

Today, from the rocky shores of Maine, to the soft sand of Malibu, people with marginal skills in the kitchen will pull a pasty white domesticated game bird, covered in some form of semi- gelatinous poultry slime, out of a hard as hell to open plastic wrap and attempt to legitimately find a way to cook it at a range of 200 to 400 degree temperature for the better part of 4 and 8 hours, hoping to God it comes out in a way that a gathering of 6 to 12 relatively upright and functional people find edible and appealing. What whimsy, but may yours look this good.

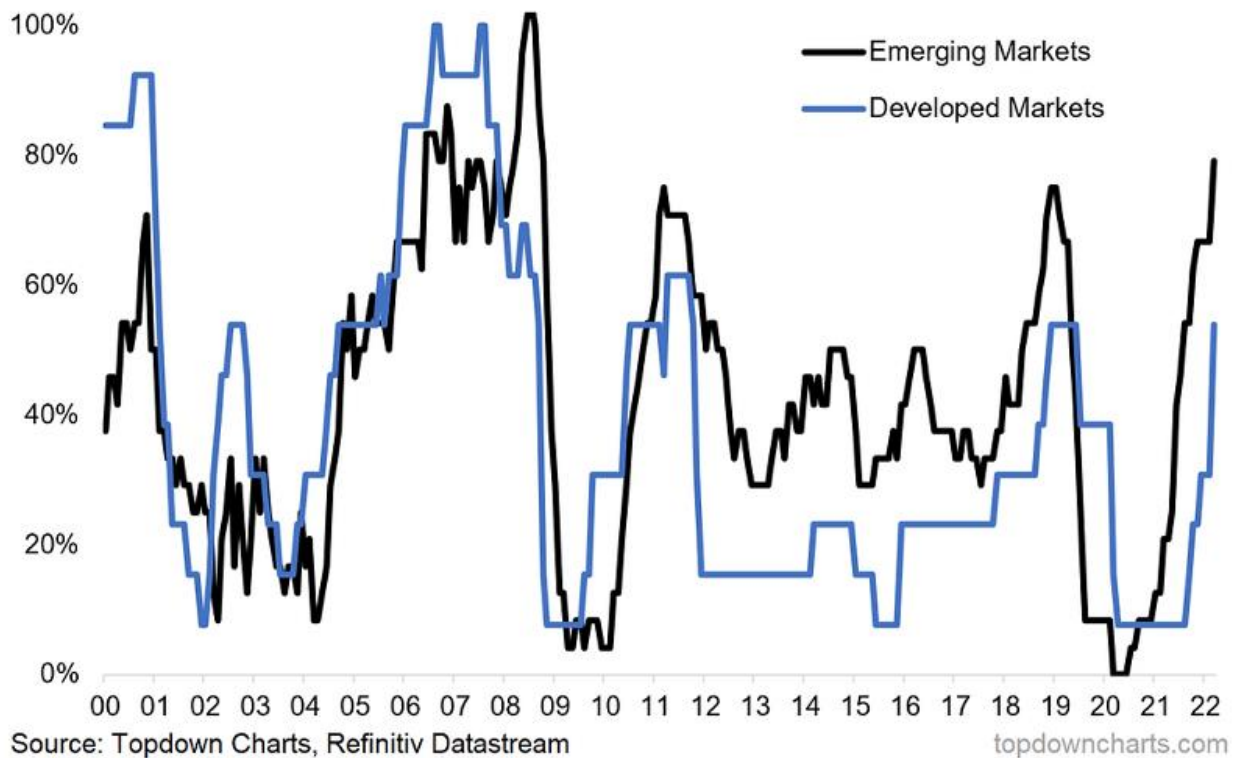


What place does this well told tale of Thanksgiving mirth and merriment have to do with markets, the economy, planning one's financial future, and getting ahead in the game of life on this space rock we reside on, hanging in infinite nothingness? I'll tell you, just promise me on your third or fourth adult beverage today you will announce to the gathered group 'I'm thankful that our space rock, is the most wonderful space rock of all the space rocks in the universe. At least of the ones I know, but there might be others". After that, your contribution will be over, and you can then properly prep yourself for the Niners v. Seahawks game.



Back to our story, in which the global economy is always in some form of turkey newness, oldness, dryness, and juiciness. Central bankers of the world are the chef d' cuisine. And the family that is gathered around the table are the eight billion citizens of the world. Rich, poor, happy, sad, healthy and the infirm. We are all at this table, forced to dine on the monetary policy of a group of individuals who have a relatively poor record for being on time, and often staying too late. If this were an actual roller coaster, not policy setting, people would be up-chucking on it all the time.

