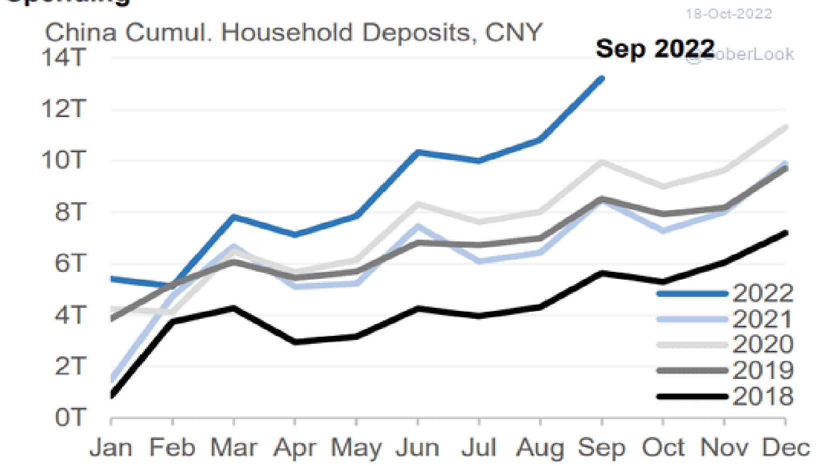
- US current account deficit could not be any bigger than it is right now, US consumer is pushing $100 bn a month to rest of the world; 50 - 60 of which goes to China. But, world's second largest economy & by far largest exporter is on a dynamic lockdown; which, means this surplus that China's makes stuck in the system
- This is sort of huge dam *(China Covid policies)* that's is holding up this mass of liquidity and when that goes, it's going to unleash a wave of domestic growth to begin with. But important thing we can expect is all of a sudden capital outflows out of China into assets around the world, rise in demand for basic materials, demand for luxury goods etc.
- Zero COVID policy for China is tool of economic control, to make sure that you don't get capital flight at a time when you're correcting through real estate. The world can't afford for China to reopen; because, then the oil price goes through the roof. China probably right now is *under consuming* by about a million and a half barrels per day. So if they come back in and consume an additional million and a half barrels, you have to wonder where that is going to come from?
- Maybe this is the reason that China isn't reopening. Chinese leadership is first & foremost worried about inflation & perhaps first wants to make sure that they've built the necessary inventories & Energy. So until China has restocked off on coal imported from likes of Indonesia & Australia and oil from Russia, reopening doesn't seem to be on the cards.
- Along with Inventory built up, the 2022 deposit surge in China should support consumption next year, which thus far has lagged amidst lockdown uncertainty. Rising Chinese consumption could increase foreign tourism, demand for goods which further could aid inflation.

There's going to be globally a increase in inflation when China reopens. Doesn't that pretty much eliminate the possibility of the Fed pivoting? Would Fed pivot into increasing inflation and risking almost a hyperinflationary runaway situation.

Figure 8: Unleashing ($660B) Pent-Up Savings Could Support Spending



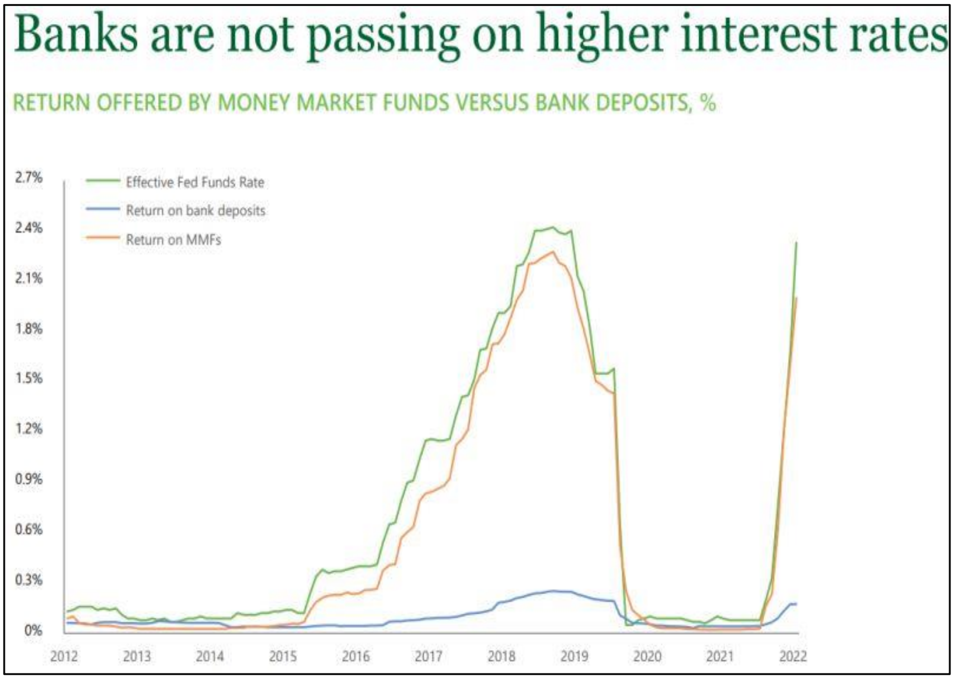
Note: YTD is Jan-Sep. Source: Haver, Evercore ISI Research

