

**Blue Line Futures**

**Macro Corner**

**Monetary Tightness Continues**

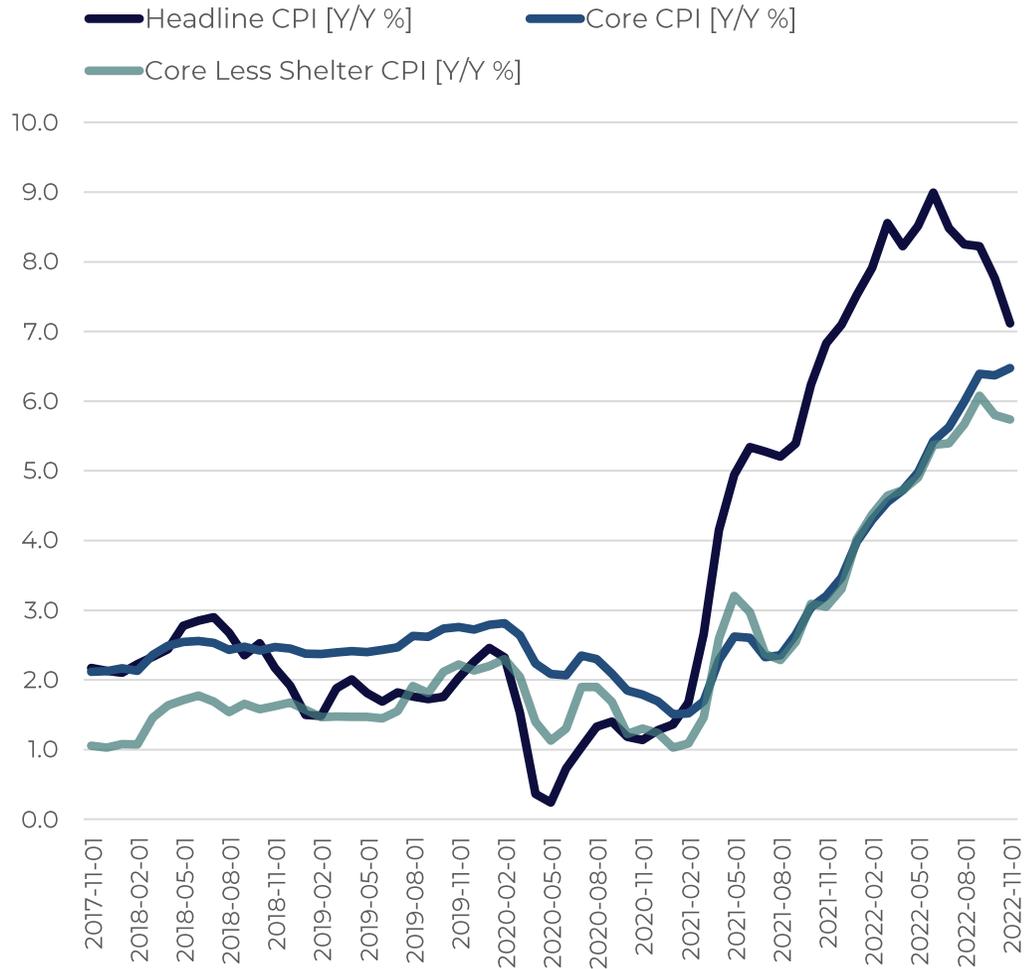
**Episode 28**

---

Paul Wankmueller, CMT & Jannis Meindl

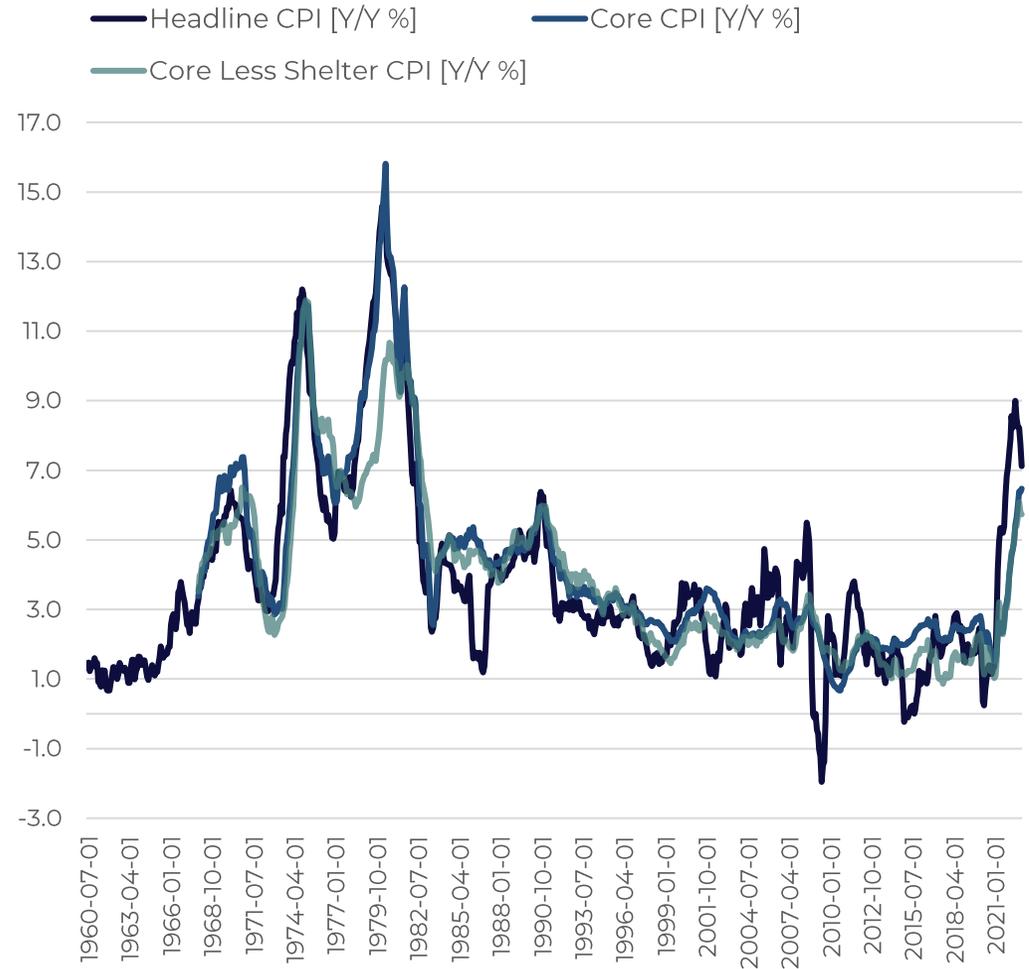
# Headline, Core and Services Less Shelter CPI

The Fed Is Increasingly Pointing Markets To Core Less Shelter As An Indication For Services Inflation.



