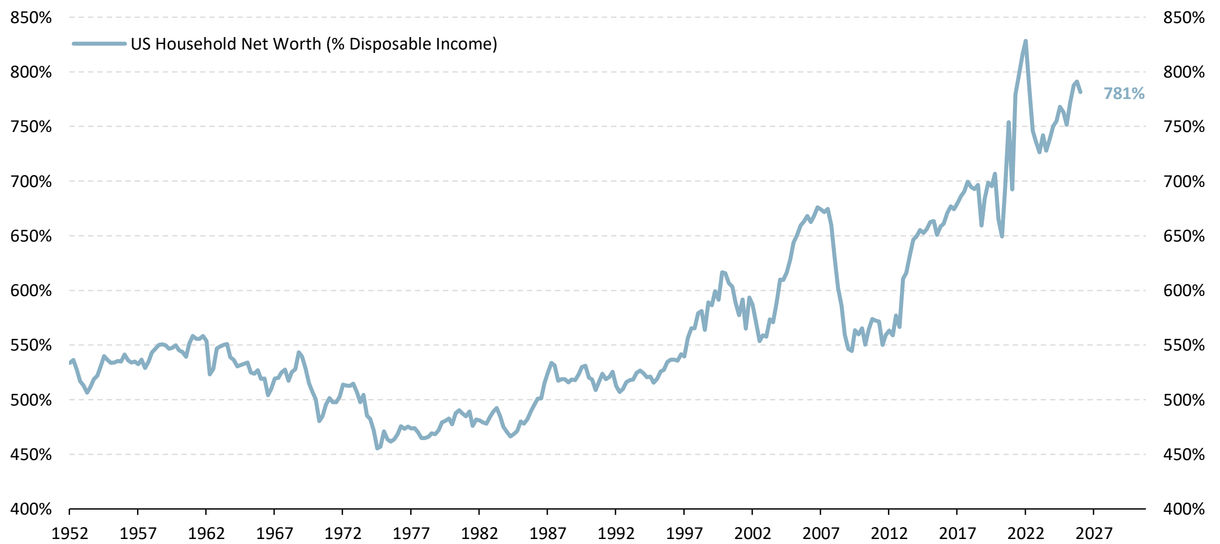
The flexiweekly that reaches new heights - published on 13 July 2026

## "LET THEM EAT CAKE"

- US consumption is driving global economic growth
- This support is unusual because affluent households account for a large share of spending
- However, the wealth effect and the AI revolution are a double-edged sword
- In the event of a crisis, essential sectors will hold up better than "tech and semiconductors"

### CHART OF THE WEEK: “The wealth effect has rarely been so positive”



Source: Bloomberg, Altitude IS

### FINANCIAL MARKETS ANALYSIS

**US household consumption expenditure accounts for 68 per cent of the United States’ gross domestic product (GDP)** (see Fig. 2) **and 20 per cent of global growth**. In absolute terms, it now stands at around 20,000 billion dollars a year, which is more than China’s entire GDP. No other economy contributes as much to global order books. Strong momentum in US consumer spending is therefore crucial to the growth of listed companies’ profits and, ultimately, to the performance of stock market indices across the globe. The second-quarter earnings season, which kicks off this week on Wall Street, will provide further evidence of this. Conversely, when the US sneezes, it is Chinese factories, Japanese and German exporters, and French luxury goods houses that catch a cold.

In recent years, American consumers have displayed an unusual trait. Behind their outward appetite lies a lack of appetite, the full extent of which few investors truly grasp. Spending is no longer spread evenly across all households but has become extremely concentrated. The top income decile – that is, Americans earning more than $250,000 a year – accounts for nearly half of the country's total consumer spending, compared with 36 per cent in the mid-1990s (see Fig. 3) i.e. lawyers, consultants, finance professionals, and workers in the technology sector. **Never before, not even at the height of the dot-com bubble, has the world's largest economy been so dependent on the purchasing power of its wealthiest citizens.** At the other end of the scale, the least well-off 80 per cent now account for only around 37 per cent of spending, a share that is eroding year on year.

