

Data Dependency when the Data Direction is Known

This week we had the ECB raise rates 75 bps, but Lagarde stuck to the data dependency line. The consensus (outside of the ECB) for Europe is a recession with runaway energy prices.

Powell, at the CATO institute interview (I must admit, I'm not completely sure what that was all about), tried to sound as hawkish as possible, but wasn't that convincing. He seemed very focused on anchoring inflation expectations and highlighting mistakes made when the Fed got behind the curve, but all of that can get re-spun at the upcoming Fed meeting and by speakers after the meeting.

I see inflation rolling over already. I suspect that they've already done too much, but for now there are so many clear signs that inflation is retreating rapidly and that the "data dependency" strategy looks like it will result in an early stop to the hawkish actions.

Treasury Secretary Yellen also spoke, but few seemed to care (the central bank's powers dwarf anyone else's for markets and the economy, at least for now).

The UK started the "transfer" of energy risk away from individuals and small businesses to the government. Nothing like the risk assumption that we saw during Covid, but if this is an inkling of what the rest of Europe will do, European stocks and credit spreads should flourish (I particularly like EU banks).

For now, embrace the risk rally, especially in Europe and even (eyes closed, nose plugged) in crypto as markets price in that we are near the end of hawkishness (based on expected weak data).

Ultimately, I think that we have already pushed too far, that the bad news will be bad, and that **before year end, we will be worried far more about recession and lower prices than inflation, but for now, ride the bad news is good news wave** (and own rate products).

Data Dependency when the Data Direction is Known**Disclaimer**

This document and its contents are confidential to the person(s) to whom it is delivered and should not be copied or distributed, in whole or in part, or its contents disclosed by such person(s) to any other person. Any party receiving and/or reviewing this material, in consideration therefore, agrees not to circumvent the business proposals explicitly or implicitly contained herein in any manner, directly or indirectly. Further, any recipient hereof agrees to maintain all information received in the strictest confidence and shall not disclose to any third parties any information material to the opportunity contained herein and, upon review hereof, agrees that any unauthorized disclosure by any party will result in irreparable damage for which monetary damages would be difficult or impossible to accurately determine. Recipients recognize, and hereby agree, that the proprietary information disclosed herein represents confidential and valuable proprietary information and, therefore, will not, without express prior written consent, disclose such information to any person, company, entity or other third party, unless so doing would contravene governing law or regulations.

This document is an outline of matters for discussion only. This document does not constitute and should not be interpreted as advice, including legal, tax or accounting advice. This presentation includes statements that represent opinions, estimates and forecasts, which may not be realized. We believe the information provided herein is reliable, as of the date hereof, but do not warrant accuracy or completeness. In preparing these materials, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information available from public sources.

Nothing in this document contains a commitment from Academy to underwrite, subscribe or agent any securities or transaction; to invest in any way in any transaction or to advise related thereto or as described herein. Nothing herein imposes any obligation on Academy.

Academy is a member of FINRA, SIPC and MSRB. Academy is a Certified Disabled Veteran Business Enterprise and Minority Business Enterprise and is a Service Disabled Veteran Owned Small Business as per the US SBA. Investment Banking transactions may be executed through affiliates or other broker dealers, either under industry standard agreements or by the registration of certain principals.