



CARSON

# Charts of the Week

Carson Investment Research

April 27 – May 1, 2026

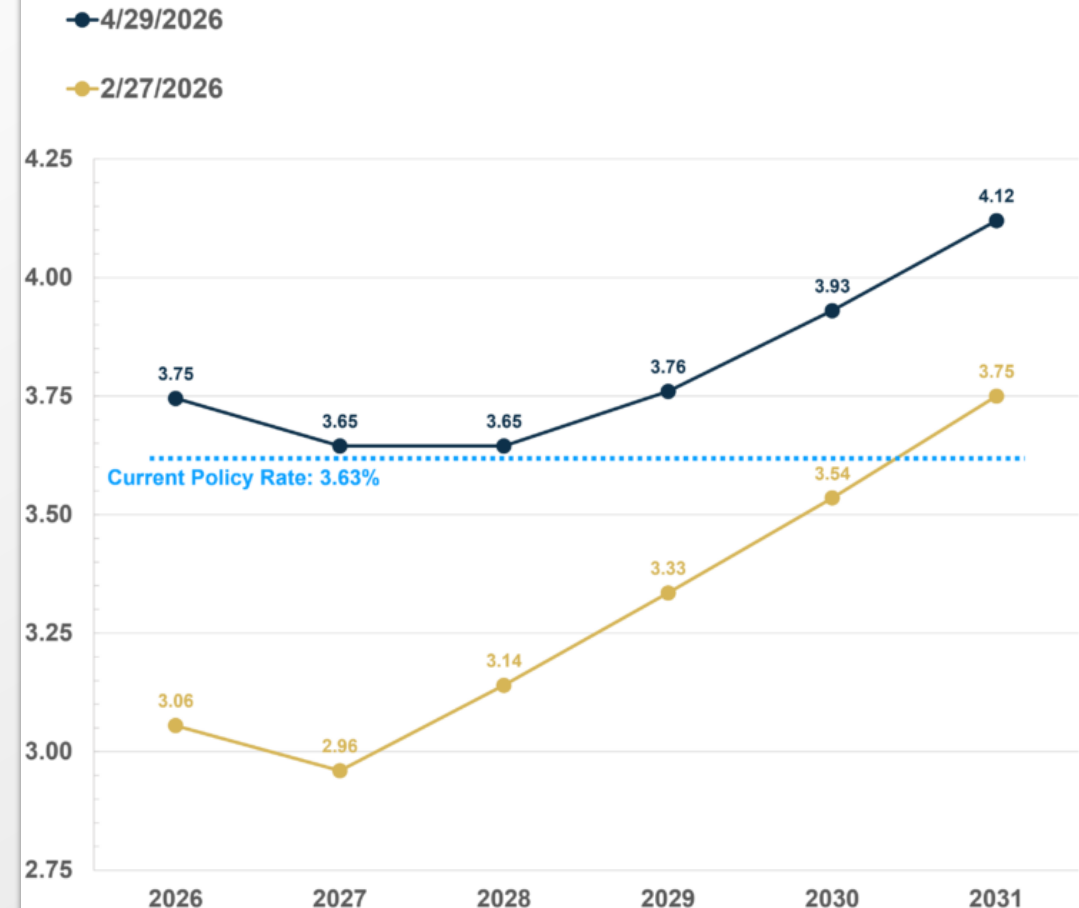
# Chart of the Week

## The Bond Market Is Calling the Fed's Bluff

- The entire policy curve has shifted above the current 3.63% rate, meaning markets no longer expect a single cut from here, and December is now pricing a higher probability of a hike than a cut.
- Two months ago, markets saw the Fed bottoming around 2.96% in 2027. Today they see 3.65% and rising.
- This is a massive repricing of the easing cycle in the past 60 days.

