Bristol Gold Group November 11, 2022

In our February report, we identified nine subject categories supporting our long-term investment thesis for gold. So far this year, we have addressed five of these topics (***Equity Valuations, U.S. Dollar, Erosion of Trust, Main Street and Bitcoin***). During the balance of 2022, we turn our attention to the remaining subjects on our list: ***Fed Policies***, ***Inflation***, ***Declining World Order*** and ***Gold Valuations***. In our view, fundamental developments in these four categories are not only linked, they are converging with considerable stored force.

Penalty Box

Having dedicated the past two decades to analysis of gold and gold equities, we are pretty familiar with the ebbs and flows of investor sentiment in our sector. Amid financial extremes now the norm in the modern era of unconventional central banking, traditionally fickle gold sentiment has become downright manic. Given the wide range of investor motivations to purchase and trade gold, contemporary sentiment swings have increasingly decoupled gold's short-term performance from what we believe to be relevant underlying fundamentals. If this sounds like a dressed-up way of saying we believe gold should be performing better than it has in 2022, we have made our point. During the past eight months, gold has been reflexively pressured by a belatedly hawkish Fed and associated U.S. dollar strength. As we will explain, not only do gold's short-term correlations with fed funds and the dollar rest on reasoning more academic than practical, in this instance they are likely to prove short-lived because they are ***already*** igniting a chain of destabilizing financial events.

We have long argued that the modern era of unconventional central banking has fostered dangerous global imbalances led by excessive and unsustainable debt levels. Since these longstanding imbalances have come to be viewed as structural in nature, they are routinely ignored by investors with the logic that timing of their resolution is impossible to determine. Our current contention is that global financial distortions have finally become so extreme, the Fed and global central banks no longer have the power or tools to forestall a global monetary reset.

Investors concerned about monetary distortions have long predicted the Fed would eventually find itself between a rock and a hard place. We believe a series of durable global developments has finally crystallized the Fed's rock-and-hard-place moment. During the next six-to-twelve months, we anticipate a degree of global financial stress likely not only to strip the Powell Fed of its remaining credibility, but also to spur mainstream debate over whether the Fed's dual mandates do more harm than good. In the environment we expect, short-term fluctuations in currencies and interest rates will have less bearing on the gold price than the financial dislocations they are now fostering.

Haywire

Most investors would agree that the Federal Reserve has become a dominant variable in investment decision-making. Interest rates, equity valuations and liquidity conditions have essentially become extended functions of Fed liquidity programs. We would even argue that, while the Fed's role has always been important, today it has become the ***only*** variable which really powers markets.

For example, it is well documented that the S&P 500's spectacular post-GFC rise has been tightly correlated with the tenfold explosion of the Fed's balance sheet. While most investors are aware of this relationship, few are troubled by it. As long as stocks keep going up, why quibble over the reasons? Well, in contrast to this contemporary indifference, we are certain the Fed's first Chair, Charles Hamlin, would have been horrified to imagine that handicapping the "Fed put" would become a critical consideration in most investment strategies. Or that Nick "NikiLeaks" Timiraos would have such outsized impact on financial markets with his *Wall Street Journal* Fed column.

While we could cite countless examples of how exaggerated the Fed's impact on financial markets has become, we will limit ourselves to two recent episodes. Our first instance of hyperactive Fed tea-leaves reading occurred during the 7/27/22 FOMC press conference, when Chair Powell nonchalantly observed:

> We think it's time to just go to a meeting-by-meeting basis and not provide the type of clear guidance that we had provided ***on the way to neutral***.

Whether or not Chair Powell ***meant*** to suggest that the current 2 ¼% - 2 ½% fed funds rate was indeed the Fed's holy grail ***neutral*** rate (implying slowing future hikes), this single offhanded comment immediately halted the S&P 500's ongoing ***17.7%*** year-to-date ***decline*** and sparked a ***9.8%*** three-week ***rally***. Only a daily parade of hawkish jawboning by chagrined FOMC colleagues was able to snuff the unwanted S&P advance which threatened to undermine the Fed's commitment to tighten financial conditions.

Our second example of contemporary Fed obsession was a 10/31/22 research report written by JPMorgan Quantitative Analyst Andrew Tyler. In his preview of the 11/2/22 FOMC meeting, Mr. Tyler outlined six potential policy outcomes ranging from most bullish (50-bps hike & dovish Powell press conference) to most bearish (100-bps hike and hawkish press conference). Incredibly, Mr. Tyler's quantitative analysis projected that these six potential FOMC policy combinations would catalyze ***single-day*** performance outcomes for the S&P 500 ranging from a double-digit percentage gain to a 6%-to-8% loss. Is it just us, or is it a bit nuts that any single FOMC meeting might impact one-day performance of the world's largest equity index in a range of 18%?

As it turns out, Mr. Tyler's Scenario # 4 (75-basis point hike and hawkish press conference) was the winning ticket. But it turns out that even Mr. Tyler's meticulous analysis was not fine-toothed enough, because he neglected to speculate what might happen if the Fed's written statement (released at 2:00 pm EDT) and Chair Powell's prepared remarks (released at 2:30 pm) were significantly out of sync. The FOMC ***statement*** included a sentence overwhelmingly interpreted by market participants as a dovish change:

> In determining the pace of future increases in the target range, the Committee will take into account the ***cumulative tightening*** of monetary policy, the ***lags*** with which monetary policy affects economic activity and inflation, and economic and financial developments.

Mere mention of "cumulative tightening" and "policy lags" immediately jolted the S&P 1% higher (to 3,894) and spot gold 1.3% higher (to $1,669). But a cagey Chair Powell had come prepared to douse any unwanted animal spirits which might be aroused by the prospect of a dovish Fed pivot. In his prepared remarks, Chair Powell qualified the potential for the Fed to "slow the pace of increases" with the bombshell observation that "incoming data since our last meeting suggest that the ultimate level of interest rates will be ***higher than previously expected***." In other words, "Slower for longer." Whoa! Talk about a nasty changeup!

The S&P 500 immediately tanked, falling 3.5% in 90 minutes (to its close of 3,759) and spot gold fell 2.0% (to its close of $1,635). To put this volatility in perspective, the final 90 minutes of market trading witnessed the S&P 500's worst final-90-minute performance on any FOMC day in history (Bespoke Investment Group). Perhaps it was due to the shock of Chair Powell's intra-meeting trickery, but the S&P's final tally (-2.5%) was significantly below Mr. Tyler's projected range for Scenario # 4 (-1% to +0.5%). But we can't blame him for trying.

Not Just Stocks

While Fed liquidity programs are most commonly associated with rising ***stock*** prices, the Fed's market influence is hardly limited to equities. The modern era of unconventional central banking has turned a whole host of asset correlations on their heads. Needless to say, we would place gold at the top of the list of traditional assets whose investment profiles have been perverted by Fed liquidity. For thousands of years, civilized societies have viewed gold as a durable inflation hedge. In today's Fed-centric world, however, nothing can kneecap gold quicker than a hotter-than-expected CPI print. With modern algorithms, it can even happen in ***milliseconds***.

And it's not just on an ***intraday*** basis that gold's profile as an inflation hedge has been flipped. Over the past 21 months, CPI has exploded from 1.4% (Jan '21) to 8.2% (Sep '22), and during the past 16 months has ***averaged*** 7.3%. A year-and-a-half of four-decade inflation highs could not possibly be viewed as gold ***bearish***, could it? Well, with traders positioning for Fed rate hikes, gold has declined roughly 10% since CPI began to levitate in February 2021.

[Truth be told, we have never been big proponents of the correlation between CPI-type inflation and gold. If the price of a single CPI component were to rise (hedonically adjusted hot dogs in Houston), why would anyone buy gold? Alternately, if prices of all goods and services in a healthily functioning economy were to rise, why should the gold price rise any faster than, say, thumbtacks? In our mind, the type of inflation which makes gold a mandatory portfolio asset is ***monetary*** inflation driven by chronic currency debasement. It is ***this*** relationship which has driven gold's sevenfold increase since early-2000. And it is this same relationship which will drive gold's future performance, until global central bankers relent on their efforts to perpetuate imbalances of dollar standard system and allow accumulated malinvestment to clear.]

Liftoff

As we have intimated, it is hardly surprising that gold's performance has failed to match the sharp spike in CPI since early 2021. But for gold to have instead been ***declining*** in stepwise proportion to the Fed's belated attempts to contain inflation they enabled, all while markets have ignored the collateral damage Fed tightening is inflicting on a bloated financial system, is a bit of a head-scratcher to us. Yet, as shown in Figure 1, below, this is precisely what has happened over the past eight months.

Figure 1: Spot Gold vs. Fed Funds Target Upper Bound vs. DXY Dollar Index (4/1/21-11/10/22) [Bloomberg]

During the year prior to the Fed's March 2022 liftoff (blue shading), spot gold (**gold** line) was trending higher and displayed only mild correlations with the U.S. dollar (**green** line). Then, following the FOMC's 3/16/22 hike (**violet** shading), spot gold and the U.S. dollar became inversely correlated as the dollar followed fed funds (**red** line) higher. As shown in Figure 1, above, 375 basis points of Fed tightening directly catalyzed a 12.4% surge in the DXY Dollar Index and a 14.7% decline in spot gold from liftoff through the November FOMC meeting (11/2).

Now, given the Fed's current party-line that fed funds will be heading higher (perhaps to 5%??) for longer (perhaps through 2023??), what could possibly be the ***urgency*** to buy gold today, especially given gold's recently inverse correlation to rising fed funds and a strengthening dollar? Well, gold's $133 (8.2%) rise during the past week, catalyzed simply by shaky internals of the October employment report (11/4) and a slight downtick in October CPI (11/10), demonstrates the degree to which recent rate hikes have compressed gold like a coiled spring. We actually believe timing for a portfolio gold commitment to gold has rarely been more attractive than it is today. Let us explain.

First, while not commonly appreciated by consensus, during the modern era of unconventional central banking, gold has ***always*** performed well during Fed tightening cycles. During Chair Greenspan's infamous crusade between June 2004 and June 2006, the FOMC hiked rates at ***17 consecutive meetings***, quintupling fed funds from ***1% to 5 ¼%***. Yet, as shown in Figure 2, below, spot gold soared over ***82%*** during the hiking cycle.

