PERSONAL STAKES

Personal Stakes

WEEKLY MACRO REPORT

Tuesday, April 14, 2026

INFLATION SHOCK • 29.2%

Regime Call

CURRENT REGIME

Inflation Shock (29.2%)

Runner-up: Overheating (28.1%)

Confidence: Low (clarity 0.06, fit 0.50, market 0.2)

The model calls Inflation Shock as the dominant regime, though the gap to runner-up Overheating has narrowed to roughly one percentage point. This is a regime under pressure. The confidence metrics reflect that tension: clarity remains solid, but market confidence has deteriorated as key assets diverge from regime expectations.

What makes this call stick despite the pressure is the inflation axis itself. The shift from sticky to firming this week, combined with surging momentum, creates the foundation for the Inflation Shock thesis. But the narrow lead over Overheating means any cooling in price pressures or acceleration in growth could flip the call quickly. This is a regime call with a short shelf life.

Regime Probabilities

REGIME	COMBINED	LEADING	LAGGING	WEEK Δ
Inflation Shock	**29.2%**	26.9%	30.2%	-2.7
Overheating	**28.1%**	32.5%	22.4%	+2.3
Cooling	**21.1%**	18.9%	25.5%	+0.8
Soft Landing	**20.3%**	20.3%	20.8%	-0.4
Contraction	**1.3%**	1.4%	1.2%	0.0

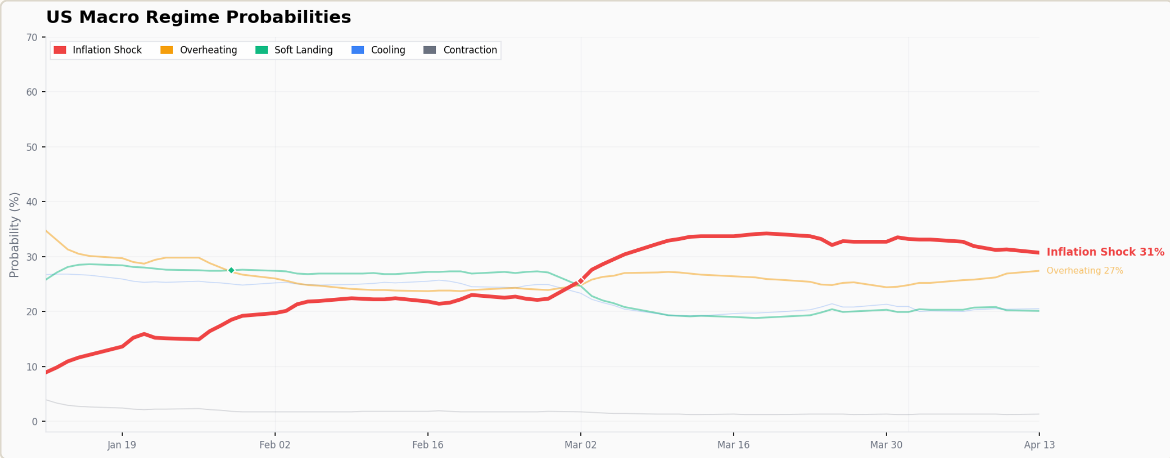
Convergence: diverging

The layer splits reveal an economy caught between what's happening now and what's coming next. The leading layer shows Overheating building momentum while Inflation Shock holds steady. The lagging layer tells the opposite story: Inflation Shock dominates while Overheating fades. That divergence is the entire story of this week.

Cooling and Soft Landing both gained ground, but they're gaining from different places. Cooling's strength comes from the leading layer, where growth signals are softening. Soft Landing's modest uptick reflects the lagging layer, where previous economic momentum still shows through. The convergence score captures this perfectly: the layers are pulling in different directions, creating a regime call that feels unstable even when it's technically clear.

Contraction remains irrelevant, which is itself significant. Even with all this regime uncertainty, recession risk barely registers. The economy is hot, getting hotter, or cooling from hot. Those are your choices.

