

# U.S. Inflation Insight: Nov 2022

## MNI View: Progress But Too Soon To Declare Victory

By Chris Harrison and Tim Cooper

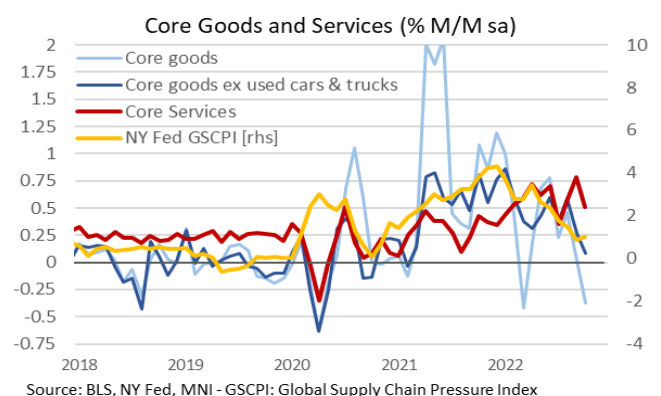
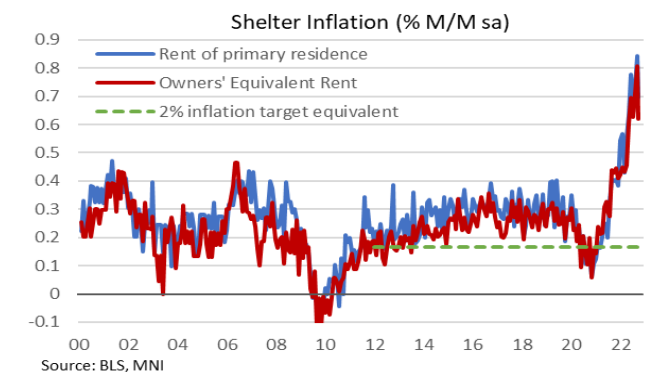
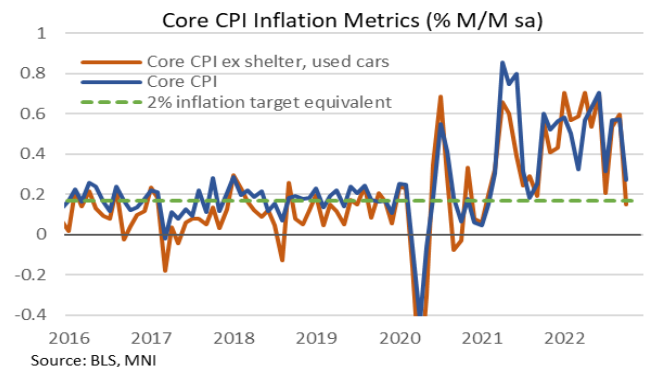
- CPI inflation was significantly weaker than expected in October as core slowed from 0.58% to 0.27% M/M with contributions from goods and services alike, the latter importantly from slightly larger than expected cooling in rents but also an idiosyncratic factor in health insurance.
- It is however just a single print, carrying a risk of a reversal as was the case most recently in July.
- Markets see a 50bp hike at the Dec FOMC as locked in (57bp prior) building on guidance from Powell and reinforced by subsequent FOMC comments, whilst the terminal closed some 15bps lower at circa 4.9%.
- We wouldn't be surprised to see more hawkish FOMC commentary to limit the easing in financial conditions after equities also surged and the US dollar had its worst day since 2015.

**The clear takeaway from the October inflation report was core CPI slipping from 0.58% to 0.27% M/M vs consensus 0.5% with contributions from goods and services alike.** Analysts had seen some downside risk with 25 of 67 looking for 0.4% but only 1 called for 0.3% M/M, and it went sharply against the Cleveland Fed nowcast of 0.54% with the largest gap since the pandemic.

**The main drivers for the moderation in inflation were in the three expected categories but they all cooled by more than analysts expected.** Used cars are starting to finally see larger declines as supply chains improve (-2.4%, still 47% higher than pre-pandemic) while medical care services saw its largest decline on record (-0.6%) after the small health insurance cost component slid 4% in the annual benchmarking. While this adjustment was larger than expected and will mechanically weigh on core CPI (likely drag 0.05pp from monthly CPI over the next year after a boost of +0.03pp in the past year), different source data could mean a small impact on the Fed's target PCE – more below. And its idiosyncratic nature means it is unlikely to meaningfully affect Fed thinking on its own.

