CS McKee

VISUALIZING MARKET DYNAMICS

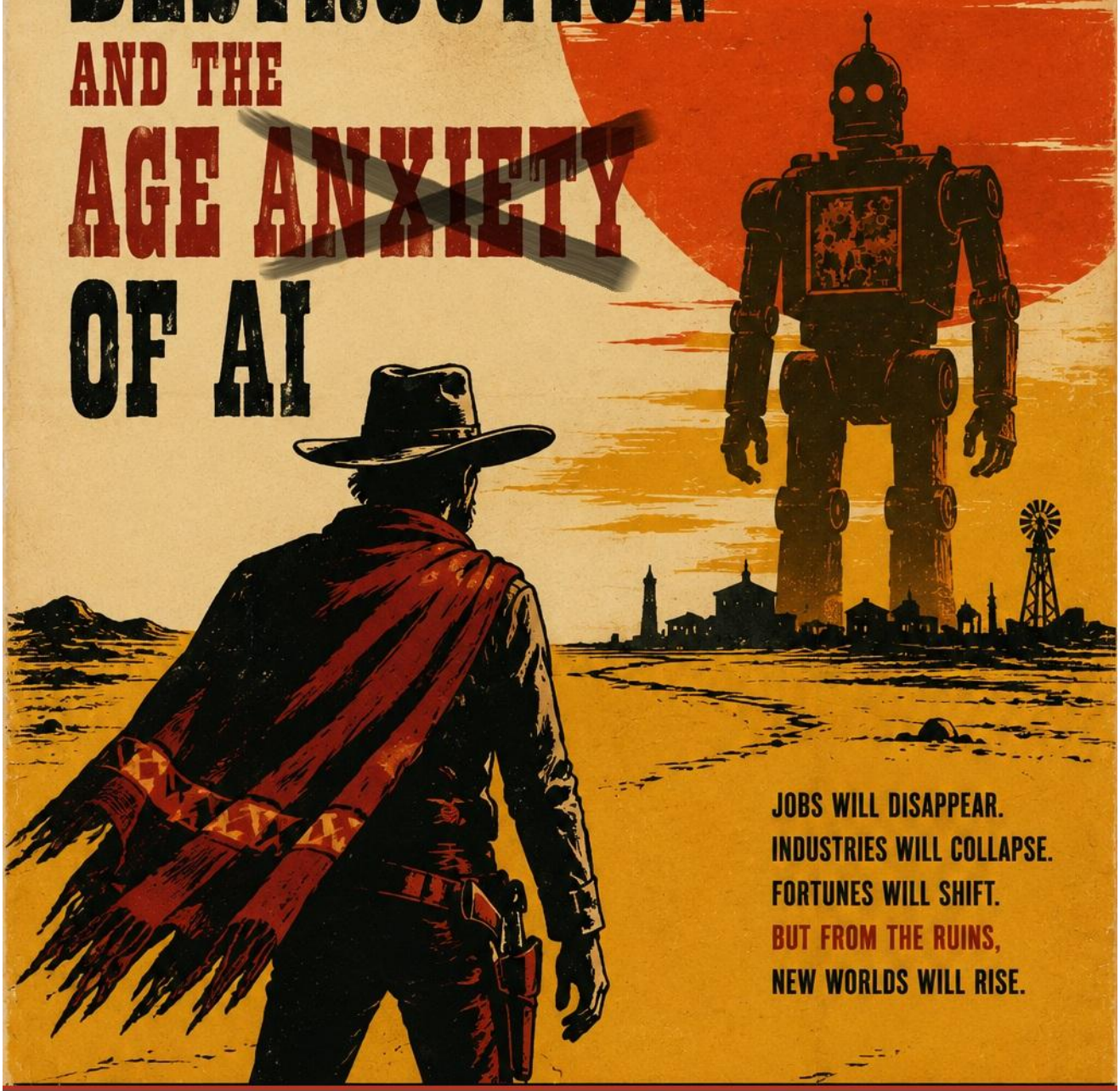
A GUIDE TO MARKET TRENDS

JUNE 2026

INNOVATION BUILDS THE FUTURE.
ANXIETY TRADES IT.

CREATIVE DESTRUCTION AND THE AGE OF AI

CS McKee



JOBS WILL DISAPPEAR.
INDUSTRIES WILL COLLAPSE.
FORTUNES WILL SHIFT.
BUT FROM THE RUINS,
NEW WORLDS WILL RISE.

WRITTEN BY

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"The unemployment rate printed 10.2% this morning… The market sold off 2% on the number, bringing the cumulative drawdown in the S&P to -38% from its October 2026 highs."

— The 2028 Global Intelligence Crisis, Citrini Research

The AI investment boom is fully underway, but so is the anxiety. While markets are celebrating the future, workers and some investors are quietly questioning what may be lost along the way. This unease reminds us that every technological revolution feels existential while it is happening. Few do in hindsight.

Enthusiasm surrounding the "next big thing" has propelled markets to new highs as capital floods into semiconductors, data centers, and the broader infrastructure powering the AI revolution. See Figures 1, 2 and 3.

Yet beneath the optimism, anxiety continues to quietly build. Search activity tied to layoffs, financial distress, and resume updates has also hit all time highs according to Google Trends. See Figures 4a and 4b.

At the same time, several industries are confronting the potential threat AI poses to their business models and pricing power. The software sector, in particular, has found itself squarely in the crosshairs with many names down more than 30% year-to-date in 2026 and even further from the highs reached last year.

The tension simmering beneath this wave of enthusiasm was perhaps best captured in late February when a report titled *The 2028 Global Intelligence Crisis* began circulating across social media. The piece briefly rattled markets as it outlined a hypothetical but deeply unsettling future scenario driven by rapid advances in AI.

Written from the perspective of June 30, 2028, the authors imagined an economy more than two years into an AI-driven labor dislocation event. The opening paragraph immediately captured the market's deepest fear:

"The unemployment rate printed 10.2% this morning, a 0.3% upside surprise. The market sold off 2% on the number, bringing the cumulative drawdown in the S&P 500 to -38% from its October 2026 highs."

The paper described a future in which AI adoption squeezed wages and accelerated layoffs across industries. The resulting fear and uncertainty pressured consumer spending and eroded competitive advantages almost overnight. Investors, unable to quantify the pace of disruption, began selling and compressing valuation multiples across the market.

Despite the anxiety surrounding the paper and rising geopolitical tensions tied to the Strait of Hormuz, equities continue hovering near all-time highs. Driving the rally is a wave of companies beating earnings expectations and raising guidance on the back of accelerating AI-related capital spending.

The S&P 500 is now up over 10% on the year and in striking distance of the 8,000 target outlined in that doomsday piece before the fall. A 38% drawdown from that level would imply an index closer to 5,000 - levels last seen in 2022 following the social media-driven run on Silicon Valley Bank. This is a far cry from some Wall Street targets of 10,000 over the next few years.

No one can predict the future with certainty, not even the most sophisticated AI model or agent. 10,000 on the S&P 500 is as good as a guess as 5,000. But what cannot be denied is that the buildout is real.

The seven largest companies in the S&P 500 are expected to spend extraordinary amounts on AI infrastructure in 2026 and 2027. Combined, these companies are projected to account for nearly two-thirds of the capital expenditures of the remaining S&P 500 companies excluding financials. See Figure 1.

Whether this investment cycle ultimately leads to the dire scenario outlined in *The 2028 Global Intelligence Crisis* remains unknowable. What is clear, however, is that while AI anxiety may feel unprecedented, history suggests it is anything but new.

Every major technological revolution has triggered fears of labor obsolescence. In 1848, when Karl Marx and Friedrich Engels published *The Communist Manifesto*, they were responding to the massive social dislocation created by industrial capitalism and the Industrial Revolution**. Machines were rapidly replacing physical labor, reshaping the relationship between workers, production, and capital itself.**

More than a century later, a remarkably similar fear resurfaced. In 1964, a report titled *The Triple Revolution* warned of what its authors called the **"cybernation revolution."** The paper argued that computers and automated systems would eventually create a world in which machines advanced faster than humanity's ability to adapt. Productivity would soar, but employment opportunities would disappear alongside it creating **a future where computers would displace and destroy jobs.**

This idea sounds strikingly familiar to the future of AI and at heart to a theory posited by an Austrian economist who studied economic cycles in the early twentieth century.

