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Inflation again in the sights

The end of a turbulent month left us essentially where we were before it began: watching inflation.

Released earlier this month, the February Consumer Price Index showed that, while year-over-year headline and core growth fell to 6% and 5.5% from 6.4% and 5.6%, respectively, in January, monthly figures were essentially unchanged at 0.4% and 0.5%. On Friday came the March Personal Consumption Expenditure Index. Year-over-year headline and core growth of 5% and 4.6% compared to 5.3% and 4.7%, respectively, in February. This time, the monthly figures were better, with both slipping to 0.3% from 0.6%.

But the fact that the Fed hiked the target range of the federal funds rate by 25 basis points—now at 4.75-5%—two weeks ago even as stress emerged in the banking sector indicates policymakers simply aren't going to be satisfied with inflation at these levels. That's why we don't expect policy easing anytime soon.

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