PERSONAL STAKES

Personal Stakes

WEEKLY MACRO REPORT

Friday, September 04, 2026

SOFT LANDING • 28.5%

Regime Call

CURRENT REGIME

Soft Landing (28.5%)

Runner-up: Cooling (25.8%)

Confidence: Low (clarity 0.15, fit 0.58, market 0.3)

Soft Landing holds the top spot, but "holds" is doing a lot of work in that sentence. The gap to the runner-up has narrowed to the point where you could sneeze and change the leaderboard. Cooling sits right behind, and Overheating is close enough to make this a genuine three-way conversation. The confidence reflects that ambiguity: clarity is low, the fit between current data and historical regime templates is middling, and markets have shifted from confirming the call to partially diverging from it. When your confidence metrics are all telling you "yeah, maybe," the regime label matters less than the direction things are moving.

And the direction is not great for the Soft Landing thesis. The runner-up isn't gaining because the economy looks like it's about to cool gently into some textbook equilibrium. It's gaining because Inflation Shock posted the biggest weekly move of any regime, eating into the probabilities of the more benign outcomes. The Soft Landing call survives this week, but it survives the way a boxer survives a round by clinching. The story here is less "we're in a soft landing" and more "we haven't left one yet, and the reasons we might are getting louder."

Regime Probabilities

REGIME	COMBINED	LEADING	LAGGING	WEEK Δ
Soft Landing	**28.5%**	23.1%	36.5%	-1.0
Cooling	**25.8%**	22.9%	30.2%	-2.4
Overheating	**25.1%**	31.5%	15.4%	+1.0
Inflation Shock	**18.7%**	20.7%	15.8%	+3.1
Contraction	**1.9%**	1.8%	2.0%	-0.7

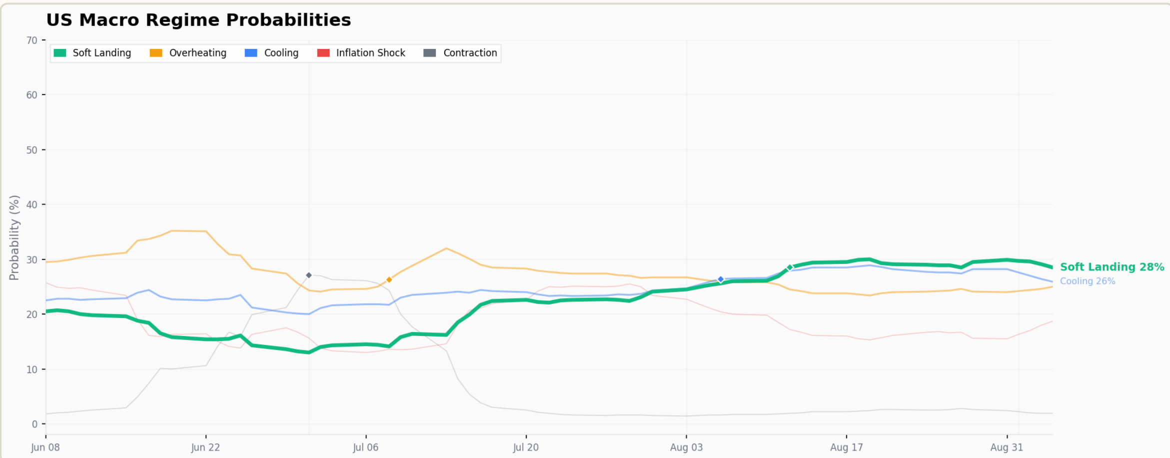
Convergence: diverging

The layer splits tell you where this is heading before the headline probabilities do. Look at the leading indicators versus the lagging ones. Inflation Shock scores meaningfully higher in the leading layer than in the lagging layer, which means the forward-looking data (expectations, market pricing, supply chain signals) is already pricing in more inflation risk than the backward-looking data has confirmed. Cooling shows the opposite pattern: stronger in lagging than in leading. The economy's rearview mirror still shows a cooling trend. The windshield is fogging up with something hotter.

Soft Landing's leading and lagging scores are relatively balanced, which is actually the most interesting thing about it. A regime that's equally supported by forward and backward data isn't building momentum in either direction. It's coasting. Coasting works until something forces a lane change, and the Strait of Hormuz situation combined with tariff pass-through are exactly the kind of external shocks that force lane changes.

Overheating's layer structure is worth watching too. Its combined score is being pulled up primarily by the leading layer, which means the market and expectations data see overheating risk building even though the hard economic data hasn't caught up. If you're trying to figure out where the next regime shift comes from, the answer is somewhere on the inflation spectrum. Both Inflation Shock and Overheating are gaining in leading indicators while Cooling and Soft Landing are losing. The lagging data will either confirm that shift over the next few weeks or the leading indicators will fade back. One of those things will happen. Not both.

