

Personal *Stakes*

WEEKLY MACRO REPORT

Friday, October 02, 2026

SOFT LANDING • 28.1%

Regime Call

CURRENT REGIME

Soft Landing (28.1%)**Runner-up:** Cooling (27.1%)**Confidence:** Low (clarity 0.06, fit 0.74, market 0.0)

The regime call is Soft Landing this week, but just barely. The gap to the runner-up is razor-thin, the kind of margin where you'd hesitate to bet your lunch money on it, let alone your portfolio. Cooling is right there, close enough that a single data print could swap the order. The confidence level reflects this: clarity is low because the top two regimes are practically holding hands, even though the internal fit and market alignment scores are doing reasonable work. When the call says "Soft Landing" with this little daylight, it's less a declaration and more a lean.

Here's what the call actually means for you. The economy is in a zone where growth is neither accelerating nor collapsing, inflation is softening but not vanquished, and financial conditions are doing the Fed's work for it (whether the Fed wants that or not). The Soft Landing label says the most likely path forward is one where things gradually normalize without a recession. The Cooling regime breathing down its neck says the risk is tilted toward "too much normalization," where the economy slows more than intended. The two

inflation-flavored regimes, Overheating and Inflation Shock, are tied for a distant third, which tells you the March CPI spike is a shock, not a trend. Contraction is essentially a rounding error.

Regime Probabilities

REGIME	COMBINED	LEADING	LAGGING	WEEK Δ
Soft Landing	28.1%	24.2%	34.8%	+1.6
Cooling	27.1%	26.3%	29.0%	+2.0
Inflation Shock	21.6%	22.5%	19.7%	-0.7
Overheating	21.5%	25.3%	14.7%	-3.1
Contraction	1.7%	1.8%	1.7%	+0.2

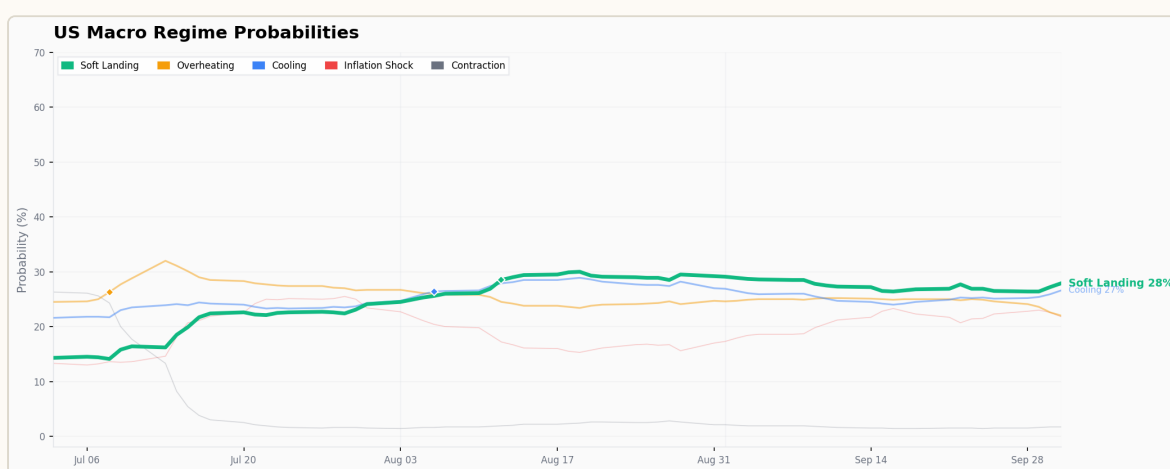
Convergence: diverging

The layer splits are where this gets interesting, and where you should spend your attention. The leading indicators, the stuff that tends to predict where the economy is going rather than where it's been, show Cooling pulling ahead of Soft Landing by a meaningful margin. The lagging layer, which captures the economy's recent past, still favors Soft Landing more comfortably. That divergence is the single most important thing in this table. Leading indicators are sniffing out a deceleration that hasn't fully shown up in the backward-looking data yet.

Overheating and Inflation Shock tell a complementary story in the layer splits. Both regimes score higher in the lagging layer than in the leading layer. Translation: the inflation that showed up in March CPI is registering in the rearview mirror data, but the forward-looking indicators don't think it's going to stick around. The leading layer is essentially voting that the tariff and energy shocks are one-time events, not the start of a new inflation cycle. If you're the Fed, that's the read you want to be true.

The combined scores, which blend all three layers, end up splitting the difference and producing that tight Soft Landing vs. Cooling race at the top. But the direction of travel is clear: the leading layer is pulling the combined score toward Cooling, and the lagging layer is the anchor keeping Soft Landing in the lead. If next week's data confirms the leading layer's thesis, the order flips. If the lagging data catches up to the leading signal, it flips even faster.