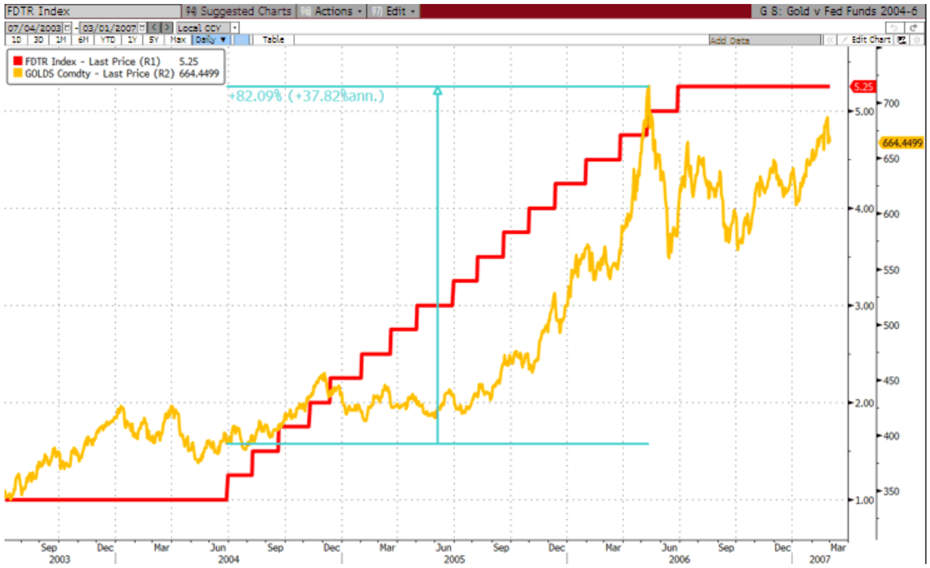

Figure 2: Spot Gold vs. Fed Funds Target Upper Bound (7/4/03-2/1/07) [Bloomberg]

Similarly, the Yellen and Powell Feds hiked fed funds from the zero bound to 2 ½% during the December 2015 through December 2018 tightening cycle, but, as shown in Figure 3, below, spot gold rose over 47% from liftoff through Chair Powell's surprise July 2019 rate cut. It is critical to understand that in both of these tightening cycles, the lion's share of gold's advance occurred during periods when markets became especially concerned that Fed tightening was destabilizing global asset markets. For example, during the Yellen/Powell episode, gold performed exceptionally well at the very onset of tightening (when China was on the verge of meltdown) and at the tail end of the cycle when it became clear the Fed's dual strategy of rate hikes and balance sheet runoff was roiling U.S. equity and repo markets.

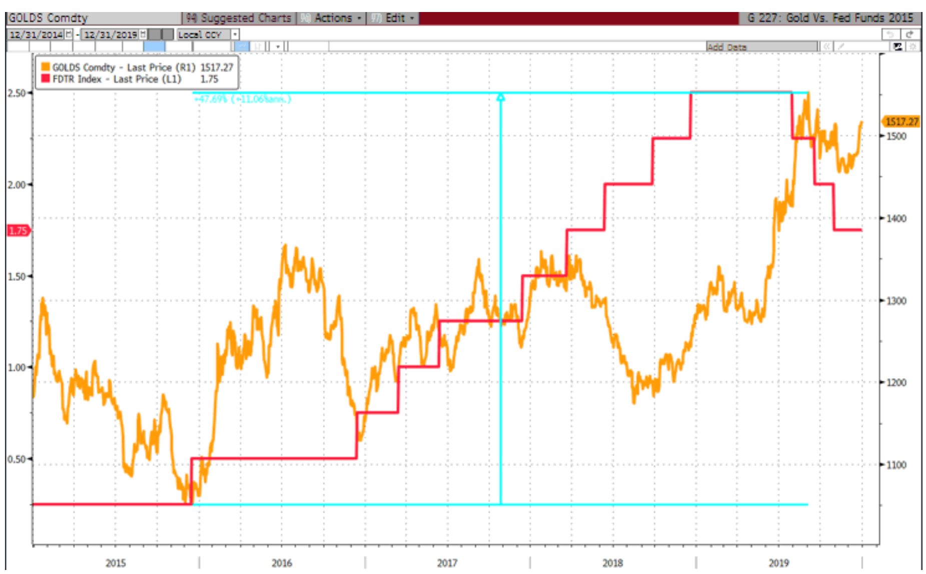

Figure 3: Spot Gold vs. Fed Funds Target Upper Bound (12/31/14-12/31/19) [Bloomberg]

Thus, the common theme for gold in prior tightening cycles has been a derivative of the time-tested adage that the Fed always tightens until something important breaks. Past experience suggests gold is apt to erupt ***not*** when the Fed is about to pivot, but, more specifically, when markets become concerned Fed tightening is about to break something.

In contrast to gold's positive performance during the early stages of the Fed's prior tightening cycles, what accounts for gold's comparatively soft performance during the first eight months of the current tightening cycle? We believe there is one critical variable that has not only weighed on gold's recent performance but, ironically, promises to be the very catalyst to power gold sharply higher in coming months. This variable is the ***rapid pace*** of the Fed's 2022 rate hikes. On the one hand, Chair Powell's unusually steep hiking increments have logically attracted short-term algorithmic pressure from traders playing textbook correlations. But, on the other hand, the Fed's misguided pace of rate hikes (in context of global debt levels) is on the verge of sparking the same market concerns over financial dislocation which triggered gold's advance in prior cycles.

We are confident that the breakneck pace of the Fed's current hiking cycle will cement the Powell Fed's legacy as the most mistake-prone Fed of all time. As we have previously written, the Fed's 2021 performance can best be characterized as inept forecasting compounded by unforgivable policy errors. This combination resulted in the Fed's inexplicable pumping of ***$120 billion per month*** in additional QE throughout 2021 even though GDP was approaching 7%, CPI was already over 6% and unemployment had declined from 14.7% to under 6%. Talk about a policy error! The Fed's absurd amount of post-Covid liquidity provision has permanently distorted global market conditions and can never be reversed. It is simply impossible to pump this much liquidity into a debt-addled financial system and then attempt to withdraw it. But, of course, this is precisely what the Powell Fed is now attempting.

To demonstrate how reckless the Fed's tightening pace has been, we plot in Figure 4, below, the Fed's balance sheet (**blue** mass) versus the fed funds rate (**red** line). In our opinion, this single chart gives full perspective to the financial contagion the Fed is now seeding. When Chair Yellen initiated her tightening cycle in December 2015, the Fed's balance sheet measured ***$4.5 trillion*** and total U.S. nonfinancial debt measured ***$45.1 trillion*** (not pictured). The Fed then spent ***3 years*** coaxing rates up ***225 basis points*** (and 22 months rolling $750 billion off its balance sheet) before pinched global liquidity crashed financial markets and forced the Q1 2019 Powell pivot. Of course, by then it was too late, and the repo crisis ensued.

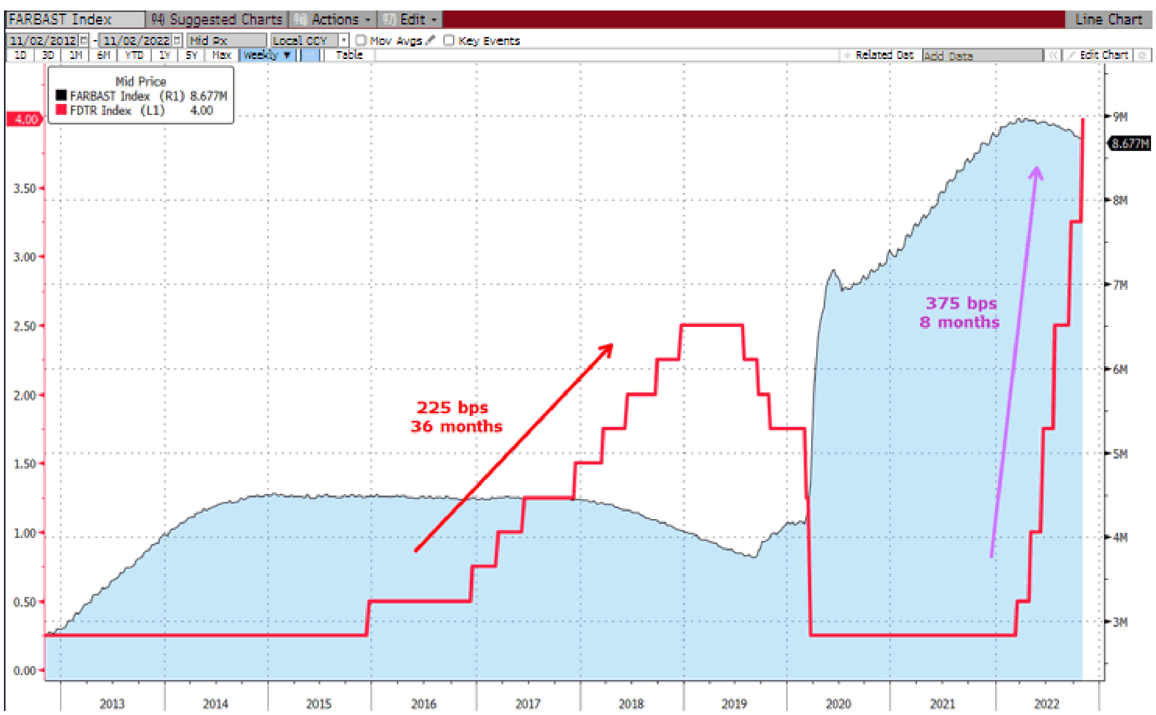

Figure 4: Total Assets Federal Reserve Balance Sheet vs. Fed Funds Target (11/2/12-11/2/22) [Bloomberg]

Now, after the Powell Fed's liquidity frenzy has more than doubled the Fed's balance sheet to ***$9.0 trillion*** and total U.S. nonfinancial credit had soared 50% to ***$67.6 trillion***, the Fed has seen fit to jack rates ***375*** basis points higher in just ***eight*** months. In other words, with its balance sheet twice as large and U.S. debt 50% higher (and in the context of lingering Covid strains and surging geopolitical discord), the Powell Fed has rammed through a rate increase ***167%*** the size of the prior cycle in ***22%*** of the time. What's more, they promise they're not done yet. We have never witnessed such an obvious recipe for policy disaster.

As usual, Allianz's Mohamed El-Erian has described the Fed's 2022 tightening cycle more succinctly than we (10/11/22):

> The ***economy*** is starting to go through the windshield. The ***financial system*** is starting to go through the windshield. This is not ***stepping*** on the brakes, this is ***slamming*** the brakes. It is the most front-loaded interest rate cycle that we have seen in a very long time.

Also as usual, we will slide further out the limb than Mohamed's trademark discretion to state that, in our humble opinion, the Fed is out of control, over their heads and oblivious to the financial contagion they are kindling. With ***total*** U.S. credit market debt now measuring ***$91.6 trillion*** (Q2 2022 Z.1 Report), does the Fed really believe the U.S. economy can weather an eight-month increase in the prime rate from 3.25% to 7.0%? Or a 12-month increase in the two-year Treasury yield from 0.47% to 4.70%? Or for that matter, with $30 trillion in federal, state and local debt outstanding in the U.S., as fed-fund hikes flow through refunding of short-term paper, is the Fed really confident that governments can fund the extra $1 trillion-or-so in interest on their debts?

