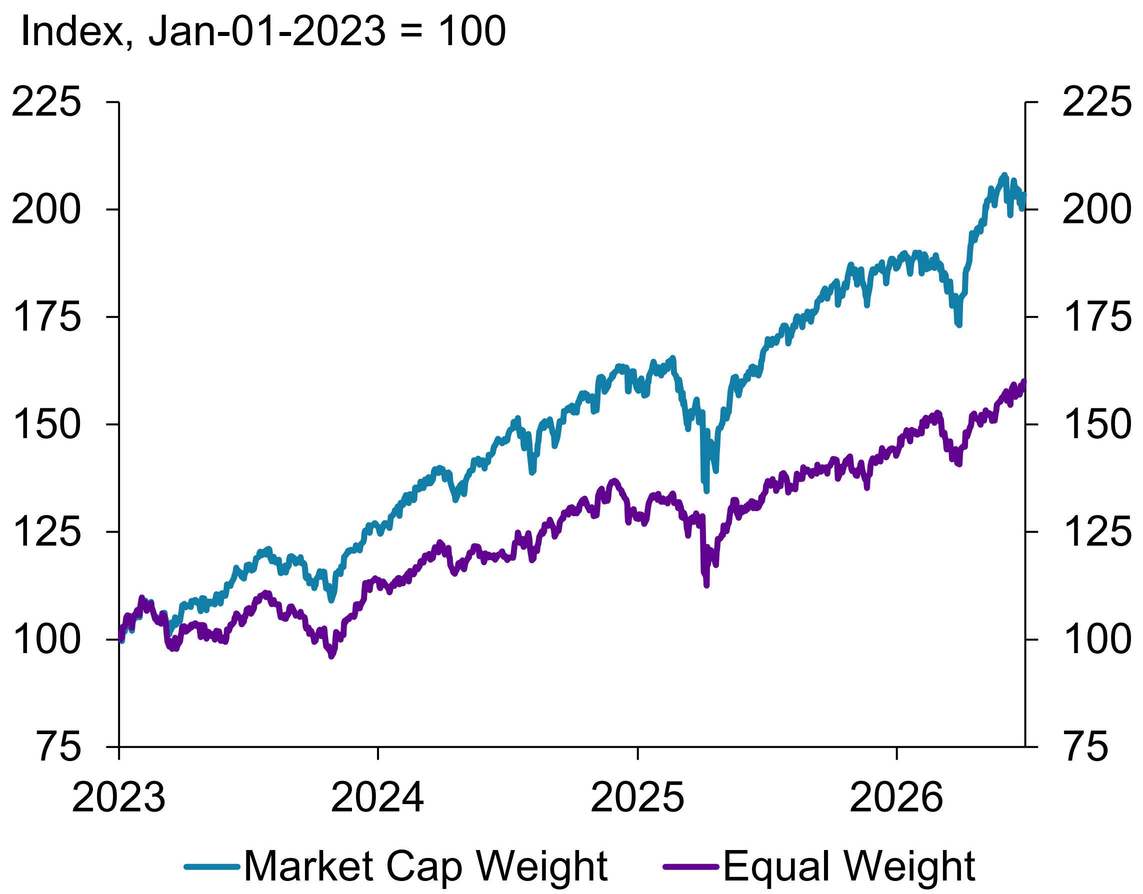
New SEC frameworks enable deeper financial system exposure to crypto.



Sources: Coinbase, Coinshares, Institutional Form 13F filings, MicroStrategy SEC filings and company disclosures

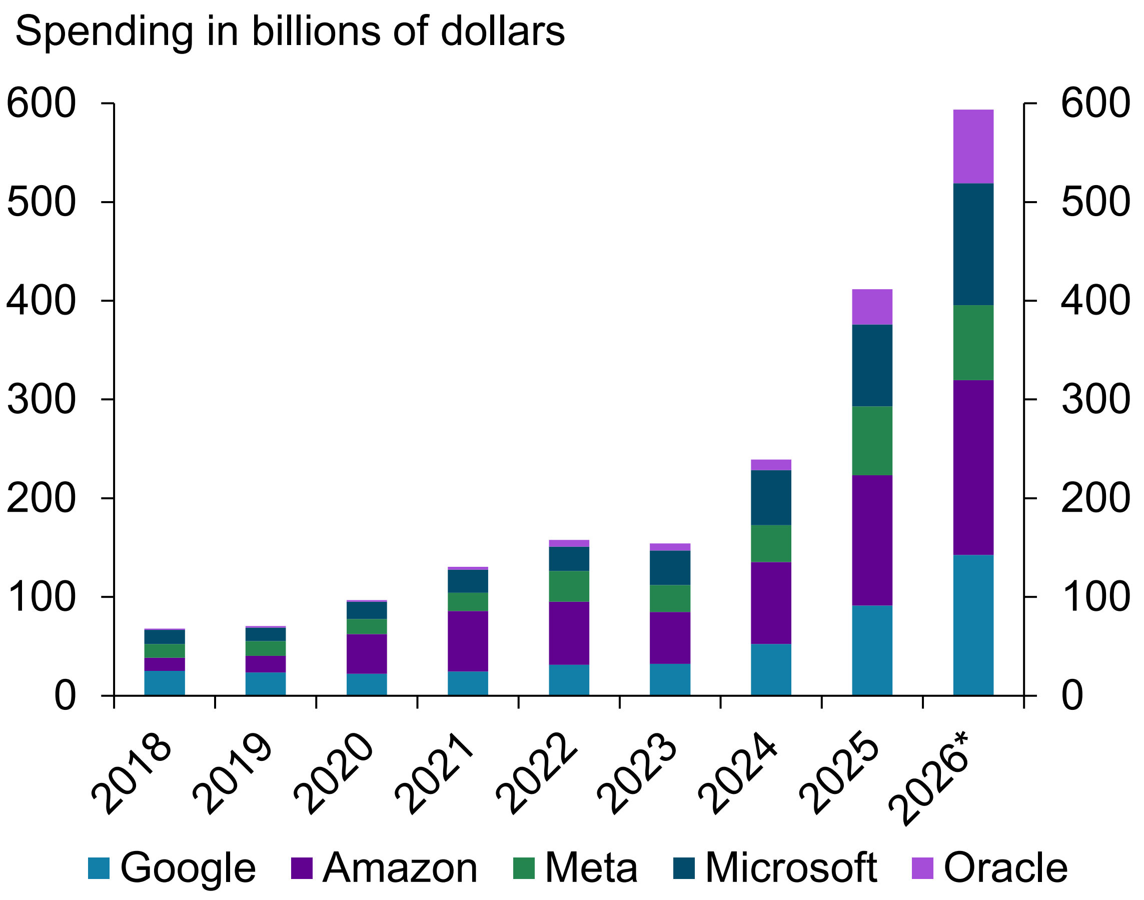
Extreme concentration in mega-cap tech creates systemic vulnerability.

