



Charts of the Week

Carson Investment Research
September 28 – October 2, 2026

Chart of the Week

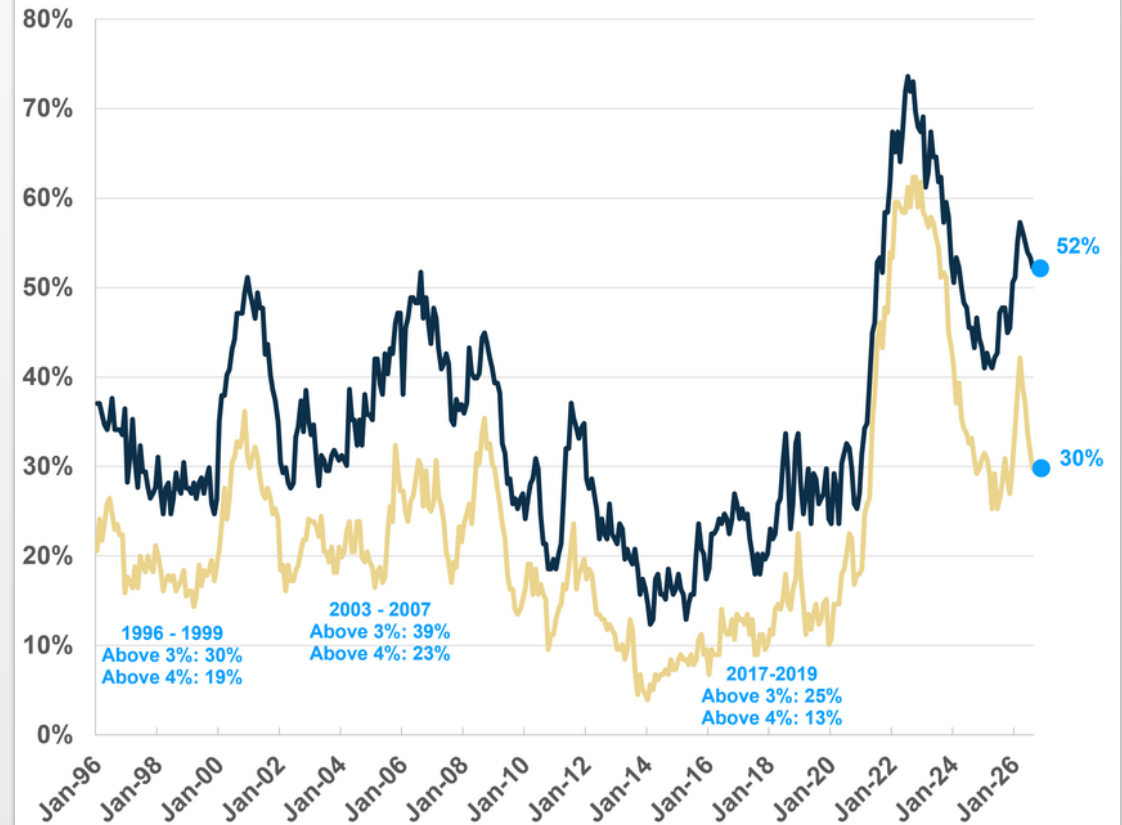
Inflation Has No Single Culprit

- 52% of the 178 items in core PCE are running above 3% year over year, and 30% are above 4%. In 2017–2019, those shares averaged 25% and 13%.
- That matches the breadth peaks of the 2000 and 2006 cycles. It also weakens the argument that tariffs and software prices alone are keeping core PCE hot.
- Fewer prices are falling to offset the rest. Only 17% of items are deflating, down from 24% a year ago.

