

TGFOA

Snapshot of the Economy

October 28, 2023

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Do your own work to the extent that you can!





That '70s Show: Economic Reruns Could Be on the Air for Another Decade

By: Thomas F. Landstreet

A history in stagflation and other key elements driving the U.S. economy

Government is the 800-pound gorilla in the economy. Frustrating as that can be, investors who know how to connect the dots between policies and stock prices stand to make impressive returns. They can trade angst for alpha.

Macro investors seek to identify investment themes that move whole sectors of the economy, creating winners and losers. In the case of government policies, they never add to GDP, they just rearrange it.

I analyze policies through the scrim of what my former boss Arthur Laffer calls the “four grand kingdoms of macroeconomics.” This is more than an economic framework--it’s a way to make money. The Four Kingdoms consist of monetary, fiscal, regulatory and trade policies. It is

Laffer's Four Grand Kingdoms of Macro economics

- Monetary – Money, banking & interest rates
- Fiscal – Tax rates, subsidies, stimmmies
- Trade – Free trade vs. Trade wars
- Regulatory – Requirements, restrictions

Monetary Policy



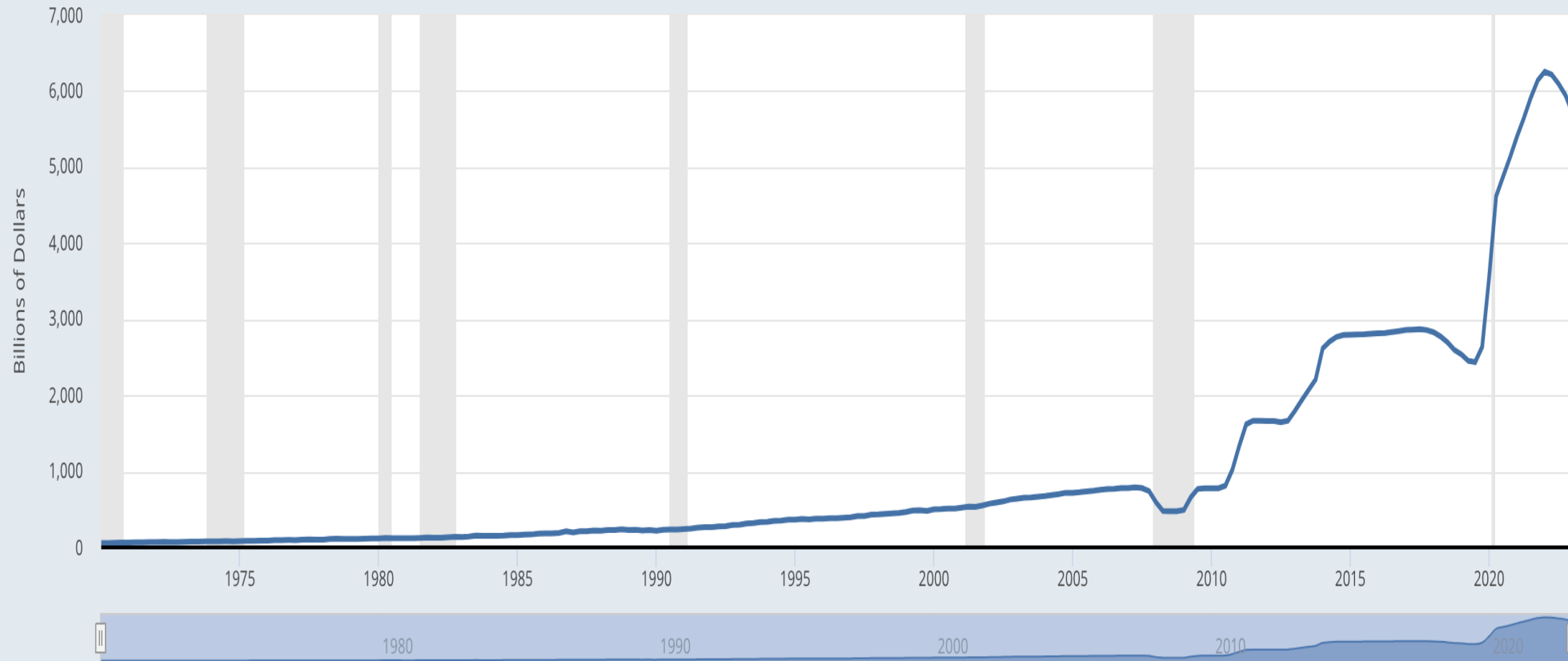
"Inflation is **too much**
money chasing too few goods"

Milton Friedman

Federal Reserve Holdings

FRED

Federal Debt Held by Federal Reserve Banks



Shaded areas indicate U.S. recessions.

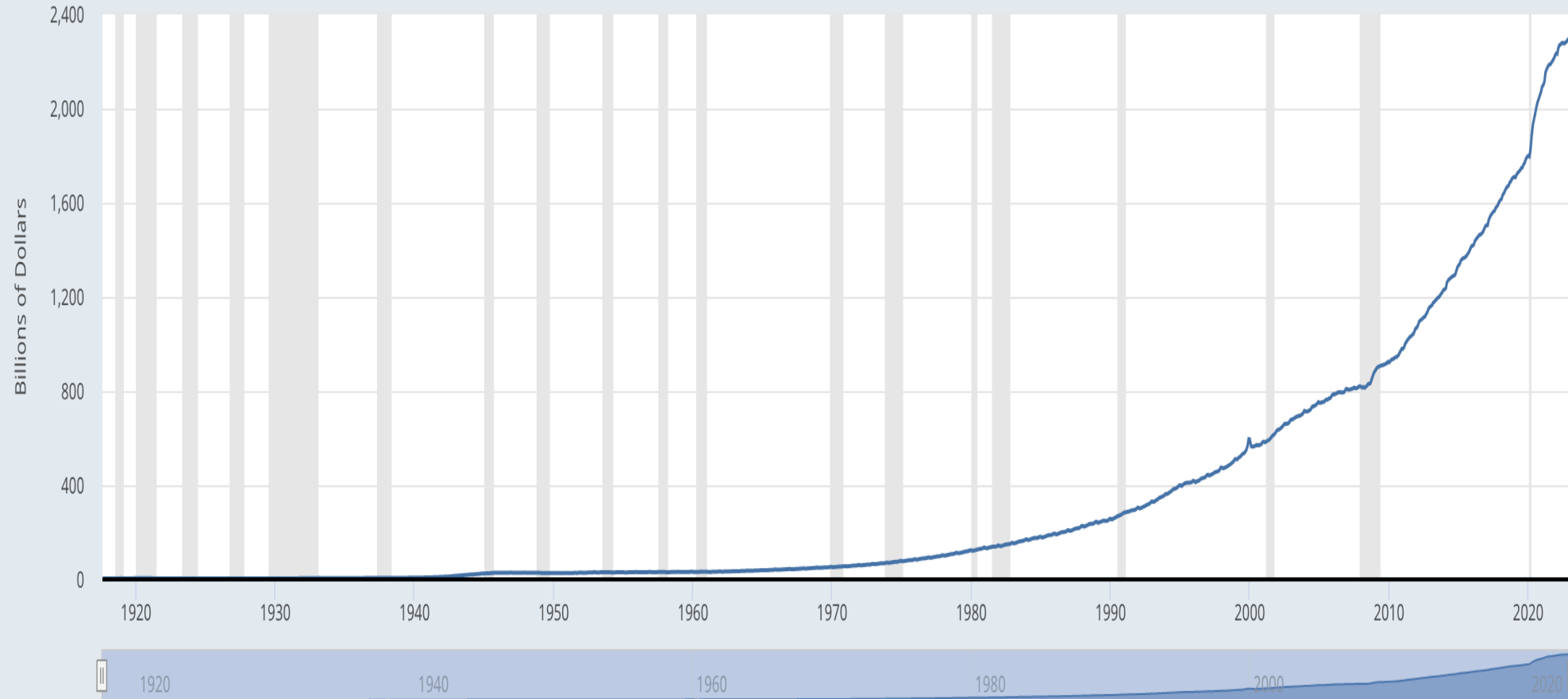
Source: U.S. Department of the Treasury, Fiscal Service

fred.stlouisfed.org



Currency in circulation

FRED  Currency in Circulation



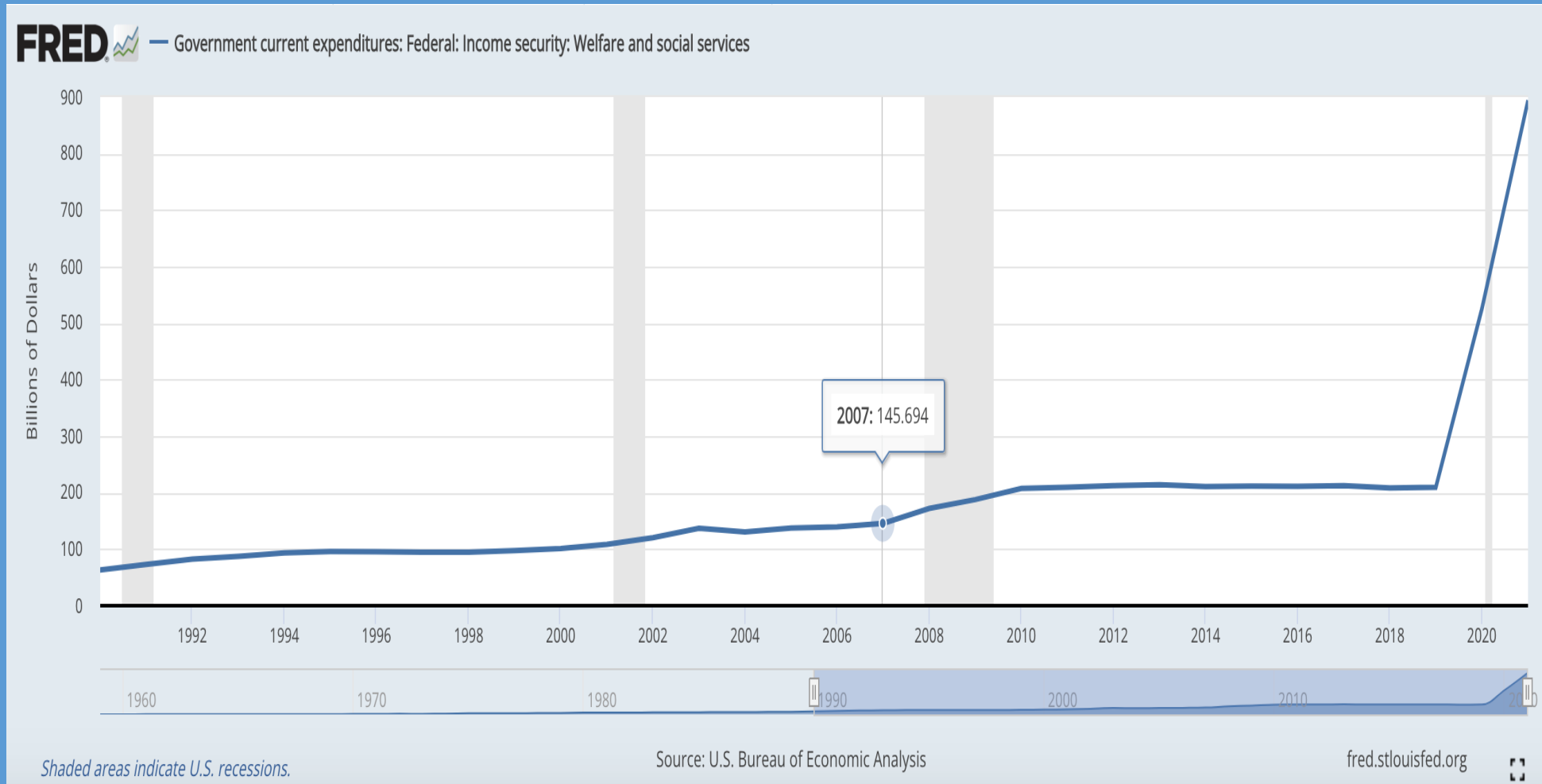
Shaded areas indicate U.S. recessions.