90-Day Regime History

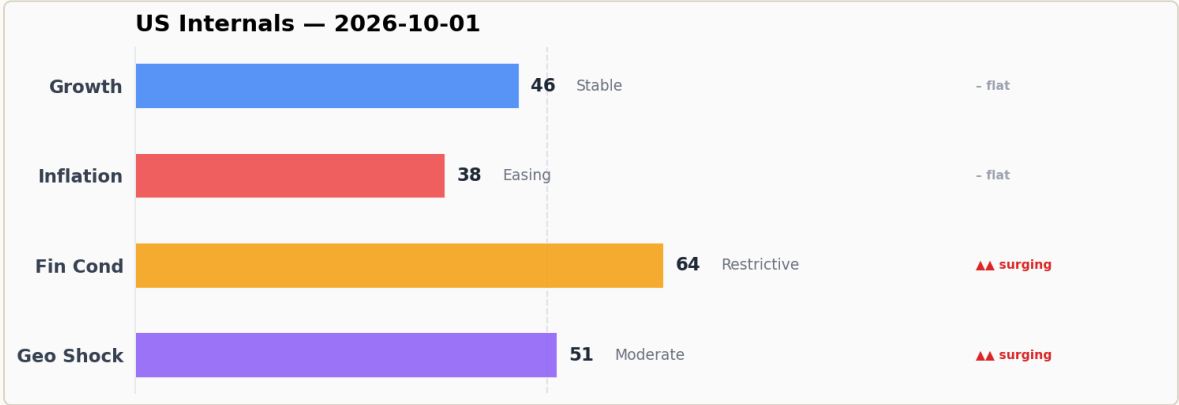


The current regime picture didn't arrive overnight. Looking back over the past three months, Soft Landing has held the top spot for most of the window, but its lead has been gradually eroding rather than collapsing. There was no single day where the probability chart showed a dramatic cliff or spike. Instead, the pattern is a slow, steady convergence: Soft Landing drifting lower, Cooling drifting higher, and the two inflation regimes oscillating in a band without ever seriously threatening the top two. Contraction has been flat on the floor the entire time.

The transition from a comfortable Soft Landing lead to the current near-tie happened over weeks, not days. That matters because gradual convergence tends to be stickier than sharp spikes. When a regime takes over because of a single event (a surprise rate cut, a geopolitical shock), it often gives back the gains just as quickly. When it gains ground through a slow accumulation of evidence, the new regime tends to hold. Cooling's rise has that slow-accumulation character, which is why the leading layer divergence described above deserves extra weight.

The shape of the Overheating curve is worth noting separately. It had a modest bump earlier in the window, likely when the initial tariff and energy price data started flowing through, but it's been fading since. The market and the regime probabilities both seem to have digested the inflation shock and moved on. The probability curve for Overheating is now lower than where it started the 90-day window, even though the CPI print this week was genuinely hot. That tells you the regime framework is looking through the headline number to the composition underneath.

US Internals: The Four Axes



Axis	Score	State	Momentum	Soft Landing Centroid	VS Centroid	Week Δ
Growth	45.2	stable	53 (stable)	52.7	-7.5	-0.7
Inflation	37.7	easing	59 (rising)	50.6	-12.9	-5.1
Financial Conditions	64.8	restrictive	86 (surging)	59.8	+5.0	+3.0
Geopolitical Shock	50.5	moderate	100 (surging)	51.4	-0.9	-1.0

Growth

The growth axis is sitting right around the middle of its range, labeled stable, which is the polite way of saying "not great, not terrible." The score itself barely moved this week. What did move is the momentum: it shifted from rising to stable, meaning the economy was gaining speed and now it isn't. That's a subtle but important distinction. A stable level with rising momentum feels like a plane climbing. A stable level with stable momentum feels like a plane in cruise. You're not descending, but you've stopped gaining altitude.

The underlying drivers here are a labor market that's bending without breaking (initial claims ticked up but continuing claims fell) and consumer spending that's running ahead of income. That spending-income gap is the crack to watch. When people spend more than they earn, they're either drawing down savings or adding debt. Both of those have expiration dates. For now, the growth axis says the economy is fine. The momentum shift says "fine" might be as good as it gets.

If you're looking for what would push this axis lower, it's the consumer. Business investment and government spending are relatively stable inputs right now. The variable is whether households can keep spending at this pace when gas prices are rising and real income is negative. One more month of that pattern and the growth axis starts sliding toward the below-trend zone.

Inflation

This is the axis that moved the most this week, and the move was in the direction you probably didn't expect given the CPI headline. The inflation score dropped sharply enough to flip the state label from sticky to easing. Read that again. The hottest monthly CPI print since mid-2022, and the inflation axis moved toward easing. How?