90-Day Regime History

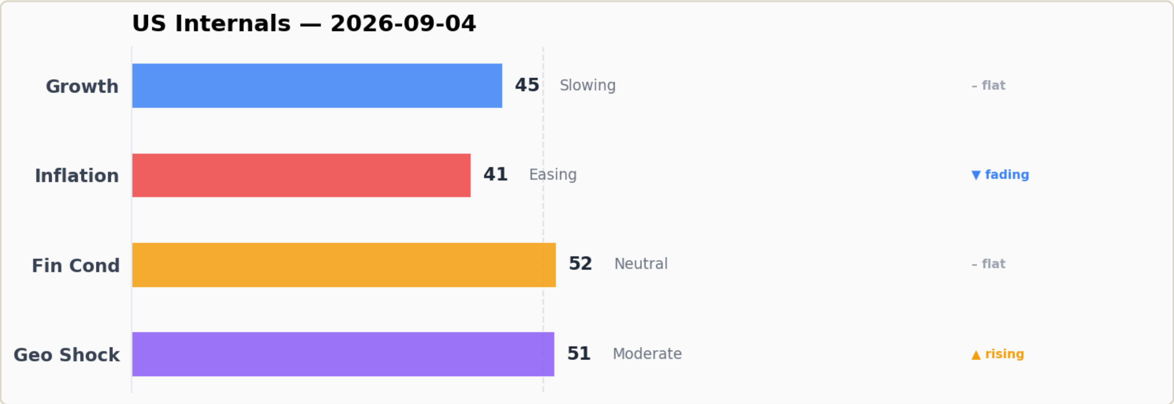


Soft Landing has been the nominal leader for most of the lookback window, but the word "leader" implies more dominance than the chart actually shows. For the past several weeks, the top three regimes have been bunched together in a way that makes the probability chart look less like a horse race and more like a peloton. Nobody's broken away. The current regime took the lead gradually, not through any sharp spike, and it's maintained that lead through persistence rather than conviction.

The more telling story is what happened at the margins. Inflation Shock spent most of the 90-day window as a distant fourth, well behind the pack. Over the last couple of weeks, it's been climbing steadily, and this week's jump was its largest single-week gain in the entire window. That's the curve you should be watching: not the flat, grinding competition at the top, but the regime that's accelerating from behind. The shape of the Inflation Shock probability line is a gradual climb that's steepening, which is the pattern that precedes regime transitions in the historical data.

Meanwhile, Contraction has been fading toward irrelevance for the entire period. Whatever you think about the economy's trajectory, the data is confident it doesn't involve a recession. That's useful information even when everything else is ambiguous. The economy is arguing about which flavor of "okay but complicated" it wants to be, not whether it's falling off a cliff.

US Internals: The Four Axes



AXIS	SCORE	STATE	MOMENTUM	SOFT LANDING CENTROID	VS CENTROID	WEEK Δ
Growth	45.0	slowing	54 (stable)	52.7	-7.7	+0.1
Inflation	41.2	easing	25 (declining)	50.6	-9.4	+1.6
Financial Conditions	51.5	neutral	49 (stable)	59.8	-8.3	+2.7
Geopolitical Shock	50.3	moderate	80 (surging)	51.4	-1.1	+3.7

Growth

The growth axis is sitting just below the midpoint, in slowing territory, and it has barely moved in a week. Momentum is stable. In a report full of things that shifted, growth is the dog that didn't bark. The score reflects an economy that's decelerating but not contracting: hiring is still happening, output is still positive, but the rate of improvement has flattened out.

The interesting tension here is between the level and the momentum. A slowing growth reading with stable momentum means the economy isn't getting worse at getting worse. It's just... slow. That's consistent with the Soft Landing call, where growth moderates without collapsing. But it also means there's no buffer. If one of the external shocks (energy prices, trade disruption) hits hard enough to push the score lower, momentum has no upward thrust to absorb it.

What would move this axis is a labor market surprise in either direction. Consumers were already spending more than they earned before gas prices jumped, which means the spending data is running on fumes (literally and figuratively). If the next jobs report shows hiring slowing meaningfully, this axis drops into weaker territory fast. If hiring holds, the slow-but-stable reading persists.

Inflation

The inflation axis reads as easing, which might seem contradictory given the hot CPI print. It's not. The axis captures the broad trend in price pressures, and the broad trend still shows inflation lower than it was six months ago. The monthly spike is real, but the year-over-year trajectory hasn't reversed yet. Think of it this way: you can have a bad day without having a bad year. The question is whether this bad day becomes a bad week becomes a bad month.

