arcanum analytica

campfire notebook

week ending april 3, 2026

"the stock market is filled with individuals who know the price of everything, but the value of nothing."

— philip fisher

"in the middle of difficulty lies opportunity."

— albert einstein

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what i noticed this week

the week the market decided to hope

this week had the character of a market that wants badly to believe the worst is over. a wsj report on tuesday that trump was open to ending the iran war without requiring the strait of hormuz to reopen first sent equities ripping higher — SPX gained **3.4%** on the week, the nasdaq surged **4.4%**, and the dow added **3%**, snapping what had been a brutal five-week losing streak. the VIX collapsed from **27.4 to 23.9**, a **13% drop**, and real estate led the sector board at **+3.3%**. the character of the move — broad, aggressive, concentrated on tuesday and thursday after each new diplomatic headline — tells you everything about how much pain was in the system.

but here is what the tape is not pricing cleanly: WTI crude settled at **$111.54**, up **18%** on the week. that is not a misprint. brent, which had been trading well above WTI for months, closed at **$109.03**, and the spread between them narrowed to near zero — at times inverting, with WTI above brent. the last time that happened for sustained periods was during the US shale boom when cushing inventories were glutted. this time the cause is the opposite: domestic crude is being bid aggressively because the strait remains physically closed, and the market is pricing the possibility that even if a ceasefire arrives, the logistics of reopening take weeks, not days.

so equities are rallying on ceasefire hopes while oil is surging on the reality that supply remains offline. those two things cannot both be right for very long. either the ceasefire materializes and oil comes back sharply — which would validate the equity rally — or the diplomatic track stalls and the equity bounce fades into the same supply-shock gravity that pulled it down for five straight weeks. right now the weight of evidence leans toward the latter. iran's president said he was ready to end the war but wanted guarantees; trump gave a speech wednesday night that produced more heat than light. the strait remains closed as we go to print. day 34 of the conflict.

the iea called this the largest supply disruption in the history of the global oil market. that is not hyperbole — roughly **20%** of the world's daily oil supply passes through hormuz, and the constraint has now lasted more than a month. oil executives and analysts are warning that if the strait is not reopened by mid-april, disruptions get materially worse. the multi-nation meeting thursday — 40 countries on a virtual call — produced rhetoric but no mechanism. the military campaign, operation epic fury, is underway, but trump's own timeline of two to three weeks suggests resolution is not imminent.

the labor market that won't crack

nonfarm payrolls came in at **+178,000** on friday morning, smashing the **+59,000** consensus. the unemployment rate ticked down to **4.3%**, though that was partly from a reduction in the labor force. february was revised down by **41,000** while january was revised up by **34,000**, putting the three-month average around **68,000**. healthcare carried the number, adding **76,000** jobs. construction and transportation also contributed.

this is the paradox at the heart of the stagflation thesis. the ISM manufacturing PMI printed **52.7** on tuesday — the fastest expansion since august 2022, the third consecutive month above 50. the prices paid sub-index jumped to **78.3** from **70.5**, which is the energy pass-through showing up in hard data exactly as we expected. but employment and inventories sub-indexes remained in contraction. so manufacturing is expanding, costs are surging, and firms are not hiring. that is textbook cost-push inflation: output rising, margins compressing, no labor absorption.

initial claims fell to **202,000**, near a two-year low. jolts, however, told a different story — job openings dropped **358,000** to **6.88 million**, and the hires rate fell to **3.1%**, the lowest since april 2020. the labor market is not cracking in the way that shows up in weekly claims data. it is cooling in the plumbing — fewer openings, fewer hires, fewer quits. the surface looks stable; the internal dynamics are deteriorating. the lag between an energy shock and hiring decisions is typically two to three months. we are in early innings.

consumer confidence edged up to **91.8** from **91.0**, but the expectations component dropped **1.7 points** to **70.9**. the present situation improved; the future got murkier. that divergence — feeling ok today, worried about tomorrow — is consistent with an economy that has not yet absorbed the full impact of $111 oil but knows it is coming.

