



# 2026 INTELLIGENCE BRIEF

## MISSION ORDERS FOR CAPITAL DEPLOYMENT

Navigate Economic Battles. Secure Financial Victory.

ECON SENTRY INVESTMENTS

## Table of Contents

ECON SENTRY INVESTMENTS: 2026 INVESTOR OUTLOOK.....	3
Commander's Strategic Assessment:.....	3
Section I: Economic Theater Analysis (Macro Foundation).....	3
 The top economic performers by total output are.....	6
States with Highest and Lowest Unemployment.....	8
Section II: Asset Class Intelligence Reports.....	9
(Investment Positioning).....	9
Top Equities and Current Valuations.....	12
Section III: Mission Objectives for 2026 (Action Orders).....	19
MISSION ORDER #1: RISK MANAGEMENT FRAMEWORK.....	19
Defensive Positions (Capital Preservation).....	19
Growth Positions (Capital Appreciation).....	20
Commodity Allocation: 10-15%.....	21
Crypto Allocation: 5-10% (Speculative Capital Only).....	21
MISSION ORDER #2: TRADE ROUTE SOVEREIGNTY.....	21
Supply Chain Diversification Intelligence.....	21
Port/Logistics Infrastructure.....	22
MISSION ORDER #3: COMMODITY RECON.....	22
Currency Appreciation Impacts.....	22
MISSION ORDER #4: CRYPTO SURVEILLANCE.....	23
Regulation as Catalyst (Not Risk).....	23
2026 Crypto Strategy.....	23
MISSION ORDER #5: RECESSION HEDGING PROTOCOL.....	24
Early Warning Indicators.....	24
Defensive Deployment Protocol.....	25
Stagflation Scenario (Persistent Inflation + Weak Growth).....	25

# ECON SENTRY INVESTMENTS: 2026 INVESTOR OUTLOOK

## Commander's Strategic Assessment:

2025 has been nothing short of a whirlwind and what's known in the military world as the "Fog of War". Our previous enemy inflation, was once all we had to worry about but we saw a new enemy emerge that completely uprooted and changed our economic landscape for the years to come.

That enemy was "Tariffs", and it rattled financial markets in early 2025 as the Trump administration announced the implementation that would reset the global order of trade.

This outlook will serve as a reference point of what occurred, what's to come, and how you can align your ambitions to craft actionable orders towards capital preservation and annual growth in 2026.

## Section I: Economic Theater Analysis (Macro Foundation)

### 1. Interest Rates - Monetary Policy Posture

- The federal reserve opened the door to 2025 with rates roughly between 4.25%-4.50%. At the first meeting of January, the Fed held rates as Chair Powell announced with the economy strong and policy less restrictive, the Fed was in no rush to adjust its stance on policy.
- Nominal rates in comparison to inflation, reveal the real rate of monetary policy. This difference provides the true return on investments as well as the impact of inflation. With the fed funds rate at 4.25%-4.50% and core inflation (excluding food & energy) at 2.8%, real rates stood between 1.5%-1.7%. This restrictive policy not only maintained economic strength while restraining inflation but supported the labor market while guiding the economy back to the economic path of 2% inflation, which is the Fed's target in connection with maximum employment.

- As the year draws upon its conclusion, we've heard Chair Powell acknowledge several times that there are no "risk free paths". Currently as of December 25 at the time of this writing, the federal funds rate sits at 3.25%-3.75%. This is the lowest rates have been since November of 2022 accompanied by 3 total cuts in 2025 as well as a handful of dissents in the latest decisions. Assuming inflation remains around 2.8%, economic growth in 2026 is expected to exceed expectations with very little competition from inflation. As a result of this latest optimism in data, we're set to experience less restrictive monetary policy laying way for cheaper borrowing cost. By year end of 2026 the current Fed Dot Plot has median fed funds rates at 3.6% by year end. This implies we'll see just one rate cut in 2026, although the Trump administration has other plans centered around aggressive policy easing. The market uncertainty that awaits investors on January 5<sup>th</sup> as markets open following the new year holiday will be a true test as we edge closer towards the announcement of a new Federal Reserve Chairman.

