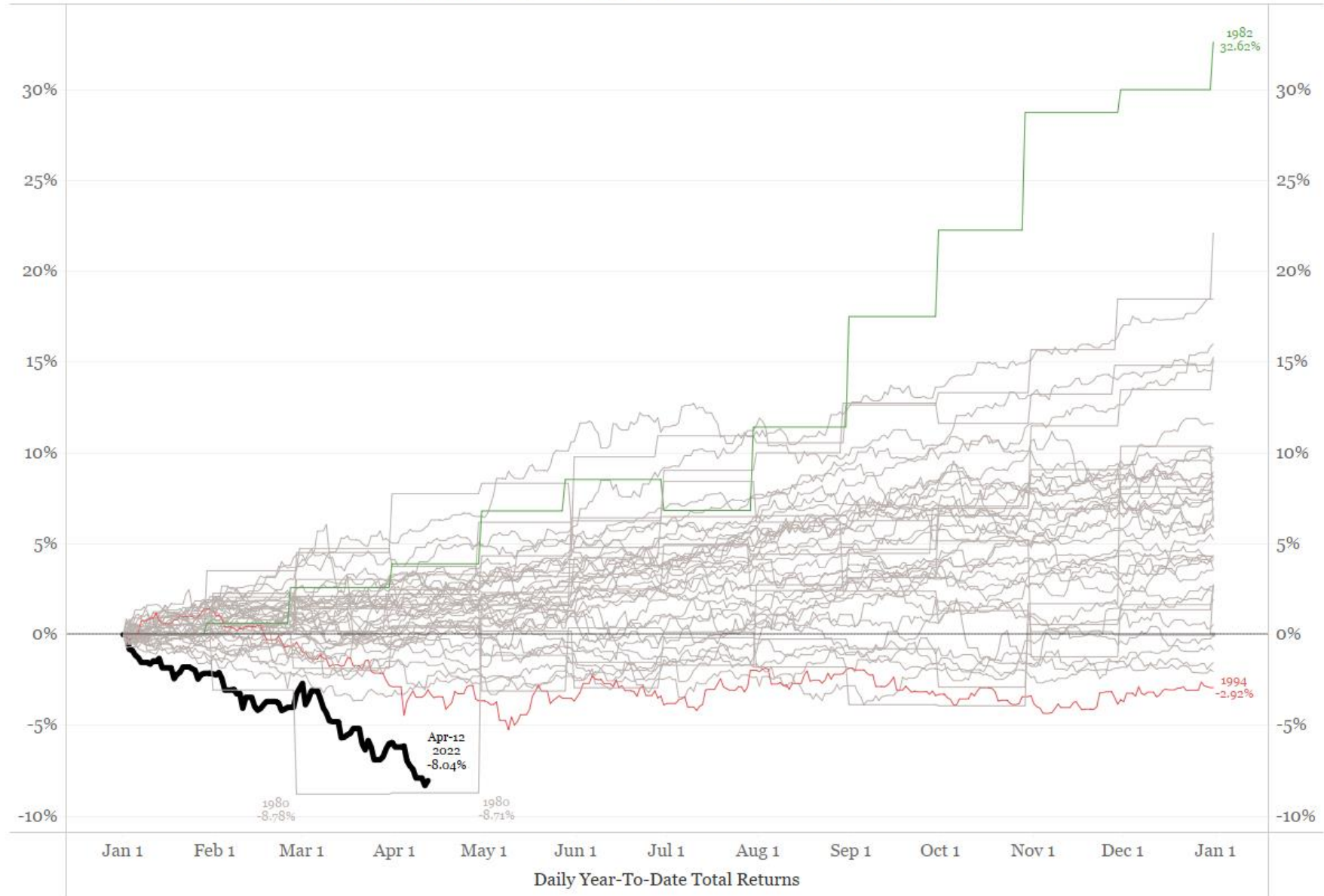


James Bianco

The Epic Bond Market Rout
April 14, 2022



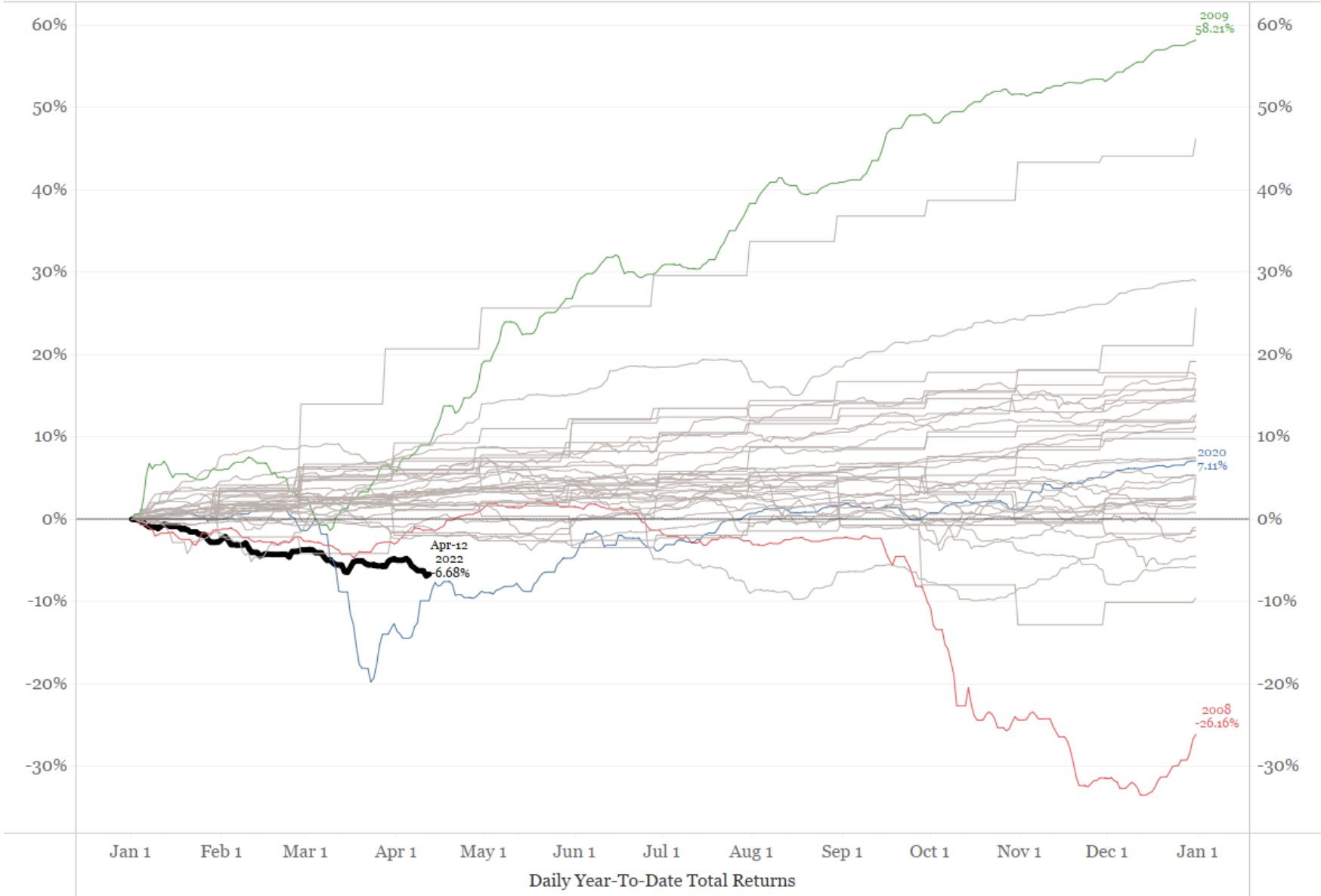
Bloomberg US Aggregate Total Return Index



Source: Bloomberg

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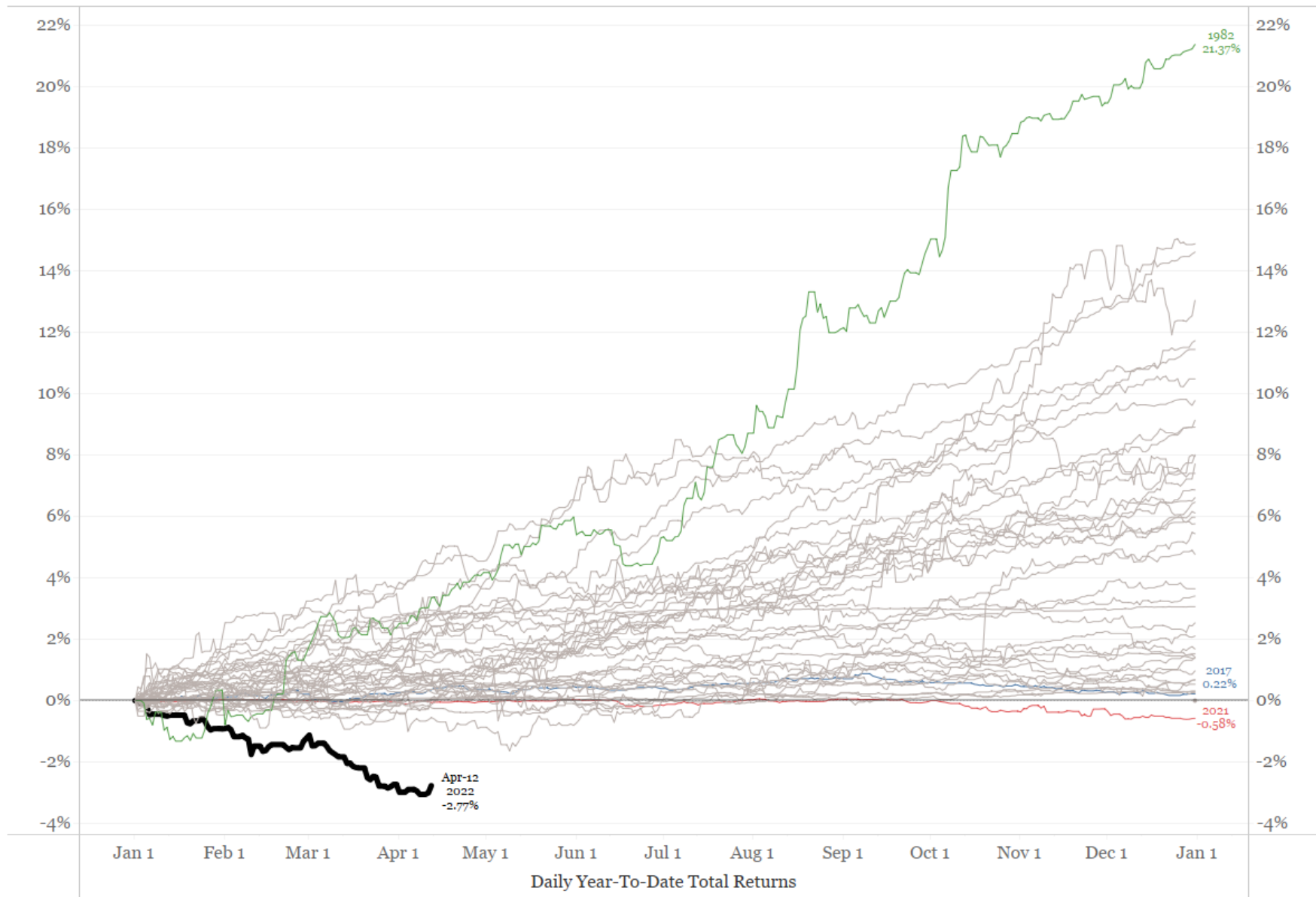
Bloomberg US Corporate High Yield Total Return Index



Source: Bloomberg

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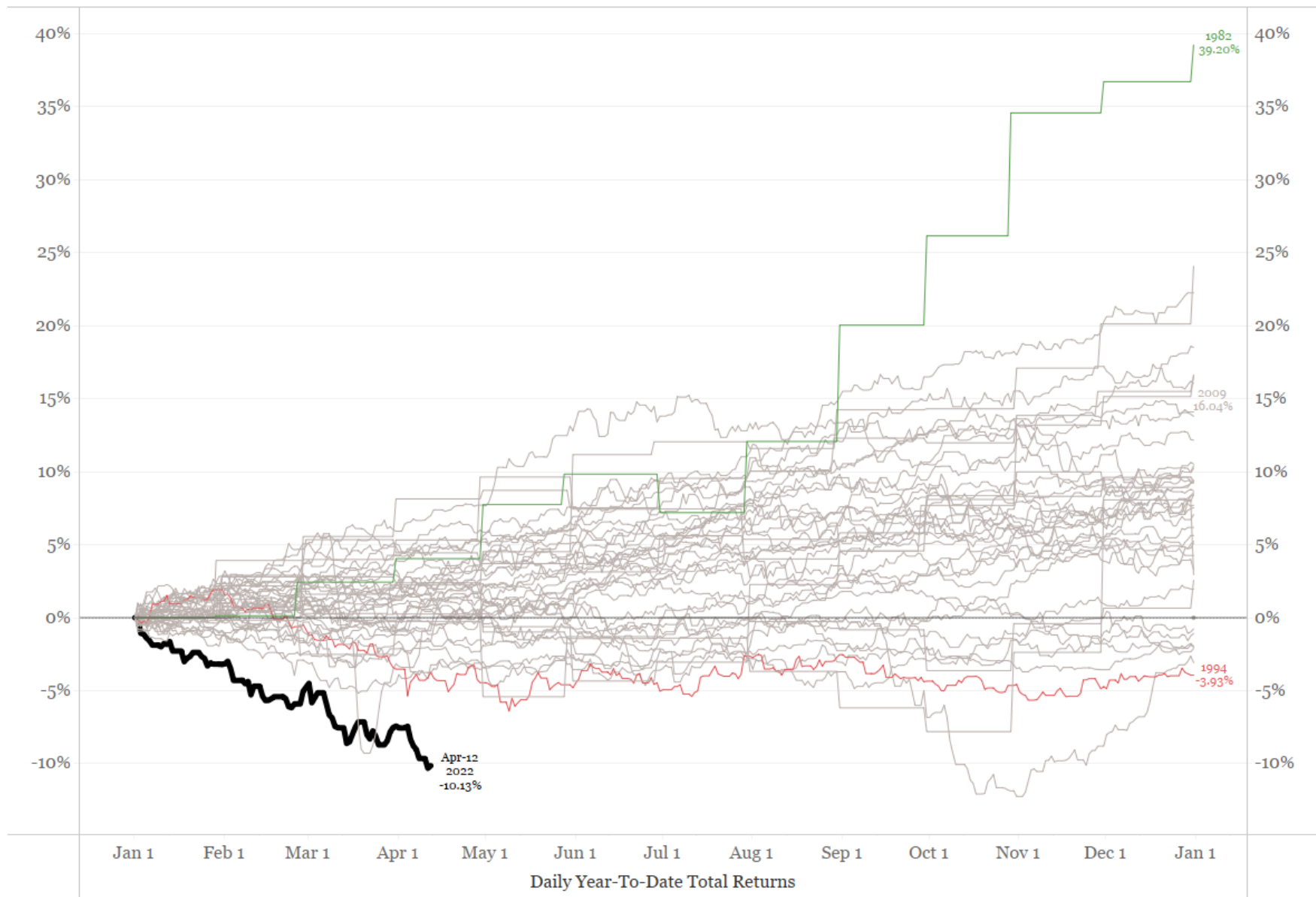
Ryan Labs 2-Year Treasury Total Return Index



