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Charts of the Week

Carson Investment Research

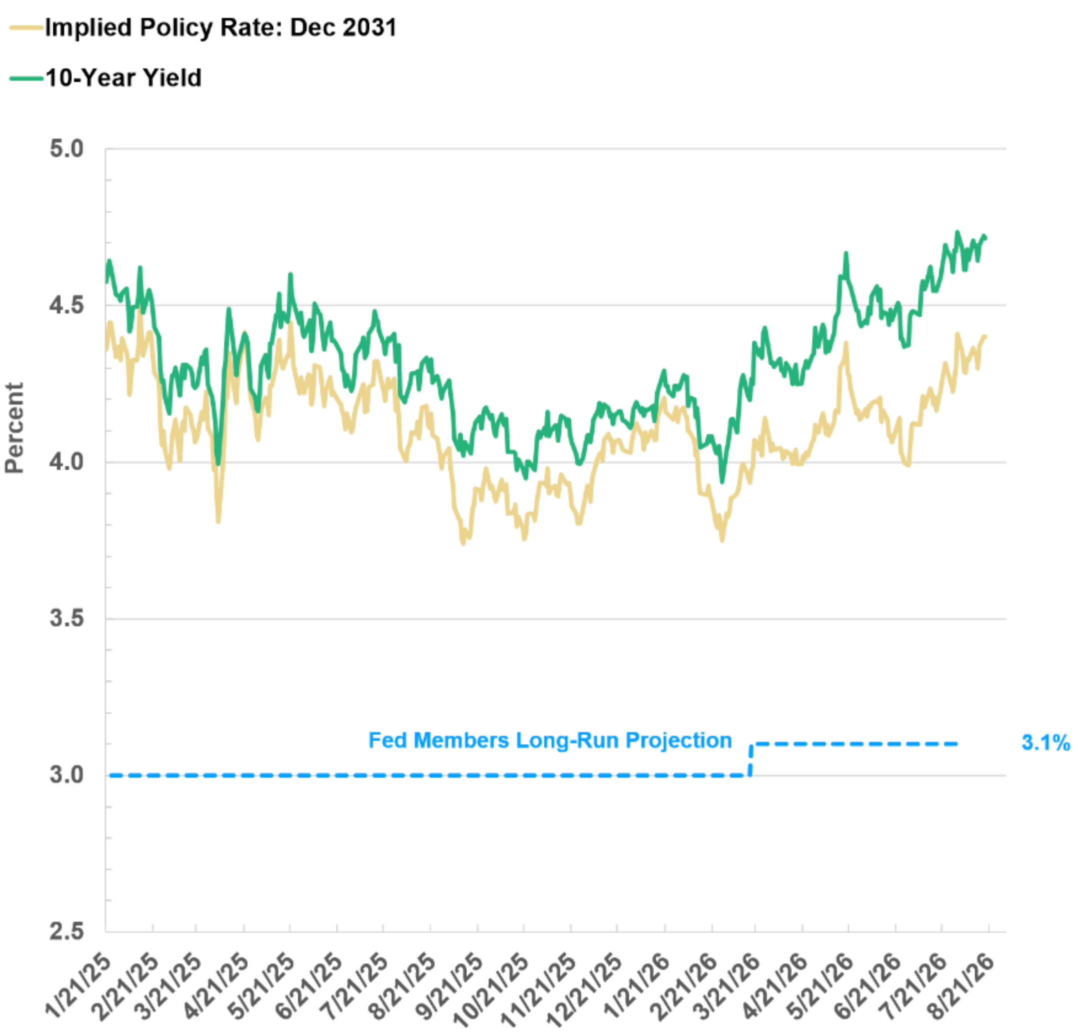
August 17-21, 2026

Chart of the Week

The Long End Stopped Listening to the Fed

- The 10-year is tracking where markets think policy rates settle in 2031. That expected level is well above the Fed's own 3.1% long-run projection.
- This is the reason two benign inflation prints and collapsing September hike odds did nothing for long yields. The market isn't arguing about the next meeting, it's arguing about the destination.
- It also reframes the "term premium" debate. A lot of what looks like extra compensation for duration is just an expectation that policy stays restrictive far longer than the dot plot implies.

