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Walsh: “Expect the Unexpected”

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Is it confusing where the markets are at right now?

Anne Walsh: Thanks for having me. Happy New year! I spent a lot of 2025 thinking about the Trump administration and their policies, particularly as regards the U.S. economics, whether it was tax, tariffs, deregulation, immigration. I think for 2026, we probably have to add another one of those policy pillars for the Trump administration and this time it's going to be geopolitical. And we started off the year, obviously, with the police action in Venezuela with the removal of Maduro. We're obviously talking a bit around the edges right now about Greenland and of course, we're coming up on USMCA renegotiation. All of this is going to be writ large as we go through 2026. And so I think one of the themes for the year can be 'expect the unexpected' from this administration.

Geopolitics is always somewhat unexpected. But over the course of the last couple of decades many of those geopolitical risks that have been in play as catalysts potentially for downside market moves, have been short lived. If we are in that mode right now, how much do geopolitics worry the markets?

Anne Walsh: So geopolitical headlines tend to be market moving in very short periods of time as you just mentioned. But they tend to get priced in and then the markets go back to watching the things that are more drivers of price action, for example, profits, margins, valuation, and other metrics. And so what ends up happening is the buy the dip mentality returns and these very limited opportunities exist to reposition portfolios. I think in these circumstances you ask about what positions we would take in this circumstance, and that would be diversification. Risk mitigation when you're talking about a lot of headline-moving elements, and that could be everything from the elements we've already talked about but also, this week, we could get the trade and tariff decision from the Supreme Court. That's definitely going to be impactful, I think, one way or the other. So I think that being diversified and being ready is probably the best

insurance, if you will, in terms of protecting portfolios and also being able to take advantage of opportunities.

That Supreme Court ruling is big; it could affect GDP. So how are you gaming that out?

Anne Walsh: Well the market right now is expecting about a 30% chance that the Trump administration prevails and that the tariffs will remain in place. [The contrarian view is the 70% chance that the decision go in favor of the Trump administration.] And so what we are doing in expectation is, as I think most investors, I mentioned, diversification, we are prepared for some volatility around the result. And again, the contrarian view is the Trump administration prevails and that the tariffs remain in place.

But do you take it as a buying opportunity either way? I mean if we lose the tariff revenue you could say what could be a win for businesses, but kind of a loss for the fiscal situation.

Anne Walsh: Well, exactly. And so what do you do when you're having this kind of, you know, I call it the signal to noise ratio being very high? In this case there will be a lot of noise but look through to find the signal. And so what we do in this circumstance is look at the fundamentals. What are the fundamentals right now? And the fundamentals are actually fairly good. We've got an economy that's moving towards an equilibrium state. We've got, you know, movement in the Fed towards lower rates generally. We can talk about that a little bit more. But the idea is that the fundamentals look, you know, like valuations are going to probably normalize. So, from that perspective there's opportunity. The headline risk is, will we wash through the system as other decisions are made? Whether the Trump administration finds other ways to create different conceptions upon which they can assess tariffs or, you know, in the alternative that Congress has to take action to reduce spending. We'll see about that. At the end of the month, we also have more budgetary conversations that are going to be happening in Washington. So there's a lot that's going to continue to unfold and all of this will then, as I say, wash through the system and become priced in. And we're going to look for those opportunities to find that fundamental value.

Anne thanks, we appreciate your time today.

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