The Economic Club of New York

115th Year
659th Meeting

Ed Hyman
Founder, Chair & Head of Economic Research
Evercore ISI

May 5, 2022

Webinar

Moderator: Julian Emanuel
Senior Managing Director
Equity, Derivatives and Quantitative Strategy Team
Evercore ISI

Introduction

President Barbara Van Allen

Good afternoon and welcome to the 659th meeting of The Economic Club of New York. I'm Barbara Van Allen, President and CEO of the Club. It's an honor to be here with all of you in our milestone year, 115th anniversary. The Economic Club of New York is the nation's leading nonpartisan forum for discussions on economic, social and political issues. More than 1,000 prominent guest speakers have appeared before the Club over the last century and have established a very strong tradition of excellence.

A special welcome to members of the ECNY 2022 Class of Fellows – a select group of diverse, rising, next-gen business thought leaders that now number 55, the largest class ever. We also have grad students joining us today from the CUNY Graduate Center. Welcome to all of you.

I'm honored to welcome our special guest today, active member and former Club board member, Ed Hyman. Ed is Chairman of Evercore ISI and Vice Chairman of Evercore. He heads Evercore ISI's Economic Research Team. For the past 46 years, Ed has been ranked by the *Institutional Investor* poll of investors for Economics, and actually ranked #1 for 41 years.

Ed is a board member of the China Institute and a member of the Advisory Committee for the New York Public Library's Financial Services Leadership Forum. Prior to joining Evercore ISI, Ed was the Chair and Founder of ISI Group, LLC and ISI, Inc. ISI Group had 280 employees around the world with headquarters in New York of course, and offices located in Boston, Fairhope, Houston, London, LA, St. Louis, San Francisco, Shanghai, and Washington, D.C. ISI's broker dealer clients are institutional investors in the U.S. and abroad.

The format today will be a conversation, and we're fortunate to have Julian Emanuel as our moderator. Julian is the Senior Managing Director leading the Equity, Derivatives and Quantitative Strategy Team at Evercore ISI. We're going to end promptly at 2:45. Any questions that were submitted to the Club from members were shared in advance. In addition, we will be using the chat box so you can enter questions directly into the box for their consideration time permitting. So as a reminder, this conversation is on the record. We do have multiple media outlets on the line. At this point, Julian, I'm happy to pass it over to you.

Conversation with Ed Hyman

JULIAN EMANUEL: Barbara, thank you very much, and I appreciate the opportunity. Ed, welcome. It's a pleasure sharing the screen with you. I think you'd agree that if you look at the last 24 hours, whether you're an economist or an investor or both, that it's been an incredibly humbling 24 hours. And it just points out the things that we know and we don't know about this business. You've remarked over the last week or so several times that you've never seen anything quite like this, what's going on both in the markets and the economy. Could you tell us a little bit more about why you're making that statement and sort of what the backdrop is?

ED HYMAN: So, Julian, it's great to be here with you. I think maybe I've lost my touch. Maybe I'm over the hill. You know I've been at it for a long time and I just, I've never seen anything like this. Like today, I sort of get it. You know, bond yields are up almost 20 basis points in one day. So I can see that would be unsettling, particularly the Nasdaq stocks. But when I do my job, trying to help our clients just like you're doing your part of it, and I'm trying to help you frankly, the economy is doing great.

We have a lot of ways to measure that but one are our company surveys. As you know, we survey everything. And one of the surveys I just got before I sat down is we survey shopping guide companies. These are where you get the flyer – you're too sophisticated to be in these places – you go to the grocery store, you get a little flyer that tells you, you know, get your car repaired or whatever. And with that survey I just got, it went up a little bit. And our surveys in general are very high.

And you've got government data like JOLTS, very strong. And whenever you start to worry about whether or not we have it right, employment is everything. If employment is going up, employment, you know, whether people work for the Cloud or work for a casino, they get counted as employment and that fuels consumer spending which has been quite strong. So the economy is good.

