



# The Etergino Group

*Connecting Wealth with Purpose*

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## The Markets

Lowering inflation may prove to be a challenge.

Last week, inflation was on the minds of investors after one of the Federal Reserve (Fed)'s favorite inflation gauges showed inflation at a three-year high. Both headline and core inflation were well above the Fed's two percent target.

Personal Consumption Expenditures (PCE) Index	May 2026 Price Increase (year over year)
Headline inflation	+ 4.1 percent
Core inflation (excludes volatile food and energy prices)	+3.4 percent

This was the third consecutive month of accelerating price increases, reported Megan Leonhardt of Barron's. Prices have been rising, in part, due to the energy shock created by the Iran conflict, but inflation is not just an energy story, anymore. Other factors are creating price pressures, including:

**Inflation expectations are changing.** When consumers believe that prices will keep rising, they ask for higher wages and spend sooner, pushing prices higher still. The Fed likes to keep expectations anchored with its 2 percent inflation goal. Right now, that anchor is less secure than the Fed would like. Americans who participated in the most recent University of Michigan Consumer Sentiment survey expect inflation to average 4.6 percent over the next year.

**AI is making devices more expensive.** The AI build-out requires a lot of advanced memory chips, the same chips inside your phone, laptop, and car. Demand has been outpacing supply, pressuring prices. Last week two major tech companies raised prices on consumer electronics and software. Industry leaders warn chip shortages could persist beyond 2028, reported Don Forbes of Dow Jones Newswires.

**Tariffs effects are rippling through.** Import taxes don't hit prices immediately. The effects are realized over months as inventories turn over and companies reset prices. Ron Mau and Tucker Smith of the Dallas Fed found that core inflation in March 2026 (3.2 percent) would have been lower (2.3 percent) if there were no tariffs.

Another complication in the Fed's inflation fight is the national debt, which stands at about \$39.3 trillion. This year, the annual interest payment on the debt is expected to exceed \$1 trillion. Some economists are concerned that deficit-driven spending will make it more difficult for the Fed to fight inflation because higher rates will increase the interest owed, reported Maria Eloisa Capurro of Bloomberg.

Last week, the Dow Jones Industrial Average eked out a gain, while the Standard & Poor's 500 and Nasdaq Composite Indexes fell. Yields on U.S. Treasuries generally moved lower over the week.

Data as of 6/26/26	1-Week	YTD	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	-2.0%	7.4%	19.8%	19.3%	11.4%	13.9%
Dow Jones Global ex-U.S. Index	-2.3	10.6	23.5	15.8	5.4	7.6
10-year Treasury Note (yield only)	4.4	N/A	4.3	3.7	1.5	1.5
S&P GSCI Gold Index	-3.5	-5.6	22.4	28.4	18.1	12.0
Bloomberg Commodity Index	-3.1	12.1	19.9	6.7	5.7	3.6

S&P 500, Dow Jones Global ex-US, S&P GSCI Gold Index, Bloomberg Commodity Index returns exclude reinvested dividends. The three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance; MarketWatch; djindexes.com; U.S. Treasury.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

**WILL ARTIFICIAL INTELLIGENCE (AI) MAKE US MORE PRODUCTIVE?** There is a broad belief that AI will deliver a productivity boom, reinvigorating economic growth in countries around the world, but the path to productivity remains uncertain.

While AI is unquestionably changing the way many people work, not everyone uses it in the same way. Jue Wang, Anne Hoecker, Ann Bosche, Tamara Lewis, and Peter Bowen of Bain & Company wrote, “A small percentage of people at every level have had the visceral ‘this is it moment’...The rest (i.e., most) are still at ‘I tried Copilot a few months ago; it didn’t work well.’”

There are many different theories about where AI will lead us. Here are some possibilities:

**AI increases productivity.** According to a 2026 Deloitte report tracking the adoption and impact of AI in companies, two-thirds of participating organizations reported productivity and efficiency gains. Deloitte’s U.S. head of AI Jim Rowan stated, “The organizations succeeding with AI aren’t just investing in automation and algorithms, they’re investing in their people. As AI continues to spark new ways of working, this dual focus – advancing both the capabilities of their talent and AI tools – empowers teams to embrace reimagined business models and sets the foundation for competitive advantage.”

**AI increases costs.** AI subscription and token costs have been increasing. (Tokens are units of data that determine how much companies pay for AI compute power.) “[AI] Agents consume significant tokens on multistep reasoning, error correction, and context loading, which add up fast on complex workflows...Net-net: The models get less expensive per token, the usage gets heavier per task, and the bill stays stubbornly high,” reported Bain.

**AI increases efficiency.** Tracy Alloway of Bloomberg recently wrote about the Bank of Korea’s study exploring the effect of AI on productivity and output. Korea’s central bank discovered a productivity disconnect. AI reduced the time required to accomplish tasks, but the extra time was not used to do more high-value work. The technology improved efficiency but not productivity.

**AI increases administrative work.** There is also the possibility that AI will increase administrative burdens rather than relieve them, according to Alloway. “In the U.S., for instance, you hear stories now of insurance companies using AI to reject claims. At the same time, there are startups dedicated to using AI to fight back against insurance claim rejections...You can imagine a future where AI doesn’t lead to productivity gains but instead generates an endless stream of bots interacting with bots.”

Whether AI delivers productivity gains will depend on how the technology develops and how organizations deploy it.

## **WEEKLY FOCUS – THINK ABOUT IT**

“Life is a series of natural and spontaneous changes. Don't resist them; that only creates sorrow. Let reality be reality. Let things flow naturally forward in whatever way they like.”

– Lao Tzu, *Philosopher*

Best regards,



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- Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.
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- All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client's portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index.
- The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
- The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
- Gold represents the 3:00 p.m. (London time) gold price as reported by the London Bullion Market Association and is expressed in U.S. Dollars per fine troy ounce. The source for gold data is Federal Reserve Bank of St. Louis (FRED), <https://fred.stlouisfed.org/series/GOLDPMGBD228NLBM>.
- The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
- The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
- The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
- The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.
- International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.
- Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
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