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Charts of the Week

Carson Investment Research

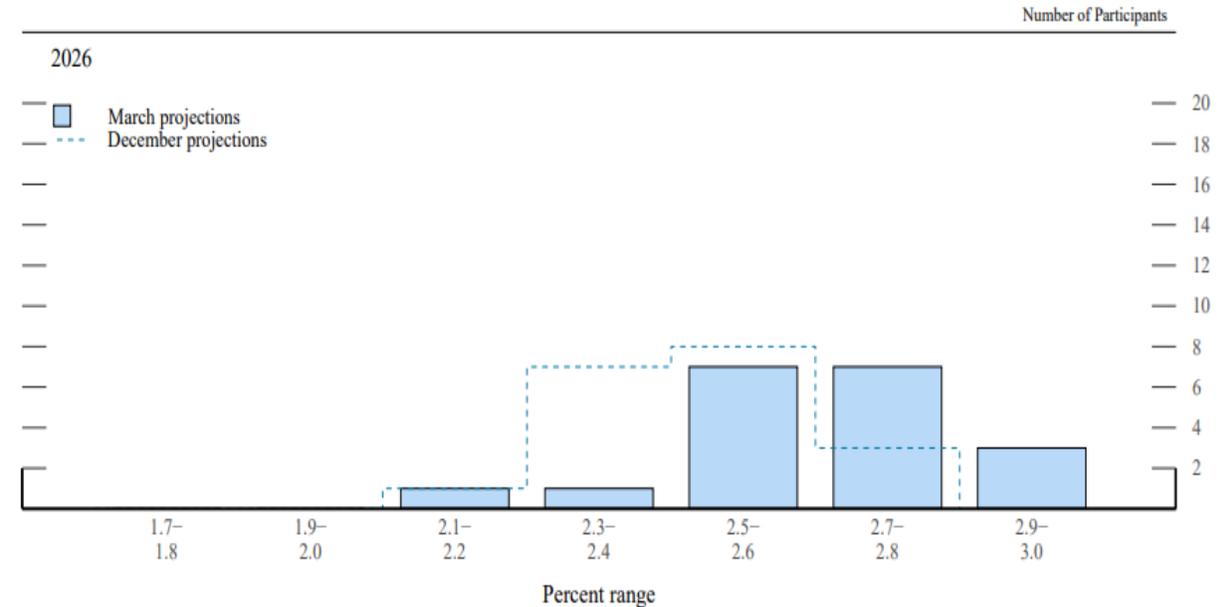
March 16 - 20, 2025

Chart of the Week

The Fed's Inflation Comfort Zone Still Looks Too High

- The key takeaway is that the Fed's own inflation distribution is still centered well above a clean return to 2%.
- That helps explain why markets keep getting forced to reprice the path of cuts. Officials may not be forecasting a re-acceleration, but they also do not look convinced inflation is fully beaten or even headed lower.
- The issue now is this puts the Fed in an impossible decision on increased inflation vs a weakening labor market.

Figure 3.D. Distribution of participants' projections for core PCE inflation, 2026–28



