

## July 10, 2023 – Economic Commentary

Interest rates staying “higher for longer” — the long-held viewpoint of many economists and Federal Reserve officials, but not necessarily investors— is looking like a higher probability bet every passing day. Yet, last week’s run-up in yields seems to, once again, have taken many people by surprise, although one should not always make too much of equity or credit market movements during sleepy holiday weeks (Fourth of July, Canada Day). The data for US inflation in June that will be released this week serves as the real meat-and-potatoes for those hungry to know what the Federal Reserve’s new “terminal interest rate” will really be; the now highly-likely interest rate hike at the next Federal Open Market Committee (FOMC) meeting on July 25-26 is almost secondary to this much bigger question. This week also marks the beginning of “earnings season”, with major banks kicking off the parade of second quarter earnings reports that will shed much light on the all-important question of who is managing to raise productivity and contain costs in the pursuit of profitable growth and how they are doing it. Given that many companies will start their annual planning process for 2024 in a few weeks, the economic numbers and earnings reports of the next few weeks hold greater-than-usual importance.

### Data to Watch:

1. National Federation of Independent Business (NFIB) Optimism Index for June, released Tuesday, July 11
2. US Consumer Price Index for June, released Wednesday, July 12
3. Federal Reserve “Beige Book” Survey of Federal Reserve Banks and local economic conditions, released Wednesday, July 12
4. US Producer Price Index for June, released Thursday, July 13

### Suggested Reading:

[Last Mile of the Inflation Fight Will Be the Hardest](#)

[3 Takeaways From Janet Yellen’s Trip to Beijing](#)

[China’s producer prices sink again in June in latest sign of stalled recovery](#)

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