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Inflation: Navigating Today's Investment Environment

PRESENTED BY:

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MEEDER

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- **History of the Federal Reserve**
- **Inflation**
- **Where are We Today**
- **Investment Opportunities**



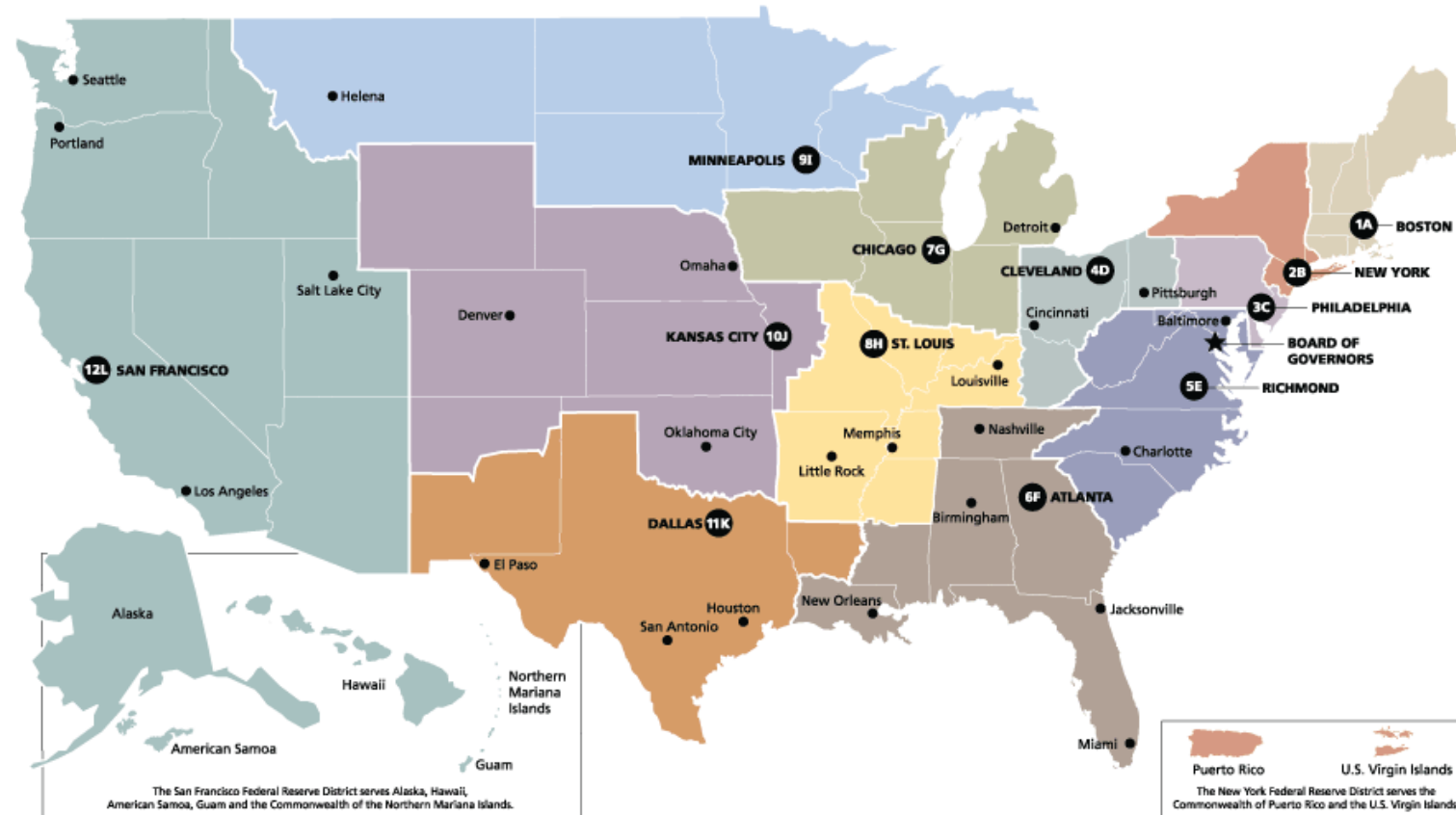
History of the Federal Reserve

1907



Federal Reserve Act of 1913

- Created the Federal Reserve System, or “the Fed”
 - To provide the U.S. with a safe, flexible, and stable monetary and financial system.
- The Fed is composed of 12 regional Federal Reserve Banks that are each responsible for a specific geographic area of the U.S.