With "creative destruction," Joseph Schumpeter described capitalism as a system that advances through "a process of industrial mutation…**relentlessly destroying the old and creating the new**." Witnessing the aftermath of the Industrial Revolution alongside the devastation of a world war, Schumpeter understood that capitalism evolves through disruption.

And the Industrial Revolution did just that, replacing human muscle with machine power. The computer revolution did the same, accelerating information and automation beyond what previous generations thought possible. Each wave of innovation brought fears of disruption, uncertainty, and permanent displacement as old systems and industries gave way to new ones.

The AI revolution of the 2020s is no different.

What makes AI distinct, however, is not simply its ability to automate repetitive tasks at extraordinary speed, but the potential automation of cognition itself.

Previous technological revolutions primarily threatened physical labor. **AI is competing with our minds.**

Increasingly vulnerable are analytical and creative tasks traditionally associated with white-collar employment. That distinction helps explain why the anxiety surrounding AI feels uniquely personal and more pervasive among today's workforce and investors alike.

Agentic software, large language models, and robotics will undoubtedly disrupt industries and eliminate certain jobs. Workers will be forced to retrain and adapt. Entire business models may become obsolete.

Historically, however, **periods of technological disruption have eventually expanded productivity, created entirely new industries, and raised aggregate living standards**, even if the path there was often painful and uneven. The early Industrial Revolution produced decades of stagnant wages before prosperity broadened across society, while the post-1980s divergence between productivity and median wages serves as a reminder that the gains from innovation are not always evenly distributed.

The future of AI is no more certain than the future of industrial machinery was in the 1860s or computers were in the 1960s. The innovation and change that felt existential to prior generations ultimately became foundational to rising productivity, new industries, and higher standards of living for future ones. See Figures 9 and 10.

Markets often fixate on the destructive side of Schumpeter's concept of "creative destruction" because destruction is immediate and visible. Creation, by contrast, tends to emerge slowly, unevenly, and only in hindsight. Yet it is ultimately the second half of the phrase that matters most.

The old is destroyed.

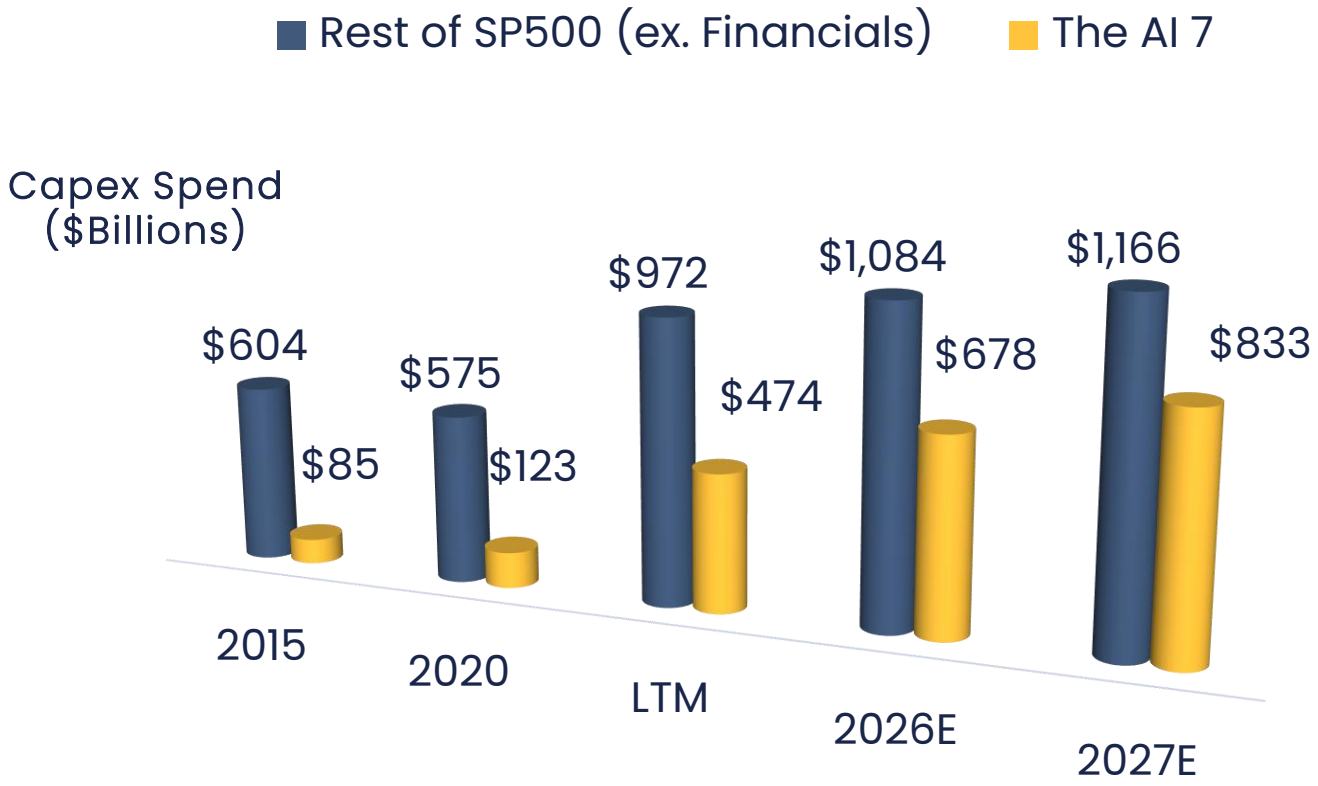
The new is created.

Every technological revolution begins with anxiety over what will be lost. History suggests the larger story is usually what gets created in its aftermath.

The following figures include:

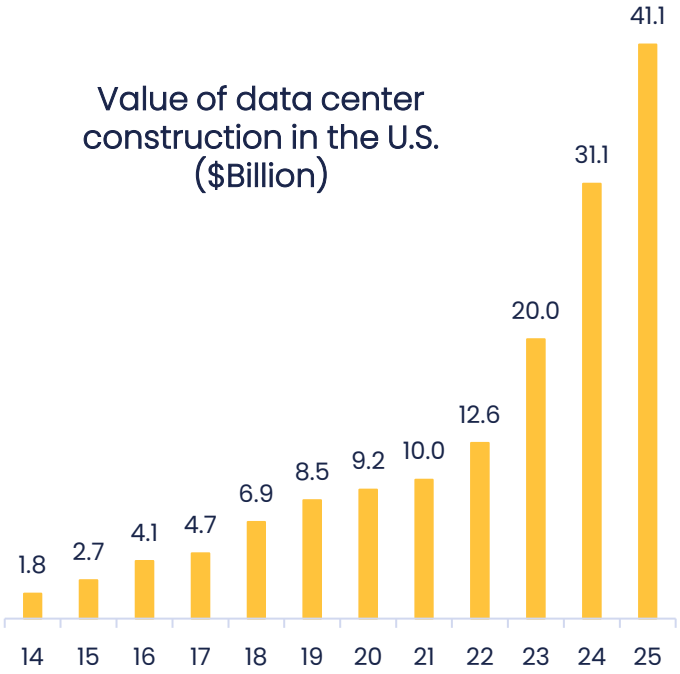
- **The breathtaking scale of the AI capex boom** and the concentration of capital spending among a handful of companies.
- **The growing undercurrent of consumer anxiety** emerging beneath the surface of an otherwise resilient economy.
- **Valuations and market concentration reaching levels reminiscent of prior speculative manias.**
- How previous technological revolutions ultimately delivered stronger productivity, rising wages, and higher living standards despite widespread fears of labor displacement.
- **The enormous energy demands required to power the AI revolution** at a time when global energy supply remains structurally constrained.

Figure 1: The AI Arms Race - Capital expenditures among the top seven companies in the S&P 500 are rapidly approaching the combined spending of the rest of the index.