Source: Summary of Economic Projections, March 18, 2026 FED



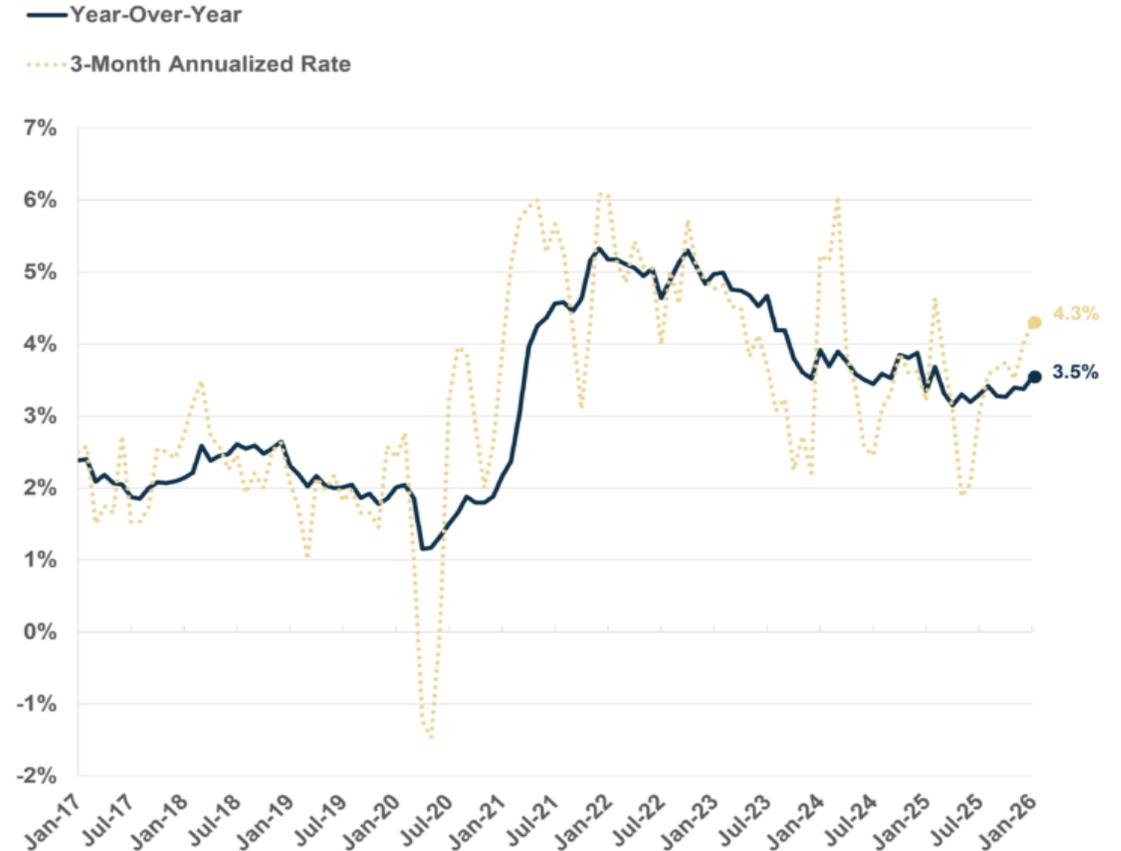
Macro

Core Services Is Still Going the Wrong Way

- Core services (ex housing) remains one of the most important inflation measures for the Fed, and this chart shows progress has become much less convincing.
- The recent annualized pace is running hotter than you would want if inflation were sustainably normalizing.

Not going the right way: core services (ex housing) inflation is elevated, and rising

Personal Consumption Expenditure Price Index
Core Services ex Housing (January 2026)



Data source: Carson Investment Research 03/13/2026
FRED, Bloomberg

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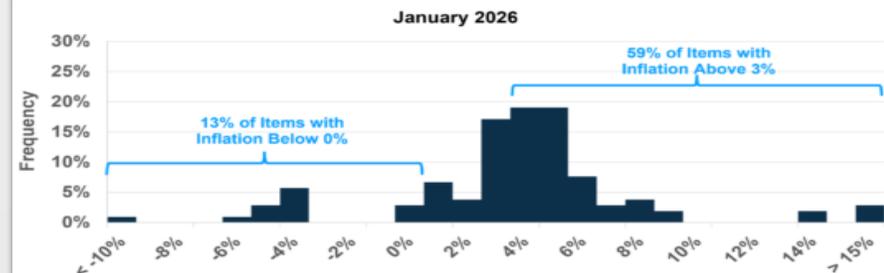
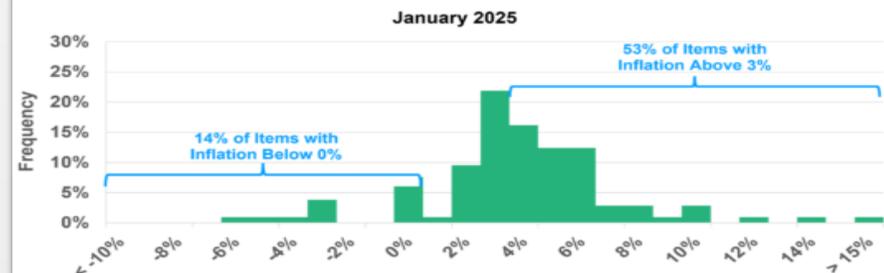
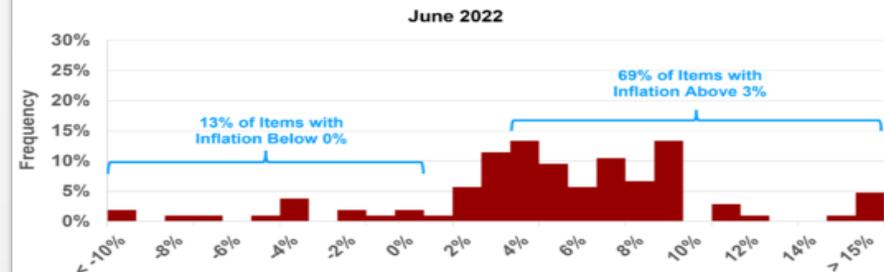
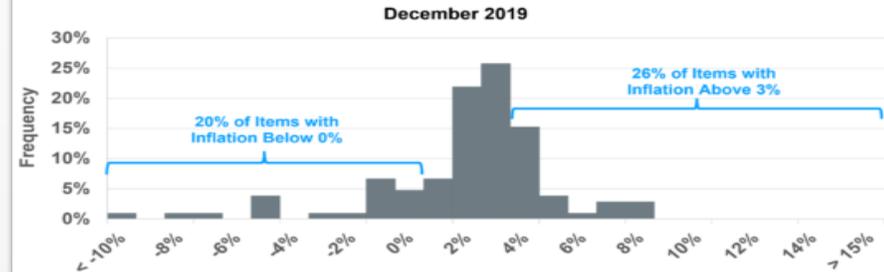
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Inflation Breadth Still Looks Too Broad for Comfort

