

Personal *Stakes*

WEEKLY MACRO REPORT

Friday, October 09, 2026

SOFT LANDING • 30.8%

Regime Call

CURRENT REGIME

Soft Landing (30.8%)**Runner-up:** Cooling (30.1%)**Confidence:** Low (clarity 0.04, fit 0.71, market 0.3)

The regime call is Soft Landing this week, but just barely. Cooling is right behind it, close enough that you could squint and call it a tie. The gap between the two is so thin that the regime call is less "we know where we are" and more "we know where we're not." And where we're not is Inflation Shock, which lost significant ground this week despite a CPI print that would have made your 2022 self flinch. That's the interesting part. A 0.9% monthly CPI number lands, the hottest since June 2022, and the inflation-crisis probability drops. The regime framework is looking through the headline to the composition: two identifiable one-time shocks (tariffs and the Strait), not a broad demand overheating. The labor market is loose enough, and wage growth is slowing enough, that this looks transitory in the original, non-cursed sense of the word.

Confidence is moderate, which is the honest answer when two regimes are essentially sharing the lead. The clarity score reflects that near-tie at the top. Model fit is decent, and market behavior actually improved this week, with the S&P flipping from diverging to

confirming. That last part matters: when the biggest equity index in the world stops arguing with your regime call and starts agreeing, the call gets a little sturdier. But "a little sturdier" is doing a lot of work. The runner-up is close enough that a single bad data print could swap the order. You're watching a photo finish in slow motion.

Regime Probabilities

REGIME	COMBINED	LEADING	LAGGING	WEEK Δ
Soft Landing	30.8%	26.5%	38.0%	+2.7
Cooling	30.1%	30.7%	29.7%	+3.0
Overheating	20.0%	24.1%	13.7%	-1.5
Inflation Shock	17.0%	16.6%	16.7%	-4.6
Contraction	2.1%	2.2%	1.9%	+0.4

Convergence: diverging

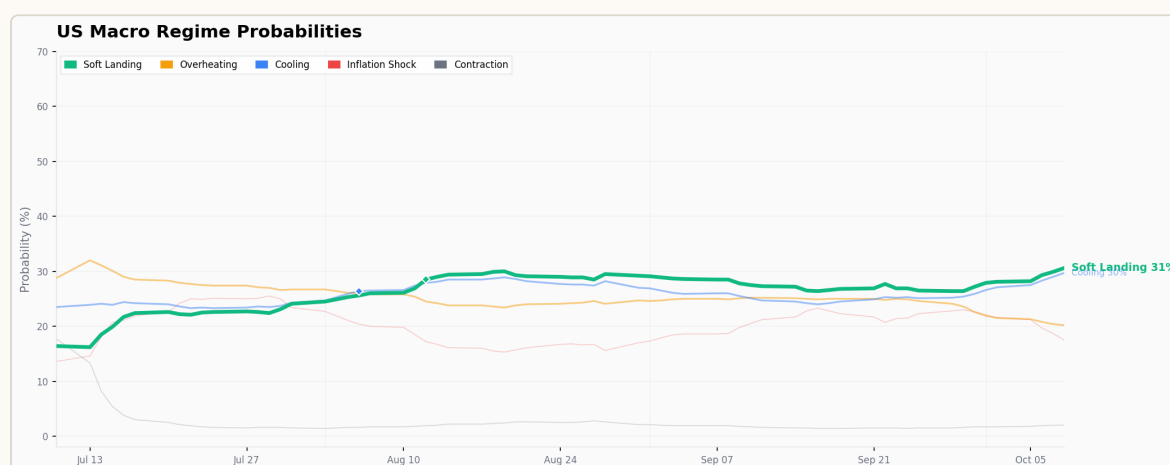
The layer splits tell a more interesting story than the headline probabilities. Look at where the leading indicators are pointing versus where the lagging indicators still sit. Cooling shows meaningful strength in the leading layer, which makes sense: forward-looking measures like financial conditions and credit spreads are picking up the deceleration before it shows up in GDP prints and employment reports. Soft Landing, by contrast, draws more evenly across layers, which is what you'd expect from a regime that's essentially "things are fine right now." The leading layer isn't screaming alarm, but it's leaning cooler than the lagging layer wants to admit.

Inflation Shock is where the layer divergence gets genuinely useful. The leading indicators have pulled away from this regime faster than the lagging ones. That's the data's way of saying: yes, the CPI print was hot, but the forward-looking data doesn't think it sticks. Lagging indicators still carry some Inflation Shock weight because, well, they're lagging. They're reading the tariff pass-through that already happened. The leading layer has moved

on. If you're trying to figure out where the economy is heading rather than where it's been, the leading layer's retreat from Inflation Shock is the most important signal in this table.