Source: Bloomberg

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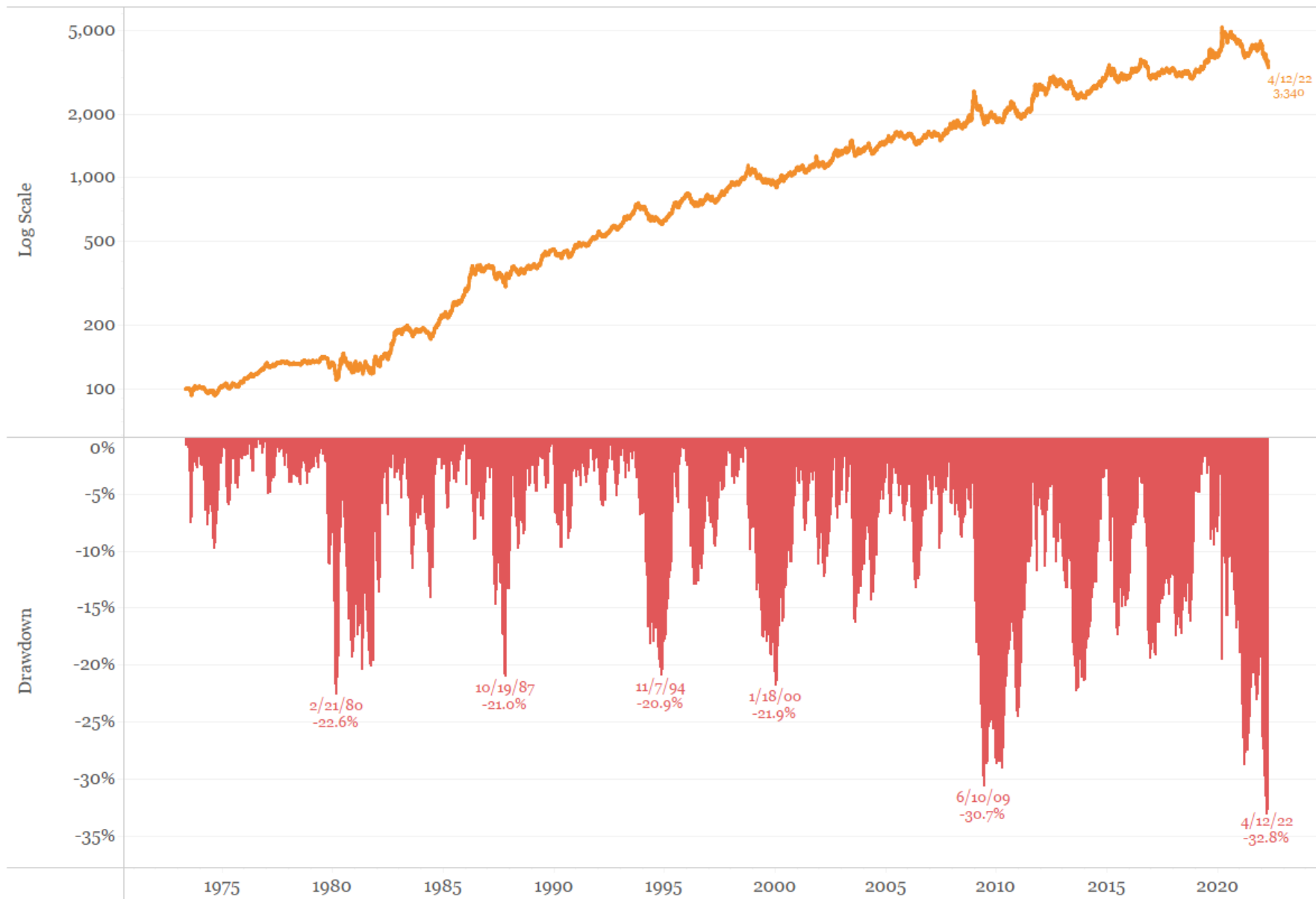
Bloomberg US Credit Total Return Index



Source: Bloomberg

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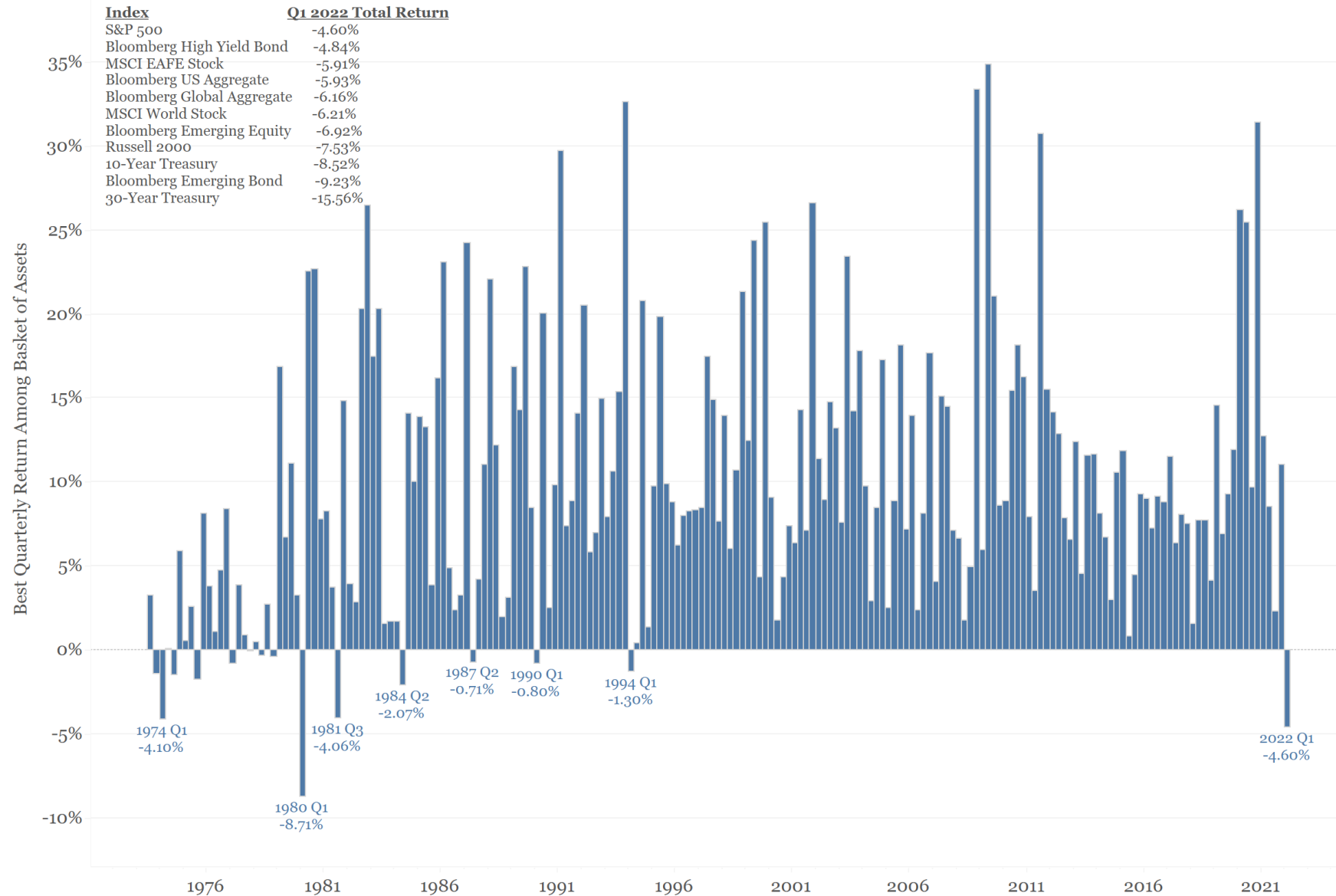
30-Year Treasury Total Return



Source: Bloomberg

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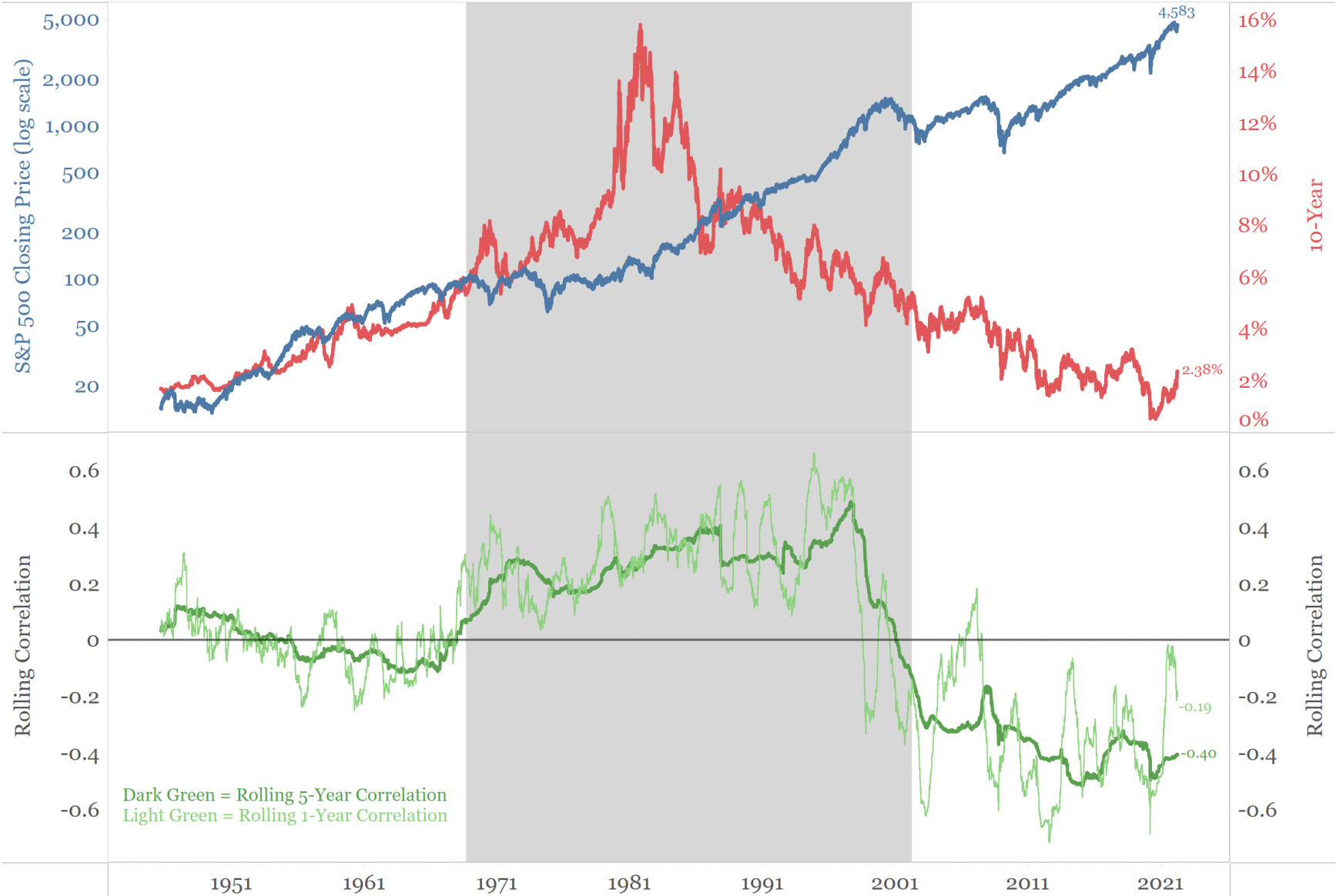
Best Quarterly Total Return Across Asset Classes



