ABL Digital Broken Economy Report

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

Monthly edition | 10 October 2026

10 OF 18 FRACTURES IN BREACH

EXECUTIVE SUMMARY

Ten of eighteen watched metrics sit in breach. The most stretched are valuation and the dollar's reserve standing. The Buffett Indicator reads 255.0% of GDP, the highest in a record that starts in 1947, and Shiller CAPE is at 41.4x, its 99th percentile since 1871. Alongside those, the foreign official share of Treasuries held abroad has fallen to 40.8%, the lowest reading in the series since 2000, and the dollar's share of allocated FX reserves is 56.7%, its 2nd percentile since 1999. US federal debt at 122.6% of GDP and CPI at 3.71% complete the picture.

The two precedent tests point in opposite directions. The threshold test, which asks what followed the level being crossed, is near-silent: the median 52-week S&P move after a Buffett Indicator breach is +7.3% and after a CAPE breach +7.6%, both at or below the +7.9% baseline, and in cases like US CPI the metric has been above target for most of eight decades, which drains the signal. The at-today's-level test is harsher. CAPE has read 41.4x on three prior occasions, a count in single figures, and the median two-year move after those was -10.6% with a median deepest fall of -26.1%, against a +13.9% two-year baseline. Those three episodes are April 1999, November 1999 and May 2000. Official gold holdings tell a similar story from two prior readings, April and October 2021, with a median two-year move of -0.2% and a deepest fall of -24.8%.

The development most worth watching is the erosion of official dollar demand, now at 40.8% of Treasuries held abroad and 56.7% of allocated reserves, with IMF-reporter gold at 49,001 tonnes above its 48,648-tonne threshold. A recovery in the official Treasury share back above 47.8%, with the reserve share above 59.4%, would lift both from breach and remove the clearest mechanism by which high US debt at 122.6% of GDP becomes a funding problem rather than an arithmetic one.

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

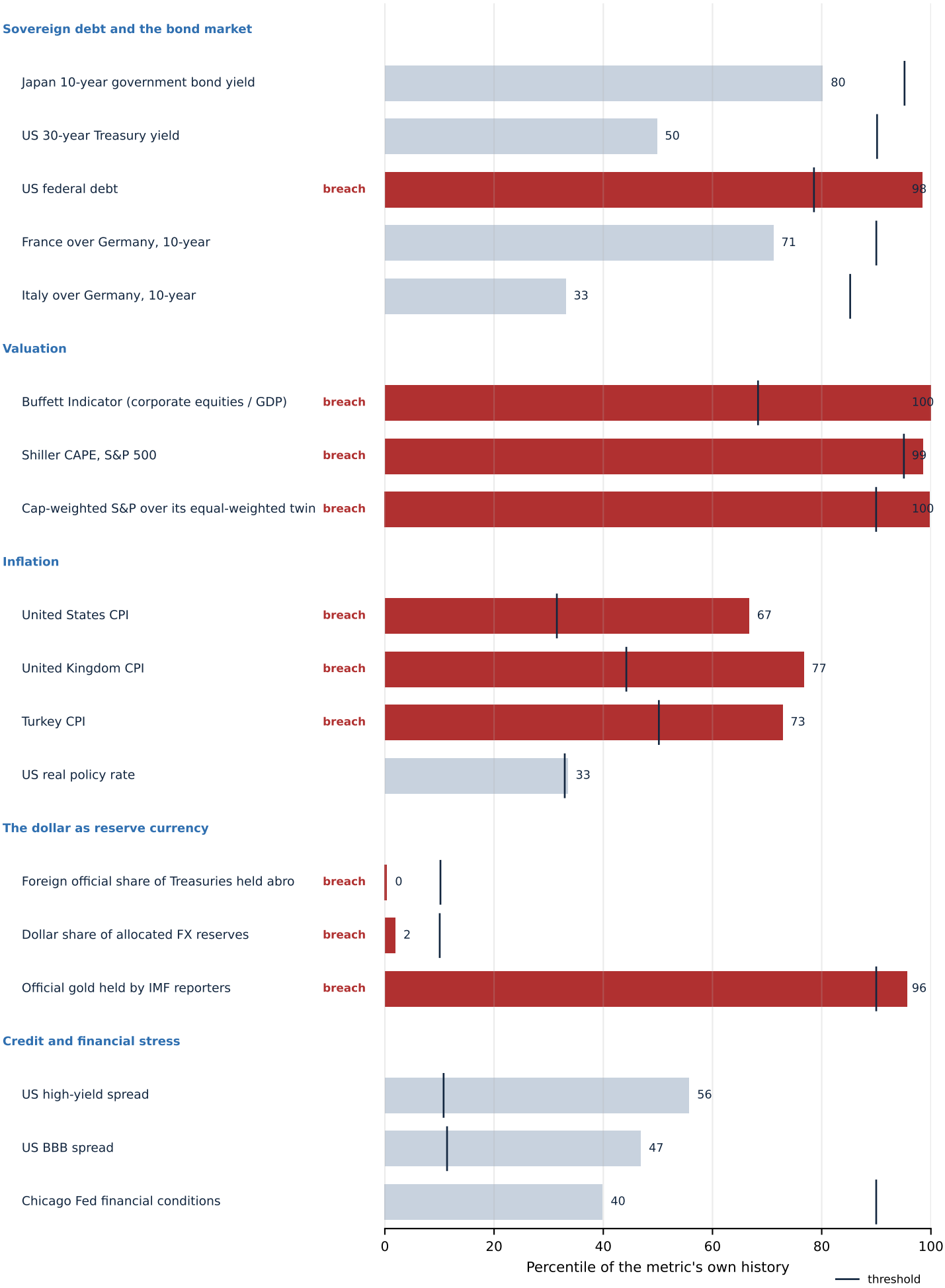
Panel	**314 instruments, 9,729 weeks**
History	**Jan 1871 to Oct 2026**
Panel vintage	**09 Oct 2026**
Fractures unavailable	**0**

