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A bump, not a ramp

Inflation talk is all the rage, but it didn't get support from the January consumer price index, which was unchanged from December in last week's report. Financial markets and public discourse are forward-looking, and the mere fact people are concerned will keep the talk going, especially as some near-term technical factors likely will lead to a rise. Consumers have a lot of dry powder, and a new stimulus package would only increase it. As that reserve meets pent-up demand, enough supply constraints might develop to push prices higher. Commodities also could play a factor.

The question is, will the expected growth in inflation be a bump or a launching ramp? We think the latter is more probable. The Federal Reserve has a similar take, and last week Chair Powell reiterated it wants to see inflation rates reach higher than its long-standing 2% goal to make sure it sticks. For now, monetary policymakers essentially are paying it less attention than the employment situation, which remains dire. Look for continued progress on the new federal aid this week.