ABL Digital Broken Economy Report

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

Monthly edition | 11 September 2026

11 OF 18 FRACTURES IN BREACH

EXECUTIVE SUMMARY

Eleven of eighteen watched metrics sit in breach. Valuation is the most stretched corner of the register: the Shiller CAPE reads 41.4x against a 36.7 threshold, the 99th percentile of its history since 1871, and the Buffett indicator stands at 214% of GDP against a 100% line, its 98th percentile since 1947. US federal debt at 122.6% of GDP, also a 98th percentile reading, completes the set. Cap-weighted equity leadership over the equal-weighted index sits at its own 99th percentile.

The two precedent tests point in opposite directions where valuation is concerned. Measured by what followed past threshold crossings, the CAPE breach is unremarkable: a +7.6% median 52-week move from ten episodes, against a +7.9% baseline. Measured at today's reading, the picture darkens. The CAPE has stood here three times before, in April 1999, November 1999 and May 2000; the median two-year move was -10.6% with a median deepest fall of -26.1%. The Buffett indicator's two prior readings at this level, April and October 2021, produced -0.2% over two years and a -24.8% deepest fall. Both counts are in single figures.

Valuation concentration is the development most worth watching, and it is the thinnest evidence in the register: the cap-weighted-over-equal-weighted measure has been at today's level once before, in May 2003. A CAPE retreat below 36.7 would pull the most stretched fracture back inside its threshold and materially soften the assessment.

The comparison every precedent figure is shown against

Since 1871, the median 52-week move in the S&P 500 from any week was +7.9%, 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

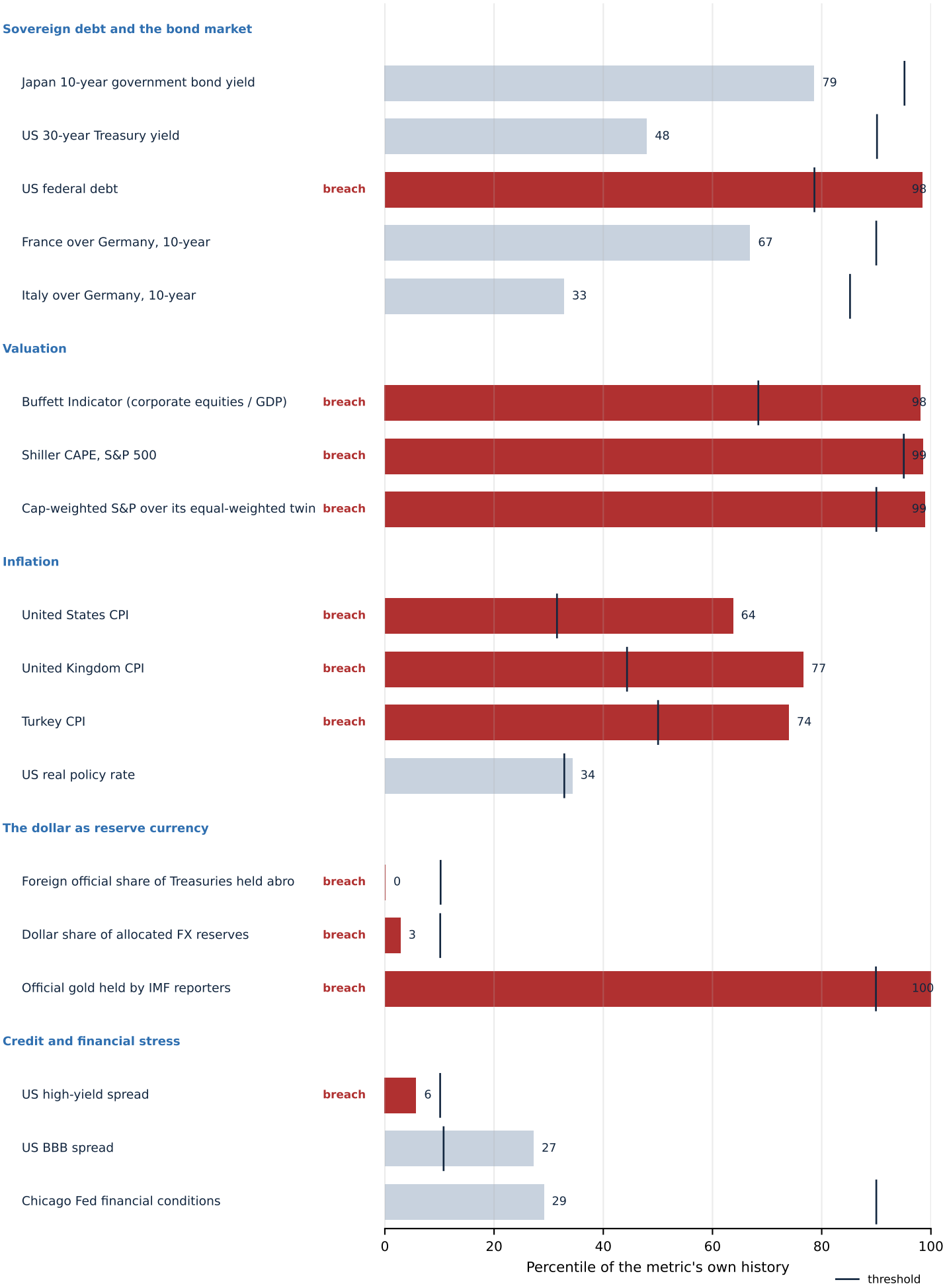
Panel	**314 instruments, 9,725 weeks**
History	**Jan 1871 to Sep 2026**
Panel vintage	**11 Sep 2026**
Fractures unavailable	**0**