Because the framework isn't just reading the CPI headline. It's looking at the composition, the breadth, the PCE-relevant components, and the trajectory of the inputs that feed into the Fed's preferred gauge. Core PCE was already running hot through February, and the tariff pass-through that drove it is, according to Fed researchers, essentially complete. The energy shock from the Strait closure is a level shift, not an accelerating trend. Strip out the two identifiable one-time shocks and the underlying inflation picture is actually softening. That's what the axis is capturing.

Now, the momentum on this axis flipped in the opposite direction, from declining to rising. That's the tension. The level says easing, the momentum says "but watch out." If the one-time shocks start bleeding into services inflation or wage expectations, the momentum will be proven right and the level will reverse. For now, the level is the signal and the momentum is the warning light. The warning light is on.

Financial Conditions

Financial conditions are restrictive and getting more so. The score tightened further this week, and the momentum is surging, which in this context means conditions are tightening at an accelerating pace. This is the axis doing the Fed's job, whether the Fed asked it to or not.

Here's the Fed's problem, and this is the home for that conversation. Inflation is hot on the headline but driven by shocks the Fed can't fix with rate hikes. Growth is stable but losing momentum. And financial conditions are tightening on their own, through higher long-term rates, wider spreads in certain sectors, and a stronger dollar impulse that squeezes corporate earnings. The Fed is watching the economy get the medicine it might need for inflation, delivered by markets rather than by policy, at a dosage nobody prescribed. If they tighten further to fight the CPI headline, they risk overdosing an economy that's already feeling the squeeze. If they ease to support growth, they validate the inflation. So they sit. And financial conditions keep tightening anyway.

The mortgage rate ticking down this week is a small counterpoint, but it's noise against the broader signal. The financial conditions axis captures a much wider set of inputs than just mortgage rates, and the aggregate is moving firmly in the restrictive direction. For your portfolio, this means the cost of risk is going up even if the Fed doesn't move.

Geopolitical Shock

The geopolitical axis is sitting at a moderate level with momentum that's been pegged at its maximum for weeks. That combination, moderate level but maximum momentum, means the situation is escalating but hasn't yet reached the "elevated" threshold where it starts dominating the regime call. The Strait of Hormuz closure is the obvious driver, and the fact that the axis hasn't moved higher despite the ongoing crisis tells you something about how the calibration works: the initial shock was priced in, and incremental developments

(tanker reshuffling, diplomatic non-progress) aren't adding new information at the same rate.

But that maximum momentum reading is a flashing yellow light. If there's a military escalation over the weekend, or if the jet fuel shortage timeline for European airports starts getting shorter, this axis jumps to elevated and suddenly becomes the dominant input to the regime call. The geopolitical axis has been the quiet one in the regime math so far. It won't stay quiet if the Strait situation deteriorates.

The slight decline in the score this week, despite the momentum reading, reflects the market's partial digestion of the crisis. Oil prices fell on the week even as the structural problem got worse. Markets are good at pricing known risks and terrible at pricing weekend risks. If Monday opens with the Strait still closed and no diplomatic framework in sight, the geopolitical axis is the one to watch.

Key Drivers

CONFIRMING

- initial jobless claims at 200K (4-week avg), above trend
- crude oil above trend
- gasoline prices above trend

DISCONFIRMING

- core CPI at 2.4% YoY, sharply lower
- wage growth at 3.0% YoY, sharply lower

The confirming signals for the current regime lean heavily on the inflation side: energy prices above trend, jobless claims drifting higher. These are the inputs that say "the economy is cooling in a way consistent with a soft landing that's starting to feel more like just cooling." The new addition of crude oil as a confirming driver this week is interesting because it confirms the regime through a channel (supply shock pushing prices up, which tightens conditions, which slows growth) rather than through the traditional demand-pull

story. The disconfirming side is thin: wage growth coming in sharply lower and core CPI running well below the headline. Those disconfirming signals are saying "this isn't a demand-driven inflation problem," which is true but insufficient to flip the call because the regime framework already knows that. The regime isn't called on the basis of demand-pull inflation. It's called on the basis of the overall economic configuration.

The S&P 500 flipping from confirming to diverging is the tension that matters most right now. Equities posted a strong week, which in a Soft Landing regime should be confirming, but the divergence reflects the rally as inconsistent with the tightening financial conditions and the inflation data. When the stock market and the regime call disagree, one of them is wrong, and the regime framework's track record on these divergences is the reason you're reading this report. What would make the disconfirming signals decisive: if wage growth re-accelerates (meaning the labor market is tighter than the data suggests) or if core services inflation picks up for two consecutive months (meaning the shocks are embedding in expectations). Neither has happened yet.

