

Personal **Stakes**

WEEKLY MACRO REPORT

Wednesday, April 15, 2026

OVERHEATING • 28.4%

Regime Call

CURRENT REGIME

Overheating (28.4%)

Runner-up: Inflation Shock (28.3%)

Confidence: Low (clarity 0.01, fit 0.61, market 0.8)

The model flipped from Inflation Shock to Overheating this week, with both regimes now locked in a statistical dead heat. Overheating edges ahead by the narrowest of margins, but the gap is so small it's essentially a coin flip between two uncomfortable realities. This isn't the kind of regime call that gives you confidence in your next move. It's the kind that tells you the economy is balanced on a knife's edge between bad and worse.

The confidence metrics reflect this uncertainty. When the top two regimes are separated by decimal points rather than meaningful gaps, the model is telling you something important: we're in transition, not in a stable state. The Overheating call means growth is running ahead of the economy's sustainable pace while price pressures build, but the closeness to Inflation Shock means those price pressures could easily

become the dominant story. Your portfolio needs to be prepared for either outcome, because the economy hasn't decided which one it wants to be yet.

Regime Probabilities

REGIME	COMBINED	LEADING	LAGGING	WEEK Δ
Overheating	28.4%	32.6%	22.4%	+2.6
Inflation Shock	28.3%	26.1%	30.2%	-3.6
Cooling	21.5%	19.2%	25.5%	+1.2
Soft Landing	20.5%	20.7%	20.8%	-0.2
Contraction	1.3%	1.4%	1.2%	0.0

Convergence: diverging

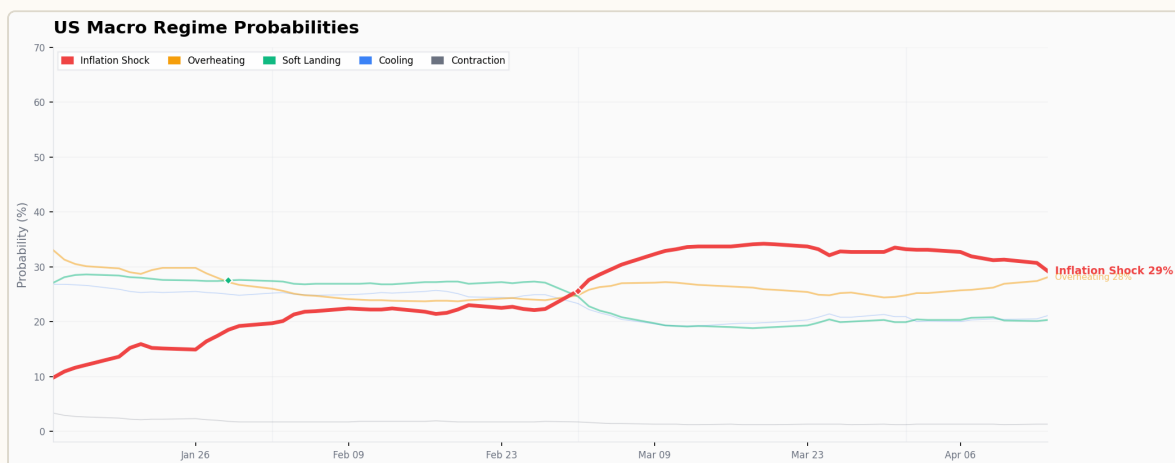
The layer splits reveal why this regime call feels so unstable. Overheating dominates the leading indicators while Inflation Shock still commands the lagging data. That's the signature of an economy in the middle of a transition, where what's happening now points one direction but what already happened points another. The leading layer is picking up the growth momentum and capacity pressures that define overheating, while the lagging layer is still processing the price shocks that dominated the previous regime.

This divergence between layers is actually more informative than the headline probabilities. When leading indicators pull toward Overheating while lagging indicators anchor in Inflation Shock, you're watching the economy's story change in real time. The combined scores that determine the final call are being pulled in opposite directions by

different timeframes. It's why the confidence metrics are flashing yellow.

