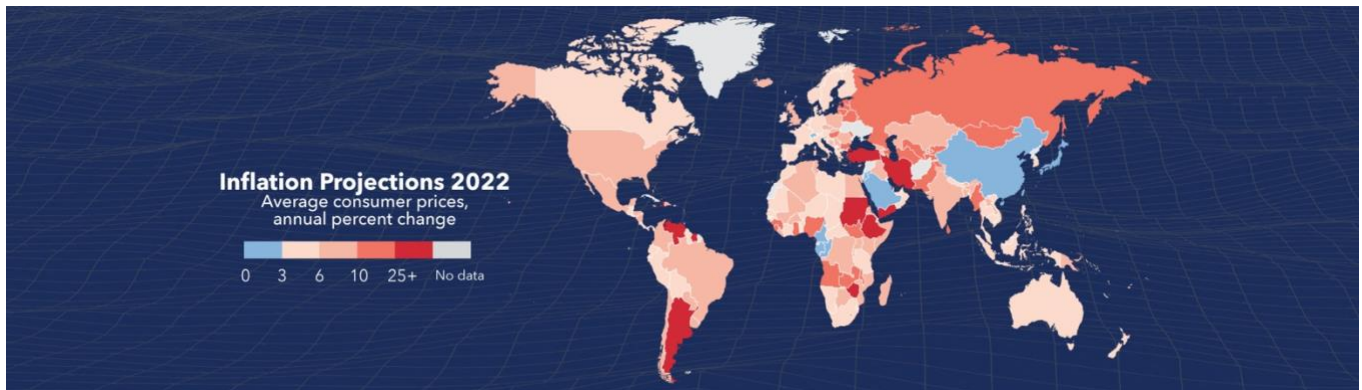


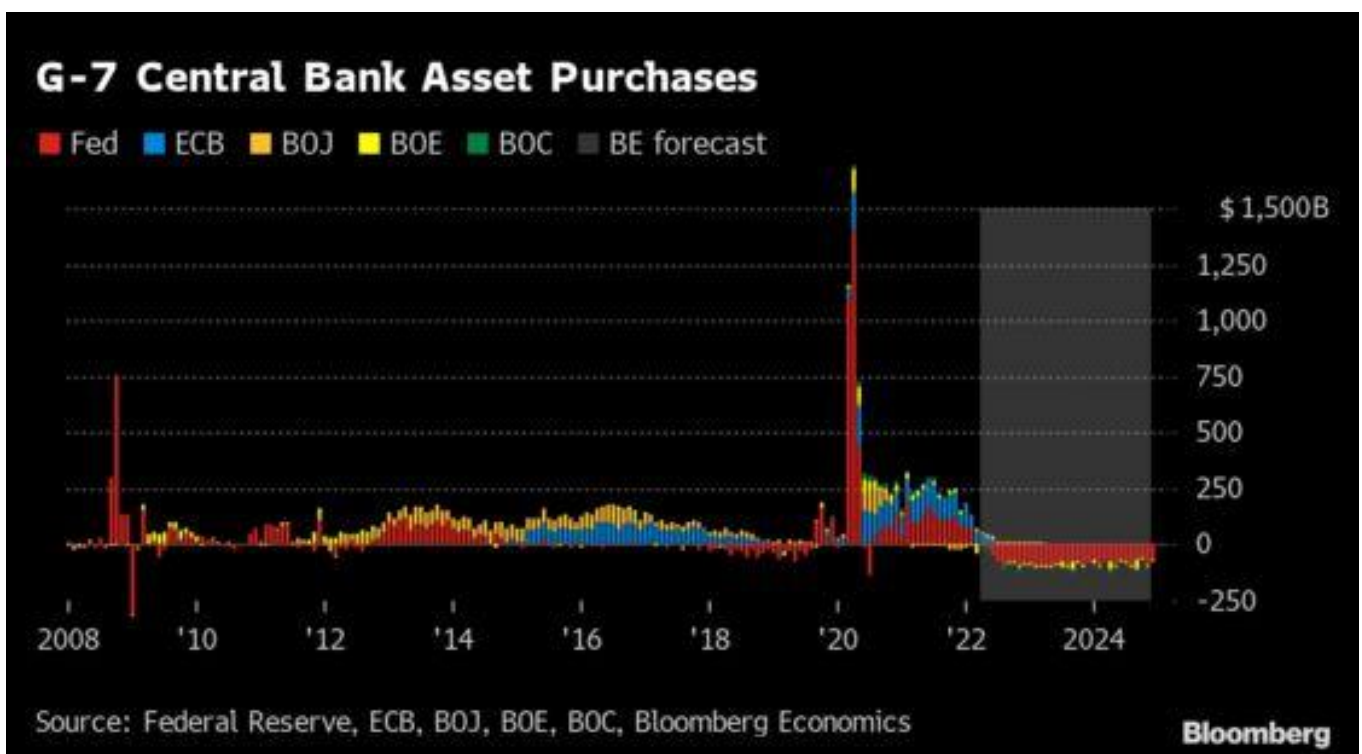
The Federal Reserve meets on Tuesday and Wednesday of this week to decide the fate of the speed at which [quantitative tightening takes hold](#). And you, Jerome Powell is Danny Noonan. Inflation is Jude Elihu Smailes, and as he so eloquently said, ["Wellllll, we're waiting"](#).



