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Watch out for sneaky inflation maneuvers

The National Basketball Association (NBA) Finals commence next week, reminding us to be on the lookout for head fakes. It's possible the U.S. economy got one at the end of May: the Personal Consumption Expenditure (PCE) Index released Friday.

Core PCE is the Federal Reserve's preferred measure of inflation, in part because it excludes volatile food and gasoline prices. It seemed to take a pause from its steady decline over the last two years. I say "seemed" because we won't know if that is the case or if it is poised to reaccelerate until more reports, at least two or three. April's data was in-line with expectations, rising 0.2% month-over-month and 2.8% annualized. This follows monthly gains of 0.5% in January and 0.3% in both February and March. While we can't glean much from this, if PCE does march down the hill toward the Fed's 2% target, we might get a few rate cuts this year, after all. We anticipate at least one by year-end, but there are many data points between now and then. Whether you like watching basketball or not, be wary of data going one way only to quickly go the other.

Views are as of the date above and are subject to change based on market conditions and other factors. These views should not be construed as a recommendation for any specific security or sector.

Personal Consumption Expenditures Price Index (PCE): A measure of inflation at the consumer level.

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