PERSONAL STAKES

Personal *Stakes*

WEEKLY MACRO REPORT

Friday, September 18, 2026

SOFT LANDING • 26.8%

Regime Call

CURRENT REGIME

Soft Landing (26.8%)

Runner-up: Overheating (25.0%)

Confidence: Moderate (clarity 0.10, fit 0.79, market 0.3)

Soft Landing holds the top spot, but "holds" is doing a lot of work in that sentence. The gap to the runner-up is so thin you could lose it between couch cushions. Three regimes are clustered within a few points of each other, with only Contraction sitting clearly out of the race. The model sees an economy that hasn't picked a lane yet, and the confidence metrics reflect that indecision: clarity is low, the fit is modest, and market behavior is only partially confirming the call. When you have a four-way race with one regime barely ahead, the regime label matters less than the direction of travel.

So why Soft Landing and not Cooling or Overheating? The combined weight of indicators still leans toward an economy that's decelerating without breaking. Growth is below the midpoint but stable. Inflation is sticky but its momentum is declining. The labor market is bending, not snapping. That's the Soft Landing story in miniature: things are getting worse slowly enough that they might stop getting worse before they get bad. The runner-up is close enough that a single strong data print could flip the order, and the confidence score tells you the model knows it.

Regime Probabilities

REGIME	COMBINED	LEADING	LAGGING	WEEK Δ
Soft Landing	**26.8%**	22.7%	33.2%	-0.5
Overheating	**25.0%**	30.6%	16.6%	-0.2
Cooling	**24.5%**	22.0%	28.8%	-0.2
Inflation Shock	**22.3%**	23.3%	19.8%	+1.1
Contraction	**1.4%**	1.4%	1.5%	-0.2

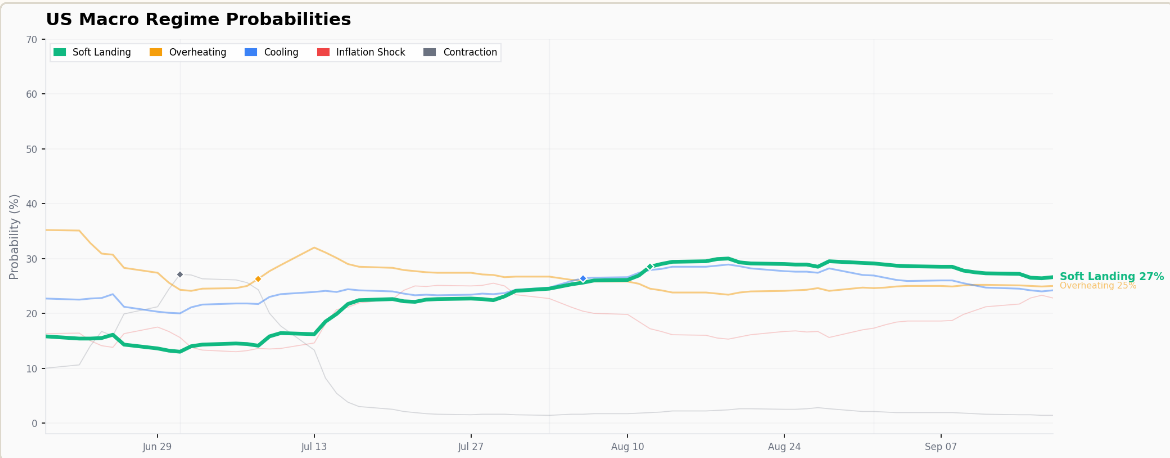
Convergence: diverging

The layer splits are where this gets interesting. Look at the leading indicators versus the lagging ones, and you'll see the economy's present and its recent past telling slightly different stories. The leading layer, which captures forward-looking signals like financial conditions and market expectations, is already shifting weight toward the scenarios that involve more pain. The lagging layer, built from data that confirms what already happened, still reflects the relatively benign conditions of a few months ago. That divergence is the model's way of saying: the rearview mirror looks fine, but the road ahead has some debris on it.

Inflation Shock is the regime gaining the most ground in the leading layer, which makes sense when you consider what's happening with energy prices and tariff pass-through. The leading indicators are picking up the supply-side shocks before they fully register in the backward-looking data. Cooling, meanwhile, shows a similar pattern in reverse: its leading score is slightly softer than its lagging score, suggesting the growth slowdown that's already underway may be stabilizing rather than accelerating. The combined scores compress these differences, which is why the top-line probabilities look so clustered.

