

ADVANCING
ASSET
MANAGEMENT





FSFOA JUNE 2026 CONFERENCE ECONOMIC UPDATE

MATT HARRIS, CFA | JUNE 2026

ECONOMIC UPDATE

GROSS DOMESTIC PRODUCT

The total dollar value of all final goods and services produced within an economy during a specific period.

USA: \$32 Trillion

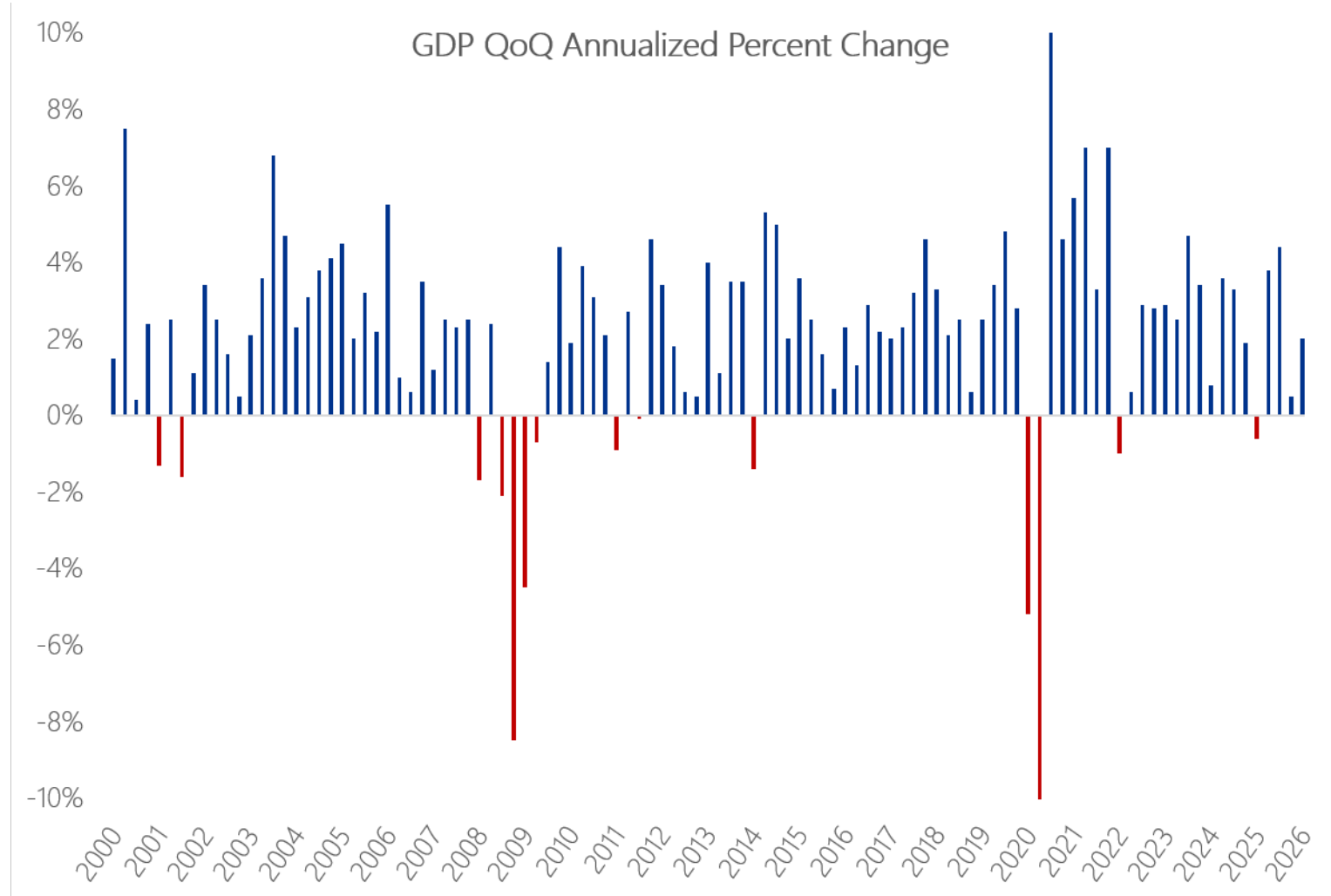
Sum Of, (% Share of GDP)

- Consumption, (68%)
- Investment, (17%)
- Government, (19%)
- Net Export, (-4%)

GDP Growth =

- Labor Force + Productivity

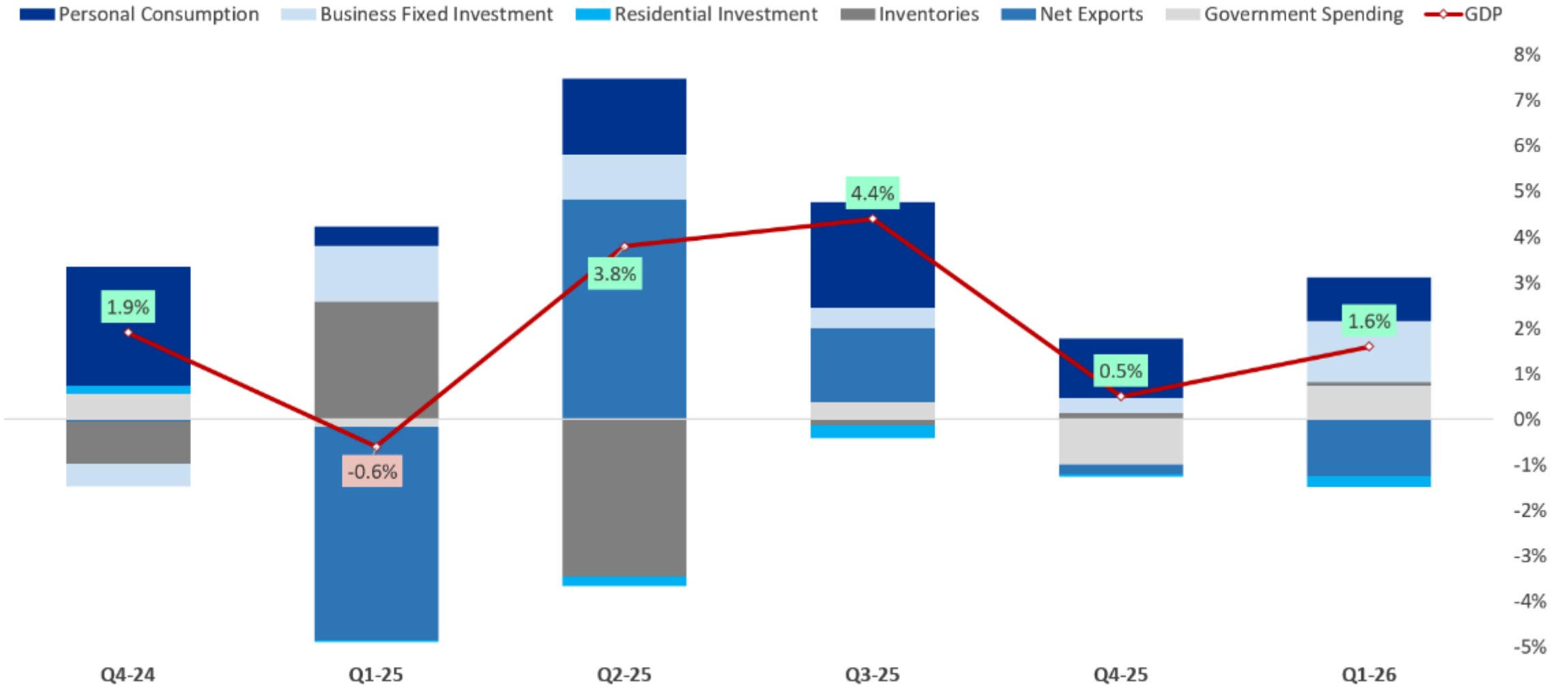
Recession



Source: Bureau of Economic Analysis

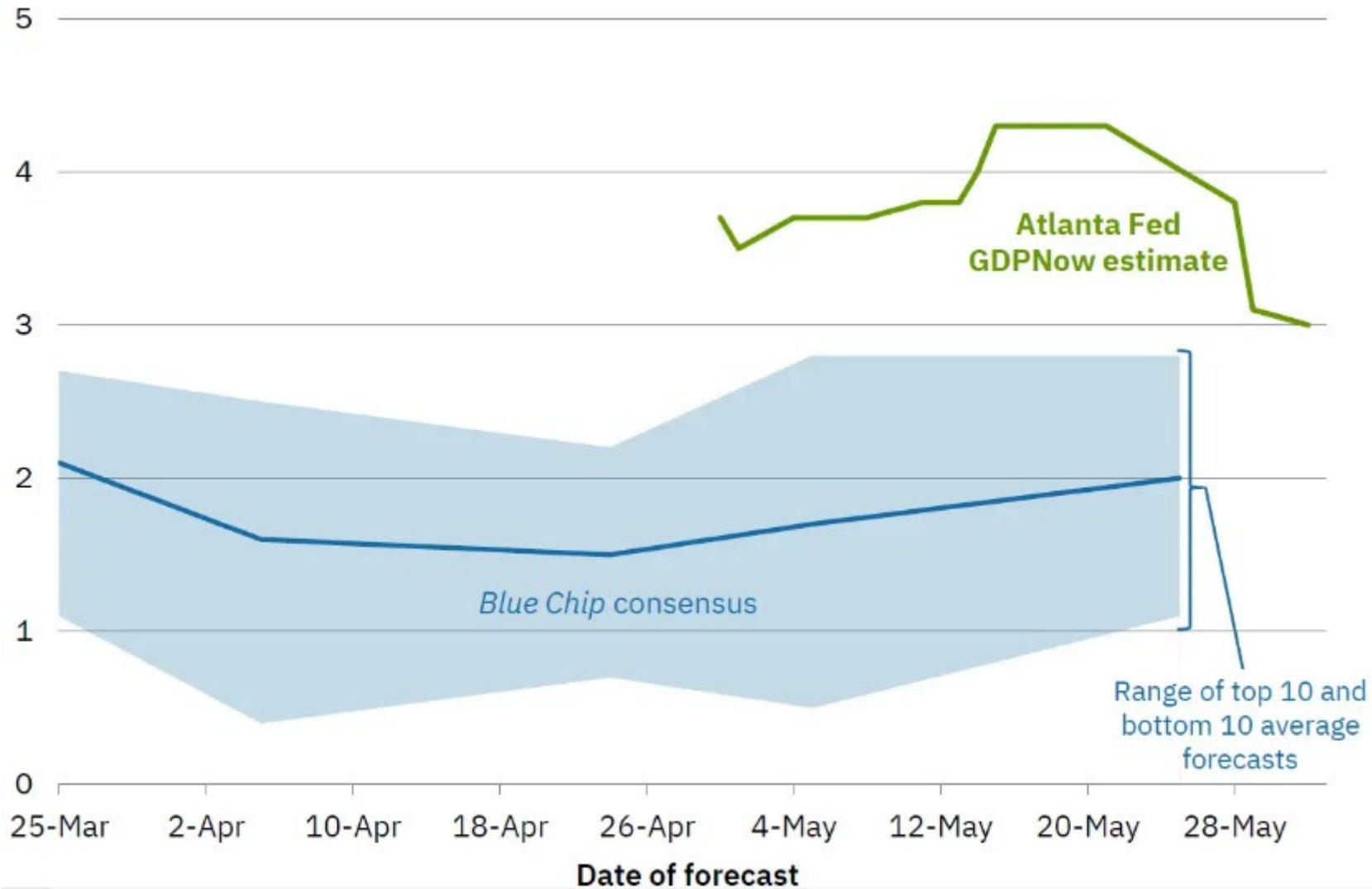
GROWTH

GROSS DOMESTIC PRODUCT (Quarter-over-quarter annualized percent change)