BANKING ACTS OF 1933 AND 1935

Federal Open Market Committee (FOMC)

- Established by the Banking Act of 1935 following the Great Depression
- Responsible for setting monetary policy by directing open market operations
- 8 scheduled two-day meetings
 - Additional meetings may be called if needed
 - Quarterly press conference
 - Quarterly update of projections



BOARD OF GOVERNORS

REGIONAL PRESIDENTS

PREPARED BY THE FEDERAL RESERVE BANK OF CHICAGO

FEDERALRESERVE.GOV/FOMC



The Federal Reserve Reform Act of 1977 and The Full Employment and Balanced Growth Act of 1978

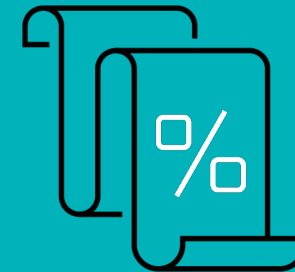
MANDATES



FULL
EMPLOYMENT



STABLE PRICES



MODERATE
LONG-TERM
INTEREST RATES

MONETARY POLICY

TRADITIONAL TOOLS

**TARGET FED
FUNDS RATE**

**RESERVE
REQUIREMENTS**

**DISCOUNT
WINDOW
LENDING**

NON-TRADITIONAL TOOLS

**FORWARD
GUIDANCE**

**LARGE SCALE
ASSET
PURCHASES**



Inflation

When was the
first period of
recorded inflation?



Germany, 1921



1921



1922



1923

Reichsbanknote



wei Millionen Mark

zahlt die Reichsbankhauptkasse in Berlin gegen diese Banknote dem Einlieferer. Vom 1. September 1923 ab kann diese Banknote aufgerufen und unter Umtausch gegen andere gesetzliche Zahlungsmittel ein-

gezogen werden

Berlin, den 9. August 1923

MM

Reichsbankdirektorium



Handwritten signatures:
 Hans Scharapp, Alfred Hübner, Hermann
 Schmidt, Julius, Paul, Fritz
 Adolf, Friedrich, Louis, P. Schuler



Wer Banknoten nachmacht oder
 verfälscht oder nachgemachte oder
 verfälschte sich verschafft und in
 Verkehr bringt, wird mit Zuchthaus
 nicht unter zwei Jahren bestraft







100 000 000 000 000 RESERVE BANK OF ZIMBABWE

*I promise to pay
the bearer on demand*

AA0567648
**ONE HUNDRED
TRILLION
DOLLARS**

for the Reserve Bank of Zimbabwe

Dr. G. Gono
Governor

HARARE 2008



100 000 000 000 000



AA0567648

TOILET PAPER O N L Y
TO BE USED IN THIS TOILET
NO CARDBOARD
NO CLOTH
NO ZIM DOLLARS
NO NEWSPAPER

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NO CLOTH
NO ZIM DOLLARS
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RATE OF INFLATION



SOURCE: USINFLATIONCALCULATOR.COM/ RATES OF INFLATION ARE CALCULATED USING THE CURRENT CONSUMER PRICE INDEX PUBLISHED MONTHLY BY THE BUREAU OF LABOR STATISTICS (BLS)

