CARSON

Charts of the Week

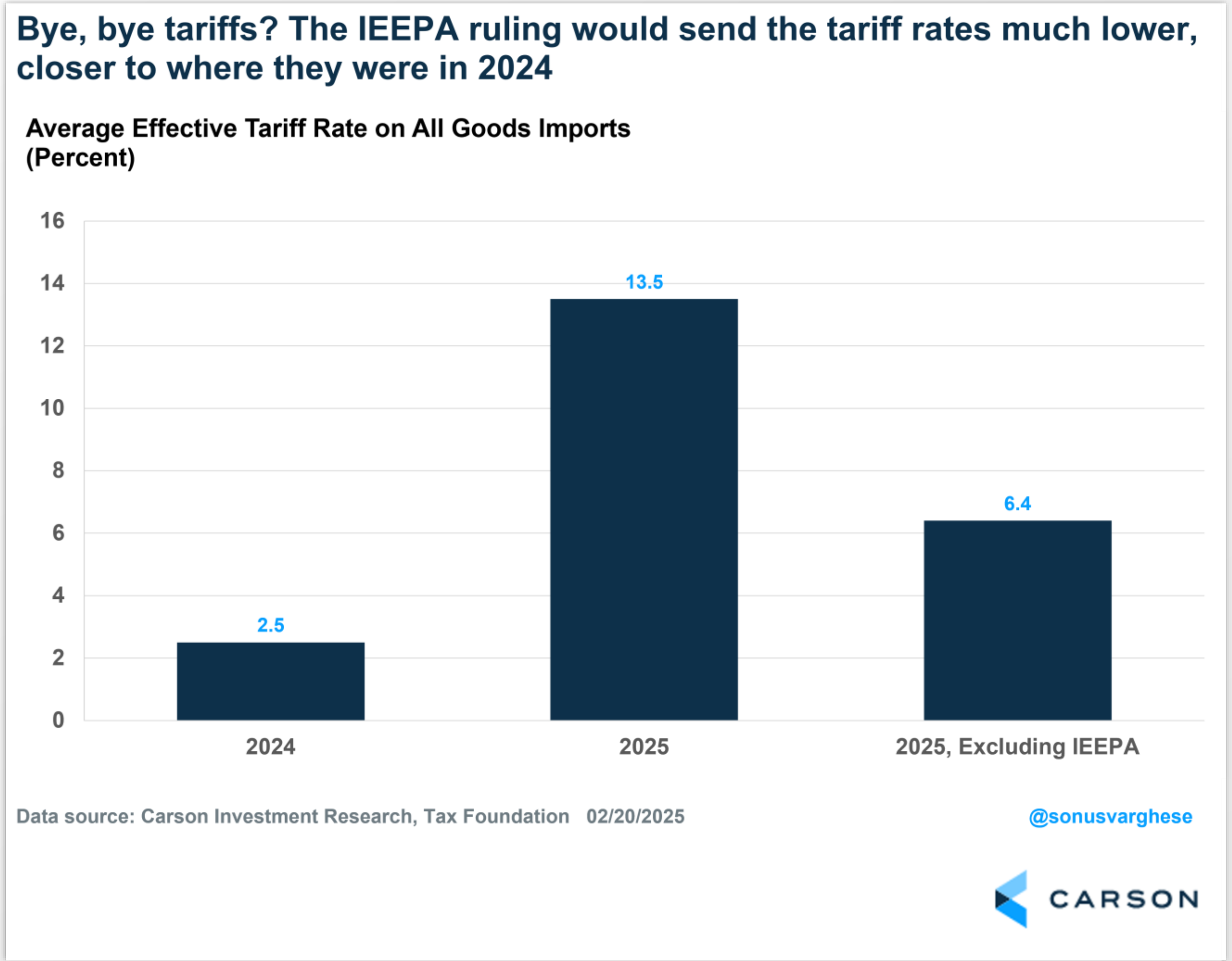
Carson Investment Research

February 16 - 20, 2025

Chart of the Week

Tariff Shock, Un-Shocked

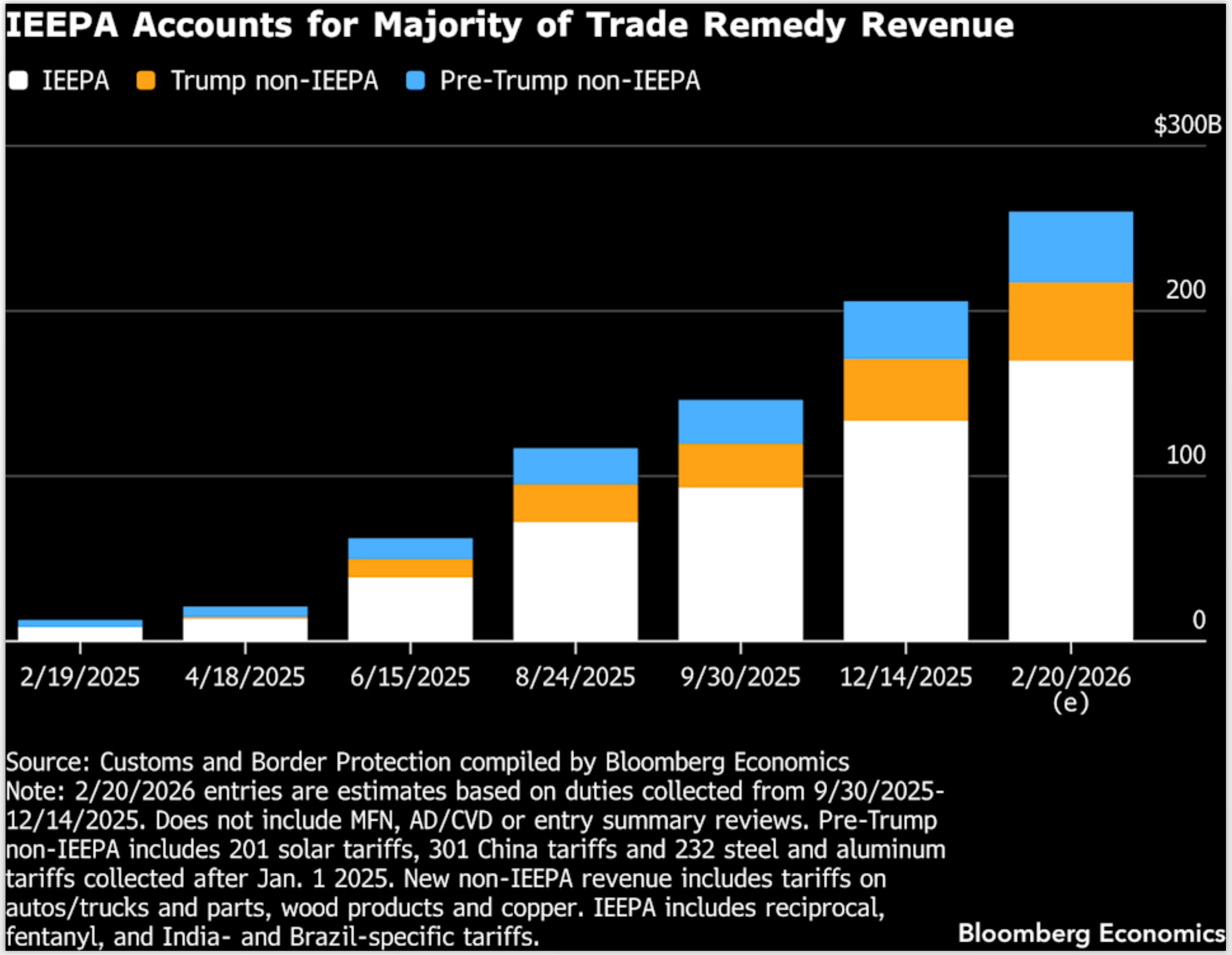
- 2025's average effective tariff rate jumps to 13.5%, vs 2.5% in 2024. A massive policy-driven wedge.
- This comes after the Supreme Court's decision to rule against the Trump Administrations tariffs put in place by the IEEPA.
- Excluding IEEPA, 2025 drops to 6.4%: still above 2024, but a very different "tax" on importers.