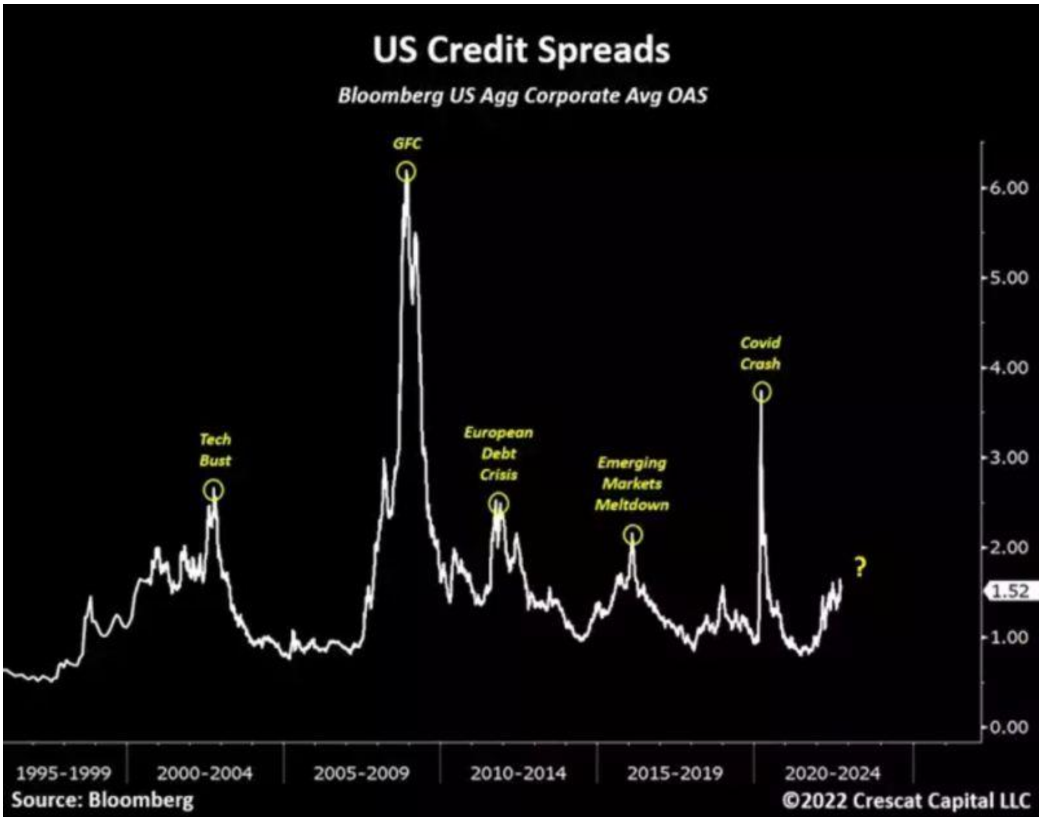
Chart Source: Evercore ISI Research; Data Source : Louis Vincent Gave at MacroVoices

"John Bull can stand many things but he cannot stand two per cent." Walter Bagehot.

Interest rate hikes drive a non-linear deallocation to risk assets. Cash moves from commercial bank deposits to money market funds. Bank reserves are drained as the RRP grows. Result is hidden tightening that risks a disorderly sell off in asset markets. Bank balance sheets can't flex to absorb this.

(Source: Ruffler)





Never have US stocks had a 30% drawdown while investment-grade credit spreads stayed sub 200 basis points according to the Bloomberg US Aggregate Corporate Bond Index. Until now.

