PERSONAL STAKES

Personal *Stakes*

WEEKLY MACRO REPORT

Friday, September 25, 2026

SOFT LANDING • 26.5%

Regime Call

CURRENT REGIME

Soft Landing (26.5%)

Runner-up: Cooling (25.1%)

Confidence: Moderate (clarity 0.08, fit 0.79, market 0.3)

The model calls Soft Landing, and it's holding that call by the thinnest margin you'll see in a serious regime framework. The gap between the top regime and the runner-up is so narrow that you could sneeze and rearrange the leaderboard. Three regimes are clustered within spitting distance of each other, with only Contraction clearly out of the conversation. This is a genuine three-way race wearing a Soft Landing jersey.

Here's why the model still picks Soft Landing over Cooling despite the cluster: confidence is low, and the model knows it. The clarity score, the fit score, and the market confirmation score are all telling you the same thing, which is that the signal is muddy. When you have an inflation print that's the hottest monthly gain since mid-2022 but the underlying cause is two identifiable supply shocks rather than broad demand overheating, the model's internal wiring correctly reads that as "economy still functioning, but under stress." Soft Landing means the expansion continues with friction. The friction just got louder this week.

Regime Probabilities

REGIME	COMBINED	LEADING	LAGGING	WEEK Δ
Soft Landing	**26.5%**	22.5%	31.9%	-0.3
Cooling	**25.1%**	22.6%	28.5%	+0.6
Overheating	**24.6%**	29.3%	17.0%	-0.4
Inflation Shock	**22.3%**	24.0%	21.2%	0.0
Contraction	**1.5%**	1.5%	1.4%	+0.1

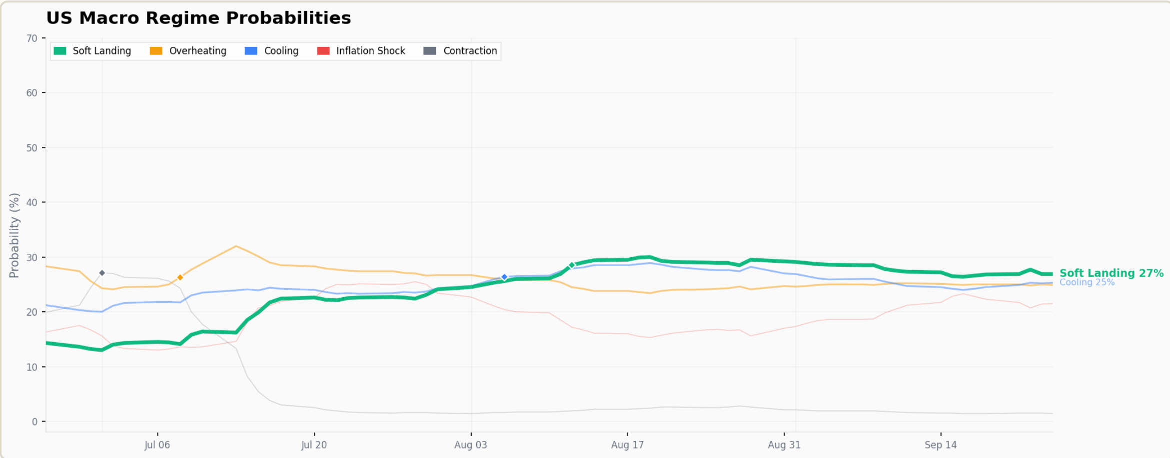
Convergence: diverging

The layer splits are where this gets interesting, and where you should spend your attention. The leading indicators and the lagging indicators are telling slightly different stories about where this economy is headed. Leading indicators give Cooling a stronger read than the combined score suggests, while lagging indicators still favor Soft Landing more decisively. That divergence is the model's way of saying: the economy you're living in right now still looks like a soft landing, but the economy you're about to live in is starting to cool.

Overheating shows a similar pattern in reverse. Its lagging score runs hotter than its leading score, which makes mechanical sense when you think about it. The March CPI print, the commodity complex hitting new highs, crude oil well above trend: those are all showing up in the backward-looking data. The leading indicators are already starting to discount the idea that this heat persists, because the labor market is loosening and wage growth is decelerating. The lagging data remembers the fire. The leading data is watching the fuel supply.

Inflation Shock sits at the bottom of the competitive cluster, and its layer structure tells you why it's not gaining ground despite that scorching CPI number. The leading indicators for Inflation Shock aren't confirming. If this were a genuine inflation spiral, you'd see leading indicators screaming, not just lagging ones echoing last month's energy prices. The model is correctly distinguishing between "prices went up because of two specific things" and "prices are going up because of everything." Contraction remains a rounding error across all layers, which is the one thing everyone agrees on.

