



Farm Credit
Services
of America

Guessing, Speculating and Assuming

Matt Clark, Senior Rural Economic Analyst
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**“We don’t
guess, we
don’t
speculate,
and we don’t
assume.”**

~ Jay Powell, Chairman of the Federal Reserve
Board of Governors, November 7th, 2024

Disclaimer

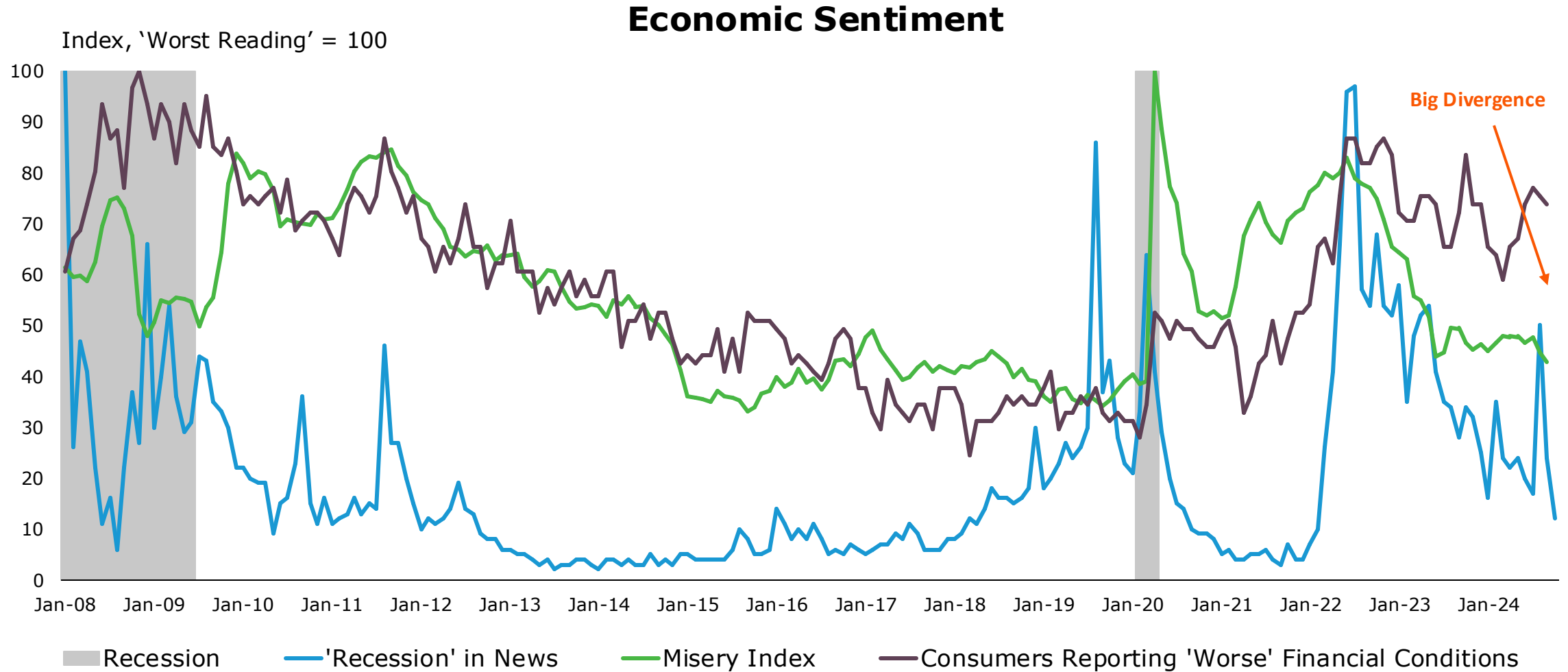
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Federal Reserve Report Card

<u>Grade</u>	<u>Metric</u>	<u>Dec 23 Est.</u>	<u>Current</u>
C	Real GDP	1.4%	2.8%
A	Unemployment	4.1%	4.1%
A	Core PCE Inflation	2.4%	2.7%
A	Fed Funds Rate	4.6%	4.6%

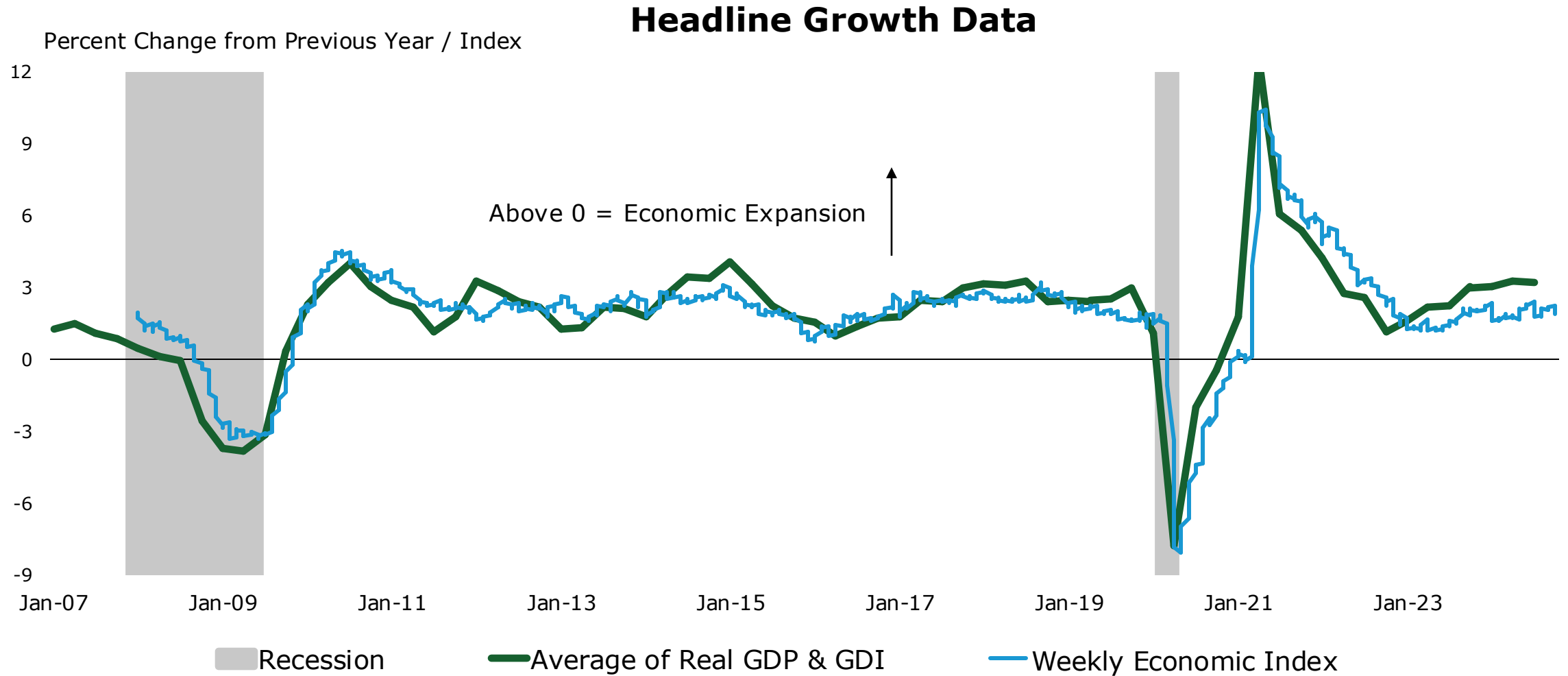
■ ■ ■ The Economic Vibes Are Mixed



Source: Google Trends, University of Michigan Consumer Surveys, Federal Reserve Bank of St. Louis, Terrain.

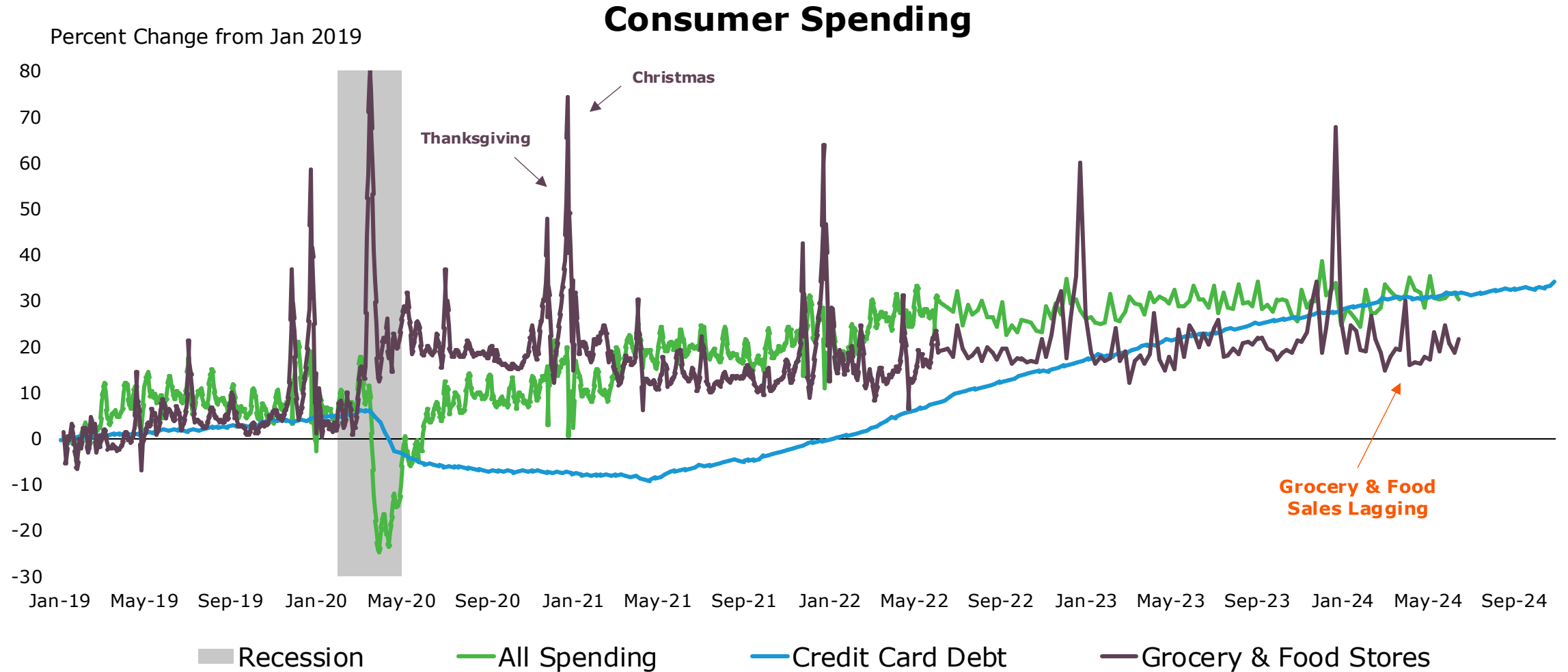


The headline Economic Data Is 'OK'



Note: Weekly Economic Index is shown on a three-week moving average.
Source: Federal Reserve Bank of St. Louis, Terrain.