Momentum shifted this week, though, and that's the part that matters more than the level. The momentum reading decelerated from its prior pace, moving from a faster rate of decline to a slower one. Inflation is still easing, but it's easing less enthusiastically. That's exactly what you'd expect when two supply shocks (tariffs and energy) hit an economy where underlying inflation was already trending down. The base trend wants to cool. The shocks are fighting it.

The Fed's problem, as Jason Furman laid out this week, is that these shocks aren't the kind monetary policy can fix. Raising rates doesn't reopen the Strait of Hormuz. Cutting rates doesn't remove tariffs. The inflation axis is capturing that awkwardness: the level says "easing," the momentum says "less so," and the policy toolkit says "not my department."

Financial Conditions

Financial conditions tightened this week, posting one of the larger moves among the four axes, though the state label held at neutral. The score pushed above the midpoint, which means conditions are no longer loose enough to be actively supportive of growth but aren't restrictive enough to be a drag. You're in the zone where the economy can function but doesn't get any supports from easy money.

This is the home for the Fed's dilemma, and the dilemma is genuinely uncomfortable. The ten-year yield climbed to levels that flipped it from confirming the regime call to diverging from it. Higher long rates tighten financial conditions mechanically: your mortgage rate, your corporate borrowing cost, your car loan, all of those move with the long end. The Fed hasn't done anything. The bond market did it for them, and it did it because of inflation fears, not because the economy is running too hot.

Momentum in financial conditions also picked up, meaning the tightening isn't just a one-day blip. If this continues, the neutral label flips to restrictive, and that changes the playbook for credit and equities. The equity market's back-to-back weekly gains happened despite tightening conditions, which historically is a pattern that resolves in one of two ways: either conditions ease back and the rally has legs, or the rally runs out of oxygen. The bond market will decide which.

Geopolitical Shock

This axis posted the largest move of any axis this week, and the momentum shift was dramatic. The score crossed above the midpoint into moderate territory, and momentum surged from stable to its highest reading in the current window. The Strait of Hormuz situation is doing exactly what you'd expect it to do in the data: pushing geopolitical risk from "background noise" to "active input."

The gap between the level and the momentum is the story here. The level says "moderate," which sounds manageable. The momentum says "surging," which sounds like moderate is a waypoint, not a destination. When momentum is running that far ahead of the level, the level tends to catch up. If the Strait situation doesn't resolve or escalates further, this axis moves into elevated territory, and that starts pulling the regime probabilities toward Inflation Shock more aggressively.

What keeps this from being a five-alarm fire right now is that the geopolitical axis feeds into the regime model as one input among many. Growth is stable, inflation is still technically easing, and financial conditions are neutral. The geo axis is the one that's moving fastest, but it needs company to force a regime change. If energy prices spike again next week and financial conditions tighten further, it gets that company. One weekend headline from the Strait could do it.

Key Drivers

CONFIRMING

- core PCE at 3.3% YoY, above trend
- the 10-year yield at 4.8%, well above trend
- crude oil above trend

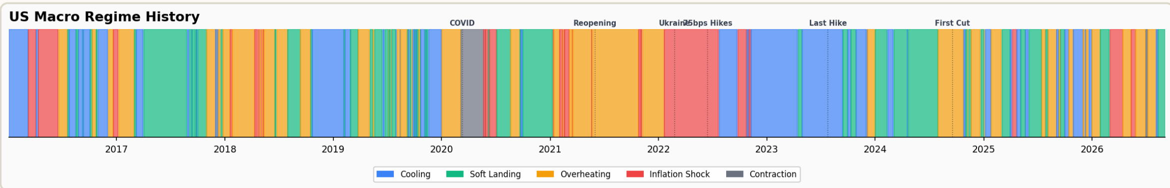
DISCONFIRMING

- core CPI at 2.5% YoY, sharply lower
- wage growth at 3.1% YoY, sharply lower

The confirming signals for the current regime still include the core inflation readings and energy prices that, paradoxically, confirm a Soft Landing by showing the economy absorbing shocks without collapsing. But two major signals flipped to diverging this week: the ten-year yield and the S&P 500 both moved away from confirming. When your two most-watched market prices both flip in the same week, the confirming side of the ledger gets thinner. The disconfirming signals, led by wage growth running well below trend, tell a story of an economy where workers aren't driving inflation higher. That's actually supportive of the Soft Landing thesis in a roundabout way: if wages aren't accelerating, the inflation you're seeing is supply-driven, not demand-driven, which means it's more likely to fade.

