

WEEKLY MARKET RECAP: February 19 – February 23, 2024

Happy Friday, traders.

Welcome to our weekly market wrap, where we look back at these last five trading days with a focus on the market news, economic data and headlines that had the most impact on the financial market – and may continue to into the future for the US Dollar and other key correlated assets.

Last week's January CPI report came in above expectations, with headline CPI rising 0.3% m/m and 3.1% y/y. Shelter prices, which increased 0.6% in January, accounted for over 2/3 of the monthly increase in headline CPI. Excluding food and energy (core), CPI increased 0.4% m/m and 3.9% y/y, with the core services categories driving much of the increase. The core services index, which includes shelter, medical care services and transportation services, increased 0.7% m/m – a notable acceleration from a monthly gain of 0.4% in December. Despite the increase in overall CPI, there were continued signs of cooling in core goods, where prices fell 0.3% in January.

While the January CPI report was hotter than expected, a healthy labor market has driven wage growth and in turn kept real wages, which is defined as nominal wages less inflation, positive. As we show in this week's chart, since the start of 2023, the growth in average hourly earnings for private employees has outpaced the growth in headline CPI. Looking ahead, we expect this favorable dynamic to continue due to the resilient nature of the labor market and the broader cooling in inflation and therefore support consumption.

Despite the monthly accelerations in headline and core CPI growth, the y/y headline CPI rate moderated to 3.1% versus 3.4% last January, with the core CPI rate staying unchanged. As such, we maintain our view that the Federal Reserve will begin lowering rates in June, with additional economic data in the coming months to reiterate the broader disinflation we have seen over the last 12 months.

Thanks for reading! Have a great weekend.

Important Note: The information found on Ausprime platform is intended only to be informative, is not advice nor a recommendation, nor research, or a record of our trading prices, or an offer of, or solicitation for a transaction in any financial instrument and thus should not be treated as such. The information provided does not include any specific investment objectives, financial situation and needs of any specific person who may receive it. The past performance is not a reliable indicator of future performance and/or results. Past Performance or Forward-looking scenarios are not a guarantee of future performance. Actual results may differ materially from those anticipated in forward-looking or past performance statement.