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

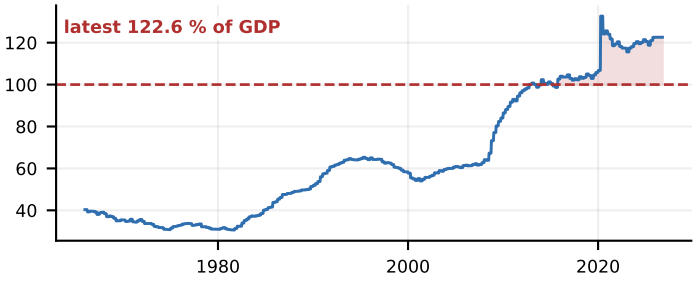
Japan 10-year government bond yield



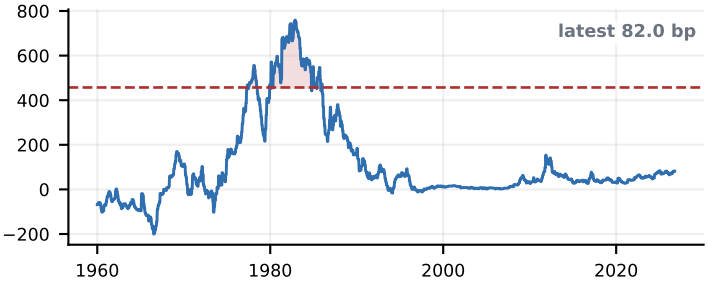
US 30-year Treasury yield



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	2.94	5.88	80	no	4	+8.0%	+0.1pp	4
US 30-year Treasury yield	5.37	10.6	50	no	12	+13.0%	+5.1pp	12
US federal debt	122.6	100.0	98	yes	28	+12.3%	+4.4pp	26
France over Germany, 10-year	82.0	457.1	71	no	16	+13.3%	+5.4pp	16
Italy over Germany, 10-year	80.6	351.6	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

The long end is carrying the adjustment. A 5.37% thirty-year yield sits at the middle of its post-1977 range, up 0.57 over the year, and the ten-year at 5.24% is the highest reading since that series began. With federal debt at 122.6% of GDP and flat on the year, the stock of borrowing is no longer the variable; the price of refinancing it is. Each rollover now happens at a coupon set near multi-decade highs rather than the near-zero terms of the 2010s, and that arithmetic compounds before any new deficit is added. Japan is the sharper break. A 2.94% ten-year, up 1.28 over twelve months and nearly three points over a decade, ends the funding condition that let the developed world's largest debt load be financed at almost no cost for a generation. Domestic paper now competes with the foreign assets Japanese capital bought, and that repatriation pressure arrives in the same markets absorbing heavier Treasury supply. France at 82.0 basis points over Germany, now wider than Italy's

