June 2026

Meaning, margins and momentum

Prospects for regime change under AI and a Warshian Fed

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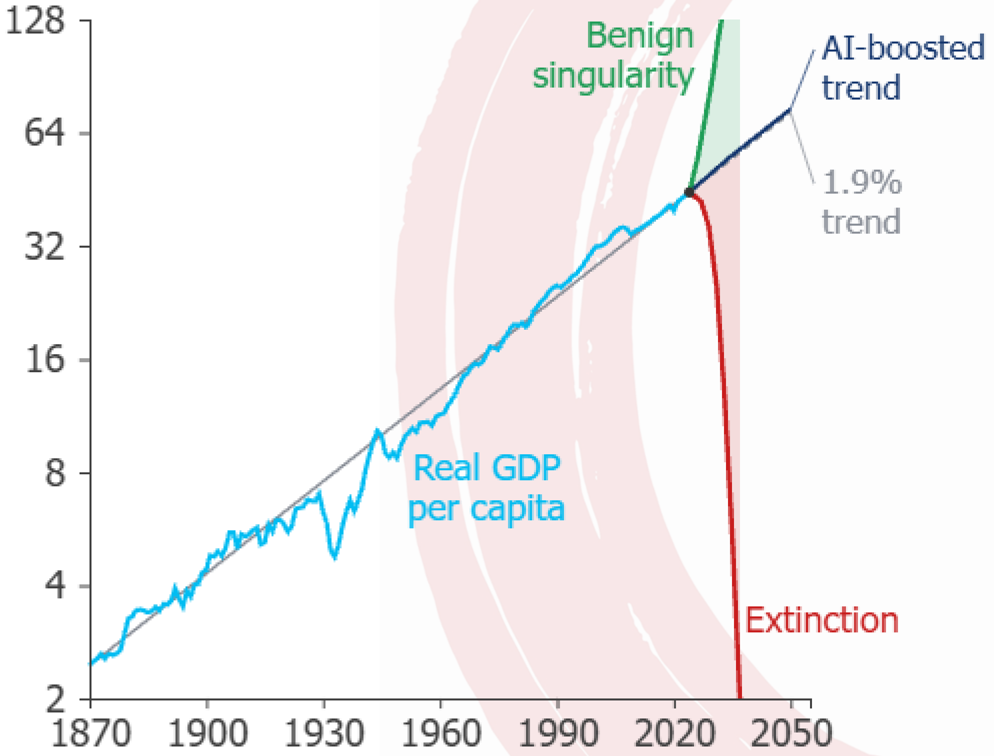
AI-driven uncertainties are genuinely enormous

AI: infinite wealth or human extinction?

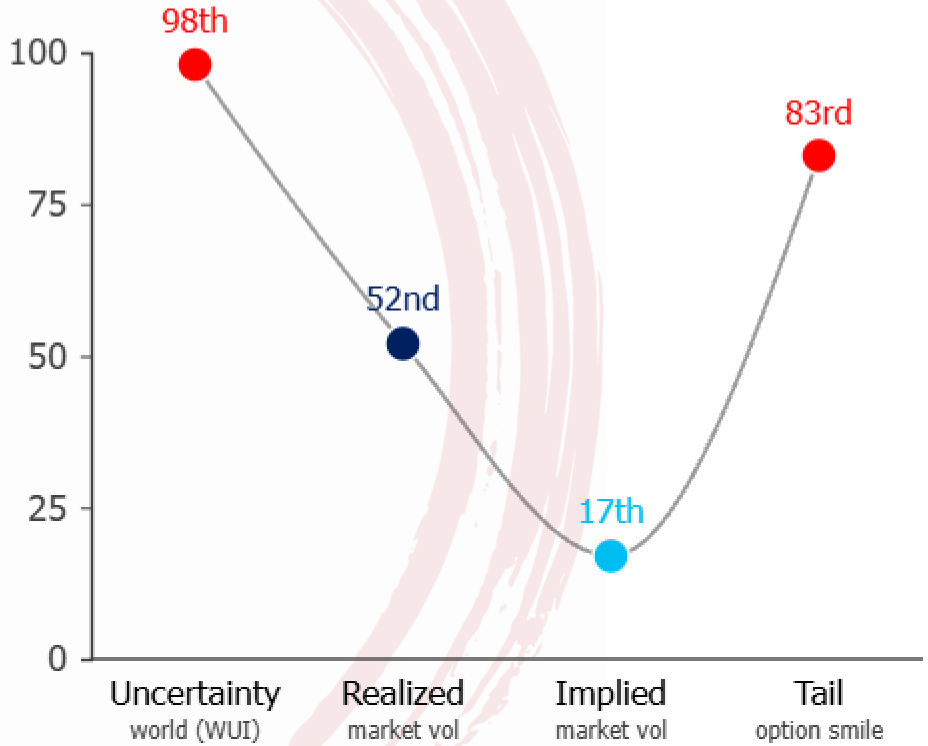
US real GDP per capita, 1990$ '000, log



Source: Maddison Project; Dallas Fed projections; Satori Insights.

The uncertainty cascade

Each gauge as a percentile of its own history



Smile = (OTM put+call)/2 - ATM, for SPX, Stoxx & USTs. Vol: equities, rates, FX, credit.
WUI quarterly (1960+); vol & smile daily (2005+). Bloomberg/Macrobond; Satori.

Most markets are pricing the mean of a distribution whose variance has exploded

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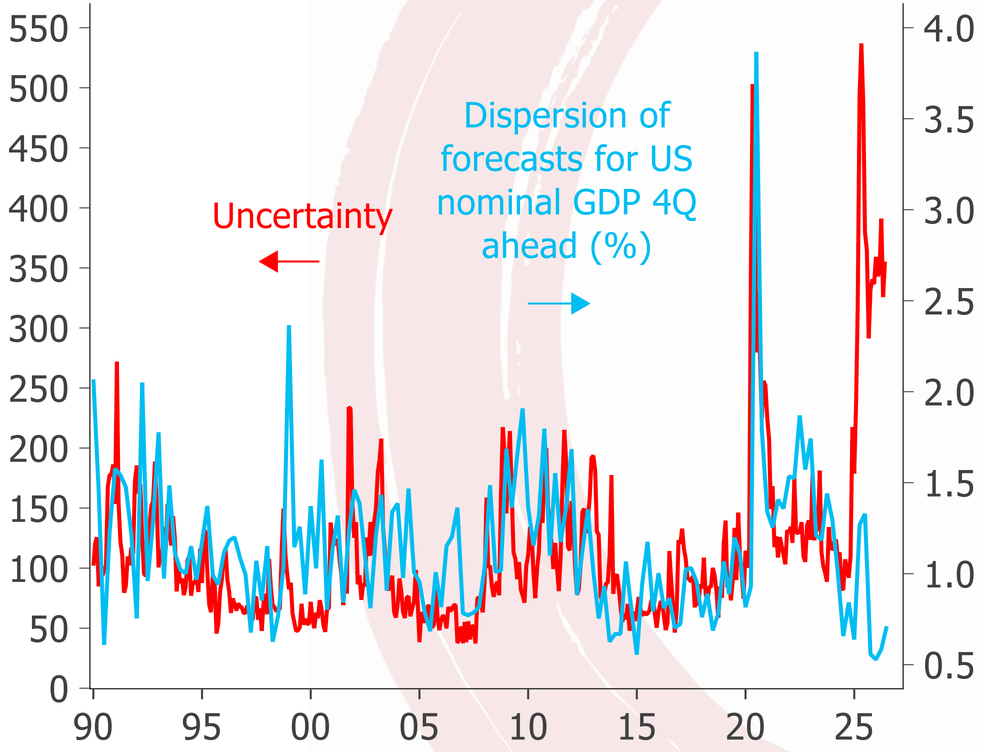
It's worth revisiting the uncertainty metrics we highlighted in Jan

Remarkable certainty about growth

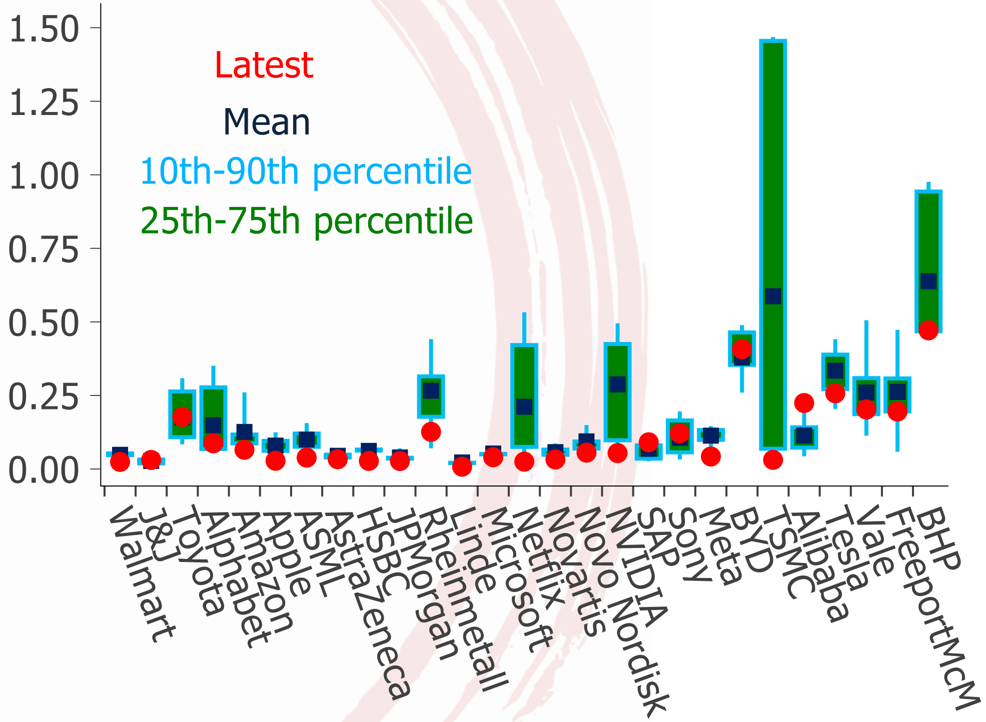
US Uncertainty vs Survey of Professional Forecasters



Source: Economic Policy Uncertainty, Philly Fed, Satori Insights.

Remarkable certainty around earnings

Range of analyst earnings estimates vs 5y history, stdev*



Source: Bloomberg, Satori Insights.
*Uses Bloomberg BEST_EPS_STD_DEV normalized by BEST_EPS.

Consensus has become even tighter since then

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Agenda

Bullish on AI technology

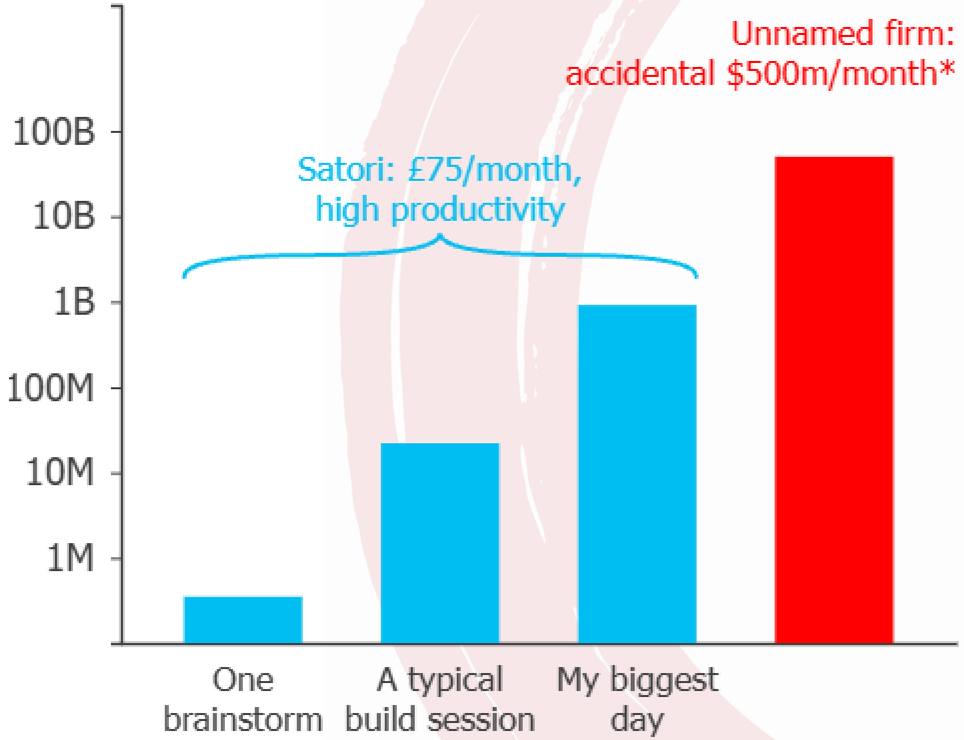
Does not mean bullish on AI market pricing

But how to cope with market momentum?

People’s AI experiences to date vary massively

Small firm, bigger benefits?

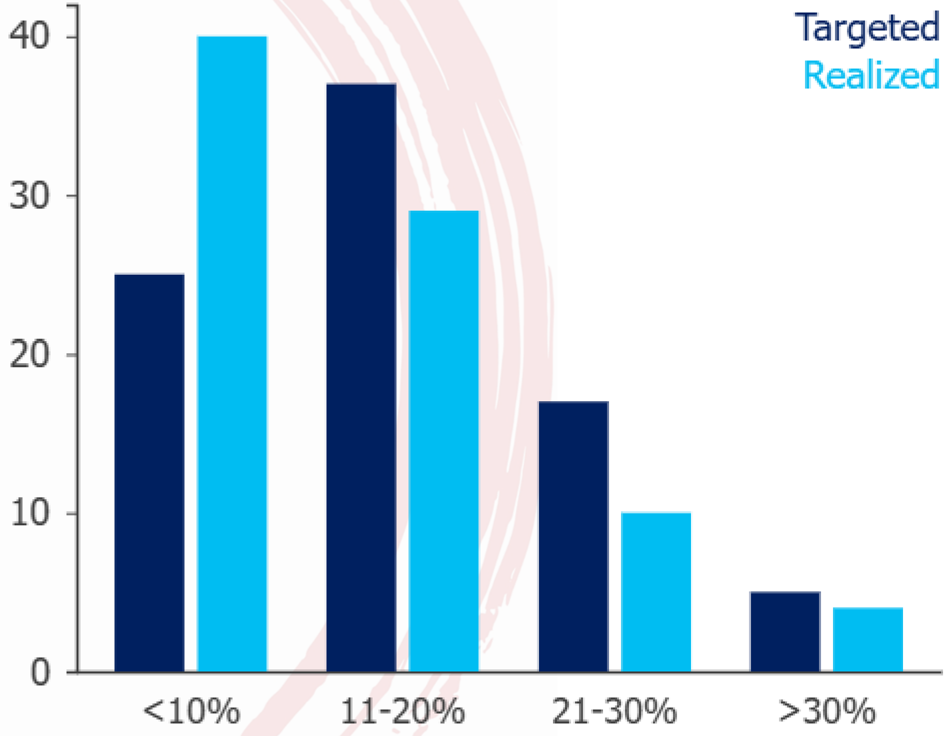
Tokens, log scale; red bar is dollar-derived



*Firm bar: ~$500m / month divided by ~$10 per M tokens; a month, not a day.
Source: Satori Claude Code logs; firm spend per Axios (28 May 2026).

Aiming high, landing low

AI cost savings: % firms, by band



Source: Bain & Company survey (n=951), Satori Insights.

AI is transforming some businesses completely – yet many firms remain disappointed

It's not the technology which is the problem

Same model, different harness

Why the same AI delights some and disappoints others

In the chat window
standard LLM – e.g. ChatGPT, Claude

I traded GBPUSD spot on Wed 3 June. When does it settle?

Spot FX settles T+2.
Trade date: Wed 3 June ✓
Settling Thursday 5 June ✗
or, with holidays,
Friday 6 June ✗

There was no 'Thursday 5 June' – 5 June 2026 was a Friday.

Untooled chat: the calendar runs inside the language model.

In a harness
agentic – e.g. Claude Code, Codex

I traded GBPUSD spot on Wed 3 June. When does it settle?

language model
plans, calls a tool

↓

python
FX business-day calendar

↓

Trade date: Wed 3 June ✓
Settles T+2: Fri 5 June ✓

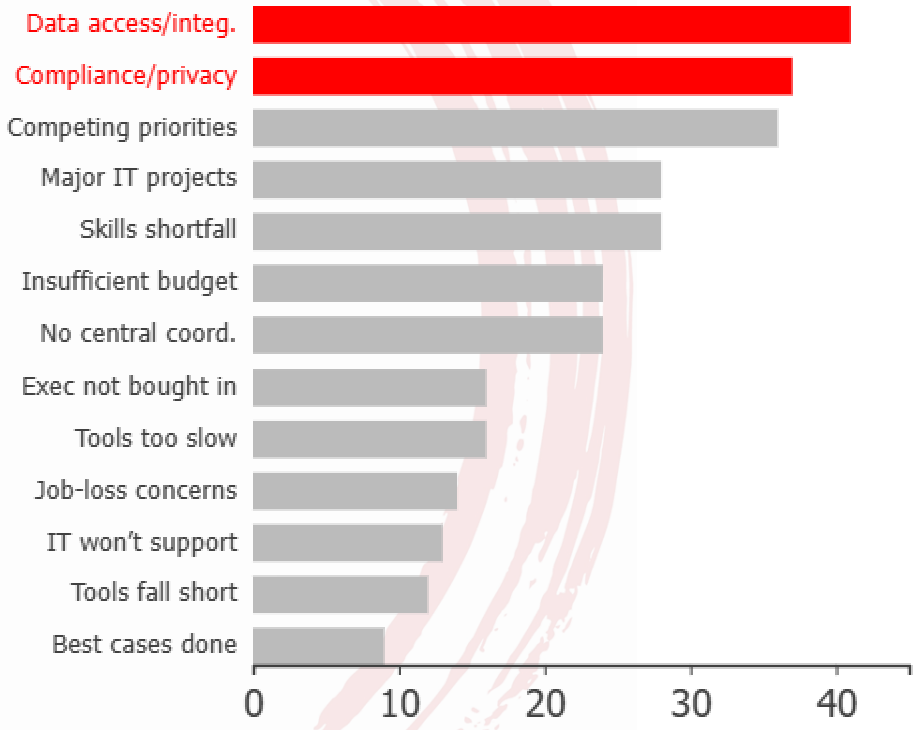
Tooled session: the arithmetic never touches the model.

"I was generating a plausible-sounding date string ... my generation process produced it without a separate arithmetic verification step catching the inconsistency."
– the chat model's own post-mortem, 3 June 2026

Source: Satori Insights; a real exchange, lightly reconstructed.