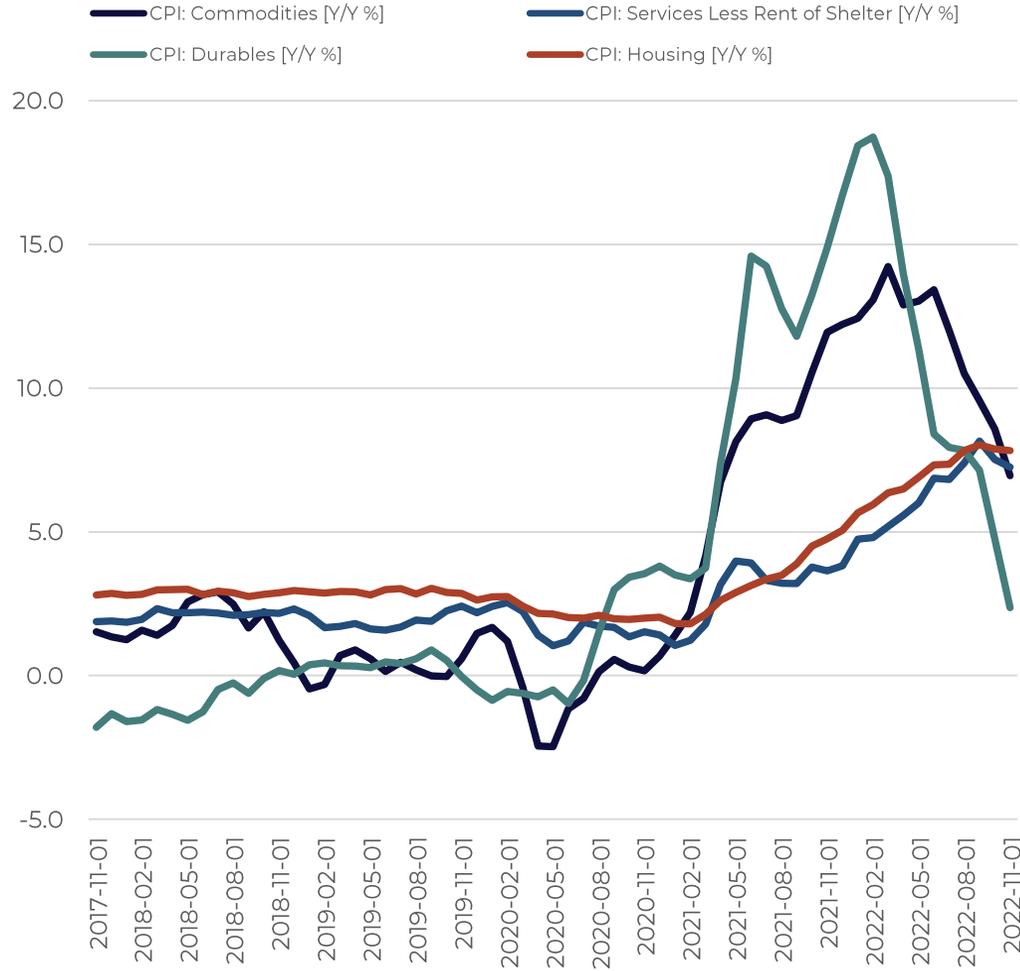
Sources: FRED, Blue Line Futures

Core And Core Less Shelter Inflation Is Less Volatile, Which Means It's Stickier.



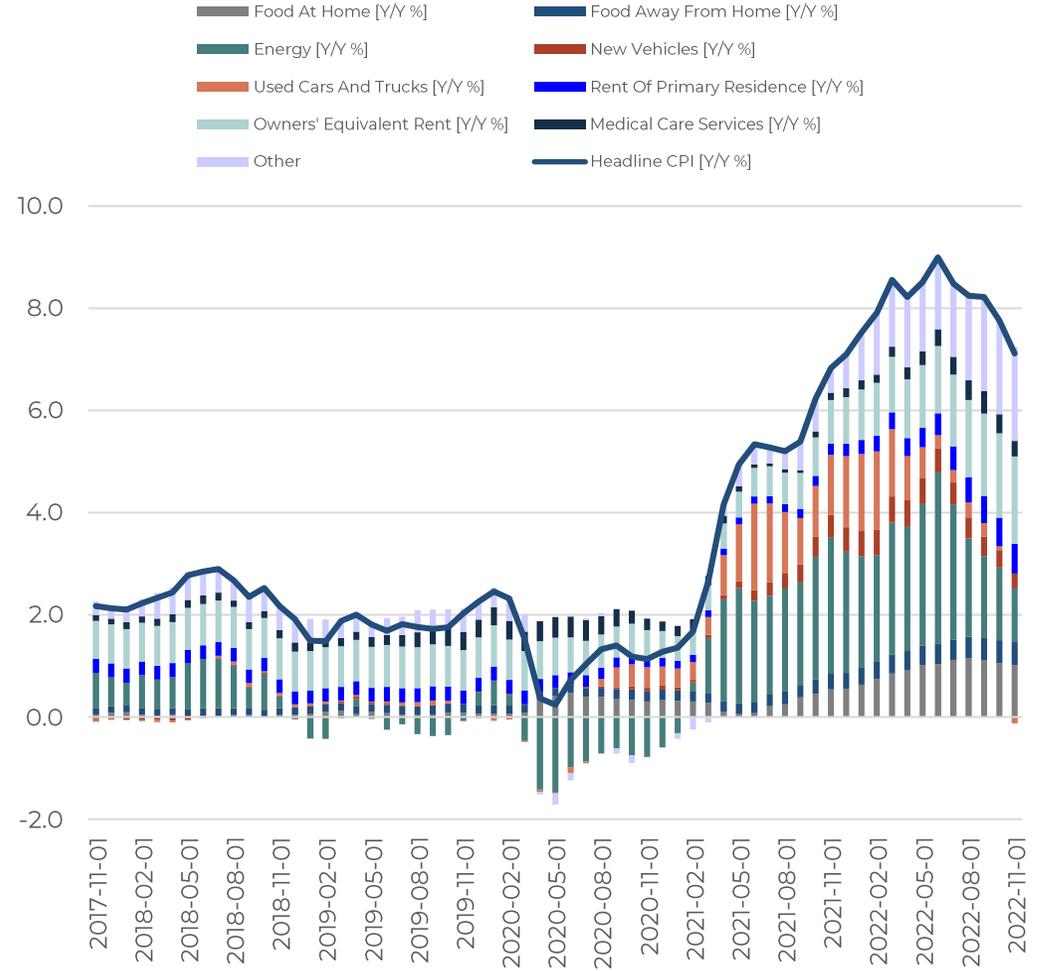
# Fed Wants Services-Driven Wage Inflation To Ease

Jay Powell Put Inflation Into 3 Categories On Wednesday: 1.) Goods 2.) Housing 3.) Cores Less Shelter (Mainly Driven By Wages In Services)