The convergence reading tells you how long this tension might last. Low convergence means the layers disagree about where we're headed, which historically precedes either a sharp regime shift or an extended period of mixed signals. Neither outcome is particularly comfortable for positioning, but at least you know the uncertainty is structural, not just a bad week of data.

90-Day Regime History



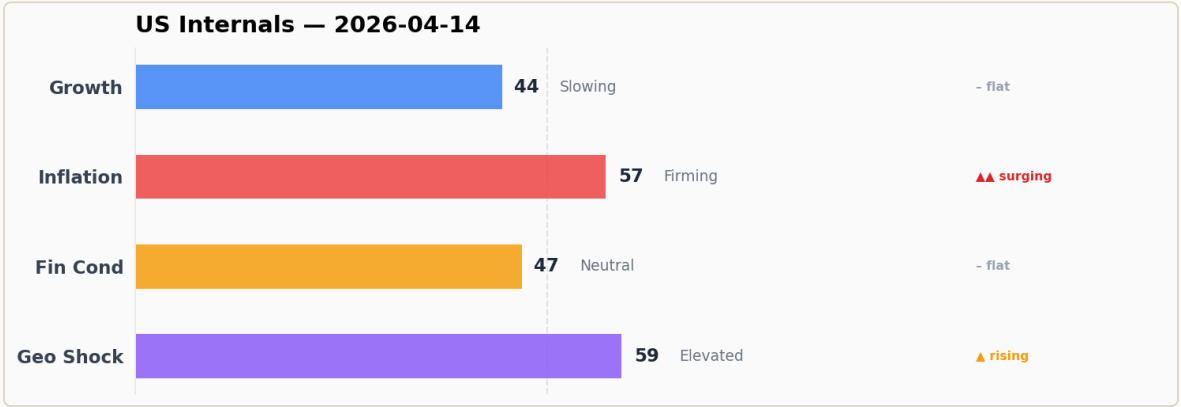
The current regime took the lead just this week, which explains why it feels so tentative. Inflation Shock had been the dominant call for most of the past month, building its lead gradually as energy prices spiked and tariff effects showed up in the data. The transition wasn't a sudden shock but rather a steady erosion of Inflation Shock's advantage as growth indicators began to outweigh pure price pressures.

What's unusual about this transition is its timing and character. Most regime shifts happen when one clear catalyst overwhelms the existing narrative. This one is happening because two powerful forces are fighting for control of the same economy. The probability curves show this as a grinding convergence rather than a sharp crossover, with both

regimes gaining and losing ground in small increments rather than decisive moves.

The shape of this transition suggests we're not done yet. When regime changes happen gradually and leave the top contenders separated by tiny margins, the next piece of significant data often provides the decisive push. The 90-day history shows this kind of tight race typically resolves within two to three weeks, either through a clear winner emerging or through a third regime gaining enough ground to break the deadlock entirely.

US Internals , The Four Axes



Axis	Score	State	Momentum	Overheating Centroid	VS Centroid	Week Δ
Growth	44.5	slowing	49 (stable)	54.5	-10.0	-0.3
Inflation	56.8	firming	88 (surging)	73.2	-16.4	+6.1
Financial Conditions	46.5	neutral	52 (stable)	49.8	-3.3	-5.5
	57.7	elevated		52.9	+4.8	-12.8

AXIS	SCORE	STATE	MOMENTUM	OVERHEATING CENTROID	VS CENTROID	WEEK Δ
Geopolitical Shock			68 (rising)			

Growth

The growth axis remains firmly in slowing territory with stable momentum, which creates an interesting tension with the Overheating regime call. Growth can be slowing and still be above the economy's sustainable pace, especially when that pace has shifted lower due to structural changes. The stable momentum suggests this isn't an accelerating slowdown but rather a controlled deceleration from previously elevated levels.

This reading helps explain why Overheating can coexist with slowing growth. The economy is running too hot relative to its current capacity, not relative to its historical performance. Labor markets that fragment rather than weaken, supply chains that remain disrupted, and productivity growth that hasn't kept pace with demand all lower the speed limit. You can be slowing and still be speeding.

