Jim Bianco: FED Cuts, May, June or Bust?

February 29th, 2024

Erik: Joining me now is Bianco Research founder Jim Bianco. Jim, great to have you back on the show. I'm really anxious to talk to you about a tweet thread that you posted a couple of weeks ago, that really caught my attention, because so many people have convinced themselves, look, the fix is in, the Fed has already told us they're going to have a rate cutting cycle this year, it's an election year, you know that the markets are totally going to be supported by Fed policy, because inflation is under control. And besides that, whole debate about inflation is behind us. Now everybody knows it's going back to 2%. You don't think so? Tell us, why not?

Jim: Yeah. I think that what we need to understand about what's happening is, this is an old stuff for people that have heard me before, 2020 was a big deal. It really changed a lot of attitudes. And coming out of those attitudes, coming out of that lock down restarted the economy, you know, the economies of different beasts right now. It is not the 2019 economy. I would argue that what we saw in the last three years was, we had two things happen at the same time. We did have an element of transitory inflation, which came about because of the supply chain restart, locked down first and then restart, got us to 9%. That dissipated, we kind of worked our way down into the low threes. I'm talking year over year CPI, just to keep one measure. And Wall Street then invented a term called *The Last Mile,* around the middle of last year, to talk about the move from 3% to 2% on inflation, and the Fed could then start cutting. One of the things I've been arguing is, first of all, Wall Street's very good at nowcasting. And for those who are not familiar with the term, nowcasting means forecasting something that just happened and say it's about to happen. Where a forecast is to predict something that hasn't happened, that will happen. And nowcast is, we got to 3% inflation in June of 2023, year over year CPI. That's the low, the low in the cycle was seven months ago. I think we're going to hold that low through the February number, possibly through the March number and maybe even until the fall. And yeah, I understand we're at 3.1 and this whole Last Mile argument. So we go from 3% to 2%. No, we invented the term right as we hit the low. Now why do I think we hit the low? I think there's three big things. One, is, let's call it the base effect. If you look at the numbers from a year ago, you've got a four tenths that you had in February of ‘23. And you've had a big run up of gasoline prices in February of ‘24. So things like the Cleveland Fed and others that forecast CPI are saying that we should have another four tenths number. Okay, that means we'll have another 3.1. Well, then after that, you look at March, April, May, June, July, there's a lot of 0.1s and a lot of 0.2s from a year ago. So we're going to be dropping some very, very low numbers. And even if we print 0.1s and 0.2s, we're still stuck at 3. If we put 0.2s and 0.3s, we start drifting higher. Gasoline prices are definitely working against us, the base effect is working against us.

Then the other big one that I've been pushing back against is, everybody looks at Owners' Equivalent Rent. And they say that's about a third of, our shelter is about a third of CPI. And that's got to fall because all the real time measures like apartments.com, Zillow, you know, maybe even Case-Shiller. They've all been coming down on a year over year basis, so that those numbers will come down, because they've been printing four tenths, five tenths, six tenths every month. And that will help reduce inflation. I've said we've got the metric wrong, we should be looking at cumulative gains, not year over year gains. If you look at cumulative gains, the big gains that you've seen in rents and in home prices from two years ago, haven't filtered through into the CPI numbers. So, while CPI is saying that housing inflation is up 18% to 20%. The real time measures are saying it's more like 30%. So you've probably going to see stickier housing inflation, not necessarily rising but stickier, which means you're going to print more, five tenths or four tenths. And that will keep the inflation rate up. So what I'm arguing here is that the inflation rate at 3.1 still isn't taken out. It's June of 2023 low, doesn't do it in February, the runways got some very, very low numbers, that we could definitely see us holding 3%. Now what changes that equation? I like to say, call me if crude oil prices collapse. Call me if the economy takes a serious downturn. Then we could say, okay, now maybe we could see some lower inflation numbers. But if the economy starts looking, and crude oil starts looking the same as it has the last three, four or five months into the next three, four or five months, then I think that these inflation numbers are going to be very uncomfortable for the Federal Reserve Chairman to be talking about additional or any rate cut at this point.

