

## **Milling the tread**

Last week we tried to have a break from the usual schedule of inflation and interest rates. They are unavoidable today and they will dominate this week's financial news. The Federal Reserve decides on Wednesday whether it is going to raise American interest rates even further. The day before, it, and we all, will see the latest monthly update to the US rate of inflation. The treadmill keeps on milling. Or is it treading?

There are times when details matter, and times when they do not. Online sources vary, but according to the "Pi World Ranking List" (source: [pi-world-ranking-list.com](http://pi-world-ranking-list.com)), the current world (as if there were another inhabited planet) record for memorising pi is held by the estimable Suresh Kumar Sharma and stands at 70,030 digits. He was, though, something of a snail and took 17 hours and 14 minutes to recite all of these. The previous record, of a mere 30 digits fewer, took an astoundingly short 10 hours. That is 7,000 digits an hour, or 117 per minute. Without a toilet break. Al, eh? The brains we have are powerful enough, if only we knew how to use them.

I digress, but this is habitual. My point was going to be that the US headline inflation rate is due to have fallen to a little above 4%, and the core rate to something slightly over 5%. The exact number should not really matter. The US federal funds rate is currently 5.0% to 5.25% (which is commonly and sensibly simplified by most people to being 5.25%). My GPT-powered spreadsheets tell me this means that the United States has a positive real interest rate. The question is how much more positive this Federal Reserve thinks it has to make interest rates before it believes it has squashed the inflation that it largely created in the first place. Given the Fed's astounding incompetence in the first leg of this cycle, it would be brave to place too many bets on it getting it right on the way down.

Andrew 'it's-not-my-fault' Bailey and the Bank of England have another week to go before they put in a repeat performance. The MPC meets a week on Thursday, with the UK's inflation rate being updated the day before. Accepted wisdom (about which regular readers will know my bigotries) is that the Fed will stick, while the Bank of England will twist. It makes sense. The markets' attention will then switch to how much harm has already been done to the US banking system and economy by the tightening cycle and the speed with which the Fed responds to this. In the good old, bad old days we used to call these things 'cycles'.

One of my other favourite high hobby horses is the increasing lip service paid to 'net zero'. Seemingly every day there is a new story about how companies and governments are reining back on their commitments to reducing their use of fossil fuels and carbon reduction targets. Today's revelation of the exceedingly obvious is broadly along the lines that there is no way that the UK is going to meet its commitment to stopping sales of internal combustion power cars by 2030. We have neither the charging infrastructure, nor the grid to support it. And, in fairness, nor does the government have the will to make it happen.

In further fairness, nor does the Opposition. The ongoing self-destruction of the Conservative Party is serving to make it increasingly likely that the UK's next government will be Labour. That means that we need to take its policies and policy statements increasingly seriously. In an attempt to be a safe pair of hands on the public finances (which is usually meaningless,

but which carries a degree of weight in the post-Truss world), Labour has just seriously reined back on its 'green prosperity plan'. It was an easy target.

What we have, as I have argued so many times, is (as Greta so eloquently put it) blah, blah blah. The world is pulling back from its 2015 Paris agreement to net zero, and has already pulled back from almost all thoughts of absolute carbon reductions. Without spending too much time on the rights and wrongs, it is inevitable that there will be huge increases in what I (and others might) call carbon-cheating. This is the excess use of carbon offset, or carbon credits, and carbon capture. Offsets deserve several articles in their own right, but for now suffice to say that the markets provide a range of options, from the very good and sensible, to the outright outrageous. Carbon capture is almost entirely untested. It involves passing vast quantities of air through a variety of chemicals, the end result of which gives separated carbon dioxide. This is then pumped into old oil and gas wells. How will that look in 50 years' time? We have no idea, just as we have no idea how single use vapes will look in 2073. My best guess is that around the time of my 108th birthday, we will have decided that both were pretty silly ideas.

Finally, as expected Lindisfarne's Run For Home proved much more popular last week. This week, just because I can, we have two teasers: one easy and one for Steely Danophiles. First: "We've come too far to give up who we are". Second: "I thought our little wild time had just begun".

Jim Wood-Smith – Market Commentator and Head of Climate Transition



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All charts and data sourced from FactSet

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