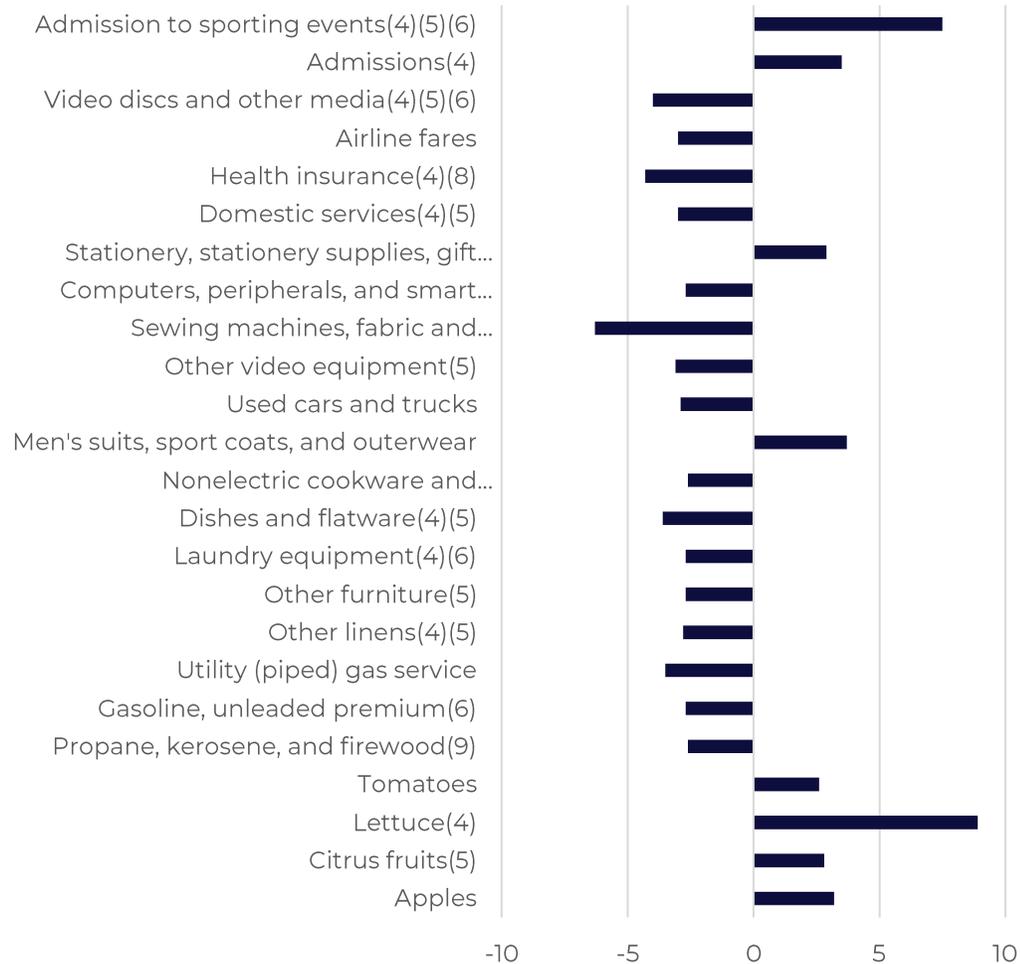
Sources: FRED, BLS, Blue Line Futures

After Food Inflation Shown In The PPI, Food At Home Contributed 1% To The 7.1% Headline CPI Print. Energy Contributed 40bps Less In Nov. Compared to Oct. .

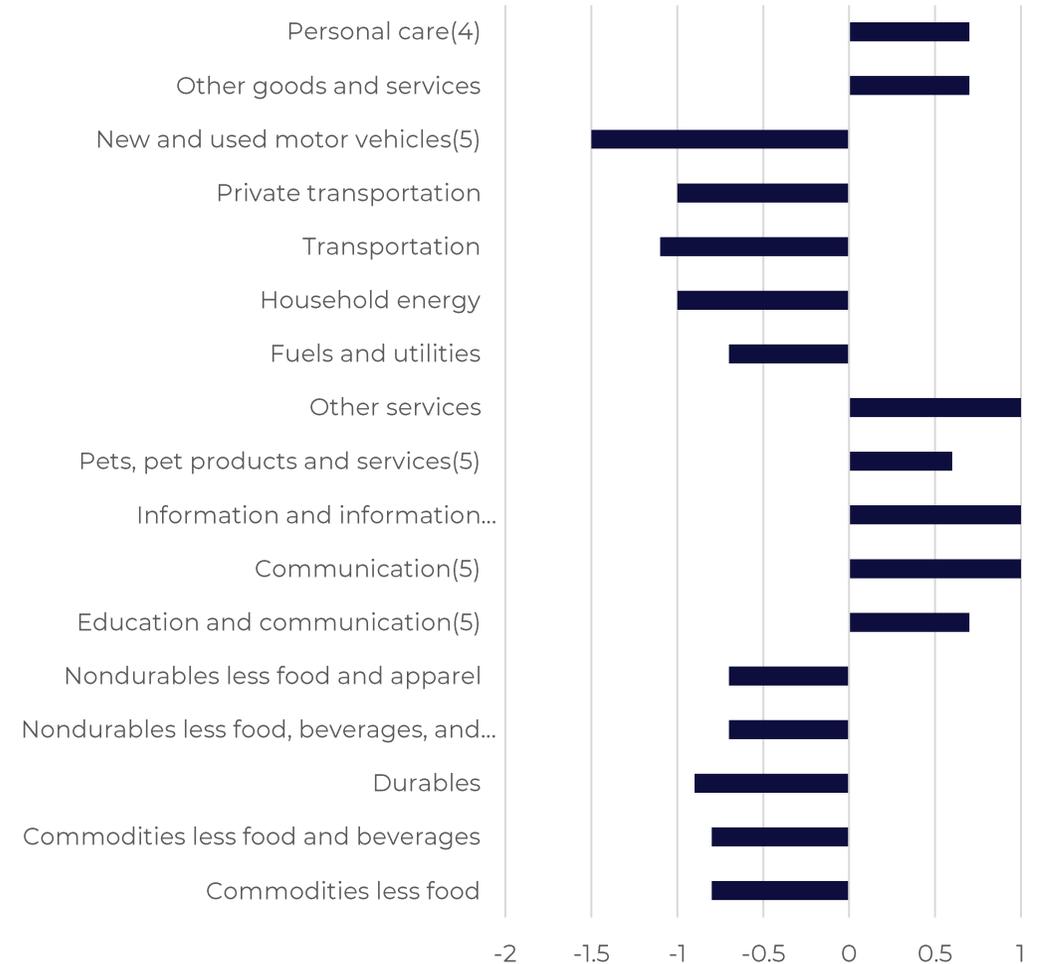


# Outliers & CPI Subindices

**Outliers On A M/M Basis Include Energy On the Deflationary Side While Food And Some Services-Driven Areas Were The Outliers On The Upside.**