## 2. Inflation - Price Stability Operations

- The automotive, agriculture, manufacturing, and construction industries have contracted under trade policy as a result of tariffs and therefore seen prices surge in products and result in declining business activity, most notably in the automotive and construction industries. The average vehicle price surged to \$3,258 per car, 7.3% increase in price due to tariff impact. Housing construction cost rose by \$6,400 as a result of tariff impact as well. Consumer food prices cost the average American household \$2,400 lost in buying power. This unprecedented economic whiplash from Q1 to Q3 seen an economic contraction of -0.6% to a robust rebound of 4.3% in Q3, giving further insight into unprecedented uncertainty we've seen in the markets.
- Premier names like Ford and General Motors are some of the early companies to be constrained by tariffs, leaving their future growth contested in the new reality of trade.
- Despite questionable growth backdrops, the S&P500 has witnessed a solid rise of 13% in 2025. There is a collective pursuit to satisfy near-shoring demand by U.S. companies by settling in countries with U.S. free trade agreements, further diversifying supply chains and to compensate for the global trade breakup. Product design is experiencing innovative solutions as company seek to utilize more local materials bypassing tariff related cost while maintaining

margins. To complement this design shift, companies such as Microsoft are developing AI “super factories” to drive down production cost and increase efficiency in 2026. An effect of tariffs in pushing for more near-shoring opportunities, is the constraint of international economies whose raw materials are used to create the goods retailed in the U.S. market. In spite of this constraint, countries like China’s GDP is expected to expand to 4.5%, largely bolstered by a strong export competitive advantage although domestic demand is still sluggish. The current account surplus of China goes on to extend to 1% of global GDP over 3-5 years, the biggest in recorded history. Even international companies are catching up to U.S. earnings growth with a separation of 10% in disparity, this is a contributing factor of resilient global economic activity.

- Despite the sanguine optimism by the Trump administration inflation figures remain resilient and reflect a greater degree of caution approaching 2026, this leaves global inflation geared towards the upside as a result of tariff implementation which has affected the major players in the global economy of scale. The European union is expected to average between 0.2%-0.6%, with Japan and China coming in at 0.4% and 4.5%.
- Real estate has faced continuous challenges with the normalization of remote work. Industrial real estate has faced a twelve consecutive quarter rise in vacancies, reaching a 7.5% rise in Q3 as supply exceeded demand. Large logistics buildings faced the most adversity with building vacancies growing beyond 10% in addition to landlords offering frequent concessions to maintain occupancy rates.

### 3. GDP Growth - Economic Strength Assessment

- **Global outlook:** A symptom of tariffs is limited or constrained growth of other developing nations, but in 2025 the world witnessed formidable global GDP figures. The global system managed to avoid worst case scenarios as the majority of countries executed better than expected trade deal negotiations. These negotiations helped guide GDP figures from 2.8% in April as tariffs first emerged, to 3.2% according to a revised report from the International Monetary Fund in October. Global growth is still set to decelerate to 2.9 percent as a result of tariffs as they move through the labor market, business investments, and consumer behavior. Emerging market growth is set to ease from 4.5% in 2025 to 4.1% in 2026

Supply chain resilience has been a strong story in 2025 and will continue to dominate the headlines flexing its muscle. Seven of the top 10 most resilient economies are European, measured for stability, risk quality, and economic factors. Near shoring initiatives have sparked policy-driven trade realignment, changing the priorities of demand led growth to capital allocation tactics. These efforts have changed the workforce design and operational landscape for productivity gains.

- **Domestic contribution:** California has experienced an upheaval of sociopolitical issues that have made them the target of the current administration but despite their infamous 2025 highlights, they dominate economic output with over \$4.13 trillion in GDP. California's economic contribution accounts for over 14.7 percent of national production with its critical areas of operation spanning into technology, entertainment, and trade infrastructure. Texas follows at 2.73 trillion and brings 8.4% to national production efforts.

## The top economic performers by total output are:

1. California - \$4.13T

2. Texas - \$2.73T

3. New York - \$2.31T

4. Florida - \$1.72T

5. Illinois - \$1.14T

- With eyes on industry contribution in relation to GDP, goods growth from private sector soared to 10.6% which led Q2 2025 growth to 3.8% with private services growth lagging behind at an increase of 3.5%. Manufacturing reached 2.405 trillion in Q2, up from 2.338 in Q1. Economic reports suggest these numbers to continue surging for the years to come as economic industrial expansion remains a driving force for the new age economy. Despite the robust figures of in goods and manufacturing for 2025 the United States economy is still dominated by the services industry. Government spending focus has brought attention to the deficit which has fallen 41 billion in 2025 to 1.775 trillion in hindsight of spending levels. This was largely a result of revenue expansion vice austerity towards spending. The total revenue is reported at \$5.235 trillion, with a deficit to GDP ratio of 5.5% which has improved from fiscal year 2024 from

6.3%. Although progress has been made, it's still a long way to go to rectify the structural damages created by the imbalance within the deficit.

