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Advanced Technical Analysis

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Macro-Technical Analysis

Technical Analysis
Market Road Maps | HPTZ
Methodology

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Market Road Maps

COVID TRIGGERED INFLATION

NOTE

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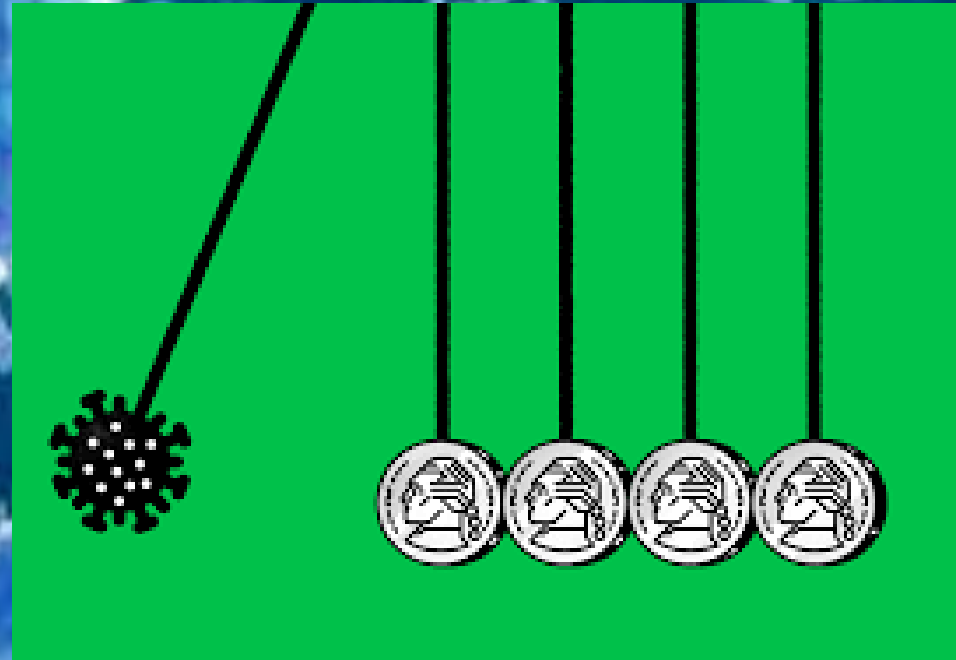
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COVID TRIGGERED INFLATION



AGENDA

AN ABRUPT SHIFT IN EXPECTATIONS! A SUDDEN INFLATION SURGE?

- A Monetary Reaction?
- A Supply Chain Shock?

WHERE IS IT ACTUALLY HAPPENING?

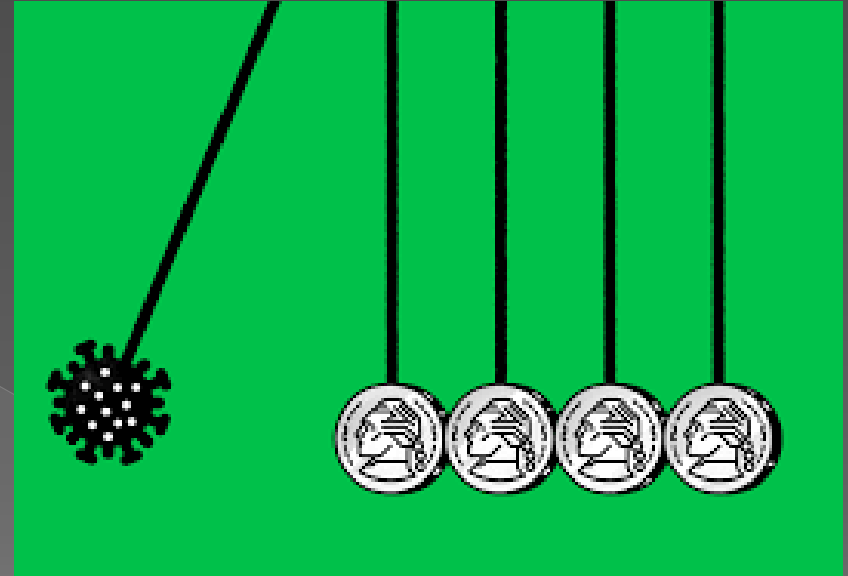
- Actual Reporting

BOND MARKET REACTION

- Fisher Equation
- Inflation Breakevens v Real Rate

WHAT IT MEANS TO INVESTORS

- Q2 Expectations
- Q3 Expectations
- Year End 2021



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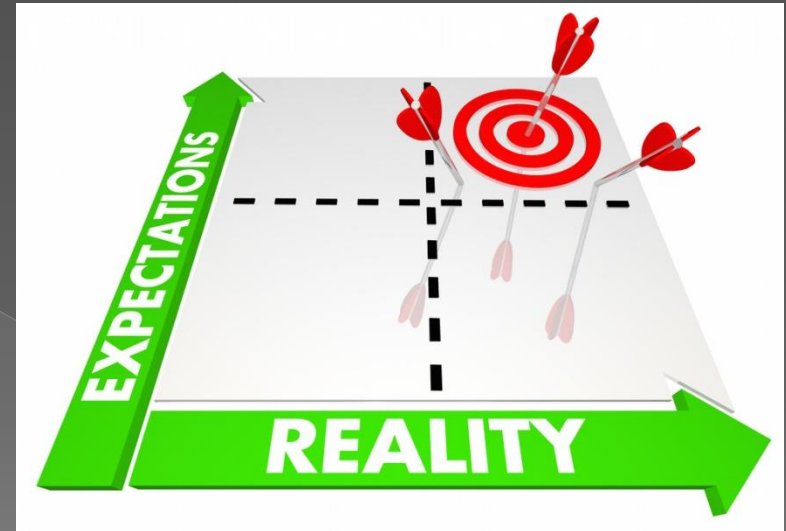
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COVID TRIGGERED INFLATION

