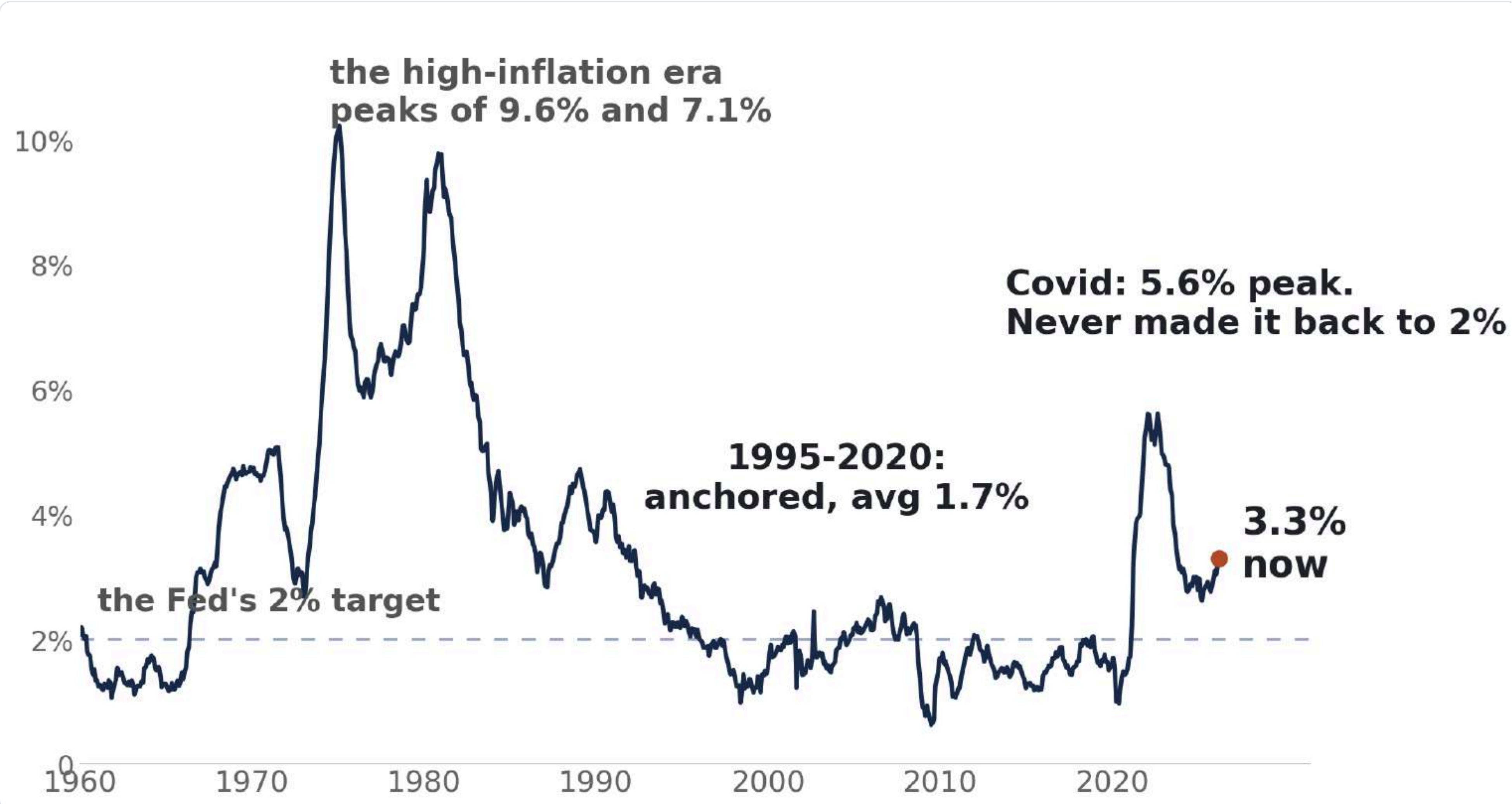
There is no modern playbook for this

This is US consumer inflation - **core PCE**, the measure the Fed targets at 2%. For 25 years it averaged **1.7%**. Covid broke that anchor, the gauge never made it back, and it is re-accelerating: **3.3%** and rising, before the new oil shock has fully passed through.



Core PCE, % change on a year earlier, 1960 to 2026. Dotted line = the Fed's 2% target. Monthly, through April 2026.

