

FED FOMC MEETINGS; MAY DAY INFLATION MAYPOLE DANCING

Federal Reserve Meetings This Week; May Day Inflation Maypole Dancing; CPI and BLS Data For March 2024; Analysis And Terminal Rate; Artwork

April 29-30, 2024

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Jerome Powell and Fed Governors Dancing around May Day Inflation Pole with Wall Street Squirrels

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You may have seen my recent pieces on the Economy , CPI, Federal Reserve Meetings, Interest Rates, and the Inflation available here (click on links for pdf documents):

<https://www.mokhus.com/umbi.html>

This article is also available on my Facebook Page:

<https://www.facebook.com/share/p/7UhGyD8Zbh6XApvr/?mibextid=oFDknk>

Newest Article – April 29, 2024

I. Introduction

Spring is in full swing with the second Federal Reserve Meetings of the season on April 30 - May 1, 2024. Wars in Ukraine and in Gaza drag on, with billions in new funding by the U.S. for Ukraine and Israel. Energy prices remain high. The stock market saw some pullback from its highs in Q1 2024, and unemployment remains low, still at just under 4%.

In an election year, where Biden is running on solid job rates, a booming stock market, and optimistic plans for more social and environmental spending, we all know we will face, by January 2025, serious budget, federal deficit, debt and debt ceiling issues, with risks of greater inflation.

The Fed has indicated it is continuing to reduce its holdings of Treasury debt. The question remains of whether inflation is on the wane on both a short and long-term basis, and if interest rates are really headed for decline in the coming months. Wall Street, politicians and the Media still talk about the Fed's intentions to begin to reduce interest rates this summer, but it is not clear that the CPI and other domestic and global economic data show that reductions in interest rates by the Federal Reserve are warranted any time soon.

In the past few years, it is arguably clear that Federal Reserve was not aggressive enough in its monetary policy, when compared to the leadership of other central banks around the World, possibly leading to an extended period of inflation, bounce-backs of inflation to higher levels away from target rates, and uncertainty about recession.

The Federal Reserve must take a serious look at the state of the economy this week, as they review CPI, employment figures and other economic data, including global trends, before they again (arguably) bow to the will of politicians in Washington and Wall Street squirrels, maintaining interest rates at their current levels, when even another increase may be warranted to keep inflation from continuing to creep up away from the goals of a 2% annually, and, also, helping mitigate, with a realistic approach, the overly optimistic talk of reduced inflation and low interest rates which we enjoyed from the decade up until the 2020s.

I wonder most of all about what May Day, May 1st may mean for the Federal Reserve? Is there another growing inflation emergency? Or, will the Wall Street squirrels and media sheep be doing a dance around the Inflation Maypole with politicians and Fed Governors after the FOMC Meetings this week?

II. CPI March 2024

This month, I will again provide some line-item detail for main CPI categories, and also several BLS links on CPI and other data. I encourage you to read the detailed footnotes provided by BLS, which are an integral part of the data, and to read and understand the charts.

CPI Link:

<https://www.bls.gov/news.release/cpi.nr0.htm>

Link to CPI full PDF:

<https://www.bls.gov/news.release/pdf/cpi.pdf>

CPI Import Pricing:

<https://www.bls.gov/news.release/ximpim.nr0.htm>

CPI National Unemployment:

<https://www.bls.gov/cps/>

<https://www.bls.gov/news.release/laus.nr0.htm>

My comments, continued:

For March 2024, inflation for all was 0.4%, as it was for February after 0.3% as January, and for the trailing 12 months was 3.5%, up from 3.2% in February. Core inflation for all items, less volatile food and energy was at 0.4 % for March, just as it was for both February and January, and still hovers just below 4% on an annual trailing 12-month basis, is at 3.8%, almost double the annual target rate of 2%.

Energy prices remain high and have continued to rise, at 1.1% for March, but they are down to close to 2% inflation annually, which is not terribly meaningful as these prices are volatile with a life of their own.

