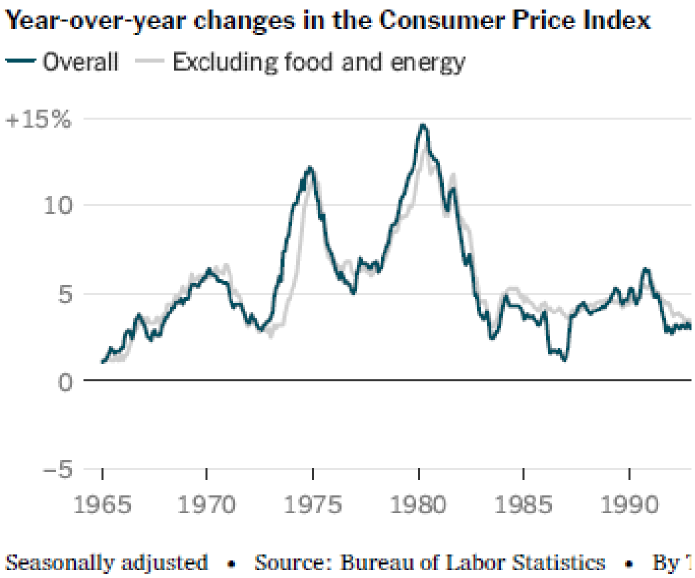
Prices climbed 7.5 percent in January, the fastest inflation since 1982.

Consumer Price Index data show that prices climbed over the past year more rapidly than economists expected. On a monthly basis, prices rose 0.6 percent.



A key inflation measure showed that prices are climbing at the fastest pace in 40 years and more quickly than economists had expected, the latest unpleasant surprise for the White House and Federal Reserve after a bruising year for American consumers.

Consumer Price Index data for January, released Thursday, showed that prices have climbed 7.5 percent over the past year, more than the 7.2 percent projected in a Bloomberg survey. On a monthly basis, they picked up 0.6 percent.

That is rapid by historical standards, and although it is slower than the fastest monthly increases in 2021, it too was above economists' expectations. The underlying details of the report showed that price pressures are broadening and moving into longer-lasting categories, a development that is likely to prove worrying for economic policymakers and painful for consumers.

Forecasters expect that inflation will come down meaningfully in 2022: Many expect it to finish the year closer to 3 percent. But economists regularly predicted that price gains would fade quickly in 2021, only to have those projections foiled as booming consumer demand for goods collided with roiled global supply chains that could not ramp up production fast enough.

High inflation has been a political liability for the White House, as rising prices have eaten away at household paychecks, leaving consumers feeling pessimistic.

And today's price increases are hitting consumers in hard-to-avoid ways, as they show up in necessities: January's inflation was driven by food, electricity and shelter costs, the Bureau of Labor Statistics said.

"It was more than expected, and it was broad-based," said of the data. As a result, likely inflation will fade by less this year than previously projected.

Policymakers have expressed more humility around their outlook for inflation in recent months, especially at a time when ports remain clogged, rents and restaurant prices are on the upswing and wages are rising, all factors that could keep inflation hot.

"Along with trillions, yes trillions of taxpayer dollars for inflationary unjustified Government Budgetary Spending, during a time of supply chain mismanagement, the effects of misguided "COVID," policy, and inappropriate, non-existence of a "National Energy Policy."

These current issues, seems to be spiraling, like a runaway train, and this train is carrying no freight of resolve.

High inflation has been a political liability for the White House, because rising prices have eaten away at household paychecks and detracted from a strong labor market with solid wage growth, leaving consumers feeling pessimistic.

"While today is a reminder that Americans' budgets are being stretched in ways that create real stress at the kitchen table, there are also signs that we will make it through this challenge," President Biden said in a statement following the release.

Rapid price gains have also prompted the Fed to pivot away from its patient policy setting meant to foster a quick economic rebound from the pandemic, including keeping interest rates at rock bottom. Investors now expect that central bankers might lift interest rates six times this year as they try to slow down the economy and tamp down price gains.

Just months ago, The FED stated that inflation is timid, until; The PPI, Producer Price Index wen though the roof, the highest in 40, FOURTY Years. And recently THE FED states that inflation will be prevalent into mid 2022.