Data: Bloomberg

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Stock/Bond Correlation

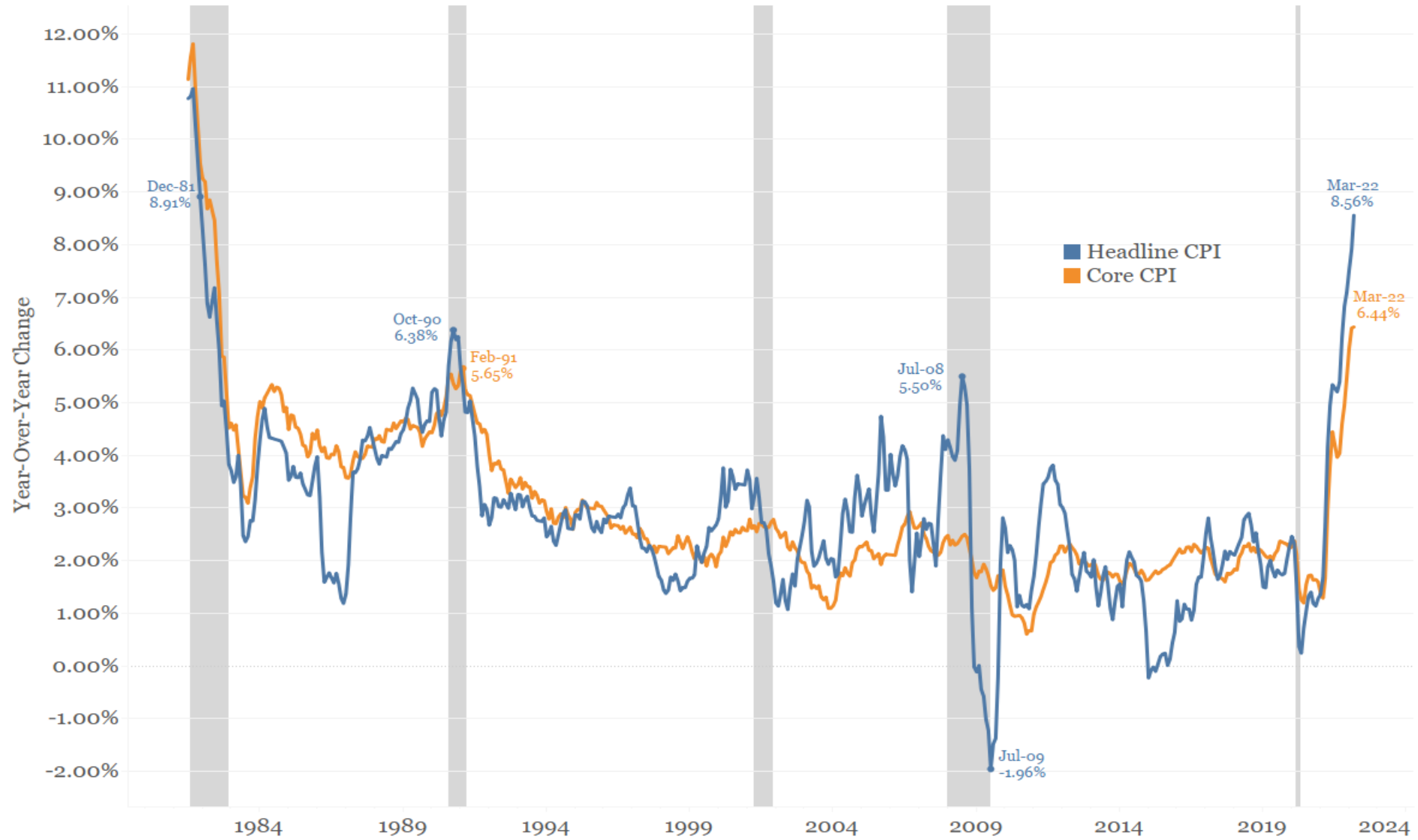


Source: U.S. Treasury & The Federal Reserve

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Year-Over-Year Change in CPI

Seasonally Adjusted

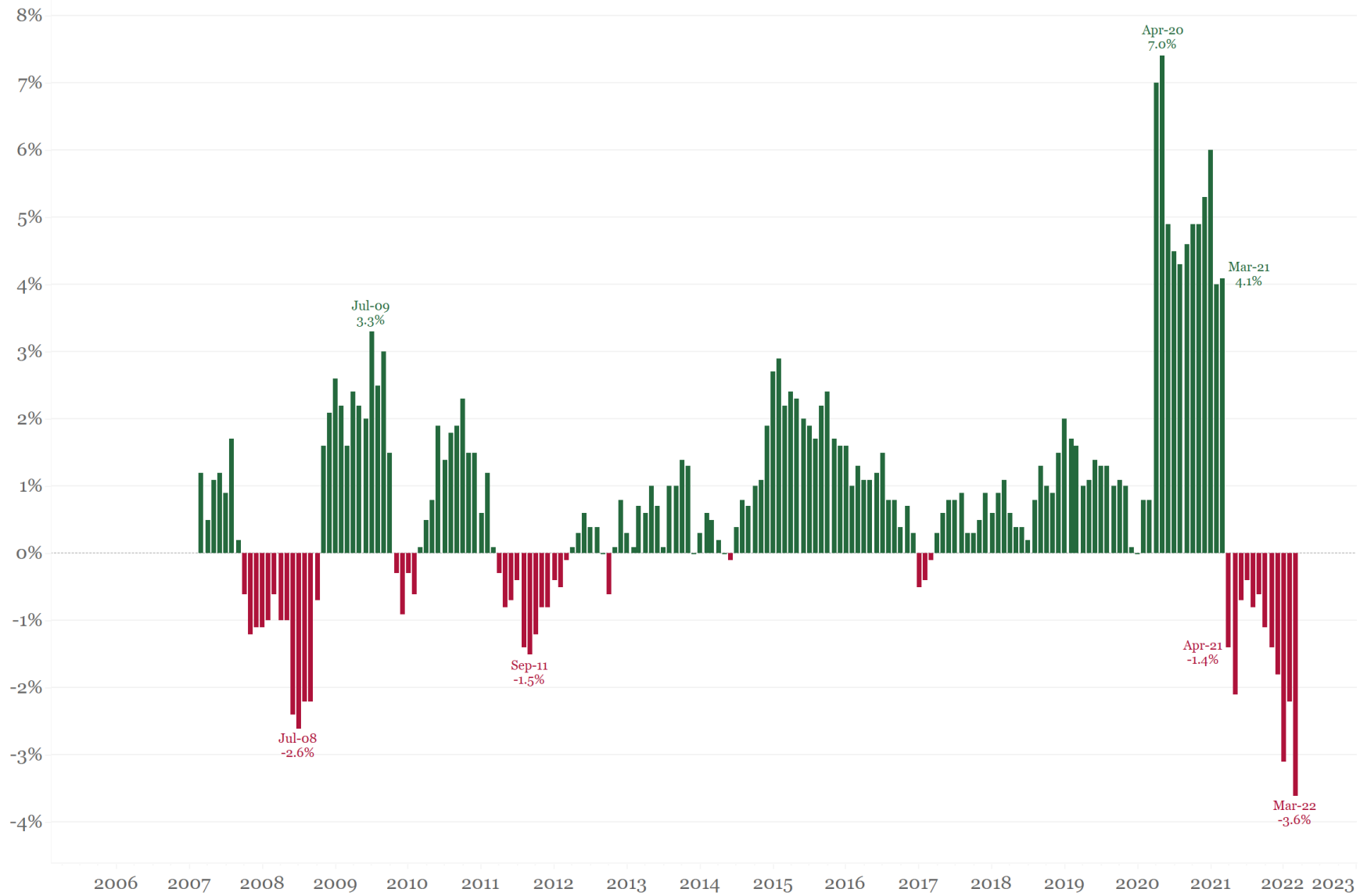


Source: The Bureau of Labor Statistics

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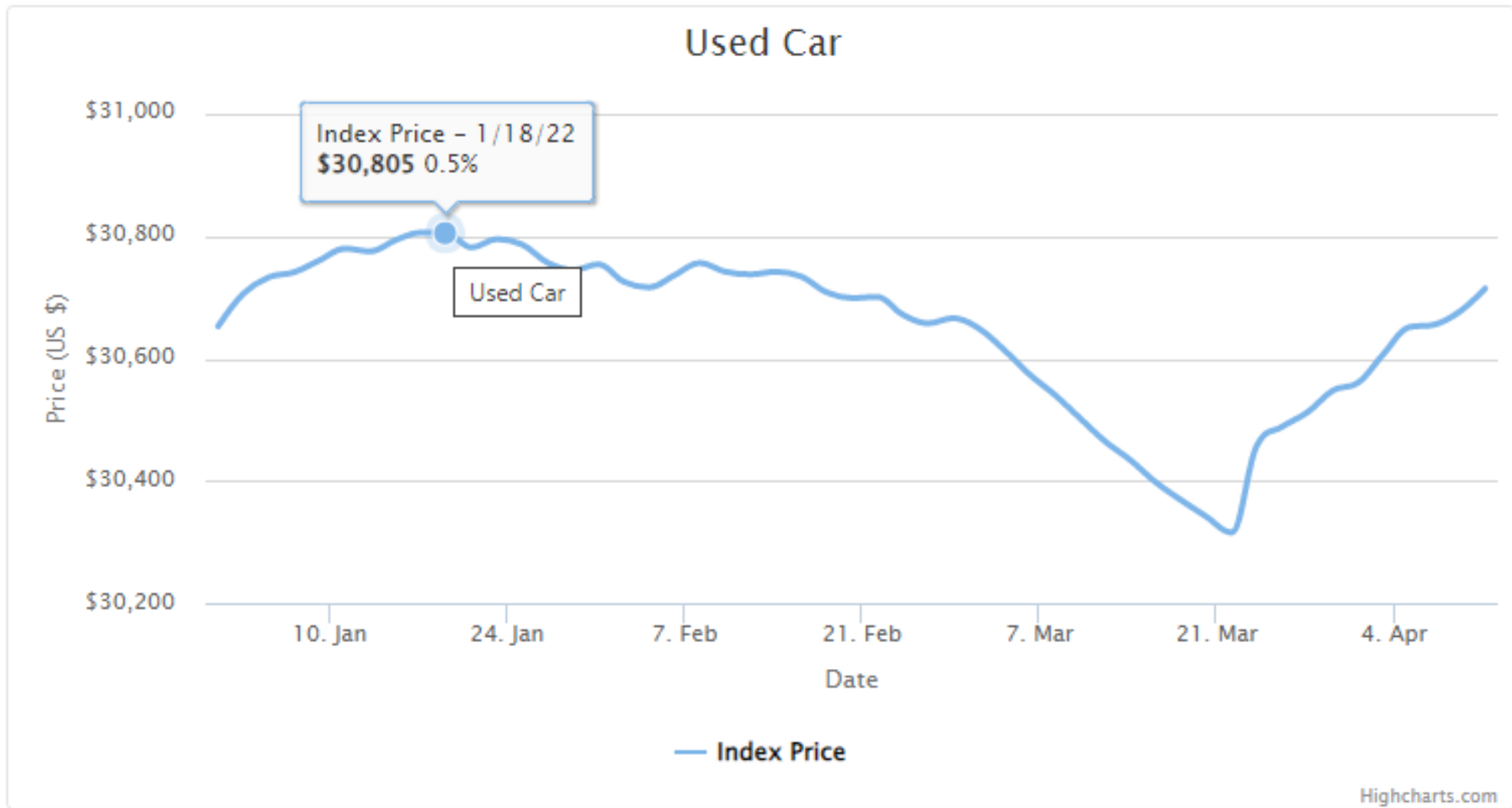
US Real Average Weekly Earnings YoY SA

Wages minus Inflation



Source: The Bureau of Labor Statistics, Bloomberg

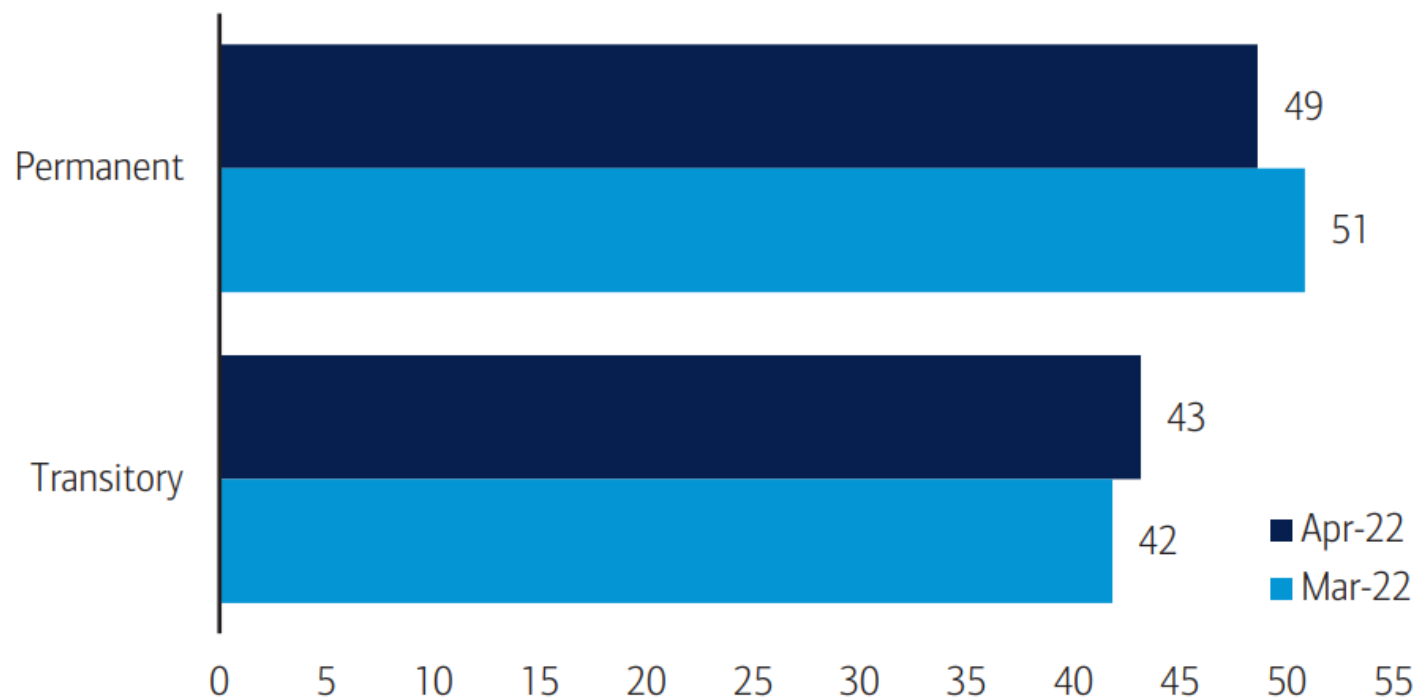
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	Make	Avg Price	Last 30 Days	Last 90 Days	YoY
<input checked="" type="checkbox"/>	CarGurus Index	\$30,732	+0.94%	-0.15%	+29.97%

Chart 8: 49% of investors think inflation is permanent

Do you think inflation is transitory or permanent?



