Fed: ‘There was no reason to push us into recession,’ researcher says

Thu, July 14, 2022 at 10:37 AM

Research Affiliates Founder Rob Arnott joins Yahoo Finance Live to discuss recession concerns, economic challenges, rate hikes, and the outlook for the Fed.

Video Transcript

JULIE HYMAN: And with all of these recession and inflation concerns growing with rising inflation, our next guest says a recession may already be underway. For more, we welcome in Rob Arnott, Research Affiliates founder and chairman of the board above. Rob, it’s good to see you.
are you seeing that we're already in a recession here in the economic data?

ROB ARNOTT: Well, the real GDP numbers are likely to come in negative in the second quarter, two quarters in a row. That's the classic definition of a recession.

The thing this is, this is avoidable. There was no reason to push us into a recession. They don't naturally begin with two job openings for every job seeker. Rudy Dornbusch back in 1998 said none of the post-war expansions ever died of natural causes. They were all murdered by the Fed. And I think we're seeing that again now.

The Fed began with a recklessly loose policy for a decade. And you don't want to start from there if you need to start tightening. You need to be in a position where you weren't unrealistically loose for a decade-plus.

BRIAN SOZZI: Rob, do you think the Fed is now likely to go down the route of recklessly tightening rates? I mean, now we're talking about 100-basis-point rate hike in just a couple of weeks. That is abnormal. And not a lot of folks in this market have seen rate hikes like that.

ROB ARNOTT: Absolutely. You have to have been around a while to have seen rate hikes of that magnitude. But be that as it may, the best clue for a recession is an inverted yield curve, short rates, three-month rates, higher than
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