As readers of these pages know, our opinion is the bigger the better as everyone knows that there is about 250 basis points to go before we get to anything that looks like normalized rates given the painful spike in prices. This, friends, is not a pretty map. Especially for those [living in emerging](#) and frontier markets.



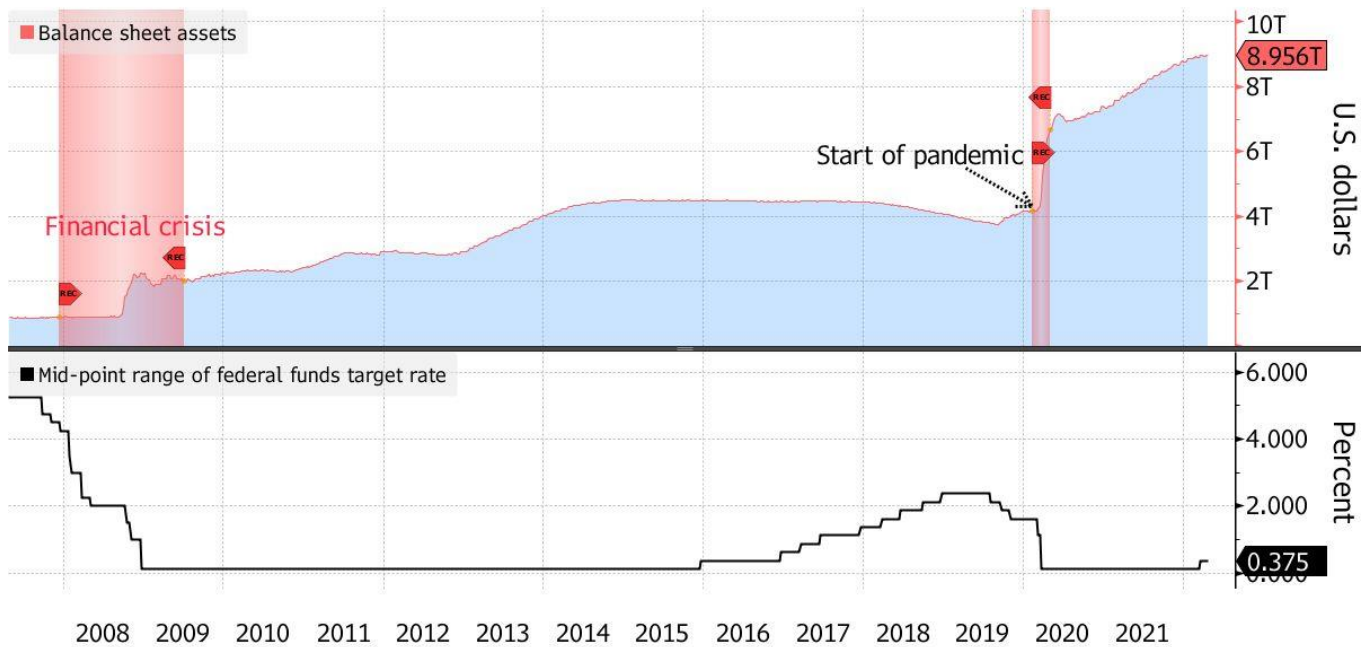
Bloomberg ran a [great piece](#) on Sunday night talking about the end of easy money and looked at all aspects of what this will be like in terms of an across-the-board pair down, including the reversal of asset purchases by all central banks.



