



Blue Line Futures

Macro Corner

The U.S. Business Cycle In Motion

Episode 24

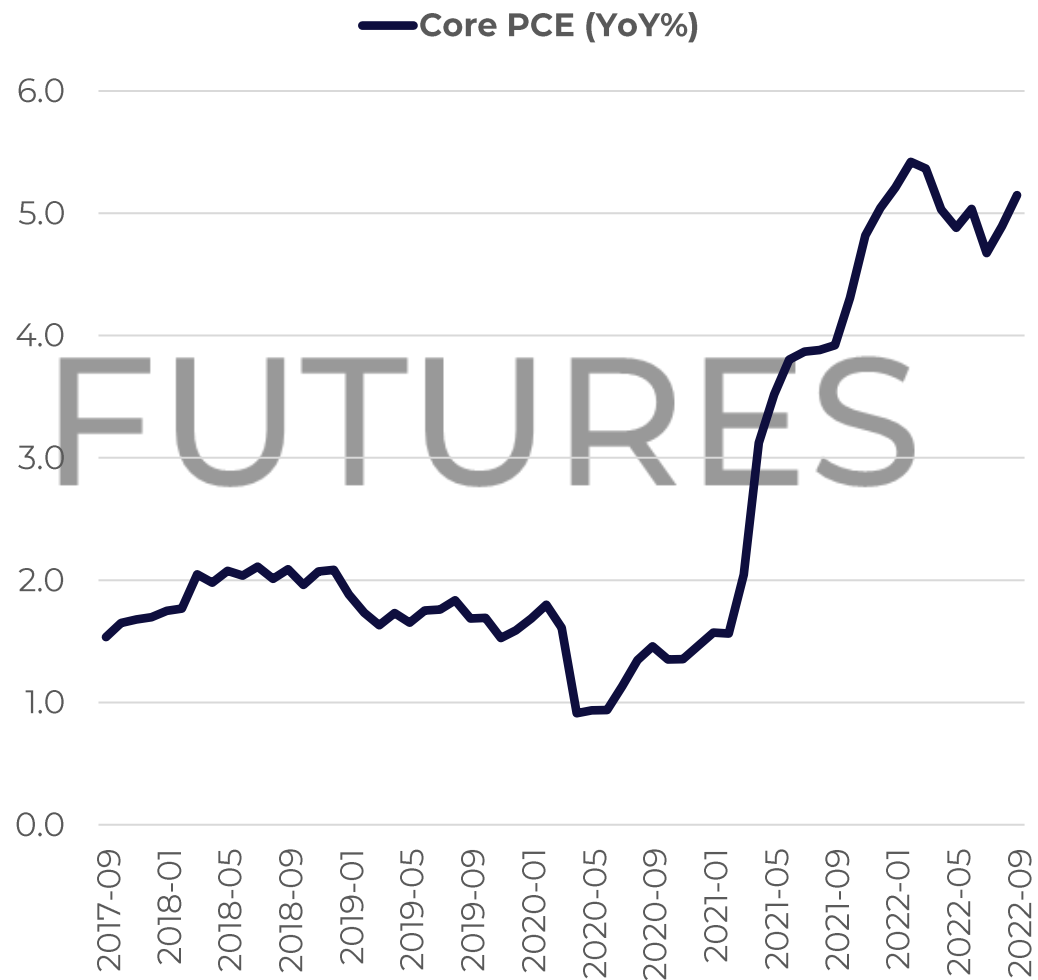
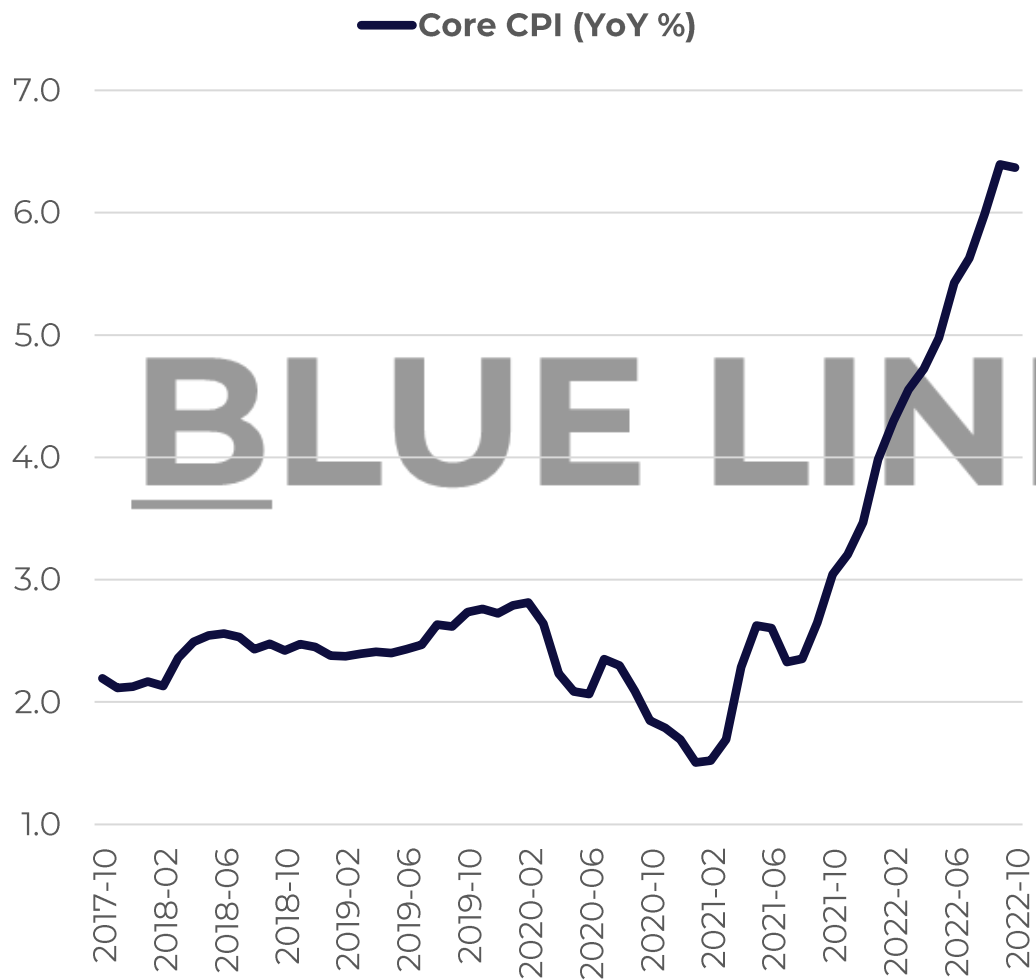
Paul Wankmueller, CMT & Jannis Meindl

Top Things to Watch 11/13/2022
Macro Corner Episode 24

A Victory Lap On Inflation Deceleration

0.0% M/M Going Forward Gets Us To 1.6% By May 2023 (0.2% M/M To 3.2%; 0.3% M/M to 4.0%; 0.4% M/M To 4.9%) [Credit to BofA for these calculations]