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

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The fracture register

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



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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

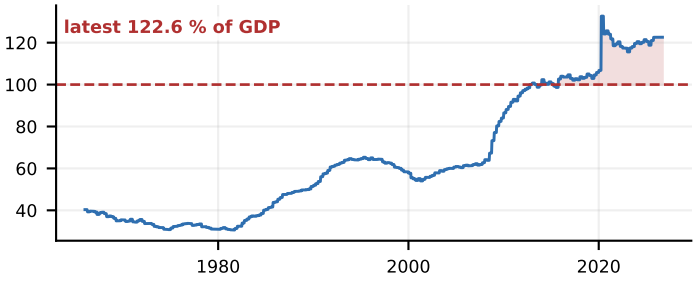
Japan 10-year government bond yield



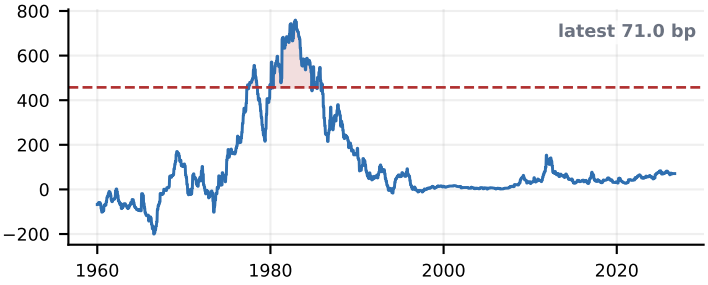
US 30-year Treasury yield



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%	+5.1pp	12
US federal debt	122.6	100.0	98	yes	27	+12.3%	+4.5pp	26
France over Germany, 10-year	71.0	457.5	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 +7.9%; 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

A 30-year Treasury at 5.22% against a 10-year at 4.77% prices duration at a cost the borrower cannot avoid, with federal debt at 122.6% of GDP, the 98th percentile since 1966 and 19 points above where it sat a decade ago. The 0.52 added to the 30-year over the past year is what every subsequent refinancing now carries. Japan's 10-year at 2.67%, up 1.02 over a year and 2.60 over five, stands at the 79th percentile of its history since 1989. The yield that funded the developed world's largest debt stock near zero for a generation has gone, and borrowing in yen to lend abroad pays less with each basis point the gap closes. The assets that absorbed that flow are the ones that register the reversal first. France at 71.0bp and Italy at 76.4bp now trade almost on top of each other. France sits at the 67th percentile of its own range against Italy's 33rd, which makes the convergence a calming of Italy rather than a fracture in France, though France remains dear by its own history.