Week in Review

WEEK SUMMARY (VS 2026-09-25)

REGIME	PRIOR	CURRENT	Δ
Soft Landing	26.5%	28.1%	+1.6
Cooling	25.1%	27.1%	+2.0
Inflation Shock	22.3%	21.6%	-0.7
Overheating	24.6%	21.5%	-3.1
Contraction	1.5%	1.7%	+0.2

AXIS	PRIOR	CURRENT	Δ	STATE
Growth	45.9	45.2	-0.7	stable

AXIS	PRIOR	CURRENT	Δ	STATE
Inflation	42.8	37.7	-5.1	easing
Fin Cond	61.8	64.8	+3.0	restrictive
Geo Shock	51.5	50.5	-1.0	moderate

The biggest move this week was the inflation axis flipping from sticky to easing, a drop of more than five points on the score. That happened despite, or really because of, the March CPI report landing on Wednesday with the hottest monthly print since mid-2022. The regime framework looked through the headline to the composition: two identifiable one-time shocks (tariffs and energy) doing the damage, with underlying inflation actually softening. The state flip pulled Cooling's probability higher and dragged Overheating's probability down by the largest margin of any regime this week. If you only read the CPI headline, you'd expect the opposite. The regime call disagrees with the headline, and it's showing its work.

Supporting that move, Overheating shed the most probability of any regime, falling several points as the leading indicators voted against a sustained inflation acceleration. Soft Landing picked up ground too, rising modestly, as the combination of easing inflation and stable growth fit its profile. Financial conditions continued tightening, with the score climbing and momentum accelerating further into surging territory. That tightening happened organically: the 30-year mortgage rate actually fell slightly on the week, but broader measures of financial stress (long-term yields, credit conditions, dollar strength) more than offset it. Crude oil joined the confirming driver list as prices, despite falling on the week, remained above the trend threshold. The oil market's weekly decline reflected short-term physical reshuffling, not a resolution of the underlying supply problem.

What held steady is arguably more telling than what moved. Growth barely budged, staying in stable territory with a score that ticked down less than a point. Given the consumer income-spending gap, the rising gas prices, and the geopolitical uncertainty, the fact that growth didn't deteriorate is the dog that didn't bark. The geopolitical axis also held at moderate despite the Strait of Hormuz remaining closed and diplomatic progress being essentially zero. The playbook stances across all six asset classes were completely

unchanged: equities constructive, rates duration-friendly, credit stable, dollar range-bound, gold range-bound, oil balanced. When the playbook doesn't move during a week with a CPI shock and an ongoing geopolitical crisis, the regime is entrenched. The activity level this week was moderate, with meaningful moves in inflation and regime probabilities but remarkable stability everywhere else.

Next week's setup is defined by two catalysts. The March PCE report is the number that actually moves Fed expectations, and given that Fed researchers estimate tariff pass-through is already fully baked into core PCE, the print will tell you whether the "shocks are one-time" thesis holds or breaks. If core PCE comes in hot, the inflation axis momentum (which flipped to rising this week) gets validated and the Cooling-vs-Soft-Landing race tightens further. If it comes in softer, Cooling likely takes the lead outright. The second catalyst is anything out of the Strait of Hormuz over the weekend. Monday's open is binary: either the geopolitical axis stays quiet, or it becomes the loudest voice in the room. Consumer credit data later in the week will reveal whether that income-spending gap is widening into something the growth axis can't ignore.

Market Confirmation

The confirming assets are doing exactly what you'd expect in a Soft Landing that's flirting with Cooling. The pattern is consistent enough that if you squint, you can almost convince yourself the regime call is comfortable. Equities holding up, credit spreads behaving, the broad strokes of a market that believes the economy is decelerating gently rather than breaking. The confirming cluster is essentially voting with the regime call, and the alignment between price action and regime expectations is one reason the overall confidence score isn't lower despite that razor-thin probability gap at the top.

The diverging assets tell a more interesting story. Gold rallying alongside equities is the standout conflict. In a clean Soft Landing, gold typically sits quietly in the corner while risk assets do the work. Instead, gold posted one of its best weeks of the year at the same time the S&P ripped higher. The mechanical explanation is straightforward: real rates are elevated but the market is pricing in a Fed that stays on hold for longer than expected, which means the opportunity cost of holding gold isn't rising. Meanwhile, the Strait of Hormuz situation is injecting a geopolitical bid that has nothing to do with the domestic

macro regime. Gold is responding to a risk the regime framework wasn't built to isolate, a supply-side energy shock with military escalation potential. The S&P 500's move into the diverging column is the other key tension: the equity rally looks inconsistent with tightening financial conditions and the inflation data, and when stocks and the regime call disagree, one of them is eventually proven wrong.