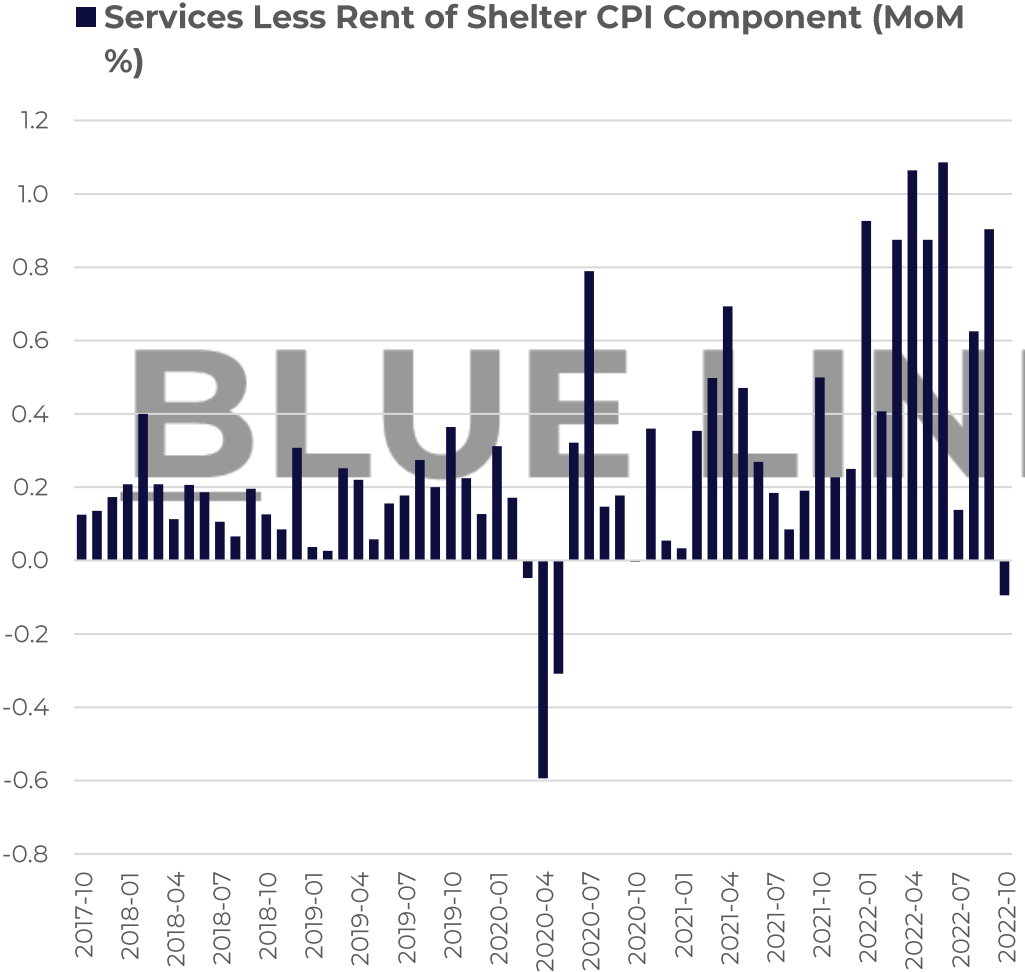
September PCE Reaccelerated, So We Will Be Watching Whether PCE Can Confirm Thursday's CPI (The Fed's Preferred Inflation Indicator.)



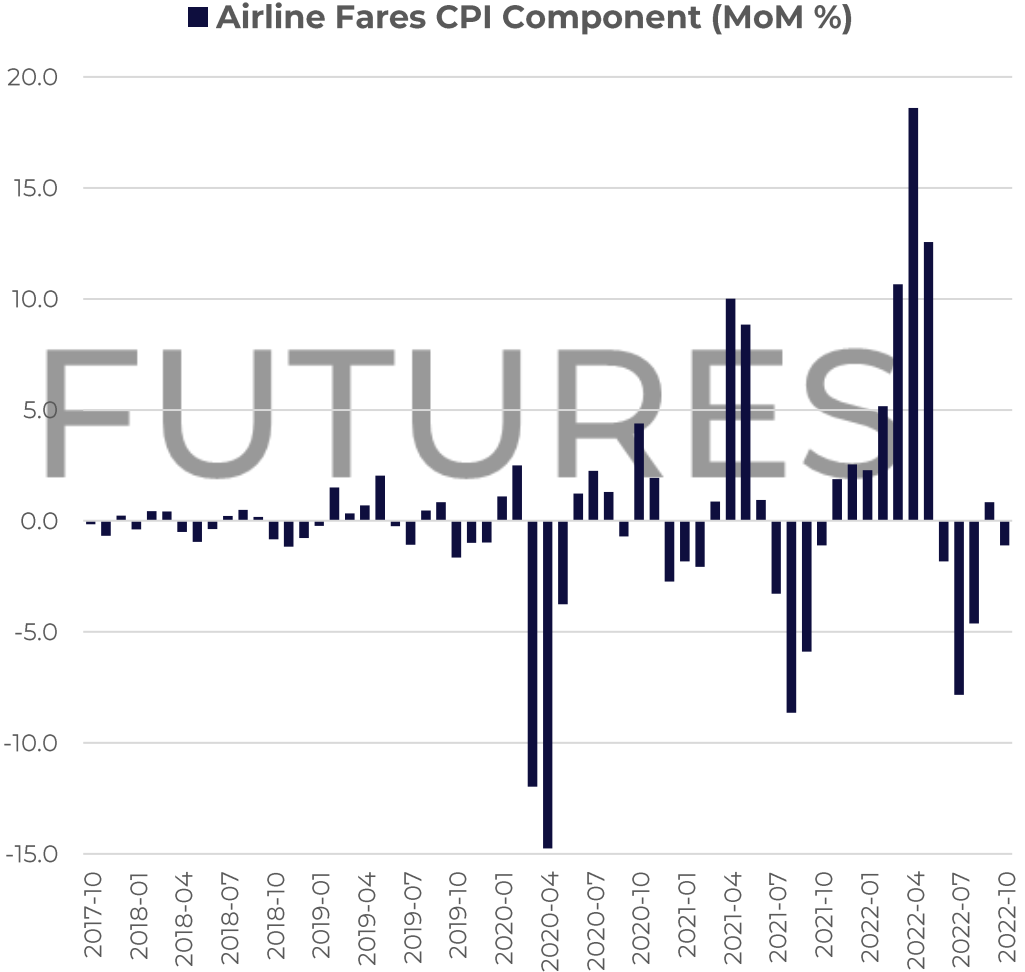
Sources: FRED, Blue Line Futures

Services Deflation Supports Transitory Narrative

Services Less Rent Already Deflating.



