

November 14, 2022 – Economic Commentary

The modest reversal in consumer price trends signaled by last week's CPI numbers was welcome – but should not be assigned undue importance. Inflation is still “too high” from the Federal Reserve's perspective and, even more problematic, consumer inflation expectations seem to be still creeping upwards. There is much speculation that the Federal Reserve will begin to moderate its interest rate increases; even if that is the case, the important point is that the Fed seems clearly dedicated to continue raising interest rates, now probably aiming for a so-called “terminal rate” of 5% or higher, which will be then maintained for some length of time (perhaps all of 2023). As rates march along this path, it is important to note that almost certainly “things will break” – the problems in crypto markets may be an example of this – and the Federal Reserve and other central banks are increasingly focused on monitoring financial markets for signs of stress that could lead to unwanted disruption in critical markets.

Data to Watch:

1. US Producer Price Index (PPI) for October, released Tuesday, November 15
2. US Industrial Production, Capacity Utilization and Retail Sales for October, released Wednesday, November 16
3. US Existing Home Sales for October, released Friday, November 18

Suggested Reading:

[Slowing Global Economic Growth is Increasingly Evident, High-Frequency Data Show](#)

[Voters Approve Tens of Billions of Dollars in Muni Projects](#)

[Fed Faces Tough Task Deciding When to Stop Raising Rates, Official Warns](#) (Mary Daly comments)

[Black Friday Deals Arrived Early for Many Shoppers This Year](#)

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