Expectations for future policy rates have surged over the last two months (since the Middle East crisis started)

Implied Fed Policy Rate Expectations



Data source: Carson Investment Research, Bloomberg 04/29/2026

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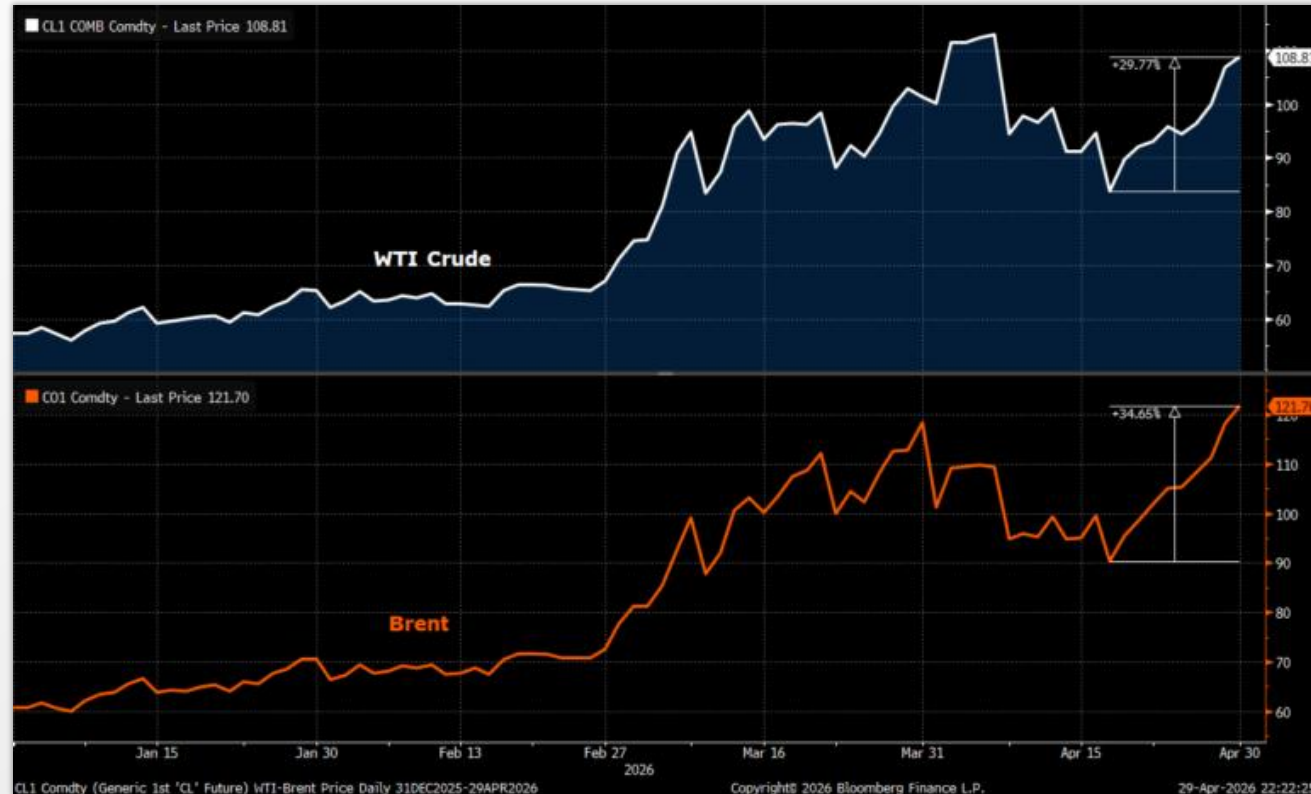
Implied policy rate proxied by SOFR futures



