

A black and white photograph of the Titanic's bell, which is inscribed with 'TITANIC' and '1912'. The bell is the central focus of the background. The text is overlaid on the image in a clean, white, sans-serif font. A vertical line is on the right side of the page, and a horizontal line is below the episode title.

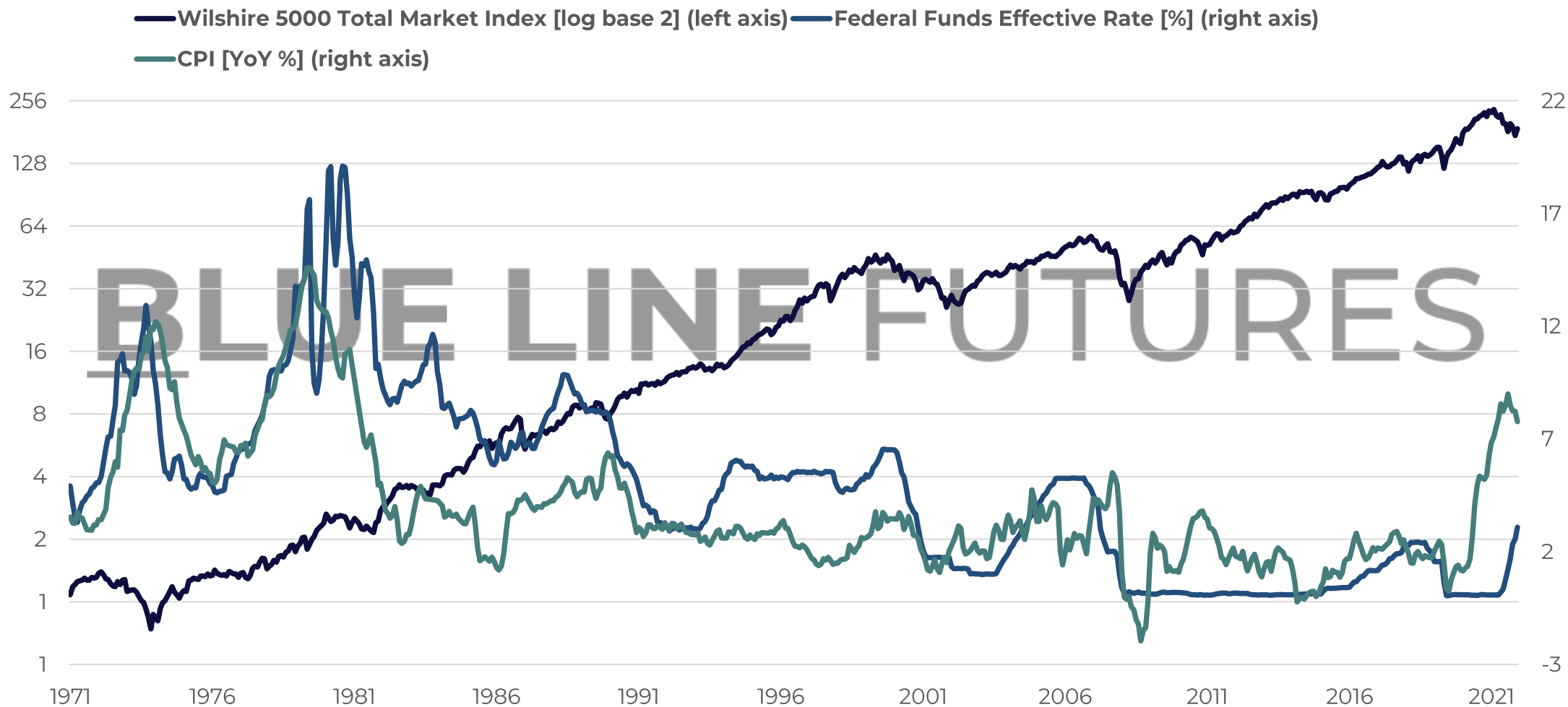
Blue Line Futures Macro Corner

Is This A Titanic Economy?
Episode 25

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A Pivot Is Not Always Synonymous With Risk-On

While the bull camp is waiting for the Fed to pause, or preferably pivot, a reverse in policy is often too late.