Outside Covid, the last time this gauge stood here was 1992 - now 62 straight months above target. Every playbook younger than that assumes the anchor holds.

tigzig.com

the analyst's tool shed · AI-agent first

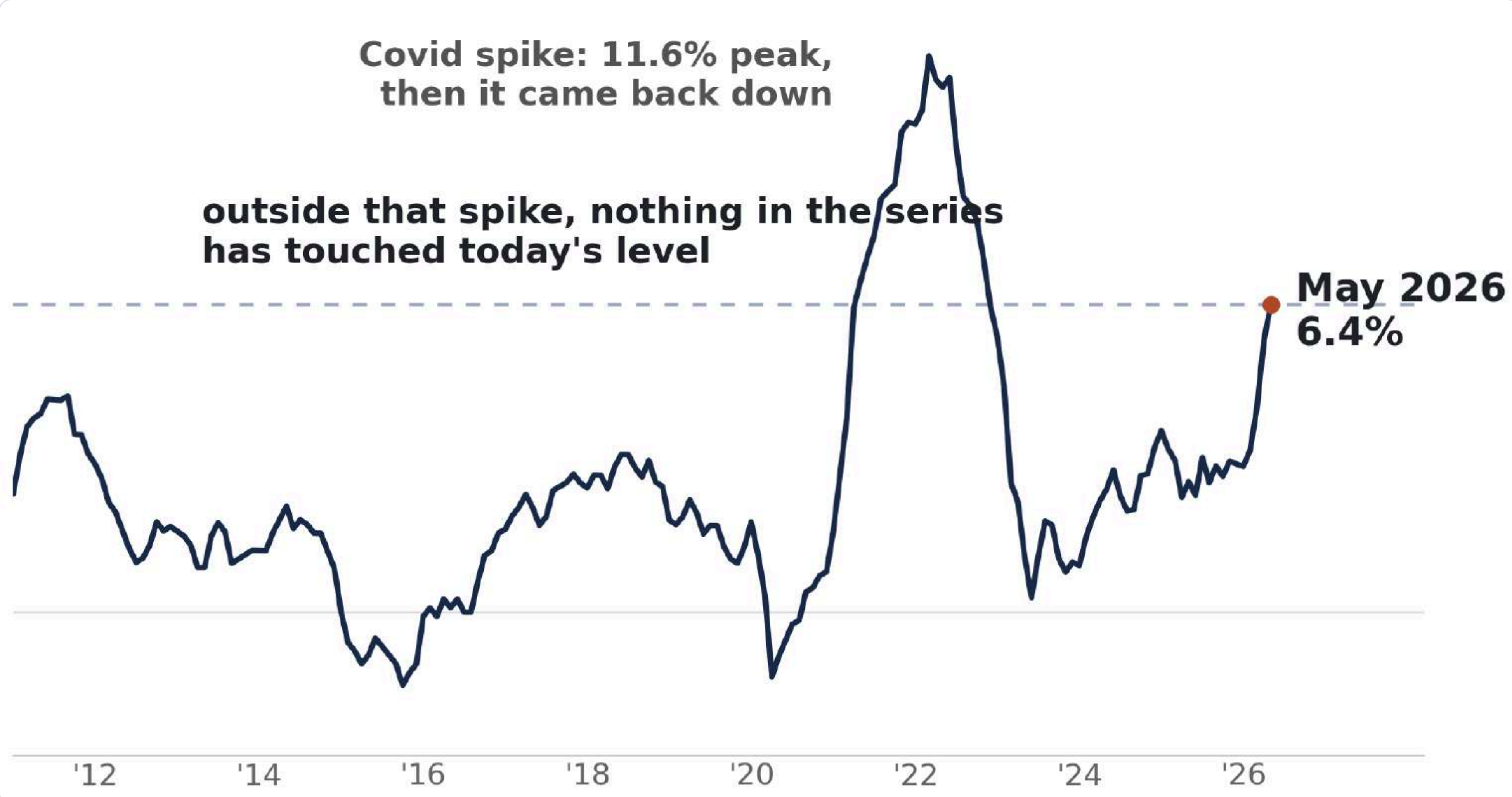
live data · database AI · quants · API · MCP

