PK Assets

Fixed Income 7/2022:

Das Fed: Burns oder Volcker?

Bretton Woods III **UN World Food Price** *Bullard* **Soft Landing** **Deglobalisierung** Putin Schock *Big Government* Peak Inflation Policy Error Rezession Invertierte Zinskurve *Madame Inflation* **China Credit Impulse** China Zero Covid **Inflationserwartungen** End of Easy Money 75 Bips Hard Landing Q.T. 2.0 *Strong Dollar* **Hunger Crisis** Crop Protectionism *Demand Destruction* Triffin Dilemma Soft Landing **Bored Apes** Tina is Dead **Peak Hawkishness** *Euro Fragmentierung* **TINA is dead** *Covid Zero*

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Alter chinesischer Fluch

The flavour of the quarter

Das CPI wird zum Problem

NialThe Biden administration's number one problem is inflation. The polling is clear on that, and we are five months away from midterms that are set to hand both chambers of Congress back to the Republicans. (The public is interested in only one thing more than inflation, and that is Depp v. Heard.) *Niall Ferguson 6/2022*

Die Notenbanken sind zu spät

*It is becoming abundantly clear, though, that central banks face a very **uncomfortable trade-off** between failing to corral inflation and negative growth outcomes. The Bank of England was the first to really acknowledge this in their May monetary policy report, which basically forecast **no growth for an extended period** of time as a result of the inflation fight. It's hard to shake the notion that central banks now find themselves in a **no-win situation**. .. true that the likes of the Fed itself is culpable. Remember, they were still doing QE a few months ago! central banks are now in the uncomfortable spot of having to identify and choose between the lesser of two evils. There is every chance that an **"optimal policy choice" doesn't actually exist**.* *Cameron Crise 6/2022*

Die Notenbanken reissen das Steuer um

While in March only Bullard was voting for Fed Funds at 3% or higher by December, today no FOMC member (!) expects rates to be below 3% by year-end. Nobody. *Alfonso Peccatiello 6/2022*

*At its June 14-15 FOMC meeting, the **Federal Reserve raised the federal funds rate 75bp**, lifting the federal funds rate target range to 1.5 -1.75%. The Fed also **dramatically raised its projections** of the appropriate federal funds rate in 2022-2023, clearly signaling a stepped-up pace of monetary tightening.* *Berenberg 6/2022*

Das Prinzip Hoffnung ist ein mieses Prinzip

*Die Notenbanken können nur **hoffen**, dass sich einige der Faktoren, die momentan auf die Inflation wirken, möglichst bald verflüchtigen, zumindest abschwächen, sich in etwa das Problem mit den Lieferengpässen löst. Das würde sicherlich helfen. Trotzdem wird die Inflation dann nicht auf 2 Prozent sinken, sondern bestenfalls auf 3 oder 4 Prozent. Genau weiss das aber niemand. Umso witziger muten die Inflationsprognosen der EZB an, auf das Zehntel genau und über mehrere Jahre. Das ist eine absolute Anmassung.* *Bert Flossbach 6/2022*

Panik in den Bondmärkten: Die Zinsen steigen massiv

It's fast and it's furious and it's toxic for other asset classes. It's the rise in 10-year US real yields which have soared over 150 basis points in the past 60 trading days, while the Federal Reserve turned ever-more hawkish. Investors calculate real yields by adjusting nominal ones for inflation. That's the biggest surge since the US government started selling inflation-protected securities in the late 1990s, surpassing routs during the global financial crisis and the Taper Tantrum of 2013. Inflation-adjusted bond yields were negative for about two years, providing a key pillar of support for risk assets, which looked more appealing as a result. Their climb above zero has evaporated that positive backdrop, undermining equity valuations and threatening their relative attraction to bonds. Ten-year real rates have jumped to 0.88%, compared with a record low of minus 1.25% just seven months ago. *Bloomberg 6/2022*

In short, inflation shock not over, rates shock just starting, growth shock coming
Michael Hartnett BoA 6/2022

Die Notenbanken haben versagt

Die Notenbanker seit Greenspan werden in der Zukunft das gleiche Renommee haben wie Volcker, mit umgekehrten Vorzeichen

"Loretta Mester is the head of the Cleveland Fed and a 2022 voting member of the FOMC, is a 63-year-old academic economist. She joined the Philly Fed in 1985, a freshly minted Princeton PhD, and has never worked outside of the Federal Reserve system. Never. They are ALL part of the same inbred, arrogant, frequently wrong but never in doubt, Soviet nomenklatura-esque priesthood of central economic planning and control. John Williams , head of the NY Fed, has never held a job outside of the Federal Reserve system. Jim Bullard , head of the St. Louis Fed, has never held a job outside of the Federal Reserve system. Esther George , head of the Kansas City Fed, has never held a job outside of the Federal Reserve system. Mary Daly , head of the San Francisco Fed, has never held a job outside of the Federal Reserve system. Charles Evans , head of the Chicago Fed, has never held a job outside of the Federal Reserve system and academia. Raphael Bostic , head of the Atlanta Fed, has never held a job outside of the Federal Reserve system and academia. Kenneth Montgomery , interim head of the Boston Fed since Eric Rosengren resigned in disgrace, has never held a job outside of the Federal Reserve system. Meredith Black , interim head of the Dallas Fed since Rob Kaplan resigned in disgrace, has never held a job outside of the Federal Reserve system. Patrick Harker , head of the Philadelphia Fed, is not a Fed lifer. No, he's an academia and government lifer. Thomas Barkin , head of the Richmond Fed, is also not a Fed lifer. No, he's a former senior partner and CFO at McKinsey. LOL. Oh and fun fact… while she's no longer a regional Fed president (but is on the Fed board of governors), Lael Brainard had a stint at McKinsey as her only job outside of government and academia. So weird."
John Mauldin 5/2022

Eine Clique von den üblichen Verdächtigen

"Das Fed allein beschäftigt über 700 Ökonomen, deren marginaler Nutzen offenbar gegen null tendiert. (..) Das Verhältnis von deklarierten Demokraten zu Republikanern beim Fed beträgt gemäss Steve Hanke 48 zu 1."
Peter Frech 6/2022

Sie sind die Schöpfer einer gigantischen Fehlallokation von Ressourcen

"QE Era = Inequality & Inflation…QE caused value of financial assets (Wall Street) relative to the value of the economy (Main Street) to soar to record 6.3x; no coincidence staggering $11tn purchases of bonds by central banks past 2 years coincided with tech bubble . QE boosted asset prices, killed volatility, incentivized corporate buybacks culture…past 15 years corporations have increased stock buybacks $7.6tn, at same time increasing employee wages just $4.6tn,"
Michael Hartnett 4/2022

"Since early 2009, the Fed has provided the most accommodative monetary policy in human history with the express purpose of stimulating inflationary expectations and behaviors to something close to their 2% target. This effort was based on an essentially linear model of the macroeconomic relationship between the price of money and the velocity of money. "
John Mauldin 5/2022

"Post-2008 monetary policy unleashed deflationary forces no one anticipated. As often happens, well-intentioned plans had unintended side effects. Years of near-zero interest rates didn't just produce stock and real estate booms. They also changed how businesses operate in ways that are now adding to our inflationary pain. The Fed and other central banks financialized markets and business to an extent that we are just now recognizing, distorting the economy in ways that will haunt us for years. "
John Mauldin 6/2022

Die Notenbanken haben versagt

Der vorletzte Test? Inflation kann man totschlagen. Das Endgame kommt, wenn die Deflation zurückkehrt

“Es mag sein, dass die Zentralbanken mit ihrer hochriskanten Geldpolitik noch einmal den Kopf aus der Schlinge zu ziehen vermögen, indem sie der Öffentlichkeit noch einmal irgendwie glaubhaft machen können, dass die Geldschwemme und Tiefstzinsen überhaupt kein Problem seien. Indem die politischen Akteure ein digitales Zentralbankgeld einführen und das Bargeld abschaffen, um noch extremere Negativzinsen durchsetzen zu können. Indem der Staat auf massive finanzielle Repressionen setzt, um immer grössere Akteure vor dem Konkurs retten zu können. (..) Alle gesellschaftlichen Bereiche, die planwirtschaftlich geregelt werden, sind früher oder später zum Scheitern verurteilt, wie wir aus der Ökonomie wissen. Robust, anpassungsfähig und daher von dauerhaftem Bestand sein können nur Dinge, die dem marktwirtschaftlichen Wettbewerb ausgesetzt sind und sich daher immer wieder bewähren müssen. Das gilt auch für das Geld.”
Olivier Kessler in F&W 6/2022

Ohne Selbstzweifel mit dem steten Drang der Vergrösserung des Wirkungskreises

«Die angeschlagene Reputation von Powell und Lagarde zeigt: Formelle Unabhängigkeit nützt wenig, wenn der Wille fehlt, diese auch zu leben. (..) Eine Ära der Hybris neigt sich dem Ende zu. Eine Ära, in der manche Notenbank dem Irrglauben verfiel, die Inflation sei kein Problem mehr. Und weil die Inflation aus dem Blickfeld geriet, widmete man sich glamouröseren Themen. In den USA fühlte sich das Fed nach einer Strategieanpassung plötzlich verantwortlich für den Abbau von Ungleichheit oder den Schutz benachteiligter Gruppen. Und im Euro-Raum verstand sich die EZB zusehends als Klimaschutzbehörde.“
NZZ 6/2022

Federal Reserve:

All in

Zu spät?

