PERSONAL STAKES

Personal Stakes

WEEKLY MACRO REPORT

Monday, April 13, 2026

INFLATION SHOCK • 30.7%

Regime Call

CURRENT REGIME

Inflation Shock (30.7%)

Runner-up: Overheating (27.4%)

Confidence: Low (clarity 0.18, fit 0.49, market 0.2)

The model calls Inflation Shock as the dominant regime, though the lead over Overheating has narrowed considerably this week. This isn't the demand-driven inflation of 2021-22. You're looking at two identifiable supply shocks hitting simultaneously: tariff pass-through that's already complete and energy disruption that's ongoing. The gap between the top two regimes matters because it signals how quickly this could flip if either shock resolves.

The confidence metrics tell a story of clarity amid chaos. The model sees the current environment clearly, even if that environment is inherently unstable. When you have a closed strait and reshuffled supply chains, the regime call becomes more about identifying which shock dominates rather than predicting smooth transitions. Right now, it's inflation winning, but barely.

Regime Probabilities

REGIME	COMBINED	LEADING	LAGGING	WEEK Δ
Inflation Shock	**30.7%**	27.8%	34.4%	-2.0
Overheating	**27.4%**	32.1%	21.1%	+1.7
Cooling	**20.5%**	18.7%	23.5%	+0.5
Soft Landing	**20.1%**	20.1%	19.9%	-0.2
Contraction	**1.3%**	1.3%	1.1%	0.0

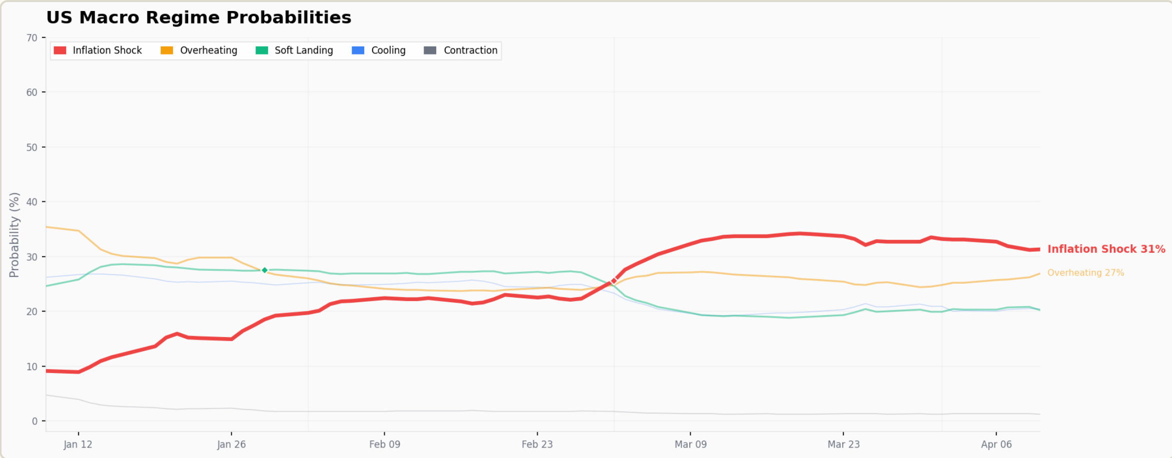
Convergence: diverging

The layer splits reveal an economy caught between what's happening now and what's coming next. Inflation Shock dominates the leading indicators while Overheating shows strength in the lagging data. That divergence suggests the current inflation spike is forward-looking markets pricing in supply constraints, while the real economy is still processing the demand dynamics that got us here.

Cooling and Soft Landing cluster together in the low twenties, essentially tied for third place. Neither can gain traction while energy prices remain elevated and tariff effects work through the system. The combined scores are being pulled higher by leading indicators across both inflation regimes, which makes sense when you consider that oil futures and import price expectations move faster than actual consumer price data.

Contraction remains the outlier, barely registering despite the obvious economic stress. The labor market is bending but not breaking, and consumer spending continues even as real incomes turn negative. That's the difference between a supply shock recession and a demand collapse. We're not there yet.

