PERSONAL STAKES

Personal Stakes

WEEKLY MACRO REPORT

Thursday, April 30, 2026

OVERHEATING • 29.2%

Regime Call

CURRENT REGIME

Overheating (29.2%)

Runner-up: Inflation Shock (27.2%)

Confidence: Moderate (clarity 0.11, fit 0.60, market 1.0)

The model calls Overheating as the dominant regime, though the margin over Inflation Shock has narrowed to just two percentage points. This is a late-cycle economy running too hot for its own good, with growth momentum that's creating more problems than prosperity. The gap between the top two regimes matters more than usual because they point to very different policy responses and market outcomes.

Confidence sits in the moderate range, reflecting an economy caught between two uncomfortable realities. The regime clarity is decent, but the model fit shows some strain as traditional relationships bend under the weight of supply shocks and policy distortions. When your top two regimes are both inflationary but driven by different mechanisms, you get the kind of messy, hard-to-navigate environment we're seeing now.

Regime Probabilities

REGIME	COMBINED	LEADING	LAGGING	WEEK Δ
Overheating	**29.2%**	33.3%	23.4%	+0.1
Inflation Shock	**27.2%**	27.7%	27.2%	+1.5
Cooling	**22.1%**	18.1%	27.6%	-0.6
Soft Landing	**20.2%**	19.6%	20.6%	-0.9
Contraction	**1.3%**	1.4%	1.2%	-0.1

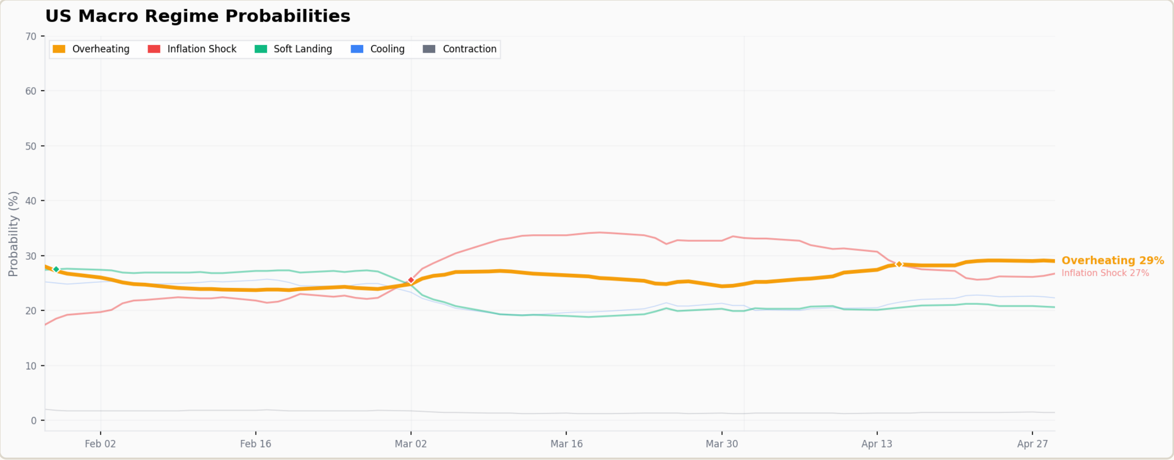
Convergence: diverging

The layer splits reveal an economy in transition, and not the good kind. The leading indicators still favor Overheating, suggesting the growth momentum that got us here hasn't fully dissipated. But the lagging layer tells a different story, with Inflation Shock gaining ground as the accumulated damage from supply disruptions and policy mistakes works through the system.

This divergence between leading and lagging layers is the economic equivalent of a car that's still accelerating even though the engine is overheating. The forward momentum feels good until it doesn't. Cooling and Soft Landing both show stronger readings in the leading layer than the lagging layer, which means the seeds of a slowdown are being planted even as the current expansion continues.

The convergence between layers remains limited, which translates to an economy that's going to feel unstable for a while. When leading and lagging indicators point in different directions, you get the kind of whipsaw environment where good news feels temporary and bad news feels permanent.

