

Hello Everyone,

“Like sands through the hourglass, so are the days of our lives.”

Opening line of the TV soap opera, *Days of Our Lives*

“When you play the game of thrones, you win or you die.” —

Cersei Lannister, twentieth ruler of the Seven Kingdoms, *Game of Thrones*.

I was never a soap opera or ***Game of Thrones*** fan. And I like the title Greg-from-Albuquerque vs. the twentieth ruler of the Seven Kingdoms. So, why the quotes from soap operas from yesteryear and modern times?

It’s because our Federal Reserve has apparently devolved into a soap opera. And I can’t tell you how odd this is.

For decades the Fed was “above it all”. They were the paragons of virtue who rushed in to save the world when financial collapses seemed imminent. There was even a **Time Magazine** cover that showed Fed Chair, Alan Greenspan, Secretary of Treasury Rubin, and Lawrence Summers (Rubin’s Successor) accompanied by the headline, ***The Committee to Save the World***. Save the World? Wow.

That is not going on today. The Fed is in turmoil on several levels. Let’s start with the policy stuff the move to the soap opera that is unfolding. Policy wise, the Fed is now sitting down to a banquet of consequences of their own making. Years of interventions and bad policies have painted the Fed into a corner.

Let me explain...in bullet points.

- The Fed knows inflation is running hot.
- The “approved solution” should be to raise interest rates.

- But if the Fed raises interest rates, both the stock market and the real estate markets crater.
- Plus, the so-called Zombie companies (companies that aren't making enough profit to pay even the interest on their own debts) will almost immediately go bust. Can you say bankruptcies and rising unemployment?
- Finally, if they raise rates so close to an election, they will be seen as helping the Republicans over the Democrats. And the Fed likes the illusion of being apolitical.

So, they can't raise rates.

On the other hand...

- If the Fed keeps rates at or near zero, the stagflation (stagnant economy with inflation) scenario of the 70's accelerates.
- And yes, accelerates. The data is showing stagflation is upon us now.
- Add to that the demise of the petro-dollar concerns (concerns outlined in previous missives) and there is the possibility of a hyperinflationary "currency event" no one wants.
- In this scenario, the stock and real estate markets may continue to rise for a time----but not as fast as the inflation rate.
- So, "real returns" will be negative. (This is what we are seeing now with CDs. CD rates at 1%-2%. Inflation rates at 6-10% depending on who you listen to.)

What is worse? Runaway inflation or a stock market crash and real estate market crash?

The Fed can't tighten but they must tighten.

My belief is they will let inflation run. Inflation is a slower phenomenon. Plus, you can blame inflation on Putin, Arabs, Pelosi, Trump, the Chinese, etc. American heads will spin. So, politicians will have a chance to avoid accountability for their bad decisions.

So, why would anyone want to be the Chairman of the Federal Reserve?

This is where the soap opera part starts.

In January, Congress is supposed to either reappoint Fed Chair, Jerome Powell, or select a new Chair. In September, Las Vegas betting odds had a 92% chance of Powell being reappointed.

Then the insider trading scandal began to break. Some Fed Governors (those who preside over the Fed with Powell) were accused of "front running" stock trades in their personal accounts to benefit from decisions that the Fed had not yet made public. So, they resigned.

Then, the Fed Chair himself was accused of the same thing. How could this be!? These were the men that were destined to "save the world".

Enter Lael Brainard...former Under Secretary of the US Treasury and current Federal Reserve Governor.

- Ms. Brainard made headlines in 2015 for donating to Hillary Clinton's campaign for President. A Fed no-no at the time.
- She was expected to be named Fed Chair upon Ms. Clinton's election. Then Trump won.

- When Biden won, many expected Ms. Brainard would be the new Secretary of the Treasury. But the “safer” Janet Yellen was chosen instead.
- So, Ms. Brainard has lost out twice.
- Nonetheless, Ms. Brainard still sits on the Fed Board. And she is the one who oversees (and signs off on) all Federal Reserve Board member transactions...like the “front running” trades described above.
- There is no proof of how the trade information was leaked, but....
- And now, Ms. Brainard (a fan of unlimited government spending and Universal Basic Income) is identified as Elizabeth Warren’s and the Progressives choice for Chairman come the January.

***Game of Thrones* meet *Days of Our Lives*. *Days of Our Lives* meet *Game of Thrones*.**

Unfortunately, it is their game but our lives.

This is not supposed to happen at the Fed. There are already sufficient financial, economic, and currency issues on the plate. Political intrigue shouldn’t be added. It does not lead to confidence in either our fiscal or monetary policy.

And if ever there were a time for confidence in our leadership, it is now.

Signed, Your Does-Facebook-Changing-Its-Name-To-Meta-Mean-The Matrix-Is-Upon-Us? Financial Advisor,

Greg

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