



February 26, 2026

Morning Briefing

On AI & Jobs, Trump & Markets, & The Newest Semiconductors

Check out the accompanying [chart collection](#).

Executive Summary: Projections of a collapse in consumer spending as Americans lose jobs to AI en masse spooked the stock market recently—but perhaps unnecessarily. Jackie explains why that catastrophic scenario may be unlikely. ... Also: A look at how various S&P 500 sectors are affected by President Trump's policies. ... And in our Disruptive Technologies segment: Not long ago, Nvidia had the AI chip market cornered; soon, new competitors with impressive advanced AI chip offerings may back Nvidia into a corner.

Demographics: Countering the Citrini Report. Earlier this week, the stock market was spooked by a report by Citrini Research that laid out a future in which so many jobs were lost to AI that unemployment soared and consumer spending collapsed. Demographics may help prevent this draconian scenario from becoming a reality. The Baby Boomers are gradually entering their retirement years; and if current trends continue, they won't be replaced in the workforce by new immigrants. The number of workers will decline naturally versus forcibly. The economy may need AI to increase productivity and offset the impact of a shrinking workforce.

Let's take a look at data regarding the US population.

(1) *The influential Boomers.* The Baby Boomers have been this nation's largest generation, with 76 million born from 1946 to 1964 in the wake of World War II ([Fig. 1](#)). The sheer size of the Boomer generation has forced society to adapt to them at every life stage. When they were young, more schools had to be built. When they were older, more homes were built. Women of that generation made bringing home the bacon a norm. And currently, Boomers, who are roughly 62 to 80 years old, are causing a boom in tourism and 55-and-older communities.

The Boomers will also impact the job market as they continue to retire. Roughly 4.1 million Boomers turn 65 each year—or about 11,200 people a day, up from an average of 10,000 per day in the prior decade.

By 2030, all 67 million boomers will be 65 or older. By then, they'll represent one-fifth of the US population and rival the number of American kids (68 million). Also, the workforce may decline in 2030, as the number of 22-year-olds starts to decline that year because in 2007 the number of births peaked at 4.3 million. Births have declined almost every year since, with only 3.6 million babies born in 2024.

As a result, by 2029, the Congressional Budget Office estimates that the number of deaths will equal the number of births. And by 2034, the number of deaths will exceed the number of births and continue to do so in the ensuing years. So starting in 2029, US population growth will depend entirely on immigration (Fig. 2).

A Federal Reserve Bank of San Francisco economist estimated in November that the native US working-age population has been declining since 2012 due to the increase in 65-year-old Boomers and the lack of growth in 16-year-olds. She forecasts that the declines will continue through at least 2040.

(2) *Boomers keep working.* The potential problem has been pushed off a bit because many Boomers continue to work after 65, either because they prefer to work or have to work (Fig. 3). The number of folks who work past 65 has quadrupled since the 1980s, according to Pew Research Center data. Almost 20% of Americans 65 and older were employed in 2023, nearly double the percentage 35 years ago.

(3) *Don't count on immigration.* Under President Trump's policies, immigrants won't fill the jobs the Boomers leave behind. Net international migration is forecast to fall to 321,000 for the year ending June 2026, down from a peak of 2.7 million in the year ending June 2024. The decline in net immigration is a function of both fewer immigrants and more emigrants (non-US-born people leaving the US), according to US Census estimates. (Estimates are not available by legal status.) The US Congressional Budget Office arrives at very similar estimates for 2025 and 2026. If current trends continue, the Census Bureau notes that net immigrant migration could turn negative for the first time in more than 50 years.

(4) *Another take from Citadel.* Citadel Securities posted a report that also considered why the Citrini report could be off the mark. It noted that job postings for software engineers have jumped sharply since late last year even as overall job postings have been relatively

flat. It noted that productivity enhancing automation has historically lowered marginal costs, expanded potential output, and increased real incomes. Even if labor demand decreases, AI should result in lower prices, which typically increases consumption; alternatively, it could result in profit increases that are distributed to investors or taxed by the government and distributed to citizens.

The report concludes: “Today’s secular forces of ageing populations, climate change and deglobalization exert downward pressure on potential growth and productivity, perhaps AI is just enough to offset these headwinds.”

Strategy: Trump Stays the Course. In his State of the Union speech Tuesday night, President Trump highlighted his achievements and indicated that the US economy would continue to benefit from his policies. Measured purely by the performance of the stock market, President Trump has done one heck of a job. From Election Day in 2024 through Tuesday’s close, the S&P 500 has gained 19.1%, the DJIA rose 16.5%, and Nasdaq gained 24.0% ([Fig. 4](#)).

