The Fed's Pressure Points

Report for the Week Ending 17 January, 2026

Dylan Smith

Monologue

The theme of this week's report is inflation. Not what we learned from this week's headline data release – the U.S. Consumer Price Index for December (or more to the point, didn't learn; we cover that in the Macro Monitor section) – but rather what we're learning about how prices are evolving deep in the industrial value chain, and what that might mean going forward. As we argue in our Memo, based on this week's PPI data and the invaluable "Beige Book" commentary, we haven't yet seen the full impact of tariffs, and we'll only get a sense of the scale in the next 3-6 months.

For now, however, the cyclical inflation outlook will have to take second place to a much more important structural economic issue that reared its ugly head this week: the Trump administration's (escalated) assault on Jay Powell and the Federal Reserve, this time in the form of a Department of Justice investigation into cost overruns on the Fed's Washington headquarters renovation (a weak pretext for relieving Powell of his duties).

Toward the end of last year, we published a Monologue detailing how Federal Reserve officials would likely come under increasing pressure from the Trump administration. Using an analogy to the U.S. Supreme Court, we outlined what the process of gradual loss of independence and politicization could look like. You can read the full article here. This is a key quote:

> *There is a tail risk to worry about. Imagine that Trump is able to make a number of openly political appointments to 14-year Governor terms. Would these presumably dovish Governors turn suddenly hawkish under a future Democratic administration? It's not as far-fetched a scenario as it sounds. How would that hypothetical Democratic administration react? It might feel the need to appoint a set of Governors with the opposite political persuasion to balance things out. And hey presto! Just like that, the Central Bank is a political bargaining chip, just like the Supreme Court.*

Kudos to the adults in the room in Washington. At the time of publication, that list includes Powell himself (kicking off the pushback with his defiant video last Sunday), Republican Senator Thom Tillis (immediately voicing his intention to block any nomination for Powell's successor if attacks on independence continue), many of his Democrat colleagues in the Senate, and a cadre of elder statesmen, former Fed, Treasury and White House and elected officials, and international peers speaking in Powell's defense and underscoring the value of monetary policy independence (The Reserve Bank of New Zealand's Governor was publicly rebuked for her troubles).

These brave souls have prevented a major rout in the Treasuries market and (further) loss of confidence in the U.S. Dollar, as we note in the Macro Monitor.

On Friday, it emerged that Trump has decided against appointing his current economic advisor, Kevin Hassett, to lead the Federal Reserve. A more moderate candidate, Kevin Warsh, is now the leading candidate (54% on Kalshi, with the closest alternative candidate at 16%). The strength of the backlash against the Powell investigation likely played a role in this decision.

Sticking with the theme of Fed governance for a bit, there was an unusually high volume of speeches by Fed officials this week. Some appear to have been cancelled or not made public (related to the DoJ investigation furor?), but we heard from most of the highly influential moderate voices on the voting committee. These include New York Fed President John Williams (probably the most important voice after the Chair), Governor Michelle Bowman, and freshman Philadelphia Fed President Anna Paulson. Also, uber-dove Stephen Miran, who thinks deregulation is about to single-handedly eliminate inflation.

Taken collectively, the views of these officials are surprisingly optimistic. They expect robust economic growth in 2026, a stabilization of the labor market, and (critically), all of them think inflation will stay roughly where it is now (2.5%-3%) early in the year, before moving back to the 2% target in the second half of the year — allowing them to make more downward adjustments to interest rates. This is pretty much what markets are pricing, anticipating 25-50 basis points of easing.

If they're right, the U.S. economy is transitioning from a "Sluggish" economic regime to the "Goldilocks" phase of the cycle (see charts in Appendix).

There is still far more emphasis from Fed officials on the labor market than on inflation. They argue that a pickup in demand would support the labor market this year, but have not linked it to upside inflation risks. We think that's misguided, because stronger demand gives firms cover to raise prices, and may quickly reveal where immigration restrictions have tightened the labor market.

Post-script: As we got to press, news is emerging about President Trump's 15% Tariffs on European countries, rising to 25% unless a deal is done on Greenland. It's not clear to us how taxing American consumers for imports of European pharmaceuticals will help the President achieve his aim. We'll have more commentary next week if needed, but we note that, with the Supreme Court due to rule on tariffs soon and this announcement undermining the case the White House is making before the court for sidestepping Congress when setting tariffs, these may be very short-lived indeed.

Macro Monitor

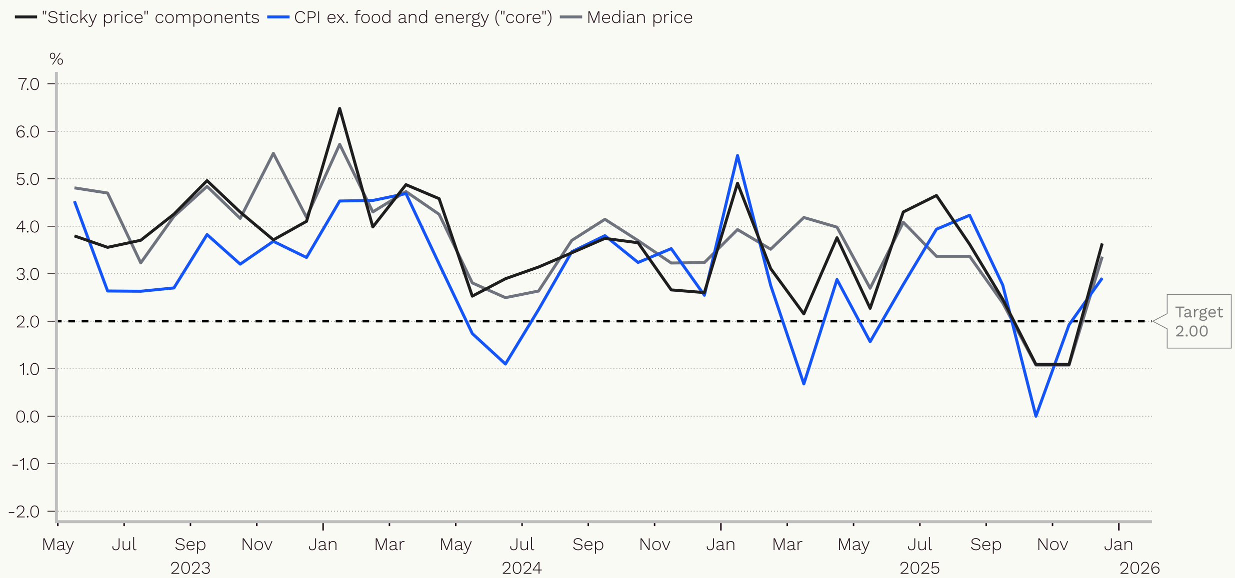
Still awaiting clarity on inflation dynamics

The December Consumer Price Index came in a little lower than we feared it might. Headline annual inflation held steady at +2.7% year-over-year, while core inflation (headline excluding food and energy costs) came in at 2.6%.

Under the surface, however, the picture was a little less rosy. Goods prices are still rising (core goods up +1.5% year-over-year), and the offset from disinflating services prices may be bottoming out. Measures of the underlying sequential inflation trend are again well above the 2% target, with the month-over-month disinflation momentum from October and November vanishing.