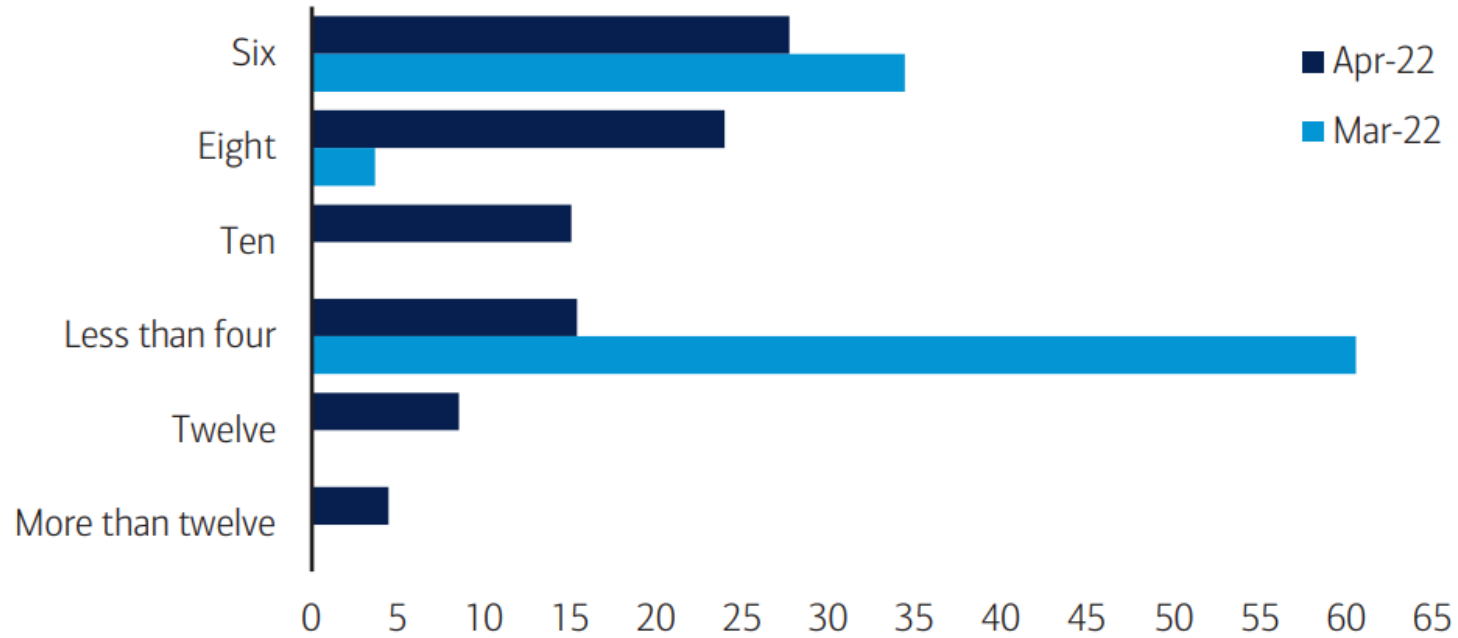
...while the number respondents that think inflation is permanent fell to 49% (from 51%). 43% of investors think it is transitory.

Source: BofA Global Fund Manager Survey

BOFA GLOBAL RESEARCH

Chart 10: Investors expect 7.4 rate hikes this tightening cycle...

How many times do you think the Fed will hike rates in this tightening cycle?



...with FMS investors now expecting 7.4 Fed hikes in 2022 (up from 4.4 in Mar)...

Source: BofA Global Fund Manager Survey

BofA GLOBAL RESEARCH

When Does the Market Expect the Fed to Hike?

Probability of Hikes as of April 12 2022 (One completed at March 16 meeting)

Green Cells Mark Hike Probabilities over 50%, Bold 40% to 49%

FOMC Meeting	Two Hikes to 0.50% - 0.75%	Three Hikes to 0.75% - 1.00%	Four Hikes to 1.00% - 1.25%	Five Hikes to 1.25% - 1.50%	Six Hikes to 1.50% - 1.75%	Seven Hikes to 1.75% - 2.00%	Eight Hikes to 2.00% - 2.25%	Nine Hikes to 2.25 - 2.50%	Ten Hikes to 2.50% - 2.75%	Eleven Hikes to 2.75% - 3.00%	Twelve Rate Hikes to 3.00% to 3.25%	Thirteen Rate Hikes to 3.25% to 3.50%
16-Mar-22												
4-May-22	100%	87%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
15-Jun-22	100%	100%	100%	90%	20%	0%	0%	0%	0%	0%	0%	0%
27-Jul-22	100%	100%	100%	100%	95%	53%	10%	0%	0%	0%	0%	0%
21-Sep-22	100%	100%	100%	100%	100%	100%	96%	62%	18%	2%	0%	0%
2-Nov-22	100%	100%	100%	100%	100%	100%	93%	58%	17%	2%	0%	0%
14-Dec-22	100%	100%	100%	100%	100%	100%	99%	91%	56%	16%	2%	0%
1-Feb-23	100%	100%	100%	100%	100%	100%	100%	96%	78%	41%	11%	1%
15-Mar-23	100%	100%	100%	100%	100%	100%	100%	99%	92%	69%	34%	8%
3-May-23	100%	100%	100%	100%	100%	100%	100%	99%	95%	78%	47%	18%
14-Jun-23	100%	100%	100%	100%	100%	100%	100%	100%	97%	85%	60%	30%
26-Jul-23	100%	100%	100%	100%	100%	100%	100%	100%	97%	88%	66%	37%

Source: The Chicago Mercantile Exchange

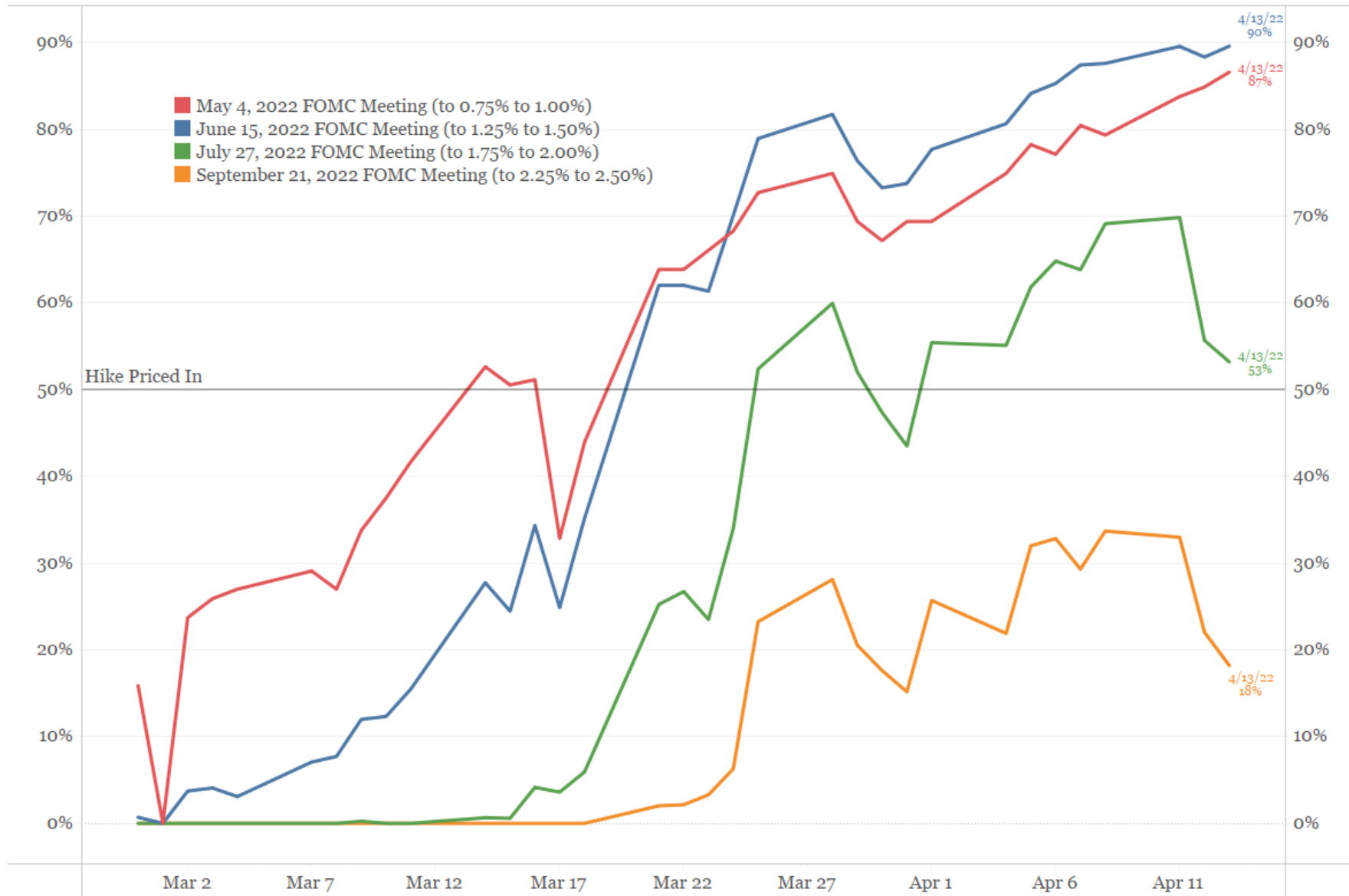
<https://www.cmegroup.com/trading/interest-rates/countdown-to-fomc.html>

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The Probability The Fed Hikes 50 Basis Points At The Next Four FOMC Meetings

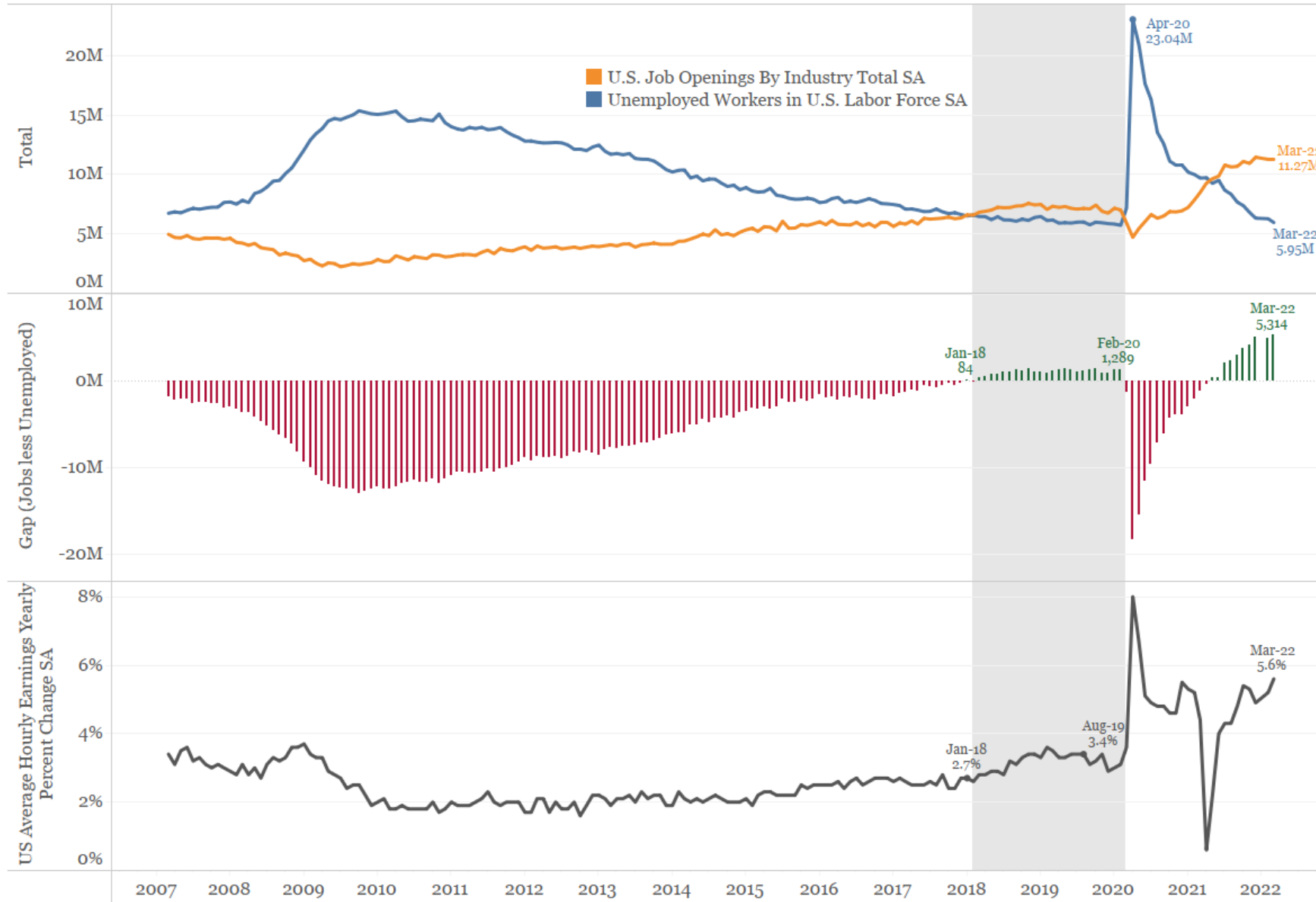
As Calculated by the Chicago Mercantile Exchange's Fed Watch Tool



Source: Chicago Mercantile Exchange
<https://www.cmegroup.com/trading/interest-rates/countdown-to-fomc.html>

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A Shortage of Workers?



