



Chart Logic

Global Rates, FX & Commodities Strategy

18 September 2023

► US

► RATES

► GLOBAL MARKETS

An Early Look at the September CPI

- Following the release of the [August CPI report](#), we are providing an early look into our September CPI projection based on a number of assumptions. These may evolve as the month progresses and more data becomes available, particularly for volatile segments like gasoline, lodging away from home, and airfares.
- For now, we are assuming a largely flat m/m move in gasoline prices and another decline in used vehicles, which would mark the fourth consecutive retreat for the series. We are also looking for slowing in rent inflation but a modest pick-up in OER for September; the “lodging away from home” segment also likely rebounded for the first time in four months. As a result, we are initially forecasting a 0.25% m/m increase for the core segment in September (similar to August), but for m/m slowing in headline inflation to 0.30% m/m vs 0.63% in August (CPI NSA index: 307.444 vs market CPI fixing at 307.170). We also track the supercore at 0.3% vs 0.4% m/m before.
- **Rates:** Our CPI forecast suggests that inflation should continue to cool, but should remain more persistent in the next year. We expect no more Fed hikes and lean long duration, but while the Fed is likely to endorse a “higher for longer” narrative, the catalyst for lower rates is likely to be slowing data.
- **TIPS Breakevens:** BEs could continue to be pressured higher amid worries of higher headline inflation due to rising energy prices.

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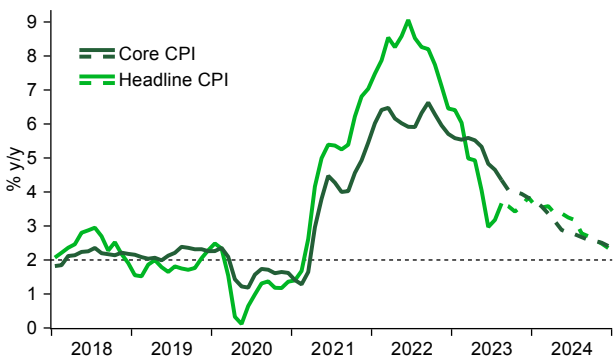
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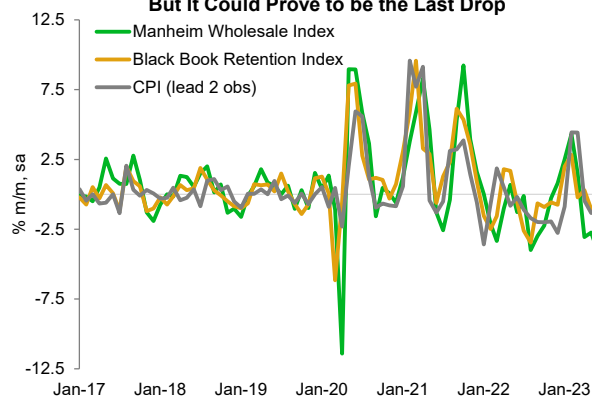
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Y/Y CPI Inflation to Stay Above 3% After Falling Rapidly in 23H1; the Core CPI's is Set to Fall Below it in 24Q2.



*Dashed lines represent TDS forecasts. Source: BLS, TD Securities

Used Vehicle Prices Likely Retreated Again in Sep, But It Could Prove to be the Last Drop



Source: Manheim Consulting, Black Book, BLS, TD Securities

Total and Core CPI Forecasts

Period	NSA Level	Total CPI				Core CPI		
		% m/m, nsa	% y/y, nsa	% m/m, sa	% q/q, saar	% m/m, sa	% q/q, saar	% y/y, nsa
Jan-23	299.170	0.80	6.4	0.52		0.41		5.6
Feb-23	300.840	0.56	6.0	0.37		0.45		5.5
Mar-23	301.836	0.33	5.0	0.05	3.8	0.38	5.0	5.6
Apr-23	303.363	0.51	4.9	0.37		0.41		5.5
May-23	304.127	0.25	4.0	0.12		0.44		5.3
Jun-23	305.109	0.32	3.0	0.18	2.7	0.16	4.7	4.8
Jul-23	305.691	0.19	3.2	0.17		0.16		4.7
Aug-23	307.026	0.44	3.7	0.63		0.28		4.3
Sep-23	307.444	0.14	3.6	0.30	3.5	0.25	2.8	4.1
Oct-23	308.217	0.25	3.4	0.33		0.28		4.0
Nov-23	308.366	0.05	3.6	0.34		0.25		3.9
Dec-23	308.207	-0.05	3.8	0.37	4.4	0.29	3.3	3.8