Erik: Let's talk about what comes next then, because there's a huge difference between, okay, we're bottoming at 3.1, we're going to flatline at 3.1 and stay at 3.1 for the next three years, versus we just bottomed at 3.1. And we're about to see a cyclical bounce back to 5%. Huge difference there. Which way do you see it going, something in between?

Jim: A little bit in between. I do see a cyclical bounce back, but maybe not all the way to 5%. And here's why. First of all, let me go back to what I just said to just set the table. Yes, if I wake up one morning, and there's red across my quote screens, that the markets are falling apart, and everybody's worried about a reverse wealth effect, or some geopolitical thing happened, okay, change the forecast. But call me the day that happens. No one knows if that's going to happen or not. But what I do see is a lot of events out there right now that are suggestive of more inflation, rather than less inflation. Housing prices seem to be bottoming, housing prices seem to be moving higher. What that's telling me is a 7% mortgage, I know that the baseline assumption everybody has is, 7% mortgage is killing everybody. Maybe not. I know sales numbers, the volume of homes that turnover is down. And that's not good for the agents, real estate agents. And that's not good for mortgage brokers. But home prices, Redfin has a very good metric that I like to use. And that is the price per square foot. So to adjust for the size of the home and stuff, that's at a new all-time high. And the old all-time high was May of '22, right when the Fed started hiking rates. So we've just taken that out, prices are going up. Why? Because people are not stressed. Why are they not stressed? Because 7% mortgage is not stressing the economy, it is not forcing them to sell their home, they'll sell it if they get the price they want, which is why we're at all-time highs. And a lot of people aren't willing to pay that, which is why the volumes are down. It's not enough to really impact the economy. It is enough to make a real estate agents' life miserable, but they're not the economy.

So real estate is one, goods is another one. The Red Sea, I think everybody sees what's happening with the Houthis. And the shipping that's going around the Cape of Good Hope and, you know, causing delays and other kinds of bottlenecks with the supply chain. Now, it is not as big a deal as it was in 2021 or 2022, but it is still a deal. And what that is going to do is that, it is going to lead, I think, to maybe more goods inflation. Oxford Economics has already put a number on it. They said that if this Red Sea problem lasts for a year, and we're three months into it, and literally the day we're recording might be the first day that a cargo ship is going to sink in the Red Sea, that the Houthis actually hit one with a missile and it's actually going to sink Marlin Ruby's (MV Rubymar) is its name and it's pretty much halfway down right now. So, it's been three months and it's not getting better, it's arguably the worst it's been to date there. That's going to add seven tenths to inflation, if it lasts for a year and I think it can. Now, why? The perception is, that when the container ships come from Asia to the United States, or to Europe, that they have end consumer goods that go straight to the shelf, there's a fair amount of that is what's in there. But a fair amount of what's in there is other parts and processes that people use in manufacturing in the United States and in Europe. And we live in a just-in-time world. So why the shippers are saying to everybody, calm down, only one ship is about to sink. And by the way, was carrying fertilizer, wasn't even carrying finished goods or containers. You'll get your stuff. It might be a week or two late. But in a just-in-time world, a week or two late is a problem. It means that on this day, the things that we were going to manufacture, we don't have the parts to, so it's going to snarl our process. And then when we're done with our product, we probably send it to somebody else. It snarls their product or process. So this will bottleneck up goods as well.

So if you look at home prices, you look at goods, those things are starting to maybe start to tick higher. If you look at wages, there is six signs within the payroll report. We've had two consecutive months of 300,000 jobs with the December revision, we had a six tenths rise of wages in January. Now that might have been because the work week was reduced, alright, but it's not going to come down to two tenths, it might get revised down. And we've seen in Powell's super core measure, where he takes out housing services, energy, and food. And you might say, but what's left? What's left is the stuff that's sensitive to wages. That's why he does it. And that's starting to move up. So what I'm trying to say is, sure, I wake up one day, and there's red headlines all over the screen, I'll change my forecast. But unless we get those red headlines, I see within goods, I see within housing, and I see within wages, things that could start to tick higher, pushing the inflation rate more towards 4%.