10-year yield closely tracking expected policy rate in the future, and that's well above the Fed's longer-run "neutral"



Data source: Carson Investment Research, Bloomberg 08/18/2026 @sonusvarghese

Implied policy rate proxied by SOFR futures
1 basis point = 0.01%-point

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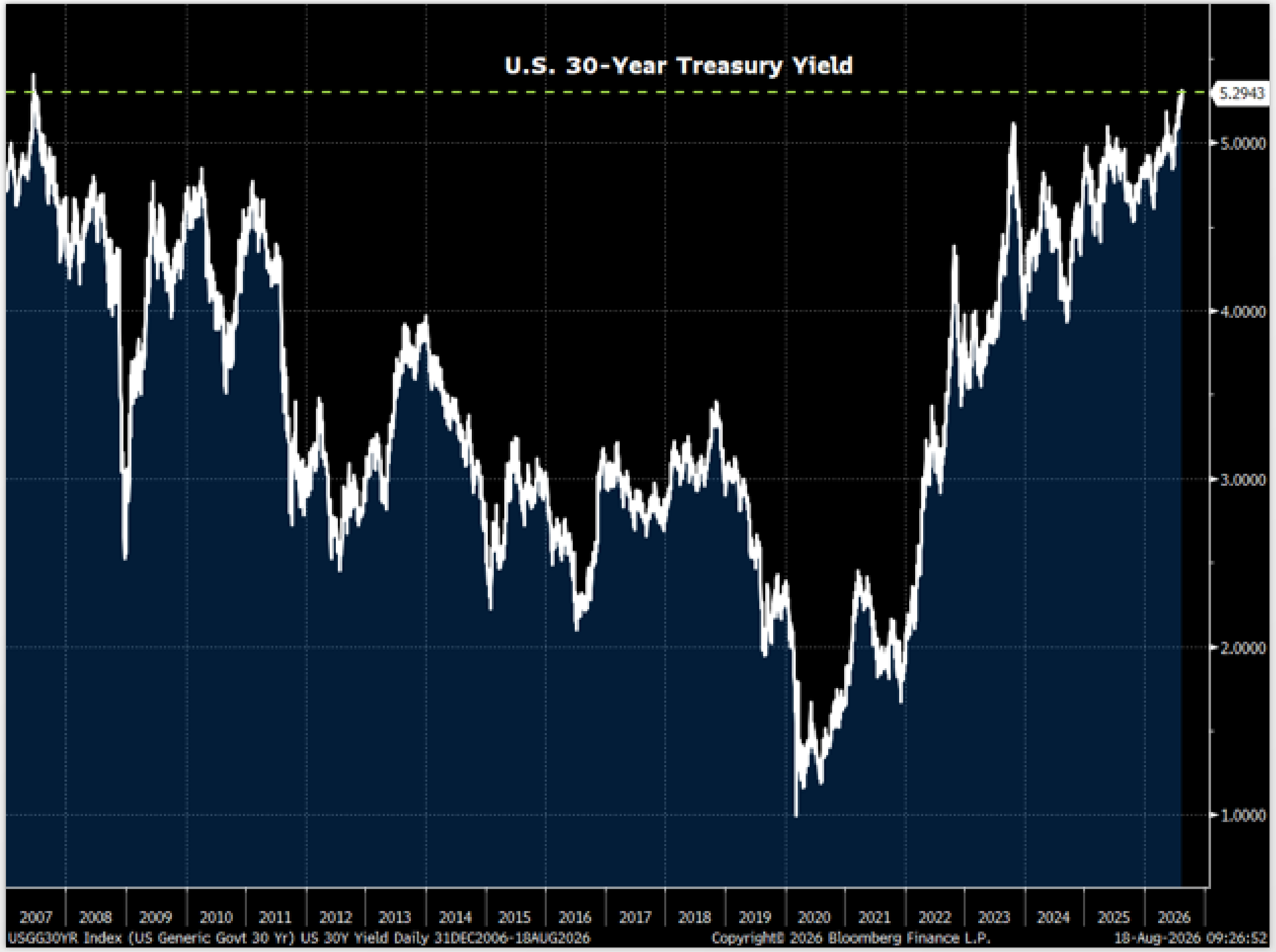
Macro

5.29% and the Highest Price in 25 Years

- The 30-year is knocking on levels last seen in 2007, when the peak was 5.40%.
- Last week's $25 billion auction cleared at a 5.216% stop-out, up from 5.06% the month before and the highest since 2001. Demand showed up, but only after the government paid for it.