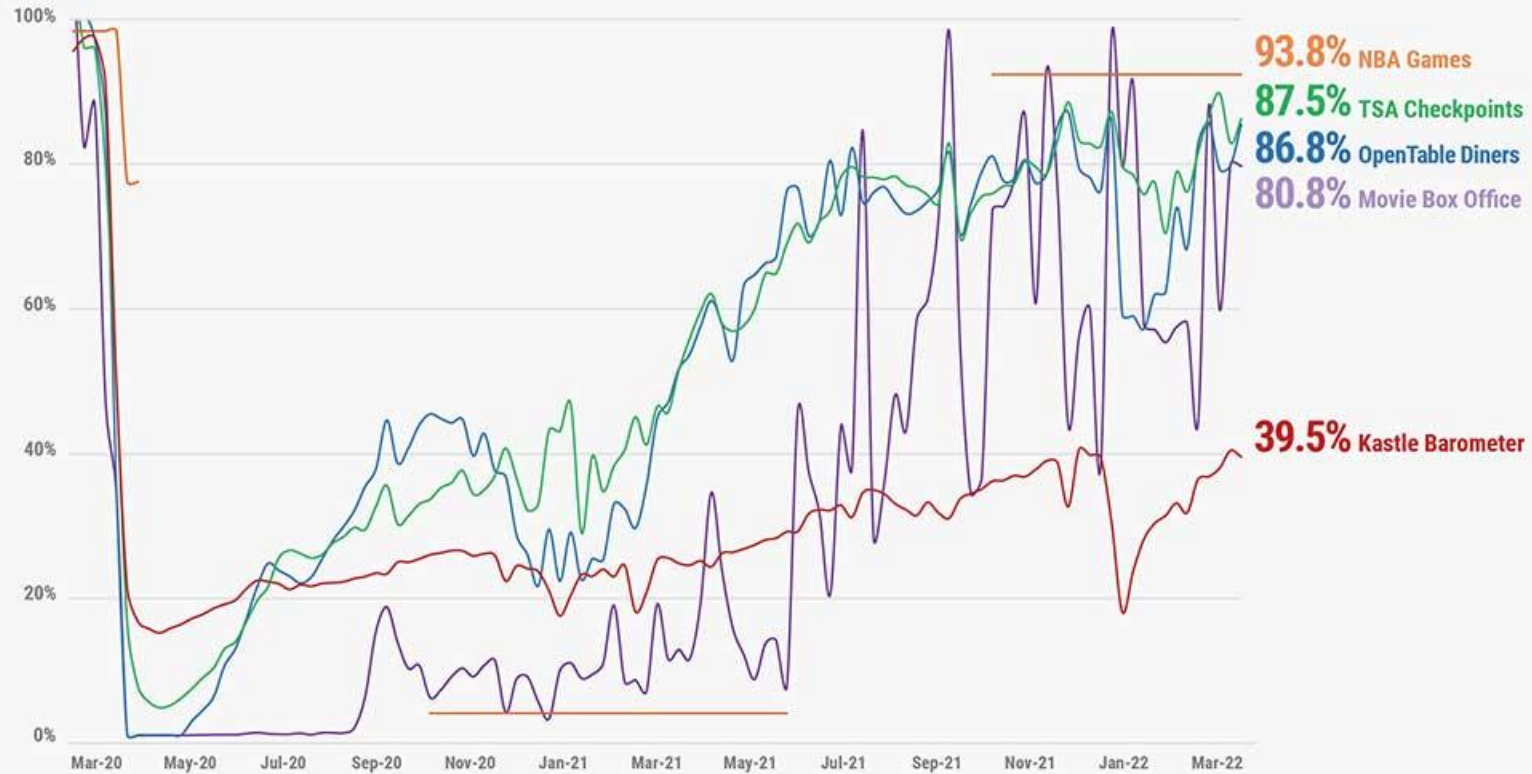
Source: Conference Board, Bureau of Labor Statistics, Bloomberg

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RETURN TO NORMAL. BUT NOT TO THE OFFICE.

IN-PERSON ACTIVITIES AS A % OF ACTIVITIES IN 2019

MARCH 2020 TO MARCH 2022

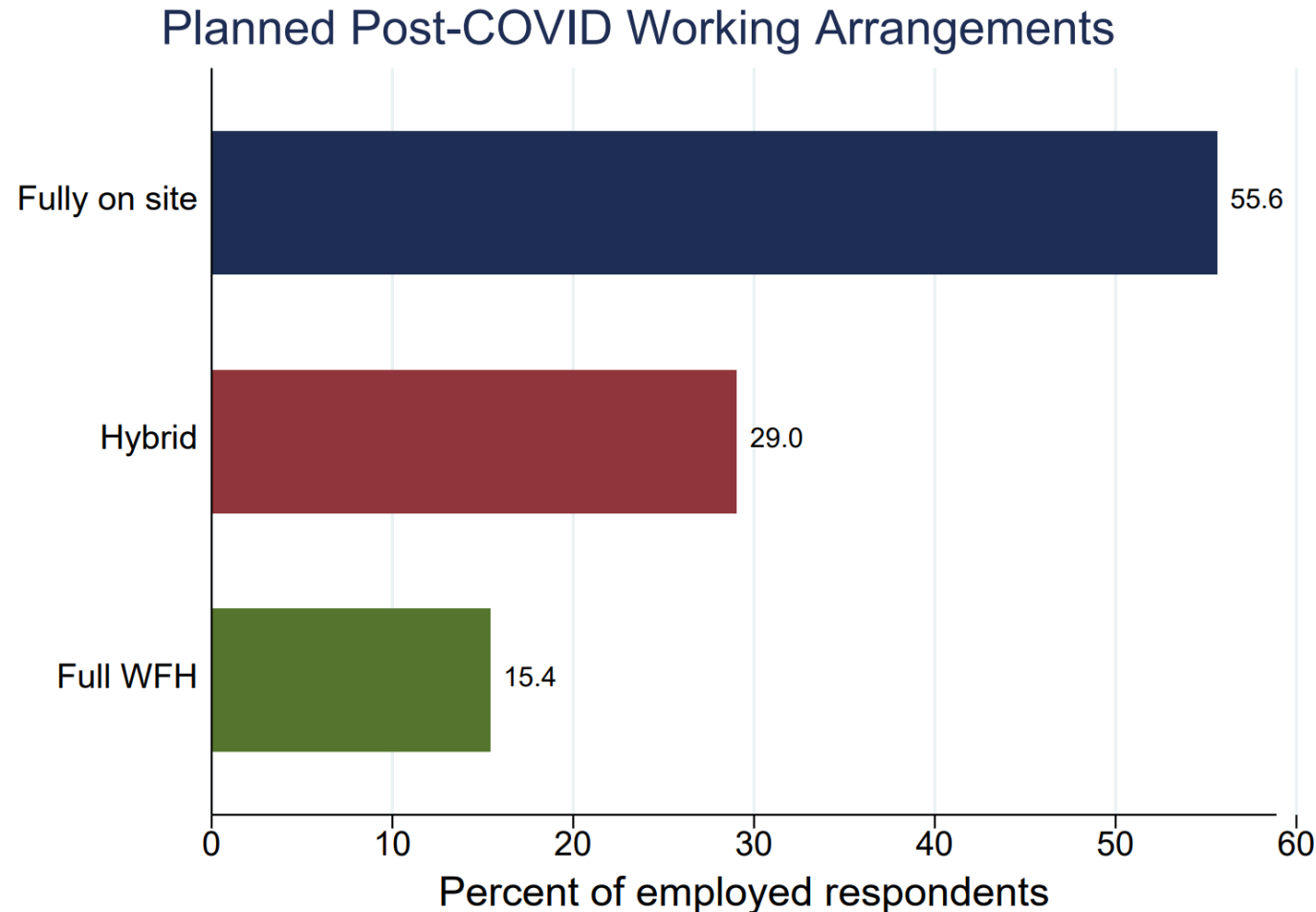


Kastle Back to Work Barometer: Kastle customers are in more than 2,600 buildings in 138 cities. The Barometer reflects swipes of Kastle access controls from the top 10 cities, averaged weekly. It summarizes recent weekday building access activity among our business partners, not a national statistical sample.

Sources: Restaurant Seated Diners Database Sourced by Open Table; TSA Checkpoint travel numbers sourced by U.S. Transportation Security Administration; National Basketball Association Stadium Attendance data sourced by ESPN; Movie Theater Attendance data sourced by Box Office Mojo by IMDbPro.



Post COVID employees will split into three groups: fully on site, hybrid and fully WFH



Front-line employees, mostly non-graduates, lower paid,

Professionals and managers, mostly graduates, higher paid

Specialized roles - IT support, payroll etc, often contractors

Source: Data from 16,575 US responses in August through December 2021, reweighted to match the US population. Details on <https://wfhresearch.com/>. Built on Barrero, Bloom and Davis “Why working from home will stick” (2021, NBER Working Paper).

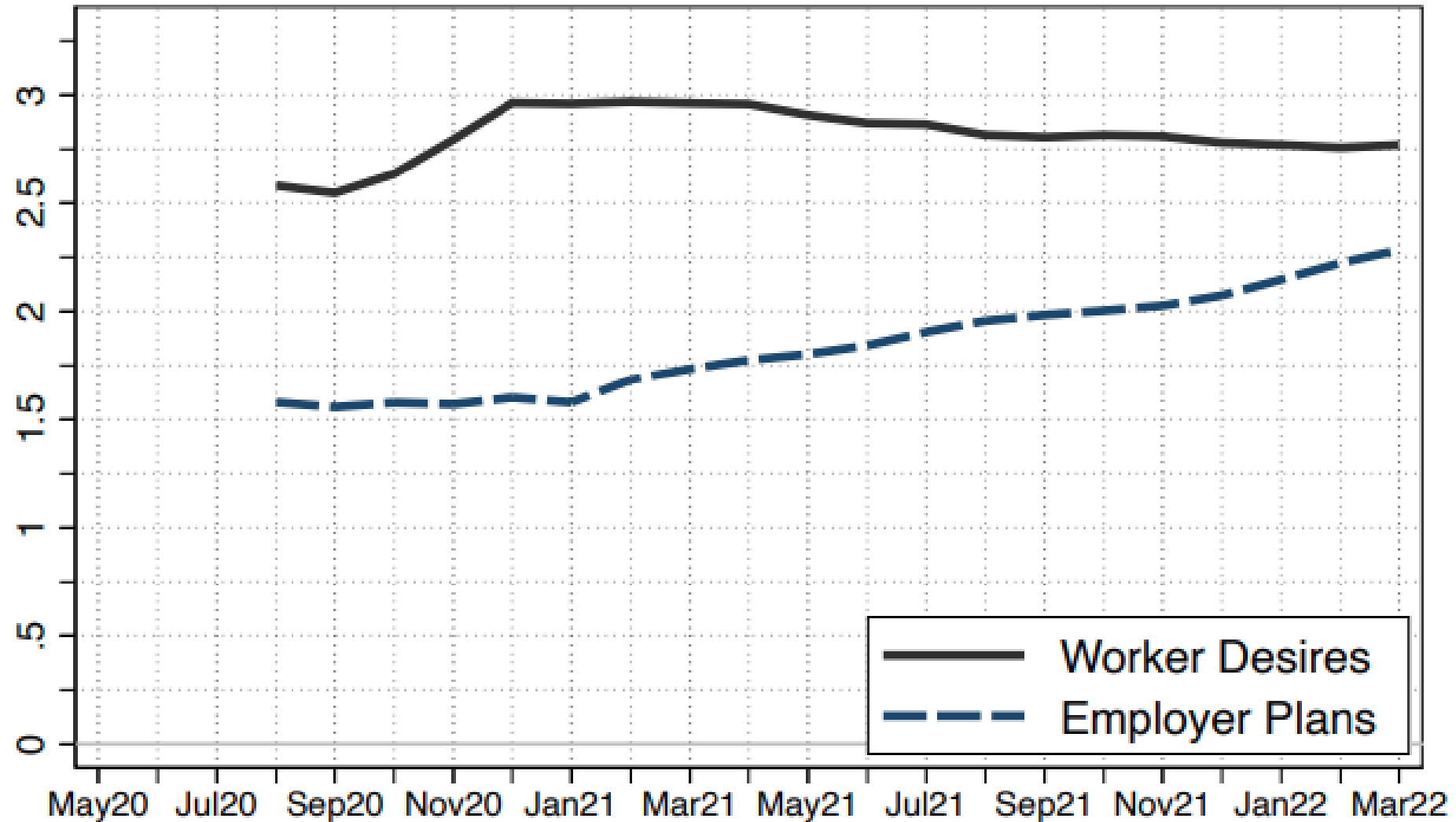
Percentage of paid full days worked from home



*Pre-COVID estimate taken from the 2017-2018 American Time Use Survey

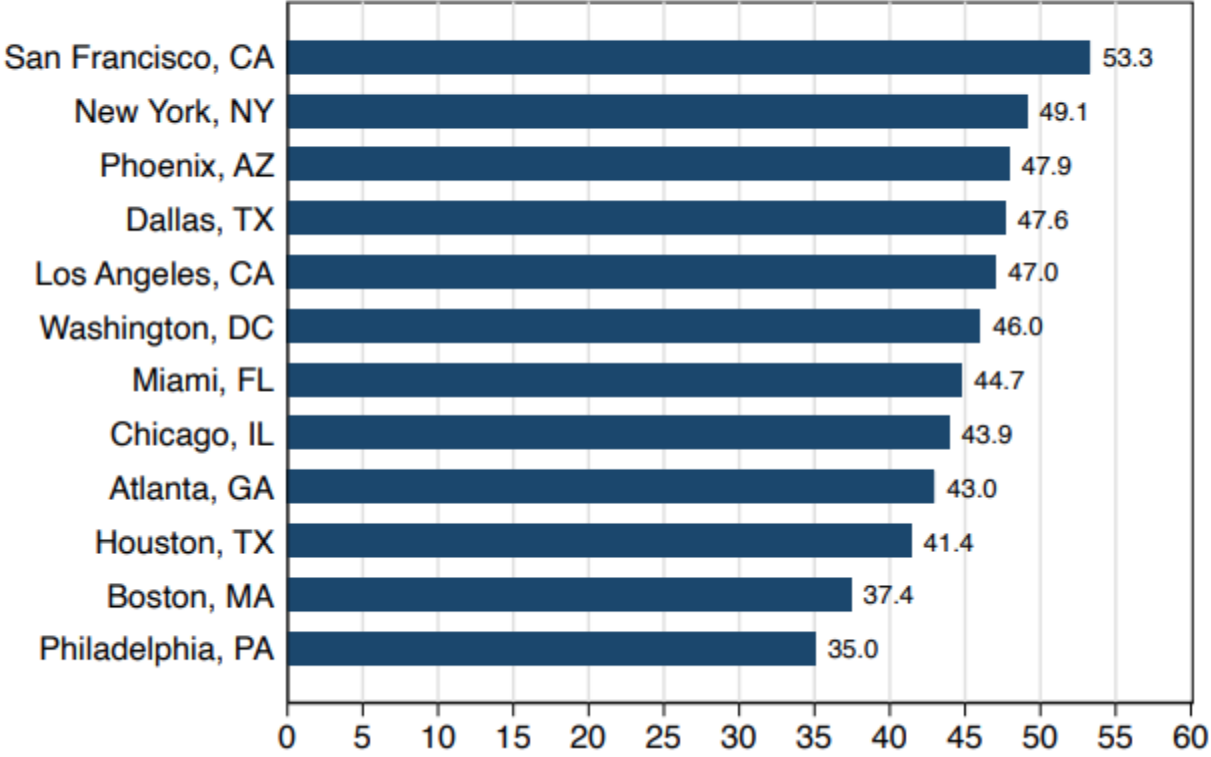
**Post-COVID estimate based on the latest survey wave