Erik: Well, Jim, I agree with you that the Houthis risk is not about to go away. From everything I've seen and read, there's really no way to stop it completely, short of a boots in the ground invasion, which I don't think anybody's signing up to do right now. I want to go back to something you said a minute ago that I think is really important though, which is, you said, you're going to end up with a situation, you don't need a bounce to 5%, if you get a bounce to, you know, high threes or low fours on inflation, it seems to me that it's really hard for the Fed under those circumstances to justify moving forward with a rate cutting program. Now, I think I asked Mike Green about this last week, Mike seems to think, you know, he said, if you look objectively at the silver futures options surface, people are discounting that there is a possibility of rate hikes instead of cuts this year. Maybe you and Mike Green and really smart people like that can see this, but my read of the room is, most of the professional investment community is in a complacent situation where they feel like, look, it's an inflation year, the Fed already announced the cycle of rate cuts is coming this year, there's no way they're going to back out of it, we have to have rate cuts. That seems to me like everybody could get caught on the wrong side of the boat, not seeing what might really be coming. What do you think?

Jim: No, I definitely think that, you know, on the silver futures, I agree that there is a bit of an uptick in that. But I've attributed that to people just buying cheap insurance, we'll buy some just in case we're completely wrong. It doesn't cost a whole lot and the payoff is really high, if we wind up getting another rate hike. But they're not buying it because they believe that there's a rate hike, they're just buying some cheap insurance. The reason people think that there's going to be rate cuts is because, the Fed keeps talking about rate cuts, that we're going to be cutting rates later this year, don't worry, we're not going to be cutting them in the March meeting. Probably not going to come in the main meeting. But we're going to keep, there's going to be rate cuts.

So I think, you'll see their complacency in the stock market and other places. Why, with all of this pushing off of rate cuts, aren't we seeing it in the bond market, where yields are up this year and the total return in the bond market is down and it's been struggling? Why don't we see it in the stock market? Because the stock market's attitude is: there's going to be rate cuts. I don't want to get bogged down and whether or not it's March, or May or June, the Fed has told us there's going to be rate cuts. So just price in rate cuts. And the problem I see is, the Fed is political. And they continually insist that they're not. But let me explain how I think they are political. First of all, I don't think that they're political in that they are going to do a policy that says, do we want Biden? Or do we want Trump? To keep the example simple. So we want one of these guys, probably Biden. And so therefore, what is the best policy that we could give to help Biden win? No, they're not this at all. And I agree that they're not that but what they are is, as we get closer to the election, let's bow out and try and not be part of the narrative at all. If you want an example of that, December 2015, they raised rates for the first time. One was the second rate hike, December 2016, one year later. What happened there in the middle? We had an election. They didn't want to be part of the narrative. Now, so they just bowed out. So what I'm arguing here is, if you don't get a rate cut in March, or you don't get a rate cut in May and June, the probabilities, this morning was 57% that you would get a rate cut in June, June is still four months away. 57%. Let's call that a coin toss, because that's what that is. If you don't get it in June, then I think the Fed is going to want to not be part of the narrative. And you might not get it until December at the earliest. Why? Because the next meeting is July 18. When is that? That is the week after the Republican convention and two weeks before the Democrat convention. If the Fed decides to start a rate cutting cycle, the week after the Republican Convention, as I jokingly like to say, the Republicans will tear Jay Powell's tonsils out for trying, accusing him of trying to rig the system to elect Biden. But if the economy is visibly weakening into July, and he cuts rates, then the Democrats will rip his tonsils out for, why did you allow this to happen 90 days before the election, Jay? And so, I think what they're going to try and do is at that July meeting, they don't want to be part of the narrative.

Now, what I'm differentiating this from, is if they had already started cutting once or twice, and we were talking about a third cut in July, that's far different than starting a rate cut cycle in July. I think if you get to July, they won’t start it. September 18 is the meeting after that, they won’t start it there. November 7, is the meeting after that, that is the day after the election. Sure, you could do it then. But you could also look intensely political too, because you waited till the day after the election. So the calendar works against them. Like I said, that's because they haven't started it. If they started it, if we were talking about the third or fourth or fifth cut, that's not as big of a deal as making a policy change, literally the week between the Republican and Democrat convention, because then you become part of the narrative. So yes, I agree. They don't sit around going, which guy do we want to win? And how do we help them win? I don't think they do that at all. They want to not be part of the narrative. And not being part of the narrative means don't start in the middle of the campaign season, like in July or September.

