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Weekly Market Commentary

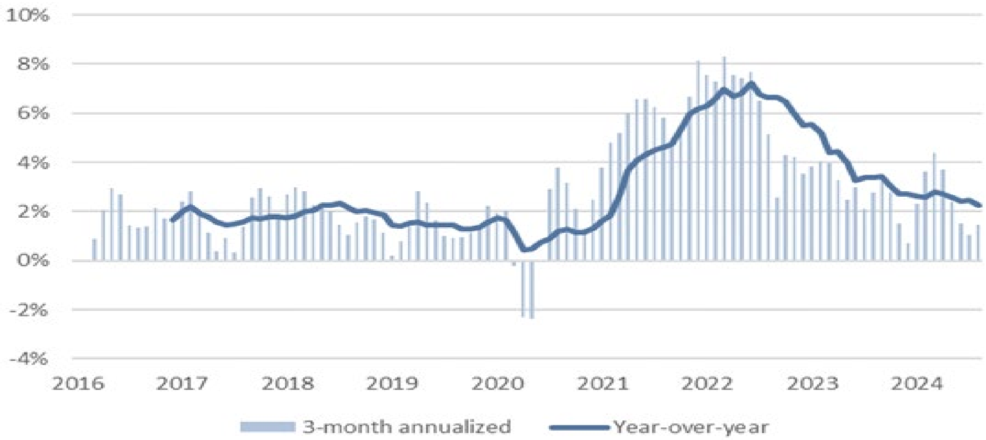
Goldilocks, Continued.

By Michael Crook, Chief Investment Officer

While a 0.5% rate cut by the Fed might indicate deteriorating financial conditions, last week's data was a clear reminder that the we have yet to see any worrisome signs for the US economy.

- PCE Inflation (the Fed's preferred measure) is now annualizing at 1.1%, 1.5%, 1.9%, and 2.2% for 1 month, 3 months, 6 months, and 12 months, respectively.
- Services inflation remains stubbornly high at 3.3% over the last 12 months, but has recently trended downward.
- Initial jobless claims came in below expectations and have been trending downward since early August. Aggregate incomes (wages) have grown at an annualized pace of 4% over the last 3 months and 5.1% over the last 6 months, indicating that we have little to fear from an employment or household financial health perspective at this point in time.

Fig.1: PCE Inflation



Source: Bloomberg, Mill Creek.

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