But that condition is not likely to last much longer. A blowout in corporate default risk could be the next chapter to unfold.

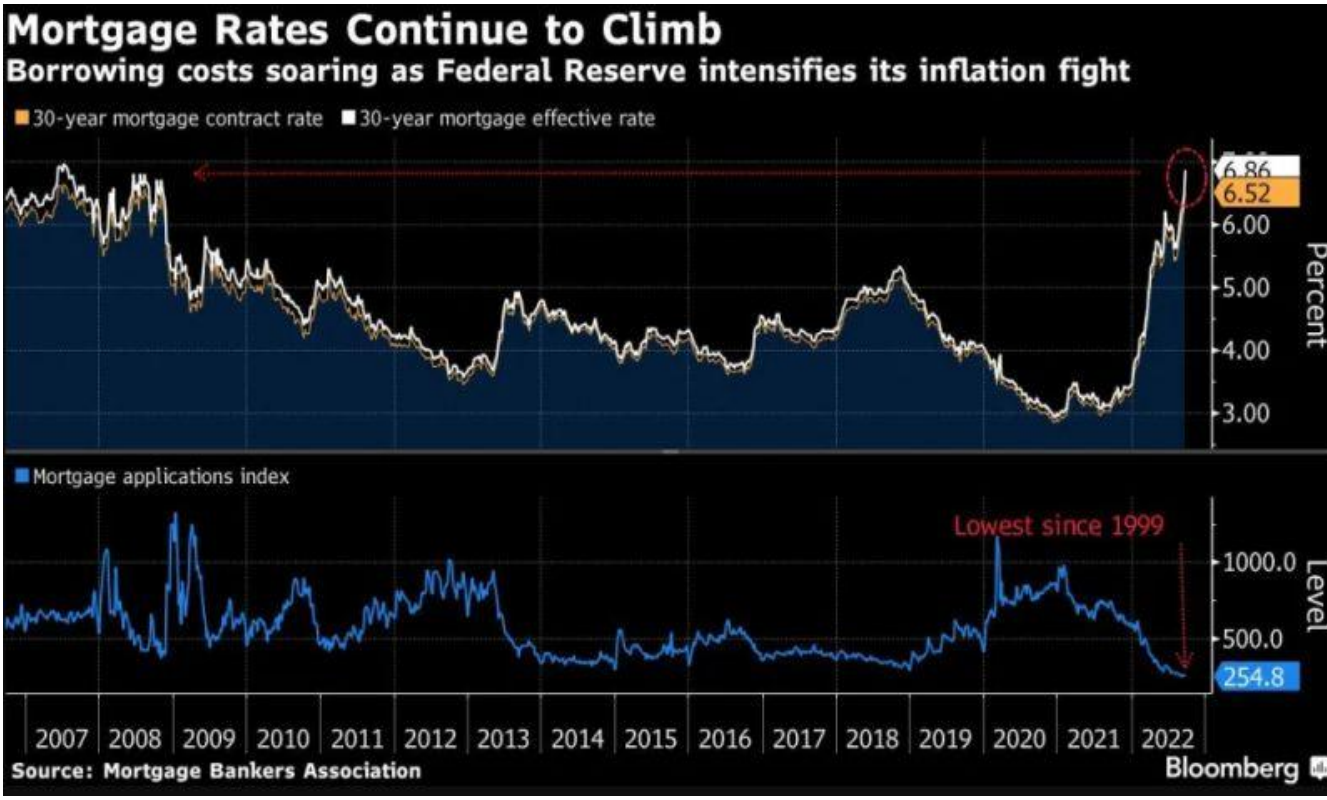
(Source: Crescat Capital)

Capacity utilization increased to its highest rate since March 2008 which suggests further price pressures ahead. Will this ultimately lead to restart of Capex cycle

(Source: ZeroHedge)

This one by Ben Hunt, hits you hard - Over the past 43 years, real wages for Americans are up 6.9%. Not 6.9% per year. 6.9% total for forty-three years. That's roughly 0.16% a year.

Now, rising inflation risks to pose a real problem as it totally screws the average worker.



Housing is yet to witness other downstream effects.

As prices begin to decline it becomes a negative wealth effect as home equity numbers begin to fall. US mortgage refinancing Index is 4x below the average 30 year trend line. Considering the low real disposable income and low refinancing, the rising borrowing rates could hurt hard later when excess savings of the pandemic are gone.

(Source: Bloomberg & Pinecone)