Charts of the Week

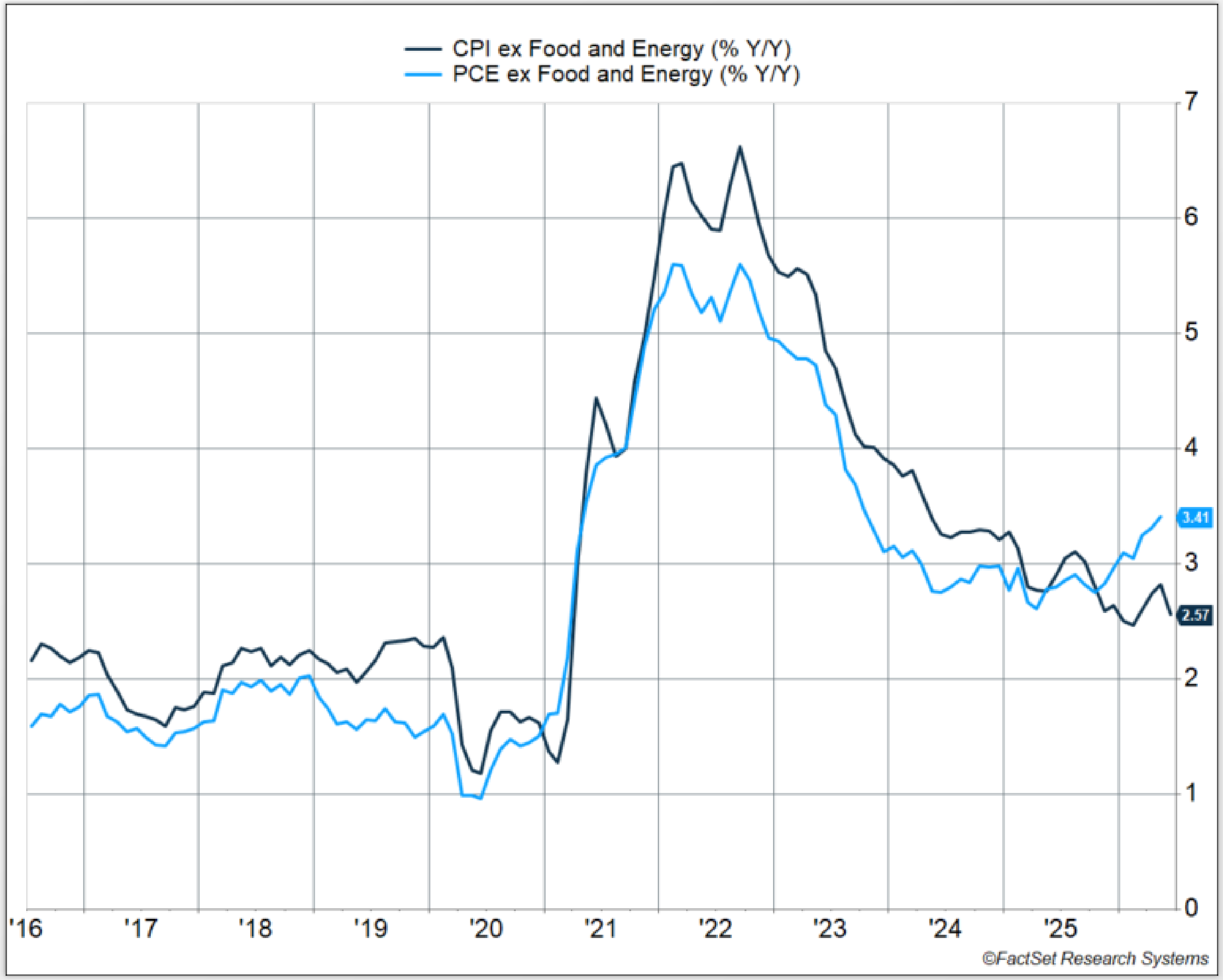
Carson Investment Research

July 13-17, 2026

Chart of the Week

The Gauge the Fed Watches Is Still Running Hot

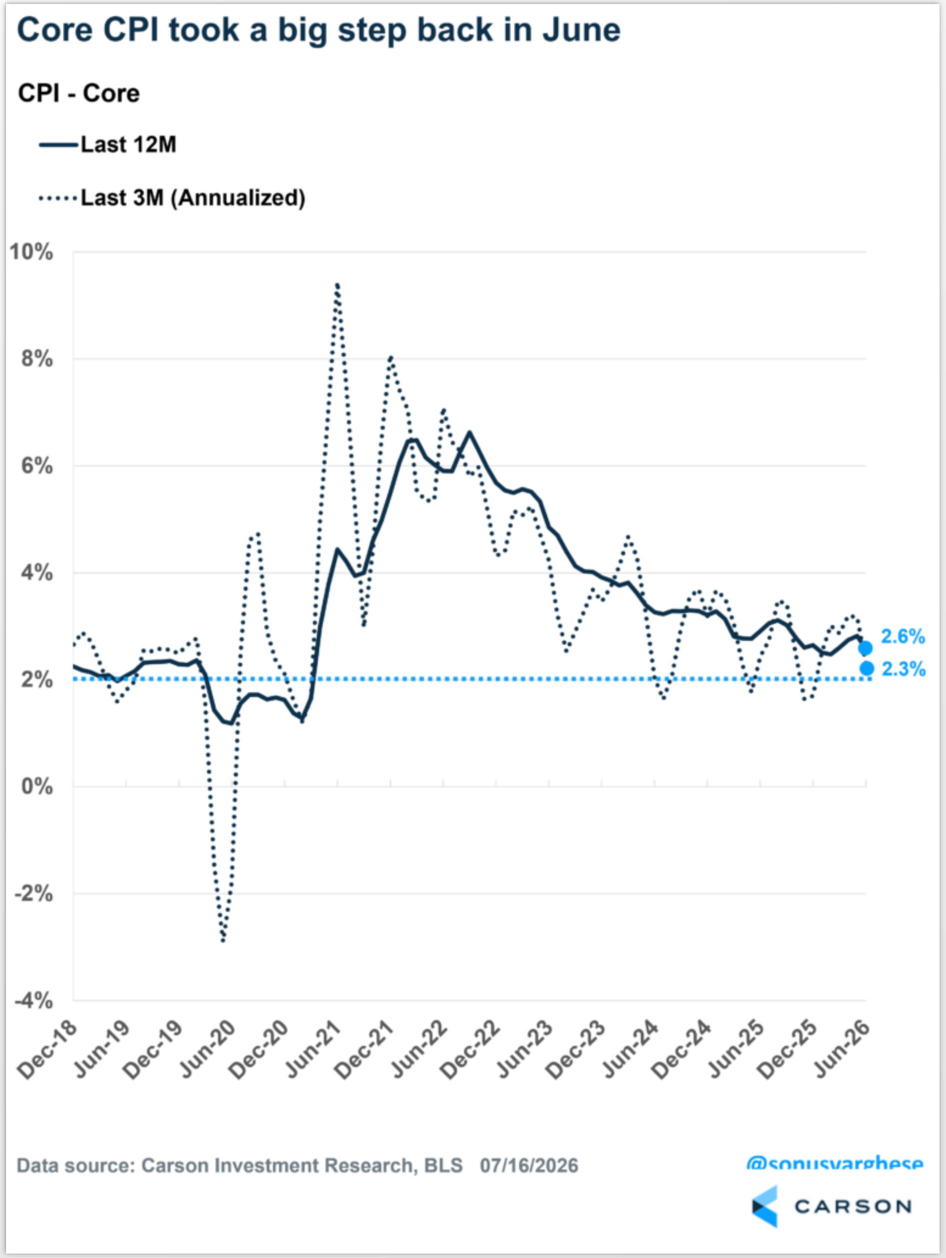
- Core CPI is near 2.6% year over year, but core PCE, the gauge the Fed targets, sits around 3.3%. Historically PCE runs a touch cooler.
- The wedge is about weights. Shelter, auto insurance, and wireless pulled CPI down in June, and those carry little or no weight in PCE.
- A cooler CPI headline is there, but it is not the number that sets policy, which is why the market's dovish tilt this week could be early.



