

## Undoing insurance

Monday, September 14, 2026

### Summary: consumption cools, Fed hike

A summary of our economic outlook is that consumers' spending is slowing down, and the Federal Reserve is raising rates. For investors, this implies a flattening of Treasury yield and a curbing of risk appetite.

### Consumer likely cools

Tailwinds to consumption in H1 are fading and we see several reasons to be cautious.

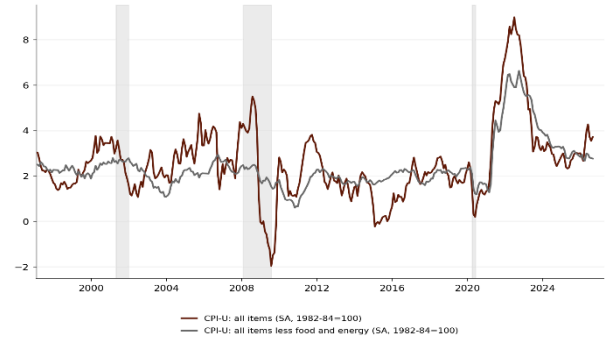
Starting with the most obvious, **the tailwind from tax refunds is now behind us**. In H1 2026, the contribution to real US GDP growth from taxes and benefits programs averaged 0.4ppt, according to the Brookings' Fiscal Impact Measure. Despite this tailwind, in H1, real consumers' spending only ran 2.0 percent SAAR, about how real consumption performed in 2025. In H2, the contribution to US GDP from taxes and benefits slows to zero before turning negative in 2027.

Households are going to pay a larger geopolitical tax too. One way to gauge sensitivity to oil and food shocks is to compare movements in headline and core (ex-food and energy) inflation. The gap between these two measures shows the extra inflation from food and energy prices. **In the last three months, this gap has narrowed somewhat; however, the rest of the year feels a bit more challenging.**

Prices for refined energy products have been rising during a time of the year they typically fall. Next, the rise in diesel prices and agricultural commodities make it likely that grocery store prices accelerate into year-end.

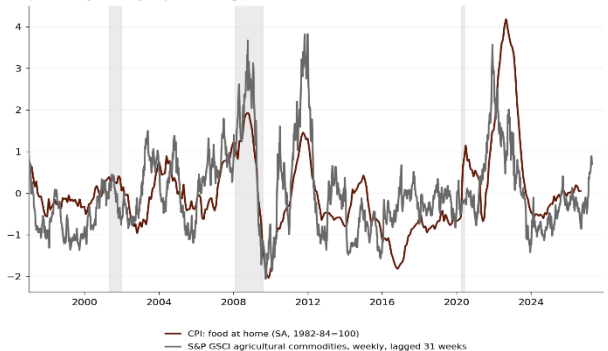
In short, the "shock tax" will likely build. Based on futures markets, expect a push to food and energy inflation through October.

Food and energy are set to reopen the inflation gap  
(% change, year-over-year)



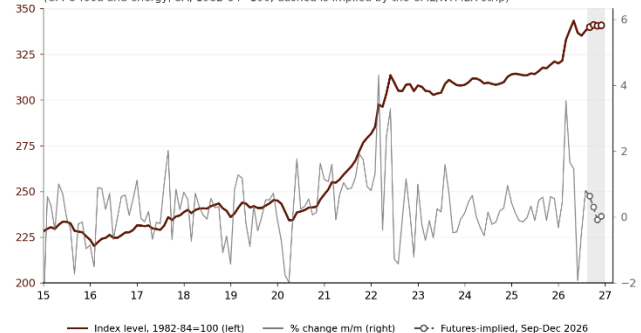
Source: Renaissance Macro Research, Haver Analytics

Agricultural prices point to faster grocery inflation into year-end  
(z-score of year-over-year percent change)



Source: Renaissance Macro Research, Haver Analytics

Futures front-load the food and energy push into September and October  
(CPI-U food and energy, SA, 1982-84=100; dashed is implied by the CME/NYMEX strip)



Food is held at its trailing 3-month average; only the energy components are priced off futures  
Source: Renaissance Macro Research, BLS, CME/NYMEX, Haver Analytics; strip priced off the 9/11/26 close

Lastly, as mortgage rates climb and housing turnover stalls, the housing impulse for consumption is fading. New and pending home sales were already slowing before the latest run-up in mortgage rates. At any rate, home sales trigger purchases of household durables like furniture, appliances, floor coverings and home improvement goods.

Turnover tends to lead durables spending by two quarters. I point this out because the contribution from furnishings and durable household equipment punched above their weight last quarter. The slowing in home sales implies this won't continue into year-end.

Fading fiscal relief, a rising geopolitical tax and a decline in housing turnover all in the context of relatively sluggish growth in wages and salaries imply that household consumption growth will probably moderate into next year.

## Fed: Hiking as reaction function shifts

Inflation progress has stalled. To hit the Fed's current SEP estimate, core PCE must average 0.21 percent per month on average between August and December. We estimate August core PCE to be 0.24 percent and we're on the low-end of the current consensus. Still, I think the bigger story is the balance of risks in the inflation outlook. It's difficult to say why inflation returns to target "soon." That increases the risk of inflation becoming entrenched.

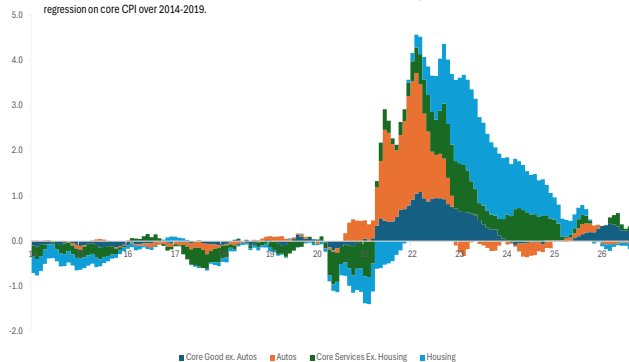
Short-run inflation expectations are climbing alongside the rise in energy costs. Chip shortages are putting upward pressure on information processing equipment; indeed, the contribution to the six-month annualized change in core PCE is roughly 0.6ppt (core PCE is up 3.5% SAAR since January). Lastly, financial market conditions remain loose. The Fed's FCI-G implies a 0.5ppt push to GDP growth over the next year. The notion that if not for a shock to energy prices and tariffs seems off base considering much of the shortfall in core inflation relative to target resides in non-housing core services – non-tradeables.

Turning to the labor market, the unemployment rate has declined 0.2ppt below the Fed's estimate. At 4.1 percent, we're a touch below the longer-run neutral estimate. Expect some mark to market of the unemployment forecast. Employment growth has stabilized this year, and we appear to be running somewhat above breakeven. Yes, wage growth is weak, but if employment is running above breakeven, eventually that will change.

