Elston

Insights

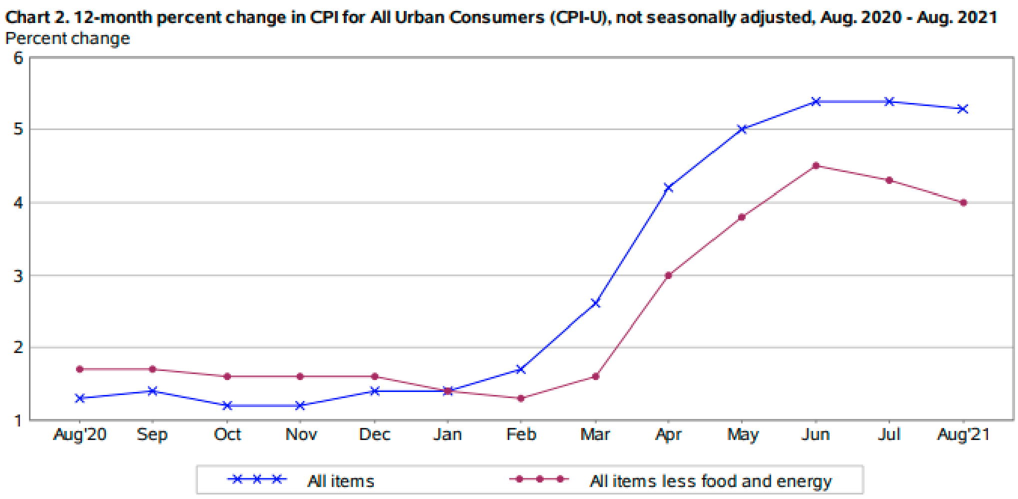
14th September 2021

US CPI: moderates from +5.4% (July) to 5.3% (August)

- US inflation numbers moderate
- Headline rates decline from +5.4%yy to +5.3%yy
- Focus on growth outlook

US inflation moderates, remains elevated

US CPI moderated from +5.4% to +5.3% y/y, whilst Core PCI (excluding energy and food) moderated from +4.3%yy to +4.0%yy.



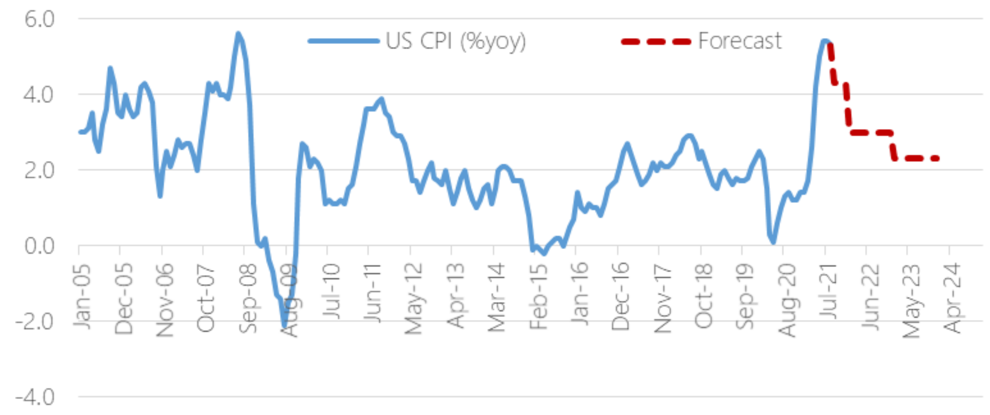
Source: BLS, September 2021

Whilst welcome that numbers are "past the peak", this is in part a function of base effect of when price pressures started running.

Overall inflation remains at elevated levels.

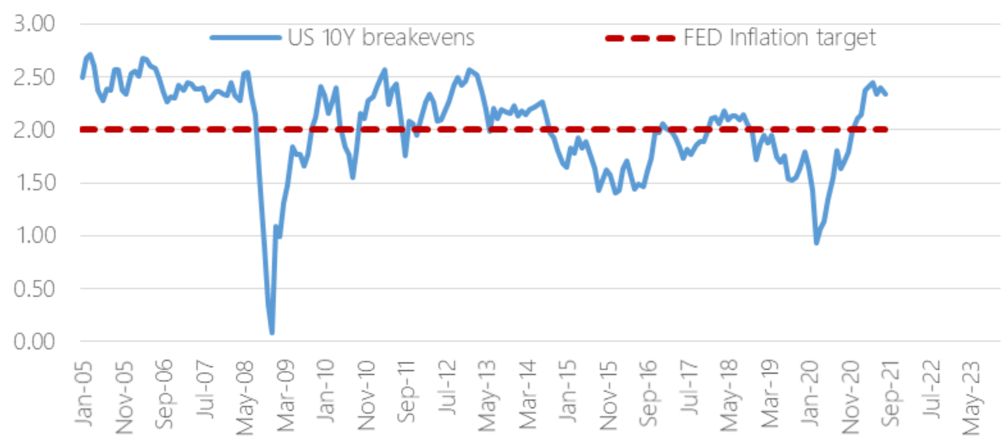
Our view is that allowing for "catch up" inflation, means there is scope for the Fed to continue to let inflation run hotter for longer before gently commencing a tightening of monetary policy.

Consensus estimates point to 4.3%yy inflation for 2021, moderating to +3.0%yy in 2022.



Source: Elston research, Bloomberg data

US 10 year break-even inflation rates moderated to 2.4% and remain above the 2.00% long-run inflation target.



Source: Elston research, Bloomberg data

Summary

Risk sentiment remains focused on economic growth outlook in face of the delta variant, and whilst passing the peak of inflation base effect is welcome, it remains at elevated levels which keeps nominal yields under pressure.

Henry Cobbe

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