- This chart matters because it shows inflation is still widespread across categories, not just concentrated in a few outliers.
- Yes, conditions are better than 2022, but too many components are still running at rates inconsistent with a true “back to normal” story.
- Broad inflation pressure is harder for the Fed to ignore than a narrow, isolated price spike.

Core services (ex housing) inflation nowhere close to "normal", and its getting worse

Distribution of PCE Core Services Ex Housing Categories (Year-over-Year Change)



Data source: Carson Investment Research, BLS 03/13/2026

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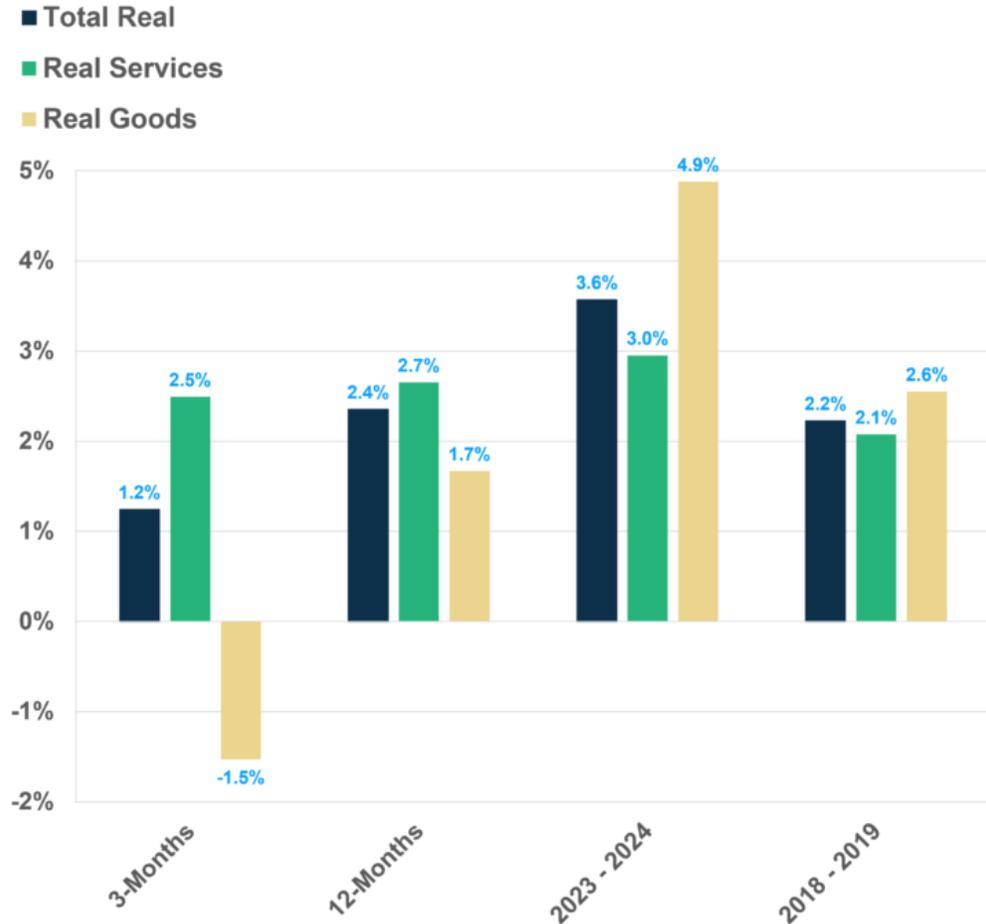
The Consumer Is Still Holding Up, but Momentum Has Slowed

- Real consumption is still positive, which argues against an imminent collapse in household demand.
- But the shorter-term bars are softer, and that suggests consumers are still spending, just with less force and less margin for error.
- In an environment of sticky inflation, softer real consumption matters more because households are not getting the same relief on purchasing power.