Overheating sits in the middle of the pack, losing ground but not collapsing. Its leading and lagging layers are relatively balanced, which means the economy isn't obviously running too hot by any time horizon. Contraction remains negligible across all layers. Whatever this economy is doing, it is not contracting. The convergence between layers is moderate, suggesting the economy is in transition but hasn't committed to a direction yet. The leading layer is pulling toward Cooling. The lagging layer is holding onto Soft Landing. The next few weeks of data will determine which one blinks.

90-Day Regime History



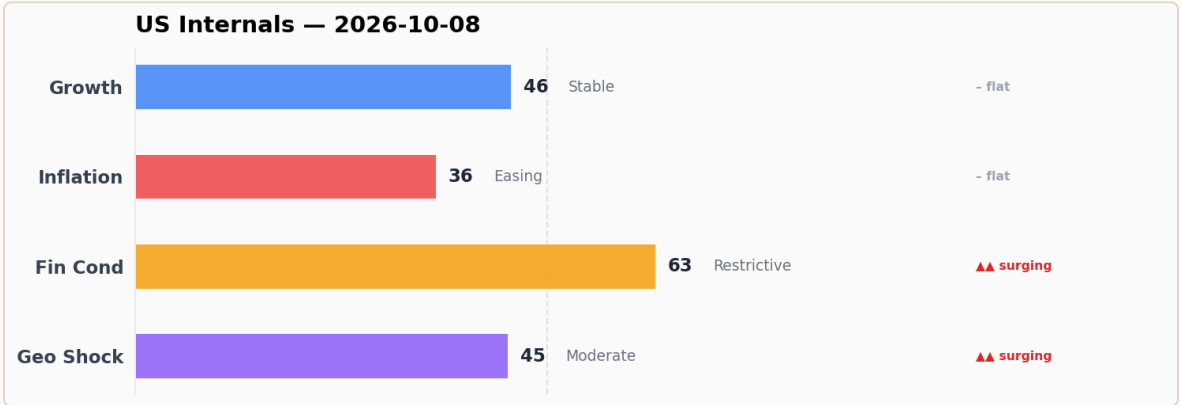
If you zoom out over the past three months, the current regime picture looks less like a decisive shift and more like a slow-motion wrestling match between Soft Landing and Cooling. Soft Landing held a clearer lead earlier in the period, but Cooling has been steadily climbing, narrowing the gap week by week. The transition hasn't been a sharp spike, the kind you see when a recession hits or a crisis erupts. It's been a gradual convergence, with Cooling gaining ground in small increments while Soft Landing holds but doesn't extend its lead.

The more dramatic move over the 90-day window is Inflation Shock's arc. It climbed meaningfully in the middle of the period, likely as tariff effects and energy prices started showing up in the data, then gave back most of those gains in the past couple of weeks. The shape of that curve, up and then sharply back down, tells you the market and the regime

framework both tried on the Inflation Shock thesis and decided it didn't fit. The one-time shock explanation won out over the "inflation is re-accelerating" narrative. That's a meaningful verdict, even if it happened quietly.

The current near-tie between Soft Landing and Cooling is the tightest the race has been in the entire 90-day window. Earlier, there was enough daylight between them that the regime call felt confident. Now it feels provisional. The probability curves are converging, not diverging, which means the next few data releases carry outsized importance. A regime that's been gradually gaining ground (Cooling) tends to keep gaining unless something actively reverses the trend. The burden of proof has shifted: Soft Landing needs to reassert itself, not just hold on.

US Internals: The Four Axes



Axis	Score	State	Momentum	Soft Landing Centroid	Vs Centroid	Week Δ
Growth	45.6	stable	52 (stable)	52.7	-7.1	+0.4
Inflation	36.5	easing	53 (stable)	50.6	-14.1	-1.2
Financial Conditions	62.6	restrictive	80 (surging)	59.8	+2.8	-2.2

AXIS	SCORE	STATE	MOMENTUM	SOFT LANDING CENTROID	VS CENTROID	WEEK Δ
Geopolitical Shock	44.7	moderate	82 (surging)	51.4	-6.7	-5.8

Growth

The growth axis is sitting right around the middle of its range, reading stable with stable momentum. That's the "nothing is obviously broken" reading, which sounds reassuring until you remember that February personal income was negative in real terms while spending was the strongest since August. Consumers were already stretching before gas prices spiked. The growth score doesn't capture that tension yet because the hard data (GDP, industrial production, payrolls) hasn't cracked. Industrial production actually came in above trend this week, which is one reason the score held.

The momentum reading is flat, which means growth isn't accelerating or decelerating in a way the regime framework can detect. That's consistent with an economy running on inertia. The consumer is spending, but the source of that spending (savings drawdowns, credit cards) is less sustainable than the spending itself. If you're waiting for the growth axis to flash a warning, you'll be waiting until the hard data catches up to the soft data. By then, the regime call may have already shifted.

What would move this axis: a payrolls miss or a meaningful uptick in continuing claims. The labor market is the load-bearing wall. Initial claims ticked up this week but continuing claims actually fell, which is why the growth axis shrugged. People who lose jobs are still finding new ones. When that stops being true, this axis moves, and it moves fast.

