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Weekly Commentary

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A little bit goes a long way

Inflation metrics are being watched so closely these days that even the slightest change makes news. Case in point was last week's Consumer Price Index (CPI). After CPI, the Personal Consumption Expenditures and the Producer Price Index (PPI) measures all pausing on their way down from multi-decade highs—at least we hope—the markets have been looking for declines of any magnitude. Investors got bad news and then good news on the front last week.

First, the bad. On Tuesday, the government reported that PPI came in hotter than expected in April. The month-over-month (m/m) figure was 0.5% growth versus March's -0.1%, and the annualized number was 2.2% compared to 1.8%.

Then, the good. The very next day, April's CPI report showed that both m/m and annualized retail prices grew slower in April than March. Not by much: 0.3% m/m versus March's 0.4%, and annualized at 3.4% compared to March's 3.5%. But it was enough for the markets to think the Federal Reserve might still cut rates this year, even if just once, and avoid a slowdown.

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