90-Day Regime History

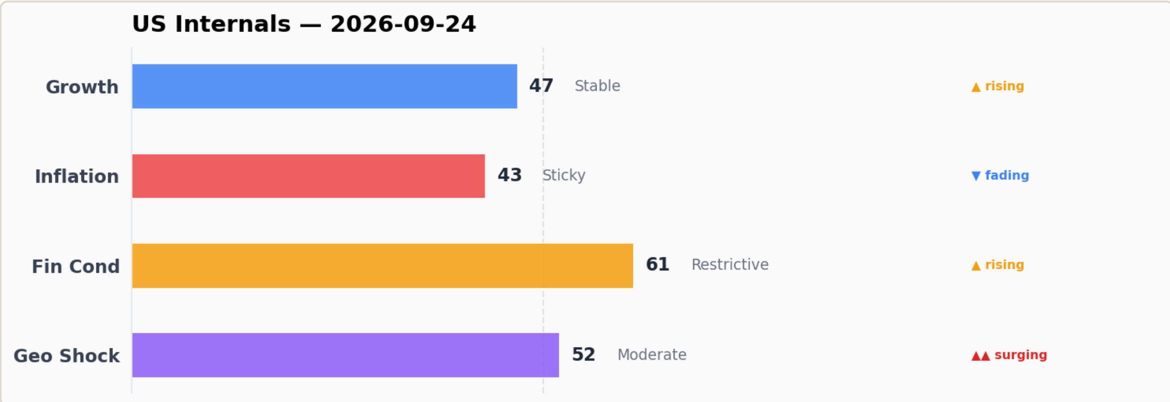


The probability curve over the past three months looks less like a regime transition and more like a slow-motion wrestling match. Soft Landing has held the top position for most of this window, but its lead has been compressing steadily. What was once a comfortable margin has eroded into the kind of gap that makes you check the numbers twice. Cooling has been the primary challenger, grinding higher in a gradual climb rather than any sharp spike.

The shape of the curve matters here. You're not seeing the kind of decisive regime shift where one probability line crosses another and keeps going. Instead, the three competitive regimes have been converging toward each other, creating a tighter and tighter cluster. That convergence pattern typically resolves in one of two ways: either a catalyst arrives that decisively separates one regime from the pack, or the cluster persists and the model's confidence stays suppressed. Right now you're in the second scenario, waiting for the first.

The transition pace is glacial by historical standards. Cooling has been gaining ground at a rate of less than a point per week, which means the current trajectory would need months to produce a definitive regime change. But trajectories don't stay linear when you have a closed strait, a hot CPI print, and consumers already spending more than they earn. The gradual climb could become a sharp move with one weekend headline. The 90-day history shows patience. The next 90 days may not have that luxury.

US Internals: The Four Axes



AXIS	SCORE	STATE	MOMENTUM	SOFT LANDING CENTROID	VS CENTROID	WEEK Δ
Growth	45.9	stable	58 (rising)	52.7	-6.8	-0.6
Inflation	42.8	sticky	40 (declining)	50.6	-7.8	-0.4
Financial Conditions	61.8	restrictive	77 (surging)	59.8	+2.0	+3.7
Geopolitical Shock	51.5	moderate	100 (surging)	51.4	+0.1	-3.1

Growth

The growth axis sits below its neutral centroid, which tells you the economy is expanding but not convincingly. The score is in "stable" territory, and momentum is rising, so you have a situation where the level says "meh" but the direction says "getting less meh." That's actually a reasonable description of an economy where the labor market is bending without breaking, where people who lose jobs are still finding new ones, just more slowly.

The momentum divergence from the level is worth your attention. A below-center score with rising momentum means the growth picture is improving from a soft starting point. If momentum were declining alongside a below-center level, you'd be looking at a Cooling-to-Contraction trajectory. Instead, you're looking at a growth axis that's consistent with the Soft Landing call: not great, not collapsing, trending in the right direction.

What would move this axis is straightforward. Consumer spending was already outrunning income in February, before gas prices jumped. If that gap widens and credit card delinquencies tick up, the growth score drops and momentum reverses. If the labor market stabilizes and real wages start growing again (which requires inflation to cool faster than nominal wages), the score climbs toward the centroid. The growth axis is currently a passenger, not a driver.