**As Jay Powell Made Clear On Wednesday, Core Less Shelter Driven By Services Wages Is Moving Front & Center.**

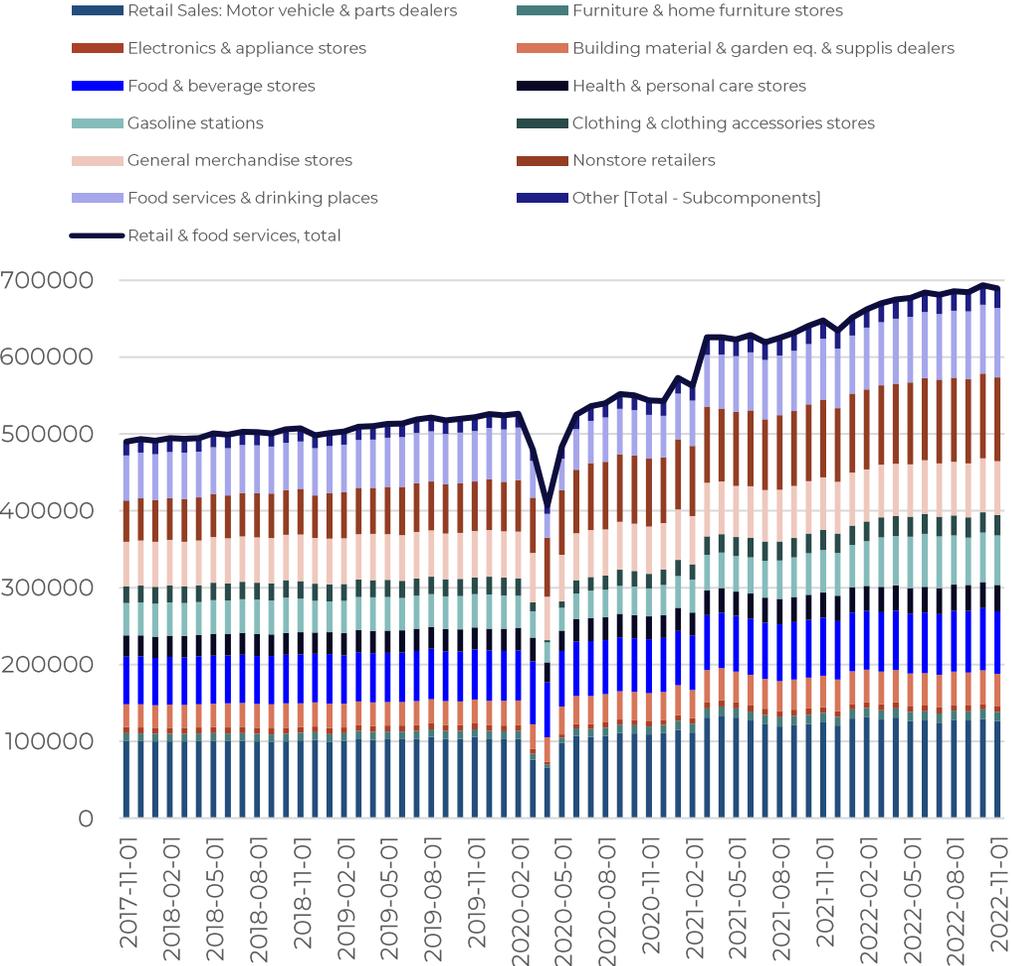


Sources: FRED, BLS, Blue Line Futures

12/17/2022

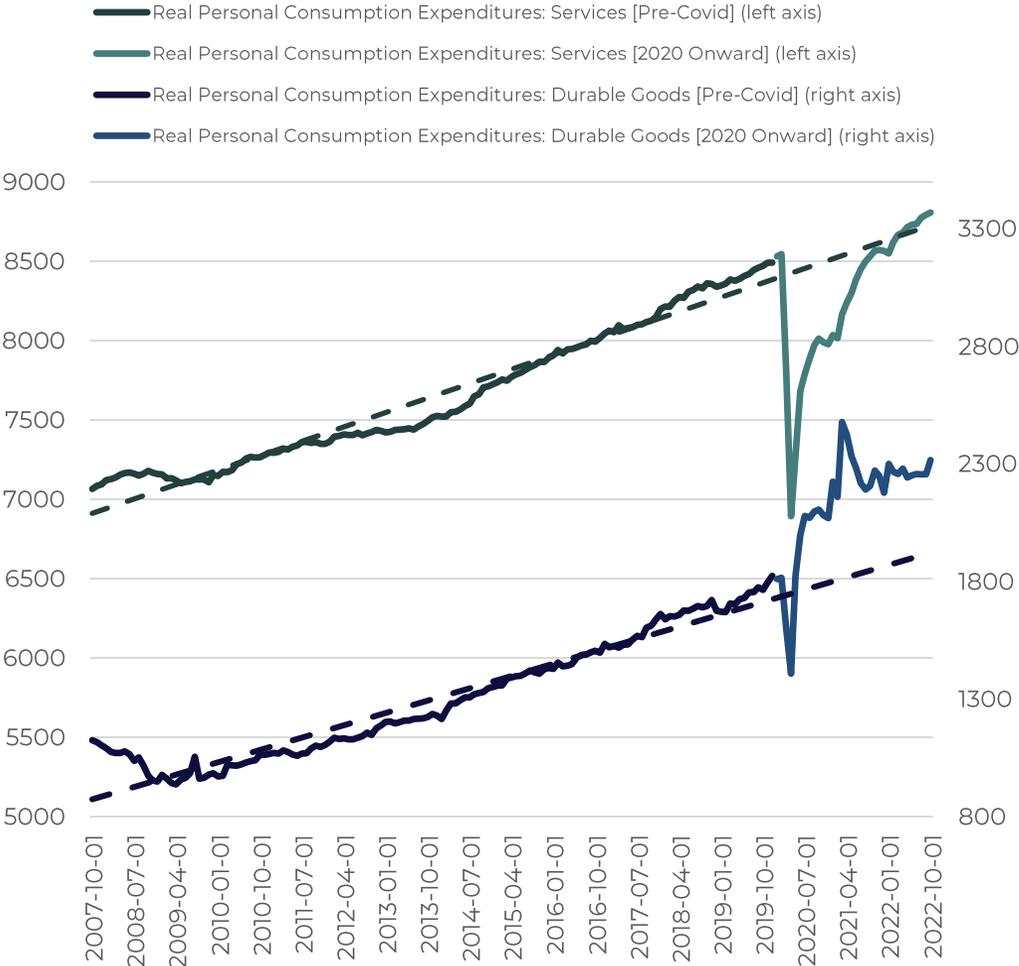
# Retail Sales Slowing

Seasonally Adjusted Retail Sales Were Down From 8.3% Y/Y In Oct. To 6.5% In Nov. . Sequential Y/Y Slowdowns Were Seen Across The Board Except Electronics, Foods & beverages, and general merchandise.



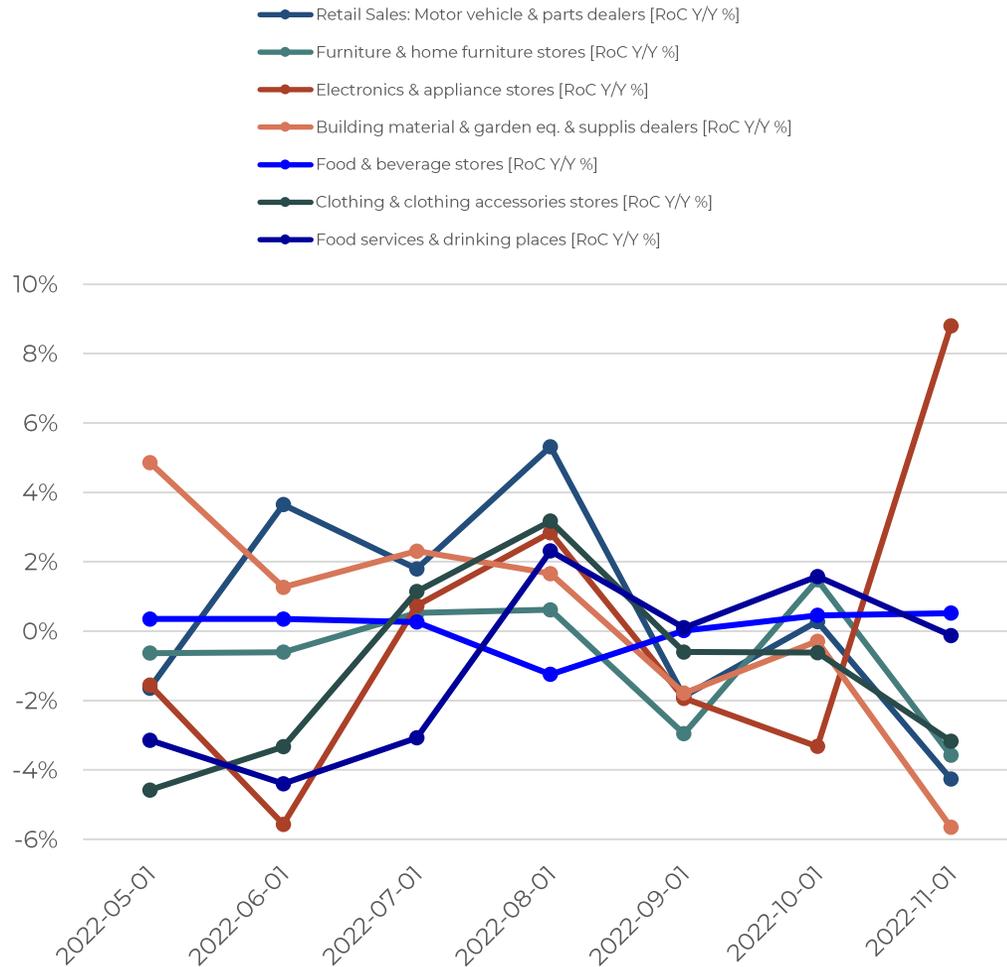
Sources: FRED, U.S. Census Bureau, Blue Line Futures

Real Personal Consumption In Services Is Back To Trend While Goods Continue To Trend Above Pre-Covid Trend. Have We Seen Peak Spending?