Sources: FRED, Blue Line Futures

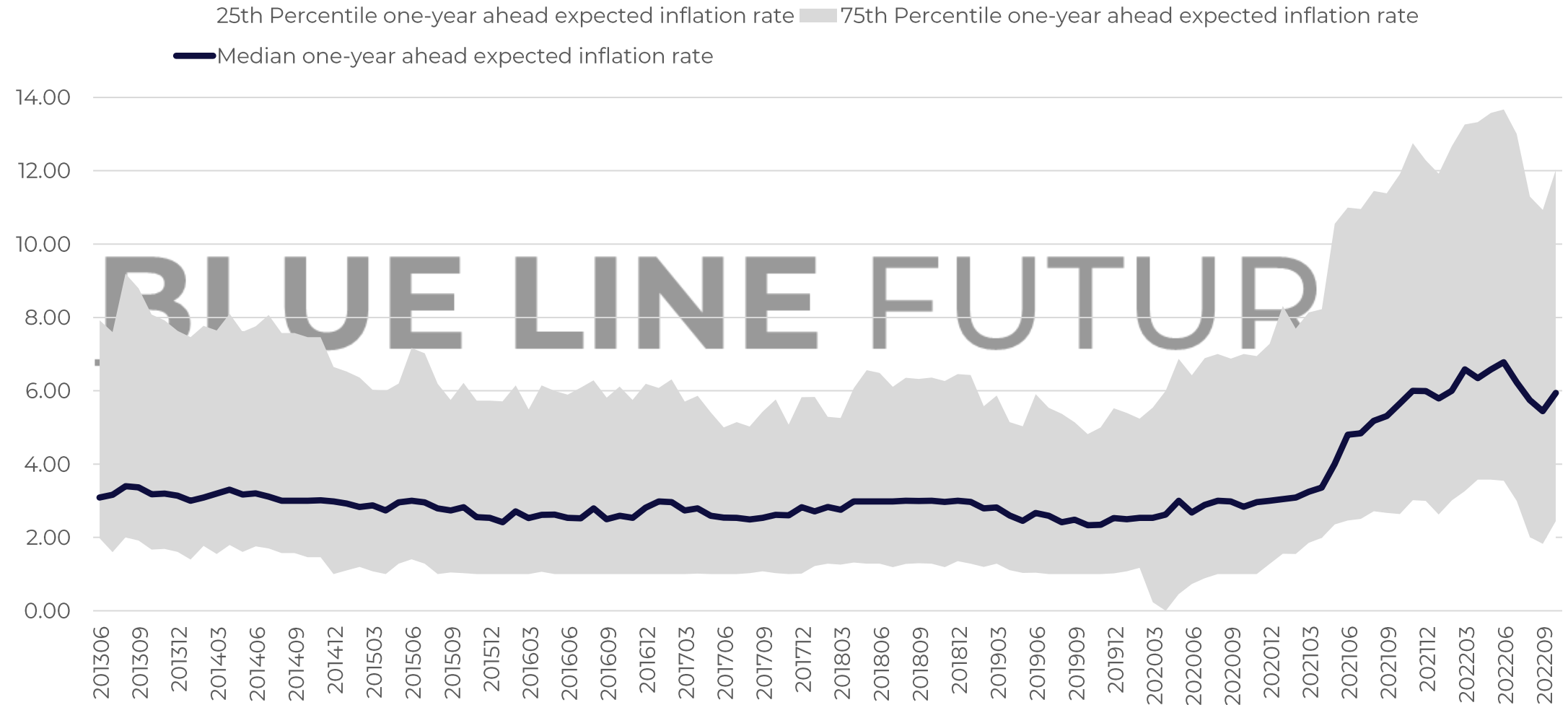
11/20/2022

Blue Line Futures Macro Corner Chart Booklet

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Surveyed Inflation Expectations & Inflation Uncertainty Remain High

While market-based inflation signals are declining, surveyed inflation expectations one-year out are reluctantly high. This is a question of consumer psyche.

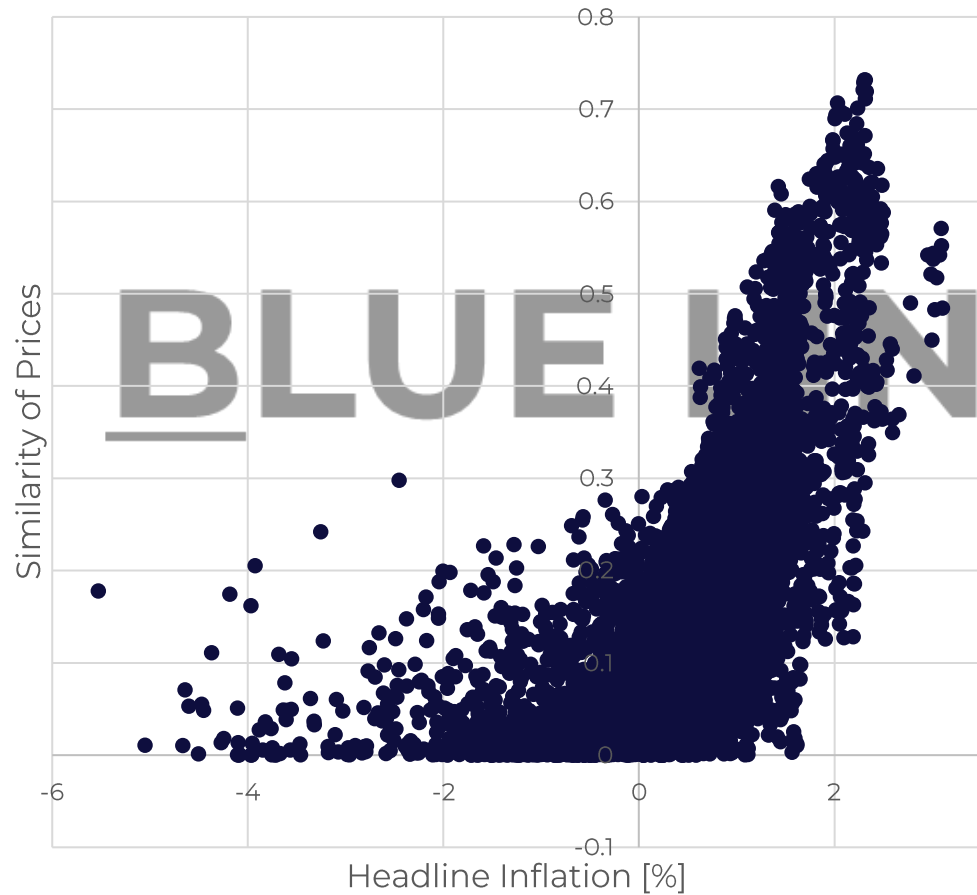


Sources: New York Fed, Blue Line Futures

The Fed Is Fighting A Behavioral Game

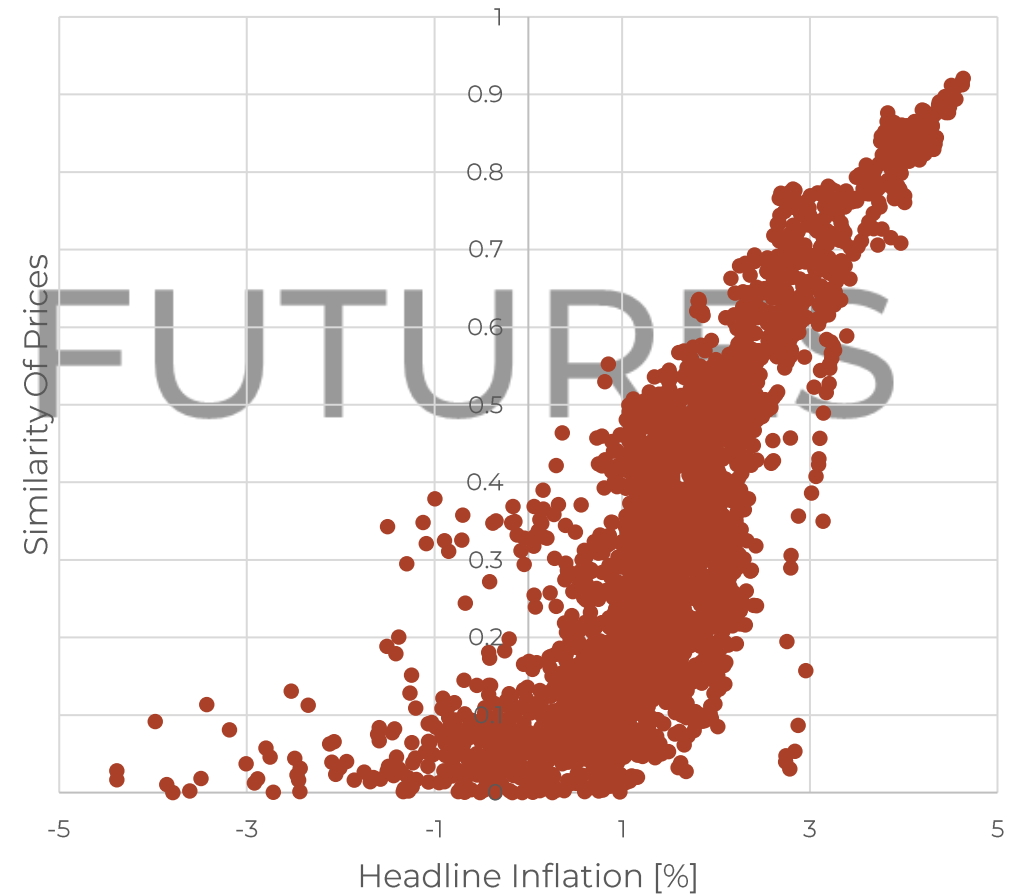
The higher inflation goes, the more similar price changes become.

