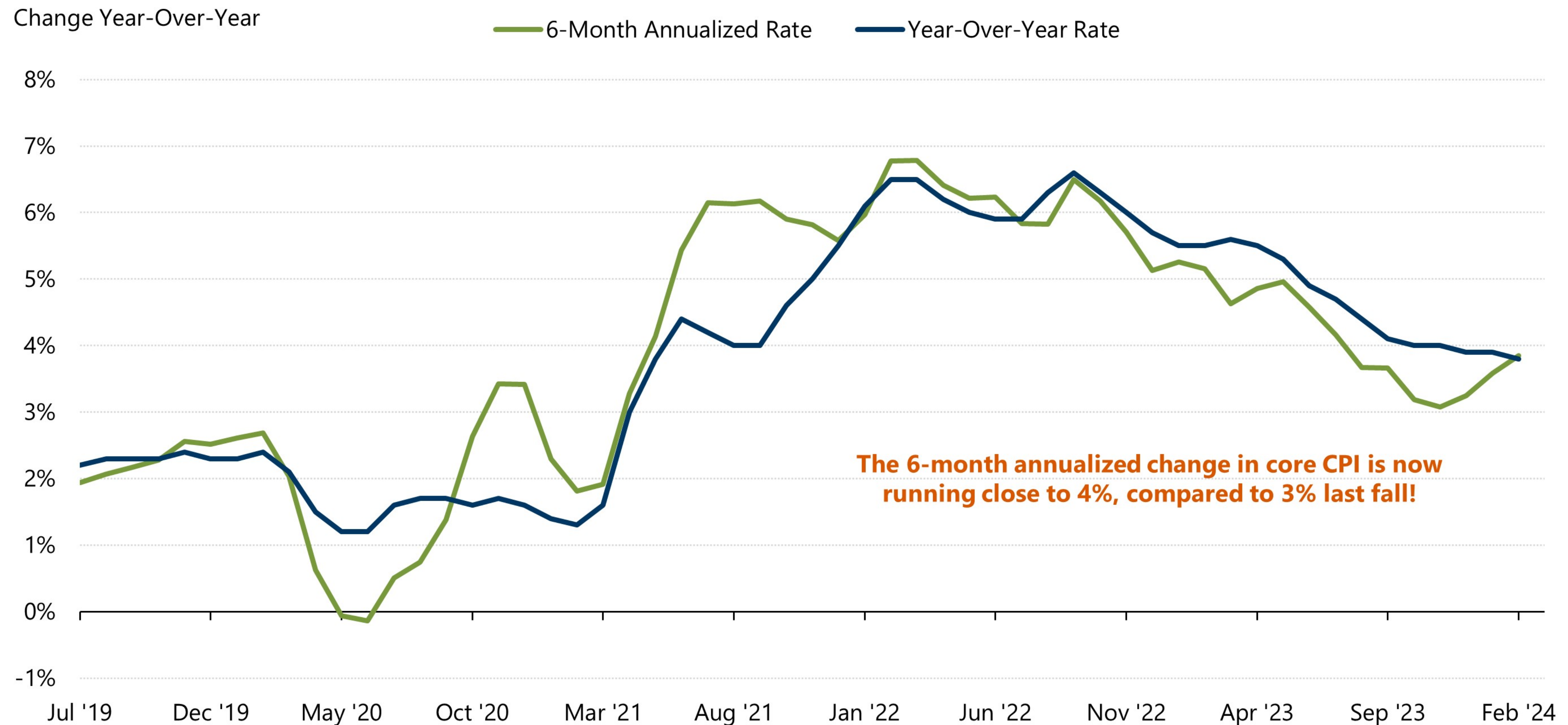


Percolating Prices

Core* Consumer Price Index (CPI)

For The Week Ending 03/15/2024



Sources: Bureau of Labor Statistics, Payden Calculations

*Core excludes food and energy

Last week, Fed Chair Jerome Powell's five-hour testimony on Capitol Hill prompted politicians and market participants to conclude that we are "not far" from a rate cut. "Not so fast," as we often say. This week's Consumer Price Index (CPI) report portrayed some percolating price pressures. February's core CPI jumped 0.4%, repeating its hot January print, which many called "a fluke." Perhaps more worrisome, while some may still want to chalk up January and February to noise, the six-month annualized rate of change has been accelerating since last fall. In our view, policymakers, expecting price pressures to continue to wane, can no longer be so confident. In the words of Chair Powell, FOMC economic projections are not "plans," as the "economy will do something different" than expected, and policy will need to adjust. Next week, when the FOMC meets in D.C., projections may shift again to reflect ongoing uncertainty around inflation.