Contraction remains the outlier, with both layers agreeing it's not in play. That's actually useful information. The economy may be confused about whether it's landing softly or overheating or absorbing a supply-side price shock, but it's not confused about whether it's contracting. It isn't. The convergence between layers is moderate, which tells you the economy is in transition. When leading and lagging agree, you get high confidence. When they diverge, you get what we have now: a regime call that's correct but humble about it.

90-Day Regime History

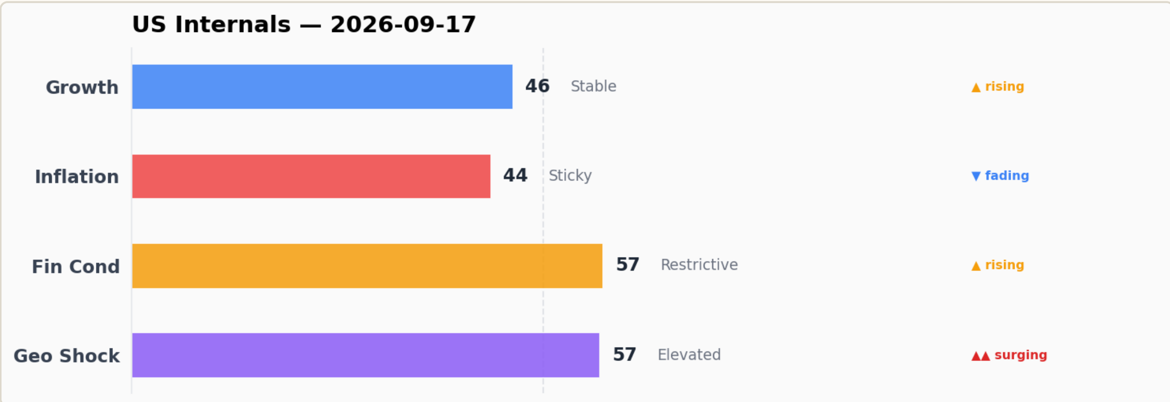


The current regime took the lead gradually, not with a sharp spike. Over the past three months, Soft Landing has maintained a narrow advantage, but the probability curve looks less like a breakaway and more like a pack of cyclists drafting each other on a flat stage. There was a brief period where Overheating pulled even, driven by commodity price surges and sticky services inflation, but it couldn't sustain the lead as growth data softened.

The more telling pattern is the slow, steady climb of Inflation Shock from the back of the pack. Three months ago it was clearly in fourth place. It's been gaining ground in small increments, week after week, as energy disruptions and tariff effects accumulated. That kind of gradual ascent is harder to dismiss than a one-week spike, because it reflects a structural shift in the data rather than a single noisy print. If you drew a trend line through Inflation Shock's probability over the past ninety days, it points toward convergence with the leaders within a few weeks.

Cooling has been the most stable of the top three, oscillating in a narrow band without any dramatic moves in either direction. That stability is itself a signal: the growth slowdown is real but it's not accelerating, which keeps Cooling relevant without giving it enough momentum to take the lead. The overall shape of the ninety-day chart is one of compression. The regimes are converging, not diverging. That's the kind of environment where a single catalyst, a PCE print, a Strait of Hormuz headline, a surprise in jobless claims, can reshuffle the entire order in a week.

US Internals: The Four Axes



AXIS	SCORE	STATE	MOMENTUM	SOFT LANDING CENTROID	VS CENTROID	WEEK Δ
Growth	46.5	stable	61 (rising)	52.7	-6.2	+1.3
Inflation	43.2	sticky	40 (declining)	50.6	-7.4	+0.2
Financial Conditions	58.1	restrictive	70 (rising)	59.8	-1.7	+4.6
Geopolitical Shock	54.6	moderate	100 (surging)	51.4	+3.2	-1.1

Growth

The growth axis is sitting below the midpoint, which tells you the economy is expanding but not convincingly. What's more interesting than the level is the momentum shift: growth momentum flipped from stable to rising this week. That's a divergence worth watching. The score itself says "below trend." The momentum says "but improving." When level and momentum disagree, one of them is about to be proven wrong.

The underlying mechanics here are a labor market that's loosening slowly (initial claims ticking up, continuing claims ticking down) and consumer spending that's running ahead of income. That second part is the fragile bit. Spending fueled by savings drawdowns and credit cards is growth, technically, but it's growth with an expiration date. The momentum improvement likely reflects the recent equity rally feeding back into wealth effects and sentiment, not a genuine acceleration in productive activity.

What would move this axis decisively? A sustained pickup in hiring or a reversal in the income-spending gap. If consumers keep spending more than they earn, the growth score will eventually catch up to the momentum, but in the wrong direction. For now, the axis adds nuance the regime label misses: growth isn't just "soft landing stable," it's "below trend but with a rising pulse." Those are different things.

