

The Road to Inflation

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The financial markets again demonstrated resiliency in May despite global economies undergoing major structural changes. The pandemic may have forever altered economic activity and consumer behavior. Although investors have enjoyed unexpectedly spectacular returns since April 2020, the aftereffects of the pandemic are still unfolding. Unprecedented fiscal and monetary stimulus has clearly shortened the recovery time, creating a post pandemic boom. However, this new paradigm has rekindled concerns about an overheated economy and an inflation breakout. While policymakers have played down inflation risks as “transitory,” a new era of inflation may have been spawned. The green shoots of inflation have started to sprout with labor shortages, supply chain bottlenecks, product scarcities, and transportation woes combining with soaring commodity prices. Many prognosticators believe the current inflationary pressures are temporary, but the road to inflation may offer investors a bumpy ride in the coming months.



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