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Charts of the Week

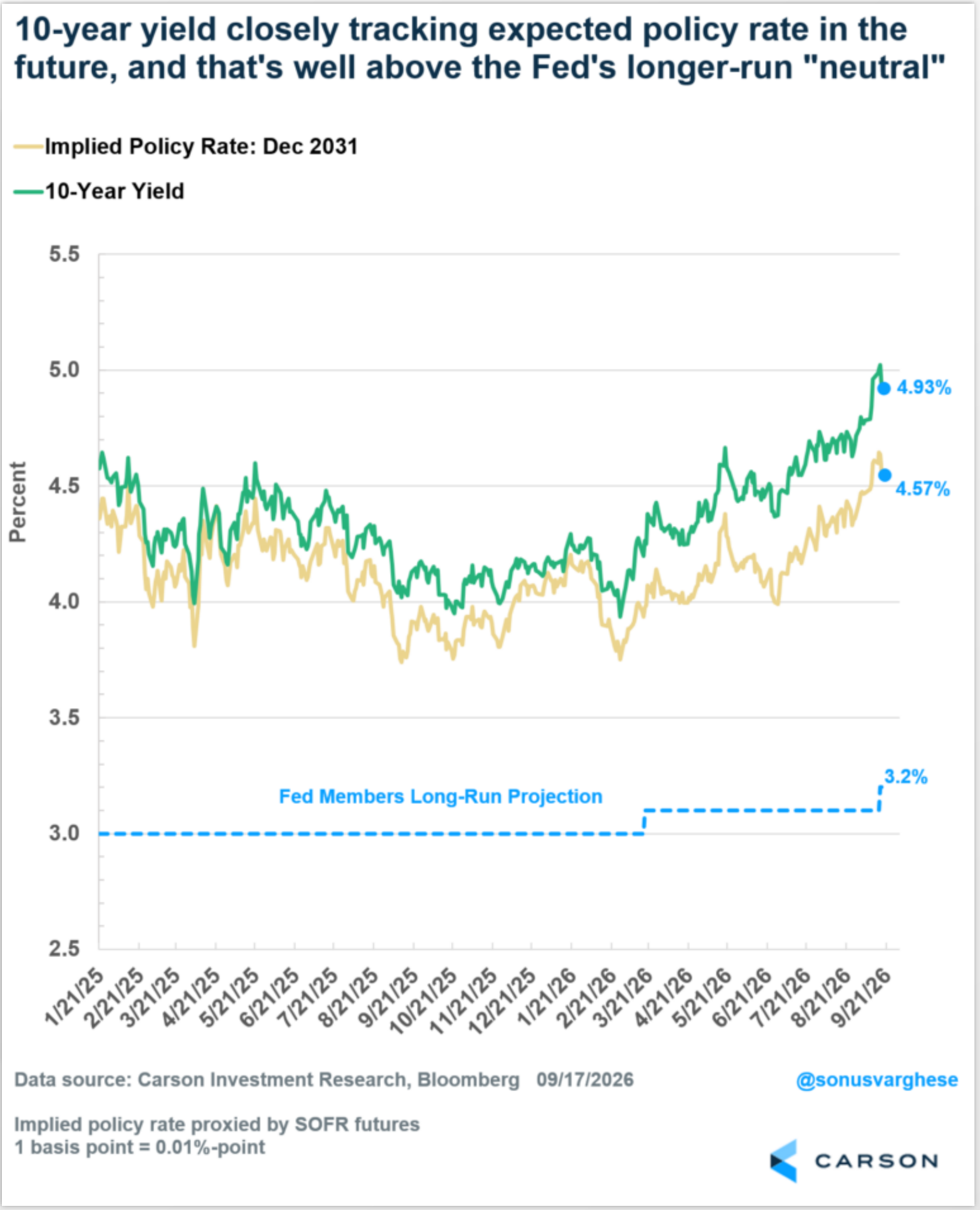
Carson Investment Research

September 14 - 18, 2026

Chart of the Week

The Market Isn't Buying the Fed's Neutral

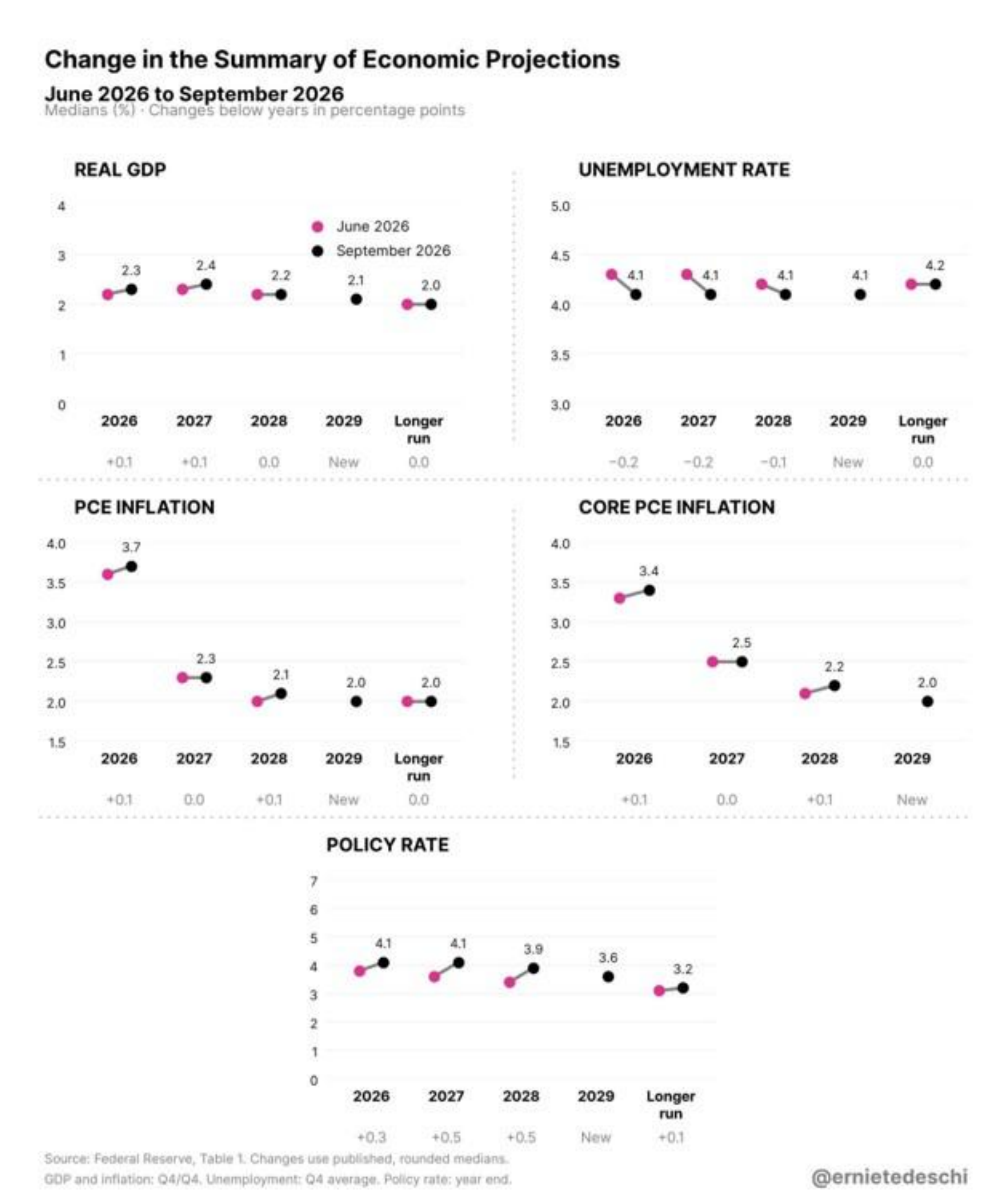
- The Fed thinks policy settles at 3.2% in the long run. Futures put the policy rate near 4.6% five years from now.
- The 10-year has tracked the market's long-run view almost step for step.
- The Fed has raised its long-run estimate by only 0.2 points in 15 months. Either officials eventually move toward the market, or growth and inflation cool enough to prove the market wrong.



Macro

A Hotter Forecast, a Lighter Touch

- Every forecast moved in the direction that normally calls for tighter policy: stronger growth, lower unemployment, higher inflation
- Core PCE isn't projected back to 2% until 2029. By then inflation will have run above target for roughly eight years.
- Subtract projected inflation from the projected policy rate and the 2026 real rate comes out around 0.4%, down from 1.2% in the June 2025 projections.