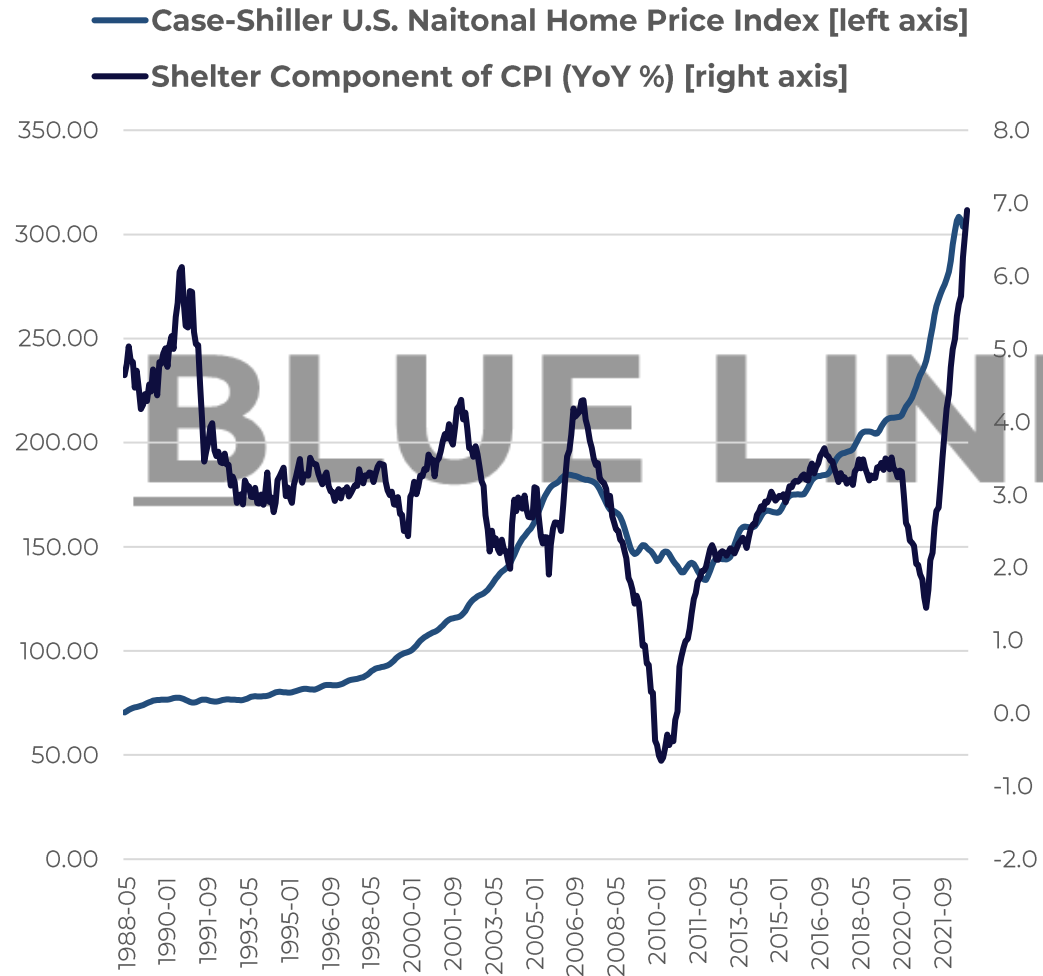
Airfares Coming Down.



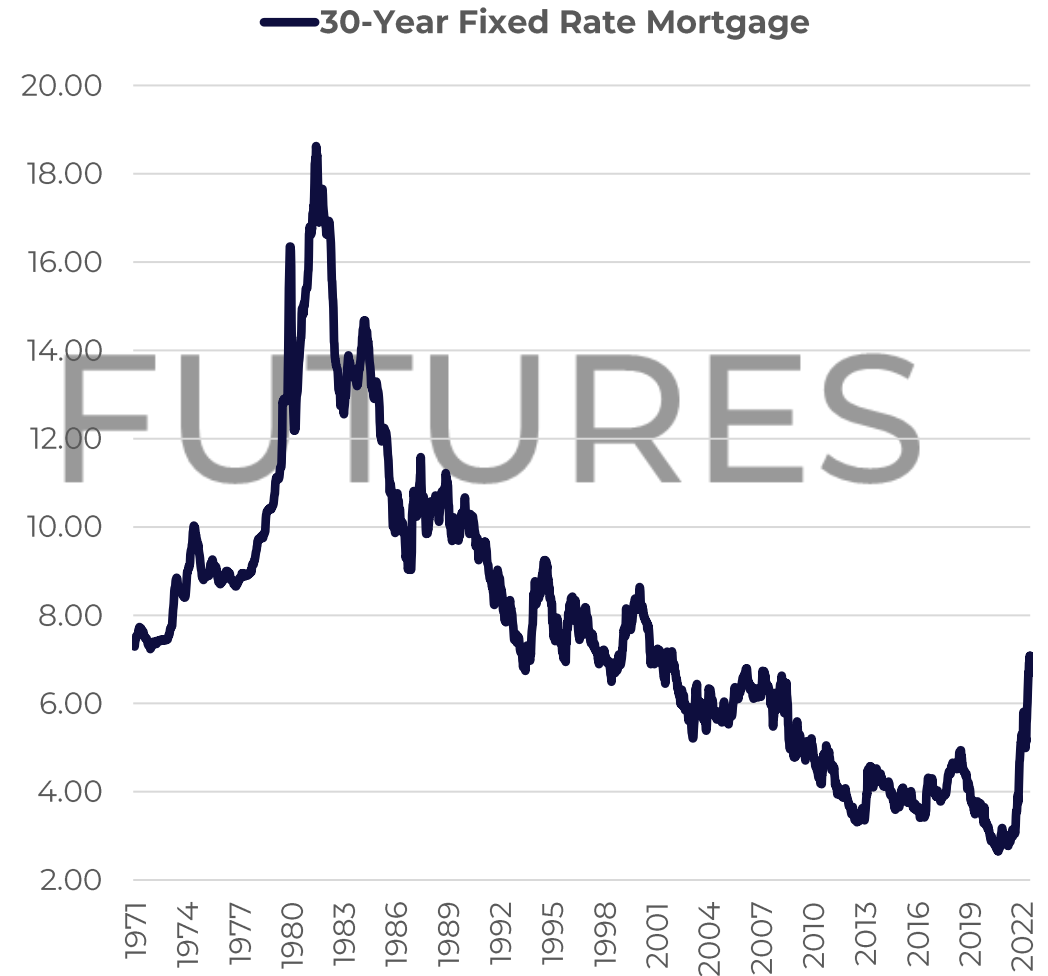
Sources: FRED, Blue Line Futures

Shelter CPI Follow Through On A Lag

We Are Only Now Seeing The Lagged Follow Through Of Real Estate Prices Into CPI.



Affordability Of Housing Has Rapidly Come Down As Mortgage Rates Rose. Less Turnover To Be Expected, Contributing To Shelter Disinflation In The Future.