As current inversions across the yield curve demonstrate, Fed rate hikes exert only indirect pressure on long-term yields. Nonetheless, rising short rates generally boost long-term yields commensurately and recent experience has been no exception. ***Year-to-date in 2022, the 10-year Treasury yield has almost tripled, from 1.5% to 4.2%.*** Of all the plainly visible impacts of 2022 Fed tightening, we are amazed that investors are not more concerned about the ongoing explosion in long rates. Maybe not today or tomorrow, but within weeks or months this sharp surge in borrowing costs is going to inflict significant damage on the U.S. economy and the largest pools of investment grade capital. If recent blowups of Covid unicorns are any indication (Carvana down 98%; Peloton down 95%, etc.) rationalization of bloated asset values and resultant portfolio drawdowns are going to be downright gruesome. Between now and year end, we expect malinvestment to be exposed at companies further up the quality ladder than consensus now imagines.

Figure 5: 10-Year Treasury Yield (1/4/77-11/4/22) [Bloomberg]

As shown in Figure 5, above, on ***every*** occasion during the past forty years in which the 10-year Treasury yield has backed up significantly, a financial crisis has quickly ensued. Today, with every conceivable global debt measure at a fresh all-time high, why would any investor believe interest rates can now magically rise without causing similar damage? ***It's just not going to happen!*** And there is plenty of evidence that this damage is already underway. Let's take a tour.

Powell in a China Shop

As we have mentioned, in the Fed's storied history of tightening cycles it has become a time-tested truism that the Fed hikes until something breaks. Usually, the Fed's collateral damage "begins in the periphery and flows to the core." Financial crises generally begin in weak links in the global economy, such as Thailand or Mexico, and subsequently gravitate towards Western developed markets.

What we find so amazing about current investor complacency is that only eight months into the Fed's tightening cycle, ***significant*** components of the global economy are already buckling under the stress of Fed rate hikes. Overseas, we are talking about G-7 countries like the United Kingdom and Japan. Domestically, we are talking about critical sectors like housing. And in financial markets, we are talking about prominent interbank stress measures like the FRA-OIS spread.

But let's begin at the beginning. We have previously mentioned Chair Powell's predilection to downplay the "impacts of U.S. monetary policy on global financial conditions" (5/8/18). Even amid today's heightened geopolitical and economic stress, Chair Powell remains dismissive that the dollar standard system brings with it any obligation for the Fed to conduct monetary policy in the best interests of the global financial system. As recently as the 9/21/22 FOMC meeting, Chair Powell dryly observed:

> We are very aware of what's going on in other economies around the world, [but] it's hard to talk about collaboration in a world where people have very different levels of interest rates.

As much as Chair Powell may argue Fed policy is tailored to domestic variables, the reality is that the dollar's status as global reserve currency ***does*** bring with it an implicit obligation to weigh impacts of U.S. monetary policy on the rest of the world. And this responsibility is not some kind of vague moral duty—it's just simple math. The Bank for International Settlements estimates that dollar-denominated credit to non-bank borrowers outside the U.S. now totals $13.3 trillion (Q2 '22), of which $4.2 trillion is lent to emerging market borrowers. After flooding the world with over $5 trillion of post-repo-and-Covid liquidity thereby facilitating a global inflationary spiral, does the Fed really believe it can hike rates at the fastest pace in 42 years and the rest of the world should just grin and bear it?

As to be expected in a post-ZIRP world, the Fed's pell-mell rate hikes have fueled scorching strength in the U.S. dollar and related F/X pain around the globe. As shown in Figure 6, below, the F/X carnage has hardly been limited to emerging markets or exotic locales. Year-to-date declines (versus the U.S. dollar) have reached 12.4% for the euro, 15.9% for the British pound, and a stunning 21.51% for the Japanese yen. These are not second tier participants in the global economy—these are leading trading partners and staunch allies of the United States. [It is interesting to note that since President Biden's celebration of "reducing the Ruble to rubble," the Russian currency has been the strongest in the world.]

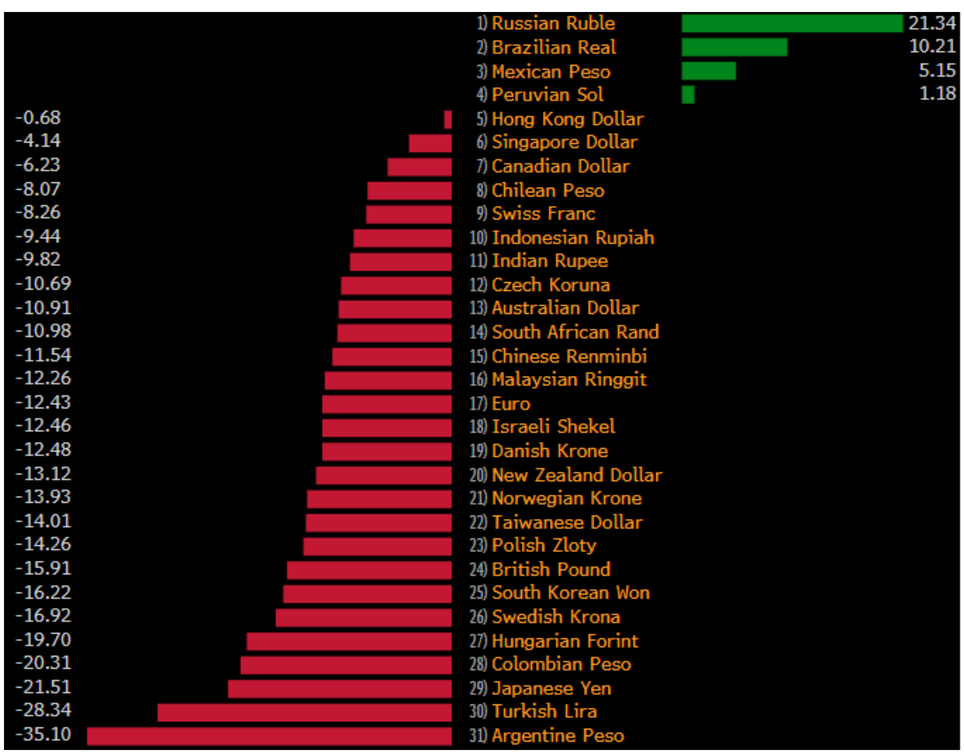

Figure 6: Year-to-Date Percentage Performance of Global Currencies vs. U.S. Dollar (11/4/22) [Bloomberg]

We are not suggesting that the Fed's aggressive rate hikes are entirely responsible for recent upheaval in important developed-market economies. In the United Kingdom, Liz Truss's ill-advised and unfunded tax cuts collided with remarkably imprudent leverage in the British pension system to force the Bank of England to undertake unqualified QE in the midst of a concerted tightening cycle. And in the case of Japan, the BOJ's resolute commitment to yield curve control (as global central banks tighten) has powered the yen to 32-year lows against the dollar.

But the fact remains that it was unquestionably the Fed's unilateral post-Covid policies which established global liquidity equilibrium at its new, elevated level. It is not an exaggeration to suggest the Fed's frantic rate hikes have pulled the rug out from under the global liquidity homeostasis they had fostered. It is just our opinion, but it is the ***speed*** of the Fed's recent rate hikes that is triggering existing frailties in a bloated global financial system. If not for this pace of Fed tightening, we doubt seriously that the United Kingdom's pension system would have been hours from insolvency or that the Bank of Japan would have had to intervene in currency markets for the first time since the Asian crisis of 1998.

The destabilizing impacts of the Fed's rapid pace of rate hikes have not been limited to the United Kingdom and Japan. As the U.S. dollar strengthens, the dollar value of global money supply declines commensurately, tightening global liquidity and creating dollar shortages. As J.P. Morgan Asset Management CIO Bob Michele explains (10/11/22):

> I get concerned that a much stronger dollar will create a lot of pressure, particularly in hedging US dollar assets back to local currencies. When the central bank steps on the brakes, something goes through the windshield. The cost of financing has gone up and it will create tension in the system.

Of all countries, it is telling that Switzerland, with its pristine economy and august central bank, has been the first nation to address flagging dollar liquidity by tapping the New York Fed's U.S. dollar liquidity swap lines. With no Fed fanfare or mention in the financial press, the Fed extended a $3.1 billion swap line to the Swiss National Bank on 10/5/22, doubled it to $6.27 billion on 10/12 and nearly doubled it again to $11.1 billion on 10/19. For perspective, the 10/19 swap line was the largest single U.S. dollar swap transfer in the Fed's history.

Now, why would the Swiss National Bank have such pressing need for dollar liquidity? We would imagine this urgency stems from the ongoing trainwreck of Credit Suisse, one of Switzerland's iconic investment banks. Beginning with the Archegos equity-swap debacle in early-2021, Credit Suisse has progressively impaled itself with a string of compliance and risk management failures, culminating in a Q3 '22 loss of $4.09 billion, over seven times consensus estimates, and an all-time share price low, just above four Swiss francs. While Credit Suisse, like Bear Stearns, has no one to blame but itself, we are fairly certain the Swiss bank's troubles are a canary in the coal mine and there will be a Lehman Brothers soon to follow. We believe consensus drastically underappreciates how quickly the Fed's 2022 rate hikes will expose the systemic malinvestment fostered by the past decade of "emergency" Fed liquidity.

All Around You

Even here in the United States, the Fed's aggressive rate hikes have already inflicted significant damage on the domestic economy and financial system. Indeed, Bank of America notes that the annualized performance of the generic 60% equity/40% bond portfolio through October has been the worst in a century (approaching 30% annualized). Especially on the fixed income side, the damage to many retail, pension and endowment portfolios has already been catastrophic. By way of example, the I-Shares 20+ U.S. Treasury ETF had declined 36.4% through 11/4/22. With a 12-month yield of 2.66%, investors have just lost 13 ½ years of expected income in 10 months.

Similarly, important measures of financial stress are already surging to crisis levels. For example, as shown in Figure 7, below, the all-important FRA-OIS spread, an indicator of interbank funding stress, has recently soared to highs not seen since the March 2020 market meltdown. It is never a good sign when banks don't want to lend to each other.

Figure 7: FRA-OIS Spread (1/1/20-11/7/22) [Bloomberg]

Even the ultra-liquid Treasury market is being roiled by the Fed's aggressive tightening path. Essentially, Treasury market liquidity has been plummeting as investors and institutions step away from new commitments due to widespread uncertainty about how steeply and for how long the Fed will keep raising rates and how all of this will affect the economy. As JP Morgan Strategist Jay Barry has observed (9/30/22): "Treasury market liquidity remains very sensitive to volatility and will not improve significantly until macro policy uncertainty fades." The Bloomberg U.S. Government Securities Liquidity Index (GVLQUSD Index) measures average yield errors (dislocations from fair value) in daily trading of Treasury securities. Under stressed liquidity conditions, these dislocations become more frequent, widening the average spread to fair value. As shown in Figure 8, below, this spread has already exploded to highs last seen during the March 2020 market meltdown and before that at the tail-end of the GFC.

Figure 8: U.S. Government Securities Liquidity Index (1/1/10-11/4/22) [Bloomberg]

Figure 9: Mortgage Bankers Association Average U.S. 30-Year Fixed Mortgage Rate (10/28/00-10/28/22) [Mortgage Bankers Association; Bloomberg]

Perhaps the most tangible collateral damage from the Fed's 2022 rate hikes has been soaring mortgage rates. As shown in Figure 9, above, the 7.06% average 30-year U.S. mortgage rate has exceeded 7% for the first time since March 2002, up 112% year-to-date. Suffice it to say, soaring mortgage rates are crushing the housing industry. [In our next report, we will be exploring the full impacts of 2022 Fed tightening on the U.S. housing market.] While not yet front page, Fed rate hikes have already sparked significant financial dislocation which we expect to heighten market interest in the gold sector in short order.