US Inflation Expectation

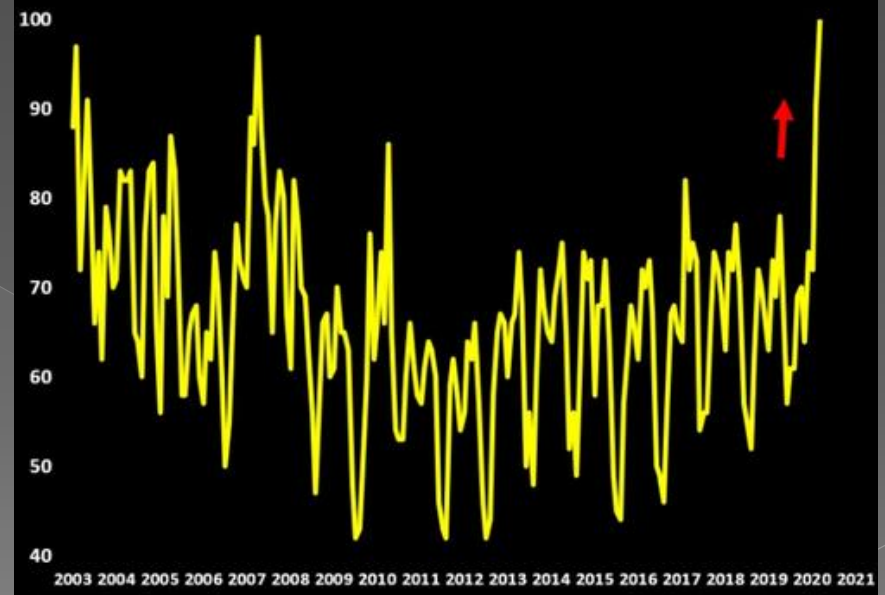
5-Year Breakeven Rate



Source: Bloomberg

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Search Popularity Rank: "Inflation"

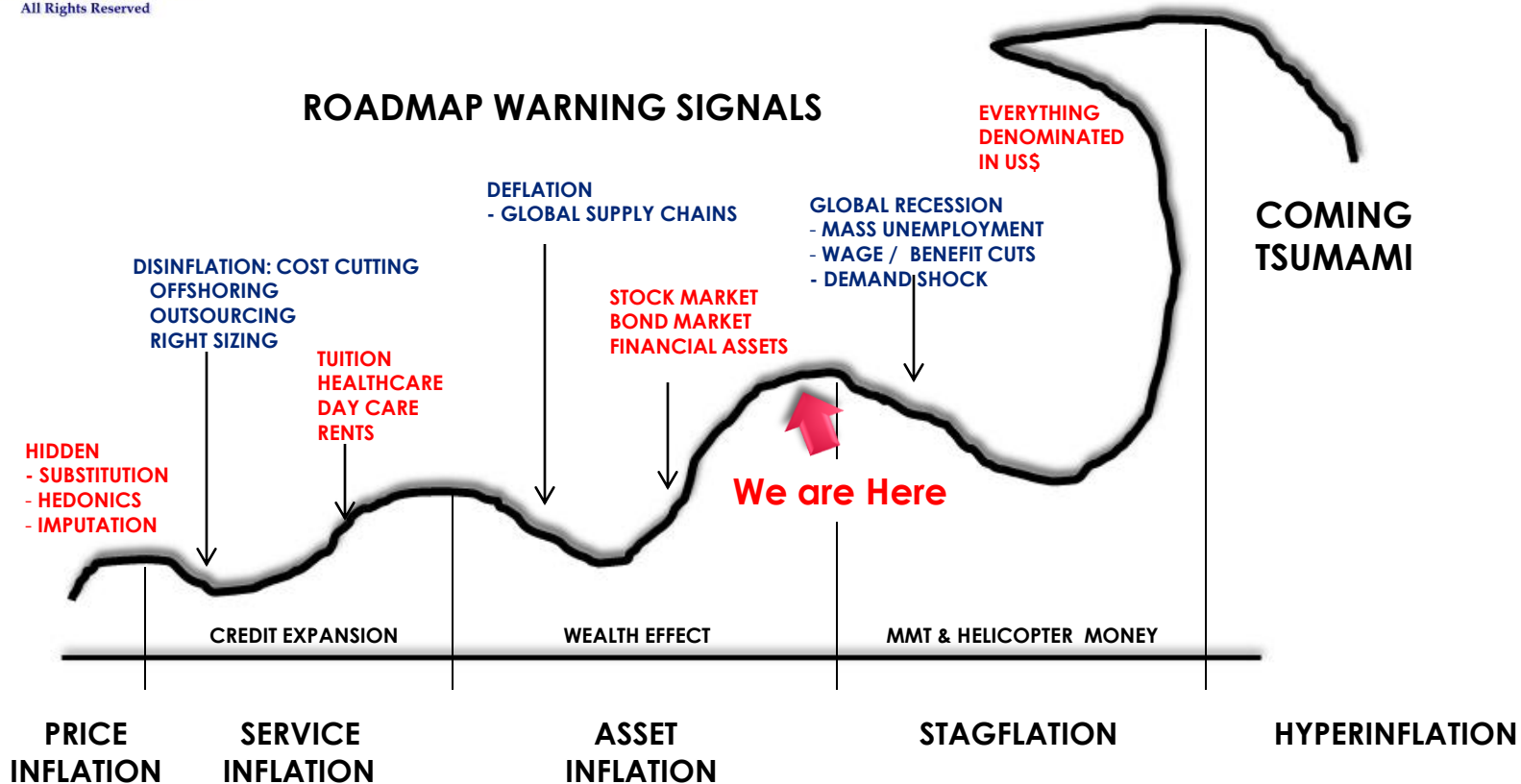


Source: Google Trends

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INFLATION PLUS DEFLATION COMING IN WAVES!