Amar Harolikar

Decision Sciences & Applied AI

builder of tigzig.com

Upstream, it is even hotter



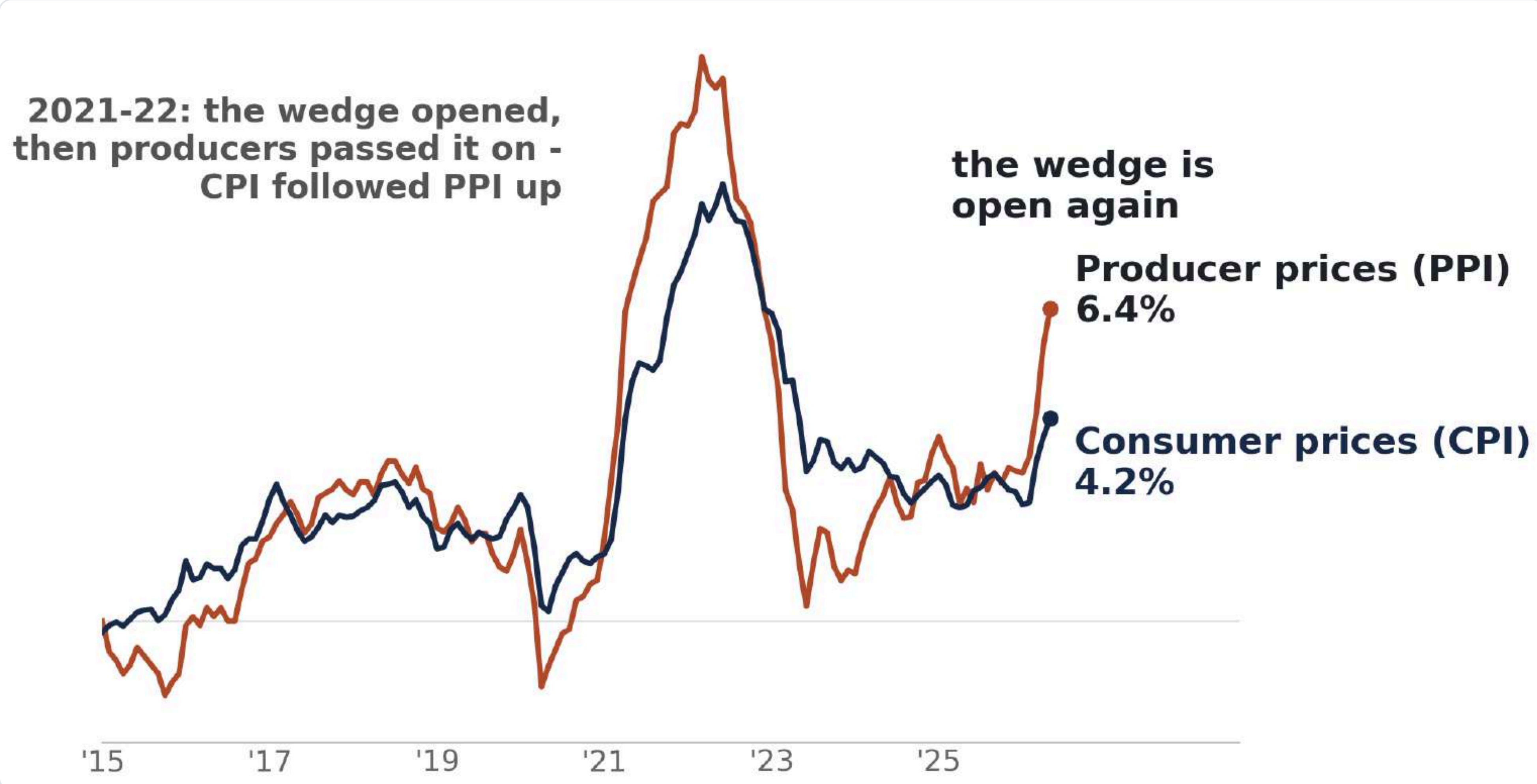
PPI Final Demand, % change on a year earlier, monthly. The series starts in 2010 - the dotted line is today's level.

Producer prices - what businesses pay before anything reaches a shelf - are rising **6.4%** a year. Outside the Covid spike, that is the hottest reading in the modern series. Core PPI, with food and energy stripped out, says the same thing at **4.9%**.

Consumer prices are at **4.2%** - already the highest since 2008 outside Covid. And the pipeline says more is on the way.