As is almost always the case, there’s a wide dispersion of returns when looking more granularly at the S&P 500 industries. Here’s how they’ve performed since President Trump won the 2024 election: Communication Services (39.3%), Industrials (30.1), Information Technology (23.4), Energy (21.6), Utilities (20.2), S&P 500 (19.1), Consumer Staples (14.7), Materials (14.4), Consumer Discretionary (13.1), Financials (8.9), Health Care (6.6), and Real Estate (1.1) ([Fig. 5](#)).

Let’s take a look at how some of Trump’s policies—past and present—may affect the sectors going forward:

(1) *Bigger tax returns could mean more spending.* The S&P 500 Consumer Discretionary sector’s strong performance has lagged the broader index since the election, with some areas hurt by the price increases related to Trump’s tariffs ([Fig. 6](#)). But the sector’s performance may improve if y/y earnings comparisons benefit from the approaching anniversary of the tariffs and from brisker consumer spending thanks to the bigger tax refunds expected for many.

President Trump’s One Big Beautiful Bill Act eliminated taxes on tips and overtime in certain industries. It expanded the child tax credit and boosted the state and local income tax deduction. Some estimate tax refunds are set to jump substantially this spring.

(2) *More savings could benefit Financials.* As the President's term began, investors were hopeful that the S&P 500 Financials sector would outperform as he reduced regulations on the industry. But regulatory changes haven't been enough to offset recent fears about the potential for rising default rates in private lending, AI displacing insurance brokers, stablecoins replacing credit cards, and the slower pace of IPOs than was first expected ([Fig. 7](#) and [Fig. 8](#)).

President Trump did throw the industry two bones last night. First, he highlighted the previously announced creation of Trump Accounts for all children born in the US. The federal government will give \$1,000 to all children born from the start of this year through the end of 2028 and personal contributions of \$5,000 annually can be made to help children build long-term wealth. Funds can be accessed after the age 18 for items like education and home purchases.

The President also announced a new program to establish retirement accounts for the roughly 56 million Americans who lack an employer-sponsored 401(k) savings plan. The government will match up to \$1,000 per year in these new accounts. More savings is good news for the financial industry.

(3) *Health care in the crosshairs.* During his speech, the President highlighted his program to reduce the cost of prescription drugs. The US government negotiated lower prices on 15-high-selling drugs used by Medicare, including the diabetes treatment often used for weight loss Ozempic, the asthma treatment Trelegy, and the breast cancer treatment Ibrance. The new prices will go into effect in 2027 and are estimated to take 38%-85% off the list prices of these drugs. The cuts do not benefit private health insurance plans.

What the President didn't mention were cuts made to Medicaid and ACA funding that have already begun to hurt hospitals facing an increase in uninsured patients. Likewise, the administration kept [Medicare rates](#) relatively unchanged this year, hurting the stocks of health insurers. The Managed Health Care stock price index, which has some of the largest stocks in the sector, has fallen 15.3% ytd ([Fig. 9](#)).

Disruptive Technologies: Nvidia's Competition Heats Up. News that Advanced Micro Devices (AMD) will sell more than \$100 billion of its MI450 series advanced AI chips to Meta Partners gave AMD's credibility in the AI chip arena a serious boost. However, as part of the deal, AMD did agree to give Meta warrants to buy up to 160 million of AMD shares for a penny, with the last tranche of warrants vesting if AMD shares hit \$600.

Nonetheless, the deal highlighted the increasing competition that Nvidia faces. AMD, Google, and a slew of small companies, including Taalas, are gunning to break into the advanced AI chip industry. Granted, Nvidia showed no sign of stress yesterday when it announced quarterly earnings that exceeded Wall Street analysts' consensus estimates, but things can change quickly. Here's a look at the rapidly changing environment:

(1) *Taalas has high hopes.* Two-year-old [Taalas](#) has developed an AI semiconductor chip that's far faster and uses far less energy than existing chips. If its product lives up to its boasts, the new chip offering could be a game-changer that surpasses Nvidia and its other competitors.

Taalas claims that just one of its chips can hold an entire large AI model without requiring external memory. Its HC1 chip hard-wires an entire large language model (LLM), like Meta's Llama 3.1 8B, directly into the chip's silicon. "The efficiency of hard-wired computation enables a single chip to outperform a small GPU [graphics processing unit] data center, opening the way to a 1,000x improvement in the cost of AI," the company said.

For the techies among our readers, the Financial Express provided some of the chip's finer [details](#): "The HC1 is a custom ASIC (Application-Specific Integrated Circuit) built on TSMC's 6nm process, measuring 815 square mm with 53 billion transistors. Unlike flexible GPUs or general-purpose ASICs, it embeds the full model, parameters, and weights into hardware, eliminating much of the overhead associated with loading and processing models dynamically."