Inflation

Sticky. That's the state label, and it's earned. The inflation axis is below the midpoint, which might seem reassuring until you notice that momentum is declining. Wait, declining momentum on a sticky reading? Yes. The level says inflation is entrenched above where the Fed wants it. The momentum says the rate of change is slowing. Both can be true: prices are high and staying high, but they're not accelerating further. Think of it as a car that's speeding but has taken its foot off the gas. You're still going too fast. You're just not going faster.

The driver composition matters here. Core PCE running well above trend is the sticky part. Core CPI running sharply lower is the declining-momentum part. Those two measures are telling different stories because they weight housing and healthcare differently, and right now the PCE-relevant categories are hotter than the CPI-relevant ones. The Fed targets PCE. So the policy-relevant gauge is the worse one.

Tariff pass-through has already added meaningfully to core PCE, and that effect is largely complete according to Fed researchers. The remaining inflation risk is energy, which is a function of geopolitics, not monetary policy. The Fed can't drill for oil or reopen a strait. This axis captures that helplessness: inflation is sticky for reasons the central bank can't address with its available tools.

Financial Conditions

This is the axis that moved the most this week, and it moved a lot. Financial conditions flipped from neutral to restrictive, with the score jumping sharply and momentum surging even more dramatically. The momentum score posted the largest single-week change of any metric in the entire model. That's the axis screaming while everything else is talking.

The mechanics are straightforward: Treasury yields spiked, credit spreads widened, and the VIX jumped. When borrowing costs rise and volatility increases simultaneously, financial conditions tighten mechanically. The equity rally partially offset this (higher stock prices ease conditions), but not enough to overcome the rates-and-volatility combination. Your mortgage rate ticked down slightly on the week, but the broader cost of capital for businesses and leveraged borrowers went up meaningfully.

This is where the Fed's dilemma lives. Inflation is sticky for supply-side reasons the Fed can't fix. Financial conditions are tightening for geopolitical reasons the Fed also can't fix. Cutting rates to ease financial conditions would risk validating the inflation. Holding rates to fight inflation lets financial conditions tighten further. The axis is telling you the Fed is boxed in, and the momentum surge suggests the box is getting smaller. If this trend continues for another week or two, the restrictive reading will start feeding back into the growth axis as tighter conditions slow lending and investment.

Geopolitical Shock

The geopolitical axis actually improved this week, dropping from elevated to moderate. That might surprise you given the Strait of Hormuz situation, the ongoing energy disruption, and the general state of the world. But the axis measures the rate of new shocks, not the persistence of old ones. The Strait crisis is now priced in. The market has adapted to it. The axis is saying "no new surprises," not "everything is fine."

The momentum tells the real story: it's pegged at the maximum. That's a reading that says the direction of geopolitical risk is unambiguously upward, even as the level moderates. Think of it as the difference between "the house is on fire" and "the fire is spreading." The level dropped because the initial shock of the Strait closure is no longer new information. The momentum is maxed because the consequences are still unfolding and the risk of escalation hasn't diminished.

This axis adds something the regime label can't capture: weekend risk. The model updates on business days with quantitative data. Geopolitical events happen on weekends and holidays. The maxed momentum is the axis's way of flagging that the next update could look very different depending on what happens between Friday close and Monday open. Any headline about military escalation or failed diplomatic talks could push this axis back to elevated or higher before you finish your morning coffee.

Key Drivers

CONFIRMING

- core PCE at 3.3% YoY, above trend
- crude oil well above trend
- initial jobless claims at 203K (4-week avg), above trend

DISCONFIRMING

- core CPI at 2.4% YoY, sharply lower

• wage growth at 3.1% YoY, sharply lower

The confirming signals for the current regime are doing their job, but they're a mixed bag. Sticky core PCE and elevated crude oil confirm the inflation component of the environment. Rising initial jobless claims confirm the cooling component. Together, they paint the picture of an economy that's slowing while prices stay high, which is exactly the Soft Landing thesis (or, if you're less optimistic, the early chapters of something worse). The most important confirming signal is the one that just arrived: jobless claims crossing above trend. That's a leading indicator of labor market softening, and it carries more forward-looking weight than the inflation readings, which are largely backward-looking.