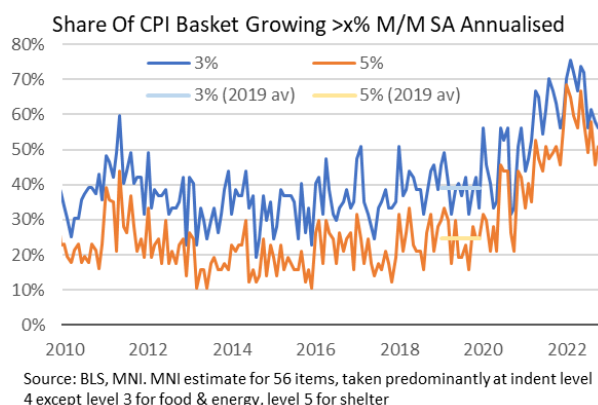
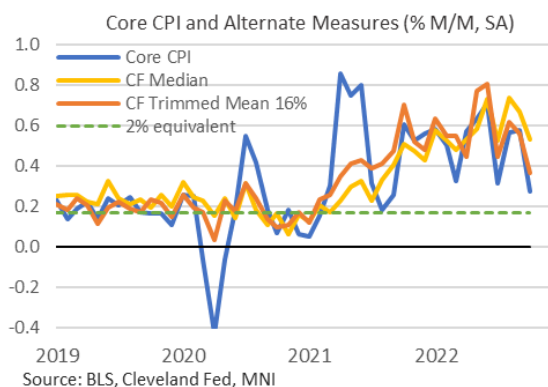
**More important, as usual, are the rent components, which cooled quickly from fresh cycle highs set in September.** OER led the way at 0.62% M/M from 0.81 prior as rent of primary residence also eased to 0.69 from 0.84 - technically the lowest since May after a string of upside surprises, but it's all relative at still double the monthly pace seen in the pre-pandemic period. Some of the market excitement behind this was likely on the hope that rent price pressures - which are notoriously inert – have started to show signs of fading, leaving next month's CPI release particularly important in this respect.

**The report also reinforced the view that the long-awaited deflation in core goods has arrived/is imminently arriving to help put downward pressure on overall inflation.** Core goods prices fell -0.38% M/M in October, driven by the above decline in used cars. Importantly though, when compared to the similar-sized one-off decline in March on an even larger fall in used cars, this time around other core goods saw a more notable

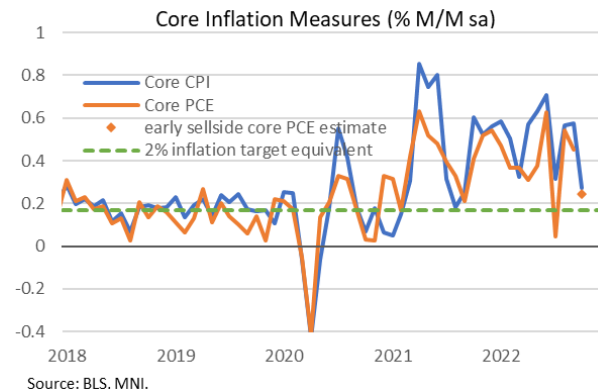


deceleration - core goods excluding used cars & trucks rising just 0.1% M/M for the lowest sequential pace since Feb'21.

**There are however grounds not to overreact to the report**, with it being just one month of data, and FOMC members wanting to see sustained lower readings. The Cleveland Fed median CPI demonstrated the breadth of inflationary pressures, only moderated to 0.53% M/M, although the trimmed mean did offer some more hope which at 0.37% M/M was the softest monthly increase since Apr'21. Equally, MNI's reading of the dispersion showed little additional improvement on the month – with the share of items growing in excess of 5% annualized actually increasing to 51% vs the 2019 average of 39% (**and the Atlanta Fed seeing this above 60% - more below**).



Different methodologies for core PCE – which is ultimately what the Fed is focused on – see estimates tracking in the low 0.2% M/M region, depending on details in next week's PPI release. That would near enough close the wedge to core CPI (PCE typically lower), meaning a slightly slower moderation on the month from the 0.45% in Sept compared to 0.58% for CPI, whilst remaining above the July low of 0.05%.



**The reasonable conclusion is to expect a downshift in the hiking pace to 50bp in Dec to a 4.25-4.50% target rate.** That was the path Powell pointed to last week, and FOMC speakers since then (and importantly, post-CPI) seem to be on board.

**Another 75bp raise can't be ruled out, but the bar to hurdle is quite high now**, potentially requiring not just a M/M rebound in the November inflation report (due on day 1 of the 2 day FOMC meeting in December), but solid-to-above consensus numbers in the upcoming 2 jobs reports AND potentially some stubbornly high long-term inflation expectations. The other factor of course is any Fed discomfort with easing financial conditions in the wake of the release. Oil prices jumped 4+%, tech stocks +7%, with the dollar having its worst day since 2015: all inflationary moves, and all set to rebound inflation expectations. 10Y real rates (TIPS implied) dropped 25bp. A FOMC push-back at this exuberance is quite plausible between now and the December meeting.

**But while terminal rate pricing dropped 15bp to just under 4.9%, this is hardly settled:** the debate will continue about how long the Fed will have to keep raising and hold rates next year, with incoming data likely to signal sustained inflationary pressures several months into 2023. A terminal rate above 5% still looks like the most likely outcome - though the path ahead will, as always, remain data dependent.