Macro

A Soft Print, Built on a Few Items

- June core CPI cooled to a 2.3% three-month annualized pace, the softest stretch in more than a year, and the headline looked like clean disinflation.
- Underneath, it was narrow. Auto insurance, wireless plans, and hotels did most of the work, and those look like one-offs.
- Strip them out and the broad picture is closer to sticky than falling. One good print is not a pattern in our view.



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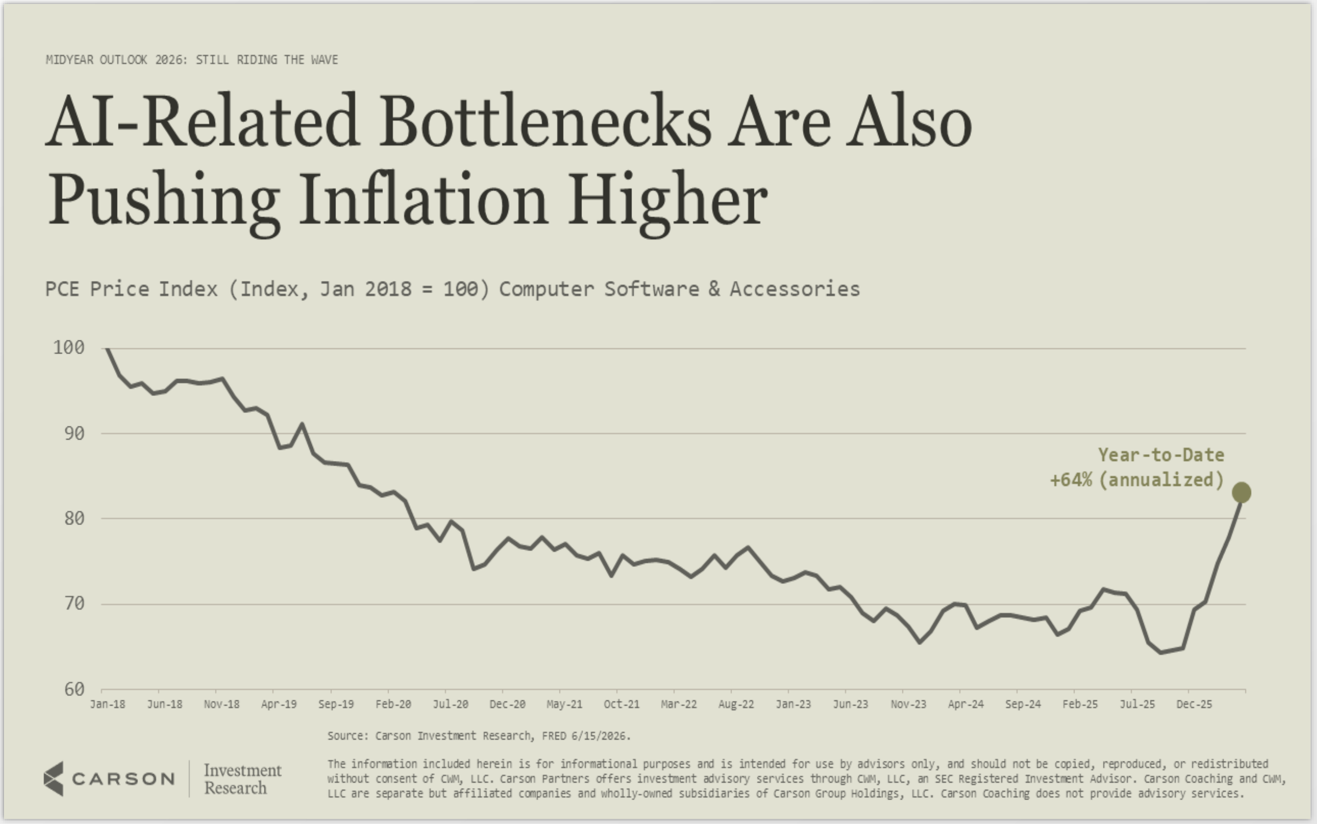
AI Erased Six Years of Software Deflation