corn, soybeans, and the acreage math

the USDA prospective plantings report on monday showed corn at **95.3 million acres**, down **3%** from 2025 but above the trade estimate of **94.36 million**. soybeans came in at **84.7 million acres**, up **4%**. the combined footprint of 180 million acres was roughly flat year-over-year. corn sold off **3.2%** on the week to **$452.25**, and soybeans drifted lower to **$1,163.50**, down less than **1%**.

the trade had positioned for a tighter acreage number on corn, and the above-consensus print was enough to take the premium out. but there is a wrinkle worth watching: the USDA survey was conducted during the first two weeks of march, before farmers had fully absorbed post-hormuz input costs. fertilizer and diesel are materially higher now than the baseline that informed those planting intentions. the question we asked last week — whether prospective plantings would understate the corn-to-bean shift — may still be live, just with a delay. the actual planting decisions in april and may could diverge from these intentions if energy costs remain elevated. the USDA will update in the june acreage report, and that is when the true picture emerges.

corn managed money positioning remains a question mark. we flagged in the first edition that longs above +50,000 contracts would signal a crowded trade. the crowding risk has diminished with this week's selloff, but the fundamental question — is the corn rally cost-push or genuine tightening — remains open. the answer depends almost entirely on whether the strait reopens before planting season fully arrives.

gold crosses the threshold

gold closed at **$4,651.50**, up **6.3%** on the week, with an intraweek range of **$4,413 to $4,789**. silver followed with a **7.5%** gain to **$72.74**. last week we said we needed a weekly close above **$4,600** to declare the washout over. we got it — barely, and with the kind of volatility that suggests the market is still digesting the march liquidation. but the price action has changed character. the intraweek reversal from $4,101 two weeks ago, followed by last week's consolidation near $4,521, and now a close above $4,600 — that is a three-week basing pattern.

the structural case remains intact. central banks purchased an estimated **700-900 metric tonnes** annually since 2022, the highest pace since 1967. goldman sachs maintains a 12-month target of **$4,800**. jpm sees **$5,055** by q4 2026, rising to **$5,400** by end of 2027. the selling in march was mechanical — leveraged liquidation, margin calls, forced selling — not a fundamental repricing. the recovery we are seeing is the market repricing back toward the structural bid.

the gold position entered at **$5,062** remains the weakest conviction trade in the book at **-8.1%**. the target of **$5,250** is still a long way off. but confidence is marginally higher this week: the $4,600 close was the test we set, and it passed. i said last week that if gold does not reclaim **$4,800** by end of april, i will mark it wrong. the clock is ticking, but the direction of travel is now correct.

currencies and the dollar's indecision

the DXY settled at **100.03**, essentially flat on the week, with a range of **99.3 to 100.6**. eur/usd was unchanged at **1.1542**. the dollar is stuck. the safe-haven bid from the hormuz crisis is real, but the ceasefire headlines keep pulling it back. the tariff tailwind from section 122 is in place — the 10% duties expire july 24 unless congress acts — but the promised escalation to 15% has not materialized. section 232 auto tariffs are in effect but not producing the dollar follow-through that was expected.

the more interesting moves were in EM. the brazilian real strengthened **1.5%** (usd/brl fell to **5.156**) and the south african rand gained **0.8%** (usd/zar to **16.94**). both moves are counter-intuitive in an environment of $111 oil and elevated US rates, and they point to positioning: EM shorts were getting crowded, and the ceasefire headlines triggered a squeeze. sterling fell **0.8%** against the dollar, which reads as a uk-specific growth concern more than a dollar story. usd/jpy was flat at **159.5**, with the yen trapped between intervention fears above 160 and a rate differential that keeps it weak.