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Real consumption eases amid higher inflation

Annualized Growth Rates of Real Personal Consumption (Through January 2026)



Data source: Carson Investment Research, FRED 03/13/2026

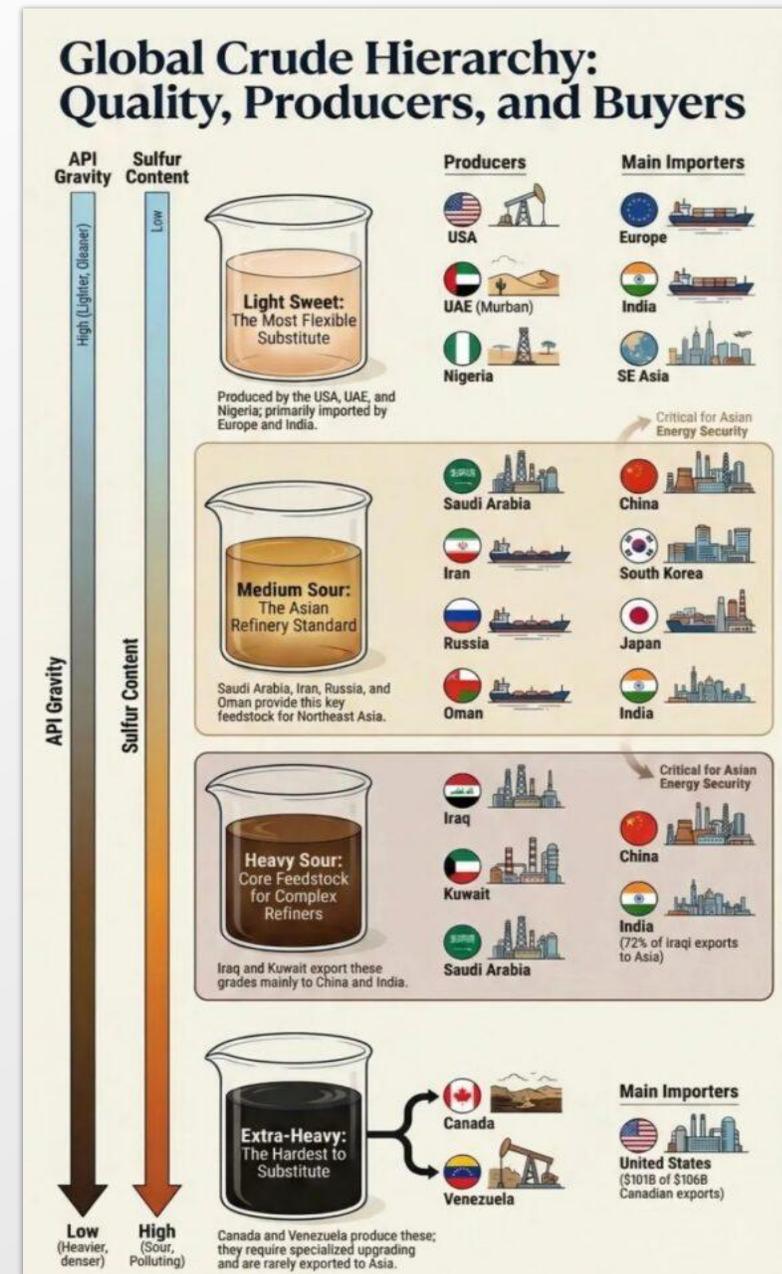
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Macro - Oil

Why Oil Quality Still Matters to the Global Economy

- This is not just an oil chart; it is a map of who produces what kind of crude and who actually needs it.
- The point is that barrels are not perfectly interchangeable. Refinery needs, sulfur content, and crude quality all matter, which is why supply disruptions can hit some regions harder than headline oil prices imply.



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Source: @adam_tooze, X, March 15, 2026



