



## 2022 interest rates and inflation outlook

Edward Al-Hussainy, Senior Interest Rate and Currency Analyst



The key defining feature of the policy space this year is that accommodation is pulling back, both on the fiscal side, relative to the amount of stimulus that we provided in 2020 and 2021. And, on the monetary policy side, as the Fed steps back accommodation and starts contemplating interest rate hikes.

So, inflation this year is going to be a fascinating story, because of course, last year the story was one of increasing momentum as the economy opened up. We saw significant dislocations in the labor market. We saw significant dislocations of the global economy, in the form of our supply chains that were jammed up into the end of the year. This year, a lot of those temporary effects should fall out of the equation. And, what we should be left with is an underlying growth story that reflect some of the changes that are long lasting.

This year, my expectation is that inflation momentum should continue into the summer, and then start to organically decline. And, the key question for us is, does it decline towards 2% or 3%? And, that one percentage difference which in many areas seems a bit trivial, but for the Fed it's the world because their target is 2%, a deviation of closer to 3% by the end of the year, would imply a much faster tightening cycle.

---

This is an advertising document. This document and its contents have not been reviewed by any regulatory authority. This document is intended for informational purposes only and should not be considered representative of any particular investment. This should not be considered an offer or solicitation to buy or sell any securities or other financial instruments, or to provide investment advice or services.

**Investing involves risk including the risk of loss of principal. Your capital is at risk. Market risk** may affect a single issuer, sector of the economy, industry or the market as a whole. The value of investments is not guaranteed, and therefore an investor may not get back the amount invested. **International investing** involves certain risks and volatility due to potential political, economic or currency fluctuations and different financial and accounting standards. Risks are enhanced for emerging market issuers. The mention of any specific shares or bonds should not be taken as a recommendation to deal.

The views expressed are as of December 2021, may change as market or other conditions change and may differ from views expressed by other Columbia Threadneedle Investments (Columbia Threadneedle) associates or affiliates. Actual investments or investment decisions made by Columbia Threadneedle and its affiliates, whether for its own account or on behalf of clients, may not necessarily reflect the views expressed. This information is not intended to provide investment advice and does not take into consideration individual investor circumstances. Investment decisions should always be made based on an investor's specific financial needs, objectives, goals, time horizon and risk tolerance. Asset classes described may not be appropriate for all investors. Since economic and market conditions change frequently, there can be no assurance that the trends described will continue or that any forecasts are accurate. Information and opinions provided by third parties have been obtained from sources believed to be reliable, but accuracy and completeness cannot be guaranteed.

**In Australia:** Issued by Threadneedle Investments Singapore (Pte.) Limited ["TIS"], ARBN 600 027 414. TIS is exempt from the requirement to hold an Australian financial services license under the Corporations Act and relies on Class Order 03/1102 in marketing and providing financial services to Australian wholesale clients as defined in Section 761G of the Corporations Act 2001. TIS is regulated in Singapore (Registration number: 201101559W) by the Monetary Authority of Singapore under the Securities and Futures Act (Chapter 289), which differ from Australian laws. **In Singapore:** Issued by Threadneedle Investments Singapore (Pte.) Limited, 3 Killiney Road, #07-07, Winsland House 1, Singapore 239519, which is regulated in Singapore by the Monetary Authority of Singapore under the Securities and Futures Act (Chapter 289). Registration number: 201101559W. This advertisement has not been reviewed by the Monetary Authority of Singapore. **In Hong Kong:** Issued by Threadneedle Portfolio Services Hong Kong Limited. Unit 3004, Two Exchange Square, 8 Connaught Place, Hong Kong, which is licensed by the Securities and Futures Commission ("SFC") to conduct Type 1 regulated activities (CE:AQA779). Registered in Hong Kong under the Companies Ordinance (Chapter 622), No. 1173058. **In the USA:** Investment products offered through Columbia Management Investment Distributors, Inc., member FINRA. Advisory services

provided by Columbia Management Investment Advisers, LLC. Collectively, these entities are known as Columbia Management. **In the UK:** Issued by Threadneedle Asset Management Limited. Registered in England and Wales, Registered No. 573204, Cannon Place, 78 Cannon Street, London EC4N 6AG, United Kingdom. Authorized and regulated in the UK by the Financial Conduct Authority. **In the EEA:** Issued by Threadneedle Management Luxembourg S.A. Registered with the Registre de Commerce et des Societes (Luxembourg), Registered No. B 110242, 44, rue de la Vallée, L-2661 Luxembourg, Grand Duchy of Luxembourg. **In Switzerland:** Issued by Threadneedle Portfolio Services AG, Registered address: Claridenstrasse 41, 8002 Zurich, Switzerland. **In the Middle East:** This document is distributed by Columbia Threadneedle Investments (ME) Limited, which is regulated by the Dubai Financial Services Authority (DFSA). For Distributors: This document is intended to provide distributors with information about Group products and services and is not for further distribution. For Institutional Clients: The information in this document is not intended as financial advice and is only intended for persons with appropriate investment knowledge and who meet the regulatory criteria to be classified as a Professional Client or Market Counterparties and no other Person should act upon it.

Columbia Threadneedle Investments is the global brand name of the Columbia and Threadneedle group of companies.