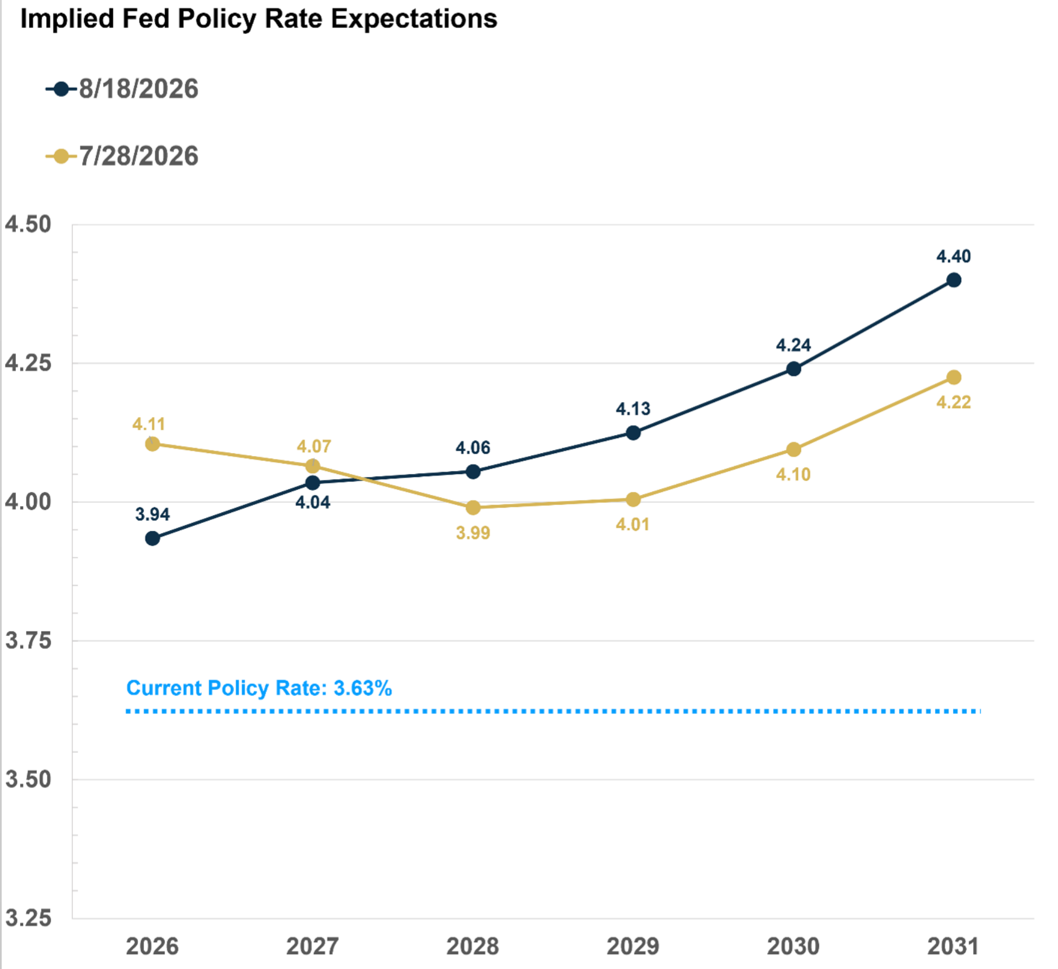
Source: Carson Investment Research, Bloomberg 8/18/26

Macro

Doves Win 2026, Hawks Win the Decade

- Between late July and mid-August, the 2026 implied policy rate dropped from 4.11% to 3.94% as a hike came out of the curve. Everything from 2028 out moved the other way.
- 2031 expectations went from 4.22% to 4.40%. Markets are pricing a Fed that stays on hold now and pays for it later.
- Worth noting the whole curve sits above the current 3.63% policy rate. Nowhere on it does the market price a return to easy money.

Policy rate expectations for 2026 have pulled back recently, but longer term expectations have risen