90-Day Regime History

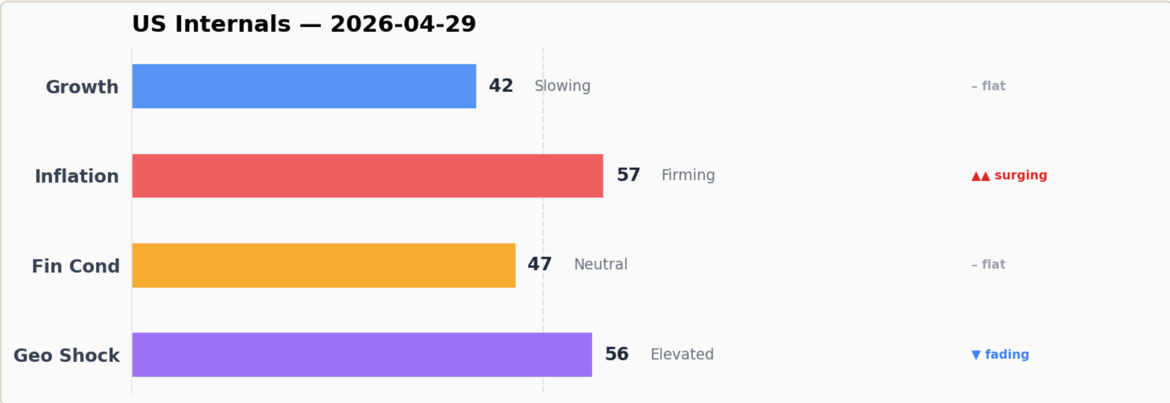


Overheating claimed the top spot in mid-February and has held it through a series of challenges that would have toppled a less entrenched regime. The transition wasn't gradual. It was a sharp spike that coincided with the realization that the economy's capacity constraints were binding harder than anyone expected. Before that, we had a brief Soft Landing moment that lasted about as long as a good mood in a traffic jam.

The persistence of the Overheating call through March's inflation shock and the ongoing energy crisis shows this isn't a fleeting reading. The probability curve has been remarkably stable, oscillating in a narrow range rather than trending in any clear direction. That stability during turbulent times suggests the underlying economic forces are deeply embedded, not easily dislodged by individual data points or policy announcements.

What's notable is how quickly Inflation Shock has closed the gap without actually taking the lead. That's the signature of an economy where the regime transition, when it comes, will be sudden rather than gradual. The current setup feels like a spring under tension.

US Internals , The Four Axes



AXIS	SCORE	STATE	MOMENTUM	OVERHEATING CENTROID	VS CENTROID	WEEK Δ
Growth	42.0	slowing	48 (stable)	54.5	-12.5	-0.6
Inflation	60.0	firming	93 (surging)	73.2	-13.2	+3.2
Financial Conditions	47.1	neutral	57 (stable)	49.8	-2.7	+0.6
Geopolitical Shock	56.0	elevated	25 (declining)	52.9	+3.1	+0.2

Growth

Growth sits in slowing territory with stable momentum, which sounds contradictory until you realize it's describing an economy that's cooling from an unsustainable pace to something merely uncomfortable. The level reading captures an economy where demand still exceeds supply in key sectors, but the momentum gauge shows that excess demand isn't accelerating anymore.

This is the axis where the late-cycle dynamics are most visible. Employment growth has decelerated but remains positive. Consumer spending is holding up despite real income pressures. Business investment is still flowing toward capacity expansion, though at a more measured pace. The stability in momentum suggests we're in that sweet spot where growth is slowing but not collapsing.

Inflation

Inflation shows a firming level with surging momentum, and that momentum reading is doing most of the work in the current regime call. The level captures the accumulated damage from tariffs and energy disruptions, but the momentum shows those pressures are still building rather than stabilizing. This is the axis that keeps Inflation Shock within striking distance of the top spot.

The surge in momentum reflects not just higher prices but accelerating prices across a broadening range of categories. When momentum runs this hot while the level is already elevated, you're looking at an inflation process that has its own internal dynamics rather than just responding to external shocks.