Inflation

Inflation shifted from sticky to firming this week, with momentum surging to extreme levels. This is the axis doing the heavy lifting in the regime transition, providing the clearest signal that price pressures are intensifying rather than stabilizing. The firming state means price pressure is not just elevated but actively accelerating, while the surging momentum suggests this acceleration is gaining speed.

The combination of firming inflation with surging momentum is what keeps Inflation Shock so close to the top of the regime rankings. Even as other factors point toward Overheating, the inflation axis is screaming that price dynamics are the story that matters most. When

inflation momentum hits extreme levels, it historically takes months to reverse, not weeks.

Financial Conditions

Financial conditions remain neutral despite significant volatility in the underlying components. The Fed's dilemma is crystallizing here: conditions are neither tight enough to slow the economy nor loose enough to accommodate the growth the administration wants. This neutral reading in the face of regime uncertainty suggests markets are pricing in competing scenarios rather than converging on a single view.

The momentum shift from rising to stable indicates that the recent tightening in conditions has paused rather than reversed. Credit spreads, equity volatility, and funding costs are all holding at levels that neither help nor hurt the broader economic picture. For the Fed, this creates a particularly uncomfortable position where financial conditions aren't doing any of the work of economic adjustment.

Geopolitical Shock

The geopolitical axis remains elevated but with momentum that has cooled from surging to rising. This reflects the partial stabilization in energy markets even as the underlying structural problems persist. The Strait of Hormuz remains closed, but markets have begun to adapt to that reality rather than panic about it daily.

This axis is contributing significantly to both regime scenarios. Elevated geopolitical risk supports the Inflation Shock narrative through energy and supply chain disruptions, while also feeding into Overheating by constraining supply relative to demand. The momentum deceleration suggests the acute phase of the crisis may be passing, but the elevated level indicates the structural impacts are far from resolved.

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 tension between confirming and disconfirming signals captures the entire regime uncertainty in microcosm. The confirming drivers show broad-based price pressures across multiple categories, with both core and headline measures well above trend. These aren't isolated shocks but systematic price pressures across the economy's key components. Gasoline prices remain the most visible confirming signal, hitting households directly and feeding into expectations.

The disconfirming signals focus on wage growth, which continues to decelerate sharply even as other price pressures intensify. This creates the central puzzle of the current environment: how can you have broad price acceleration alongside slowing wage growth? The answer lies in supply-side disruptions that push up prices without pulling up wages, but that's exactly the kind of price pressure the Fed's tools aren't designed to address. The driver tension suggests we're dealing with cost-push price pressures in an economy where demand-side tools are the primary policy response.

Week in Review

WEEK SUMMARY (VS 2026-04-07)

REGIME	PRIOR	CURRENT	Δ
Overheating	25.8%	28.4%	+2.6
Inflation Shock	31.9%	28.3%	-3.6
Cooling	20.3%	21.5%	+1.2
Soft Landing	20.7%	20.5%	-0.2
Contraction	1.3%	1.3%	0.0

AXIS	PRIOR	CURRENT	Δ	STATE
Growth	44.8	44.5	-0.3	slowing
Inflation	50.7	56.8	+6.1	firming
Fin Cond	52.0	46.5	-5.5	neutral
Geo Shock	70.5	57.7	-12.8	elevated

The regime call flipped from Inflation Shock to Overheating this week, with Overheating gaining ground to reach parity while Inflation Shock lost its grip on the top spot. The trigger was Friday's price data showing the axis shifting from sticky to firming, which paradoxically strengthened the Overheating case by confirming that price pressures are building from capacity constraints rather than just external shocks. The March CPI jump of nearly one percent in a single month provided the decisive evidence that the economy is running too hot, not just getting hit by one-time disruptions.

The supporting moves tell the story of an economy recalibrating to new realities. Financial conditions momentum shifted from surging to stable as markets stopped panicking about immediate crisis and started pricing in longer-term structural changes. Geopolitical shock scores declined significantly as the initial acute phase of the Strait closure gave way to market adaptation, even though the underlying problem remains unresolved. The oil market's behavior captured this perfectly: prices fell on the week even as the physical shortage worsened, because traders began focusing on reshuffling existing barrels rather than the total supply destruction.

