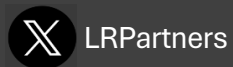




MACROECONOMIC FUNDAMENTALS

Revised
06/01/2026



LifetimeRetirementPartners.com

Macroeconomic conditions provide the broad backdrop in which markets, businesses, and consumers operate. While individual sectors may strengthen or weaken at different times, sustained economic expansions or slowdowns are ultimately driven by aggregate demand and economy-wide growth. Understanding these forces helps distinguish between temporary market volatility and more durable changes in the economic environment.

In our evaluation process, macroeconomic strength is assessed through a focused set of indicators that capture **real consumer demand and overall economic growth**. We examine multiple data points that reflect how spending, production, investment, and goods movement are evolving across the economy.

REAL CONSUMER DEMAND: Consumer spending is the largest component of the U.S. economy and remains a central driver of economic momentum. By tracking inflation-adjusted consumption, we evaluate whether households are continuing to expand real spending power after accounting for changes in prices. Sustained growth in real demand supports business revenues, employment, and investment, while slowing consumption often precedes broader economic deceleration.

ECONOMIC GROWTH & ACTIVITY: Beyond consumption, we monitor indicators that reflect the pace and breadth of economic activity—such as production, capital investment, and the physical movement of goods. These measures provide insight into business confidence, supply-chain throughput, and the underlying velocity of the economy.

As with our other analytical frameworks, we emphasize **forward-looking, momentum-based signals** rather than static levels. Economic turning points are often identified first through changes in direction—such as slowing growth rates or improving investment trends—before they become evident in headline GDP figures. By focusing on the trajectory of key macroeconomic indicators, we aim to identify emerging shifts in economic momentum and provide early context for changes in market conditions.



Current Grade of
Macro Overview:



QUICK LOOK

Gross Domestic Product

1.60%

PCE Inflation

3.29%

ISM Services PMI

54.50

ISM Manufacturing PMI

54.00

KEY TAKEAWAYS

- The first read of Gross Domestic Product (GDP) growth for Q1 2026 came in at a moderate 2.0%, ahead of projections.
- Gross Output, which captures total business-to-business activity beyond GDP, continues to reflect a steady economic expansion.
- As measured by the Institute for Supply Management, the Services sector of the economy continues to be expansionary (a value above 50). After contracting for most of 2025, Manufacturing is suddenly reporting expansionary numbers.
- "Sticky" inflation remains a concern. Core PCE Inflation, most recently measured at 3.2%, has shown a year-over-year increase.
- Three leading measurements of production, Manufacturer's Value of Shipments, Truck Tonnage Shipped, and Industrial Production, have climbed year-over-year. All are above their five-year averages.

Our macroeconomic indicators provide a broad, high-level view of overall economic momentum across consumption, production, and investment. By combining measures of demand, business activity, capital spending, and goods movement, we assess whether economic growth is strengthening, stabilizing, or deteriorating. A healthy macro environment supports sustained earnings growth and risk-taking, while broad-based weakness often precedes shifts toward more defensive market conditions.

Real Gross Domestic Product (GDP)

Current	1.60%
One Year Ago	-0.10%
Trend	Neutral
Five Year Average	2.77%
Ten Year Average	2.70%

Gross Output (GO)

Current	4.29%
One Year Ago	4.82%
Trend	Neutral
Five Year Average	7.75%
Ten Year Average	5.22%

PCE Inflation

Current	3.29%
One Year Ago	2.61%
Trend	Negative
Five Year Average	3.83%
Ten Year Average	2.75%

ISM Services PMI

Current	54.50
One Year Ago	51.60
Trend	Neutral
Three Year Average	52.32
Five Year Average	54.07

>50 = growth, <50=contraction

ISM Manufacturing PMI

Current	54.00
One Year Ago	48.90
Trend	Neutral
Three Year Average	48.98
Five Year Average	51.04

+50 = growth, -50=contraction

New Housing Starts

Current	930.00
One Year Ago	953.00
Trend	Neutral
Five Year Average	996.15
Ten Year Average	948.34