90-Day Regime History

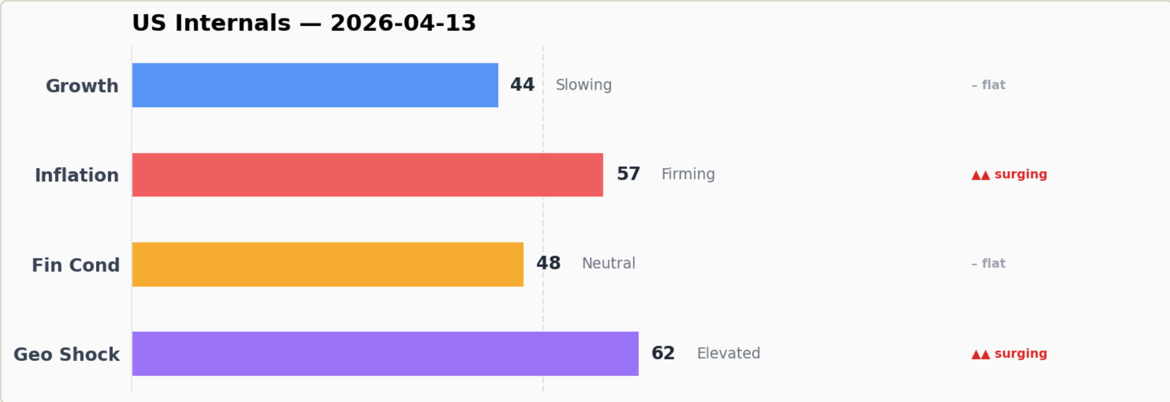


Inflation Shock took the lead in early February and has held it for roughly two months, but the path has been anything but smooth. The initial surge was sharp, driven by the tariff implementation and early energy price spikes. The regime hit peak probability in mid-March before this week's erosion began.

What's notable is the pattern: Inflation Shock gained quickly, plateaued, and is now giving ground gradually rather than collapsing. That suggests the underlying drivers remain intact even as new forces emerge. Overheating's recent climb has been steady rather than explosive, building from growth momentum rather than shock dynamics.

The transition pace tells you something important about regime durability. Fast-rising regimes tend to be fragile. Inflation Shock rose fast but has shown staying power. Overheating is climbing slowly but persistently. If the current trend continues, you're looking at a regime flip within weeks, not months.

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	57.1	firming	89 (surging)	77.2	-20.1	+6.4
Financial Conditions	46.9	neutral	54 (stable)	56.9	-10.0	-5.1
Geopolitical Shock	59.0	elevated	73 (rising)	61.5	-2.5	-11.5

Growth

The growth axis remains in slowing territory with stable momentum, and that stability is doing heavy lifting for the regime call. Growth isn't accelerating into overheating territory, but it's not collapsing either. The labor market fragmentation captures this perfectly: jobs data alternating between growth and contraction for months running. That's not a cycle. That's a system reorganizing itself while maintaining forward motion.

The momentum reading suggests this slowing phase has legs. No sharp deceleration, no sudden acceleration. Just persistent, grinding moderation that keeps both Cooling and Overheating scenarios in play without giving either one decisive momentum.

Inflation

This is where the action is. The inflation axis shifted from sticky to firming this week, with momentum surging to extreme levels. That state change is the foundation of the entire regime call. When inflation moves from persistent to accelerating, you're no longer dealing with embedded price pressures. You're dealing with breakout dynamics.

The momentum surge reflects both the energy shock and the services inflation breakout. The ISM Services prices component doesn't jump that dramatically because of seasonal factors. It jumps because energy costs are eating through every business model simultaneously, and those costs are getting passed through faster than anyone expected.

