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Charts of the Week

Carson Investment Research

January 26 - 30, 2025

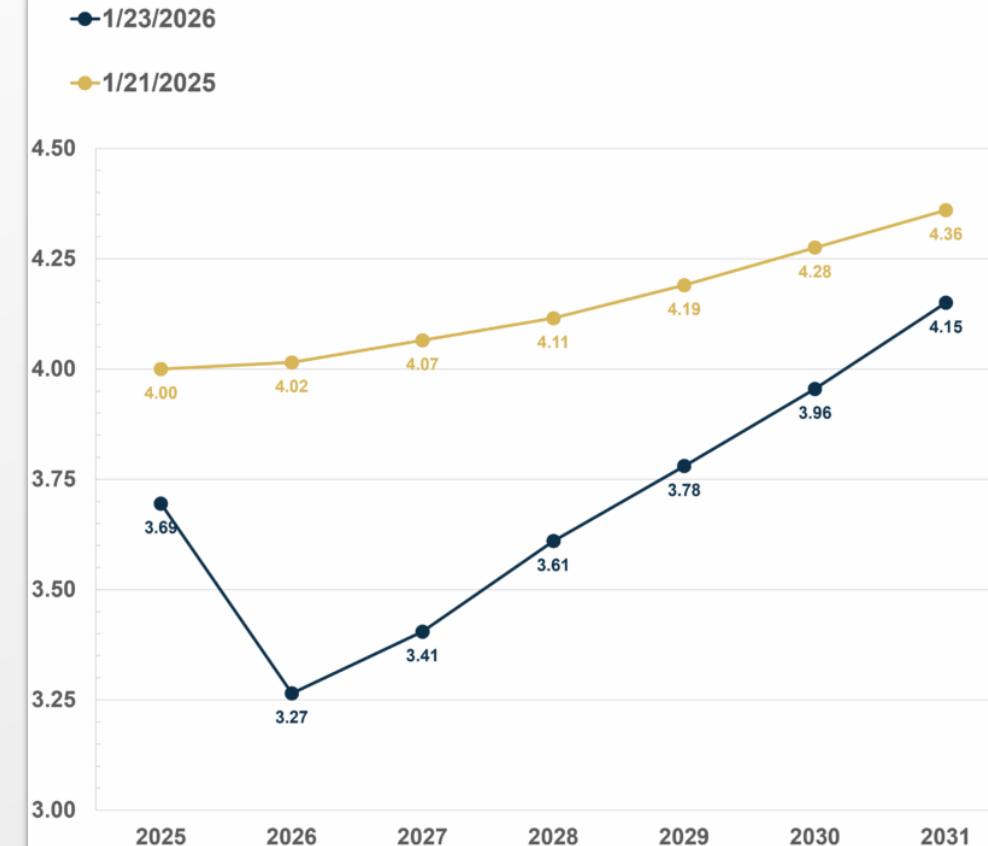
Chart of the Week

The Market Cut the Fed Path, Long Rates Didn't Care

- In one year, the market's implied policy-rate path shifted meaningfully lower: 2026 fell from ~4.02% to ~3.27% (~75 bps), while 2031 fell from ~4.36% to ~4.15% (~20 bps).
- At the same time, ultra-long Treasury yields are still sitting near cycle highs (~5% area). A clean signal that term premium / supply / deficit angst is doing more work than "Fed cuts" at the long end.
- Even if the Fed eases, financial conditions can stay sticky if the market demands more compensation for duration risk.

Expectations for future policy rates have plunged over the past year

Implied Fed Policy Rate Expectations



Data source: Carson Investment Research, Bloomberg 01/25/2025

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Implied policy rate proxied by SOFR futures



