

ECONOMIC INSIGHTS

FEBRUARY 20, 2026



Dr. Marci Rossell
Chief Economist

*Leading Real Estate
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MARCI'S TOP FIVE ECONOMIC INSIGHTS FOR THE MONTH

1. **Fed Keeps Rates Unchanged at January Meeting**

The Federal Reserve left interest rates at 3–3.5% at its January meeting, noting steady economic growth and an unemployment rate holding near 4.5%, which Dr. Rossell described as low by historical standards. Inflation started drifting higher again earlier this year, largely because tariffs were pushing up prices. With the Supreme Court now striking down most of those tariffs, those price pressures may begin to ease, giving the Fed more flexibility as it evaluates future rate decisions.

2. **Tariff Changes Set the Stage for Lower Consumer Costs**

Tariffs had risen to an average of about 11%, increasing costs for U.S. consumers while doing little to meaningfully reduce the trade deficit, Dr. Rossell said. Much of the earlier movement in the deficit simply reflected companies importing goods ahead of the first-quarter 2025 tariff hikes and then working through those inventories.

The Supreme Court's ruling removes many of these global tariffs, allowing those added costs to unwind. As lower-priced imports return, both consumers and businesses should see some relief, helping inflation moderate and creating a more stable economic environment.

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3. **Markets Respond Positively to Expected Price Relief**

Markets rose following the Supreme Court's decision, with investors encouraged by the prospect of easing price pressures, reduced import costs, and more clarity around future monetary policy, Dr. Rossell said. Because U.S. consumers had been absorbing the majority of tariff related costs, their removal signals potentially lower inflation ahead—contributing to a more optimistic market outlook.

4. **Housing Outlook Turns More Positive for 2026**

Dr. Rossell highlighted two important ways the Supreme Court's ruling could support housing. First, if tariffs are removed and the price pressures they created begin to ease, the Federal Reserve may gain room to lower interest rates—potentially bringing mortgage rates down as well. Second, without tariff driven increases in material costs, construction becomes more affordable. Homebuilder sentiment—which had been declining as material prices rose—could strengthen as those costs come down, encouraging more building at a time when the U.S. still needs additional inventory.

Together, lower construction costs and the potential for easing mortgage rates support a more active and balanced housing market heading into 2026, especially as the spring selling season approaches.

5. **Global Growth Strengthens as Currency Trends Shift**

Despite global disruptions and uncertainty, Dr. Rossell noted that the global economy has held up well. A key factor is the roughly 9% decline in the U.S. dollar, which has helped emerging markets by attracting capital inflows, lowering borrowing costs, and strengthening local currencies—making dollar denominated debt easier to manage. Many of these economies also benefit when commodity prices rise in a weaker dollar environment.

Long term institutional improvements since the 2008–2009 financial crisis—including stronger central banks, more diversified economies, and reduced dependence on the U.S. dollar—have helped create a more stable, recession resistant global environment.

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