And I've been a hawk on inflation. I'm still pretty much a hawk on inflation. But I think inflation has peaked. Obviously Chairman Powell highlighted that this week. And like today, oil is not doing anything special. You know, it's up, but not too much even with the SPR announcement from Biden today, which you and I talked about. So you have that. And I'm much a fan of the yield curve using the ten-year versus the Fed funds rate. And I'm sure that, or Fed funds versus the Treasury Bill yield. But comparing the long rate to a short rate, I'm sure that's the right way to go about it.

And, of course, that's extremely positive so I don't see a recession out there. So you made the good point, Julian, that maybe we're going through sort of a change in the era from a low inflation era to a higher inflation era, maybe PEs are under pressure. Anyway, I've never seen anything like it, but I'm going to keep trying.

JULIAN EMANUEL: Well, considering the multi-decade track record you've built, I think that that gives us confidence and solace. Tell us a little bit, for those of us who are uninitiated, because the survey work, and frankly this applies to me, relatively new to the firm and relatively new to the survey work, is that, you know, I look back in January when it felt like there was all indications that the economy was going to turn down because the virus was proliferating, and survey work kept saying no, no, no. Tell us a little bit about how you develop the work over the course of years and, you know, what makes it proprietary and gives us, as investors, the edge, versus the things that you see periodically run across the Bloomberg.

ED HYMAN: Well, I'm generally of the view, Julian, that the only thing I do that's worthwhile, I'm sure is worthwhile, are these surveys. The rest I'm not so sure about. But years back, there was a thing called the Johnson Redbook. It was a survey of retailers. And so we could do that, we started doing that. It's been quite successful. And the more I've done it, the more I realize that if you survey, say ten companies, that's not a lot of companies, but it's so much more than nothing.

And I've found that the surveys have, you know, looking back at them historically, have worked perfectly. You ask the same person at the same company, the same question. How are your revenues compared to what you expected? Fifty, as expected, 0-100, 100 being the best. And they just give you a very good feel for the economy right now. I will say that they do not tell you about tomorrow. But because they're measuring today, and data comes out, you know, with a lag, you have a little better feel for the economy than most people. And like right now, as of Friday, the surveys were still very high. Now the surveys measure revenue so I'm picking up both unit and price. And when the surveys get into the 70s, there's only one way they get there. They have to have both unit and price.

So our homebuilder survey has been in the 70s. Our trucking survey has been in the 70s. But the only way they get there is to have both of them. And so we've got quite a bit of inflation and, you know, the economy is still pretty, pretty good. So I heard Chairman Powell say the economy was very strong, which is a pretty strong statement. But that's certainly what the surveys indicate, and also probably a lot of inflation in there.

JULIAN EMANUEL: So let's talk about the Fed. A historic day yesterday, basically the first successive meeting hike since 2006, and the first 50 basis point hike since 2000. Given what you see in the markets all around you, what's your confidence level that the Fed can actually get inflation under control without causing a recession? Particularly when you think about the historical aspect of the last time we had this kind of inflation, it was Volcker that got things under control and the way he had to do it was causing a recession.

ED HYMAN: So I take it a day at a time. I think it was, you know, J.P. Morgan, not the bank, but the man, when asked what's your outlook, he said, well, I look as far as I can see. And when I get there, I look again. And in terms of your question, I'm pretty sure that there's not a recession in the outlook at the moment.

But we're going to come to another juncture where I cannot really see, and that juncture is when, let's say the Fed funds rate is 3, to pick an easy number, and bond yields at that point are, say 3 ½, I'm pretty sure that between here and there, there'll be some economic shock or financial crisis or something, as you and I have talked about. It could be like an LTCM. It could be a Russia crisis, Asia crisis. There have been plenty of them. And at that point, let's say bond yields come down to the Fed funds rate, so at that point you have a flat curve. At that point, I assume the Fed will stop tightening and could even ease. If instead, for whatever reason, they keep tightening or bond yields go down sharply, say to 2 ½, so you've got an inverted yield curve, then I would go to a recession forecast.

