



US CPI firmer in January; CPI rose 0.5% in January while core prices rose 0.4% - a little firmer than expectations. On a year-over-year basis CPI rose 3%, up from 2.9% the month before. Excluding food and energy, prices rose 3.3%, up from 3.1% in December. Most concerning was that core services ex housing rose 0.76% last month to the highest level in a year. Some suspect that the spell of adverse weather (LA wildfires and hurricanes) contributed to January's price jump while others suspect a seasonal price aberration at the start of the year as companies reset pricing. However, housing inflation continued to moderate. Thursday's PPI data was also strong at the headline level, but the components that feed into the US Federal Reserve's preferred personal consumption expenditures measure suggest a more benign reading is likely when that index is released at the end of the month. Bond yields rose aggressively on Wednesday but reversed course on Thursday.

Meanwhile... Despite the uptick in inflation readings, Fed Chair Jerome Powell cautioned against overinterpreting one or two bad inflation readings. He called the underlying economy very strong but said the outlook is uncertain. Long-term inflation expectations appear well anchored, he said, while repeating that policy is well positioned for risks and uncertainties.

US retail sales unexpectedly fell in January - declining 0.9%. Core sales fell 0.8%, reversing December's gain. US industrial production rose 0.5% in January, beating expectations for a 0.3% advance.

Trump readying reciprocal tariff plan; US President Donald Trump on Thursday directed the US Trade Representative and the Department of Commerce to study on a country-by-country basis how to adjust US tariff rates on trade partners to match their existing duties and nontariff barriers, such as value-added taxes and industry subsidies. The study is expected to be completed by 1 April, with US levies expected to follow shortly after. Trump said he would later impose tariffs on cars, semiconductors and pharmaceuticals above and beyond the reciprocal rate. Markets appear unconcerned, viewing the delay in implementation as an opportunity for negotiations with trading partners. The imposition of reciprocal tariffs is seen as making less likely the across-the-board levies Trump promised during his campaign.

Hopes for Ukraine peace deal rise as Trump engages Putin; Trump and Russian President Vladimir Putin spoke last Wednesday and agreed to open immediate peace talks over Ukraine. Trump downplayed the odds of Ukraine recovering all its territory or joining NATO, angering Ukrainian officials for making concessions before negotiations had formally begun. Ukraine is seeking a security guarantee from the United States, fearful that Europe cannot offer such guarantees on its own, Ukrainian President Volodymyr Zelensky told the Guardian. Trump sent Treasury Secretary Scott Bessent to Kyiv this week where he presented Zelensky with a plan to provide Ukraine with military aid in exchange for US access to Ukrainian rare earth minerals. Goldman Sachs estimates that a limited Ukraine ceasefire scenario would boost eurozone GDP by about 0.2% while a complete ceasefire would boost growth by 0.5%. The analysis assumes a limited resumption of Russian natural gas flows to Europe, which would push down energy costs broadly.

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