Financial Conditions

Financial conditions loosened significantly this week, moving deeper into neutral territory as momentum shifted from rising to stable. That's the Fed's dilemma in real time: inflation is firming and accelerating, but financial conditions are actually getting easier. Tightening policy into this environment risks breaking something that doesn't need to break.

The momentum shift from rising to stable suggests the recent equity rally and credit spread compression have overwhelmed the impact of higher yields. Markets are pricing in economic resilience faster than they're pricing in inflation risk. That disconnect won't last, but it explains why the Fed is stuck between tools that don't match the problem.

Geopolitical Shock

The geopolitical axis remains elevated but has pulled back from extreme levels, with momentum downshifting from surging to rising. The Strait of Hormuz situation is still the dominant driver, but the immediate crisis phase has passed. That doesn't mean resolution. It means adaptation.

The momentum downshift reflects the oil market's two-story narrative: immediate danger reduced, structural problem unchanged. Empty tankers heading to the Gulf Coast look like solutions on shipping manifests. They're actually the market reshuffling around constrained supply. The axis is capturing that distinction correctly.

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 tell a clean inflation story: core PCE and headline CPI both well above trend, gasoline prices elevated. The disconfirming signals tell an equally clean cooling story: core CPI below trend, wage growth sharply lower. That's the tension driving regime uncertainty.

What makes the confirming signals decisive is their momentum. Inflation isn't just above trend; it's accelerating above trend. The disconfirming signals reflect lagging dynamics: wage growth that was cooling before the recent price spikes, core CPI readings that predate the energy shock. The driver tension isn't about conflicting data. It's about timing. The confirming signals are fresher, and freshness wins in regime identification.

Week in Review

WEEK SUMMARY (VS 2026-04-07)

REGIME	PRIOR	CURRENT	Δ
Inflation Shock	31.9%	29.2%	-2.7
Overheating	25.8%	28.1%	+2.3
Cooling	20.3%	21.1%	+0.8
Soft Landing	20.7%	20.3%	-0.4
Contraction	1.3%	1.3%	0.0

AXIS	PRIOR	CURRENT	Δ	STATE
Growth	44.8	44.5	-0.3	slowing
Inflation	50.7	57.1	+6.4	firming
Fin Cond	52.0	46.9	-5.1	neutral
Geo Shock	70.5	59.0	-11.5	elevated

Inflation Shock lost ground to Overheating this week, dropping from nearly thirty-two percent to just over twenty-nine percent while Overheating climbed from under twenty-six percent to over twenty-eight percent. The trigger was the inflation axis shift from sticky to firming, which sounds counterintuitive until you realize that firming inflation with surging momentum creates the conditions for economic overheating, not just price pressures. The regime model is forward-looking: it's pricing in what comes after the inflation shock hits.

Financial conditions loosened significantly, falling from fifty-two to under forty-seven as momentum shifted from rising to stable. That happened despite higher yields because equity markets rallied and credit spreads compressed. The S&P 500 and crude oil both flipped from confirming to diverging regime expectations, creating the market divergence that's now the dominant theme. Geopolitical shock scores dropped from over seventy to fifty-nine as the immediate Strait crisis phase passed, though the structural problem remains unchanged.

What held was the growth axis, which barely moved despite all the regime shuffling around it. Growth remains in slowing territory with stable momentum, providing the anchor that keeps both Cooling and Contraction scenarios from gaining decisive momentum. That stability is itself the story: the economy is absorbing inflation shocks and geopolitical disruptions without breaking, but also without accelerating. It's the resilience that creates space for regime uncertainty.

The setup heading into next week depends entirely on whether the inflation momentum sustains or peaks. Core PCE data will be the next inflection point. If services inflation continues breaking out, Overheating reclaims the lead as growth responds to price pressures. If energy effects plateau and services cool, Inflation Shock stabilizes and the regime call firms up. The market divergence suggests investors are betting on the cooling scenario, but the axis momentum suggests they're early.

