An SEC-registered Investment Advisor
The Flood Myth
Every Religion Has One, Incl. The Fed’s
(Eurodollar University)
Economy

The Federal Reserve has pumped $2.3 trillion into the U.S. economy. It’s just getting started.

Wall Street is hungry for answers about how much more money the central bank is planning to deploy

A global wave of money-printing awakens fears of inflation

By Eric Schatzker
May 7, 2020, 12:55 PM EDT Updated on May 7, 2020, 3:46 PM EDT

- Becomes one of first bigname investors to embrace crypto
- Macro investor sees bitcoin as hedge against inflation

The Fed's Message: The Money-Printing Presses Are Fired Up and Ready to Go

Its actions Monday show it will do anything necessary to address a glaring shortage of dollars across the economy.

By Neil Irwin
March 23, 2020

The Coronavirus Outbreak
FULL TRANSCRIPT: FED CHAIR JEROME POWELL’S 60 MINUTES INTERVIEW ON ECONOMIC RECOVERY FROM THE CORONAVIRUS PANDEMIC

Jerome Powell lays out his thoughts on getting the economy back to its pre-coronavirus numbers. The transcript from the Federal Reserve chairman’s interview with Scott Pelley.

PELLEY: But I’m curious about that moment for you personally. When you were sitting in your office, through that door over there, and you were watching your Bloomberg Terminal and the world was coming apart, what did you say to Jay Powell?

POWELL: Well, what’d I say to me? You know it didn’t happen. It wasn’t a light switch being flipped. So we saw it coming. And we had been thinking about what we would do. [emphasis added]

LIE #1

PELLEY: Fair to say you simply flooded the system with money?

POWELL: Yes. We did. That’s another way to think about it. We did.

PELLEY: Where does it come from? Do you just print it?

POWELL: We print it digitally. So as a central bank, we have the ability to create money digitally. And we do that by buying Treasury Bills or bonds for other government guaranteed securities. And that actually increases the money supply. We also print actual currency and we distribute that through the Federal Reserve banks. [emphasis added]

LIE #2

PELLEY: Has the Fed done all it can do?

POWELL: Well, there’s a lot more we can do. We’ve done what we can as we go. But I will say that we’re not out of ammunition by a long shot. No, there’s really no limit to what we can do with these lending programs that we have. So there’s a lot more we can do to support the economy, and we’re committed to doing everything we can as long as we need to.

LIE #3
The Fed Printer goes Brrrrr man.. the Fed Printer goes Brrrrr...

we have the ability to create money digitally.
Federal Reserve: Liabilities & Capital

Quantity of reserves only imply what the Fed is doing, not what banks are doing (latter far more important); thus, if the Fed is doing something, then it's likely in response to what banks aren't doing.

+$1.65 T in 12 weeks

+$624.8 bln in 10 weeks

Fed is doing nothing while banks were doing quite a lot; system grows exponentially without 'bank reserves' because it evolved outside of them.

didn't work; four more months of GFC1
TIPS Yields & Breaks

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FOMC Apr 2019: ‘Many participants viewed the recent dip in PCE inflation as likely to be transitory...’

What flood?
What flood!!?

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US Treasury Yield Curve

Powell on 60 Minutes: 'So, we saw it coming.'

What flood?
US Treasury Yield Curve

Powell on 60 Minutes: 'So, we saw it coming.' Bond market: Like hell you did.

What flood?
“Companies have already drawn down more than $50 billion of their revolvers to prepare themselves for the crisis (this already dramatically exceeds what happened in the global financial crisis). Many others have requested additional credit, which we have been offering judiciously – more than $25 billion of new credit extensions were approved in the month of March alone. [emphasis added]

Jamie Dimon
Chairman & CEO Letter to JP Morgan Shareholders
April 6, 2020
Unemployment Insurance; Initial Jobless Claims

Total # of claims
18.2mm

Total # of claims (10 weeks)
40.8mm

Total # of claims
17.0mm
POWELL. But I would just say this. In the long run, and even in the medium run, you wouldn’t want to bet against the American economy. This economy will recover. And that means people will go back to work. Unemployment will get back down. We’ll get through this. It may take a while. **It may take a period of time. It could stretch through the end of next year.** We really don’t know. We hope that it will be shorter than that, but no one really knows. [emphasis added]

**Federal Reserve Chairman Jay Powell**

*Transcript from 60 Minutes interview*

*May 17, 2020*
By the end of 2021, real GDP is projected to still be 1.6 percent lower, the unemployment rate 5.1 percentage points higher, and the employment-to-population ratio 4.8 percentage points lower compared with their values in the fourth quarter of 2019.
HOW THE FINANCIAL MEDIA & FINANCIAL SERVICES INDUSTRY VIEW JAY POWELL & THE FED
JAY POWELL & THE FED IN REALITY, AS RECOGNIZED IN THE BOND MARKET AND IN CORPORATE BOARDROOMS (and now the labor market, too, all over again)
The Flood Myth
Every Religion Has One, Incl. The Fed’s
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CONCLUDED