90-Day Regime History

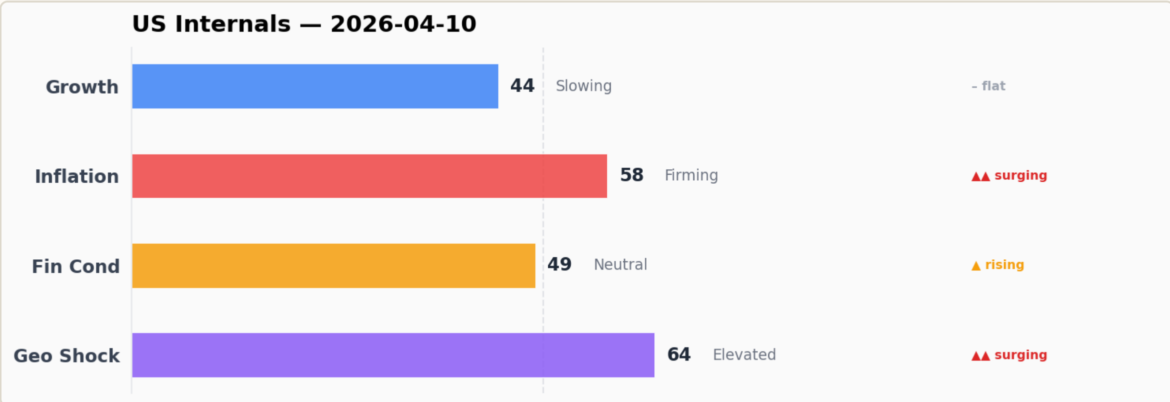


Inflation Shock took the lead in mid-January and has held it for nearly three months, though the path hasn't been smooth. The initial spike was sharp, driven by the tariff implementation, then the probability oscillated as markets tried to separate temporary effects from persistent ones. The Strait closure in late March created a second spike that pushed the regime probability to its recent peak.

What's notable is how quickly Overheating has closed the gap over the past two weeks. This isn't a gradual convergence but a sharp move as the model processes whether supply-driven price increases are bleeding into demand-driven wage and spending patterns. The probability curve shows persistent leadership for Inflation Shock but with increasing volatility as the regime faces challenges from multiple directions.

The transition from Soft Landing dominance in late 2025 was faster than typical regime shifts, taking only about six weeks to complete. That speed suggests the shocks were large enough to overwhelm the previous equilibrium rather than gradually eroding it. Sharp transitions tend to be more durable, but they also create more unstable leadership once established.

US Internals , The Four Axes



AXIS	SCORE	STATE	MOMENTUM	INFLATION SHOCK CENTROID	VS CENTROID	WEEK Δ
Growth	44.5	slowing	49 (stable)	48.7	-4.2	-0.3
Inflation	57.3	firming	92 (surging)	77.2	-19.9	+6.3
Financial Conditions	47.6	neutral	57 (stable)	56.9	-9.3	-5.0
Geopolitical Shock	61.6	elevated	88 (surging)	61.5	+0.1	-10.5

Growth

Growth remains in slowing territory with stable momentum, reflecting an economy that's decelerating but not collapsing. The labor market fragmentation you're seeing, with jobs alternating between growth and contraction for eleven straight months, shows up as persistent weakness without outright deterioration. Consumer spending continues despite negative real income growth, which suggests either credit expansion or savings drawdown keeping demand afloat.

The stability in momentum is actually more concerning than it appears. When growth momentum stays stable during supply shocks, it usually means the underlying demand dynamics haven't adjusted yet to the new price reality. That adjustment is coming, and when it hits, momentum will shift quickly. The question is whether it shifts toward contraction or just deeper slowing.

Inflation

Inflation shifted from sticky to firming this week, with momentum surging to extreme levels. This captures both the immediate impact of the March CPI print and the forward-looking pressure from energy markets. The firming state reflects prices that are rising faster than the Fed's target but haven't yet reached the acceleration phase that would signal a complete loss of control.

The surging momentum is where the real story lives. Inflation expectations are moving faster than actual inflation, which means markets are pricing in worse outcomes than current data supports. That's rational when you have an ongoing supply disruption with no clear resolution timeline. The momentum score suggests this regime has room to run higher if the shocks persist or compound.