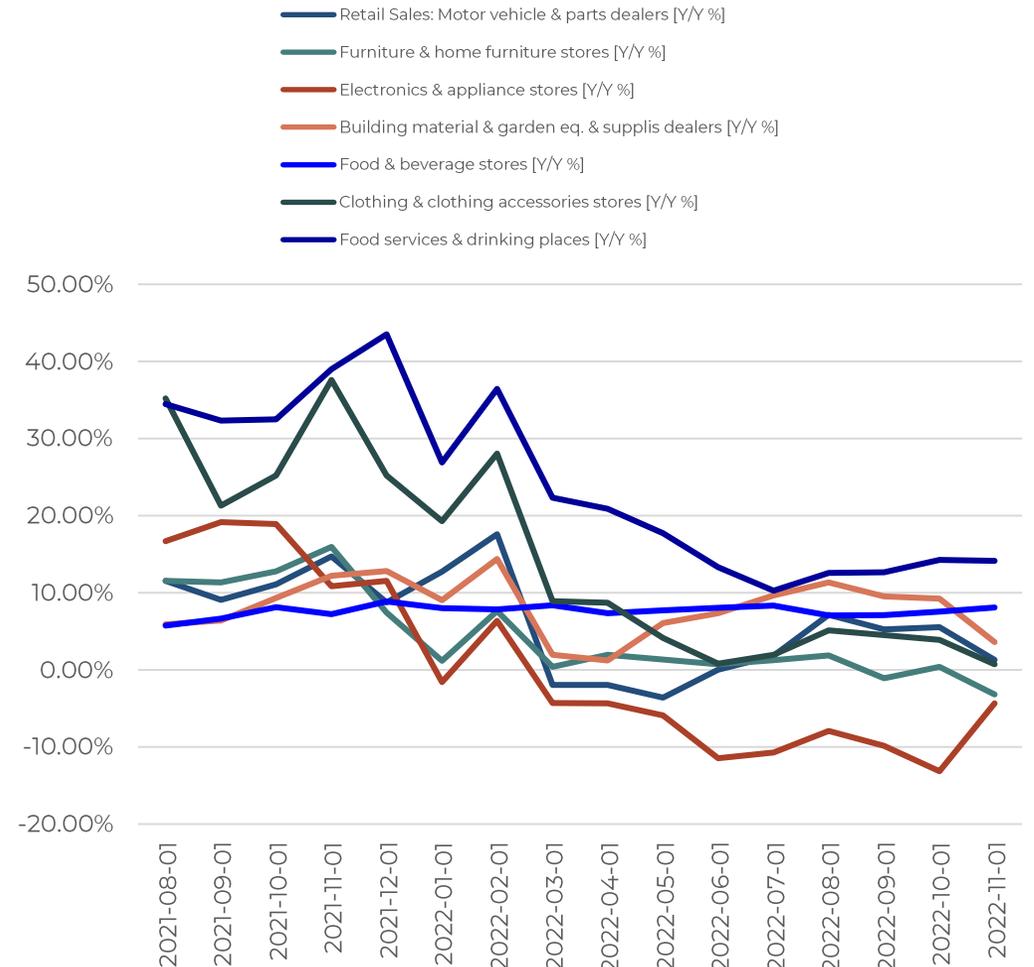
# Retail Sales Y/Y % and Rate Of Change Trends

The Only Areas Acceleration In Retail Sales Was Visible In Food & Beverages As Well As Electronics. Electronics Were Still Trending at -4.37% Y/Y.



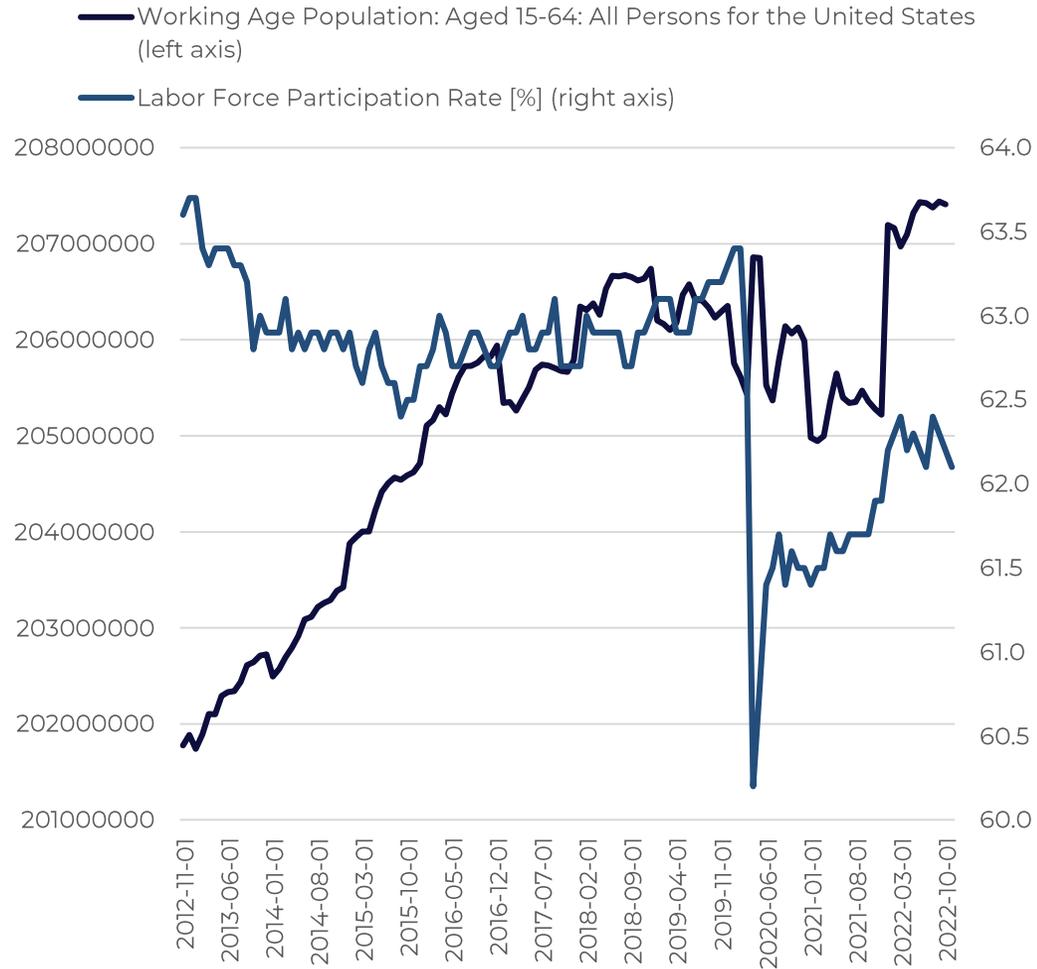
Sources: FRED, U.S. Census Bureau, Blue Line Futures

After Very Strong Acceleration Trends In Food Services & Drinking Places, Consumers Might Have Spent Pent-Up Savings To A Degree.



