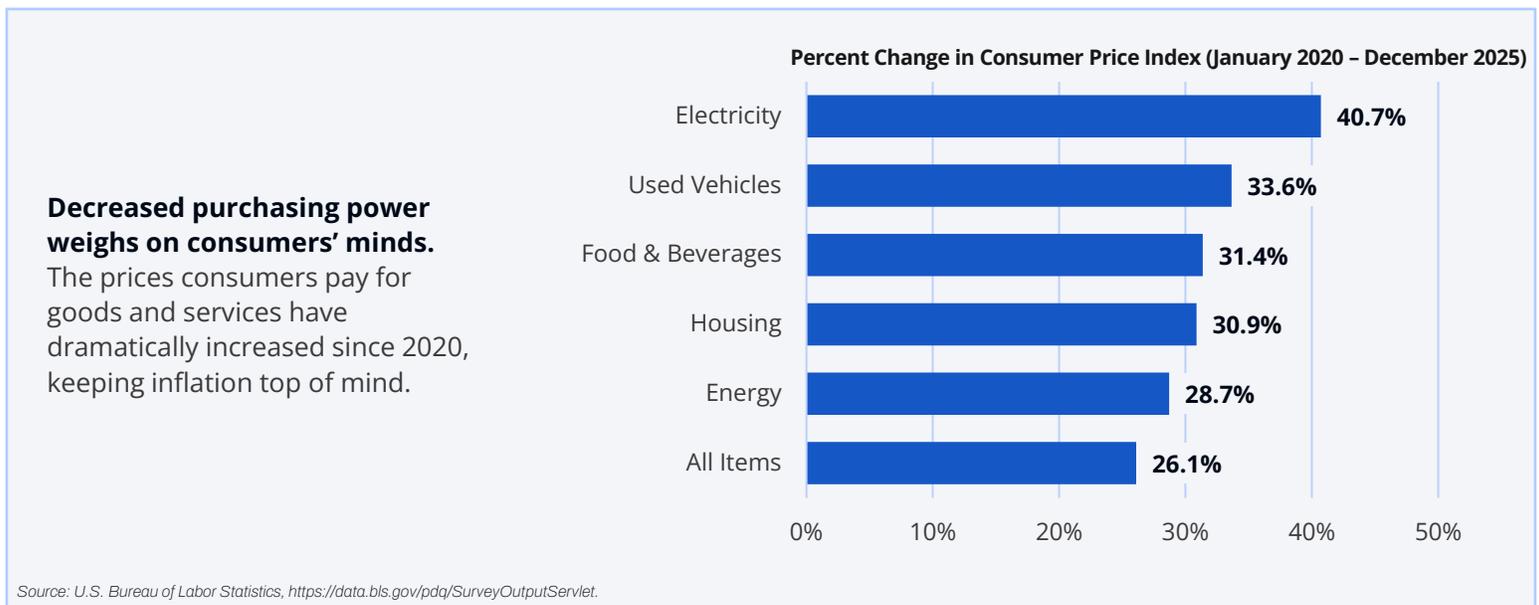
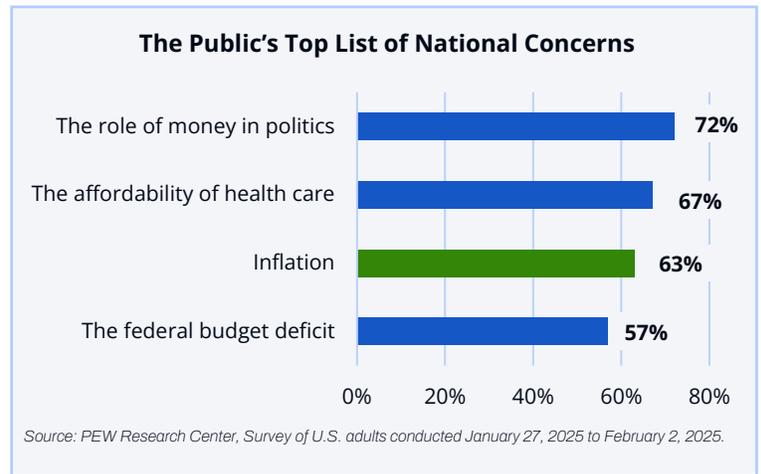
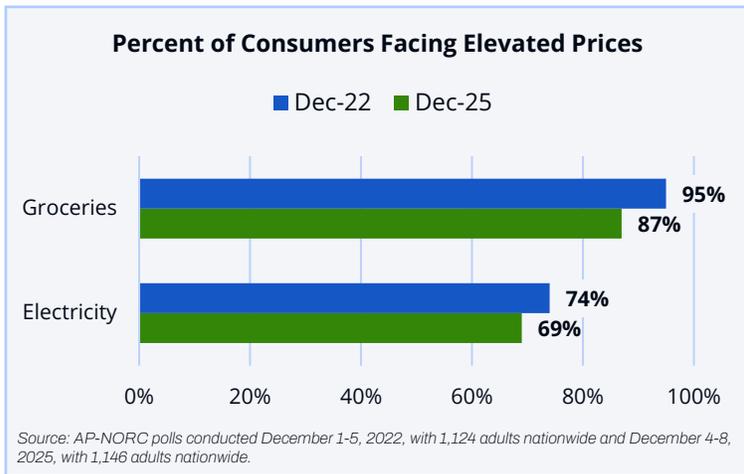


