

# 2022 Year Ahead Outlook

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### **Q3: How do you think inflation will impact Fed policy?**

We come into the new year with very high inflation. There've been a lot of supply shortages, a lot of constraints in the distribution of goods. And it's created a big spike in inflation. We do think that will come down, going forward.

We think by the end of 2022 inflation will be back below 3%. But that's still a little bit uncomfortably high from the Fed's perspective. What the Fed wants to see is consistent inflation of a little bit over 2%. If we land at a rate of say, 3%, that means the Fed has to think hard about hiking rates. So our view is that by June, and perhaps even earlier, perhaps as early as March the Fed will be ready to start raising interest rates. A quarter of a point, per quarter, for eight quarters in a row. And so we'll get something that looks a little bit like the typical Fed tightening cycle after a long period of near zero interest rates.

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