Wholesale inflation only partly flows downstream - but at 6.4%, even partial pass-through keeps the consumer number rising. **The pressure is upstream of the shelf.**

Somebody has to pay



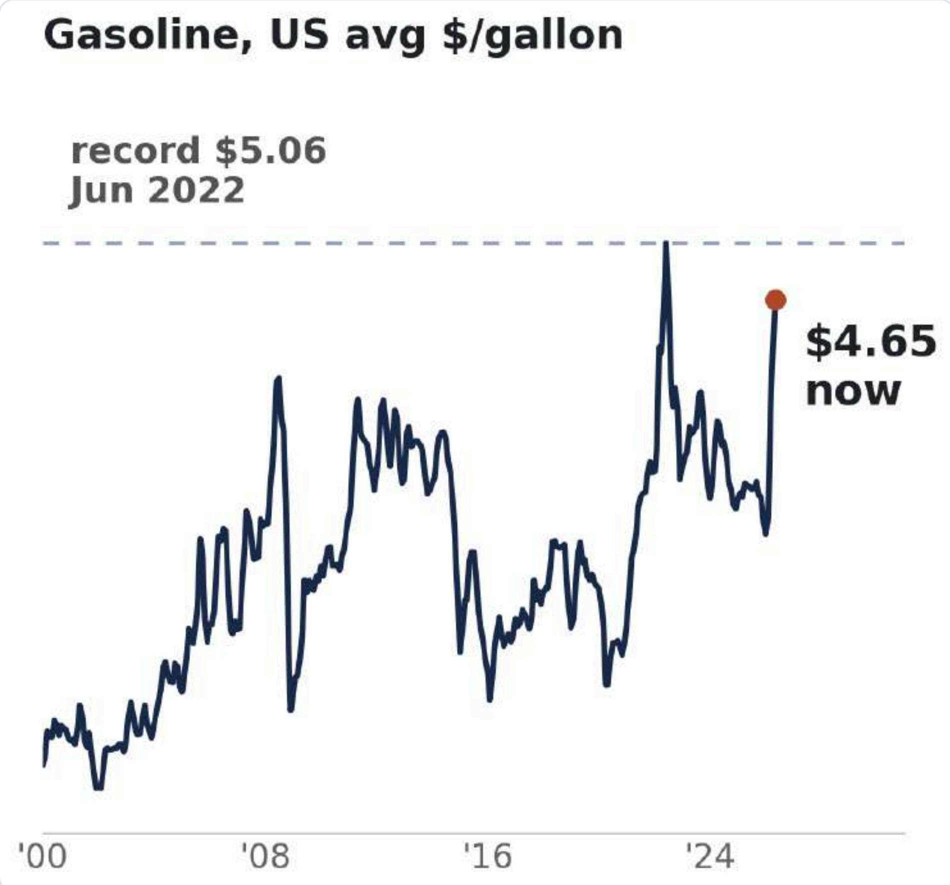
Producer prices (terracotta) vs consumer prices (navy), % change on a year earlier. The gap between them is cost that has not yet reached the shelf.