ROADMAP WARNING SIGNALS



A CONTINUED SHIFT!

2021 IS ABOUT A SHIFT FROM:

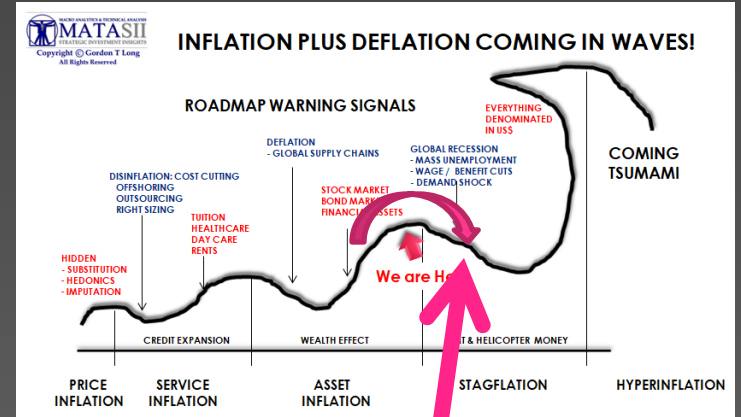
An INFLATION SURGE

*To Compounding Hard Realities of
DEFLATION*

Inflation + < Growth = Stagflation



RECESSION



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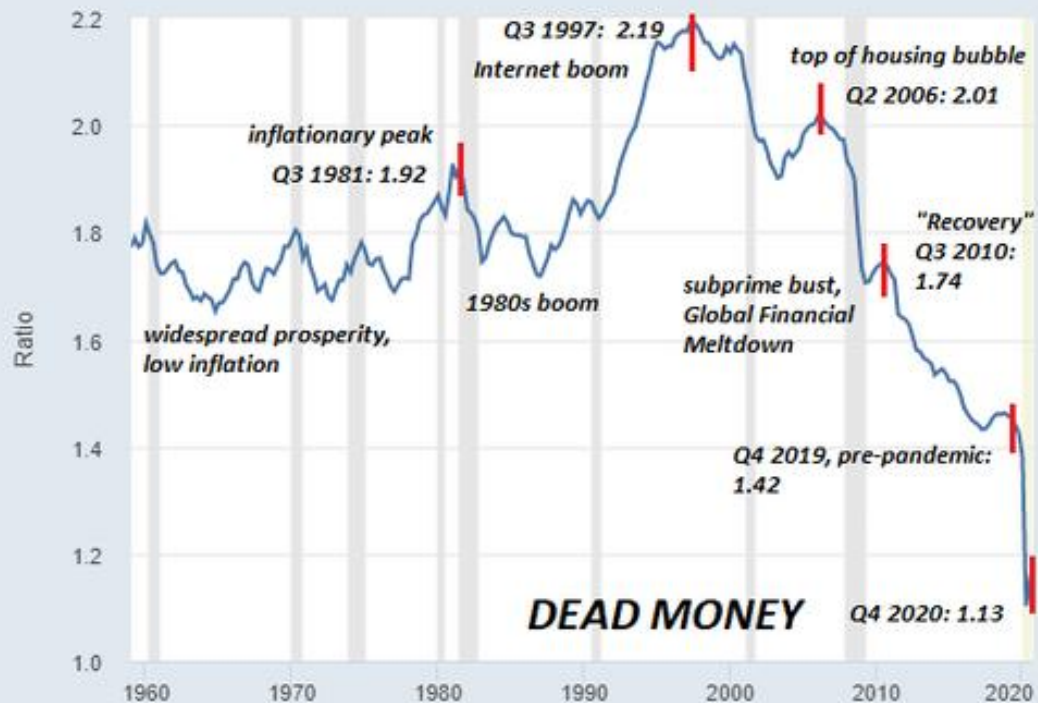
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INFLATION IS FIRST & FOREMOST
A MONETARY EVENT!

FRED

— Velocity of M2 Money Stock



Source: Federal Reserve Bank of St. Louis

notes added by charles hugh smith www.oftwominds.com March 2021

Richard Duncan



Surging Money Supply Growth Won't Cause Inflation

$$\text{Velocity} = \frac{\text{Nominal GDP}}{\text{Money Stock}}$$

TRANSITORY INFLATION

- 1- SHORTAGES: JIT, KanBan, Pull System – No Inventory Supply Chain
- 2- TRANSPORTATION: Start-up Surge means bottlenecks
- 3- LABOR PREMIUMS: Covid Costs
- 4- EXPEDITE: Extra Costs
- 5- COVID: Recapture Lost Revenues for Fixed Costs

To be Expected!!!