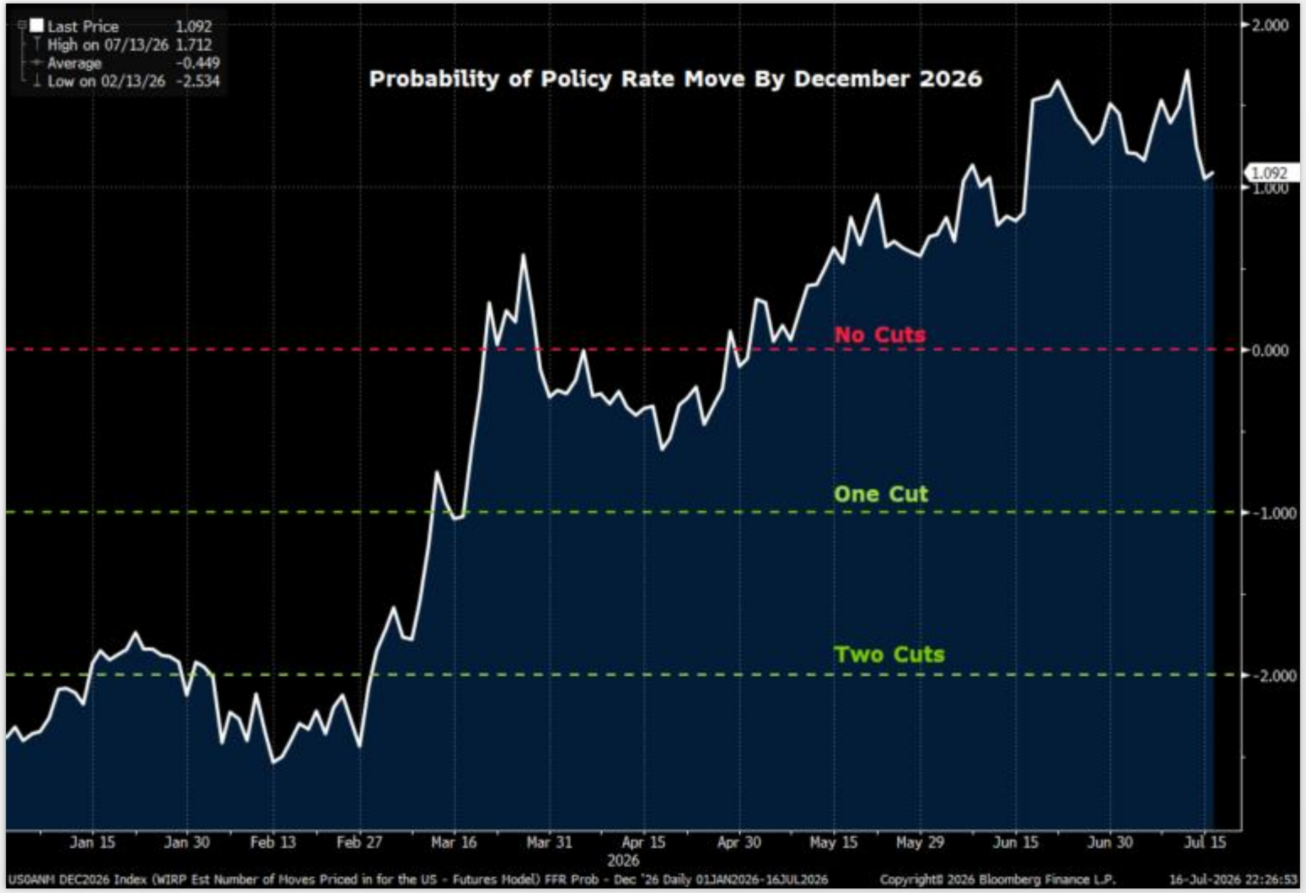
- Computer software prices fell steadily for decades. This year they turned, running north of 60% annualized and clawing back to 2019 levels.
- The driver is AI. Compute and token costs now live in this category, and demand has run past supply.
- It matters more than the tiny CPI weight suggests, because software carries a far bigger weight in PCE. This is a concrete reason that gauge stays warm.



Macro

The July Hike Is Off the Table, But December Isn't

- Soft June CPI and PPI gutted July hike odds, dropping them from roughly 45% to about 10% in a matter of days.
- Further out, the market still leans toward one hike by year end. December pricing eased but never flipped to cuts.
- The hawkish lean that built through spring is mostly intact.