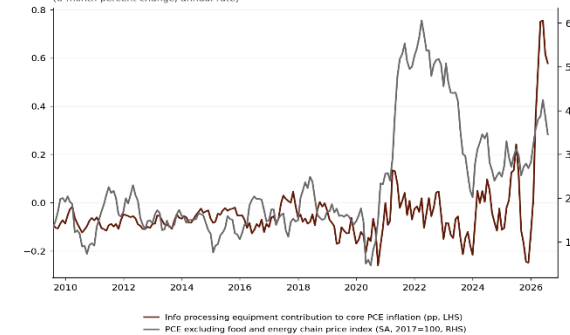
In short, the cuts last year were about the balance of risks and the hike(s) this year will be about that too. We anticipate a rate hike in September with officials penciling in at least one more in 2026.

Component drivers of above-target US Core CPI

Annual ppt deviations from contribution consistent with 2.3% saar Core CPI, calculated using regression on core CPI over 2014-2019.

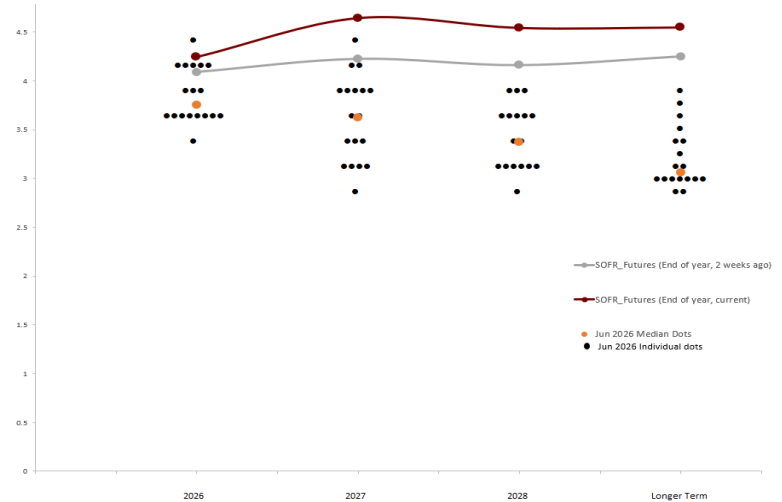
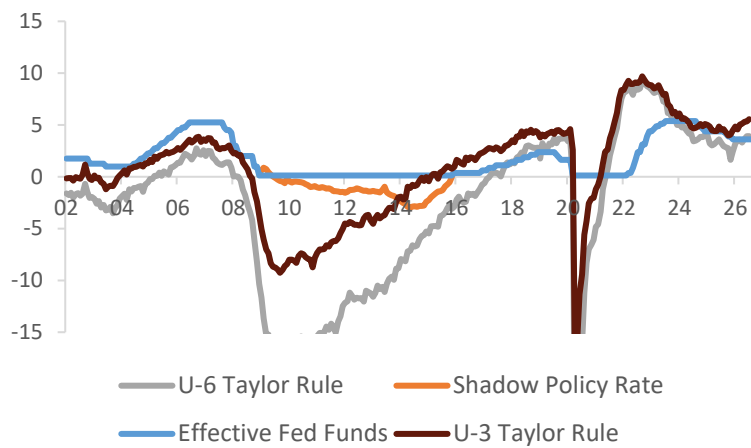


Info equipment prices stay elevated as chip shortages persist  
(6-month percent change, annual rate)