Erik: Okay, so based on everything you've said, it sounds to me, first of all, that the market has already been told by the Fed, don't expect a rate cut in March, get that out of your head. And the Fed has been pretty clear about that. So nobody's really expecting March, everything you're saying says to me that the Fed is going to be faced with a very difficult decision, that they probably need to make in May. And that decision goes, okay, if we're going to do any rate cuts, like we promised we were going to do, we better start now. Or else we're going to have to forever hold our cuts.

Jim: I agree. And I think what the Fed is thinking, and what the Fed is hoping for, maybe not hoping, hoping is a strong word, maybe anticipating, is a set of weak economic data. And I'm talking about both real growth and I'm talking about inflation, that gives them the cover to move. One of the problems that they've had until now is, they don't really have the cover to cut rates. I know Wall Street wants to say Jay, Last Mile. Jay, you know, we’re all thinking that there's going to be a soft landing, some of us think there's going to be recession, you know, good enough for government work, let's start the cutting. And Jay is sitting there going, wait a minute, we keep printing 300,000 jobs a month, we keep printing above 3% inflation. We keep printing 200,000 in unemployment claims. We keep printing very strong retail sales numbers, except for January, that was weak. But for several months going into January, they were very strong and Jay is looking around going, we're not getting the data to cut, we're not getting the data to cut yet. So maybe what they're hoping for is, by May we get a weak number, or I'm wrong about what I just said about inflation. And we do print to 9, to 7, and it looks like no, there really is a last mile on its way to 2. That's what they're looking or anticipating. But then the real problem comes, what if you start getting to April or May, and the data is kind of, looks like it's looked the last 90 days over the next 90 days, then they're kind of out of runway? And then the answer is, well, we can revisit this in December or if the data gets bad.

And then Wall Street, which at one point in January, was pricing in seven rate cuts for the entire year, might be looking at one or none for the end of the year. Now, would that be a big shock? No, it wouldn't be a big shock because Wall Street gets these forecasts wrong a lot. And I'll remind everybody, in 2022, first of all, remind everybody that a rate hike or rate cut is defined as 25 basis points. So in January of 2022, we started the year with everybody thinking there'd be two or three or four rate hikes. And then at the end of January, Jamie Dimon came out, the chairman of JPMorgan and said, you know what, I think we're going to see six or seven rate hikes. Six or seven? No, there can't be that many, Jamie. Well, he was wrong too. And so was Wall Street. We got 22 rate hikes in 2022. That'd be 4.25% is what we wound up getting. So they started the year thinking we were going to get three or four. Jamie thought he was being smart by saying six, and we wound up with 22. So yes, they get these kind of forecasts completely wrong all the time. So how big of a shock would it be that, at one point we priced in seven rate cuts? And we might wind up with zero or one? Not much at all, if you look at the history of this stuff.

Erik: I want to go back to something you said a few minutes ago, about complacency in the stock market. And I agree with you, there's so many indications of divergent breadth and lots of reasons to question why the heck are we up here at well over $5000 on the S&P, I think a lot of it has to do with this expectation that everybody thinks that some kind of cutting cycle this year before the election is a done deal. It's going to happen no matter what. I think you and I now agree, they're probably wrong about being so certain about that. But at the same time, as long as they think that, the market stays complacent. So when does the aha moment happen? When the stock market says, oh shit, we got a problem here?

Jim: Oh, it could be as early as mid-March. March 8, we get payrolls, March 12, we get CPI, February payrolls, February CPI, because the January numbers was what really took the market from seven rate cuts to three rate cuts, that's what we got priced in now is three rate cuts for the rest of the year. So those two numbers took four rate cuts out of the market. So that could be one, if those numbers are strong, or if they're weak, that changes the equation as well, too. But I think that over the next 90 to 120 days, if we don't see that data, really giving the Fed the opening that they need, like I said, July, could you have a rate cut? Sure, if it's not the first one, especially if it's the third one, you could definitely have one in July or September. But I don't think the Fed could really want to start there, because they'll be swallowed up as part of the narrative, and one side or the other will accuse them of trying to rig the economy to get their favorite candidate elected, even though I don't believe that that's what they're doing.