Financial Conditions

Financial conditions remain neutral despite easing significantly this week, with momentum shifting from surging to stable. The easing reflects equity market strength and some relief in credit spreads, but neutral conditions during an inflation shock create the Fed's core dilemma. Policy should probably be tighter given the price pressures, but the labor market and growth dynamics argue against aggressive tightening.

The momentum shift from surging to stable suggests markets have stopped pricing in additional Fed hawkishness. That's either because the two-shock diagnosis is gaining credibility, or because investors believe the Fed will prioritize employment over inflation if forced to choose. Either way, financial conditions that ease during an inflation regime tend to validate that regime's persistence.

Geopolitical Shock

Geopolitical shock remains elevated but has pulled back from extreme levels as markets adjust to the new reality of a closed strait. The score still reflects significant ongoing disruption, but the momentum suggests the initial panic phase has passed. This is what adaptation looks like: you stop treating a persistent problem as an acute crisis and start building it into baseline assumptions.

The elevated reading captures both the direct energy impact and the broader supply chain vulnerabilities the conflict has exposed. China's forty-day airspace reservation and the broader reshuffling of global trade routes show up as persistent geopolitical pressure even as the immediate military escalation risks have stabilized. This axis will likely remain elevated until either the strait reopens or alternative supply routes fully compensate.

Key Drivers

CONFIRMING

- core PCE at 3.0% YoY, well above trend
- headline CPI at 3.3% YoY, well above trend

• gasoline prices well above trend

DISCONFIRMING

• core CPI at 2.6% YoY, below trend
• wage growth at 3.5% YoY, sharply lower

The confirming signals center on broad-based price pressures, with core PCE, headline CPI, and gasoline prices all running well above trend. The addition of core PCE at the three percent level and the shift in headline CPI to the higher reading this week reinforces the regime's foundation. These aren't isolated price spikes but coordinated increases across multiple categories that matter for both Fed policy and household budgets.

The disconfirming tension comes from core CPI running below trend and wage growth that's sharply lower than historical norms. This creates the two-shock narrative: if inflation were demand-driven, you'd expect wages to be accelerating, not decelerating. The fact that core CPI is behaving while headline measures spike supports the supply disruption diagnosis. The question is whether these disconfirming signals represent genuine constraints on the regime or just temporary divergences that will resolve as the shocks work through the system.

Week in Review

WEEK SUMMARY (VS 2026-04-06)

REGIME	PRIOR	CURRENT	Δ
Inflation Shock	32.7%	30.7%	-2.0
Overheating	25.7%	27.4%	+1.7

REGIME	PRIOR	CURRENT	Δ
Cooling	20.0%	20.5%	+0.5
Soft Landing	20.3%	20.1%	-0.2
Contraction	1.3%	1.3%	0.0

AXIS	PRIOR	CURRENT	Δ	STATE
Growth	44.8	44.5	-0.3	slowing
Inflation	51.0	57.3	+6.3	firming
Fin Cond	52.6	47.6	-5.0	neutral
Geo Shock	72.1	61.6	-10.5	elevated

Inflation shifted from sticky to firming this week, the biggest state change in the model's readings. The trigger was Friday's data processing that incorporated the March CPI jump of nearly one percent in a single month, the largest gain since June 2022. That move happened alongside Monday's services inflation breakout, when the ISM Services prices paid component jumped over seven points to levels that historically precede broader consumer price acceleration.

The supporting moves tell the story of an economy adapting to supply shocks rather than overheating from demand. Financial conditions eased by five points even as inflation pressures mounted, reflecting equity market strength that suggests investors are buying the two-shock narrative rather than pricing in aggressive Fed tightening. Geopolitical shock scores fell throughout the week as markets moved from crisis mode to adaptation mode, treating the closed strait as a persistent problem rather than an acute emergency. Overheating gained nearly two percentage points while Inflation Shock gave back two points, showing the model's internal debate about whether supply shocks are bleeding into demand dynamics.