Source: Board of Governors of the Federal Reserve System (US)

fred.stlouisfed.org



Federal Welfare and Social Services Spending



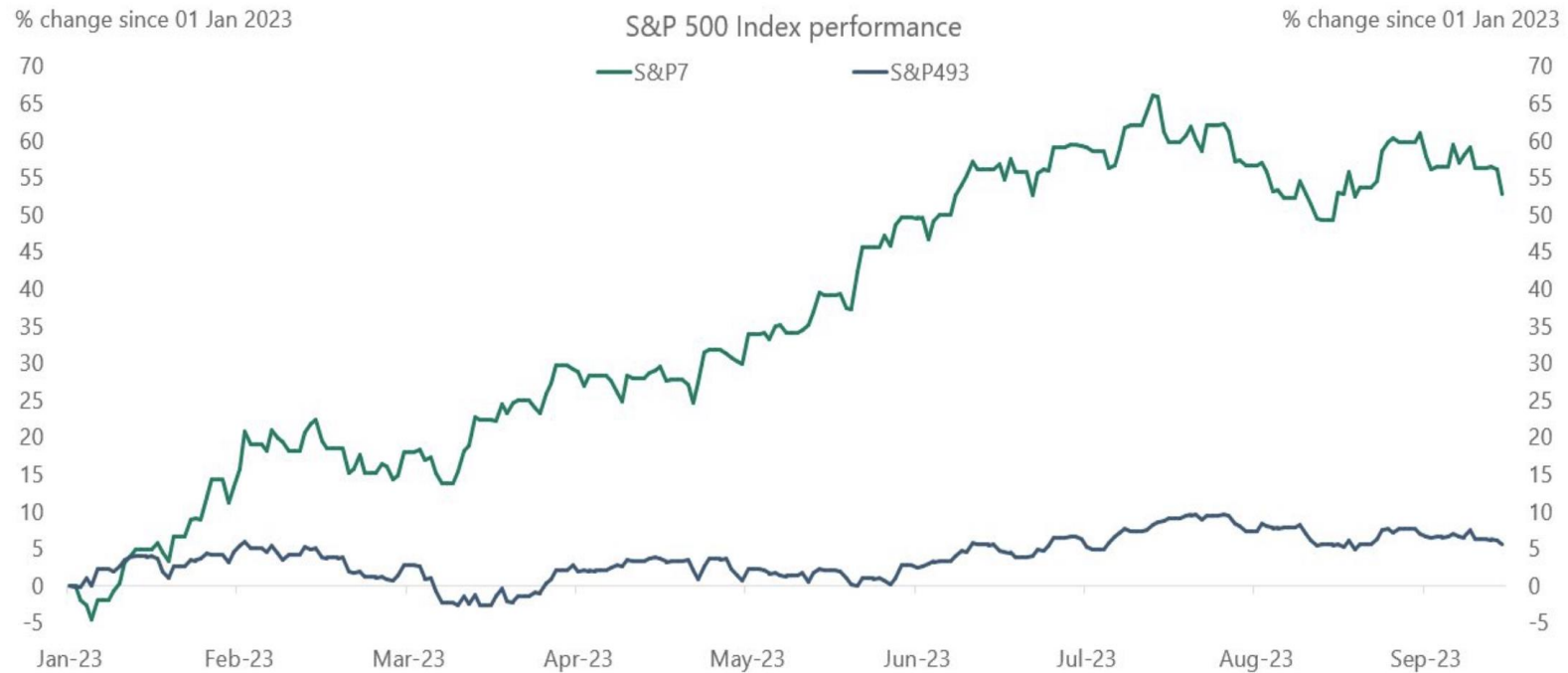
Stimmie checks v. Bitcoin



Magnificent 7

APOLLO

So far in 2023 S&P7 is up more than 50%. S&P493 is basically flat.

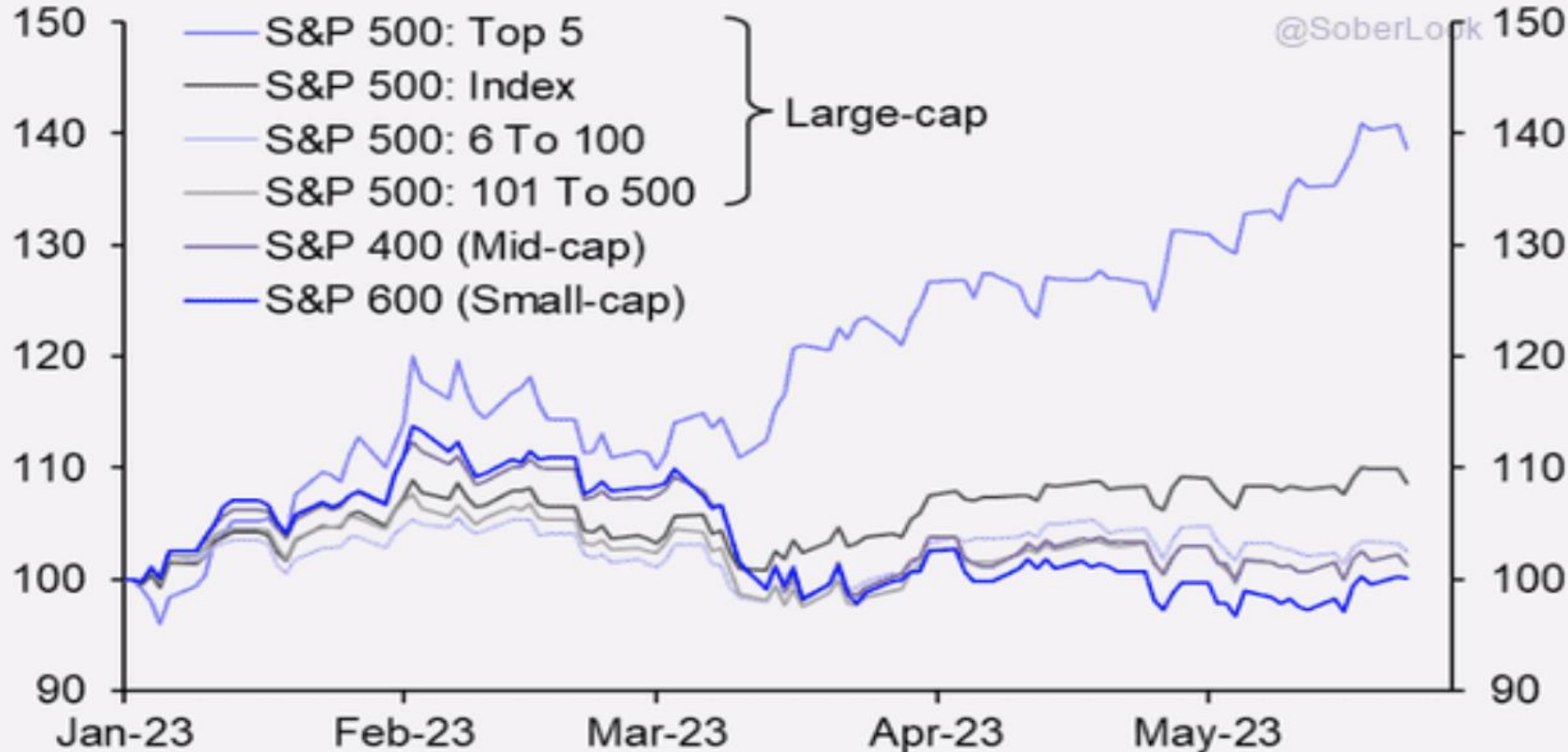


Market concentration 2022-2023

Chart 1: Total Return Indices (End-2022 = 100)

The Daily Shot
25-May-2023

@SoberLook

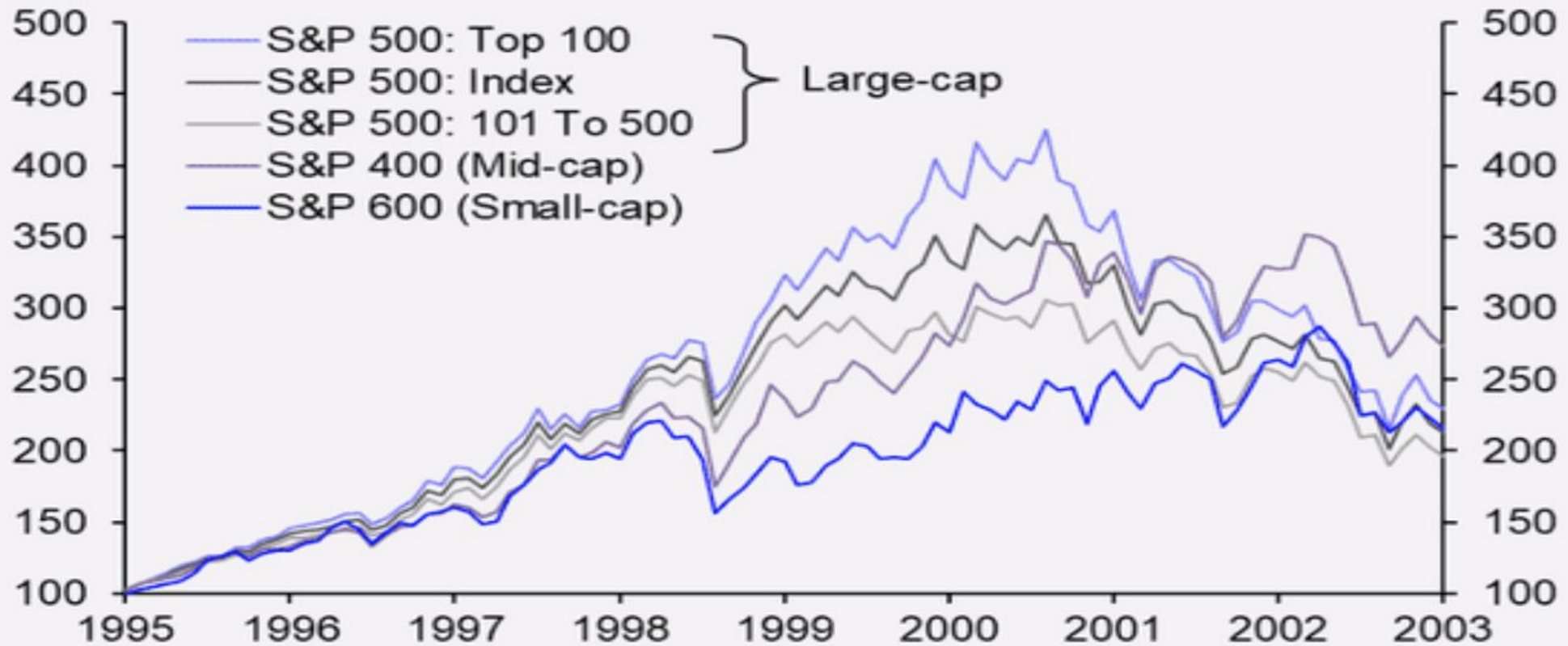


Market concentration 1999-2000

Chart 6: Total Return Indices (End-1994 = 100)