# Macro

## The Strait Is Still Causing Issues

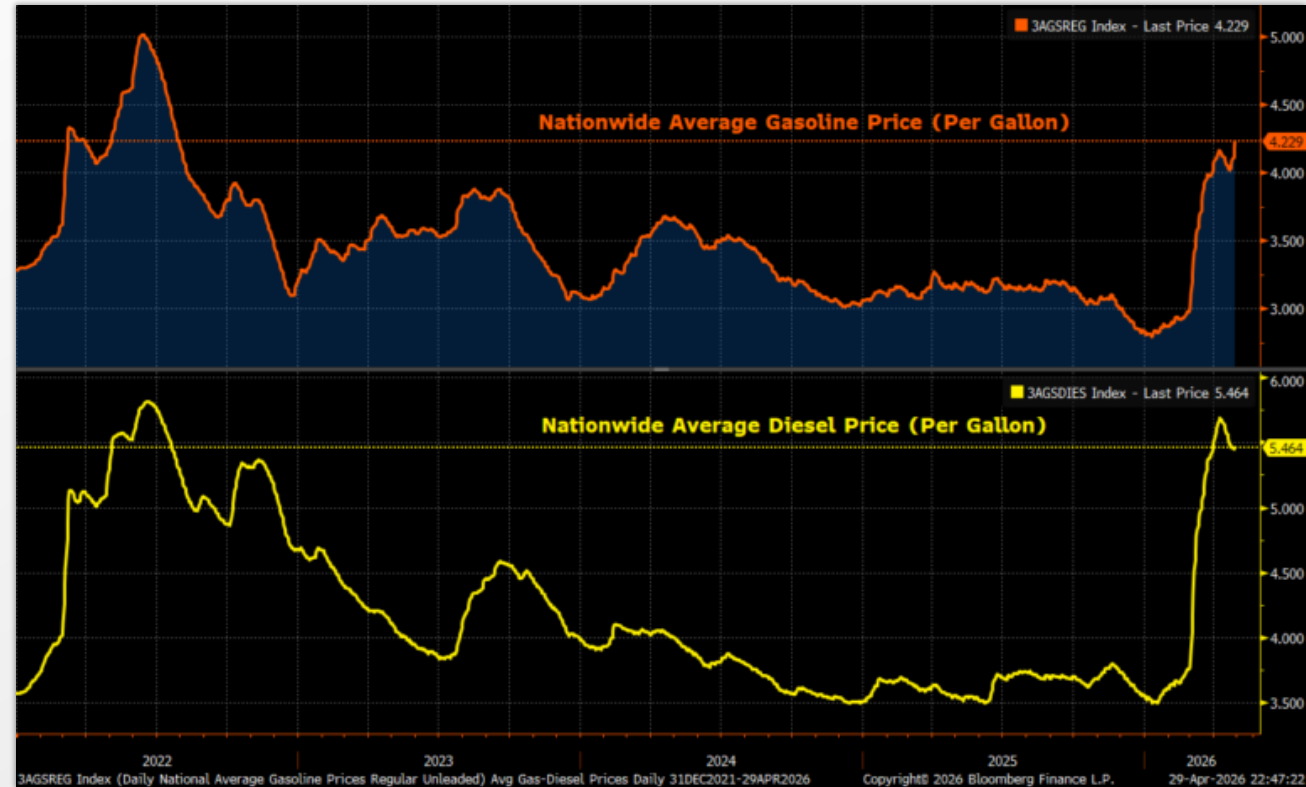
- WTI is up 29% and Brent up 35% since mid-April as the Strait of Hormuz remains effectively shut. Gasoline is at \$4.23, the highest since July 2022.
- Forward-month futures are also rising, which tells you the market thinks this isn't a one-week event, supply pain is being priced months out.



# Macro

## Pain at the Pump Is Already Here

- Gasoline at \$4.23 and diesel at \$5.46 are levels households actually feel, and they show up in May CPI, which gets collected in the second week of the month.
- Diesel matters more than people think. It feeds into freight, which feeds into goods prices across the economy.



