Recessionary Realities Point to Rising Gold

written by Egon von Greyerz | August 1, 2022

In this 30-minute conversation with Elijah Johnson of Liberty Finance, Matterhorn Asset Management principal, Matthew Piepenburg, discusses the recent Fed rate hike and its broader implications for global markets in general and the gold price in particular.

Matthew describes the recent 75-basispoint Fed hike as a bi-polar example of both hawkish and dovish sentiment in the same event. After raising the Fed Funds Rate in July, Powell signaled concerns of “softening growth” which will make future rate hikes more “data dependent”—a message which markets have translated to mean more Fed support in the future. In short, the bad news of a looming recession is an ironic form of good news for markets thirsty for a Fed pivot to more “accommodative” QE after months of rate-hiking QT.

Matthew provides a number of reasons why continued, aggressive and sustainable rate hikes in vogue today to allegedly “fight inflation” are simply too expensive for central banks in the US and elsewhere to aggressively pursue.

Ultimately, and not surprisingly, the surest and most desperate tool for fighting current inflation pains will be the *dis-inflationary* forces of a looming recession, which Fed rate hikes of late will only accelerate. Once recession reality sets in, the Fed will need to reduce rates and weaken the USD, as no nation in history has ever defeated a recession with a strong currency and high rates. Matthew argues that the recessionary necessity of lower rates (YCC) and a weaker dollar will be a strong tailwind for the gold price.

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