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Charts of the Week

Carson Investment Research

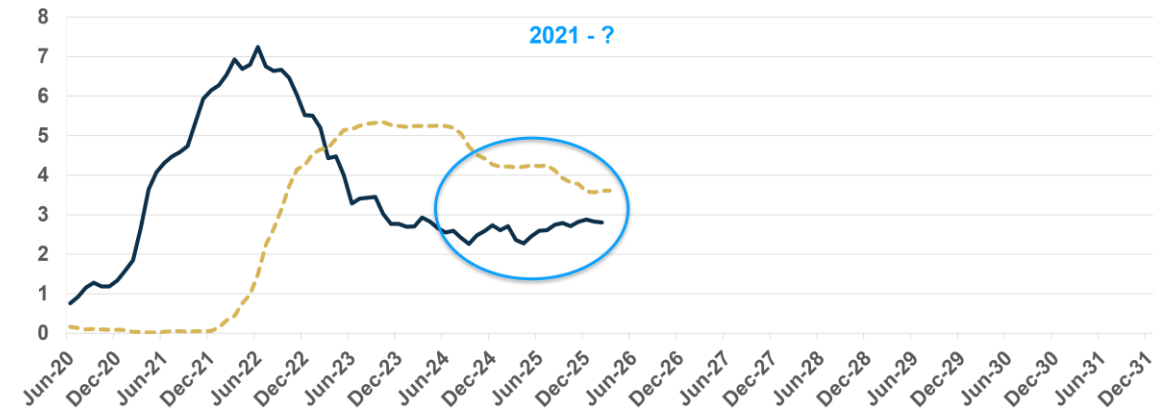
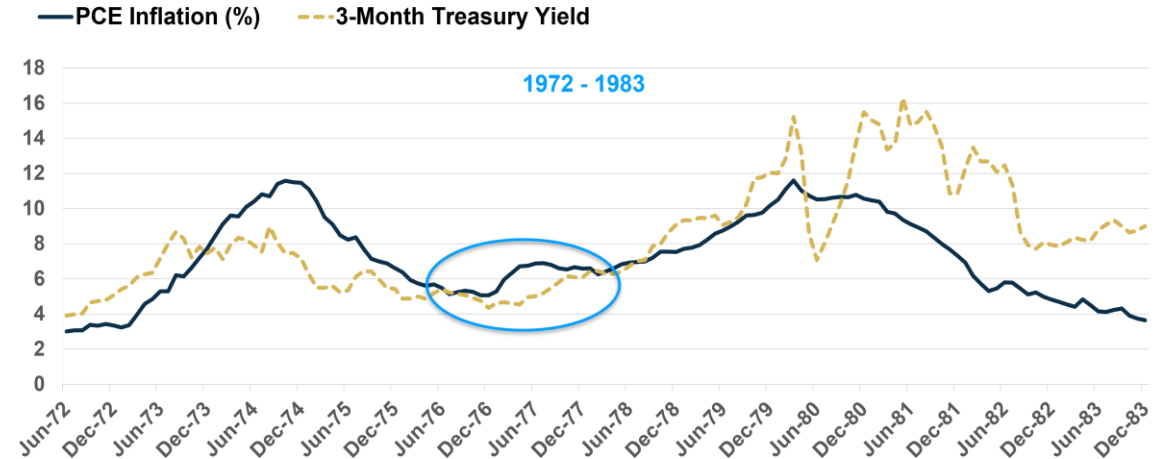
April 6 - 10, 2025

Chart of the Week

The Fed's Problem May Still Be Too Much Inflation...

- Inflation has come down, but short rates have come down too, which means policy may not be as restrictive as people think.
- If the Fed is truly serious about getting back to 2%, history says they may not be close to done just because inflation is no longer at the peak.
- The risk markets are now potentially pricing in a sticky-inflation world where rates stay high, or even need to go higher, for longer.