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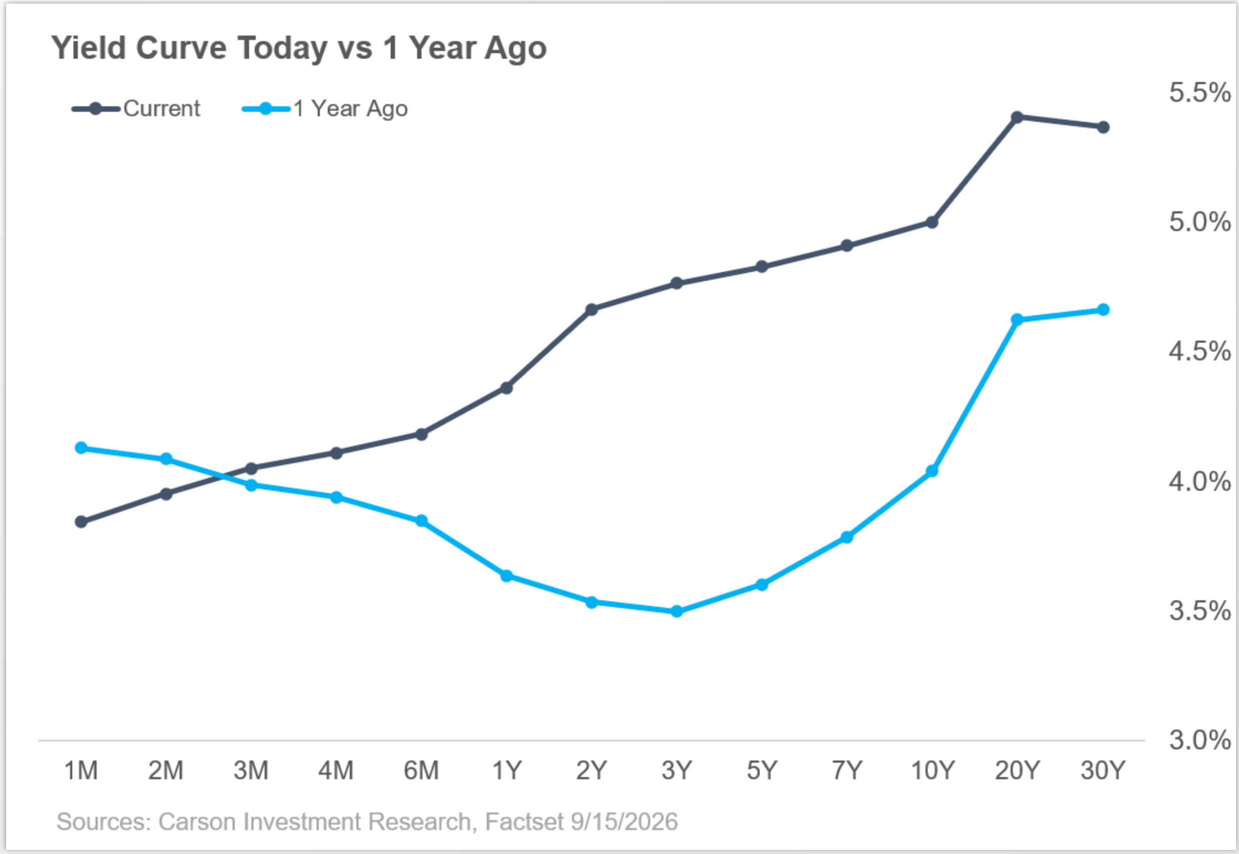
Every Step Out Pay's Again

- A year ago, the curve was inverted through three years. Now each maturity pays more than the one before it.
- The biggest moves came in the 2- to 5-year stretch, up more than a full point. The market is pricing a hiking cycle and stickier inflation.
- Bill yields are slightly lower than a year ago after last year's cuts. The 2-year pays roughly 80 bps more than one-month bills without taking on much duration.