# Wages In The Spotlight As Participation Remains Lackluster

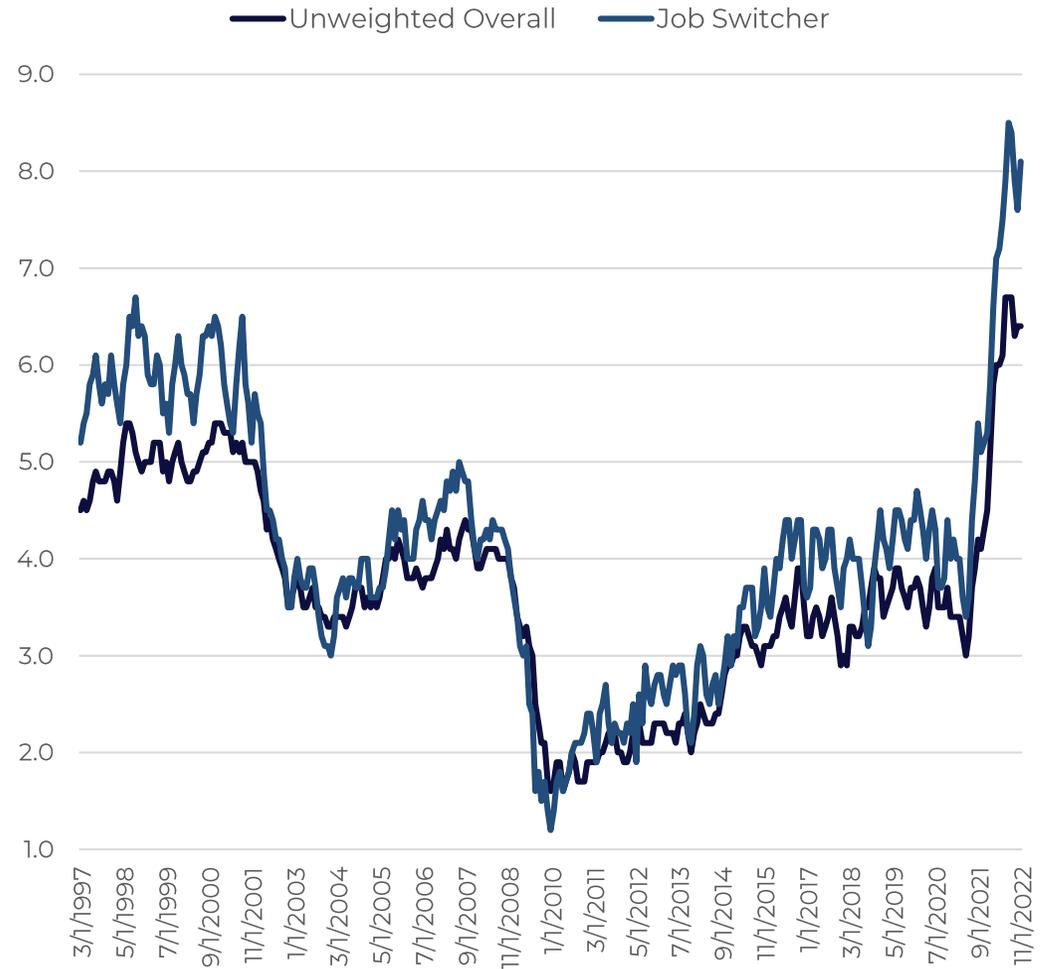
Despite A Relatively Solid Working Age Population Trend, Labor Force Participation Is Extremely Disappointing.



Sources: FRED, Atlanta Fed, Blue Line Futures

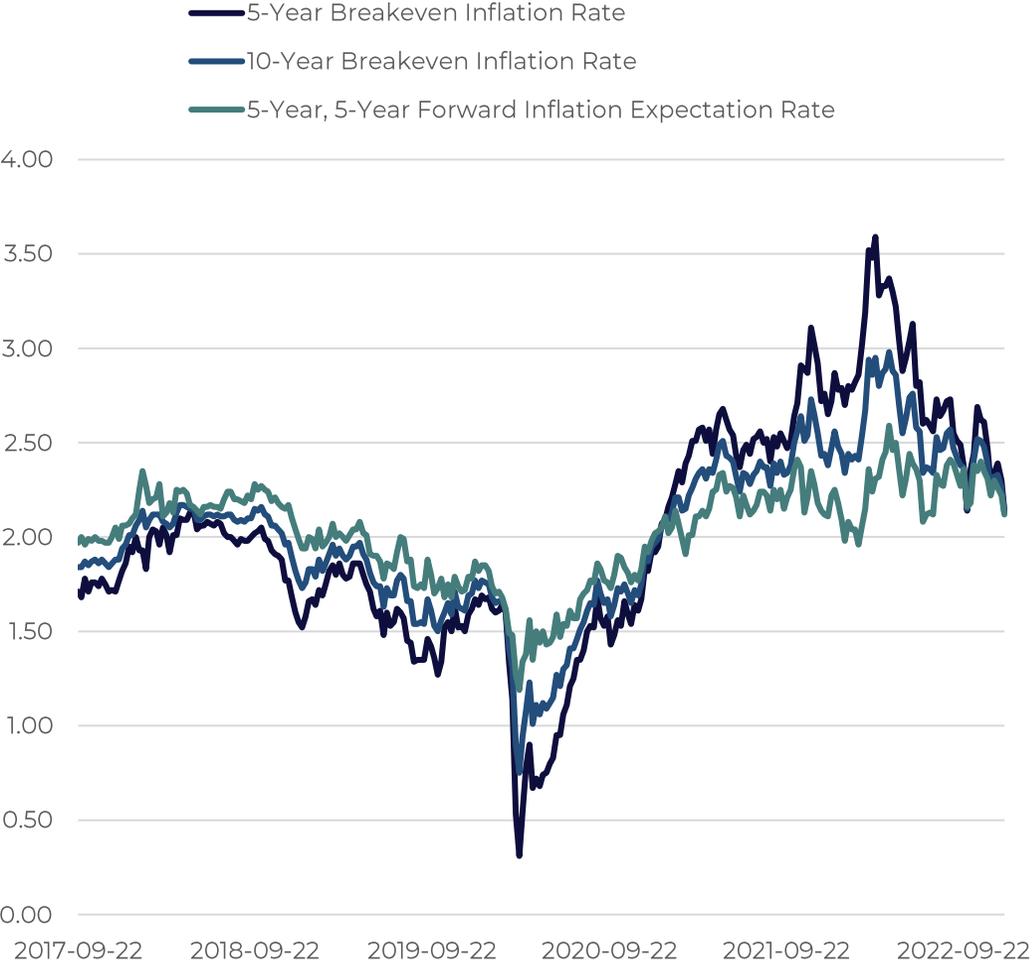
12/17/2022

As Areas Of The Economy Face Labor Shortages, Job Switchers Can Ask For Higher Pay. Chances Are That Wages Start To Outpace Headline Inflation, Compressing Corporate Margins.



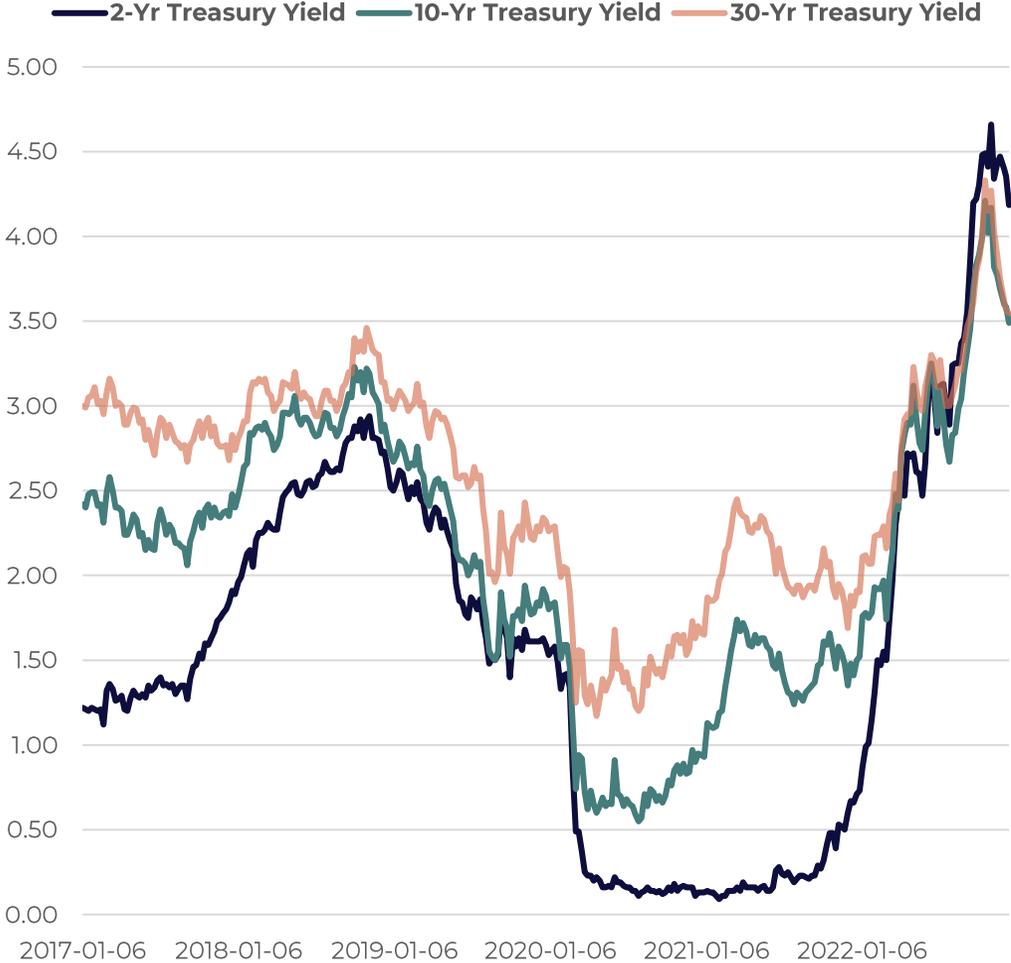
# Inflation Expectations Near Pre-Covid With Yields Lower