Data access is the obstacle

Top barriers to AI progress, % firms citing



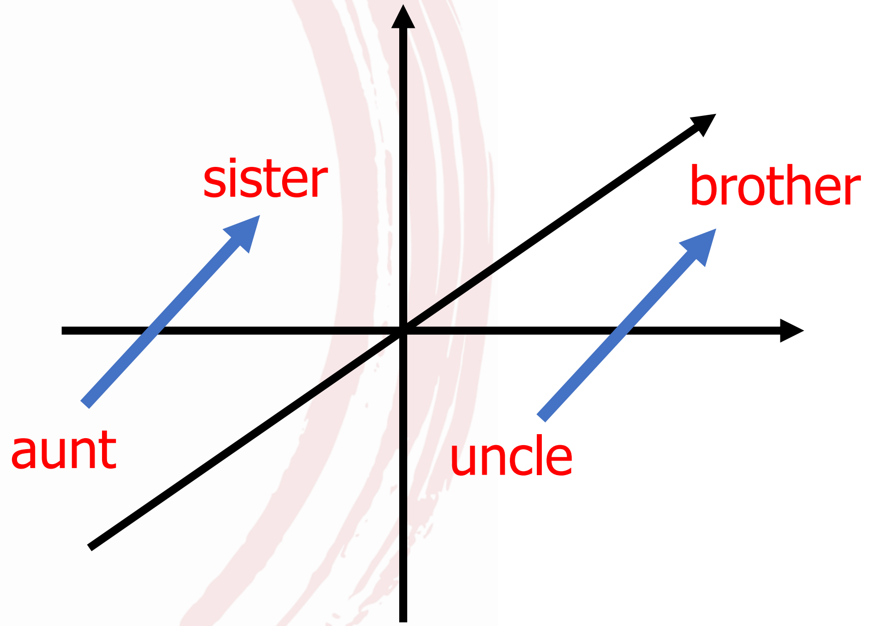
Cited by 44% of firms that hit their targets and 40% that missed.
Source: Bain & Company survey (n=951), Satori Insights.

It's the integration with data and systems

Many people still underestimate AI's true capabilities

Many mistakenly caricature AIs as probabilistic word-prediction engines

But – once properly scaled - meaning is just a relationship vector in multidimensional space



Source: Satori Insights, with inspiration from 3Blue1Brown.

They're not stochastic parrots: they find *meaning*

* Our favourite takes here come from any of the Geoffrey Hinton interviews – not least because he makes a credible claim not to have a vested interest.
E.g. [*Godfather of AI: I Tried to Warn Them, But We've Already Lost*].

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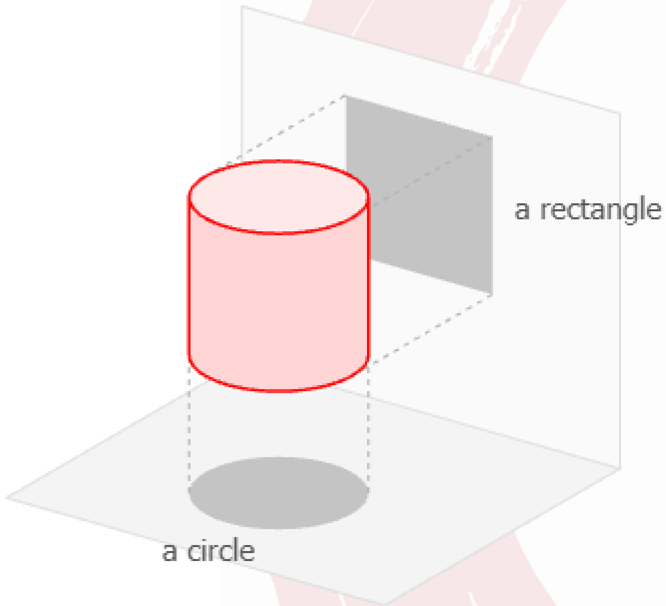
Meaning and understanding are not binary

Fewer dimensions, less meaning

The same object casts very different shadows

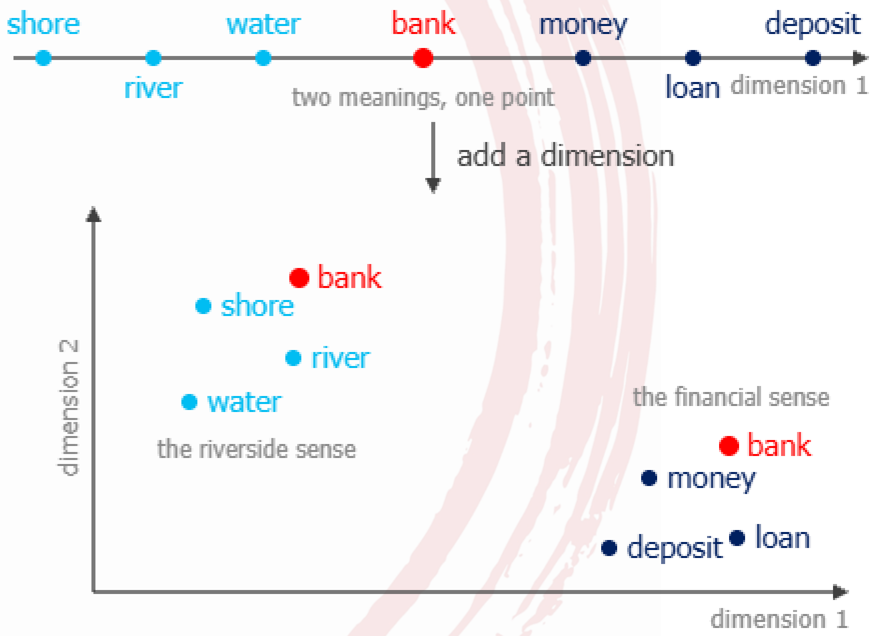


Neither shadow is wrong – each is incomplete.

Source: Satori Insights.

More dimensions, more meaning

Adding dimensions separates the meanings of "bank"



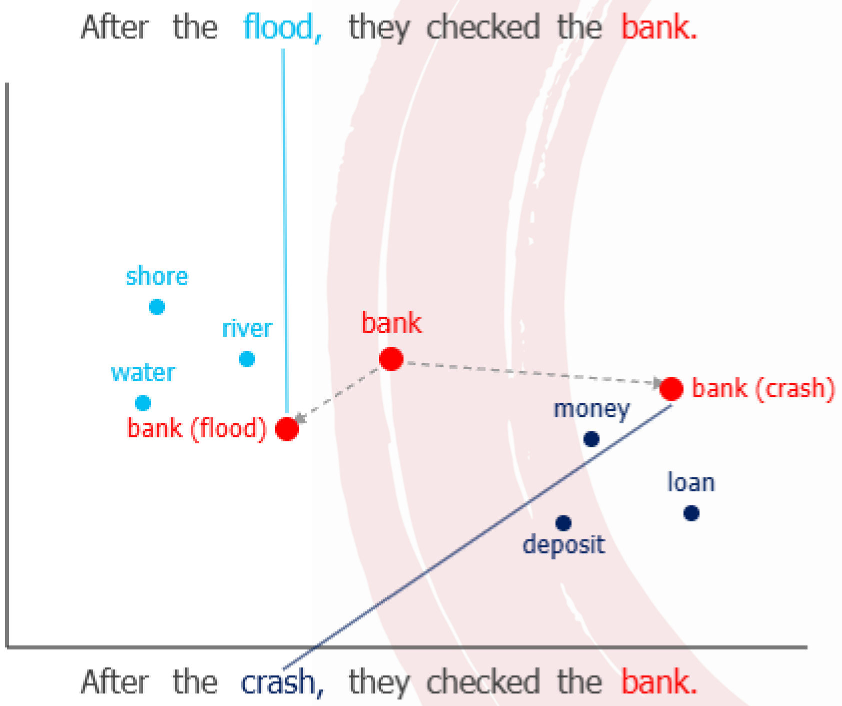
Source: Satori Insights.

They grow with our ability to make connections in multidimensional space

Meaning depends upon context

Context moves meaning

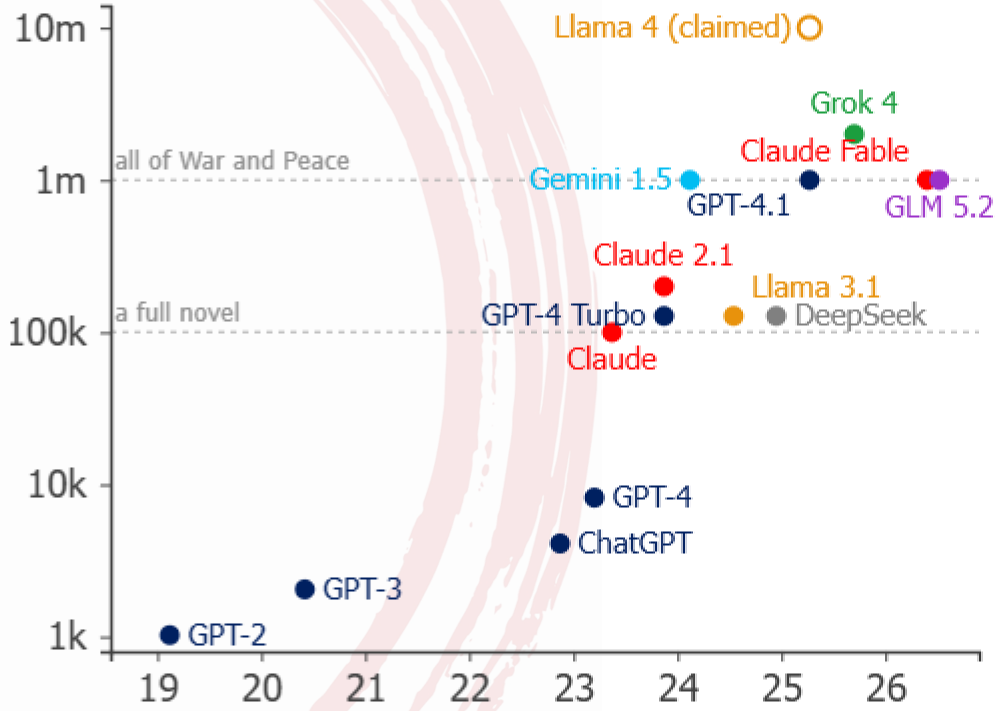
The sentence pulls "bank" into place



Source: Satori Insights.

Bigger windows give better views

Maximum context window by model, tokens, log scale



Note: capacity compounds – the number of nearly-perpendicular meaning directions rises exponentially with dimension count.

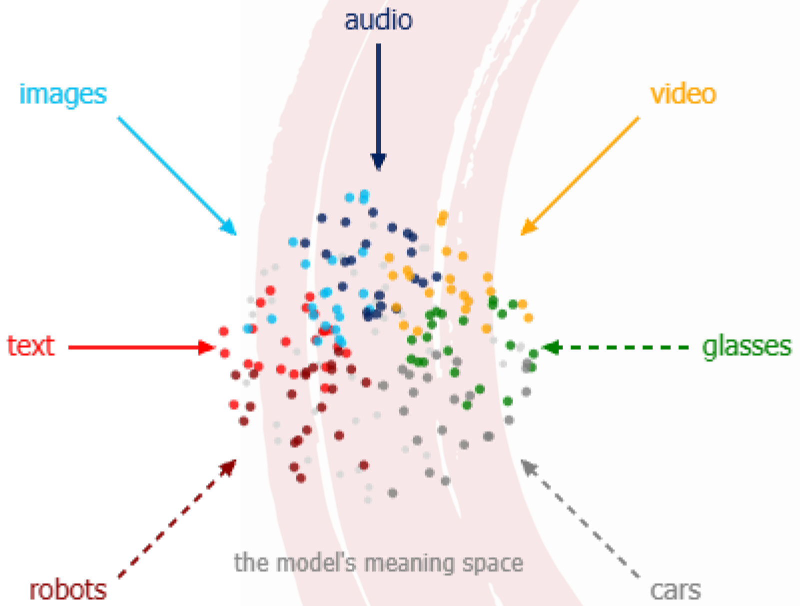
Source: company model releases; Satori Insights.

And context windows are expanding exponentially

The only thing missing is knowledge of *stakes* and consequences

The other senses arrive

Each modality adds grounded dimensions

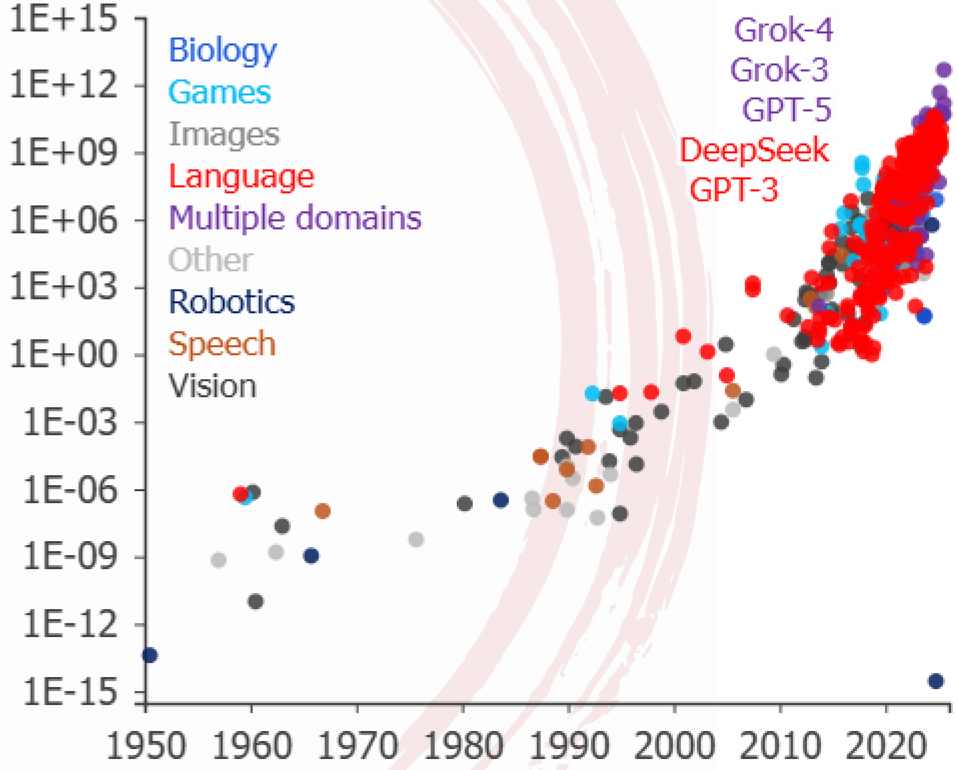


6G is "gonna make all of us into walking cameras"
– Cristiano Amon, Qualcomm CEO, Computex 2026

Source: Satori Insights; Bloomberg (Computex 2026).

As AI capabilities explode

AI training models by dataset size, petaflops



Source: Our World in Data; Epoch AI.

Those are about to come with multi-sensory experience

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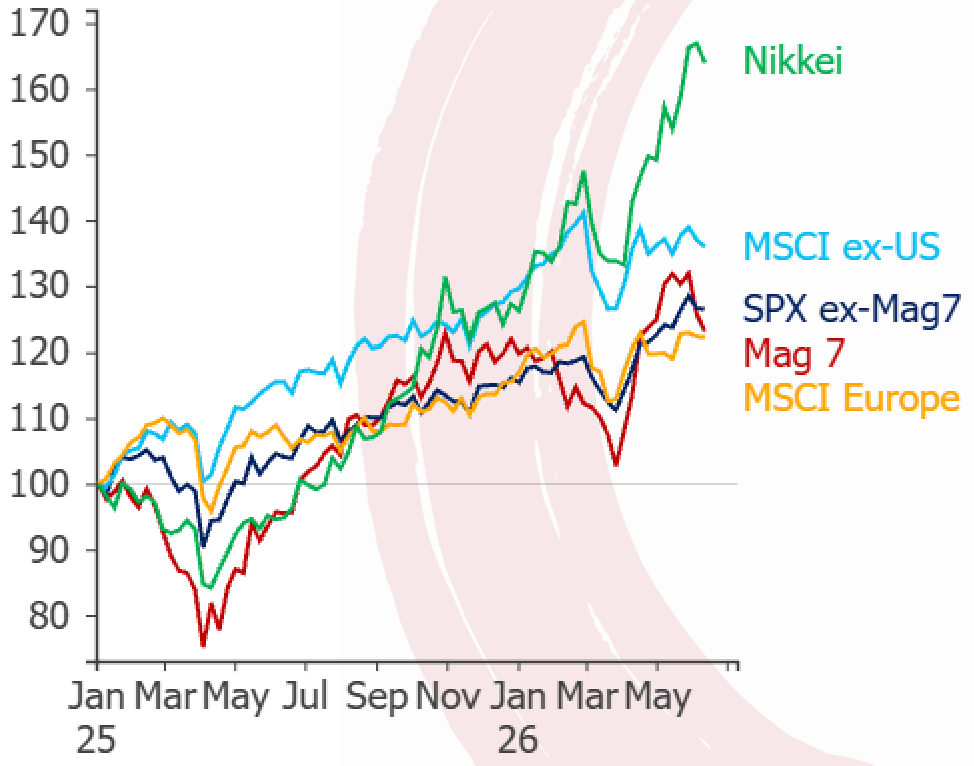
Bullish on AI technology

Does not mean bullish on AI market pricing

But how to cope with market momentum?

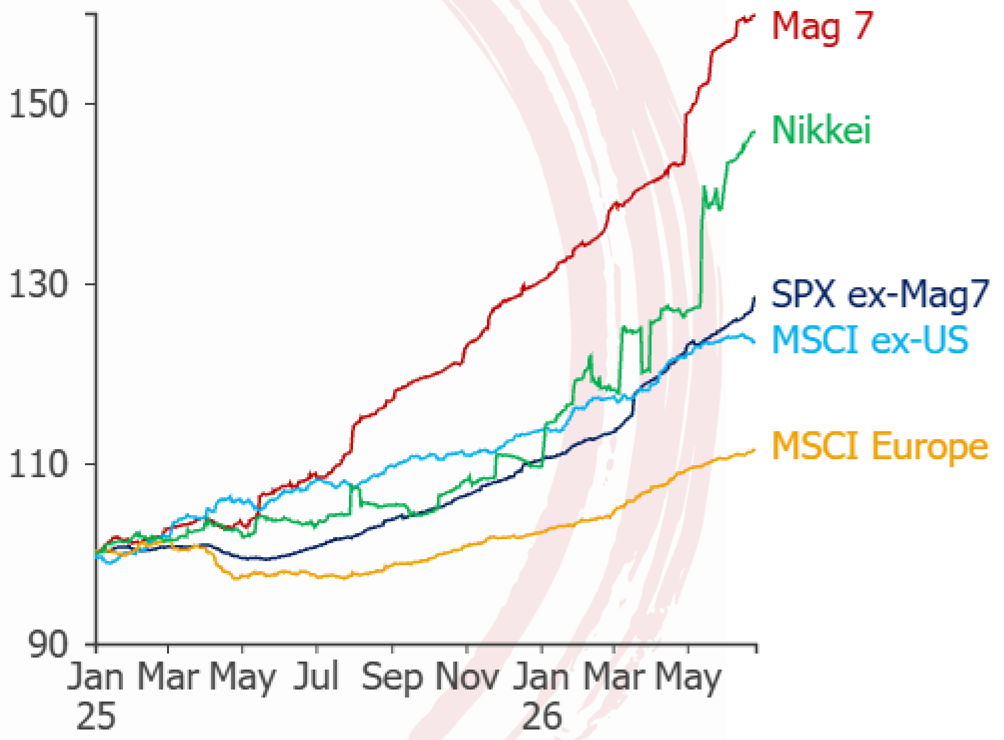
Bulls say the equity rally is driven by fundamentals

Prices are a long way higher
Price, indexed Jan 2025 = 100



Source: Bloomberg, Macrobond, Satori Insights.