- Similarity of price changes in AEs Similarity index



Emerging Markets are even more prone to the price similarity dynamic.

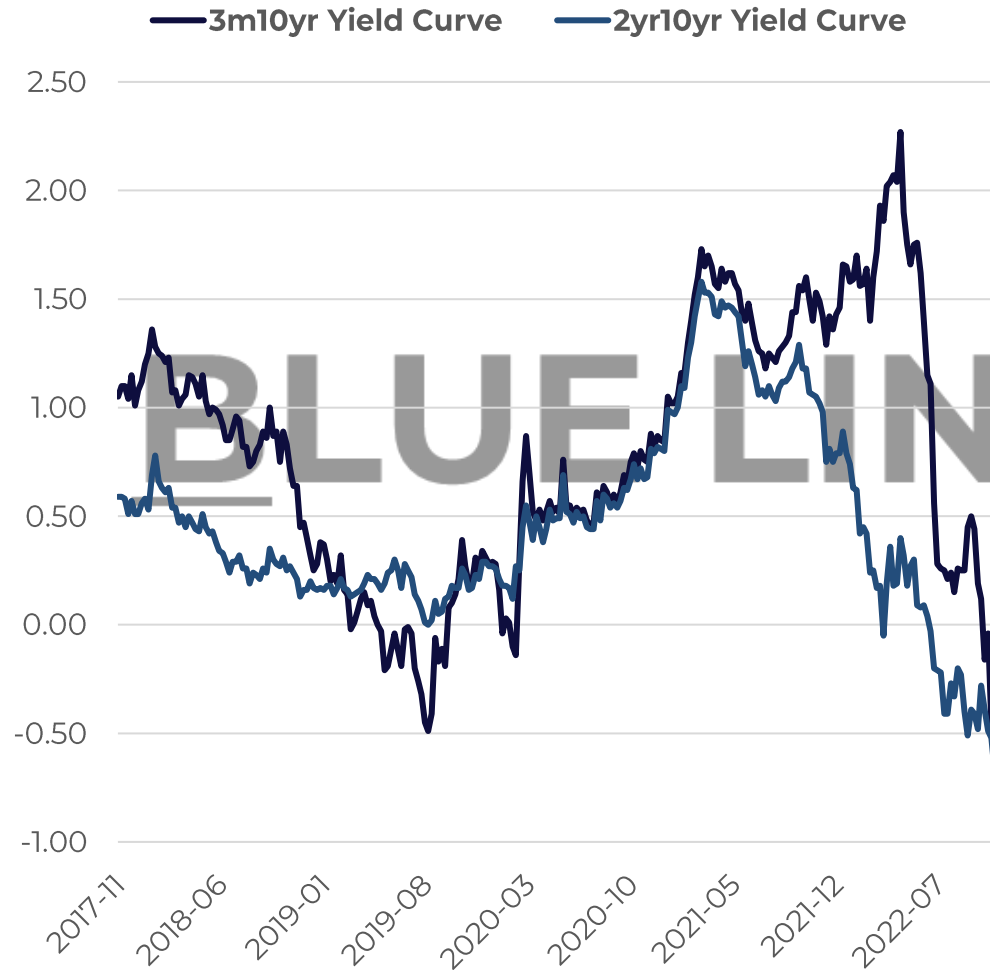
- Similarity of price changes in EMEs Similarity index



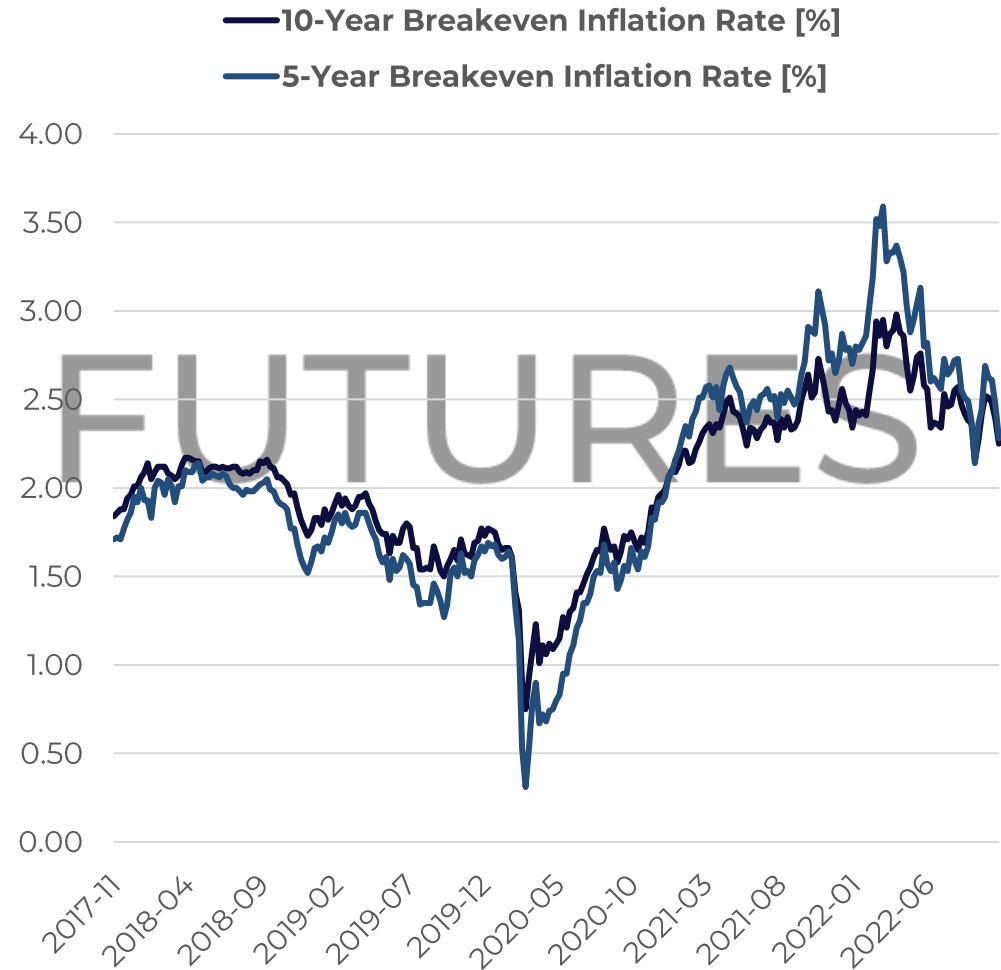
Sources: BIS, Blue Line Futures

A Deflationary Impulse Ahead

With the 3m10yr yield curve at -52bps, markets are projecting a recessionary condition ahead.



