

February 12, 2026



Presented to

hfma™

The State of the Economy

Presented
by
Dr. Matthew Will

Overview



- Trade War & Tariffs

- Free Trade

- Productivity

- Outlook

- Q&A

Introductions



Dr. Matthew Will
Associate Professor of Finance
Director of External Relations

WARNING!



Trade War & Tariffs



The Trade War: Not-Tariffs (Trade Deficits)

Country	Trump Tariffs Alleged	Trump Response	Actual Tariff *
Mexico	34%	17%	16.0%
China	67%	34%	29.0%
European Union	39%	19%	23.0%
Canada	15%	10%	4.8%
Japan	46%	23%	1.0%
Vietnam	90%	45%	2.5%
Korea, South	50%	25%	0.0%

* tariff+custom duties+country specific VAT

Actual Formula

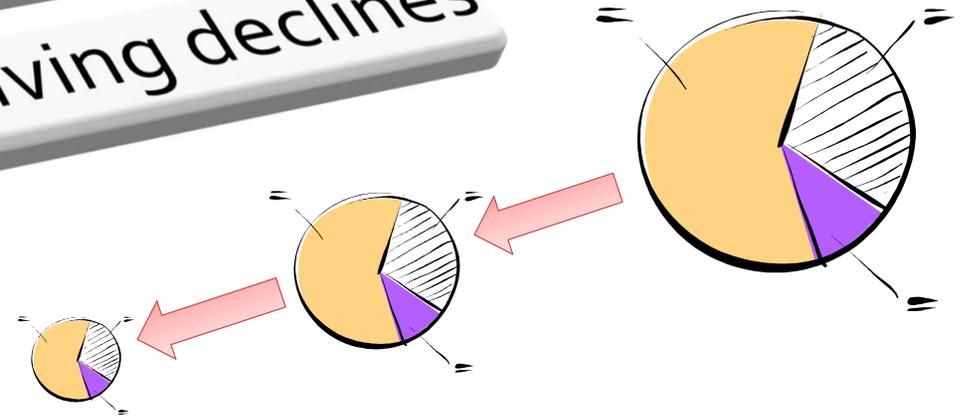
$$= \frac{US\ 2024\ Deficit}{US\ 2024\ Imports\ (Customs\ Basis)}$$

April 2

Tariffs: Economic Impact

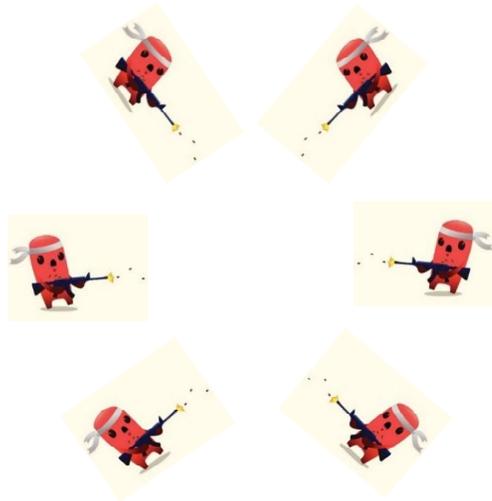
Smaller
Pie

- Paid by importer (i.e. VAT)
- Imports cost more
- Less discretionary income
- Standard of living declines

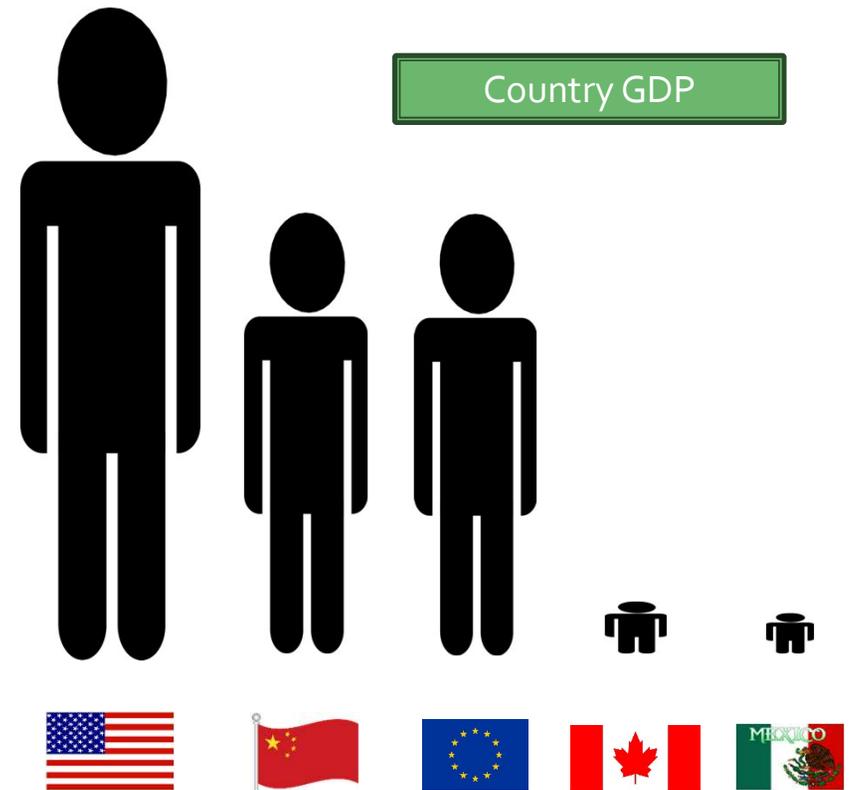


The Trade War: The GDP Boxing Match

Circular firing squad



In a war,
everybody loses



Tariff Impact: Impact on Autos



TOYOTA

August

- **Global sales**
 - 10.8mil: world best
- **Tariff cost (FY 3/26)**
 - \$9.5 bil drop in Op Inc.
- **YOY Guidance**
 - N.I. Down 37%
- **YOY Tariff cost**
 - \$10.2 bil



Q2 2025

- **Sales up 12%**
 - (highest in industry)
- **Q2 N.I. down YOY**
 - \$1.9 bil vs. \$2.9 bil
- **Tariff cost FY 2025**
 - \$4.5 bil

Tariff Impact: Impact on John Deere



- **April to Sept layoffs**
 - 2,000 employees
- **YOY cost increase**
 - \$600 million
- **YOY Profit forecast**
 - Down \$250 million
- **Quarterly Revenue**
 - Down \$1.29 billion

- **August 28 announcement**
 - 238 layoffs in
 - Harvester Works in East Moline, Illinois
 - Seeding and Cylinder in Moline, Illinois
 - Foundry in Waterloo, Iowa

Tariff Impact: Layoffs



August 2025

7,000 employees

“cost pressures”
Layoff staff instead of
increasing prices



October 2025

16,000 employees

“rising commodity costs
and US tariffs”



January 2026

30,000 employees

“de-risking”
Reduced global trade
volume

Tariff Impact: Manufacturing Employment



Employment Change	Manufacturing	All Goods Production
June	-17,000	-21,000
July	-9,000	-16,000
August	-11,000	-33,000
September	-5,000	17,000
October	-9,000	-21,000
November (p)	-2,000	18,000
December (p)	-8,000	-21,000
Total	-61,000	-77,000

Tariff Impact: Whirlpool Market Share %

Washing
Machines %

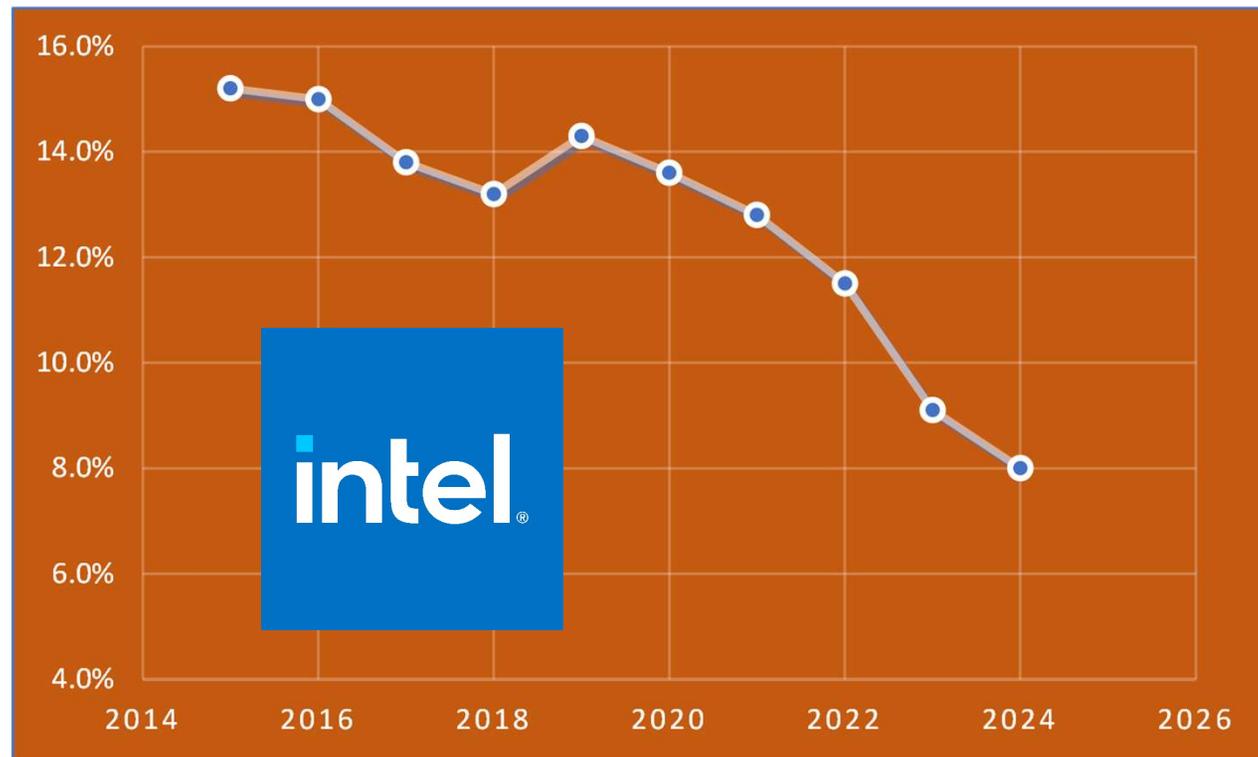
2018
20%-50%
tariff
implemented



Tariff Impact: Intel (highly subsidized for years)

Semiconductor Market Share

Q4 2024
\$17 bil loss
15,000 layoffs



Tariff Impact: Intel (highly subsidized for years)



- 2024-25... 24,000 job cuts
- 2024 Foundry division lost \$7 bil
- 2025 cancelled 2 MagaFabs
- Suspended dividend
- Tech flaws
 - No AI chip
 - Flaws in Gen6 to 11 Core and Xeon CPU
 - Reptar chip allowed DoS attacks
 - Raptor Lake CPU crashed 13/14 Gen CPUs



US Chip Makers

- Nvidia ... No comment needed
- AMD
 - Q2 revenue \$7.7 bil (+32% yoy)
 - AI data center revenue + 94% yoy
 - Desktop market share '23=18% '25=32%
- Micron
 - Q2 revenue +37% yoy
 - AI data center revenue + 100% yoy
- Broadcom AI revenue +77% yoy
- Qualcomm, TI, etc.