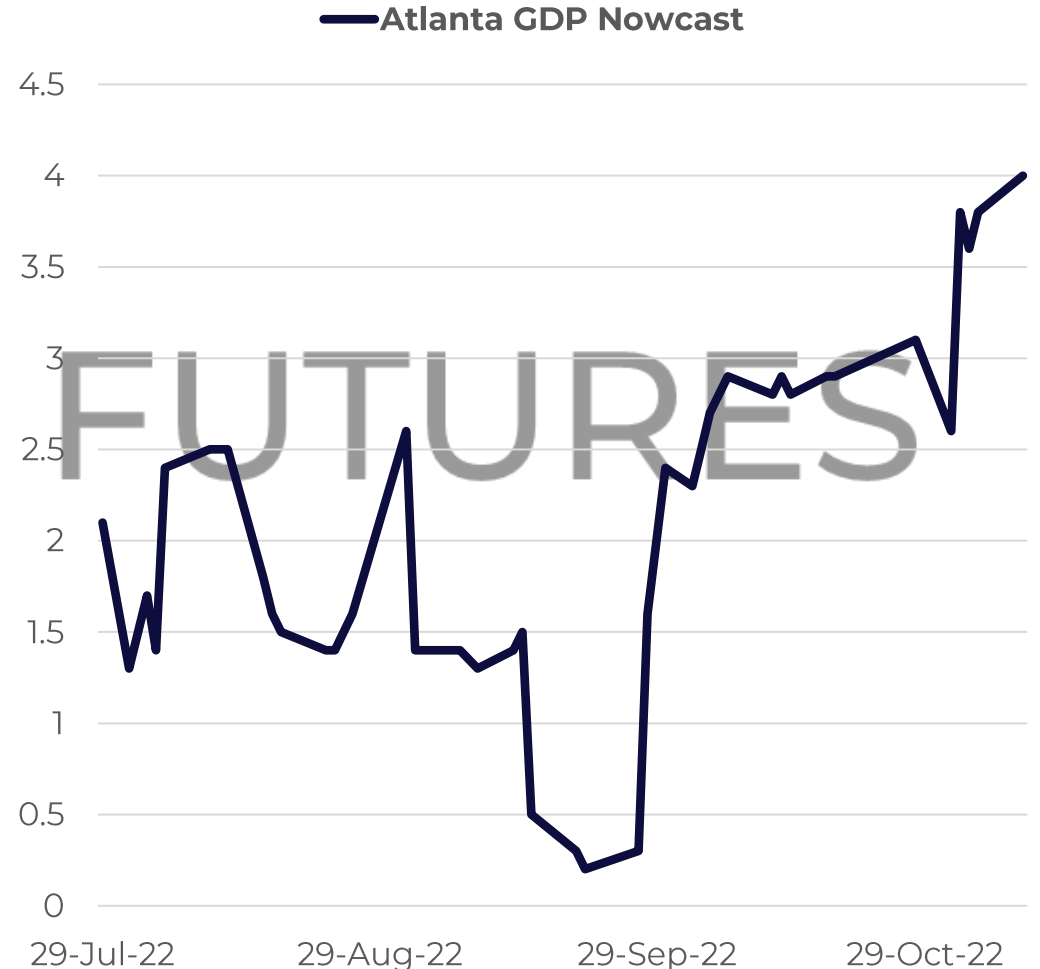
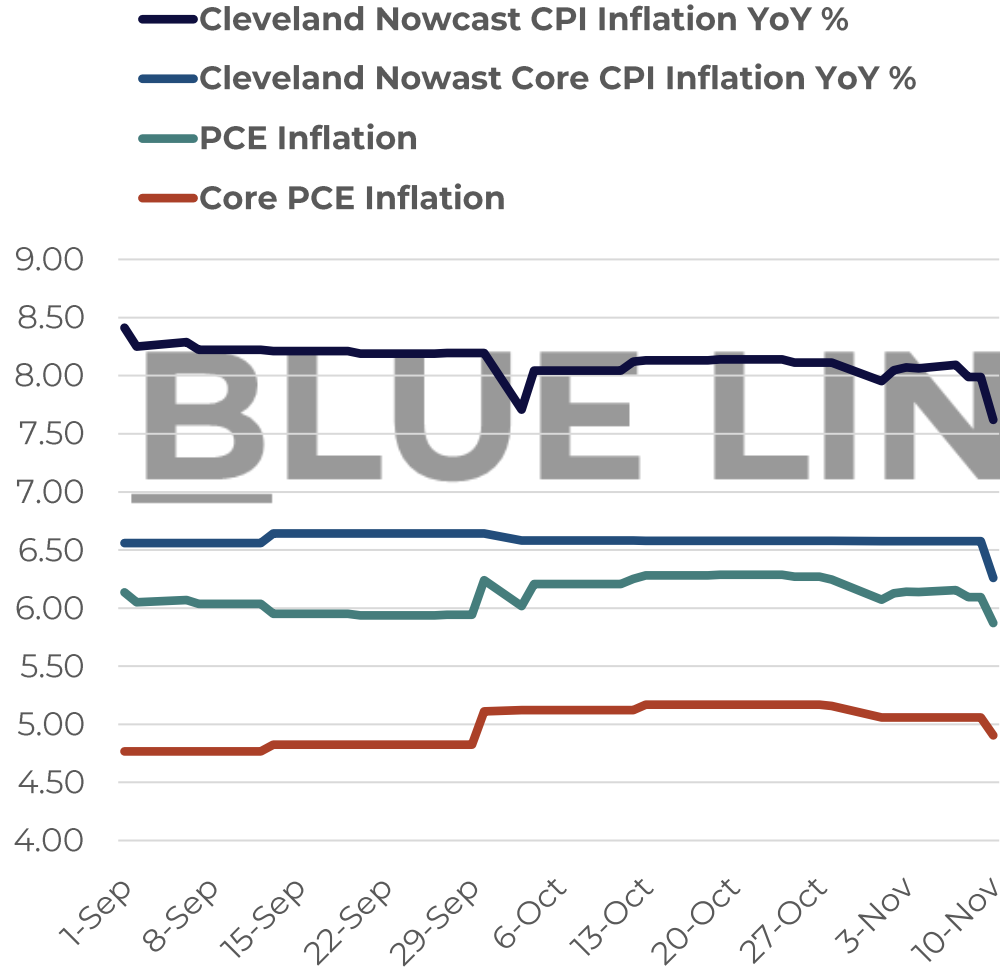


Sources: FRED, Blue Line Futures

Inflation Deceleration Despite Strong Economic Growth Indications

While High In Absolute Terms, The Cleveland Inflation Nowcast Is Decelerating. We Will Watch The Fed's Reaction Function In December And Beyond.

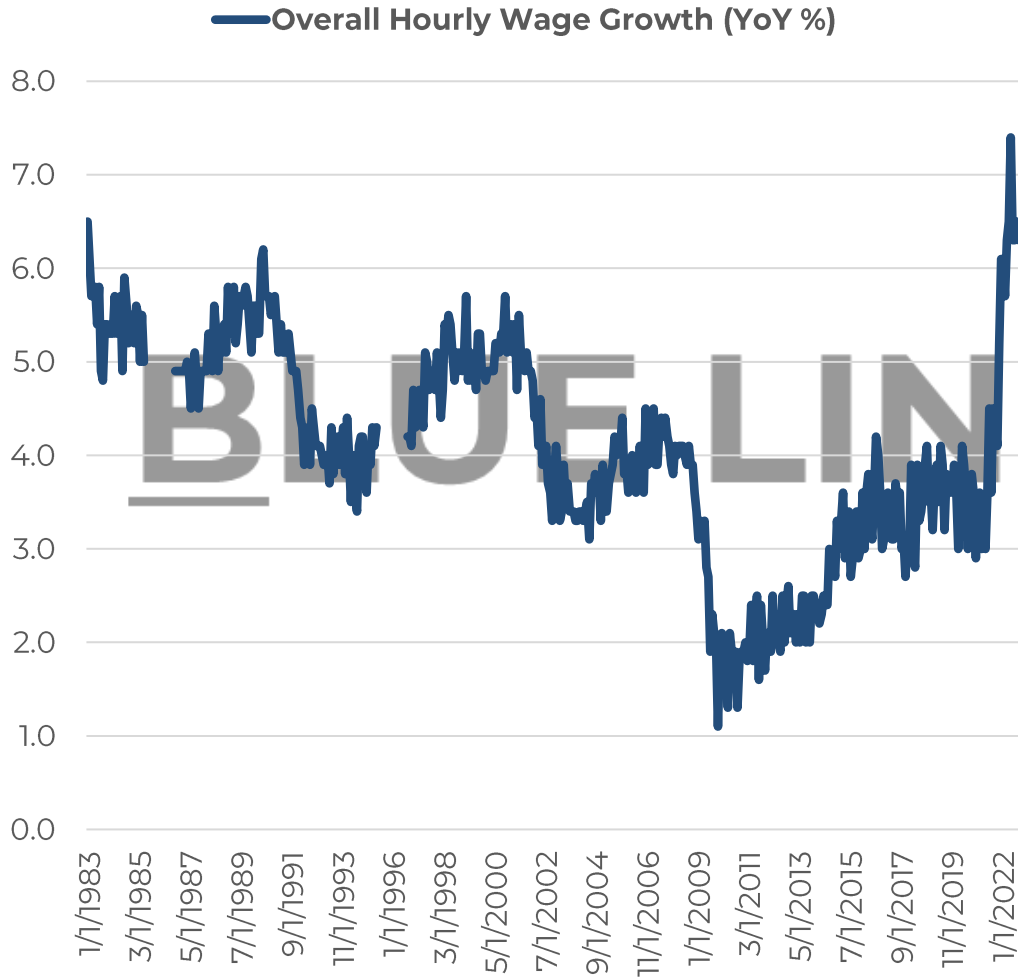
Economic Growth Metrics Have Remained Extremely Solid With Atlanta GDP Now at 4%.



