CARSON

# Charts of the Week

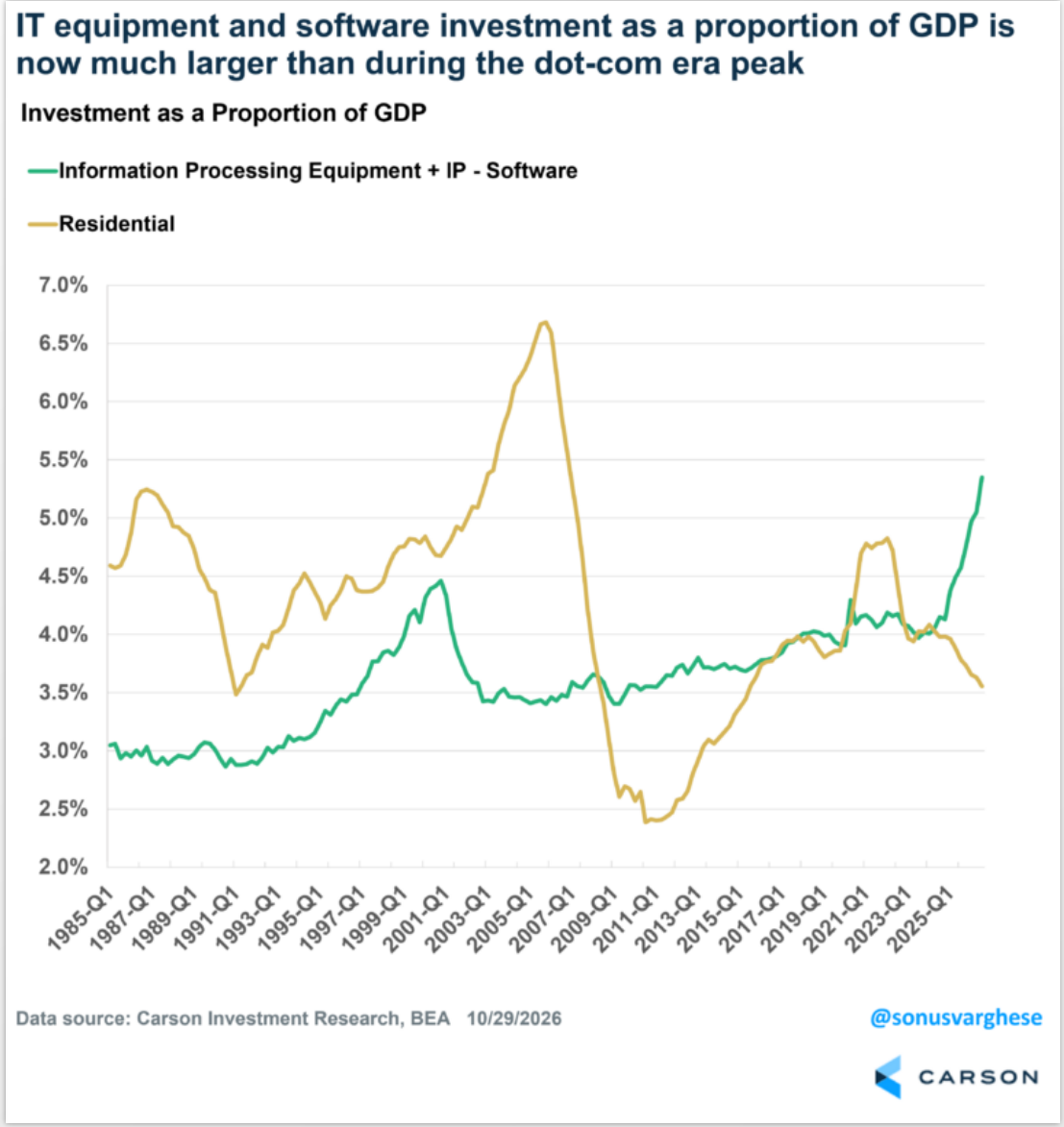
**Carson Investment Research**

October 26 – 30, 2026

# Chart of the Week

## AI Spending Is Now Big Enough to Move the Economy

- IT equipment and software now make up about 5.4% of GDP, above the 4.5% peak in 2000. Add data center construction and AI-related industrial equipment and it's over 7%.
- Over the last seven quarters, this spending added about 0.9 points to real growth per quarter, close to 40% of the total.
- Its size works in both directions. It's supporting GDP and hiring in construction and manufacturing, and if financing gets harder, the effect would show up in the broader economy as well as tech stocks.

