

Fed Chair Changes His Tune

Powell's testimony to Congress may be telling.

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If you weren't paying close attention, you might have missed it.

Fed Chair Jerome Powell dropped the word "transitory" when describing inflation during his recent testimony to Congress.¹

Powell had told the story of transitory inflation for the past several months while the Consumer Price Index showed eye-popping, year-over-year gains of 5% to 6%.²

But now it appears that the Fed Chair has changed his tune.

Powell said that rising energy prices, higher rents, and strong wage gains could keep inflation elevated, though he maintained that inflation would decline sometime in 2022.³

So does that mean it's time for investors to prepare their portfolios?

Inflation and interest rates are only two factors in an overall investment strategy. And at this point, the Fed has only provided a rough timeline about when to consider raising short-term rates.⁴

As hard as it can be, sometimes wait-and-see is the best approach. Recent market volatility has been making headlines, which can be unnerving. If you find yourself second-guessing your overall approach, speaking to your financial professional may be a smart move.

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

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Citations

1. Reuters.com, November 20, 2021
2. BLS.gov, November 10, 2021

3. WSI.com, November 30, 2021
4. CNBC.com, November 10, 2021