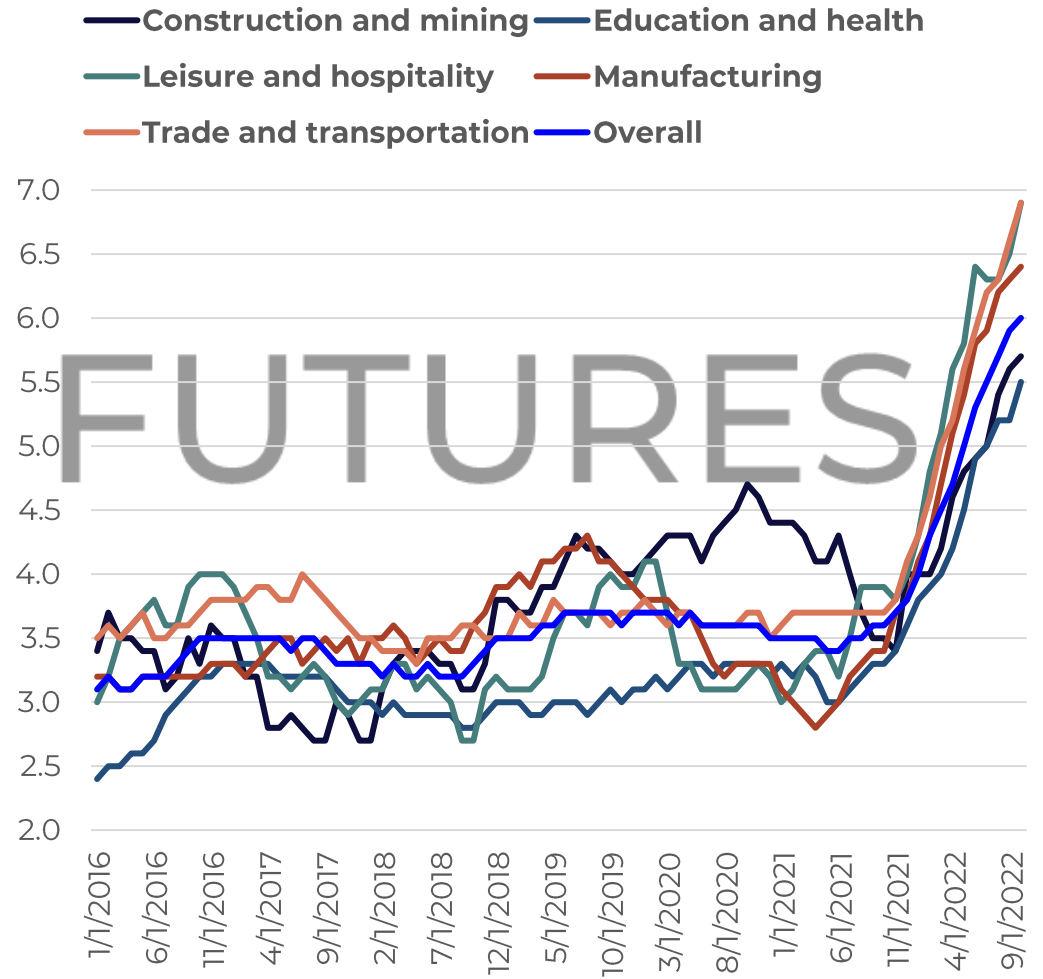
Sources: Cleveland Fed, Atlanta Fed, Blue Line Futures

Ultra-Low Wages Are Not The Historical Norm

Ultra Low Wages As Experienced From 2008/09 – 2020 Are Not The Historical Norm.



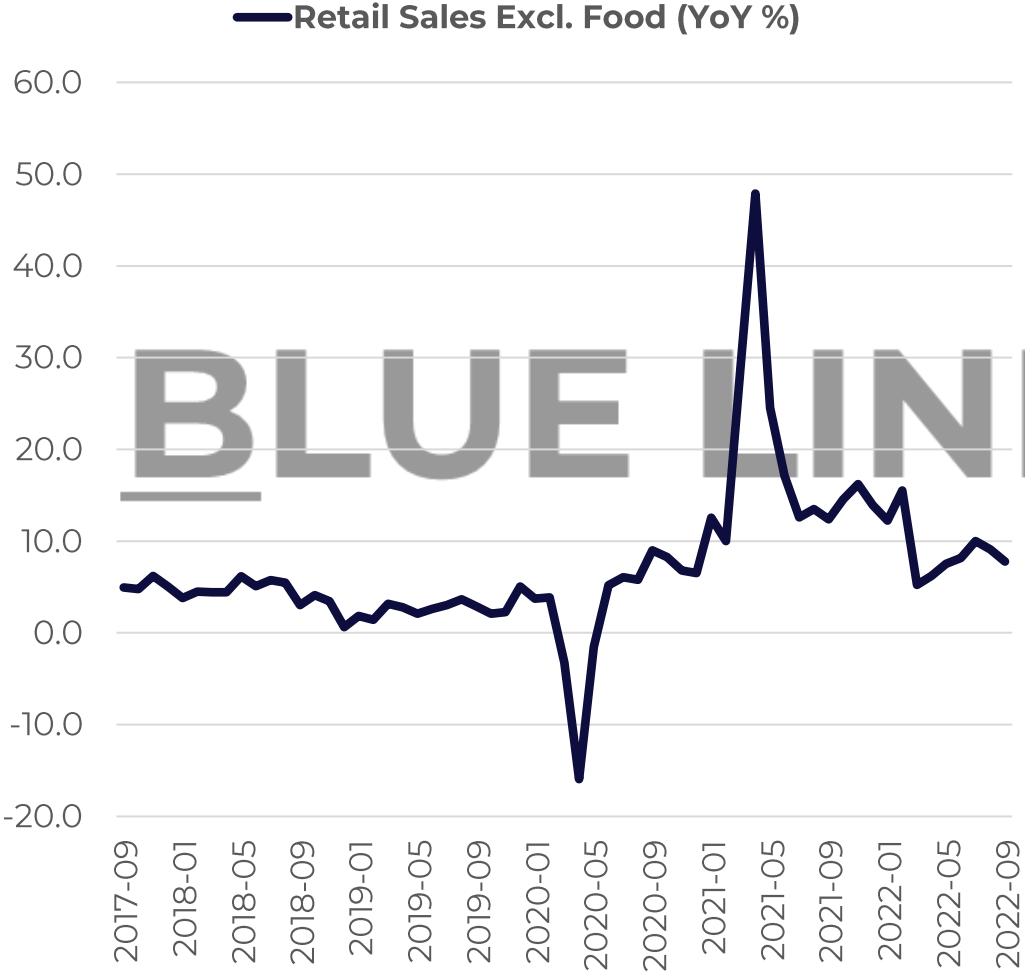
YoY % Wage Growth In Key Industries Remains Elevated As Of October.