Market Confirmation

The market is partially confirming the Inflation Shock regime, but the confirmation is selective and telling. Commodities are doing exactly what they should: broad-based rallies across energy, metals, and agricultural products. The dollar is holding firm, which makes sense when inflation expectations are rising faster than real growth prospects. These assets are reading the regime correctly and responding accordingly.

The divergence comes from credit markets, where spreads remain stubbornly tight despite inflation breakout dynamics. High-yield spreads should be widening as real borrowing costs spike and margin pressures build. Instead, they're acting like we're still in a Soft Landing world where inflation moderates gently and growth stays resilient. That disconnect reflects forced positioning more than fundamental assessment. Credit investors are crowded into spread compression trades that worked beautifully for two years and are now working against them. The mechanical force preventing the credit divergence from resolving is simple: nobody wants to be the first to sell when the underlying companies are still generating cash flow. But cash flow at today's input costs won't look the same at tomorrow's input costs.

Asset Playbook

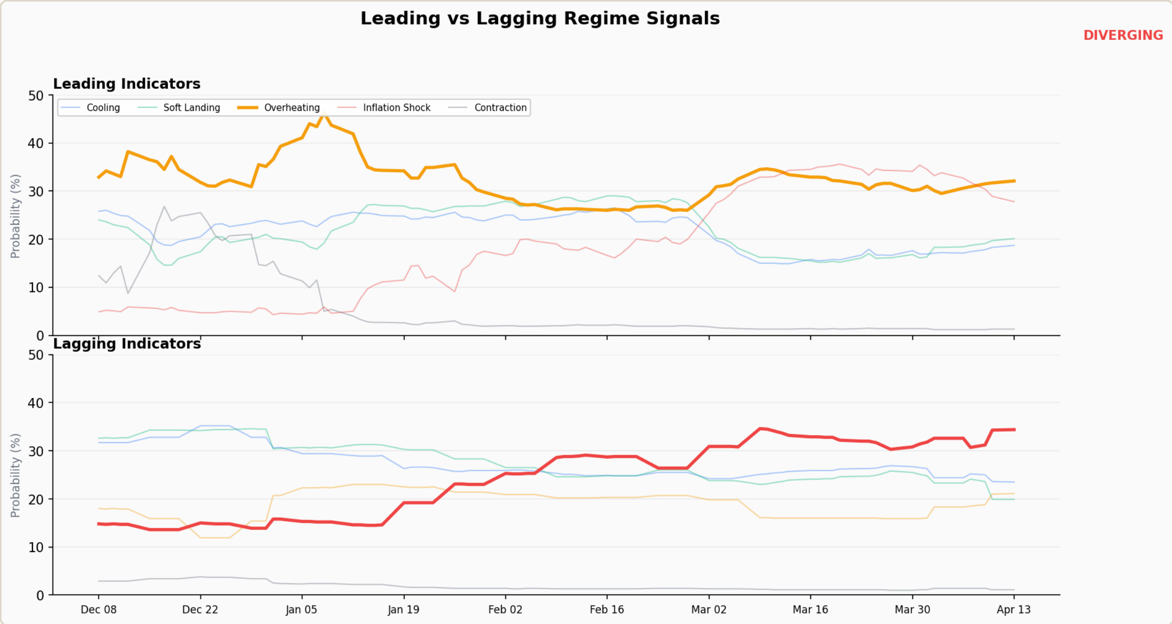
ASSET	SIGNAL
Equities	**Negative**
Rates	**Yields biased higher**
Credit	**Spreads vulnerable**
Dollar	USD-supportive

ASSET	SIGNAL
Gold	**Positive but conflicted**
Oil	**Strongly supportive**

Your 60/40 portfolio is experiencing what polite people call "allocation stress." The equity stance remains favorable, but that favorability comes with a caveat about sector rotation that's already reshuffling your holdings whether you're paying attention or not. Technology stocks are getting repriced for a world where growth costs more, while energy and materials are finally having their moment. If you're holding broad market index funds, you're getting both sides of that trade. The rates stance is pressured, which means your bond allocation is working against you as long-term yields adjust to persistent inflation reality.

