

US Macro Chartbook

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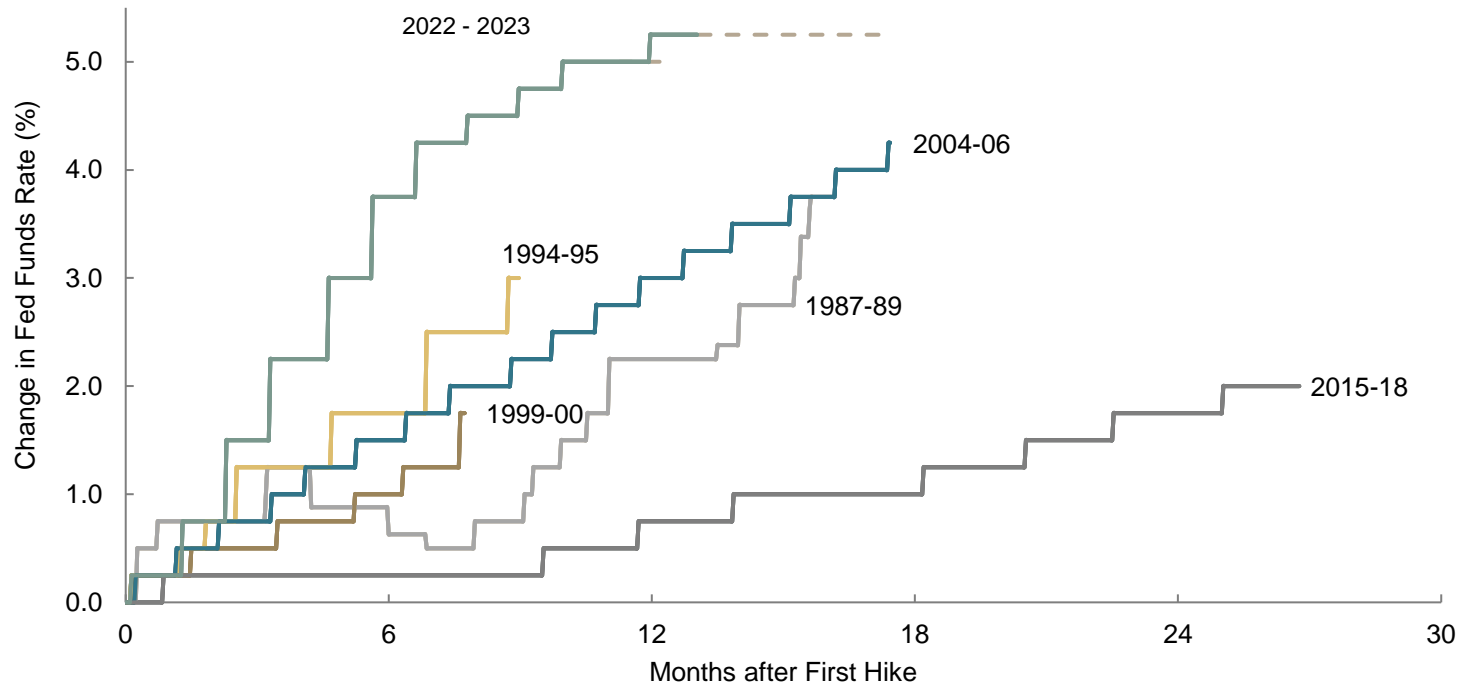
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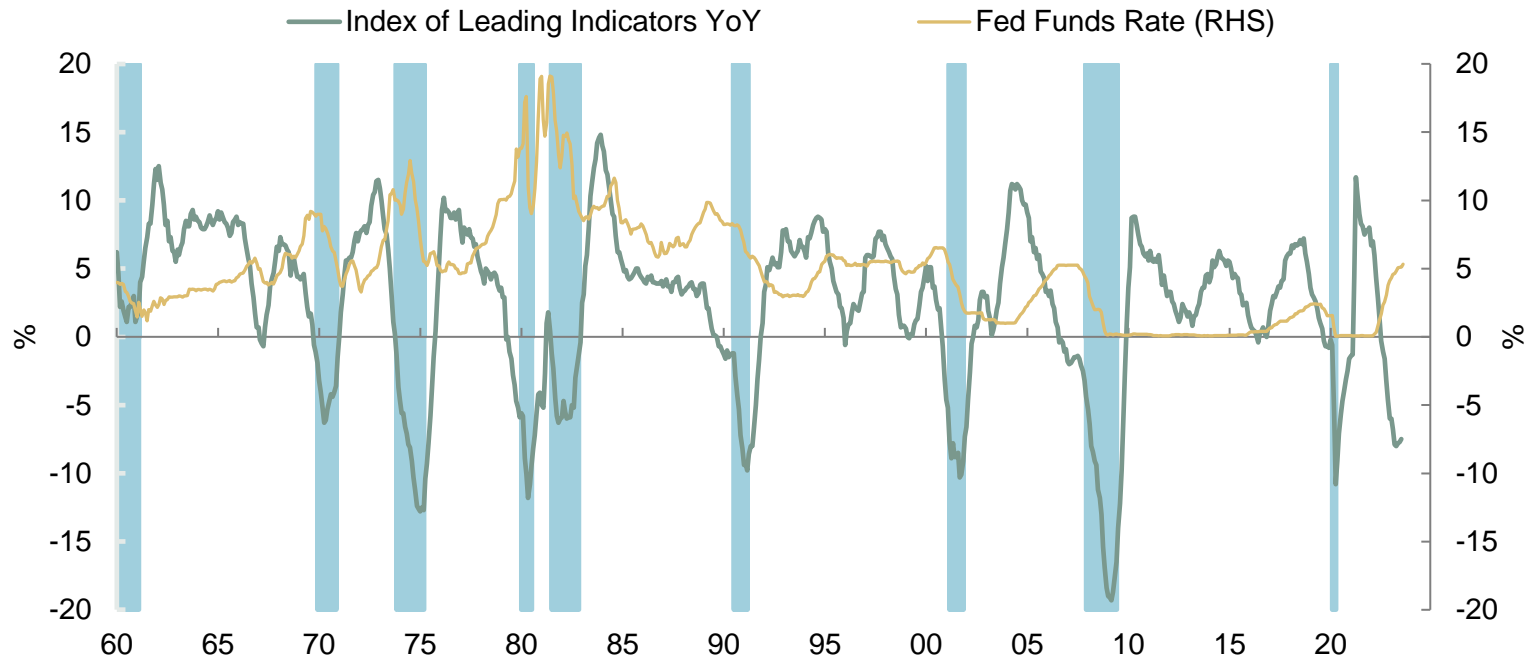
A Record Rise in Fed Funds

The Fed has increased rates at the fastest pace in more than four decades.



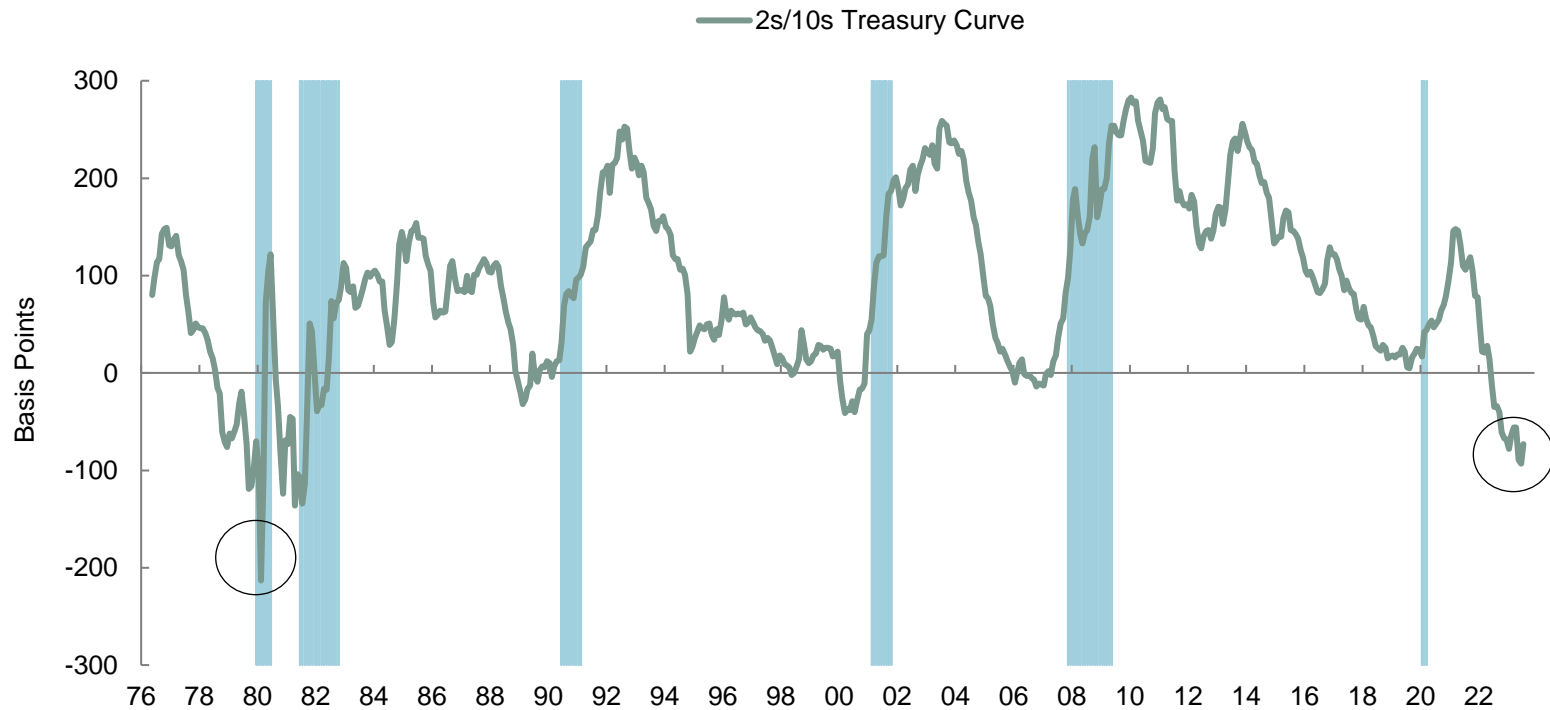
Tightening Into a Downturn

Rates increases have occurred at the same time Leading Indicators have collapsed.