■ ■ ■ The Micro Data Points to Strong Spending

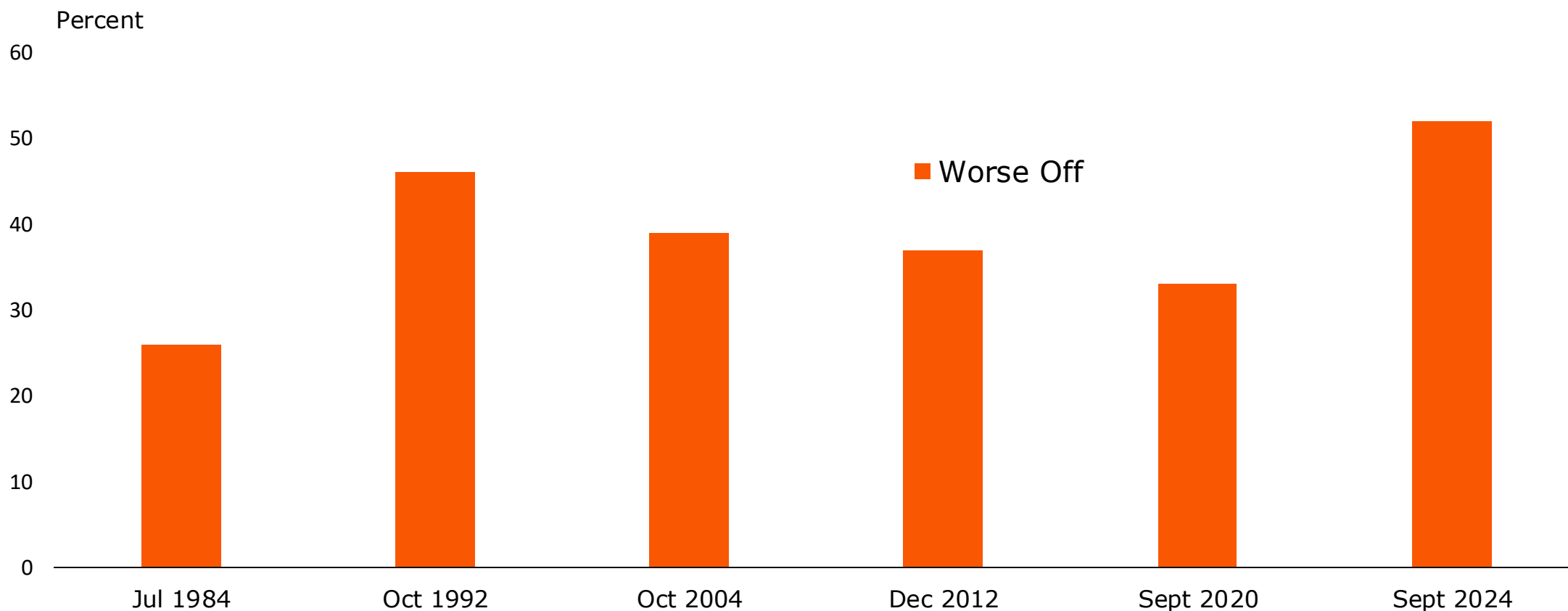


Sources: Affinity, "The Economic Impacts of COVID-19: Evidence from a New Public Database Built Using Private Sector Data", by Raj Chetty, John Friedman, Nathaniel Hendren, Michael Stepner, and the Opportunity Insights Team. November 2020. Available at: https://opportunityinsights.org/wp-content/uploads/2020/05/tracker_paper.pdf, Federal Reserve Bank of St. Louis, Terrain.



BUT the Survey Says... Consumer Not Happy!

“Would you say you and your family are better off now than you were four years ago, or are you worse off now?”



Source: Gallup Polling, Terrain.

What's Going On Here? Bifurcation?

