



VICTORY PARTNERS

MIDDLE MARKET INSIGHT | What Business Owners Need To Know

JULY, 27

CENTRAL BANK WILL ANNOUNCE THE NEXT RATE DECISION

Fed Leans Towards Another 0.75-Point Increase

- Before last week, officials had signaled they were leaning toward a 0.75-point, or 75-basis-point, increase this month. After another scorching inflation report was released Wednesday, however, they indicated they would consider a full-point increase.
- The Labor Department reported the consumer-price index rose 9.1% in June from a year before, a new four-decade high, and showed inflation pressures broadening across the economy.
- A 0.75-point rate rise could allow officials to signal their ability to maintain that historically aggressive pace if demand and inflation stay hot or to moderate their increases if they see progress in slowing inflation and economic activity. Officials could face more difficult decisions later this year over how much higher to push rates, especially if the economy shows more obvious signs of slowing, but with inflation still well above the Fed's 2% target.

9.1%

CONSUMER PRICE INDEX ROSE TO 9.1% IN JUNE – A NEW FOUR DECADE HIGH

Supply Chains Inching Back to Normal, Brace For Weaker Demand

- “Pressures in the global goods sectors, which have been a central driver of inflation, may finally be easing,” Citi economists wrote in a research note this month. “The bad news is that this looks to be occurring on the back of a slowing in the global consumer’s demand for goods, especially discretionary goods, and thus may also signal rising recession risks.”
- Not everything is on the mend, particularly in Europe, which is seeing extended shipping problems given the region’s proximity to the fighting in Ukraine. Sanctions on commodities and other items originating from or headed to Russia are complicating European trade flows. On top of that, labor disruptions like the one affecting Germany’s big seaports will only prolong the recovery efforts.
- Economists generally agree that US household demand for merchandise will be key to watch in coming months, but they’re split about whether it will stay strong or start to soften.

\$7.4K

OCEAN SHIPPING RATES HAVE DROPPED HALFWAY BACK TO EARLY-2021 LEVELS

A Reverse Currency War Beckons

- Against the backdrop of higher-than-expected inflation and still-elevated commodities prices, the concern is that we’re in for a dollar ‘doom loop’ like never before, according to Jon Turek, the founder of JST Advisors and author of the Cheap Convexity blog.
- The US currency also has a special position in world markets. When investors are worried, they tend to rush to the safety of dollar-denominated assets, sending the currency even higher. That’s one reason why the dollar surged when markets crashed in March of 2020, and why it’s been strengthening now.
- Recent dollar strength is at odds with predictions made earlier this year that the invasion of Ukraine and subsequent sanctions could mark a turning point for the USD. On the other hand, the timeframe for reducing the dollar’s role as the world’s reserve currency was never expected to be a quick one, and a painfully soaring greenback could ultimately still encourage countries to seek alternatives.

0.9954

THE EUR/USD DROPPED TO ITS LOWEST ON JULY 14TH 2022

1.75%

FEDERAL FUNDS TARGET RATE FOR 2022

Sources: www.bloomberg.com | www.nytimes.com | www.wsj.com