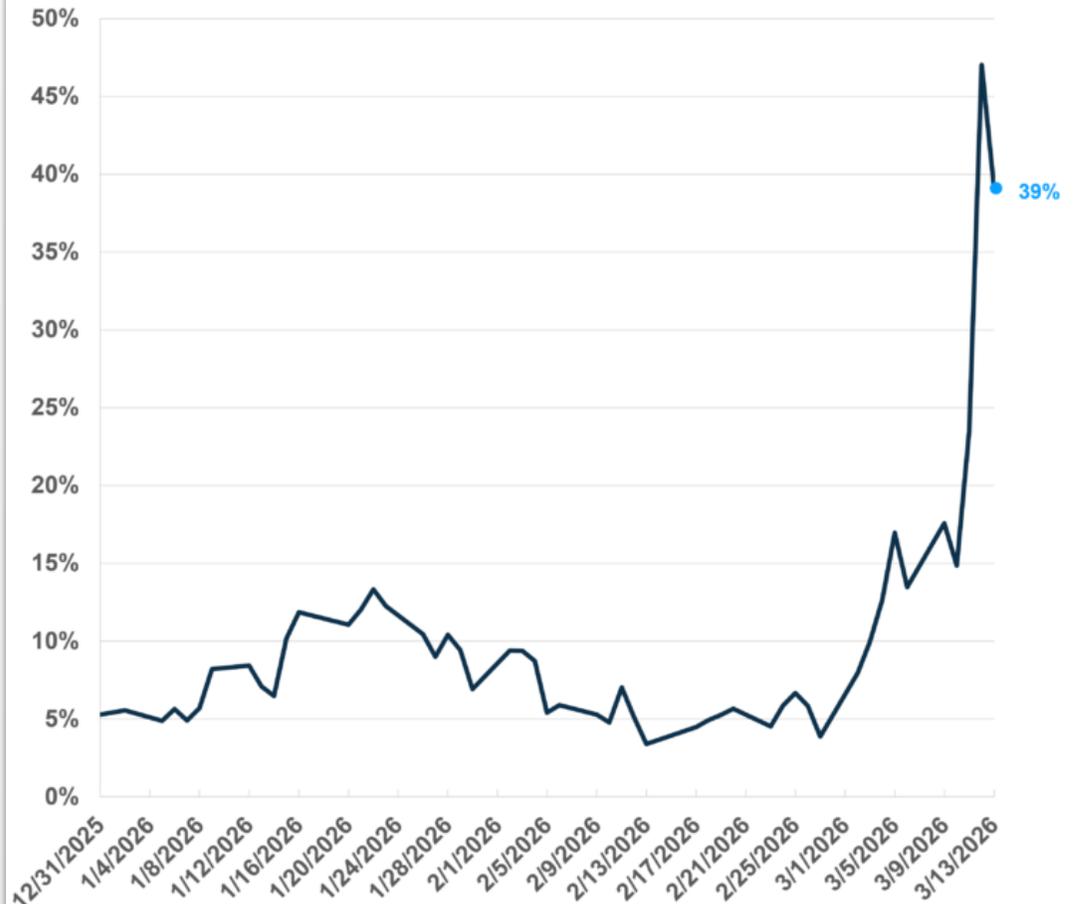
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Markets Are Starting to Price a Chance of No More Cuts

- The probability of zero cuts in 2026 has moved up sharply, which tells you investors are becoming less confident the Fed will be able to ease meaningfully.
- That shift usually happens when inflation looks stickier, growth looks stable enough, or both.
- Even if that probability does not prove right, the move itself is important because it shows how quickly the market mood has changed.

The odds of no more interest rate cuts in 2026 are rising, but perhaps it should be even higher 😞