October and November core inflation downtrend reversed

United States, Consumer Price Index (CPI), core inflation metrics, SA, MoM annualized



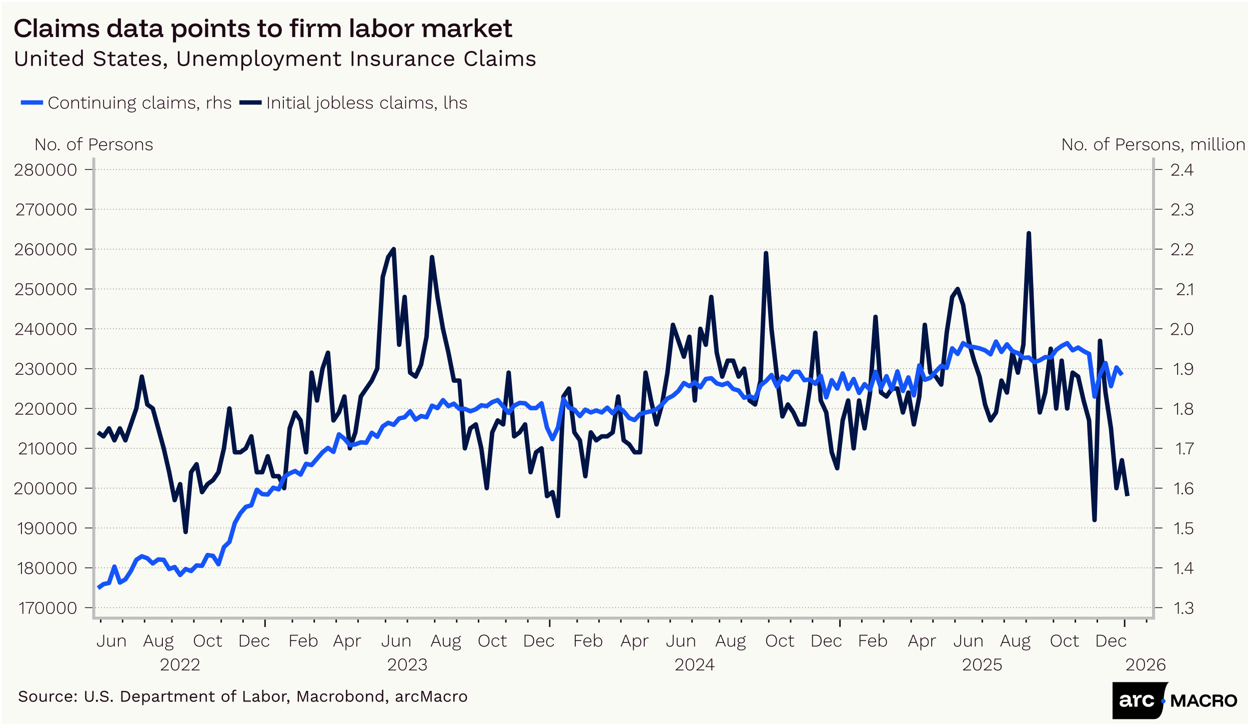
Source: Federal Reserve Bank of Cleveland, U.S. Bureau of Labor Statistics (BLS), Federal Reserve Bank of Atlanta, Macrobond, arcMacro

What's more, we still don't quite trust the Consumer Price Index data. There are too many statistical quirks in the detailed sub-categories for us to be entirely comfortable with the idea that aggregate inflation is stable. The standard deviation of the cross-section of prices in the CPI, which had been steady around 0.17 all year, jumped to 0.28 in November and December. Analysts have pointed out that if you re-weight CPI the categories to match the PCE price index (which the Federal Reserve officially targets), inflation is actually rising.

Pair that with reports from the latest Beige Book that firms are planning price adjustments (a narrative account of business conditions compiled by the district branches of the Federal Reserve), and we think further investigation is warranted. We provide that in our Memo.

Strong claims

Following on from last week's stronger-than-expected nonfarm payrolls report, weekly initial jobless claims have fallen below 200k. Fears of widespread layoffs appear misplaced. There may be some seasonality issues at play, but claims are running lower than the same time in 2024 and 2025.



Banks see continued consumer resilience

Several major U.S. banks hosted their Q4 earnings call this week. The broad summary (per Morningstar) is that banks report consumer demand holding up and expect resilience to continue amid improving credit quality. Executives premise this view on further interest rate reductions, fiscal stimulus, and deferred risk of a major market correction.

Carney in China

In a major break with a decade of Canadian foreign economic policy, Canadian Prime Minister Mark Carney has agreed to a tariff reduction deal with China. Canada's 100% tariff on Chinese electric vehicles has been slashed in exchange for China lowering tariffs on Canadian canola and committing to increasing purchases of a variety of Canadian goods.

In line with our increasingly optimistic view on Canada's medium-term prospects, the thaw in economic relations went further than expected. In addition to the tariff deal, leaders discussed fast-tracking cooperation on a range of economic initiatives, including manufacturing facilities in Canada, Carney hailing a "new strategic partnership."

After years of values-based withdrawal from the world stage, Canada is re-engaging on more realist terms, making concessions on rights and even engaging in internal political meddling to diversify its export base and attract capital from India, China, and the Middle East.

Paradoxically, in recognizing the limits of its external influence on the democratic influence of foreign states, Canada is rebuilding the credibility of its "middle power" role in the global geo-economic ecosystem.

The open question now is what the U.S. response will be, with a USMCA review due midyear. The Canadian EV tariff was introduced in concert with the U.S. in 2024. President Trump, apparently preoccupied with Greenland at present, did not immediately retaliate, stating that "that's what he should be doing. It's a good thing for him to sign a trade deal. If you can get a deal with China, you should do that."

See the appendix for arcMacro proprietary Factors and the Key Macroeconomic Indicators tracking chart.

What we'll be watching next week

- *Q4 GDP Growth and December industrial production (China)*: China's full-year 2025 growth picture will come into sharper focus.
- *Q3 National Accounts Detail (U.S.)*: We'll be looking at the Gross Output numbers, which tell us more about the cyclical position of the economy than GDP.
- *October and November Personal Consumption Expenditures and PCE price index (U.S.):* Stale data, but it will help us fill out the picture of consumption and price trends in the latter part of 2025.

