

A Letter from the Grinch

Once again, the Grinch has sent us a letter. He seems to be particularly grinchy this year. Nearly [all of his predictions for 2022 were wrong](#), but nevertheless, he always makes some reasonable points. Our 2023 outlook will be published on January 3rd and it turns out we agree on a few things this time around.

Dear Mill Creek,

I hate central bankers. The whole banking system.
Now, please don't ask why. We all know the reason.
It could be because their forecasts are not right.
It could be, perhaps, that they keep policy too tight.
But I think the best reason of all
Is that they are setting us up for a fall.

Central bankers are duller than the halfwits of Whoville! They let inflation get out of control and now we're all supposed to believe they can solve it without causing a recession! Their soft landings are going to be about as gentle as Max's trip down Mount Crumpit.

Take the European Central Bank (ECB). They expect inflation to average 8.4% in 2022 and then miraculously drop to 3.4% in 2024. The ECB staff (the same staff who earlier projected inflation would average just 3.2% in 2022) now tells us "...a recession would be relatively short-lived and shallow." Inflation has never, ever fallen 5% without coinciding with a deep recession.

The nonsensical projections from Powell's Fed shouldn't go unnoticed. They also think they can lower inflation and increase unemployment without a recession!

He eventually raised rates. He threw in the towel.
If Volcker could do it, then so could Powell.
He got stuck only once, way back in December.
Then his inflation mandate he decided to remember.
All the speculative assets had a shiny glow,
"This crypto," he grinned, "is the first thing to go!"

But it wasn't just crypto!

Then he hiked and he chattered, with a smile most unpleasant
Around the economy, he took every present.
Real estate! And tech stocks!
NFTs! And bonds!
He packed them up quickly and the market was soon sickly.

Powell packed up little Cindy Lou Who's Christmas tree before I even had a chance to steal it myself. Parents are trying their best to provide a happy holiday season – credit card debt outstanding has grown 18.5% in just the last year – but retail sales for November fell -0.6%. As I said last year – *Powell is the real Grinch.*

This is nothing I haven't thought of before.
Christmas, this year, *has* to mean a little bit more.
Christmas, this year, *isn't* coming from a store.

With a sour, Grinchy frown,

The Grinch

QUICK LINKS

- [The Top Five Most Memorable Trades of 2022](#)
- [December Update: Head Fake or Turning Point?](#)
- [Turkey Inflation](#)
- [Our Perspective: Emerging Markets](#)

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