Macro Roundup Artcile

Headline: Chair Trump

Article Link: https://fedguy.com/chair-trump/

Author(s)	Joseph Wang
Publication	Fed Guy Blog
Publication Date	April 30, 2024

Tweet: .@FedGuy12 argues that Donald Trump's preferences for lower interest rates and a weaker dollar would lead to a "significant positive for all assets, from equities to fixed income" in the short term, but higher inflation and stagnant long-term growth.

Summary: President Trump has long made clear his preference for low interest rates, and reports indicate he may further his trade wars by also devaluing the dollar. The most straightforward implementation of these two goals would be to set ceilings on short and longer dated rates at below market levels – in effect a return to 1940s style yield curve control. This would also completely resolve the many stability concerns of the Treasury market. Lower rates and a weaker dollar would be a significant positive for all assets, from equities to fixed income. This has also historically led to higher inflation, stagnant economic growth, and the eventual deployment of deflationary policies by popular demand. But that is a process that plays out over a period of years. At the moment it looks like there is roughly 50% chance of significant upside risk in the coming year. In any case, there is clear change in the political discourse that is biased towards inflationary policies. Related: Global Views: Friendly Baseline, Greater Risks and Parsing the 2024 Inflation Rebound and The Fed Is Tightening More Than It Says

Primary Topic: Business Cycle

Topics: Business Cycle, Financial Markets, GDP, Monetary Policy, Op-Ed/Blog Post, Politics

Permalink: https://www.edwardconard.com/macro-roundup/fedguy12-argues-that-donald-trumps-preferences-for-lower-interest-rates-and-a-weaker-dollar-would-lead-to-a-significant-positive-for-all-assets-from-equities-to-fixed-income?view=detail

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/04/Trump-Tweet.png