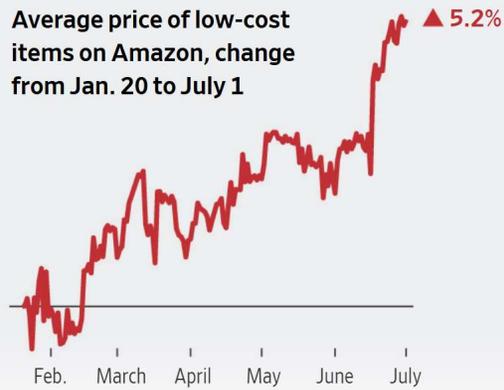
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Tariff Impact:

THE WALL STREET JOURNAL.



Average price of low-cost items on Amazon, change from Jan. 20 to July 1 ▲ 5.2%



Expensive Items



4/2/25 to 1/30/26
Amazon price change
+ 8.0%

Tariff Impact: Weaker Currency

2/3/25

	10) Spot	11) Forward	12) Fixing	
				
	USD	EUR	JPY	GBP
SEK	11.067	11.447	.07152	13.778
NOK	11.341	11.731	.07330	14.120
HKD	7.7927	8.0608	.05036	9.7019
NZD	1.7764	1.8375	.01148	2.2115
AUD	1.6059	1.6612	.01038	1.9994
CAD	1.4428	1.4924	.00932	1.7963
CHF	.91032	.94163	.00588	1.1333
GBP	.80322	.83085	.00519	
JPY	154.73	160.05		192.64
EUR	.96674		.00625	1.2036
USD		1.0344	.00646	1.2450

Canada
5.56% ↓

Euro
12.7% ↓

UK Pound
9.09 ↓

Mex
14.26% ↓

1/30/26

	10) Spot	11) Forward	12) Fixing	
				
	USD	EUR	JPY	GBP
SEK	8.9207	10.572	.05763	12.209
NOK	9.6376	11.422	.06227	13.190
HKD	7.8138	9.2602	.05048	10.694
NZD	1.6607	1.9682	.01073	2.2729
AUD	1.4360	1.7018	.00928	1.9654
CAD	1.3613	1.6132	.00879	1.8631
CHF	.77303	.91612	.00499	1.0580
GBP	.73066	.86591	.00472	
JPY	154.78	183.43		211.84
EUR	.84380		.00545	1.1549
USD		1.1851	.00646	1.3686

Tariff Impact: Tax on USA Citizens

Tax = Tariff + Weaker Currency

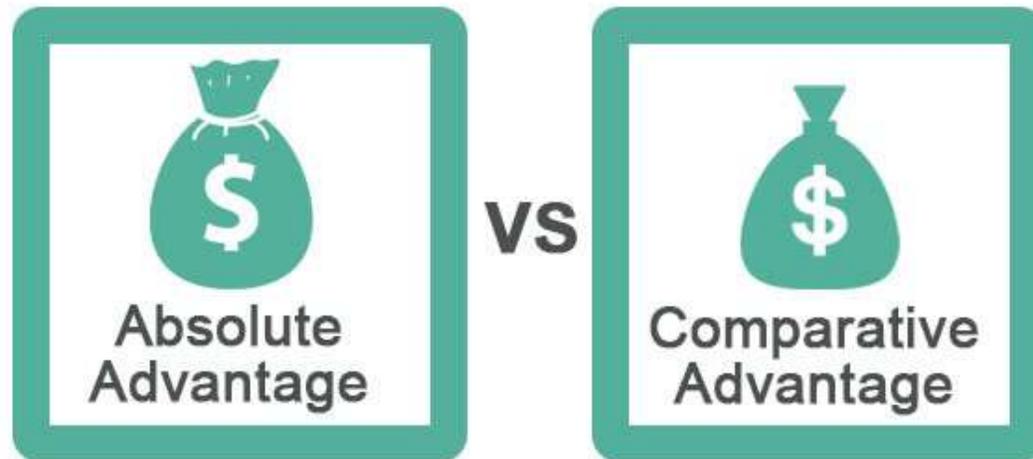
	Total tax	Aggregate Tariff	Currency decline
Canada	8.56%	3%	5.56%
Euro Union	27.7%	15%	12.7%
UK	20.9%	11%	9.09%
Mexico	18.96%	4.7%	14.26%

- Canada: 77.8% are USMCA Compliant (Tariff = 0.0%)
- Mexico: 80% are USMCA Compliant (Tariff = 0.0%)
- 35% tariff on everything else

Free Trade



Free Trade: THE SOLUTION



www.wallstreetmojo.com

**WHO CAN PRODUCE IT
WITH FEWER RESOURCES?**

**WHO CAN PRODUCE IT WITH
LOWER OPPORTUNITY COST?**

Free Trade: Comparative Advantage



Should
Fernando cut
his own grass
or watch film?