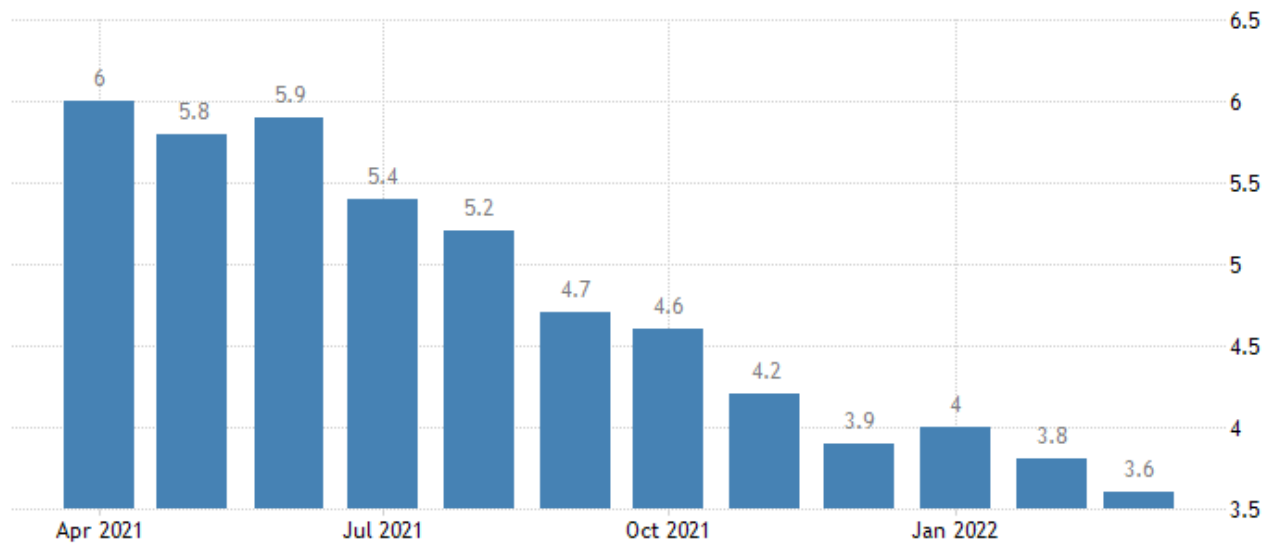
Last chart we leave you with is the one that shows [the size of the response](#) to Covid versus the Global Financial Crisis circa 2008. At the time, QE was the size of Jupiter, now it looks like Mercury. We would have said Pluto, but it's not a planet anymore, apparently.

Sizable Support

Size of Fed's balance sheet is more than a third of the size of U.S. GDP



There is the big April jobs report hitting the tape on Friday. This widely watched release has taken on even more meaning in the last twelve months as it has become a barometer for how far behind the curve the Fed has been when it comes to the ZIRP (Zero Interest Rate Policy) and the real economy. I mean come on, a 3.6% unemployment rate. Are you kidding me? This is boomtime city, baby.

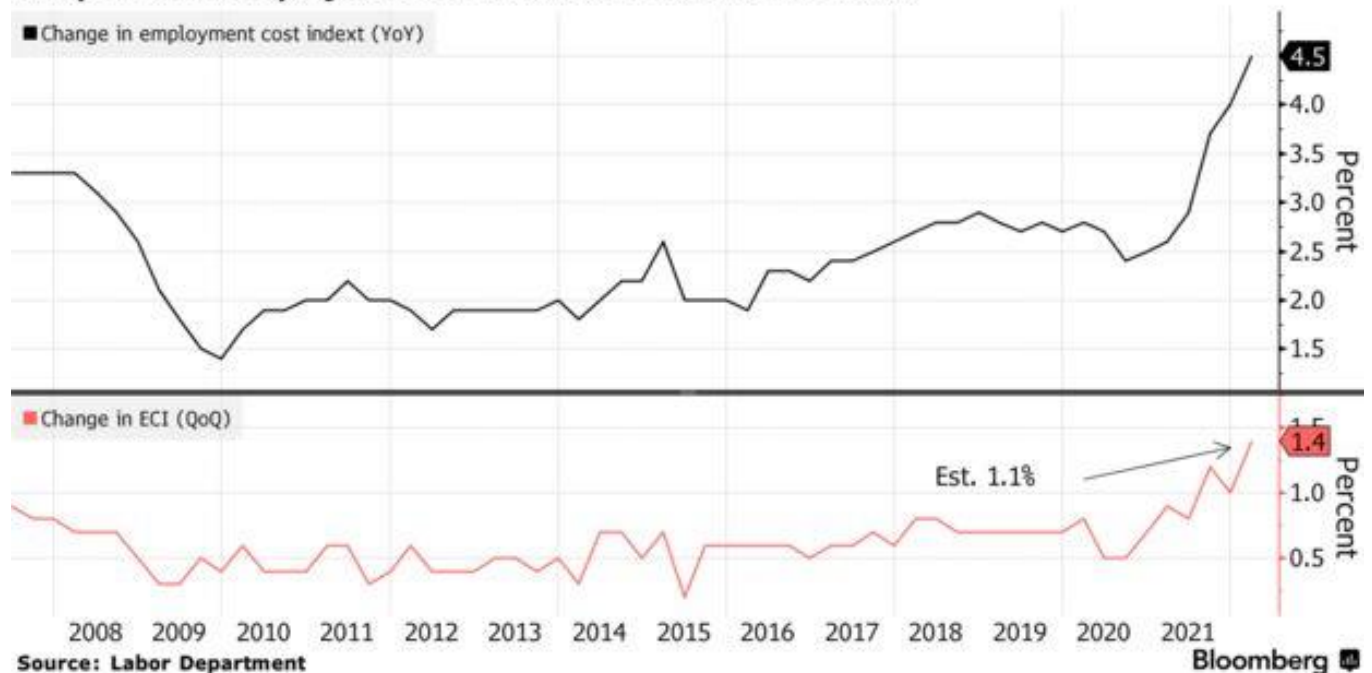


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We found this chart during our weekend scrub of the world wide web. It shows the impact of a booming economy, very low cost of capital, and corporations hungry to keep their seats filled with employees, wherever those seats might be.

