

The Glass Is Half...?

By John Mauldin | March 21, 2026



The Argument for Half-Empty

Unemployment Woes

The Argument for Half Full

AI to the Rescue

Los Angeles, West Palm Beach, Washington DC, New York and Boston

The old cliché: do you see the glass as half-full or half-empty? Depending on what you're asking about, this can be a highly personal question. One person's half-empty is another person's half-full. My answer to that question is that those two answers don't adequately describe the current condition. Let me lay out the case for what should be the answer. Today we will explore how long this condition could last and what we can do about. I think it will make for interesting letter.

The Argument for Half-Empty

There has certainly been enough uncomfortable, if not negative, data that suggests the economy is slowing down. Let's look at some of the recent data releases.

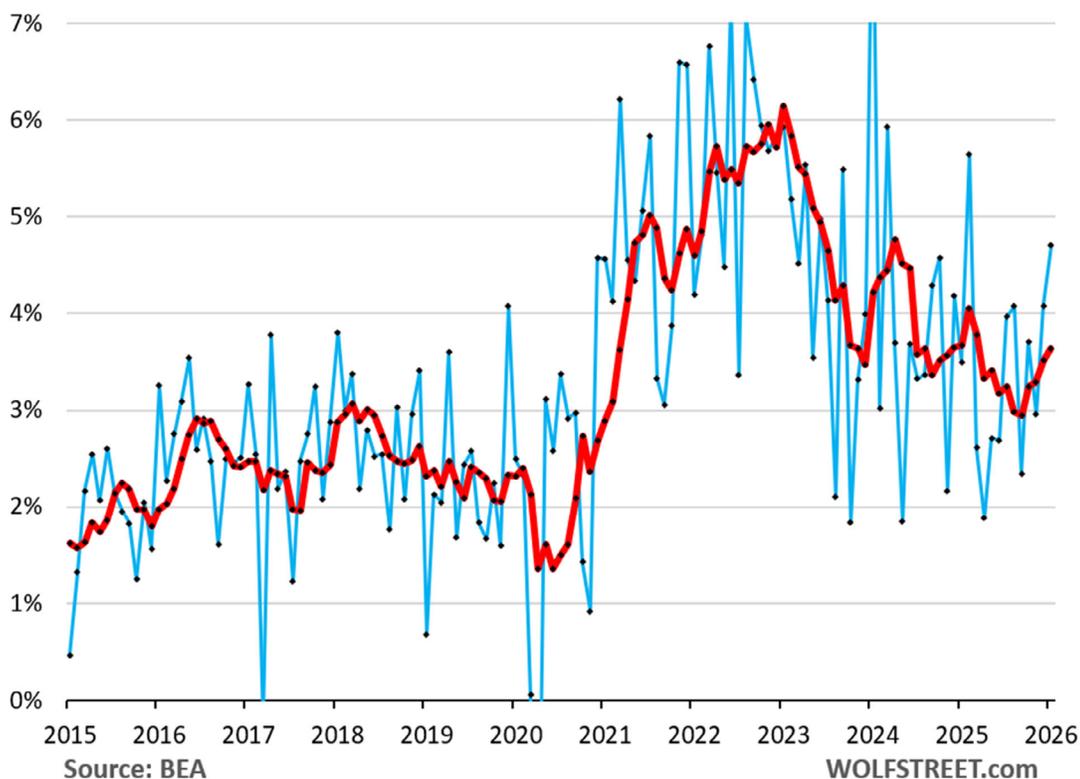
First, the news coming out on inflation is not good, to say the least. The market has gone from pricing in three rate cuts this year to a small chance of a rate hike. And for good reason.

As we all know, the Fed looks at the PCE (Personal Consumption Expenditures) price index, both the all-items and especially the core PCE which excludes energy and food. The all-items PCE price index rose by 2.8% in January compared to a year ago, and the core PCE price index accelerated to 3.1%, according to the BEA. That is well above the 2% target and has been moving in the wrong direction since May. Notice in the chart below that the monthly numbers are exceptionally volatile. A six-month moving average smooths that out. My friend Wolf Richter of Wolf Street provides the following chart and commentary:

“**The core services PCE price index** accelerated sharply both, on a month-to-month basis (+0.38% or +4.7% annualized, blue line in the chart), and a 6-month basis (+3.6% annualized, red line). This acceleration in January came on top of the acceleration in December.

Year-over-year, the core services PCE price index accelerated to 3.4%. And it did so despite the deceleration of its housing components.”

