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Impact of higher energy prices on US economic recovery?

Prices at the pump have escalated by 50 plus percent since last year and that's going to have a direct impact on transportation and on all goods and services. People will be less inclined to simply jump into their vehicles and drive and go and see family, for example. A lot of the stimulus money will also come to an end shortly so that's also going to impact expenditure. At the same time, we've moved from the predominantly services-oriented expenditure which we saw during the pandemic when everyone stayed home, into goods, and that's what has caused this supply crunch that is upon us. US retailers are warning that Christmas trees are going to be in shortage this year and triple in price.

When is the US going to tackle its debt ceiling dilemma?

It will be dealt with, but the question is by what quantum. Tapering and curtailing asset buying is going to happen, by November or December, and they will reduce it by about \$15 billion per month, until they get to zero. So, we're looking at possibly an eight-month period. The second step is to increase interest rates and there will be two sets of hikes that will occur sometime in 2023. The Federal fund rate and discount rate have been historically low so it will be starting from an almost zero basis point but I don't anticipate we will see negative rates. ■

**Paraphrased comments*

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