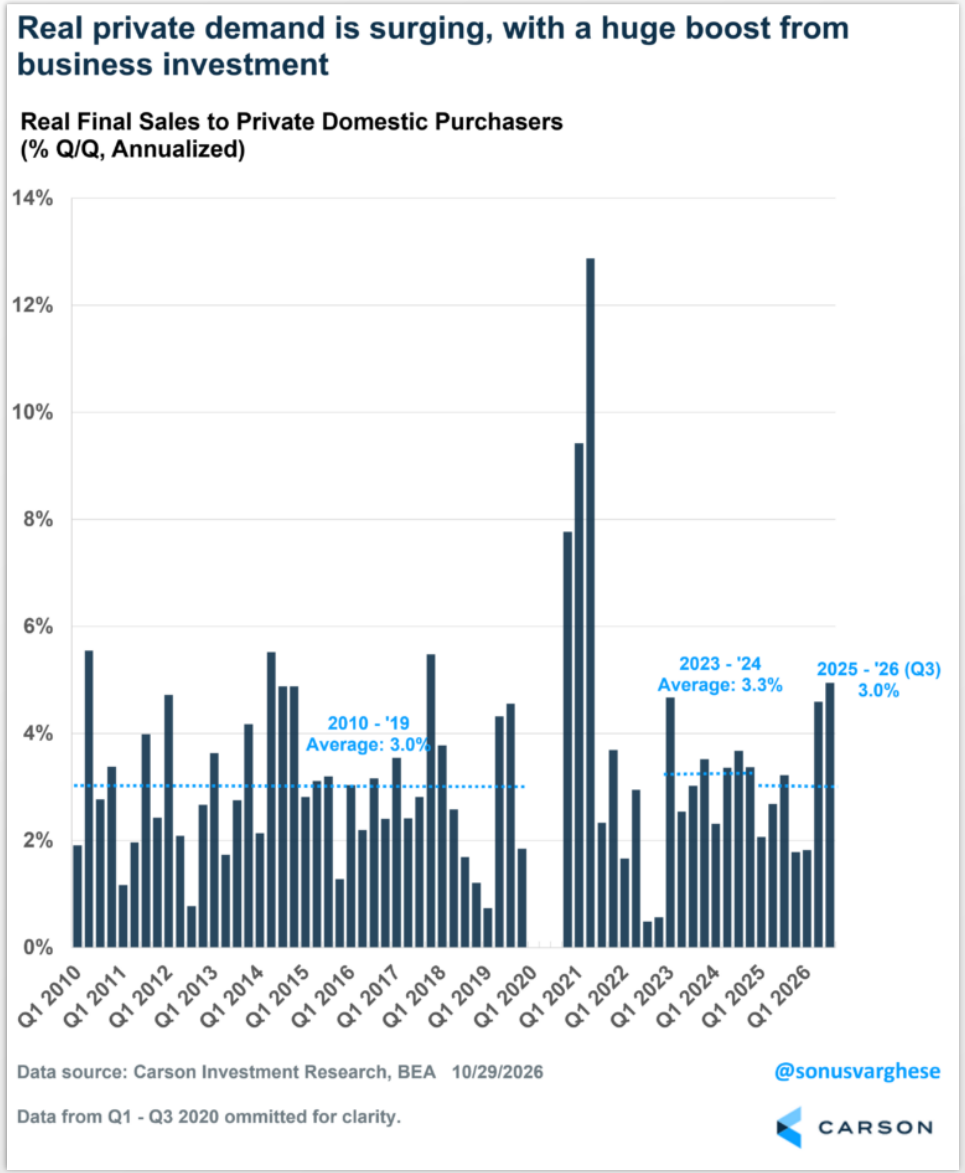



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# Macro

## Underneath 3.4% GDP, Demand Ran Even Hotter

- Spending by households and businesses grew 4.9% annualized in Q3, after 4.6% in Q2, well above the 3.0% average from 2010 to 2019.
- Headline GDP understated it. Imports jumped about 20% annualized, much of it AI hardware, and trade subtracted 3.3 points from growth.
- Consumers held up too, with services spending up 4.1%, about double the 2017 to 2019 pace. Housing is the weak spot, with residential investment down 3.3%.

