

Macro Roundup Article

Headline: [OER You Serious?](#)

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Publication	Goldman Sachs
Publication Date	February 20, 2024

Tweet: After last week's CPI print, @GoldmanSachs now forecasts the cutting cycle will get underway in May with five 25bp cuts in the FFR this year.

Summary: We are not too concerned about the strength elsewhere in the January CPI and PPI reports. January price changes tend to be cyclical and volatile—what we call the “January effect”—and usually, sequential inflation slows back down in February. Additionally, 3- and 6-month trimmed inflation remained rangebound in January, despite a boost from the January effect. Taken together, we are boosting our 2024 core PCE forecast only modestly, by 0.1pp to 2.3% (December y/y). The January FOMC statement indicates that rate cuts will likely commence once inflation is moving sustainably toward 2%. If inflation evolves as we expect, core PCE inflation would fall to 2.5% at the time of the May meeting, and participants would likely anticipate further declines over the next two months given the high base effects in mid-2023. Accordingly, we continue to forecast five 25bp cuts in the Fed funds rate this year, with the first cut at the May meeting. This being said, last week’s price data raise the stakes for the February CPI and PPI reports to confirm that the January jump in OER and non-housing services were both temporary.

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Primary Topic: Business Cycle

Topics: Business Cycle, GDP, Growth, News article, Weekly

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