Fed Funds fundamental

Die Kritik am Fed kam aus allen Ecken, von Dudley bis zum Wendehals Rogoff, alle fordern das gleiche:

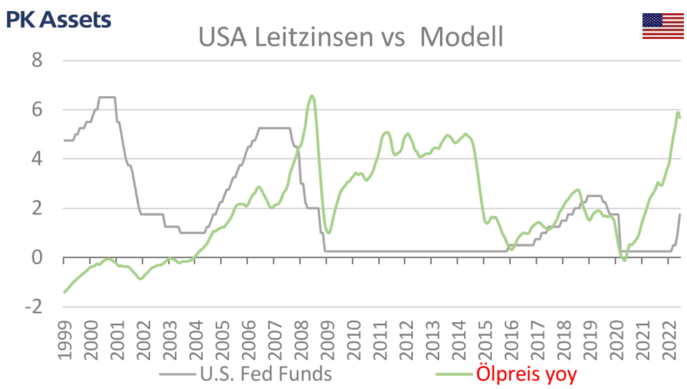
- **Demand Destruction**
- **Verschärfung Financial Conditions = höhere Zinsen, höhere Spreads, tiefere Aktien**
- **Rettung der Credibility**

«the Fed might need to go significantly beyond neutral to get inflation under control. Powell has so far refused to comment on the possibility, arguing that the central bank must first reach neutral before deciding whether to press on. This coyness is a mistake. It reinforces the jarring disconnect between Fed officials' commitment to curb inflation and their unwillingness to explain what that commitment will entail. It's hard to imagine that the Fed can address persistently above-target inflation without taking interest rates high enough to significantly loosen an extremely tight labor market. Yet in their March projections, officials still forecast inflation falling to within a whisker of their target even as the unemployment rate remained below the level that they assessed as consistent with stable inflation. If monetary policy operates through financial conditions, as Powell and I agree it does, why obscure what's necessary to keep inflation in check? If the central bank's messaging leads market participants to underestimate future tightening, that will leave financial conditions looser now, requiring the Fed to do more of the work through short-term rates. Worse, the Fed's sugarcoating could undermine its credibility, and hence its ability to do its job."
Bill Dudley 5/22

«A member of the monetary cognoscenti embarks on a course correction. Kenneth Rogoff, Harvard economist and author of the 2016 book The Curse of Cash, sounded the alarm over price pressures on Bloomberg Television this morning, opining that "I think they're going to have to raise interest rates to 4% or 5% to bring inflation down. . . it's clear that things are way out of control." What a difference two years can make. In the May 5, 2020 edition of Project Syndicate, Rogoff laid out the case for administered interest rates of negative 3% or lower to help turbocharge the Fed's support for the economy via levitated asset prices"
Almost Daily Grant's 5/2022

«How hard will the Fed fight inflation? Everything hinges on it. I hope and believe Jerome Powell will keep pushing until inflation drops below 3%. I don't know how long that will take, and I fully expect the Fed will break some things trying to get there. That's going to hurt but a 1970s rerun would be even worse. We have no good choices left."
John Mauldin 6/2022

Fed: Ein neuer Fokus: Öl



«All governments have understood that they are unlikely to remain in office if inflation is not brought back under control"

.. Und die Notenbanker offensichtlich auch

Nicht das CPI, nicht der Arbeitsmarkt, nein: Das Öl ist der neue Fed-Fokus!

Fed Pivot:
„The Fed does not want inflation expectations to get out of hand. And so the Fed will tighten in response to high oil prices. The Fed implicitly said, I think, it is willing to pay the price of recession to get the price of oil down"

Das Fed hat Angst vor einer Wiederholung der 70er Jahre

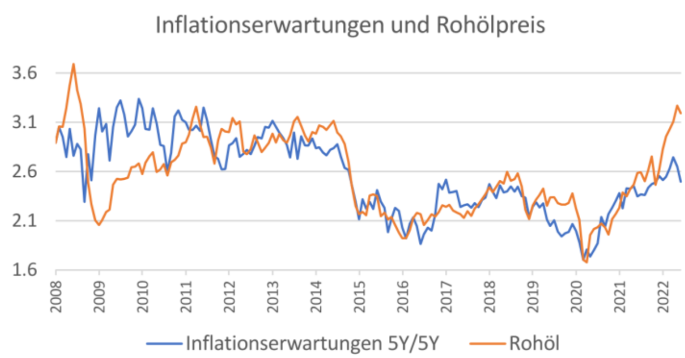
Die Ähnlichkeiten sind beunruhigend, kommt wieder die Eskalation?

"(..) parallel with the 1970s is the contribution energy prices make to inflation. And in both cases, a war served to trigger it. (..) Going into October 1973, inflation was already a serious problem. Nixon had imposed a wage and price freeze and closed the gold window. Unemployment was rising rapidly. Then the other shoe fell. "In October 1973, with Nixon wallowing in the Watergate scandal, Egypt and Syria caught Israel by surprise in a stunning and unexpected attack. The U.S. held back from supporting Israel, but as Israel started to run out of artillery shells and other necessities, the U.S. began to airlift supplies in. Arab oil producers responded by placing an oil embargo on the United States and Israel's other supporters, particularly in Europe. "It was a stunning blow to the U.S. economy, where oil prices not only rose but oil became unavailable. Gas stations that had fuel had lines of cars a half mile lined up. Oil was an essential commodity, and it was unavailable. Inflation surged. Unemployment soared as businesses closed. Interest rates rose as banks protected reserves. The oil embargo continued for months among some producers. It's not excessive to say that the American and other economies were heading toward meltdown." This has some parallels with 2022. Energy prices and inflation were already rising before Russia attacked Ukraine. Like the Arab Israeli War, the Ukraine War intensified prior trends. There is a key difference, though. In 1973 the Arab countries refused to sell oil to the US and its allies. In 2022, the US and its allies, while not fully boycotting (yet), are trying to drastically reduce what they buy from Russia. But the result is the same: higher energy prices for consumers almost everywhere. This feeds through to other prices, raising inflation. We are in somewhat better shape this time around because the US has much more domestic production capacity. We also have significant renewable energy sources. But relative to demand, they still aren't enough, and we have few ways to quickly increase supply. This means any price relief will have to come from reduced demand."
John Mauldin 6/2022

Fed: Ein neuer Fokus: Öl

«All governments have understood that they are unlikely to remain in office if inflation is not brought back under control”

Warum das Öl?



Pavlov: Der Markt für Inflationserwartungen folgt dem Ölpreis.

Die Inflationserwartungen 5Y/5Y erachten wir als Gradmesser des Marktes für die Glaubwürdigkeit der Notenbank.

Kontrolliert das Fed den Ölpreis, dann kontrolliert sie das Marktvertrauen

“It feels like the Fed has really raised the stakes on oil because obviously high oil creates all kinds of problems. It’s very difficult for consumers. It creates all kinds of challenges. But at the recent Fed meeting, you know, you heard Chairman Jay Powell say, look, consumers don't think about core versus headline inflation, right? They just think about headline inflation. And if inflation stays high or gasoline prices stay high, then that could lead to increased inflation expectations. The Fed does not want inflation expectations to get out of hand. And so the Fed will tighten in response to high oil prices. The Fed implicitly said, I think, it is willing to pay the price of recession to get the price of oil down.”
Joe Weisenthal Bloomberg 6/2022

Wir sollten uns auf eine neue Reaktionsfunktion des Fed vorbereiten

“Over the last decade, we have been conditioned to think of Central Banks’ reaction functions in a linear fashion.
Inflation (expectations) decelerate below 2%, Central Banks ease.
Inflation (expectations) accelerate above 2%, Central Banks tighten (ok, that was rare).
Always in a proportional, measured way.
But when core inflation remains too high for too long, price pressures are broadening and inflation expectations are at risk of upside de-anchoring…f*ck the linear reactions.”
Alfonso Peccatiello 5/2022

Aber ist der Ölpreis ein sinnvoller Fokus für eine Notenbank?