Fig. 2 – Share of consumption in GDP

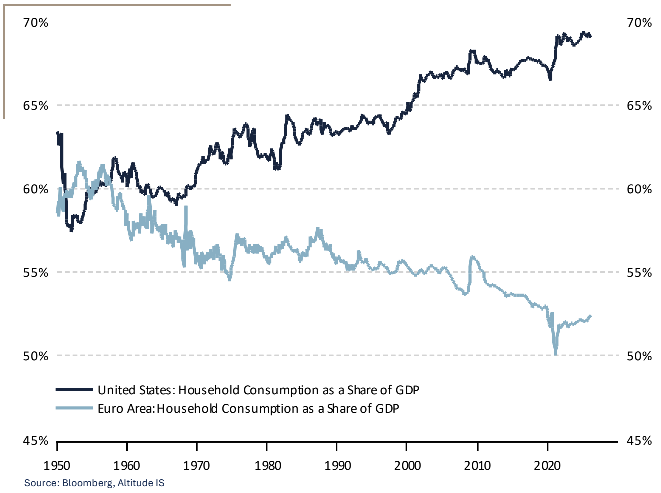
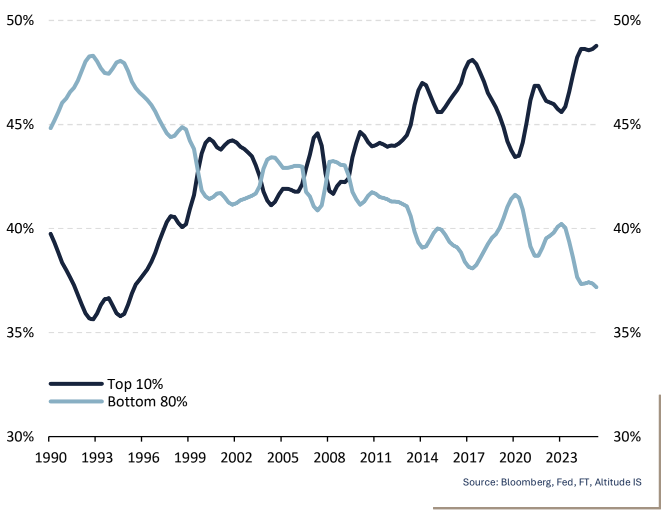



Fig. 3 – Household expenditure, by income




Marie-Antoinette is said to have uttered this undoubtedly apocryphal remark on the eve of the French Revolution, when she was told that the people had run out of bread: "Let them eat cake". The phrase has come to symbolise a country dependent on the lifestyle of a handful of wealthy households. **Two centuries later, America lives by the same principle, feeding on cake far more than bread – a diet as flattering as it is fragile.**

**This concentration of expenditure has been amplified by several converging forces.** Firstly, the surge in prices, following the pandemic and the war in Iran, has eroded the purchasing power of the most modest households (see Fig. 4), whose incomes depend mainly on labour and very little on capital. For these households, whose budgets are largely taken up by food, housing and energy, the cumulative inflation of recent years has acted as a silent tax that has swallowed up their meagre savings. Secondly, the rise in key interest rates has cut them off from access to credit. Deprived of this last resort, low-income households first drew on their savings before cutting back on their spending. Delinquencies on credit cards and car loans have, in fact, risen to levels not seen since the end of the financial crisis. **Conversely, at the top end of the consumer spectrum, the wealth effect has rarely been so positive** (see Chart of the Week). The sharp rise in property prices initially, followed by the surge in stock market assets, caused the wealth of this segment of the population to soar. In the United States, virtually all equity wealth is held by the top third of households.