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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)	255.0	100.0	100	yes	53	+7.3%	-0.6pp	51
Shiller CAPE, S&P 500	41.4	36.8	99	yes	12	+7.6%	-0.3pp	10
Cap-weighted S&P over its equal-weighted twi	102.4	92.3	100	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

At 255% of GDP, the highest since 1947, equity market value has pulled 26 points further from output in a single year. Nominal GDP added $1.1 trillion over that span and the ratio still widened. Past compressions of this measure have come through prices falling rather than output catching up, and growth cannot close a gap of this width. CAPE at 41.4x has been matched three times, in April 1999, November 1999 and May 2000. The two years after those readings returned a median -10.6% with a median deepest fall of 26.1%, against an all-period two-year median of +13.9% and a typical trough of -14.8%. The cap-weighted index sits at 102.4 against its equal-weighted twin, the widest since 2003, with seven companies holding 35.4% of the S&P 500 and 58.3% of the Nasdaq 100. A short list carries the index valuation, which leaves the equal-weighted market on better terms and makes a cap-weighted holding a concentrated position. Valuation sets the odds over years and says nothing about when.

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

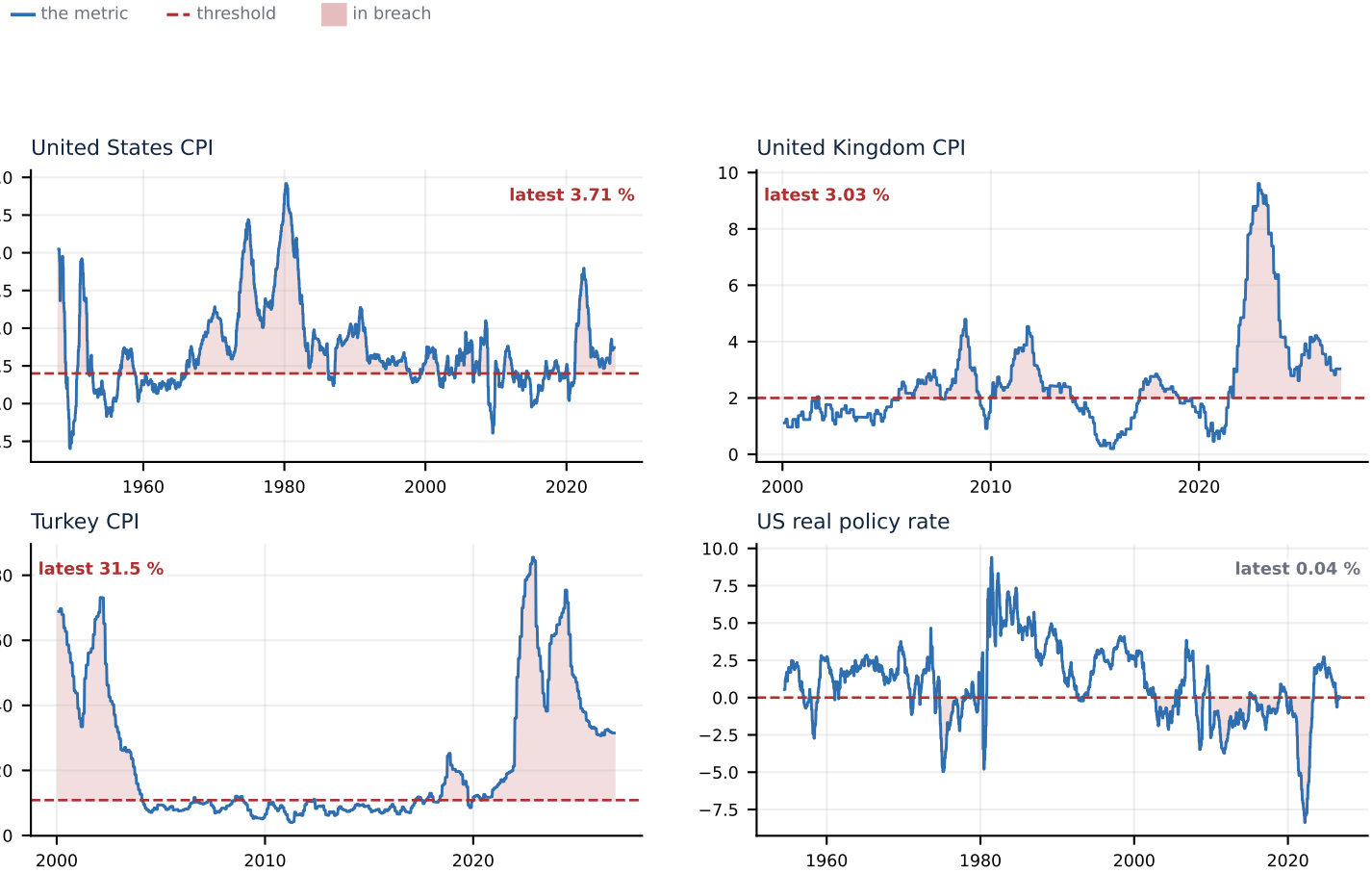
Cyclically adjusted price to earnings. Its own history is the right yardstick, which is why this is a percentile and not a level.

