FLORIDA PRIME™

Weekly Commentary

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Not much help

The markets had hoped the September Consumer Price Index (CPI) would shed light on Federal Reserve monetary policy at a key time in its tightening cycle. A report showing that retail inflation continued to decline might solidify expectations policymakers would forgo any more hikes and transition to a “higher for longer” stance. Conversely, data indicating that inflation plateaued at it present level—or reversed course—would suggest the Fed might raised the fed funds target range hike again.

Neither scenario emerged. Instead we got a mixed report that might not help the Federal Open Market Committee’s decision at its November 1 meeting. The pace of inflation decelerated in September, rising 0.3% month-over-month (m/m), compared to 0.6% in August. But the annualized reading was the same at 3.7%. Core CPI, which removes volatile food and energy prices from the equation, was the opposite. Its m/m pace was the same as in August at 0.3% growth, but the annualized reading slipped to 4.1% from 4.3%.

Considering the high energy prices and geopolitical conflicts expanding with the war in Israel, the contradictory nature of the CPI report probably means the Fed punts in November and will assess the October data before determining that inflation is at an inflection point.

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