



## TheECONOMY

### Inflation Blues

Recorded in 1983 by legendary blues musician B.B. King, "Inflation Blues" was a fitting testimonial to the soaring prices and economic malaise that plagued the turn of the decade. King's expressive guitar melodies quickly blend with poignant lyrics as the first verse concludes "...I'm trying to make a living, I can't save a cent, It takes all of my money, Just to eat and pay my rent, That's why I got the blues, Got those inflation blues." It is a sadly fitting refrain for many consumers today as inflation reaches levels not seen in 40 years.

In response to today's surging prices, Fed Chairman Jerome Powell used his remarks at the highly anticipated Jackson Hole Economic Symposium to reinforce the central bank's commitment to combating runaway inflation. In a brief and somewhat solemn speech, Powell noted that bringing down inflation would likely "require a sustained period of below-trend growth" as well as a "softening of labor market conditions", and "pain to households and businesses." In straight-forward terms, Powell's comments reveal that the Federal Reserve is not only aware that their restrictive policies will weaken growth and labor markets but that these costs are considered acceptable and preferable to the pain that would result if price stability were not restored.

In the wake of Powell's Jackson Hole remarks, declining gasoline prices had offered market participants a glimmer of hope that inflation was receding. Unfortunately, those hopes were dashed by the August CPI report which showed core inflation accelerating much more than was expected. While headline CPI rose a greater-than-expected 0.10% for the month, it was the core measure that caught markets flat-footed. Excluding food & energy, core CPI rose 0.60% in August, doubling market expectations and bringing the year-over-year core inflation rate back up to 6.3% from 5.9% the prior month - just 0.2% below the cycle peak of 6.5% reached in March of this year. August's hotter-than-expected core CPI reading also showed a broadening of price pressures. This contributed to another rate hike of 75 basis points at the September 21 FOMC meeting as the Fed tries to avoid an encore performance of "Inflation Blues."

### Treasury Yields

MATURITY	9/15/22	8/15/22	CHANGE
3 Month	3.090%	2.613%	0.478%
6 Month	3.794%	3.040%	0.753%
1 -Year	3.962%	3.215%	0.747%
2 -Year	3.865%	3.182%	0.683%
3 -Year	3.854%	3.111%	0.743%
5 -Year	3.665%	2.900%	0.766%
10 -Year	3.449%	2.788%	0.661%
30 -Year	3.466%	3.101%	0.365%

Source: Bloomberg

### Agency Yields

MATURITY	9/15/22	8/15/22	CHANGE
3 Month	3.640%	2.931%	0.709%
6 Month	3.760%	3.047%	0.713%
1 -Year	3.983%	3.245%	0.739%
2 -Year	3.959%	3.245%	0.714%
3 -Year	3.901%	3.180%	0.721%
5 -Year	3.802%	3.069%	0.733%

Source: Bloomberg

### Commercial Paper Yields (A-1/P-1)

MATURITY	9/15/22	8/15/22	CHANGE
1 Month	2.880%	2.350%	0.530%
3 Month	3.420%	2.920%	0.500%
6 Month	4.100%	3.490%	0.610%
9 Month	4.360%	3.760%	0.600%

Source: Bloomberg

### Current Economic Releases

DATA	PERIOD	VALUE
GDP QoQ	Q2 '22	-0.60%
US Unemployment	Aug '22	3.70%
ISM Manufacturing	Aug '22	52.8
PPI YoY	Aug '22	12.70%
CPI YoY	Aug '22	8.30%
Fed Funds Target	Sep 21, 2022	3:00% - 3.25%

Source: Bloomberg