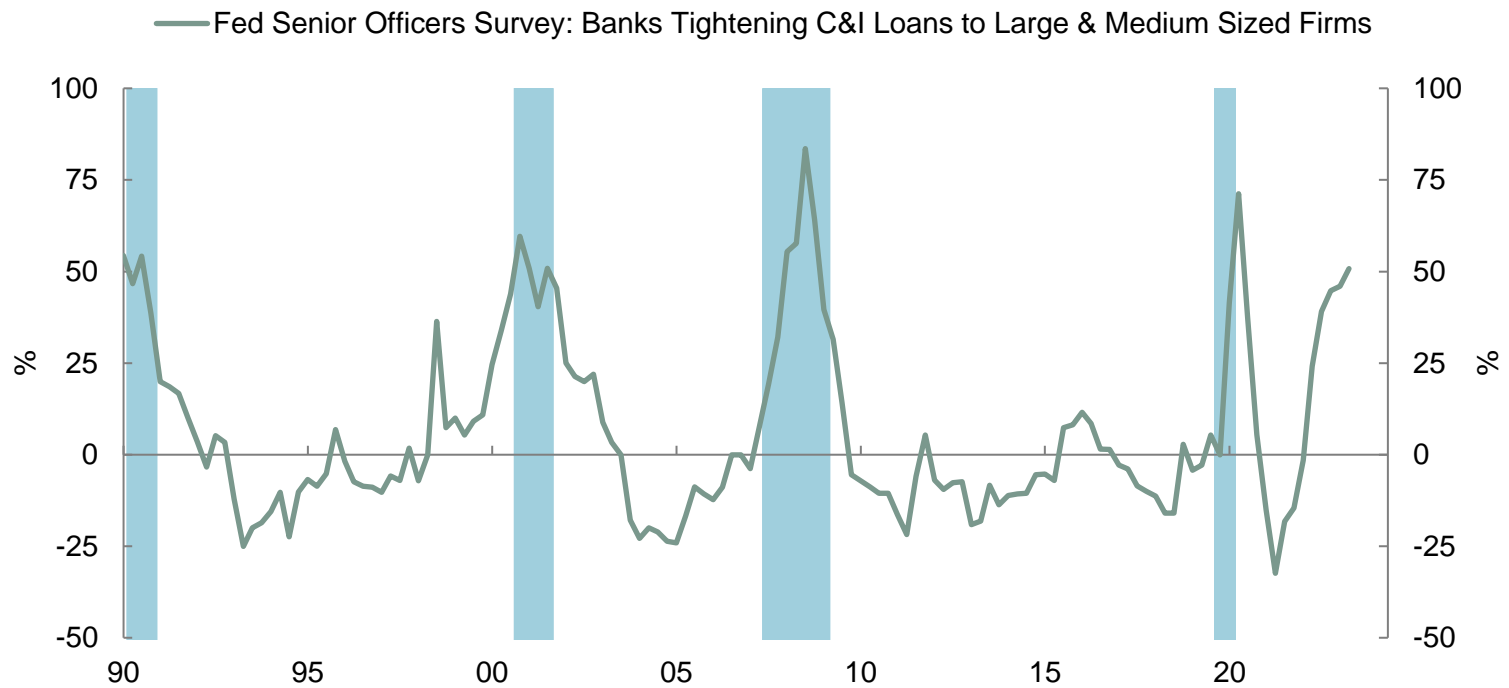
Historic Curve Inversion

The deeply inverted yield curve signals recession as well as less money and credit creation.



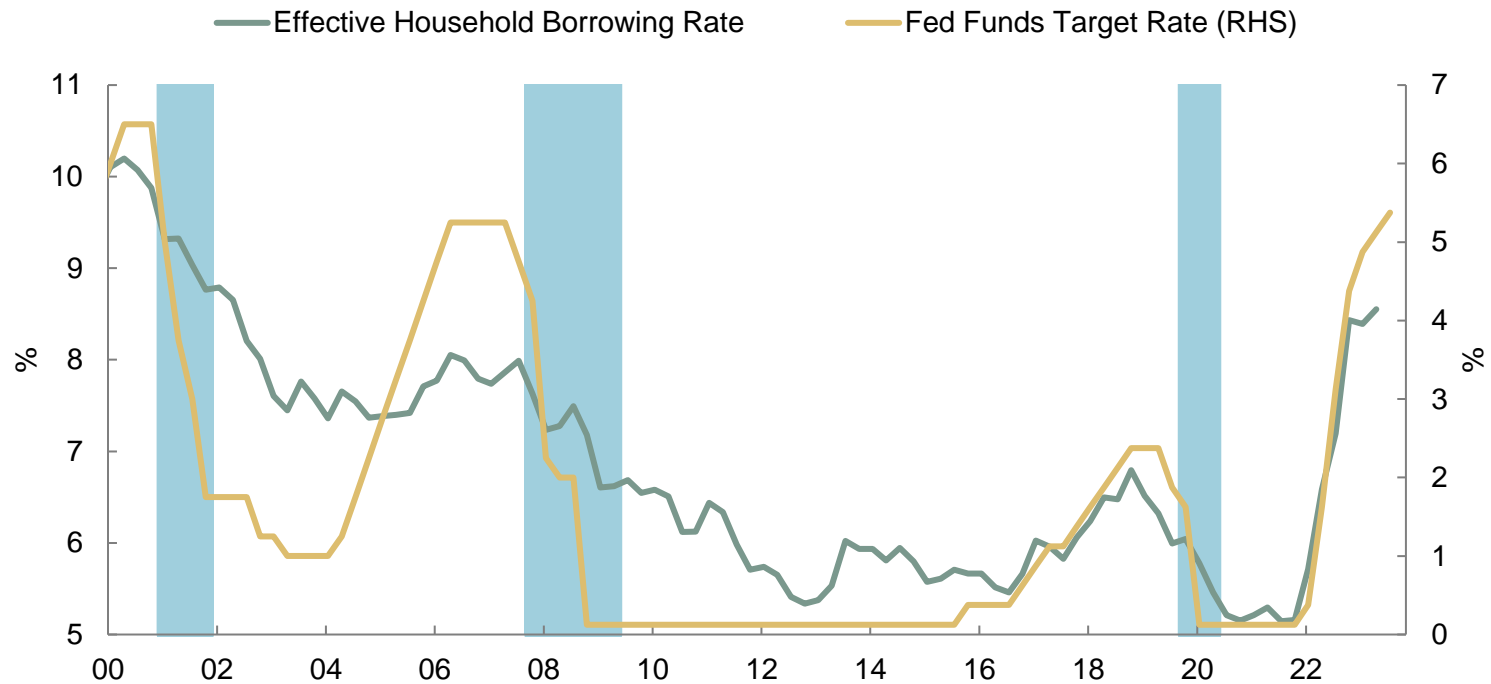
Tightening Credit Conditions

Banks are tightening lending standards at a recessionary rate.



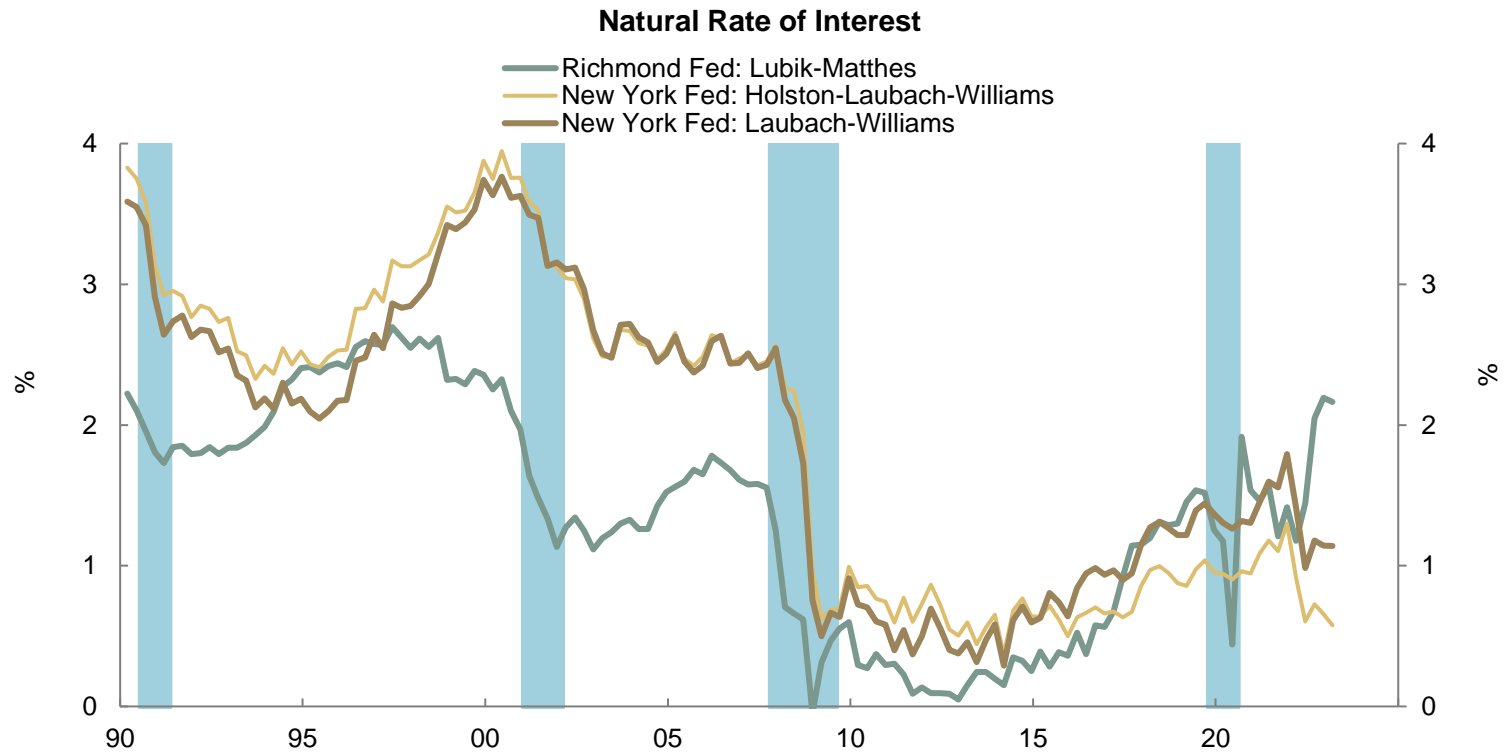
Soaring Borrowing Costs

Consumers are facing the highest interest rates in over two decades.