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

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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	3.71	2.00	67	yes	119	+6.6%	-1.3pp	117
United Kingdom CPI	3.03	2.00	77	yes	32	+7.7%	-0.1pp	31
Turkey CPI	31.5	10.9	73	yes	31	+7.2%	-0.6pp	29
US real policy rate	0.04	0.00	33	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

United States inflation is 3.71% against a 2.00 target and has risen 0.71 over the past year, the only one of the three breaches moving the wrong way; the United Kingdom at 3.03% and Turkey at 31.5% are both falling, by 1.01 and 1.79 respectively. The cost shows up in the real policy rate, which at 0.04% has dropped 0.68 over the year and sits in the 33rd percentile of its history. The Fed's 3.75% therefore buys almost no restraint, and any further easing puts policy below inflation outright. Turkey runs the opposite position, holding 37.0% against 31.5% inflation even after cutting 3.50, which leaves it the only one of these with real room to ease. The euro area has none: 2.25% already sits under German CPI of 2.86%, and the 0.25 added over the year did not change that. Japan at 1.00% is still moving the other way. US inflation at this level has historically been followed by a two-year equity median of +9.0% against a +13.9% baseline, with the same -14.8% drawdown en route.

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

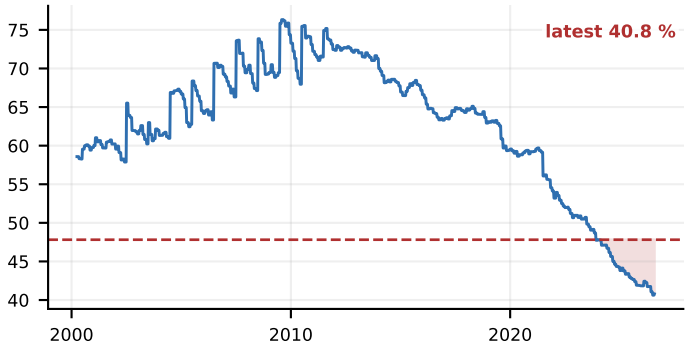
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The dollar as reserve currency

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

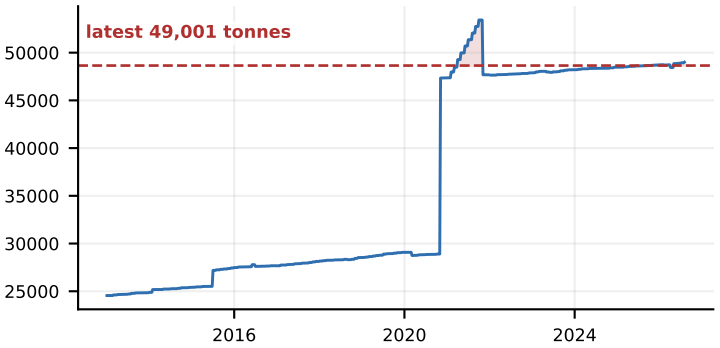
Foreign official share of Treasuries held abroad



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	40.8	47.8	0	yes	6	+10.1%	+2.3pp	5
Dollar share of allocated FX reserves	56.7	59.4	2	yes	8	+13.5%	+5.6pp	6
Official gold held by IMF reporters	49,001	48,648	96	yes	4	+11.5%	+3.6pp	3

