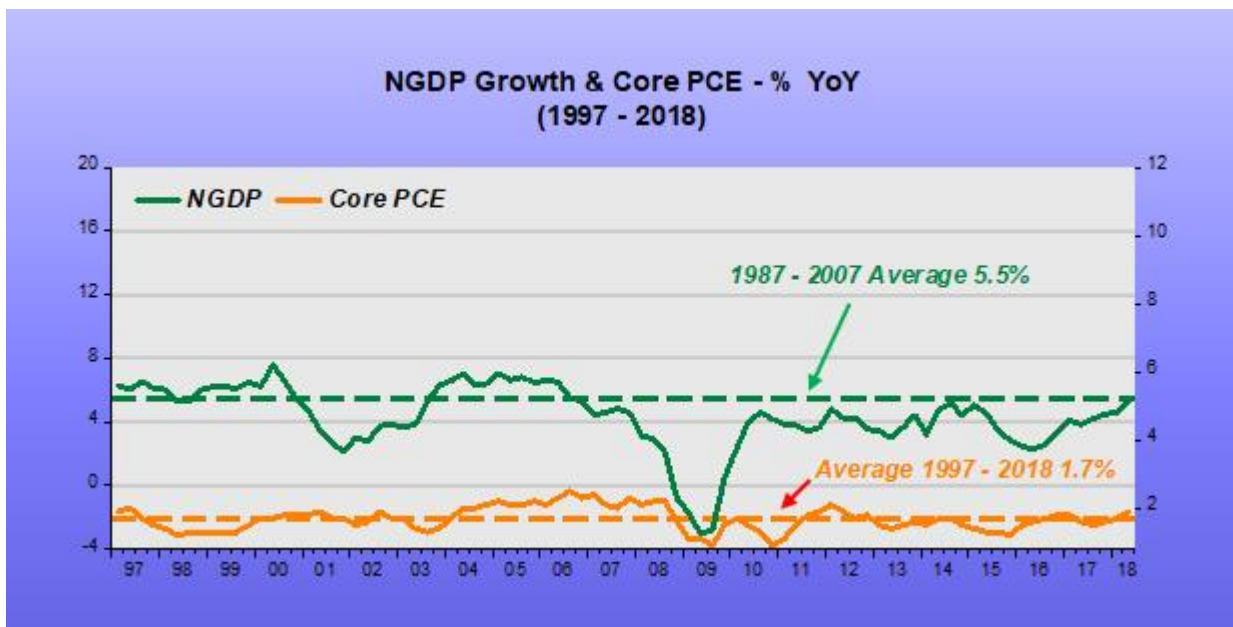


## “All the light you cannot see”

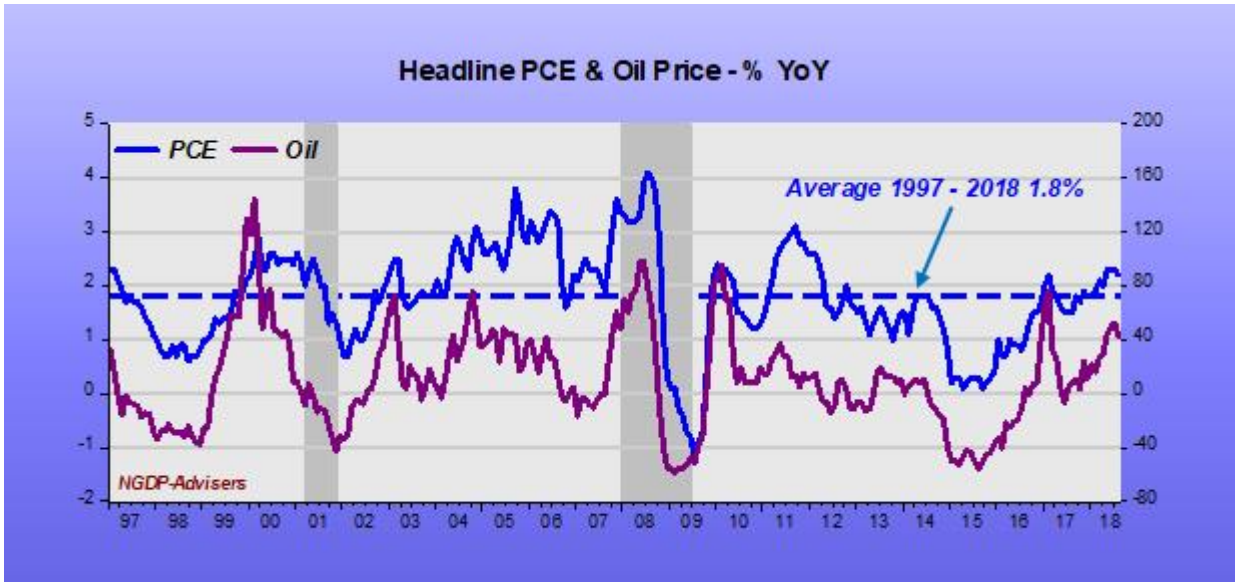
Powell’s first words at the press conference, after the usual disclaimers: “The economy is **strong!**”

The economy is only “strong” compared to the low point of nominal spending (NGDP) growth in mid-2016, otherwise, it’s just as “strong”, or “weak”, as it has been since it only partially climbed up from the depths of the Great Recession.

As such, as the chart illustrates, there is absolutely no danger of core PCE inflation getting “out of hand”, unless, quite unwittingly, the Fed allows nominal spending to go “on a binge”.



The next chart shows how misleading, even dangerous, a **headline** target, which bounces to the tune of supply (in this case oil) shocks, can be. The 2008-09 monetary policy disaster owes much to the “IT obsession”.



Let's hope the Fed remains calm!

---