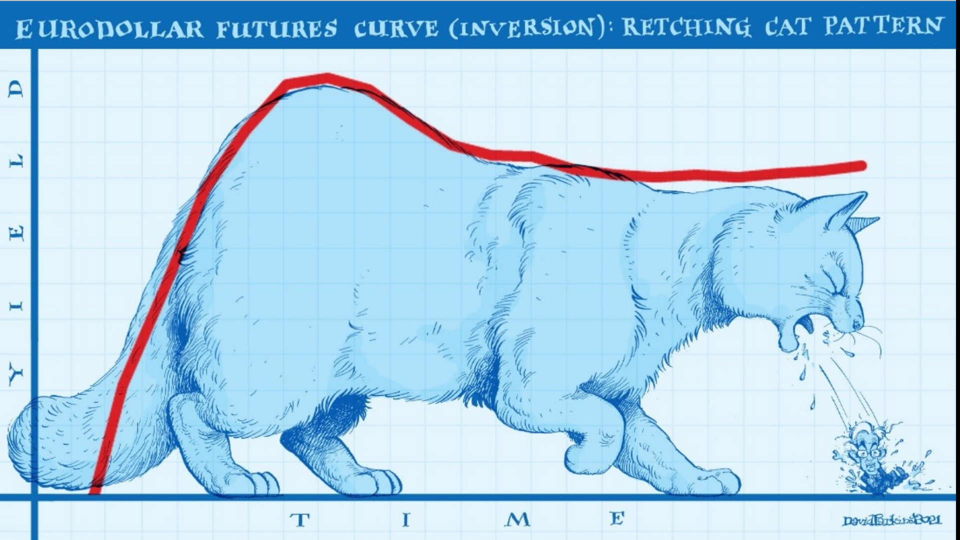

The LANDING
six months later

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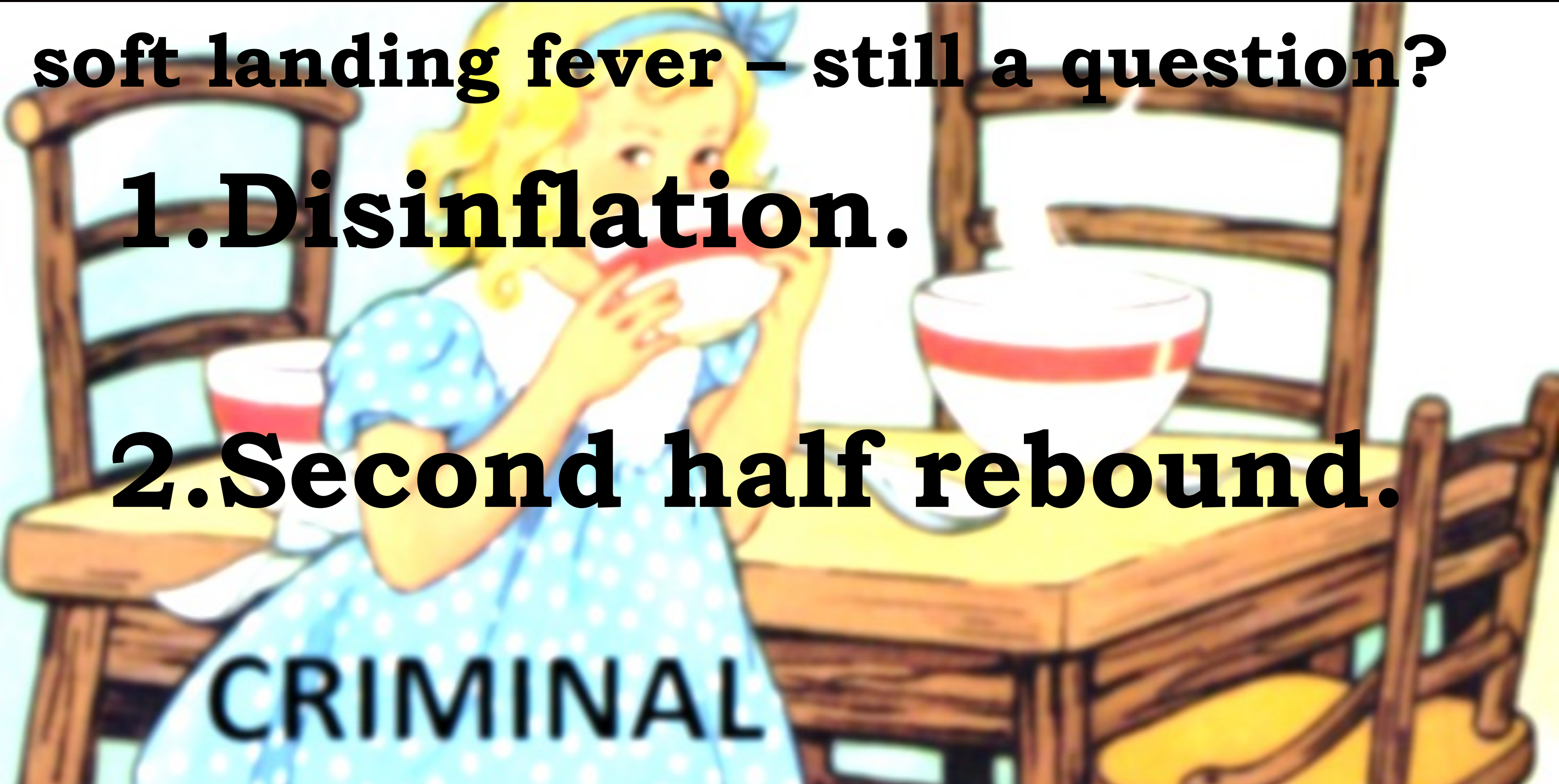
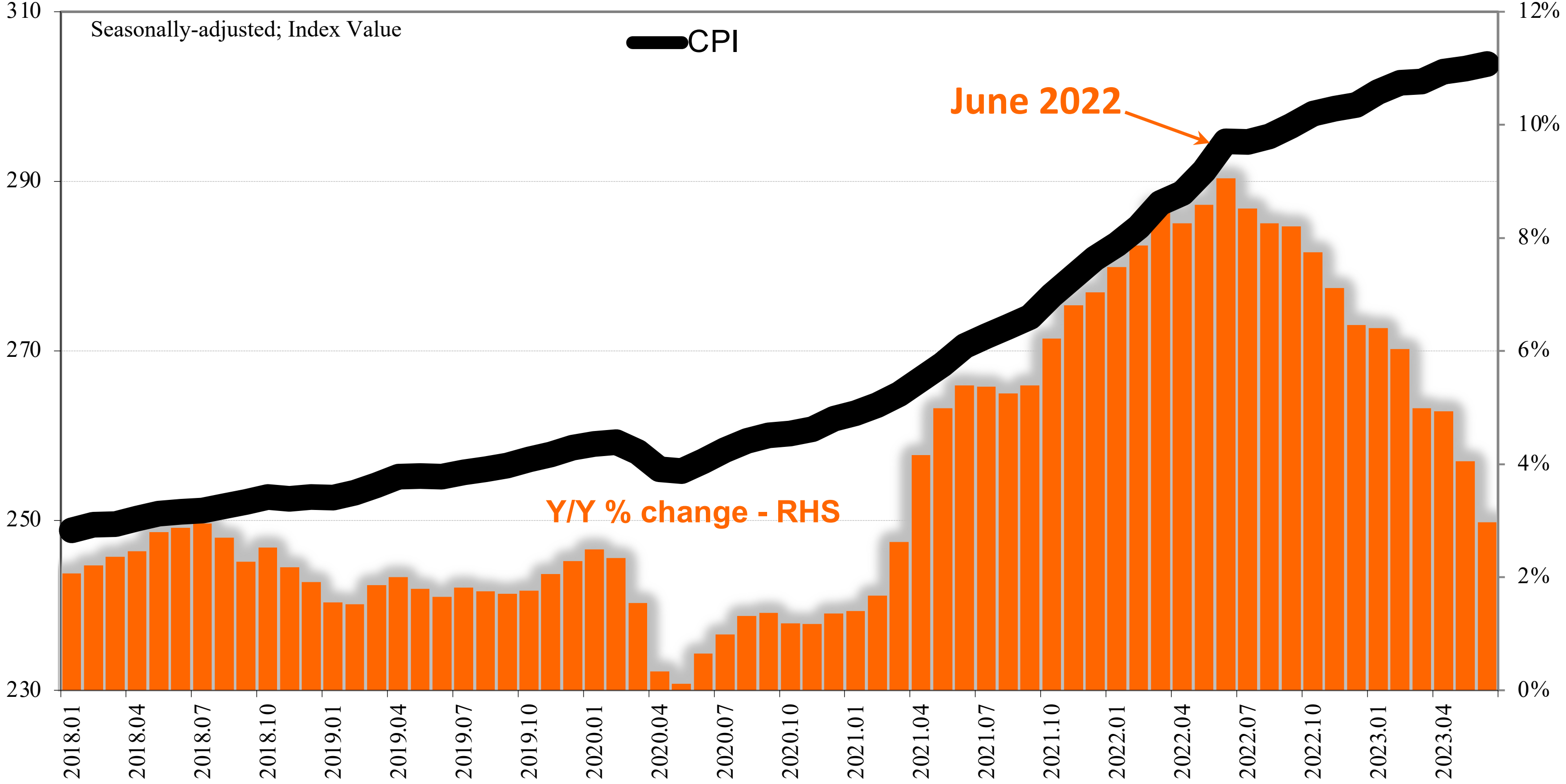
UNIVERSITY

soft landing fever – still a question?

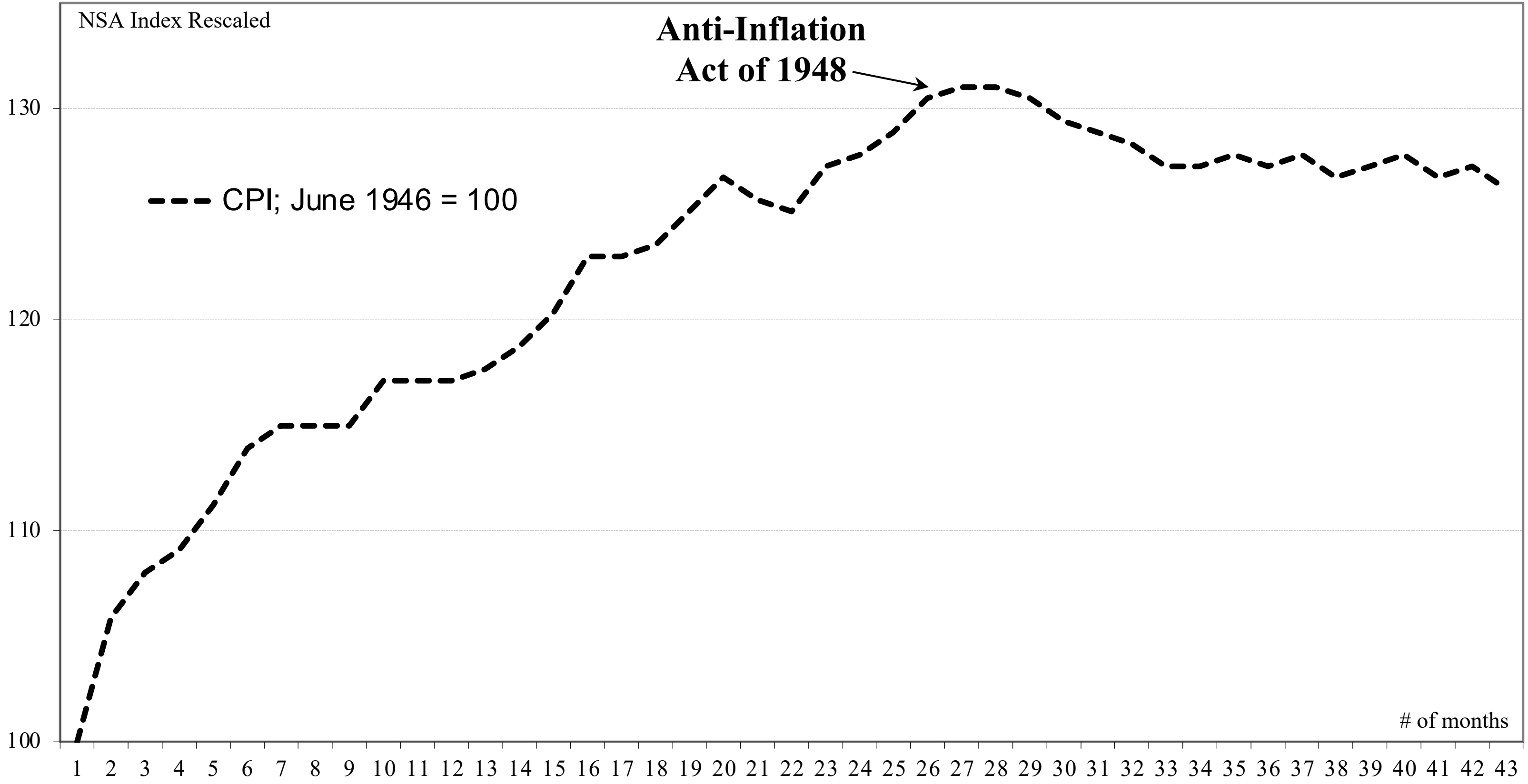
1. Disinflation.
2. Second half rebound.



Consumer Price Index



Consumer Price Index



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Why no Great Inflation #1?

"CHAIR MCCABE. In view of the pressure of current demands, the continued shortages of many goods, the limited capacity for increased output, and the available accumulations of liquid assets, further credit expansion will add to the pressure for rising prices. Continued credit expansion will store up trouble for the future and make the inevitable adjustment more dangerous for the stability of the economy.

Fed Chair Thomas McCabe

Congressional Testimony

August 2, 1948

STATEMENT BEFORE THE HOUSE BANKING AND CURRENCY COMMITTEE
AUGUST 2, 1948 *

Chairman Wolcott and Members of the Committee:

I deeply appreciate the consideration your Chairman has extended to me in making the time of my appearance here as convenient as possible. Although Congressman Wolcott had asked me to come before you earlier, he kindly consented in deference to my request to wait until this morning. I therefore acceded to the urgent request of Senator Tobey to appear before the Senate Banking and Currency Committee last Thursday morning. Since your Committee has been fully occupied with the testimony of Mr. Porter, I trust that the postponement until this morning has not caused you inconvenience.

On the evening before going to the Senate Committee, I canvassed the members of the Board by telephone to ascertain their views on the two titles of the proposed anti-inflation bill which relate to consumer credit and bank reserves. The members of the Board agreed unanimously to the following statement:

ANTI-INFLATION ACT OF 1948

The proposed "Anti-Inflation Act of 1948" includes two titles relating to credit controls. Both are, in substance, part of the comprehensive anti-inflationary program which the Board of Governors has previously recommended to Congress. Title One relates to regulation of consumer credit and Title Two relates to bank reserves. As you gentlemen know, the proposed regulation of consumer credit is identical, except for the date, with the bill passed by the Senate, and acceptable to the Board of Governors as one part of an overall program.

The proposal with respect to bank reserves is similar to that advanced by the Board in April, except that the increased requirements would be applicable only to member banks, whereas the Board had recommended that they be made applicable to all commercial banks. This is a significant difference. We feel deeply that it is not fair to member banks in their competitive relations to nonmember banks to require that they be singled out to carry the additional reserves that may be necessary to combat this inflationary situation. As an emergency measure, however, the bill would be adequate to meet the immediate need for additional authority to deal with reserves.

In thus stating the views of the Board on these two titles of direct concern to the System, I do not want to create the impression that action in the credit field alone will solve our inflationary problems. Other areas, particularly a budgetary surplus, are more important.

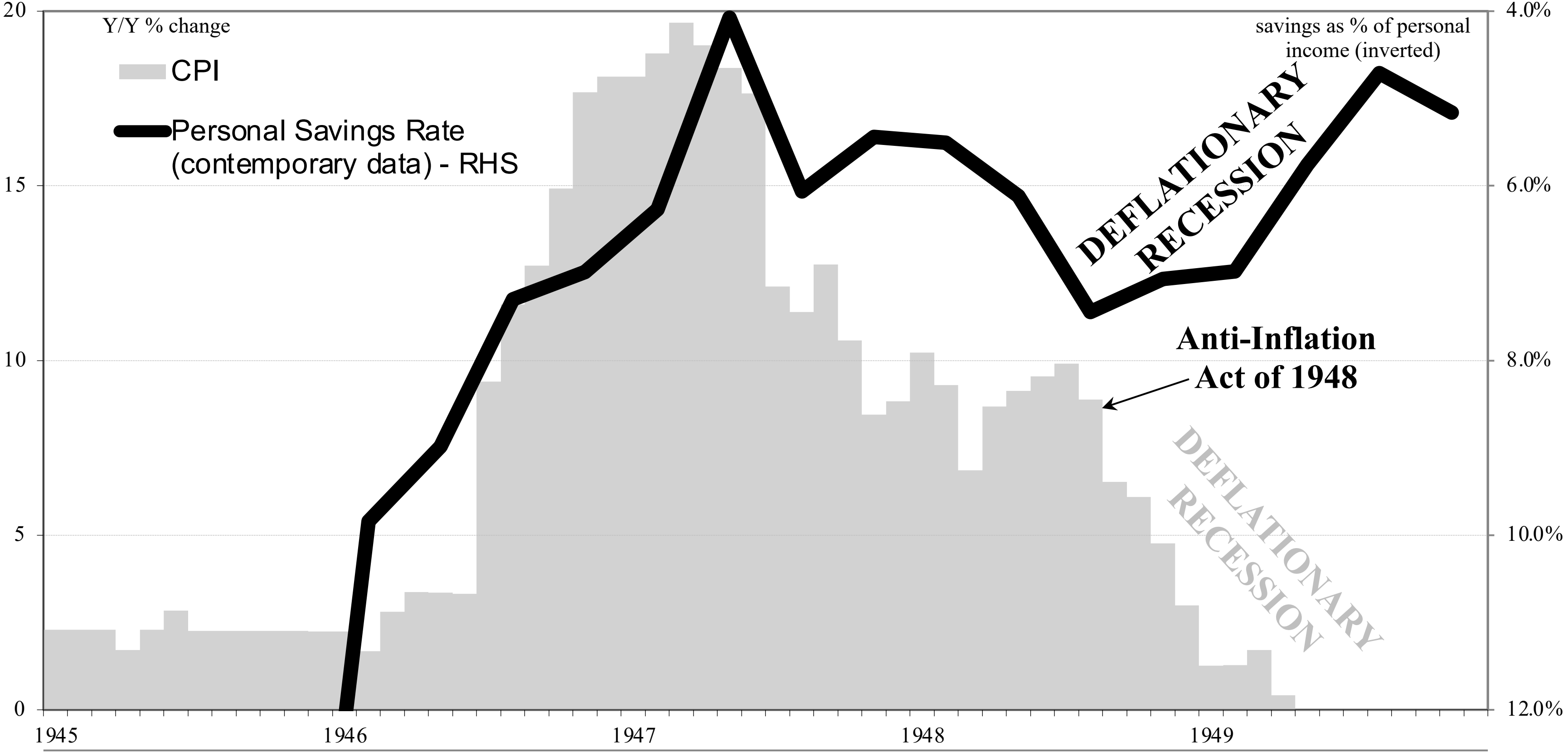
Since I presented that statement to the Senate Committee, the Board has this morning had an opportunity to meet and to discuss the proposed legislation at length. The Board is agreed that the inclusion of the nonmember banks is essential to make the proposed legislation fully effective. I have also been in touch with several of the Presidents of the Federal Reserve Banks, and others. There is strong concurrence with the statement that it would be very unfair to single out member banks to carry the additional reserves to combat this inflationary situation. This is particularly true of the Presidents from those districts where there are large numbers of nonmember banks, which would be given a competitive advantage as against member banks. It might result in a serious loss of membership in the System and weaken the effectiveness of its policies. As you know, the effective reserve requirements in most states are substantially below those carried by member banks, and thus nonmember banks have greater latitude and earning power.

The question of the inclusion of nonmember banks is very important and we would appreciate it greatly if the Committee would give this problem serious consideration. Unquestionably from the point of view of effectiveness as well as equity the proposed legislation should apply to all commercial banks.

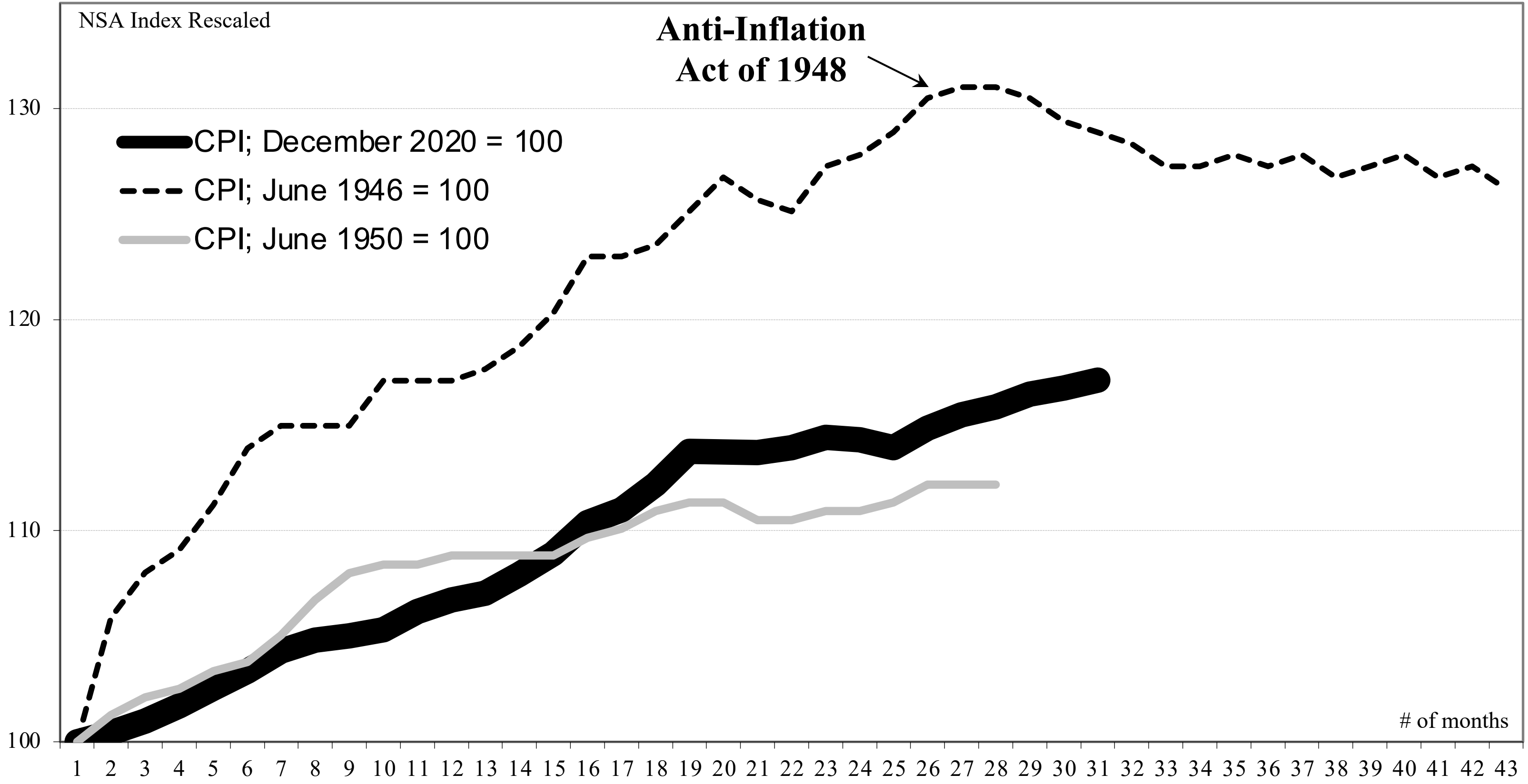
Now, I would like to give you some of my personal observations concerning the impact of the inflationary forces on our credit control mechanism. These remarks are substantially the same as those I made last week before the Senate Banking and

* Presented by Thomas B. McCabe, Chairman, Board of Governors of the Federal Reserve System.