The disconfirming signals are interesting precisely because they're insufficient to flip the call. Core CPI running sharply lower and wage growth decelerating both argue against sustained inflation pressure. If those were the only data points you looked at, you'd conclude inflation is solved. But they're insufficient because the Fed doesn't target CPI (it targets PCE, which is hotter) and because wage growth can slow while prices stay elevated if the inflation is supply-driven rather than demand-driven. The disconfirming signals would become decisive if core PCE started following core CPI lower, or if wage growth decelerated further while spending also slowed. Right now, wages are slowing but spending isn't, which means consumers are funding the gap with savings and credit. That's not disinflationary. That's fragile.

Week in Review

WEEK SUMMARY (VS 2026-09-11)

REGIME	PRIOR	CURRENT	Δ
Soft Landing	27.3%	26.8%	-0.5
Overheating	25.2%	25.0%	-0.2
Cooling	24.7%	24.5%	-0.2

REGIME	PRIOR	CURRENT	Δ
Inflation Shock	21.2%	22.3%	+1.1
Contraction	1.6%	1.4%	-0.2

AXIS	PRIOR	CURRENT	Δ	STATE
Growth	45.2	46.5	+1.3	stable
Inflation	43.0	43.2	+0.2	sticky
Fin Cond	53.5	58.1	+4.6	restrictive
Geo Shock	55.7	54.6	-1.1	moderate

Financial conditions flipped from neutral to restrictive this week, posting the largest single-axis move in the model. The trigger was a combination of Treasury market stress and volatility expansion that overwhelmed the positive offset from equities. The momentum score on this axis surged by the widest margin of any metric, reflecting not just the level change but the speed of it. When financial conditions move this fast, it usually means something structural shifted in how the market is pricing risk, not just a bad day for bonds. The equity rally, which was substantial, couldn't keep pace with the tightening impulse from rates and volatility. Your 401(k) had a good week. Your borrowing costs had a bad one.

Inflation Shock gained ground as the only regime to post a meaningful probability increase, while Soft Landing gave back a modest amount. The March CPI print, the hottest monthly gain since mid-2022, provided the catalyst. Growth momentum flipped from stable to rising, which sounds encouraging until you pair it with the context: consumers were spending more than they earned in February, before gas prices jumped further. The growth improvement is real in the data but potentially borrowed from future spending power. Meanwhile, the geopolitical axis improved from elevated to moderate, which reflects the market digesting the Strait of Hormuz situation rather than any actual improvement in the situation itself. The momentum on that axis remains pegged at maximum, a quiet reminder that "priced in" and "resolved" are very different concepts.

What held steady is arguably more revealing than what moved. Every single playbook stance, equities, rates, credit, dollar, gold, oil, came through the week unchanged. The market's overall status stayed at partially diverging. Growth and inflation axis states didn't flip. In a week with a scorching CPI print, a major financial conditions shift, and ongoing geopolitical crisis, the model's broader posture barely budged. That's the signature of a regime that's entrenched, not one that's about to roll over. The shocks are real, but they're hitting an economy that's absorbing them without changing its fundamental character. The four-way clustering at the top of the probability table means the system is sensitive to new information, but this week's information wasn't enough to break the logjam.

Next week's setup is defined by one number and one headline. The March PCE report is the data point that actually moves Fed expectations, and given the gap between CPI and PCE readings, it could confirm or complicate the "supply-driven, not demand-driven" inflation thesis. If core PCE comes in hot, Inflation Shock's probability likely continues its slow climb toward the leaders. If it moderates, the Soft Landing thesis gets breathing room. On the geopolitical side, any weekend development around the Strait, military escalation, failed talks, or a credible diplomatic framework, could gap oil prices in either direction on Monday morning. Consumer credit data will also land, and given that households were already spending beyond their income before gas prices spiked, the delinquency and revolving credit numbers will tell you whether that stretch is becoming a strain. Tuesday and Wednesday are the days to watch.

Market Confirmation

The confirming assets are doing exactly what you'd expect in a Soft Landing: equities grinding higher, credit spreads behaving, the basic machinery of "things are okay" still functioning at the surface level. The back-to-back weekly gains in equities, the kind of streak that historically precedes further upside, fit the template. Credit markets aren't screaming. If you squinted at just the confirming assets, you'd think the economy had figured itself out.

The divergences are more interesting, and they have a mechanical explanation that doesn't require you to doubt the regime call. Gold rallying alongside equities is the tell. In a clean Soft Landing, gold should be boring. It should sit there collecting dust while risk assets do the work. Instead, gold posted one of its best weeks of the year at the same time stocks surged. That's the market hedging the regime call without abandoning it. The commodity complex broadly, with the vast majority of components in uptrends, is reflecting the supply-side shocks (energy disruption, tariff pass-through) rather than the demand-side story the regime is built on. The dollar, meanwhile, is caught between rate expectations that keep it elevated and a growth picture that's softening underneath. These divergences aren't contradicting Soft Landing. They're telling you the Soft Landing is happening inside a world where two large supply shocks are running simultaneously, and the assets most sensitive to those shocks are behaving accordingly.

