

Chart of the week

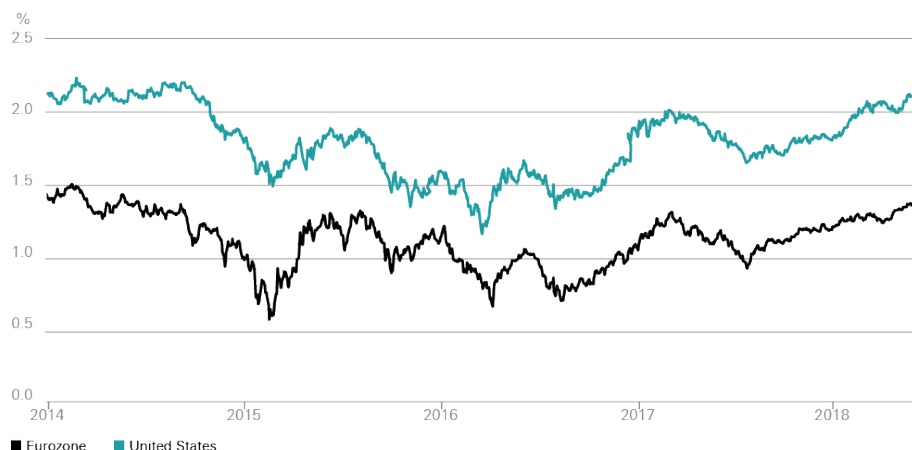
Don't count out inflation

Back in 1996, the British economist Roger Bootle published a book titled "The Death of Inflation". Fast forward: Today, nine years into our current global business cycle, inflation rates around the world are still well below where one would expect them after such a long economic upswing. Have we seen the demise of inflation? We would be cautious here.

One can derive financial markets' expectations for future inflation rates by deducting the yield of inflation-indexed bonds from the yield of their nominal, plain-vanilla siblings. As our "Chart of the Week" demonstrates, Eurozone as well as U.S. inflation expectations are creeping up since about one year now. From an absolute perspective, the levels are neither outrageous, nor do they exceed what is commonly defined as "price stability". Nevertheless, in both cases we have reached the highest readings since 2014.

As we've argued in our paper ["Low and slow" does not equal "Never, ever"](#) on inflation, we would not count inflation out. Frequently, as the saying goes, reports of someone's demise are often greatly exaggerated. That's why we keep a close eye on inflation although we don't fear it currently.

Inflation expectations (over 10 years)



Sources: Bloomberg Finance L.P., Deutsche Asset Management Investment GmbH, as of 5/9/18

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Glossary

Inflation-indexed securities

Inflation-indexed securities are securities whose coupon payments are tied to a inflation rate.

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