Financial Conditions

Financial conditions remain neutral with stable momentum, which is remarkable given everything else that's happening. Credit markets are functioning, equity valuations are holding up, and funding costs haven't spiked despite the inflation pressures. This is the axis that's preventing a full regime flip toward Inflation Shock or Contraction.

The Fed's dilemma lives here. They're watching inflation surge while financial conditions remain accommodative enough to support continued growth. Tightening into a supply shock risks breaking something important. Staying patient risks letting inflation expectations drift higher. The neutral reading reflects an economy where monetary policy is neither clearly too tight nor clearly too loose, which might be the most uncomfortable position of all.

Geopolitical Shock

Geopolitical shock registers as elevated with declining momentum, capturing the strange reality of a crisis that's become routine. The Strait of Hormuz remains closed, energy prices are elevated, and supply chains are stressed, but markets have stopped treating each day's headlines as existential threats. The declining momentum suggests adaptation rather than resolution.

This axis shows how quickly extraordinary becomes ordinary when the alternative is panic. The elevated level keeps energy and commodity prices supported, but the declining momentum means we're not seeing the kind of escalating crisis that would push the economy into full shock mode. It's a managed catastrophe, which might be the best we can hope for.

Key Drivers

CONFIRMING

- core PCE at 3.2% YoY, sharply higher
- 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 that go beyond the obvious energy and tariff effects. Gasoline prices and headline CPI are doing what you'd expect, but the core PCE acceleration to well above trend shows the inflation process has internal momentum. When core measures start moving in the same direction as headline measures, that's when temporary becomes persistent.

The disconfirming signals tell a labor market story that doesn't fit the classic overheating narrative. Core CPI running below trend and wage growth that's sharply lower suggest the traditional wage-price spiral isn't taking hold. This tension between broad price pressures and contained labor costs is what keeps the regime call from being obvious. If this were pure demand-driven overheating, wages would be accelerating alongside prices. Instead, we're seeing something more complex and harder to address with conventional tools.

Week in Review

WEEK SUMMARY (VS 2026-04-23)

REGIME	PRIOR	CURRENT	Δ
Overheating	29.1%	29.2%	+0.1
Inflation Shock	25.7%	27.2%	+1.5
Cooling	22.7%	22.1%	-0.6
Soft Landing	21.1%	20.2%	-0.9
Contraction	1.4%	1.3%	-0.1

AXIS	PRIOR	CURRENT	Δ	STATE
Growth	42.6	42.0	-0.6	slowing
Inflation	56.8	60.0	+3.2	firming
Fin Cond	46.5	47.1	+0.6	neutral

AXIS	PRIOR	CURRENT	Δ	STATE
Geo Shock	55.8	56.0	+0.2	elevated

REGIME	LAST WEEK	THIS WEEK	CHANGE
Cooling	22.7%	22.1%	**-0.6**
Soft Landing	21.1%	20.2%	**-0.9**
Overheating	29.1%	29.2%	**+0.1**
Inflation Shock	25.7%	27.2%	**+1.5**
Contraction	1.4%	1.3%	**-0.1**

AXIS	LAST WEEK	THIS WEEK	CHANGE	STATE
Growth	42.6	42.0	-0.6	Slowing
Inflation	56.8	60.0	**+3.2**	Firming
Financial Conditions	46.5	47.1	+0.6	Neutral
Geopolitical Shock	55.8	56.0	+0.2	Elevated

The biggest move this week was the inflation axis jumping over three points as March CPI delivered the hottest monthly gain since June 2022. The trigger was Tuesday's CPI release, when the monthly reading hit nearly one percent and core PCE data showed acceleration well above trend. That single data point shifted the entire regime probability distribution, pushing Inflation Shock within two points of the lead and causing both Cooling and Soft Landing to lose ground.