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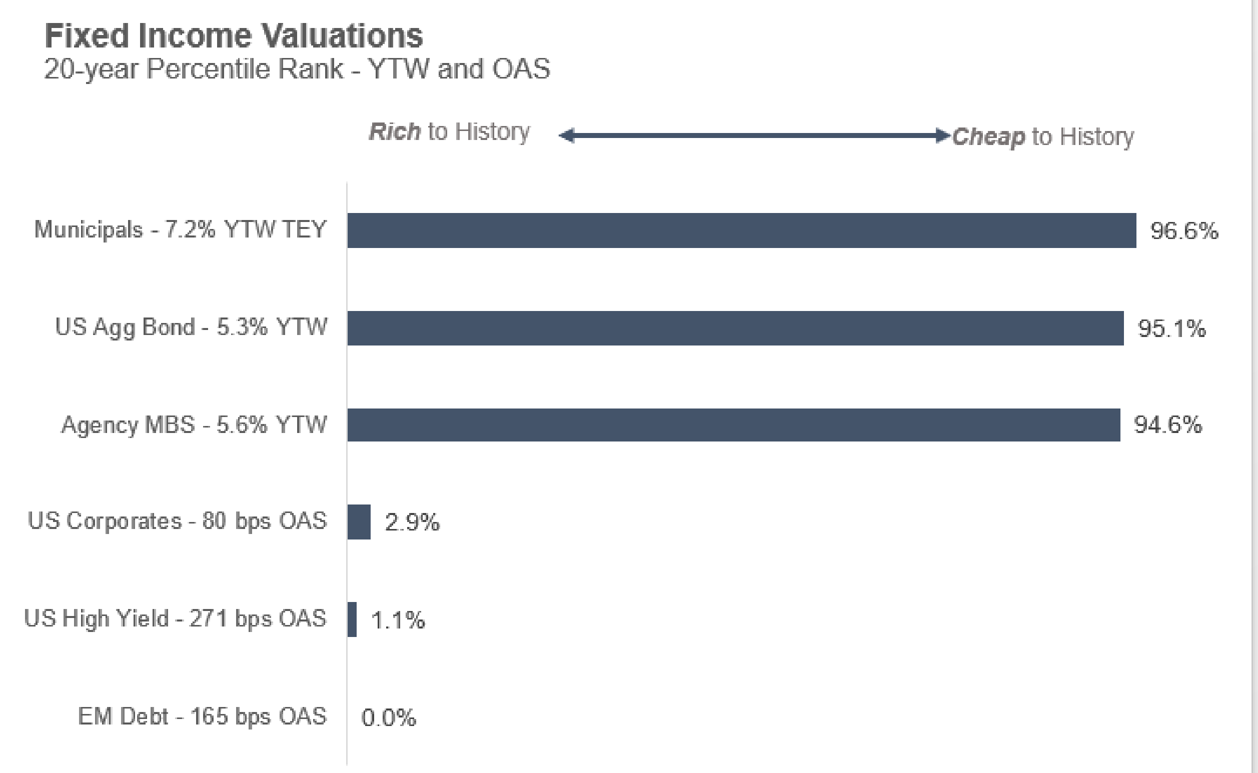
Rates Are Cheap, Credit Is Not

- High-quality, rate-sensitive bonds (munis, the Agg, agency mortgages) sit in the cheapest 5% of the past 20 years. Corporate and high-yield spreads sit in the richest few percent.
- High yield at 271 bps offers little cushion if growth slows. The extra pay for taking credit risk is about as thin as it has been in two decades.
- Starting yield has historically been the best guide to future bond returns. With the Agg near 5.3%, the setup looks better than the year-to-date losses suggest.



Sources: Carson Investment Research, Factset 6/30/2026

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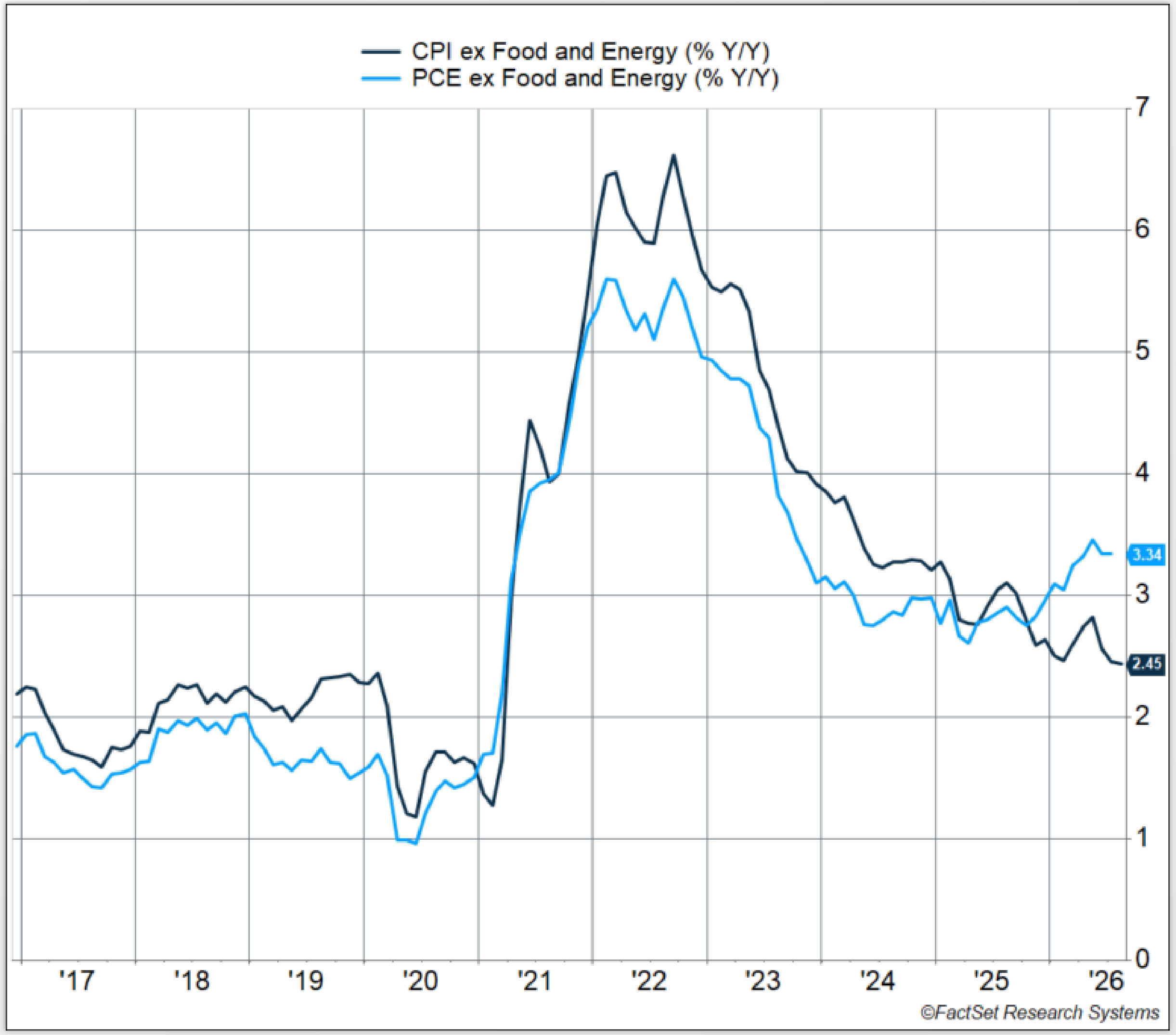
The Fed Isn't Watching the Soft Number