Asset Playbook

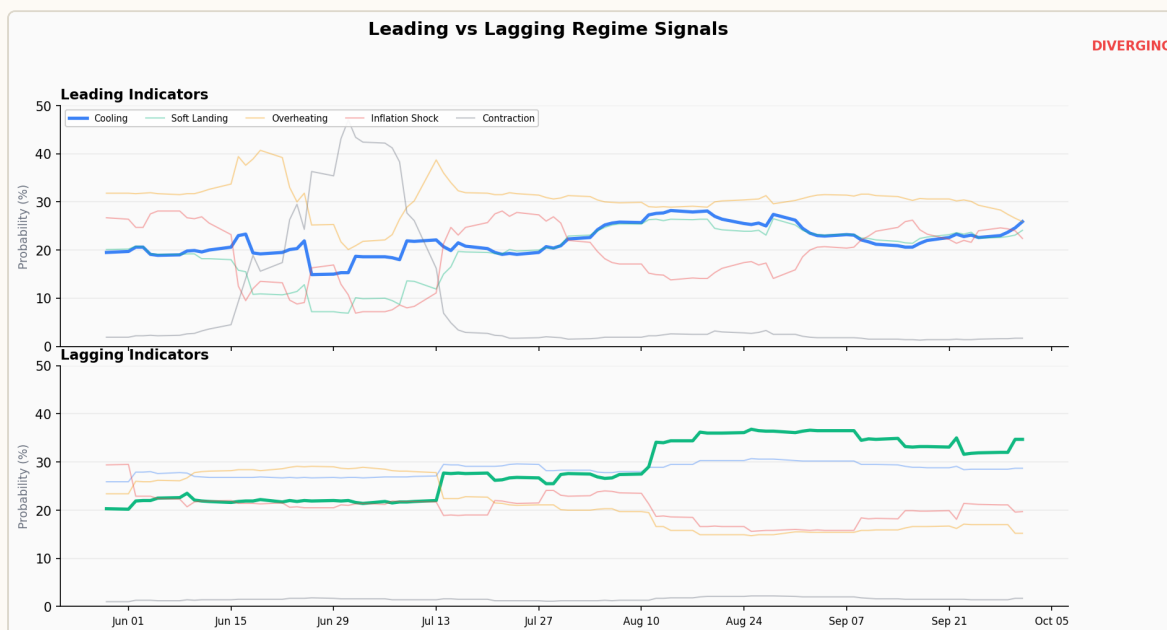
ASSET	SIGNAL
Equities	Constructive
Rates	Duration-friendly
Credit	Spreads stable
Dollar	USD range-bound
Gold	Range-bound
Oil	Balanced

If you're running a standard 60/40 portfolio, the stance table reads like a permission slip to stay roughly where you are, with one significant caveat. Equities are in a zone where the regime isn't screaming to add or reduce, which for a 60/40 holder means your equity sleeve is doing its job without requiring heroics. Rates positioning reflects the tension between an economy that's cooling and an inflation print that just came in hot, so your bond allocation is earning its coupon but not much more. The most surprising stance in the table is probably gold's relative favorability given the Soft Landing label. Normally you'd expect gold to be an afterthought here, but the regime framework is acknowledging what Section 8 explained: the geopolitical bid is real and persistent enough to warrant attention.

The practical experience for you this week was whiplash dressed up as calm. Your 401(k) balance jumped on the equity rally, your bond funds barely moved, and if you own any commodity exposure it quietly outperformed. The dollar stance matters for anyone with international holdings or upcoming travel plans. Credit's positioning suggests your

corporate bond funds aren't in danger but aren't going to bail you out if equities stumble. The overall message: this is a regime where patience pays and overreaction costs you, which is easy to say and genuinely hard to live when you're watching a closed strait and a hot CPI print in the same week.

Leading / Lagging Signal Alignment



The convergence between leading and lagging signals is the single best diagnostic for whether a regime is settling in or about to flip, and right now the two layers are telling different stories with increasing conviction. The leading layer has been pulling toward Cooling for weeks, a slow, steady migration that started well before the March CPI print. The lagging layer is still anchored in Soft Landing territory, which makes sense because backward-looking data captures the economy that existed before the latest shocks fully propagated. The gap between the two layers is the widest it's been in the current window.

Historically, when leading indicators diverge from lagging indicators by this magnitude, the lag to convergence runs somewhere in the range of several weeks to a couple of months. The lagging layer doesn't suddenly jump to match the leading layer. Instead, it drifts as new data prints replace old ones in the rolling windows. Think of it like a convoy: the lead car turned left a while ago, and the trailing car is still on the straightaway but the road curves ahead. The question isn't whether the lagging layer follows. It almost always does. The

question is whether something happens in the interim to pull the leading layer back, which would mean the divergence was a false signal rather than an early warning.