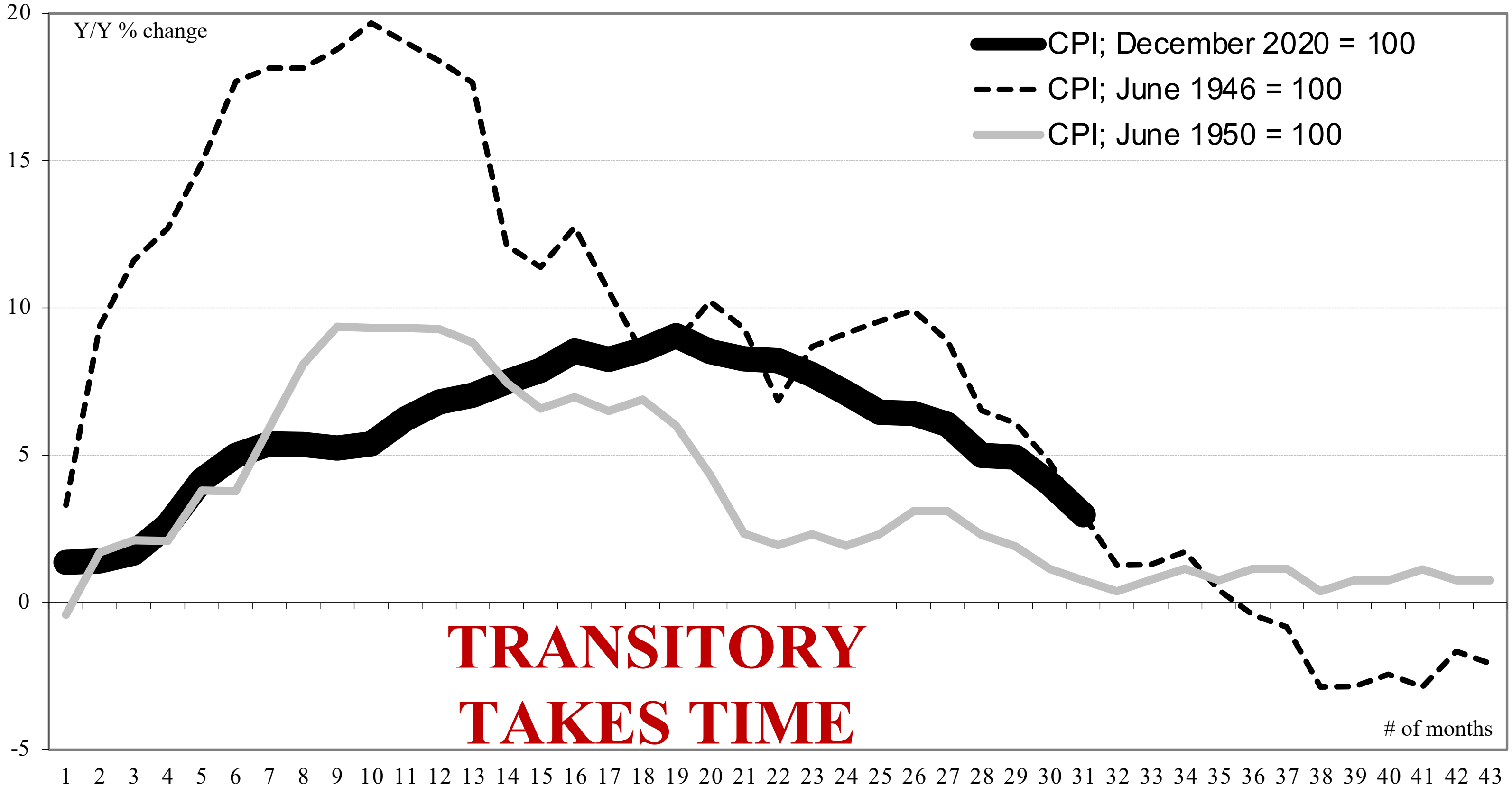
US – Consumer Price Index



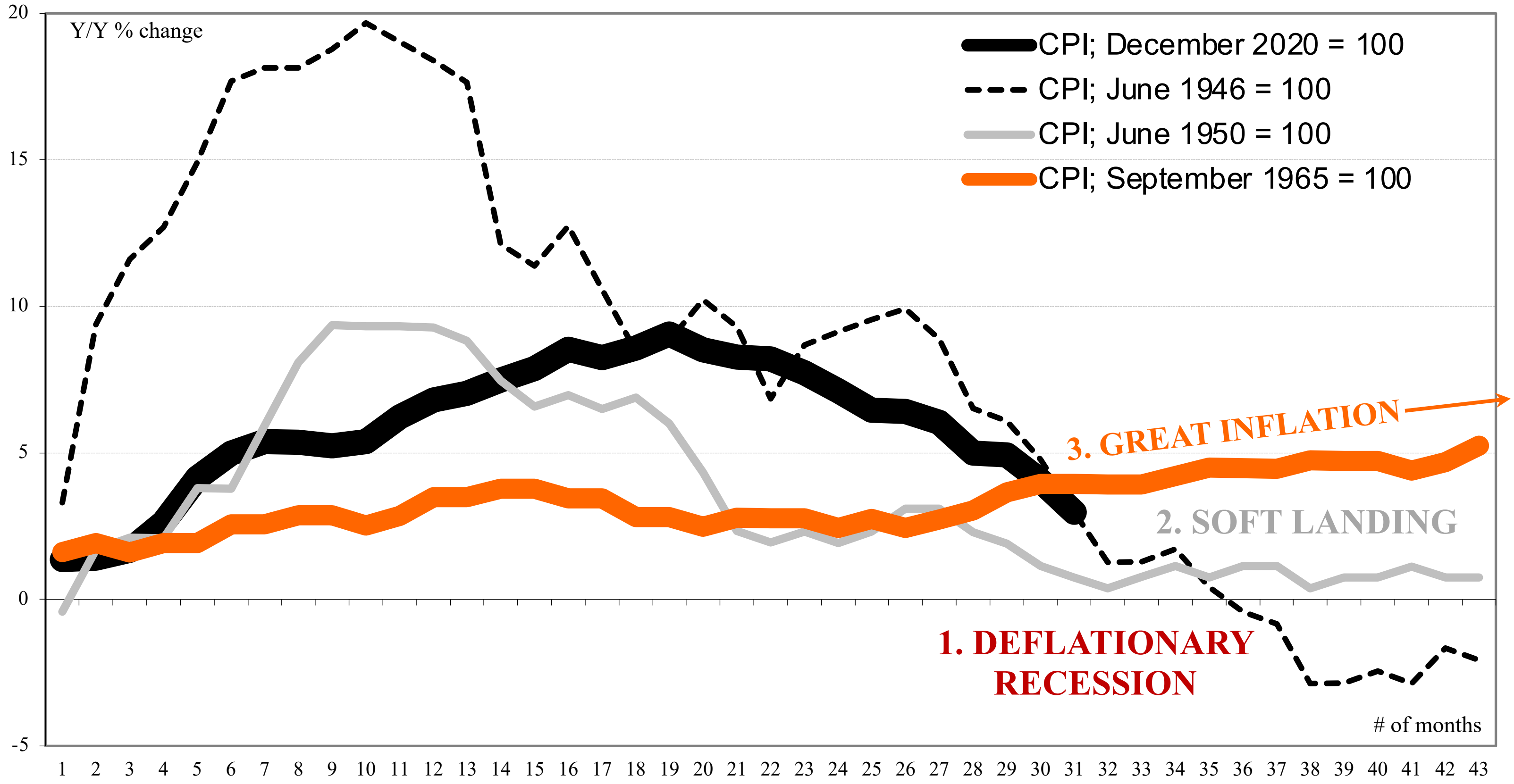
Consumer Price Index



Consumer Price Index

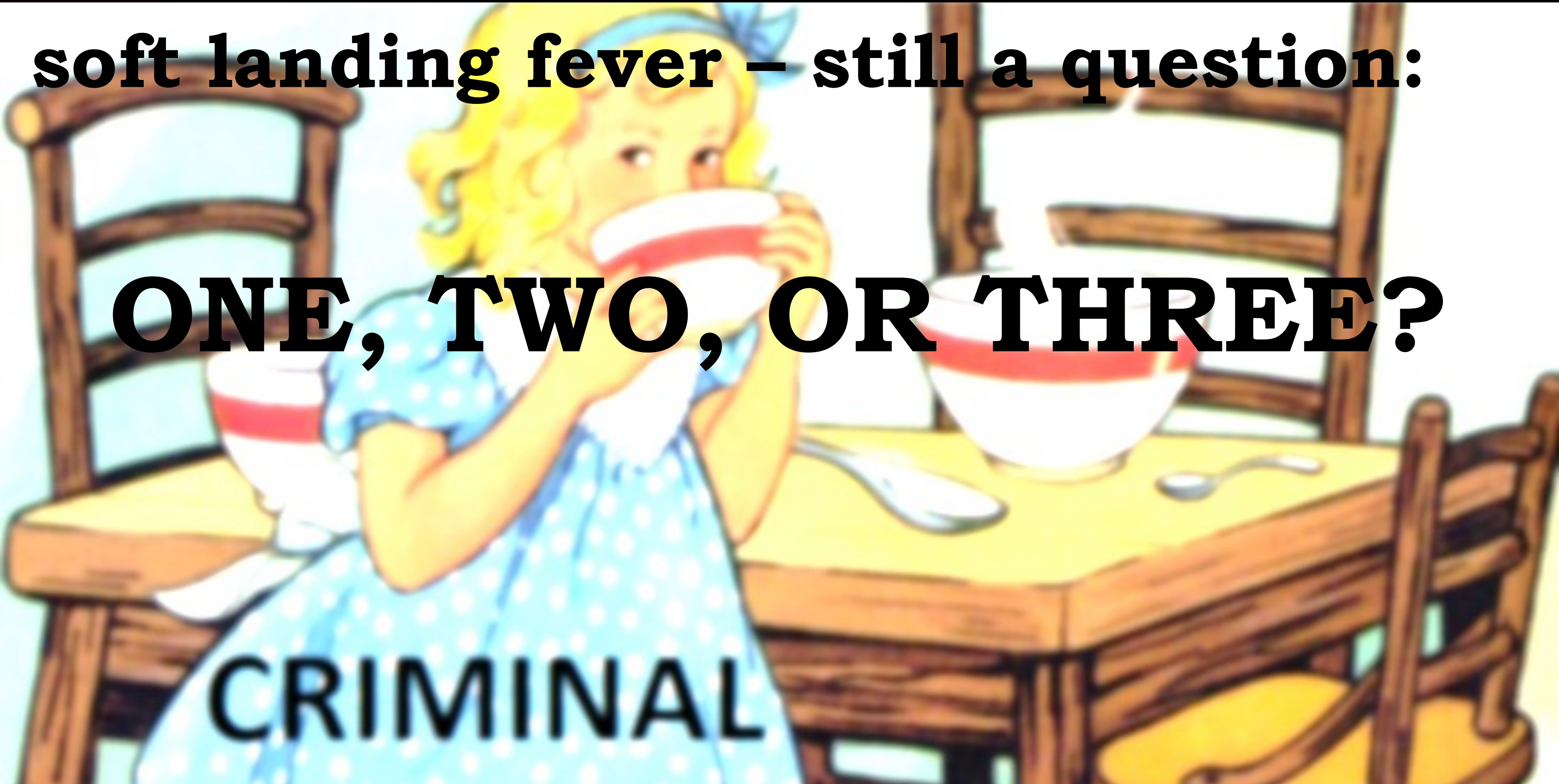


Consumer Price Index

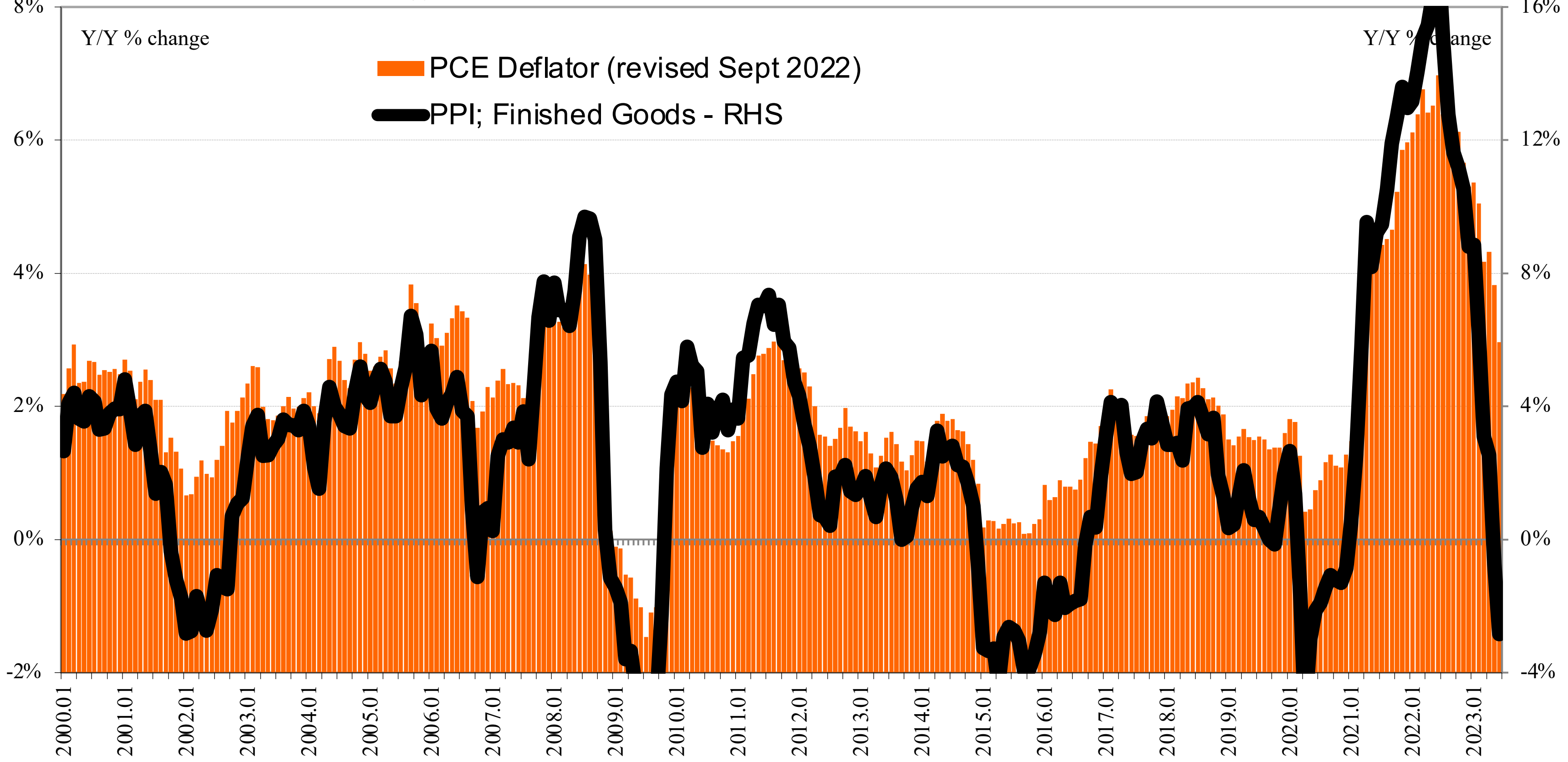


soft landing fever – still a question:

ONE, TWO, OR THREE?



PCE Chain-type Price Index



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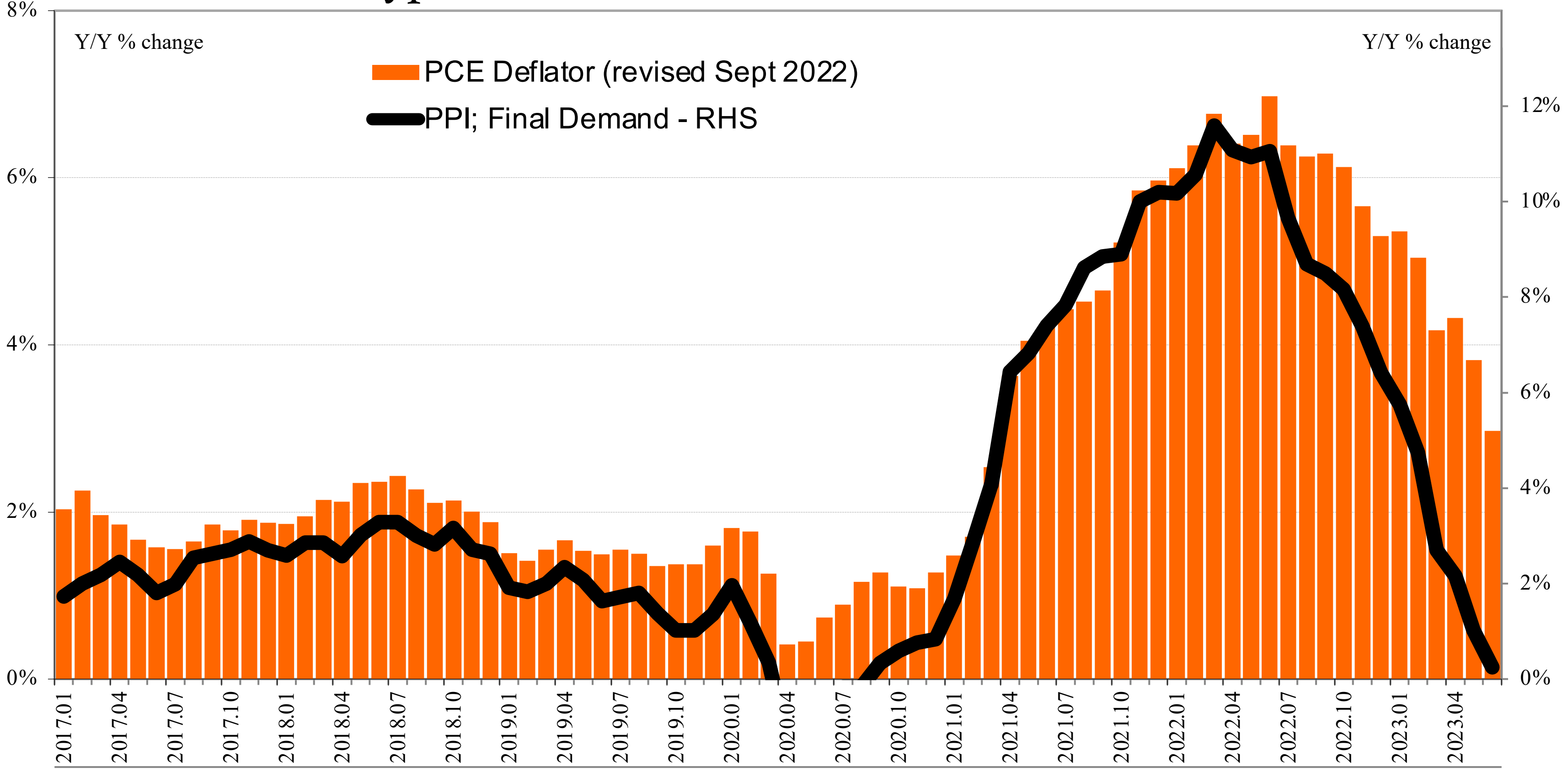
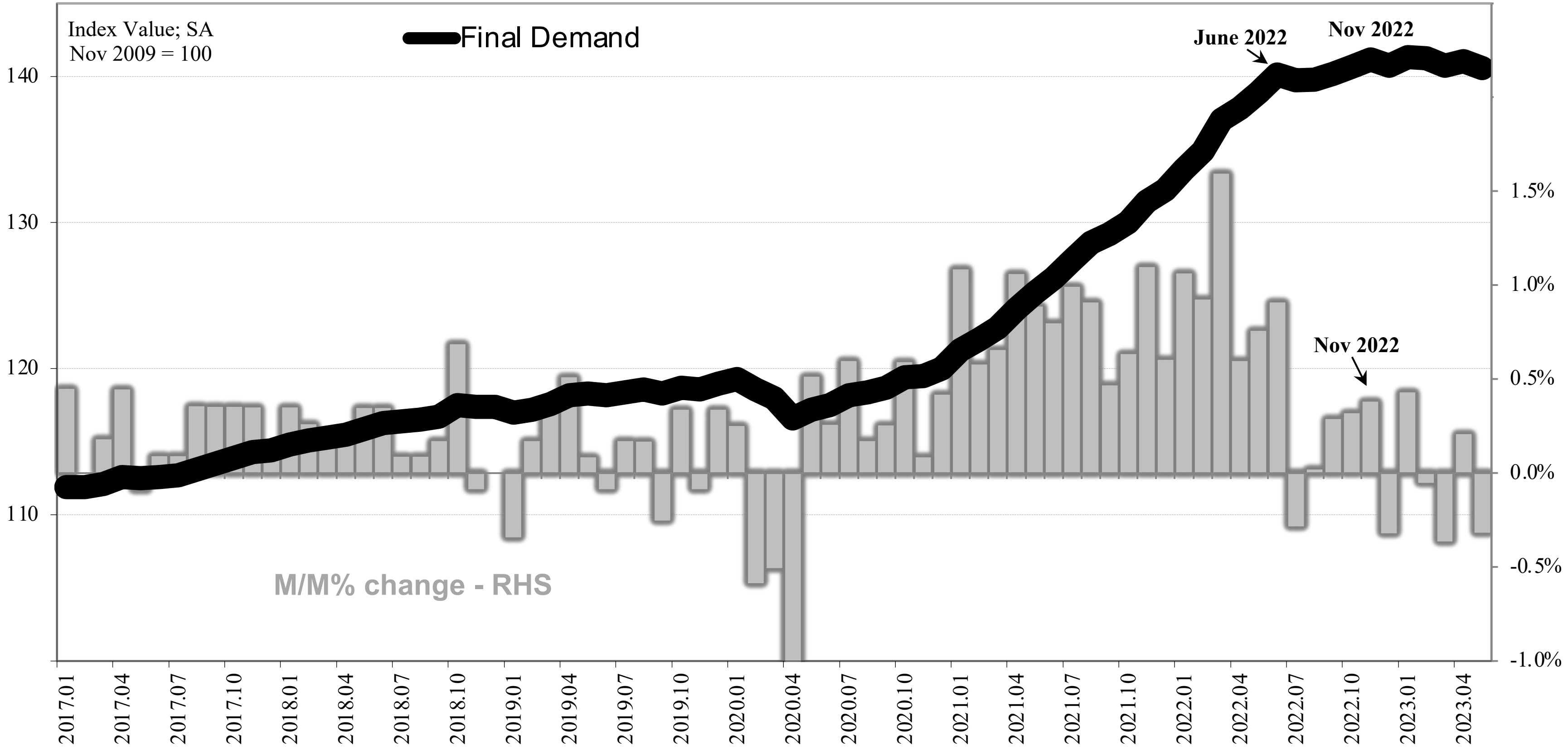
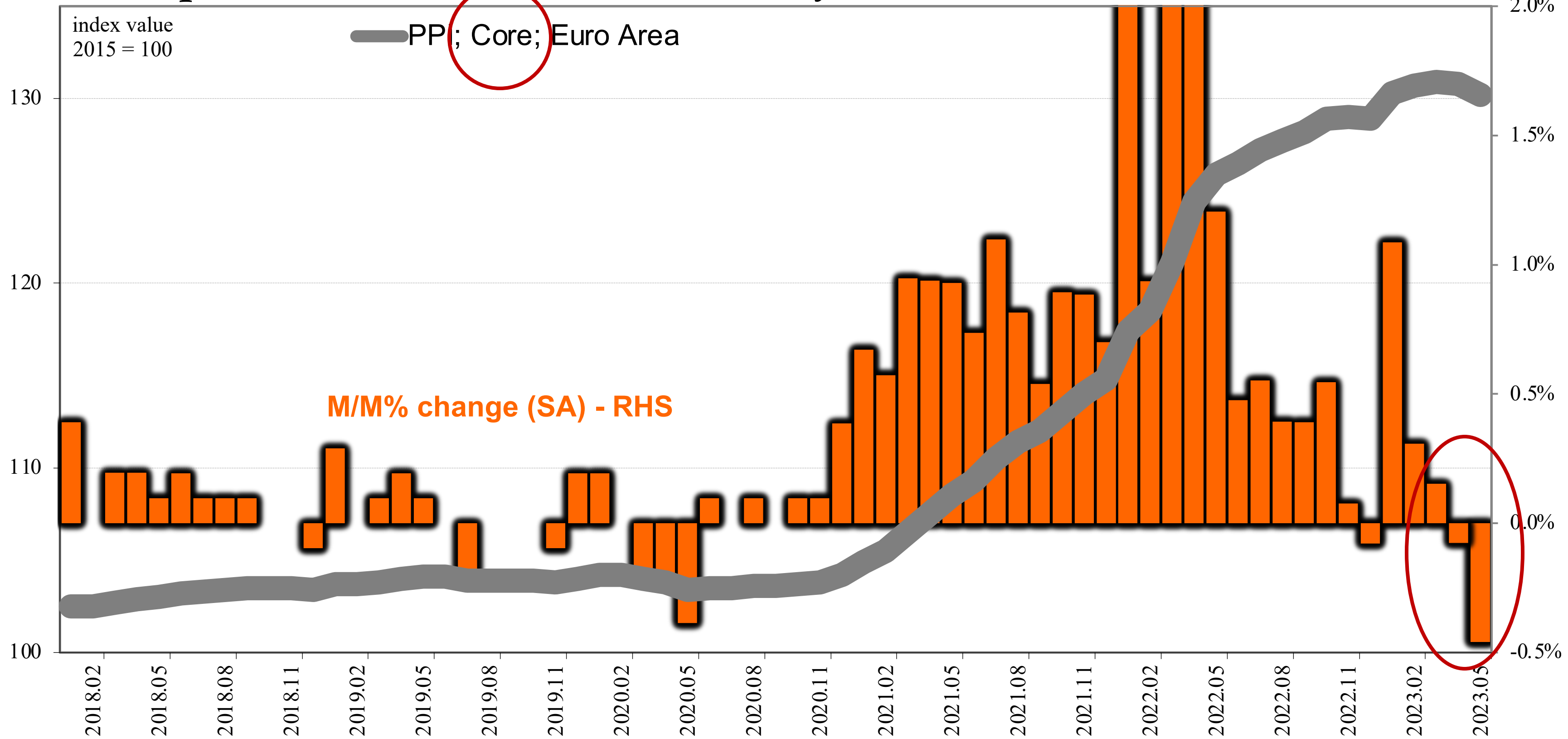
PCE Chain-type Price Index