Macro

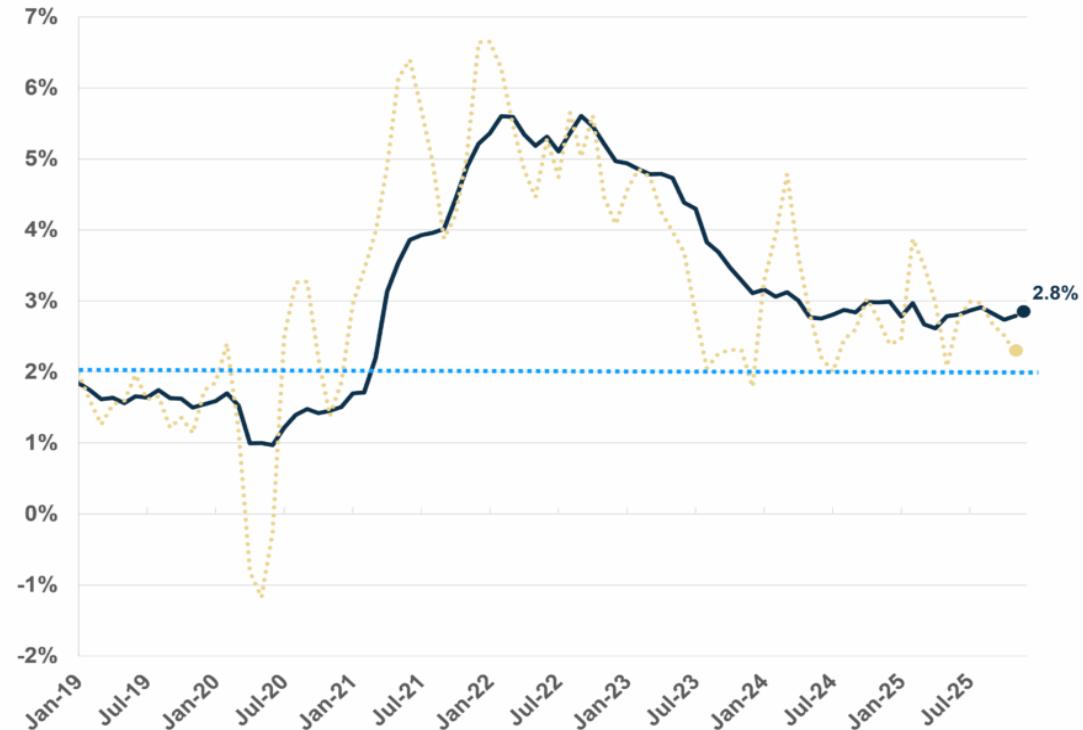
Inflation's “Quiet” Problem: Services Won't Behave

- Core PCE inflation is still ~2.8% YoY, clearly above the 2%
- The 3-month annualized rate keeps bouncing. Inflation progress isn't linear, it's sticky + choppy.
- This supports a “cut carefully” setup: inflation isn't re-accelerating broadly, but it's also not done.

Core inflation stays stubbornly high

Personal Consumption Expenditure Price Index
Excluding Food and Energy (November 2025)

— Year-Over-Year
... 3-Month Annualized Rate



Data source: Carson Investment Research, FRED 01/24/2026

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Macro

Core Services Ex-Housing is Still Elevated

- Core services ex-housing is around the low-3% range (~3.3% YoY) which is still above pre-Covid norms.
- The chart shows “not a lot of progress” lately, meaning disinflation is slowing where it matters most.
- If this doesn’t cool, inflation falls to wages/services dynamics, not goods.

Not a lot of progress: core services (ex housing) inflation remains quite elevated

Personal Consumption Expenditure Price Index
Core Services ex Housing (November 2025)



Data source: Carson Investment Research 01/22/2026
FRED, Bloomberg

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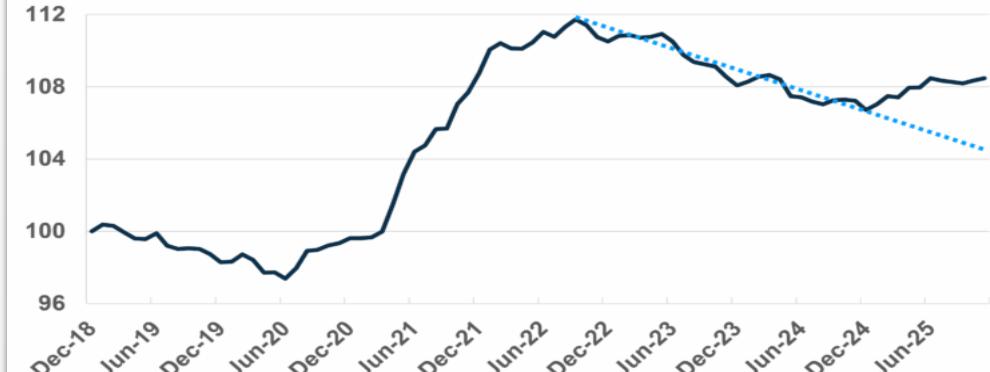
Macro

Goods Inflation Is Back... Not Huge, but Noticeable

- Durable goods PCE has flipped to positive again with ~+1.2% YoY.
- The chart explicitly links the pickup to tariff effects, i.e., inflation can reappear from policy choices.