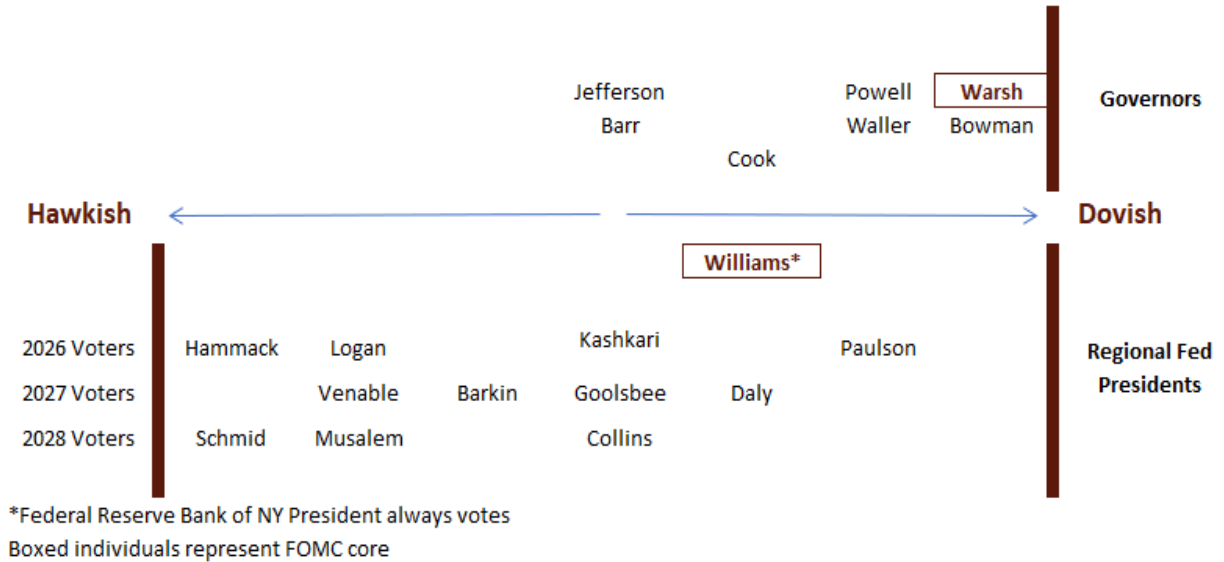


Source: Renaissance Macro Research, Haver Analytics

## Monetary metrics



## Hawks and Doves



| FOMC Forecasts                  | Median |      |      |            | Central Tendency |         |         |            |
|---------------------------------|--------|------|------|------------|------------------|---------|---------|------------|
|                                 | 2026   | 2027 | 2028 | Longer run | 2026             | 2027    | 2028    | Longer run |
| Change in real GDP              | 2.2    | 2.3  | 2.2  | 2          | 2.0–2.3          | 2.0–2.4 | 2.0–2.3 | 1.8–2.0    |
| March projection                | 2.4    | 2.3  | 2.1  | 2          | 2.2–2.5          | 2.0–2.4 | 2.0–2.3 | 1.8–2.0    |
| Unemployment rate               | 4.3    | 4.3  | 4.2  | 4.2        | 4.3–4.4          | 4.2–4.5 | 4.1–4.3 | 4.0–4.3    |
| March projection                | 4.4    | 4.3  | 4.2  | 4.2        | 4.3–4.5          | 4.2–4.4 | 4.0–4.4 | 4.0–4.3    |
| PCE inflation                   | 3.6    | 2.3  | 2    | 2          | 3.5–3.7          | 2.2–2.5 | 2.0–2.1 | 2          |
| March projection                | 2.7    | 2.2  | 2    | 2          | 2.6–3.1          | 2.0–2.3 | 2       | 2          |
| Core PCE inflation <sup>4</sup> | 3.3    | 2.5  | 2.1  |            | 3.2–3.5          | 2.3–2.6 | 2.0–2.2 |            |
| March projection                | 2.7    | 2.2  | 2    |            | 2.5–2.8          | 2.0–2.4 | 2       |            |
| Projected policy path           |        |      |      |            |                  |         |         |            |
| Fed funds rate                  | 3.8    | 3.6  | 3.4  | 3.1        | 3.6–4.1          | 3.1–3.9 | 3.1–3.6 | 3.0–3.5    |
| March projection                | 3.4    | 3.1  | 3.1  | 3.1        | 3.1–3.6          | 2.9–3.6 | 2.9–3.6 | 2.9–3.5    |

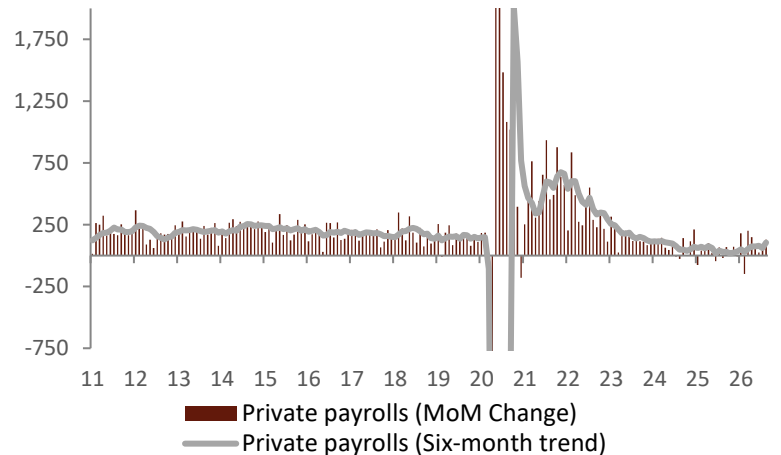
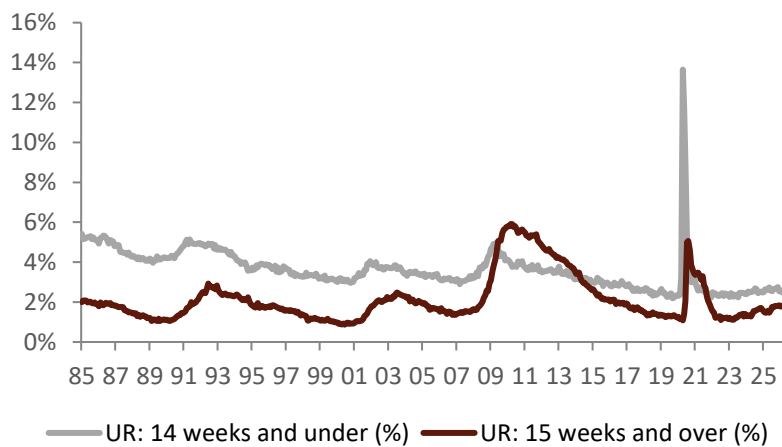
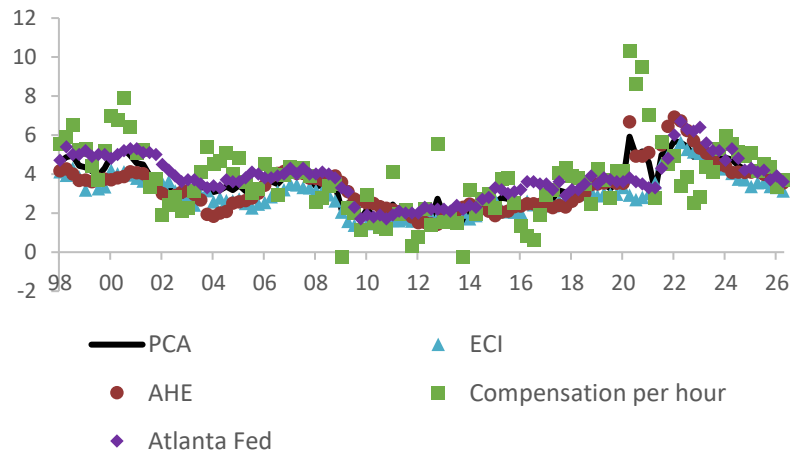
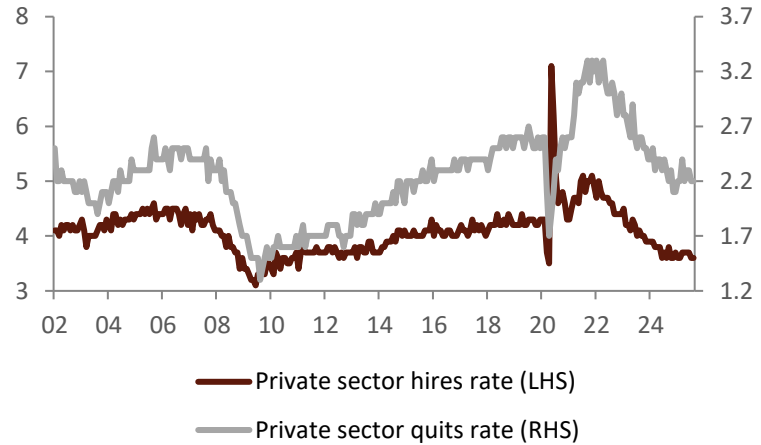
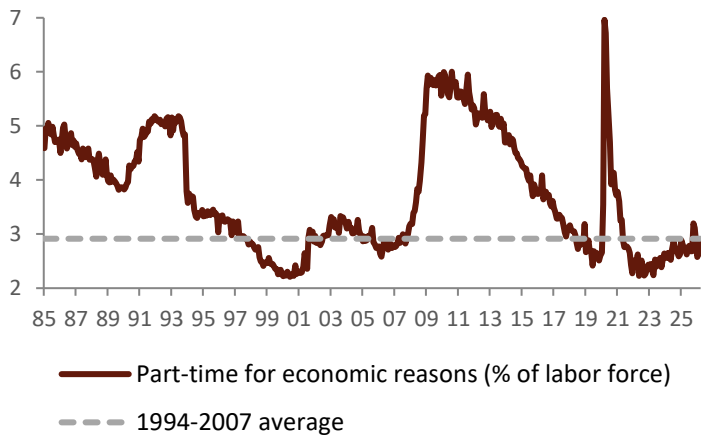
**Notes**

