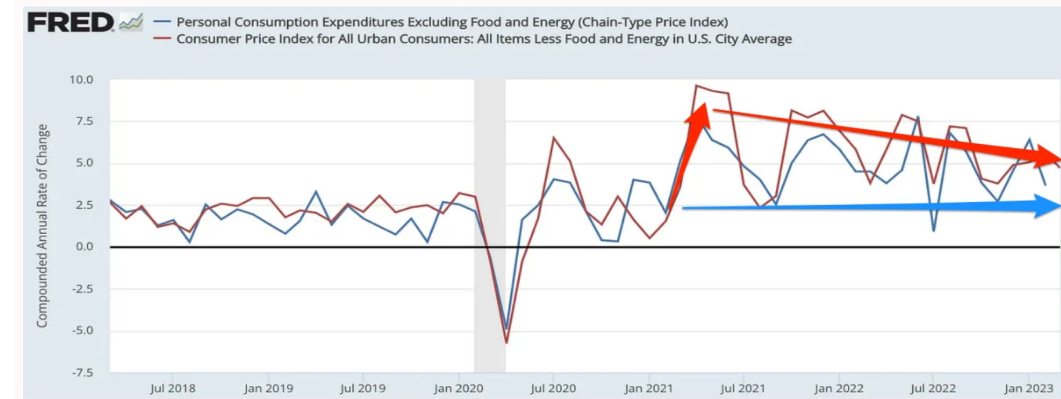
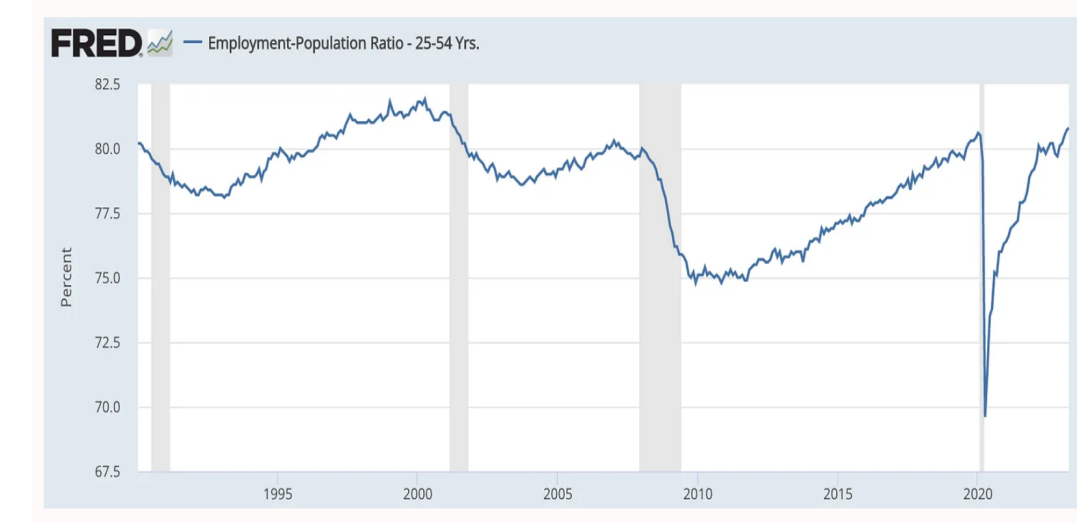
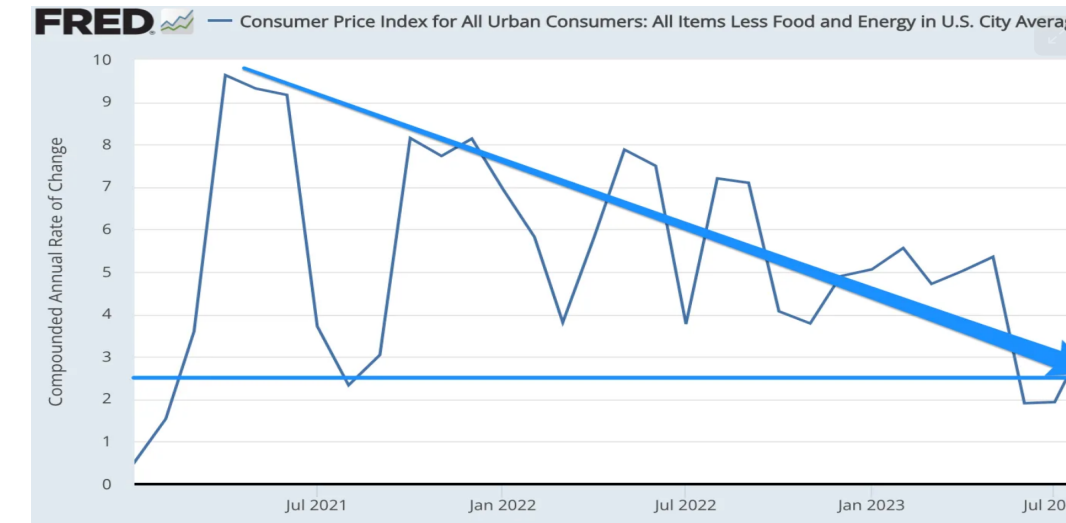
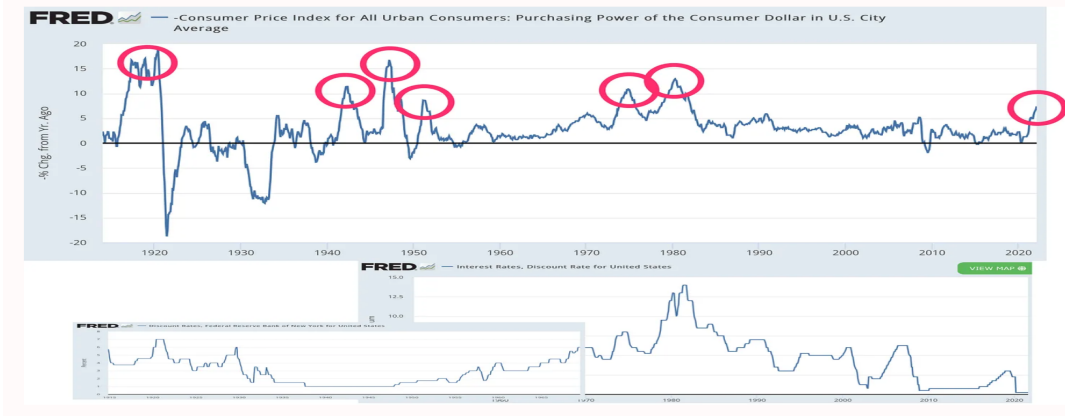