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

The foreign official share of Treasuries held abroad sits at 40.8%, the lowest reading since 2000 and 7.0 points below threshold, and the arithmetic behind it is split. Official holdings did fall outright, to $3,773bn from a March 2020 peak of $4,264.9bn, down $119.4bn over the year and $442.8bn over five. But total foreign holdings rose to $9,248bn, up $154.5bn on the year and $1,729bn over five. The share collapsed because private demand expanded while official demand retreated. TIC assigns holdings to the custodian, so part of any single country's decline reflects a change of custodian rather than a sale. Official gold at 49,001 tonnes stands in the 96th percentile since 2013, up 373 tonnes on the year. China holds 2,387 tonnes, having added 86 over twelve months and 438 over five; Poland 648 tonnes, up 133 on the year and 418 over five; India 880.5 tonnes; Turkey 791.4; Russia 2,271, lower by 59 on the year. The United States has not moved from 8,134 tonnes. China's gold remains small against $3,855bn of total reserves, which is diversification at the margin rather than dollar liquidation.

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

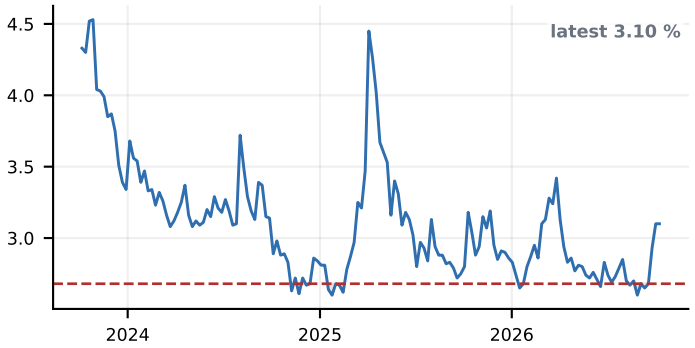
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Credit and financial stress

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

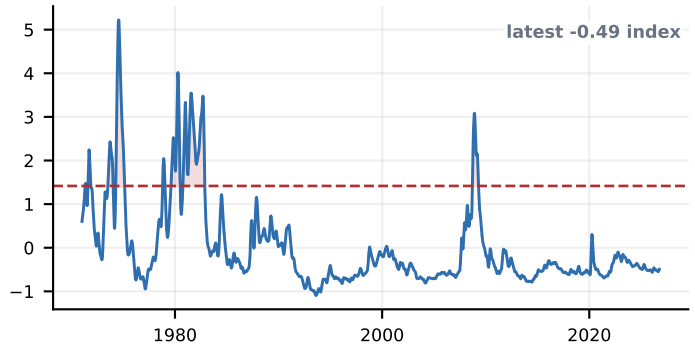
US high-yield spread



US BBB spread



Chicago Fed financial conditions



Metric	Latest	Threshold	Pctile	In breach	Episodes	S&P +52w	vs base	n
US high-yield spread	3.10	2.68	56	no	3	+8.1%	+0.2pp	1
US BBB spread	1.04	0.96	47	no	2	+11.9%	+4.0pp	1
Chicago Fed financial conditions	-0.49	1.42	40	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

High yield at 3.10% and BBB at 1.04% both sit above the levels that would mark a breach, since these series are watched from the tight side, where the warning comes from compensation compressing toward nothing. A spread at the low end of its range leaves lenders paid little for default risk and no cushion when pricing turns, and widening from such levels tends to arrive quickly. Neither is there yet. High yield has tightened 0.08 over the year and BBB has widened 0.02, with the readings in the 56th and 47th percentiles. The credit history here begins in 2023, so those percentiles describe a short window. Financial conditions at -0.49 against a 1.42 threshold carry the same message from a longer record. The strain visible now sits in rates, with the 10-year at 5.24% and at its series high, while the VIX at 15.6 has fallen 1.07 over the year. The two prior instances at today's high-yield level preceded a median two-year S&P gain of 28.5% with a 17.0% drawdown en route.