Interest rates may have to go much higher if the Fed is serious about sending inflation back to 2%



Data source: Carson Investment Research 04/09/2026

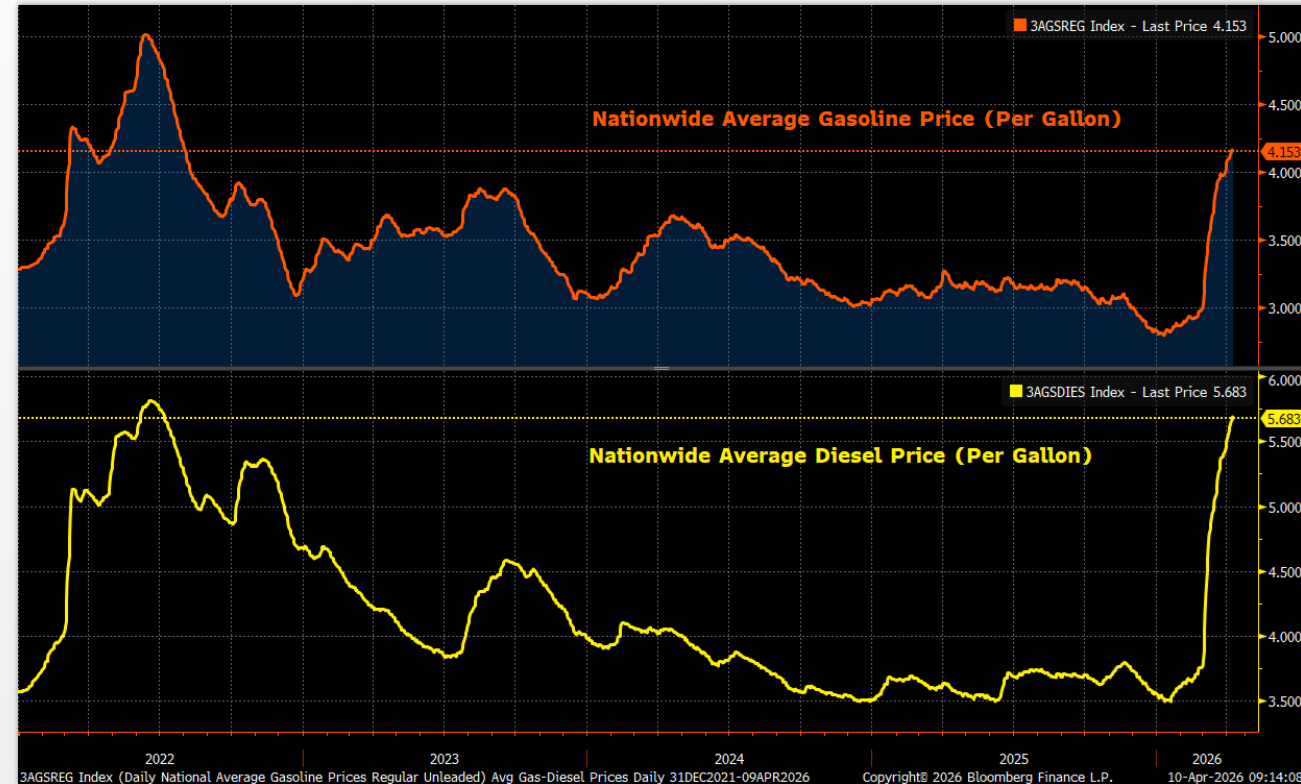
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Macro