Posted on
The Daily Shot
25-May-2023

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The Nifty Fifty

Exhibit 9: The Nifty Fifty ended in nearly a decade of “dead” money

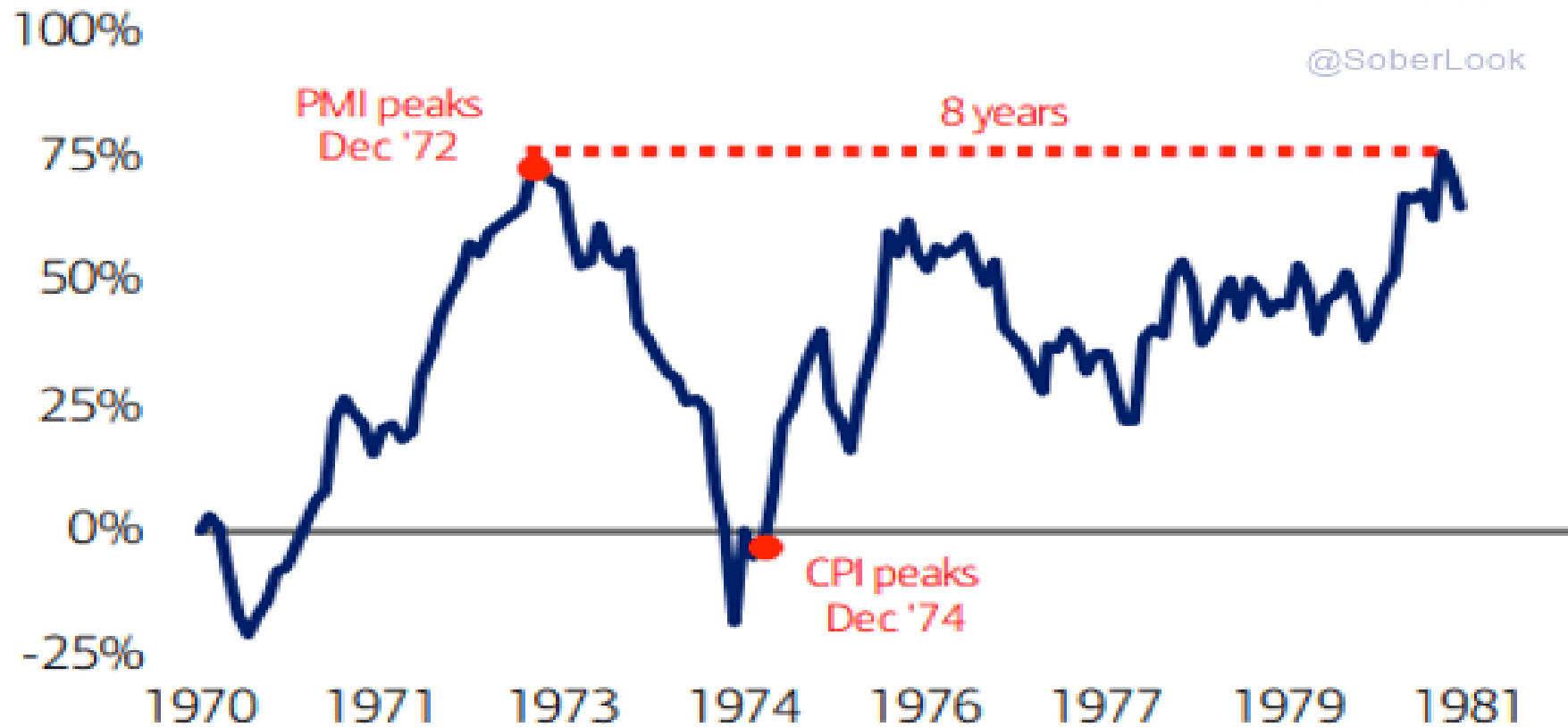
Nifty Fifty price returns, 1970-1980

Posted on

The Daily Shot

15-Nov-2022

@SoberLook



Source: BofA Research Investment Committee, Global Financial Data, Standard and Poor's

