Economic Indicators 101 to 404

GIOA Annual Conference

March 23, 2022

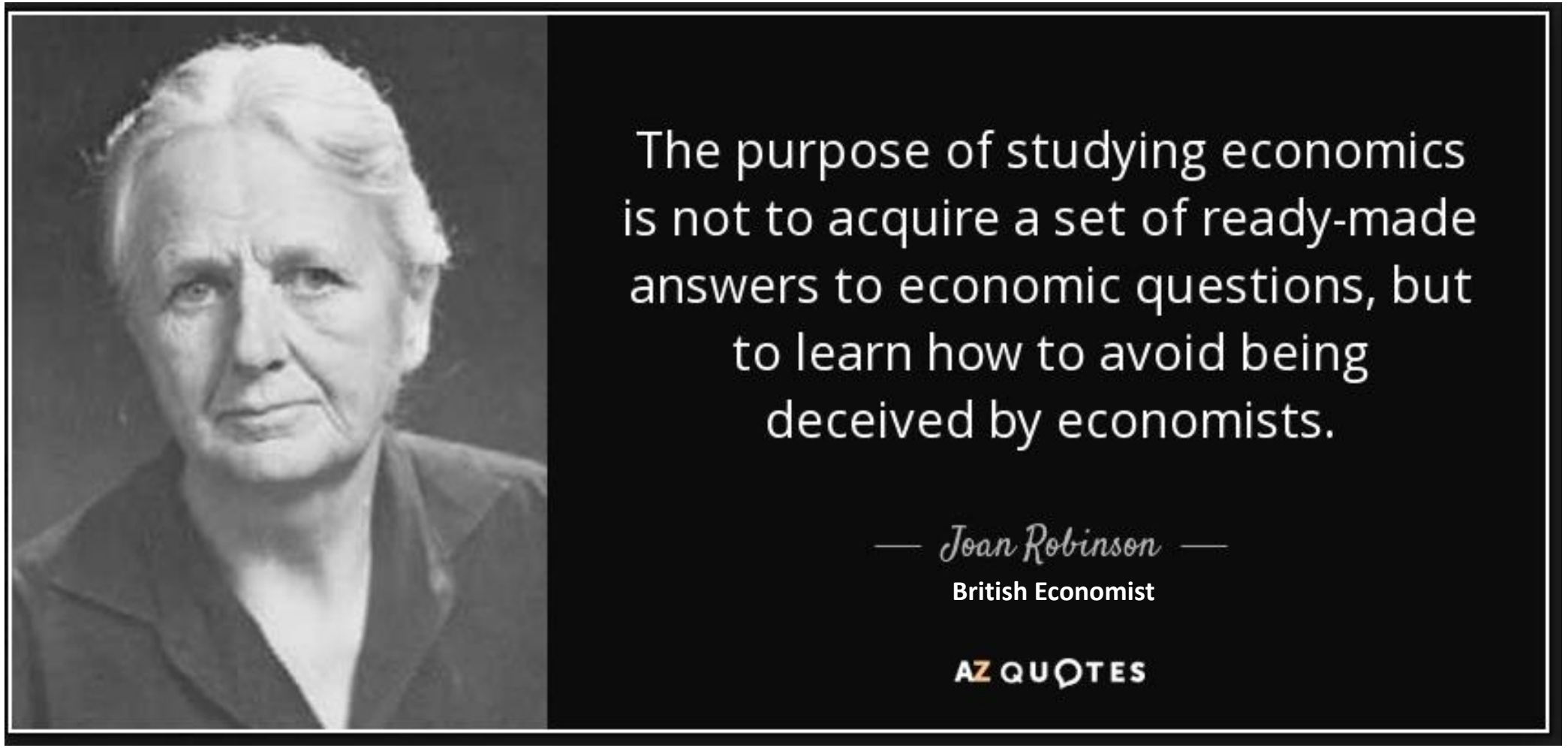
Rick Phillips
GIOA Founder
President, FHN Financial Main Street Advisors

Background

Rick Phillips

- FHN Main Street Advisors President-2005 to Present
- Clark County Nevada Chief Investment Officer-1998 to 2005
- City of Las Vegas Investment Officer-1989 to 1998
- Government Investment Officers Association (GIOA) Founder

- FHN Main Street manages and consults on ~$70 Billon of AUM for States and Local Govt



Source: Google

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Value of Data

Value of Insight

iPhones Have **100,000 Times More Processing Power Than Apollo 11 Computer**. iPhones have over 100,000 times more processing power than the Apollo 11 computer; with 4GB of RAM they have over a million times more memory, and with 512GB of storage they have over seven million times more storage. Jul 17, 2019

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Be Careful of This One

Source: Google

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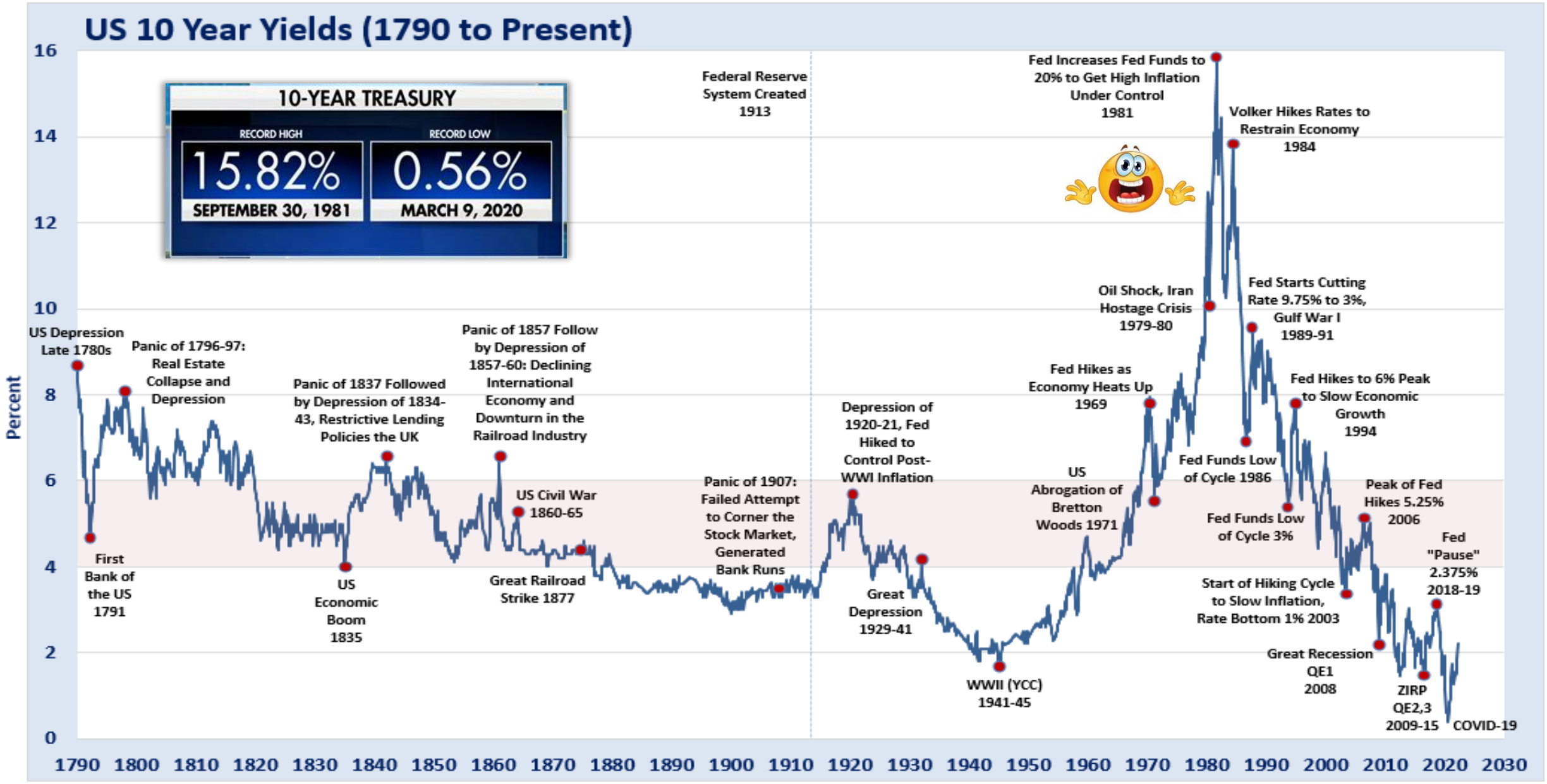
Fantastic Fundamentals of Treasury Programs

1. **Longer Duration Will Generate More Investment Income Over the Long Run**
2. Detailed Asset/Liability Matching Model (aka: Cash Flow Model) is a Must
3. Interest Rate Risk (WAM/Duration) Matches Cash Flow Metrics
4. Credit Can Enhance Income, But Duration is the Bigger Determinant of Income
5. **You…Nor Anyone Else Can't Time the Market Accurately Over the Long Run**
6. Limit Optionality (Callables) in the Portfolio
7. Do Not Let GASB 31 (mark-to-market) Drive Investment Decisions/WAM-Duration
8. Understand the Risks of Funds in LAIF and Other Pools
9. Follow GAAP (Generally Accepted Accounting Principles)
10. Benchmark Your Investment Program and Portfolio in Multiple Ways
11. Tell the Story: Provide Quality, Timely, Transparent Reporting

Source: FHN Main Street

US 10 Year Yields (1790 to Present)



Sources: Goldman Sachs, Global Financial Database, Arbor Research 1790 to 1831 British Consols, 1831 to 1919 High-Grade Long Term Railroad, 1919 to Date 10Yr Treasuries

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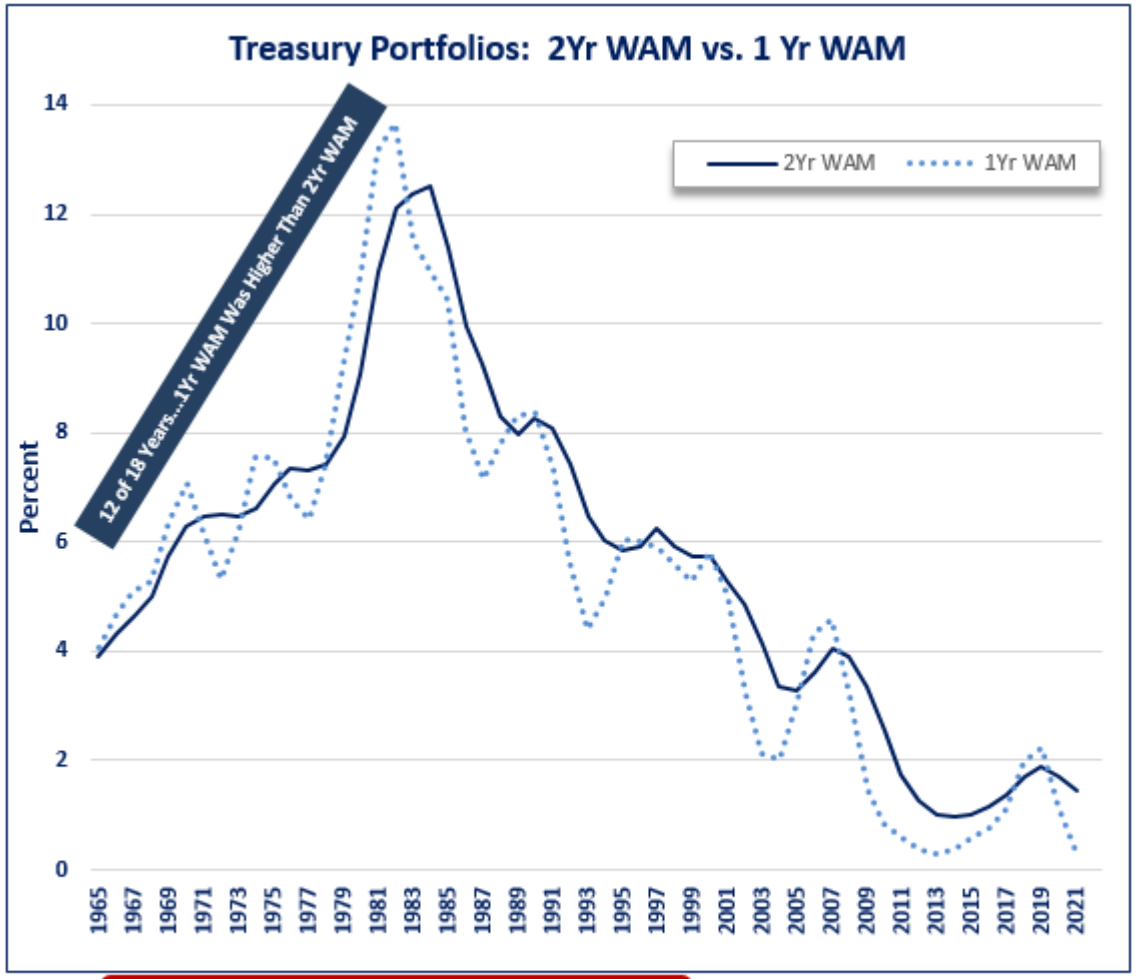
1 Year WAM vs. 2 Year WAM: A Long View of Returns

-174 BP/Yr>

Year	1Y WAM	2Y WAM	Var
1965	4.06	3.90	(0.16)
1966	4.70	4.30	(0.40)
1967	5.09	4.63	(0.46)
1968	5.28	5.00	(0.29)
1969	6.38	5.73	(0.65)
1970	7.08	6.27	(0.81)
1971	6.18	6.45	0.28
1972	5.30	6.49	1.19
1973	6.24	6.48	0.24
1974	7.57	6.60	(0.97)
1975	7.56	7.05	(0.51)
1976	6.77	7.33	0.57
1977	6.43	7.31	0.88
1978	7.40	7.44	0.04
1979	9.23	7.93	(1.30)
1980	10.95	9.07	(1.88)
1981	13.17	10.94	(2.22)
1982	13.68	12.11	(1.57)
1983	11.50	12.36	0.86
1984	10.93	12.50	1.57
1985	10.46	11.38	0.93
1986	8.07	9.94	1.87
1987	7.14	9.24	2.10
1988	7.75	8.31	0.56
1989	8.34	7.97	(0.37)
1990	8.37	8.25	(0.11)
1991	7.32	8.07	0.75
1992	5.63	7.42	1.79
1993	4.41	6.49	2.08

Year	1Y WAM	2Y WAM	Var
1994	4.99	6.03	1.03
1995	6.05	5.84	(0.21)
1996	6.00	5.92	(0.08)
1997	5.91	6.26	0.35
1998	5.56	5.93	0.37
1999	5.28	5.73	0.45
2000	5.84	5.75	(0.09)
2001	5.04	5.29	0.25
2002	3.23	4.87	1.64
2003	2.15	4.12	1.98
2004	2.02	3.35	1.34
2005	3.12	3.27	0.16
2006	4.33	3.60	(0.74)
2007	4.59	4.06	(0.53)
2008	3.18	3.91	0.73
2009	1.48	3.37	1.89
2010	0.83	2.56	1.73
2011	0.58	1.74	1.17
2012	0.36	1.26	0.89
2013	0.29	1.02	0.73
2014	0.39	0.96	0.57
2015	0.57	0.99	0.42
2016	0.76	1.14	0.38
2017	1.12	1.37	0.25
2018	1.96	1.72	(0.24)
2019	2.25	1.89	(0.36)
2020	1.18	1.72	0.53
2021	0.33	1.44	1.11
2022			



1Yr WAM Avg Yield= 5.30%

2Yr WAM Avg Yield= 5.65%

2Yr WAM vs. 1Yr WAM Yield = 0.35% Per Year

Notes: 2Yr WAM is the 48 month moving average of the 4yr treasury, the 1Yr WAM is the 24 month moving average of the 2 year treasury
The 4yr treasury is the average of the 3yr and 5yr treasury, since the US Treasury does not issue a 4 yr treasury

Source: Bloomberg, FHN Main Street

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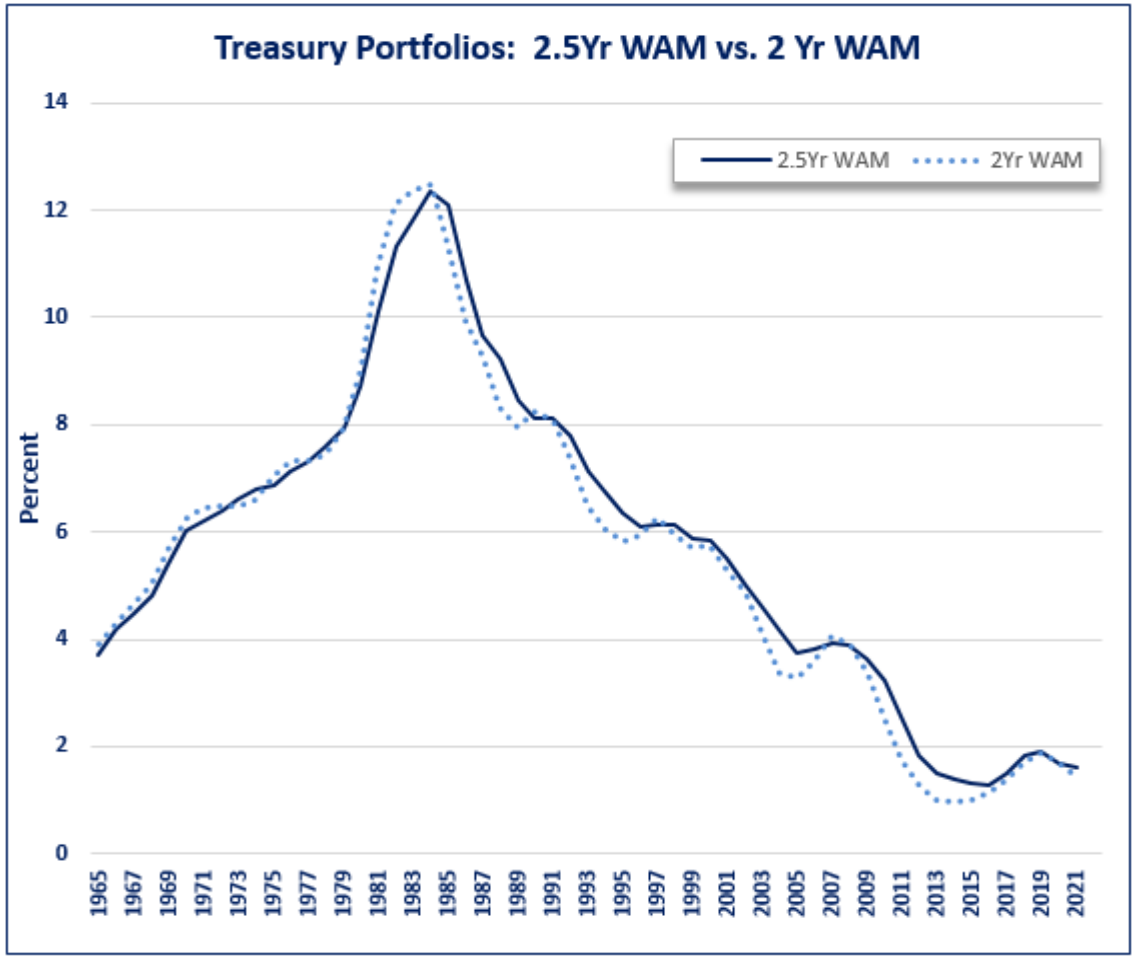
2 Year WAM vs. 2.5 Year WAM: A Long View of Returns

Year	2Y WAM	2.5Y WAM	Var
1965	3.90	3.70	(0.20)
1966	4.30	4.19	(0.11)
1967	4.63	4.47	(0.16)
1968	5.00	4.81	(0.19)
1969	5.73	5.42	(0.31)
1970	6.27	6.04	(0.22)
1971	6.45	6.22	(0.23)
1972	6.49	6.40	(0.10)
1973	6.48	6.63	0.15
1974	6.60	6.80	0.20
1975	7.05	6.88	(0.17)
1976	7.33	7.12	(0.21)
1977	7.31	7.32	0.01
1978	7.44	7.61	0.17
1979	7.93	7.95	0.02
1980	9.07	8.70	(0.37)
1981	10.94	10.11	(0.83)
1982	12.11	11.31	(0.80)
1983	12.36	11.81	(0.55)
1984	12.50	12.35	(0.15)
1985	11.38	12.08	0.70
1986	9.94	10.70	0.76
1987	9.24	9.68	0.45
1988	8.31	9.22	0.91
1989	7.97	8.47	0.50
1990	8.25	8.12	(0.13)
1991	8.07	8.13	0.06
1992	7.42	7.78	0.36
1993	6.49	7.12	0.63

Year	2Y WAM	2.5Y WAM	Var
1994	6.03	6.75	0.72
1995	5.84	6.36	0.52
1996	5.92	6.12	0.20
1997	6.26	6.12	(0.14)
1998	5.93	6.12	0.20
1999	5.73	5.90	0.17
2000	5.75	5.85	0.10
2001	5.29	5.52	0.23
2002	4.87	5.04	0.17
2003	4.12	4.61	0.48
2004	3.35	4.18	0.83
2005	3.27	3.76	0.49
2006	3.60	3.80	0.20
2007	4.06	3.92	(0.13)
2008	3.91	3.89	(0.02)
2009	3.37	3.64	0.27
2010	2.56	3.22	0.66
2011	1.74	2.57	0.83
2012	1.26	1.84	0.58
2013	1.02	1.51	0.49
2014	0.96	1.40	0.45
2015	0.99	1.32	0.33
2016	1.14	1.29	0.14
2017	1.37	1.52	0.15
2018	1.72	1.83	0.11
2019	1.89	1.90	0.01
2020	1.72	1.70	(0.02)
2021	1.44	1.60	0.16
2022			



2Yr WAM Avg Yield= 5.65%

2.5Yr WAM Avg Yield= 5.80%

2.5Yr WAM vs. 2Yr WAM Yield = 0.15% Per Year

Notes: 2Yr WAM is the 48 month moving average of the 4yr treasury, the 2.5Yr WAM is the 60 month moving average of the 5 year treasury
The 4yr treasury is the average of the 3yr and 5yr treasury, since the US Treasury does not issue a 4 yr treasury

Source: Bloomberg, FHN Main Street

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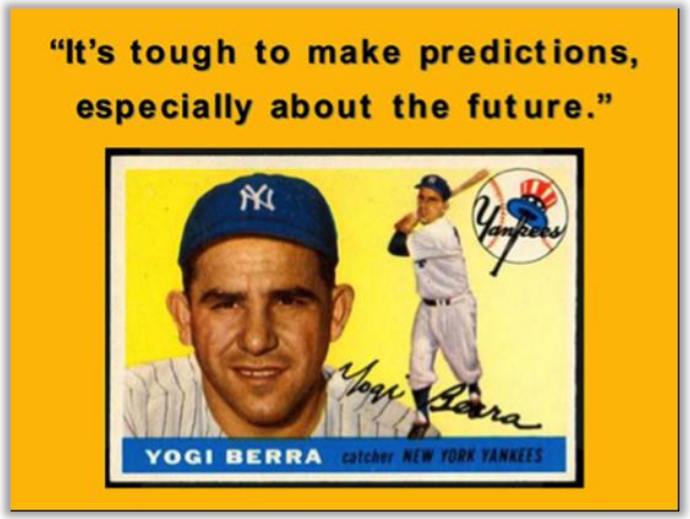
Timing the Market/Economy

"The only function of economic (and interest rate) forecasting is to make astrology look respectable."
John Kenneth Galbraith, Economist

"The Federal Reserve is currently not forecasting a recession."
Ben Bernanke (former Fed Chair), January 10, 2008

"Our ability to forecast is limited".
Alan Greenspan (former Fed Chair) November 2019



Source: Google

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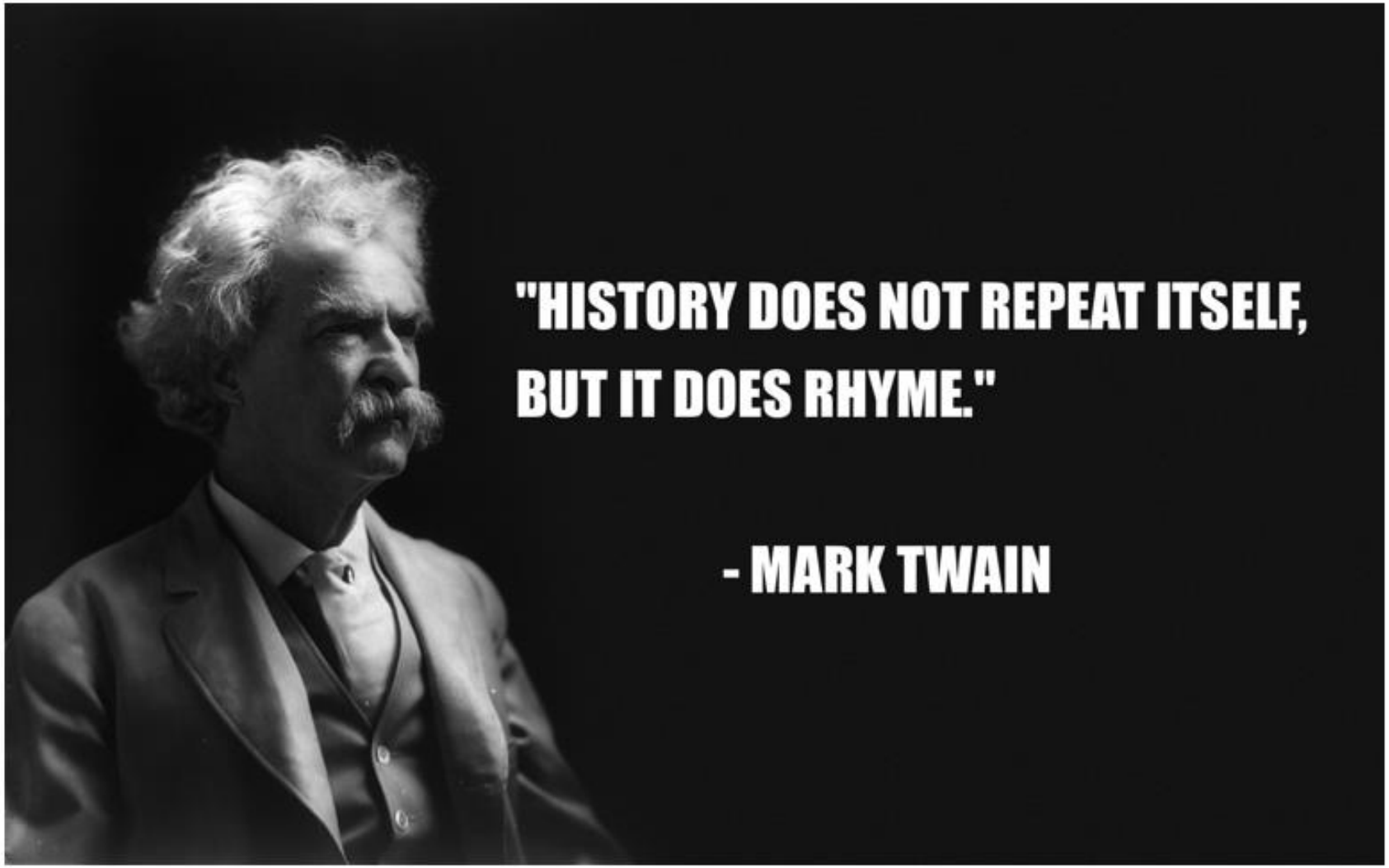
Looking for Patterns and Insights



Source: Google

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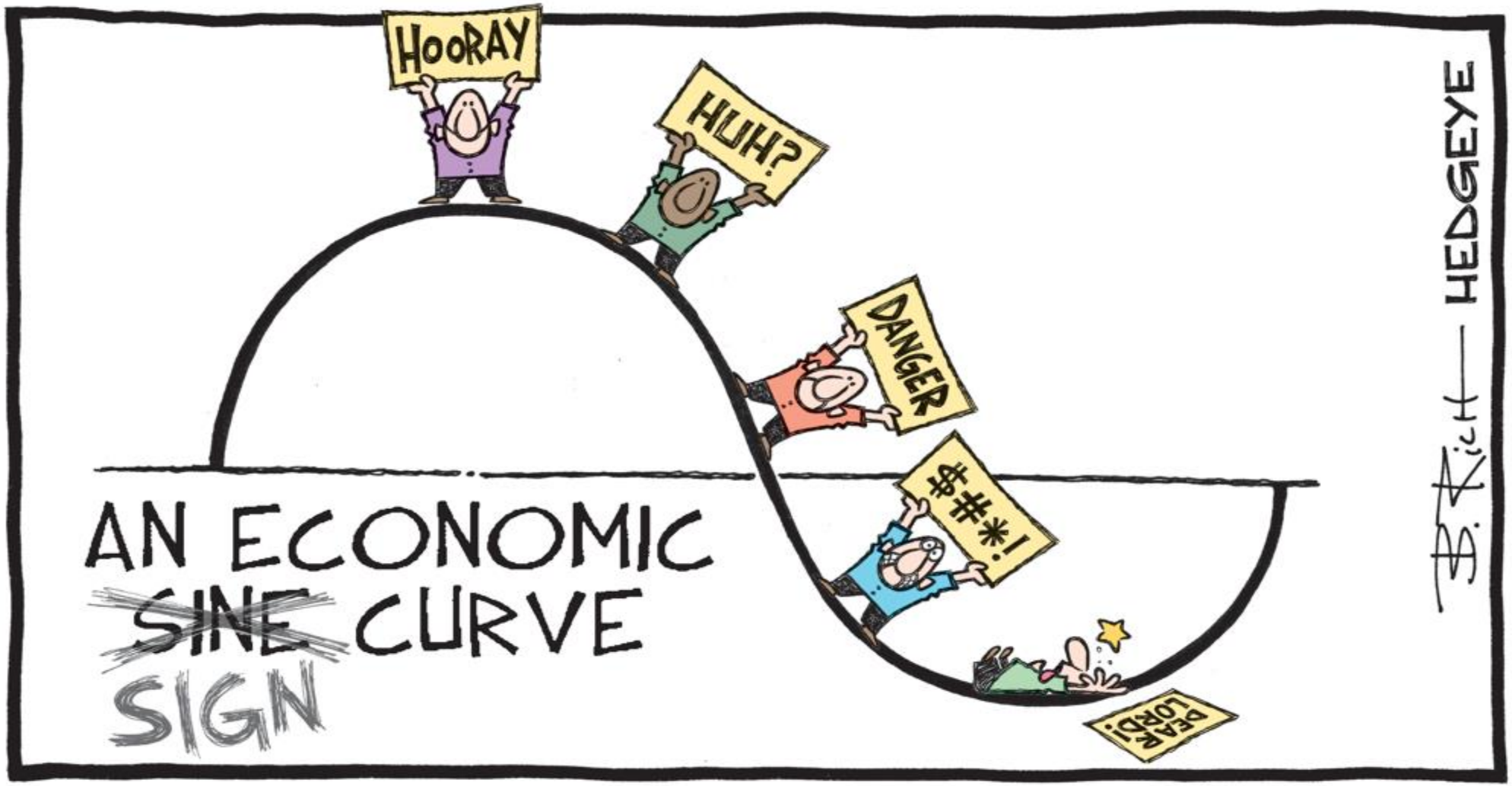
Remember the Sine Curve from Your Trig Class? Well It Applies to Economics As Well



Insight: Absolute Value vs. Rate of Change Value

Source: Hedgeye

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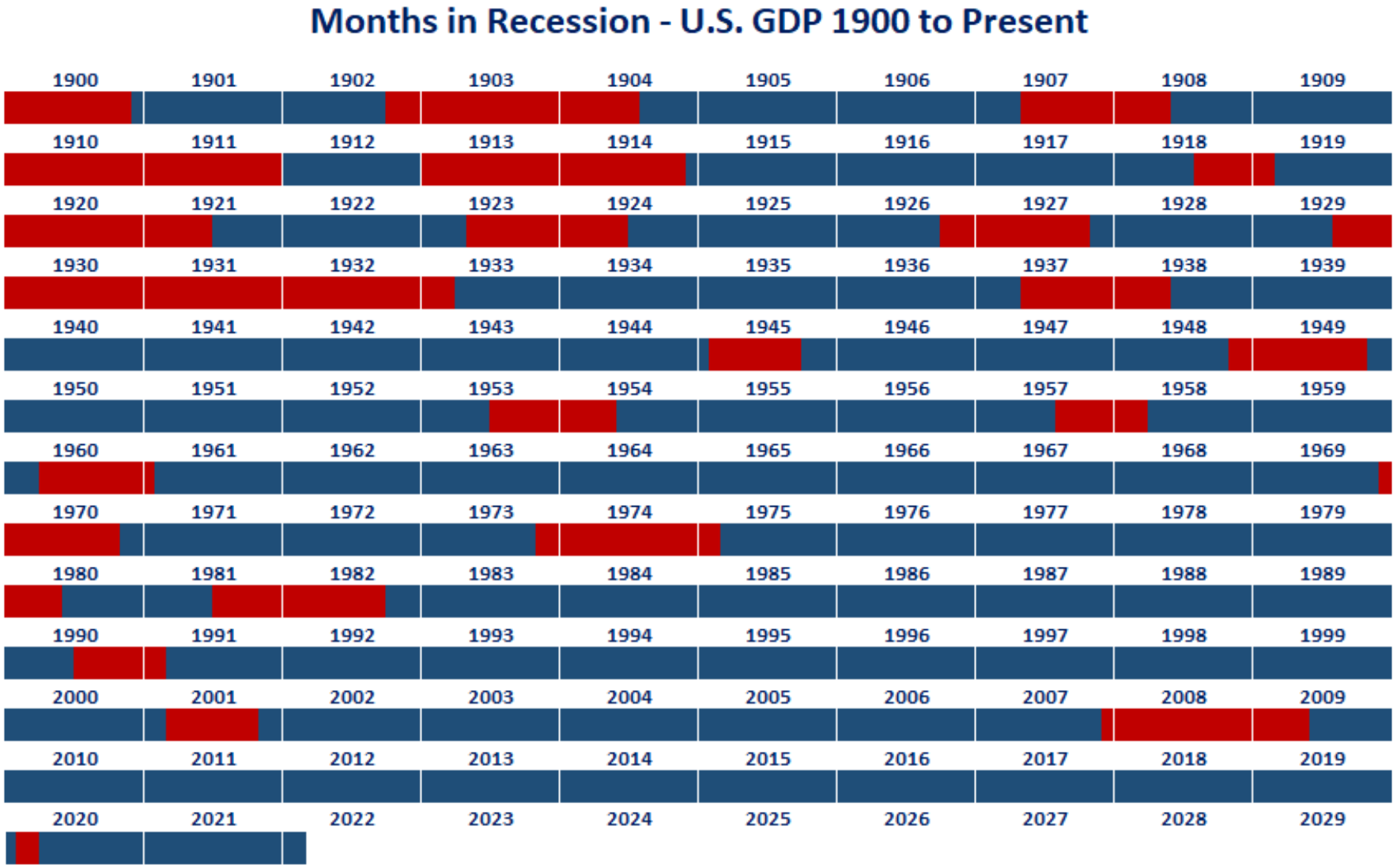
The Big One…GDP: Recessions Have Become Less Frequent…Expansions Longer



Source: The National Bureau of Economic Research

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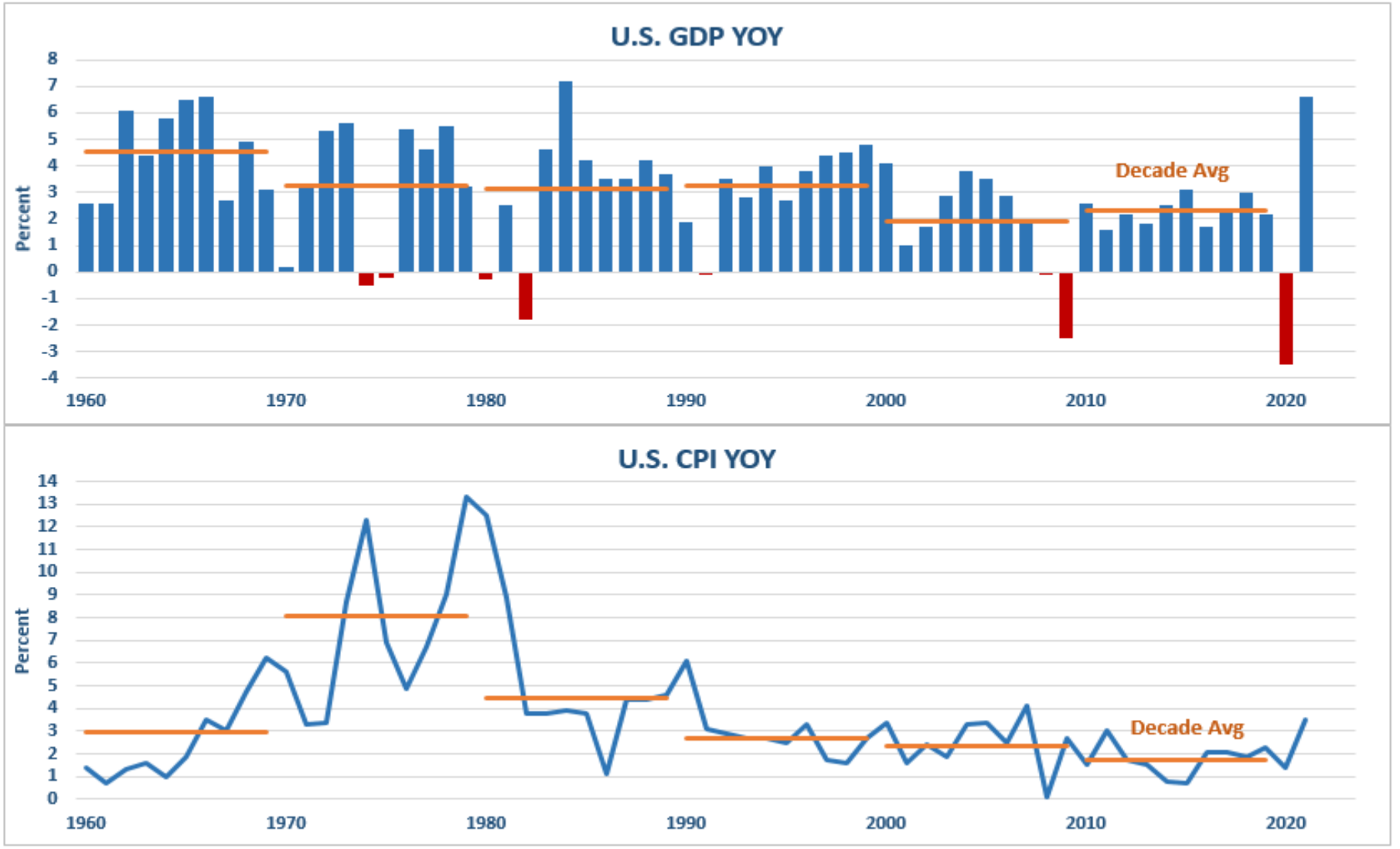
GDP/CPI: Decade Averages



Source: Bloomberg

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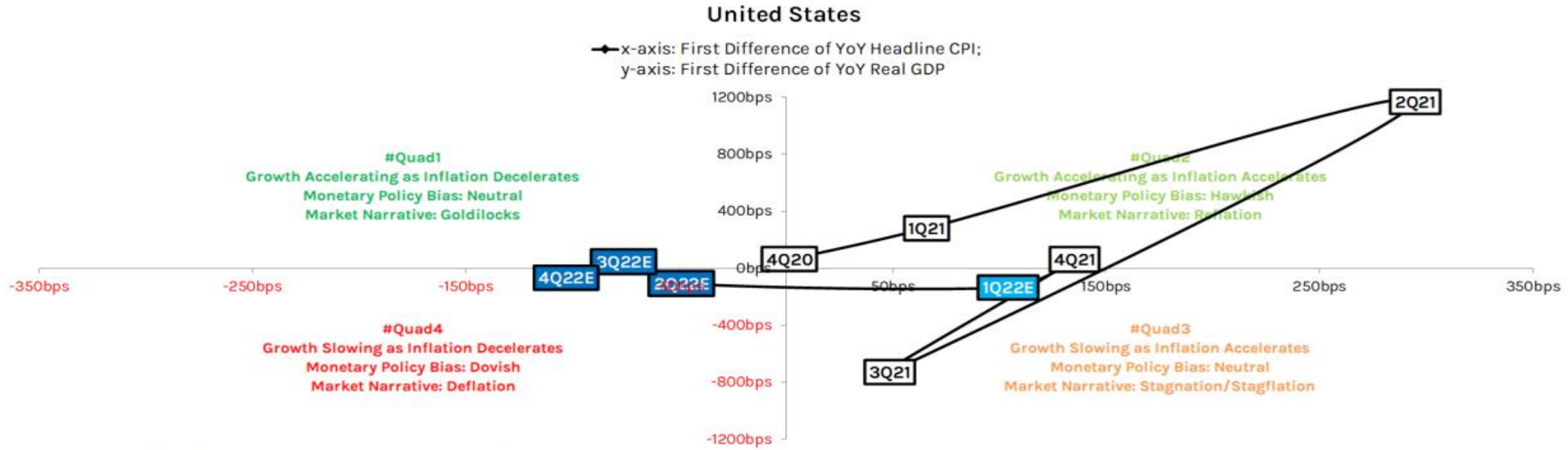
Economic Quadrants: ROC

What Are The Quads?