Inflation

The inflation axis reads "sticky," and the momentum is declining. Hold those two facts in your head at the same time, because they seem contradictory but they're not. The level says inflation is elevated and persistent. The momentum says it's getting less elevated. You're watching a hot stove cool down, but it's still too hot to touch.

The "sticky" label with declining momentum is exactly what you'd expect from an inflation impulse driven by two identifiable supply shocks rather than broad demand overheating. Tariff pass-through is already baked into the PCE numbers. Energy prices are elevated but the weekly crude move was actually down. The inflation axis is reading the residue of shocks that have already hit, not the leading edge of new ones. That's why the momentum is declining even though the level remains uncomfortable.

The risk here is that "sticky" becomes "re-accelerating." If core services inflation (the stuff that isn't energy or tariff-affected goods) starts climbing for consecutive months, the momentum flips and this axis starts pushing the regime probabilities toward Overheating or Inflation Shock. Right now, the axis is saying: yes, inflation is a problem, but it's a problem that's slowly getting smaller. The March PCE report will be the next real test of whether that's still true.

Financial Conditions

This is the axis that moved this week, and it moved with conviction. Financial conditions are restrictive and the momentum just shifted from rising to surging. That's the axis equivalent of going from "things are tightening" to "things are tightening faster." The score jumped meaningfully in a single week, which is unusual for an axis that typically moves in small increments.

Here's the Fed's problem, and this axis is where that problem lives. You have inflation running hot because of supply shocks, which means rate cuts would be the wrong medicine. But financial conditions are tightening on their own, through Treasury market stress and credit spread movement, which means the economy is getting squeezed without the Fed doing anything. The Fed's best move is patience, which is a polite way of saying the tightening is happening whether they want it to or not. Your mortgage rate ticked down slightly this week, but the broader financial conditions index moved in the opposite direction. The bond market and the mortgage market are telling different stories about different time horizons.

The surging momentum is the part that deserves the most attention going forward. A restrictive level with surging momentum means conditions are likely to get more restrictive before they ease. If Treasury markets stay stressed and credit spreads keep widening, this axis alone could start pulling the regime probabilities toward Cooling more aggressively. Financial conditions are doing the Fed's job for it, and they're not being gentle about it.

Geopolitical Shock

The geopolitical axis dropped this week, which might seem counterintuitive given that there's an actual closed strait and an ongoing military conflict. But the score moved from elevated to slightly less elevated, not from elevated to calm. The level remains in "moderate" territory, and the momentum is maxed out. Read that combination carefully: the score dipped but the momentum gauge is pegged at its ceiling.

That momentum reading is telling you the geopolitical axis is coiled. The level can drop on a quiet news day, but the underlying risk structure hasn't changed at all. A closed Strait of Hormuz with no diplomatic framework for reopening it, European airports facing jet fuel shortages within weeks, Asian countries already rationing: none of that got better. The score dipped because nothing new exploded, not because anything got resolved.

This is the axis most likely to produce a sudden, large move in either direction. A weekend headline about military escalation sends it spiking. A credible diplomatic breakthrough sends it plunging. The maxed-out momentum score means the model is already pricing in the possibility of rapid change. Your weekend risk, the one nobody's pricing correctly in the oil market, lives right here on this axis.

Key Drivers

CONFIRMING

- core PCE at 3.3% YoY, above trend
- crude oil well above trend
- initial jobless claims at 202K (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 most of their work through the inflation channel: core PCE running above trend, crude oil well above trend, and jobless claims ticking higher. That combination, rising prices alongside a softening labor market, is the textbook Soft Landing confirmation. The economy is slowing enough to eventually bring inflation down, but not so fast that it tips into contraction. The jobless claims driver refreshed this week with a marginally lower four-week average, which is the model's way of saying the labor market deterioration is real but incremental.

The disconfirming signals are interesting because they're both wage-related. Core CPI running sharply lower and wage growth decelerating are both pointing toward Cooling rather than Soft Landing. If the economy were truly landing softly, you'd expect wages to stabilize, not keep falling. The reason these disconfirming signals aren't flipping the call is timing: wage deceleration is a lagging indicator, and the leading data still shows enough economic activity to keep the expansion alive. But the tension is real. If wage growth drops another leg lower while inflation stays sticky, you get the worst combination for households: prices rising faster than paychecks, with no relief in sight. The disconfirming signals aren't strong enough to flip the regime today. Give them two more months of the same trajectory and that changes.

