

Macro Roundup Article

Headline: [Winter Heating](#)

Article Link: <https://am.jpmorgan.com/content/dam/jpm-am-aem/global/en/insights/eye-on-the-market/winter-heating-amv.pdf>

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Tweet: Michael Cembalest @JPMorgan thinks that the likely severity of a future recession is decreasing, despite continued weakness in their favorite leading indicator (ISM new orders minus inventories).

Summary: Despite the fastest Fed tightening cycle on record, real US 3-month and 10-year yields are still negative when based on trailing inflation measures. Consumer and producer price increases are falling as we expected they would but it's too soon for the Fed to pause here. It also seems unlikely that the Fed or ECB will be able to cut rates later this year, unless they overshoot first. Will economic resilience prompt the Fed to tighten even more than markets expect? I think it would take more than a couple of months of positive surprises for the Fed to hike by 50 bps. We still see weakness ahead in our preferred leading indicator (new orders vs inventories) and deflation in the housing pipeline. Bottom line: 2-3 more Fed hikes ahead, and a mild US recession whose likelihood and possible severity may be shrinking.

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Primary Topic: Business Cycle

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

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