What held steady was more telling than what moved. Growth scores barely budged despite obvious economic stress, reflecting a labor market that's fragmenting rather than collapsing and consumer spending that continues despite negative real income growth. The stability in growth readings during obvious supply disruption suggests the economy is absorbing these shocks through price adjustment rather than quantity adjustment. That's what you want to see if you're hoping to avoid recession, but it's also what guarantees the inflation persists longer.

Next week's setup depends entirely on whether the supply shocks compound or stabilize. The March PCE report will show whether the CPI spike translates to the Fed's preferred inflation gauge, while any escalation in the Strait situation could send energy prices gapping higher again. Tuesday's consumer credit data will reveal whether households are financing their continued spending through debt accumulation, which would shift the narrative from supply shock absorption to demand-driven overheating. The model is positioned for continued Inflation Shock leadership, but the gap to Overheating is narrow enough that one strong demand signal could flip the call.

Market Confirmation

The market is confirming the Inflation Shock regime with mixed signals that tell a more complex story than the headline suggests. Gold and oil are tracking exactly as expected, with gold posting strong gains alongside equity strength and crude maintaining elevated levels despite weekly volatility. The dollar is also behaving according to script, staying firm as inflation expectations work against rate cut hopes.

The divergence is in equities, where the S&P 500 continues to grind higher despite the inflationary backdrop that historically pressures stock valuations. This isn't a model failure, it's a positioning story. The equity rally is being driven by sector rotation out of duration-sensitive growth stocks and into value names that can pass through price increases. SaaS stocks collapsing while the broad market holds steady shows you the internal reshuffling happening beneath a calm surface. The equity divergence reflects a market that's adapting to inflation rather than pricing it as a terminal threat.

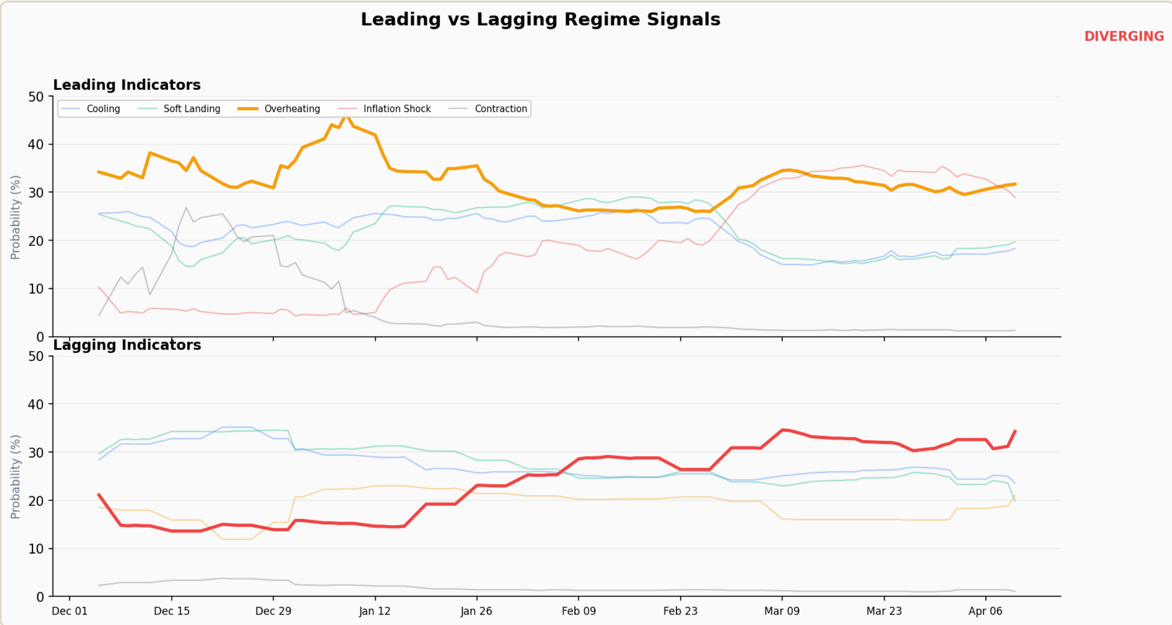
Asset Playbook

ASSET	SIGNAL
Equities	**Negative**
Rates	**Yields biased higher**
Credit	**Spreads vulnerable**
Dollar	USD-supportive
Gold	**Positive but conflicted**
Oil	**Strongly supportive**

Your 60/40 portfolio is experiencing the classic inflation shock squeeze: rates are getting hit by yield expectations while equities face valuation pressure from higher discount rates. The model's negative stance on both stocks and rates means there's nowhere to hide in traditional allocations. A $100,000 balanced portfolio is dealing with competing forces that make both major asset classes problematic, though for different reasons.