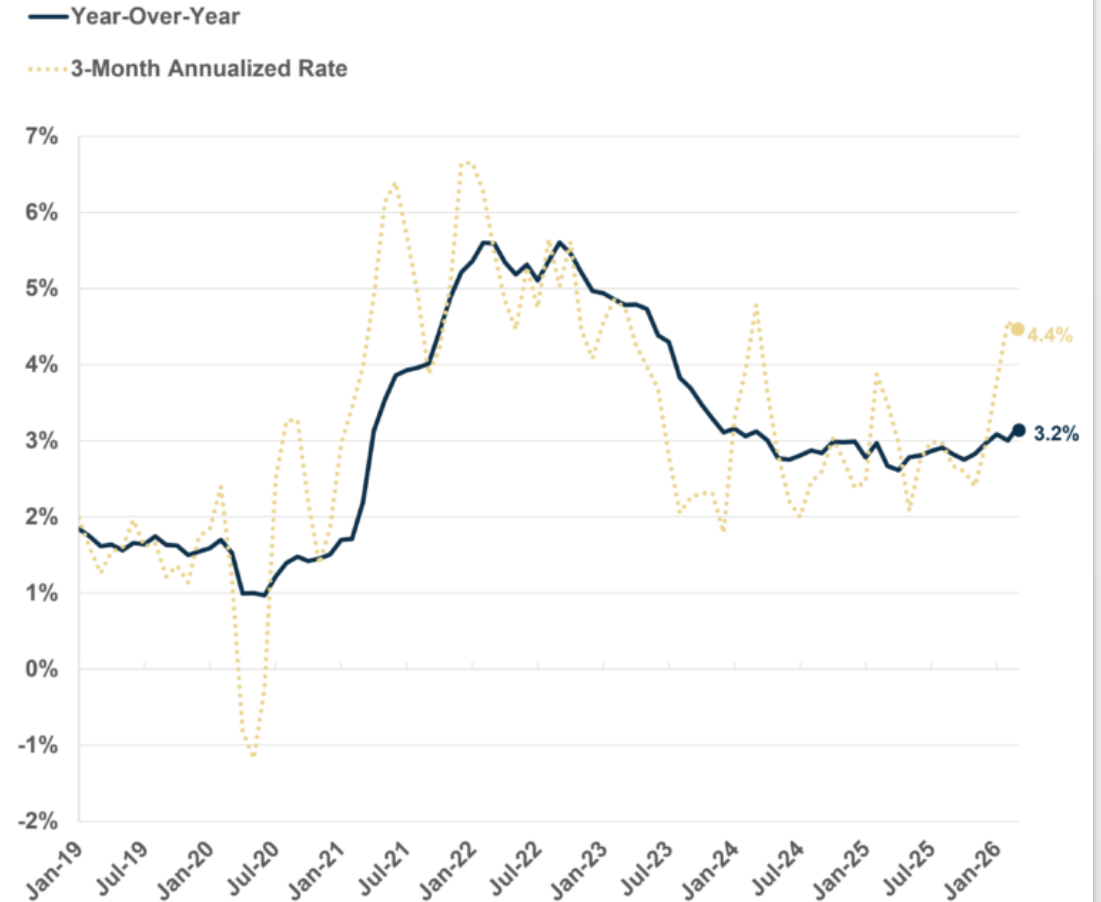
# Macro

## Core Inflation Is Moving the Wrong Way

- Core PCE is up 3.2% year-over-year, but the 3-month annualized rate is running at 4.4%, that's the part the Fed watches for direction.
- This is the 61st consecutive month above the Fed's 2% target. At some point, "transitory" stops being a useful word.
- Critically, the Fed has a real problem.

### Core inflation stays stubbornly high, and it's moving in the wrong direction

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



Data source: Carson Investment Research, FRED 04/30/2026

March 2026 data using estimates from Employ America

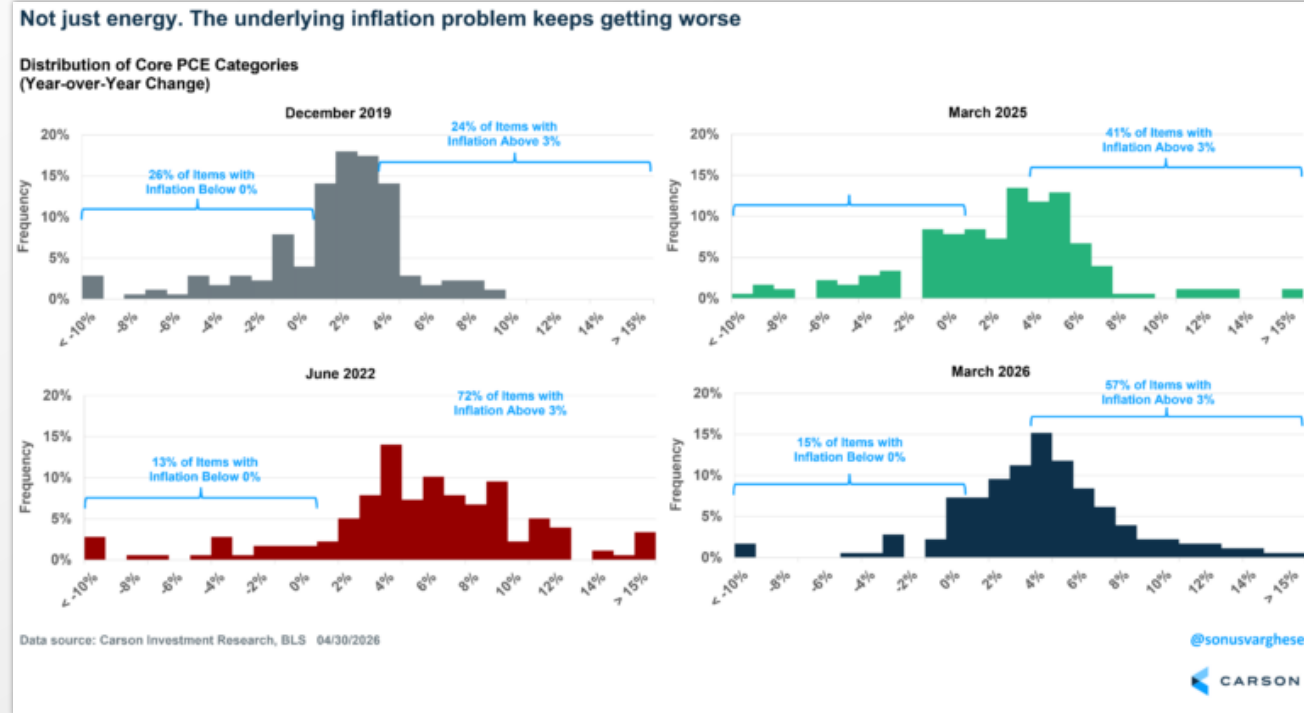
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## The Inflation Problem Is Broader Than the Headline