GROWTH

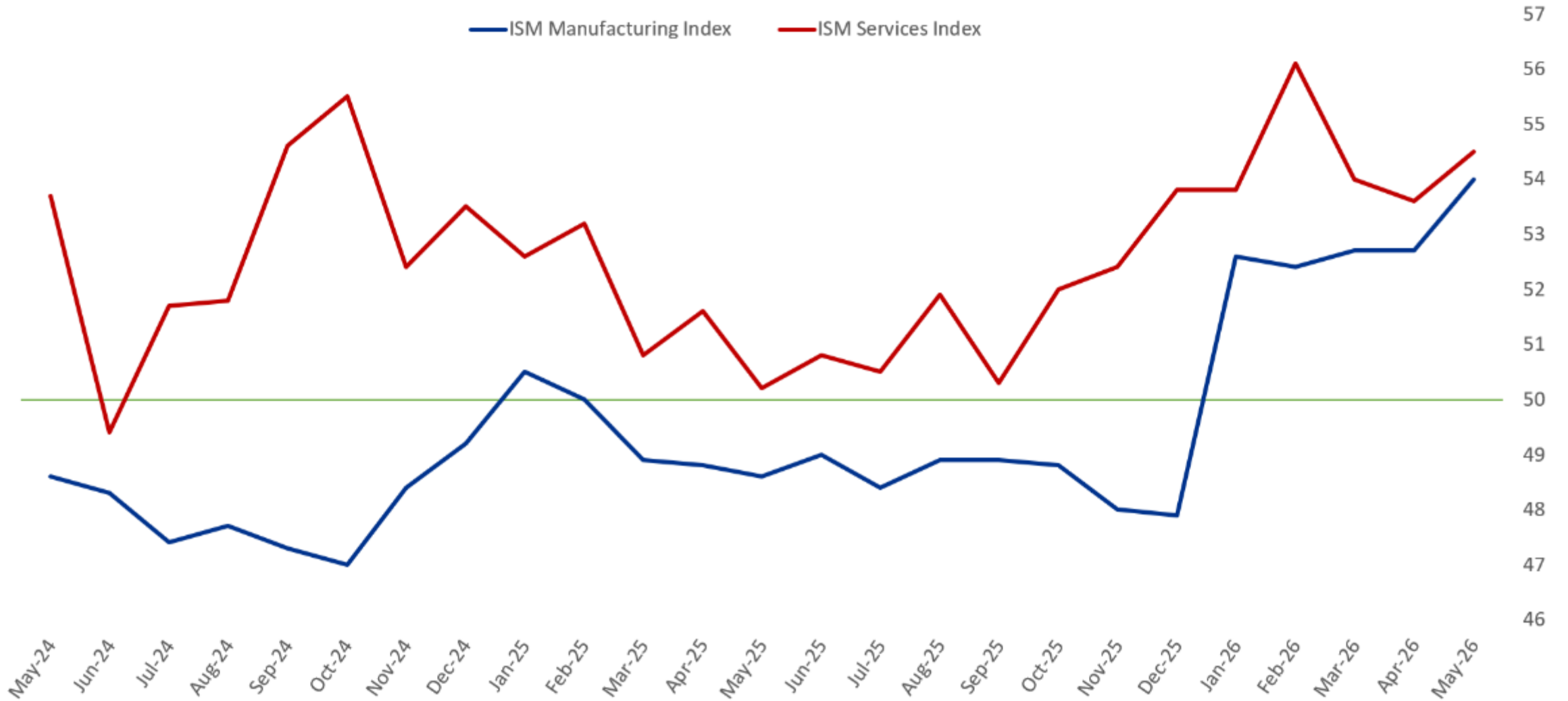
ATLANTA FED GDPNOW FORECAST FOR Q2 2026 (AS OF JUNE 1, 2026)



Source: FRB Atlanta

GROWTH

ISM PURCHASING MANAGERS INDEX



source: institute for supply management

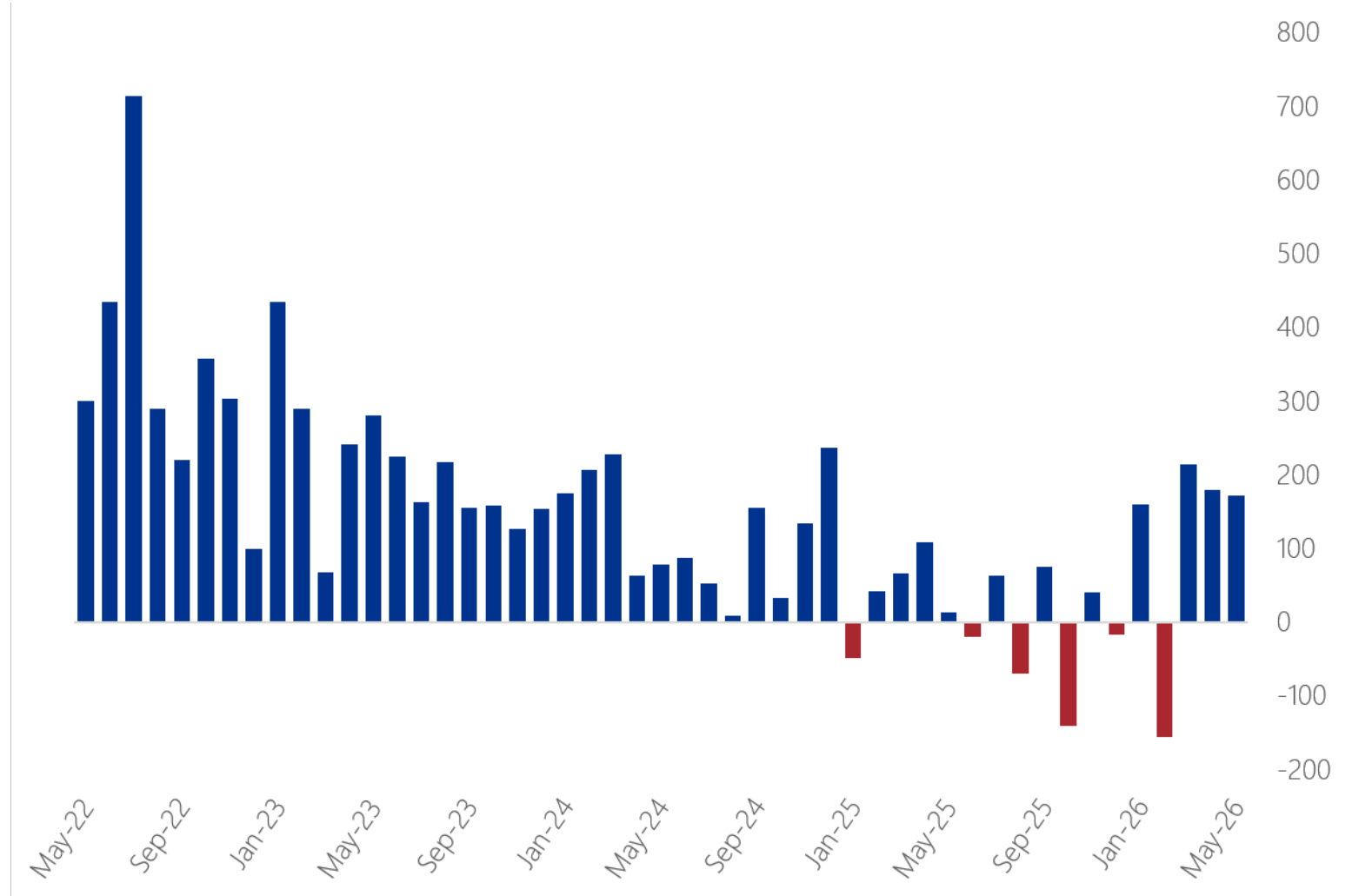
THE CURRENT EMPLOYMENT SITUATION

Establishment Survey

- Payrolls
- Hours Worked
- Earnings

May Numbers

- **172k** Nonfarm Payrolls
 - 3Mo Average 188k
- 120k Private Payrolls
 - 28k Goods Producing
 - 92k Service Providing
- 52k Government