HEDGEYE

Our GIP Model is a quantitatively oriented, regime-based framework that helps investors proactively prepare for volatility phase transitions within and across asset classes by triangulating the three factors that matter most to Macro Risk Management – i.e. GROWTH, INFLATION, and POLICY.

United States	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	← Actuals | Estimates →	1Q22E	2Q22E	3Q22E	4Q22E
Real GDP QoQ SAAR	2.40%	3.20%	2.80%	1.90%	-5.10%	-31.20%	33.80%	4.50%	6.30%	6.70%	2.30%	7.00%	Real GDP QoQ SAAR	0.99%	2.43%	4.08%	4.22%
Real GDP YoY	2.15%	2.11%	2.32%	2.57%	0.63%	-9.08%	-2.89%	-2.26%	0.55%	12.23%	4.95%	5.56%	Real GDP YoY	4.22%	3.16%	3.62%	2.96%
2yr Comparative Base Effects	2.45%	2.72%	2.66%	2.52%	2.58%	2.70%	2.69%	2.45%	1.39%	-3.49%	-0.28%	0.15%	2yr Comparative Base Effects	0.59%	1.57%	1.03%	1.65%
Headline CPI YoY	1.64%	1.81%	1.76%	2.03%	2.12%	0.36%	1.22%	1.24%	1.90%	4.85%	5.34%	6.69%	Headline CPI YoY	7.73%	7.24%	6.48%	5.45%
2yr Comparative Base Effects	2.38%	2.31%	2.30%	2.16%	1.93%	2.26%	2.20%	2.12%	1.88%	1.09%	1.49%	1.64%	2yr Comparative Base Effects	2.01%	2.61%	3.28%	3.96%



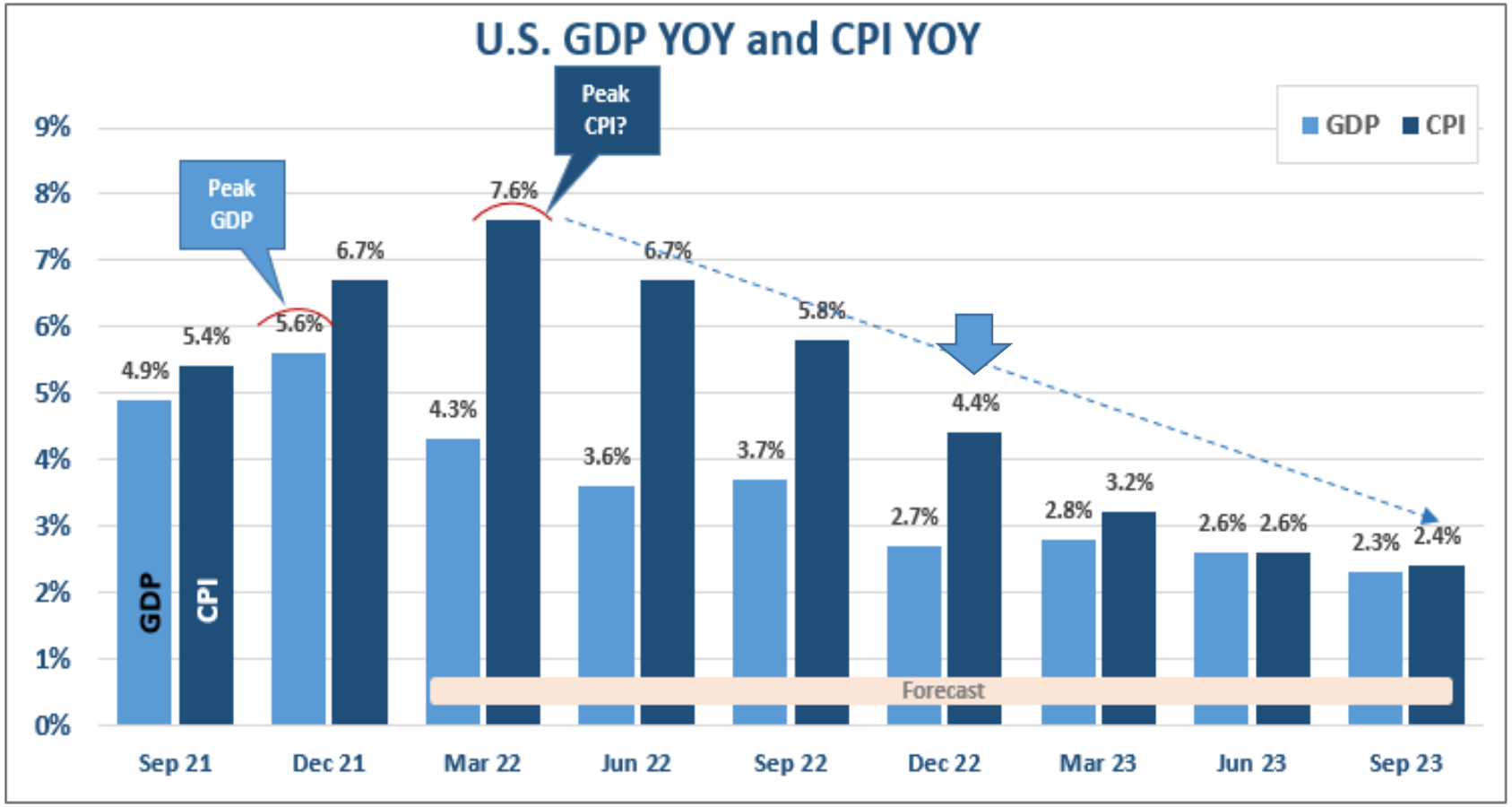
Data Source: Bloomberg. Light Blue box = Hedgeye Nowcast Model estimate. Dark Blue boxes = Hedgeye Comparative Base Effects Model estimates.

© Hedgeye Risk Management

Updated: 3/16/2022

Source: Hedgeye

GIF (Growth Inflation Fed): Expectations of GDP/Inflation Drive Future Interest Rates



GDP and CPI: Quarterly Average

Economist Irving Fisher

The Fisher Equation:
Long-Term Risk-Free Rate= Real Rate + Expected Inflation

Source: Bloomberg, Google

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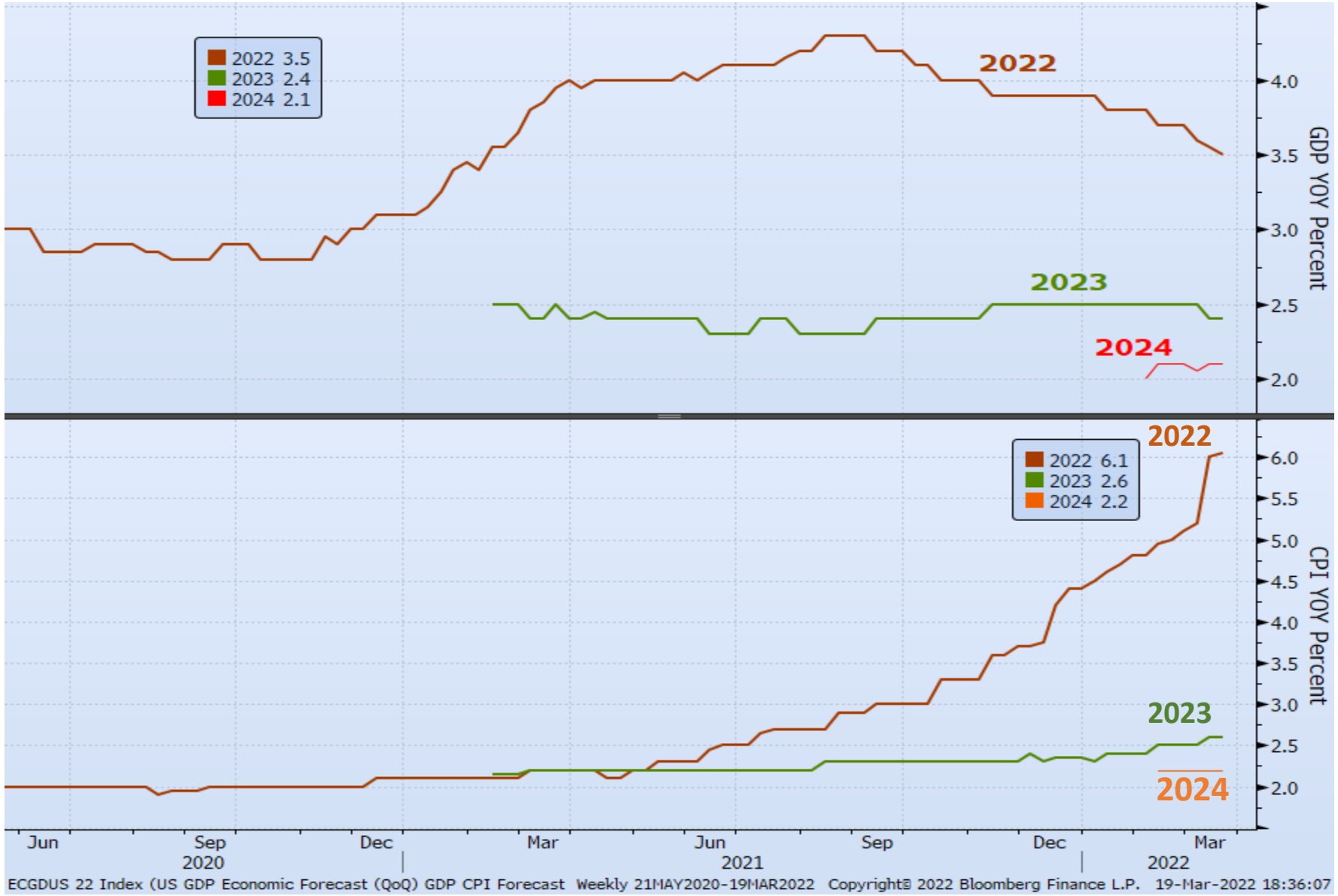
GDP and CPI Forecast History…Expecting the Soft Landing…And Transitory'ish



Source: Bloomberg

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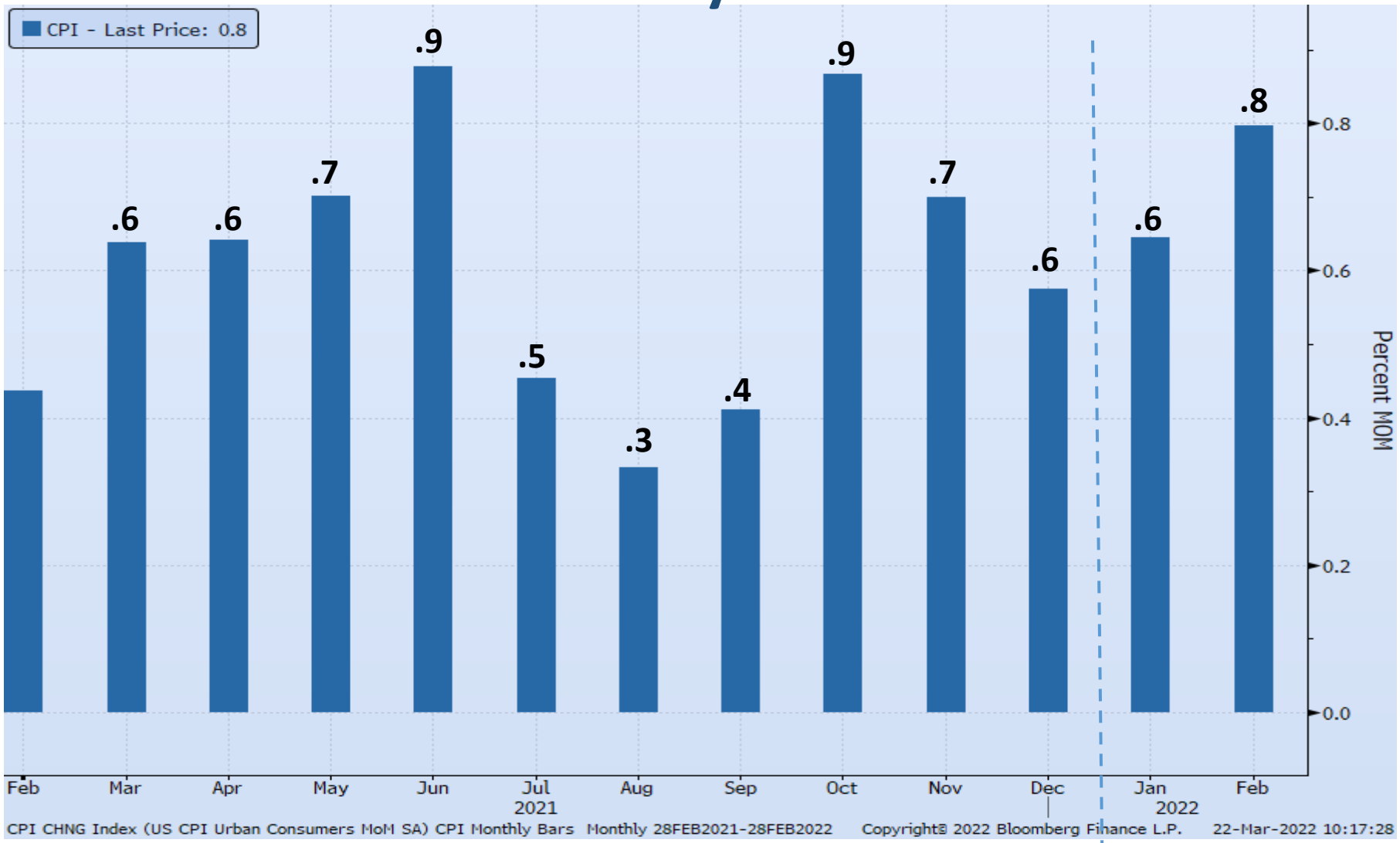
CPI Forecasts Are Looking at Last Year's Base Effects to Push Inflation Lower

Monthly CPI



Source: Bloomberg

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“Soft Landing”…the New “Transitory”? Or Will Powell Need Some Foam on the Runway?

Source: Bloomberg

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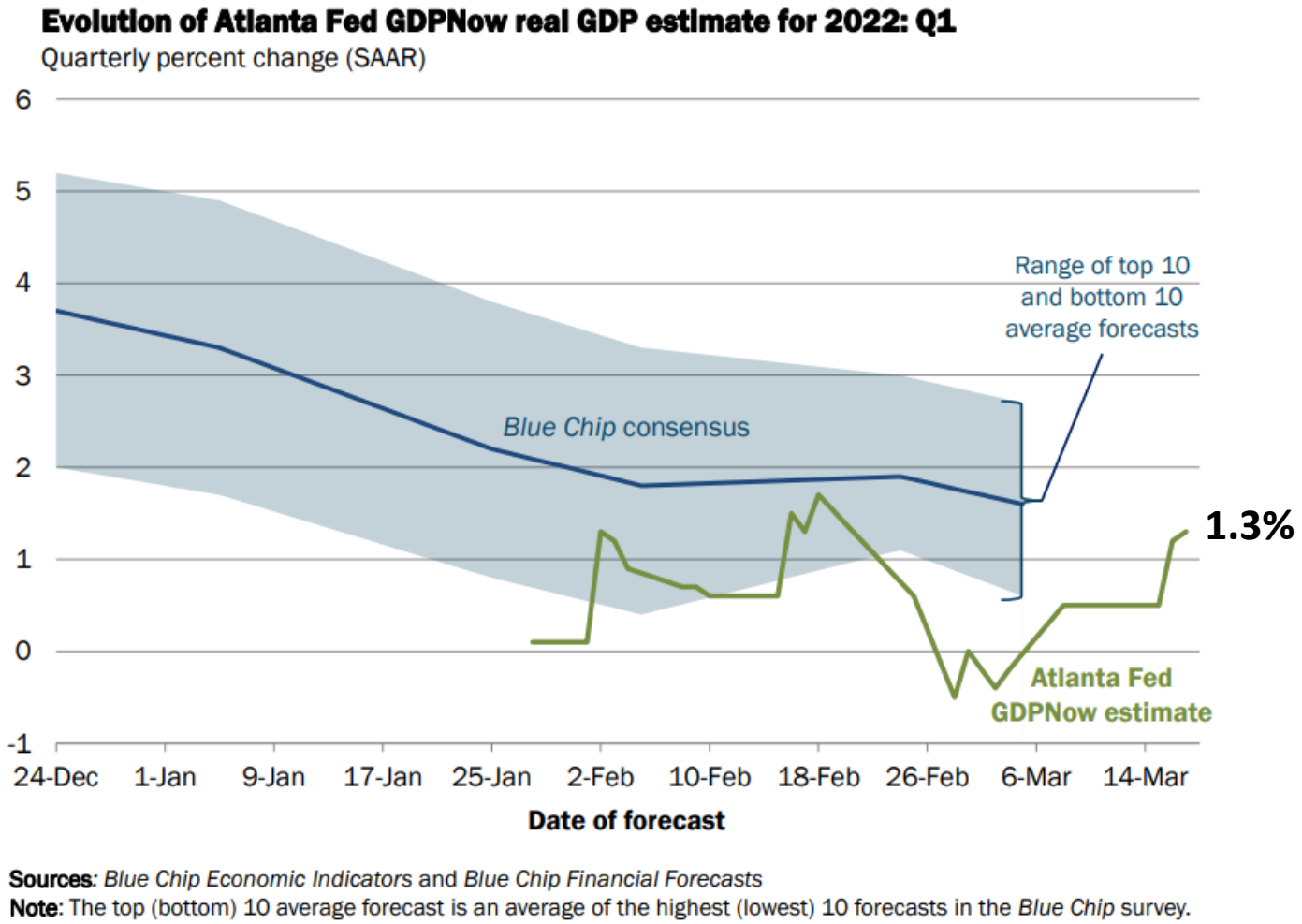
Nowcasting: This Quarter is Looking Weak

FEDERAL RESERVE BANK of ATLANTA | GDPNow™

GDPNow is not an official forecast of the Atlanta Fed. Rather, it is best viewed as a running estimate of real GDP growth based on available economic data for the current measured quarter. There are no subjective adjustments made to GDPNow—the estimate is based solely on the mathematical results of the model.

In particular, **it does not capture the impact of COVID-19 and social mobility** beyond their impact on GDP source data and relevant economic reports that have already been released. It does not anticipate their impact on forthcoming economic reports beyond the standard internal dynamics of the model.



Source: Atlanta Fed

https://www.atlantafed.org/-/media/documents/cqer/researchcq/gdpnow/RealGDPTrackingSlides.pdf

Atlanta Fed GDPNow Progression Details

Atlanta Fed GDPNow estimates for 2022: Q1, growth rates and changes

Date	Major Releases	GDP	PCE	Equip-ment	Intell. prop. prod.	Nonres. struct.	Resid. inves.	Govt.	Exports	Imports	Change in net exp.	Change in CIPI
28-Jan	Initial nowcast	0.1	2.0	6.4	8.4	1.5	0.7	1.4	3.1	2.9	-9	-115
16-Feb	Retail trade, Industrial production, Import/Export prices	1.5	3.3	14.4	8.6	3.8	4.7	1.3	5.7	4.3	-6	-119
17-Feb	Housing starts	1.3	3.2	14.1	8.6	3.7	0.3	1.3	5.5	4.2	-6	-119
18-Feb	Existing home-sales	1.7	3.2	14.2	8.6	3.7	7.7	1.3	5.6	4.3	-6	-119
25-Feb	Adv manuf, Pers Inc/PCE, NIPA tables, GDP (2/24), New home-sales (2/24)	0.6	1.6	12.8	8.8	3.8	11.3	1.3	5.9	5.0	-11	-117
28-Feb	Advance Economic Indicators	-0.5	1.6	12.5	8.7	3.8	11.3	1.3	1.0	7.2	-59	-129
1-Mar	ISM Manuf Index, Constr Spending	0.0	2.3	13.6	9.0	4.6	11.7	0.9	1.7	7.7	-60	-127
2-Mar	Auto Sales	-0.2	2.0	12.3	8.9	4.6	11.6	0.9	1.6	7.6	-60	-127
3-Mar	ISM Nonmanufacturing, M3-2 Manuf	-0.4	1.8	12.1	8.9	4.4	11.3	0.9	1.4	7.4	-59	-127
4-Mar	Employment situation	-0.2	2.2	12.7	8.1	4.8	11.9	1.0	1.9	7.9	-60	-134
8-Mar	Int trade, Wholesale Trade	0.5	3.4	13.4	8.1	4.8	12.0	1.0	-0.9	6.1	-61	-135
10-Mar	Consumer Price Index, Monthly Treasury Statement	0.5	3.4	13.4	8.1	4.8	12.0	1.1	-0.9	6.1	-61	-137
15-Mar	Producer Price Index	0.5	3.4	13.6	8.1	4.9	11.6	1.1	-0.9	6.1	-61	-137
16-Mar	Retail trade, Import/Export prices	1.2	4.4	13.6	8.1	4.8	11.1	1.1	-0.8	6.3	-62	-136
17-Mar	Housing starts, Industrial Production	1.3	4.3	13.5	8.1	4.6	13.6	1.1	-0.9	6.2	-62	-134
Maximum forecast of real GDP growth												
18-Feb	Existing home-sales	1.7	3.2	14.2	8.6	3.7	7.7	1.3	5.6	4.3	-6	-119
Minimum forecast of real GDP growth												
28-Feb	Advance Economic Indicators	-0.5	1.6	12.5	8.7	3.8	11.3	1.3	1.0	7.2	-59	-129

Source: Atlanta Fed

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NY Fed…You Can Do Better!

FEDERAL RESERVE BANK *of* NEW YORK *Serving the Second District and the Nation*

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Suspension Notification
The uncertainty around the pandemic and the consequent volatility in the data have posed a number of challenges to the Nowcast model. Therefore, we have decided to suspend the publication of the Nowcast while we continue to work on methodological improvements to better address these challenges. *(September 3, 2021)*

Nowcasting Report

Source: NY Fed, Google

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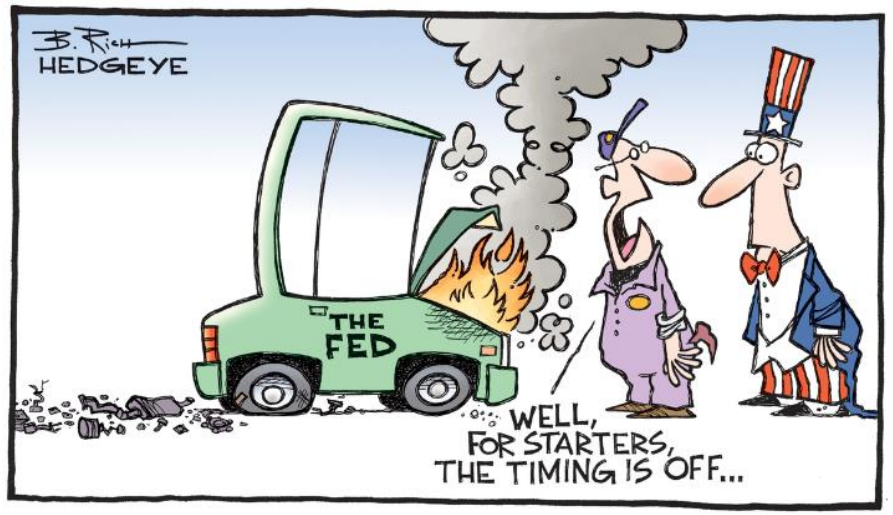
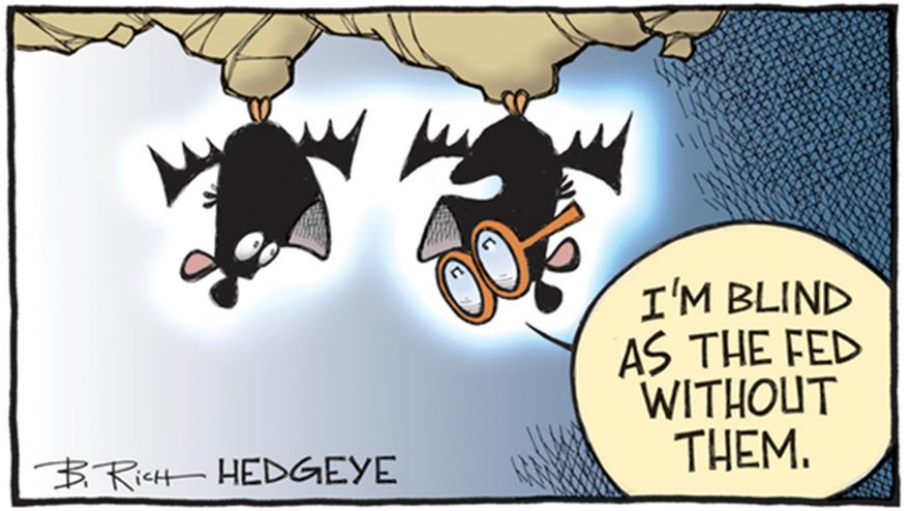
The Fed





Source: Hedgeye

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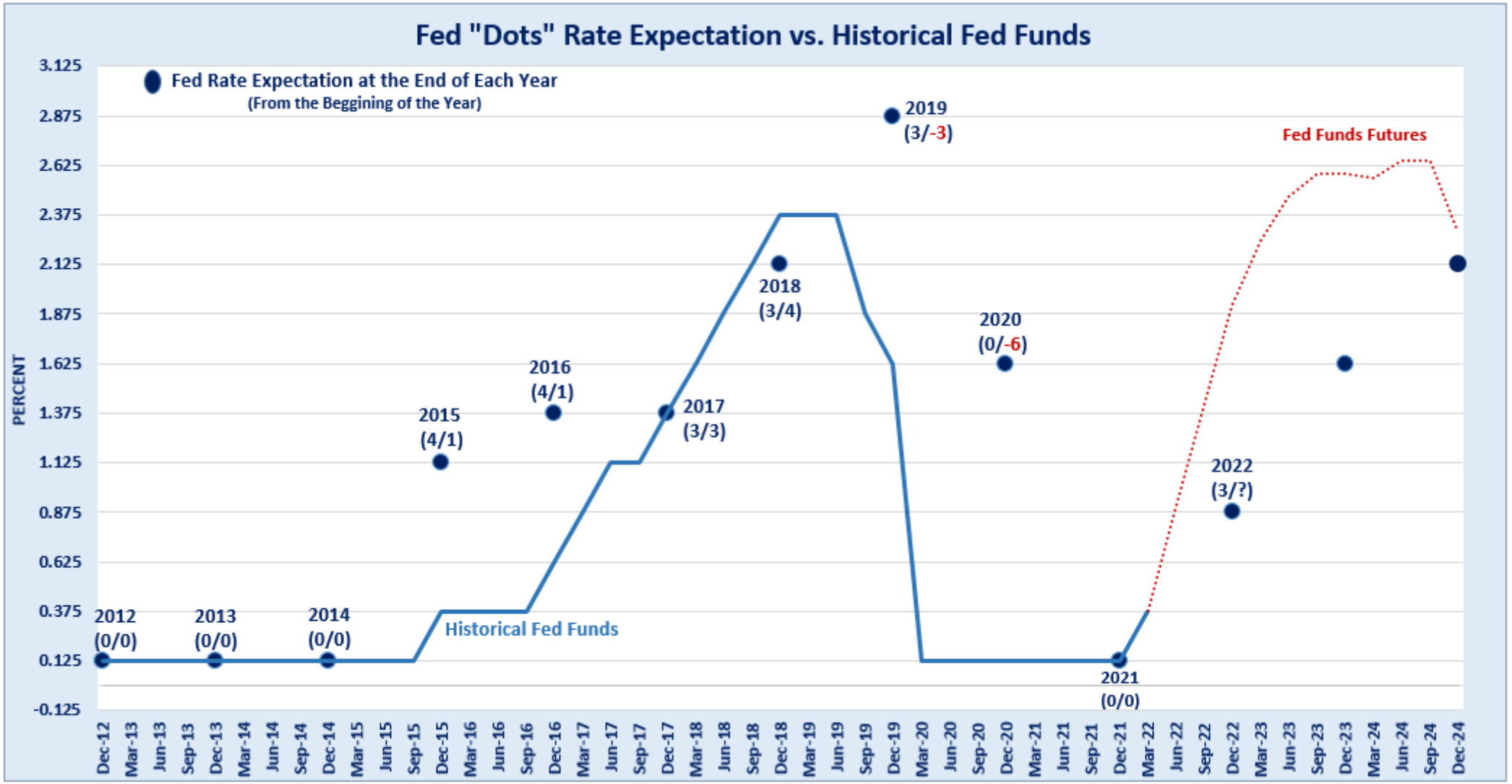
The Fed: Yes, Dot Plots Have Upsets!



Source: Bloomberg

The Dec 2021 Dots had 3 2022 Hikes…Three Months Later There are 7 2022 Hikes!

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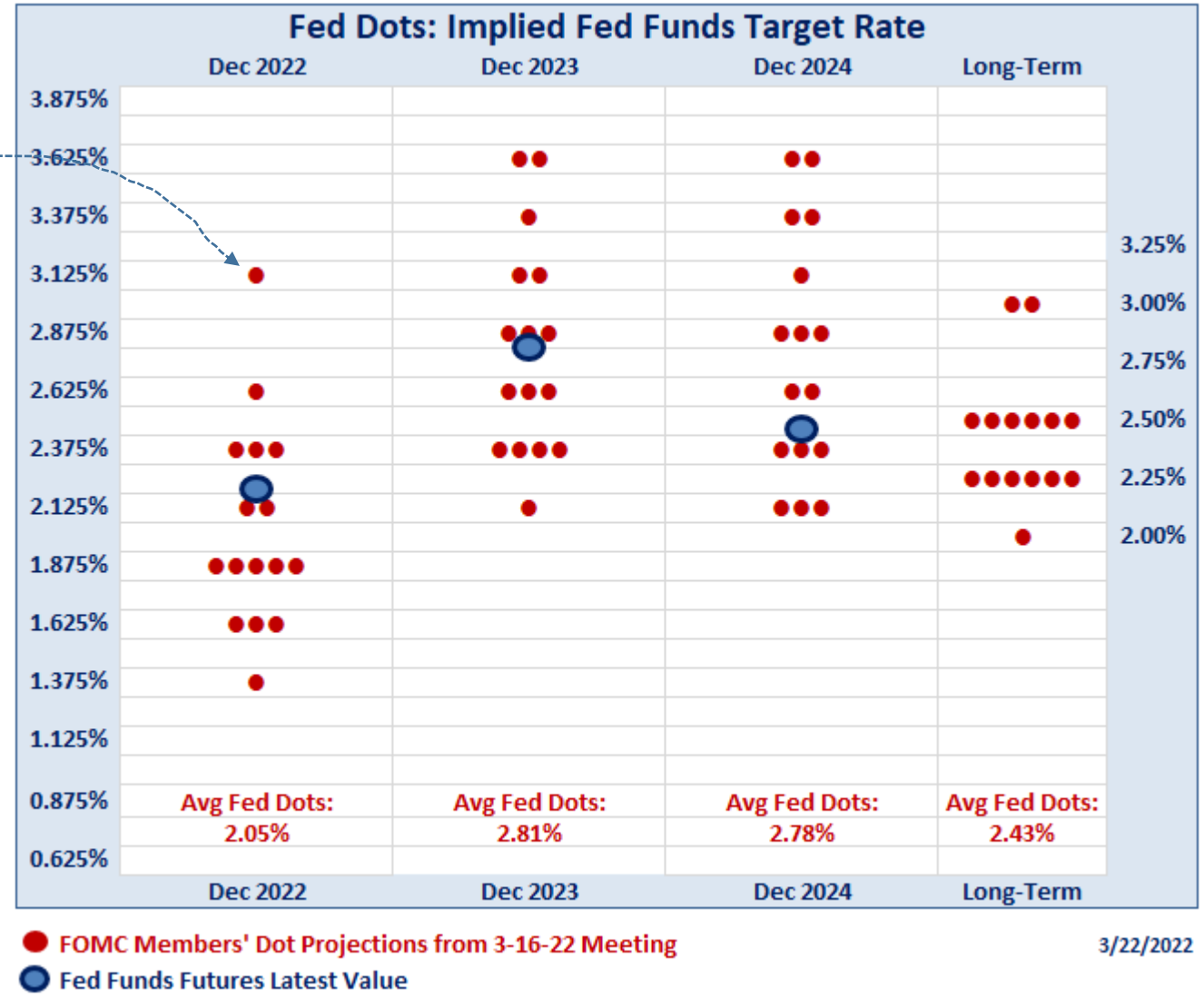
Dispersion in the Dots!

St. Louis Fed's Bullard says the central bank should raise rates above 3% this year

PUBLISHED FRI, MAR 18 2022·7:16 AM EDT UPDATED 25 MIN AGO

Jeff Cox
@JEFF.COX.7528
@JEFFCOXCNBCCOM

- St. Louis Fed President James Bullard on Friday released a statement explaining his dissent from this week's decision to raise rates 0.25 percentage point.
- Bullard said the Fed needs to show it is serious about combating inflation and should hike rates the equivalent of 12 times this year.



Source: CNBC, Bloomberg

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The Fed Reminds Me of Karen Walker from TV's Will and Grace

Source: Google

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The Fed Waited Too Long and Will Now Probably Do Too Much

"We will not raise interest rates preemptively because we think employment is too high, because we fear the possible onset of inflation," Powell told lawmakers while testifying before the House Select Subcommittee on the Coronavirus Crisis. "Instead, we will wait for evidence of actual inflation or other imbalances."

Powell has repeatedly stressed that a recent inflation spike – **consumer prices jumped 5%** in May compared with a year earlier, **the largest increase in 13 years** – **is temporary**, reflecting supply bottlenecks and distorted data due to a dramatic drop in prices last year. Most of the price gains have occurred in places like used cars, airplane tickets and hotel rooms, Powell noted, as pent-up Americans look to resume normal pre-crisis activities.

"The incoming data are very much consistent with the view that these are factors that will wane over time and then inflation will then move down toward our goals," he told committee members.

