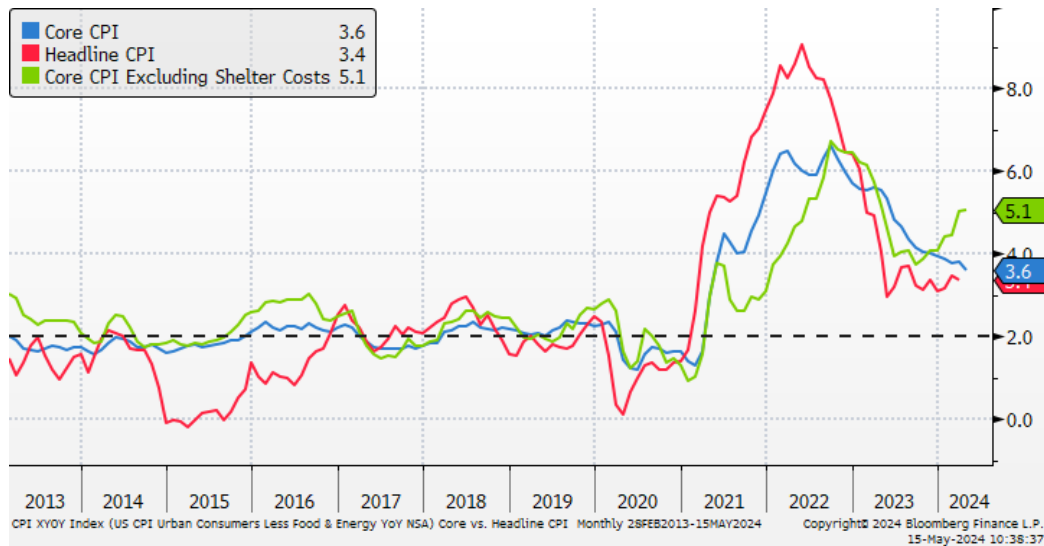


05.15.2024

April Inflation and Retail Data



- This morning inflation and retail sales data for April was released.
- Core inflation, which excludes food and energy costs, increased 0.3% from March (month/month) - the first time in 6 months that the measure was lower than the reading for the prior month. **On an annual basis, core CPI was 3.6% - the lowest rate in exactly three years.**
- Headline inflation (including food and energy) rose 0.3% from the prior month and 3.4% from a year ago – slightly less than expected. Shelter and gasoline accounted for >70% of the increase.
- Core CPI excluding shelter costs (aka ‘super core’) was a measure Fed Chair Powell previously referenced as a key indicator to gauge underlying inflation trends. This measure has moved steadily higher since September and is not mentioned by Fed officials anymore.
- In addition to CPI, **data on retail sales was also released. This report added to the data that consumers may be reducing their spending by showing weakness across discretionary categories.**
- In-line inflation and weaker-than-expected retail sales added fuel to the recent move lower in interest rates.
- As of today there remains a possibility of rate cuts later this year, yields on the 2-year U.S. Treasury, which are sensitive to the Fed's policy rate, have dropped to their lowest levels since early April (yields down/price up).
- While the financial media fixates on monthly data releases (to keep viewers tuned in), as investors it is important to remember that while such headlines can create short-term excitement, they are often a **distraction from the bigger picture.**
- Furthermore, while financial markets have become more reactive to data releases, **the reliability of the initial data release has deteriorated, resulting in revisions in future months, and often masks what is truly going on beneath the surface.**

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