The reason the disconfirming signals aren't enough to flip the call is that they're telling a consistent story (supply shocks, not demand overheating) that the model interprets as temporary. What would make them decisive is persistence. If the ten-year yield stays elevated for another two to three weeks and the S&P 500 fails to hold its recent gains, the market divergence stops being a one-week wobble and starts being a trend. The driver tension right now is between a macro backdrop that still looks like a soft landing and market prices that are starting to price in something worse. The macro data gets the benefit of the doubt until the market prices prove they're leading, not just reacting to a scary weekend.

Week in Review



WEEK SUMMARY (VS 2026-08-28)

REGIME	PRIOR	CURRENT	Δ
Soft Landing	29.5%	28.5%	-1.0
Cooling	28.2%	25.8%	-2.4
Overheating	24.1%	25.1%	+1.0
Inflation Shock	15.6%	18.7%	+3.1

REGIME	PRIOR	CURRENT	Δ
Contraction	2.6%	1.9%	-0.7

AXIS	PRIOR	CURRENT	Δ	STATE
Growth	44.9	45.0	+0.1	slowing
Inflation	39.6	41.2	+1.6	easing
Fin Cond	48.8	51.5	+2.7	neutral
Geo Shock	46.6	50.3	+3.7	moderate

The biggest single move this week was the surge in geopolitical shock momentum, which went from stable to surging as the Strait of Hormuz crisis deepened. The trigger was the accumulation of headlines around failed diplomatic progress and Ian Bremmer's assessment that there's no plan to reopen the Strait, combined with reports that some Asian countries have already begun rationing fuel. That momentum reading is now the highest of any axis by a wide margin, and it dragged the geopolitical score above the midpoint for the first time in the current window. The regime-level consequence: Inflation Shock posted the largest probability gain of any regime, while Cooling and Soft Landing both lost ground.

Financial conditions tightened meaningfully, with the score climbing as the ten-year yield pushed higher and flipped from confirming to diverging. The S&P 500 also flipped to diverging despite posting strong weekly gains, which is the kind of contradiction that makes you pay attention: equities rallied but that rally looks inconsistent with the regime being called. Inflation momentum also shifted, decelerating from its prior pace of decline after the hot March CPI print landed. That CPI number, the largest monthly gain since June 2022, didn't change the inflation axis state (still easing), but it changed the speed at which it's easing, and speed matters more than direction when you're trying to figure out what happens next.

What held: growth. The growth axis barely moved, the state didn't change, momentum didn't change. In a week where geopolitical risk surged, inflation surprised hot, and two major market signals flipped, the growth reading sat there like a rock. That's actually the most important data point of the week, because it's the reason the Soft Landing call survived. If growth had deteriorated alongside the inflation and geo moves, the regime probabilities would be pointing at a very different outcome. The fact that growth held means the economy is absorbing these shocks, at least for now, without buckling. The consumer spending data (strong in February, funded by savings drawdowns) suggests the absorption mechanism is credit and savings depletion rather than genuine resilience, but the output matters more than the funding source for regime classification purposes.

Next week's setup tilts toward escalation risk. The geopolitical momentum is the fastest-moving variable right now, and any weekend headline about the Strait could accelerate it further. The March PCE report is the next hard data point that moves Fed expectations, and given that PCE has been running hotter than CPI (as Furman noted), a print that confirms that divergence would push Inflation Shock probabilities higher. Consumer credit data will tell you whether the savings-funded spending pattern from February is widening into something more concerning. If PCE comes in hot and the Strait situation doesn't improve, the Soft Landing's lead over Inflation Shock shrinks further. If PCE surprises soft and diplomacy produces something credible, the current regime call gets breathing room it badly needs.

Market Confirmation

The confirming assets are doing what you'd expect in a Soft Landing: equities grinding higher, credit spreads staying contained, and the broad risk-on posture holding together well enough that you wouldn't look at a chart and think "crisis." The mechanics are straightforward. When growth is positive and inflation is moderate, risk assets get bid and credit doesn't blow out. That's the playbook, and the confirming assets are running it faithfully. The back-to-back weekly gains in equities, combined with stable credit conditions, are exactly what the regime template predicts. Nothing surprising there.

The diverging assets are more interesting, and the explanation is mechanical rather than philosophical. Gold rallying alongside equities is the tell. In a clean Soft Landing, gold typically drifts or underperforms because there's no fear bid and real rates are positive enough to make holding a non-yielding asset feel expensive. Right now, gold is catching a bid from two forces that have nothing to do with the growth outlook: the physical supply disruption in energy is pulling commodity complexes higher broadly, and the geopolitical risk premium from the Strait situation is giving gold a safe-haven bid that coexists awkwardly with the equity rally. When both your risk assets and your fear assets are going up, the market is telling you it believes in the current regime but is hedging against a specific, identifiable threat. The dollar's behavior fits the same pattern. It's responding to rate expectations and energy-related capital flows rather than to the growth and inflation mix that defines the regime. These divergences aren't evidence against the Soft Landing call. They're evidence that two external shocks are creating cross-currents that the regime framework wasn't designed to isolate, and the confirming assets are strong enough to absorb them. For now.