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COVID TRIGGERED INFLATION

Manufacturing at a Glance
March 2021

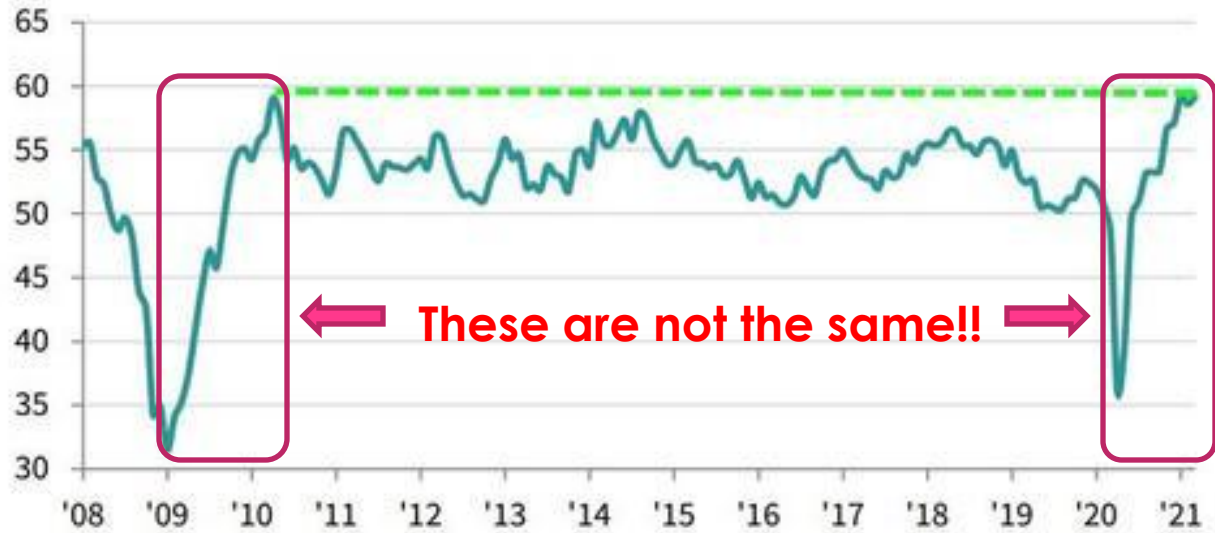
Index	Series Index Mar	Series Index Feb	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
Manufacturing PMI®	64.7	60.8	+3.9	Growing	Faster	10
New Orders	68.0	64.8	+3.2	Growing	Faster	10
Production	68.1	63.2	+4.9	Growing	Faster	10
Employment	59.6	54.4	+5.2	Growing	Faster	4
Supplier Deliveries	76.6	72.0	+4.6	Slowing	Faster	61
Inventories	50.8	49.7	+1.1	Growing	From Contracting	1
Customers' Inventories	29.9	32.5	-2.6	Too Low	Faster	54**
Prices	85.6	86.0	-0.4	Increasing	Slower	10
Backlog of Orders	67.5	64.0	+3.5	Growing	Faster	9
New Export Orders	54.5	57.2	-2.7	Growing	Slower	9
Imports	56.7	56.1	+0.6	Growing	Faster	9
OVERALL ECONOMY				Growing	Faster	10
Manufacturing Sector				Growing	Faster	10

Manufacturing ISM® Report on Business® data is seasonally adjusted for the New Orders, Production, Employment and Inventories indexes.
*Number of months moving in current direction.
**Correction made to consecutive months from previous report.

- 3M
 - Flagged rising air and freight costs to ship its goods,
- Walmart
 - Warned on the congestion in US ports,
- Legacy Homes (Mobile Homes) & Williams-Sonoma
 - Uptick In Wages,
- Mattel Toys
 - Rise in plastics prices, which were exacerbated by the winter storm in Texas that took petrochemicals plants offline.
- Sealed Air (Packaging Maker)
 - CEO Ted Doheny: "Costs are going up everywhere - it's DefCon 4 [for] us right now. It's a big deal."
- Albertson Grocer
 - CEO Vivek Sankaran: "while inflation would be above trend in the first half of the year, it would drop back to 1 to 2 per cent towards the end of 2021."

U.S. Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

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COVID TRIGGERED INFLATION

NON-TRANSITORY INFLATION

Can't Be Stressed Strong Enough --

1- TAX INCREASES – At All Levels of Government (Income, Sales, Property, Fees, Licenses, Tolls etc)

2- FALLING DOLLAR – Foreign Cost of Goods – Dependency

A SLOWING US CONSUMER

- Will Trigger Global Demand Drop
- The US Consumer Has Long Been the Driver of Global Demand

1- RISING TAXES

At All Levels of Government
(Income, Sales, Property, Fees, Licenses, Tolls)