Shaded area denotes TD Securities forecasts

Source: BLS, TD Securities

TIPS BEs to Benefit from Solid Carry in October Before Turning Negative in November

Month	2y BE	5y BE	10y BE	30y BE
Sep-2023	-0.1	0.1	0.1	0.0
Oct-2023	11.8	5.7	2.7	1.2
Nov-2023	-6.8	-2.9	-1.3	-0.4
Dec-2023	-3.3	-1.2	-0.5	-0.1
Jan-2024	-17.6	-7.1	-3.1	-1.1
Feb-2024	-11.9	-4.3	-1.9	-0.6
Mar-2024	8.7	4.0	1.9	0.8
Apr-2024	15.6	6.5	3.0	1.2
May-2024	15.1	5.9	2.6	1.1
Jun-2024	7.0	2.7	1.2	0.5
Jul-2024	4.7	1.7	0.7	0.3

Note: All values in basis points. Sep carry is through month-end. Carry starting in Nov 2023 is calculated based on CPI fixings using on-the-run TIPS for each maturity.
Source: Bloomberg, TD Securities

TIPS BE Carry Forecasts Based on TD CPI Projections

Month	2y BE	5y BE	10y BE	30y BE
Sep-2023	-0.1	0.1	0.0	0.0
Oct-2023	11.8	5.7	2.7	1.2
Nov-2023	-2.1	-0.8	-0.3	0.0
Dec-2023	2.9	1.4	0.7	0.4
Jan-2024	-7.8	-3.1	-1.3	-0.4
Feb-2024	-14.5	-5.6	-2.5	-0.9
Mar-2024	20.1	8.3	3.8	1.5
Apr-2024	23.8	9.2	4.1	1.6
May-2024	14.9	5.3	2.3	0.9
Jun-2024	9.9	3.2	1.3	0.5
Jul-2024	9.9	2.8	1.1	0.5

Note: All values in basis points. Sep carry is through month-end. Carry starting in Nov 2023 is calculated based on TD's CPI projections using on-the-run TIPS for each maturity.
Source: Bloomberg, TD Securities



Recent Publications

Global Rates, FX & Commodities Strategy

Global Macro		
Region	Publication	Date
Weekly	Upcoming Week - The Big Three (18 Sep)	15 Sep
	Week Ahead: Canada Macro Market Movers	11 Sep
	Week Ahead: US Macro Market Movers	11 Sep
Commentary	ECB Commentary: Smells Like Terminal Spirit	15 Sep
	ECB Flash Commentary: It's a Hike!	14 Sep
	US CPI (Aug): Incremental Progress	13 Sep
	Trading the ECB	13 Sep
Canada	CAD Supply Update: Small Victories	8 Sep
Rates		
Weekly	What's My Rate Again?	15 Sep
US	Weekly Fund Flows — Equities Lead Inflows	15 Sep
	Weekly Fund Flows — Bonds Lead Global Inflows	8 Sep
	Treasury Supply: Rock Meets Hard Place	6 Sep
Canada	Canadian Q2 National Balance Sheets: Adjusting to QT	13 Sep
	CAD Supply Update: Small Victories	8 Sep
Europe	Weekly Fund Flows — Equities Lead Inflows	15 Sep
	Long-End GBPUSD Basis: Out of sync	11 Sep
	Weekly Fund Flows — Bonds Lead Global Inflows	8 Sep
FX		
Trades	Closing Short SEKJPY and EURMXN	7 Sep
EM		
Analysis	Weekly Fund Flows — Equities Lead Inflows	15 Sep
	Weekly Fund Flows — Bonds Lead Global Inflows	8 Sep
Trades	Closing Short SEKJPY and EURMXN	7 Sep
Commodities		



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