BofA GLOBAL RESEARCH

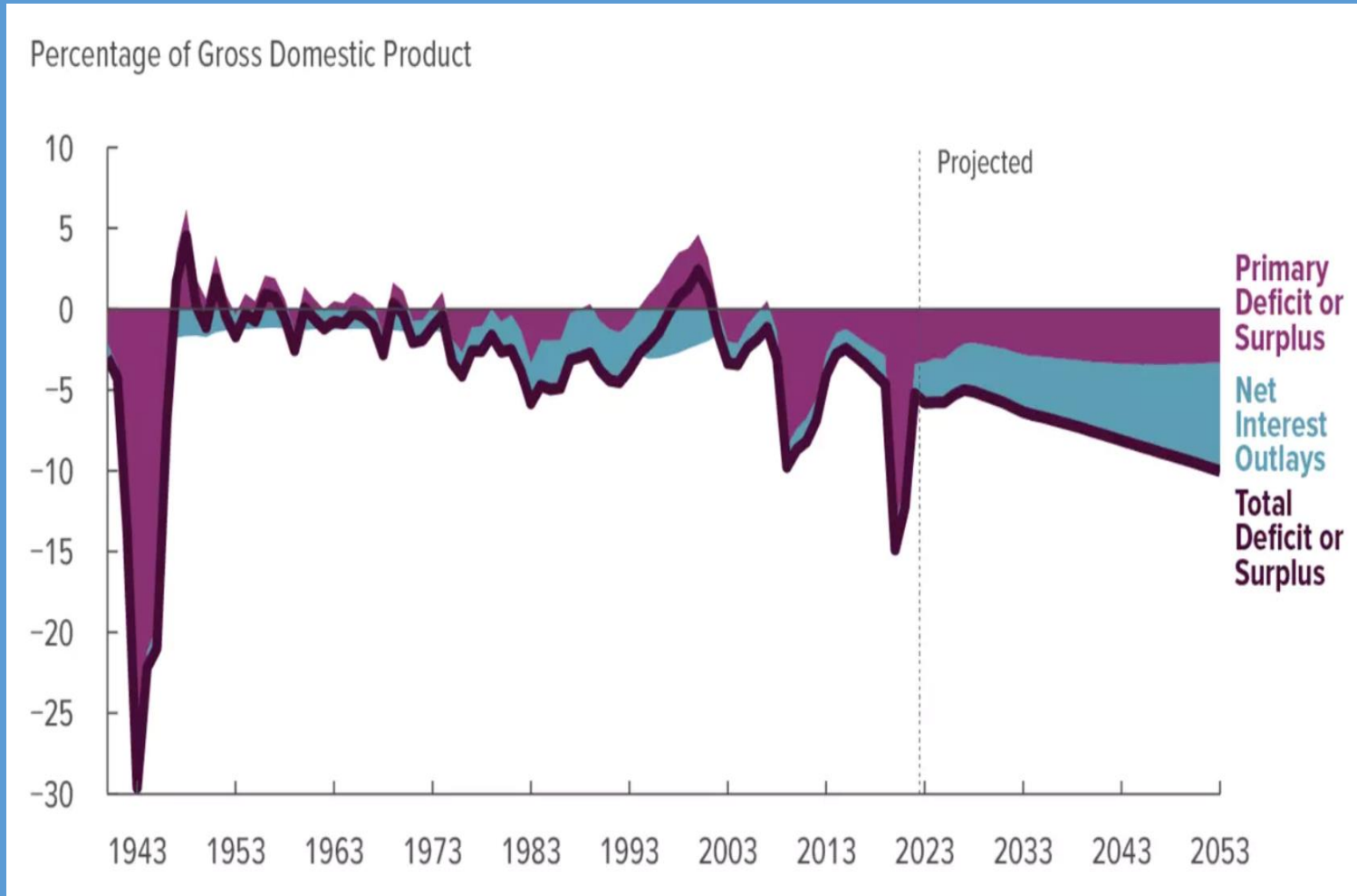
Fiscal Policy

Covid Spending: Helicopter Money

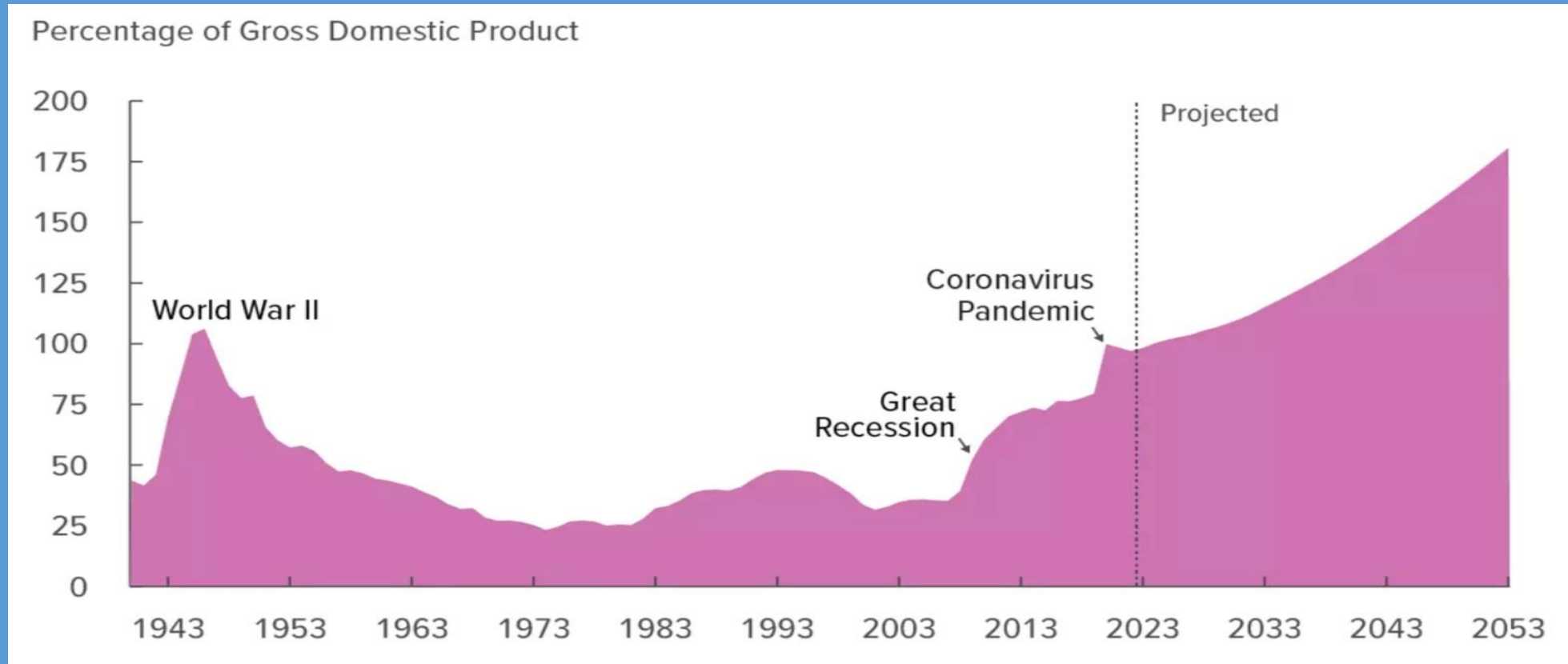
Spending areas (dollars in billions)	COVID-19 relief funding	Total obligations	Unexpired unobligated balance	Expired unobligated balance	Total expenditures
Public Health and Social Services Emergency Fund (Health and Human Services)	345.7	325.1	20.6	0.0	277.5
Pension Benefit Guaranty Corporation Fund (Pension Benefit Guaranty Corporation)	52.7	45.8	6.9	0.0	45.6
Emergency Rental Assistance (Treasury)	46.5	46.0	5.5	0.0	45.0
Veterans Medical Care and Health Fund (Veterans Affairs)	14.5	9.9	4.6	0.0	7.8
Transit Infrastructure Grants (Transportation)	69.5	65.9	3.7	0.0	53.2
U.S. Coronavirus Refundable Credits (Treasury)	62.4	58.8	3.7	0.0	58.8
CDC-Wide Activities and Program Support (Health and Human Services)	26.4	22.8	3.6	0.0	14.2
Other areas (includes over 250 accounts)	3,996.8	3,925.5	41.9	23.7	3,668.5
Total	4,614.5	4,499.8	90.5	23.7	4,170.6

Source: GAO analysis of data from the Department of the Treasury and applicable agencies. | GAO-23-106647

Federal Budget Deficit as a Percentage of GDP



Federal Treasury Debt as a Percentage of GDP



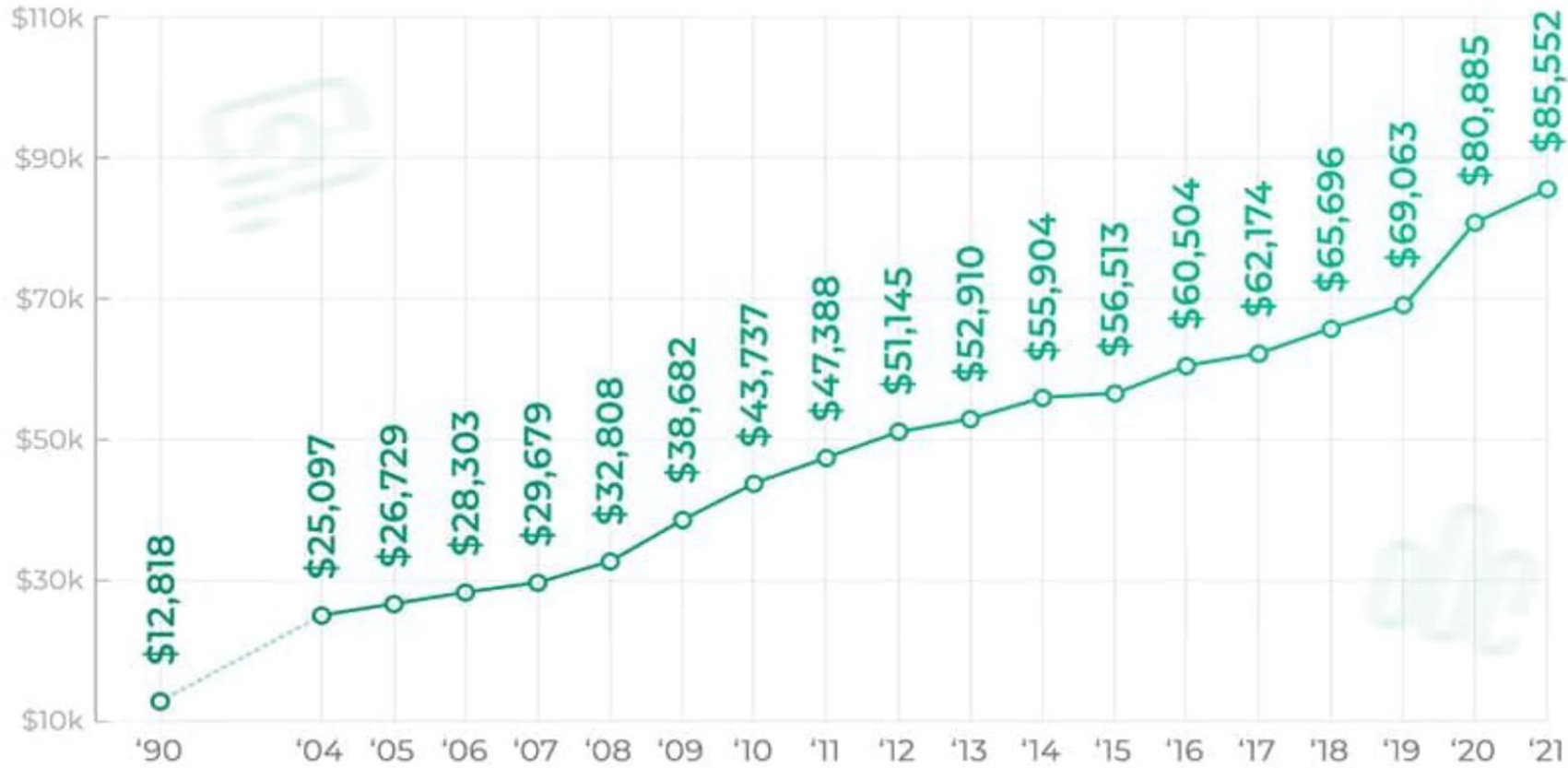
Fiscal: Now \$95k debt per household



US National Debt per Capita Between 1990 and 2021



balancing
everything



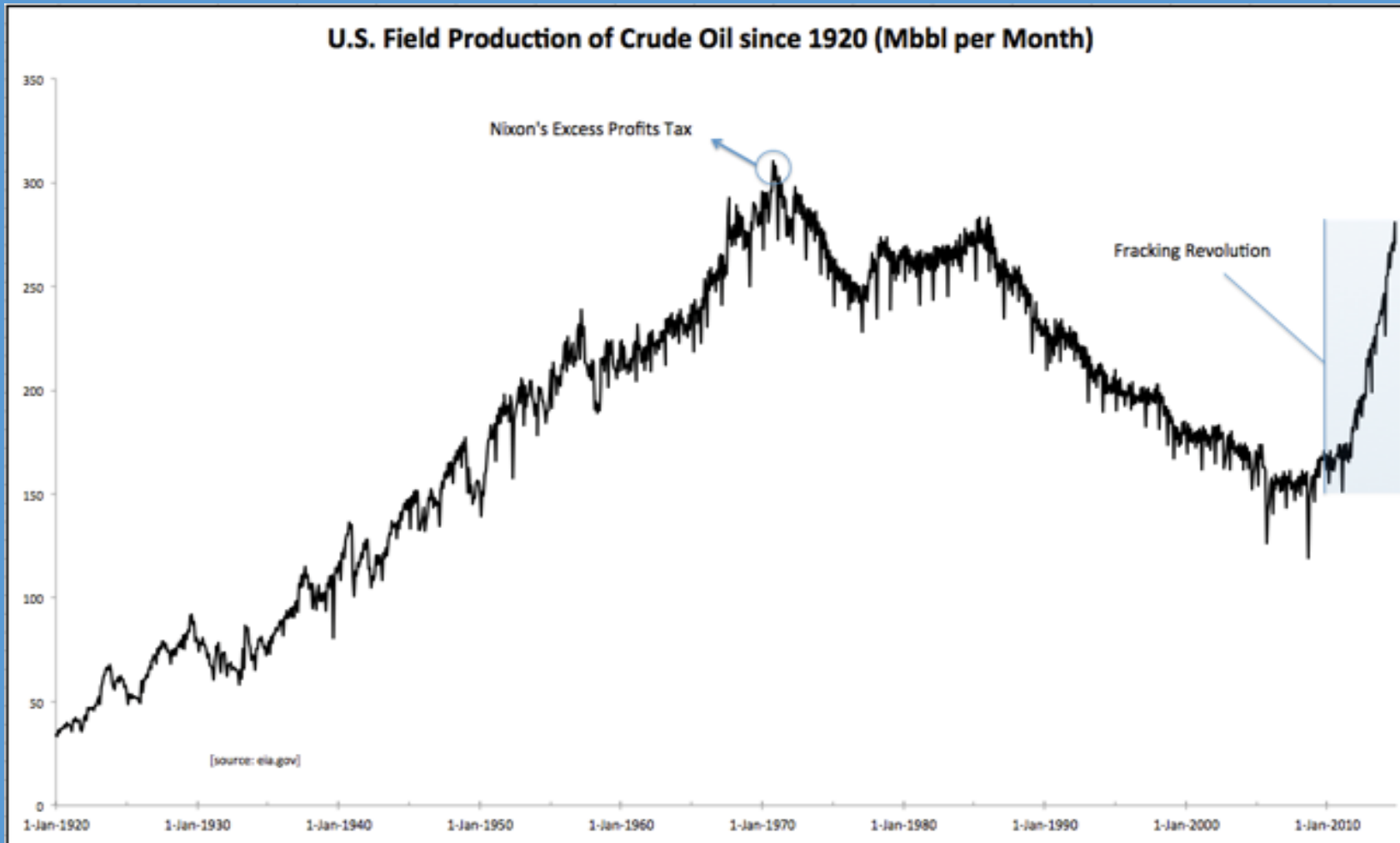
Source: Statista

"Inflation is too much
money chasing too few goods"

Milton Friedman

Regulatory Policy

Nixon's Oil Price Controls



Biden must tap oil reserves to lower gasoline prices, Schumer says | Reuters

Reuters

Nov 14 (Reuters) - President Joe **Biden's** administration should tap into emergency **petroleum** reserves to lower rising gasoline prices as Americans ...