What would an early-warning divergence look like from here? If the leading layer suddenly snapped back toward Soft Landing while the lagging layer stayed put, that would suggest the Cooling signal was a head-fake driven by temporary data distortions (survey noise, seasonal adjustment quirks, one bad month of claims data). You'd see the convergence gap narrow from the leading side rather than the lagging side. That hasn't happened. Each week, the leading layer has inched further toward Cooling, and the lagging layer has inched in the same direction, just more slowly. The convoy is turning. The only debate is how sharp the curve gets.

Empirical Asset Playbook

ETF	THIS WEEK	HIST. RETURN (ANN.)	SHARPE	DAYS
SPY	-0.3%	+12.3%	+1.05	728
QQQ	+0.7%	+16.6%	+1.00	728
IWM	-0.2%	+12.3%	+0.70	728
IEF	-0.7%	-0.3%	-0.05	728
TIP	-0.4%	+1.0%	+0.26	728
LQD	-0.8%	+1.1%	+0.19	728
HYG	-0.7%	+3.7%	+0.83	728
GLD	-3.6%	+10.0%	+0.56	728
XLE	+1.1%	+17.2%	+0.72	728
VEA	-1.4%	+9.5%	+0.78	728
VWO	-1.3%	+7.2%	+0.51	728

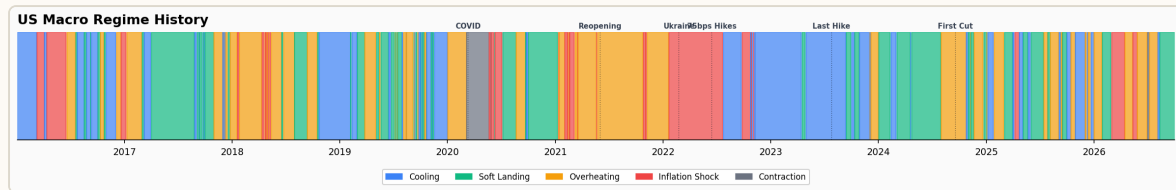
Historical returns measured over Soft Landing regime days in backtest.

This week's actual returns across the ETF universe were dominated by the equity bounce and the commodity complex, and the comparison to historical regime averages is instructive. The S&P 500's weekly gain was dramatic enough to make you wonder whether the market is trading the regime or ignoring it entirely. When you line up this week's performance against what the current regime has historically delivered on an annualized basis, equities are running well ahead of the historical pace. That's not necessarily a warning, but it does mean the market is pricing in a resolution to the current tensions (Strait, tariffs, inflation) that the regime call hasn't confirmed yet. Gold's weekly move also outpaced its historical regime average, which reinforces the point from Section 8: the geopolitical bid is adding a return stream that doesn't show up in the regime's historical sample.

The divergences from historical patterns are concentrated in the places you'd expect given the unusual combination of shocks. Treasury-sensitive ETFs underperformed their historical regime returns, which makes sense when you remember that the 10-year yield is sitting at levels that are more consistent with an Overheating or Inflation Shock regime than a Soft Landing. The historical sample for Soft Landing includes periods where yields were meaningfully lower, so the backtest is comparing apples to something that's technically a fruit but tastes different. Energy-related ETFs also diverged, outperforming their historical averages because the Strait situation is injecting a premium that didn't exist in most prior Soft Landing episodes.

A word on the backtest itself: the historical returns in the table are drawn from periods classified as the same regime, but no two regime episodes are identical. Sample sizes vary by ETF and by regime, and some of the more exotic corners of the ETF universe have fewer observations than you'd want for statistical confidence. The annualized returns and Sharpe ratios are useful as base rates, a sense of what "normal" looks like in this regime, but they're not predictions. When this week's returns deviate sharply from the historical column, the right question isn't "which one is wrong?" It's "what's different about this episode?" And this week, the answer is obvious: a hot inflation print driven by identifiable shocks, a military conflict disrupting global energy flows, and a market that just posted back-to-back massive weekly gains. The historical sample didn't have all three at once.

10-Year Regime History



The long-term regime chart reveals a pattern that should feel familiar if you've been reading this report for a while: Soft Landing episodes tend to be the most common regime classification over the full sample, but they're also the most fragile. The longest uninterrupted Soft Landing stretches typically ended not with a dramatic collapse into Contraction but with a gradual slide into Cooling, exactly the dynamic the leading indicators are flagging right now. The 2017-2018 period is the closest historical rhyme, a stretch where the economy was growing at a moderate pace, inflation was well-behaved, and the Fed was slowly tightening. That episode eventually gave way to a Cooling phase in late 2018 when financial conditions tightened enough to slow growth, and the Fed reversed course in early 2019.