- In March 2026, 57% of core PCE categories are running above 3% inflation, and 42% are above 4%. A year ago, those numbers were 41% and 29%.
- The breadth of inflation has gotten worse over the past year and then add on a supply shock in the mix.
- Pre-pandemic, only 24% of categories ran above 3%. We're more than double that and still moving in the wrong direction!



# Macro

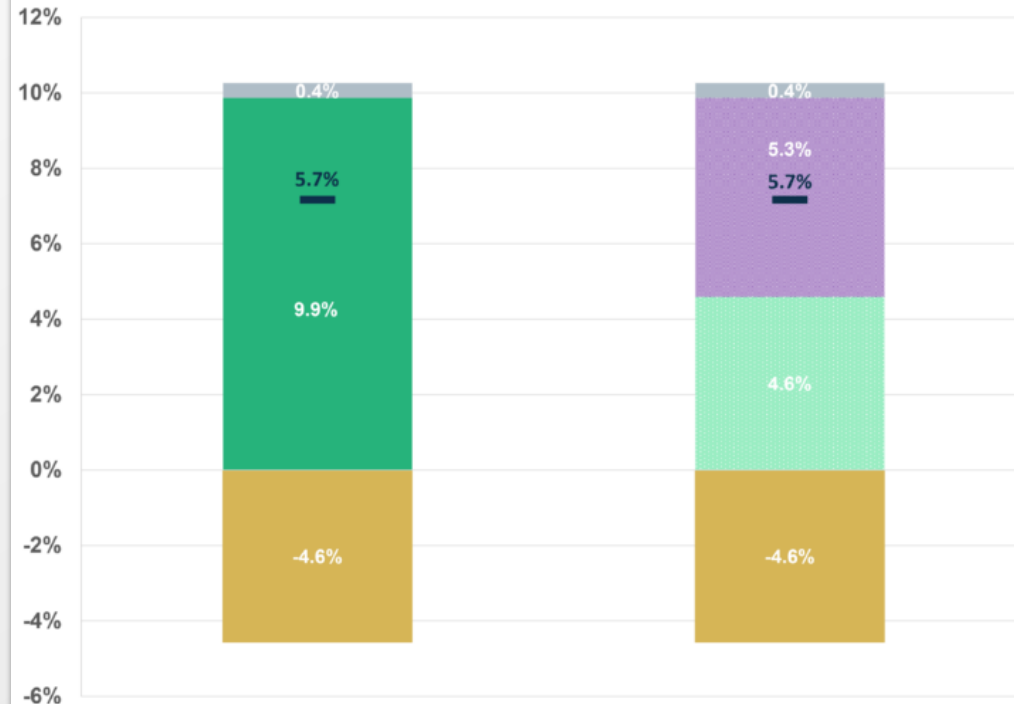
## Stocks Continue to Climb on Profits

- The S&P is up 5.7% YTD with earnings growth contributing 9.9 percentage points and multiples subtracting 4.6. This is the reason stocks are doing well despite the supply crisis.
- Margin expansion is contributing more than sales growth, which is the underappreciated piece of the inflation story: companies are protecting margins through pricing.