R - Reverse Formatting

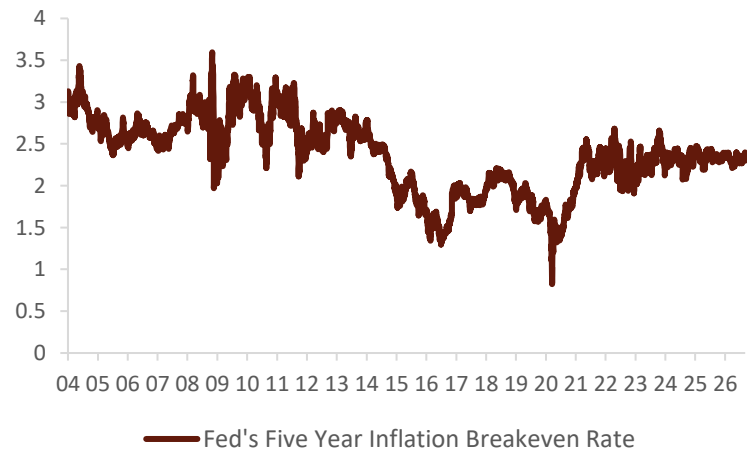
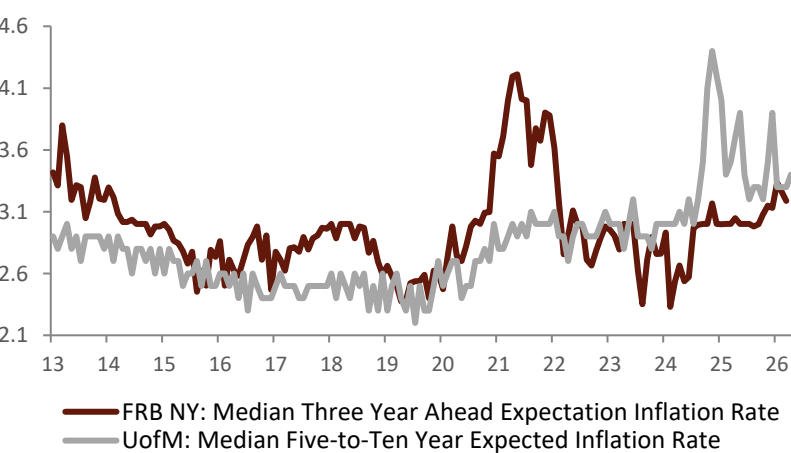
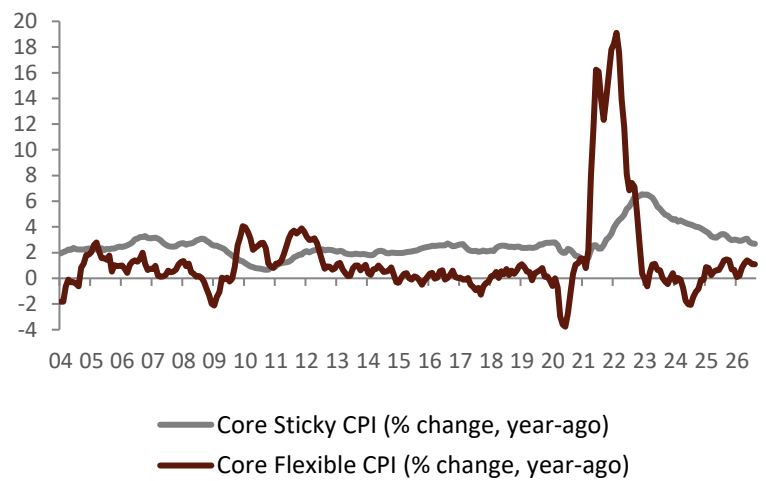
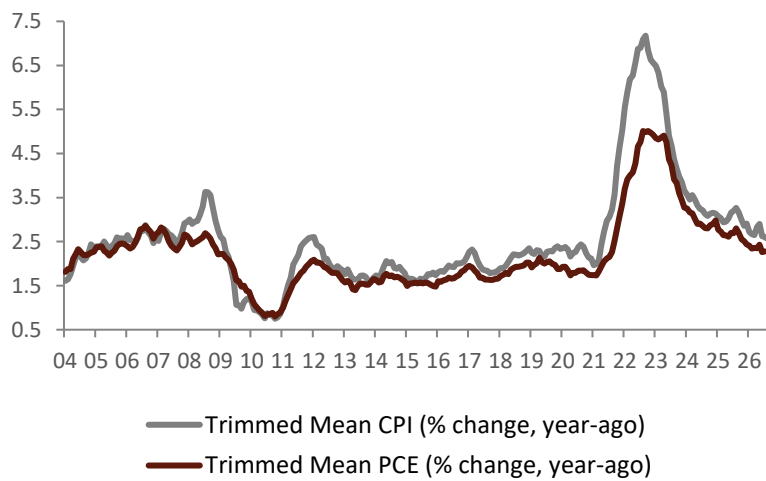
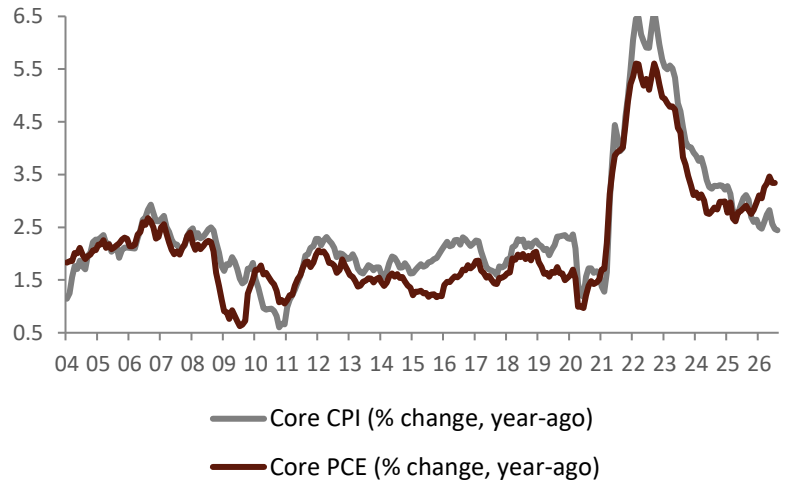
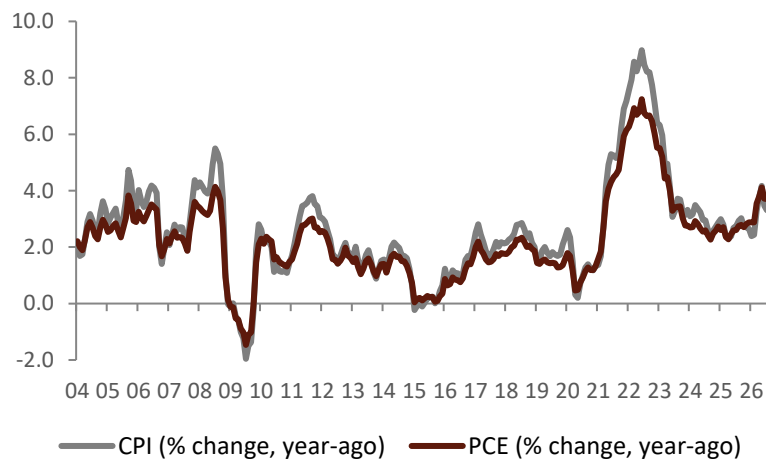
Deciles are based on expanding window since 2001