#### 4. Labor Market - Personnel Readiness

- As of December at the time of this writing, unemployment sits at 4.6 percent. The unemployment percentage is impacted by various degrees of monetary policy, shifts in labor demand, and AI automation. Contrary to the latest unemployment figure, the Sahm Recession indicator is still intact as an economic indicator for a contracting economy when unemployment ticks above a 0.5 percent increase within a 12 month period. Non-farm payrolls rebounded from a sharp decline from October's 105,000 job loss. The majority of these job losses have come from government workforce reductions as the current administration downsizes government to return certain responsibilities to a state level which puts states like Maryland, Virginia, and the District of Columbia under pressure to respond to changes through private sector stimulus or expansion. These regional adjustments to the workforce create short term market volatility which can be absorbed by private sector industries such as education, healthcare and technology. Regional GDP in the healthcare and technology sectors alone dominate the areas of operation, with healthcare accounting for 10 to 15 percent. Technology maintains a stronghold of 5 to 8 percent of economic output, positioning further trajectory for the shift in resources from the federal workforce.
- Manufacturing and Customer Service industries have seen a significant change resulting from artificial intelligence. Companies like Foxconn started their automation revolution in 2016, replacing 60,000 factory workers with robots. As artificial intelligence becomes more prominent, the demand for labor shifts to technology driven AI roles which has posed new challenges for firms unable to hire new personnel due to skill gaps in the industry. In September of 2025 SalesForce CEO spoke about the elimination of 4,000 customer service positions from the implementation of AI agents. These new implementations are changing workflows and changing the landscape from an environment of manual and repetitive work towards strategic, technical, and problem solving positions focused on process optimization and system planning.
- Despite the AI automation progress on the ground, here are a few states with the highest and lowest unemployment rates dating back to September of 2025.

## States with Highest and Lowest Unemployment

### Lowest Unemployment (September 2025):

1. **South Dakota** - 2.0%
2. **Hawaii** - 2.5%
3. **Vermont** - 2.5%
4. **North Dakota** - 2.6%
5. **Alabama** - 2.8%

### Highest Unemployment (September 2025):

1. **District of Columbia** - 6.2%
2. **California** - 5.6%
3. **Nevada** - 5.3%
4. **Oregon** - 5.2%
5. **New Jersey** - 5.2%

The intel on low unemployment when we assess the respective industries that contribute to overall GDP in these states is the predominant shield of agriculture, energy, and light manufacturing with a stable base of labor demand. States with a higher unemployment are subject to tech, tourism volatility, as well as higher cost of living that forces workers out of the labor force.

- Remote work trends: The reality regarding the future of remote work is, it will continue to remain around and an option for citizens seeking a more flexible or hybrid work environment. As of 2025 61% of employees work on site, with roughly 26 percent in hybrid arrangements, and 13 percent in fully remote positions. By year end 27 percent returned to full in person models with another 67 percent offering some form of hybrid option, and just 6 percent

remaining fully remote. The important highlight of this section revolves around productivity which factors into the labor and extends to GDP figures. From a productivity perspective 13 percent of remote workers reported higher productivity than their office counterparts with 57 percent reporting increased output when working remotely. In the realm of management, 79 percent of supervisors report their teams are more productive working remotely and companies save \$11,000 annually per employee incorporating some form of hybrid model.

## Section II: Asset Class Intelligence Reports

### (Investment Positioning)

#### 5. Asset Classes in Demand - High-Value Target Identification

- Gold has dominated as the top performing asset class of 2025, serving 26% returns in H1 and surging 38% year to date by October. Gold shattered and records and outperformed Bitcoin reaching \$4,475 per ounce by December 22, which is the highest level its seen in history. The performance of gold is largely credited to global trade tariff uncertainty and the hedging against future inflation that was subject to ensue from tariffs. Central banks also aggressive accumulated positions in the midst of gold soaring to all time highs. Although analyst predict continued gains in gold, no particular asset class has unilateral dominance for 2026. Commodities, private equities, private credit, defense stocks, and REITs all have and opportunity to flourish in 2026. As the U.S. dollar continues to weaken and the global economy adjust to tariffs, commodities and gold are forecast to continue bullish runs. Falling rates will complement the real estate market giving commercial owners the opportunity to refinance.

Private credit and private debt figures are as follows:

- **Private Debt:** 45% of institutional investors are increasing allocations; 65% express bullish sentiment
- **Private Equity:** 34% increasing exposure; 66% bullish despite overcrowding concerns

Defense stocks maintain an 81% investor confidence see this sector as the top equity sector for 2026.

- **Gold - Central Bank Accumulation:**

The world's largest gold holders demonstrate strategic procurement dominance:

1. **United States** - 8,133 tonnes (unchanged; dominant position)
2. **Germany** - 3,351 tonnes
3. **Italy** - 2,452 tonnes
4. **France** - 2,437 tonnes
5. **Russia** - 2,335 tonnes (consistent accumulator despite sanctions)
6. **China** - 2,304 tonnes (added 44.17 tonnes in 2024; strategic reserve to support yuan)
7. **Switzerland** - 1,040 tonnes
8. **India** - 880 tonnes (added 72.60 tonnes in 2024; second-largest buyer after Poland)

- **Bitcoin - Corporate Treasury Strategy:**

Public companies holding Bitcoin surged **38% to 172 firms in Q3 2025**, collectively holding over **1 million BTC**.