## Contents

- **Page 1-2:** MNI View
- **Page 3:** FOMC Commentary, Sell-Side Analyst Summary
- **Page 4-7:** Sell-Side Analyst Comments

- **Page 8-9:** Inflation Chart Pack
- **Page 10:** MNI Policy Team Commentary

## Post-CPI Commentary From Fed and Other Officials

- **Daly ('24 voter):** Time is now to step down on rate hike pace but pausing is not a subject of discussion. Jobs growth stronger than we need it to be and US inflation data 'good news' but 'far from a victory'. Need to see positive traction on getting to 2% inflation, not prepared to make mistake of higher inflation expectations.
- **Logan ('23):** Oct CPI data a welcome relief but a long way to go, may soon be appropriate to slow rate increase pace. Process of cooling off economy is just getting started, must focus on promptly restoring price stability.
- **Harker ('23):** Favours a possible pause in rate hikes when the Funds rate hits around 4.5%, noting that policy lags may not be as long as previously thought and that he's hearing more signs of a slowing economy from local contacts [pre-prepared remarks].
- **Atlanta Fed economist Meyer:** An unexpectedly softer U.S. CPI report for October paints a rosier picture of moderating inflation than is likely the case. Roughly 60% of the CPI basket is still rising at rates above 5%, and alternative measures of underlying inflation remain "very elevated, reflecting broad-based price pressure," he said. "This is a better report than we've seen over the past several months, but only slightly. The topline numbers are overstating the improvement in underlying inflation".
- **Yellen:** Cautions against overreacting to report; housing/rent component to fuel inflation well into 2023.

## Oct 2022 CPI Report: Analyst Reviews

Most analysts expect a 50bp hike in Dec - although Pantheon entertain a 25bp – whilst some caution it being a single print

Analyst	Summary
ANZ	Expecting another 100bp of hikes to a terminal 5%
BofA	Labour market remains key determinant of terminal rate
BMO	Small win for the Fed, supporting slower cadence ahead
BNP	Encouraging Signs, But Services Inflation Won't Break Until Next Year
CIBC	Market reaction may not be accounting for relatively narrow base to downside surprise
Commerz	Maintain forecast of 50bp in Dec and smaller hikes thereafter
GS	Continue to expect 50bp hike in Dec and 25bp hikes in Feb and Mar
ING	Fed rhetoric to remain hawkish to prevent over easing of financial conditions
JPM	Supports idea that moving past firmest period for inflation, still eye 50bp in Dec
MS	Welcome news but stronger than expected payrolls could complicate
NatWest	Supportive of step down to 50bp but terminal should still be higher than dot plot
Pantheon	Potential scope for 25bp hike in Dec, little chance terminal as high as 5%
RBC	It's time for the doves to spread their wings
SEB	Stick to call for 50bp in Dec with Fed getting closer to end of hiking cycle
Scotia	Massive market reaction is combination of hope-drive rally and positioning squeeze
TD	Cements 50bp in Dec but market may be getting a little ahead of itself, TD see 5.5% terminal
Unicredit	Should confirm downshift to 50bp rate hikes in Dec but still needs to press ahead
Wrightson	Allows 50bp downshift in Dec

**ANZ: Expecting Another 100bp Of Hikes To A Terminal 5%**

- While core inflation may be in the process of peaking the Fed still has work to do - it can't rely one month of data, particularly for service prices.
- Both OER and primary rents would need to show further moderation in coming months to be confident that the main driver of service price inflation is easing. Whilst there is growing evidence that new rental lease prices are falling, it will take time for that to feed through to the CPI, with the lag typically 9–12 months.
- We continue to expect the Fed to hike another 100bp to a terminal 5.0%, consisting of 50bp in Dec and an additional 25bps in each of Feb and Mar meetings.

**BofA: Labour Market Remains Key Determinant Of Terminal Rate**

- We view this report with a slightly optimistic lens.
- i) Evidence on core goods deflation continues to build - a partial reversal in the relative price of core goods is a major factor behind our outlook for inflation returning to target by year-end 2024.
- ii) Services remain sticky, which could persist until the labor market rebalances, but we do expect further moderation for shelter.
- The report is consistent with our view of a downshift to 50bp in Dec, with the labor market remaining the key determinant of the terminal rate, in our view.

**BMO: Small Win For the Fed, Supporting Slower Cadence Ahead**

- This report is only the second time in the past year that the core measure has risen a relatively mild 0.3% M/M, so it's unclear whether this is the start of a slower trend.
- What is becoming clear is that goods prices are weakening as consumers push back against price hikes, while service costs (notably shelter) remain brisk though they no longer appear to be accelerating.
- That's a small win for the Fed. For now, today's release weighs toward a slower cadence (50 bps), but only time will tell where the terminal rate ends up. We currently see two additional 25 bp moves early next year.

**BNP: Encouraging Signs, But Services Inflation Won't Break Until Next Year**

- BNP sees the October inflation data as paving the way to a 50bp Fed hike in December, but it does not impact their analysts' existing expectations for a terminal 5.25% rate in Q1 2023.
- The October reading "showed encouraging signs that disinflation has begun. While an initial leg down toward 4-5% looks readily achievable by mid-2023, completing the journey to 2% will be more difficult. In our view, this will be conditional on Fed resolve to maintain restrictive policy even while the economy struggles through recession."
- Among the goods price drop, there were "affirmative signs that companies are offering discounts to liquidate excess inventory. Household furnishings, apparel and education and communication items all saw declines in prices."
- However, services prices won't "break" until next year, with core services continuing to rise on a Y/Y basis through Q1 2023, and ending 2023 at around 5%. "The overall message on the services inflation side remained one pointing to significant upward pressures, in our view, supported by ongoing wage increases."
- While BNP looks for a turn in rental prices soon, "this will hinge upon a more compelling deterioration of labor conditions, which has yet to materialize".