Market Monitor

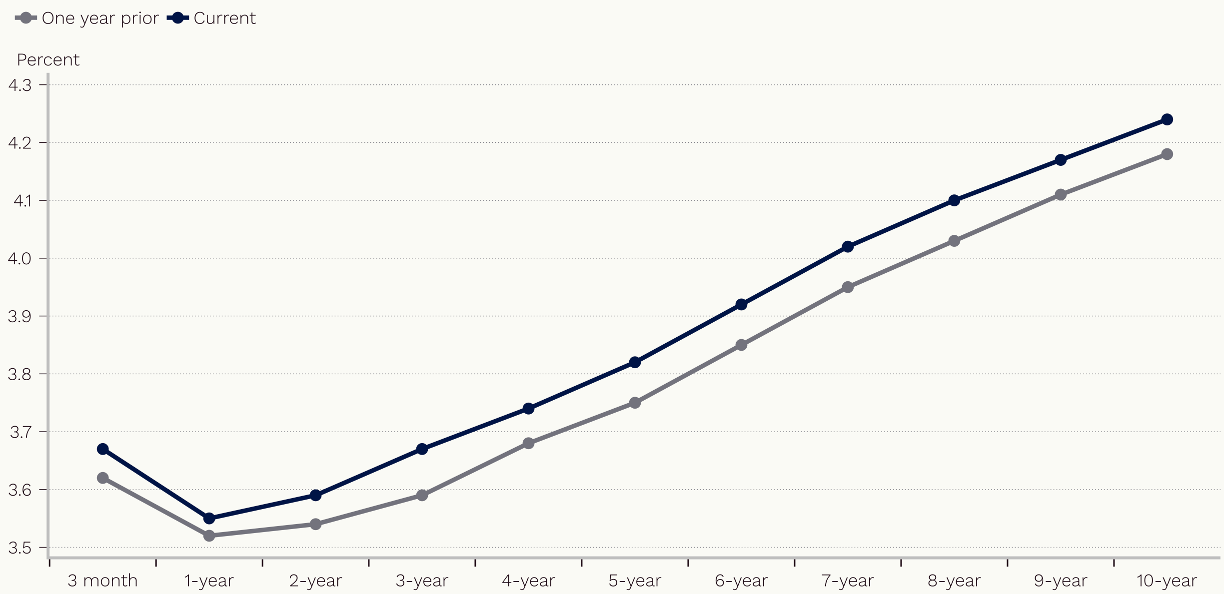
Public Markets

U.S. Treasury yields were stable through the week until Friday, when the entire yield curve shifted up (see chart). Higher rates helped the U.S. dollar to modest gains, particularly against the Canadian dollar and the Japanese yen.

Traders are starting to buy into the idea that improving growth momentum will stabilize the labor market, and are factoring in fewer interest rate cuts in 2026. Per CME Group, futures markets are now assigning 65% odds to no rate cut before June, up from 34% at the start of the year. President Trump's decision to keep Kevin Hassett in the White House rather than the Fed, combined with the apparent success of push-back against the White House's attack on Fed independence, supported this dynamic.

At the same time, corporate credit spreads have hit their tightest levels globally since 2007, at least when measured by the Bloomberg Global Corporate Index. So much for those "cockroaches."

The yield curve shifted up on bullish data
United States, Benchmark Treasury Note Yield



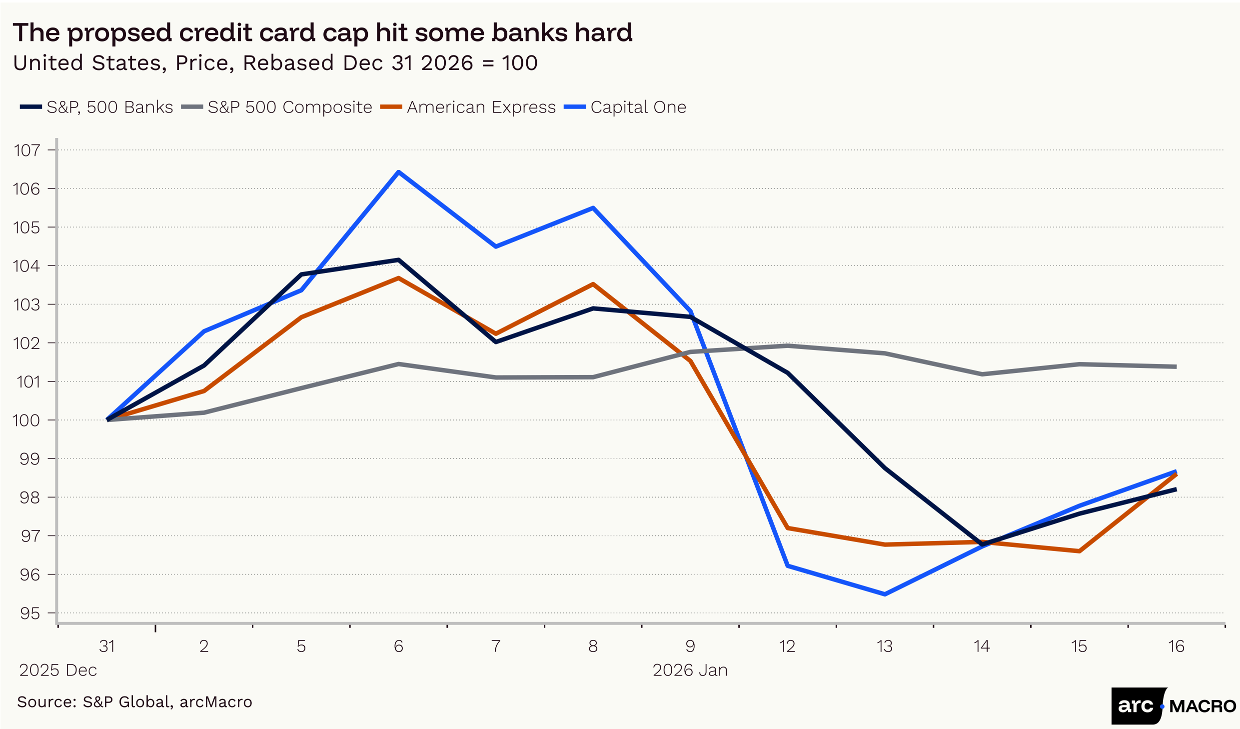
Source: U.S. Department of Treasury, Macrobond Financial AB, arcMacro

Higher interest rate expectations should have weighed on gold prices, but geopolitical developments are the dominant force in commodity markets. Gold rose another 2.6% to $4,611 per ounce. After peaking above $60 per barrel in intraday trading several times this week, WTI crude prices settled back to $59.2 per barrel as the U.S. backed off military strikes on Iran. Industrial and soft commodities were little changed on aggregate.

Public equities had a mixed week, with sectoral dynamics dominating aggregate moves.

The benefits of diversification

Major U.S. credit card issuers took a hit from President Trump's late-night suggestion that credit card interest rates could be capped at 10% (down from ~20.0%). They have not yet recovered, despite Republican pushback in the House, making it clear that this suggestion will not get legislative support.