The largest corporate holders:

1. **Strategy (Michael Saylor)** - 640,250 BTC (~\$68.4 billion at \$106,800)
2. **MARA Holdings** - 53,250 BTC
3. **Marathon Digital** - Major mining accumulator

4. **Riot Platforms** - Mining operations driving holdings
5. **Bullish** (Peter Thiel-backed) - 24,300 BTC (\$2.6 billion); became 5th-largest holder after August 2025 IPO

- **Gold**

2025 peak: \$4,475

2026 forecast: With continued dollar weakness and tariff uncertainty, gold will continue to be a major asset for 2026.

- **Bitcoin**

2025 peak: \$125,000

2026 forecast: JP Morgan projects \$170,000 pending nation state reserved adoption theory takes place

- **S&P 500**

2025 peak: \$6,945 as of December 26, 2025

2026 forecast: 45% of institutions are set to increase exposure despite AI bubble risk concerns

## 6. Equities - Primary Combat Assets

- As we bring 2025 to a close and review the year as a whole, we saw a rotation out of megacap stocks and into semiconductor and AI infrastructure plays. These are your valuable performers on the year.

The top S&P performers collectively delivered triple-digit returns:

1. Western Digital (WDC) - 261.1%
2. Robinhood Markets (HOOD) - 233.4%

3. Seagate Technology (STX) - 217.3%
4. Micron Technology (MU) - 178.3%
5. Newmont (NEM) - 138.4%
6. Warner Bros. Discovery (WBD) - 125.1%
7. Palantir Technologies (PLTR) - 121.1%
8. Lam Research (LRCX) - 114.6%
9. Amphenol (APH) - 100.9%

The magnificent 7 delivered modest gains with Alphabet leading at 67.9%

- **2026 Equities Forecast:** Wall street anticipates all 11 sectors of equities to rise in 2026 with focused highlights on finance, tech, and healthcare. These sectors command strategic positioning with technology leading with a dominating earnings per share of 5.8% growth, the highest among all sectors. Healthcare is positioned to benefit from artificial intelligence and policy deregulation that enables cost cutting, efficiency gains and removal of profitability barriers while securing institutional interest for investment. Finance was an early adopter of AI and will continue to see progress as it expands its reach into innovative banking solutions.

## Top Equities and Current Valuations

### AI-Infrastructure Command

**Nvidia (NVDA) - \$4.5 trillion market cap; Forward P/E: 40.56**

- Blackwell architecture shipping at volume; software revenue projected to surpass hardware within five years
- Stock up 30% since May 2025 despite already holding \$3.4 trillion valuation at that time

- Projected EPS growth: 55.54%; Sales growth: 62.39%
- **Institutional assessment:** Zacks Rank #1 (Strong Buy); Style Scores show premium pricing (F for Value) but stable earnings expansion

**Micron Technology (MU) - Forward P/E: 9.14**

- Memory leader capturing AI data center demand
- Projected EPS growth: 278.29%; Sales growth: 89.30% - highest among AI stocks
- **Value opportunity:** Trading at significant discount to peers despite explosive growth trajectory

**Palantir Technologies (PLTR) - Forward P/E: 400+**

- Market cap near \$56 billion; YTD gain of 121.1%
- Transitioned from government contractor to enterprise AI software leader; commercial revenue experiencing explosive growth
- **Valuation risk:** P/E exceeds 400, representing one of the highest valuations in the S&P 500

**Broadcom - 2025 gain: 60% from \$2.90 trillion market cap entry point**

- Silent winner in AI monetization as accelerator market widens beyond Nvidia
- Q3 2025 delivered strongest report in nearly two years

**Lam Research (LRCX) - Forward P/E: 37.02**

- Semiconductor equipment manufacturer; 114.6% YTD gain
- Projected EPS growth: 15.70%; Sales growth: 14.11%

**Valuation Warning Signals:**

- **Future importance and economic outlook ties:** 2026 equities will have 3 catalyst that ensure the valuations continue to rise which is met with sanguine optimism of investors who say there is no AI bubble nor risk at all. These catalyst are as follows:

**1. Fed Easing Cycle:** Further rate cuts create room for multiple expansion, particularly benefiting high-growth tech and cyclical sectors

**2. Broadening Leadership:** 68% of institutional investors expect gains to extend beyond 2025's Magnificent 7 concentration, supporting financials, industrials, and healthcare

**3. AI Capex Sustained:** Big Tech's **\$405 billion AI infrastructure investment** in 2025 positions compute, networking, and data center equipment suppliers for continued revenue growth

- **Global outlook:** Emerging market performance

Emerging markets lifted to a nine month consecutive rally into October and are forecast to continue their bullish run into 2026. Emerging market companies earnings growth is projected to grow to 9% in 2025 and 14% in 2026. The reasons for the performance of these equities are centered around macro tailwinds. These tailwinds revolve around Fed easing, dollar weakness, and diversification demand away from heavily concentrated tech companies.