Food prices were flat, and close to the 2% annual level, except for food away from home, which rose 0.3% in March, up from 0.1% in February, and is running at 4.2% annually. I must say again that in recent weeks I myself have seen no relief in food prices at all, and in the retail sector, so I suspect we will see a rise in these prices for April.

Energy prices affect us all, and food and shelter prices hit the poor and middle classes more harshly than others. Shelter prices had a 0.4% increase in March after a 0.6% increase in February, and are still at 5.7% inflation on an annual basis.

Transportation, which also affects all classes and connects to supply chain costs, remains the most troubling, with an increase of 1.5% in March, after an increase of 1.4% in February and annual rate of 10.7%!

Import Prices had 0.8% inflation in March and 0.3% in February. Import Prices had 0.8% inflation in March and 0.3% in February. 1.4 percent over the first quarter of 2024. Reading from the CPI, "The quarterly increase was the largest 3-month rise since the index rose 3.9 percent from February to May 2022. Prices for U.S. imports advanced 0.4 percent for the year ended in March, the first 12-month increase since January 2023. (See table 1.)"

So, in summary, after reviewing the March 2024 CPI, along with other data, I must say that inflation, while not where it was last year at this time, and showing possible signs of easing in some categories, is still a long way from the Fed annual target of 2%

III. Energy Prices

Inflation continued to increase for major categories when energy prices were low in the latter part of 2023 and beginning of 2024, and now they are higher, with Brent Crude in the mid to high \$80's per barrel. Energy prices do help drive inflation, and we see this in exorbitant transportation costs and high supply chain costs.

Current Energy Pricing Data:

<https://oilprice.com/oil-price-charts/#Brent-Crude>

IV. Analysis

In my view, we are seeing a rise of inflation again, as the Fed has held rates steady over the past several FOMC meetings. If you look at the trend for both inflation for all items and core inflation, you see increases of 0.4 percent in recent months. This rate multiplied over 12 months is 4.8%; even though the rates for the trailing 12 months are 3.5% and 3.8% respectively. What does this and the other data discussed above mean for inflation? Is inflation creeping upwards again?

V. Fed Analysis

The Fed must decide whether to keep interest rates steady again as they observe most recent data and talk about low unemployment and "soft landings" for inflation, and avoid talking about recession. My question is, how can we have a landing at all if inflation is on the rise again?

My personal view after reviewing the latest CPI data and other economic trends is that there really is a need for another 25 basis point increase this month to more aggressively hinder inflationary trends on a core basis, and seek to get inflation rates back to annual target rates of 2% by sometime in 2025. I have been saying the same thing for months now, that it is better to handle things now, with another increase, rather than seeing a Groundhog Day Summer of difficult inflation increases for another year making us remember the late 1970's and early to mid 1980's. Back then at age 15, I saved \$1500 from a summer job as a dishwasher in an Italian Restaurant in Rye, NY (Belluscio's). At the end of the summer I put it into a CD at a local bank at rates of about 14%.

Let's separate the men and women from the boys and girls and stop the playtime, taking a good look at the economy, including what inflation means to the poor. Employment for all levels of workers will remain strong, and the Wall Street squirrels will still figure out how to get their bonuses by the time the holidays come. Democrats praise for Biden's economy will continue as they avoid talk of the budget and Federal Debt and Deficit.

It does typically take a few months to see if and how interest rates are mitigating inflation, so why wait, and keep talk about reducing interest rates when we do not see a real trend towards the 2% target inflation rate?

However, The Fed will very possibly leave rates as they are again in May, in status quo form, at up to 5.5%. See this recent speech by Fed Governor Philip Jefferson on monetary policy. This has a solid historical overview of some important economics. Jefferson also speaks of the "current situation":

"My baseline outlook continues to be that inflation will decline further, with the policy rate held steady at its current level, and that the labor market will remain strong, with labor demand and supply continuing to rebalance. Of course, the outlook is still quite uncertain, and if incoming data suggest that inflation is more persistent than I currently expect it to be, it will be appropriate to hold in place the current restrictive stance of policy for longer. I am fully committed to getting inflation back to 2 percent."

