FLORIDA PRIME™

Weekly Commentary

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Inflation balances out

On the heels of a slightly stronger measure of consumer inflation, markets got one slightly lower than expected.

A few weeks ago, the February Consumer Price Index rose 0.4% from January, a tick above the consensus forecast for 0.3%. Core CPI, which excludes food and energy prices because they tend to be volatile, was also warmer than the Federal Reserve wants to see. But Friday, the release of February's Personal Consumption Expenditures Index was softer than expected, slipping 0.3% from January, cooler than the projected 0.4%.

Taken all together, the result affirms the Federal Open Market Committee's (FOMC) recent decision to stay the course on rates. The updated Summary of Economic Projections (SEP) did not sway from its December prediction it will deliver 75 basis points of cuts this year. Other factors include an economy that continues to be in decent shape and a labor market that is resilient. In fact, the FOMC forecasted improvement for both from its December SEP. Consumer confidence is in harmony, as the University of Michigan sentiment report indicated consumers expect inflation to decline.

Consumer Price Index (CPI): A measure of inflation at the retail level.

The Personal Consumption Expenditure Index: A measure of consumer inflation at the retail level that takes into account changes in consumption patterns due to price changes.

The University of Michigan Consumer Sentiment Index is a measure of consumer confidence based on a monthly telephone survey by the University of Michigan that gathers information on consumer expectations regarding the overall economy.

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