The Energy Shock Is Already Hitting Consumers

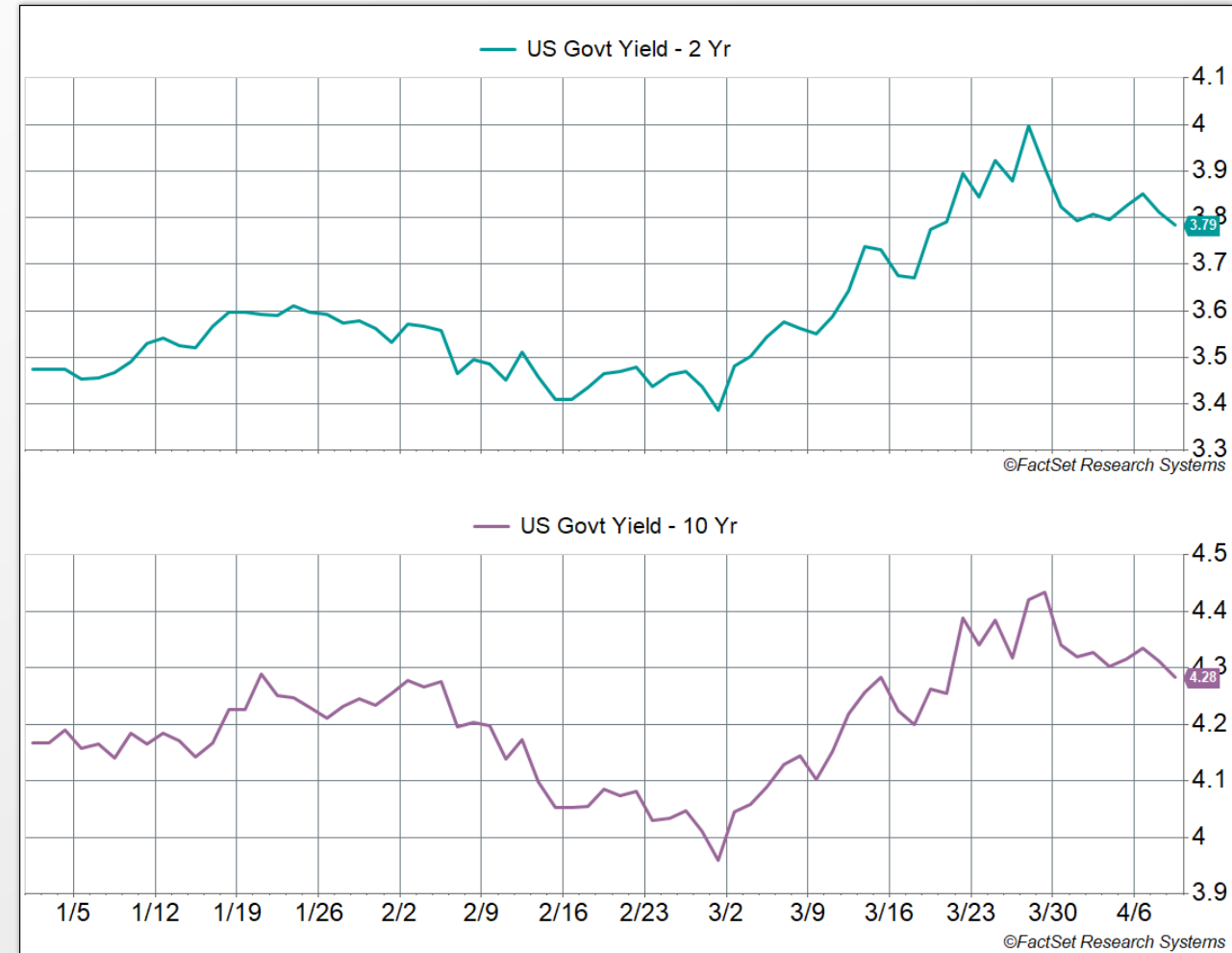
- Gasoline and diesel have moved sharply higher again, and diesel is usually the bigger warning sign because it bleeds into freight, food, and logistics.
- This is what makes inflationary shocks dangerous: they move from commodity screens into everyday costs pretty fast.
- Even if crude stops rising tomorrow, the pass-through to the real economy may already be underway.