Index of Current
Financial Situation vs
a Year Ago

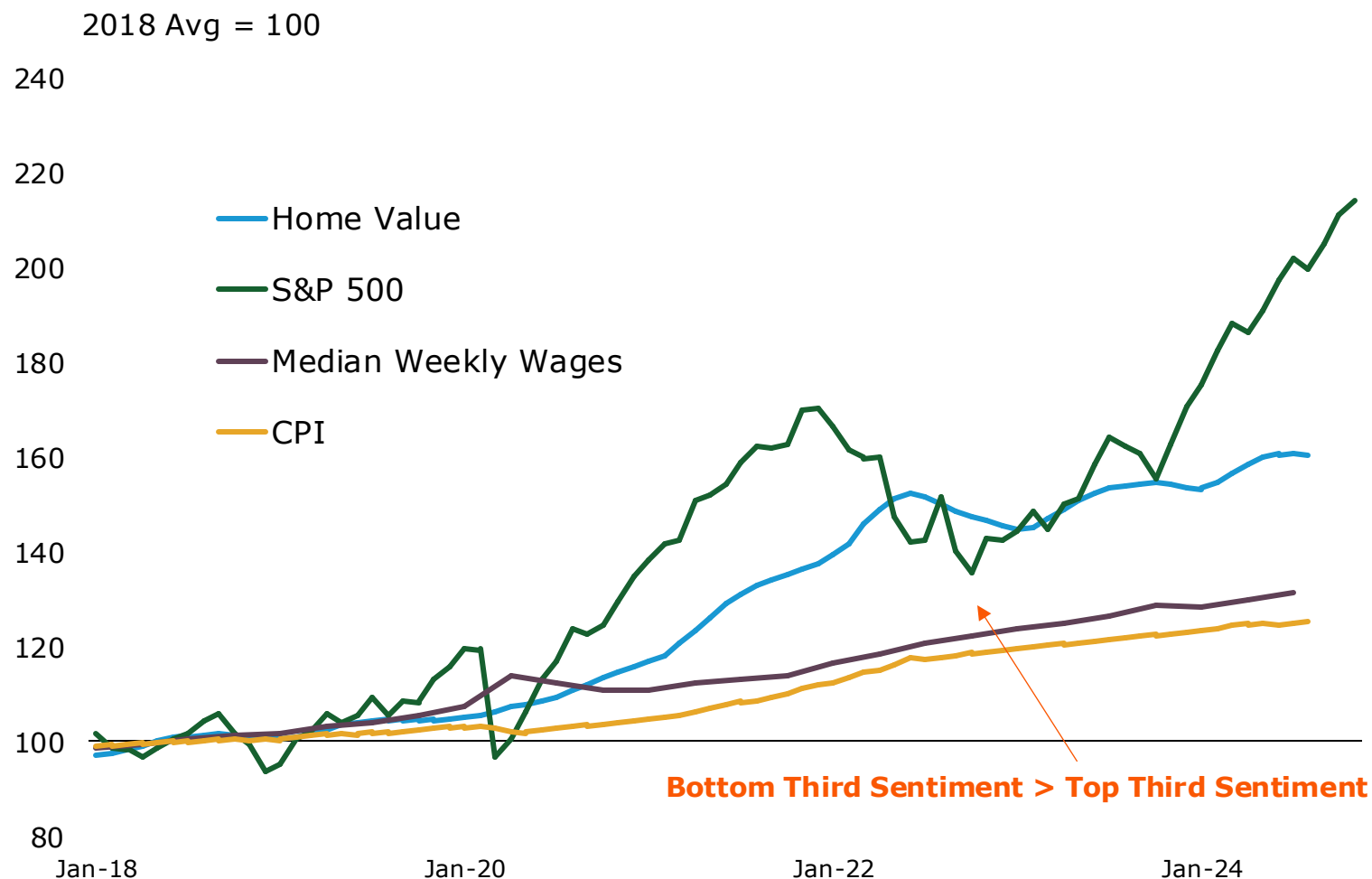
60

Bottom Third
Income Earners

106

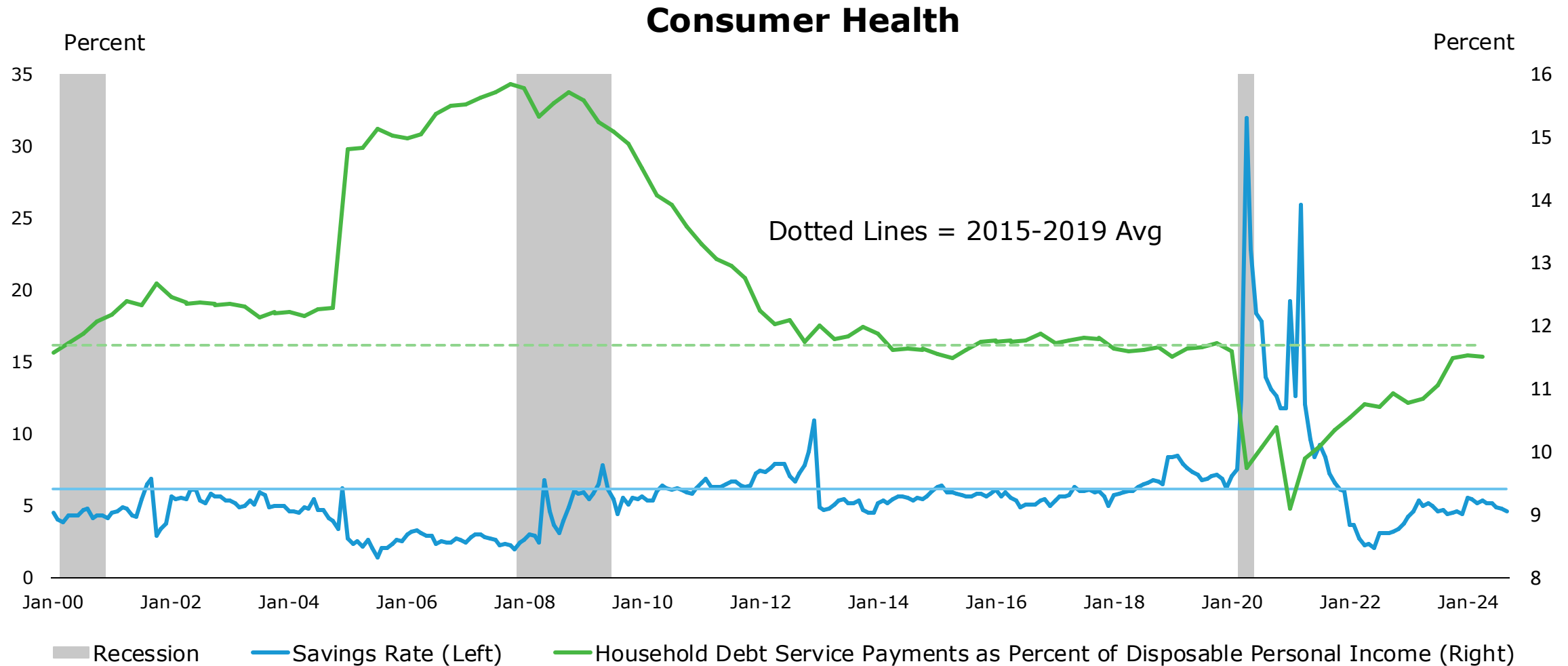
Top Third Income
Earners

Asset Appreciation



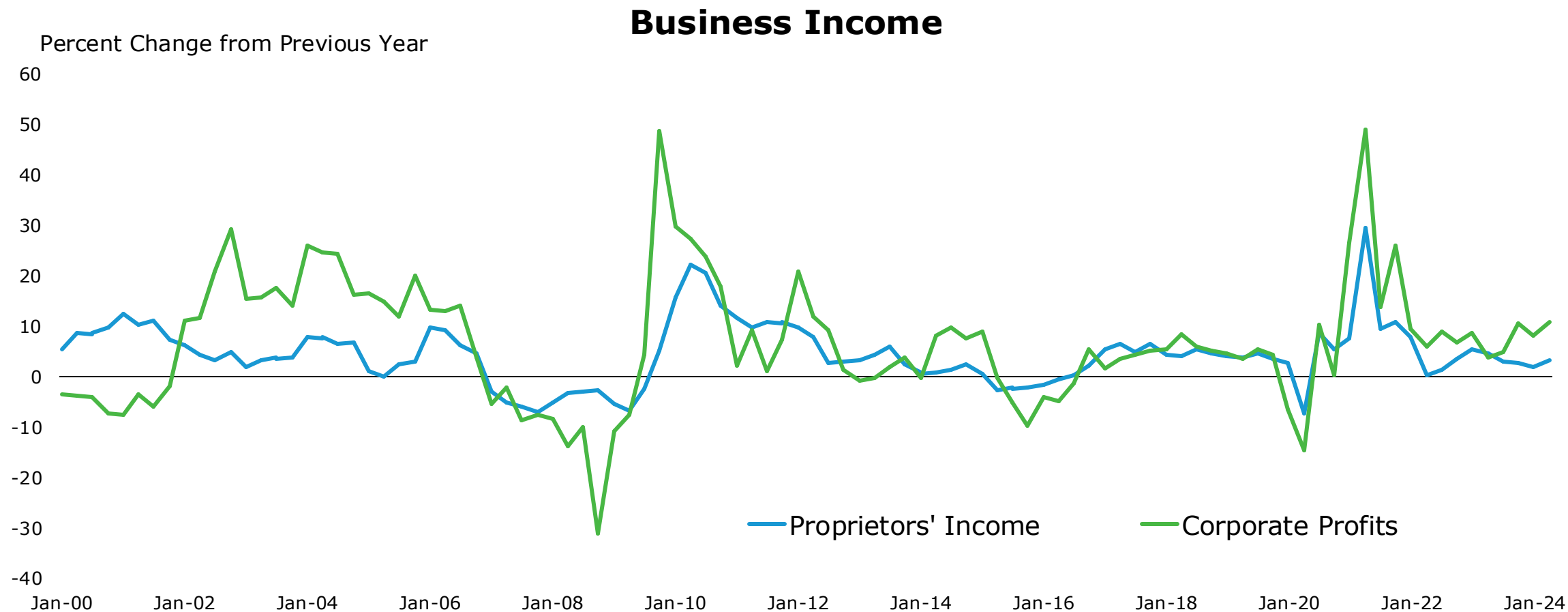


Consumer Health Is 'OK'

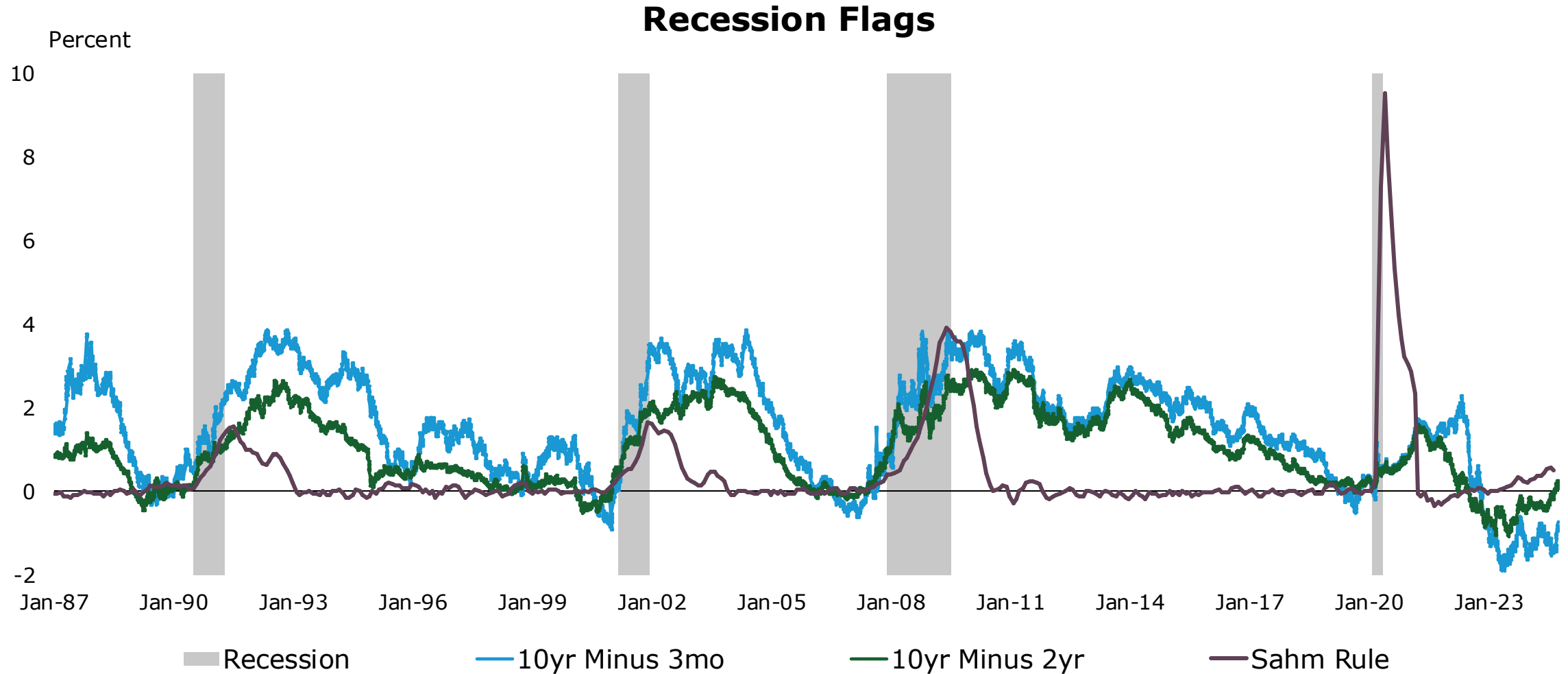




Business Health Is 'OK'



