FLORIDA PRIME

AN INVESTMENT TOOL FOR PUBLIC FUNDS

Weekly Commentary

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Inflation on the mind

Inflation got center stage last week, especially due to Federal Reserve officials.

The Bureau of Labor Statistics (BLS) released the Consumer Price Index (CPI) for December 2025 to investors wanting more data to smooth the information missed during the government shutdown. The report showed prices rose 0.3% from November and 2.7% from a year ago. Core CPI, which excludes volatile data like food and gas prices, climbed 0.2% from November and 2.6% year-over-year. These readings essentially matched market expectations.

While it is good that the numbers didn’t rise substantially, CPI remains higher than the Fed’s target of 2%. That’s well known, of course, but it has more weight when most of the members of the Federal Open Market Committee (FOMC) meeting say it, as was the case last week. Most notable among those were Philadelphia Fed president Anna Paulson, who told the Wall Street Journal, “I want monetary policy restrictiveness to be playing a role to get us all the way back to 2%," and Kansas City Fed President Jeffrey Schmid, who said in a speech that, “With inflation pressures still evident, my preference would be to keep monetary policy modestly restrictive.” Other officials also expressed concern, save Governor Stephen Miran, who would like to see rates ease significantly.

As of now, the markets are going with the majority, pricing in no change of the fed funds rate at the FOMC meeting next week (Jan 28).

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