

arcanum analytica

campfire notebook

week ending april 17, 2026

"when the facts change, i change my mind. what do you do, sir?"

– john maynard keynes

"the market can stay irrational longer than you can stay solvent, but sometimes it just changes its mind overnight."

– adaptation of keynes, by the author

what i noticed this week

the week the strait opened

five days ago, the islamabad talks had collapsed. trump was threatening a full naval blockade of iranian ports. oil was at **\$95** and the consensus was digging in for a long siege. then iran's foreign minister went on state television friday morning and declared the strait of hormuz "completely open" for commercial vessels for the remaining ceasefire period. WTI dropped **\$10.69**, or **11.3%**, to settle at **\$84.00**. brent fell **\$7.52** to **\$91.87**. both posted their largest single-day declines since april 8.

the SPX responded by closing at **7,126**, a new all-time high and its first print above **7,100**. the dow surged roughly **1,000 points** to **49,447**. the nasdaq extended its winning streak to **13 consecutive sessions** – the longest since 2009. this is a market that went from pricing war escalation to pricing peace in the span of a single week, a velocity of narrative change that would have seemed implausible even a few days ago.

but here is the thing that should make you cautious about chasing this: iran's declaration is conditional on the ceasefire holding, and the ceasefire is for **10 days**. trump himself said the US blockade of iranian ports "will remain in full force" until a permanent deal is reached. tracking data from thursday showed only a handful of ships had actually transited. there are still roughly **230 tankers** waiting outside the strait. the physical bottleneck has eased in name but not yet in practice.

the market is pricing a resolution. what we have is a gesture. those are not the same thing, and the spread between them is where the risk lives for the next two weeks. if the ceasefire holds and ships move freely, oil settles into the **\$80-85** range and the macro picture transforms. if the ceasefire expires without extension or if iran reconditions transit, we are back above **\$100** within days. binary outcomes make for uncomfortable positioning, and that is exactly what this moment requires – comfort with discomfort.

last week we wrote that the ceasefire had priced a resolution that hadn't happened. the market then proceeded to rally another **4.4%** and prove us wrong in the near term. the SPX short from the april 10 edition was stopped out at **7,000**, and the WTI long was stopped out at **\$95** as oil crashed through the level without looking back. the DXY long, which had been deteriorating for weeks, also triggered its **98.50** stop. three stops in one week. it stings. but the discipline of stops is exactly what kept the losses manageable – each was under **3%**, and the copper breakout trade that hit its target this week more than offset them.

the inflation picture just changed

monday's PPI report was the week's most important data release, and it told a story the bond market wanted to hear. headline PPI rose **0.5% MoM**, well below the **1.1%** that economists had expected. on a year-over-year basis it accelerated to

4.0%, the highest since february 2023, but the miss on the monthly figure was dramatic. core PPI – excluding food and energy – rose just **0.1% MoM** against expectations of **0.5%**. the annual core rate held at **3.8%**.

the decomposition confirmed what last week's CPI split report suggested: this inflation is overwhelmingly an energy story. gasoline surged **15.7%** in march. diesel was up **42.7%**. jet fuel gained **30.7%**. strip those out and producer prices barely moved. services were flat on the month. the pass-through from the strait closure to energy prices was violent, but it has not yet bled into core services or goods – the transmission channel that would make the inflation problem structural rather than transitory.

now combine that with friday's oil crash. if WTI sustains below **\$85** for even two weeks, the april and may CPI readings will see the energy component reverse sharply. the year-over-year headline could drop below **3.0%** by june. the bond market is already repricing: the **10-year yield** fell to **4.246%** on friday, down from **4.29%** a week ago. fed funds futures, which had been pricing zero cuts for 2026 as recently as last monday, jumped to **43%** implied probability of at least one december cut by friday afternoon.