**CIBC: Market Reaction May Not Be Accounting For Relatively Narrow Base To Downside Surprise**

- Given that the downside was relatively contained to a few categories, the Fed will remain on track for further outsized hikes ahead, with Fed Funds seen peaking at 5.0% in Q1 2023, and core CPI inflation to reach the 2% target in late 2023.
- While we are optimistic that inflation can return to 2% in late 2023, the market's reaction may not be accounting for the relatively narrow base of this downside surprise.
- Although health care has a higher weight in the Fed's target PCE index relative to CPI, the PCE index includes expenditures on behalf of consumers by third parties, not just out-of-pocket expenditures made by consumers, and the drop in health insurance costs may therefore not feed through fully into the PCE index.

**Commerzbank: Maintain forecast of 50bp in Dec and smaller hikes thereafter**

- Inflation has probably passed its peak but a very rapid decline should not be expected, as rents in particular, the most important expenditure item, still showed no signs of easing in October. Moreover, inflation is likely to remain higher in the longer term than before the pandemic due to structural factors such as the costs of climate policy, reduced labor supply for demographic reasons and increasing protectionism.

- One should not read too much into a single data point but on top of that, wage growth is stabilizing and job creation is slowing down further. If confirmed by the next jobs data and the Nov inflation figures, there is a lot to be said for a slower Fed pace.
- Maintain forecast that the Fed will raise rates by only 50bps in Dec with even smaller steps early 2023.

#### **DB: Lower CPI Forecasts On Potential Rent Peak, Softer Goods**

- Deutsche lower their inflation forecasts, and the downside miss will allow the Fed to follow through on their downshift to a 50bp hike in December. Their analysts still expect a terminal Fed funds rate of 4.75-5.00% reached in March 2023 (25bps in Feb and Mar).
- They forecast end-2022 Q4/Q4 core CPI of 6.1% (down 0.3ppt), 2023 at 3.6% (also down 0.3ppt), and 2024 unch at 2.6%. Their core PCE forecasts have fallen by a similar amount, to 4.7%, 3.2%, and 2.2% respectively. These forecasts incorporate a recession in H2 2023.
- Re the downgrade, their analysts cite a potential peak in M/M rents with private estimates of asking rents softening, in addition to broader goods deflationary pressures.
- One highlight of October's report was the outliers: "the skew of the outliers within core was still to the upside, with the five largest outliers adding almost 40bps to the core print. However, in contrast to previous months, there were meaningful downside outliers" including health insurance and used autos.

#### **GS: Continue To Expect 50bp Hike in Dec and 25bp Hikes in Feb and Mar**

- We continue to expect the Fed to slow the pace of funds rate increase, with a 50bp hike in December and 25bp hikes in both February and March.
- Services inflation also slowed a bit more than we expected, with shelter categories rising at their slowest pace since May and moderation in some wage-sensitive services categories including hospital services, daycare, and personal care.
- The 2.4% drop in used car was similar to our expectations, and we expect additional declines ahead.

#### **ING: Fed rhetoric to remain hawkish to prevent over easing of financial conditions**

- US inflation slowed more than expected in October, fuelling hopes that the peak has passed and the Fed can slow the pace of rate hikes and perhaps bring them to an earlier conclusion.
- However, the jobs market remains tight and M/M readings are still tracking far higher than required to get inflation back to 2%. We can't give the all-clear yet.
- We would expect to see some fairly hawkish rhetoric over the coming days' messaging to prevent a loosening in financial conditions, e.g. while there likely will be a moderation in the size of rate hikes, inflation is not defeated so the Fed has more work to do with a higher terminal rate than it signalled in September.

#### **JPM: Supports Idea That Moving Past Firmest Period For Inflation, Still Eye 50bp In Dec**

- The report supports the idea that we are moving past the firmest period for inflation and that a decent amount of the inflation we have seen over the past year will prove to be temporary or transitory in nature.
- There are a lot of moving parts within core CPI, but two broad stories played out: rent (and shelter more broadly) continued to look firm, but there were soft details on net elsewhere in the core.
- It should increase the FOMC's comfort with the idea of slowing the pace of tightening at the December meeting, and we continue to look for a 50bp hike from the FOMC at that upcoming meeting.
- Core PCE estimated at 0.23% M/M in October, up 5.0% Y/Y, to be revised after PPI next week.

#### **MS: Welcome News But Stronger Than Expected Payrolls Could Complicate**

- The softening of core is welcome news for the Fed. Policymakers have indicated that their preferred next move would be a stepdown to a 50bp hike in Dec.
- Signs of deceleration will help though a stronger than expected December payroll print (300k+) could still complicate the issue at the margin.
- Core PCE estimated at 0.24% M/M for October, headline 0.35%.

#### **NatWest: Supportive of step down to 50bp but terminal should still be higher than dot plot**

- The move lower in core CPI included some big moves in the medical care (-0.5%) and used car (-2.4%) prices, with both components falling more than expected.
- NWM continue to expect a 50bp hike in Dec with 50bp more hikes in 1H23. By itself, the data support the Fed stepping down the size of expected rate hikes as early as the Dec FOMC meeting, but today's data

doesn't dramatically change the backdrop much that policy rates will likely get even more restrictive relative to what the September dot plot suggested.