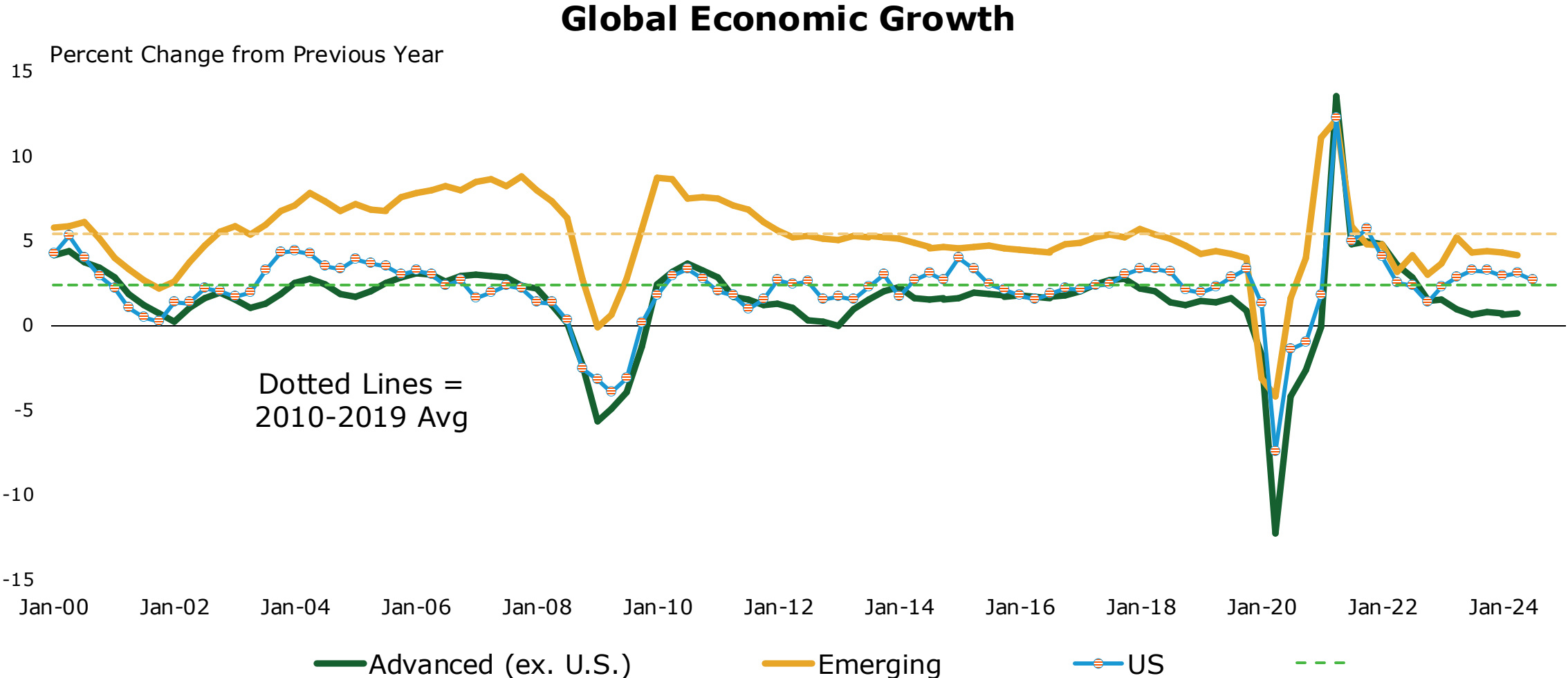
So, What to Make of 'Recession Flags'?



Source: Federal Reserve Bank of St. Louis, Terrain.



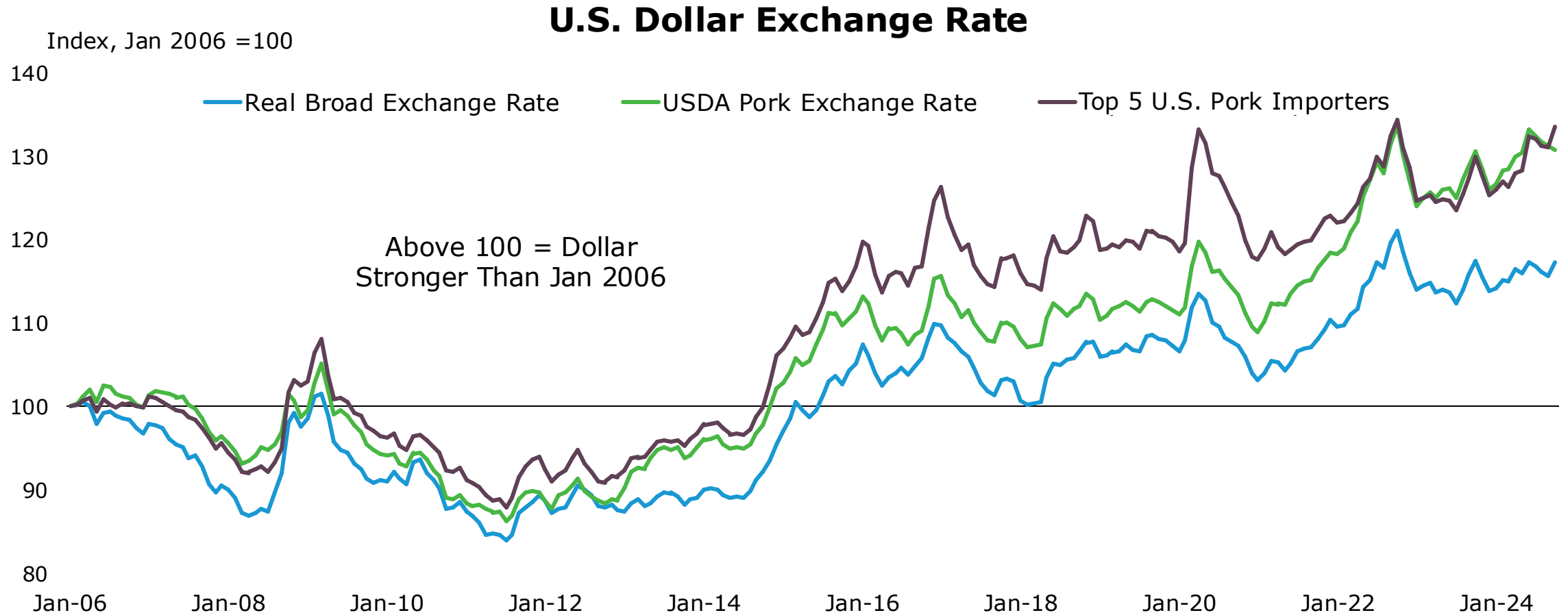
The Rest of the World Isn't “Feeling It”



Source: Federal Reserve Bank of Dallas, Terrain.



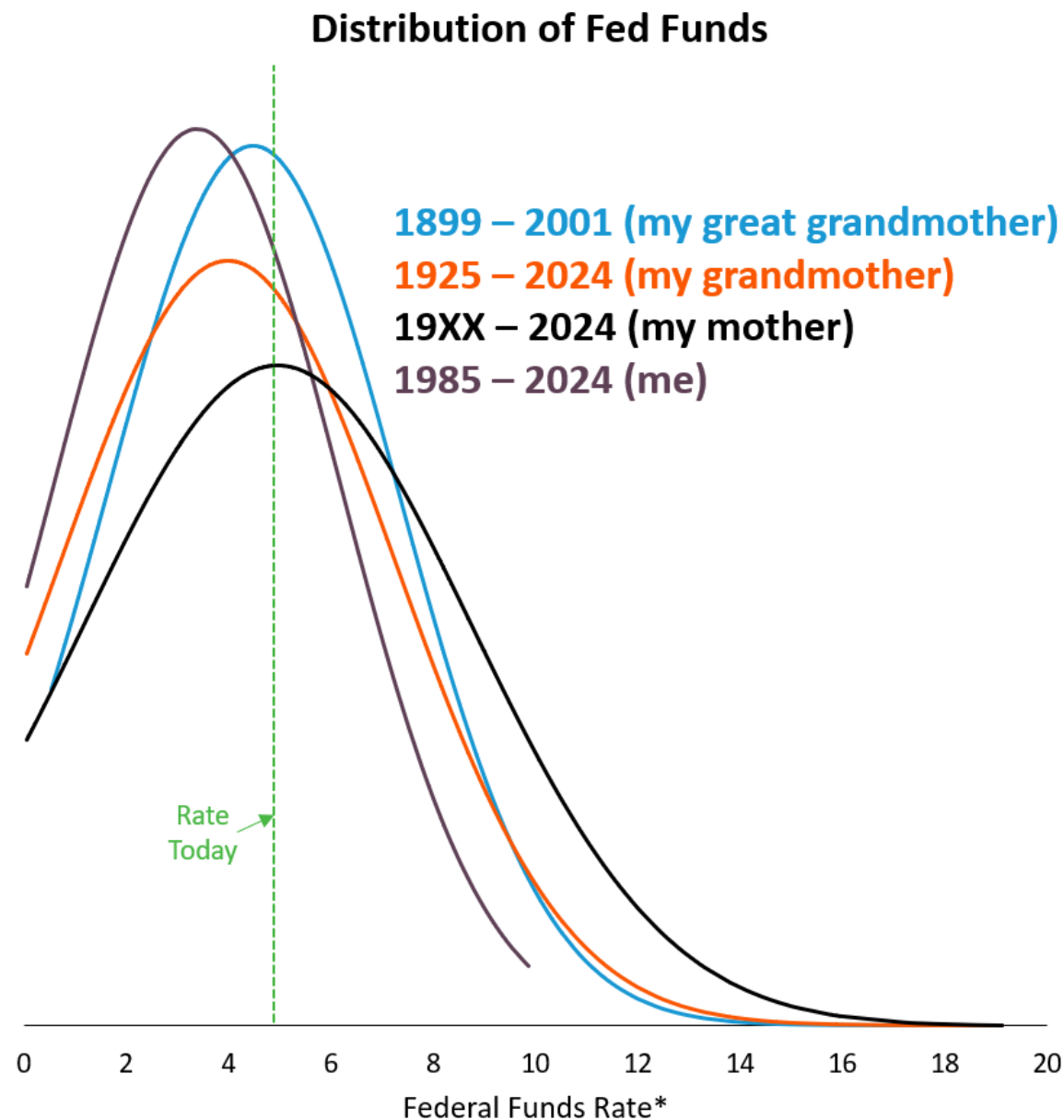
Proof Is in the Bacon (Exchange Rates)



What Is "Normal" ???