This paradox has fuelled discretionary spending (see Fig. 5) – from luxury travel to second homes – and has perpetuated the illusion of unshakeable US consumer spending. Conversely, the consumer staples sector– those everyday products that nobody can do without – is struggling to perform on the stock market. In an economy where marginal spending comes from the wealthiest, it is the premium retailers and desirable brands that are driving growth, not the discount retailers. This shift is evident in the share prices themselves, where major luxury brands are outperforming whilst retailers of everyday goods are lagging behind. The flip side of this dynamic is that it also works the other way round. **Investors seem to overlook the fact that two very different types of consumer coexist under the same statistical umbrella, and that global growth does not rest on the average American but solely on a handful of wealthy individuals.** They also undoubtedly underestimate the fact that this dynamic is extremely sensitive to the white-collar labour market and to fluctuations in share prices.

Fig. 4 – Real wages in the United States

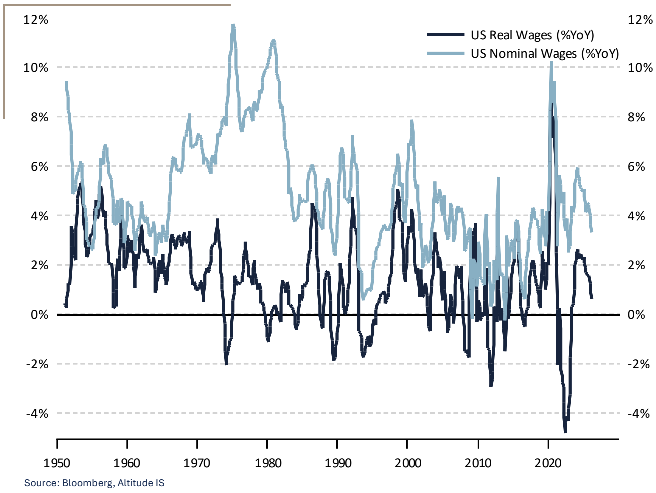
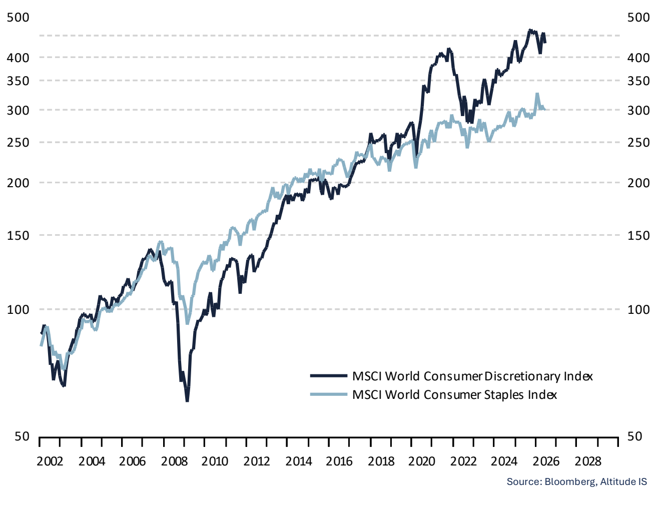



