

INTRODUCTION

Economic Environment:
Forecasts, Interest Rates and
Hot Topics

PETER TCHIR

Head of Macro Strategy
Academy Securities



A Complex, Evolving, Iterative Interaction



The complex interaction of Macro, Geopolitical and ESG is shaping global events, economic development, market opportunities and risks

Trump 2.0

What's Different?

■ The World View of the U.S.

- How has perception of the U.S. changed since 2016? 2020?

■ The U.S. View of the U.S.

- How do we view ourselves now?

■ Trump's "Lessons Learned"

- Needs to be fully staffed right from the start
- Cannot depend on Republicans winning the midterms
- Loyalty and willingness to push his policies through is a requirement (in his eyes)
- Xi did not deliver on the "deal" to buy agricultural goods.

The Big Policies

- **China as the Strategic Competitor**

- Tariffs, Trade, Sanctions, Prohibited Items

- **Immigration**

- Big wins or hard core?
- Disappointing engagement with Mexico so far

- **Refining Even More Than Drilling**

- Rare Earths, Critical Minerals, Energy – not just production, but processing
- Reviewing rules and regulations (pushing back on “Not In My Backyard”)

- **No Shortage of Other Topics**

- From 51st states, to D.O.G.E., to Musk, to Greenland, to **Work From Office**

Geopolitical Opportunities

What We Are Optimistic About

■ A Peace or Truce between Russia and Ukraine

- Trump views the war as the problem, not necessarily Putin which is a different mindset
- The frozen Russian dollar reserves plays into Trump's plan

■ The Defeat of Iran and Middle East Growth

- Iran and its proxies have been exposed as being weak
- The threat of Iran getting nuclear weapons will influence Israel
- The Middle East wants to get back to “westernizing” their economies

■ SPACE

- A renewed focus on space, both from a commercial and military standpoint

Not So Optimistic

■ Africa

- China and Russia continue to make inroads, at our expense

■ BRICS

- Will never be a “political” alliance but can be a marriage of convenience on international trade

