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Brief updates on portfolios, markets & more 11 September 2026

Latest US inflation readings reinforce expectations of a Fed rate hike in September

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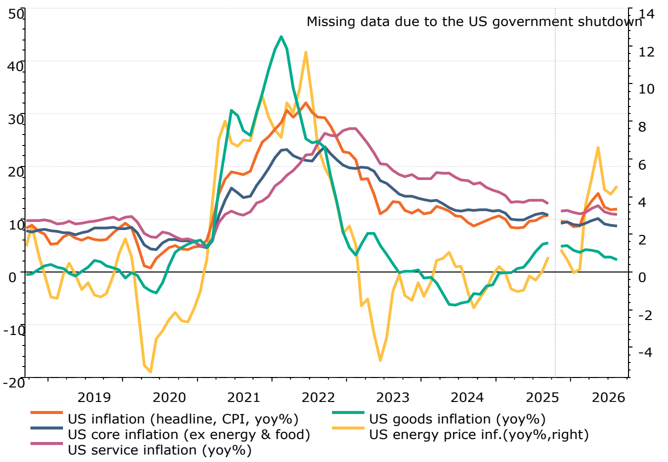
- US consumer prices rose 0.4% in August, leaving headline inflation at 3.4% for a second month, while core prices rose 0.3%, above consensus, and the annual core rate eased to 2.4% from 2.5%. Both measures remain clearly above the Federal Reserve's 2% target.
- Producer prices rose 0.4% on the month and 5.4% over the year, driven overwhelmingly by energy, with diesel up 24.1%. Core producer prices were softer at 0.2%, but annual rates of 4.6% remain elevated, and intermediate goods prices are up 11.5% year-on-year.
- August was an energy-driven print on both measures, yet the monthly detail shows no convincing downward trend in services and neither in several indicators for underlying price pressures. Margins are currently absorbing part of the energy shock, which delays pass-through to consumers but compresses corporate profits.
- We put the probability of a September hike clearly above 50%, while acknowledging that the FOMC may still hold. A hike in December, or even in October, is increasingly plausible if energy price do not abate soon and demand is not cooling.

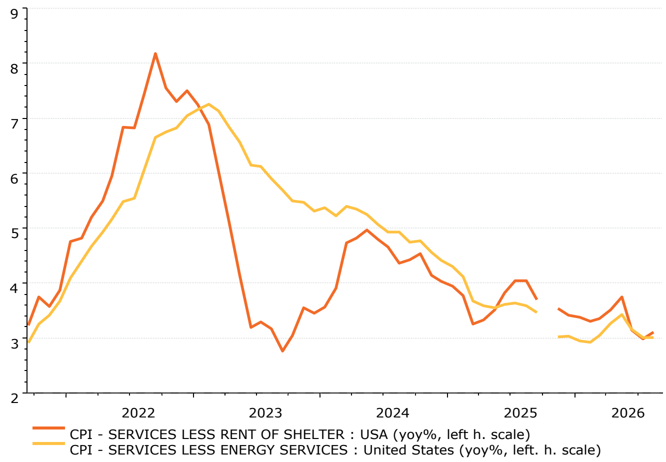
US consumer prices rose 0.4% in August, after 0.1% in July, leaving the annual rate at 3.4% for a second month. Gasoline did most of the work: it rose 3.9% on the month and accounted for more than a third of the all-items increase, with energy up 2.1% on the month and 16.3% over the year. Beneath the headline, the picture is more mixed. Core prices, all items less food and energy, rose 0.3% after 0.2% in July – above the consensus forecast. The annual core rate, however, eased to 2.4% from 2.5%, as markets had anticipated. Shelter prices rose 0.3% after 0.1% in both June and July, though owners' equivalent rent rose only 0.2%; the acceleration came from lodging away from home. Other gains were narrow: communication rose 2.3%, airline fares 2.7% and education 0.8%. Core goods added just 0.1%, with used cars up 0.4% and new vehicles 0.3%. Offsetting these, medical care fell 0.2% and motor vehicle insurance 0.8%. Food rose 0.1% and food at home was unchanged. In short, an energy-driven headline print sitting on a core that is still easing year-on-year, but with monthly changes that do not yet show a convincing downward trend, particularly in services. Underlying price pressures remain evident in the annual rates for services less rent of shelter and for services less energy services. The disinflation in rents, on the other hand, looks genuine, and the travel and communication gains are the most likely to reverse. The levels nonetheless remain uncomfortable: at 3.4% headline and 2.4% core, annual consumer price inflation is still clearly elevated, and both measures sit above the Federal Reserve's 2% target.