Week in Review

WEEK SUMMARY (VS 2026-09-18)

REGIME	PRIOR	CURRENT	Δ
Soft Landing	26.8%	26.5%	-0.3
Cooling	24.5%	25.1%	+0.6
Overheating	25.0%	24.6%	-0.4
Inflation Shock	22.3%	22.3%	0.0
Contraction	1.4%	1.5%	+0.1

AXIS	PRIOR	CURRENT	Δ	STATE
Growth	46.5	45.9	-0.6	stable
Inflation	43.2	42.8	-0.4	sticky
Fin Cond	58.1	61.8	+3.7	restrictive
Geo Shock	54.6	51.5	-3.1	moderate

The biggest move this week was financial conditions, where the score jumped meaningfully and momentum shifted from rising to surging. The trigger was a combination of Treasury market stress and broader credit market repricing that accelerated through the middle of the week. When UK gilt yields were hitting multi-decade highs and the VIX was responding to Strait of Hormuz uncertainty, the financial conditions axis absorbed all of it. That momentum shift from rising to surging is the kind of state change that tends to persist: once financial conditions start tightening at an accelerating pace, they rarely reverse without a specific catalyst.

Two market-level flips happened simultaneously and in opposite directions. The S&P 500 moved from diverging to confirming the regime call, posting back-to-back strong weekly gains that brought equity behavior in line with what Soft Landing expects. At the same time, high-yield credit spreads flipped from confirming to diverging, which means the credit market is now telling a different story than equities. When stocks rally and credit spreads widen in the same week, the market is saying "risk appetite for liquid assets" and "risk aversion for credit exposure" at the same time. That's a sequencing tell: equity markets move first, credit markets move on fundamentals, and right now the fundamentals include a tightening financial conditions axis that credit can't ignore. Cooling also gained ground on the week while Soft Landing and Overheating both gave back small amounts, continuing the slow convergence pattern from the 90-day history.

What held steady is arguably more telling than what moved. The growth axis barely budged. Inflation momentum didn't change at all. The geopolitical axis dropped in level but its momentum stayed pinned at the maximum. And every single playbook stance, equities, rates, credit, dollar, gold, oil, came through the week unchanged. In a week with the hottest monthly CPI print since mid-2022, a closed strait, and consumers spending more than they earn, the model's overall posture didn't shift. That's the regime being entrenched, not the model being asleep. The activity level was moderate: enough moved to notice, but the core structure held. When a regime survives a week like this without cracking, it tells you the call has real structural support underneath it.

Next week's setup is defined by two catalysts with specific dates. The March PCE report is the number that actually moves Fed expectations, because the Fed targets PCE, not CPI, and the policy-relevant gauge is running hotter than the headline CPI everyone fixated on this week. If core PCE confirms the heat, the Cooling probability likely gives back its gains and Overheating starts closing the gap from below. If PCE comes in softer than CPI implied, the Soft Landing call strengthens and financial conditions momentum might ease. The other catalyst is any weekend headline from the Strait of Hormuz. The geopolitical axis is coiled with maxed-out momentum, and a single escalation headline could send crude gapping higher on Monday, which would immediately feed back into the inflation axis and potentially flip the financial conditions momentum even higher. Tuesday through Thursday is the data window. Friday through Sunday is the geopolitical window. Plan accordingly.

Market Confirmation

The confirming assets are doing exactly what you'd expect in a soft landing that's starting to sweat. Equities bounced hard, credit spreads behaved, and the dollar held its ground. That's the market saying "the expansion is intact" even while the CPI print screamed at you from the front page. The logic tracks: if the two supply shocks are genuinely one-time events (tariff pass-through already baked, Hormuz disruption priced into energy), then corporate earnings power isn't impaired, just temporarily taxed. The confirming assets are betting on the "temporarily" part of that sentence.

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 usually sits quietly in the corner while risk assets do the work. When both rally together, it means the equity bid is real but the buyers don't fully trust it. They're hedging the weekend risk, the Strait risk, the "what if those one-time shocks become two-time shocks" risk. The bond market's behavior fits the same pattern: yields pushing higher even as the Fed signals patience reflects a market that's pricing in the inflation it can see (energy, tariffs) while the model correctly weights the inflation that's fading (wages, core services ex-energy). The divergence isn't contradicting the soft landing. It's pricing the insurance premium on a soft landing that has to survive a geopolitical obstacle course.

