

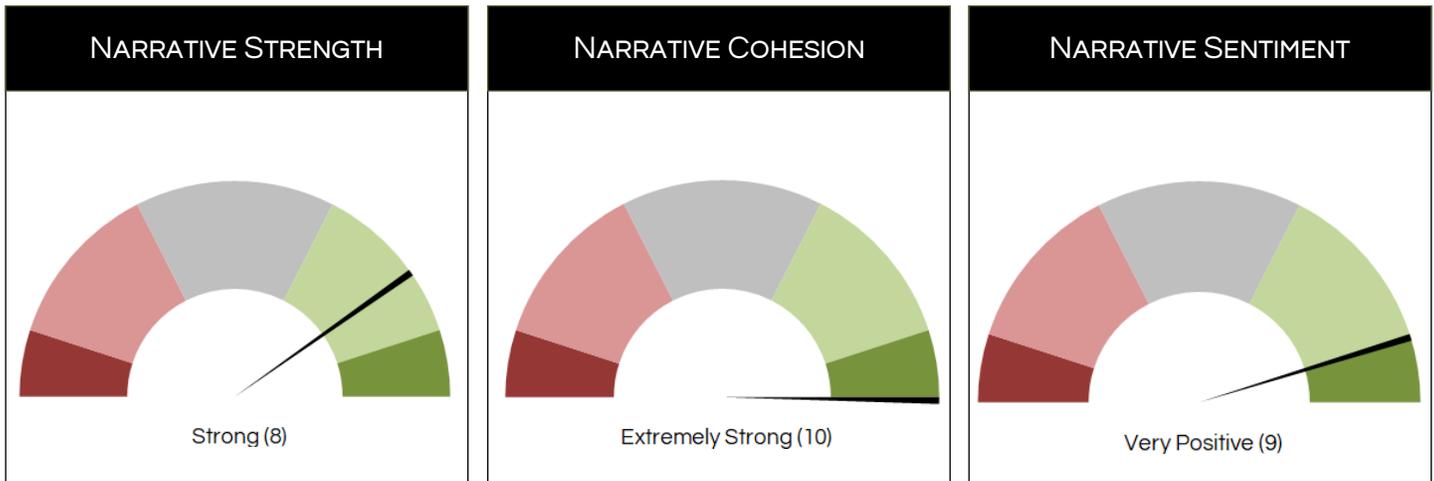


CENTRAL BANK POLICY

Narrative Structure Analysis for June 2021

DOMINANT NARRATIVE STRUCTURE FOR JUNE 2021

Dovish-Focused Narrative



ANALYSIS AND COMMENTARY

We have noted for nearly all of early 2021 that we believed central bank narratives to be a hotly contested battlefield among those arguing that inflation was a Big Deal, those promoting the idea that inflation was Transitory, and those looking to parse the near-term econometric implications.

This is still true.

What is different is that the clubhouse leader in our view has shifted. For most of 2021, the strongest narrative signal came from Inflation- and Hawkish-Focused missionaries promoting the idea that a hawkish Fed might be necessary to Dovish. Through May, we think that has shifted.

Dovish-focused language is now the dominant narrative structure for Central Banks.

As before, none of these narratives is dominant; however, we do note that the May spot calculation for Dovish language was especially strong. What that means, in our judgment, is that there has been a powerful, unified effort (intentionally or otherwise) within financial media, the buy side and the sell side to promote the idea that hawkish

policy will NOT be necessary to stem the tide of transitory inflation.

We don't know if they're right. But the change does have some implications.

Most importantly, we think it strengthens the tactic expectation of a Fed Put and of a benign policy response. That means —even more than earlier this year—that cracks in that narrative would likely be viewed as a more significant adverse event than usual by market participants.

