NATIXIS INVESTMENT MANAGERS | SOLUTIONS

MACRO COMMENTARY | June 2026

Charts and Smarts®

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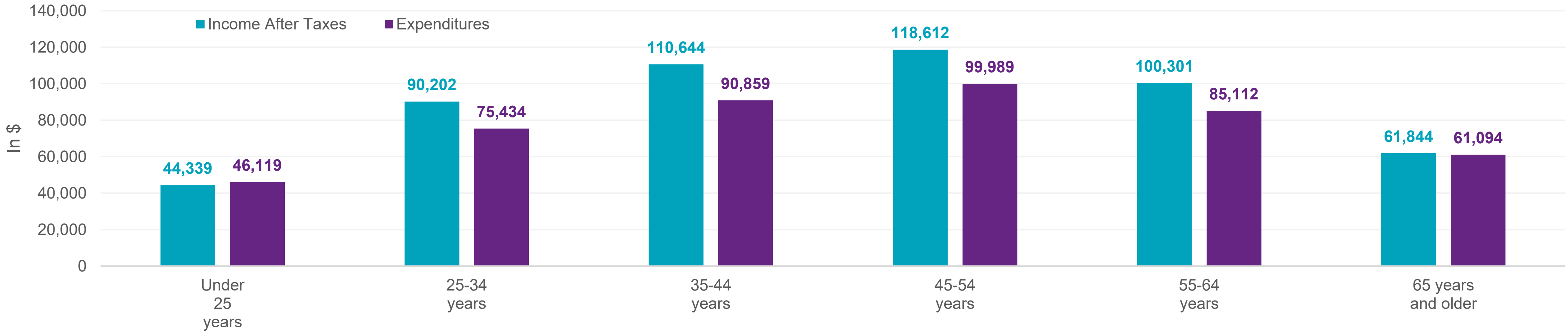
What I Got

Income and expenditures by age cohort (2024)

