February 10, 2026

Dutta’s Monetary Thoughts

Pitfalls in the reacceleration thesis

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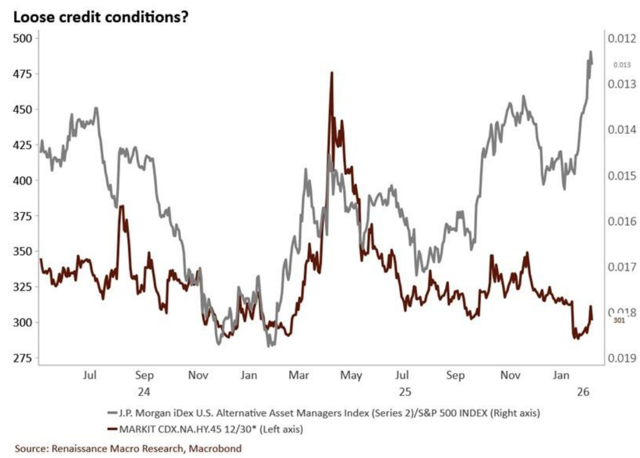
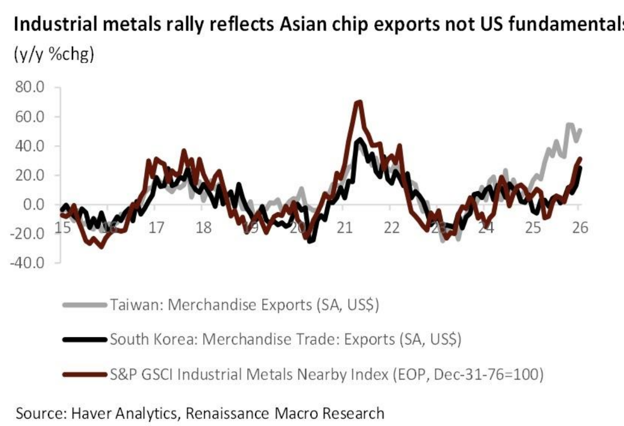
There is quite a bit of enthusiasm for growth reacceleration. The pitch is straightforward enough: the Fed cut rates last year, fiscal policy is loosening, financial conditions are accommodative and the AI spending craze remains in full swing. I am somewhat skeptical on some of these ideas and the data released to date don’t exactly confirm this story

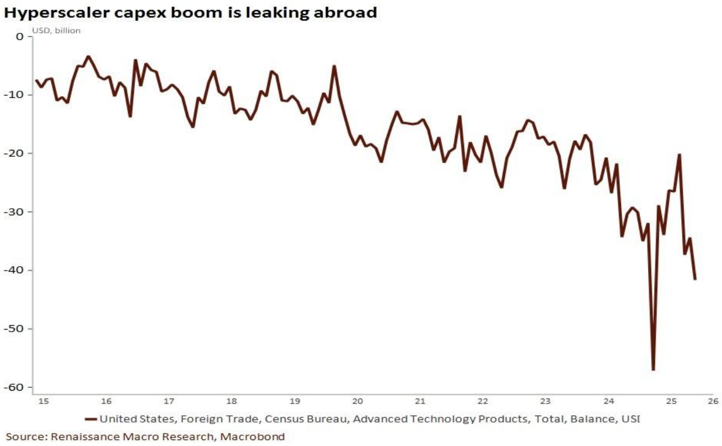
Stocks up marginally since October

Financial conditions don’t appear to be signaling an imminent pick-up in growth. Since the end of October, the broad US equity market has moved sideways. Since the end of October, the Russell 3000 is up about one percent. In the three months before that, it rose about 8 percent. Credit spreads signal a very low risk of recession as has been the case for a while thought private credit has been weak.



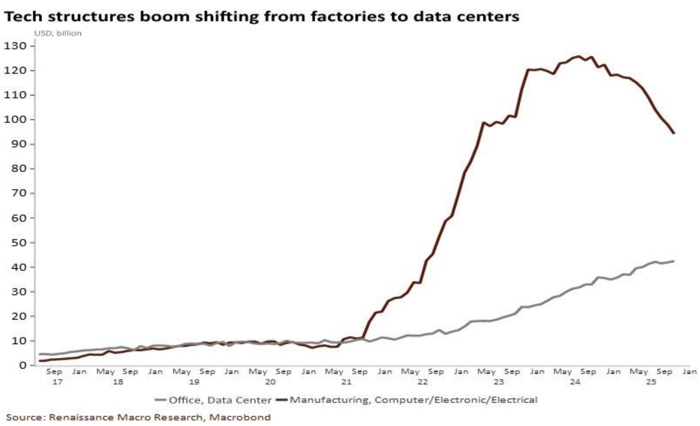
Most of the growth enthusiasm appears to be coming from a jump in industrial metals. This is telling me a lot more about Korean export activity (chips) than it is underlying US economic fundamentals.





Banking on AI capex

There is an expectation that AI data center spending will be a meaningful tailwind to growth this year. First, much of the hyperscaler capex shows up as a wider trade deficit.