The share of core PCE items running hot is well above historical averages

Share of Items Above Each Inflation Threshold
Core PCE, Year-over-Year

— % at or above 3.0%
— % at or above 4.0%



Data source: Carson Investment Research, BEA 09/30/2026

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Historical data are averages across the entire period

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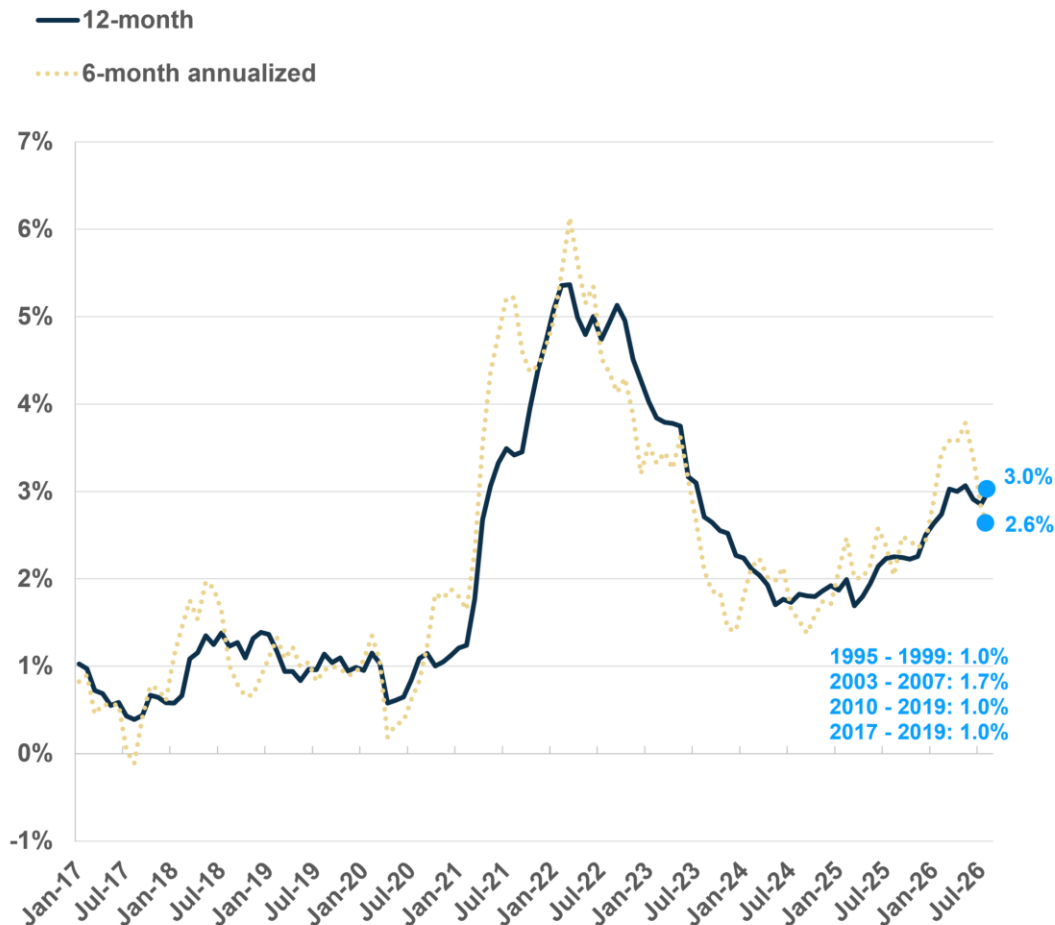
Remove the Guesswork, the Problem Stays

- This version drops housing and every price the government has to estimate rather than observe in an actual transaction.
- Across the 1995–1999, 2003–2007, and 2010–2019 expansions, this gauge averaged 1.0% to 1.7%. Today's pace is about triple the 2010s norm.
- The 6-month rate has cooled to 2.6% from a peak near 3.8% earlier this year. That's the one encouraging detail, and it's still more than double the pre-pandemic pace.

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Even a cleaner read of inflation is over 2x "normal"

