

Preview of the Week Ahead

The economic calendar is relatively light this week. Retail sales likely rebounded in September after a lackluster increase in the prior month. Core retail sales, which exclude the volatile auto and gas components, are expected to have risen at a moderate pace and ended the third quarter on a positive note. Industrial production probably pulled back last month after a big increase in August, as utilities production and mining output eased. Capacity utilization likely fell in tandem with lower industrial output. Homebuilder sentiment probably improved further on lower mortgage rates. Reflecting the uptick in homebuilder sentiment, permits likely rose higher. Housing starts are expected to have taken a breather following robust increases in the prior month.

The Week in Review

Minutes from the Fed's September 18 meeting show the decision for a half-percentage-point cut was more finely balanced than the 11-1 vote implied. "Several participants" thought a smaller cut would have been in line with a gradual path of policy normalization. Furthermore, they noted a slower pace of easing would afford them more time to assess the impact of policy restrictiveness on the economy. Following the publication of the minutes, markets pared back rate cut expectations and now expect the Federal Open Market Committee to ease by a quarter of a percentage point at the next meeting on November 7th.

The Consumer Price Index (CPI) rose by 0.2% in September and was up 2.4% from a year earlier. The CPI's increase exceeded the consensus forecast on a monthly and annual basis, but was still the slowest since the first half of 2021. The underlying details were mixed. Core CPI, which excludes volatile food and energy components, rose by 0.3% on the month and was up from 3.3% from a year earlier. Americans found relief at the pump on the back of a sharp 4.1% decline in gasoline prices. Ending several months of benign increases, food prices, on the other hand, rose sharply by 0.4%. Shelter costs unexpectedly rose by a modest 0.2%, largely due to a drop in hotel and motel rates. Supercore CPI (Services less energy and housing) rose a large 0.4% on the month and 4.3% from a year earlier, the slowest year-over-year increase since February. The big increase of core service prices was the biggest negative in the report.

Producer prices were flat on the month and up 1.8% from a year earlier in September. Core PPI excluding food and energy matched the 0.2% monthly consensus forecast and rose 2.7% from a year earlier. Final demand goods prices fell 0.2% as energy prices tumbled by 2.7%. The pullback in energy prices was offset by a large jump in food prices, up 1.0%. Final demand service prices rose modestly. Final demand services excluding trade, transportation and warehousing—the single biggest component of the Producer Price Index (PPI)—rose a benign 0.1%.

Consumer sentiment unexpectedly fell in early October, but remained well within the margin of error. Households' year-ahead and long-term inflation expectations remained well within ranges observed over the past several months, indicating well-anchored inflation expectations.

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	Economic Indicator	Prior Release	Consensus Forecast	Comerica Forecast
Mon 14-Oct	No market-moving economic releases	--	--	--
Tue 15-Oct	NY Fed 1-Yr Ahead Inflation Expectations (Sep)	3.0%		3.0%
Wed 16-Oct	No market-moving economic releases	--	--	--
Thu 17-Oct	Retail Sales (Sep)	0.1% M/M	0.3% M/M	0.3% M/M
	Core Retail Sales Excluding Auto and Gas (Sep)	0.2% M/M	0.3% M/M	0.3% M/M
	Industrial Production (Sep)	0.8% M/M	-0.1% M/M	-0.2% M/M
	Capacity Utilization (Sep)	78.0	77.8	77.7
	NAHB Housing Market Index (Oct)	41.0	42.0	46.0
	Initial Jobless Claims (Week of 10/5)	258,000	260,000	260,000
	Continuing Jobless Claims (Week of 9/28)	1,861,000	1,865,000	1,870,000
Fri 18-Oct	Building Permits (Sep)	1.470 million (R) 4.9% M/M	1.460 million -0.7% M/M	1.500 million 2.0% M/M
	Housing Starts (Sep)	1.356 million 9.6% M/M	1.350 million -0.4% M/M	1.350 million -0.5% M/M

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