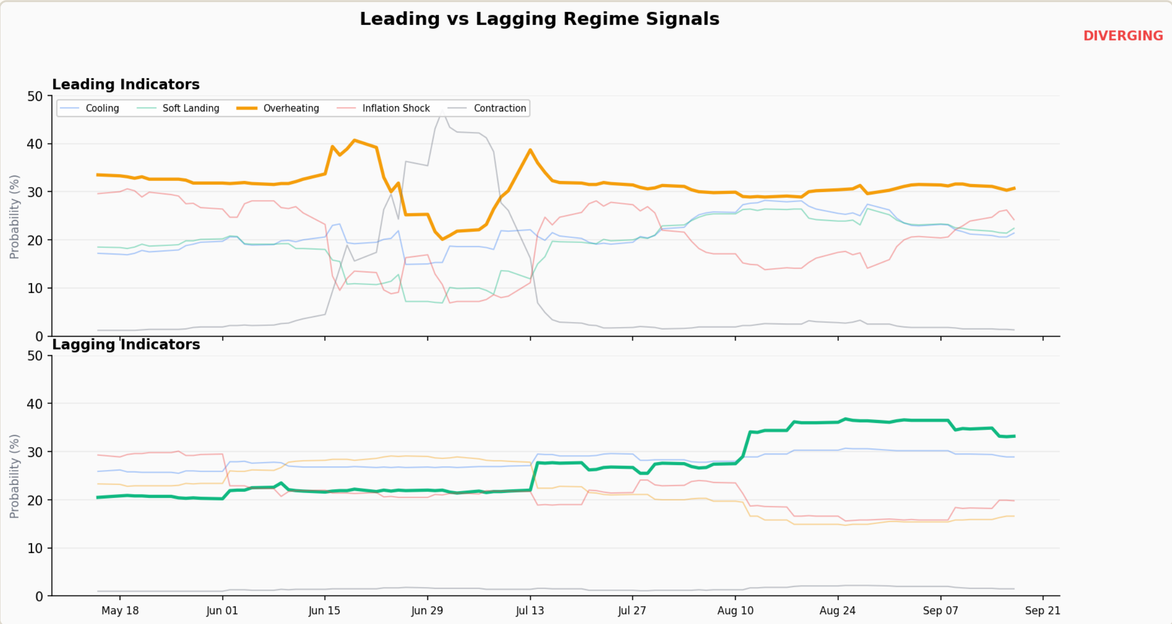
Asset Playbook

ASSET	SIGNAL
Equities	Constructive
Rates	Duration-friendly
Credit	Spreads stable
Dollar	USD range-bound
Gold	Range-bound
Oil	Balanced

If you're running a standard 60/40 portfolio, the stance table reads like a mixed report card where every subject has an asterisk. Equities are in the "fine for now" camp, which means your stock allocation isn't the problem, but the confidence level on that call reflects how narrow the path is. Rates are where the real discomfort lives. Your bond allocation is caught between an inflation picture that argues for higher yields and a growth picture that argues for lower ones, and the result is a lot of movement that doesn't resolve into a clear direction. On a six-figure portfolio, that kind of indecision in the rate complex translates to weeks where your "safe" allocation moves almost as much as your equity sleeve, which defeats the entire purpose of owning it.

The most surprising stance is probably gold's positioning relative to what you'd expect in a Soft Landing. Normally this regime would have gold as an afterthought. The fact that it's not, and that the playbook reflects that, tells you the model is incorporating the supply-shock overlay that Section 8 explained. If you're wondering why your commodity exposure is doing more work than your bond allocation this quarter, that's why.

Leading / Lagging Signal Alignment



The leading and lagging layers are having a polite disagreement, and the nature of that disagreement tells you where we are in the cycle. The lagging layer, built from data that's already been printed and revised and argued about on cable news, still reflects the relatively calm conditions of early winter. The leading layer has moved on. It's picking up the energy shock, the tariff pass-through, the subtle shift in financial conditions that happens when crude is knocking on triple digits and the Strait of Hormuz is a live geopolitical risk.

Convergence is moderate, which is the model's way of saying these two layers haven't fully reconciled yet. Historically, when leading indicators shift and lagging indicators haven't caught up, you get a window of moderate confidence that can last several weeks. The lag isn't instant. Lagging data needs one or two full reporting cycles to absorb what the leading indicators are already seeing. So the current alignment is consistent with an economy that's still officially in Soft Landing territory but where the forward-looking signals are starting to pull toward something stickier and more uncomfortable.