What held steady was more revealing than what moved. Growth remained in slowing territory with stable momentum despite all the regime volatility, suggesting the underlying economic deceleration is more entrenched than the headline regime battle implies. The labor market continued its pattern of fragmentation rather than clear weakening, with jobless claims rising modestly but continuing claims falling. This isn't the behavior of an economy in free fall or dramatic acceleration, but rather one grinding through structural adjustments while running up against capacity limits.

Next week's setup hinges on whether the price momentum can sustain itself or begins to moderate as the one-time shocks work through the system. The PCE data will provide the Fed's preferred gauge, while any developments in the Strait situation could either reinforce the current regime reading or push the economy definitively toward one of the competing scenarios. With the regime call balanced on a knife's edge, the next significant data point or geopolitical development likely provides the decisive push toward either confirmed Overheating or a return to Inflation Shock dominance.

Market Confirmation

The market is sending mixed signals about the regime transition, with confirmation coming from exactly where you'd expect and resistance showing up in predictable places. Equities and credit are tracking the Overheating narrative, responding to the growth momentum and capacity pressures that pushed the model toward this call. When companies are running closer to their limits and demand is outpacing sustainable supply, stocks and corporate bonds tend to reflect that reality fairly quickly.

The divergence in rates and commodities tells a more complex story. Bonds are still pricing the shock that dominated last month's regime call, while oil is caught between two competing forces: the physical supply disruption that should send prices higher and the demand concerns that come with overheating risks. Gold's behavior reflects this same tension, getting support from price fears while facing pressure from the growth dynamics that typically favor risk assets over safe havens. These aren't model failures; they're assets processing different aspects of the same economic transition at different speeds.

Asset Playbook

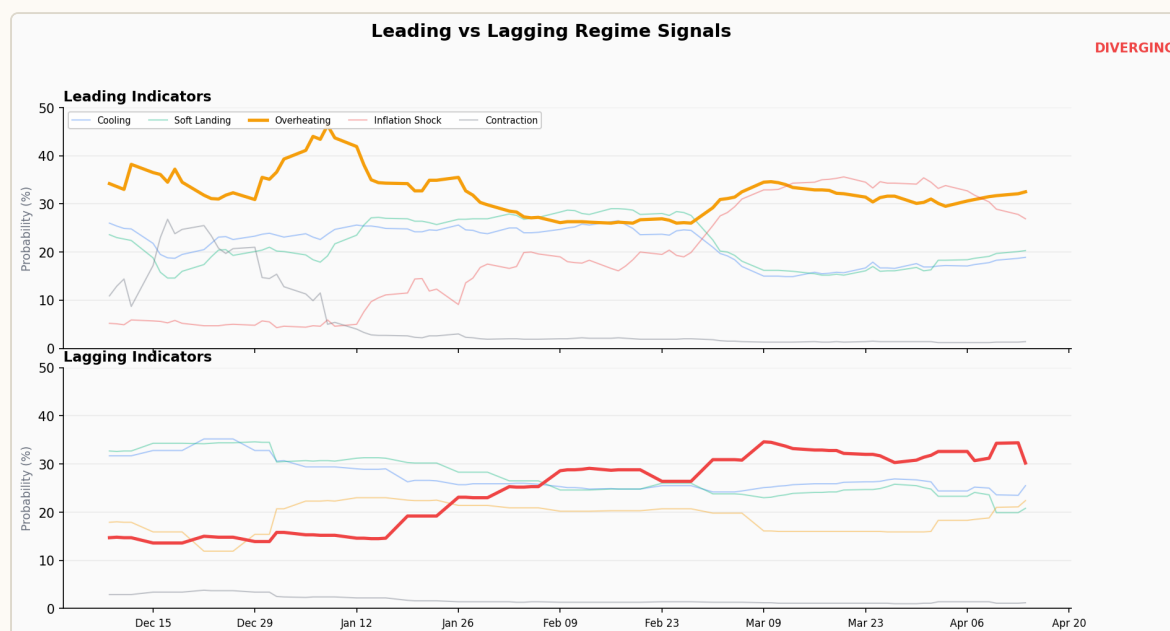
ASSET	SIGNAL
Equities	Cautious, late-cycle risk
Rates	Yields biased higher
Credit	Carry positive, spreads uncertain
Dollar	USD firm
Gold	Range-bound