US Marginal Tax Bracket vs. Government Debt

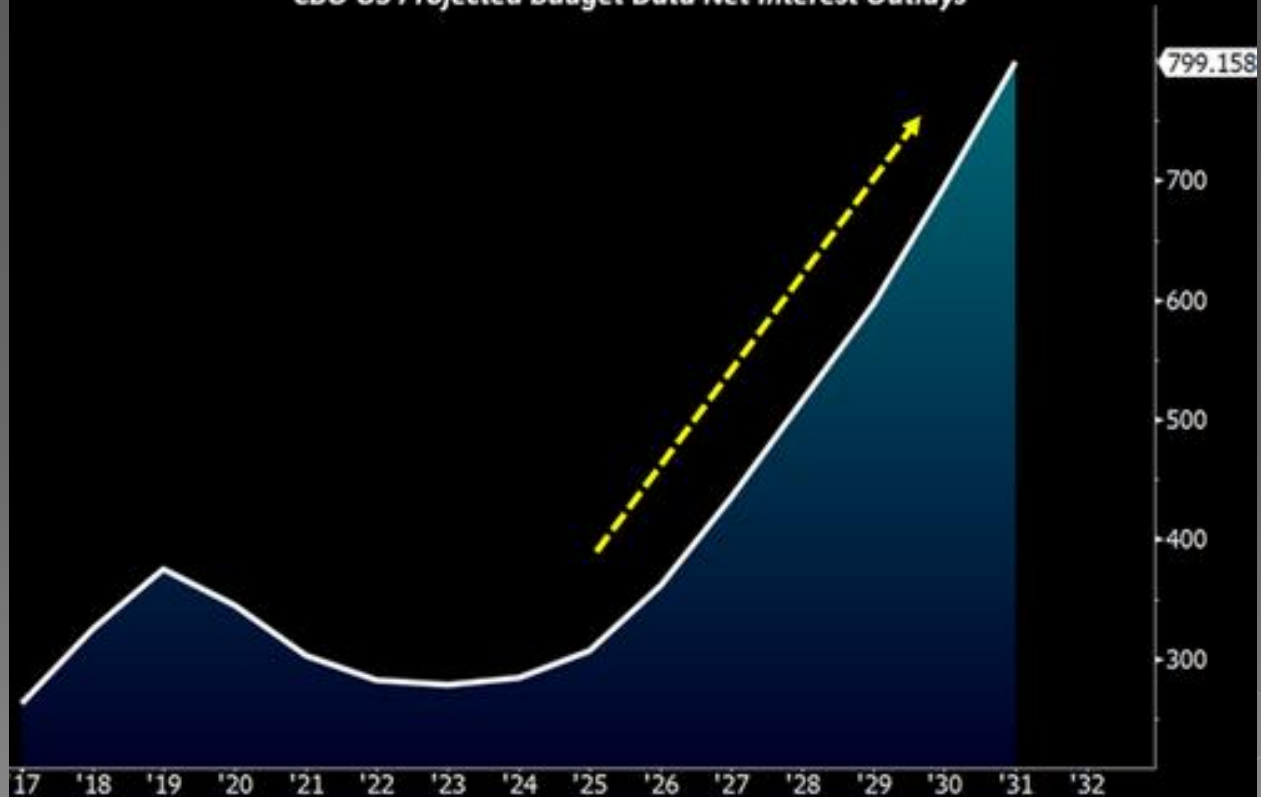


Source: Federal Reserve

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Projected Budget Interest Payments

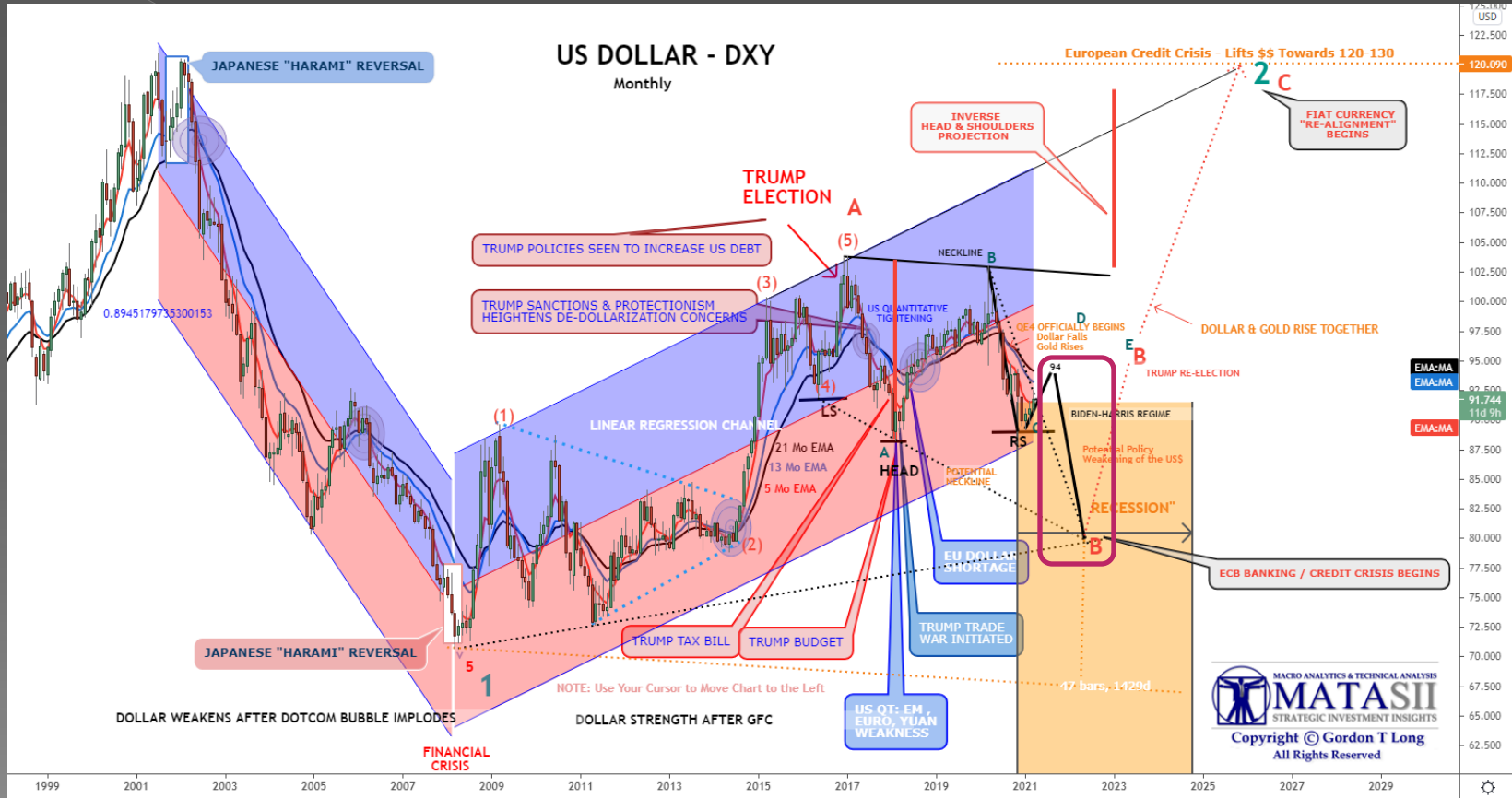
CBO US Projected Budget Data Net Interest Outlays



Source: Congressional Budget Office

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2- FALLING DOLLAR



FISHER'S EQUATION

Nominal interest rate = Expected inflation + Real interest rate



Since the introduction of inflation-indexed bonds, ex-ante real interest rates have become observable.

On an economy-wide basis, the "real interest rate" in an economy is often considered to be the rate of return on a risk-free investment, such as US Treasury notes, minus an index of inflation, such as the rate of change of the CPI or GDP deflator.