Fed: Ein neuer Fokus: Öl

Aber ist der Ölpreis ein sinnvoller Fokus für eine Notenbank?

Es ist ein Gamble! (Schon wieder ein Gamble einer Notenbank!) Denn <u>Zweifel</u> sind angebracht:

a) Das Fed kann kein Öl produzieren, muss die Notenbank die Wirtschaft totschlagen, um den Ölpreis zu bändigen?

"The question of oil prices is no longer just about making a tactical call on an important macro asset. It has become the macro question following the elevation of headline inflation by Chair Jay Powell to the most important indicator that the Fed is watching. (..) In other words, the Fed is looking to destroy demand until it impacts oil prices – even as it acknowledges its limitations in influencing headline inflation – in order to keep long-term inflation expectations well anchored.
Clockworktower Group 6/2022

b) Selbst wenn: Es ist kaum neues Supply absehbar

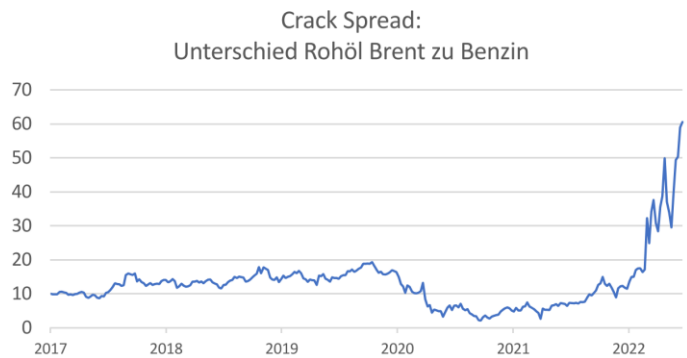
"one of the things we've often heard as a reason for lackluster interest and investment is "sure, the price of oil is very high, but backwardation is extreme, right?" So, you know, the price of oil 12, 18 months out is considerably lower. And that's where they would effectively be hedging in their production. So that's really in some ways the price that matters more than the spot price. So what's interesting here, particularly when relating it to discussions of, you know, Chairman Powell's worries about an unmooring of inflation expectations, consumers care about the spot price. Whereas producers probably care about a price, you know, 12 to 18 months down the line."
Rory Johnston, Commodity Context 6/2022

"In einem normalen Zyklus wäre bei sinkenden Lagern, steigenden Preisen und höherer Profitabilität längst wieder Kapital in die Öl- und Gasindustrie geflossen. Stattdessen halten ESG-Auflagen viele Investoren davon ab, in den Sektor zu investieren. Die Kapitalausgaben der Unternehmen liegen immer noch 50% unter dem Höchststand, bei den Schiefergasfeldern in den USA sind es sogar 60% weniger. Trotz dem rekordverdächtigen freien Cashflow geben die Förderkonzerne das Geld lieber durch Ausschüttungen an die Aktionäre zurück, als neue Bohrungen zu starten."
Adam Rozencwajg 6/2022

c) Höhere Zinsen sprechen nicht unbedingt für tiefere Ölpreise

"what's really interesting here in particular is, you know, even in years where we've had very serious recessions, like back in the 2008/2009 financial crisis, you didn't actually see that much of an outright contraction in global oil demand. It was really more of a flattening typically. (..) So it would help, but it would help in a very disruptive and kind of economic and socially deleterious way. The other irony here, not only would you theoretically by bringing prices down, reduce the incentive to invest more in new supply. (..) one of the things I think will drive eventual E&P reinvestment will be the performance of their equities. And what we've seen by this aggressive move by the Fed has obviously taken a tremendous amount of air of the overall market, but that includes oil and gas equities, which while still performing very well have actually fallen back considerably over the past week or so. So that again, I think pulls back in the wrong way."
Rory Johnston, Commodity Context 6/2022

Fed: Ein neuer Fokus: Öl



d) Auch eine wesentliche Facette des Ölbooms: Die massiv höheren Kosten der Raffinerie.

Benzinpreise steigen noch schneller als die Rohölpreise!

Das Fed kann nicht nur kein Öl produzieren, es kann auch nicht das Öl raffinieren:

The oil market is projecting a false sense of stability when it comes to energy inflation. Instead, the real economy is suffering a much stronger price shock than it appears, because fuel prices are rising much faster than crude, and that matters for monetary policy. (..) only oil refiners buy crude — and therefore, are exposed to its price. The rest of us — the real economy — purchase refined petroleum products like gasoline, diesel and jet-fuel that we can use to run cars, trucks and airplanes. It's those post-refinery prices that matter to us. Typically, the price of crude and the price of refined products go up and down in tandem, almost symmetrically. What's in between is a refining margin. In normal times, WTI is a handy price shorthand for the entirety of the petroleum market. So when, say, U.S. Federal Reserve Chairman Jerome Powell looks at WTI, he gets a neat picture of the whole energy market. But we aren't in normal times. Right now, the traditional relationship between crude and refined products is broken. WTI is anchored around $100-$110 a barrel, suggesting that — in barrel terms — gasoline, diesel and jet-fuel prices shouldn't be much higher, once you add the average refining margin. In reality, they are a lot more expensive. Take jet-fuel: in New York harbor, a key hub, it's changing hands at the equivalent to $275 per barrel. Diesel isn't far away, at about $175 a barrel. And gasoline is at about $155 a barrel. Those are wholesale prices, before you add taxes and marketing margins. What's changed? Refining margins have exploded. And that means energy inflation is far stronger than it appears. Oil refineries are complex machines, capable of processing multiple streams of crude into dozens of different petroleum products. For simplicity's sake, the industry measures refining margins using a rough calculation called the "3-2-1 crack spread": for every three barrels of WTI crude oil the refinery processes, it makes two barrels of gasoline and one barrel of distillate fuel like diesel and jet-fuel. From 1985 to 2021, the crack spread averaged about $10.50 a barrel. Even between 2004 and 2008, during the so-called golden age of refining, the crack spread never surpassed $30. It rarely spent more than a few weeks above $20. Last week, however, the margin jumped to a record high of nearly $55. Crack margins for diesel and other petroleum products surged much higher. There are four main reasons behind the explosion in refining margins. First, demand — particularly for diesel — has rebounded strongly, depleting global inventories. In some markets, like the U.S. East Coast, diesel stocks have fallen to a 30-year low. Despite rising prices and fears of an economic slowdown later this year, oil executive say they see strong consumption for now(..) Second, the U.S. and its allies have tapped their strategic petroleum reserves to cap the rally in oil prices. That has provided extra crude, which has put a lid on WTI prices, but it hasn't addressed the tightness in refined products. Only a small fraction of the emergency release is in the form of refined products, and only in Europe. Third, and perhaps most importantly, refining capacity has declined where it matters for the market now, and the plants that are operating are struggling to process enough crude to satisfy the demand for fuel(..) the largest decline in 30 years. The downward trend started well before the pandemic hit, as old Western refineries struggled to compete, environmental regulations increased costs and the unfounded fear of peak oil demand amid the energy transition prompted some companies to close plants. The fuel-demand collapse triggered by Covid-19 only turbo-charged the trend, resulting in dozens of refinery operations shutting down for good in Europe and the U.S. in 2020 and 2021. (..) Fourth, are the sanctions and unilateral embargos — also known as self-sanctions — on Russian oil. Before the invasion of Ukraine, Russia was a major exporter not just of crude, but also of diesel and semi-processed oil that Western refiners turned into fuel. Europe, in particular, relied on Russian refineries for a significant chunk of its diesel imports."

Javier Blas 5/2022

Fed: Ein neuer Fokus: Öl

Und trotzdem könnte das Gamble des Fed aufgehen, aus drei Gründen:

a) Der Ölpreis schwankt, das Fed könnte Glück haben

b) Es gibt kaum etwas mächtigeres als den Basiseffekt!