<https://www.federalreserve.gov/newsevents/speech/jefferson20240416a.htm>

This indicates that, as of April 16th, when the Fed had already reviewed the March CPI and other data, that they felt that the current status quo policy of holding rates steady should be sustained. So, I will not give you a prediction this month of percentages of outcomes at this week's FOMC meetings. You already know what I think should be done at this month's meetings and, also, what is most likely to occur, especially in an election year with pressure from Bidenomics.

VI. Terminal Rate

I must point out that I am one of the only voices on the Street and among economists who pegged the Terminal Rate at 5.5% to 6.0% as early as the beginning of 2023. We are already there, at 5.5%, as we have been for months, and will not suffer with 25 additional basis points upwards.

So am once again maintaining my Terminal Rate at 5.5% to 6.0%, where it has been for all of 2023 and 2024 to date. I will review my Terminal Rate after the Fed meetings conclude May 1, but I don't expect a change.

I will be back after this week's Fed meetings, and before the next FOMC meetings on June 11-12, 2024, with CPI data for April 2024 released on May 15 and CPI data for May 2024 released on June 12. The Fed will also release their next detailed report on the economy on June 12.

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X. Illustrations

The chart and data in the first slides are from the U.S. Bureau of Labor and Statistics (BLS).

My original digital art renderings are of:

1 (cover) – 10 (below)

"Jerome Powell and Fed Governors dancing with Wall Street squirrels and Washington political staffers around the Inflation Maypole on May Day".

11 – 12

"Private Equity Wolf, Intellectual and Economist doing research and writing to seek value investments and to also help make the World a better place for All.

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**Table A. Percent changes in CPI for All Urban Consumers (CPI-U):
U.S. city average**