Probability of Zero Cuts in 2026



Data source: Carson Investment Research, CME Group 03/13/2026

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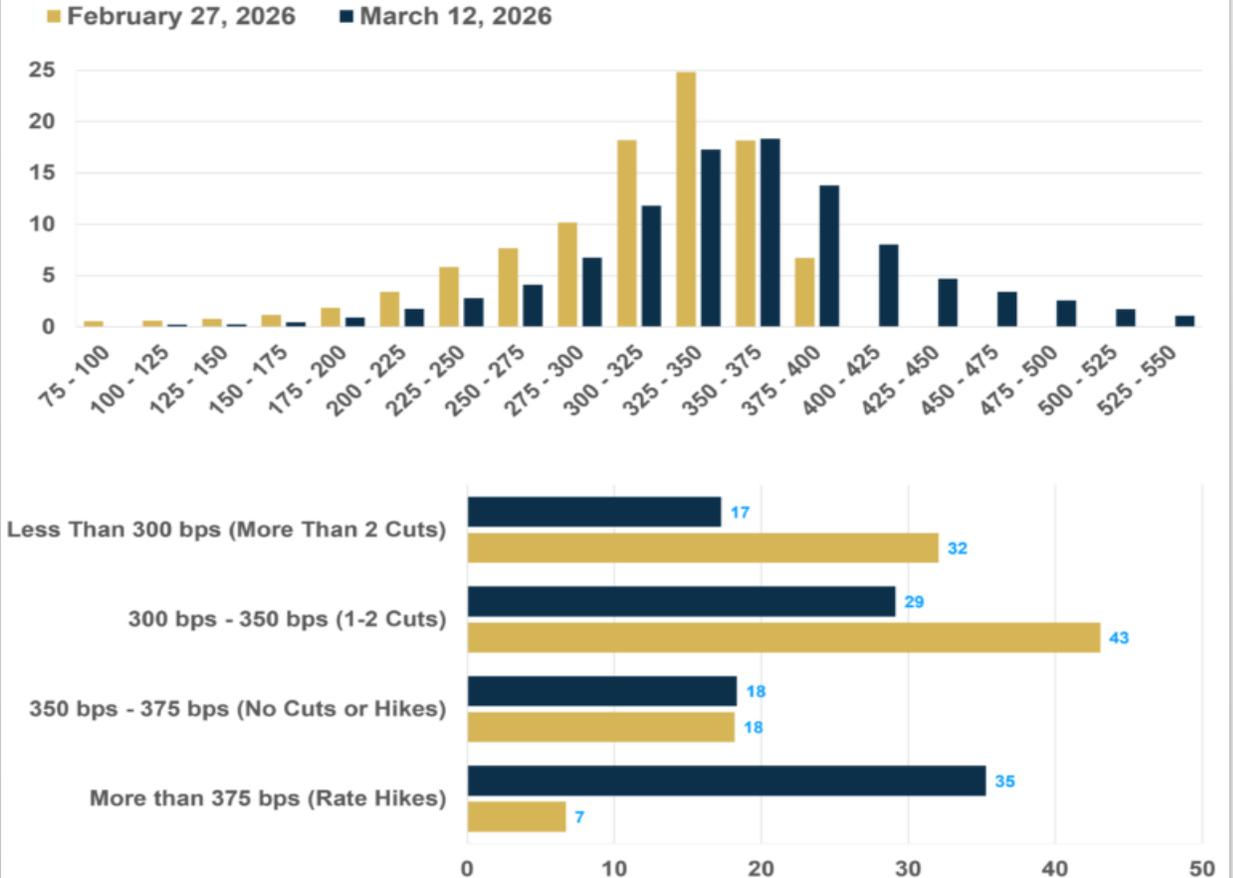
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Option Markets Are Also Leaning Toward No More Cuts

- This chart takes the same idea a step further: traders are not just pulling back on cuts, they are assigning more probability to a more hawkish path.
- The distribution has shifted away from aggressive easing and toward fewer cuts or even rate-hike scenarios.
- That is a big change in tone, and it reinforces that inflation risk has not gone away.

Options traders pricing in a much higher probability of rate hikes

Federal Funds Target Range Probabilities For December 2026



Data source: Carson Investment Research, Bloomberg 03/13/2026

A cut defined as a 0.25%-point reduction in the federal funds rate

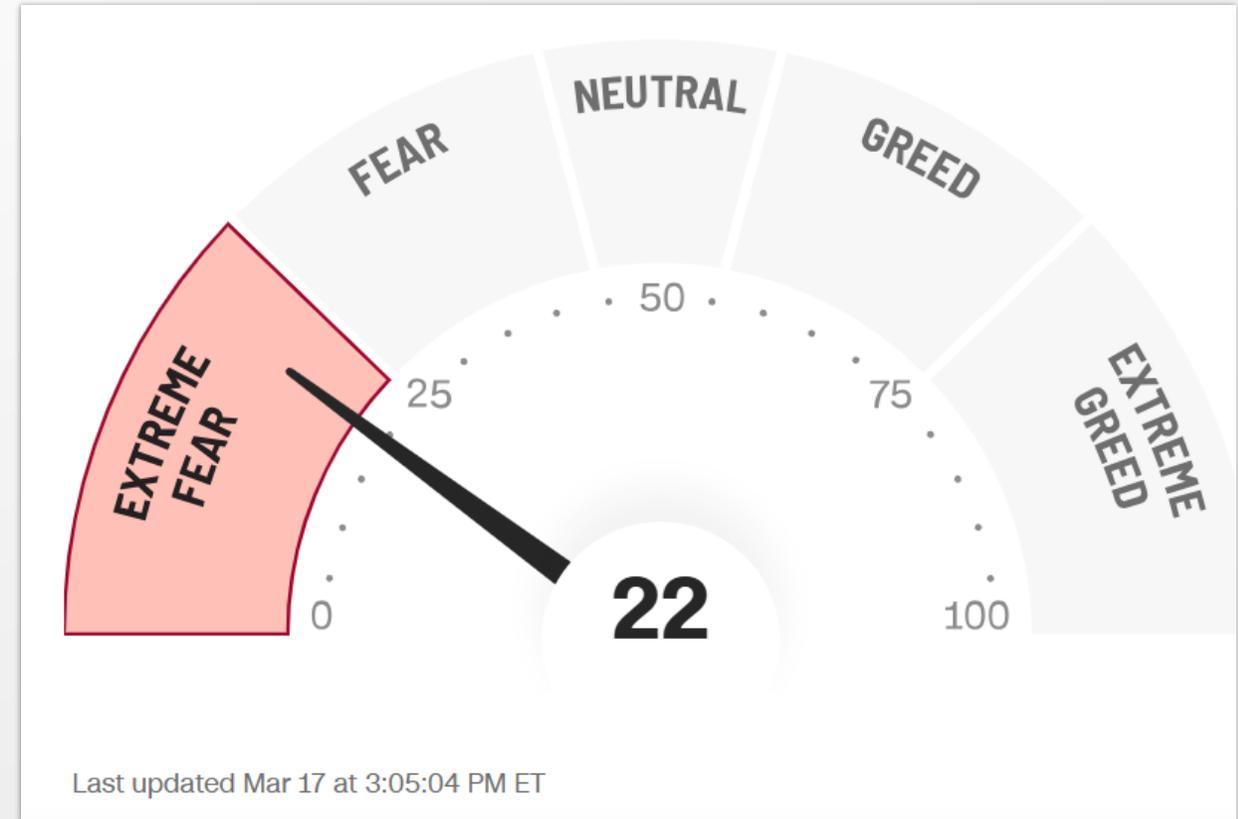
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Equities

