

CHART(S) OF THE MONTH

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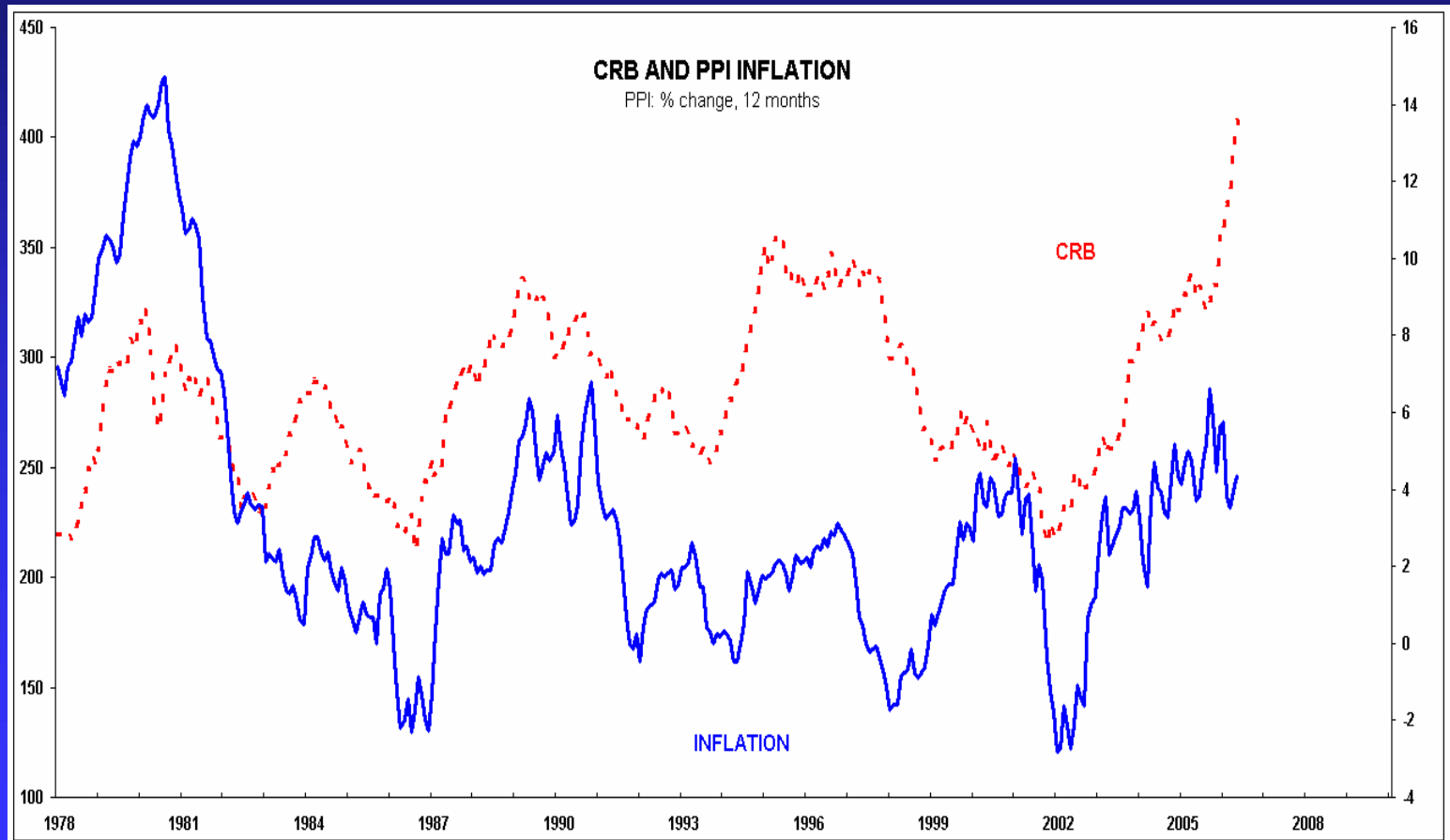
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OUTLINE

- **Inflation is the main problem**
- **Commodity prices and inflation**
- **Real interest rates and inflation**
- **Inflation and recessions**