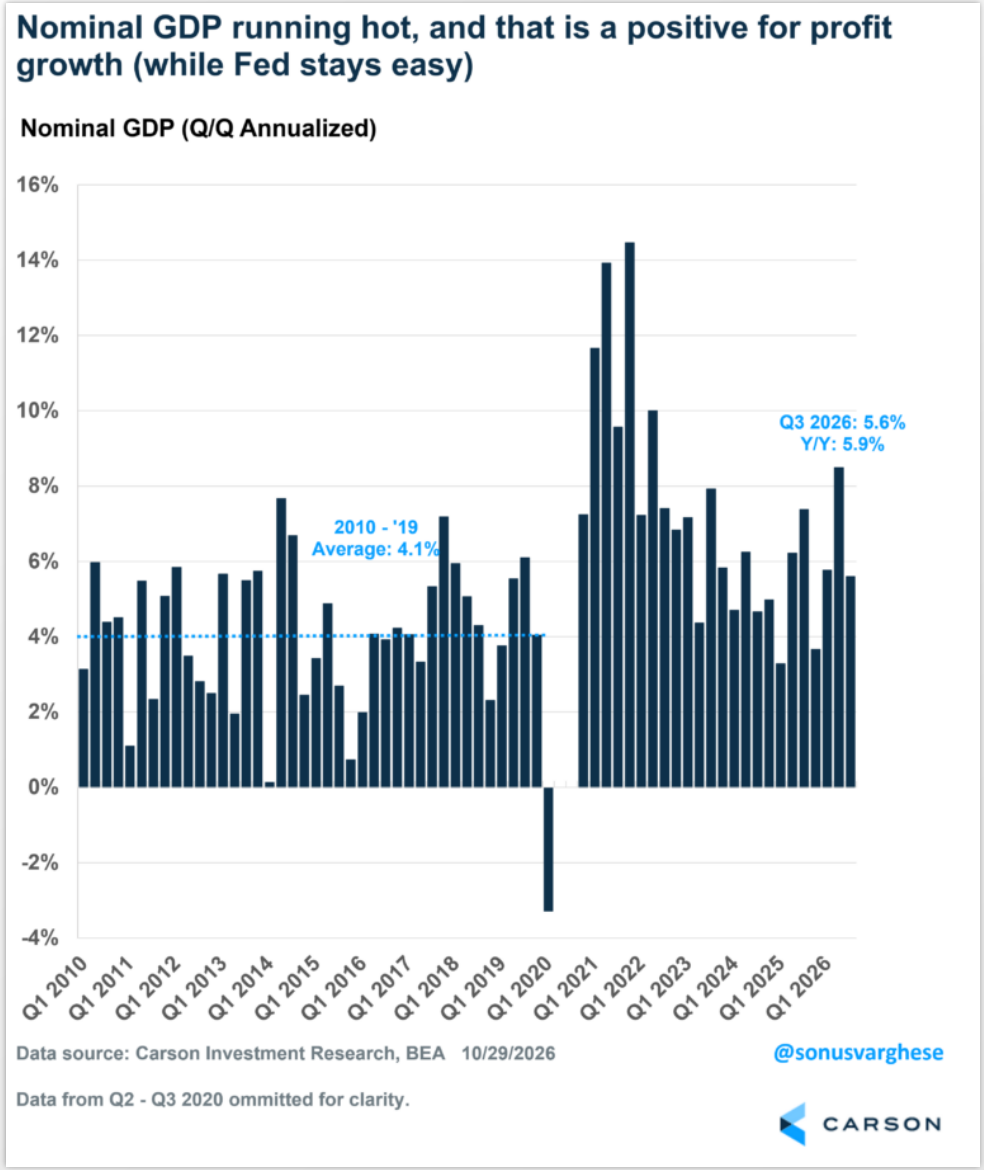



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# Macro

## Policy Looks Easier Than the Fed's Language

- Nominal growth is running 5.9% over the past year. The last time it ran this fast, in mid-2024, the policy rate topped out at 5.5% with similar unemployment. Today it's 4.0%.
- Fast nominal growth flows straight into corporate revenue, which keeps it a tailwind for earnings as long as the Fed stays on hold.
- The Fed will consider rate changes at seven meetings in 2027 and six in 2028, down from eight, leaving fewer chances to respond if inflation doesn't cool.

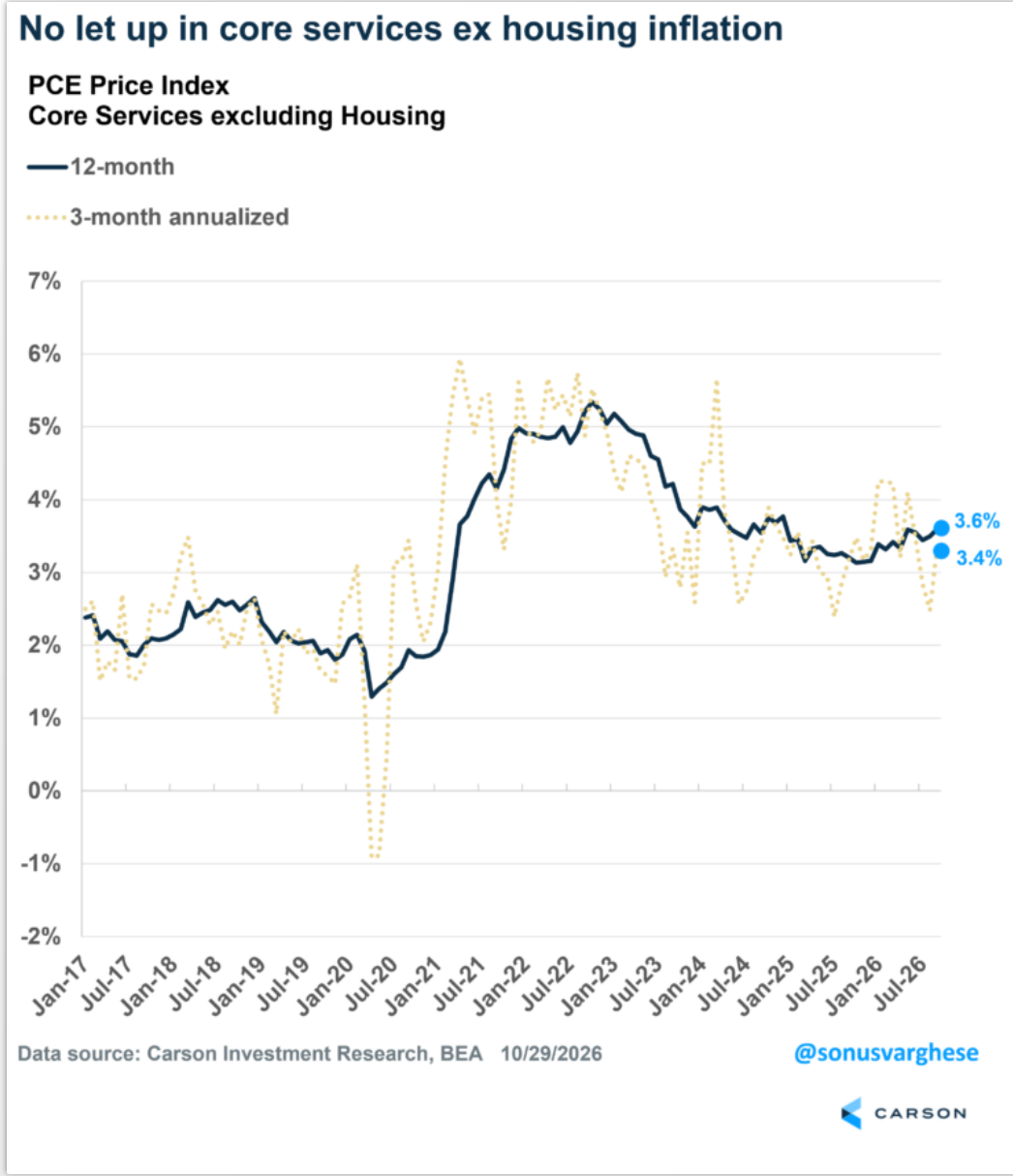



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## The Inflation You Can’t Pin on Oil or Tariffs