Source: Bureau of Labor Statistics

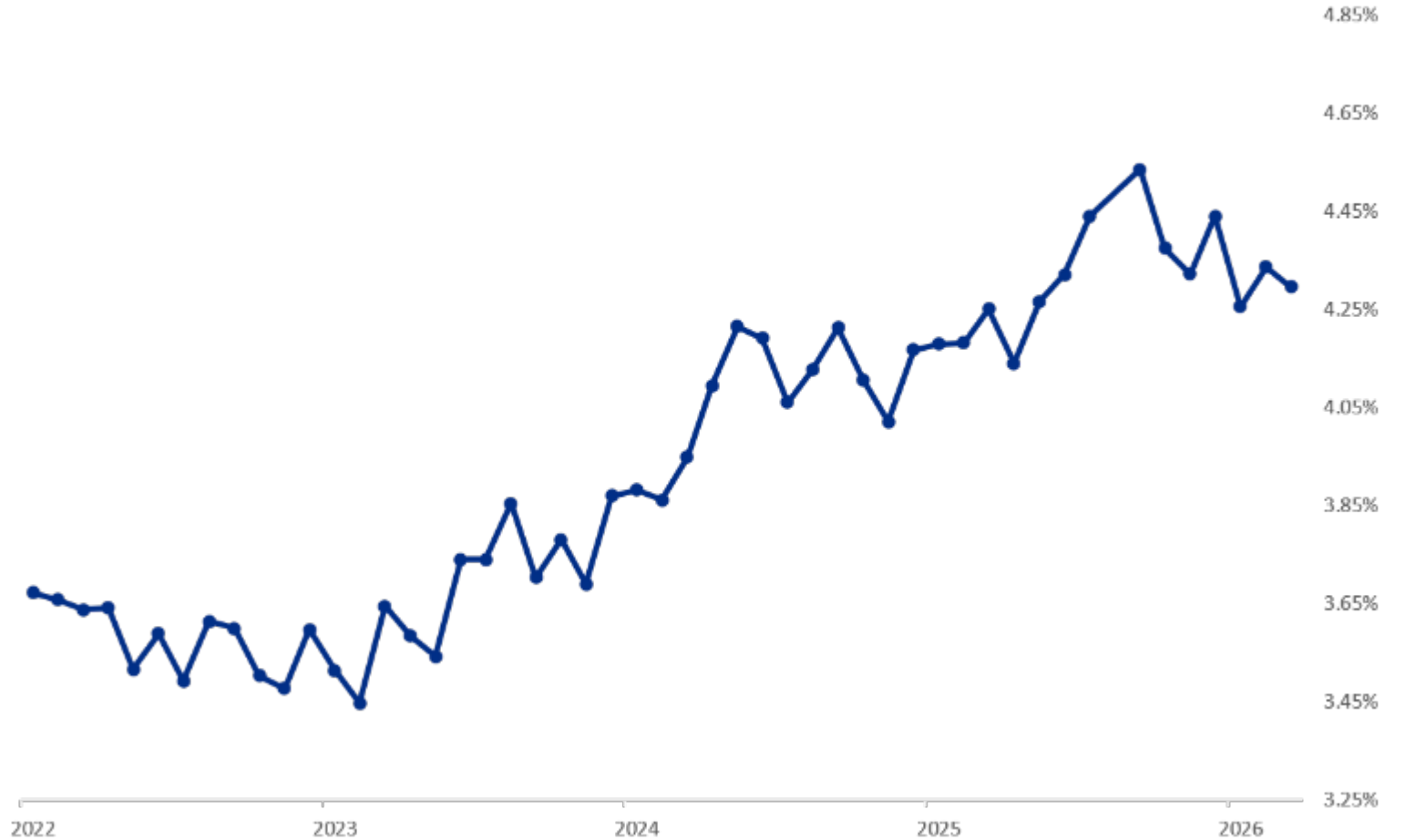
THE CURRENT EMPLOYMENT SITUATION

Household Survey

- Employment Status
- Reasons for Unemployment
- Duration of Unemployment

April Numbers

- 7.3mm Unemployed
 - Unemployment Rate: **4.3%**
- 170mm Labor Force
 - Labor Force Par. Rate: 61.8%
- 275mm Working Age Population
 - Employed/Population: 59.1%



Source: Bureau of Labor Statistics

EMPLOYMENT

PRIME AGE AND OVERALL LABOR PARTICIPATION RATE



Source: Bureau of Labor Statistics

TARIFFS

- **Tariffs Back After Decades**

- Liberation Day (April 2025)
- **30% Peak**

- **IEEPA Struck Down**

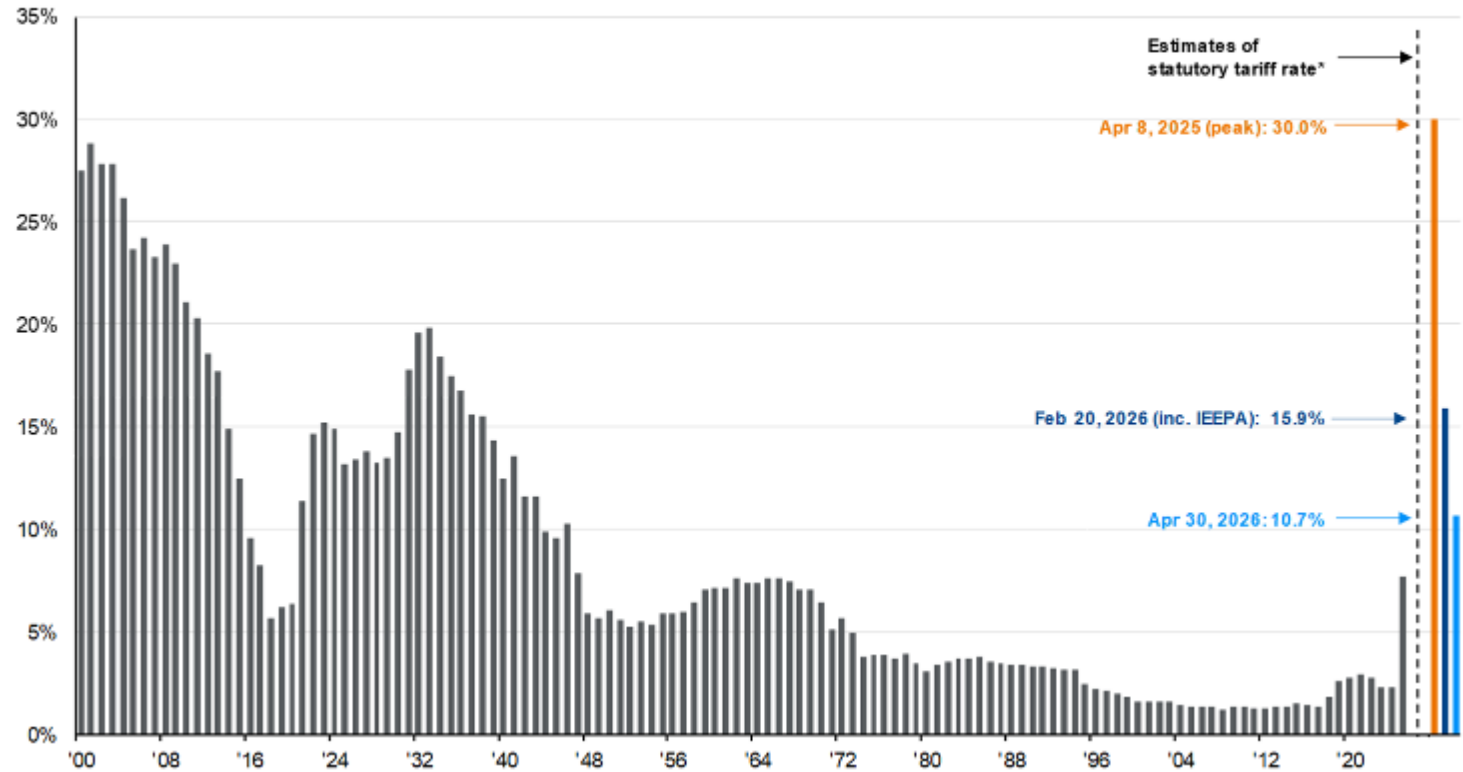
- February 2026 SCOTUS (6-3 Vote)
- **~11% Today**

- **Uneven Impact**

- Goods vs Services
- Lower Income
- Smaller Companies

Average tariff rate on U.S. goods imports for consumption

Duties collected / value of total goods imports for consumption, 1900 - 2025



Source: JPM Morgan

INFLATION

IRAN WAR SENDS GAS PRICES MUCH HIGHER



Source: New York Mercantile Exchange / AAA / Bloomberg

INFLATION

Consumer Price Index

• **Headline CPI**

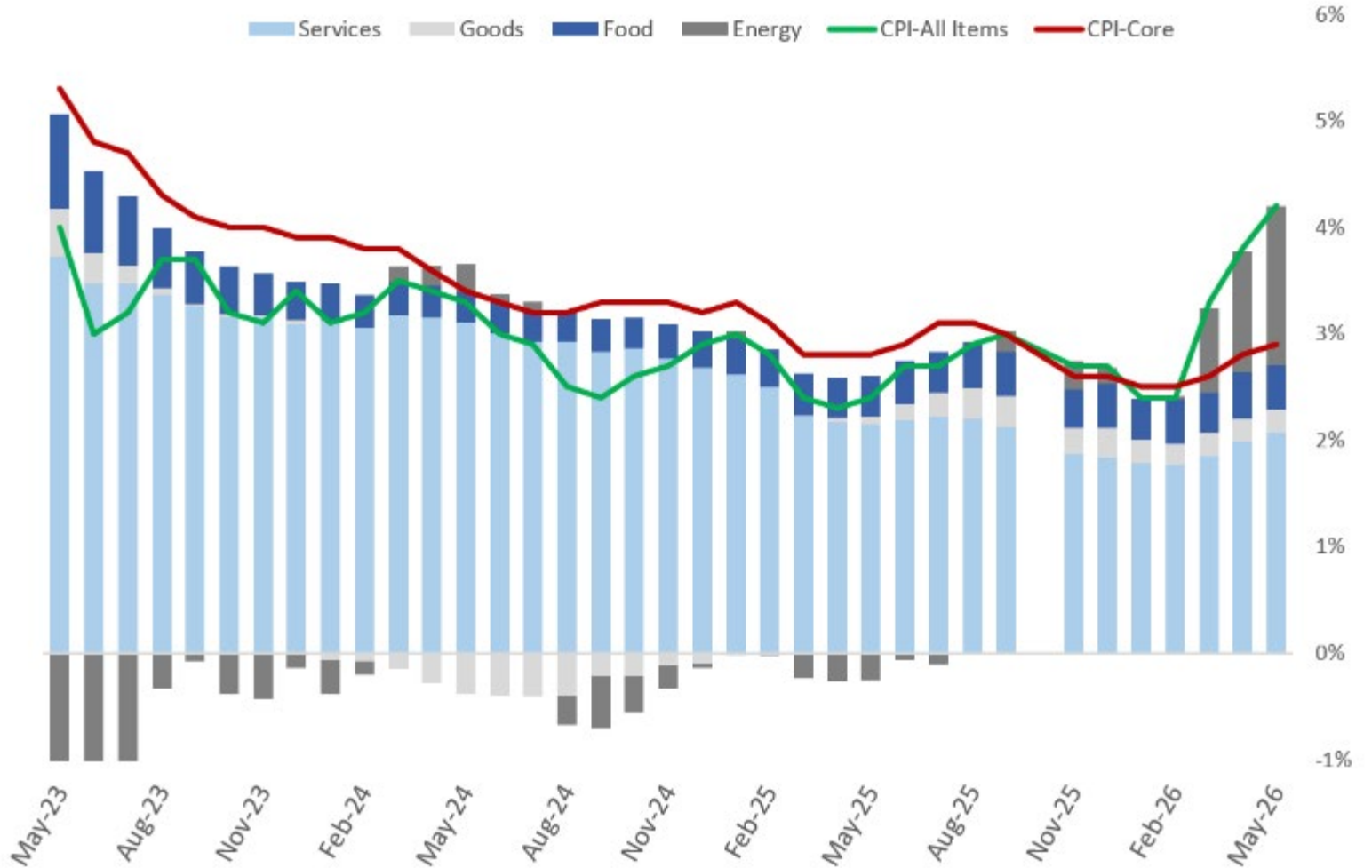
- +0.5% MoM
- **+4.2% YoY**
 - Food +0.2% MoM
 - Energy +3.9% MoM