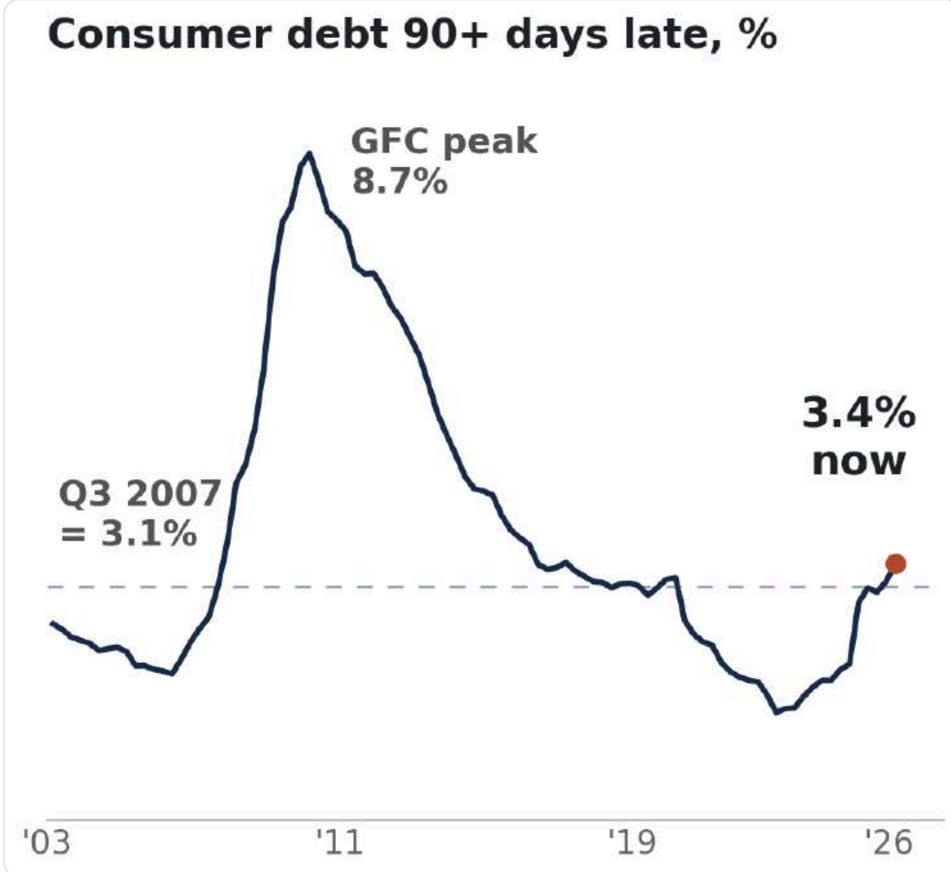
The bill is always shared - some passes to the shelf, some stays on the producer's books. Right now producer prices are running **2.2 points** ahead of consumer prices, so the bigger share sits with the producer: **margin compression**.

A squeezed margin has three levers: **cut costs, cut capex, cut jobs** - and each one feeds back into spending and growth. The hiring freeze and the long-term unemployment climb sit inside this story. The other way out is 2021's path: pass it on, and the consumer number climbs.