- This measure strips out energy, food, housing, and goods, and it’s still running 3.6% over the past year versus 2.2% in 2017 to 2019.
- The last time it ran this hot, from 2003 to 2007, falling goods prices offset it. Core goods are now up 2.0% over the past year, so nothing is offsetting it.
- Core PCE has been above 2.5% for 66 straight months, and Fed officials now expect it to reach 2% in 2029. At the end of 2023, they expected 2026.

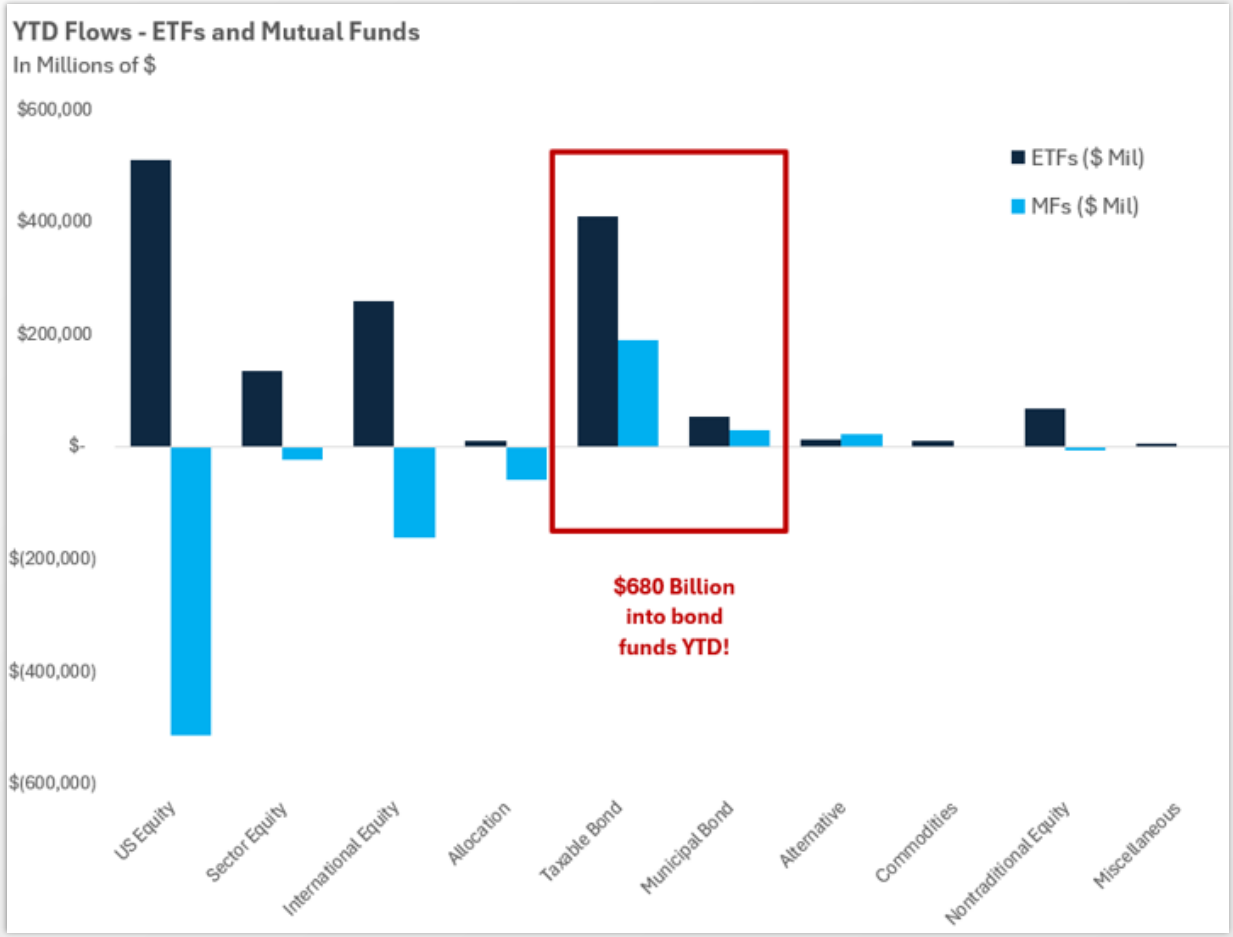



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# Markets

## A Rough Year for Bonds Hasn't Slowed the Buying

- About $680 billion has gone into taxable and muni bond funds this year, and that excludes money market funds.
- Bond mutual funds are taking in money while most other mutual fund categories keep losing assets to ETFs. U.S. equity mutual funds alone have lost about $500 billion.
- With the 10-year near 5% and core inflation at 3.1%, buyers are locking in a real yield near 2%. That works out best if inflation cools from here.