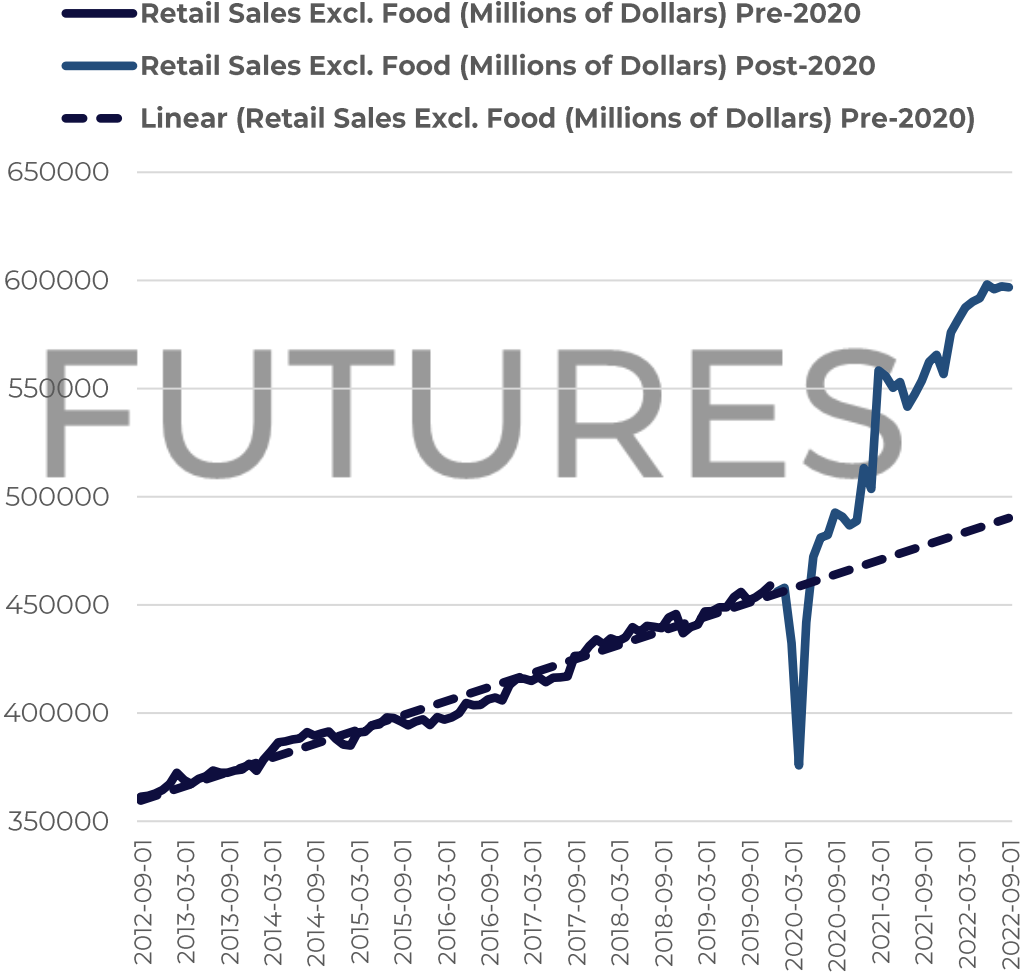
Sources: Atlanta Fed, Blue Line Futures

Retail Sales Far Above Pre-2020 Trend

While Off From 2021 Highs, YoY Growth Of Retail Sales Is Elevated. As Evidenced By Weak Earnings From FedEx And Its Peers, A Further Slowdown May Lie Ahead.



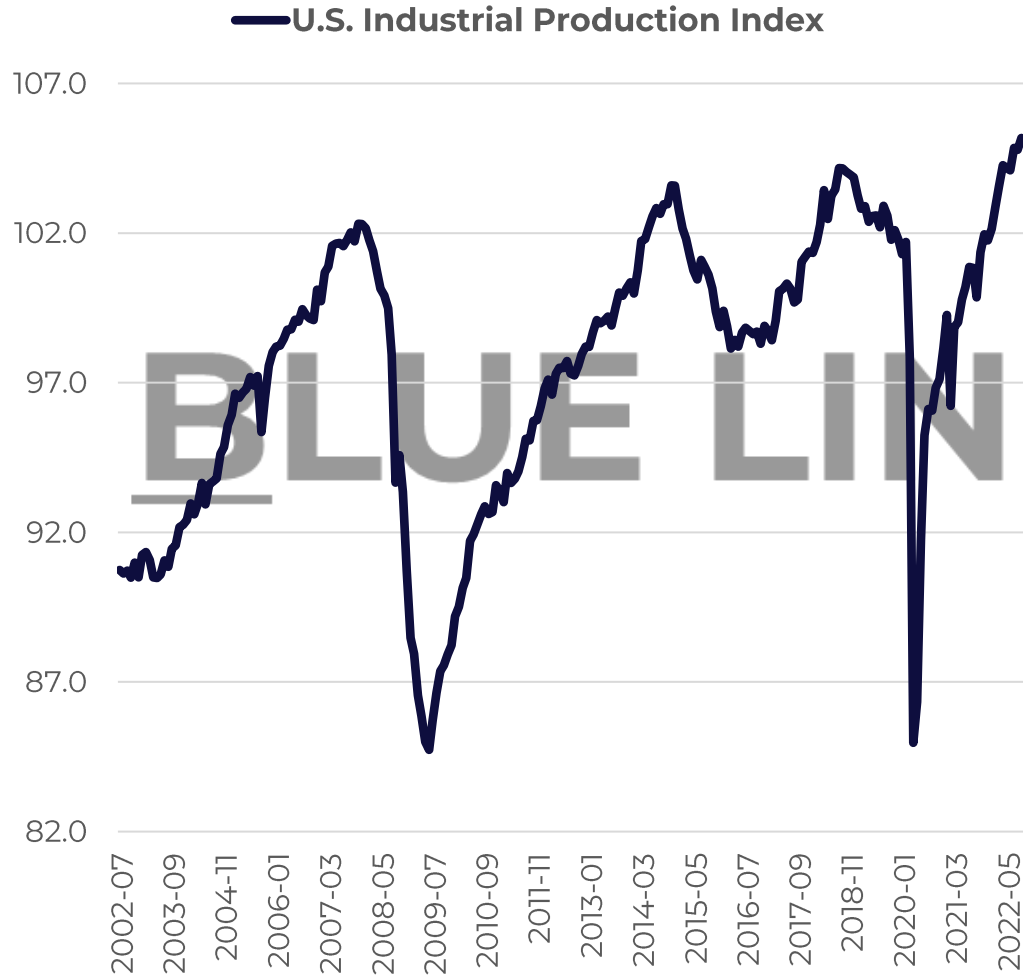
In Dollar Terms, Retail Sales Are Far Above Pre-2020 Trend. Reversion To The Mean Is Possible.