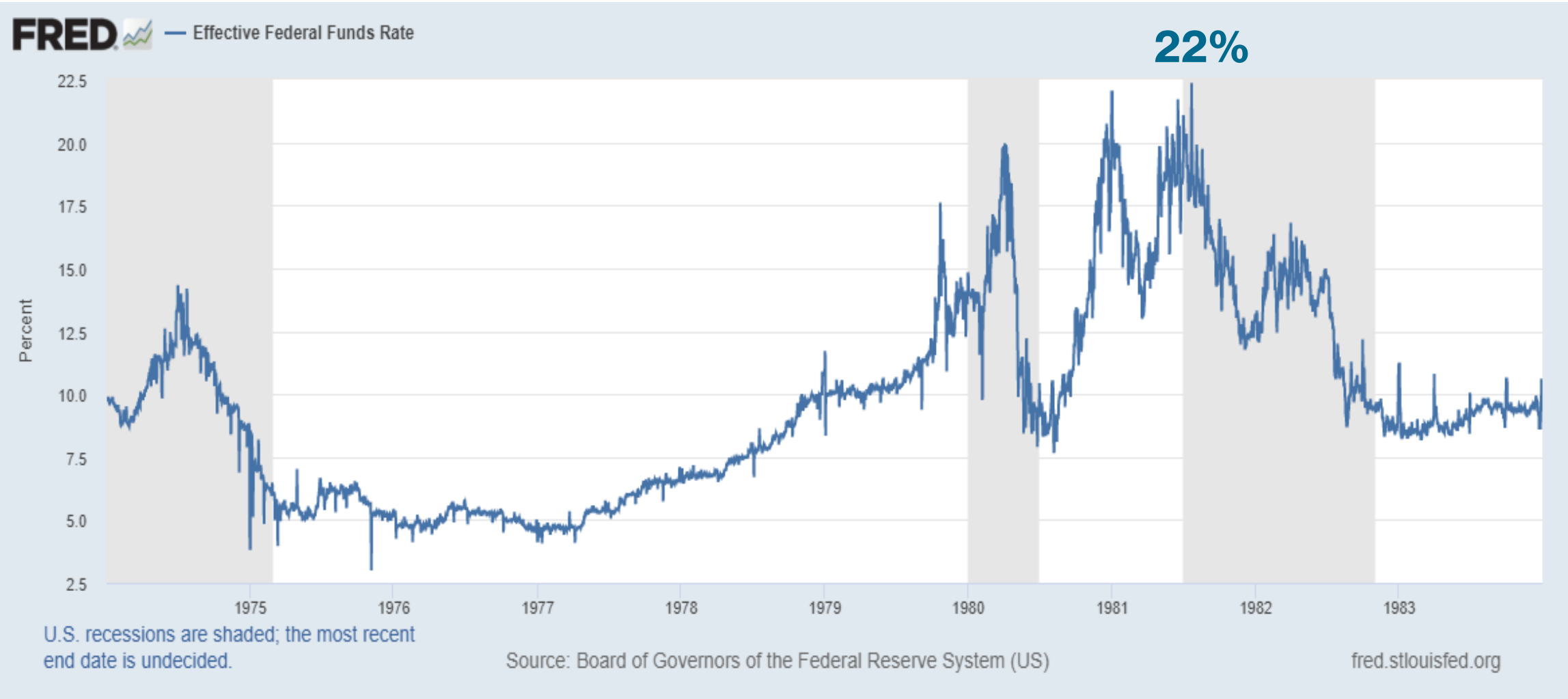


H. ARMSTRONG ROBERTS/CLASSICSTOCK / GETTY IMAGES



Effective Federal Funds Rate

