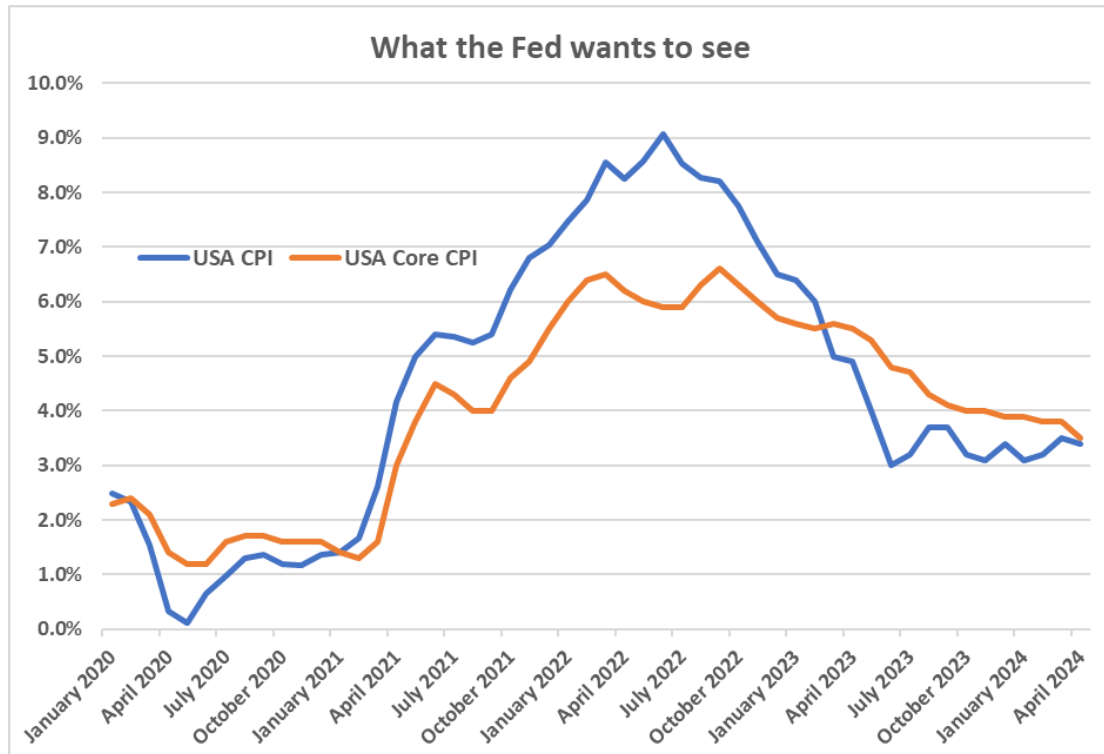


## US inflation - no surprise for the markets

Synopsis: After three consecutive misses, the US inflation data met market expectations for April.

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There was a lot riding on the US April inflation print that arrived on 15 May.

The previous three readings had all been higher than the consensus forecasts and Tuesday's US producer price index (PPI) data had come in at 0.5% for April. That was higher than the 0.3% expected, but the picture was clouded by a 0.3% downward revision in the March figure (from 0.2% to -0.1%).

On the day the PPI data was released, the chairman of the Fed Reserve, Jay Powell, told a conference in Amsterdam that the Fed was likely to be "keeping policy at the current rate for a longer time than had been thought" because of the stubbornly slow retreat of inflation.

Today's US CPI inflation numbers were in line with the market's expectations: the main CPI rate dropped 0.1% to 3.4%, while the core CPI rate fell 0.2% to 3.6%. The market's response was to raise the probability that there will be two rate cuts in the remainder of 2024.

### Comment

While both banks would deny it, the Bank of England and European Central Bank will be glad to see the nudge down in US inflation. It gives them both a little more confidence that if they cut before the Fed, it will not be long before Jay Powell joins in. But, as an essential reminder, these are only one month's figures...

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