Global Monetary Policy Map: Tightening (Percentage of Central Banks whose last rate move was a hike)



These are our 'chefs' here in the United States, and I'm begging on bended knee that I can somehow get the bid for one of the two vacant seats. I see a gaping hole here in the Montana, Wyoming, and Idaho region, and I'd be honored to represent the two toothed, Coors drinking, truck driving, deer shooting, rednecks I call acquaintances from time to time. And if chosen, I promise relative sobriety for at least half the meetings. And when I wasn't I would still probably be the smartest guy in the room.

The Federal Reserve

Board of Governors



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Chair



Richard Clarida
Vice Chair



Randal Quarles
Vice Chair



Lael Brainard
Governor



Michelle Bowman
Governor



Vacant



Vacant

Reserve Bank Presidents



Charles Evans
Chicago



Eric Rosengren
Boston



Esther George
Kansas City



James Bullard
St. Louis



John Williams
New York



Loretta Mester
Cleveland



Mary Daly
San Francisco



Neil Kashkari
Minneapolis



Patrick Harker
Philadelphia



Robert Kaplan
Dallas



Raphael Bostic
Atlanta



Tom Barkin
Richmond

With that, here is my modest counsel to a world of monetary Julia Children who have for the better part of the past quarter century, if not longer, have stood by the great oven range of monetary policy in the global banking kitchen and have done everything from burning the bird to 'dental records' status,

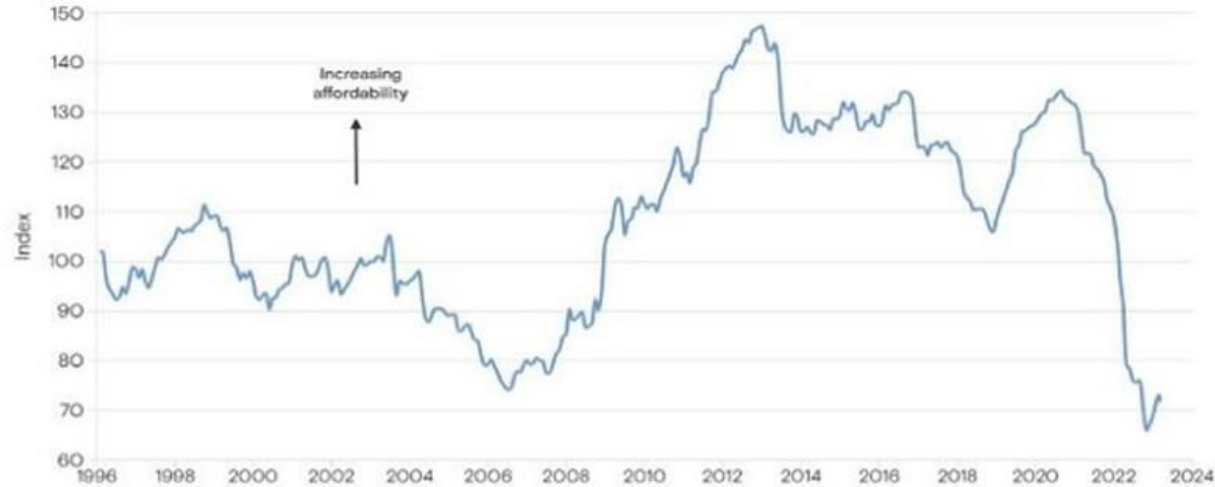


...which is what you do when you turn up the heat too high, printing dollar bills and keep a Zero Interest Policy (ZIRP) in place for far too long.

Congrats, clowns, you just nuked the residential real estate market for a generation. And did so under the misguided notion that ZIRP was needed to survive Covid. That wasn't the case and now we are living with your policy errors for a good long time.

US housing affordability at lowest levels in history

Goldman Sachs Housing Affordability Index



GS Housing Affordability Index

Source: Goldman Sachs Research (data as of March 8, 2023)

