



## Basis Points – July 15, 2021

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### Above the Fold

*Will Inflation Settle? ... Or Will the Fed Need to Step in?*

The term “transitory” seems to have been created by policymakers to not only describe (expectantly) temporary, fading inflation spikes, but also as a means of delaying action during periods that historically have triggered rate hikes. In other words, if the Federal Reserve (Fed) deems price spikes to be fleeting, a “transitory” categorization allows them to do nothing — even if they are wrong.

The latest data from the Labor Department showed a 5.4% jump in consumer prices over last year, driven by increases in autos, airline fares and much more. Even the core reading, which strips out supposedly volatile food and energy prices, still clocked a 4.5% increase over 2020. The annual gains were the highest seen since 2008, and prices for used cars and trucks alone leapt 10.5% from the previous month.

Now, before we all get into a panic and readjust our Fed forecasts, it's important to note that there are concrete and quantifiable reasons for these price increases. First off, the world just experienced a highly abnormal, unexpected event that shuttered global factories and trade routes; sending a wave of delays and backlogs that likely would have been absorbed quicker if most countries also didn't recover so quickly. Compounding an unexpected catastrophe and expedited rebound, Americans were literally sent thousands of dollars in cold, hard cash on top of unprecedented job loss compensation.

In sum, demand is crazy high at a time when supplies are still constrained. This could go on for months and is likely to normalize as consumer accounts drain and supplies come back online. For now, it might help to take a breath and let these short-term forces play out.

## Three Things

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1. *China Sees Bitcoin Miner Exodus* – Deep in the rural Hengduan Mountains of Sichuan Province China, massive structures packed with powerful, energy-thirsty computers have been switched offline. These highly lucrative Bitcoin operations have shut down after the communist regime appointed a committee to reduce financial volatility and stop Bitcoin mining across the country. Similar mining operations have been completely halted and the facilities even demolished in recent weeks as whistleblowers alert the authorities to anyone ignoring the ban.
2. *Chip Shortage May Affect How You Charge Your Phone in a GM Car* – With a global chip deficit preventing the construction and delivery of hundreds of thousands of vehicles, General Motors (GM) has decided to [drop wireless charging](#) from several of its SUV lines. These cuts come after the company already pulled HD radio and even auto start-stop functions from several models to conserve its use of semiconductors.
3. *United and Its Regional Partner Just Ordered 200 Electric Planes* – United Airlines and its regional servicer Mesa Air Group struck a deal Tuesday with Sweden's Heart Aerospace to order 200 electric aircraft. According to the Wall Street Journal, the pair each agreed to purchase 100 of the 19-seat, 250-mile range planes once a design is approved that meets their needs. The aircraft, called the ES-19, is expected to be delivered as soon as 2026, but no planes have been designed, flown or tested yet.

## Did You Know?

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## *Twitter's Birthday*

It was on this day in 2006 that Twitter, formerly known as Twtr, was launched to the public. Originally, Twitter was a side project for San Francisco-based podcasting company Odeo. When the service was first introduced, it was simply a tool to send 140-character SMS text messages to groups of friends by texting the number "40404." The name Twitter caught on within six months of its public release, but the company got its first major viral public relations break at Austin's South by Southwest convention in 2007 when more than 60,000 tweets were sent per day.

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