So, for example, in 2018 the market went down. Bond yields came down to the funds rate. The Fed stopped. And then they cut rates, the market went up, and we had one quarter of 1% GDP growth in the fourth quarter of '18. And then in '19, you had about 2 ½% growth. So I think that was a soft landing. I can't know because we had the pandemic. But then in 2016, the yield curve inverted, the Fed funds came below, and for some reason, and housing was imploding. Everybody knew it, it seemed like, except the

Fed. And so they tightened again, I think to 5 1/4 in 2017. And then you had a really inverted yield curve and we had a recession.

So I can tell, Powell has studied this, by just what he mentioned. He's talked about this soft landing. And so he knows that something's going to happen and you could get a flattening of the yield curve like I mentioned. And he's hoping that he can stop tightening at that point and then cut the funds rate and we're going to have a so-called soft landing or an event without a recession.

JULIAN EMANUEL: So when you think about, going back to what Chair Powell spoke about yesterday that an element of what's going on, particularly with regard to the geopolitical ramifications of the Ukraine-Russia war, and then of course the lockdowns in China with regard to both commodity prices or the supply chain, how does that all factor into your thinking right now? Do you think the markets price those in appropriately, you know, two-sided risk or perhaps tilted one way or the other?

ED HYMAN: So, Julian, you're better at answering that question than I am, so I'm going to turn it back to you in a second. That's your part of our relationship. But I should say, thinking back to your question just a minute go, that I should point out to myself and to you and the people on this call that inflation is so high, it's totally unprecedented. So I have to be careful in being too reliant on history to be a guide in this episode. But the main way that those two things – the war and the lockdown in China – impact my view of the current situation is clearly slowing the world economy. And all else equal, that should keep downward pressure on commodity prices.

And the dollar is up quite a bit today. It's up now 15%, and that's a pretty meaningful increase. And so that also is putting downward pressure on commodity prices. And the dollar going up, you can see would be, it's not too far a stretch that if you don't have a lockdown and if you don't have a war, maybe your currency would be better than the other currencies. So that's another way it's impacting and it increases the odds that inflation is going to cool because commodity prices cool down and also just because the world economy is slower than it would otherwise be.

So I don't want to say those are welcome, but they have consequences and I think they increase the odds that inflation is peaking, which I'm not really a fan of that idea. But I am a fan of following the facts and, as you know, we have a lot of information that wages might be cooling a little bit, to my surprise, and car prices, freight rates, truck rates are down. Commodity prices so far have been quiet and the dollar is up. So, you know, at the moment I'm of the view that inflation has peaked and we get the CPI next week. And just, I'm always, it's always important to know what's in the market already. And then I'm going to turn my question, your question to you.

But the consensus for the CPI next week is .2. Obviously a small number. Powell definitely knows that, when he spoke. And last year the CPI went up .6 so there's a very good chance the year-on-year in the CPI will go down, indicating a peak, so-called peak in inflation. But so, Julian, do you think that these things are priced in the market? The war or the lockdown?

JULIAN EMANUEL: Well, what I would say, and this is something you and I have been talking about, is that what's different is this entire paradigm where inflation, you know, is literally broken into 40-year highs and out of the sideways trend where roughly core PCE moved anywhere between ½ a percent and 3% for 25 years, which really has made this a year where you've seen negative returns on both stocks and bonds, correlated negative returns, essentially for the only time besides 1994. And so from that perspective, I think there is an element of it being priced in, but again in a year like this, we're only in May, and we've seen an enormous amount of tail risk surprises, both to the good and the bad, it's hard to be definitive about that statement.

And when I think about another thing that you've pointed out, this whole idea that, in fact, financial conditions have already tightened a great deal and here we are only two hikes into the cycle, actually financial conditions having tightened to an extent where at the bottom of the 2018 cycle and then at the bottom of the 2016 credit in China stress-induced cycle as the Fed lifted off of zero, my question to you, Ed, is, and again, I think history is valuable certainly to a certain extent, and in both of our conversations with clients, there appear to be these parallels drawn to the 1970s. You know, in your experience, could you compare and contrast 2022 and what we have facing in front of us to the 1970s?