Macro

IEEPA Tariffs Is Doing the Heavy Lifting on Revenue

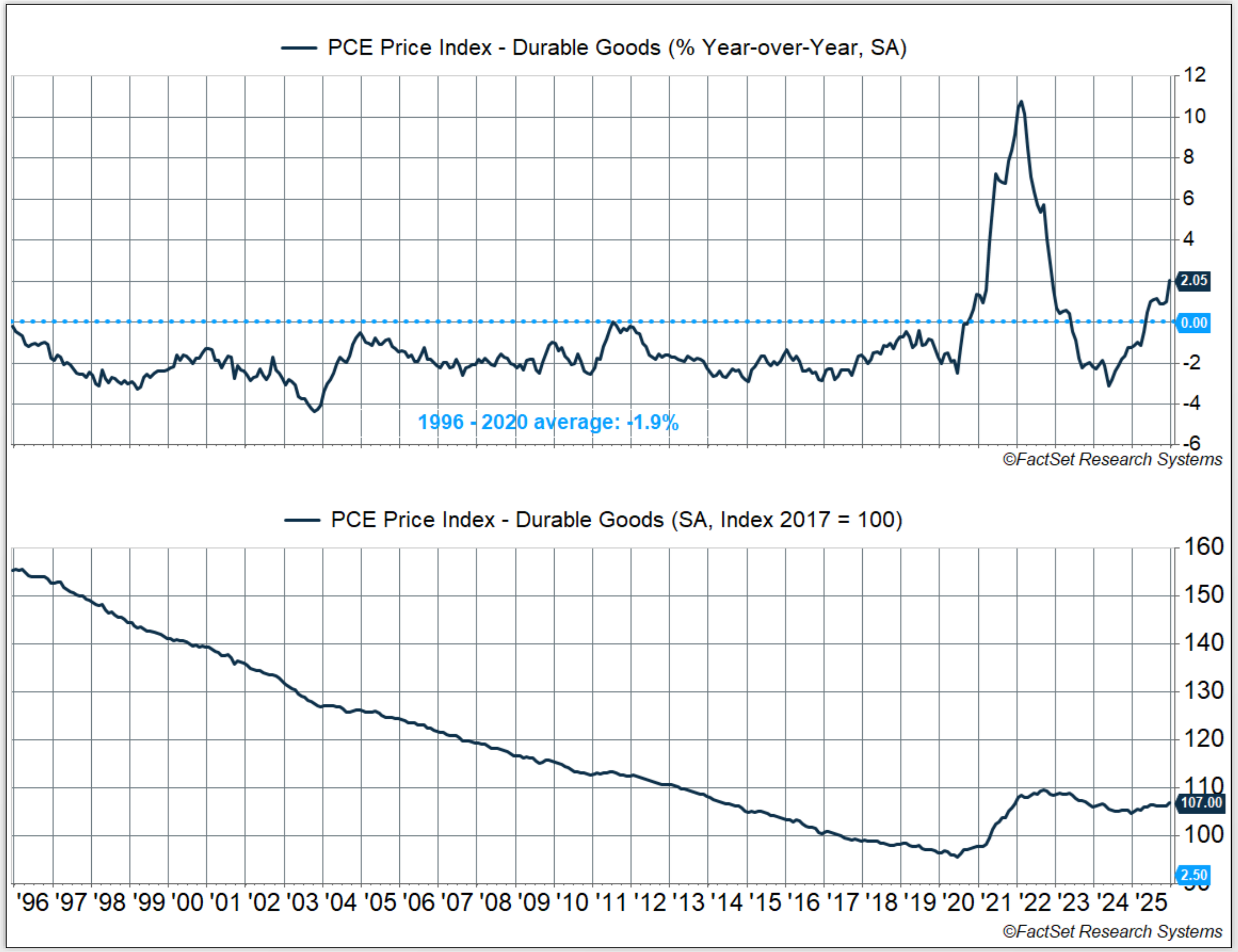
- The stack shows IEEPA tariffs account for most trade-remedy revenue growth over 2025–26.
- Since the legal basis changed, the fiscal flow changes, and so does the uncertainty for importers planning inventory and pricing.



Macro