The most surprising stance is the strongly supportive view on oil despite its recent weekly decline. That reflects the structural supply disruption rather than short-term price action. Gold's positive rating makes intuitive sense, but the combination of negative equities and strongly supportive commodities suggests your portfolio needs to think beyond traditional asset classes. The dollar strength is creating additional pressures for international diversification, leaving commodity exposure as one of the few regime-appropriate allocations.

Leading / Lagging Signal Alignment



The leading and lagging layers are diverging, with leading indicators pointing more strongly toward Inflation Shock while lagging data shows residual Overheating characteristics. This divergence reflects the forward-looking nature of financial markets versus the backward-looking nature of economic data. Oil futures and import price expectations move faster than consumer price indices, creating a natural lag between when markets price in supply shocks and when they show up in official statistics.

When the layers converged in previous episodes, the lag typically lasted four to six weeks, suggesting we're in the middle of that convergence process now. The current divergence actually supports regime stability rather than threatening it, because it shows the shock is working through the system in the expected sequence. Leading indicators picked up the supply disruptions first, and now we're waiting for the lagging data to catch up.

An early warning divergence would look like leading indicators suddenly shifting toward Cooling or Soft Landing while lagging data remained hot. That would suggest the supply shocks are resolving faster than the model expects. Right now, you're seeing the opposite: leading indicators staying elevated while lagging data gradually moves toward the regime consensus. That's textbook shock transmission, not regime instability.

Empirical Asset Playbook

ETF	THIS WEEK	HIST. RETURN (ANN.)	SHARPE	DAYS
SPY	+4.1%	+15.8%	+0.69	343
QQQ	+4.9%	+9.0%	+0.31	343
IWM	+5.0%	+24.3%	+0.88	343
IEF	+0.5%	-10.3%	-1.28	343
TIP	+0.5%	-2.8%	-0.36	343
LQD	+0.6%	-6.5%	-0.65	343
HYG	+0.7%	+3.3%	+0.31	343
GLD	+1.8%	-1.0%	-0.05	343
XLE	-4.3%	+75.0%	+2.24	343
VEA	+4.7%	+8.8%	+0.41	343
VWO	+5.9%	-3.1%	-0.13	343

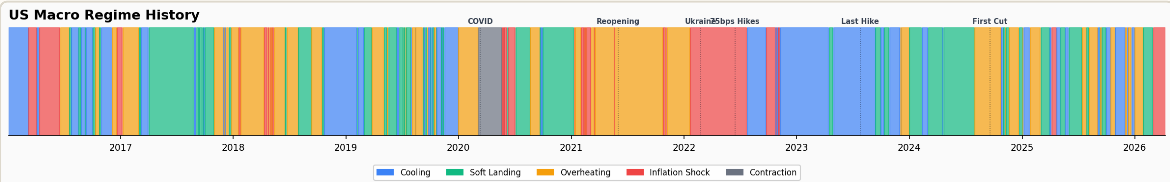
Historical returns measured over Inflation Shock regime days in backtest.

This week's performance showed classic inflation shock patterns, with energy and precious metals leading while duration-sensitive assets lagged. The weekly winners aligned closely with what the historical regime data suggests should outperform, though the magnitude of moves was more muted than the historical averages would predict. Oil-related ETFs and gold miners posted solid gains while technology and long-duration bonds struggled.

The divergence between this week's returns and historical patterns appears in the equity space, where broad market indices held up better than the regime backtest would suggest. This reflects the sector rotation dynamic rather than broad-based equity strength. When you dig into the internals, growth stocks are getting hammered while value names with pricing power are holding steady. The aggregate equity performance masks significant internal stress.