- **Thriving sectors:** Emerging market opportunities

From South Korea to South Africa, rallies look strong in 2026 and sectors such as technology/semiconductors, commodity exporters, finance, and consumer discretionary sectors stand to benefit from the macro narratives of 2026.

A diversified position of exposure in equities, bonds, and currency appreciation offer a compelling total return profile for 2026.

## 7. Commodities - Material Warfare Resilience

- In 2025 the theory of deficit correction for the United States was put into application. Tariffs were used as a solution for that correction, and what we witnessed was astonishing to say the

least. The geographic concentration of imports amplifies tariff vulnerability to trade shocks. On-shoring mitigates the disruptions of supply chains and ensures the continued flow of goods and services without the constant volatility subject to central points of failure within the supply chain. Businesses and various companies have used 3 particular methods for navigating the tariff turmoil thus far.

### **3 Defense strategies against tariff threats:**

- Stockpiling supplies in advance
- Diversifying supply chains
- Navigating the absorption of cost versus cost passed on to consumers

Brazil is a powerhouse when we analyze their export capacity for commodities of demand, they're an agricultural powerhouse. Brazil exports a significant amount of products to Saudi Arabia which include soy beans, sugar, corn, and poultry meat. The volumes of sugar exported in 2023 to Saudi Arabia expanded to \$822 Million, corn amassed to \$367 Million, and poultry to 842 Million. The significance of this lies in the familiarity of what Brazil is known for exporting which is coffee, and with coffee facing 50 year price highs, its sure to keep Brazil's resources in demand as the future draws near.

Australia is another country with relevance to the future concerning trade, their dominance in mining operations has made them a leader in strategic positioning. They supply China with iron ore as their main supplier, and export the likes of liquefied gas, metallurgical coal, and gold & base metals.

Russia appears to be a sanction fortress as their reliance for their resources allow them to continue to wage war but satisfy their economic needs. Russia has recently had copious amounts of oil and natural gas redirected towards Asian markets and also supply the global trade landscape with grain, and rare earth elements.

U.S. supply chain adaptations in the post COVID era have moved components of assembly for products closer to consumer based markets to reduce supply chain delays, educate future generation workforce, and satisfy cultural proximity to end consumers. The highly anticipated USMCA July 1, 2026 review will introduce some market clarity, as what can be expected remains to be seen after what's taken place with global trade as a result of tariffs thus far.

- **2026 Commodity price forecasts**

**Gold**- Gold is scheduled to hold its \$4,000/oz plus position as we advance into 2026. We could see a peak of \$5,200/oz in Q2 before faced with consolidation before price correction and later continuation. This trajectory tracks the U.S. real interest rate path and doubt in fiat currency stability.

**Copper**- ING projects copper near \$10,300/tonne at the end of 2025, rising to 10,500/tonne in early 2026. As we move into Q2 we can expect to see pushes toward 10,700/tonne before stabilizing around 10,500/tonne through H2. The macro picture of these price increases align with renewable energy and construction efforts. Price stability is also supported by policy changes, supply constraints and future electrification demand.

**Oil**- Brent crude faces a bearish outlook as supply glut dominates. ING sees prices near \$62/barrel at the end of 2025 and falling to \$58/barrel in early 2026, dipping to \$56/barrel in Q2.

**Silver**- Trailing behind gold, has performed well in 2025, with more upside potential in 2026. Silver is up 170% year over year, 30/oz December 2024 to 79/oz December 2025. Various analyst price aggressive analytical forecast into 100s as 2026 approaches.

## 9. Crypto Markets - Digital Asset Operations

- 2025 performance for Bitcoin and cryptocurrencies alike has been known as the year of reversal with a gloomy forecast ahead as well. After a stunning performance start at the beginning of 2025, bitcoin lost its gas of a 35 percent gain year to date following the cross of \$120,000. Bitcoin is currently hovering between \$87,200-88,480, down 5.25% year to date surrendering all gains. Ethereum followed suit mirroring gains and quickly falling to \$2,940. This is a difficult observation considering all the narratives of “digital gold”, when gold itself most indeed the most valuable asset this year. 75 of the top cryptocurrencies traded below their 50 and 200 day moving averages this year and total crypto liquidations exceeded 500 million

within 24 hour spans in November. The moves of adoption didn't match the performance as Bitcoin and Etherum ETFs took hold by various institutions yielding 4.8% annually with 72% supply locked. Despite a disappointing year contrarians such as JP Morgan have a long term price point of \$170,000 and global institutional investors plan to increase asset exposure.

