



Basis Points – April 18, 2024

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Stocks Ended Last Week Lower

Stocks faltered for the second straight week as investors dealt with market-moving inflation data and a less-than-impressive start to first-quarter corporate earnings season. Both the Consumer Price Index (CPI) and the Producer Price Index (PPI) rose higher last week. Taken together, increases in the CPI and the PPI support a more cautious approach relative to the Federal Reserve's (Fed's) current monetary policy. It is certainly not likely that the Fed will lower interest rates in June. Also, last Friday, earnings reports from some major banks fell short of expectations. Each of the major benchmark indexes ended the week in the red. Among the market sectors, only information technology and communication services gained. Financials, health care, real estate and materials each lost at least 2.0%. The dollar and gold prices edged higher. Crude oil prices slipped lower.

Consumer Prices Rose in March

Consumer prices rose 0.4% in March, the same increase as in February and slightly higher than expectations. Core prices, less food and energy, also rose 0.4%, unchanged from the February pace. For the year, the CPI rose 3.5%, rising at the fastest rate since the 12-month period ended in September 2023. Core prices are up 3.8% since March 2023. In March, prices for shelter rose 0.4%, while gasoline prices advanced 1.7%. Combined, these two indexes contributed over half of the monthly increase in the March CPI. Energy prices rose 1.1% over the month, while prices for food ticked up 0.1% in March. While the preferred inflation indicator for the Fed is the Personal Consumption Expenditures Price Index, the increase in the CPI over the past few months certainly supports the notion that getting inflation down to the Fed's 2.0% objective is going to take time and patience.

Eye on the Week Ahead

This is a light week for important economic news. The March report on retail sales is out this Monday. The previous month saw retail sales rise 0.6%, partially reflective of rising consumer prices. The report from the Fed on industrial production is also available this week. Industrial production ticked up 0.1% in February, while manufacturing rose 0.8%.

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