

Coach's Corner

Our latest commentary to help you elevate the success of your practice

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'Today's Inflation Obsession Is Overdone'

By: David Richman | August 4, 2022

Many advisors follow our time-tested approach to running [better first meetings](#). One important point to consider is positioning "why us" toward the end of your meetings for a number of reasons. In times like these, the "why us" discussion is made even more compelling by changing the thought to "why us NOW" by harnessing the power of these.

A thoughtful thesis—a timely, pithysound bite that connects the dots to the advice you are delivering—can make a significant difference in helping you motivate prospective clients to move forward rather than procrastinate in their decision-making. With [inflation](#) top of mind for most prospects, we asked Eric Stein, chief investment officer for fixed income at Morgan Stanley Investment Management for his current thesis on inflation. Below is an excerpt from our conversation, with Eric's thesis in bold.

Eric: "Investors need to be forward-looking, and while inflation is a problem right now, **today's inflation obsession is overdone**. A year or two from now, inflation will not be getting the attention it's getting today."

David: "With every piece of news leading investors to believe inflation is spiraling, this is quite a provocative thesis. Can you share your perspective, Eric?"

Eric: "We are certainly living in a very interesting time, with inflation rates at levels we haven't seen since the 1980s. That being said, we are close to conditions where inflation fears may be a bit overdone—gas prices peaked in early June, and inflation expectations peaked in April (as measured by inflation-protected securities)."

"Inflation is made up of both supply and demand concerns, and right now, there are issues from both a supply and demand perspective. From a demand perspective, the economy is booming, with our post-COVID recovery, a very tight labor market and a resurgence of consumer spending. From a supply perspective, we are seeing tightness in all types of commodities markets (i.e., energy and food) as well as the labor market, which is also causing higher prices."

David: "What's your view on what the Fed can and cannot accomplish right now?"

Eric: "The Fed is certainly concerned about inflation, given recent rate increases and hawkish rhetoric. However, the Fed can really only affect the demand side of the equation, not the supply side—the Fed raising interest rates doesn't do anything to help increase the supply of energy or food."

"However, because the Fed has raised rates, we've seen inflation expectations fall very significantly over the past quarter or so, and we've seen the beginning of a pretty significant slowdown in the housing market. So while there is a lot of talk about inflation today, and it still will be a concern going forward, I think we may be at the peak of inflation concerns."

Bottom line: Delivering your thesis toward the end of a first meeting can help prospective clients move forward—especially during times of market uncertainty.

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