

00:00:05:06 – 00:00:07:24

So as we talk about 2026,

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we have quite a different view  
than we have in past years.

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Caution, uncertainty  
have been hallmarks of

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almost every year  
since the pandemic began, basically.

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But this year we actually have a view  
that as we get farther into the year,

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we get progressively more optimistic  
about the overlying macro outlook.

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And if recent data is any indicator,  
we actually think

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we could be surprising a little bit  
to the upside right now.

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We thought we would have maybe a quarter  
or two of soft ish growth, and so far

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we're not getting any indication  
whatsoever that that's happening.

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So rather more upbeat message  
than we've had in the past.

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And there's really three  
and a half good reasons for us.

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The first is basically when you think  
about what's been happening in the world

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and central banks everywhere, monetary  
policy has gotten easier with that.

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Interest rates have lowered  
to some extent, at least in certain parts

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of the curve.

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And the general idea here is that  
it takes about a year to 18 months

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for the full benefits of easier policy  
to move forward.

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We can change slides  
now. Sorry about that.

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What that means in practice  
is that over time,

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as we get resolute, easier interest rates,  
you start to see it flow through.

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And over the course of 2026,  
we really do start to see the effects

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of what happened, not just this past year  
but the year before really kick in.

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So that's a more supportive environment  
for business.

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The second major theme  
that we'd like to talk about

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is just  
what's happening on the fiscal side.

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When you think about what's happening  
and governments around the world over,

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it's not just the United States  
with the one big beautiful bill,

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but also Canada with various  
infrastructure things and Europe as well.

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We were talking about increasing  
infrastructure and defense spending.

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You're really seeing a lot of stimulus start to kick into the economy.

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And while it was all announced in 2025 and there's a lot of excitement

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around it, one, it was, again, you're looking about at about a year

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to 18 months lag before really starts to hit the economy and right on schedule.

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We're starting to see some of that, especially in areas like Germany.

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When you take these two factors together,

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easier monetary, stronger fiscal and generally acts of broad support

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for the economy and supportive of risk on assets everywhere.

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So we get progressively more excited

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as we see more evidence of this as the year goes on.

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A third factor that we think is really important, that we've talked about a lot

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is the infrastructure  
really on this level?

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We look at it in terms of just the sheer  
amount of CapEx and business activity

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that's being developed.

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There are risks around that.

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We're a little bit skeptical  
that the full scale of excitement

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that we saw back in September

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materializes 100%,  
but nevertheless, it's still very much,

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a key boost to what

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we're going to see over the course  
of the next 1 to 2 years, at a minimum.

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As you see, energy infrastructure  
data centers continue to get rolled out.

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Finally, unfortunately,

one of the last things we have to be aware

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of is just how uncertain  
the political environment is

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and where we're going to go with that  
as the year goes forward.

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But I think one of the things here,  
and the reason we call it half of a cent,

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half of the benefit to the year is that as  
we get further into the current U.S.

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administration, the bottom line is  
people are getting more comfortable

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dealing with the operating methods

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of that administration,  
and they start to operate more.

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So some of the paralysis  
we were certainly seeing early on

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in the administration's  
tenure has come off a little bit,

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and people are starting to think  
about how to actually operate

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within it, which is,  
at the margin, good for activity.

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If we go over to the first slide,

00:03:31:12 - 00:03:34:12

we can talk a little bit  
about monetary policy now.

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So just to the point  
that I was making around monetary policy,

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the bottom line is  
when you look at these charts here,

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with the exception of Japan,  
which usually beats to its own drum,

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you can see there's  
been a very clear removal of,

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tightness from the

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interest rate perspective  
as you get through the key central banks.

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And we expect that dynamic to continue  
for at least the rest of 2026.

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And then you start to talk about interest

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rate hikes, maybe in 2027, in certain economies.

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All that to say, the overall environment is a lot easier to deal with

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if we go to the next slide.

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This one's really important

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because it does help inform just how big of a difference we're seeing.

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Fiscal have an impact on in terms of, the economy.

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So the green bars are really simply how much extra spending

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the government is doing as a percentage of GDP.

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And what you're seeing is in the developed markets,

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which are the green bars, there's a very clear impulse for the next

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3 or 4 years as some of the announcements  
get rolled out

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in a more meaningful way, a little bit  
less of a story in the emerging markets.

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But still, the increased activity  
should benefit everyone.

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When we move over

00:04:39:27 - 00:04:42:29

to what happens in terms of policy

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and the fed in the United States  
over the next year,

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there's really two dynamics  
you have to be aware of.

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It's always the battle  
between unemployment and inflation.

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Bottom line is the unemployment

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or the employment situation  
in the United States as cooled off a lot.

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Our general assessment is  
that it's not really alarming,

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but it's not strained enough to be

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something that is a source of concern  
to the upside, either.

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And inflation is still fairly sticky  
when you look at these two data points.

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The bottom line  
is that under the current fed.

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So under Fed Chair Powell  
who is still going to be chairman

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until May of this year,  
you have two problems.

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And they're both equally equidistant  
in terms of just how much attention

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you have to focus in on them.

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What that means is  
they can afford to proceed with caution.

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We normally have one more 25  
basis point cut factored in before

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Fed Chair Powell means his office,

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although we readily acknowledge  
that could slip to afterwards.