Jay Powell -- House Hearing Jun 22, 2021

Source: Fed, Hedgeye

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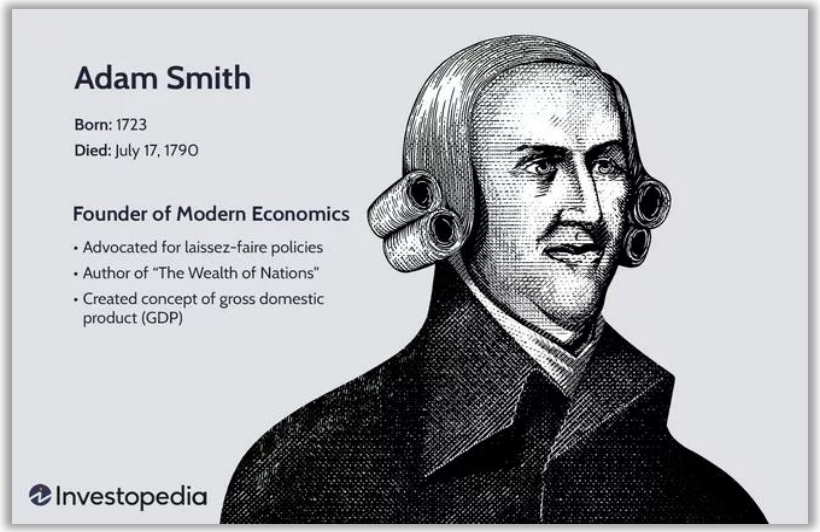
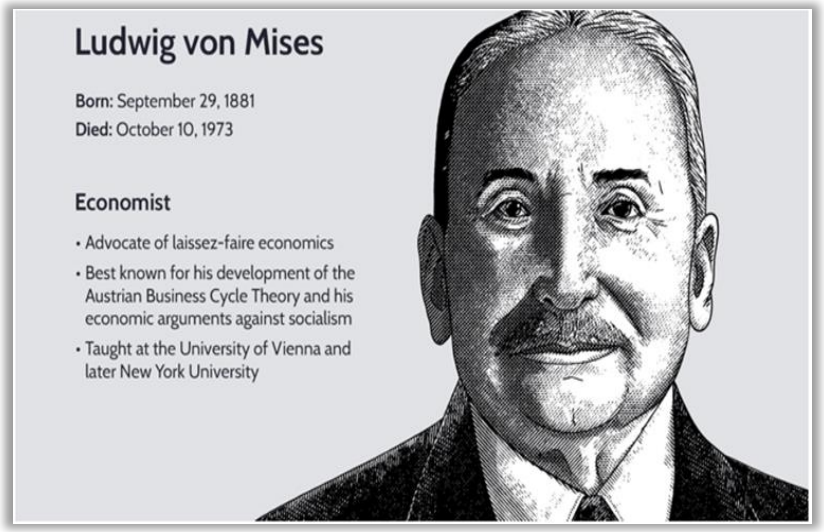
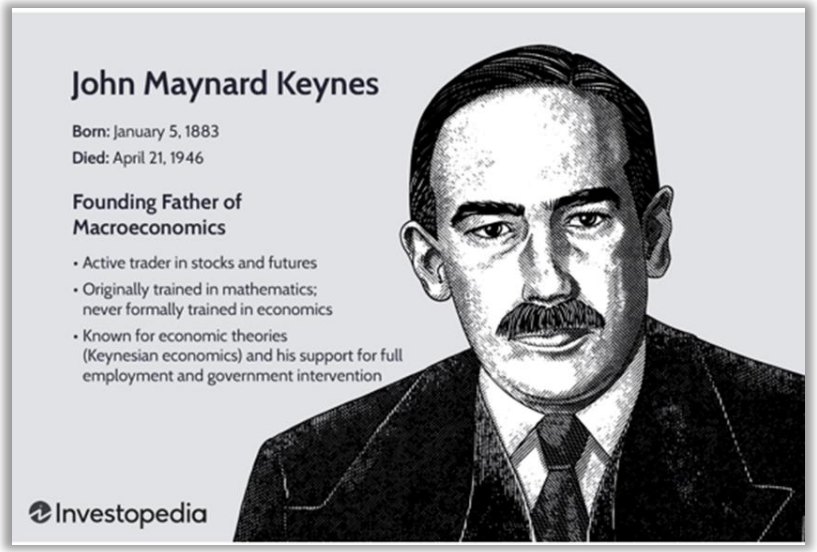
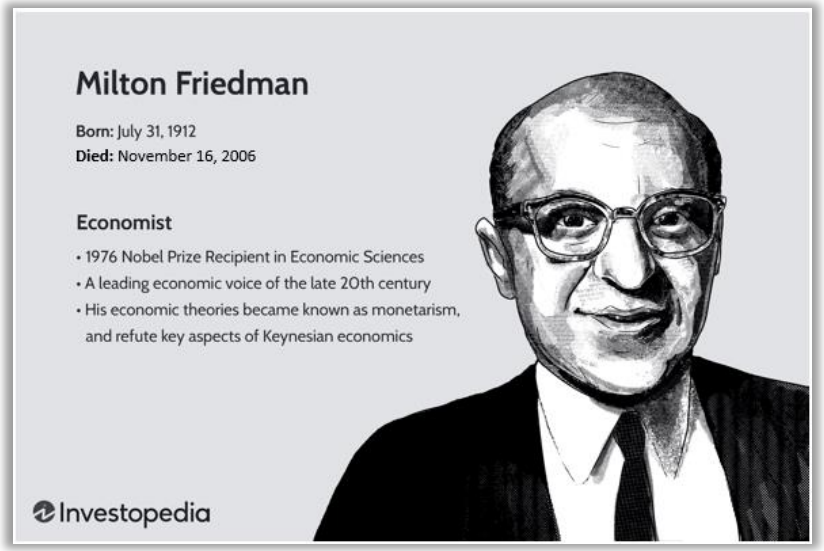
Important Economists

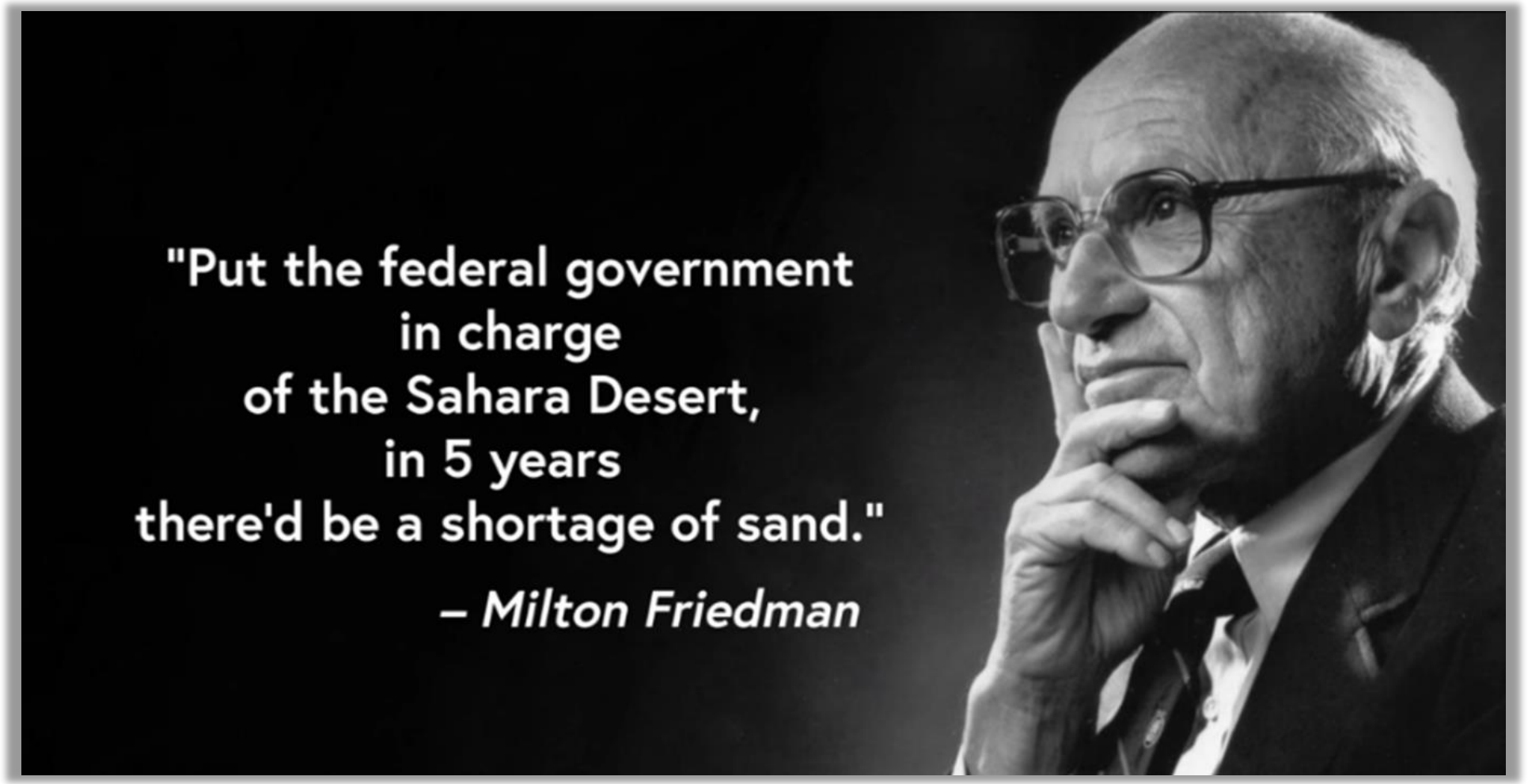








Source: Investopedia



Source: Google

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Two Primary Economic Theories

Austrian School theorizes that the subjective choices of individuals including individual knowledge, time, expectation and other subjective factors cause all economic phenomena. Austrians seek to understand the economy by examining the social ramifications of individual choice, an approach called methodological individualism. Adam Smith's invisible hand is a metaphor for the unseen forces that move the **free market economy**. Through individual self-interest and freedom of production and consumption, the best interest of society, as a whole, are fulfilled. The constant interplay of individual pressures on market supply and demand causes the natural movement of prices and the flow of trade.

Keynesian economists generally argue that aggregate demand is volatile and unstable and that, consequently, a market economy often experiences inefficient macroeconomic outcomes – a recession, when demand is low, and inflation, when demand is high. Further, they argue that these economic fluctuations can be mitigated by economic policy responses **coordinated between government and the central bank**. In particular, fiscal policy actions (taken by the government) and monetary policy actions (taken by the central bank), can help stabilize economic output, inflation, and unemployment over the business cycle. Keynesian economists generally advocate a market economy – predominantly private sector, but with an active role for government intervention during recessions and depressions.

Source: Wikipedia

“Now For Something Completely Different”…Modern Monetary Theory

Source: Google, Wikipedia

- **Under MMT, fiscal policy (government taxing and spending decisions) is the primary means of achieving full employment, establishing the budget deficit at the level necessary to reach that goal.** In mainstream economics, monetary policy (i.e., Central Bank adjustment of interest rates and its balance sheet) is the primary mechanism, assuming there is some interest rate low enough to achieve full employment. Kelton said that "cutting interest rates is ineffective in a slump" because businesses, expecting weak profits and few customers, will not invest even at very low interest rates.
- Government interest expenses are proportional to interest rates, so raising rates is a form of stimulus (it increases the budget deficit and injects money into the private sector, other things being equal); cutting rates is a form of austerity.
- Achieving full employment can be administered via a centrally-funded job guarantee, which acts as an automatic stabilizer. When private sector jobs are plentiful, the government spending on guaranteed jobs is lower, and vice-versa.
- Under MMT, expansionary fiscal policy, i.e., money creation to fund purchases, can increase bank reserves, which can lower interest rates. In mainstream economics, expansionary fiscal policy, i.e., debt issuance and spending, can result in higher interest rates, crowding out economic activity.

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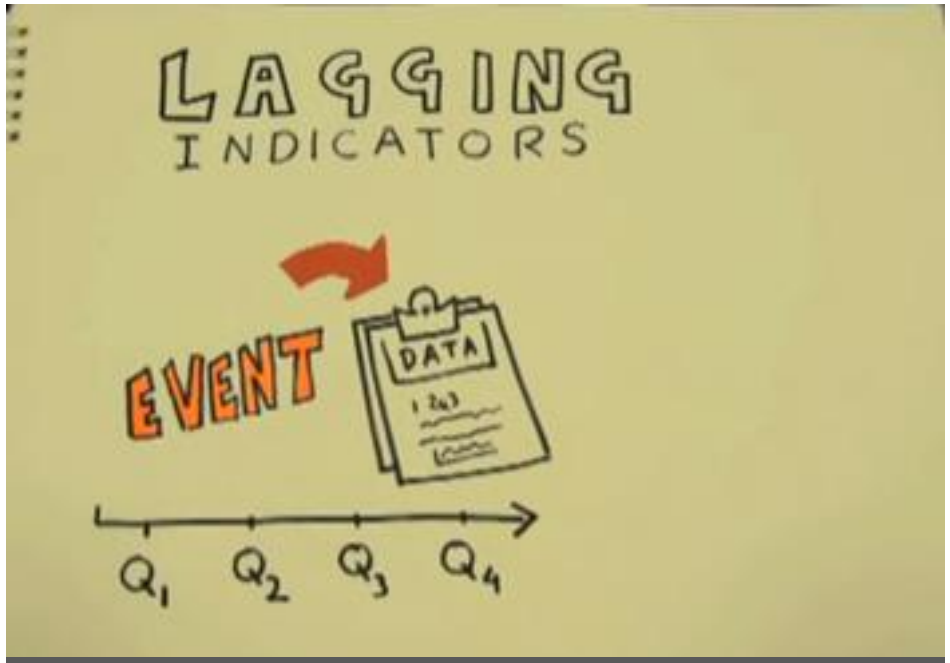
Types of Economic Indicators



CPI/PCE, Unemployment Rate, Corporate Profits

PMI, Initial Jobless Claims, Consumer Confidence

Coincident Indicators

Nonfarm Payrolls, Household Income, Industrial Production

MARKET BASED INDICATORS

Source: Google, Investopedia

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Conference Board Leading Economic Index (LEI) and Coincident Economic Index (CEI)

	Level	Trend
Leading Economic **Index (LEI)**	Strong	Stable
▪ Average workweek	Fair (+)	Stable (+)
▪ Unemployment claims	Strong	Stable (+)
▪ New orders: consumer goods and materials	Fair*	Stable*
▪ ISM New Orders Index	Strong	Stable
▪ New orders: nondefense capital goods excluding aircraft	Strong*	Stable*
▪ Building permits	Strong	Stable (-)
▪ S&P 500	Strong	Worsening
▪ Leading Credit Index	Fair	Stable
▪ Interest rate spread	Fair	Improving (+)
▪ Average consumer expectations for business conditions	Weak (-)	Worsening
	Level	**Trend**
Coincident Economic Index (CEI)	Strong	Improving
▪ Payrolls	Fair	Improving
▪ Personal income less transfer payments	Strong	Improving
▪ Industrial production	Strong	Improving
▪ Real manufacturing and trade sales	Strong*	Improving*

Source: Charles Schwab, Bloomberg, The Conference Board, as of 3/18/2022. Parenthesis indicates change from prior month. *Indicates data through 2/2022.

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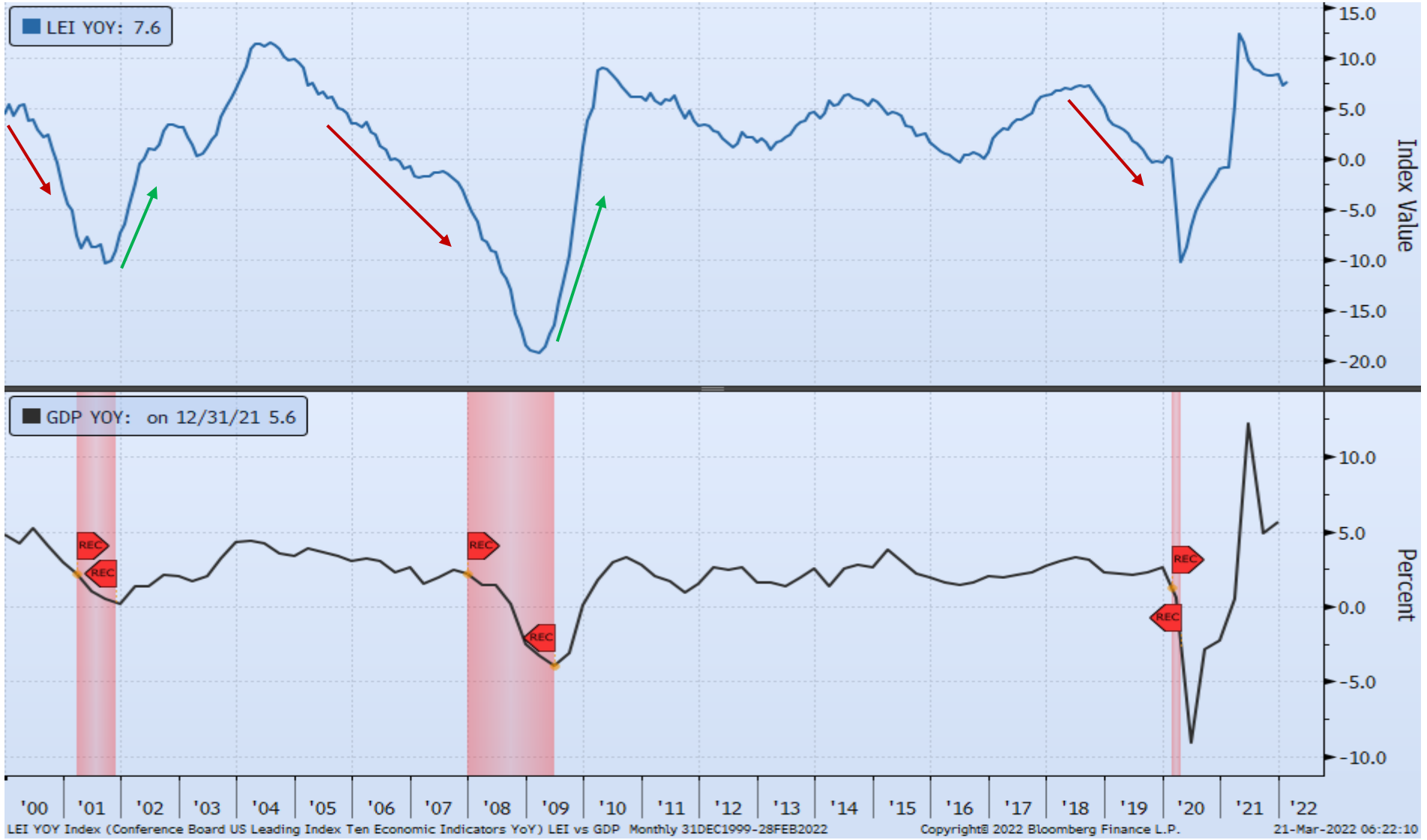
LEI vs. GDP: LEI Usually Leads GDP by a Few Months



Source: Bloomberg

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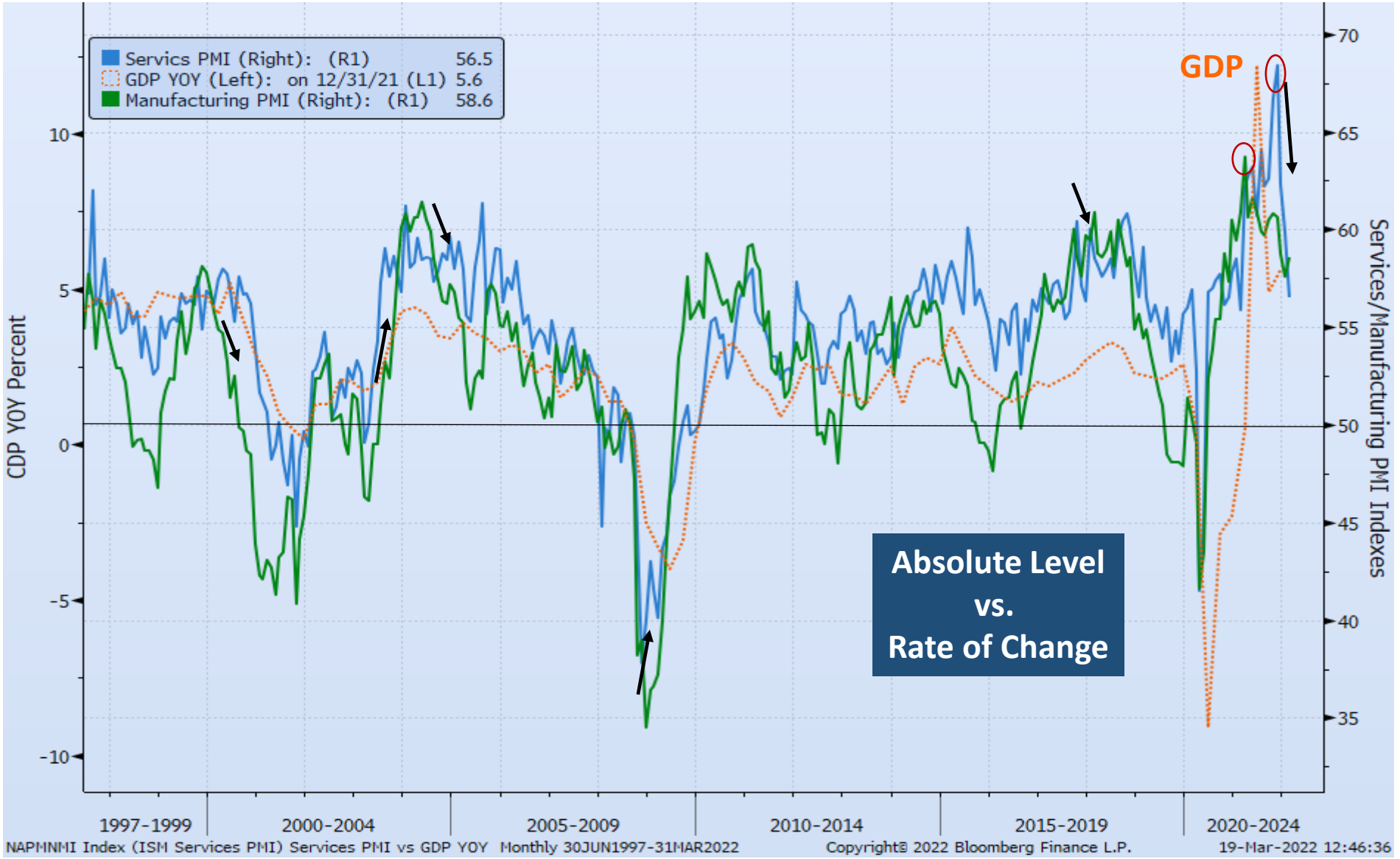
Leading Indicator: Purchasing Managers Index



Diffusion Index

Source: Bloomberg

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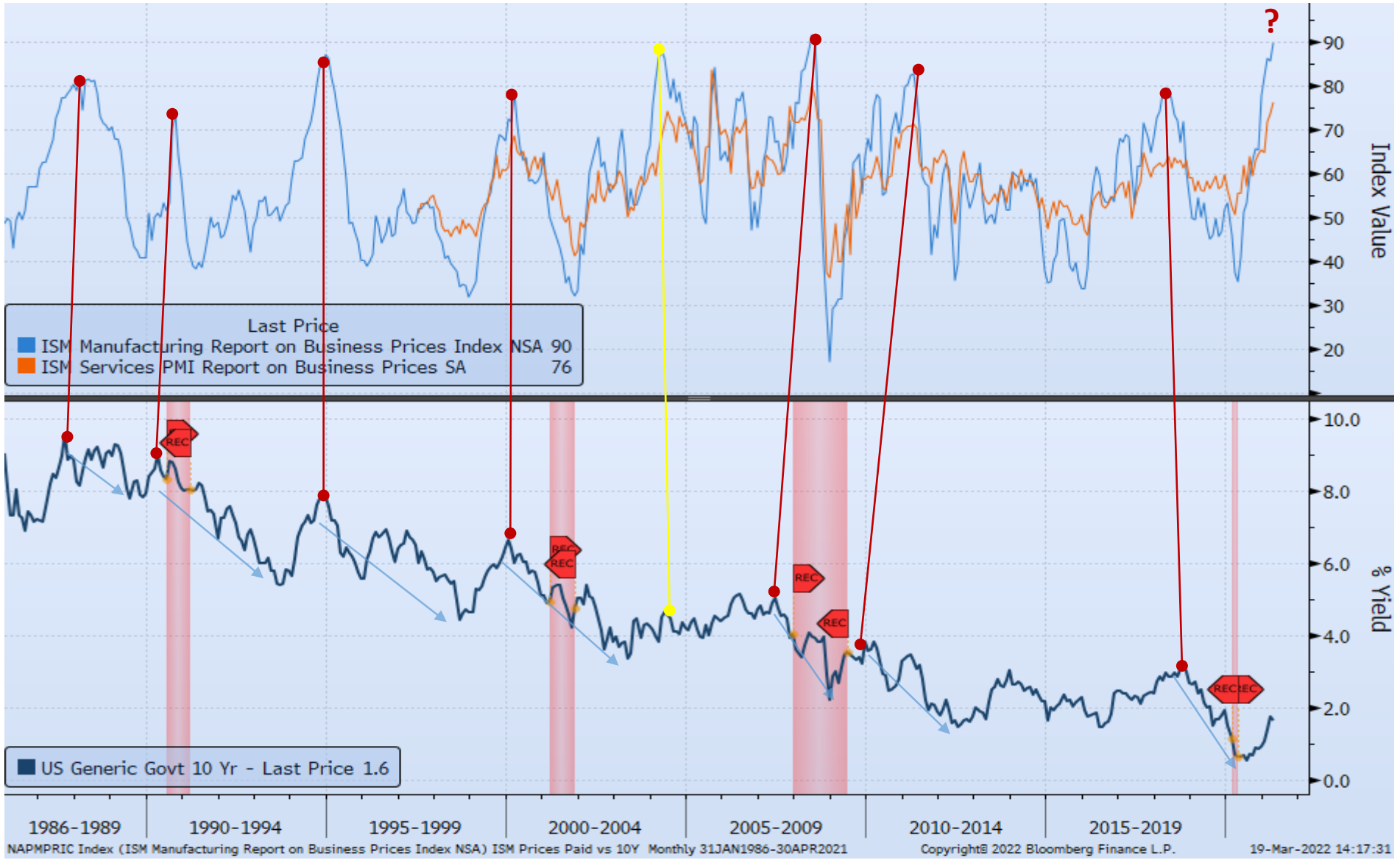
Institute of Supply Management (ISM) Manufacturing/Service Prices Paid Indexes

ISM

10Yr



Source: Bloomberg

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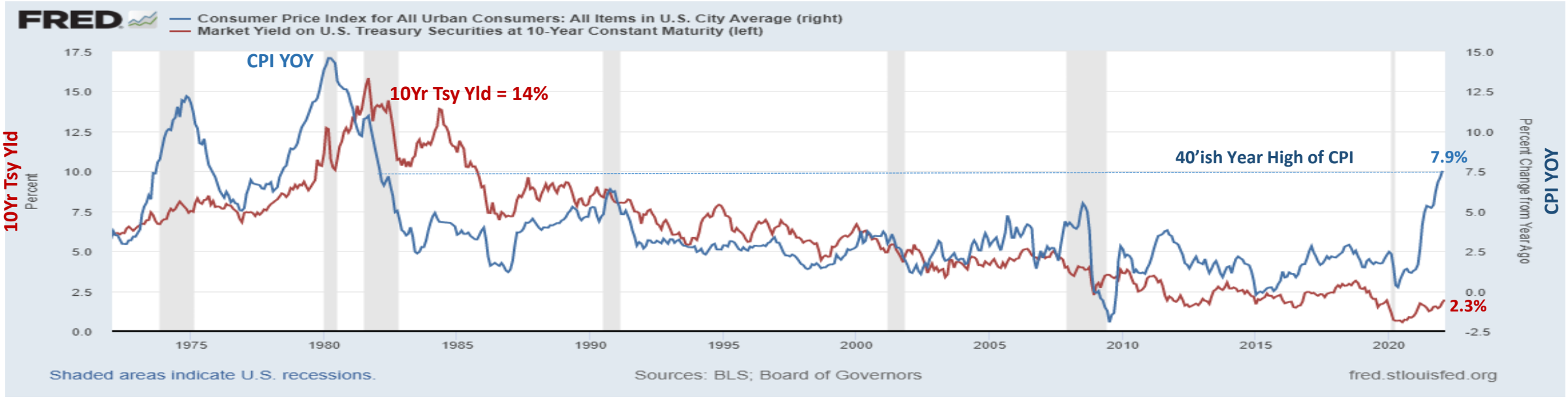
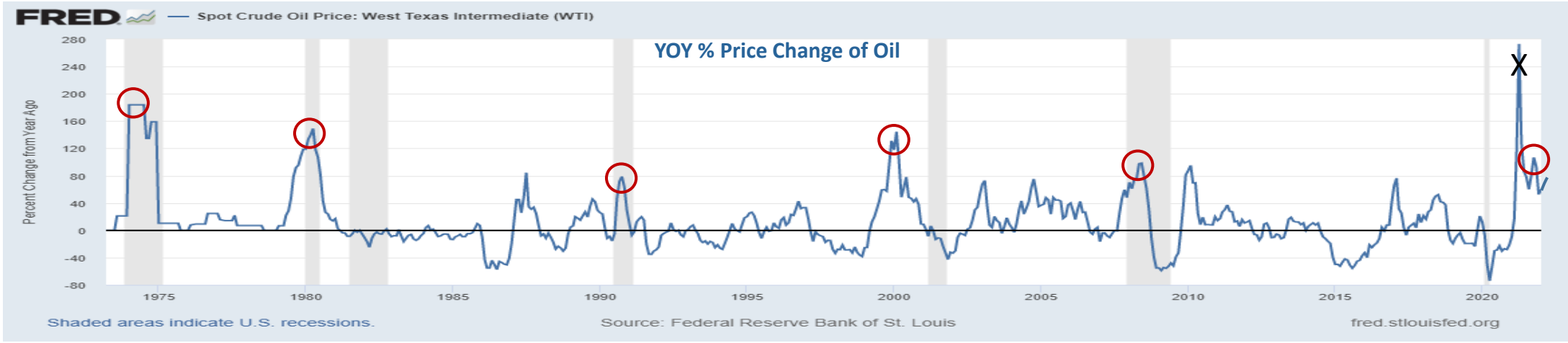
Lagging Indicator: CPI





Source: FRED

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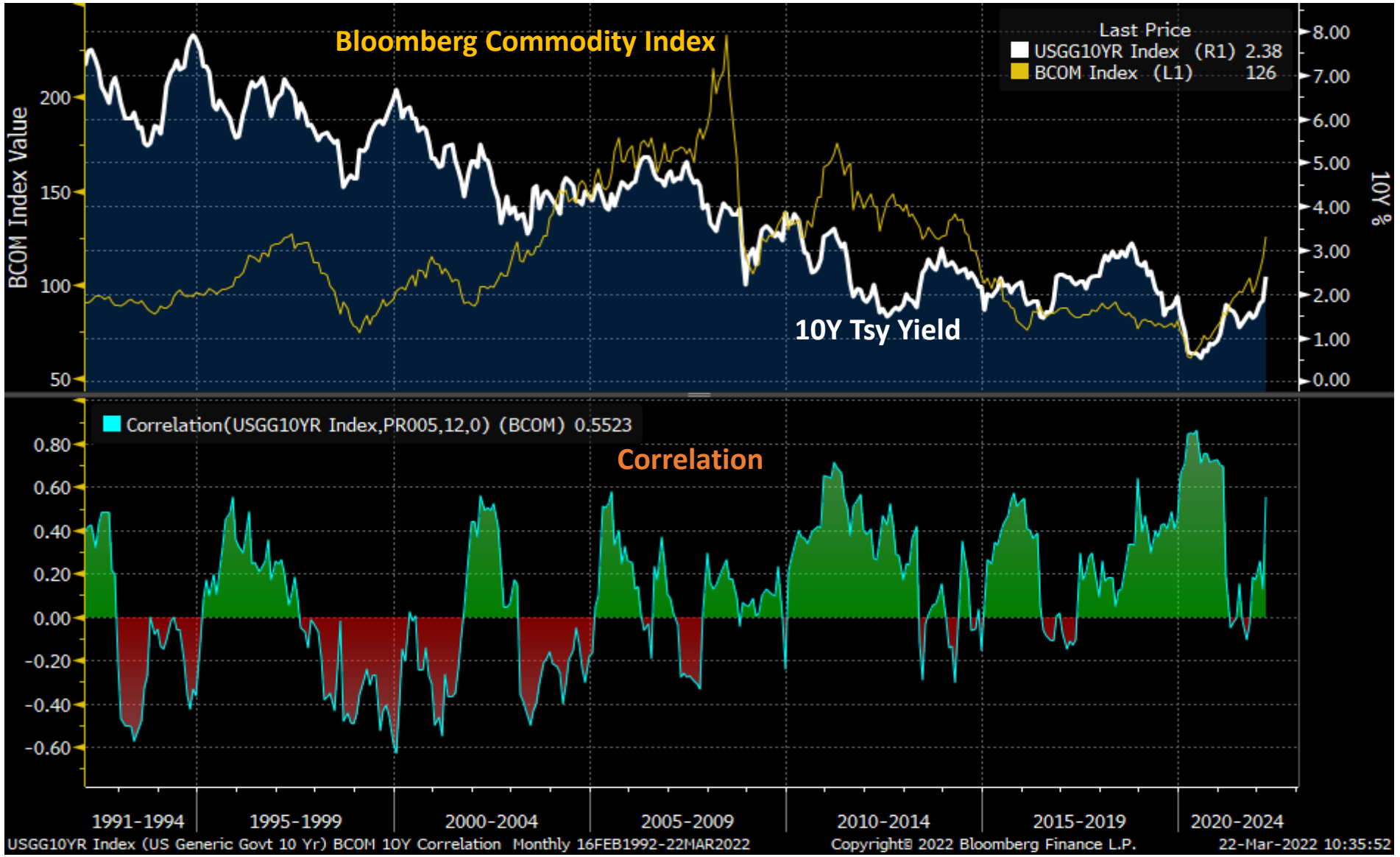
Interest Rates and Commodity Prices: Sometimes Correlated…Sometimes Not



Source: Bloomberg

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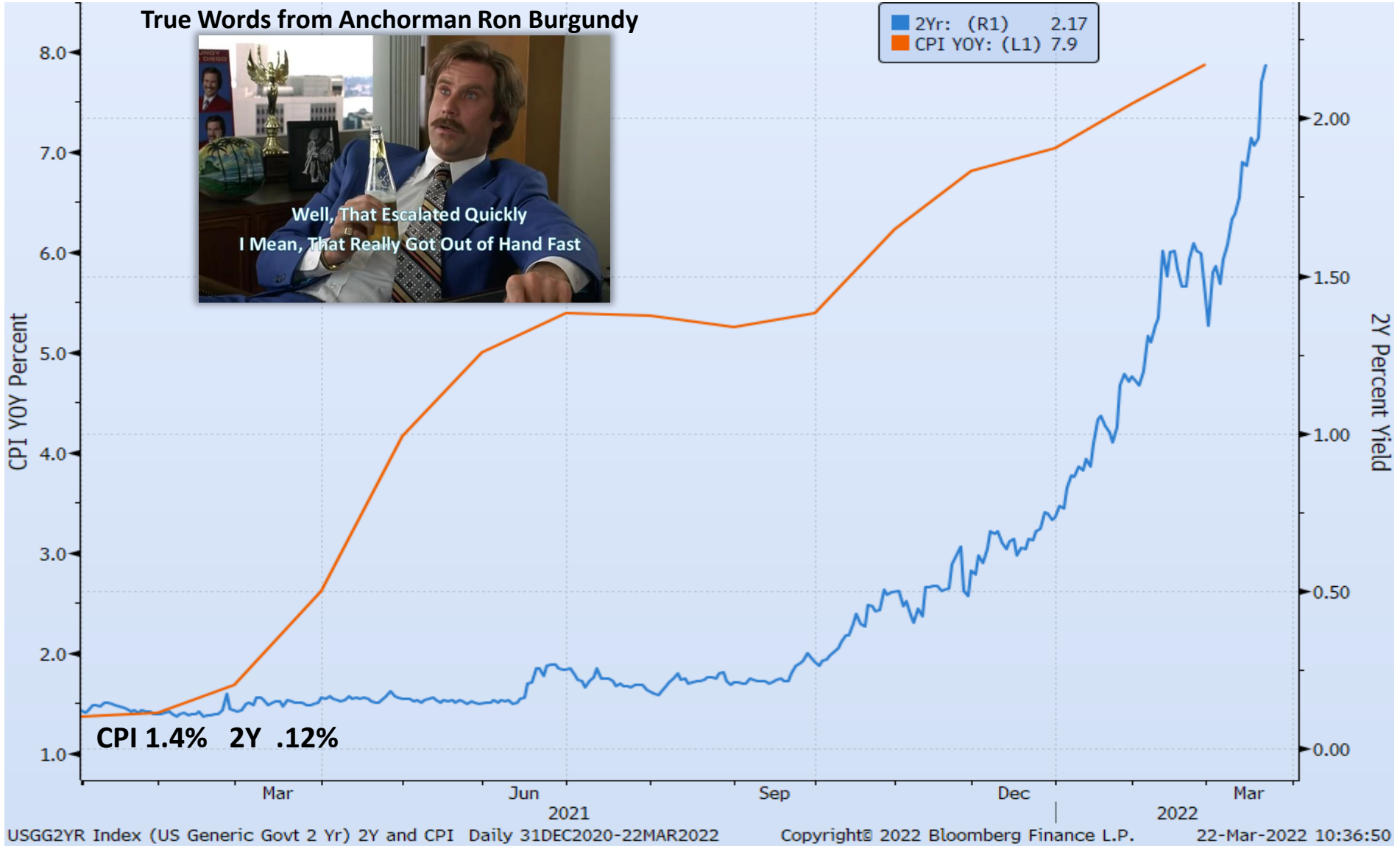
But the 2Yr Treasury's Yield Certainly Has Been Lately!



Source: Bloomberg

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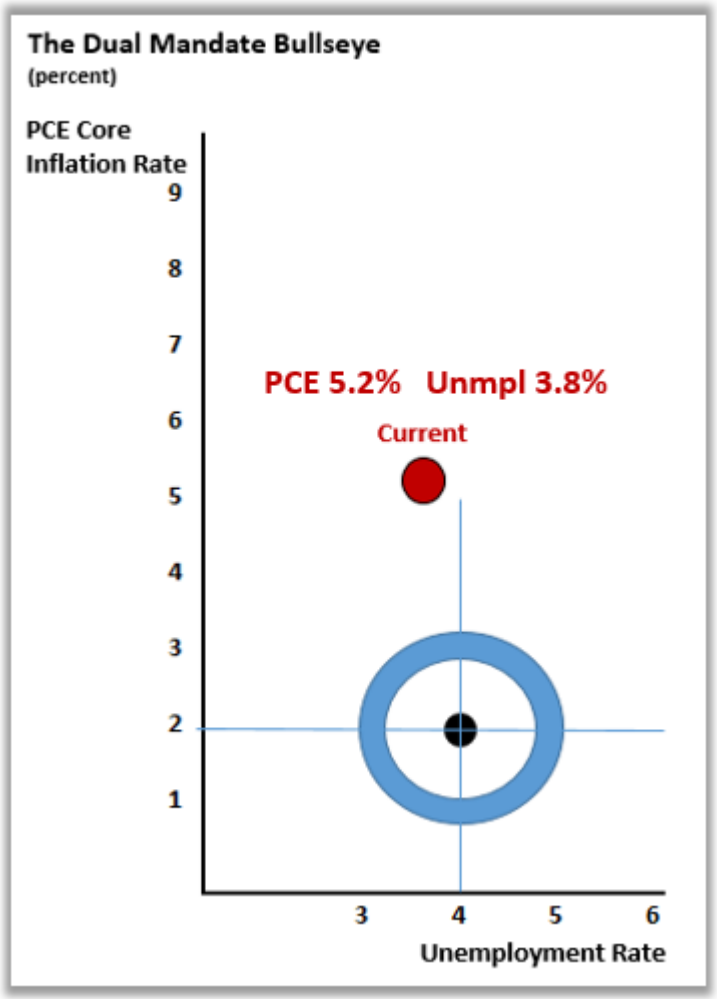
The Fed's Congressional Mandates

The goals of monetary policy are to promote #1 maximum employment, #2 stable prices and moderate long-term interest rates. By implementing effective monetary policy, the Fed can maintain stable prices, thereby supporting conditions for long-term economic growth and maximum employment.