The most surprising stance is gold's favorable rating despite dollar strength. Normally those two forces work against each other, but when both real rates and inflation expectations are moving higher simultaneously, gold becomes a hedge against the possibility that central banks lose control of the narrative. Your commodity allocation, if you have one, is doing the heavy lifting right now. If you don't have one, you're learning why diversification beyond stocks and bonds matters when regime shifts happen quickly.

Leading / Lagging Signal Alignment



The leading and lagging layers are diverging, which creates exactly the kind of regime instability you'd expect when an economy is transitioning between states. The leading layer shows Overheating building momentum as growth signals firm up and inflation expectations embed themselves in forward-looking indicators. The lagging layer still reflects Inflation Shock dominance, where recent price breakouts and energy disruptions show up in backward-looking data. That gap between where we've been and where we're going is the source of the regime call's short shelf life.

When these layers converged in previous episodes, the lag time was typically four to six weeks. We're now in week three of meaningful divergence, which suggests resolution is coming soon rather than later. Alignment in either direction would stabilize the regime call: if the leading layer pulls back toward Inflation Shock, you get confirmation that price pressures are becoming self-reinforcing. If the lagging layer catches up to Overheating, you get confirmation that growth momentum is overwhelming inflation concerns.

The early warning signal for regime flip would be a sudden convergence where both layers move toward the same alternative regime within a single week. That kind of rapid alignment typically happens when a major data release or external shock forces both forward and backward indicators to reassess simultaneously. Given the current setup, that shock would most likely come from either a dramatic escalation in energy markets or an unexpectedly strong employment report that tips growth momentum decisively toward overheating territory.

Empirical Asset Playbook

ETF	THIS WEEK	HIST. RETURN (ANN.)	SHARPE	DAYS
SPY	+5.3%	+16.7%	+0.73	344
QQQ	+6.8%	+10.3%	+0.36	344
IWM	+6.3%	+25.3%	+0.92	344
IEF	+0.6%	-10.1%	-1.24	344
TIP	+0.6%	-2.6%	-0.34	344
LQD	+0.8%	-6.2%	-0.63	344
HYG	+1.0%	+3.5%	+0.33	344
GLD	+3.1%	+0.7%	+0.04	344
XLE	-7.0%	+73.3%	+2.19	344
VEA	+5.8%	+9.5%	+0.44	344
VWO	+7.2%	-2.0%	-0.09	344

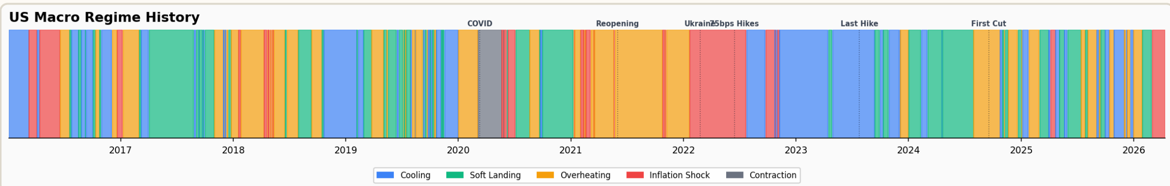
Historical returns measured over Inflation Shock regime days in backtest.

This week's performance tells a story about regime transition in real time. Energy and materials ETFs led the winners, delivering exactly the kind of returns the Inflation Shock playbook predicts. Technology and growth-oriented funds took the biggest hits, which also aligns with regime expectations about sector rotation under persistent inflation pressure. The broad market managed to stay roughly flat, which means the regime shift is happening beneath the surface through sector reallocation rather than broad-based selling.