Data source: Carson Investment Research, Bloomberg 08/18/2026 @sonusvarghese

Implied policy rate proxied by SOFR futures

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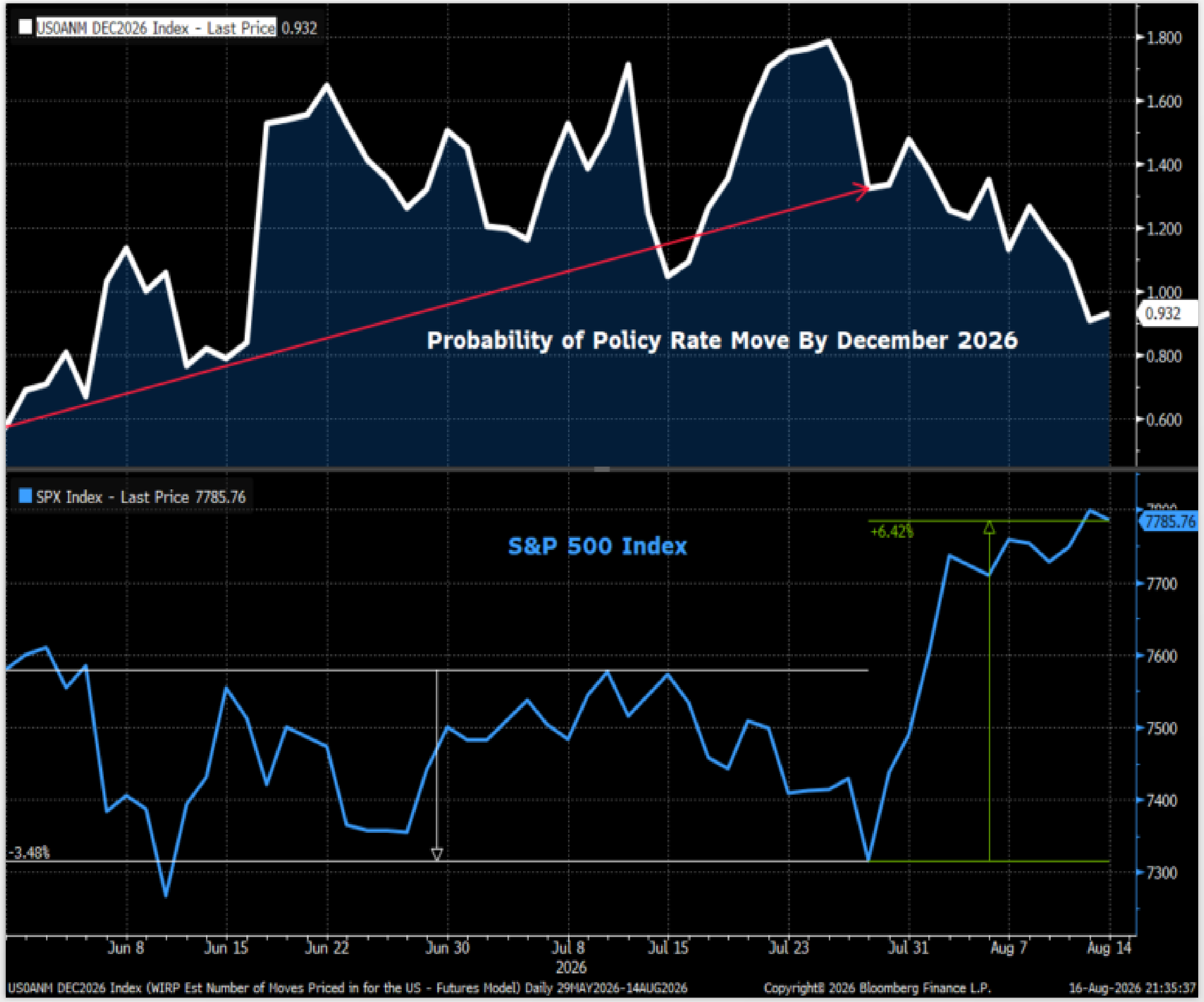
Macro

Equities Are Trading the Fed, Not the Economy

- From late May through July 29, 2026 hike odds climbed from 60% to 132% and the S&P 500 slipped 3.5%.
- From July 29 through August 14, those odds fell back to roughly 93% and the index rallied 6.4% into new highs.
- Tech carried most of the swing in both directions, which says the recent leadership is more rate-sensitive than the AI narrative alone suggests.

