The Economic Outlook Based on Creighton Surveys:
The Federal Reserve V. Congress/Biden

Federal Home Loan Bank, Topeka
The Jayhawk Club
Lawrence, Kansas
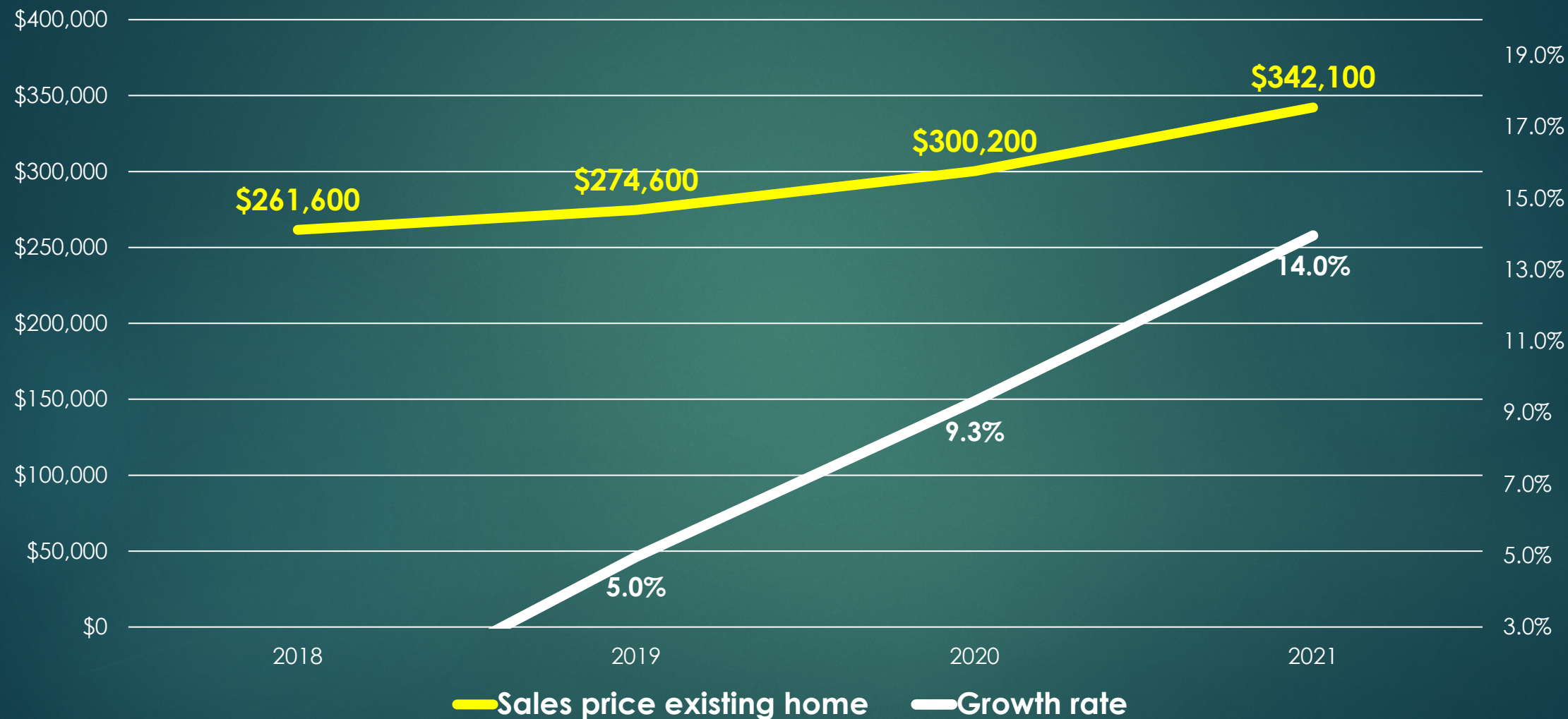**September 27, 2021**

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Biden's Bite: The Impact You & Your Business

*BAILOUT OF OVERSPENDING STATE & LOCAL GOVERNMENTS:

    **STIMULUS III & INFRASTRUCTURE BILL (WHAT'S WRONG WITH KEYSTONE XL?)

    **DEDUCTIBILITY OF STATE & LOCAL TAXES

*HIGHER TAXES FOR SMALL BUSINESS OWNERS & PROF. (EARNINGS > $200K)