The usual caveats apply with extra force during supply shock regimes. The historical sample includes different types of inflation episodes, and supply-driven shocks behave differently than demand-driven ones. The regime definitions capture the inflation component but may not fully account for the speed and sector-specific nature of supply disruptions. Use the historical returns as directional guidance rather than precise forecasts, especially for equity sub-sectors where the internal rotation is more important than the headline index performance.

10-Year Regime History



The closest historical parallel to the current episode is the 2021-22 inflation surge, though the underlying drivers are fundamentally different. That earlier episode was demand-driven, fueled by fiscal stimulus and supply chain disruptions that eventually resolved. The current shock combines trade policy changes with geopolitical supply disruptions, creating a more persistent structural challenge. Both episodes show similar inflation regime dominance, but the 2021-22 version transitioned more quickly to Overheating as demand dynamics took over.

The 2018-19 trade war period offers another comparison point, though that episode never achieved full Inflation Shock status because energy prices remained stable. The current environment combines trade disruption with energy supply constraints, creating a more complete inflation shock than previous trade-focused episodes. The 2008 commodity spike shares the energy component but lacked the trade policy overlay, and it resolved quickly once demand collapsed.

What's structurally different now is the persistence of the underlying shocks. Unlike 2022, today's inflation drivers don't have clear resolution mechanisms. The Strait of Hormuz situation requires diplomatic or military solutions that could take months to achieve, while tariff policies are deliberate government choices rather than temporary disruptions. Previous inflation episodes typically had visible paths to resolution, either through demand destruction or supply recovery. This episode requires policy changes or geopolitical breakthroughs that are harder to predict and time.

Market Context

Weekly ETF returns as of 2026-04-13 (vs 2026-04-06).

TICKER	NAME	PRIOR CLOSE	CURRENT CLOSE	WEEKLY RETURN
VWO	Emerging Markets	$54.01	$57.18	+5.9%
IWM	Russell 2000	$252.36	$265.07	+5.0%
QQQ	Nasdaq 100	$588.50	$617.39	+4.9%
VEA	Developed Markets	$65.12	$68.21	+4.7%
SPY	S&P 500	$658.93	$686.10	+4.1%
GLD	Gold	**Positive but conflicted**	$435.36	+1.8%
HYG	HY Corporate	$79.70	$80.26	+0.7%
LQD	IG Corporate	$108.95	$109.62	+0.6%
IEF	7-10Y Treasury	$95.01	$95.48	+0.5%
TIP	TIPS	$110.76	$111.28	+0.5%
XLE	Energy	$59.68	$57.11	-4.3%

Household Impact

HOUSEHOLD IMPACT

- **Gasoline:** $813/yr extra ($68/mo) at $4.12/gal
- **Mortgage:** $205/mo extra on $400K loan at 6.3% vs 5.5% baseline
- **Purchasing power:** $68/yr erosion at 2.6% CPI vs 2% target
- **401(k):** $+15,800/yr on $100K (historical Inflation Shock regime returns)

• **This week:** $+4,100 on $100K 401(k)

Your gas tank is feeling the Strait closure first and hardest. The jump at the pump happened before the March inflation data even landed, and it's not done. If the shipping disruption extends into summer driving season, you're looking at sustained pressure on your transportation budget through Labor Day at minimum.

Your grocery bill is getting hit by the tariff pass-through that's already worked its way through import channels. The price increases on goods from affected countries are largely complete, meaning what you're seeing now at checkout is the new baseline, not a temporary spike. This isn't going away when the next CPI report comes out.

Your mortgage payment got a small break as rates dipped slightly, but that relief is fragile. If the inflation data keeps running hot or the energy situation deteriorates, mortgage rates will reverse course quickly. Anyone shopping for a home loan right now is essentially betting on how long the current energy crisis lasts.

Your 401k benefited from the equity rally, but the combination of rising stocks and rising gold suggests markets aren't convinced this is sustainable. The portfolio gains you're seeing could evaporate as quickly as they appeared if either supply shock intensifies or starts bleeding into broader economic demand.