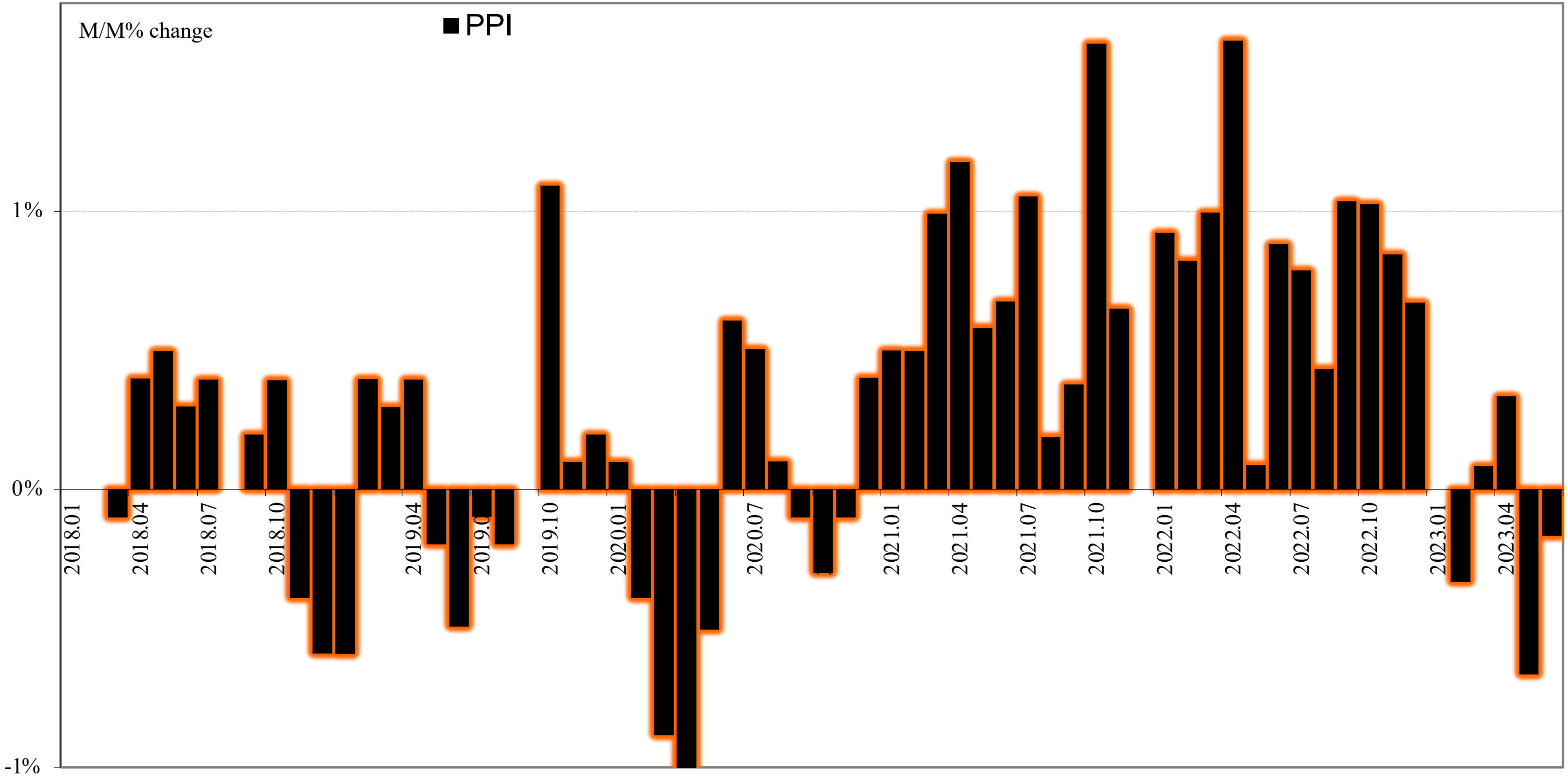
US PPI By Commodity



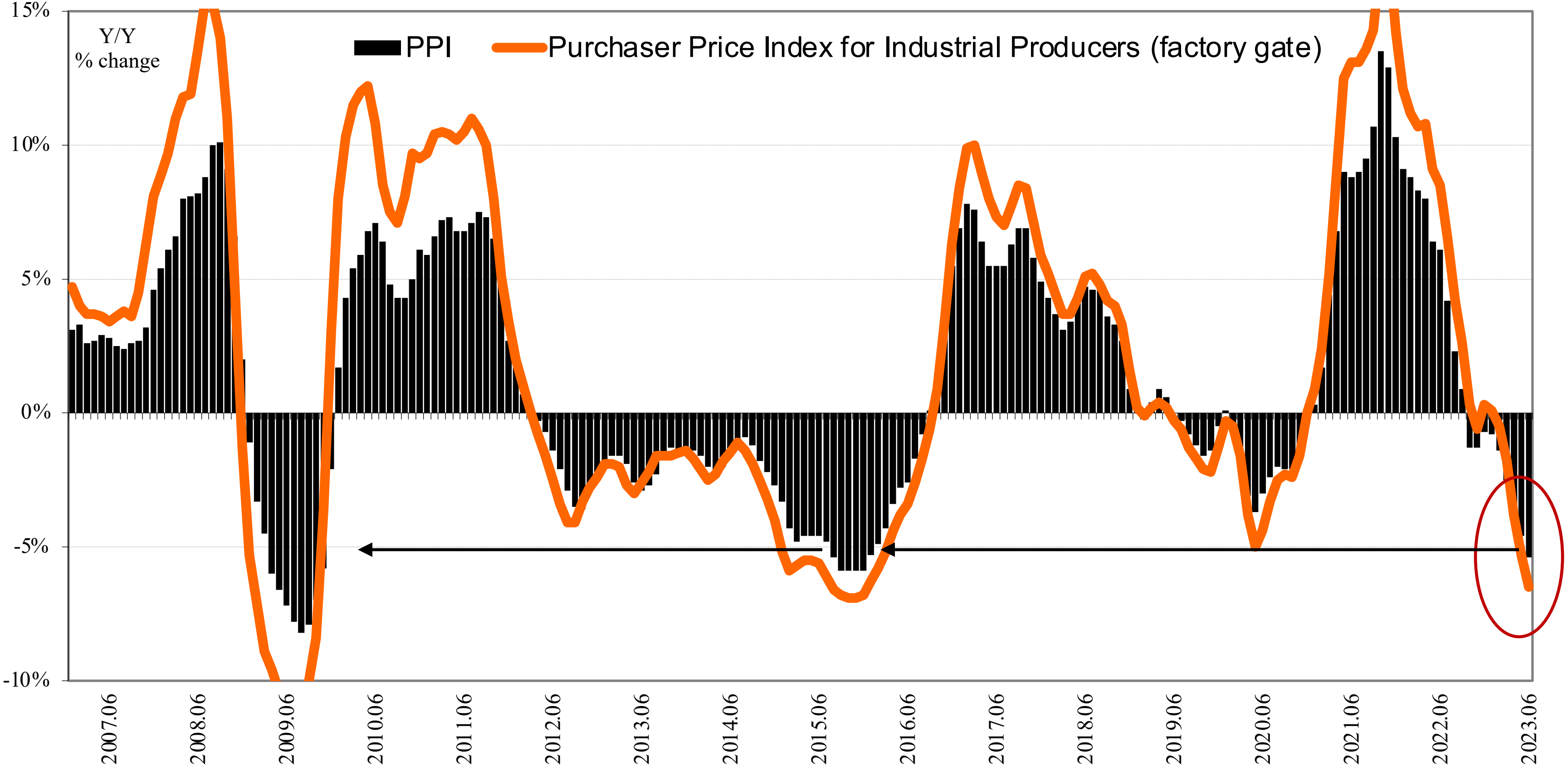
Europe – Producer Prices in Industry



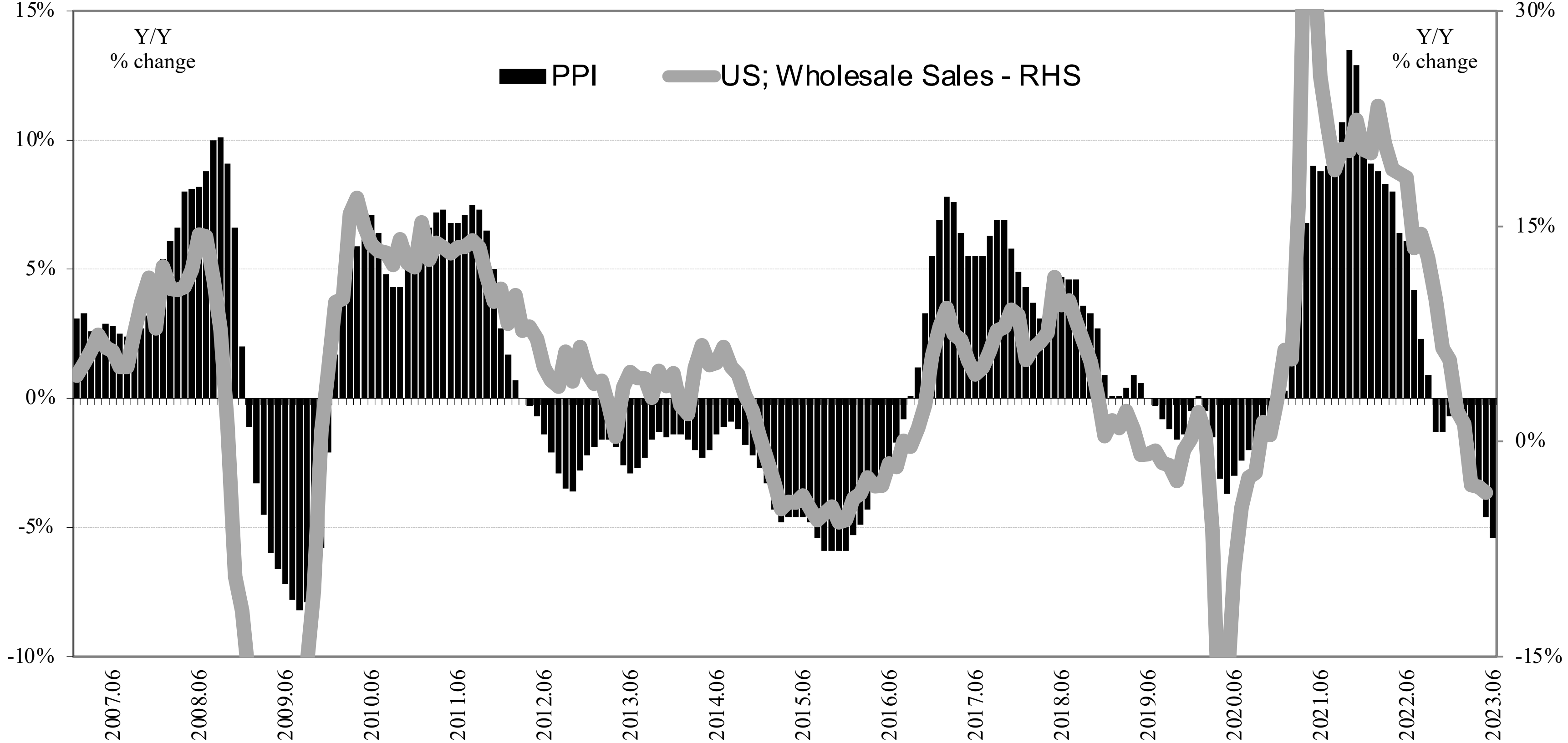
Japan – Corporate Goods Price Index

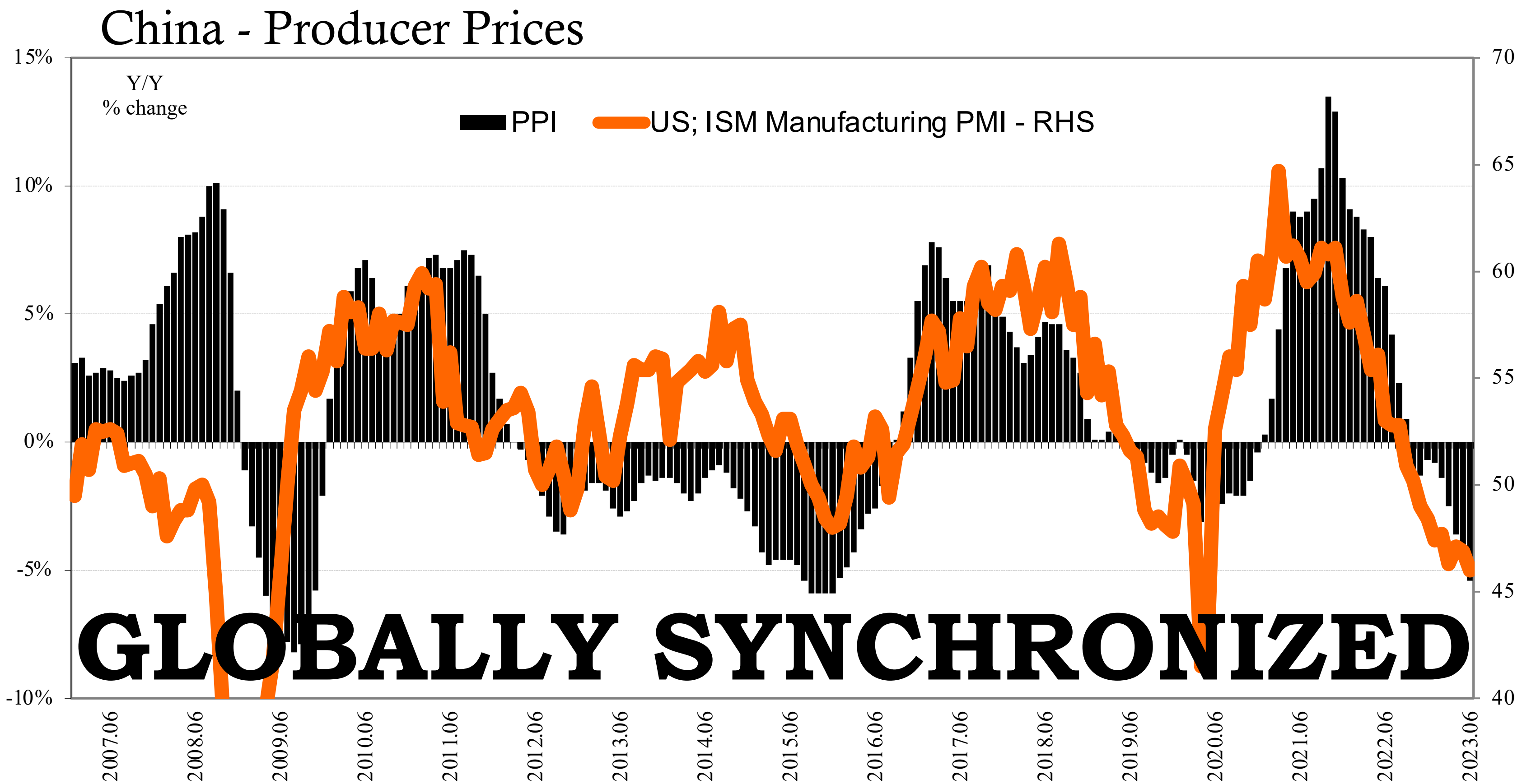


China - Producer Prices

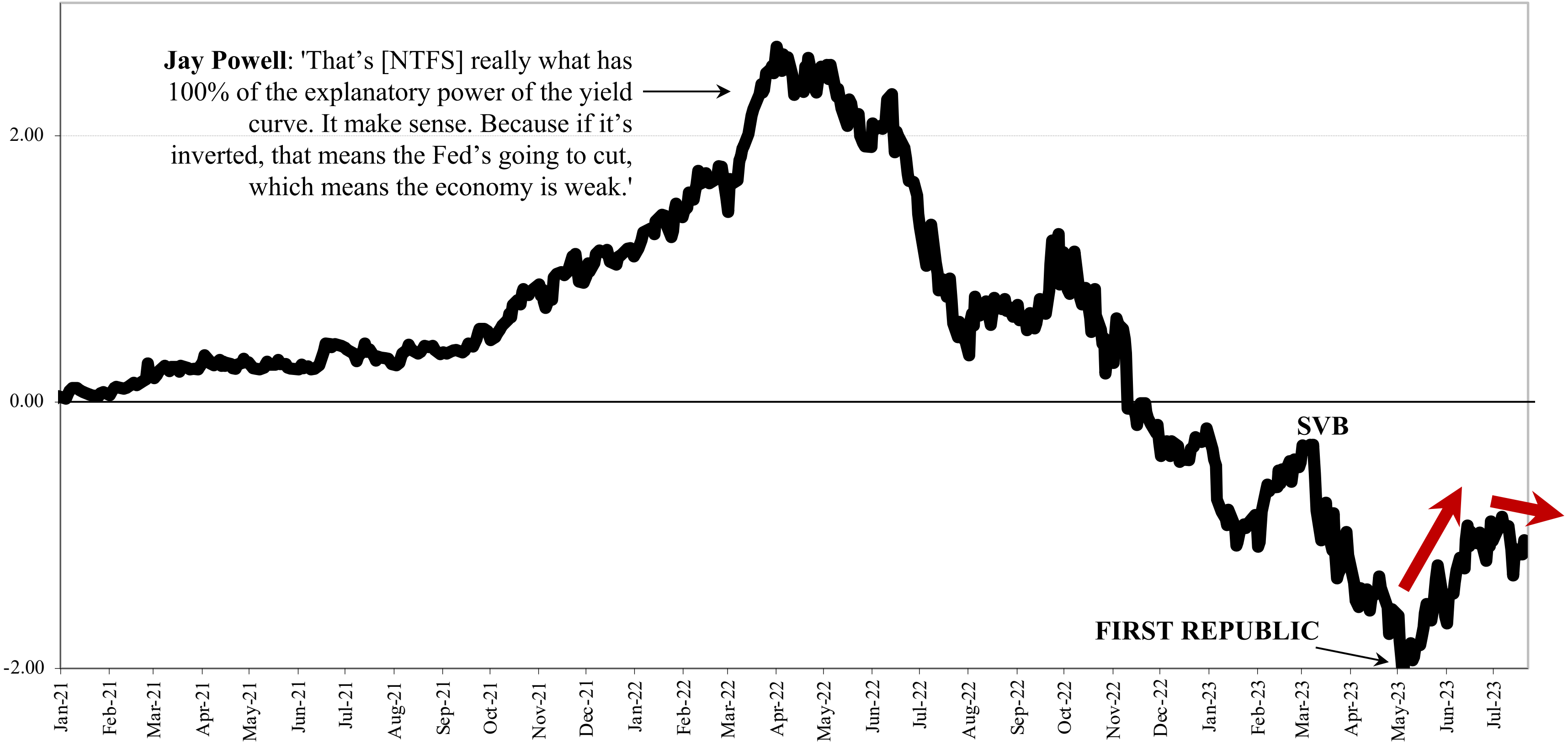


China - Producer Prices

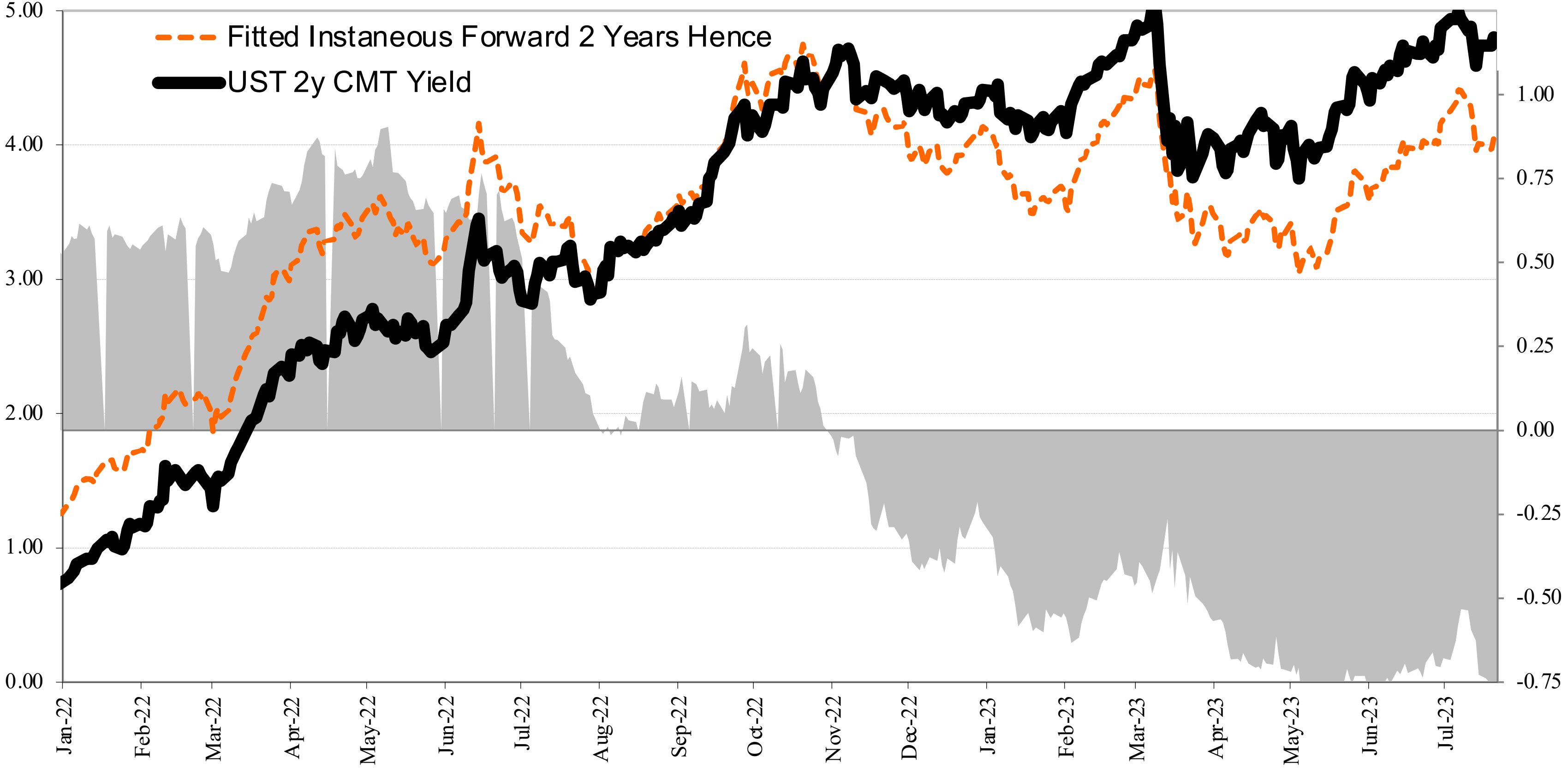



China - Producer Prices
Y/Y
% change
PPI
US; ISM Manufacturing PMI - RHS
15%
10%
5%
0%
-5%
-10%
70
65
60
55
50
45
40
2007.06
2008.06
2009.06
2010.06
2011.06
2012.06
2013.06
2014.06
2015.06
2016.06
2017.06
2018.06
2019.06
2020.06
2021.06
2022.06
2023.06
GLOBALLY SYNCHRONIZED