Manufacturer's Value of Shipments

Current	7.74%
One Year Ago	0.83%
Trend	Positive
Five Year Average	4.63%
Ten Year Average	2.28%

Industrial Production

Current	1.05%
One Year Ago	0.75%
Trend	Negative
Five Year Average	1.50%
Ten Year Average	0.21%

Truck Tonnage Shipped

Current	2.91%
One Year Ago	0.44%
Trend	Positive
Five Year Average	0.43%
Ten Year Average	1.33%

All data sourced from Bureau of Economic Analysis (FRED Database) unless otherwise stated. ISM manufacturing & Services data obtained from ISM monthly public reports.

Gross Domestic Product (GDP)

DEFINITIONS

Real Gross Domestic Product (GDP) is the total value of all goods and services produced within a country, adjusted for inflation, reflecting the economy's actual growth in output (rather than a change in prices).

A positive read indicates that the economy is expanding, while a negative reading signifies contraction. Two consecutive quarters of negative real GDP growth indicate a recession.

The Federal Reserve Bank of Atlanta's **GDPNow forecast** aggregates available data to create a constantly-updated prediction of current GDP before the actual numbers are available.

CONTEXT

After two extremely strong quarters, GDP decelerated in Q4 of 2025. Q4 results were hampered by the government shutdown, reduced government spending, and a drag from tariffs.

2026 Q1 growth has been initially reported as a modest 2.0%. However, the GDPNow forecast projects continued expansion in 2026.

Historical Data Source:

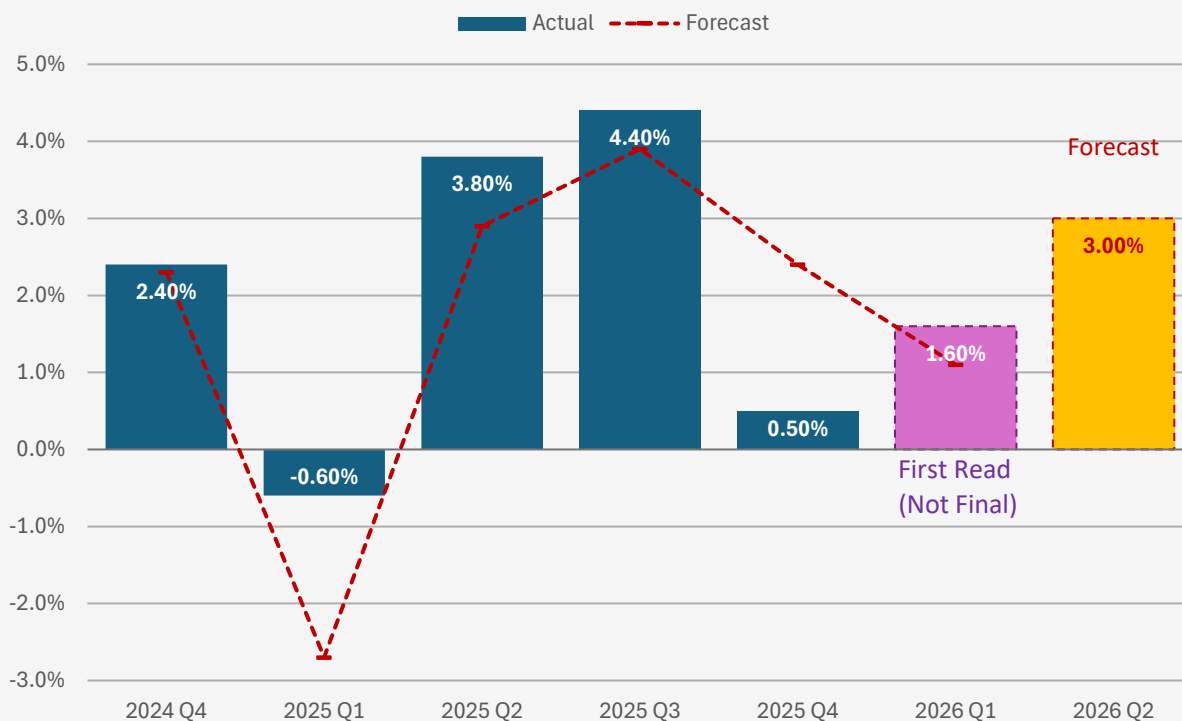
Bureau of Economic Analysis

SERIES: A191RL1Q225SBEA

Projection Source:

Federal Reserve Bank of Atlanta (GDPNow)

U.S. Real GDP Growth (Quarter)



U.S. Real GDP Growth (Quarter) Since Great Recession



Gross Output (GO)

DEFINITIONS

Instead of measuring only finished goods as GDP does, **Gross Output (GO)** measures the total sales or receipts of all industries in the economy. This includes both final goods and services and intermediate inputs used in production. The intention is to create a more complete picture of the economy. Government activity is diluted in Gross Output, representing about 10% of activity (as opposed to about 18% for GDP), thus potentially telling a more "real" story of the private sector.

While Gross Output often tells the same story as GDP (they have a long-term correlation of over 90%), it is believed to provide a more sensitive and earlier signal to expansions and contractions.

CONTEXT

Gross Output has told a more stable story of expansion than GDP over the last two years, as it is less affected by swings in trade flows and government activity. Gross Output is less affected by the accounting adjustments for imports and exports that can distort GDP readings

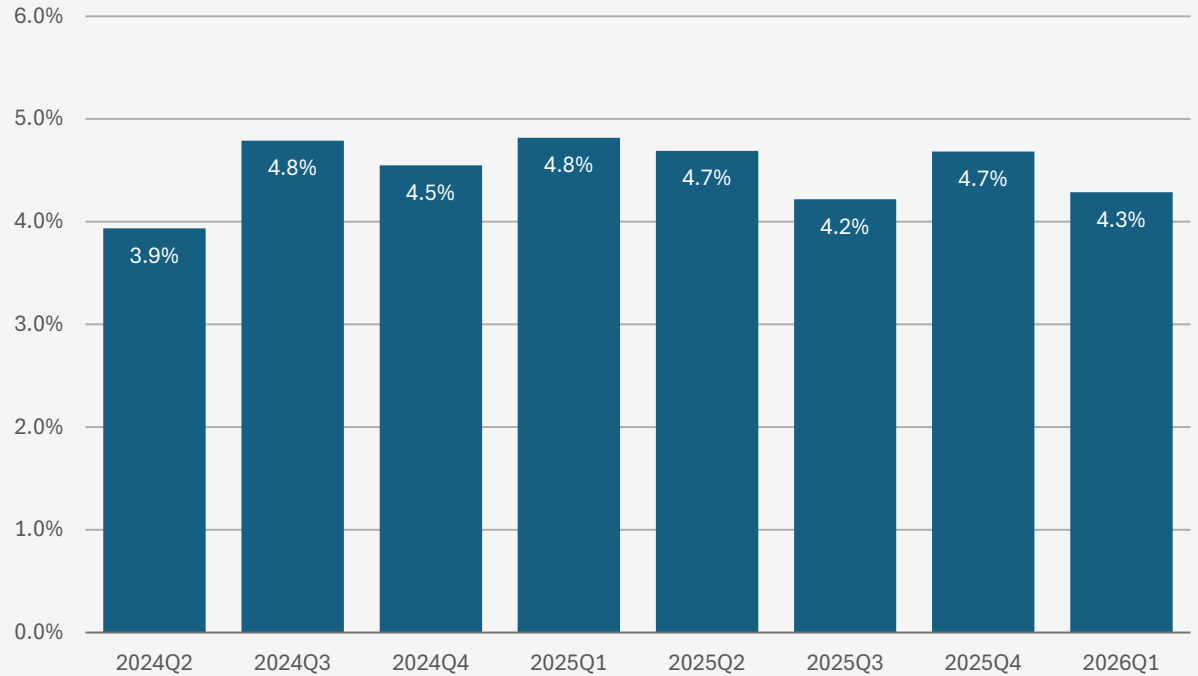
The most recent reading of 4.7% (real, inflation-adjusted) suggests steady economic expansion and reinforces the view that underlying business activity remains healthy, even as GDP has shown more variability.