our zero-cuts thesis – which had been consensus for six weeks – is now under serious threat. the fed's constraint was energy-driven inflation making cuts politically and economically untenable. if the strait stays open and oil stays below **\$90**, that constraint vanishes. core CPI at **2.6%** and core PPI at **+0.1% MoM** suggest the underlying inflation picture was already clean before the war shock. remove the shock, and the path to **2%** reopens. this doesn't mean cuts are imminent – the fed will want to see the energy reversal confirmed in two or three prints. but the market is right to start pricing them back in.

treasury secretary bessent, speaking monday, backed rate cuts in principle but said he "understands if the fed wants to wait" given the oil situation. that is as close to an administration endorsement of patience as we have seen. if oil drops another **\$10**, expect the tone from the treasury to shift markedly.

oil, metals, and the commodity complex

oil's **\$84** close on friday was its lowest since march 10, before the worst of the strait disruption. but the intraday range tells the real story: WTI traded as low as **\$78.97** before recovering. the market overshot on the downside just as it overshot on the upside two weeks ago when it printed **\$117**. the question now is where fair value sits in a world where the strait is nominally open but operationally uncertain.

the forward curve structure gives some clues. dated brent remains at a premium to futures, though the backwardation has narrowed significantly. this suggests the physical market still perceives near-term tightness – ships are not flowing freely yet, and it will take weeks to clear the tanker backlog even under the best scenario. our estimate of fair value if the strait fully reopens and the blockade lifts is **\$75-80**. if only the strait opens but the US blockade continues (the current situation), **\$82-88** is the range. if the ceasefire collapses, **\$100-110** within days.

we closed the brent long last week at a **-12.8%** loss when the ceasefire headlines hit. this week's WTI long was stopped out at **\$95** for a **-3.8%** loss. two oil longs, two losses, both killed by the same ceasefire dynamic. the lesson is consistent with what we wrote last week: geopolitical trades have binary headline risk that fundamentals cannot hedge. the physical supply picture was correct both times – the strait was and is effectively disrupted. but the market trades expectations, not barrels.

gold had a strong week, rising to **\$4,849** and touching **\$4,917** intraday on friday – its highest since the leveraged washout began in mid-march. the four-week base we have been tracking (\$4,101 to \$4,521 to \$4,651 to \$4,792 to now \$4,849) is intact and accelerating. the catalyst mix shifted: the war premium faded, but the rate-cut repricing premium arrived to take its place. gold benefits from lower real rates, and if the fed starts pricing cuts, gold runs. central banks are still buying at roughly **60 tonnes per month** according to wgc data. goldman's **\$5,400** target suddenly looks conservative rather than aspirational.

copper was the week's quiet winner, closing at **\$6.08** – up **5.7%** from last week and **+14.7%** from our march 20 entry at **\$5.30**. the original descending wedge measured move target of **\$5.70** was hit two weeks ago. the extended target of **\$5.90** was hit this week. we are taking profit on this trade at **\$5.90**, logging a **+11.3%** return and the newsletter's first win. citi's **\$13,000/ton** call gives room for a re-entry if copper consolidates and sets up again, but for now, the textbook trade is complete.

corn bounced to **\$457**, up **2.9%** on the week, while soybeans edged higher to **\$1,181.50** (+1.4%). the USDA prospective plantings report from march 31 showed **95.3 million** corn acres (down 3% from 2025) and **84.7 million** soybean acres (up 4%). corn stocks as of march 1 were **9.02 billion** bushels, up 11% from a year ago – ample by any measure. the planting pace is running slightly ahead of normal, with corn at **5%** complete and soybeans debuting at **6%** as of april 12. the real acreage test is the june report, when actual field decisions replace survey intentions. if oil stays low, input costs ease and the cost-push case for higher grain prices weakens.

equities and the rotation beneath the surface

the headline numbers are impressive. the SPX gained **4.4%** for the week. the nasdaq was up **7.2%**. the russell 2000 rose **5.3%**. but the sector map reveals a market that is making a decisive bet on the ceasefire holding.