Next, it is worth noting that data center construction spending has been slowing over the last year, rising 18.5 percent through October, about half the pace it was running earlier in the year. Moreover, despite the growth in data center construction, total private nonresidential construction spending is off about 3 percent. There is a sequence to the tech structures boom, first manufacturing facilities and now data centers. In the background, everything else is moving sideways.

Consumers see a windfall

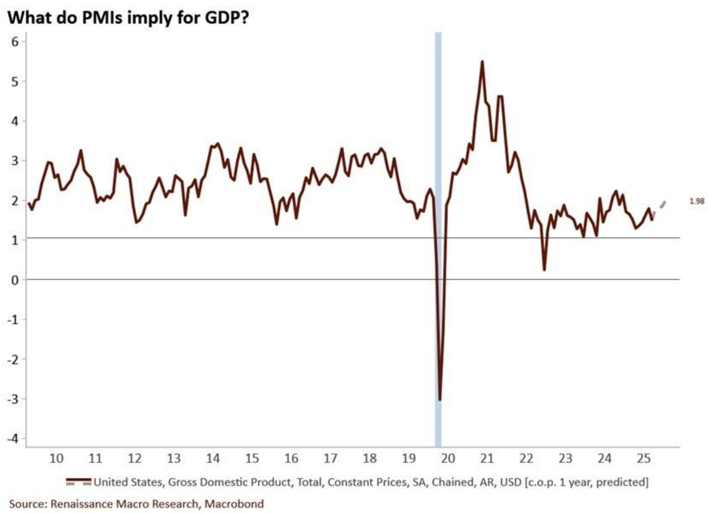
Consumers are poised to benefit as the tax refund season kicks into gear. According to the Joint Committee on Taxation, Americans will receive back an additional $91 billion in tax refunds, which would represent 0.4 percent of annual disposable income with most of the lift to GDP coming early in the year. That said, given the weak growth in incomes last year, I wonder if some of the tax refunds were pre-spent. After all, the saving rate has declined roughly 1.5ppt over the last six months.

Don’t put all the eggs in ISM

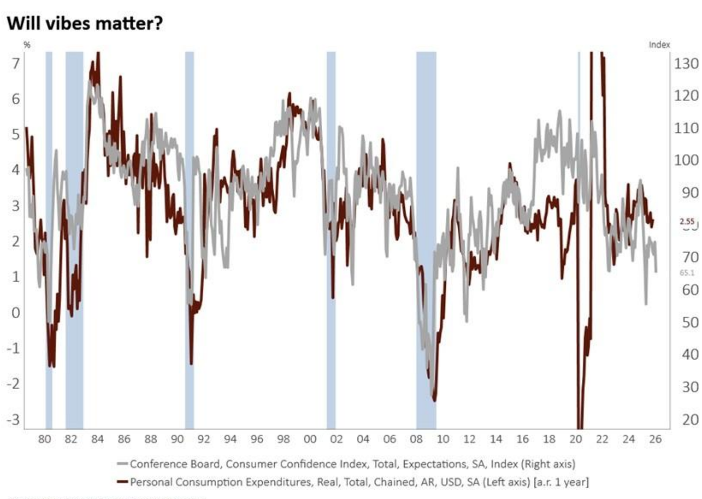
Next, let’s turn to some of the economic data. There is limited evidence of a growth reacceleration.

The Dallas Fed’s Weekly Economic Index is consistent with 2.1 percent real GDP growth through the end of January. This series includes initial and continuing jobless claims, weekly steel production, and wholesale gasoline sales, among other metrics. At any rate, there is not much evidence of a growth pick-up; instead, it’s more likely that recent GDP growth was somewhat overstated.

Business surveys have shown some improvement, but again, I am not sure I would break out the pom-poms just yet. The ISM Composite Index, a weighted average of manufacturing and services, improved to 53.7 in January, the best since October 2024. There was a big jump in manufacturing, in particular. Stepping back, however, a simple linear regression shows that the ISM is consistent with about 2.2 percent real GDP growth. Doing this analysis using the S&PGlobal US PMI shows a similar result.

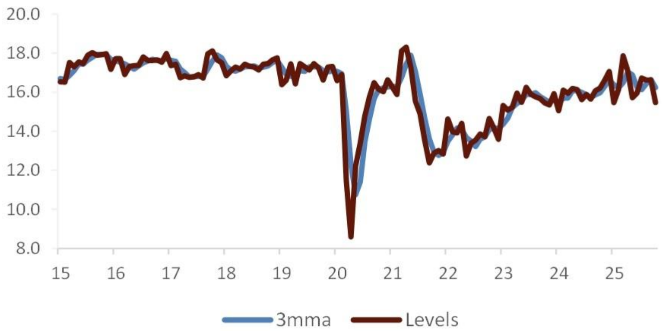


Finally, housing and consumer sentiment remains weak. In January, the NAHB Housing Market Index fell to its lowest since October led by weakness in buyer traffic and future sales. If I had to guess, I would assume new home sales decline in the months ahead.



