ABL Digital Broken Economy Report

Where the global economy is under strain, measured against its own history

Monthly edition | 02 September 2026

11 OF 18 FRACTURES IN BREACH

EXECUTIVE SUMMARY

Eleven of eighteen watched metrics sit in breach. Valuation carries the most weight: the Shiller CAPE at 41.7x stands at the 99th percentile of a record beginning in 1871, against a 36.7 threshold, and corporate equities at 214% of GDP sit at the 98th percentile. Sovereign balance sheets are the other stretched leg, with US federal debt at 122.6% of GDP, also a 98th percentile reading. Dollar reserve metrics have broken low rather than high, with the dollar at 57.1% of allocated FX reserves and the foreign official share of Treasuries held abroad at 40.6%, the lowest reading in its record.

The two precedent tests point in different directions. Measured by threshold crossings, the breaches are unremarkable: the CAPE returned a median 52-week gain of 7.6% across ten episodes and the Buffett Indicator 7.3% across fifty-one, both at the 7.8% baseline. Measured at today's reading, valuation looks materially worse. The CAPE has stood this high three times, all in 1999 and 2000, and the two years that followed delivered a median move of -10.6% with a median deepest fall of 26.1%. The Buffett Indicator has stood here twice, in April and October 2021, followed by -0.2% and a 24.8% drawdown. Both counts are in single figures.

The narrowing gap between the cap-weighted and equal-weighted S&P, now 97.9 against a 92.1 threshold, is the development to watch. A move back above 100 would mark breadth repairing and would soften the valuation reading.

The comparison every precedent figure is shown against

Since 1871, the median 52-week move in the S&P 500 from any week was +7.8%, and 31% of those years ended lower. Every precedent figure in this report is shown against that baseline. A fracture that is followed by an ordinary year has told you nothing, and is reported as having told you nothing.

DATA

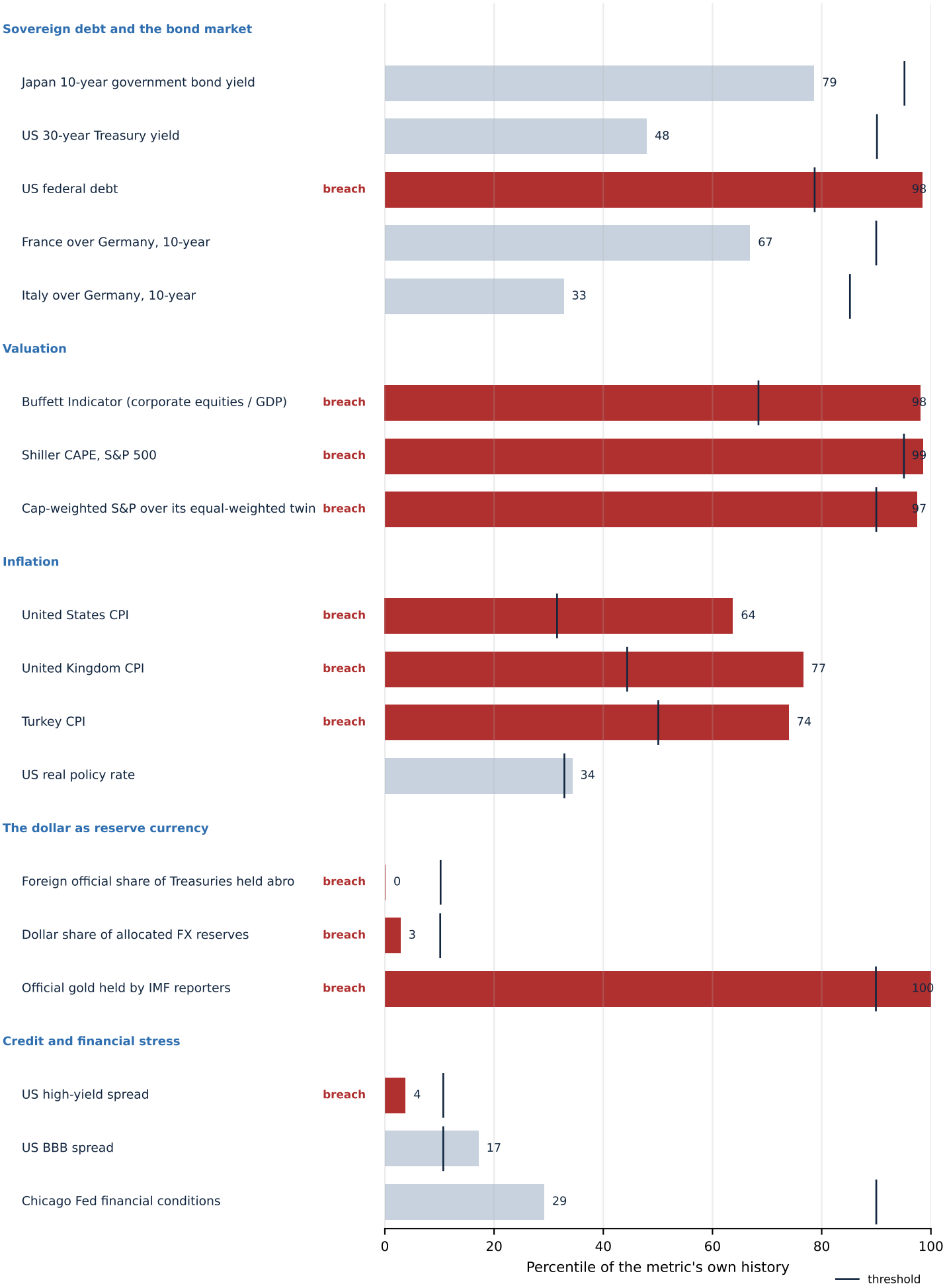
Panel	**314 instruments, 9,723 weeks**
History	**Jan 1871 to Sep 2026**
Panel vintage	**04 Sep 2026**
Fractures unavailable	**0**

For research and information only; not investment advice. Every figure is computed from the underlying panel at build time.