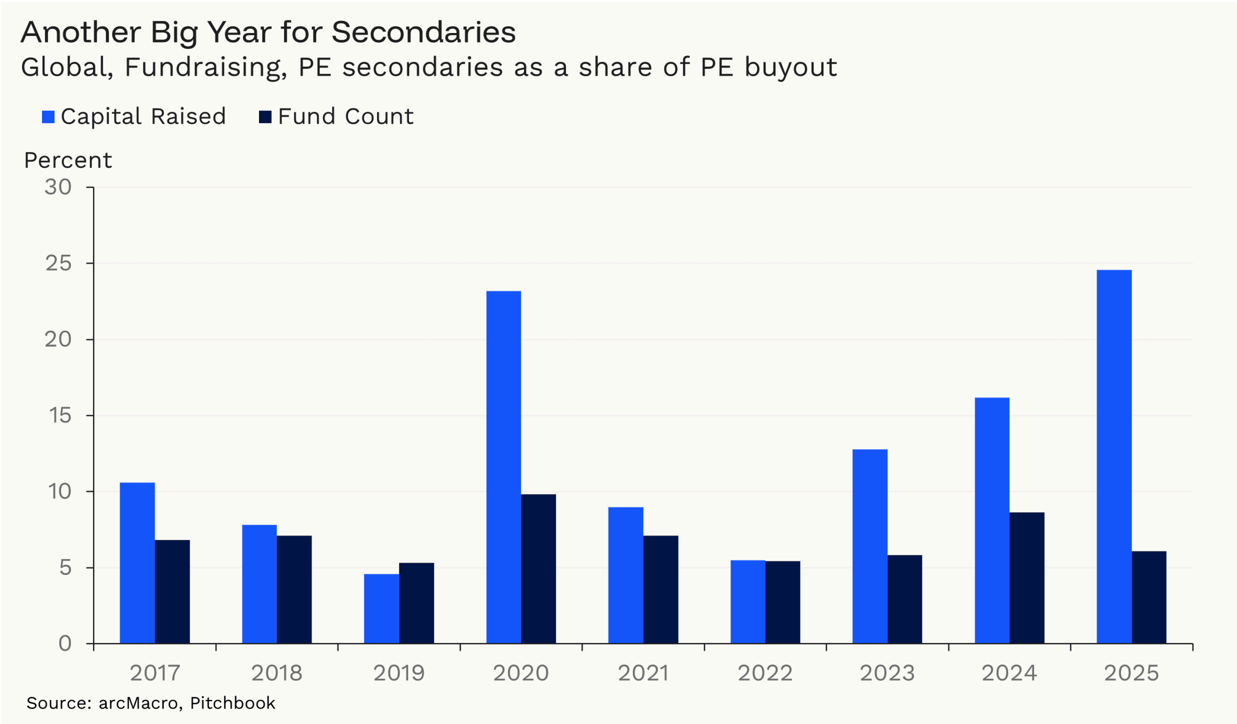
Election Snap

Japanese stocks had a stellar week, with the Nikkei rising nearly +5% (and even more in U.S. dollar terms) on news of a snap election to be held in early February. Popular new Prime Minister Sanae Takaichi will garner a mandate for expansive fiscal policy, which markets see as growth-positive. Her program is not without risk, and we'll be dedicating next week's memo to Japan.

Private Markets

Secondary wind

The chart below shows the relationship between capital raised by buyout private equity funds and capital raised by secondary vehicles looking to acquire stakes in existing funds from investors seeking an early exit.



By studying ratios rather than raw numbers, we sift out cyclical dynamics and get a sense of how the industry assesses primary and secondary investing relative to one another.

It's no surprise that fundraising for secondaries picked up relative to buyout funds. In 2025, the news was awash with large investors using secondaries to shed private markets exposure (notably university endowments, in response to funding pressures triggered by the Trump administration).

But these funds will be deploying their capital in 2026 and 2027, not 2025. So investors are betting that, even amid an improving M&A environment and a rise in PE exits, secondaries capital will remain in high demand.

We think the private markets industry is gradually evolving toward a more normalized use of liquidity providers, such as secondaries funds. In some ways, secondaries play a role equivalent to Wall Street market-makers for stocks and bonds, providing liquidity that allows the market to clear supply and demand for stakes in unlisted companies. This function is valuable in all macro and market environments. If there is a major upturn, will we see secondaries shifting from buyers to sellers?

What's also clear from the chart is that, compared to buyout strategies, the Secondaries market is for specialists. Changes in fundraising come via larger funds, not more of them.

Duly noted

- The FT had private markets in the crosshairs this week, flagging record sales of private markets fund stakes by LPs to secondaries, and a wave of redemption requests issued to publicly listed private credit funds late in the year. The reporting had more than a whiff of alarmism about it, but the timing hints at technical considerations like portfolio rebalancing and denominator effects as an essential driver.
- PitchBook's 2025 U.S. PE breakdown is out for those who can access it. Below is one statement we agree with. Sustained strength in the exit market is needed to re-ignite fundraising growth. We're early in the PE regeneration cycle.

> *Fundraising remains the only weak link for PE, with significant YoY declines in both fund count and capital raised. 2025 ended as the weakest year for PE capital formation since 2020. Although exit activity continues to increase, it has not yet reached a sufficient pace to expand fundraising efforts, and we expect 2026 to face a similar situation due to trends in manager consolidation.*

The Week in Markets

	Latest*	Change since last week (units)	Change since last week (%)	3-month change (units)	3-month change (%)	Year-to-date change (units)	Year-to-date change (%)
Equity							
S&P 500	6940	-26.3	-0.4	269	4.0	94.5	1.4
Information Technology			-0.6		0.8		-0.6
Financials			-2.3		2.2		-0.8
Consumer Discretionary			-2.0		5.2		2.5
Communication Services			-1.5		7.7		0.4
Health Care			-1.1		9.3		0.5
Industrials			3.0		9.4		7.6
Consumer Staples			3.7		3.6		5.7
Energy			2.4		11.0		6.8
Utilities			2.1		-6.5		1.6
Real Estate			4.1		1.2		4.5
Materials			0.7		9.1		7.2
Nasdaq Composite	23515	-156	-0.7	845	3.7	273	1.2
Dow Jones Industrial Average	49359	-145	-0.3	3106	6.7	1296	2.7
Russell 2000	6655	133	2.0	393	6.3	487	7.9
Sovereign Fixed Income							
US: 2-year Treasury Note	3.59	0.05		0.090		0.12	
US: 5-year Treasury Note	3.82	0.07		0.19		0.090	
US: 10-year Treasury Note	4.24	0.06		0.19		0.060	
FRA: 10-year OAT benchmark	3.53	0.01		0.2		-0.030	
GER: 10-year Bund benchmark	2.83	-0.03		0.24		-0.020	
CHN: 10-year CGB benchmark	1.84	-0.04		-0.00250		-0.00490	
CAN: 10-year GoC benchmark	3.35	-0.05		0.21		-0.070	
Corporate Bond Spreads							
US: A-rated	65.6	-3.2		-7.6		-4.2	
US: BBB-rated	97.5	-5.1		-7.9		-7.0	
Leveraged Loan Spreads							
US: B-rated	387	-0.94		-18		-4.54	
US: BB rated	256	2.7		-9.3		0.38	
US: CCC-rated	1643	67		274		79.6	
Foreign Exchange Rates							
DXY US Dollar Index	99.4		0.3		0.6		1.1
EUR/USD	1.16		-0.4		0.6		-1.1
USD/CAD	1.39		0.8		-1.0		1.4
USD/CNY	6.97		-0.2		-2.4		-0.3
USD/JPY	159		1.1		3.9		1.4
GBP/USD	1.34		-0.2		1.2		-0.3
USD/CHF	0.801		0.5		-0.3		1.1
Commodities							
WTI Crude	59.2	0.55	0.9	0.97	1.7	1.87	3.3
Gold	4611	117	2.6	406	9.7	243	5.6
S&P GSCI Commodities			0.6		3.9		2.6
S&P GSCI Industrial Metals			-0.7		15.9		3.6
S&P GSCI Agriculture			-1.7		-1.2		-0.9

* Weekly closing value. Color indicates positive (green) or negative (red) change since prior week.