Near Term Forward Spread



UST Yield Curve



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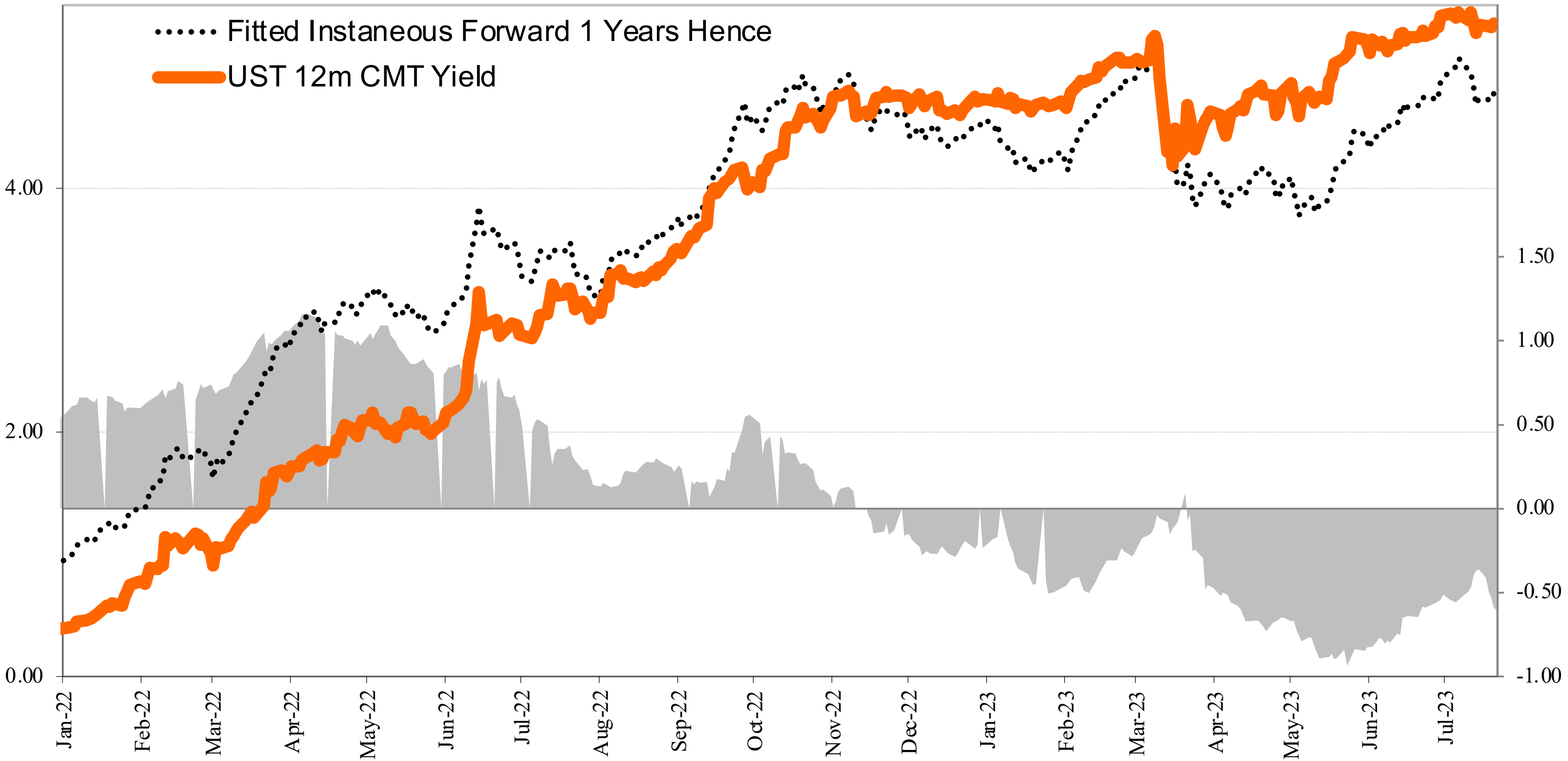
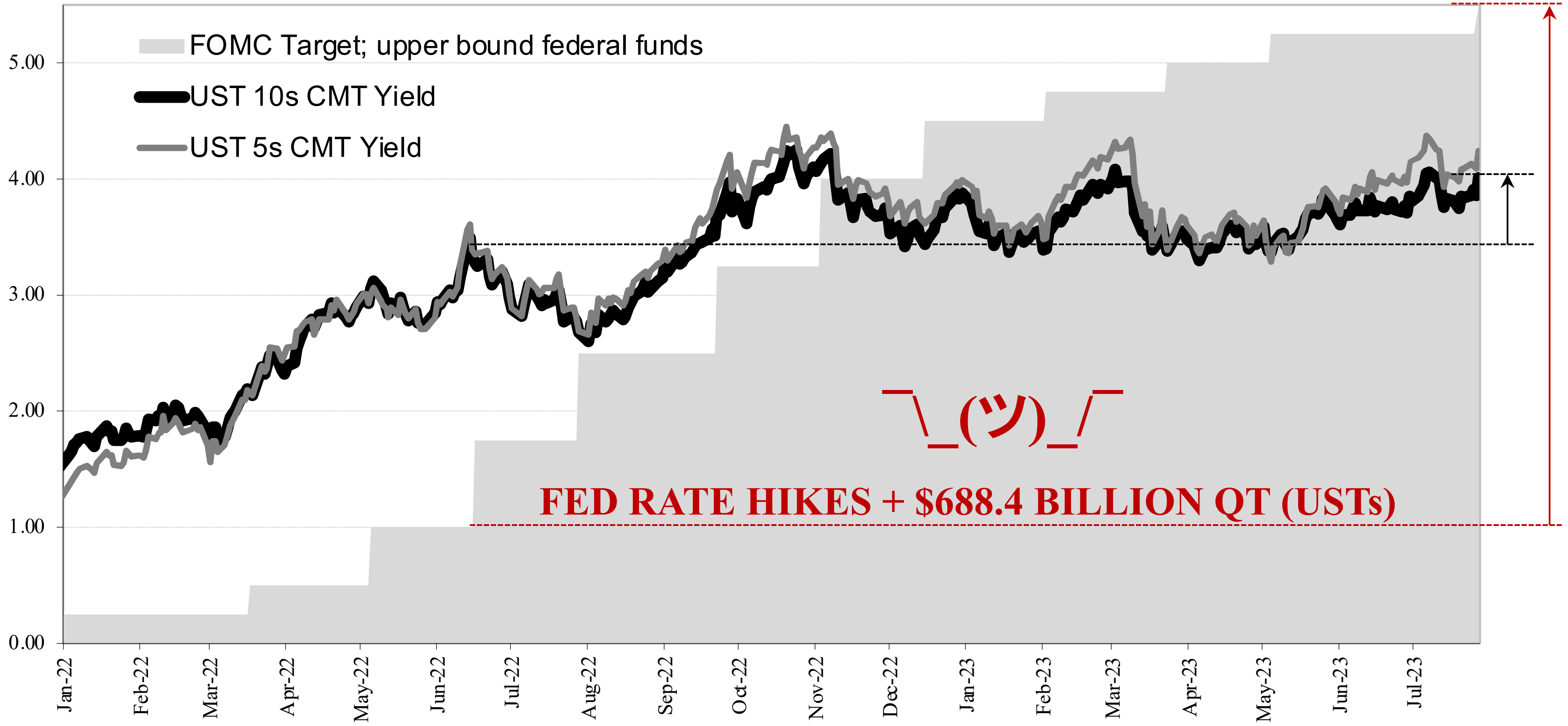
UST Yield Curve



UST Yield Curve



soft landing fever – still a question?

Consumer price increases slow, which tells us:

1. Following supply shock pattern (including starting conditions).

2. Growing disinflation (consumer) and deflation (producer).

3. Forward indications: deflationary recession.

hard landing fever

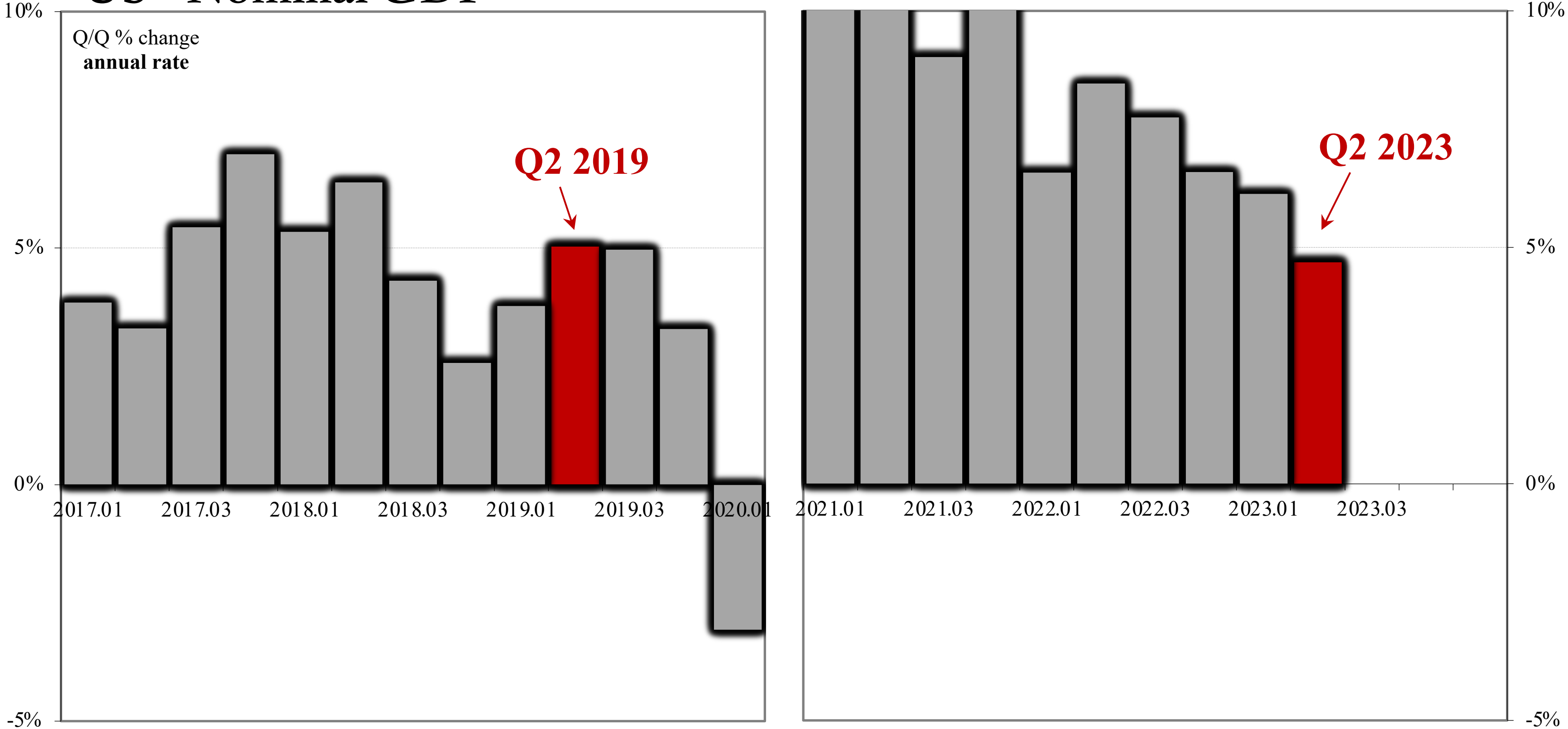
"CHAIR POWELL. Many FOMC participants saw that the case for a somewhat more accommodative monetary policy had strengthened. Since then, based on incoming data and other developments, it appears that uncertainties around trade tensions and concerns about the strength of the global economy continue to weigh on the U.S. economic outlook.

Fed Chair Jay Powell

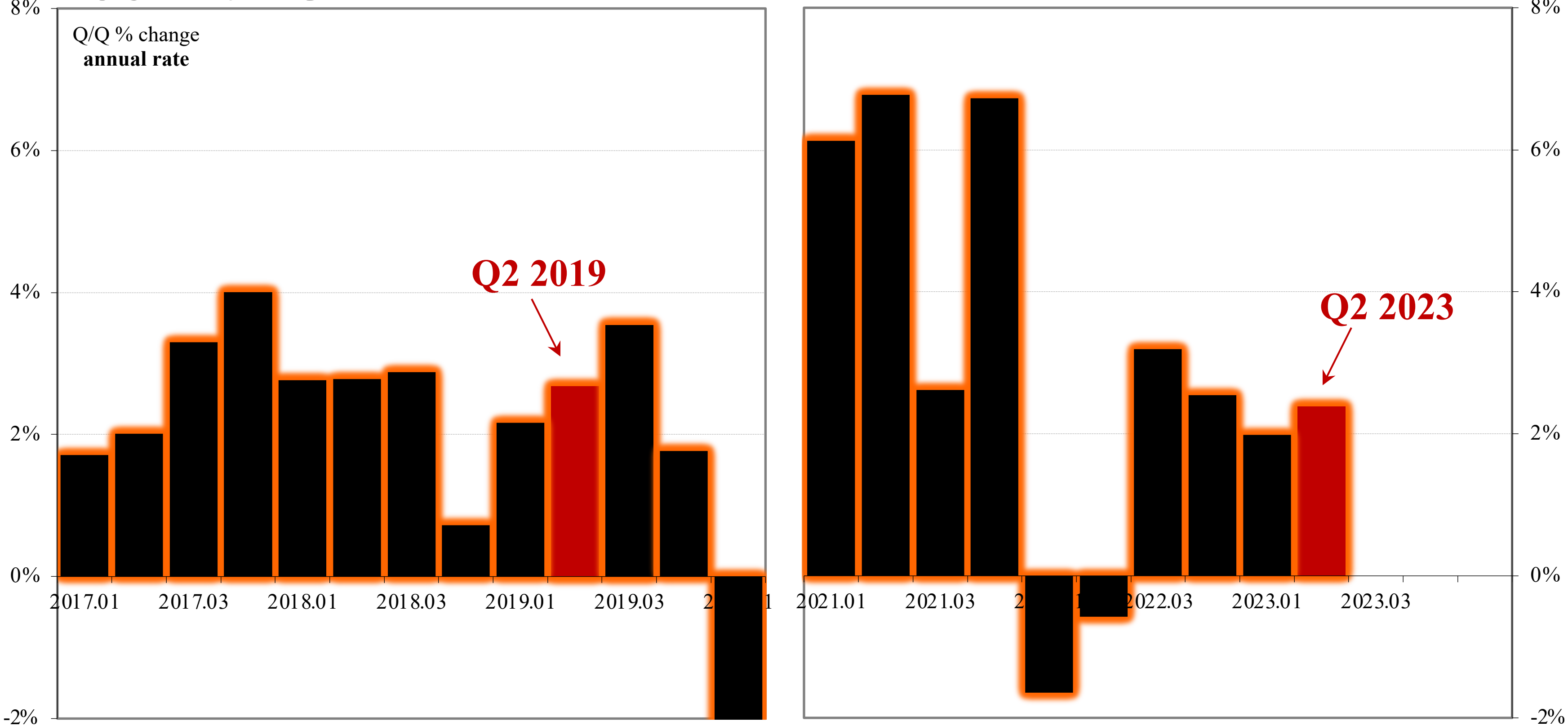
Semiannual Monetary Policy Report to the Congress

July 10, 2019

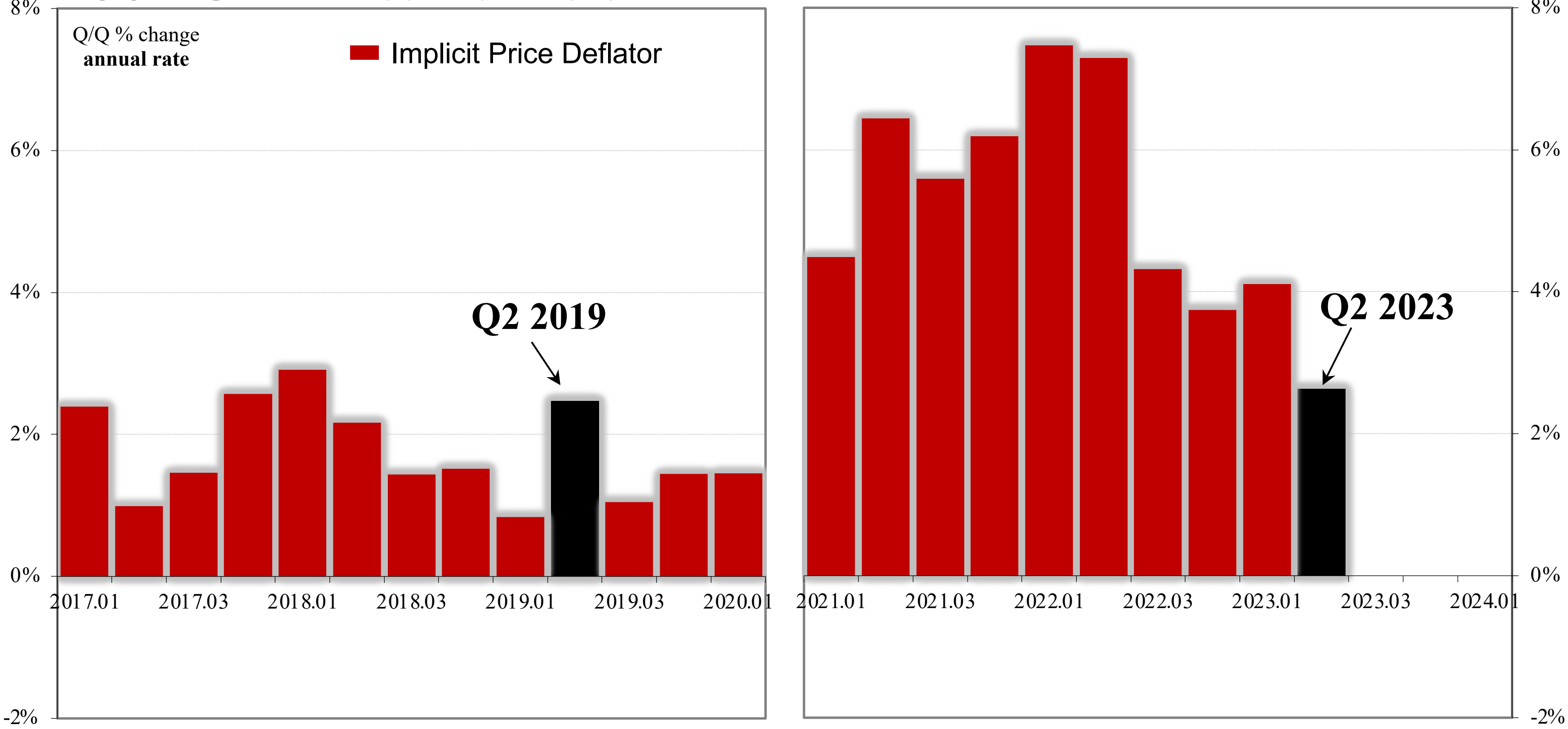
US - Nominal GDP



US - Real GDP


Q/Q % change
annual rate
Q2 2019
Q2 2023
8%
6%
4%
2%
0%
-2%
2017.01
2017.03
2018.01
2018.03
2019.01
2019.03
2021.01
2021.03
2022.03
2023.01
2023.03