Authored by ABL Digital Technologies Private Limited. All rights reserved.
For inquiries, contact admin@abldigitech.com

The fracture register

Every watched metric, and where it sits in its own history



Authored by ABL Digital Technologies Private Limited. All rights reserved.
For inquiries, contact admin@abldigitech.com

Sovereign debt and the bond market

Government borrowing is priced by people who can decline to lend. These are the series that show what they are charging, and where a buyer of last resort has had to appear.

the metric threshold in breach

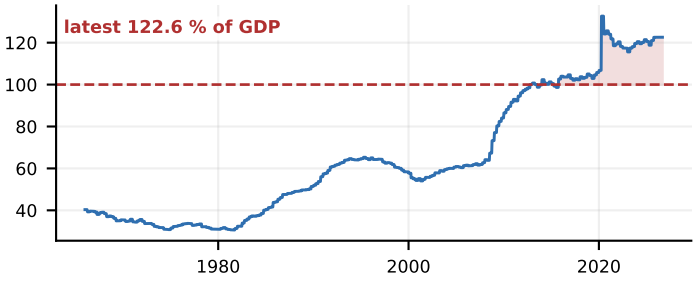
Japan 10-year government bond yield



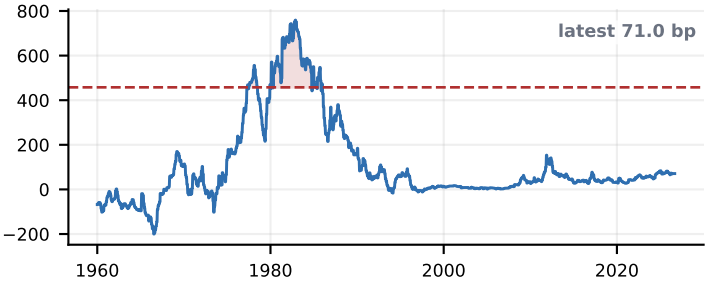
US 30-year Treasury yield



US federal debt



France over Germany, 10-year



Italy over Germany, 10-year



Metric	Latest	Threshold	Pctile	In breach	Episodes	S&P +52w	vs base	n
Japan 10-year government bond yield	2.67	5.88	79	no	4	+8.0%	+0.2pp	4
US 30-year Treasury yield	5.22	10.6	48	no	12	+13.0%	+5.2pp	12
US federal debt	122.6	100.0	98	yes	27	+12.3%	+4.5pp	26
France over Germany, 10-year	71.0	457.7	67	no	16	+13.3%	+5.4pp	16
Italy over Germany, 10-year	76.4	351.5	33	no	11	+13.2%	+5.3pp	11

Percentiles use each metric's full history, earliest here Jan 1960. The 'vs base' column is the excess over the unconditional 52-week median of +7.8%; a negative number means breaches were followed by a worse year than an ordinary one. 'Episodes' collapses consecutive breaching weeks into one event.

What this is saying

The long end has repriced the arithmetic of debt service, not the probability of default. A 5.22% thirty-year Treasury against federal debt at 122.6% of GDP means every refinancing now happens at a cost the issuer has not faced in decades, and the 52 basis points added over the past year compound against a stock that has grown 19 points of GDP in ten years. That reading on the thirty-year sits at only the 48th percentile of its own history, which is the uncomfortable part: it is not extreme, and it is already expensive. Japan is the structural break. A 10-year at 2.67% is the 79th percentile of a series that started in 1989, up 2.60 points in five years, and the country that funded the largest debt in the developed world at nothing now pays for it. Capital borrowed cheaply in yen and deployed abroad loses its rationale as that gap closes, and the repatriation shows up in other markets first. France at 71.0 basis points and Italy at 76.4 is Italy calming, not France cracking: Italy

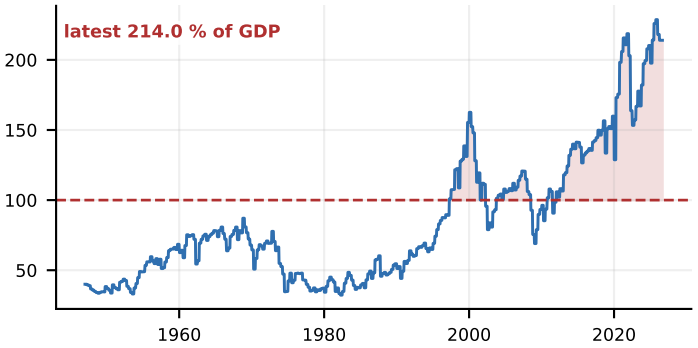
Authored by ABL Digital Technologies Private Limited. All rights reserved.
For inquiries, contact admin@abldigitech.com

Valuation

Two questions: what are equities worth against the economy that produces their earnings, and how much of the index is one handful of companies.

the metric threshold in breach

Buffett Indicator (corporate equities / GDP)



Shiller CAPE, S&P 500



Cap-weighted S&P over its equal-weighted twin



Metric	Latest	Threshold	Pctile	In breach	Episodes	S&P +52w	vs base	n
Buffett Indicator (corporate equities / GDP)	214.0	100.0	98	yes	53	+7.3%	-0.6pp	51
Shiller CAPE, S&P 500	41.7	36.7	99	yes	12	+7.6%	-0.3pp	10
Cap-weighted S&P over its equal-weighted twi	97.9	92.1	97	yes	8	+11.2%	+3.3pp	6

Percentiles use each metric's full history, earliest here Feb 1871. The 'vs base' column is the excess over the unconditional 52-week median of +7.8%; a negative number means breaches were followed by a worse year than an ordinary one. 'Episodes' collapses consecutive breaching weeks into one event.

