



# Economic Outlook

Your monthly digest on economic trends.

## Global Outlook

Global growth is anticipated to slow to around 3.1% in 2026, reflecting the impact of renewed shocks from the war in the Middle East and a potential tightening of financial conditions. Inflation is expected to rise modestly in the near term due to higher commodity prices before resuming its downward path. Trade and investment remain uneven, with geopolitical uncertainty and trade policy likely dampening cross border activity throughout the year, even as technology driven investments partly offset weakness. Relative to earlier forecasts, downside risks are elevated, as the possibility of prolonged conflict, renewed trade tensions, and financial market volatility weigh on the economy. However, better than expected productivity, the prospect of a peace deal between the U.S. and Iran, and easing trade concerns could support an upside scenario. We will continue to monitor developments to identify emerging risks and opportunities.

## United States

The U.S. is expected to remain resilient, with the economy likely to grow modestly in 2026. Disinflation is projected to gradually continue toward target in the medium term, although inflation has risen in the near term due to sensitivity to energy prices. Monetary policy has become less restrictive, but the path ahead remains data-dependent amid upside risks to inflation and elevated geopolitical uncertainty. Meanwhile, domestic demand may be impacted by an expected moderation in job growth, even as labor market conditions remain broadly supportive. We continue to assess evolving economic and geopolitical conditions to inform portfolio positioning and risk management decisions.

## Latin America, the Caribbean, and Trinidad and Tobago

The region is expected to grow modestly, and inflation is anticipated to remain generally under control; however, prospects have become increasingly shaped by external shocks and fiscal constraints, which threaten the outlook. Tourism-dependent countries continue to benefit from travel demand, while energy exporters are supported by energy prices. For T&T, growth remains subdued with the IMF forecasting GDP growth of 0.8% for 2026, as energy output remains constrained. While higher energy prices may support fiscal balances in the near term, there is still a need for reform given rising public debt and declining external buffers. New energy projects and diversification efforts provide medium term upside, but risks remain elevated. We remain vigilant in monitoring regional macroeconomic and geopolitical developments to identify investment risks and opportunities for client portfolios.

| Asset Class        | Average Maturity (Yrs) | Yield (%) | 1M Return (%) | Year to Date Return (%) |
|--------------------|------------------------|-----------|---------------|-------------------------|
| U.S. Treasuries    | 4.09                   | 4.11      | -0.11         | -0.10                   |
| Investment Grade   | 4.05                   | 4.76      | 0.25          | 0.57                    |
| High Yield         | 4.03                   | 7.15      | 0.51          | 1.74                    |
| EM Sovereign (USD) | 4.08                   | 5.49      | 0.43          | 1.47                    |
| S&P 500            | -                      | 1.06      | 5.15          | 10.73                   |

Data as at 05/31/2026

Unless otherwise specified, returns are index returns

SHEPPARD

Sheppard Securities Limited  
5-7 Sweet Briar Road, St. Clair, Trinidad, WI  
Tel: 868.222.5192  
Website: [www.sheppard.tt](http://www.sheppard.tt)

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