technology led everything, with XLK surging **7.0%** – a massive weekly move for a sector ETF. communication services followed at **+4.0%**, consumer discretionary at **+4.3%**, and real estate at **+2.5%**. these are rate-sensitive, duration-heavy sectors. they are pricing lower yields ahead.

on the other side: energy fell **1.3%** (obvious), healthcare dropped **1.8%**, consumer staples declined **2.4%**, and utilities lost **1.7%**. the defensive sectors that had been bid during the war are being aggressively sold. this is not subtle rotation – it is a wholesale repositioning from "crisis portfolio" to "soft landing portfolio" in the span of days.

the nasdaq's **13-day winning streak** is the longest since 2009, and it represents something specific: the institutional money that went to cash during the march blockade is scrambling to get back in. fomo is a real force in portfolio construction, and portfolio managers who sat in cash while the SPX rallied **10%** from its march 30 low are now chasing. that dynamic can sustain itself for another week or two, but it is not a fundamental driver – it is positioning mechanics.

the breadth improvement is real but not overwhelming. the advance-decline line turned positive and small caps are participating (+5.3%), which suggests the rally has wider support than a pure mega-cap tech move. but the concentration of gains in rate-sensitive sectors tells you this rally is a bet on the macro picture improving via lower oil and eventual rate cuts. if the strait recloses or the ceasefire expires without extension, that bet unwinds fast.

we were short the SPX from **6,825** with a **7,000** stop, and it triggered cleanly on wednesday. the thesis – that the ceasefire had priced a resolution that hadn't happened – was correct on the facts but wrong on the market's willingness to anticipate further progress. the lesson: when positioning is heavily defensive and the narrative shifts, the velocity of the re-risking move overwhelms the skeptic. you need to be right quickly, or not at all.

the dollar and currencies

the dollar index slipped to **98.22**, its third consecutive weekly decline and well below the **98.50** stop on our long position. we are closing that trade this week for a **-2.0%** loss. the thesis – that safe-haven flows and rate differentials would keep the dollar bid – crumbled as the ceasefire removed the haven premium and the PPI data opened the door to rate cuts.

eur/usd held near **1.178**, roughly flat on the week but elevated relative to a month ago. the ECB meets april 29, and with european energy prices easing on the hormuz opening, the pressure on lagarde to cut has diminished. the euro's stability here reflects a market that sees both the fed and ECB in wait-and-see mode, with the relative rate path still unclear.

the more interesting currency moves were in EM. usd/brl fell **2.1%** to **4.987** – below the psychologically important **5.00** level for the first time since before the war. this is a straight read on oil and risk appetite: lower oil benefits brazil's terms of trade and eases inflation pressure on the bcb. aud/usd gained **1.2%** as copper surged and risk appetite improved. usd/jpy was flat at **159.20**, with the yen stubbornly weak despite lower US yields – the carry trade remains entrenched.

the thread that connects the currency moves is the same one that connects everything else this week: the market is pricing a world where the strait stays open, oil stays lower, and the macro picture normalizes. the dollar weakens because the twin supports of crisis premium and rate-hold expectations are both eroding. if that view is correct, the dollar has further to fall – perhaps to **96-97** on DXY by summer. if the view is wrong, the snapback will be violent.