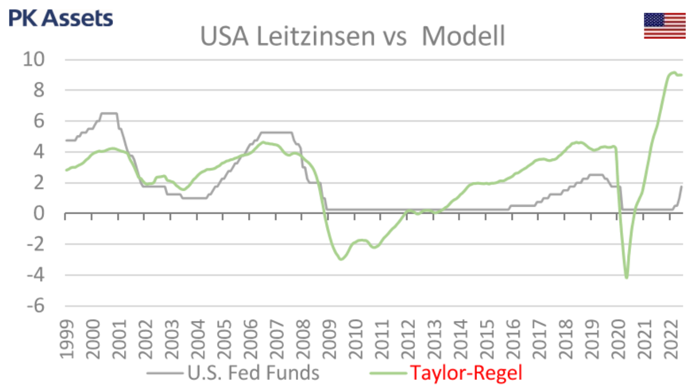
c) Ausgerechnet Russland könnte helfen:

" Long commodities, particularly oil, is the consensus trade among macro investors. However, investors are hanging their bullish oil thesis hat on the hook of geopolitical risk premium emanating from the war in Ukraine. The war could get bogged down in the East of the country, far from NATO borders and far from the country's population centers, fraying the political capital behind the Transatlantic alliance. There are already signs that European leaders are beginning to pressure Kyiv to negotiate with Russia. The geopolitical risk premium in oil prices could dissipate very quickly if Russia declares "mission accomplished" with the conquest of Donbas or if the war stalls in the East. This would allow the Fed to pivot away from peak hawkishness. (..) As we posited at the very beginning of this conflict, what oil bulls need is not an EU oil embargo, but rather a Russian self-imposed oil embargo. For the Ukraine conflict to truly have shades of the 1973 Yom Kippur War, Russia has to play the role of OPEC and abrogate its own supply of crude to the world. Just because everyone is long crude does not mean that the consensus is wrong. However, we suspect that most investors are unaware of how much their entire view hinges on the conflict in Ukraine. (..) In the context of the Fed's pivot to headline inflation, this is not just an oil call. With expectations of rate hikes at their most elevated, we may have reached peak hawkishness if the conflict in Ukraine abates."
Clocktower Group 6/2022

Seit über 40 Jahren sind die U.S. Leitzinsen - für eine wahrscheinlich kurze Zeit - ohne Fed Put unterwegs!

Wie hoch müssten fundamental die Leitzinsen steigen?

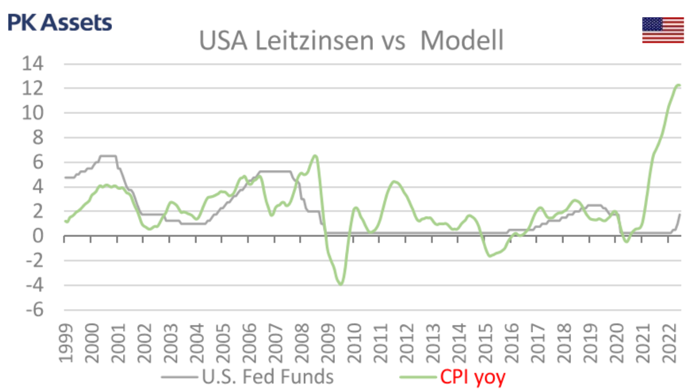
Fed Funds fundamental



Die Taylor-Regel: Eine erste Annäherung

Die Taylor-Regel würde für eine Höhe der Fed Funds sprechen, die die amerikanische Wirtschaft geradezu vernichten würde.

Was wäre realistischer?



Das CPI: Eine zweifellos wichtige Determinante

Aber auch hier: Das CPI impliziert einen Leitzins, der ins wirtschaftliche Nirvana führt. Das Fed funktioniert nach dem Prinzip Hoffnung.

An Zynismus kaum zu übertreffen:

«Price stability is of greatest importance for lower-income families because they spend more than three-quarters of their paychecks on essentials like groceries, gas or bus fare, and rent – more than double the 31 percent spent by higher-income households. High inflation is our most pressing challenge. That is why we are taking strong actions that will bring inflation back down.»
Lael Brainard 5/2022

In was für einer Welt leben die Notenbanker?

Fed Funds fundamental

Bleiben wir beim CPI

Das CPI-Wachstum dürfte hoch bleiben, Peak hin oder her

Der CPI-Anstieg bleibt breit abgestützt

"May's above consensus m/m print reflects sharp increases in gasoline and fuel costs, accelerating services inflation with the shelter component in particular gathering additional momentum, and broad-based price gains across food and durable goods categories. (..) Core services inflation (excluding energy) continues to accelerate, increasing 0.6% m/m and 5.2% yr/yr, consistent with the ongoing shift in the mix of consumption from goods to services (..) Shelter costs, which account for over one-third of headline CPI and 40% of core CPI, accelerated rising 0.6% m/m reflecting the lagged impact of the rise in market rents and home prices over the last 16 months. Shelter costs have jumped 6.7% on a three-month annualized basis"
Berenberg 6/2022

Shelter bleibt hoch, es folgt mit 6 Quartalen den Häuserpreisen, diese sind auf Rekordhoch

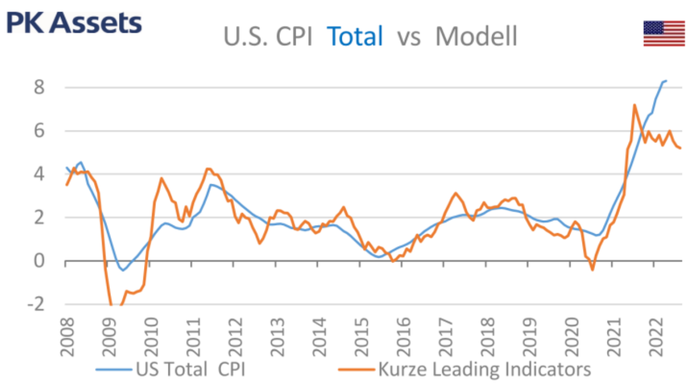
"Another long-held fear coming to fruition is a pickup in shelter inflation, which accounts for about a third of the index. It was well below average entering last year, but rising rents and house prices have now brought it to the highest in three decades. This is a problem for the Fed because — unlike food or fuel inflation — house prices and rents react directly to monetary policy. It was possible to argue against rate hikes on the basis that they wouldn't shift oil or grain prices. Plainly, tighter monetary policy should help rein in an overheating housing market"
John Authers 6/2022

"we expect shelter inflation will remain elevated through mid-2023 at least, which together with an acceleration in services inflation will likely offer little respite on sequential m/m core inflation prints through 2022 "
Berenberg 6/2022

Was sagen unsere CPI-Modelle?

- **Steigt das CPI weiter?**
- **Rollt es über?**
- **Kommt es genügend schnell zurück? Oder bleibt es so hoch, dass das Fed laufend weiter hiken muss?**

Fed Funds fundamental

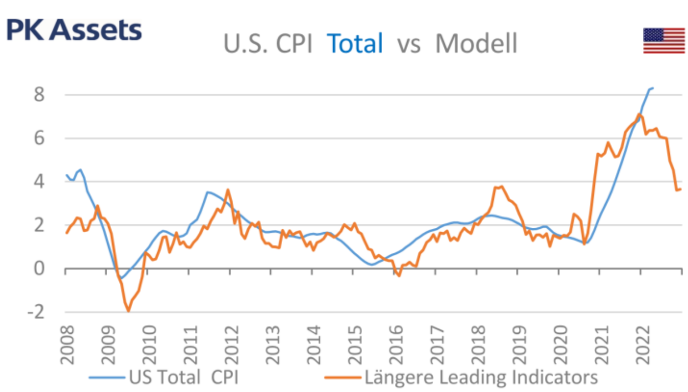


CPI: Kurze Vorläufer:

Gemäss unserem Modell ist das CPI am peaken

Kurze Vorläufer:

- Benzin-Future
- FAO Food Price Index
- TIPS Break Evens
- KMU Preiserwartungen
- ISM Preiserwartungen



CPI: Längere Vorläufer:

Gemäss unserem Modell dürfte das CPI zurückkommen, zuerst zögerlich dann deutlich

Längere Vorläufer:

- Supply Chain Tracker
- Monetary Conditions
- Global M2

Fed Funds fundamental

Etwas tiefere Teuerung, auf Levels, die signifikant höher sind als das Inflationsziel (2%) entspricht etwa dem Konsens im Blätterwald:

Das CPI „muss“ und wird zurückkommen

“the Fed isn’t likely to stop raising interest rates until it sees strong evidence that both are clearly coming down”
Jonathan Levine 6/2022

“Our argument is that this month of May marks the climax of expected monetary restriction by the Federal Reserve: “peak hawkishness”. In other words, the perception of the CB policy response to inflation is climaxing. This interpretation only makes sense in a context in which the surge of inflation in the major economies is at its apogee. Indeed, it seems to us that the upward surprises delivered by consumer price data are at their highest level and the phase of rapid upward revisions of inflation forecasts in the major economies is coming to an end.”
KeplerChevreux 5/2022