Asset Playbook

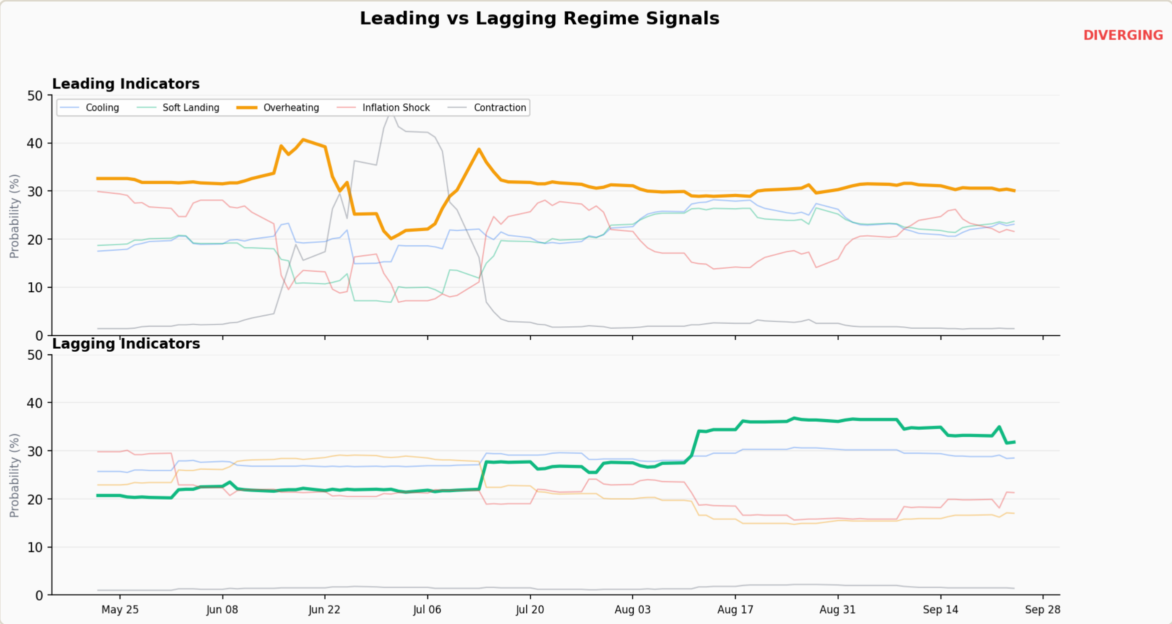
ASSET	SIGNAL
Equities	Constructive

ASSET	SIGNAL
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 current stance array creates a specific kind of discomfort. Your equity allocation just had a great week, but the confidence level behind the "favorable" call is low enough that you can't lean into it with conviction. Your bond allocation is getting squeezed by yields that refuse to cooperate with the soft landing narrative, which means the 40 in your 60/40 isn't doing its diversification job. On a hypothetical portfolio, that bond drag has been meaningful over the past quarter. The most surprising stance in the current playbook is probably gold, which the model treats as a hedge rather than a core holding in soft landings, yet gold has been outperforming as if it's the main event. Section 8 explains why: the market is buying insurance against the regime call being wrong, and gold is the cheapest form of that insurance right now.

The practical experience for you is a portfolio that's making money on the equity side, losing the cushion on the bond side, and generating a nagging feeling that you should own more commodities than your allocation framework typically allows. That nagging feeling is the three-way regime cluster expressing itself in your account balance.

Leading / Lagging Signal Alignment



The leading and lagging layers are converging, but they haven't fully agreed yet, and the nature of their disagreement tells you something about timing. Leading indicators have been pulling toward Cooling for several weeks now, while lagging indicators still anchor to Soft Landing with more conviction. That gap is the lag itself made visible. When you see the leading layer favoring a cooler economy while the lagging layer still reflects the warmth of recent data, you're watching the economy turn a corner in slow motion.

Historically, when leading and lagging layers converge on the same regime, the call stabilizes and confidence rises. When they diverge, you get exactly what we have now: a correct regime call held with low confidence, because the model is honest about the fact that forward-looking and backward-looking data are telling slightly different stories. The typical lag between leading signals shifting and lagging signals confirming has been running several weeks in recent cycles. If that pattern holds, you'd expect the lagging layer to start reflecting the cooling impulse sometime in the next month or so, assuming no new shock arrives to reset the clock.

The early-warning divergence to watch for is the opposite pattern: leading indicators snapping back toward Overheating or Inflation Shock while lagging indicators are still drifting toward Cooling. That would mean the supply shocks are embedding into expectations rather than fading, and it would show up first in the leading layer before any official data confirmed it. Right now, that's not happening. The leading layer is tilting toward Cooling, the lagging layer is following at its own pace, and the convergence direction is consistent with the Soft Landing call holding but gradually losing altitude.