Fear Is Getting Washed Out

- CNN's Fear & Greed reading this low tells you investors have gotten meaningfully more defensive in a short period of time.
- These readings are not timing tools by themselves, but they may tend to show up toward natural stock market bottoms.



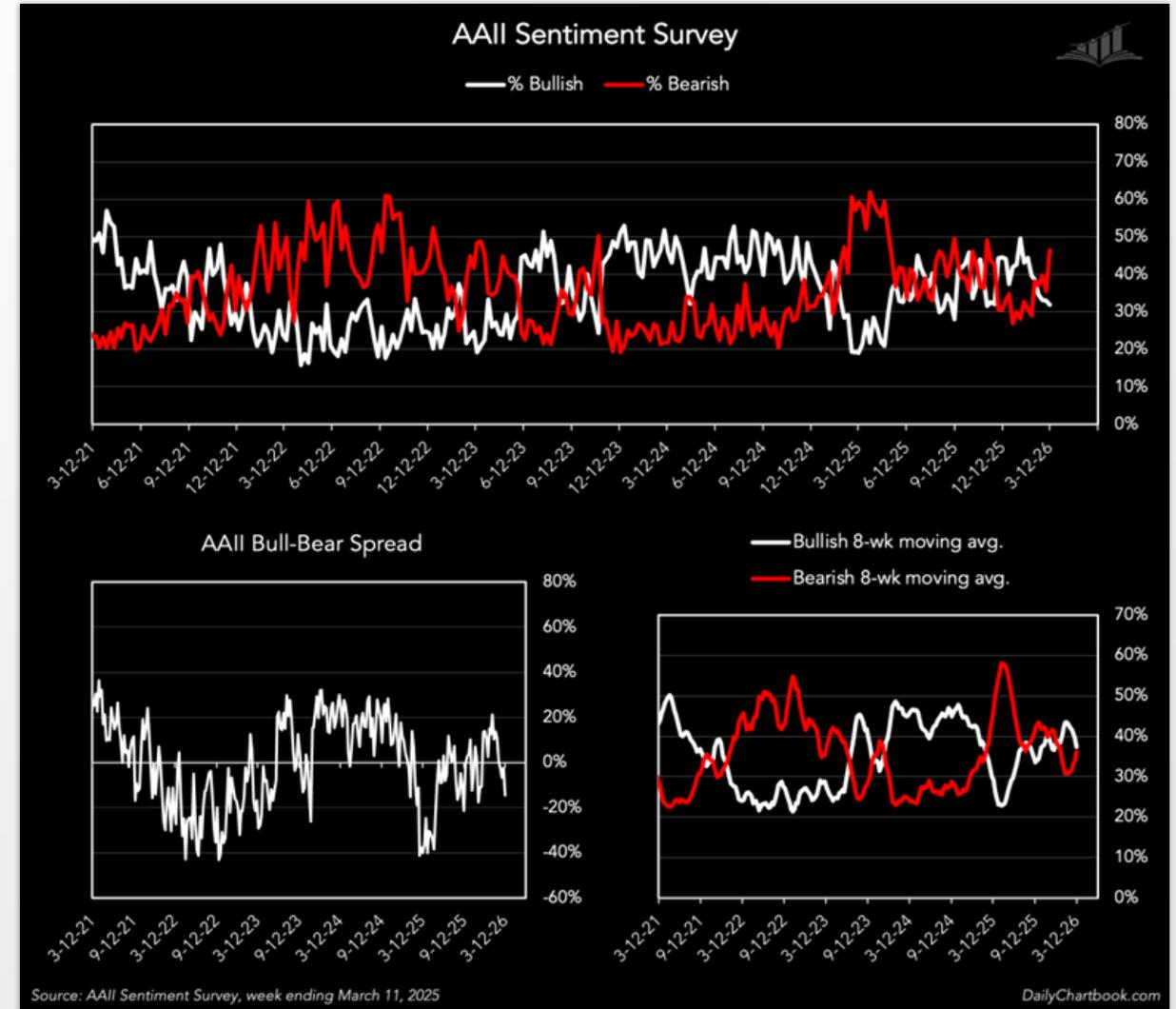
Source: CNN Fear and Greed Index



Equities

Investors Have Gotten Meaningfully More Bearish

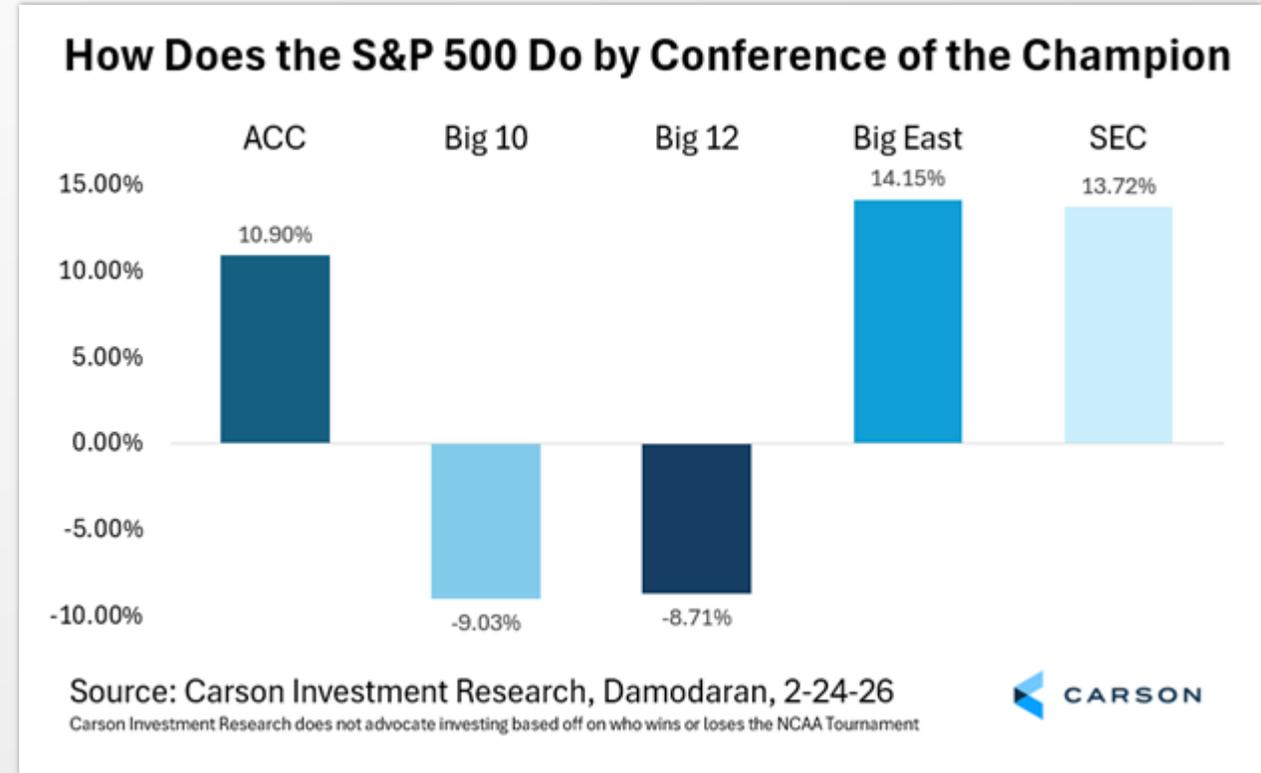
- The AAI survey shows bearish sentiment has risen materially, which is usually a contrarian-positive setup when it reaches more stretched levels.
- This does not mean the market has to bottom immediately, but it does mean optimism has already been wrung out considerably.
- When you combine deteriorating sentiment with already-weak positioning, the setup for a possible low gets more credible.



Equities

March Madness, Meet the S&P 500

- Happy March Madness!
- Big East and SEC winners have historically lined up with stronger S&P 500 returns, while the Big 10 (sorry Husker Fans) and the Big 12 have gone the other way.
- As always, treat this as tournament trivia or a conversation starter!



Source: Awswath Damodaran, New York University, Stern School of Business

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