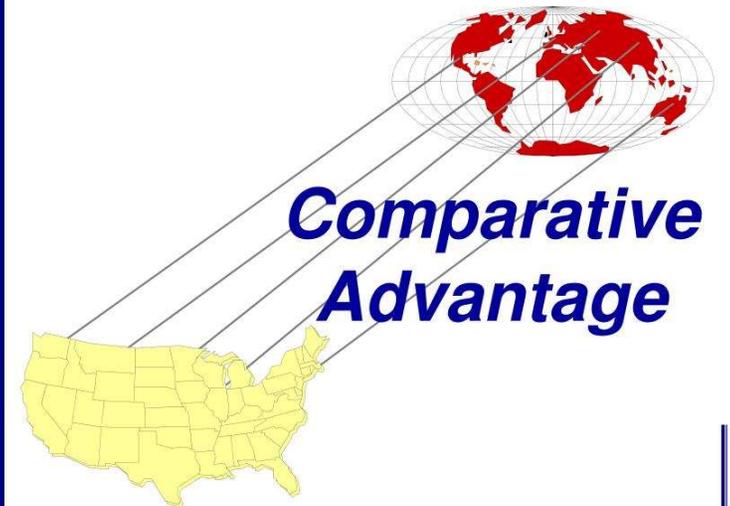
Free Trade: Comparative Advantage

Resources to Produce	1 Bicycle	1 Vaccine
USA	8	10
Mexico	5	20

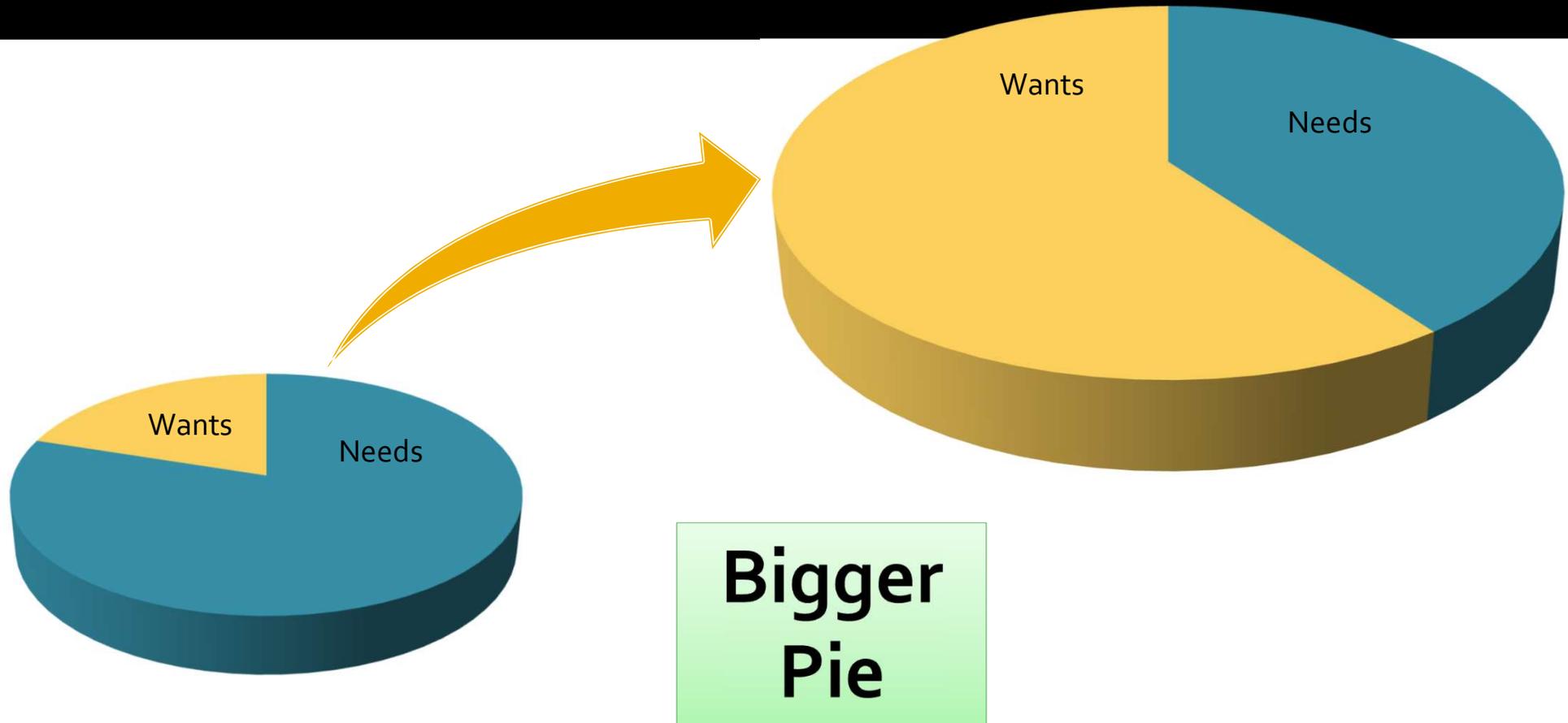
Total Cost (w/trade) = 15

Total Cost (No trade) = 18

Trade
Specialization
&
Comparative
Advantage

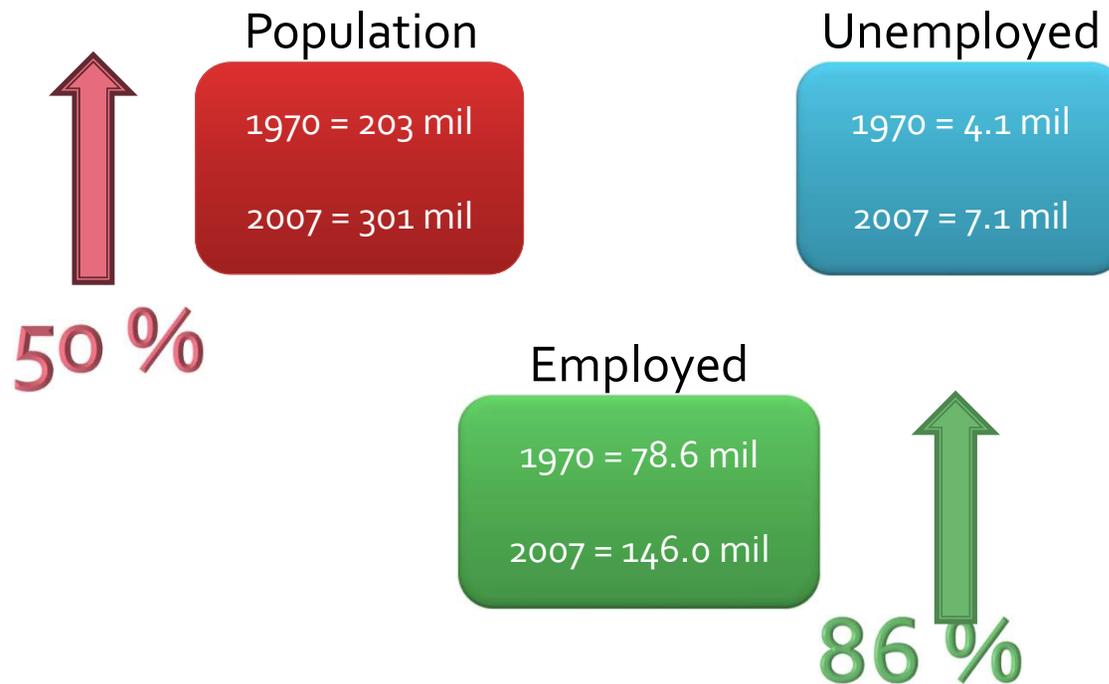


Free Trade: Comparative Advantage

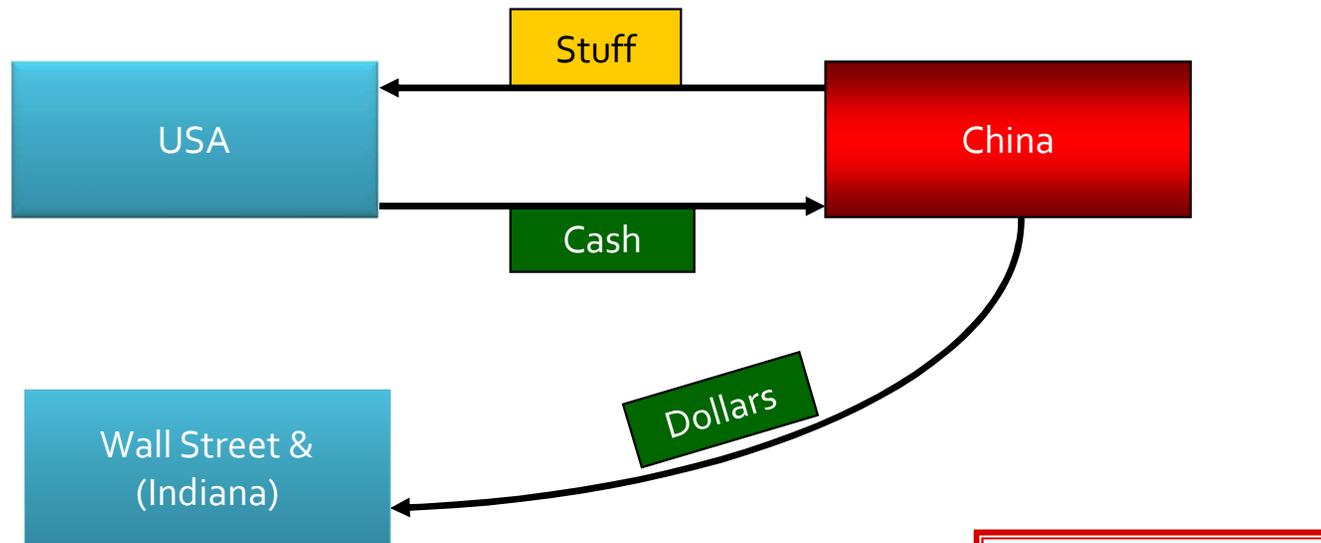


Free Trade: Comparative Advantage

We Must Grow The Economic Pie



Free Trade is Great



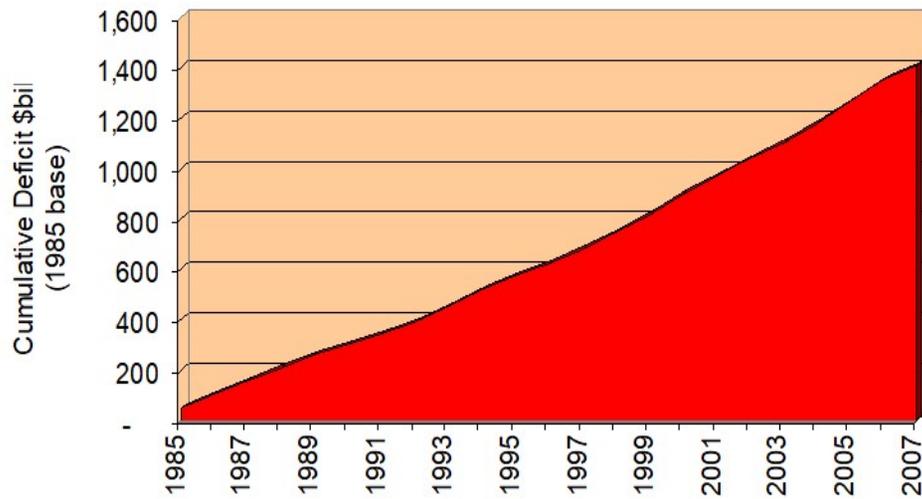
Wall Street invests this money, which...

1. creates more jobs, which...
2. grows the economy, which...
3. strengthens the dollars, which...
4. starts the cycle again