Energy kept headline inflation in the US high, while core decreased compared to a year ago, but did accelerate more versus last month than expected



Source: LSEG Datastream, Syz Group

Underlying price pressures are still around and pushing service prices ex shelter and services ex energy services higher on a yearly basis



Source: LSEG Datastream, Syz Group

US producer prices were in line with expectations, but the details were not reassuring

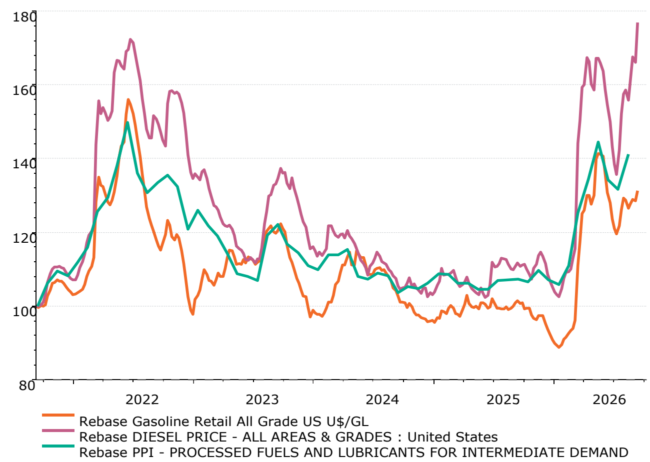
Producer prices point the same way, with the pressure sitting even more visibly in energy. Final demand PPI rose 0.4% in August, after an upwardly revised 0.1% in July, taking the annual rate to 5.4%. Goods prices jumped 1.1%, and over three-quarters of that came from energy, up 4.2%. Diesel alone, up 24.1%, accounted for more than a third of the rise in goods; gasoline, jet fuel and heating oil also advanced. Services were far calmer, edging up 0.1%. Transportation and warehousing rose 2.3%, led by truck freight, while trade services, a proxy for retail and wholesale margins, fell 0.2%, and services excluding trade, transport and warehousing were unchanged. The core measures were correspondingly softer: PPI excluding food and energy rose 0.2%, below the 0.3% consensus, and the measure excluding trade services rose 0.3%.

Here too, though, the annual rates remain clearly elevated, at 4.6% and 4.7% respectively. The pipeline shows the energy shock most clearly: processed goods for intermediate demand rose 1.8% and are up 11.5% over the year, with unprocessed goods up 12.8%. Two implications. First, margins are absorbing part of the shock, with margins for fuels and lubricants retailing down 11.3%. That limits near-term pass-through to consumers but compresses profits. Second, the PPI components that feed the PCE deflator came in firmer, notably airfares and medical care, pointing to a somewhat larger core PCE increase in August.

The latest inflation data reinforce market expectations of a Fed hike in September, and we agree

August's CPI and PPI main figures were broadly in line with market expectations, but the composition of the readings supports our call for a September hike. Core CPI rose 0.3%, above consensus, and monthly momentum shifted: core services firmed to 0.3%, while measures of underlying inflation – services excluding shelter, services excluding energy and supercore gauges – continue to show that price pressures persist. The annual core rate eased to 2.4%, yet the near-term direction has turned. We now put the probability of a September hike clearly above 50%, while acknowledging that the FOMC may still hold and lean against market pricing. A further hike in December, or even as early as October, is increasingly plausible, given the latest surge in energy prices – diesel producer prices rose 24.1% in August.

Latest energy price surge puts upward pressure on energy input costs for companies



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