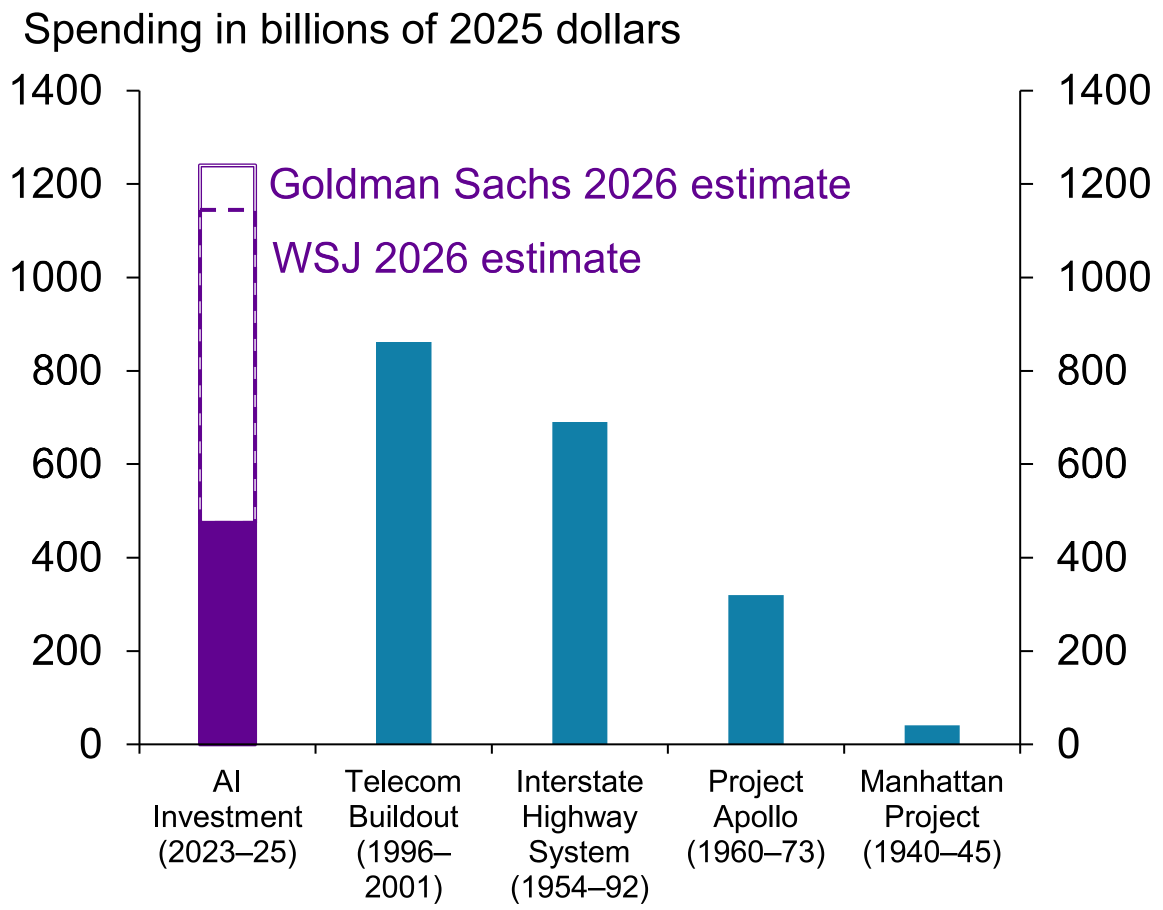




Sources: Staff, S&P Dow Jones Indices, SPY and RSP EFTs

AI investment has reached unprecedented scale, approaching $600B annually.





Note: *2026 forecast based on 2026 Q1.
Sources: Staff, Brookings, Department of Transportation, Dreier (2022), Federal Reserve Bank of Minneapolis, Goldman Sachs, Los Angeles Times, S&P Capital IQ Pro, Stanford University, Wall Street Journal

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