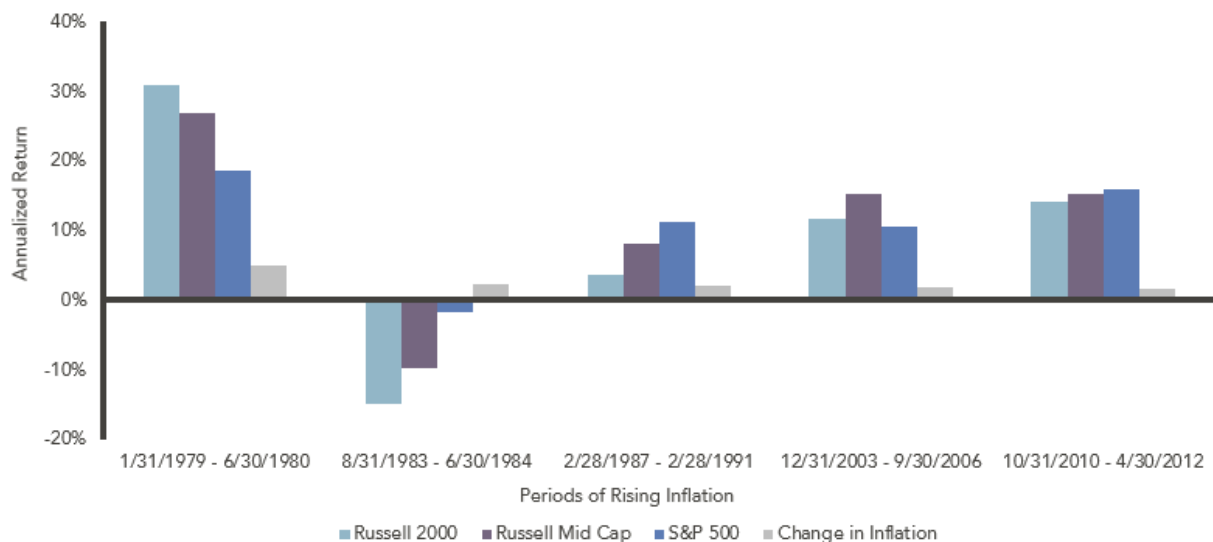


Chart of the Month

May 2021

U.S. equity indices tend to gain as inflation rises

Save for a <1 year period in the 1980s, U.S. equity index levels have risen along with inflation over the last 40 years



Source: Bloomberg

Inflation expectations spiked in the second quarter of 2021 due to a significant increase in money supply. As we illustrated in our April Chart of the Month, many sectors of the economy have experienced above average inflation particularly in the areas of housing, commodities, and energy.

Higher inflation typically translates into higher interest rates, which is a headwind for the fixed income market. Looking at the chart above, higher inflation has not negatively affected the U.S. stock market, with the exception of a brief period from 1983-84. Furthermore, Housing is the largest component of CPI followed by Food and Beverage and Transportation so it will be important to monitor these categories to see how the Fed reacts.

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