Bonds

Yields Are Moving Higher Again for a Reason

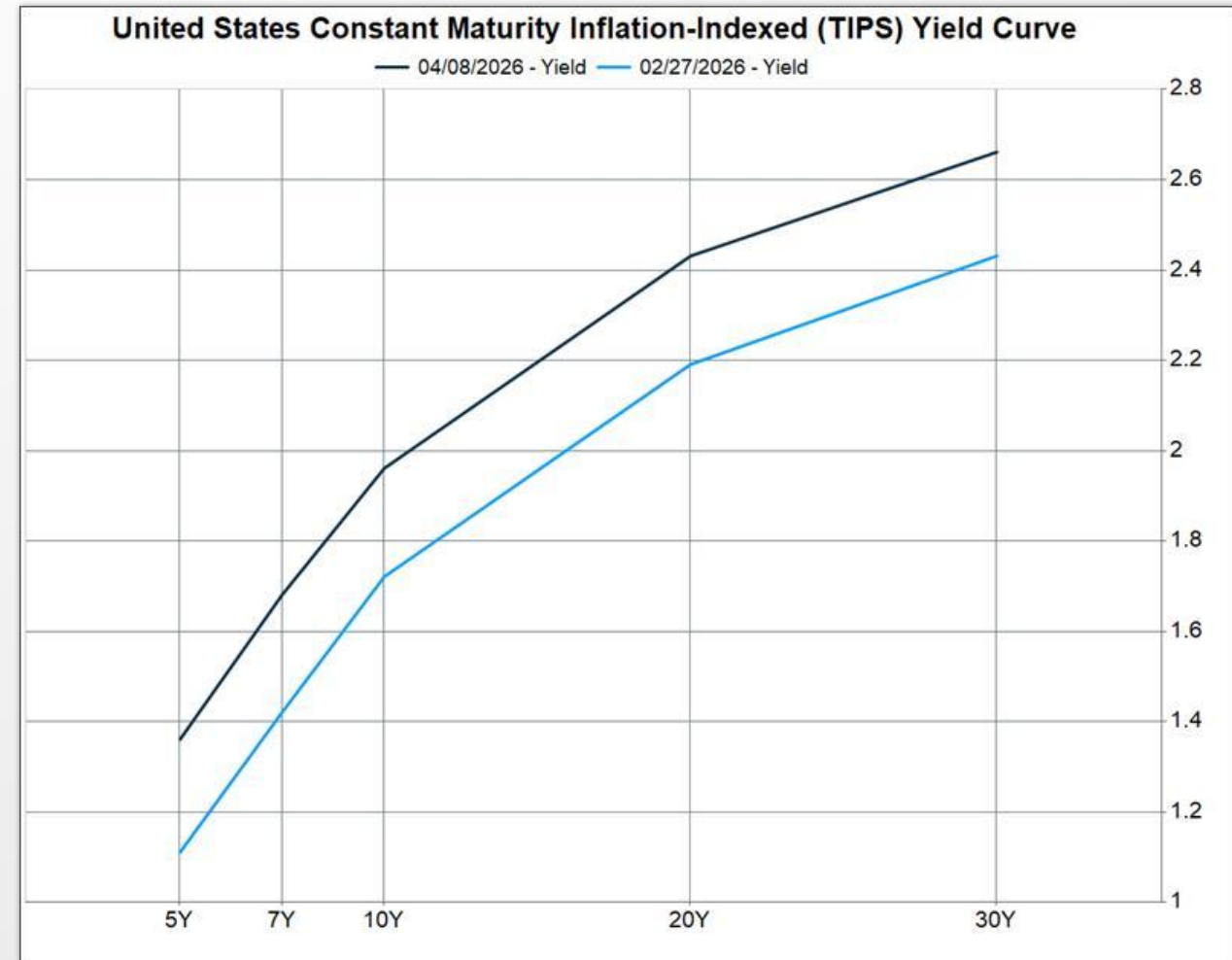
- The move higher in both the 2-year and 10-year says the bond market is taking inflation risk more seriously again.
- The 2-year matters most for Fed expectations, while the 10-year tells you the market is also demanding a higher rate environment further out.
- That is not the kind of rate move you get when investors think inflation is cleanly beaten.



Bonds

Real Rates Are Rising Too

- It is one thing for nominal yields to rise because inflation expectations rise. It is more notable when real yields rise too.
- Higher real yields mean tighter financial conditions in a more meaningful sense, especially for duration-heavy assets and valuation-sensitive parts of the market.



