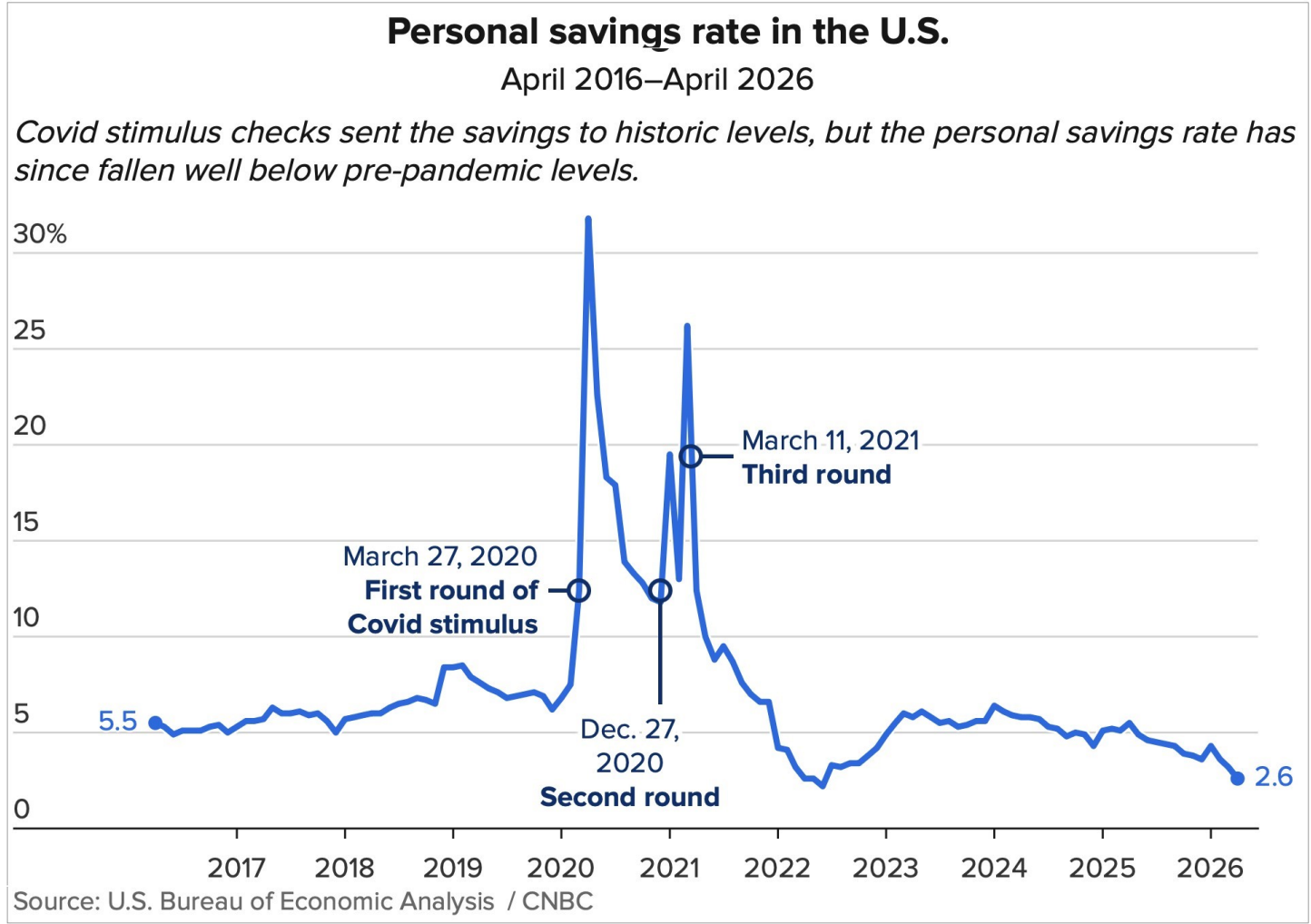
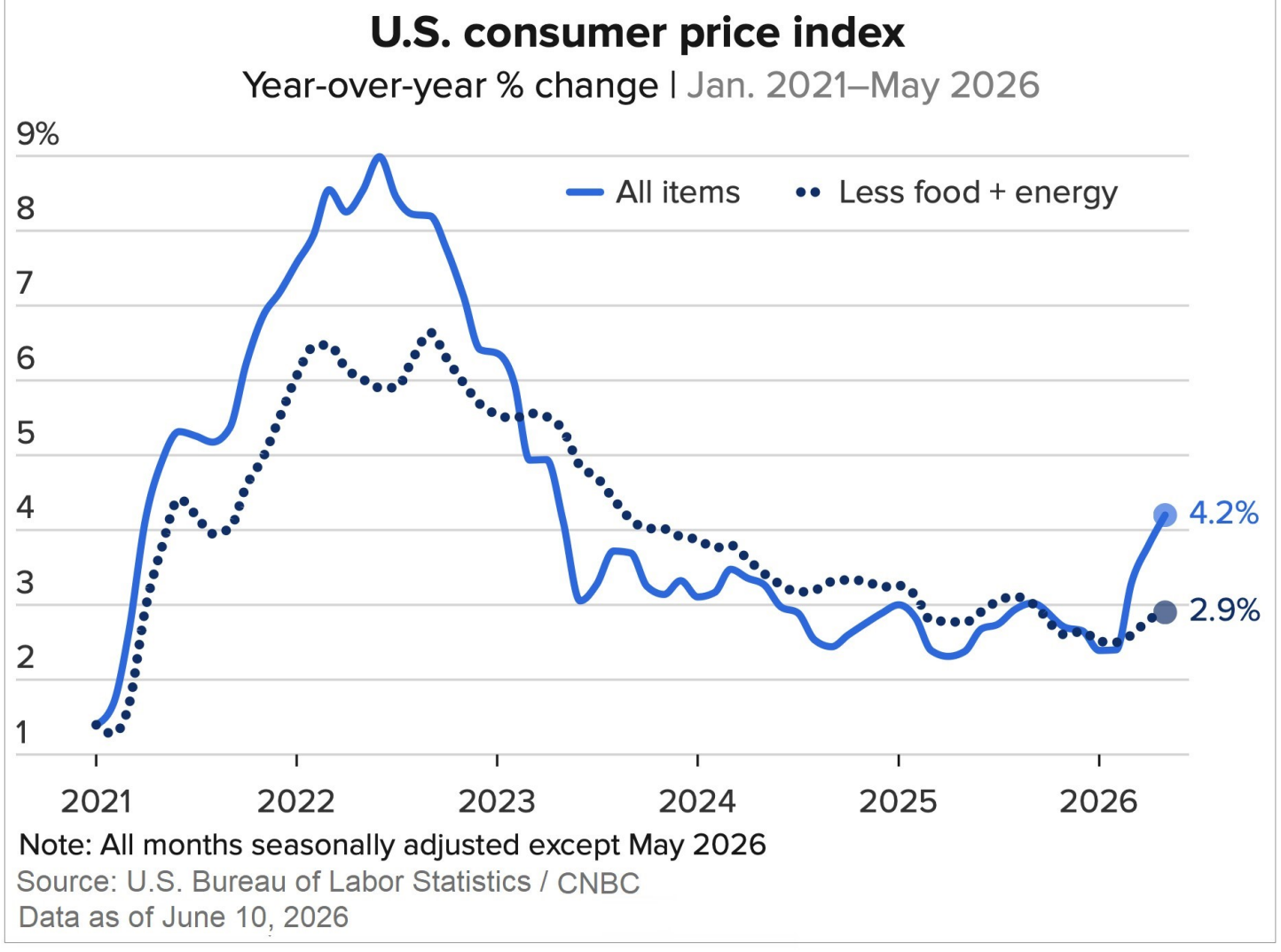