Empirical Asset Playbook

ETF	THIS WEEK	HIST. RETURN (ANN.)	SHARPE	DAYS
SPY	+1.2%	+12.5%	+1.06	723
QQQ	+3.3%	+16.5%	+0.99	723
IWM	-0.6%	+12.5%	+0.71	723
IEF	-1.1%	-0.1%	-0.02	723
TIP	-0.8%	+1.1%	+0.28	723
LQD	-1.6%	+1.3%	+0.23	723
HYG	-0.9%	+3.9%	+0.88	723
GLD	-2.1%	+11.2%	+0.64	723
XLE	-3.4%	+16.8%	+0.70	723
VEA	+0.4%	+9.9%	+0.82	723
VWO	+0.3%	+7.7%	+0.54	723

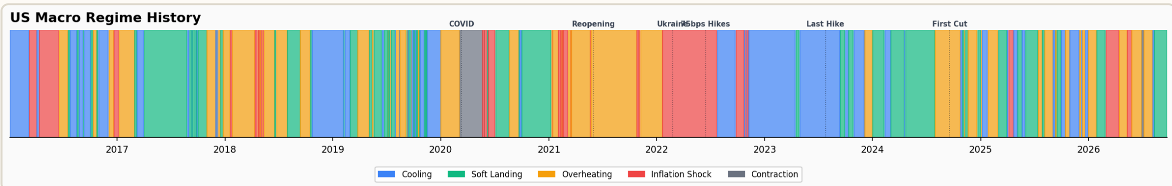
Historical returns measured over Soft Landing regime days in backtest.

This week's performance across the ETF universe was dominated by the equity bounce and the commodity complex continuing to run hot. The winners and losers largely tracked what you'd expect in a soft landing week where risk appetite returned after a scare, with broad equity indices posting strong gains and defensive positioning taking a back seat. Gold's performance stands out as unusually strong for a week where equities also rallied, which echoes the insurance-buying dynamic covered in Section 8.

Where this week's returns diverge from the historical regime pattern is in the magnitude of the equity move. The historical annualized returns for equities during soft landing periods are positive but moderate, reflecting an economy that's growing without fireworks. A single week delivering the kind of gain we just saw is more consistent with a relief rally, a snapback from oversold conditions, than with the steady grind that soft landings typically produce. Energy-related ETFs also behaved oddly relative to history: crude fell on the week despite the Strait situation, which the historical sample wouldn't predict during a period of elevated geopolitical stress.

The usual caveat applies with extra force this week. The historical sample for any given regime is limited, the regime definitions are the model's own construction, and the current environment features a combination of supply shocks that may not have a clean historical analog. The backtest tells you what happened on average during periods the model classified similarly. It doesn't tell you what happens when you combine a tariff war with a closed strait and a Fed that's choosing patience over action. Use the historical returns as a baseline for expectations, not a forecast.

10-Year Regime History



The closest historical rhyme to the current environment is the 2022 inflation episode, but the resemblance is superficial and the differences are structural. In 2022, the regime shifted decisively from Overheating into Inflation Shock because the underlying cause was broad: pandemic stimulus, supply chain dysfunction across every sector, a labor market that was genuinely too tight. The Fed had a clear tool (raise rates aggressively) and a clear target (demand-driven inflation). The resolution mechanism worked because the problem matched the solution. Today's inflation is driven by two identifiable supply shocks with no monetary policy remedy. Unlike 2022, today's shock has no clear resolution mechanism the Fed can deploy.

The other episode worth studying is the 2018-2019 tariff cycle, which produced a similar pattern of soft landing probabilities compressing under trade policy uncertainty. That period eventually resolved toward Cooling as the tariff impact proved smaller than feared and the Fed pivoted to cuts. The structural difference now is scale: the current tariff regime is broader, the geopolitical overlay is more severe, and the starting point for inflation is higher. In 2018, core inflation was well-behaved enough that the Fed could cut preemptively. The Fed doesn't have that luxury when CPI is printing the kind of monthly gains we just saw.

What the long-term chart shows most clearly is that three-way regime clusters like the current one are uncommon but not unprecedented. They tend to resolve within a quarter, usually because a single data release or geopolitical event breaks the tie. The stacked bar history suggests that when Soft Landing, Cooling, and Overheating are all competitive simultaneously, the eventual winner is determined by whichever force, growth deceleration or inflation persistence, proves more durable. The leading indicators are voting for Cooling. The commodity complex is voting for heat. One of them will be wrong within the next few months, and the regime chart will look obvious in hindsight.