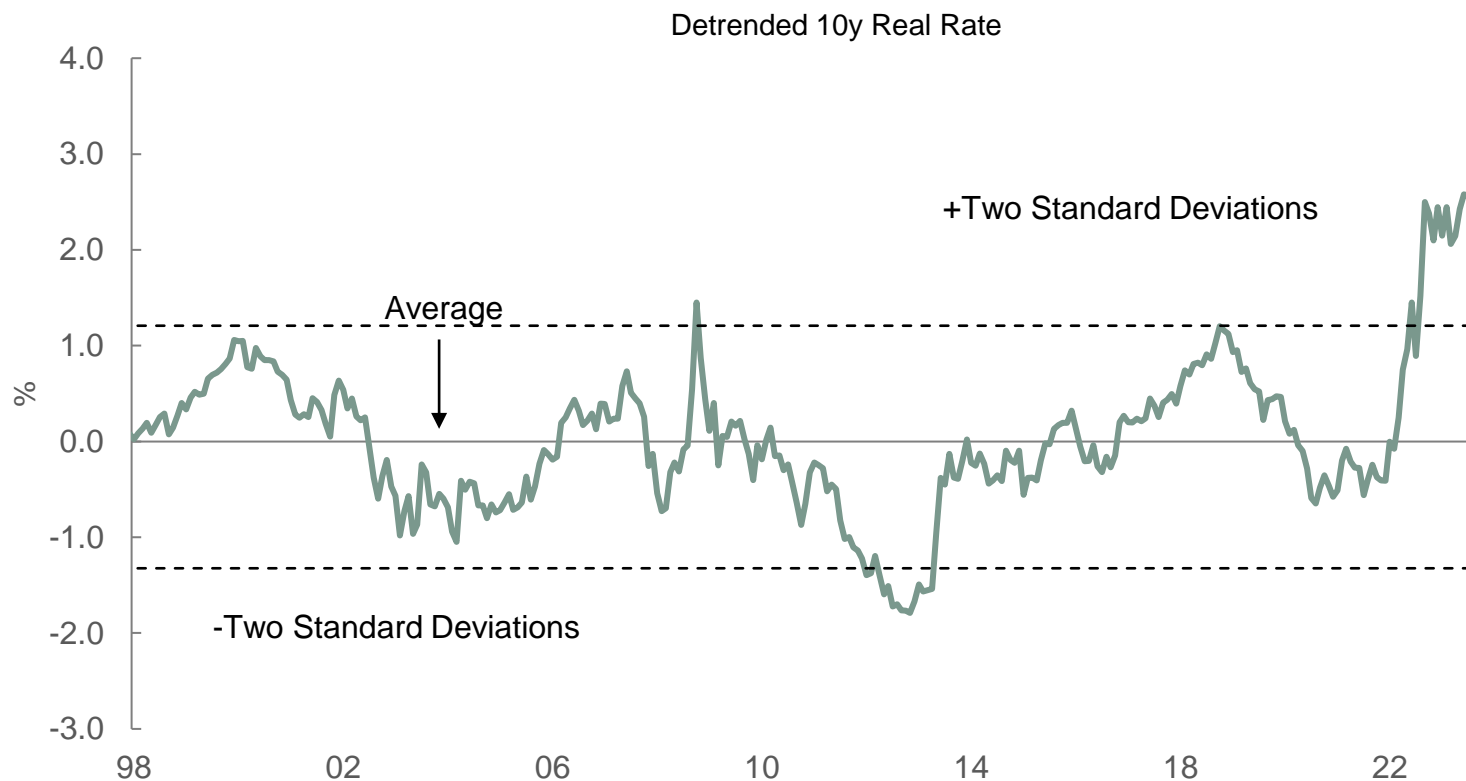
Where is Neutral?

There are widely varying estimates of R-Star.



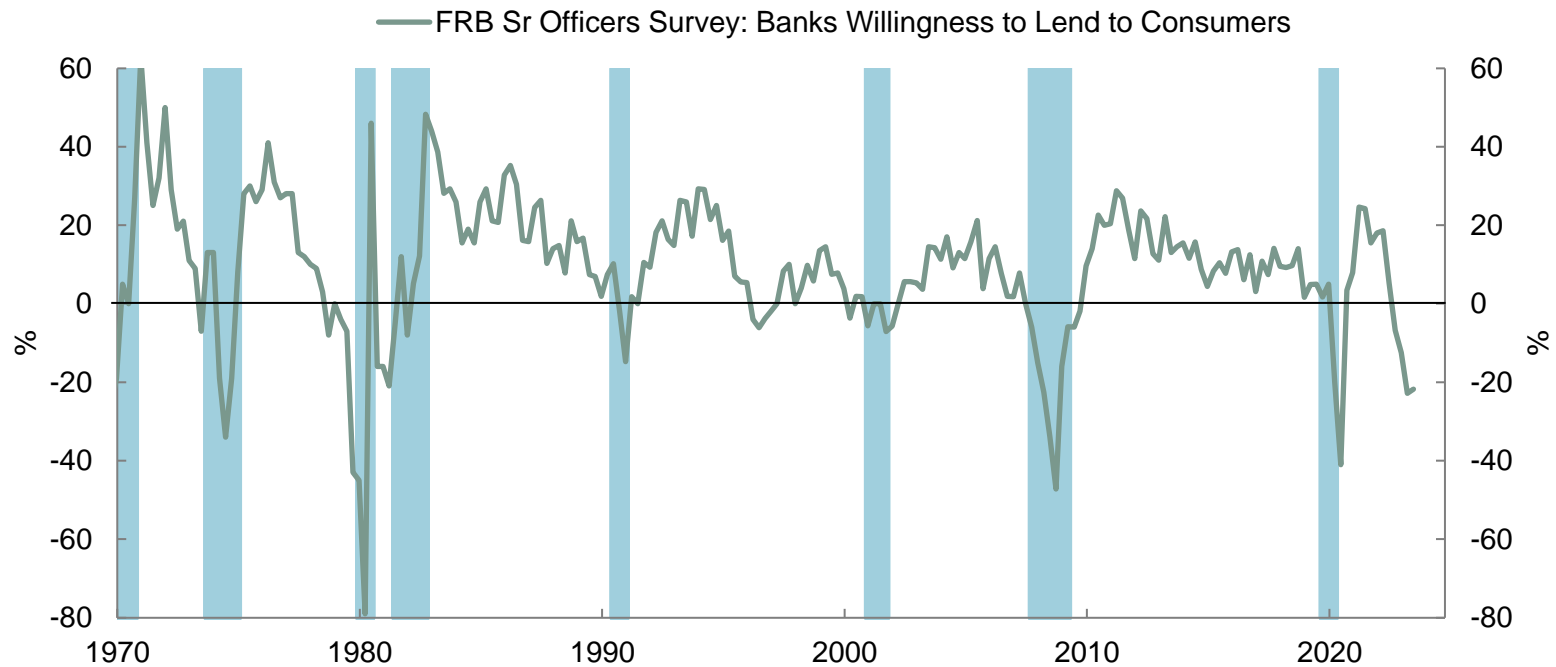
Restrictive Real Rates

Our calculations show that real rates are the highest they have been since at least 1998.



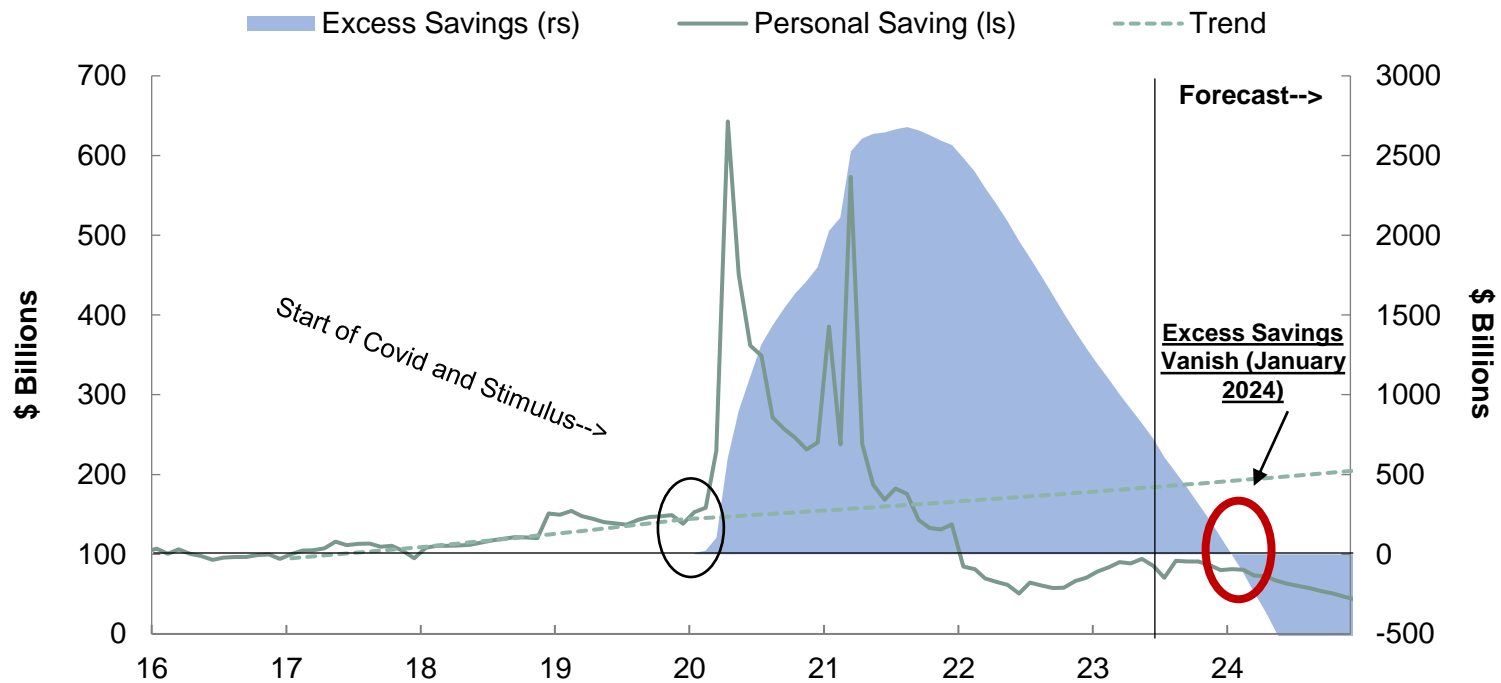
Reining in Consumer Lending

Willingness to extend credit to households is also in recessionary territory.



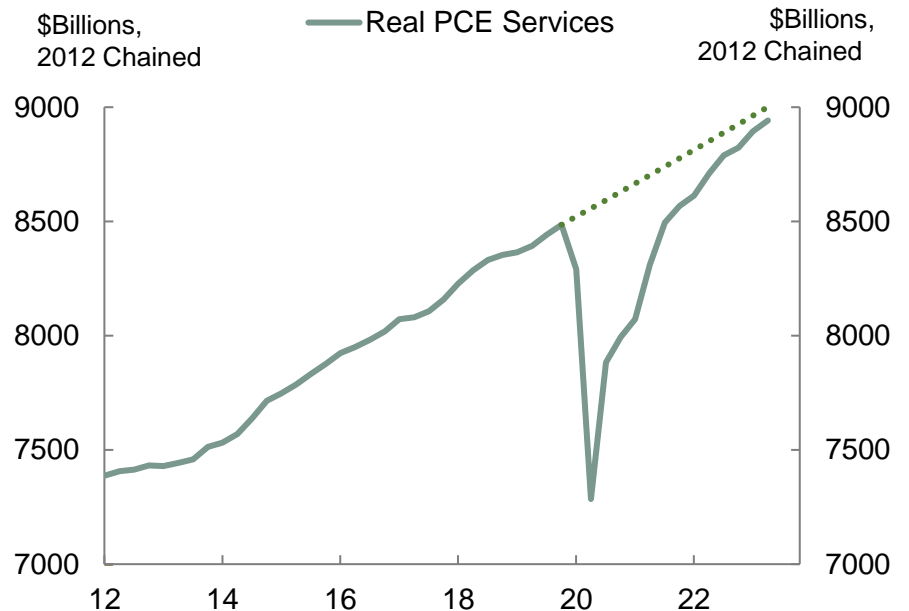
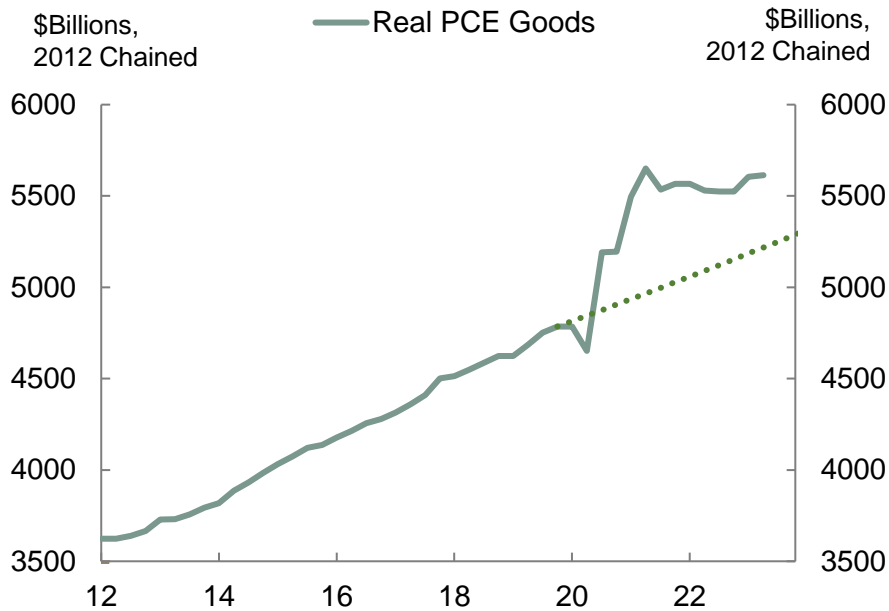
Consumer Savings Back to Normal