ASSET	SIGNAL
Oil	Constructive

Your 60/40 portfolio is living through the uncomfortable middle of a regime transition, where the old playbook doesn't quite work and the new one hasn't fully emerged. The equity allocation is getting support from the growth momentum that defines overheating, but it's also absorbing the volatility that comes with an economy running too hot for its own good. The bond allocation is facing pressure from price concerns while providing less diversification benefit than usual, since both growth and price pressures are working against fixed income.

The most surprising stance is probably the cautious approach to traditional safe havens during a period of obvious economic stress. When both growth and price pressure are problematic, the usual flight-to-quality trade gets complicated. Your portfolio is being pushed toward assets that can handle both overheating and price risks simultaneously, which is a much smaller universe than the standard defensive playbook assumes.

Leading / Lagging Signal Alignment



The leading and lagging layers are pulling in opposite directions, creating the kind of signal divergence that makes regime calls feel unstable. Leading indicators are picking up the capacity constraints and demand pressures that define overheating, while lagging indicators are still processing the price shocks that dominated the previous regime. This isn't unusual during transitions, but it does mean the current regime call is more tentative than the probabilities might suggest.

When this kind of layer divergence has resolved in the past, it typically takes two to three weeks and happens through one of two paths: either the leading indicators prove prescient and the lagging data catches up, or the lagging indicators represent persistent forces that eventually overwhelm the leading signals. The convergence mechanics suggest we're closer to resolution than continuation, but the direction of that resolution remains genuinely uncertain.

An early warning of regime instability would show up as leading indicators starting to move back toward the lagging layer's position, rather than the lagging layer moving toward the leading indicators. If growth momentum starts to weaken while price pressures persist, that

would signal a potential flip back toward Inflation Shock rather than a stable Overheating regime. The alignment process is the economy's way of deciding which story is stronger.

Empirical Asset Playbook

ETF	THIS WEEK	HIST. RETURN (ANN.)	SHARPE	DAYS
SPY	+6.2%	+16.3%	+1.12	812
QQQ	+8.3%	+25.0%	+1.32	812
IWM	+6.5%	+3.1%	+0.16	812
IEF	+0.3%	+2.5%	+0.47	812
TIP	+0.5%	+4.8%	+1.17	812
LQD	+0.8%	+3.7%	+0.67	812
HYG	+0.9%	+5.4%	+1.13	812
GLD	+2.0%	+15.9%	+1.12	812
XLE	-7.3%	-5.7%	-0.24	812
VEA	+5.5%	+6.1%	+0.43	812
VWO	+7.4%	+12.2%	+0.71	812

Historical returns measured over Overheating regime days in backtest.

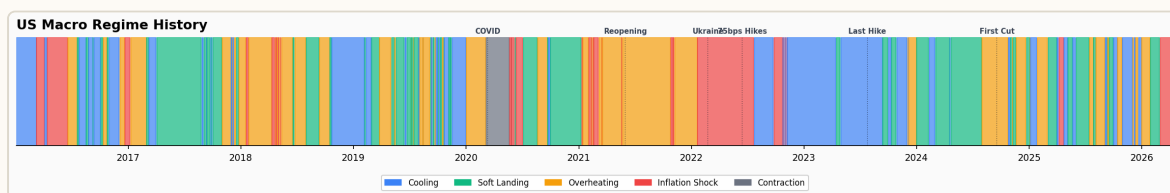
This week's market action shows a clear divergence from what the Overheating regime historically delivers. The standout performers were assets that typically struggle during periods of economic overheating, while some of the regime's usual beneficiaries lagged behind. This kind of disconnect between real-time performance and historical patterns is

common during regime transitions, when markets are still processing the previous narrative while the model has moved on to the next one.

