PLACE YOUR TRADES

KEY TAKEAWAYS

Special Guests: Danielle DiMartino Booth and Daniel Lacalle

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CHIGRL'S KEY TAKEAWAYS

Danielle DiMartino Booth

1. On the health of the US consumers with the rise of delinquency rates.

It was just a few months ago that 30 billion dollars in cash was pumped into US household accounts and in December there are going to be some FHA borrowers who are going to be coming off of forbearance that's been in effect since March of 2020. Student loan payments have resumed and we are beginning to see the fallout despite where stocks are. Higher-end consumers are beginning to step back because we've had a sufficient build up in the unemployment rate cycle. In past cycles, the month that follows 50 states having rising unemployment rates, which would be the month of October, in every single instance we've seen a negative non-farm payroll print. In every instance we have also seen the unemployment rate at a national level increase. She believes the US government on a marginal level will not be directly depositing cash into household bank accounts.

2. On the real estate market.

Bank of America put out a report saying that of the 97 major metropolitan areas in the US, it is cheaper to rent in 95, with the exception of New Orleans and Jackson Mississippi where buying a home is more affordable. The supply demand imbalance will continue to get worse and we are seeing this in multi family delinquencies. We are seeing this feed into home price pressures and it will continue. We are seeing a reversal of post-covid trends.

3. On Fed rate cuts.

Powell is great at talking markets out of their preconceived notions. There are a lot of inflation readings. She suspects that on Friday afternoon when H8 is released we will see other deposits liabilities. She also suspects that we will see a nearly 17 trillion dollar figure decline to south of 15 trillion and this continues to be very impairing for the economy. We saw the largest decline in commercial and industrial loans last week since March. Even if we begin to contemplate rate cuts in the summer of 2024, there will not be many as the presidential election is coming.

4. On the 2% inflation rates goal for central banks.

With the massive supply coming online in apartments and the ability to get first and last months free, a lot of renters are moving if they fail to get concessions from their landlords. She believes the pressure we will see moving forward on home prices will shelter disinflation.

5. On the labor market and its resilience.

Continuing jobless claims have gone up, and in September 2022 there was not a single state with rising continuing jobless claims and right now the only state that does not have continuous jobless claims is Kentucky. The percentage increase of Americans who have been unemployed for 15 weeks or more is up 28%. We have never seen these numbers without being in a recession.

6. On fiscal policy seemingly butting heads with monetary policy heading into the election year.

Given the nearness of the upcoming presidential election, there is nothing the administration can do on the fiscal side to rescue the US household because Biden has executive ordered in as much as he is allowed to. Pork Belly spending does not transmit directly to consumers nor does it transmit directly to US household spending. Disinflation is going to be the driving factor in the background, not inflation.

CHIGRL'S KEY TAKEAWAYS

Daniel La Calle

1. On CBDCs.

CBDCs are usually confused with electronic money, but they are very different. CBDCs will have the distinct feature of being programmable, this means that the central bank can put a "sell by date" for how long you can have your cash as a deposit in your account which creates very significant risks. First risk being that if the central bank creates too much money, it can easily decide to take it away from your account if you have decided to save. Second risk being that by being programmable, it creates perverse incentives to the first recipients of money. Third risk being that the central bank can, and will, decide who to penalize and who to reward in terms of how they spend and where they spend. One factor in this is them being able to track one's carbon footprint and analyze their rewards/penalties based on this. There is absolutely no need for CBDCs unless the central bank wants to impose its market share on citizens and enforce it through repression.

2. On Dedollarization and BRICs currency.

Dedollarization is not possible today because the dollar right now is the global liquidity provider for cryptocurrencies and all other emerging market currencies. You cannot dethrone a world reserve currency by having all of the negatives of the dollar and none of the positives. There is no sufficient replacement for the dollar. The matter of legal and investor security plays a big part in this.

3. On oil and renewables.

We have seen how the resistance level is not kept throughout the period because of the weakness in demand but on the other hand, we have a flaw that keeps getting higher as we have seen in the three consecutive periods. What is showing is that all of those disinflationary processes and all disinflationary pressures that we are seeing are the reality of monetary aggregates coming down. We are going to see disinflation quickly as the monetary aggregates collapse. The federal government will refinance around 7 trillion dollars, which means that on top of the tightening, we will have that much less of liquidity in the market.

4. On the state of the EU.

Given that we are seeing rapid de-industrialization in response to the higher energy costs in the EU, Europe is left in stagnation. The European Union is losing competitiveness because of their energy policies. The European Union, being an importer of energy, does not see the benefits of low price natural gas, oil, or coal because of the massive level of taxes on energy. At the same time, it's losing competitiveness because of the energy mix. Deindustrialization is a de facto process that is almost by design as it is impossible to increase the participation of industry with all of the regulations, policies, and taxes. The EU does not have the technology, demographics, or competitiveness that the US or China has.

5. On Javier Milei's newly elected administration and dollarization.

Argentina does not have a viable currency so the market is already 70% dollarized. Dollarization is inevitable because the central bank has net negative reserves. Dollarization ultimately means fiscal adjustment.

6. On global commodities markets.

We are seeing weakness due to monetary tightening because investors in energy spend a lot of time discussing supply and demand but the fact that if rates are rising and the money supply is going down, commodities will not react positively in the short term.

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