What this is saying

At 214% of GDP, US equity value sits in the 98th percentile since 1947, and that ratio falls only two ways: prices drop, or nominal output grows into them. Prices have done the work in past unwinds. Its two prior readings, both in 2021, were followed by a median two-year move of -0.2% and a median deepest fall of 24.8%, against a +13.9% baseline and a typical 14.8% drawdown. CAPE at 41.7 times, the 99th percentile since 1871, says the same; its 1999 and 2000 precedents gave back a median 10.6% over two years, troughing 26.1% down. The top seven companies are 34.3% of the index and 58.8% of the Nasdaq 100, so the multiple describes a few businesses more than a market. Cap-weighted has ceded 3.7 points to equal-weighted over the past year, and the one prior reading here, May 2003, was followed by a 30.1% two-year gain. Equal-weighted exposure starts from a different valuation; the cap-weighted index is a concentrated position held as a diversified one. Valuation sets the odds over years and says nothing about timing.

Why these are watched

Buffett Indicator (corporate equities / GDP)

Equities worth one year of national output. Buffett's own remark was that buying near 200% is "playing with fire"; the level itself, not a percentile, is what he was describing.

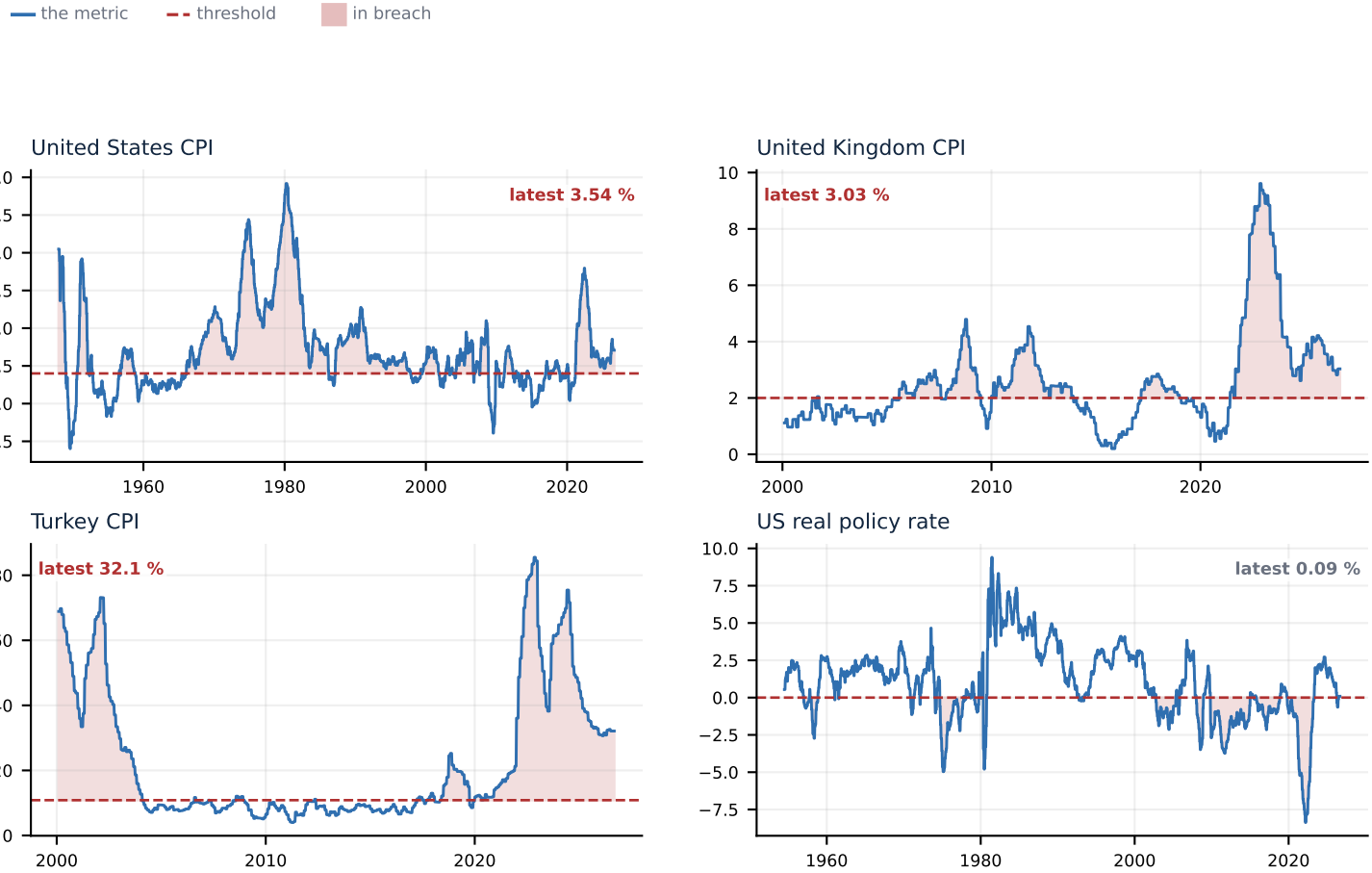
Shiller CAPE, S&P 500

Cyclically adjusted price to earnings. Its own history is the right yardstick, which is why this is a percentile and not a level.

Authored by ABL Digital Technologies Private Limited. All rights reserved.
For inquiries, contact admin@abldigitech.com

Inflation

Inflation is not one number. These are the places where it has not returned to target, and the places where the return was bought with a policy rate that is doing visible damage.