Flag as irrelevant

Biden to propose 20-year ban on new oil drilling near Native American site in New Mexico - CNN

CNN

(CNN) President Joe **Biden** will announce Monday a proposal for a 20-year ban on new **oil** and gas drilling near Chaco Canyon in northwest New Mexico ...



Flag as irrelevant

ESG Gone Wild in Ireland



200,000 cows to be culled in order to meet climate targets

EU leaders accuse U.S. natural gas producers of profiteering

in Closing Bell Story / Commodity Pricing / Crude Oil News / Energy News / International / LNG / Natural Gas News by — Oil & Gas 360

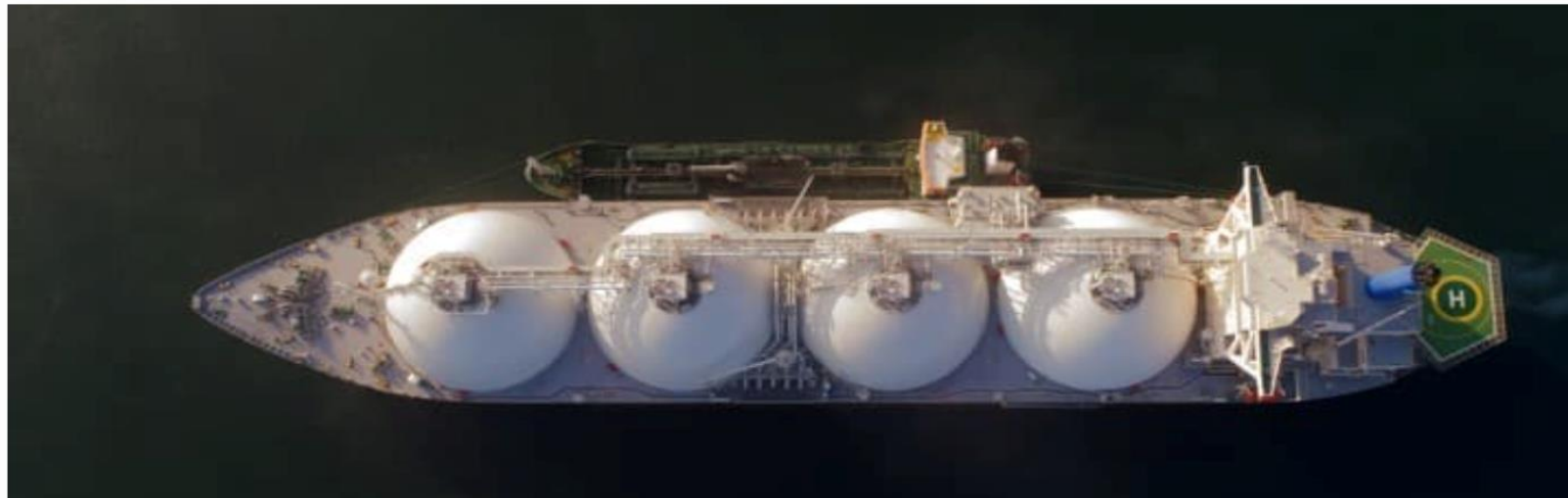
November 10, 2022

Print 

Share 

Oil Price

Last month, France’s president Emmanuel Macron accused the United States of a “double standard” because of the difference between the price at which liquefied natural gas produced in the U.S. sells in Europe and the price at which natural gas sells within the U.S.



How Nashvillians comply with green mandates



Trade

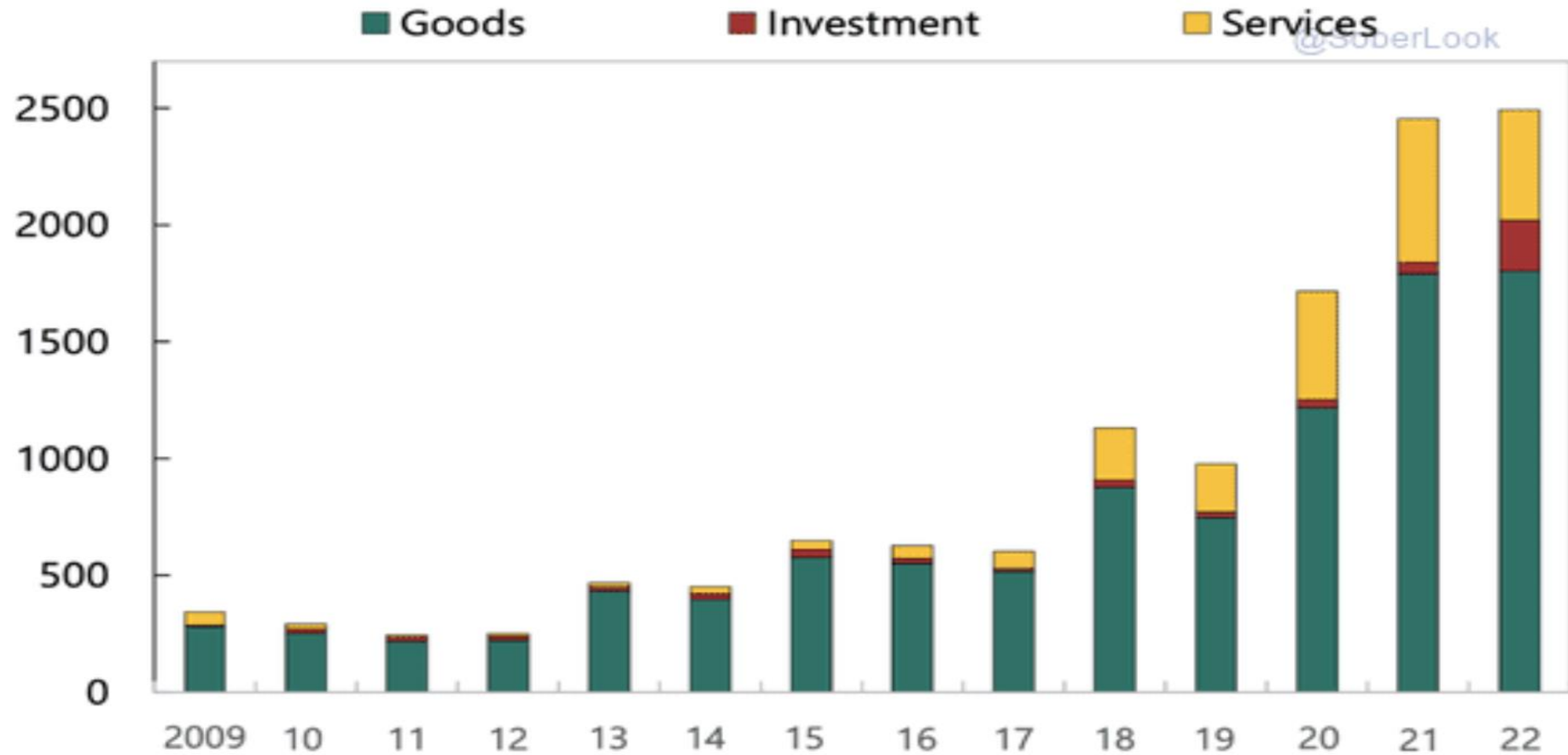
Free trade vs. Protectionism



Geopolitics

Figure 7. Trade Restrictions Imposed (Number)

Sourced on
The Daily Shot
30-May-2023



@SuberLook

Geopolitics

BRICS Draws Membership Bids From 19 Nations Before Summit

- Algeria, Egypt, Indonesia have asked to join the group
- Foreign ministers from the five BRICS members meet in June



Yang Jiechi attends the 11th Meeting of the BRICS High Representatives for Security Issues via video link in Beijing. *Photographer: Yin Bogu/Xinhua/Getty Images*

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volatility be
the end of
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Geopolitics



Opinion

Editorial by SCMP Editorial

Arms deals also serve to bolster use of yuan

- A growing number of countries, particularly those in the Middle East, are diversifying their purchases of weapons, with many turning to China and willing to settle payments in the Chinese currency



SCMP Editorial

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Published: 5:30am, 29 May, 2023 ▾

 [Why you can trust SCMP](#)

Inflation? What inflation?

A package of hamburger is the same price as last month!

Being cute just died.



Men are going to want a woman who can catch a chicken now.

Yellen's only regret as Fed chair: Low inflation

Low inflation is "one of the major challenges of our time," Fed's Powell says

NY Fed President John Williams says low inflation is 'the problem of this era'

Fed's Daly says don't be fearful about too-high inflation

**Fed's Bostic Untroubled by Inflation
Quarles Says Fed Very Committed to Pushing Inflation Above 2%**

Fed Gov. Lael Brainard declares 'new normal,' calls for higher inflation

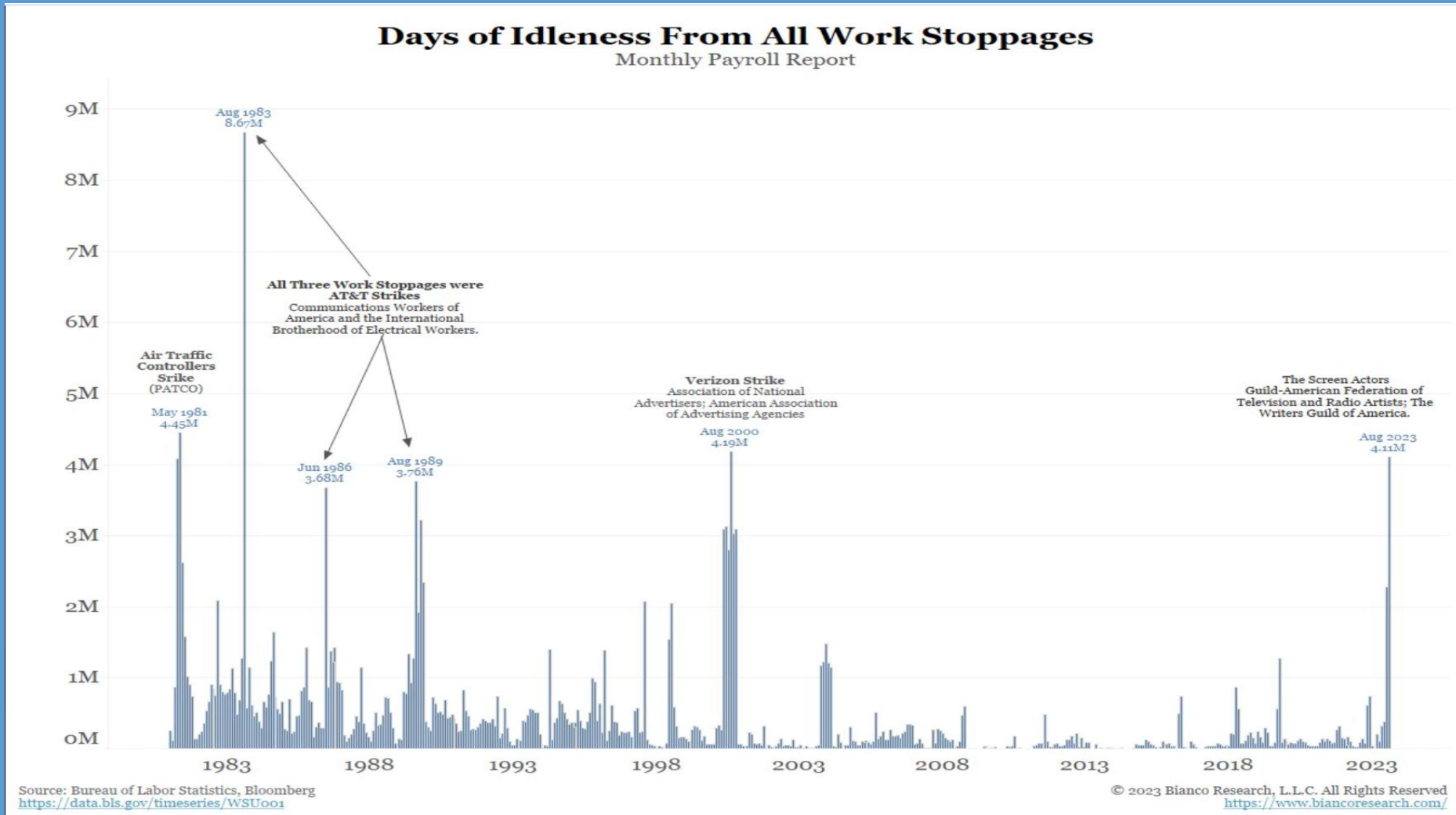
Fed's Dudley: Underlying Inflation Still Too Low

