

Will a “No Landing” Impede Inflation Progress?

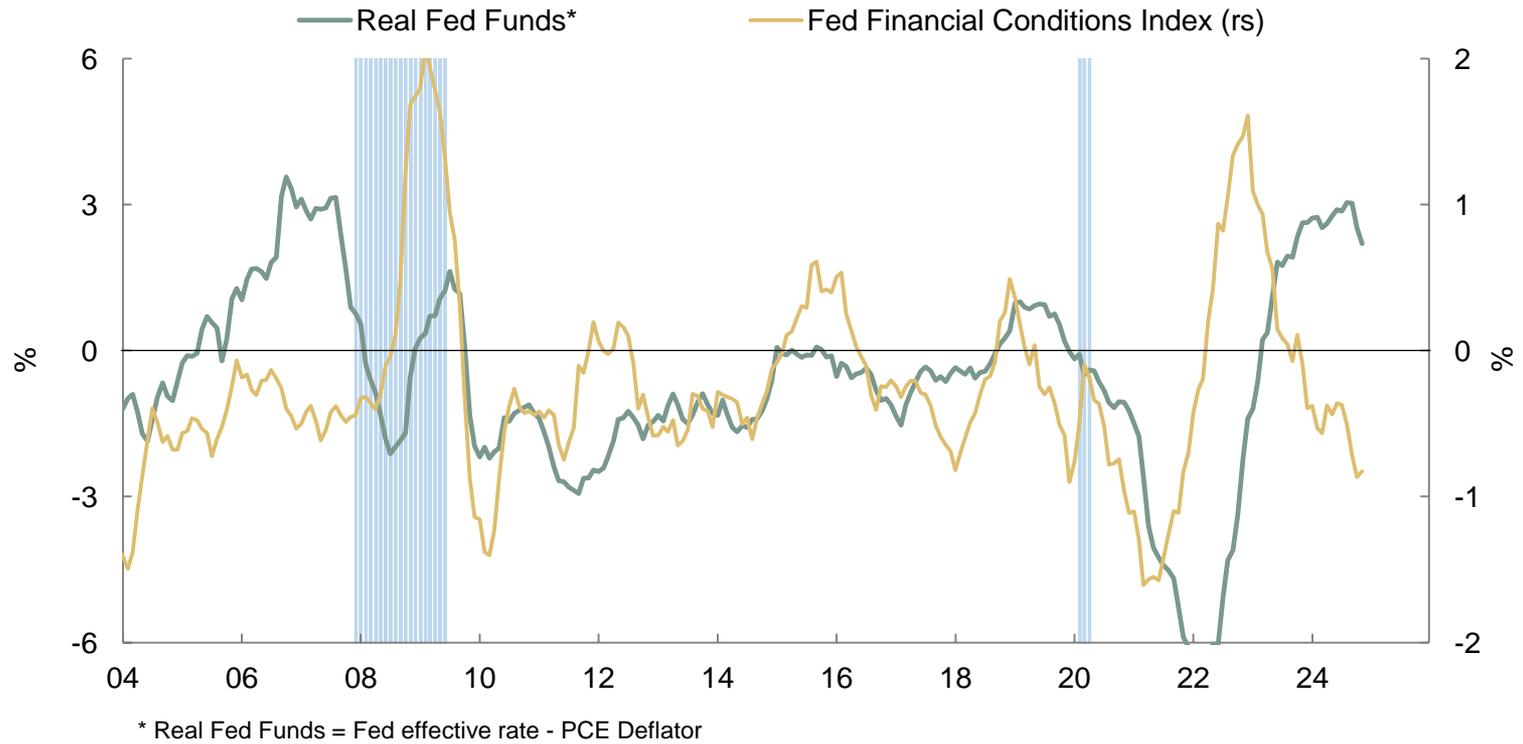
Joseph A. Lavorgna
Chief US Economist
SMBC Nikko