Why these are watched

US high-yield spread

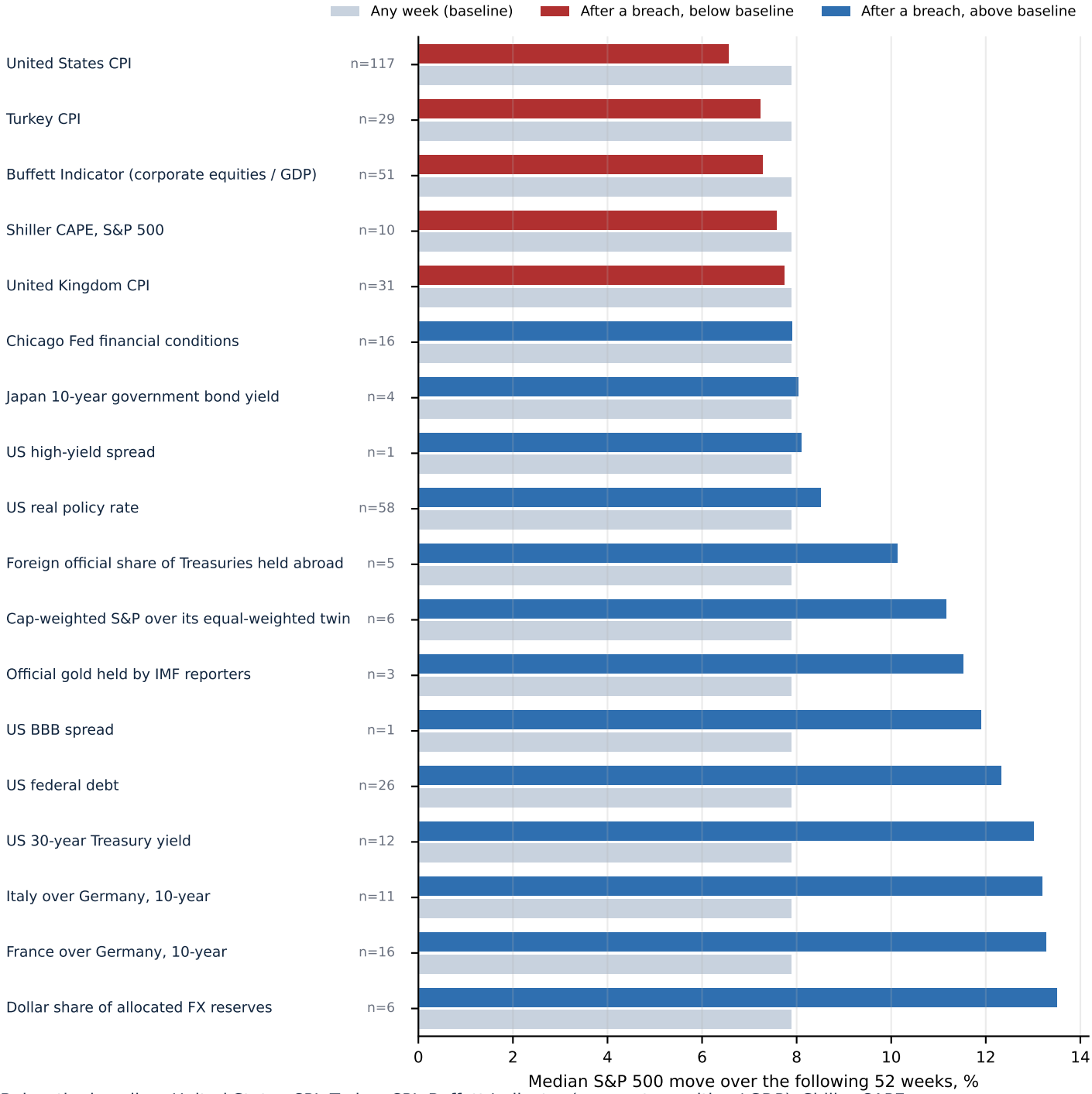
Watched from below. A spread near its historic lows is not a healthy credit market, it is a credit market charging nothing for default risk, and every widening has started from there.