signals & cycles

- VIX closed at **17.48**, its lowest since before the war began. a VIX below **18** during an active conflict – even one with a ceasefire – has historically lasted an average of **6 trading days** before reverting. current count: **2 days**. if VIX sustains below **17** through next week, the market is telling you it has genuinely de-risked the strait. if it snaps back above **20**, the complacency trade was premature.
- the nasdaq's **13-day win streak** is a rare signal. since 1990, streaks of 10+ days have occurred **7 times**. in 6 of 7 cases, the index was higher 30 days later, with a median gain of **+3.2%**. the exception was october 2000, which preceded the dot-com unwind. the streak itself is not bearish – momentum begets momentum – but the risk/reward of initiating new longs after a 13-day run favors patience.
- gold reclaimed **\$4,849** and touched **\$4,917** intraday, clearing the **\$4,800 deadline** we set in the april 10 edition. the four-week base pattern from **\$4,101** to **\$4,917** represents a **19.9%** recovery from the washout low. leveraged liquidation washouts in gold historically take **2-4 weeks** to complete, and the subsequent trend move averages **+15-20%** from the base. we are in the early innings of the trend phase, and the catalyst mix (rate-cut repricing + central bank buying + inflation hedge) is arguably stronger now than the crisis premium that preceded the washout.
- the 2008 energy analog is under severe stress after this week. the analog required sustained oil above **\$100** driving broad economic deterioration. with WTI at **\$84** and falling, the supply-shock mechanism is breaking down. XLE fell **1.3%** this week while everything else rallied – energy equities are still being sold on up days, which was the phase 2 transition signal. but the analog itself depends on oil staying elevated, and that precondition is now conditional on the ceasefire failing. we are putting the analog on hold rather than declaring it dead. if the strait recloses, it reactivates within days.
- fed funds futures repricing is the single most important technical signal this week. the implied probability of at least one rate cut by december jumped from **14%** to **43%** in five trading days. this is the kind of rapid repricing that moves every rate-sensitive asset simultaneously – it explains the tech surge, the real estate bid, the dollar weakness, and the bond rally. if oil stays below **\$90** for two more weeks, expect that probability to reach **60-65%**.

the scorecard

a difficult week for the book. three positions stopped out, one target hit.

closed this week:

WTI long (pos_001): entered march 14 at **\$98.71**, stopped out at **\$95.00** for **-3.8%** after 5 weeks. the strait closure thesis was physically correct – supply was disrupted – but the ceasefire repriced expectations before fundamentals caught

up. the lesson is the same one the brent trade taught us: geopolitical longs need time stops alongside price stops, and the exit discipline that saved us from the full **\$84** crash was worth every basis point of the **-3.8%** realized loss.

DXY long (pos_004): entered march 14 at **100.50**, stopped out at **98.50** for **-2.0%** after 5 weeks. the dollar weakened as the ceasefire removed safe-haven demand and PPI opened the door to rate cuts. we flagged last week that both medium-term scenarios pointed to a weaker dollar. the stop did its job.

SPX short (pos_005): entered april 10 at **6,825**, stopped out at **7,000** for **-2.6%** after 1 week. the thesis that the ceasefire had priced an undelivered resolution was factually correct but the market's re-risking momentum overwhelmed the skeptic. the fastest loss in the book.

copper breakout (pos_009): entered march 20 at **\$5.30**, target hit at **\$5.90** for **+11.3%** after 4 weeks. the descending wedge broke as textbook as they come. measured move target hit and exceeded. the first win in the book, and the cleanest trade we have logged. the **+11.3%** return more than offsets the three stops combined (**-8.4%** aggregate).

updated scorecard: 1 win / 5 losses / 5 open – batting average: **16.7%** – avg win: **+11.3%** – avg loss: **-4.1%**. the batting average is poor but the payoff ratio (+11.3% avg win vs -4.1% avg loss) is asymmetric in the right direction. one more copper-sized win rebalances the entire book. still, 1-for-6 on closed trades is not where we want to be, and the honest accounting is that the geopolitical longs were correctly analyzed but poorly structured for binary headline risk.

the book – all trade recommendations

active positions:

fed rates hawkish hold (pos_002): thesis weakening as rate-cut expectations reprice. still active but confidence lowered from 0.85 to 0.50. if oil sustains below \$90 for two weeks, this call is wrong and we will close it.

gold long (pos_003): entered march 14 at **\$5,062**, current **\$4,849**, **-4.2%**. approaching the \$4,800 level we set as the line in the sand. trajectory is constructive – four-week base, touched \$4,917 intraday. holding.