| Decile | Color      |
|--------|------------|
| 10     | Dark Red   |
| 9      | Red        |
| 8      | Light Red  |
| 7      | Light Red  |
| 6      | Light Red  |
| 5      | Light Blue |
| 4      | Light Blue |
| 3      | Dark Blue  |
| 2      | Dark Blue  |
| 1      | Dark Blue  |

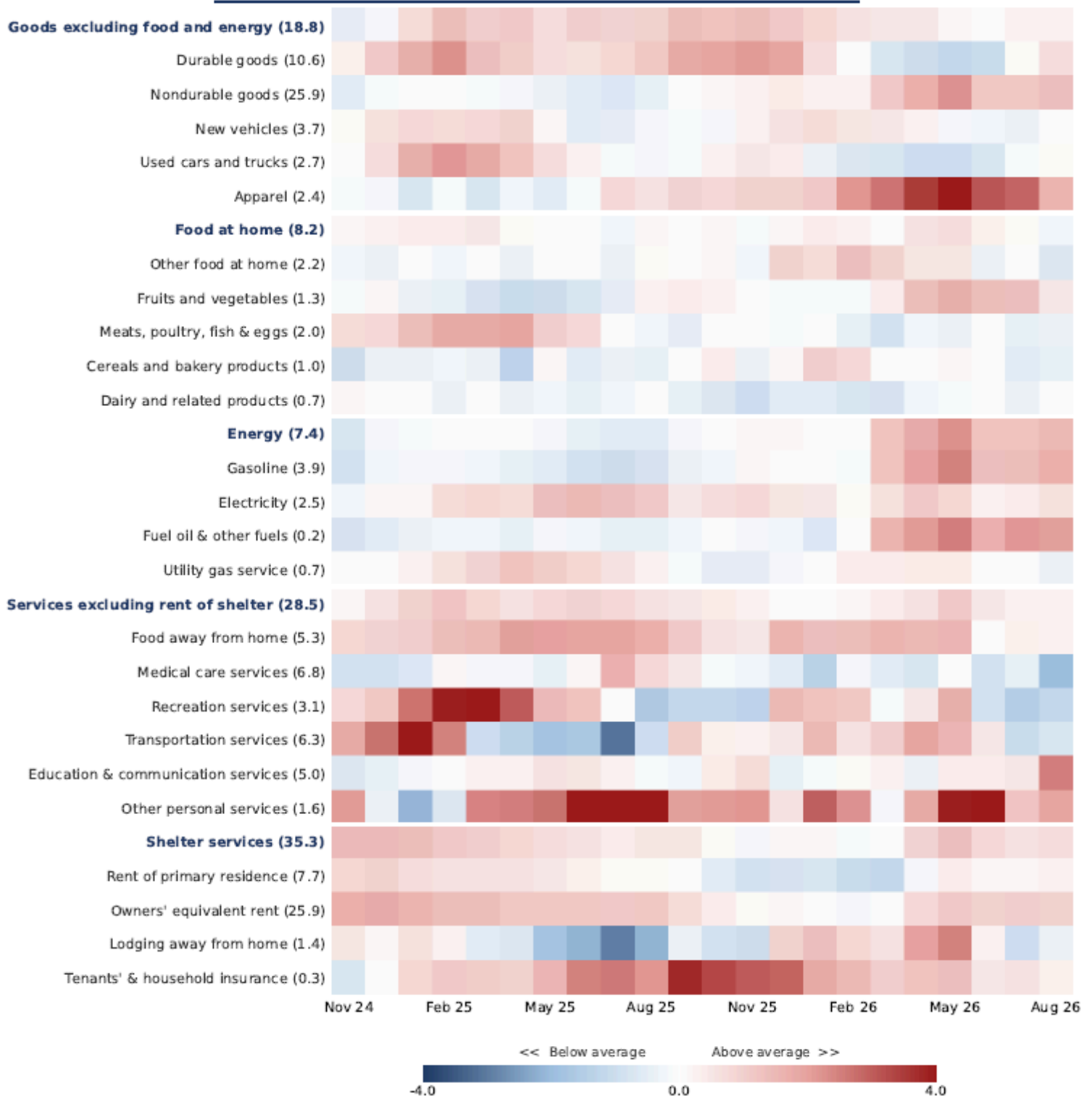
## Labor market indicators



## Inflation indicators



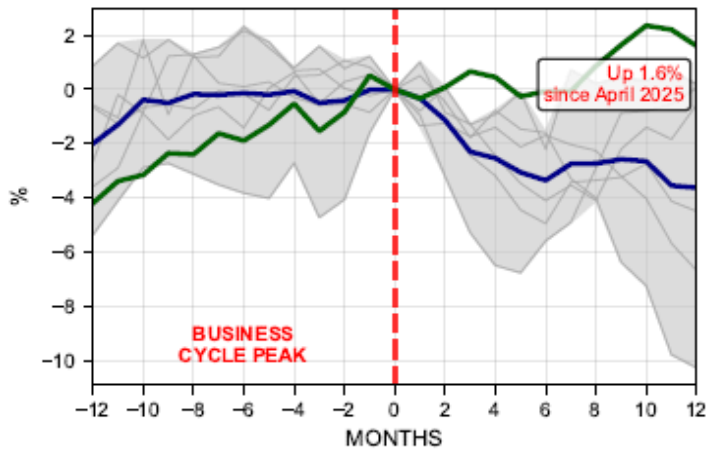
## US Inflation Heatmap (6-Month Annualized)