Durable goods inflation picks up thanks to tariffs

PCE Price Index (Index, Dec 2018 = 100)
Durable Goods



12-Month Change



Data source: Carson Investment Research, FRED 01/12/2025

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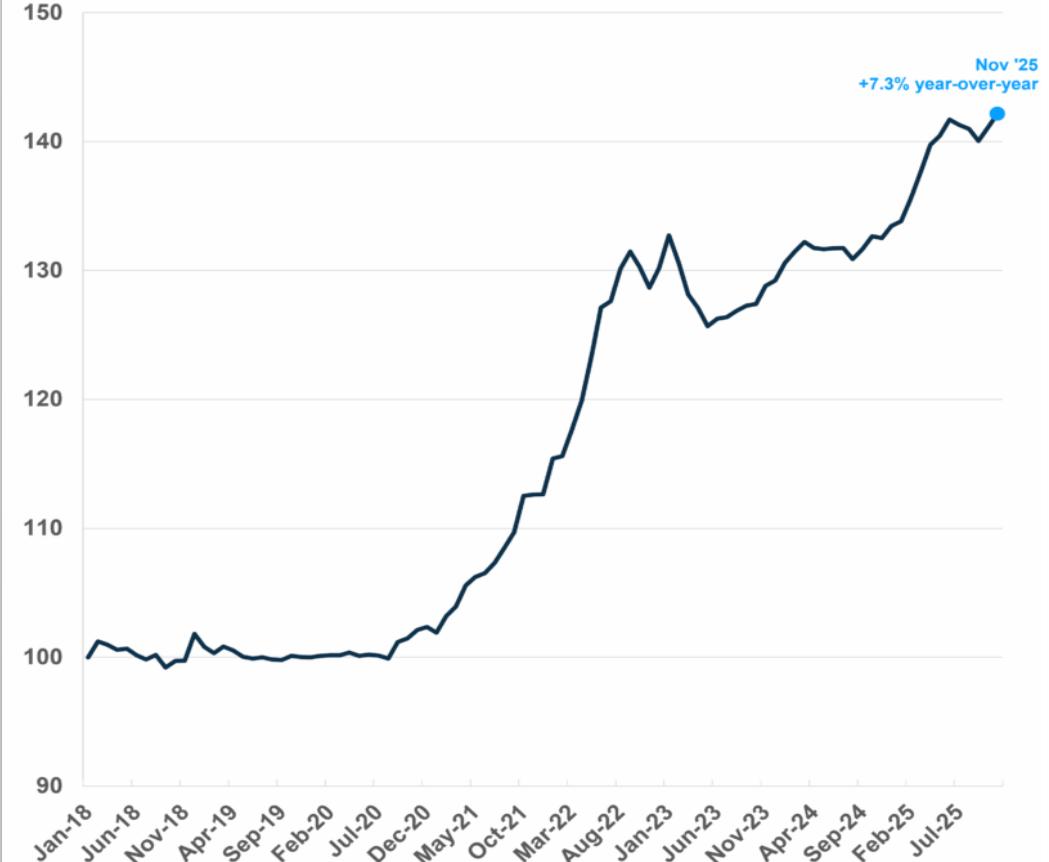
Macro

Utility Bills Are Replacing the “Gasoline Relief” Story

- PCE electricity & gas index is up ~+7.3% YoY (Nov '25) which is a big household pain point.
- Lower gas ≠ lower total energy bills for many consumers.
- This is why inflation can “feel” hot even when headline numbers cool.

Surging utility bills offset any benefit from lower gasoline prices

PCE Price Index (Index, Jan 2018 = 100)
Electricity and Gas



Data source: Carson Investment Research, FRED 01/24/2026

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Macro

Sticky Service Inflation, Category by Category

- Several everyday services are still running hot YoY (Dec '25): pet services 6.2%, admissions 5.7%, vehicle repair 5.4%, full-service restaurants 4.9%.
- Some categories cooled vs last year, but the table shows the broader point: services inflation is still widespread.
- This explains why “inflation is down” doesn’t always match what people pay week-to-week.