"So, let's see, if this bears any fruit and hopefully the tree, (The Broad U.S. economy-not just Wall St) doesn't cascade, because of some fumbling fools."

Let's look at the numbers………………

"The current Inflation Rate in The U.S., accelerated to 7.5% in January 2022, the highest since February of 1982 and well above forecasts of 7.3%...

Focus economics panelists sees inflation average at 3.2% in 2022, which is up 0.3 percentage points from their last month's forecast. I guess they missed the que…..

In 2023. This panel expects inflation to average 2.5%! "Take care of today, I think will impact your expectations"….

"We were told, Inflation was timid…….only months ago, sort-of-like, no big deal, Right?"

The Producer Price Index for final demand rose 9.7 percent in 2021, This index reflects, higher costs that producers, production pays, before the product or goods goes to market.

The highest spike since 1982, now along with supply bottlenecks persisting, which the U.S., has never experienced.

In my opinion this is not going to resolve overnight…..

Many retailers tried their best not to pass along higher costs to the consumer, but eventually, the higher costs are passed on…to the consumer.

Inflation is a TAX on everyone!

Months ago, this "fundamental," economic measurement wasn't even mentioned by this current FED, or current Administration…please correct me if I'm incorrect!

Job Sector….

For the 12-month period between September 2020 and September 2021, the BLS reported salary and wage cost increased: 4.2% for civilian workers. 4.6% for private industry workers. 2.4% for state and local government workers 10. Jan 19,2022.

Federal Government workers is proposed a 5.1% average Pay Raise…Jan 13, 2022.

So….The wage increases are below the PPI Producer Index, and Below the CPI, Consumer Cost Index..

And this should be applauded?

As of my observation the proposed increase is only 2.2% for all federal employees, plus a locality increase of 0.5% must be signed by year end, January 2022.

In the meantime….how does anyone make ends meet?

Again, should inflation persist, and currently The Corporate tax rate is 19% for the fiscal year beginning 1 April 2021 through April 2022.

The new corporate tax rate Proposed by House Democrats, of 26.5% The Democrats slashed the previous rate from the proposed 28%

37%	Over $539,900	Over $647,850

Whatever your tax bracket, allow someone to provide you a tax analysis, no matter your income bracket.

Let's share one common understanding about BUDGETS, your personally Employed, Your Small Business, you're a Private Business, or to be fortunate, "A Publicly Traded Entity."

Without a solid Income, and Expense, Budget, that reflects your Personal, or Business Income and Expense, you are financially at risk!

Risk and Measurements, are you financially stable, or financially overweight?

Again, The FED reflects….

"Making appropriate monetary policy in this environment requires humility, recognizing that the economy evolves in unexpected ways," Jerome H. Powell, the Fed chair, said at his news conference last month.

The Fed aims for 2 percent inflation on average over time, though it defines that target using a different inflation index that is also elevated but not quite as sharply.

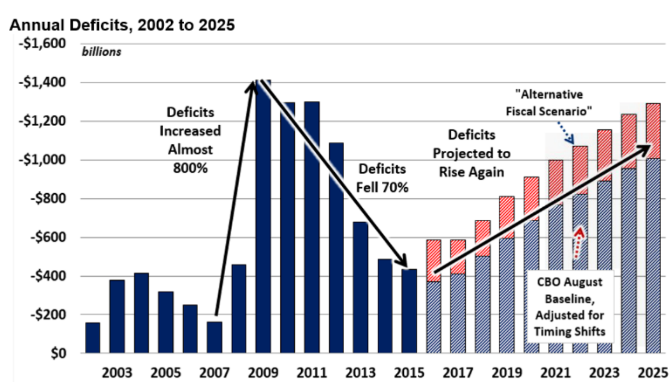
The new data prompted market investors and economists to up their expectations for the Fed to raise interest rates by half a percentage point in March, rather than a standard quarter-point move.

Inflation increasingly appears to be driven less by the pandemic and more by a strong economy.

Price increases in 2021 were driven heavily by roiled supply chains that sent new and used car prices and furniture costs up drastically. Those continue to be a big factor elevating overall inflation, but other areas are also fueling the rapid rise.

What are those other areas fueling the Rapid Rise?