Maximum Employment Goal: Unemployment Between ~3.5% and ~4.5%



Average Stable Prices (Inflation) Goal: PCE Core 2.0%

Source: Federal Reserve, Bloomberg

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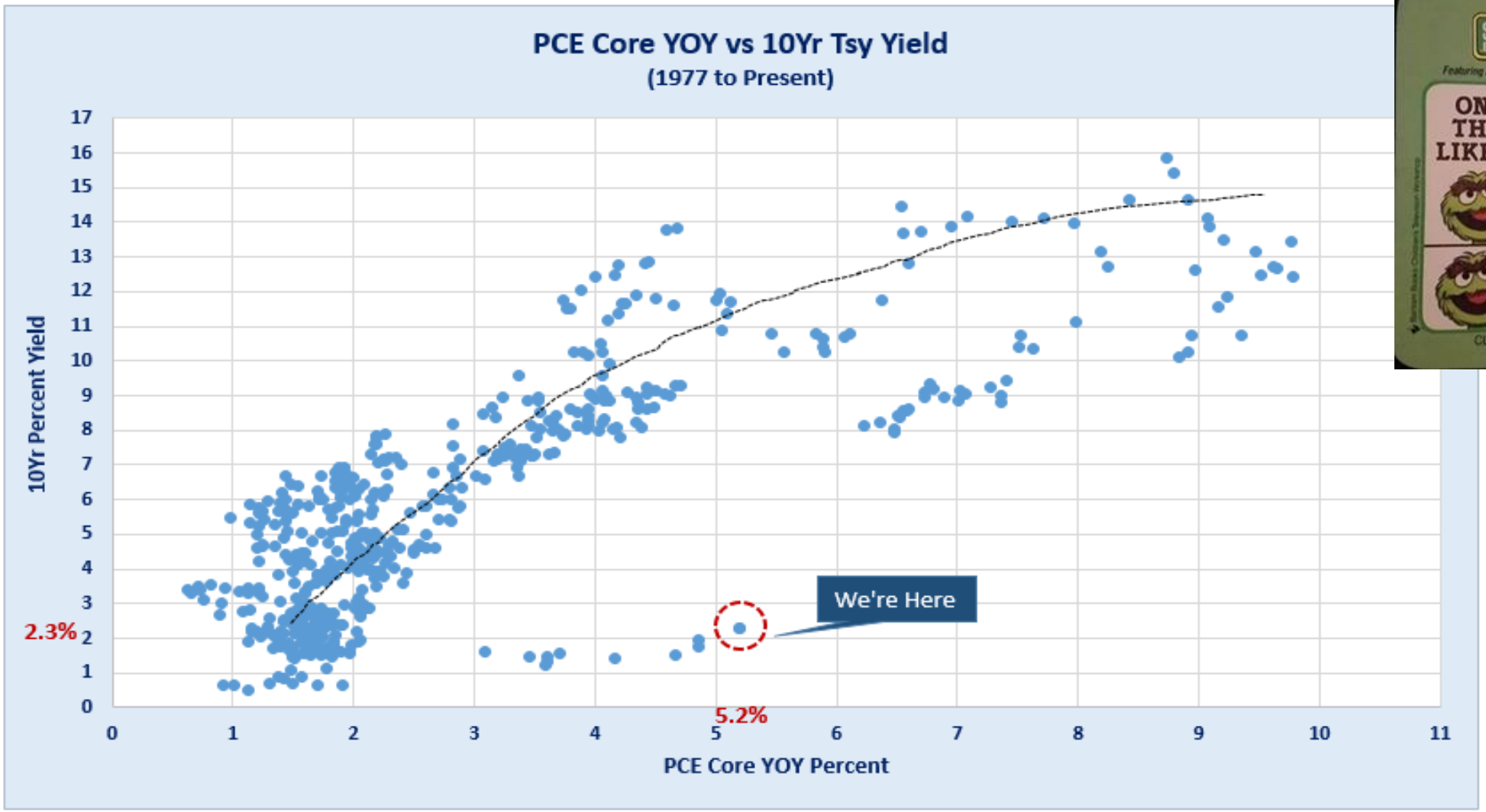
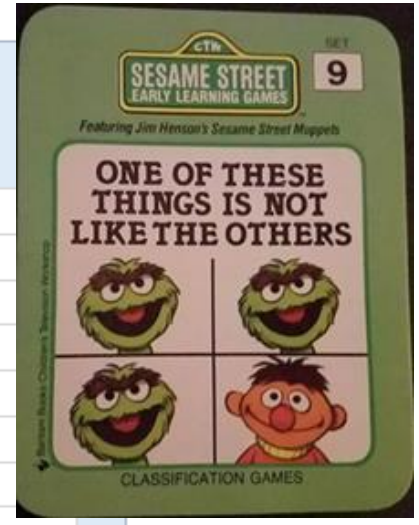
“One of These Things is Not Like the Others”





Source: Bloomberg, Google

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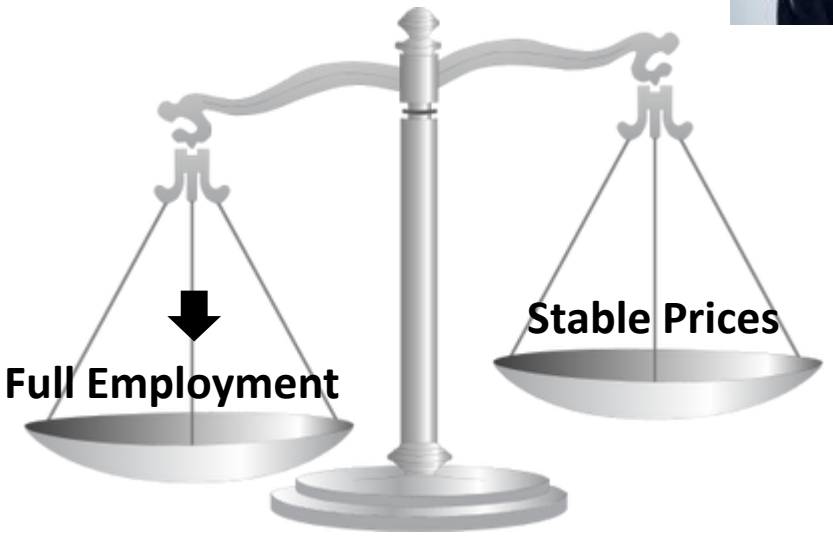
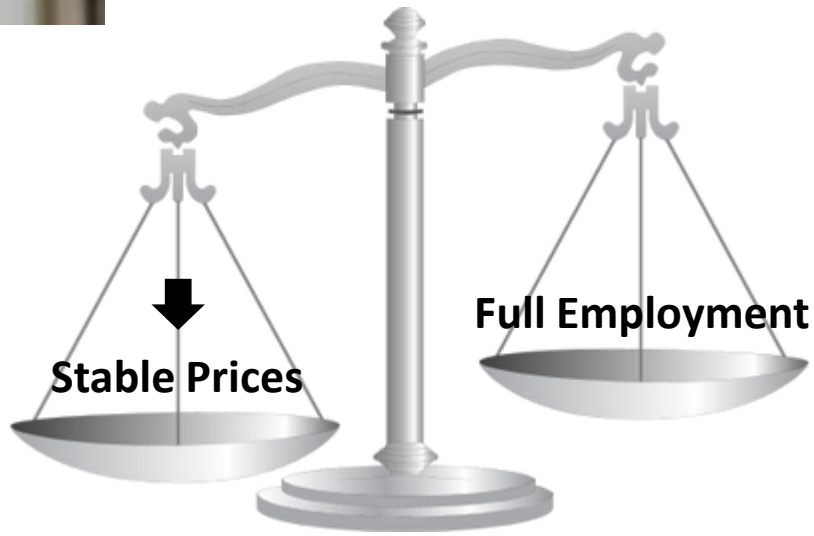
The Fed's Pivot

2021

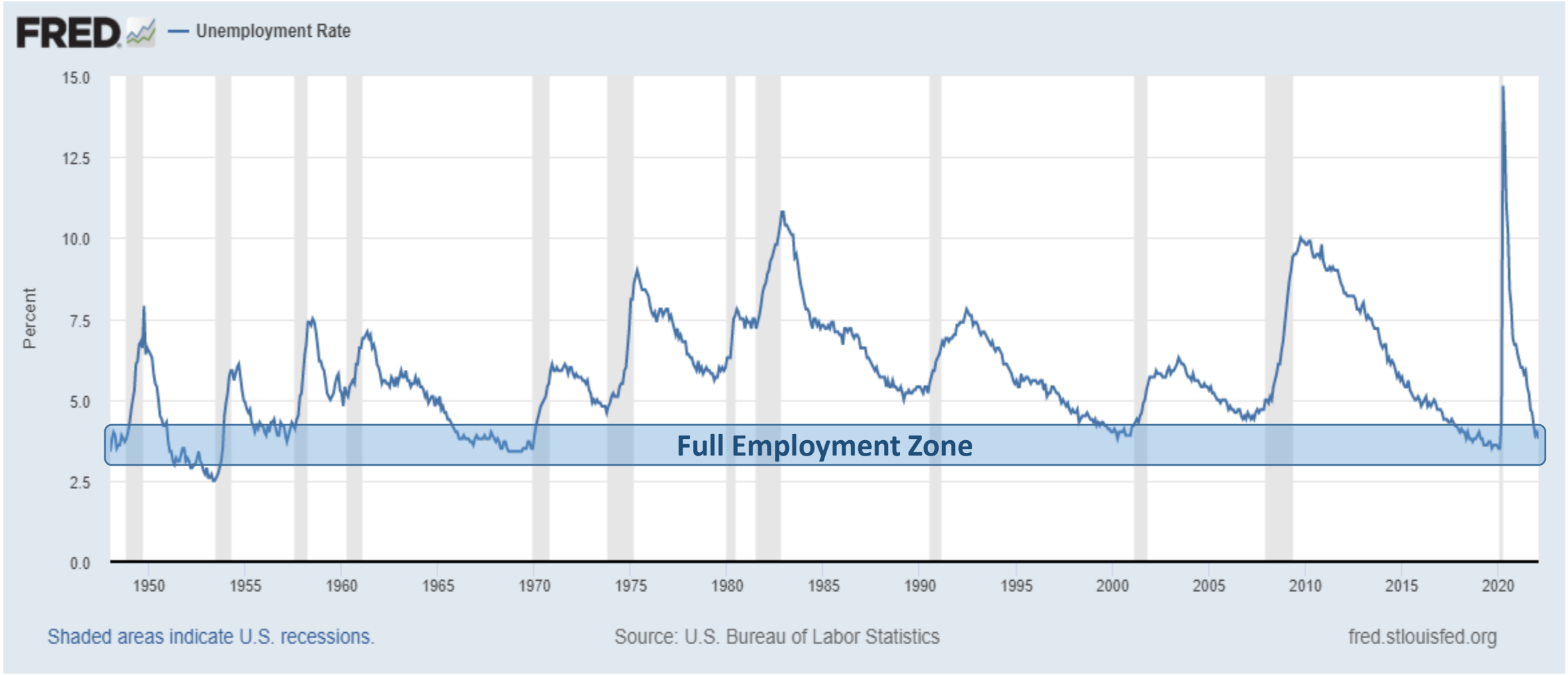


2022



Source: Google

Full Employment



Source: FRED

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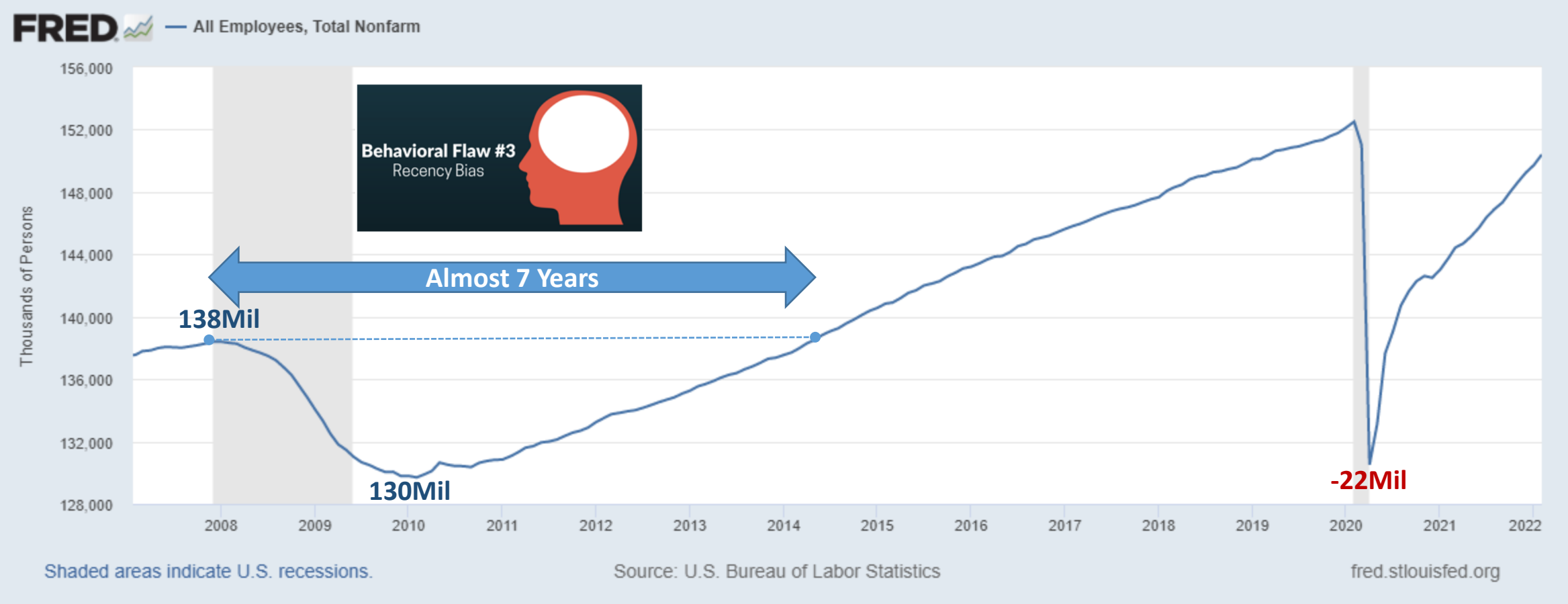
All the Lost Jobs are Essentially Back



Source: FRED

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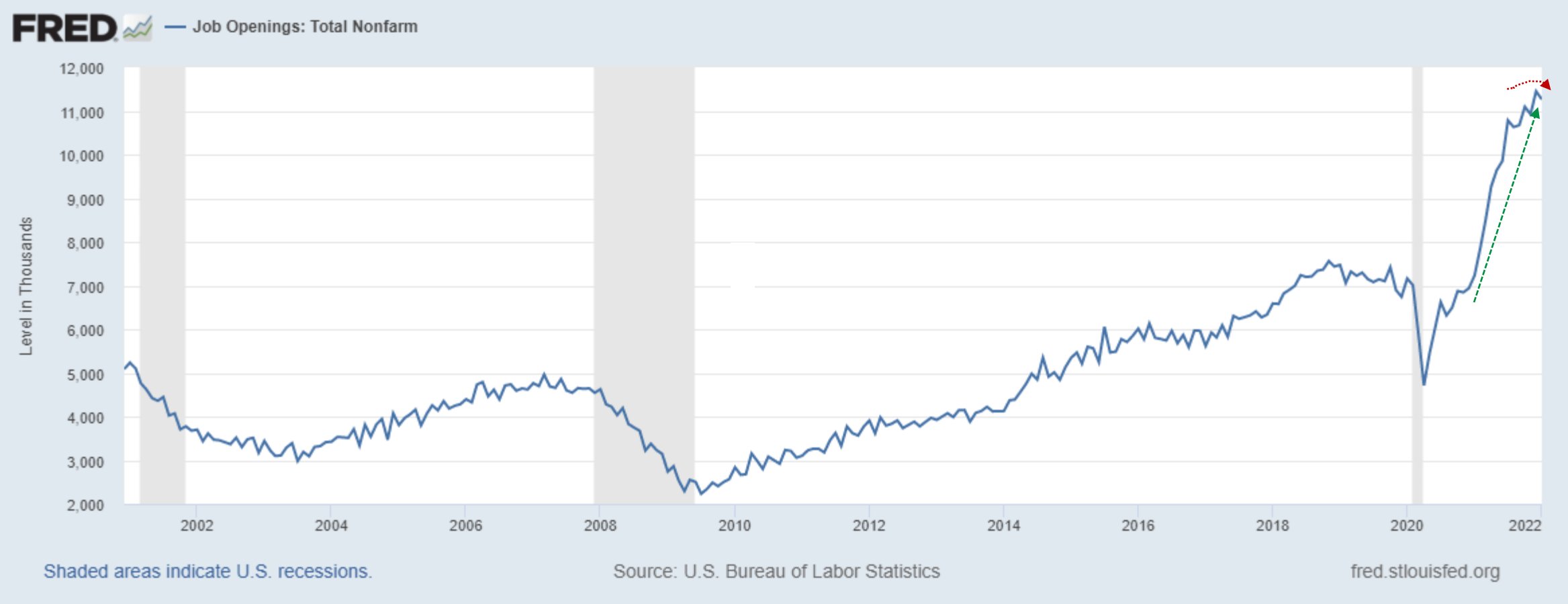
Job Openings…ROC Looking Better (meaning: slowing)



Source: FRED

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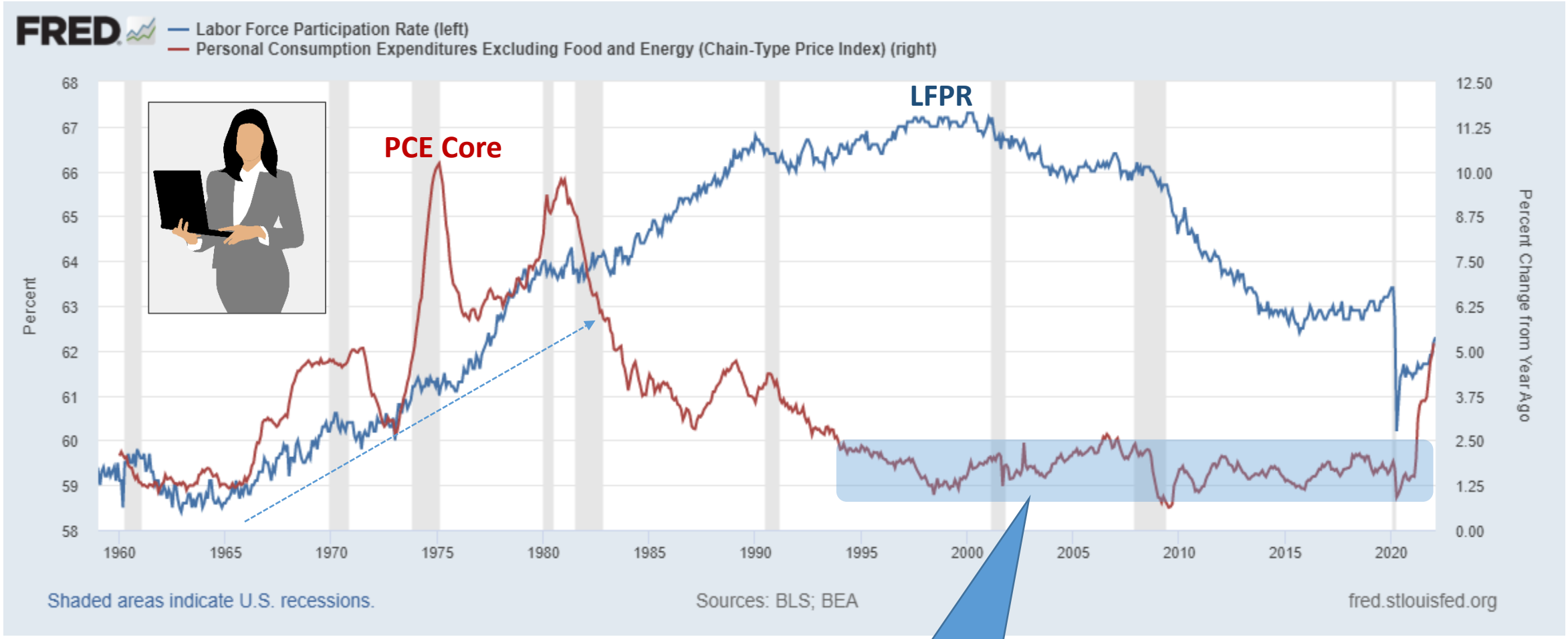
Increasing the Labor Force Participation Rate Should Push Inflation Lower…This Time



We've Been in a Low Inflation Environment for a Long Time

Source: FRED

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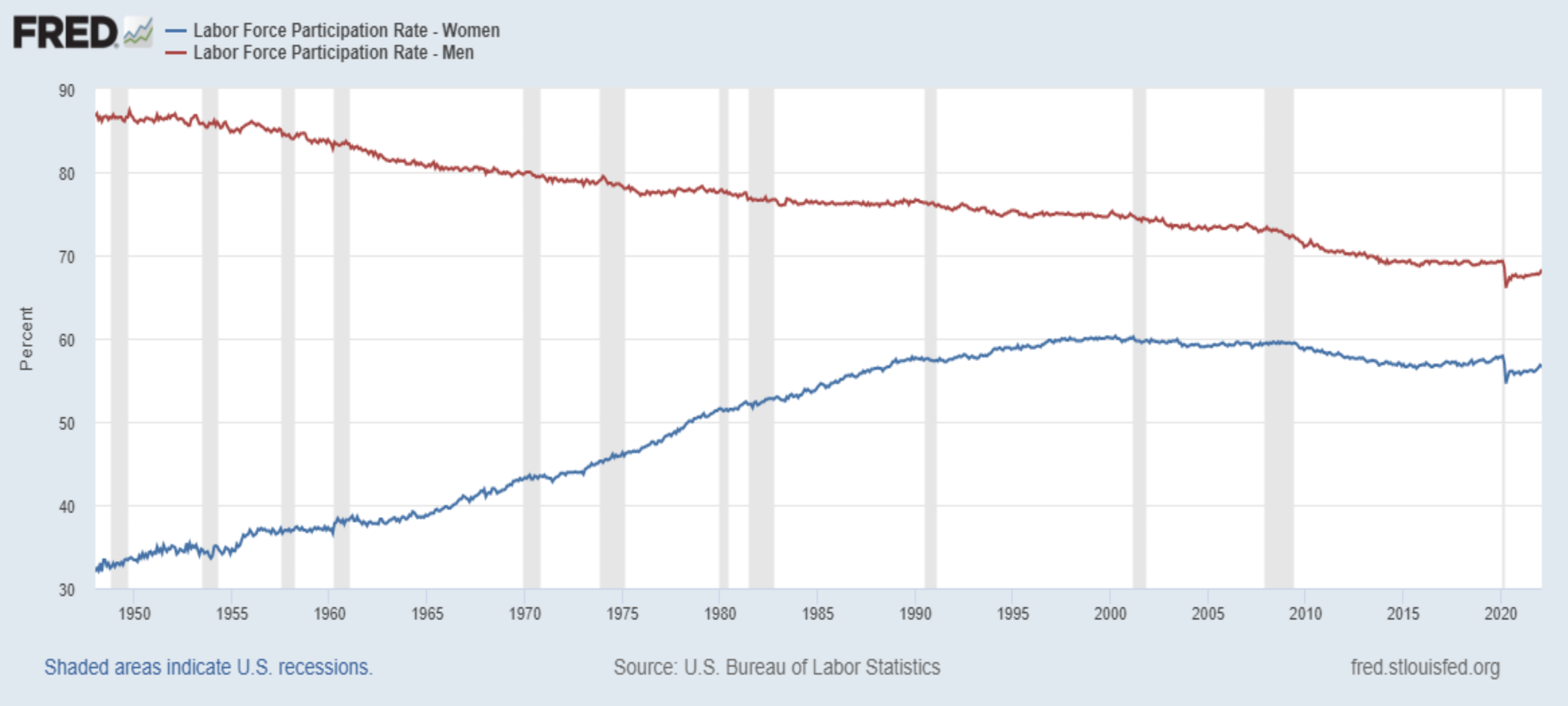
LFPR Women vs. LFPR Men



Source: FRED

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Inflation: CPI (Consumer Price Index) vs. PCE (Personal Consumption Expenditure)

CPI		
Category/Subcategory	Subcategory %	Category %
Food		13%
Food at Home	8%	
Food Away from Home	5%	
Energy		7%
Energy Commodities	4%	
Energy Services	3%	
Commodities		22%
Apparel	3%	
New Vehicles	4%	
Used Vehicles	4%	
Medical	2%	
Other	9%	
Services		58%
Shelter	45%	
Medical	7%	
Transportation	6%	
Total	100%	100%

PCE		
Category/Subcategory	Subcategory %	Category %
Durable Goods		14%
Auto	4%	
Furniture	3%	
Recreational	4%	
Other Durable	3%	
Non-Durable Goods		22%
Food	7%	
Clothing	3%	
Energy	3%	
Other	9%	
Services		64%
Housing	16%	
Health Care	17%	
Transportation	3%	
Recreation	4%	
Hotels/Restaurants	6%	
Finance	6%	
Non-Profit	3%	
Other Services	9%	
Total	100%	100%

Fed

Source: BLS, BEA

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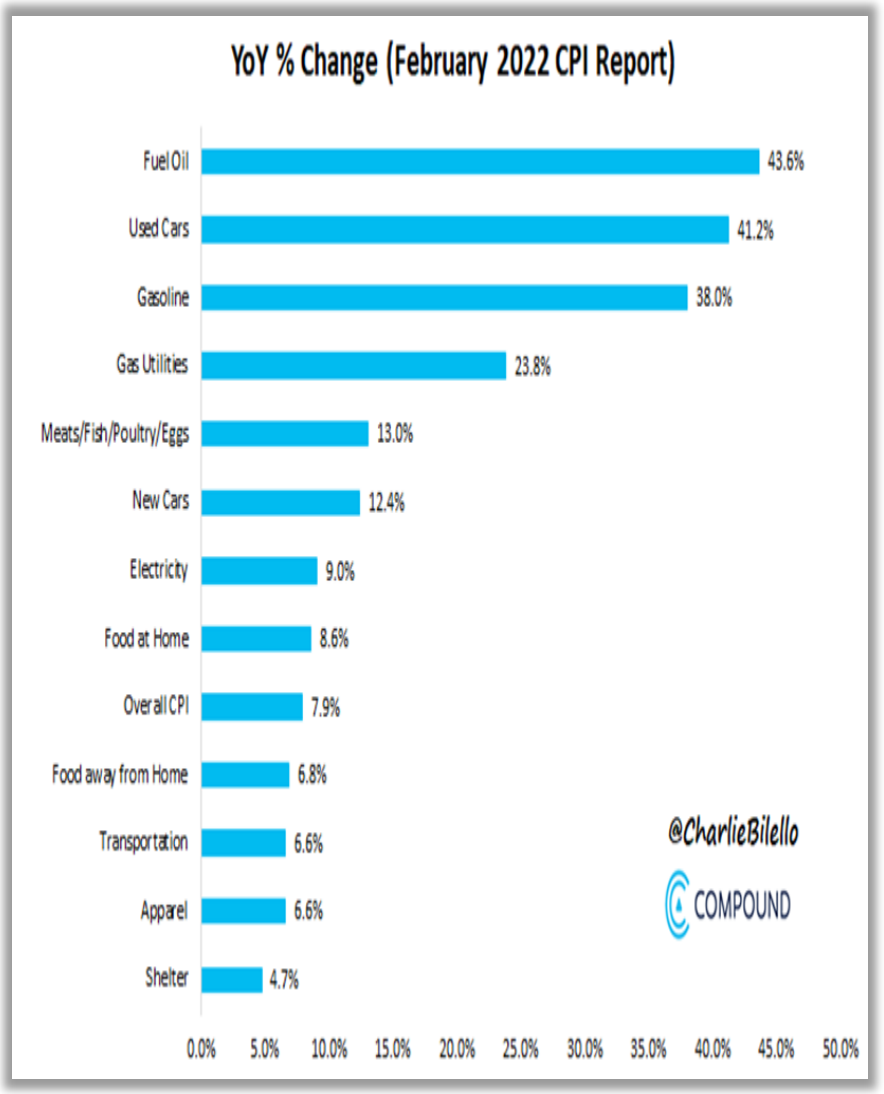
Inflation Details

NEWS RELEASE
BUREAU OF LABOR STATISTICS
U.S. DEPARTMENT OF LABOR

Table A. Percent changes in CPI for All Urban Consumers (CPI-U): U.S. city average

	Seasonally adjusted changes from preceding month							Un-adjusted 12-mos. ended Feb. 2022
	Aug. 2021	Sep. 2021	Oct. 2021	Nov. 2021	Dec. 2021	Jan. 2022	Feb. 2022	
All items	0.3	0.4	0.9	0.7	0.6	0.6	0.8	7.9
Food	0.4	0.9	0.9	0.8	0.5	0.9	1.0	7.9
Food at home	0.4	1.2	0.9	0.9	0.4	1.0	1.4	8.6
Food away from home[1]	0.4	0.5	0.8	0.6	0.6	0.7	0.4	6.8
Energy	1.9	1.2	3.7	2.4	0.9	0.9	3.5	25.6
Energy commodities	2.5	1.2	4.7	4.2	1.3	-0.6	6.7	37.9
Gasoline (all types)	2.5	1.1	4.6	4.5	1.3	-0.8	6.6	38.0
Fuel oil[1]	-2.1	3.9	12.3	3.5	-2.4	9.5	7.7	43.6
Energy services	1.2	1.2	2.4	0.2	0.3	2.9	-0.4	12.3
Electricity	1.0	0.6	1.4	0.2	0.5	4.2	-1.1	9.0
Utility (piped) gas service	1.6	2.9	5.9	0.3	-0.3	-0.5	1.5	23.8
All items less food and energy	0.2	0.3	0.6	0.5	0.6	0.6	0.5	6.4
Commodities less food and energy commodities	0.4	0.3	1.1	0.9	1.2	1.0	0.4	12.3
New vehicles	1.2	1.3	1.3	1.2	1.2	0.0	0.3	12.4
Used cars and trucks	-1.2	-0.5	2.5	2.4	3.3	1.5	-0.2	41.2
Apparel	0.3	-0.7	0.6	0.7	1.1	1.1	0.7	6.6
Medical care commodities[1]	-0.2	0.3	0.6	0.1	0.0	0.9	0.3	2.5
Services less energy services	0.1	0.2	0.4	0.4	0.3	0.4	0.5	4.4
Shelter	0.2	0.4	0.5	0.5	0.4	0.3	0.5	4.7
Transportation services	-1.2	-1.0	0.2	0.7	0.0	1.0	1.4	6.6
Medical care services	0.2	0.2	0.4	0.3	0.3	0.6	0.1	2.4

Source: BLS, Charlie Bilello



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Inflation Heat Map YOY Changes

Exhibit 2: % yoy CPI heatmap

% yoy core CPI keeps on climbing, up to 6.4% from 6.0% —a new cycle high and the strongest since 1982

Jan-22 weight	Component	Feb-22	Jan-22	Dec-21	Nov-21	Oct-21	Sep-21	Aug-21	Jul-21	Jun-21	May-21	Apr-21	Mar-21
100.0	**Headline CPI**	**7.87%**	**7.48%**	**7.04%**	**6.81%**	**6.22%**	**5.39%**	**5.25%**	**5.37%**	**5.39%**	**4.99%**	**4.16%**	**2.62%**
	2yr annualized rate	4.75%	4.40%	4.15%	3.94%	3.68%	3.38%	3.25%	3.13%	3.01%	2.57%	2.24%	2.09%
13.4	Food	7.90%	6.95%	6.27%	6.11%	5.33%	4.59%	3.74%	3.45%	2.39%	2.15%	2.37%	3.47%
7.4	Energy	25.55%	26.98%	29.30%	33.29%	29.97%	24.83%	24.97%	23.85%	24.48%	28.55%	25.14%	13.17%
79.2	**Core CPI**	**6.41%**	**6.02%**	**5.45%**	**4.93%**	**4.56%**	**4.03%**	**4.00%**	**4.27%**	**4.47%**	**3.80%**	**2.96%**	**1.65%**
	2yr annualized rate	3.82%	3.69%	3.52%	3.28%	3.10%	2.87%	2.83%	2.86%	2.81%	2.52%	2.21%	1.89%
4.0	Household Furnishings and Supplies	10.29%	9.35%	7.38%	6.00%	6.11%	4.76%	3.26%	3.02%	3.36%	3.69%	3.15%	2.83%
2.5	Apparel	6.56%	5.34%	5.80%	4.96%	4.32%	3.39%	4.21%	4.21%	4.87%	5.56%	1.91%	-2.48%
8.8	Motor Vehicles & Parts	23.92%	23.42%	21.83%	19.17%	16.47%	14.95%	17.21%	19.82%	20.29%	13.32%	9.24%	4.46%
4.1	New Vehicles	12.38%	12.19%	11.78%	11.11%	9.85%	8.74%	7.62%	6.36%	5.26%	3.34%	1.96%	1.49%
4.2	Used Cars and Trucks	41.15%	40.51%	37.29%	31.44%	26.45%	24.41%	31.90%	41.65%	45.24%	29.74%	20.97%	9.37%
1.5	Medical Care Commodities	2.51%	1.44%	0.45%	0.18%	-0.36%	-1.62%	-2.52%	-2.10%	-2.23%	-1.85%	-1.73%	-2.44%
1.9	Recreation Commodities	4.56%	4.14%	3.27%	3.95%	3.98%	3.48%	3.29%	3.17%	3.23%	3.54%	2.86%	0.76%
0.8	Education and Communication Commodities	0.30%	0.75%	0.16%	0.94%	2.53%	2.58%	-0.46%	-0.18%	-1.15%	-1.43%	-2.21%	-4.93%
0.9	Alcoholic Beverages	3.51%	2.69%	2.32%	1.91%	2.24%	2.81%	2.58%	2.44%	1.89%	1.55%	1.89%	1.95%
1.4	Other Goods	4.92%	4.30%	4.60%	4.31%	4.46%	3.39%	3.40%	2.67%	2.54%	2.53%	2.32%	1.89%
32.8	Shelter	4.74%	4.36%	4.13%	3.84%	3.48%	3.16%	2.84%	2.83%	2.58%	2.21%	2.11%	1.70%
24.2	Owners' Equivalent Rent of Residences	4.31%	4.09%	3.79%	3.53%	3.13%	2.89%	2.55%	2.43%	2.34%	2.11%	2.04%	2.01%
7.4	Rent of Primary Residence	4.17%	3.76%	3.33%	3.05%	2.70%	2.43%	2.12%	1.91%	1.92%	1.82%	1.80%	1.83%
0.9	Lodging Away From Home	25.07%	20.53%	23.91%	22.16%	22.25%	17.54%	17.43%	21.47%	15.08%	9.00%	7.37%	-6.41%
1.1	Water & Sewer & Trash Collection Services	4.16%	4.04%	3.47%	3.49%	3.73%	3.73%	3.48%	3.69%	3.57%	3.44%	3.55%	3.53%
0.8	Household Operations				8.44%	6.85%	6.63%	7.28%	6.99%	7.16%	8.26%	4.92%	4.34%
7.0	Medical Care Services	2.41%	2.70%	2.54%	2.08%	1.68%	0.89%	1.01%	0.82%	1.02%	1.52%	2.16%	2.71%
5.6	Transportation Services	6.63%	5.57%	4.19%	3.86%	4.50%	4.39%	4.57%	6.38%	10.40%	11.18%	5.62%	-1.64%
0.5	Airline Fares	12.69%	4.95%	0.73%	-4.46%	-4.40%	0.91%	6.46%	18.05%	24.80%	25.15%	10.66%	-14.25%
3.2	Recreation Services	5.13%	5.04%	3.26%	2.80%	3.78%	3.48%	3.48%	3.72%	1.90%	0.62%	1.76%	1.23%
5.5	Education and Communication Services	1.71%	1.70%	1.74%	1.72%	1.71%	1.66%	1.33%	1.24%	2.36%	2.19%	2.02%	2.04%
1.4	Other Personal Services	6.16%	5.41%	4.34%	4.50%	4.05%	3.45%	3.59%	3.08%	2.48%	2.78%	3.01%	2.87%

Source: BofA

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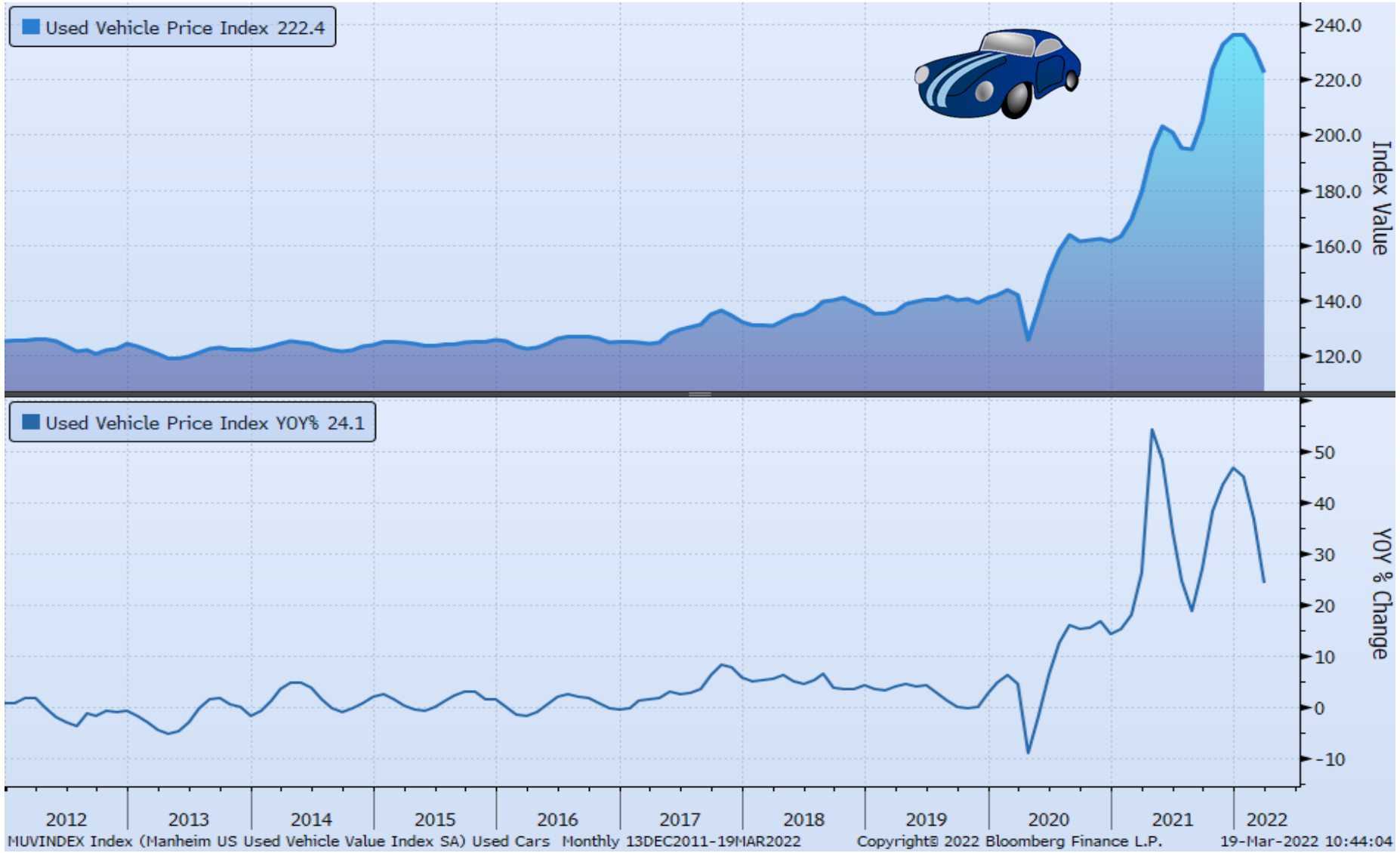
Used Vehicle Prices: ROC vs. Absolute



Manheim Auctions

Company

manheim.com

Manheim, Inc. is an automobile auction company and the world's largest wholesale auto auction based on trade volume with 145 auctions located in North America, Europe, Asia and Australia. Wikipedia

Customer service: 1 (866) 626-4346

Headquarters: Atlanta, GA

Source: Bloomberg, Google

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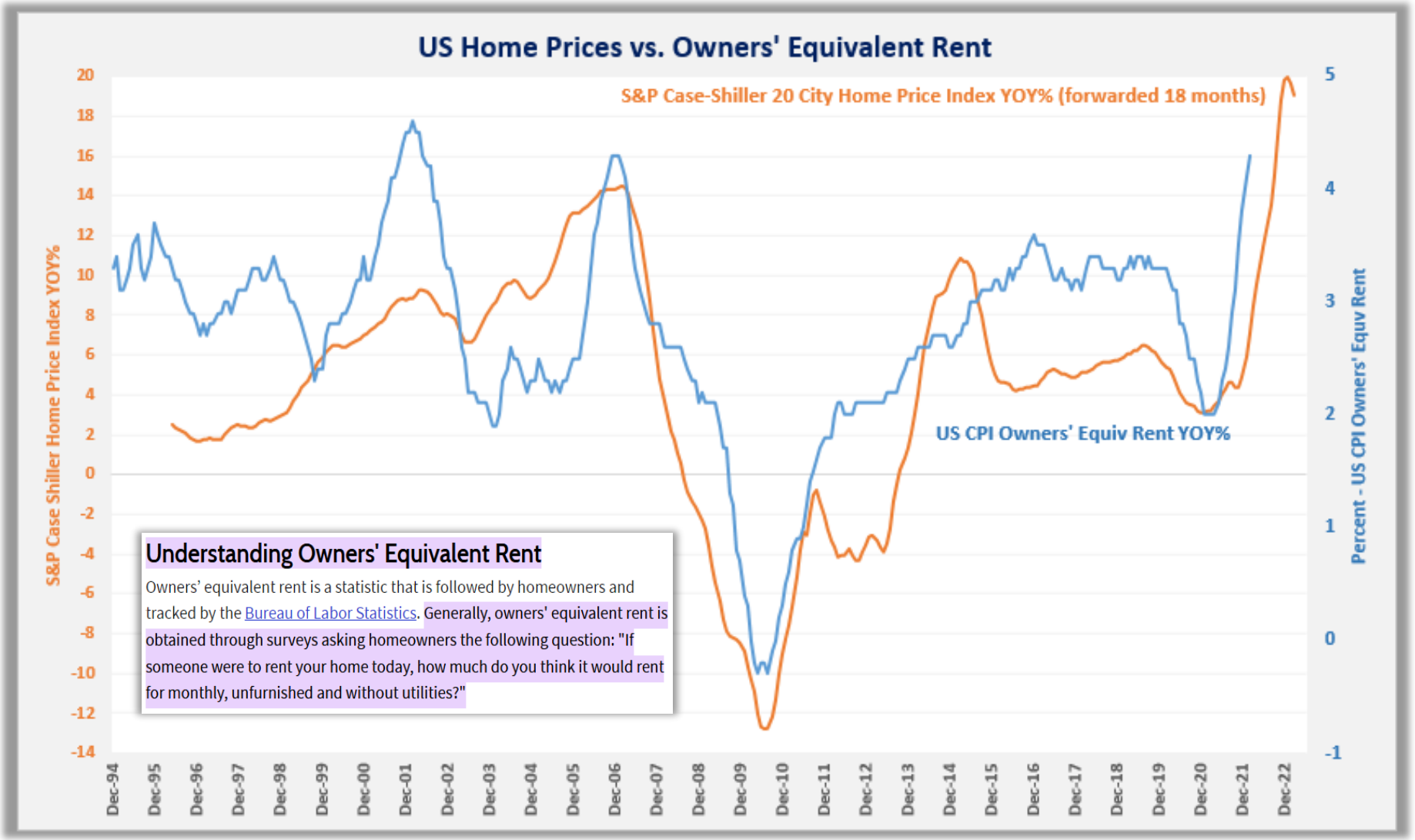
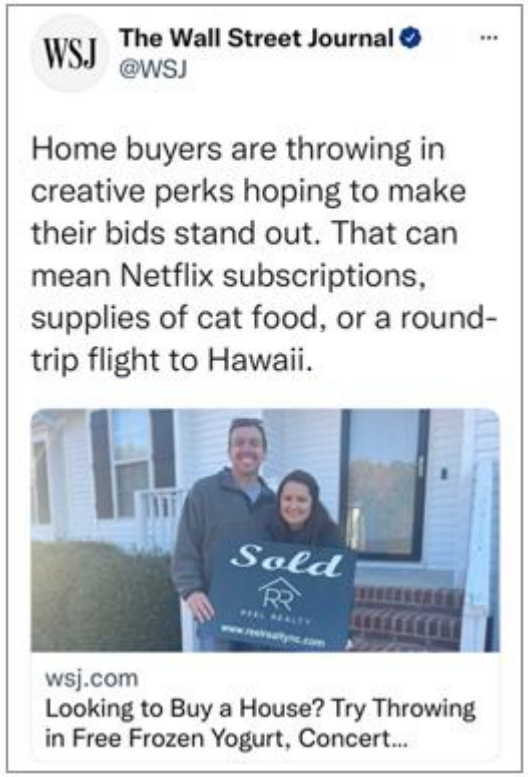
Housing Inflation



Sign of a Top!?