Breakeven Inflation Rates Continue To Bet On Low Secular Inflation, Looking Through Cyclical Inflation Dynamics.



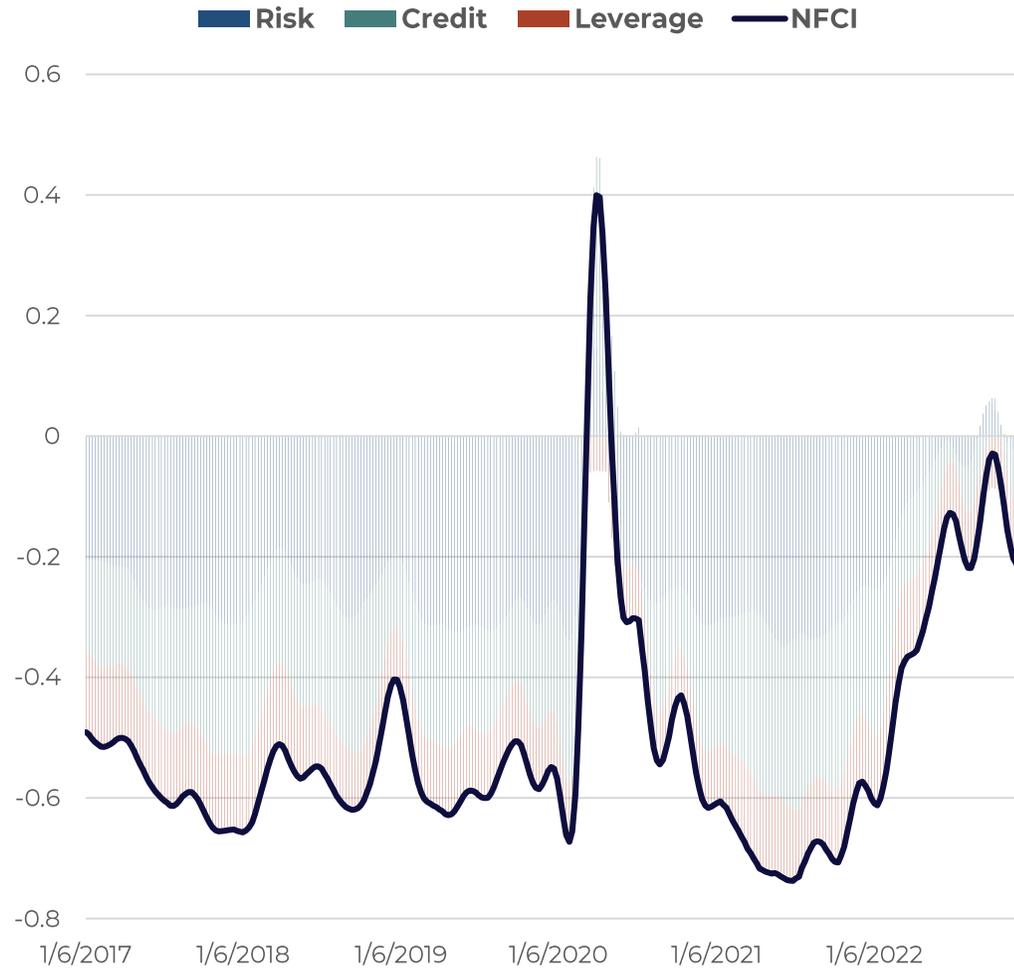
Sources: FRED, Blue Line Futures

Treasury Yields Have Rolled Over Across The Board. As Treasury Issuance Starts To Pick Up, Has The Good News Been Priced In, Or Is More Deflation Going To Pressure Yields.



# Financial Conditions Have Eased

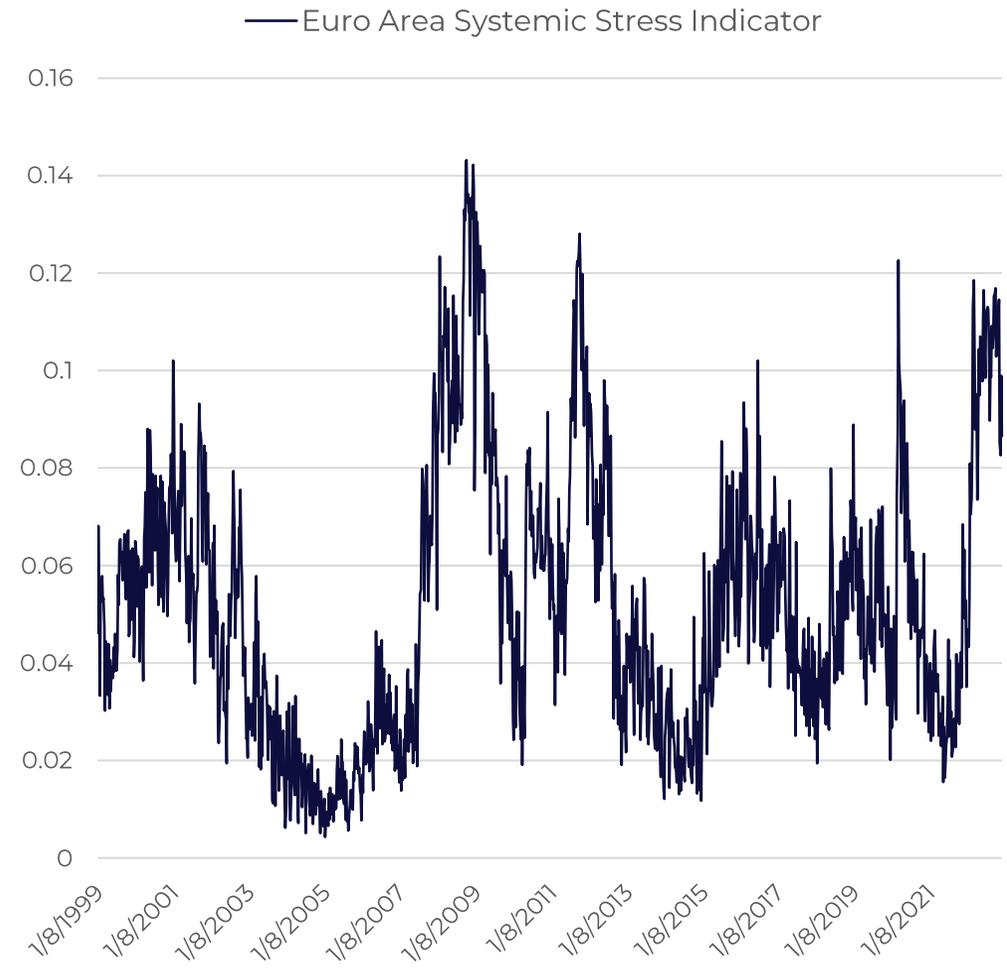
Jay Powell Spoke Extensively About Financial Conditions As The Channel Through Which Monetary Policy Affects The Economy. More Easing Is Undesirable To Destroy Demand.