Unit auto sales tumbled notably in January

(Total Light Vehicle Retail Sales [Imported+Domestic] (SAAR, Mil. Units))

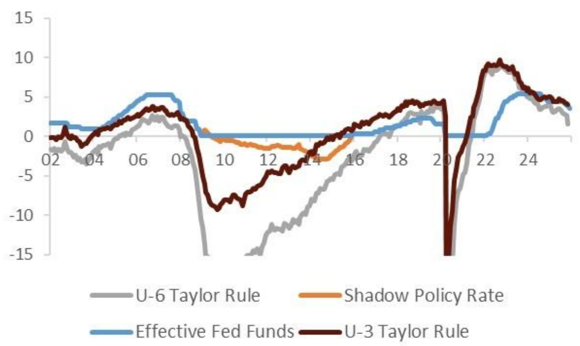


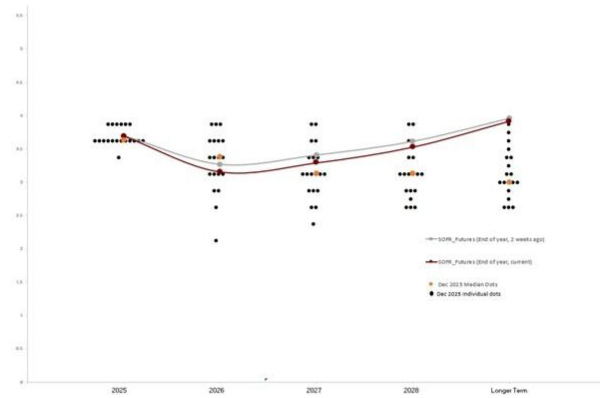
Source: Haver Analytics, Renaissance Macro Research

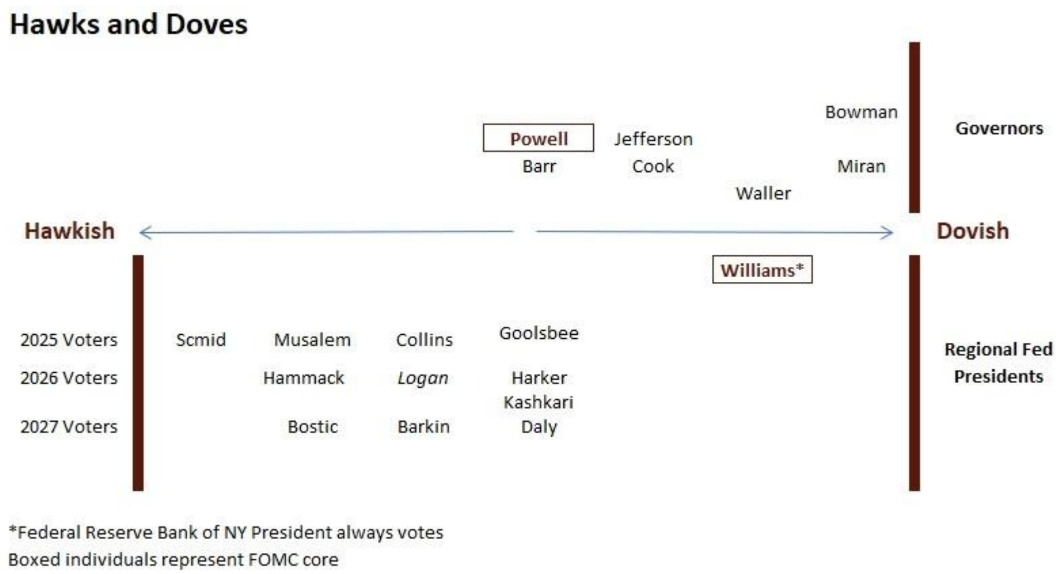
Perhaps it was the weather, but unit auto sales tumbled notably in January. Consumers continue to signal anxiety around the labor market, reporting difficulty finding work. Historically, this has been a reliable proxy to gauge the direction of the jobless rate.

In short, I think the risk here is not that growth surprises to the upside, there is likely a fair bit of optimism price in already, but that as the year progresses, anxiety about labor market conditions keeps households from spending, weighing on growth expectations.

