

Inflation Boogeyman

What to keep in mind as inflation fears rise.

Provided by DSA Financial Group

Inflation has emerged as one of the top financial concerns for investors as they size up the economy for the rest of the year.

According to research by Deutsche Bank, Google searches for “inflation” are rising rapidly and recently hit a peak not seen since the tracking began 13 years ago.¹

Fed Chair Jerome Powell has said that inflation is likely to pick up as the economy recovers from the pandemic, but he believes it will be temporary. Powell has also stated that the central bank plans to keep short-term rates anchored near zero through 2023.²

“Inflation is caused by too much money chasing after too few goods,” according to Milton Friedman, the well-known American economist who won the 1976 Nobel Memorial Prize in Economic Sciences.³

How much money is too much money? Remember that lawmakers have enacted six major stimulus bills, totaling about \$5.3 trillion to help manage the economic burden on families and businesses during the pandemic.⁴

One piece of wisdom to keep in mind is that the stock market is a discounting mechanism, meaning it considers all available present and potential future events to determine its closing price. When there’s uncertainty about the economy, the stock market may be more volatile while it searches for answers.⁵

If you are concerned about the outlook for inflation or stock market volatility, please give us a call. We’d welcome the chance to hear your perspective, and hopefully, we can provide some guidance.

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Citations

1. Yahoo.com, March 17, 2021
2. CNBC, March 17, 2021
3. American Enterprise Institute, 2021
4. PGP.org, March 15, 2021
5. Investopedia.com, 2021