The early-warning divergence to watch is straightforward: if the leading layer's weight on Inflation Shock continues to climb while the lagging layer stays anchored to Soft Landing, that gap will eventually force a resolution. Either the shocks fade and the leading layer falls back in line, or the lagging data catches up and the regime call shifts. Right now, the gap is manageable. Two more weeks of this drift and it won't be.

Empirical Asset Playbook

ETF	THIS WEEK	HIST. RETURN (ANN.)	SHARPE	DAYS
SPY	-0.7%	+12.0%	+1.02	718
QQQ	+0.2%	+15.2%	+0.92	718
IWM	-1.8%	+12.7%	+0.72	718
IEF	-0.2%	+0.3%	+0.06	718
TIP	-0.4%	+1.5%	+0.37	718
LQD	+0.3%	+1.9%	+0.33	718
HYG	-0.1%	+4.3%	+0.96	718
GLD	+0.6%	+12.1%	+0.68	718
XLE	-1.1%	+18.1%	+0.76	718
VEA	-2.1%	+9.6%	+0.80	718
VWO	-0.8%	+7.5%	+0.53	718

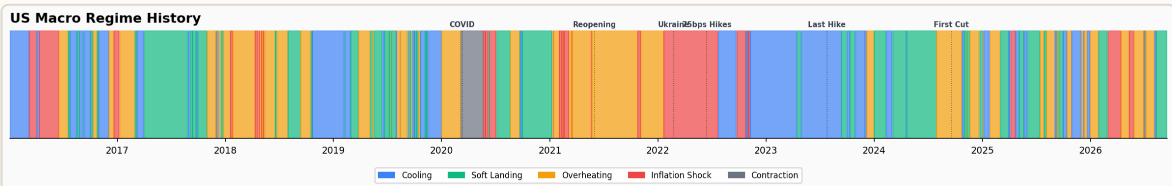
Historical returns measured over Soft Landing regime days in backtest.

This week's returns tell a story that partially confirms the regime and partially ignores it. The equity ETFs posted strong gains, consistent with what Soft Landing historically delivers, but the magnitude of the bounce has more to do with the snapback from prior weeks' selling than with any fundamental improvement. When you compare this week's performance to the historical annualized returns the regime typically produces, equities are running hot relative to the template. That's not necessarily bullish. Snapback rallies in uncertain regimes tend to front-load returns that the rest of the quarter gives back.

The more interesting comparison is in commodities and gold. Gold's weekly performance is tracking well above what the Soft Landing historical sample would predict, which reinforces the point from Section 8: the supply-shock overlay is doing real work in asset classes that normally sleep through this regime. Oil-sensitive ETFs, meanwhile, show the kind of weekly volatility that the historical Sharpe ratios for this regime don't prepare you for. The regime's historical return profile assumes a calmer energy backdrop than what we're living through.

A caveat on all of this: the historical sample for Soft Landing includes periods with very different structural conditions. The number of observed days gives you a sense of how much data backs each estimate, and for some ETFs the sample is thinner than you'd like. The backtest tells you what happened on average during past Soft Landings. It doesn't tell you what happens during a Soft Landing with a closed strait and active tariff escalation, because that combination hasn't really existed before in the sample.

10-Year Regime History



The historical chart reveals a pattern that should feel familiar by now: Soft Landing episodes tend to be transitional. They show up between more dramatic regimes, lasting long enough to make you comfortable and then giving way to whatever shock comes next.

The mid-2010s had a long, stable Soft Landing stretch that lasted years, but that was an era of suppressed volatility, near-zero rates, and a Fed that was essentially underwriting calm. The current episode doesn't have that luxury. Rates are elevated, the Fed is constrained, and the supply side of the economy is under active stress from multiple directions.

The closest historical parallel is probably the brief Soft Landing windows that appeared in late 2018 and again in parts of 2023, where the economy was decelerating but not breaking, inflation was present but not dominant, and the regime probabilities were clustered rather than decisive. Both of those episodes resolved within a few months, one into Cooling and the other into a renewed Overheating scare. The resolution mechanism in each case was a single catalyst: the Fed pivot in early 2019, and the services inflation re-acceleration in late 2023.

Unlike those episodes, today's Soft Landing has no obvious resolution mechanism waiting in the wings. The two supply shocks driving the tension (energy disruption and tariff pass-through) aren't the kind of problems that resolve on a Fed meeting schedule. They resolve on a geopolitical timeline, which is to say, unpredictably. That structural difference is why the current episode could either persist longer than its historical predecessors or break more sharply. The chart shows you what's typical. Typical isn't guaranteed.