Metric	Latest	Threshold	Pctile	In breach	Episodes	S&P +52w	vs base	n
United States CPI	3.54	2.00	64	yes	119	+6.6%	-1.3pp	117
United Kingdom CPI	3.03	2.00	77	yes	32	+7.0%	-0.9pp	30
Turkey CPI	32.1	10.8	74	yes	32	+7.1%	-0.8pp	30
US real policy rate	0.09	0.00	34	no	59	+8.5%	+0.7pp	58

Percentiles use each metric's full history, earliest here Jan 1948. The 'vs base' column is the excess over the unconditional 52-week median of +7.8%; a negative number means breaches were followed by a worse year than an ordinary one. 'Episodes' collapses consecutive breaching weeks into one event.

What this is saying

Inflation remains above target in every economy tracked here. US CPI at 3.54% sits 1.54 points above the 2% goal and has risen 0.55 over the past year, which removes the case for the Federal Reserve to cut with any urgency. The UK at 3.03% is still 1.03 above target, though the 1.09-point fall over twelve months gives the Bank of England the clearer path down. Germany at 2.78% leaves the ECB, already having raised 0.25 over the year to 2.25%, with little room. The real rate divide is starker. Turkey runs a policy rate of 37.0% against 32.1% inflation, a positive real rate near five points and the deepest cutting capacity in the set, consistent with the 6.00 points already delivered. The US real policy rate at 0.09% is barely positive and has fallen 0.80 over the year, sitting at the 34th percentile since 1954. Japan at 1.00% and the euro area at 2.25% are tightening, not easing. Investors positioning for synchronised cuts are positioning against the arithmetic.

Why these are watched

United States CPI

The Federal Reserve's stated target. Above it, the job is not done.

United Kingdom CPI

The Bank of England's stated target.

Turkey CPI

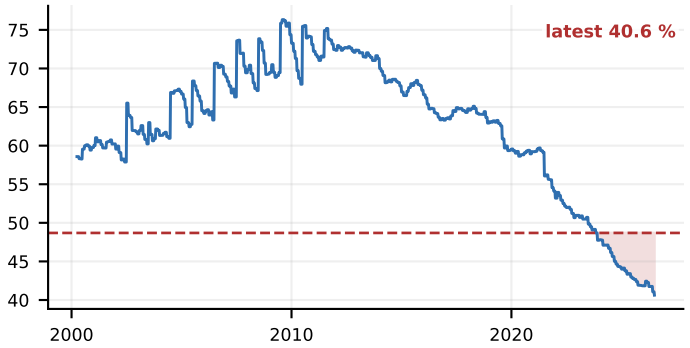
Authored by ABL Digital Technologies Private Limited. All rights reserved.
For inquiries, contact admin@abldigitech.com

The dollar as reserve currency

Whether the world still wants to hold dollars, measured by what it actually holds rather than by what the dollar costs.

the metric threshold in breach

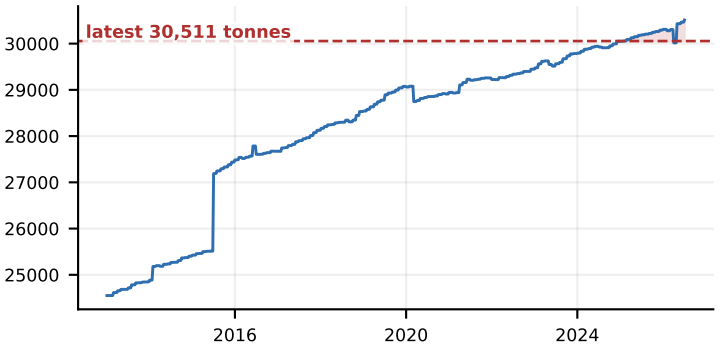
Foreign official share of Treasuries held abroad



Dollar share of allocated FX reserves



Official gold held by IMF reporters



Metric	Latest	Threshold	Pctile	In breach	Episodes	S&P +52w	vs base	n
Foreign official share of Treasuries held ab	40.6	48.7	0	yes	6	+8.9%	+1.1pp	4
Dollar share of allocated FX reserves	57.1	59.4	3	yes	7	+13.5%	+5.7pp	6
Official gold held by IMF reporters	30,511	30,055	100	yes	3	+15.9%	+8.0pp	2

Percentiles use each metric's full history, earliest here Apr 1999. The 'vs base' column is the excess over the unconditional 52-week median of +7.8%; a negative number means breaches were followed by a worse year than an ordinary one. 'Episodes' collapses consecutive breaching weeks into one event.

What this is saying

Foreign official holdings of Treasuries stand at $3,778bn, down $99bn on the year and $438bn over five years. Total foreign holdings are $9,299bn, up $277bn and $1,780bn across the same spans, so the 40.6% official share reflects official money shrinking slowly while private demand grew several times faster. TIC assigns holdings to the custodian, so a drop in a single country's line can be a change of custodian. China holds 2,366 tonnes of gold, 418 more than five years ago; Poland 640 tonnes, up 125 in a year; India 880 tonnes, up 177 over five years; Turkey 773 tonnes, up 60. Russia has sold 53 tonnes over the year, to 2,277. The United States sits unchanged at 8,134 tonnes. Reserve managers are declining to add dollars and diversifying at the margin rather than liquidating, and China's gold remains a small line against $3,792bn of total reserves. With the dollar at 57.1% of allocated reserves, marginal duration demand now sits with price-sensitive private buyers, who require a price to hold it.

Why these are watched

Foreign official share of Treasuries held abroad

Central banks as a share of foreign Treasury holders. Read with the level of official holdings beside it - the share can fall because officials sold, or because private buyers arrived, and those are different worlds.