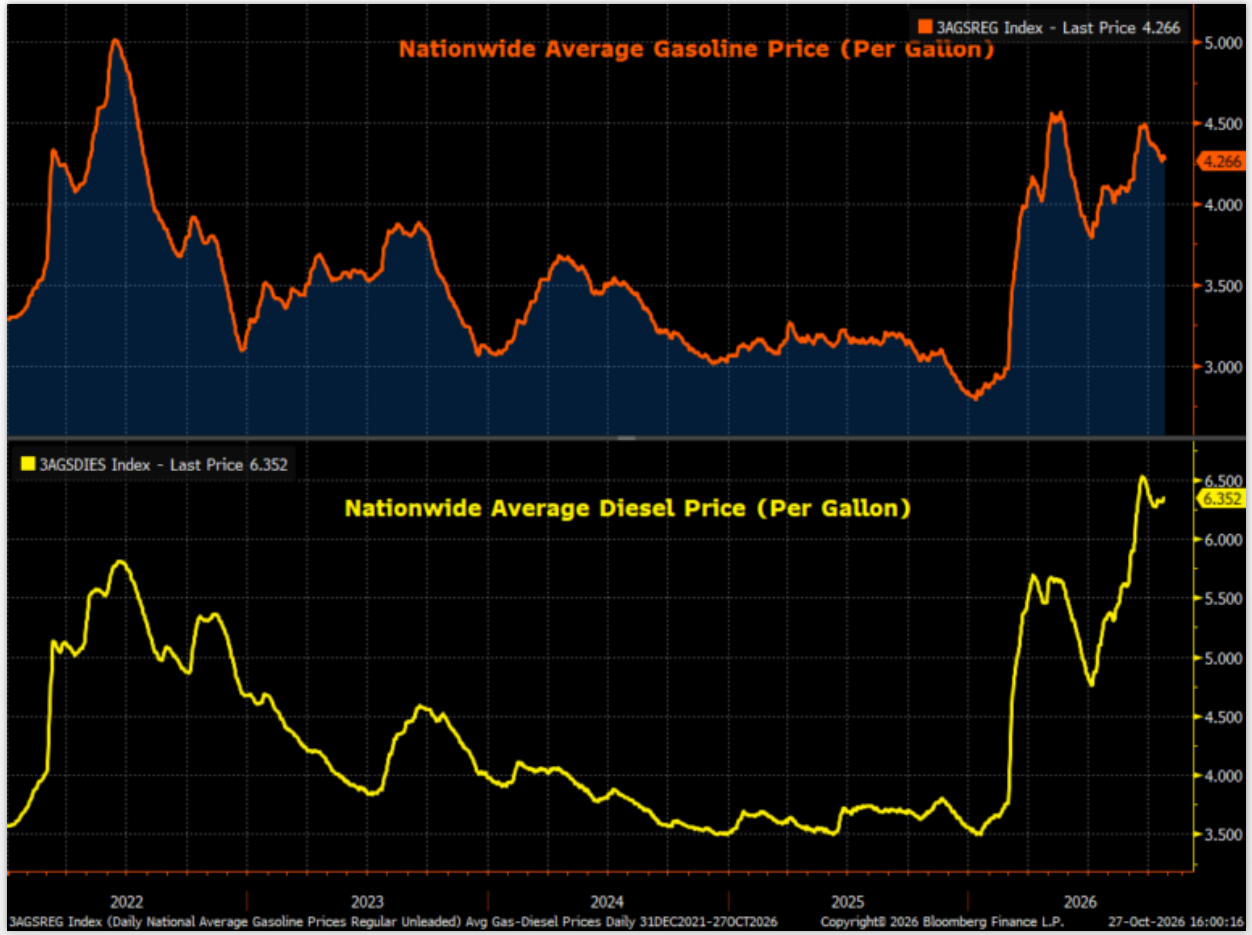

Sources: Carson Investment Research, Morningstar Direct 9/30/2026

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## Gas Is Easing, Diesel Isn’t

- Gasoline has slipped to about $4.27 from near $4.50 earlier in October, still well above the $3 to $3.50 range of most of 2024 and 2025.
- Diesel sits near $6.35, above its 2022 peak. It moves freight, farm equipment, and construction, so it tends to show up in goods prices with a lag.
- Energy pushed headline PCE to a 6.1% annualized pace in September, and the Fed targets headline inflation.