ED HYMAN: I would say sure. You have, if you just say is it or isn't it, I'd say there are definitely comparisons. And it seems to me that, to me, that inflation expectations have become unanchored. I tend to look at things like the Consumer Inflation Expectation Surveys which have gone up a lot. And it seems to me as though we have wage-price spirals. I would be almost certain that companies, when they are considering how big a pay increase to give their employees, they're thinking about how much gasoline prices are up. So if the CPI is up 8 ½%, giving your employees an increase pay of 3% doesn't sound exactly kind. And so I see those, but they were definitely a part of the 1970s.

Now, also in the 1970s, Arthur Burns, God bless him, when energy prices went up, he said, well, it's an exogenous event, we'll take it out. And then when food prices went up, he said, well, that's a related exogenous event, we'll take out food prices. And there was the birth of the so-called core inflation, which I'm not a big fan of because, you know, I eat quite a bit and I tend to drive and fly around. So that strikes me as similar, to take that out.

Now, Powell has now certainly said that he thinks that inflation is a problem and he's dropped the transitory talk so much. But the difference between now and then is that by the time you hit the 70s, you had had at least a decade of inflation building. And companies started to give big pay increases.

And one of my friends back then was the Financial Officer of, I think, Ford. And he had the story that for the first time he went to the board and said, look, if you approve this contract with the auto workers, we're going to have to raise prices. Every other contract I brought to you, I said I thought we could cover it with productivity. We cannot cover this with productivity. And the board approved it. And they raised wages and then they raised prices and it didn't do anything to demand, because the workers had the big pay increase and therefore they could buy. And it doesn't seem like we're quite there. And so I applaud Powell for being more aggressive.

But the other things seem pretty similar. You've got food prices up, energy prices up, and exogenous events come along. And when you get an exogenous event and you have a low inflation environment, it doesn't do much. If you have an exogenous event and you have a high inflation environment, it can do a lot. And we're dancing on the edge of that. And I think inflation is going to be higher in the next decade than the past decade. But right now, I'm thinking that inflation is going to slow down to about 4% and then I'll look and see how it looks then.

There's a chance it goes, you know, way down beyond that if supply chain problems ease up. But I'm assuming it slows to 4 and I already see lots of discussions in our community about whether or not 4 is okay. The Bloomberg opinion piece, as I showed you, says get used to it. It's going to be 4. And Nobel Prize Economist from NYU, yesterday said 4%, maybe 3 or 4%. Ken Griffin on Bloomberg a couple of days ago said if inflation got down to 4, maybe the Fed could slow down. So we're going to have to see. We're going to have to have a big discussion about whether or not inflation needs to get to 2 to think that it's back to normal, 3, I think would be pretty easy to sell to the community, 4 is a bit more difficult.

JULIAN EMANUEL: Yes, no question. So, you know, I'm fond of quoting that old saying from Milton Friedman that inflation is everywhere and always a monetary phenomenon. And I know you hold his work in high regard and, you know, you really have revived the analysis of the money supply, M2, over the last year, to an extent that I think a lot of economists have really forsaken. It was the thing that we focused on in the 70s and in the 80s. Tell us about, you know, your thoughts about where money supply is now and where we're going and how we need to think about it with regard to its interaction with the economy.

ED HYMAN: So, Julian, I forget, is this call for two hours (Laughter) or for 45 minutes?

So I really fell in love with Milton Friedman's logic and the way he thought. And then because of the 70s, I should have, I'm remiss for not bringing that up when you asked me that question. You were giving me a slow pitch down the middle because money was such a part of that episode.

And so money growth hit 30% and then it was 50% total increase over three years. And so that pushed me away from the transitory viewpoint and it made me think that the very rapid nominal income numbers we're seeing, like consumer incomes are up 10 or 11%, S&P earnings are up 10% probably in the first quarter. That was a reflection of money. And so when the facts change, I change. What do you do, sir? But I was on that so hard, as you know, for a couple of years. And in March, the money supply increased just .3, less than 5% annual rate, and it was about 10% year-on-year.

