



Jackson Hole and OPEC: Dates with Destiny 8/25/22

The Federal Reserve Chairman speaks tomorrow. What will he say? We know what he will do. He will either go (at the next meeting) 50 basis points or 75 (I'm betting 75). While a 75-point move might disappoint the financial market, what they are really looking to hear is what he has to say as to where we go from here. I think they will be disappointed. He is likely to focus (despite the dual mandate) almost exclusively on **inflation**. He will emphasize the need to see inflation falling towards their target over a period of time. One or two declines will not be sufficient.

The economy has experienced two consecutive quarters of **unique** negative growth and early indications are that it is barely trading water in the 3rd quarter and could slip into negative territory. It would be hard not to call it a recession, even though it would be one of the strangest recessions on record.

Speaking of strange coincidences, OPEC+ and the Saudi's October pricing could very well fall on the same day: September 5th. The Saudi oil minister stirred the pot this week when he reminded the market that volumes don't only go in one direction. Just like there is a disconnect between the financial markets and the Fed's view on interest rates, so too in the Minister's mind there is a disconnect between the paper traders and the physical markets. He was cautioning them about being too bearish. He had other audiences in mind as well.

While the Saudi oil minister spoke of a possible quota/production cut, he mentioned no time schedule. The odds of one occurring at this meeting are very low, as is an increase. However, given the horrendous



economic pressures in Europe (as well as everywhere else) and the stubbornness of inflation and stagnant growth here, the probability of a cut grows as we approach the new year. China, Iran and the continued use of the SPR as a swing supply source will weigh on those decisions as well.