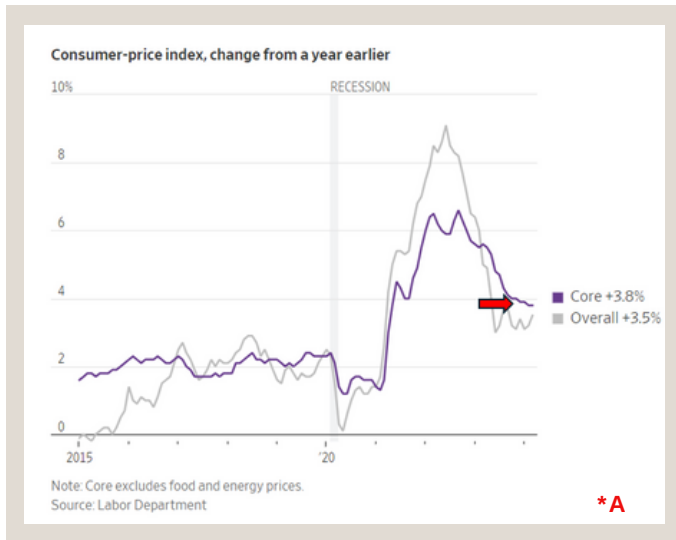


Inflation Update: Assessing Progress and Future Outlook ^{*1}

By: Courtney Valentine, MBA, APMA®

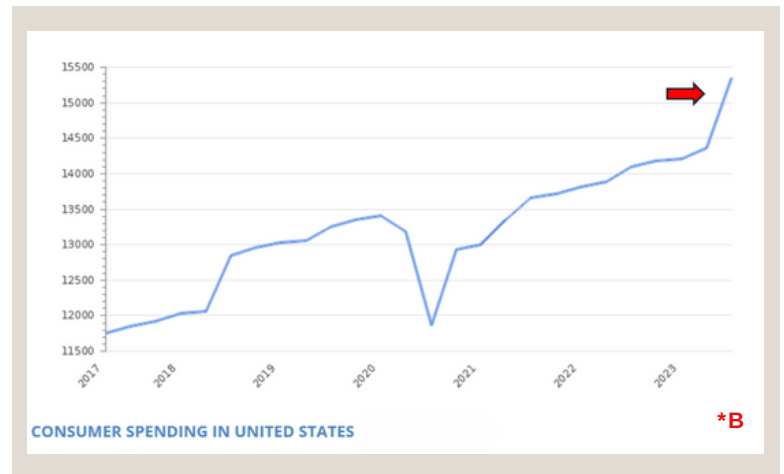
The Federal Reserve (Fed) has made tremendous progress taming inflation since hitting 40-year highs in June of 2022. In just one year, the consumer price index (CPI) decreased by two-thirds from 9.1% to 3% by June of 2023. However, as we approach the next anniversary of the peak inflationary rate, CPI has failed to drop below the 3% mark (Chart A). This is not surprising as investors have understood that the last leg of inflation may take some time to resolve, but investors and non-investors alike are growing impatient. What has been the hold-up?



Consumer spending trends continue to surprise economists on the upside as the Fed’s interest rate campaign has had less impact than usual. “Live today, spend today” has become a prevailing mindset, particularly among younger generations.

This means that many individuals have begun to prioritize immediate consumption over saving for the future, which can contribute to sustained inflationary pressures (Chart B).

Conversely, lower-income households often find themselves unable to save as much as they would like due to the necessity of spending most, if not all, of their paychecks on basic needs. Regardless of which group we focus on, many consumers are feeling stretched. For instance, the February 2024 consumer savings rate dropped to 3.60%, down from 4.10% the previous month and 4.70% one year earlier. This is far below the 5.7% average since 2000.



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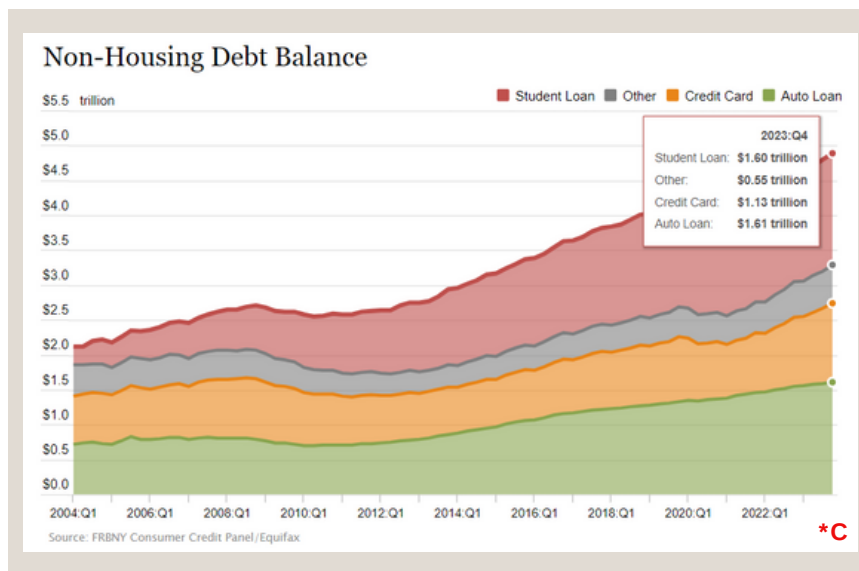
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Inflation Update: Assessing Progress and Future Outlook (cont.d)^{*1}

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Meanwhile, as household savings dwindle, household debt and delinquencies continue to rise (Chart C). U.S. consumers are failing to pay their credit card debt and auto loans at the highest rate in more than a decade.

Given the persistent strength of consumer spending, it's becoming increasingly clear that the path to lower inflation may be more protracted than initially anticipated.



Consequently, we may see the Fed maintain its stance of "higher (rates) for longer" as it seeks to address inflationary pressures. Because recent market growth has been fueled in part by rate cut expectations, we may see some choppiness in the stock and bond market as investors readjust their expectations.

However, despite the current challenges posed by inflation, our team remains committed to managing your investments prudently and ensuring the long-term objectives of your portfolio.

Quick Hitters^{*2}

Click the headlines below to read more.

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- [SCIENTISTS PUSH NEW PARADIGM OF ANIMAL CONSCIOUSNESS, SAYING EVEN INSECTS MAY BE SENTIENT](#)
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For February's edition of The Monthly Minute, [Chris Rodriguez](#) looks at how the stock market has historically performed during election years.

[CLICK HERE TO WATCH](#)**Stocks and Bonds in 2024: A Tale of Two Asset Classes**

In March's edition of The Monthly Minute, [Ryan Kropog](#) discusses the recent performance of these two major asset classes and what to expect for the rest of 2024.

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BY: SUZANNE KROPOG

"IT'S THE BEAUTY WITHIN US THAT MAKES IT POSSIBLE FOR US TO RECOGNIZE THE BEAUTY AROUND US. THE QUESTION IS NOT WHAT YOU LOOK AT BUT WHAT YOU SEE."

-Henry David Thoreau

"A TRULY STRONG PERSON DOES NOT NEED THE APPROVAL OF OTHERS ANY MORE THAN A LION NEEDS THE APPROVAL OF SHEEP."

-Vernon Howard

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1. INFLATION UPDATE: ASSESSING PROGRESS AND FUTURE OUTLOOK

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THIS RESEARCH MATERIAL WAS PREPARED BY [COURTNEY VALENTINE](#).

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2. QUICK HITTERS

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3. THE MONTHLY MINUTE

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