The chips' downside is their limited flexibility, because each chip is directly tied to a specific LLM. As LLMs evolve, new chips with the updated model will be necessary. But what the chip lacks in flexibility it makes up for in speed and cost. Next, the company is working on the HC2, which will support Llama 3.1 model with 20 billion parameters.

The Toronto-based company was founded in 2023 by Tenstorrent founder Ljubisa Bajic, who had previously worked at AMD and Nvidia, and two engineers, Drago Ignjatovic and Lejla Bajic, who also previously worked at Tenstorrent. The company says its model-specific chips are perfect for data centers that run one LLM.

Taalas recently raised \$169 million of private equity funding. It competes against Groq, which was recently acquired by Nvidia, and Cerebras, which also offers custom silicon solutions.

(2) *Another newcomer raises funding.* SambaNova Systems, which designs AI inference chips, has raised \$350 million in a new funding round and struck a partnership with Intel. The proceeds will fund the expansion of its SN50 AI chip, scale the Samba Cloud platform, and deepen enterprise software integrations, YahooFinance [reported](#).

SoftBank plans to deploy the SN50 chip in its data centers in Japan. Other customers include Hugging Face, Meta, Intel, and other AI labs. Lip-Bu Tan is Intel's CEO and chairman and an early investor in SambaNova. Intel participated in the latest funding round, and SambaNova agreed to adopt Intel server chips and graphics cards.

(3) *Google's in the race, too.* Tensor processing units (TPUs) are Google's alternative to Nvidia's GPUs. Google uses TPUs and GPUs in its own cloud computing operations, and others have begun adopting TPUs as well. Anthropic [announced](#) in October plans to buy up to one million TPU chips. The company uses TPUs, Amazon's Trainium chips, and Nvidia's GPUs.

The *WSJ* [reported](#) that Google is in discussions to invest about \$100 million in cloud-computing startup Fluidstack. Like CoreWeave, Fluidstack offers cloud computing services to AI companies and others and would presumably use Google's TPUs. Major cloud providers—such as Amazon, Microsoft, and Oracle—may be less likely to use TPUs because Google is a cloud competitor, however.

Strategy Indicators

S&P 500 Earnings, Revenues, Valuation & Margins ([link](#)): It was record highs across the board during the February 19 week for the S&P 500's forward revenues, earnings, and profit margin. Forward revenues and forward earnings each gained less than 0.1% w/w, and the forward profit margin remained steady at a record-high 14.6%.

Consensus expectations for forward revenues growth was steady w/w at a 43-month high of 7.3%. From a longer-term perspective, that's well above its 20-year average of 5.2% and its 33-month low of 2.3% during the February 23, 2023 week. The analysts' forward earnings growth forecast ticked down 0.1ppt w/w to 15.1%, just 0.2ppt below the 54-month high of 15.3% during the January 1 week. That's well above its 20-year average of 11.4% and up 4.1ppts from its 15-month low of 10.9% during the May 29 week.

Annual growth expectations for revenues and earnings also rose to new highs w/w instead

of falling as is typical. Analysts expect revenues to rise 7.5% in 2026 (+0.1ppt, new high), and another 7.4% in 2027 (new high), compared to a 6.8% gain in 2025 (+0.1ppt, new high). They expect an earnings gain of 15.2% in 2026 (-0.1ppt) and a 16.3% rise in 2027 (new high), compared to 2025's earnings gain of 13.7% (+0.1ppt, 12-month high).

Consensus profit margin forecasts were mostly steady w/w but remain on solid uptrends . Analysts expect the profit margin to rise 0.8ppt y/y to 1.0ppt y/y in 2026 to 14.3% (eight-month high) and 1.2ppts y/y in 2027 to 15.5% (new high), compared to 2025's 13.3% (eight-month high).

Looking at valuation data as of February 19, the S&P 500's weekly forward P/E fell 0.2pt w/w to a nine-month low of 21.6. That's well above its 20-year average of 16.4 and is up 2.4pts from its 16-month low of 19.2 during the April 17 week, but has fallen 1.7pts from its 25-year high of 23.3 during the October 30 week. It also compares to 23.1 in early September 2020, which was then its highest level since July 2000, and to a 77-month low of 14.0 in March 2020.

The S&P 500 weekly price-to-sales ratio fell 0.03pt w/w to a nine-week low of 3.15. That's still well above its 20-year average of 1.80 but 0.13pt below its record high of 3.28 during the October 30 week; it compares to a 49-month low of 1.65 in March 2020.

S&P 500 Sectors Revenues, Earnings, & Margins ([link](#)): During the February 19 week, six of the 11 S&P 500 sectors posted gains in their forward revenues and five had forward earnings rise. While four sectors had their forward profit margins tick down w/w, these are short-term swings that should revert back to their positive trends. Indeed, eight of the 11 sectors have higher forward profit margins y/y.

