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# Weekly Commentary

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## Inflation's decline takes spotlight from Congress

A week after the rating agency Moody's lowered its outlook on U.S. credit from stable to negative, Congress essentially proved its point. While lawmakers approved funding to avoid a government shutdown last week, they only kicked the can down the road again, pushing the new expiration date to January and February of 2024. Moody's new view comes only a few months after Fitch actually downgraded the U.S. after the debt ceiling brinksmanship. To be clear, a government shutdown is much, much less of a concern than a delay in raising the country's debt limit.

The closing of the curtain on the political theater did not overshadow the significant positive news of last week that inflation continues to decline. The Bureau of Labor Statistics reported that the Consumer Price Index (CPI) for October did not change from September and rose 3.2% from a year ago, less than the 3.7% reading in September. Core CPI, which excludes volatile food and energy prices, did increase month-over-month by 0.2%, but its annualized reading of 4.0%, was lower than its 4.1% reading in September. In fact, the year-over-year figure in October is the smallest increase since September 2021. The Producer Price Index followed suit with significant declines. Add to this good news that the labor market continues to cool, with jobless claims rising further, and it is very likely the Federal Open Market Committee will keep the federal funds target rate in the 5.25-5.50% range at its December meeting.



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