“there’s at least one solid reason for hope that we’ve seen “Peak Inflation” — base effects are about to get very favorable. Year-over-year inflation numbers for each of the next three months will see a month of very bad inflation from last year drop out of the equation. Therefore, the eye-catchingly high numbers of late should soon moderate. The peak should be in. ”
John Authers 5/2022

Die Wirtschaftssubjekte schauen bereits weit nach vorn:

“Im Chipsektor zeichnet sich eine massive Angebotsschwemme ab. «Der gesamte Sektor, nicht nur die Hersteller von Equipment zur Halbleiterproduktion, wird sich an einem Punkt mit Überkapazitäten konfrontiert sehen. Wenn man all die Kapazität der neuen Fabriken zusammenrechnet, von denen Intel, Micron, Samsung und TSMC sprechen, werden wir mit Halbleitern überschwemmt werden ... Wir erleben die Mutter aller Zyklen oder einen Super-Duper-Zyklus.»”
Robert Maire in The Market 6/2022

“Bei Frachtkapazität droht Überangebot: Das dürfte vor allem Reedereien wie Maersk und Hapag-Lloyd vor Probleme stellen. Ihnen droht ohnehin ein Rückfall in Überkapazitäten – auch ohne Rezession –, sollte sich die Lieferkettenproblematik entspannen. Hapag-Lloyd etwa musste ihre Containerflotte um rund 625’000 TEU-Container (20-Fuss-Standardcontainer) auf mehr als 3 Mio. aufstocken, weil zahlreiche Container in Seehäfen feststecken und nicht genutzt werden können. Das könnte ihr noch auf die Füsse fallen. Rolf Habben Jansen, CEO von Hapag-Lloyd, warnte vergangene Woche an einer Veranstaltung, dass die ganze Branche bald «in Containern schwimmen» werde, wenn sich die Staus in den Häfen auflösten. Das Problem: Die Transportwirtschaft baut ihre Kapazitäten weiter munter aus. Laut Habben Jansen rechnet die Branche für 2023 mit einem Wachstum von 8% bei den Transportkapazitäten, während das Volumen im globalen Containertransport nur 4% wachsen soll.”
Henning Hölder 5/2022

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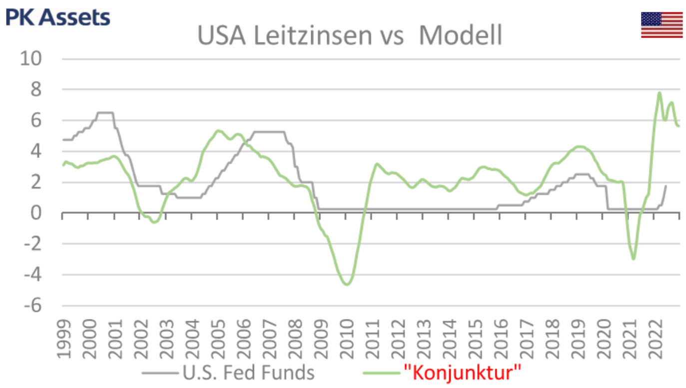
Henning Hölder 5/2022

«Ich habe schon oft erlebt, dass auf eine Angebotsschwemme keine Knappheit folgte. Aber ich habe noch nie erlebt, dass auf eine Knappheit keine Angebotsschwemme folgte.»
Nassim Taleb

Fed Funds fundamental



Konjunktur:

- 33% GDP
- 33% Leading Indicators
- 33% PMI

Eng mit dem CPI und dem Leitzins verwebt: Die Konjunktur:

Es ist eindeutig: Die Konjunktur lässt nach.

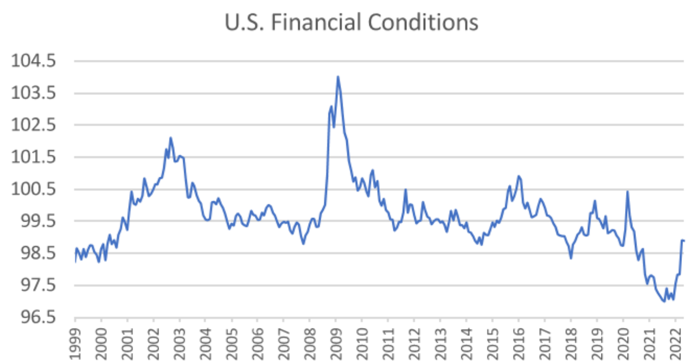
Aber eine Rezession noch im 2022 scheint unwahrscheinlich

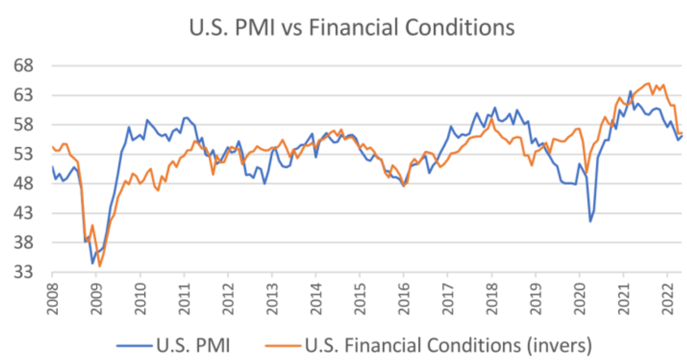
«Our perception is that the risk of recession in the USA is later rather than sooner, for the period from the middle of next year into 2024. The economy is still benefiting this year from the lagged effects of the hyper-expansionism of 2020-2021 and the removal of covid restrictions. The downturn in the US housing market has just begun. The deterioration of the labour market is hardly apparent yet. Similarly, the profit recession is 2023-2024, not this year."
KeplerChevreux 5/2022

Wie immer wird über die Wahrscheinlichkeit eines «Soft Landing» verhandelt:

"Alan Blinder, the Fed's former vice chairman, made a presentation called Landings Hard and Soft, in March this year that argued there'd been quite a few soft or at least soft- ish landings. (..) A positive take on this is that a Fed tightening cycle hasn't ended with a serious recession since the Age of Paul Volcker. The negative way to look at it is that all the cycles that ended without a hard landing happened with inflation significantly lower than it is today. Indeed, inflation is now very close to the levels at which the Fed has felt obliged to crash-land the economy in the past. (..) If interest rates can rise without directly crashing demand, there remains a risk that they can trigger a financial accident bad enough to create a recession. This would fit the model of the two worst US recessions of the last hundred years, the implosions of 1929 and 2008. (..) a Fed hiking cycle more or less invariably ends with a financial failure of some magnitude: Lightning almost never hits in the same place twice, or at least not twice in a row. (..) When the Fed next starts to hike rates, we discover that leverage has gone just where regulators should instead have been focusing their attention."
John Authers 6/22

Fed Funds fundamental





Konjunktur: Klar ist:

Die Financial Conditions beginnen zu beissen

«Tightening Is Already Working: Look at broad measures of money in the system, and growth has already plummeted in spectacular fashion. After an extraordinary expansion in 2020, year-on-year changes in both the euro zone and the U.S. are back to normal ranges, though still toward the top. Extreme growth is over, and will continue to slow from here: Chris Watling of Longview Economics Ltd. in London suggests that falling monetary aggregates in combination with rising rates mean that the steps to crush inflation have already been taken. "
Bloomberg

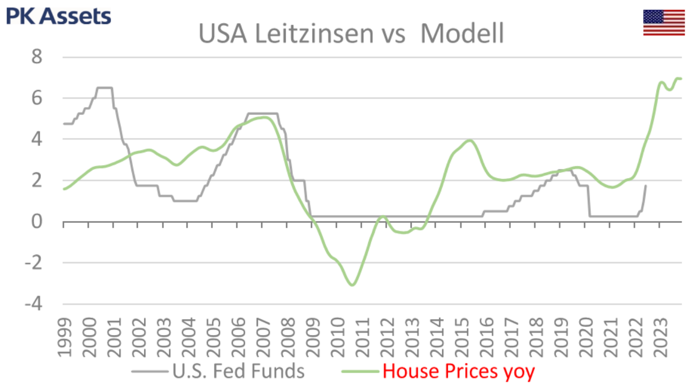
Das Momentum shiftet Richtung «Rezession»