But no more so than earnings
12m forward EPS, indexed Jan 2025 = 100



Source: Bloomberg, Macrobond, Satori Insights.

Most of it is indeed earnings growth, not re-rating

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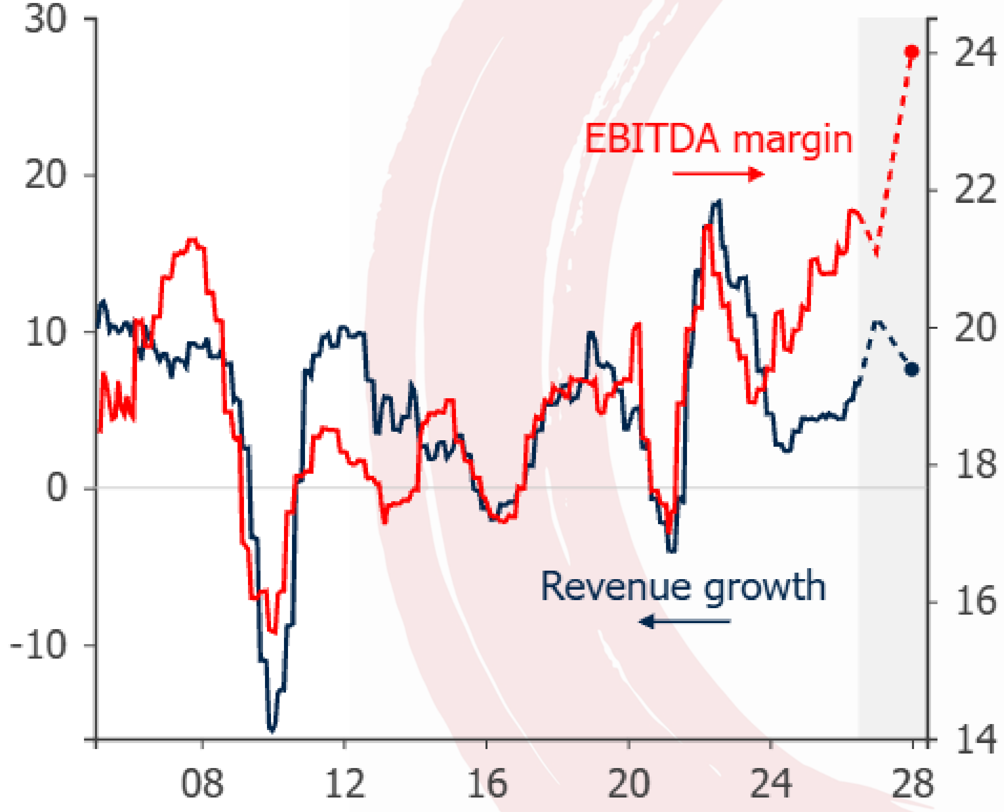
But it's not revenue growth – it's margins

S&P 500: the great disconnect

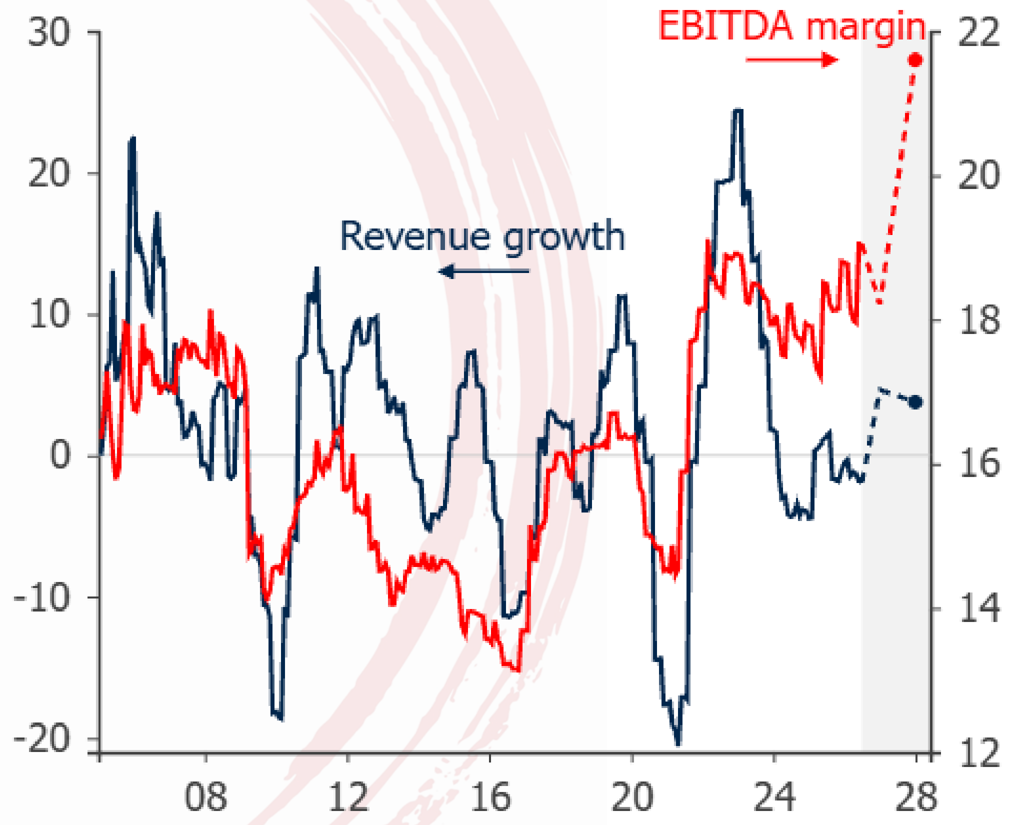
Revenue growth %y/y vs EBITDA margin %



Source: Bloomberg, Satori Insights. Dotted/shaded = consensus estimates.

Europe: same hope, less revenue

Revenue growth %y/y vs EBITDA margin %



Source: Bloomberg, Satori Insights. Dotted/shaded = consensus estimates.

The question is how sustainable these are

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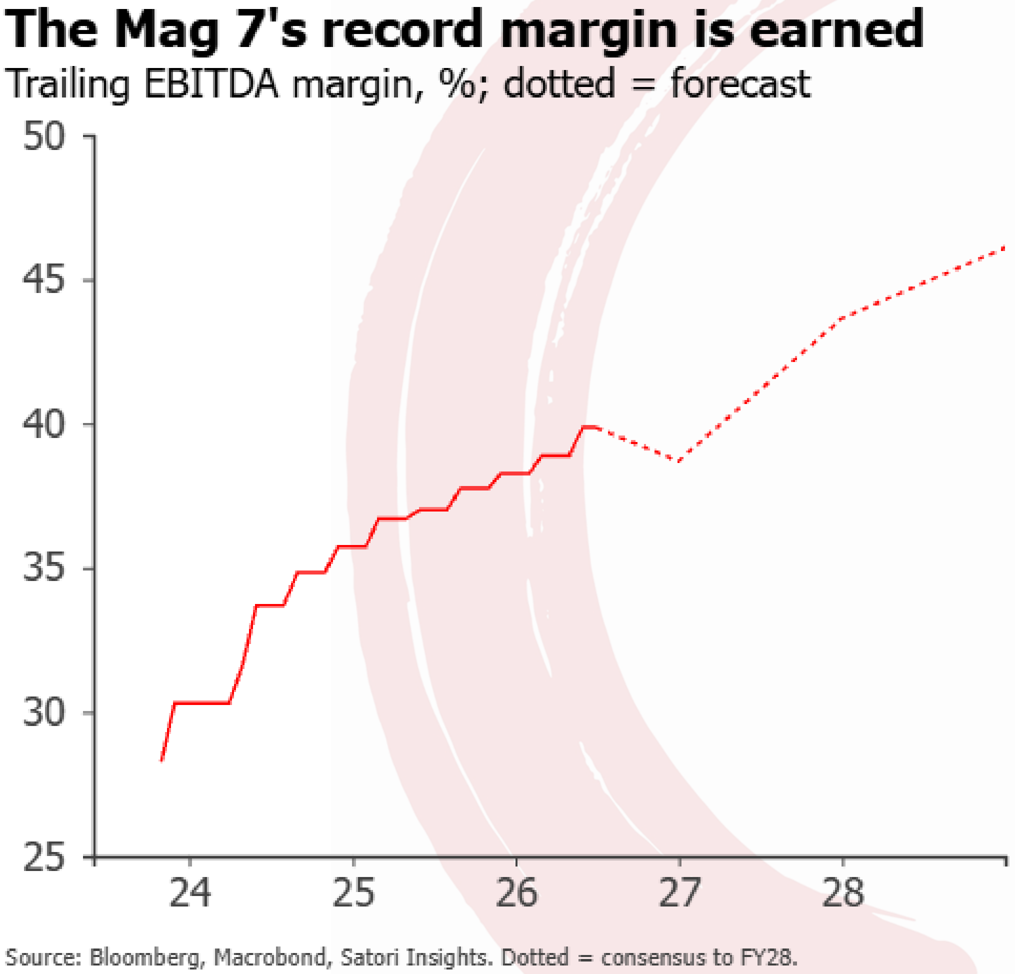
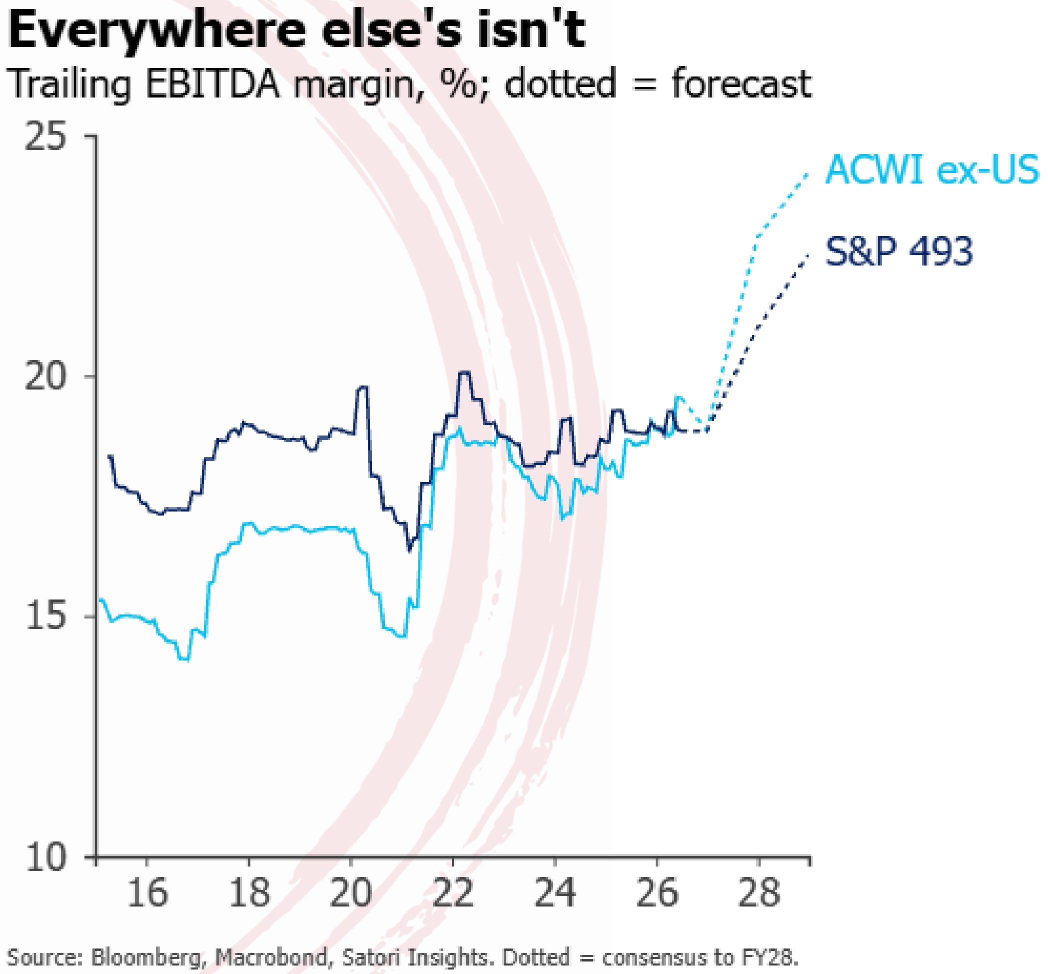
Much of the margin growth is expected rather than historical





Might every sector soon reap the AI benefits the tech sector is reaping already?

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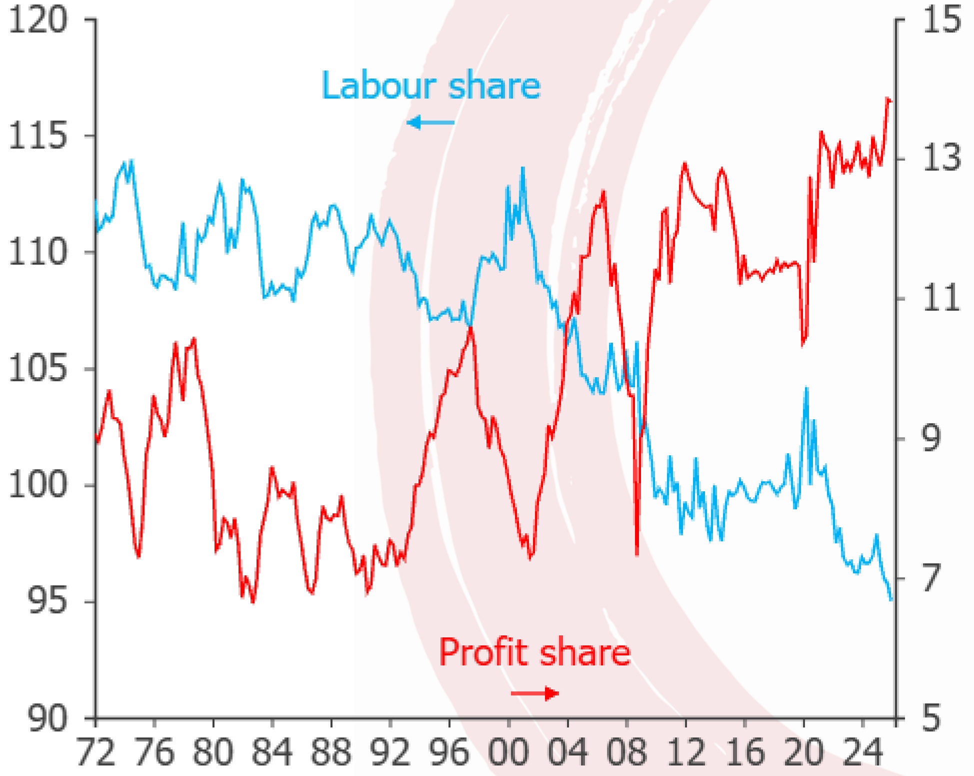
Problem 1: You only win the margin by firing

Capital's gain, labour's loss

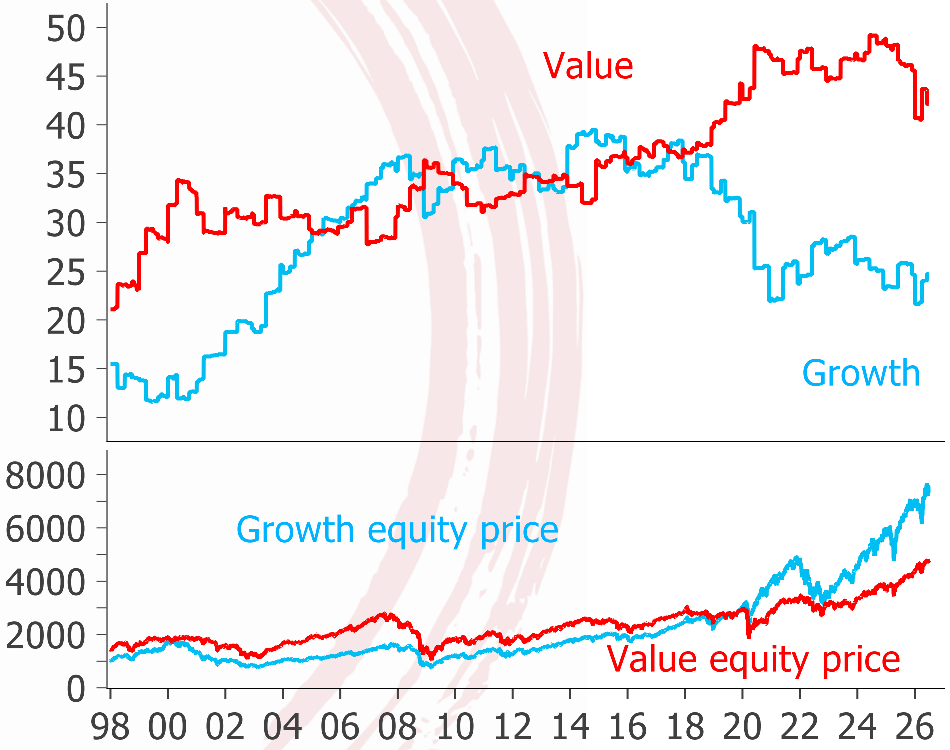
US labour share (index) vs profit share (% GDP)



Source: BLS, BEA, Macrobond; Satori Insights.

Higher productivity - until we all do it

Number of employees by MSCI World sector, m



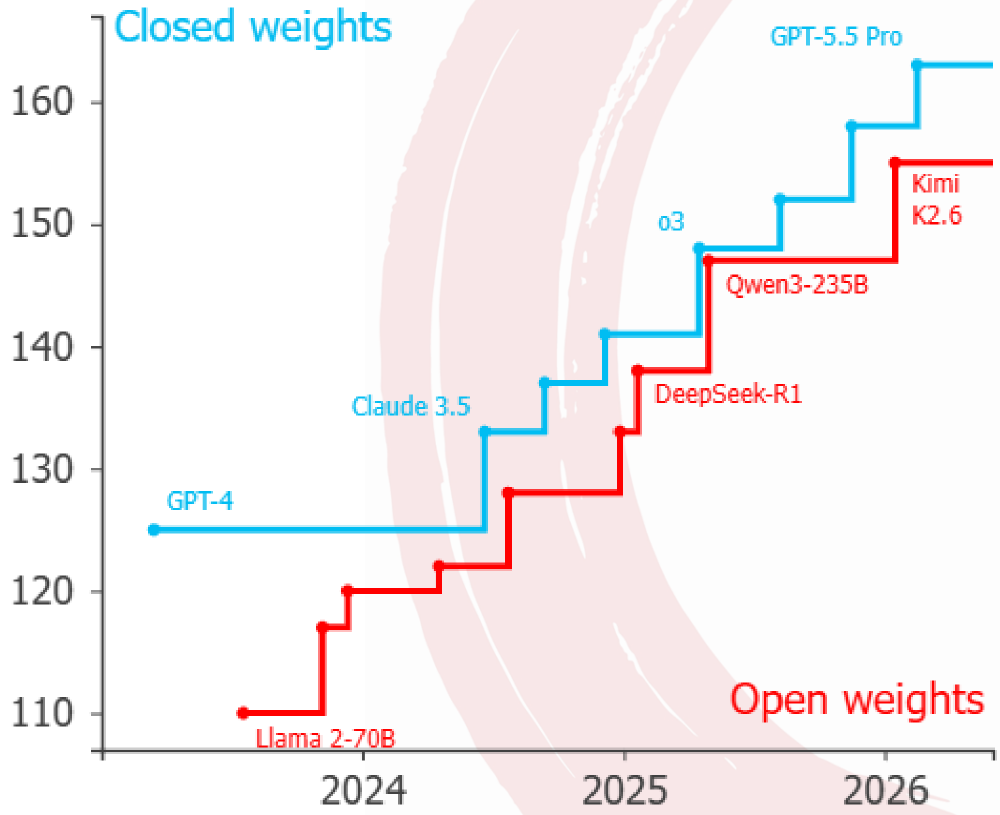
Source: MSCI, Bloomberg, Satori Insights.