Source: S&P Global, Russell Investment Group, Nasdaq, U.S. Department of Treasury, Macrobond Financial AB, Central Bank of Germany (Deutsche Bundesbank), Bank of Canada, Intercontinental Exchange (ICE), International Monetary Fund (IMF), LBMA (London Bullion Market Association), Robert Shiller, Chicago Board Options Exchange (CBOE), U.S. Department of Labor, Pitchbook | LCD, arcMacro

arc MACRO

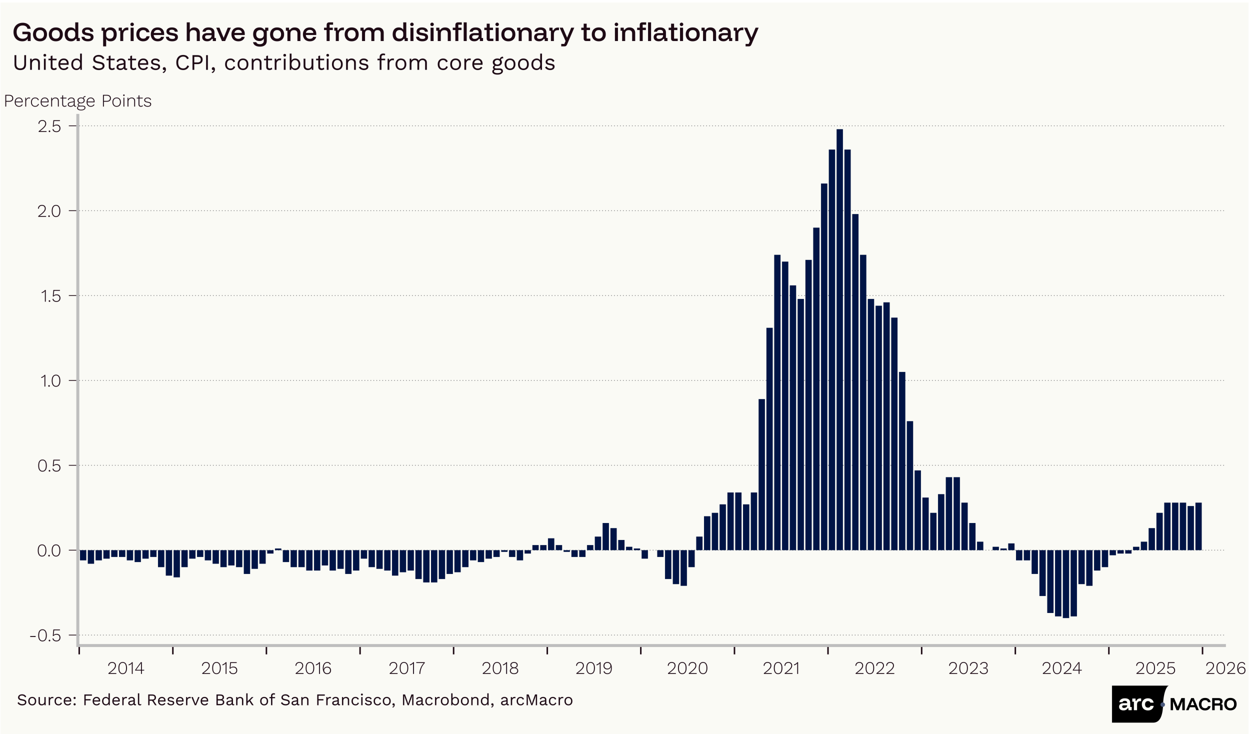
Memo

Chain Reactions: Quantifying Tariff Impact and Absorption in the Supply Chain

Bottom line: *As of December 2025, we estimate that tariffs are adding around 0.2 percentage points to final goods prices and about half of that to services prices solely through their impact on physical input costs for intermediate manufacturers and service providers. Pass-through is gradual and cumulative; we find that changes* *in input costs can take anywhere from a month to a year to pass through to final output, although most of the effect is fairly rapid in normal times. These are not normal times. Because tariffs were expected, firms have delayed the typical increases, and we'll see a larger effect on prices in the coming months, contributing to a gradual but persistent rise in inflation this year.*

Probably the key open economic question in U.S. macro at present is how much more pass-through we'll see from the tariff regime introduced last year into consumer prices. This will determine how much the Federal Reserve will lower interest rates and set the tone for consumer spending. It will also influence voting patterns in the 2026 midterms, which are being billed as another "affordability" election.

So far, we can see evidence of tariff pass-through in the rise in goods prices that took hold after the April tariff announcements, which went from subtracting from headline inflation to adding +0.3 percentage points.



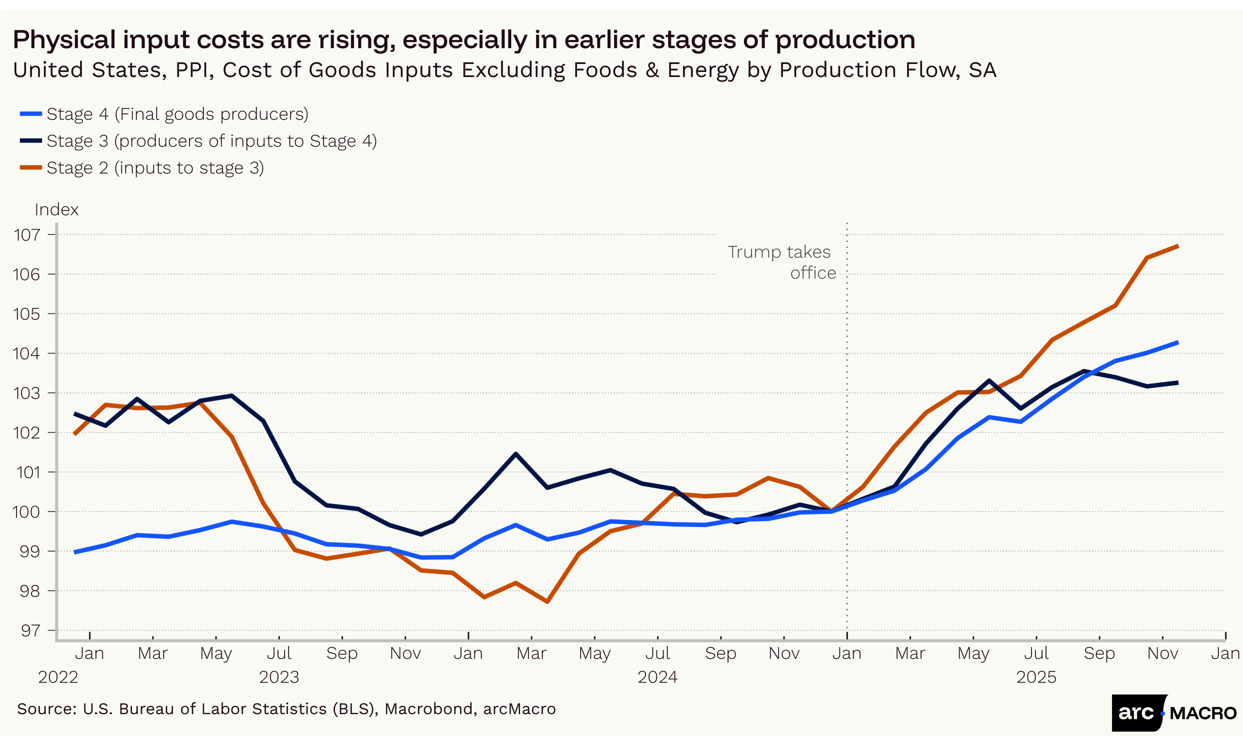
A direct and immediate effect of this scale is what we'd expect from the direct impact of tariffed finished goods on inflation (i.e., buying a handbag produced in China). Allowing for foreign exporter price adjustments and some retailer margin adjustments, the current 15% weighted tariff rate should add between 0.5 and 0.8