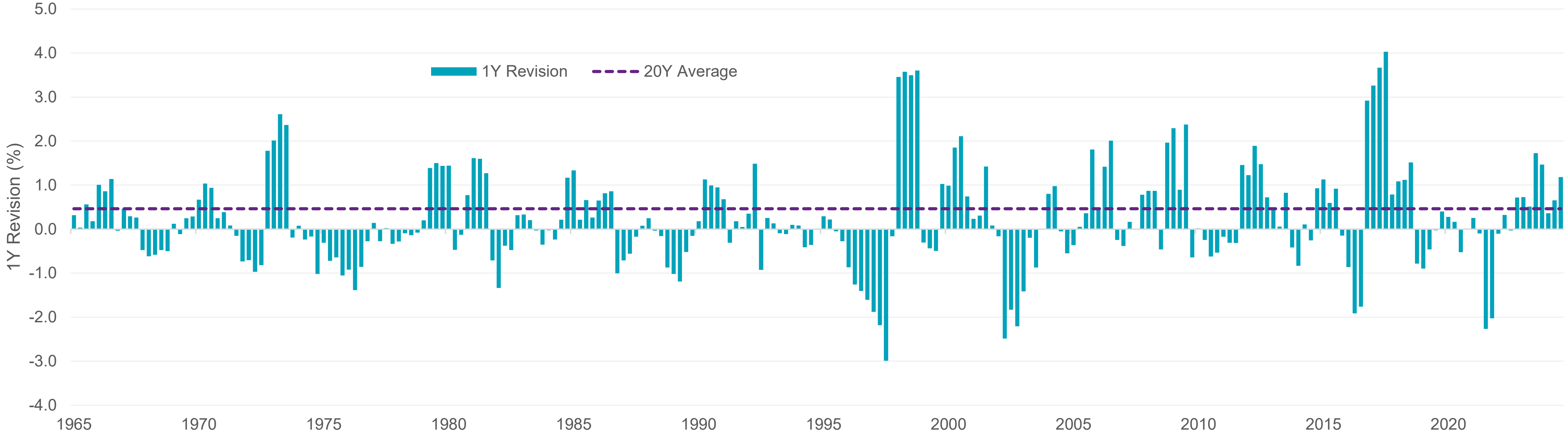


Demographics are a critically important and often under-discussed drive of the macro economy, as population growth is the lifeblood of structural economic growth over time. While demographic changes are generally slow moving and conversations tend to play out in the background as opposed to in the day-to-day tactical arena, demographics chatter has been on the rise within the macro narrative specifically regarding the increasing pace of retirement of the Baby Boomer generation. While the aging population may commonly be the realm of economic growth bears or inflationistas, it's in fact the economic growth bulls now pushing forward aging demographics to discount the compression in the saving rate and defend their bullish views. As the logic goes, retirees don't contribute to personal income growth as they no longer have wage income and instead fund robust consumption out of their robust stock of savings. As such, the accelerating pace of Baby Boomer retirements is artificially depressing the saving rate, overstating the degree of vulnerability for future consumption. As such, strong consumption can continue despite softer income growth and continued downside to the saving rate, thanks to demographic distortions. But there are few issues with this neat and tidy narrative. First, while retirees do contribute less to the national income aggregates, it's misleading to suggest that they make no income. Retirees may no longer have substantial wage income, but they do book income from sources like transfer payments, including Social Security and Medicare, dividends and interest, and rental income. In other words, they don't rely entirely on portfolio wealth to fuel consumption. Second, looking at the Bureau of Labor Statistics' annual Consumer Expenditure Survey, while income slows markedly for retirees from their peak earning years, so, too, does consumption. Lofty portfolio valuations may help support the ability of retirees to consume, but actual consumption decisions aren't driven exclusively by that wealth. Finally, while the implied saving rate for the 65+ population does indeed tend to be negative, as retirees spend more than they earn via income, it's actually been modestly positive in three of the past five years. In short, while increasing retirements are likely to pressure the aggregate saving rate lower given the size of the baby boomer generation, the effects are likely far more marginal than the emerging narrative suggests.

Source: Portfolio Analysis & Consulting. Bureau of Labor Statistics.

Right Back

Personal saving rate revisions (9/30/65–12/31/25)

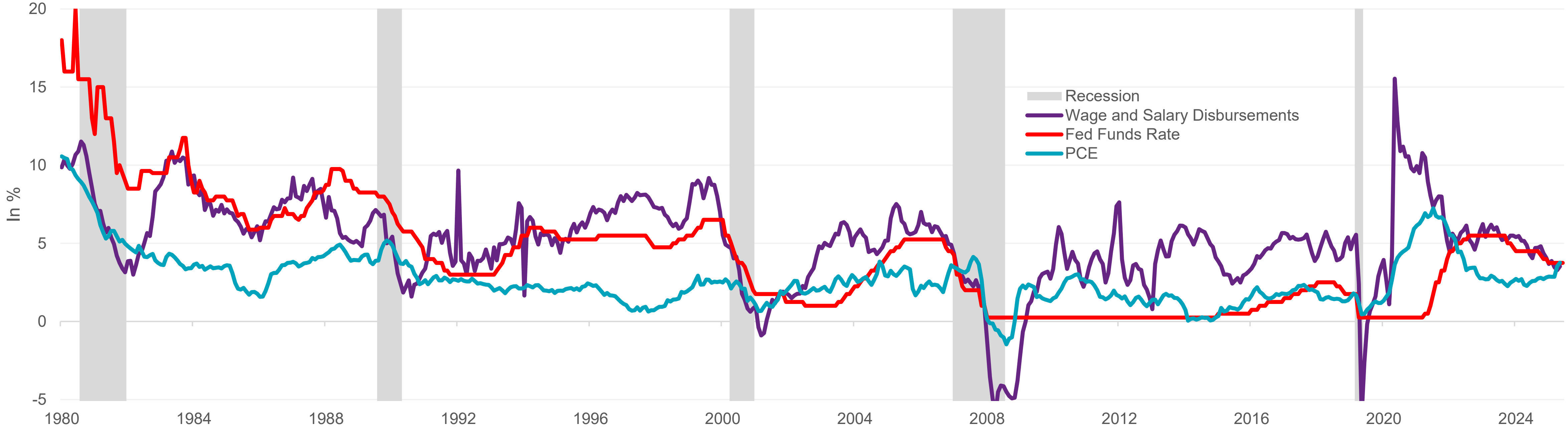


While the growth bulls appear to have a flimsy argument with respect to demographic effects on the saving rate, it's worth pointing out that the growth bears raising alarm bells because of the low level of the saving rate are equally misguided. Keep in mind the saving rate is a flow measure – a compressing saving rate simply means that consumers are saving less of their incremental income, not outright reducing their stock of savings. Net savings are indeed one buffer for consumers, but it's not an outright reduction in the size of that buffer, but rather a slowing in the pace of growth in that buffer. More importantly, the personal saving rate is notoriously subject to large revisions as more accurate data becomes available. Revisions have been the target of many politically motivated arguments over the past few years, but revisions are good and increase the quality of economic statistics as more complete data is released. The critical point: Revisions to the saving rate tend to be correlated with the cycle – when the economy is growing, revisions tend to be positive, and vice versa. We've seen this time and again over the past three years, as the quarterly personal saving rate has ultimately been revised higher in every instance by an average of 0.8% as more income is accounted for. The bulls are using the wrong data to explain away the risks to consumption of a low and compressing saving rate. The recent compression in the saving rate looks less a function of structural demographic forces and more a reflection of cyclical factors. And more importantly, the degree of that compression in the saving rate is likely to be smaller as revisions to the national accounts later this year will likely see the saving rate revised higher once more.