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And then afterwards  
is a whole different game.

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I don't think there's any question.

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The next fed chair,

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who's now being announced as Kevin  
Warsh, has a very dovish bias.

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And to us, the real question

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on the fed right now isn't so much  
whether or not the fed will ease,

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because there's an overwhelming desire  
for the fed to do so right now.

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It is what'll happen  
if the economy tightens to a point

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where they have to hike.

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And we think that one of the things that's happened with the nomination

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of Kevin Warsh is that there's somebody with sufficient hawkish credentials.

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It's common.

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You actually will get that reassuring sense that the Federal Reserve

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is going to do what it wants, regardless of political pressure,

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and that is a positive and a removal of a massive amount of uncertainty

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at the margin.

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So that in itself is a benefit.

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But that's where the fed is right now.

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We do think there's going to be two more cuts in 2026 to get the 3%.

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And then what happens afterwards

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is we start to see monetary policy  
normalize afterwards.

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If we move over to the next slide.

00:06:39:15 – 00:06:42:21

We can talk a little bit  
about what's happening right now.

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We had talked about downside  
risks to the economy

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for quite a while,  
and it's in our 2026 outlook.

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And we really don't have a lot of concern.

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We just thought we'd get sort of a period  
of about 3 to 6 months of slightly

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below trend growth.

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And right now the simple answer is  
that we're not seeing it at all.

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The chart on the left hand side

00:07:02:12 – 00:07:06:13

is just what the current estimate of GDP

is in the current quarter.

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And one of the things you'll see is an almost 5.3%.

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The reason it's this strong is because of the gray bars,

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which are imports are driving almost 2% to growth.

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But importantly, when you look at the green bars,

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which is just how much consumption will add to the overall economy,

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things are still looking really good.

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So that takes Q4 is a problem off the table.

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The other thing that's really important

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to look at really simply is what market dynamics are doing.

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The bottom line is when you think about the consumer, how good they feel

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about the world, there's a few different things that factor in.

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And one of the really important ones

00:07:42:08 – 00:07:45:06

is, frankly, how their personal accounts are going.

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If the markets are up, they feel better and they tend to spend more.

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So as long as those dynamics are persisting overall,

00:07:51:13 – 00:07:53:04

the bottom line is that U.S.

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consumers will continue to spend absent concerns around things like unemployment,

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or anything more acute.

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But right now,

00:08:00:05 – 00:08:04:09

all those conditions will lay out the fact that we have a fairly benign outlook,

00:08:04:09 – 00:08:05:17

at least over the short term,

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and then we get a lot of the facts of the benefits over the back half of the year.

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We move over to the next slide. Now

00:08:13:29 – 00:08:16:03

we can talk a little bit about the AI side.

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There's no question

00:08:17:07 – 00:08:21:06

that it has been a massive factor in the economy in the last year.

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The chart on the left side

00:08:22:13 – 00:08:26:15

is just estimates of how much money is going to get poured into data center.

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Here we're a little bit interested in what's happening.

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We think it's a source of support, but we're kind of concerned as well

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with some of the guests scaled back of that,

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especially if investors force

the hyperscalers to be a little bit

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more fiscally responsible  
than perhaps some of the early indications

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would have been, if that does happen,  
maybe the GDP forecasts kept, it's

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brought down, but overall still very much  
a source of support.

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We move over to the next slide.

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We can talk a little bit  
about what's happening in Canada here.

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The story is really simple.

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The Bank of Canada  
we think, is on a prolonged

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hold despite calls  
for hikes from certain people.

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We do think that they don't really have  
much leeway to go anywhere at this stage.

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We think it's a period of modest growth,  
but there's a lot of risks.

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And the big one for us really is Usmca.

00:09:13:12 – 00:09:17:03

When you look at just  
how favorable status has been for Canada

00:09:17:04 – 00:09:21:02

in trade relations with the United States  
against literally everybody else,

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when we start thinking about the risks  
that come in with trade negotiations,

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it's a factor we have to watch  
extremely closely at this stage.

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And we do think that there will be twists  
and turns in the story.

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Ultimately, we think we get to something  
somewhat benign.

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The economies are two intertwined for it  
not to happen, but it doesn't mean

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there won't be a lot of jump scares  
as we get through the year.

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As we talk about  
what's going to happen on that.

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Exactly.

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Finally, one of the other things  
that's worth talking about

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if we go to the next slide.

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Is what's  
happening elsewhere in the world.

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When I was talking about fiscal stimulus,  
it's not just the US

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game, as I mentioned,  
it really is a global theme.

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If you look at what's happening  
in the European Union and you look at the

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the chart on the left hand side,  
you can really see

00:10:06:14 - 00:10:10:19

just how much extra spending  
is coming into the pipeline right now.

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The great Up hour is basically  
what the forecast is.

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You can see there's a spike higher

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when you combine that with just what's been happening.

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Underlying business surveys, which really are the best way

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of getting a sense of what's happening over there.

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Overall, things are looking, generally speaking, pretty good,

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which is remarkable given the wave of uncertainty

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we've had over the course of the last year.

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So Europe is still a source that is still a place that is intriguing

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to us, and we do think we get a slight acceleration in growth over there.

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So we're looking incrementally more optimistic about the area.

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I can pause there unless there's any other questions

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or comments, or we can pass it  
over to Kevin for his second.