the eur/usd short from the march 15 edition is essentially flat at **1.1542** versus a **1.15 entry**. the thesis needs the ECB april 17 meeting as a catalyst. european energy vulnerability should dominate that conversation, and if lagarde signals deeper concern about growth — which she should, given that europe imports far more middle eastern oil than the US — the short gets a fundamental tailwind. until then, this is a carry-neutral position waiting for a catalyst.

signals & cycles

- the ISM prices paid index at **78.3** is the highest reading since the 2022 inflation surge. historically, when prices paid exceeds 75 while the headline PMI is above 50, core CPI has accelerated in 8 of the last 10 instances within the following two months. the march CPI report on april 10 is the next confirmation point. the fed cannot cut into this.
- the VIX collapsed from **31.6 intraweek to 23.9** at the close — a **24% decline** from high to low in a single week. this kind of compression typically accompanies the first leg of a relief rally, not a durable bottom. the VIX term structure remains inverted past the second month, which means the market is still pricing near-term risk above medium-term risk. that is not an all-clear.
- copper closed at **$5.56**, up **2.1%**, now **+5.0%** from the **$5.30** breakout entry. the measured move target of **$5.70** is within reach. this was the first consolidation/breakout trade in the scorecard, and the wedge resolved exactly as the pattern predicted — upside with volume expansion. citi's $13,000/ton target is well above my $5.70, which suggests there may be room to extend the target if the pattern follows through cleanly.
- the wti-brent spread inversion is a structural signal worth watching. in normal markets, brent trades at a premium to WTI because it is the global benchmark. when WTI exceeds brent, it signals extreme domestic tightness or a dislocation in global pricing. the last sustained inversion was 2011-2014 (cushing bottleneck). this inversion, driven by strait closure rather than infrastructure constraints, will normalize when the strait reopens. until then, it tells you the US market is pricing supply risk more aggressively than the rest of the world.
- the 2008 analog is now in week 5. energy outperformance during geopolitical supply shock while broader equities weaken. this week broke the pattern slightly — equities rallied on ceasefire hopes while energy actually lagged (XLE was down **3.7%** despite WTI surging 18%). the divergence is notable: equity energy stocks are pricing demand destruction risk even as the commodity itself prices supply scarcity. if the analog holds, the next phase is the demand destruction endpoint, which in 2008 arrived approximately six months into the shock.

special focus: ISM manufacturing — the energy pass-through arrives

metric	actual	estimate	prior	surprise
ISM manufacturing PMI	52.7%	49.5%	52.4%	+3.2%
prices paid	78.3	—	70.5	+7.8
new orders	53.5%	—	55.8%	-2.3%
employment	<50%	—	<50%	contraction
inventories	<50%	—	<50%	contraction

the march ISM manufacturing PMI was the most important data point of the week, and it confirmed what the oil market has been telling us for five weeks: cost pressures are accelerating. the headline **52.7%** was the fastest expansion since august 2022 — the third straight month above 50 — and it beat the **49.5%** consensus by a wide margin. the market had been bracing for contraction. instead, it got expansion with a cost problem.

the prices paid sub-index tells the real story. the jump from **70.5 to 78.3** is the sharpest one-month increase since early 2022, when supply chains were still unwinding from covid. this is not supply chain friction. this is **$111 oil** flowing through into input costs for manufacturers, transportation, and chemicals. the energy pass-through we flagged as a question in the march 20 edition (open question q_007) is no longer a question. it is happening.

new orders moderated from **55.8 to 53.5**, which the ISM characterized as still expansionary but decelerating. the combination — expanding output, surging costs, falling orders momentum — reads like late-cycle manufacturing. firms are producing to meet existing commitments while new business slows. employment and inventories remained in contraction, meaning manufacturers are running leaner rather than hiring into the cost increase. that is rational behavior, and it is also the mechanism by which an energy shock transmits into slower job growth with a two-to-three month lag.