Government Spending Increases?



Source: CBO, CRFB Calculations

What Is the Current US Federal Budget Deficit?

The federal budget deficit is projected to reach a new record.

US ECONOMY
FISCAL POLICY

• • •

BY
Updated KIMBERLY AMADEO January 20, 2022
REVIEWED BY
EBONY J. HOWARD

The U.S. federal budget deficit was projected to reach $2.3 trillion in 2021. it reached $2.8 trillion for the fiscal year 2021. [1] It was the second-highest deficit since 1945; the 2020 deficit of $3.1 trillion as a result of the COVID-19 pandemic takes the top spot. [2] [3]

COVID-19

In March and April 2020, Congress passed several laws to offset the damage done by the coronavirus pandemic:

The Coronavirus Preparedness and Response Supplemental Appropriations Act provided $8.3 billion to federal agencies to respond to the pandemic. [7]

1. The Families First Coronavirus Response Act provided $3.5 billion for paid sick leave, insurance coverage of coronavirus testing, and unemployment benefits. [8]
2. The largest, at over $2 trillion, was the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). It sent $1,200 stimulus checks to eligible taxpayers, expanded unemployment insurance, assisted small businesses, and funded stateand local governments. [9] (The 2021 American Rescue Plan also provided $1,400 stimulus checks to individuals and families, provided funding for COVID-19 testing, vaccinations, and prevention, and more.) [10]
3. The largest, at over $2 trillion, was the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). It sent $1,200 stimulus checks to eligible taxpayers, expanded unemployment insurance, assisted small businesses, and funded state and local governments. [9] (The 2021 American Rescue Plan also provided $1,400 stimulus checks to individuals and families, provided funding for COVID-19 testing, vaccinations, and prevention, and more.) [10]

4. The Paycheck Protection Program (PPP) and Health Care Enhancement Act allocated $483.4 billion for small businesses, hospitals, and testing. [11]

This spending largely increased the federal budget deficit, but it was necessary to keep the U.S. economy afloat during stay at-home orders throughout the country.

However, additional unnecessary spending that is not a National Security issue nor pandemic, is in my opinion, untimely.

Tax Cuts

Tax Cuts ~ Political Game…..

Tax cuts immediately reduce revenue and add to the national debt. For example, the Bush tax cuts added $5.6 trillion to the national debt between 2001 and 2018. [12] The national debt and the federal deficit are related because the national debt is the accumulation of each year's deficit. So every year, tax cuts add to the deficit by reducing revenue.

The Trump tax cut reduced revenue by lowering taxes on personal income, small businesses, and corporations. The Joint

Committee on Taxation projected that these cuts would add nearly $1.5 trillion to the debt between 2018 and 2027. [13]

Some economists say that tax cuts boost the economy so much that additional revenues in the long term will offset short term losses.

The National Bureau of Economic Research found that in the long run, only 17% of revenue from income tax cuts may be regained, while half of the revenue from corporate tax cuts may be regained. [14]

U.S. Military Spending

The War on Terror and related defense spending have added trillions to the national debt since 2001.

That includes increases to the budgets of the Department of Defense, the Department of Veterans Affairs, and Overseas Contingency Operations.

Unfortunately, it's difficult to reduce the budget deficit without cutting U.S. military spending.

U.S. military spending is greater than the next 10 largest government expenditures combined.

It's almost three times greater than China's military budget, and 10 times bigger than Russia's defense spending. [17] It plays a large factor in the federal budget deficit because of its size.

Government Spending, GDP, GNP, and the Budget Deficit…

A budget deficit occurs when government spending exceeds revenue. The federal government's revenue is the income it collects from taxes, fees, and investments.

When spending is less than revenue, it creates a budget surplus.

When's the last time we experienced a budget surplus?

The president and Congress overspend on purpose.

They realize that the more the government spends, the more it stimulates the economy.

Government spending is itself a component of GDP. It is the country's total economic output for a year.

The pockets of businesses and families so that they spend money, which then helps create a stronger economy.

Thats' what we're told…Spend until you go broke…..

One must Manufacture, and Produce, and outsourcing, makes US, dependent on a frail supply Chain….

