

Preview of the Week Ahead

Comerica forecasts for the Federal Reserve to hold the federal funds target unchanged at a range of 5.25% to 5.50% at the September 20 decision, and signal the following decision on November 1 will be data dependent. The September edition of the Fed's Summary of Economic Projections (a.k.a. "Dot Plot") will likely upgrade the outlook for real GDP growth, lower the projection for unemployment, and raise the projection for PCE inflation in reflection of higher oil and gasoline prices after OPEC+ extended supply cuts in early September. Projections for core inflation may be modestly higher, too.

The Dot Plot will likely signal a majority of members see a rate hike as appropriate at the following Fed decision on November 1, but that cuts are possible by mid-2024 if inflation slows as they expect. Chair Powell's forward guidance at the press conference will likely reiterate the Fed's resolve to "keep at it until the job is done," the closing line of his speech at Jackson Hole on August 25 and a reference to the title of a book by Paul Volker, one of Powell's role models.

The Week in Review

The UAW went on strike on September 15 after the deadline to reach a deal on a contract with the Big Three carmakers passed. The strike is starting small and could have negligible economic effects if it ends quickly. The longer it continues, the larger its drag will be on employment, real GDP, and inventories on car dealer lots.

The Consumer Price Index (CPI) rose 0.6% in August, and picked up to 3.7% in year-over-year terms from 3.2% in July. Core CPI, which excludes the volatile energy and food components, was up 0.3% and slowed to a 4.3% year-ago increase from 4.7% in July. Energy, led by a 10.6% increase in gasoline prices, accounted for over half of monthly inflation. Food prices rose 0.2%, with food at home up 0.2% and food away from home up 0.3%. Shelter, which accounts for a third of the CPI, rose by 0.3% in August and was up 7.3% from the same month last year. Services inflation rose by a tenth to 0.4%, a development likely to frustrate the Fed, who are keen to see inflation in the "stickier" components of the CPI basket slow. Services inflation pulled back to 5.4% in annual terms in August from a peak of 7.6% in February.

Soaring energy prices were likewise the key culprit pushing up the Producer Price Index: Final Demand (PPI) by 0.7% on the month or 3.0% in year-ago terms. Core PPI goods, which exclude energy and foods, was up a modest 0.1%. PPI services rose by a modest 0.2% following a 0.5% increase in July. An outright decline in trade service charges (retail and wholesale margins) and a moderation in increases of other services prices contributed to the tamer PPI core services print.

Spending at retail and food services establishments rose 0.6% in August, better than forecasters' expectations for a 0.2% increase; however there were downward revisions to sales in June and July, pushing down nowcasts of third quarter economic growth like The Atlanta Fed's widely followed GDPNow tracker. Sales at gasoline stations rose 5.2% on higher prices offset by lower volumes, the key contributor to the strong headline increase. Sales excluding gasoline stations rose a modest 0.2%.

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	Economic Indicator	Prior Release	Consensus Forecast	Comerica Forecast
Mon 9/18	NAHB Housing Market Index (Sep)	50	50	49
Tue 9/19	Building Permits (Aug)	1.443 million 0.1% M/M	1.440 million -0.2% M/M	1.445 million 0.1% M/M
	Housing Starts (Aug)	1.452 million 3.9% M/M	1.438 million -1.0%	1.439 million -0.9%
Wed 9/20	Fed Interest Rate Decision	5.25%-5.50%	5.25%-5.50%	5.25%-5.50%
Thu 9/21	Initial Jobless Claims (Week of 9/16)	220,000	225,000	230,000
	Continuing Jobless Claims (Week of 9/09)	1,688,000	1,695,000	1,700,000
	Existing Home Sales (Aug)	4.07 million -2.2% M/M	4.10 million 0.7% M/M	4.14 million 1.6% M/M
	US Leading Index (Aug)	-0.4% M/M	-0.5% M/M	-0.5% M/M
Fri 9/22	S&P Global Manufacturing PMI (Sep Flash Estimate)	47.9	48.2	48.2
	S&P Global Services PMI (Sep Flash Estimate)	50.5	50.6	50.8

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