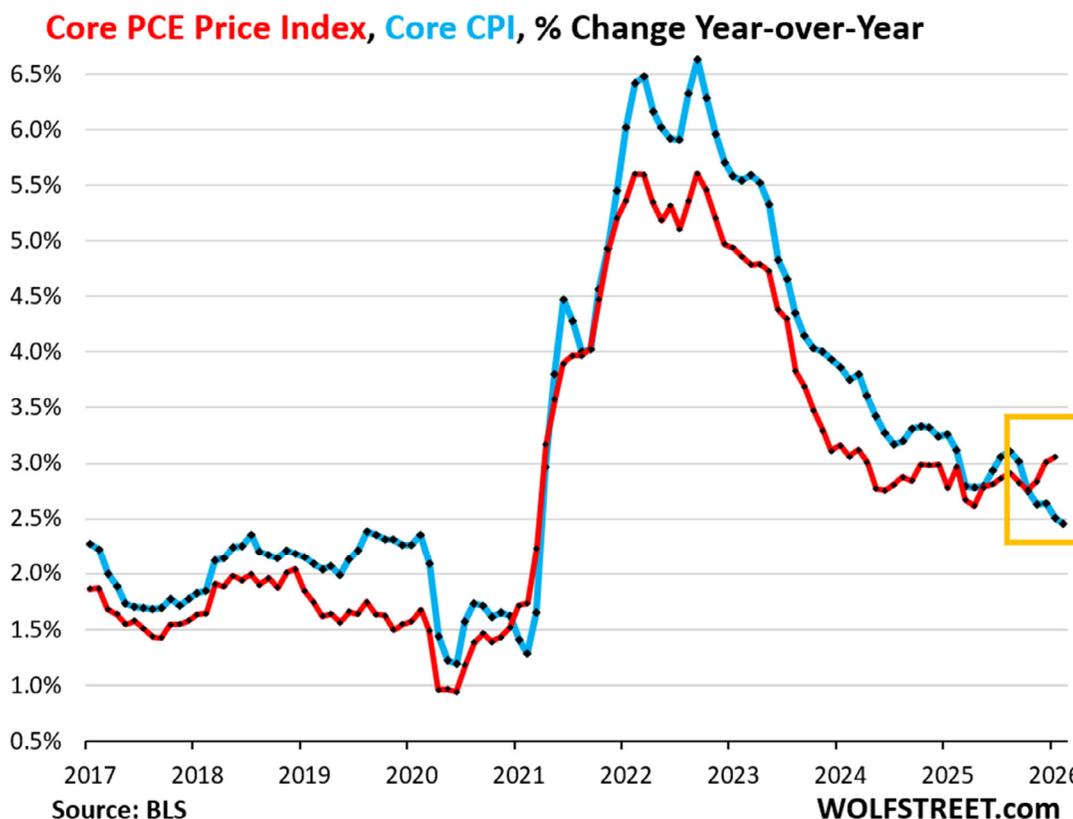
"Core Services" PCE Price Index, Annualized %, Monthly, 6-Month



Source: *Core PCE Inflation Hits 3.1%, Worst in 2 Years, in Unique Twist Blows way past CPI Inflation. Driven by Core Services | Wolf Street*

Note that this inflation reading does not include the recent energy spikes due to the Iran (Conflict? War? Military action?) situation. The March readings will be much higher.

Further, we are seeing an unusual diversion in CPI and PCE inflation reading. Normally, CPI has a higher inflation reading due to the dominance of housing related costs (37%) in the CPI versus about 17% in the PCE measure. I've written about the lighting nature of the inflation analysis of housing prices in the CPI data. We all know that housing prices are coming down. But because of the difference in weighting, the CPI actually shows lower inflation in the PCE. This diversion is quite unusual.



Then this Wednesday we got the Producer Price Index. On a 12-month basis, headline PPI inflation was at 3.4%, the most since February 2025, while core was at 3.9%, according to the BLS. I know that some people ignore this statistic, but there is a solid correlation between wholesale prices and eventual retail price. If wholesale prices are rising, it is going to show up in higher retail prices. But a little deeper analysis shows us it's likely to get worse at least in the short to medium-term. Notice some of the larger moves in various prices.

Even before the spike in oil prices and other commodities, headline February PPI jumped by .7% m/o/m after rising by .5% in January. That was .4% above the estimate and the core rate was higher by .5% after an .8% gain and that was .2% more than anticipated. The y/o/y gain went from 2.9% to 3.4% and the core rate is now up by 3.9% y/o/y vs 3.5% in January.