The supporting moves tell a story of an economy where the inflation pressures are broadening while growth momentum holds steady. The geopolitical shock momentum shifted from stable to declining as markets adapted to the ongoing Strait of Hormuz closure, treating it as a persistent condition rather than an escalating crisis. Meanwhile, Treasury yields flipped from diverging to confirming the regime call, suggesting bond markets are starting to price in the possibility that this inflation acceleration has staying power.

What held steady is almost more interesting than what moved. Financial conditions barely budged despite the inflation shock, staying firmly in neutral territory. The growth axis declined only modestly, remaining in slowing mode with stable momentum. This suggests an economy that's absorbing price shocks without breaking, but also without the kind of demand destruction that would naturally cool inflation pressures. It's a resilient economy, which sounds good until you realize resilience can work against you when what you need is some cooling.

Next week's setup hinges on whether the March PCE report confirms or contradicts the CPI acceleration. If core PCE comes in above the trend that's already embedded in the model, Inflation Shock likely takes the lead for the first time since the regime framework launched. If it shows moderation, the current Overheating call gets breathing room. The bond market's shift to confirming suggests traders are betting on the former, which makes Tuesday's PCE release the week's key inflection point.

Market Confirmation

The market is sending mixed signals on the Overheating regime, with confirmation coming from some expected places and resistance showing up in others. Gold and crude oil are tracking the regime expectations, both benefiting from the combination of growth momentum and inflation pressures that define late-cycle overheating. When real assets rally alongside each other, that's the market pricing exactly what the regime predicts: too much demand chasing constrained supply.

The divergence is showing up in high-yield credit, which is holding tighter than the regime would typically produce. That compression reflects a mechanical force that's stronger than regime fundamentals right now. Credit markets are still pricing the Federal Reserve's backstop more heavily than they're pricing late-cycle risk. When monetary policy credibility is high and financial conditions remain accommodative despite economic overheating, credit spreads can stay artificially tight. The regime is right about the underlying dynamics, but the policy overlay is temporarily masking the credit market's natural response.