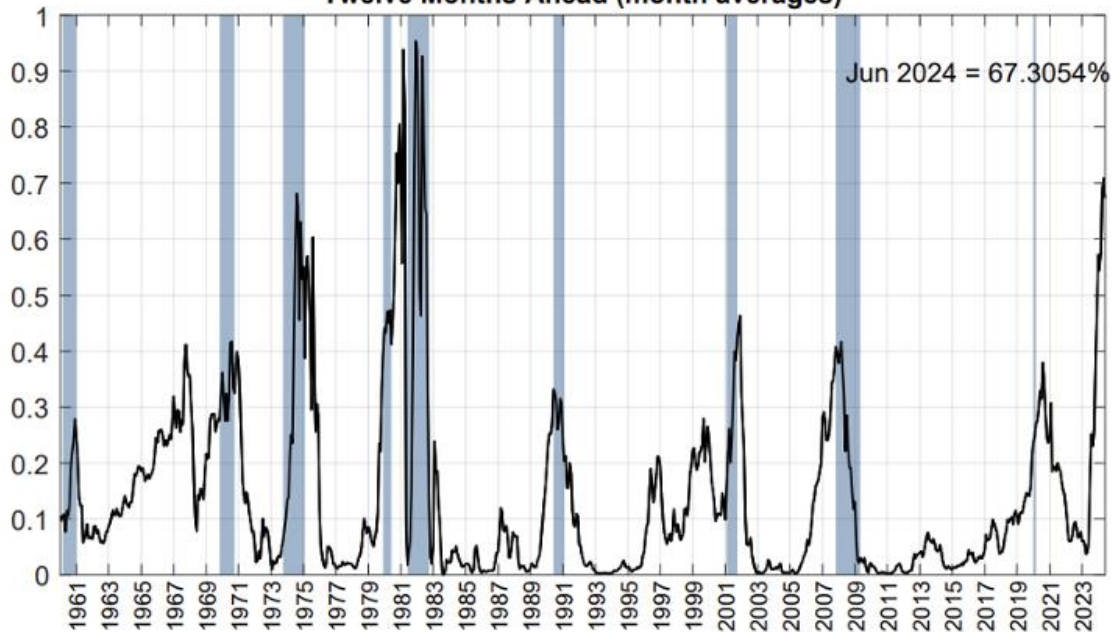


The alternative is that you leave the bird in the oven with not enough gas (liquidity) and it winds up coming out cold and slappy, and your pop-up turkey timer never pops.



It's true, and while this graph is a little bit on the noisy side, the spikes represent times when the oven gets turned off. After that, as you can see, the economy almost always turns out 'turkey tartar'. Salmonella City, here we come!

Probability of US Recession Predicted by Treasury Spread* Twelve Months Ahead (month averages)



*Parameters estimated using data from January 1959 to December 2009, recession probabilities predicted using data through Jun 2023. The parameter estimates are $\alpha=-0.5333$, $\beta=-0.6330$.

Updated 07-Jul-2023

Source: Goldman Sachs

So, my request of the Federal Reserve, and all global central bankers, is to stop messing with the temperature dial. Seriously, just set the damn thing at 400 and walk away for a while. It would do a world of good if that's what you did next year. Come back once in June to check on things. But otherwise, leave it alone. Jerry, if you agree I will call Ken Kesey back from the dead and have him drive you around in 'Further' for the duration. Jerome Powell is a self-professed Dead Head. That's the tie in.