Fed's Evans says he doesn't fear 2.5% inflation, or even above

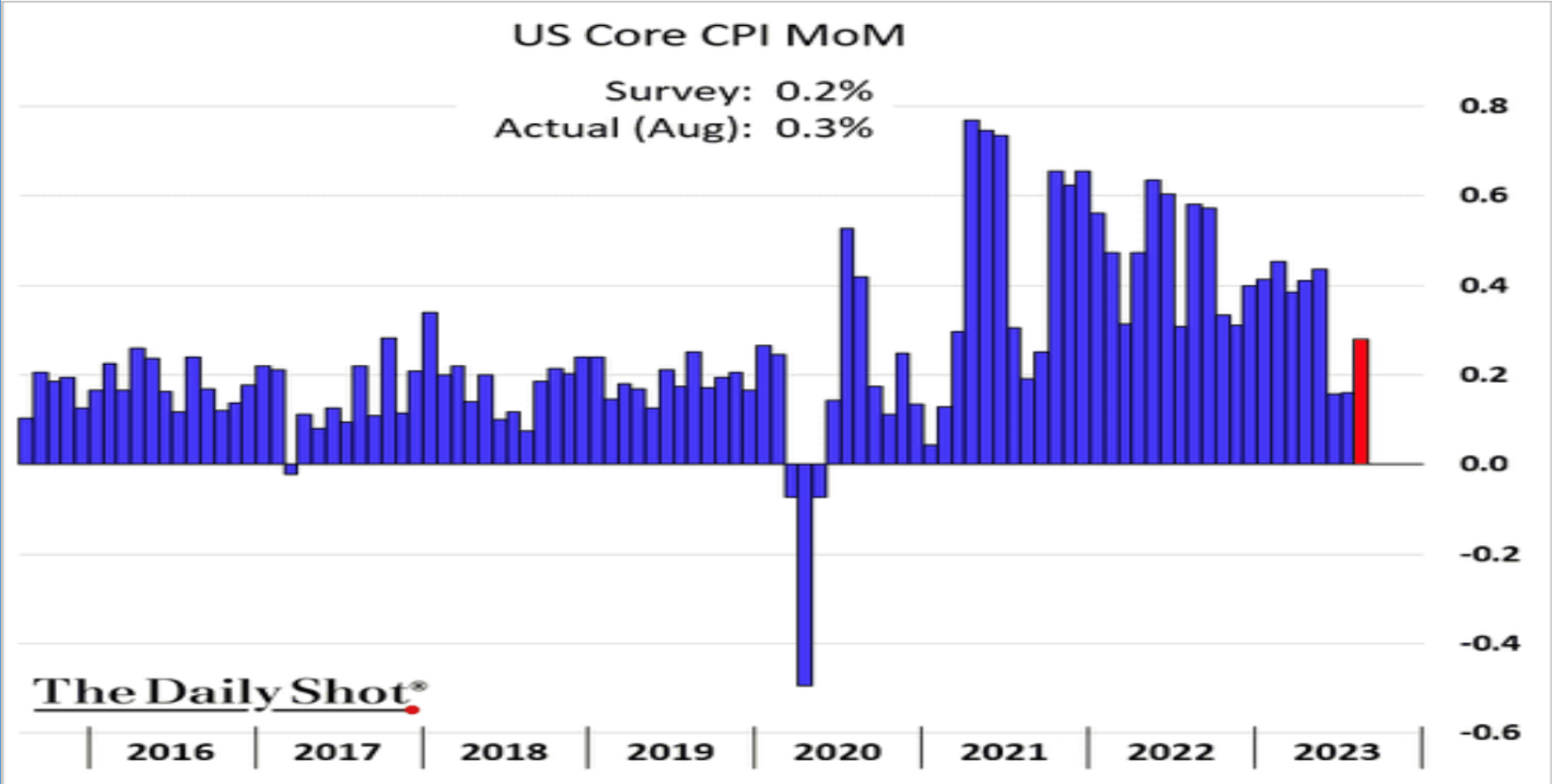
Fed's Bullard: would take a decade of above target 2.5% inflation to make up for the 5 years of shortfall

