The week in review

- Job openings at 7.051mm
- Headline/core CPI 1.7%/2.4%
- Cons. sentiment at 96.0

The week ahead

- NY/Philly Fed mfg. survey
- Retail sales
- Housing starts
- Industrial production

Thought of the week

Inflation has remained stubbornly low throughout this economic expansion, despite record low unemployment, solid demand over the past few years and rising national debt. Recently, inflation has finally shown signs of firming, with August’s core CPI notching the highest year-over-year reading since 2008. However, September’s report shows an interruption in this trend, with core CPI rising a modest 0.1% month-over-month, increasing 2.4% year-over-year, 0.03% points lower than last month’s cycle-high reading. Although the Federal Reserve focuses on the personal consumption expenditures (PCE) deflator when targeting 2% inflation, last week’s CPI reading gives us insight into the direction of the September PCE deflator, which will be released on October 31, just after the FOMC’s penultimate meeting of the year. We estimate that the core PCE deflator will rise 0.11% month-over-month and 1.73% year-over-year, similarly 0.03% points lower than August’s 1.77% year-over-year increase. This is still sufficiently below the Fed’s 2% target to be an excuse for policy easing; however, we believe the Fed would likely have cut rates at the end of October anyway even if inflation had firmed more, in light of a continuation of the global economic weakness it cited in its last rate decision.
Weekly Market Recap

**Past performance does not guarantee future results.**