Market Context

Weekly ETF returns as of 2026-09-25 (vs 2026-09-18).

TICKER	NAME	PRIOR CLOSE	CURRENT CLOSE	WEEKLY RETURN
QQQ	Nasdaq 100	$720.70	$744.72	+3.3%
SPY	S&P 500	$761.69	$770.93	+1.2%
VEA	Developed Markets	$71.38	$71.70	+0.4%
VWO	Emerging Markets	$60.01	$60.21	+0.3%
IWM	Russell 2000	$284.10	$282.51	-0.6%
TIP	TIPS	$105.27	$104.40	-0.8%

TICKER	NAME	PRIOR CLOSE	CURRENT CLOSE	WEEKLY RETURN
HYG	HY Corporate	$78.53	$77.82	-0.9%
IEF	7-10Y Treasury	$90.80	$89.82	-1.1%
LQD	IG Corporate	$104.70	$103.03	-1.6%
GLD	Gold	Range-bound	$392.86	-2.1%
XLE	Energy	$63.93	$61.78	-3.4%

What This Means for Your Money

The numbers are in the card above. Here's the machinery behind them.

Your gas tank. The weekly jump in gas prices landed before the full March CPI data even hit, which means the inflation you're reading about in headlines is already in your rearview mirror, literally. If the Strait situation discussed in earlier sections doesn't resolve, the next few fill-ups get worse, not better. The time horizon here is weeks, not months. Every trip to the pump between now and Memorial Day weekend is priced off a supply chain that's being rerouted around a chokepoint with no diplomatic off-ramp in sight.

Your mortgage. The thirty-year fixed rate ticked down slightly this week, which sounds like good news if you're house shopping. The mechanism: bond markets are pricing in the possibility that the Fed stays patient (or even cuts eventually) because the inflation is supply-driven, not demand-driven. But "slightly lower" on a rate that was less than half this level a few years ago is the kind of improvement that looks better in a headline than on a monthly payment statement. If you're refinancing, the window is modestly better. If you're waiting for rates to return to the before times, you're waiting for a bus that isn't coming.

Your paycheck versus your grocery bill. Average hourly earnings grew slower than CPI on a year-over-year basis. That's a real purchasing power squeeze, and it was already underway before the March energy spike fully hit. The February income-versus-spending divergence from the analysis section tells you consumers were already bridging the gap with savings drawdowns and credit cards. Your raise isn't keeping up with your receipts, and the gap is widening on a timeline measured in months.

Your 401(k). The S&P 500's weekly gain was strong enough to meaningfully move a six-figure retirement balance. The historical pattern from the signal section (back-to-back large weekly gains) suggests above-average forward returns over the next year. But that historical sample didn't include a major strait closure, so the weekend risk on your portfolio is real. If you checked your balance Friday afternoon and smiled, check it again Monday after the overnight futures settle.

Your credit card statement. Consumers nationally were already spending more than they earned before gas prices spiked. That behavioral pattern, spending from savings and revolving credit rather than income, tends to show up in delinquency data with a lag of roughly two to three months. If you're carrying a balance, the cost of that balance isn't going down while the Fed holds rates steady.

Signal vs. Noise

Signals (track these):

- The income-versus-spending gap from February, where real income went negative while spending accelerated. This is the consumer crack that precedes credit stress.
- Commodity breadth: the vast majority of components in the Bloomberg Commodity Spot Index are in uptrends. When it's not just oil but nearly everything, that's a broad cost-push signal the model has to respect.
- Gold rallying alongside equities. Both risk-on and the ultimate safe haven bid moving together in the same week is the market's way of saying "we're buying stocks but we don't fully trust the rally."
- The leading-versus-lagging layer divergence from Section 4. Leading indicators tilting toward Cooling while lagging indicators still favor Soft Landing is the single most important structural signal in the model right now.

Noise (ignore these):

- Presidential social media endorsements of individual stocks. If a Truth Social post can't arrest a slide, the fundamental forces are stronger than the narrative.
- The SaaS sector collapse. Down dramatically while the broad market is essentially flat. That's sector-specific repricing (AI displacement fear, duration sensitivity, positioning unwinds), not a macro signal. If this were systemic, correlations would spike across everything.
- Calls to permanently restructure portfolios around commodities based on one hot inflation quarter. Commodities work cyclically. Over very long horizons, they've tended to return roughly the inflation rate with equity-like volatility. Useful now, poor as a permanent strategic allocation.