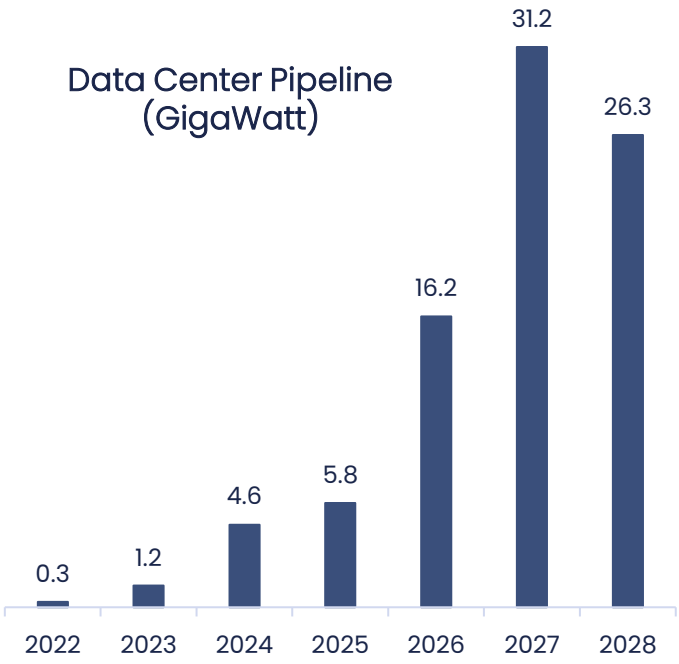
Source: FactSet & C.S. McKee. As of 05/31/26

Figure 2: U.S. data center construction has exploded higher while…



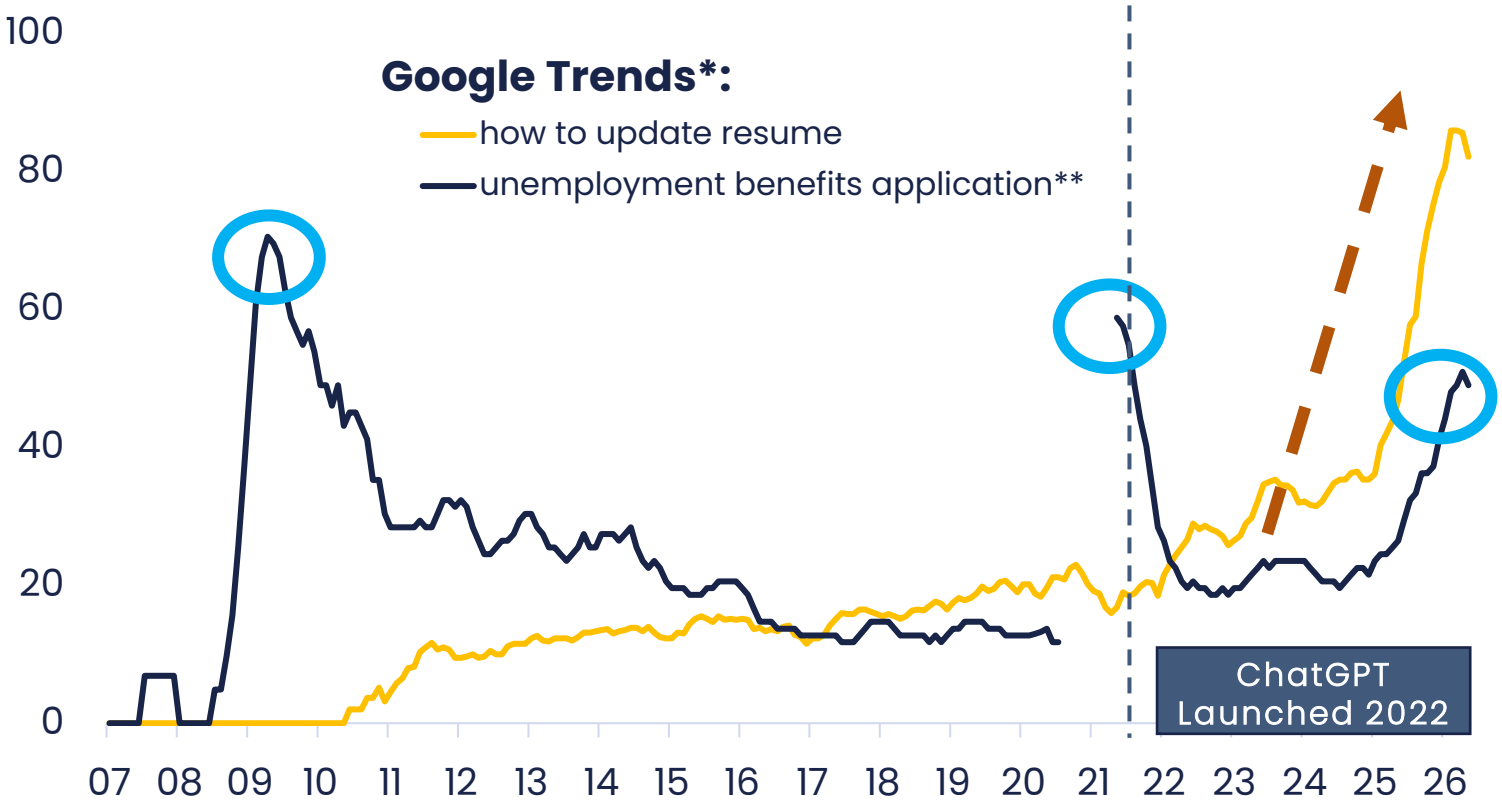
Source: U.S. Census Bureau

Figure 3: The global hyperscale data center pipeline continues expanding.



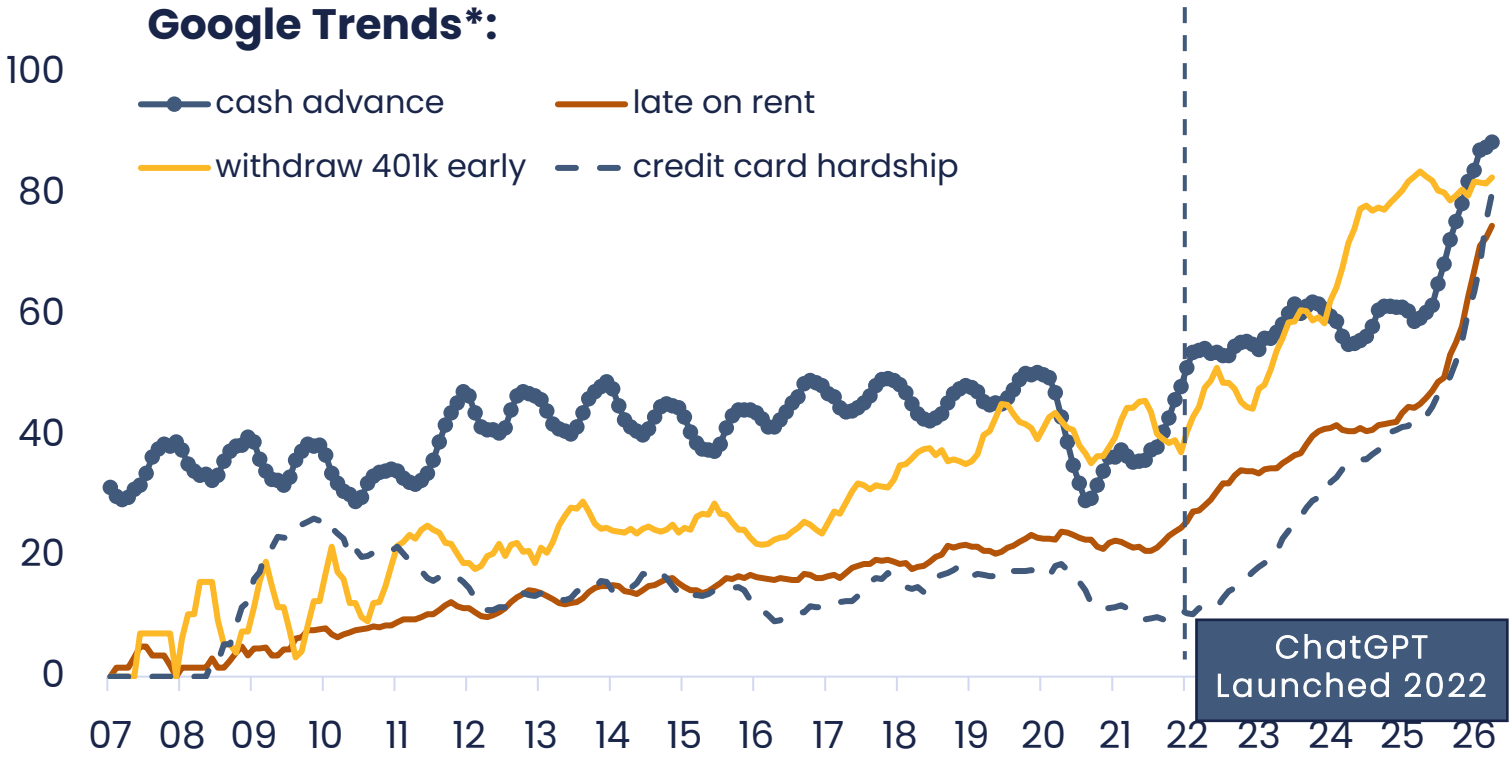
Source: Sightline Climate // Sightline is tracking 190GW across 777 hyperscale (>50MW) projects announced since 2024. Numbers above bar indicate sum of capacity slated for each year, excluding delayed and canceled projects. Data as of 01/31/26.