Official gold held by IMF reporters

Central banks buying gold is the active side of the same decision as not buying Treasuries. Reported holdings only, and reporting is voluntary, so this is a floor. Two features of the series are reporting rather than buying. It begins in 2013, because before then

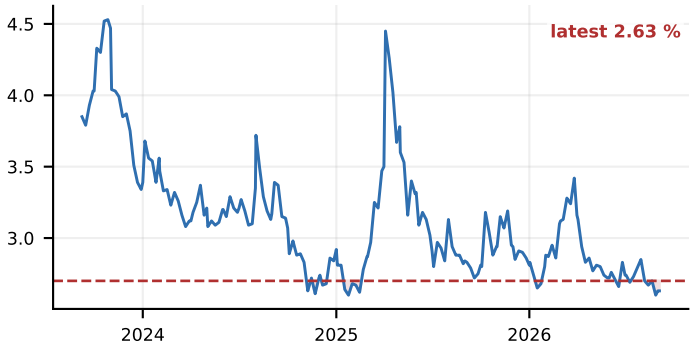
Authored by ABL Digital Technologies Private Limited. All rights reserved.
For inquiries, contact admin@abldigitech.com

Credit and financial stress

Credit spreads are the market's own estimate of what will not be repaid. They are dangerous in both directions: wide means distress, very tight means the distress is not being priced.

the metric threshold in breach

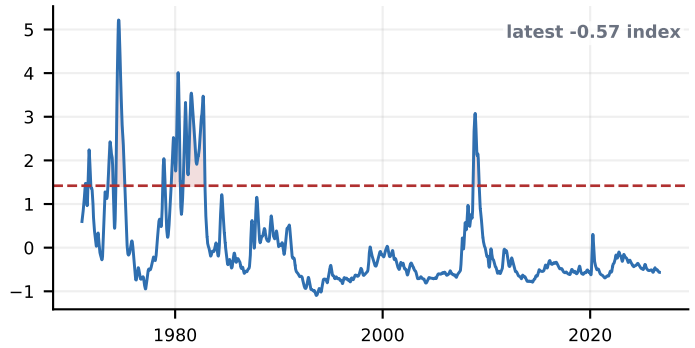
US high-yield spread



US BBB spread



Chicago Fed financial conditions



Metric	Latest	Threshold	Pctile	In breach	Episodes	S&P +52w	vs base	n
US high-yield spread	2.63	2.70	4	yes	3	+8.1%	+0.3pp	1
US BBB spread	0.98	0.96	17	no	2	+11.9%	+4.1pp	1
Chicago Fed financial conditions	-0.57	1.42	29	no	16	+7.9%	+0.1pp	16

Percentiles use each metric's full history, earliest here Jan 1971. The 'vs base' column is the excess over the unconditional 52-week median of +7.8%; a negative number means breaches were followed by a worse year than an ordinary one. 'Episodes' collapses consecutive breaching weeks into one event.

What this is saying

US high-yield trades at 2.63%, through the 2.70 trigger and in the 4th percentile of its range since 2023, while BBB at 0.98% sits just above its 0.96 mark at the 17th percentile. Both are watched from the tight side, where a breach records how little investors are paid to carry default risk. The 0.31 point of high-yield tightening over the past year is roughly the move a single poor quarter can take back, and the loss when spreads widen arrives through price well before any default does. The credit history here begins in 2023, so those percentiles cover a short window with no full cycle in it. Financial conditions at -0.57 sit at the 29th percentile of a record running to 1971, and the 84 prior readings at this level were followed by a median two-year S&P gain of 16.0% against a median deepest fall of 15.8%, close to the 13.9% and 14.8% typical of any two years. A ten-year yield of 4.75% and a VIX of 16.7 leave little cushion.

Why these are watched

US high-yield spread

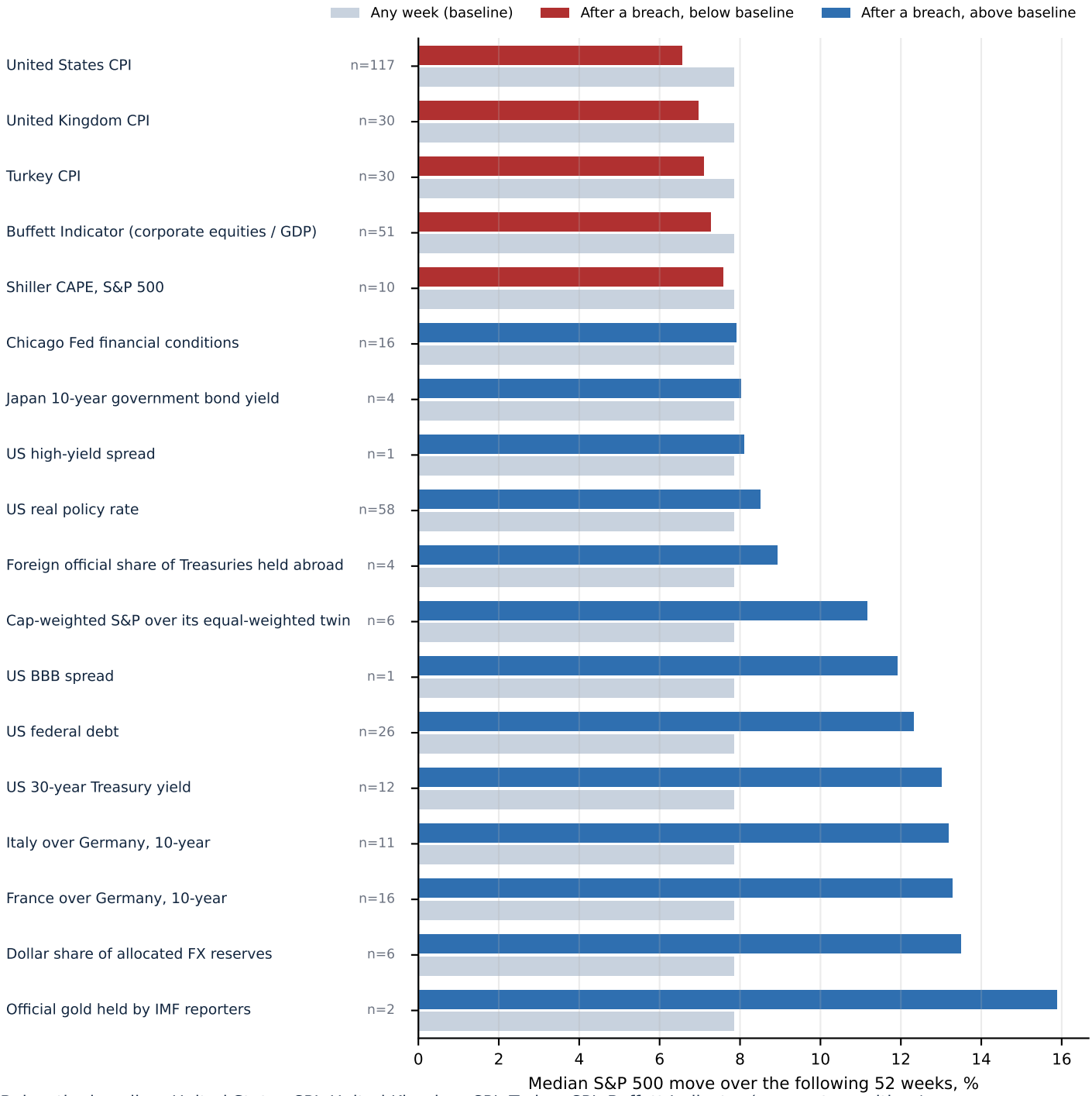
Watched from below. A spread near its historic lows is not a healthy credit market, it is a credit market charging nothing for default risk, and every widening has started from there.