CPI Inflation For Select Services (Year-over-Year)

Category	Dec-25	Dec-24	Dec-19
Full service restaurants	4.9%	3.6%	3.3%
Fast food restaurants	3.3%	3.7%	3.0%
Vehicle repair	5.4%	6.2%	3.4%
Dental services	3.8%	3.0%	3.0%
Video/audio services (incl. streaming)	4.9%	1.5%	3.1%
Pet services	6.2%	6.2%	4.2%
Admissions (concerts, theaters, sports)	5.7%	0.6%	1.4%
Personal care services	4.8%	4.8%	2.7%
Day care & preschool	4.8%	5.9%	3.4%
Internet services and electronic info providers	2.8%	-0.4%	1.8%

Data source: Carson Investment Research, Bloomberg 01/13/2026

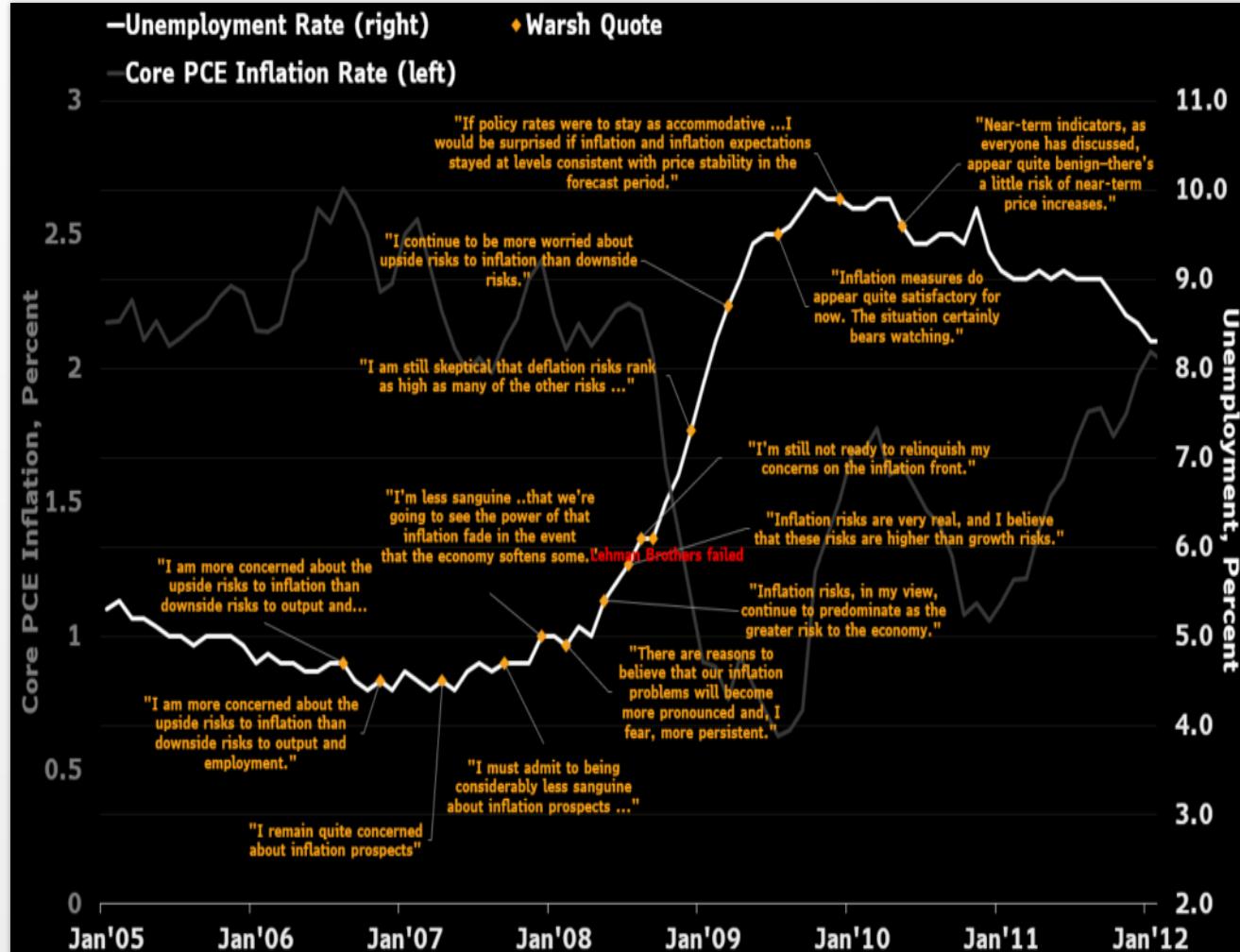
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Kevin Warsh (New Fed Chair) Has a Hawkish History