One firm's wage bill is another's revenue – economy-wide it's self-defeating

Problem 2: For tech, the technology eats its own moat

The moat is down to four months

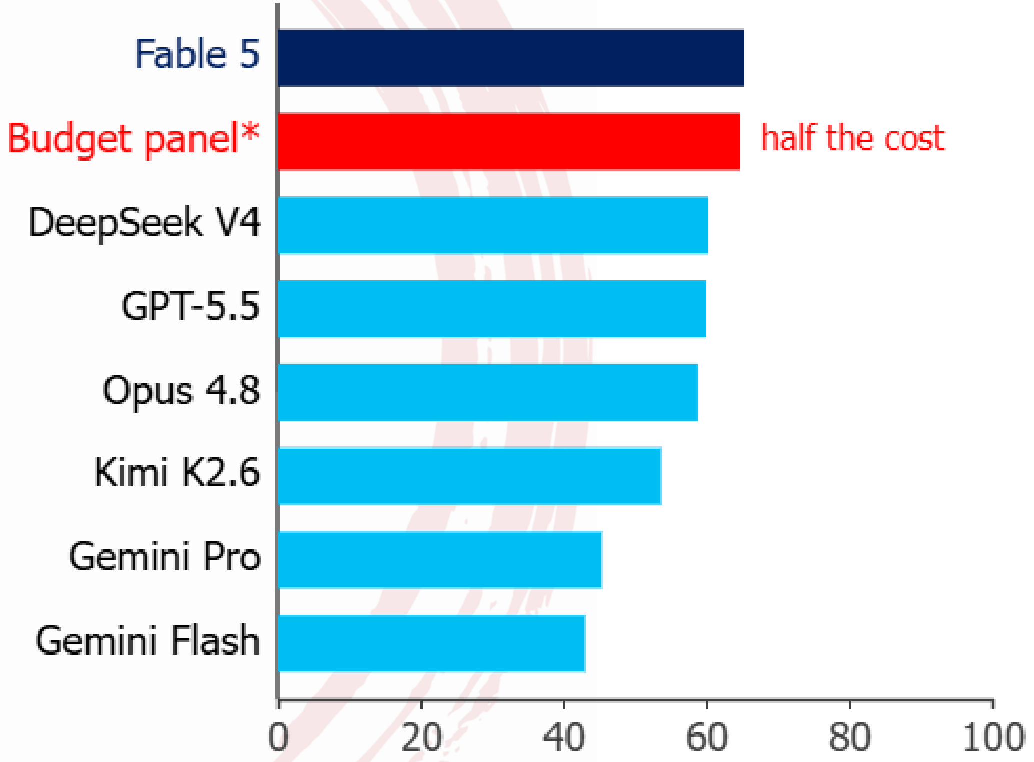
Epoch Capabilities Index, closed vs open weights



Source: Epoch AI, Epoch Capabilities Index (ECI), epoch.ai.

Frontier quality, half the price

DRACO benchmark score, %



* Budget panel: Gemini Flash + Kimi K2.6 + DeepSeek V4, fused by Opus 4.8.

Source: OpenRouter (Fusion / DRACO); Satori Insights.

Cheap open-weight copies are months behind, at half the price – and models are portable

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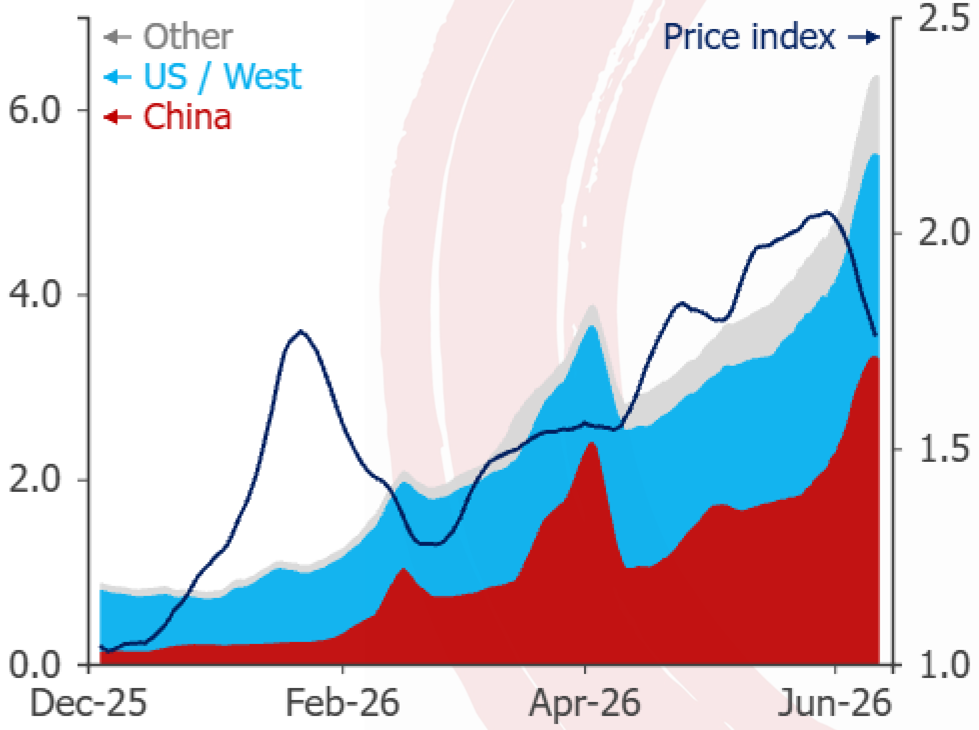
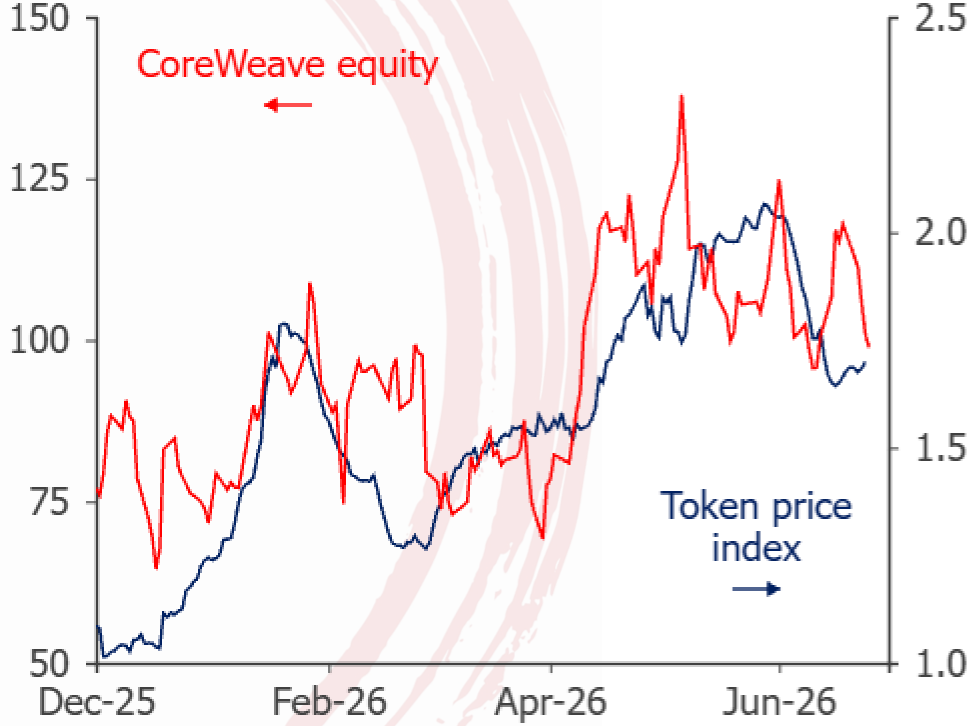
Problem 3: the economics are vulnerable to deterioration

Token demand ≠ willingness to pay
Tokens/day by model origin (trn) vs price index



OpenRouter volume sample (not whole market) by model origin (not user geography); 7d avg.
Source: OpenRouter; Silicon Data (Bloomberg, Macrobond); Satori Insights.

A problem for those selling it
CoreWeave equity ($) and token price index



Token index: Silicon Data, market-wide $ paid per million tokens (mix-shift driven).
Source: Bloomberg, Macrobond; Satori Insights.

Bullish the tech ≠ bullish market prices

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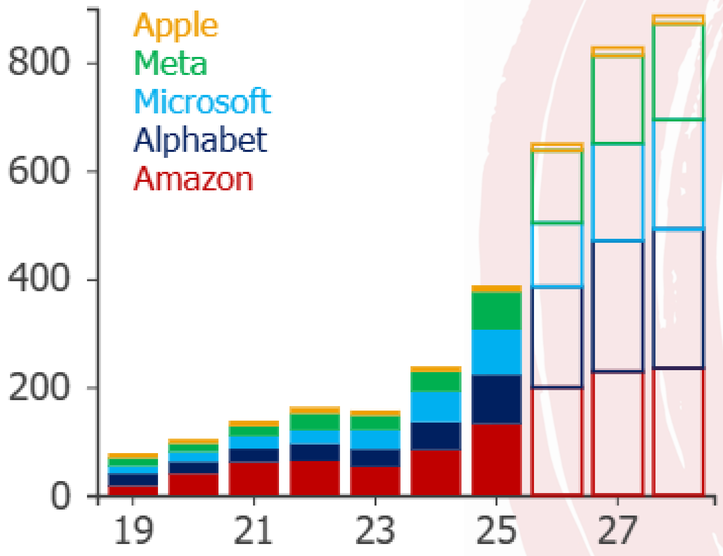
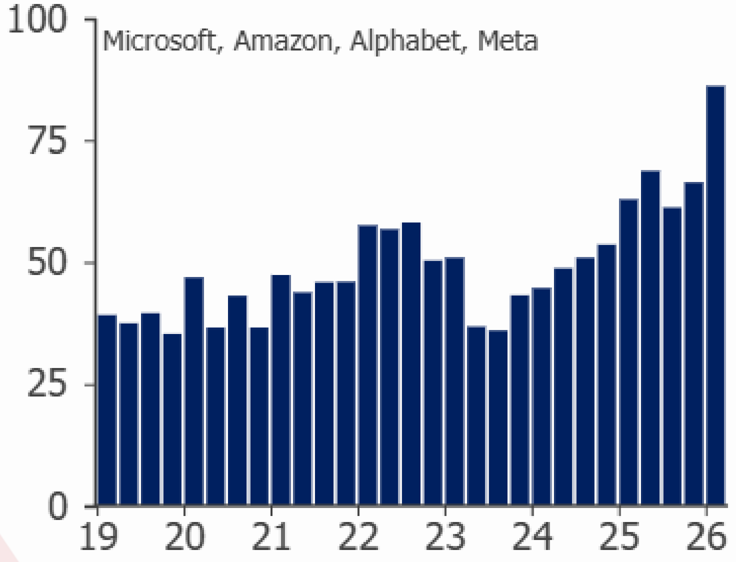
Problem 4: The build-out rests on finite credit and circular gains

The build-out is vast
Annual capex, $bn



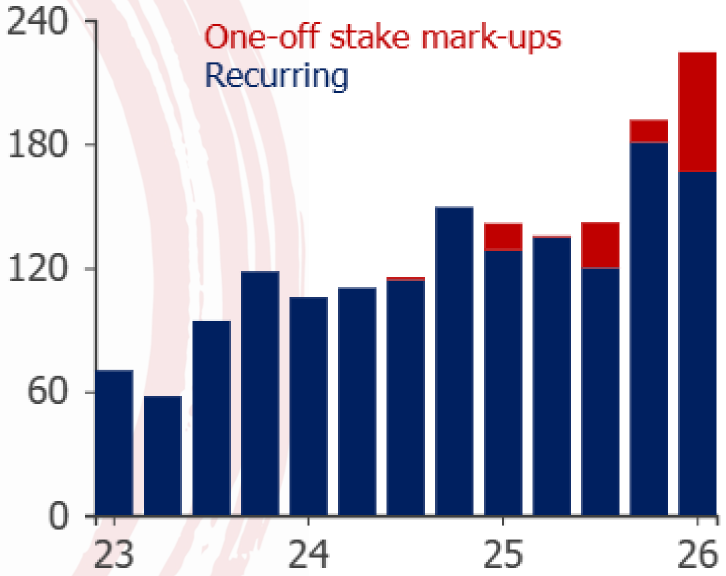
Source: Bloomberg, Macrobond, Satori. Annual; FY26-28 est.

…and eats all the cash
Capex as % operating cash flow



Source: Bloomberg, Macrobond, Satori. Quarterly.

…and some profit is circular
Mag 7 quarterly net income, $bn



Source: Bloomberg, Macrobond, Satori Insights.

Increasingly, AI funds AI

Agenda

Bullish on AI technology

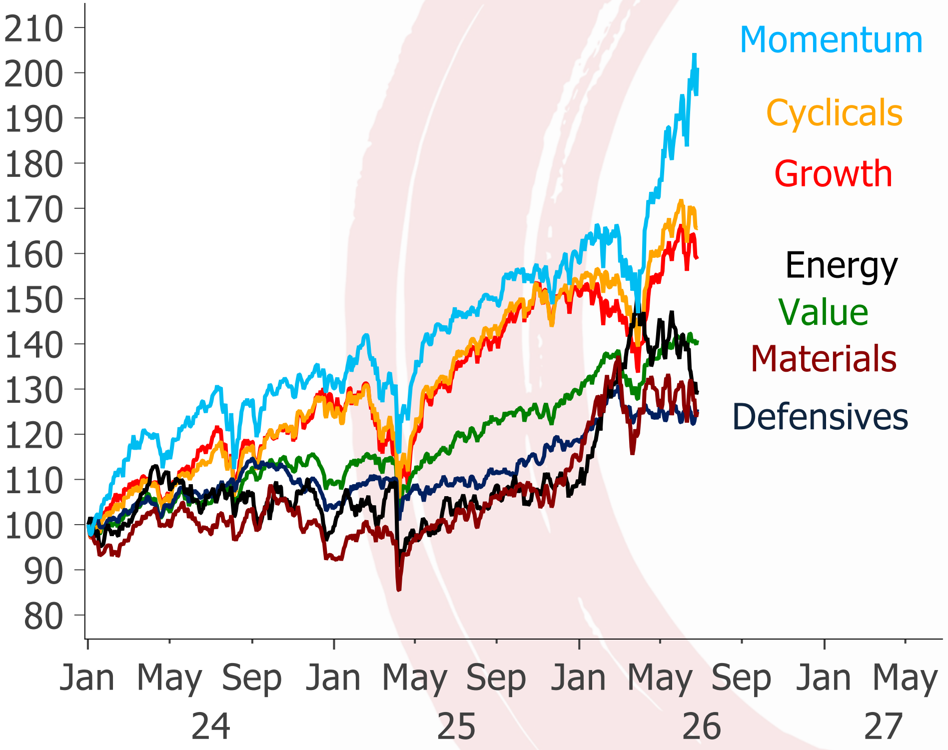
Does not mean bullish on AI market pricing

But how to cope with market momentum?

Market price action has also felt increasingly circular

The real leader isn't AI or growth

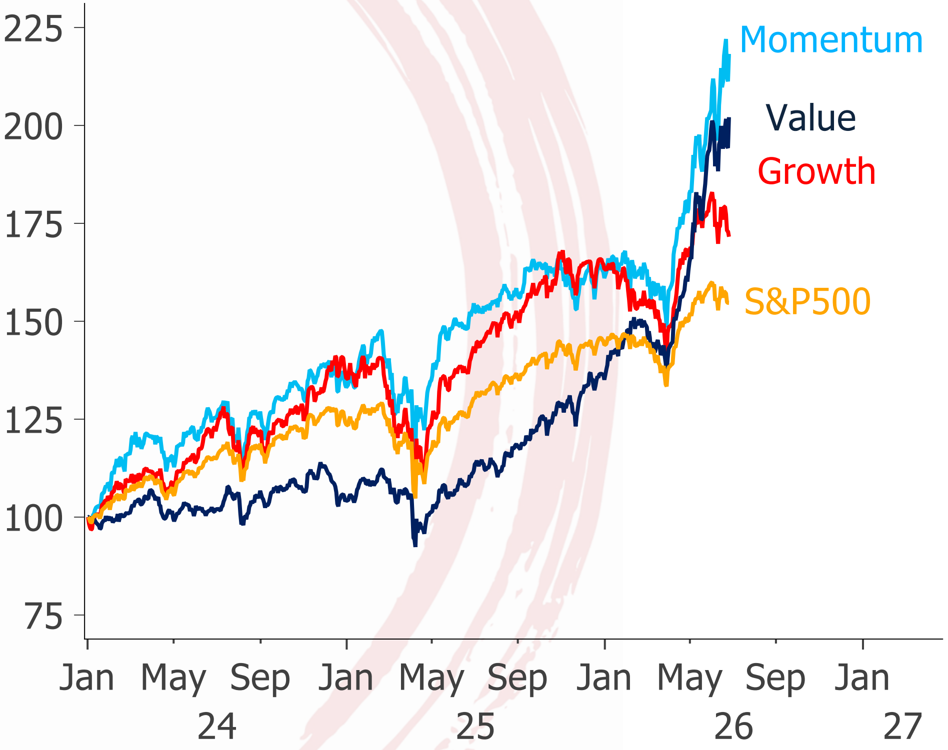
MSCI World equity factors, Jan24=100



Source: MSCI, Bloomberg, Satori Insights.

The momentum is now in Momentum

MSCI US equity factors, Jan24=100



Source: MSCI, Bloomberg, Satori Insights.