- Core PCE estimated at 0.3% M/M (previously estimated 0.4%, following 0.45% in Sep) with the year/year rate easing a tenth to 5.0% Y/Y.

#### **Pantheon: Potential Scope For 25bp Hike In Dec, Little Chance Terminal As High As 5%**

- We said after the September report that downward pressure on inflation was visible everywhere except in the inflation data. That has just changed. We thought there was a decent chance of a 0.4% October core print, but 0.3% was too good to hope for.
- The fever appears to be breaking in rents, a few months earlier than we expected, and we are hopeful of a further clear softening over the next few months, and health insurance fell by a huge 4.0%, replacing a 0.03pp contribution to M/M core CPI with a 0.05pp drag until Sept. This is bigger than we expected.
- Our measure of the core-core CPI—which strips out rents and some of the Covid-distorted components, as well as health insurance—rose by only 0.25%, half the increases in Aug and Sep.
- We have learned over the past 18 months or so that one good core CPI print proves nothing, but we see good reasons to think this one is the real deal, given the downward pressure in the pipeline.
- We expect another decent core print in November, giving the Fed scope to hike by only 25bp, provided the employment/wages numbers are on the soft side too. We think any further rate hikes are a mistake, and we see little chance that the terminal rate will be as high as 5%.

#### **RBC: It's Time For The Doves To Spread Their Wings**

- On balance, we love this CPI report. We have said for many, many months that core CPI will be moving in the right direction by year end, and that a 3-handle by mid-23 or a 2-handle by end-23 was not at all heroic. We still very much like these calls.
- And elements of this report fit very neatly into what we think will be ongoing themes in the months to come. On the Fed, we think they are completely overdoing it here. But at this point it's hard to create a plausible scenario to derail a 50bps hike in Dec...but we would like nothing more than for them to stop.
- What we could see happen on the back of this soft CPI is it allows different camps within the Fed to really start to re-emerge. Every Fed official has been a hawk of late. It's time for the doves to spread their wings.

#### **Scotia: Massive Market Reaction Is Combination Of Hope-Drive Rally And Positioning Squeeze**

- The undershoot to the Cleveland Fed's core CPI nowcast was the biggest since the start of the pandemic.
- The massive market reaction is a combination of a hope-driven rally and positioning squeeze much more than is sensible with the modest new evidence at hand. There are two reasons for this:
- i) we don't know if the relatively soft core inflation reading is simply a third head fake this year (sucker's rally post July 0.3% M/M reading before a pair of 0.6% prints.
- ii) we'll get another CPI report on the eve of the next FOMC meeting on December 14th. FOMC participants can change their forecasts and dots right up to the eve of the decision (ie: Tuesday night). There is probably going to be a high bar to risking abrupt changes to what they submit after the next batch of inflation readings, but it's possible if CPI surprises in either direction again.
- I suspect we're leaning toward 50bps in Dec pending further information and possibly higher terminal rate guidance in the dots based on Powell's recent press conference.

#### **SEB: Stick To Call For 50bp In Dec With Fed Getting Closer To End Of Hiking Cycle**

- Fed Chair Powell's comment at the September meeting suggested that the Fed is starting to shift its focus from sticky and elevated inflation to developments in the economy and on the labour market.
- Still, today's low reading will ease the pressure on the Fed to continue to tighten policy and will also give the Fed more leeway to react to any signs of a slowdown in the real economy and on the labour market.
- We stick to our expectations for a 50bps hike in Dec with the Fed getting closer to the end of its rate hikes.

#### **TD: Cements Downshift To 50bp In Dec But Market May Be Getting A Little Ahead Of Itself**

- The slowing in core reflected more modest, but still elevated rents and OER inflation, coupled with a nice retreat in core goods prices.
- It should cement views of a 50bp hike in Dec, per our forecast. At this stage, there is no longer a need to front-load tightening and the Fed now has room to shift to a steadier hiking pace going forward.
- The market may be getting a little ahead of itself as the Fed will need more reports to confirm that inflation is slowing before it can signal a pause. We remain long 10y Treasuries and in SFRH3-H5 flatteners.

- We continue to expect 50bp hikes in each of Dec and Feb, followed by 25bp hikes in March and May for a terminal 5.5%, keeping front-end rates elevated and the curve deeply inverted.
- One print does not make a trend, but it sure does help. Given where we are in the tightening cycle, it is natural for the market to think about the end-point is near, introducing asymmetry in USD around data/Fed.

## Unicredit: Should Confirm Downshift To 50bp Rate Hikes In Dec

- A single CPI report is not enough to mark a turning point in the US inflation dynamics. But the October reading brings good news on multiple fronts.
- This is consistent with our call that the Fed will start slowing down pace of its rate hikes in Dec to 50bp, needing to still press ahead with inflation remaining at levels not seen since the 1980s.