■ Cyber

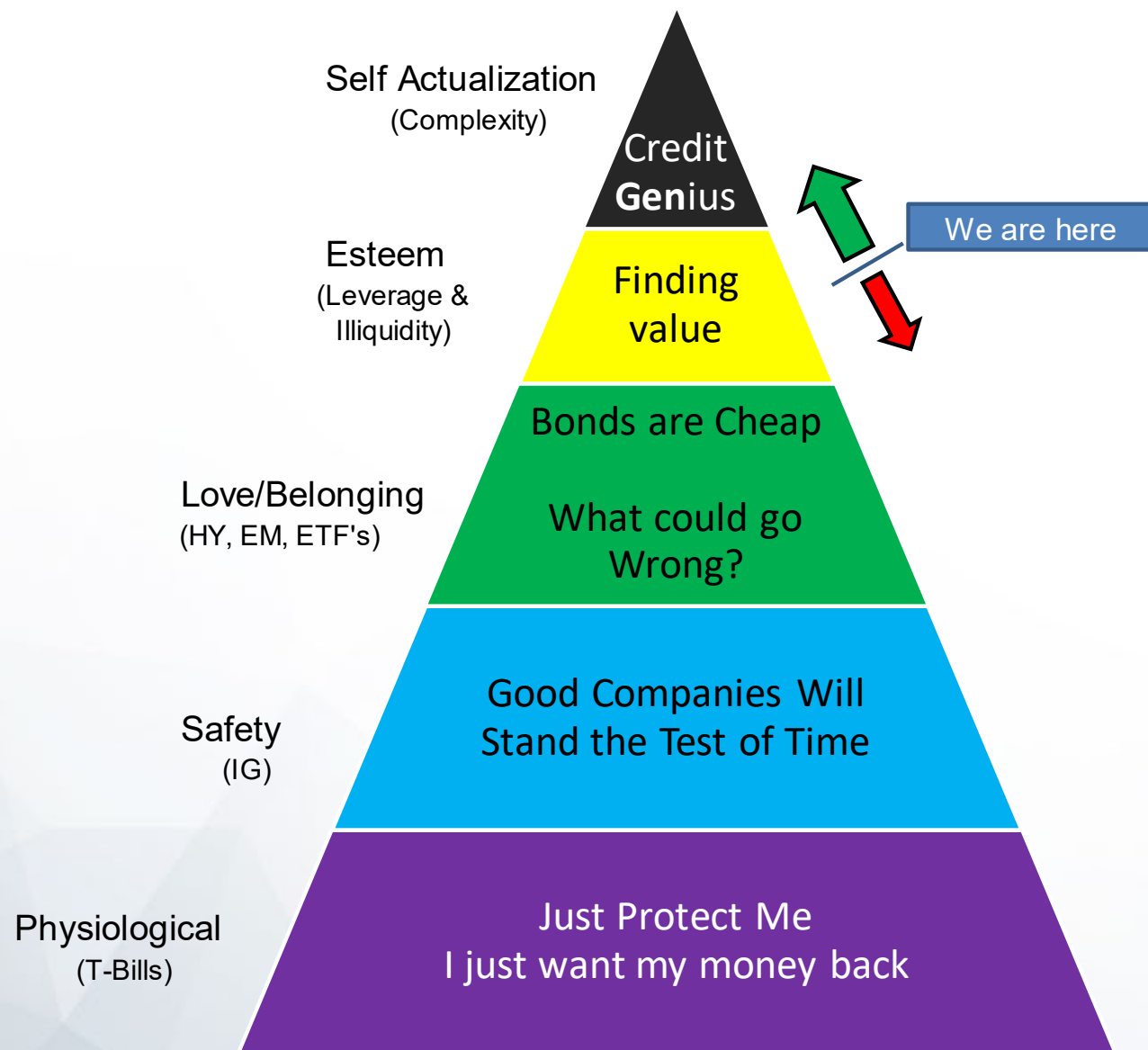
- Cyber defense is increasingly demanding a joint public / private effort
- Why can't we develop deterrence, especially for state sponsored actors?

■ Shipping

- Chinese ownership of ports, potentially dangerous “choke points”

Debt and Deficits

Maslow's Hierarchy of a Credit Bubble



Bubbles Only Happen in “Safe Assets”

■ Bubbles only happen in “safe assets”

- That is where leverage builds.
- That is where investors aren’t prepared for any losses.
- They tend to permeate the banking system.

■ Historically this has been the case

- S&L Crisis – missed interest rate risk.
- Long Term Capital / Russia Default – extremely large trades on “arcane” products and “sovereigns don’t default.”
- IG Credit – WorldCom and Enron introduced fraud as a risk.
- Great Financial Crisis – AAA mortgage-backed bonds.
- European Debt Crisis – sovereign debt.

■ Usually is Something “New”

- Once a bubble has “popped” it is unlikely to be source of the next bubble.

The Bidless Treasury Market



Inflation, Debt Ceiling, Positioning, Election, Foreign Selling?