Individual assets have faltered, but equities have pushed relentlessly higher

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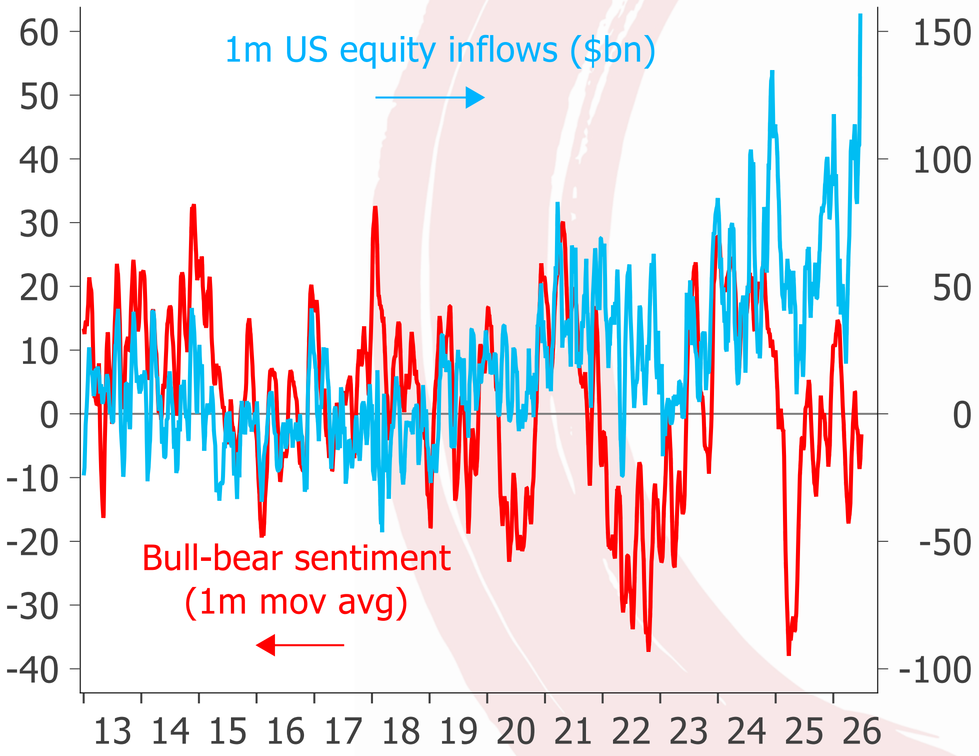
This has rested in large part on record US equity inflows

Sentiment lower, but inflows carry on

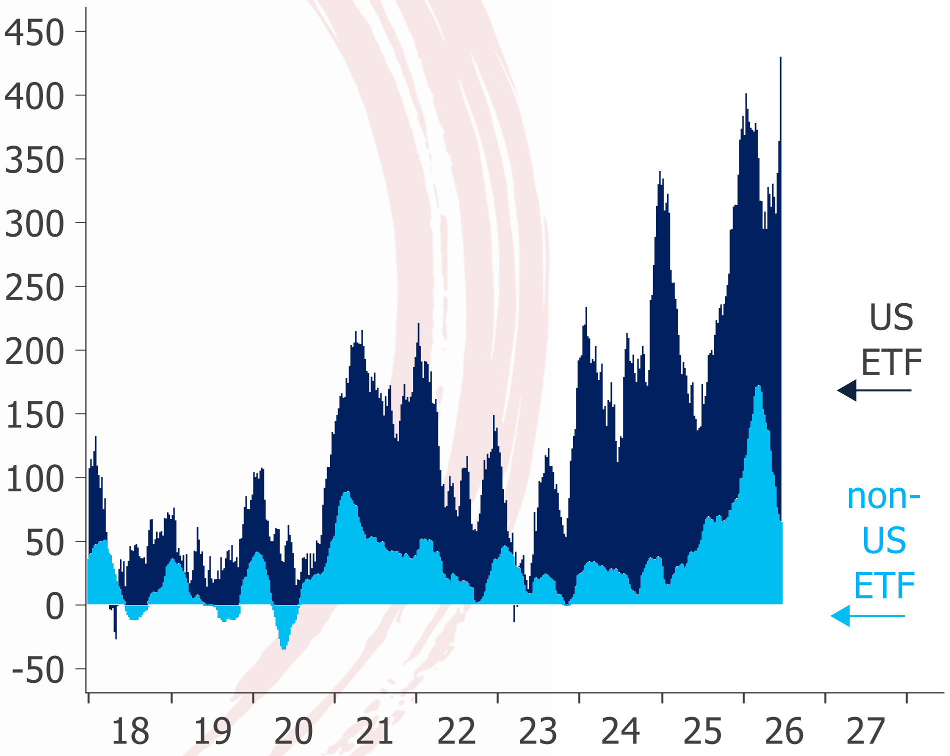
US equity fund+ETF inflows vs sentiment



Source: AAII, ICI, Satori Insights. Uses ETF inflows only from 2019 as ICI data exclude CITs.

Exuberance in action

Equity ETF inflows, rolling 3m, $bn



Source: ICI, S&P Global, Macrobond, Satori Insights.

Every dip has been bought – and every rally also

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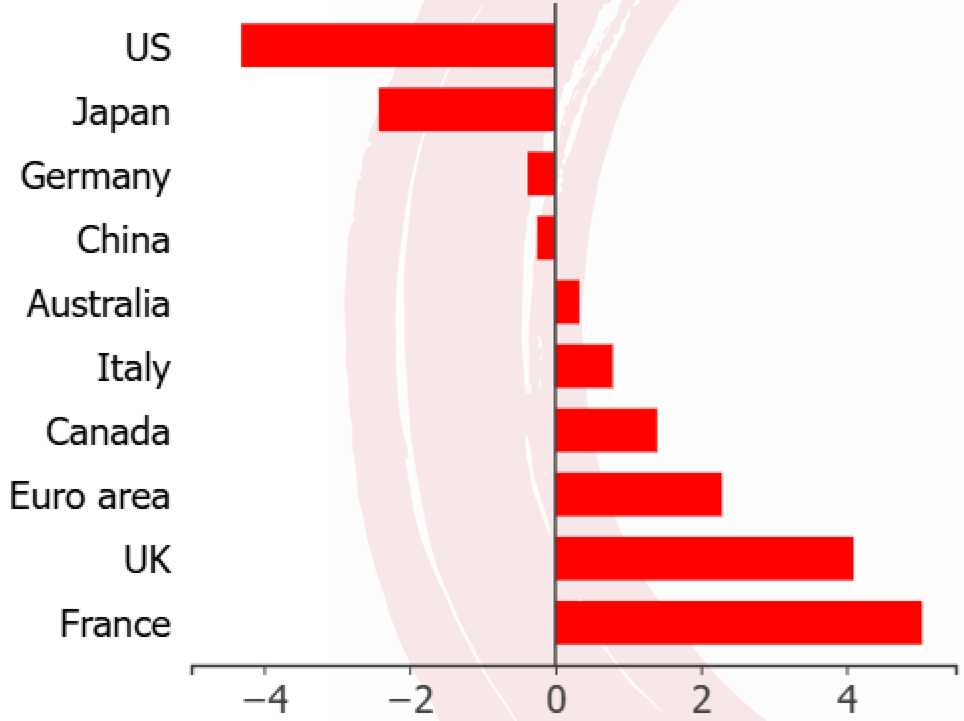
It may be circular, but that doesn't make it unaffordable

Dissaving exceptionally

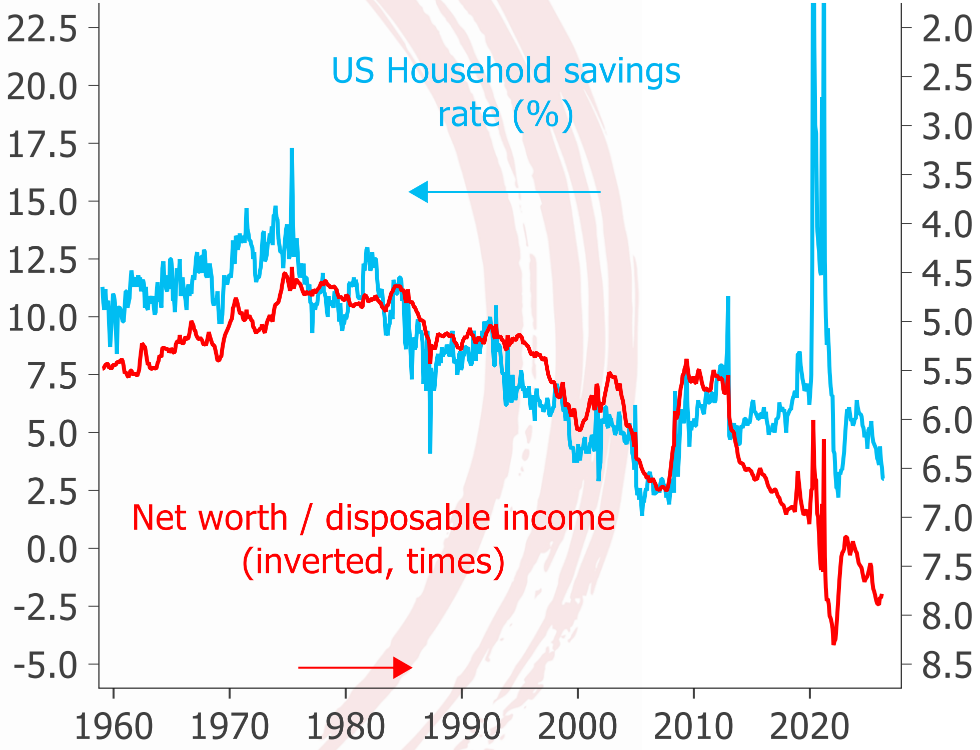
Saving rate: latest vs 2019 average, %pts



Latest reading vs 2019 avg. US to May-26, most Q4-25; Italy & euro area 2024, China 2023.
BEA, StatCan, INSEE, CAO, DESTATIS, ONS, ABS, DG ECFIN, OECD, Macrobond, Satori Insights.

Have wealth, will spend

US savings rates vs household net worth



Source: Federal Reserve, BEA, Satori Insights.

Dissaving is funded by wealth gains – the market has become its own fuel

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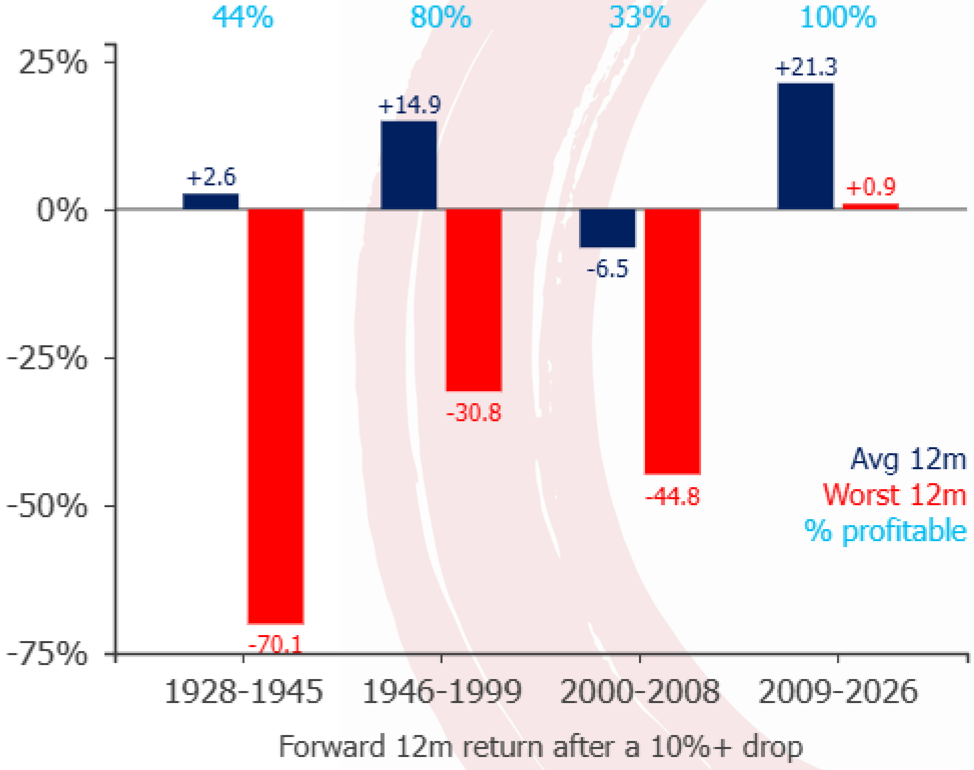
And yet around the edges the story has been fraying

Every algo trained to buy the dips

S&P 500 after a 10% fall, by era

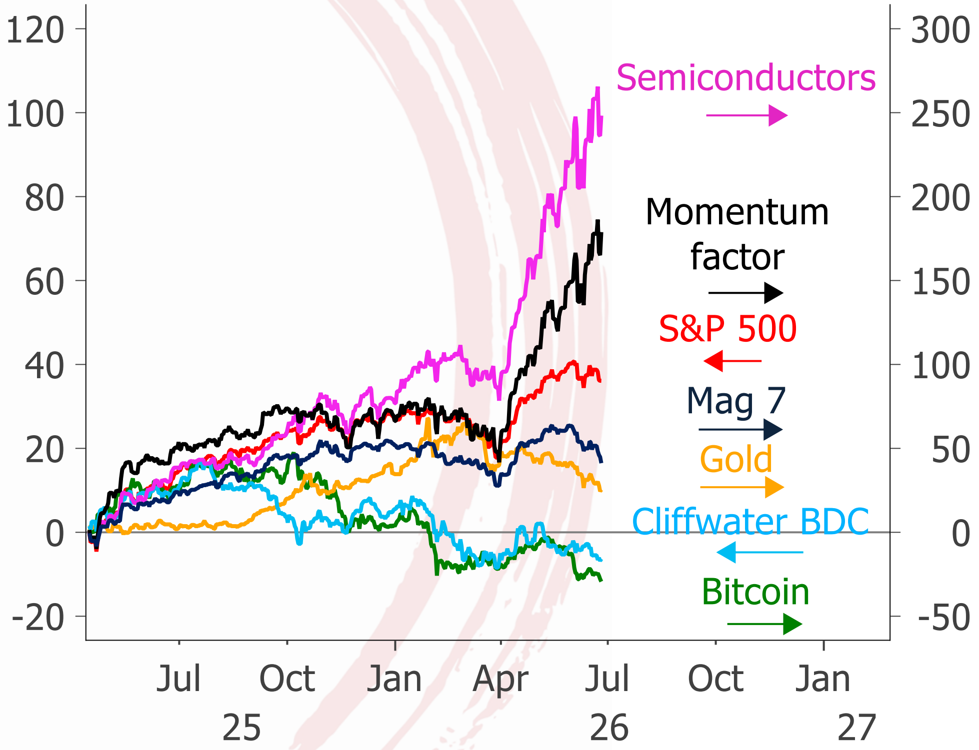


Source: S&P, Macrobond; Satori Insights. Top % = share of dips up over 12m.

See *The unbearable momentum of momentum*, 27 May.

But momentum works - until it doesn't

Cumulative performance since Apr25, %



Source: Bloomberg, Macrobond, Satori Insights.

One by one, hot assets seem to be failing

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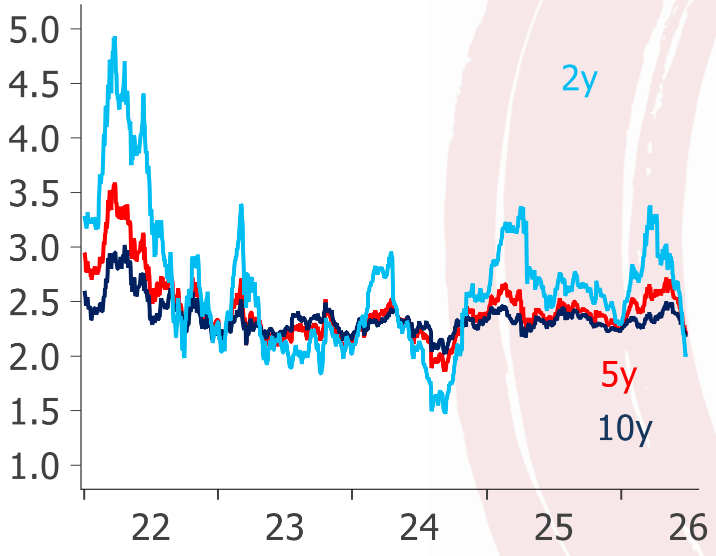
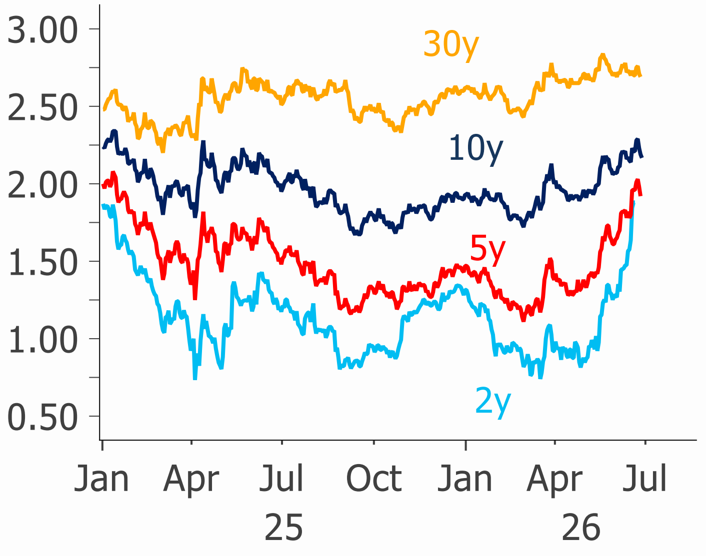
The Fed's new-found credibility is partly to blame

It's not just Hormuz opening
UST-derived inflation breakevens, %



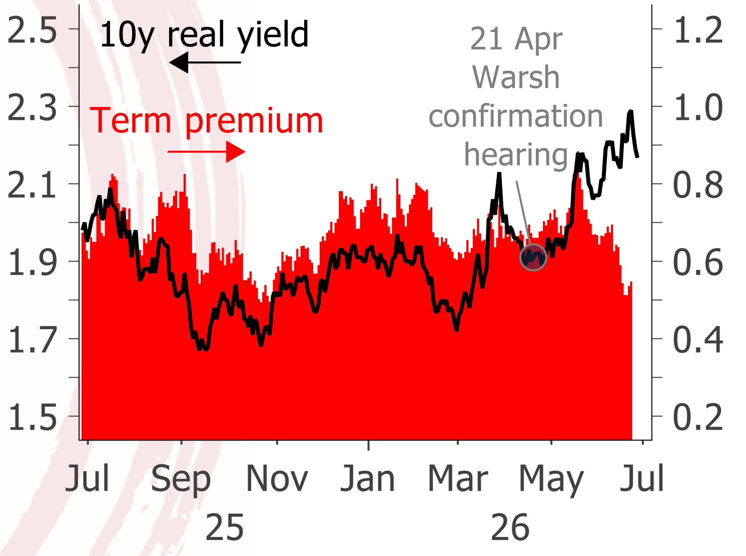
Source: Bloomberg, Macrobond, Satori Insights.

It's Warshian credibility
US real yields, %



Source: Bloomberg, Macrobond, Satori Insights.

Higher TIPS, lower premia
ACM term premium vs 10y TIPS yield, %



Source: New York Fed, Satori Insights.

See *The radicalism of a Warshian Fed*, Feb26. Or on the balance sheet, *We need to talk about Kevin (and Isabel)*, Feb26.

Tightening for Wall St, easing for Main St – isn't that exactly what's required?