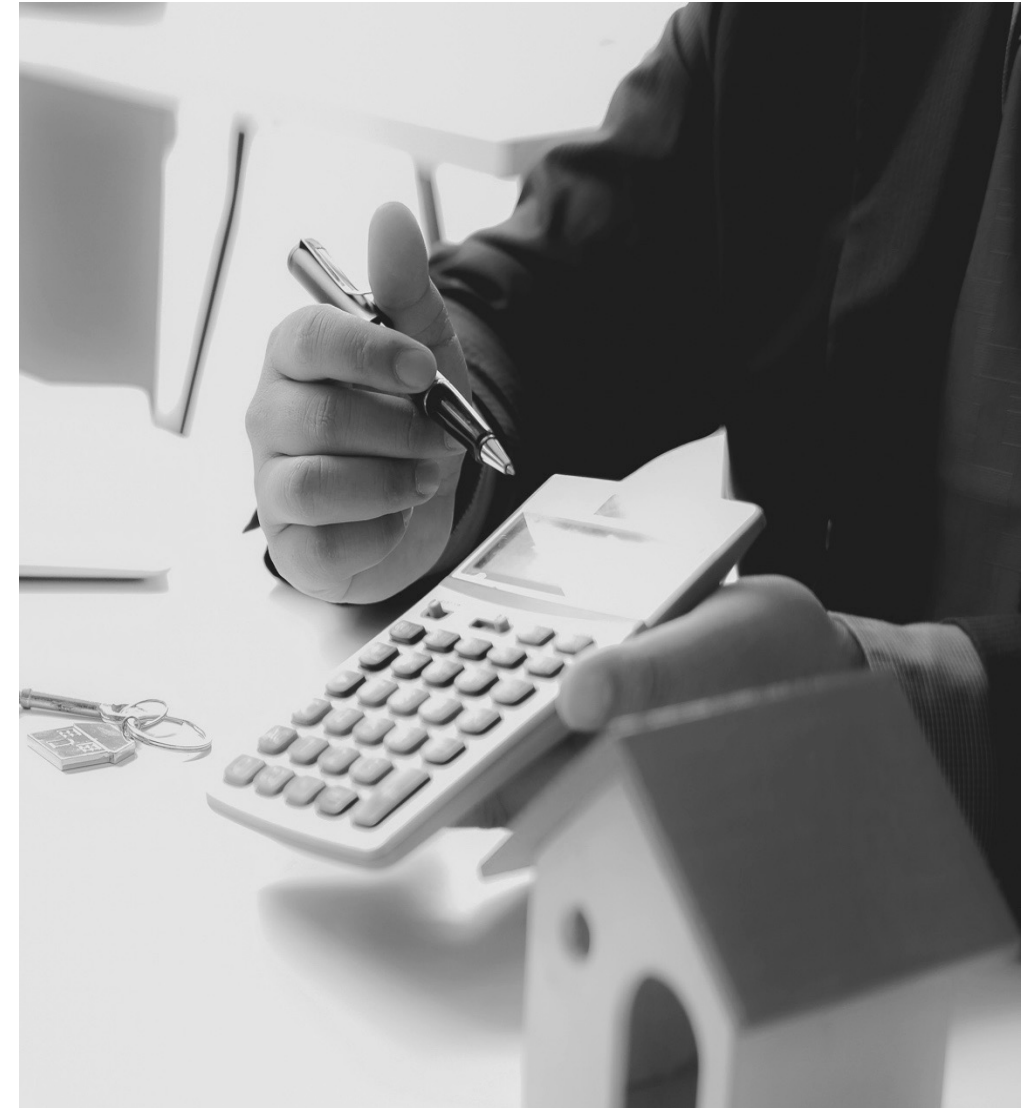
1974–1984



MORTGAGE RATES

	RATES	PAYMENT PER \$100,000
February 1972	7.32%	\$687
February 1982	17.60%	\$1,474