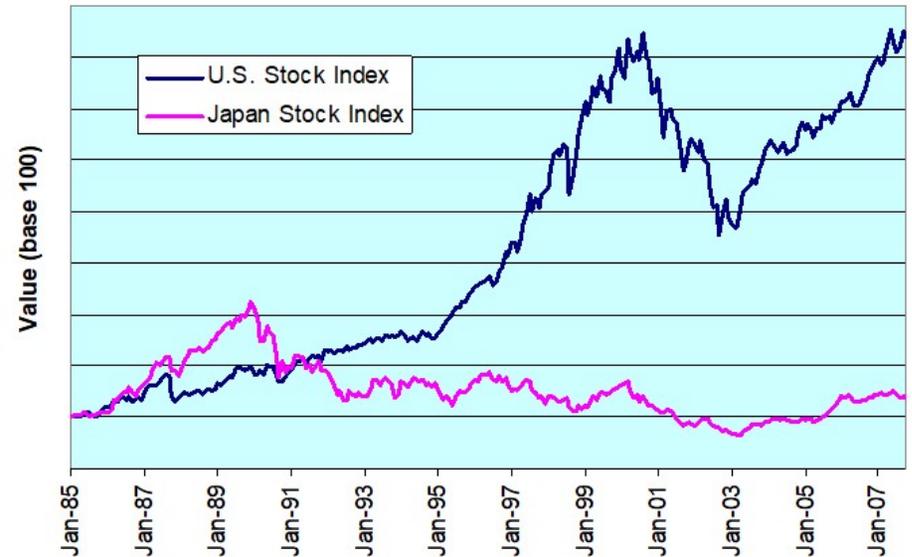
KEY
Strong Dollar

Free Trade History

US vs. Japan Trade Deficit



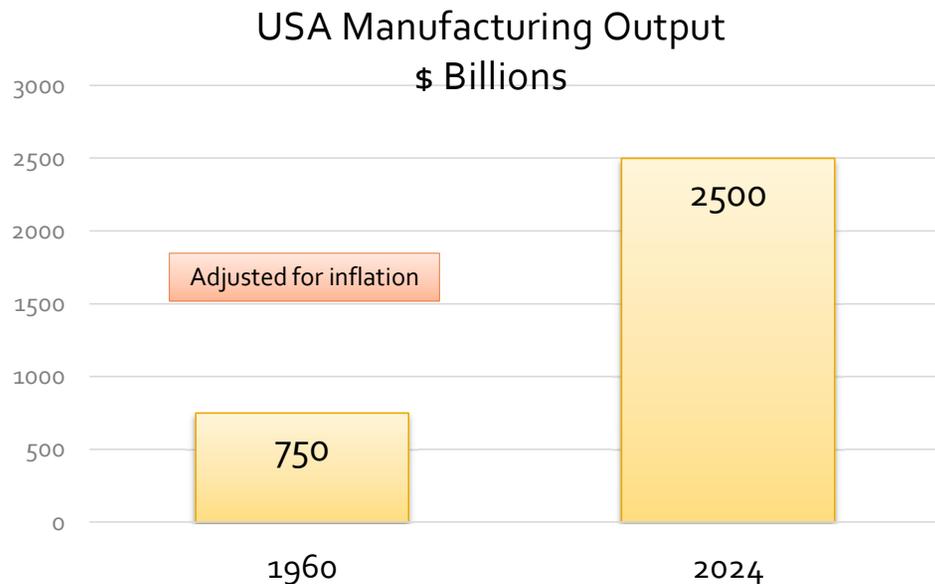
Stock Market Values



Free Trade: PRE-Trade War

False

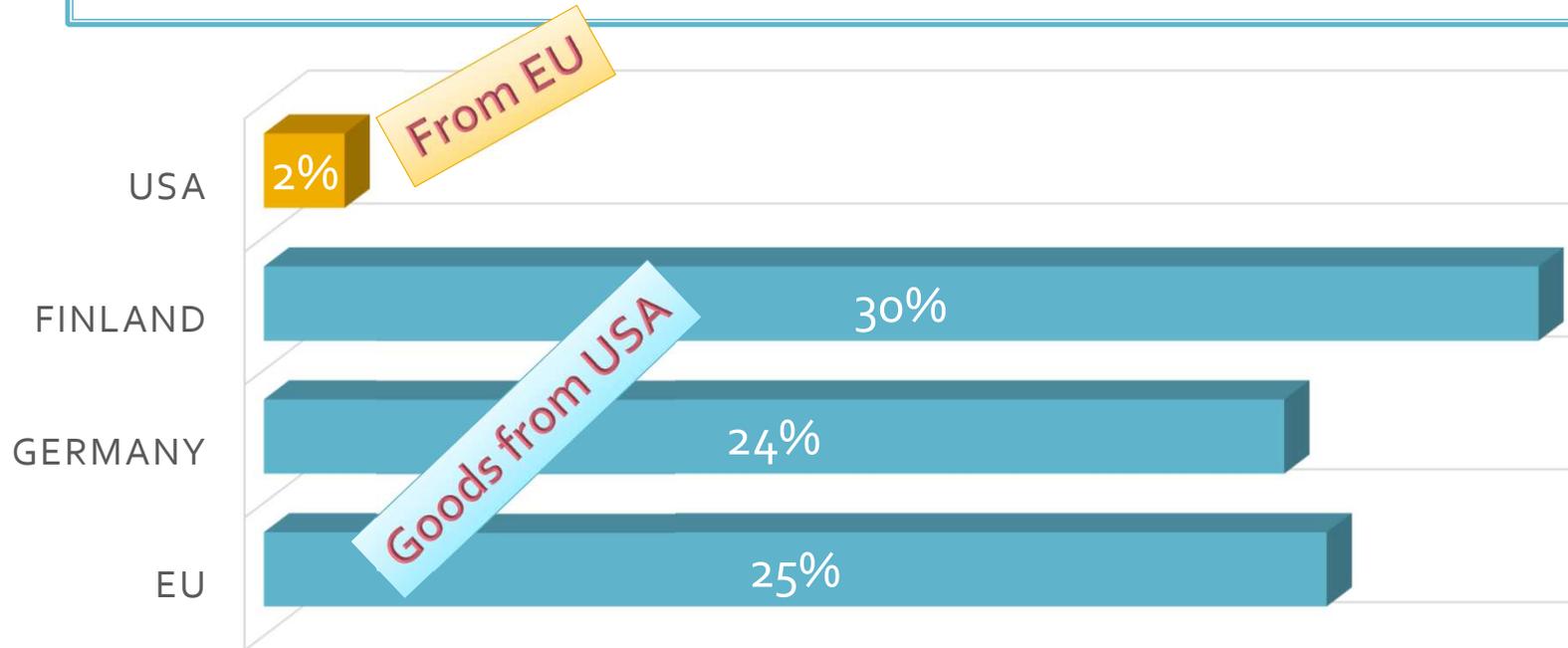
“The USA is losing manufacturing and jobs”



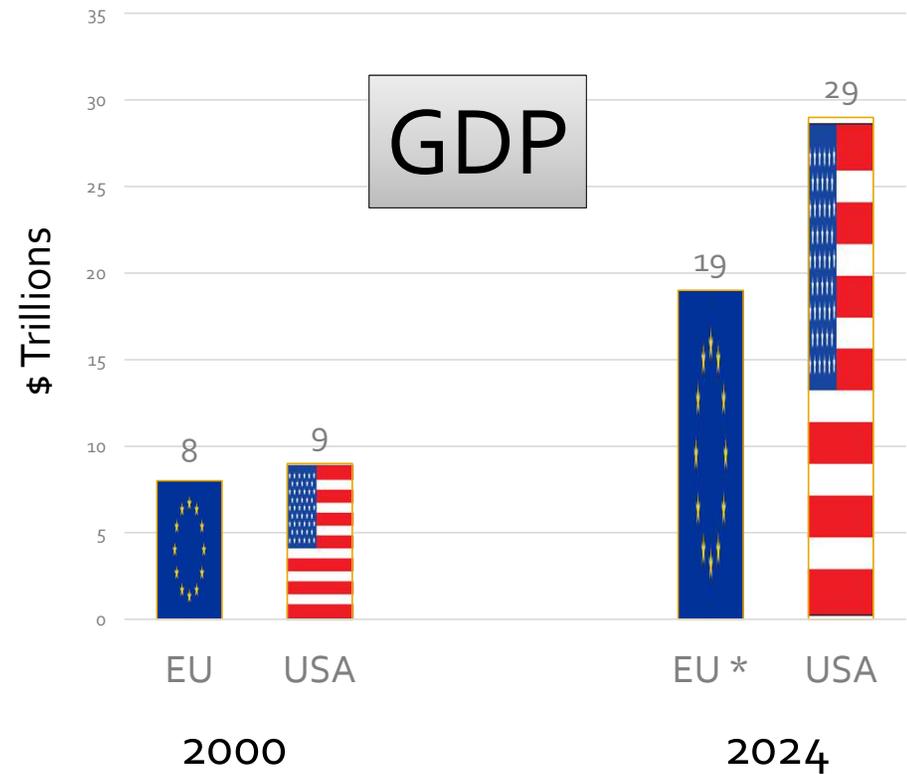
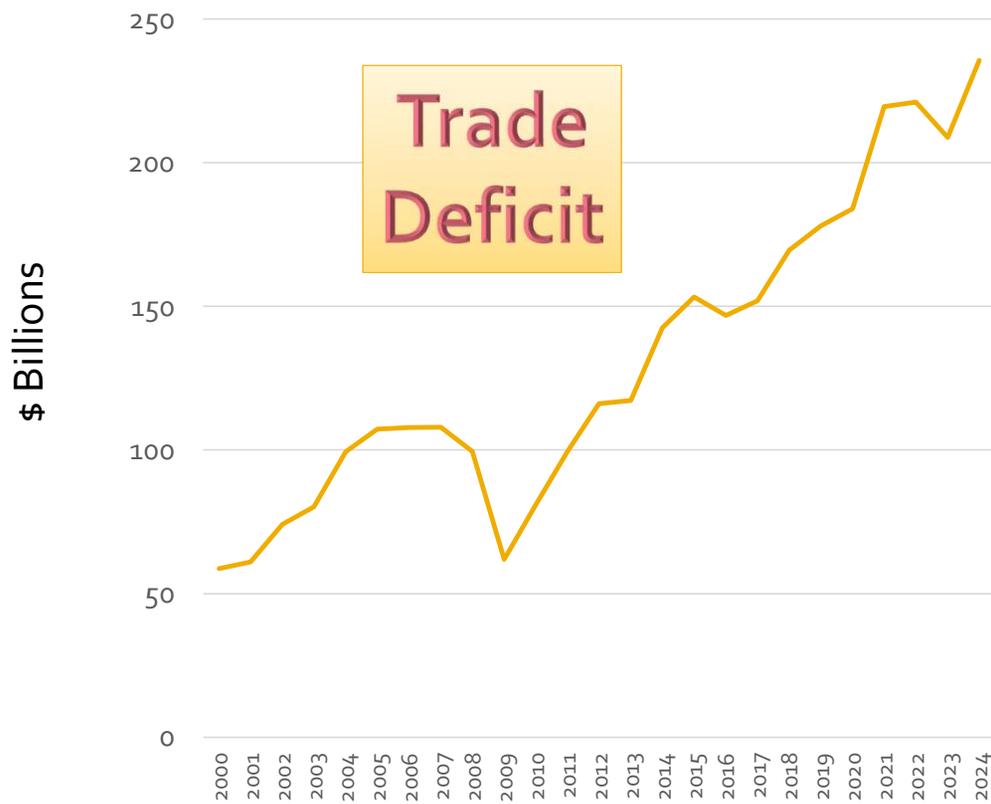
- Employment growth 2000-2024
 - USA + 24%
 - EU + 19%
- Unemployment Rate 2024
 - USA 4.1%
 - EU 5.9%
- USA Total Employment
 - 1970 = 78.6 million
 - 2025 = 163.5 million

Free Trade: PRE-Trade War

Total Tariffs + Customs + Taxes



Free Trade: PRE-Trade War



* + 13 more countries

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Free Trade and Quality of Life