Now, why is it that rates matter so much? Because a lot of people say to me, oh, it's about AI. And it's about strong earnings. And that's what's really driving the stock market and stuff. Yeah, well, that does help. And that definitely has caused the Mag Seven stocks to separate from the other 493 stocks in the S&P. But you know, long term studies of the stock market, say given the current level valuation, given roughly the current level of interest rates, what is it that you can reasonably expect the stock market, the whole stock market, Mag Seven, and everything can you expect it to do over the next 3, 5, 7 years? About an 8% per annum, return goes up 8% a year. So a little bit above that right now. But there can always be a correction along the way.

And it doesn't mean you have to have 8% every single year, you just average out about 8% per annum. You went down big in ’22, up big in ‘23. You know, that actually averaged out to about zero. Well, if interest rates, and let's keep the example simple, money market funds is at 5.3%, that's like 70% of what you're going to get out of the stock market. That's what's bothering the stock market. There's money pouring in. And I was, just right before we started talking, was looking at the latest numbers on money market flows, and they're still pouring money into money markets. And I know that there's people on Wall Street screaming, there is no alternative, you got to get out of these money market funds. And the argument you'll hear from people is, well, that was 2019 argument when these money funds were yielding 10 basis points. But now that they're yielding 530 basis points. And that's like 70% of what I can get in the stock market. Thank you very much. I'll take a $1 NAV every single day and take 70% of the stock market's gains.

So Wall Street would love the Fed to get the competition out, cut these rates. So they could start screaming TINA louder to everybody to say, you've got to get into risk assets, because that's the only place that you're going to get a return. And as that reality comes in, that competition is going to stick around for a while. And all that money that's in money funds, you know, the cash on the sidelines argument that you hear, which by the way, I've been in the markets for over 35 years, and my first day in the markets, people told me about cash on the sidelines, and they're still telling me about cash on the sidelines. You know, that argument might go to: yeah, there's a lot of money on the sidelines in money market funds, and it's going to stay there because that 5.3% yield isn't going away. And they're very happy with that.

Erik: Okay, so the first big conclusion is, if the Fed is going to cut at all this year, they need to start in either May or June and nobody thinks March is going to happen, unless there's a big data surprise between now and then. Let's come back to that March 12 CPI data release that's coming up in just a couple of weeks. What happens if we get a second hot CPI print in a row, meaning something above expectations, does that panic the market as, oh my gosh, something's different than we thought? Or is it kind of, shrug it off, because it seems like last time, the market started to panic on that hot CPI print, it only lasted a day. And they're like add, add, it's just, you know, one prints not a trend.

Jim: Right. Now, I will say though, if I was to split the baby here, the stock market freaked out for a day and then recovered, the bond market sold off hard on that big hot CPI number and never really recovered. It's still at essentially the same levels. It's been trending sideways after the sell-off, since that big hot CPI number. And let's remember that that was a four tenths number, three tenths core. Now, going into the March number, I suspect that the consensus, because gasoline prices nationwide are up about 4.5% versus January into February. And they're about 3.2% of CPI. So if you multiply 4%, by 3.2%, you wind up getting like 0.15, so almost one, between one tenths and two tenths of that inflation rate is gasoline alone, in January that was zero. So it's definitely putting a positive wind into the number. So I suspect Wall Street is going to be looking for a four tenths number, and probably close to a three tenths number on core. And if we get those numbers, we might breathe a sigh of relief, or at least they were consensus, you know, but wait a minute, these were kind of big consensus numbers. And they're not really helping the narrative to get that Last Mile going. So we can beat on Jay to cut rates in May or June. But if we get a beat with those level of numbers, that would be very worrisome, I think, for Wall Street at this point. And what we've been seeing with the numbers lately, is a lot of beats, I'm talking about over the last two or three months, between PPI, CPI, PCE, we've been seeing consistent beats. So even if we don't even just keep in mind that what Wall Street should be expecting on that May 12 number is a fairly hot number, because of the rising gasoline prices.

Erik: Okay, so it seems pretty clear that economic data generally is going to be particularly important this spring and into the summertime. So let's talk more about that. And specifically, I want to expand this because what people often forget is, especially if you're looking at something like the US Dollar Index, you've got to look at the economic data, not just in isolation at US data, but how does it compare with what's going on in the rest of the world. How does the US look? Because that's really what determines where the dollar goes. And of course, where the dollar goes, dictates a lot of where asset prices go. So what is the economic data globally look like? How does that relate to what we see in the US? And what does it mean for the dollar?

