News from Art: Is Inflation Rising Again?

January 19, 2024

I hope you are starting the new year off on a positive note! There is nothing like January 1 to motivate us to re-set our thoughts and actions toward new ambitious goals. Oftentimes, our annual list of "to-dos" includes some financial goals. We at Carmichael Creel Investments are here to help if you need us.

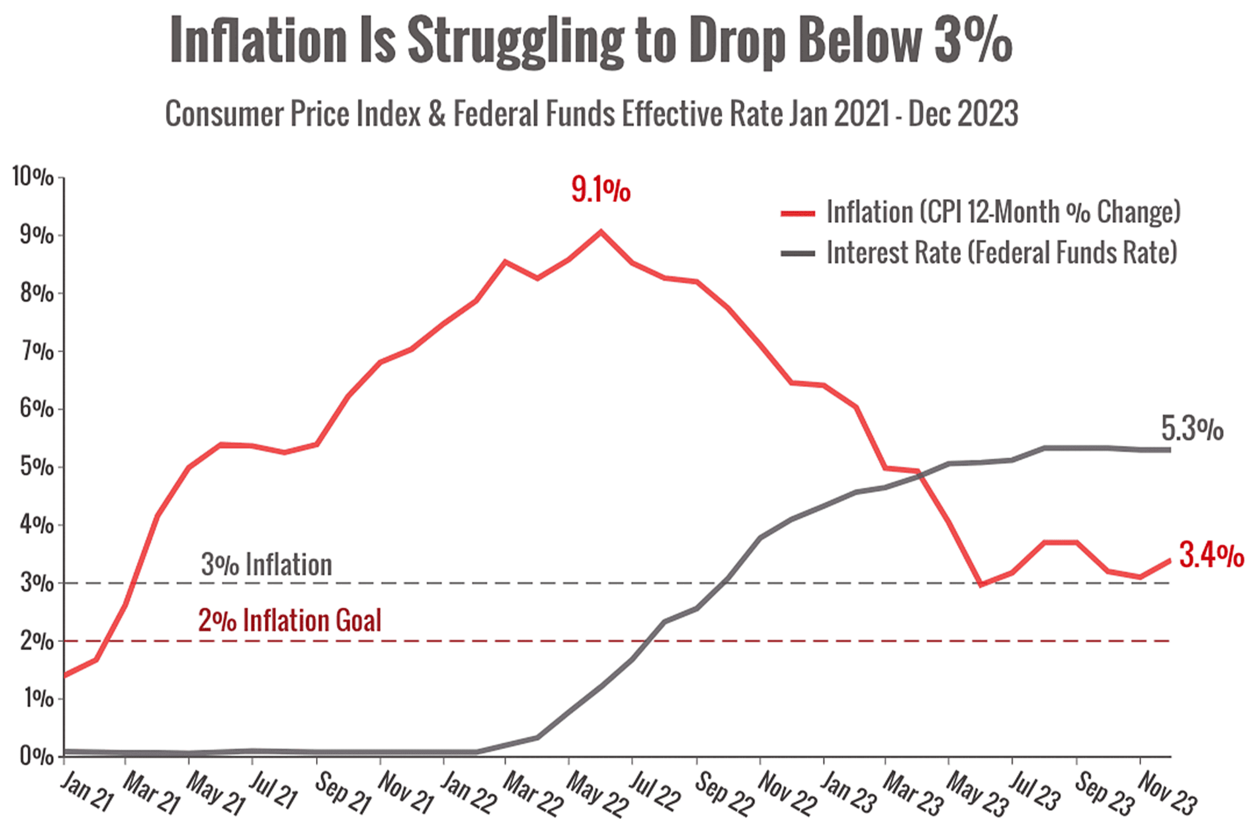
Before we get to the market update, here are a few pics from Heather and me ringing in the new year from the beach in Destin, Florida.

As we kick off 2024, the latest data is raising some concerns about inflation.

Let's dive into some data and take a look.

(Not interested? Scroll down to the P.S. for an update on some new tax laws in Congress.)

Inflation is still one of the biggest risk factors we're watching this year. Here's why.



Source: BLS, FRED: CPIAUCNS & FEDFUNDS

While inflation is still well below its 2022 peak, the data shows that the fight toward 2% still has pretty far to go.

Annual inflation has stubbornly remained above 3%, and the December report shows another tick upward.[1]

While market watchers are hoping the Federal Reserve will cut interest rates soon, policymakers warn easing off too soon could erode progress and cause inflation to “seesaw.”[2]

It’s likely that the Fed will be cautious and decide to wait for more data before lowering rates.

However, the longer they keep interest rates high, the more they risk hurting economic growth.

It's a tough act to balance and we expect the uncertainty to stoke market volatility.

The December jobs report looked strong, but may be masking some pain.

The latest employment report showed that the economy added a respectable 216,000 jobs. But many of those new jobs were in the public sector and other industries that aren’t sensitive to the economy.[3]

Small businesses are lowering their hiring expectations, and manufacturers and service companies cut jobs in December.

Another point of concern: jobs numbers have been revised downward in 11 of the last 12 months, suggesting that the economy may be shifting gears and slowing down.

Geopolitical issues are also adding clouds on the horizon.

Ugly wars in Ukraine and Israel are still burning, and attacks on shipping in the Red Sea are adding fresh concerns about global stability.[4]

In addition to the cost in human lives and misery, geopolitical uncertainty may weigh on economic growth and inflation.

On a positive note, December retail sales increased more than expected.[5]

Americans shopped more than anticipated in both November and December, showing that consumers may be in better shape than many economists feared.

While some analysts are already celebrating a "soft landing" and an end to recession worries, we're still keeping our seat belts buckled.

The economy is still growing, but we're expecting to see bumps and potholes on the winding road to "normal" inflation levels.

While recession risks have lowered, we're still watching carefully.

We'll reach out with updates or recommendations as needed.

Let's end with a new year's Dad Joke:

What did the fisherman say to the magician?

Pick a cod, any cod. ;)

Cautiously,
Art
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P.S. Congress is considering some tax changes that might kick in before you file your 2023 taxes. The current package includes an increase in the child tax credit and revives some popular business tax breaks, among other details.[6] Will the deal pass Congress in its current form? We'll know more soon.

As always, check with your tax advisor to see if you might be affected.

Sources

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Chart sources: https://fred.stlouisfed.org/series/CPIAUCNS#0, https://fred.stlouisfed.org/series/FEDFUNDS