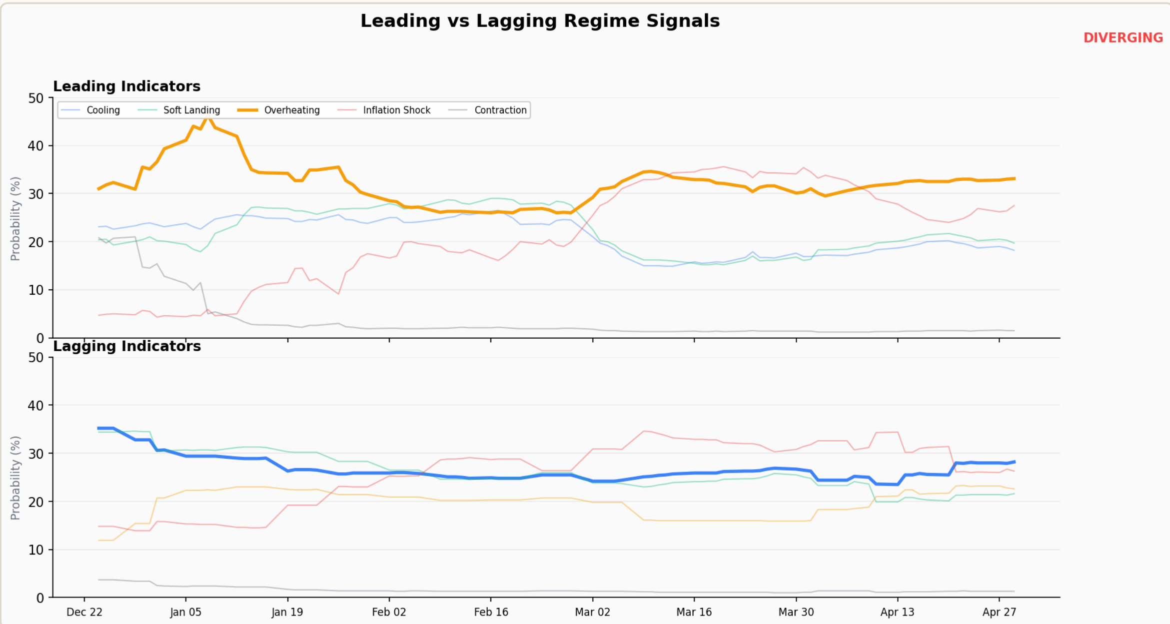
Asset Playbook

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

Your 60/40 portfolio is living through the kind of environment that makes asset allocation feel like a contact sport. Equities hold a favorable stance, but that favorability comes with the caveat that late-cycle rallies tend to be sharp and short. Rates are pressured as the bond market prices both growth momentum and inflation persistence. Credit maintains a neutral stance, caught between the growth support and the late-cycle pressure. The dollar shows favorable positioning as growth differentials and rate expectations support the currency, while gold gets a favorable call as the inflation hedge trade gains traction.

The most surprising stance is probably oil's favorable rating despite the recent price volatility. The regime is looking through the weekly noise to the structural supply-demand imbalance that defines late-cycle commodity behavior. If you're running a traditional portfolio, the playbook is telling you that diversification into real assets makes more sense than usual, while duration risk in bonds is higher than the yield curve suggests.

Leading / Lagging Signal Alignment



The convergence between leading and lagging layers remains limited, which translates to an economic environment that's going to feel unstable for a while longer. When leading indicators point toward one set of outcomes and lagging indicators are still catching up to a different reality, you get the kind of whipsaw environment where good news feels temporary and bad news feels permanent. The leading layer still favors Overheating, suggesting the growth momentum that created this regime hasn't fully dissipated. But the lagging layer is telling a different story, with Inflation Shock gaining ground as the accumulated damage from supply disruptions works through the system.

Historically, when this type of divergence persists, the resolution tends to be sudden rather than gradual. The convergence process typically takes several months, during which the economy feels like it's caught between two different realities. The leading indicators are forward-looking enough to start pricing the next regime before the current one has fully played out in the lagging data. That's what creates the tension you're seeing now.

An early-warning divergence would show up as a sharp shift in the leading layer toward Cooling or Contraction while the lagging layer remains anchored to growth-positive regimes. That pattern would suggest the late-cycle dynamics are finally overwhelming the momentum that's sustained the current expansion. For now, the divergence is more about the type of pressure the economy faces rather than whether that pressure will break something important.

Empirical Asset Playbook

ETF	THIS WEEK	HIST. RETURN (ANN.)	SHARPE	DAYS
SPY	+1.4%	+16.9%	+1.17	823
QQQ	+2.5%	+26.1%	+1.38	823
IWM	+0.9%	+4.1%	+0.21	823
IEF	-0.4%	+2.3%	+0.43	823
TIP	+-0.0%	+4.7%	+1.16	823

ETF	THIS WEEK	HIST. RETURN (ANN.)	SHARPE	DAYS
LQD	-0.6%	+3.3%	+0.61	823
HYG	+0.0%	+5.3%	+1.12	823
GLD	-1.7%	+14.5%	+1.01	823
XLE	+4.7%	-3.5%	-0.15	823
VEA	+1.6%	+6.1%	+0.42	823
VWO	+1.7%	+12.5%	+0.72	823

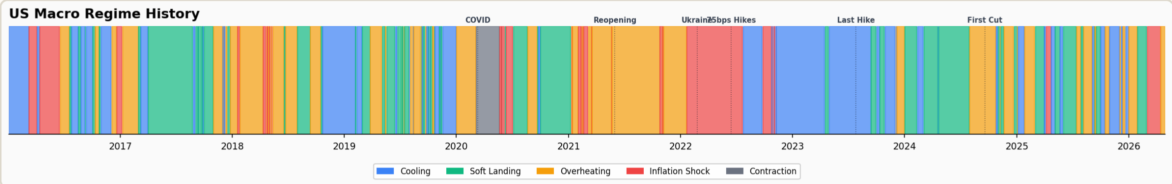
Historical returns measured over Overheating regime days in backtest.