Average size of home residence



880 sf



2164 sf



1000 sf

% of detached single family homes

40%

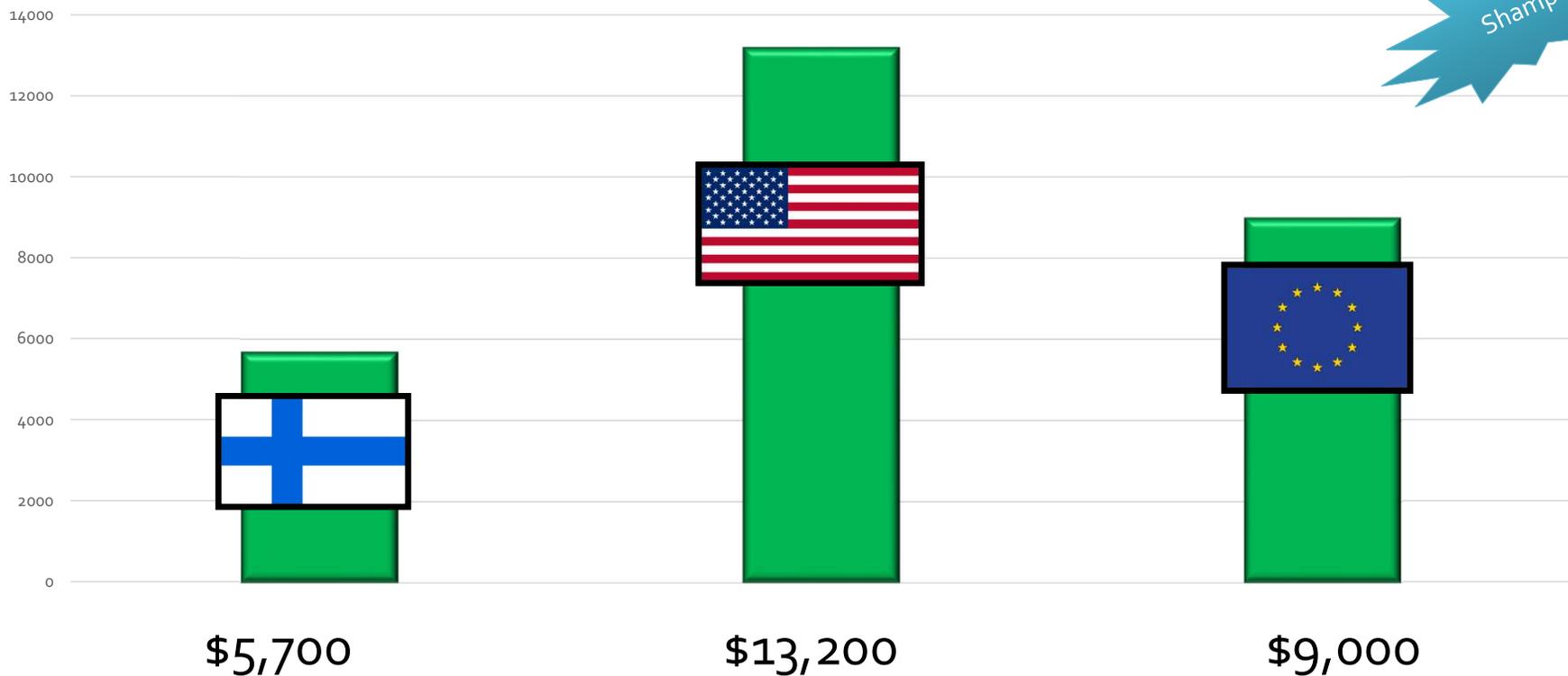
70%

35%

Latvia = 65% ... highest in EU

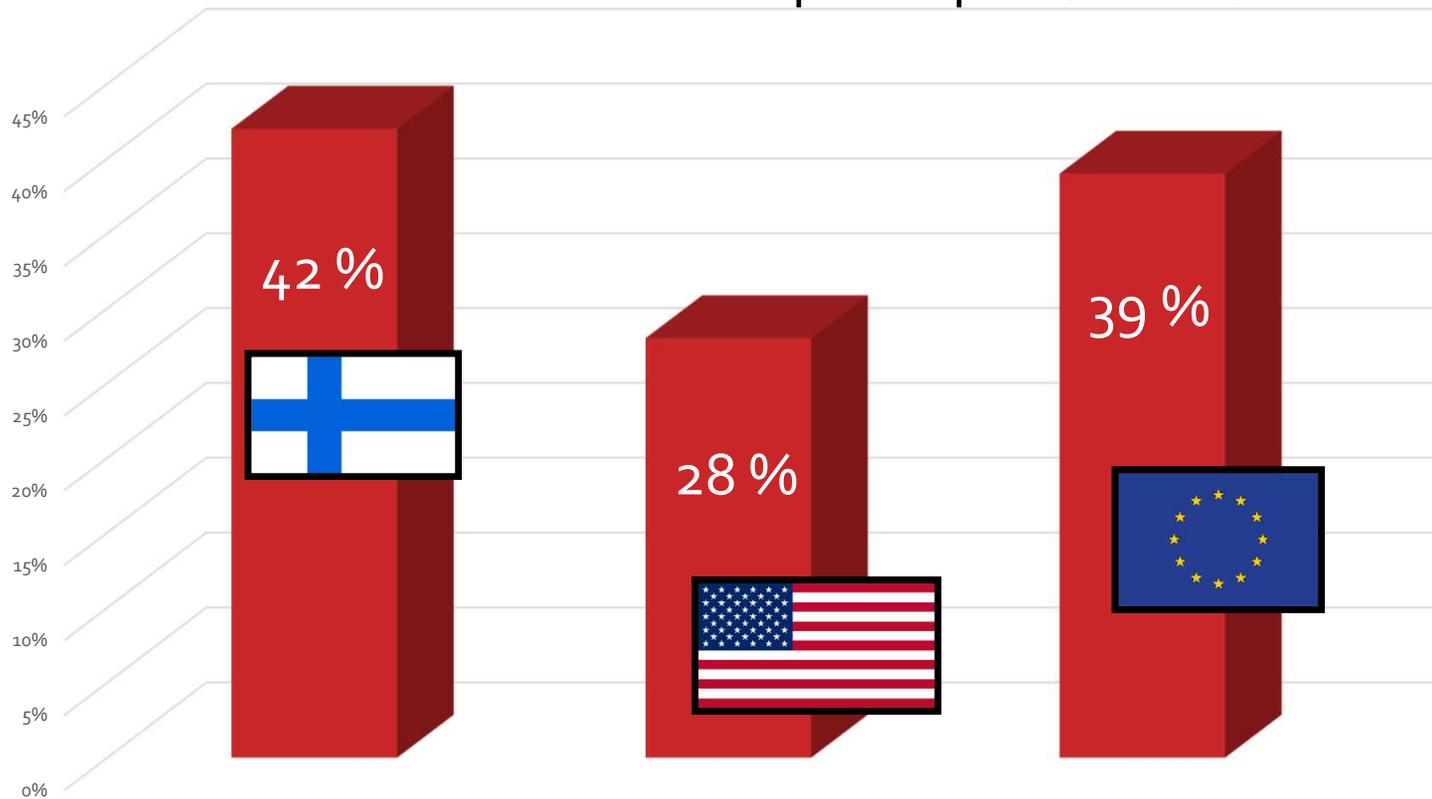
Free Trade and Quality of Life

Consumer Goods Consumption Per Capita



Free Trade and Quality of Life

Tax Burden per Capita (non-VAT)



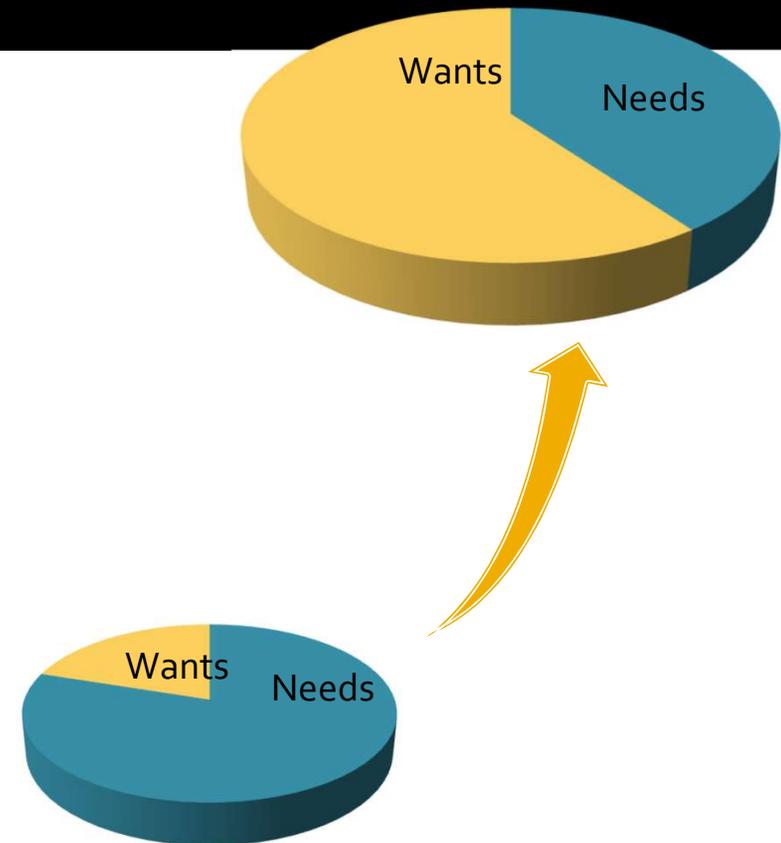
Free Trade = Bigger Economic Pie

Free trade

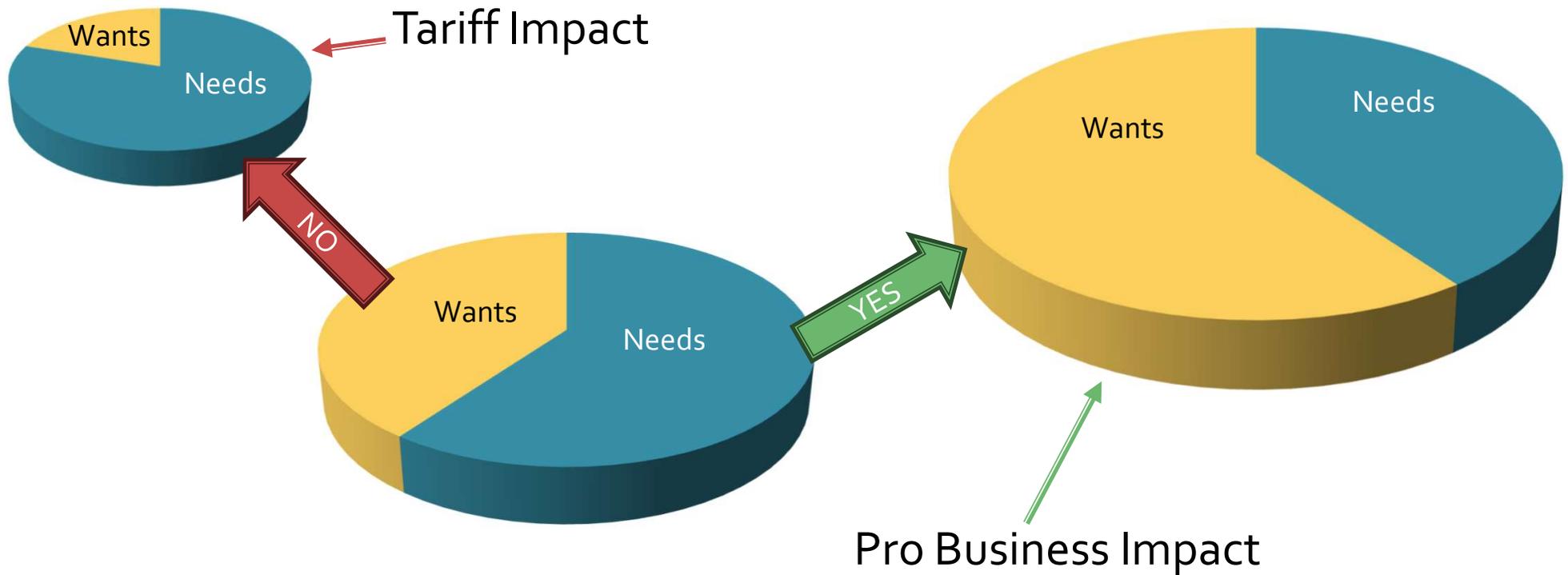
Strong dollar

Smaller government

Lower inflation



Free Trade vs. Tariffs

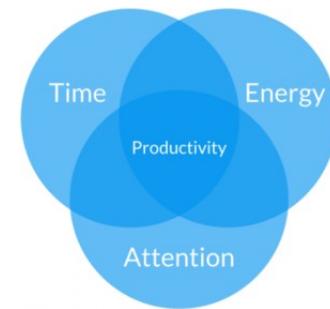
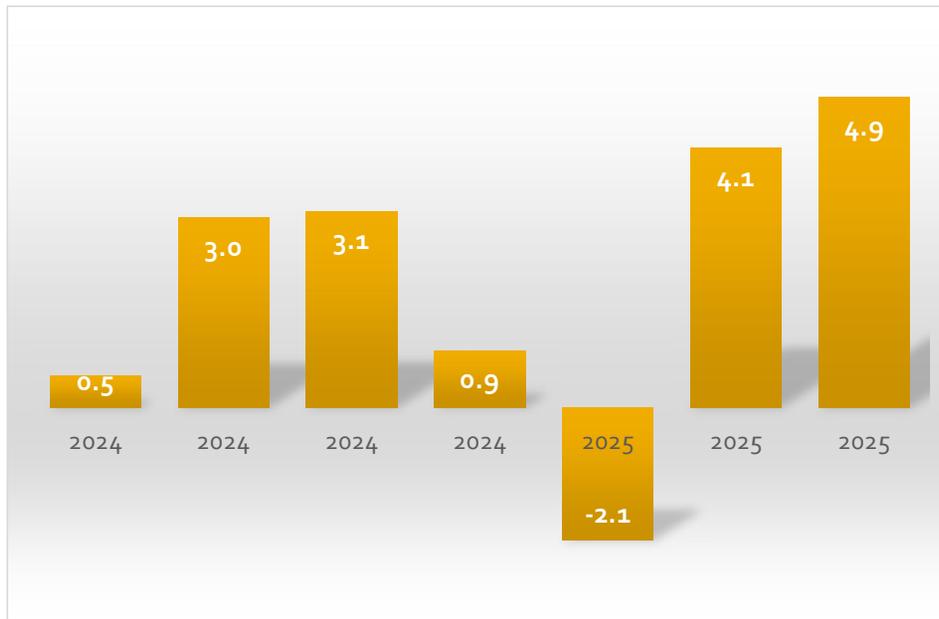