Facing Inflation: A Readiness Check

Inflation Is a Top Concern For Americans

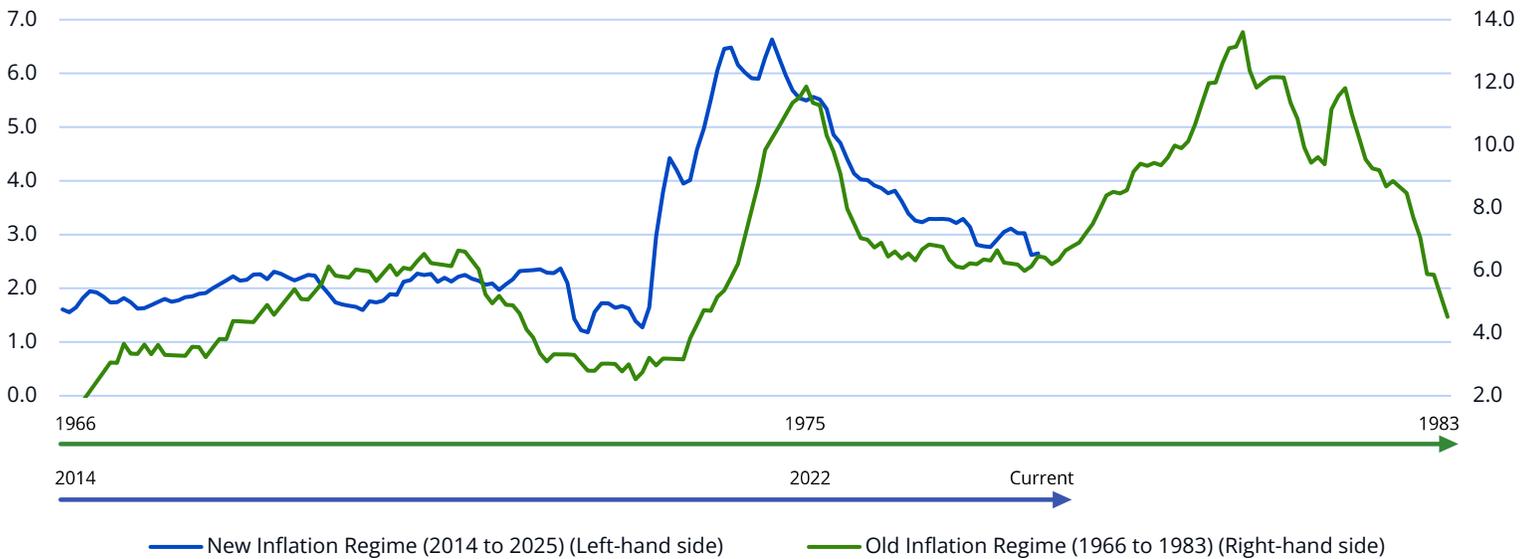
Higher everyday prices continue to strain household budgets and dominate national concerns.



Are We On The Brink of Another 1970s-Style Surge?

The inflation shock of the 1970s and early 1980s unfolded in multiple waves – a pattern that appears to be repeating. Since inflation surged in 2022, it has eased somewhat but remains higher than the Federal Reserve's target rate of 1% to 2% per year. The Consumer Price Index now reflects a striking resemblance to the inflationary cycles of the 1970s.