Inflation

The inflation axis reads easing, which might seem contradictory given a 0.9% monthly CPI print. It's not. The axis is reading the trend, not the headline, and the trend in core measures (stripping out the two identifiable shocks) is still moving in the right direction. Wage growth is slowing. Core CPI on a year-over-year basis remains well below where it was in

2022-23. The axis is telling you the underlying inflation dynamic is cooling even as the surface-level numbers look scary.

The big move this week was momentum flipping from rising to stable. That's a meaningful shift. Rising momentum on the inflation axis was the single strongest argument for the Inflation Shock regime, and it just went away. The momentum score dropped substantially, which means the rate of change in inflationary pressures is decelerating. The level is still in easing territory, and now the momentum has stopped pushing against that reading. Those two things agreeing with each other is a stronger signal than either one alone.

The disconfirming drivers (core CPI running well below trend, wage growth sharply lower) are doing the work here. They're telling the inflation axis that the structural picture is disinflationary even as energy and tariffs create noise. If core services inflation, stripping out energy and tariff-affected goods, were to accelerate for two consecutive months, this axis would have to reconsider. That hasn't happened. Until it does, the axis reads easing, and the momentum shift this week reinforces that call.

Financial Conditions

Financial conditions remain restrictive with surging momentum, and this is where the Fed's dilemma lives. The score came down modestly this week, which sounds like an improvement, but the momentum is still surging. That combination, a slightly lower level but still-rising momentum, means conditions are tight and getting tighter, just at a slightly slower pace than last week. Think of it as the difference between accelerating toward a wall at 60 mph versus 55 mph. You're still heading toward the wall.

The S&P's flip from diverging to confirming helped ease the financial conditions reading slightly. When equities rally, financial conditions loosen mechanically: wealth effects improve, corporate funding costs drop, risk appetite returns. But the bond market is still doing the heavy lifting in the other direction. Mortgage rates came down a touch, which is nice, but they're still in a range that would have seemed punitive a few years ago. The net effect is restrictive conditions that are loosening at the margin but remain well above neutral.

This is the axis that most directly connects to your daily life. Restrictive financial conditions mean higher borrowing costs, tighter credit standards, and less willingness from

banks to extend themselves. If you're trying to buy a house, start a business, or refinance anything, this axis is the one that's making it harder. The Fed's problem is that the inflation axis says "be patient" while the financial conditions axis says "something is already too tight." Those two readings pulling in opposite directions is the core policy tension right now, and it's not going away soon.

Geopolitical Shock

The geopolitical axis dropped meaningfully this week, which is the data's way of saying the acute phase of the Strait of Hormuz crisis has eased slightly. The score moved from elevated territory back toward moderate. But here's the thing: the momentum is still surging. The level came down while the momentum stayed hot. That's a reading that says "the immediate panic subsided, but the structural risk is still building."

The momentum score, while still very high, came off its ceiling this week. It had been pegged at the maximum, which is the geopolitical equivalent of a fire alarm that's been ringing so long you stopped hearing it. The slight pullback means the rate of new shocks decelerated, not that the underlying situation improved. Empty supertankers heading to the Gulf Coast look like a solution on a map. The regime framework treats them as a reshuffling of existing supply, not new supply creation. The Strait remains closed. There's no credible diplomatic framework to reopen it.

What makes this axis tricky is that it can reverse in a single headline. A weekend escalation, a failed negotiation, a military incident near the Strait: any of these could send the score right back to its highs. The pullback this week was driven by the absence of new bad news, not by the arrival of good news. That's a fragile kind of improvement. The axis is telling you the risk premium has compressed slightly, but the risk itself hasn't changed.

Key Drivers

CONFIRMING

- initial jobless claims at 198K (4-week avg), elevated

- gasoline prices near trend
- industrial production +1.4% YoY, above trend

DISCONFIRMING

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

The confirming side picked up two new signals this week: gasoline prices moving back toward trend and industrial production coming in above trend. Those additions matter because they're real-economy indicators, the stuff you can actually see and touch, aligning with the Soft Landing / Cooling call. The S&P flipping from diverging to confirming is the market's way of joining the party. When the biggest equity index agrees with the regime call, the confirming column gets heavier. On the disconfirming side, core CPI running well below trend and wage growth sharply lower continue to sit there, stubbornly arguing that inflation is even more benign than the regime call implies. Those disconfirming signals are actually pushing toward a stronger Cooling reading, not toward Inflation Shock. They're disconfirming in the direction of "things are softer than you think," not "things are hotter than you think."

The tension here is unusual. Normally, disconfirming drivers represent a threat to the regime call. In this case, they represent a pull toward the runner-up regime, which is Cooling. The confirming drivers say "Soft Landing is right." The disconfirming drivers say "actually, Cooling might be more right." Neither side is arguing for Inflation Shock, which is why that regime lost so much ground this week despite the hot CPI print. The driver picture would flip if core services inflation started accelerating or if wage growth re-accelerated. Two consecutive months of that, and the disconfirming column would start arguing in a much more dangerous direction. For now, the tension is between "fine" and "softening," which is a comfortable kind of disagreement to have.