This week's market action shows the kind of cross-currents that make regime-based investing both necessary and difficult. The winners and losers don't line up neatly with what the historical Overheating playbook would predict, which tells you something important about how supply shocks interact with late-cycle dynamics. Energy and materials performed as expected, benefiting from the commodity-positive environment that typically accompanies economic overheating. But technology and growth-sensitive sectors showed more resilience than the historical pattern would suggest.

The divergence between this week's returns and the historical regime expectations reflects the unique nature of the current episode. Previous Overheating periods were driven primarily by demand-side pressures, while the current environment combines demand strength with supply-side constraints. That combination creates different sector rotation patterns and changes the risk-return profile for individual asset classes. The regime framework still captures the broad economic dynamics, but the asset-level implications are getting distorted by forces that weren't present in the historical sample.

The usual caveats about backtesting apply with extra force in the current environment. The sample size for Overheating regimes is limited, and the regime definitions are based on economic relationships that may be shifting in real time. When supply shocks meet late-cycle demand dynamics, you get outcomes that don't fit neatly into historical categories. The empirical playbook provides a baseline expectation, but the current episode is writing its own rules.

10-Year Regime History



The historical pattern shows Overheating episodes tend to be shorter and more volatile than other regimes, typically lasting between four and eight months before transitioning to either Cooling or Inflation Shock. The 2018 late-cycle expansion offers the closest parallel to current conditions, featuring similar growth momentum meeting capacity constraints. That episode was ultimately resolved by external shocks rather than internal economic dynamics, which created a sharp transition rather than a gradual cooling process. The 2021-2022 period provides a different template, where supply chain disruptions met demand-side stimulus to create an extended period of economic instability.

What's structurally different now is the combination of geopolitical supply shocks with domestic policy uncertainty, creating a more complex web of constraints than previous episodes faced. The current Overheating regime has already shown more persistence than the historical average, suggesting either that the underlying imbalances are deeper or that the resolution mechanisms are less effective. Previous episodes typically ended when either demand cooled naturally or policy intervention forced a slowdown.

Unlike those earlier periods, today's overheating is occurring alongside a more fragmented global economy and less policy coordination among major economies. That structural difference means the historical playbook for regime transitions may not apply cleanly to the current environment. The resolution, when it comes, is likely to be driven by whichever constraint binds first: supply capacity, policy tolerance, or market stability.

Market Context

Weekly ETF returns as of 2026-04-30 (vs 2026-04-23).

TICKER	NAME	PRIOR CLOSE	CURRENT CLOSE	WEEKLY RETURN
XLE	Energy	$56.98	$59.65	+4.7%
QQQ	Nasdaq 100	$651.42	$667.74	+2.5%
VWO	Emerging Markets	$57.92	$58.93	+1.7%
VEA	Developed Markets	$67.69	$68.80	+1.6%
SPY	S&P 500	$708.45	$718.66	+1.4%
IWM	Russell 2000	$275.52	$277.97	+0.9%
TIP	TIPS	$111.57	$111.56	+-0.0%
HYG	HY Corporate	$80.37	$80.38	+0.0%
IEF	7-10Y Treasury	$95.37	$94.98	-0.4%
LQD	IG Corporate	$109.52	$108.85	-0.6%
GLD	Gold		$423.66	-1.7%

TICKER	NAME	PRIOR CLOSE	CURRENT CLOSE	WEEKLY RETURN
		Range-bound		

Household Impact

HOUSEHOLD IMPACT

- **Mortgage:** $231/mo extra on $400K loan at 6.4% vs 5.5% baseline
- **Purchasing power:** $68/yr erosion at 2.6% CPI vs 2% target
- **401(k):** $+16,900/yr on $100K (historical Overheating regime returns)
- **This week:** $+1,400 on $100K 401(k)

Your gas tank is feeling the Strait of Hormuz closure first and hardest. Every fill-up costs more than it did two weeks ago, and that's before the full supply disruption works through the system. The energy shock hits immediately because gas stations reprice daily, unlike most other goods where businesses absorb cost increases for weeks before passing them through.