PCE Price Index
Market-Based Core excluding Housing



Data source: Carson Investment Research, BEA 09/30/2026

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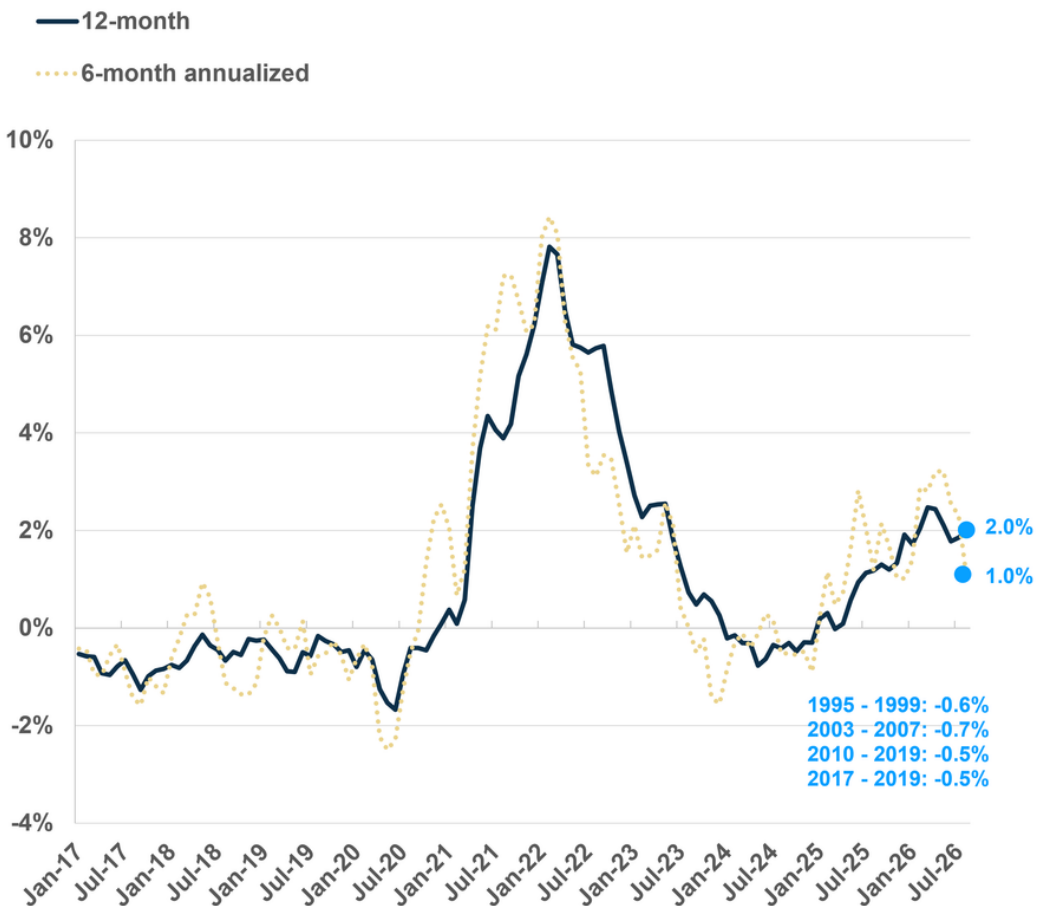
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The Old Offset Is Gone

- In 2003–2007, core services ex housing ran 3.4%, yet core PCE averaged just 2.1%. Goods prices falling 0.7% a year did the offsetting.
- That cushion is gone. Core goods are up 2.0% over the past year, so hot services inflation now passes straight through to the core number.
- Tariffs tend to reach shelves gradually as companies reprice, and AI demand is straining supply for hardware and components.

Two decades of goods deflation has ended

Core Goods PCE Price Index
Durables plus nondurables ex food and energy



Data source: Carson Investment Research, BEA 09/30/2026

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Historical averages are all annualized



