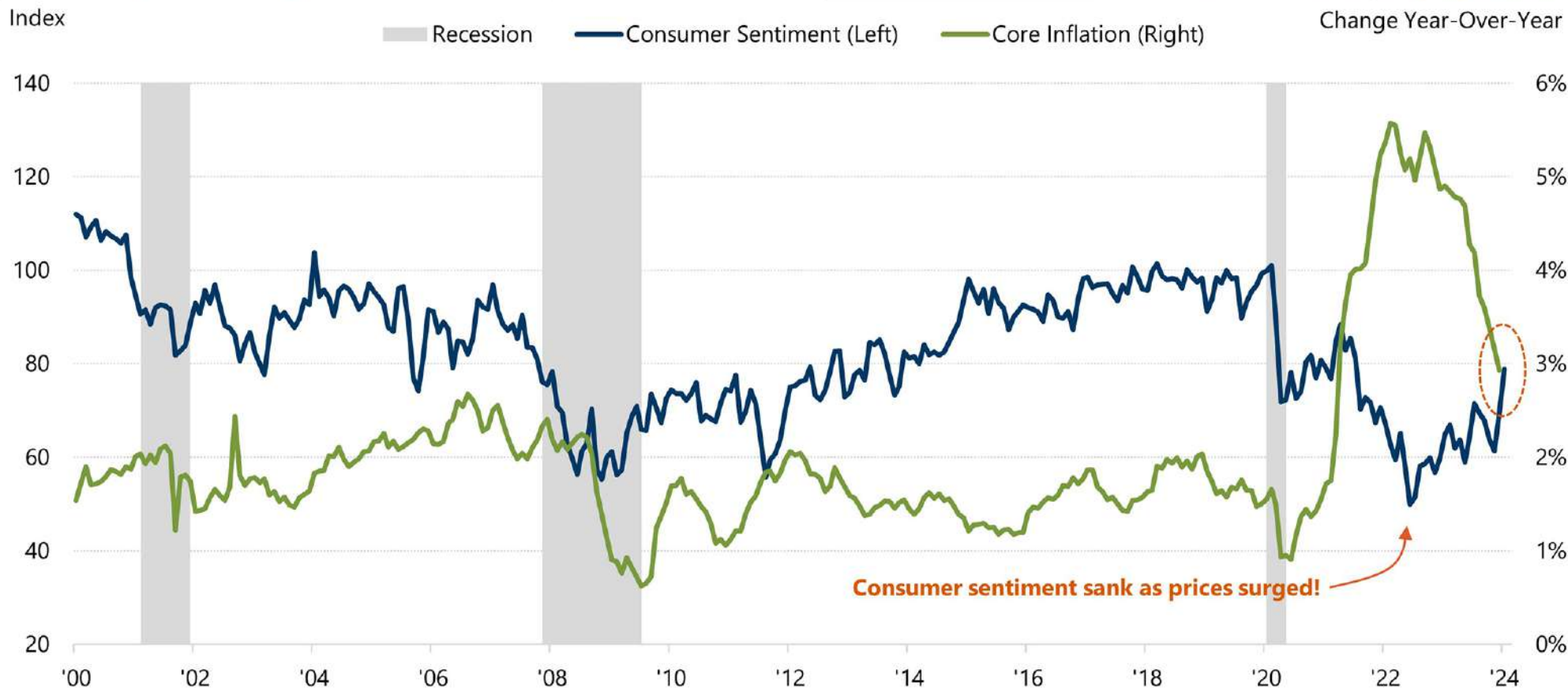


Greater Confidence

University Of Michigan Consumer Sentiment Index Versus Core PCE* Price Index For The Week Ending 02/02/2024



Source: University of Michigan, Bureau of Economic Analysis

*Personal Consumption Expenditures, core excludes food and energy

The Federal Open Market Committee stood pat again at the January policy meeting this week and removed its "tightening bias" from its policy statement. However, Chair Powell said the Fed wasn't "actively considering moving the federal funds rate down." In particular, policymakers seek "greater confidence" that inflation will remain soft to set up a cut conversation. Powell mused, "We want to see more good data [on inflation]. It is not that the six months of data isn't low enough. It is. But whether we can take that with confidence that we are moving sustainably on to 2% is a question." Meanwhile, we are seeing greater confidence from consumers. As inflation has softened, consumer sentiment has risen to levels not seen since before the 2021-2022 inflationary period. While policymakers await a few months of good data, could rising consumer confidence due to better real (inflation-adjusted) income growth boost consumer spending and extend the economic cycle? Don't rule it out—it's already been happening.