The US "TIPS" as a measure of the US Real Rate is flawed and as such this has consequences

10Y UST BRAKEVENS

☆ 10-Year Breakeven Inflation Rate (T10YIE)

DOWNLOAD 


Observation:
2021-04-01: 2.35 (+
more)

Units:
Percent,
Not Seasonally Adjusted

Frequency:
Daily

1Y | 5Y | 10Y |
Max

2016-04-01 to 2021-04-01

EDIT GRAPH 

Updated: 6:36 PM CDT

FRED — 10-Year Breakeven Inflation Rate



FRED

10-Year Breakeven Inflation Rate



REAL RATES - TIPS

10 Year Treasury Inflation-Indexed Security Rate

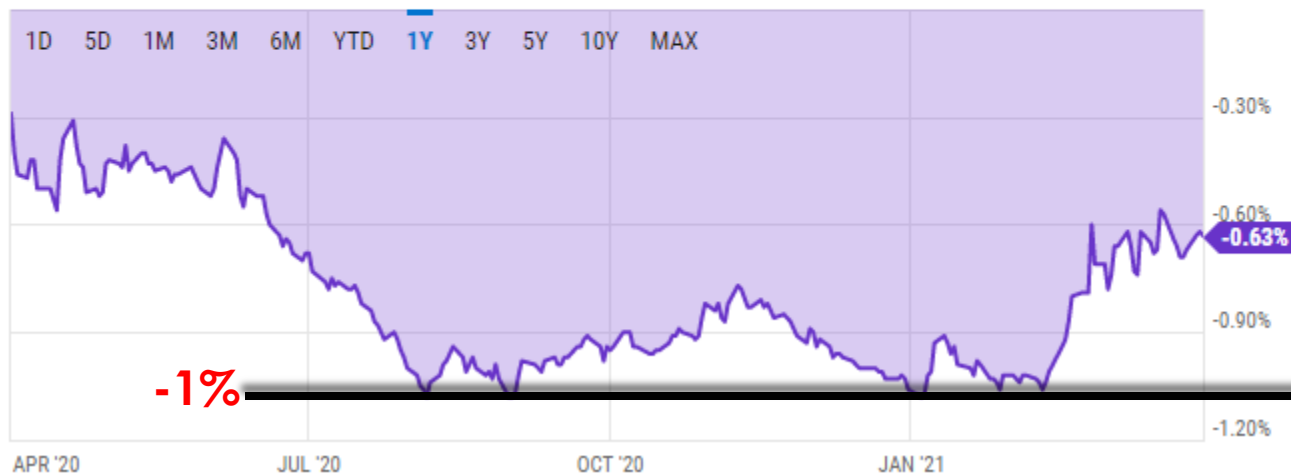
-0.63% for Mar 31 2021

Overview

Interactive Chart

Level Chart

[VIEW FULL CHART](#)



FRED

10-Year Treasury Inflation-Indexed Security, Constant Maturity



BE: 2.22
REAL: - 0.66
Nom. = 1.56%

BOUNDARY CONDITIONS

Our current expectations are for:

Break-Evens :

Approaches 2.5%

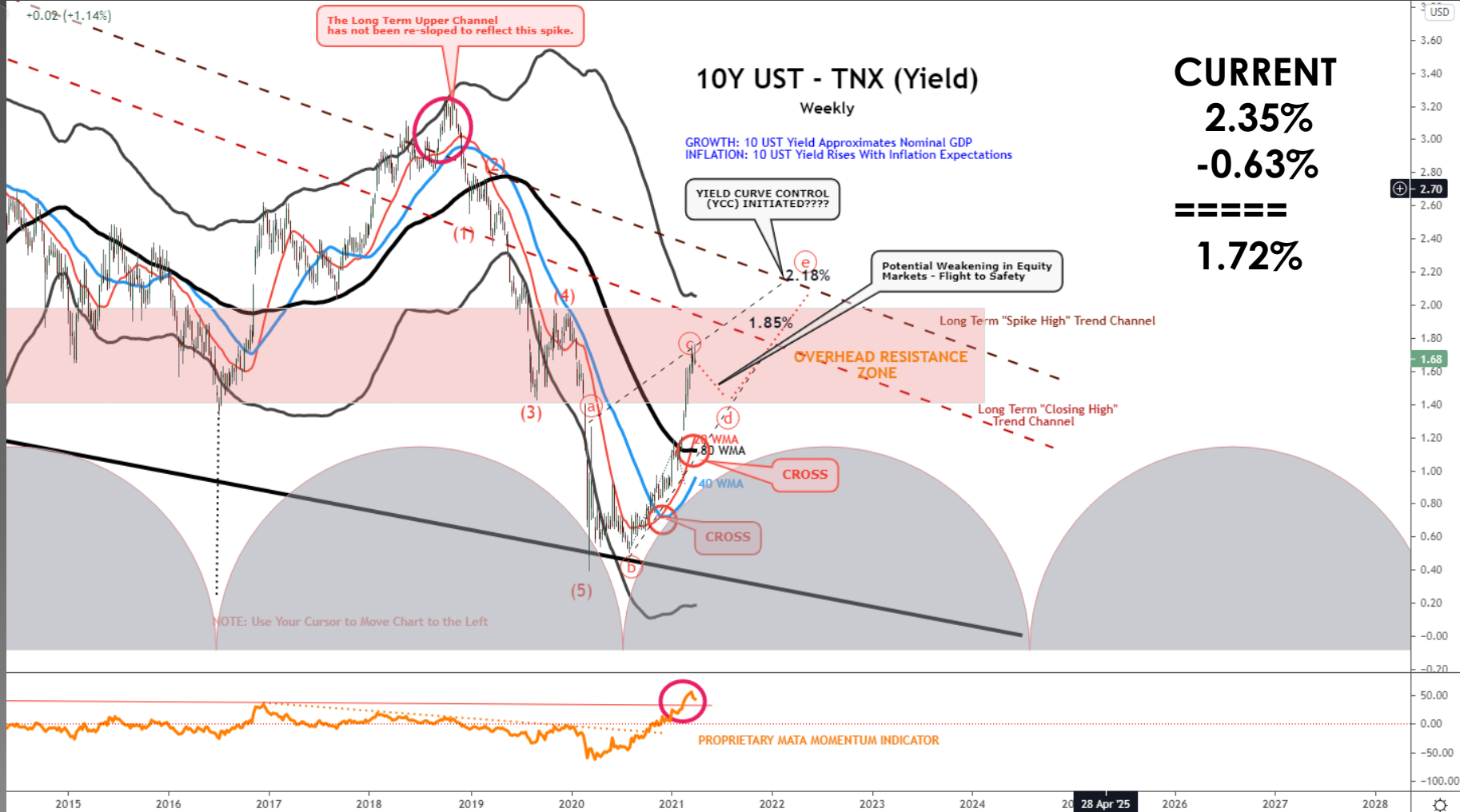
Real Rates:

Will approximate -0.75% to reflect the Chinese Credit Impulse Correlation

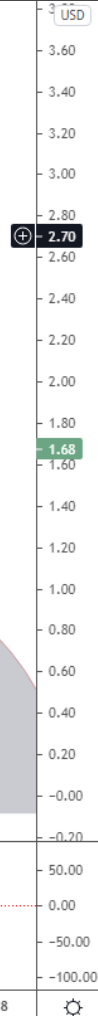
Nominal Rates:

Will peak at approximately 1.75%





CURRENT
2.35%
-0.63%
=====
1.72%



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WHAT WOULD YCC MEAN TO THE US\$\$\$?

PRESENTLY

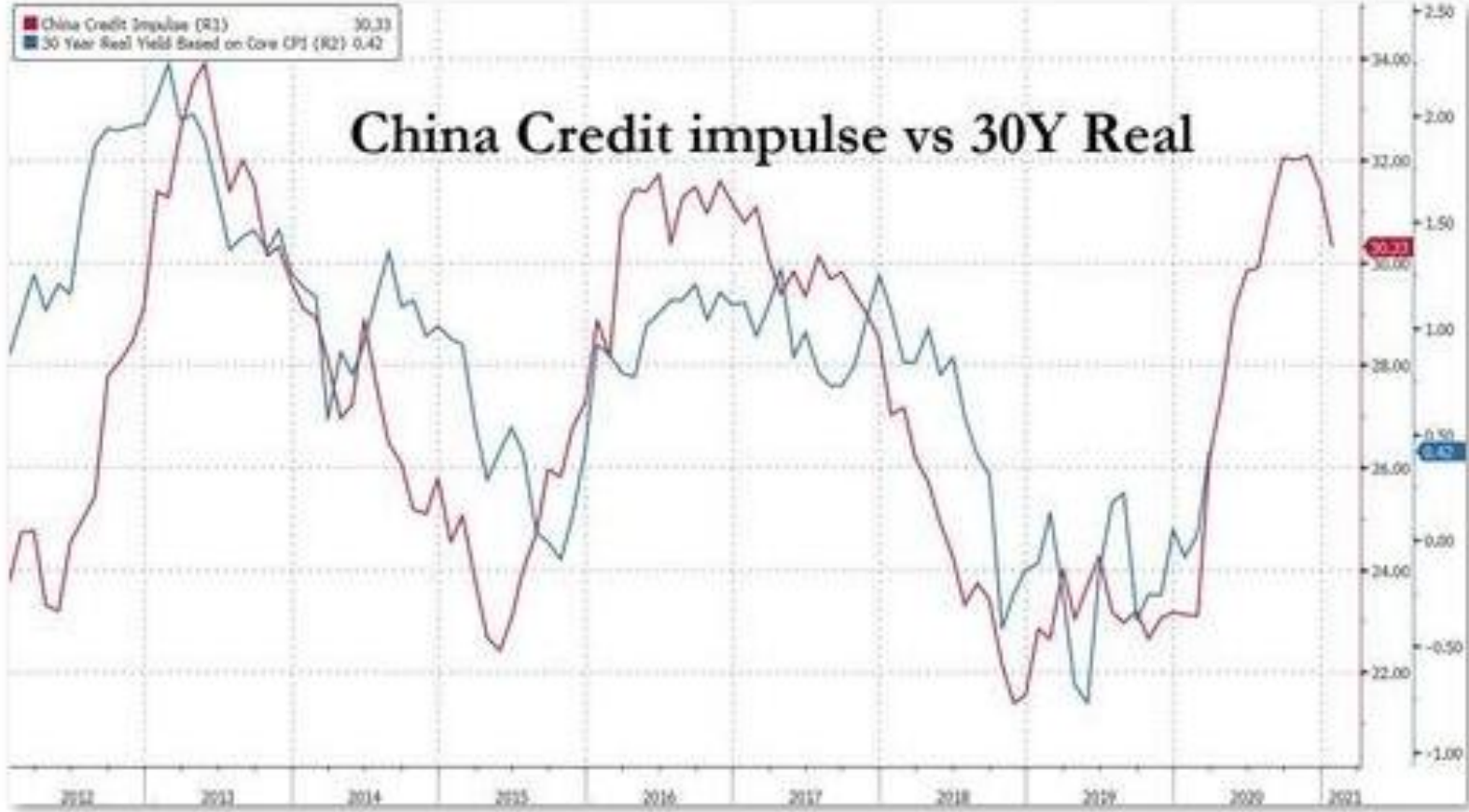
- Market Rises
- Nominal Yields Fall
- Gold Rises