Source: Portfolio Analysis & Consulting. Federal Reserve Bank of Philadelphia.

Pawn Shop

Nominal wages vs fed funds rate & inflation (12/31/80–4/30/26)

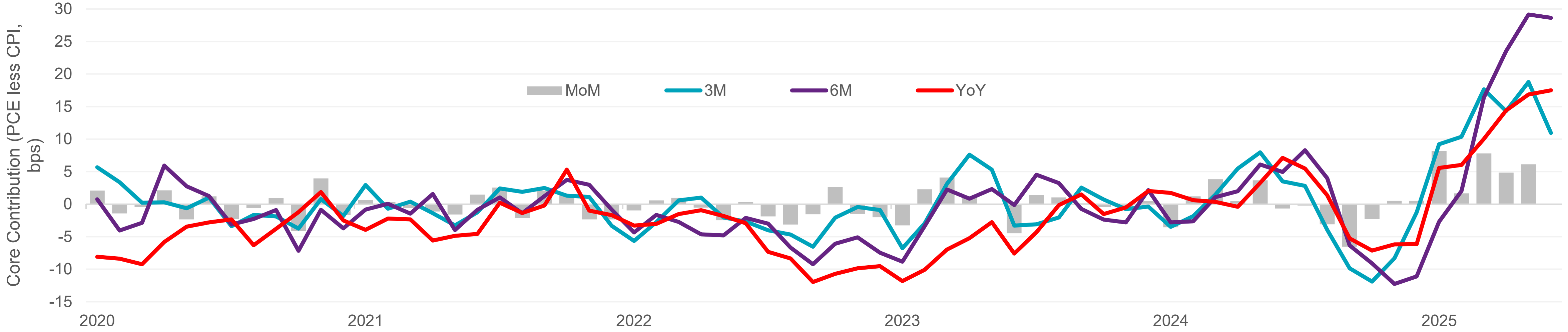


For all the focus on the level of the saving rate, the better tell with respect to the consumption and growth outlook remains the continued cooling in income growth. While demographics and wealth effects are certainly part of the story behind resilient consumption, over time, income fuels consumption, and as such, nominal income tends to be the most reliable proxy for nominal consumption and growth. To that end, wage and salary income growth remains on a slowly cooling path. Over the past year, wage and salary income has grown just 3.5% in nominal terms, falling below both the fed funds rate as well as headline PCE. In other words, consumers, particularly those in the lower income cohort are facing tightening financial conditions as debt service costs are higher than income growth at the same time they are seeing real incomes squeezed by higher energy prices and stickier inflation. To the extent consumers view the energy shock as transitory, the rational reaction function is to draw down savings to maintain consumption. That's positive in the sense that consumption likely remains resilient through the shock, but it also means there's unlikely to be a bounce should energy prices begin to fade – those savings at the pump will simply go to rebuilding the savings buffers that were drawn down. And while upper-income consumers continue to put in a robust floor for consumption, the squeeze on lower-income households will likely weigh on the marginal rate of consumption growth. While we expect that the consumer will continue to do what it does best, spend, in the absence of a clear and convincing tightening in labor markets that translates to a renewed upward impulse in wage growth, continued cooling in nominal incomes will likely translate to further moderation in consumption.

Source: Portfolio Analysis & Consulting. Bloomberg. PCE represents Personal Consumption Expenditures Price Index.

Wrong Way

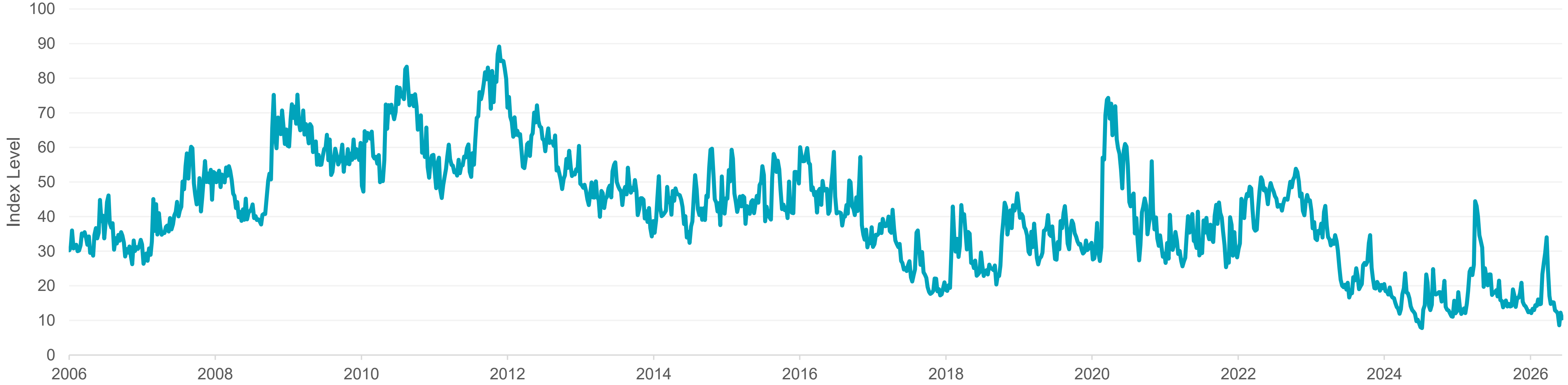
Computer software and accessories inflation (12/31/20–5/31/26)