• **Core CPI (Ex. Food & Energy)**

- 0.2% MoM
- **+2.9% YoY**

CPI Weights

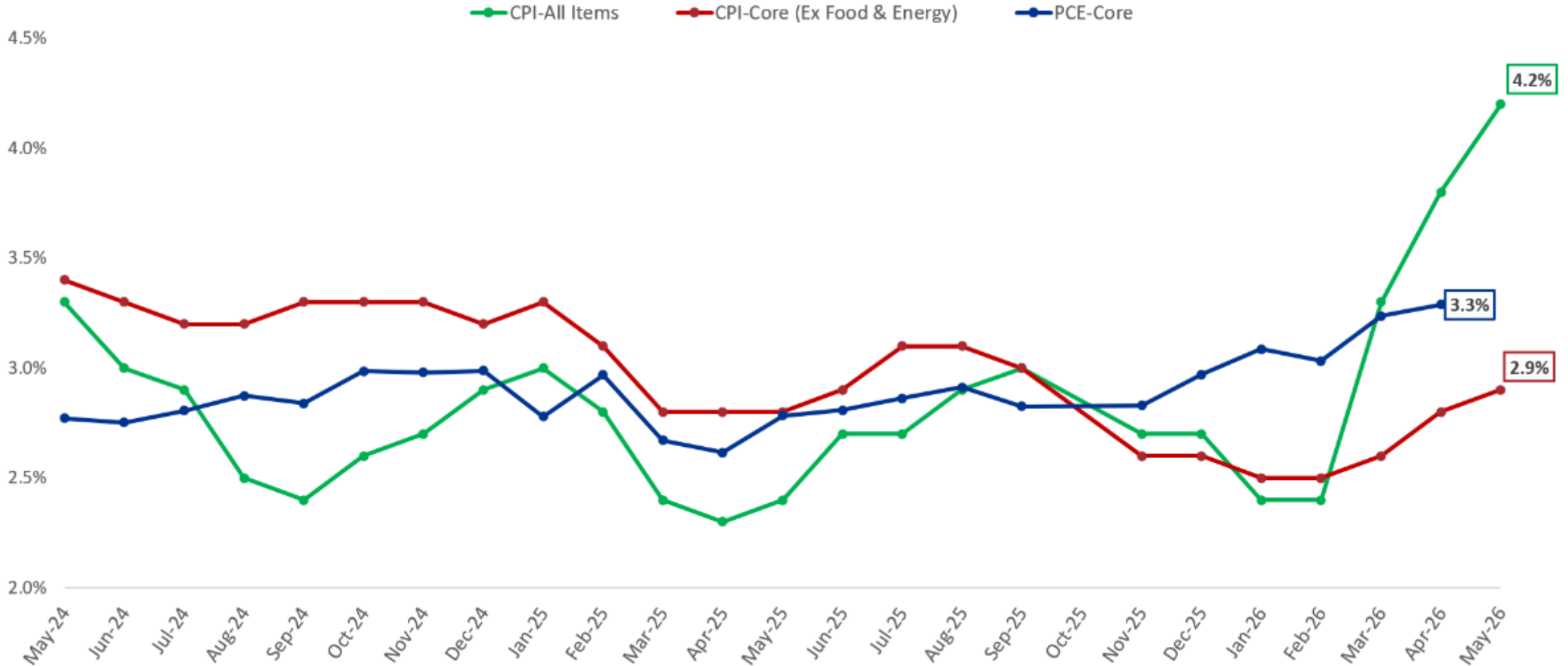
- 60% Services (Shelter 35%)
- 20% Goods
- 14% Food, **6% Energy**



Source: Bureau of Labor Statistics

INFLATION

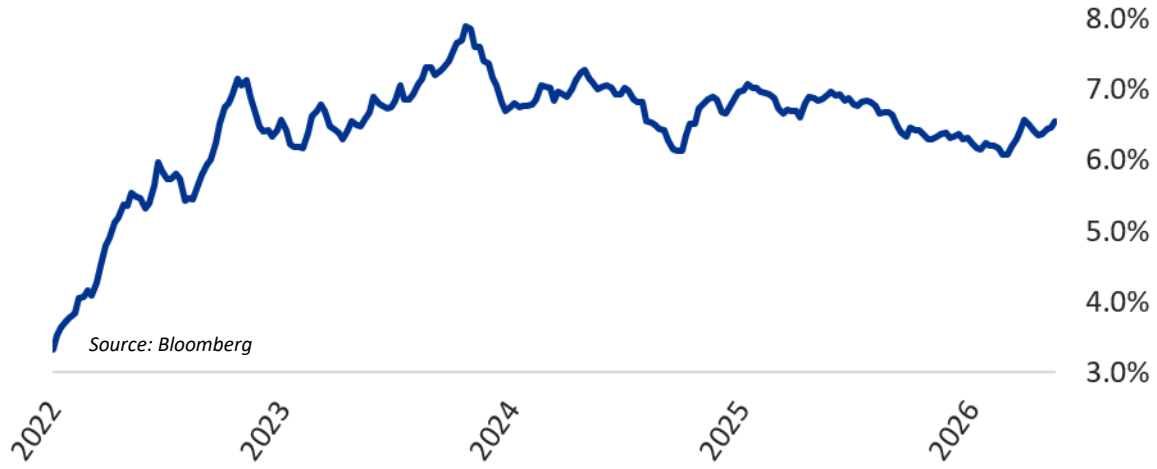
CPI, CORE CPI, AND CORE PCE INDEXES YEAR OVER YEAR