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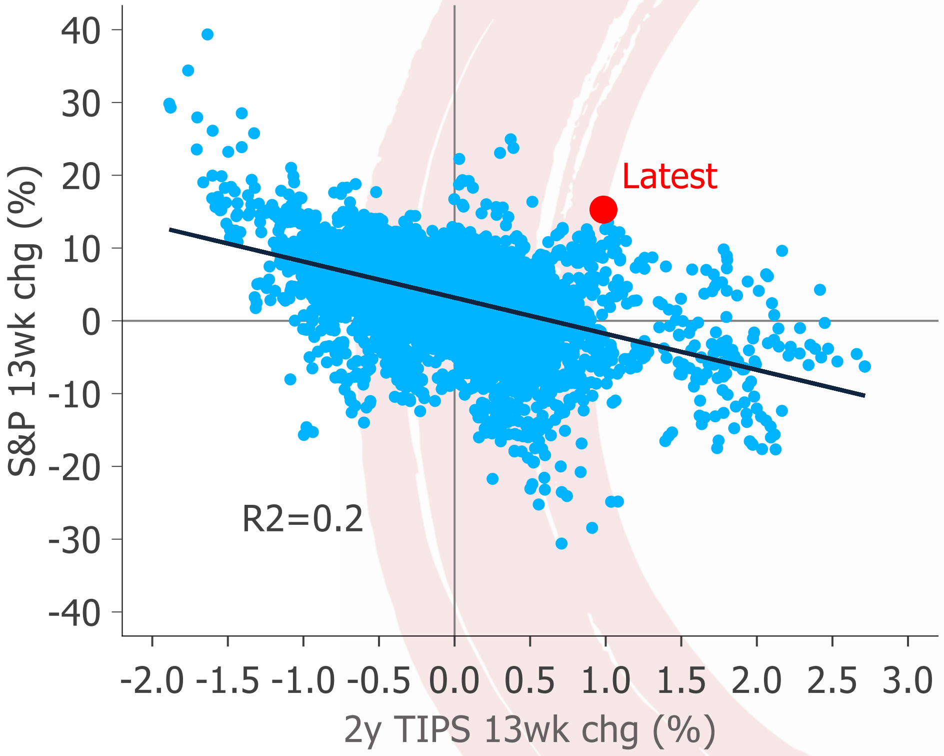
But it's not the real yield and US$ moves that kill you

At breaking point - or simply broken?

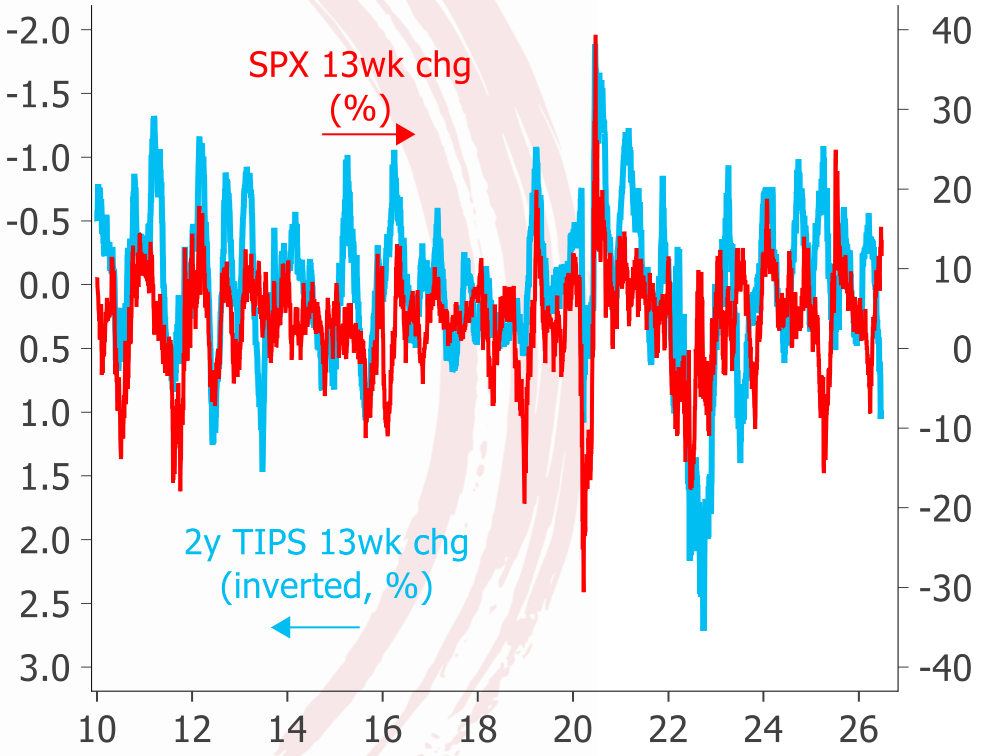
2y TIPS vs S&P, rolling 3m chg, 2010-



Source: Fed, S&P Global, U.S. Treasury, Macrobond, Satori Insights.

Related - until they're not

2y US TIPS (%) vs S&P, rolling 3m chg

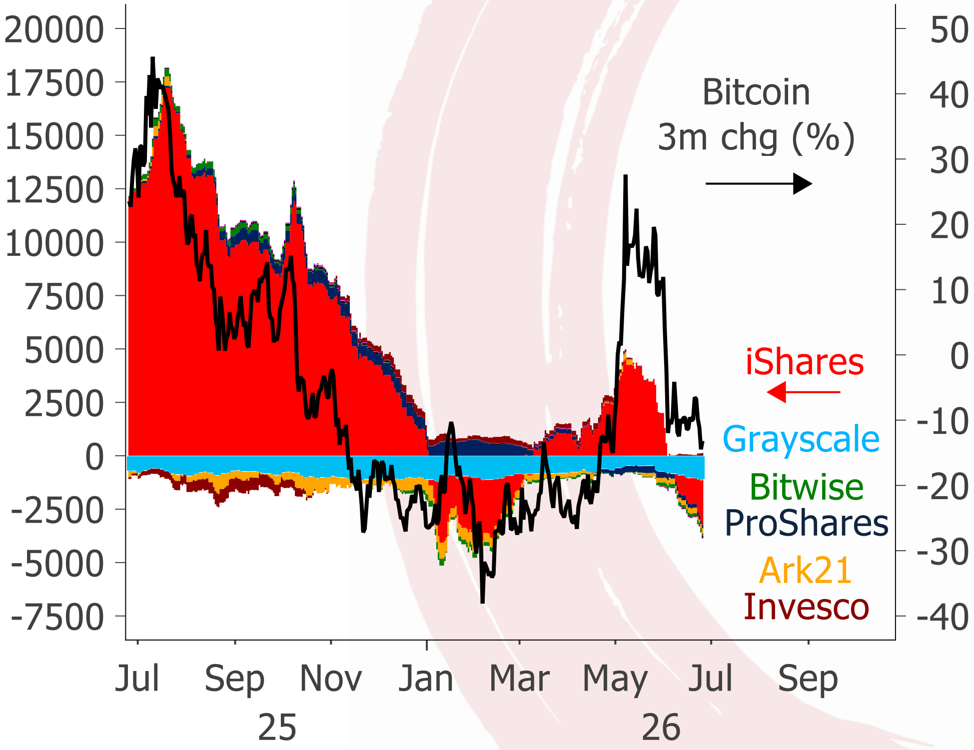


Source: Fed, S&P Global, U.S. Treasury, Macrobond, Satori Insights.

It's the regime changes

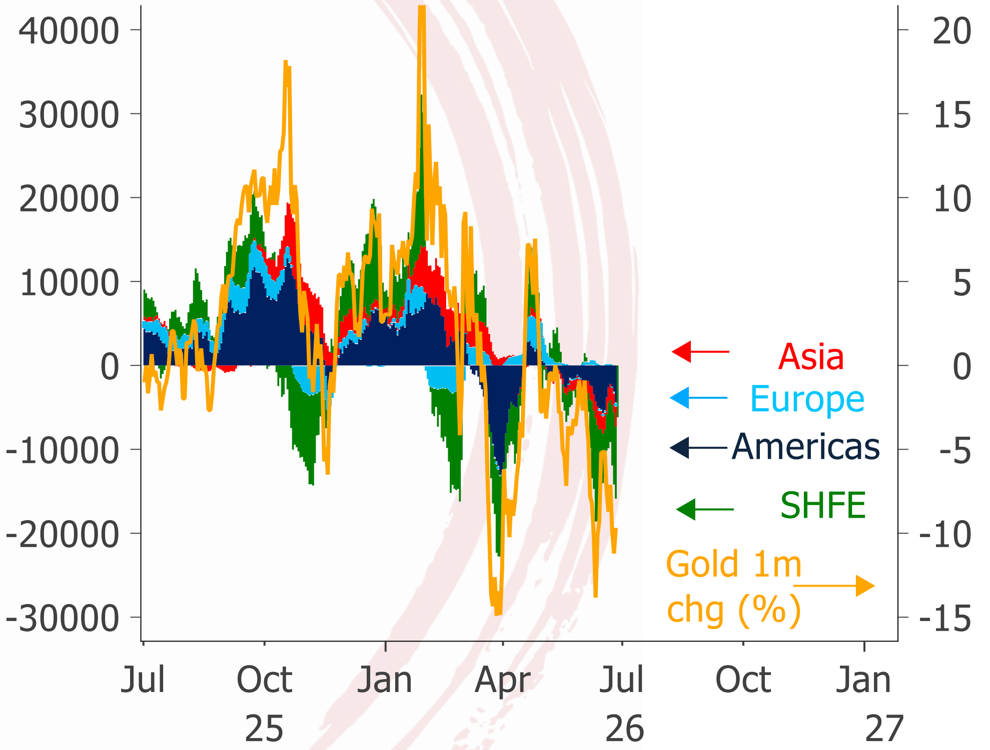
So it’s not that debasement is dead

A flow-motion train wreck in BTC
Bitcoin ETF flows ($m) vs price chg, rolling 3m



Source: Bloomberg, Macrobond, Satori Insights.

Now being mirrored by gold?
Gold ETF+Shanghai Futures flows, rolling 1m, $m



Source: Bloomberg, SHFE, Macrobond, Satori Insights.

It’s that when the hot money faltered, FOMO went with it

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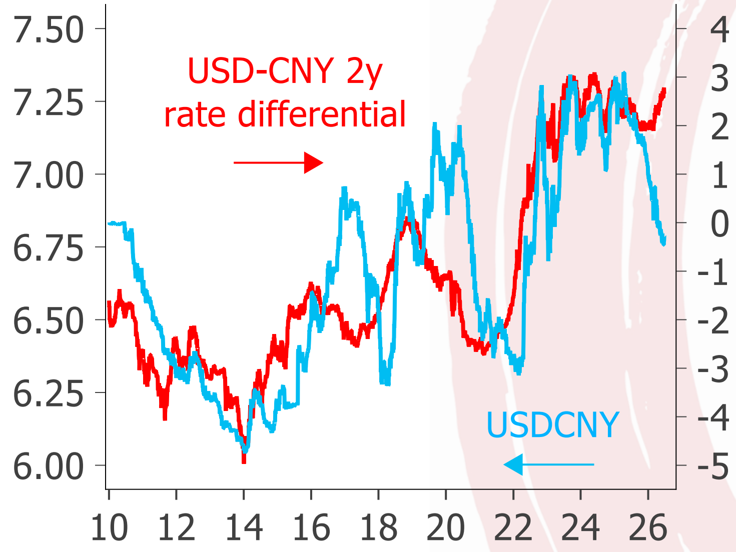
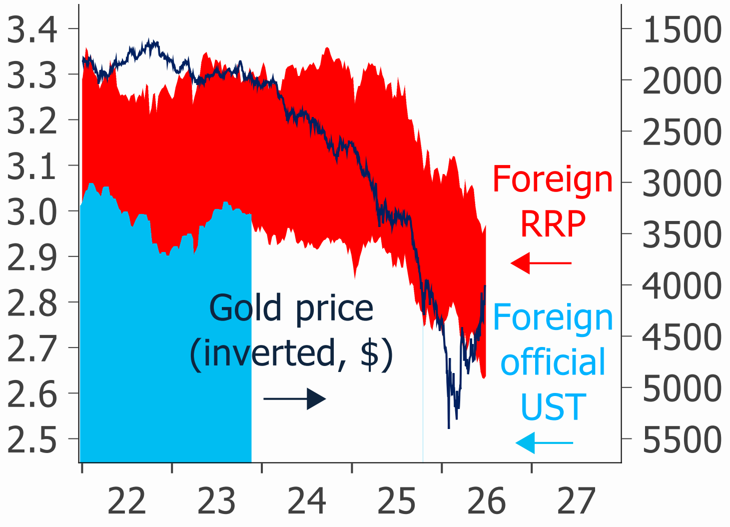
Debasement was always more fiscal and political than monetary

The US has lost credibility
FX vs nominal rate differential



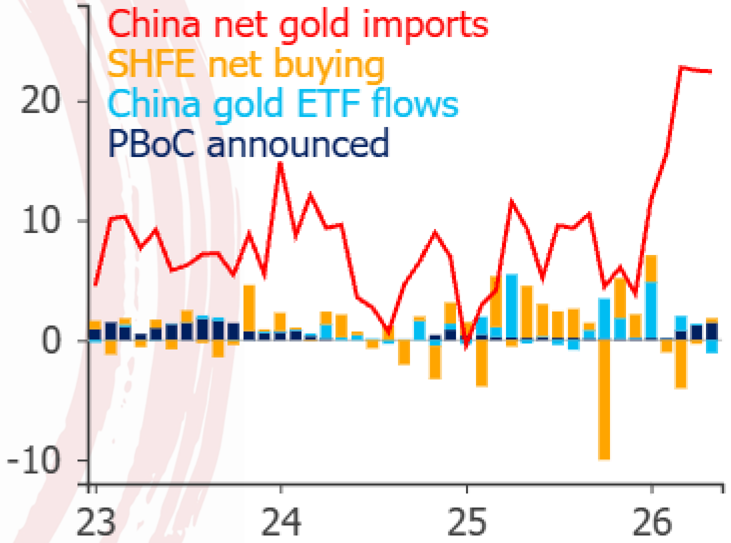
Source: Macrobond, Satori Insights.

Selling is public and ongoing
Foreign official holdings at Fed ($tn)



Source: Federal Reserve, NY Fed, Macrobond, Satori Insights.

Some of the buying is secret
China: imports vs visible buying, $bn



PBoC=reserves, SHFE=net longs, ETF=4 funds (x avg price)
Source: China Customs, SAFE, Bloomberg, Satori Insights.

Without improvement on deficits and rule of law, further debasement remains likely

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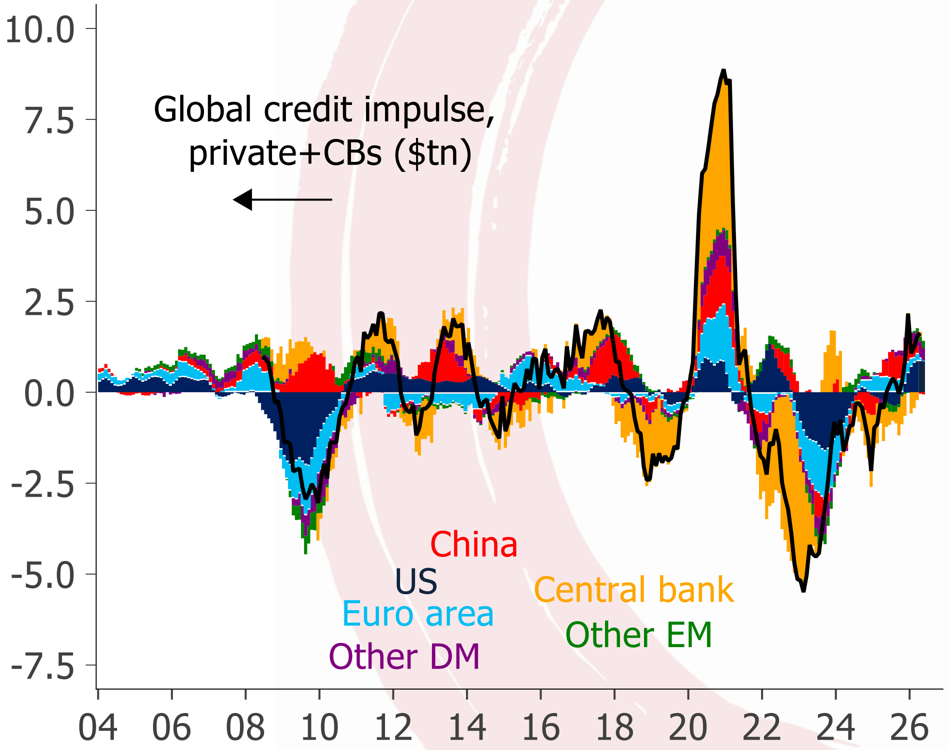
Since 2024, money creation has been eclipsed by money rotation

The excess is not in credit creation

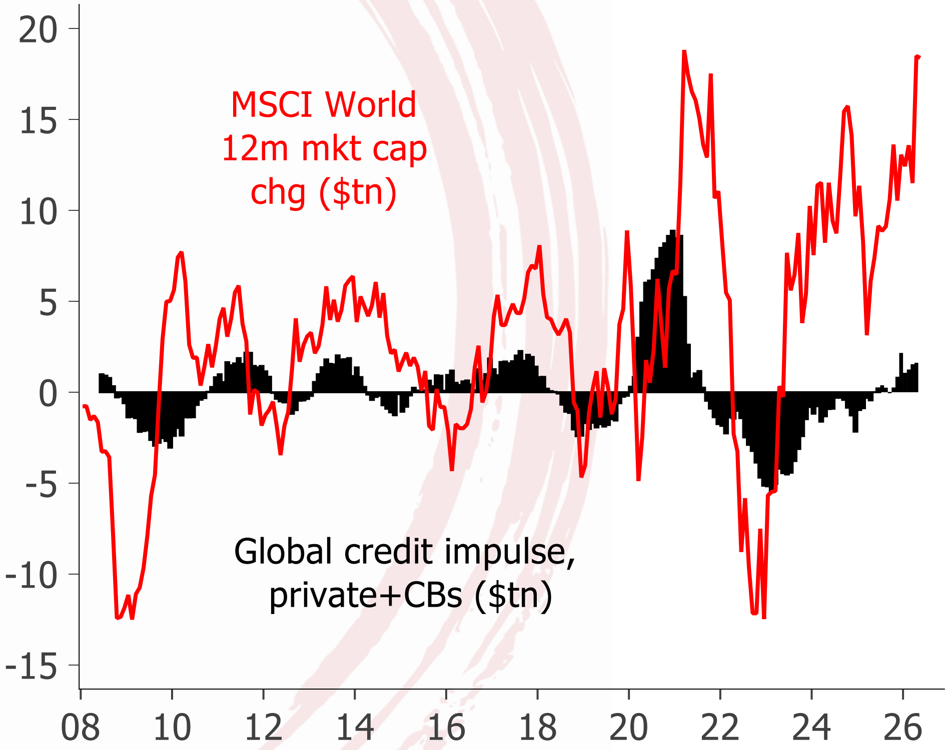
12m chg in 12m credit creation (HH+corp)



Source: national central banks, MSCI, BIS, Macrobond, Satori Insights.

It's money rotation and risk appetite

12m chg in 12m credit creation (HH+corp) vs equities



Source: national central banks, MSCI, BIS, Macrobond, Satori Insights.