CHART OF THE MONTH

JUNE 2026



The Redbook Index, which monitors sales growth among 9,000 general merchandise retailers, rose 9.1% year-over-year during the week ending June 6. The weekly retail sales tracker continues to progress at a rate exceeding double its long-term average, indicating that consumer spending is experiencing robust growth despite the conflict in Iran and the rise in gasoline prices.

The Consumer Price Index (CPI) reached an annual rate of 4.2%, surpassing 4% for the first time in three years (see top chart above). Core CPI (excluding food and energy) increased 2.9%. Average hourly earnings advanced 3.4% year-over-year, which lagged inflation and resulted in a decline in the real purchasing power of many individuals.

Consequently, the personal savings rate has dropped to 2.6%, its lowest level in four years (see above). The combination of spending more and saving less is due to a strong economy and persistent inflation. The latter is forcing households to deplete reserves to maintain their standard of living.

According to Yardeni Research, the disparity between spending and saving is also influenced by the retirement of Baby Boomers, most of whom are now 65 or older. These retirees are no longer earning salaries or saving for retirement while spending their growing asset bases on themselves and providing financial support to their children and grandchildren.

As shown below, the Baby Boom generation remains the largest demographic force in the economy by far (with 39.3 million households headed by these seniors). The Boomers have accumulated nearly \$90 trillion in net worth, equal to more than half of the grand total of \$175T. The Silent Generation, born between 1928 and 1945, have estates worth over \$20 trillion in the aggregate, most of which will be inherited by their children, further boosting the Boomers' spending power down the road.

The bottom line is that the Wealth Effect has inflated the balance sheets of those who own real estate, businesses, and equities, lifting spending and reducing the need to save, thereby negatively impacting the overall savings rate.