Weaker economic activity ahead is associated with a deflationary impulse. Is deflation on the inbound for the wrong reasons?

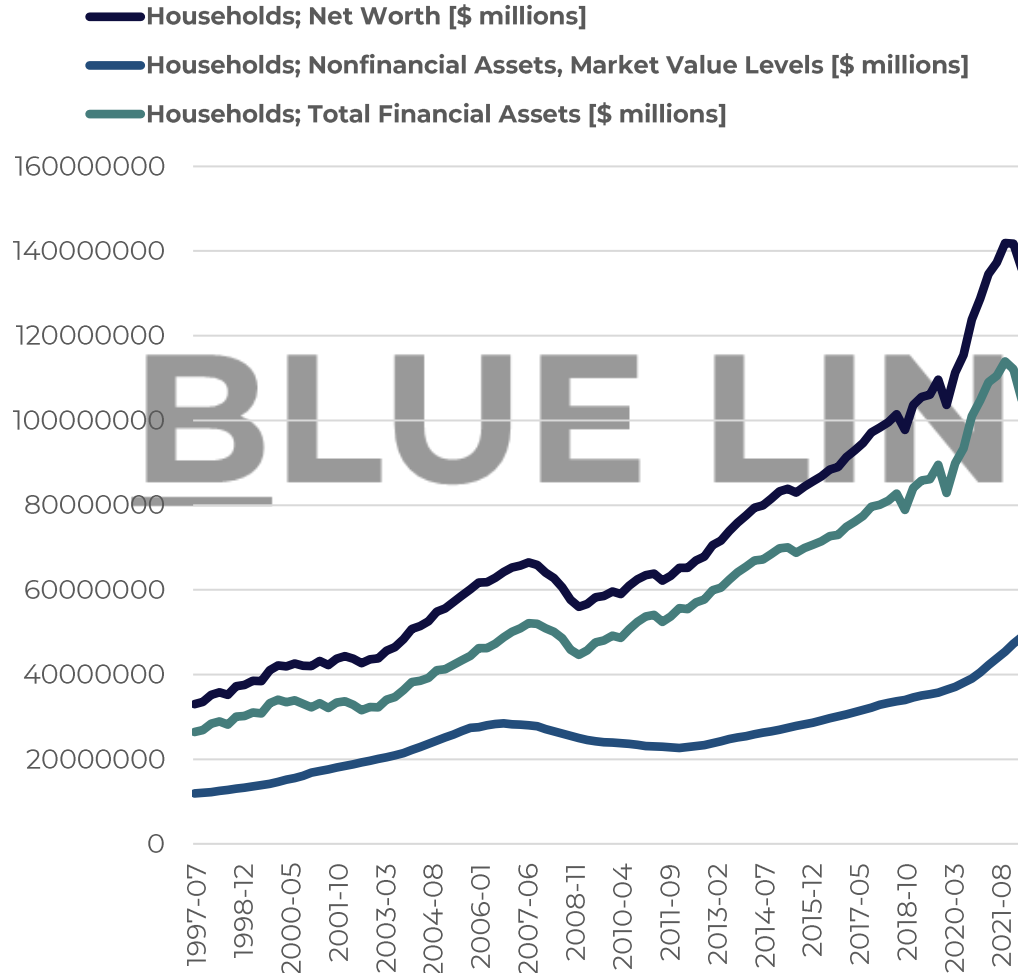


Sources: FRED, Blue Line Futures

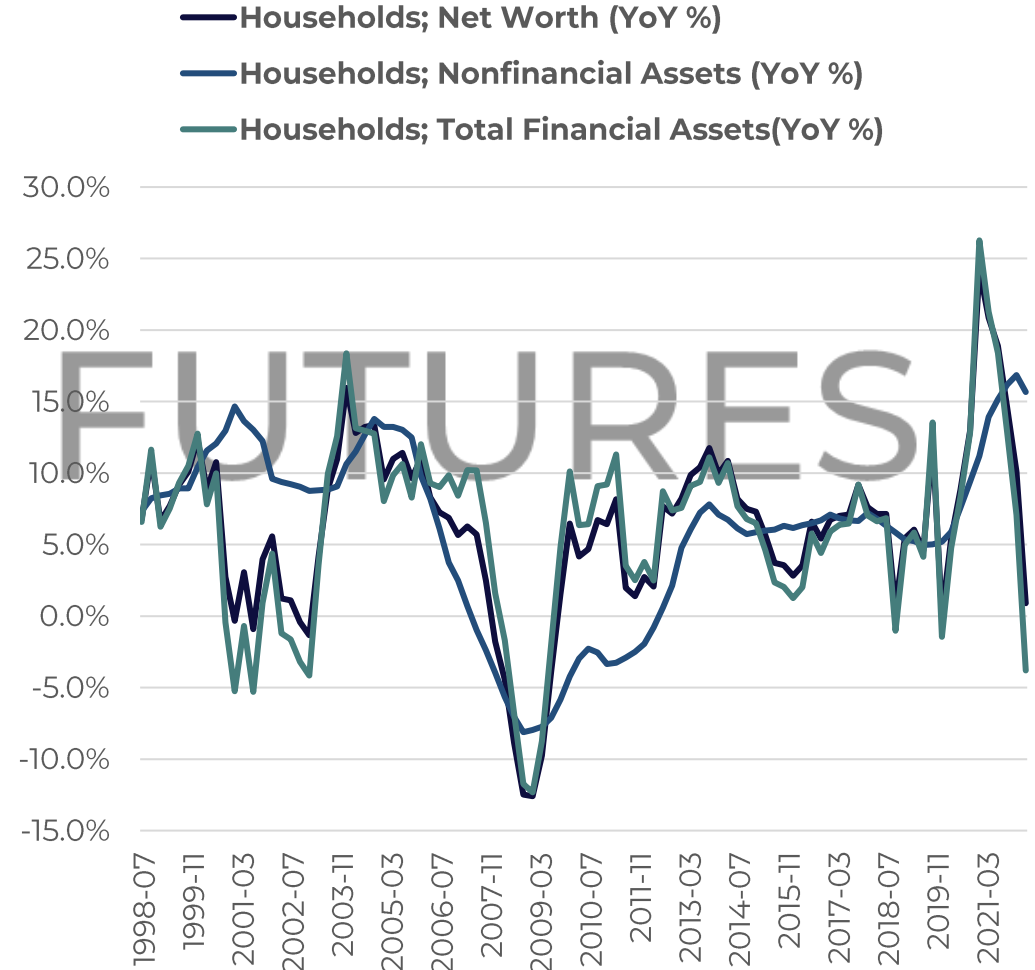
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Household Wealth Deteriorating But Solidly High

Lots of household wealth destruction yet to be done (via the wealth effect.)