US – GDP Price Deflators



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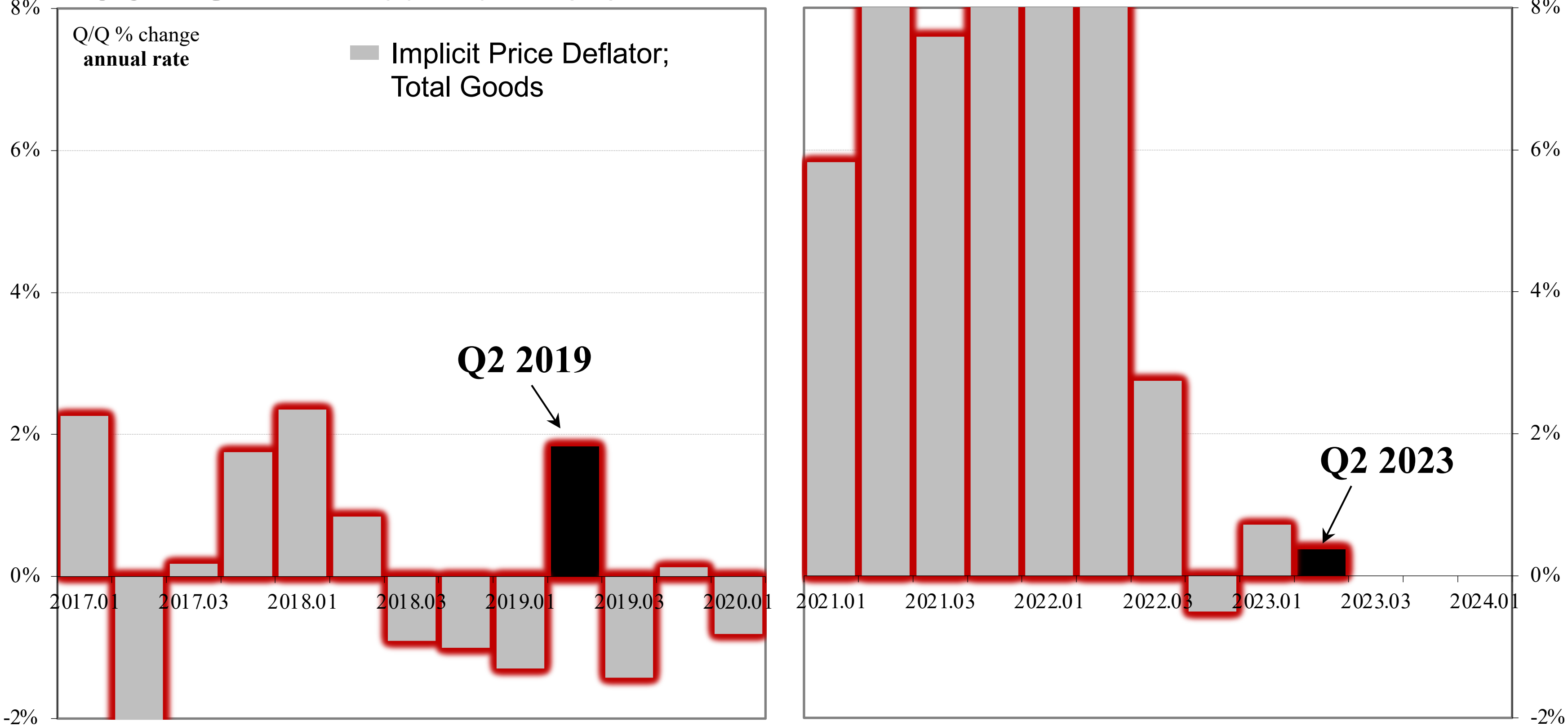
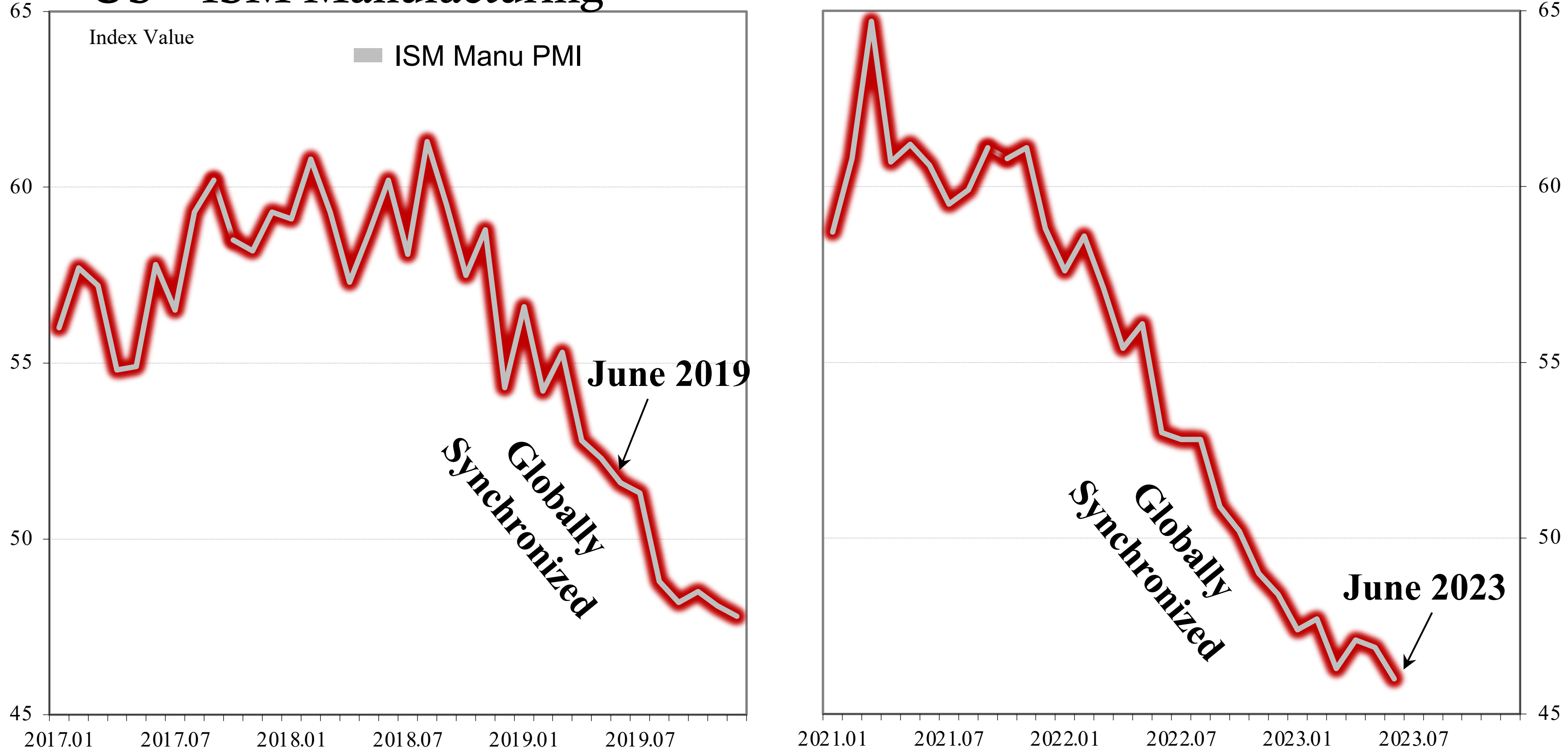
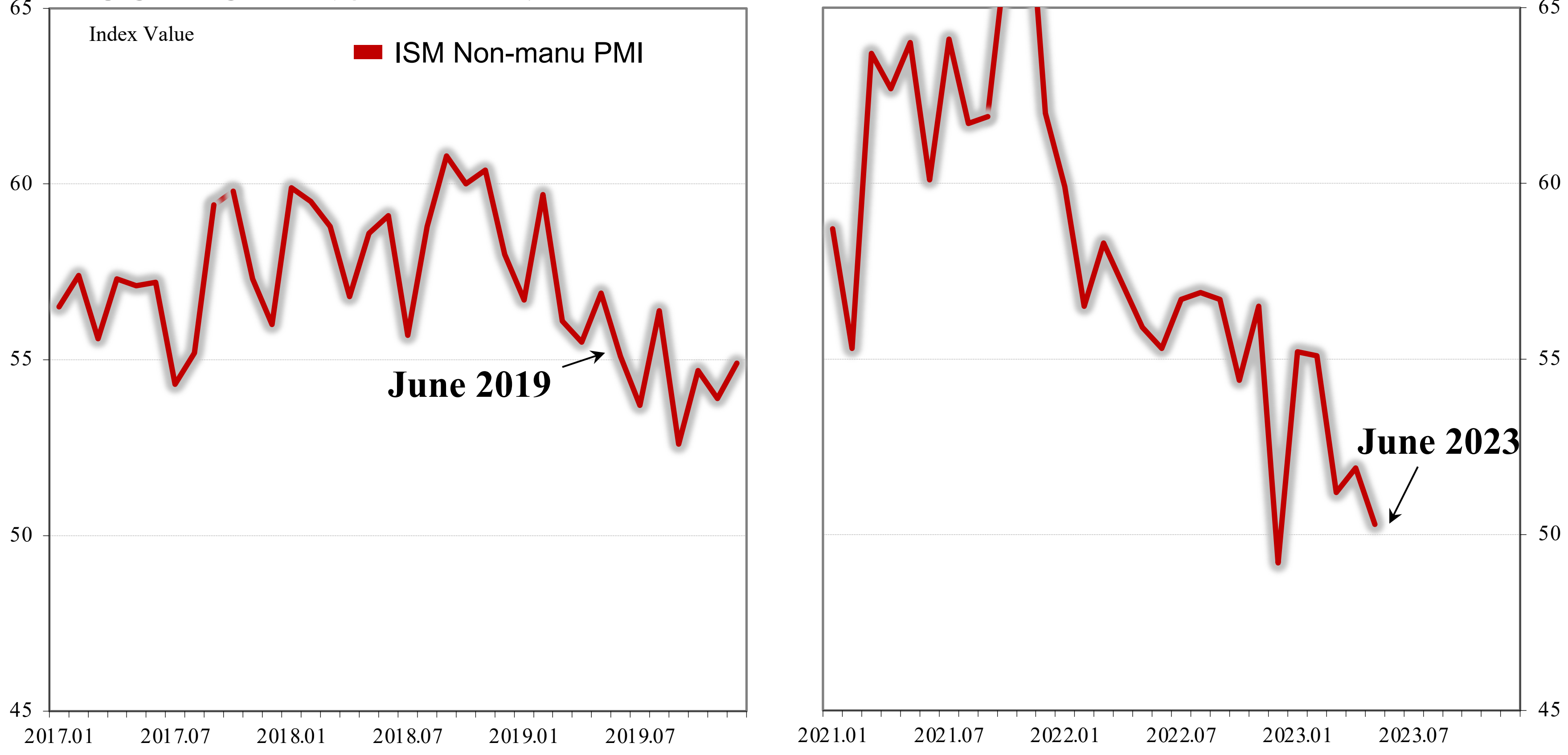
US – GDP Price Deflators



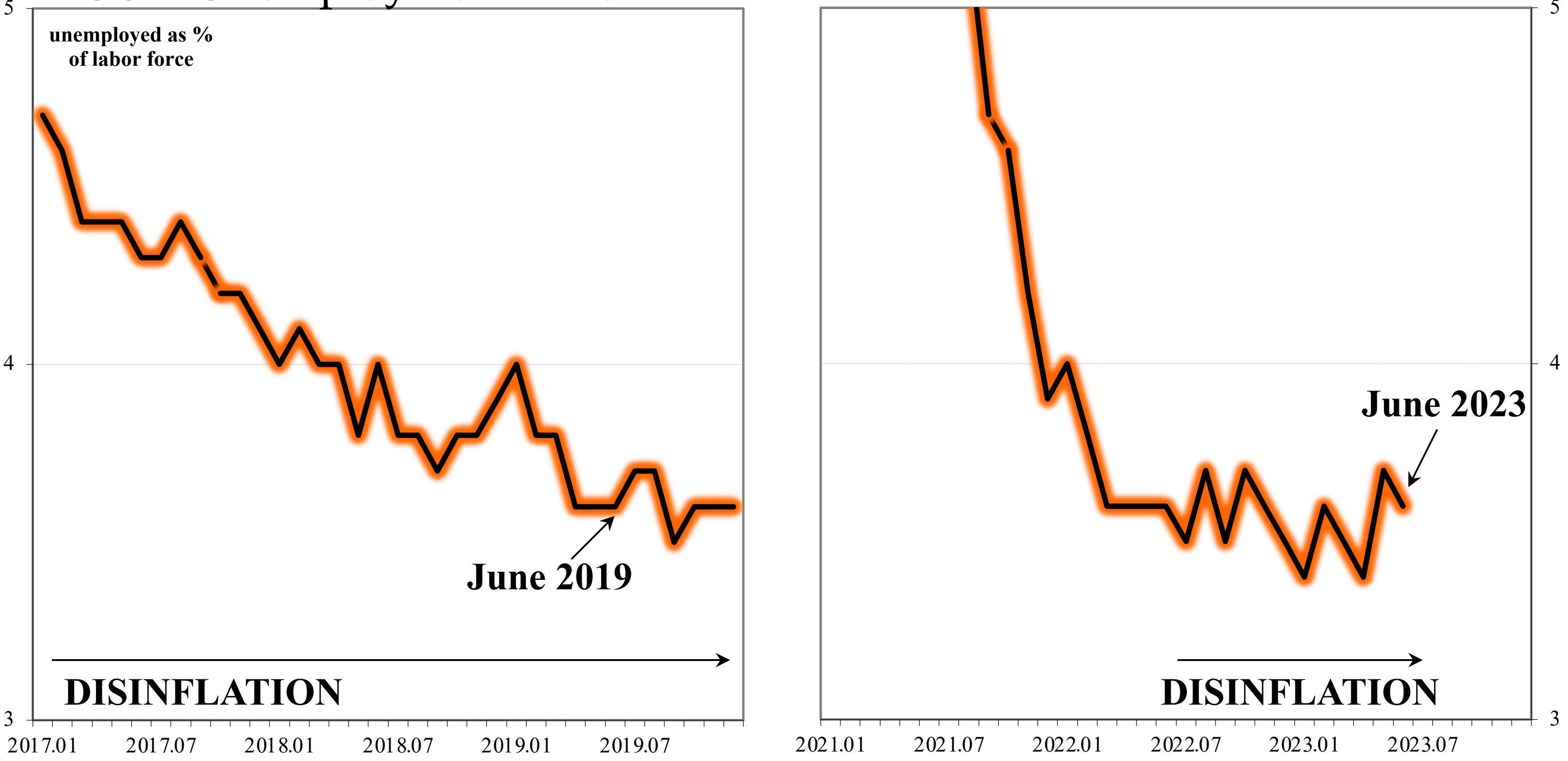
US – ISM Manufacturing

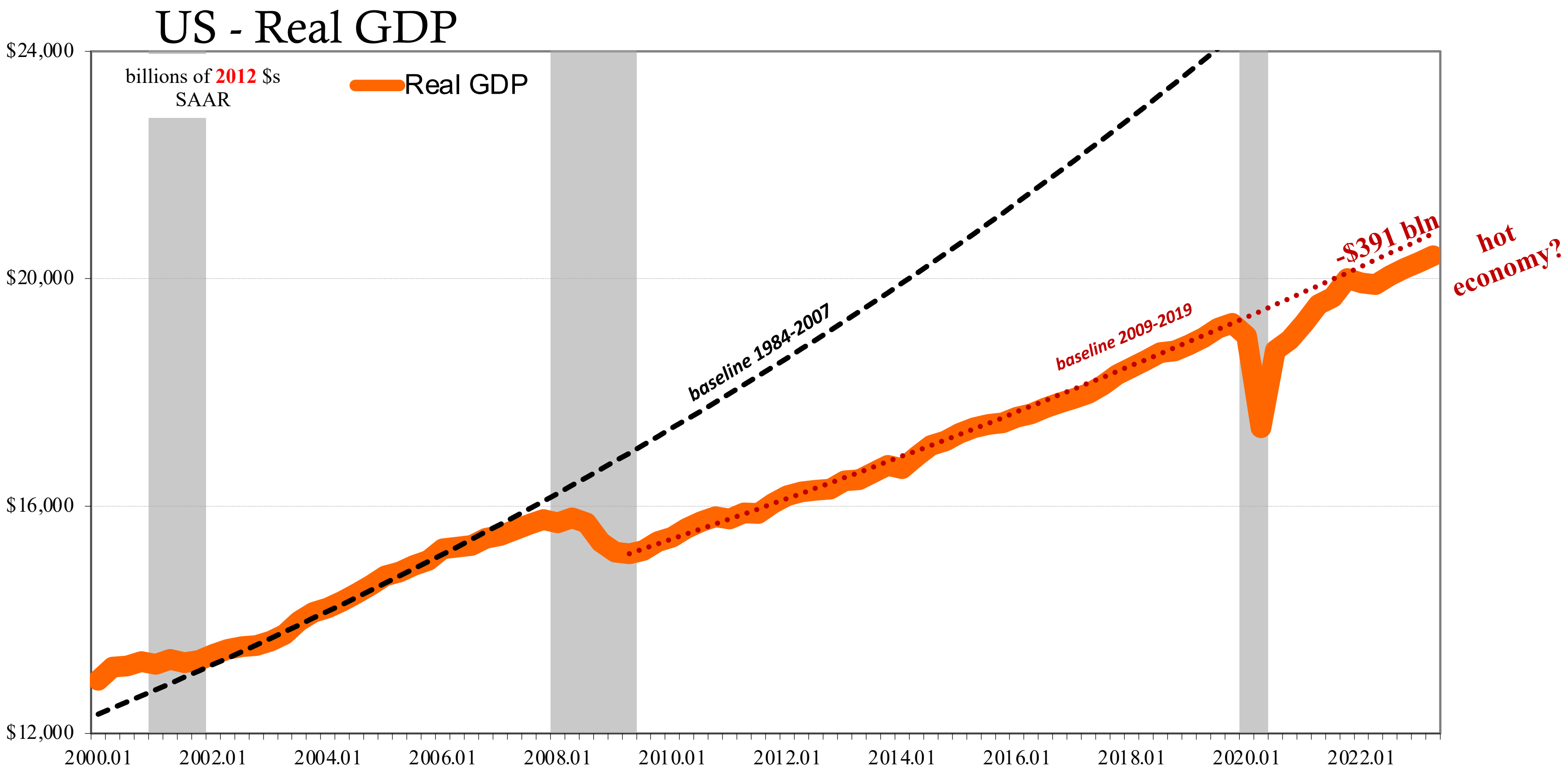


US – ISM Non-manu.



US – Unemployment Rate





US - Real GDP
billions of 2012 $s
SAAR
Real GDP
baseline 1984-2007
baseline 2009-2019
-$391 bln
hot economy?
$24,000
$20,000
$16,000
$12,000
2000.01
2002.01
2004.01
2006.01
2008.01
2010.01
2012.01
2014.01
2016.01
2018.01
2020.01
2022.01

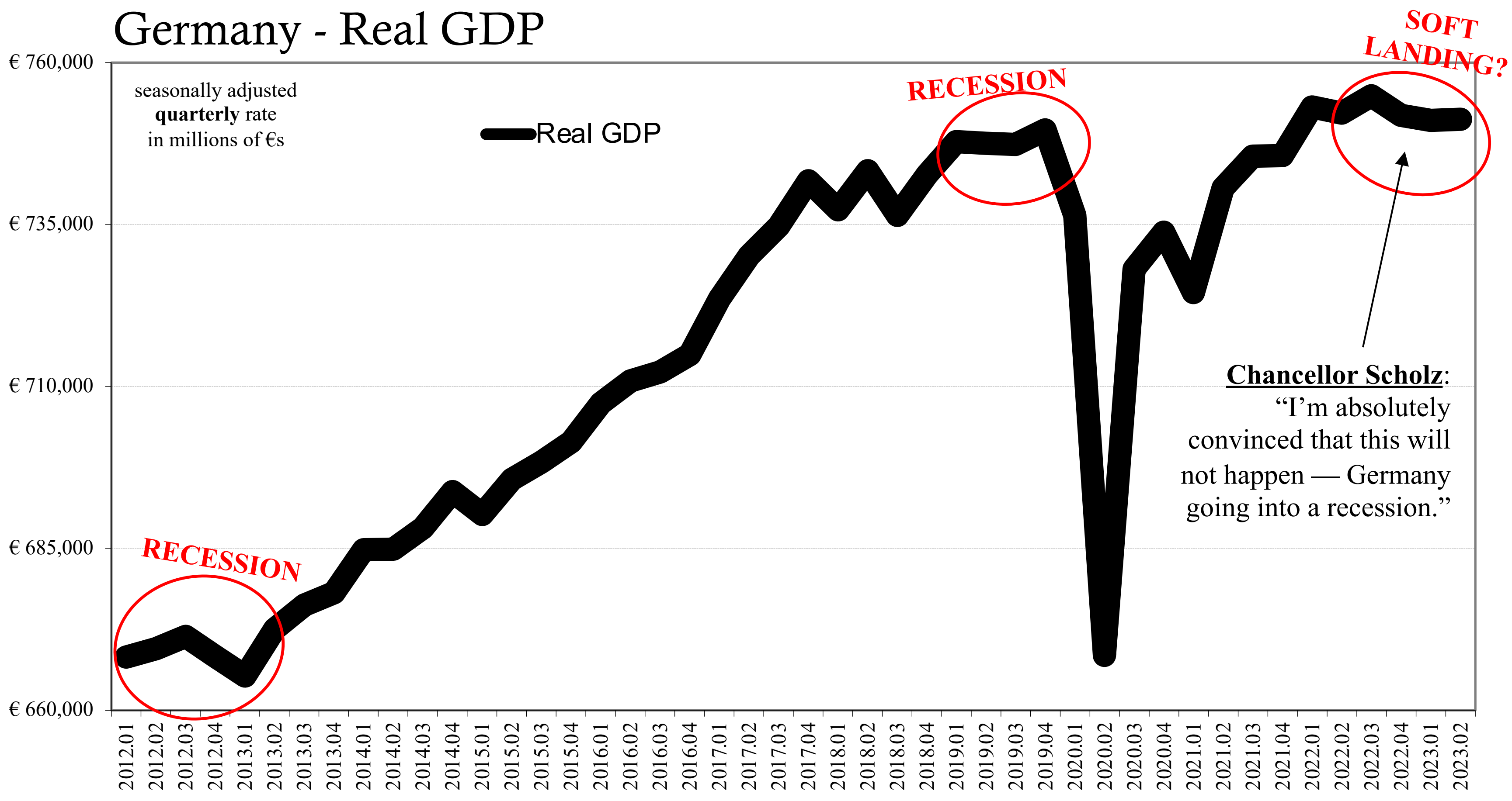
soft landing fever
FAILURE OF THE OPTIMISM CASE

I’m absolutely convinced that this will not happen — Germany going into a recession.