    **CAPITAL GAINS TAXES (TAXED AS REGULAR INCOME)

    **RETURN TO PRE-2018 TAX LAW RATES FOR HIGHER INCOME

    **REMOVE THE CAP ON TAXABLE SOCIAL SECURITY INCOME

*HIGHER CORPORATE TAX RATES (YELLEN ANTI-COMPETITIVE BEHAVIOR)

*GREEN NEW DEAL ($3.5 TRILLION SPENDING BILL BEFORE CONGRESS)

    **HIGHER OIL PRICES

    **PUNISHES LOW INCOME WORKERS

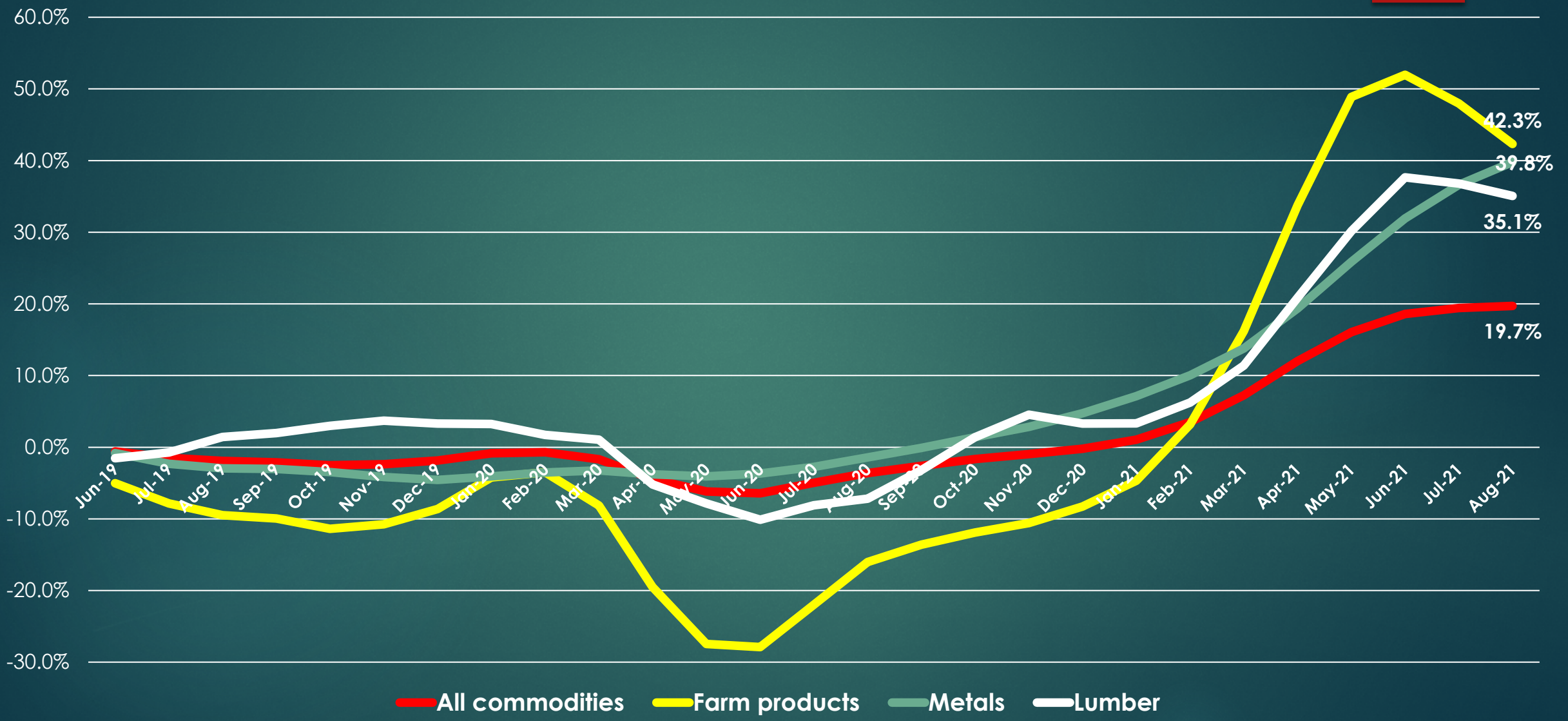*RESIDENTIAL CONSTRUCTION-CONTINUED SUPPLY CONSTRAINTS

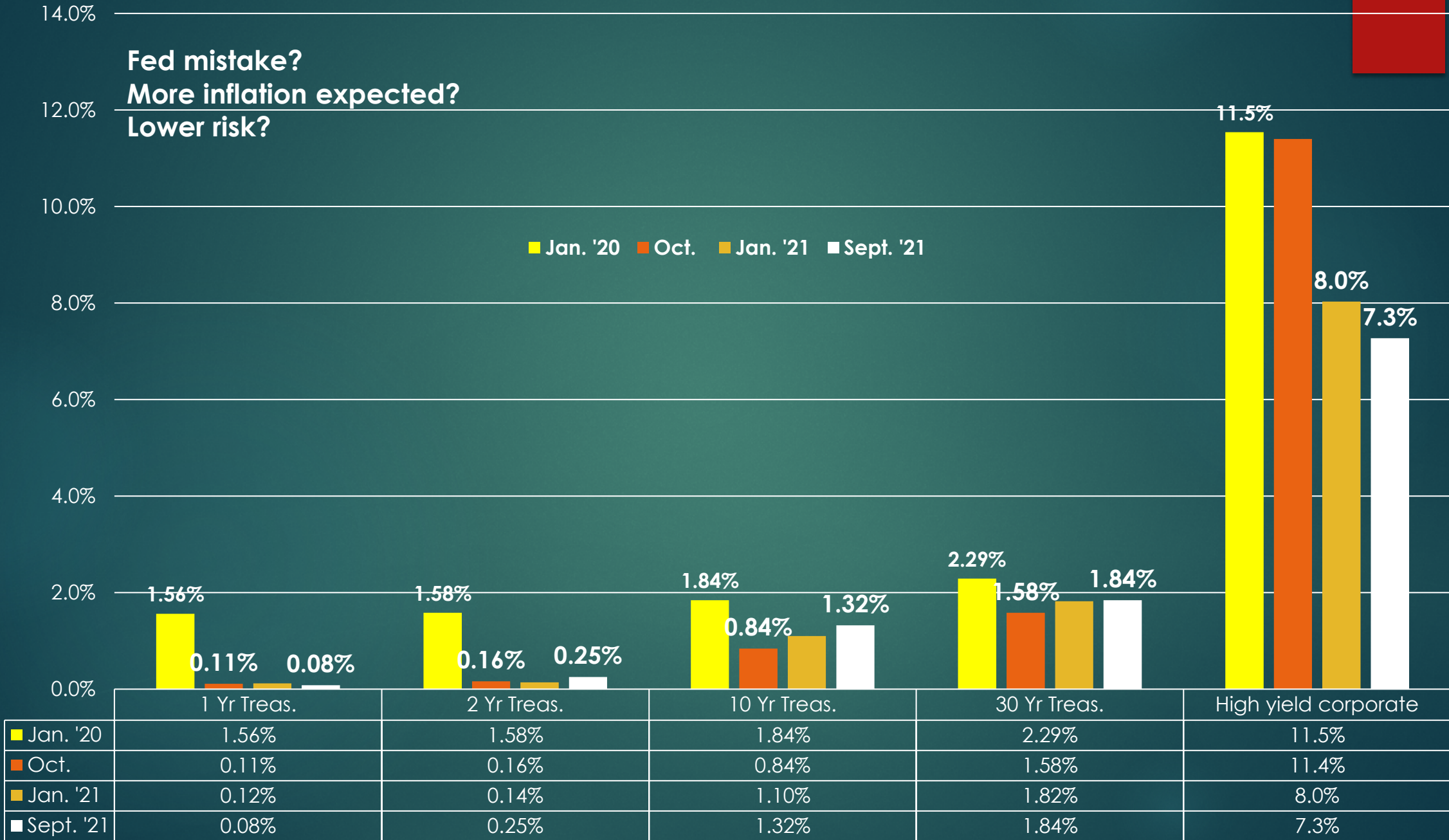# Single family home price (existing) 2018-21