Source: Carson Investment Research,
FactSet 4-10-2026



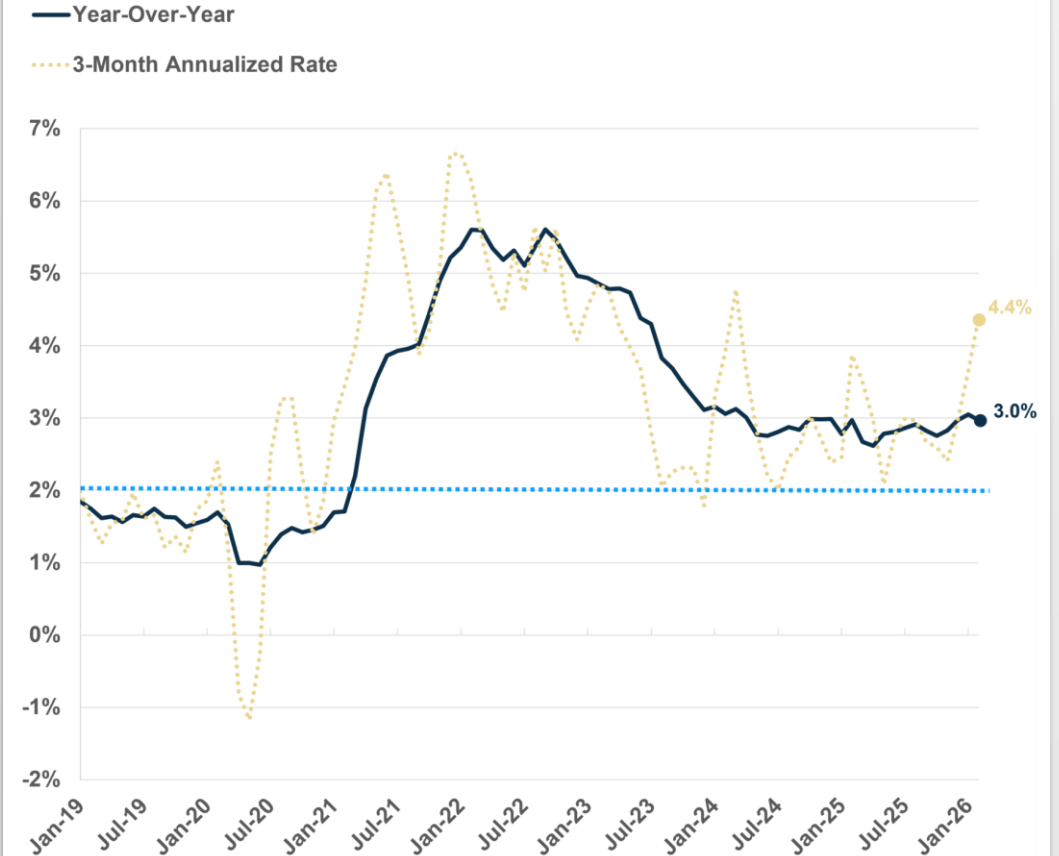
Inflation

Core Inflation Was Stubborn Before the Latest Shock

- Core inflation was already running too hot and had been moving the wrong way before the newest energy spike.
- That matters because it kills the easy excuse that inflation is only about oil or other temporary headline noise.
- In other words, the Fed already had a problem. Energy just made the problem harder.

Core inflation stays stubbornly high, and it was moving in the wrong direction even pre-crisis

Personal Consumption Expenditure Price Index
Excluding Food and Energy (February 2026)