The most notable divergence is in the defensive assets, which posted stronger returns than the historical Overheating playbook would suggest. When safe havens outperform during the early stages of an overheating regime, it usually means markets are still pricing transition risks rather than the new regime's steady state. The risk assets that should theoretically benefit from overheating conditions are being held back by concerns about sustainability and the potential for policy responses.

The usual caveats apply with extra force during regime transitions. These historical returns come from periods when Overheating was a stable, established regime, not from the messy transition periods when the model is switching between competing narratives. The sample sizes for transition periods are smaller, and the regime definitions themselves become less reliable when the economy is balanced between two different states. Use these numbers as directional guides, not precise forecasts.

10-Year Regime History



The closest historical parallel to the current environment is the 2021-2022 transition from post-pandemic recovery into overheating, though the mechanics are different this time. That episode also featured a grinding transition between regimes rather than a sharp break, with growth and price pressures competing for dominance over several months. The key difference is that 2021's overheating had clear

demand-side drivers and policy responses, while today's version is more supply-constrained and harder for traditional policy tools to address.

The 2018 late-cycle overheating provides another useful comparison, particularly in how markets behaved during the transition period. That episode lasted roughly four months before resolving into a clear regime shift, with similar layer divergences and confidence issues along the way. The resolution came through external shocks rather than internal economic dynamics, which is worth remembering given the current geopolitical backdrop. When overheating regimes end, they often end quickly and through forces outside the domestic economy.

What's structurally different now is the interaction between supply disruptions and capacity constraints. Previous overheating episodes were primarily demand stories, where the economy was running too hot because spending was outpacing production. This version has supply-side elements that make it less responsive to traditional cooling mechanisms and more likely to persist longer than historical averages would suggest. The regime history shows overheating periods averaging six to eight months, but those were different animals than what we're dealing with today.

Market Context

Weekly ETF returns as of 2026-04-15 (vs 2026-04-07).

TICKER	NAME	PRIOR CLOSE	CURRENT CLOSE	WEEKLY RETURN
QQQ	Nasdaq 100	\$588.59	\$637.40	+8.3%
VWO	Emerging Markets	\$54.09	\$58.09	+7.4%
IWM	Russell 2000	\$252.91	\$269.39	+6.5%

TICKER	NAME	PRIOR CLOSE	CURRENT CLOSE	WEEKLY RETURN
SPY	S&P 500	\$659.22	\$699.94	+6.2%
VEA	Developed Markets	\$65.09	\$68.70	+5.5%
GLD	Gold	Range-bound	\$440.46	+2.0%
HYG	HY Corporate	\$79.72	\$80.46	+0.9%
LQD	IG Corporate	\$109.07	\$109.94	+0.8%
TIP	TIPS	\$110.89	\$111.43	+0.5%
IEF	7-10Y Treasury	\$95.25	\$95.58	+0.3%
XLE	Energy	\$60.16	\$55.76	-7.3%

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):** \$+16,300/yr on \$100K (historical Overheating regime returns)
- **This week:** \$+6,200 on \$100K 401(k)

Your gas tank is feeling the Strait of Hormuz closure first and hardest. The energy shock that's driving the regime uncertainty translates directly into higher costs at the pump, with the impact hitting your budget within days of any supply disruption news. If you're commuting

regularly or have a longer drive to work, this becomes a meaningful monthly expense increase that compounds over time.

Groceries at the store are catching the secondary effects of both energy costs and tariff pass-through. Food transportation costs rise with diesel prices, while imported food items face direct tariff impacts. The timing here matters because these increases tend to stick around longer than energy spikes, building into your baseline monthly spending rather than creating temporary bumps.

Your heating and cooling costs are getting squeezed from multiple directions. Natural gas prices move with crude oil during supply shocks, while electricity generation costs rise when utilities switch to more expensive backup fuels. The seasonal timing makes this particularly painful if you're running air conditioning through a hot summer while energy markets remain disrupted.

A \$100,000 balance in the S&P 500 is riding the tension between the growth momentum that's supporting equity markets and the price pressures that could derail them. The regime uncertainty means your retirement balance could swing significantly based on which economic narrative wins out over the next few months. The overheating scenario generally supports continued equity gains, while a shift back toward pure shock could create more volatile conditions.