DeLong 2023-09-18 Notes

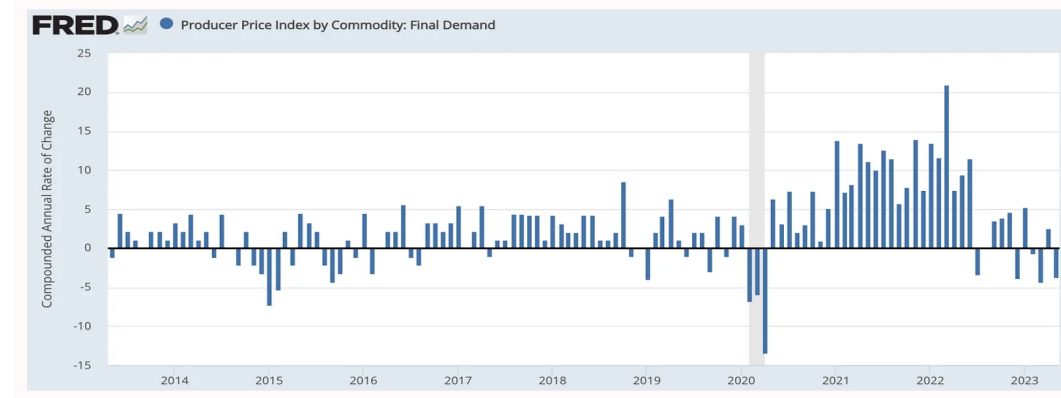
The general belief that the short-run Phillips Curve was flat meant that the sheer magnitude of the reopening inflation came as a substantial surprise to many:



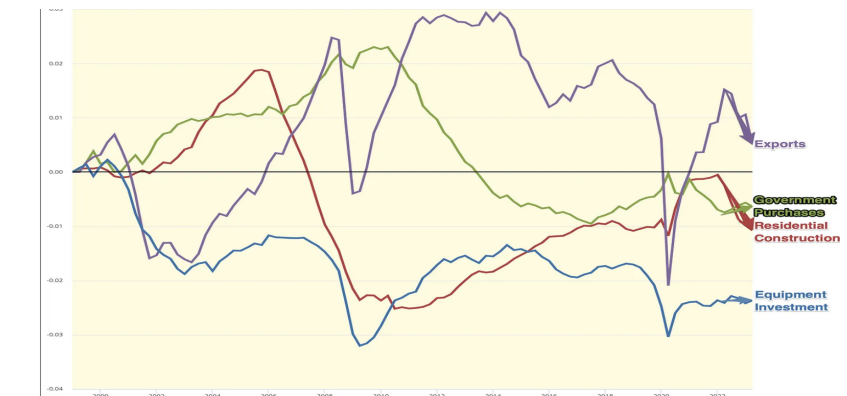
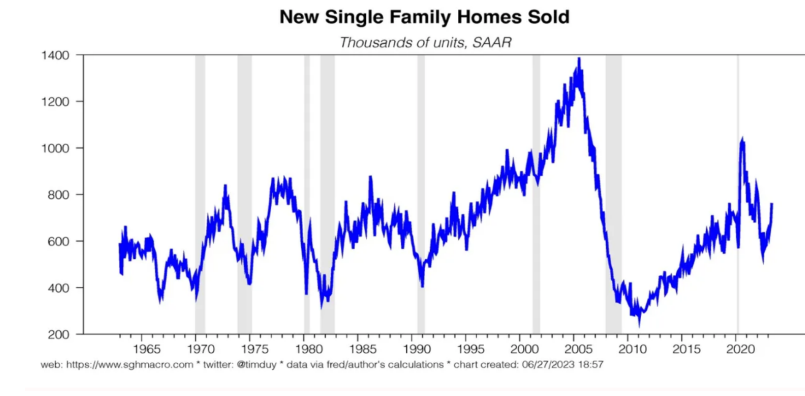
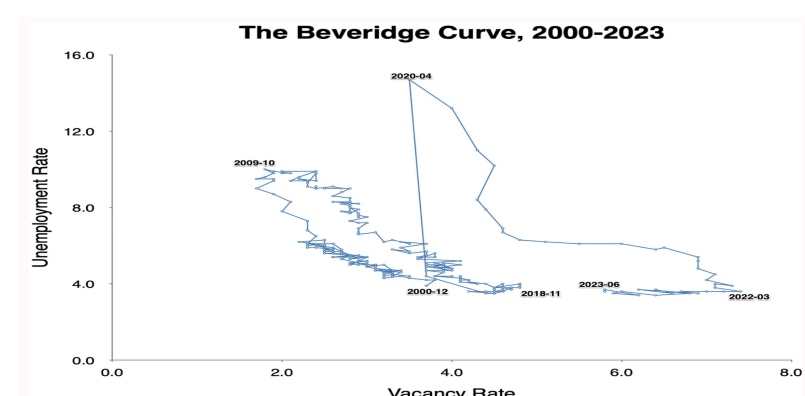
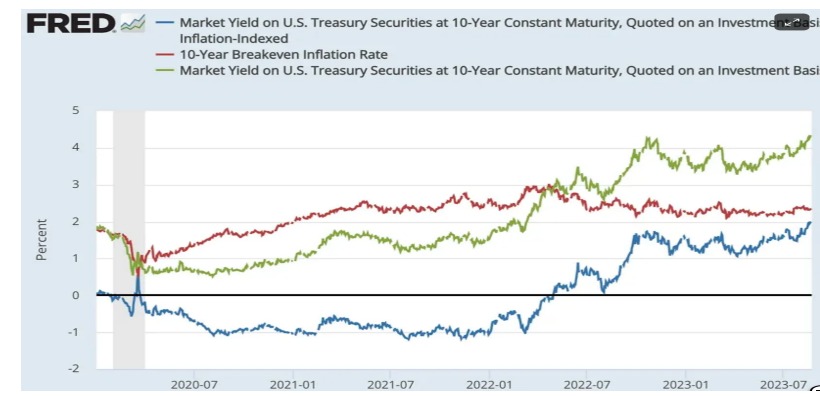
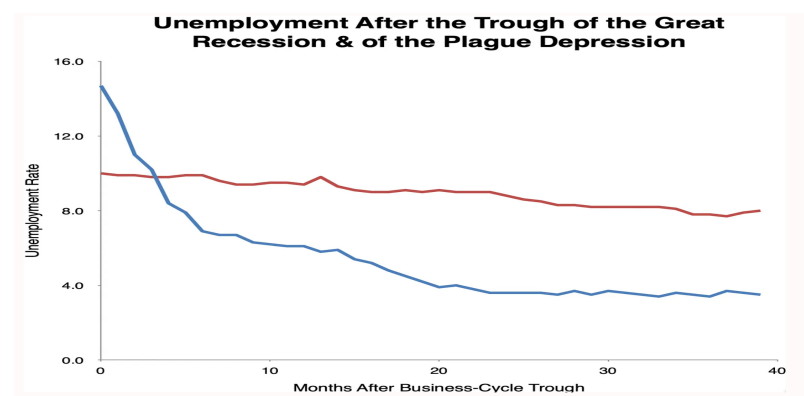
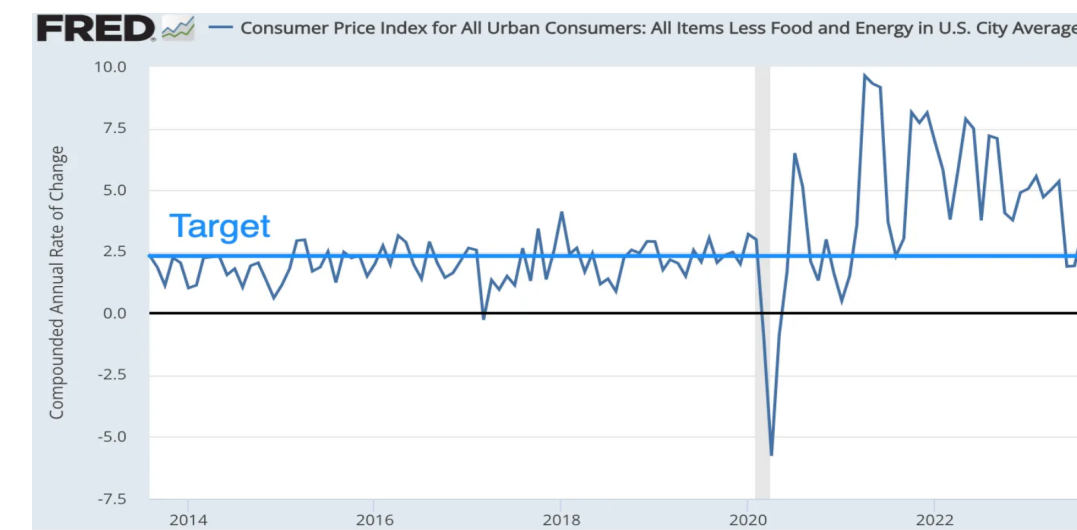
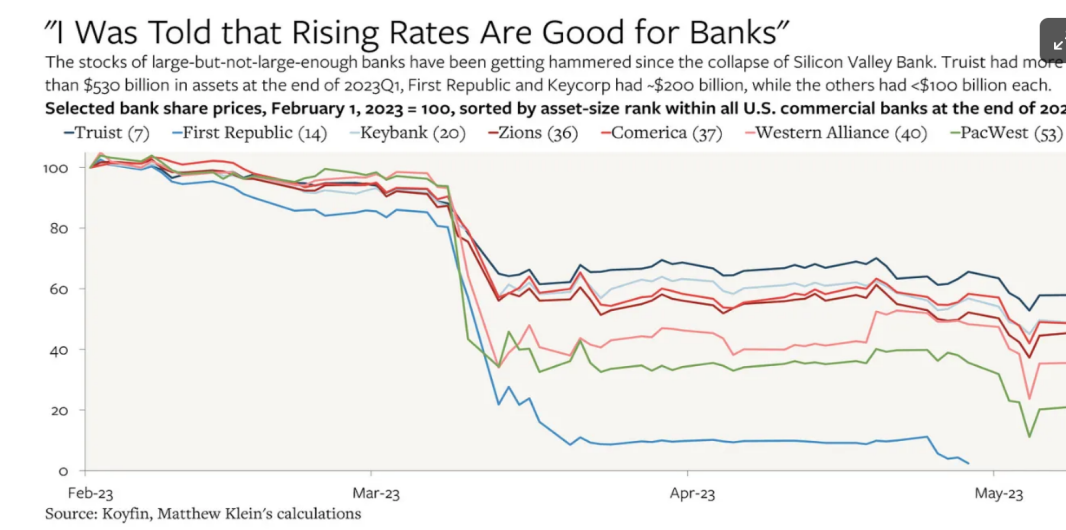
The top graph is the CPI inflation rate; the bottom graphs are overlapping graphs of the Federal Reserve's discount rate—the rate at which it lends to banks on reasonable collateral.



The month-to-month changes in the PPI (at annual rates). PPI inflation has been over for a year now:

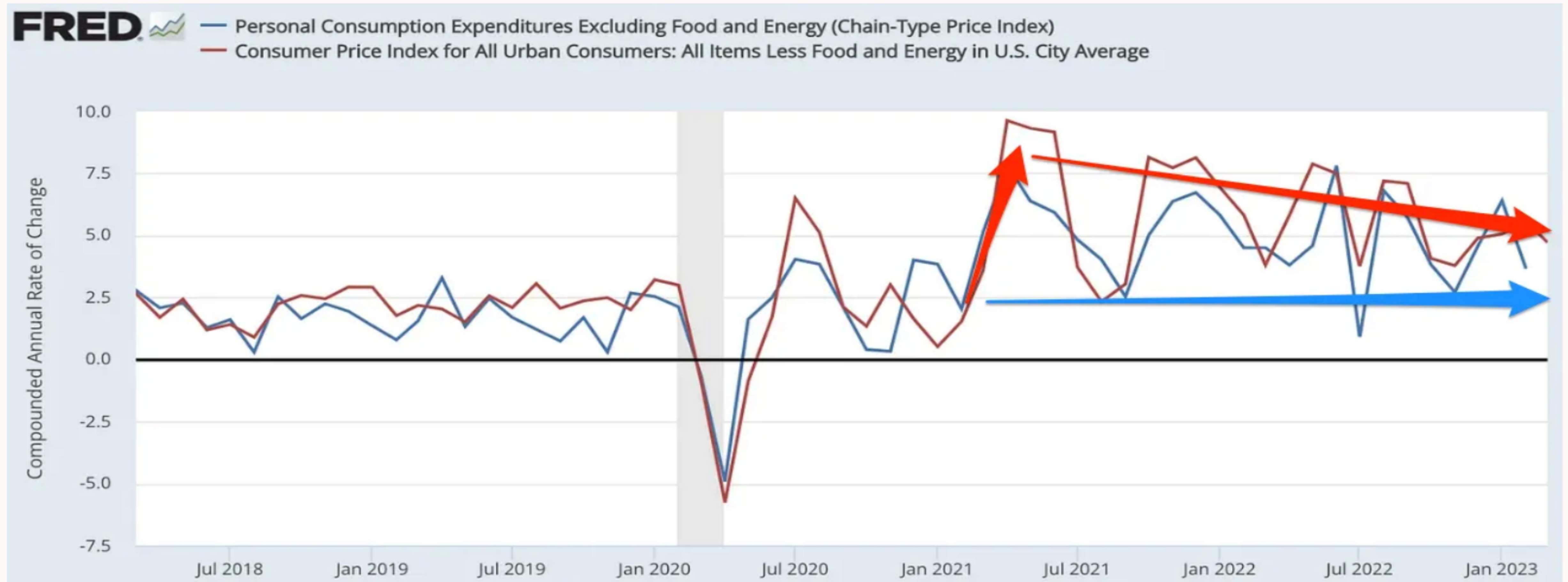


And yet throughout the inflation medium-term expectations of future inflation in the bond market remained nailed to where they need to be for the Fed to costlessly attain its 2%/year target well before 2030:



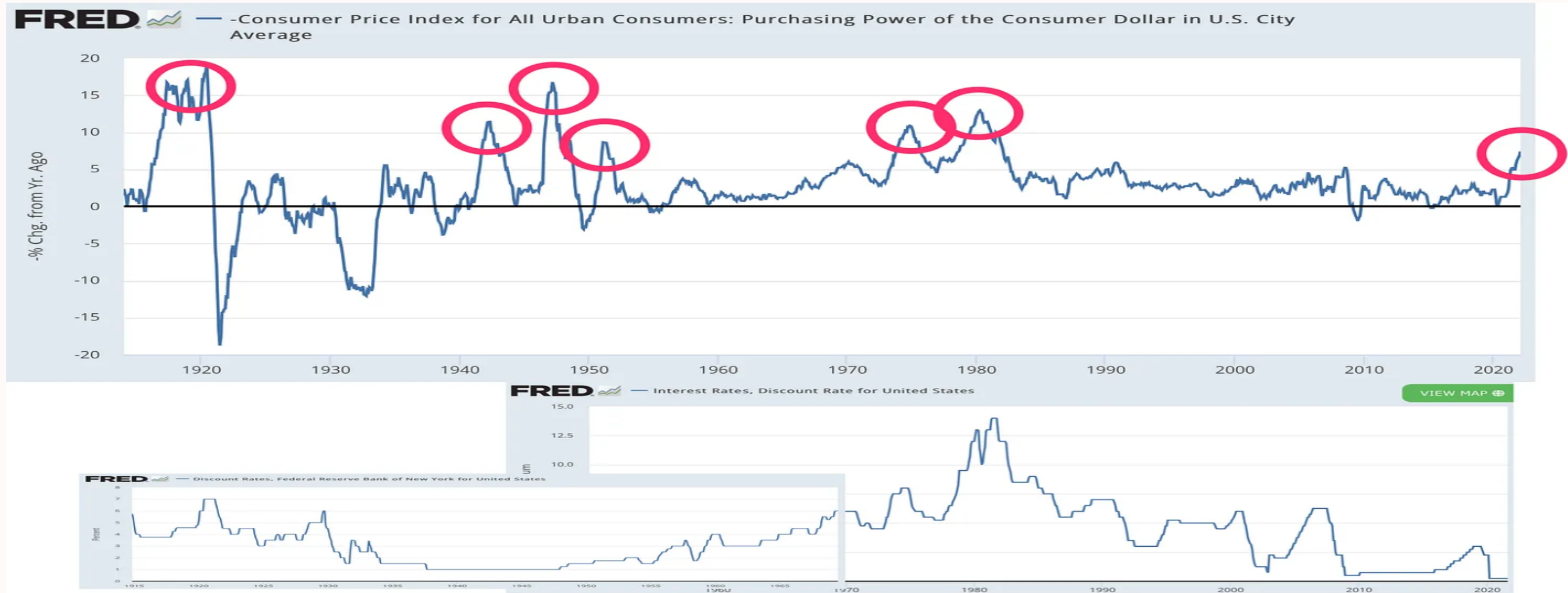
The Magnitude of the Inflationary Jump Took Economists by Surprise

The general belief that the short-run Phillips Curve was flat meant that the sheer magnitude of the reopening inflation came as a substantial surprise to many:

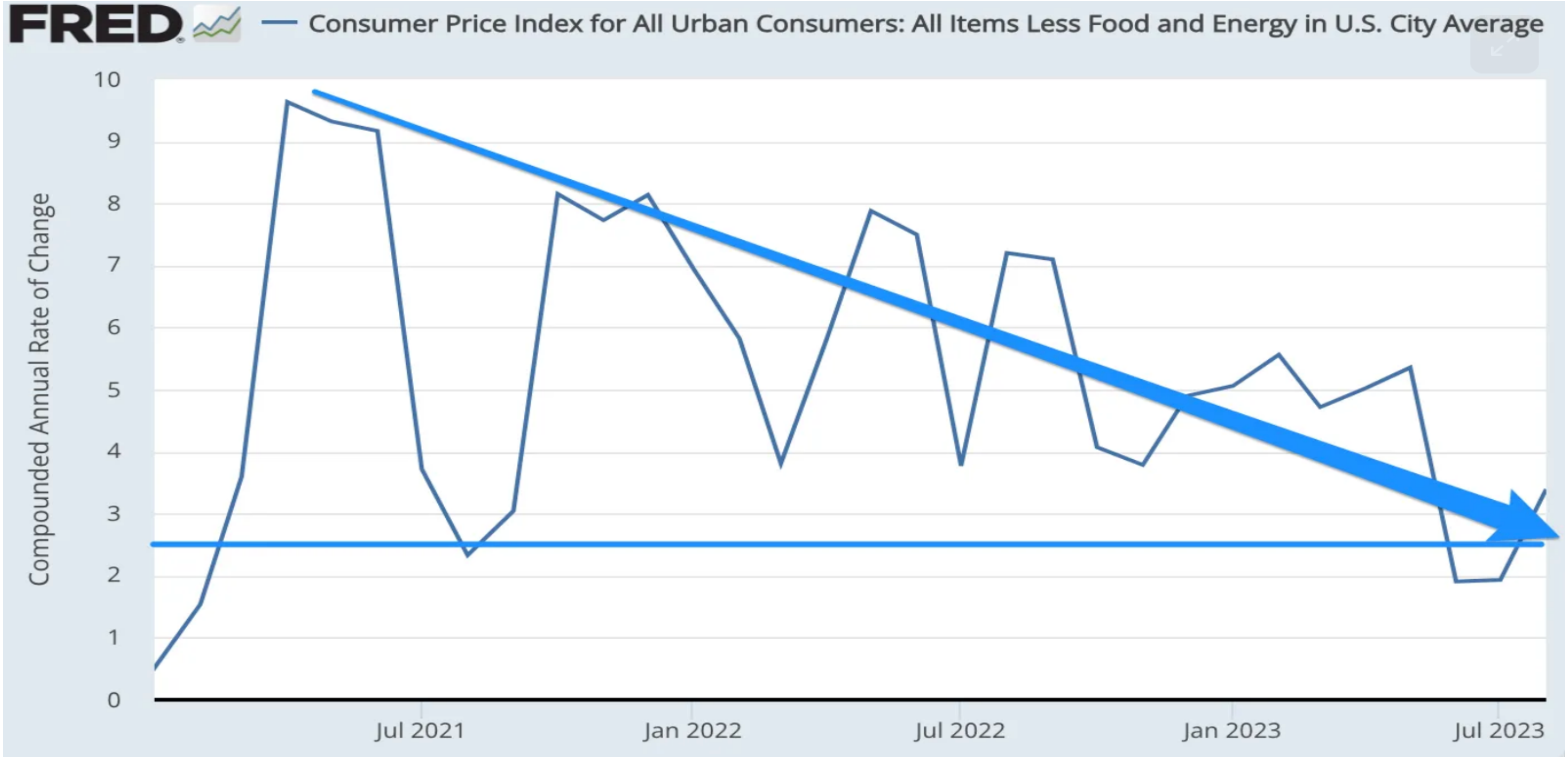


Historians vs. Theorists

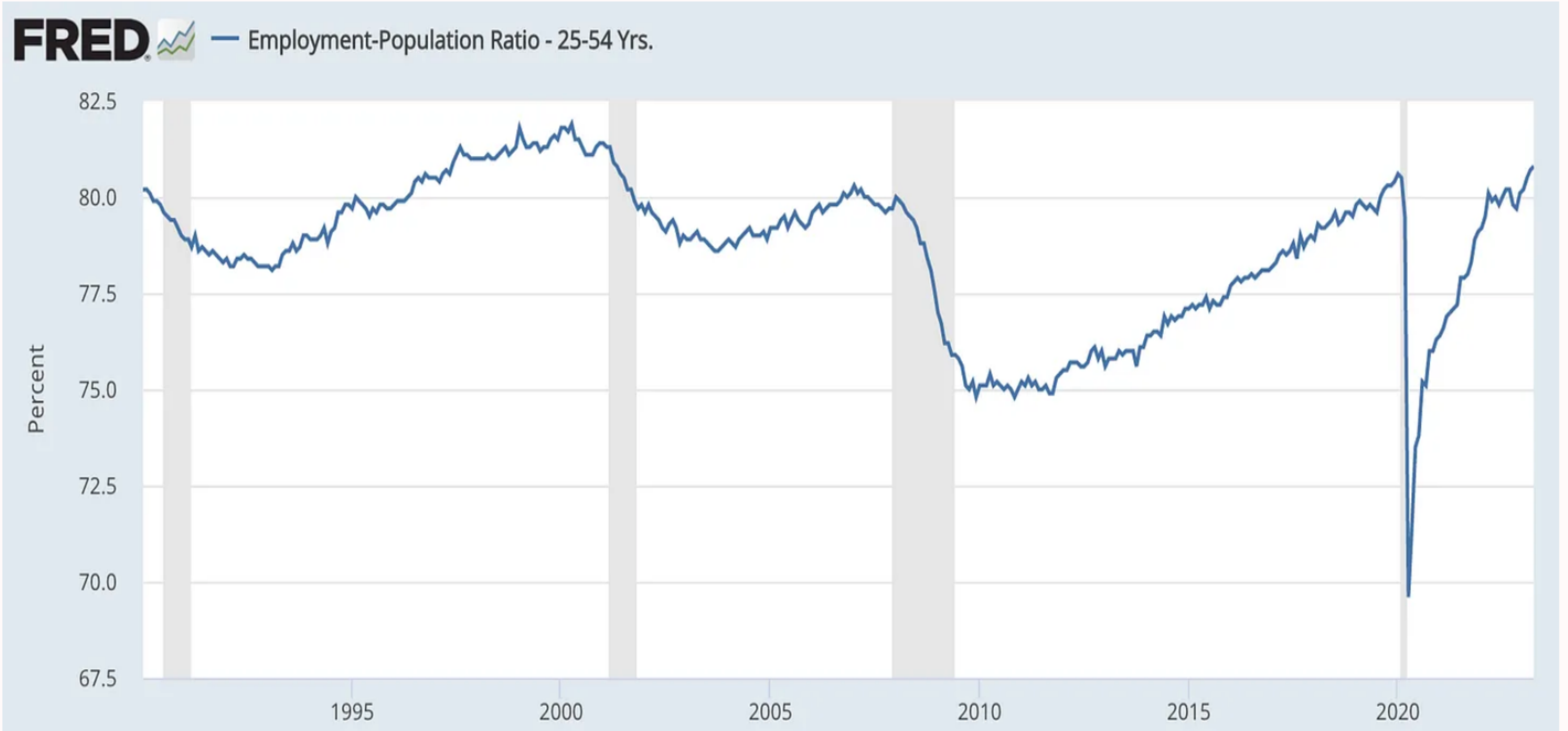
The top graph is the CPI inflation rate; the bottom graphs are overlapping graphs of the Federal Reserve's discount rate—the rate at which it lends to banks on reasonable collateral.