Fed's Clarida says pandemic could push U.S. inflation too low

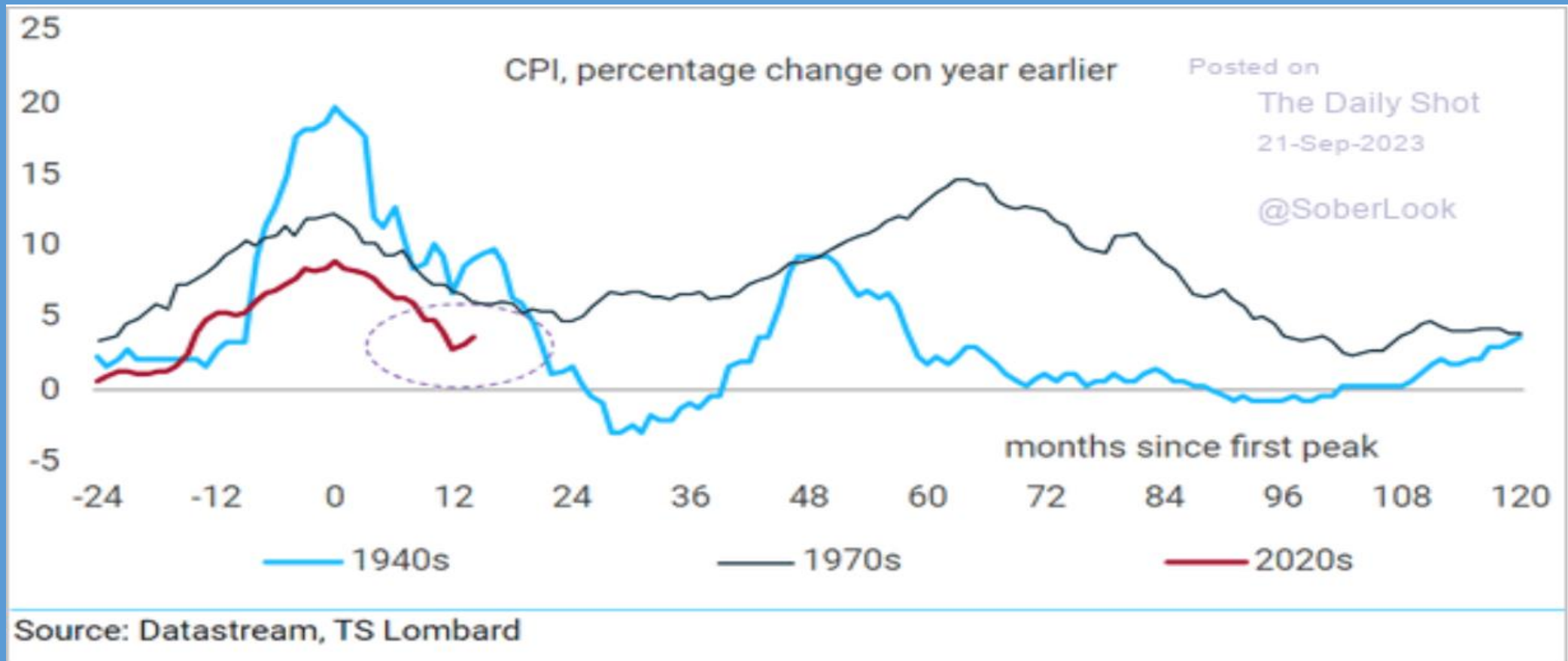
Wage costs spiraling



CPI Month/Month Reaccelerating

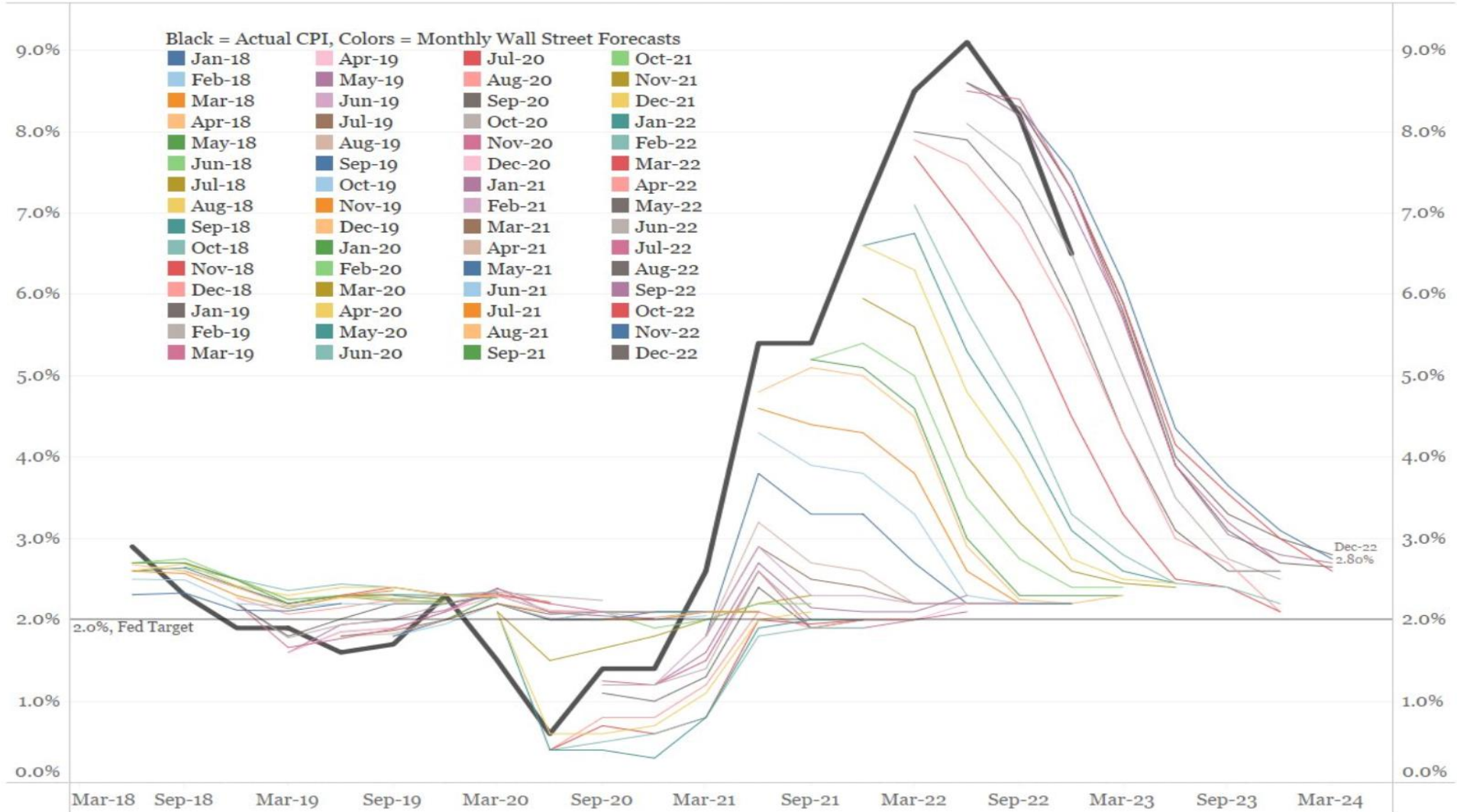


CPI Year/Year vs. 1970s and 1940s



Wall Street US Inflation Forecasts Always Return to ~2%

Monthly from January 2018 to Date



Data Source: Bloomberg, Bureau of Labor Statistics

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<https://www.biancoresearch.com/>

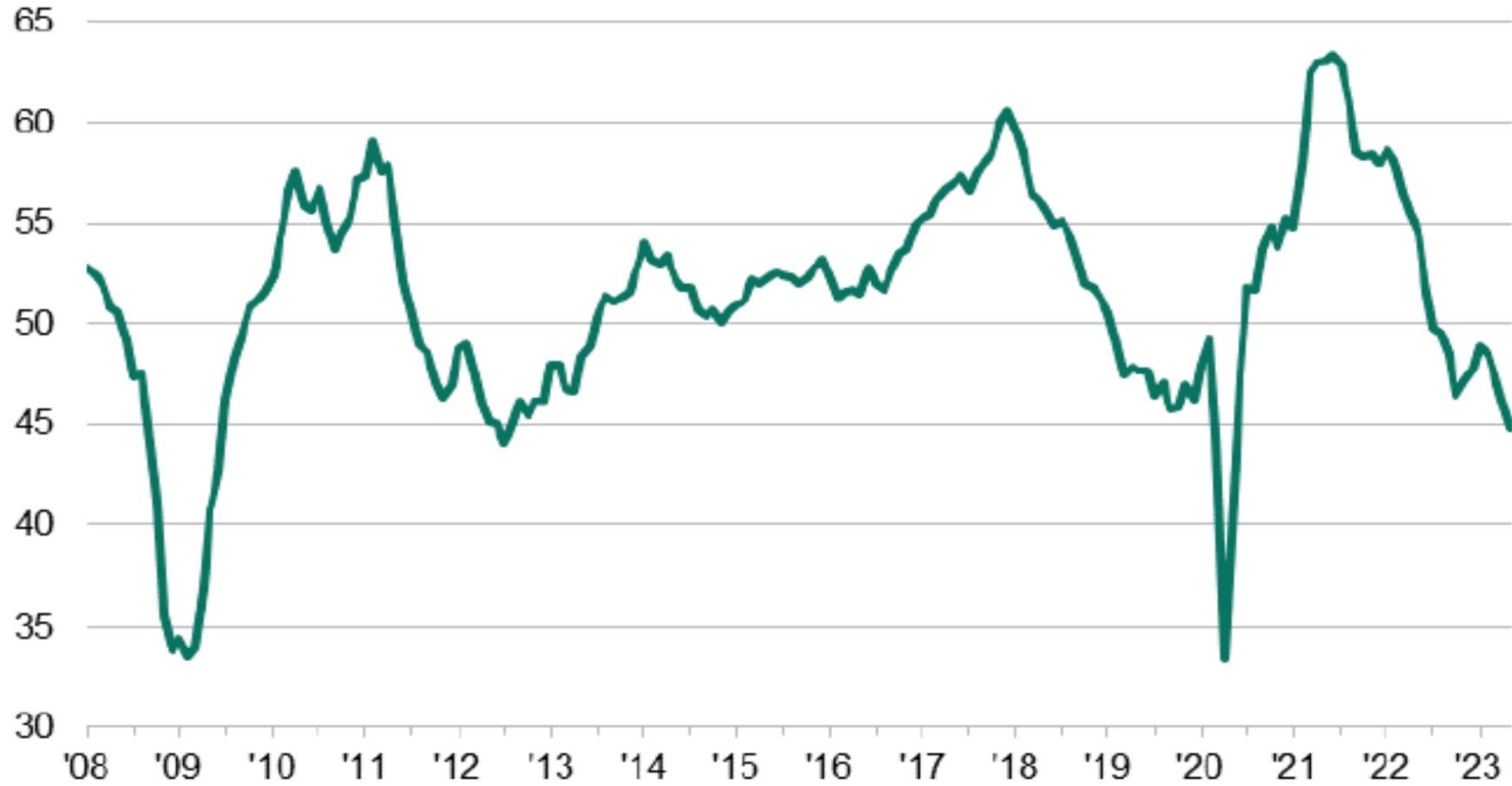
Recession Debate

No Landing?
Soft Landing?
Hard Landing?

Global recession

HCOB Eurozone Manufacturing PMI

sa, >50 = improvement since previous month



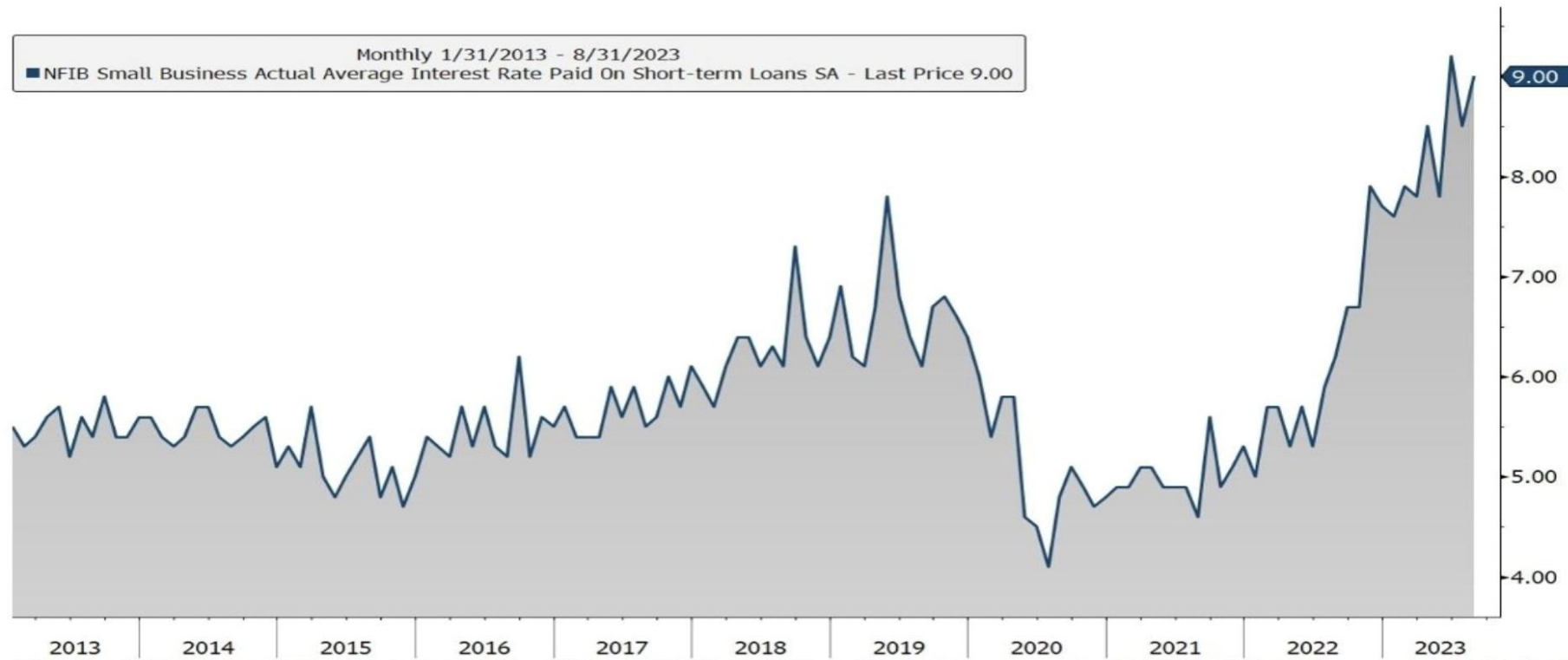
Sources: HCOB. S&P Global.

