



13<sup>th</sup> August 2022

### **Global Market – US Inflation – Is worst behind?**

Last week we have discussed that how Bank of England warns for long recession ahead starting from Q4 2022 to Q4 2023, 5 straight quarters of economic contractions. BOE have also warned inflation could rise to as high as 13% and expected to peak in October 2022 around this level.

This week, we will discuss how market is reacting to US CPI & Core CPI data released on 10-Aug-22 & PPI & Core PPI data released on 11-Aug-22. Before we discuss the details let us understand the definition.

CPI: Consumer Price Index – Inflation. It includes Food & Energy prices also.

Core CPI: measures changes in the prices of goods and services excluding food and energy.

PPI: Producer Price Index: Change in selling price received by domestic producer of goods and services.

Core PPI: PPI excluding food and energy

### **What is the difference between CPI & PPI**

The CPI includes only components of personal consumption that are directly paid for by the consumer, whereas the PPI for personal consumption includes components of personal consumption that are not paid for by the consumer.

### **US CPI & Core CPI and PPI & Core PPI data for month on July 2022**

- US CPI @ 8.5% Vs expectation of 8.7%, below market estimates. (Annualized basis)
- US Core CPI @ 5.90% Vs expectation of 6.1%, below market estimates. (Annualized basis)
- PPI @ -0.50% Vs expectation of 0.2% increase compared on monthly basis.
- Core PPI @ 0.2% Vs expectation of 0.40%, below market estimates.

### **US Inflation – Is worst behind?**

Market globally have seen rally from around 15<sup>th</sup> or 17<sup>th</sup> July 2022, when US inflation data came at fresh high and which triggered fear among market participants of 100 bps rate by US Fed in its meeting outcome on 27-Jul-22. However, market nerves were calmed by comments of US Fed members of sticking to 75 bps rate hike.

US Fed hike rate by 75 bps in its meeting outcome on 27-Jul-22. Next US FOMC meeting is on 20-21 September 2022, meeting outcome on 21-Sep-22. With more than 5 weeks for next US Fed meeting, there will lots of data which will drive the next decision by US Fed. Currently Fed rate monitor 69% expects next rate hike to be 50 bps and 31% expect it to be 75 bps.

It may be too early to judge whether inflation have peaked out and now heading southwards. We would like to highlight two points here, first is that inflation have peaked and the second is that inflation is heading towards 2% mark which is long term objective for sustainable growth of US Federal Reserve.



### **Equichain Wealth Advisors: View & Opinion**

Here we would like to believe, that rally in equity, commodity & currency could be judged as correction in bear market. At the same time rally across is backed by positive corporate earnings in US and other countries including that of India.

We have discussed drop in food prices and energy prices earlier in these topics which is now reflecting in CPI & Core CPI numbers. Since last few weeks where all assets class are moving higher, so is prices of Crude Oil, Natural gas and Metals are going up.

We strongly believe that US Fed will take the latest data for making decision on 20 – 21 September 2022 meeting. So, we see this relief rally to continue till August end and may even continue till first week of September before fresh set of data starts driving sentiment again.