

Macro Roundup Article

Headline: [Why Is a Soft Landing Unlikely?](#)

Article Link: <https://apolloacademy.com/why-is-a-soft-landing-unlikely/>

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Tweet: [Torsten Sløk @apolloglobal](#) argues a recession will get underway when monthly non-farm payrolls start moving below 100,000, the level consistent with population growth.

Summary: Once nonfarm payrolls start moving below 100,000, credit spreads will widen because investors will take it as a sign that corporate earnings are about to slow down. But with core PCE inflation at 3.9%, the Fed cannot turn dovish. As a result, the Fed will continue to be hawkish even as the unemployment rate starts moving higher. Once the recession finally begins, the Fed can turn dovish and start to lower base rates. But the costs of capital will not decline because at that time corporate earnings will be slowing, and therefore, credit spreads will likely be widening further. The bottom line is that even if we get weak data and the Fed, after a few soft prints in nonfarm payrolls, starts turning dovish, the costs of capital will move higher. In short, the Fed controls the base rate but doesn't control credit spreads, and that is the reason why a soft landing is unlikely.

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Primary Topic: Business Cycle

Topics: Business Cycle, GDP, Op-Ed/Blog Post, Theory

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