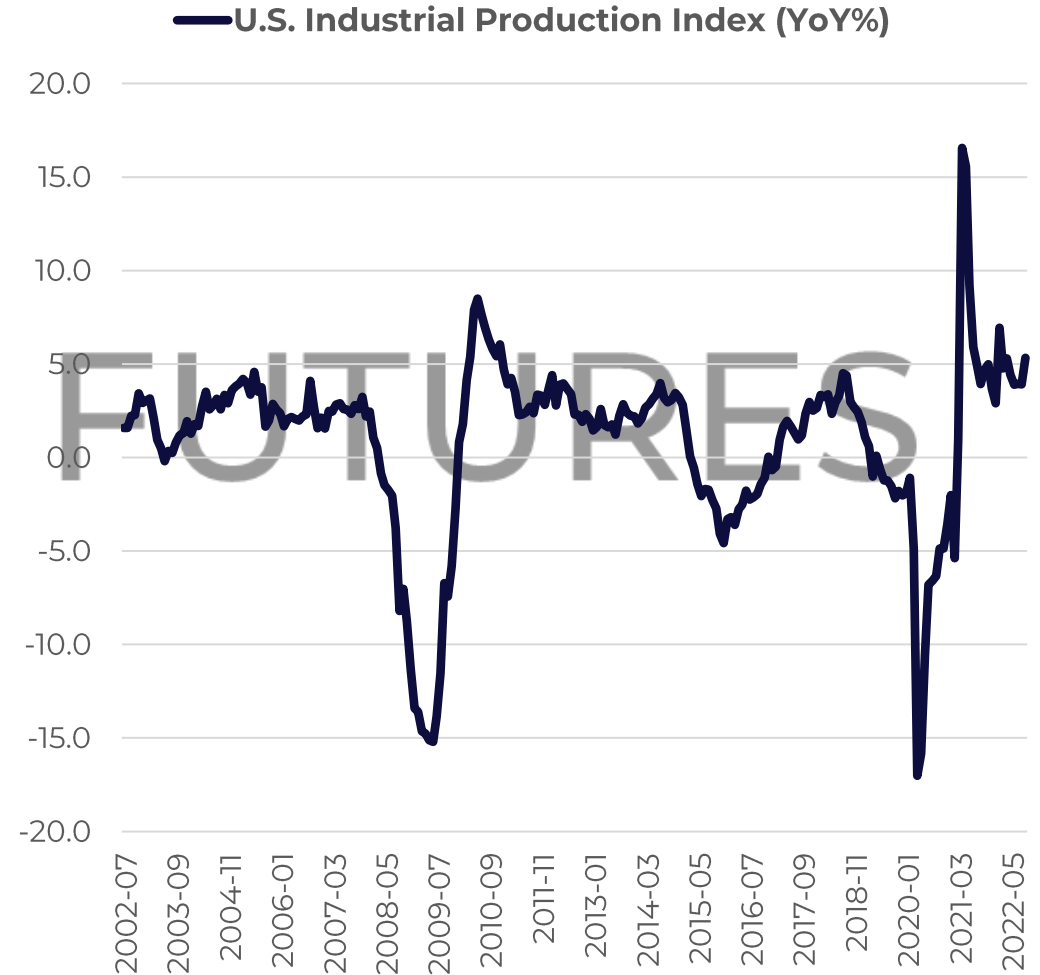
Sources: FRED, Blue Line Futures

Industrial Production Extremely Solid

The U.S.'s Industrial Production Index Is Out Above 2019 Highs.



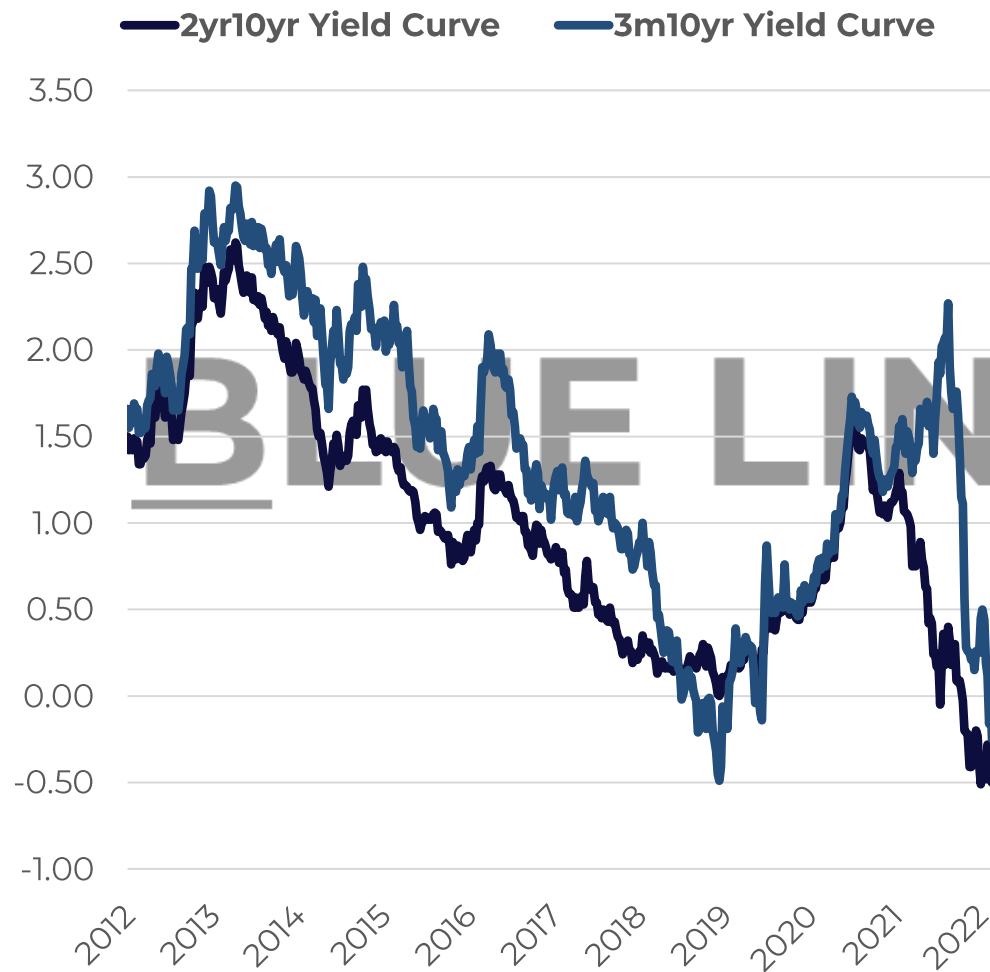
YoY Industrial Production Showing No Signs Of Weakness Just Yet.



