

“The value of absurd ideas”

By Tommy Williams, CFP®

Ever since the Federal Reserve began raising the Fed funds rate in 2015, analysts have been anticipating higher inflation. The fact that price increases remained relatively small was a perplexing mystery. Then, last week, inflation increased faster than expected.



Tommy Williams

The Bureau of Labor Statistics reported the Consumer Price Index (CPI), one measure of inflation, rose 0.5 percent in January. As you might expect, the cost of some items rose faster than others. For example, energy costs rose by 3.0 percent, while the cost of food was up 0.2 percent. In total, during the last 12 months, the all-items index rose 2.1 percent.

When food and energy are excluded, the increase was 1.8 percent.

Barron's reported, *"Leaving aside the month-to-month squiggles, the real story is that inflation is closing in on the Fed's 2 percent target...And even if January's rise in the CPI was overstated, a real cyclical uptrend is under way...Deflation in the prices of consumer goods we like to buy is ending; the rate of increase in the cost of things we have to buy either is rising, as for food and energy, or remains high, as for services or rent."*

Higher prices are one side of the inflation coin; the other side is higher interest rates. Inflation is one of the data points the Federal Reserve considers when determining how well the economy is performing. Rising inflation signals a robust economy. That may encourage the Fed to raise rates more aggressively during 2018 to prevent the economy from overheating. The possibility of more concerted Fed tightening helped bump U.S.

treasury rates higher last week.

Higher interest rates could be helpful to income-oriented investors. For years, persistently low rates have caused some investors to accept higher risk than they might have otherwise. As interest rates move higher, there may be opportunities to reduce portfolio risk and still generate attractive levels of income.

Despite inflation-inspired volatility mid-week, stock markets around the world moved higher. In the United States, major indices once again moved into positive territory for 2018.

Perhaps a more interesting topic could be what is ridiculous? Silly? Strange? Some ideas may seem that way. Albert Einstein is famous for having said, *"If at first the idea is not absurd, then there is no hope for it."* In recent weeks, *Fast Company* has reported on some "world-changing ideas," including:

- *Teaching happiness in school. The mandate of a*

school being built in India will be teaching children how to be happy. One of the co-founders said, "It's our view that happiness – or emotional intelligence, or balance, or confidence, or self-esteem, or any other word for feeling good about ourselves and our place in the world – is the foundation on which great lives and great achievements are built."

- Cancelling student debt. "Collectively, [Americans] owe nearly \$1.4 trillion on outstanding student loan debt. Research shows that this level of debt hurts the U.S. economy in a variety of ways, holding back everything from small business formation to new home buying, and even marriage and reproduction," according to a February report from the Levy Economics Institute at Bard College.

The research estimates if the U.S. government purchased and cancelled student loan debt the U.S. economy would increase real gross domestic product – the value of all goods and services produced – by \$861 billion to \$1,083 billion over 10 years. Also, the step could lead to the creation of more than a million new jobs every year. What do you think? Do they pass the absurdity test? Or are

these ideas too tame? There are countless similarly innovative, seemingly absurd ideas, we'll explore soon.

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and may not be invested into directly. The economic forecasts set forth in the presentation may not develop as predicted and there can be no guarantee that strategies promoted will be successful. This material was prepared in part by Peak Advisor Alliance.

Visit us at www.williamsfa.com. Tommy Williams is a CERTIFIED FINANCIAL PLANNER™ Professional with Williams Financial Advisors, LLC. Securities offered through LPL Financial, Member FINRA/SIPC. Investment advice offered through RFG Advisory Group, a registered investment advisor. RFG Advisory

Group, Williams Financial Advisors, LLC, and Peak Advisor Alliance are separate entities from LPL Financial. Branch office is located at 6425 Youree Drive, Suite 180, Shreveport, LA 71105.