Figure 4a: The Anxiety Beneath the Boom - Google search activity tied to unemployment benefits and resume updates has accelerated alongside the AI buildout…



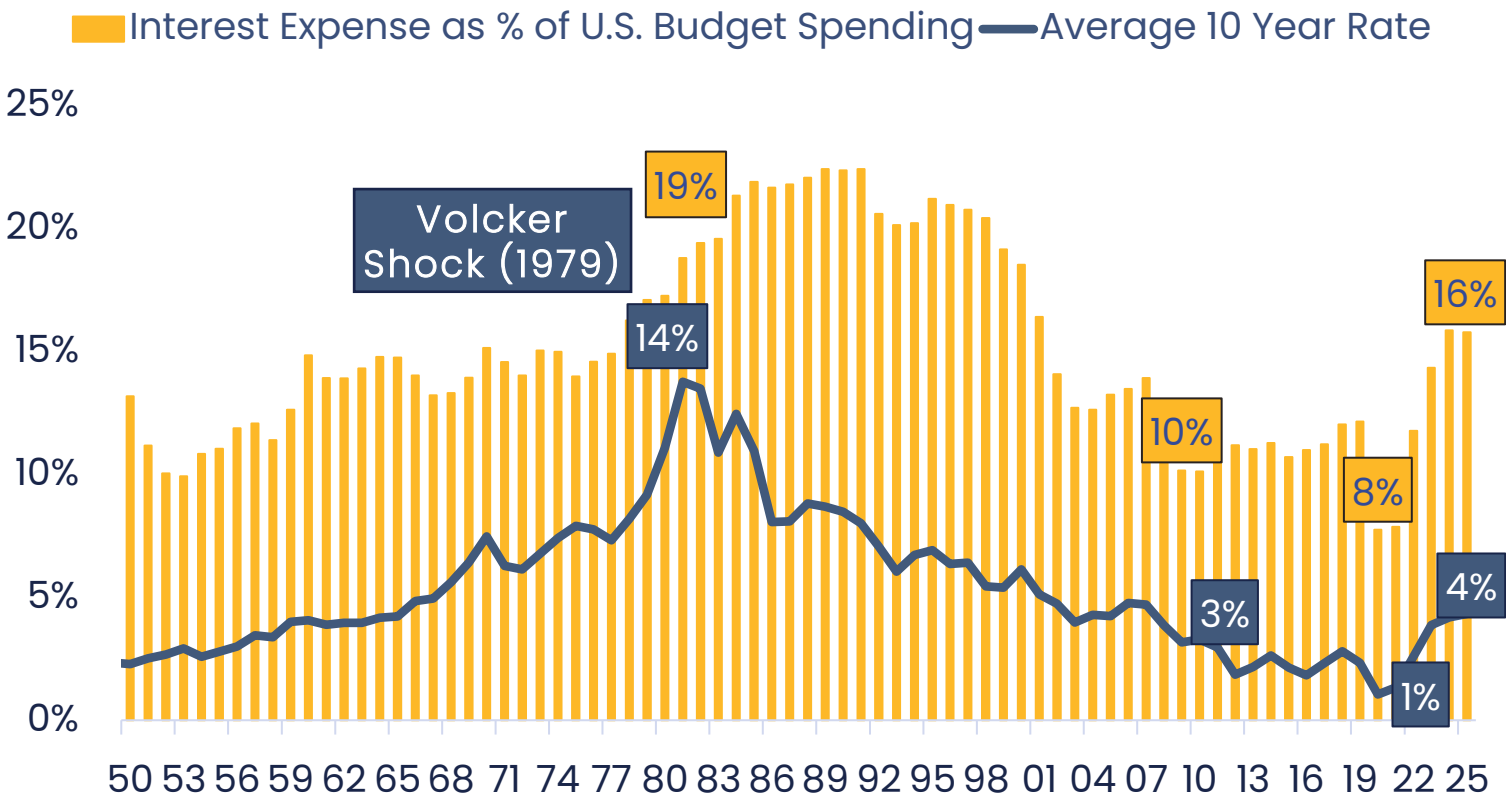
Source: 6-month avg search interest (Google Trends, indexed to peak = 100); as of 05/31/26
**Unemployment search interest indexed to 2008–09 peak (=100). Pandemic-era outliers truncated for visual comparability.

Figure 4b: As are searches tied to economic hardship.



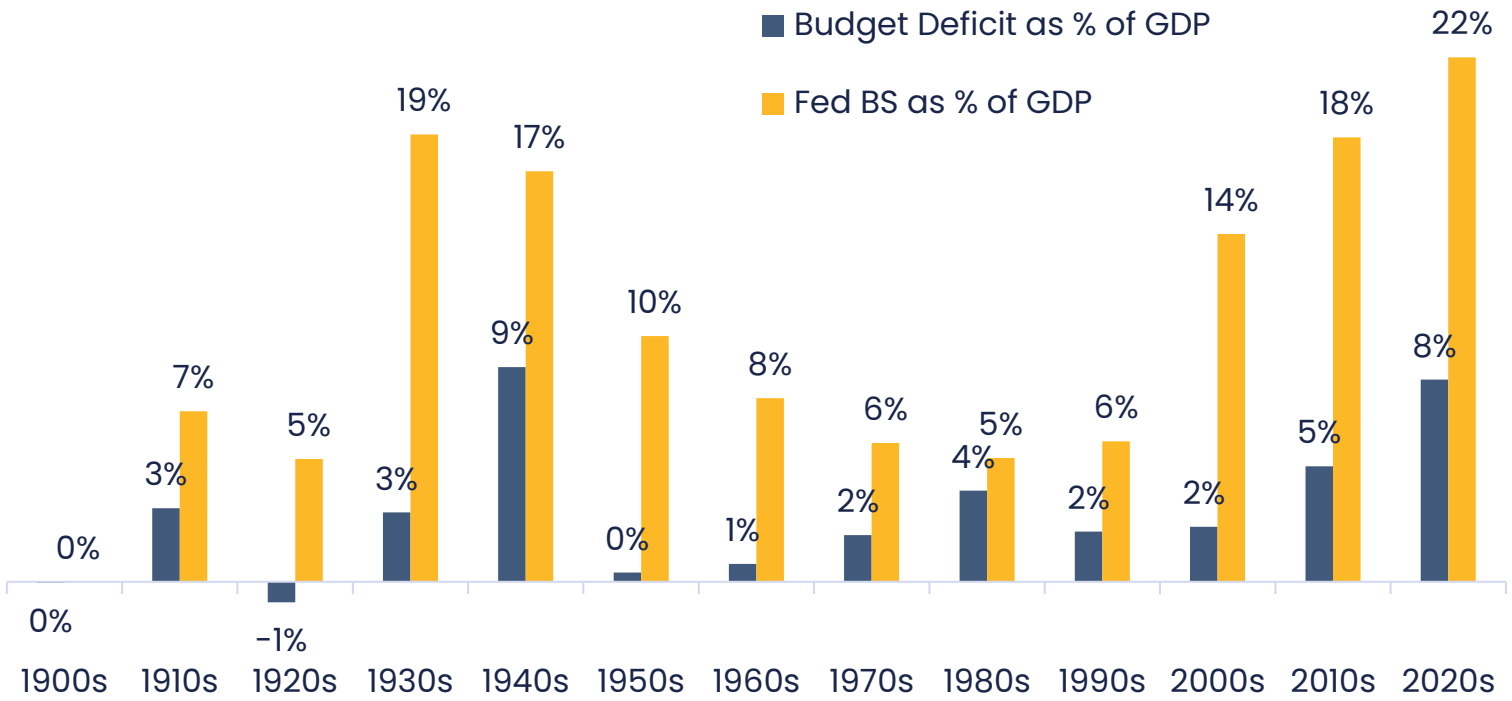
Source: *6-month avg search interest (Google Trends, indexed to peak = 100) ; as of 05/31/26

Figure 5: The $Trillion Question? Interest expense is the second largest line item in the budget deficit and approaching levels last seen in 1980s.