Durable Goods Inflation Has Flipped

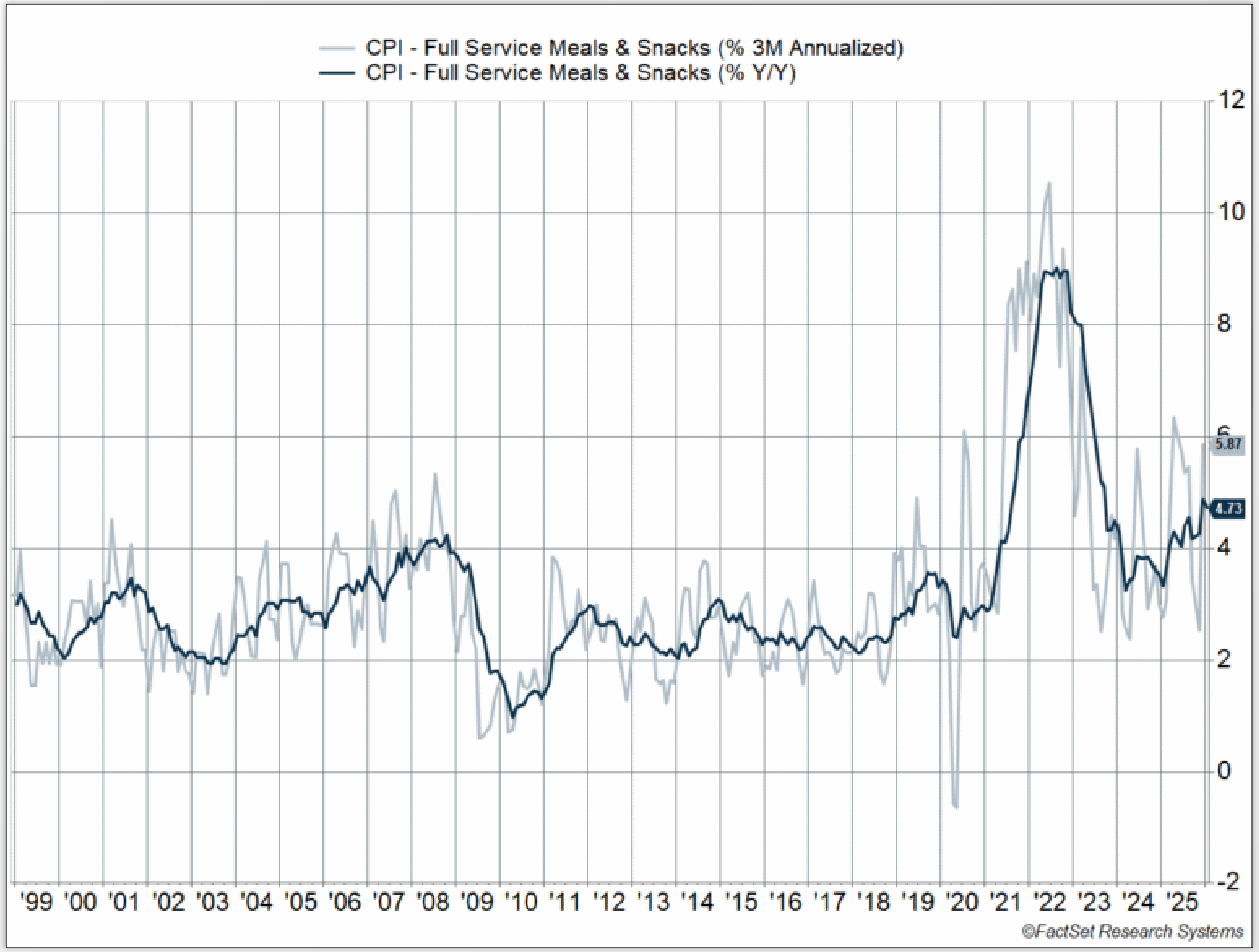
- For ~25 years (1996–2020), durable goods prices fell ~1.9% per year, a built-in disinflation tailwind.
- Post-2020, that tailwind is gone: durable goods inflation is back above zero (~2% y/y) and the price level never returned to the old trend.