The 2022 Inflation Shock episode is the other obvious comparison point, and it's worth understanding why the regime call doesn't see a repeat despite the hot CPI print. In 2022, inflation was broad-based, wage growth was accelerating, and the labor market was historically tight. The regime persisted for months because every new data print confirmed the same story. Today's inflation is concentrated in two identifiable channels (tariffs and energy), wage growth is decelerating, and the labor market is loose enough that the demand-pull mechanism isn't engaged. Unlike 2022, today's shock has no self-reinforcing feedback loop between wages and prices, which is why the inflation regimes remain in the lower tier of probabilities despite a headline number that would have triggered alarm bells three years ago.

The structural difference that matters most for the current episode is the absence of a clear resolution mechanism. In prior Cooling transitions, the Fed typically had room to cut rates and did so, providing a floor under growth. In the 2022 Inflation Shock, the resolution was aggressive rate hikes that eventually broke the inflation cycle. Today, the Fed is boxed in: cutting would validate the inflation fears, hiking would crush an already-cooling economy, and the two biggest inflation drivers (tariffs and a closed strait) are entirely outside

monetary policy's reach. The historical parallels tell you what the destination might look like. They don't tell you how long the road is when the usual shortcuts are blocked.

Market Context

Weekly ETF returns as of 2026-10-02 (vs 2026-09-25).

TICKER	NAME	PRIOR CLOSE	CURRENT CLOSE	WEEKLY RETURN
XLE	Energy	\$62.04	\$62.71	+1.1%
QQQ	Nasdaq 100	\$744.50	\$749.56	+0.7%
IWM	Russell 2000	\$281.97	\$281.42	-0.2%
SPY	S&P 500	\$771.35	\$769.21	-0.3%
TIP	TIPS	\$104.54	\$104.14	-0.4%
IEF	7-10Y Treasury	\$89.69	\$89.08	-0.7%
HYG	HY Corporate	\$77.52	\$76.97	-0.7%
LQD	IG Corporate	\$102.77	\$101.94	-0.8%
VWO	Emerging Markets	\$60.16	\$59.37	-1.3%
VEA	Developed Markets	\$71.84	\$70.82	-1.4%
GLD	Gold	Range-bound	\$379.24	-3.6%

Household Impact

HOUSEHOLD IMPACT

- **Mortgage:** \$444/mo extra on \$400K loan at 7.2% vs 5.5% baseline

- **Purchasing power:** \$45/yr erosion at 2.4% CPI vs 2% target
- **401(k):** \$+12,300/yr on \$100K (historical Soft Landing regime returns)
- **This week:** \$-300 on \$100K 401(k)

The specific numbers are in the card below, but here's what they actually mean for your week-to-week financial life.

Your commute got more expensive, and it happened fast. Gas prices jumped to their highest weekly rate of change this year, and that increase landed before the full March CPI data was even published. If you drive a typical amount, you're feeling this in real time. The mechanism is straightforward: the Strait of Hormuz disruption discussed in earlier sections is reshuffling global oil flows, and your gas station is the last stop on that chain. The timeline here matters. If the Strait situation isn't resolved, this isn't a one-week blip. It compounds.

Your mortgage rate ticked down, but "down" is relative. The weekly decline in the 30-year fixed rate is real, and if you're actively shopping for a home loan, it translates into modestly lower monthly payments on a new purchase. But zoom out: rates are still in a range that would have seemed punishing a few years ago. The cooling signal from leading indicators discussed in the regime section suggests rates could drift lower over the next quarter, but only if inflation cooperates. That's a big "if" with energy prices doing what they're doing.

Your paycheck is losing the race. Average hourly earnings grew slower than CPI on a year-over-year basis in March. That's a real purchasing power squeeze, and it's happening while consumers were already spending more than they earned in February, dipping into savings or leaning on credit cards. The next few months of this dynamic determine whether households adjust spending or keep stretching.

Grocery and household goods prices are under pressure from two directions. The broad commodity index hitting new highs with the vast majority of components in uptrends means input costs are rising across the board, not just in energy. That tends to show up on store shelves with a lag of four to eight weeks. Meanwhile, tariff pass-through has already worked its way into core prices. You're getting squeezed from the supply side and the trade policy side simultaneously.

Signal vs. Noise

Signals (Track These)

The divergence between personal income and personal spending in February. Income was negative in real terms while spending was the strongest in months. That's consumers stretching before gas prices spiked, and it tells you something about the fragility underneath the surface-level GDP numbers.

The Bloomberg Commodity Spot Index hitting new highs with the vast majority of its components in uptrends. When nearly everything in the commodity complex is rising together, that's a broad input-cost signal, not just an energy story. It feeds directly into the inflation momentum being tracked in the four axes.