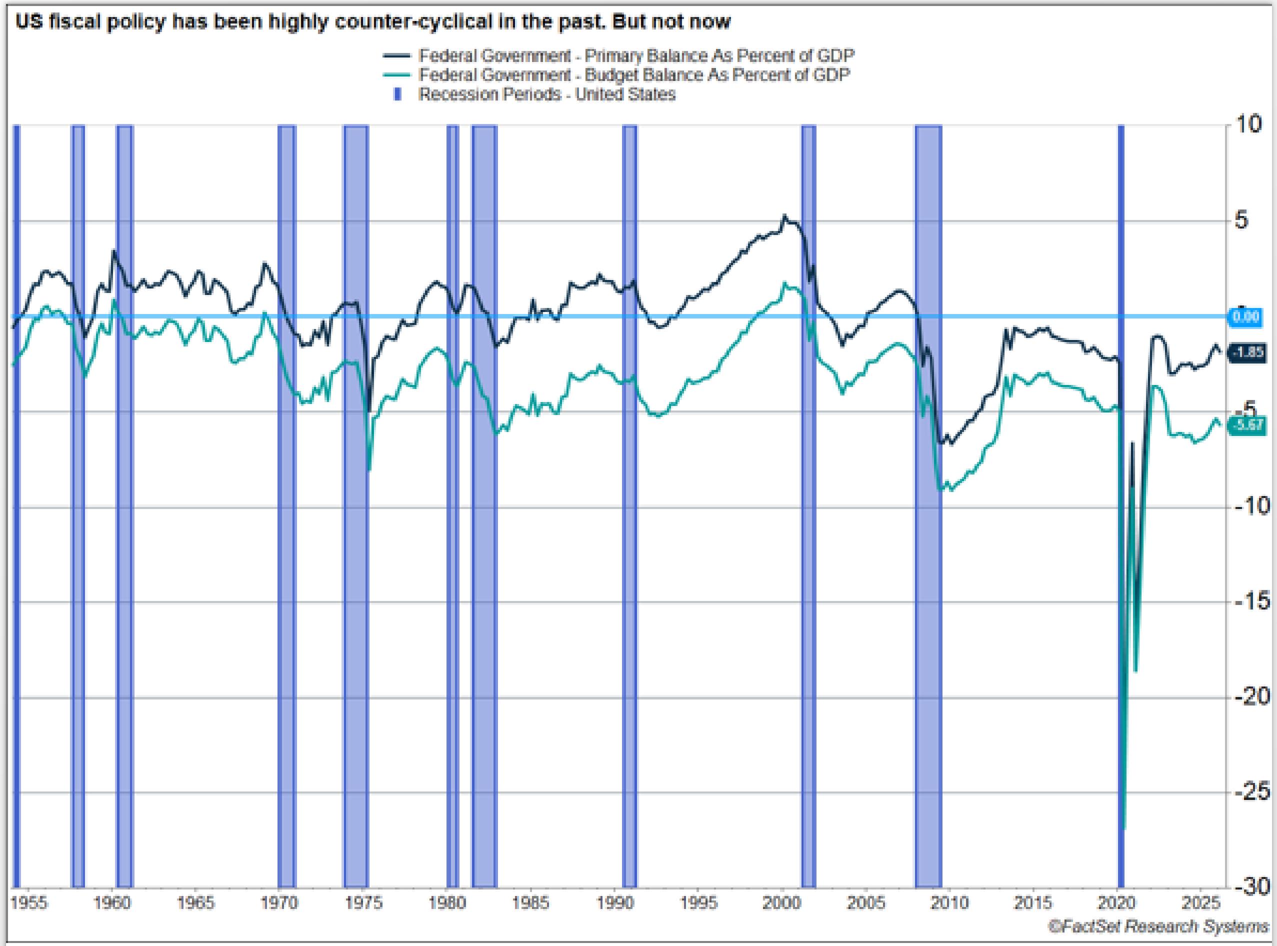


Source: Carson Investment Research, Bloomberg 8/16/26

Macro

Deficits Behaving Like It's a Recession

- Deficits this size normally show up when receipts collapse and unemployment spending surges. This one is arriving in year six of an expansion.
- The budget balance is near 6% of GDP with a primary balance around 2%.
- Ten months into the fiscal year, the deficit has already passed the full FY2025 total of $1.78 trillion, with net interest at $931 billion now running above defense.