Historical Data Source:

Bureau of Economic Analysis (FRED Database)

SERIES: GOAI

Gross Output (YoY, Quarterly)



Gross Output Since 2007 (Year-Over Year, Quarterly)



Personal Consumption Expenditures (PCE)

DEFINITIONS

The **Core Personal Consumption Expenditures (Core PCE) price index** measures the average change over time in prices paid by U.S. consumers for goods and services, excluding food and energy. By removing these more volatile components, Core PCE provides a clearer view of underlying inflation trends. The Federal Reserve prefers PCE over CPI because it has broader coverage and adjusts for changes in consumer behavior (substitution effects).

The Federal Reserve's long-run inflation target is 2%, measured on a year-over-year basis using the PCE price index. While the official target is defined using headline PCE, policymakers closely monitor Core PCE as a more stable gauge of inflation pressures.

CONTEXT

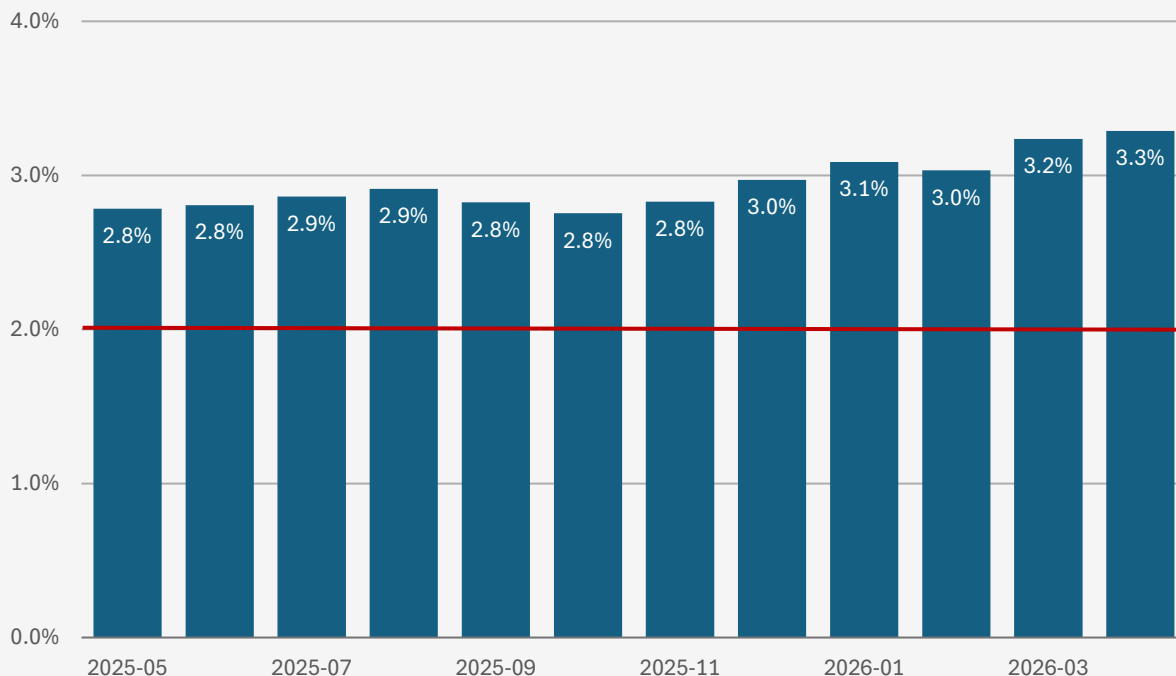
While the separate dataset of CPI (Consumer Price Index) inflation has shown some recent decline, Core PCE inflation has been stubbornly sticky. At 3.2%, the current read has actually increased year-over-year.