Fig. 5 – Performance of consumer sectors



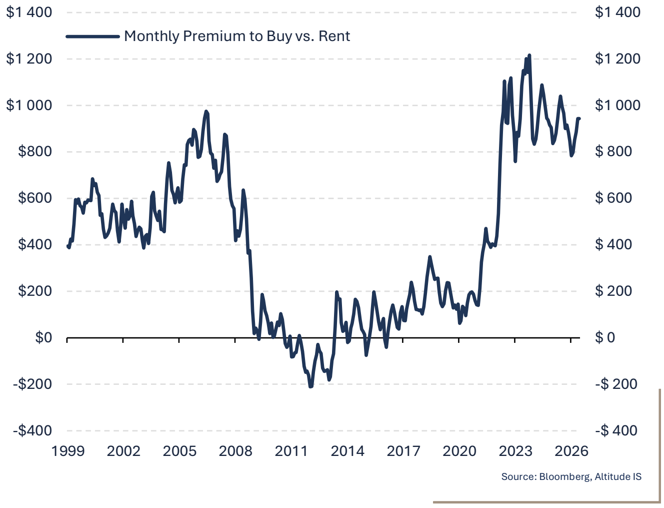

Artificial intelligence could ultimately lead to an imbalance. Certain tasks, long spared from automation, are now being carried out by agents. This is the case in consultancy, law, finance and IT programming. In the technology sector, announcements of job cuts have been on the rise since the start of the year. **By eliminating certain skilled office jobs, AI could put a brake on white-collar consumption.** The paradox is cruel, as the very innovation that has enabled stock market indices to break records and wealthy households to grow richer now risks undermining their consumption. There would then be little hope of offsetting the impact, as lower-income households have little to spend.

Another cause for concern is the residential property market. Hit by rising construction material costs in 2020, followed by higher mortgage rates in 2022, the property market is struggling to recover. With 30-year mortgage rates at around 6.5 per cent, compared with 3 per cent five years earlier, house sales are sluggish (see Fig. 6). Further evidence of this is that **the stock of new-build homes now represents more than 10 months' worth of sales – a level not seen since the subprime crisis in 2009**. There is little chance of things improving as long as borrowing costs remain so high and as long as it is significantly more advantageous to rent than to buy (see Fig. 7).

For those who might doubt the complexity of the situation, let us take a concrete example. An American family on the median income – around $106,800 a year – can just about afford to buy a 170 m² home priced at $404,300. Under current conditions, the total monthly cost (including mortgage, taxes and maintenance) would consume a proportion of their income very close to the one-third threshold usually accepted by lenders (see Fig. 8). More importantly, **owning this house currently costs nearly 50 per cent more each month than renting it – a difference of around $900 a month.** This median family therefore risks having to settle for a smaller, less well-equipped, more remote or older property, or even giving up on home ownership altogether. Since 2022, the American dream of owning a detached house has come up against the hard facts of arithmetic.

## Fig. 6 – Home sales


## Fig. 7 – Purchase premium compared to rent



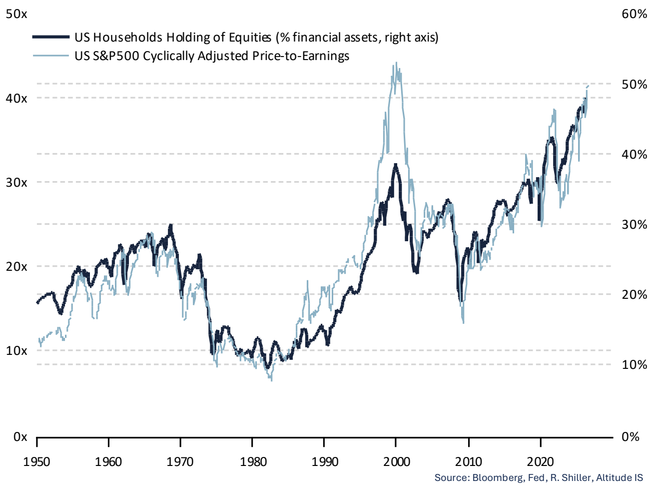

Finally, the last risk factor relates to the complacency of households themselves. **Their allocation to equities has just reached nearly 50 per cent of their financial assets, a record high in modern history.** This level closely mirrors the valuation curve, a sign that households' herd instinct drives them to buy even more shares the more expensive they become (see Fig. 9). During the next *bear market*, these retail investors will seek to sell their holdings, initially slowly, then in a rush, which will exacerbate the stock market correction and trigger a negative wealth effect. The leverage that has fuelled consumer spending in recent years will then act as a significant brake on it.