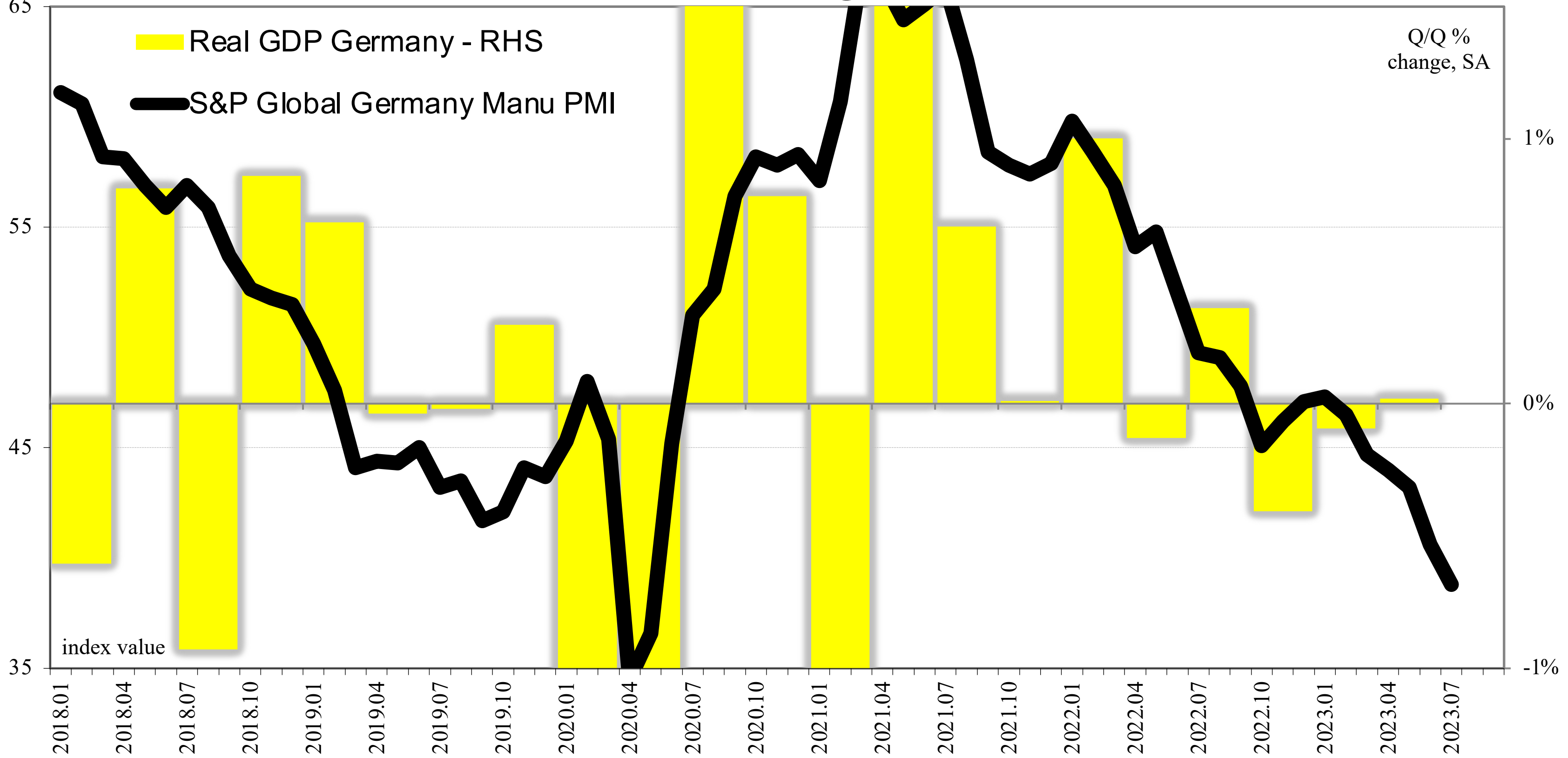
German Chancellor Olaf Scholz

Bloomberg
January 17, 2023

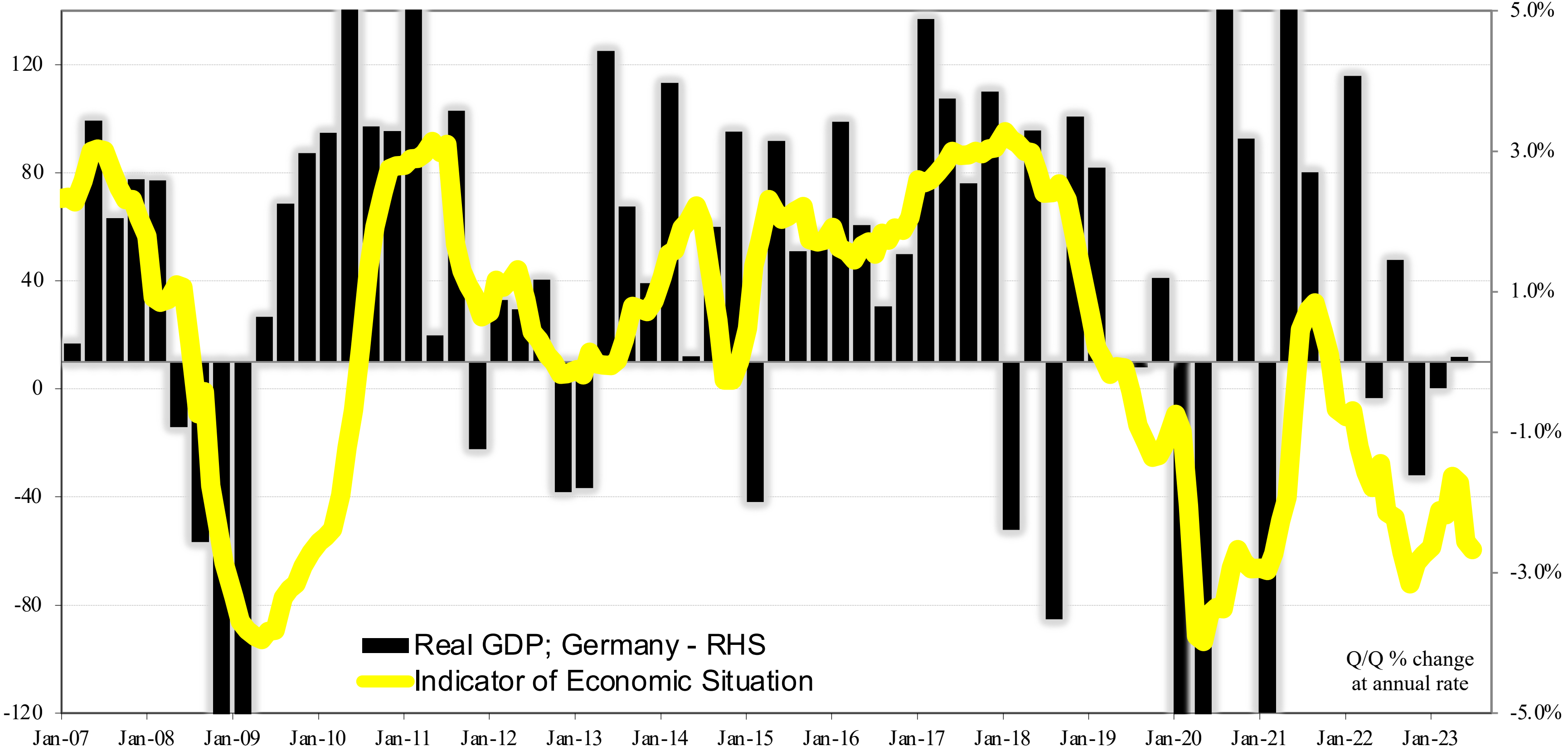
Germany - Real GDP



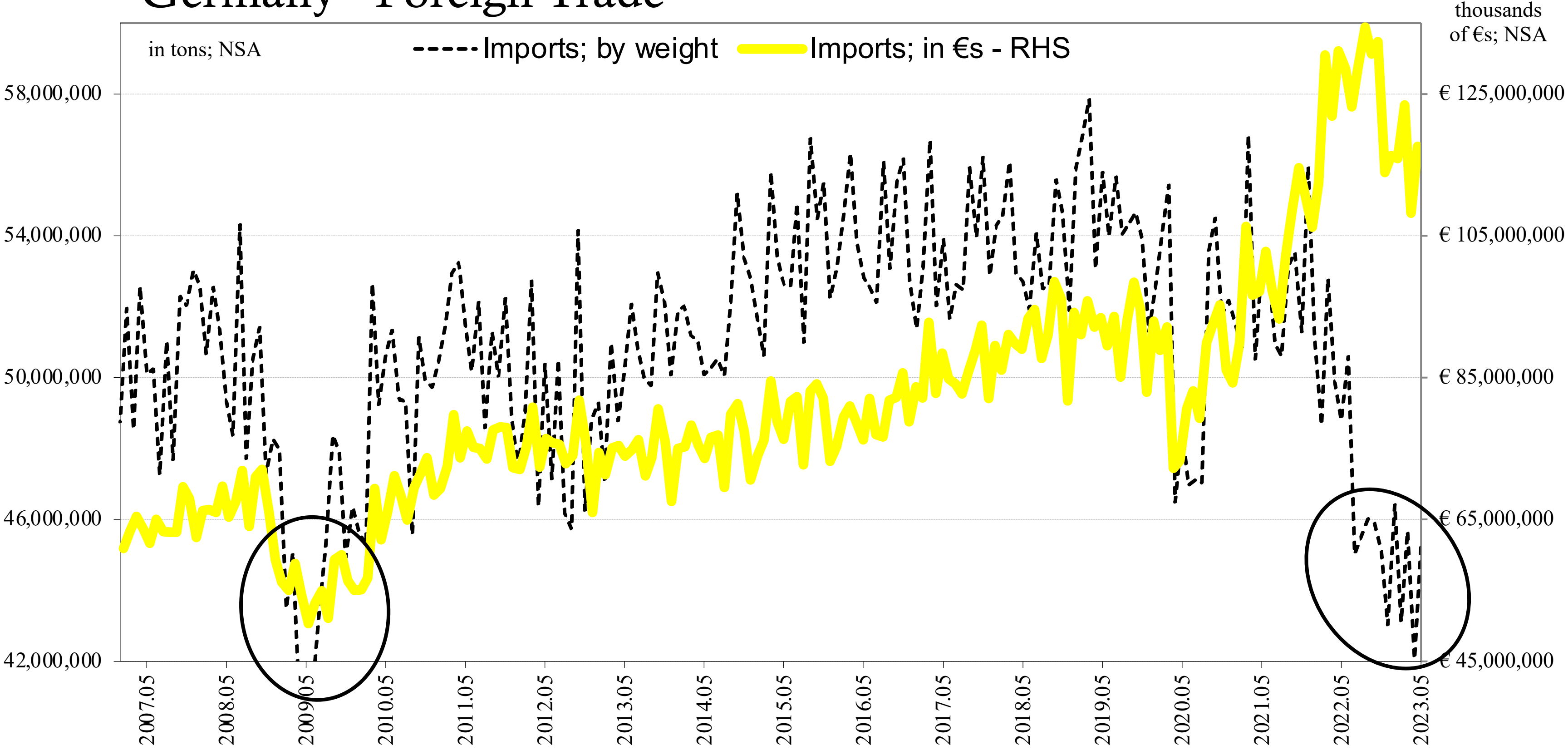
S&P Global Eurozone Manufacturing



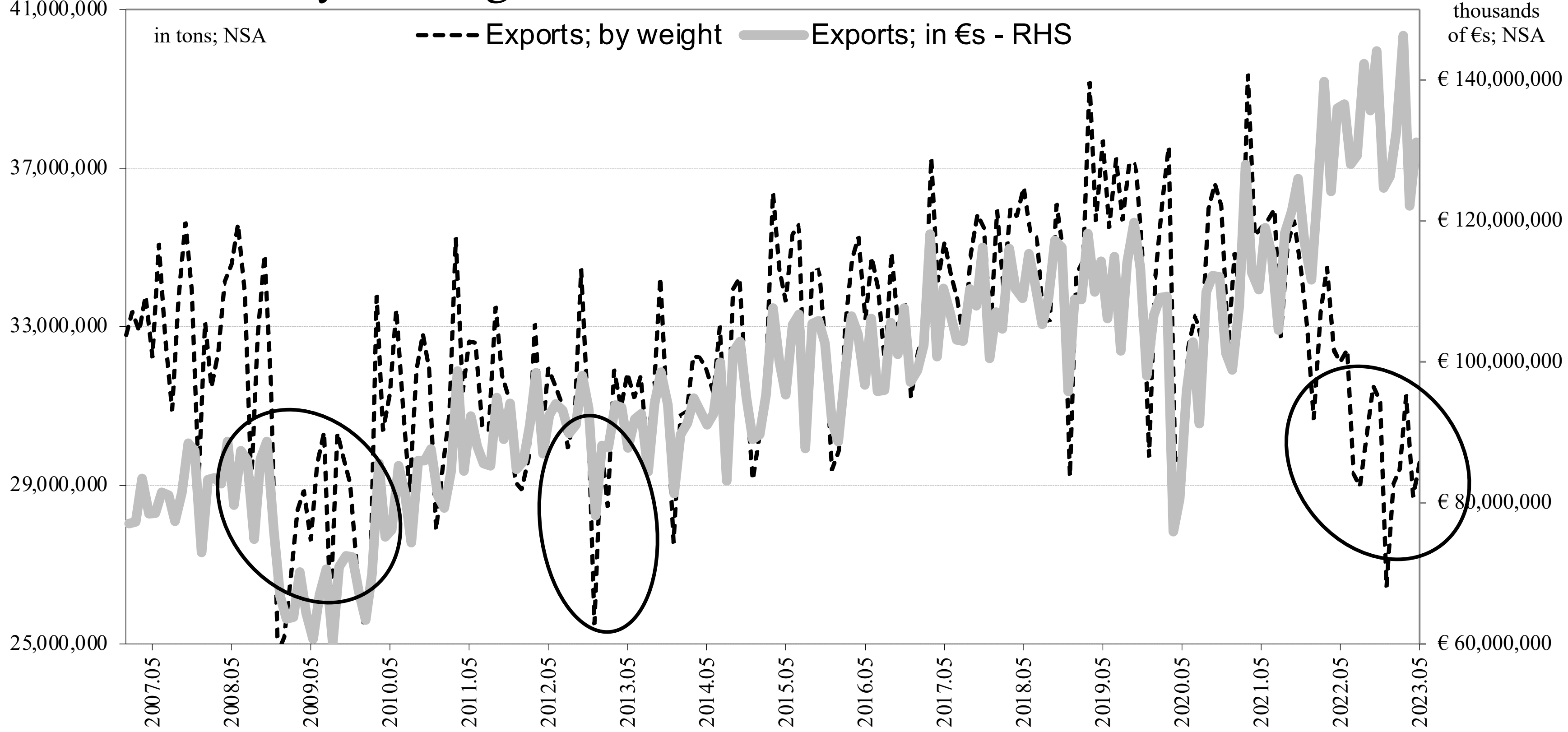
Germany - ZEW Financial Market Survey

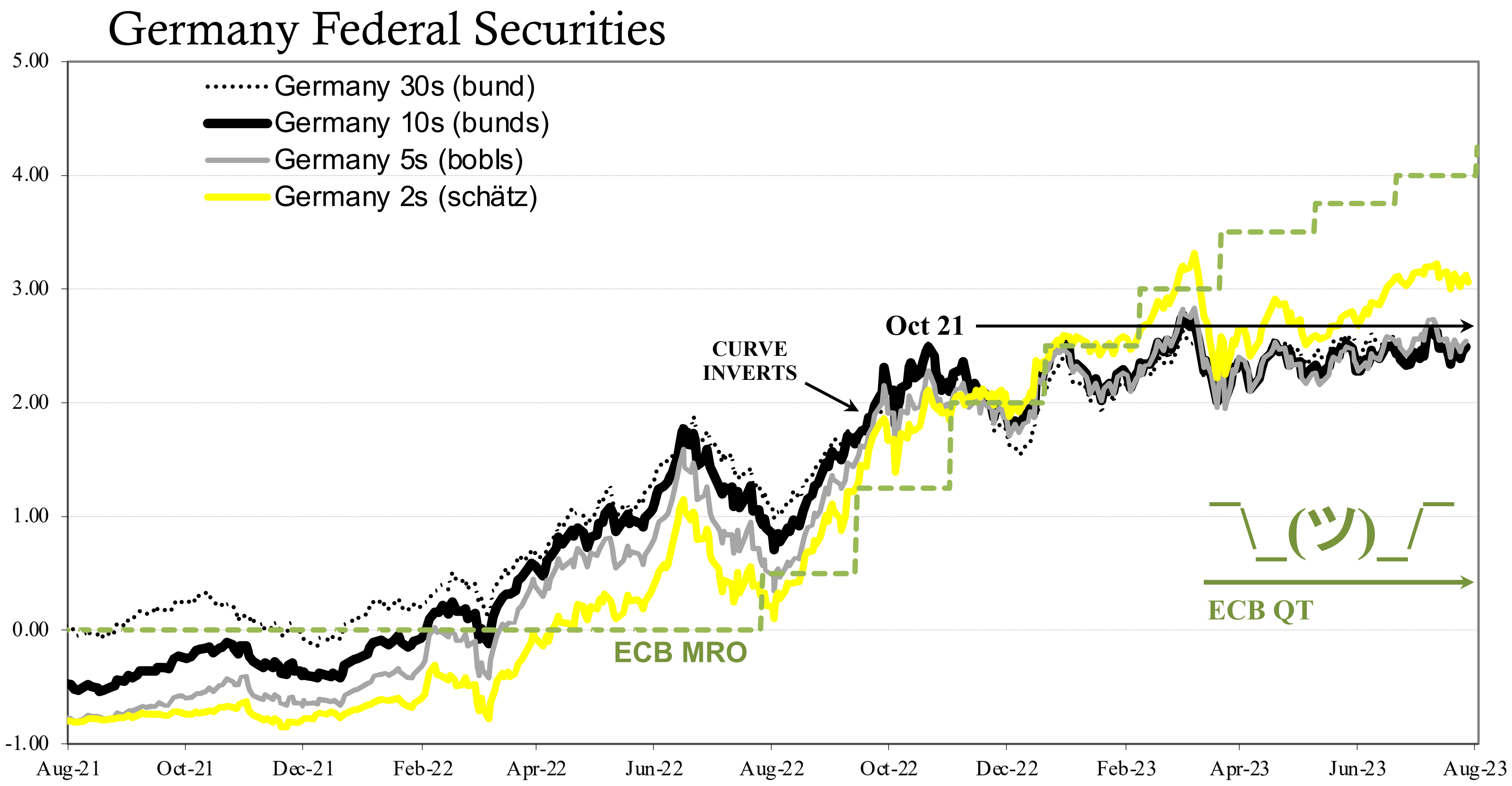


Germany - Foreign Trade

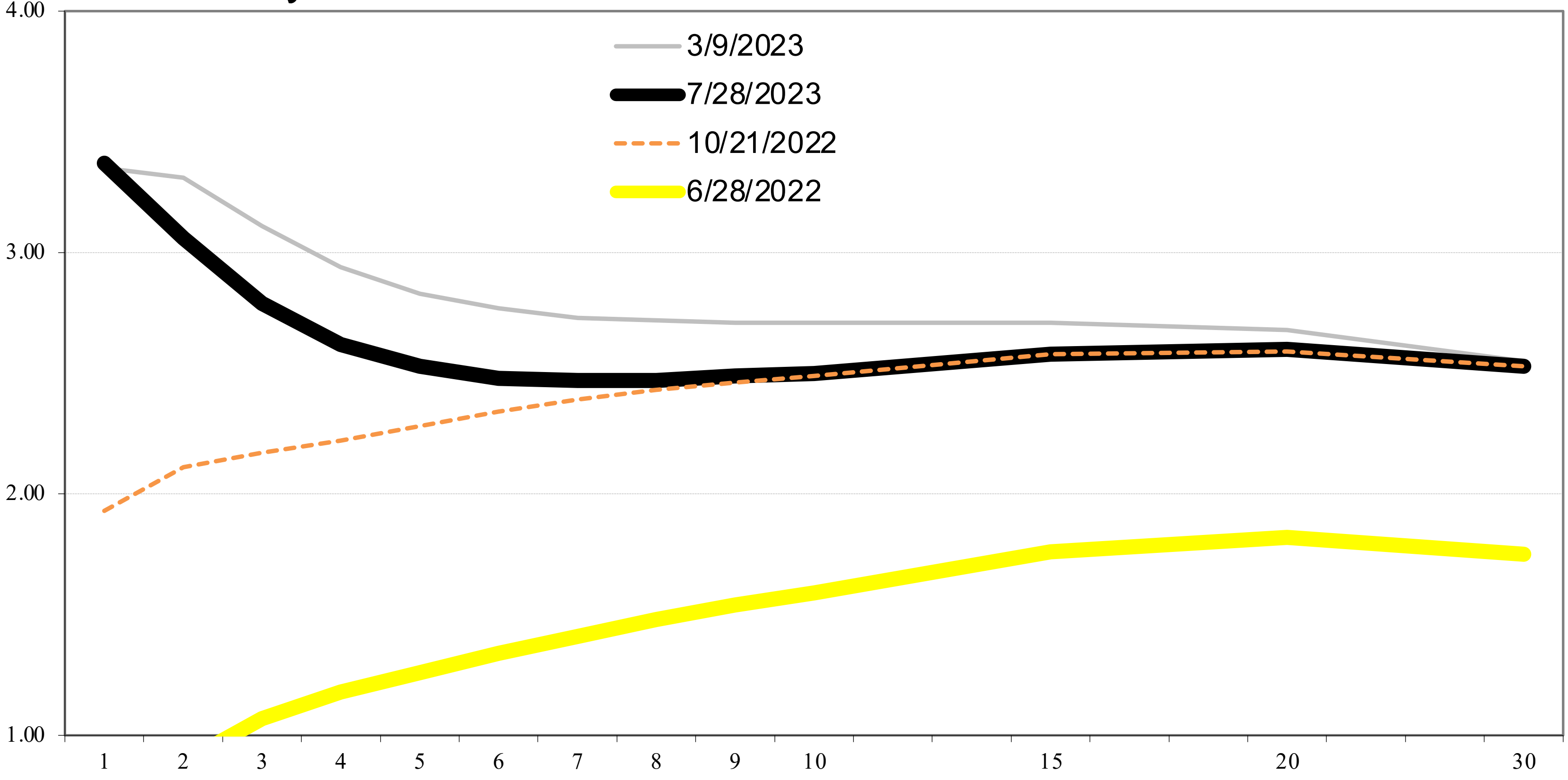


Germany - Foreign Trade

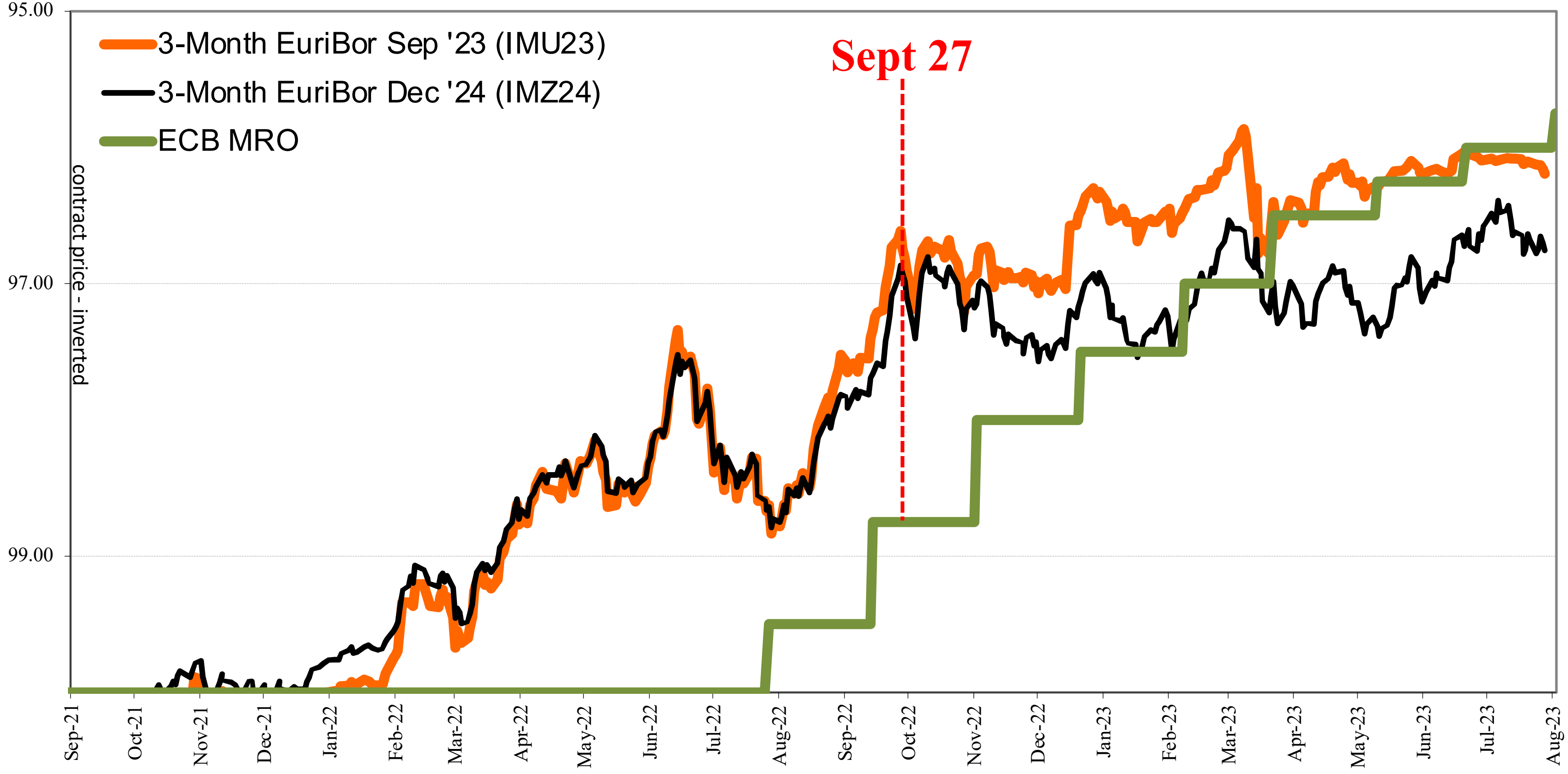



Germany Federal Securities
Germany 30s (bund)
Germany 10s (bunds)
Germany 5s (bobls)
Germany 2s (schätz)
5.00
4.00
3.00
2.00
1.00
0.00
-1.00
Aug-21
Oct-21
Dec-21
Feb-22
Apr-22
Jun-22
Aug-22
Oct-22
Dec-22
Feb-23
Apr-23
Jun-23
Aug-23
CURVE INVERTS
Oct 21
ECB MRO
¯_(ツ)_/¯
ECB QT