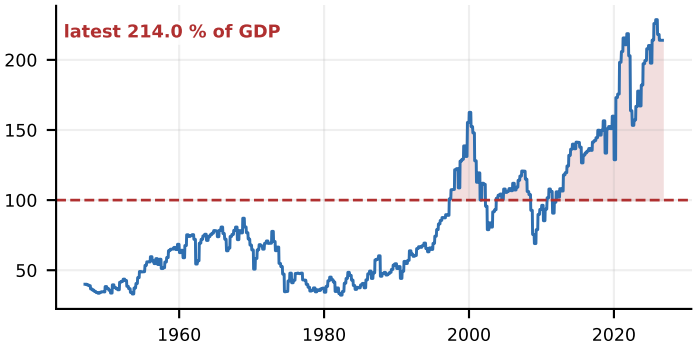
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Valuation

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	41.4	36.7	99	yes	12	+7.6%	-0.3pp	10
Cap-weighted S&P over its equal-weighted twi	99.4	92.2	99	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 +7.9%; a negative number means breaches were followed by a worse year than an ordinary one. 'Episodes' collapses consecutive breaching weeks into one event.

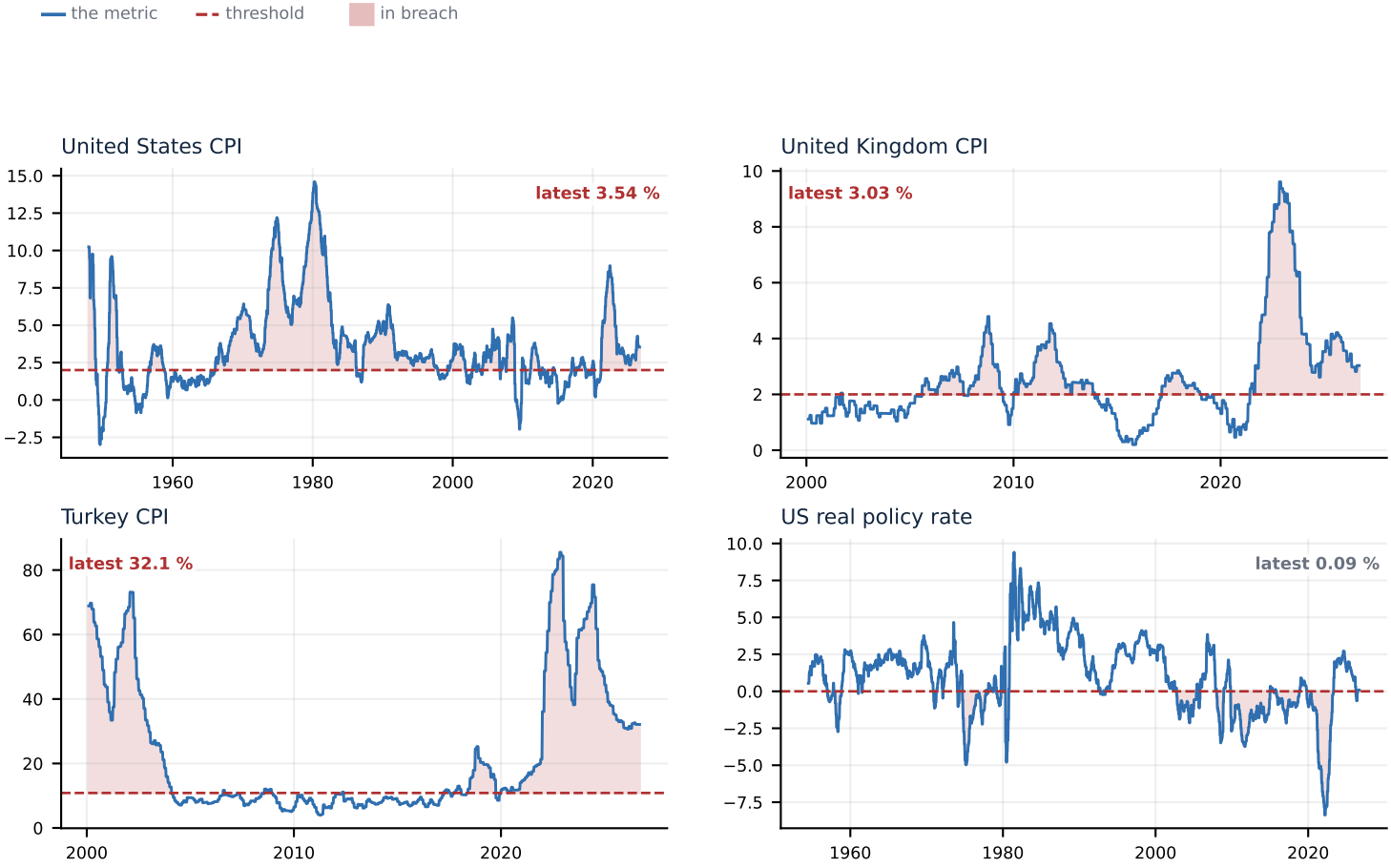
What this is saying

US equities are priced at 214% of GDP, a level seen in only two prior months since 1947 and one that has historically resolved through prices rather than through output catching up: the two years following those readings delivered a median return of -0.2% with a median drawdown of 24.8%. Nominal GDP has grown $1,388bn over the past year, but the arithmetic required to normalise this ratio through growth alone would take many years, and the past year's decline in the ratio came alongside a market that kept rising. CAPE at 41.4x sits in the 99th percentile since 1871 and has risen 2.25 points over the year; the three comparable readings, all clustered in 1999 and 2000, were followed by a median two-year return of -10.6% and a median trough of 26.1%. Against a baseline median two-year gain of 13.9%, both point to expected returns well below normal. The concentration figures qualify what that means in practice. The top seven names account for 34.4% of the S&P 500 and 58.6% of the Nasdaq 100, and the top ten for 39.6%. Yet the cap-weighted index stands at 99.4 against its equal-weighted twin, essentially level with where the comparison began, which places the valuation problem across the market rather than in a handful of leaders. Rotating into equal weight does not buy an escape from it. What the cap-weighted index does buy is