Macro

Restaurant Inflation Is Still Too Hot to Call Normal

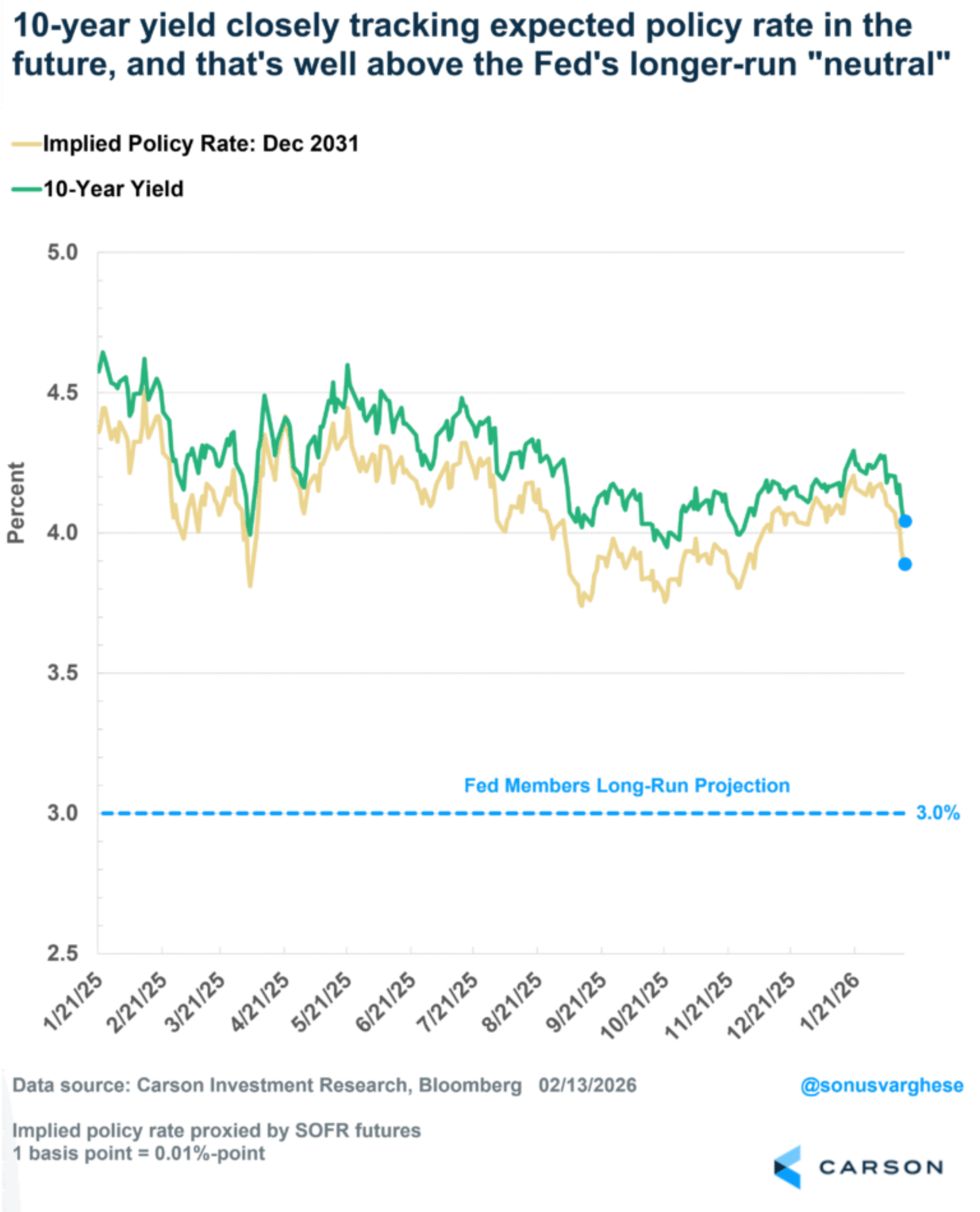
- “Full service meals & snacks” is running about 4.73% y/y, with ~5.87% on a 3-month annualized basis.
- This category bundles wages + rent + food inputs, so it’s a decent “pressure gauge” for underlying services inflation.