Cyclical Year-Over-Year CPI: Old Regime (1966 to 1983) vs. New Regime (2014 to 2025)

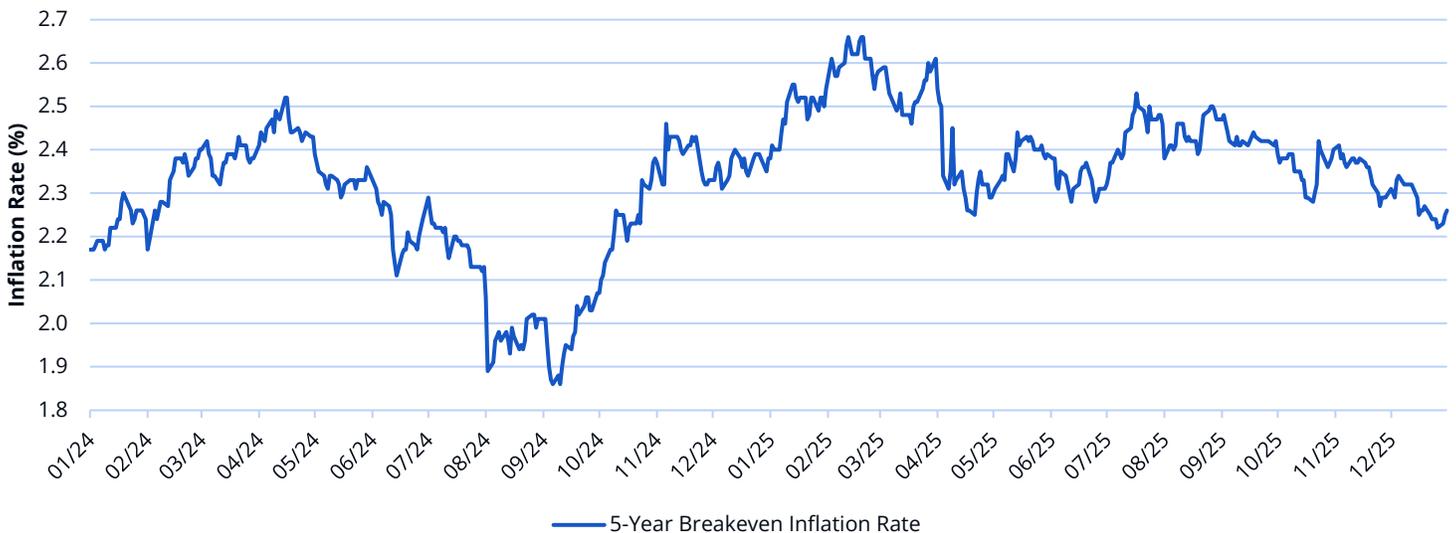


Source: FactSet.

Inflation Expectations Remain Elevated

Five-year inflation expectations hit their lowest point in September 2024, just as the Federal Reserve began cutting interest rates. Since then, expectations have moved higher and remain elevated, as uncertainty around future rate cuts continues to fuel inflation worries in the markets.

5-year Breakeven Inflation Rate (January 2024 - December 2025)



Source: FactSet.

Is a traditional 60/40 portfolio prepared?

In previous inflationary shocks, bond yields generally increased as investors sought higher returns, while stock valuations fell amid rising interest rates and economic uncertainty. During such periods, the traditional 60/40 stock-bond portfolio may not offer the most effective asset allocation.

Bonds

Period	Dates	Cumulative CPI % Change	10-YR Treasury Starting Yield	10-YR Treasury Ending Yield	% Change in Yield
1	1/66 – 11/70	27.7%	4.69%	6.49%	38%
2	1/73 – 2/75	17.5%	6.54%	7.46%	14%
3	10/77 – 6/80	30.7%	7.62%	10.09%	32%
4	6/20 – 9/22	11.6%	0.65%	3.80%	480%

Stocks

Period	Dates	Starting Multiple	Ending Multiple	% Change in Multiple
1	1/66 – 11/70	23.7	15.9	-32.9%
2	1/73 – 2/75	17.9	10.2	-43.0%
3	10/77 – 6/80	9.8	8.9	-9.2%
4	6/20 – 9/22	29.6	27.1	-8.5%

Sources: FactSet, shillerdata.com.
 Note: Equity multiples are represented by the Shiller P/E Ratio.

Inflation Has Historically Come In Waves

With inflation proving more persistent than anticipated and often occurring in waves, it's essential to reassess portfolio resilience. **Now is the time to consider strategies designed to better withstand ongoing inflationary pressures.**

Core CPI (Year-Over-Year) (January 1958 – December 2025)



Source: FactSet.



Consumer Price Index: *The non-seasonally adjusted U.S. City Average All Items Consumer Price Index for All Urban Consumers published monthly by the Bureau of Labor Statistics of the U.S. Department of Labor.*

Inflation: *A general rise in prices.*

Shiller P/E Ratio (CAPE ratio): *A valuation measure that uses real earnings per share (EPS) over a 10-year period to smooth out fluctuations in corporate profits that occur over different periods of a business cycle.*

All investing involves risk, including possible loss of principal. Any opinions herein, including forecasts, reflect the opinions of the author at the time of writing and are subject to change. This is not a complete analysis of market conditions and, therefore, should not be relied upon as investment advice.

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