Money chasing money, not credit chasing growth

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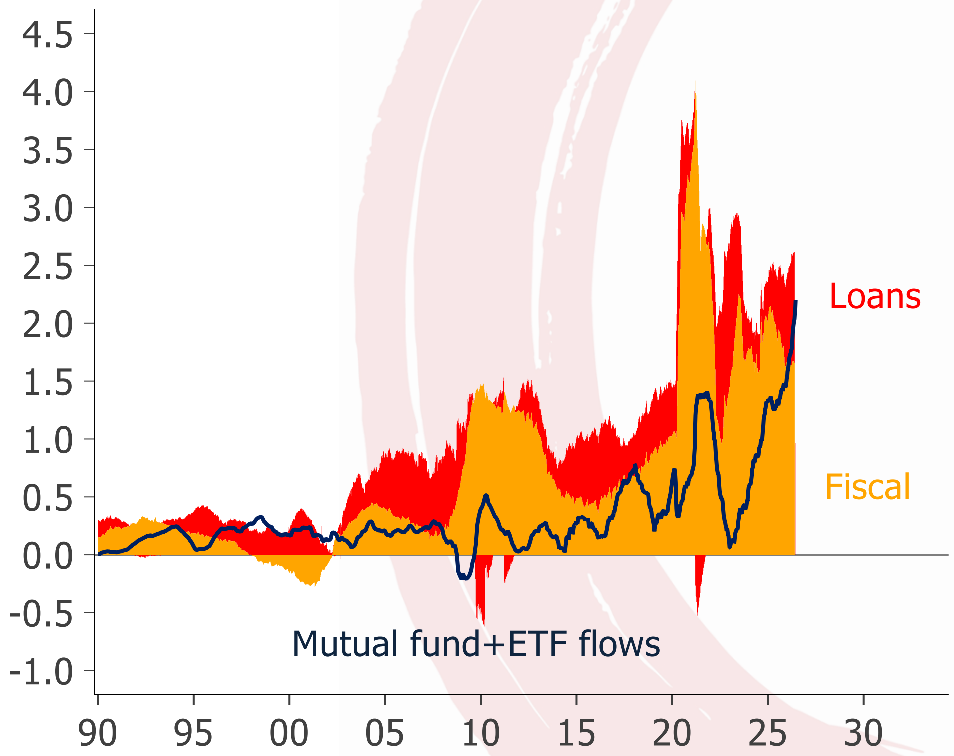
Look at the mismatch between the sources and uses of credit

Borrow, then buy more stocks

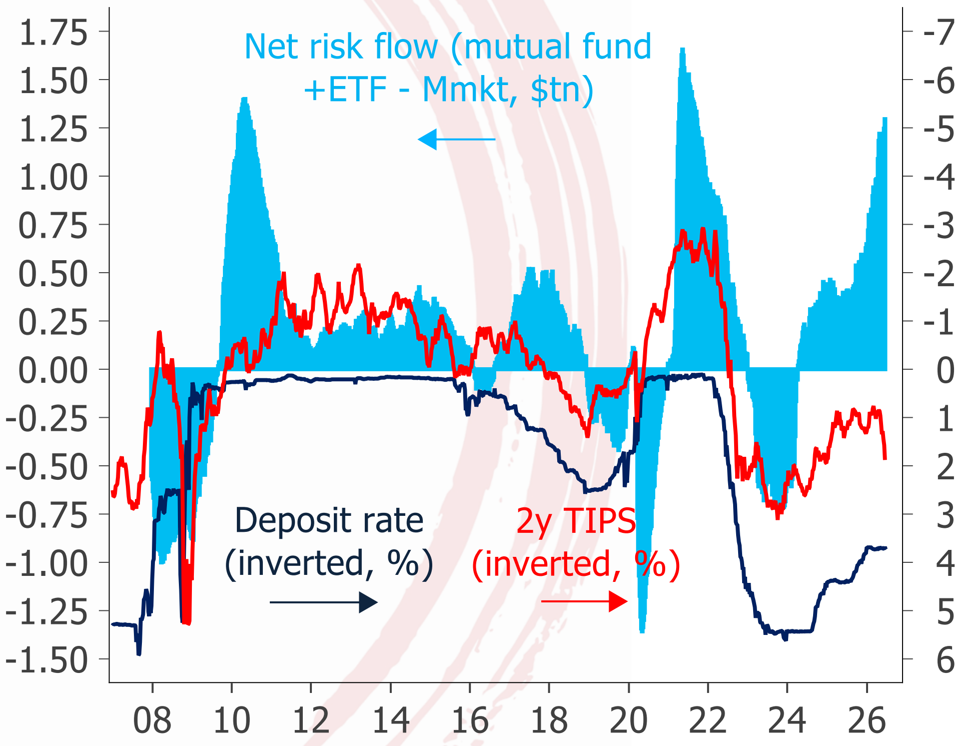
US credit creation and utilization metrics, rolling 12m, $tn



Source: Federal Reserve, Satori Insights.

Net flow into risk vs money markets

Rolling 1y US net risky mutual fund+ETF flow vs rates



Source: ICI, Federal Reserve, Macrobond, Satori Insights.

A record proportion of money creation is now chasing after risk

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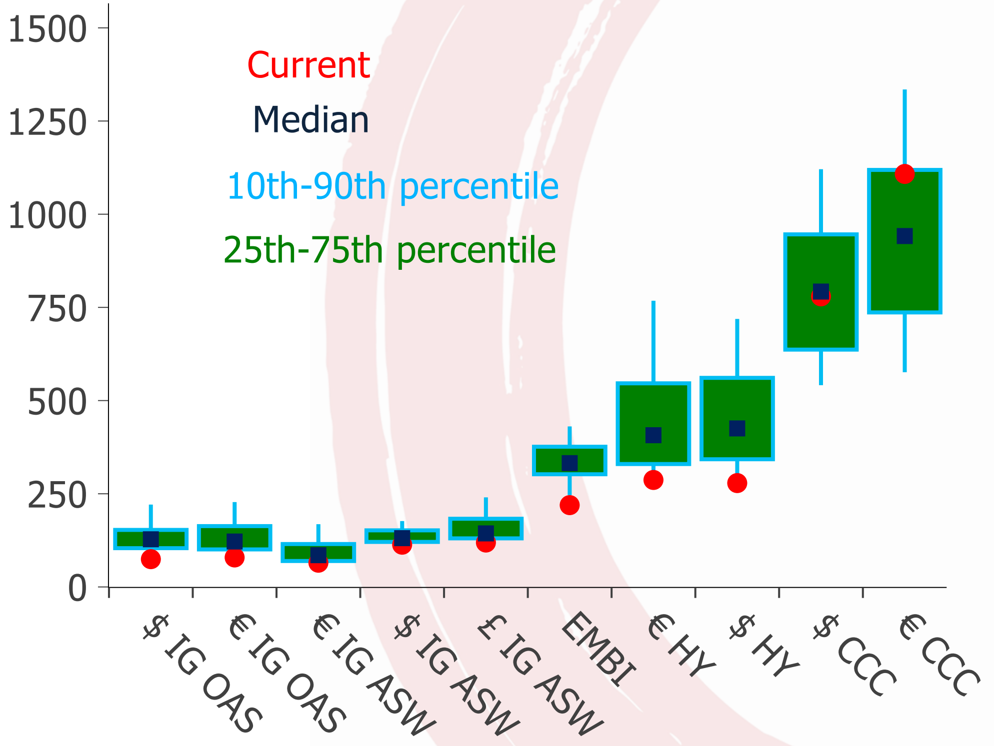
But there is a thin line between love and hate

Credit has started to doubt

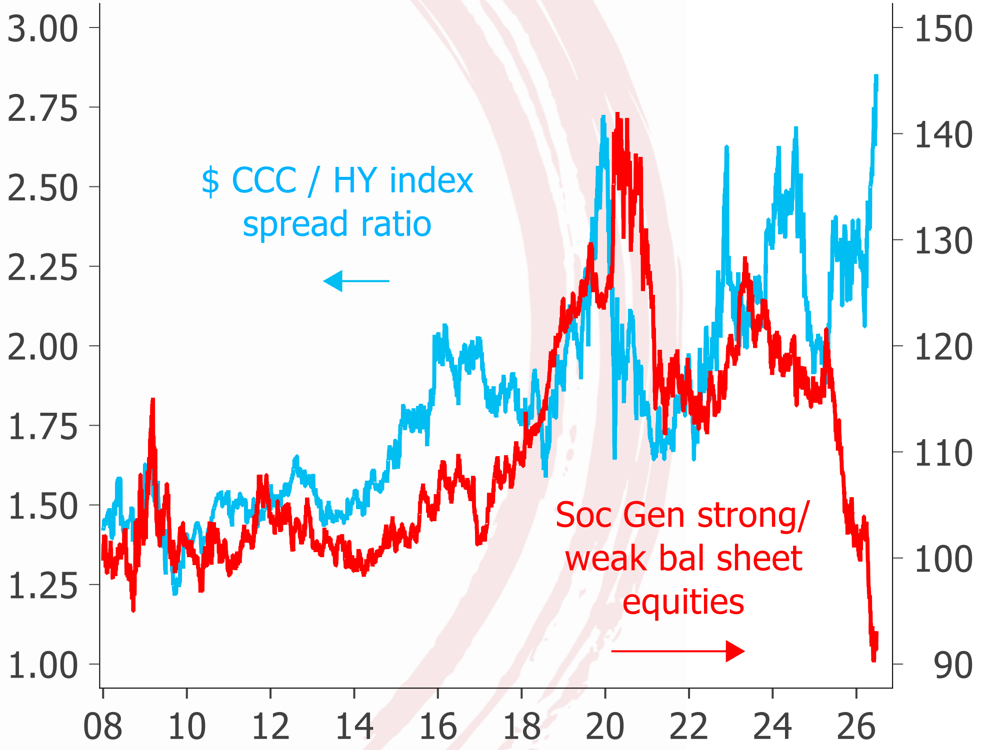
Credit spread percentiles vs 20y history, bp



Source: Bloomberg, Satori Insights.

Equities are fixated on growth

$ CCCs vs weak balance sheet equities, indices



Source: Bloomberg, Satori Insights.

Odi et amo* - one asset at a time

*"Odi et amo. Quare id faciam, fortasse requiris. Nescio, sed fieri sentio et excrucior."

"I hate and I love. Why I do this, perhaps you ask. I know not, but I feel it happening and I am tormented." – Catullus 85

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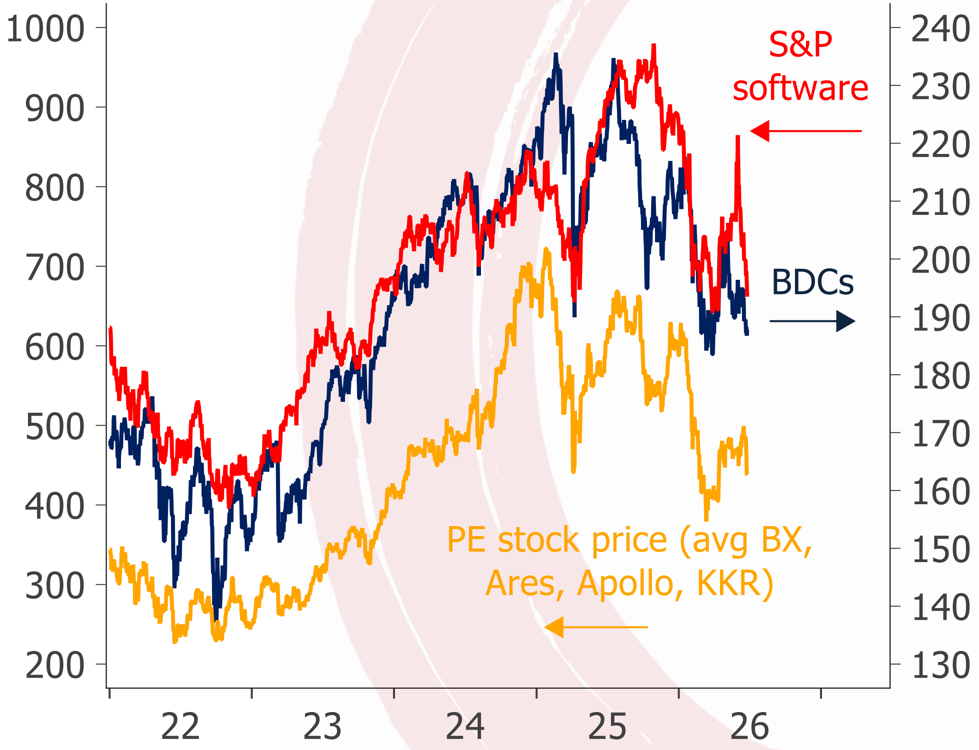
And some exits are already looking clogged

PE's soft(ware) underbelly

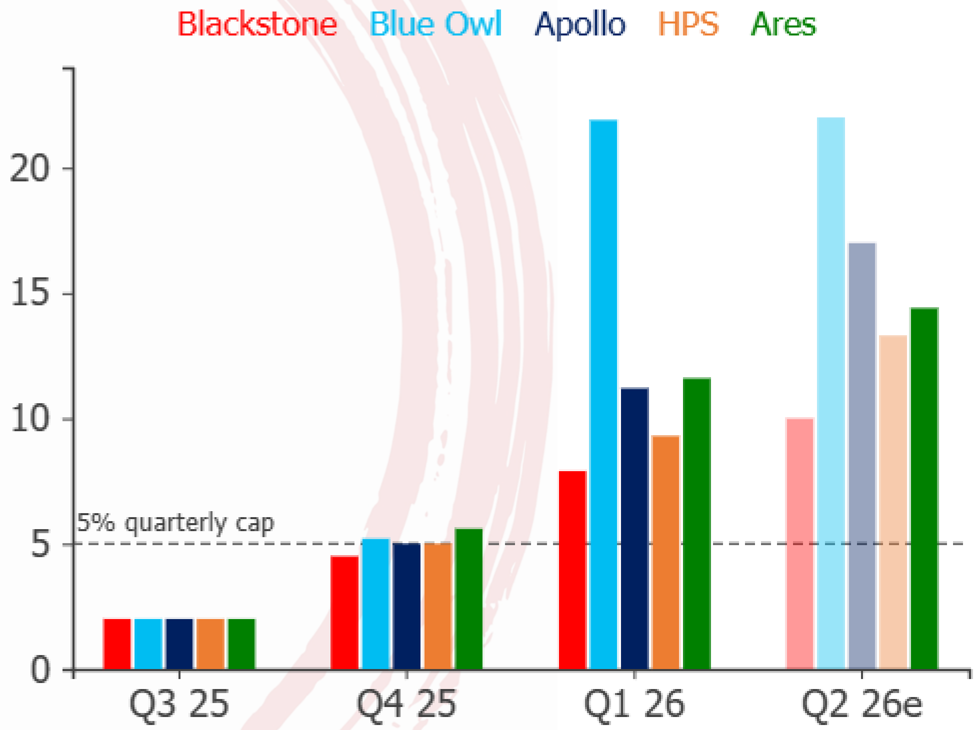
Total return indices, Jul14=100



Source: Morningstar, Bloomberg, Cliffwater, Macrobond, Satori Insights.

The real risk is outflows

Private credit redemption requests, % NAV



Q3 25 = industry average (sub-cap). Q2 26: Ares per SEC filing; peers per FT/press.
Source: company filings, AltsWire, PitchBook, FT, Satori Insights.

First managers couldn't sell their assets; now investors can't sell their funds

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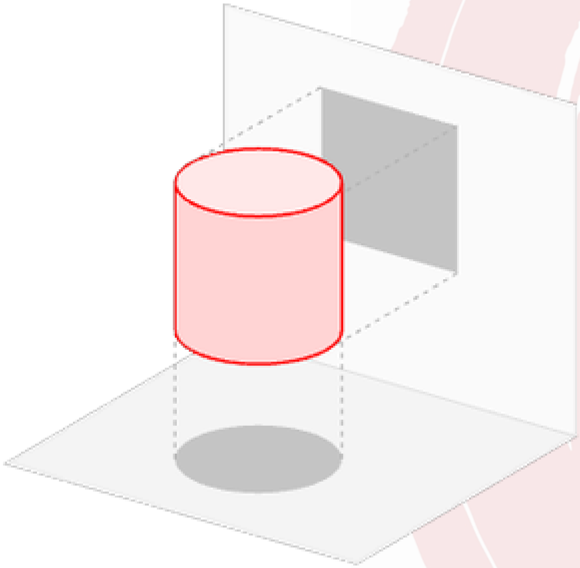
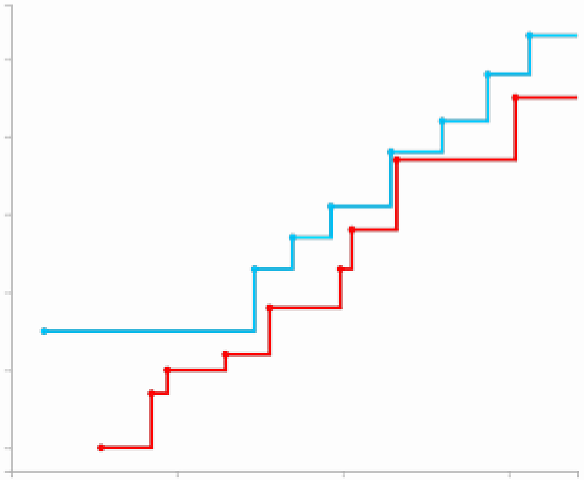
Conclusion

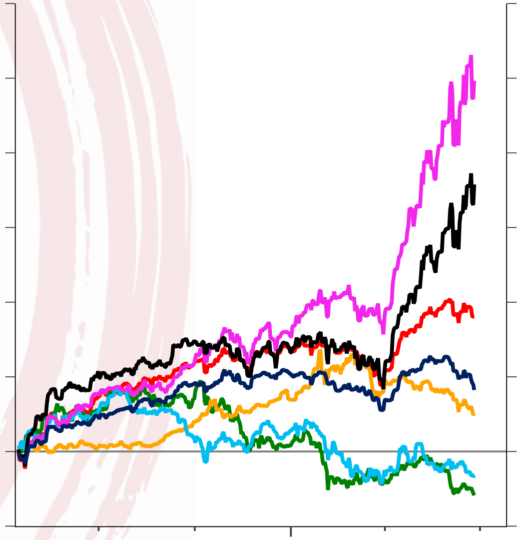
The meaning is real



But the margins are borrowed



And the price is pure momentum



The signal isn't the price: it's when rotation turns to exit

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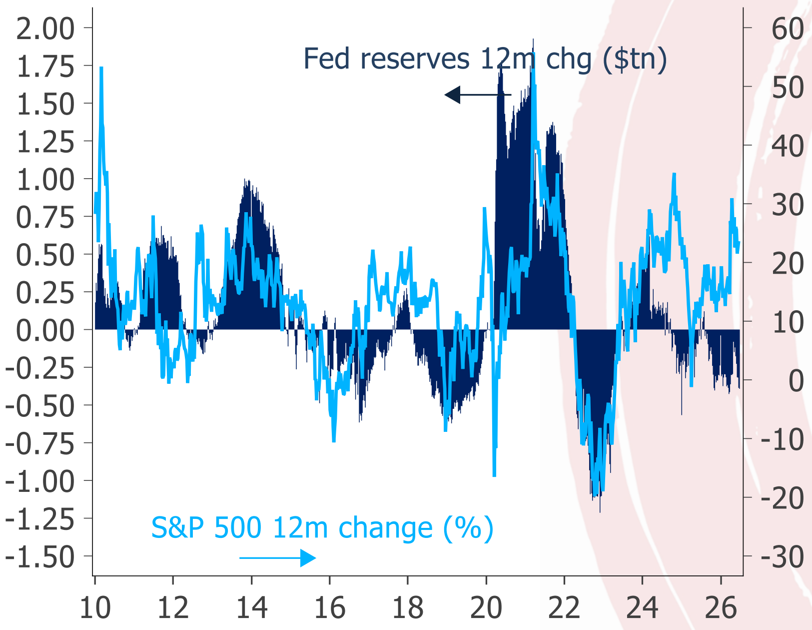
Appendix: the decoupling is specific to equities

Fed 12m

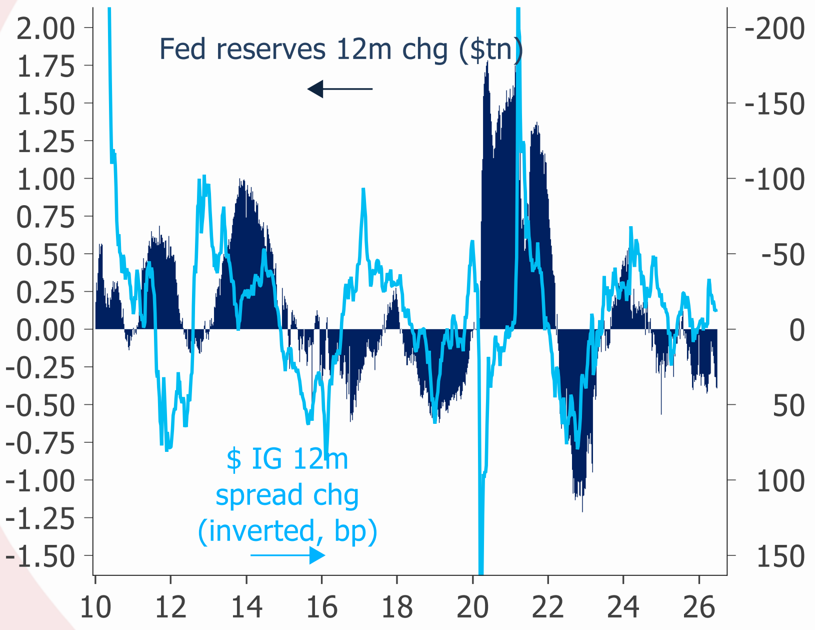
Bank reserves at Fed vs S&P 500, rolling 12m chg



Source: Federal Reserve, S&P Global, Macrobond, Satori Insights.