the market reaction was telling. equities rallied on the headline beat (expansion good!) while bonds sold off on the prices paid number (inflation bad!). the 10-year yield touched **4.48%** intraday on tuesday before settling back to **4.31%** by friday as ceasefire hopes took over. the ISM told you the economy is not collapsing — the fears of sub-48 that we discussed last week did not materialize. but it also told you that inflation is reaccelerating through the manufacturing channel, which means the fed is stuck. no cuts. the march 14 thesis holds.

this week's releases

date	release	actual	estimate	prior	market impact
3/31	USDA prospective plantings — corn	95.3M acres	94.36M	98.0M (2025)	bearish corn
3/31	USDA prospective plantings — soybeans	84.7M acres	—	81.1M (2025)	neutral soybeans
3/31	JOLTS job openings (feb)	6.88M	6.92M	7.24M	labor cooling
4/1	ISM manufacturing PMI (mar)	52.7%	49.5%	52.4%	risk-on headline; inflation worry
4/1	ISM prices paid	78.3	—	70.5	hawkish for rates

date	release	actual	estimate	prior	market impact
4/2	initial jobless claims	202K	212K	211K	labor resilient
3/25	consumer confidence (mar)	91.8	—	91.0	mixed; expectations fell
4/3	nonfarm payrolls (mar)	+178K	+59K	-133K (rev)	strong beat; risk-on
4/3	unemployment rate (mar)	4.3%	4.3%	4.4%	neutral
4/3	avg hourly earnings MoM	—	—	—	—

next week's calendar

date	time (ET)	release	estimate	prior	why it matters
4/7	—	consumer credit (feb)	—	$18.1B	consumer leverage trend
4/8	6:00 AM	NFIB small business optimism	—	100.7	small biz confidence amid oil shock
4/10	8:30 AM	CPI YoY (mar)	~3.4%	2.8%	the number that matters most; oil pass-through into headline; core shelter trend
4/10	8:30 AM	core CPI YoY (mar)	~3.1%	3.1%	fed's focus; ISM prices paid suggests upside risk
4/10	8:30 AM	CPI MoM (mar)	—	0.2%	monthly acceleration signal
4/11	8:30 AM	PPI YoY (mar)	—	3.2%	producer costs confirming ISM signal
4/11	10:00 AM	michigan consumer sentiment (apr prelim)	—	57.0	first read post-$111 oil
4/11	10:00 AM	michigan 1yr inflation expectations	—	5.0%	consumer inflation expectations critical for fed

date	time (ET)	release	estimate	prior	why it matters
4/17	—	ECB rate decision	—	2.65%	EUR/USD catalyst; european energy vulnerability

highest conviction trades — week ending april 3, 2026

trade 1 — WTI crude — long (hold)

vehicle	entry zone	target
CL futures / USO calls	$98.71 (original entry)	$115
stop	**conviction**	
$95	high	

strait remains closed day 34. supply loss persists at 20% of global daily. ceasefire talks producing rhetoric, not mechanism. iea warns april worse than march. raising stop from $88 to $95 to protect gains — this trade is now +13% from entry and the thesis has only strengthened.

trade 2 — march CPI upside — short duration / long breakevens

vehicle	entry zone	target
tbt / tip	$4.31 (10y current)	4.60% (10y)
stop	**conviction**	
4.10%	medium-high	

ISM prices paid at 78.3 confirms energy cost pass-through. WTI +18% this week means march CPI headline will reflect $100+ oil. breakevens should widen. the market rallied this week on hope — the CPI print on april 10 will bring it back to earth if core accelerates.

trade 3 — copper — long (hold)

vehicle	entry zone	target
HG futures / copx calls	$5.30 (original entry)	$5.70 (extending to $5.90)
stop	**conviction**	
$5.25	medium	

measured move from wedge breakout tracking perfectly at $5.56. extending target to $5.90 given momentum and citi $13,000/ton call. breakout trade now +5% in two weeks. stop remains $5.25.