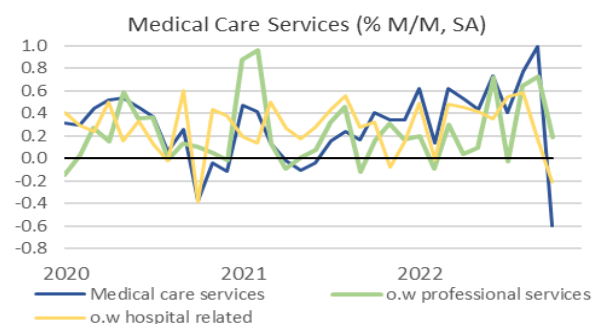
## Wrightson: Allows Downshift To 50bp In Dec

- The CPI was a major relief for the Fed. A number of factors contributed to the shortfall in the core CPI but the most significant was a deceleration in shelter costs.
- At first glance this seems likely to reinforce confidence that the shelter cost component of the CPI will moderate further heading into early next year, enough to allow a downshift to a 50bp hike next month.
- We were surprised by -0.6% M/M for medical services, led by a 4% drop in health insurance costs. The health insurance series tends to be persistent over the course of annual calculation periods from Oct-Oct. We don't expect this series to be quite as much of a drag next month, but this will also trim our core CPI forecasts for the months ahead slightly.
- Core PCE estimated at 0.2% M/M (5.0% Y/Y), with headline 0.3% M/M (6.0% Y/Y).

## Additional Inflation Details

### Weaker Details Behind Medical Care Services

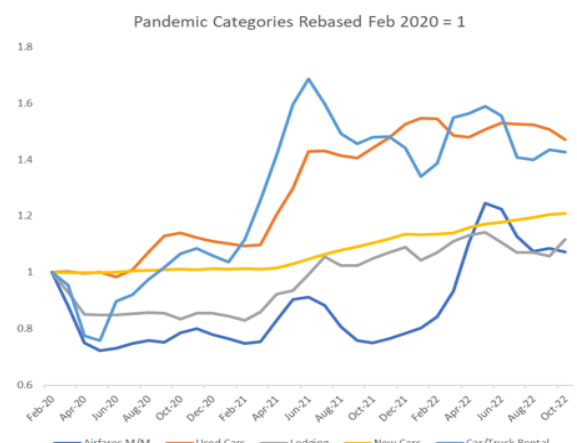
- The swing in medical care services from +1.0% M/M to -0.6% was sharper than expected (e.g. MS at -0.04%).
- There was the known reset in health insurance source data but both professional and hospital services, which together make up over eighty percent of the sizeable medical care services component (7% of CPI, 9% of core) both weakened notably to +0.2% and -0.2% M/M respectively.



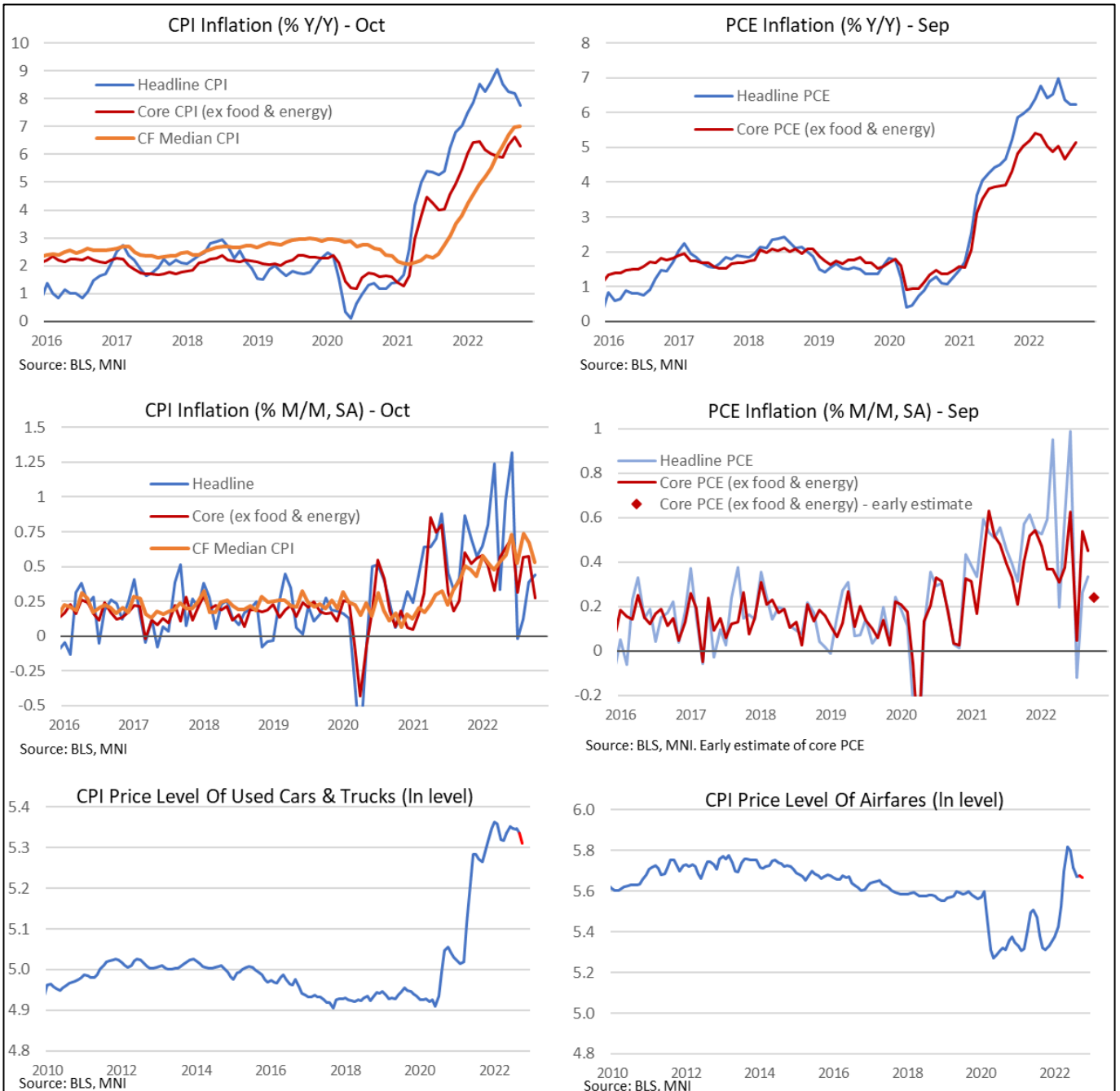
Source: BLS, MNI. Professional ~1/2 of medical care, includes physicians, dental and eye care. Hospital ~1/3 of medical care