What Would a “Soft Landing” Look Like?

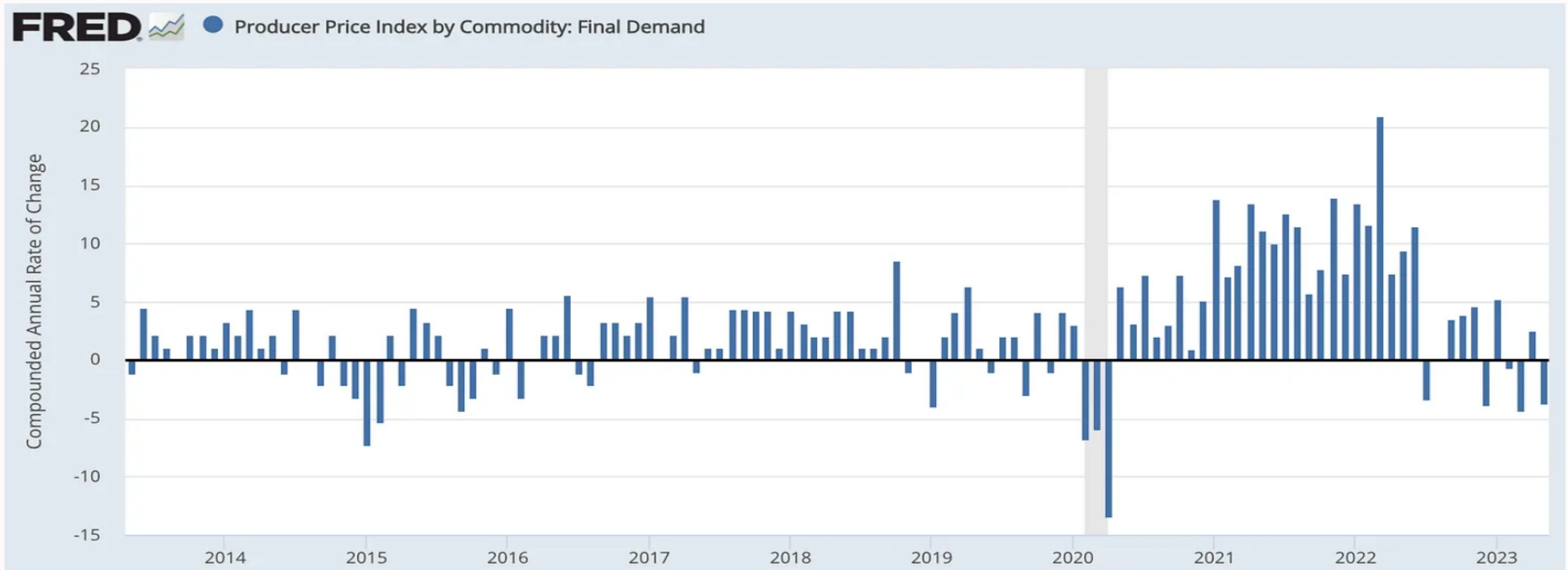


Rapid & Complete Recovery



No PPI Inflation for a Year

The month-to-month changes in the PPI (at annual rates). PPI inflation has been over for a year now:



Bond-Market Inflation Expectations Rock-Solid

And yet throughout the inflation medium-term expectations of future inflation in the bond market remained nailed to where they need to be for the Fed to costlessly attain its 2%/year target well before 2030:

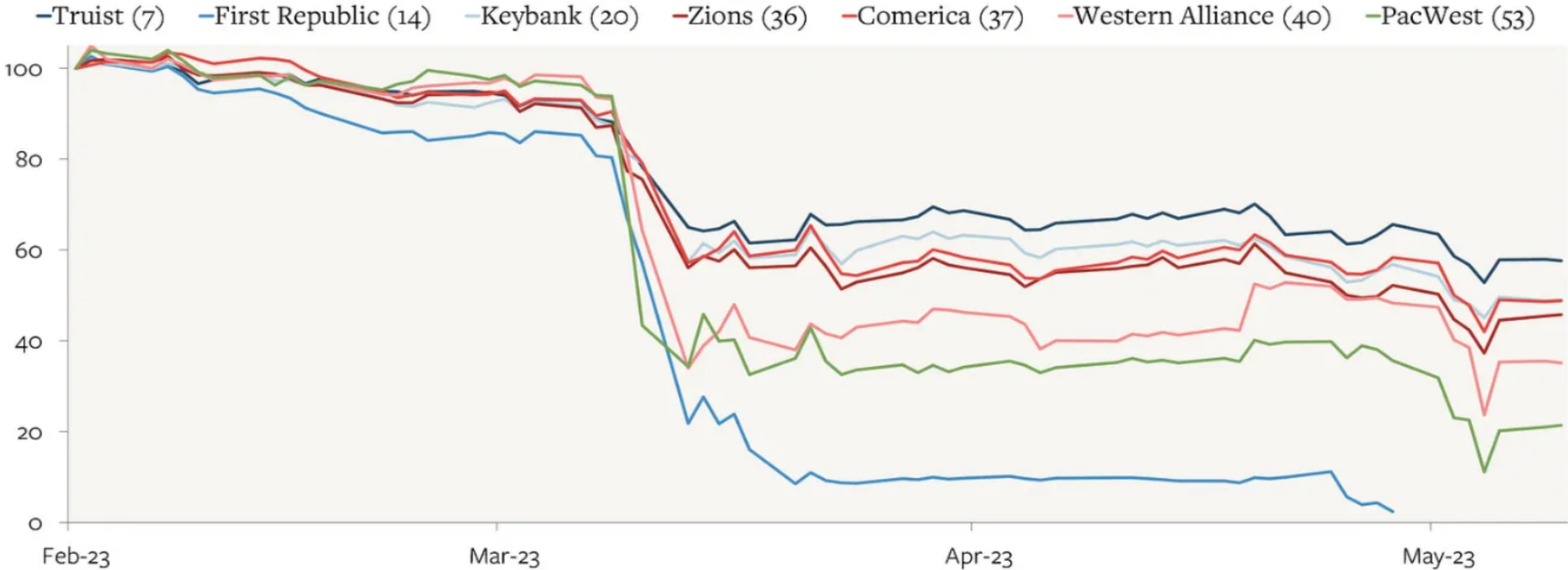


Our Spring Banking-Sector Mishegas

"I Was Told that Rising Rates Are Good for Banks"