A Call to Arms!

As dedicated gold investors, the past two years have proved to be a frustrating stretch. As shown in Figure 10, below, spot gold first traded at $1,800 (**red** line) in July 2020 and has averaged $1,821 during the past 28 months (**red** shading). With two runs above $2,000 in the interim, spot gold's current price ($1,760) certainly feels disappointing, especially given monetary and geopolitical events along the way. On the other hand, as demonstrated in Figure 10, in the eighteen months prior to first reaching the $1,800 range (**violet** shading), spot gold rallied ***39%***, in early reflection of Chair Powell's Q1 2019 pivot and anticipation of future Fed policy. Today, we believe gold's price and relevant fundamentals display strong parallels to January 2019, and we expect gold's performance during the next 18 months to mimic its 2019-2020 rally.

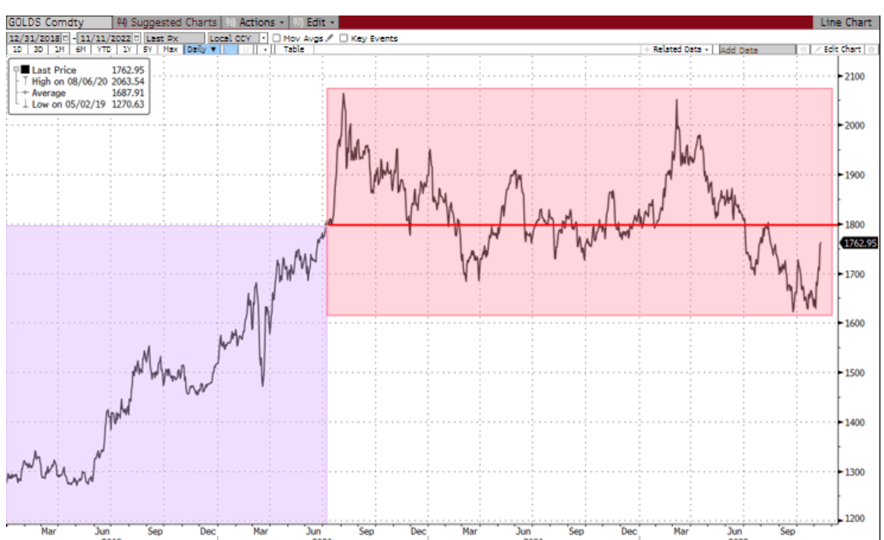

Figure 10: Spot Gold Price (12/31/18-11/11/22) [Bloomberg]

We recognize that timing is always the most challenging hurdle of a portfolio commitment to gold. Therefore, we want to close with a quick update on investor sentiment in the gold sector. In short, we have never seen gold sentiment diverge as sharply from underlying price performance as it has since the Fed's March liftoff. During 2022, gold sentiment has utterly collapsed. On an anecdotal level, gold's profile in the financial press has slipped below traditional "gold is dead" articles to a status of complete indifference—reporters don't even write about gold anymore! Prominent sentiment measures such as Market Vane and Hulbert have been plumbing historical depths while overseas premiums in India and China have remained subdued.

In one graphic demonstration of bearish gold sentiment, total ounces held by publicly disclosed bullion vehicles have declined ***15%*** (23.4 million ounces) from late April highs (**blue** line in top panel of Figure 11, below), and total holdings of these vehicles have now declined in ***23 straight weeks*** (**red** bars below), and 27 of the past 28 weeks, the longest streak since the lows of 2013.

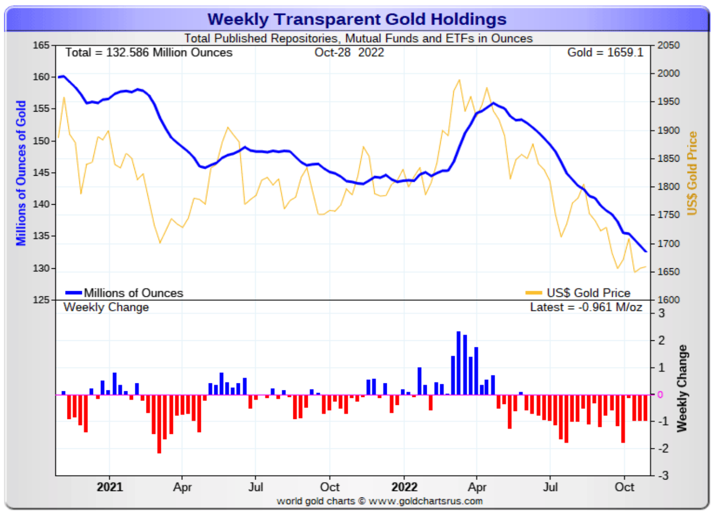

Figure 11: (Top Panel) Total Holdings in Publicly Disclosed Bullion Vehicles (M/Oz)
(Bottom Panel) Weekly Change of Holdings in Bullion Vehicles (M/Oz)
(October 2020-October 2022) [Ned Laird; Sharelynx]

In the institutional space (Figure 12, below), CFTC Commitments of Traders reports disclose 1.) the lowest ***open interest***, 2.) the lowest ***spec net-long position***, 3.) the lowest ***commercial net-short position***, and 4.) the largest ***managed money net-short position*** since Q1 2019, when the Fed was forced to execute its prior dovish pivot (suspending rate hikes and balance sheet reduction and recommencing QE during the repo crisis).

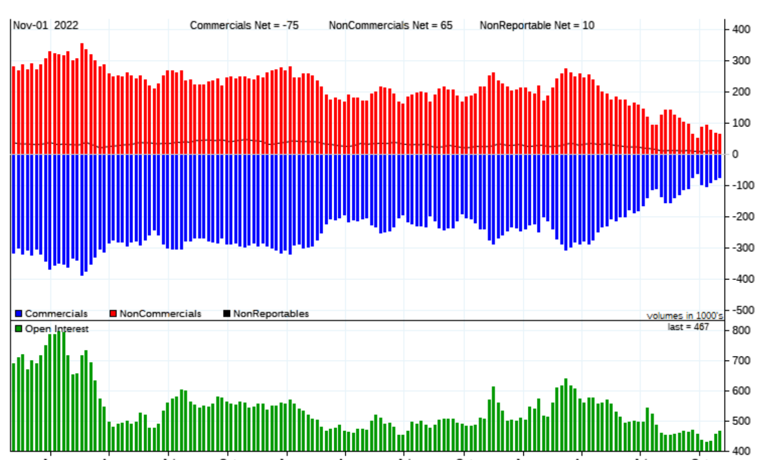

Figure 12: (Top Panel) Weekly Spec Net-Long Contracts vs. Weekly Commercial Net-Short Contracts
(Bottom Panel) Total Open Interest (October 2019-October 2022)
[Nick Laird; Sharelynx]

In the context of these epic 2022 declines in sentiment measures, gold's price performance has been comparatively respectable. Even when measured to the recent lows of the November FOMC meeting (11/2), spot gold ($1,635) had declined only 10.6% year-to-date, versus declines of 21.1% for the S&P 500 and 35.0% for the I-Shares 20+ Year Treasury ETF (TLT). After factoring in gold's post-payroll, post-CPI rally through 11/10/22, spot gold ($1,755) has now declined a mere 4.0% year-to-date, versus declines of 17.0% for the S&P 500 and 33.7% for TLT. Wow, we certainly feel more fatigued than down 4.0%, but no one told us it would be easy!

Our point here is that ubiquitous coverage of the Fed's rapid pace of rate hikes has crushed investor ***sentiment*** in the gold sector, yet the gold ***price*** has displayed comparative resilience. From the starting point of such low institutional positioning, we expect significant improvement in investor sentiment to reinforce gold's rally in coming months.

Between now and year-end, we will be accelerating our publication schedule to get caught up on a range of topics. In the meantime, Happy Thanksgiving!

Cheers,

Trey Reik
Managing Member
Bristol Gold Group LLC
(203) 722 9160

'Malinvestment' is a term, popular in the Austrian branch of economics, to connote a particular type of ill-fated start-up. It's the kind of failure that originates in artificially low rates of interest more than in the errors of the founding entrepreneurs. 'We should always expect some mistakes to be made somewhere,' the British economist Lionel Robbins noted in the error-rich year of 1934. 'But in the absence of special information, we should expect a random distribution. We should not expect this peculiar cluster of errors.'

Mises Wiki, the excellent online resource of the Mises Institute, explains and elaborates: 'Malinvestment results from the inability of investors to foresee correctly, at the time of investment, either the future pattern of consumer demand, or the future availability of more efficient means for satisfying consumer demand…[S]uch errors are most frequently compounded by distorted price signals (the essential information channel through which entrepreneurs can identify investment opportunities) and these distortions in turn are most often caused by government intervention or inflation mis leading market participants.' James Grant, Editor, *Grant's Interest Rate Observer*, 7/22/22

I see a significant risk of high inflation into next year for necessities including food, housing, fuel, and vehicles. Rents have grown dramatically, and while home sales have slowed, the continued increasing price of single-family homes indicates to me that rents won't decline anytime in the near future…The larger threat to the strong labor market is excessive inflation…risking a prolonged period of economic weakness coupled with high inflation, like we experienced in the 1970's…

Based on current economic conditions and the outlook I just described, I supported the FOMC's decision last week to raise the federal funds rate another 75 basis points. I also support the Committee's view that 'ongoing increases' would be appropriate at coming meetings. My view is that similarly sized increases should be on the table until we see inflation declining in a consistent, meaningful, and lasting way.

Michelle Bowman, Governor, Federal Reserve [Permanent FOMC Voter], 8/6/22

I just want to say a number: 'zero.' Today, we received news that our economy had ***zero percent inflation in the month of July—0%!*** *Here's what that means: while the price of some things go up—went up—last month, the price of other things went down by the same amount. The result?* **Zero inflation last month.** *Joe Biden, President, United States, 8/10/22*

The idea that we're going to start cutting rates early next year, when inflation is very likely going to be well in excess of our target—I just think it's unrealistic. I think a much more likely scenario is we will raise rates to some point and then we will sit there until we get convinced that inflation is well on its way back down to 2% before I would think about easing back on interest rates. Neel Kashkari, President, Federal Reserve Bank of Minneapolis [2023 FOMC Voter], 8/10/22

We're happy to see inflation start to move down, and I'd like to see a period of sustained inflation under control. Until we do that, I think we're just going have to continue to move rates into restrictive territory…I want to see real rates across the curve sustained in positive territory I think we are on the brink of moving real rates into positive territory across the curve. We need to sustain it there. And we need to follow through on some of the expectations that are out there in terms of the rate path in order to keep it there. Thomas Barkin, President, Federal Reserve Bank of Richmond [2024 FOMC Voter], 8/12/22

Everyone comes up to me and says, 'I would vote for you, if you had a penis.'