less diversification than its breadth suggests: a third of the position sits in seven correlated names, so the drawdown risk in those historical analogues is concentrated in a small set of decisions. The single prior instance at this cap-to-equal-weight reading, May 2003, was followed by a 30.1% two-year gain with only an 8.0% deepest fall, which cuts against reading the ratio itself as a warning. Valuation at these levels shifts the odds over a horizon of years. It carries no information about when.

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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%	+0.6pp	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 +7.9%; 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 major economy in the table. US CPI at 3.54% has risen 0.55 over the past year, leaving it in the upper third of its postwar distribution and moving the wrong way. UK CPI at 3.03% has fallen 1.09, a genuine improvement that still leaves it a full point above the 2% mandate and at the 77th percentile of its post-2000 record. Turkey at 32.1% is a different problem entirely, roughly triple its own 10.8% threshold and barely improved over the year. The policy arithmetic follows. The US real policy rate sits at 0.09%, effectively zero and down 0.80 over twelve months, which is the 34th percentile of its history since 1954. That is not restrictive, and with nominal rates already cut 0.59 to 3.63% the Federal Reserve is easing into inflation that has not come down. Turkey, holding 37.0% against 32.1% inflation, retains a large positive real rate and the corresponding room to cut, and has been using it. The euro area at 2.25% against German inflation of 2.78% and Japan at 1.00% are tightening, not easing.

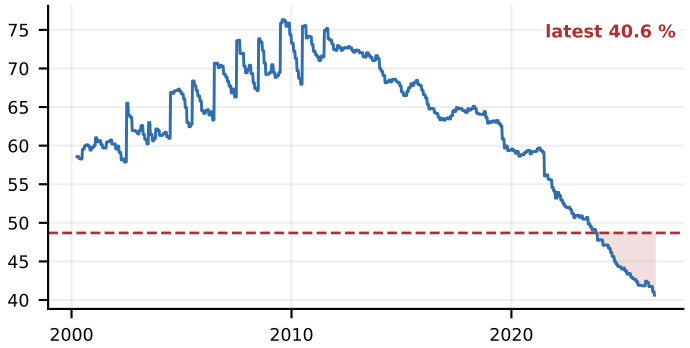
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The dollar as reserve currency