- Core CPI at 2.4% looks close to target. Core PCE, the measure the Fed targets, is at 3.3%, and the gap has continued to widen all year.
- Shelter explains most of the gap. Rent is about 42% of core CPI but only about 17% of core PCE, so cooling rents flatter CPI far more.



Source: Carson Investment Research, FactSet 9/14/26

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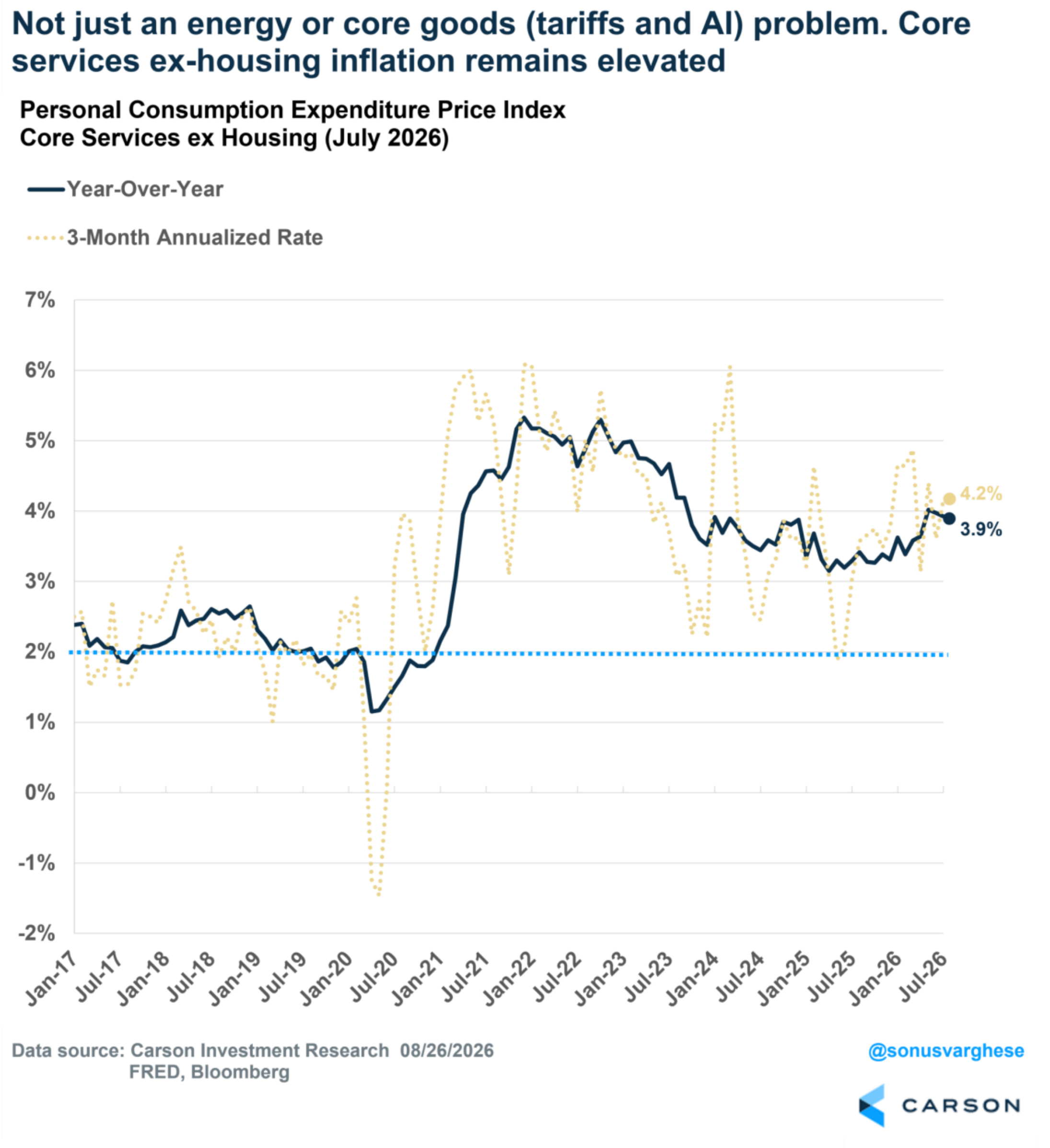
Strip Out the Excuses and It’s Still Hot