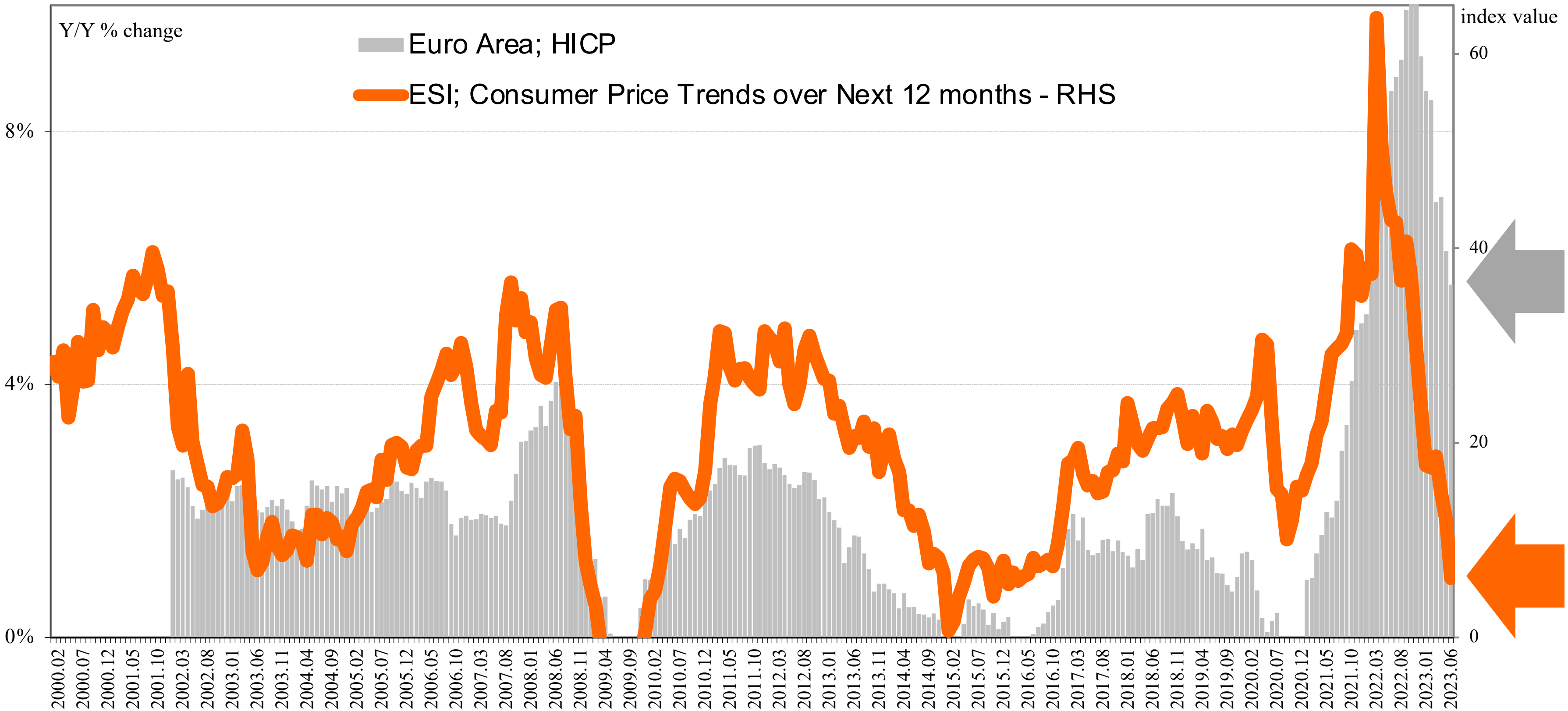
Germany Federal Securities



3-Month EurIBOR Futures

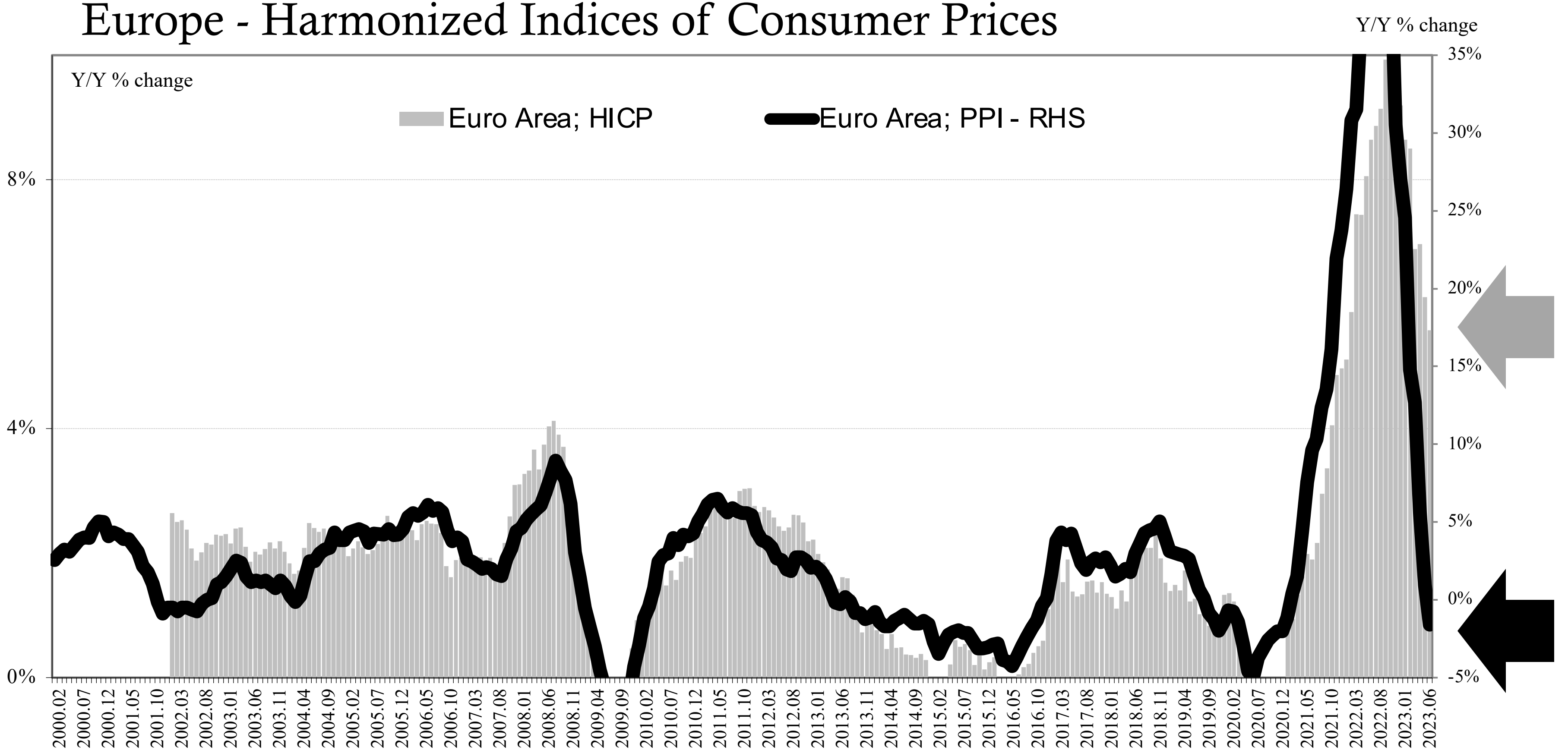


Europe - Harmonized Indices of Consumer Prices

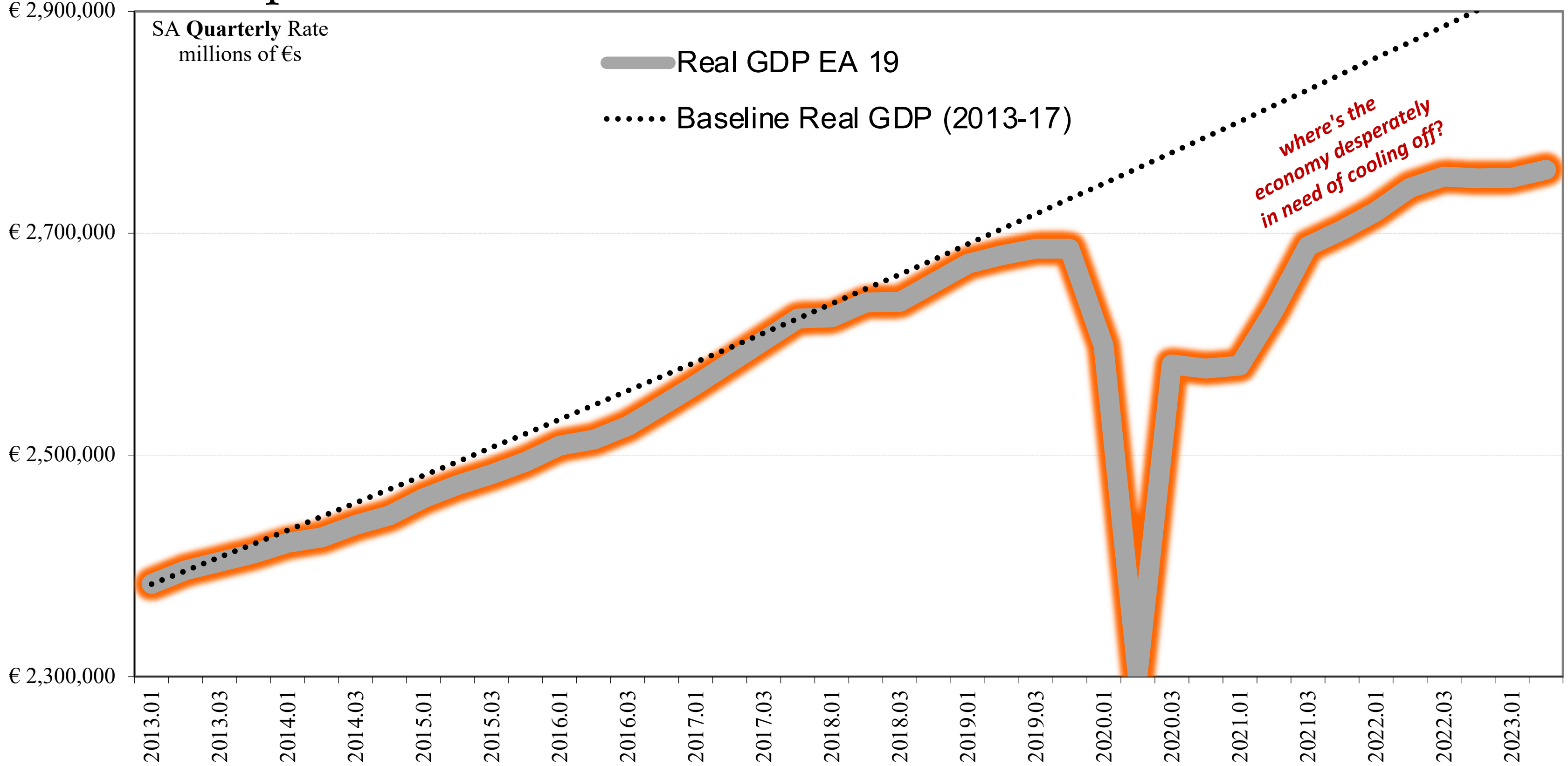


eurodollar.UNIVERSITY

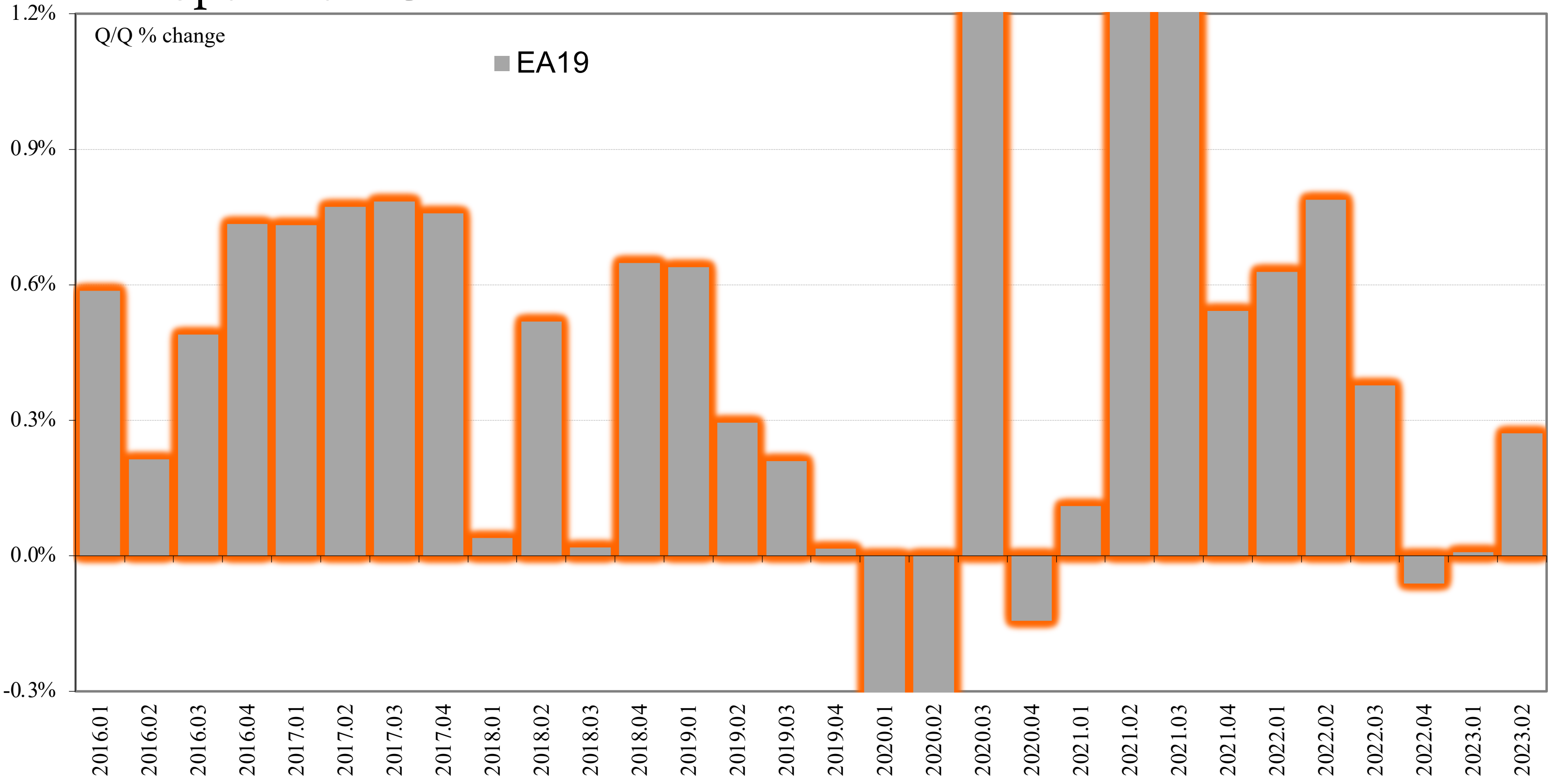
Europe - Harmonized Indices of Consumer Prices



Europe - Real GDP



Europe - Real GDP



hard landing fever

FAILURE OF THE OPTIMISM CASE

July 29, 2023 10:51 AM
William Yang

Former Minister's Disappearance Risks 'Paralyzing' China's System, Analysts Warn

Share

Print

Economy / China Economy

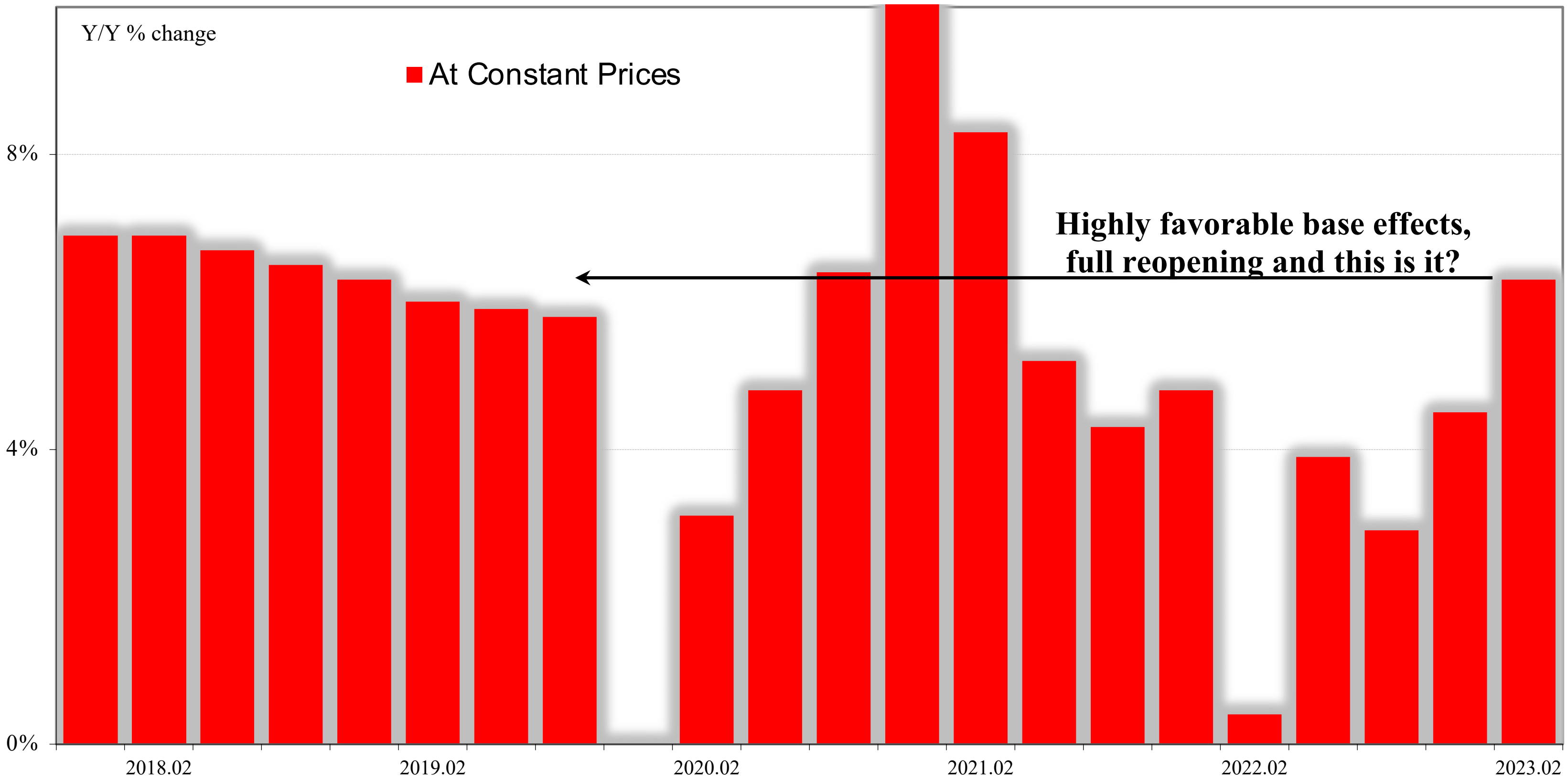
China names Pan Gongsheng new central bank governor, replacing Yi Gang, as twice-a-decade finance conference nears

- Pan Gongsheng formally replaces Yi Gang at the helm of the People's Bank of China
- Analysts say Pan's many years of experience at the central bank give him a critically important vantage point from which to tackle financial risks and shore up economic growth

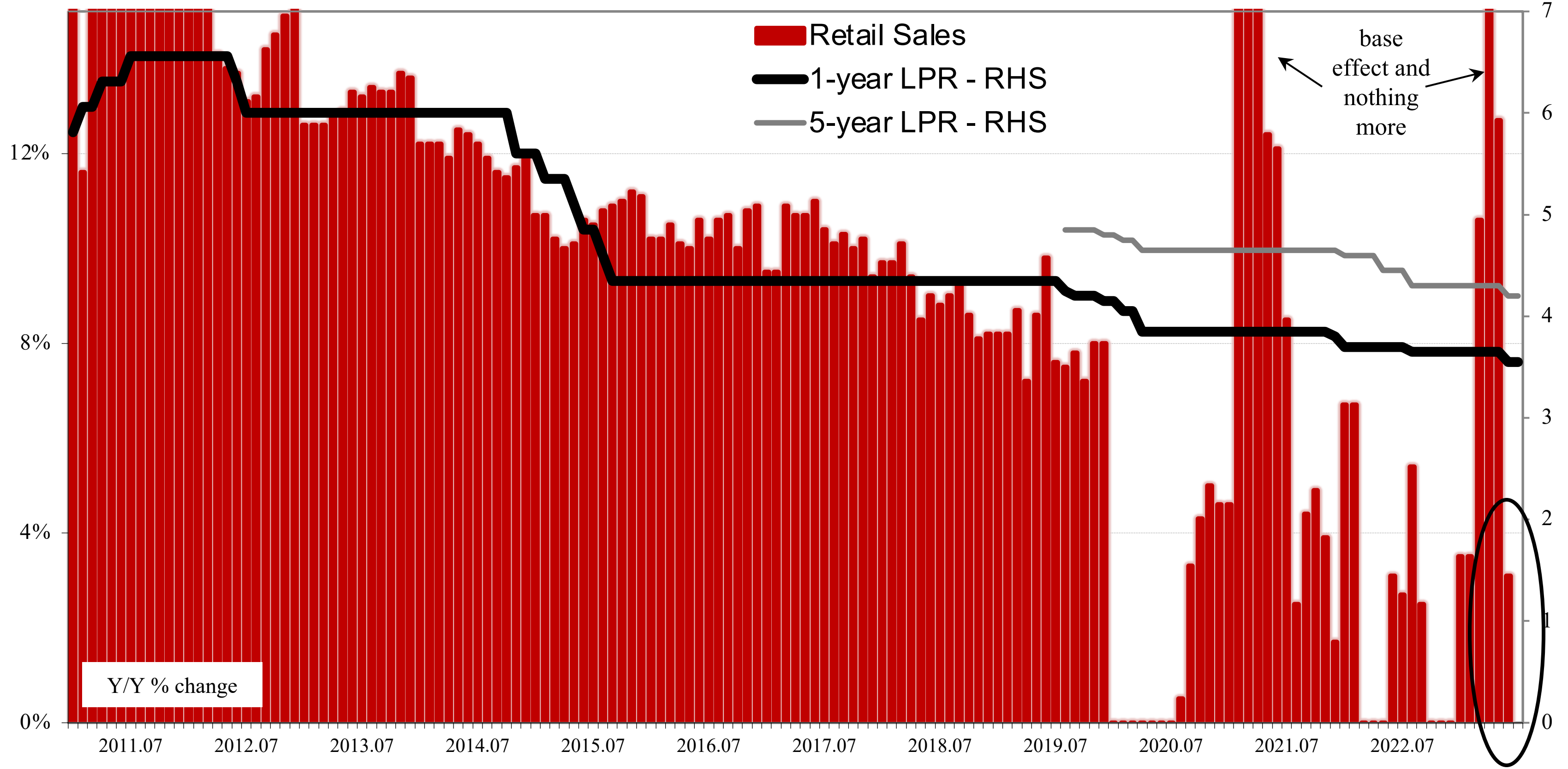
Frank Tang in Beijing + FOLLOW
Published: 7:07pm, 25 Jul, 2023