The Fed, Inflation & Jobs

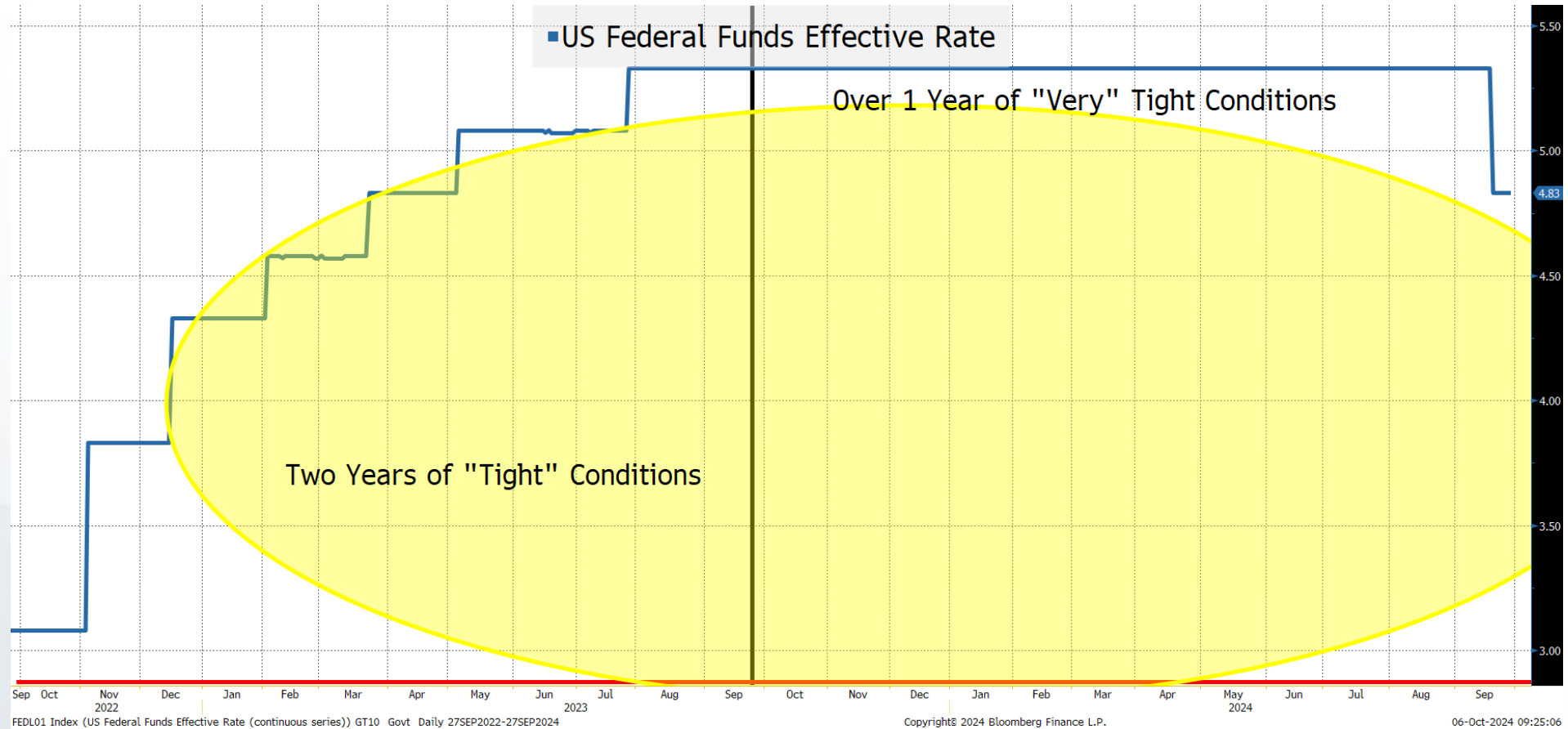
What is Priced In?

Meeting	# Cuts	Rate
01/29/25	0.03	4.32%
03/19/25	0.25	4.26%
05/07/25	0.42	4.22%
06/18/25	0.74	4.14%
07/30/25	0.83	4.12%
09/17/25	0.96	4.09%
10/29/25	1.05	4.07%
12/10/25	1.11	4.05%