(212)-893-1528
Joseph.Lavorgna@smbcnikko-si.com
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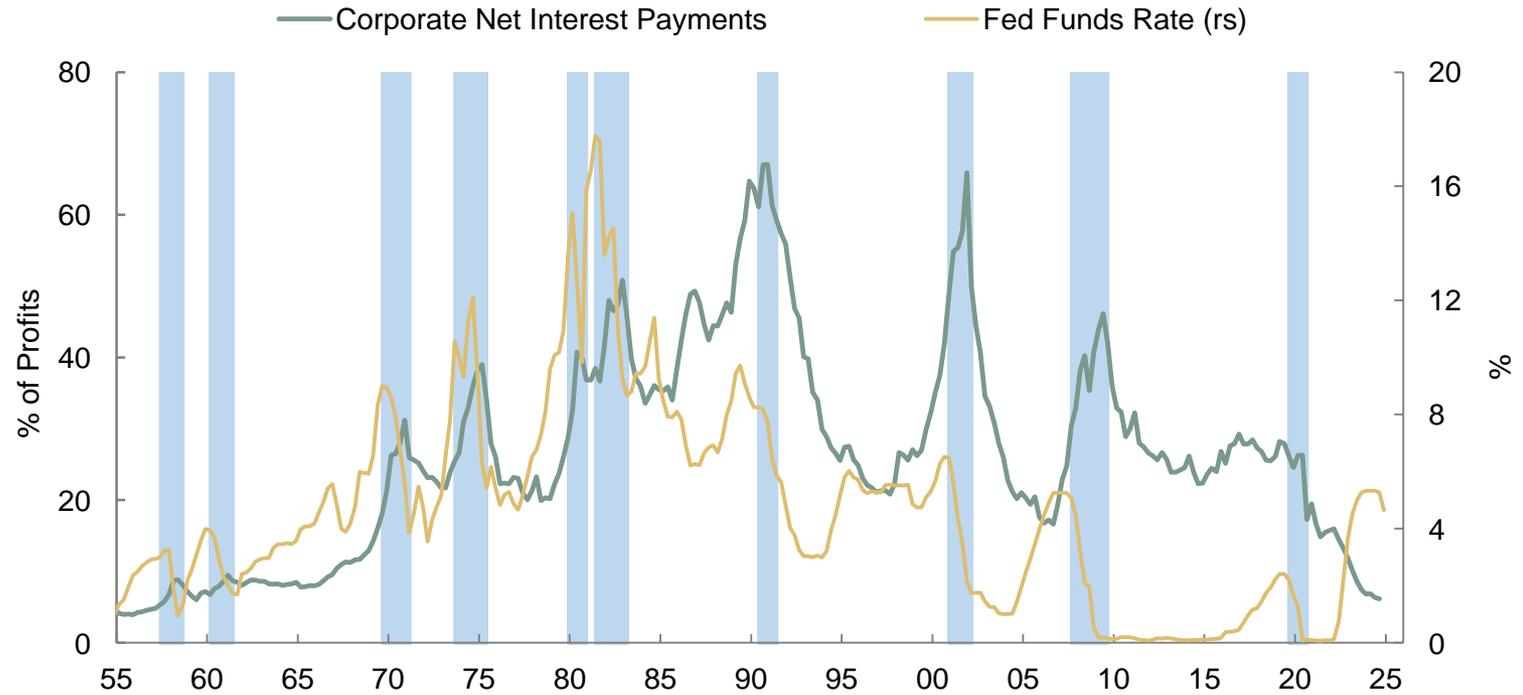
Executive Summary

- A historically high real fed funds rate has been offset by a massive easing of financial conditions.
- Higher official rates have not dampened corporate behavior because firms locked in low interest rates during and immediately after the pandemic.
- The hard landing versus soft landing debate has been replaced by a “no landing” scenario.
- If growth does not slow, the rate of inflation for cyclically sensitive goods and services may remain elevated.
- An easing of rental prices should eventually dampen inflation pressure, but the Fed will likely keep interest rates much higher than policymakers had previous projected.
- The use of tariffs is neither inflationary nor properly understood. Trumponomics will use tariffs to reindustrialize the beleaguered US manufacturing sectors, at the same time tax rates are lowered, regulations are cut, and energy prices are reduced.
- The biggest uncertainty for 2025 is the sequencing and timeline of economic policy implementation. The fact that the GOP is opting for one large budget reconciliation bill increases the probability of policy success.