Productivity



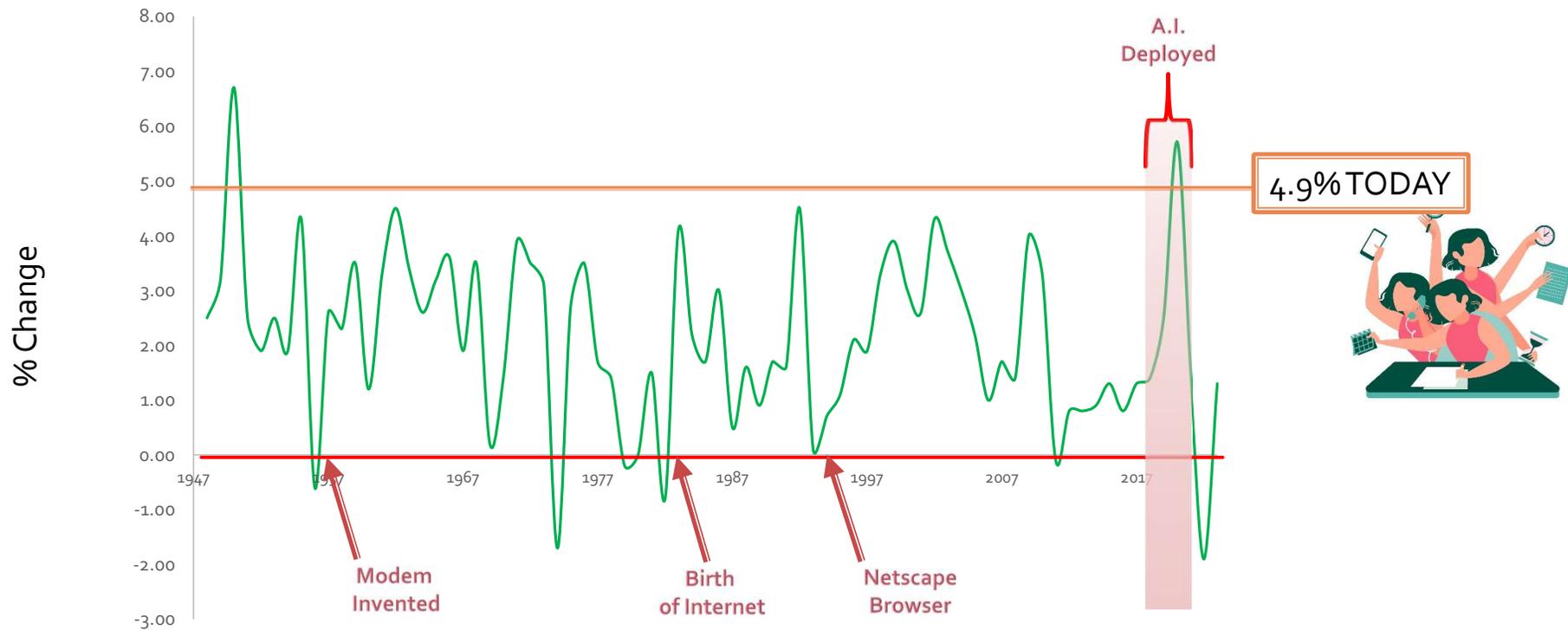
Productivity (Quarterly Change)

% Change



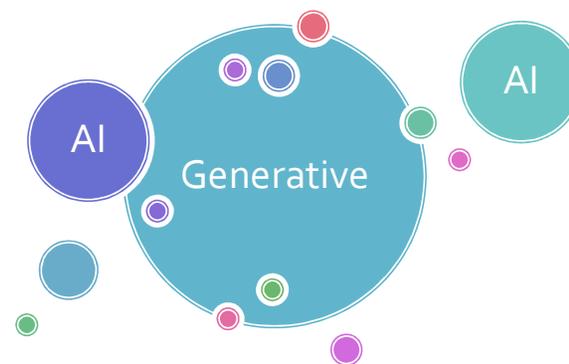
Source: <https://data.bls.gov/pdq/SurveyOutputServlet#>

Productivity (YOY % Change)



Source: <https://data.bls.gov/pdq/SurveyOutputServlet#>

AI & Productivity

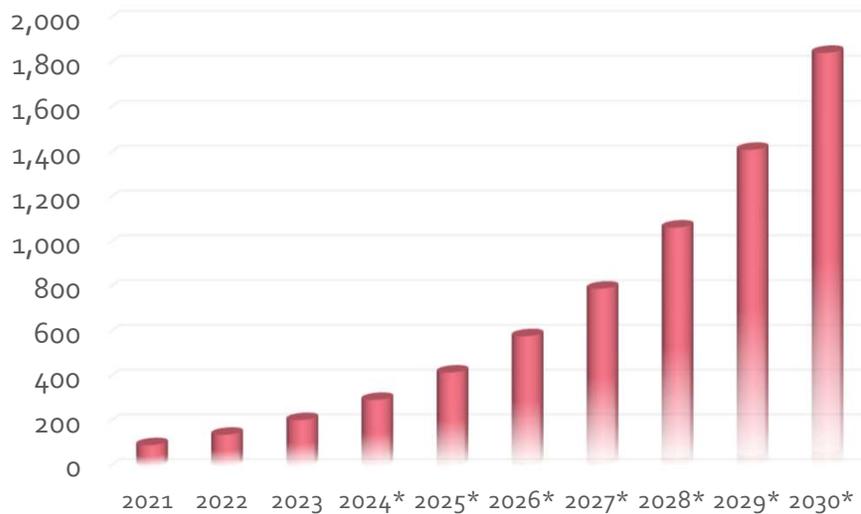


Artificial Intelligence

\$ 50 bil

Global AI Generated Revenue 2021-2030

\$ Billions



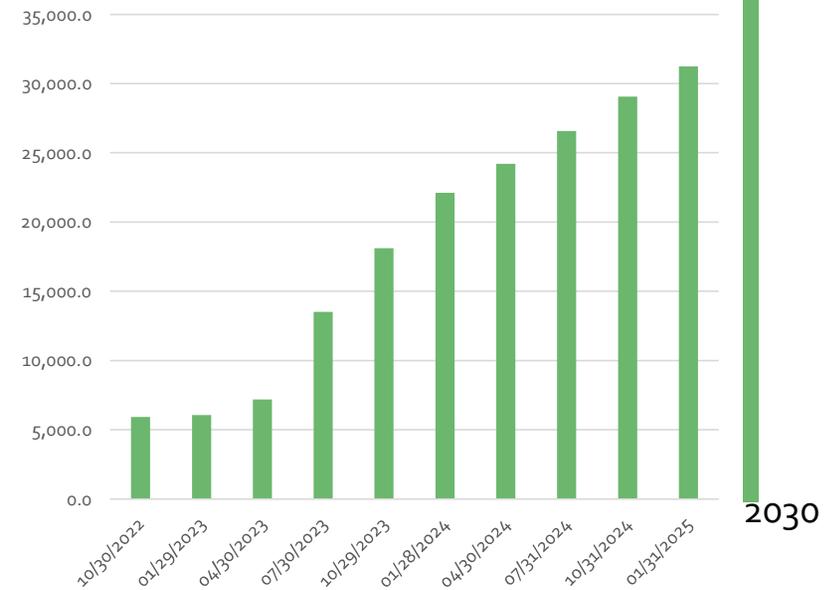
Artificial intelligence (AI) market size worldwide in 2021 with a forecast until 2030 (in billion U.S. dollars)

Source: <https://www.nextmsc.com/report/artificial-intelligence-market>

Source: Bloomberg

Revenue Nvidia Quarterly

\$ Millions



A.I. In Business



Predictive Forecasting

- 213% increase in toilet paper sales

Damaged Good identification

- 300% more accurate than humans

Packaging Decisions

- Reduced 2 mil tons of packing usage

How

1. Imaging stations
2. 6 point visual check
3. Rapid decision making
4. Machine learning and improvement



- Reduced staff by 15% and replaced with AI
- Efficient Ad production
 - Creates audio ads
 - Create ad copy
 - AI voice-over for ads
- Enhanced user experience via playlists and custom content



Nationwide

- Property claims accuracy
- Rapid coverage verification
- Underwriting
- Fraud prevention



- Curriculum integration
- Research vs. writing
- Identify uses in business

Source: <https://www.aboutamazon.com/news/sustainability/how-amazon-uses-ai-sustainability-goals>

Source: Jim Fowler, CTO Nationwide, speech at UINDY Fall 2023

Source: Ek CNBC interview 4/23/24 & <https://outsideinsight.com/insights/how-ai-helps-spotify-win-in-the-music-streaming-world/>

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Productivity

Bonus Depreciation

- Drives “Capital Deepening”
- CapEx 100% deductible
- Increase CapEx

Productivity

NEPA Reform

- National Environmental Policy Act
- Cap approvals at 1-2 years
- Boosts Total Factor Productivity (TFP)
- Cheaper and faster access to energy
- Quicker access to new energy (power plants, transmission, nuclear, etc.)