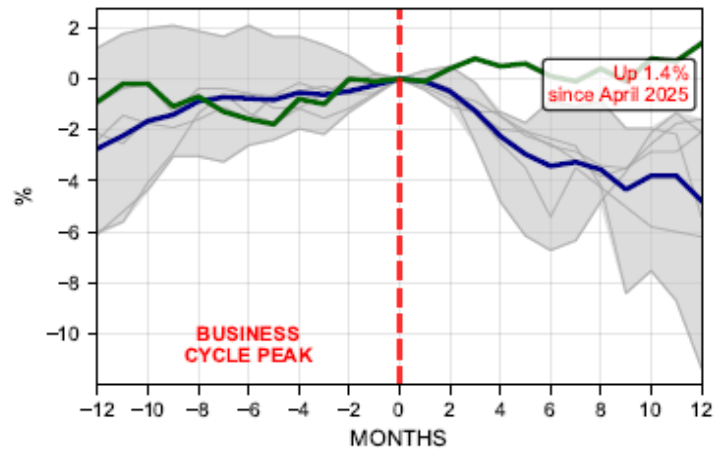
Note: The heatmap shows the distance of each US CPI component's 6-month annualized inflation rate from its historical average. The colour is white when a component's inflation rate is close to its average and is a varying shade of blue (red) when the rate is below (above) the average. Each inflation rate is standardized by subtracting its mean and dividing by its standard deviation, computed over 1996-2019. and We show full Nondurables (which includes food and energy components) alongside Durables, New vehicles, Used cars and trucks, and Apparel; the parent group itself excludes food and energy. Food away from home, Other personal services, and Tenants' & household insurance are published NSA by BLS and seasonally adjusted via X-13ARIMA-SEATS. Values in parentheses are CPI relative importance weights (parts per 100). Sources: BLS via Haver Analytics; RenMac calculations. Last observation: August 2026.

## NBER RECESSION INDICATORS DASHBOARD

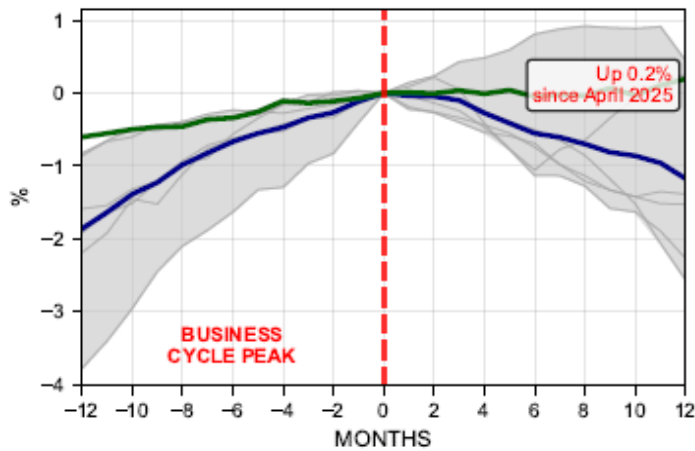
REAL SALES: MANUFACTURING AND TRADE INDUSTRIES