Source: Bloomberg, Twitter

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Inflation Measurements Change Over Time

MISES INSTITUTE

No, Inflation Is Not "Transitory," and It Is Worse than the Government Admits

44 COMMENTS

LEE ESTO EN ESPAÑOL

TAGS Central Banks, Inflation, Monetary Theory

03/10/2022 • André Marques

The inflation rates reported by governments are generally, at the very least, a little lower than they actually are. And the US government is not an exception. It makes the CPI (Consumer Price Index) artificially lower (by making changes in the methodology) and benefits from it in several ways (increasing its revenues while the voters don't realize they are being lied to and losing their purchasing power).

How the Government Lies about Inflation

The official CPI in the US was 7.5 percent in January 2022 (to know more about this huge increase, click here). However, if measured by 1980s methodology (as is done by Shadow Government Statistics), the CPI was above 15 percent in January 2022. This huge difference can be explained by the several changes made in the methodology of calculating the CPI since the 1990's:

Home Prices and Rents

Current CPI methodology does not actually include home prices. And about 1/4 of its calculation is represented by "owner's equivalent rent". This indicator is based on the following question that the Consumer Expenditure Survey asks of consumers who own their primary residence: "If someone were to rent your home today, how much do you think it would rent for monthly, unfurnished and without utilities?" So, it is just a guess. As of December 2021, house prices have increased by 20 percent YTD. Over the same period, rents have increased by 17 percent. 'Owner's equivalent rent' increased by 3.5 percent. If we use the 20 percent increase of house prices instead of the 3.5 percent 'owner's equivalent rent', the 6.8 percent CPI recorded in November 2021 would be 11 percent.

Source: Mises Institute

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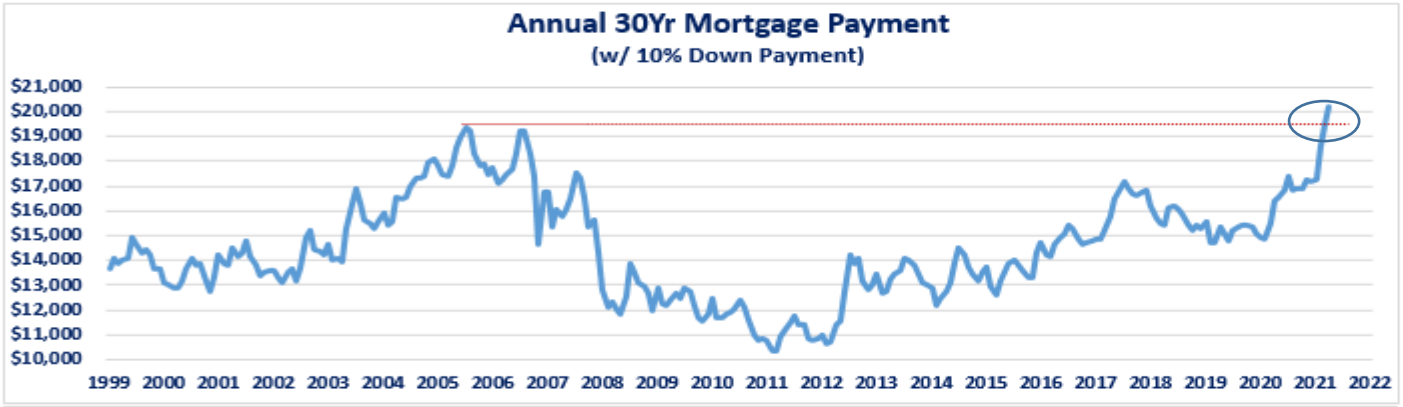
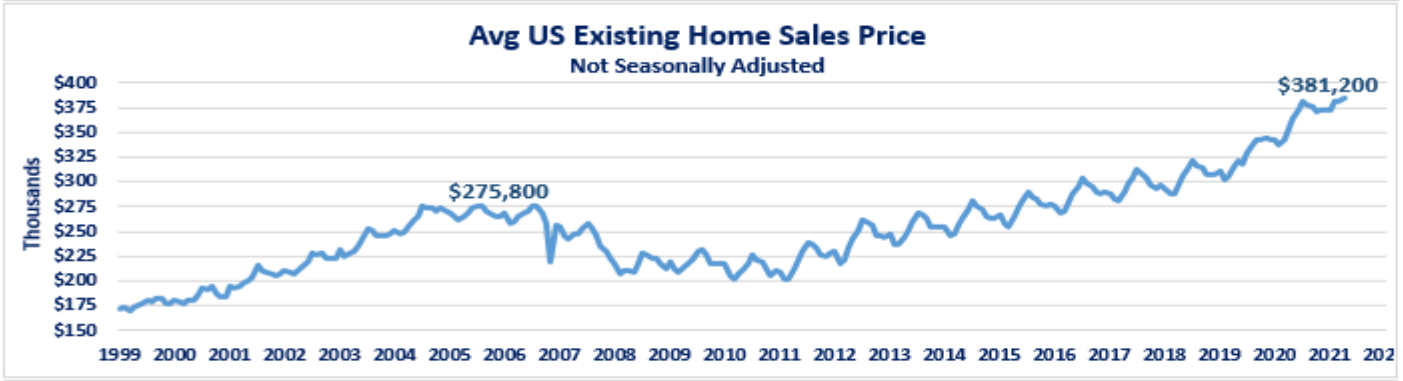
One Reason OER is Used for CPI and Not Home Price Changes

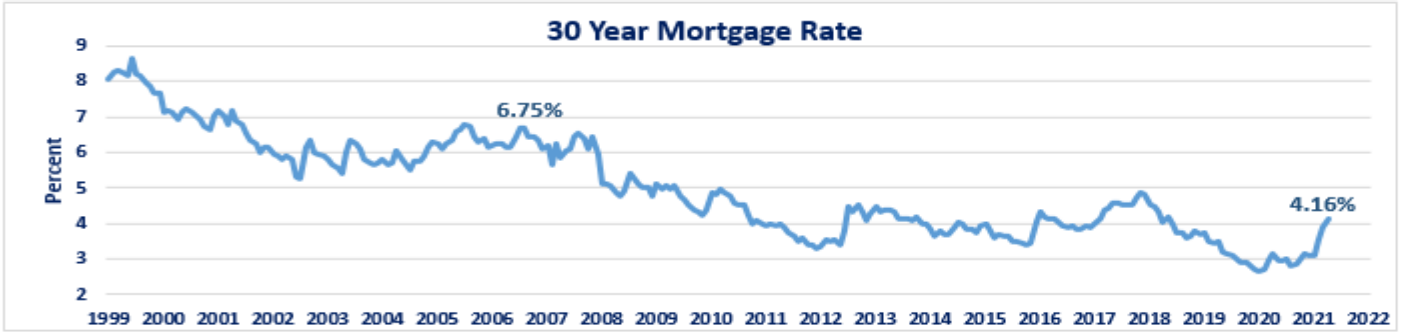


Annual Mortgage Payment Comparison US Median Home Price -- 10% Down	
Price in 2007	$275,800
10% Down	($27,580)
Financed	$248,220
2007 Mortgage Rate	6.75%
Annual P&I Pmt	**$19,319**
Current Price	$384,000
10% Down	($38,400)
Financed	$345,600
Current Mortgage Rate	4.16%
Annual P&I Pmt	**$20,184**

National Assoc. of Realtors



FHLMC Market Survey



Source: Bloomberg

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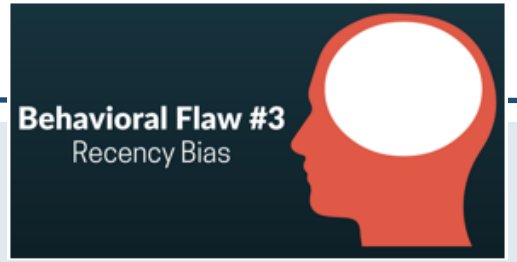
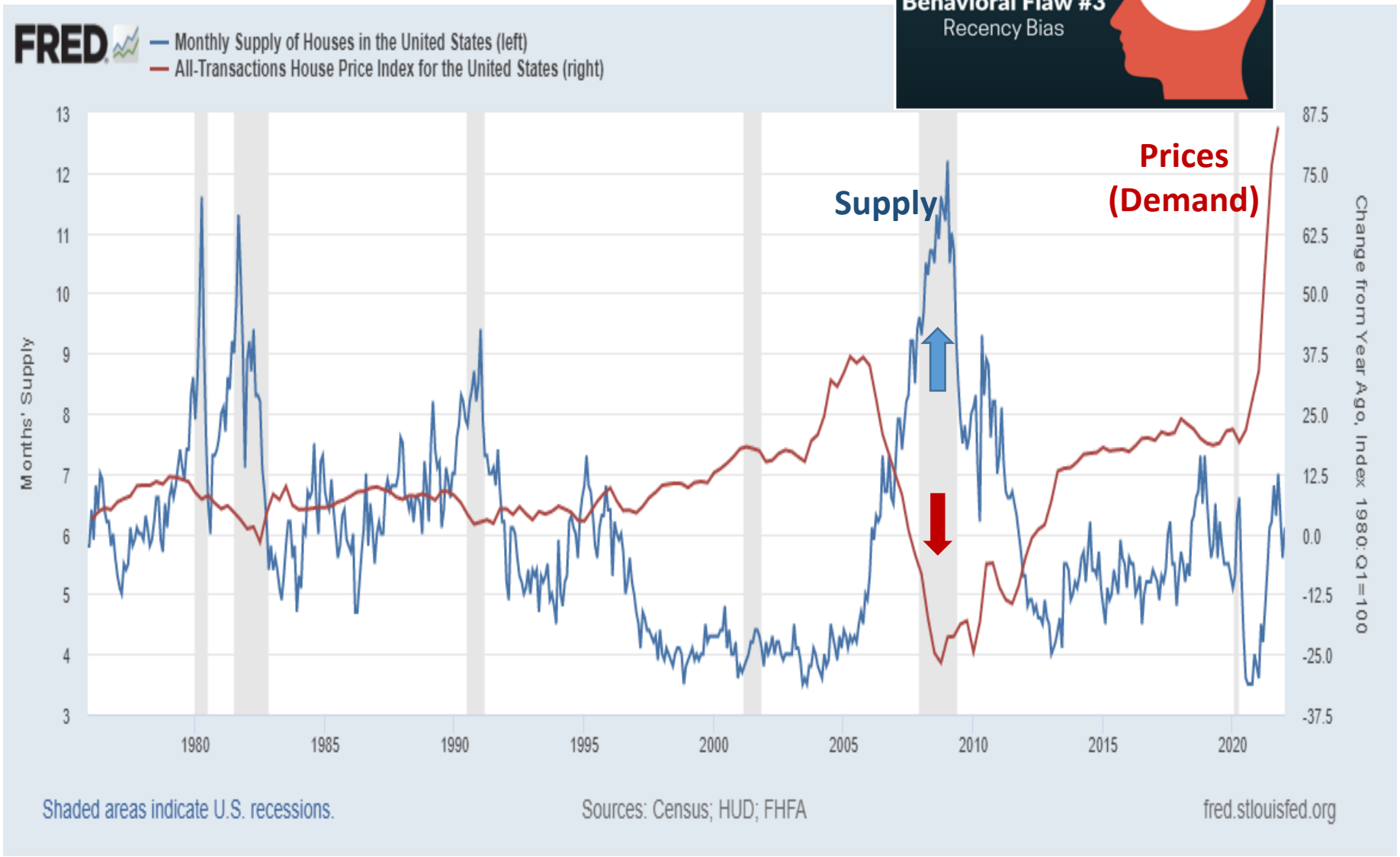
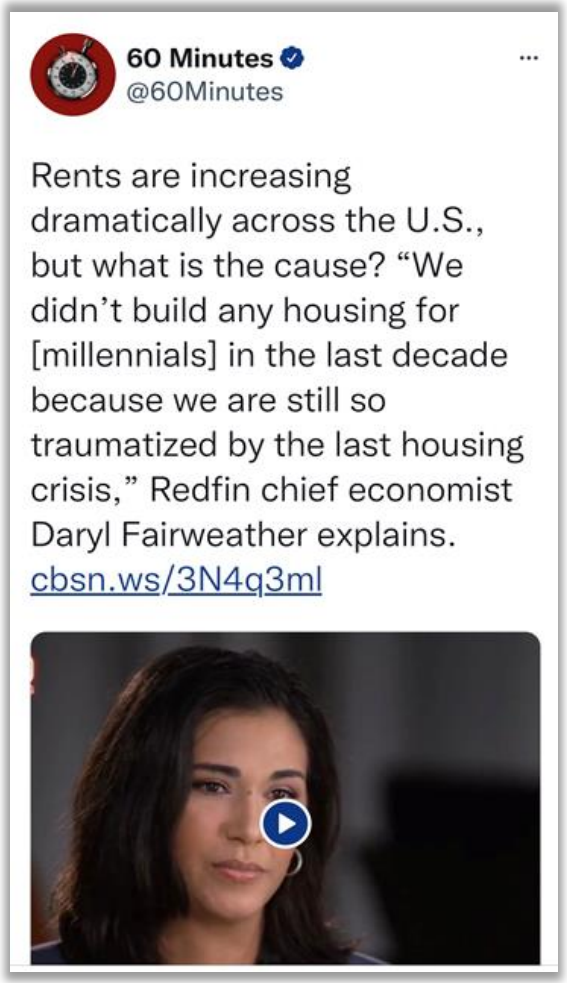
Housing Supply and Demand (Prices)







Source: FRED, Twitter

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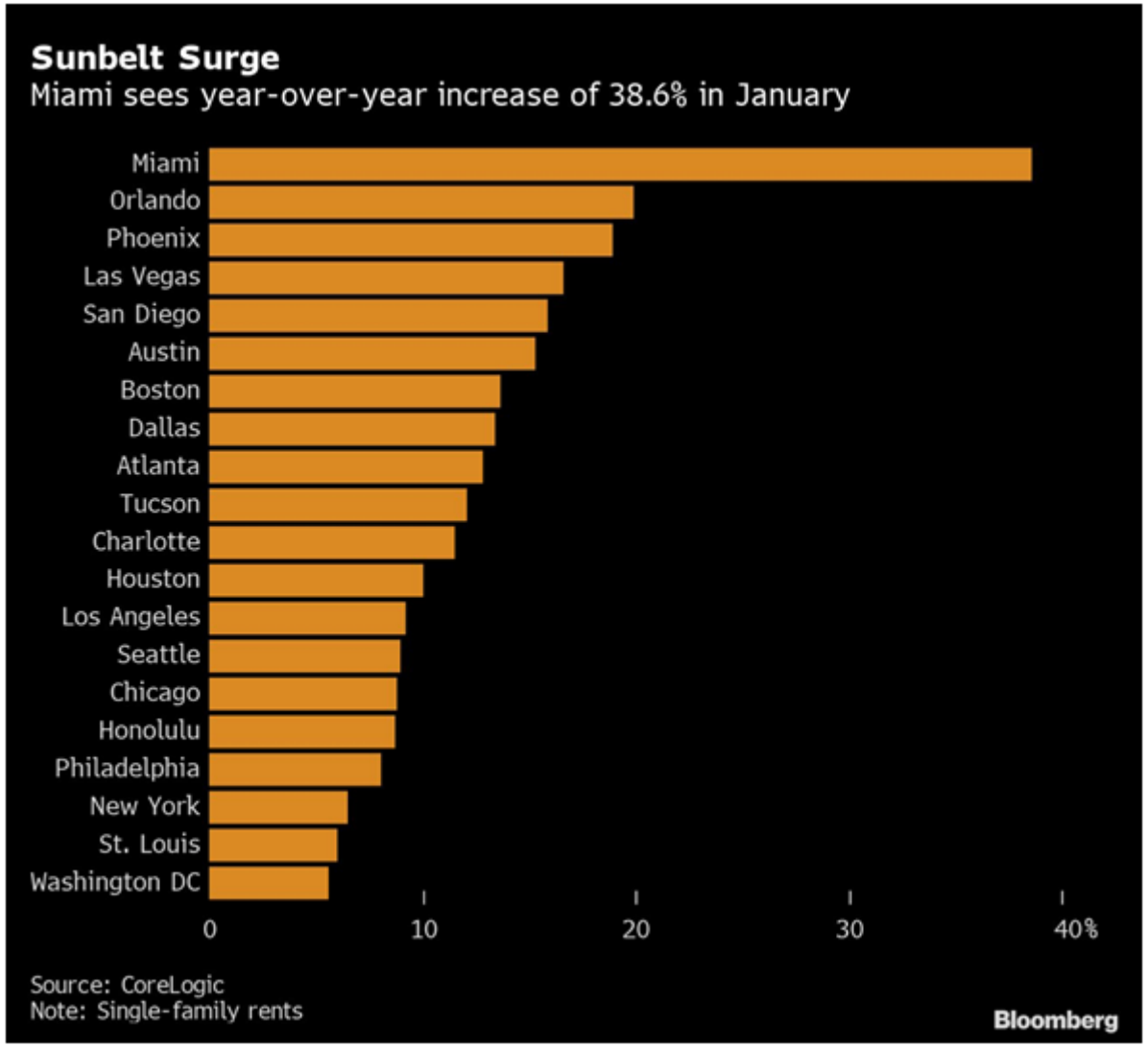
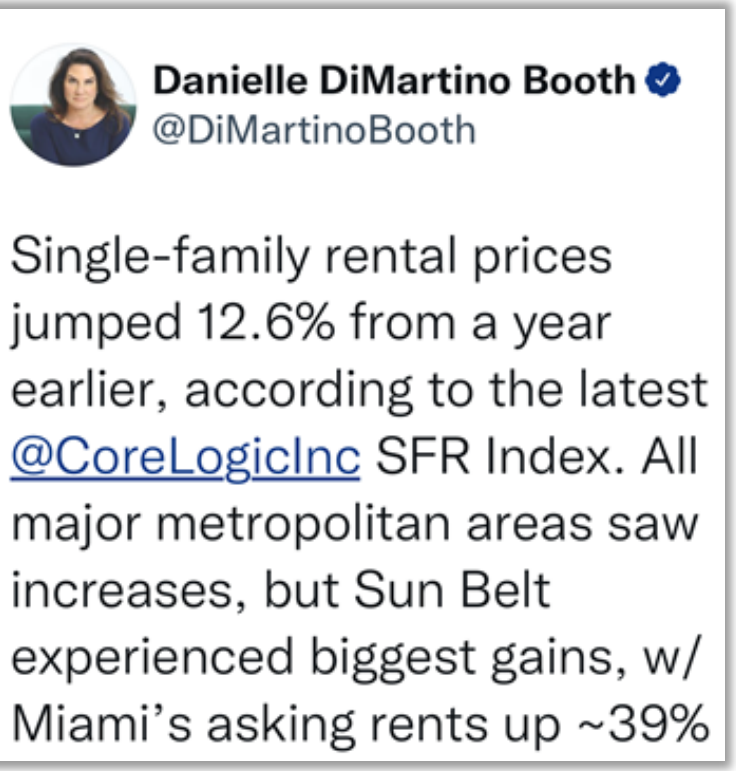
Rents Rocket!



Source: Bloomberg



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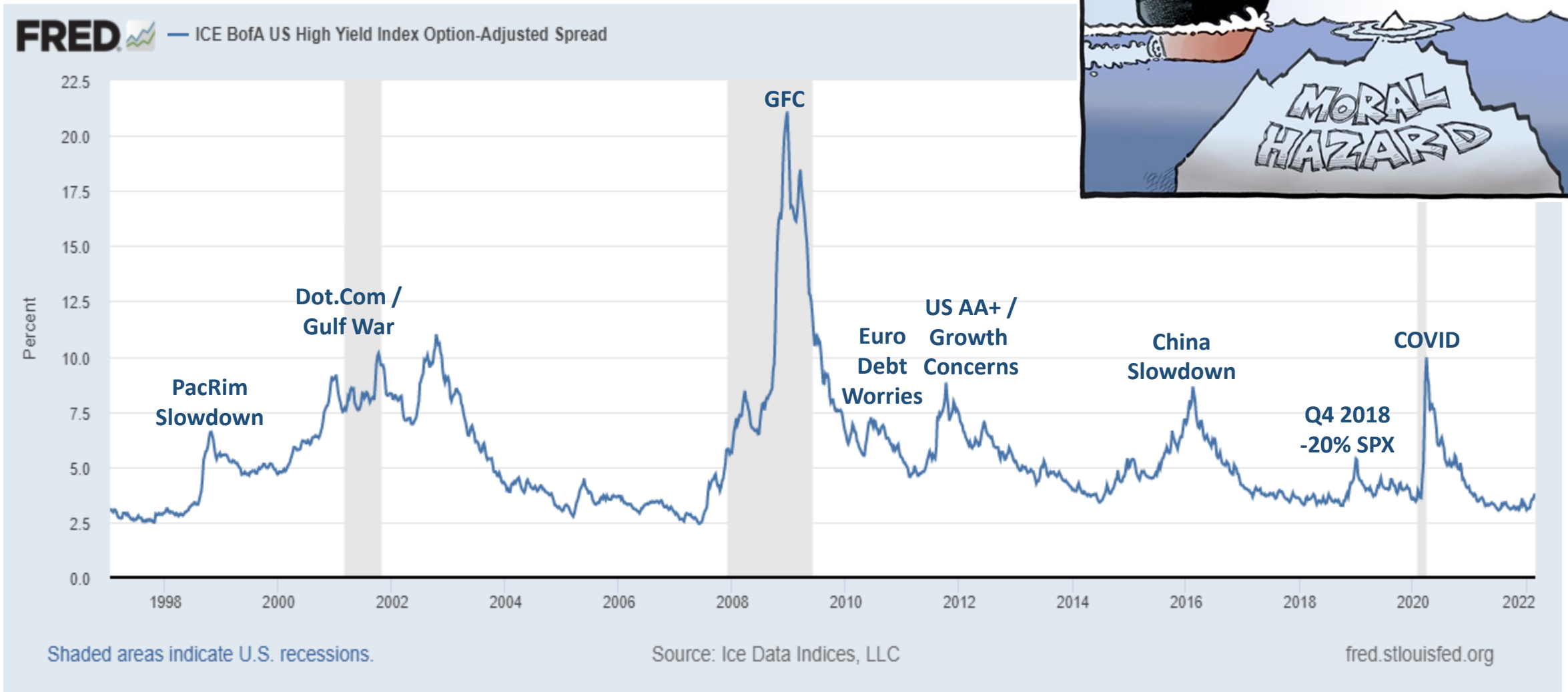
High Yield (Junk) Bond Spread: +100 Basis Points Recently



Source: FRED

Risk-Off In Smaller Cap Stocks: Russell 2000…Textbook Bear Market (-20%)

2018

2022

Source: Bloomberg

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But Risk-On (Stocks) Has Worked Consistently After Rate Hikes Start

What Happens After the First Fed Rate Hike?

S&P 500 Index Future Returns

Date of First Hike	Next 3 Months	Next 6 Months	Next 12 Months
8/8/83	2.0%	-0.7%	2.1%
4/1/87	19.1	20.9	1.5
5/11/88	3.4	8.6	20.7
2/4/94	-5.9	-2.5	2.4
3/25/97	13.6	20.6	39.6
6/30/99	-7.6	6.6	6.0
6/30/04	-2.3	6.4	5.2
12/16/15	-1.1	0.1	9.1
Average	**2.7**	**7.5**	**10.8**
Median	**0.5**	**6.5**	**5.6**
% Positive	**50.0**	**75.0**	**100.0**

Source: Bloomberg

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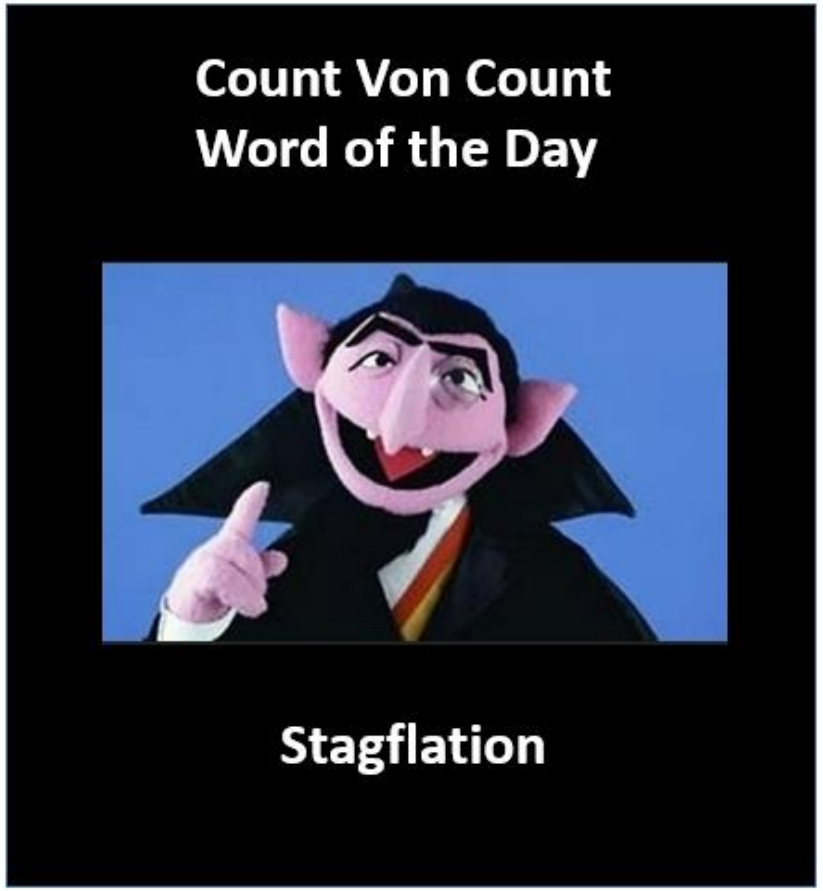
Word of the Day!



03/07/2022 05:35:55 [BN]

Surging Price of Everything Spells Stagflation, Risks Recessions

- Barclays, JPMorgan cut growth outlook, lift inflation view
- Commodities surging amid fears of new sanctions on Russia

By Philip Aldrick, Jana Randow, Carolynn Look and Enda Curran

(Bloomberg) -- The global economy is at mounting risk of stagflation and potentially more recessions as fuel, food and metal prices surge after Russia's invasion of Ukraine.

Fresh speculation that governments may slap sanctions on Moscow's energy supplies catapulted oil above $130 a barrel at one point on Monday. European gas prices continued to fly higher after doubling last week, and wheat is near a record following Ukraine's exit as one of the top global crop suppliers. Copper, palladium and other metals also keep rising.

With the world still to fully escape the coronavirus and supply chains fraying anew, the climbing cost of raw materials increasingly threatens a 1970s-style twin blow on companies and consumers via even faster inflation and weaker demand.

Source: Bloomberg, Google

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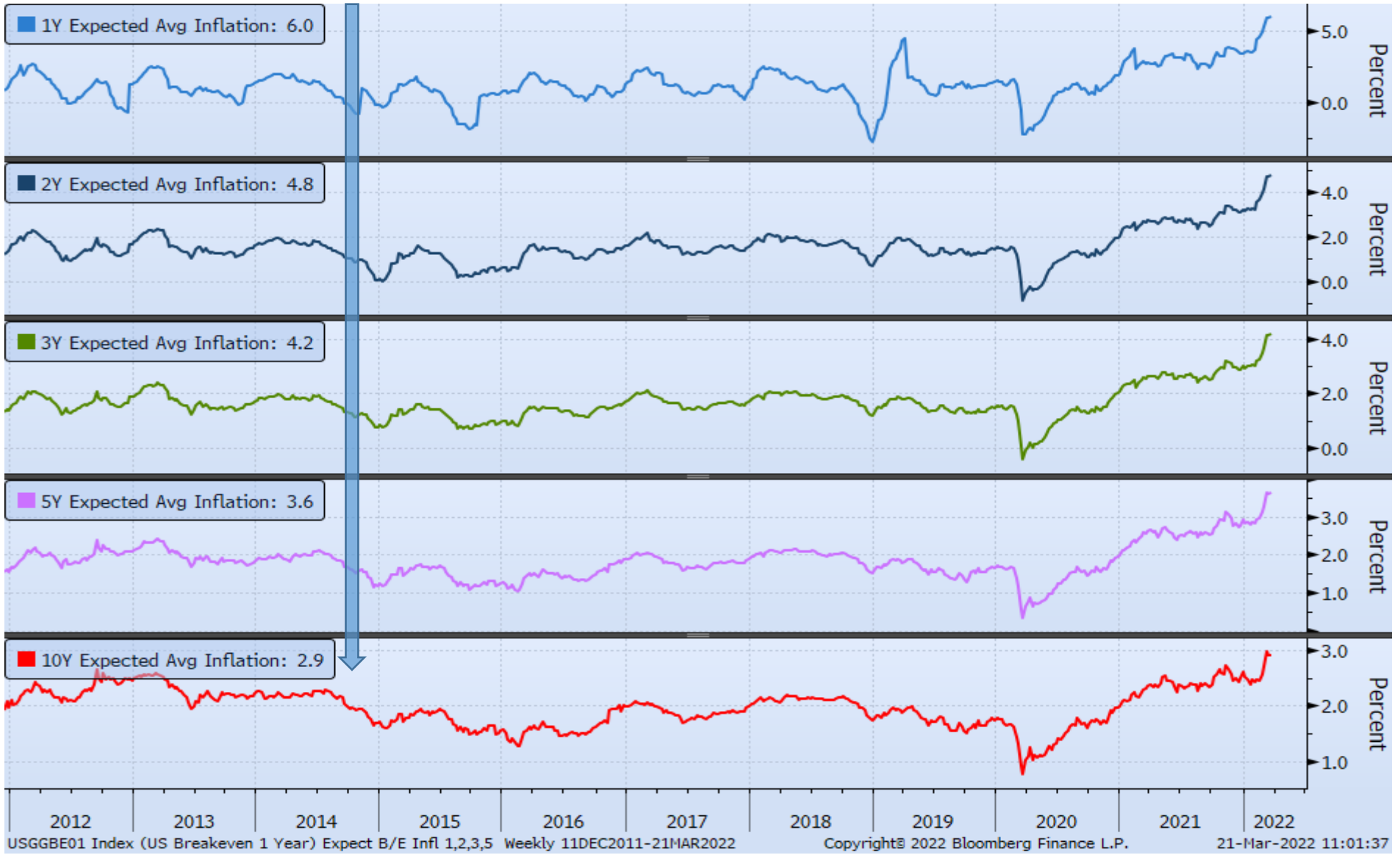
Inflation Expectations (TIPS Market)



Source: Bloomberg

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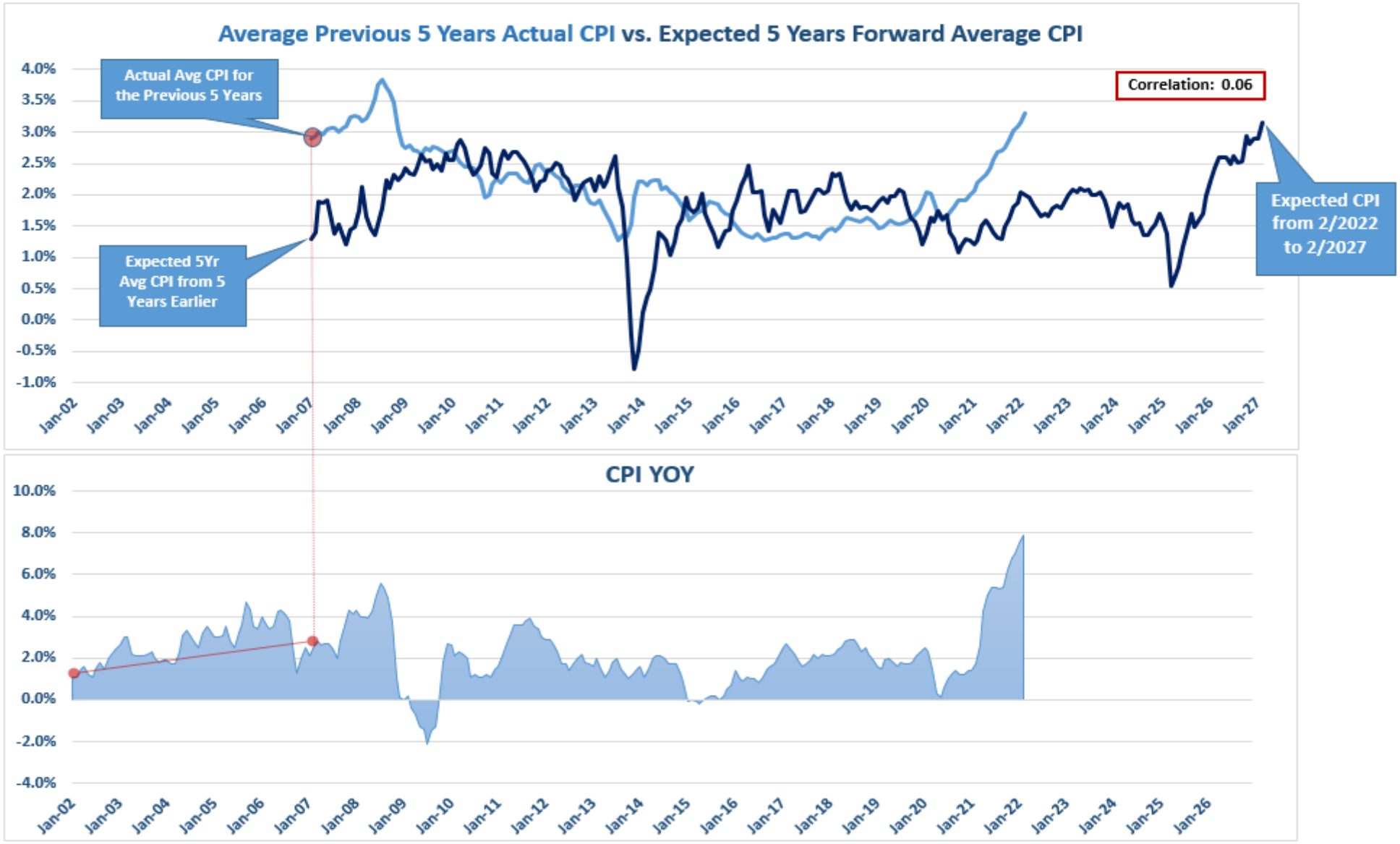
Expected Inflation vs. Realized Inflation: Not Very Correlated



Source: Bloomberg

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The “Great Inflation”…Will Powell Repeat?

FEDERAL RESERVE HISTORY

Federal Reserve History ▾ Federal Reserve People ▾ About the Fed ▾

Home > Federal Reserve History > The Great Inflation

The Great Inflation

1965–1982

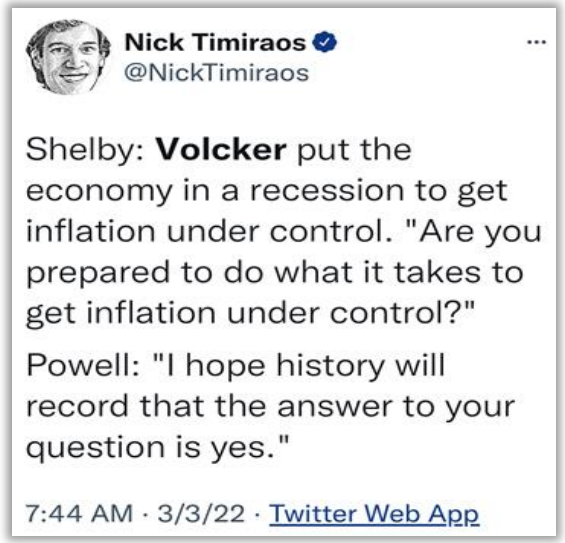
The Great Inflation was the defining macroeconomic period of the second half of the twentieth century. Lasting from 1965 to 1982, it led economists to rethink the policies of the Fed and other central banks.

Close-up of a "Whip Inflation Now" [WIN] button, President Ford's symbol of the fight against inflation. (Photo: Bettmann/Bettmann/Getty Images)

https://www.federalreservehistory.org/essays/great-inflation

Paul Volcker, then undersecretary of the Treasury for monetary affairs, is pictured at a news conference in Washington, D.C.,. on Feb. 10, 1972. As Federal Reserve Chairman, Volcker sharply raised interest rates to cut down on double-digit inflation.

Harvey Georges/AP



In this Dec. 23, 1973 file photo, cars line up in two directions at a gas station in New York City. The 1970s was a period defined by devastating double-digit inflation, requiring drastic action from the Federal Reserve.