- This measure removes energy, tariffed goods, and AI hardware, the usual explanations for hot inflation, and it's still running at 3.9% a year. That's roughly double its pre-pandemic pace.
- The three-month pace of 4.2% is running above the annual rate. It bottomed near 3.2% in mid-2025 and has been climbing since.
- Services prices mostly reflect labor costs. This is the kind of inflation rate hikes are designed to address, unlike an oil shock.



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Inflation You Can't Import or Automate

- The weighted average of these everyday services is 3.2%, up from 2.7% at the end of 2024 and 2.2% before the pandemic.
- Home health care (10.6%) and lawn care (9.9%) lead the list. Both are local and labor-heavy, so their prices are essentially the wage bill.
- These are the jobs where reduced immigration bites hardest. Weak hiring and rising wages can coexist when labor supply shrinks, which suggests the labor market is tighter than payroll data implies.

CPI Inflation For Select Services (Year-over-Year)

Category	Aug-26	Dec-24	Dec-19
Full service restaurants	3.5%	3.6%	3.3%
Fast food restaurants	3.2%	3.7%	3.0%
Vehicle repair	5.2%	6.2%	3.4%
Dental services	5.0%	3.0%	3.0%
Video/audio services (incl. streaming)	4.5%	1.5%	3.1%
Pet services	4.8%	6.2%	4.2%
Admissions (concerts, theaters, sports)	2.9%	0.6%	1.4%
Personal care services	4.2%	4.8%	2.7%
Day care & preschool	4.0%	5.9%	3.4%
Nursing homes & adult day services	4.6%	5.1%	0.3%
Home health care	10.6%	9.5%	1.9%
Internet services and electronic info providers	1.5%	-0.4%	1.8%
Wireless phone services	3.2%	-0.6%	-0.3%
Gardening and lawncare services	9.9%	6.3%	8.4%
Weighted Average	**3.2%**	**2.7%**	**2.2%**

Data source: Carson Investment Research, Bloomberg 09/11/2026

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Weighted average calculated using CPI basket weights

