

Flash note
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Inflation could have already peaked. What next?

The perception of inflation that is peaking is not due precisely to the first observation of year-on-year moderation in prices (as can be seen in the attached graph), but mainly for two different reasons:

The month-to-month observations showing a significant drop in price variation has been broad-based. Here you have some examples:

	Current Month Change	Previous Month Change
Producer Price Index MoM:	0.5%	1.4%
Producer Price Index Ex Food/Energy MoM:	0.4%	1,0%
Import Price Index MoM:	0,0%	2.6%
Export Price Index MoM:	0.6%	4.5%
Consumer Price Index MoM:	0.3%	1.2%

The second reason why we think that inflation could cease to be a problem in a reasonable period of time is that it is not just central banks that are struggling to control inflation. It is the market itself that performs the function of central banks with greater effectiveness and in an accelerated manner. Why? 1) Trillions of dollars of wealth have been destroyed through all asset classes (affecting a broad segment of the investment society). 2) The market has increased credit standards, which in turn limits the demand for new money, and its circulation. These market forces are what will eventually bring inflation under control. The central banks know this, and that's probably why they are accepting this "market turmoil".

What next? With the S&P having lost 17% of its value since January, the USD debt market rapidly returning to its equilibrium value, and with the first signs of inflation stabilizing, I am convinced that more and more investors will wonder if the equity market is already cheap enough.