While inflation is projected to decline in 2026, persistence above target is the chief argument against additional Fed Funds rate cuts.

Historical Data Source:

Bureau of Economic Analysis (FRED Database)
 SERIES: PCEPILFE

Core PCE Inflation (YoY, Monthly)



Core PCE Inflation Since 2007 (Year-Over Year, Monthly)



Purchasing Manager's Index (PMI): Manufacturing

DEFINITIONS

The **Purchasing Managers' Index (PMI)**, compiled by the Institute for Supply Management (ISM), conducts surveys with purchasing managers regarding orders, production, and employment. They are a leading indicator of economic health. In this data, 50 is the watermark value. Under 50 indicates a contraction, while values over 50 indicate expansion.

The **Manufacturing** indicator measures the breadth of U.S. manufacturing activity.

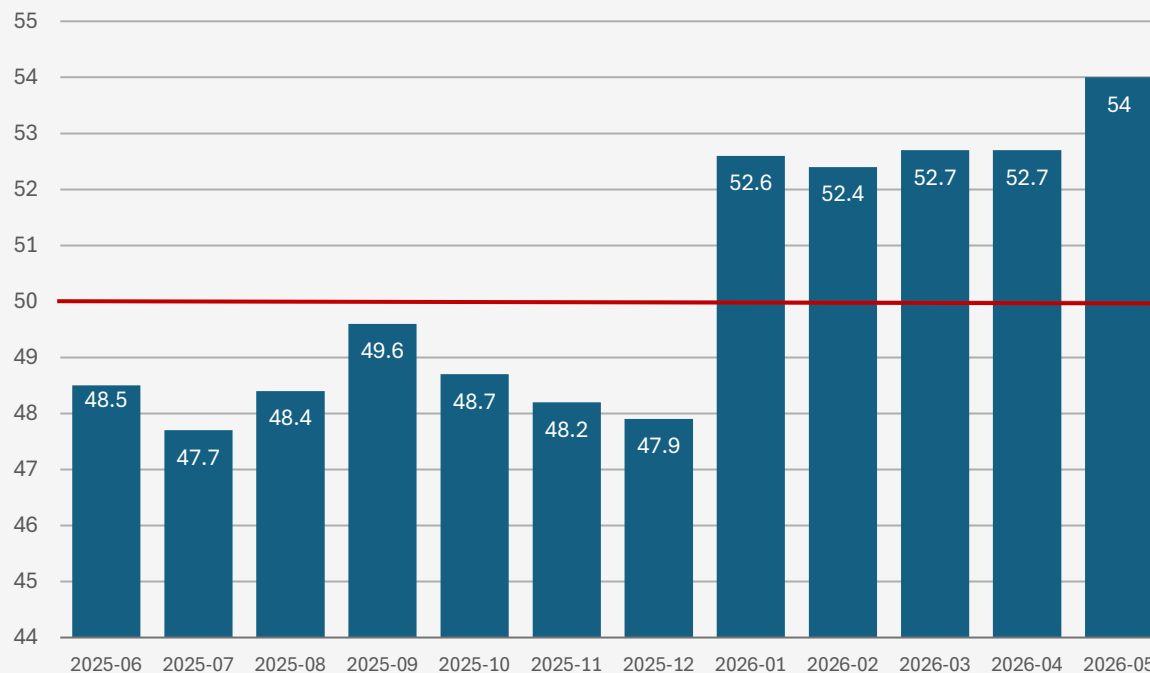
CONTEXT

While they don't publish specific forecasts, the most recent **semiannual forecast from the ISM respondents** predicted that manufacturing would return to expansion in 2026.