- Even in crisis, Warsh leaned hawkish: April 2009 (core PCE ~0.8%, unemployment ~9%) he still said he feared upside inflation more than downside risks.
- If that mindset carries over, a Warsh Fed likely cuts slower and keeps policy tighter for longer unless the labor market cracks.
- The bigger market risk is Fed discord (hawkish chair + divided committee) → more volatility around meetings.



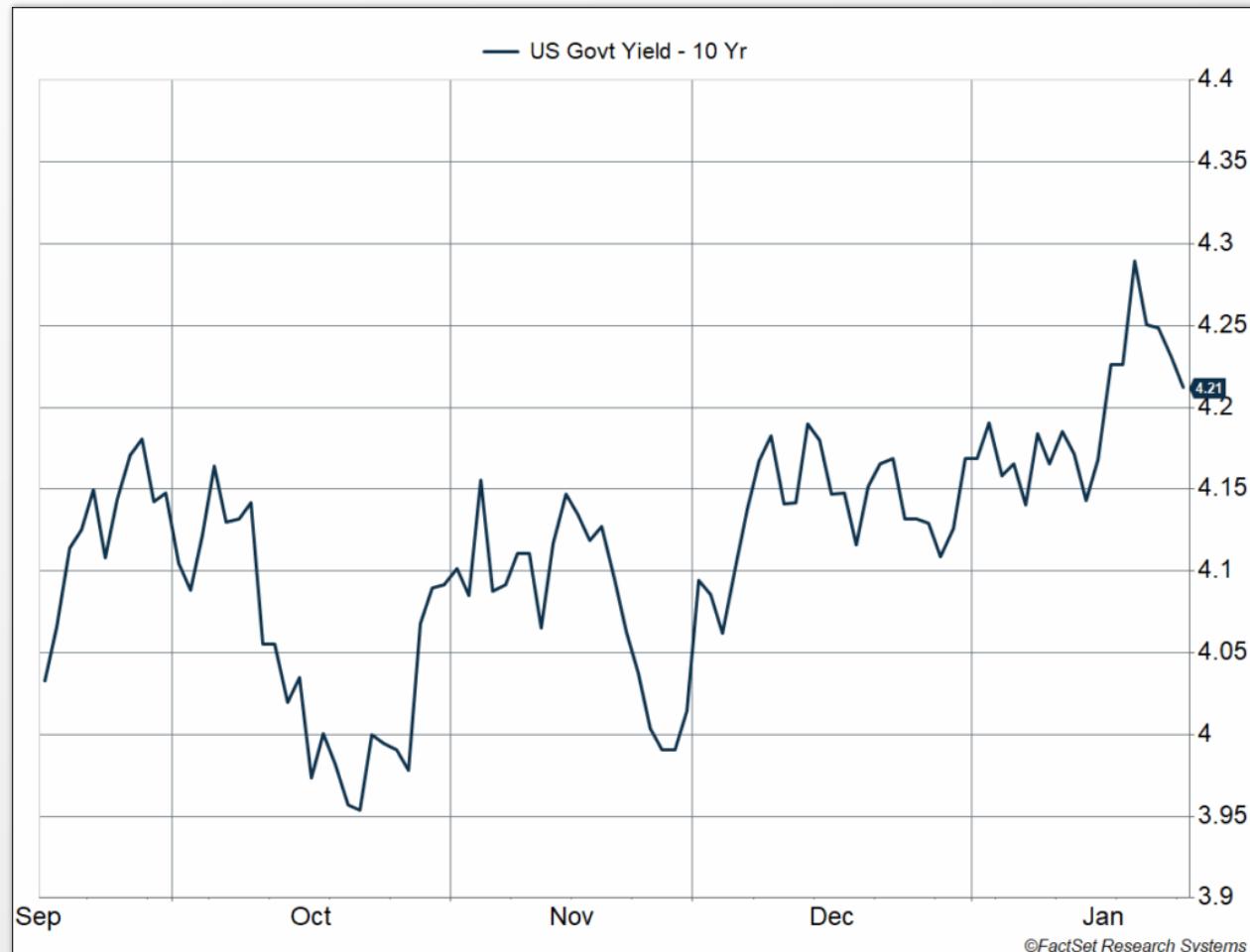
Source: Bloomberg Terminal, [Anna Wong](#)