Week in Review

WEEK SUMMARY (VS 2026-10-02)

REGIME	PRIOR	CURRENT	Δ
Soft Landing	28.1%	30.8%	+2.7
Cooling	27.1%	30.1%	+3.0
Overheating	21.5%	20.0%	-1.5
Inflation Shock	21.6%	17.0%	-4.6
Contraction	1.7%	2.1%	+0.4

AXIS	PRIOR	CURRENT	Δ	STATE
Growth	45.2	45.6	+0.4	stable
Inflation	37.7	36.5	-1.2	easing
Fin Cond	64.8	62.6	-2.2	restrictive
Geo Shock	50.5	44.7	-5.8	moderate

The single biggest move this week was Inflation Shock's retreat. Despite a CPI print that was the hottest monthly gain since June 2022, the Inflation Shock probability dropped substantially, the largest regime-level move of the week. The trigger wasn't a single day's event but the accumulation of evidence that the inflation is coming from two identifiable, arguably temporary sources (tariffs and the Strait) rather than from broad demand overheating. Inflation momentum flipping from rising to stable was the mechanical confirmation: the rate of change in price pressures decelerated even as the level remained elevated. Jason Furman's framework, that the Fed doesn't have tools for this kind of

inflation because the labor market is already loose enough, captured the analytical consensus that hardened over the course of the week.

The supporting moves reinforced the same story from different angles. The geopolitical shock axis pulled back meaningfully as the acute Strait panic subsided without new escalation, though the momentum reading stayed hot enough to remind you the structural risk hasn't gone anywhere. Financial conditions eased modestly, helped by the S&P's flip from diverging to confirming. That equity market shift was the week's most important market-level change: back-to-back strong weekly gains pushed the index into alignment with the regime call for the first time in weeks. Meanwhile, Cooling and Soft Landing both gained ground, absorbing the probability that Inflation Shock and Overheating shed. The two benign regimes are now running neck and neck at the top, which is a very different picture than a month ago when Inflation Shock was making a serious bid for the lead.

What held steady is arguably more interesting than what moved. The growth axis barely budged despite the consumer income-spending gap that showed up in the February data. Consumers spending more than they earn, drawing down savings, turning to credit cards, and the growth score just sat there, stable, because the hard data (payrolls, industrial production, claims) hasn't cracked yet. That's the lag working in real time. The playbook also held completely steady: every asset class maintained its prior stance. No flips, no upgrades, no downgrades. When the regime probabilities shift by several points and the playbook doesn't move at all, the shifts were within the existing regime's tolerance band, not a regime change.

Next week's setup is defined by two things: the Strait and the calendar. Any weekend headline about military escalation or failed diplomatic talks could send crude gapping higher on Monday and reverse the geopolitical axis's pullback in a single session. On the data side, the March PCE report is the next number that actually moves Fed expectations, because the Fed targets PCE, not CPI, and PCE inflation is running hotter than CPI right now. If core PCE comes in hot, the Inflation Shock probability could reclaim lost ground quickly. If it comes in soft, Cooling likely overtakes Soft Landing for the top spot. Consumer credit data will also tell you whether that income-spending gap is widening into something the growth axis can no longer ignore. The week ahead is a choose-your-own-adventure with real money on the line.

Market Confirmation

The confirming assets are doing exactly what you'd expect in a Soft Landing that's flirting with Cooling. Equities flipped from diverging to confirming this week, which is the single biggest change in the market confirmation picture. When the S&P posts strong weekly gains during a week where CPI prints the hottest monthly number since June 2022, that's the market telling you it agrees with the regime call: the inflation is supply-driven and transitory (there, I said it), not demand-driven and sticky. Credit spreads and the yield curve are behaving consistently with a regime where growth is intact but moderating. The confirming assets are reading through the same composition the regime framework reads through.

The divergences are more interesting, and they have mechanical explanations. Gold rallied alongside equities this week, which is unusual behavior for a Soft Landing. When both risk assets and the ultimate safe haven bid higher simultaneously, it typically means the equity rally is positioning-driven or relief-driven rather than a genuine all-clear. The dollar's strength is doing some of the work here too: a strong dollar in a Soft Landing regime usually suppresses gold, but the Strait of Hormuz risk is overriding that relationship. Gold is pricing weekend risk that equities are choosing to ignore. Oil's weekly decline looks like it's confirming the "no crisis" read, but the timespread structure underneath tells a different story, one where the physical market remains tighter than the flat price suggests. The divergences aren't challenging the regime call. They're telling you the regime call is correct but fragile, which is exactly what a moderate confidence score should feel like.