The distinction this week comes down to breadth. The signals all share a common trait: they're showing up across multiple asset classes, multiple data series, or multiple layers of the model simultaneously. The noise is concentrated in single names, single sectors, or single narratives that sound important but aren't confirmed by anything else. When the model's confidence is this low, breadth is your best filter. One data point screaming is a headline. Five data points whispering the same thing is a signal.

What to Watch

- **Strait of Hormuz headlines, any weekend or Monday morning.** Ian Bremmer's assessment that there's no plan to reopen the Strait means every weekend carries gap risk. The specific trigger: any report of military escalation, failed diplomatic talks, or (on the positive side) a credible framework for reopening. European airports face jet fuel shortages within weeks if the status quo holds. This is the single highest-impact binary event on the board.
- **March PCE report (late April release).** The CPI number got the headlines, but the Fed targets PCE, and the analysis section flagged that PCE inflation is running hotter than CPI. This is the number that actually moves rate expectations. Watch core PCE services excluding housing specifically: if that accelerates, the "two identifiable shocks" thesis weakens.

- **Consumer credit and credit card delinquency data (next release in May covering March).** February already showed consumers spending more than they earned. The March data will tell you whether the gas price spike widened that gap or whether households pulled back. Rising revolving credit balances paired with rising delinquencies would confirm the foundation crack from the income-spending divergence.
- **The leading-lagging convergence in the model's own layers, tracked weekly.** Right now, leading indicators lean Cooling while lagging indicators lean Soft Landing. If those two layers converge on Cooling over the next two to three weekly readings, the regime call flips. If lagging indicators pull the leading layer back toward Soft Landing, the current call solidifies. This is the internal race that determines everything.
- **Saudi Arabia production announcements through the next OPEC+ meeting.** A meaningful production increase would be the clearest bearish catalyst for oil and the fastest way to defuse the summer spike thesis. Absence of an increase, given the Strait situation, confirms the structural tightness the commodity complex is pricing.

What Would Change My Mind

The model calls Soft Landing. I think that's right, but barely, and here's what would make it wrong.

Scenario one: the supply shocks bleed into expectations. Right now, the thesis is that March's inflation spike comes from two identifiable, one-time causes (tariff pass-through and energy supply disruption) rather than broad demand overheating. The model's leading indicators agree: they don't see Inflation Shock building. But if core services inflation, stripping out energy and tariff-affected goods, accelerates for two consecutive months, that thesis is dead. It would mean the shocks have infected wage-setting and pricing behavior more broadly, turning a supply story into a demand story. The model would shift toward Overheating or Inflation Shock within one to two weekly readings, because the leading indicators would flip fast once services momentum turns. The price of being wrong here: if I'm dismissing this CPI print as "just two shocks" and it's actually the start of a re-acceleration, the Fed is further behind the curve than anyone thinks, and the rate path reprices violently.

Scenario two: a credible Strait resolution or Saudi production increase. The entire commodity-driven inflation impulse, the energy cost pressure on consumers, the weekend gap risk on equities, all of it rests on the assumption that the Strait stays functionally closed with no near-term fix. A credible diplomatic framework (not just talks, but a framework with verification mechanisms) or a Saudi announcement of meaningful additional barrels would collapse the oil risk premium within days. The model would see financial conditions ease, the inflation impulse fade from leading indicators, and Soft Landing's probability would jump from "barely holding on" to "comfortable lead." I'd go from worried to relieved in about one weekly data cycle. The price of being wrong: if I'm treating the Strait as a persistent structural risk and it resolves next week, I've been too cautious on equities and too bullish on gold and commodities at exactly the wrong moment.

Scenario three: the consumer cracks faster than the labor market. The income-spending gap, the savings drawdown, the credit card reliance: all of these are early stress signals, but the labor market is still absorbing displaced workers (the initial-versus-continuing claims gap from the analysis section). If that absorption stops, if continuing claims start rising alongside initial claims for three or more consecutive weeks, the Cooling thesis accelerates into something closer to Contraction. The model would need to see labor market deterioration confirmed across multiple indicators before shifting that far, which would take roughly a month of data. But the consumer credit data could front-run it. The price of being wrong: if I'm reading the labor market as "bending but not breaking" and it's actually at an inflection point, the Soft Landing call is the last comfortable story before a harder landing.

Personal Stakes

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