



## TheECONOMY

### More Work to be Done.

The Consumer Price Index (CPI) climbed 0.6% in the month of August, representing a 3.7% rise year-over-year. U.S. economists were slightly more optimistic, forecasting a 3.6% year-over-year jump in August. This indicates that the Federal Reserve may still look to raise rates at future Federal Open Market Committee (FOMC) meetings, although a rate hike at the upcoming September 20th meeting has been ruled out. Fed Chair Jerome Powell emphasized the idea of “higher-for-longer” when discussing rates at the annual Jackson Hole central banking symposium in August. Other members included in the rate-setting FOMC, even some on the more hawkish side, have discussed the possibility of pausing additional rate hikes to allow more time for the 525-bps tightening since March 2022 to take its desired effect.

The main culprit contributing to August inflation figures is the surge in oil. Oil prices are up 25% since late June as the OPEC supply cuts put a squeeze on the market. Prices hit new year-to-date highs on September 12th with West Texas Intermediate closing just below \$89 per barrel. Similarly, Brent crude futures reached above \$92 per barrel, representing the highest levels in oil prices since November 2022. Gas prices rose 10.6% in August following a 0.2% jump in July.

The unemployment rate rose to 3.8% in August, signaling that the rate hikes have begun cooling the U.S. labor market, but still not where the Fed wants that number to be. The U.S. housing market remains elevated as well, despite a slight market correction in the real estate market brought on by high mortgage rates earlier in the year. Now, it looks like real estate prices are starting to resume their climb again.

It isn't all bleak, however, the core CPI, calculated by stripping out the more volatile costs of food and gas prices, posted 4.3% in August. This is an improvement from the 4.7% figure we saw in July. The Fed has several positives to take away from these figures, but there is still more work to be done.

### Treasury Yields

| MATURITY | 9/13/23 | 8/11/23 | CHANGE  |
|----------|---------|---------|---------|
| 3 Month  | 5.310%  | 5.419%  | -0.109% |
| 6 Month  | 5.521%  | 5.472%  | 0.049%  |
| 1 -Year  | 5.396%  | 5.337%  | 0.059%  |
| 2 -Year  | 4.969%  | 4.895%  | 0.074%  |
| 3 -Year  | 4.645%  | 4.575%  | 0.070%  |
| 5 -Year  | 4.384%  | 4.301%  | 0.082%  |
| 10 -Year | 4.249%  | 4.152%  | 0.096%  |
| 30 -Year | 4.343%  | 4.261%  | 0.082%  |

Source: Bloomberg

### Agency Yields

| MATURITY | 9/13/23 | 8/11/23 | CHANGE |
|----------|---------|---------|--------|
| 3 Month  | 5.509%  | 5.455%  | 0.054% |
| 6 Month  | 5.533%  | 5.474%  | 0.058% |
| 1 -Year  | 5.443%  | 5.417%  | 0.026% |
| 2 -Year  | 5.012%  | 4.983%  | 0.029% |
| 3 -Year  | 4.733%  | 4.686%  | 0.047% |
| 5 -Year  | 4.487%  | 4.424%  | 0.062% |

Source: Bloomberg

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

| MATURITY | 9/13/23 | 8/11/23 | CHANGE  |
|----------|---------|---------|---------|
| 1 Month  | 5.360%  | 5.340%  | 0.020%  |
| 3 Month  | 5.500%  | 5.520%  | -0.020% |
| 6 Month  | 5.760%  | 5.710%  | 0.050%  |
| 9 Month  | 5.820%  | 5.800%  | 0.020%  |

Source: Bloomberg

### Current Economic Releases

| DATA              | PERIOD       | VALUE       |
|-------------------|--------------|-------------|
| GDP QoQ           | Q2 '23       | 2.10%       |
| US Unemployment   | Aug '23      | 3.80%       |
| ISM Manufacturing | Aug '23      | 47.6        |
| PPI YoY           | Aug '23      | 1.60%       |
| CPI YoY           | Aug '23      | 3.70%       |
| Fed Funds Target  | Sep 13, 2023 | 5.25%-5.50% |

Source: Bloomberg