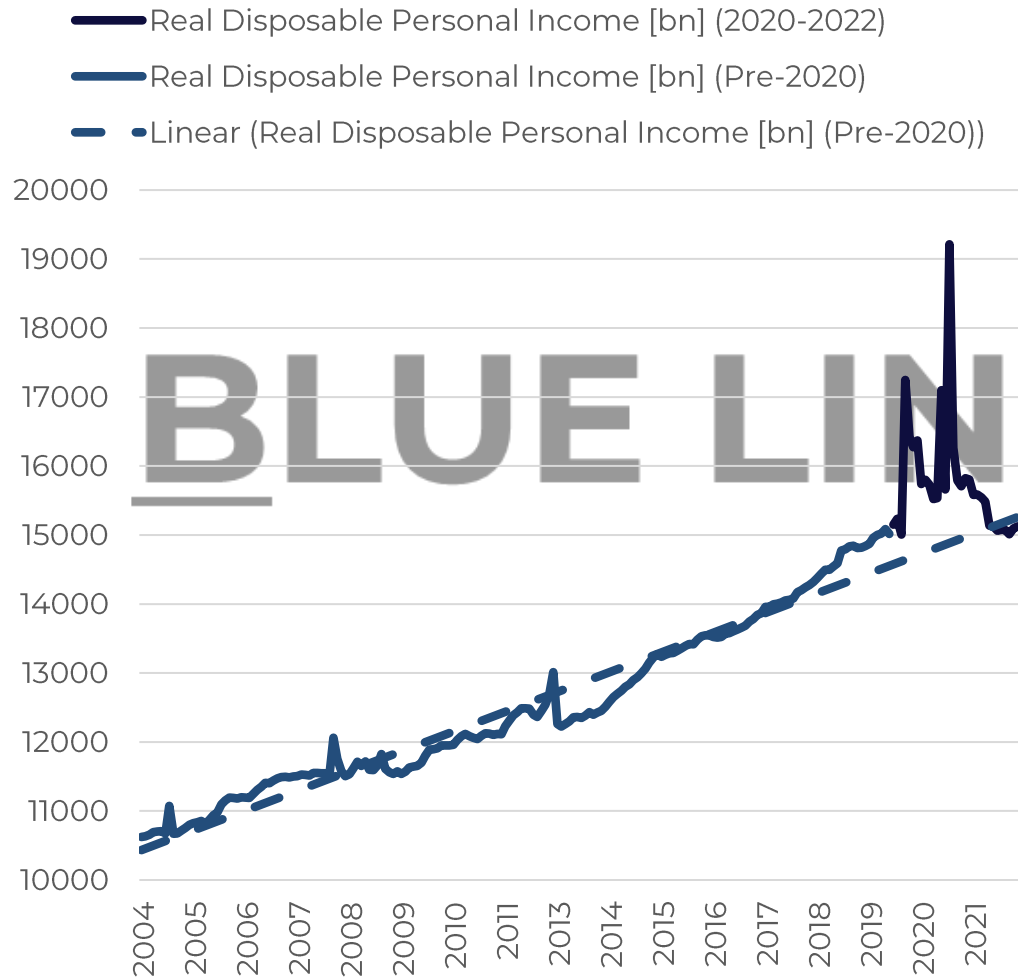
Year-over-year household wealth destruction playing into consumer psyche.



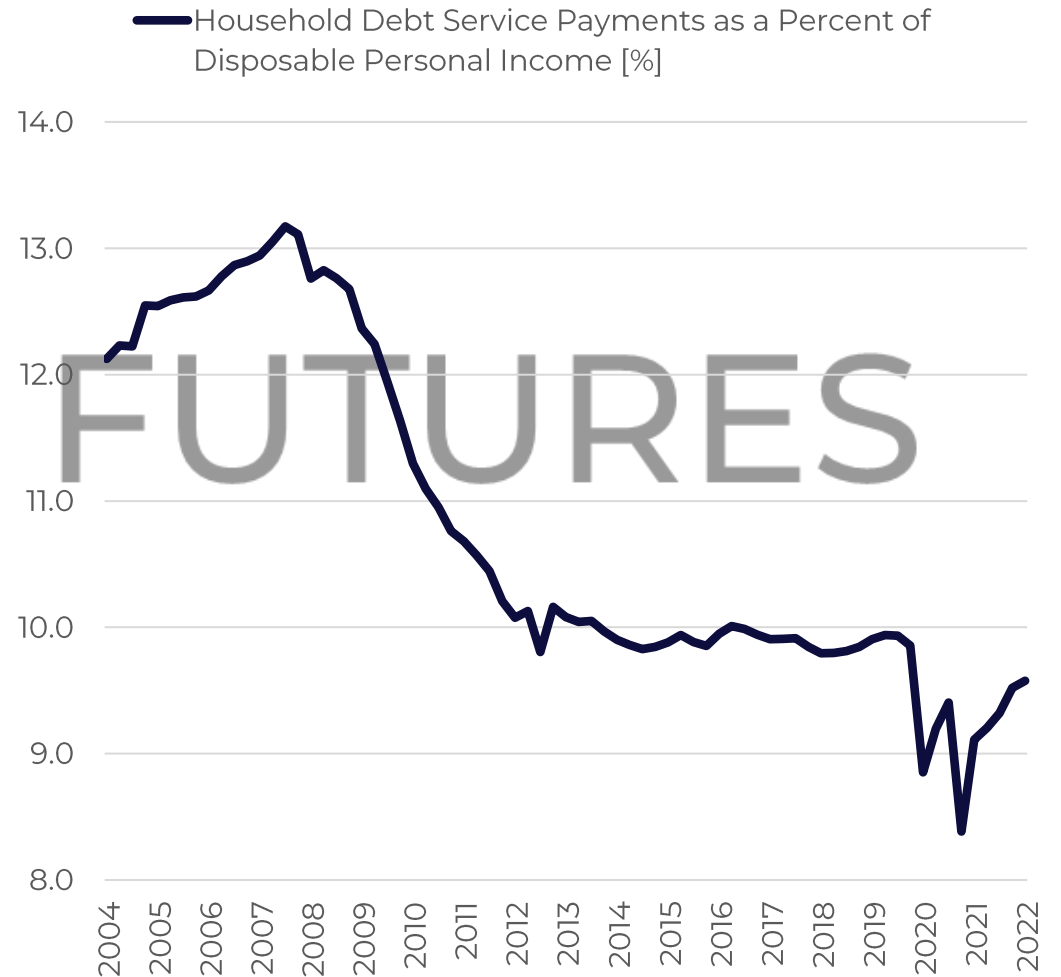
Sources: Federal Reserve, Blue Line Futures

Disposable Income Back To Pre-2020 Trend

Nominal levels of disposable income back to pre-2020 trend.



