An SEC-registered Investment Advisor
Which Headwind?
Disinflationary Pressures Come Home
(Eurodollar University)
What Disinflation, Exactly?

The U.S. economy begins the year 2020 in a good place...over the course of 2019, the FOMC shifted the stance of U.S. monetary policy to offset some significant global growth headwinds and global disinflationary pressures. In 2019, sluggish growth abroad and global developments weighed on investment, exports, and manufacturing in the United States, although there are some indications that headwinds to global growth may be beginning to abate.

Federal Reserve Vice Chair Richard Clarida
At the C. Peter McColough Series on International Economics, Council on Foreign Relations
January 9, 2020
What Disinflation, Exactly?

“Total new orders fell for the first time in over a decade. The deterioration in was in part linked to the coronavirus outbreak, manifesting itself in weakened demand across sectors such as travel and tourism, as well as via falling exports and supply chain disruptions. However, companies also reported increased caution in respect to spending due to worries about a wider economic slowdown and uncertainty ahead of the presidential election later this year.

Chris Williamson
Chief Business Economist at IHS Markit
February 21, 2020
Real GDP United States

- Real GDP (constant 2012 $s)
- baseline

Billions of $s SAAR

- Q3 '06 housing bubble
- DUNCAN LEADING INDICATOR
- NEAR RECESSION
- Q1 '19 curve inversion

Years:
1998.01 - 2018.01

Y/Y % change:
-10% - 10%
German Economy

Real GDP Q/Q % change

REFLATION #3  EURO$ #4

Industrial Production SA-RHS

before coronavirus


-0.3%   0.0%   0.3%   0.6%   0.9%   1.2%
US Treasury Yield Curve

- 11/8/2018
- 8/28/2019
- 10/30/2019 Just after 3rd Fed rate cut
- 12/4/2019
- 2/21/2020
Eurodollar Futures Curve
ICE: US$ Index Futures DX1

Continuous Front Month Futures Price

REFLATION #3  EURO$ #4

$1,000 times the index (DXY) value; euro, Japanese yen, British pound, Canadian dollar, Swedish krona and Swiss franc
Dollar Correlations

Banco officials claim how easily they can use swaps and currency reserves to rescue BRL.

Brazil reals to 1 US $
**Dollar Correlations**

**Banco officials claim how easily they can use swaps and currency reserves to rescue BRL**

**IMF data; Brazil official reserves; ‘swaps’**

- Brazil; IMF; Short Position; Fin’l Instruments denominated in foreign currency and settled by other means - RHS

**Brazil reals to 1 US $**

**USDBRL**

www.alhambrapartners.com
What Boom, Exactly?

Eleven years ago today, near the bottom of the worst recession in generations, I signed the Recovery Act, paving the way for more than a decade of economic growth and the longest streak of job creation in American history.

Did you hear the latest con job? President Obama is now trying to take credit for the Economic Boom taking place under the Trump Administration. He had the WEAKEST recovery since the Great Depression, despite Zero Fed Rate & MASSIVE quantitative easing. NOW, best jobs numbers....
Recovery But Not Recovery

Establishment Survey (payrolls)
recession trough = 100

1969-70 recession
1973-75 recession
1980 recession
112 straight monthly +’s

Great Inflation

# of months
Recovery But Not Recovery

Establishment Survey (payrolls)
recession trough = 100

Great Inflation

1973-75 recession
1980 recession
1981-82 recession
112 straight monthly +'s

# of months
Recovery But Not Recovery

Establishment Survey (payrolls)
recession trough = 100

1990-91 recession
112 straight monthly +’s

1981-82 recession

Great... Recession
Recovery But Not Recovery

Establishment Survey (payrolls)
recession trough = 100

2001 (dot-com) recession
112 straight monthly +'s

Great Recession
1990-91 recession

# of months
Recovery But Not Recovery

Establishment Survey (payrolls)
recession trough = 100

-25 -20 -15 -10 -5 0 5 10 15 20 25 30 35 40 45 50 55 60 65 70 75 80 85 90 95 100 105 110 115 120

112 straight monthly +’s

# of months

1948-49 recession
1953-54 recession
1957-58 recession
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CONCLUDED