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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, Turkey CPI, Buffett Indicator (corporate equities / GDP), Shiller CAPE, S&P 500. 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
Official gold held by IMF reporters	49,001	2*	-0.2%	-1.7%	-24.8%	-24.8%	-14.1pp
Turkey CPI	31.5	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%	+11.9pp
US high-yield spread	3.10	2*	+28.5%	+28.4%	-17.0%	-17.0%	+14.6pp
Chicago Fed financial conditions	-0.49	74	+16.5%	-56.0%	-15.8%	-56.2%	+2.6pp
United States CPI	3.71	63	+9.0%	-45.5%	-14.8%	-54.7%	-4.9pp
US real policy rate	0.04	58	+15.0%	-28.0%	-13.9%	-52.1%	+1.1pp
US 30-year Treasury yield	5.37	53	+14.9%	-40.7%	-12.7%	-40.7%	+1.0pp
France over Germany, 10-year	82.0	42	+12.9%	-29.2%	-12.7%	-33.3%	-1.0pp
US federal debt	122.6	2*	+52.5%	+22.7%	-12.5%	-18.1%	+38.6pp
Italy over Germany, 10-year	80.6	47	+25.1%	-5.4%	-10.1%	-37.8%	+11.2pp
Japan 10-year government bond yield	2.94	16	+17.7%	+8.1%	-7.5%	-18.3%	+3.8pp

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; Official gold held by IMF reporters at 49,000.8, 2 prior occasions, median -0.2% over the following two years; Turkey CPI at 31.5, 12 prior occasions, median +9.5% over the following two years.

The episodes themselves

Shiller CAPE, S&P 500, at or beyond 41.38

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%

Official gold held by IMF reporters, at or beyond 49,000.77

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

US high-yield spread, at or beyond 3.10

Mar 2024	next two years +28.7%	deepest fall -17.0%
Oct 2024	next two years +28.4%	deepest fall -17.0%

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.

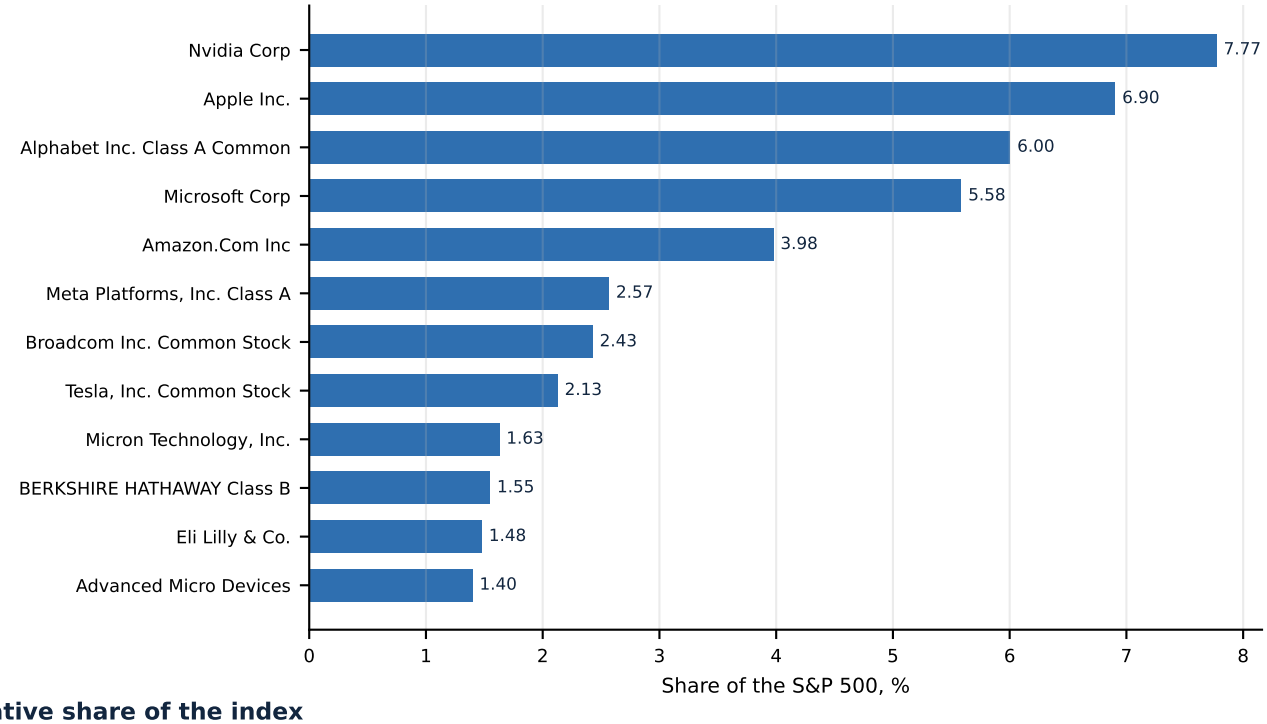
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Concentration