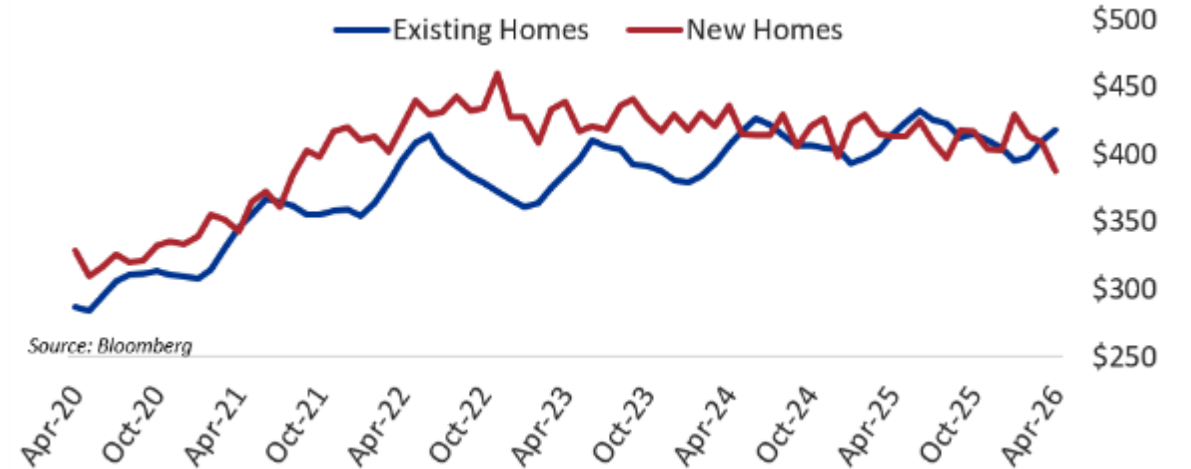
Source: Bureau of Labor Statistics

ECONOMIC UPDATE

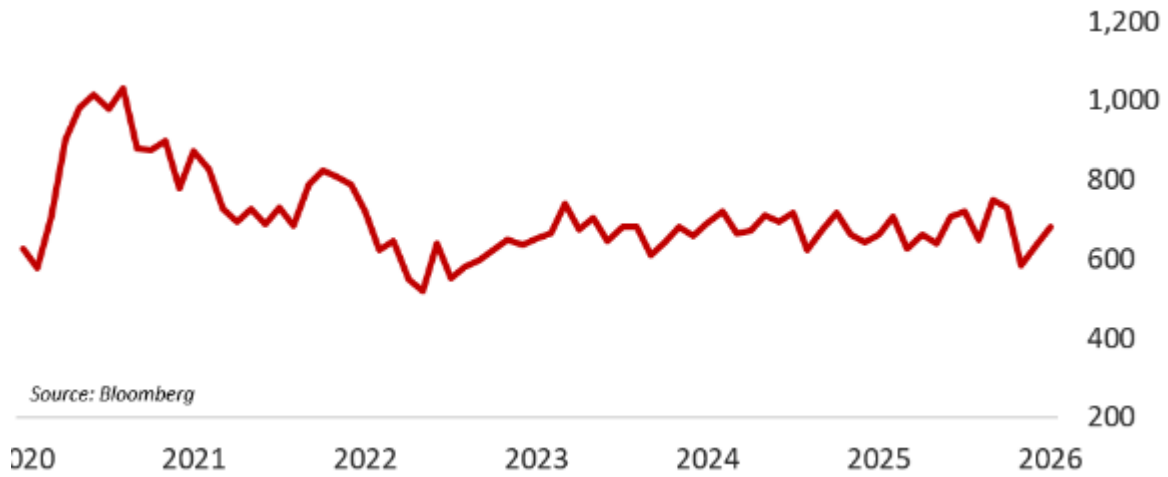
30Yr Mortgage Rate: 6.65%



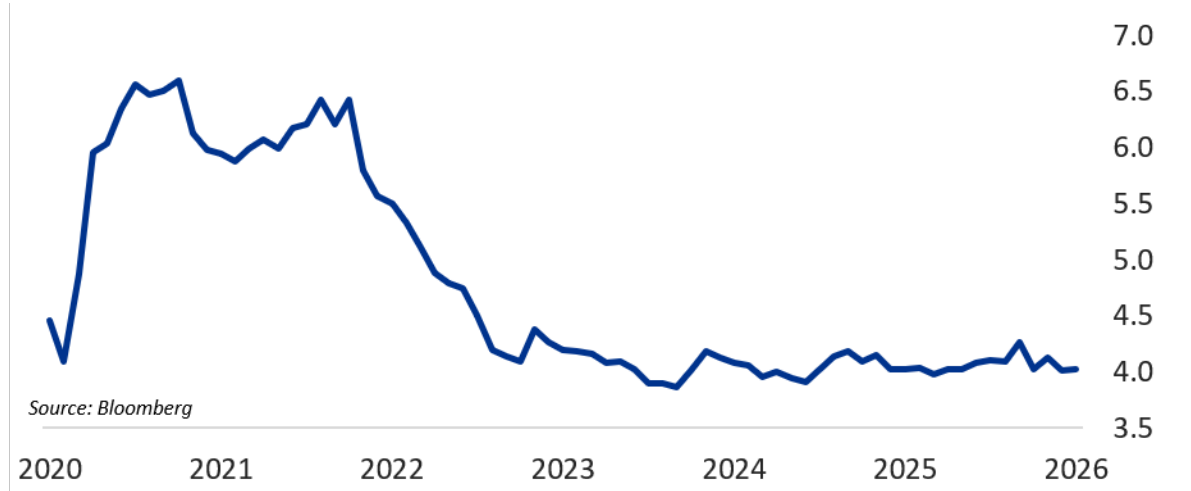
Median Home Price: New & Existing Homes



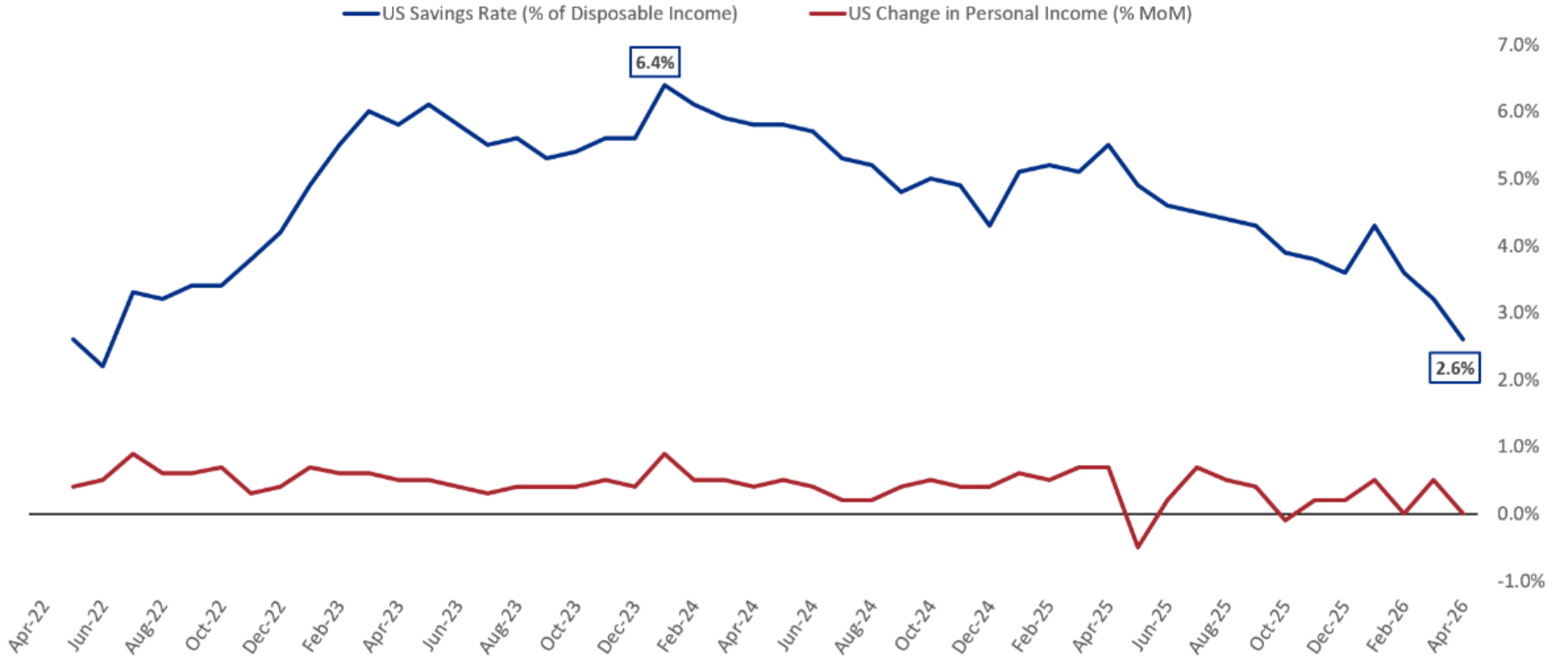
New Home Sales



Existing Home Sales



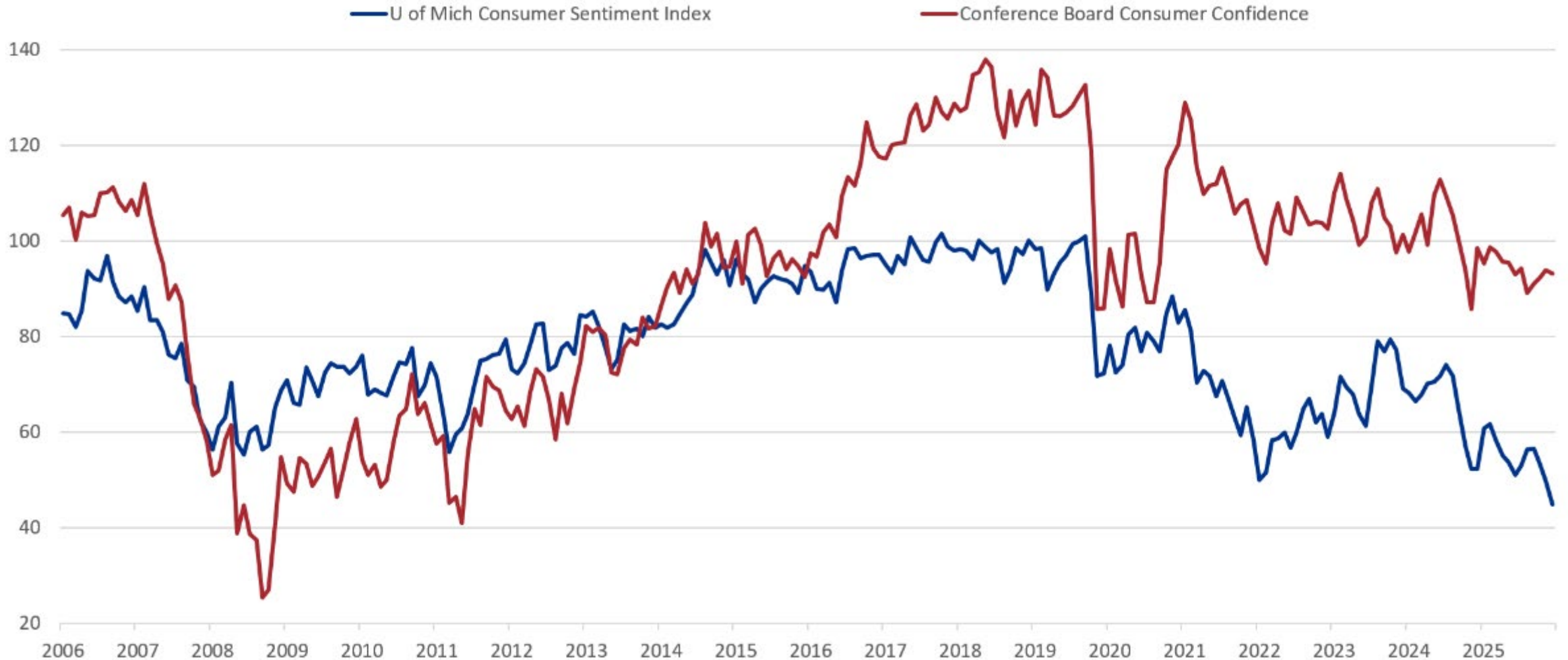
US SAVINGS RATE AND CHANGE IN PERSONAL INCOME



Source: Bloomberg

THE CONSUMER

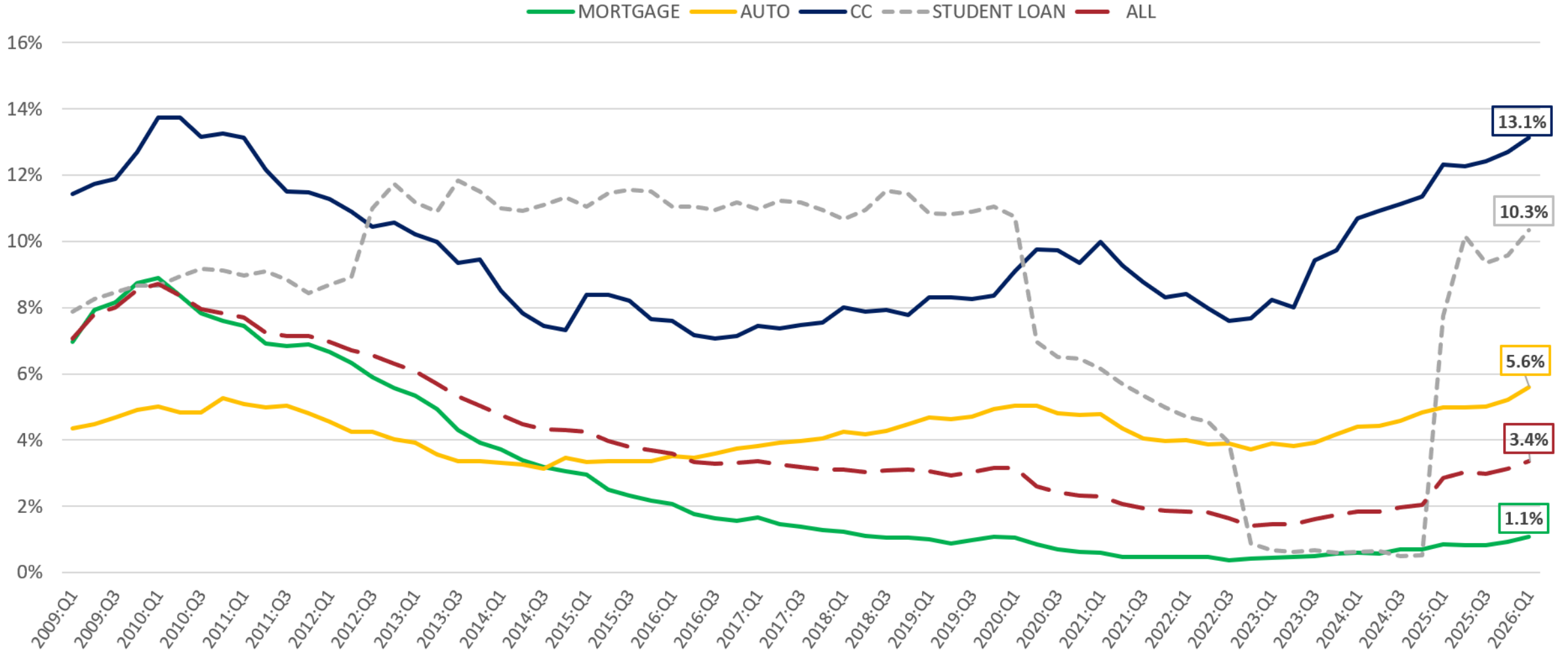
UNIVERSITY OF MICH VS CONFERENCE BOARD CONSUMER SENTIMENT



Source: University of Michigan, Conference Board

THE CONSUMER

PERCENT OF BALANCE 90+ DAYS DELINQUENT



Source: FRBNY Consumer Credit Panel / Equifax

Growth

- 2025 GDP: 2.1% Annualized Growth
- 2026 Q1 GDP: 1.6%
- 2026 Q2 GDP: 2.0% Blue Chip / 3.0% GDPNow

Jobs

- Improving Labor Market
- Unemployment Rate: 4.3%
- Nonfarm Payrolls: 172K

Inflation

- Rising Inflation, Driven by Energy
- 4.2% Headline CPI, 2.9% Core CPI
- Possible Peak in June?