### Sales growth & margin expansion powering S&P 500 returns in 2026, more than offsetting multiple contraction

#### S&P 500 Total Return Drivers

■ Multiple Growth   ■ Earnings Growth   ■ Sales Growth  
■ Margin Growth   ■ Dividends   – Total Return



Data source: Carson Investment Research, Factset 04/30/2026

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Next 12-month data used for earnings, sales, margins and multiples.



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## Q1 GDP: Better than Q4, But Still Below Trend

- Real GDP grew 2.0% in Q1 which is a bounce from Q4's 0.5%, but the two-quarter average is just 1.25%. The shutdown distorted both prints.
- Business investment was the standout at +10% annualized, almost entirely AI-driven. Strip that out and the picture is much softer.
- Consumption slowed to 1.6%, well below the 2010-2019 trend of 2.4% and far off the 3.2% pace of 2023-2024.

	Q/Q CHANGE (Annualized)			
	2025 Q4	2026 Q1	2025 Q4	2026 Q1
<b>Real GDP Growth</b>	0.5%	2.0%		
	Contributions		Annualized Rate of Change	
<b>Consumption</b>	1.3%	1.1%	1.9%	1.6%
Goods	0.1%	0.0%	0.3%	-0.1%
Durable goods	0.0%	0.0%	0.1%	0.0%
Nondurable goods	0.1%	0.0%	0.4%	-0.2%
Services	1.2%	1.1%	2.7%	2.4%
<b>Investment</b>	0.4%	1.5%	2.3%	8.7%
Fixed investment	0.3%	1.1%	1.5%	6.2%
Nonresidential	0.3%	1.4%	2.4%	10.4%
Residential	-0.1%	-0.3%	-1.7%	-8.0%
Change in private inventories	0.1%	0.4%		
<b>Net exports</b>	-0.2%	-1.3%		
Exports	-0.4%	1.3%	-3.2%	12.9%
Goods	-0.1%	1.2%	-1.7%	18.1%
Services	-0.2%	0.2%	-5.7%	4.2%
Imports	0.1%	-2.6%	-1.0%	21.4%
Goods	0.3%	-2.4%	-2.4%	25.8%
Services	-0.1%	0.2%	4.2%	6.6%
<b>Government</b>	-1.0%	0.7%	-5.6%	4.4%
Federal	-1.2%	0.6%	-16.6%	9.3%
State and local	0.2%	0.2%	1.5%	1.6%
<b>Domestic Demand</b>				
Final Sales to Domestic Purchasers	0.6%	2.8%		
Final Sales to Private Domestic Purchasers	1.8%	2.5%		

