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The Fed is taking out a sledgehammer on markets.

I'm quite impressed that they're going to go 75 basis points two meetings in a row. Since the last meeting, copper has dropped about 20%, crude oil about 20% and the Bloomberg Commodity Index about 10%. The stock market is still unchanged, but I expect it to give back all the gains from the COVID rally. All risk assets, with the exception of bonds, will continue to decline and crude oil is the most vulnerable of all commodities. Even super elastic corn, which has a major reason to rally because of supply issues from Ukraine, is almost unchanged on the year. This is the beginning of the great reversion of 2022 and it's just getting started. It looks just like 2008 but is dropping from a higher level and at a higher pace. I expect that we will have severe deflation a year from now.

Have energy prices started to eat into demand?

We've had the highest unleaded gasoline and diesel prices ever in this country. Demand destruction is kicking in. The latest data from the Department of Energy for implied demand is that it plunged in July. That never happens. I haven't seen data that low since 2003. The level of demand for unleaded gas and diesel in this country is rolling over. The big picture in terms of commodities is that Biden needs energy prices lower to get elected and if he isn't, we're going back to drill will Republicans - that pendulum has swung completely. ■

**Paraphrased Comments*

