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## It's all relative

Facts are stubborn things, founding father and second U.S. President John Adams famously said. But interpretation of data means everything. It is certainly the case in economics. Friday provided an apt reminder with the release of the November Producer Price Index (PPI). It showed an increase of 0.3% from October, with core PPI rising 0.4% (the core figure strips out volatile energy and food prices).

The markets took this news poorly in large part because economists, the financial press and other pundits called for 0.2% increases for both reports. The relative, not absolute change, drove the response. In fact, the year-over-year producer inflation of 7.4% and core of 4.9% were actually better than recent measurements (lowest annualized rise since May and April of 2021, respectively).

The overreaction is understandable. The question of whether or not inflation has peaked is highest on the mind of investors. The hope among many is that price pressures are abating due to the Federal Reserve's aggressive tightening of monetary policy and the hiking cycle might soon pause. Recent lower-than-anticipated Consumer Price Index and Personal Consumption Expenditures readings raised that possibility. But even those numbers were interpreted compared to expectations.

But market hopes that the Fed will take its foot off the accelerator might be dashed even if the Federal Open Market Committee (FOMC) meeting slightly downshifts a rate hike at this week's meeting to a half-point increase versus the string of 0.75% jumps. Chair Jerome Powell and other Fed officials have made it clear they will risk pushing the U.S. economy into an economic slowdown to quell inflation and likely view the recent reports with suspicion. Much will be cleared up with the Summary of Economic Projections, which will be updated at the FOMC meeting.

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