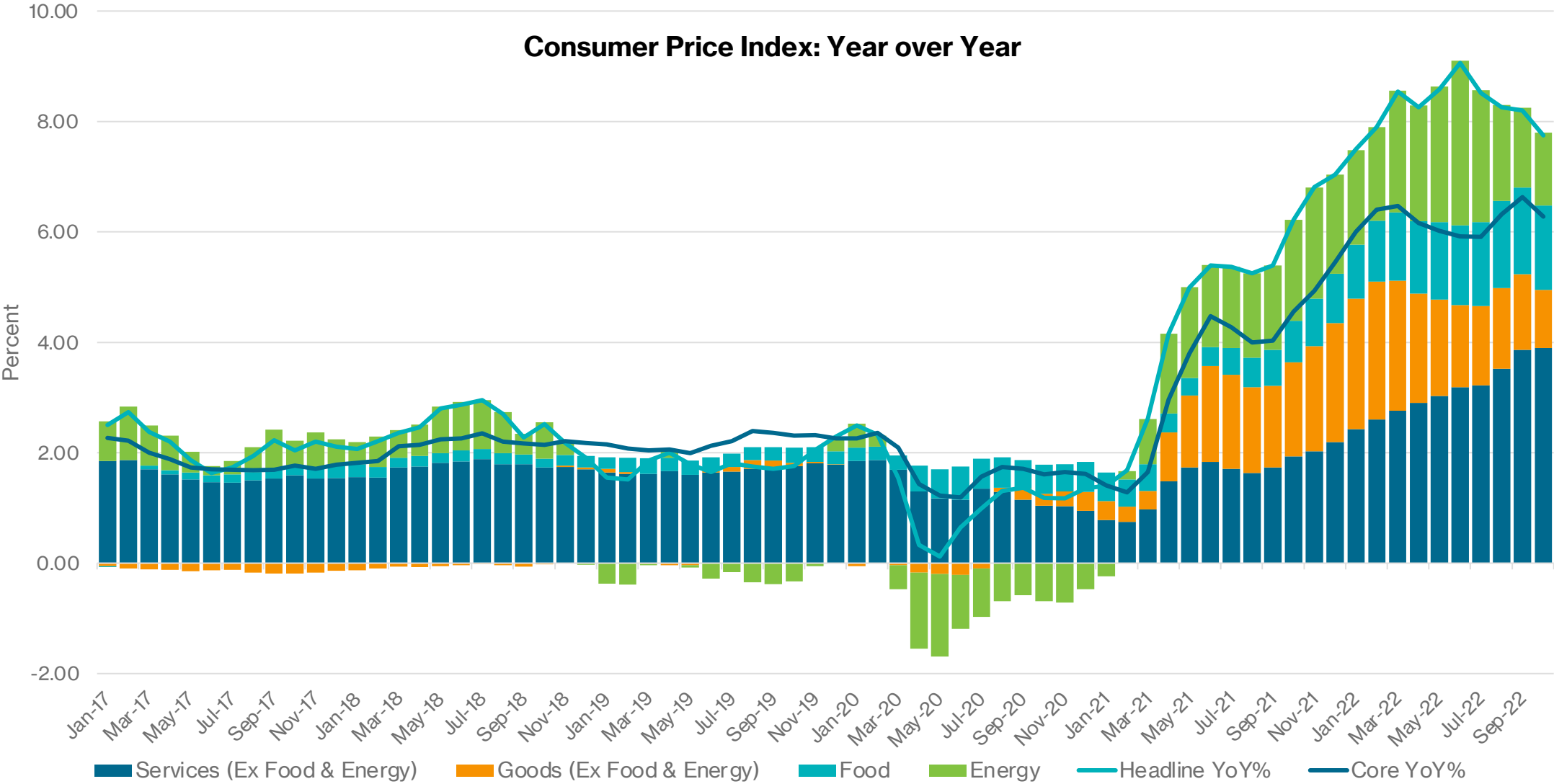
SOURCE: FREDDIEMAC.COM
MORTGAGE PAYMENT BASED ON 30-YEAR FIXED RATE





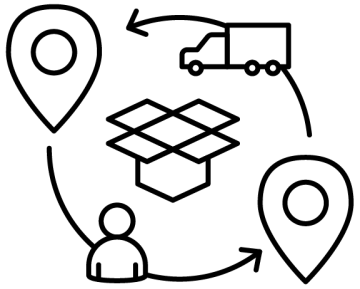
Where are we today?