Data source: Carson Investment Research, FRED 04/09/2026

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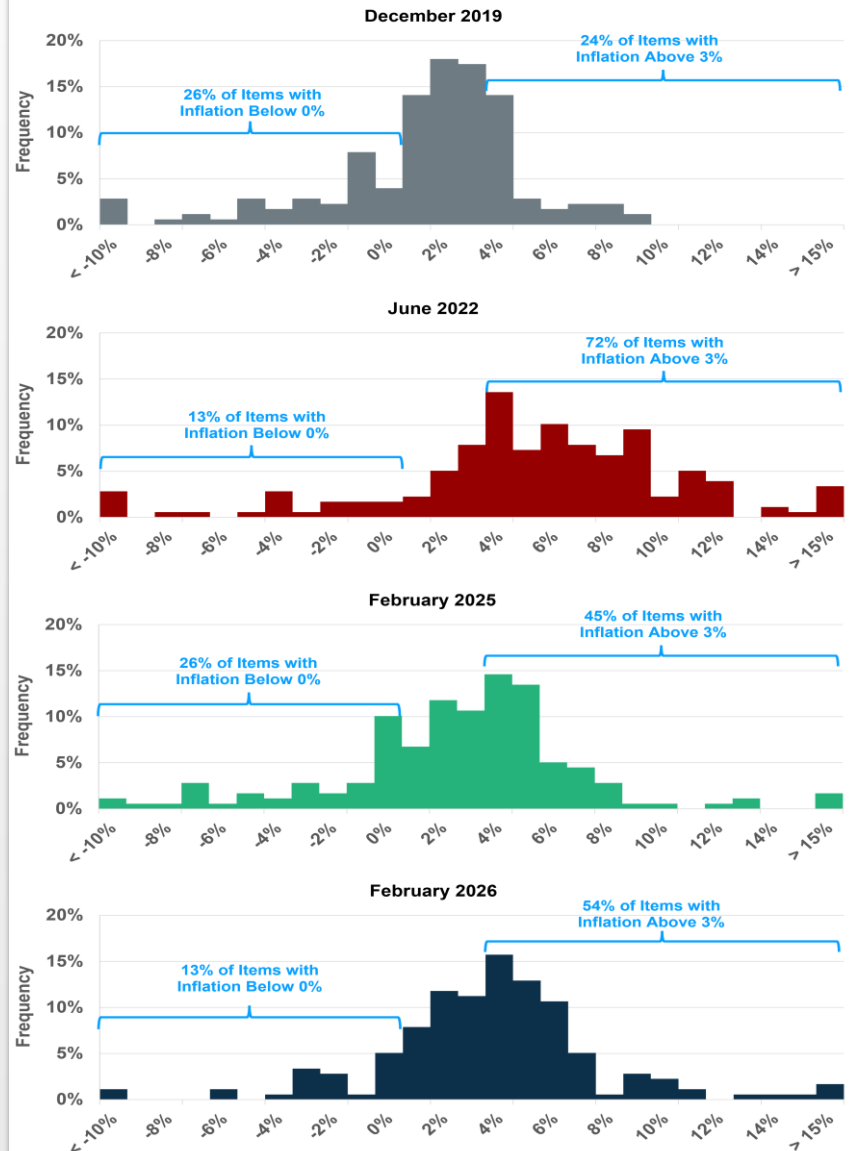
Inflation

Inflation Is Getting Broad Again

- Broad inflation is tougher than isolated inflation because there are fewer places for overall price pressure to hide.
- This chart shows the underlying problem was getting worse even before the crisis, with more categories running above 3%.
- That is usually a sign inflation is becoming more embedded, not just bouncing around from one volatile component to the next.

The underlying inflation problem was getting worse even prior to the crisis

Distribution of Core PCE Categories



Data source: Carson Investment Research, BLS 04/09/2026

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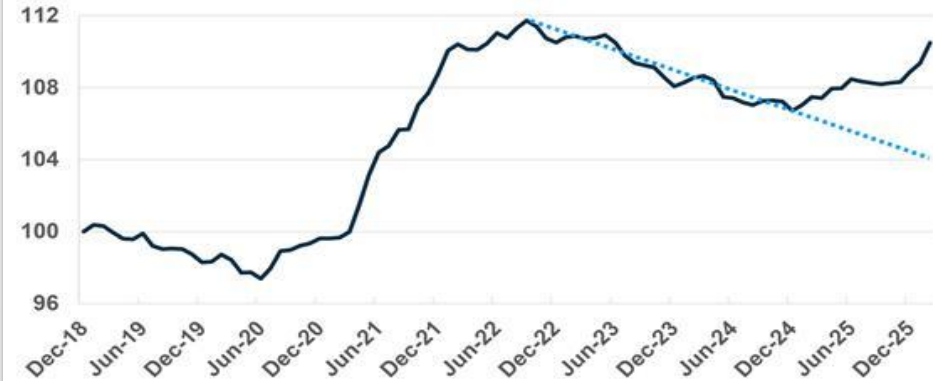
Inflation

