Weekly Commentary

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Slow going

Progress, even at a glacial pace, is at least progress. Last week the Bureau of Labor Statistics reported that the Consumer Price Index inched lower, from 5% to 4.9% year-over-year (y/y), with core (which excludes volatile categories such as gasoline and food) slipping from 5.6-5.5%. The Producer Price Index also softened, from 2.7% to 2.3 y/y. The Federal Reserve—and everyone for that matter—would like to see larger drops in both of these figures as it likely would mean that it has finished its tightening cycle.

At best, it could be said that talks to resolve the U.S. debt ceiling impasse inched forward last week when House Speaker Kevin McCarthy met with President Joe Biden and other Democrats last week. But it resulted in no agreement other than to meet again. This does not change our belief that a deal will emerge to either kick the can or raise the limit. Things might get more contentious until then. It likely is contributing to poorer consumer confidence, seen in the May University of Michigan sentiment report of 57.7 this month, down from 63.5 in April and the lowest since last November.

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