### Hotels Defy Broader Pandemic Reopening Deflation

- Many of the big pandemic reopening categories of CPI have come back to Earth in the past few months - October was no exception, with M/M deflation in airfares, used cars, and auto rental, with new car inflation flat.
- The curiosity in October's readings is lodging away from home prices, which rose by 4.9% and despite making up 1% of the total basket, contributed 0.05pp to October CPI.
- Within this, hotels/motels rose 5.6%, the most since Jul'21, following contractions in 3 of the prior 4 months. The magnitude of the October jump in hotel prices (vs -0.8% M/M 6mth av, with no reading above 2%) suggests it could be a one off.
- But this is part of the overarching story of goods demand moving into services demand: with vacations/ travel picking up, and hotel occupancy levels well above 2021 levels (back to 2019 levels), it doesn't look like a category that will contribute to broader disinflation going forward as it has been recently.
- Hotel price inflation never really hit the heights of the other pandemic reopening categories: while they picked up significantly in 2H 2021, that was from depressed pandemic levels.
- Hotel prices are now up 12% from Feb 2020, having peaked at 14% above. Used cars and auto rental are still 40% above pre-pandemic levels, and like airfares, lodging prices took longer to recover.

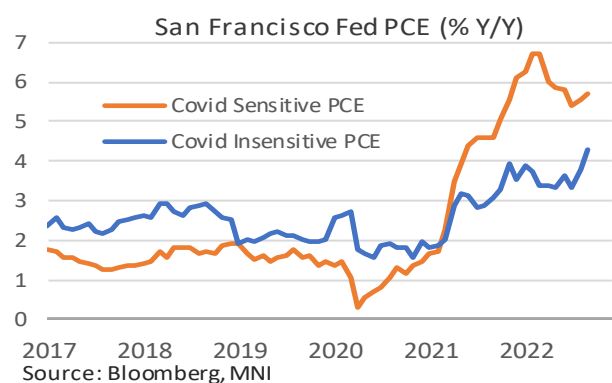
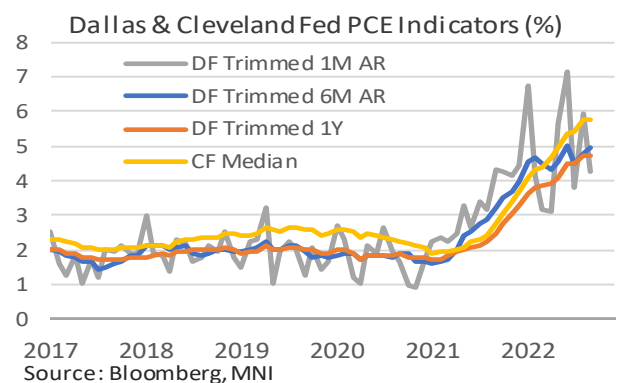
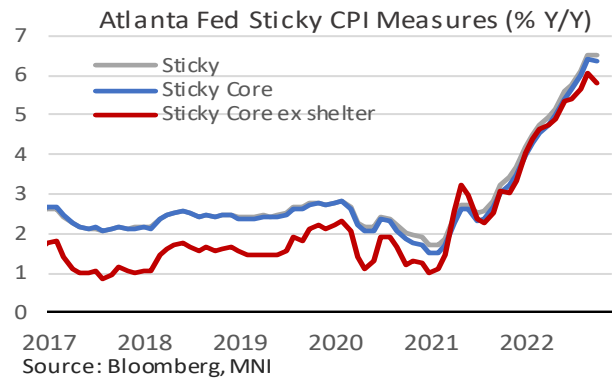
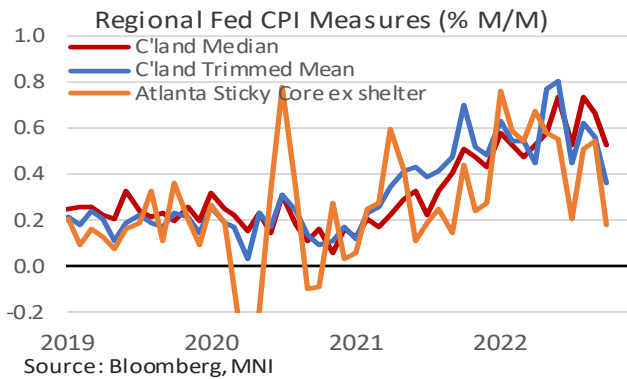