Average Days per Week Working From Home After the Pandemic Ends: Workers Able to WFH



Sample: Workers able to work from home

Reduction of person days on business premises (percent)
by MSA of Current Residence



Reduction in spending (\$ per person per year)
by MSA of Current Residence

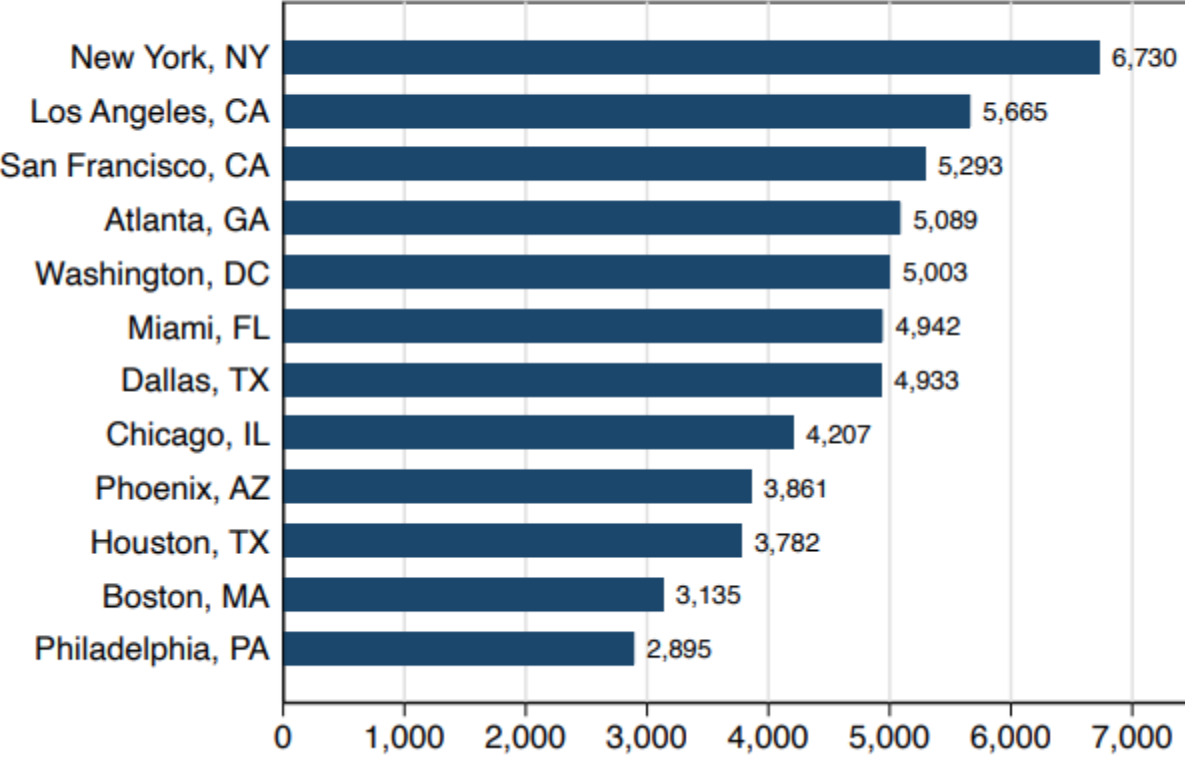


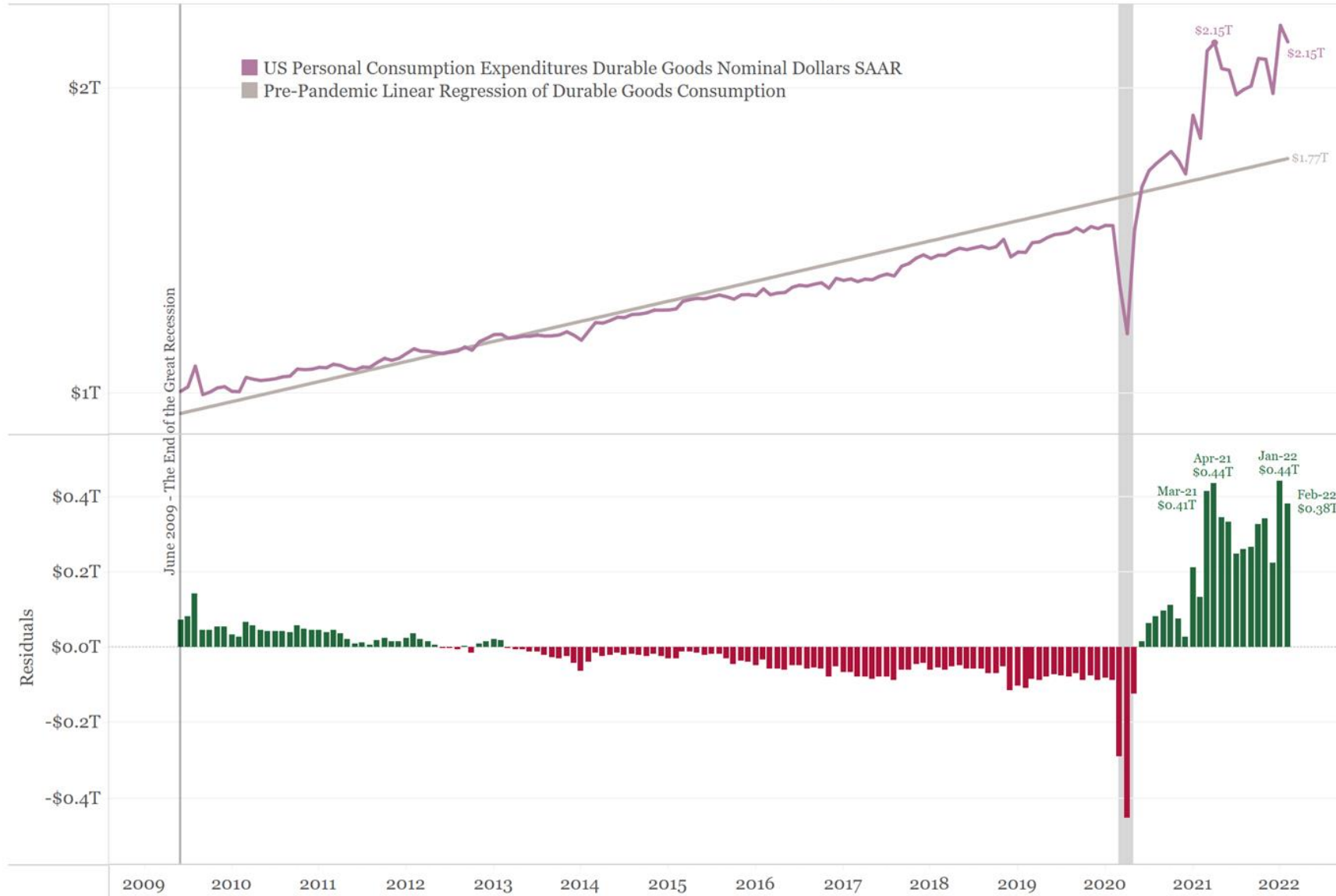
Fig. 1 Consumer Spending Swings to Goods

Deviation from Pre-Pandemic Average Share of PCE, Nominal



Source: Flexport calculations based on U.S. Bureau of Economic Analysis data

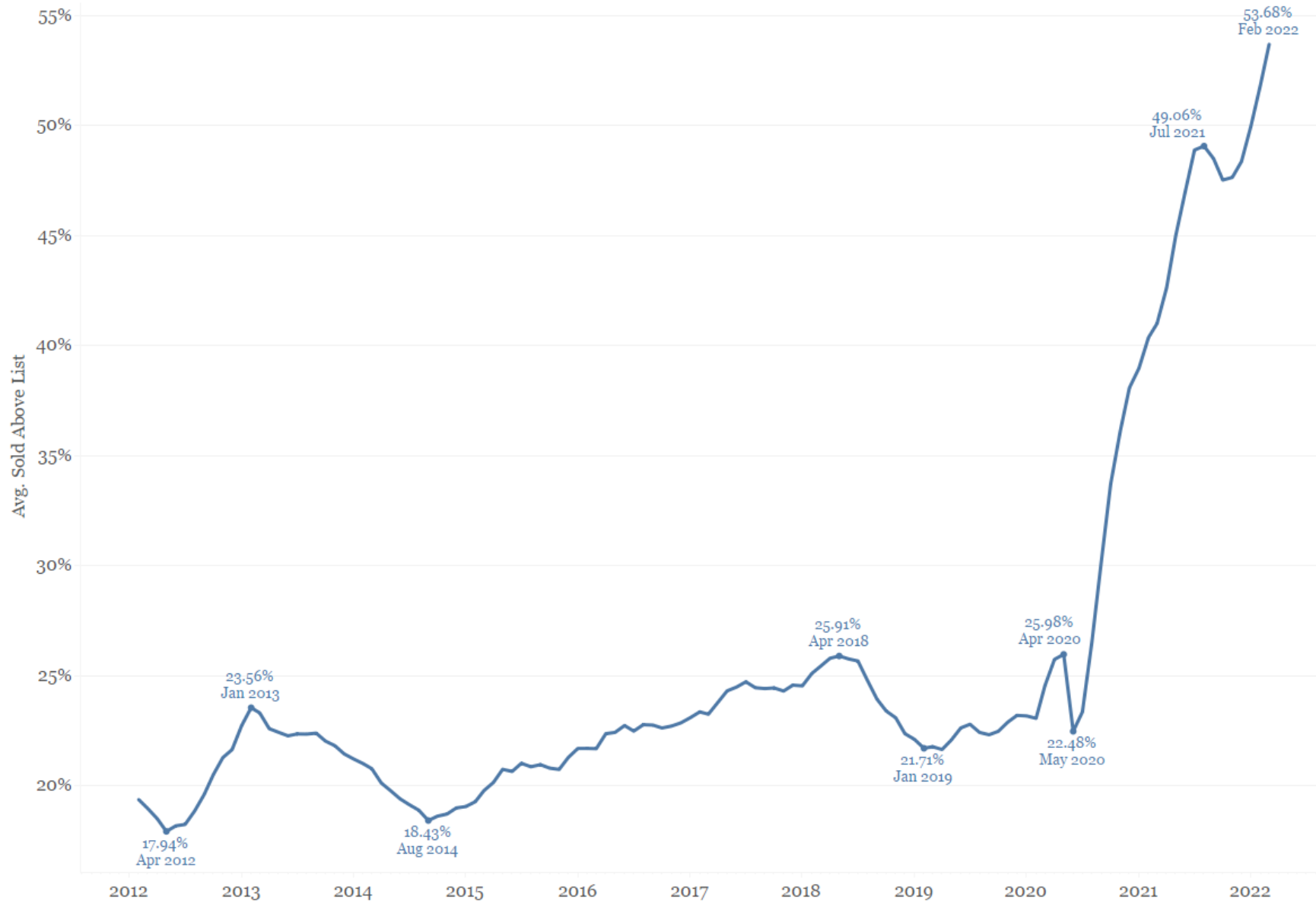
Durable Goods Consumption



Source: Bureau of Economic Analysis, Bloomberg

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Percent of Homes Sold Above List Price