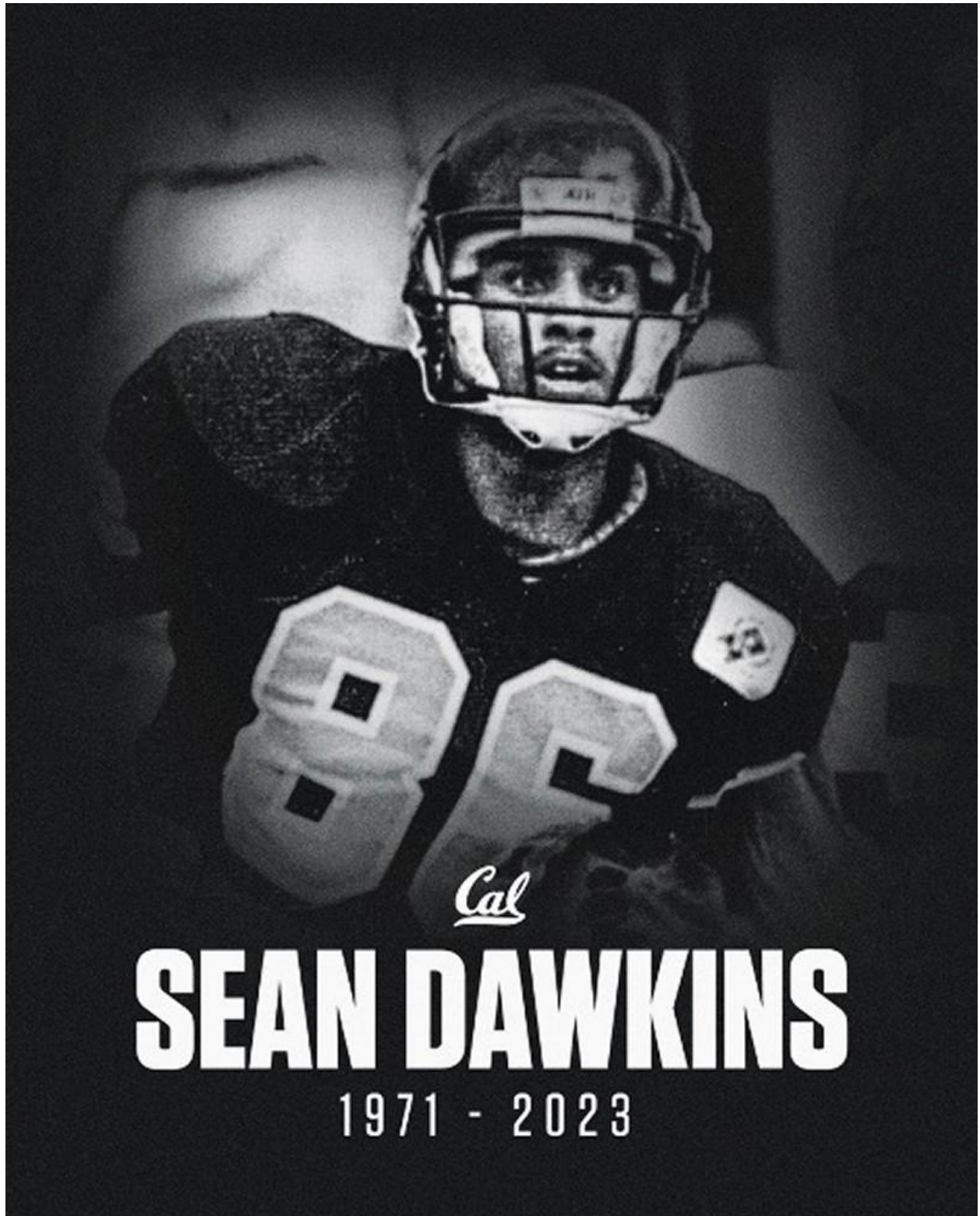
I'm headed out the door to let my kids beat me at whatever sport they chose, which isn't very hard, and I leave you with this. Before I started writing this piece, I thought to myself what kind of sappy list of shallow thanks do I need to put together to tie this one up and put a bow on it. A bunch of things came to mind, all of which were pedestrian at best. "Let us all be thankful for being here, differences and all." Yak!



And since pedestrian is not part of my brand, I came up with one this year that I think hits the spot, and maybe becomes the same one I use every year from here on out. This year, I'm thankful for the gift of mortality. 'WTF did he just say?', you might be asking. I said just that, I'm thankful that at some point in the next forty or so years I too will be taking the big nap you don't wake up from, and that changes everything.



If my high school friend Sean hadn't passed away earlier this year, and I didn't take my mild Irish Coffee buzz for a walk through the leafy streets of Claremont and Berkeley, en route to Memorial Stadium one last time, I probably wouldn't have found such clarity for what I should be thankful for. I was there that Saturday to say goodbye and wound-up saying hello to some form of purity of thought. Purity and clarity emerging from a time of not having much of either is worth thanking.



So, this year, and probably for the rest of my days, I'm thankful for the gift of mortality. A gift so strong, it can make everything else fall in line, if you let it. Let

go of 'try' as Bukowski said on his gravestone. You are who you are at this moment. Stop framing your life as trying to change or achieve something. You either get better, or you don't. You either stop hitting the sauce too hard, or you don't. You either stop being an incorrigible prick, or you don't. But there is no try in this lifetime. You are who you are, always.



Powerful stuff if you let it be. But it beats the shit out of a pedestrian 'I'm thankful for bleeped de' bleep, or blah d'le blah'. So, here you go friends, what I'm grateful for, in this lifetime, and maybe the next.

I'm thankful for being upright and relatively functional at this point, as much as that might seem otherwise from time to time. A respectable dad, decent husband until I wasn't, and an okay provider if you average out the years.

I'm thankful for the good people in my life and forgive those who stand on the other side of that trade. I'm thankful that I found some sort of clarity before the record ends. I'm thankful that I realize you can't bulldoze your way through other people's lives and expect good things to happen. Less bulldoze, more cowbell.

I'm thankful for those who find good in people and accept that we are all just flawed mammals. I'm thankful for a lot of things. But I'm also thankful that there are a lifetime's worth of mountain river living trout out there who don't know my name, but really want to meet me. As simple as that might sound. Tight lines....