Consumers have nearly exhausted their excess pandemic savings.



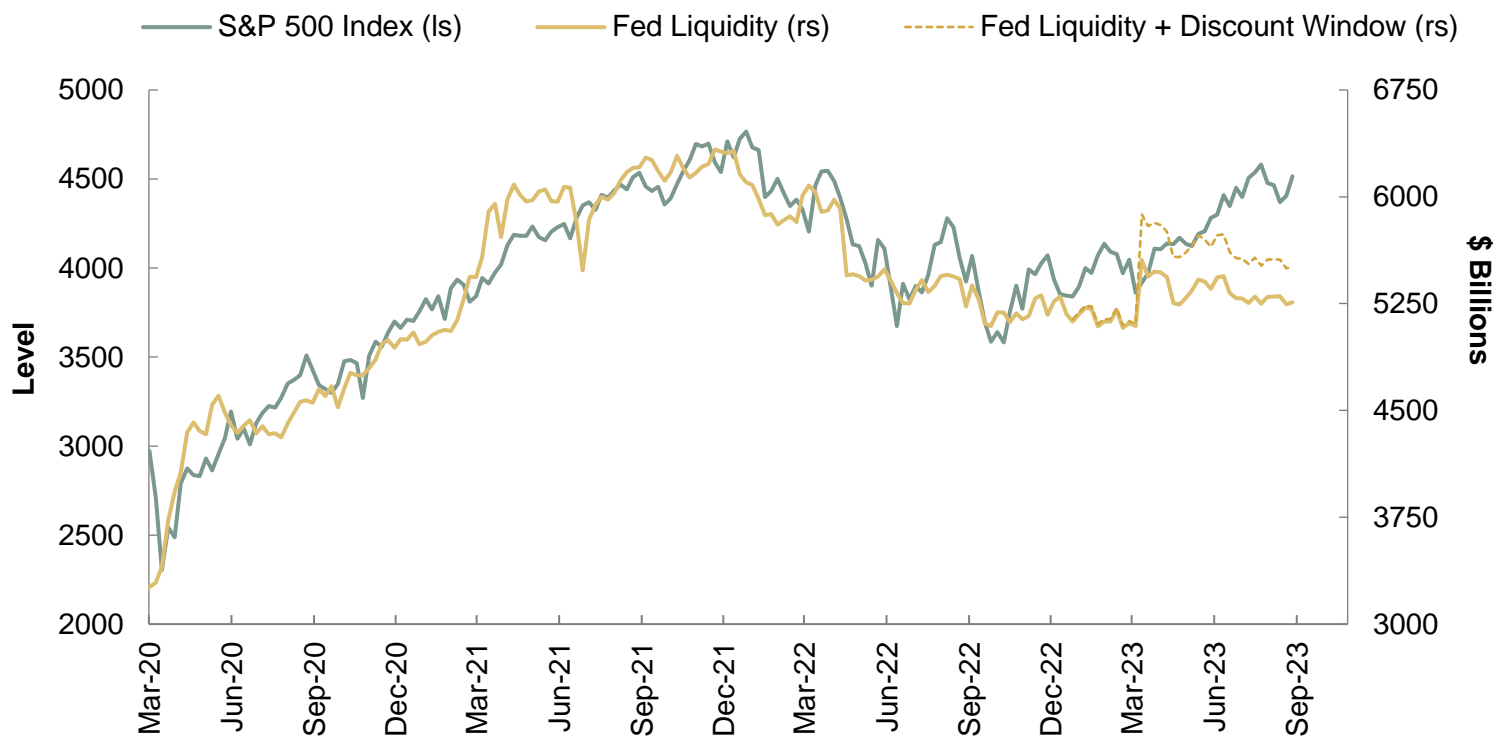
A Return to Trend

Look for a big retracement in consumer goods spending in the months immediately ahead.



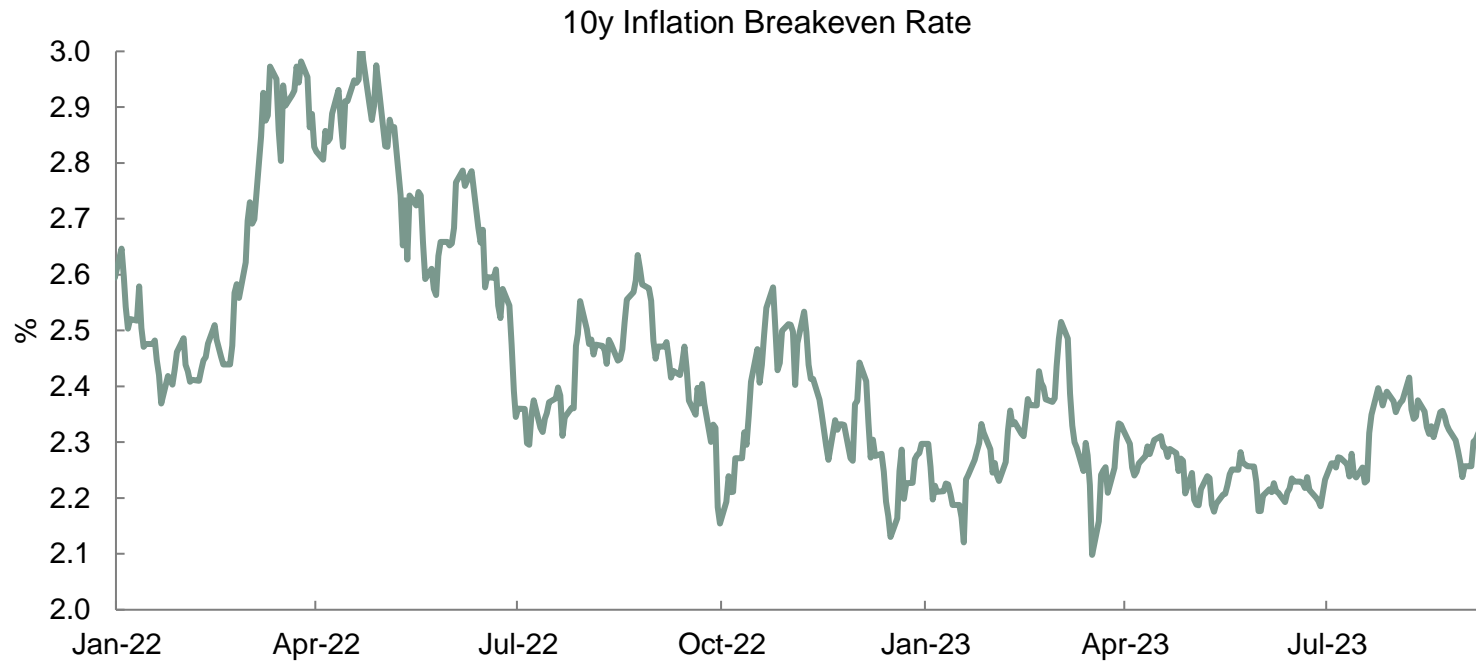
Fellow Travelers

Risk assets are highly influenced by Fed liquidity.



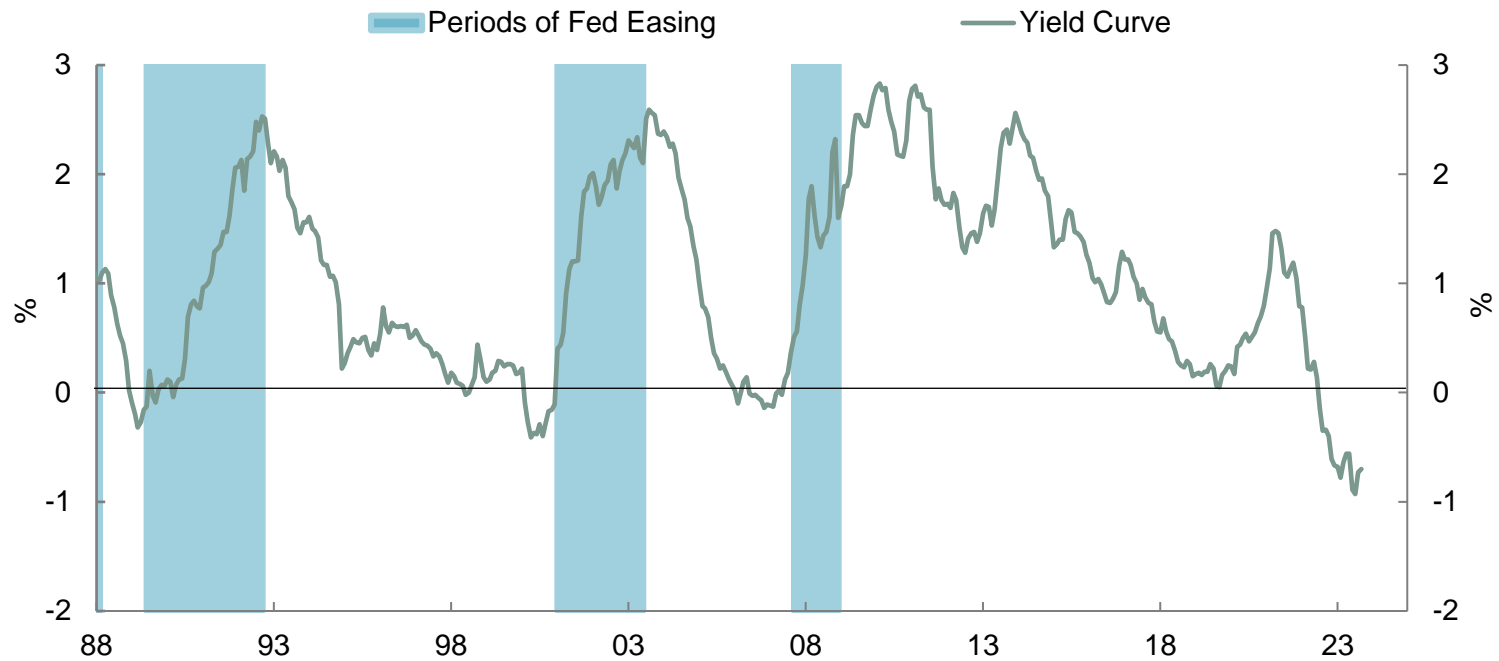
Stable Inflation Expectations

The bond market remains relatively sanguine on the inflation outlook.