Source: Redfin

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Median Days on Market

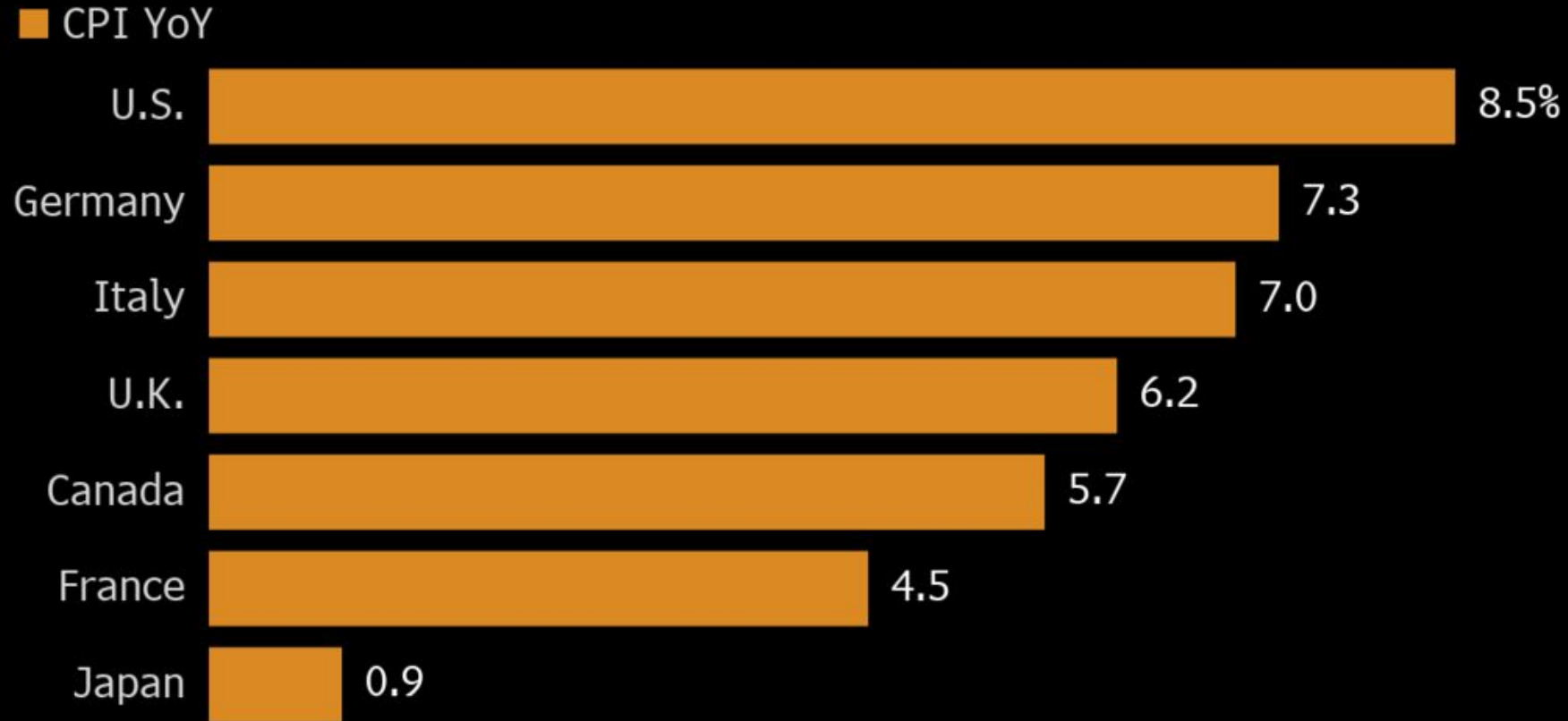


Source: Redfin

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Degrees of Pain

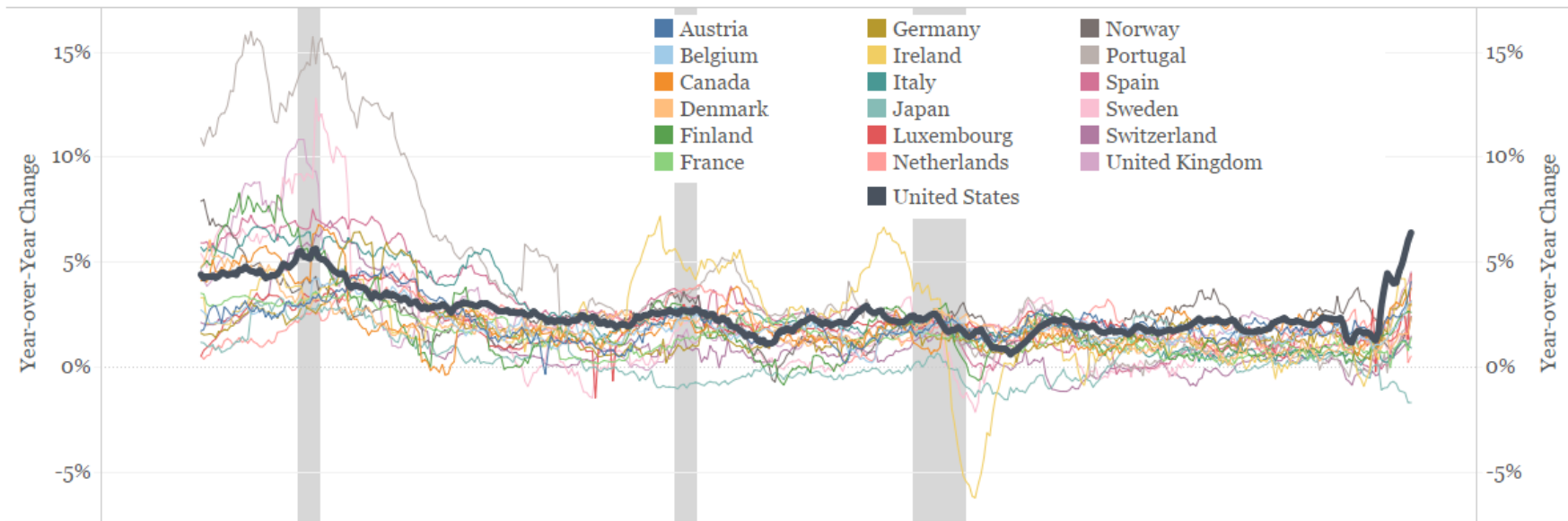
Consumer prices in the U.S. highest in G-7



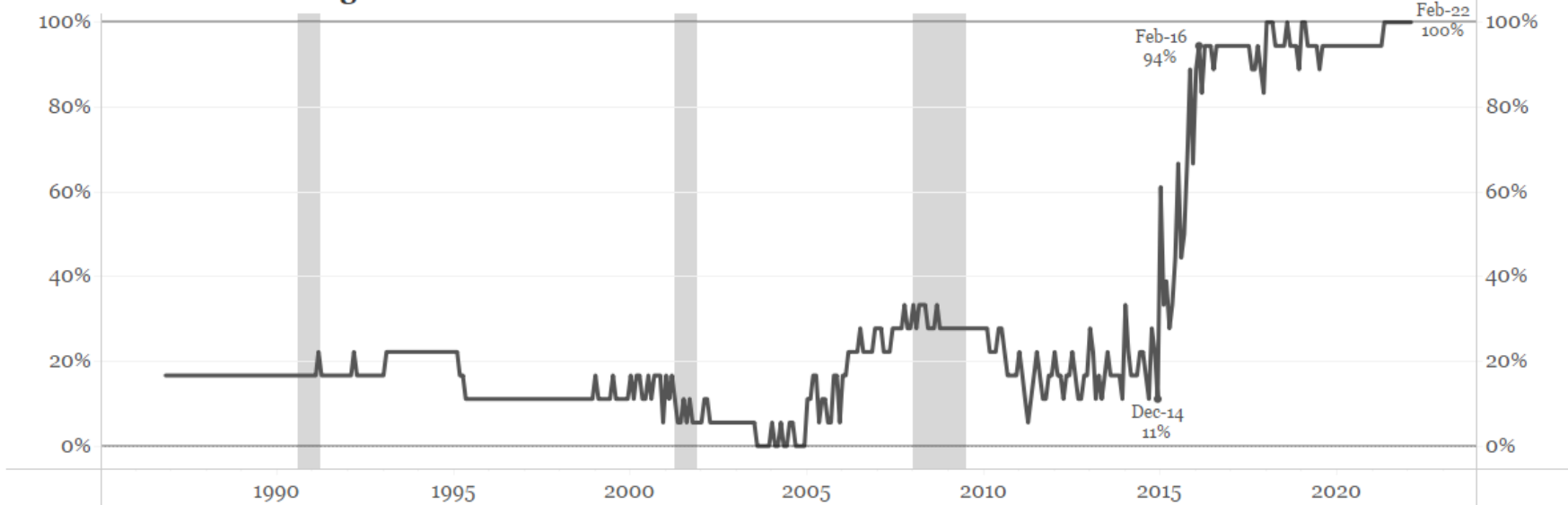
Source: CPI, Bloomberg data
Most countries reflects March data

Bloomberg

Worldwide Core Inflation Rates



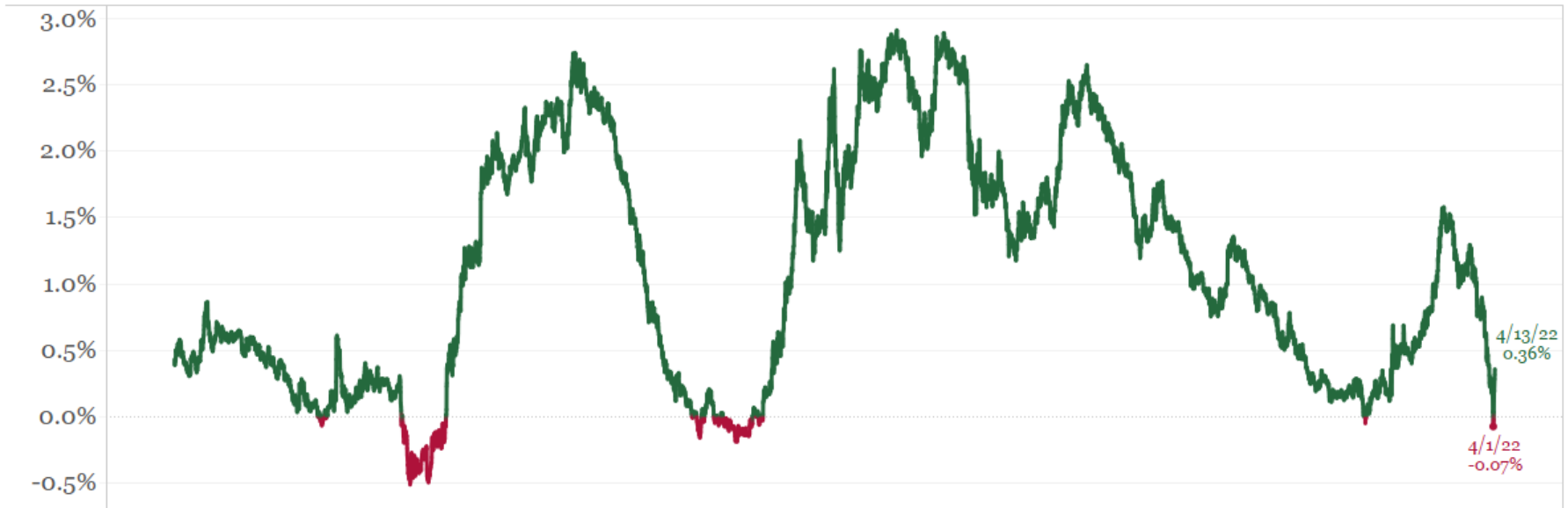
Percentage of Countries With Core Inflation Rates Below the United States



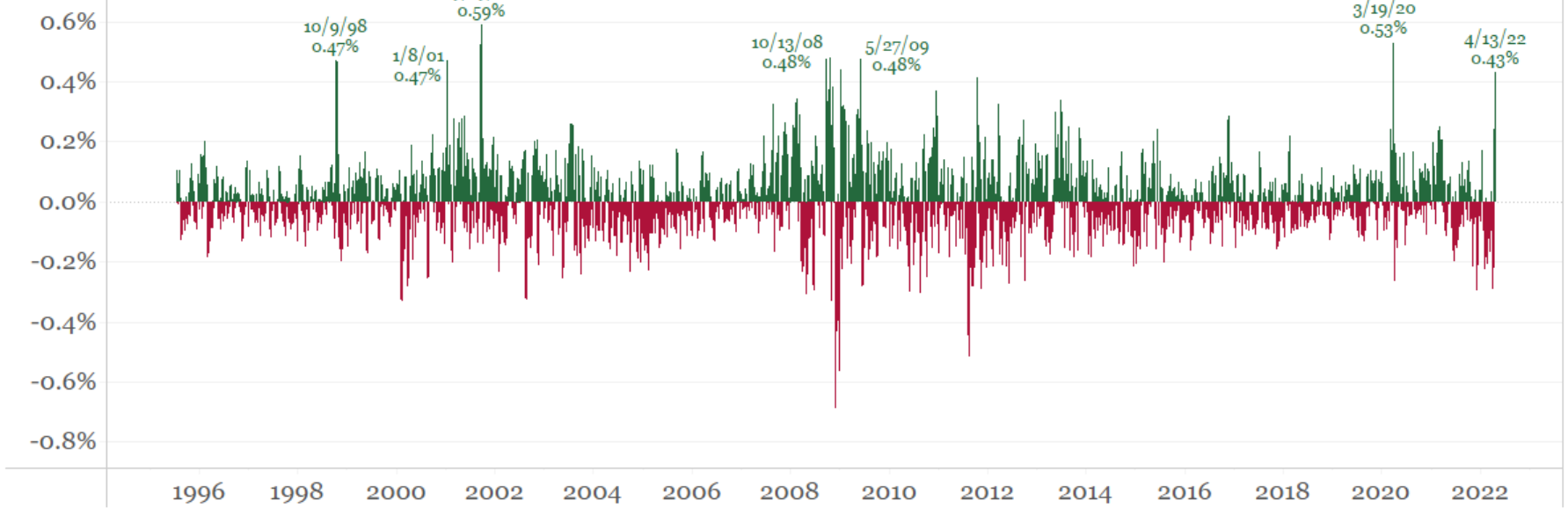
Source: Organization for Economic Cooperation and Development