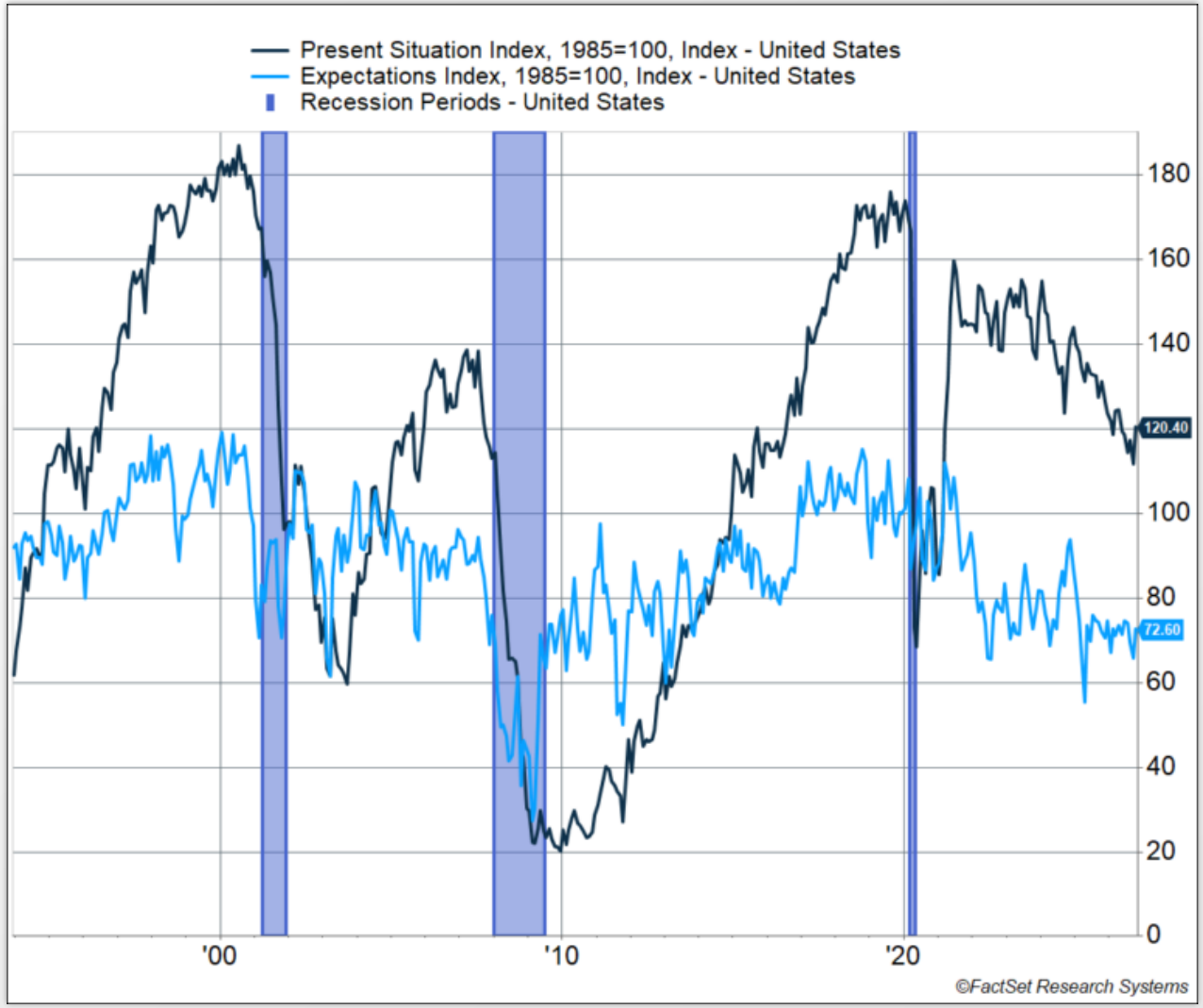

Sources: Carson Investment Research, Bloomberg 10/27/2026

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## The Recession Signal That Keeps Missing

- The expectations index has been below 80, a level historically tied to recessions within a year, for 21 straight months without one.
- Jobs drove October's bounce. More people said jobs are plentiful, lifting the gap over "hard to get" to +5.3, still far below the 40-plus readings of 2022.
- Prices remain the top complaint. Year-ahead inflation expectations are 5.8%, and plans to buy cars, electronics, and vacations all dipped, though consumers have said they'd cut back before without following through.



