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CONY Flash Macro Note	April 10, 2019

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Flash Macro Update (04/10/2019)

March CPI inflation figures were released today and they were more or less in line with the consensus. A much lower than expected figure could have sparked fears that the demand is slowing down sharply in the U.S., but apparently it was not the case. On the contrary, a much higher than expected figure could ignite renewed concerns that FED might be hawkish in its monetary policy again, which also did not happen.

In March, monthly CPI inflation came in at 0.4%, which was just a tad higher than the consensus of +0.3%. With the March figure, annual CPI inflation was 1.9% as of end-March coming up from 1.5% in end-February. It is worth reminding that annual CPI inflation at end-2018 was also 1.9%. In other words, annual CPI inflation remained close to 2.0%, which is not something new for the monetary policy.

On the other hand, monthly core CPI inflation, which excludes food and energy, registered a 0.1% increase compared to the expectations of 0.2%. Annual core CPI inflation came down from 2.1% in February to 2.0% in March that is exactly in line with the FED's inflation target.

When we look at the details of the inflation reading, we observe that there were sizeable increases in mostly energy related sectors. For instance, gasoline prices, which were on a downward trend cumulatively in the first two months of the year, jumped by 6.5% in March in line with the rise in global energy/petroleum prices. But we also see that price cuts in apparel and airline fares, which limited the increase in headline CPI inflation. However, we expect an increase in airline fares in the coming months due to ongoing increase in global energy prices.

The inflation data along with the previously released job data do not suggest that the FED should fine-tune its current monetary policy stance right now. FED employed a 'wait and see' approach and the recent dataflow validates this view.

Another important event of the day was the ECB monetary policy meeting. As expected, ECB has a more bearish growth outlook view on the Euro Zone now. But there was no concrete steps or actions about a possible LTRO and deposit tiering. ECB President Draghi also stated that it is too early to discuss these actions.

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