

Macro Roundup Article

Headline: [Global Views: Cuts Are Coming](#)

Article Link: <https://www.gspublishing.com/content/research/en/reports/2024/01/15/6d4d311e-4d08-4259-a523-ad9abe37cc85.html>

Author(s)	Jan Hatzius
Publication	Goldman Sachs
Publication Date	January 18, 2024

Tweet: Noting softening US Core PCE and inflation expectations that are back at pre-pandemic levels, Jan Hatzius @GoldmanSachs argues the Fed will likely cut in March.

Summary: Global core inflation—averaged across the G10 ex Japan plus the EM early hikers—picked up to an estimated 1-month annualized rate of 2.6% in December from the rock-bottom 1.2% reading in November. This has triggered a renewed round of concerns that the disinflation of 2023 may not last, with some arguing that it was due to a one-off improvement in goods supply—and thus a one-off decline in the level of goods prices—alongside entrenched service inflation. We continue to take a more optimistic view. First, the trend is still improving, as the 3-month annualized rate fell further to an estimated 2.0% in December. Second, the adjustment in core goods prices is far from complete—for example, US used cars have only unwound 31% of their covid-related price increase. And third, we expect both service inflation and wage growth to continue slowing gradually in a lagged response to the improved supply/demand balance across the global economy. We expect “only” 5 cuts this year, below the 6-7 cuts now discounted in market pricing, and we view the chance of 50bp steps as low.

Related Articles: The Case For A Mistake and The Fed Prepares for Rate Cuts. But Why? and The Big Picture: Back to the Future

Primary Topic: Inflation

Topics: Business Cycle, GDP, Inflation, Monetary Policy, Op-Ed/Blog Post, Wages/Income, Weekly, Workforce

Permalink: <https://www.edwardconard.com/macro-roundup/noting-softening-us-core-pce-and-inflation-expectations-that-are-back-at-pre-pandemic-levels-jan-hatzius-goldmansachs-argues-the-fed-will-likely-cut-in-march?view=detail>

Featured Image Link: <https://www.edwardconard.com/wp-content/uploads/2024/01/US-Core-PCE-Inflation-Continues-To-Soften-GS.png>