percentage points to goods price inflation (just a little below a contribution to headline inflation of ~0.3pp).

The open question is how much pressure is building in domestic supply chains from the higher cost of imported primary and intermediate goods inputs (or of substitutions to more expensive domestically produced alternatives). How much more inflation is already in the mail?

The Bureau of Labor Statistics Producer Price Index (PPI) gives us the data we need to answer that question. The chart below shows the cost of goods inputs (not including energy and food) for U.S. businesses along the supply chain, starting with those that take in raw materials and produce mostly semi-finished goods (like a producer of rolled steel), all the way through to final goods producers (such as vehicle assembly plants).

The chart shows that since December 2024, core goods input costs have risen significantly, and they're higher at the earlier parts of the value chain (6% for Stage 2 producers). That's consistent with the idea that producers are absorbing costs along the value chain, since input prices further down the supply chain are just a combination of prices set by producers in the prior stage of the supply chain, and directly imported intermediate goods prices.



This chart motivated us to formalize our analysis. The table below shows the results of a series of regressions for final goods and services prices from the PPI report. These are the prices of goods ready for retail sale to consumers or for use as capital investment by other businesses. The explanatory variables in the regressions are the monthly changes in the costs of core goods and services inputs for firms along the supply chain, split into goods manufacturers and services manufacturers (because we expect the impact to differ across these groups). To capture potential delays in price pass-through, we used 1-month, 6-month, and 12-month lags. The highlighted cells were statistically significant.

Physical input prices have a significant on final output prices

Final Goods Prices, month-on-month percent *Impact of 1% change in input goods prices for intermediate producers of final goods prices, percentage points*						
	Final goods producers (stage 4)	**Processed goods producers**	**Semi-processed intermediate**	**Final services producers (stage 4)**	**Intermediate services producers**	**Intermediate services producers**
1 month lag	0.69	0.23	0.18	0.96	0.75	0.55
6 months lag	0.15	0.11	0.11	0.11	0.04	0.21
12 months lag	0.14	0.15	0.09	0.06	0.02	0.05
R-squared	24%	24%	19%	19%	19%	20%
Final Services Providers, month-on-month percent *Impact of 1% change in input goods prices for intermediate producers of final services prices, percentage points*						
1 month lag	0.24	0.08	0.06	0.34	0.25	0.20
6 months lag	0.06	0.04	0.06	0.23	0.12	0.16
12 months lag	0.05	0.05	0.02	-0.12	-0.06	-0.03
R-squared	17%	17%	16%	21%	17%	21%

The chart is information-dense. Here are some observations.

- The amount of variation in final prices explained by the model (R-squared) ranges from 16% to 24% – very strong given the volatility in monthly price changes and the narrow focus of the model (core goods input prices only, not accounting for food and energy prices, labor, etc.)
- The bulk of the transmission from input prices to finished goods and services prices is immediate, coming within a month of the price change.
- Stage 4 producers pass through costs immediately; earlier in the supply chain (stages 2 and 3), the pass-through of input price increases is spread out evenly over a full year.
- Comparing the top and bottom panels, we reach the unsurprising conclusion

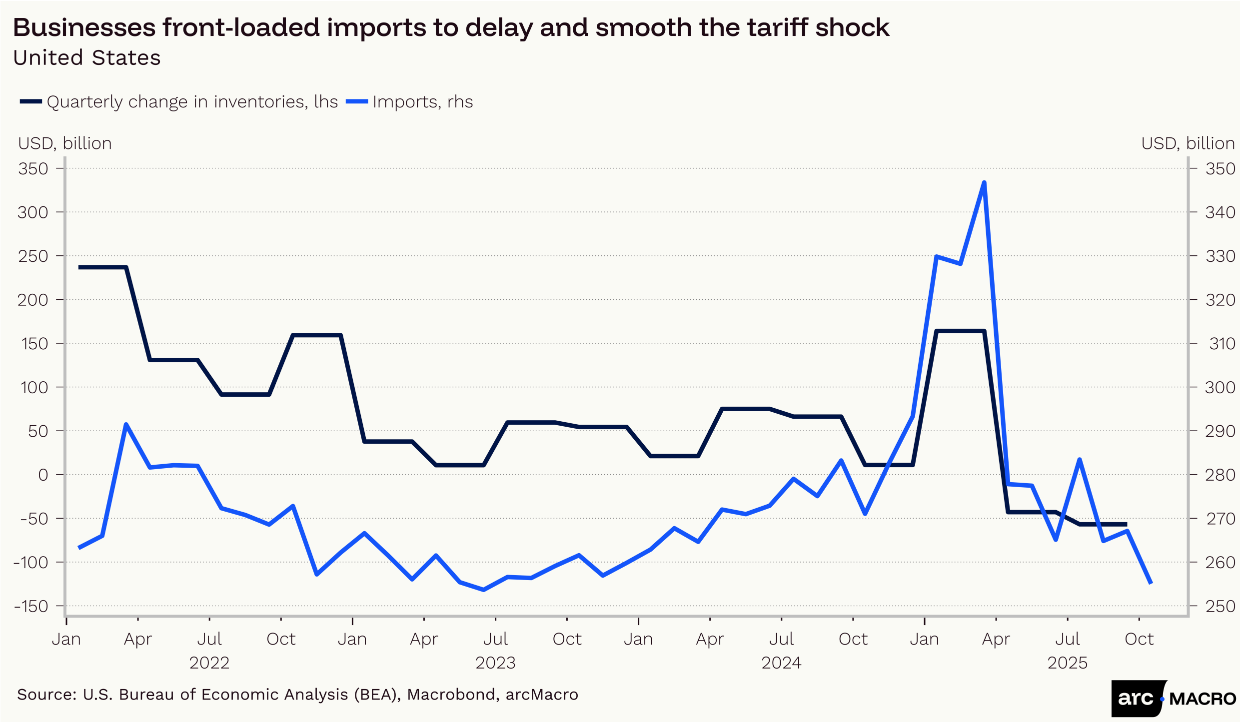
that physical input prices have larger effects on final goods prices than final services prices.