Productivity

Scope of Practice Reforms



Remove AI handcuffs



“Tasks reserved for humans” eliminated (i.e. X-rays)



Opposite of “EU AI Act” (permissible use doctrine)

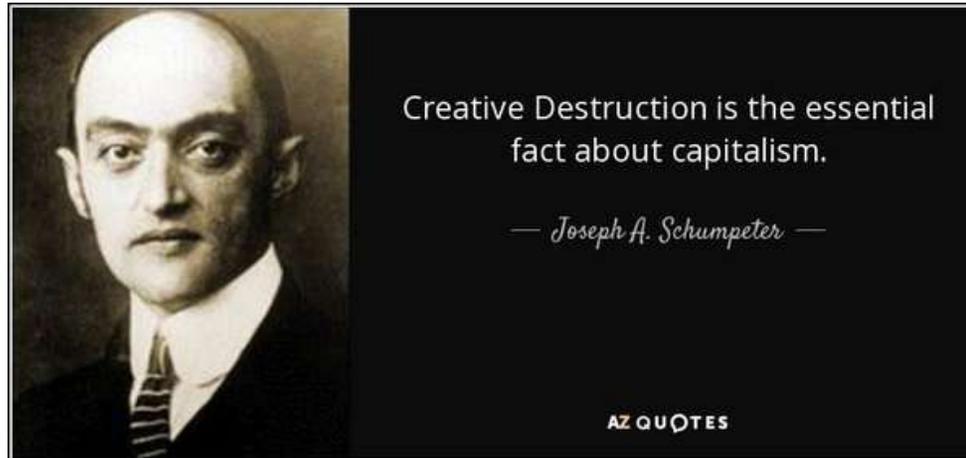
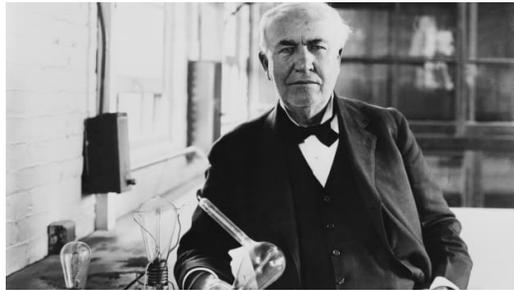


Legal, Diagnosis, Higher Ed, etc.



Professions Impacted

Innovation and Productivity



TESLA



amazon



UNIDY

Innovation and Productivity

THOMAS EDISON

- The light bulb
- Phonograph (record player)
- Motion pictures
- X-Rays



ELON MUSK

- Electric cars
- Private rocket ships
- Electronic payments
- ChatGPT

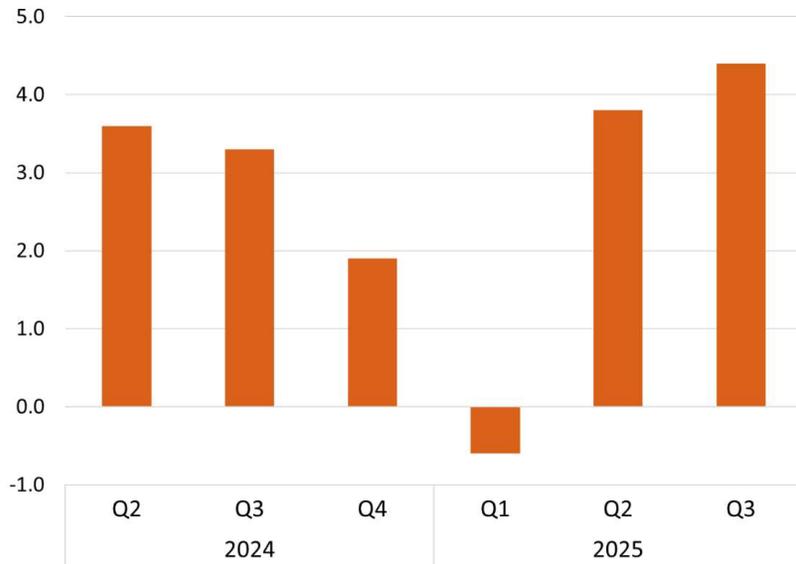


Outlook



Productivity and GDP

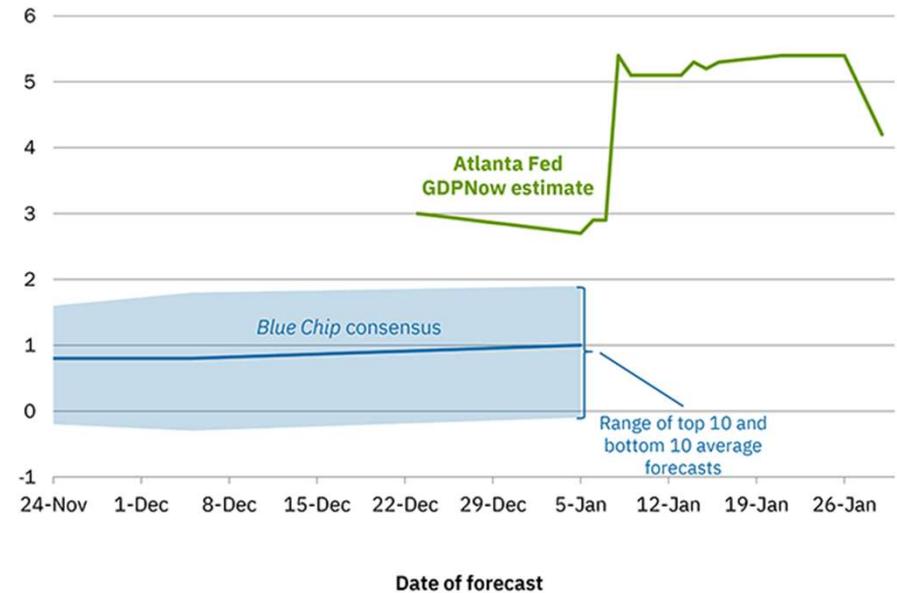
Real GDP, Percent Change From Preceding Quarter



U.S. Bureau of Economic Analysis

Seasonally adjusted annual rates

Evolution of Atlanta Fed GDPNow real GDP estimate for 2025: Q4
Quarterly percent change (SAAR)



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

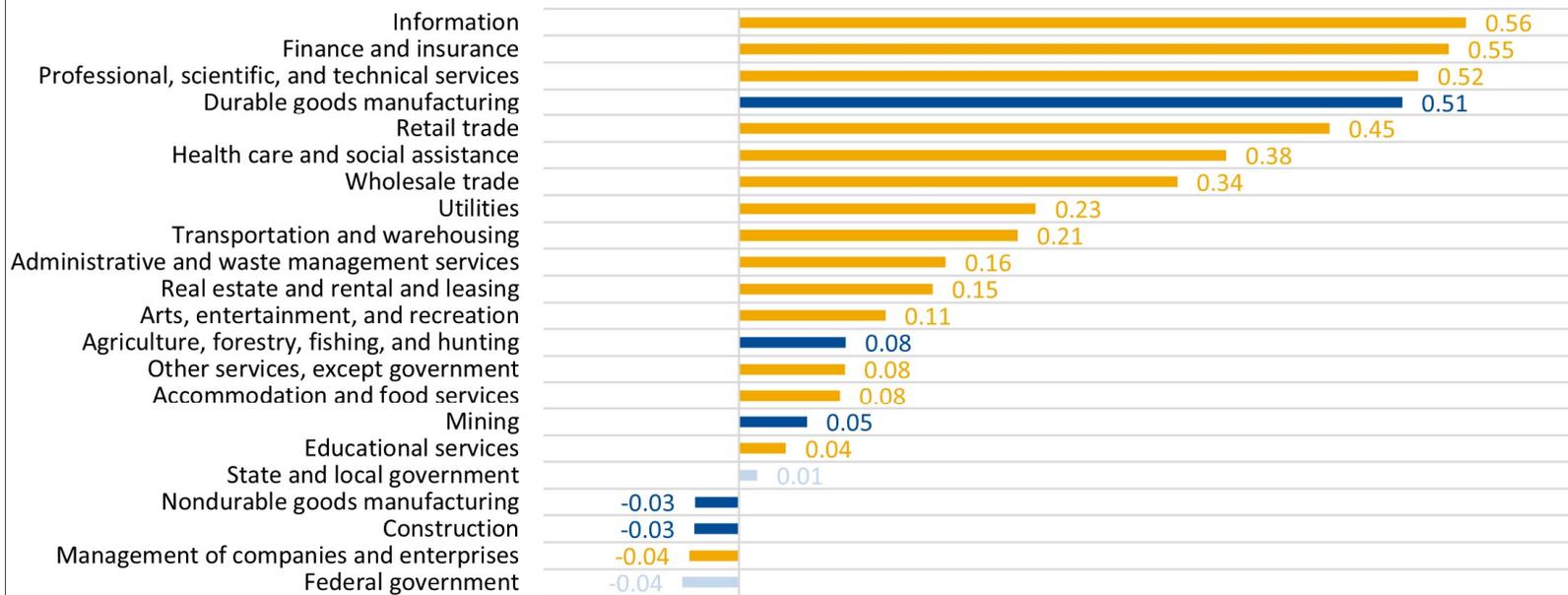
Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey.

GDP Breakdown

Contributions to Percent Change in Real GDP by Industry Group, 3rd Quarter 2025

Real GDP increased 4.4 Percent

■ Private goods ■ Private services ■ Government



Percentage points

Seasonally adjusted annual rates

U.S. Bureau of Economic Analysis

Manufacturing: ISM PMI Report (Jan 2026)

10 Month
Decline

DECEMBER 2025

- PMI 47.9
- New orders 47.7
- Employment 44.9
- Deliveries 50.8
- Inventories 45.2
- Backlog 45.8
- Prices 58.5

