First Trust DATAWATCH

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July PPI

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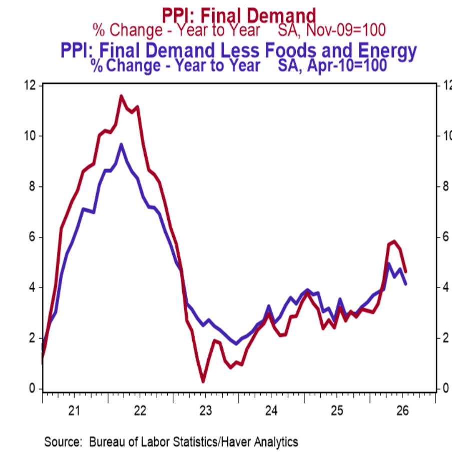
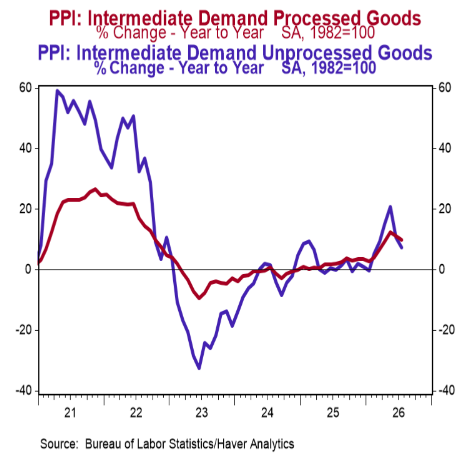
- The Producer Price Index (PPI) was unchanged in July, below the consensus expected +0.2%. Producer prices are up 4.7% versus a year ago.
- Energy prices dropped 3.1% in July, while food prices declined 0.9%. Producer prices excluding food and energy rose 0.2% in July and are up 4.2% versus a year ago.
- In the past year, prices for goods are up 6.5%, while prices for services have increased 3.9%. Private capital equipment prices declined 0.2% in July but are up 1.2% in the past year.
- Prices for intermediate processed goods declined 0.6% in July but are up 9.9% versus a year ago. Prices for intermediate unprocessed goods fell 1.8% in July but are up 7.1% versus a year ago.





Implications: Producer prices surprised to the downside once again, as the Producer Price Index held steady in July versus the consensus expected gain of 0.2%. Despite the unchanged headline, there was plenty of movement beneath the surface: a 0.7% decline in goods prices was fully offset by a 0.2% increase in services prices. More than half of the drop in goods was led by a 5.7% decline in gasoline prices. Food prices (-0.9%) and other energy-related categories such as diesel fuel, jet fuel, and crude petroleum also fell. On the services side, prices rose 0.2%, led by a 6.5% increase in portfolio management fees. Partially offsetting that rise, however, were transportation and warehousing prices, which declined 1.8% – the most since 2023 and a sign that the burden of elevated fuel costs is fading. This effect can be seen further back in the supply chain as well, where prices for unprocessed and processed intermediate goods fell 0.6% and 1.8% respectively, largely resulting from lower prices for energy processing. Excluding food and energy, "core" producer prices rose 0.2% in July, while the twelve-month change eased to 4.2%, though it remains well above the 3.5% increase for the twelve months ending in July 2025. Overall producer prices are up 4.7% in the past year – an improvement from recent months, but still well above the 3.2% increase for the twelve months ending July 2025. Although this report should relieve some of the pressure on the Federal Reserve to raise rates at the next meeting in September, peace agreements in the Middle East remain fragile, which could lead to volatile prices in the near term. However, sustained movements in overall inflation are led by the money supply, which is up 5.5% in the past year versus the 6.0% trend prior to COVID when inflation remained low. We expect this monetary tightness will eventually bring inflation down once the conflict in the Middle East ends. In other news this morning, initial claims for unemployment insurance rose 9,000 last week to a still low 209,000, while continuing claims declined 22,000 to 1.777 million.

Producer Price Index *All Data Seasonally Adjusted Except for Yr to Yr*	**Jul-26**	**Jun-26**	**May-26**	**3-mo % Ch.** ***annualized***	**6-mo % Ch.** ***annualized***	**Yr to Yr** ***% Change***
Final Demand	**0.0%**	-0.1%	0.5%	1.3%	5.4%	4.7%
Goods	**-0.7%**	-1.4%	2.3%	0.3%	10.4%	6.5%
- Ex Food & Energy	**0.1%**	0.2%	0.8%	4.3%	5.1%	4.9%
Services	**0.2%**	0.5%	-0.3%	1.3%	3.4%	3.9%
Private Capital Equipment	**-0.2%**	-0.3%	-1.2%	-6.8%	-0.9%	1.2%
Intermediate Demand						
Processed Goods	**-0.6%**	-1.1%	2.9%	4.7%	17.8%	9.9%
- Ex Food & Energy	**0.1%**	0.6%	1.8%	10.4%	12.1%	11.0%
Unprocessed Goods	**-1.8%**	-6.4%	3.1%	-19.0%	4.1%	7.1%
- Ex Food & Energy	**1.6%**	-1.7%	2.4%	9.4%	7.7%	19.6%
Services	**0.5%**	0.7%	0.4%	6.4%	5.9%	5.1%

Source: Bureau of Labor Statistics