After rising by .7% in January, core goods prices were up by .3% and now by 4.3% y/o/y. Food prices were up a large 2.4% in the month after falling by 1.4% the month before and little changed y/o/y. There was a 49% spike in prices for fresh and dry vegetables. Energy prices, old news of course, got back what it lost in January and was down .7% y/o/y.

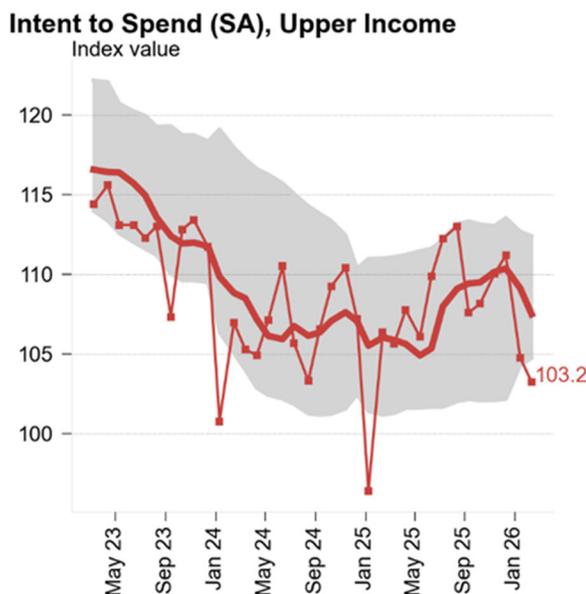
Services inflation was up .6% in December, .8% in January and another .5% in February. Compared to last year, prices are up 3.8%. The BLS said “About 20% of the February advance in the index for final demand services is attributable to a 5.7% jump in prices for traveler accommodation services.” (H/T Peter Boockvar)

None of us have any idea when the war with Iran will be over, if and when the Strait of Hormuz will be open, so we really have no idea where oil prices are going over the next 2 to 6 months: just lots of guesses based on assumptions. That being said, it is highly likely that inflation will get pushed up at least 0.2-0.3% by the end of April. Further, the PPI should lay to rest the concept that tariffs are not increasing inflation. Not a large spike, but it is showing up in the data.

Finally, in the half-empty argument, we have to look at the continuingly weaker consumer spending numbers from February. [Karen Harris of Bain Macro](#) said it this way in their latest report:

“In our February Bain/Dynata Consumer Health Indexes (CHI) report, we highlighted evidence of broad-based consumer weakness across the income spectrum. Our March data reinforces that general picture—consumers remain in a weak position as the first quarter progresses. While there is little evidence of a meaningful strengthening in consumer finances or spending sentiment, this month’s data also does not point to a sudden deterioration.”

When you look at the report, the lower income group is spending less, middle income is stressed and upper income in February has clearly lower their spending intentions. It seems the macroenvironment is causing upper income consumers to be more cautious, and the war in Iran will probably exacerbate that trend.