Marty Lederhandler/AP

Source: Bloomberg

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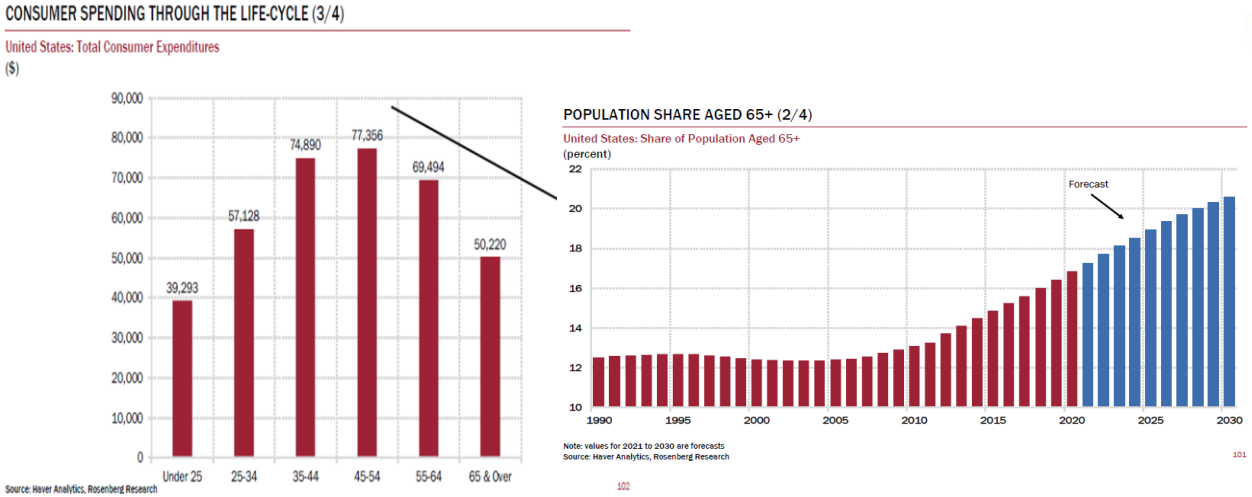
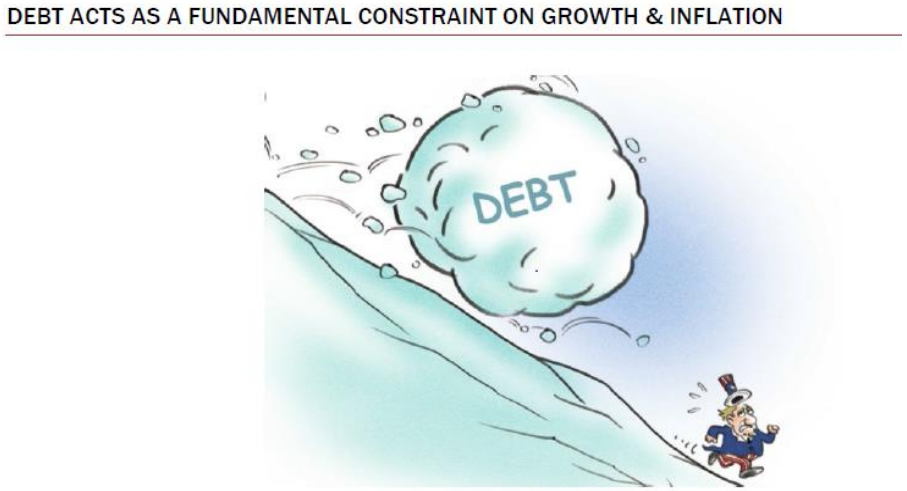
Case for Transitory/Cyclical Inflation: D D G T (Demographics, Debt, Globalization, Technology)

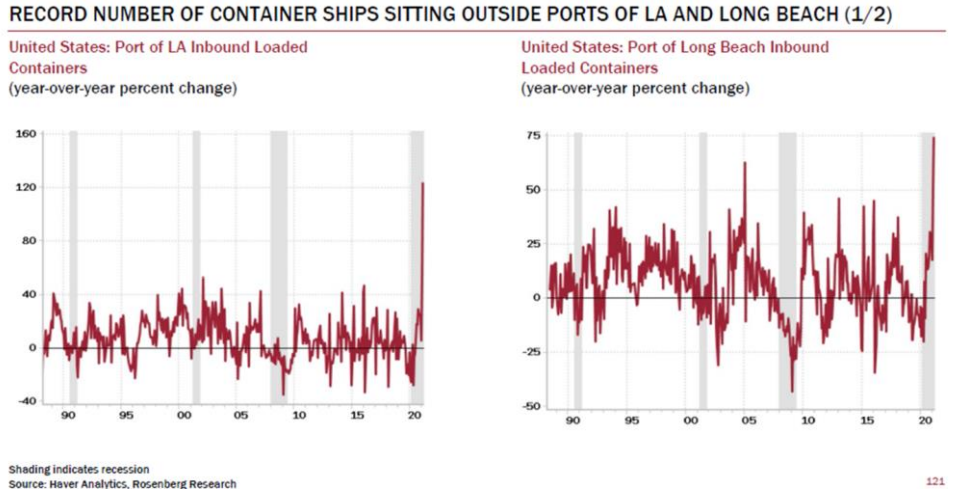
Demographics



Debt



Globalization



Technology

Market Cap: $600 Billion

Market Cap: $65 Billion

Source: Rosenberg Research

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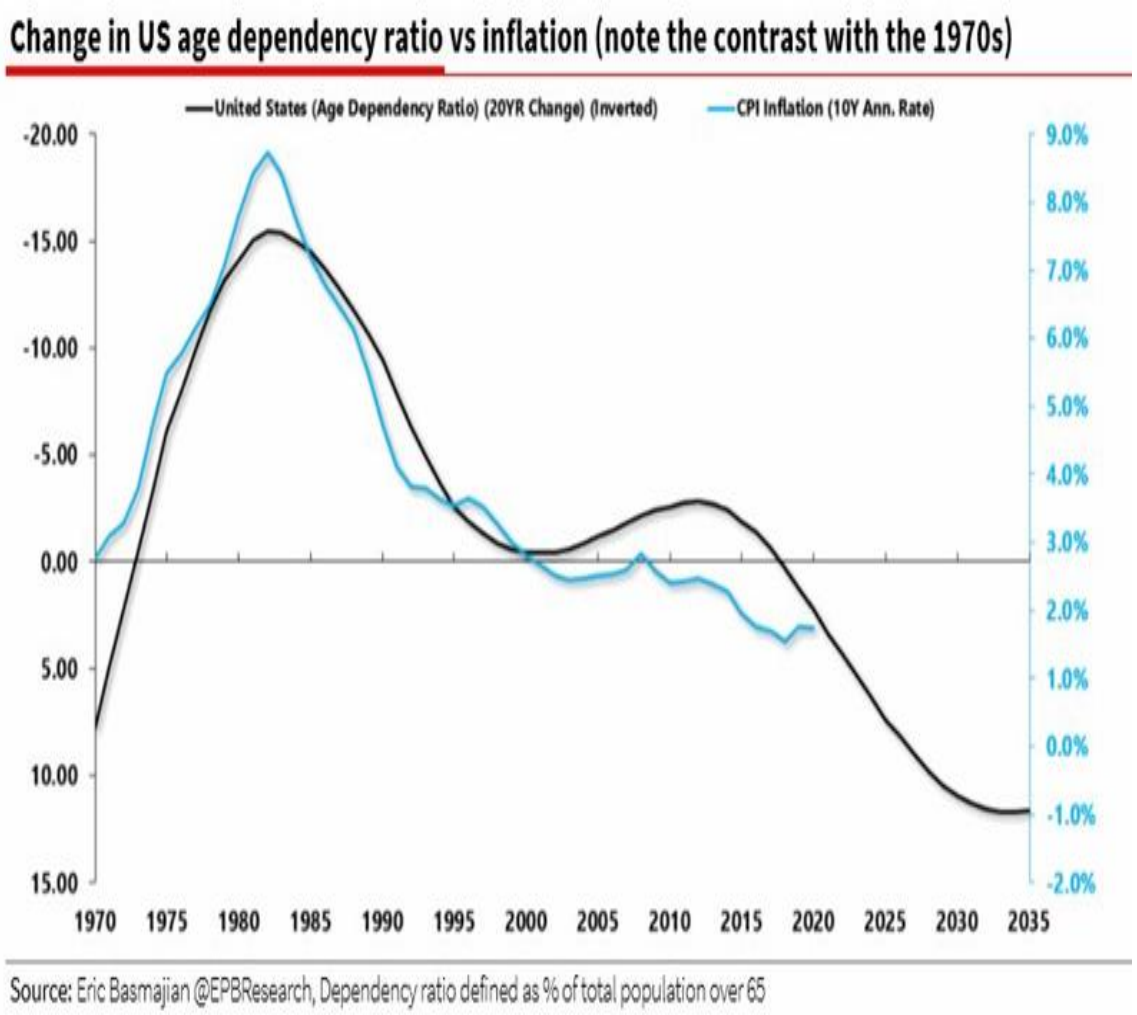
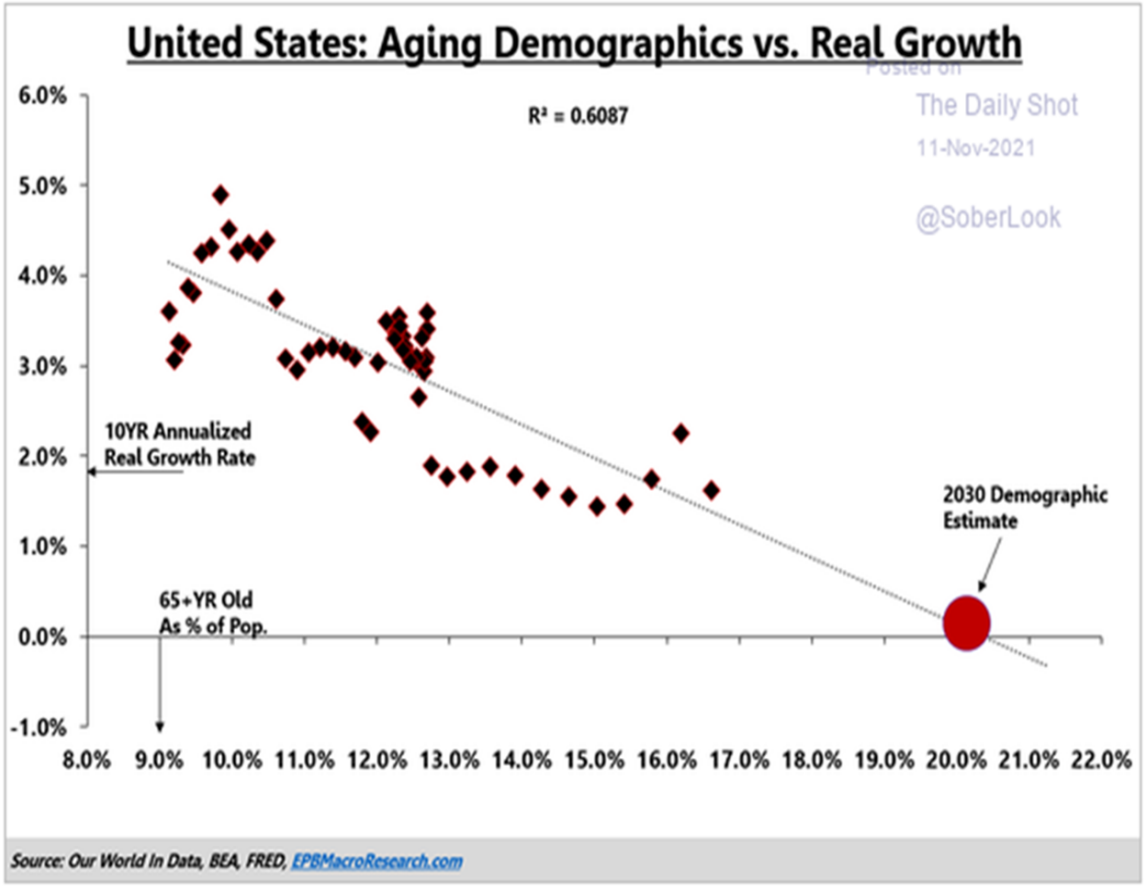
Some Reasons for "Transitory'ish" Inflation: Demographics of DDGT





Source: Twitter

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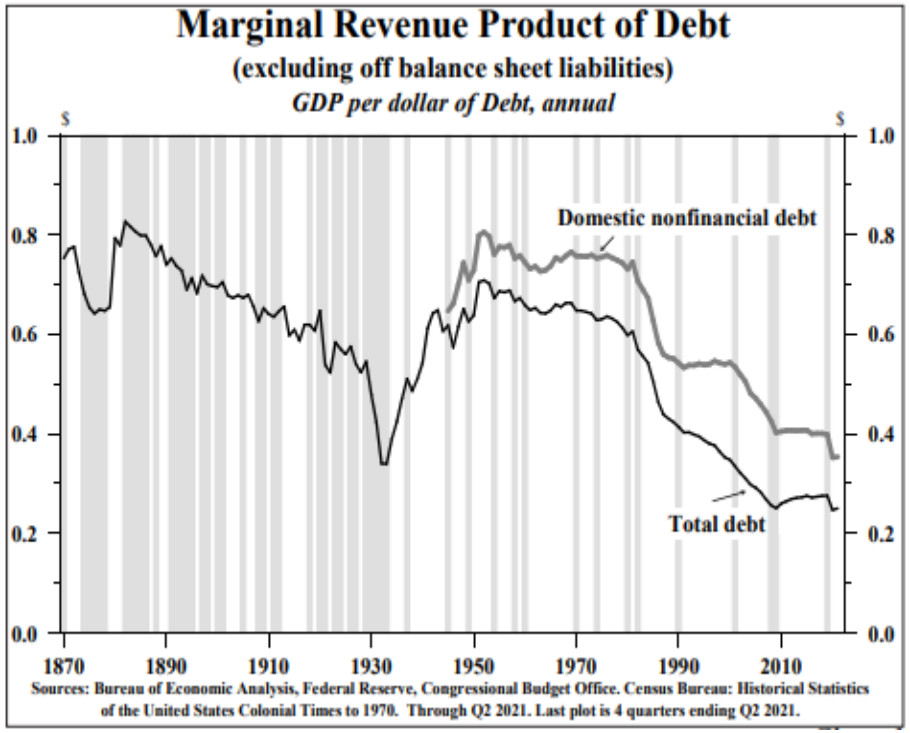
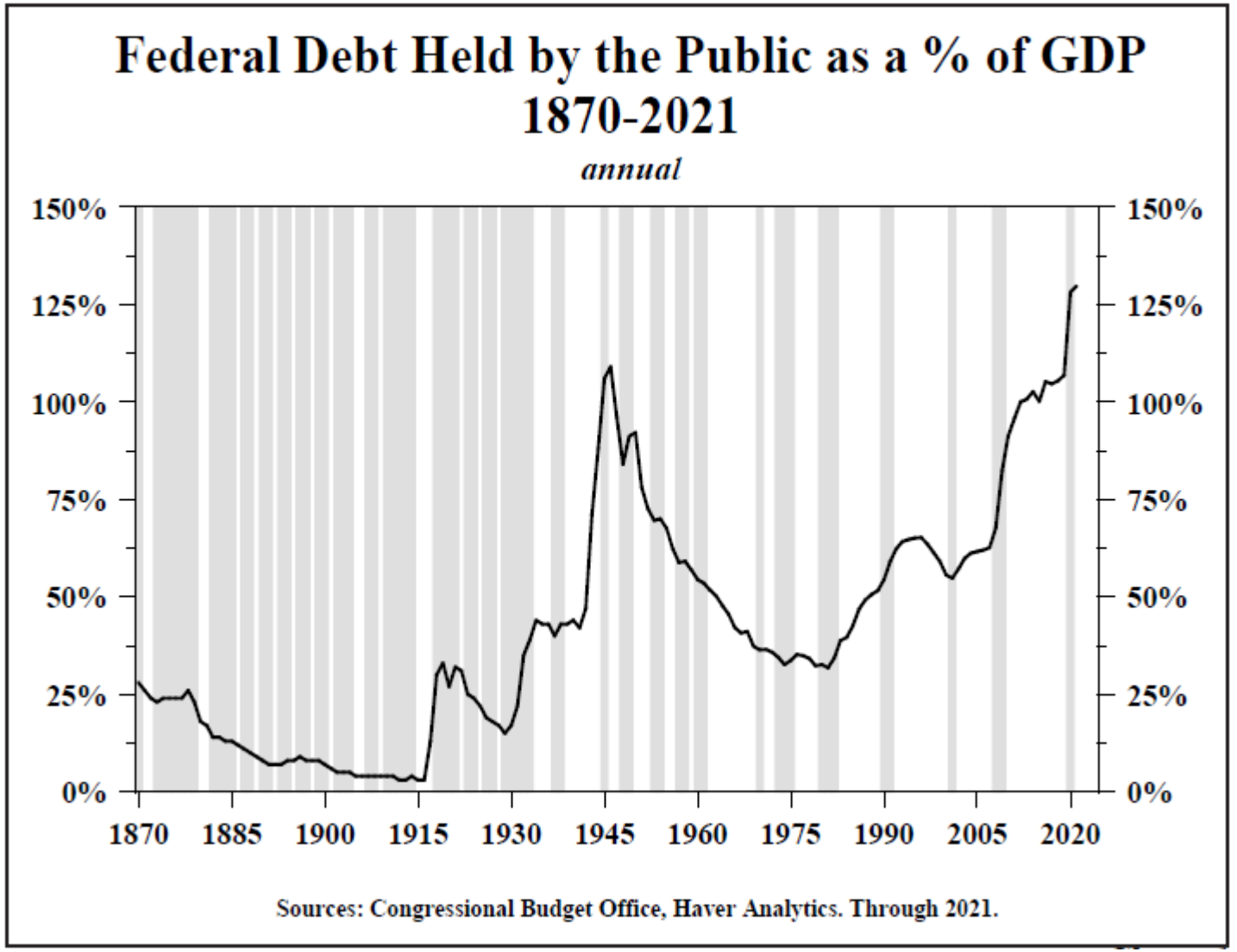
Dr. Lacy Hunt: As Debt Increases the Marginal Product of Debt Decreases



Source: Hoisington, Google



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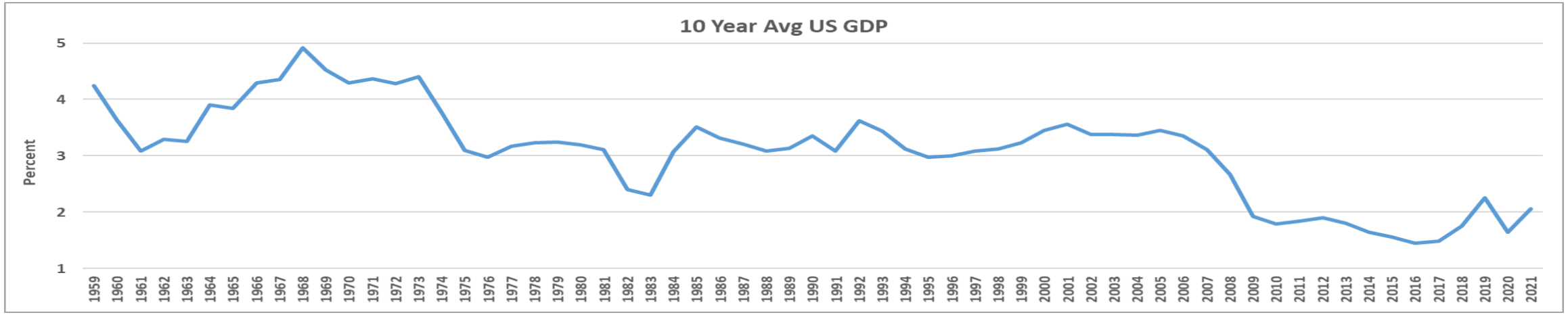
Money Velocity and GDP

The velocity of money is the frequency at which one unit of currency is used to purchase domestically-produced goods and services within a given time period. In other words, it is the number of times one dollar is spent to buy goods and services per unit of time.



Source: Bloomberg, FRED

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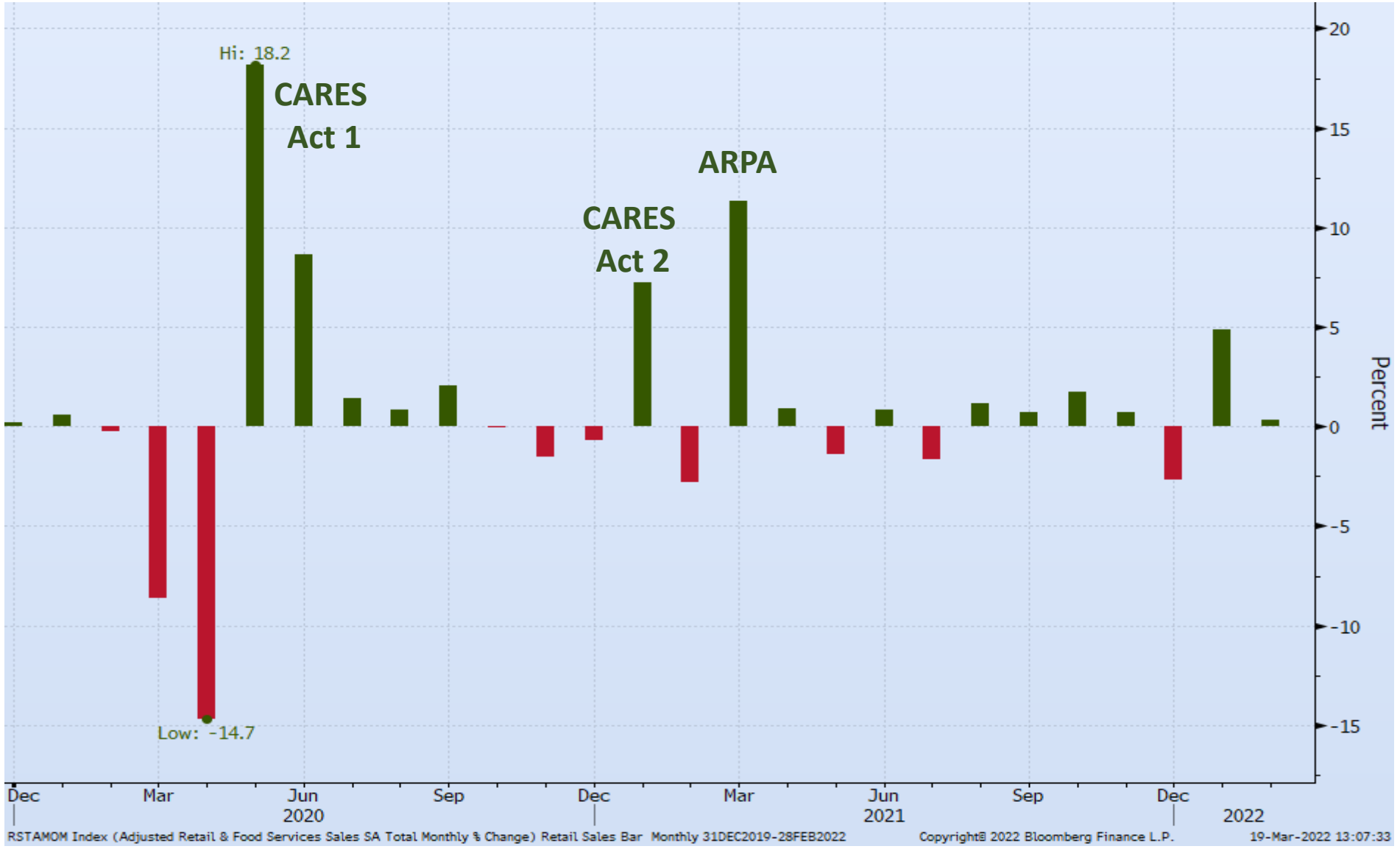
U.S. Retail Sales % Monthly Changes



Source: Bloomberg

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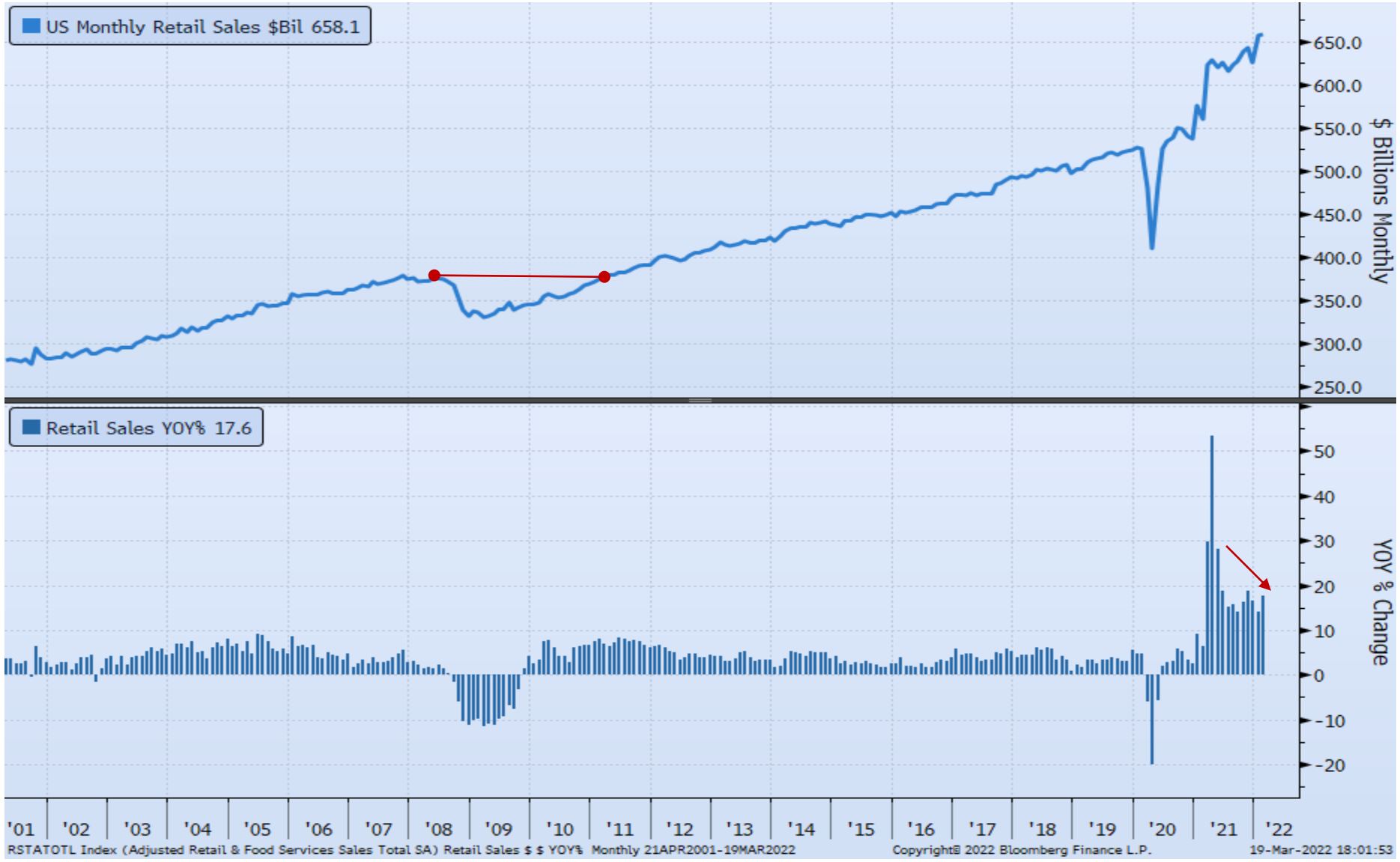
U.S. Retail Sales in Billions Monthly and YOY % ROC



Source: Bloomberg

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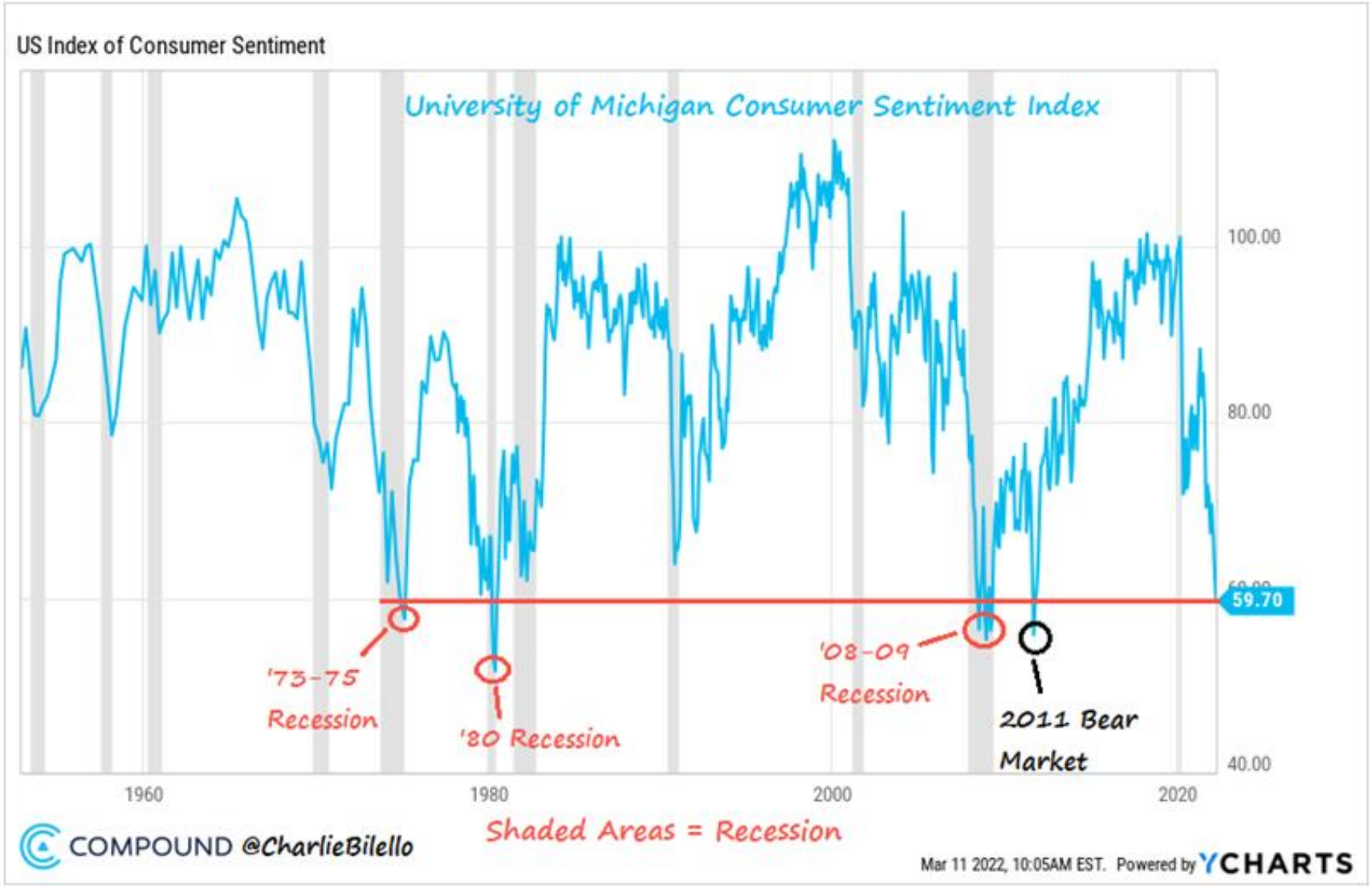
Consumer Sentiment is Ugly



Source: Charlie Bilello, Twitter

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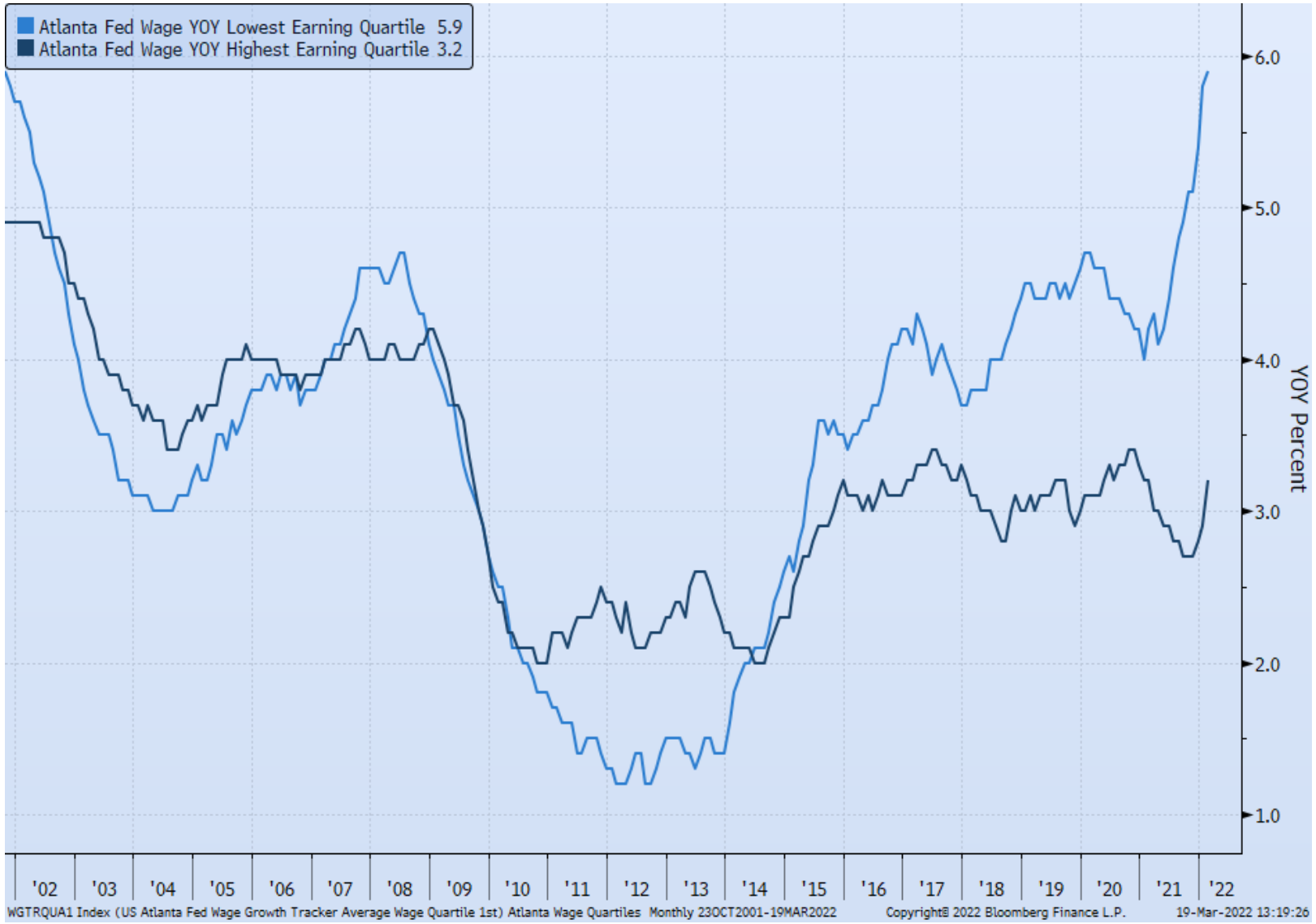
Wages: Lower Earners Doing Better on a ROC Basis…But Still Negative on a Real Basis

“We understand that high inflation imposes significant hardship, especially on those least able to meet the higher costs of essentials like food, housing, and transportation. We know that the best thing we can do to support a strong labor market is to promote a long expansion, and that is only possible in an environment of price stability.”

Jay Powell to Congress 3/2/22



Source: Bloomberg, Federal Reserve

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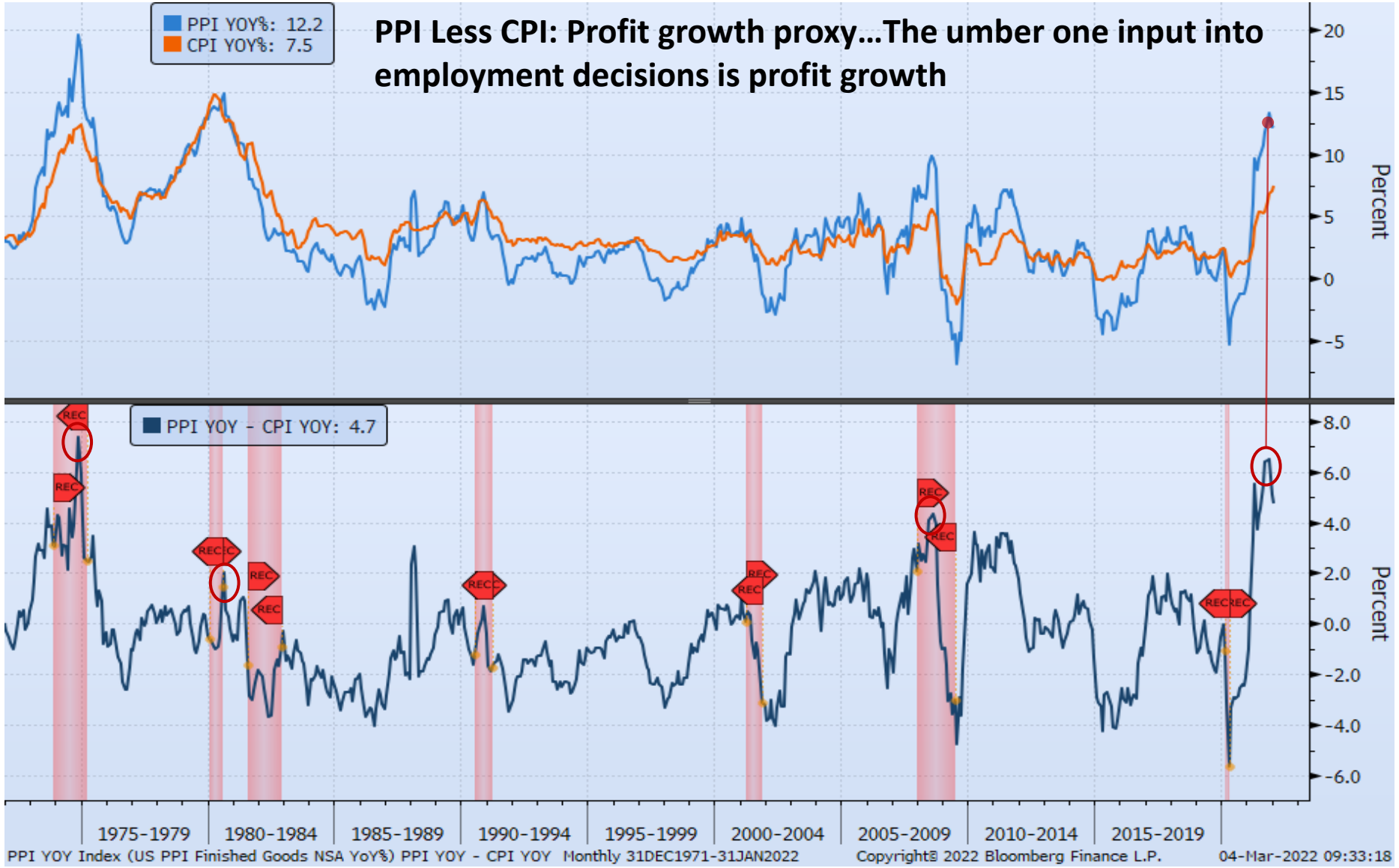
PPI Less CPI is a Good Indicator for Future Corporate Profits…Not Looking Good



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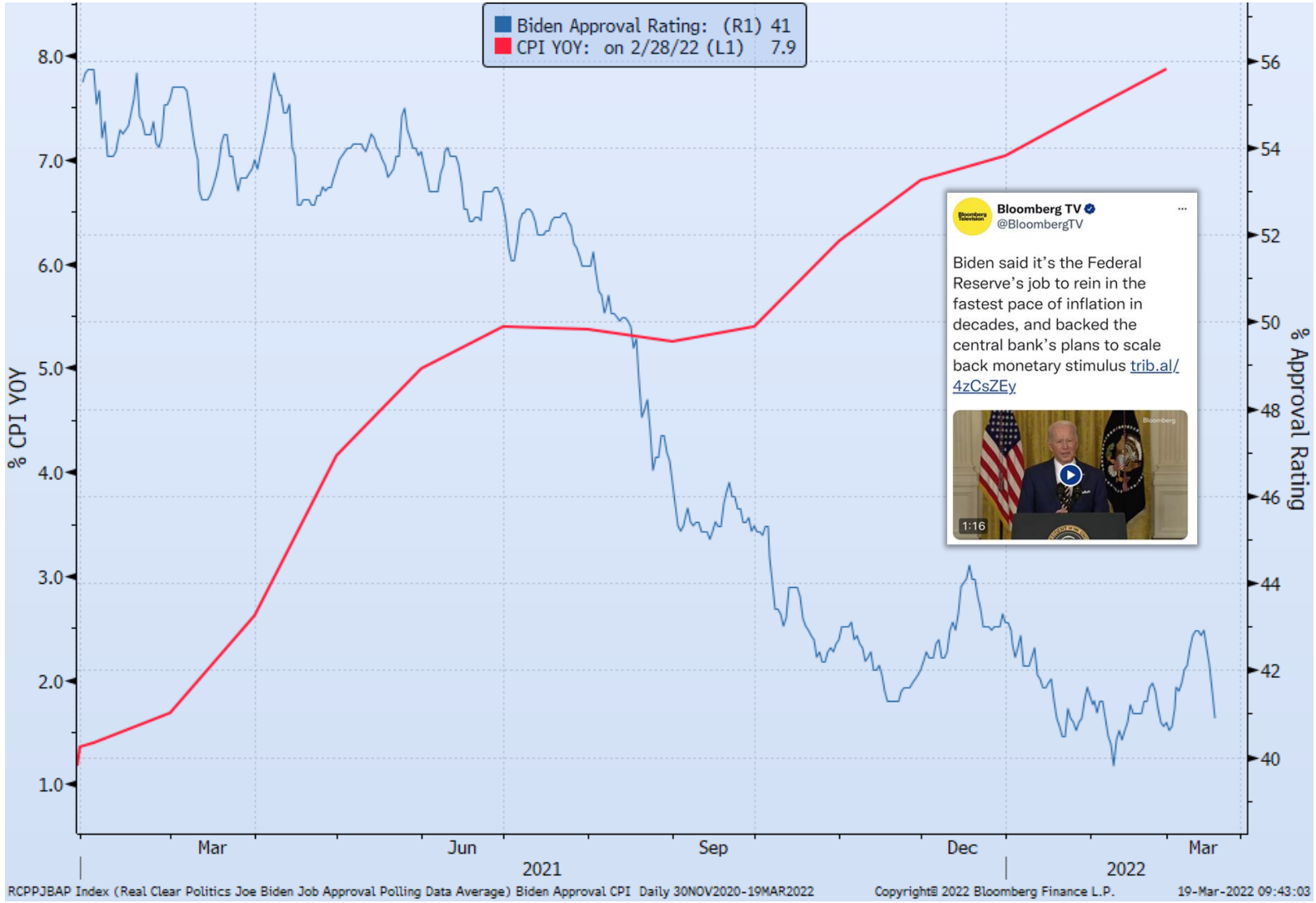
Not Surprising and "Good Politics"



Source: Bloomberg, Twitter

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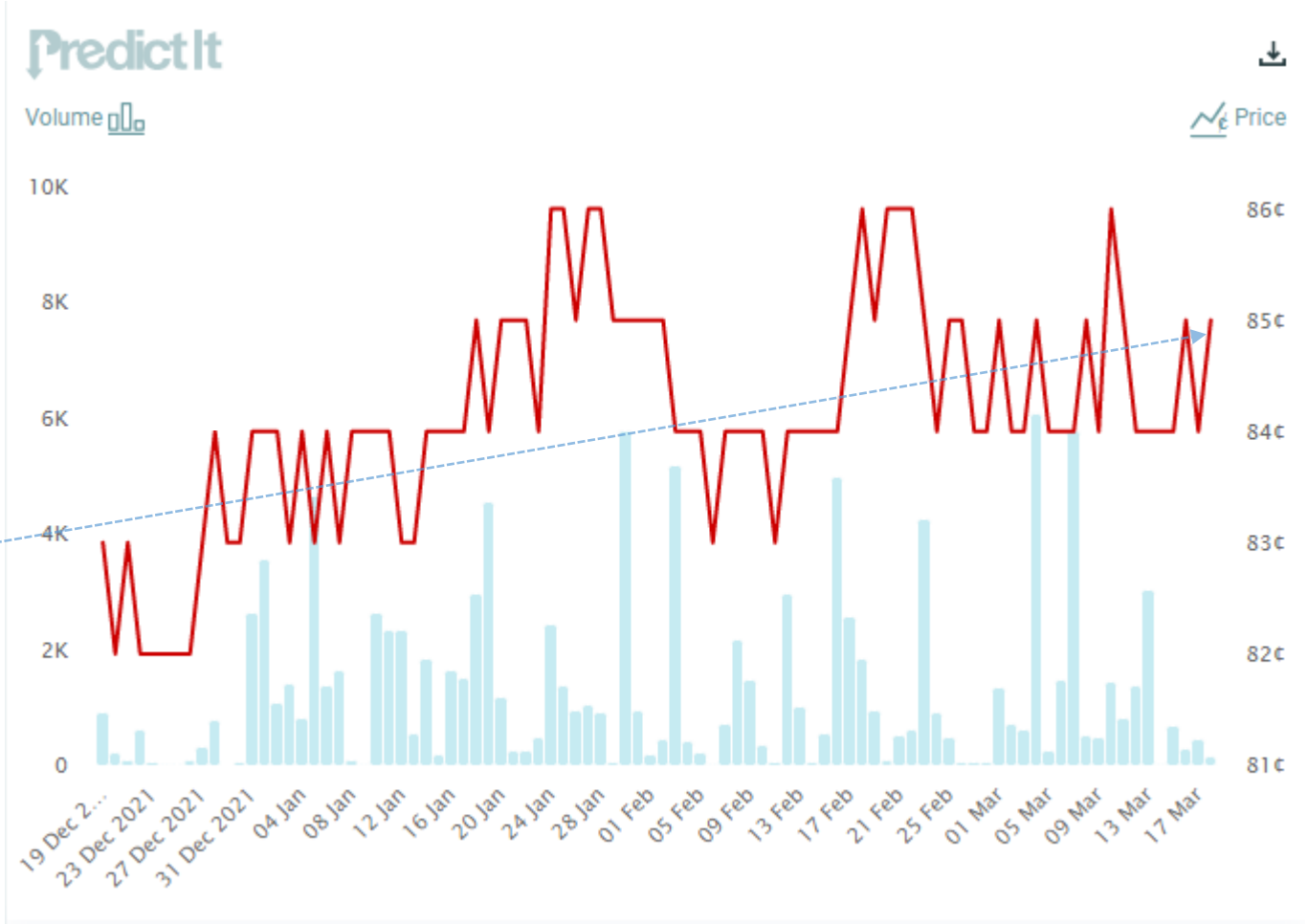
Gridlock = Less Stimulus = Lower'ish Bond Yields



Source: Predict It

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The Fed Has Been One of the Biggest Drivers of Income Inequality Since 2009

Study: Average American's Savings Account Balance is $3,500

By: Maurie Backman | Published Sept. 10, 2020

Image source: Getty Images

The Federal Reserve reports that 39% of Americans don't have enough money on hand to cover a $400 emergency.