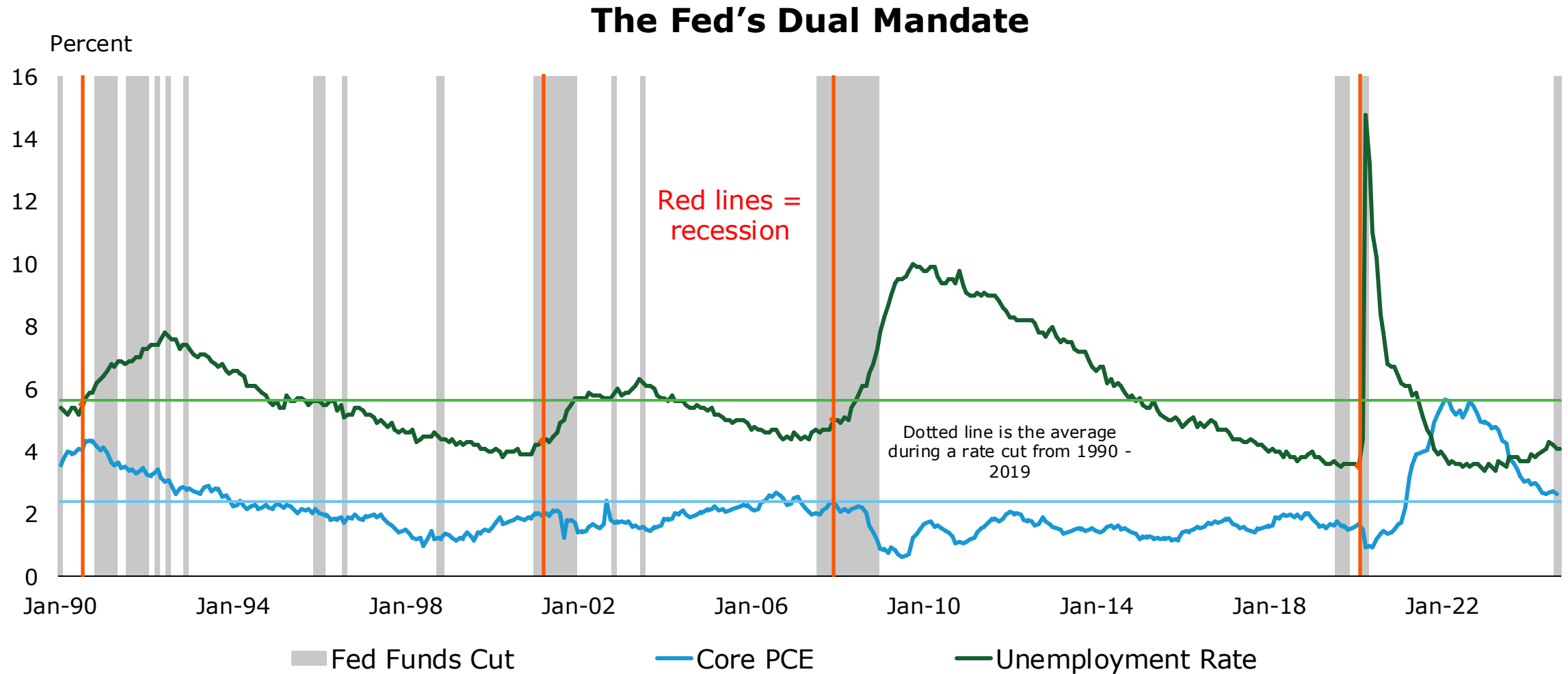


1985 – 2024 1899 – 2001 1925 – 2024

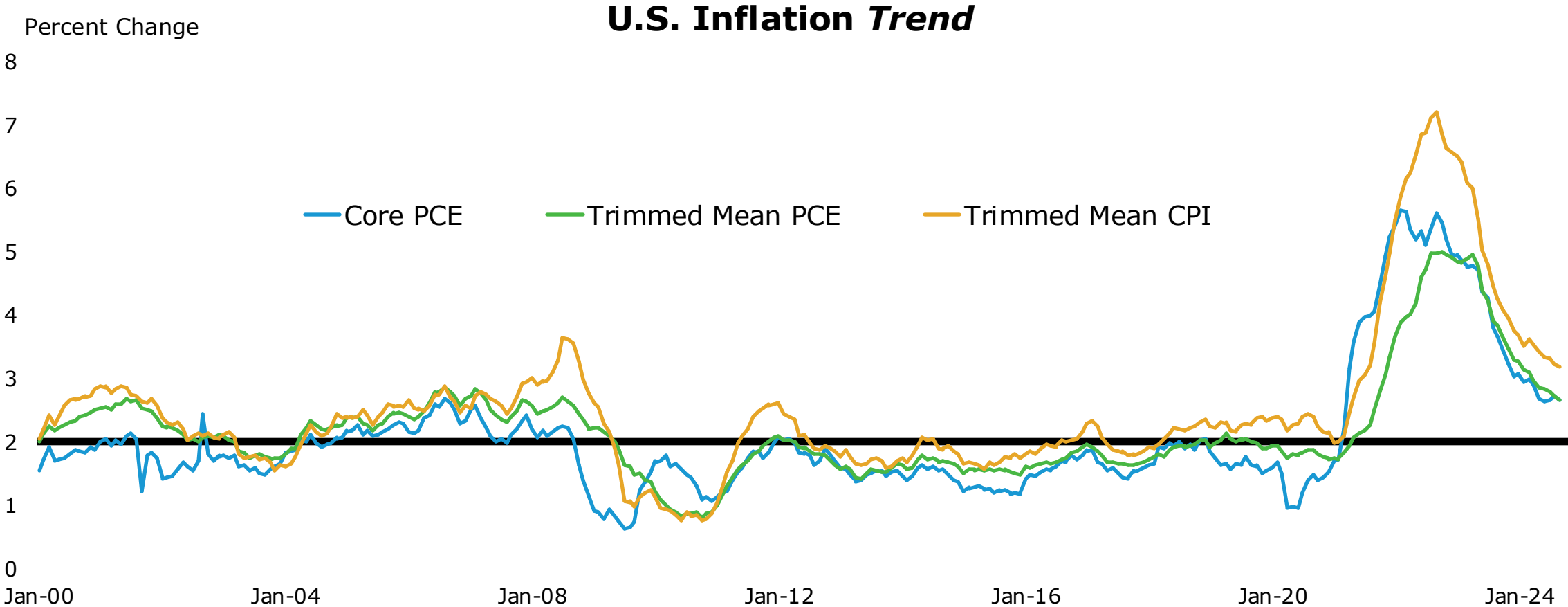


* Early 1900s calculated by author with rates from the US Treasury and municipal bond markets
Source: Federal Reserve Bank of St Louis and Terrain

❏ However, There Is Not a Good Analog

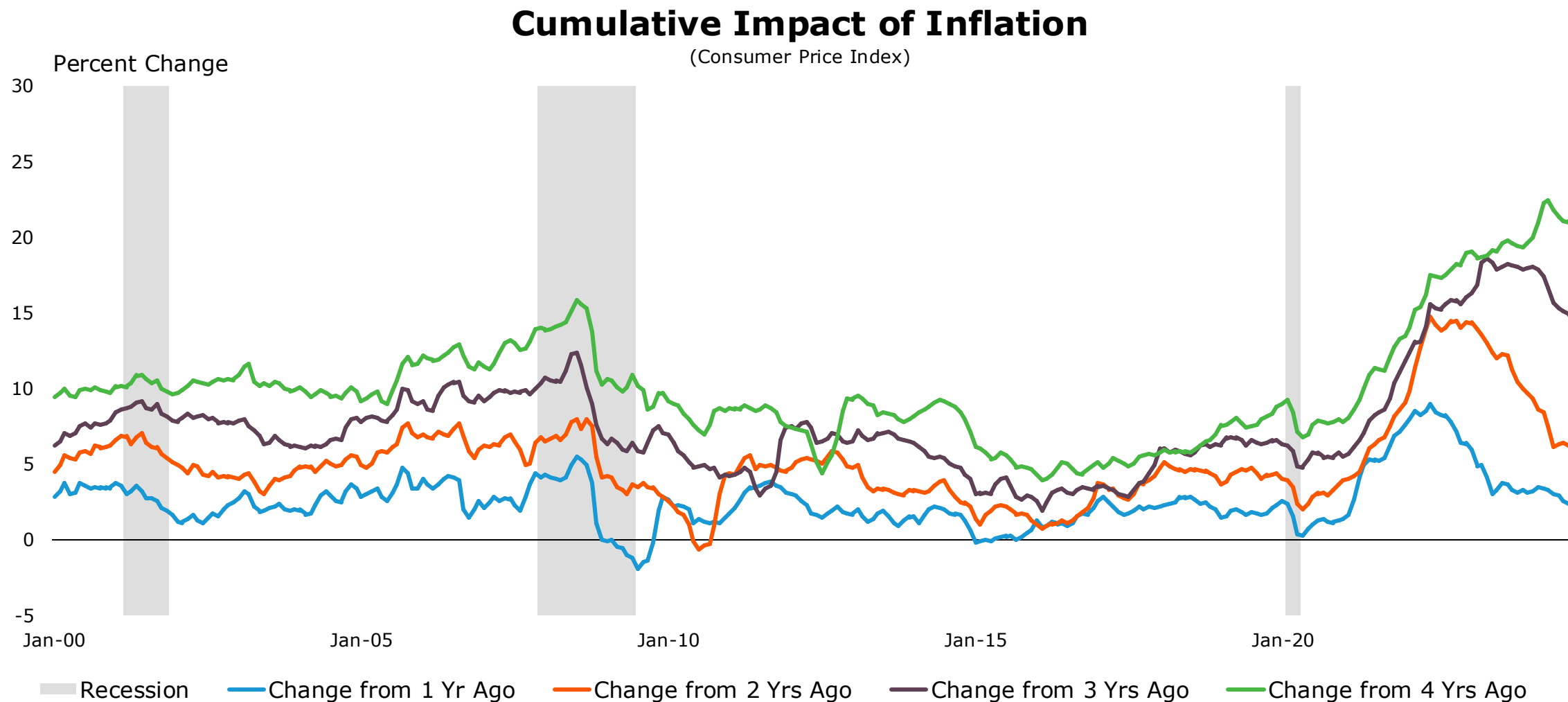


📊 The Inflation Trend Is Positive



Source: Federal Reserve Bank of St. Louis, Terrain.