The leading-vs-lagging layer split from the regime section. Leading indicators pulling toward Cooling while lagging data holds Soft Landing is the kind of divergence that resolves in one direction. Which direction, and how fast, is the whole ballgame for the next few weeks.

The fiscal deficit trajectory. The gap between government revenue and spending in the first half of the fiscal year is enormous. That's not a one-quarter anomaly. It's a structural feature that affects bond supply, term premium, and eventually your borrowing costs.

Noise (Ignore These)

Presidential social media endorsements of individual stocks. When a direct shout-out from the president can't stop a stock from falling, the market is telling you fundamentals and positioning matter more than political favor.

The SaaS sector collapse. A sector dropping dramatically while the broad market stays roughly flat is a sector-specific story (AI displacement fear, duration repricing, crowded positioning unwinding), not a macro signal. If this were systemic, everything would be falling together.

Xi's talks with Taiwanese opposition figures. Political theater with a very long fuse. File it away, don't trade on it.

The distinction right now: Signals are the things that tell you about the plumbing of the economy, where money is actually flowing, what consumers are actually doing with their paychecks, and whether the cost structure is shifting underneath corporate margins. Noise is anything that generates a headline without changing the flow of dollars. A presidential Truth Social post is loud. The gap between what households earn and what they spend is quiet. Quiet wins.

What to Watch

Strait of Hormuz headlines over the weekend and into Monday's open. Any report of military escalation, failed diplomatic talks, or expanded rationing in Asia could send crude gapping higher before US markets open. Watch oil timespreads (the difference between near-month and further-out contracts), not just the flat price. If near-month contracts start pulling sharply above later months again, the physical market is tightening regardless of what the headline price does.

The March PCE report, due later this month. The Fed targets PCE, not CPI, and the analysis context notes that PCE inflation is running hotter than CPI. This is the number that will actually move Fed rate expectations. If core PCE confirms or exceeds what CPI suggested, the "patient Fed" thesis gets harder to maintain.

Consumer credit and credit card delinquency data over the next two weeks. February showed consumers spending more than they earned. The next revolving credit report will tell you whether that gap is widening or whether households pulled back once gas prices jumped. A widening gap means the spending-income divergence is becoming a credit story, which is a different and more dangerous animal.

Core services inflation (ex-energy, ex-tariff-affected goods) in the next two monthly prints. This is the cleanest read on whether the one-time shocks are bleeding into broader

price expectations. Two consecutive months of acceleration here would be the single most important data development for the regime call.

What Would Change My Mind

The regime leans Soft Landing with Cooling close behind, and I think that's right. The March CPI spike is a shock, not a trend. The leading indicators are doing exactly what you'd expect if two one-time disruptions (tariffs and energy) hit an economy that was already gently decelerating. Here's what would make me wrong.

Scenario 1: The shocks bleed into expectations. If core services inflation, stripping out energy and tariff-affected goods, accelerates for two consecutive months, or if wage growth re-accelerates after its recent slowdown, the "one-time shock" thesis is dead. That would mean businesses and workers are treating temporary price spikes as permanent, embedding them into contracts and pay demands. The regime would shift toward Overheating or Inflation Shock within a couple of weeks of the second confirming print, because the leading layer would pick up the expectation shift before it fully shows in lagging data. The price of being wrong here is significant: if I'm dismissing a genuine inflation re-acceleration as transitory, the playbook flips from "stay the course" to "get defensive on duration" very quickly.

Scenario 2: The Strait gets resolved, or Saudi Arabia floods the market. A credible diplomatic framework for reopening the Strait of Hormuz, or a meaningful Saudi production increase, would break the summer energy spike thesis entirely. Oil timespreads would collapse, the commodity-driven inflation impulse would reverse, and the regime would likely consolidate around Soft Landing with much higher confidence as the Cooling threat from energy-driven demand destruction fades. I'd expect the regime clarity score to improve substantially within days of a credible announcement. The price of being wrong on oil: if I'm overweighting the physical tightness and the Strait reopens next week, I've been telling you to worry about a risk that evaporated. Your gas bill would thank me for being wrong.

Scenario 3: The consumer cracks. The income-spending divergence from February is a yellow flag, not a red one. It turns red if the next two months of data show rising credit card delinquencies, falling consumer confidence, and a pullback in discretionary spending that starts showing up in corporate earnings guidance. That would pull the regime decisively into Cooling and potentially toward Contraction if the labor market data deteriorates simultaneously. The regime would respond within one to two weekly cycles because consumer stress shows up in leading indicators (credit spreads, initial claims) before it hits GDP. I don't think this is the most likely path, but it's the one with the most consequence for your portfolio if it materializes.

Personal Stakes

WHY MARKETS MOVE · WHY IT MATTERS TO YOU

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