The Fed Acknowledges Inflation

As inflation climbs, the Fed reacts.

Provided by DSA Financial Group

At its June meeting, the Federal Reserve confirmed what many of us have suspected for some time: prices are rising. In fact, prices are climbing faster than many expected. In response, the Fed raised its inflation expectation to 3.4%, up from its March projection of 2.4%, effectively raising its inflation expectation by 42%.[1]

The Fed's course correction on inflation expectations and planned interest rate hikes unsettled the financial markets, with further volatility felt after St. Louis Fed President James Bullard said that the first interest rate hike could be as soon as 2022.[2]

The Fed also indicated that two interest rate hikes in 2023 were likely, despite signals last march that rates would remain unchanged until 2024.[3]

So, what's an investor to do?

It's important to remember that inflation is just one of the factors considered when creating a portfolio. If inflation trends higher than expected for some time, adjustments may need to occur.

Fed Chair Jerome Powell also said at the June meeting that he believes that inflation will be transitory. But as evidenced by the recent changes, the Fed remains ready to update its outlook as economic data continues to accumulate.

If you're concerned about inflation, please reach out. As the economy continues to strengthen, economic trends and themes are evolving quickly. We'd welcome the chance to hear your thoughts.

Raymond Dahlman may be reached at 281-724-8181, 8310 South Valley Hwy, Suite 300, Englewood, CO 80112 or r.dahlman@dsafinancialgroup.com.

www.dsafinancialgroup.com

Citations

1. The Wall Street Journal, June 16, 2021
2. StLouisFed.org, June 18, 2021
3. The Wall Street Journal, June 16, 2021