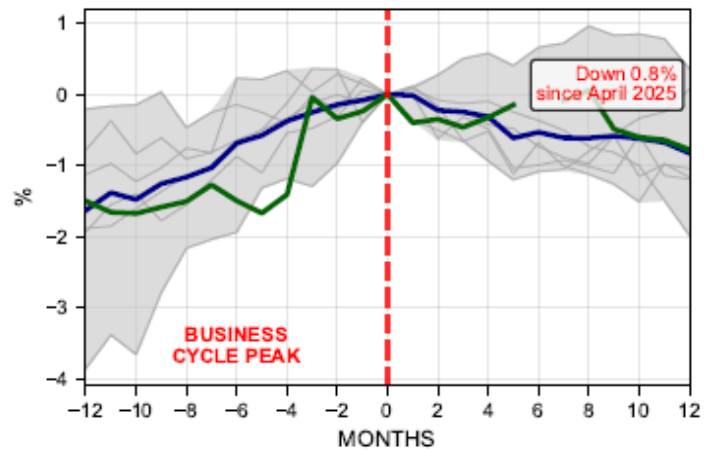
INDUSTRIAL PRODUCTION



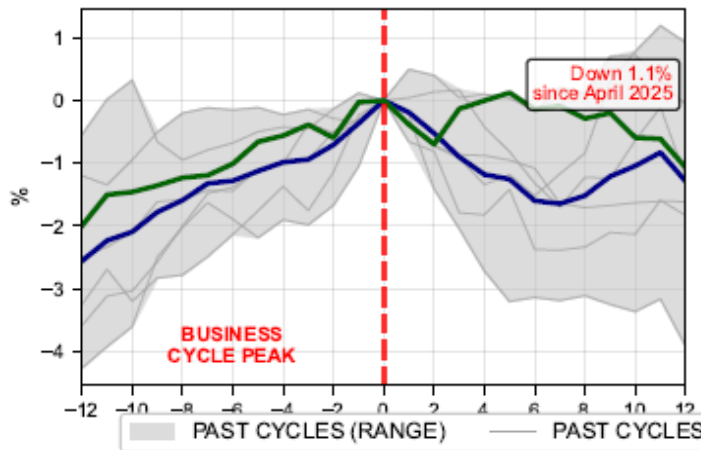
US NONFARM PAYROLLS



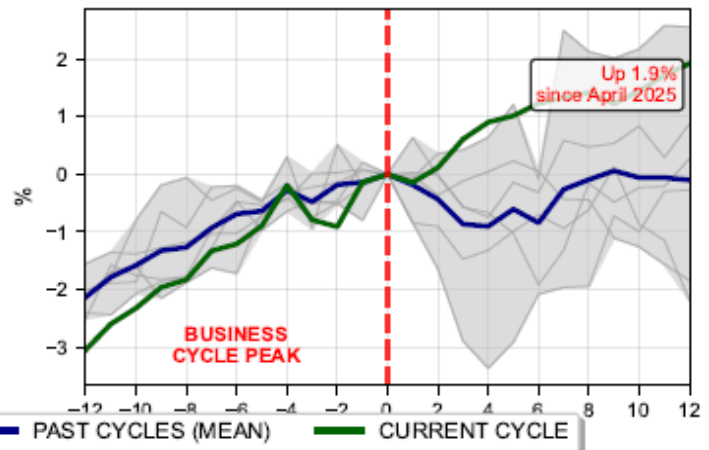
CIVILIAN EMPLOYMENT



REAL PERSONAL INCOME MINUS CURRENT TRANSFER RECEIPTS



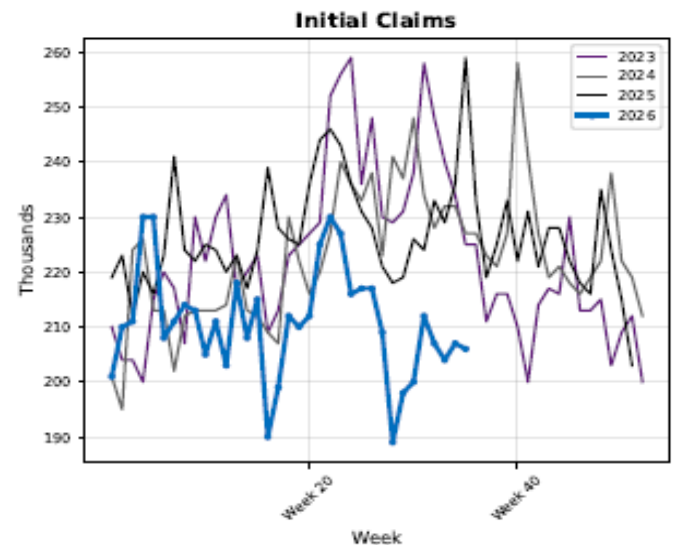
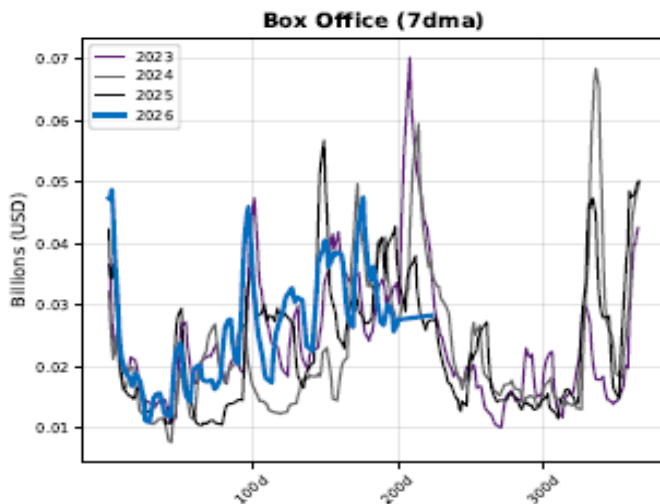
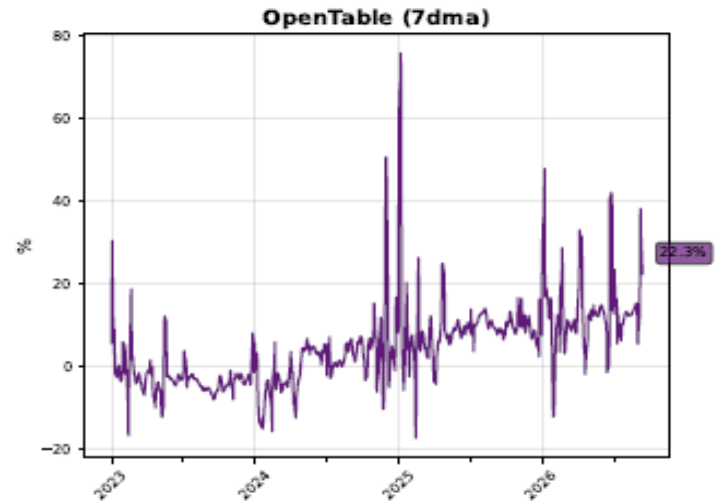
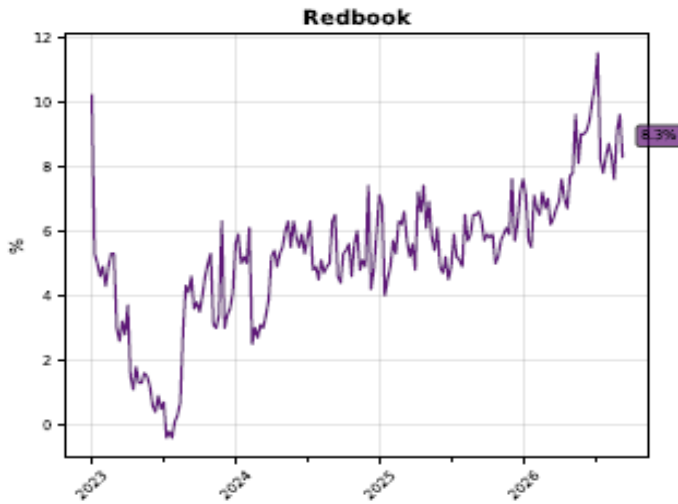
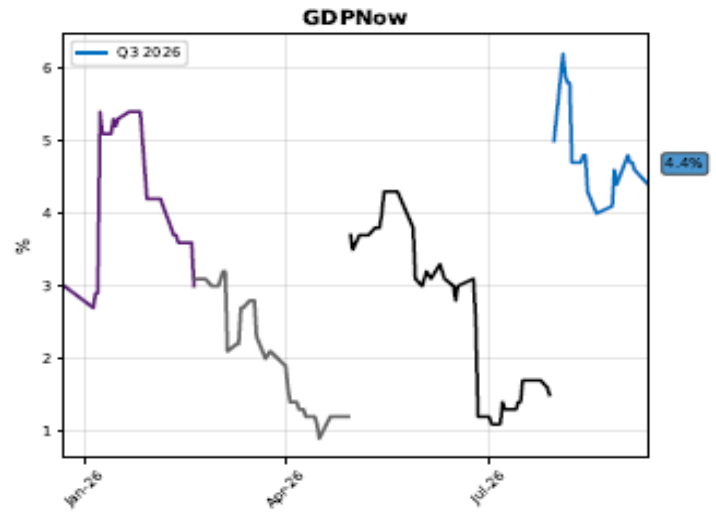
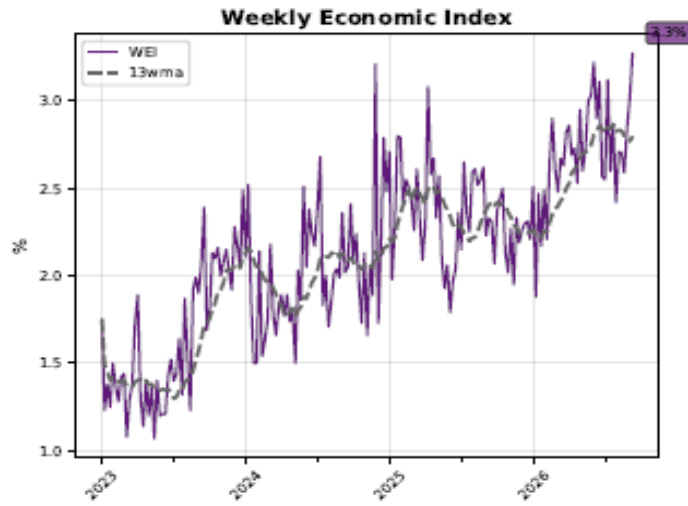
REAL PCE



