

Macro Roundup Article

Headline: [Has the Fed Tightened Enough? Guideposts to Consider](#)

Article Link: <https://www.bridgewater.com/document/has-the-fed-tightened-enough-guideposts-to-consider?id=0000018a-1f3d-d468-ab8e-1f7dbd5e0001>

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Tweet: Noting high nominal wage growth, Bridgewater argues that inflation is likely leveling out at its current rate which implies downside risk to asset prices.

Summary: Today, about 2.5% wage growth would be consistent with 2% inflation, as recent-trend productivity growth has been low and other sources of income (from assets and government-deficit-financed transfers) are more neutral. With wage growth currently running at around 4.5%, we're far away from this level. We're more likely to see inflation level out at its current rate rather than continue to decline like it has over the past year. This would push the Fed to continue tightening and, with a short pause and return toward easing being priced in, could come through the form of either rate rises or holding rates at high levels. This makes assets especially vulnerable to another round of tighter policy. Related: The Unresolved Tension Between Prices and Incomes and The Tightening Cycle Is Approaching Stage 3: Guideposts We're Watching and Rate Cuts

Primary Topic: Inflation

Topics: Business Cycle, Financial Markets, GDP, Inflation, Monetary Policy, Op-Ed/Blog Post, Weekly

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