Record Rise

Jump in U.S. employment costs stokes inflation concerns



The American version of Davos is [taking place again](#) this week in Beverly Hills this week as the 25th edition of the [Milken Institute Global Conference](#) takes place at the Beverly Hilton, with a shadow conference in place across Los Angeles. I've been twice and the highlight is the networking and after-hours events and dinners.



In general, the panel's power players stick to the script. The provocative ones make provocative statements, the tame ones make tame statements. And two thirds the way through most of the audience are on their cell phones. True story.



Earnings are pretty much fully baked for the first quarter of 2022. The previously hottest areas of the market are showing some of the shakiest of fundamentals, while slow and steady has been winning the race. This chart is dated to the end of 2021, but you get the idea about what's happening inside the growth to value rotation.

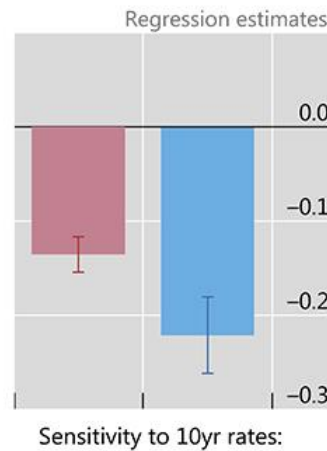
Investors rotate from growth to value as yields increase

Graph A

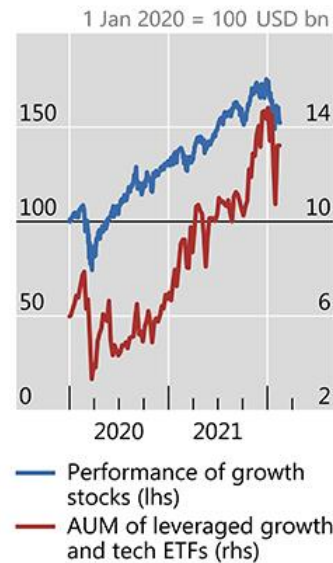
Rotation started in 2021¹



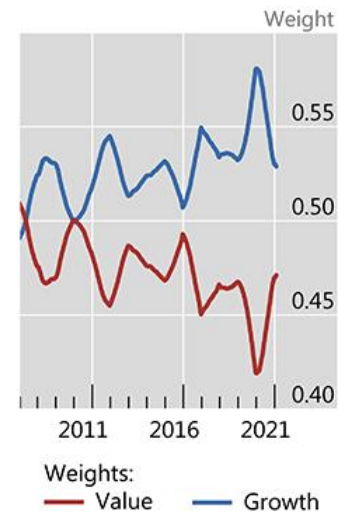
Growth stocks are more sensitive to rates²



The rotation seemed to be exacerbated by leverage



Growth stocks' weight in the S&P 500 index rose³



AUM = assets under management; ETF = exchange-traded fund.

¹ Cumulative annual flows into active and passive ETFs and mutual funds. ² Elasticity of value and growth indices with respect to the 10-year US Treasury rate, from June 1998 to February 2022. ³ Average annual weights of growth and value stocks in the S&P 500 index.

Sources: Datastream; EPFR; Refinitiv Eikon; authors' calculations.

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Clorox, which has been getting tattooed over the past twelve months, reports earnings this week and will be closely watched barometer as to the impact of [cost inflation on earnings](#). The long SPY vs. CLX pair trade has been working since August 2020. Regardless of the margin squeeze, we love the smell of a good wash done on 'whitest whites'.



Fertilizer company Scotts Miracle Grow also [reports earnings this week](#) and proving to the world that it is not a basket case given the rise in fertilizer costs is pretty flipping important right now. Since May of 2021 this has been the poster child for being long what goes in, and short what comes out, in a [hyperinflation market situation](#).



Miami is going off this weekend as the [Formula One](#) circuit makes a stop in South Beach. The Miami New Times takes a look back at the history of F1 in Florida, and a [return to Miami](#), after a 63 year hiatus. Bloomberg gives you a look at what the [scene is going to be like](#), and what \$100,000 table service gets you.