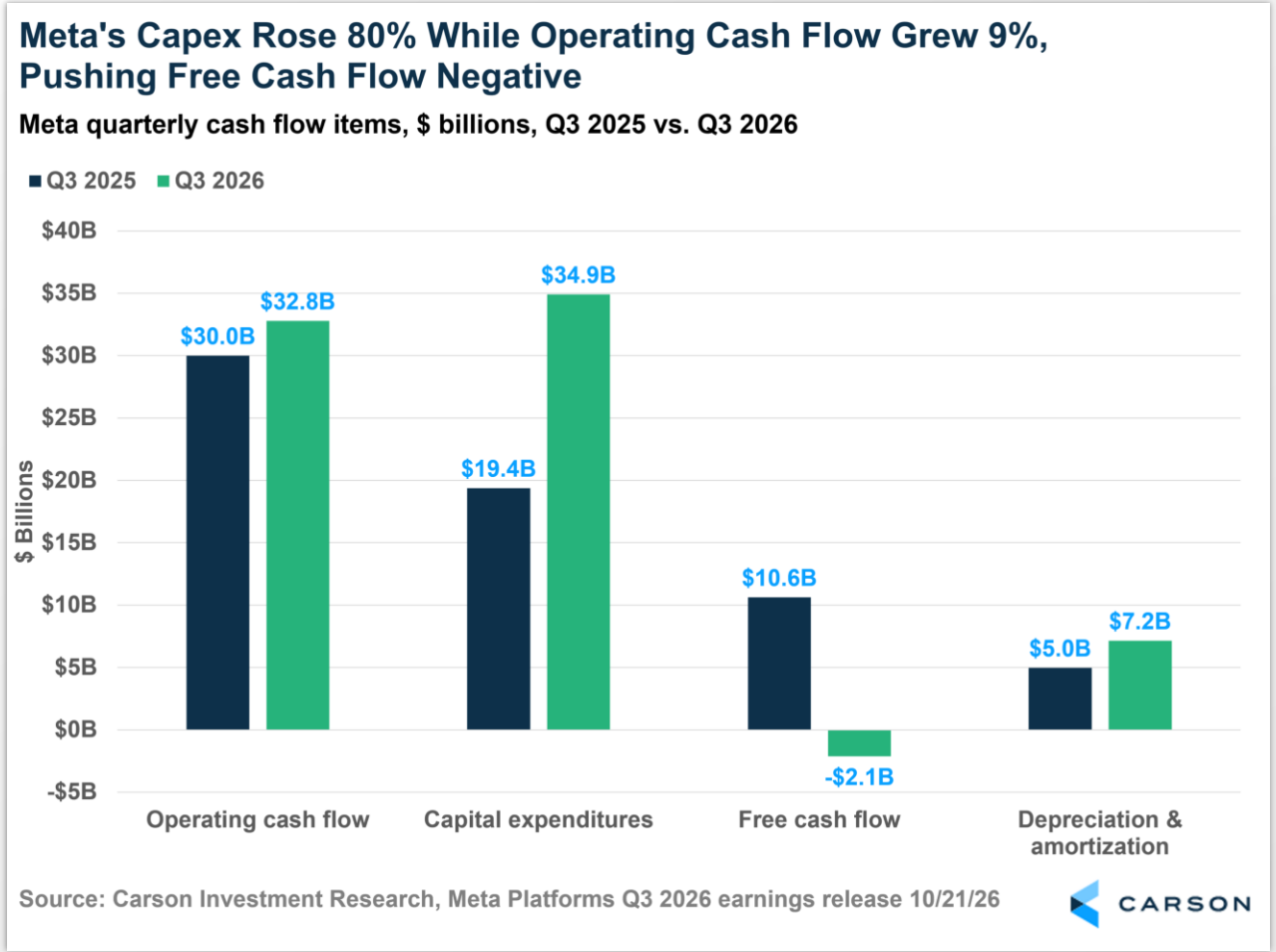

Sources: Carson Investment Research, FactSet 10/30/2026

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# Markets

## Meta Now Needs Outside Money to Keep Building

- Capex rose 80% while operating cash flow grew 9%, pushing free cash flow negative for the first time in at least a decade.
- Profits barely reflect it yet. Only $7.2 billion of depreciation reached the income statement against $34.9 billion of spending, since the cost gets spread over the equipment's life.
- Meta plans to raise up to $95 billion in new equity, including a non-voting share class, on top of $22 billion in added long-term debt this year.