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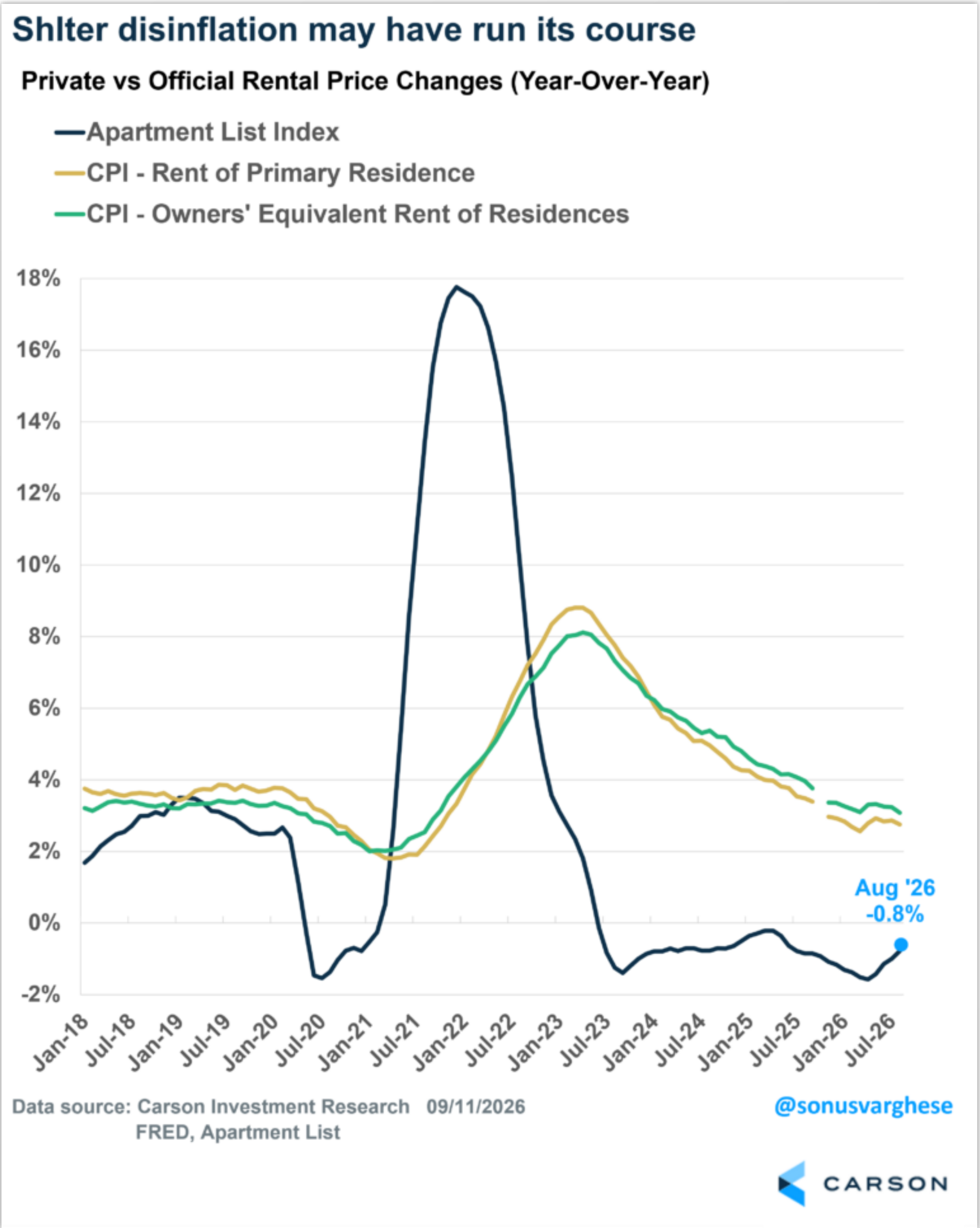
The Last Easy Source of Disinflation Is Fading

- Private rents are still down from a year ago, but the decline has narrowed from -1.6% in March to -0.8%. Private rents tend to lead official shelter data by about a year.
- Official rent (2.8%) and owners' equivalent rent (3.1%) are already at or below their pre-pandemic pace. There isn't much disinflation left to get from housing.