Source: NAR

Commodity prices growth (annualized 3 month moving average)
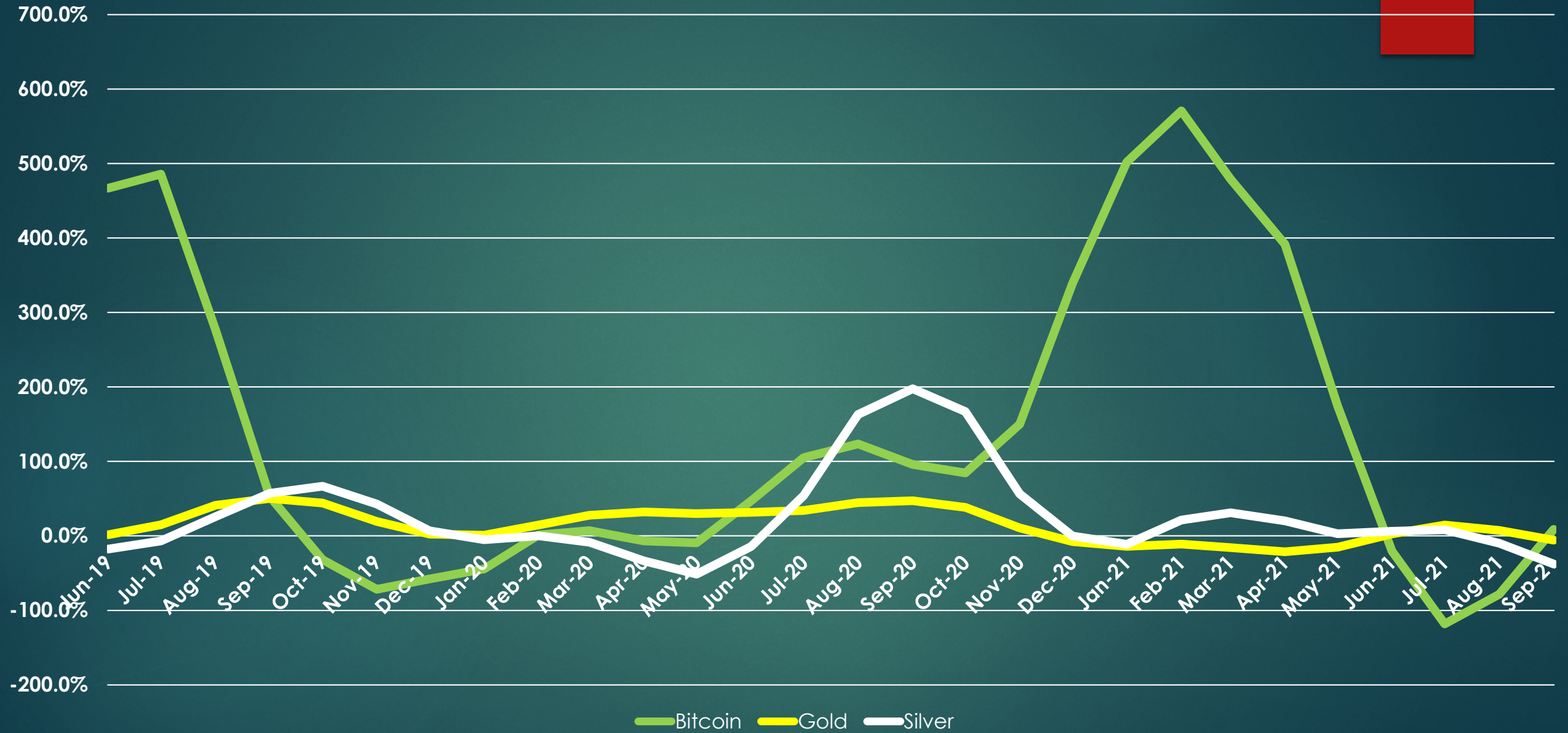June 2019 – Aug. 2021

Market Yields Jan. 2020 vs. Sept. 2021

Fed mistake?
More inflation expected?
Lower risk?

