# 082826 Insufficient Inflation Progress

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US Rates Strategy Daily August 28, 2026 Troy Ludtka, US Economics troy.ludtka@smbcnikko-si.com 1 212-224-5483 Insufficient Inflation Progress Fed Chairman Warsh's speech today was hawkish: "while this summer's PCE and CPI readings were better than expected, they do not tell me that underlying trends have meaningfully improved", and "the Fed's price -stability objective of 2 percent, as measured by the personal consumption expenditures (PCE) price index , is a firm, fixed target. Price stability is not self- executing." This signal is critical because earlier in the summer, for many Fed voters, openness to hiking was conditioned upon inflation cooling "soon" (shown below). Our economics team expects that this hawkish messaging reflects not only Chair Warsh's support for a September 16 hike, but that the committee has moved in the direction of supporting a hike . Today's remarks also indicate that Chairman Warsh is closely focusing on the headline PCE deflator as his preferred inflation metric — which is currently running at 3.7% y/y and just 2.2% on a three-month annualized basis.

Source: https://www.smbcgroup.com/americas/getmedia/5ec714b5-a1c4-4805-a456-98c6bbf90d15/082826%20Insufficient%20Inflation%20Progress.pdf