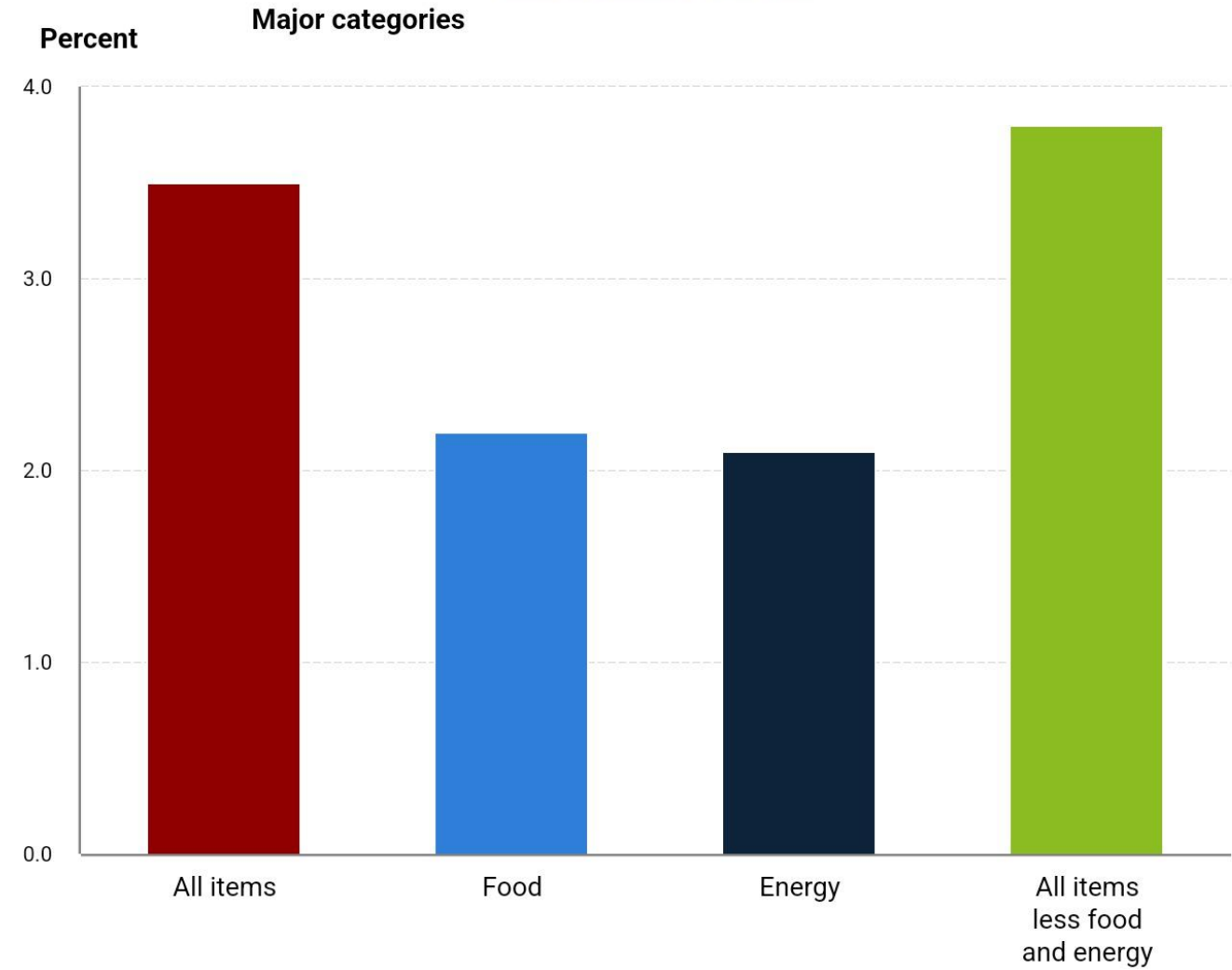
	Seasonally adjusted changes from preceding month							Un- adjusted 12-mos. ended Mar. 2024
	Sep. 2023	Oct. 2023	Nov. 2023	Dec. 2023	Jan. 2024	Feb. 2024	Mar. 2024	
All items	0.4	0.1	0.2	0.2	0.3	0.4	0.4	3.5
Food	0.2	0.3	0.2	0.2	0.4	0.0	0.1	2.2
Food at home	0.1	0.3	0.0	0.1	0.4	0.0	0.0	1.2
Food away from home(1)	0.4	0.4	0.4	0.3	0.5	0.1	0.3	4.2
Energy	1.2	-2.1	-1.6	-0.2	-0.9	2.3	1.1	2.1
Energy commodities	1.8	-4.3	-3.8	-0.7	-3.2	3.6	1.5	0.9
Gasoline (all types)	1.6	-4.3	-4.0	-0.6	-3.3	3.8	1.7	1.3
Fuel oil	6.4	-6.4	-1.1	-3.3	-4.5	1.1	-1.3	-3.7
Energy services	0.3	0.4	1.0	0.3	1.4	0.8	0.7	3.1
Electricity	0.8	0.4	1.0	0.6	1.2	0.3	0.9	5.0
Utility (piped) gas service	-1.4	0.3	1.2	-0.6	2.0	2.3	0.0	-3.2
All items less food and energy	0.3	0.2	0.3	0.3	0.4	0.4	0.4	3.8
Commodities less food and energy commodities	-0.2	0.0	-0.2	-0.1	-0.3	0.1	-0.2	-0.7
New vehicles	0.2	-0.1	0.0	0.2	0.0	-0.1	-0.2	-0.1
Used cars and trucks	-1.8	-0.4	1.4	0.6	-3.4	0.5	-1.1	-2.2
Apparel	-0.3	0.0	-0.6	0.0	-0.7	0.6	0.7	0.4
Medical care commodities(1)	-0.3	0.4	0.5	-0.1	-0.6	0.1	0.2	2.5
Services less energy services	0.5	0.3	0.5	0.4	0.7	0.5	0.5	5.4
Shelter	0.6	0.3	0.4	0.4	0.6	0.4	0.4	5.7
Transportation services	0.7	0.9	1.0	0.1	1.0	1.4	1.5	10.7
Medical care services	0.2	0.2	0.5	0.5	0.7	-0.1	0.6	2.1