Elizabeth Warren, U.S. Senator (D-Massachusetts), 8/12/22

It [Inflation Reduction Act] is ultimately going to lead to a reduction in overall inflation, but most importantly, to the budget that people have every single day. Inflation is like a theoretical word that economists use, but what families feel every day is the up or down of costs. Pramila Jayapal, U.S. Representative (D-Washington), 8/12/22

We should continue to move expeditiously to a level of the policy rate that will put significant downward pressure on inflation. I don't really see why you want to drag out interest rate increases into next year…Again, I think we've got relatively good reads on the economy, and we've got very high inflation, so I think it would make sense to continue to get the policy rate higher and into restrictive territory…We've got a long way to go to get inflation under control. The idea that inflation has peaked is, is a hope, but it's not statistically really in the data at this point [but] I'm hopeful…One thing about financial conditions that I'm steadfast about is, I don't like financial conditions indexes that put too much weight on equity pricing. Equity prices, you know, can be far from fundamentals for certain stocks.

James Bullard, President, Federal Reserve Bank of St. Louis [2022 FOMC Voter], 8/18/22

The worst thing you can have as a business or a consumer is to have rates go up and then come rapidly down. It just causes a lot of caution and uncertainty. I do think we want to not have this idea that we'll have this large hump-shaped rate path where we'll ratchet up really rapidly this year and then cut aggressively next year—that's not what's on my mind.

Mary Daly, President, Federal Reserve Bank of San Francisco [2024 FOMC Voter], 8/18/22

What we are currently living through is a kind of major tipping point or a great upheaval…we are living the end of what could have seemed an era of abundance…the end of the abundance of products of technologies that seemed always available…the end of the abundance of land and materials including water…This overview that I'm giving, the end of abundance, the end of insouciance, the end of assumptions—it's ultimately a tipping point that we are going through that can lead our citizens to feel a lot of anxiety. Faced with this, we have a duty, duties, the first of which is to speak frankly and clearly without doom-mongering. Emmanuel Macron, President, France, 8/24/22

There are glimmers of hope on inflation. I just emphasize ***glimmer***—our job is no way done. So we can take that as a positive, but we need to keep acting to raise rates to get inflation under control…Since 1983, the Fed has raised rates 86 times—75 of those were under 50 basis points. So whether it's 50 or 75, I can't say right now, but let's not think that 50 is not a substantial move. Patrick Harker, President, Federal Reserve Bank of Philadelphia [2023 FOMC Voter], 8/25/22

Reducing inflation is likely to require a sustained period of below-trend growth…***While higher interest rates, slower growth, and softer labor market conditions will bring down inflation, they will also bring some pain to households and businesses.*** These are unfortunate costs of reducing inflation. But a failure to restore price stability would mean far greater pain. Jerome Powell, Chair, Federal Reserve [Permanent FOMC Voter], 8/26/22

At this point in time, we need more oil and gas, not less. These [fossil fuels] are necessary right now if civilization is going to function. I don't tend to demonize oil and gas. Elon Musk, Chief Executive Officer, Tesla, 8/28/22

I want to give Pennsylvanians the step up they need to survive inflation and higher prices. So, $2,000 to any family, to families making $80,000 dollars or less. We estimated that about 250,000 families will apply for this.
Tom Wolf, Governor (D), Pennsylvania, 8/29/22

I certainly was not excited to see the stock market rallying after our last Federal Open Market Committee meeting because I know how committed we all are to getting inflation down and I somehow think the markets were misunderstanding that. And I was actually happy to see how Chair Powell's Jackson Hole speech was received. You know, people now understand the seriousness of our commitment to getting inflation back down to 2%! To me, the most costly mistake we will make is if we get fooled thinking, 'Oh, we've got inflation licked—now let's go cut interest rates because the economy is showing signs of weakening. So, the way to deal with the lags, for me, is just to get somewhere and sit there until we're really convinced that we've got inflation licked.
Neel Kashkari, President, Federal Reserve Bank of Minneapolis [2023 FOMC Voter], 8/29/22

We're committed to returning inflation to our 2% target and we'll do what it takes to get there. I'd expect inflation to bounce around on the way back to our target…A recession is obviously a risk in the process.
Thomas Barkin, President, Federal Reserve Bank of Richmond [2024 FOMC Voter], 8/30/22

Incoming data—if they clearly show that inflation has begun slowing—might give us reason to dial back from the hikes of 75 basis points that the Committee implemented in recent meetings…We will have to see how those data come in…This summer's data showed glimmers of good news on the fight against inflation. The key word here is 'glimmers.' It is clearly much too early to claim victory…What economists have come to call stop-and-go monetary policy—tightening in the face of rising inflation but then reversing course abruptly when unemployment rises—arguably helped to fuel inflation during the late 1960's and 1970's. Raphael Bostic, President, Federal Reserve Bank of Atlanta [2024 FOMC Voter], 8/30/22

I think the consensus is we have to move quickly to a level that...will be restrictive. We are probably going to go for some kind of slowdown, maybe a technical recession, maybe even worse.
Pierre Wunsch, Governor, Banque National, Belgium 8/30/22

Financial markets could well remain volatile as financial conditions tighten further; growth could slow more than expected; and the unemployment rate could move above estimates of its longer-run level. This will be painful in the near term but so is high inflation…My current view is that it will be necessary to move the fed funds rate up to somewhat above 4% by early next year and hold it there. ***I do not anticipate the Fed cutting the fed funds rate target next year.***
Loretta Mester, President, Federal Reserve Bank of Cleveland [2022 FOMC Voter], 8/31/22

[Chair Powell] buried the concept of a soft landing…the Fed's goal is to grind inflation down by slowing growth below its potential. It's a bit like dripping water torture. It is a torturous process but less torturous and less painful than an abrupt recession. Diane Swonk, Chief Economist, KPMG, 8/31/22

We are in this for as long as it takes to get inflation down. Monetary policy will need to be restrictive for some time to provide confidence that inflation is moving down to target…At some point in the tightening cycle, the risks will become more two-sided. The rapidity of the tightening cycle and its global nature, as well as the uncertainty around the pace at which the effects of tighter financial conditions are working their way through aggregate demand, create risks associated with over-tightening [but] it is important to avoid the risk of pulling back too soon.
Lael Brainard, Vice Chair, Federal Reserve [Permanent FOMC Voter], 9/7/22

The destination is real rates in positive territory and my intent would be to maintain them there until such time as we really are convinced that we put inflation to bed…I have a bias in general towards moving more quickly rather than more slowly, as long as you don't inadvertently break something along the way…The word 'recession' doesn't have to mean a calamitous decline in activity. The word 'recession' can mean rebalancing to get the economy back to normal.

Thomas Barkin, President, Federal Reserve Bank of Richmond [2024 FOMC Voter], 9/7/22

No, we have not hit bottom yet. Watch for failures, then look for the bottom. 2 SPAC ETF's failing is not near enough…Crypto crash. Check. Meme crash. Check. SPAC crash. Check. Inflation. Check. 2000. Check. 2008. Check. 2022. Check.

Michael Burry, Founder, Scion Capital, 9/7/22

What you're implying here is that the inflation rate goes down from 9% to 2% which is the Fed's goal within a year or by the end of next year. That's sort of the hope. But if this would be really possible, if the inflation rate were to fall so quickly and so sharply, why do you think it would stop at 2%? Why wouldn't you think it goes negative? Why wouldn't you think so much momentum towards a slowing economy might overshoot on the deflation side?

Due to the pandemic, we did this huge amount of radical economic policy. The idea was that it was going to be free money and free growth with no bad consequences. But of course, we've had bad consequences. Now, people are thinking we can just do this reactionary shock to the economy by taking the federal funds rate up to 3.5% or 4%. But if that's enough to weaken the economy to take 7 percentage points off the inflation rate, why wouldn't it be 15 points? So maybe, we are going to get a delayed reaction that's deflationary, just like we had a delayed reaction that was highly inflationary…

The overarching theme people are not fully appreciating is that we have become unhinged in terms of our economic parameters versus trying to manage the economy gradualisticly, as we did for quite a while. All of sudden, we've decided we had to respond in a way that is not all gradualistic. We had to damn the torpedoes and just go for it. That took us off balance, and we're having a hard time finding our footing. It's going to take a long time to find footing, but the next shock is that ***we're having to put in a big overreaction to the inflation problem which we created from our initial reaction of excess stimulus. My guess is that we will end up creating momentum that's more deflationary than a lot of people believe is even possible.***

I think Powell should slow down. The Fed should actually not raise the target rate by 75 basis points at the next meeting. They should do 25 basis points, and let a little time pass. Powell can keep playing the inflation fighter as long as he's raising rates gradually. I wouldn't even care if he skipped a meeting: A 25 basis point hike in September, and then pause at the next FOMC meeting in November. Let's wait and see what happens because the bond market should be listened to: Every time the bond market is at odds with consensus economists, the bond market is right. And the bond market is saying that yields are peaking.

Jeffrey Gundlach, Chief Executive Officer, DoubleLine Capital, 9/8/22

History cautions strongly against prematurely loosening policy…Demand is verry, very strong still in the labor market. We're still printing new payroll job numbers at a high level. Wages are running at elevated levels. By our policy interventions, what we hope to achieve is a period of growth below trend, which will cause the labor market to get back into better balance, and that will bring wages back down to levels that are more consistent with 2% inflation…We think we can avoid the kind of very high social costs that Paul Volcker…had to bring into play.

Jerome Powell, Chair, Federal Reserve [Permanent FOMC Voter], 9/8/22

I do not want to draw a direct analogy with the Plaza Accord of 1985 but we are potentially in one of those situations where the momentum in favor of the dollar, because there is no alternative, because of the geopolitical risk, becomes so strong that some form of coordinated intervention will have to take place.

Alessio de Longis, Head, Global Tactical Asset Allocation, Invesco, 9/8/22

More and more companies are telling us that they no longer have a supply contract for electricity or gas at all. The tap is turned off in the truest sense of the word…But without energy, no economy can run.

Peter Adrian, President, Association of German Chambers of Industry and Commerce, 9/9/22

I have felt Wall Street is underpricing the idea that inflation may just be relatively high and it may take quite a while to bring back to 2%. This would mean interest rates have to be higher for longer. That's a scenario that is not garnering enough attention in today's market pricing…Hopefully it [inflation] will go in the correct direction, which is lower, and that will be helpful. We are going to need to see more sustained, longer-run evidence…The general strategy of trying to front-load these rate increases is working well and putting us in a position where we can have a level of the policy rate that is putting downward pressure on inflation very soon. And sooner tends to be better in my mind.