Goods Inflation Is Longer Helping Much

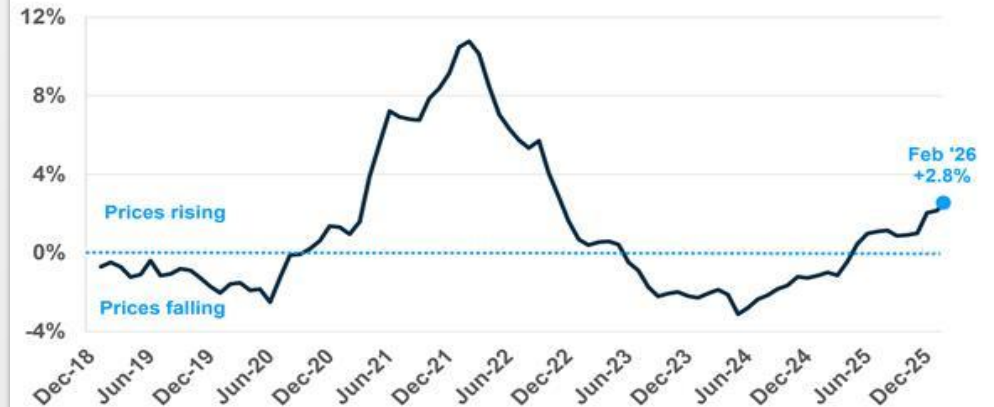
- For a while, falling goods prices were doing the Fed a favor. That help is fading.
- Durable goods inflation turning back up suggests tariff and input-cost pressure is beginning to show through.
- If goods stop disinflating while services stay sticky, the path back to 2% gets much tougher.

Durable goods inflation accelerating as tariff impact passes through

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



12-Month Change



Data source: Carson Investment Research, FRED 04/09/2026

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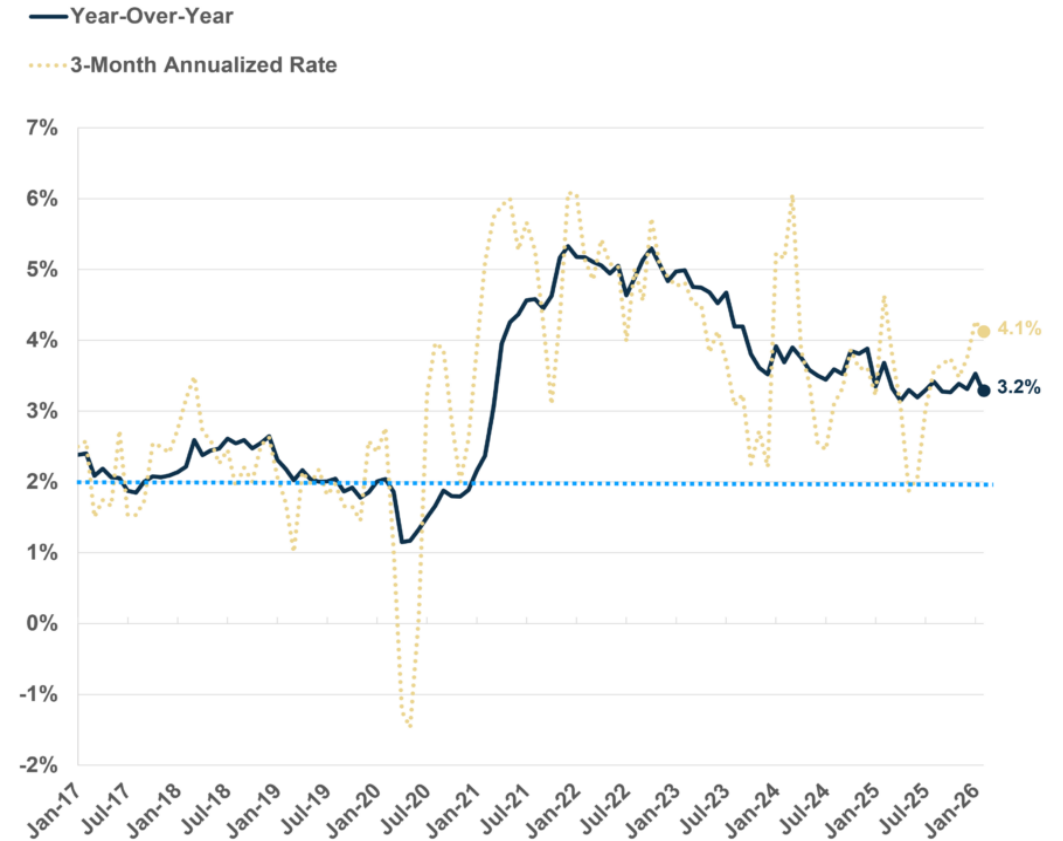
Inflation

Services Inflation Is Still the Bigger Problem

- Core services ex housing is still running well above anything that looks like “normal.”
- That matters because services inflation tends to be stickier and more wage-linked than goods inflation.
- So even if some goods prices cool again, the broader inflation fight is not over while this category stays elevated.