## Fig. 8 – Mortgage simulation

| City | House Median price ($) | Median Size (m²) | Qualifying income ($/year) | Median Family Income | Cost to Buy ($/month) | Cost to Rent ($/month) |
|---|---|---|---|---|---|---|
| San Jose | 2 030 000 | 148 | 495 276 | 205 500 | 14 547 | 3 534 |
| San Francisco | 1 350 000 | 149 | 329 371 | 200 800 | 9 675 | 3 236 |
| San Diego | 1 050 000 | 145 | 256 177 | 130 900 | 7 525 | 2 914 |
| Los Angeles | 858 500 | 162 | 209 455 | 108 100 | 6 153 | 2 892 |
| Seattle | 772 600 | 178 | 188 498 | 164 400 | 5 537 | 2 208 |
| New York | 750 000 | 135 | 182 984 | 104 300 | 5 375 | 3 436 |
| Boston | 747 900 | 164 | 182 471 | 164 600 | 5 359 | 3 184 |
| Miami | 650 000 | 123 | 158 586 | 89 800 | 4 658 | 2 683 |
| Washington, D.C. | 637 100 | 178 | 155 439 | 166 100 | 4 565 | 2 377 |
| **United States** | **404 300** | **170** | **98 640** | **106 800** | **2 897** | **1 930** |
| Chicago | 384 100 | 164 | 93 712 | 121 500 | 2 752 | 2 219 |
| Atlanta | 370 200 | 205 | 90 336 | 117 800 | 2 653 | 2 000 |
| Houston | 331 500 | 199 | 80 879 | 104 000 | 2 376 | 1 619 |
| Cincinnati | 310 200 | 166 | 75 696 | 109 900 | 2 223 | 1 400 |
| St. Louis | 281 600 | 152 | 68 688 | 113 500 | 2 018 | 1 225 |
| Detroit | 260 900 | 138 | 63 648 | 104 800 | 1 870 | 1 150 |
| Pittsburgh | 234 600 | 148 | 57 237 | 110 400 | 1 681 | 1 507 |
| Cleveland | 226 900 | 169 | 55 344 | 105 000 | 1 626 | 1 250 |

Source: NAR, Zillow, Realtor.com, HUD, U.S. Census Bureau, Claude, Altitude IS

## Fig. 9 – Households' equity allocation




In light of all these factors, it is easy to see why not only the listed property sector but also consumer sectors such as the automotive industry are significantly underperforming the rest of the market (see Fig. 10). These two industries are the most sensitive to the cost of credit and household confidence. Historically, they have almost always signaled turning points in the cycle before other sectors. **Their relative weakness is no mere blip; it is a symptom of consumers with empty pockets.** In their own way, the markets are beginning to sense what every Ancien Régime eventually discovers: that a feast reserved for a select few can never sustain a nation in the long term.

Fig. 10 – Relative perf. of the auto & REITs sectors

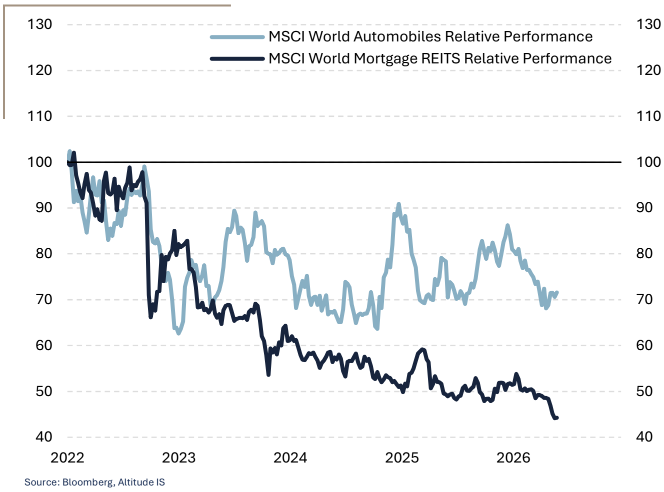
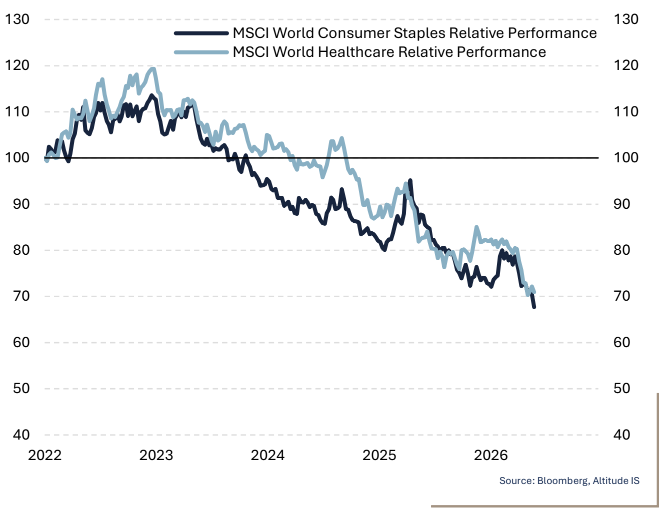