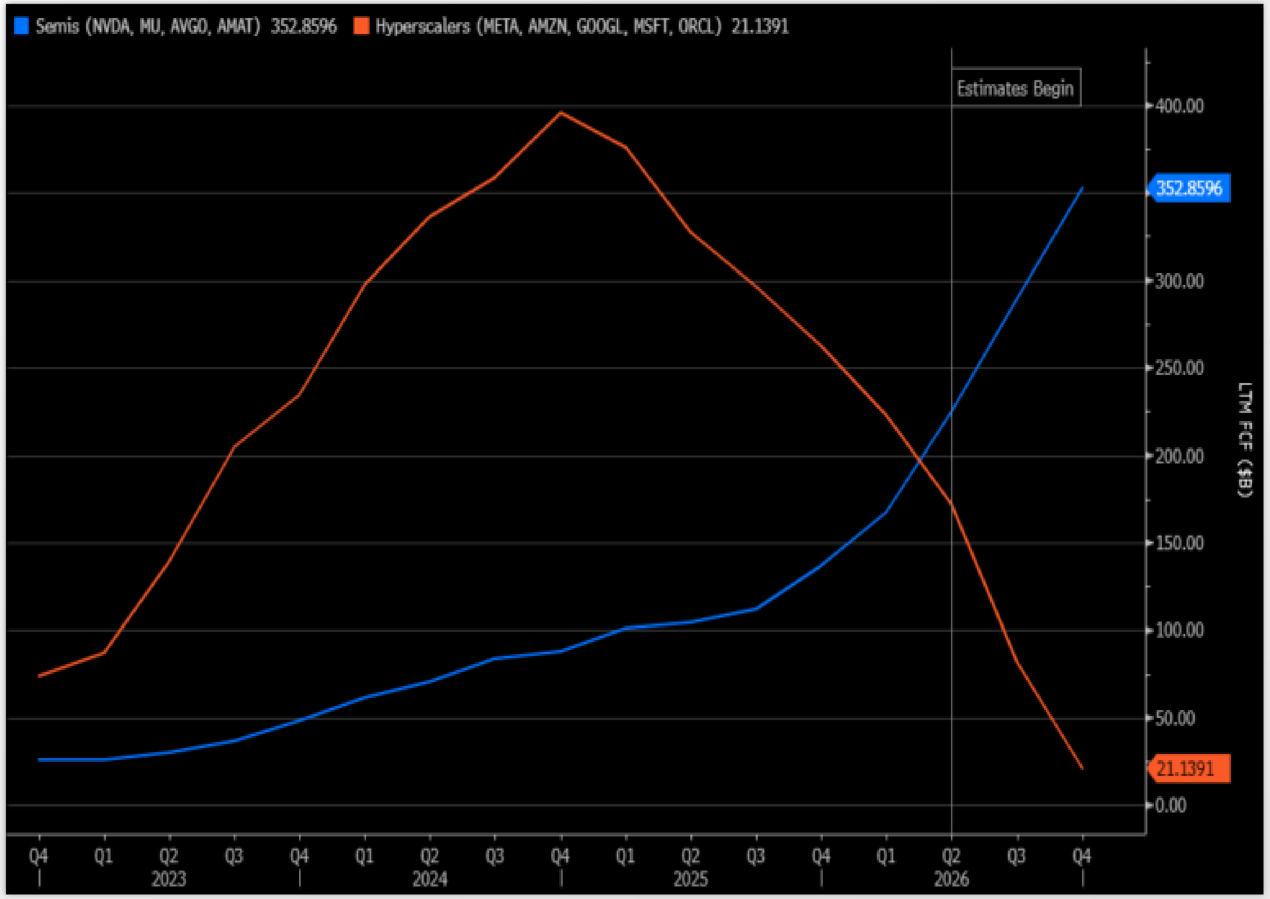


Data Source:Carson Investment Reserach, FactSet 08/17/2026

Markets

The Cash Moved to the Sellers

- Hyperscaler free cash flow peaked near $400 billion at the end of 2024 and is tracking toward roughly $21 billion this year. Semis on the other side of the trade are heading toward $353 billion.
- Capex is draining the buyers and depositing it with the sellers, and the lines have now crossed.
- The gap has to be funded somewhere. Incremental debt covered about 9% of hyperscaler capex in fiscal 2024 and roughly 32% on a trailing basis by mid-2026.