Why you can trust SCMP

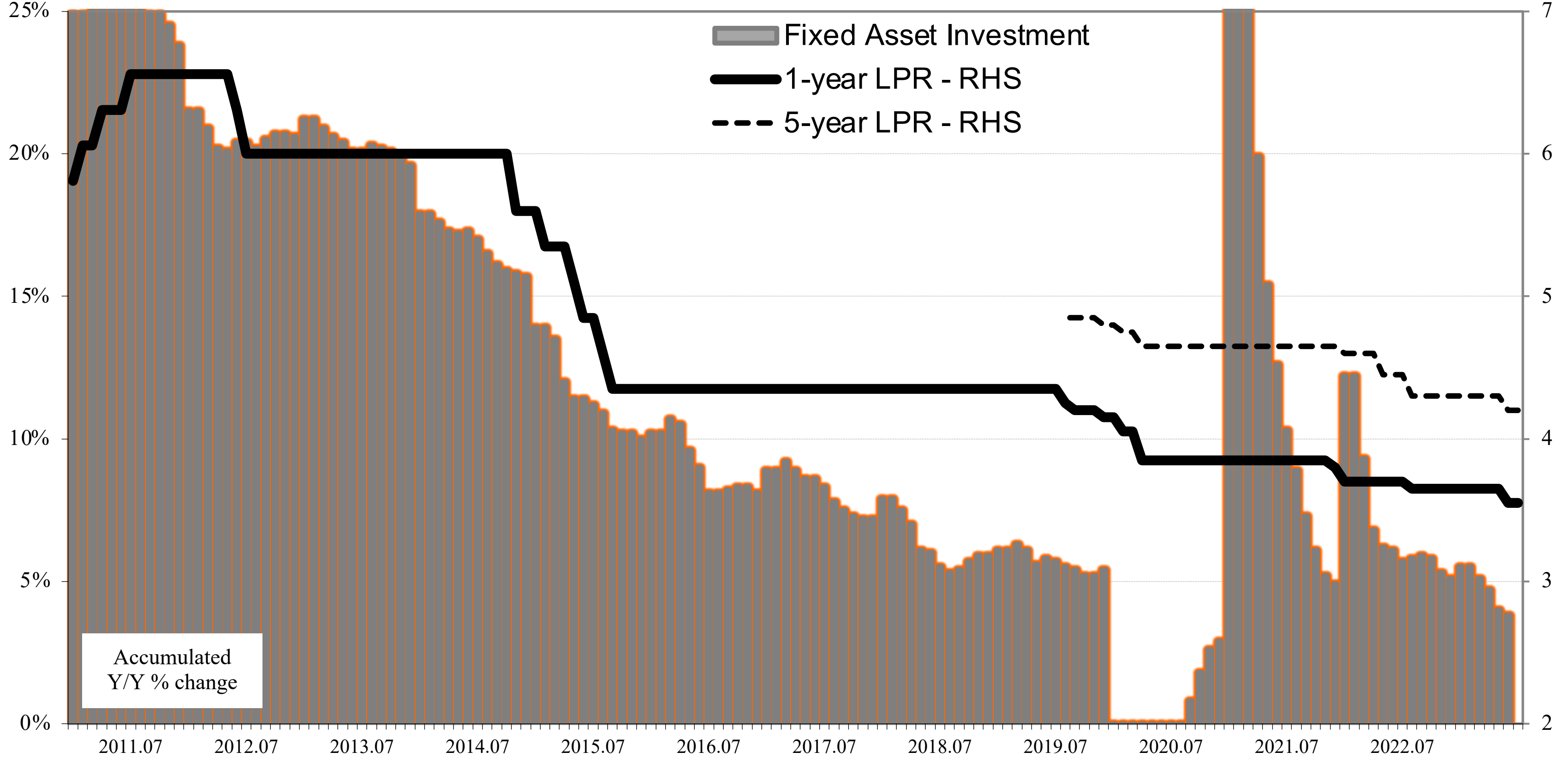
China – Real GDP



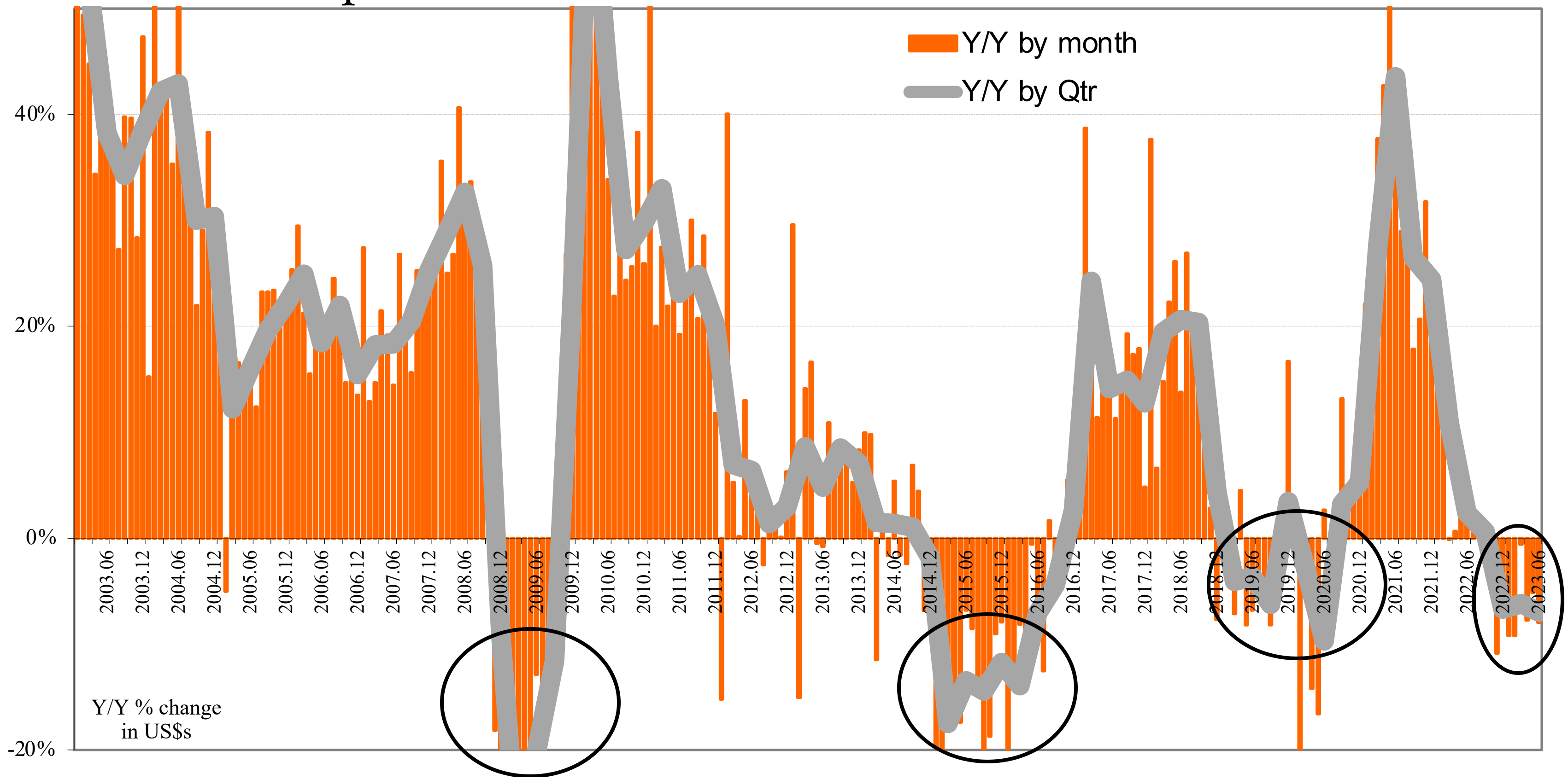
China – Retail Sales

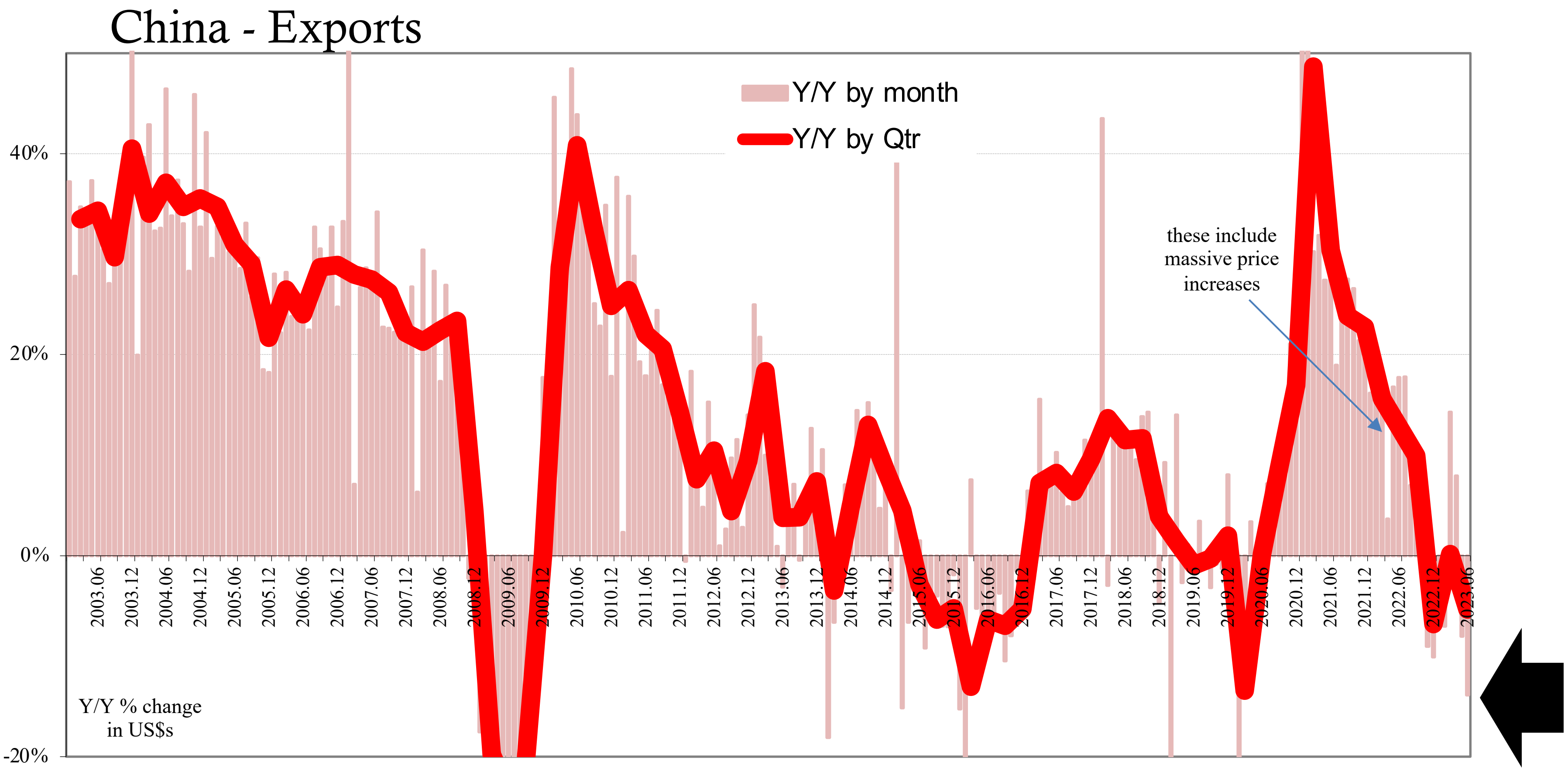


China – Fixed Asset Investment



China - Imports




China - Exports
Y/Y by month
Y/Y by Qtr
these include massive price increases
40%
20%
0%
-20%
Y/Y % change in US$s
2003.06
2003.12
2004.06
2004.12
2005.06
2005.12
2006.06
2006.12
2007.06
2007.12
2008.06
2008.12
2009.06
2009.12
2010.06
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2017.12
2018.06
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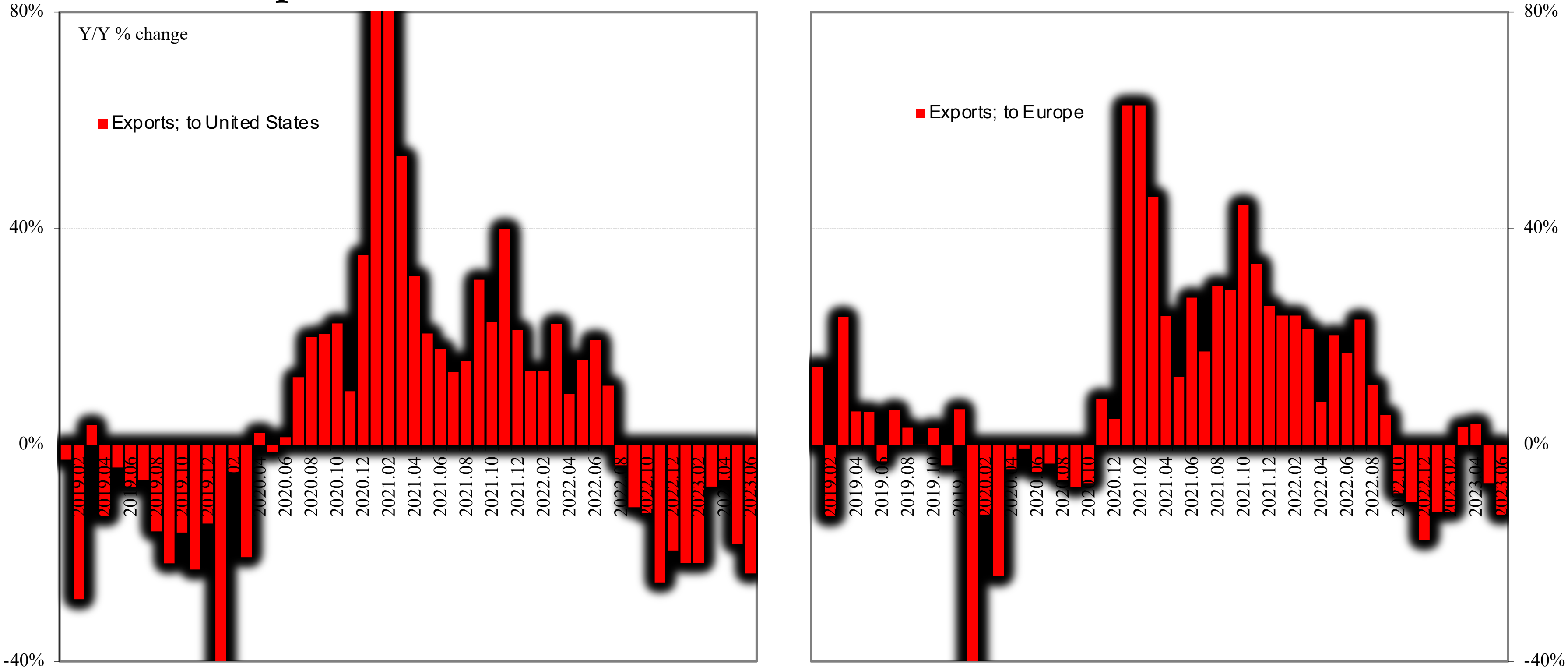
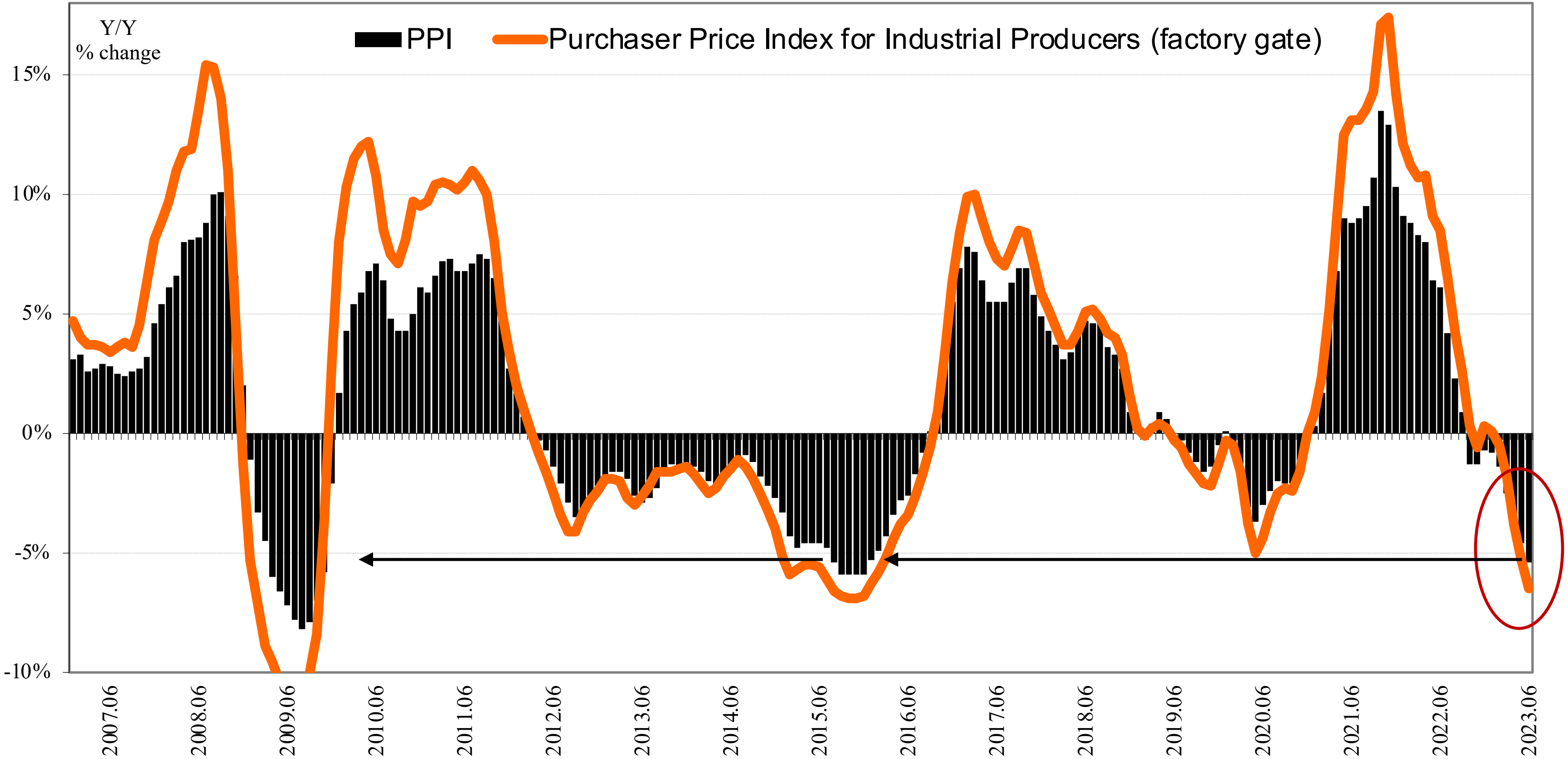
2021.06
2021.12
2022.06
2022.12
2023.06

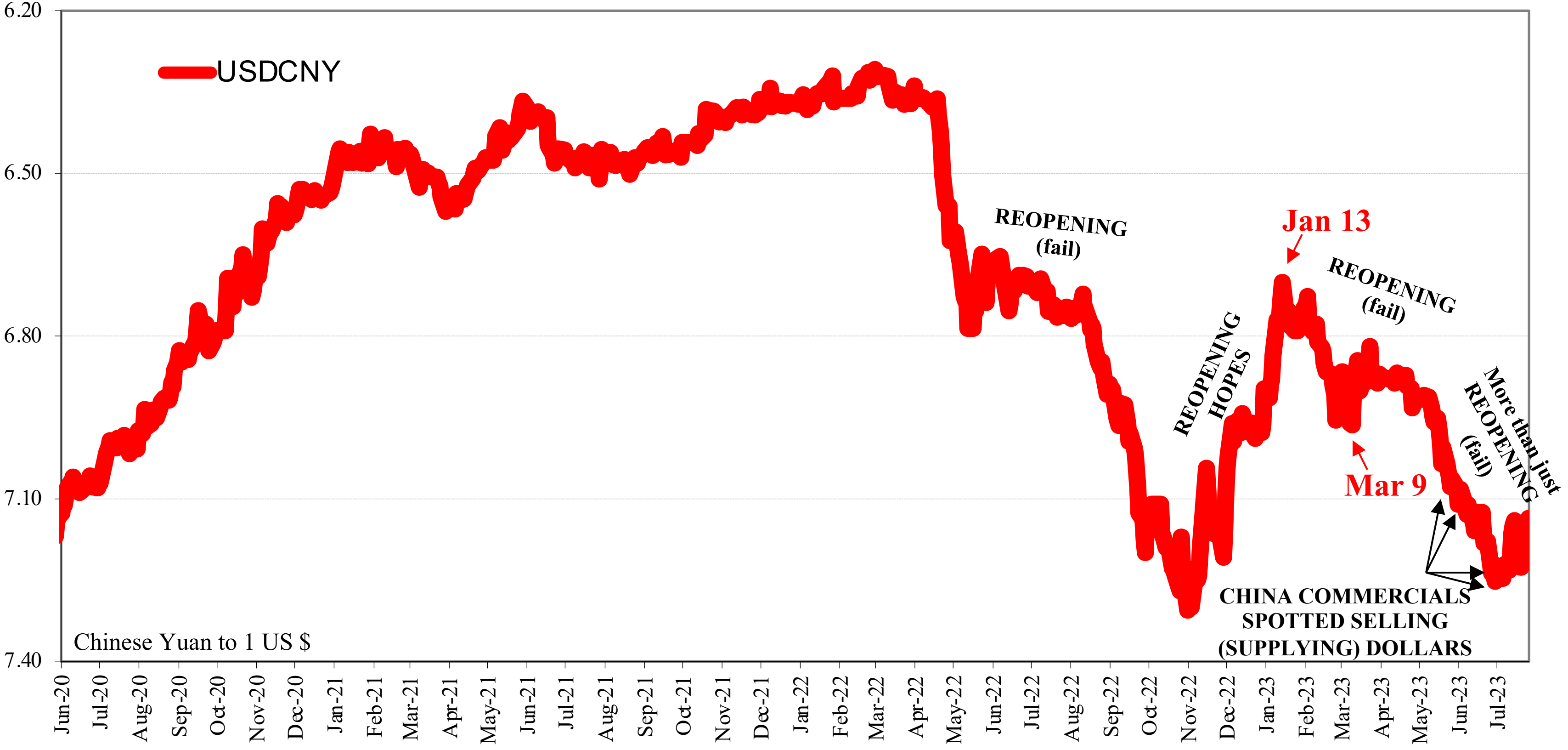
China - Exports



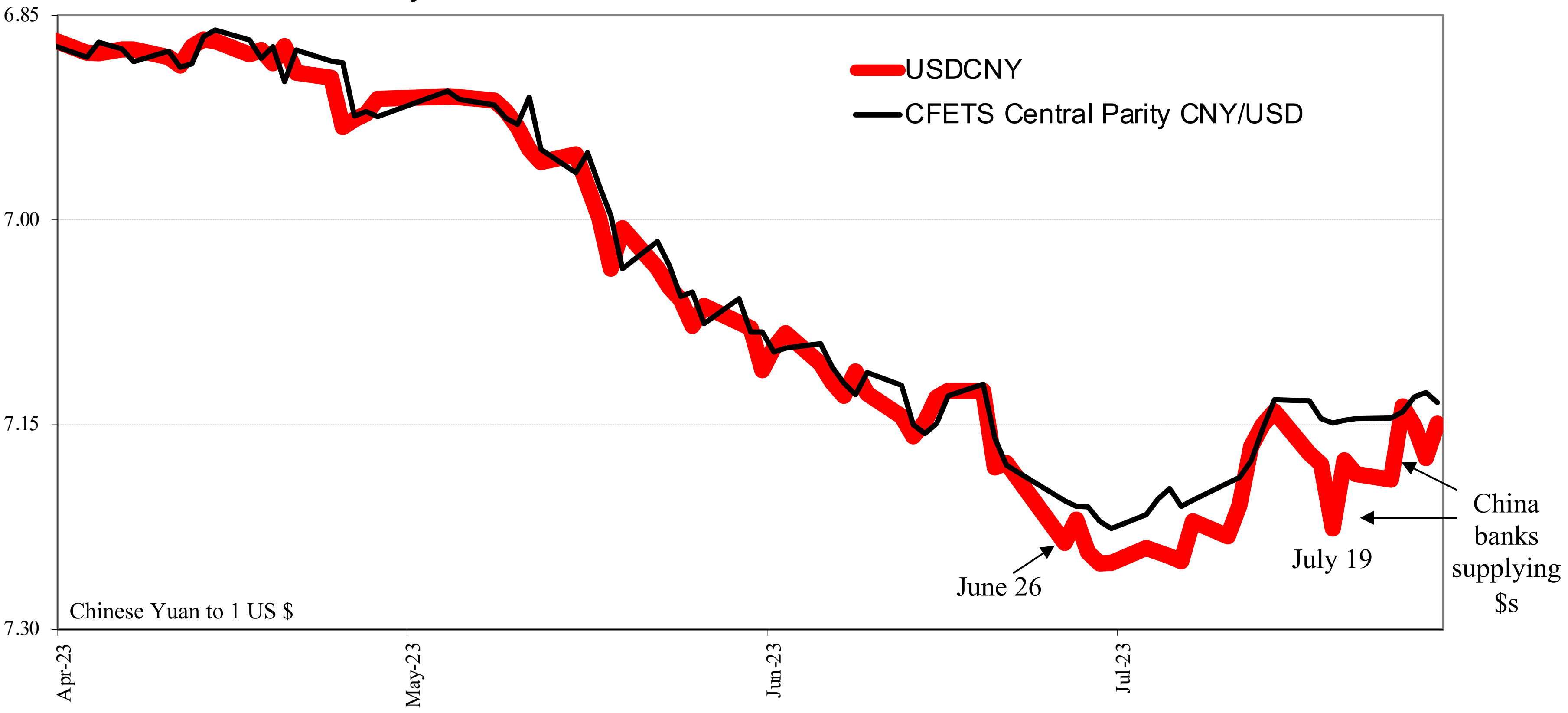
China - Producer Prices



US$ / China yuan



US$ / China yuan

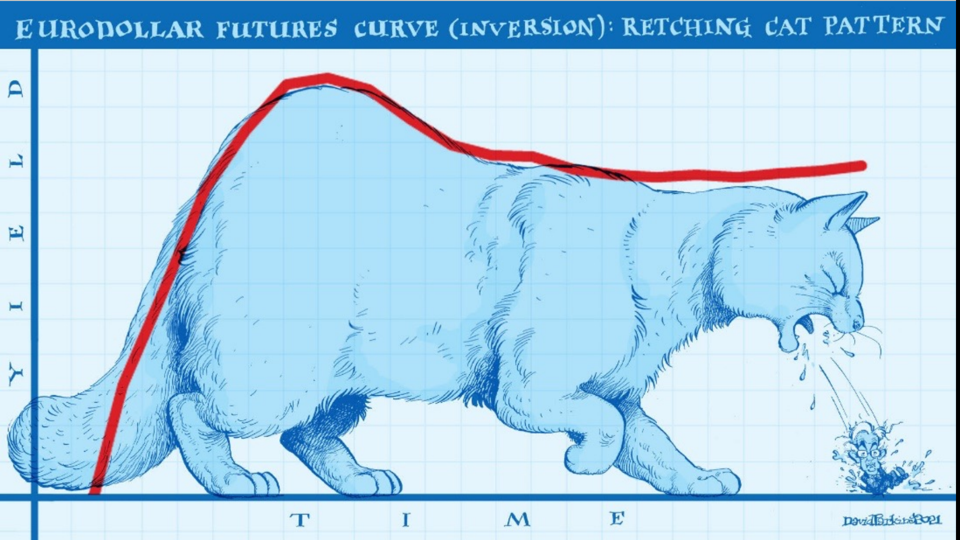


soft landing fever (2nd half rebound)

1. Consumer disinflation (producer deflation) following supply shock pattern. TRANSITORY.

2. Much worse than 2019 already (credit crunch).

3. Globally synchronized economy & markets pointing to worst yet to come.



The LANDING

six months later

END

eurodollar.
UNIVERSITY