Footnotes

(1) Not seasonally adjusted

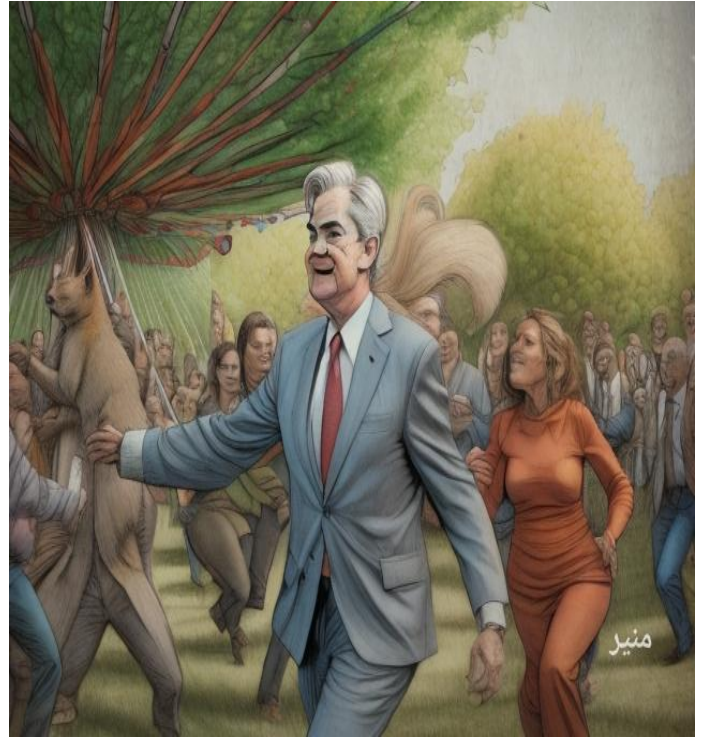
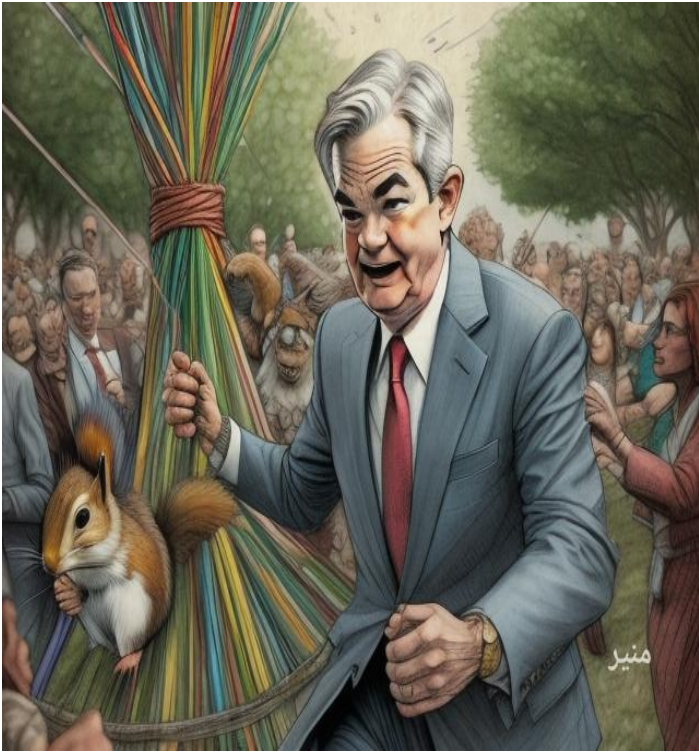
12-month percentage change, Consumer Price Index, selected categories, March 2024, not seasonally adjusted

