



Michael Burry Agrees: “Bullwhip Effect” Will Force Powell To Pivot On Rate Hikes And QT

Description

USA: In the past month we showed readers on at least two occasions...

... what happens when the infamous “bullwhip” effect strikes and what was formerly a scarcity of inventory becomes a glut, with inventory to sales ratios exploding higher (and in some cases reaching two-decade highs)...



... assuring inventory liquidations across the retail sector, resulting in a “deflationary tsunami” and “prices falling off a cliff”, forcing the Fed to eventually pivot on its hiking plans and even restart easing.

Of course, not everything is set for a deflationary crash: don’t expect luxury items to see price cuts, and if anything, luxury prices for things like handbags and shoes are poised to keep climbing.

But while inflation is likely to persist in the ultra high, the implication for broader inflation is clear: as we said two weeks ago, **“most prices that make up the core CPI basket are about to fall off a cliff in weeks if not days**, with upcoming core CPI prints set to plunge, which means that the only thing that

will remain red hot is headline inflation, i.e., food and energy prices, the same prices which the Fed has traditionally ignored. It remains to be seen if it will do so this time around, or if – realizing that the US is entering a recession – it will resume easing even in the face of \$5 gas prices...”

Today, none other than the “Big Short” Michael Burry, founder of Scion Asset Management, picked up on this and [tweeted](#) that the “Bullwhip Effect” happening in the retail sector will lead to the Federal Reserve reversing rate increases and its Quantitative Tightening policy.



We only wish that instead of linking to some CNN story about retailers considering letting customers keep items they return rather than having to take the items back and add them to already bulging inventories, Burry had linked to us but we’ll still take it.

It’s not the first time in recent months that Burry has raised concerns about the economy. In May, he tweeted that the current market conditions are “like watching a plane crash.”

by Tyler Durden

Category

1. Economy-Business-Fin/Invest
2. Main

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