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Paige Wilhelm

Senior Vice President

Senior Portfolio Manager

Federated Investment Counseling

Inflation steady but a storm is gathering

It is rare to get both major US inflation reports in the same week. It's a function of their point of origin within the federal government. The Labor Department compiles the Consumer Price Index (CPI) and the Commerce Department compiles the Personal Consumption Expenditures (PCE) Index. They follow their own schedules.

Both arrived last week because of yet another government variable: the shutdown that took place in fall. That delayed Commerce from collecting data, which accounts for the PCE report being about January. CPI recovered sooner and covered February. Both were little changed from the prior months.

PCE rose 2.8% year-over-year (y/y) and 0.3% month-over-month (m/m) in January; its core reading, which ignores energy and food prices, rose 3.1% and 0.4%, respectively. CPI increased 2.4% y/y and 0.3% m/m in February; core was 2.5% and 0.2%, respectively.

There is a caveat — a mammoth one. Both reports were compiled before the US and Israel attacked Iran, which has sent energy prices skyward. Hard to imagine either reading declining to the Fed's 2% target anytime soon. Fed futures agree, assigning a 99% possibility the Federal Reserve will hold rates in the 3.50-3.75% target range when it meets this week to discuss policy.

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.

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