

September Commentary

September 14, 2022

Inflation Persists

Yesterday, stock markets slumped after the Labor Department reported that inflation rose 8.3% in August from the same month a year ago. While the overall inflation number has been improving since June, it is showing that higher prices for most goods and services will persist. The only price decreases have been in gas and a small down tick in prices for used cars and trucks.

The market expects the Federal Reserve to continue to raise interest rates for the foreseeable future. Yields have been pushed up to levels we have not seen in several years, and a two-year bond or CD will now pay about 3.8% in interest. The last time we saw bonds with those yields was almost 5 years ago.

For most people, prices are not coming down fast enough, but we are seeing more signs that the economy is slowing. Mortgage rates have doubled to 6% from earlier this year, and houses are sitting on the market. Several companies have announced layoffs and more people are putting off large purchases.

Demand will eventually dampen, and prices will fall as producers and retailers look to unload inventory. How long it will take or when it will happen is unknown.

A mix of stocks and bonds are still the best investments to outpace inflation. It can be challenging with the market gyrations, but it is a proven way to preserve your purchasing power over time.

Have a great rest of the week, and please contact us with any questions.

Best Regards,

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