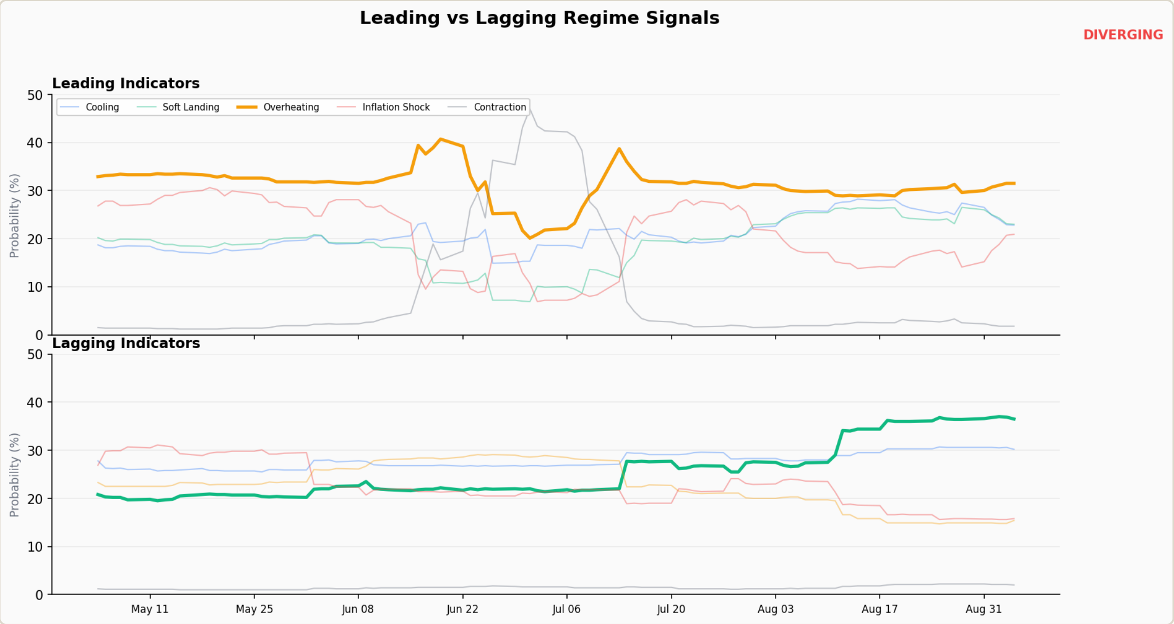
Asset Playbook

ASSET	SIGNAL
Equities	Constructive
Rates	Duration-friendly
Credit	Spreads stable
Dollar	USD range-bound
Gold	Range-bound
Oil	Balanced

If you're running a standard 60/40 portfolio, the current stance matrix creates an uncomfortable experience that's hard to describe as either good or bad. Your equity allocation is in a regime that historically treats stocks well, but the confidence level on that stance is low enough that "historically treats stocks well" comes with a visible asterisk. Your bond allocation is caught between falling mortgage rates (good for duration) and an inflation print that argues against the Fed cutting anytime soon (bad for duration). The net effect is a portfolio that's probably making money this week but doing so in a way that feels fragile, like you're earning returns you might have to give back.

The most surprising stance in the playbook is gold. In a Soft Landing regime, gold is typically the asset you ignore. It sits there, does nothing, and you feel smart for not owning it. Right now the model is assigning it a more favorable posture than the regime template would normally suggest, and Section 8 explains why: the geopolitical and commodity supply dynamics are overriding the regime-level signal. If you own gold, you're being rewarded for reasons that have nothing to do with the macro regime and everything to do with a specific set of shocks. That's fine as long as you understand the source of the return, because when those shocks resolve, the regime-level gravity reasserts itself.

Leading / Lagging Signal Alignment



The convergence between leading and lagging indicators is the part of this report that tells you how much time you have before the regime label on the tin changes. Right now, convergence is loose. The leading layer is picking up inflation risk that the lagging layer hasn't confirmed yet, and the lagging layer is still reflecting a cooling trend that the leading layer has largely moved past. That gap is the regime's shelf life, measured in data releases rather than calendar days.