10y yield higher (pos_008): entered march 20 at **4.39%**, current **4.246%**. thesis weakening sharply with PPI core soft and oil crashing. closing this trade. exit at 4.246%, loss approximately **-3.3%** on the direction. the energy pass-through to yields that we expected did not arrive in time, and the strait opening now reverses the catalyst entirely.

CPI upside / short duration (pos_010): entered april 3 at **4.313%**, current **4.246%**. same dynamic as pos_008. closing this trade alongside pos_008. the short-duration thesis was premised on energy driving core higher – PPI core at +0.1% killed that thesis. exit loss approximately **-1.6%**.

gold add (pos_011): entered april 10 at **\$4,792**, current **\$4,849**, **+1.2%**. holding. thesis intact and strengthening as rate-cut repricing benefits gold.

special focus: the PPI split – energy hot, core ice cold

metric	actual	estimate	prior	surprise
PPI final demand MoM	+0.5%	+1.1%	+0.2%	-0.6 pp
PPI final demand YoY	+4.0%	–	+3.0%	–
PPI core MoM (ex food/energy)	+0.1%	+0.5%	+0.2%	-0.4 pp
PPI core YoY	+3.8%	–	+3.5%	–
gasoline	+15.7%	–	–	–
diesel	+42.7%	–	–	–
jet fuel	+30.7%	–	–	–
services	0.0%	–	+0.2%	–

the march PPI, released monday april 14, was the most lopsided split report in recent memory. the headline number rose **0.5%** – meaningful, but barely half of what the street expected. the year-over-year rate accelerated to **4.0%**, the hottest since early 2023. and yet the bond market rallied. the 10-year yield fell **5 basis points** on the release. why?

because core PPI rose just **0.1%**. against expectations of **0.5%**. final demand services were flat. goods prices rose **1.6%**, driven entirely by energy. strip out the strait-of-hormuz effect and producer inflation was running at roughly the same pace as january – muted, controlled, unalarming.

this matters enormously for the forward path. the PPI typically leads the CPI by **1-2 months** on the pipeline. a core PPI of **+0.1%** in march suggests that the april and may CPI core readings will remain soft, regardless of what energy does. the fear that oil-driven inflation would pass through to core services via transportation, food production, and delivery surcharges has not materialized – at least not yet. the 2-3 month lag we flagged in prior editions means june is the real test, but the PPI data argues against panic.

the market reaction was immediate and instructive. the 10-year moved from **4.31%** to **4.26%** on the day. rate-cut expectations began to reprice. stocks surged. the s&p 500 hit **7,000** for the first time on tuesday, the day after the PPI release. the market read the report as confirmation that the fed's nightmare scenario – broad-based, energy-seeded inflation – was not happening. and if it is not happening, cuts come back into the picture.

for the newsletter's thesis architecture, this is a significant shift. our zero-cuts call for 2026 was grounded in the assumption that oil above \$90 would eventually infect core inflation. the PPI says that infection has not occurred after a full month of triple-digit brent. if the strait stays open and oil drops further, the zero-cuts thesis is dead. we are adjusting our confidence from **0.85** to **0.50** and will close the position entirely if oil averages below \$90 for two consecutive weeks.

this week's releases

date	release	actual	estimate	prior	market impact
4/14	PPI MoM (march)	+0.5%	+1.1%	+0.2%	bullish bonds; 10Y fell 5bp
4/14	PPI YoY (march)	+4.0%	—	+3.0%	headline hot but core miss dominated
4/14	PPI core MoM (march)	+0.1%	+0.5%	+0.2%	massive downside miss; rate cut repricing began
4/15	Empire State mfg index (april)	11.0	-0.5	-0.2	5-month high; new orders jumped to 19.3
4/15	Empire State prices paid (april)	61.6	—	43.1	cost pressures still elevated despite soft PPI core
4/16	initial jobless claims (w/e 4/11)	207K	215K	218K	labor market firm; low end of 2026 range
4/16	continuing claims (w/e 4/4)	1.818M	—	1.787M	slight increase but still contained
4/16	philly fed mfg index (april)	26.7	—	—	strong; new orders surged
4/16	industrial production MoM (march)	-0.5%	—	+0.4%	factory output dipped; manufacturing -0.1%
4/16	capacity utilization (march)	75.7%	—	—	easing slightly
4/17	iran declares strait of hormuz open	—	—	—	WTI -11.3%; SPX +1.2%; Dow +1,000 pts
4/17	israel-lebanon 10-day ceasefire	—	—	—	risk-on across all asset classes