Elevated Inflation

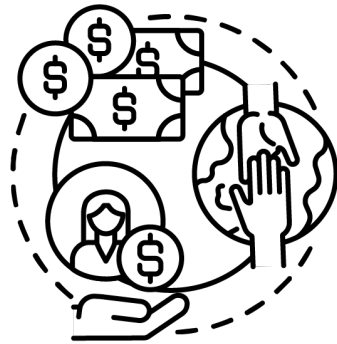


SOURCE: BLOOMBERG 11/10/2022

Factors contributing to today's inflation environment



Supply chain
disruptions



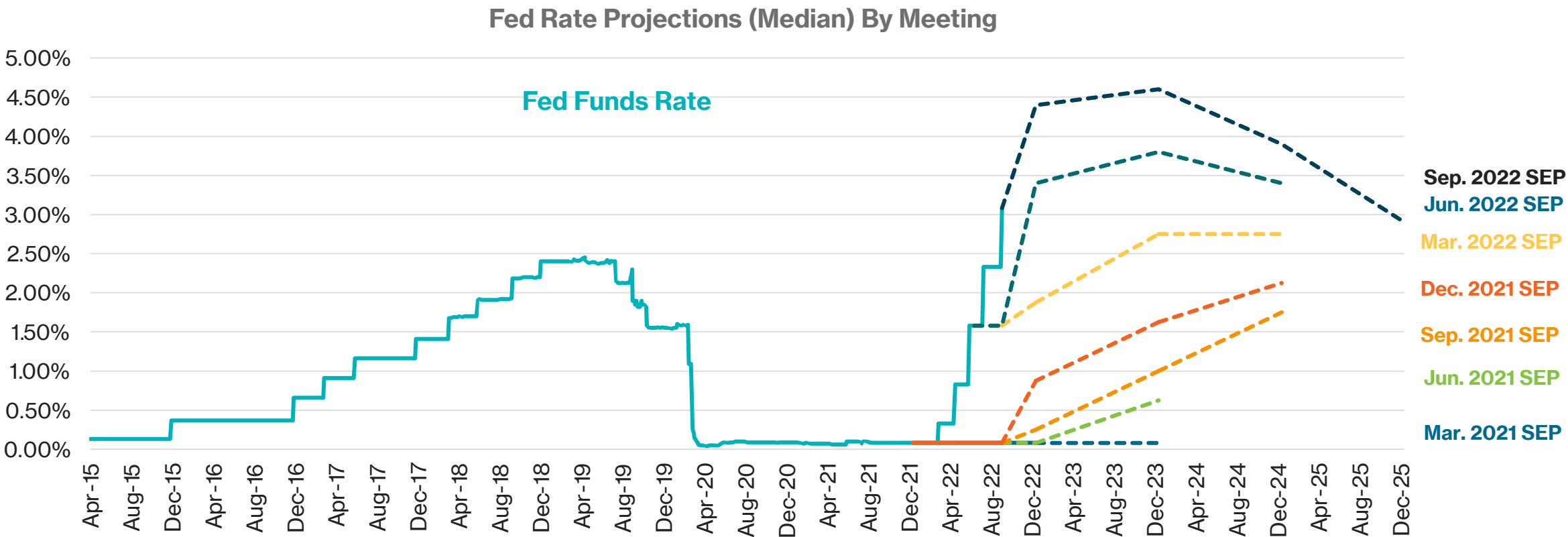
Stimulus
programs



Pent up demand for
goods & services

Fed's Evolving Rate Plans

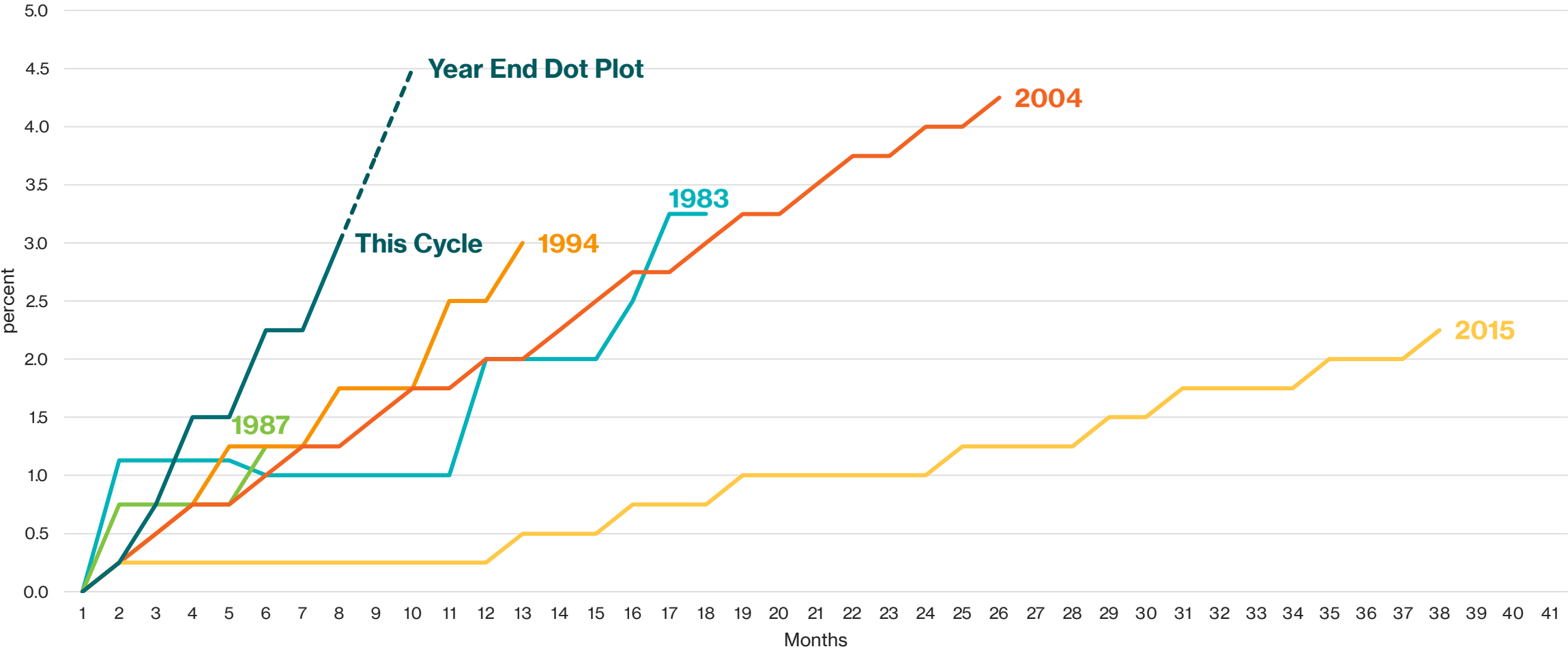
Fed's Rate Outlook Evolved Amid Persistent Inflation Pressures And A Faster Decline In Unemployment