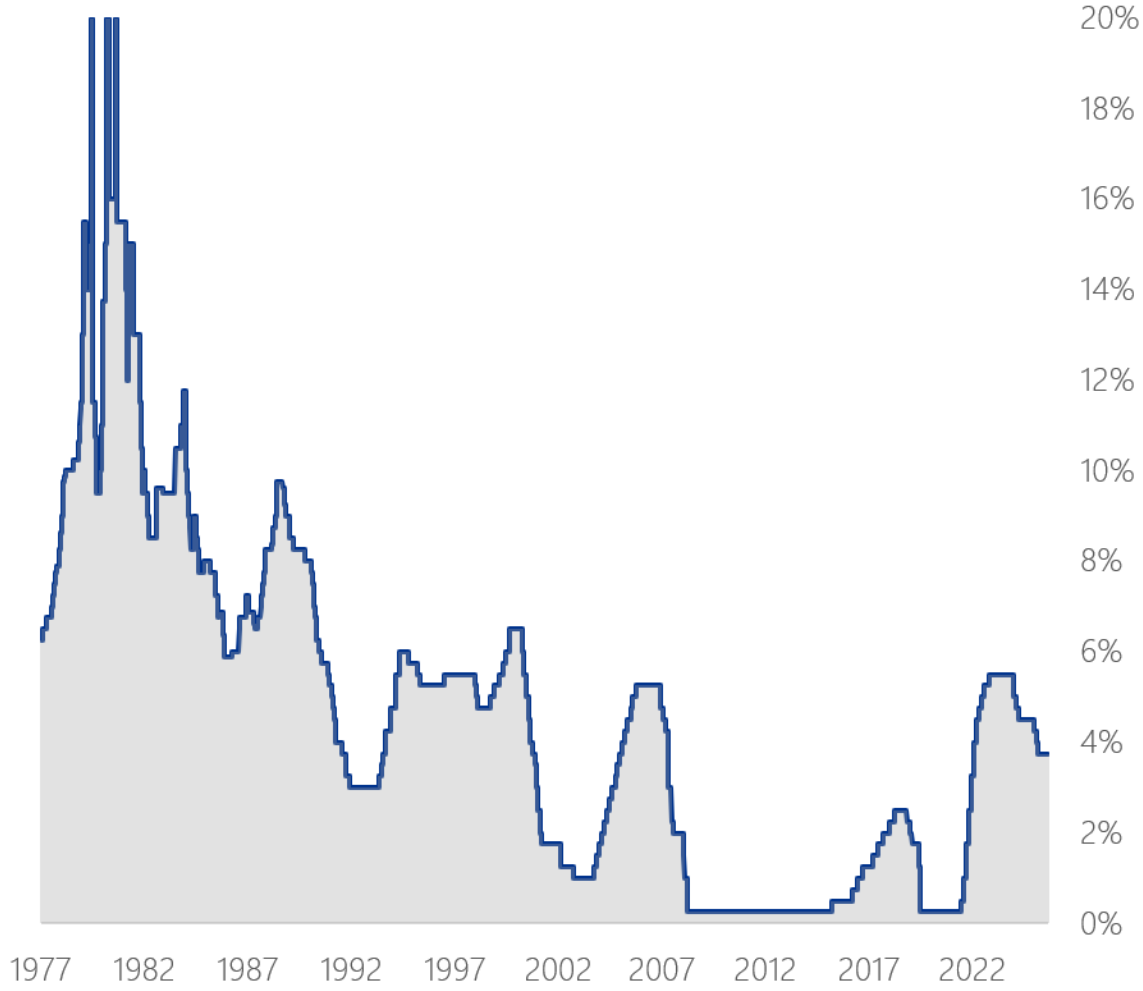
The Consumer

- K-Shaped Economy
- Income Flat
- Savings Down

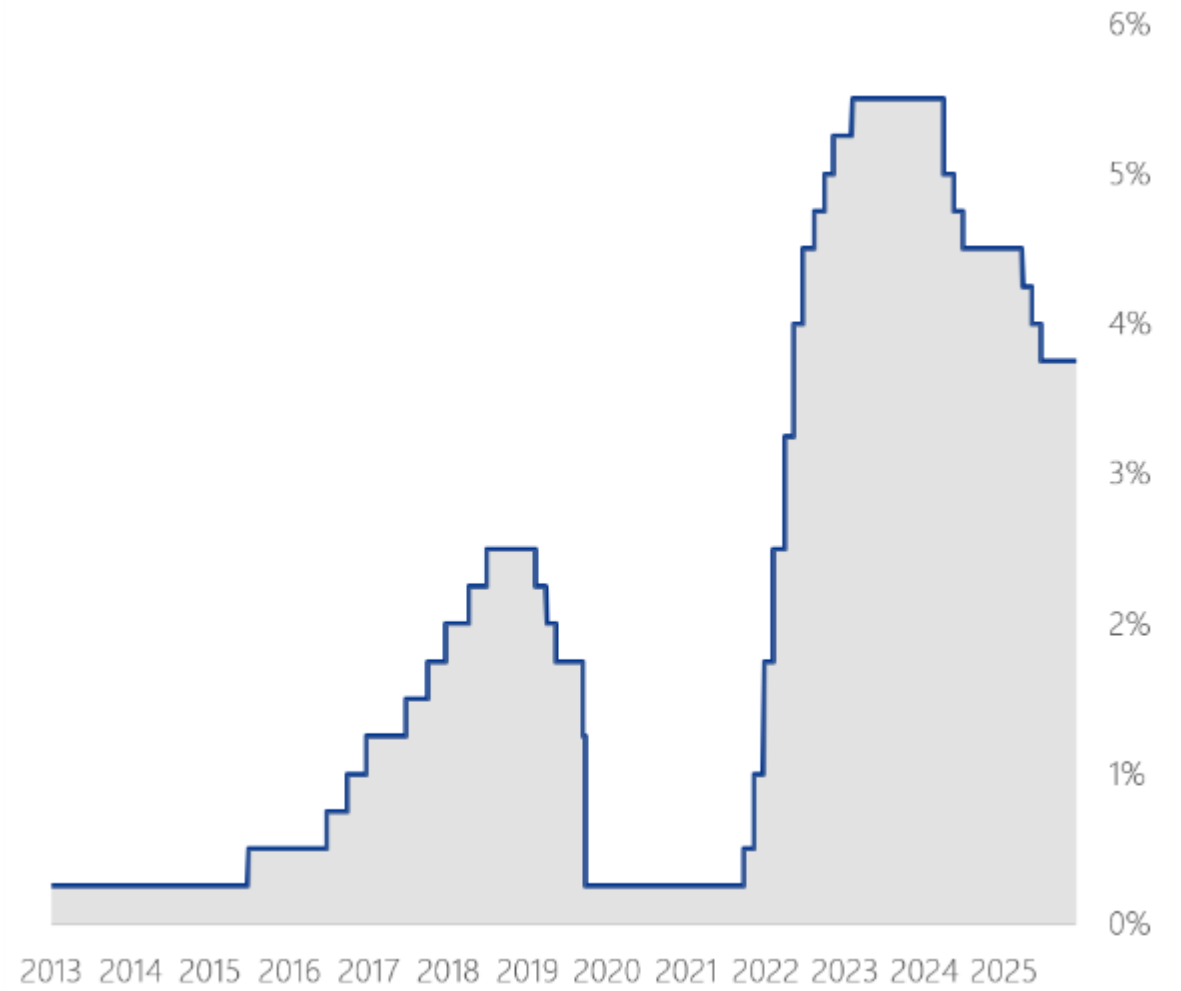
INTEREST RATES

THE FED

Fed Funds Rate Since 1977



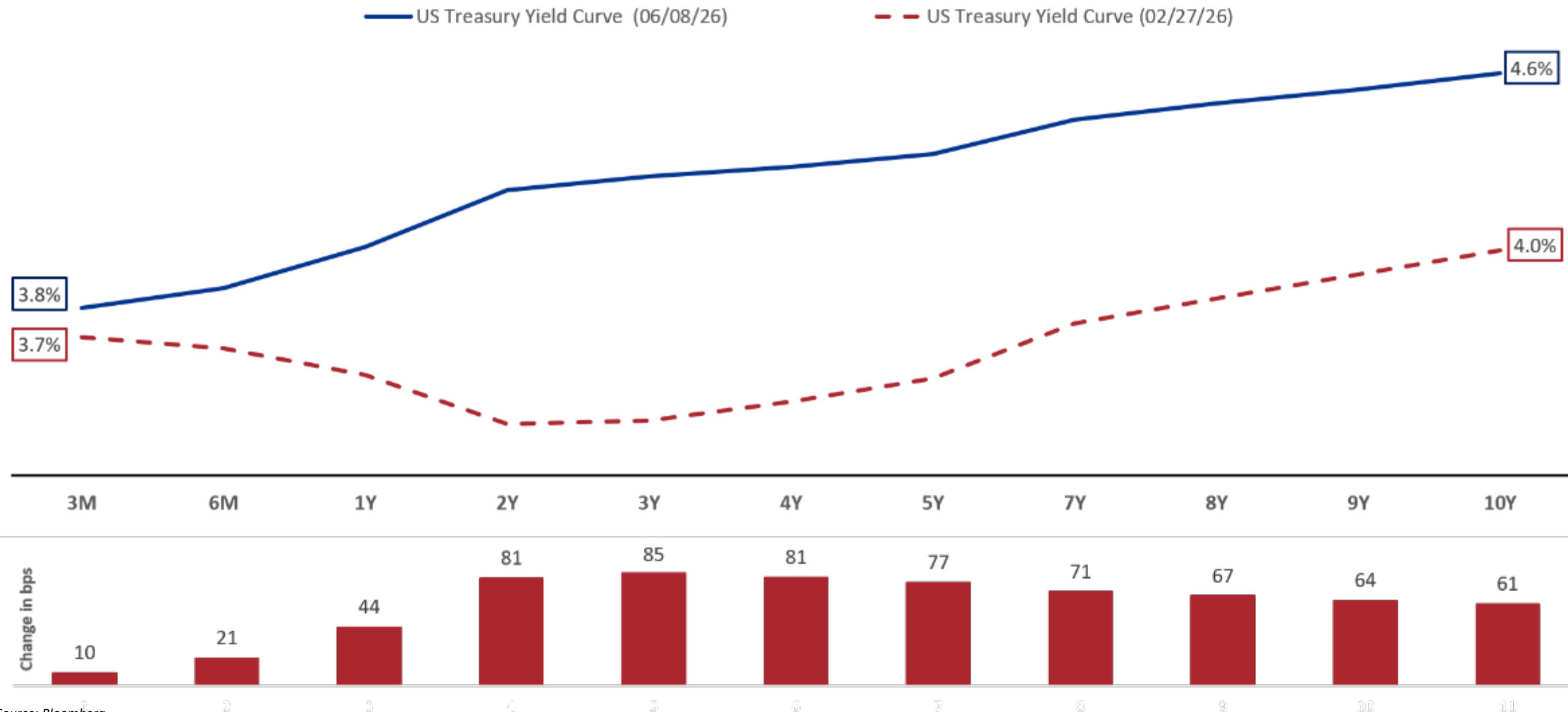
Fed Funds Since 2013



Source: Bloomberg

INTEREST RATES

US TREASURY YIELD CURVE (February 27 vs. June 8, 2026)