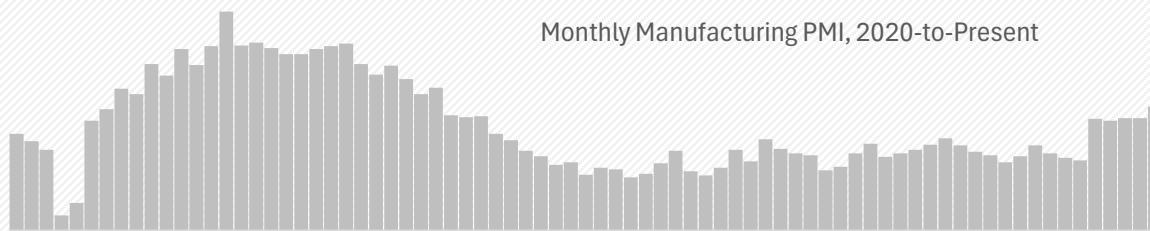
Even so, after spending almost all of 2025 in contraction territory, it has been surprising how sudden the U.S. Manufacturing rebound has been in the early months of 2026. The January value of 52.6 was the highest reported since 2022. The February and March values helped to confirm that it wasn't one outlying data point.

Historical Data Source:
Institute for Supply Management

Manufacturing PMI (Value, Last 12 Months)



Monthly Manufacturing PMI, 2020-to-Present



Purchasing Manager's Index (PMI): Services

DEFINITIONS

The **Purchasing Managers' Index (PMI)**, compiled by the Institute for Supply Management (ISM), conducts surveys with purchasing managers regarding orders, production, and employment. It is a leading indicator of economic health. In this data, 50 is the watermark value. Under 50 indicates a contraction, while values over 50 indicate expansion.

The **Services** indicator includes categories such as Finance, Healthcare, and Retail. It makes up 70-75% of the economy.

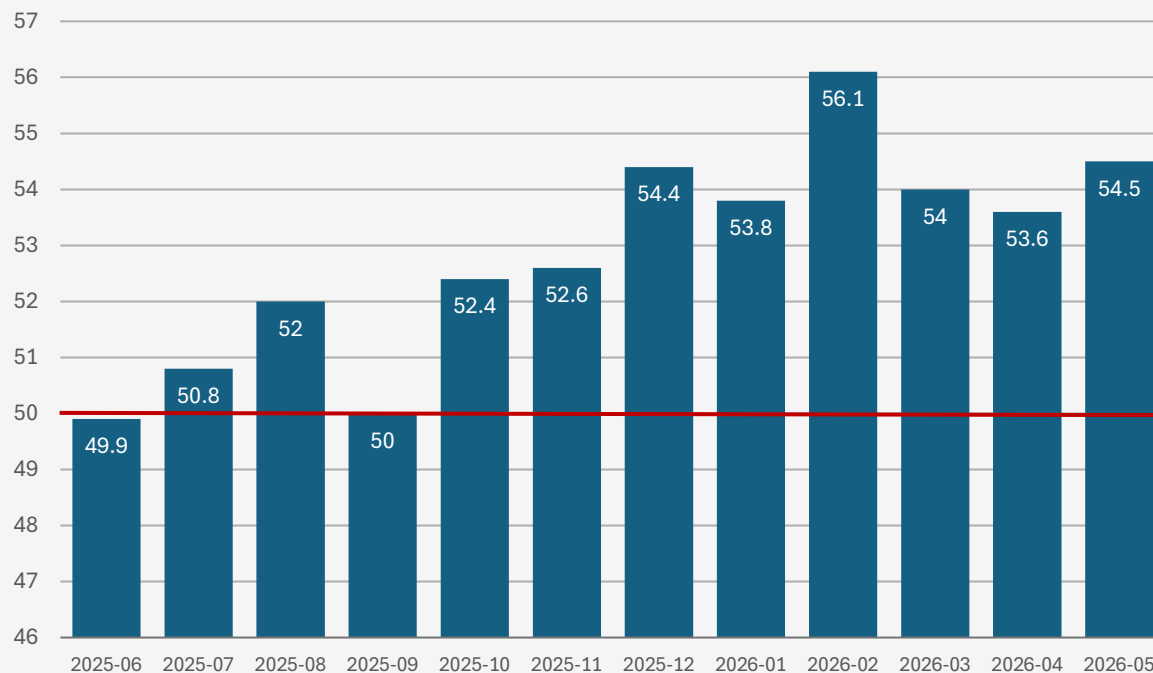
CONTEXT

While the manufacturing sector of the economy spent most of 2025 in contraction, the larger services sector has continued steady expansion. Only one month in the last two years has been below 50.