Source: Bain Macro Trends Group

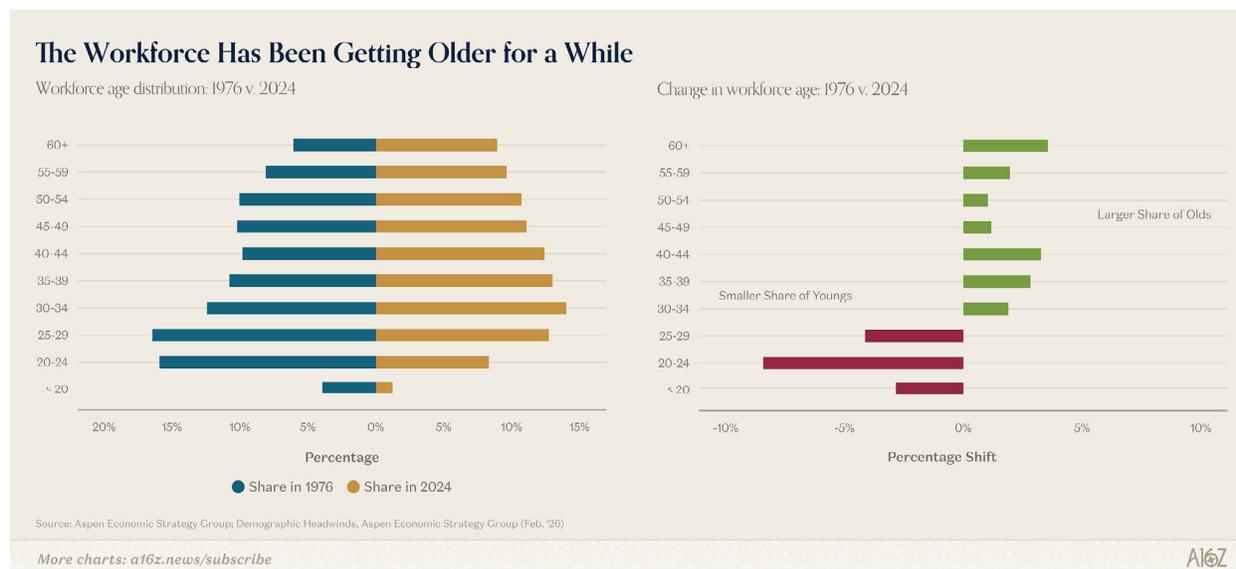
Unemployment Woes

From my friend David Bahnsen:

“It is hard to capture how surprisingly bad the [February jobs] data was. Instead of an expected gain of 55,000 jobs in February, we saw a loss of 92,000 jobs. As predicted previously, the prior gains announced for December and January were revised down by 69,000, as well (so a net decline of 161,000). Private-sector payrolls were down 86,000 in February, countering the notion that the job losses are mostly governmental. Manufacturing jobs were down by 12,000. The unemployment rate went up to 4.4%. The civilian employment measurement outside of BLS also saw a decline of 185,000. There were a few lumpy things that may reverse next month (a nurse’s strike, weather conditions impacting retail), but I am stretching to find a bright side here.”

[A16Z](#) had some comments on problems in the employment arena that are not typically focused on and are worth going to your attention. Let’s look at some of their charts:

This first chart shows the percentage of workers in 1976 verses 2024 at various age levels. The workforce is simply getting older and the share of young people (under 30) is dropping. The share of twentysomethings in the workforce has declined by 12%.



Quoting:

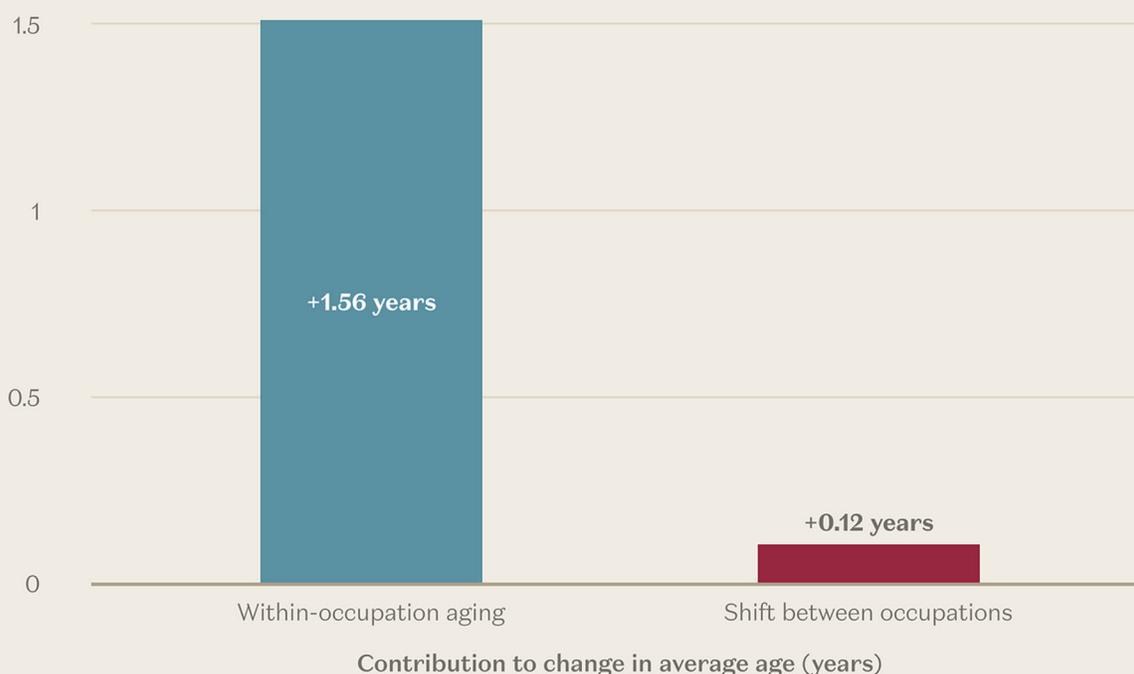
“Within-occupation” aging explains almost the entirety of the recently older workforce, at least according to Revelio’s data.

