

PALLAS PERSPECTIVE

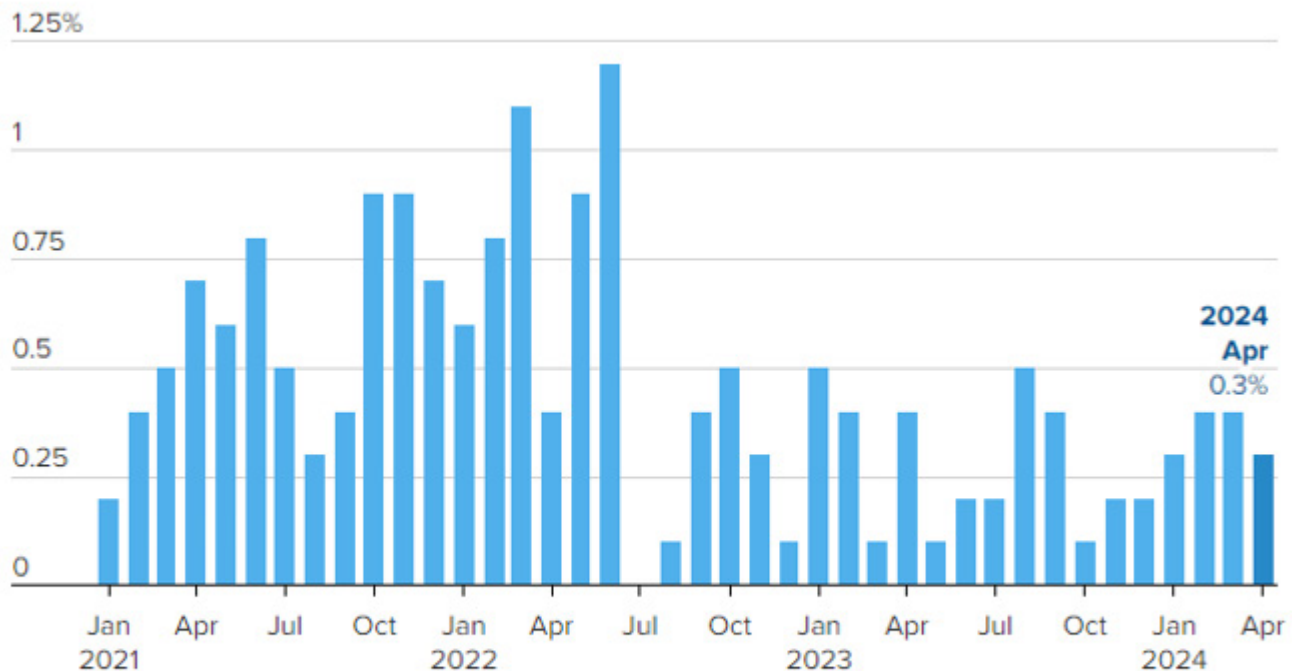
MAY 17, 2024

INFLATION DATA UNDER EXPECTATIONS FOR THE FIRST TIME IN MONTHS

The Consumer Price Index (CPI) showed an increase of 0.3% in April from March, which was less than expectations of a 0.4% rise. Core inflation rose 3.6% on an annual basis, the lowest reading excluding - food and energy since April 2021.

The market has been closely watching inflation data, as the easing of inflation would enable the Federal Reserve to cut interest rates. Given the strength of the economy year to date and higher than expected inflation numbers before this month, the market has reduced expectations for interest rate cuts this year. As a result, interest rates have steadily risen throughout the year.

