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September PPI

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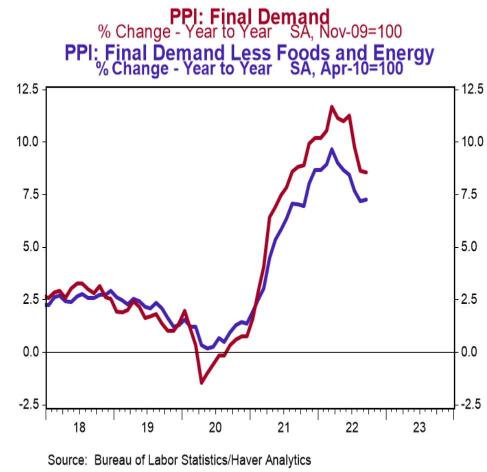
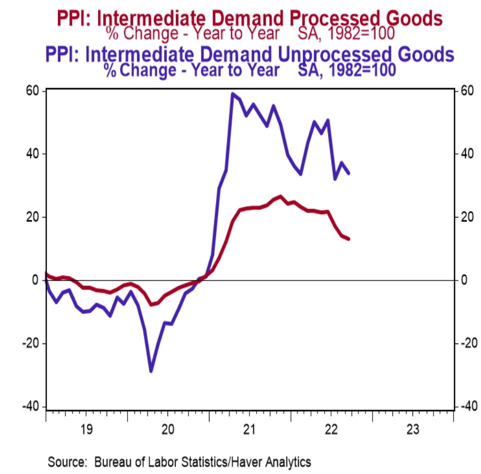
- The Producer Price Index (PPI) rose 0.4% in September, coming in above the consensus expected +0.2%. Producer prices are up 8.5% versus a year ago.
- Energy prices rose 0.7% in September, while food prices increased 1.2%. Producer prices excluding food and energy rose 0.3% in September and are up 7.2% in the past year.
- In the past year, prices for goods are up 11.3%, while prices for services have risen 6.8%. Private capital equipment prices increased 0.4% in September and are up 11.6% in the past year.
- Prices for intermediate processed goods rose 0.1% in September and are up 13.1% versus a year ago. Prices for intermediate unprocessed goods rose 0.3% in September and are up 34.2% versus a year ago.





Implications: If the Fed is looking for a sign that inflation pressures are easing, today's report on producer price isn't it. After declining in July and August on the back of lower energy costs, producer prices rose by 0.4% in September as price pressures appeared virtually across the board. Food and energy prices increased 1.2% and 0.7%, respectively, in September while prices in the service sector rose 0.4%. It's also important to recognize that even as overall producer prices temporarily declined in July and August, that "core" prices, which exclude food and energy, kept rising and continued that trend in September, rising 0.3% each month. Producer prices remain up a whopping 8.5% over the past year, while core prices are up 7.2%. While producer prices may have peaked on a year-ago basis back in March, it will not be a swift return to the Fed's target of 2% annual inflation. We expect the path back toward normal will be far stickier than most anticipate as the massive surge in the M2 measure of money continues to wend itself through the economy. While there is plenty of prognostication around what the Fed will do and what that means for the economy – and the markets – moving forward, what matters most is that inflation continues to run well above the Fed's target. Expect a 75 basis point rate hike at the Fed's November meeting, followed by an additional 50 basis point rate hike in December and more to come in 2023. The path ahead to tame inflation will test the Fed's resolve, let's hope they are up to the task.

Producer Price Index *All Data Seasonally Adjusted Except for Yr to Yr*	**Sep-22**	**Aug-22**	**Jul-22**	**3-mo % Ch. annualized**	**6-mo % Ch. annualized**	**Yr to Yr % Change**
Final Demand	**0.4%**	-0.2%	-0.4%	-0.8%	4.4%	8.5%
Goods	**0.4%**	-1.1%	-1.8%	-9.7%	4.8%	11.3%
- Ex Food & Energy	**0.0%**	0.2%	0.2%	1.4%	5.4%	7.5%
Services	**0.4%**	0.3%	0.2%	3.6%	3.7%	6.8%
Private Capital Equipment	**0.4%**	-0.3%	0.9%	4.2%	6.7%	11.6%
Intermediate Demand						
Processed Goods	**0.1%**	-1.5%	-2.2%	-13.9%	5.2%	13.1%
- Ex Food & Energy	**-0.6%**	-0.7%	-0.2%	-6.3%	2.8%	13.3%
Unprocessed Goods	**0.3%**	5.3%	-9.4%	-16.3%	24.1%	34.2%
- Ex Food & Energy	**0.6%**	0.7%	-7.2%	-22.0%	-20.2%	-0.1%
Services	**0.3%**	0.8%	0.3%	5.4%	4.7%	6.2%

Source: Bureau of Labor Statistics