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Global inflation keeps rising

JOHANNESBURG, GAUTENG, SOUTH AFRICA, September 20, 2023 /EINPresswire.com/ -- As inflation and interest rates continue their upward trajectory, causing concern among households and businesses, Fred Razak, Chief Trading Strategist at the online trading platform CMTrading, provides insight into the factors contributing to these increases and offers his perspective on what the future may hold.

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>
> *Fred Razak, Chief Trading Strategist CMTrading*

An Uncertain Future
"In recent times, we've witnessed the Core Price Index, a key measure of inflation, steadily climbing. However, signs now suggest that central bank efforts to raise interest rates are beginning to counteract this trend," states Razak.

He explains, "Inflation erodes the currency's purchasing power, causing what used to cost R1 to now require R1.20. Central banks raise interest rates to control inflation and prevent it from spiralling. This, in essence, increases the cost of borrowing money from the central bank for retail banks, impacting the cost of borrowing for the public.

When borrowing money becomes more expensive, the value of money effectively rises. This artificial increase in value, achieved by reducing the money supply, helps curb inflation.

"This has been the prevailing trend over the past year and a half. However, recently, we've witnessed inflation showing signs of stabilisation. Such periods can be challenging for central banks, businesses, and investors, as it's uncertain whether this marks a sustained correction or a temporary pause."

Continuing Impact of the Russian-Ukrainian Conflict
Addressing the ongoing conflict in Ukraine, Razak states, "While the market has largely factored in this conflict, and we've adapted to the reality of an ongoing war, it still exerts far-reaching economic implications. Ukraine is a significant global grain supplier, and this supply has been severely disrupted. Additionally, the disruption of oil and natural gas supplies to Europe carries repercussions beyond the region, and the timeline and resolution of these issues remain uncertain."

Baby Boomer Retirement
Razak highlights the concerns surrounding the mass retirement of the baby boomer generation,

stating, "Around the world, there are apprehensions that the collective retirement of baby boomers may trigger further inflation. This generation, currently the wealthiest, holds disproportionate economic influence. For instance, in the U.S., baby boomers control more than half of household wealth. As they retire, they are likely to continue consuming while no longer contributing to production. This can create a situation with sustained demand but reduced supply, potentially leading to inflation.


Fred Razak, Chief Trading Strategist CMTrading

Other Inflationary Pressures
"Conversely, there are factors that could push inflation in the opposite direction. The wealthiest 1% of the population is amassing increasingly greater portions of income and hoarding wealth to hedge against future uncertainties or prolonged retirements. This concentration of wealth could result in a shortage of cash, elevating its value and, in turn, reducing the money supply available to fuel inflation," notes Razak.

Furthermore, Razak raises a concern about the influence of individuals like George Soros and Larry Fink, who possess the power to significantly impact the global market. He observes, "As automation and AI play larger roles, we may transition into a jobless market, where human contributions decrease due to tasks being automated. This shift raises questions about consumption and its implications for supply.

What Lies Ahead?
"The current landscape is marked by consolidation. As long as central banks remain in operation, they will aim to maintain a balanced economy by keeping inflation in check. Therefore, runaway inflation is unlikely. Central banks are crucial in regulating the market to ensure inflation remains controlled."

"Additionally, events like the Federal Open Market Committee (FOMC) meeting, taking place this month, will provide insights into policymakers' stance. Indications suggest a cautious approach to rate adjustments, with officials keenly aware of the risks of raising rates excessively," concludes Razak.

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