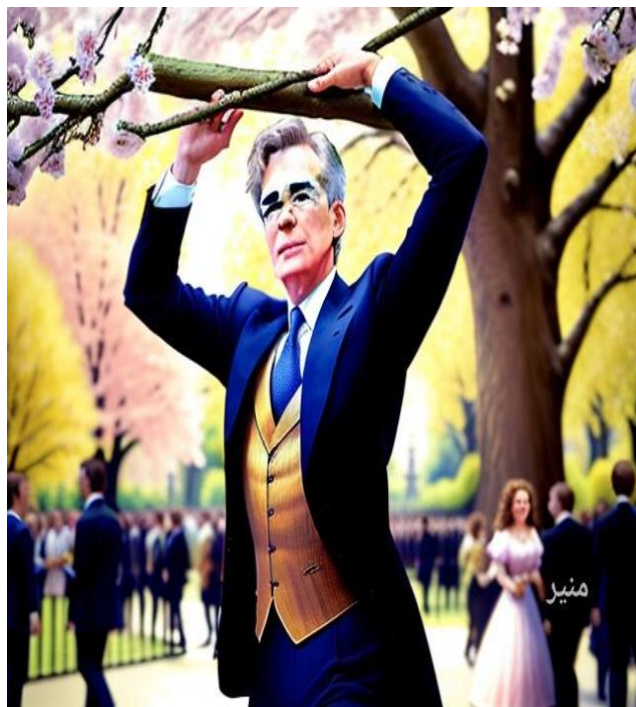
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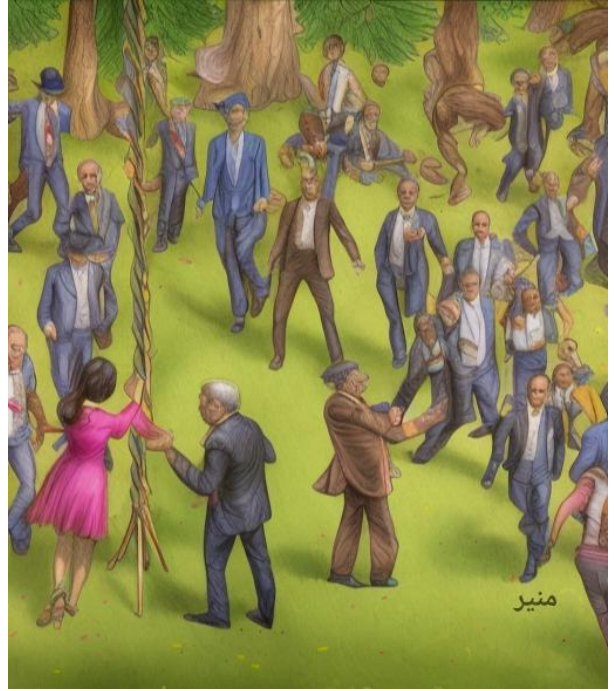
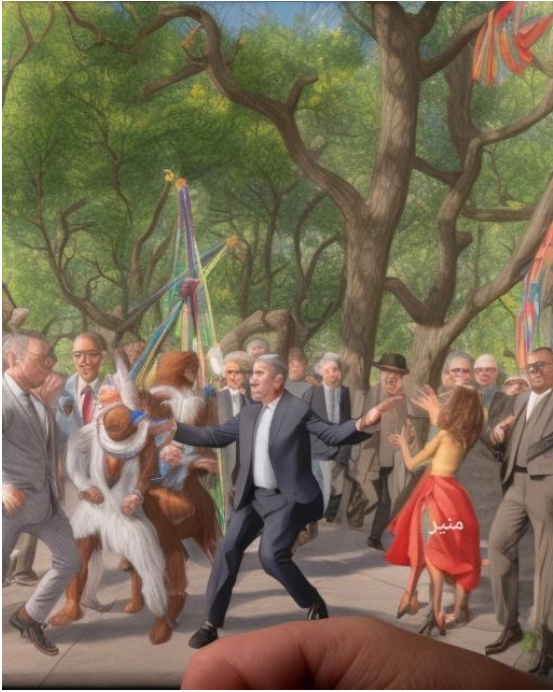


Source: U.S. Bureau of Labor Statistics.











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Thank you.

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