EDWARD CONARD

TOP TEN The New York Times BESTSELLER

Macro Roundup Artcile

Headline: Mid-Year Outlook: High Inflation Expected to Keep the Cost of Capital Elevated Until 2024

Article Link: https://apolloacademy.com/wp-content/uploads/2023/06/Apollo-Global-Mid-Year-Outlook-June-2023.pdf

Author(s)	Torsten Sløk
Publication	Apollo
Publication Date	June 29, 2023

Tweet: Torsten Sløk writes that the failure of SVB and First Republic led to tightening financial conditions, and the full impact of those tighter conditions has not been felt. He forecasts a 60% chance of a hard landing. @apolloglobal

Summary: While we may have turned the corner on inflation, it continues to prove much “stickier” than most market watchers expected. As of this writing, inflation was around 5% annually, still way above the Fed’s 2% target. In our view, that means higher rates for longer, and an elevated cost of capital through the remainder of 2023 and well into 2024. The increase in borrowing costs since SVB failed corresponds to a 200-basis-point Fed hike for regional banks and a 50-basis-point increase for large banks. Weighing these estimates together using the shares of loans and leases accounted for by small and large banks, respectively, gives an economy-wide Fed tightening equivalent of a bit more than 100 basis points for the entire banking sector.

Primary Topic: Business Cycle

Topics: Banking, Business Cycle, GDP, Monetary Policy, Other Source

Permalink: https://www.edwardconard.com/macro-roundup/torsten-slok-writes-that-the-failure-of-svb-and-first-republic-led-to-tightening-financial-conditions-and-the-full-impact-of-those-tighter-conditions-has-not-been-felt-he-forecasts-a-60-chance-of-a?view=detail

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2023/06/Funding-Costs.png