Samantha LaDuc
@SamanthaLaDuc

Do High Interest Rates Fix High Inflation?

NO! THEY CAUSE IT!

I don’t think Fed cares so much about what you think they do. Wages and unemployment can move higher. Fed still won’t hike or cut respectively. It’s all about the debt.
1/15

11:13 PM · Jul 2, 2023 · **131.6K** Views

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Samantha LaDuc @SamanthaLaDuc · Jul 2

The only thing Fed cares about is keeping US yields, USD and Oil from moving too high too fast + outside the "Goldilocks zone", which keeps equities bid.

Given the outsized money printing and deficits that have been created, Stagflation beats hyper inflation or deflation!!
2/15

Samantha LaDuc @SamanthaLaDuc · Jul 2

How does Fed inflate our massive US debt away (and keep stocks bid with liquidity) if inflation is falling?

FED IS TRAPPED™

Fed needs inflation.
Treasury needs inflation.
Even White House needs inflation.

Stagflation beats default and austerity!
3/15

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Samantha LaDuc @SamanthaLaDuc · Jul 2

Only other way US Debt falls is if they stop printing money AND stop spending through stimulus.

Is that gonna happen any time soon? Hell no.
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So inflation is THE BEST WAY to drive assets (stocks, RE, et al) higher while lowering the value on US debt. Added benefit is it helps keep liquidity flowing and backstops banks, not to mention gives time for MBS and credit markets (esp CRE) to not implode.
5/15

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Also, equity market returns NEED both the fiscal spending with the Fed QE/printing, especially as tax receipts fall. Otherwise we will suffer from inertia. And we know what happens when gravity takes hold.
6/15

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So the risk now is if inflation falls meaningfully - HENCE FED PAUSES!!!

Goldilocks is still in the house! Yes, equities have priced in a hawkish PAUSE while bond markets keep talking their depressed book: CUTS!
7/15

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Only the Fed is talking HIKES! They have to keep the confidence game going that they are beating inflation when the truth is they manufactured it 💯!
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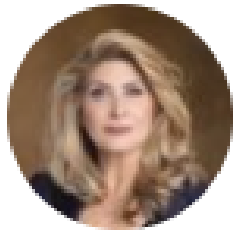
For equities:
yields staying "under control" from loose monetary policy while USD goes sideways (thanks BOJ bond buying!) at the same time oil is range-bound (forcing speculators to exit)... is a great backdrop for higher and market structure proves this out! #OptionGamma
9/15

9/15



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What we’ve witnessed:
THE perfect macro INTERVENTION COLLAR supported by perfectly bullish institutional positioning!!!

So why do you think Fed wants inflation lower with equities? I say they lie and see ‘no harm no foul’ in letting equities melt up - for a whole host of self-serving reasons!
10/15

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Even better if equities run hard!!

I secretly wonder if Fed is forcing this melt up in equities, so that when they force the rotation out of equities (read: volatility), traditional RPAR once again makes a cameo appearance where bonds get bid up - forcefully.
11/15

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I mean every macro manager is worried about who will support Bond buying? I sayFed has a plan: PANIC
12/15

12/15

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And this plan would also help banks, pensions and foreign CB get those big unrealized losses back to manageable.

But then it's a solid #STR (short the rip) in bonds in my opinion. #SoldToYou
13/15

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Needless to say, I am bearish bonds big picture. Even if we have a disinflationary impulse (read: recession pulled forward) or outright deflationary impulse (read: conflict).
14/15

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But for now, I say there's an intervention collar on US yields, dollar and oil, so equities have + can move higher until the next time treasuries are sold off aggressively - as they are THE COLLATERAL backing USD, Oil and everything else. ♾️
15/15

15/15