

# Mixed Signals on Inflation

*What to know as markets look forward.*

Provided by DSA Financial Group

Are you having a tough time keeping track of inflation's mixed signals? You're not alone.

Consumer prices in July climbed at their fastest rate since August 2008. Worse, producer prices, which can be an indicator of future price changes at the consumer level, rose at the highest rate since tracking began.<sup>1</sup>

However, in recent weeks, the stock market has shrugged off the inflation news, believing that the worst is over and rising prices will moderate in the future.

It's important to remember that the stock market is a discounting mechanism, which means it's always looking forward. Put another way, the stock market's price today represents all available information about current and future events. How far forward is the stock market looking? Most would agree it's "discounting" activity six to nine months into the future.<sup>2</sup>

Does that mean inflation will be lower in six to nine months? That's what the stock market is suggesting. But the stock market also has a less-than-perfect record as a discounting mechanism, largely because the future is somewhat unknowable.<sup>2</sup>

Inflation is just one factor to consider when making adjustments to a portfolio. But if you're unsure, thanks to the mixed messaging I've seen lately, please reach out. We'd welcome the chance to hear your perspective.

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## Citations

1. CNBC, August 11, 2021
2. Investopedia.com, April 28, 2021