“If job-switchers were getting older too, then workforce aging might reflect some demand-shift to more experienced workers (which is true in some narrow cases, but not more generally). The fact that nearly all of the aging is “within-occupation,” indicates that people are simply less-inclined to retire. Along similar lines, other data shows that “working lives” have extended by ~1.5 years, and that retirees are increasingly coming off the bench to reenter the workforce.

“Putting it all together, and while we can’t say for sure, it’s possible that one of the reasons hiring is rough for all kinds of young people is that older folks are simply working longer than before. While it’s generally a mistake to think of the labor market as a zero-sum game, if the off-ramp gets extended, it stands to reason that the on-ramp may get backed-up, as well. So, don’t blame AI for the lack of entry-level jobs—perhaps blame old folks for working too hard, instead.”

Workforce Aging-in-Place

“Within Occupation” aging is the main driver of recent workforce aging



Source: Revelio Labs (1/6/26)

More charts: a16z.news/subscribe



The Argument for Half Full

It is easy to focus on the negative, but let’s look at some of the positives that should balance our outlook. For instance, average hourly earnings grew 3.8% year-over-year as of February 2026, above the current inflation rate — meaning workers are seeing real purchasing power gains. Upper-income wage growth hit 3.7%, though the picture is less rosy further down the income scale.

The trade deficit narrowed sharply - The monthly trade deficit dropped from \$72.9 billion in December 2025 to \$54.5 billion in January 2026 — a significant improvement driven by rising exports and falling imports, which is a positive signal for domestic production.

Recession risk has fallen - The probability of a recession in the next 12 months has dropped to around 30%, down from 40% in earlier estimates. The coincident economic index rose again in January 2026, continuing a steady expansion trend.

Here's what the latest regional and sectoral data shows, with the most genuinely encouraging signals highlighted:

The ISM Manufacturing PMI came in at 52.4% in February 2026 — any reading above 50 signals expansion — marking the second consecutive month of growth after a prolonged contraction. Notably, 12 of 18 manufacturing industries reported expansion, and four of the six largest sectors (Chemical Products, Machinery, Transportation Equipment, and Computer & Electronic Products) were all growing. The Philadelphia manufacturing business outlook was quite positive, as was the New York (Empire State) manufacturing index

The ISM Services PMI surged to 56.1 in February 2026, its highest reading since July 2022, indicating strong expansion across the services sector, which represents the largest portion of the US economy. March moderated to 50.8, but that still marks the ninth consecutive month of services growth.

This has to be squared with GDP under pressure in the fourth quarter 2025, but first quarter 2026 estimates are much higher.

AI to the Rescue

GDP for 2025 was 2%. Peter Boockvar tells us that over half of that was from data center construction. That trend is only going to increase in 2026.

First off, the numbers simply boggle the mind. Just four large technology firms (Amazon, Google, Meta and Microsoft) announced they plan to spend \$700 billion in the future on AI infrastructure. This is by itself the largest technology spending in history, dwarfing the dotcom era. And it doesn't include Anthropic, Grok and a host of other AI firms spending large sums of money but not in that category. And that doesn't count the literally scores (hundreds?) Of smaller firms bolting onto that infrastructure offering services and apps.