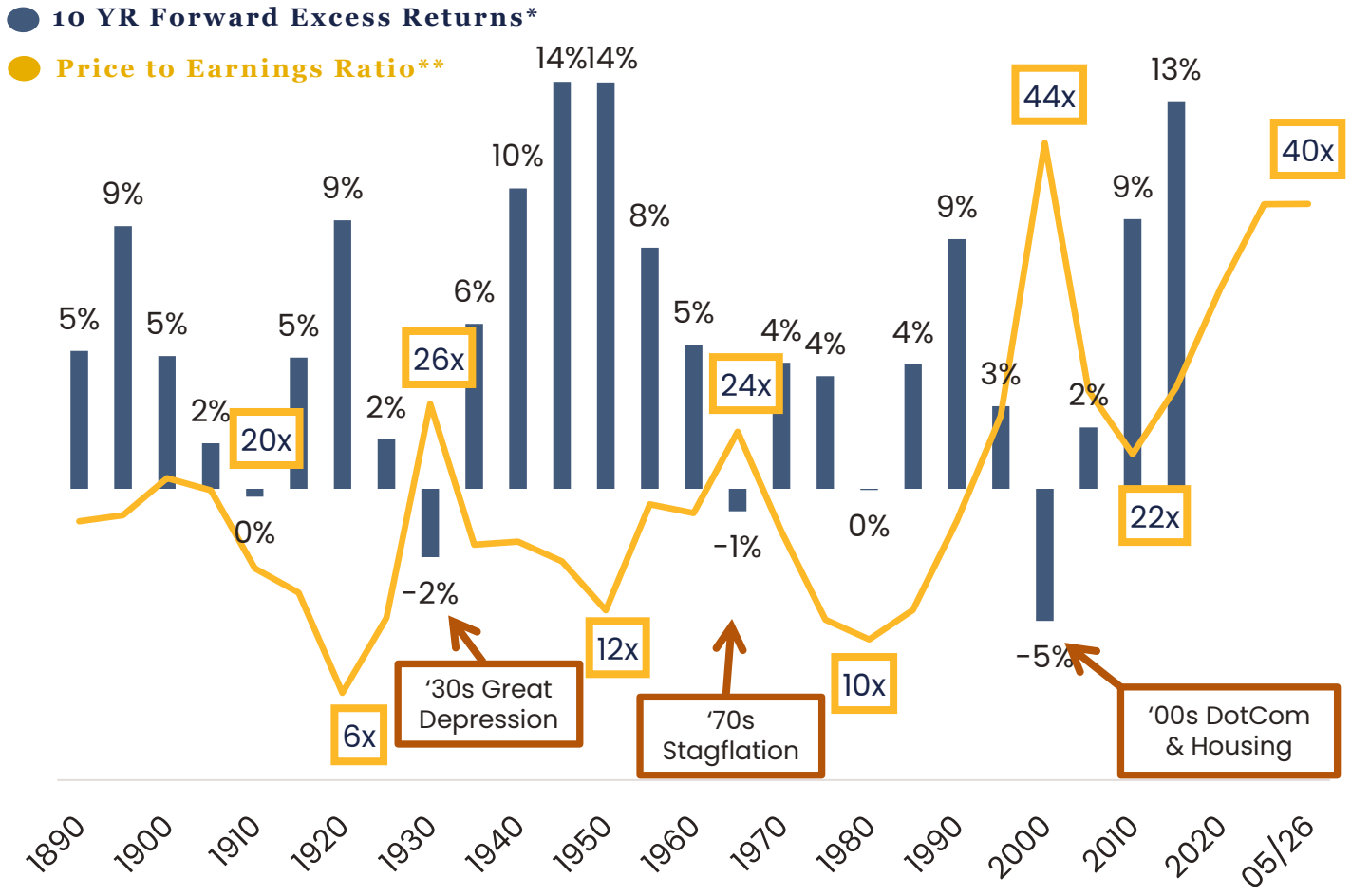
Source: Fiscal Data at treasury.gov, U.S. Bureau of Economic Analysis, as of 2025

Figure 6: The Age of Intervention - Fiscal and monetary stimulus reached levels historically associated with periods of war and economic crisis.



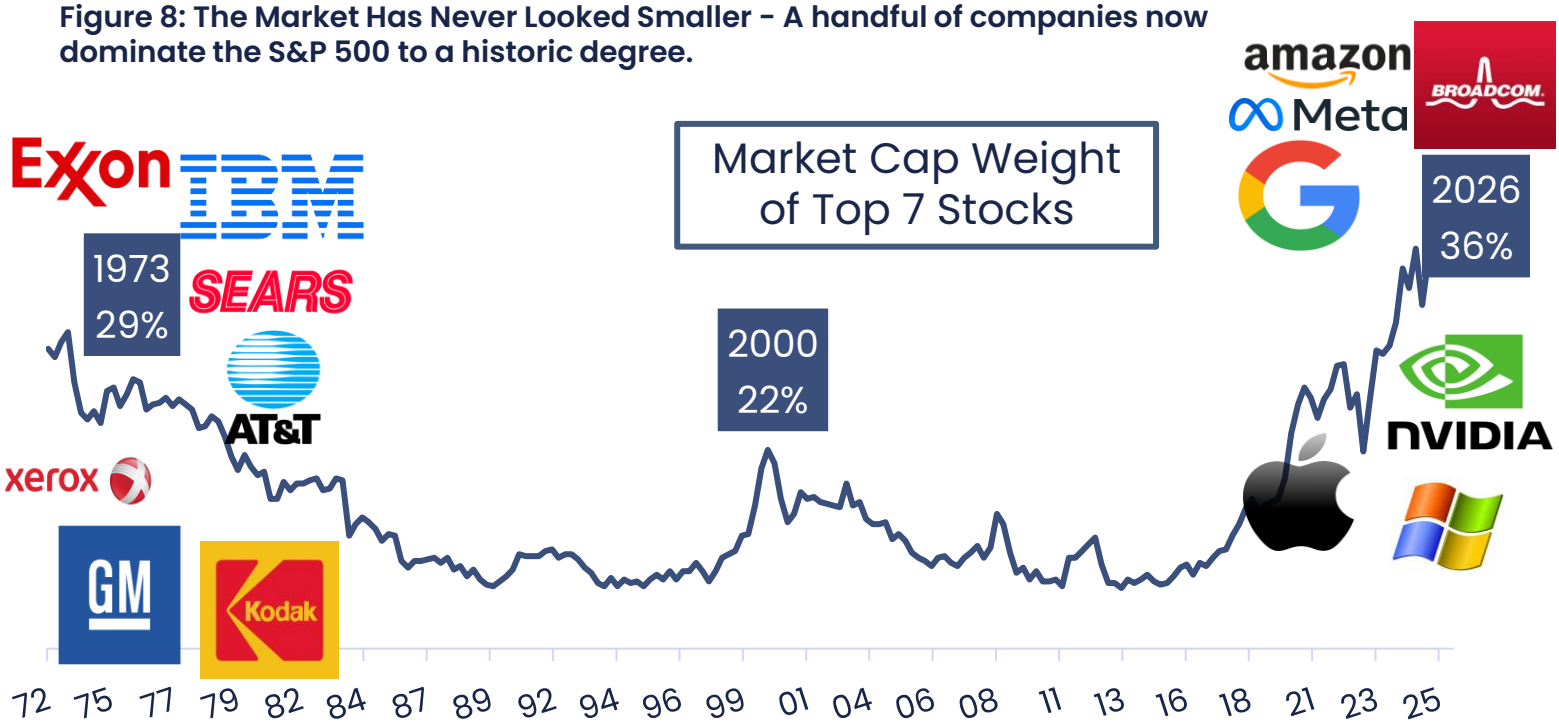
Source: U.S. Bureau of Economic Analysis, U.S. Office of Management and Budget, & Board of Governors of the Federal Reserve System (US)
*Average Annual by Decade, as of 12/31/2025

Figure 7: Echoes of the Dot-Com Era - AI enthusiasm has pushed S&P 500 valuations toward levels historically associated with speculative manias.