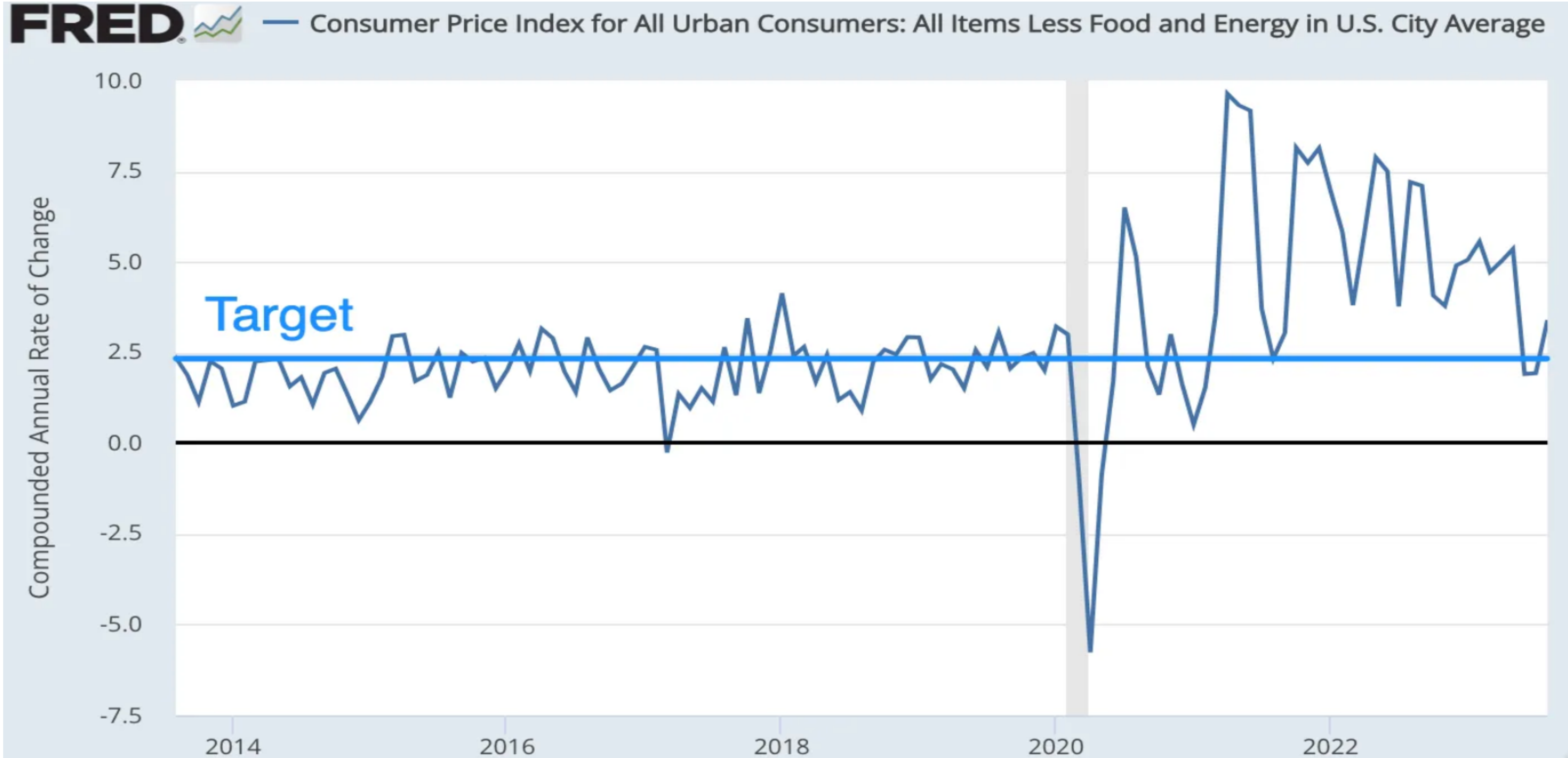
The stocks of large-but-not-large-enough banks have been getting hammered since the collapse of Silicon Valley Bank. Truist had more than \$530 billion in assets at the end of 2023Q1, First Republic and Keycorp had ~\$200 billion, while the others had <\$100 billion each.

Selected bank share prices, February 1, 2023 = 100, sorted by asset-size rank within all U.S. commercial banks at the end of 2022



