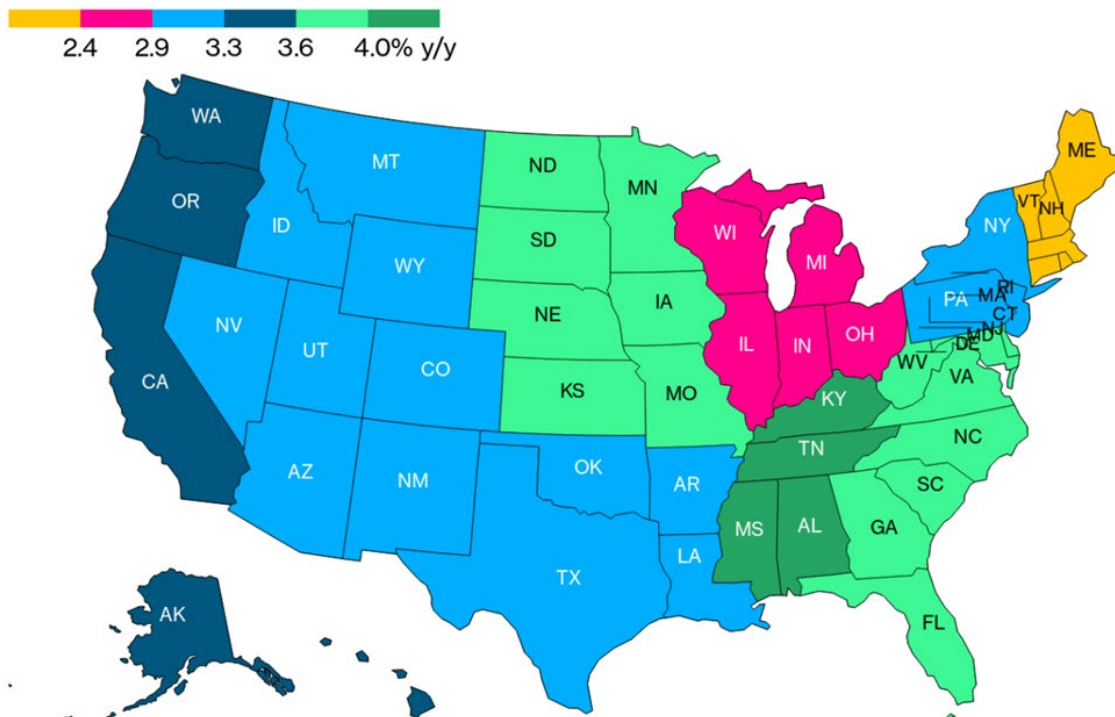


11.17.2023

Inflation



Source: Bureau of Labor Statistics, October 2023

- October's U.S. data for both inflation and employment suggest that growth momentum and inflationary pressures are fading.
- Headline inflation (CPI) declined to 3.2% (vs. +3.3% expected), and core (which excludes energy and food prices) CPI slowed to a two-year low of +4.0% (vs. +4.1% expected).
- The main drivers of softer inflation for the month include owners' equivalent rent – the arcane measure used to gauge property price inflation – which came in lower after a surprise reacceleration in September.
- One of the challenges that the Federal Reserve faces is setting monetary policy for the entire country, however, as the chart above shows, inflation varies by state and region. In general, inflation has remained more elevated in 'poorer' states (as measured per capita income). At this stage, a rate hike in December is unlikely. Currently, the market is pricing in just a 15% probability of a hike. The path of Fed policy in 2024 will be determined by inflation.

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