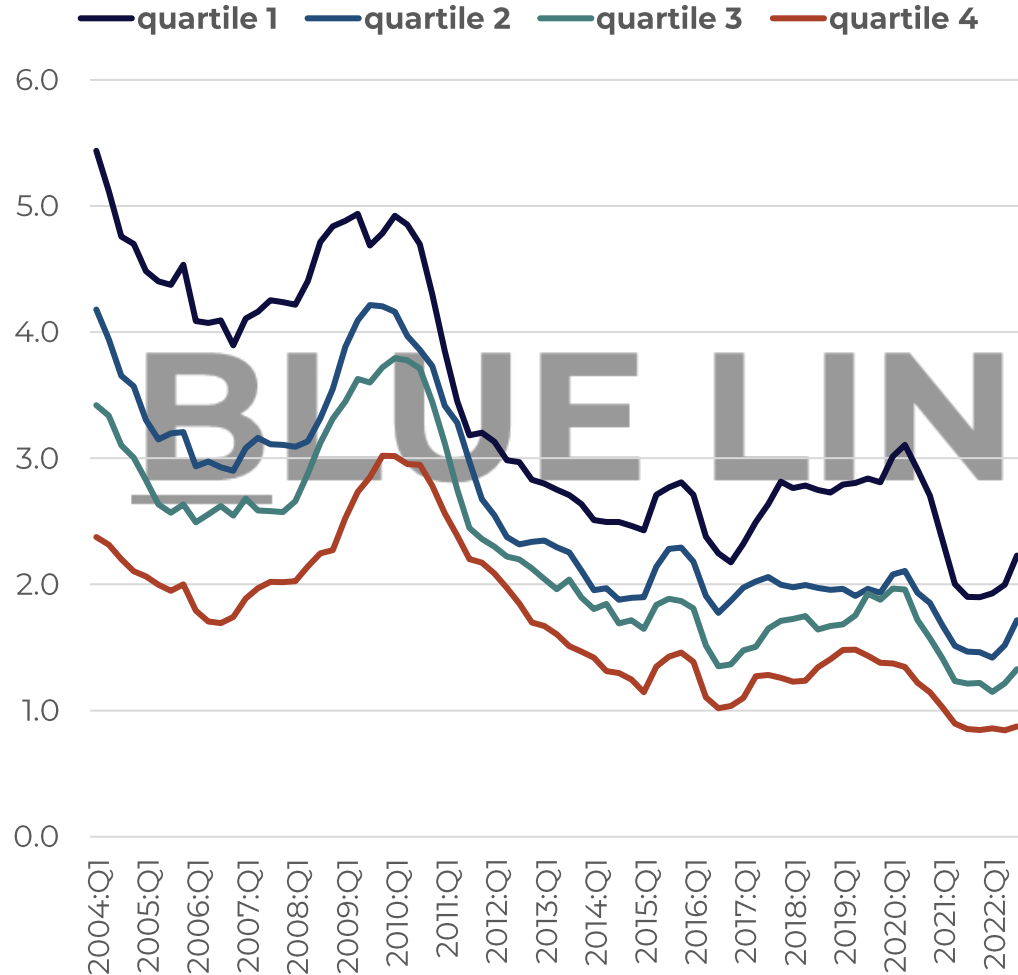
Debt service for households nowhere near concerning levels.



Sources: FRED, Blue Line Futures

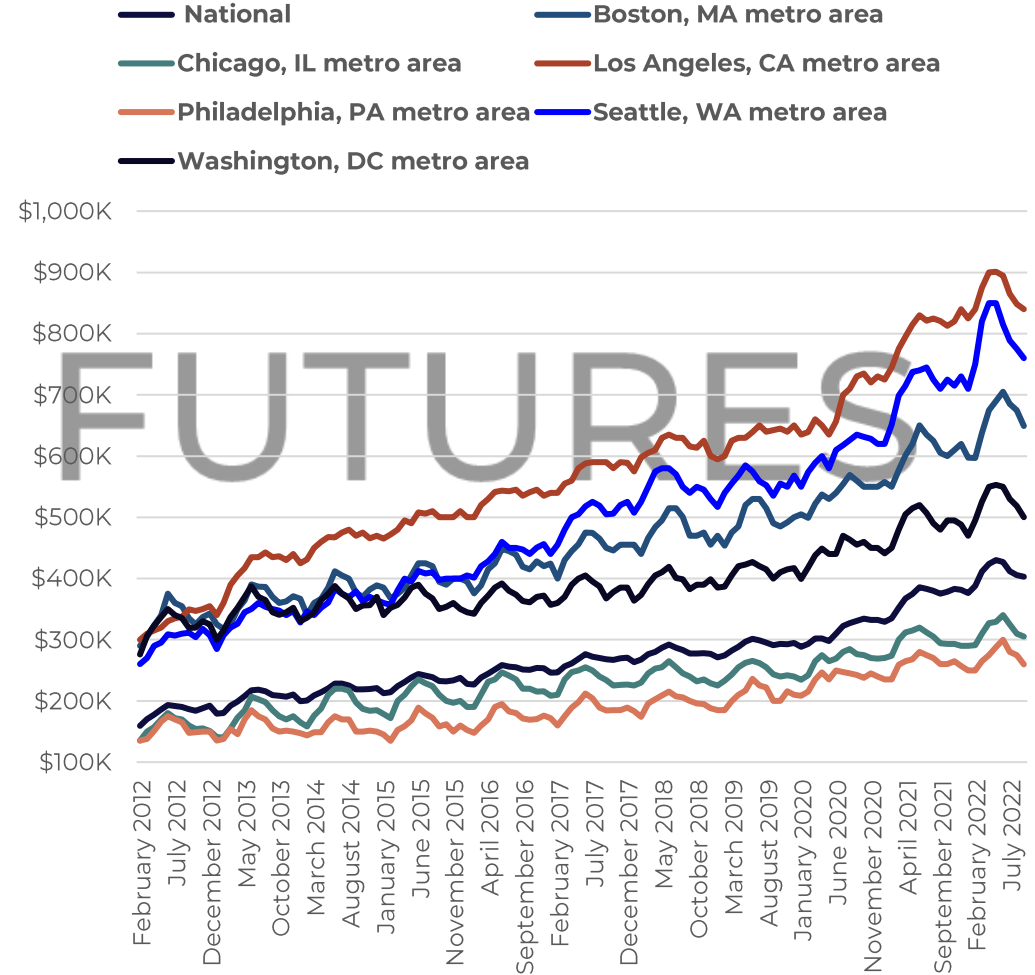
Credit Card Delinquencies Marginal and Real Estate Value Substantial

Credit Card delinquencies low across income quartiles.