- Genuinely surprising is how rapidly changes in physical inputs for service producers are transmitted into final goods prices; service producers immediately pass on the full cost, whereas goods producers share the margin impact along the supply chain (bear in mind that goods inputs are a smaller share of service producers' input costs than goods producers, so the pass-through is more complete but less consequential).

Using these coefficients, we estimate that, purely on the basis of increases in core input prices, final goods price inflation should be +0.2 percentage points higher on an annualized basis as of December. The figure for final services prices is +0.1 percentage points. Remember that this excludes food (heavily tariffed in some cases) and energy inputs.

If that were true, we'd expect to see somewhat higher consumer price pass-through than the +0.3 percentage points we discussed earlier. However, **there is a major difference between the historical period on which these coefficients were estimated and the 2025 tariffs: businesses knew the tariffs were coming ahead of time**. In this model, we're assuming price changes are unanticipated.

This prior notice enabled firms to take measures to soften and smooth the impact of tariffs to avoid a drop in consumer demand for their products in response to sudden price adjustments (firms also hoped that the tariffs might be repealed before they affected prices). So U.S. firms massively front-loaded imports, building up inventory.



This inventory was enough to get firms through the holiday trading season, but they're now rolling onto the inventory acquired after tariffs were enacted and will have to make output price adjustments as a result.

Here is what firms told their Federal Reserve bank branches in the January edition of the Beige Book:

> *"Cost pressures due to tariffs were a consistent theme across all Districts. Several contacts that initially absorbed tariff-related costs were beginning to pass them on to customers as pre-tariff inventories became depleted or as pressures to preserve margins grew more acute."*
>
> *Looking ahead, firms expect some moderation in price growth, but anticipated prices to remain elevated as they work through increased costs.*
>
> *Some manufacturers experienced moderate, tariff-related increases in the prices of glass and other raw materials and noted that they intend to pass at least part of the cost increases on to customers in 2026.*

> *Several contacts noted that price pressures from tariffs were pushing up selling prices and weighing heavily on profitability, while uncertainty was limiting their ability to set prices and plan ahead.*
>
> *Several contacts in retail, consumer and business services, construction, transportation, and manufacturing reported implementing price hikes to offset higher tariffs and rising costs of utilities, insurance, and some raw materials.*

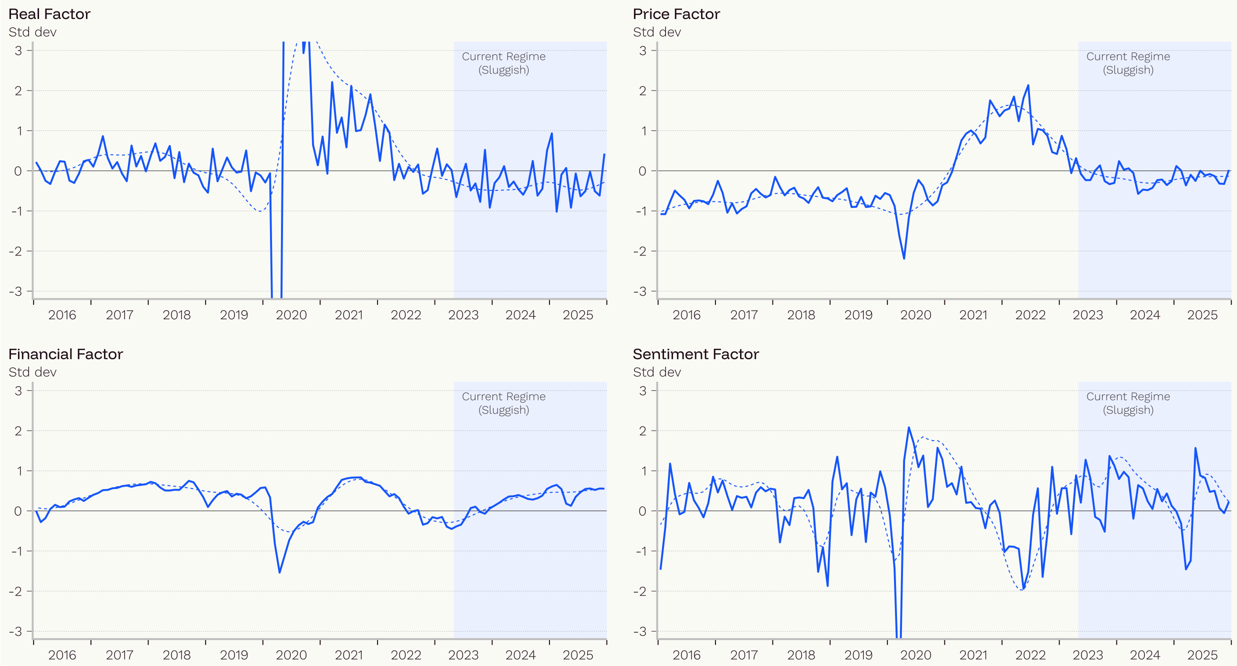
Firms have not been passing tariff-related prices on in the usual way, but now they're planning to. This means our 0.2 percentage-point figure for final goods prices is too low. The rise in input prices we've seen so far underestimates the effect, and what we have seen so far hasn't been passed along. With this in mind, it's not hard to imagine goods prices popping by around 0.5 percentage points and services prices by around 0.2 percentage points. That could easily add an extra 0.3 percentage points to CPI, which at the moment is the difference between the current rate of 2.7% and 3.0%. And that's before we take into account longer-term pass-through effects and second-round spillovers.

Thus, we expect a persistent, gradual inflation uptrend this year, with the initial rise faster than in the latter part of the year.

Appendix

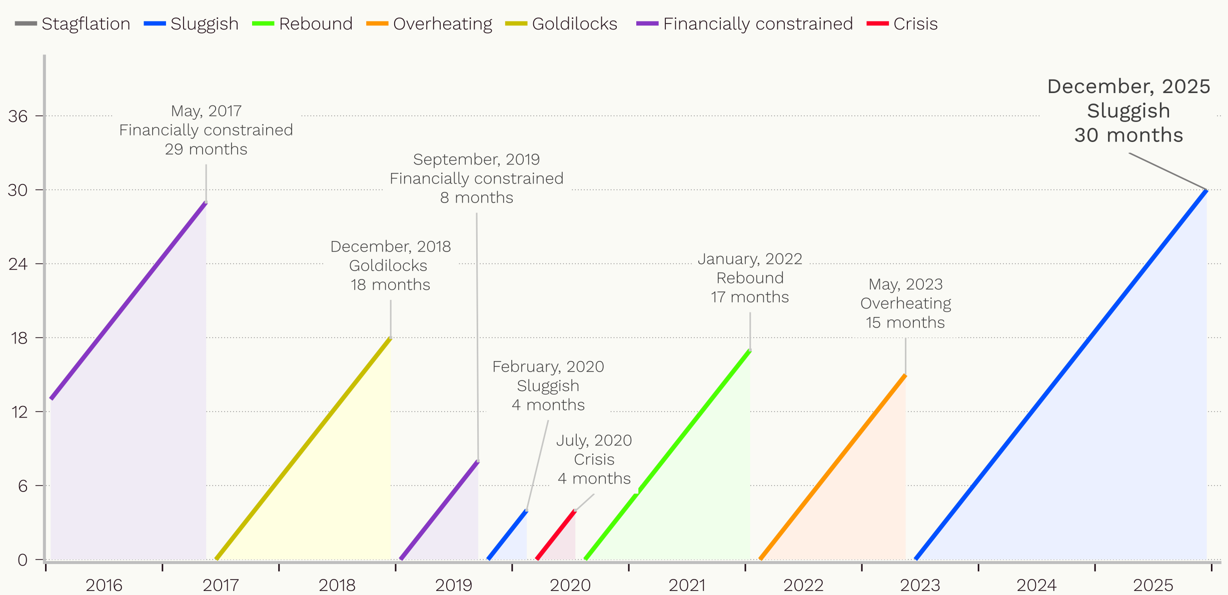
Proprietary Factor and Regime Model and Key Macro Indicators