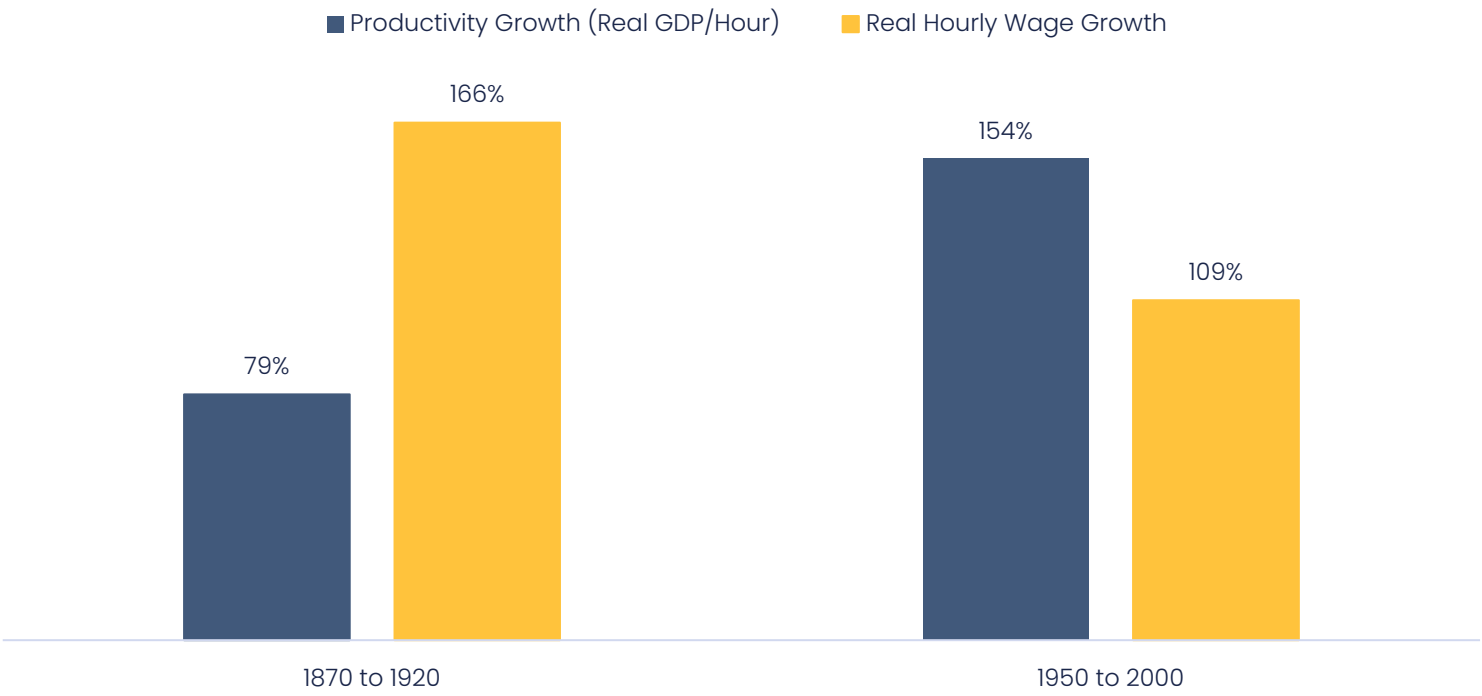
Source: Robert J. Shiller Stock Market Data Used in "Irrational Exuberance" Princeton University Press, 2000, 2005, 2015
*Annualized, more than bonds; **Shiller Cyclically Adjusted Price to Earnings Ratio 1YR Trailing Max, as of 05/31/2026.

Figure 8: The Market Has Never Looked Smaller - A handful of companies now dominate the S&P 500 to a historic degree.



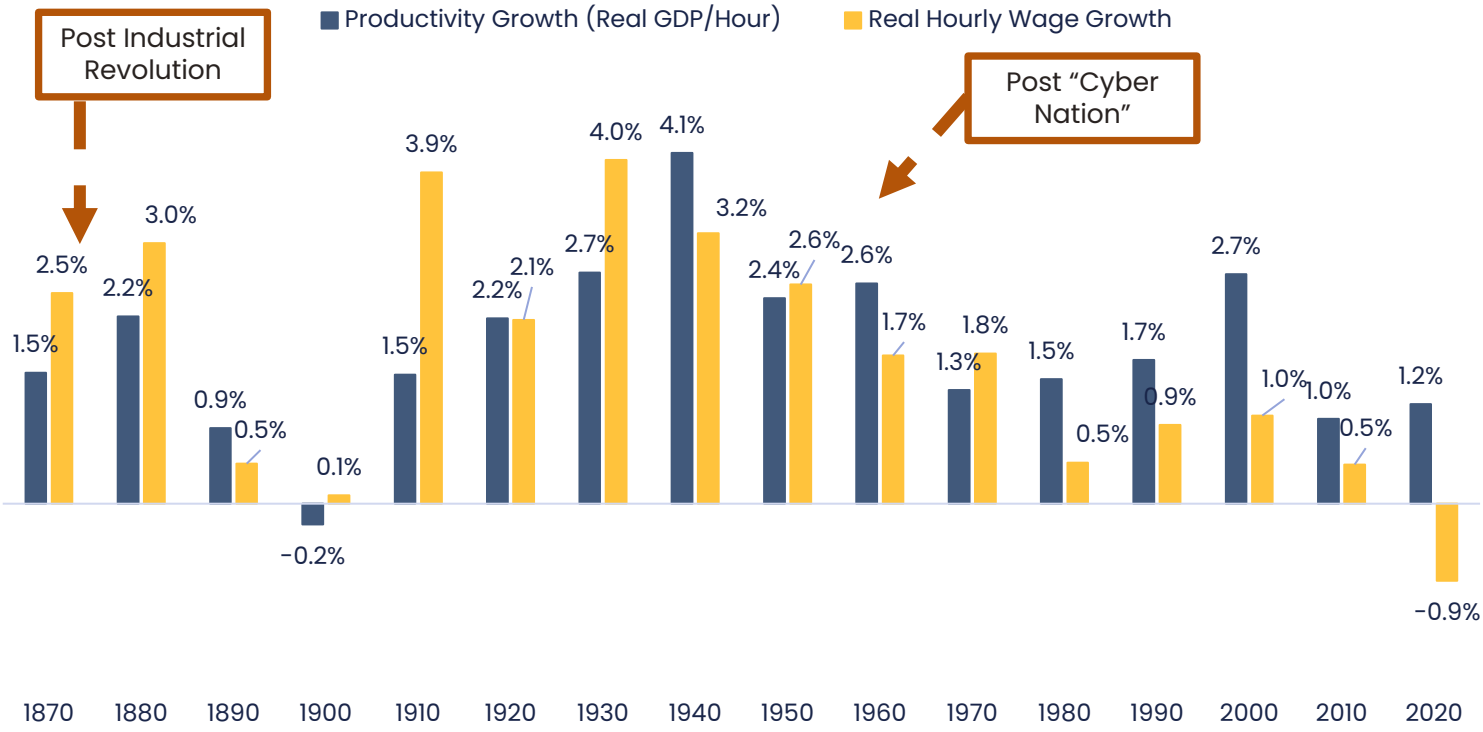
Source: Standard & Poor, as of 5/31/2026

Figure 9: The Long Arc of Innovation – Prior waves of technological disruption were ultimately followed by sustained gains in productivity and real wages.