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

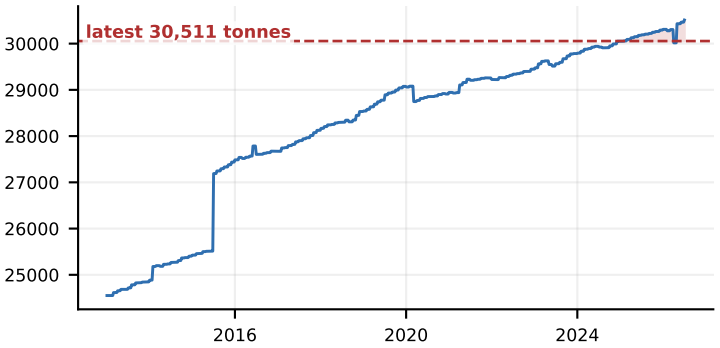
Foreign official share of Treasuries held abroad



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%	+5.6pp	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 +7.9%; 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 over the past year and $438bn over five years, while total foreign holdings have risen to $9,299bn, up $277bn on the year and $1,780bn over five. The official share of 40.6% is therefore doing two jobs at once: official balances have shrunk modestly in dollar terms, but the larger move is private demand growing far faster than anything the official sector is doing. TIC assigns holdings to the custodian, so a decline in a single country's line can reflect a move of custody rather than a sale. The gold side is where intent shows. China holds 2,366 tonnes, up 68 over the year and 418 over five; Poland 640 tonnes after adding 125 in a year and 408 in five; India 881 tonnes, up 177 over five years; Russia 2,277 and Turkey 773, both lower on the year but far above their decade starting points. The United States has not moved from 8,134 tonnes. This reads as reluctance to add dollars rather than flight from them, and China's gold remains small against $3,792bn of total reserves.

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

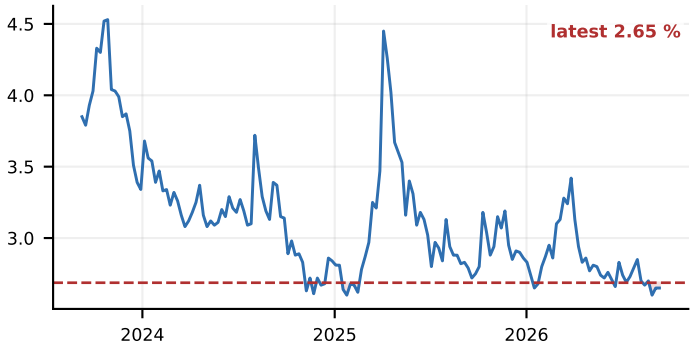
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Credit and financial stress

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

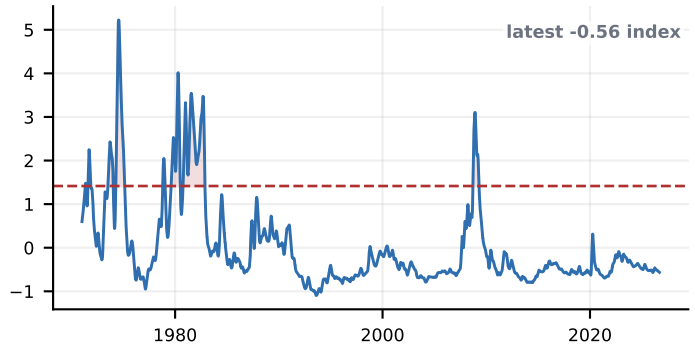
US high-yield spread



US BBB spread



Chicago Fed financial conditions



Metric	Latest	Threshold	Pctile	In breach	Episodes	S&P +52w	vs base	n
US high-yield spread	2.65	2.69	6	yes	3	+8.1%	+0.2pp	1
US BBB spread	1.00	0.96	27	no	2	+11.9%	+4.0pp	1
Chicago Fed financial conditions	-0.56	1.42	29	no	16	+7.9%	+0.0pp	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 +7.9%; 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