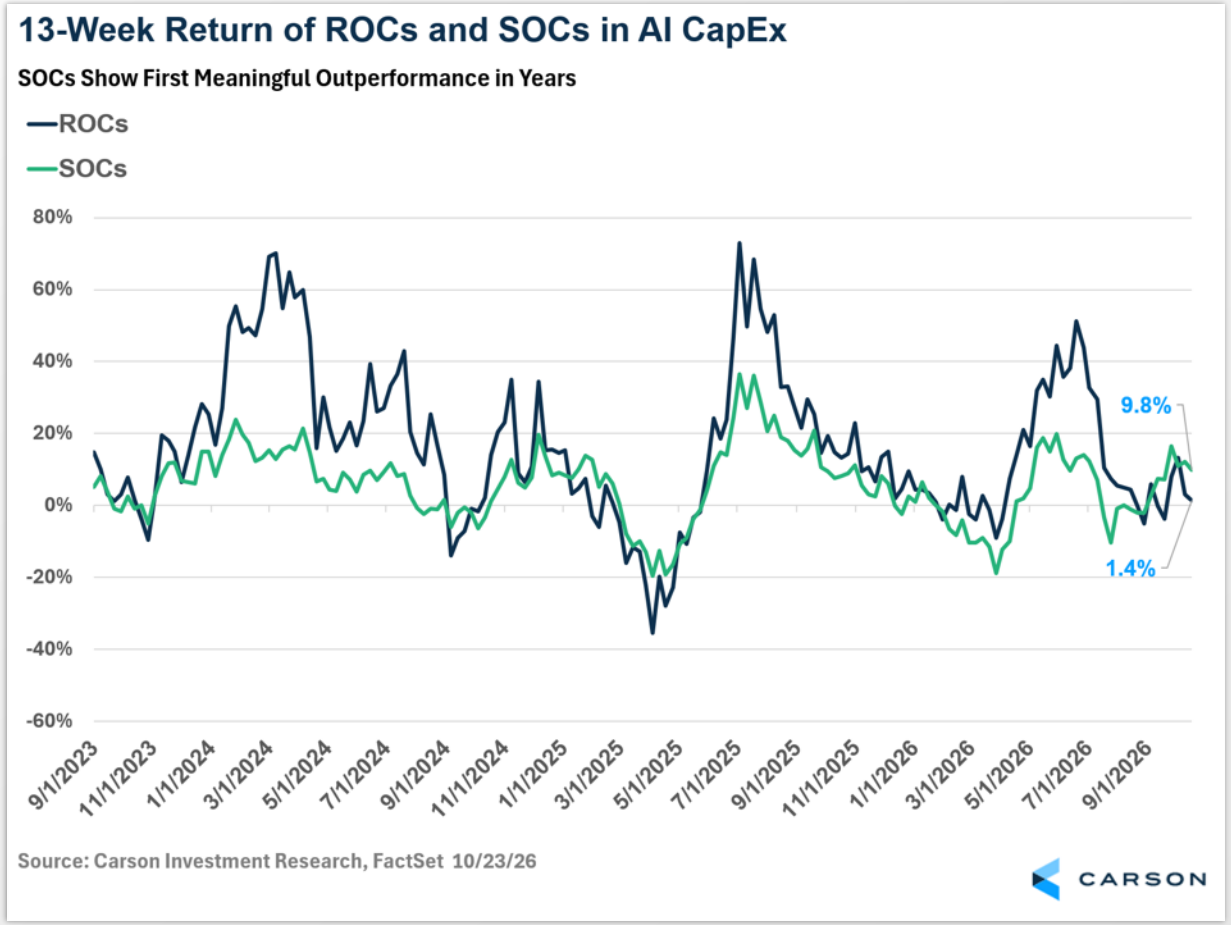



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# Markets

## Investors Are Betting the Spending Starts Paying Off

- Over the past 13 weeks, the companies buying AI capacity gained 9.8% in market cap while the chip and hardware sellers gained 1.4%, the buyers' widest lead since tracking began in 2023.
- The likely read is that investors expect better use and monetization of data centers already built.
- Meta shows the limits. It's one of the spenders, and it's down 19% from its September peak after its spending outran its cash.

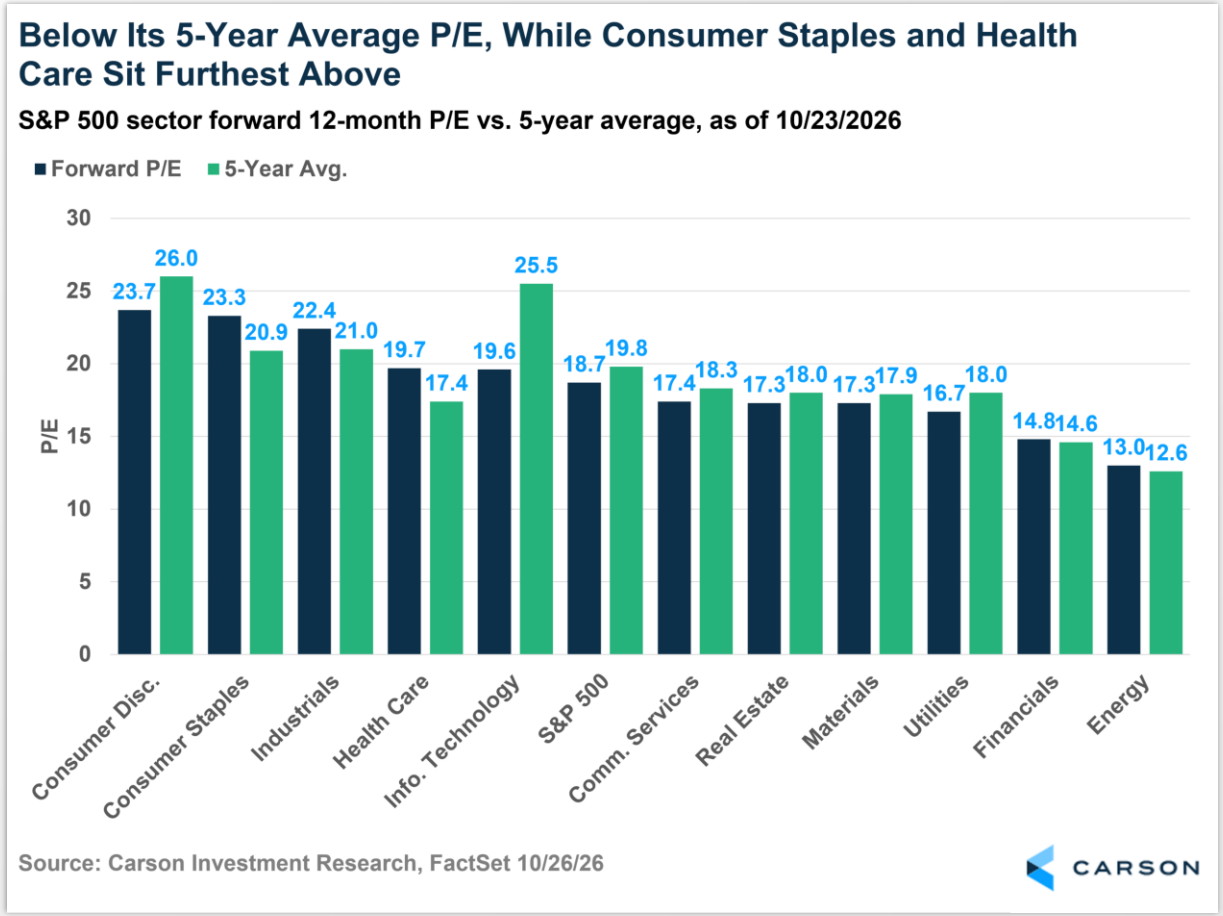



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# Markets

## The Market Isn’t Paying Up for Tech’s Earnings Surge

- Tech trades at 19.6 times next year’s earnings, about 6 points below its 5-year average and below consumer staples at 23.3, with tech earnings expected to grow 42% next year.
- Two explanations fit. Investors may see chip profits near a cyclical peak, or they may be discounting profits that depend on buyers who now need outside money to keep paying.
- The S&P 500 at 18.7 is slightly below its own 5-year average, so the index isn’t stretched on this measure.




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