Flash Report – October Consumer Price Index (CPI)

Takeaway:
This morning, CPI came in below the median forecast on Bloomberg. A welcome sign of continued relief from rising prices after recent indicators and reports have been pointing to sticky prices.

Notes:
The YoY US consumer price index remained unchanged for October, staying at 3.2%, when expected an increase to 3.4%.

The MoM Core CPI (ex. food and energy) decreased to 0.2%, below market expectations and September's print of a 0.3% increase. The YoY rate slowed to 4% - this is the slowest increase since September 2021 and below the expectations of 4.1%.

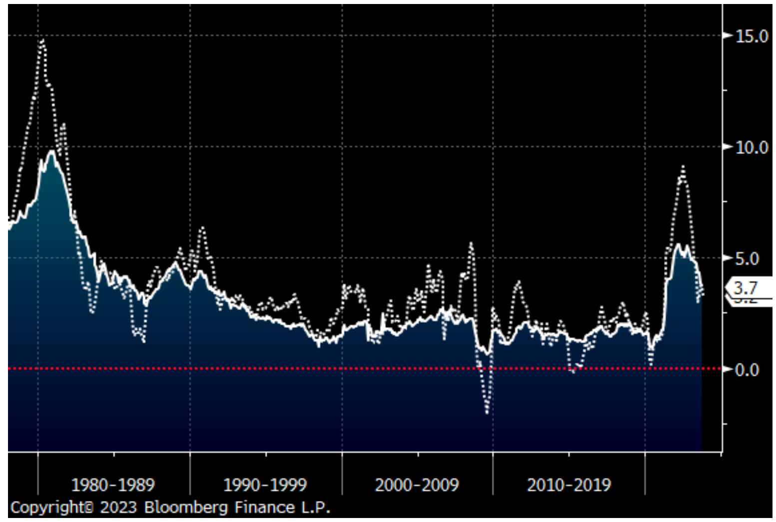
This slower than expected CPI growth bolstered view that the Fed's rate hikes are done, causing Treasury yields to plunge.

- Shorter-maturity Treasury yields led the decline, falling at least 20 basis points.
- 10-year note's yield fell by 19 basis point to 4.45, the lowest level since September.
- 30-year bond's yield fell 14 basis points to 4.65%.

It also pulled forward market expectations for when the FED will pivot and start cutting rates.

- Swaps contracts indicate the effective funds rate will fall to nearly 4.33% by December 2024 from 5.33% currently, a full 100 bps cut.

October Headline (dotted) and Core (solid) CPI



Breakdown of CPI Components