James Bullard, President, Federal Reserve Bank of St. Louis [2022 FOMC Voter], 9/9/22

It's remarkable that people were saying the dollar's day was past not very long ago given its current strength. My guess is that there's room for this to continue…Various factors are making us a safe haven, a mecca for capital—and that's causing resources to flow into the dollar. Larry Summers, Former Secretary, U.S. Treasury, 9/9/22

Today's [Aug. CPI] data shows more progress in bringing inflation down in the U.S. economy. Overall, prices have been essentially flat in our country these last two months. That is welcome news for American families with more work still to do. Gas prices are down an average of $1.30 a gallon since the beginning of the summer. This month, ***we saw some price increases slow*** from the month before at the grocery store…It will take more time and resolve to bring inflation down, which is why we passed the Inflation Reduction Act to lower the cost of healthcare, prescription drugs and energy.
Joe Biden, President, United States, 9/13/22

Today's CPI report confirms that the US has a serious inflation problem. *Core inflation is higher this month than for the quarter, higher this quarter than last quarter, higher this half of the year than the previous one, and higher last year than the previous one. Median inflation used to be a favorite indicator for team transitory. This month it was at its highest ever reading. It is highly implausible that inflation will fall to 2 percent without unemployment exceeding 4.5 percent. Yet this is the most pessimistic view among 19 members of the FOMC. Dangerous group-think! With core inflation running above 7 percent this month and likely, given rent behavior, to remain elevated, I fear it is unlikely that a peak Fed funds rate around 4 will be enough to restore 2 percent inflation.* *Larry Summers, Former Secretary, U.S. Treasury, 9/13/22*

Western nations will not be able to sit in their clean homes, laughing at how they carefully weaken Russia by proxy. Everything will be on fire around them. Their people will harvest their grief in full. The land will be on fire and the concrete will melt. *Yet still the narrow-minded politicians and their stupid think tanks, thoughtfully twirling a glass of wine in their hands,* talk about how they can deal with us without entering into a direct war**.** *Dull idiots with a classical education.* Dmitry Medvedev, Deputy Chairman, Security Council, Russia, 9/13/22

While long promoted—often by those opposed to war—as a less destructive alternative to war, sanctions are in reality acts of war. And as we know with interventionism and war, the result is often unintended consequences and even blowback. European sanctions against Russia over its invasion of Ukraine earlier this year will likely go down in history as a prime example of how sanctions can result in unintended consequences.

While seeking to punish Russia by cutting off gas and oil imports, European Union politicians forgot that Europe is completely dependent on Russian energy supplies and that the only people to suffer if those imports are shut down are the Europeans themselves. The Russians simply pivoted to the south and east and found plenty of new buyers in China, India, and elsewhere**.** In fact, Russia's state-run Gazprom energy company has reported that its profits have increased by 100 percent in the first half of this year.

Russia is getting rich while Europeans are facing a freezing winter and economic collapse. All because of the false belief that sanctions are a cost-free way to force other countries to do what you want them to do.
Ron Paul, Former U.S. Representative (L-Texas), 9/14/22

China is willing to make efforts with Russia to assume the role of great powers, and play a guiding role to inject stability and positive energy into a world rocked by social turmoil…Recently, we have been overcoming the impact of the Covid-19 pandemic, spoken many times via phone, and kept up effective strategic communications…We are extremely willing to use this meeting of the Shanghai Cooperation Organization to exchange views with you on international and regional issues of common concern. Xi Jinping, President, China, 9/15/22

Attempts to create a unipolar world have recently taken on an absolutely ugly shape and are absolutely unacceptable to the vast majority of nations on the planet…We highly value the balanced position of our Chinese friends regarding the Ukrainian crisis, we understand your questions and concerns on this matter, and during today's meeting we will of course clarify all of these in detail…We firmly adhere to the One China principle in practice. We condemn the provocations of the United States and its satellites in the Taiwan Street. Vladimir Putin, President, Russia, 9/15/22

These [quarterly] numbers—they don't portend very well. I'm very disappointed in the results that we just announced here, and you know, the headline really is the macro situation we're facing. We are a reflection of everybody else's business, especially the high-value economy in the world…Global volumes declined as macroeconomic trends significantly worsened later in the quarter, both internationally and in the U.S. *We are swiftly addressing these headwinds, but given the speed at which conditions shifted, first quarter results are below our expectations*.
Raj Subramaniam, Chief Executive Officer, FedEx, 9/15/22

Clearly what we have characterized as a global economic slowdown has only intensified in recent weeks and months…Downside risks continue to dominate the outlook with just a tremendous amount of uncertainty that needs to be taken into account. We do expect some countries to face recession in '23. It's too early to say whether that would be a widespread global recession. Gerry Rice, Director of Communications, International Monetary Fund, 9/15/22

This is the sharpest turn in the housing market since the housing market crash in 2008. Buyers just don't have the 40% extra money to put towards housing every month…A lot of homebuyers had to drop out and go to the rental market instead or choose not to buy that second home or investment property. Daryl Fairweather, Chief Economist, Redfin, 9/15/22

This [Sept.] will be the fifth rate rise this year. It's the steepest increase in rates…since Volcker. But the background of the country today is so different than it was when Paul Volcker was Chairman. We have $30 trillion of debt—the nation. The increase—one point—if he goes one point next week, that's $300 billion of incremental interest expense. $300 billion is half of the defense budget of the United States. It's a lot of money! So or the two or three [100 bps] rates he's done is almost a trillion dollars of incremental interest expense…

The economy, if you look anywhere, is already slowing. And if you look at the signs like…consumer confidence is terrible…And the CPI—the data that their looking at is old data. All they have to do is call Doug McMillan at Wal-Mart. Call any of the real estate fellas and ask what's happening to our apartment rents. The economy is braking hard…

Look at the housing market. You've caused a crash of unprecedented proportions in the housing market. The economy is braking hard. 500,000 single-family home sales—new sales—is the lowest since 1952. I mean, we are going to see—you're gonna' have a major crash in the housing market. And housing prices are going down. You ***are*** seeing housing process correct. They've already took $7 trillion of wealth out of the stock market.

Barry Sternlicht, Chief Executive Officer, Starwood Capital Group, 9/15/22

History records many, many instances when policy adjustments to inflation were excessively delayed and there were very substantial costs to that. I am aware of no major example in which the central bank reacted with excessive speed to inflation and a large cost was paid…We've got a substantial underlying inflation problem—that doesn't come out without very substantial monetary policy adjustment. And the market is waking up to that fact…We're more likely to end up above 4 ½ [%] than we are to end up below 4 ½, and it certainly wouldn't surprise me if that rate has to get above 5.

Larry Summers, Former Secretary, U.S. Treasury, 9/16/22

The strong dollar should not become a sharp blade to cut the world…For many countries, [this] might be the beginning of another nightmare. A super strong U.S. dollar and the fall of other currencies will, to a certain extent, ease the scorching inflation in the U.S. economy, but the world will have to pay for it…

As a widely popular phrase in the West goes, the US enjoys the exorbitant privileges created by the dollar and the deficit without tears, and used the worthless paper note to plunder the resources and factories of other nations...*while the political elites in Washington boast of the 'myth of the American system' and take credit for 'alleviating the crisis,'* thousands of poor families around the world are being trampled by them**…**

Today, the dollar is once again the world's problem. *In a sense, it's hard to believe that the "prosperity" of the US is clean and moral*...Washington keeps laying mines but never removes them, which will eventually explode the US itself. *The incompetence of US financial policymakers has been exposed by the consecutive interest rate hikes that have contributed to the abnormal appreciation of the US dollar with the purpose of defusing the severe inflation…*

The instability and fragility of international financial markets have once again become prominent. It is precisely at such times that the international community should be more determined to cooperate and build a reliable, systemic and long-term multilateral international financial system. This cannot wait.

Editorial, *Global Times* (Chinese Communist Party Newspaper), 9/20/22

My main message has not changed at all since Jackson Hole…We have got to get inflation behind us. I wish there were a painless way to do that. There isn't. Jerome Powell, Chair, Federal Reserve [Permanent FOMC Voter], 9/21/22

Taiwan independence is like a highly disruptive gray rhino charging toward us that must be stopped resolutely. We have always worked with the greatest sincerity and effort to pursue peaceful reunification, but we will never tolerate any activity aimed at secession. Wang Yi, Foreign Minister, China, 9/22/22

We have never seen the collapse of the magnitude that we are witnessing in imports. That is always a tell-tale sign that you are already looking through the rear-view mirror at recession. Danielle Martino Booth, Founder, Money Strong, 9/22/22

I think that the next logical stop for Bitcoin is to replace gold as a non-sovereign store of value asset, and gold is a $10 trillion asset as we speak. Bitcoin is digital gold, it's 100x better than gold. Michael Saylor, Chairman, MicroStrategy, 9/24/22

There are [global] interactions there. But in terms of our goals, we are going to set our policy, taking into account the environment we are in, in order to get back to price stability here in the U.S.
Loretta Mester, President, Federal Reserve Bank of Cleveland [2022 FOMC Voter], 9/26/22

The more important thing is that we need to get inflation under control. Until that happens we're going to see I think a lot of volatility in the marketplace in all directions.
Raphael Bostic, President, Federal Reserve Bank of Atlanta [2024 FOMC Voter], 9/26/22

Our central case is a hard landing by the end of '23. I would be stunned if we don't have recession in '23. I don't know the timing but certainly by the end of '23. I will not be surprised if it's not larger than the so-called average garden variety. I don't rule out something really bad…All those factors that cause a bull market, they're not only stopping, they're reversing—every one of them. We are in deep trouble. Stanley Druckenmiller, Founder, Duquesne Capital, 9/28/22

I think markets are functioning well. We haven't seen liquidity problems develop in markets—we're not seeing, to the best of my knowledge, the kind of deleveraging that could signify some financial stability risks…With the United States moving faster than many other countries, we're seeing upward pressure on the dollar and downward pressure on many other foreign currencies. To me, these kinds of developments—which represent a tightening of financial conditions—are part of what's involved in addressing inflation. Janet Yellen, Secretary, U.S. Treasury, 9/27/22

The Bank [of England] is monitoring developments in financial markets very closely in light of significant repricing of U.K. and global financial assets…Were dysfunction in this market to continue or worsen, there would be a material risk to U.K. financial stability…In line with its financial stability objective, the Bank of England stands ready to restore market functioning and reduce any risks from contagion to credit conditions for U.K. households and businesses…the Bank will carry out temporary purchases of long-dated U.K. government bonds from 28 September…The purchases will be carried out on whatever scale is necessary to affect this outcome. News Release, Bank of England, 9/28/22

In the same way people became anxious in August of 2007, I think this is a moment when there should be increased anxiety. Larry Summers, Former Secretary, U.S. Treasury, 9/29/22

The Fed's latest moves are consistent with a central bank that is continuously scrambling to catch up with realities on the ground. It is the kind of thing that one typically finds in developing countries with weak institutions, not in the issuer of the world's reserve currency and the custodian of the world's most sophisticated financial markets—where many other countries and companies entrust their savings. Mohamed El-Erian, Chief Economic Adviser, Allianz, 9/29/22