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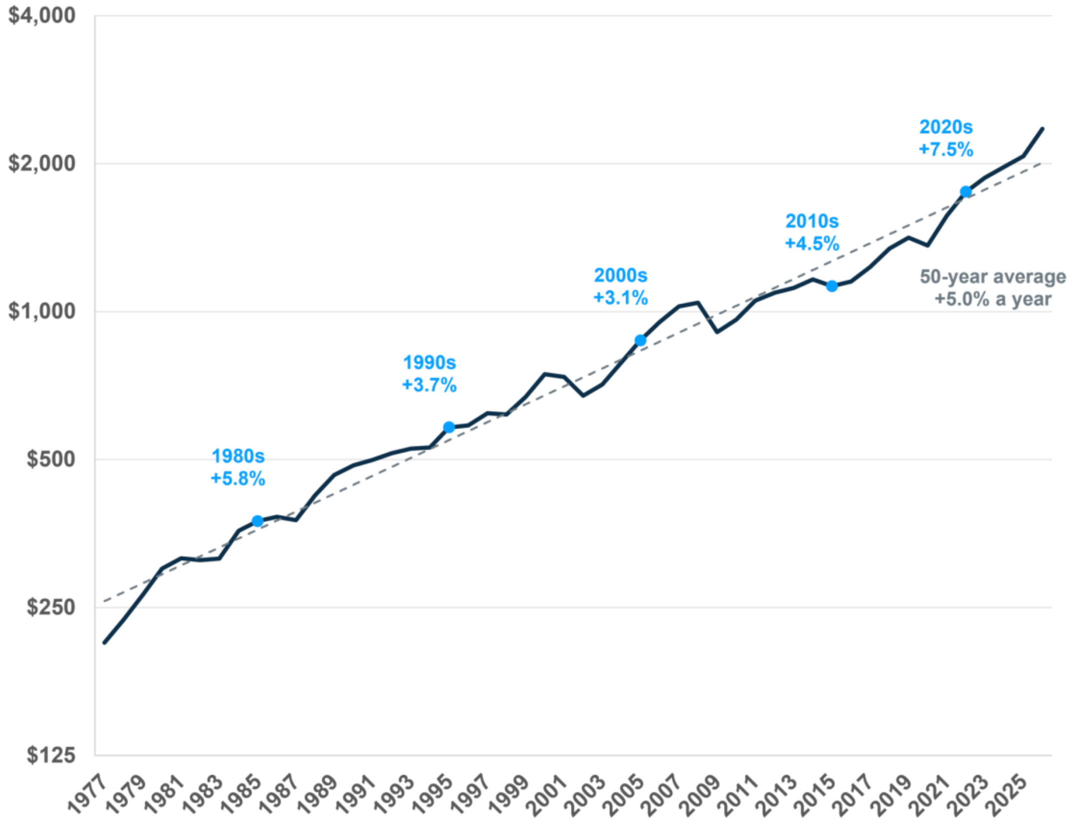
Hot Nominal Growth Lands on the Top Line

- S&P 500 revenue per share has grown about 5% a year for 50 years. The 2020s are running at 7.5%, and Q2 revenue grew roughly 15% from a year earlier.
- Tech is doing much of the lifting, with Q3 revenue expected up about 40% and semiconductors near 80%. AI capex is showing up as someone else's sales.
- Inflation boosts revenue too. That helps explain why stocks have held up as rates rise.

S&P 500 revenues are accelerating well above the 50-year trend

S&P 500 Revenue per Share (Trailing12-month), Log Scale
Annual, 1977-2026E



Data source: Carson Investment Research, DQYDJ, FactSet 09/18/2026 @sonusvarghese

Data are based on annual revenue per share for the S&P 500, and labels are decade CAGRs. 2026 is an estimate.

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Markets

Stocks Can Still Climb Through Hikes

- Stocks rose in 8 of the 11 cycles since WWII with at least five hikes. The average annualized return during those cycles was 4.0%, well below the long-run norm.
- The losing cycles were aggressive ones: 34 hikes in 1972–74, and 1987–89 with the October crash in the middle. 2022 also finished higher overall, but only after a bear market driven by rapid, oversized hikes.

Stocks Tend To Underperform During Extended Rate Hiking Cycles

S&P 500 Performance During Periods of Five Or More Fed Rate Hikes (WWII - Current)

						S&P 500 Index Returns	
First Hike	Last Hike	Starting Fed Funds Rate	Ending Fed Funds Rate	Length Of Hiking Cycle (Years)	Total Hikes	% Return During Cycle	Annualized Return During Cycle
4/25/1946	1/16/1953	1.0%	2.0%	6.7	5	40.3%	5.2%
4/15/1955	8/23/1957	1.5%	3.5%	2.4	7	17.3%	7.0%
9/12/1958	9/11/1959	1.75%	4.0%	1.0	5	18.3%	18.4%
4/5/1972	7/5/1974	4.75%	12.0%	2.2	34	-23.2%	-11.1%
5/13/1977	12/19/1980	6.25%	21.5%	3.6	60	35.0%	8.7%
8/8/1983	6/25/1984	10.5%	13.0%	0.9	5	-3.3%	-3.7%
4/1/1987	2/24/1989	7.5%	11.5%	1.9	11	-1.8%	-0.9%
2/4/1994	2/1/1995	3.0%	6.0%	1.0	7	0.1%	0.1%
6/30/1999	5/16/2000	4.75%	6.5%	0.9	5	6.8%	7.8%
6/30/2004	6/29/2006	1.0%	5.25%	2.0	17	11.6%	5.6%
12/16/2015	12/19/2018	0.0%	2.25%	3.0	9	20.9%	6.5%
3/16/2022	7/26/2023	0.0%	5.25%	1.4	11	4.8%	3.5%
					Average	11.1%	4.0%
					Median	11.6%	5.6%
					% Higher	72.7%	

Source: Carson Investment Research, Bloomberg, CFRA 09/15/2026