■ ■ ■ The Level of Inflation Is Still Difficult

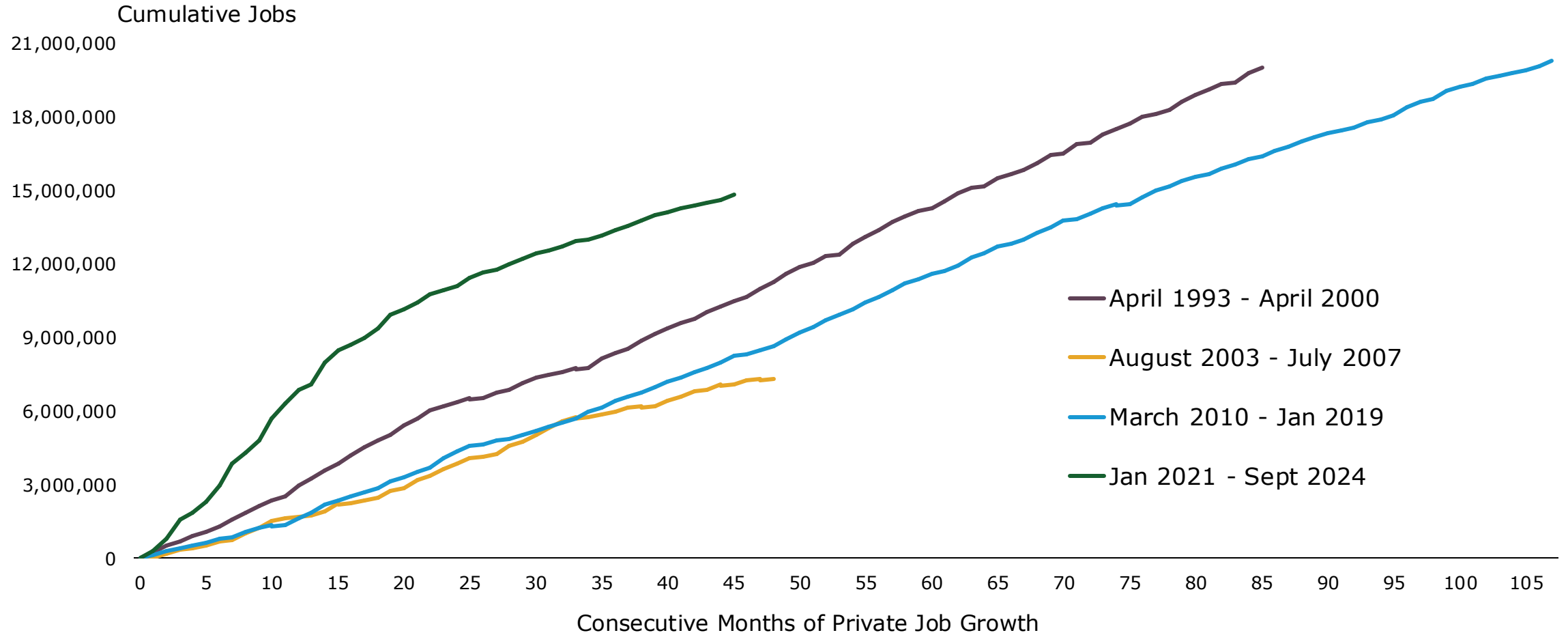


Source: Federal Reserve Bank of St. Louis, Terrain.

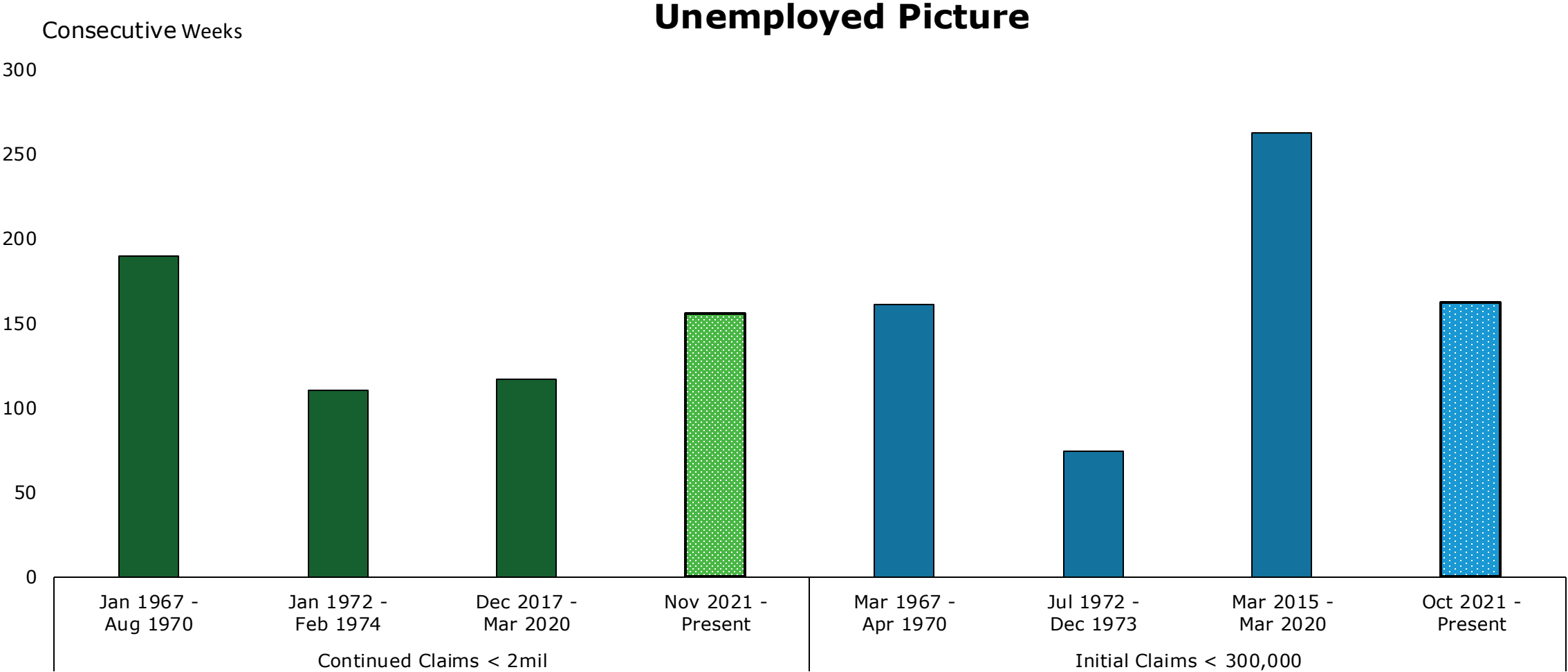


Private Job Growth Had Been Good

Cumulative Growth in Private Jobs



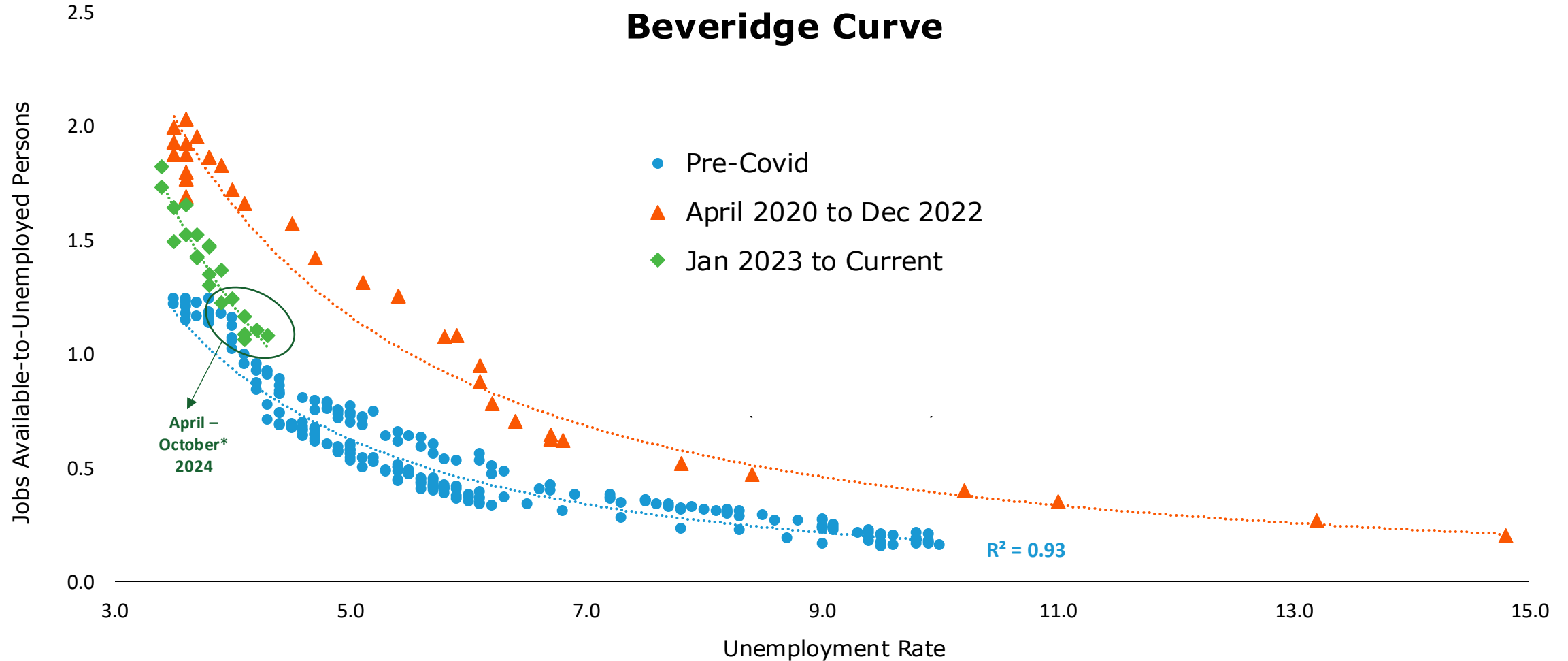
■ ■ ■ Individuals Are Still Finding Work



Note: "Present" as of 11/13/2024.
Source: Federal Reserve Bank of St. Louis, Terrain.