Credit is being watched from the tight side here, and that is the uncomfortable part. High-yield trades at 2.65%, through the 2.69 threshold and at the 6th percentile of its post-2023 range, with the past year shaving another 0.14 off. BBB sits at 1.00%, barely off its own threshold at the 27th percentile, essentially unchanged over twelve months. That credit record starts in 2023, so these percentiles describe roughly three years, not a cycle; the window flatters nothing but it also cannot tell you how tight is tight. What matters is the payout. At the low end of the range, investors are being handed close to the least compensation this sample offers for the same default risk, and the asymmetry is one-sided: spreads at 6% of their range have far more room to widen than to compress. Widening does the damage through price, not coupons, and it arrives faster than positioning adjusts. Financial conditions at -0.56 remain loose, the 29th percentile since 1971. The 83 prior episodes at this level produced a +17.6% two-year median with a -16.0% median drawdown along the way.

Why these are watched

US high-yield spread

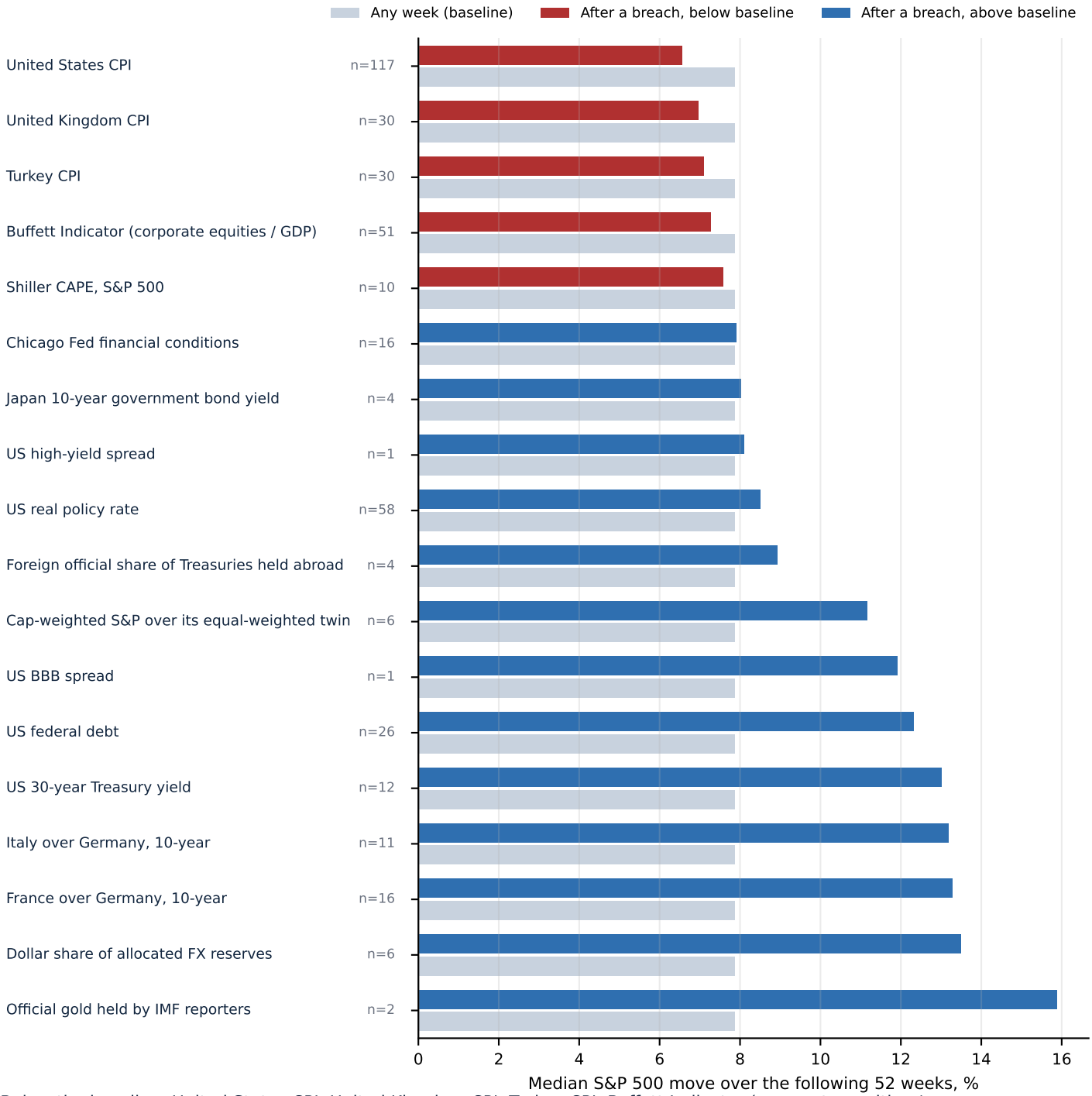
Watched from below. A spread near its historic lows is not a healthy credit market, it is a credit market charging nothing for default risk, and every widening has started from there.

