



# Retirement News Highlights

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## U.S. inflation keeps cooling as December CPI rises 6.5%

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The Bureau of Labor Statistics reported on Thursday that the consumer price index rose 6.5% from a year ago in December, matching economists' expectations, according to financial data firm FactSet Research Systems, and down from the 7.1% figure from November.

U.S. economy adds 223,000 jobs in December; unemployment dips to 3.5%

The Bureau noted that the December figure marked the smallest 12-month increase since October 2021.

Excluding the volatile food and energy sectors, the core CPI rose by an annualized 5.7% in December.

The Federal Reserve will likely closely examine the December CPI report as it prepares for the next monetary policy meeting on Feb. 1.

The Fed's key short-term interest rate is now in a range of between 4.25% to 4.5%, after the central bank raised rates by 50 basis points at its December meeting.

As of Thursday morning, according to CME Group's FedWatch tool, shortly after release of the CPI data, market participants' pricing of Fed fund futures indicated there is a 78.8% probability that the Fed will increase rates by 25 basis points at the next meeting, and only a 21.2% probability it will increase rates by 50 basis points.

However, some recent comments by Fed officials suggest the central bank remains committed to rate hikes in order to quell inflation.

In a speech in New Orleans on Jan. 6, Fed Governor Lisa D. Cook warned: "Inflation remains far too high, despite some encouraging signs lately, and is therefore of great concern. As a Fed policymaker, I am committed to bringing inflation back to our 2% goal."

In a speech in Sweden on Jan. 10, Fed Chairman Jerome Powell said: "Restoring price stability when inflation is high can require measures that are not popular in the short term as we raise interest rates to slow the economy."

Nancy Davis, founder of Quadratic Capital Management and portfolio manager of the Quadratic Interest Rate Volatility and Inflation Hedge Exchange-Traded Fund, based in Greenwich, Conn., said by email that the December report was "no surprise," but cautioned that the 6.5% annual increase is "still quite elevated."

"Markets have remained confident the Fed will be able to control inflation, but that remains to be seen," she said. "The (CPI) is just one measure of inflation, and it's calculated by the Bureau of Labor Statistics with a large component being owner-occupied rent. CPI is not the only way to measure inflation."

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