So I have now changed pretty much completely from seeing monetary stimulus has a huge tailwind to the economy and inflation. We're seeing it now being somewhat of a headwind, and it makes me more comfortable with the idea that inflation is going to slow down. I went back and I looked at what the money supply did when they did QT, which is, of course, the question you get in your head, when they do QT, what's that going to do to the money supply? And when they did QT in 2018, money growth slowed to about 3%, but then it picked back up, even though they continued QT because they stopped tightening and they cut rates. So both were at work. But I really think that I'm a monetarist at heart if you put it that way, until proven otherwise. And so I think it helped me figure out inflation being really rapid, say 8 ½%. Now money growth is slowing down so the inflation outlook is better now.

And I think it was, spare me for boring you with this, but in 1911, Irving Fisher wrote the equation: money times velocity equals price times quantity. It's not exactly a great insight. It hadn't been thought of. And then, I have a reason to point this out, because in 1923, John Maynard Keynes, sort of his counterpart on the other side of the ocean, did some work and determined that money growth leads the economy by 16 months. And then a lot of work I've done indicates that money leads by over a year. So what we have on monetary policy now should push us through the rest of this year. And then the risk of recession or slowdown or lower inflation really comes to bear in 2023. You and I will have plenty of time to discuss this before we get there.

JULIAN EMANUEL: So as long as we're on that topic, Ed, you know, if you think about the survey work, what two or three surveys would you point to for our clients as to sort of be the most real-time indicators of the potential for that kind of economic slowdown?

ED HYMAN: So thanks for the little pause there. I forgot to mention one thing on the money. So in the 60s, Beryl Sprinkel, who was the economist at Harris Bank in Chicago, and went on to be the Chairman of the Council on Economic Advisers under Reagan, he wrote a book called, *Money and Stock Prices.* So now I'm talking to you that this money growth, slowing as rapidly as it has, could be putting downward pressure on the stock market and on the economy, but it takes a while for that.

Now, on the surveys, we survey employment agencies, twelve. And I've been following this space for a long time and became aware that the company, Manpower, Inc., which I think is a great company in Milwaukee, has always had, they do an employment survey, but they have a very good feel for the economy. And so we developed a survey of a dozen employment agencies, and we ask them how's business, which is essentially employment. It's great! It's making new highs every week, made a new high last week. So employment, if employment is okay, then we can sort of call it a day in terms of the economy. That's one survey I'm watching the closest.

Our first survey is of retailers, I mentioned, off the Johnson Redbook retail, anyway, that's our first. And that's probably the most important survey. And it's proven to be quite volatile and, I think, representative of the economy in the past six months. It got up into the 70s, which it's never done before because they could raise price. Remember, they can't get up there without price. And then it came down to something like 50, when the variant hit. And I thought, oh, my gosh, here we go. The other parts of the surveys were going up, like trucking or airlines, and now the survey has bounced back and it's around 60. But that would be another canary I watch the closest in addition to employment.

And then our trucking survey has, of all the surveys, it has the highest correlation with GDP of any single sector survey. The surveys overall have the highest, but of any single sector, trucking. And the trucking survey got up into the 70s because of, you know, fare increases, freight increases, price. And it's been coming down pretty steadily. And this week it went up like 2/10ths to 70, so it's still elevated.

But the economy is going to slow. It is slowing. Actually it hasn't slowed as much as I thought. I need to keep emphasizing that to me and you. The economy is going to slow. And the trucking survey is now pointing in that direction. The question is simply, do we get a soft landing or a hard landing? I think that's the question we will answer more in 2023 than 2022. But those are the three I'd pick out.

I also think that because – you brought it up – we do a survey of companies that have sales in Europe and companies that have sales in China. And those surveys have plunged and they're both in the mid-40s now. So they'll tell us, you know, how bad things are getting there, which is pretty bad in both places.

JULIAN EMANUEL: I think looking at the last 24 hours, Chair Powell has invented a different outcome – the soft-ish landing. So that's some, you know, undefined thing in the middle. Ed, you taught me this very early on and it's something that you really carried with you for all this time is that you're a big fan of listening to your clients. What are the clients saying to you right now? What are they thinking about? And particularly talk about places that maybe we don't have quite the boots on the ground and where there are surprises, places like Europe and so on.