Source: Carson Investment Research, BEA 04/30/2026

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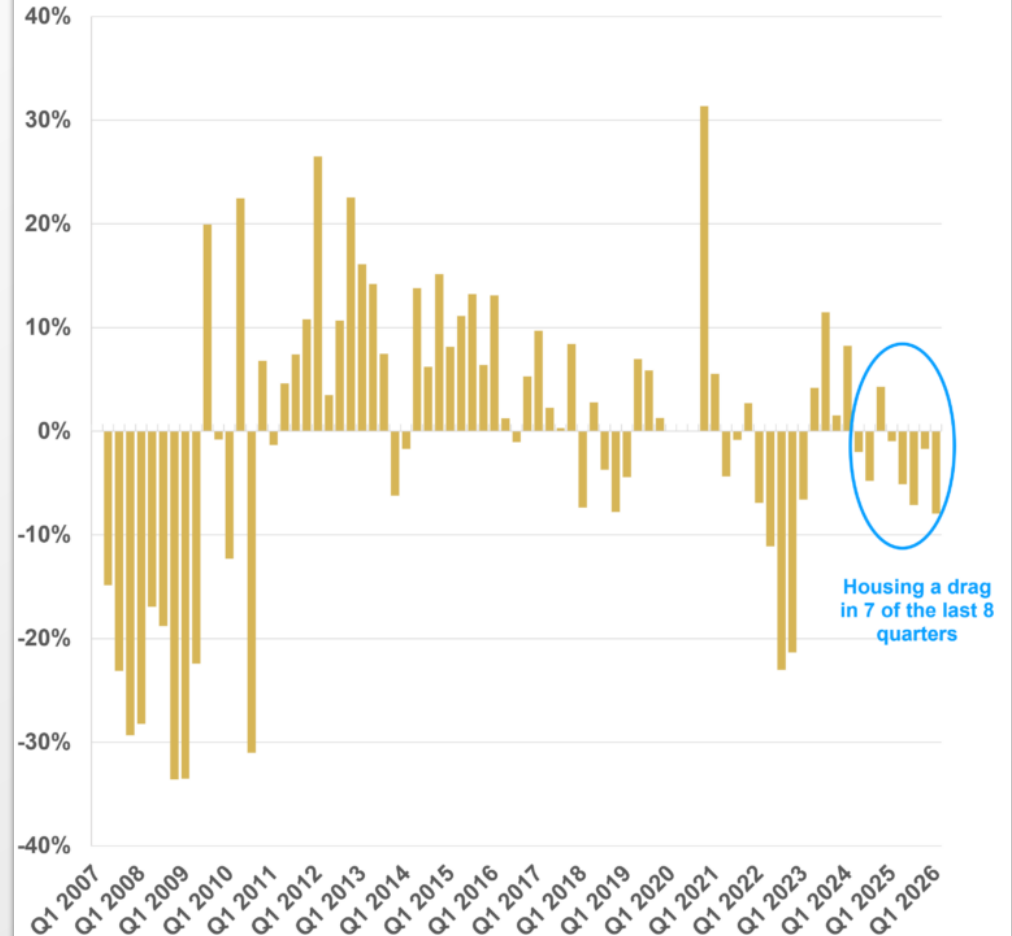
# Macro

## Housing Is Stuck in the Mud

- Residential investment has been a drag on GDP in 7 of the last 8 quarters.
- With the 10-year now at 4.43% and pricing out cuts, mortgage rates aren't getting relief any time soon.
- Housing is roughly 3.5% of GDP today, down from 6.5% at the 2006 peak. The economy can absorb this, but it's a real headwind that doesn't get enough attention.

### Housing woes continue amid elevated interest rates

Real Private Residential Investment  
(% Q/Q, Annualized)



Data source: Carson Investment Research, BEA 04/30/2026

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Data from Q1 - Q3 2020 omitted for clarity.