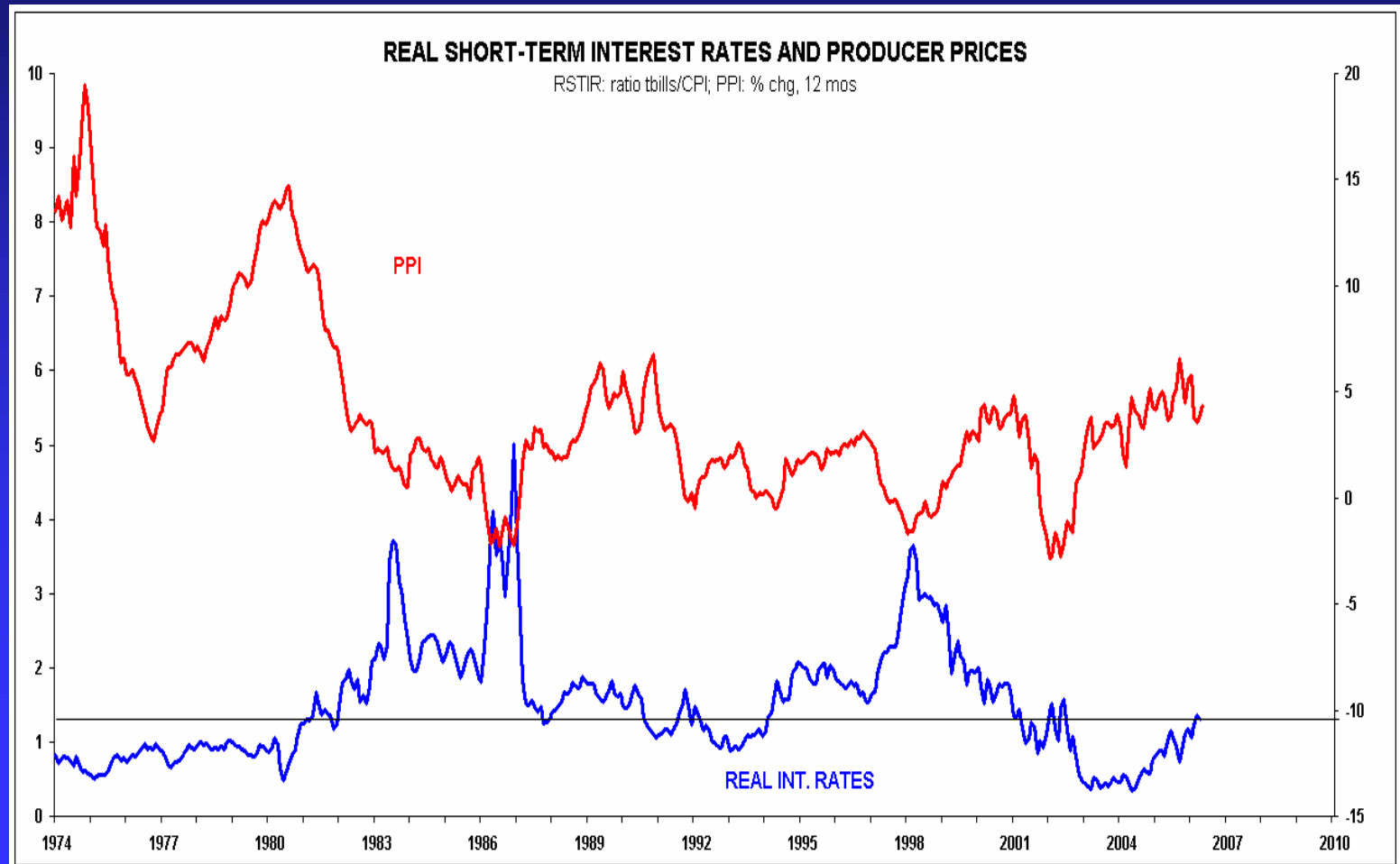
COMMODITIES PEAK AHEAD OF INFLATION



CONCLUSION #1

**INFLATION WILL PEAK AFTER
SEVERAL MONTHS OF WEAK
COMMODITIES**

SHARP SLOWDOWNS AND HIGH INTEREST RATES CONTROL INFLATION



CONCLUSION #2

- **REAL SHORT-TERM INTEREST RATES ARE TOO LOW**
- **INFLATION DECLINES AFTER A SHARP BUSINESS SLOWDOWN**
- **INFLATION DECLINES WHEN INTEREST RATES ARE 1.8 TIMES INFLATION (4.2%), OR 8.8%**