Source: Bloomberg

A PIRATE LOOKS AT INTEREST RATES

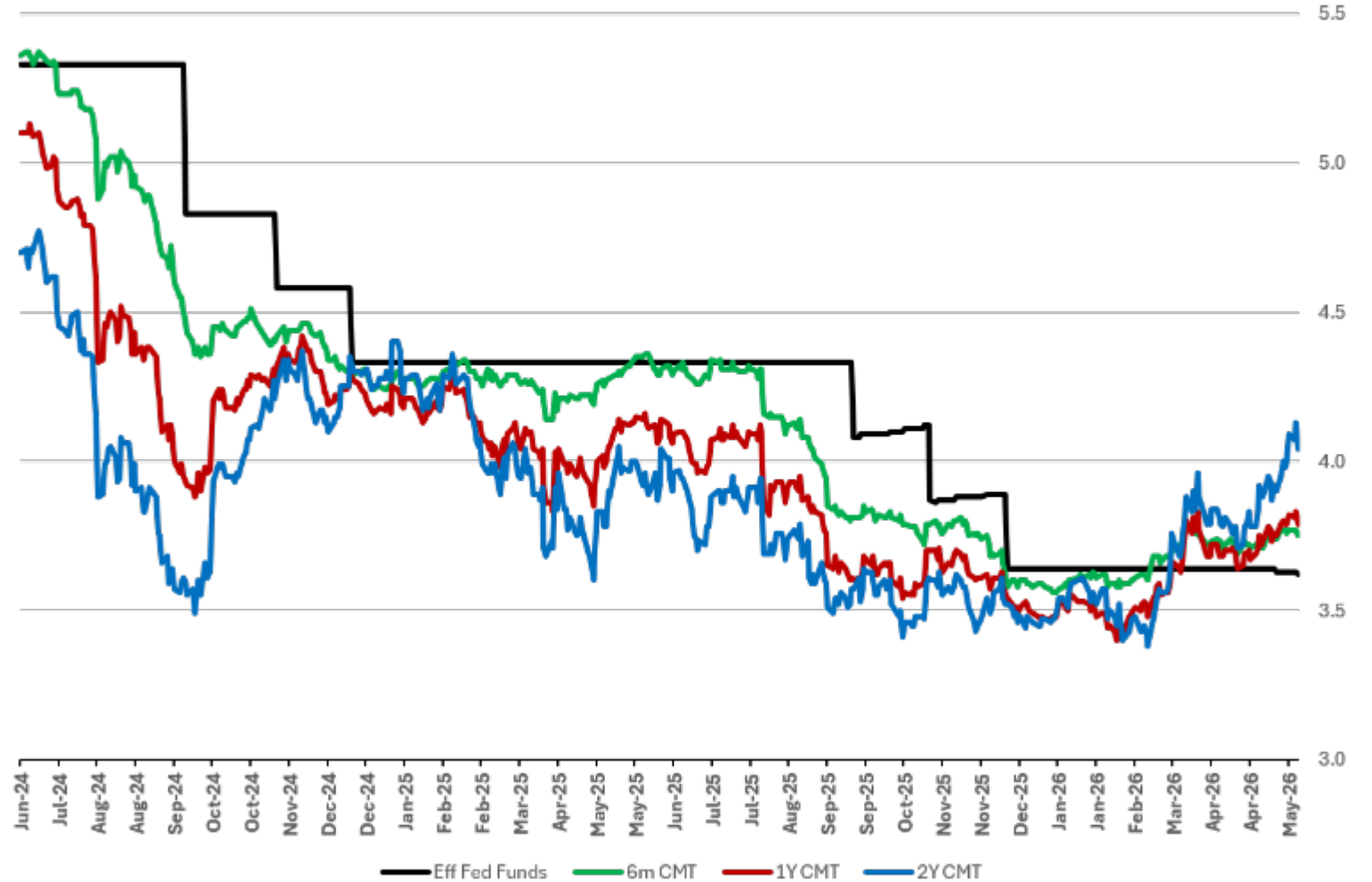
CURRENT YIELDS

Fed Funds: **3.62%**

6Mo UST Yield: **3.79%**

1Yr UST Yield: **3.83%**

2Yr UST Yield: **4.06%**



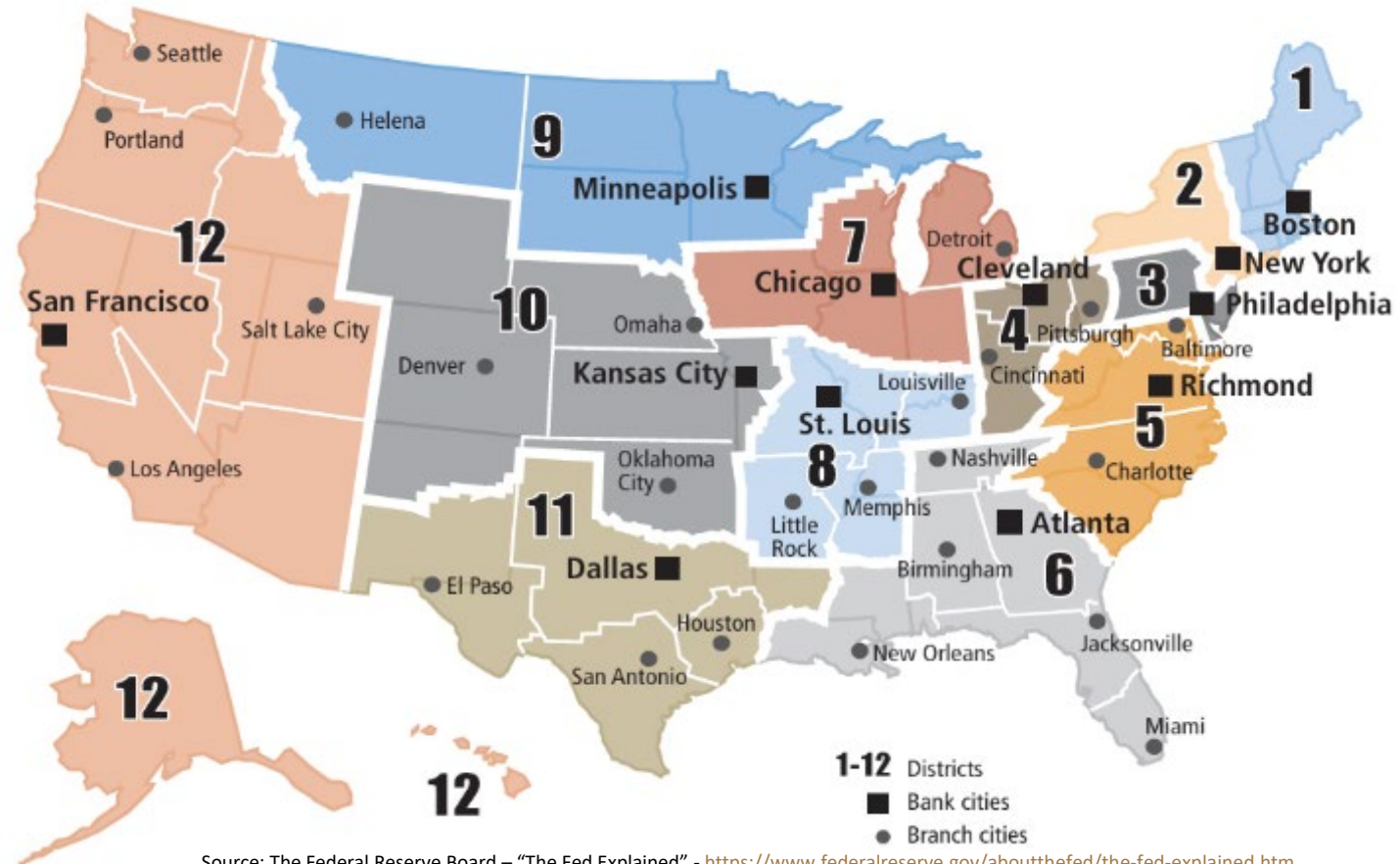
Source: Bloomberg

THE FED

AN OVERVIEW OF THE FEDERAL RESERVE

12 RESERVE BANKS & 24 BRANCHES

- **1 Boston** (Susan Collins), **2 New York** (John Williams) , **3 Philadelphia** (Anna Paulson), **4 Cleveland** (Beth Hammack), **5 Richmond** (Thomas Barkin), **6 Atlanta** (Cheryl Venable), **7 Chicago** (Austan Goolsbee), **8 St. Louis** (Alberto Musalem), **9 Minneapolis** (Neel Kashkari), **10 Kansas City** (Jeffrey Schmid), **11 Dallas** (Lorie Logan), **12 San Francisco** (Mary Daly)



Source: The Federal Reserve Board – “The Fed Explained” - <https://www.federalreserve.gov/aboutthefed/the-fed-explained.htm>