JANUARY 2026

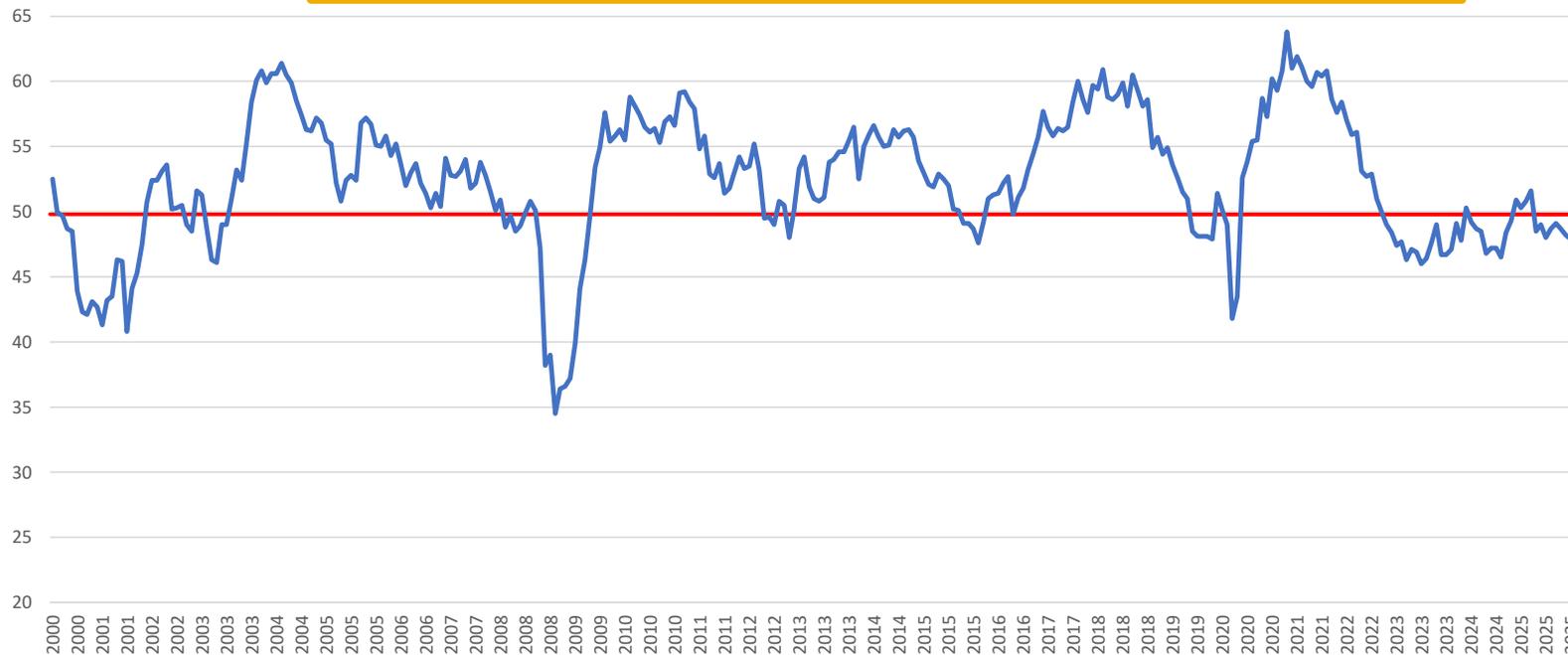
- PMI 52.6
- *New orders* 57.1
- *Employment* 48.1
- Deliveries 54.4
- Inventories 47.6
- *Backlog* 51.6
- *Prices* 59.0

Source: <https://www.instituteforsupplymanagement.org/ismreport/mfgrob.cfm?SSO=1>

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Manufacturing: ISM PMI Report (Jan 2026)

10 months of manufacturing declines
1 month gain

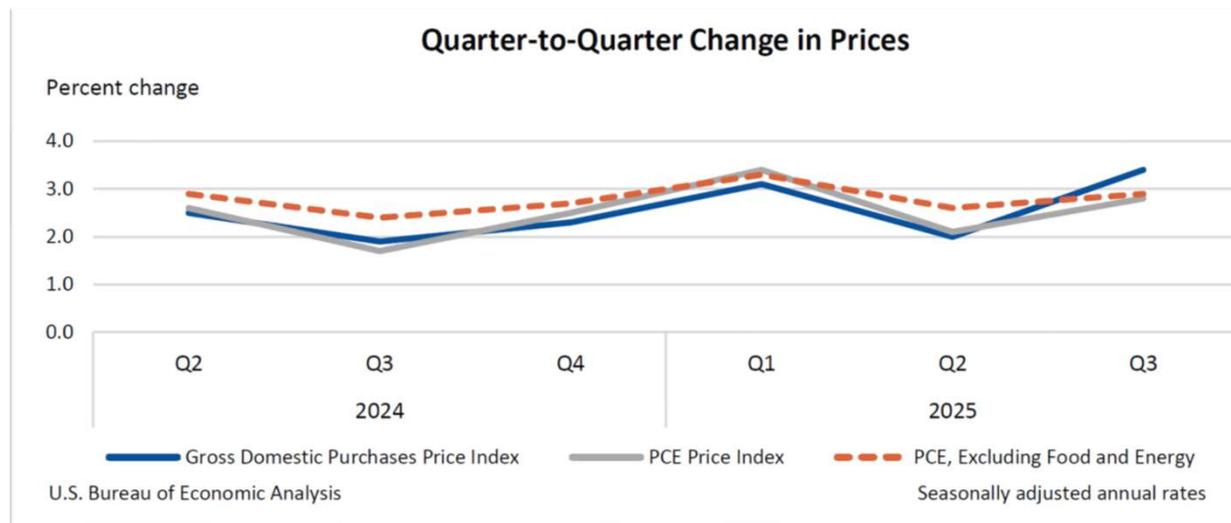


52.6

Source: <https://www.instituteforsupplymanagement.org/ismreport/mfgrob.cfm?SSO=1>

Inflation

Indicator	Monthly	Annualized
■ December PPI	0.5 %	6.0 %
■ November PCE	0.2 %	2.4 %
■ December CPI	0.3 %	3.6 %



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2023 Stock Market Returns

THE MAGNIFICENT SEVEN STOCKS

- Alphabet
- Amazon
- Apple
- Meta
- Microsoft
- Nvidia
- Tesla

As labeled by Bloomberg

RETURNS 2023 (+26.3%)

Mega Caps + 107%

S&P "493" -8.28%

2024 Stock Market Returns

BREAKDOWN

- 183 stocks lost money
- 72% underperformed the index

- Mag 7 = 34% of the index (12/31/24)

RETURNS 2024 (+25.62%)

Mega Caps + 47.11%

S&P "493" +16.99%

2025 Stock Market Returns

MAG 7

42 % of the index

Nvidia + 39%

Google + 66%

*Rest of Mag 7
below S&P 500 return*

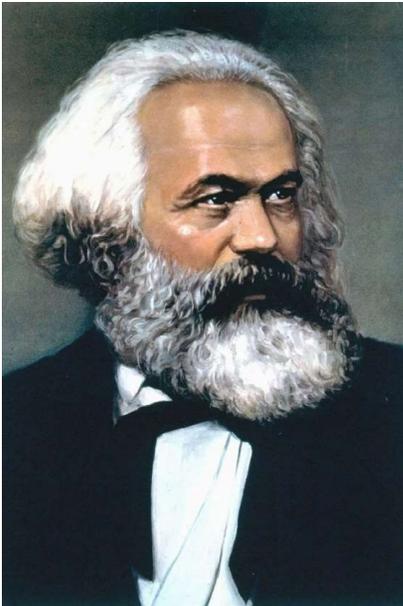
124 stocks lost money

RETURNS 2025 (+17.8%)

Mega Caps + 28%

S&P "493" +11%

Capitalism NOT Socialism



“Capitalism, Socialism, and
Democracy”

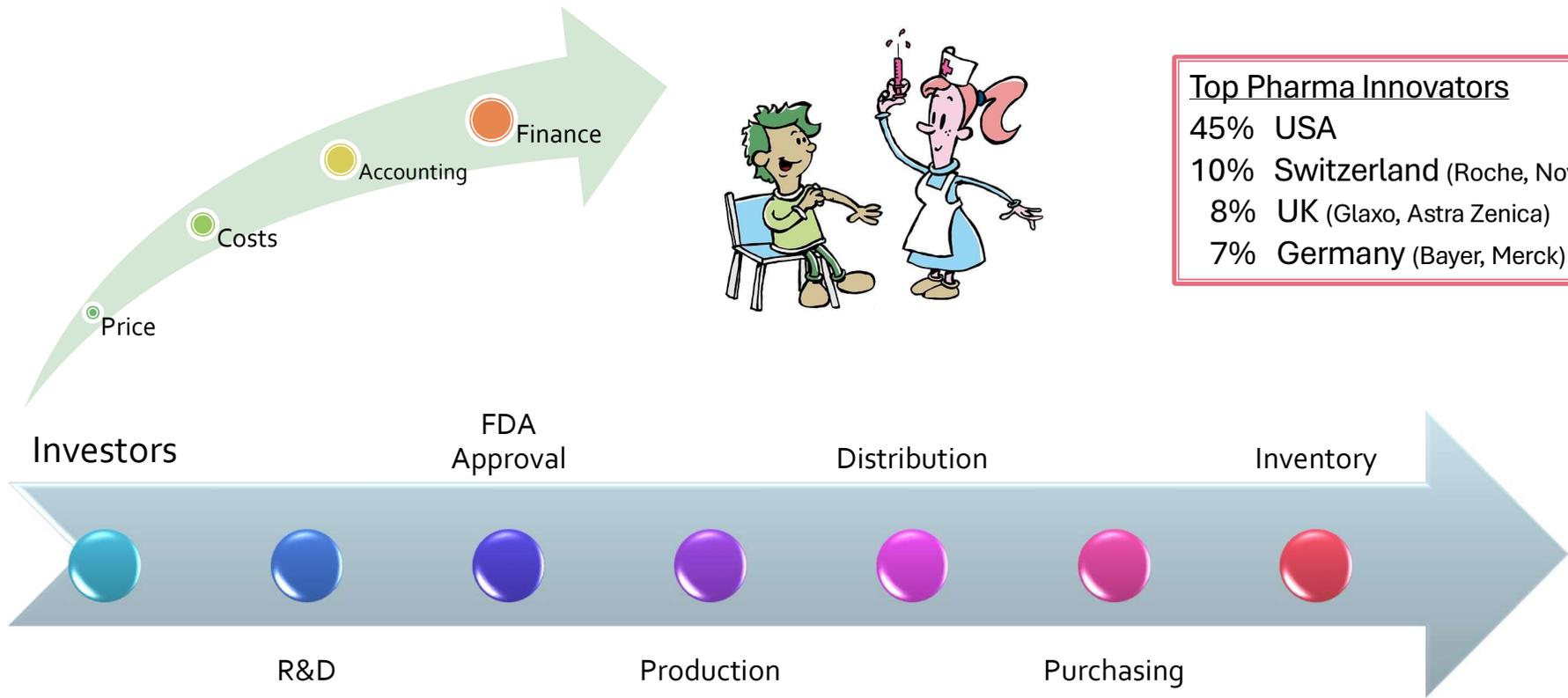
By
Joseph Schumpeter

“Das Kapital”

By
Karl Marx



“Why Capitalism is Amazing”

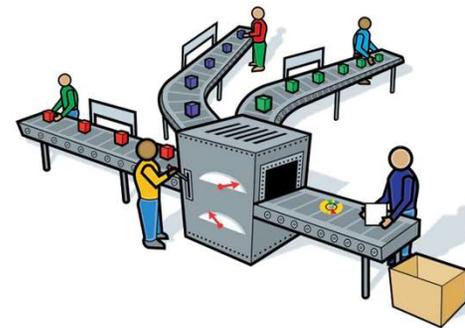


Top Pharma Innovators

- 45% USA
- 10% Switzerland (Roche, Novartis)
- 8% UK (Glaxo, Astra Zenica)
- 7% Germany (Bayer, Merck)

“Why Socialism Stinks”

- Intel ownership
- Credit Card Price Control
 - 10% cap
 - Less credit available
- Sovereign Wealth Fund
 - US Govt owns companies
 - Result of weak currency
- TrumpRx
 - MFN for drugs
 - Purchase via govt
 - Shortages and less innovation



Capitalism NOT Socialism



Wrap Up & Questions

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