

Is Inflation Peaking?

One lesser-known indicator is called the Baltic Dry Index.

Provided by Scott E. Holstein, CPA, PFS, CFP®

You see it in prices at the grocery store and the gas station. You feel it in your monthly budget. So why don't the financial markets seem too concerned about inflation?

Remember, financial markets are considered "discounting mechanisms," meaning they are looking six- to nine-months into the future. And by June 2022, the financial markets expect that inflation will lower than today.¹

One lesser-known indicator helps support that forecast is called the Baltic Dry Index. It measures the cost of transporting raw materials, such as coal and steel. The index has been trending lower for several weeks, which in the past has suggested that prices may be more manageable in the months ahead.²

No indicator is fool-proof. That's why the Baltic Dry Index is just one of the many indicators that our professionals follow when watching inflation. They also keep a close eye on the Fed, which is responsible for controlling inflation.³

With the economy improving, the Federal Reserve has indicated it will be tapering bond purchases this month. That may help with inflation. The Fed also has prepared the markets for higher interest rates in 2022. That, too, may help.⁴

For now, it's important to understand that Inflation can influence interest rates, which often play a role in how a portfolio is constructed. We're keenly focused on what's next for inflation to determine if any portfolio changes are appropriate in the future.

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Citations

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