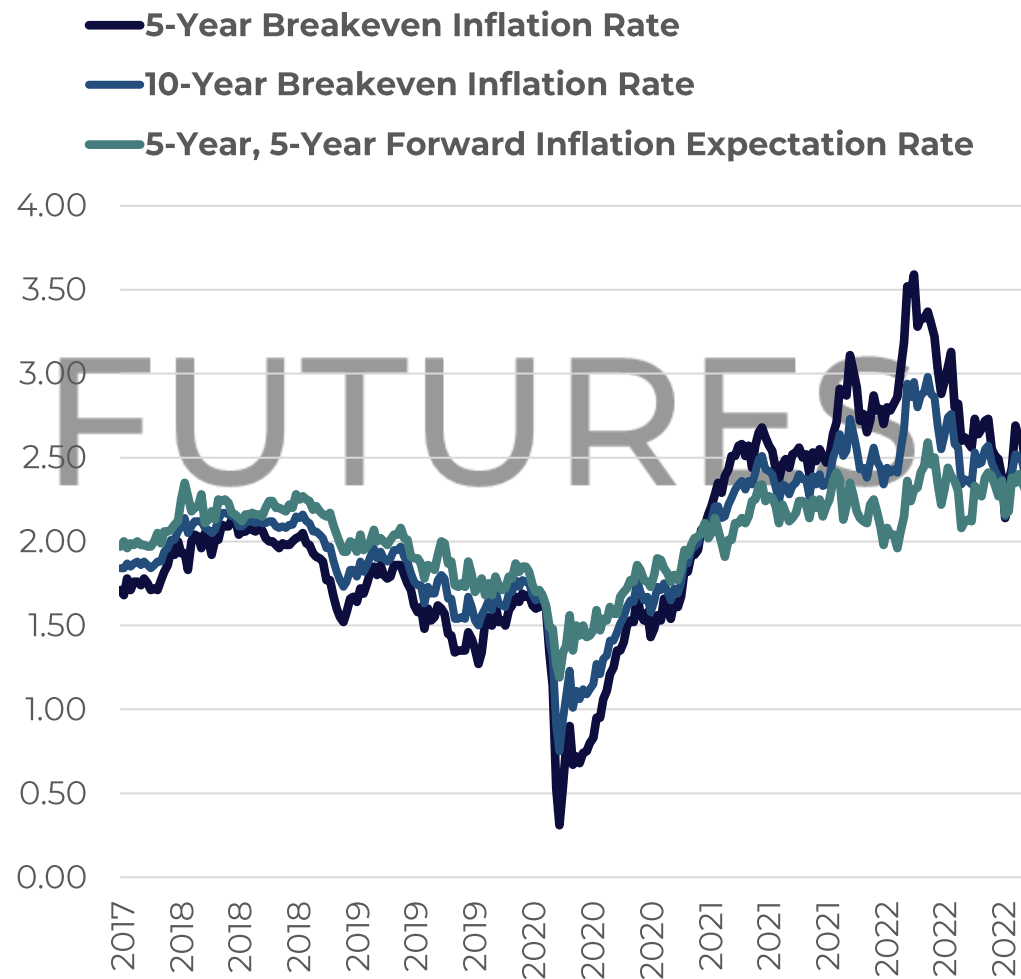
Sources: FRED, Blue Line Futures

3m10yr Curve Sharply Inverted, Indicating Recession

After The 2s10s Curve Has Been Inverted For A While, The 3m10yr Curve Inverted To -25bps Post-CPI.



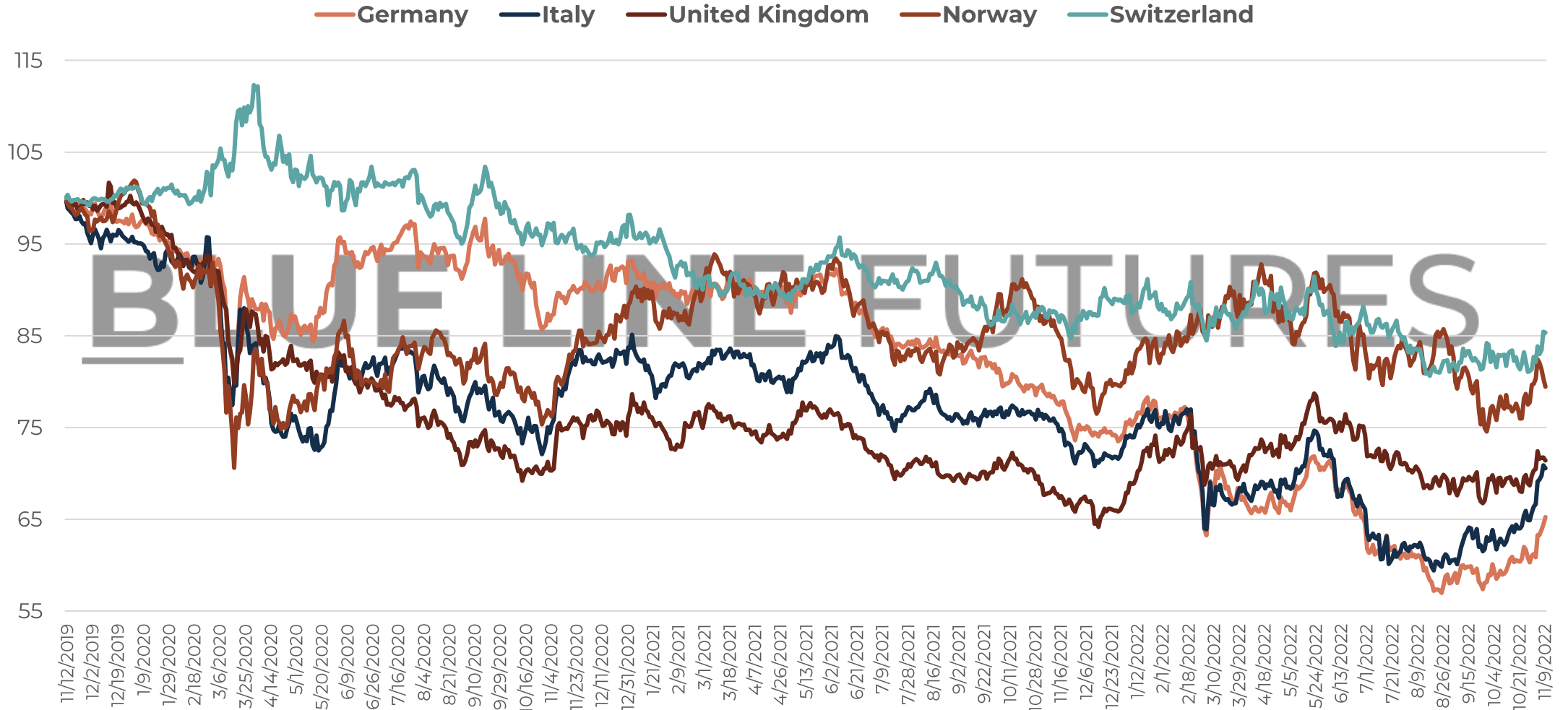
Breakeven Rates Are Coming Down, But Above Pre-Covid Levels. Inflation Expectations Are Key In The Fed's Calculus.



Sources: FRED, Blue Line Futures

European Stocks Outperforming U.S. Stocks

After Significant Underperformance By European Markets, Stocks Across The Pond Have Rallied Significantly Off The Lows. The Rally Is Attributable To Gas Storage Levels At 95%+, A Mild Winter Thus Far, And A Lack Of Escalation By Russia. Challenges Persist, However.



Sources: Blue Line Futures

Disclosure

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