CONY Flash Macro Note	August 13, 2019

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Flash Macro Update (08/13/2019)

After the mild PPI data, which showed no serious cost pressures on prices in July, today's CPI inflation was important, since it would have affected FED's willingness to go for deeper cuts. Although the core inflation was slightly higher than expected, the data does not seem to have an impact on the course of monetary policy, as the FED has some other concerns nowadays. Global growth seems to slow down due to trade war, Brexit uncertainty, developments in some markets such as Argentina, HK, Singapore and South Korea, etc. Therefore, apart from the announcement effect of the data, we do not foresee structural price changes in financial markets after the data.

In July, monthly CPI inflation came in at 0.3%, which was perfectly in line with the consensus. With the July figure, annual CPI inflation was 1.8% as of end-July up from 1.6% in end-June. It is worth reminding that annual CPI inflation at the end of 2018 was 1.9%. In other words, annual CPI inflation is now even below where it was at the end of 2018 hinting that the long-awaited inflationary pressure is still not coming.

On the other hand, monthly core CPI inflation, which excludes food and energy, registered also a 0.3% increase compared to the expectations of 0.2%. Annual core CPI inflation inched up from 2.1% in June to 2.2% in July that is still in line with the FED's inflation target.

When we look at the details of the inflation reading, we observe that there was one sector/segment, which resulted in a volatility in the inflation data. That sector was the energy/transportation sector. Gasoline prices were up by 2.5% (it was down by 3.6% in June), airline fares were up by 2.3% (they were also down in June) in parallel to the recovery in global oil prices in the second half of July and overall transportation prices were up in July. Pretty much all other non-energy/transportation related sub-categories posted increases in line with the headline CPI inflation except tobacco which posted a 1.0% m-o-m increase in July.

In terms of monetary policy, we do not think that the data means much at this stage. FED would prefer to monitor couple of things, in our view: 1- GDP & overall economic activity, 2- Developments on the global growth front, 3- Course of trade talks between US & China, 4- Developments on the Brexit front.

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