Macro

The Bond Market Doesn’t Believe in 3% Neutral

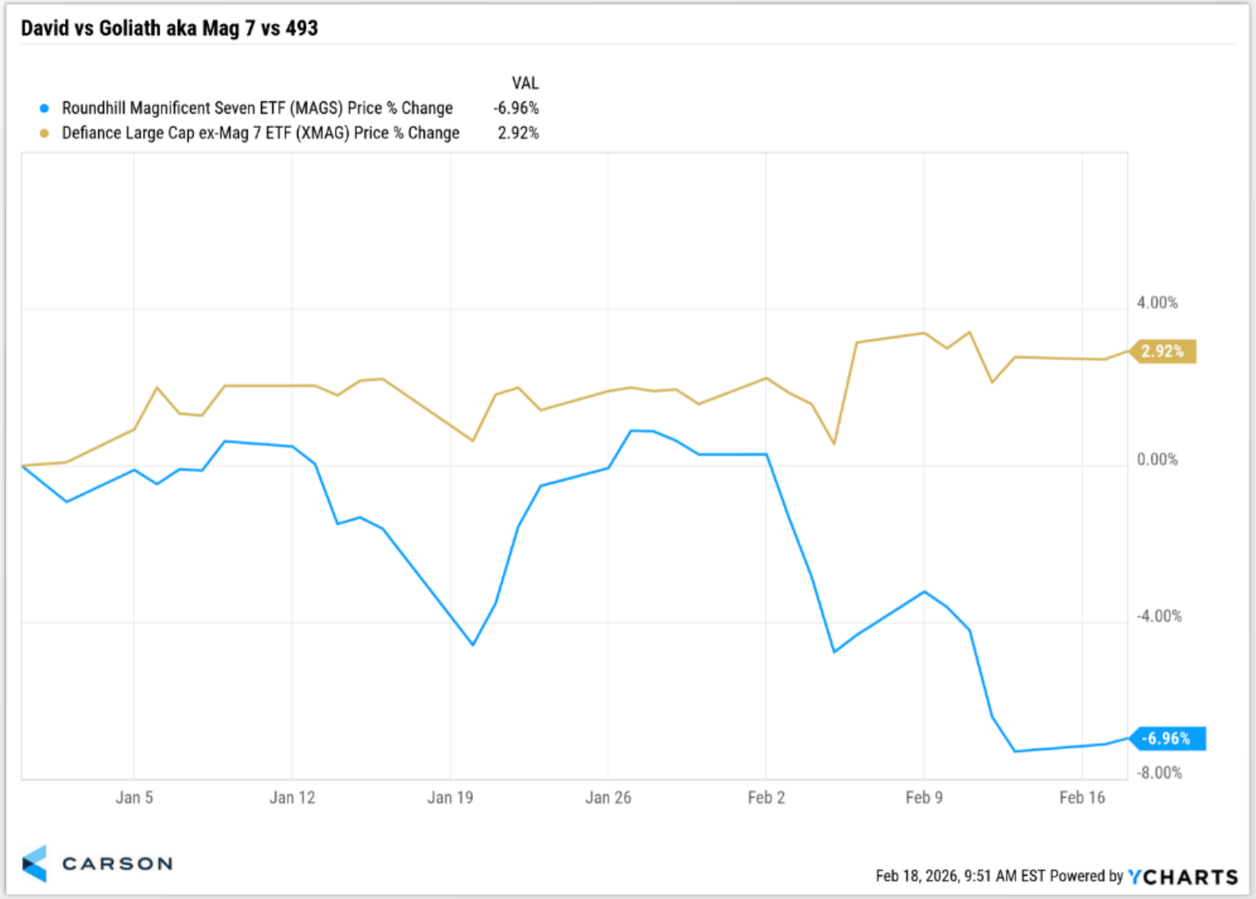
- The 10-year yield tracks implied future policy pretty tightly. Policy expectations are still doing the steering.
- Both lines sit well above the Fed’s long-run projection (~3.0%), implying the market expects higher-for-longer in the out-years even if cuts happen near-term.