Not just a core goods (and tariff) problem. Core services ex-housing remains elevated

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



Data source: Carson Investment Research 04/09/2026
FRED, Bloomberg

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Inflation

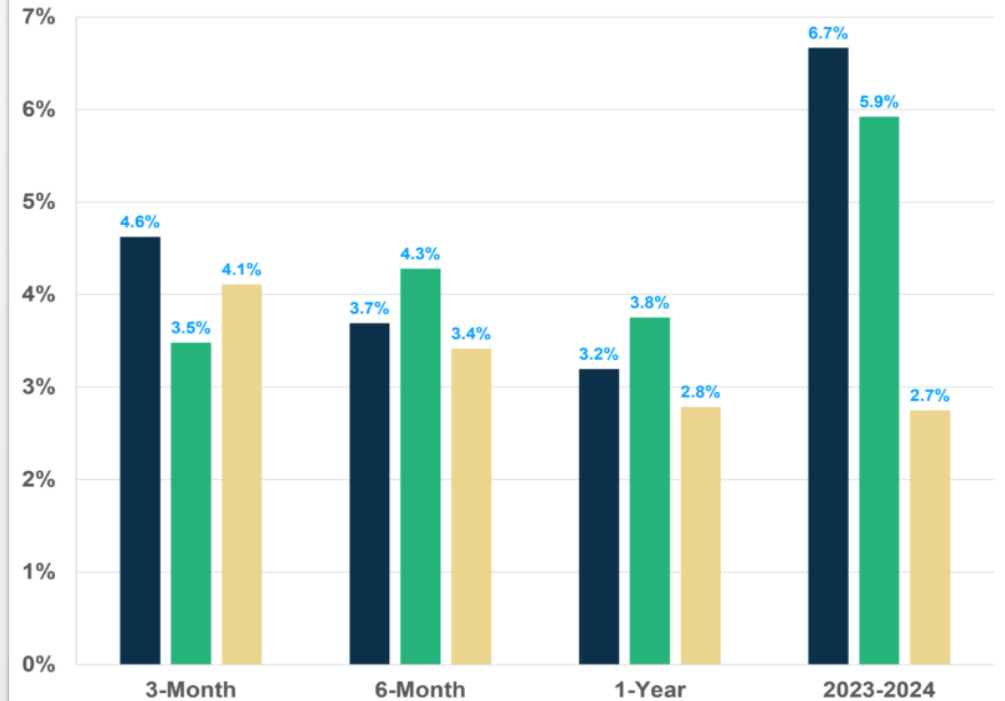
Income Growth Is Barely Outrunning Inflation

- Disposable income and compensation are still growing, but not by enough to create much real breathing room after inflation.
- That leaves consumers in a more fragile spot than the nominal numbers might suggest.
- This is how inflation wears people down, not necessarily through collapse, but through paychecks that do not stretch very far.

Disposable income and compensation growth barely keeping up with elevated inflation

Growth Rate (Annualized, as of February 2026)

- Disposable Income
- Employee Compensation
- PCE - Price Index



Data source: Carson Investment Research, FRED 04/09/2026

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Inflation/CapEx

Spending Looks Better in Nominal Terms than Real Ones

- Capex spending sounds solid until you strip out prices. Then the story looks a lot less impressive.
- That is a good reminder that inflation can make activity look healthier on paper than it really is.
- Nominal growth is nice, but real growth is what actually tells you whether businesses are buying more, not just paying more.

Capex spending is rising, but its being driven by higher prices

Manufacturers' New Orders Nondefense Capital Goods Ex Aircraft
Nominal (Index, Feb 1992 = 100)



Real (Index, Feb 1992 = 100)



Data source: Carson Investment Research, FRED 04/07/2026

New orders are deflated using PPI for Private Capital Equipment

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