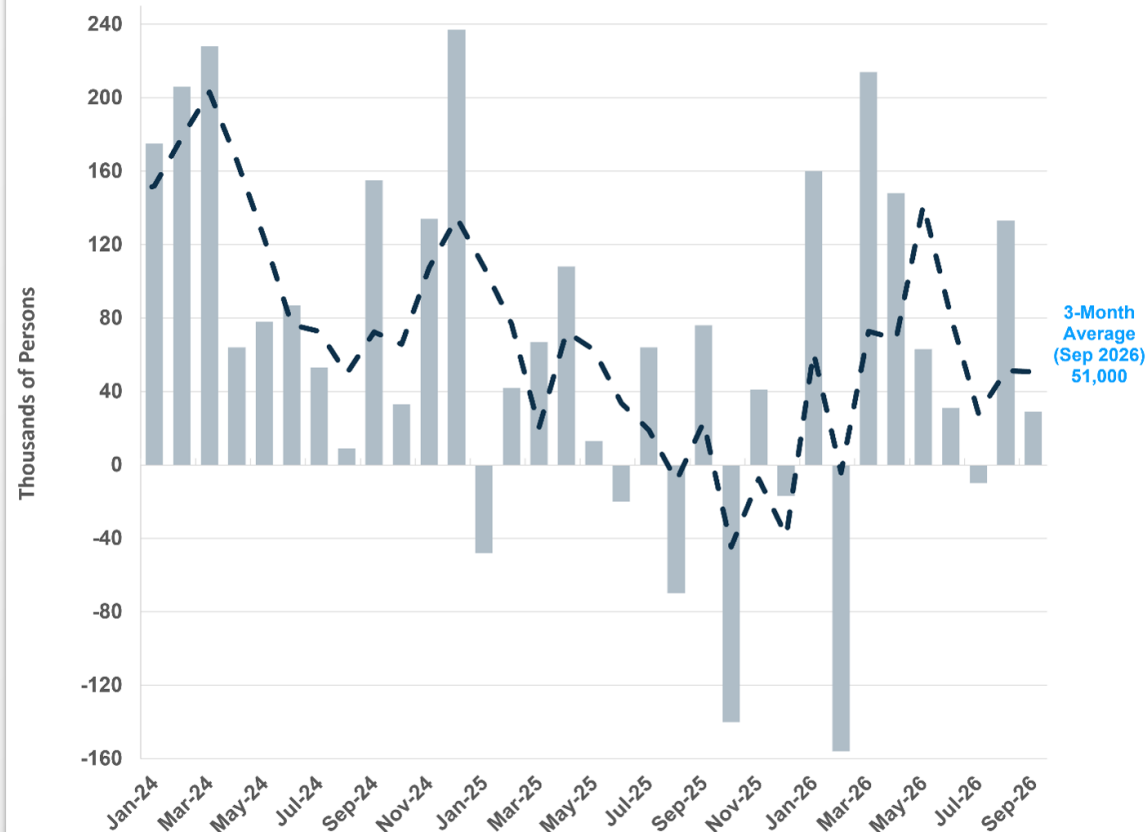
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The Breakeven Has Moved

- September added 29,000 jobs, and revisions cut 60,000 from July and August. The 3-month average is 51,000, but with immigration sharply lower, the economy only needs about 25,000 a month to keep up with population growth.
- The steadier gauges look fine. Unemployment is 4.2% and has been at or below 4.5% for a record 60 straight months, and the prime-age employment-to-population ratio hit 80.7%, above any point in the 2000s or 2010s expansions.