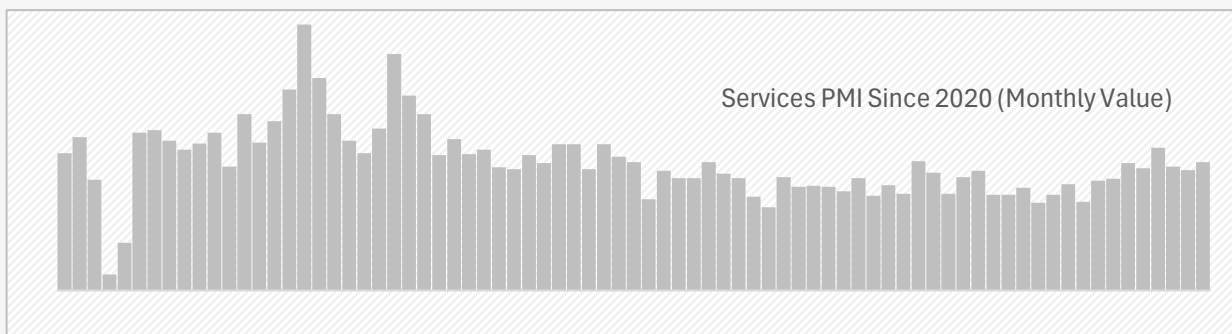
While they don't publish specific forecasts, the **semiannual forecast from the ISM respondents** predict that services sector will continue to expand in 2026.

Historical Data Source:
Institute for Supply Management

Services PMI (Value, Last 12 Months)



Services PMI Since 2020 (Monthly Value)



Manufacturer's Value of Shipments (MVS)

DEFINITIONS

Manufacturer's Value of Shipments (MVS) measures the dollar value of goods shipped by U.S. manufacturers and provides a view into realized business demand and production. Unlike survey-based indicators, MVS reflects actual economic activity—capturing what firms are producing and delivering rather than expectations or sentiment. It offers insight into goods demand, supply-chain activity, and inventory flow.

MVS is a useful compliment to PMI data as it tends to be less volatile and is less influenced by short-term sentiment shifts. Changes in shipments help identify meaningful shifts in underlying economic activity.

CONTEXT

We treat Value of Shipments as a leading indicator because of the way it cycles through sharp booms and busts. For example, during Covid the metric showed its negative peak in April, shortly after the pandemic began, before beginning to quickly recede. Our research focuses on the directional momentum of shipments.

