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2022 Outlook: Inflation & Interest Rates

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Inflation and interest rates are linked but not always in straightforward ways. Fear of higher prices can drive rates up, while markets may ignore actual inflation having anticipated it.

Recent data has certainly created alarming headlines. Last Friday's CPI report showed November's consumer prices up 6.8% versus a year ago. Not since 1982 (when Joe Montana's 49ers beat the Bengals in Super Bowl XVI) has that number been so high.

But as one analyst put it, "It was a high inflation print that was already expected and should have been priced into the market." Offsetting inflationary worries are Omicron's impact on growth and the Fed's decision to taper faster in front of potentially rate hikes…

?? Read Dec 13 2021 newsletter: here

?? Chart of the Week: here *(by WSJ, Federal Reserve via St. Louis Fed)*

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