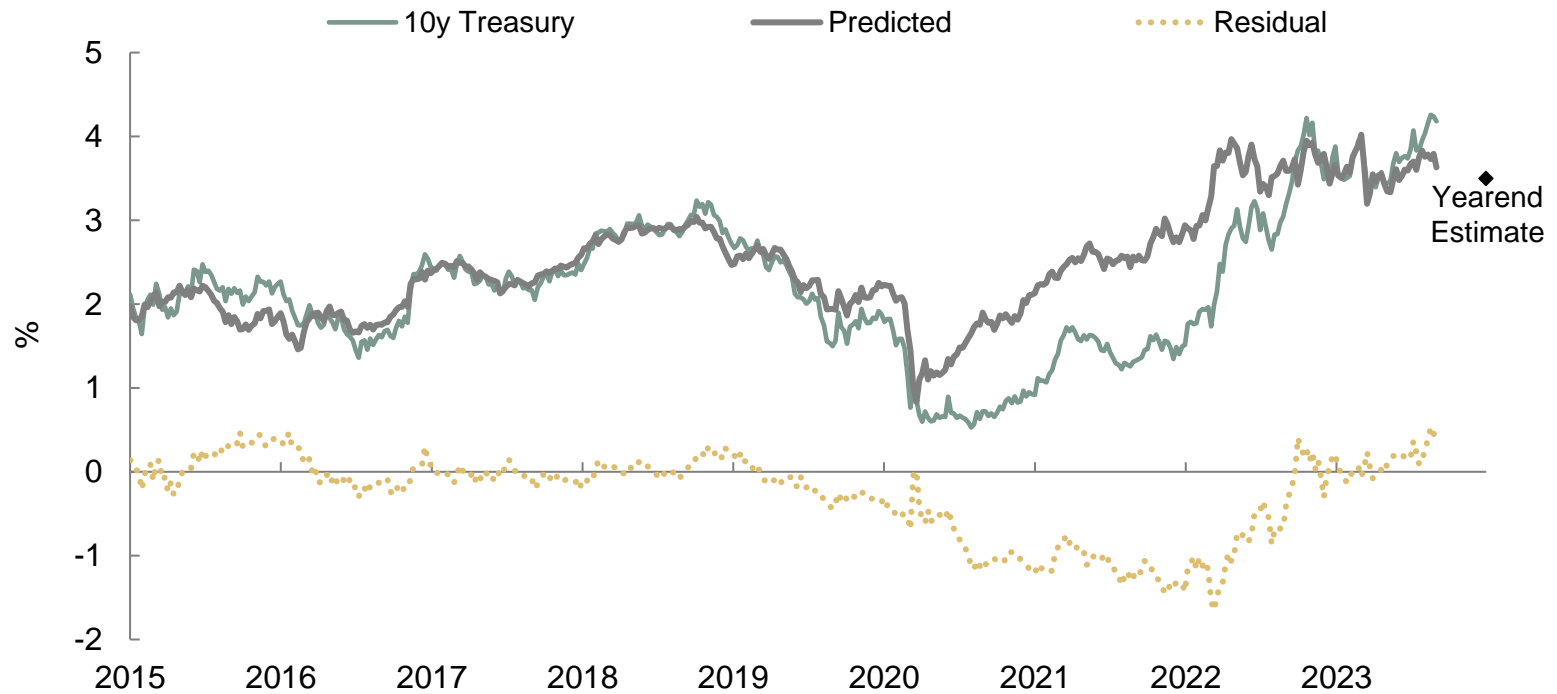
Getting Back to Normal

The yield curve steepens only when the Fed cuts.



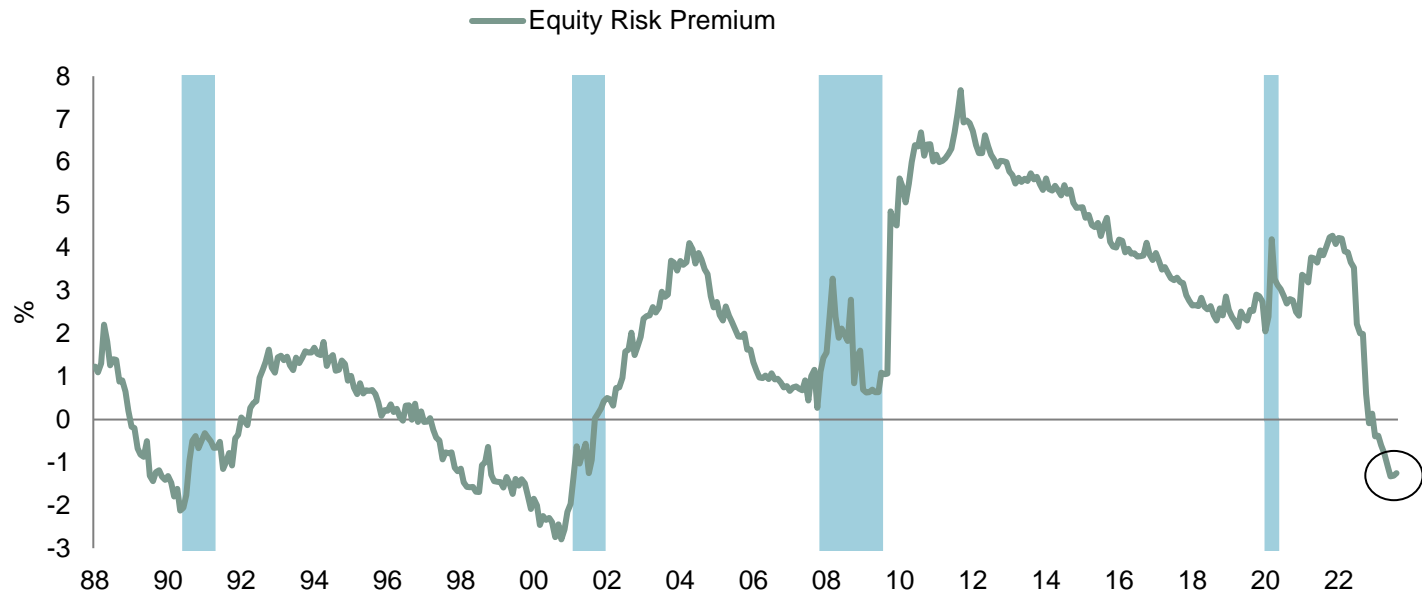
Whither Long-Term Interest Rates?

Breakeven inflation and the one-year forward fed funds contracts explain 90% of the yield on the 10-year treasury note.



Negative Equity Risk Premium

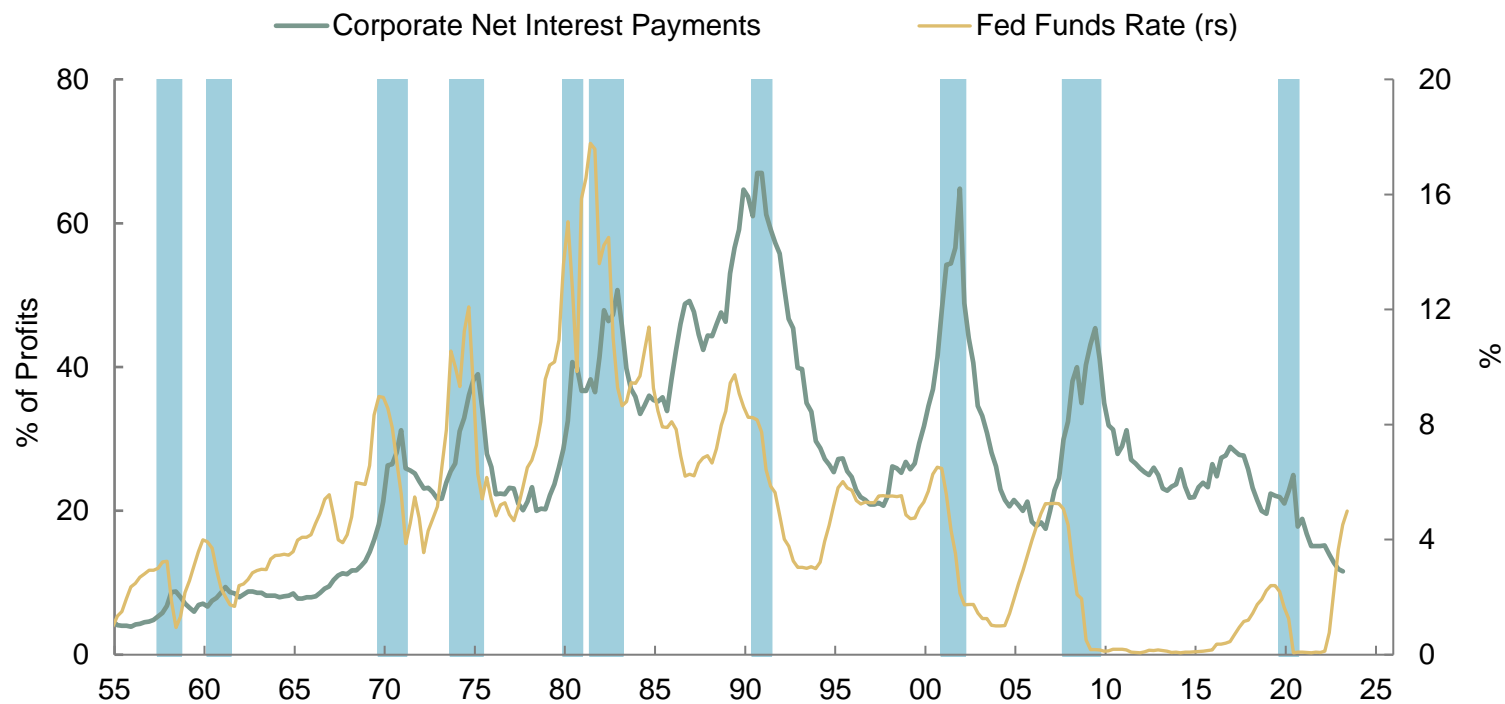
Equities have not been this overvalued relative to Treasuries since the late 1990s tech bubble.



