

## Economy vs. Inflation

Inflation seems to be showing its sticky side. The Fed implies higher for longer. Jamie Dimon says that Fed Funds could get to 7%. (could, not will, and no timing). At some point, the Fed can raise rates enough that the economy “breaks”. We don’t know what that number is and there are uncertainties about how long the lag is for the economic effects of rate increases. To think of the lag, think about throwing a pass to a running receiver. If you throw where they are, you will throw behind them. So you have to lead them. By how much? The Fed has consistently misread the lags over its history.

So, at some point, the economy breaks. Inflation can still stay sticky, but if the economy weakens, expect to see the Fed at least on hold.