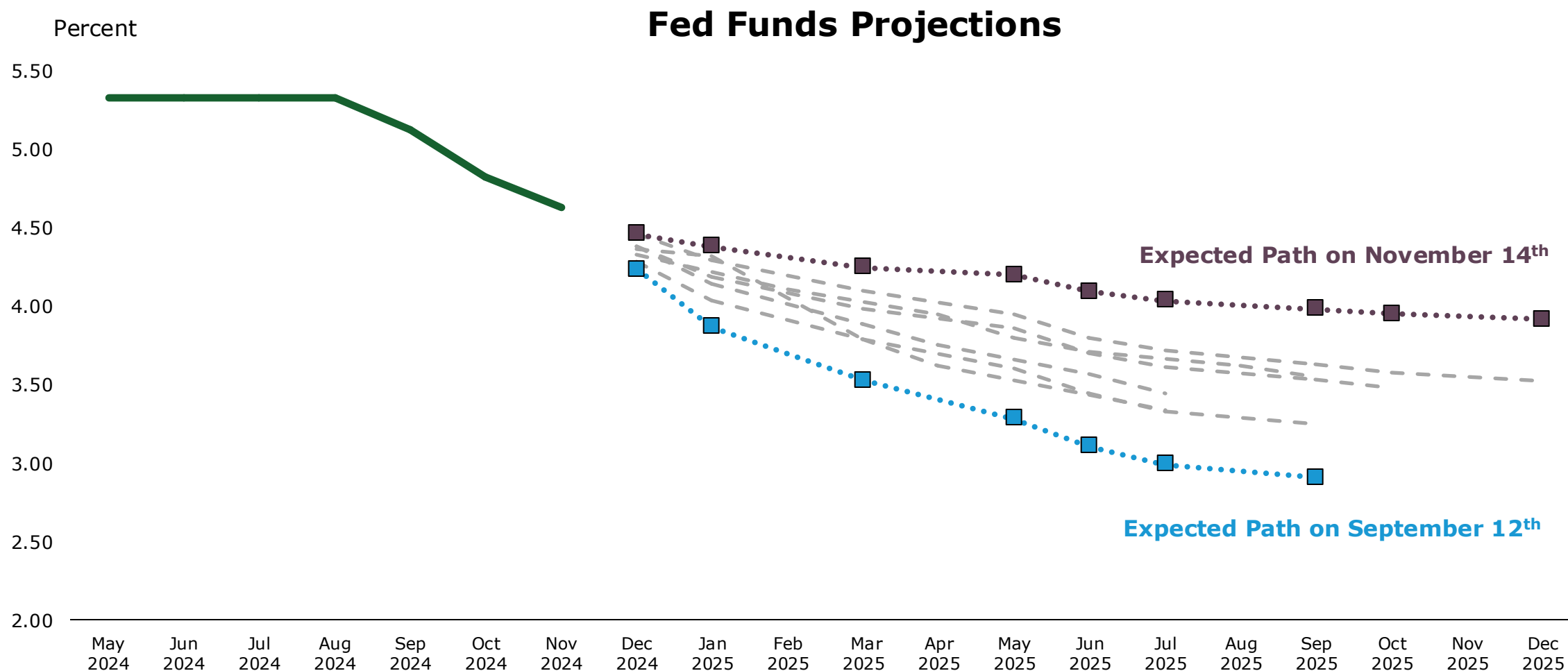
How Many Jobs Are There Now? Back to Normal?



*October includes author's estimate of total job openings.
Sources: BLS, Federal Reserve Bank of St. Louis, and Terrain.



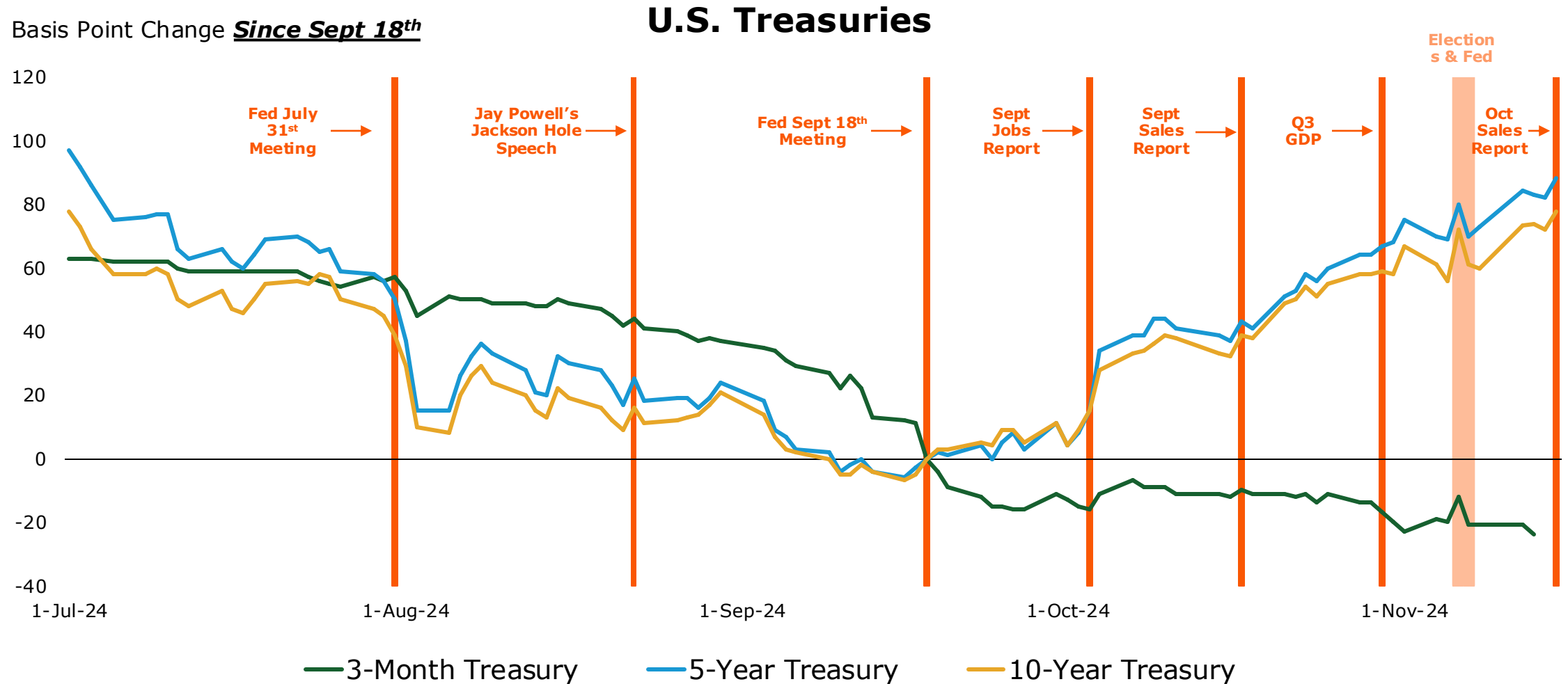
Projections For Rate Cuts Have Backed Off



Sources: CME Fed Watch Tool, Federal Reserve Bank of St. Louis FRED, and Terrain.