Rates

The 10-Year Yield Is Grinding Higher Again

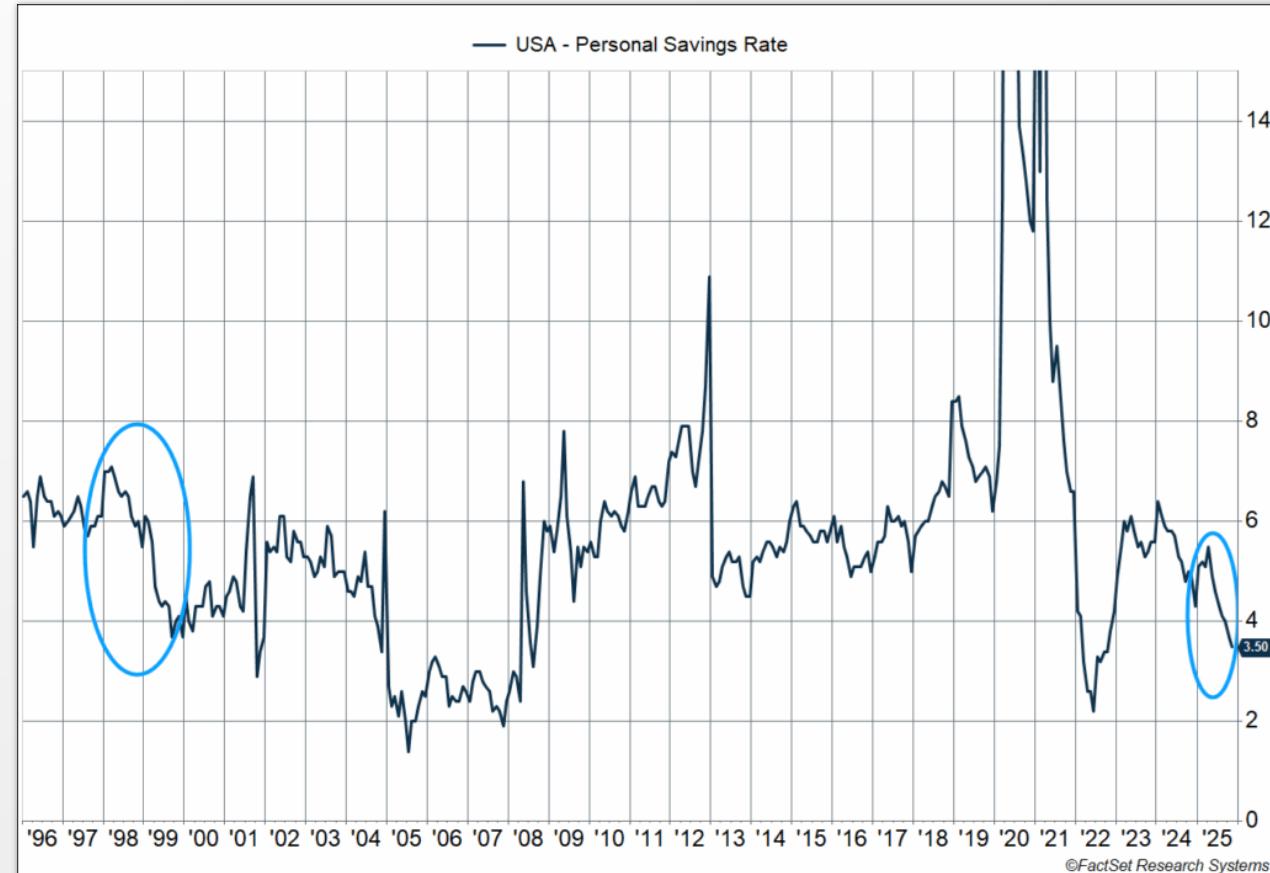
- The 10-year yield pushed up to roughly the 4.2% area into late January.
- The pattern is higher highs/higher lows since the October low. Markets are not pricing a straight-line drop in long rates.
- That matters because long rates hit mortgages, capex hurdle rates, and equity discount rates even if the Fed cuts.