Fig. 11 – Relative perf. of healthcare and staples




**Conclusion:**

When the next crisis hits, it will be other sectors that have suffered which will prove most resilient: consumer staples and healthcare products and services (see Fig. 11). Unlike cake, these are essential to households, even in times of crisis. They will take over from the tech giants and semiconductor manufacturers. It is difficult to pinpoint exactly when this sector rotation will occur, but investors are already preparing for it.

## RETURN ON FINANCIAL ASSETS

| Markets Performances (local currencies) | Last Price | Momentum Indicator (RSI) | 1-Week (%) | 1-Month (%) | 2026 Year-to-Date (%) | 2025 (%) | 2024 (%) |
|---|---|---|---|---|---|---|---|
| **Equities** | | | | | | | |
| World (MSCI) | 1 126.5 | 56.30 | 0.3% | 3.8% | 12.2% | 22.9% | 18.0% |
| USA (S&P 500) | 7 575 | 60.02 | 1.3% | 4.3% | 11.3% | 17.9% | 25.0% |
| USA (Dow Jones) | 52 637 | 62.10 | -0.5% | 5.5% | 10.5% | 14.9% | 15.0% |
| USA (Nasdaq) | 26 282 | 54.56 | 1.7% | 4.5% | 13.4% | 21.2% | 29.6% |
| Euro Area (DJ EuroStoxx) | 665.7 | 51.82 | -2.1% | 3.6% | 11.4% | 21.2% | 10.2% |
| UK (FTSE 100) | 10 497 | 50.68 | -1.7% | 2.5% | 7.7% | 25.7% | 9.6% |
| Switzerland (SMI) | 14 235 | 61.71 | -1.3% | 5.7% | 10.4% | 18.0% | 7.5% |
| Japan (Nikkei) | 67 243 | 51.64 | -1.7% | 6.9% | 37.3% | 28.7% | 21.3% |
| Emerging (MSCI) | 1 691 | 45.92 | -1.7% | 1.8% | 21.9% | 34.3% | 8.0% |
| Brasil (IBOVESPA) | 177 866 | 62.61 | 2.2% | 5.5% | 10.4% | 34.0% | -10.4% |
| Mexico (IPC) | 66 496 | 44.04 | -0.8% | 2.6% | 5.0% | 35.1% | -11.0% |
| India (SENSEX) | 77 520 | 56.41 | -0.2% | 5.3% | -8.1% | 10.5% | 9.6% |
| China (CSI) | 4 693 | 45.09 | -1.1% | 1.2% | 4.5% | 21.0% | 18.2% |
| Com. Services (MSCI World) | 165.7 | 54.49 | 2.2% | 1.6% | 1.6% | 33.0% | 31.9% |
| Cons. Discretionary (MSCI World) | 438.4 | 52.98 | 0.7% | 2.7% | -3.6% | 9.8% | 20.7% |
| Cons. Staples (MSCI World) | 302.9 | 49.58 | -1.1% | -0.6% | 6.2% | 9.3% | 4.7% |
| Energy (MSCI World) | 314.1 | 49.55 | 3.2% | -4.9% | 20.8% | 14.8% | 2.9% |
| Financials (MSCI World) | 239.9 | 67.28 | 0.7% | 7.2% | 8.0% | 29.5% | 25.1% |