Payroll growth remains volatile, but still relatively solid

Monthly Nonfarm Payroll Gains



Data source: Carson Investment Research, FRED 10/02/2026

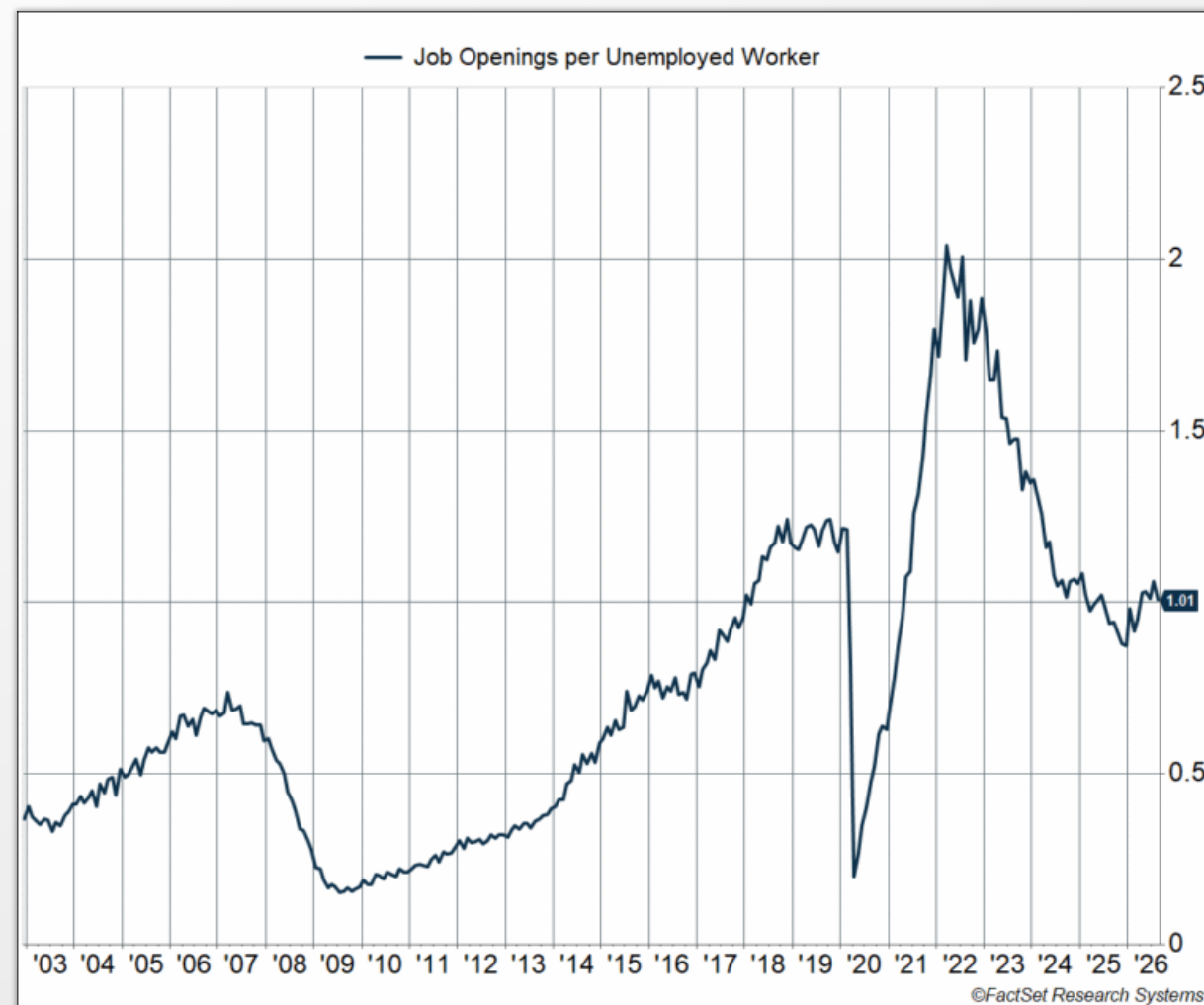
Dashed line shows 3-month moving average. Data does not include benchmark revisions