Authored by ABL Digital Technologies Private Limited. All rights reserved.
For inquiries, contact admin@abldigitech.com

What happened last time

Forward S&P 500 performance after each fracture breached, against the unconditional baseline

A fracture is only informative if what follows it differs from what follows an ordinary week. The grey bars are the baseline: the median move from every week in the sample. The coloured bars are the median move from the weeks this metric was in breach. Where the two are the same height, the metric is stretched but has not historically told you anything about the year ahead, and this report says so rather than implying otherwise.



Below the baseline: United States CPI, United Kingdom CPI, Turkey CPI, Buffett Indicator (corporate equities / GDP). These are the fractures whose breaches have historically been followed by a worse year than average.

Overlapping episodes are collapsed: consecutive breaching weeks count once, so a metric that sat above its threshold for two years contributes one observation and not a hundred. Horizons with no completed future are dropped rather than estimated, which is why n differs between rows.

Authored by ABL Digital Technologies Private Limited. All rights reserved.
For inquiries, contact admin@abldigitech.com

At today's level

What followed the other times these metrics stood where they stand now

The previous page asks what followed a threshold being crossed. This one asks what followed the metric reading what it reads today, which is a much smaller and much more pointed sample. It also reports the deepest fall inside the two years rather than only the level at the end of them, because an index can finish a period near where it started and have fallen a third on the way.

Baseline, from any week in the sample

Median two-year move +13.9%, and the typical deepest fall inside a two-year window is -14.8%.

Metric	Now	Times here	Median 2y	Worst 2y	Median fall	Worst fall	vs base
Shiller CAPE, S&P 500	41.7	3*	-10.6%	-18.2%	-26.1%	-36.5%	-24.5pp
Buffett Indicator (corporate equities / GDP)	214.0	2*	-0.2%	-1.7%	-24.8%	-24.8%	-14.1pp
Turkey CPI	32.1	12	+9.5%	-40.7%	-20.9%	-40.7%	-4.4pp
United Kingdom CPI	3.03	12	+25.8%	-21.6%	-17.0%	-49.8%	+12.0pp
Chicago Fed financial conditions	-0.57	84	+16.0%	-44.2%	-15.8%	-54.6%	+2.2pp
United States CPI	3.54	69	+11.7%	-39.8%	-15.1%	-56.2%	-2.2pp
US real policy rate	0.09	59	+15.4%	-28.0%	-13.6%	-52.1%	+1.6pp
US 30-year Treasury yield	5.22	54	+15.4%	-40.7%	-13.3%	-40.7%	+1.5pp
US federal debt	122.6	2*	+52.5%	+22.7%	-12.5%	-18.1%	+38.7pp
France over Germany, 10-year	71.0	49	+15.6%	-29.2%	-12.1%	-33.3%	+1.7pp
Italy over Germany, 10-year	76.4	46	+24.8%	-5.4%	-10.1%	-37.8%	+11.0pp
Cap-weighted S&P over its equal-weighted twi	97.9	1*	+30.1%	+30.1%	-8.0%	-8.0%	+16.2pp
Japan 10-year government bond yield	2.67	17	+19.3%	+8.1%	-7.5%	-18.3%	+5.4pp

Below the +13.9% baseline at today's reading: Shiller CAPE, S&P 500 at 41.7, 3 prior occasions, median -10.6% over the following two years; Buffett Indicator (corporate equities / GDP) at 214.0, 2 prior occasions, median -0.2% over the following two years; Turkey CPI at 32.1, 12 prior occasions, median +9.5% over the following two years.