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Spending Slowed, but the Core Held

- Headline retail sales barely moved in June, up 0.2%, with a slump at gas stations doing most of the damage.
- The control group that feeds GDP rose 0.5% and is running around 8% annualized over three months. Online, hobby, and electronics led.

	Contribution to June 2026 Gain (M/M)	May to June 2026 Gain (M/M)	3M Annualized Change (June 2026)
Nonstore Retailers	0.4%	1.9%	21.0%
Motor Vehicle & Parts Dealers	0.3%	1.9%	10.9%
Sporting Goods, Hobby, Book & Music Stores	0.0%	1.3%	20.4%
Electronics & Appliance Stores	0.0%	0.8%	9.2%
Food Service & Drinking Places	0.0%	0.1%	9.3%
Building Materials, Garden Equip., Supply Stores	0.0%	0.1%	-0.4%
General Merchandise Stores	0.0%	0.1%	2.0%
Furniture & Home Furnishings Stores	0.0%	0.0%	1.4%
Miscellaneous Stores	0.0%	-0.3%	8.0%
Clothing & Clothing Accessory Stores	0.0%	-0.3%	0.1%
Food & Beverage Stores	0.0%	-0.2%	2.2%
Health & Personal Care Stores	0.0%	-0.8%	-2.6%
Gasoline Stations	-0.4%	-5.3%	3.1%
Control Group Retail Sales	**0.3%**	**0.5%**	**8.0%**
Retail & Food Services, Total	**0.2%**	**0.2%**	**7.9%**

Source: Carson Investment Research, Factset 07/16/2026

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Control Group excludes Food Services, Auto Dealers, Gasoline Stations, Building Materials, Garden Equipment and Supplies Dealers, Office Supply and Stationary Stores, Mobile Home Dealers, Tobacco Stores

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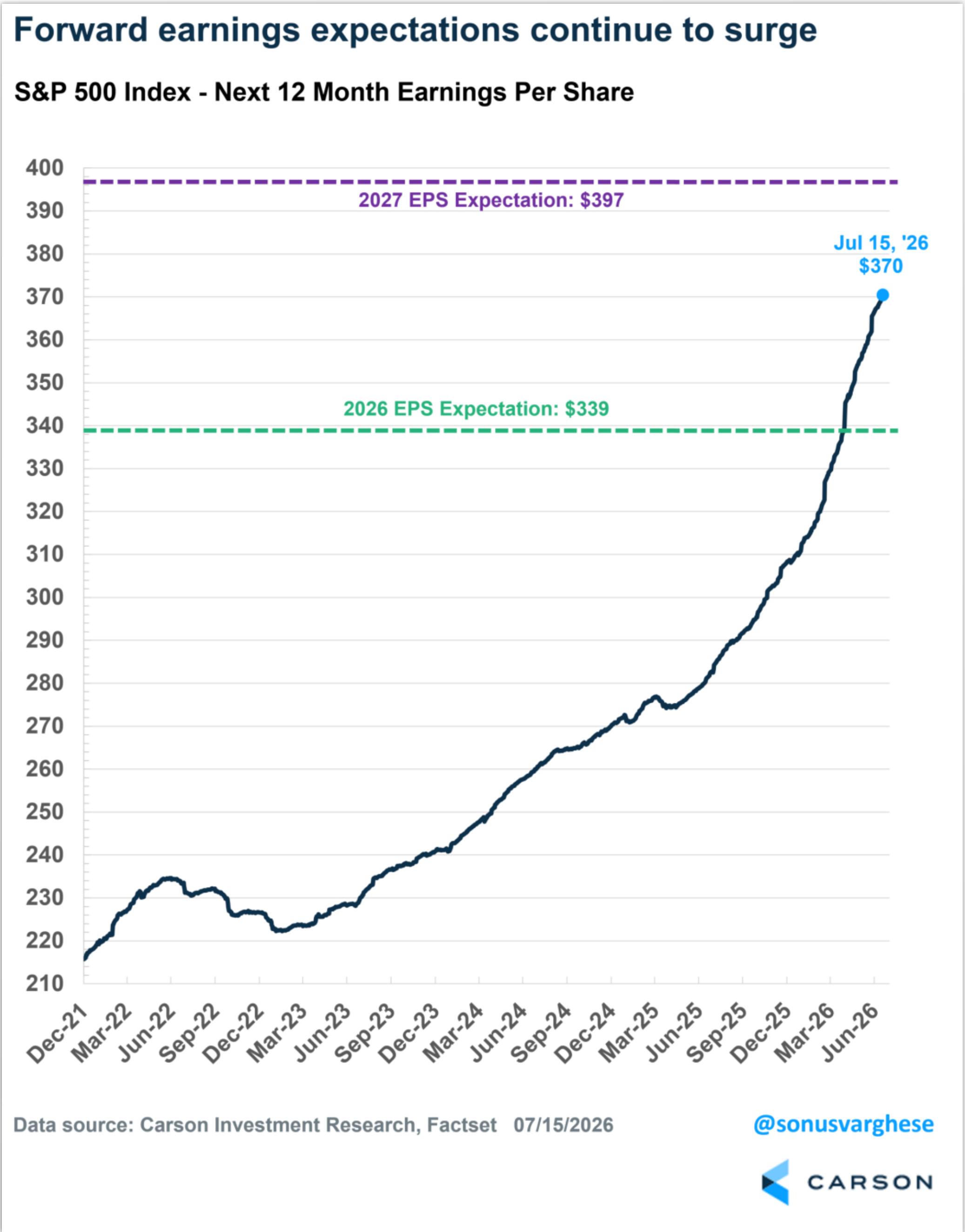
Estimates Kept Climbing Right Through the War