Monetary metrics

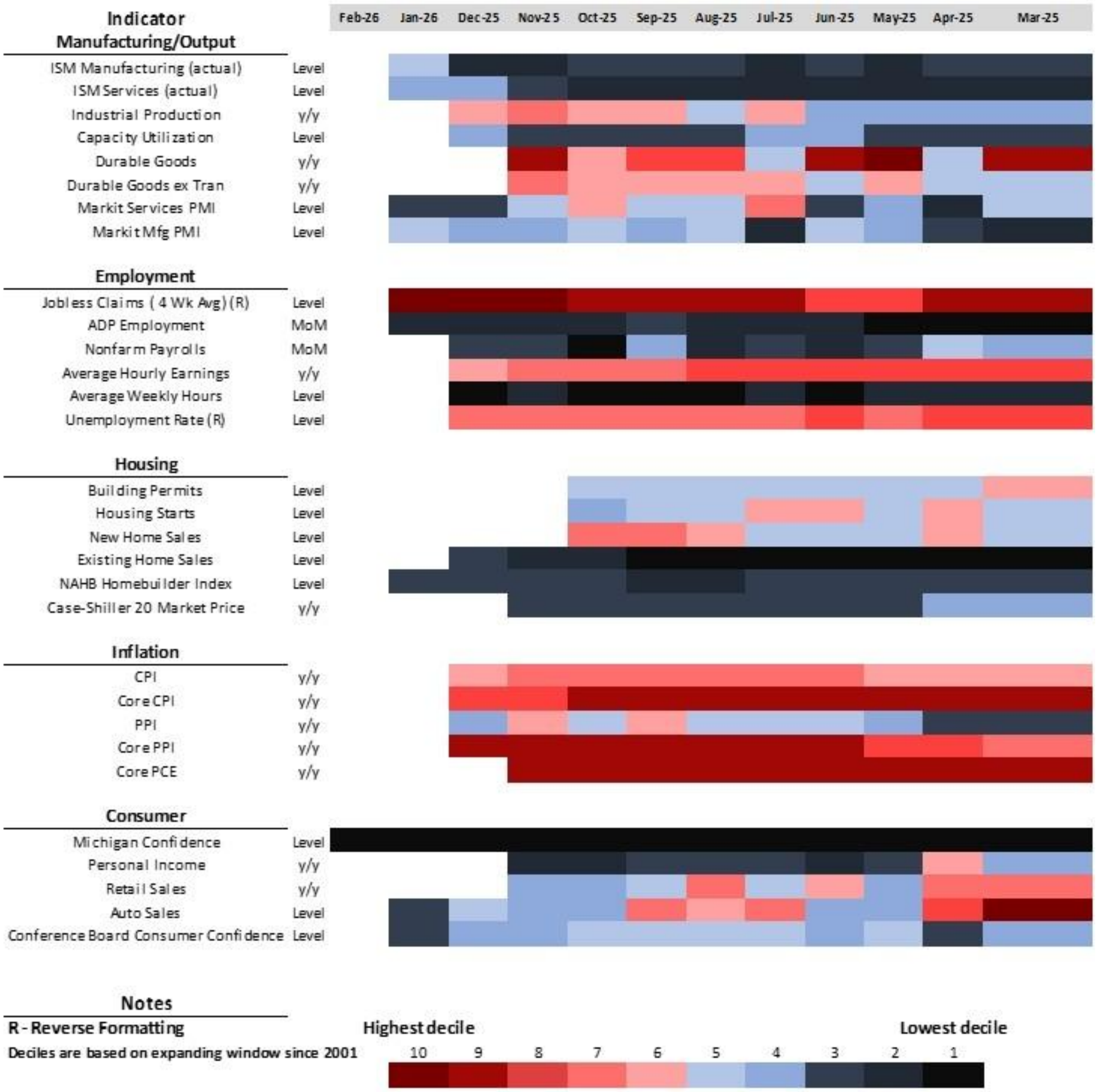




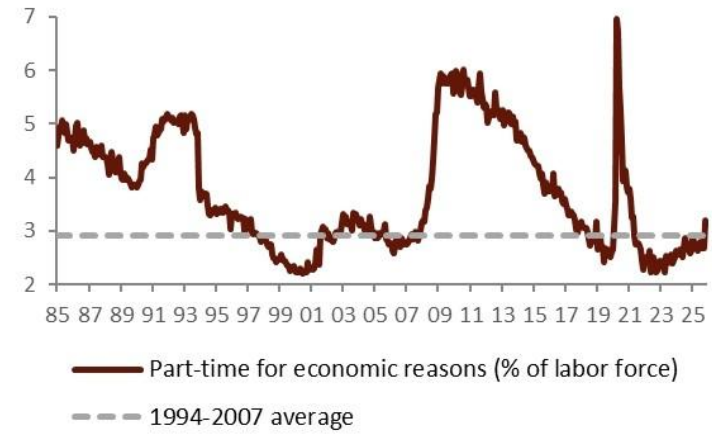


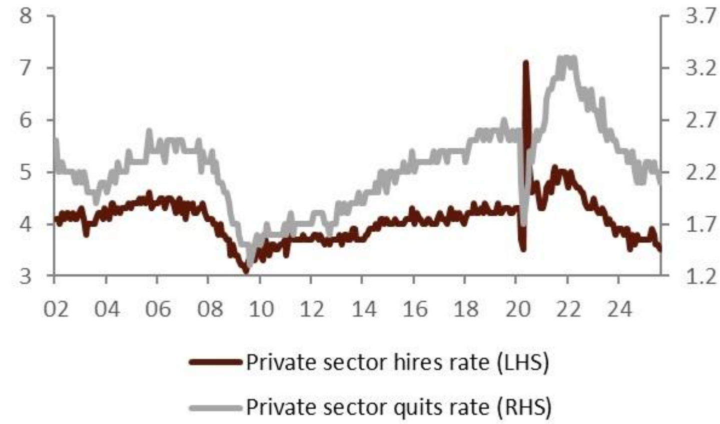
FOMC Forecasts	Median					Central Tendency				
	2025	2026	2027	2028	Longer run	2025	2026	2027	2028	Longer run
Change in real GDP	1.7	2.3	2.0	1.9	1.8	1.6–1.8	2.1–2.5	1.9–2.3	1.8–2.1	1.8–2.0
September projection	1.6	1.8	1.9	1.8	1.8	1.4–1.7	1.7–2.1	1.8–2.0	1.7–2.0	1.7–2.0
Unemployment rate	4.5	4.4	4.2	4.2	4.2	4.5–4.6	4.3–4.4	4.2–4.3	4.0–4.3	4.0–4.3
September projection	4.5	4.4	4.3	4.2	4.2	4.4–4.5	4.4–4.5	4.2–4.4	4.0–4.3	4.0–4.3
PCE inflation	2.9	2.4	2.1	2.0	2.0	2.8–2.9	2.3–2.5	2.0–2.2	2.0	2.0
September projection	3.0	2.6	2.1	2.0	2.0	2.9–3.0	2.4–2.7	2.0–2.2	2.0	2.0
Core PCE inflation	3.0	2.5	2.1	2.0		2.9–3.0	2.4–2.6	2.0–2.2	2.0	
September projection	3.1	2.6	2.1	2.0		3.0–3.2	2.5–2.7	2.0–2.2	2.0	
Projected policy path										
Fed funds rate	3.6	3.4	3.1	3.1	3.0	3.6–3.9	2.9–3.6	2.9–3.6	2.8–3.6	2.8–3.5
September projection	3.6	3.4	3.1	3.1	3.0	3.6–4.1	2.9–3.6	2.9–3.6	2.8–3.6	2.8–3.5