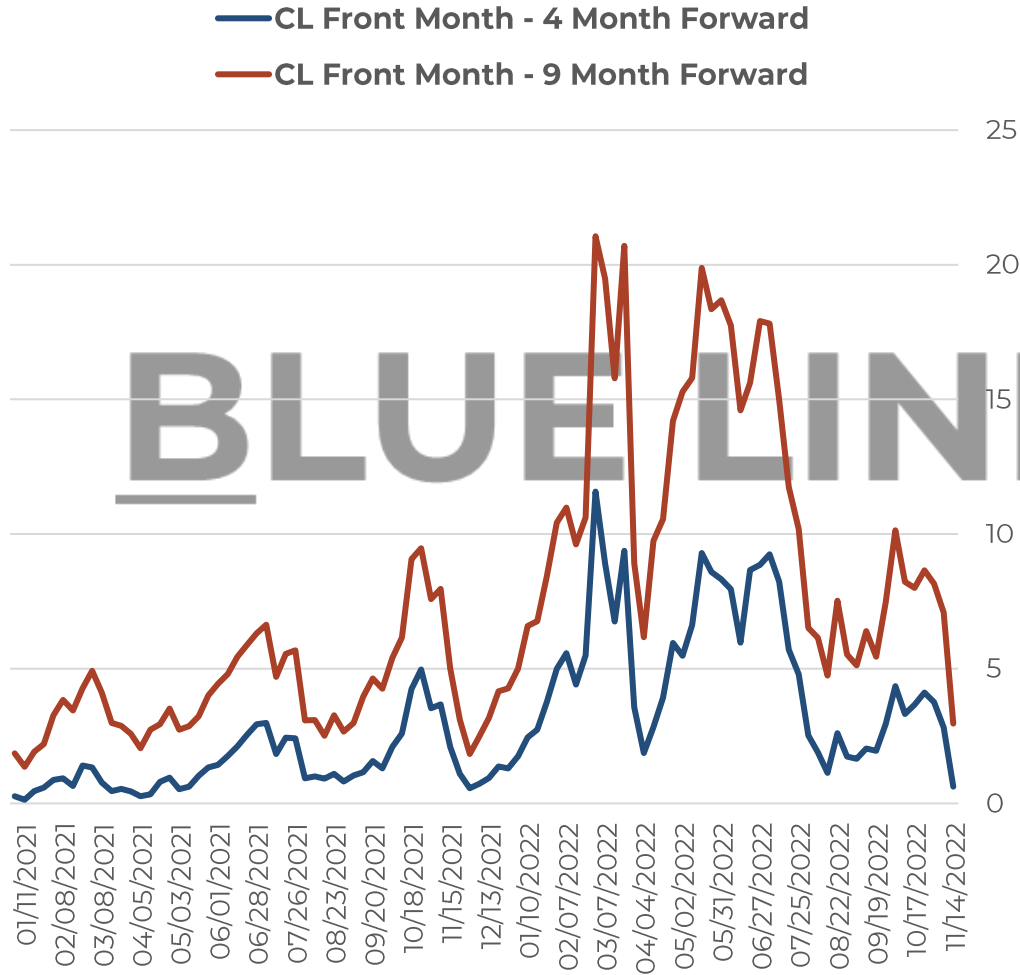
Sources: New York Fed, Redfin, Blue Line Futures

Declining home prices will help on CPI's shelter component. From the Fed's perspective, prices are still elevated in absolute terms.

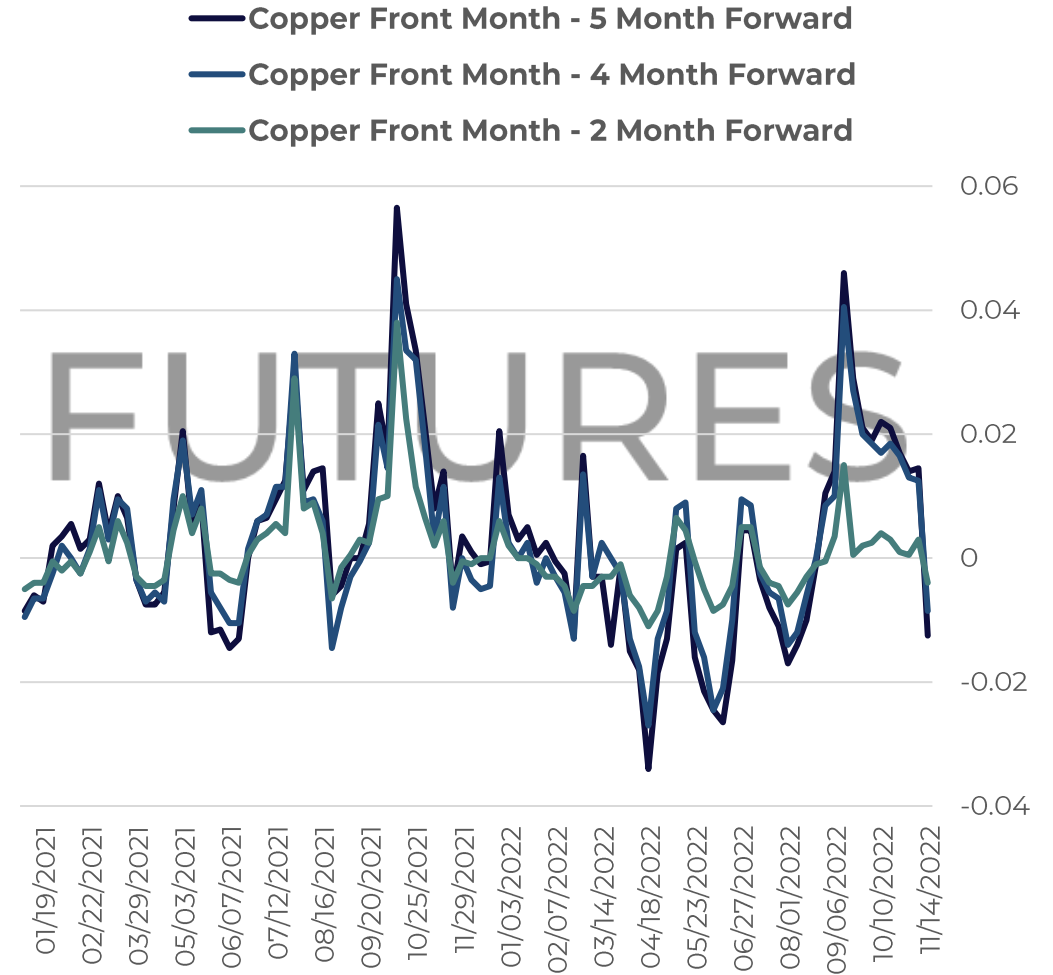


The Commodities Complex Reflecting Weaker Demand

Crude Oil nowhere near the “ultra-backwardation” we saw earlier this year, reflecting weaker demand prospects.