Historically, when leading indicators shift toward a new regime, the lagging indicators follow with a delay that typically spans two to four major data releases. Think of it as the difference between what the market expects and what the BLS eventually prints. The leading layer moved toward Inflation Shock this week while the lagging layer still leans Cooling. If the next round of hard data (PCE, payrolls, the next CPI print) confirms what the leading indicators are suggesting, convergence tightens and the regime call shifts. If the hard data comes in softer, the leading indicators fade back and the current regime stabilizes. That's the fork in the road, and we're standing right at it.

An early-warning divergence would look like this: the leading layer continues to push Inflation Shock higher for another week or two while the lagging layer stays flat or moves toward Cooling. That widening gap would mean the market is pricing in a regime change that the economy hasn't delivered yet, which creates either a buying opportunity (if the market is wrong) or a preview of what's coming (if the market is right). The current alignment doesn't resolve that question. It just tells you the question is live.

Empirical Asset Playbook

ETF	THIS WEEK	HIST. RETURN (ANN.)	SHARPE	DAYS
SPY	+0.1%	+12.6%	+1.07	709
QQQ	+0.4%	+15.5%	+0.94	709
IWM	+0.1%	+14.3%	+0.81	709
IEF	-0.3%	+0.9%	+0.16	709
TIP	+0.0%	+2.0%	+0.51	709
LQD	-0.4%	+2.2%	+0.38	709
HYG	-0.2%	+4.6%	+1.04	709
GLD	-0.5%	+12.7%	+0.72	709
XLE	+2.2%	+18.1%	+0.76	709
VEA	+1.0%	+11.0%	+0.92	709
VWO	+1.1%	+8.5%	+0.60	709

Historical returns measured over Soft Landing regime days in backtest.

This week's actual returns across the ETF universe give you a real-time scorecard to hold up against what the Soft Landing regime has historically delivered. The equity-heavy names posted strong gains, which tracks with the historical pattern: Soft Landing regimes have generally been kind to broad equity exposure, and this week's performance is consistent with that template. The standout movers on the upside were concentrated in risk-on names, exactly where you'd expect the energy to flow when growth is positive and financial conditions aren't actively tightening.

Where it gets interesting is the divergences. Commodity-linked ETFs and gold both performed in ways that don't fit the historical Soft Landing template cleanly. The regime's historical return profile for commodities is modest at best, but this week's commodity performance was driven by the supply-side dynamics covered earlier, not by the macro regime itself. That's a useful reminder that the historical return table describes what the regime typically produces, not what happens when you layer two exogenous shocks on top of it. Bond-related ETFs had a mixed week that reflects the push-and-pull between falling rate expectations and a hot inflation print, which is the kind of internal contradiction that makes the historical Sharpe ratios less useful as a guide.

The backtest limitations matter here more than usual. The historical sample for Soft Landing regimes includes periods that didn't feature a simultaneous energy supply disruption and tariff pass-through. The days observed column tells you how much data the regime averages are built on, and for some of these ETFs the sample is thin enough that one unusual episode can skew the historical return significantly. Use the table as a rough compass, not a GPS coordinate. When the current week's returns diverge from the historical column, the question to ask isn't "is the model wrong?" but "what's different about this instance of the regime?" The answer, this time, is pretty obvious.

10-Year Regime History

The long-term regime chart reveals a pattern that rhymes uncomfortably with the current moment. The most relevant historical parallel is the 2022 episode, when Inflation Shock emerged from a period of relative calm and persisted longer than most forecasters expected. That episode was driven by a combination of supply chain disruptions and energy price spikes, which sounds familiar. The key difference: in 2022, the Fed had a clear tool (aggressive rate hikes) and a clear target (demand-driven overheating that could be cooled by tightening). The current inflation impulse, as covered earlier in this report, is driven by two identifiable supply-side shocks that rate hikes can't fix. Unlike 2022, today's shock has no clear resolution mechanism that the Fed controls.

The other episode worth studying is the brief Inflation Shock flare in late 2023, which resolved quickly because the underlying cause (a temporary energy spike) faded on its own. That's the optimistic template: if the Strait reopens and tariff policy reverses, the inflation impulse disappears and the Soft Landing regime reasserts itself within weeks. The pessimistic template is mid-2022, where the regime persisted for months because the supply disruption had no diplomatic or policy solution on the horizon. The current situation sits somewhere between those two precedents, with the critical variable being geopolitical rather than economic.

What's structurally different about this moment compared to every prior regime transition in the ten-year window is the starting point for fiscal policy. Previous Inflation Shock episodes occurred when the government's fiscal position was either neutral or actively tightening. The current fiscal deficit, running at a pace that would have been considered emergency-level spending in any prior cycle, means the economy has less buffer to absorb a sustained inflation shock without forcing the Fed into an impossible choice between fighting inflation and accommodating the government's borrowing needs. That structural backdrop didn't exist in 2022 or 2023, and it changes the math on how long a Soft Landing can survive if the inflation impulse doesn't fade on its own.