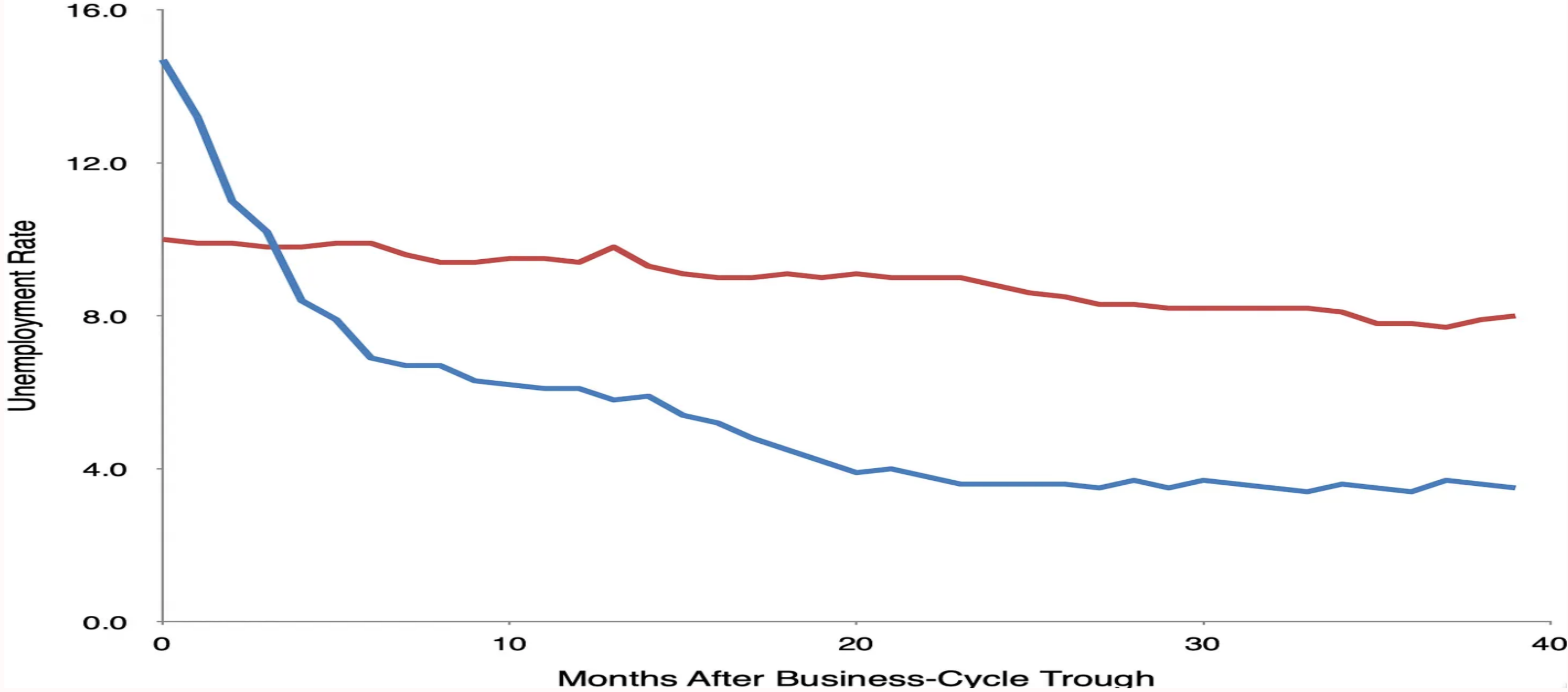
Source: Koyfin, Matthew Klein's calculations

CPI Inflation: Level & Variability



Should We Care About Leaving Rubber on the Road?

Unemployment After the Trough of the Great Recession & of the Plague Depression

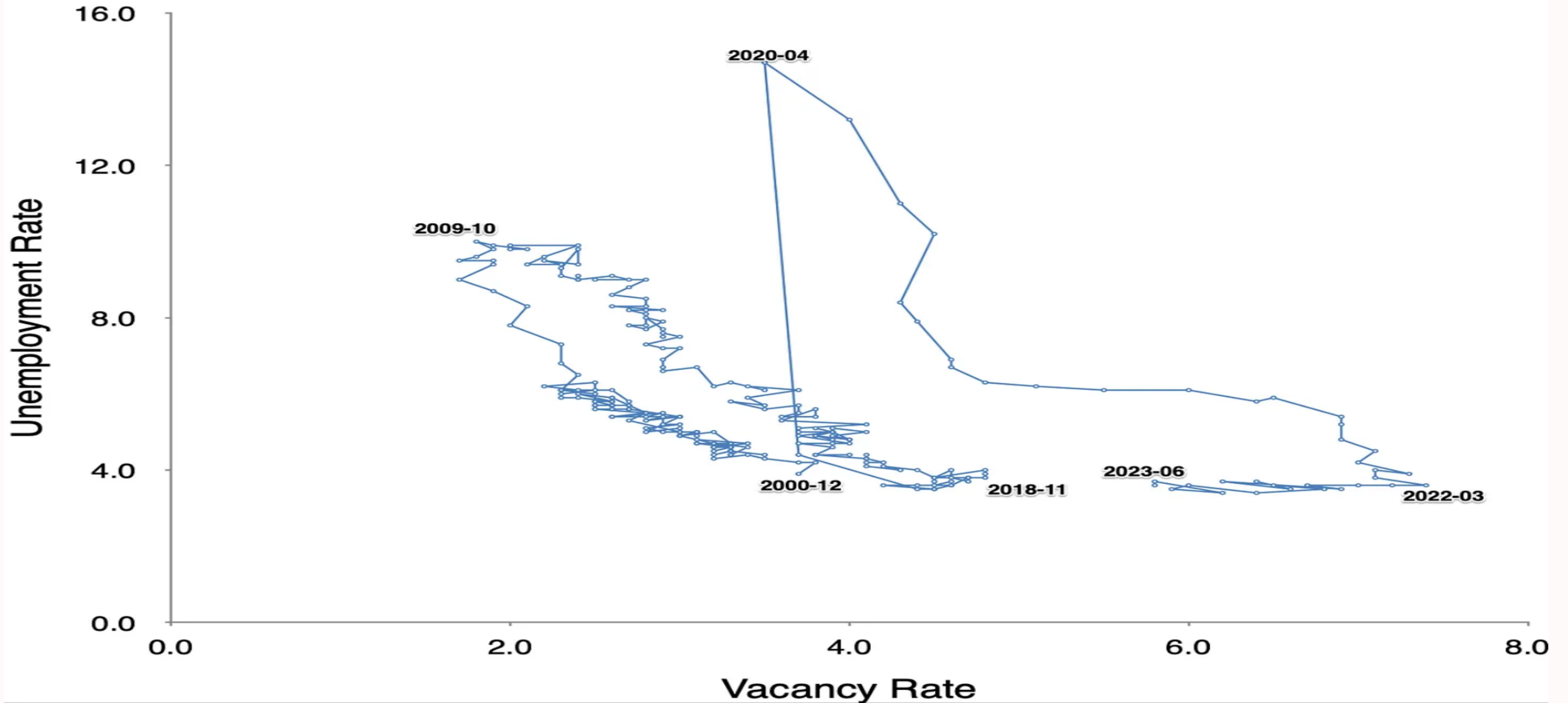


The Interest Rates That Matter



The Missing Beveridge-Curve Slope

The Beveridge Curve, 2000-2023



The Housing Disaster

New Single Family Homes Sold

Thousands of units, SAAR



web: <https://www.sghmacro.com> * twitter: @timduy * data via fred/author's calculations * chart created: 06/27/2023 18:57

Four Key Relative Components of Aggregate Demand