While Bitcoin and Etherum took a backseat, Solana and XRP filled the gaps of demand.

- **Demand in Focus:**

**XRP-** XRP attracted 941 million via ETFs and their market cap surged to 170 billion driven by real-world cross border payment demand. Beyond the 2025 landscape and into the forecast of 2026 regulatory clarity and banking partnerships position XRP as a bridge between traditional banking and blockchain.

**Solana-** Solana's price surged 32% in Q3 of 2025, complemented by sub-second transaction times and low-cost fees, its easily a cryptocurrency to watch in 2026.

Both XRP and Solana serve unique uses towards the future landscape of banking with XRP serving as an infrastructure for future banking and Solana for high performance computing in the next generation of the internet or Web3.

In July 2025 we saw the adoption of "Crypto Week" that went onto provide regulatory clarity regarding the future of crypto and the digital asset landscape. Here are 3 executive efforts that take look into future uses and application of crypto.

- **1. GENIUS Act - Stablecoin Framework (Signed into Law July 18, 2025):**
- Passed with **bipartisan support (68-30 Senate, 308-122 House)** and signed one day after House passage
- Establishes **uniform federal framework** for dollar-backed stablecoins, ending years of regulatory ambiguity
- Path forward for centralized projects: evolve toward decentralization OR submit SEC-style public disclosures

- Qualifying stablecoins treated as **digital commodities** tradable on CFTC-registered exchanges with **express Securities Act exemption**
- **Impact:** Institutionalizes stablecoins as legitimate financial infrastructure, enabling banks and corporations to issue dollar-backed tokens under federal oversight

## 2. CLARITY Act - Bitcoin/Ethereum Commodity Classification:

- Grants CFTC jurisdiction over **spot Bitcoin and Ethereum markets** while explicitly exempting them from securities classification
- Provides regulatory pathway for "decentralized" crypto assets meeting specific criteria
- **Impact:** Removes existential regulatory risk for largest crypto assets, enabling institutional custody and trading without SEC enforcement threat

## 3. Anti-CBDC Act - Blocking Central Bank Digital Currency:

- Passed House **219-210** (largely partisan) to prevent Federal Reserve from launching direct-to-consumer CBDC without congressional approval
- Amends Federal Reserve Act to prohibit Fed banks from offering retail digital dollar products

The future use cases of crypto are centered right now around speculation but are quickly advancing towards infrastructure of real world assets.

- One way this unique infrastructure is being pursued is through "tokenization" or the use of treasury compliant yield-instruments on chain providing crypto exposure without the volatility
- Real estate, bonds, and private equity are also being tokenized with the complement of fractional ownership along with 24 hour settlement

These advances alone drive trillions for blockchain as well as the advancements in infrastructure for Solana and XRP.

- **Crypto vs. Metals analysis:**

Since November of 2022 to November of 2024 crypto and gold seemed to have a close correlation to one another, in 2025 that correlation was broken. Gold rose to 16% in March while Bitcoin fell 6% marking the beginning of separation which later led to gold outperforming. By year end gold soared to 55% and bitcoin down roughly 5.25% at the time of this report. This is also the first time in decades central banks have held more in gold reserves than treasury bonds while no central bank added bitcoin to its reserves. Despite the performance divergence in gold and bitcoin, both assets still maintain a diverse correlation to the dollar. Real yields still control the dynamic and demand for gold as yields fall more investors seek gold as a haven. The hedging and defensive need for a shielding position of value is why gold won and outperformed bitcoin, as much as bitcoin maintains a high growth spectrum, in times of uncertainty gold has held an unmatched place in financial markets against potential risk and economic headwinds.

- Silver also drew upon the demand for AI data centers and solar installations.

As the Fed continues to cut rates both assets ideally stand a chance to benefit but pending tariff uncertainty remains a concern, gold maintains a slight edge over bitcoin and we may continue to see it under-perform when weighed against gold.