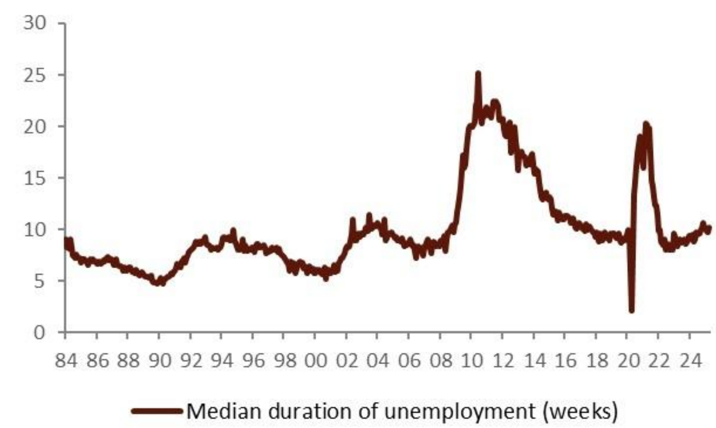
High frequency data heat-map

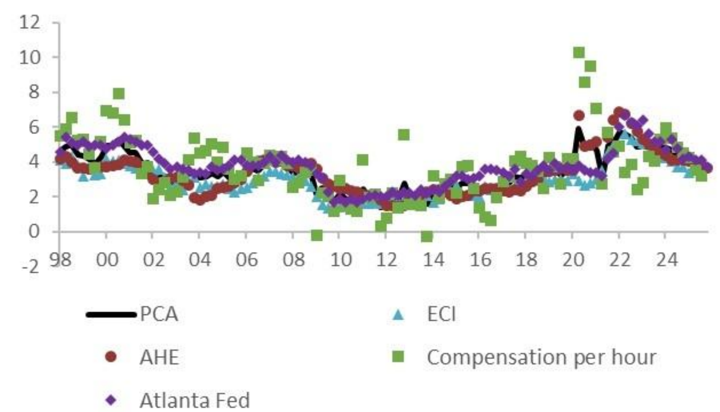


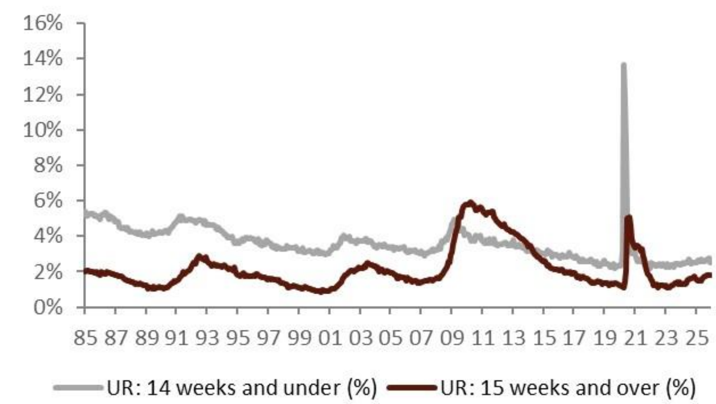
Labor market indicators

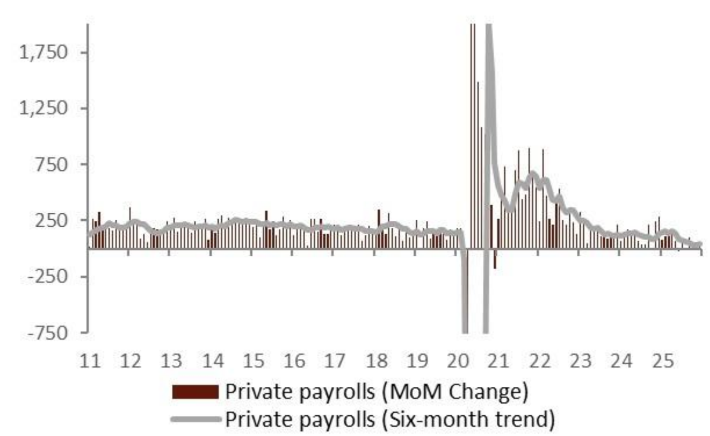