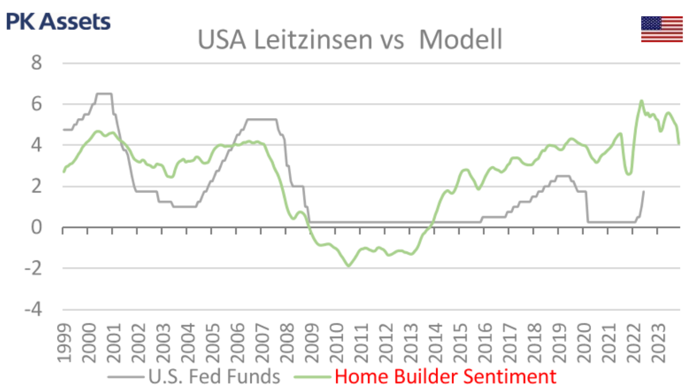
"The market's focus is rotating from orthodox growth concerns toward outright recession"
Cameron Crise 6/2022

"The aggressive reaction of the US Fed to the rise in US inflation to 8.6% yoy in May and the new spike in gas prices in Europe have tipped the balance – a fall in GDP in the US and Europe has now turned from a serious risk into our base case."
Berenberg 6/2022

"What lies ahead? Well, after the inflation there usually comes the recession, with the danger of stagflation if the monetary medicine has been administered at the wrong time or in the wrong dose, driving up what used to be called the "misery index" (the sum of the inflation and unemployment rates). How likely is that scenario? Very. In the entire postwar period before 2021, there were six quarterly instances of inflation running above 5% while the unemployment rate was below 5%. From the start of such an episode, the median time to the start of a recession was 6.5 quarters, with a mean of 6.7 quarters. Since the fourth quarter of last year — and for the first time since 1973 — inflation has been above 5% and the unemployment rate below 5%. If history is an accurate guide, this would imply a high probability of a recession beginning in 2023."
Niall Ferguson 5/2022

Fed Funds fundamental





Oft im Zentrum, wenn die Konjunktur dreht: Der Häusermarkt

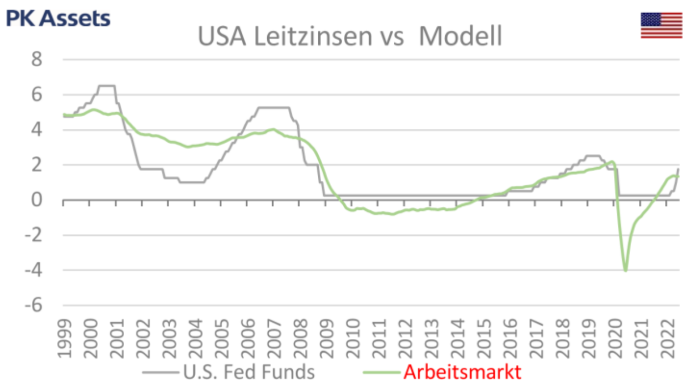
Noch sind die Häuserpreise brutal hoch, aber das Sentiment bröckelt

Die Hypothekenzinsen beissen

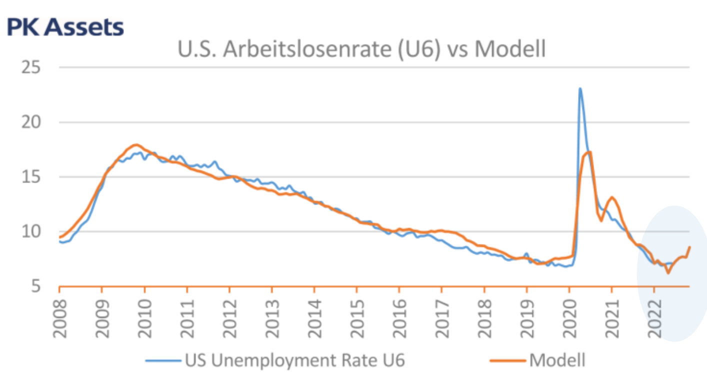
“Rates in the mortgage-backed bond market are surging, as would be expected given the move in Treasuries, while the rates actually offered to US borrowers are even higher. Typical 30-year mortgage rates are now a whisker below 6%, and approaching the pre-crisis high of 2006: This is another market that has been churned by the pandemic (..) prices have taken off. The S&P Case-Shiller index of houses in 20 major cities topped in 2006 and had lagged behind inflation ever since — until earlier this year. New York and Miami, which were both the subject of particularly excited action during the property bubble 16 years ago, have also seen prices surge: This is uncomfortably reminiscent of the conditions that triggered the global financial crisis. Mortgage lending hasn’t been so loose this time, and the main commercial banks aren’t as exposed. So the systemic implications aren’t as profound. But the prospect of suffering leveraged losses on assets that people cannot afford to be without is still painful.
John Authers 6/2022

Das Sentiment dreht

Fed Funds fundamental



Arbeitsmarkt:
50% Arbeitslosenrate U6 (-)
50% US Labor Force Participation Rate



Modell:
30% KMU-Vertrauen
10% Neue Aufträge Industrie
50% Arbeitsmarkt-Vorläufer
5% Konsumentenvertrauen
5% Sparrate

In den letzten Jahrzehnten im Fokus des Fed: Der U.S. Arbeitsmarkt ist stark, aber könnte den Höhepunkt überschritten haben

Gemischte Signale

"Just a couple of days after reporting the biggest drop in job openings since April 2020, the Labor Department said Friday that the unemployment rate held steady at 3.6% in May for the third month, while the labor force participation rate edged higher, helped by signs that workers 55 and older are returning to the workforce. Meanwhile, average hourly earnings rose 0.3% from a month earlier, the same as in April and below the 0.4% economists forecast. Although that pace may still be too hot for the Fed, it's trending lower and isn't that far from the pre-Covid monthly average of 0.2%, according to data compiled by Bloomberg. It's probably unrealistic to think unemployment will stay this low with the economy cooling, but it doesn't have to jump either."

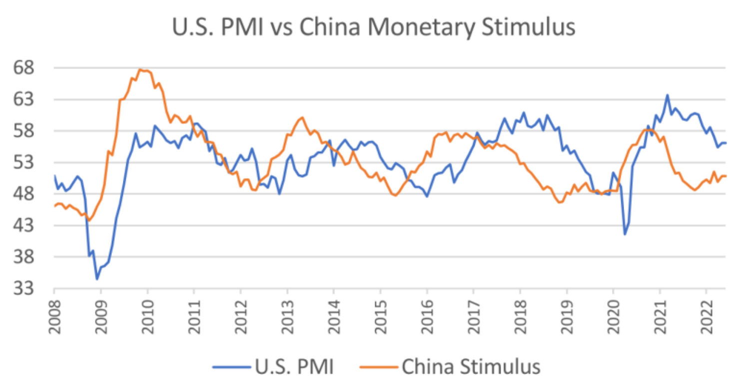
Jonathan Levine 6/2022

Prinzip Hoffnung wäre riskant: Kommt eine Lohn/Preis-Spirale?

"Aktuell sind in den USA gut 11,5 Mio. offene Stellen und 5,9 Mio. Arbeitslose gemeldet. Mit anderen Worten: Jede arbeitslose Person kann gegenwärtig theoretisch zwischen zwei offenen Stellen wählen. Steigende Löhne sind die logische Folge, die Lohn-Preis-Spirale beginnt zu drehen."

Mark Dittli in The Market 6/2022

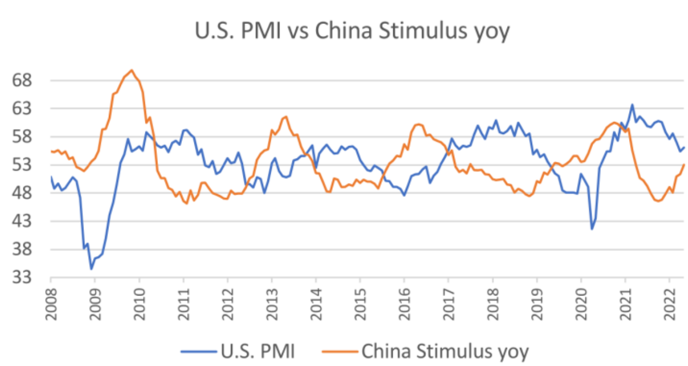
Fed Funds fundamental



Nicht zu unterschätzen: China

2009 hat China die Weltwirtschaft gerettet

China ist wieder in einer schwierigen Lage, wie hoch wird der Stimulus?



