



Economic Update Report 11.6.2025

Is the United States headed towards a K-Shaped Economy? Bubble Scares and Uncertainty fuel Bearish Opinions

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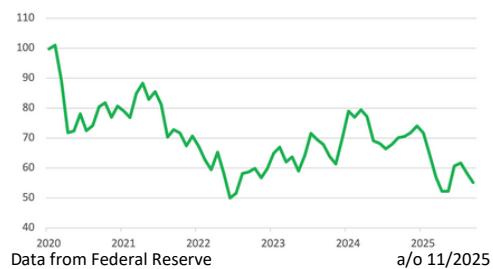
What is a K-Shaped Economy?

A K-shaped economy describes an economic recovery situation where different sectors of the economy recover from an economic downturn at differing rates. For instance, one sector may have a strong rebound from a recession while another continues to struggle. As a result, the economic recovery situation begins resembling the shape of the letter K, where certain industries grow and others decline.

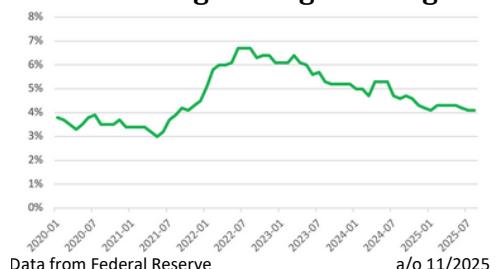
These uneven outcomes can result from factors such as technological advancements, shifts in consumer behavior, or the implementation of policies like monetary or fiscal policy since they can benefit certain sectors more than others. During the COVID-19 pandemic, for example, technology companies thrived as remote work, online learning, and e-commerce surged, driving demand for their products and services. Healthcare also saw increased investment, especially around vaccine development and medical research. In contrast, service-based industries such as tourism, restaurants, and hospitality were severely affected, as lockdowns and social distancing virtually eliminated demand. This contrasting performance created a K-shaped economic landscape, leading to growing inequalities such as widening employment and income gaps, which posed significant challenges for policymakers.

Similarly, signals of a K-shaped economy have been showing up again. For example, Coca-Cola, usually a bellwether for the financial health of consumers, has shown signs of a bifurcation. Pricier products of Coca-Cola, like Topo Chico Sparkling water and Fairlife protein shakes are driving the sales growth of the company. Simultaneously, Coke, found in dollar stores has seen a surge in demand which caters to the low-income households that are looking for deals.

Consumer Confidence



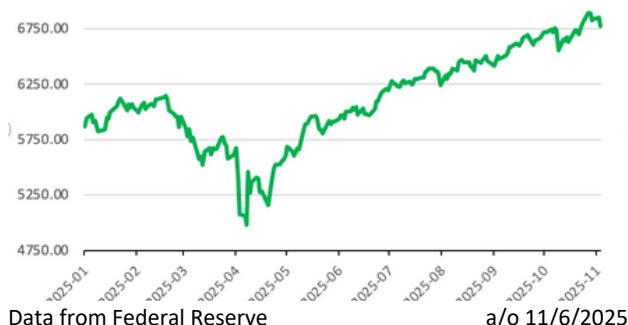
3-Month Moving Average of Wage Growth



Furthermore, McDonald's CEO, Chris Kempczinski, stated that their upper-income outlets have been performing well; however the opposite is true for the middle-to-lower income segment. The traffic for their lower income outlets is down by double-digits, suggesting that many are choosing to skip a meal or eat at home. Chipotle is facing a similar situation as well, as their stock plummets almost 50% due to consecutive quarters of underperformance and weak outlooks.

Therefore, the reemergence of K-shaped trends raises important questions regarding the sustainability of different industries and their recovery. Will innovation, policy and the potential AI bubble help bridge the widening gap, or lead to an extensive division of income groups?

S&P 500 YTD Performance



US Stock Index Performances

Key Indices	YTD %	Monthly %	Weekly %
S&P 500	16.77%	-0.3	-2.31%
Nasdaq	22.33%	-0.49%	-3.71%
Dow Jones	12.74%	0.47%	-1.59%

Data from Yahoo Finance

a/o 11/5/2025



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