The episodes themselves

Shiller CAPE, S&P 500, at or beyond 41.74

Apr 1999	next two years +3.7%	deepest fall -12.2%
Nov 1999	next two years -10.6%	deepest fall -26.1%
May 2000	next two years -18.2%	deepest fall -36.5%

Buffett Indicator (corporate equities / GDP), at or beyond 213.97

Apr 2021	next two years +1.3%	deepest fall -24.8%
Oct 2021	next two years -1.7%	deepest fall -24.8%

US federal debt, at or beyond 122.59

Apr 2020	next two years +82.4%	deepest fall -6.8%
Oct 2020	next two years +22.7%	deepest fall -18.1%

An asterisk marks a count below five. Those medians carry wide error and are shown anyway, because the alternative is a threshold loose enough to produce a large sample and answer a different question.

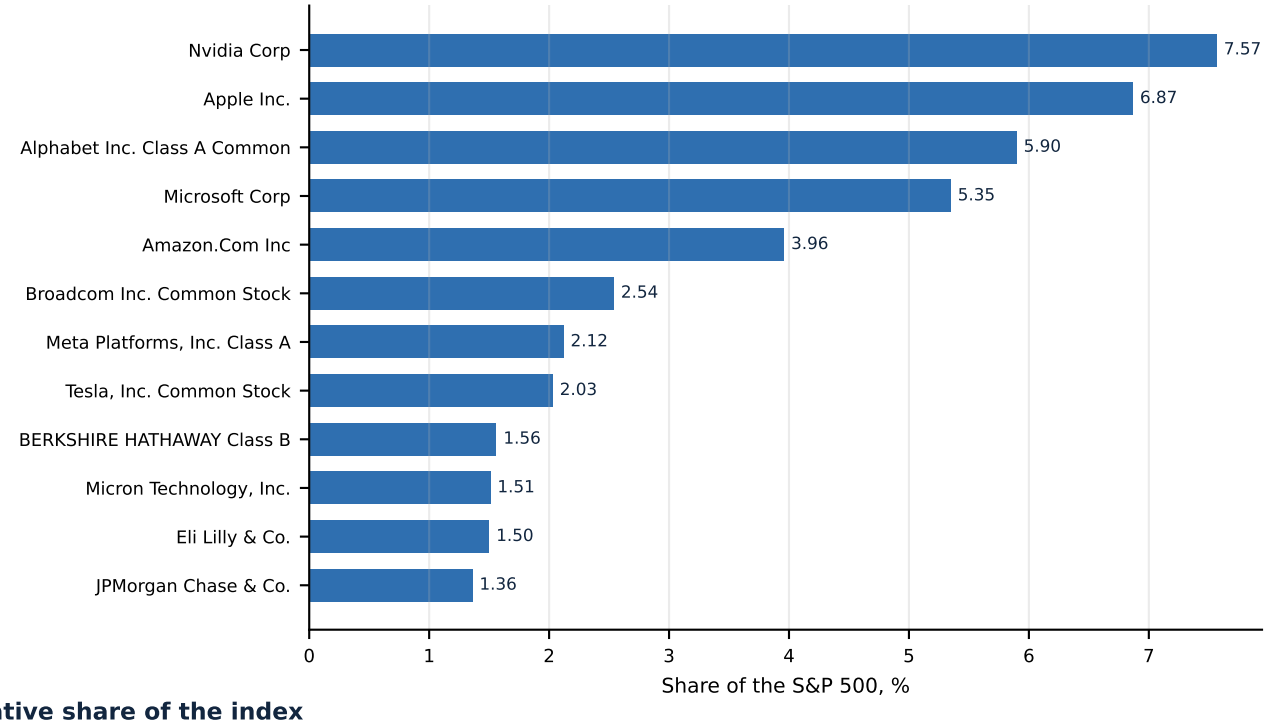
Authored by ABL Digital Technologies Private Limited. All rights reserved.
For inquiries, contact admin@abldigitech.com

Concentration

How much of the index a handful of companies actually are

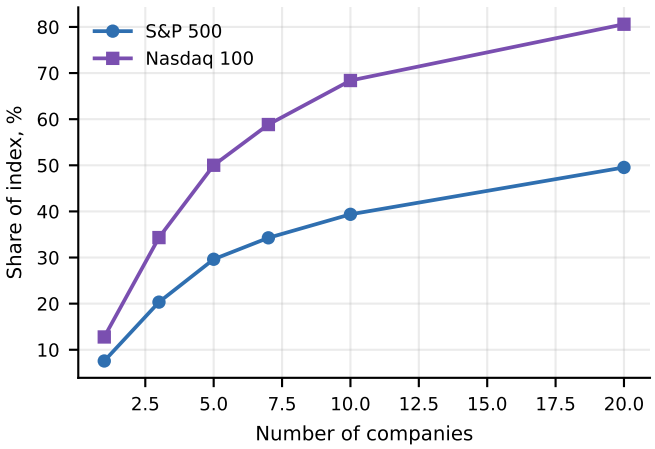
The valuation pages measure what the market costs. This measures how much of it is the same few companies, which is a separate risk: an index can be cheap and concentrated or expensive and broad. Share classes are merged to the company, because Alphabet sits in the index twice and ranking rows puts it in the top ten as two businesses while pushing a real one out.

The twelve largest companies



Cumulative share of the index

Top N companies	S&P 500	Nasdaq 100
Top 1	**7.6%**	12.8%
Top 3	**20.3%**	34.3%
Top 5	**29.6%**	50.0%
Top 7	**34.3%**	58.8%
Top 10	**39.4%**	68.4%
Top 20	**49.5%**	80.6%



What can and cannot be said about history

Index weights are published as they stand, and no free source carries them back through the dot-com peak or the Nifty Fifty. This report therefore cannot test whether today's concentration is without precedent, and does not claim it. What is measurable is the cap-weighted index against its equal-weighted twin, available since 2003, which sits at the 97th percentile of that window. The panel records the weights at every run, so the history builds from here.