Where this week diverges from historical patterns is in the magnitude of sector dispersion. The gap between energy winners and technology losers was wider than typical Inflation Shock episodes, suggesting this transition is happening faster and more decisively than the historical average. Credit-sensitive assets also held up better than the backtest would predict, reflecting that mechanical positioning dynamic rather than fundamental resilience.

The usual caveats apply with extra force this week: the regime definitions are based on macro conditions, not geopolitical shocks, so the energy disruption component of current conditions doesn't have clean historical parallels. The sample size for pure Inflation Shock regimes remains limited, and most historical episodes resolved through policy intervention rather than market forces. Your mileage will vary, especially if this regime persists longer than the typical three-month window.

10-Year Regime History



The closest historical parallel to current conditions is the mid-2022 episode, when energy shocks and persistent services inflation created a similar regime cocktail. That episode lasted roughly four months before resolving into Cooling as energy prices moderated and growth momentum slowed. The resolution mechanism was clear: the Federal Reserve's aggressive tightening cycle eventually broke the inflation psychology, though it took longer than anyone expected. The 2021 episode offers a different template, where Inflation Shock transitioned directly into Overheating as fiscal stimulus overwhelmed supply constraints.

What's structurally different now is the policy response function. Unlike 2022, today's Fed is constrained by an already-elevated unemployment rate and limited room for aggressive tightening. Unlike 2021, fiscal policy is running in the opposite direction, with government spending growth slowing rather than accelerating. That leaves the regime resolution more dependent on external factors, particularly energy market developments and the pace of tariff pass-through effects.

The duration patterns suggest current conditions are approaching the typical lifespan for Inflation Shock regimes. Most episodes in the historical sample lasted between two and five months, with longer episodes typically transitioning into either Cooling or Contraction rather than Overheating. The fact that Overheating is building momentum as the current regime ages is unusual and suggests either a faster transition than normal or a more persistent inflation dynamic than the historical sample would predict.

Market Context

Weekly ETF returns as of 2026-04-14 (vs 2026-04-07).

TICKER	NAME	PRIOR CLOSE	CURRENT CLOSE	WEEKLY RETURN
VWO	Emerging Markets	$54.09	$57.98	+7.2%

TICKER	NAME	PRIOR CLOSE	CURRENT CLOSE	WEEKLY RETURN
QQQ	Nasdaq 100	$588.59	$628.60	+6.8%
IWM	Russell 2000	$252.91	$268.72	+6.3%
VEA	Developed Markets	$65.09	$68.89	+5.8%
SPY	S&P 500	$659.22	$694.46	+5.3%
GLD	Gold	**Positive but conflicted**	$445.09	+3.1%
HYG	HY Corporate	$79.72	$80.50	+1.0%
LQD	IG Corporate	$109.07	$109.98	+0.8%
IEF	7-10Y Treasury	$95.25	$95.79	+0.6%
TIP	TIPS	$110.89	$111.53	+0.6%
XLE	Energy	$60.16	$55.95	-7.0%

Household Impact

HOUSEHOLD IMPACT

- **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):** $+16,700/yr on $100K (historical Inflation Shock regime returns)
- **This week:** $+5,300 on $100K 401(k)

Your gas tank is feeling the Strait of Hormuz closure before your portfolio does. The energy shock hits your weekly budget immediately while the equity rally takes time to show up in your quarterly 401(k) statement. That timing mismatch means you're paying more to drive to work while waiting to see if the market gains stick.

Your mortgage rate dropped this week, but you're still looking at payments that would have seemed impossible three years ago. The rate decline reflects bond market expectations that inflation shocks eventually burn themselves out. Whether that happens fast enough to matter for your refinancing decision depends on how quickly the Strait reopens.

Your paycheck is losing ground to prices, and that was true before energy spiked. The real income squeeze means the household spending strength we saw in February came from somewhere else: savings accounts, credit cards, or delayed purchases finally happening. None of those funding sources last forever.