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2Yr/10Yr Spread



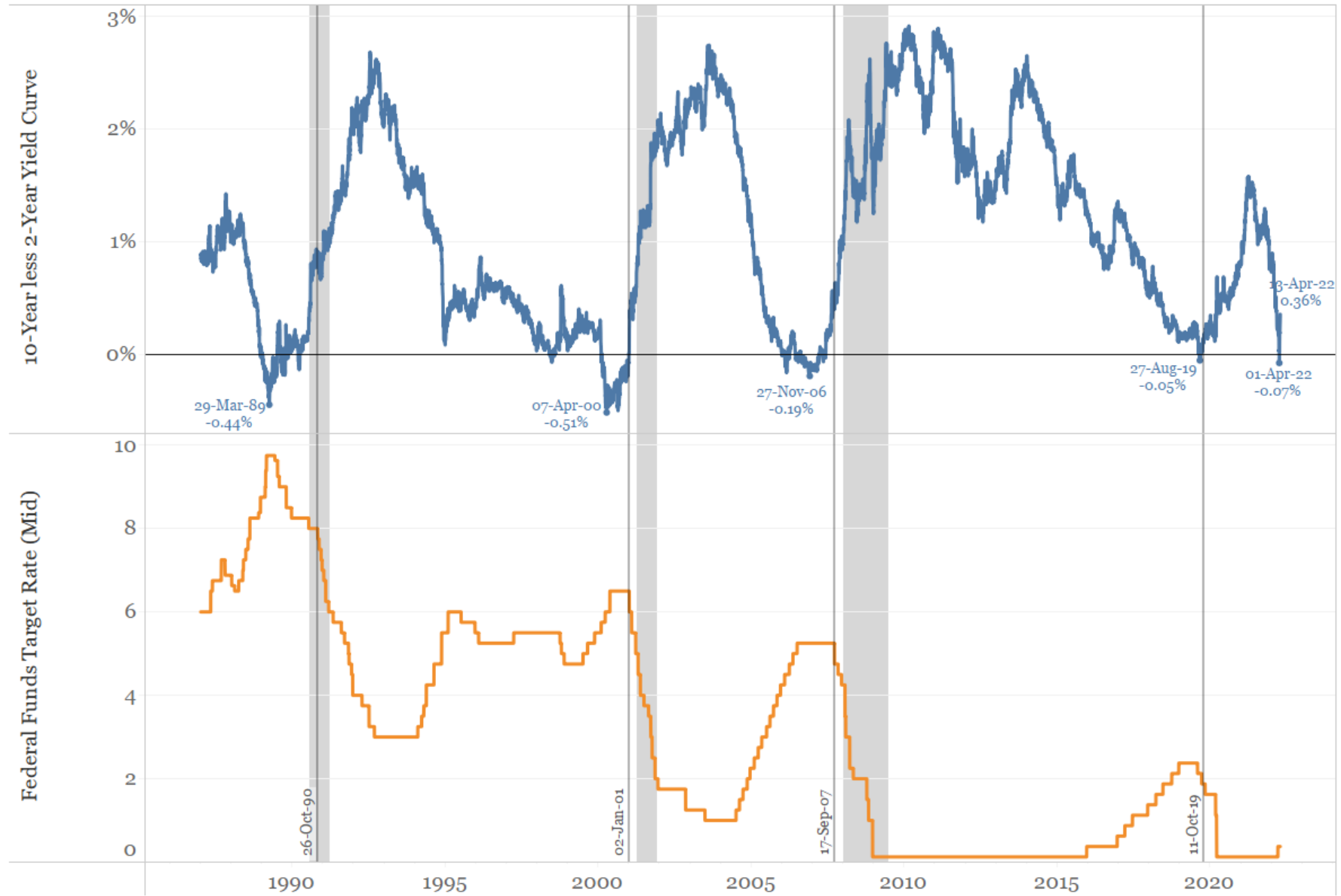
8-day Change of the Yield Curve



Source: Bloomberg

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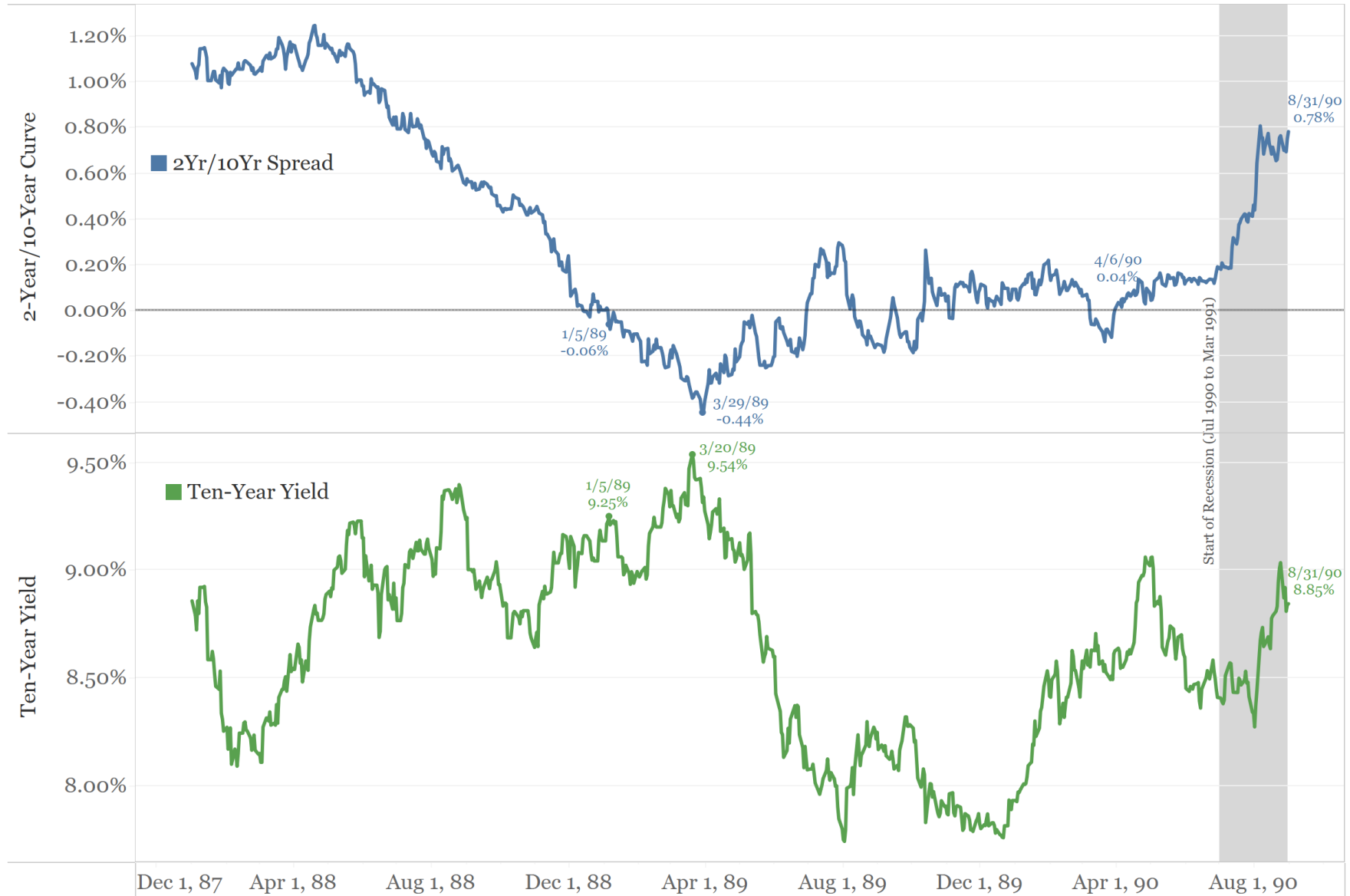
The Yield Curve Does A "Wheelie" When The Fed Gets Aggressive



Data Source: Federal Reserve and Bloomberg

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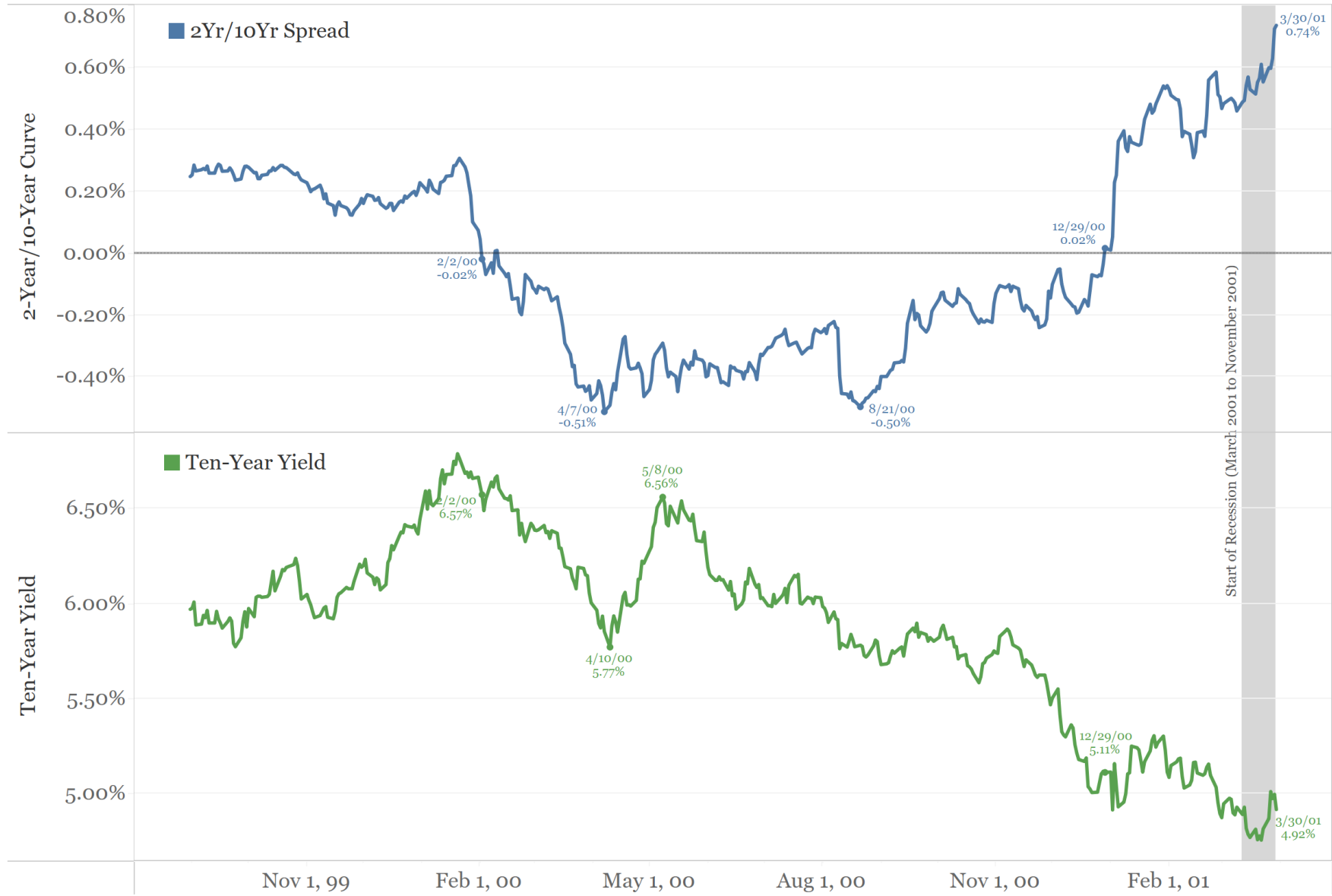
1988 to 1990 Inversion



Data Source: Federal Reserve and Bloomberg

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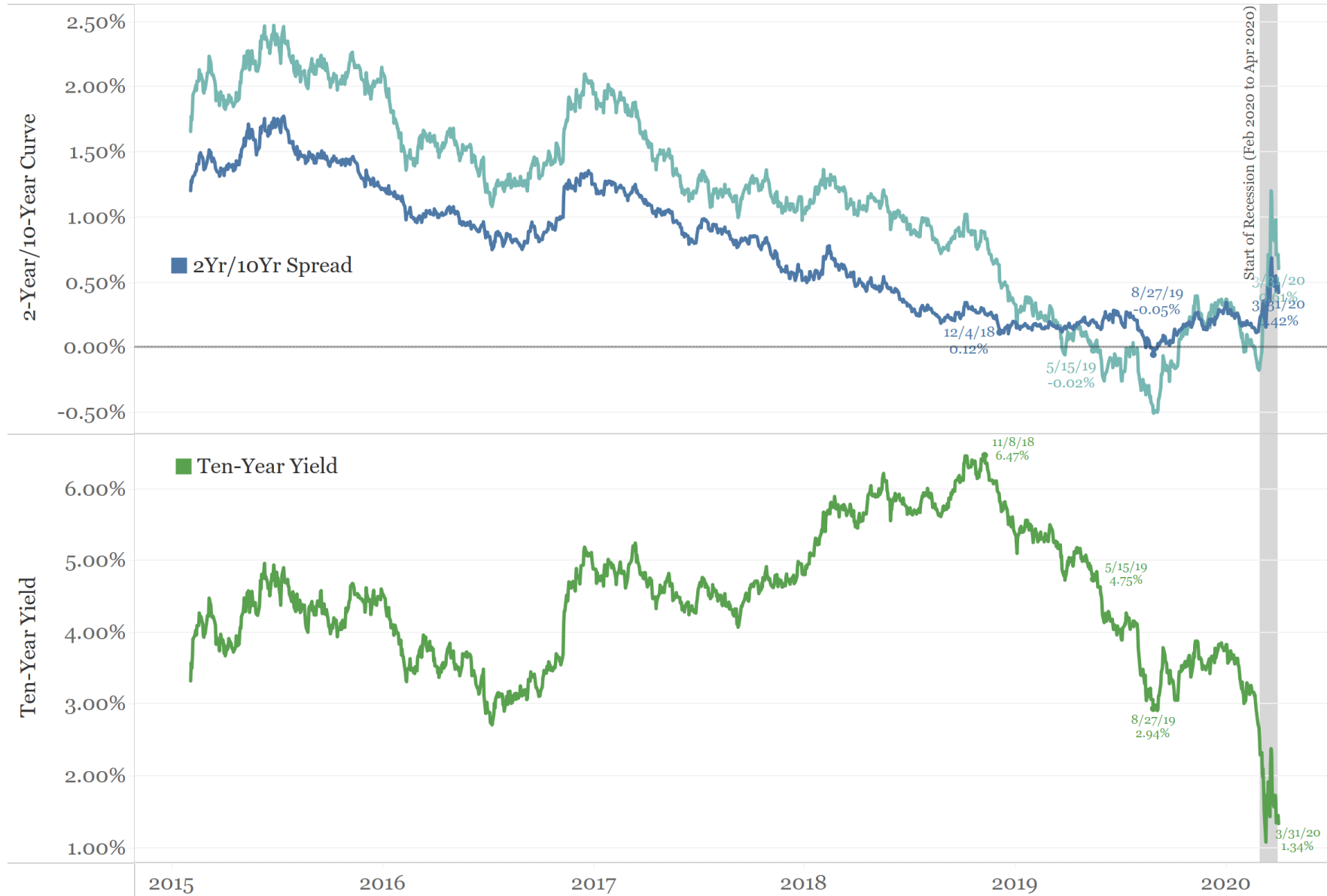
1998 to 2000 Inversion



Data Source: Federal Reserve and Bloomberg

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2019 Inversion



Data Source: Federal Reserve and Bloomberg

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