ED HYMAN: Well, I think in all honesty, I don't think I've ever had an original thought in my life. I think, I mean if plagiarism is bad, I'm a really bad economist. But I learn so much from listening to people and sometimes you agree with their view or sometimes you disagree, but you're always sort of learning. And I don't think we're going to have a recession, but I think people sort of dismiss me on that point. They think, well, he's over the hill, lost his touch or whatever I've said earlier. But I really don't think we're going to have a recession.

And I've seen polls that we do, that other people do, that show about half the people think we're going to have a recession. And I think, of my friends that are aware of businesses, I think they're pretty much, not 100% but they think it's pretty likely we're going to get a recession. And so there's that. I don't know what to do with it exactly. You and I both know, and you've pointed out more than me, that people are pretty cautious. I mean the negative feeling out there is quite strong. But in general, I don't think of anything that just smacks me besides I don't expect a recession.

Inflation peaking, that's now become, I think the shadow consensus. And now people will say, well, so what? So it's not 8, so it slows to 4, that's still too fast. And so it's, you know, turning sort of a positive into a negative. But the markets, as you and I know, have been brutal. And I've lost a lot of money, our clients have lost a lot of money, and so it's just natural to worry about things. So there's quite a bit of caution.

But I think a recession is the one thing that I, right now, for a long time it was inflation, I thought inflation was not going to be transitory, but now – for the reason I mentioned about the yield curve – I really don't see a recession. And if it is out there, I think it's a ways out there. So you have to figure out if the market can survive with whatever it's going through, if earnings keep going up, which they're up in the first quarter. It didn't do me any good. And now we are, January, February, March, April, we're in the second quarter and I think the second quarter looks pretty good. And so earnings should be pretty good, but so what?

JULIAN EMANUEL: What do you think the biggest problem is right now?

ED HYMAN: The biggest problem, in our view, really is this idea that, you know, we are in a different environment in terms of inflation and clearly a very different environment in terms of interest rate moves. And I think it's interesting that today, on the one hand, you had that announcement of the potential for buying oil, the government buying oil, that actually the response has been muted in oil, but yields just started moving higher. And that is different. It speaks to the liquidity in the market, which is certainly challenged, but not something that needs to go on forever, but it still does speak to the fact that we likely have at least a period of weeks' worth of volatility for our view to focus on the fact that we're not going to have a recession, that earnings continue to grow. Gets investors thinking that the glass is more like half full instead of half empty, but we have a ways to go. My glass at the moment is about one-third full. (Laughter)

JULIAN EMANUEL: We've all got to do a little less drinking then, I guess. Barbara talked about this at the beginning. I mean your longevity and your track record of building ISI, you know, as a best-in-class firm and then selling it, joining with the best-in-class partner, Evercore, what is the secret – if there is a secret or secrets – to building a great organization that finding a great partner to keeping the organization vital?

ED HYMAN: Well, Julian, that is such a gratuitous question. I don't know even where to start. But, you know, I know that in any business, it's good if you can have a mission, if you can feel like you're really doing something. And I know the mission for our clients is to have the assets they manage go up so their customers, their clients can send their kids to school or pay the bills or be philanthropic, whatever.

And our job is to help them do that. And so I feel every day that that's what I'm focused on. I don't want to try and be provocative. I just want to help our, have the forecast that's good enough to help our clients. And so if you do that, then we've built a good business around that. And I think our people here, you know, generally have that mantra like you do. So I've been lucky too because, you know, I started in the 70s with the markets down, but it's gone up quite a bit. And I've been very lucky and working for good people. But let's move on to another topic.

JULIAN EMANUEL: So, and I think this is one of these things that really, you know, when you look out the next 12 to 24 months, tell us about the things that concern you most and the things that you could potentially be most optimistic about, both in terms of the economy and obviously the markets.

ED HYMAN: So I've begun to worry about this slowdown in the money supply. It's a bit of a cult-like thing. And Milton Friedman frankly never became exactly an establishment person. He was always sort of a gadfly and I sort of liked that about him. But, you know, mantra-ism works sometimes and sometimes it doesn't work. But I'm worried because of that, and I can also tell you why it's slowing so you can evaluate the implications. So one reason it shot up was when we did the checks, sent the checks to people. And now government outlays are declining because we're not sending out checks. And that was one of the things that pushed money supply up and now it's slowing.