This is a underlying economic fundamental, otherwise, nothing can be offered to purchase…and our US technologies not be stolen, or copied…

I think, Made In America. Is a good brand!

If the debt-to-GDP ratio exceeds a tipping point of 77% for an extended period, it slows the economy.

Every percentage point of debt above this level costs the country 1.7% in economic growth. It's even worse for emerging markets, in which each additional percentage point of debt above 64% could slow growth by 2% each year. [18]

There is also some cause for concern when the economy is doing well.

The government should be reducing the deficit to lower the national debt. Deficit spending in a healthy economy could make it overheat, and that could create a boom and-bust.

Now, The Government is doing what? The opposite, "Spending, beyond the Pandemic Needs!

And this will lead to a bust cycle, which could lead to a recession.

Observation…..

Individuals, small business, mid-size business, large business, publicly traded companies must have a budget, otherwise your-out-of-business.

Why is it, that the Federal Government has no balanced budget requirements, when every other individual and business requires a budget?

There is no balanced budget provision in the U.S. Constitution, so the federal government is not required to have a balanced budget and Congress usually does not pass one. Several proposed amendments to the U.S. Constitution would require a balanced budget, but none have been enacted.

Perhaps it's time…..A Mandatory Balanced Budget is enacted, after all, every successful individual and businesses are Mandated to a budget, to pay its tax individual tax, payroll tax, tax on profits, Social Security Tax, Medicaid, Medicare, tax on your retirement income, limitations of how much you can contribute towards your senior years, Income limitations at retirement or you could jeopardize your Social Security benefits.

It appears individuals, and business need to adhere to a budgetary discipline to meet its obligations, and hopefully it is profitable after meeting all these mandatory limitations, taxes, and penalties.

Afterall, as an individual, small business, or publicly traded entity, without a balanced budget, you're in a deficit, a financial hole, and this can also affect the state of our country's financial health, plus it can affect your personal, health.

Perhaps, what's missing from the equation is, A Balanced Budget requirement of the Federal Government.

Inflation?

It's a tax on everyone..

In such a short period of time, the Broad U.S., economy went from a stellar economic growth, as to GDP, to economic mayhem.

That started when U.S. Corporations began outsourcing our manufacturing, Textile, and yes, technology, ~ "For Cheap Labor."

Yet, without "Mandate," as to National Security," so of course, some foreign Governmental entities, welcomed this free trade~ to only steal, copy, "American Ingenuity."

How many "Parts," are imported for your American Product.

"Why is everything made in China; One of the reasons companies manufacture their products in China is because of the abundance of lower-wage workers available in the country

. ... China has been accused of artificially depressing the value of its currency to keep the price of its goods lower than those produced by U.S. competitors.

Could these events lead to recession….?

Wall Street's go-to recession indicator is starting to get attention

By Julia Horowitz, CNN Business

Updated 9:41 AM EST, Fri February 11, 2022

London (CNN Business) Past may not be prologue for financial markets as the global economy continues to reel from the pandemic. But a traditional recession signal is still catching Wall Street's attention.

What's happening: The US government bond market sold off on Thursday alongside stocks following the news that inflation reached 7.5% in January — its highest level in four decades. The yield on the benchmark 10-year US Treasury, which moves opposite prices, shot above 2% for the first time since 2019. It was close to 1.5% at the end of last year.

Investors were particularly worried, however, about the yield on shorter-term US bonds like the two-year note, which has been rising even more dramatically. It's now above 1.5%, gaining about 110% so far in 2022.

Why this matters: Typically, investors *demand higher payouts for longer-dated bonds,* since it's harder to predict risk and economic conditions over extended periods.

But if yields on shorter-dated bonds jump above the 10-year — producing an "inverted yield curve" — that's a sign that investors expect a deterioration in near-term economic conditions and aggressive intervention from the Federal Reserve.

In 2018, the Federal Reserve Bank of San Francisco published research that found a yield curve inversion preceded every recession since 1955, producing a "false positive" just one time. (It looked specifically at the yield on one-year Treasuries.)

Investors indicated on Friday that they're watching to see if this happens again. Jim Reid, a strategist at Deutsche Bank, called the run-up in the yield on the two-year Treasury an ***"ominous sign."***

The worry is that because the Fed is now playing catch-up on inflation, it may make a mistake and pull back support for the economy too quickly, causing a recession.