Looking at their forward revenues, the record-high-club count dropped by two w/w to six with these sectors: Communication Services, Financials, Industrials, Information Technology, Real Estate, and Utilities. Less than 0.2% from their records a week earlier are Consumer Discretionary and Health Care. A ninth, Consumer Staples (3.4% below record), would be in too after adjusting for the removal of CVS last September. Energy's remains depressed at 29.2% below its September 2008 record, while Materials' has improved steadily since its May 2025 bottom to just 2.0% below its June 2022 record.

The membership roll for the record-high forward earnings club saw two sectors exit this week (Consumer Discretionary and Industrials) as the count dropped from seven to these five: Communication Services, Consumer Staples, Financials, Information Technology, and

Utilities. The lower count w/w is not a concern, as their forward earnings uptrends remain intact. As recently as late November, nine of the 11 S&P 500 sectors were in the record-high forward earnings club. Earnings remains depressed near a cyclical low for Energy (42.5% below October 2022 record), but has improved steadily for Materials since May 2025 (16.4% below April 2022 record).

The record-high forward profit margin club remained steady at one sector w/w, as Information Technology swapped places with Financials as the sole member. However, these five sectors are just a short trip back to record highs: Communication Services, Consumer Discretionary, Financials, Industrials, and Utilities. Among the five lagging sectors, the profit margins of Consumer Staples, Materials, and Real Estate are improving from their recent multi-year lows, while Energy's and Health Care's are just a tick above their recent record lows.

Here's how the S&P 500 and its 11 sectors rank based on their current forward profit margin forecasts: Information Technology (30.3%, up 0.1ppt w/w to record high), Financials (21.3, down 0.1ppt w/w from record high 21.4), Communication Services (19.3, down 0.1ppt w/w & 0.5ppt below 19.8 record in August), Real Estate (16.4, down 0.2ppt w/w to 3.8ppts below 19.2 record high in 2016), Utilities (14.9, down 0.1ppt w/w from 48-month high to 0.2ppt below April 2021 record 15.1), S&P 500 (14.6, record high), Materials (11.7, up 0.2ppt w/w to a 39-month high & down from 13.6 record high in June 2022), Consumer Discretionary (9.5, 0.2ppt below 9.7 record in January), Energy (8.3, 64-month low and 4.5ppt below 12.8 record in November 2022), Industrials (11.2, 0.1ppt below 11.3 record high in January), Health Care (8.0, 0.1ppt above 7.9 record low in January and 3.5ppt below February 2022 record high of 11.5), and Consumer Staples (7.1, 0.4ppt above September low & 0.6ppt from June 2020 record high of 7.7).

S&P 500 Q4 Earnings Season Monitor ([link](#)): With 452 companies having reported Q4 results through mid-day Wednesday, the Q4-2025 earnings season is now over 90% complete. The latest readings suggest a tad weaker revenue and earnings surprise than in Q3-2025, but with y/y growth steady q/q near their respective three- and four-year highs.

Revenues are ahead of the consensus forecast by 1.8% (down from 2.2% in Q3), and earnings have exceeded estimates by 5.1% (down from 9.6% in Q3). Both of those measures are stabilizing now as the Q4 finish line approaches.

Just 72% of the 452 companies has reported a positive revenues surprise, while 74% has reported an earnings beat. That's well above historical averages of 62% (revenues) and

73% (earnings), but are below Q3's uncommonly high readings of 77% (revenues) and 83% (earnings).

Among the 452 companies that have reported so far, aggregate y/y earnings growth is exceeding revenues growth for a 10th straight quarter. Their aggregate y/y growth rates have improved q/q so far for revenues (to 8.9% from 8.1%) and weakened for earnings (to 11.9% from 16.6%).

More companies have been reporting positive y/y revenues growth in Q4 (83%) than positive y/y earnings growth (71%), but both are near four-year highs now and well above their historical averages of 73% (revenues) and 66% (earnings).

Contact us by [email](#) or call 480-664-1333.

Ed Yardeni, President & Chief Investment Strategist, 516-972-7683

Joe Abbott, Chief Quantitative Strategist, 732-241-6502

Melissa Tagg, Senior Global Investment Strategist, 516-782-9967

Mali Quintana, Senior Economist, 480-664-1333

Jackie Doherty, Contributing Editor, 917-328-6848

William Pesek, Contributing Editor, 516-277-2432

Valerie de la Rue, Director of Institutional Sales, 516-277-2432

Mary Fanslau, Manager of Client Services, 480-664-1333

Sandy Cohan, Senior Editor, 570-228-9102