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Labor Demand Found a Floor

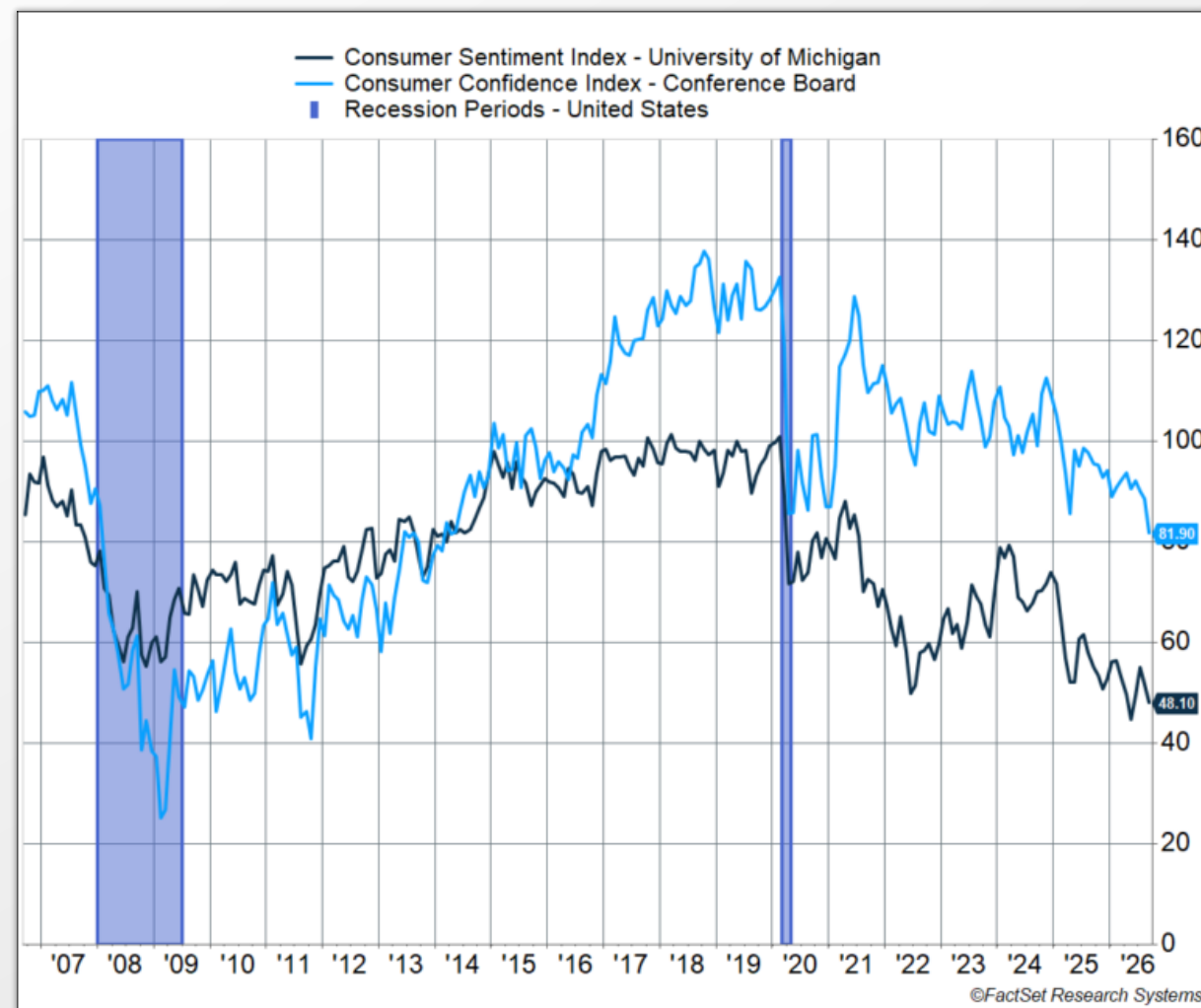
- There were 1.01 openings per unemployed worker in August, up from a cycle low of 0.87 in December.
- The rest of JOLTS fits a low-hire, low-fire market. The hiring rate (3.3%) is near 2011–2013 levels, while the layoff rate (1.0%) is below where it ran before the pandemic.
- JOLTS only runs through August. Indeed postings in late September are back near year-ago levels after trailing them for most of the past three years.



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Prices, Not Pink Slips

- The Conference Board index fell to 81.9, its lowest since 2014, and the University of Michigan gauge slipped to 48.1. Both are far below their November 2024 readings of 112.8 and 71.8.
- The expectations index has been below 80, a level historically tied to recessions, for 20 straight months with no recession. Part of the reason: withdrawals from investment accounts funded 6.8% of consumer spending in April, double the 2019 share.