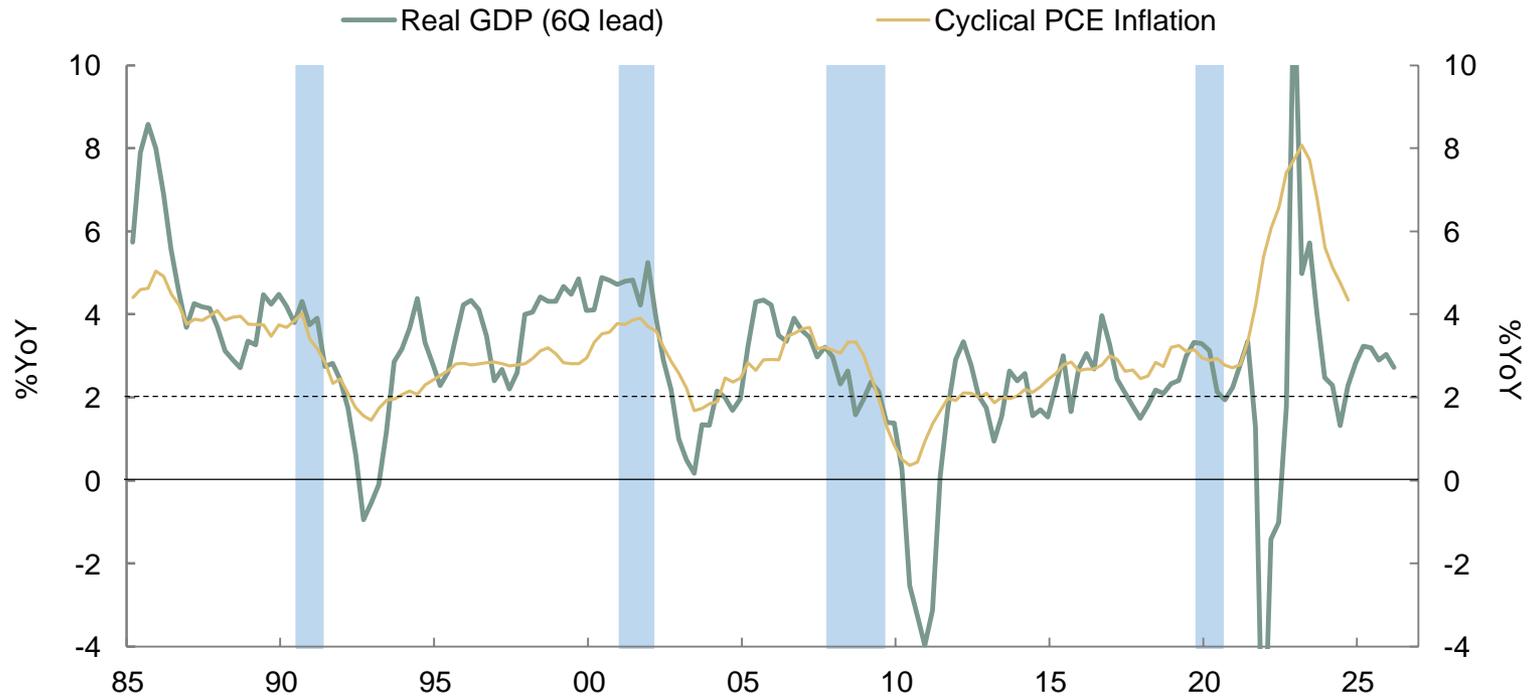
Tight Fed, Easy Financial Conditions



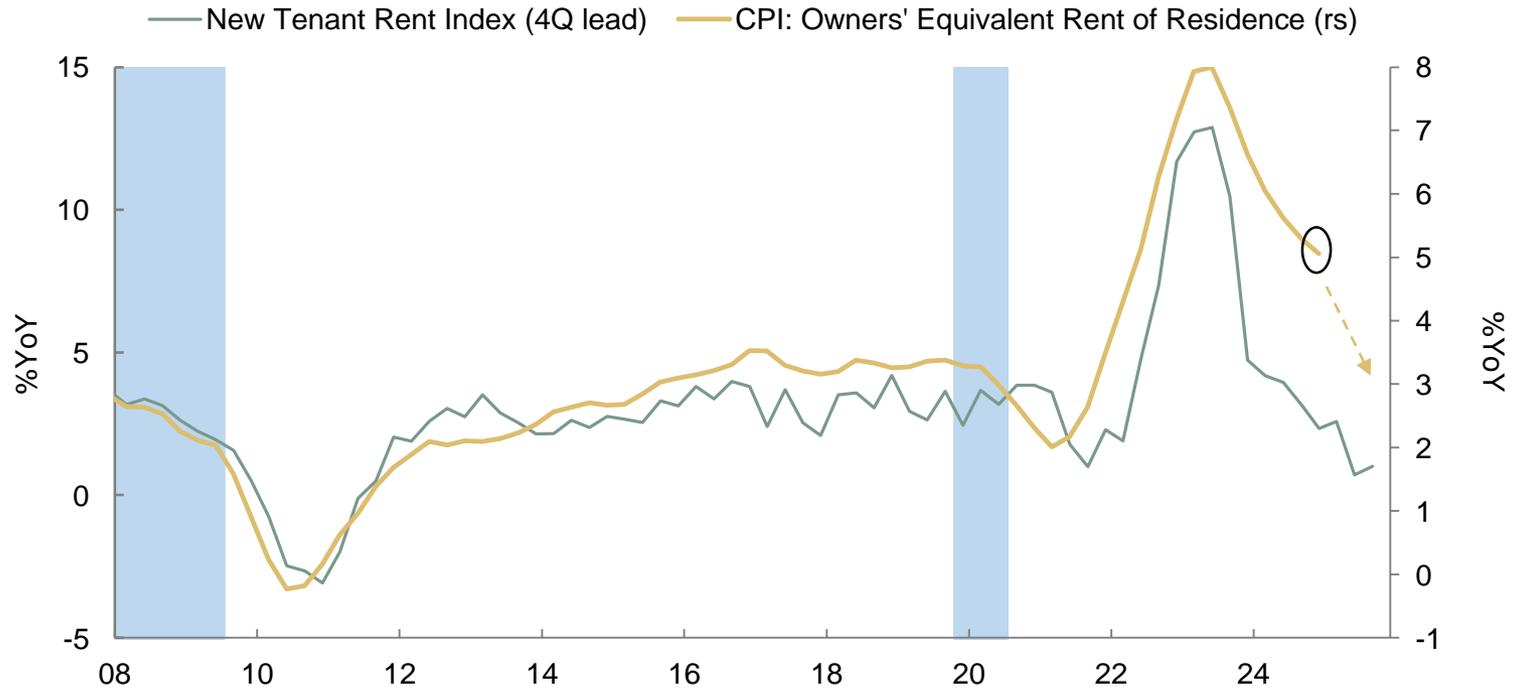
Maturity Walls Yet to Kick in



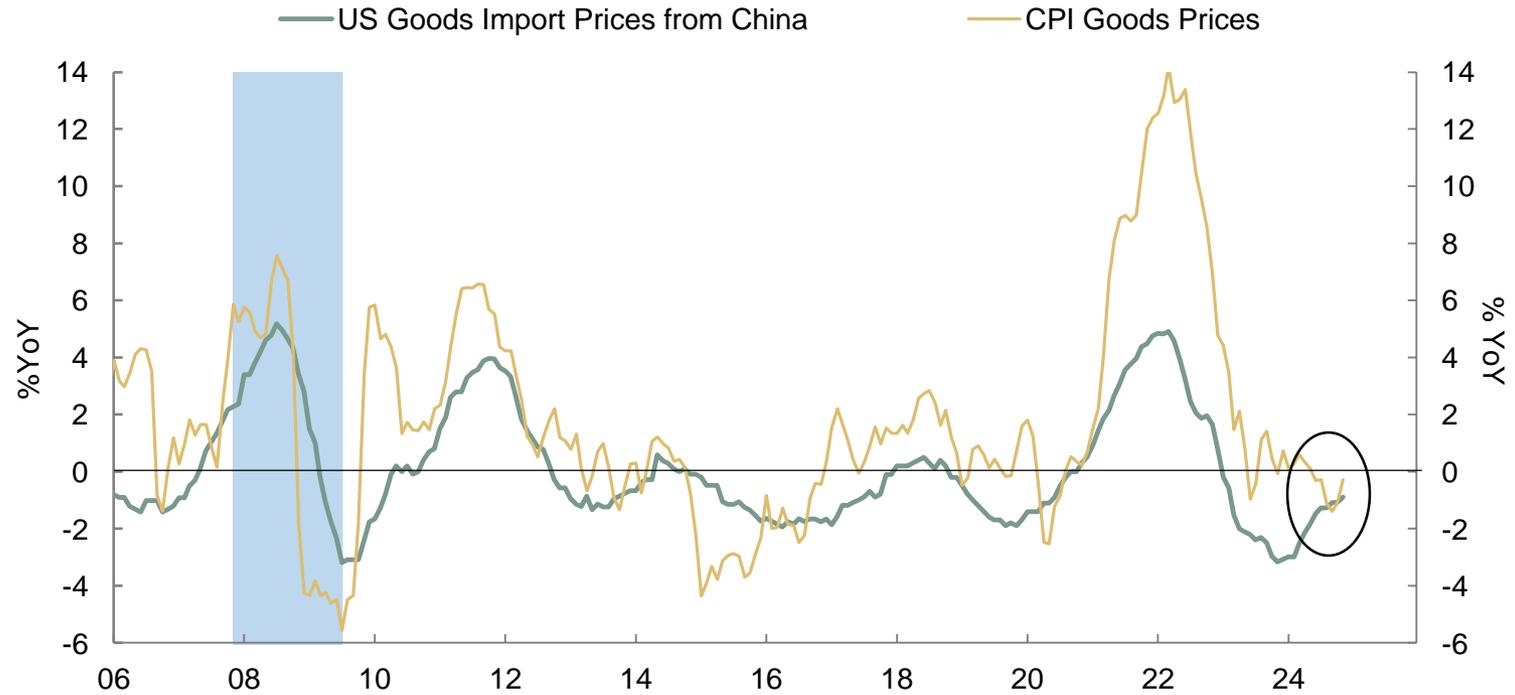
Will Inflation Come Down Fast Enough?



Shelter Inflation to Decelerate Further



China is Exporting Deflation



Biography: Joseph A. Lavorgna



Joseph A. LaVorgna

Managing Director

Chief Economist

SMBC Nikko Securities America, Inc.

*277 Park Avenue
New York, NY 10017*

Office: +1-212-893-1528

joseph.lavorgna@smbcnikko-si.com

Joseph (Joe) Lavorgna is a Managing Director and Chief Economist for SMBC Nikko Securities America, Inc. Joe joined the firm in September 2022 and is based in New York. Joe has spent more than 25 years in the financial services industry.

He was previously the Chief Economist for the Americas at Natixis. While there, Joe took a one-year leave of absence to serve at the White House, where he was Special Assistant to the President, and Chief Economist of the National Economic Council.

Prior to Natixis, Joe spent 20 years with Deutsche Bank Securities in the Global Markets Division, where he was considered one of the leading Wall Street economists. His team was perennially ranked in the prestigious *Institutional Investor All-Star Fixed Income Survey*.

Joe is also a Senior Fellow at the America First Policy Institute, a Washington, D.C.-based think tank. He holds a Bachelor of Arts degree in economics from Vassar College and did graduate work at New York University.

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