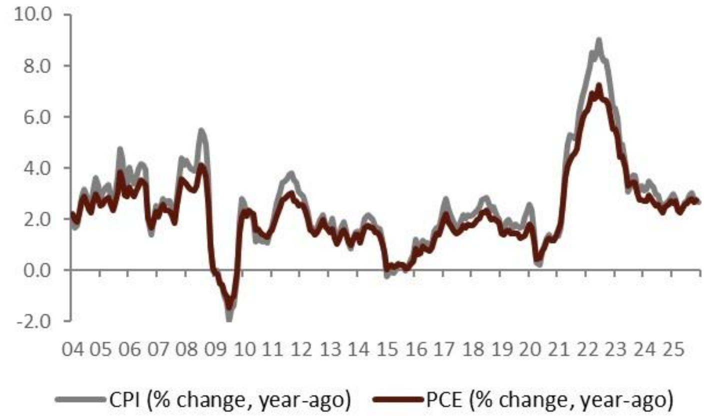


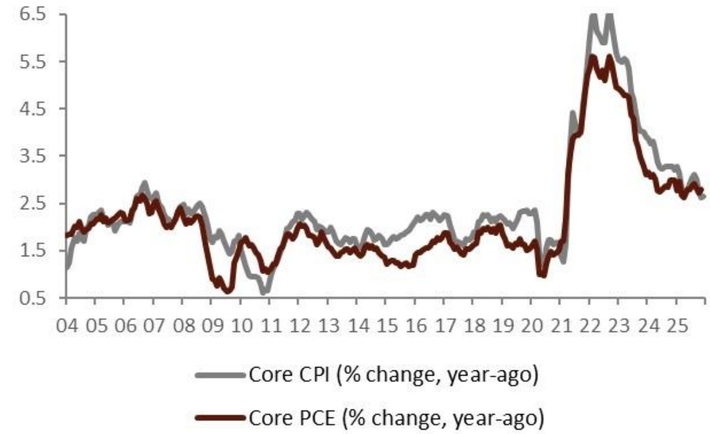


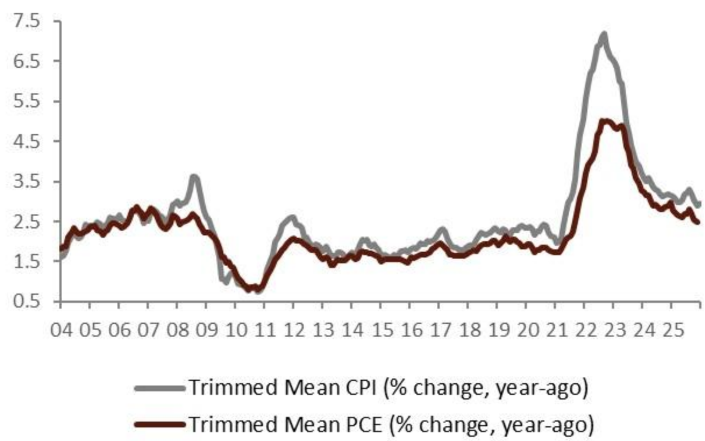


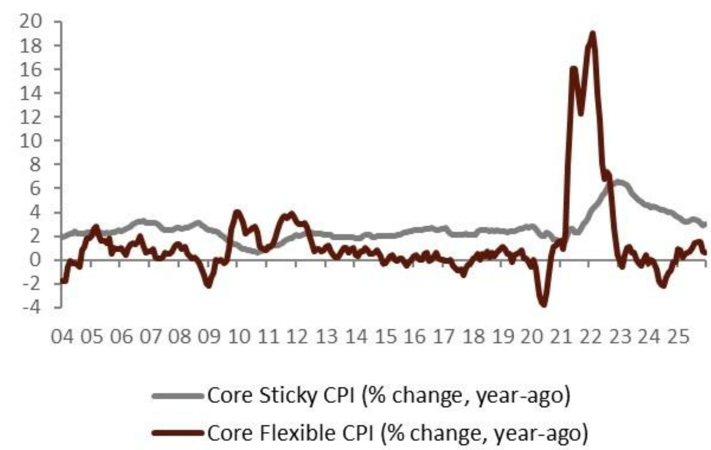


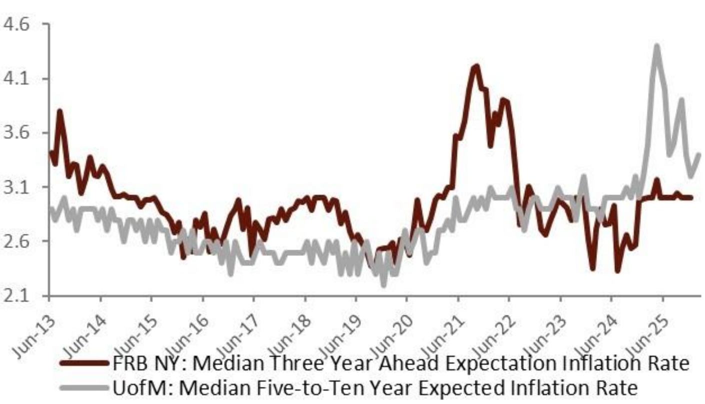
Inflation indicators

