

# June PCE Prices Report in Review

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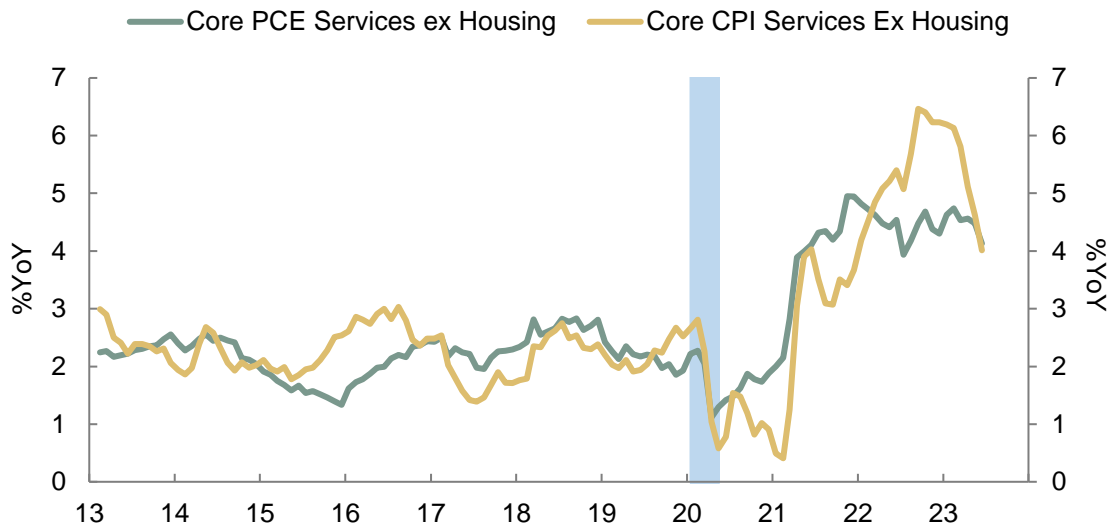
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## Destination Two Percent?

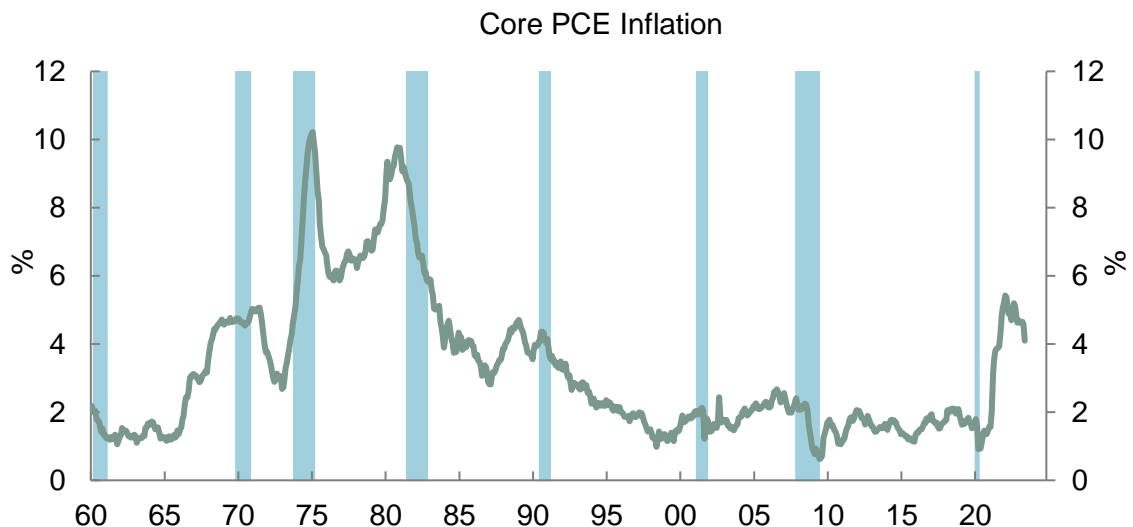
Two weeks ago, the US saw a downside release in the super core index in the CPI data. Validating this data was today's PCE super core data — the Fed's preferred inflation series — which rose just 0.22% MoM. This is the softest monthly print since July 2022. On a three-month annualized rate, Core PCE services ex housing slowed to 3.4%, also the lowest since July 2022. This marks the fourth consecutive monthly deceleration — the longest streak since 2019.



## The Trend is Your Friend

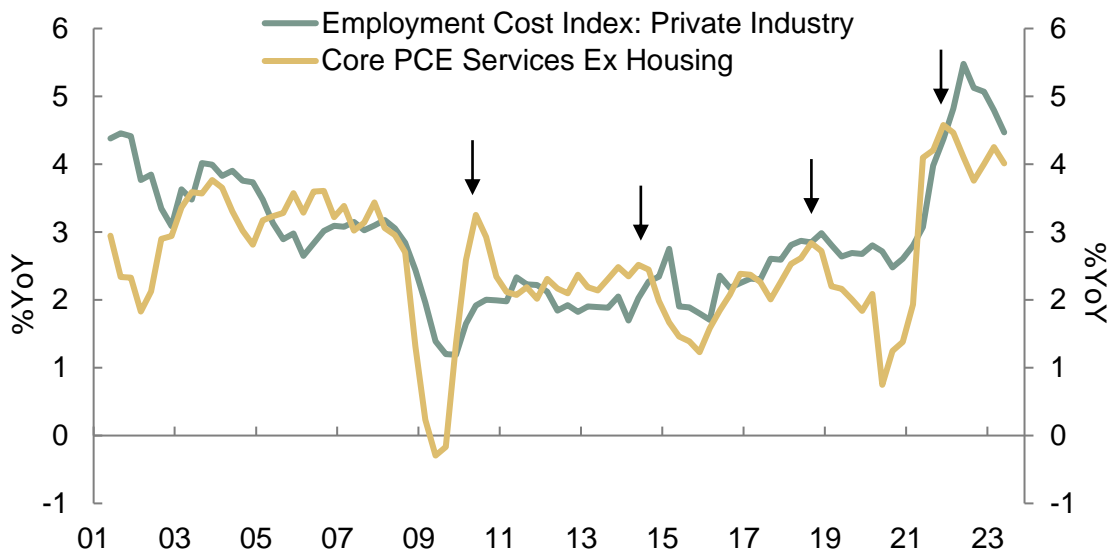
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Although still elevated at 4.1% YoY, core PCE inflation is down sharply from last June's 5.4% cyclical peak. And the three-month annualized change is down to 3.4% which is the slowest since the three months ending February 2021 (3.3%). If the economy enters recession later this year or next, history tells us the rate of core PCE will weaken even more.



## Wages and Inflation Coming Down

Fed doctrine alleges that wages are the biggest determinant of “super-core” inflation. The BLS’ employment cost index rose just 1.0% in Q2, which was not only softer than analysts’ expectations, but also the lowest since Q2 2021. The periods denoted in the chart below reflect inflation peaks. It appears to us that inflation dynamics are normalizing across the economy.



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