



Retirement News Highlights

Tuesday, December 13, 2022

U.S. inflation cools as consumer price index rises 7.1%

By Palash Ghosh

Pensions & Investments

December 13, 2022

The Bureau of Labor Statistics reported on Tuesday that the consumer price index rose 7.1% from a year ago in November, falling below economists' expectations of an 7.3% increase, according to financial data firm FactSet Research Systems.

Excluding the volatile food and energy sectors, the core CPI rose by an annualized 6% in November.

The overall 7.1% CPI figure for November was the smallest 12-month increase since December 2021, the BLS noted, and fell below the 7.7% annualized increase reported in October.

The annualized CPI figure has been coming down steadily since June, when it was at 9.1%, a 40-year high.

The Federal Reserve, which has been committed to taming inflation, will release its final policy rate decision for the year on Wednesday and will likely look closely at the November CPI data. The central bank has raised the benchmark federal funds rate by 75 basis points at each of its last four consecutive meetings. The fed funds rate is now at a target range of 3.75%-4%, the highest level since January 2008.

However, the pace of any rate hikes is likely to slow down in the coming months. At a speech delivered to the Brookings Institution in Washington, D.C., on Nov. 30, Fed Chairman Jerome Powell said that while rates need to keep rising to help bring down inflation to its 2% target level, he added: "Monetary policy affects the economy and inflation with uncertain lags, and the full effects of our rapid tightening so far are yet to be felt. Thus, it makes sense to moderate the pace of our rate increases as we approach the level of restraint that will be sufficient to bring inflation down."

According to the CME Group's FedWatch tool, as of 8:40 a.m. EST Tuesday, market participants' pricing of Fed Fund futures indicated there is an 81.8% probability that the Fed will increase rates by another 50 basis points at its Wednesday meeting, and only an 18.2% probability that the Fed will increase rates by 75 basis points.

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

while Tuesday's CPI report showed a deceleration in inflation, inflation is "still very elevated and is over three times greater than the Fed's 2% target, so this isn't time for the Fed to take a victory lap."

"While it is certainly possible that we have now passed peak inflation, if we keep up this pace of decline, price increases will continue at levels that are still very painful for consumers," she noted.

Tuesday's inflation data won't likely change anything for the Fed ahead of its meeting this week, she noted. "[Fed chief] Powell wants to show the market that the days of the big, 75 basis point hikes are over, and the pace is slowing, so it's likely that the Fed announces a smaller 50 basis point rate hike on Wednesday," Ms. Davis added.

Quadratic has about \$1.1 billion in assets under management.

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Nancy K. Kopp's trailblazing political career spanned five decades and included many historic feats.

By Daily Record Staff

The Daily Record

December 12, 2022

She began her career in politics working as a staff member to U.S. Rep. Edith Green (Oregon) for five years and later took a job with the Montgomery County state legislature delegation. She would pivot from staff member to elected official in 1974 when Kopp won her first of seven four-year terms to the Maryland House of Delegates representing District 16 (D-Montgomery County). During her tenure, she became the first sitting state legislator in the United States to give birth in office and the first woman to hold the position of House speaker pro tem.

In 2002, Kopp was selected by her colleagues to become the state treasurer — only the second woman to ever be named to the top financial position. She also served on the Board of Public Works as the General Assembly's representative. For nearly two decades, she worked to ensure Maryland's fiscal responsibility and helped to navigate the state through the 2008 recession as well as the COVID-19 pandemic.

When she announced her retirement in December 2021, Kopp had achieved the second-longest tenure of any treasurer in state history. At the time of her resignation, Gov. Larry Hogan stated "... Nancy will leave an incredible legacy of strong financial stewardship, which has helped assure our coveted AAA bond rating year after year. We have enjoyed a very cordial relationship, and I have always admired her commitment to the people of Maryland. ...On behalf of all Marylanders, I want to express my profound gratitude to Nancy Kopp for her decades of distinguished service and wish her well in retirement."

This is an honoree profile from The Daily Record's Icon Honors awards.

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