Source: Carson Investment Research, Bloomberg 9/24/26



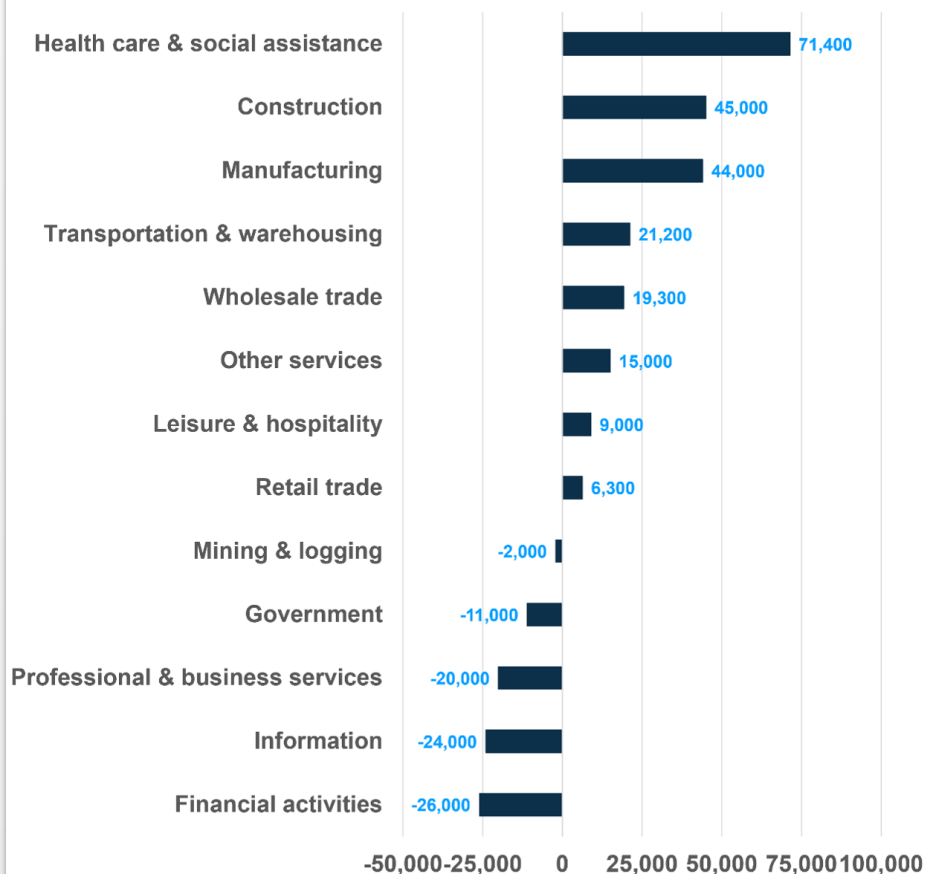
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The Buildout Is Hiring

- Construction (+45,000) and manufacturing (+44,000) added more jobs combined over the past three months than health care, which has carried much of this cycle's hiring.
- Data center construction and AI-related equipment demand are the likely drivers, which lines up with this year's surge in capex orders.

Cyclical areas have boosted payroll growth recently

July - September 2026 Payroll Gains by Industry (SA)



Data source: Carson Investment Research, FRED 10/02/2026



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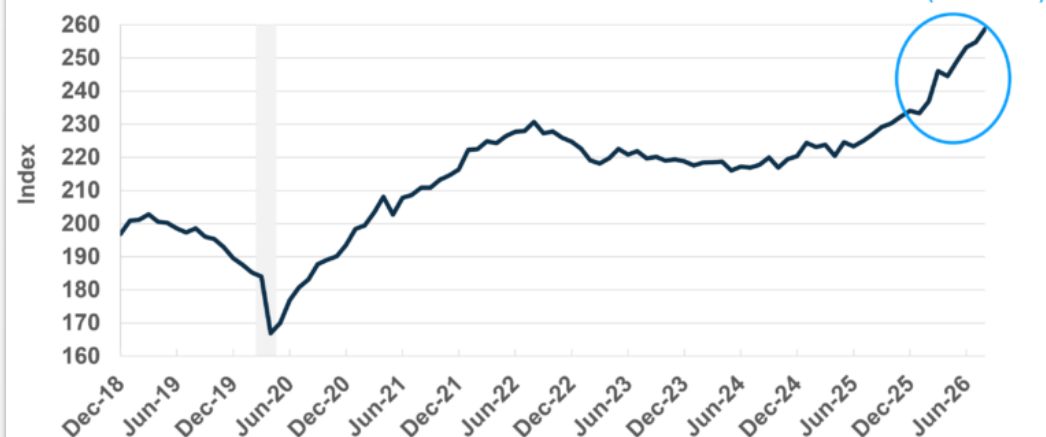
The Capex Boom Is Wider than AI

- Core capex orders are up 16% annualized this year. Capital goods prices are rising about 4%, but even after adjusting for that, real orders are up roughly 12%.
- Computers and electronics, the closest proxy for AI hardware, account for about 47% of this year's increase. Strip them out and core capex is still up around 8.5%.
- Investment this strong is a big reason nominal GDP grew 8.5% annualized in Q2, which flows into revenues and profits.