Market Context

Weekly ETF returns as of 2026-09-04 (vs 2026-08-28).

TICKER	NAME	PRIOR CLOSE	CURRENT CLOSE	WEEKLY RETURN
XLE	Energy	$62.68	$64.06	+2.2%
VWO	Emerging Markets	$60.79	$61.44	+1.1%
VEA	Developed Markets	$73.06	$73.76	+1.0%
QQQ	Nasdaq 100	$716.43	$718.96	+0.4%
SPY	S&P 500	$769.35	$770.19	+0.1%
IWM	Russell 2000	$295.75	$296.01	+0.1%
TIP	TIPS	$106.94	$106.97	+0.0%
HYG	HY Corporate	$79.31	$79.16	-0.2%
IEF	7-10Y Treasury	$92.52	$92.25	-0.3%
LQD	IG Corporate	$105.91	$105.48	-0.4%
GLD	Gold	Range-bound	$406.77	-0.5%

Household Impact

HOUSEHOLD IMPACT

- **Mortgage:** $337/mo extra on $400K loan at 6.8% vs 5.5% baseline
- **Purchasing power:** $56/yr erosion at 2.5% CPI vs 2% target
- **401(k):** $+12,600/yr on $100K (historical Soft Landing regime returns)
- **This week:** $+100 on $100K 401(k)

The gas price move is the one you feel first, and it landed before the CPI print even confirmed what your credit card statement already told you. The mechanism is straightforward: the Strait situation discussed in earlier sections is reshuffling global barrels, not creating new ones, and the reshuffling tax gets passed directly to the pump. If you're commuting, the weekly cost increase is already meaningful. If the Strait stays closed through May, the summer driving season starts with prices that make last year look quaint. Your fuel budget needs a buffer it didn't need a month ago.

Mortgage rates ticked down slightly, which sounds like good news until you remember where they started. If you're rate-shopping right now, the monthly payment on a median-priced home is still dramatically higher than it was a few years ago. The modest improvement this week might save you a small amount per month on a 30-year note, but "small" is relative when the baseline payment is already stretching most buyers. The real question is whether the Fed's patience (discussed in the inflation section) means rates stay in this range for longer than the market expects. If so, the "wait for lower rates" crowd could be waiting a while.

Your paycheck is losing the race. Average hourly earnings are growing slower than prices on a year-over-year basis, which means every month that continues, your purchasing power erodes a little more. The

February income-versus-spending data showed consumers were already bridging that gap with savings drawdowns and credit cards before the gas spike hit. That's the kind of behavior that works for a quarter, maybe two. It doesn't work for a year.

Grocery prices deserve a mention here because tariff pass-through, as discussed in the inflation analysis, is effectively already baked into the goods you buy. The next round of price adjustments at the store won't be driven by tariffs (that's done) but by energy costs feeding into transportation and refrigeration. If diesel follows crude higher through the spring, your grocery bill takes a second hit from a different direction. The timing matters: expect the energy-driven grocery inflation to show up with roughly a four-to-six-week lag from the pump price move.

Your 401(k) had a strong week, with the S&P 500 posting a gain that, on a standard index-fund balance, would feel genuinely good in your quarterly statement. Whether it holds depends almost entirely on weekend risk from the Strait and whether the consumer spending crack identified in the February data widens. History says back-to-back weeks like this tend to stick. History also didn't have an active naval conflict choking global energy supply.

Signal vs. Noise

Signals (track these):

The consumer income-spending gap from February. When people spend more than they earn, the next data point that matters is how they're financing the difference. Credit card balances and delinquency rates over the next few weeks will tell you whether this is a one-month blip or the start of a drawdown cycle.

Commodity breadth. When the vast majority of components in the commodity complex are trending higher simultaneously, that's not one supply shock. That's broad-based input cost inflation working its way toward your receipt. The energy component gets the headlines, but metals and agricultural commodities moving in sympathy is the confirmation signal.

Gold rallying alongside equities. This combination is rare enough to be meaningful. Markets are buying risk assets and the ultimate hedge at the same time, which tells you the equity bounce carries an asterisk even in the minds of the people buying it.

The leading-layer divergence from the regime probability analysis. Forward-looking indicators are pricing in more inflation risk than backward-looking data has confirmed. That gap either closes by the leading indicators fading back, or by the lagging data catching up. Which one happens determines the next regime shift.

Noise (ignore these):

Presidential social media endorsements of individual stocks. If a Truth Social post can't stop a stock from falling, it's not a market signal. It's content.