Sources: Chicago Fed, ECB, Blue Line Futures

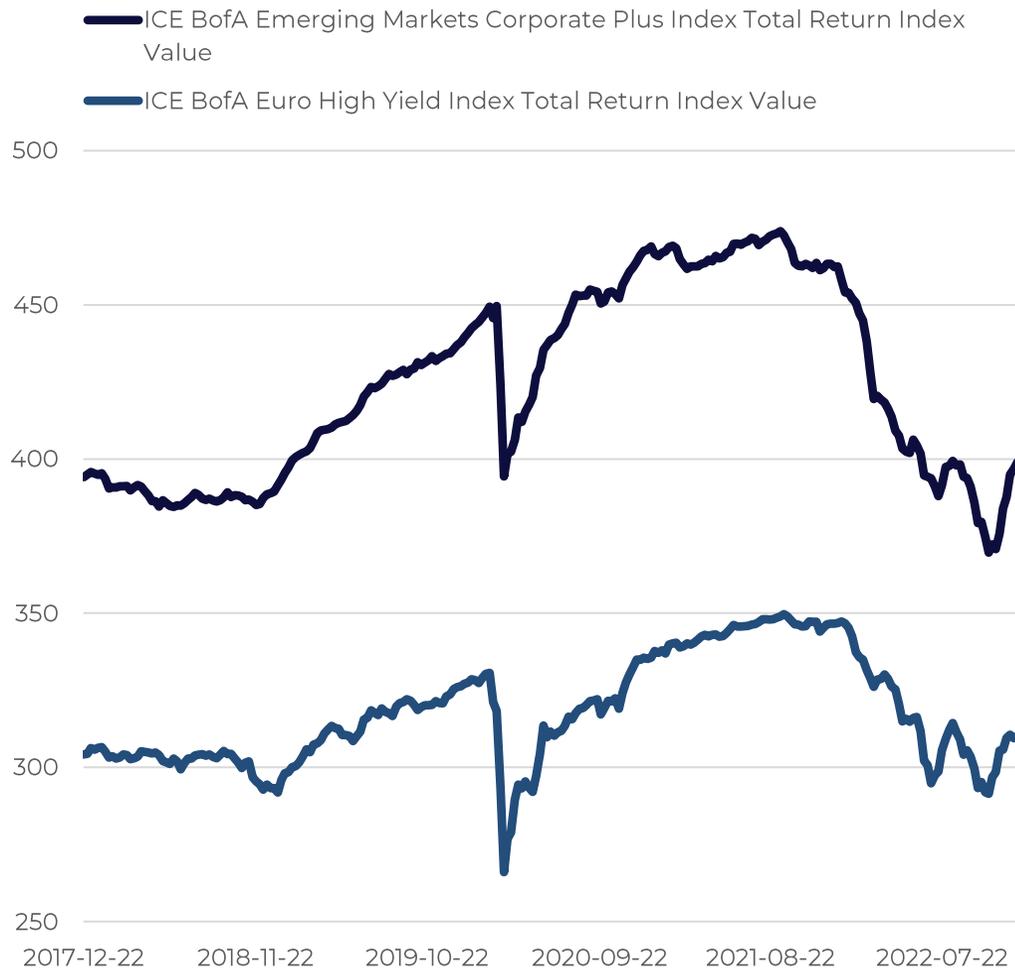
12/17/2022

In A Sigh Of Relief, Systemic Stress In Europe Has Eased To An Extent. Nevertheless, Risks Remain High As Industrial Gas Demand Was 23% Below Average In November.



# Euro Countries & EM Found A Bid As Dollar Weakened

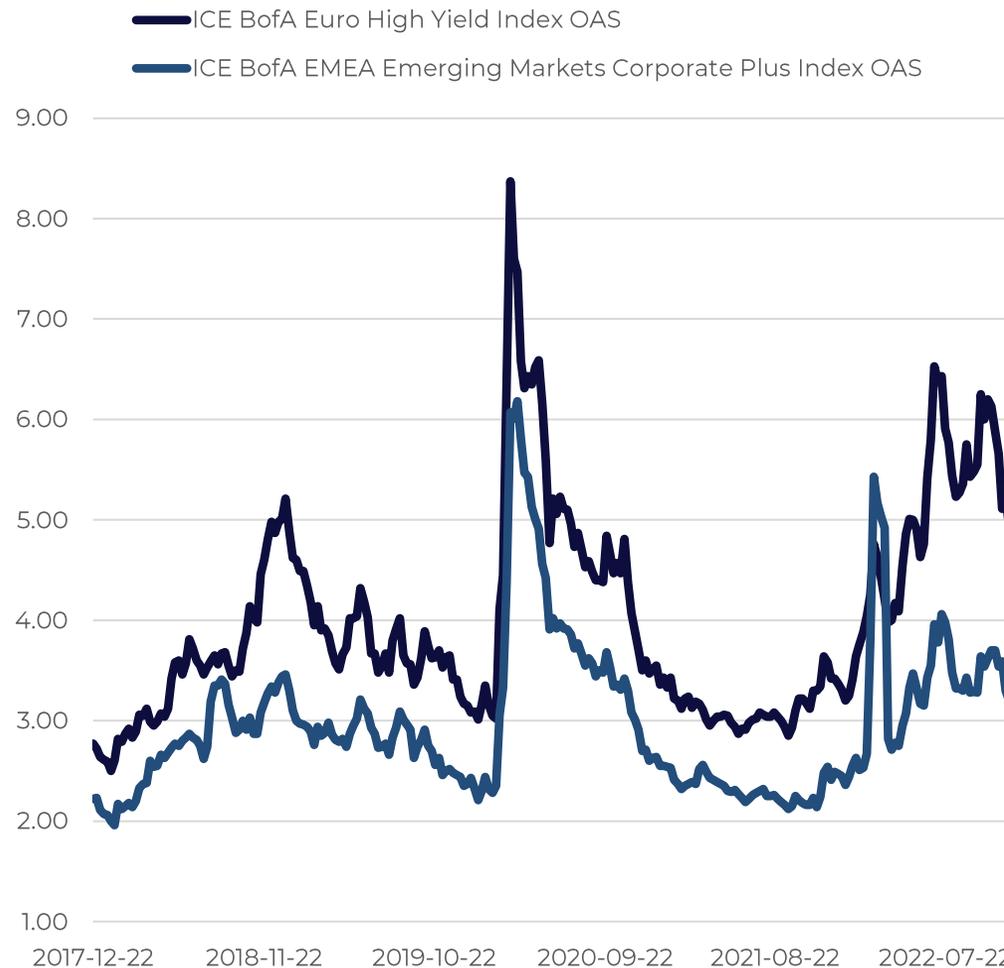
As The Dollar Has Weakened And Europe's Gas Situation May Be Less Bad Than Feared, Money Managers Have Become More Upbeat On Overseas Markets.



Sources: FRED, Blue Line Futures

12/17/2022

Is An Easing In Credit Spreads Justified Within The Context Of Structural Energy Challenges, Global Central Bank Tightening, And Potential For Secular Inflation?



# Disclosure

All opinions expressed by the program participants are their own and do not reflect those of Blue Line futures LLC or their affiliates. The content is for informational purposes only and should not be taken as trading advice. Futures trading involves a substantial risk of loss and may not be suitable for all investors. Therefore, carefully consider whether such trading is suitable for your financial condition.