Fed 12m

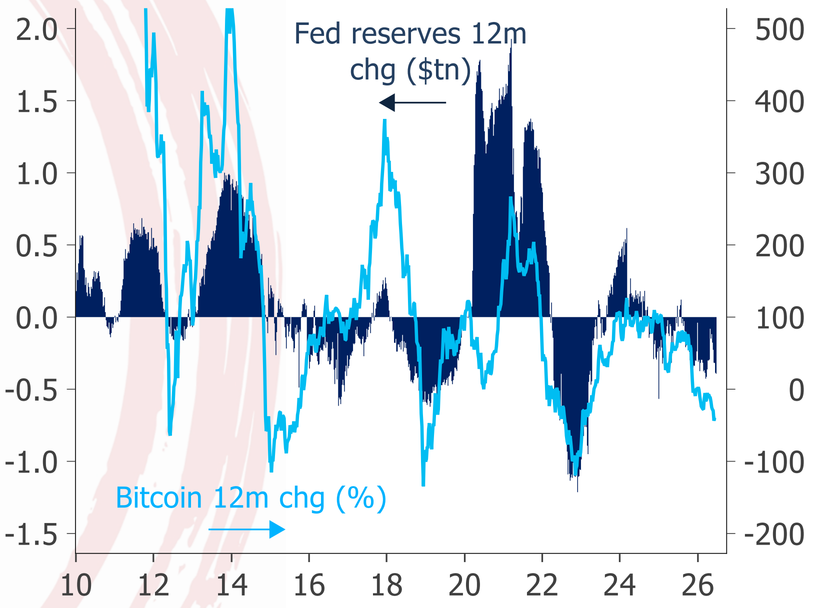
Reserves at Fed vs credit spreads, 12m changes



Source: Federal Reserve. Bloomberg, Satori Insights.

Fed 12m

Reserves at Fed vs bitcoin, 12m changes



Source: Federal Reserve. Macrobond, Satori Insights. Percentage change may have minor inaccuracies due to compounding of weekly changes and bitcoin's extreme volatility.

Excerpted from our daily *Flows & liquidity analytics*, which also feature the corresponding global CB liquidity charts and many others.

Non-equity assets have continued to be driven by credit & liquidity

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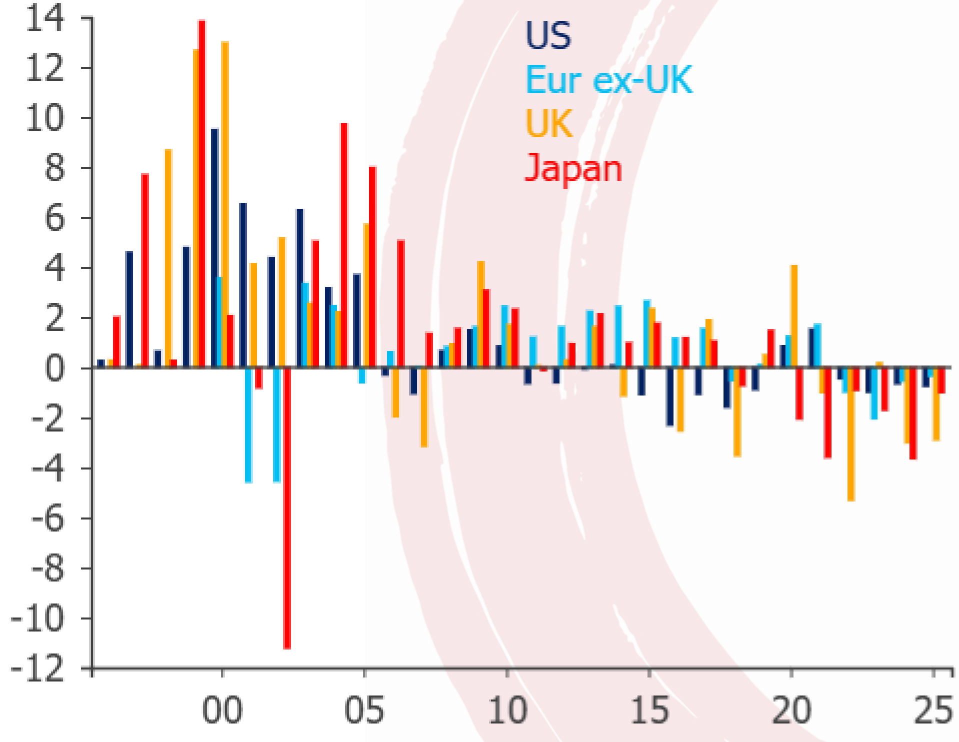
Appendix: IPOs bring echoes of the early 2000s

De-equitisation has spread to Japan

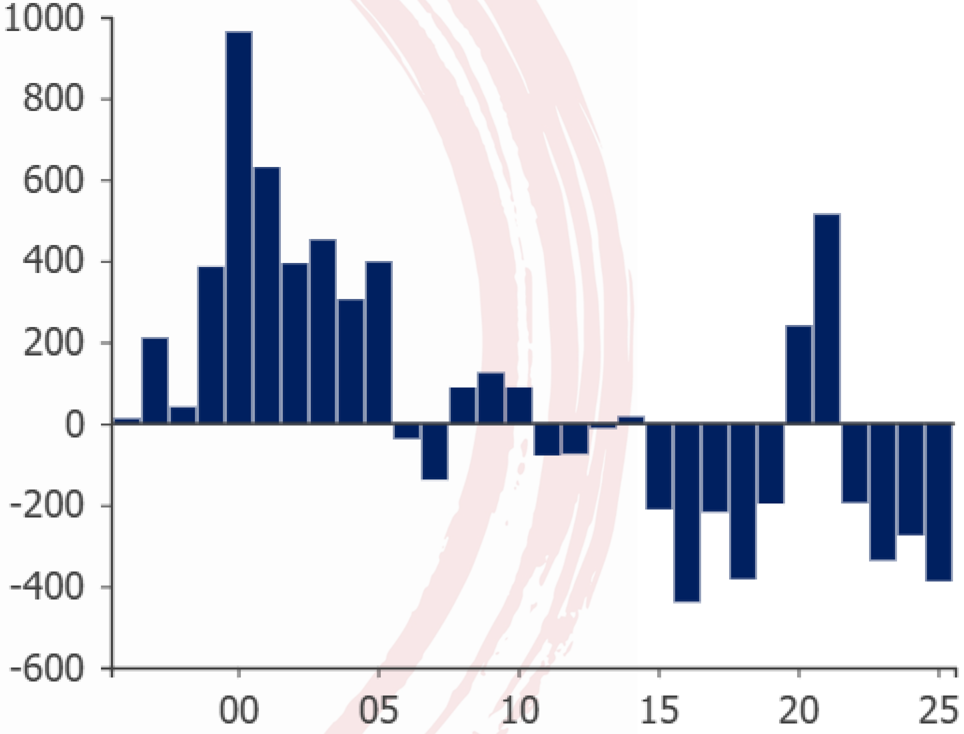
Equity base, net annual change, % mkt cap



Equity base = index market cap / price index, incl. financials. % is currency-invariant.
Source: MSCI, Bloomberg, Macrobond, Satori Insights.

US net equity issuance, $bn a year

MSCI USA, net new equity per year, $bn



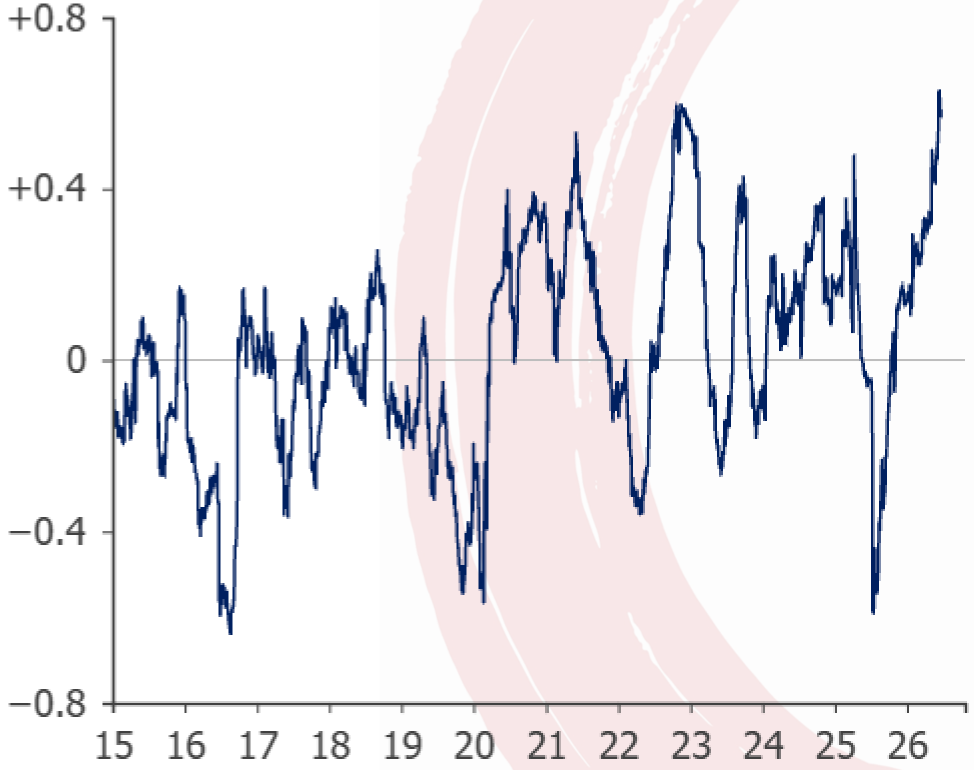
Net new equity = change in market cap not explained by the price index.
Source: MSCI, Bloomberg, Macrobond, Satori Insights.

De-equitisation still supportive – but drag from IPOs and share-financed M&A to increase

Appendix: when gold becomes a hot asset

Gold now trades like tech

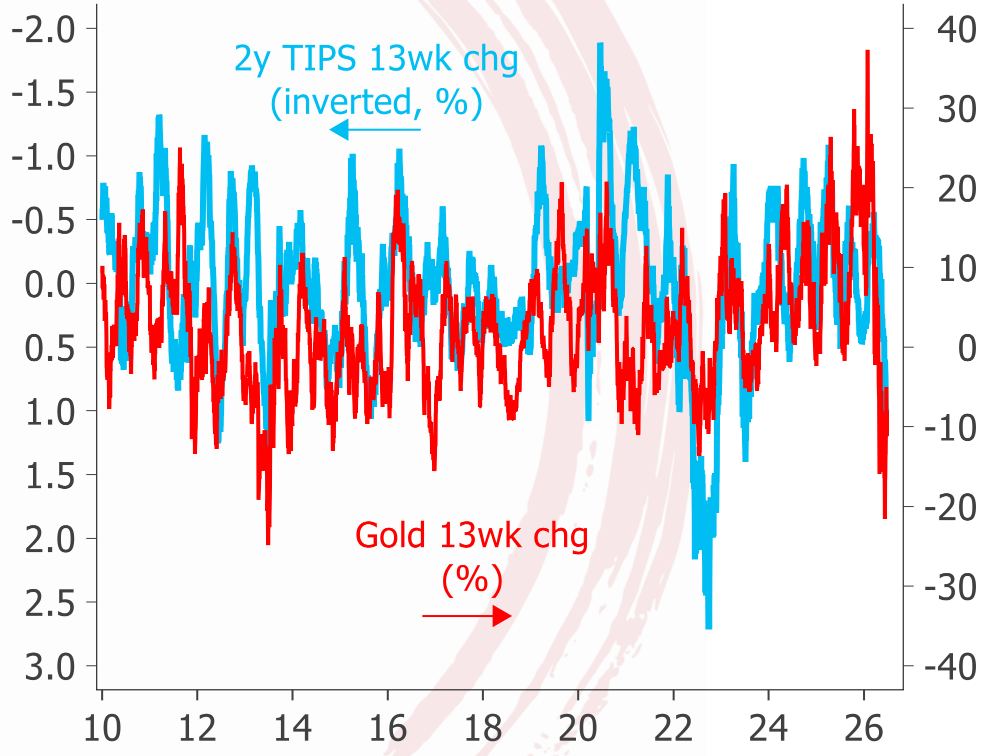
Rolling 3-month return correlation vs Nasdaq 100



Source: Bloomberg, Macrobond, Satori Insights.

But all its relationships are unstable

Gold vs US real yields, rolling 3m chg



Source: Fed, S&P Global, U.S. Treasury, Macrobond, Satori Insights.

Its diversification value comes not in the day-to-day but in the real regime changes

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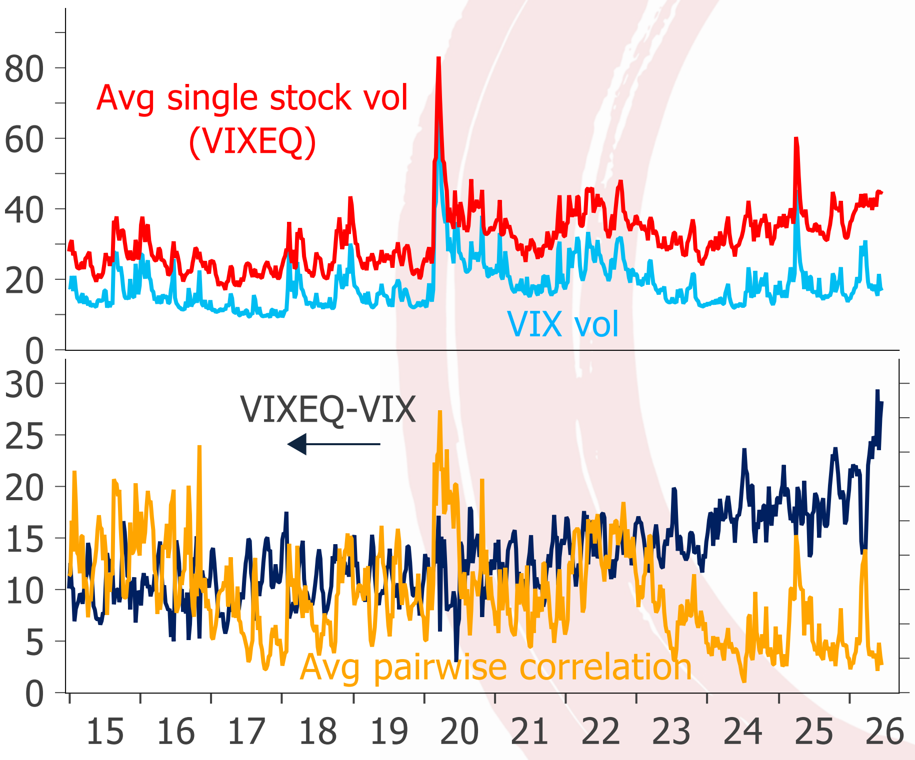
Appendix: Pricing diversification that won't hold

Growing vol, relaxed correlations

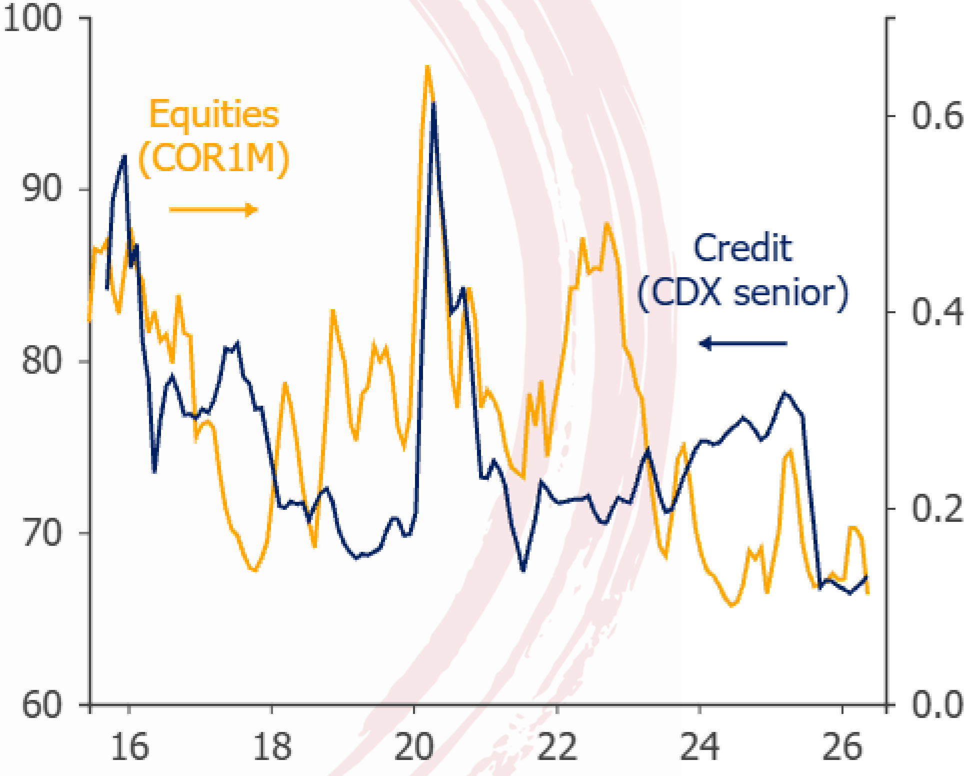
US equity volatility indices



Source: CBOE, Bloomberg, Satori Insights.

Senior tranches are similarly relaxed

Implied correlation: credit senior tranche vs equities



Source: Bloomberg, Markit, Cboe, Satori Insights.

The best hedge is still correlation

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