next week's calendar

date	time (ET)	release	estimate	prior	why it matters
4/21	8:30 AM	retail sales MoM (march)	+1.1%	+1.3%	delayed from 4/16; first hard data test of consumer resilience after michigan 47.6; if miss, consumer breaking point theme accelerates
4/21	8:30 AM	retail sales ex autos (march)	+0.9%	+1.0%	gasoline +21% inflated headline; ex-autos shows real demand
4/21	10:00 AM	business inventories (feb)	+0.1%	+0.1%	inventory build context for GDP
4/22	10:30 AM	EIA crude oil stocks (w/e 4/17)	-	-1.0M	first post-strait-opening inventory data; watch for builds as tanker backlog clears
4/23	8:30 AM	initial jobless claims (w/e 4/18)	218K	207K	labor market pulse; watch for war-related hiring slowdown
4/23	9:45 AM	S&P; global mfg PMI flash (april)	52.0	-	first april activity gauge; prices paid component critical for inflation outlook
4/23	9:45 AM	S&P; global services PMI flash (april)	49.6	-	services sector health; sub-50 would signal contraction
4/24	10:00 AM	michigan consumer sentiment final (april)	-	47.6	does final reading confirm record-low preliminary? post-ceasefire interviews may lift the number

date	time (ET)	release	estimate	prior	why it matters
4/24	10:00 AM	michigan 1Y inflation expectations (april)	–	4.8%	if post-ceasefire responses drag this below 4.5%, consumer panic narrative weakens
4/24	10:00 AM	michigan 5Y inflation expectations (april)	–	3.4%	long-run anchoring – fed watches this closely
4/29	–	ECB rate decision	–	–	european energy easing may shift lagarde's tone; EUR/USD direction depends on relative dovishness

highest conviction trades – week ending april 17, 2026**trade 1 – gold – long**

vehicle	entry zone	target
GC futures / GLD calls	\$4,800-4,870	\$5,200
stop	conviction	
\$4,600	high	

both scenarios favor gold. if strait stays open, rate cuts reprice higher and real rates fall – bullish. if strait recloses, crisis premium returns – also bullish. central banks buying 60t/month. gs \$5,400. four-week base from \$4,101 confirmed with \$4,917 intraday print. this is the cleanest risk/reward in the book.

trade 2 – WTI crude – long

vehicle	entry zone	target
CL futures / USO calls	\$82-85	\$98
stop	conviction	
\$75	medium-high	

contrarian re-entry. the strait 'opening' is conditional on a 10-day ceasefire, trump's blockade continues, and only a handful of ships have transited. 230 tankers waiting. if ceasefire expires without extension, \$100+ within days. oil crashed 11% on a gesture, not a resolution. entry near the panic low with asymmetric upside if the ceasefire fails.

trade 3 – US 10y duration – long (lower yields)

vehicle	entry zone	target
tlt calls / zn futures	10y at 4.20-4.30%	10y at 3.90%
stop	conviction	
10y at 4.50%	medium	

PPI core +0.1% confirms clean pipeline. oil crash removes energy inflation. fed funds futures repriced from 14% to 43% december cut probability in one week. if oil sustains below \$90, that probability reaches 65%+ and the 10y drops below 4%. the rate-cut repricing trade has just begun.

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