How much of the index a handful of companies actually are

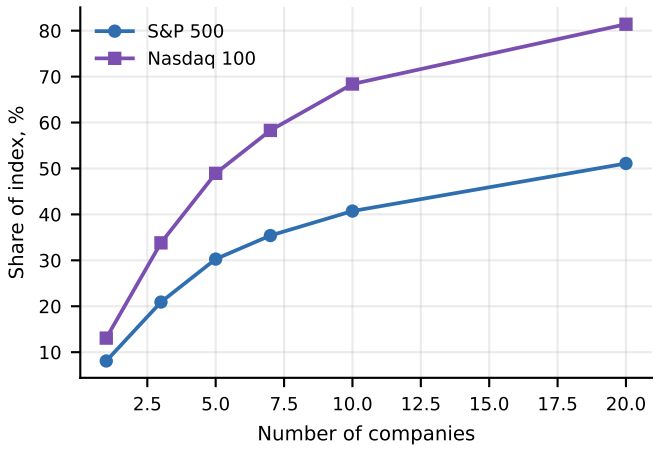
The valuation pages measure what the market costs. This measures how much of it is the same few companies, which is a separate risk: an index can be cheap and concentrated or expensive and broad. Share classes are merged to the company, because Alphabet sits in the index twice and ranking rows puts it 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	**8.1%**	13.1%
Top 3	**20.9%**	33.8%
Top 5	**30.3%**	48.9%
Top 7	**35.4%**	58.3%
Top 10	**40.7%**	68.4%
Top 20	**51.1%**	81.4%



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 100th 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 binding constraint is that US CPI stands at 3.71% against a 2.00% target, with the UK at 3.03% and the real US policy rate at 0.04%. A central bank cutting from here is cutting into above-target inflation with no real buffer to give back. The room exists in name only: the real policy rate sits at the 33rd percentile of its history since 1954, so the easing already delivered has been absorbed rather than banked. Readings at that level have been followed by an S&P median of +15.0% over two years with a median deepest fall of -13.9%, which is a tolerable return distribution and not evidence that the cut worked on inflation. Where the tool still functions cleanly is liquidity rather than rates. Chicago Fed financial conditions at -0.49, the 40th percentile since 1971, leave the balance sheet available for a funding event without competing against the inflation mandate.

What the treasuries can still do

Fiscal capacity is the question of price, not permission. US federal debt at 122.6% of GDP sits at the 98th percentile since 1966 and in breach of the 100% threshold, and the 30-year yield at 5.37% is where that debt has to be refinanced. The long end is already demanding more: the 30-year is at the 50th percentile of its history since 1977, which places today's level in the middle of a range that included far higher nominal yields, and the burden now rests on a debt stock twice the size. Europe retains the cleaner balance sheet by market consent rather than by design. France trades 82.0bp over Germany and Italy 80.6bp, the latter at the 33rd percentile since 1991, so peripheral issuance is not yet being rationed. Japan's 10-year at 2.94% is at the 80th percentile since 1989, which removes the anchor that made Japanese fiscal expansion costless.

Where the tools have already been used up

Valuation absorbed the previous round. The Buffett Indicator at 255.0% of GDP and CAPE at 41.4x sit at the 100th and 99th percentiles, and cap-weighted leadership over the equal-weighted index at 102.4 is at its 2003-onward high. CAPE at this reading has occurred three times, and the two years after each returned a median of -10.6% with a median deepest fall of -26.1%, against a two-year baseline of +13.9% and -14.8%. Reserve managers have already voted: the dollar share of allocated reserves is 56.7% at the 2nd percentile since 1999, the foreign official share of Treasuries held abroad is 40.8% at the 0th percentile, and official gold holdings of 49,001 tonnes sit at the 96th percentile. That is the substitution happening at the margin, before any new issuance arrives.

What would have to break first

Credit, and it has not. High-yield spreads at 3.10% and BBB at 1.04% are near the bottom of their post-2023 range. Ten of eighteen metrics are in breach, and breaches of this set have historically been followed by 52-week S&P moves clustered around the +7.9% baseline, with 31% of all such windows ending lower regardless. The sequence that forces the issue runs through the long end repricing faster than the fiscal path can adjust, with the 30-year and the Japanese 10-year as the instruments to watch.

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

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