

# The Daily Feather

## Strutting the Catwalk

### VIPs

- Tuesday's CPI report revealed that rental car inflation rose a massive 31.2% YoY in March, or 11.1% MoM; demand outstripping supply amidst the current re-opening goes hand-in-hand with the recovery in the ranks of the self-employed, now back to January 2020 levels
- Yesterday, not seasonally adjusted Regular State jobless claims fell to their lowest levels since last March; while great news, Google search interest for "file unemployment" has seen a shallower decline, and the presence of Easter likely clouded the full joblessness picture
- From the latest NY and Philly Fed surveys, rising price expectations are pushing up Current delivery times as buyers look to procure now rather than later; these capacity pressures along with Google labor market soft data create the potential for steepening in the yield curve

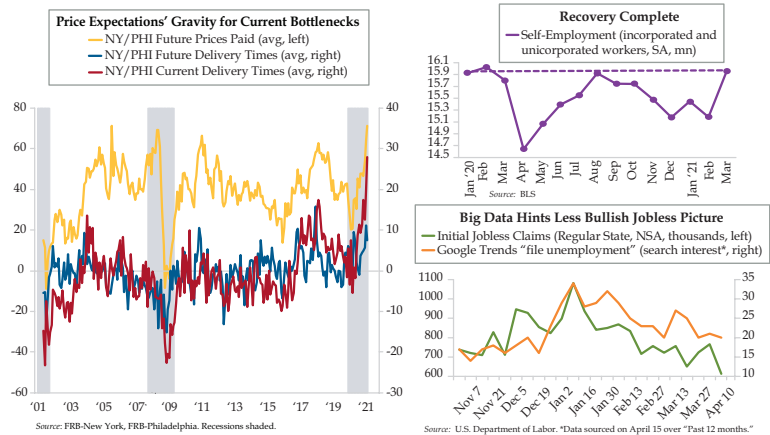
Charles Frederick Worth knew the worth of the animate to peddle the inanimate. In the 1860s, the English fashion designer paved a path to the catwalk by using live models instead of mannequins to showcase his trendy wares in Paris. By the time the century turned, "fashion parades" were all the rage and had made their way across the Atlantic. New York City's Enrich Brothers is credited with hosting America's first such parade in 1903. At their outset, these ultra-exclusive events shunned the public. And any notion of pedestrian paparazzi was out of the question. On July 12, 1998, pioneering fashion icon Yves Saint Laurent gave new meaning to the changed times in a publicity-infused free for all. Set at Paris' Stade de France to a sold-out crowd one hour before the FIFA World Cup between France and Brazil, his orchestrated fashion show involved 300 models, 900 backstage hands and 4,000 stadium staff. An estimated 1.7 million televised viewers tuned in.

How fitting that France emerged the victor that year. It would be 20 years before another La République won another Cup. A similar span will likely pass before we see another Retail Sales report of that reported yesterday morning. No doubt, the economic data runway has been a source of envy to the rest of the world. That said, with a hat tip to Deutsche Bank's Alan Ruskin, it isn't every day that Uncle Sam pumps 19% of economic output into the economy's veins: "Even without the proposed infrastructure package, the 2020/21 COVID cumulative response is extraordinary at over five times the size of the FDR 1930's New Deal in 2020 dollars."

As Bloomberg Senior U.S. Economist Yelena Shulyatyeva advised yesterday, the magnitude of year-over-year (YoY) swings in you-name-the-metric merits a shift to a month-over-month (MoM) prism until the worst of the distortions have passed. To illustrate, take the example of rental car pricing. Tuesday's CPI report revealed that A) rental car inflation had risen at a scorching 31.2% and B) rental car pricing had also increased by 11.7% MoM, which was not its biggest post-pandemic sequential increase, hence Shulyatyeva's sage suggestion. That trophy goes to the month of June 2020, when prices rose 17.6% as parts of the economy re-opened for the first time.

Adding to this logic, is it not better against such a confusing backdrop to take cues on the economy from indicators that don't lend themselves to YoY or MoM measurements? Though they can certainly be gauged on these bases, weekly jobless claims largely fit the "real-time" criteria. The same goes for Federal Reserve survey data. Luckily, these data landed at the precise moment Retail Sales "shocked" a bond market that clearly had the upside priced in.

In part because of surging rental car pricing, QI has adjusted the focus on initial weekly jobless claims data away from Pandemic Unemployment Assistance to Not Seasonally Adjusted State Claims. Spring Break in Orlando and



a subsequent Scottsdale soccer tournament proffered anecdotal data that backed rental car inflation data. Multiple families waited in line for more than two hours in Phoenix for hugely overpriced rental cars. Yours truly had to hit the UberX button four times to no avail: "No drivers available."

Borrowing a page from the Orlando trip's playbook, the Uber Black button was the fallback. The fare differential -- a relatively tame \$82 vs \$64 fare. The Suburban that ferried us to Scottsdale was identical to the one in Florida. Repeating the Orlando hustle, the driver's name was procured for the return trip at the same rate, sans the wait time. Total cost after hitchhiking rides to and from soccer fields with outraged friends stupefied at \$300/day rental car rates they were paying: \$184, including tips.

These back-to-back weekends screamed supply/demand imbalance. It's clear it pays more than an extra \$300 a week in unemployment benefits to become an Uber or Lyft driver. Context: before the pandemic, an estimated 1.5-2 million drivers roamed the roads in search of income and a flexible lifestyle. We know the requisite skills and overhead are minimal. What's to stop any number of former drivers and sidelined unemployed from hanging a mobile shingle? That theory goes hand-in-hand with the dramatic recovery seen in the ranks of unemployed classified as self-employed (purple line).

As for those state jobless claims, we're delighted to see such a huge downward move, to the lowest level since last March (green line). Color us a shade skeptical about the magnitude of the move given the proximity to Easter, a classically distortive element, and more importantly, the relatively shallower improvement in the number of folks Googling "file unemployment." This indicator has proven to be highly reliable amidst the macroeconomic noise in a post-pandemic world.

As for those Fed surveys, the New York Fed typically precedes its neighbor to the south, the Philly Fed. Yesterday, this duo hit the wires simultaneously. QI's Dr. Gates' steely eyes seized upon two leading indicators when dissecting supply chain nuggets of wisdom: "Price expectations are driving Current delivery times in the Mid-Atlantic states. These are real-world inflation expectations at work increasing bottlenecks in parabolic fashion. Procurement professionals are channeling their best Vince Lombardi: '...just grabbing...everybody...grab, grab, grab.' Future delivery times running much lower suggest the tightness won't last. But, for now, the inflation signals are blinking 'red.'"

The strutting forward-looking Google labor metric and soft data on New York/Philly capacity pressures look ready for a new move on the yield curve catwalk. Call it the 'Reverse Twist,' short-end lower and long-end higher.