Key findings

- 71% of Americans have a savings account.
- Most Americans (22%) have $1,000 to $5,000 in savings.
- 56% of Americans have $5,000 or less in savings, while a third have $1,000 or less.
- The median savings amount is $3,500, while the mean is $26,619.
- The median emergency fund is $2,000, while the mean is $39,900.
- Three out of four people keep at least some of their savings at a brick-and-mortar bank.
- 55% of people with a savings account have more than one.
- About half of respondents said they have an account specifically for emergencies.
- The median withdrawal due to COVID is $1,000, while the mean is $3,139.
- Three out of four respondents automate their savings deposits.

Source: Federal Reserve, Motley Fool

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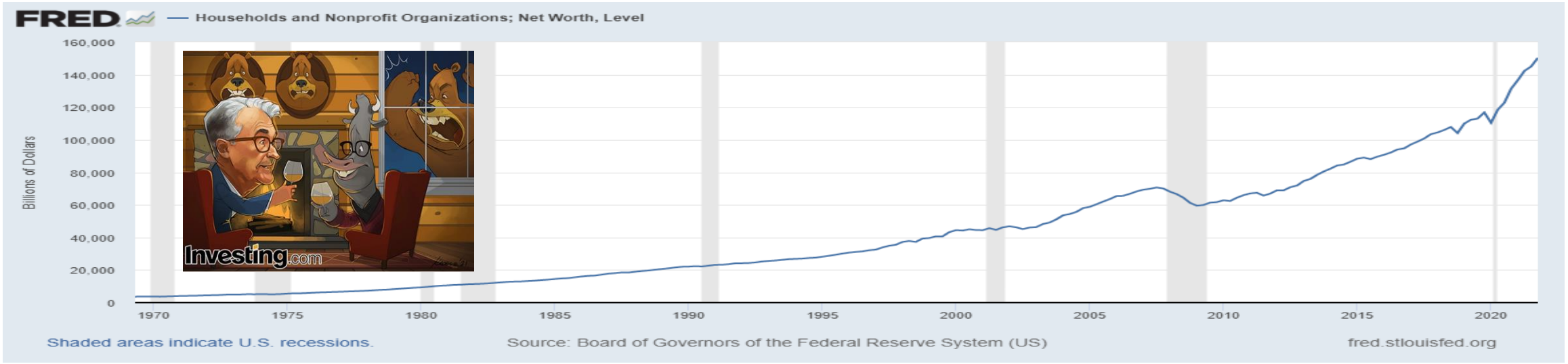
Top 40%'s Net Worth Has Jumped a Bunch…Especially the Top 10%



ROC

Source: FRED

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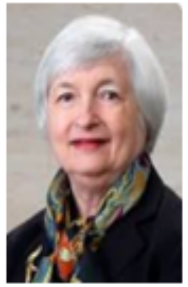
“Real” Fed Speak! So Will Powell Be Volcker’ish? And Break (Murder) Something?



*I don't think expansions just die of old age. Two things usually end them. One is financial imbalances and **the other is the Fed**, and usually when the Fed ends an expansion, it's because inflation has gotten out of control and the Fed needs to tighten to bring it down.* **Janet Yellen, Jan 4, 2019**

*But as Janet says, expansions don't die of old age. I'd like to say they get **murdered** instead.* **Ben Bernanke, Jan 4, 2019**

Source: WSJ, Twitter

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Larry Summers (Former Treasury Secretary for Obama) Thinks 20-24 Hikes Needed

Summers Says Fed Will Need to Hike to 4%-5% to Beat Inflation

- Central bank still has 'a long way to go' on interest rates
- Ex-Treasury chief says rates should reflect inflation pickup

By Simon Kennedy

(Bloomberg) -- The U.S. Federal Reserve will need to raise interest rates higher than officials are currently projecting if it is to wrestle inflation back under control, former U.S. Treasury Secretary Lawrence Summers said.

While the central bank this week increased its benchmark rate by 25 basis points for the first time since 2018 and saw the potential for six more such hikes this year, Summers said central bankers still seem to underestimate the stubbornness of price pressures and will likely need to eventually push borrowing costs higher than inflation.

"Ultimately we're going to need 4-5% interest rates, levels they're not even thinking of as conceivable," Summers told Bloomberg Television's "Wall Street Week" with David Westin. "They're recognizing that they're behind the curve. They've still got a long way to go."

Source: Bloomberg

What The Futures Market is Expecting for Hikes

Probability of Fed Hikes
CME GROUP
3/22/2022

FOMC Meeting	1 Hike .25%-.50%	2 Hikes .50%-.75%	3 Hikes .75%-1.00%	4 Hikes 1.00%-1.25%	5 Hikes 1.25-1.50%	6 Hikes 1.50%-1.75%	7 Hikes 1.75%-2.00%	8 Hikes 2.00%-2.25%	9 Hikes 2.25%-2.50%	10 Hikes 2.50%-2.75%	11 Hikes 2.75%-3.00%	12 Hikes 2.75%-3.00%
16-Mar-2022	Hiked											
4-May-2022		100%	66%									
15-Jun-2022		100%	100%	100%								
27-Jul-2022		100%	100%	100%	100%							
21-Sep-2022		100%	100%	100%	100%	100%						
2-Nov-2022		100%	100%	100%	100%	100%	97%					
14-Dec-2022		100%	100%	100%	100%	100%	100%	96%				
1-Feb-2023		100%	100%	100%	100%	100%	100%	98%	86%			
15-Mar-2023		100%	100%	100%	100%	100%	100%	99%	95%	79%		
3-May-2023		100%	100%	100%	100%	100%	100%	100%	97%	84%	57%	
14-Jun-2023		100%	100%	100%	100%	100%	100%	100%	98%	89%	68%	38%
26-Jul-2023		100%	100%	100%	100%	100%	100%	100%	98%	90%	71%	42%

Values in Green = Probability Over 50%

FHN Main Street Expected Hikes

Source: Bloomberg, CNBC

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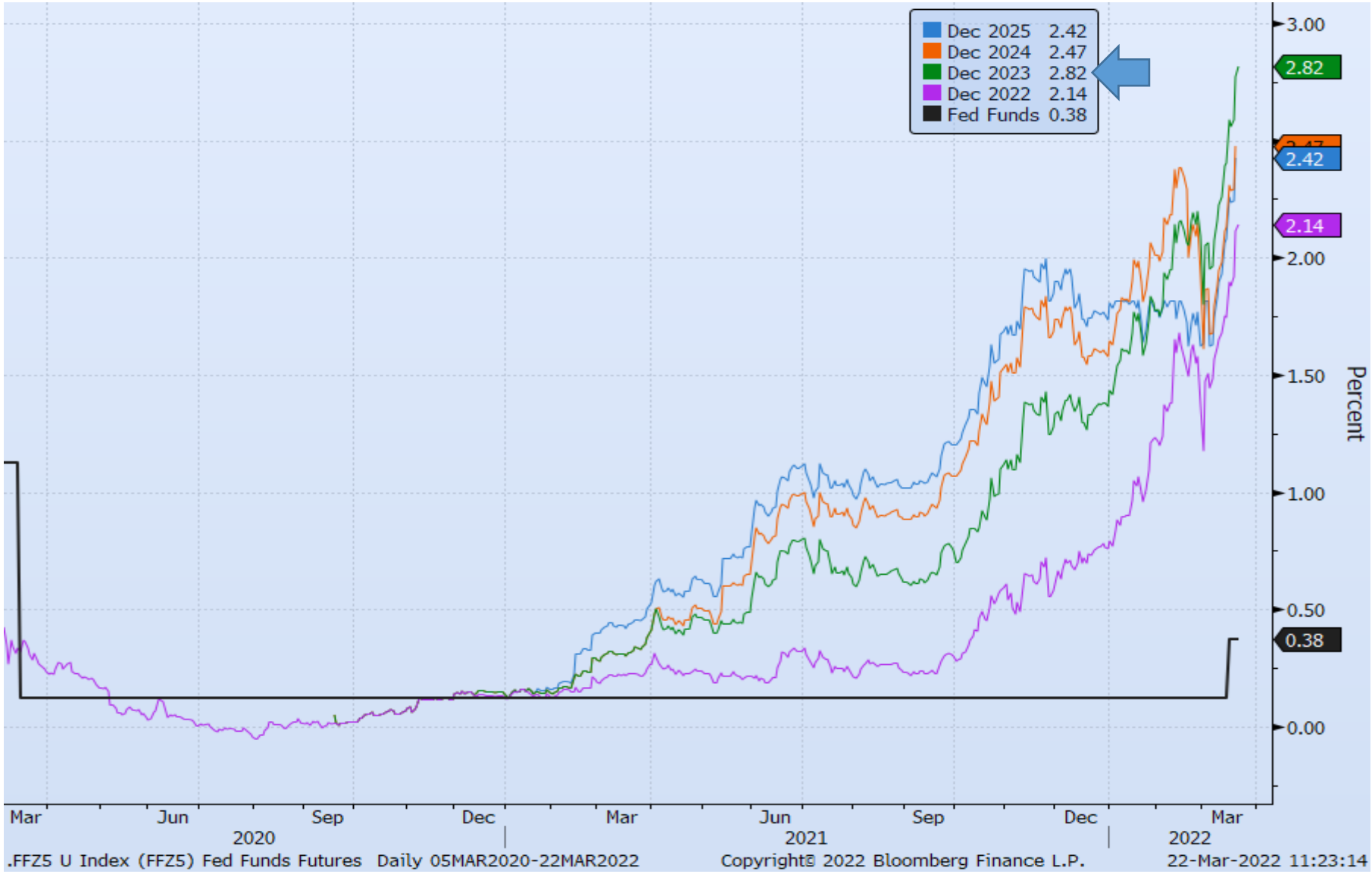
Fed Funds Futures Curve Inverted…Peaks in 2023



Source: Bloomberg

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Shadow Finance…The First Digital Currency!

Eurodollar

By JAMES CHEN Updated January 31, 2021

Reviewed by JULIUS MANSA

What Is the Eurodollar?

The term eurodollar refers to U.S. dollar-denominated deposits at foreign banks or at the overseas branches of American banks. Because they are held outside the United States, eurodollars are not subject to regulation by the Federal Reserve Board, including reserve requirements. Dollar-denominated deposits not subject to U.S. banking regulations were originally held almost exclusively in Europe (hence, the name eurodollar). Now, they are also widely held in branches located in the Bahamas and the Cayman Islands.

Source: Google, Investopedia

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A Bit of the Wild West of Finance

ALHAMBRA INVESTMENTS

MACRO Voices
with hedge fund manager Erik Townsend

Missing shadow Money

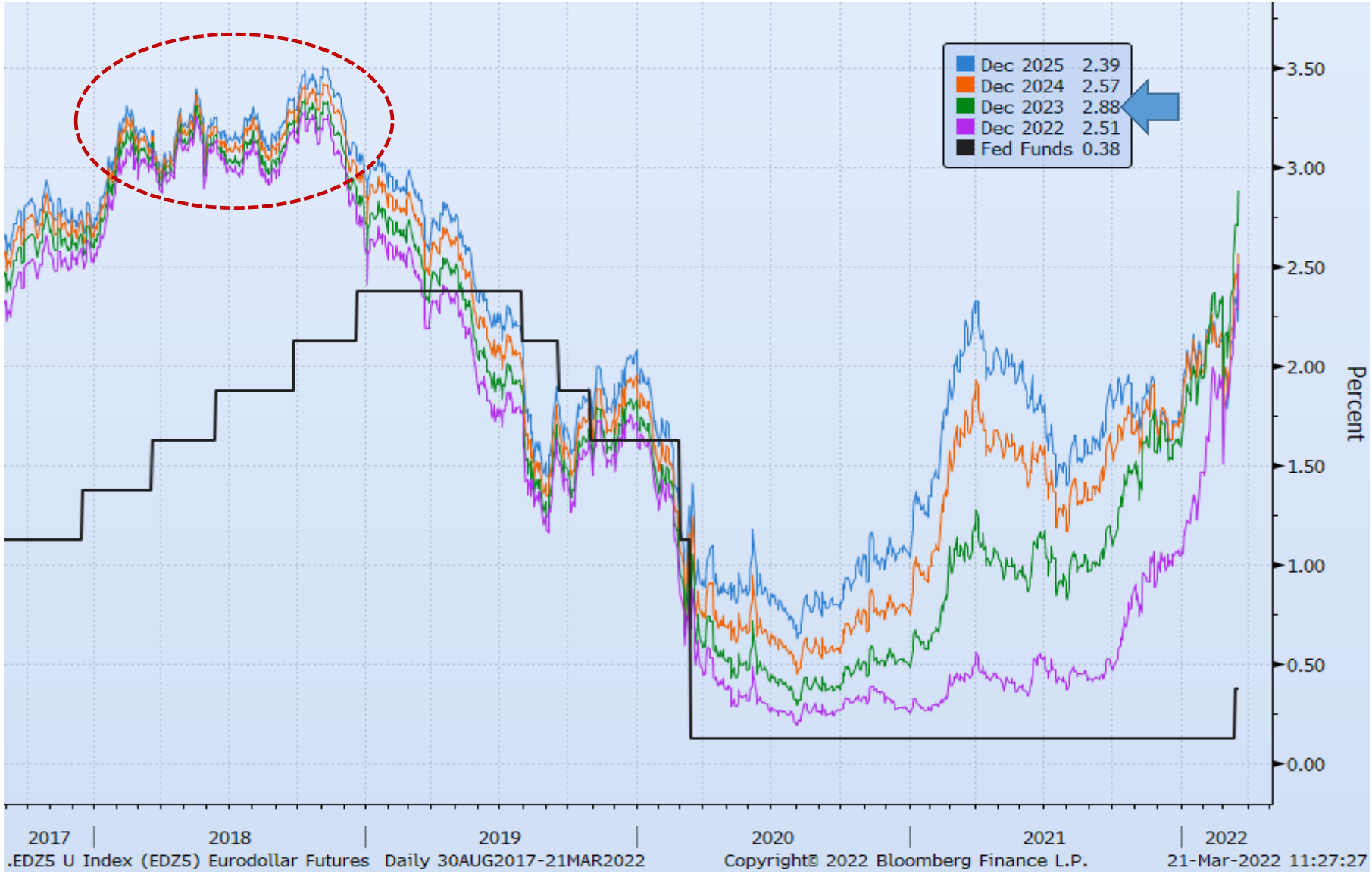
"The problem is that we cannot extract from our statistical database what is true money conceptually, either in the transactions mode or the store-of-value mode. One of the reasons, obviously, is that **the proliferation of products has been so extraordinary that the true underlying mix of money in our money and near money data is continuously changing**. As a consequence, while of necessity it must be the case at the end of the day that inflation has to be a monetary phenomenon, **a decision to base policy on measures of money presupposes that we can locate money. And that has become an increasingly dubious proposition**.

Alan Greenspan
FOMC Meeting Transcript
June 2000

10

Source: Alhambra

Eurodollar Futures Curve Inverted…Peaks in 2023



Source: Bloomberg

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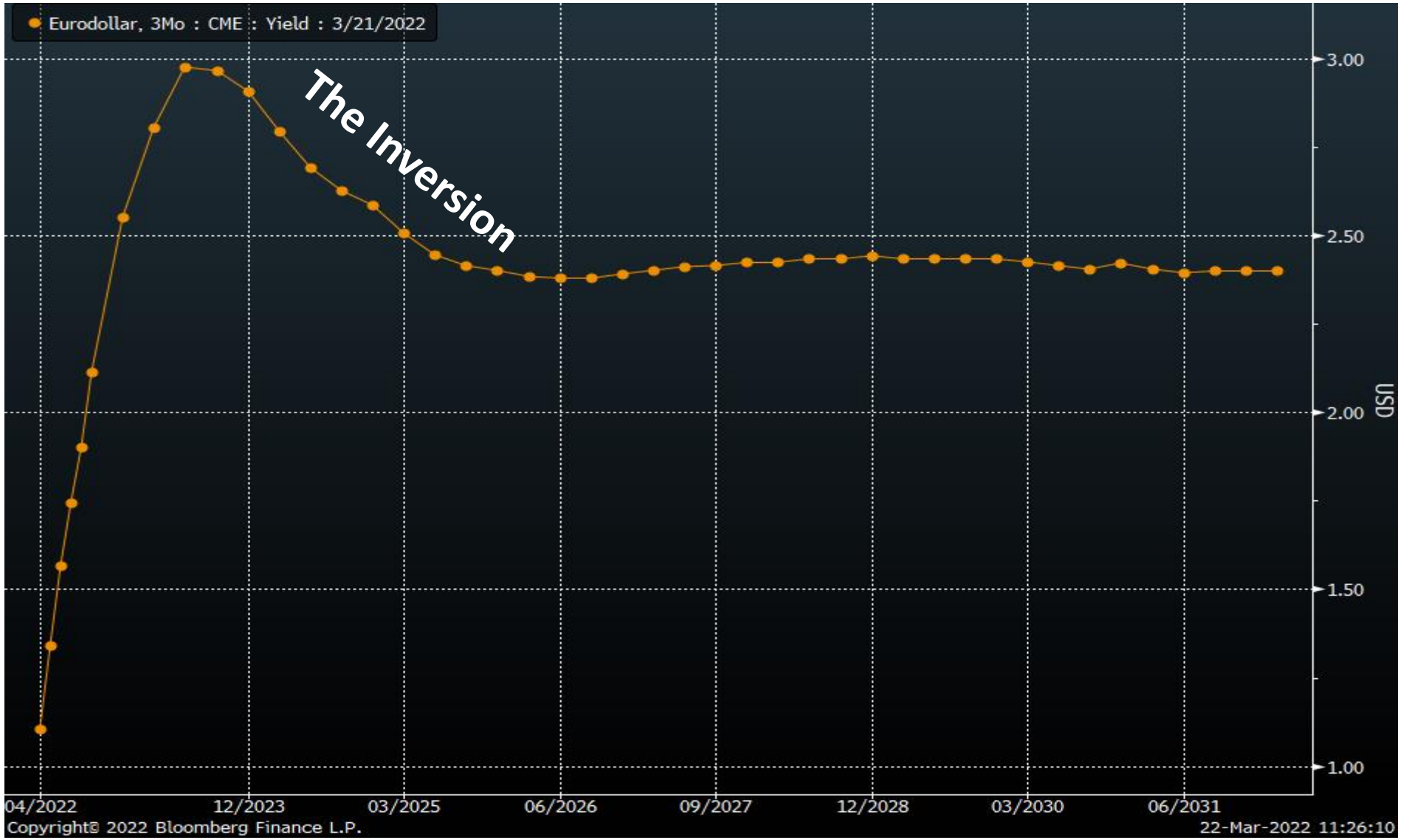
Eurodollar Futures Curve By Month



Source: Bloomberg

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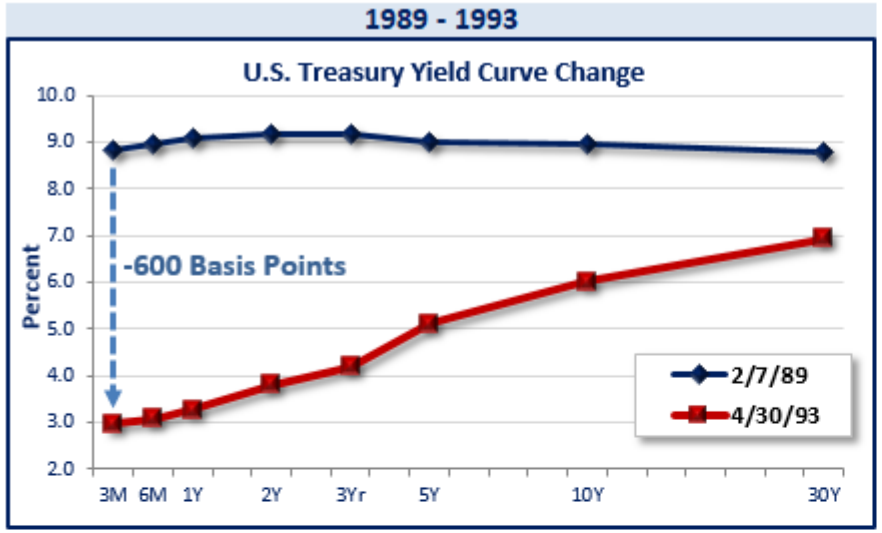
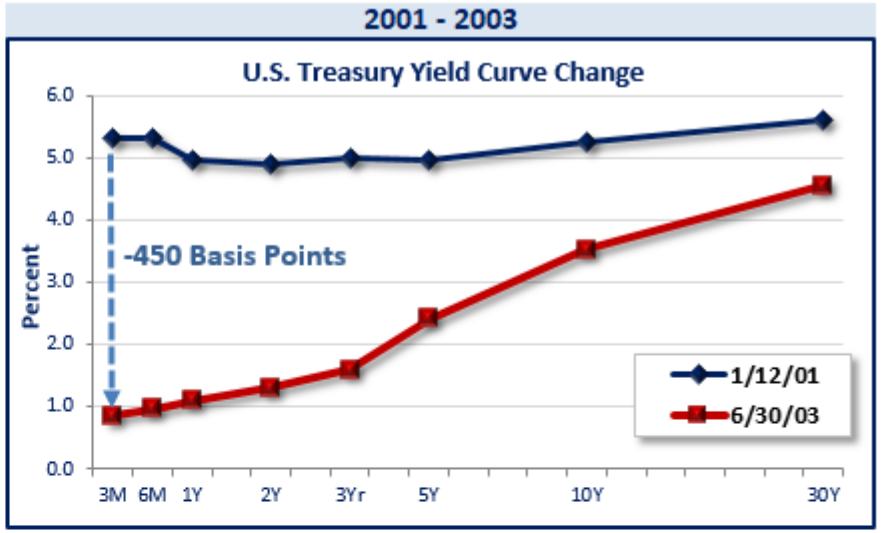
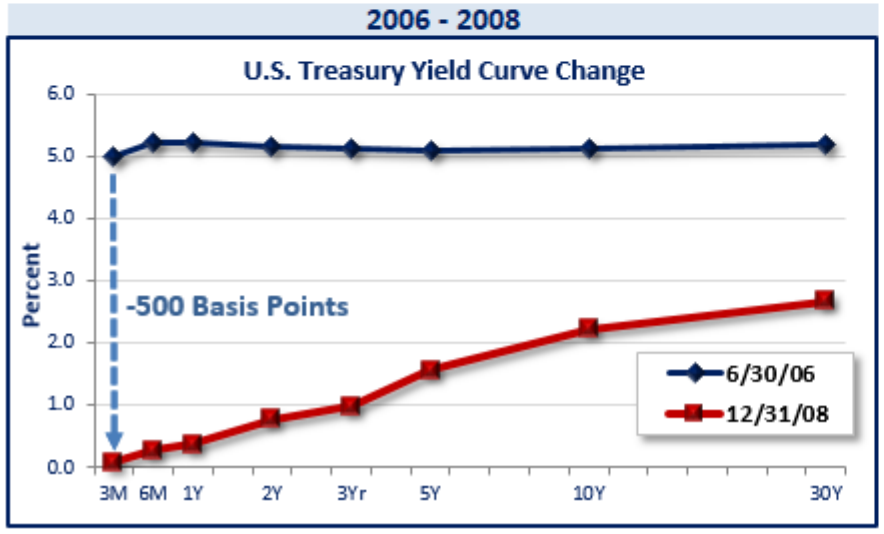
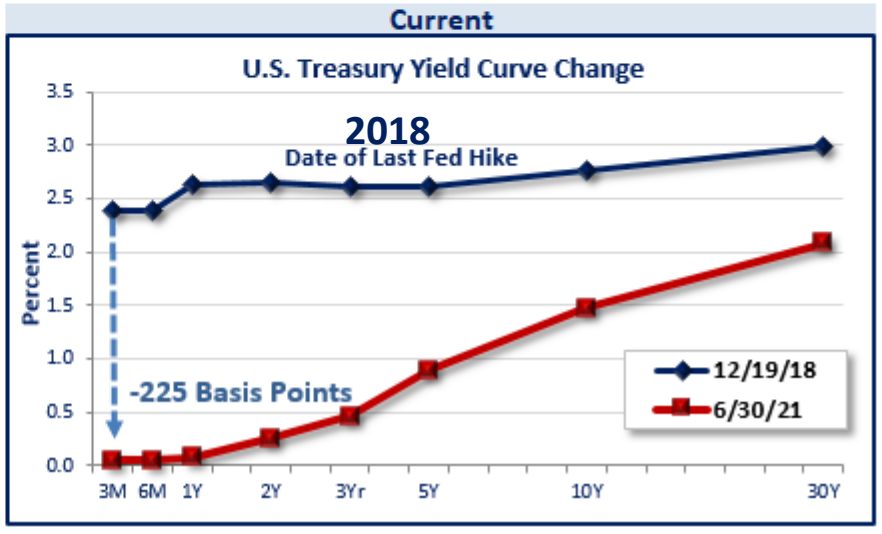
The “Yield Curve Trap”









Now Witness the Firepower of a Fully Operational Flat Yield Curve

Source: Bloomberg, Google

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“It’s the *Yield Curve* Stupid!”

FEDERAL RESERVE BANK *of* NEW YORK *Serving the Secon*

About the New York Fed | Markets & Policy Implementation | Economic Research | Financial Institution Supervision

home > economic research >

CURRENT ISSUES IN ECONOMICS AND FINANCE

The Yield Curve as a Predictor of U.S. Recessions

June 1996 Volume 2 Number 7

JEL classification: C53, E37

Authors: Arturo Estrella and Frederic S. Mishkin

The yield curve—specifically, the spread between the interest rates on the ten-year Treasury note and the three-month Treasury bill—is a valuable forecasting tool. It is simple to use and significantly outperforms other financial and macroeconomic indicators in predicting recessions two to six quarters ahead.

PDF full article PDF

6 pages / 104 kb

Source: NY Fed

https://www.newyorkfed.org/medialibrary/media/research/current_issues/ci2-7.pdf

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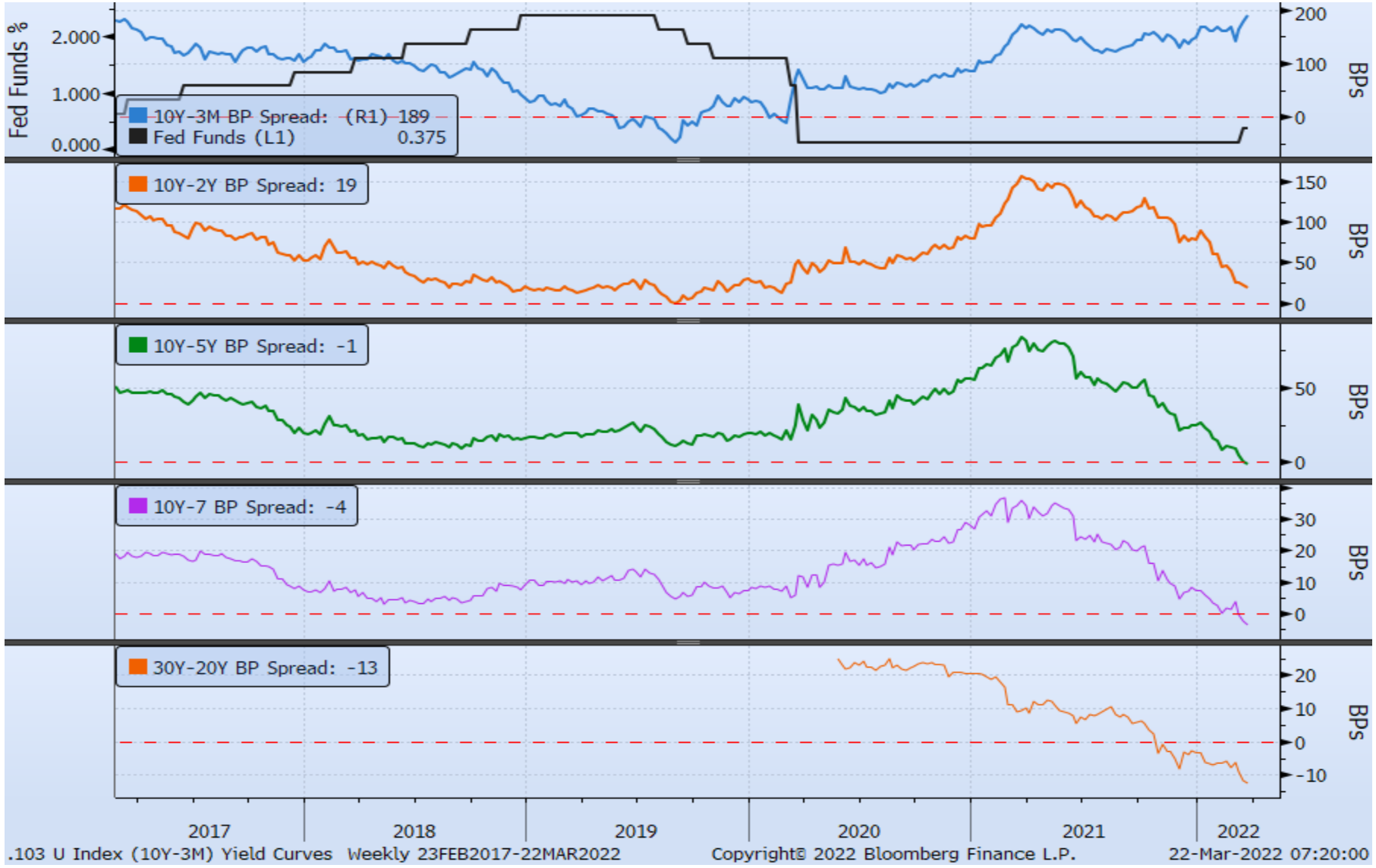
Yield Curve “Canaries in the Coal Mine”



Tsy Ylds 3/22/22

RATES (10)		
3M	↑.485	+.058
6M	↑.968	+.108
1Y	↓1.315	+.067
2Y	↓2.185	+.070
3Y	↓2.392	+.072
5Y	↑2.393	+.072
7Y	↓2.416	+.078
10Y	↓2.377	+.087
20Y	↓2.713	+.073
30Y	↓2.588	+.071

Source: Bloomberg

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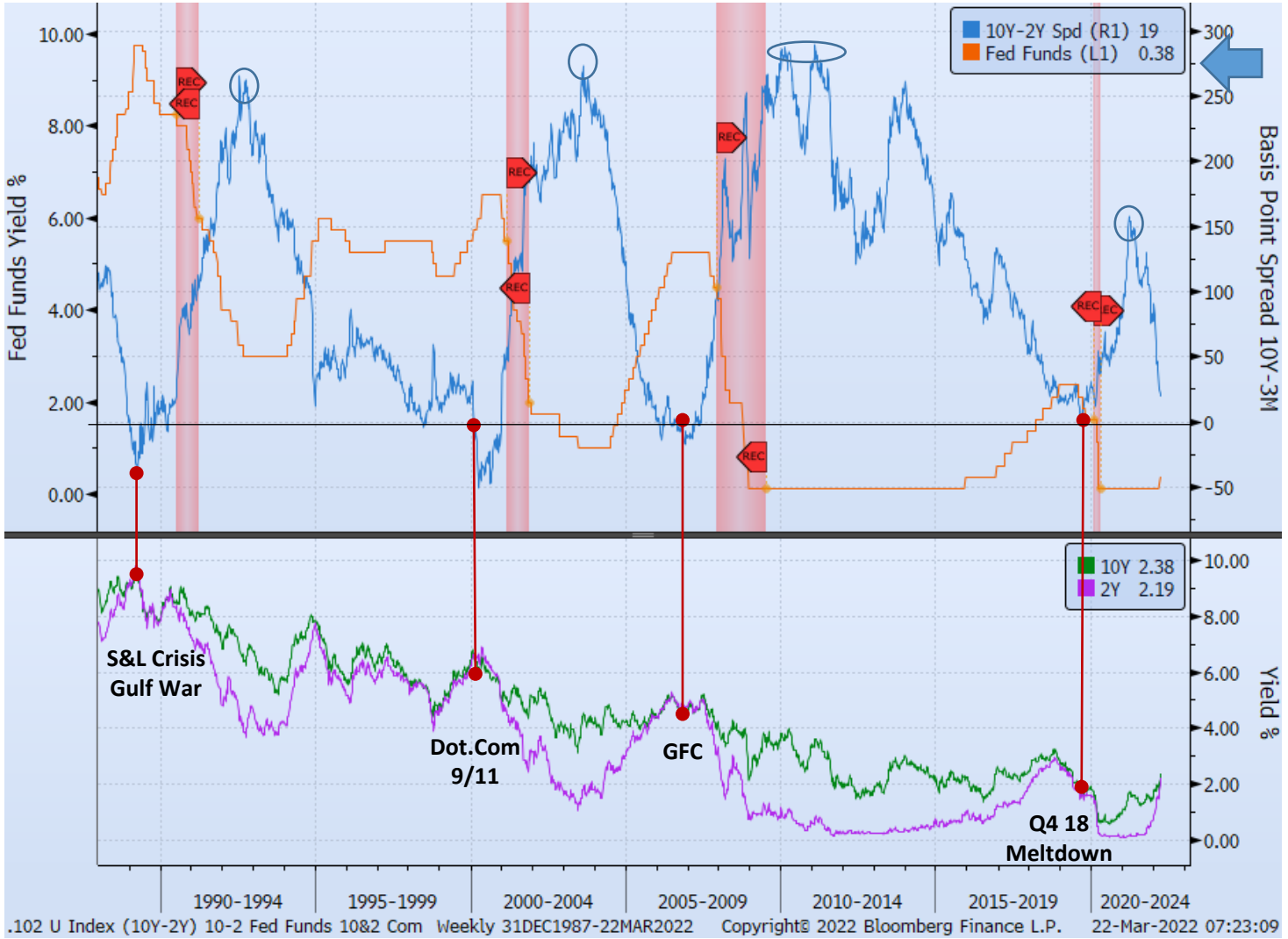
10Yr Minus 2Yr Flashing a Bright Yellow

How Long Until the Recession?