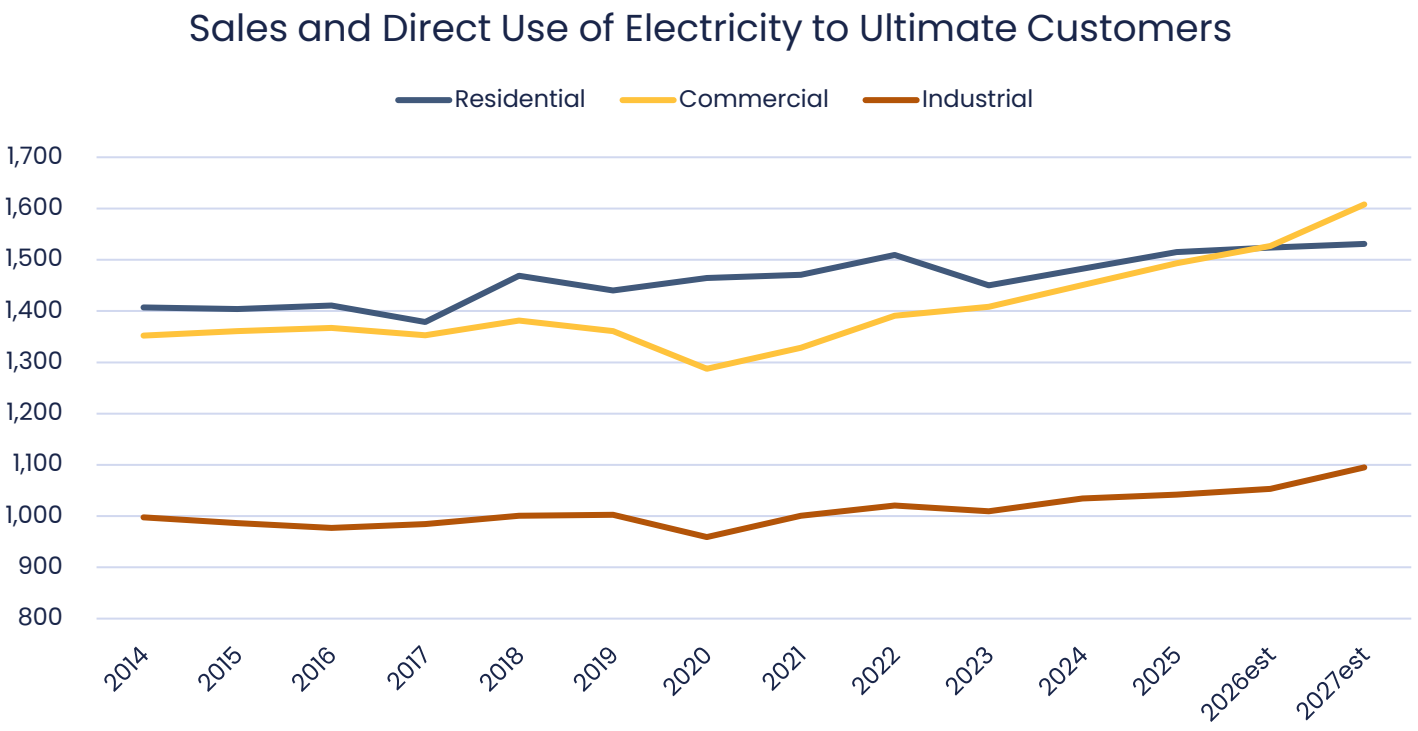
Source: Cumulative Growth of Real GDP/Hour and Real Hourly Wages by Decade; Recreated chart using methodology in Frey (2019), The Technology Trap, Figure 9, p. 199.

Figure 10: Will This Time Be Different? Productivity growth has recently outpaced wage growth, raising questions about how the gains from AI will ultimately be distributed.



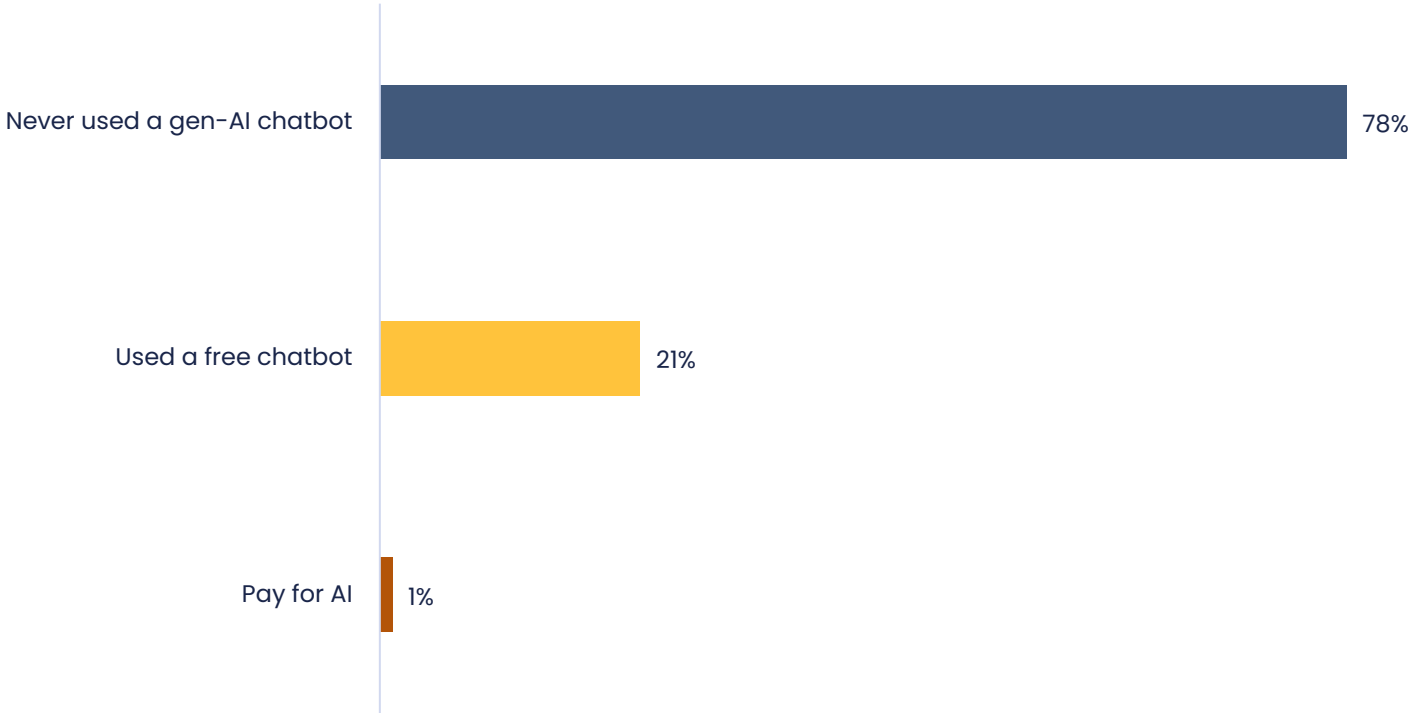
Source: Annual CAGR of Real GDP/Hour and Real Hourly Wages by Decade; Recreated chart using methodology in Frey (2019), The Technology Trap, Figure 9, p. 199.

Figure 11: AI Runs on Energy - The infrastructure powering the AI boom is rapidly reshaping electricity demand across the economy as Commercial use will outstrip Residential.