Market Context

Weekly ETF returns as of 2026-09-18 (vs 2026-09-11).

TICKER	NAME	PRIOR CLOSE	CURRENT CLOSE	WEEKLY RETURN
GLD	Gold	Range-bound	$401.33	+0.6%
LQD	IG Corporate	$104.32	$104.64	+0.3%
QQQ	Nasdaq 100	$714.88	$716.46	+0.2%
HYG	HY Corporate	$78.60	$78.50	-0.1%
IEF	7-10Y Treasury	$91.01	$90.85	-0.2%

TICKER	NAME	PRIOR CLOSE	CURRENT CLOSE	WEEKLY RETURN
TIP	TIPS	$105.84	$105.40	-0.4%
SPY	S&P 500	$764.29	$759.10	-0.7%
VWO	Emerging Markets	$60.35	$59.85	-0.8%
XLE	Energy	$65.14	$64.40	-1.1%
IWM	Russell 2000	$288.14	$282.98	-1.8%
VEA	Developed Markets	$72.69	$71.13	-2.1%

Household Impact

HOUSEHOLD IMPACT

- **Mortgage:** $390/mo extra on $400K loan at 7.0% vs 5.5% baseline
- **Purchasing power:** $45/yr erosion at 2.4% CPI vs 2% target
- **401(k):** $+12,000/yr on $100K (historical Soft Landing regime returns)
- **This week:** $-700 on $100K 401(k)

The gas price move is the one you feel first. Fuel costs jumped in a single week by enough to matter, and that was before the full March CPI data even landed. If you're driving a typical American commute, your monthly fuel bill just got meaningfully heavier. The mechanism is straightforward: the Strait of Hormuz disruption is reshuffling global oil flows, and the reshuffling tax lands at your pump. The timeline for relief depends entirely on diplomacy nobody seems to be conducting with urgency.

Mortgage rates ticked down slightly, which sounds like good news until you remember where they started. If you're shopping for a home right now, the monthly payment on a median-priced house is still dramatically higher than it was a few years ago. That small weekly decline saves you a real but modest amount over the life of a thirty-year loan. The bond market is pricing in economic softness, which is why rates dipped, but "the economy might be weakening" is a strange reason to feel good about your home purchase.

Your paycheck is losing the race. Average hourly earnings grew slower than consumer prices in March, which means your real purchasing power shrank. You earned more in nominal terms and could buy less with it. That squeeze has been building for a few months, but the March CPI print made it worse in a single report. The gap between what you earn and what things cost is widening at exactly the moment consumers were already spending more than they were bringing in.

A portfolio indexed to the S&P 500 had a strong week, and the historical pattern after back-to-back gains of this size is encouraging over a twelve-month horizon. But the weekend risk from energy markets means that gain could evaporate before Monday's close. If you're checking your 401(k) balance and feeling good, that's fair. Just know the number you're looking at is contingent on a geopolitical situation that could shift while you're grilling this weekend.

Credit card balances deserve your attention. The February data showed consumers spending more than they earned, which means the difference came from somewhere: savings drawdowns or revolving credit. If that pattern continued into March, and the gas price spike suggests it did, household balance sheets are deteriorating in a way that won't show up in the headline economic data for another month or two. The bills from this stretch are still arriving.

Signal vs. Noise

Signals worth tracking:

The income-spending gap from February. Consumers spending aggressively while real income turns negative is a leading indicator of either credit stress or a savings drawdown, and both paths end the same way. This is the crack in the foundation that matters more than any single CPI print.

The commodity breadth signal. When the vast majority of components in the commodity complex are trending higher simultaneously, that's not one supply shock. That's broad-based inflationary pressure working through the real economy. Energy is leading, but it's not alone.

Gold rallying alongside equities. When the ultimate safe haven and risk assets go up together, the market is telling you the equity bounce is a positioning event, not an all-clear. That divergence from normal correlations is information.

The leading-layer shift toward Inflation Shock discussed in the regime probability section. Forward-looking indicators are moving before the backward-looking data confirms it. That's what leading indicators are supposed to do.

Noise to ignore:

The SaaS collapse. A sector falling dramatically while the broad market holds flat is a sector-specific story about AI displacement fears and duration repricing, not a macro signal. If this were systemic, you'd see it everywhere.

Presidential social media endorsements of individual stocks. When a direct shout-out from the President can't stop a stock from falling, the signal content of the endorsement is zero.