SOURCE: FEDERAL RESERVE

Fastest Rate Hiking Cycle

The current hiking cycle has been faster than each of the cycles since 1983



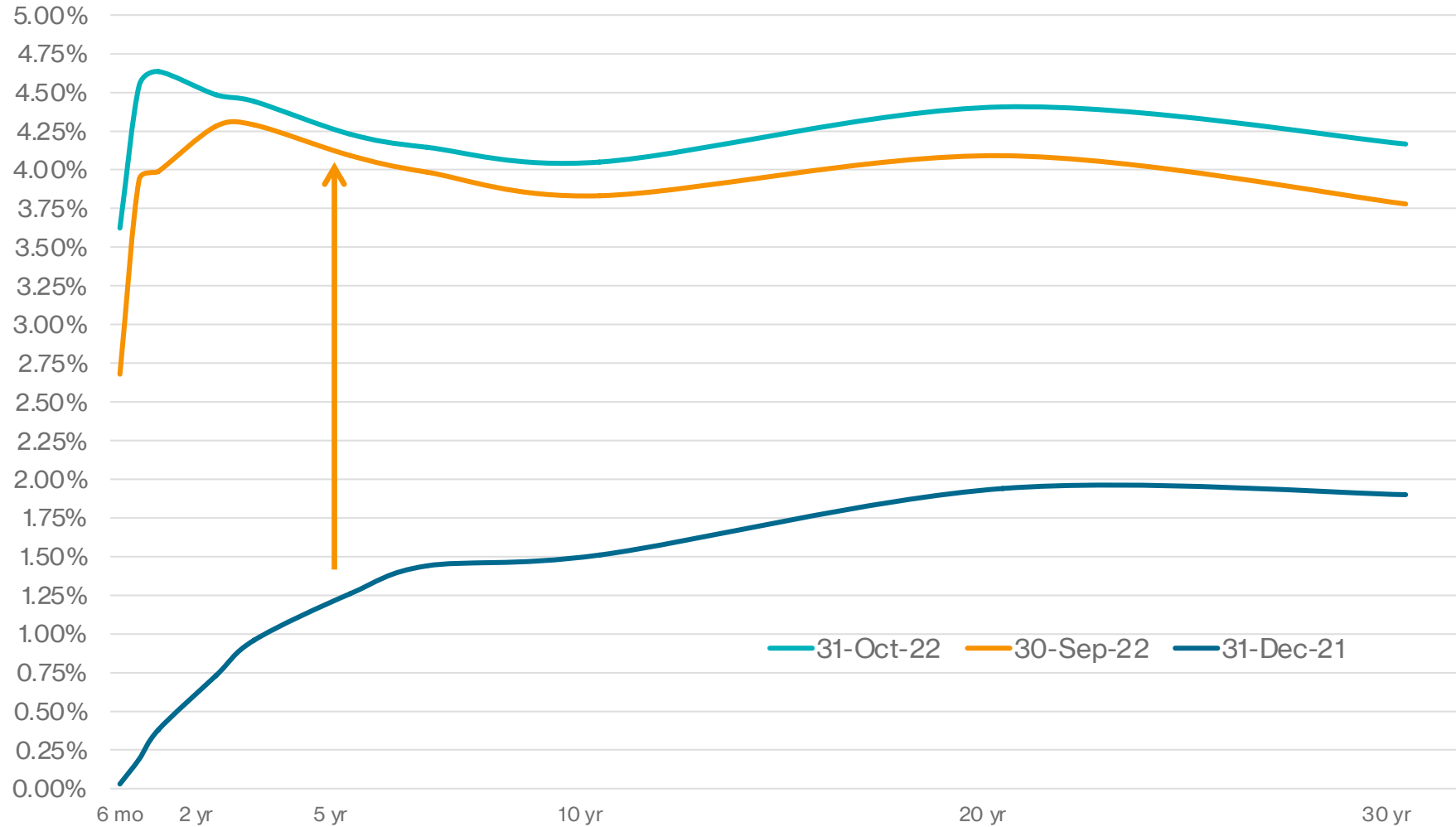
SOURCE: BLOOMBERG



Investment Opportunities

Should I wait for
rates to rise before
investing longer term?

US Treasury Yield Curves



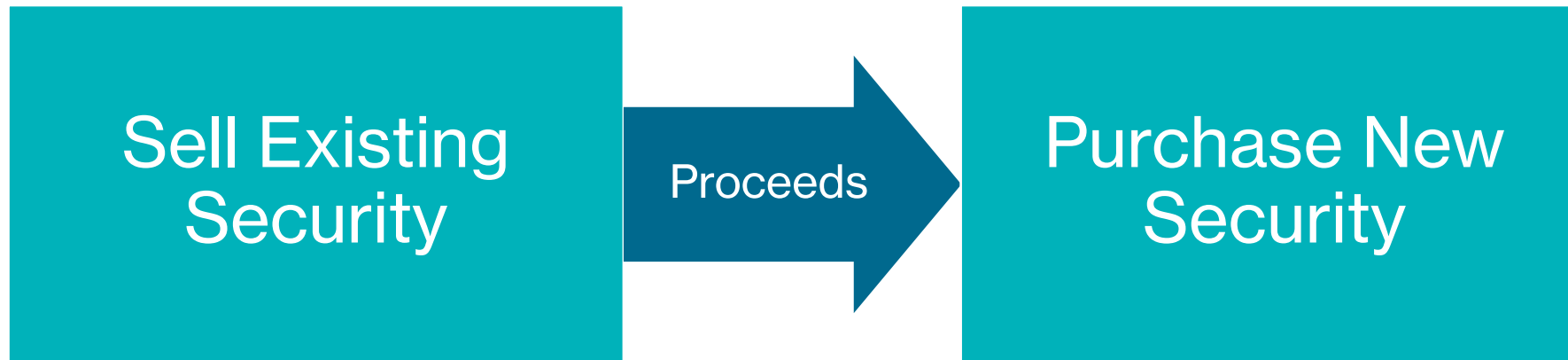
- Yield curve reflects Fed's guidance on faster pace of rate hikes
- Shape of the curve has flattened due to increased risk of recession
- Yield curve inversion as 2-year to 10-year spreads are negative