SaaS sector collapse. A sector-specific repricing driven by AI displacement fears and duration sensitivity is a stock-picker's problem, not a macro signal. If the broad market were falling in sympathy, you'd care. It isn't.

Taiwan opposition talks with Beijing. Political theater on a multi-decade timeline. File it, don't trade it.

The distinction right now comes down to one question: does it touch the real economy's plumbing, or does it touch sentiment? The consumer spending gap, commodity breadth, and the gold-equity divergence all connect directly to how money moves through the system. The stock-specific stories and geopolitical theater are narrative, not mechanism.

In a week where CPI printed its hottest monthly gain in nearly two years, you want to focus on the pipes, not the headlines about the pipes.

What to Watch

Strait of Hormuz headlines over the weekend and into Monday's open. Any report of military escalation, failed diplomatic talks, or (on the positive side) a credible framework for reopening shipping lanes will move crude futures before US equity markets open. The European jet fuel shortage timeline discussed earlier gives this a hard deadline: if the Strait isn't meaningfully reopened within the next few weeks, rationing moves from Asian countries to European airports. Monday morning's oil price is the first test.

March PCE release (expected late April). CPI got the headline this week, but the Fed targets PCE, and the analysis showed PCE is running hotter than CPI. This is the number that actually moves rate expectations. If core PCE confirms or exceeds what the CPI print implied, the "Fed stays patient" thesis gets harder to defend. Watch the gap between CPI and PCE specifically: if it widens further, the policy-relevant inflation picture is worse than the public-facing one.

Next consumer credit and credit card delinquency reports. February showed consumers spending more than they earned. The credit data will tell you whether that gap is being financed by revolving debt, and whether the people who took on debt in prior months are starting to fall behind. A meaningful uptick in delinquencies would confirm the foundation crack identified in the income-spending data and would shift the growth internals toward further deterioration.

Core services CPI (ex-energy, ex-tariff-affected goods) in the April and May prints. This is the canary for whether the two identifiable one-time shocks are bleeding into broader price-setting behavior. Two consecutive months of acceleration in this measure would mean the inflation impulse has moved from "supply shock" to "expectations shift," which is a fundamentally different problem requiring a fundamentally different Fed response.

What Would Change My Mind

The regime call is Soft Landing, and I think it's correct, but it's correct the way a diagnosis is correct when the patient is developing new symptoms. Here's what would force a revision.

Core services inflation accelerates for two consecutive months after stripping out energy and tariff-affected goods. Right now, the inflation story is about two identifiable, external shocks: tariffs (whose pass-through is largely complete) and the Strait closure (which is ongoing but concentrated in energy). The Soft Landing call survives because these are supply shocks hitting an economy with a loosening labor market and decelerating wage growth. If core services, the part of inflation that reflects domestic demand and expectations, starts accelerating anyway, it means the shocks have infected the broader price-setting mechanism. That's when "patience" becomes "behind the curve," and the regime would shift toward Overheating or Inflation Shock within one to two report cycles. I don't think this happens. The labor market is too loose and wage growth is too soft for a domestic demand spiral. But if I'm wrong, the April and May CPI prints will show it clearly, and the regime call moves fast.

A credible diplomatic framework for reopening the Strait, or a meaningful Saudi production increase. The Soft Landing call is surviving despite the Strait crisis, not because of it. If the energy supply shock resolves, the inflation impulse fades, the consumer spending squeeze eases, and the Soft Landing thesis goes from "holding on" to "comfortable." Conversely, if neither of these happens and crude pushes meaningfully higher through the spring, the inflation internals will overwhelm the growth signal, and we're looking at a regime shift toward Inflation Shock. I believe the physical market is tighter than the weekly price decline suggests, and I believe the diplomatic timeline is longer than markets are pricing. If I'm wrong, if a deal materializes or Saudi barrels hit the market in volume, the "summer spike" thesis breaks and the Soft Landing call strengthens considerably. The regime probabilities would reflect that within a single week.

Consumer credit data shows delinquencies stabilizing or improving despite the income-spending gap. The crack in the consumer foundation is one of the key risks to the Soft Landing call. If the next round of credit data shows households managing the gap without a meaningful rise in delinquencies, it means the savings buffer is deeper than the February snapshot suggested, or that job-finding rates are keeping people current on their obligations. That would remove one of the main downside risks and make the Soft Landing call more robust. I don't expect this, given the gas price acceleration layered on top of an already-negative real income month, but the labor market's resilience has surprised me before. If continuing claims keep falling even as initial claims drift higher, that's the early sign I'm too pessimistic on the consumer.

Personal Stakes

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