Legend: ■ Jan. '20 ■ Oct. ■ Jan. '21 ■ Sept. '21

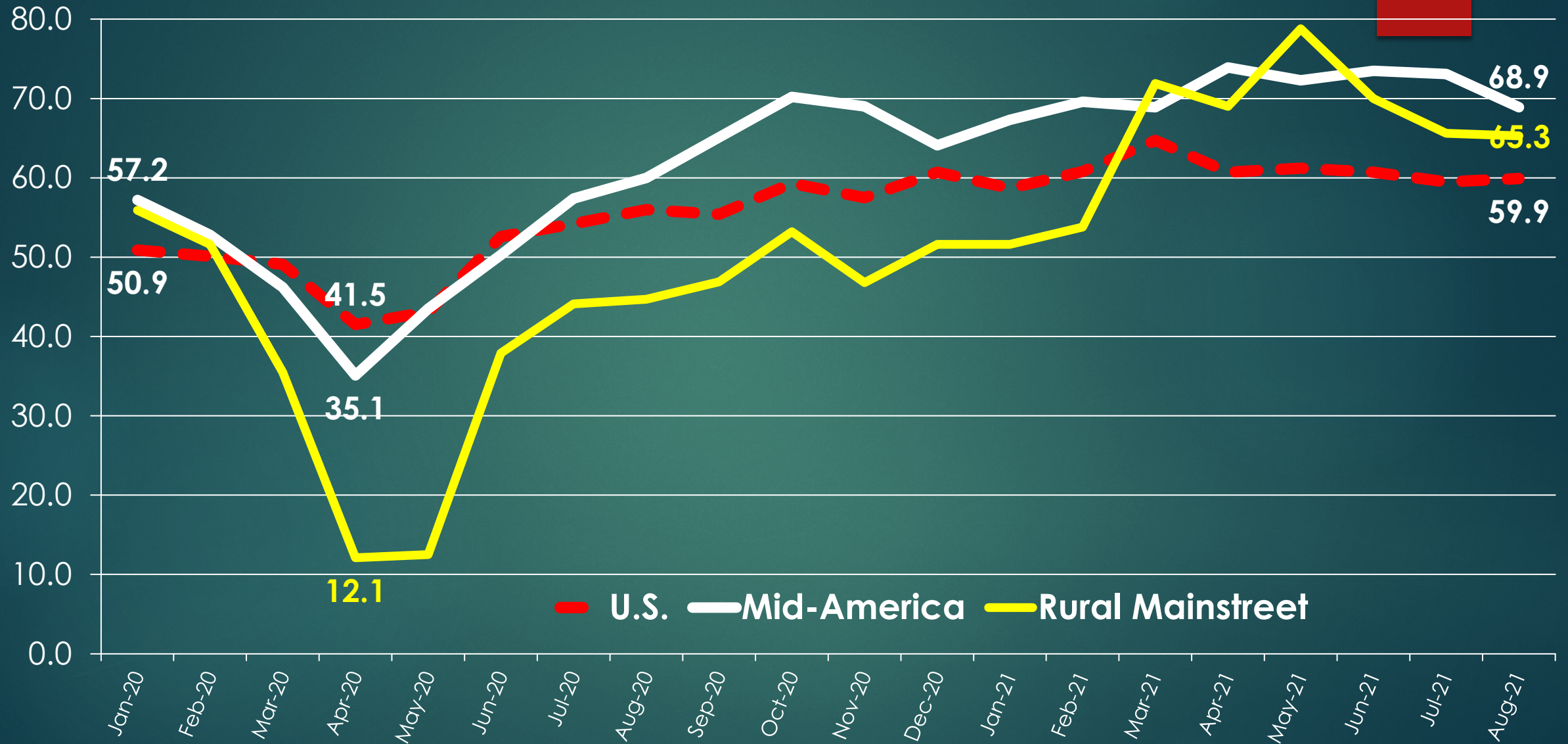|	1 Yr Treas.	2 Yr Treas.	10 Yr Treas.	30 Yr Treas.	High yield corporate
■ Jan. '20	1.56%	1.58%	1.84%	2.29%	11.5%
■ Oct.	0.11%	0.16%	0.84%	1.58%	11.4%
■ Jan. '21	0.12%	0.14%	1.10%	1.82%	8.0%
■ Sept. '21	0.08%	0.25%	1.32%	1.84%	7.3%