SOURCE: BLOOMBERG AS OF 10/31/2022



SOURCE: BLOOMBERG. S&P GIP INDEX REPRESENTED BY THE S&P AAA & AA RATED GIP GOVT 7-DAY NET YIELD

What if I want to take advantage of current opportunities but have no upcoming maturities or new cash?



REASONS TO SWAP SECURITIES

Adjust portfolio duration

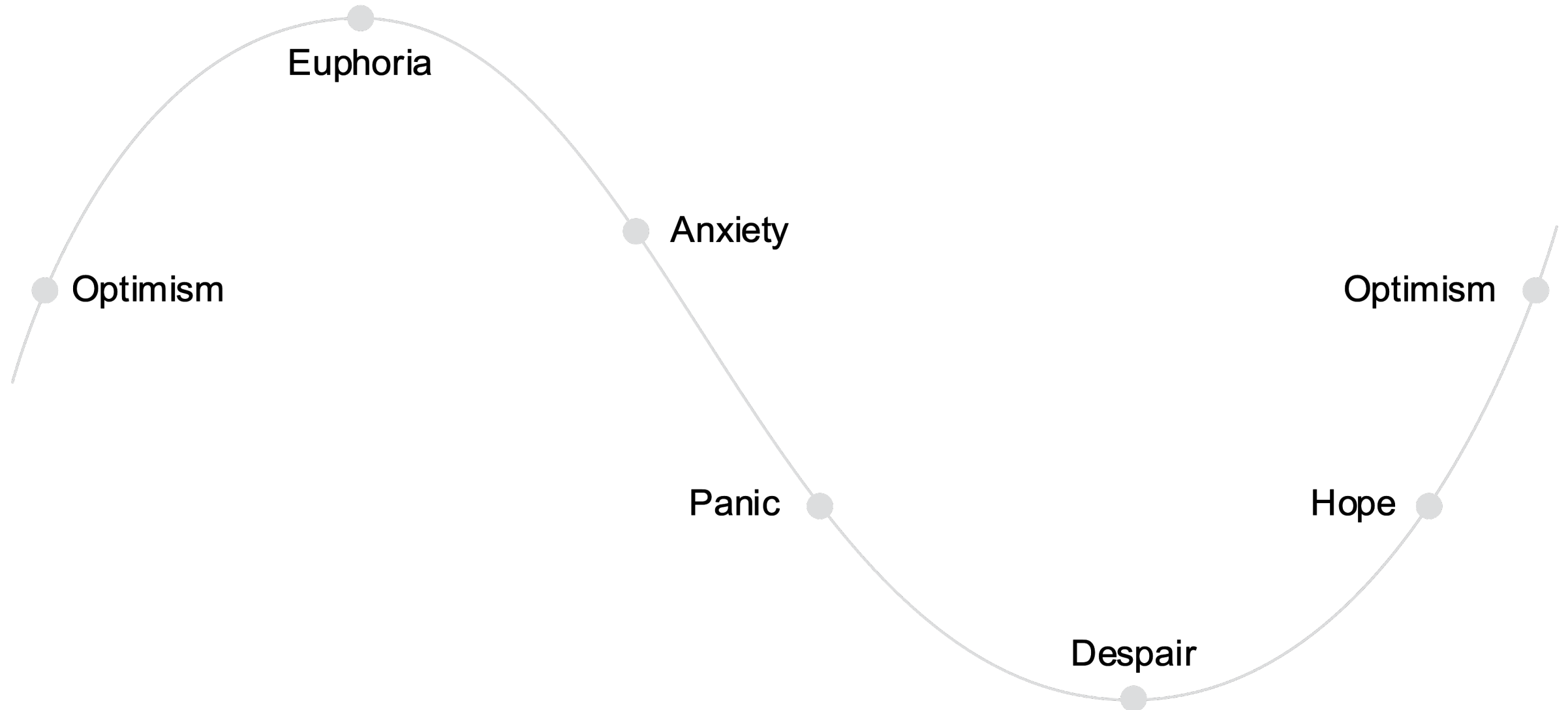
Increase portfolio earnings

Realize capital gains

Purchase additional future value

Cycle of emotions

Behavioral finance



Questions?



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