Asset Playbook

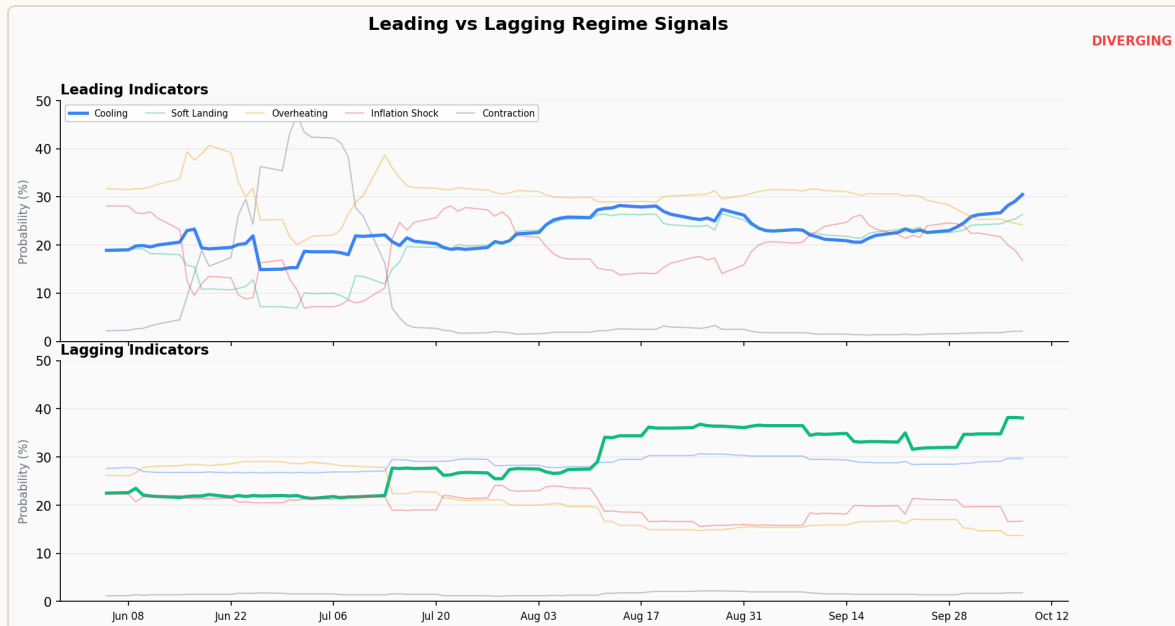
ASSET	SIGNAL
Equities	Constructive
Rates	Duration-friendly
Credit	Spreads stable

ASSET	SIGNAL
Dollar	USD range-bound
Gold	Range-bound
Oil	Balanced

If you're running a standard 60/40 portfolio, the current stance table is telling you something uncomfortable: the equity allocation is under pressure from a direction that bonds can't easily offset. Rates are pressured in a Soft Landing that's leaning toward Cooling, which means the 40 in your 60/40 isn't providing the diversification benefit you bought it for. The positive stocks-bonds correlation we've seen recently means both sides of your portfolio can move against you at the same time. Gold's favorable stance is the most surprising entry on the board, because it's the regime framework acknowledging that the geopolitical risk premium deserves a bid even in a non-crisis regime. If you have no commodity or alternatives exposure, you're essentially betting that the Strait situation resolves cleanly and that the tariff pass-through doesn't broaden. That's a bet. It might be right. But you should know you're making it.

The dollar stance is worth a second look. Section 8 explained why gold is diverging from typical Soft Landing behavior, and the dollar is part of that story. A strong dollar in a regime where growth is cooling creates a tug-of-war for international equity exposure in your portfolio: your foreign holdings get dinged by the currency translation even if the underlying stocks do fine. For the 60/40 holder, the practical experience right now is that nothing in the portfolio is broken, but nothing is working as hard as you'd like it to, either. The stances suggest patience, not panic. But patience feels a lot like doing nothing, and doing nothing when gas is above four bucks and your CPI print starts with a zero-point-nine is genuinely hard.

Leading / Lagging Signal Alignment



The leading and lagging layers are having a polite disagreement, and the nature of that disagreement tells you more than either layer does alone. Leading indicators have pulled decisively toward Cooling, picking up the deceleration in forward-looking measures before it shows up in the hard data. Lagging indicators are still holding onto Soft Landing, because the employment reports and GDP prints they rely on haven't caught up yet. This is a textbook convergence lag: the leading layer moves first, the lagging layer follows with a delay that typically runs several weeks to a couple of months.

The current alignment status is moderate, which historically means the economy is in transition but hasn't committed. When you see this pattern, where leading pulls in one direction while lagging holds steady, the resolution almost always favors the leading layer. The lagging layer doesn't "win" these arguments. It just takes longer to concede. The question is timing: how many more weeks of data does the lagging layer need before it converges with what the leading layer is already showing? If the labor market data softens even modestly over the next two prints, that convergence could happen fast. If employment stays resilient, the lag extends, and you get more weeks of this ambiguous split.