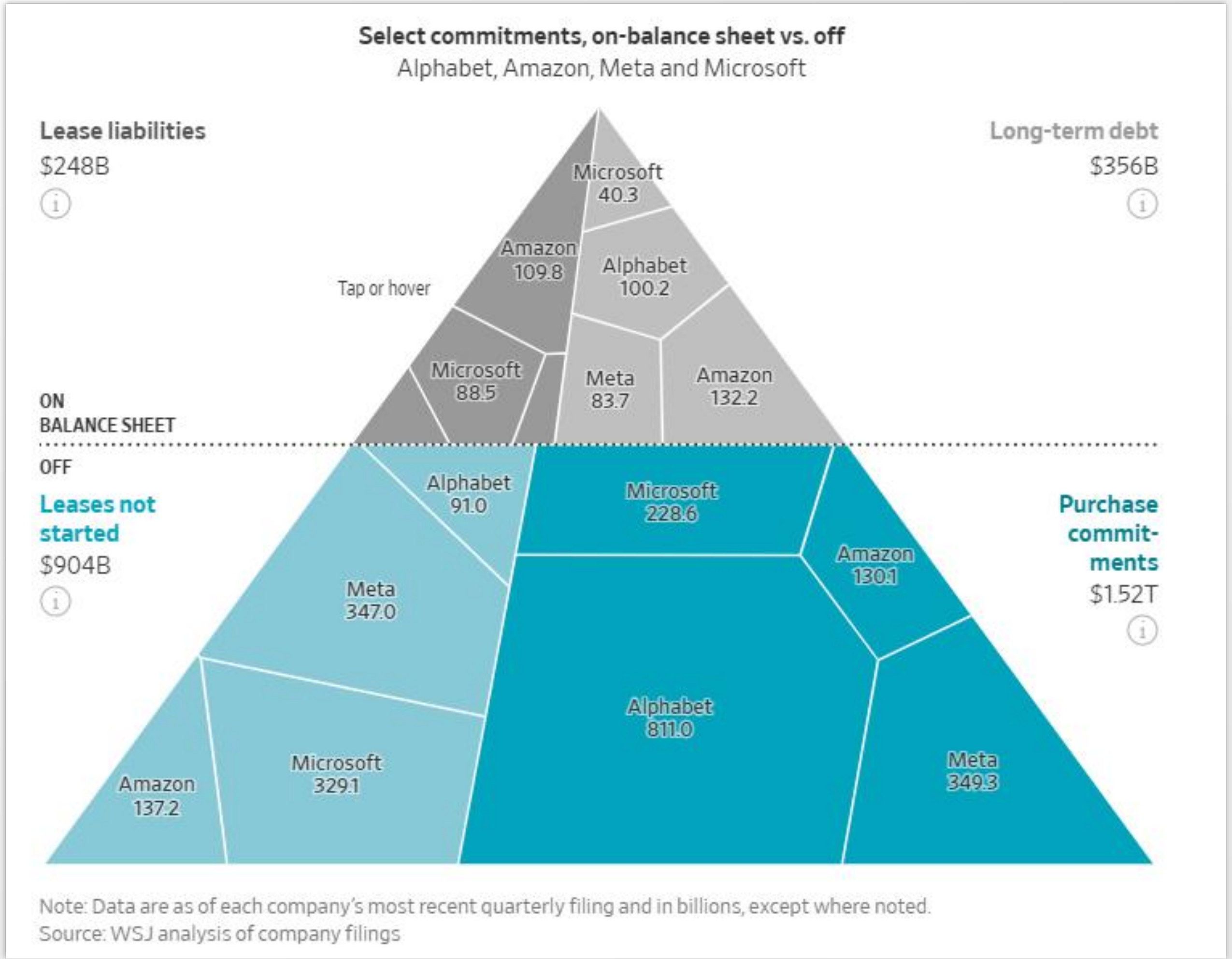


Source: Carson Investment Research, Bloomberg 8/16/26

Markets

Three Trillion the Balance Sheet Doesn’t Show

- Nine major tech companies carry roughly $3 trillion of off-balance-sheet obligations against about $600 billion of reported capex over the past year.
- Leases that haven't started account for about $1.2 trillion and purchase commitments about $1.9 trillion. Neither hits the books until the lease begins or the goods arrive.
- Alphabet's commitments jumped to $811 billion from $332 billion in a single quarter, with some agreements running to 2054.