China spielt auch für das Fed eine massgebliche Rolle: Der monetäre Stimulus –oder die Absenz – ist ein leading indicator für die U.S. Konjunktur

…und China scheint aktuell genügend zu stimulieren, damit der U.S. PMI –hoch korreliert zum BIP – nicht komplett abschmiert

«Eigentlich sollte die Wirtschaft laut Planungen der Regierung dieses Jahr um «rund 5,5 Prozent» wachsen. Fast alle Experten halten das Ziel für unerreichbar. Sollte es den Planern gelingen, den Abwärtstrend im zweiten Halbjahr zu stoppen, könnte die Wachstumsrate 2022 zwischen 3 und 4 Prozent liegen. Peking will dazu jetzt mit einem ganzen Paket von Massnahmen gegensteuern. Ein wesentliches Element sollen, ähnlich wie während der Finanzkrise 2009, Investitionen in die Infrastruktur bilden. Infrastruktur sei der «Grundpfeiler der wirtschaftlichen und der sozialen Entwicklung», sagte Xi vergangene Woche. Doch anders als 2009, als China zum Teil Fernstrassen und Brücken ins Nirgendwo baute und Flughäfen entstanden, auf denen nie eine Maschine landete, will die Regierung nun nach Möglichkeit in nützliche Infrastruktur investieren. Breitbandnetze, der 5G-Ausbau, Anlagen zur Stromerzeugung aus erneuerbarer Energie und intelligente Stromnetze sollen unter anderem dazugehören. Um dem darniederliegenden Immobiliensektor neues Leben einzuhauchen, plant Peking eine Reihe von Lockerungen. Xi hatte die zum Teil hochverschuldeten Konzerne von 2020 an mit zahlreichen Auflagen belegt. So sollen Banken jetzt wieder vermehrt Kredite an Immobilienentwickler vergeben dürfen. Ausserdem wird die Vergabe von Hypothekendarlehen erleichtert, und Immobilienfirmen dürfen wieder in grösserem Ausmass über Einnahmen aus Verkäufen nicht fertiggestellter Wohnungen verfügen. ”

NZZ 5/2022

Fed Funds fundamental

China: Ist China ein Teil der Lösung der Probleme des Westens oder ein Teil des Problems? Sollten die westlichen Notenbanken auf China hoffen?

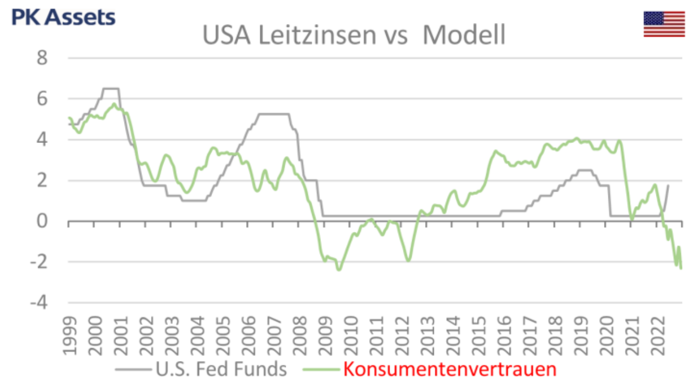
Kann China überhaupt sinnvoll und nachhaltig stimulieren?

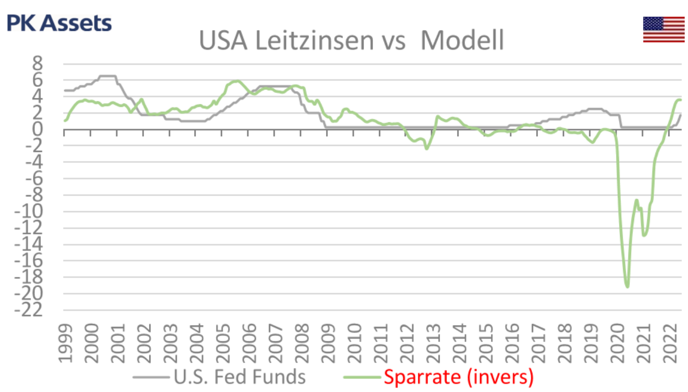
«Every year or so, China promises that its decade-long binge of infrastructure-led growth is coming to an end. Within a few months, those promises are torn up in the face of the economic slowdown such a policy will portend. It's happening again. President Xi Jinping told a high level meeting this week that all-out efforts must be made to spur infrastructure spending. (..) As of 2019 — before the past two years of infrastructure splurges — China's stock of public capital was already about $21,400 per person — a greater sum than in Australia, Belgium, Israel, Portugal, Spain or the U.K., and comparable to that in Germany, Ireland and Italy. That's particularly striking when you consider that gross domestic product per person (and thus, ultimately, China's ability to pay off such colossal investments) is still less than half of developed countries. (..) China already consumes more electricity per person than Italy, Spain and the U.K. — and demand is still rising faster than in almost every other major economy. Chinese demand for industrial commodities remains insatiable. More than half of the world's steel is consumed there, along with a similar share of nearly all industrial metals. One oft-quoted statistic is that China used more cement between 2011 and 2013 than the U.S. during the entire 20th century. That still understates things. Taking the past decade as a whole, it's used five times as much as America between 1901 and 2000. The problem with all this isn't that there's anything wrong with China's ambitions to become as affluent as developed countries by 2035, and build the infrastructure to match. It's that with a shrinking and aging workforce and productivity that's been stagnating for years, each fresh yuan spent on roads, railways, bridges, dams and power lines generates diminishing returns. To the extent that infrastructure spending works to juice the economy, it's only as junk calories, keeping energy levels high while crowding out investments that could generate more sustainable growth. Even economies traditionally regarded as sclerotic, such as the U.K. and Japan, haven't suffered a fall in productivity as severe as that China has endured since 2014. (..) yet, despite recurring talk of deleveraging, there's no sign that Beijing is ready to slow its own runaway train. Xi's call for further investment and a loosening of purse strings came at the end of a quarter where credit expansion already broke records — aggregate financing in the first three months of this year was greater than was extended during the last six months of 2019, for instance. Beijing's addiction to heavy industry is a disaster for the planet, keeping a country that accounts for nearly a third of the world's emissions hooked to a dirty, energy-intensive growth model. In the long term, such low-quality growth won't even work on its own terms. "
David Fickling 5/2022

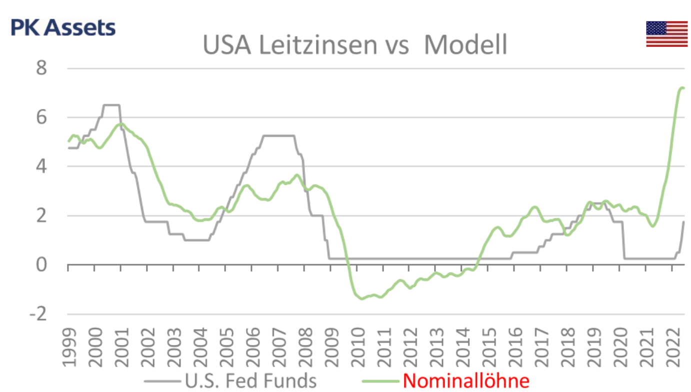
Noch kann China stimulieren und für ein Soft Landing der Weltwirtschaft helfen, aber es ist schlecht investiertes Geld

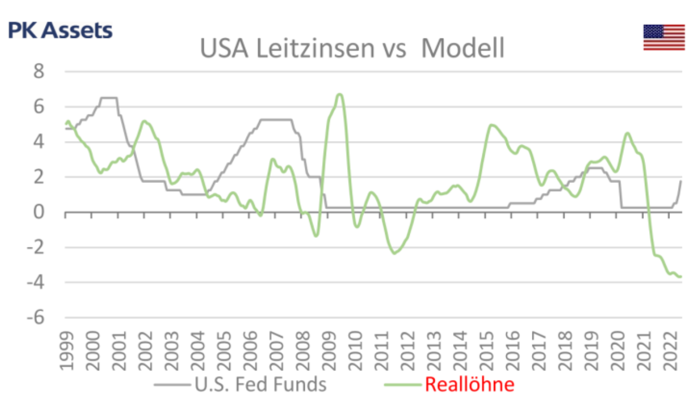
«Die Stimulusmassnahmen sind ein Pflaster für eine Amputation. Die Zentralbank pumpt etwas Liquidität ins System, es fliesst Geld in Infrastrukturprojekte, die staatseigenen Betriebe werden unterstützt. Aber das bringt die Privatunternehmen und die ausländischen Konzerne nicht dazu, wieder mehr zu investieren. (..) Ich höre jetzt von immer mehr ausländischen Unternehmen, dass sie versuchen, ihre Lieferketten in andere Länder zu verlagern. China ist dabei, seine Glaubwürdigkeit als bester Sourcing-Standort der Welt zu verlieren."
Jörg Wuttke, Präsident der EU-Handelskammer in China 42022