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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.

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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	41.4	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	-0.56	83	+17.6%	-40.4%	-16.0%	-56.2%	+3.7pp
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	47	+25.1%	-5.4%	-10.1%	-37.8%	+11.2pp
Cap-weighted S&P over its equal-weighted twi	99.4	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 41.4, 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 41.41

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.

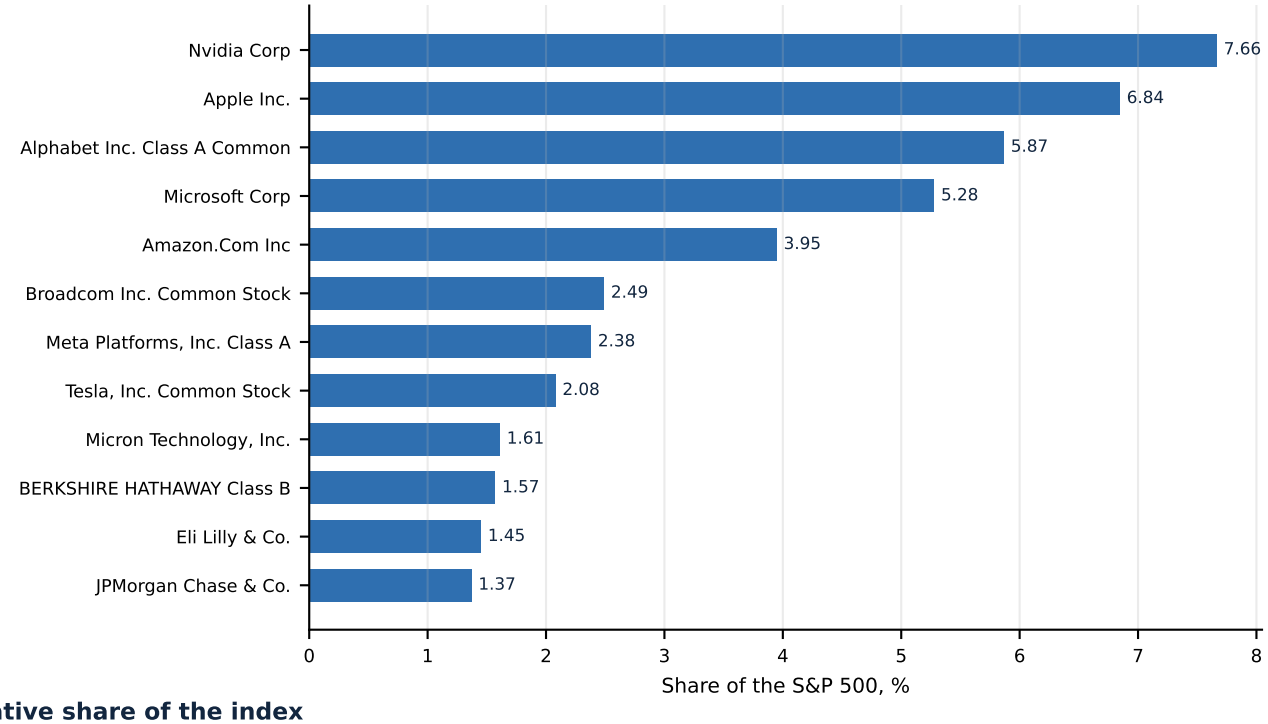
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Concentration