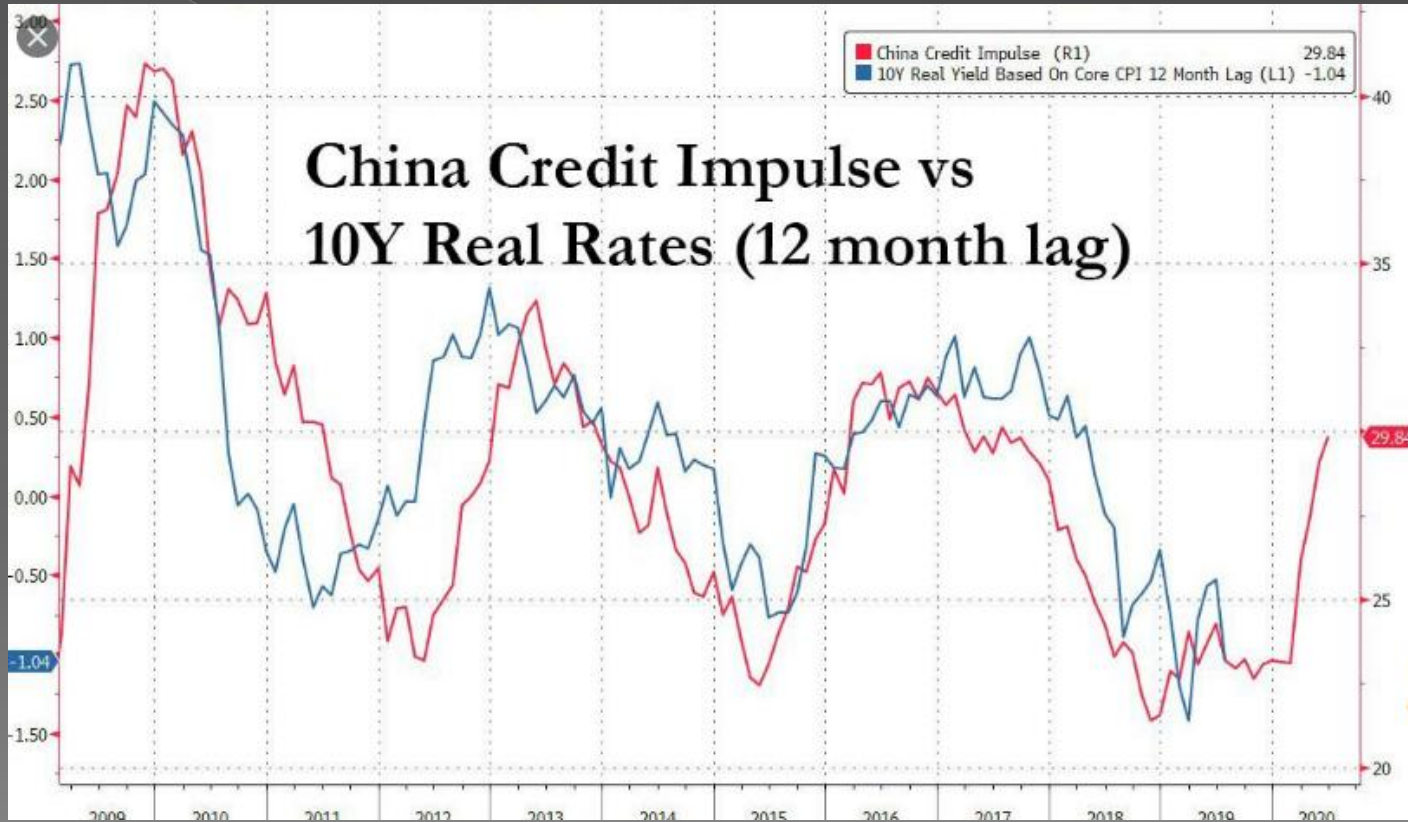
- US\$ Rising As Markets Reach New Highs

IS THIS GOING TO KEEP HAPPENING???

■ China Credit Impulse (R1) 30.33
■ 30 Year Real Yield Based on Core CPI (R2) 0.42

China Credit impulse vs 30Y Real





**10Y REAL > UP
GOLD > DOWN**

10 Year Treasury Inflation-Indexed Security Rate

-0.62% for Mar 30 2021



Date	Value
March 30, 2021	-0.62%
March 29, 2021	-0.63%
March 26, 2021	-0.67%
March 25, 2021	-0.69%
March 24, 2021	-0.69%

RATES UP = GOLD DOWN
DOLLAR UP = GOLD DOWN

FISHER EQUATION:

NOMINAL RATE = BREAKEVEN + REAL RATE
 NOMINAL RATE = BREAKEVEN + (- REAL RATE)
 1.70% = 2.32% + (-.62%)

C: 1.70% = 2.32 + (-0.62%)
2.00% = 2.50 + (-0.50%)
D: 1.45% = 2.25 + (-0.80%)
E: 2.50% = 2.80 + (-0.30%)
YCC: 0.25% = 2.20 + (-1.95%)

NOMINAL RATE = BREAKEVEN + REAL RATE
 0.25% = 2.20% + (-1.95%)

EXPECTATIONS

- Rates Will Consolidate In Q2
- Markets will Complete a Right Shoulder of Topping Process
- Precious Metals Will Rally in Q2 but Fall Further in Q3
- Markets Will Begin An Overdue Sell-Off in late Q3
- The Fed Will We Be Forced to Implement YCC in late Q3 going into Q4
- US\$ Will Begin to Fall In Q4 with YCC
- Precious Metals and Commodities will Rise Sharply in Q4

ADMINISTRATIONS CHANGE – BUT THE PRINTING NEVER DOES

DON'T WORRY, THEY WILL PRINT THE MONEY!

EVERYONE IS NOW IN PLACE & READY!!





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FEEDBACK THAT WILL IMPROVE OUR
RESEARCH ANALYSIS*



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CHANNEL & WE VALUE HEARING
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*IT IS THE ONLY PAYMENT WE ACCEPT
FOR POSTING THIS FREE YOUTUBE
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