A notable dynamic of the post-pandemic inflationary environment has been larger than normal wedges between the two primary measures of inflation, CPI and PCE. The two measures have notable differences in terms of weight, scope, and methodology that historically result in Consumer Price Index (CPI) tracking about 30 to 40 basis points (bps) higher than PCE. At the post-pandemic highs, that wedge expanded to over 1% between core CPI and PCE, with core CPI consistently overstating the degree of inflation stickiness relative to the Fed's preferred measure of core PCE as the disinflationary process set in. But that wedge has been steadily compressing over the past few years and has since flipped entirely in the opposite direction with core PCE printing at the widest spread above core CPI since 2010. Large weighting differences, particularly with respect to shelter and healthcare, as well as scope, or differences in the inclusion of specific goods and services, account for much of that typical wedge. But the recent divergence has been fueled in large part by weighting differences. The Bureau of Labor Statistics' (BLS) solution for the shutdown - induced data gap for shelter prices exacerbated that wedge to some degree as shelter prices were artificially lower over the six-month period ending in March applied to a much larger weight in core CPI relative to core PCE. But the bigger story of late has been the surge in prices for information processing equipment, particularly gaming hardware, memory products, and computer software and accessories. While there's been much attention paid to the positive growth effects emanating from the AI infrastructure buildout it is also now having a material spillover into consumer prices as computer software and accessory prices have surged 26% so far in 2026. While CPI and PCE use the same price index, the weight for these goods is over 1.25% for core PCE yet just 0.4% placing over 17bps of upside pressure on core PCE relative to core CPI. While there are legitimate questions as to whether the price index appropriately adjusts for quality improvements that would mute the price increases, the bigger point is that nuance is important again with respect to inflation prints. Core PCE remains the Fed's preferred inflation gauge, but it likely is overstating the degree of inflation stickiness while CPI understates it. The bottom line: The Fed is unlikely to respond to AI-related inflationary impulses, which means the bar remains high for both a hike and a cut for the foreseeable future.

What Happened

Cboe 3-Month Implied Correlation Index (1/6/06–6/12/26)



While the AI trade has had the attention of the world over the past few years, another trade has been quietly shaping markets under the surface: the dispersion trade. At its heart, the dispersion trade boils down to monetizing the spread between volatility on individual index components and volatility on the index itself. While there are a few different ways to implement the strategy, the trade is most commonly implemented by selling index volatility and going long volatility on specific names, yielding positive returns when index volatility remains benign while volatility on index constituents rises. With the market becoming increasingly defined by the either-or trade of AI versus everything else, the implied correlation between index constituents within the S&P 500® Index has continued to collapse toward record lows as the momentum trade has powered markets nearly vertical over the past two months. As is always the case, trades that work lure in more assets and positioning eventually gets crowded, providing the fuel for an aggressive unwind like the one we witnessed on June 5. While the single day moves were certainly eye watering, the risk with any trend reversal is volatility and correlations rising sharply in tandem. The spike in correlations and index vol triggers an unwind of dispersion trades as investors sell individual name vol and buy back index vol, driving the VIX higher and triggering further derisking by systematic strategies and volatility targeting strategies. But that's not what we've witnessed since the Friday swoon as markets have remained firmly entrenched within a rotational churn. When AI outperforms, it drains liquidity from nearly all other sectors, and when AI sells off, dollars flow to relative laggards. While any selling pressure centered on semiconductors and the AI trade will weigh on the headline indices thanks to their ever-growing weight, as long as this selling simply funds a rotation, index vol and correlations are likely to remain benign, preventing any weakness from cascading into a larger sell-off.

Source: Portfolio Analysis & Consulting. Bloomberg. CBOE represents Chicago Board Options Exchange.

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NIM-06172026-ocfkyq8a
Expiration Date: 1/31/2027
PAC98-0626