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Market Commentary

Inflation Was a Problem Before Epic Fury

By Michael Crook, CAIA, Chief Investment Officer

The Fed's preferred measure of inflation, the Personal Consumption Expenditures Price Index (PCE), will be released on Friday. Friday's release will cover January 2026, so any impact from the recent spike in oil prices will not be included.

The Consumer Price Index and Producer Price Index are released before PCE. We're able to take the component data from those indexes and reweight them to get a fairly accurate estimate of PCE before it is published.

Based on those estimates, it appears that the overall PCE index was up around 0.34% in January, or 4.2% annualized. More concerning, Core PCE, which doesn't include energy, was likely up 0.4-0.45% for the month of January, or over 5% (!) annualized (Fig. 1).

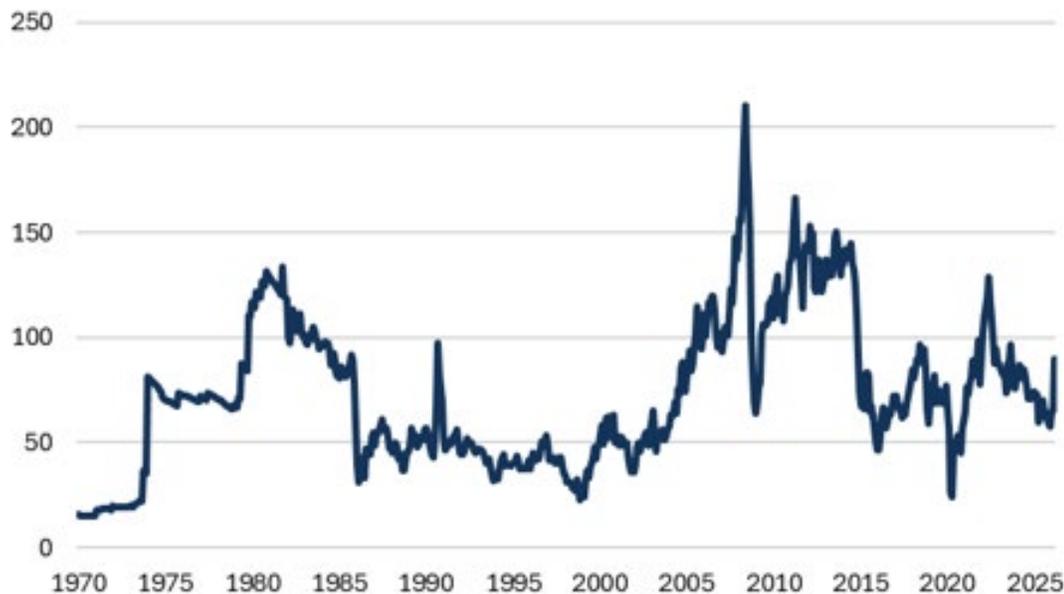
Fig. 1: PCE inflation (year-over-year)



Source: Bloomberg, Mill Creek. As of 12/31/2025

Operation Epic Fury is likely to exacerbate the Fed's inflation problem (Fig. 2). Oil prices reached \$90 per barrel last week, although US consumers could be insulated by releases from the Strategic Petroleum Reserve and export controls.

Fig. 2: Inflation adjusted oil price



Source: Bloomberg, Mill Creek. As of 3/6/2026.

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