How much of the index a handful of companies actually are

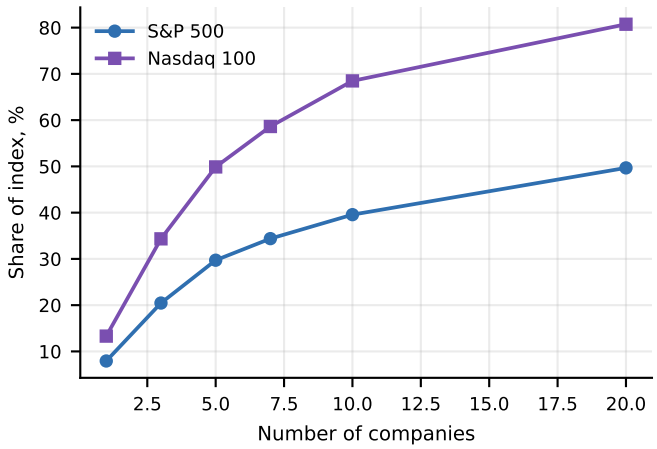
The valuation pages measure what the market costs. This measures how much of it is the same few companies, which is a separate risk: an index can be cheap and concentrated or expensive and broad. Share classes are merged to the company, because Alphabet sits in the index twice and ranking rows puts it 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	**7.9%**	13.3%
Top 3	**20.5%**	34.3%
Top 5	**29.7%**	49.9%
Top 7	**34.4%**	58.6%
Top 10	**39.6%**	68.5%
Top 20	**49.7%**	80.7%



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 99th percentile of that window. The panel records the weights at every run, so the history builds from here.



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Mitigation: what is still available, and whether it works

What the central banks can still do

The US real policy rate is 0.09%, the 34th percentile of its history since 1954. That figure is the whole of the conventional easing cushion, and spending it means cutting while US CPI runs at 3.54% against a 2.00% objective and UK CPI at 3.03%. A central bank that cuts from here is choosing to hold the real rate below zero for as long as inflation stays where it is, which is a decision to tolerate the overshoot rather than a remedy for it. Turkey, with CPI at 32.1% against a 10.8% median, marks where that road ends. The history is unhelpful to the easing case: across 117 prior episodes of US CPI above target, the median 52-week S&P move was +6.6%, below the +7.9% all-sample baseline.

What the treasuries can still do

US federal debt stands at 122.6% of GDP, the 98th percentile since 1966 and above the 100% mark. The offsetting fact is the long end, where the 30-year yields 5.22% at only the 48th percentile of its history since 1977, so the market is not yet charging a price that forecloses issuance. The constraint is the marginal buyer. Japan's 10-year at 2.67% sits at the 79th percentile since 1989, meaning the largest historical source of yield-indifferent foreign demand now has a domestic alternative that pays. Europe retains more room than the US: France trades 71.0bp over Germany and Italy 76.4bp, the latter at the 33rd percentile since 1991, so fiscal expansion there is not currently rationed by the spread.

Where the tools have already been used up

The reserve manager has already moved. The foreign official share of Treasuries held abroad is 40.6%, the 0th percentile since 2000; the dollar share of allocated FX reserves is 57.1%, the 3rd percentile since 1999; official gold held by IMF reporters is 30,511 tonnes, the 100th percentile since 2013. Policy cannot recall demand that has been reallocated. Credit offers no room either. High-yield spreads at 2.65% sit at the 6th percentile, BBB at 1.00% at the 27th, and Chicago Fed financial conditions at -0.56 at the 29th percentile. Easing works by loosening conditions, and conditions are already loose.

What would have to break first

Credit goes first, from the 6th percentile, and equity valuation supplies the depth. The Buffett Indicator is 214.0% of GDP and CAPE 41.4x, both at the top of their ranges, with the cap-weighted index at 99.4 against its equal-weighted twin. The record at these exact levels, from three prior CAPE instances and two Buffett instances, is a two-year S&P median of -10.6% and -0.2% respectively, with deepest falls of -26.1% and -24.8%, against a +13.9% two-year baseline and a -14.8% typical drawdown. Those are five observations in total. Eleven of eighteen watched metrics are in breach.

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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	source starts 2023-09, panel already has 2023-09; panel retained
credit.US_HY_OAS	source starts 2023-09, panel already has 2023-09; panel retained
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 2026-09
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

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