For momentum-following investors, on the other hand, it is likely to be a compelling reason to bet on other investors expecting a continuation of both price trends and recovery narratives. Our general view thus remains relatively neutral. Still, for the time being we would consume financial news with two key questions in mind:

1. Is there *duration* creep on stories about inflation that might break the transitory narrative?
2. Are there *fiscal discipline* themes emerging (other than from opposition) that might imply longer-term drivers?

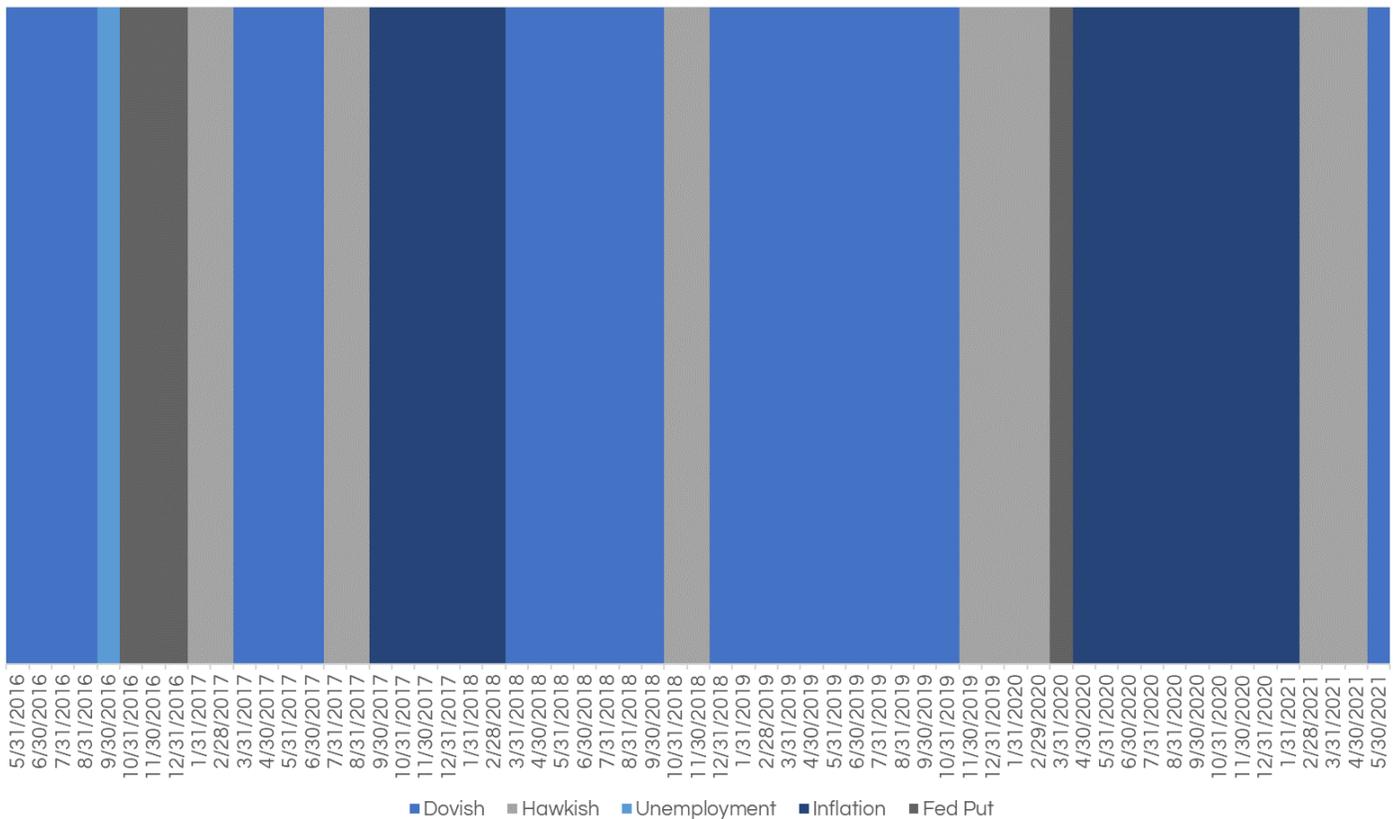
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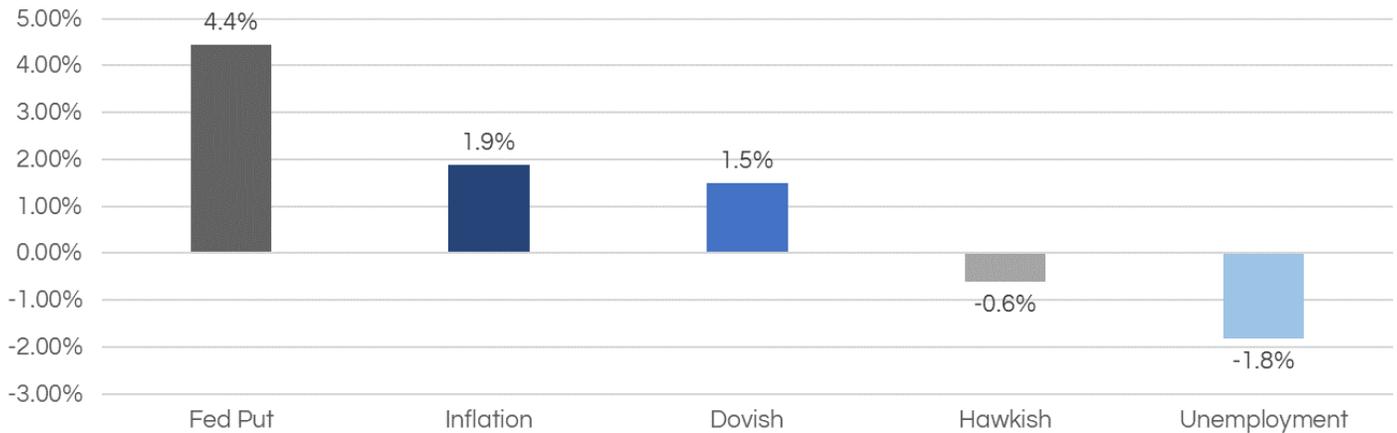
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DOMINANT CENTRAL BANK NARRATIVE REGIMES (2016—MAY 2021)