Your 401(k) got a boost from the equity rally, but the unusual pattern of stocks and gold rising together suggests markets aren't confident this is an all-clear signal. The portfolio gain is real, but it's sitting on top of an economy where consumers were already stretching before gas prices jumped.

Your grocery bill faces pressure from the broad commodity rally, not just energy. When most raw materials are rising simultaneously, that eventually shows up in food prices, though the transmission takes months. The inflation you're seeing now in gas stations will show up later in supermarket aisles.

Signal vs. Noise

Signal:

- The inflation axis shifting from sticky to firming with surging momentum - Consumer spending exceeding income before the energy shock hit - Broad commodity rally with most components in uptrends - Stocks and gold rallying together, suggesting mixed confidence - Layer divergence showing leading indicators pulling away from lagging data

Noise:
- Individual stock moves in SaaS names despite broader market strength - Weekly oil price volatility while structural supply constraints persist - Political theater around Taiwan talks with no immediate policy implications - Single-week jobless claims fluctuations within normal ranges

The distinction right now comes down to breadth versus specificity. When price pressures show up across multiple categories, labor markets, and geographies simultaneously, that's signal. When individual assets or sectors move dramatically while everything else stays calm, that's usually noise. The challenge is that some of this week's biggest moves, like the SaaS collapse, look like noise but might be early signals of how AI displacement fears interact with higher discount rates. Time will tell which category wins.

What to Watch

March PCE data release on April 25th. This is the inflation gauge the Fed actually targets, and early estimates suggest it will show broader price pressures than the CPI data captured. If core services accelerate beyond energy and tariff effects, the "two identifiable shocks" thesis breaks down. **Weekly petroleum inventory reports through April.** The physical oil market is tighter than the price action suggests. Inventory draws of more than expected in consecutive weeks would confirm the supply constraint thesis and set up summer price spikes. **Consumer credit data for March, due April 28th.**

Consumers were already borrowing to maintain spending before gas prices jumped. Credit card delinquency rates and revolving credit growth will show whether the income squeeze is forcing more households into unsustainable debt patterns. **Any diplomatic headlines around Strait of Hormuz negotiations.** The oil market is pricing gradual resolution, but there's no visible framework for talks. Military escalation or failed diplomatic initiatives could send crude gapping higher on any given Monday. **ISM Services prices component in the April report.** Services inflation was already breaking out before the energy shock. If the April reading shows acceleration beyond what energy costs alone would explain, that suggests the inflation momentum is becoming self-reinforcing across sectors.

What Would Change My Mind

Scenario One: The shocks stay contained. If core services inflation strips out energy and tariff effects and shows deceleration for two consecutive months, while wage growth continues moderating, then this really is two identifiable one-time shocks rather than broad-based inflation momentum. The Fed should stay patient, and the regime call shifts back toward Inflation Shock as the shocks fade. I'd expect this transition within six weeks if it's going to happen. **Scenario Two: The breakout becomes broad-based.** If services inflation accelerates beyond what energy costs explain, or if wage growth re-accelerates as workers demand compensation for higher living costs, then the shocks are bleeding into expectations and becoming self-reinforcing. That flips the regime call to Overheating within weeks, and the Fed faces a much harder choice between employment and price stability. **Scenario Three: The energy shock resolves quickly.** If credible diplomatic progress emerges on reopening the Strait, or if Saudi Arabia announces meaningful production increases to offset the supply loss, then the energy component of this inflation shock disappears faster than anyone expects. Oil prices collapse, headline inflation drops sharply, and the regime call shifts toward Inflation Shock as the economy gets relief just when it needs it most.

The price of being wrong on containment is persistent inflation that forces aggressive Fed action and damages long-term growth. The price of being wrong on breakout is over-tightening into an economy that was already slowing. The price of being wrong on energy is missing the transition from scarcity pricing back to normal market dynamics. Right now, the breakout scenario looks most likely, but energy markets can flip faster than anyone expects.