| Health Care (MSCI World) | 401.8 | 58.36 | -2.2% | 5.2% | 2.9% | 15.3% | 1.5% |
| Industrials (MSCI World) | 525.9 | 49.14 | -2.1% | 4.8% | 13.7% | 26.2% | 12.8% |
| Info. Tech. (MSCI World) | 1 231.2 | 52.25 | 1.3% | 4.6% | 27.8% | 26.6% | 31.9% |
| Materials (MSCI World) | 416.5 | 43.31 | -3.0% | 0.5% | 6.8% | 32.5% | -7.6% |
| Real Estate (MSCI World) | 1 040 | 50.83 | -0.3% | -0.4% | 5.5% | 3.6% | -0.4% |
| Utilities (MSCI World) | 207.3 | 51.72 | -0.9% | 2.8% | 9.1% | 24.7% | 13.0% |
| **Bonds (Bloomberg)** | | | | | | | |
| World (Aggregate) | 3.89% | 42.82 | -0.4% | -0.2% | -0.7% | 8.2% | -1.7% |
| USA (Sovereign) | 4.46% | 44.20 | -0.4% | 0.2% | -0.2% | 6.3% | 0.6% |
| Euro Area (Sovereign) | 3.27% | 42.79 | -0.7% | 0.4% | 0.2% | 0.6% | 1.9% |
| Germany (Sovereign) | 2.93% | 41.82 | -0.7% | 0.3% | 0.0% | -1.6% | 0.6% |
| UK (Sovereign) | 4.88% | 48.17 | -0.6% | 0.7% | -0.1% | 6.1% | -3.0% |
| Switzerland (Sovereign) | 0.61% | 40.84 | -0.6% | 0.4% | -0.1% | 0.3% | 5.4% |
| Japan (Sovereign) | 2.39% | 47.49 | 0.0% | -0.1% | -2.5% | -4.6% | -2.1% |
| Emerging (Sovereign) | 6.20% | 50.25 | -0.4% | 0.0% | 1.8% | 13.1% | 7.0% |
| USA (IG Corp.) | 5.32% | 41.17 | -0.8% | -0.5% | 0.1% | 7.8% | 2.1% |
| Euro Area (IG Corp.) | 3.58% | 47.66 | -0.4% | 0.1% | 0.9% | 3.0% | 4.7% |
| Emerging (IG Corp.) | 6.46% | 48.32 | -0.2% | 0.0% | 1.5% | 8.1% | 7.0% |
| USA (HY Corp.) | 7.16% | 60.47 | -0.1% | 0.4% | 2.1% | 8.6% | 8.2% |
| Euro Area (HY Corp.) | 5.87% | 69.54 | 0.0% | 0.5% | 1.9% | 5.2% | 8.2% |
| Emerging (HY Corp.) | 7.44% | 57.71 | -0.3% | 0.3% | 4.2% | 13.9% | 14.9% |
| World (Convertibles) | 625.1 | 45.71 | 0.0% | 1.3% | 16.0% | 22.4% | 9.4% |
| USA (Convertibles) | 833.4 | 47.02 | 0.5% | 1.9% | 19.1% | 16.9% | 10.1% |
| Euro Area (Convertibles) | 307.8 | 42.94 | -1.3% | 0.3% | 5.9% | 24.8% | 14.7% |
| Switzerland (Convertibles) | 296.6 | 61.70 | 0.1% | 2.0% | 4.8% | 17.5% | -10.5% |
| Japan (Convertibles) | 326.1 | 47.23 | -4.1% | 4.2% | 26.4% | 13.8% | 6.4% |
| **Hedge Funds (Bloomberg)** | | | | | | | |
| Hedge Funds Industry | 1 896 | 77.61 | n.a. | -0.5% | n.a. | 4.8% | 11.1% |
| Macro | 1 535 | 69.20 | n.a. | -1.8% | n.a. | 4.6% | 7.4% |