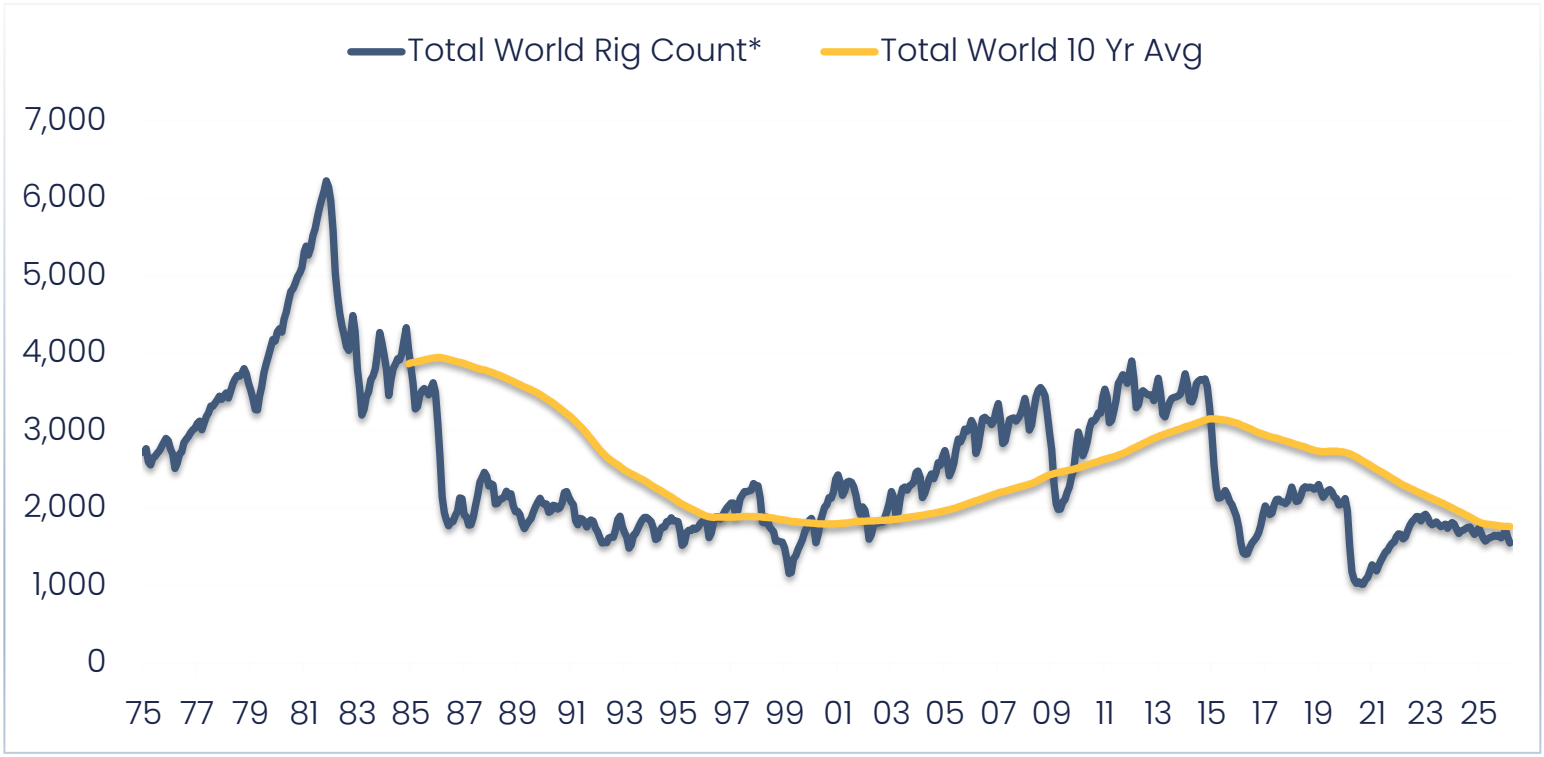
Source: U.S. Energy Information Administration.

Figure 12: We Are Still Early - Most of the global population has yet to meaningfully interact with generative AI.



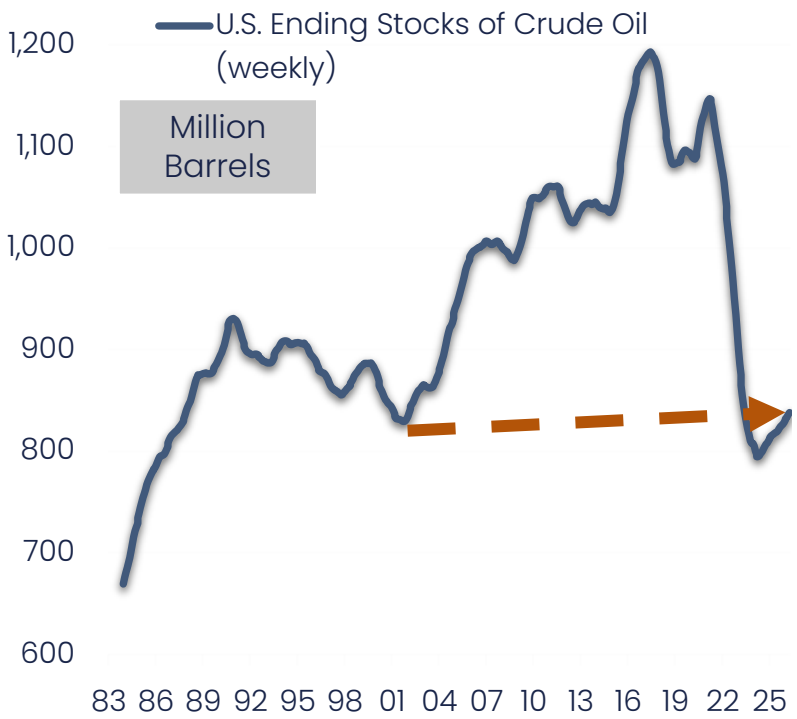
Sources: OpenAI, Google, est. Share of ~8.2B world population, early 2026.

Figure 13a: Drill Baby, Don't Drill Baby – The world is looking for less dirty fossil fuels at a time AI will need more



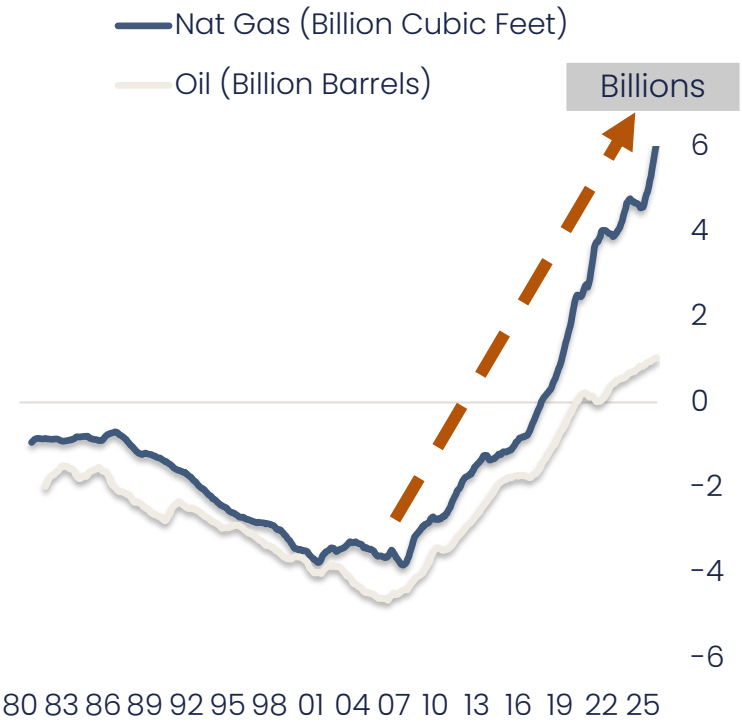
Source: CS McKee; Baker Hughes World Wide Rig Count as of April 2026

Figure 13b: U.S. stocks of oil remain at generational lows…



Source: EIA & CS McKee

Figure 12c: While the U.S. is exporting more than ever before.



Source: EIA & CS McKee

About CS McKee

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What does it look like in practice?

We take a disciplined, research-driven approach to managing assets, staying true to our proven philosophy and process while embracing innovation where it adds value. At the end of the day, it's all about our clients and helping them achieve their financial goals with the personalized service, dependability, and partnership they've come to expect from us.

Proudly Serving a Wide Breadth of Institutional Clients

Our hallmarks of exceptional client service and time-tested investment strategies have earned the trust of a diverse roster of institutional clients. While we got our start in Pennsylvania, our clientele now spans across the country, reflecting our national reach and reputation.

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