Credit Squeeze

Small Business Average Interest Paid on Short-Term Loans

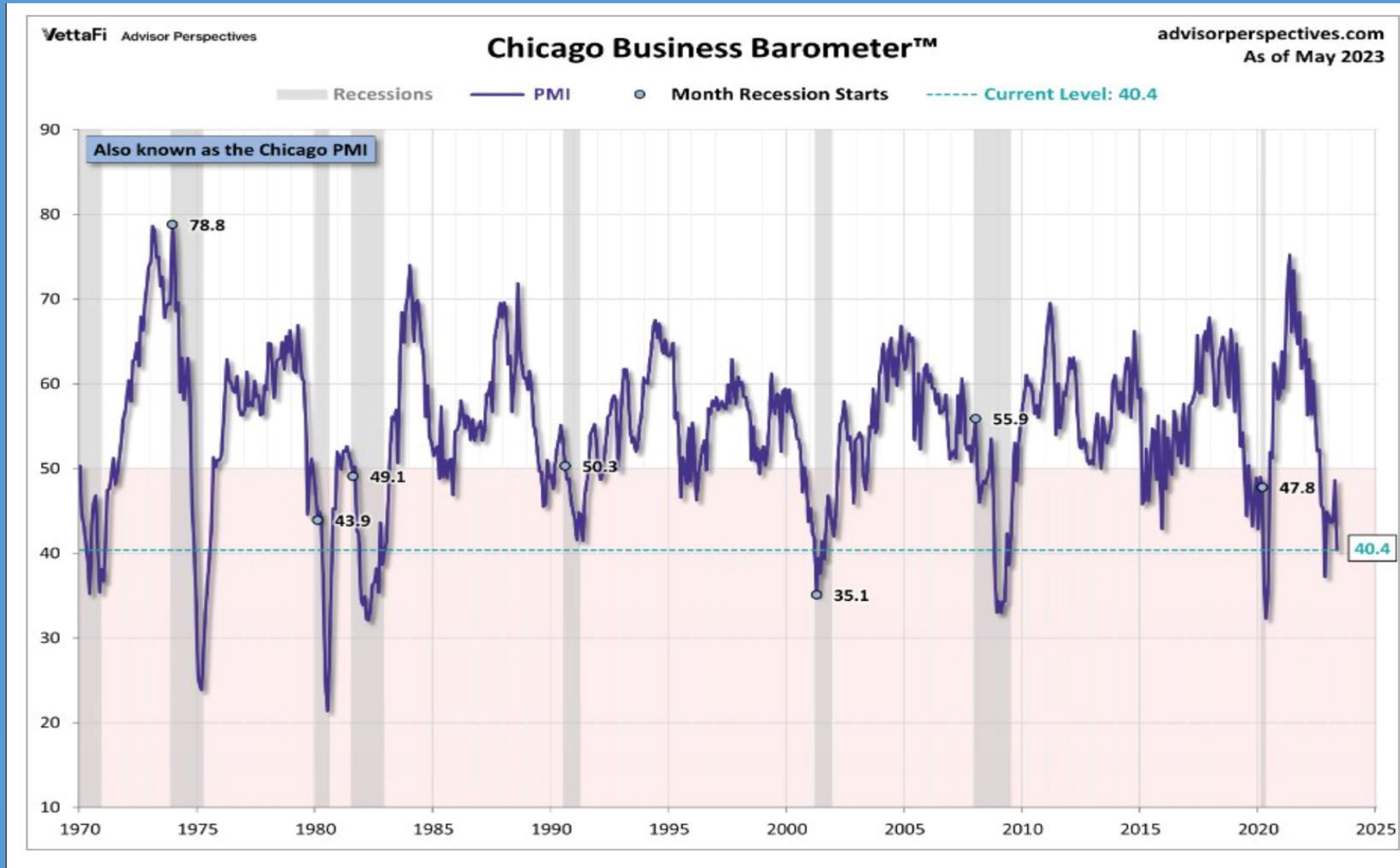


Monthly 1/31/2013 - 8/31/2023
■ NFIB Small Business Actual Average Interest Rate Paid On Short-term Loans SA - Last Price 9.00



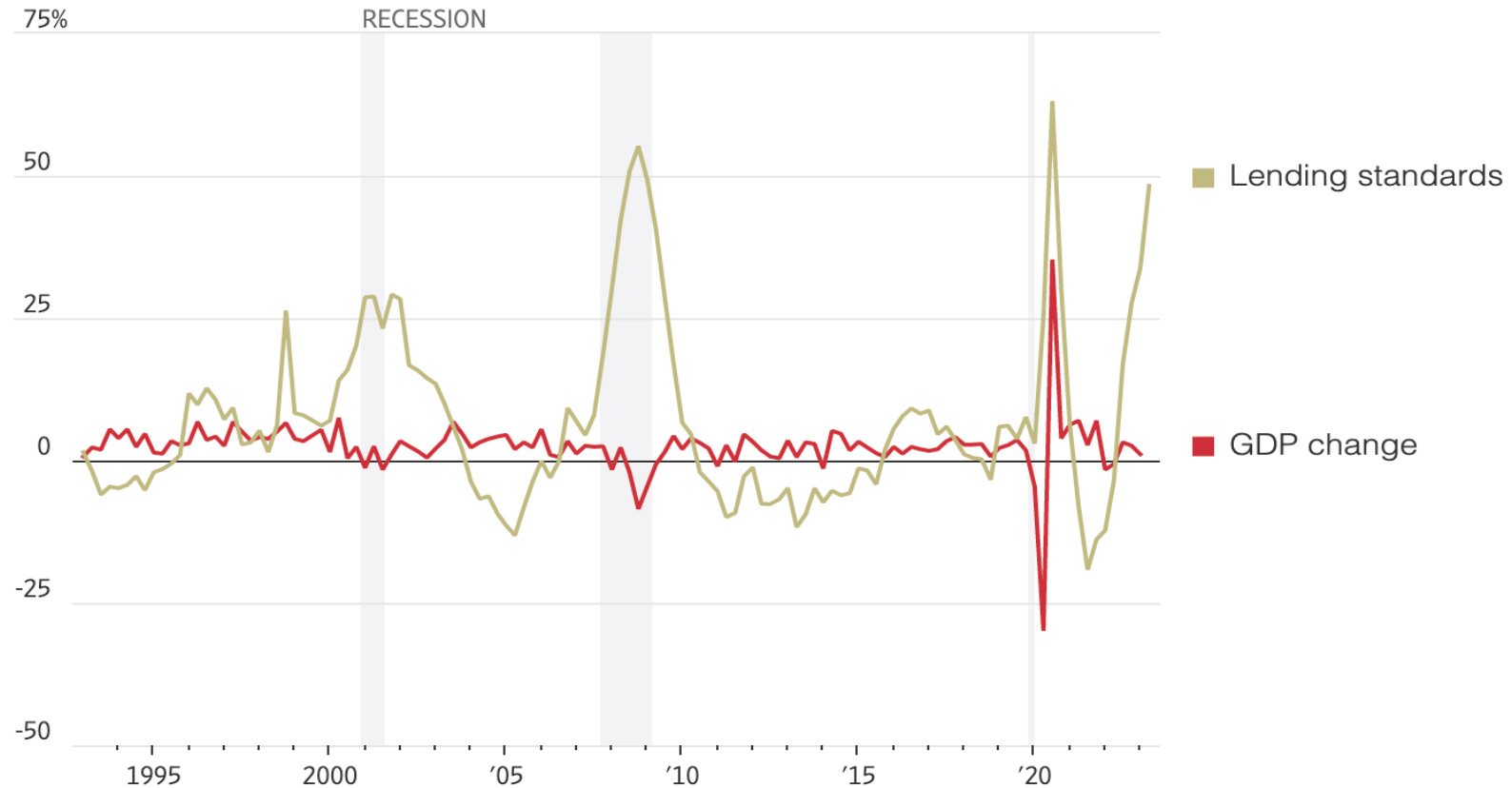
COMPART Index (NFIB Small Business Actual Average Interest Rate Paid On Short-term Loans SA) Small Biz Int Exp - Monthly 31M2013 - 145202023 Copyright 2023 Bloomberg Finance L.P. 12-Sep-2023 10:31:24

Recession



Bank Lending Standards vs. GDP

U.S. bank lending standards versus change in GDP

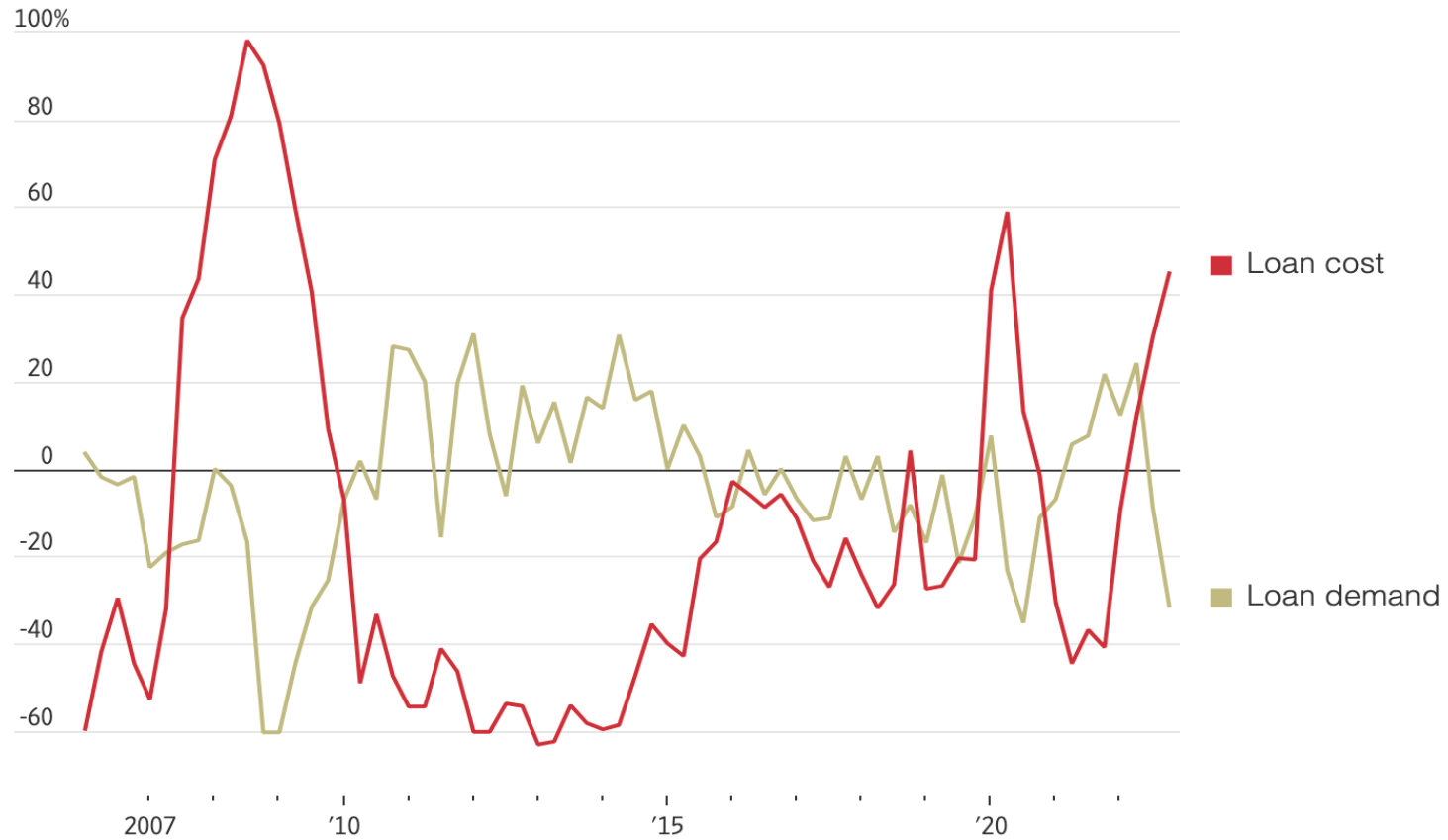


Note: Percentage of bankers tightening lending standards. Averages responses across corporate, consumer and commercial real-estate loans. GDP change is over previous quarter and seasonally adjusted at annual rates.

Source: Federal Reserve

Credit crunch

Corporate loan cost versus demand, percentage change from the previous quarter



Sources: Ares Management, Federal Reserve

Questions?

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