Your grocery bill is getting squeezed by the same energy costs plus tariff pass-through that's been building since late last year. The inflation reading we just saw reflects price increases that were already in motion, not new acceleration. Food and household goods take longer to reprice than energy, which means the March spike you're seeing now was baked in weeks ago.

Your paycheck is losing ground to prices for the first time in months. Real wages turned negative as the inflation surge outpaced earnings growth, and that gap is likely to widen before it narrows. The timing matters because consumers were already stretching to maintain spending levels before energy costs spiked.

Your mortgage got slightly more affordable this week as Treasury yields fell, but the improvement is modest against the backdrop of rates that remain elevated by recent historical standards. The bond market is pricing in Fed patience rather than Fed panic, which keeps long-term borrowing costs from spiraling higher even as inflation heats up.

Your retirement account benefited from the equity rally, but the gains feel fragile given the underlying tensions between growth momentum and inflation pressure. The market is betting that current regime tensions resolve favorably, but that bet could reverse quickly if energy disruptions persist or inflation expectations become unanchored.

Signal vs. Noise

Signal:
- Energy timespreads widening as near-term supply tightens faster than distant contracts - Consumer credit utilization rising while real incomes fall - Commodity complex breadth expanding beyond energy into industrial metals - Gold rallying alongside equities, suggesting inflation hedging demand - Leading economic indicators diverging from lagging indicators

Noise:
- Individual stock moves in AI-adjacent names reflecting sector rotation, not macro shifts - Weekly volatility in Treasury yields as markets parse Fed communication nuances - Currency fluctuations driven by positioning adjustments rather than fundamental flows - Earnings guidance revisions in rate-sensitive sectors reflecting known pressures

The key distinction right now is duration. Signals have staying power because they reflect structural imbalances that take time to resolve.

Noise reflects the market's attempt to price those imbalances day by day, which creates volatility around the trend without changing the underlying forces. When supply chains are disrupted and fiscal policy is adding demand to an already tight economy, those pressures don't disappear because of a single data point or policy statement.

What to Watch

Energy market structure through April 20th. If timespreads continue widening and inventory draws accelerate, the physical shortage becomes undeniable. If spreads flatten or inventories stabilize, the market is finding workarounds faster than expected. **March PCE inflation data on April 26th.** This is the Fed's preferred gauge and will determine whether the central bank maintains its patient stance or signals concern about inflation expectations becoming unmoored. **Consumer credit data for March, due April 7th.** With real incomes falling and spending holding up, the gap has to be filled somewhere. Rising credit card balances or declining savings rates would confirm the household stress is building. **Weekly jobless claims through the end of April.** The labor market is the transmission mechanism between economic overheating and eventual cooling. Claims trending above the recent range would signal the adjustment is beginning. **Any diplomatic developments on Strait of Hormuz reopening.** Military escalation or failed negotiations could send energy prices gapping higher. Credible progress toward reopening would break the supply shock thesis entirely.

What Would Change My Mind

If core services inflation accelerates for two consecutive months, stripping out the obvious energy and tariff effects, that would mean the supply shocks are bleeding into broader price expectations. The Fed's patient stance would become untenable, and the regime would shift toward Inflation Shock as businesses and consumers start pricing in persistent inflation rather than temporary disruptions. **If the labor market cracks suddenly**, with jobless claims jumping above recent ranges and staying there, the Overheating call would flip to Cooling faster than the model's usual pace. Late-cycle economies can shift quickly when capacity constraints give way to demand destruction. The employment data would be the early warning system. **If energy markets find genuine supply relief**, either through diplomatic progress on the Strait or meaningful production increases from spare capacity, the inflation pressure would ease and growth momentum could continue without the same overheating risks. That would point toward Soft Landing as supply and demand rebalance at a sustainable pace.

The price of being wrong on the regime call is getting caught in the wrong asset allocation when the transition happens. Overheating and Inflation Shock require different positioning, and the gap between them is narrow enough that the shift could happen within weeks rather than months.