It will take time for the full effect of tighter financial conditions…Monetary policy will need to be restrictive for some time to have confidence that inflation is moving back to target. For these reasons, we are committed to avoiding pulling back prematurely…We've seen enormous volatility in these markets, not just because of monetary policy, but because of the uncertainty around the outlook, global events—I'll underline global events a couple times there—that have resulted in big swings in Treasury yields and in other market segments. Hopefully, the volatility that we've seen in the last few weeks will come down somewhat, and that will help that situation. But right now, I would say that trades are being made, market liquidity is definitely lower, but it's still functioning.
John Williams, President, Federal Reserve Bank of New York [Permanent FOMC Voter], 10/3/22

What if we are in a new era—one in which we face inflationary headwinds? History may be less of a precedent for appropriate policy. These pressures could make 'looking through' short-term shocks more difficult. They could make gradual rate-increase paths less effective…As a result, our efforts to stabilize inflation expectations could require periods where we tighten monetary policy more than has been our recent pattern. You might think of this as leaning against the wind. Thomas Barkin, President, Federal Reserve Bank of Richmond [2024 FOMC Voter], 10/3/22

Bitcoin is a commodity, not a security. Advocating a commodity is similar to promoting steel, aluminum, concrete, glass, or granite. The BTC network is an open protocol, offering utilitarian benefits similar to roads, rails, radio, telephone, television, internet, or English. Michael Saylor, Chairman, MicroStrategy, 10/3/22

Restoring price stability may take some time and will likely entail a period of below trend growth.
Philip Jefferson, Governor, Federal Reserve [Permanent FOMC Voter], 10/4/22

Michael McKee: I have a lot of questions, but let's just start with the key one. Are you going to pivot? Is the Fed going to change its rate path because the markets are nervous?
Mary Daly: We are resolute at raising the interest rate into restrictive territory so that we can bring inflation down which is causing millions of Americans to suffer real pain. And everyone's experiencing it. It's also very damaging to the economy to have this level of inflation. So, we're committed to bringing it down and staying the course until we're well and truly done.
Michael McKee: Well when we were speaking before the interview, you said that the [Fed Funds] future's market hump shape—the idea that you go up and then you come back down next year—is wrong.
Mary Daly: Yeah. I don't see that happening at all. I see us as raising to a level that we believe is restrictive enough to bring inflation down, and then holding it there until we see inflation truly get close to 2% and demonstrate that price stability is restored.
Michael McKee: Well, what is that level that's restrictive enough?
Mary Daly: Well right now we've just got the rate up to a point where it's a little bit restrictive. Potentially, you're just at neutral. And so, I would see more policy adjustments as required to retrain the economy sufficiently. Remember this is all about bringing demand, which is very strong, back in line with supply, and bringing inflation down. So, I do see more rate increases as necessary…
Michael McKee: What's more important right now: the ***speed*** at which you get to the restrictive level or the ***length of time*** you leave it there?
Mary Daly: To my mind the ***length of time*** we leave it there is increasingly important because that's really going to be the thing that brings inflation—not just coming down, but achieving that 2% average inflation target that we've set…The path has been very clear: we are going to raise the rate until we get into restrictive territory, and then we are going to hold it there…
Michael McKee: How do you know whether you've gone too far? The feeling is the Fed raises rates until something breaks. Are we close to anything breaking?
Mary Daly: So, we definitely don't raise rates until something breaks—we actually are forward looking—very forward looking—we have to be…The Fed always has several roles that it's managing at once. The principal one that you're hearing about right now is monetary policy combatting high inflation, but we always have the lender of last resort responsibilities, and if market dislocation should come about then we would be prepared to use that.

Mary Daly, President, Federal Reserve Bank of San Francisco [2024 FOMC Voter], 10/5/22

It is critical that we prevent an inflationary psychology from taking hold. Although lowering inflation will bring some pain, a failure to restore price stability would make it much harder and much more painful to restore it in the future. It is critical that we prevent an inflationary psychology from taking hold…I have revised up my assessment of the persistence of high inflation. I am focused on the lag between signs of easing price pressures and actual inflation coming down from its very high levels. Lisa Cook, Governor, Federal Reserve [Permanent FOMC Voter], 10/6/22

The focus of monetary policy needs to be fighting inflation. We have tools in place to address any financial stability concerns and should not be looking to monetary policy for this purpose…I anticipate additional rate hikes into early next year…Shelter inflation is a particularly persistent component of inflation. Unfortunately, the message is that shelter inflation will likely remain high for several months…The stance of monetary policy is slightly restrictive, and we are starting to see some adjustment to excess demand in interest-sensitive sectors like housing. But more needs to be done to bring inflation down meaningfully and persistently...We currently do not face a tradeoff between our employment objective and our inflation objective, so monetary policy can and must be used aggressively to bring down inflation.

Christopher Waller, Governor, Federal Reserve [Permanent FOMC Voter], 10/6/22

We are seeing almost no evidence that underlying inflation is coming down…we have to bring inflation down. We have more work to do. Until I see some evidence that underlying inflation has solidly peaked and is hopefully headed back down, I'm not ready to declare a pause. I think we're quite a ways away from a pause…I fully expect that there are going to be some losses and there are going to be some failures around the global economy as we transition to a higher-interest rate environment, and that's the nature of capitalism…We need to keep our eyes open for risks that could be destabilizing for the American economy as a whole. But to me, the bar to actually shifting our stance on policy is very high. It should not be up to the Federal Reserve or the American taxpayer to bail people out.

Neel Kashkari, President, Federal Reserve Bank of Minneapolis [2023 FOMC Voter], 10/6/22

I would like to reach a point where policy is moderately restrictive—between 4 and 4 ½ percent by the end of this year—and then hold at that level and see how the economy and prices react…Be assured that I am not advocating a quick turn toward accommodation. You no doubt are aware of considerable speculation already that the Fed could begin lowering rates in 2023 if economic activity slows and the rate of inflation starts to fall. I would say: not so fast...Over the next several months, as monetary policy takes hold, we will see aggregate demand slacken as we seek to bring demand in alignment with supply. The strength of labor markets will wane, and economic activity will weaken, which is fundamentally necessary to reduce inflation. We should not let the emergence of this weakness deter our push to lower inflation, though. Raphael Bostic, President, Federal Reserve Bank of Atlanta [2024 FOMC Voter], 10/6/22

We have to look at the momentum in sort of that central component of [core] inflation, and that's really the part that I believe has most of my colleagues and myself nervous. We look to me—according to our reports, headed for 4.5% to 4.75% by sometime next year—which given how fast we've been raising interest rates, is likely to be the springtime.
Charles Evans, President, Federal Reserve Bank of Chicago [2023 FOMC Voter], 10/6/22

Front-loading was a good thing, given how far below neutral rates were. But overshooting is costly, too, and there is great uncertainty about how restrictive policy must actually become. This puts a premium on the strategy of getting to a place where policy can plan to rest and evaluate data and developments…I see the nominal funds rate rising to a bit above 4.5% early next year and then remaining at this level for some time while we assess how our policy adjustments are affecting the economy…If this this steeper-than-usual Phillips curve is generating much of the higher inflation we are seeing now, then we should also expect this steeper curve to help bring inflation down relatively quickly with only moderate increases in unemployment. Steep on the way up is steep on the way down.
Charles Evans, President, Federal Reserve Bank of Chicago [2023 FOMC Voter], 10/10/22

I don't know whether it [recession] started now or it started two months ago. We always find out and we are always surprised at when recession officially starts, but I'm assuming we are going to go into one…If they [Fed] don't keep going and we have high and permanent inflation, it just creates I think more issues down the road. If we are going to have long-term prosperity, you have to have a stable currency and a stable way to value it. So, yes you have to have something [like] 2%-and-under inflation in the very long run to have a stable society. So, there's short-term pain associated with long-term gain…Inflation is a bit like toothpaste. Once you get it out of the tube, it's hard to get it back in.
Paul Tudor Jones, Founder, Tudor Investment Corporation, 10/10/22

This is serious stuff. Inflation, rates going up more than people expected and probably a little bit more from here, quantitative tightening which we've never had before, and the war. These are very, very serious things which I think are likely to push the US and the world—I mean, Europe is already in recession—and they're likely to put the U.S. in some kind of recession six to nine months from now…It [S&P decline] may have a ways to go. It could be another easy 20%. The next 20% will be a lot more painful than the first, rates going up another 100 basis points will be a lot more painful than the first 100, because people aren't used to it.

The one guarantee is you're going to have volatile markets. You've already seen markets down quite a bit, but it's still been orderly. It's possible you're going to see it be disorderly sometime in the not-too-far future…You see early signs of distress. There's a lack of liquidity in a lot of markets. The likely place you're going to see more of a crack, and maybe a little bit more of a panic, is in credit markets. If I was out there, I'd be very cautious. If you need money, go raise it.
Jamie Dimon, Chief Executive Officer, JPMorgan Chase, 10/10/22

I don't think there will be a recession. If it is, it'll be a very slight recession. That is, we'll move down slightly.
Joe Biden, President, United States, 10/11/22

A market determined value of the dollar is in America's interest. The currency movements [dollar strength] are a logical outcome of different [global] policy stances. Janet Yellen, Secretary, U.S. Treasury, 10/11/22

[During the next 5 years] you are going to be talking about the value of money, the diminished value of money. You are going to be talking about low returns. You're going to be talking about restructuring the way things are being done. You're going to talk about internal political conflict in a greater way than we're now hearing about it. And I think you're going to be talking about external political conflict—the change in conflicts and power internationally.

There's not enough money to go around and so there's no limit to the creation of debt and monetization of money to devalue the value of debt in money so debt assets are going to be bad investments. In that environment you are going to have more inflation as an issue. And so, we'll be talking about the value of money. We'll be talking about the internal conflict that comes from the politics and the problems that come when there are large wealth gaps and there's not enough money. And I think we'll be talking about the changing world order that comes from global political conflicts between countries as there is a greater competition and could be greater conflicts in various ways. Ray Dalio, Founder, Bridgewater Associates, 10/11/22

Given the current level of inflation, its broad-based nature, and its persistence, I believe monetary policy will need to become more restrictive in order to put inflation on a sustainable downward path to 2%...At this point the larger risks come from tightening too little and allowing very high inflation to persist and become embedded in the economy…Being cautious does not mean doing less. Instead, it means being very careful not to allow wishful thinking to substitute for compelling evidence, leading one to prematurely declare victory over inflation and pause or reverse rate increases too soon… ***I do not anticipate any cuts in the fed funds target range next year***…***I don't see any need at the moment to adjust that [balance sheet runoff] plan.*** I think there is a lot of benefit to leaving that plan in place. Markets have understood the plan. They see it. They understand it. Loretta Mester, President, Federal Reserve Bank of Cleveland [2022 FOMC Voter], 10/11/22