PAST CYCLES (RANGE) — PAST CYCLES — PAST CYCLES (MEAN) — CURRENT CYCLE

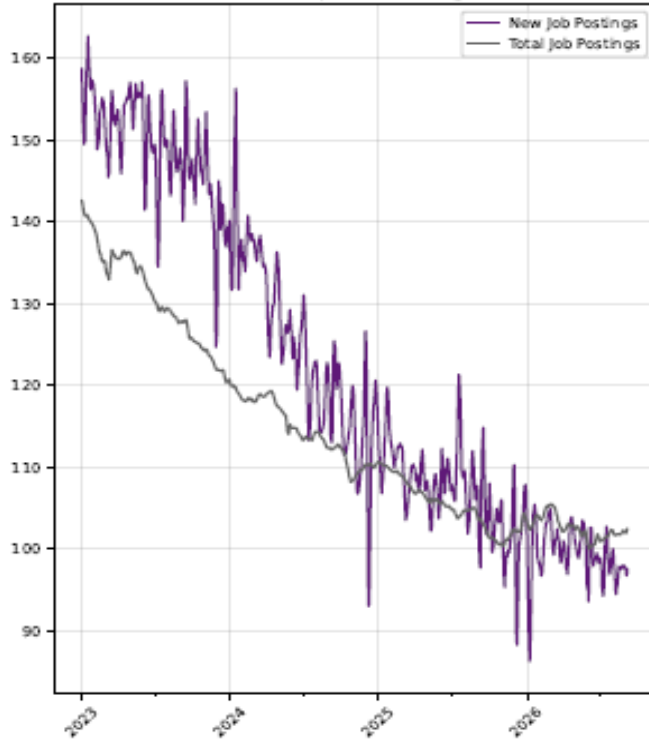
Past 7 cycles excluding Covid-19 period

## High Frequency Economic Dashboard

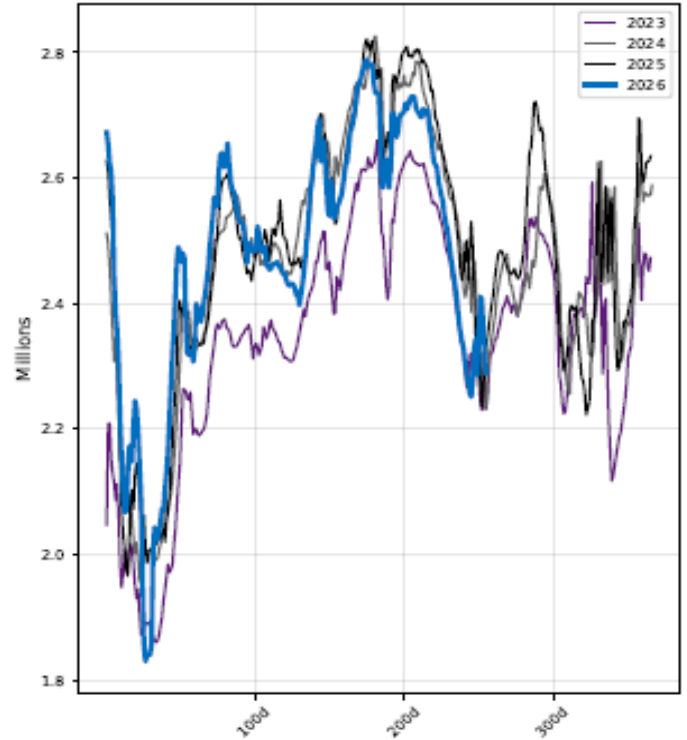


## High Frequency Economic Dashboard

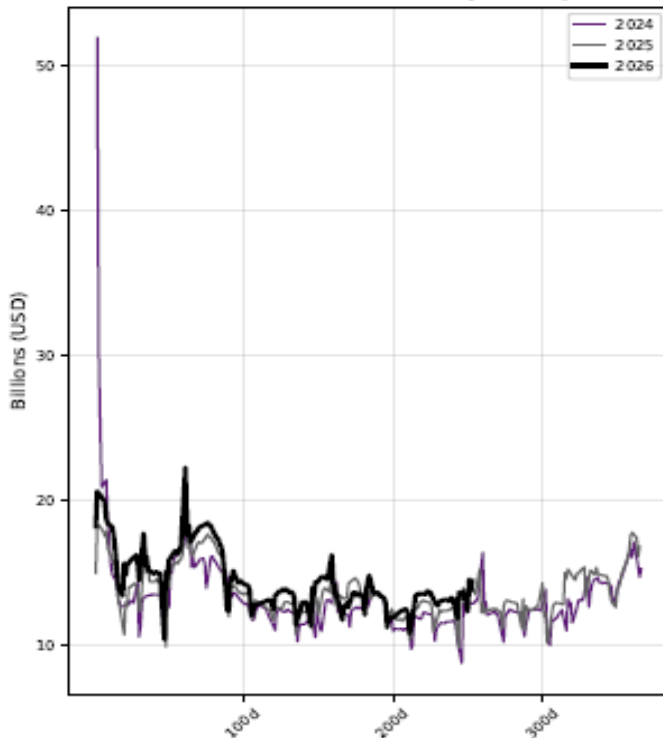
**Indeed Job Postings**



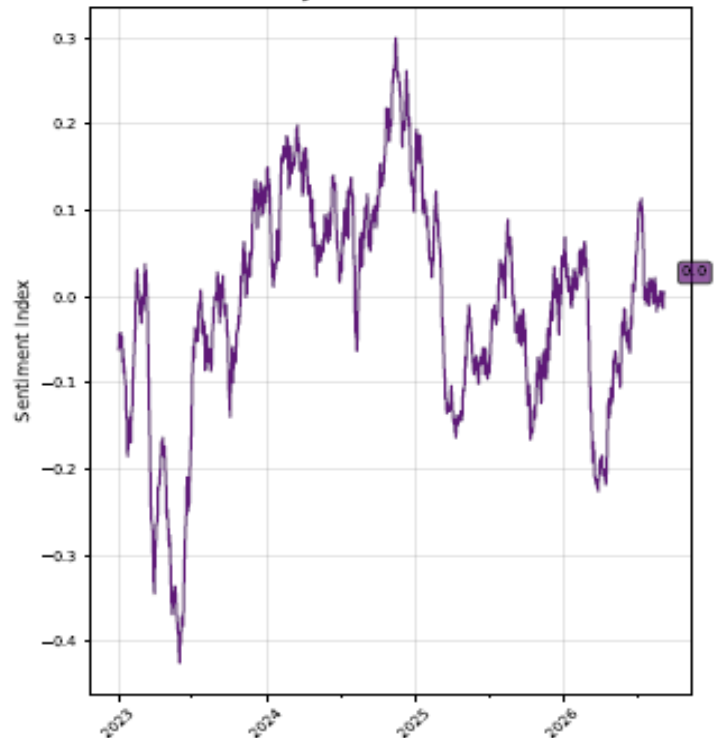
**Air Travel**



**Withheld Income Taxes (10dma)**



**Daily News Sentiment**



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