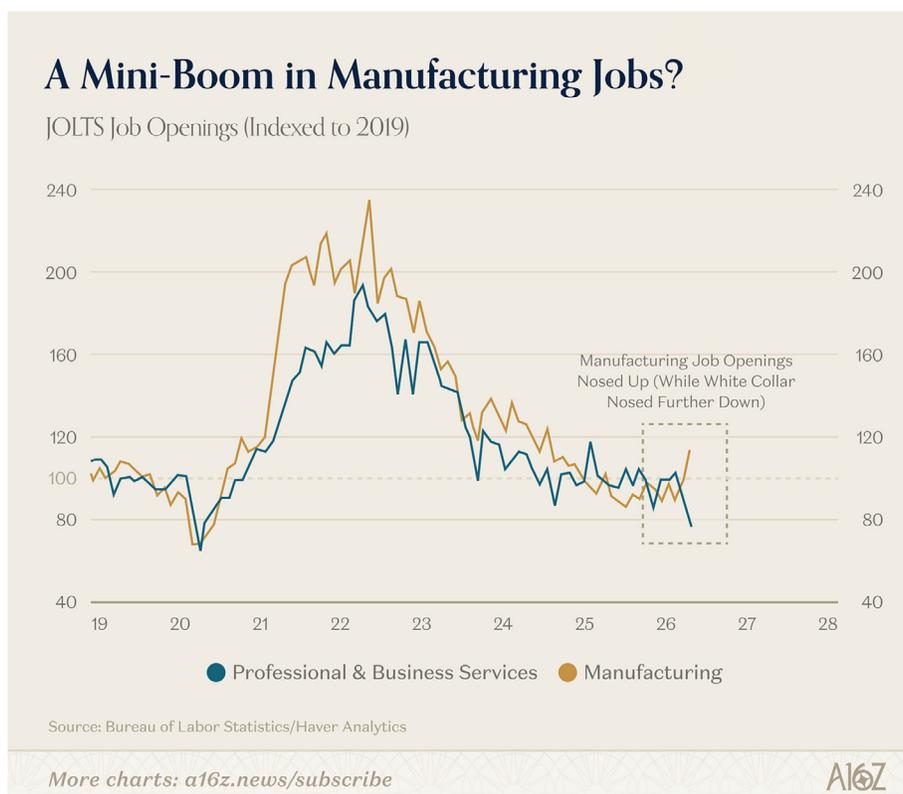
In a recent [article](#), Mckinsey estimates that by 2030, [companies will invest almost \\$7 trillion in capital expenditures on data center infrastructure](#) globally.² More than \$4 trillion of it will go toward computing-hardware investments, with the balance going toward areas such as real estate and power infrastructure (Exhibit 1). More than 40 percent of this spending will be invested in the United States.

My opinion is not all of the current major players will succeed in achieving their goals. That’s what competition is about. But right now, nobody knows who will win. I can guarantee you the boards and management of each of those companies fully intend to be the winner. Further, getting AI right is existential for each of these large companies. If they become the also-ran, their high valuations will collapse and their ability to grow in the future will diminish. It is an arms race and one that they literally cannot afford to lose.

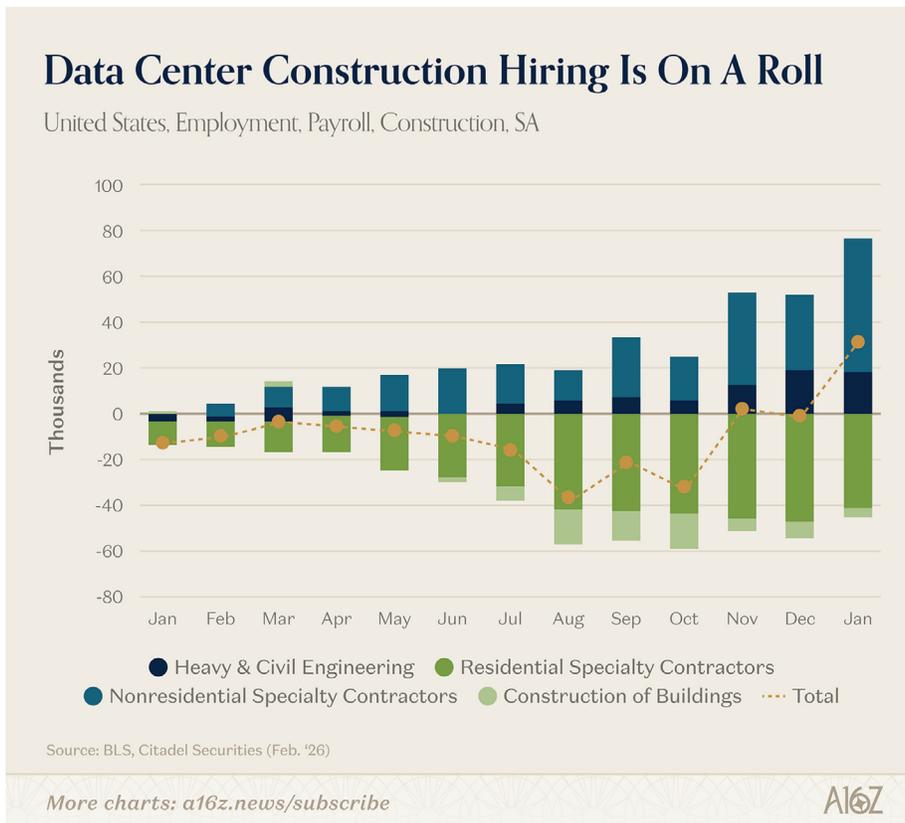
We are seeing a shift in data centers built for training to data centers built for what is called inference. “The cost of training frontier models, while still enormous in absolute terms, has become a smaller fraction of total AI compute spending. The real expense — and the real business opportunity — lies in serving those models to billions of users. Inference now accounts for an estimated 60 to 70 percent of total AI compute demand across major hyperscalers, up from roughly 40 percent in 2024.