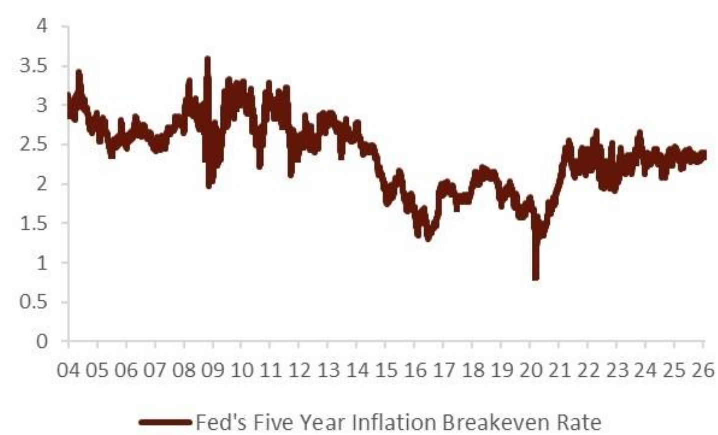




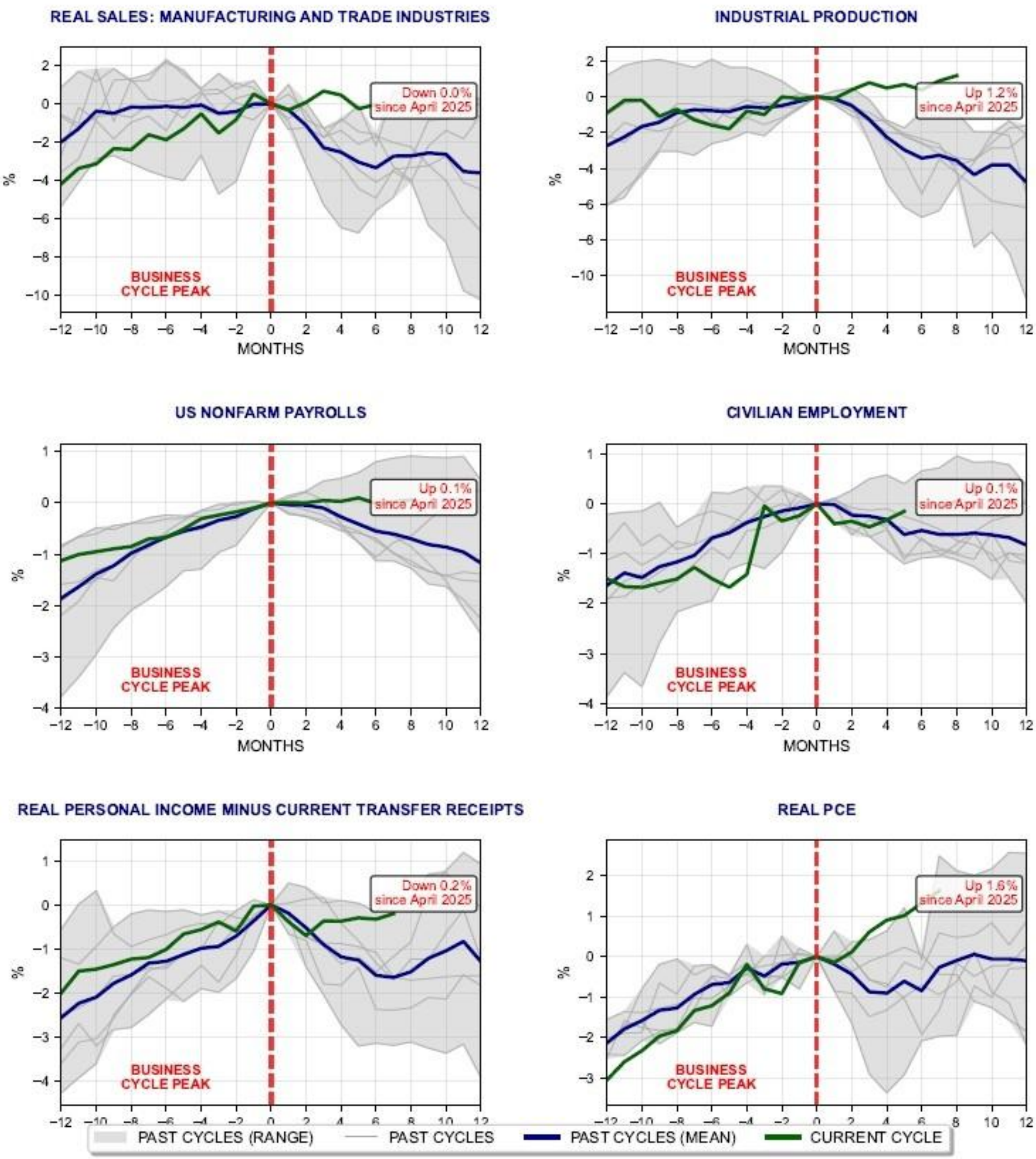




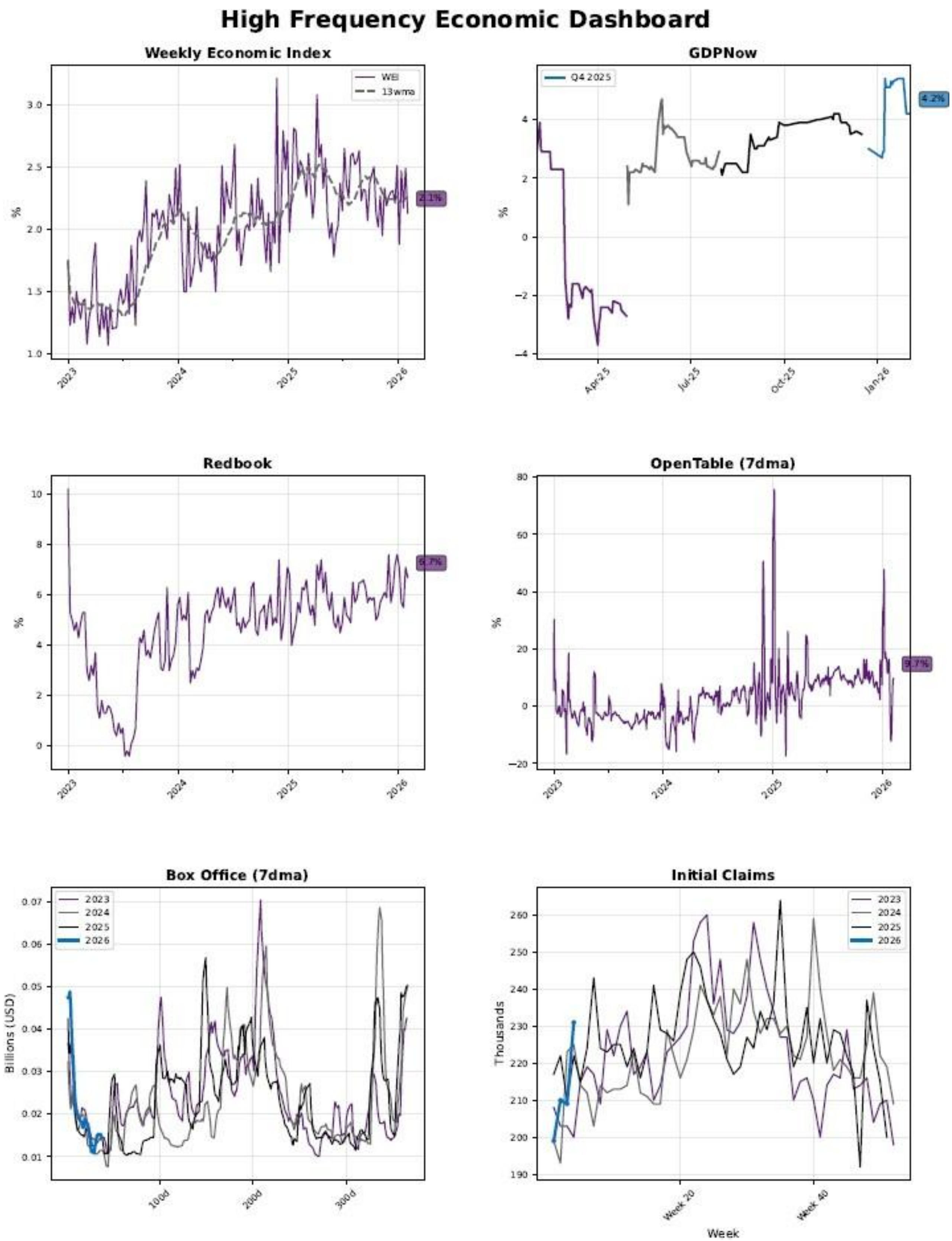




NBER RECESSION INDICATORS DASHBOARD



Past 7 cycles excluding Covid-19 period


High Frequency Economic Dashboard
Weekly Economic Index
WEI
13wma
2.1%
GDPNow
Q4 2025
4.2%
Redbook
6.7%
OpenTable (7dma)
9.7%
Box Office (7dma)
Billions (USD)
2023
2024
2025
2026
Initial Claims
Thousands
Week

High Frequency Economic Dashboard