Calls to permanently restructure portfolios around commodities based on one inflationary episode. Commodities work as a cyclical hedge. Over long periods, they've historically returned roughly the rate of inflation with equity-like volatility. That's a terrible long-term trade dressed up as wisdom.

The distinction right now is time horizon. The signals are all about structural shifts that compound over weeks and months: deteriorating consumer balance sheets, broadening commodity inflation, forward indicators diverging from backward ones. The noise is about single-day price moves and narrative-driven sector rotations that feel urgent but don't change the macro picture. If you find yourself reacting to a headline about one company or one presidential post, you're in the noise. If you're watching the gap between what households earn and what they spend, you're tracking the signal.

What to Watch

Strait of Hormuz status over the weekend and into Monday's open. Any headline about military escalation, failed diplomatic talks, or confirmed fuel rationing in additional Asian countries could send crude gapping higher before US markets open. The tanker reshuffling discussed in the oil section is a temporary patch, not a fix. Watch for European airport fuel shortage announcements, which Bremmer's timeline puts within three weeks of the current disruption continuing.

The March PCE report, due later this month. The Fed targets PCE, not CPI, and the analysis section flagged that PCE is running hotter than CPI right now. This is the number that actually moves Fed expectations. If core PCE confirms or exceeds what the CPI print implied, the "Fed stays patient" thesis gets much harder to defend. If it comes in softer, the two-shock narrative holds.

April consumer credit and credit card delinquency data. February already showed consumers spending beyond their income. The next release will tell you whether that gap widened in March, when gas prices were spiking and real wages were shrinking. A meaningful jump in revolving credit balances or delinquency rates would confirm the household stress that's currently only implied by the income-spending divergence.

Core services inflation (ex-energy, ex-tariff-affected goods) in the next two monthly prints. This is the canary for whether the two identifiable shocks are bleeding into broader price expectations. One hot month is noise. Two consecutive months of acceleration in this specific slice would mean the supply shocks are becoming demand-side inflation, and the Fed's patience window closes.

Oil timespreads, not just the flat price. WTI's weekly decline looked like relief, but the spread between near-month and further-out contracts tells you whether the physical market is actually loosening or just repricing the timing of the squeeze. If the front of the curve stays elevated relative to the back, the "summer spike" thesis from the oil section remains intact regardless of where the headline price settles.

What Would Change My Mind

The regime call is Soft Landing, and I think it's right. The economy is decelerating without breaking, inflation is being driven by identifiable supply shocks rather than runaway demand, and the labor market is bending in a way that suggests slowdown, not collapse. Here's what would make me wrong.

Scenario one: the shocks bleed into expectations. If core services inflation, stripped of energy and tariff-affected goods, accelerates for two consecutive months, or if wage growth re-accelerates after its recent deceleration, the "two one-time shocks" framework falls apart. That would mean businesses and workers are treating temporary price spikes as permanent, embedding them into contracts and compensation. The regime call would shift toward Inflation Shock, and it would shift fast, because the leading layer is already leaning that direction. The model would likely flip within one to two prints. I give this maybe a one-in-four chance over the next sixty days, and the price of being wrong is significant: it means the Fed is behind the curve and needs to tighten into a weakening economy, which is the worst possible combination for your portfolio and your mortgage rate.

Scenario two: a credible resolution to the Strait. If a diplomatic framework emerges that credibly reopens the Strait of Hormuz, or if Saudi Arabia announces a meaningful production increase to offset the disruption, the entire inflation picture changes within weeks. Energy's contribution to CPI reverses, the commodity breadth signal fades, and the regime call firms up as a confident Soft Landing rather than the shaky, low-clarity version we have now. I'd put this at less than one in five over the next month, based on Bremmer's assessment that neither side has incentive to resolve things quickly. The price of being wrong here is actually pleasant: it means the inflation scare was genuinely transitory and the economy's underlying trajectory is better than the data currently shows.

Scenario three: the consumer cracks. If the income-spending gap from February widens in March and April, and credit card delinquencies spike, the Soft Landing call gives way to Cooling or even Contraction. Consumers have been the load-bearing wall of this economy, and the combination of negative real income growth, rising fuel costs, and savings drawdowns is exactly how that wall develops stress fractures. The model would respond to this gradually, over two to three data cycles, because consumer stress shows up in lagging indicators first. I think this is the least likely of the three scenarios in the near term, maybe one in six over sixty days, but it's the one with the longest tail. If the consumer breaks, everything else in this report becomes academic.

Model output, not investment advice. Sources: FRED, Yahoo Finance, EIA, Caldara-Iacoviello GPR Index.