## Inflation Overview



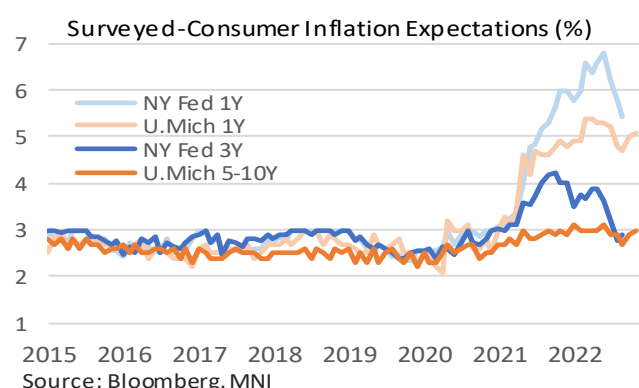
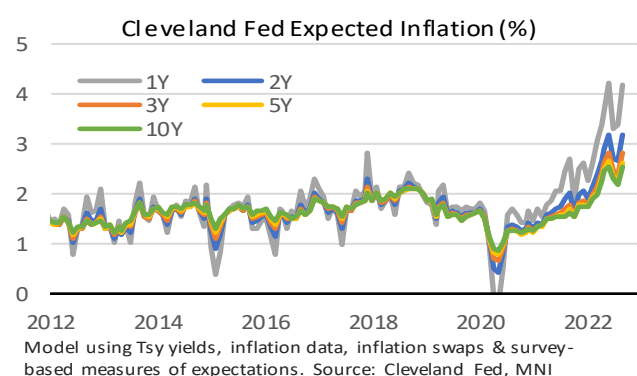
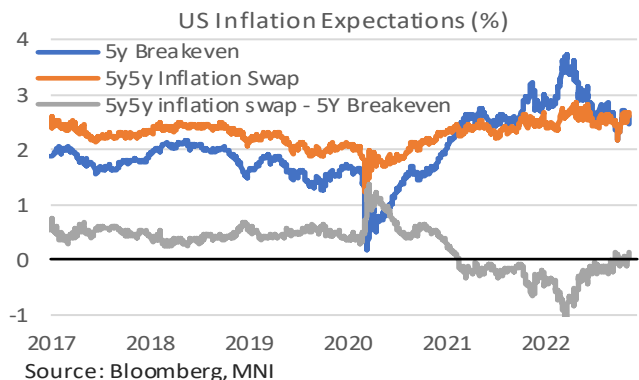
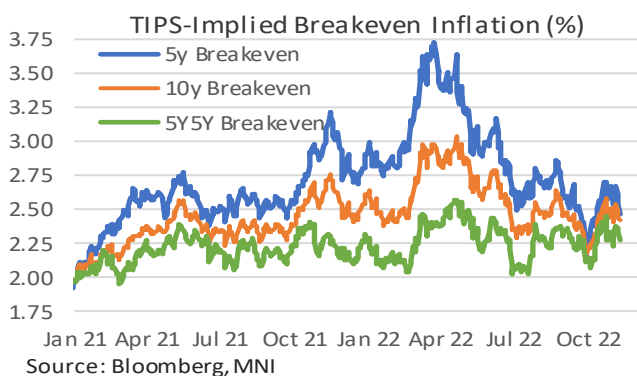
Red denotes latest change for levels charts

## Regional Fed Inflation Indices



(The PCE measures will typically lag CPI by one month in this publication)

## Inflation Expectations



# MNI Policy Team Insights

## MNI INTERVIEW: Cooldown in Oct CPI Overstated -Fed's Meyer

*By Jean Yung, published Nov 11*

(MNI) WASHINGTON - An unexpectedly softer U.S. CPI report for October paints a rosier picture of moderating inflation than is likely the case, Atlanta Fed economist Brent Meyer told MNI.

Roughly 60% of the CPI basket is still rising at rates above 5%, and alternative measures of underlying inflation remain "very elevated, reflecting broad-based price pressure," he said.

The Median, 16% Trimmed-Mean and Sticky CPI measures all posted increases in the 5% to 7% range, well above core CPI reading of 0.3% for the month or 3.3% on an annualized basis.

"This is a better report than we've seen over the past several months, but only slightly. The topline numbers are overstating the improvement in underlying inflation," Meyer said.

### CORE SERVICES

Economists have been waiting some time to see the consumer rotation from goods spending back to services show up in prices, and "we're finally starting to see that play out," Meyer said, calling the trend the best part of the report. Core goods prices fell 0.4% in the month, the first decline since March.

But core CPI and especially core services inflation were pulled down by a very sharp decline in health insurance prices due to the Labor Department's backward-looking methodology, he said. That technical factor will continue to be a drag on CPI in the coming months but won't affect the Fed's preferred PCE inflation measure, which estimates health care prices using different source data.

Meanwhile, a tight labor market and fast wage growth will likely prevent pressure on core services prices from evaporating very quickly, he said.

Richmond Fed President Thomas Barkin told MNI this week interest rates may peak higher than the Fed has anticipated until now if inflation doesn't slow and the labor market remains tight. (See MNI INTERVIEW: Fed's Barkin-Prices May Force Higher Rates Peak)