

# Investments - Flash



M. Alain Freymond - Partner &amp; CIO

## THE EVOLUTION OF INFLATION WILL NOT INFLUENCE THE FED

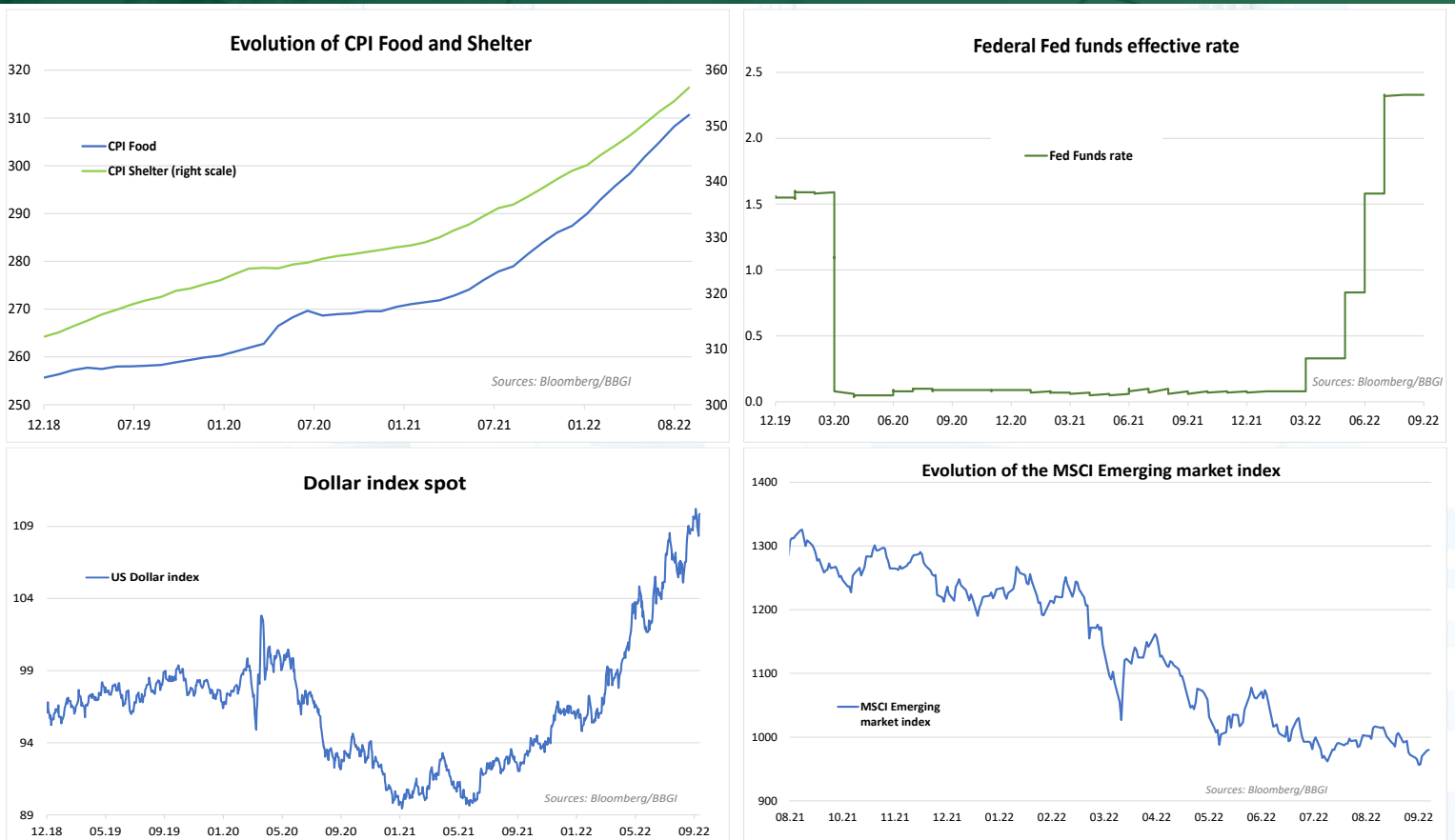
### Rising dollar may contribute to policy change

The publication of the inflation figures for August did not confirm the hopes of investors who were hoping for a further decline in prices. The fall in commodity prices was insufficient to compensate for the persistent pressure on rents and food prices. The Federal Reserve should therefore logically maintain its tightening monetary policy as expected next week and in the coming months, thus raising Fed funds at a steady pace towards an expected level of 4% in the first quarter of 2023. The 0.75% rate hike at the Fed's next decision will already bring the increase in key rates from 0.25% to 3.25% and will erase three years of accommodative monetary policy in just six months.

This rise, which largely benefited the dollar, with the trade weighted index reaching a new high, will not be interrupted by a hoped-for decline in inflation in the coming months. The release of the US CPI for the month of August, which rose slightly by 0.1% over one month and slowed slightly to 8.3% over one year, will not be enough to influence Fed policy, but the negative domestic and international

effects of a strong dollar could soon be an additional factor in favour of an upcoming policy pivot. The economic risks of a too rapid rise in rates and in the dollar should logically be taken into consideration by the Fed when inflation shows clear signs of falling.

While it is still too early to predict a decline in the dollar, it could well be on the agenda at the end of 2022 before the Fed's likely pivot in 2023. A dollar correction would then be likely and favourable to emerging markets and commodities in 2023.



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