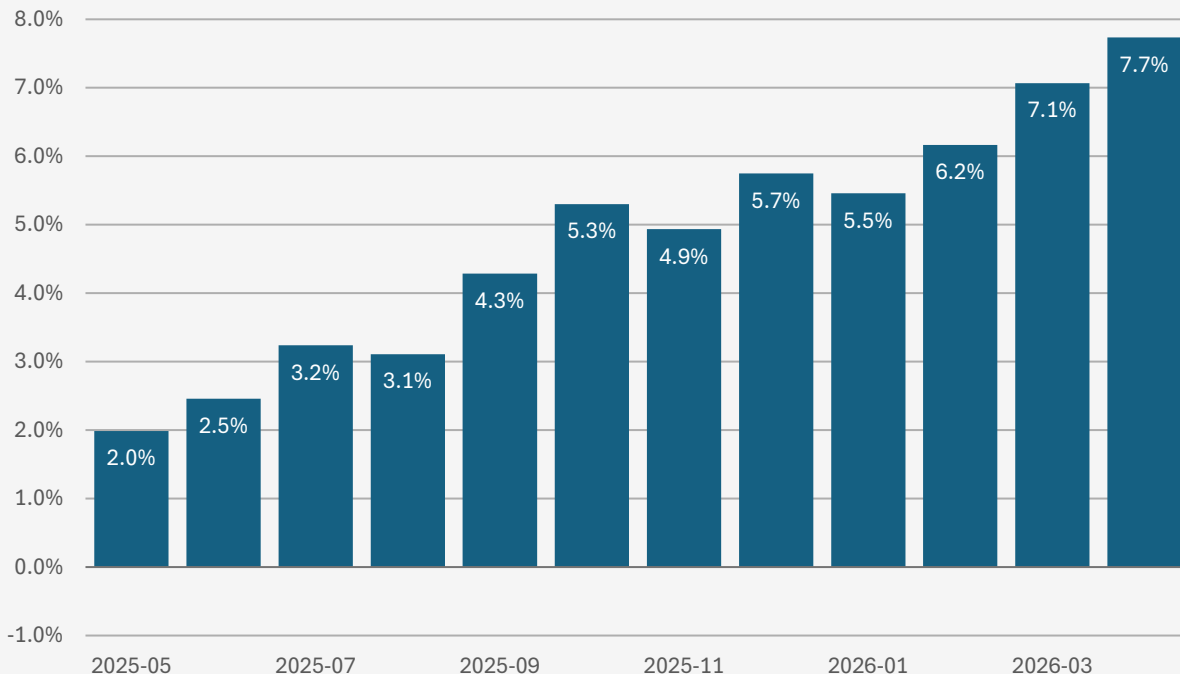
After breaking modestly negative in 2024, the data point has been on a steady march upward over the last year.

Historical Data Source:

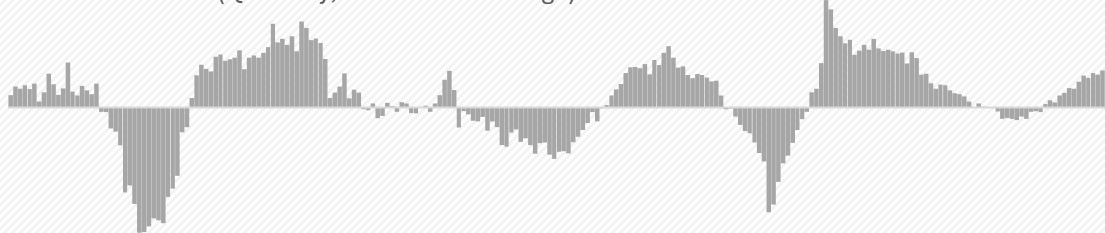
Bureau of Economic Analysis (FRED Database)

SERIES: ANXAVS

Manufacturer's Value of Shipments (Percent Change, Year-Over-Year)



MVS Data Since 2007 (Quarterly, Percent YoY Change)





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Real Wage Growth

DEFINITIONS

Real wage growth, as measured by the U.S. Bureau of Labor Statistics (BLS) index **Business Sector: Real Hourly Compensation for All Workers**, measures inflation-adjusted average hourly compensation received by all workers in the business sector (including both nonfarm and farm business, but excluding government and nonprofit institutions).

It reflects total compensation, including wages, salaries, and benefits.

In a healthy economy, over the long term, wages grow faster than inflation. Their failure to do so is a sign of economic stress and decline.

CONTEXT

In 2022 and 2023, wages were outpaced by the surge in inflation; prices were climbing faster than the wages of the workers that paid the prices.

Since mid-2023, wages have returned to positive growth above inflation and have remained there for the past eleven quarters.

Historical Data Source:

U.S. Bureau of Labor Statistics via FRED Database
 SERIES: RCPHBS

Real Wage Growth, Last 12 Quarters