Powell Remains on Board of Governors



Trump v. Cook



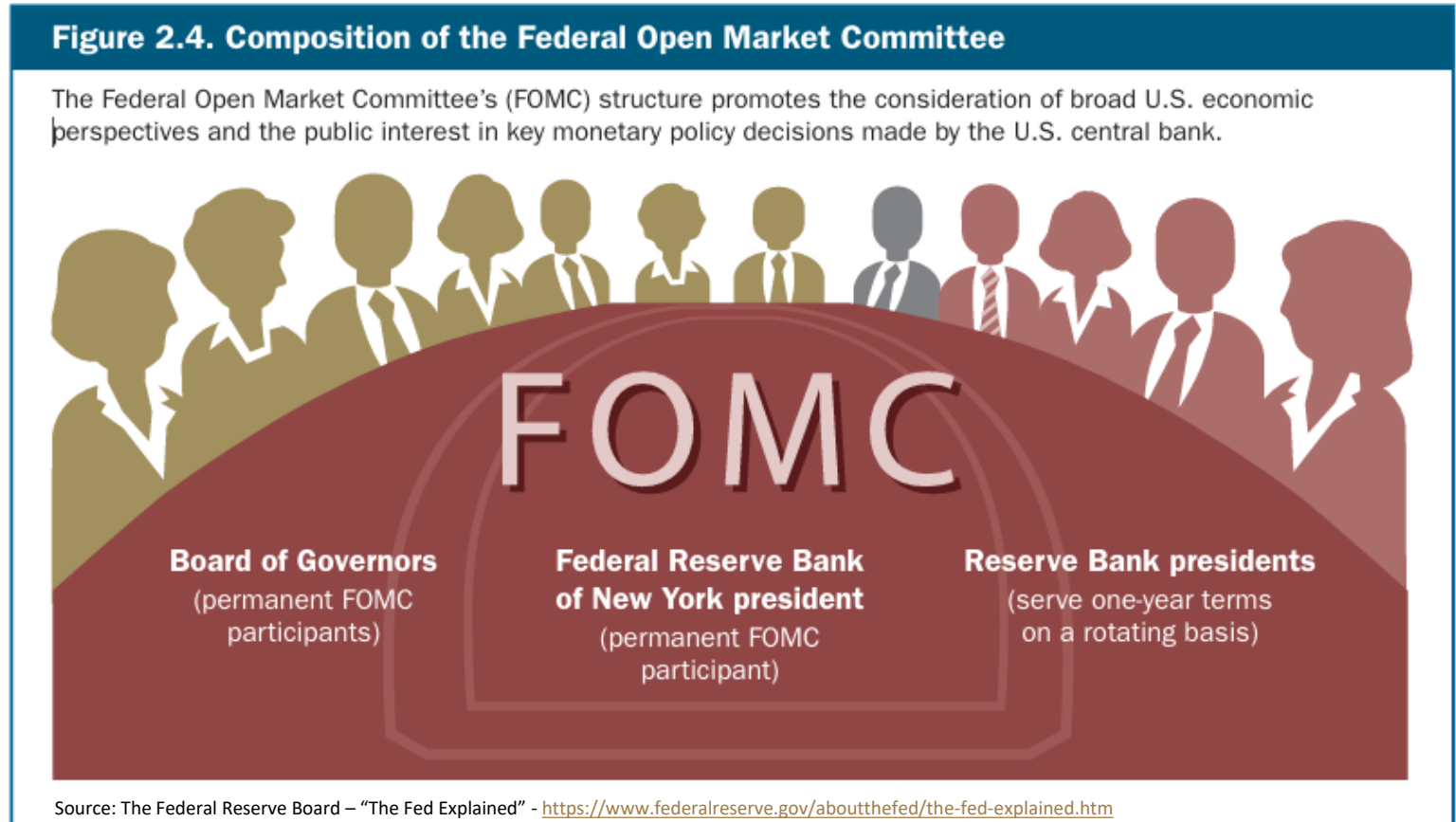
Chairman Kevin Warsh



Sources: Getty Images, Wikipedia

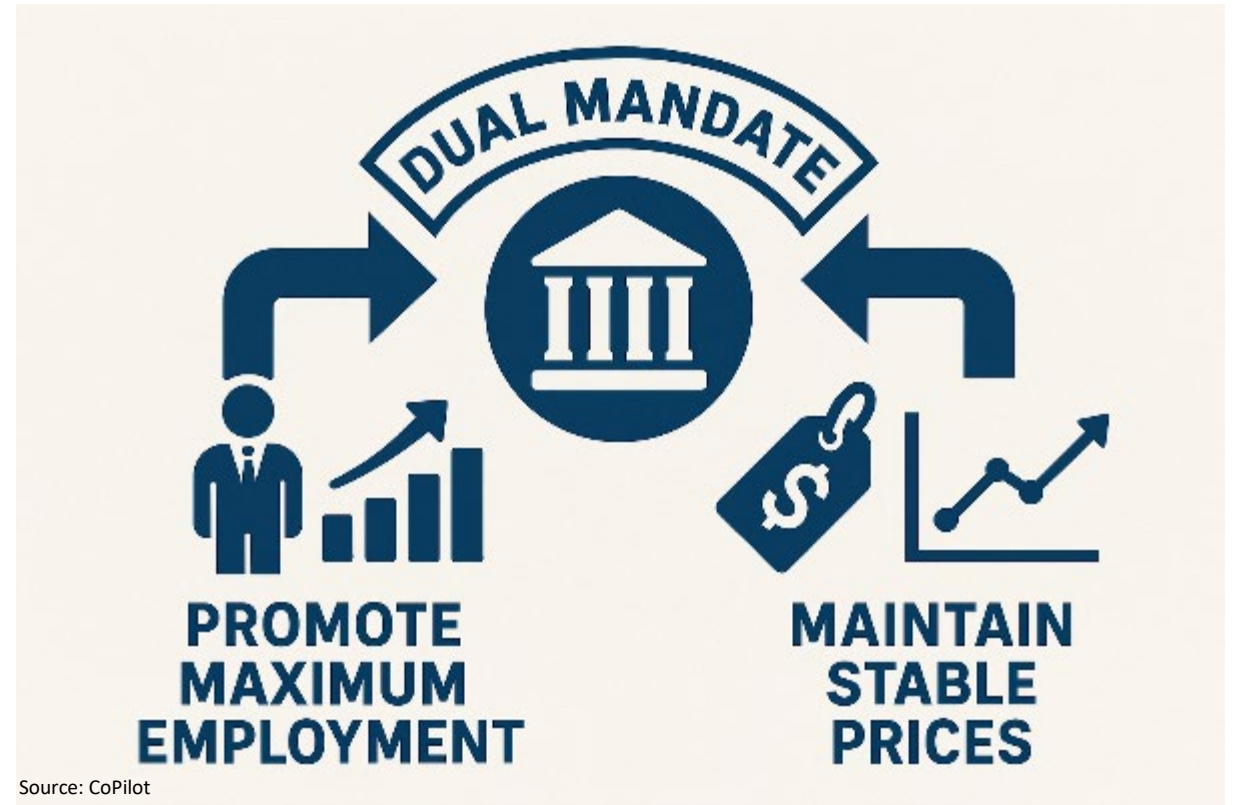
THE FEDERAL OPEN MARKET COMMITTEE

- **12-Person Committee that set crucial U.S. monetary policy at meetings held at least 8 times annually.**
 - All 7 members of the Board of Governors
 - The President of the Federal Reserve Bank of New York
 - 4 of the remaining 11 Reserve Bank presidents, who serve one-year terms on a rotating basis.
 - All remaining 7 Reserve Bank presidents attend FOMC meetings and participate in FOMC deliberations.
 - Current Rotation: **Cleveland, Dallas, Philadelphia, Minneapolis**



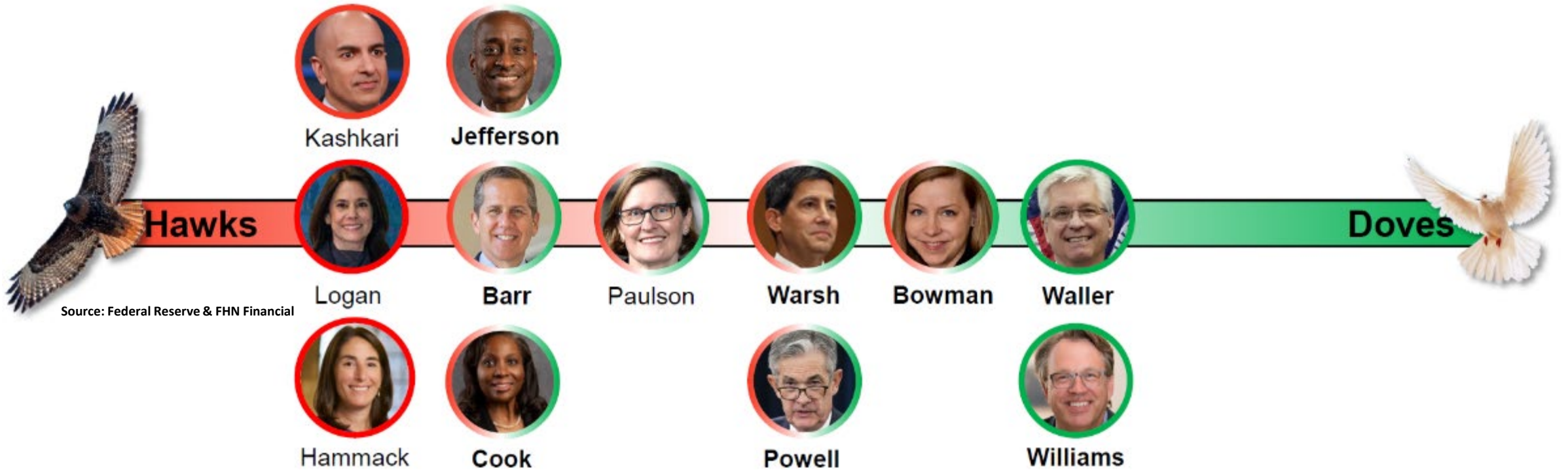
THE DUAL MANDATE

- **Humphrey-Hawkins Full Employment Act (1978)**
- **Maximum Employment**
 - Unemployment Rate 4.25%
 - Employment Situation Report – Bureau of Labor Statistics
 - Household Data: U3- Total Unemployed, as a percent of the civilian labor force (official unemployment rate)
- **Price Stability**
 - Inflation Rate of 2%
 - Personal Consumption Expenditures (PCE) Price Index – Bureau of Economic Analysis
- **Other Measures Related to Jobs & Inflation**
 - Labor force participation, wage growth, job opening and hiring trends
 - Consumer Price Index (CPI), Producer Price Index, (PPI),



AN OVERVIEW OF THE FEDERAL RESERVE

2026 FEDERAL OPEN MARKET COMMITTEE



SUMMARY FOR JUNE 2026

- **Economic Growth Decent:** Real GDP grew at a **1.6%** annualized pace in Q1 2026 (2nd estimate), a step down from the initial 2.0% estimate but an improvement from just 0.5% in Q4 2025. Business fixed investment (AI spend) has been and is a key driver.
- **Inflation Accelerates Due to Energy Prices:** Inflation came in hotter than expected in April and spiked above 4% in May, driven by another surge in energy prices and broad increases in food costs. These pressures are beginning to weigh on consumers, though there has been some relief at the gas pump during June.
- **Improving Labor Market:** The May jobs report came in much stronger than expected, with payrolls rising **172k** and prior months revised higher, signaling a rebound in labor market momentum. 2026 YTD avg job growth at +111k versus 2025's +10k. Wage growth continued to cool, which helps ease inflation concerns, even as overall employment indicators remained solid, including stable unemployment at **4.3%**.
- **Interest Rates & Policy Outlook:** Fed funds rate holds at 3.50%–3.75%. Markets now expect one rate hike at the end of 2026, with potential rate changes dependent on inflation and labor market conditions.
- **Housing & Mortgage Trends:** Mortgage rates hover around **6.5%**, dampening affordability. New home sales are holding up, but existing home sales remain sluggish as sellers have not yet been forced to cut prices. High prices and high interest rates are leading to a bifurcated market.
- **U.S. Fiscal Situation:** U.S. debt levels are becoming a problem, crowding out other borrowers and putting upward pressure on long-term interest rates. No easy fix and political environment does not lend itself to solutions.

THANK YOU!

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