- **2s vs 5s is 20 bps**
- **2s vs 10s is 38 bps**
- **2s vs 30s is 58 bps**

As of January 10th

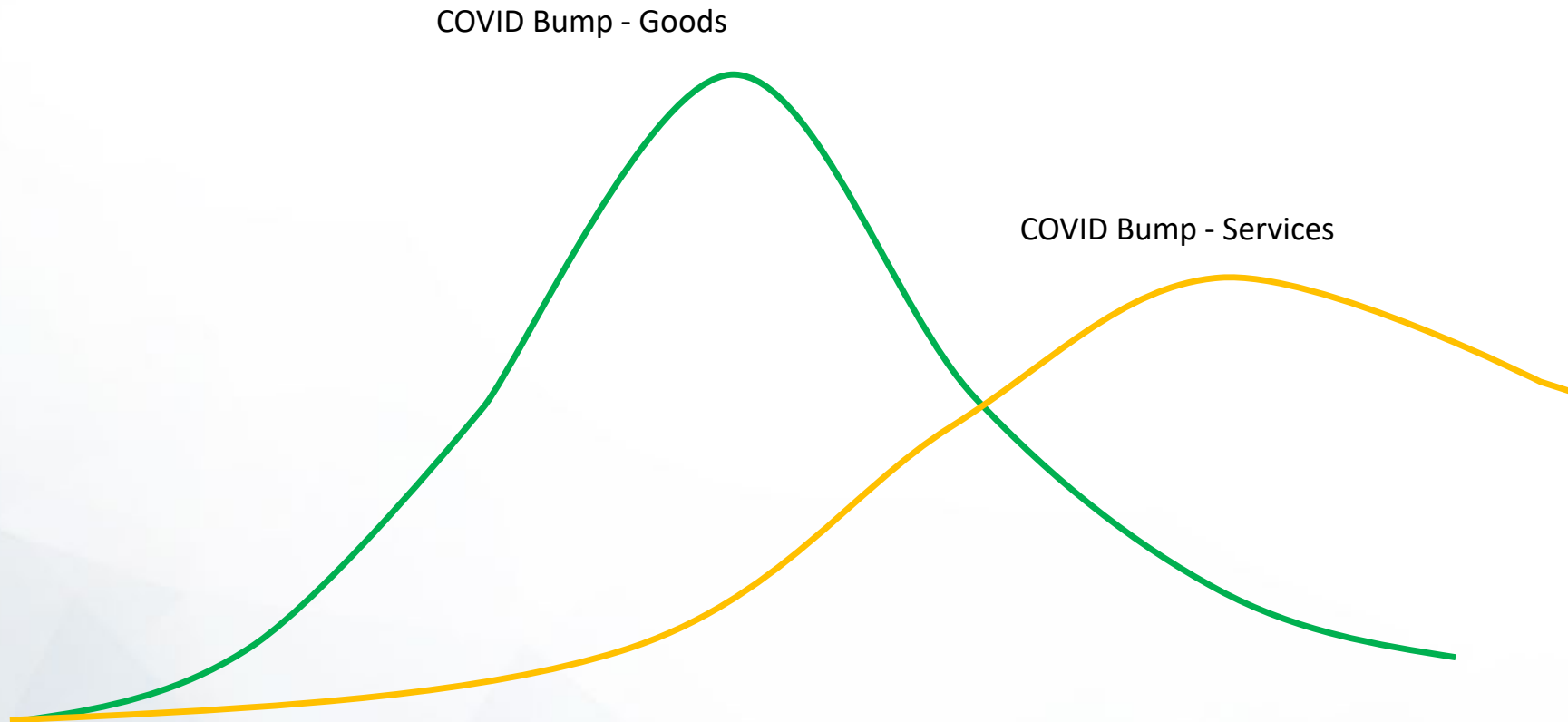
The Neutral Rate



Does 3% look “neutral”? Atlanta GDPNow is almost 3%?

What is the “correct” Terminal Rate or Neutral Rate?

