

# Coach's Corner

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## 'Today's Inflation Noise Is the Signal of the Past'

By: David Richman | July 12, 2022

With inflation continuing to be a headline story, this "market meme" presents an opportunity to break through investor inertia. How can you help prospects look past current headlines and be open to a first meeting? Consider harnessing the power of theses.

Theses are timely, pithy sound bites that frame your current thinking on today's headlines and can improve the likelihood that a follow-up call will lead to a first meeting.

**You:** "It was great meeting you, Nancy. Again, welcome to the neighborhood."

**Nancy:** "Thank you. I enjoyed our conversation. After we spoke, Bill told me you are a financial advisor. Now I understand why you are so knowledgeable on the state residency discussion."

**You:** "Yes, our team gets involved in a wide variety of financial matters for the families we serve. (Pause). How are you doing in today's challenging financial environment?"

**Nancy:** "All of the inflation news really has me worried and wondering when it will turn around. Not very comfortable investing in the market right now."

**You:** "Actually, we believe today's inflation noise is the signal of the past."

**Nancy:** "Can you tell me a bit more?"

**You:** "Maybe we should schedule some time to sit down in my office or over a cup of coffee to discuss our current thesis and how we are navigating today's turbulent times with our clients."

Let's step back and reflect on using thesis articulation to create interest in a next step rather than pivoting to something that might sound too much like a sales pitch.

"Today's inflation noise is the signal of the past" is a wonderful example of a timely, pithy sound bite, courtesy of Jim Caron, chief fixed income strategist at Morgan Stanley Investment Management. Here's what Jim means:

"The prevailing narrative is that the Fed needs to cure the inflation problem through monetary policy like former Fed Chair Paul Volcker did in the 1980s. This narrative creates more noise than it being a signal because today's inflation is being driven by a supply shock, not demand. Aggressive rate hikes by Volcker interrupted inflation, and it is unlikely that would have completely cured inflation without the supply-side fiscal policies that accompanied them."

"What's missing today are supply-side fiscal policies—and that's where the confusion lies. The confusion in today's narrative is in asking the Fed to use a demand tool—rate hikes—to fix a supply problem. This is where this narrative creates noise."

"Fed policy can't do it alone. It is just a tool that primarily impacts demand through the cost of money and credit and has almost nothing to do with directly addressing supply problems. Instead, we need to look for the signal of monetary policy working with fiscal policy to increase supply to meet demand and bring down inflation more durably. We are not seeing this signal today. As a result, inflation may last longer than market consensus suggests."

**Bottom line:** Harness the power of theses in your follow-up phone calls—it could have a meaningful impact.

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