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Author: Psychological_Sand29
Created 2022-04-28 05:17:50 UTC
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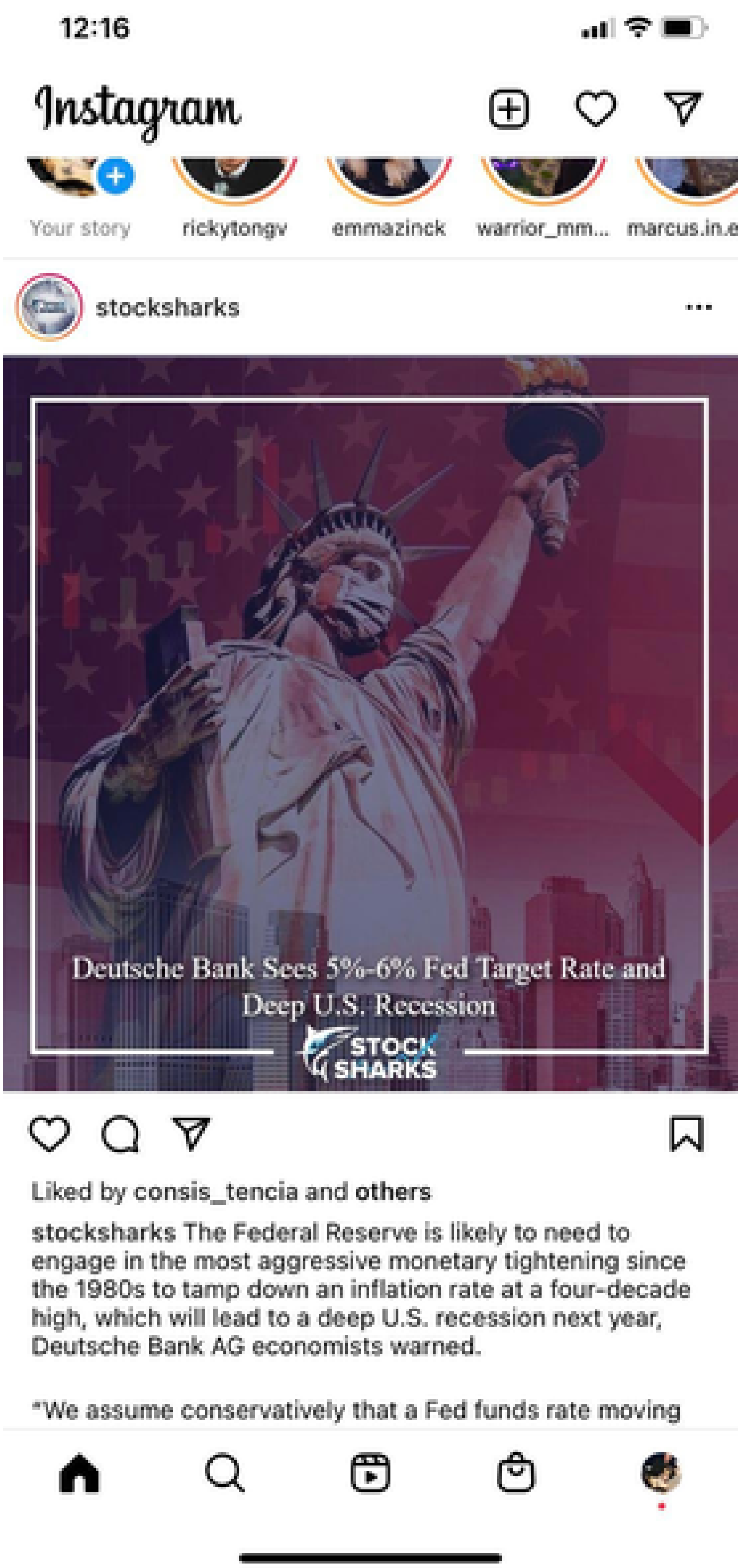

stocksharks The Federal Reserve is likely to need to engage in the most aggressive monetary tightening since the 1980s to tamp down an inflation rate at a four-decade high, which will lead to a deep U.S. recession next year, Deutsche Bank AG economists warned.

“We assume conservatively that a Fed funds rate moving well into the 5% to 6% range will be sufficient to do the job this time,” the authors including David Folkerts-Landau, group chief economist and head of research, wrote in a report Tuesday. “This is partly because the monetary-tightening process will be bolstered by Fed balance-sheet reduction, which our U.S. economics team estimates will be equivalent to a couple additional 25 basis-point rate hikes.”

This monetary tightening and the financial upheaval that accompanies it “will push the economy into a significant recession by late next year,” Folkerts-Landau said, adding Deutsche sees the unemployment ultimately rising “several percentage points.”

The Deutsche economists -- by their own admission -- are much more pessimistic than most other major forecasters. Goldman Sachs Group Inc. estimated chances of a contraction at about 35% over the next two years. Bloomberg Economics’ recession-probability model has estimated a 44% chance of recession happening before January 2024.

Reported By Bloomberg