COVID and Inflation

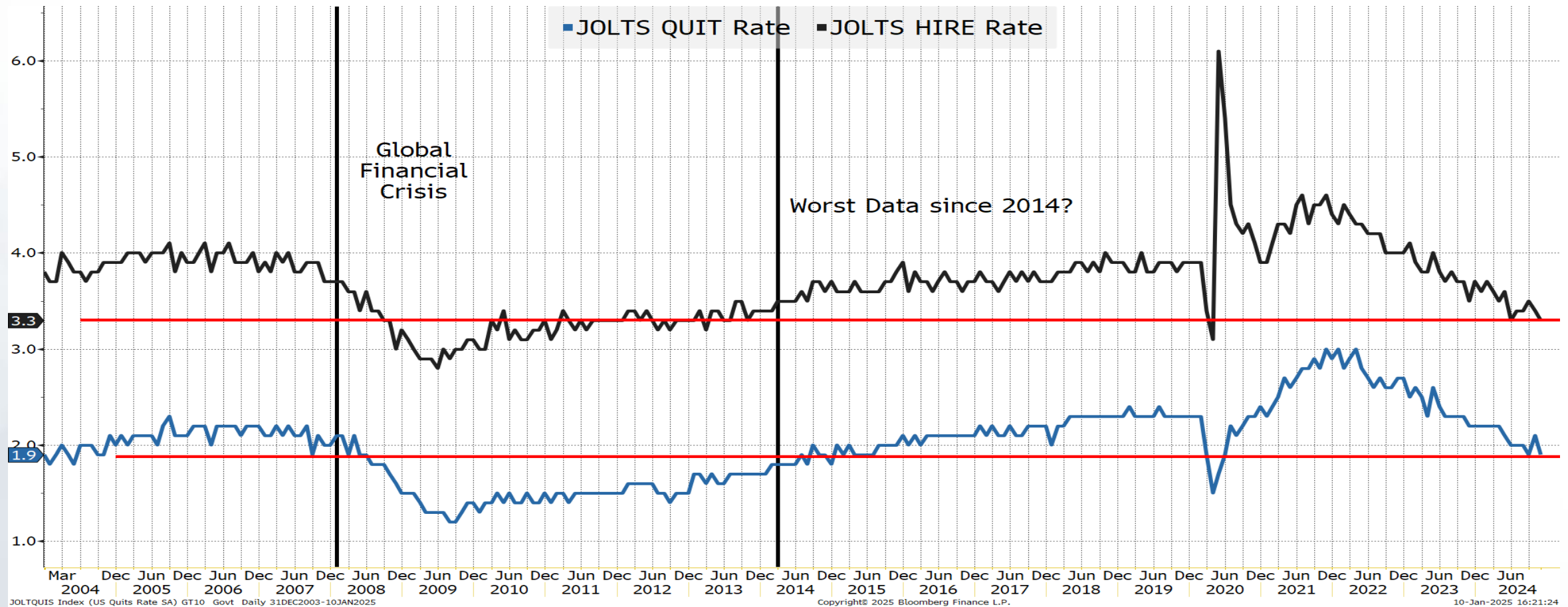


Understanding the role COVID played in inflation is crucial to estimating future inflation

Inflation Pressures

- **On-Shoring, Re-Shoring, Etc.**
 - If it was cheaper to make here, we would already be doing it
 - While building out industries will provide benefits down the road, the build out phase will be inflationary
- **A Return of SALT**
 - If this occurs, it will be inflationary (I'm doubtful we get this)
- **Rebuilding Ukraine**
 - Inflation pressure in Europe, but with knock on effects
- **India as a Wildcard**

My Favorite Jobs Chart



Doesn't send the robust numbers other metrics have shown

Reasons Not To Trust The Jobs Data

- **It has been wrong, consistently wrong, by large amounts**
 - Initial survey response rates are low
- **Seasonal Adjustments**
 - Including the covid period data likely causes incorrect seasonal adjustments
 - The demographic shifts in construction have not been captured in seasonal adjustments
- **The “Birth/Death” Model**
 - Has the “gig” economy changed the demand for EIN’s?
 - The number of jobs associated with EIN’s?

Credit Risk

Credit – Tighter and Tighter?

- **High Quality, Short Dated, Does Well**
 - GOVERNANCE
- **The “Bottom End” Is Well Supported**
 - Private Credit competing with Banks who “underlent” post SVB
- **Throw Out the “Old” High Yield Charts**
 - The high yield market of today looks nothing like the high yield market of the past
- **Commercial Real Estate**
 - The worst behind us?

QUESTIONS?



PETER TCHIR

Head of Macro Strategy

Academy Securities
622 Third Avenue, 12th Floor
New York, NY 10017
646-341-6869
www.academysecurities.com