Jim: So let me go back to what I said at the top, coming out of 2020, things changed, change does not be worse. One of the things that we've seen is the savings rate in the United States, was at from 2010 to 2020, the average 6%. Now it's averaging 4%, since the beginning of '22. That's where I got that number that I said that we used to spend 94% of every dollar we made. And now we're spending 96% of every dollar we made. And not surprisingly, from 2010 to 2020, personal consumption as a percentage GDP was 67%. And now it's 69%, 2% points higher. In this, all these numbers are after inflation. So it's not just inflation, this is we're buying more units of things, we're buying more stuff, we're buying more services, we are spending more money coming out of 2020. Maybe it was PTSD, or something else. Maybe it was a belief that, if things go bad, the government is going to mail me money, because they did the last time. So I want to enjoy my life. I want to buy things I want to revenge travel, doom spend, whatever we want to call it. But we're spending more money and the economy is staying much hotter than what we've seen before. And that's why, as you look at the global economy, you see a very interesting pattern developing, we're spending more money, the rest of the world is not. They're spending the same levels that they did pre pandemic. Now we've got more remote work, we mailed checks, and that's really, we're not nearly as socialist as a lot of the European countries. And that was really different for us to do then maybe for them to do. I'm just throwing out ideas as to why we're spending more money. There's no definitive answer. But the reality is that our economy is moving along much hotter. So Q3, the GDP of the United States is 4.9%. That's really hot. That is a big number, for it to be 4.9%, Q4, it was 3.3. That's above average. So we just had two very, very strong quarters in Q3 and Q4. Japan, Canada, Germany, the UK and the Eurozone, larger because Germany's in there, they all had at least one contracting, one negative GDP quarter in either Q3 or Q4. In the case of the UK and Japan, both Q3 and Q4 were contracting, you could argue that the UK and Japan are in technical recessions. What happened to global synchronized growth? We're booming, UK is in recession, we're booming. Japan's in recession, we're booming. Germany's throwing up a negative GDP number, Canada's throwing up a negative GDP number, the Eurozone throw up a negative GDP number. So the economies are definitely out of sync. And we're growing much faster. That's why I think that we could very well see a situation where we don't cut rates, but they do. And that differential in growth, and that differential interest rates should keep the dollar stronger.

One last thought for you. I said earlier, 40% of Wall Street is still predicting a recession over the next a year. Historically, any random year, Wall Street would give you about a 15% or 20% chance of recession. But now they're 40. They're down from 65, like in the fall, last fall. And they're still talking about a potential of a recession, or soft landing. I think what Wall Street has done is, they've put all the inputs into their model and what they're spitting out is what's happening in the rest of the world, the developed world I'm talking about, they're getting the negative numbers, they're getting the contractions. What they haven't put into their model is, but add 2% more spending for the United States than everywhere else. And that might help to explain why we're growing so much stronger, and they're not. And we have yet to really embrace that idea that coming out of the pandemic, Like I said, every financial crisis, every recession, the economy changes a little bit, it changed on this one. So we're spending more. How long will that last until the next recession? And then whatever the psyche is, how the psyche is affected on that one, we'll change it coming out of that one, too. But right now, we spend more, like I said, we know the words doom spending, revenge travel. So we know that we're doing it, we're just assuming that it either: A) was temporary was a one time spend, and we're done. Or B) we're thinking that it's, oh, it's this excess savings, that we had this big run up in M2 and everything. And now that we're running down the excess savings that they'll stop, well, excess savings is hard to measure. And you could argue that we've already run it down, or you can argue we haven't run it down. But even on an after inflation basis, we're just buying more things than we did before. And you know, maybe I'm wrong on the rationale. But the data is pretty clear that the spending is definitely stronger. And that's why it's showing up in the Fed not getting the numbers to cut. And they're not changing their spending in the rest of the world. And they are getting some very low and contracting kind of GDP numbers.

Erik: Jim, tell me your outlook for the dollar index, we're just barely below 104, which is a key technical level, it was trending down for a couple of weeks. But today, Wednesday, the day before our listeners hear this, looks like it's starting to maybe tick back up again.