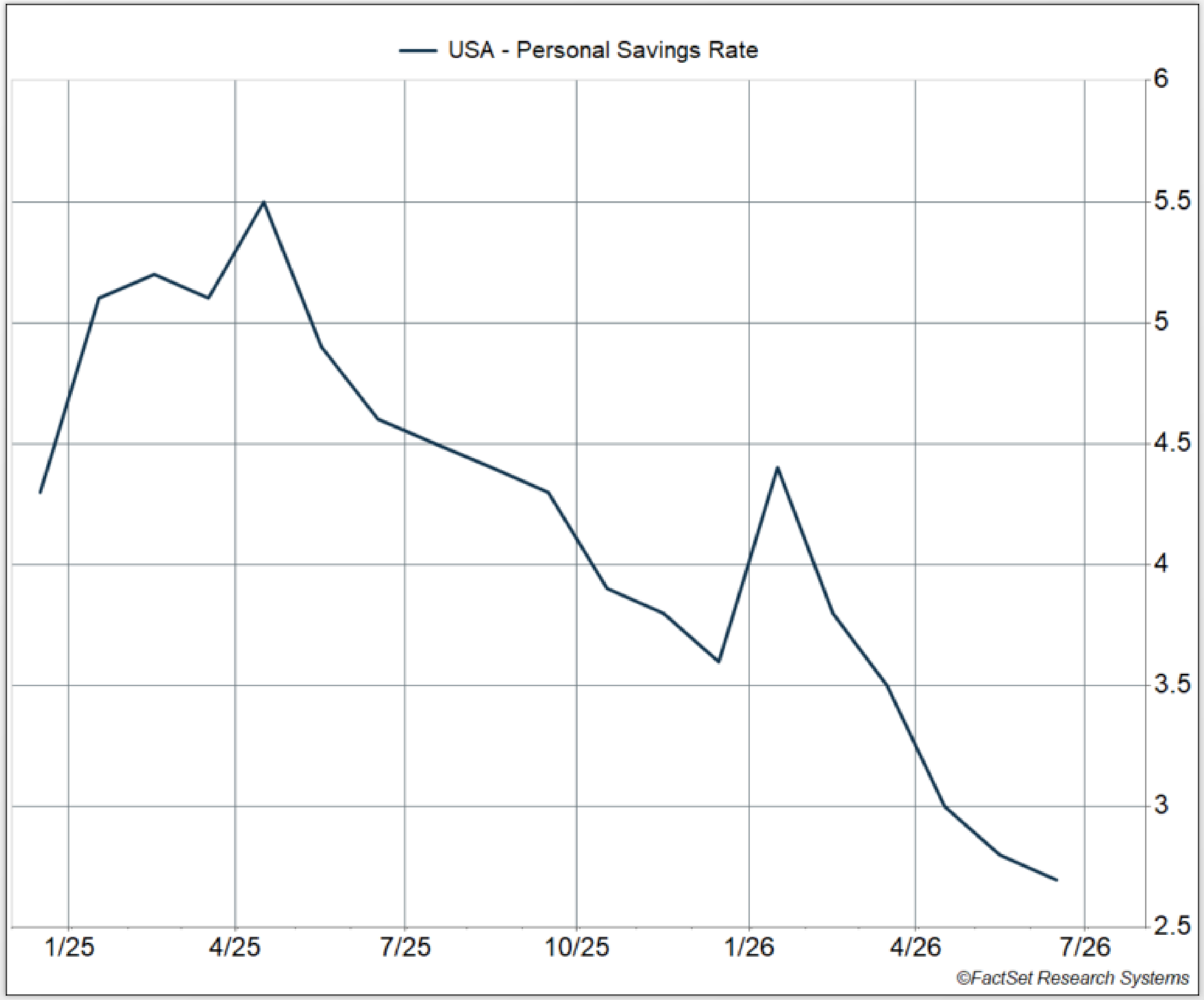


Source Date: 8/16/26

Markets

Spending Down the Cushion

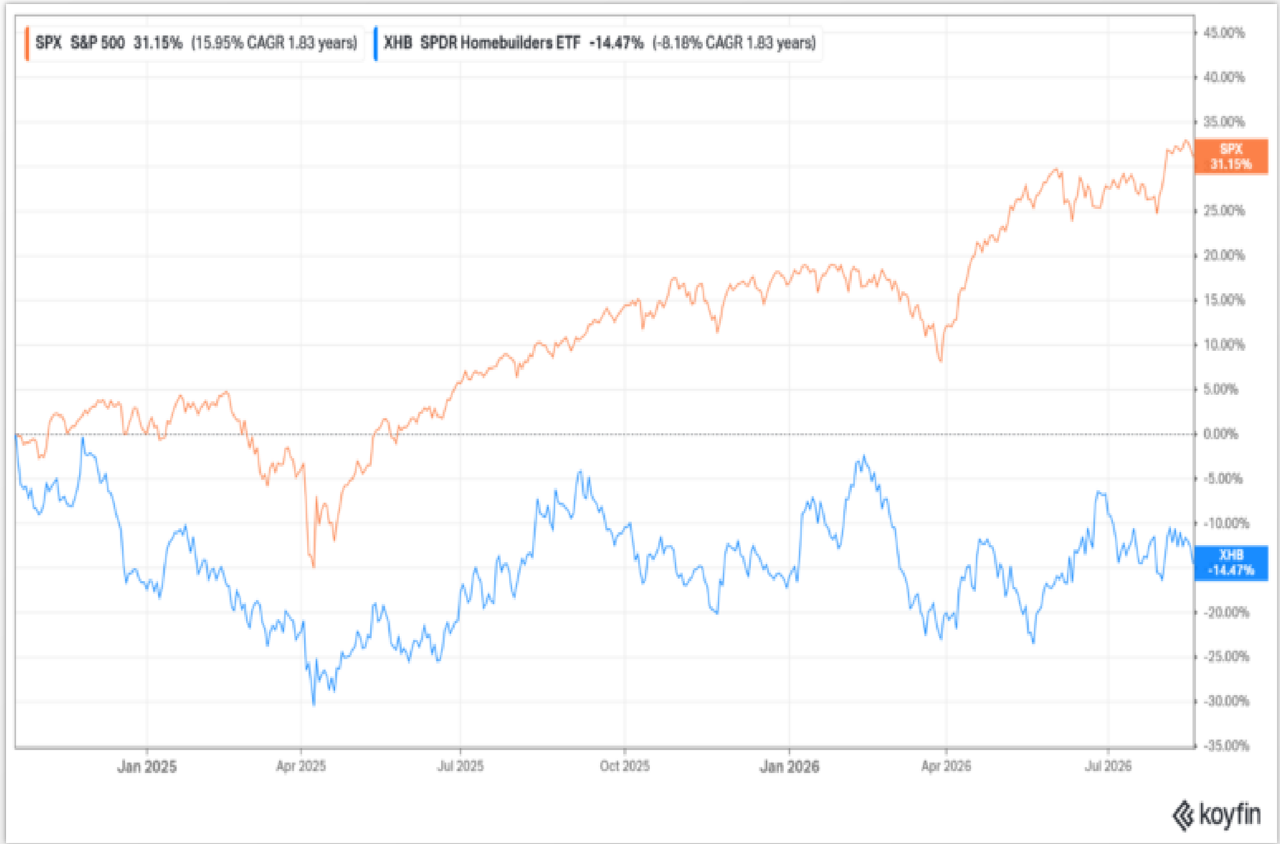
- The savings rate has fallen from 4.3% at the end of 2024 to 2.5% in June. Households are financing consumption by setting less aside rather than borrowing more.
- Household debt actually fell 0.07% in Q2, the first quarterly decline since 2020, and credit card balances are down 1.1% this year.
- The likely driver is wealth. The S&P 500 is up 155% since the end of 2019 and home prices are up over 50%, which makes a thinner savings buffer feel manageable.



Markets

Two Years of Dead Money in Homebuilders

- XHB is down about 14% since late 2024 while the S&P 500 has gained more than 31% over the same stretch.
- Builders were up nearly 18% year to date in late February and gave the entire move back as yields backed up. The round trip maps almost perfectly to the long end.
- With the 30-year mortgage at 6.75% and the 10-year near 4.70%, this is what crowding out looks like in a portfolio rather than in a macro model.



Markets

CapEx Finally Broadens Past the Data Center

- Business equipment production excluding high-tech and autos rose 1.5% in July and is up 7.4% annualized over three months.
- Activity now sits just 1.8% below December 2019, after running 4% to 5% below that mark for more than a year.
- These are volume-based numbers, so the improvement isn't a price effect. Real investment outside AI has stopped treading water.