- Forward earnings for the S&P 500 sit near $370 a share, up about 20% since New Year's and still grinding higher.
- The Iran war barely registered. Most of the gain has landed in the four-plus months since it started.
- As the calendar turns, the forward number pulls in more of 2027, and those estimates are rising even faster than 2026.



Markets

The Upgrades Are Almost All Tech

- Break the estimate hikes down by sector and technology is doing the heavy lifting, with 2026 up around 21% and 2027 up roughly a third.
- Energy and materials round out the top three, both riding higher prices more than higher volume.

	Weight	2026 EPS Estimate			2027 EPS Estimate		
		12/31/2025	7/15/2026	Change	12/31/2025	7/15/2026	Change
S&P 500	100%	308.38	339.45	**10.1%**	354.7	397.22	**12.0%**
Technology	35%	212.86	257.82	**21.1%**	255.81	339.86	**32.9%**
Financials	12%	56.05	58.58	**4.5%**	62.56	64.29	**2.8%**
Comm. Services	11%	20.28	22.83	**12.6%**	23.23	24.42	**5.1%**
Cons. Disc.	10%	65.09	66.51	**2.2%**	76.4	75.18	**-1.6%**
Industrials	9%	54.88	56.09	**2.2%**	63.33	64.69	**2.1%**
Health Care	9%	97.12	90.24	**-7.1%**	108.35	110.24	**1.7%**
Cons. Staples	5%	39.17	39.16	**0.0%**	42.32	42.2	**-0.3%**
Energy	3%	43.08	67.59	**56.9%**	51.21	62.53	**22.1%**
Utilities	2%	24.27	24.44	**0.7%**	26.52	26.73	**0.8%**
Materials	2%	30.24	34.64	**14.6%**	34.21	38.35	**12.1%**
Real Estate	2%	14.93	14.9	**-0.2%**	15.97	15.74	**-1.4%**