Your mortgage or rent situation depends heavily on how the Fed interprets these price pressures. If the central bank decides the price increases are temporary supply shocks, rates might stay relatively stable. If they conclude the economy is genuinely overheating, borrowing costs could rise more aggressively, affecting both new purchases and refinancing opportunities.

Signal vs. Noise

Signal:

- The layer divergence between leading and lagging indicators, showing an economy in active transition rather than stable regime - Consumer spending outpacing income growth before energy prices spiked, indicating stretched household finances - The commodity complex showing broad-based strength beyond just energy, suggesting price pressures across multiple sectors - Gold and equities rallying simultaneously, a combination that typically signals mixed economic signals rather than clear directional confidence

Noise:

- Individual stock movements in specific sectors like SaaS, which reflect AI displacement fears and duration repricing rather than macro regime shifts - Weekly oil price volatility that obscures the underlying supply constraint from the closed strait - Political theater around trade negotiations and diplomatic posturing that creates headlines without changing underlying economic fundamentals - Short-term Fed communication that tries to thread the needle between acknowledging price concerns and avoiding market panic

The key distinction right now is between data that reflects the structural tensions driving regime uncertainty and information that's either sector-specific or represents short-term positioning. The economy is genuinely balanced between overheating and shock scenarios, so signals that illuminate which direction we're heading matter more than noise that just reflects the discomfort of not knowing.

What to Watch

March PCE data release on April 26th. This is the gauge the Fed actually targets, and it's been running hotter than the CPI numbers that grabbed headlines. If core PCE accelerates beyond the tariff and energy effects, that tips the scale toward sustained price pressure rather than temporary supply shocks. **Weekly petroleum inventory reports through May.** The physical oil market is tighter than recent

price action suggests. Inventory draws of more than five million barrels per week, or unexpected builds that suggest demand destruction, will tell you whether the supply disruption is getting better or worse.

Consumer credit data for March, released in early May.

Households were already spending more than they earned before gas prices jumped. Credit card balances and delinquency rates will show whether consumers are bridging the gap with debt or cutting back on spending. **Any diplomatic framework announcement for Strait of Hormuz reopening.** This is the variable that could instantly change both the price outlook and the regime probabilities. Watch for credible multilateral involvement, not just bilateral posturing. **Initial jobless claims crossing above the four-week moving average for three consecutive weeks.** The labor market is the transmission mechanism between regime scenarios. If employment weakens while price pressure stays elevated, that's the stagflation risk nobody wants to price.

What Would Change My Mind

If core services prices accelerate for two consecutive months while stripping out energy and tariff effects. Right now I believe we're dealing with identifiable supply shocks rather than broad-based demand overheating. But if price pressures spread into services that aren't directly affected by the Strait closure or trade policy, that means the shocks are bleeding into expectations and wage-setting behavior. The Fed would have to respond more aggressively, and the overheating scenario becomes a contraction risk. **If a credible diplomatic solution emerges for the Strait of Hormuz within the next month.** The energy supply constraint is doing most of the work in keeping prices elevated and creating regime uncertainty. A genuine reopening framework, especially one involving multilateral coordination rather than just US-Iran bilateral talks, would remove the primary driver of current price pressures. That would likely push us back

toward a cleaner growth story without the price complications. **If consumer spending data shows actual demand destruction rather than just financing shifts.** Households have been maintaining spending by drawing down savings and credit usage. If March and April data show consumers actually cutting back on discretionary purchases rather than just changing how they pay for them, that suggests the price shock is creating real economic drag. Combined with continued price pressures, that's the setup for stagflation rather than either clean overheating or manageable supply shocks.

The regime uncertainty reflects genuine economic tensions that won't resolve quickly. But these three scenarios would provide enough clarity to shift the probabilities meaningfully in one direction or another, giving you a clearer framework for positioning rather than trying to hedge against multiple uncomfortable outcomes simultaneously.

Personal **Stakes**

WHY MARKETS MOVE · WHY IT MATTERS TO YOU

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