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Capex spending is booming, even after adjusting for inflation

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



Real (Index, Feb 1992 = 100)



Data source: Carson Investment Research, FRED 09/25/2026

New orders are deflated using PPI for Private Capital Equipment

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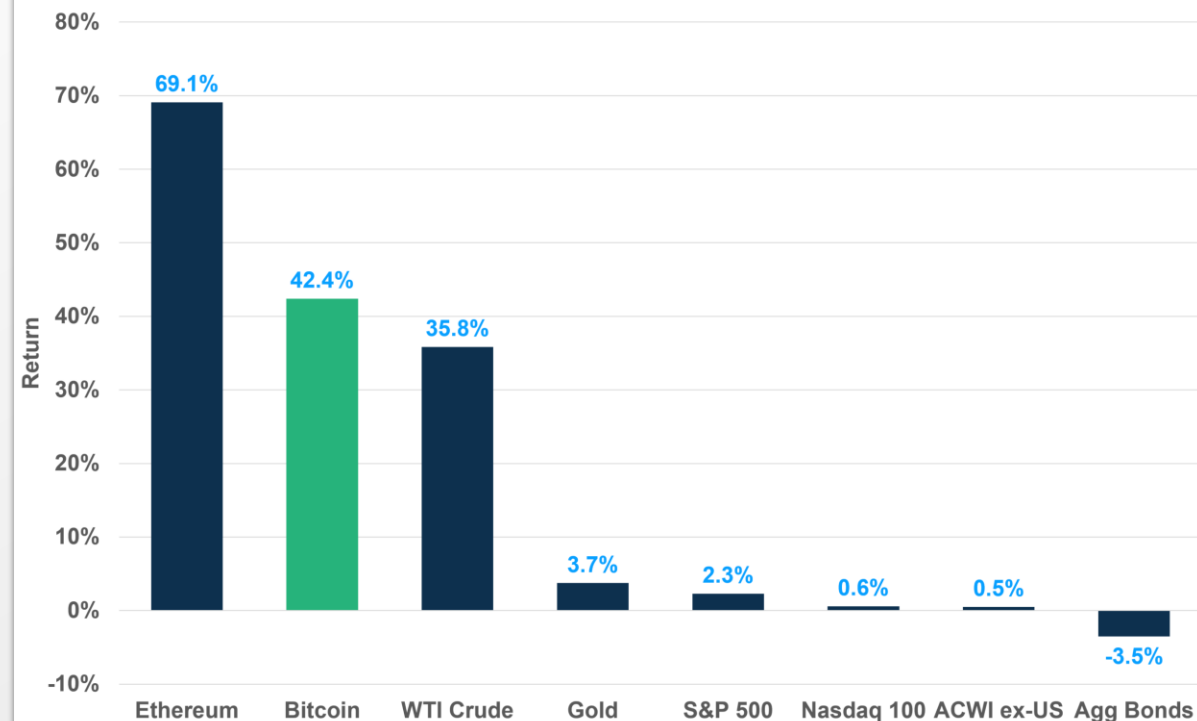
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Q3's Gains Came From the Edges

- Bitcoin's 42% gain was a rebound. It's still down about 25% from a year ago, and an August short squeeze did much of the lifting.
- Oil's 36% jump hasn't reached the inflation data yet. August PCE predates the September surge in gasoline and diesel, so the next report should start to reflect it.
- The core of a balanced portfolio barely moved. The S&P 500 gained 2.3%, international stocks 0.5%, and the Agg lost 3.5% as the 10-year climbed to its highest level since 2007.

Ethereum, Bitcoin, and Oil Led Asset Class Returns in Q3 2026

Quarterly total return (price return for Ethereum and Bitcoin), Q3 2026



Source: Carson Investment Research, Morningstar Direct 10/1/26



Markets

Ahead of Schedule

- Q4 of a midterm year through Q2 of the pre-election year has historically been the best three-quarter stretch of the cycle, averaging 6.6%, 7.4%, and 5.0%.
- This cycle hasn't followed the script. Q2 of a midterm year has been the weakest quarter of the cycle on average, and this year it rose 15%.
- Running this far ahead of the average path raises the odds that some of the usual strength has been pulled forward. The most recent midterm Q4, in 2018, fell 14%.

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The Best Part Of The Four-Year Cycle Is Here