When the 10Yr/2Yr U.S. Treasury Curve Inverts 5 Consecutive Trading Days

Date of 5 Day Inversion	Consecutive Trading Days Inverted	Date of Next Recession	Days to Next Recession
8/30/1978	422	Jan 1980	489
9/24/1980	279	Jul 1981	280
1/19/1989	123	Jul 1990	528
2/24/2000	229	Mar 2001	371
2/13/2006	26	Dec 2007	656
9/2/2019	6	Feb 2020	180
Average	**181**		**417**



Source: Bloomberg

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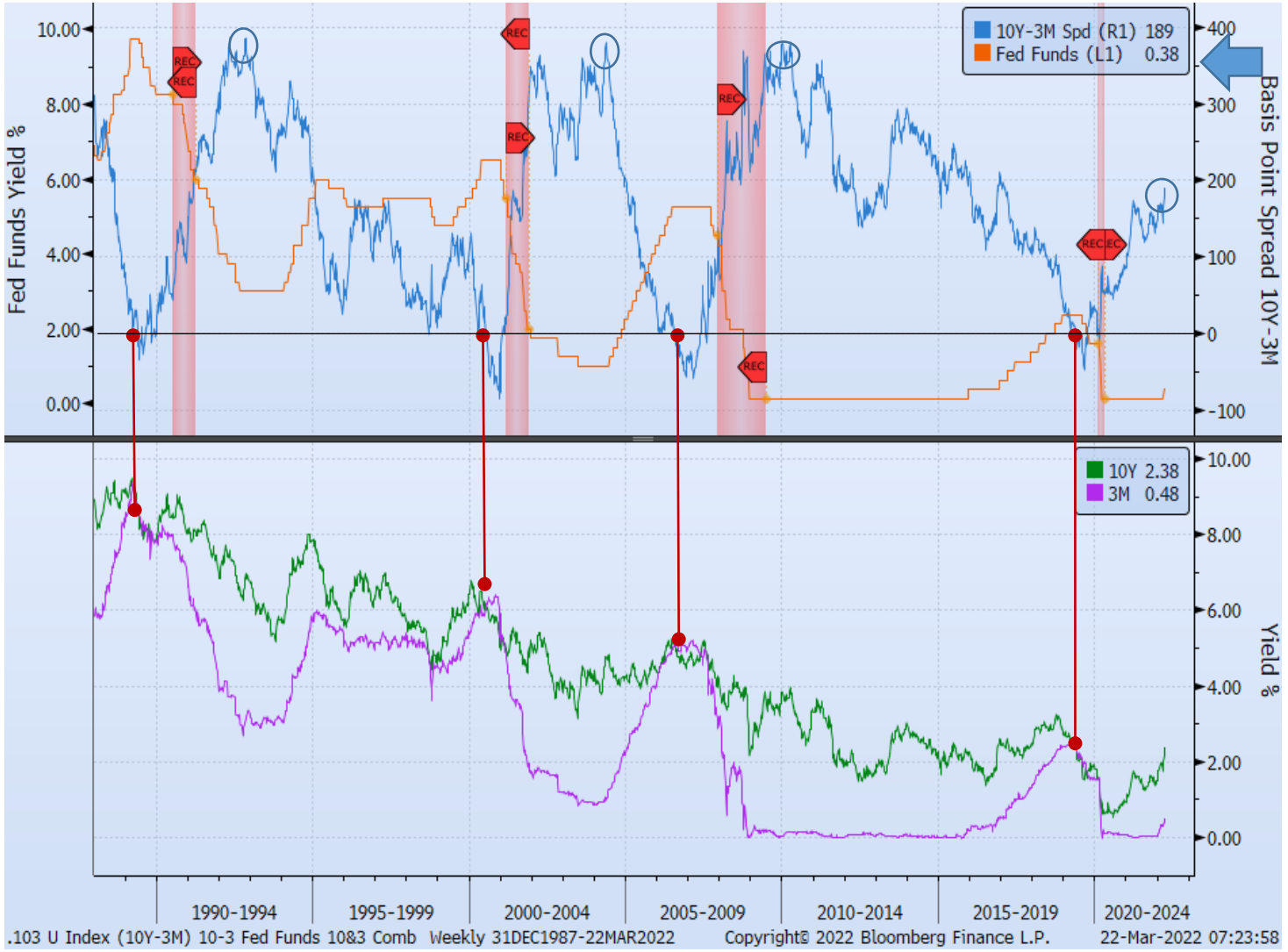
10Yr Minus 3M Should Be On Your Radar as Wells as the Fed Hikes

How Long Until the Recession?

When the 10Yr/3M U.S. Treasury Curve Inverts 5 Consecutive Trading Days

Date of 5 Day Inversion	Consecutive Trading Days Inverted	Date of Next Recession	Days to Next Recession
1/5/1969	24	Dec 1969	330
6/9/1973	177	Nov 1973	145
12/3/1978	91	Jan 1980	394
11/2/1980	102	Jul 1981	241
6/1/1989	30	Jul 1990	395
7/26/2000	135	Mar 2001	218
7/27/2006	217	Dec 2007	492
6/1/2019	41	Feb 2020	273
Average	**102**		**311**



Source: Bloomberg

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50 and Another 50?

CNBC

MARKETS BUSINESS INVESTING TECH POLITICS CNBC TV

Powell says 'inflation is much too high' and the Fed will take 'necessary steps' to address

Jeff Cox MON, MAR 21ST 2022

PRO

Goldman now sees the Fed hiking by a half point at the next two meetings

PUBLISHED TUE, MAR 22 2022·8:29 AM EDT

Maggie Fitzgerald
@MKMFITZGERALD

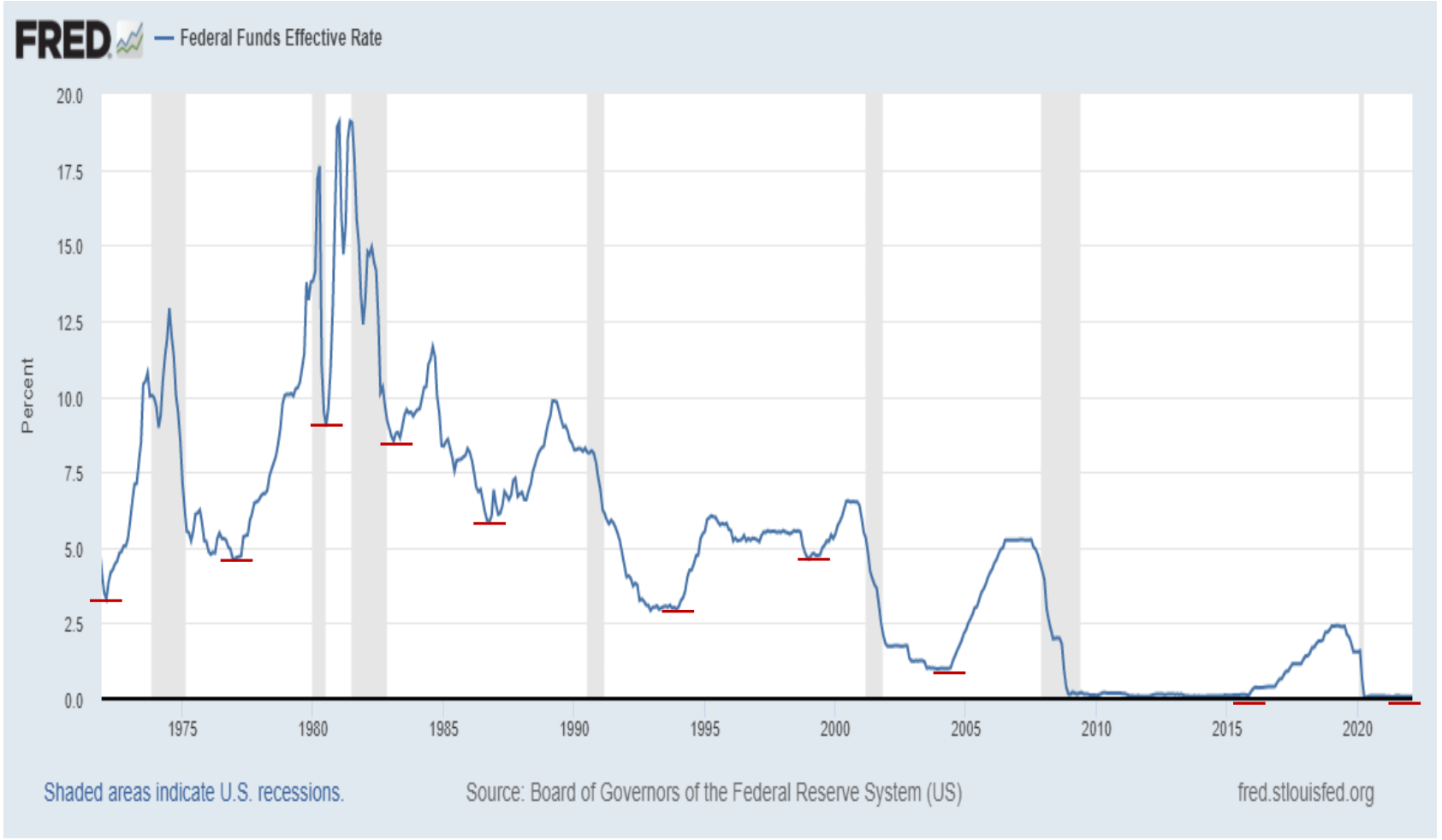
U.S. Federal Reserve Chairman Jerome Powell addresses an online only news conference in a frame grab from U.S. Federal Reserve video broadcast from the Federal Reserve building in Washington, U.S.,

Source: CNBC

After the Fed Hikes…How Long Until the Next Recession?

First Fed rate hikes and recessions		
First Fed rate hike	Recession start	Months to recession start
4/25/1946	Nov. 1948	31
4/15/1955	Aug. 1957	28
9/12/1958	Apr. 1960	19
7/17/1963	NA	NA
11/20/1967	Dec. 1969	25
1/15/1973	Nov. 1973	10
8/31/1977	Jan. 1980	29
9/26/1980	Jul. 1981	10
9/4/1987	Jul. 1990	34
2/4/1994	NA	NA
6/30/1999	Mar. 2001	21
6/30/2004	Dec. 2007	42
12/16/2015	NA	NA
	Median	**27**
	Average	**25**

Source: Charles Schwab, National Bureau of Economic Research (NBER).



Source: NBER, FRED, Schwab, CNBC

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2.5Yr to 7Yr Treasury Yields: Flat at a Pancake

Source: Bloomberg, Hedgeye

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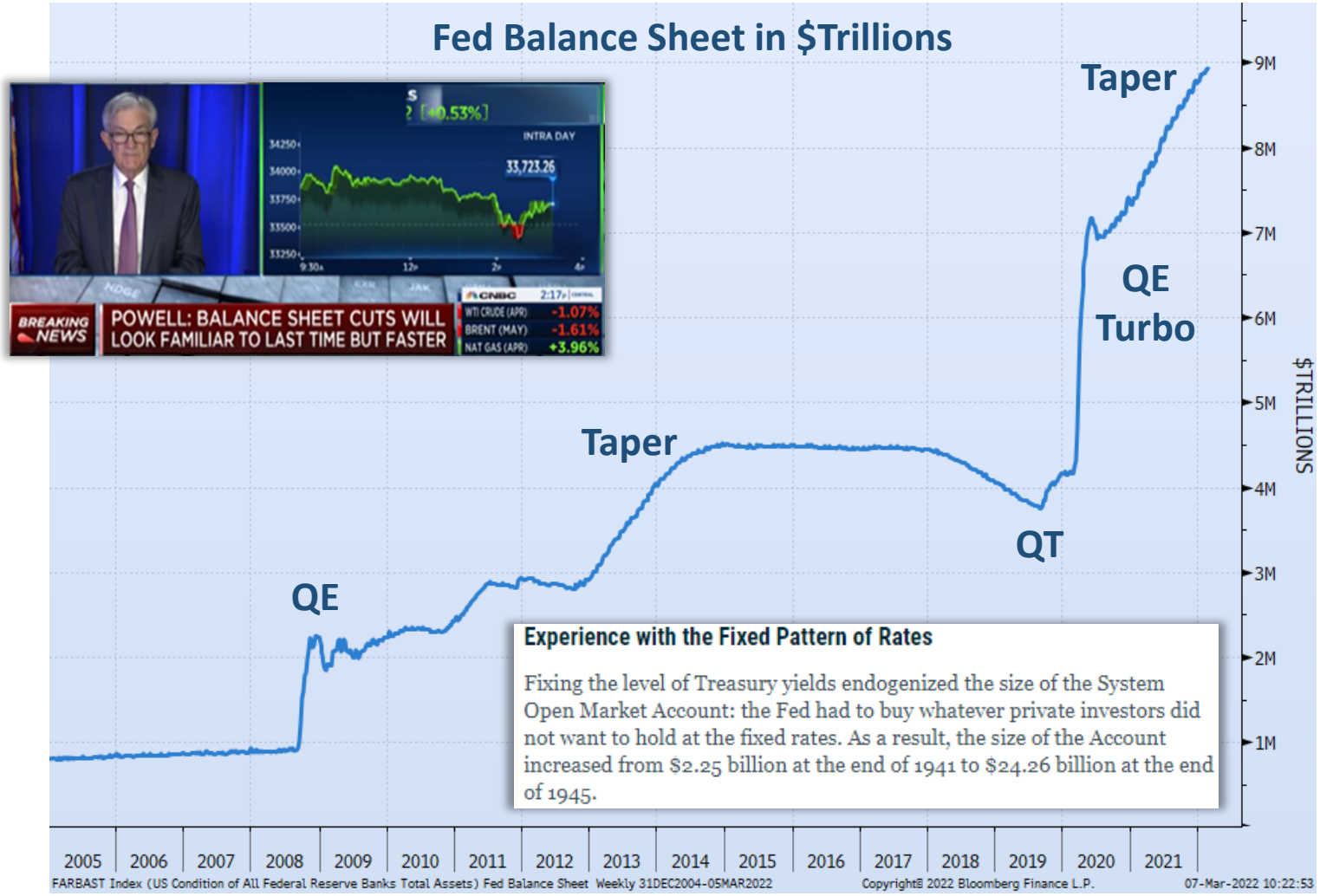
The Past Shows This is the Time to Increase Duration

The Game Changed in 2008…And Probably Won't Go Back…QT is Similar to Hikes



Liberty Street Economics

« The Value of Opacity in a Banking Crisis | Main | Coronavirus Outbreak Sends Consumer Expectations Plummeting »

APRIL 6, 2020

How the Fed Managed the Treasury Yield Curve in the 1940s

Kenneth D. Garbade

The coronavirus pandemic has prompted the Federal Reserve to pledge to purchase Treasury securities and agency mortgage-backed securities in the amount needed to support the smooth market functioning and effective transmission of monetary policy to the economy. But some market participants have questioned whether something more might not be required, including possibly some form of direct yield curve control. In the first half of the 1940s the Federal Open Market Committee (FOMC) sought to manage the level and shape of the Treasury yield curve. In this post, we examine what can be learned from the FOMC's efforts of seventy-five years ago.

Source: Bloomberg, NY Fed

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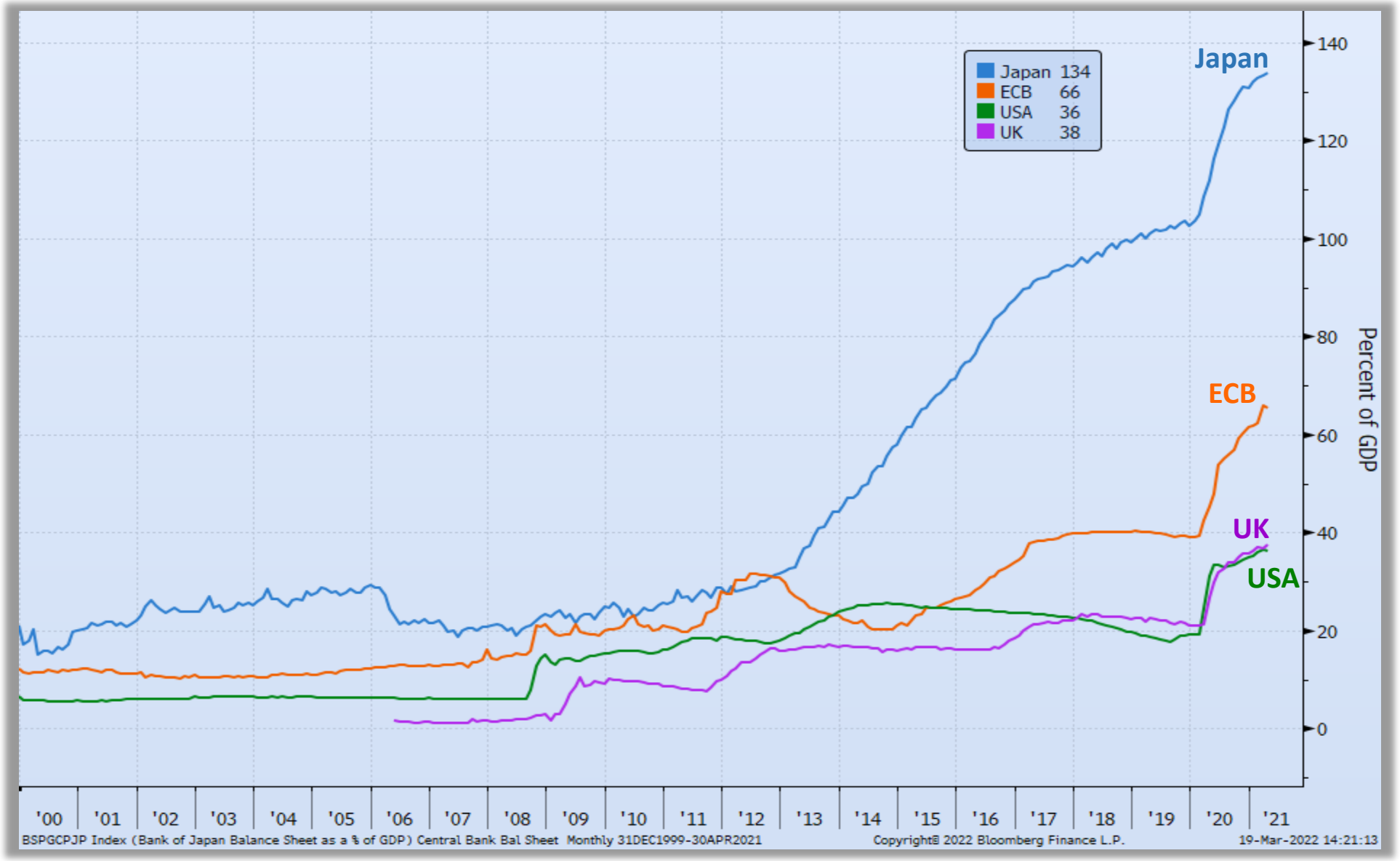
Major Central Bank Balance Sheets as a Percent of GDP…USA Has a Ton of Room?!



Source: Bloomberg

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Source: Google

But Technically, the Fed Does Not Print Money…It Prints Bank Reserves

Source: Eurodollar University

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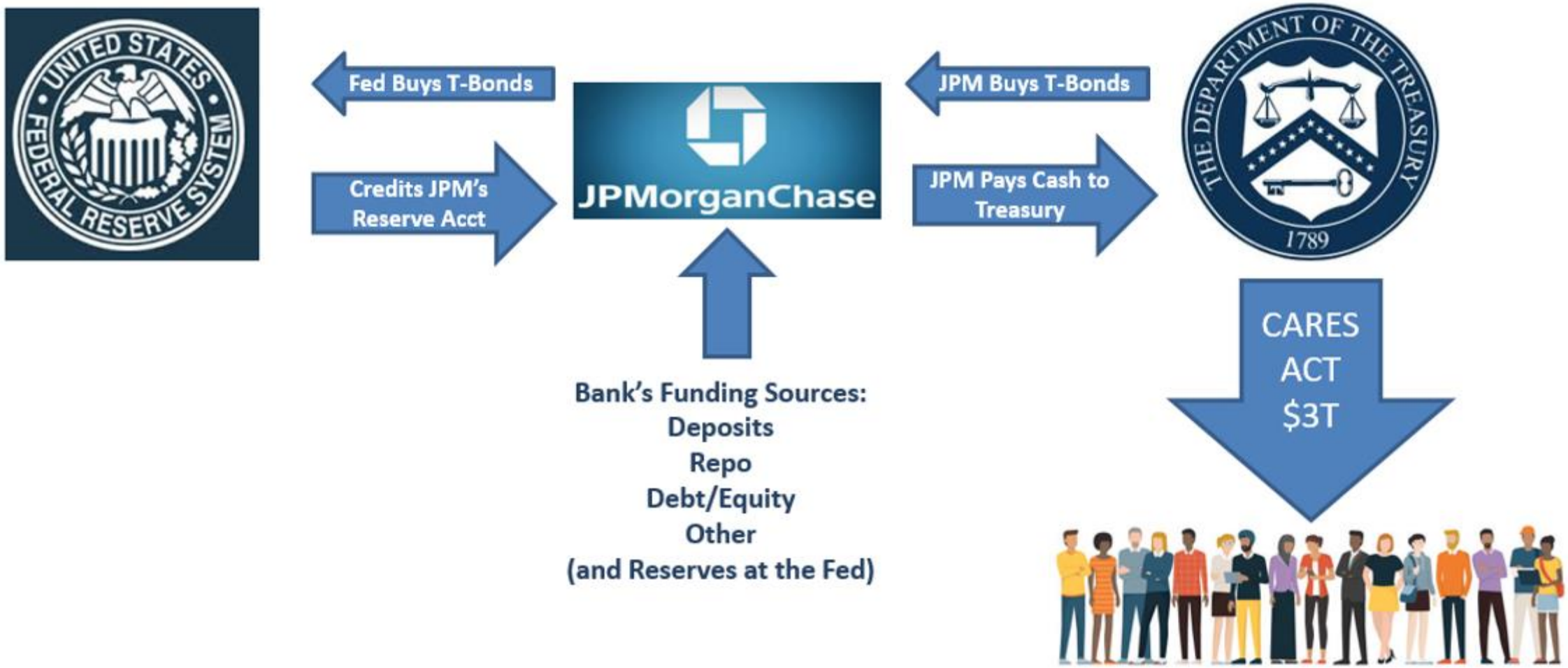
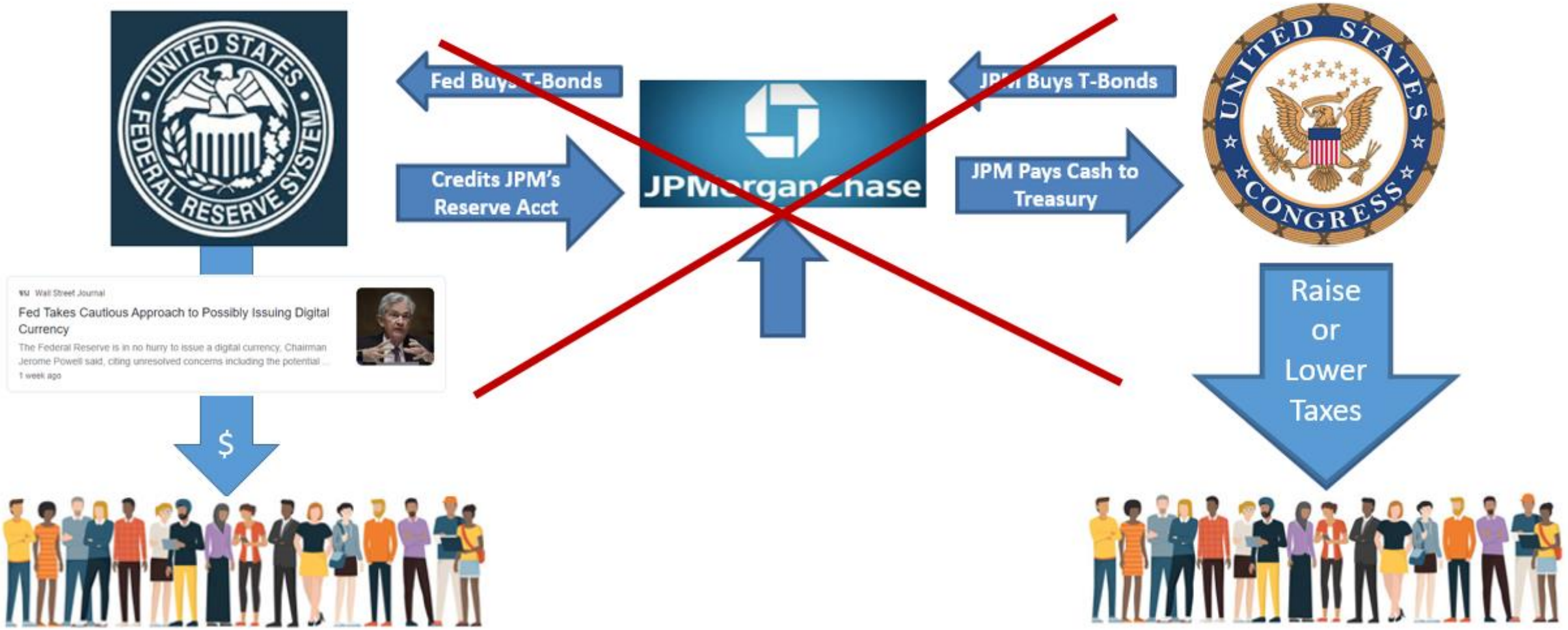
QE Details



Source: Google

MMT/CBDC: “And Now For Something Completely Different”



Source: Google

“Greenflation” and the Fed

03/08/2022 01:00:19 [BN]

GOP’s Toomey Rails Against Fed Becoming ‘Politburo’ for Credit

The Pennsylvania senator says the central bank shouldn’t decide how capital gets allocated.

By Steven Dennis

(Bloomberg Businessweek) -- When the Federal Reserve starts raising interest rates next week, it can expect to hear “it’s about time” from Pat Toomey. The Republican senator from Pennsylvania was early to call out the central bank for getting behind the curve on its mandate to maintain stable prices–now an often-heard complaint. And he’s also criticized Fed officials for wandering into issues he sees as well outside its authority.

The top Republican on the Senate Banking Committee has rallied party members to call for more accountability from the Fed and fight its “mission creep,” including what he sees as a push by Democrats to have the central bank encourage a move away from fossil fuels.

Toomey is leading an extraordinary boycott of a committee vote on Sarah Bloom Raskin, the president’s pick to be vice chair for supervision. A Duke University law professor and Washington insider who’s previously held high-level jobs at the Treasury and the Fed, Raskin has endorsed the idea of using the government’s banking supervision powers to prod industry to deal with financial risks associated with climate change.

There Have Been Unintended Consequences of ESG on Commodity Prices and the Ways It Has Impacted Supply

Source: Bloomberg, Google

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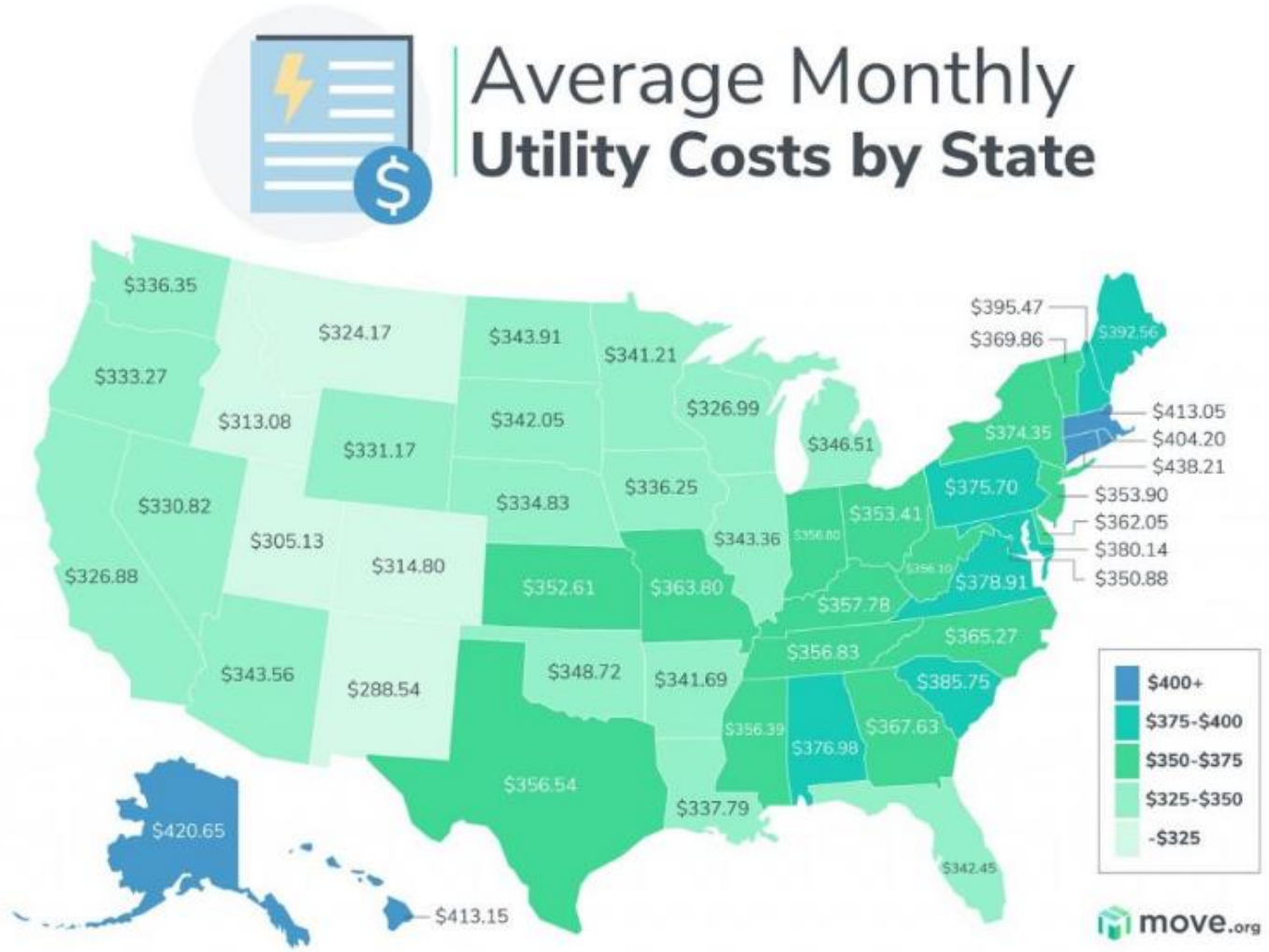
Interesting Energy Choices Ahead



Source: MarketWatch, Move.org

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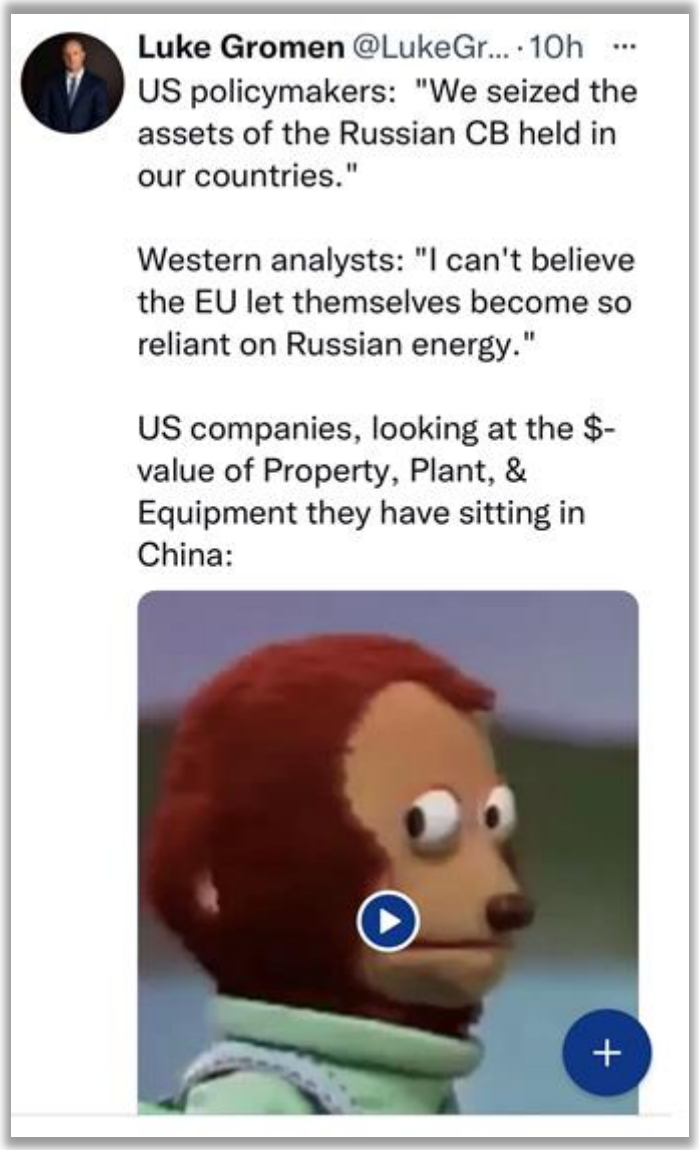
Scary…Going from Just in Time to Just In Case Will Increase Costs…But Worth It?



Source: Google, Twitter

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Russia and the Canadian Truckers

FedGuy.com

The New York Times

US Escalates Sanctions With a Freeze on Russian Central Bank Assets

Any Russian central bank assets that are held in U.S. financial institutions are now stuck, and financial institutions outside the United States...

3 weeks ago

Newsweek

Banks Have Begun Freezing Accounts Linked to Trucker Protest

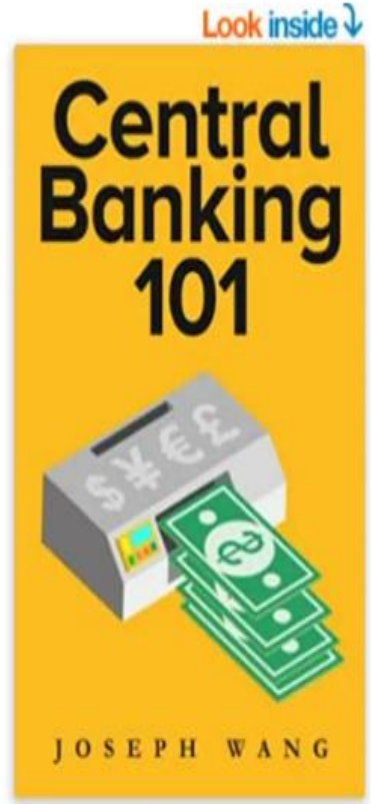
Canadian banks have begun freezing the accounts of people linked to the trucker protests in Canada and the federal government is promising...

1 month ago

Breaking The System

MARCH 7, 2022 / JOSEPH WANG / 30 COMMENTS

The banking system is built on trust that the money one places in the care of others will be there when needed. This is as true for the retail investor with deposits at the local commercial bank, as it is for the sovereign with FX deposits at a foreign central bank. Hard earned trust is part of the magic that enables developed market sovereigns to massively deficit spend with limited consequence. The world happily holds their liabilities, be it in the form of deposits or sovereign debt. But that trust is weakened when sovereigns are seizing the assets of their own citizens and other sovereigns without due process of law. The liabilities of the banking sector and sovereign then **cease to be risk free assets**. Foreign sovereigns must now diversify as a matter of national security, and some citizens must now diversify as a matter of self preservation. This regime change can force a wild scramble into stores of value outside of the banking system including gold, real estate and even crypto.



by Joseph J Wang (Author)

139 ratings

Source: FedGuy.com

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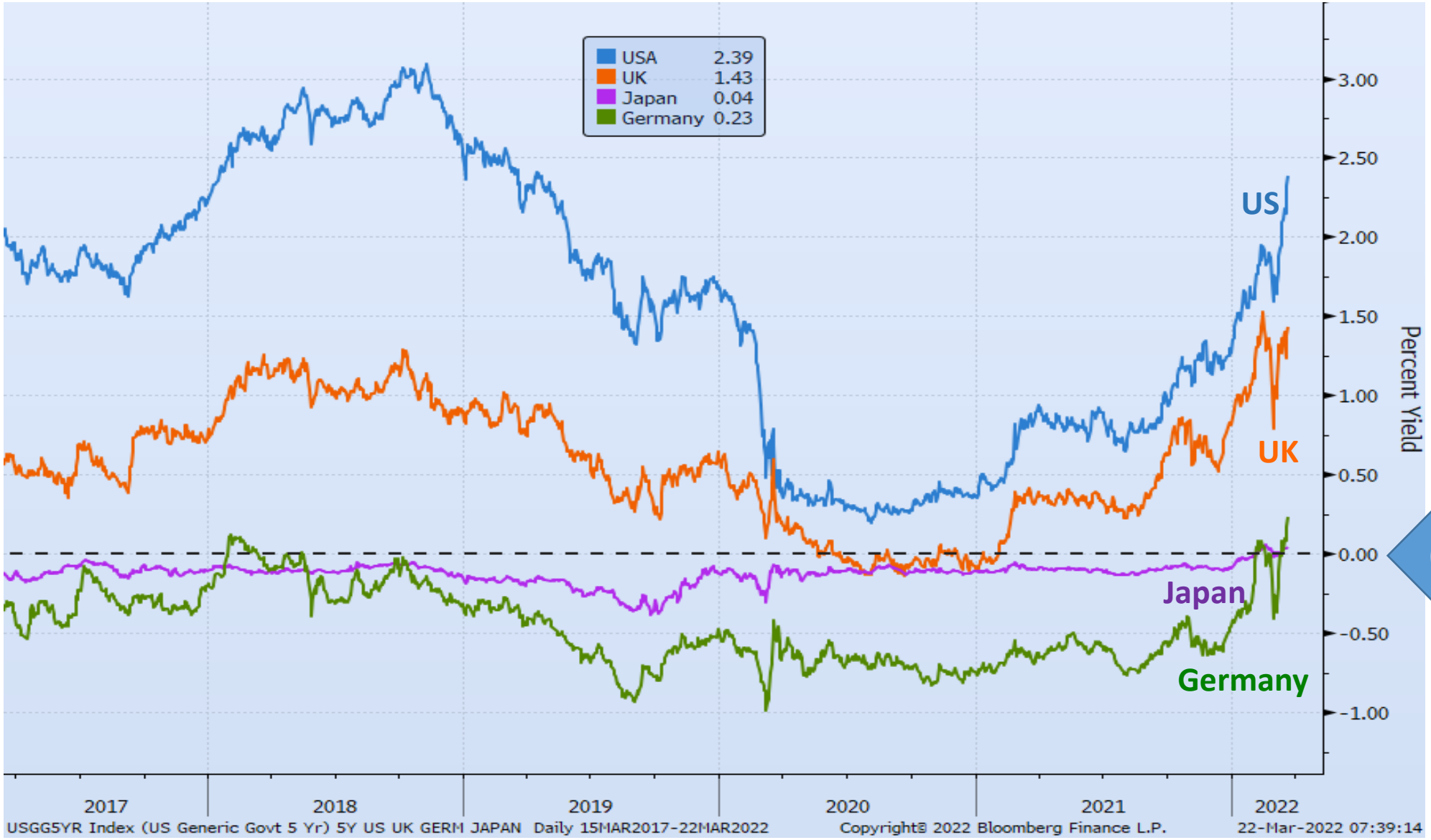
Global 5 Year Yields



Source: Bloomberg

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Next Recession: 5Yr Tsy Long-Term Trend…Please Stay Positive, Please Stay Positive!

Bloomberg Subscribe

Economics

Greenspan Sees No Barriers to Prevent Negative Treasury Yields

By Liz McCormick
August 13, 2019, 11:34 AM EDT

- 'Zero has no meaning' for U.S. debt, former Fed chairman says
- However, shifts in demand 'won't be forever,' Greenspan adds

Alan Greenspan *Photographer: Zach Gibson/Bloomberg*

Source: Bloomberg

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Look for Insights, Trends, and Probabilities…But Also Expect the Unexpected

CBS Sports

No. 16 seed UMBC beats No. 1 Virginia in biggest NCAA Tournament ...

Source: Google

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