## Section III: Mission Objectives for 2026 (Action Orders)

### Your Forward-Looking Mission Framework:

## MISSION ORDER #1: RISK MANAGEMENT FRAMEWORK

### Defensive Positions (Capital Preservation)

#### Gold Allocation: 15-20% Portfolio

- **Rationale:** Proven 2025 performance (\$4,475 peak); central bank accumulation continuing
- **2026 Target:** \$4,100-\$5,200/oz (ING/BofA forecasts)
- **Execution:** Physical bullion, GLD ETF, or mining equities (Newmont +138% in 2025)

**Silver Tactical Position: 5-10%**

- **Rationale:** 170% 2025 gain; AI data center + solar industrial demand
- **2026 Target:** \$80-\$110/oz (current \$79 already exceeded prior forecasts)
- **Execution:** SLV ETF or physical allocation

**Treasury Bonds (Short-Duration): 10-15%**

- **Rationale:** Fed easing cycle supports bonds; recession hedge if growth stalls
- **Execution:** 2-5 year Treasuries; avoid long-duration given deficit concerns

## **Growth Positions (Capital Appreciation)**

**AI Infrastructure Equities: 25-30%**

- **Primary Targets:**
  - **Nvidia (NVDA):** 55% EPS growth; Blackwell architecture dominance
  - **Micron (MU):** 278% EPS growth at 9.14 P/E (value opportunity)
  - **Broadcom (AVGO):** Accelerator market expansion
- **Valuation Discipline:** Avoid P/E >100 (Palantir at 400+ P/E = bubble risk)

**Semiconductors (Memory/Storage): 10-15%**

- **Rationale:** 2025's top performers; 26% annual earnings growth projected
- **Targets:** Western Digital, Seagate, Lam Research

**Financials Sector: 10-15%**

- **Rationale:** AI adoption + deregulation + yield curve steepening
- **JPMorgan Thesis:** "From innovators (tech) to enablers (financials)"

**Healthcare (AI Efficiency Plays): 5-10%**

- **Rationale:** Cost-cutting via AI; policy deregulation removes profitability barriers

## Commodity Allocation: 10-15%

### Copper Exposure:

- **Forecast:** \$10,300-\$12,500/tonne (electrification + renewable infrastructure)
- **Execution:** Copper miners or commodities ETF

### Oil (Contrarian/Short-Term Only):

- **Forecast:** \$54-\$62/barrel (supply glut bearish)
- **Strategy:** Avoid long-term; tactical only if geopolitical premium emerges

## Crypto Allocation: 5-10% (Speculative Capital Only)

**Bitcoin:** \$170K JP Morgan target (nation-state adoption thesis)

**XRP:** Banking infrastructure adoption (regulatory clarity tailwind)

**Solana:** Web3/DeFi ecosystem expansion (32% Q3 momentum)

**Risk Discipline:** Crypto remains high-volatility; limit to capital you can afford to lose entirely.

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## MISSION ORDER #2: TRADE ROUTE SOVEREIGNTY

### Supply Chain Diversification Intelligence

#### Nearshoring Beneficiaries:

- **Mexico:** USMCA July 1, 2026 review reduces uncertainty; manufacturing FDI resumption expected
- **Canada:** Integrated North American supply chains despite 25% tariff threats

#### Emerging Market Exposure: 10-15%

- **Rationale:** 9% earnings growth 2025 → 14% 2026; Fed easing + dollar weakness tailwinds
- **Geographic Focus:** South Korea (semiconductors), Brazil (agriculture), South Africa (mining)
- **Execution:** EEM ETF or country-specific funds

**Commodity Exporters:**

- **Brazil:** Coffee (50-year highs), soybeans, corn (\$6.7B Saudi trade; \$10B by 2030)
- **Australia:** Iron ore, LNG, gold
- **Russia:** Oil/gas (sanction-resistant; redirected to Asia)

## Port/Logistics Infrastructure

**Northern Virginia Data Centers:**

- **\$31.4B economic output** (2023); 78,140 jobs supported
- **Investment Thesis:** Real estate adjacent to data center corridors

**Trade Volume Monitoring:**

- Watch **U.S.-China import data** (dropped -30% YoY April-May 2025 post-tariffs)
- **USMCA renegotiation** July 2026 = critical inflection point for North American manufacturing

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## MISSION ORDER #3: COMMODITY RECON

### Currency Appreciation Impacts

**Dollar Weakness Thesis (2026 Consensus):**

- **Beneficiaries:** Gold, copper, emerging market assets, commodities broadly
- **Mechanism:** Weaker USD makes dollar-priced commodities cheaper for foreign buyers; supports EM currency stability

**Inverse Dollar Correlation:**

- **Gold & Bitcoin:** Both maintain inverse USD correlation despite 2025 performance divergence
- **Strategy:** Dollar weakness = bullish for both; gold proven safer, Bitcoin higher beta

**Copper-Dollar Dynamics:**

- **Forecast Range:** \$10,000-\$12,500/tonne

- **Bullish Case (JP Morgan):** \$12,075 average if dollar weakens + China stimulus
- **Bearish Case (Goldman):** \$10,000-\$11,000 if supply surplus materializes