Data: Factset 07/15/26

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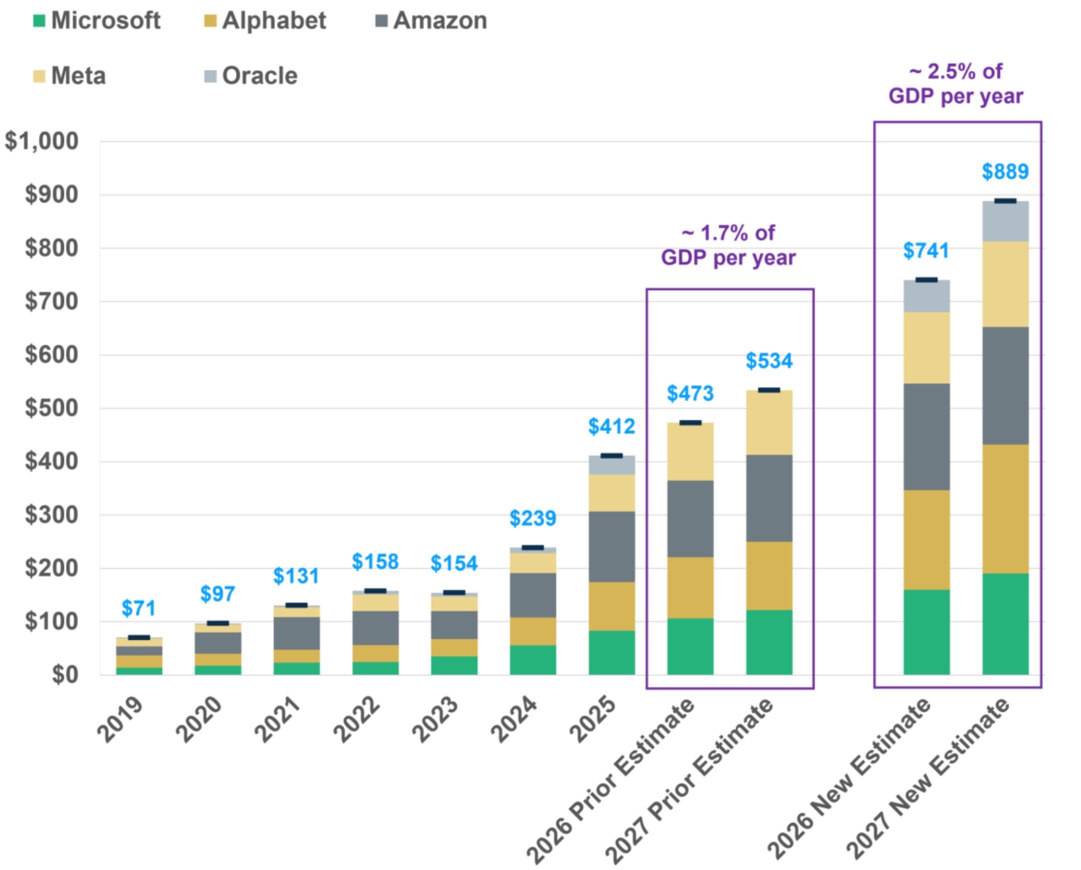
One Company’s CapEx Is Another’s Revenue

- Big tech capital spending is now tracked near $740 billion for 2026, about 2.3% of GDP and more than four times the 2023 level.
- The reason it moves markets is direct. One firm's spending on chips and data centers becomes another firm's revenue and profit.
- Estimates keep getting revised up. The question into earnings season is the pace of growth from here, and whether this CapEx can provide a meaningful ROI for the hyperscalers.

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)



Source: Carson Investment Research, Bloomberg 615/2026

Prior estimates are from the end of 2025

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Tech Split Down the Middle

- Over the past year semiconductors returned roughly 135% while software fell 17%, the widest gap between the two since these indexes launched in 2001.
- The market is paying for the hardware, not the software. Chips feed the buildout, while software faces questions about being disrupted by it.
- Two industries usually seen as joined at the hip have split.

Markets

Paper Gains Are Padding Real Profits

- A chunk of recent mega-cap profit came from marking up private AI stakes. For Alphabet and Amazon, it topped half of GAAP earnings in Q1.
- These are gains on holdings in firms like OpenAI and Anthropic, and they run straight through the income statement.
- It works while private valuations keep rising. Worth watching how much of the coming beat is operating strength versus revaluation.

It's Not All 'Private'

Revaluations of Private Investments Provided a Big Boost to Public Company Profits in Q1

Company	Q1 Net Income (Bil)	Net Income From Re-valuations (Bil)	Percent
Alphabet	$62.60	$36.90	59%
Amazon	$30.20	$15.60	52%
Nvidia	$58.20	$15.90	27%
Microsoft	$38.50	$9.97	26%

Source: Carson Investment Research 6/15/2026.