Price growth (annualized 3 month moving average, 2019-21)

Investment considerations:

1. VOLATILITY GOLD = 0.06, BITCOIN = 0.53,   SILVER = 0.16
2. ALL SERVE AS INFLATION HEDGES
3. CORRELATIONS:
4.   BITCOIN & INFLATION = +0.54, +0.60 (SINCE PANDEMIC)
5.   GOLD & SILVER = +0.84,   +0.73 (SINCE PANDEMIC)
6.   GOLD & BITCOIN = +0.43,   -0.02 (SINCE PANDEMIC)
7. BITCOIN = MONEY
8.   MUST BE MEDIUM OF EXCHANGE (EL SALVADOR)
9.   MUST BE STORE OF VALUE (HIGH VOLATILITY)
10.   ACCOUNTING MEASURE (E.G. TESLA SALES VALUE IN BITCOIN)
11. ULTIMATELY, AT LEAST ONE CRYPTOCURRENCY WILL SURVIVE AND SERVE AS MONEY (BUY CRYTO ETF FOR GREATER SAFETY)
12. IRS TAXING PURCHASES AS AN ASSET CONVERSION (E.G. CAPITAL GAINS TAX)

Creighton's Leading Economic Indicators, Jan. 2020 – August 2021 (50.0 = Growth Neutral)

REPORTS FROM BANK CEOs & MANUFACTURERS)

>FARMLAND PRICES BEST EXPANSION SINCE 2012-13 (PAST GROWTH = 5.5%, FUTURE GROWTH = 2.4%) CASH RENT GROWTH = 7.3%

>FARM EQUIPMENT SALES BEST SINCE 2012

>NET FARM INCOME HIGHEST SINCE 2013 (39% FROM FEDERAL SUPPORT)

>46% REPORTED DROUGHT IMPACT (E.G. CORN $5.85)

>ONLY 10% FAVOR $3.5 TRILLION INFRASTRUCTURE BILL

MANUFACTURING SUPPLY MANAGERS

>SUPPLY BOTTLENECKS (8 OF 10 MANUFACTURERS REPORT TRANSPORTATION BOTTLENECKS)

>HIGHEST INFLATIONARY PRESSURE IN 30 YEARS (NEXT 12 MONTHS WHOLESALE = 8.6%; RETAIL 7.7%)

>FINDING & HIRING QUALIFIED WORKERS BIGGEST CONSTRAINT

Conclusions:

INDICATORS TO WATCH:

*FEDERAL RESERVE ACTIONS ON MBS (REDUCE MBS PURCHASES)

*INFLATION (CPI ON OCTOBER 13)

*EMPLOYMENT REPORT (OCTOBER 8)

*GOLD PRICES, SILVER PRICES, BITCOIN PRICES, 10-YEAR U.S. TREASURY YIELD

*ISM & CREIGHTON SURVEYS (FIRST BUSINESS DAY OF MONTH, OCTOBER 1)

OUTLOOK:

*FEDERAL RESERVE WILL BEGIN TAPERING NO LATER THAN Q4, 2021

*HIGHER MUNICIPAL BOND PRICES—LOWER INTEREST RATES (YIELDS)

*SHORT TERM INTEREST RATES WILL REMAIN NEAR RECORD LOWS UNTIL THE SECOND HALF OF 2022

*$3.5 TRILLION SPENDING PLAN CURRENTLY BEFORE CONGRESS????? U.S. FEDERAL DEBT WILL CONTINUE TO EXPAND TO 130% - 150% GDP (INTERNAL & EXTERNAL)

*GROWTH DECLINES TO STILL OK PACE (SECOND HALF OF 2021)

*INFLATION TURNS STABILIZES IN Q'4 2021 (PARTIAL TRANSITORY)

*ETHANOL IMPROVES FOR THE YEAR

*SPORTS BETTING WILL SUPPORT OVERALL CASINO REVENUES

*BLACK SWAN (CHINA & TAIWAN)

Questions?
Newsletter? ("Free and Well Worth the Price")
Sign up for it at:
www.gossandassociates.com