Rates

Spending Is Strong, Saving Is the Source

- With real income growth soft in 2025, consumers kept spending by saving less. The savings rate slid after April to ~4.5% (vs ~4.3% end-2024).
- That's not automatically bad: in booms, savings can fall (ex: 1998–99 ~7% → ~3.5%) as households feel wealthier.
- The risk is the next slowdown: savings usually rises when growth weakens, like the post-GFC rebuild (~5.3% in 2009 → ~6.9% in 2019).



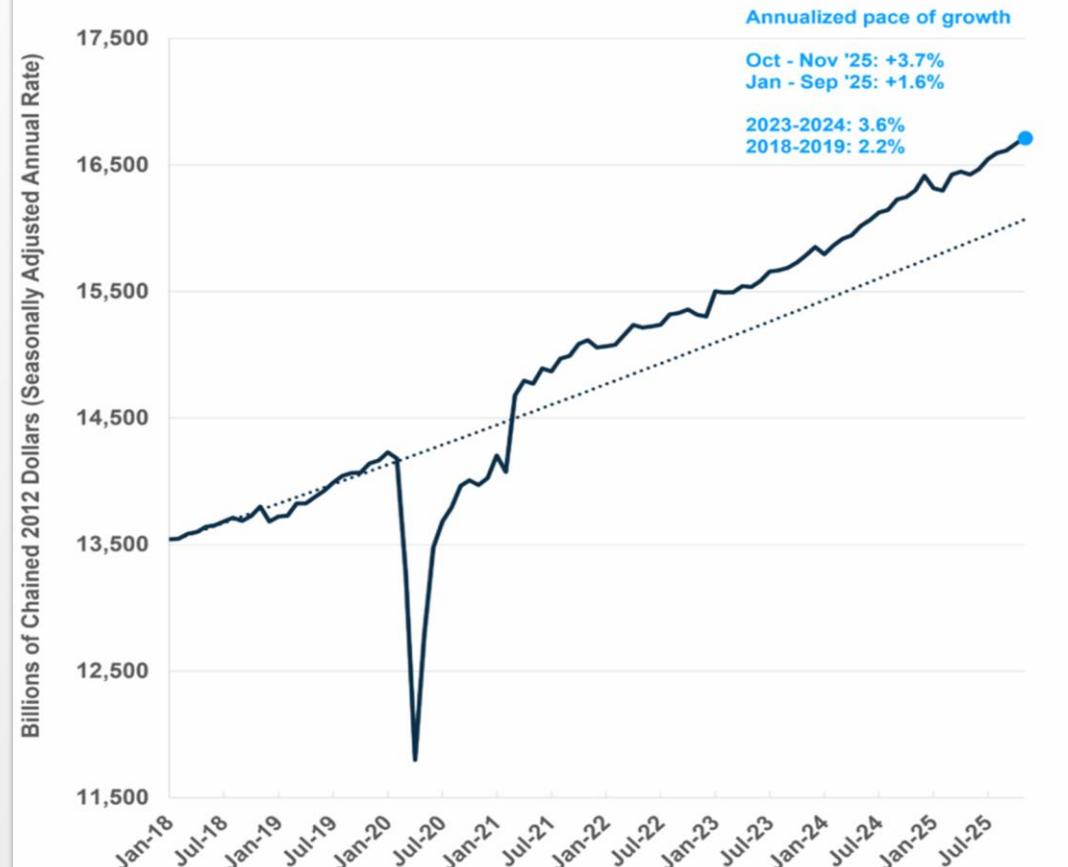
Consumer

Consumers Re-Accelerated in Q4

- Real consumption's recent pace improved: Oct–Nov '25 ~+3.7% annualized, vs Jan–Sep '25 ~+1.6%.
- That's a real rebound, but paired with low savings, it suggests spending is being supported by less saving, not a giant income boom.

Consumer spending accelerated in Q4, keeping it well above pre-pandemic trend

Real Personal Consumption Expenditures
(Jan 2018 - Nov 2025)



Dashed line shows the 2018-2019 trend

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