Either margins give, or prices do. **Both roads lead through the consumer.**

The consumer is already stretched



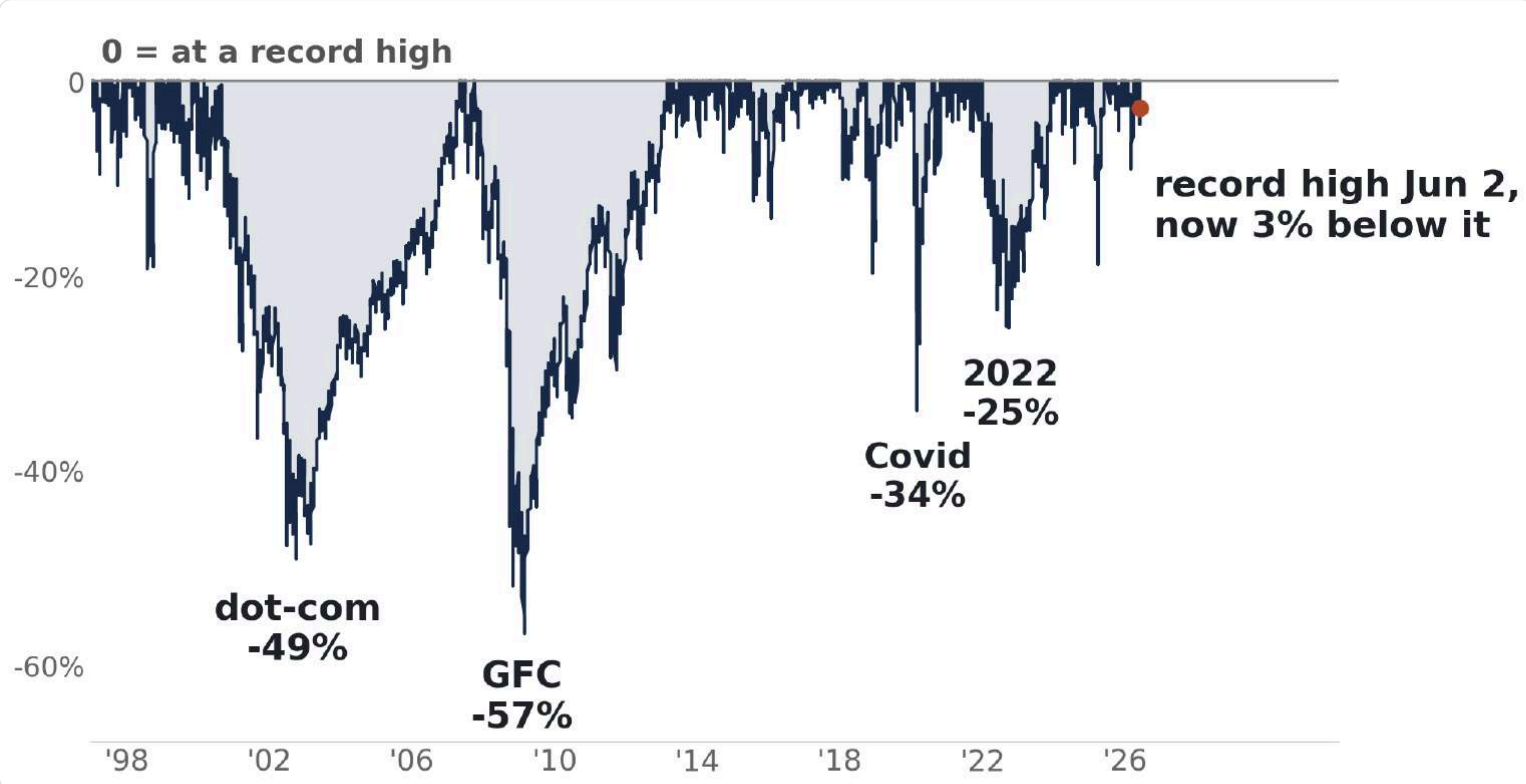


Right chart is the NY Fed stock rate: balances 90+ days late plus severely derogatory - prior charge-offs, repossessions and foreclosures that stay on the credit file for up to 7 years. A wide measure of accumulated stress.

Whatever does get passed on hits a household with little slack left. Gasoline at **$4.65** - only June and July 2022 were ever higher. And **3.4%** of consumer debt is already in that 90+ bucket, past the 3.1% mark of late 2007 and more than double the end-2022 low.

A squeezed paycheck resolves two ways: **spend less**, which feeds back into growth, or **miss payments**. The lower line says the second is already happening - rising in 12 of the last 13 quarters.

Priced as if none of this is happening



S&P 500, % below its running record high, daily 1997-2026. Drawn this way so the big falls show at true depth regardless of index level.

Against all of the above, the S&P set a record on June 2. Valuations sit near their highest in **145 years** - only the dot-com peak ran higher - while consumer sentiment is at its lowest in **73 years** of data, and a handful of AI names do most of the lifting.

The last two times the market was priced like this while the economy cracked underneath - 2000 and 2007 - the index halved. Both are on the chart.

Previous analysis · Sources

PREVIOUS ANALYSIS - THIS SERIES

Markets at a record while the economy hurts - peak valuations, record-low consumer sentiment. 8 Jun 2026.

Three red flags hit together - 30Y at 5.14%, PPI heating, Brent above $100. 20 May 2026.

Are we headed for stagflation-lite? - the Fed caught between inflation and weak jobs. 28 Mar 2026.

THE DATA TOOLS

PPI, core PCE, gasoline, the S&P and the NY Fed consumer-credit series are live on tigzig.com → Tremor - a macro early-warning dashboard, 100+ indicators.

Agent-first portal with MCP servers and free APIs: agents.tigzig.com - point your AI at it.

SOURCES & METHOD

Series: core PCE `PCEPILFE` · PPI Final Demand `PPIFIS` · core PPI `PPIFES` · CPI `CPIAUCSL` · gasoline `APU000074714` · NY Fed 90+ DPD stock · S&P 500 daily. YoY from seasonally adjusted indexes; pulled 11 June 2026.

Core PCE was last at or above today's 3.3% (outside Covid) in April 1992; above the 2% target every month since March 2021; 1995-2020 average 1.7%. The PPI Final Demand series begins in 2010 and does not cover the 1970s-80s; the Covid window excluded is 2021-2023. Gasoline is in nominal dollars. PPI and CPI baskets differ; pass-through is partial and lagged.

Valuation (Shiller CAPE, 2nd-highest in 145 years) and sentiment (Michigan, lowest in 73 years) figures are from the 8 June note above. S&P drawdowns: dot-com -49% (Oct 2002), GFC -57% (Mar 2009), record 7,610 on 2 Jun 2026.

Amar Harolikar

Decision Sciences & Applied AI

builder of tigzig.com