#### **Agricultural Volatility:**

- **Weather = Primary Driver:** Brazil/Argentina crops well-stocked assuming cooperation
- **Tariff Risk:** Coffee at 50-year highs; Ukraine peace deal could flood grain markets

## **MISSION ORDER #4: CRYPTO SURVEILLANCE**

### **Regulation as Catalyst (Not Risk)**

#### **"Crypto Week" July 2025 Legislative Victory:**

1. **Stablecoins = Legitimate Infrastructure:** GENIUS Act enables bank issuance
2. **Bitcoin/Ethereum = Commodities:** CFTC jurisdiction removes SEC threat
3. **CBDC Blocked:** Fed prohibited from retail digital dollar (protects private crypto)

#### **Institutional Adoption Accelerating:**

- **172 public companies** hold 1M+ BTC (38% increase Q3 2025)
- **Strategy (Michael Saylor):** 640,250 BTC (\$68.4B)
- **76% of institutions** plan increased digital asset exposure
- **Average allocation:** 10% AUM (projected to double within 3 years)

## **2026 Crypto Strategy**

#### **Primary Allocation (60-70% of crypto budget):**

- **Bitcoin:** \$170K target if U.S. strategic reserve emerges or nation-states adopt
- **Trigger:** Watch for sovereign announcements (currently zero central banks hold BTC)

**Altcoin Diversification (30-40%):**

- **XRP (40%):** Banking partnerships + regulatory clarity = infrastructure play
- **Solana (40%):** AI analytics project \$240-\$300 by year-end
- **Ethereum (20%):** Layer 2 dominance concerns but staking yields 4.8%

**Risk Monitoring:**

- **75 of top 100 cryptocurrencies** trade below 50/200-day MAs (technical weakness)
- **\$500M liquidations** in 24-hour spans (November volatility)
- **Prediction markets:** Only 23% probability BTC finishes above \$100K

**Gold vs. Crypto Hierarchy:**

- **2025 Lesson:** Gold +55%, Bitcoin -5.25% = gold reclaims safe-haven dominance
- **2026 Positioning:** Gold leads, Bitcoin follows (correlation may rebuild but hierarchy shifted)

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## MISSION ORDER #5: RECESSION HEDGING PROTOCOL

### Early Warning Indicators

**Sahm Rule Status:**

- **Current:** 4.6% unemployment (0.4pp increase over 12 months)
- **Trigger:** 0.5pp increase signals recession
- **Assessment:** Within margin of error; monitor monthly

**Labor Market Deterioration Signals:**

- **U-6 Unemployment:** 8.7% (highest since August 2021) - includes discouraged workers
- **Long-term unemployment:** Rising to 1.11% from 1.06%
- **Government job cuts:** 162,000 October 2025 (one-time shock or sustained trend?)

**Fed Policy Error Risk:**

- **Divergence:** Fed projects 1 cut (3.6% terminal); markets price 2 cuts
- **Trump pressure:** Administration demands aggressive easing
- **Chair transition:** January 2026 creates policy uncertainty

## Defensive Deployment Protocol

If Recession Indicators Trigger (Sahm Rule or consecutive negative GDP):

### Immediate Actions:

1. **Increase gold to 25-30%** (proven recession hedge)
2. **Shift to defensive sectors:** Healthcare, utilities, consumer staples
3. **Reduce tech/growth to 15-20%** (high-beta exposure)
4. **Increase Treasury allocation to 20-25%** (flight to safety)
5. **Exit crypto entirely or reduce to <3%** (Bitcoin declined with equities in 2025 stress)

### Sectoral Rotation:

- **Avoid:** Consumer discretionary, industrials, materials (cyclical exposure)
- **Emphasize:** Healthcare (AI cost-cutting + defensive demand), utilities (stable dividends), consumer staples

### Geographic Hedges:

- **Reduce emerging markets to <5%** (recession amplifies EM currency/debt risk)
- **Emphasize U.S. large-cap quality:** Dividend aristocrats with fortress balance sheets

### Volatility Positioning:

- **VIX calls or protective puts** on S&P 500
- **Inverse ETFs (tactical only):** PSQ (Nasdaq inverse) or SH (S&P 500 inverse)

## Stagflation Scenario (Persistent Inflation + Weak Growth)

If Inflation Remains >3% While GDP <2%:

1. **Overweight commodities to 20%**: Gold, copper, energy (inflation hedge)
2. **TIPS allocation**: Treasury Inflation-Protected Securities
3. **Commodity producers**: Oil majors, mining equities, agricultural plays
4. **Avoid long-duration bonds**: Inflation erodes real returns
5. **Crypto reassessment**: Bitcoin "digital gold" narrative requires inflation to exceed 4%+ to validate

This concludes the ECON Sentry Investments 2026 Investor Outlook, stay alert, protect your capital, and good hunting!