Fed Funds fundamental









Bei 8.6% Inflation im Zentrum: Der U.S. Konsument

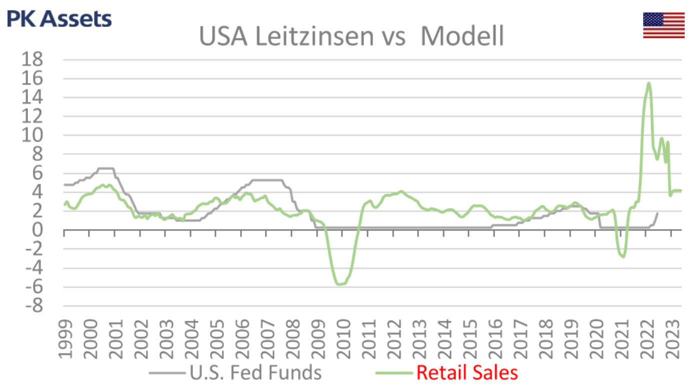
Und hier gibt es wahrlich gemischte Signale

Kein Wunder, dass das Konsumentenvertrauen absäuft, bei hoher Inflation und schlechten Aktienmärkten

Trotzdem funktioniert das Covid-Öffnungs-Narrativ: Der Konsument entspart deutlich

Interpretationsbedarf bei den Löhnen: Schaut man auf die Nominallohnveränderung, dann muss das Fed sofort massiv rauf, ganz anders sieht es aus, wenn man auf die Reallohnveränderung schaut

Fed Funds fundamental



U.S. Konsument

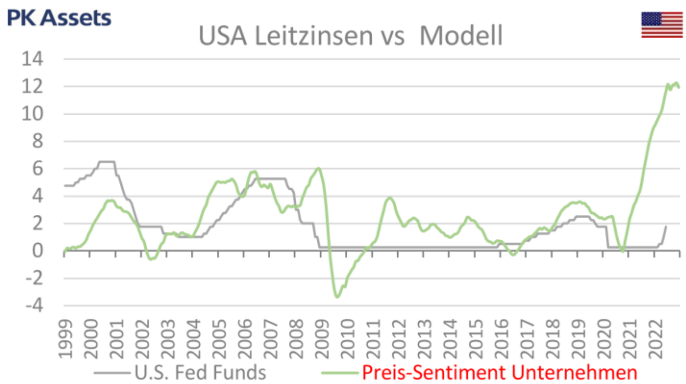
Der Konsument gibt aus, aber die Euphorie der Covid-Öffnung ist am verschwinden

Mit 8% yoy ist das Retail Sales Wachstum immer noch stark aber es droht Tempo zu verlieren

„central banks the oncoming freight train, and will tighten until credit and/or consumer break"
Michael Hartnett 4/2022

"sky-high prices for energy and food are eroding the real purchasing power of consumers"

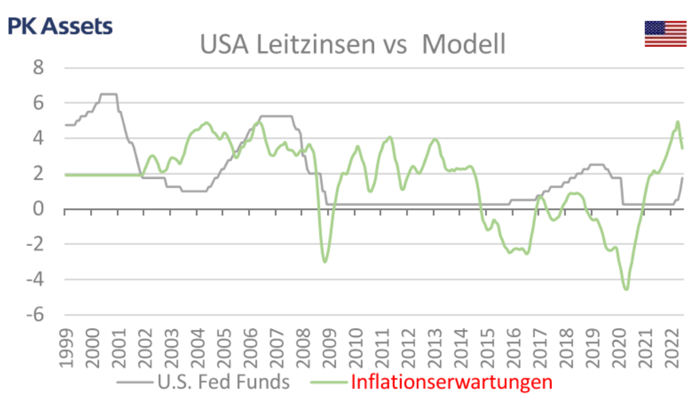
Fed Funds fundamental

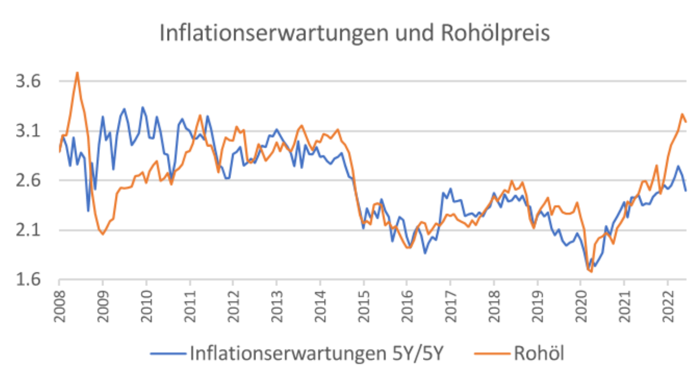


Inflationssentiment

Der Zusammenhang von Leitzinsen und Preiserwartungen der Unternehmen ist gut dokumentiert, wobei die Preiserwartungen die Leitzinsen mit einem Vorlauf von 6 Monaten gut antizipieren

Gemäss dem vom brutal hohen PPI getriebenen Preissentiment der Unternehmen darf es für die Leitzinsen nur in eine Richtung gehen: Nach oben





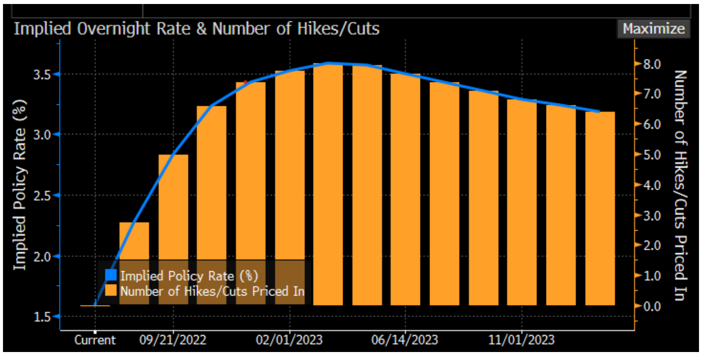
Aktuell absolut im Zentrum der Diskussion, da unakzeptabel hoch: Die Inflationserwartungen aus den TIPS-Märkten

Sie sind hoch, und drohen aus der Verankerung zu geraten, angesichts der prolongiert hohen realisierten Teuerung (CPI)

Da die Inflationserwartungen den Ölpreisen folgen, wird der neue Fokus des Fed, der Ölpreis selber, verständlich

Fed Fazit

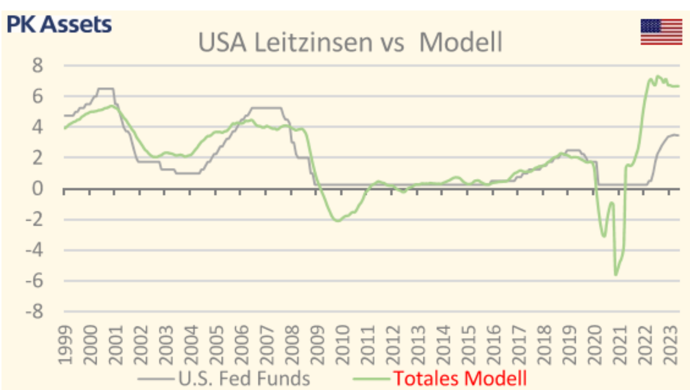
„75bps ist the new 25bps“



Der Konsens:

Die Zinserhöhungen gehen weiter.
Nur wenn die Inflation deutlich zurück kommt, geht das Fed mit der Rhethorik zurück.
Die Peak Fed Fund Rate bei 3.6% und die Erwartung von ersten Cuts schon in der 2. Hälfte 2023 ist optimistisch bzgl. Inflation

Was beobachten wir?



- **Don‘t Fight The Fed: Die Zinsen gehen rauf egal wohin die Aktien hingehen:**
  „there’s no doubt that we’re in the midst of what can reasonably be called the fastest and most aggressive tightening campaign ever waged by the Fed, at least in the four decades since Paul Volcker” John Authers 5/2022

- **Die Zinsen müssen schnell rauf, das Modell zeigt, wie sehr das Fed behind the curve ist.**

- **Der Handlungsbedarf scheint höher zu sein, als die Markterwartungen** *(im Chart bereits berücksichtigt der Konsensverlauf der Leitzinsen für die nächsten Quartale)*, **hingegen scheinen einige wichtige Indikatoren zu rollen**

- **Das Modellmomentum kommt dem Fed entgegen, aber es ist Tempo angesagt**

Modell:

3% Taylor
33% Arbeitsmarkt
12% Konjunktur
19% Löhne
3% PMI Preiskomponente
7% Inflation Swap 5Y/5Y
4% Sparrate
3% Konsumentenvertrauen
9% CPI
7% Öl

Wir freuen uns auf Ihr Feedback auf j.lutz@pkassets.ch

und:

Besuchen Sie uns auf www.pkassets.ch