arcMacro Real Time Factors
United States, z-score



Source: arcMacro

arcMacro Regime Summary
United States, Cumulative Months in Regime

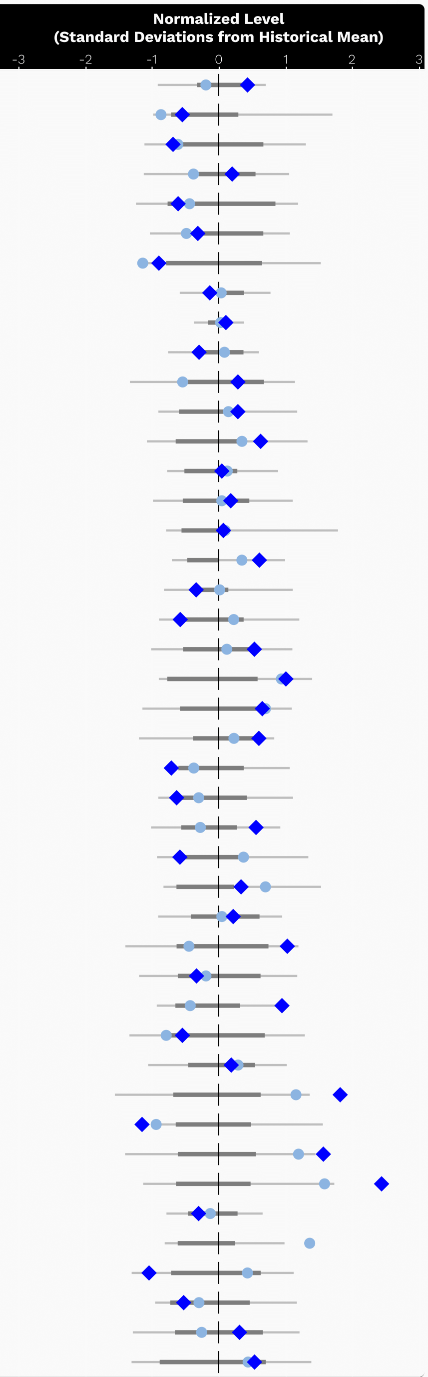


Source: arcMacro

arcMacro Factor Input Monitor

Top 10 inputs by factor loading

Indicator	Unit	Latest*	Three months prior	One year prior
arcMacro Real Factor	**Standard deviations**	**0.4**	**0.0**	**0.5**
Underemployment (U-6)	%	8.4	8.1	7.6
Capacity Utilization	%	78	76.1	75.9
Industrial Production (IP)	%, YoY	2.5	1.2	-1.6
Employment-to-Population Ratio	%	59.7	59.7	59.9
Dallas Fed Services Index	%, YoY	-3.3	-5.6	10.8
Unemployment Rate	%	4.4	4.4	4.1
Transportation Services Index	%, YoY	1.2	1.0	1.2
Employment	Thousands, MoM	232.0	286.0	427.0
Construction Employment	Thousands, MoM	-11.0	25.0	15.0
Philadelphia Fed Manufacturing Index	%, YoY	12.6	-10.1	32.9
arcMacro Price Factor	**Standard deviations**	**0.3**	**0.1**	**-0.1**
Trimmed CPI	%, MoM, SA	0.3	0.2	0.3
"Sticky" CPI	%, MoM, SA	0.3	0.2	0.2
PCE	%, MoM, SA	0.3	0.3	0.2
Inflation Expecations (NY Fed)	%, Annual	3.4	3.4	3.0
Inflation Expecations (U-Mich)	%, Annual	4.2	4.6	3.3
Core CPI	%, MoM, SA	0.2	0.2	0.2
Services PCE	%, MoM, SA	0.2	0.2	0.4
Market-based PCE	%, MoM, SA	0.3	0.3	0.2
Richmond Fed Services Price Index	%, Annual	6.1	5.0	4.7
5 Year Break-Even Inflation Rate	%, Annual	2.3	2.4	2.4
arcMacro Financial Factor	**Standard deviations**	**0.6**	**0.6**	**0.6**
Financial Stress Index (KC Fed)	Index (>0: higher stress)	-0.7	-0.8	-0.8
Financial Stress Index (OFR)	Index (>0: higher stress)	-2.6	-2.3	-1.8
Gold Volatility Index	%	22.2	18.2	15.6
Bank Lending Standards	% (>0: net tightening)	-7.1	-4.8	2.5
Anxious Index (SPF)	% (Probablity of recession)	24.0	29.6	15.0
Dividend growth	%, YoY	7.9	8.4	6.2
Bank Loan Demand	% (>0: net increase)	18.0	12.1	-4.6
Household Debt-to-Income Ratio	Ratio	8.5	8.6	8.9
IPO Underwriting Activity	US$ Billions	8.7	9.1	0.8
Household Debt Growth	%, QoQ, Annualized	4.1	3.9	3.0
arcMacro Sentiment Factor	**Standard deviations**	**0.2**	**0.5**	**0.1**
Cyclically-Adjusted PE Ratio (S&P 500)	Ratio	39.9	39.2	37.1
Dividend Yield (S&P 500)	Ratio	1.2	1.2	1.3
12-month Forward PE Ratio (S&P 500)	Ratio	21.8	22.5	21.4
Price/Book Ratio (S&P 500)	Ratio	5.3	5.0	4.9
Crude Oil Volatility Index	%	33.9	35.1	33.5
Economic Policy Uncertainty Index	Index	346.9	331.6	178.7
MOVE Index	Index	65.7	78.4	91.3
VIX	%	15.5	15.8	15.8
Bull-Bear Spread (AAII)	% (>0: net bullish)	11.2	-5.3	8.7
Equity Risk Premium (NYU Stern)	%	1.1	1.2	1.0



10th-90th Percentile ■ 25th to 75th Percentile ● Mean of past 5 years ◆ Latest Value

Source: arcMacro, BLS, Fed, Dallas Fed, DOT, Philadelphia Fed, Cleveland Fed, Atlanta Fed, BEA, New York Fed, University of Michigan, Richmond Fed, Macrobond, Kansas City Fed, The Office of Financial Research (OFR), CBOE, S&P Global, SIFMA, Robert Shiller, Economic Policy Uncertainty, ICE BofAML, LJKmfa, AAII
*Most recent published data point. Time period and frequency do not necesarily align.