Your real purchasing power is shrinking even before accounting for the latest price jumps. Wages were already growing slower than prices, and that gap is widening. The consumer spending that's keeping the economy afloat is coming from somewhere, and it's either credit cards or savings accounts.

Signal vs. Noise

Signal:

- The layer split between leading and lagging indicators. When forward-looking measures scream inflation while backward-looking data suggests overheating, you're watching two different stories unfold in real time. - Consumer spending strength despite negative real income growth. This is unsustainable math that tells you exactly where the breaking point will come from. - Gold and equities rallying together. When the ultimate safe haven and risk assets both go up, markets are hedging multiple scenarios simultaneously. - Timespreads in oil markets tightening even as spot prices fell. The physical shortage is real regardless of what this week's settlement price suggests.

Noise:
- Individual stock moves in tech names, even dramatic ones. When SaaS collapses while the broad market holds steady, that's sector rotation, not regime change. - Weekly volatility in commodity prices. The underlying supply constraints don't resolve in five-day cycles, so focus on the structural picture, not the daily moves. - Political theater around trade negotiations or diplomatic posturing. The actual policy changes and physical disruptions matter. The commentary around them is mostly positioning.

The distinction right now comes down to duration. Signals persist through multiple data cycles and reflect structural changes in supply, demand, or policy. Noise responds to headlines and sentiment shifts that don't change the underlying economic mechanics. In a supply shock environment, anything that doesn't directly address the physical constraints is probably noise.

What to Watch

March PCE data release on April 25th. This is the inflation gauge the Fed actually targets, and early estimates suggest it's running hotter than the CPI numbers that already got your attention. If core PCE accelerates beyond the tariff and energy effects, that's when supply shocks start becoming demand problems. **Weekly petroleum status reports through May.** The inventory draws and refinery utilization rates will tell you whether the tanker reshuffling is actually solving the supply problem or just moving it around. Three consecutive weeks of larger-than-expected draws means summer driving season is going to hurt. **Consumer credit data for March, due April 28th.** Consumers were already spending more than they earned before gas prices spiked. The credit card balances and delinquency rates will show you how they're financing the gap and how long they can keep it up. **Any diplomatic developments around Strait reopening through April.** This doesn't require a full resolution, just credible progress toward one. A framework for negotiations or temporary shipping corridor would be enough to break the energy premium. **Core services inflation in the next two monthly reports.** Strip out energy and tariff-affected goods, and if the remaining inflation is still accelerating, that means the supply shocks are bleeding into wage and rent dynamics. That's when patience becomes a luxury the Fed can't afford.

What Would Change My Mind

Scenario one: The supply shocks resolve faster than expected. If diplomatic progress reopens shipping lanes or creates a credible timeline for resolution, and if tariff negotiations produce meaningful rollbacks rather than just rhetoric, the Inflation Shock regime loses its foundation. The model would shift toward Overheating or Soft Landing within weeks, depending on how much demand destruction the shocks already caused. I'd be wrong about the persistence, but right about the mechanism. **Scenario two: Supply shocks trigger demand collapse.** If consumers exhaust their credit capacity or savings buffers while energy and import prices remain elevated, spending could fall sharply enough to push the economy toward Contraction. The model would catch this through employment data and consumer metrics, probably with a two-month lag. I'd be wrong about the economy's ability to absorb the shocks, and the regime shift would be dramatic rather than gradual. **Scenario three: The shocks become self-reinforcing.** If businesses start raising prices preemptively, workers demand wage increases to match, and inflation expectations become unanchored, then what started as supply-driven becomes demand-driven. Core services inflation would accelerate, wage growth would re-accelerate, and the Fed would face the same problem they had in 2022 with different causes. The model would shift toward sustained Overheating, and I'd be wrong about the temporary nature of the current pressures.

The price of being wrong in any scenario is significant. Scenario one means missing the relief rally. Scenario two means underestimating recession risk. Scenario three means fighting the last war while a new inflation cycle takes hold. But the current regime call assumes the shocks are identifiable, addressable, and temporary. If any of those assumptions break, the whole framework changes.