However, U.S. Treasury Yields Are Up

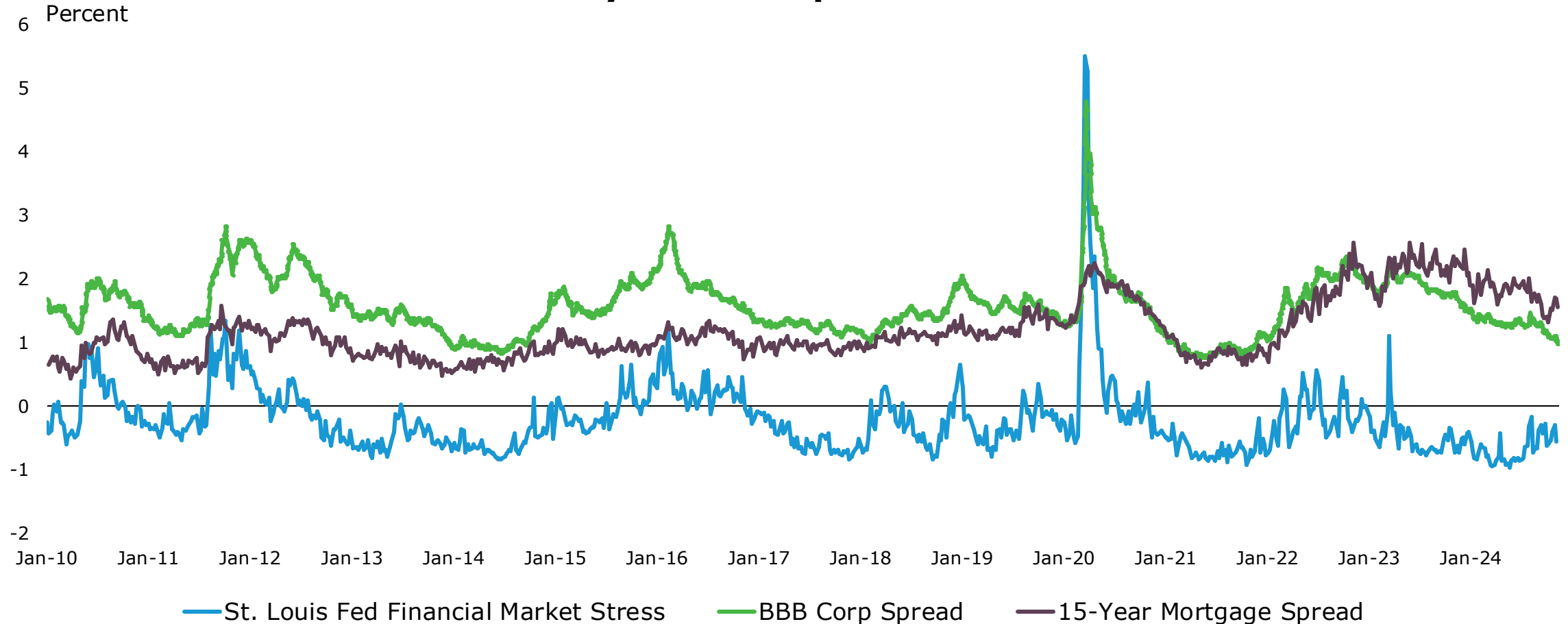


Source: Federal Reserve Bank of St. Louis, Terrain.



Risk Premiums Have Somewhat Offset...

Proxy for Risk Spreads

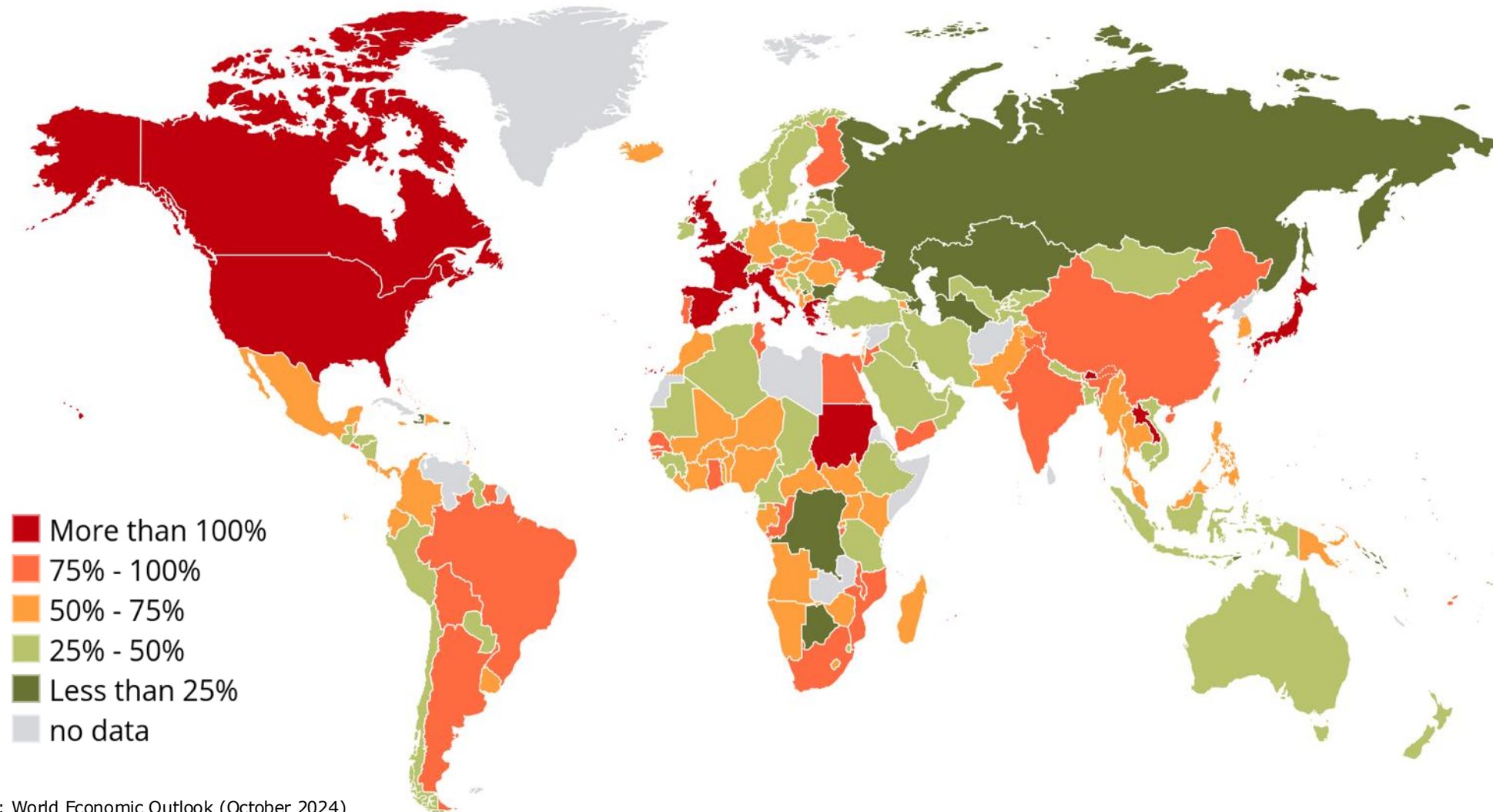


Source: Federal Reserve Bank of St. Louis, Terrain.

What Are the Potential Gray Rhinos?

IMF DataMapper

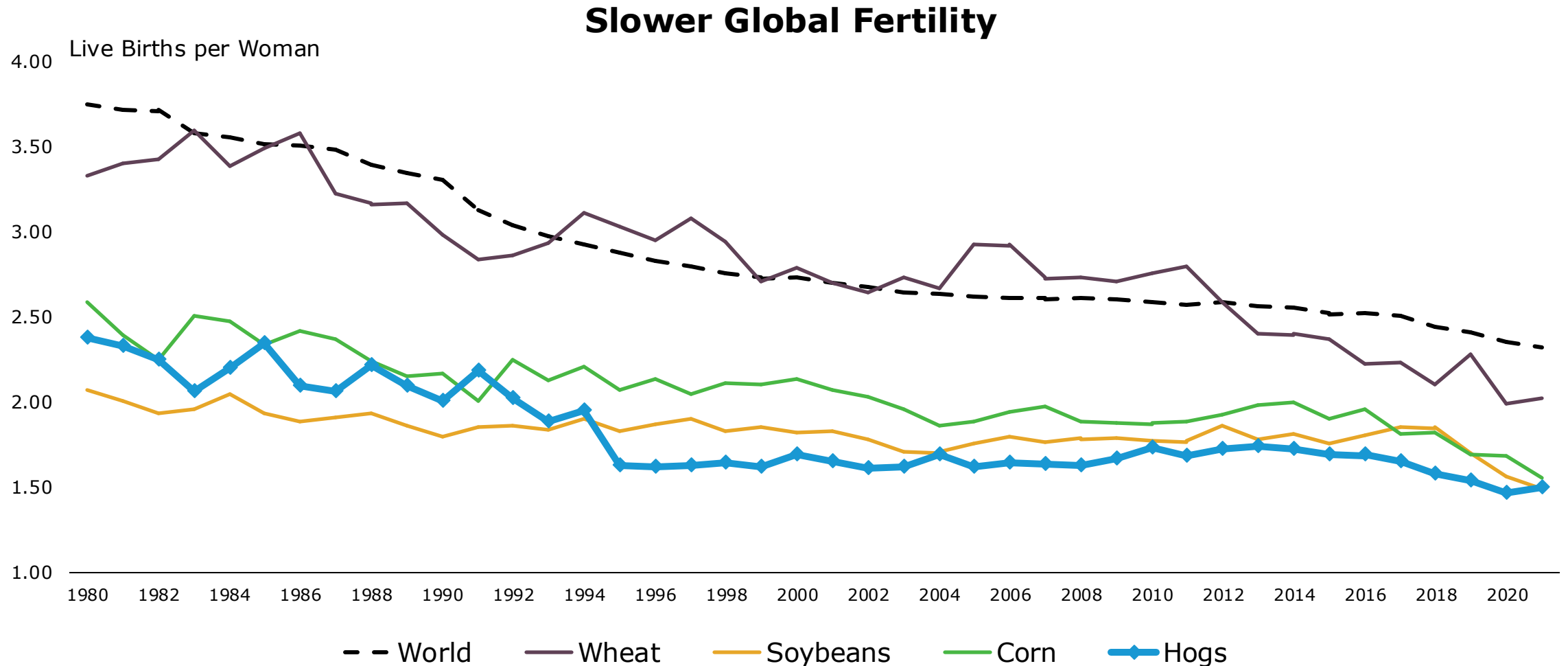
General Government Gross Debt (Percent of GDP, 2024)



Source: World Economic Outlook (October 2024)

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What Are Potential Gray Rhinos?



Source: UN, USDA, Terrain.

Simple Sty Notes

- Balcony level data is 'ok'
 - Clearly that is not representative of everyone
 - I am not betting the farm on anything
- Fed to remain accommodative... for now
 - Follow the data! We may not need too many more cuts
 - Long-term rates want to do their own thing
- Price rates like your commodity, have a strike price!



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Thank You



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