Sources: FRB, Standard & Poor's, Haver, SMBC

Falling Net Interest Payments

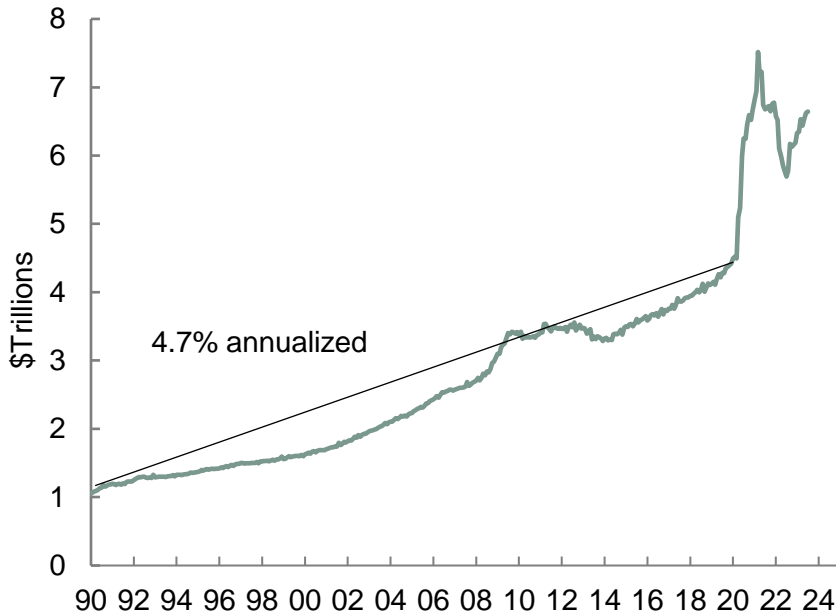
The Fed hiking cycle has yet to “bring pain to businesses” as financing was locked in at historically low rates.



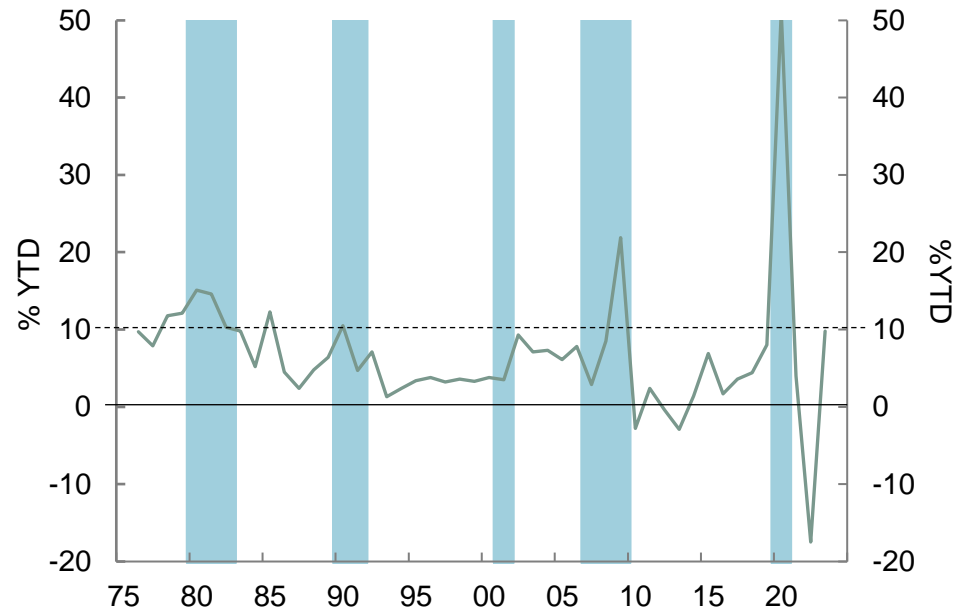
Fiscal Largesse

Despite sub 4% unemployment, government spending is growing at rates that parallel recessionary periods.

Federal Outlays



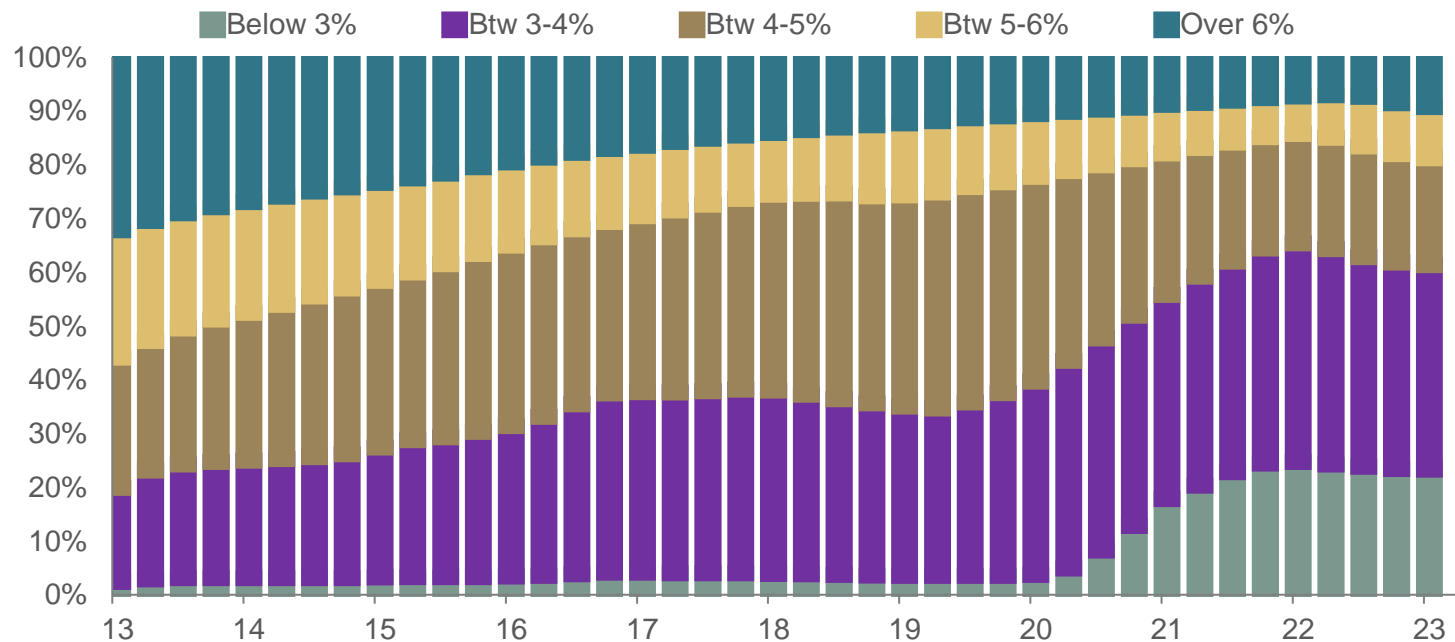
Federal Outlays



Composition of Mortgage Borrowing

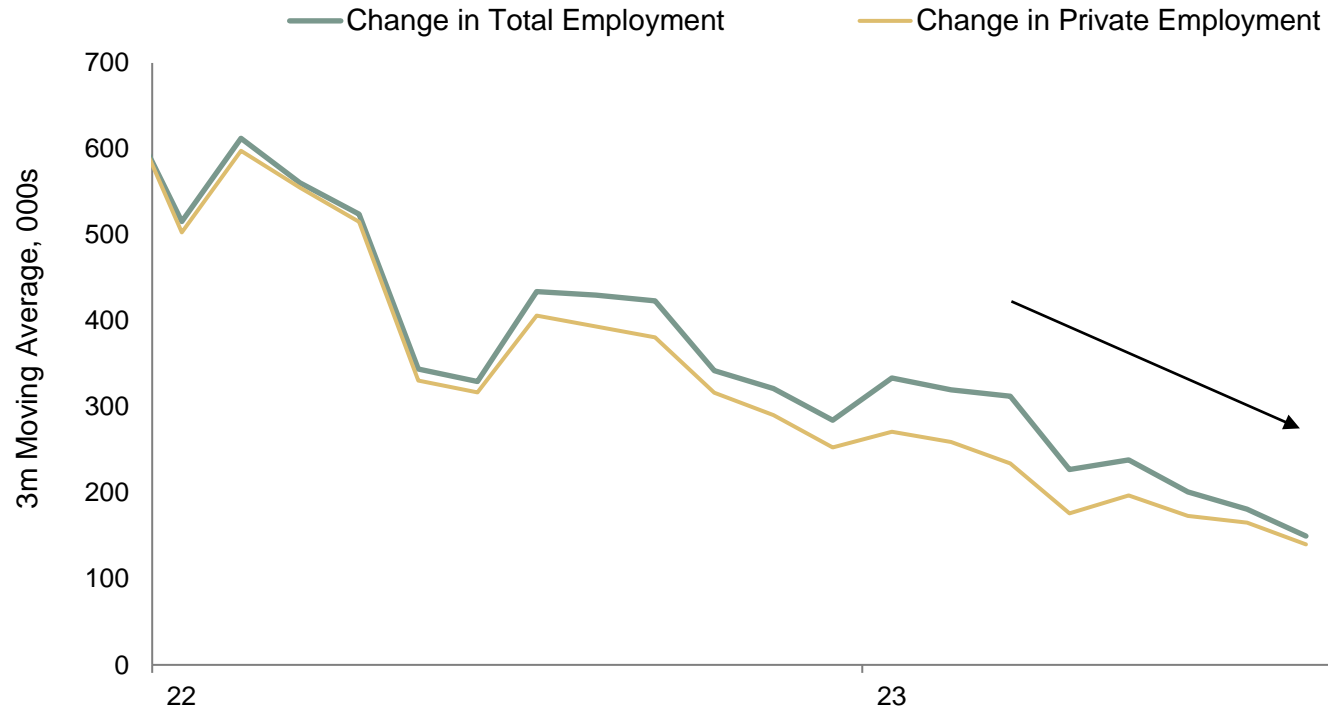
Homeowners have locked in mortgage rates that are well below current levels, thus removing an incentive for owners to sell.