The second this is at the same time we did that; we expanded the balance sheet very rapidly at the beginning and that also coincided with the money supply taking off. And now that's slowing to nothing and we're going to have the first test of really shrinking the balance sheet. And that's unprecedented. And so, like I mentioned, I just did the work yesterday frankly to see what happened in 2018 when they shrank the balance sheet and the money supply still kept positive. Now keep in mind that the money supply is, it's like the blood, and it keeps going as long as the economy is alive. Like when people get pay increases, that goes into their checking account and money supply increases. But anyway, that's one thing I worry about. Sorry to dwell on that so much.

I guess another thing is the opposite of it. It's possible that maybe commodity prices, when China unlocks, maybe even the war sort of settles down a little bit, that oil could make a big move up, say to $150. And I have clients, friends that think that's what's going to happen. And that could, you know, give us a whole other leg up on inflation and create more pressure for the Fed to react, etc. etc. So those are sort of two different sides of that.

And then, you know, I worry some about a point that you've made about the inflation being a new era. You know, we had the past decade of low inflation or lower, and now we have high inflation. So one of the people I was lucky enough to work for is a fellow named Jim Moltz who ran C.J. Lawrence. And he developed what he called the Rule of

20, which is that if you take the inflation rate and the PE they add to 20. And it's true for sure. The only problem is that it's seldom correct. It averages 20. Sometimes it's 10, sometimes it's 30 so you have to be careful. But obviously if inflation, say turns out to be 4%, to pick a not-too-high number, that would give you a PE of 16. And you're nodding because you know exactly.

And you and I met with some, a client, I think the day before yesterday, where we discussed whether or not you might have a lost decade in equities. So those are some of the types of things that worry me. One, if inflation stayed to high. One is if you get a pop in commodity prices. Another, sort of on the other side of the moon, is that we get a contraction in the money supply. And that one is the least, it's the most understandable to me, but really, you know, the Fed never even mentions the money supply. How ironic is that? When it was going crazy, they never mentioned it. Powell still hasn't mentioned it.

JULIAN EMANUEL: I think that Rule of 20 is probably the most cogent case for us wanting to making sure the Fed gets inflation under control. And, as you said in the beginning, we could talk about these things for hours, but I think we've come to the end of our time. Barbara's back on screen. So I personally thank you for having this conversation.

ED HYMAN: My pleasure. And thanks to everybody who listened in. I hope it was worth your time. Thank you, Julian. Thank you, Barbara.

PRESIDENT BARBARA VAN ALLEN: Oh, you're so welcome, Ed and Julian. This was just wonderful and very timely. So thank you for your insights today. We really appreciate it.

I'm pleased to report to our members and guests we have many more great speakers lined up for the spring. As always, we encourage you to invite guests to our events. Just running through some of these real quickly. Dana Suskind, Professor of Surgery and Pediatrics at the University of Chicago, May 9th, is going to be talking about her new book, *Parent Nation*, which is centered on equity in childhood development and how important that is. John Rogers, a member of our board, Chair and Co-CEO of Ariel Investments. That will be an in-person/hybrid event, May 16th. Tony James, formerly of Blackstone, Chair of Jefferson River Capital and Costco, will be joining us by video May 24th. Nicole Elam, President and CEO of the National Bankers Association, will be joining us on video on June 6th. Arvind Krishna, also on our board, Chair and CEO of IBM, will be joining June 7th. That will be an in-person/hybrid event. And then Brian Cornell, CEO of Target, on June 21st, also an in-person/hybrid event. And not to be overlooked, the Peter G. Peterson Award. We're going to give two this year on June 27th. That will be a dinner. We're very excited about that. Please mark your calendars.

And then finally, just a quick thank you to members of the Centennial Society that joined us today whose contributions help to make our work at the Club possible. So thank you. And again, Ed, Julian, terrific conversation. Thank you. And everyone, please enjoy the rest of your day.