“This shift matters for several reasons. Inference workloads have different hardware requirements than training. While training benefits from massive parallel processing across thousands of interconnected GPUs, inference prioritizes low latency, high throughput, and energy efficiency across distributed data centers. This creates openings for specialized inference chips — like Amazon’s Trainium and Inferentia, Google’s TPUs, and dedicated inference accelerators from startups like Groq and Cerebras — to compete with NVIDIA’s dominance in ways that were not feasible in the training-dominated era.” [Source: Tech-Insider.org](https://www.techinsider.org)

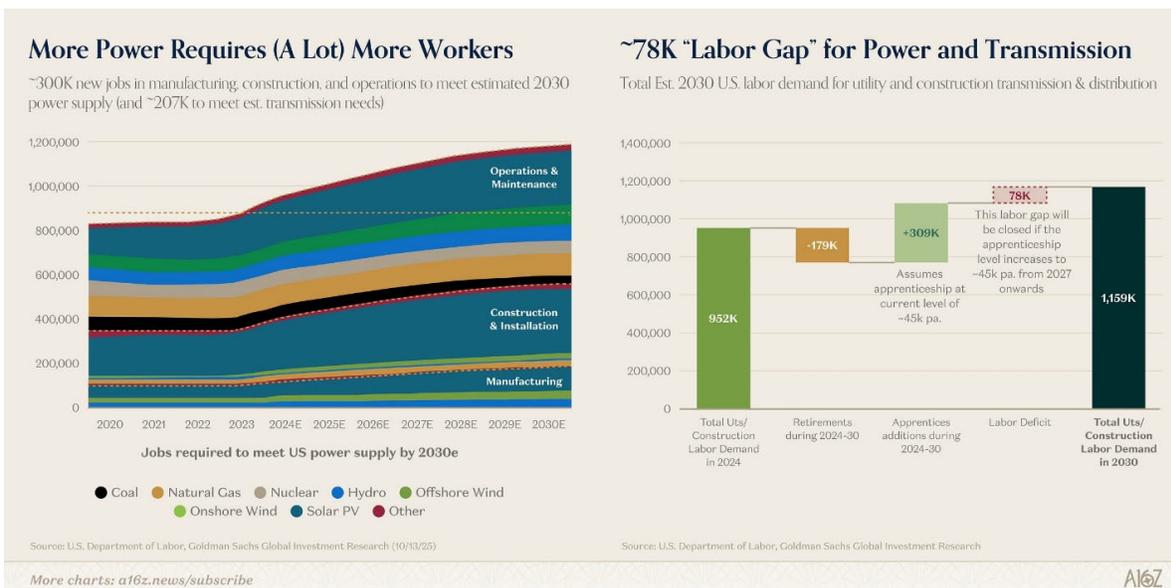
And that translates into jobs. Manufacturing jobs are actually increasing:



This is being powered by data center construction. While regular construction jobs are in decline, those tied to data centers have more than offset the decline.



Goldman Sachs estimates that there will be 300,000 new jobs by 2032 just to power the new data centers, and another 207,000 jobs to build out the transmission that will be needed.



As Peter Diamandis notes, “this is beginning to generate serious revenues. \$50 billion data centers generating \$10 billion annually. \$1 trillion in infrastructure deployment. Neuromorphic chips making AI 1,000x more efficient. Fusion energy and small nuclear reactors moving from experiment to grid power. AI is accelerating longevity research. Humanoids going from demos to war zones. SpaceX making orbital access routine.”

We have not experienced anything like this that I can tell in human history. While the advent of the steam engine or electricity or automobiles seriously impacted the economy, it did so over decades. This is happening in years. And that’s not including robotics and other tech related build outs.

So yes, all the negatives above are real. Certain jobs are under pressure and others are in demand. It is the shift that is happening so quickly that is the problem.