Equities

2026 Has Been 493 vs. 7

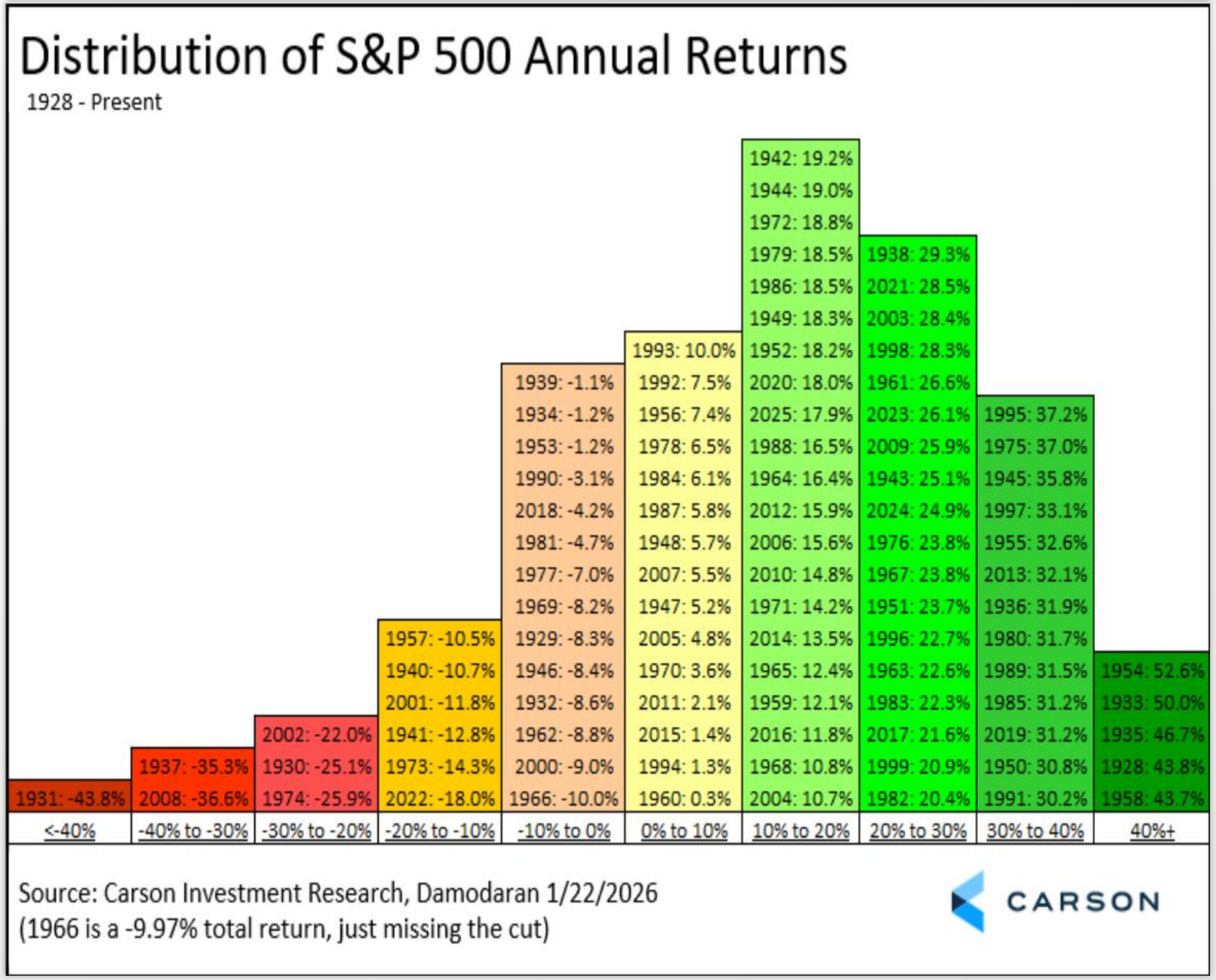
- As of mid-Feb, Mag 7 proxy (MAGS) -6.96% while ex-Mag 7 (XMAG) +2.92%
- This is the kind of tape where index-level calm can hide a lot of internal dispersion.
- If this persists, it changes how investors should interpret “the market” (cap-weighted headlines vs. typical stock experience).



Equities

Annual Returns Are Lumpy to the Upside!