U.S. CONSUMER PRICE INDEX MONTH-OVER-MONTH PERCENT CHANGE

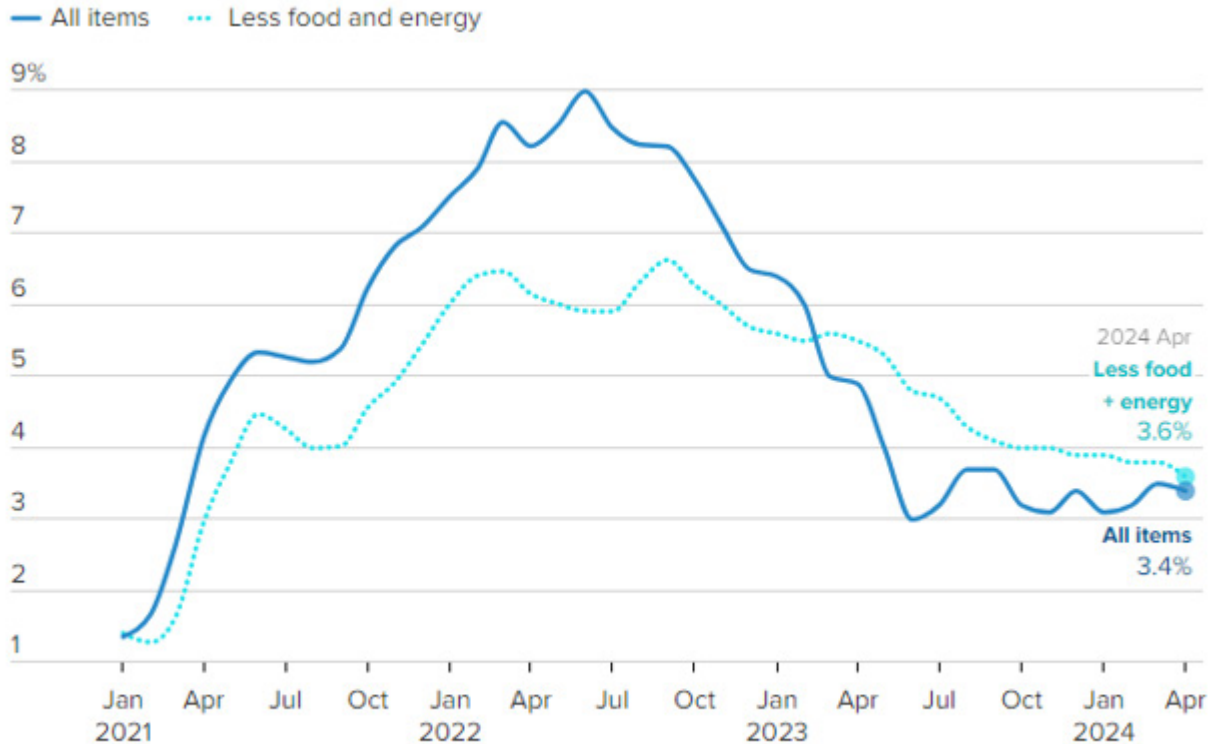


Note: Seasonally adjusted

Source: U.S. Bureau of Labor Statistics via FRED

Data as of May 15, 2024

**U.S. CONSUMER PRICE INDEX
YEAR-OVER-YEAR PERCENT CHANGE- JANUARY 2021-APRIL 2024**



Source: U.S. Bureau of Labor Statistics
Data as of May 15, 2024

With the lower than expected inflation reading, markets reacted positively with both stock and bond markets rallying. If the economy stays strong while inflation eases, a soft landing will be achieved in the economy, which is positive for earnings growth in the market while interest rates fall. While this recent data is positive, a scenario still exists where the economy has to enter a recession to finally tame inflation, which would be more negative for risk assets. Inflation could also tick back up in the next reading, further pushing out Federal Reserve rate cuts.

Some drivers of the Consumer Price Index this month include shelter costs which are still running high at 5.5% versus one year ago. Services are also strong with transportation services up 11.2% and services excluding energy up 5.3%. Detractors to Consumer Price Index included used and new vehicle prices which were down 1.4% and 0.4% respectively.

Pallas Capital Advisors will continue to monitor macroeconomic trends to determine implications for balanced portfolios to help clients achieve their goals. 2024 is off to a strong start but risks still exist across the economy and geopolitical issues.

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