Jim: I think we're at an important level on the dollar index. And I could see it breaking out and I could see it going higher, you know, 105,106, I'm not in a massive camp. But again, if we're stronger, and we have higher interest rates, and they're weaker with lower interest rates, that differential should produce a stronger dollar relative to all the other fiat currencies as we go forward. And that has largely been the case over the last couple of months, that the dollar has been either sideways to slightly higher and I think it will continue to be.

Erik: Let's touch on gold, because a lot of people, they heard the Fed say, okay, we're going to cut rates. So many people were eyeing this gold chart saying, boy, if we got a breakout above 2100, that completes a cup and handle pattern. It's, you know, all the gold bugs are excited because it targets 2700+, as far as where the next upside move might go. Everybody got excited about that dotplot release and levered up their gold position saying, okay, the fix is in, it's got to happen this year. This is the year that it's all going to happen. Seems to me, based on everything you're saying, that's nothing close to a sure bet. So what could this mean for precious metals?

Jim: Yeah, well, precious metals definitely benefit when there's stress in the financial system. Stress can come in many forms, it can come in the form of, of too high inflation, or financial crisis, Geopolitical Problems, political problems, whatever put stress on the system. If what I said is correct in that, you're not going to see stress in the US to the extent that the economy stays strong, but inflation stays elevated, and the Fed can't cut. Well, that's not necessarily stress. I mean, it might be stressful for, like I said, real estate agents, and it might be stressful for stockbrokers that want everybody to get their money out of money market funds. But beyond that, that's not really going to produce a whole lot of stress. Now, that stress may continue to show up in the rest of the world. Like I said, they're already printing negative GDPs in the UK and in Japan, and in some other countries, I don't think you're going to see that stress level to really push gold to the next level. Sure, it could still hover around the low 2000s range where it's been lately. But are we getting ready to go to a 2200, 2300, 2400 on gold? Like I said, call me when we got the blood red all over the screens and bad things have happened. And like I said, I can't predict that any more than anybody else can, I can only react to that. So that's what, you're back to hope. But hope is not a strategy, you know, hope that something bad happens, and that will push up gold. And if it doesn't, gold is, I don't think predetermined to head higher. But what I didn't say, was necessarily that it would sell off. I think it will just kind of stay in this range right here. And actually, what I'm arguing is probably the most frustrating of all calls. Go up, okay, I could do something with it. Go down, I could do something, I could sell it, I could add to my position. Goes sideways. And that's probably the most frustrating of all the calls.

Erik: Jim, I can't thank you enough for another terrific interview. As always, before I let you go though, please tell us, particularly for our institutional audience, more about what you do at Bianco Research. You're one of the top macro fixed income guys in the entire industry. What are your research products about, what's on offer at biancoresearch.com?

Jim: So, two things, biancoresearch.com Is my business that I've had for 26 years. It is a macro business. It is an institutional service, in that kind of hints at the price. But if you're more of a retail customer, don't want to pay for institutional service, I am very active on Twitter, on a whole range of topics as well talking about the topics we discussed, and a lot of other topics. Along the way too, we have an ETF. Our partner on that is Wisdom Tree, I manage a thing called the Bianco Research fixed income index. It's a discretionary managed index. And Wisdom Tree has an ETF, WTBN, Wisdom Tree Bianco Nancy WTBN, that tracks my index. It is a fully invested fixed income index, the largest sum of money in the world is fully invested fixed income money. We're trying to position ourselves based on some of the views you've heard me discuss here to outperform, we are outperforming this year. I would say we're also down on the year because the bond market is down a lot on the year. We're just down less. But I do think that ultimately, the bond market will rebound and it will go up higher. Biancoadvisors.com is where you could find out more about the ETF, about the index in the ETF, so Bianco Research is our research business. Bianco Advisors is our ETF business and you can follow me on Twitter @biancoresearch, on LinkedIn and Jim Bianco or Bianco Research on YouTube.

Erik: And again, folks the ticker for the ETF is Whiskey Tango Bravo November, WTBN, Patrick Ceresna, Nick Galarnyk and I will be back as MacroVoices continues right here at macrovoices.com.