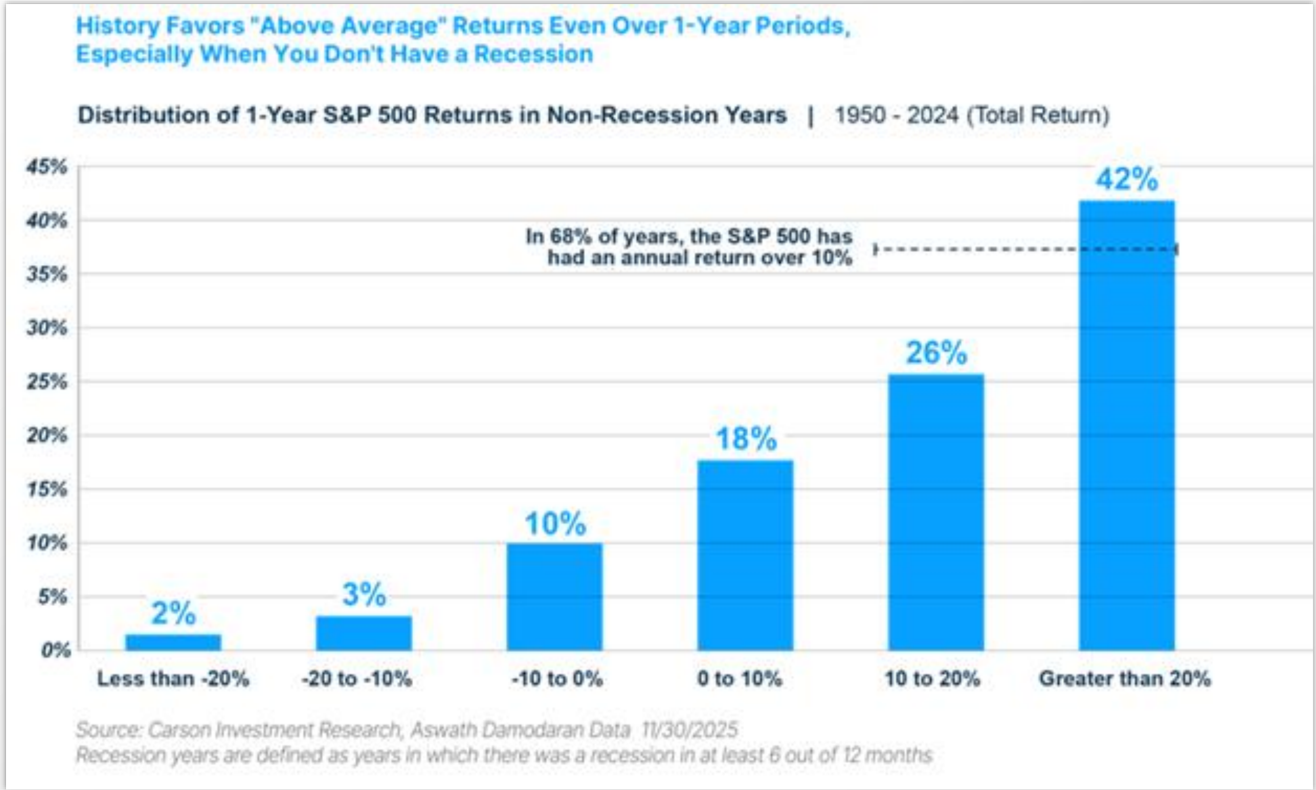
- The long history shows wide dispersion, with a meaningful cluster of very strong years alongside occasional deep drawdowns.
- Missing a handful of outlier years can matter more than "being right" in average years.



Equities

When There's No Recession, the Odds Skew Up

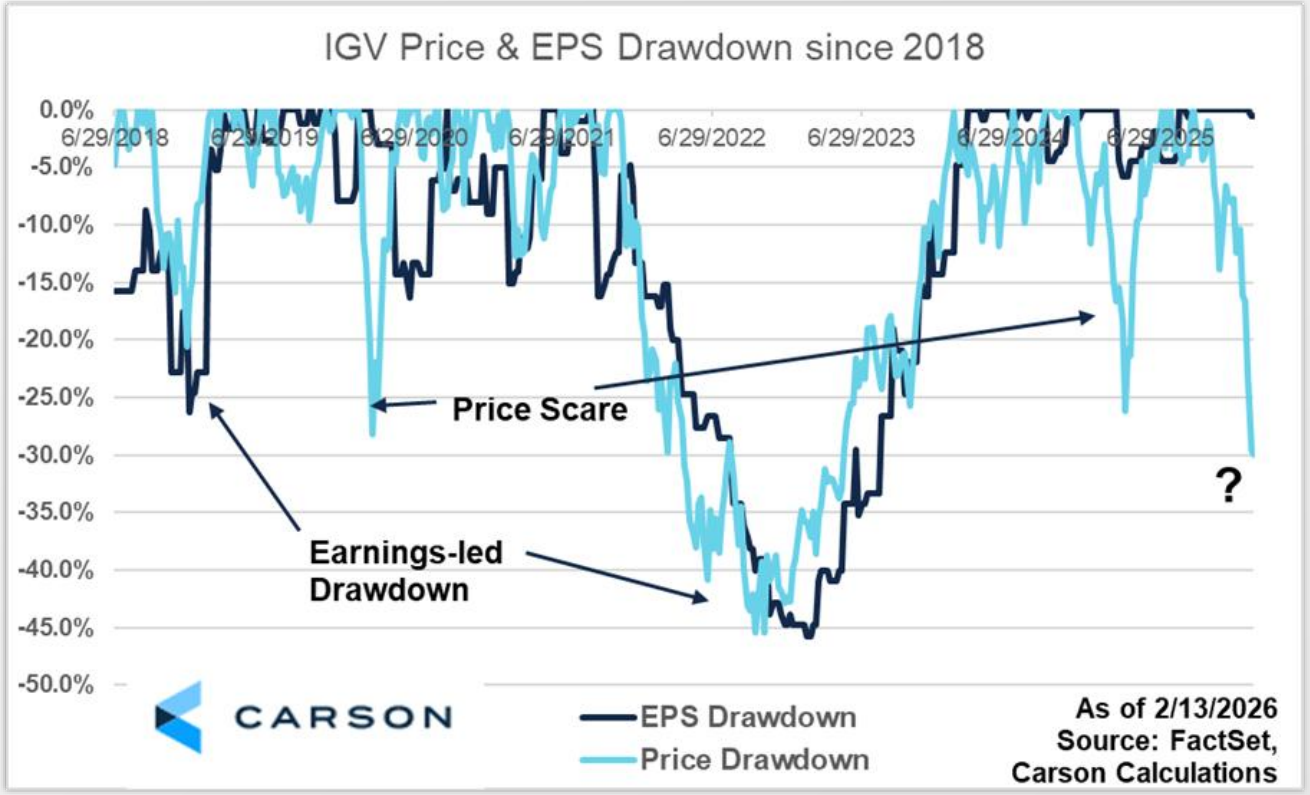
- In non-recession years (1950–2024), 42% of outcomes are >20%, and 68% are >10%.
- Left-tail outcomes still happen (e.g., 2% worse than -20%), but the distribution is clearly tilted.
- In our 2026 outlook, our base case is no recession in 2026 which we think could lead to a strong year in equity markets.