Authored by ABL Digital Technologies Private Limited. All rights reserved.
For inquiries, contact admin@abldigitech.com

Mitigation: what is still available, and whether it works

What the central banks can still do

The Federal Reserve holds a real policy rate of 0.09%, which leaves almost nothing between the current stance and zero without cutting into US CPI at 3.54%, above the 2.00% target it is measured against. The UK sits in the same position with CPI at 3.03%. A cut delivered into that gap buys duration relief at the cost of the inflation mandate, and the historical record around a real rate at this level is unhelpful for anyone hoping the trade-off resolves cleanly: the S&P median over the following two years was +15.4%, with a median deepest fall of -13.6%, close to the -14.8% typical drawdown across all two-year windows. The easing lever exists. It is not free, and the price is paid in credibility rather than in the near-term index.

Financial conditions give the argument for patience. The Chicago Fed index reads -0.57, against a threshold of 1.42 and at the 29th percentile of its history. Nothing in the plumbing is demanding a rescue. Credit agrees: high-yield at 2.63% and BBB at 0.98% are both compressed rather than stressed. Central banks retain their full crisis toolkit precisely because there is no crisis to spend it on, and deploying it into these spreads would be an act of policy rather than triage.

What the treasuries can still do

US federal debt stands at 122.6% of GDP, above the 100.0% threshold and at the 98th percentile since 1966. Issuance capacity has not disappeared, but the terms have changed: the 30-year sits at 5.22%, the 48th percentile of its history since 1977, and every rollover now reprices at that level rather than the one that prevailed when the stock was built. Fiscal expansion remains available at a rising marginal cost, which is a different constraint from being locked out. Europe still has room. France over Germany at 71.0 bp and Italy over Germany at 76.4 bp, the latter at the 33rd percentile since 1991, indicate the periphery is not being charged for its fiscal position. Japan's 10-year at 2.67% is at the 79th percentile of its post-1989 history but far from the 5.88% threshold, so the largest overhang in the developed world is still being funded cheaply.

Where the tools have already been used up

The reserve-currency levers are the ones that have gone. The dollar share of allocated FX reserves is 57.1%, at the 3rd percentile since 1999. Foreign official holdings are 40.6% of Treasuries held abroad, at the 0th percentile. Official gold has reached 30,511 tonnes, the 100th percentile since 2013. A reserve manager weighing Treasuries against gold has already answered, repeatedly, and no domestic policy instrument reverses that choice. Valuation has been spent too. CAPE at 41.7x sits at the 99th percentile since 1871, and the Buffett Indicator at 214.0% of GDP at the 98th. Prior instances at these levels returned -10.6% and -0.2% over two years respectively, with deepest falls of -26.1% and -24.8%, against a +13.9% two-year median.

What would have to break first

Eleven of eighteen metrics are in breach, and the S&P baseline over 52 weeks is +7.8% with 31% of windows ending lower. Breaches by themselves have not beaten that. What changes the arithmetic is the long end: a 30-year that demands materially more yield forces the treasury to issue into weakness while the central bank is still short of target, and neither institution can act without undermining the other. Concentration is the transmission mechanism. Cap-weighted over equal-weighted at 97.9 against a 92.1 threshold means the index and the policy response are both leaning on the same narrow base.

Authored by ABL Digital Technologies Private Limited. All rights reserved.
For inquiries, contact admin@abldigitech.com

Method, sources and what this report cannot see

Where the numbers come from

Every figure is computed at build time from the GlobalMarkets weekly panel (314 instruments), which this report reads rather than re-fetching, so the two engines can never disagree about what happened. Sources are free and public: US Treasury TIC, IMF COFER and IRFCL, BIS, ECB, Banco Central do Brasil, FRED, and Yahoo for index levels.

How a breach is decided

The register lives in fractures.yaml, not in code. Each threshold is either a percentile of the metric's own history, in which case the data defines its own extreme, or an explicit level that carries a written reason beside it - a central bank's stated inflation target, or equities worth one year of national output. Edit that file and the report follows.

How the precedent figures are framed

Forward returns after a breach are always shown against the unconditional return from every week in the sample. Without it, any figure from a rising market reads as significant. Several fractures in this register do not beat that baseline, and the report reports that.

What the data cannot settle

TIC attributes holdings to the custodian, so a fall in one country's line can be a change of custody rather than a sale. COFER covers only reserves whose composition is disclosed and does not publish its own coverage, so the dollar share is the share of allocated reserves and nothing wider. Central-bank gold is reported voluntarily to the IMF and is therefore a floor, not a total. ICE BofA credit-spread history on FRED begins in September 2023 after a licensing change, so the credit percentiles rest on roughly three years and are marked accordingly.

Series extended to full history for the precedent test

credit.US_BBB_OAS	2023-09 to 2026-08
credit.US_HY_OAS	2023-09 to 2026-08
equities.US_SP500	1927-12 to 2026-09
equities.US_SP500_EqualWeight	2003-04 to 2026-09
macro.CPI_US	1948-01 to 2026-07
macro.Chicago_Fed_NFCI	1971-01 to 2026-08
macro.DE_10Y_yield	1956-05 to 2026-06
macro.FR_10Y_yield	1960-01 to 2026-06
macro.IT_10Y_yield	1991-03 to 2026-06
macro.JP_10Y_yield	1989-01 to 2026-06
macro.Policy_US	1954-07 to 2026-08
macro.US_30Y_yield	1977-02 to 2026-08
macro.US_Corp_Equities_Mn	1945-10 to 2026-01
macro.US_FedDebt_PctGDP	1966-01 to 2026-01
macro.US_GDP_Bn	1947-01 to 2026-04

Authored by ABL Digital Technologies Private Limited. All rights reserved.
For inquiries, contact admin@abldigitech.com