| Equity Long Only | 2 590 | 67.90 | n.a. | 1.0% | n.a. | 4.7% | 12.0% |
| Equity Long/Short | 2 110 | 78.14 | n.a. | 0.0% | n.a. | 7.1% | 14.0% |
| Event Driven | 2 080 | 84.98 | n.a. | 1.4% | n.a. | 8.3% | 8.7% |
| Fundamental Equity Mkt Neutral | 2 010 | 89.06 | n.a. | 0.9% | n.a. | 7.3% | 12.4% |
| Quantitative Equity Mkt Neutral | 1 887 | 79.52 | n.a. | 0.4% | n.a. | 4.3% | 9.8% |
| Credit | 1 773 | 92.05 | n.a. | 0.5% | n.a. | 3.2% | 8.5% |
| Credit Long/Short | 1 809 | 94.45 | n.a. | 1.3% | n.a. | 4.4% | 10.0% |
| Commodity | 2 019 | 67.40 | n.a. | -6.1% | n.a. | 0.9% | 14.7% |
| Commodity Trading Advisors | 1 516 | 62.29 | n.a. | -2.6% | n.a. | 6.7% | 7.9% |
| **Volatility** | | | | | | | |
| VIX | 15.03 | 41.39 | -6.9% | -32.4% | 0.5% | -13.8% | 39.4% |
| VSTOXX | 16.85 | 45.93 | 8.4% | -21.7% | 14.5% | -13.5% | 25.3% |
| **Commodities** | | | | | | | |
| Commodities (CRB) | 565.3 | n.a. | 1.0% | 2.4% | 4.7% | 0.6% | 5.1% |
| Gold (Troy Ounce) | 4 055 | n.a. | -2.6% | -6.0% | -6.1% | 64.6% | 27.2% |
| Silver (Troy Ounce) | 58.21 | n.a. | -6.2% | -16.8% | -18.8% | 148.0% | 21.5% |
| Oil (WTI, Barrel) | 71.41 | n.a. | 4.0% | -20.7% | 24.4% | -19.9% | 0.1% |
| Oil (Brent, Barrel) | 74.21 | n.a. | 7.1% | -21.5% | 18.8% | -15.7% | -4.6% |
| **Currencies (vs USD)** | | | | | | | |
| USD (Dollar Index) | 101.10 | 61.00 | 0.2% | 1.4% | 2.8% | -9.4% | 7.1% |
| EUR | 1.1408 | 40.16 | -0.3% | -1.6% | -2.9% | 13.4% | -6.2% |
| JPY | 162.09 | 41.92 | 0.0% | -1.1% | -3.3% | 0.3% | -10.3% |
| GBP | 1.3385 | 54.68 | -0.1% | -0.2% | -0.7% | 7.7% | -1.7% |
| AUD | 0.6932 | 41.65 | -0.3% | -2.0% | 3.9% | 7.8% | -9.2% |
| CAD | 1.4161 | 38.38 | 0.3% | -1.2% | -3.1% | 4.8% | -7.9% |
| CHF | 0.8092 | 38.99 | -0.5% | -1.8% | -2.1% | 14.5% | -7.3% |
| CNY | 6.7837 | 51.56 | 0.2% | -0.4% | 3.0% | 4.5% | -2.7% |
| MXN | 17.509 | 46.06 | -0.7% | -1.7% | 2.8% | 15.7% | -18.5% |
| EM (Emerging Index) | 1 864.7 | 54.64 | 0.3% | 0.3% | 0.7% | 7.2% | -0.7% |
| XBT | 62 820 | n.a. | 1.2% | -2.2% | -28.3% | -6.5% | 120.5% |

Source: Bloomberg, Altitude Investment Solutions

Total Return by asset class (Negative \ Positive Performance)

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