SUBSEQUENT MONTH S&P 500 INDEX RETURNS BY NARRATIVE REGIME (2016—MAY 2021)



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MOST INDICATIVE (ON-NARRATIVE) NEWS

Headline	Outlet	Link
US Dollar Forecast: Yields, Inflation, Fed Taper Debate Are Key	IQ Stock Market	Article Here
Fauci And The Fed: America's Technocratic Frauds: OpEd	Mises Institute	Article Here
Why real estate investors should not panic about inflation	PE RE News	Article Here
Biden faces big decision on Fed leadership	The Hill	Article Here
Inflation Data Test Fed's Strategy and Outlook	Dow Jones	Article Here
Peter Schiff: The Fed Cheats To Avoid Getting An 'F' On The Economy	ZeroHedge	Article Here
Fed Officials Voice Support for Steady Monetary Policy	Dow Jones	Article Here
Fed Minutes: Economy remains far from FOMC goals	Yahoo Finance	Article Here
ECB's Kazaks Says June Decision to Slow Bond-Buying Possible	Bloomberg	Article Here
Inflation is seen as the stock market's boogeyman as the economy recovers	Business Insider	Article Here

NARRATIVE STRUCTURE MEASURES BY ARCHETYPE

	STRENGTH	COHESION	SENTIMENT
Easing / Dovish Policy	Strong (8)	Extremely Strong (10)	Very Positive (9)
Tightening / Hawkish Policy	Strong (8)	Average (6)	Very Positive (9)
Central Bank 'Put'	Strong (8)	Strong (8)	Extreme Positive (10)
Inflation Focus	Strong (8)	Very Strong (9)	Average (6)
Unemployment Focus	Strong (8)	Strong (8)	Very Positive (9)