Goldman Sachs said Thursday that it now expects the Fed to hike interest rates at every meeting left this year. And Federal Reserve Bank of St. Louis President James Bullard told Bloomberg that he now supports a rapid increase of rates by July.

Bullard implied he'd back one supersize hike of 0.5 percentage points before then. The central bank hasn't executed a half-point hike since 2000.

But Michael Hewson, chief market analyst at CMC Markets, told me a yield curve inversion is "not necessarily a reliable indicator." He noted that the curve inverted in 2019 and that didn't seem to predict anything. There was a recession in 2020, but that was triggered by Covid-19.

Despite higher inflation, the International Monetary Fund expects the US economy to grow by 4% this year, down from 5.6% in 2021.

Hewson said that the curve may be a "warning to the Fed that maybe if they tighten too quickly they could cause more damage than they intend."

Yet he sees "stagflation" — rampant inflation and weak economic growth — as a larger risk than a recession.

"*That's the bigger concern right now — that inflation starts to outweigh GDP,"* Hewson said.

A little more Economics, and this isn't' economics 101….

"In many important ways, the financial crash of 2008 had never ended. It was a long crash that crippled the economy for years. The problems that caused it went almost entirely unsolved. And this financial crash was compounded by a long crash in the strength of America's democratic institutions. When America relied on the Federal Reserve to address its economic problems, it relied on a deeply flawed tool. All the Fed's money only widened the distance between America's winners and losers and laid the foundation for more instability. This fragile financial system was wrecked by the pandemic and in response the Fed created yet more new money, amplifying the earlier distortions."

—Christopher Leonard, *The Lords of Easy Money* (2022) (h/t Michael Lewitt)

Well Said, In my opinion…….

They need a complete restructuring because the Fed isn't accomplishing what we all need it to. Worse, it is causing problems we could do without.

I believe Fed officials are largely responsible for the cycles of bubbles, booms, and busts over the last 30 years. Further, they share some of the blame (clearly not all) for the growing divisions and tribalism in our society.

Much of it springs from the wealth disparity they aided and abetted.

I've talked before about how the Fed has painted itself into a corner. All the options are bad and getting worse.

The reasons it is in this position are no mystery. Indeed, this is all inherent in the Federal Reserve system's design.

It is trying to do things it shouldn't be attempting.

The only real solution is a wholesale redesign and reconstruction. What we have today isn't working and the time has come to amend the Federal Reserve Act and change its purposes and authorities.

I realize these are bold words. I fully acknowledge the gravity of what I'm proposing here. And I am totally open to ideas of what a new and better Fed would look like. I know any transition from here to there will be tricky, too.

The advisory trading sessions have been active, to say the least and the following reflects the current market performance across multiple sectors.

In midday trading on Monday, the Dow Jones Industrial Average sank more than 1,100 points and the Nasdaq Composite Index crumbled nearly 5%. They recovered to close slightly up for the day, then sank again early Tuesday before clambering back.

The Nasdaq Composite Index is down roughly 12% so far this year.

These steep drops came after almost two years of a nearly relentless rise in prices—even for many stocks that professional investors regarded as garbage. After such widespread gains, small declines loom larger than they do when losses occur with more-typical frequency.

Above all, what matters isn't what the market does—but what you do in response.

As I wrote in the previous market downturns,

Individual investors should tune out the futile efforts by commentators and strategists to extrapolate the market's latest swings into a prediction of what will happen next.

Instead, use the recent volatility to make an honest reassessment of what kind of investor you are and how much risk you can stomach….

The advisory on a continual basis, reviews financial – market data and aspects of information, both fundamental and technical as it relates to your advisory managed account.

We believe, the current financial fundamental's and market technical's, reflect and support's the advisory to increase cash on your managed account(s) at this current time.

In the interim, always feel free to contact the advisory to discuss your concerns.

"It isn't investments that get tested in turbulent markets; it's investors."

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TGA Capital Management

www.tgacapitalmanagement.com

mgreen@tgacapitalmanagement.com

25 Braintree Hill Office Park~ Suite 200

Braintree, MA 02184

1-508-224-9646