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Stale data

Well, that wasn't helpful.

On Friday, the US Bureau of Economic Analysis finally released a Personal Consumption Expenditures Index (PCE) report — for September. The federal government shutdown delayed it, as well as most data. At this point, it is of more interest to economists than investors, especially as it was little changed from August.

The index increased an annualized 2.8%, a tenth of a percentage point more than it did in August, and rose at the same rate of 0.3% month-over-month (m/m). Core PCE, which excludes food and energy prices, slipped a tick, from August's 2.9% growth to 2.8% and the m/m rate remained at 0.2%. These negligible differences means no revisionist history is needed for the October Federal Open Market Committee (FOMC) meeting; it's hard to imagine policymakers deciding not to lower the fed funds target range by 25 basis points to 3.75-4%. Likewise, the dissents — Kansas Fed president Jeffrey Schmid's call for no change and Governor Stephen Miran preference for a half-point cut — also would likely have been voiced.

The government has indicated it is unlikely to release October reports on inflation, and some prominent data about the labor market, because the shutdown prevented the collection of data (versus the compiling of August data already in hand). That means the FOMC must still rely in large part on its internal data when it convenes next week. We expect it to issue another quarter-point cut.

Views are as of the date above and are subject to change based on market conditions and other factors. These views should not be construed as a recommendation for any specific security or sector.

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