

The Shifting “Politics” of Inflation

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For the record, **I am neutral on stocks, credit, and bonds** here as I jumped off the bucking bronco (or rip-snorting bull) yesterday ([8 Seconds](#)).

I am torn between:

- The market wanting to believe in a “soft landing” vs. the economic data (that is already set in motion) will take us to a “very hard landing”.
- This is explained in more detail in ([A Clear View](#)).

This morning, I can’t help but wonder about **Tesla cutting prices on some models** (first in China and then domestically) and the **off-the-charts cancellations that builders are facing** (but this can wait until the weekend’s report).

What can’t wait until this weekend is the messaging that I’m seeing related to inflation.

- On the “**political**” front:
 - Senator Warren (@SenWarren) tweeted:

“Inflation has slowed for six months, providing families more breathing room. The Fed needs to take this data into account and not drive the economy off a cliff with more extreme interest rate hikes.”
 - Let’s remember that this was all “transitory” until (amongst other things) President Biden and Chair Powell sat down in November 2021 to discuss his renomination.
- On the “**media**” front:
 - I am seeing a “victory lap” sort of reporting. It is almost as though the mainstream media got Fed talking points that said “7.1% is bad, but 6.5% is good” and we are “winning” the war and it is headed in the right direction. Do NOT underestimate how much the mainstream media takes into account talking points to influence the public. It almost feels to me like we are setting ourselves up for a shift in how inflation is treated.
 - **Nick Timiraos** (@NickTimiraos) is writing/tweeting about annualizing the Q4 data! We wrote about this in [2 + 2 =5](#) back on December 15th. Whether true or not, many view him as the person in the press that is closest to the Fed, so it is interesting to see what narrative he is helping shape for the “more specialized” audience (financial media as opposed to mainstream media).

I am still neutral, but this shift in political and media talking points could pave the way for a series of Fed speakers to come out and downplay the inflation risk.

That would make me want to get on the bull one more time as that would fuel (likely erroneously, but fuel nonetheless) another big “soft landing” surge in stock prices (with a good rally in the front/belly of the yield curve).

Good luck and enjoy the long weekend! Also, don’t miss Academy’s 2023 Geopolitical and Macro outlook webinar today at 10:30am EST ([registration](#))!

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