Uncertainty and Mixed Data Support a Patient Fed

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The highlight in today's crowded economic release schedule was the personal consumption expenditures (PCE) report for December. The PCE inflation measure is a Fed favorite, and with the January FOMC meeting now just days away, the data carries additional weight. Overall PCE for December as well core PCE matched expectations, up +0.2% for the month. On a year-over-year basis, *overall PCE was unchanged* at +2.6% while the annual core PCE rate dipped from +3.2% to +2.9%, the lowest since March 2021. It isn't clear from the annual numbers that the Fed has met its inflation target, *but progress is apparent* when focusing on more recent data. Over the last three months and six months, the annualized pace of core PCE has fallen to +1.5% and +1.9% respectively.

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