



## Improving Breadth Offsets Inflation Concerns

It all brings us to the question: How much inflation is “too much” for the stock market? In the case of producer prices, that figure has statistically been in the range of 4-5%—a level comfortably exceeded by the current 8.8% YOY gain for PPI Finished Goods. Even with the recent push for peace, the transitory nature of these results is still up for debate. For now, the MTI inflation models will play the cards they are dealt.

PPI FINISHED GOODS

### S&P 500 Returns by PPI Year-over-Year Change

Annualized monthly returns · 1948–2026 · Chg = concurrent S&P 500 total return · Fwd = next month S&P 500 total return

PPI CHG (YOY)	% OF OBS.	ANN. CHG	ANN. FWD
< 0%	17.7%	+15.8%	+18.3%
0% to 2%	26.8%	+16.9%	+13.6%
2% to 4%	28.9%	+10.3%	+13.6%
4% to 6%	9.4%	+8.3%	+6.3%
> 6%	17.3%	+4.5%	+2.4%

Returns annualized geometrically from monthly observations within each bucket.

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### Year-over-Year Change, 2016–2026

Shaded regions correspond to S&P 500 return breakpoint buckets

< 0%  
  0–2%  
  2–4%  
  4–6%  
  > 6%

