

US inflation reaches 6.2%yy

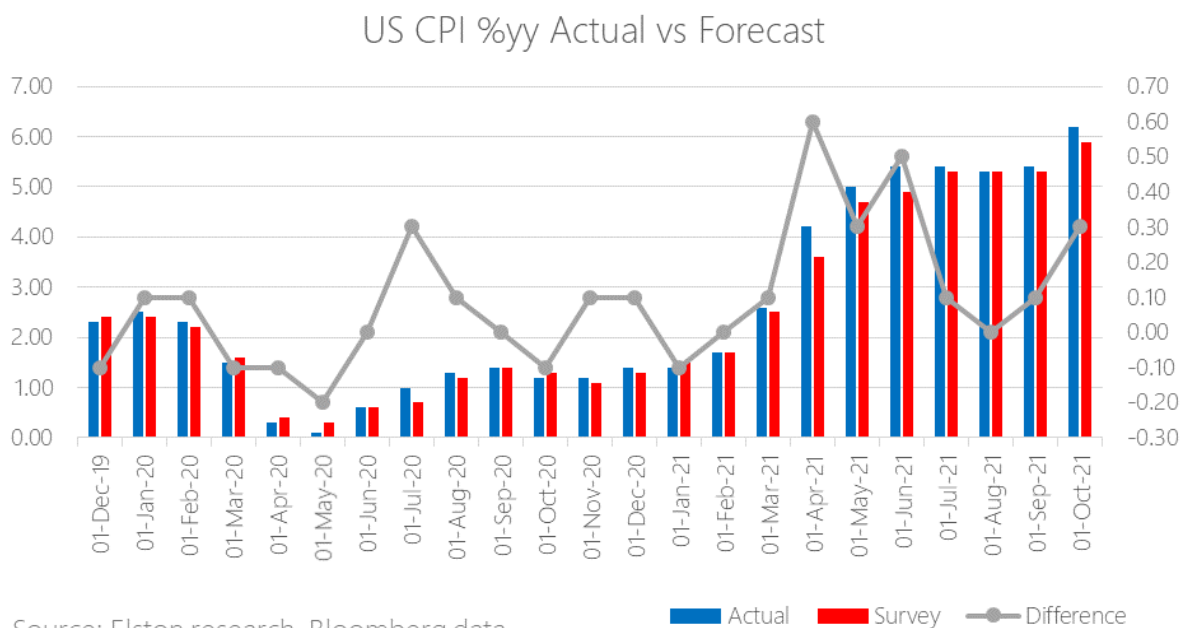
- US inflation reaches 6.2%yy for first time since 1990
- Ahead of 5.9%yy estimate
- Broader base of inflationary pressure

Ahead of estimates, again

US CPI print for October came in at 6.2%yy vs 5.9% estimate and 5.4%yy in September.

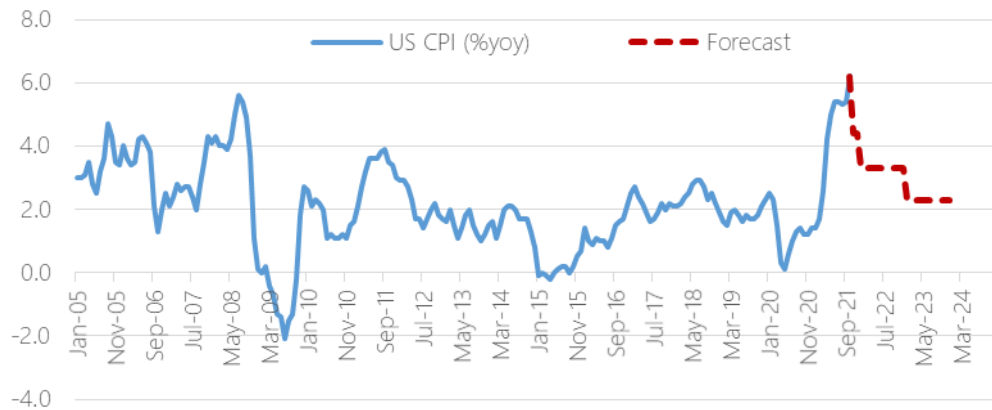
Higher prices for energy, accommodation, food and vehicles drove the October print and suggested that inflation pressure is broadening out beyond just the “reopening” sectors.

In the chart below we show how US inflation has consistently surprised on the upside.



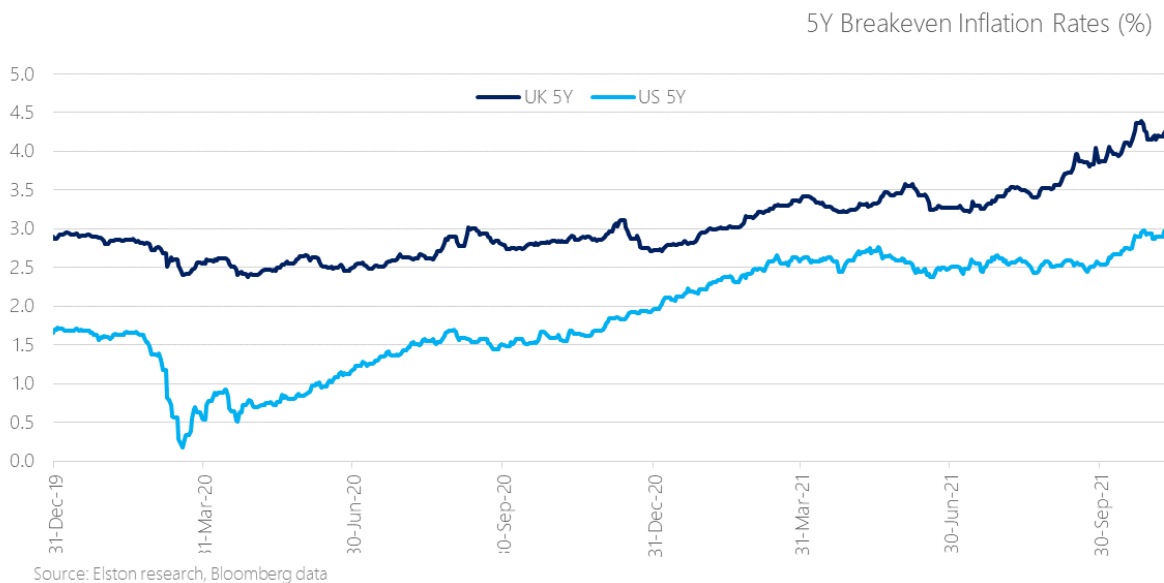
Long-term picture

Inflation rates have gone previous highs breaching the 6% level for the first time since the December 1990. Whilst economists expect this to mean revert to trend levels by 2023, we see this as potentially optimistic.



Where are breakeven rates

UK 5 year breakeven rates are at 4.26%, US at 3.00% both remain elevated.



Summary

Inflation is proving to be more persistent than transitory. How to incorporate inflation protection strategies in place of nominal bonds remains a key focus for decision-makers.

We believe a layered approach makes sense, incorporating real asset exposure and (value-biased) equities.

Henry Cobbe

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