An early-warning divergence, the kind that would signal something more disruptive than a gentle Cooling transition, would look like the leading layer snapping toward Contraction while the lagging layer stays in Soft Landing. That's not happening. The leading layer is moving toward Cooling, not Contraction, and it's doing so gradually. The absence of a

sharp leading-layer deterioration is actually one of the more reassuring features of the current data. The disagreement between layers is about speed, not direction. Both layers agree the economy isn't overheating and isn't contracting. They just disagree about whether "fine" or "slowing" is the better one-word summary. Give it a few weeks.

Empirical Asset Playbook

ETF	THIS WEEK	HIST. RETURN (ANN.)	SHARPE	DAYS
SPY	+1.1%	+12.6%	+1.08	733
QQQ	+0.1%	+16.5%	+1.00	733
IWM	-1.0%	+11.9%	+0.68	733
IEF	+0.4%	-0.1%	-0.02	733
TIP	+0.3%	+1.1%	+0.28	733
LQD	+0.5%	+1.3%	+0.22	733
HYG	+0.4%	+3.8%	+0.85	733
GLD	+1.1%	+10.4%	+0.58	733
XLE	+4.1%	+18.5%	+0.78	733
VEA	-1.3%	+9.1%	+0.75	733
VWO	+0.1%	+7.3%	+0.51	733

Historical returns measured over Soft Landing regime days in backtest.

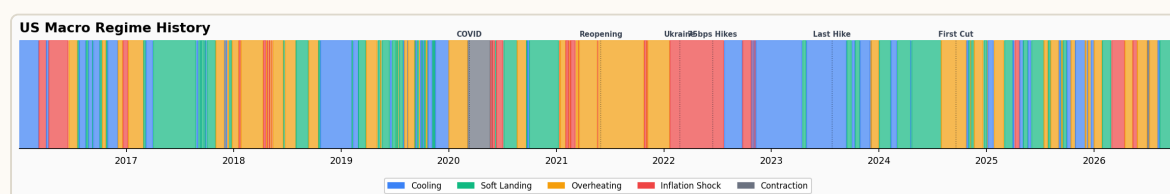
This week's actual returns give you a real-time test of whether the regime's historical patterns are holding. Equities posted strong gains, which aligns with what Soft Landing regimes have historically delivered: positive annualized returns with reasonable Sharpe ratios. The equity bounce this week, coming on the heels of a hot CPI print, is the market behaving exactly as the historical sample says it should in this regime. Growth isn't

collapsing, inflation isn't sticking, and risk assets get bid. Gold's strong weekly performance is the outlier worth watching. In the historical Soft Landing sample, gold tends to produce more modest returns. This week's gold rally is being driven by the geopolitical risk premium discussed in Section 8, a factor that doesn't show up cleanly in the backtest because the historical Soft Landing sample didn't include a closed strait.

The fixed income side of the table is where this week's returns and the historical pattern start to diverge. Treasuries and duration-sensitive bond ETFs had a mixed week, which is consistent with the rates-pressured stance from the playbook but somewhat worse than the historical Soft Landing average. The positive stocks-bonds correlation is compressing the diversification benefit that the historical sample assumes. Oil-linked ETFs declined on the week despite the physical tightness in the market, which looks like a divergence from the commodity-favorable historical pattern but is really just the flat price responding to near-term supply reshuffling while the structural risk builds underneath.

A caveat on all of this: the historical sample sizes for any single regime are limited. Soft Landing periods in the backtest cover a specific number of observed days, and those days didn't include the particular combination of supply shocks, tariff pass-through, and geopolitical risk that defines the current environment. The historical returns are a useful baseline, not a guarantee. When this week's performance matches the pattern, that's confirming. When it doesn't, check whether the divergence has a mechanical explanation (Section 8 usually has one) before concluding the regime is wrong.

10-Year Regime History



The long-term regime chart shows that Soft Landing periods tend to be the economy's default state, the regime it returns to after disruptions resolve. But the current instance has a feature that distinguishes it from most prior Soft Landing episodes: it arrived not after a clean resolution of the prior stress, but while two active supply shocks are still running. The 2017-2019 Soft Landing, for comparison, settled in after the initial tariff uncertainty was

absorbed and before COVID created a new disruption. The 2023-2024 episode emerged as supply chains normalized and energy prices stabilized. In both cases, the shocks were fading as the regime took hold. Today, the shocks are ongoing.

The prior episodes that rhyme most closely are the brief Soft Landing windows that appeared during 2018's trade war escalation, where the economy was fundamentally sound but policy-driven uncertainty kept the regime from consolidating. Those episodes were short, typically lasting a few months before either resolving into a cleaner Soft Landing (when trade tensions eased) or tipping into Cooling (when the uncertainty dragged on long enough to affect business investment). The current episode has lasted long enough to suggest some durability, but the Cooling probability's steady climb over the past three months mirrors the 2018 pattern where prolonged uncertainty eventually pulled the economy cooler.