So is the glass half-full or half-empty? I would suggest neither. I think the glass in general for the economy is Muddle Through. Your particular mileage may vary. I can see the job pressure from some of my kids. I can also see the benefits of the technology buildout as one son is planning his own modest tech startup.

The projections of what the world will look like are all over the place. I seriously doubt that we will come to a place where most work is done by AI and robots, at least by 2040. We will do what humans always do in the midst of creative destruction: we adapt.

A Word on Income in a World Like This One

I’ve been hearing from readers lately who are concerned about making it through what I’ve been calling the great reset. They all ask a version of the same basic question, “How can I protect my assets in this increasingly chaotic world?” I hear you. This is something I’ve dedicated many years to figuring out. Now in my 70s, I’ve come up with what works for me. Maybe it makes sense for you as well.

I feel like we are heading into one of those long periods when markets go more sideways than up or down. This is when I care more about what my portfolio pays me in cash than what it might be worth on paper.

It is not abnormal for markets to move sideways for very long stretches. You might need to zoom in to read it, but Cory Mitchell’s long term S&P 500 chart below shows we’ve had multiple 10 to 20 year stretches where the S&P 500 index chops sideways. From the late 1800s, through the mid 20th century, the stagflation of the 1970s, and again after 2000. These are periods when dividends provided almost all of the compounding.

Sometimes the index doesn't go up or down so much as across. But the dividends keep coming, paying you to wait.



Source: TradeThatSwing.com

Typically, what works well in this environment is dividends and alternative investments. Mauldin Economics has an excellent newsletter called [Essential Income](#) that focuses on dividend paying stocks. This letter is for those of you who like to manage your own investments. You can learn more about it [here](#).

I personally use David Bahnsen and The Bahnsen Group to manage my portfolio because I simply don't have the time or even the personality required to be successful. He also blends it with a mix of alternatives and other asset classes tailored to my needs.

Many of my readers have decided to let The Bahnsen Group [manage their wealth portfolios](#) in addition to a wide array of services (financial planning, trusts, taxes, family offices, etc.) to help you. I have done a slew of papers and videos with David. You can ask the rep you speak with to point you to them. Every client who I have talked with is happy they did so. I believe you will be too. You can also subscribe to his [Dividend Café](#) [here](#).

Los Angeles, West Palm Beach, Washington DC, New York and Boston

I will fly to El Segundo, California, the last week of March to be with the Inner Circle. In addition to meetings, dinners, and camaraderie, we will be visiting multiple local technology startups. El Segundo has become a hotbed for all sorts of cutting-edge technology startups.

Then in the middle of April I will be going to a very large longevity conference in West Palm Beach, and hopefully help inaugurate the opening of our Lifespan Edge clinic in West Palm Beach as well.

Then I fly directly to DC and New York for a series of dinners and meetings. The SIC starts in early May, and then I have no trips scheduled until Boston in early June. That will likely change.

I grew up in West Texas in the middle of Southern Baptist and tent revival country. I was recently reminded of a story one evangelist told. Egypt was plagued with frogs, and Pharaoh asked Moses to remove them. Moses basically asked Pharaoh when would you like the frogs to go and he said “tomorrow.” So, he spent one more night with the frogs.

In the context of health and longevity, so many of our choices mean that we spend one more night with the frogs. We postpone knowing what we should do and our aging conditions continue to increase. Exercise? Eating correctly? The right supplements? Some of you are already focused on this but others keep putting it off. All are important and should be part of your daily routine starting last week.

One of the reasons we started Lifespan Edge is to focus on a treatment that is critical to your longevity journey. We are planning to scale the process to be able to lower the costs.

For those who are interested in longevity, more and more longevity experts are telling their clients: the first part of your journey should begin with Therapeutic Plasma Exchange which deals with inflammation, Alzheimer’s and dementia, and other symptoms of aging. Seriously, you can learn more at Lifespan-Edge.com (note the dash). If you haven’t, you really need to [read our main research report](#). The research and other information (plus our fabulous documentary) can make a real difference in your life. You can set up a discovery call to talk with our doctors about the procedure, as well as look at a lot more research.

Or, you can spend one more night with the frogs. In this case, procrastination certainly hurts.

And with that, I will hit the send button. I’m looking forward to being in Los Angeles for the Inner Circle meeting with lots of friends and great conversation, even if it is 14 hour days getting there and back. You have a great week!

Your really getting into the AI analyst,



John Mauldin

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