Tech / Software

Software Selloff: Scare or Earnings?

- IGV is roughly ~30% off highs while EPS hasn't (yet) fallen in-line. The chart is basically asking whether earnings roll over next.
- History in software: price-only scares heal faster than earnings-led drawdowns.
- If revisions hit, the recovery path can look more like 2018/2022 than 2020/2025.

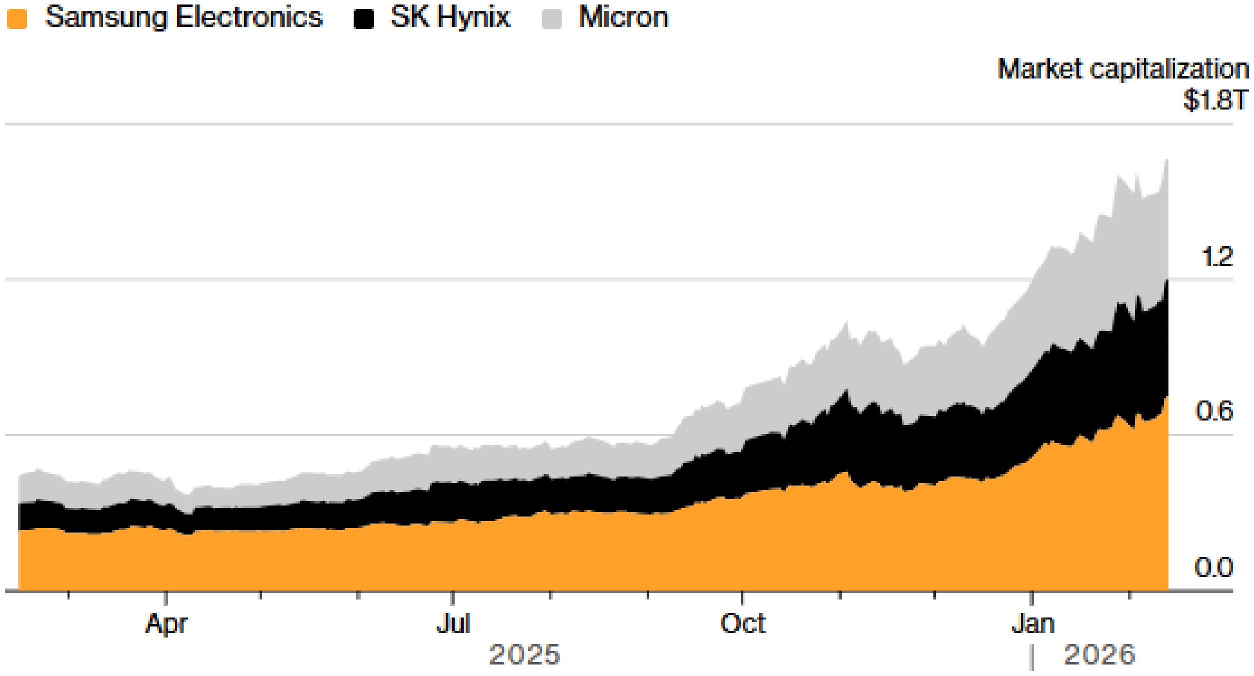


Tech / Software

AI's Memory Is Creating Some Winners

- The top memory makers have added >$1T in value since August, reaching roughly $1.8T combined market cap.
- This supports the "AI capex isn't slowing" narrative. Demand is strong enough to reshape industry capacity priorities.

Three top memory makers added more than $1 trillion in value since August



Source: Bloomberg

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