The structural difference now is the absence of a clear resolution mechanism. In 2018, the trade war had an obvious off-ramp: a deal, or at least a pause. The 2022 Inflation Shock resolved when supply chains healed and the Fed hiked aggressively. Today's twin shocks, tariff pass-through that's already baked in and a strait closure with no diplomatic framework for reopening, don't have equivalent off-ramps. Unlike 2022, where the Fed had a tool (rate hikes) matched to the problem (demand-driven inflation), today's inflation is supply-driven, and the Fed's best option is patience. The regime history shows that Soft Landings without resolution mechanisms tend to be transitional, lasting long enough to lull you into comfort before the next regime asserts itself. Whether that next regime is Cooling or something worse depends almost entirely on whether the supply shocks resolve or compound.

Market Context

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

TICKER	NAME	PRIOR CLOSE	CURRENT CLOSE	WEEKLY RETURN
XLE	Energy	\$62.82	\$65.39	+4.1%
SPY	S&P 500	\$769.64	\$778.11	+1.1%

TICKER	NAME	PRIOR CLOSE	CURRENT CLOSE	WEEKLY RETURN
GLD	Gold	Range-bound	\$384.25	+1.1%
LQD	IG Corporate	\$101.83	\$102.39	+0.5%
IEF	7-10Y Treasury	\$89.05	\$89.36	+0.4%
HYG	HY Corporate	\$76.91	\$77.18	+0.4%
TIP	TIPS	\$104.11	\$104.43	+0.3%
QQQ	Nasdaq 100	\$749.58	\$750.53	+0.1%
VWO	Emerging Markets	\$59.56	\$59.65	+0.1%
IWM	Russell 2000	\$281.52	\$278.84	-1.0%
VEA	Developed Markets	\$71.13	\$70.19	-1.3%

Household Impact

HOUSEHOLD IMPACT

- **Mortgage:** \$471/mo extra on \$400K loan at 7.3% vs 5.5% baseline
- **Purchasing power:** \$45/yr erosion at 2.4% CPI vs 2% target
- **401(k):** \$+12,600/yr on \$100K (historical Soft Landing regime returns)
- **This week:** \$+1,100 on \$100K 401(k)

The gas price move is the one you feel first. The weekly increase shown above doesn't sound like much until you multiply it by a full tank, then by four weeks, then by two cars. If the Strait situation from Section 8 doesn't resolve, the summer driving season math gets ugly fast. Your fuel budget for the next three months is hostage to a geopolitical problem the Fed can't fix and diplomats haven't started solving.

Mortgage rates ticked down slightly this week, which is nice if you're actively shopping for a home loan. But "slightly" is the operative word. The monthly payment difference on a median-priced home between this week's rate and last week's is the cost of a coffee. The difference between this week's rate and what your neighbor locked in three years ago is the cost of a car payment. If the Cooling regime continues to gain ground in the leading layer, rates have room to drift lower through summer. If the Strait disruption feeds into broader inflation expectations, they don't.

Your paycheck is growing slower than prices right now. Average hourly earnings are rising at a pace that trails year-over-year CPI, which means every month that gap persists, your purchasing power shrinks a little more. The February income-versus-spending data from the analysis showed consumers were already bridging that gap with savings drawdowns and credit cards before gas spiked. That's a pattern that works for a quarter. It doesn't work for a year.

The S&P 500's weekly gain was strong enough to meaningfully move a retirement portfolio. The data card shows the dollar impact on a standard balance. Whether that gain holds depends almost entirely on weekend headlines about the Strait, which means your 401(k) is, for the moment, a geopolitical bet you didn't choose to make. The historical pattern from Section 10 suggests back-to-back gains of this size tend to stick over a twelve-month horizon, but the sample didn't include an active naval blockade.

Initial jobless claims rose modestly while continuing claims fell. If you're employed, the labor market is still functioning well enough that losing a job doesn't mean a prolonged search. If you're hiring, the loosening detected in the leading layer means the talent market should get slightly easier over the next quarter. Neither of those statements survives a recession, and the regime call isn't making one.

Signal vs. Noise

Signals (track these):

The PCE-versus-CPI divergence. The Fed targets PCE, and it's running hotter than the CPI headline that already spooked people. The next PCE print is the number that actually

moves rate expectations, and the tariff pass-through analysis suggests the damage is already embedded. Watch the gap, not the headline.

Consumer income-spending mismatch. Negative real income growth paired with the strongest spending since August is a crack that widens under pressure. The next revolving credit and delinquency reports will tell you whether households are stretching or snapping.

Commodity breadth. When the vast majority of components in the commodity complex are in uptrends, that's a broad inflation signal the regime framework has to respect, even if the regime call leans Soft Landing. Energy is leading, but it's not alone.

Gold rallying alongside equities. Both risk assets and the ultimate safe haven going up together is the market's way of saying the equity bounce isn't an all-clear. That divergence from normal correlations is worth more attention than either move individually.