Mohamed El-Erian: The economy is starting to go through the windshield. The financial system is starting to go through the windshield. This is not stepping on the brakes, this is ***slamming the brakes***. It is the most front-loaded interest rate cycle that we have seen in a very long time. And it didn't need to be this. This is the tragedy of it, John. It didn't ***need*** to be this way. This is a self-inflicted wound by central banks.
Jonathan Fero: You're incredibly frustrated with this Fed and the damage it's about to do to this economy.
Mohamed El-Erian: I am—not just to this economy, but to the rest of the world. And they've been warned, over and over and over again. But somehow they held on to this 'transitory' for way too long—mistake #1. And mistake #2, when they retired that word from their vocabulary, they didn't act. They didn't act in any meaningful way…Not only does [the Fed] have to overcome inflation, but it has to restore its credibility. So yes, I fear we risk a very high probability of a damaging recession that was totally avoidable. Mohamed El-Erian, Chief Economic Adviser, Allianz, 10/11/22

If unemployment goes up, that's unfortunate. If it goes up a lot, that's really very difficult. But price stability makes the future better. Charles Evans, President, Federal Reserve Bank of Chicago [2023 FOMC Voter], 10/12/22

I don't know if it could be a soft-landing—I don't think so but it might. In a tough recession, you would expect the market to go down another 20% to 30%. Jamie Dimon, Chief Executive Officer, JPMorgan Chase, 10/13/22

Core services inflation—which is the stickiest of all—keeps climbing, and we keep getting surprised on the upside. If we don't see progress in underlying inflation, or core inflation, I don't see why I would advocate stopping at 4.5%, or 4.75%, or something like that…This inflation didn't come form the labor market. This inflation came from supply chains and commodities. ***[Not QE and ZIRP, eh?]*** Do we actually have a tight labor market? One way I would define a tight labor market is: labor is in a relatively strong position, and their share of the pie is growing, [but] their share of the pie is [actually] shrinking. So, I don't know.
Neel Kashkari, President, Federal Reserve Bank of Minneapolis [2023 FOMC Voter], 10/18/22

You have to think about what the reasonable [fed funds] level is…some meaningfully restrictive level. But that doesn't mean you go up forever. In 2023 I think we'll be closer to the point where we can run what I would call ordinary monetary policy. Now you're at the right level of the policy rate, you're putting downward pressure on inflation, but you can adjust as the data come in in 2023. James Bullard, President, Federal Reserve Bank of St. Louis [2022 FOMC Voter], 10/19/22

By selling from the Strategic Petroleum Reserve at the higher price of $90 earlier this year and then refilling it in the future at a lower price, around $70, it will actually make money for the taxpayers, lower the price of gas, and help bolster production, all while totally consistent with my commitment to accelerate to transition to clean energy…Releasing more oil from the Strategic Petroleum Reserve is not politically motivated at all. Joe Biden, President, United States, 10/19/22

We are going to keep raising rates for a while. Given our frankly ***disappointing lack of progress on curtailing inflation***, I expect we will be well above 4% by the end of the year…If we have to, we can tighten further, based on the data. But we should let the system work itself out. And we also need to recognize that this will take time. Inflation is known to shoot up like a rocket and then come down like a feather.
Patrick Harker, President, Federal Reserve Bank of Philadelphia [2023 FOMC Voter], 10/20/22

Republicans in Congress are doubling down on their commitment to explode the deficit again. Just this week—it's hard to make this stuff up. Just this week, Republican leaders said if they get their way, they're going to extend the tax—the Trump tax cuts, which are due to expire in a couple years—extend them…Put it all together and the Republican plan would add about $3 trillion to the deficit—***$3 trillion***. That's their plan. That's what they did under my predecessor, and that's what they intend to do again. Adding another $3 trillion to the deficit is reckless, it's irresponsible, and it would make inflation worse…

Republican leadership in Congress has made it clear. They will crash the economy next year by threatening the full faith and credit of the United States for the first time in our history—putting the United Staes in default unless—unless we yield to their demand to cut Social Security and Medicare…

The polls have been all over the place. I think we're going to see one more shift back to our side in the closing days because we're seeing the good news on the economy. Joe Biden, President, United States, 10/21/22

Some [Fed] officials have begun signaling ***their desire both to slow down the pace of increases*** soon and to stop raising rates early next year to see how their moves this year are slowing the economy. They want to reduce the risk of causing an unnecessarily sharp slowdown. Others have said it is too soon for those discussions because high inflation is proving to be more persistent and broad. Nick Timiraos, Reporter ["Fed Mouthpiece"], *Wall Street Journal* 10/21/22

The job market is extremely strong. That gives the Fed some leeway to fight the inflation problem now while we can.
James Bullard, President, Federal Reserve Bank of St. Louis [2022 FOMC Voter], 10/21/22

It [slowing rate hikes] should be at least something we are considering at this point, but ***the data haven't been cooperating***…We might find ourselves [in November], and the markets have certainly priced this in, with another 75-basis-point increase, but I would really recommend people don't take that away as, it's 75 forever…The time is now to start planning for stepping down [pace of rate hikes].
Mary Daly, President, Federal Reserve Bank of San Francisco [2024 FOMC Voter], 10/21/22

Xi's wartime cabinet is in place. His 20th Party Congress purge not only installed loyalists, but two spy chiefs, and military leaders responsible for China's 'reunification' with Taiwan. He sacked the only three men with markets experience (the heads of the PBOC, the CSRC, and finance minister). Xi also added the Ministry of State Security head to the Politburo and the Central Committee (Chen Wenqing). These moves send a clear message to the world that conflict and 'Great Struggle' are coming soon.

Not since Mao has a Chinese leader stacked his cabinet with men (all men…no women, no blacks, no Hispanics, or anyone else but Han Chinese) with aerospace, weapons, surveillance, and military expertise. Conflict with Taiwan is now around the corner. The Great Chinese Liquidation of public and private equity is in full swing. Today's 10-20% crash in Chinese shares is just the beginning of the destruction of western capital invested in Chinese companies. It appears that Xi's 'Great Struggle' is also meant to inflict maximum pain to those who believed 'reform and opening.'
Kyle Bass, Principal, Hayman Capital, 10/24/22

It is your job [Chair Powell] to combat inflation, but at the same time, you must not lose sight of your responsibility to ensure that we have full employment…We must avoid having our short-term advances and strong labor market overwhelmed by the consequences of aggressive monetary actions to decrease inflation, especially when the Fed's actions do not address its main drivers…I ask that you don't forget your responsibility to promote maximum employment and that the decisions you make at the next FOMC meeting [November] reflect your commitment to the dual mandate.
Sherrod Brown (D-Ohio), Chair, Senate Banking Committee, 10/25/22

Everyday we have a new problem. It's the new normal. At the beginning we thought it was a crisis. Now we know it's a new normal and we have to adapt to that…We've already increased the prices that we were expecting this year, but I'm predicting that next year, inflation will continue, and as a consequence [we] will have other rounds of price increases.
Miguel Patricio, Chief Executive Officer, Kraft Heinz, 10/25/22

People are depleting their emergency [oil] stocks as a mechanism to manipulate markets…*It is my duty* to make clear that losing emergency stocks may become painful in the months to come.
Prince Abdulaziz bin Salman, Energy Minister, Saudi Arabia, 10/25/22

Who doesn't love a yellow school bus, right? Many of us went to school on the yellow school bus, right? The excitement and joy of going to school…the school bus takes us there. Kamala Harris, Vice President, United States, 10/26/22

I write to urge the Federal Reserve to pause and seriously consider the negative consequences of again raising interest rates…Mortgage rates have skyrocketed, borrowing costs for Main Street businesses have risen, credit card payments have gone up as interest payments have climbed, car loans are becoming more expensive. The risk is that higher interest rates will lead us into a potential recession, hurting the middle-class workers who have not seen wage gains in decades…High inflation necessitates a response. But the concern is the Fed is doing too much, too quickly. It has already taken drastic action by raising rates by so much in a short period of time. We should wait to see the effects on the economy and how those changes are absorbed. John Hickenlooper, U.S. Senator (D-Colorado), 10/27/22

[The oil industry] has not met its commitment to invest in America and support the American people…They're not making a ***fair*** return, they're making ***profits so high it is hard to believe***…Their profits are a ***windfall of war***. I think it's outrageous. If they passed those profits on to consumers, gasoline prices would be down about 50 cents. If they don't, they're going to pay a higher tax on their excess profits, and face other restrictions. It's time for these companies to stop ***war profiteering***. Joe Biden, President, United States, 10/31/22

There's a very well-established historical relationship where a stronger dollar goes hand in hand with weaker commodity prices. What's different this time is that, given the nature of the shocks, we have this conjunction of a stronger dollar and higher commodity prices due to the war in Ukraine, for example. And that combination—which is a very unusual one—has had an effect in raising the food and energy prices in other currencies a lot more than it did in the past…There are tripwires strewn all over the place that we need to be tiptoeing around very carefully. So even as we are addressing inflation—that's job number one—we have to keep a very close eye on what else might go wrong.
Hyun Song Shin, Head of Research, Bank for International Settlements, 11/1/22

We are writing to express concern and request additional information about the implications of the Federal Reserve's (Fed's) most recent economic projections, its intention to continue raising interest rates at an alarming pace, and your disturbing warning to American families that they should expect 'pain' over the coming months as the Fed takes 'forceful and rapid steps' to 'get supply and demand back into alignment…by slowing the economy…'

As one economist noted, the Fed can't 'click its heels three times, raise rates and have inflation drop. There's a myriad of factors going on now, and it's a mistake to think the Fed controls any more than a handful of those.' Nevertheless, you continue to double down on your commitment to 'act aggressively' with interest rate hikes and 'keep at it until it's done,' even if '[n]o one knows whether this process will lead to a recession or if so, how significant that recession would be.' These statements reflect an apparent disregard for the livelihoods of millions of working Americans, and we are deeply concerned that your interest rate hikes risk slowing the economy to a crawl while failing to slow rising prices that continue to harm families.
Excerpts from Letter to Chair Powell from U.S. Senators Elizabeth Warren (D-Massachusetts) and Bernie Sanders (I-Vermont), 10/31/22

[I am ready to] act a little bit more deliberately. And I think the implication of that is probably a slower pace of rate increases, a longer pace of rate increases and potentially a higher end point.
Thomas Barkin, President, Federal Reserve Bank of Richmond [2024 FOMC Voter], 11/4/22

From here on out, I don't think it's front loading anymore, I think it's looking for the right level of restrictiveness… Stepping down to a pace that's not 75 [bps], giving a little bit of runway to see more data before you get too far ahead of where you eventually want to be, makes sense to me.

I'm moving upwards my view on the possibilities for the terminal [fed funds] rate. It's not what I would expect but it would not surprise me if the terminal rate reached 6% or more. Larry Summers, Former Secretary, U.S. Treasury, 11/4/22

There's a lot of work [for the Fed] to do, and unfortunately it's gonna' put a lot of pain on the rest of the world because as the Fed tightens, the dollar appreciates, that puts more pressure on other emerging-market economies—especially those that have taken on a lot of dollar debt…The Fed's reaction to all this is, 'Really very sorry that we're causing all the pain for you, but we have to take care of our core problem, which is U.S. inflation—getting it back down to 2%...We're at the very beginning of that mission. The Fed actually hasn't accomplished anything yet in terms of loosening up the labor market.
Bill Dudley, Former President, Federal Reserve Bank of New York, 11/7/22