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The Inflation Scare Is Over. How to Prepare for the Next Inflation Scare.

By Ben Levisohn Updated June 11, 2021 7:45 pm ET / Original June 11, 2021 7:37 pm ET

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When April's CPI was released on May 12, the market took it on the chin, with the tech-heavy Nasdaq Composite down 2.7% in one day, taking the brunt of the damage. This past week, however, it was the Dow Jones Industrial Average that was hit hardest, falling 276.79 points, or 0.8%, to 34,479.60. The Nasdaq, on the other hand, rose 1.9%, to 14,069.42, while the S&P 500 index finished up 0.4%, to 4247.44.

Stranger still was the reaction from the U.S. Treasury market. Higher inflation should be bad for bonds, which already yield far less than the inflation rate. But Treasury prices rose this past week, sending yields, which move in the opposite direction, lower. The 10-year yield fell 0.097 point, to 1.462%, its largest one-week drop in about a year.

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slower growth—and perhaps even a growth scare later in the year, something that would be deadly for economically sensitive value stocks. History suggests otherwise, writes Sundial Capital Research's Dean Christians. The S&P 500 closed at a new all-time high this past week, while the 10-year yield closed at its lowest level in three months—only the 18th time since 1968 that the index closed at a three-year high while bonds traded at a near-term low.