Composition of Mortgages Outstanding by Interest Rate



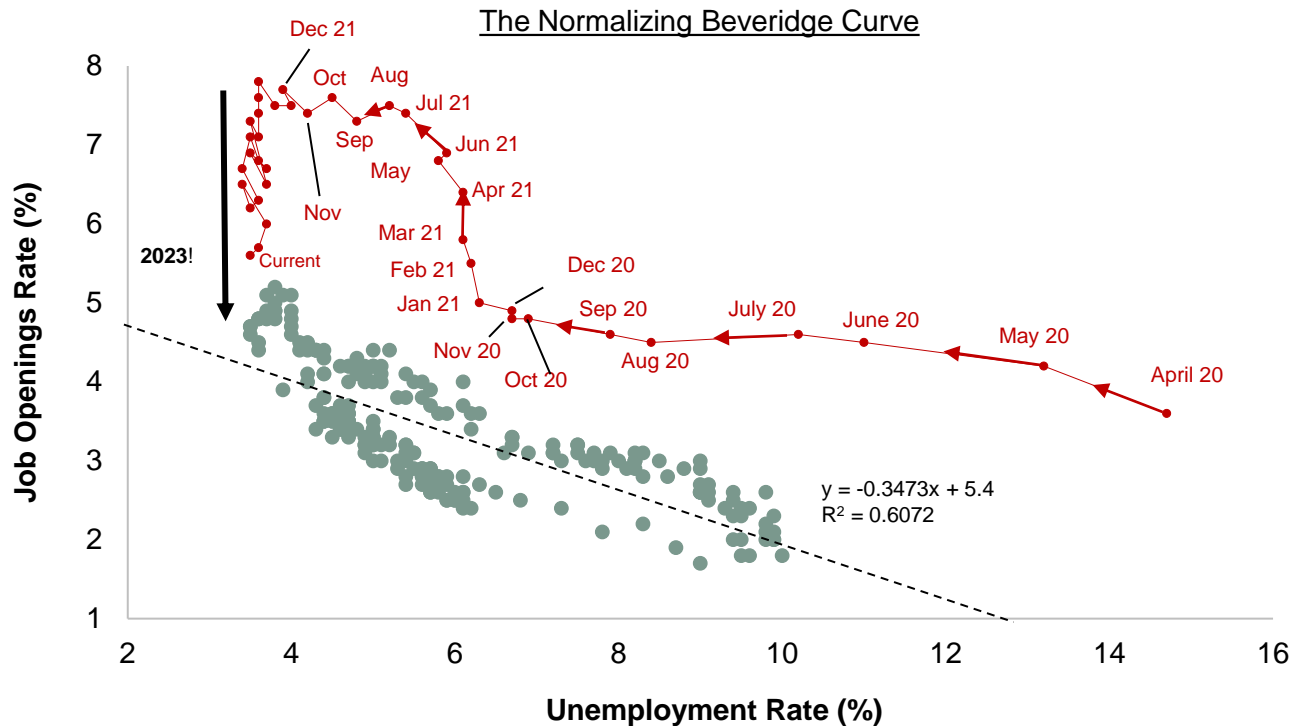
Slowing Job Growth

Although still positive (for now), job growth is slowing sharply.



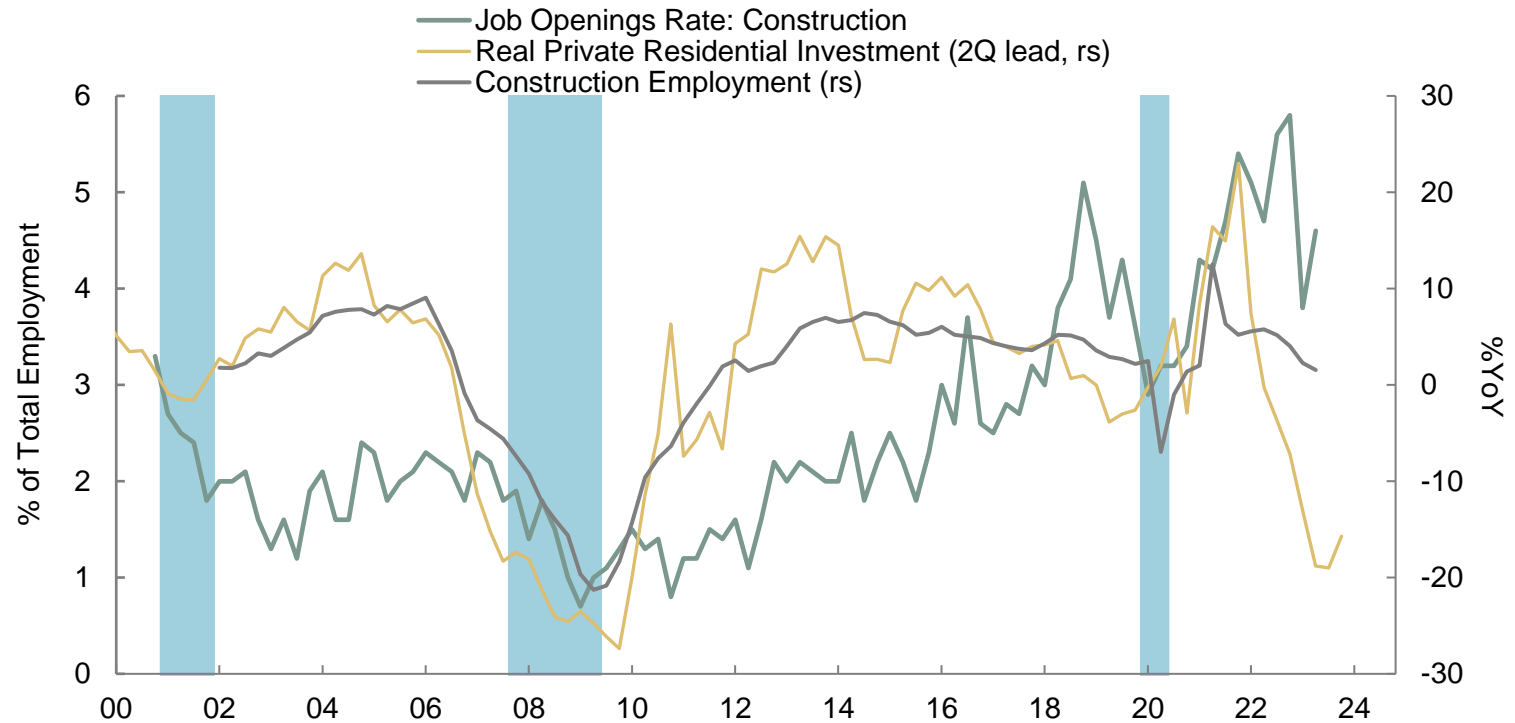
Labor Market Nearly Back to Normal

The labor market is retreating back to its pre-pandemic trend, following three years of overheating.



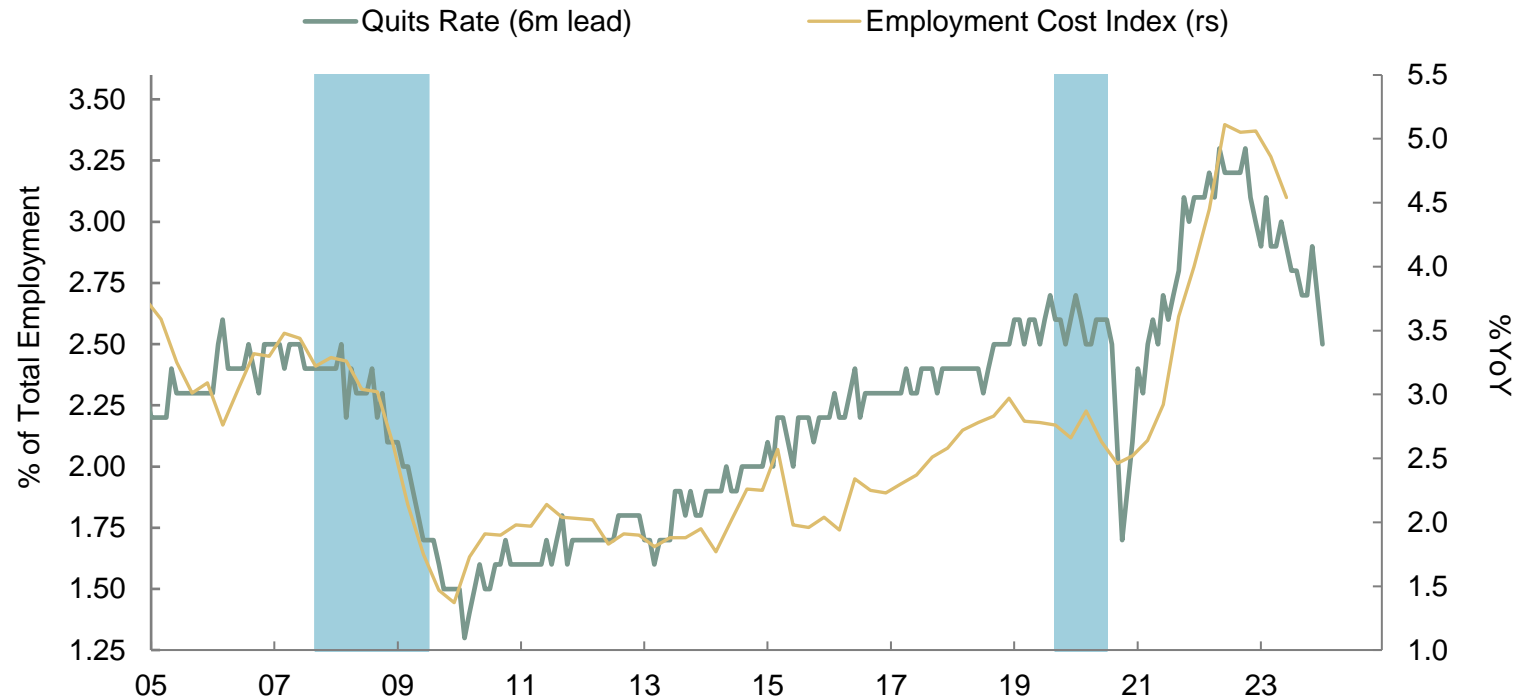
First Spending, Then Employment

Plunging real residential investment should lead to lower demand for construction jobs.



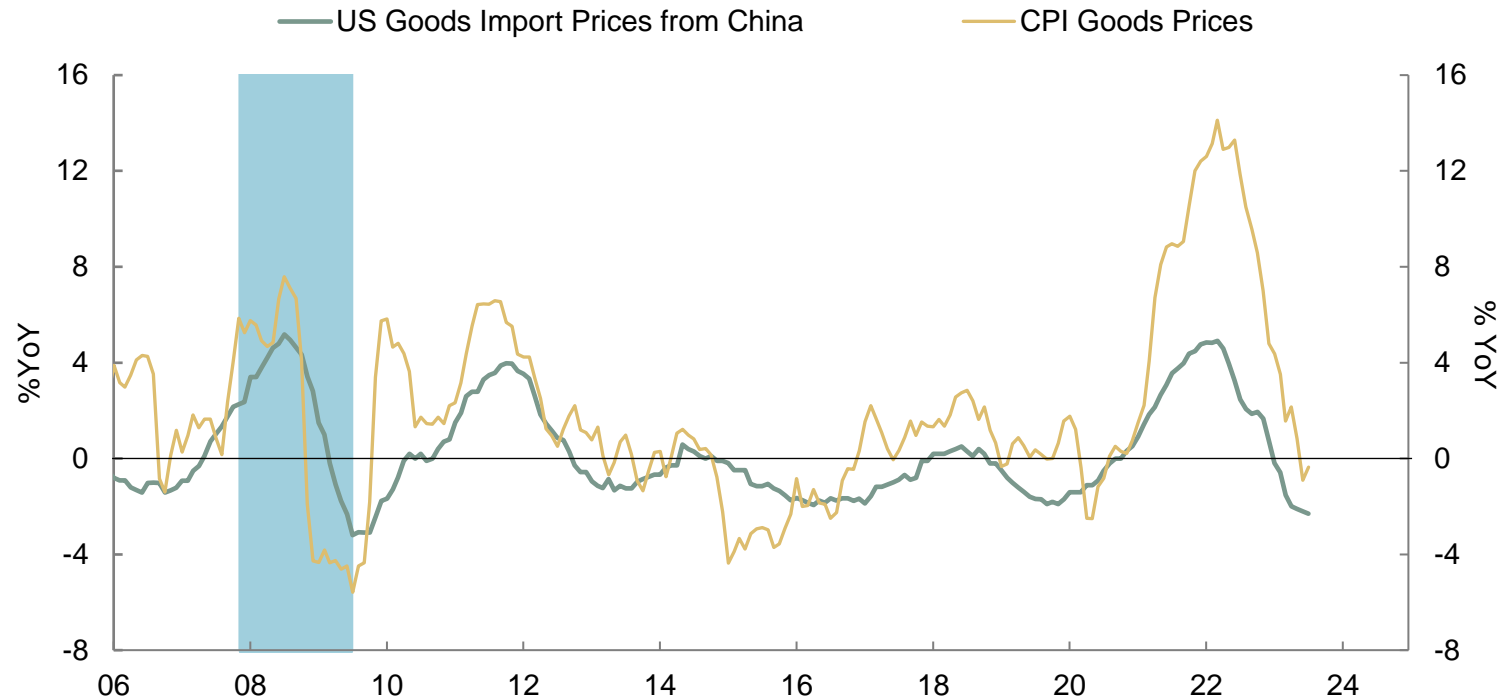
Declining Quits Signals Lower Wage Costs

The quits rate is back to pre-pandemic levels.