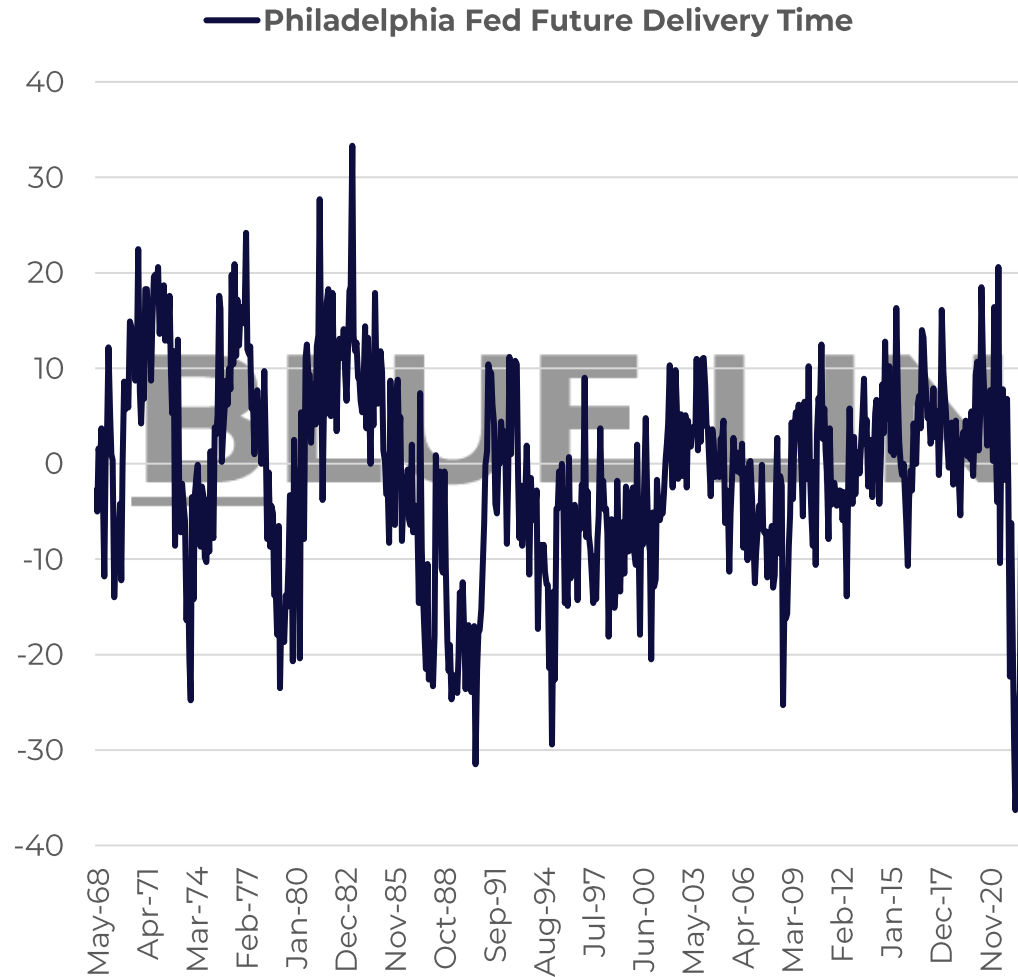
China’s systemic problems in real estate along with a slower reopening timeline are casting doubt at demand prospects.



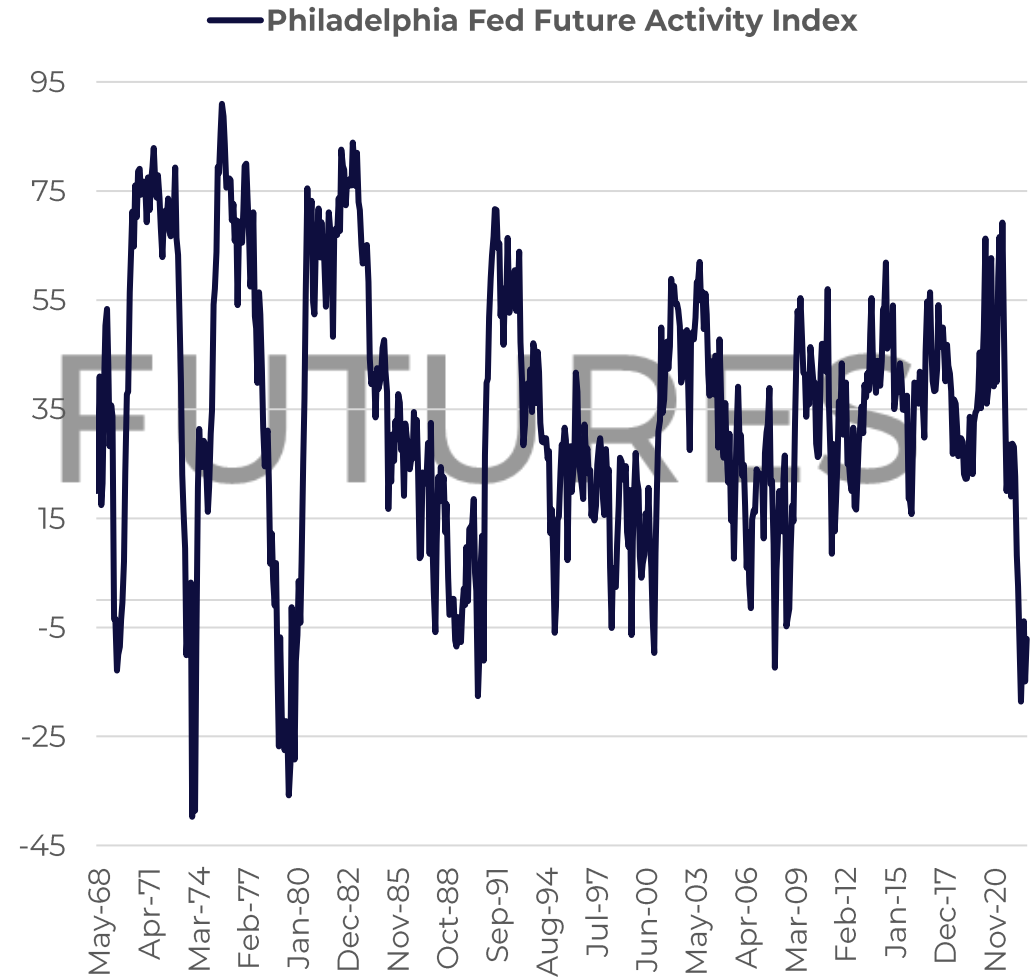
Sources: Blue Line Futures

Manufacturing Delivery Times & Activity Declining

Future manufacturing delivery times have come off fast, last at -13.



Manufacturing Activity has slowed significantly. While deflationary on the margin, it is for the wrong reasons.



Sources: Philadelphia Fed, Blue Line Futures

Disclosure

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