Noise (ignore these):

Presidential social media endorsements of individual stocks. If a Truth Social post can't stop a stock from falling, it contains no tradeable information. Move on.

SaaS sector collapse as a macro signal. A sector dropping sharply while the broad market holds flat is a sector story (AI displacement, duration repricing, positioning), not a macro story. If this were systemic, correlations would spike and everything would fall together.

Calls to permanently restructure portfolios around commodities. Commodities work cyclically, and this is a good cycle for them. Over the very long term, they've tended to produce roughly the inflation rate with equity-like volatility. Use them tactically, not structurally.

The distinction right now is simple: signals are the things that tell you whether the Soft Landing / Cooling regime call holds or breaks. Noise is everything that feels urgent but doesn't change the probability distribution. A hot CPI print driven by two identifiable shocks is noise if the underlying demand picture stays cool. The consumer credit data that tells you whether households can absorb those shocks without changing behavior? That's signal. The test is always the same: does this data point move the regime probabilities, or does it just move your anxiety?

What to Watch

Strait of Hormuz headlines, any day through April 20. The tanker reshuffling discussed in the analysis is a temporary patch. European airports face jet fuel shortages within weeks if the Strait isn't reopened. Any headline about military escalation, failed talks, or expanded blockade zones could send crude gapping higher on a Monday open. Watch timespreads (the price difference between near-month and later-month contracts), not just the flat price. If timespreads blow out, the physical market is tighter than the headline suggests.

March PCE report, due late April. This is the number that actually matters for Fed policy. CPI got the headlines, but the Fed targets PCE, and the divergence between the two gauges is unusually wide right now. If core PCE confirms or exceeds what the tariff pass-through estimates suggest, the "Fed stays patient" thesis from the analysis gets harder to defend. If it comes in softer, the Soft Landing regime call strengthens meaningfully.

Next consumer credit and credit card delinquency reports, mid-to-late April. The February income-spending mismatch is the crack in the foundation. The credit data tells you whether that crack is widening. A meaningful jump in revolving credit balances or delinquency rates would confirm that households are funding consumption with debt, not income. That's the difference between a soft landing and a slow bleed.

Core services inflation (ex-energy, ex-tariff-affected goods) in the next two monthly prints. This is the canary. If the two one-time shocks are truly one-time, core services should stay contained. Two consecutive months of acceleration there would mean the shocks are bleeding into expectations, and the dismissal of Inflation Shock would need revisiting.

Saudi Arabia production announcements, through end of April. Any signal of a meaningful output increase would break the summer oil spike thesis and relieve the commodity-driven inflation pressure that's keeping the regime call from committing fully to Soft Landing.

What Would Change My Mind

The regime call leans Soft Landing with Cooling gaining fast in the leading layer. I think that's right. The inflation print is hot but compositionally driven by two shocks the Fed can't and shouldn't try to fix with rate hikes. The labor market is loose enough to absorb the pressure without a wage-price spiral. Here's what flips it.

Scenario 1: Core services inflation accelerates for two consecutive months. If you strip out energy and tariff-affected goods and the underlying services economy is still generating faster price increases, the "two identifiable shocks" framework collapses. That would mean inflation expectations are unanchoring, the shocks are bleeding into wage demands and pricing behavior, and the Fed's patience becomes complacency. The regime call would shift toward Inflation Shock within one to two prints, and the Cooling probability that's been climbing would reverse hard. The price of being wrong here: if I'm dismissing a genuine inflation re-acceleration as transitory, the playbook flips from duration-friendly to duration-hostile, and the bond market move would be fast and painful.

Scenario 2: A credible diplomatic framework for reopening the Strait, or a Saudi production surge. Right now, the physical oil market is tighter than the weekly price drop suggests. The tanker reshuffling is a band-aid. If either a diplomatic breakthrough or a major supply response materializes, the summer spike thesis dies, commodity-driven inflation pressure fades, and the regime call would consolidate around Soft Landing with higher confidence within a week or two. The price of being wrong: if I'm overweighting the Strait risk and crude drifts back toward pre-crisis levels on its own, I've been too cautious on equities and too bullish on gold, and the portfolio tilt toward commodities discussed in the playbook would have been a drag.

Scenario 3: Consumer credit data shows delinquencies jumping and revolving balances surging simultaneously. The February income-spending gap is a warning, not a verdict. But if the next round of credit data confirms that households are funding basic consumption with debt at rising delinquency rates, the Cooling regime probability would accelerate past Soft Landing, and Contraction, currently negligible, would start showing up in the leading layer. The regime call would respond within one data cycle. The price of being wrong: if I'm reading a temporary savings drawdown as structural stress, I'm too

bearish on the consumer, and the Soft Landing call was right all along. Given that the labor market is still generating jobs and continuing claims are falling, that's a real possibility.

Personal Stakes

WHY MARKETS MOVE · WHY IT MATTERS TO YOU

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