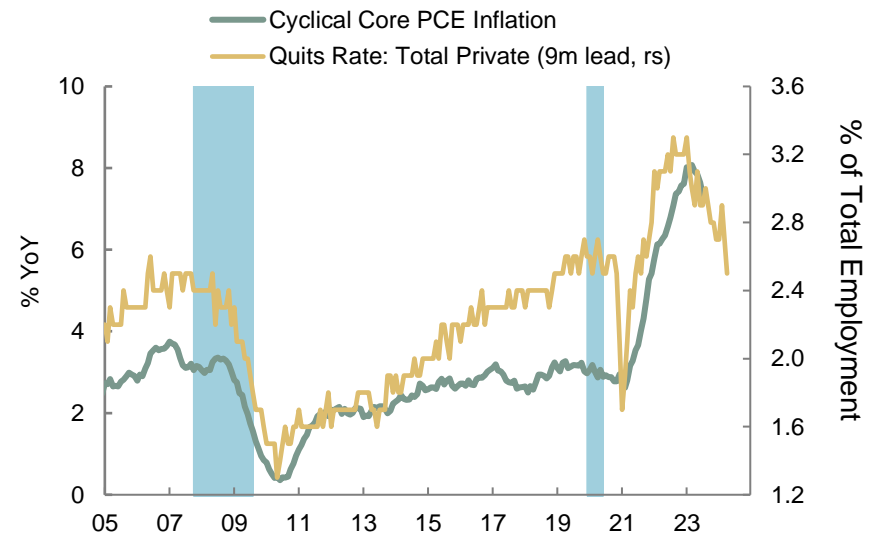
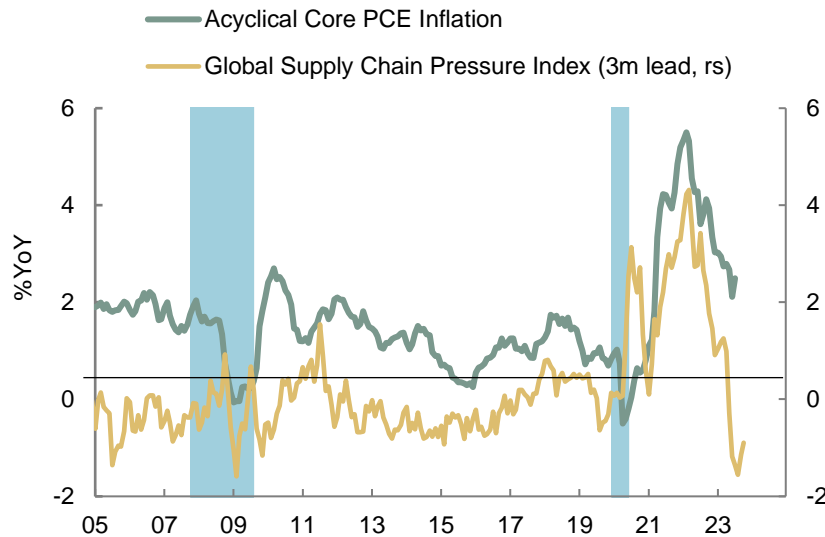
Inflation – Goods Prices vs. Import Prices

China is exporting deflation to the US.



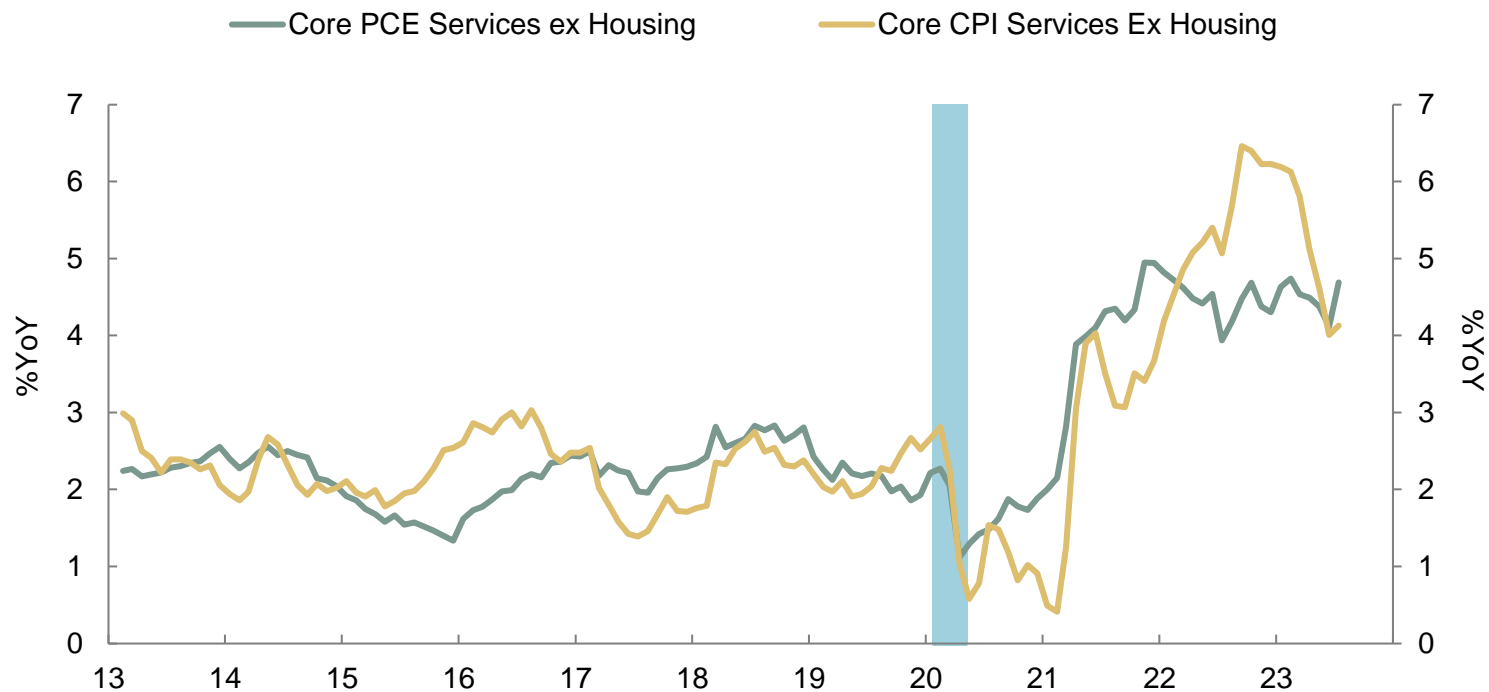
Supply Side Pressures Receding

Supply chains have normalized while the quits rate has declined.



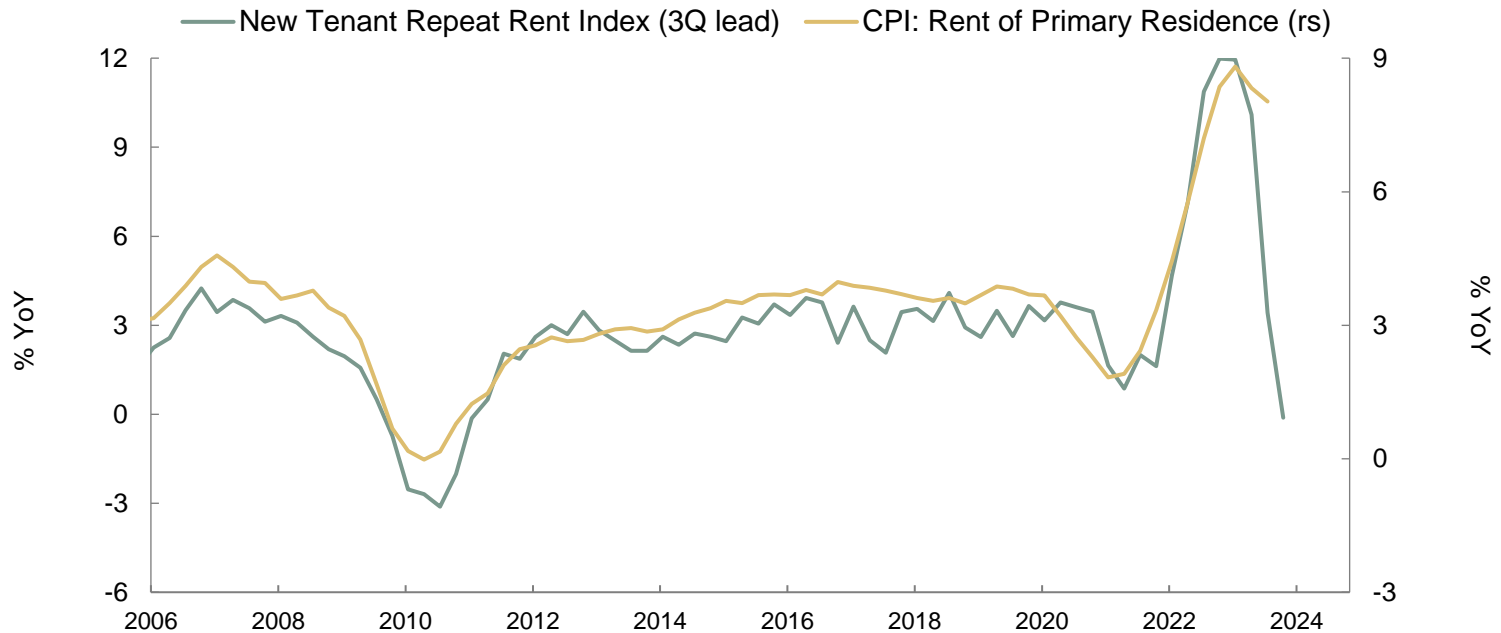
Inflation – Core Services ex Housing

Although the Fed’s “super core” inflation measure has trended sideways since last year, this is not the case with the CPI version, which has slowed considerably this year.



Rent Relief Coming

Rents have yet to slow due to the nature of the BLS' index construction. However, rental data from the Cleveland Fed suggests the opposite.



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