



# Weekly Commentary

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## Will prices keep rising?

With the Strait of Hormuz still effectively shut, the ceasefire between the US and Iran on shaky ground, and gasoline prices rising, inflation is on investors' minds. The warning signal came when the March Personal Consumption Expenditures Index (PCE) showed inflation increased 0.7% month-over month (m/m), higher than February's 0.4%. Core PCE, which strips out more volatile factors like gasoline costs and is the Federal Reserve's preferred inflation metric, rose 0.3% m/m.

While not alarmingly high, these figures were concerning as the Iran war had just begun. That makes two reports due this week – the Consumer Price Index (CPI) and the Producer Price Index (PPI) — critical as they cover April data. It is hard to imagine price pressures decreasing.

The bright side for the Fed is that the US labor market is holding up. It is never easy to address both sides of its dual mandate of stable prices and strong employment, but being able to focus more on one aspect helps. Will that mean officials put rates on hold the rest of this year or even hike them? The fog is too thick to make out that path — not with the leadership transition this week and the next Federal Open Market Committee meeting more than a month out. But a massive bump in either CPI or PPI would probably clear up the picture.

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