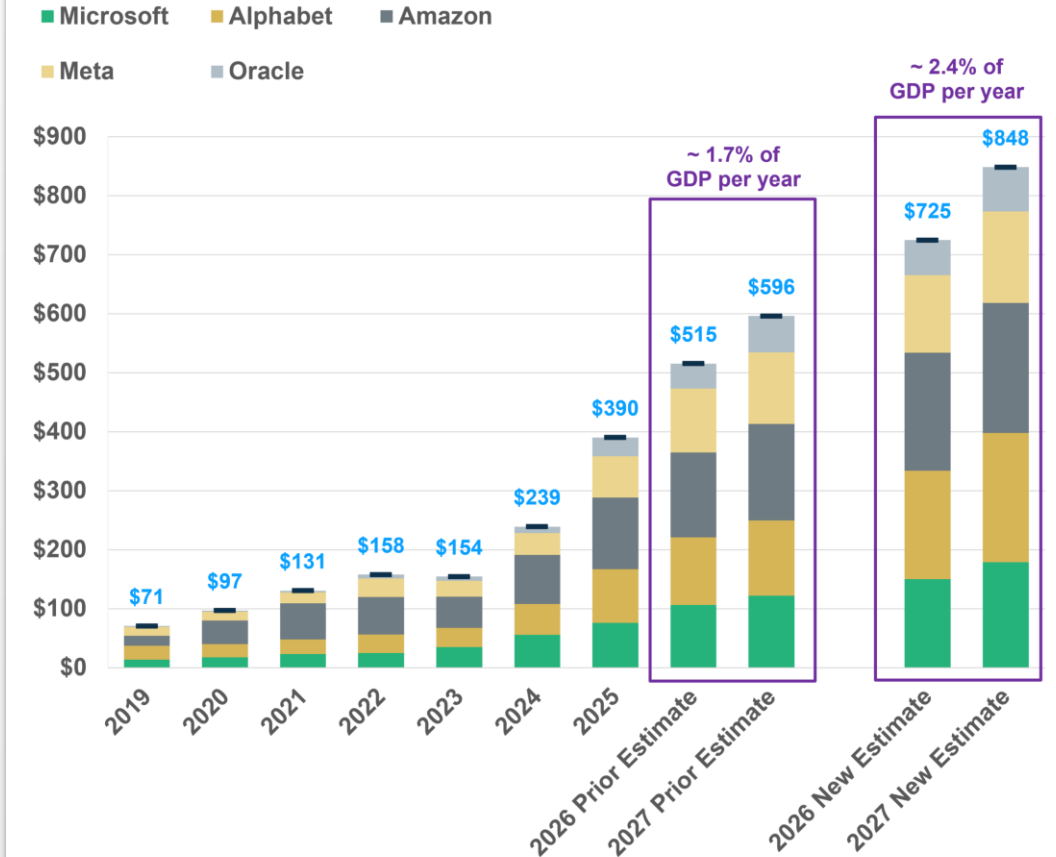
# CapEx

## AI CapEx Just Got Bigger

- The hyperscalers' combined 2026 capex estimate jumped from \$515B to \$725B. 2027 went from \$596B to \$848B. These are just incredible numbers and revisions.
- This is now ~2.4% of US GDP per year coming from five companies. For context, that's a meaningful chunk of all business investment in the economy.
- Whatever you think about AI as a technology, this is real spending hitting real revenue lines for semis, power, cooling, and construction.

AI-related capex spending was already huge, and now companies are telling us its going to be even bigger

Big Tech Capital Expenditures (Billions of USD)



Data source: Carson Investment Research, Bloomberg 04/30/2026

2025 and 2026 are full year estimates

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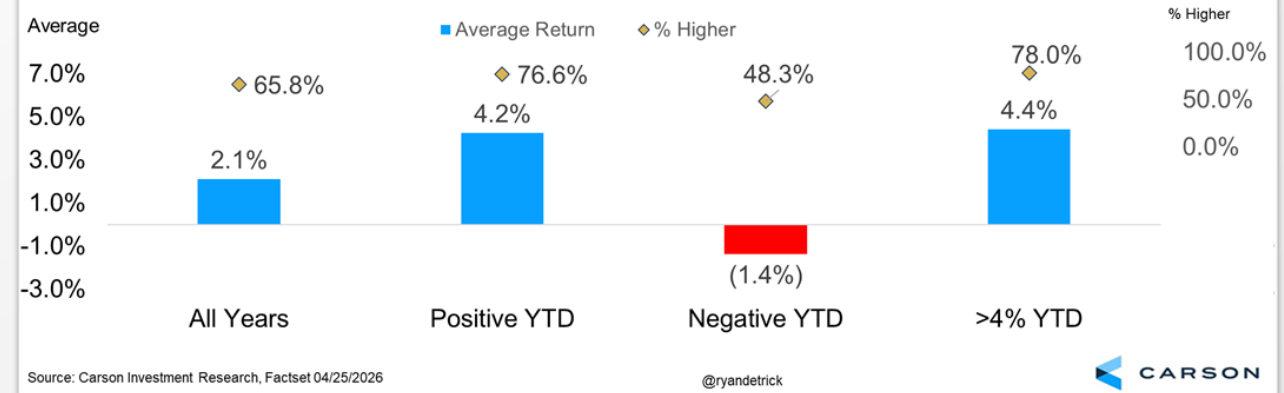
# Equities

## Sell in May? Recent History Says Otherwise

- "Sell in May" has been wrong 9 of the last 10 years, with an average May-October return of 6.9% over that span.
- When the S&P is up more than 4% YTD heading into May (which it is), the average Sell in May period return jumps to 4.4% with a 78% hit rate.
- The seasonality story is real historically, but recent data and a strong YTD setup argue against acting on it.

### A Good Start To A Year Can Potentially = A Solid Sell In May Period

S&P 500 Performance (Sell In May) Broken Down YTD Going Into May (1950 - Current)



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