

Market Update – Q3 2023

- **US inflation continues to rise**
 - Price pressures remain stubborn as oil costs continue to push up inflation rate.
- **Deflation in China slows**
 - Deflation pressures in China ease but continue to show weak manufacturing demand.
- **OPEC unexpectedly reduces output**
 - Oil production cuts and extreme summer heat are causing oil supply shortages and higher oil prices.
- **Global trade is fragmented**
 - The World Trade Organization has reported a 4-6% decline in global trade flow due to ongoing global crises in geopolitics, public health, and environmental issues.



US Inflation continues to rise

Summary – The August Consumer Price Index surged from 3.2% to 3.7% primarily fueled by rising fuel costs. Core inflation also increased by .3% in August.

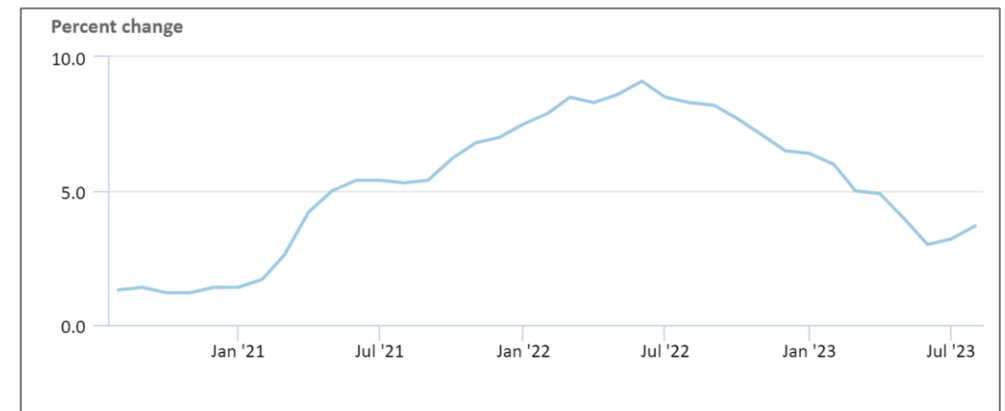
- **Detail**

- Economists believe that the Federal Reserve will likely maintain a cautious approach regarding rate hikes in the coming weeks.
- Gas prices were the largest contributor to the CPI's acceleration in August, accounting for more than half of the increase. The CPI's gasoline index jumped 10.6% in August up sharply from the 0.2% gain in July

- **Purchasing Comments**

- Raising interest rates in response to rising inflation suppresses economic activity and creates a cautious buying market. It appears that the Federal Reserve will keep interest rates at current levels, and that they will raise the rates one more time by .25% by the end of the year.

CPI, 12 month percent change, all items



Source: Bureau of Labor Statistics



Deflation in China slows

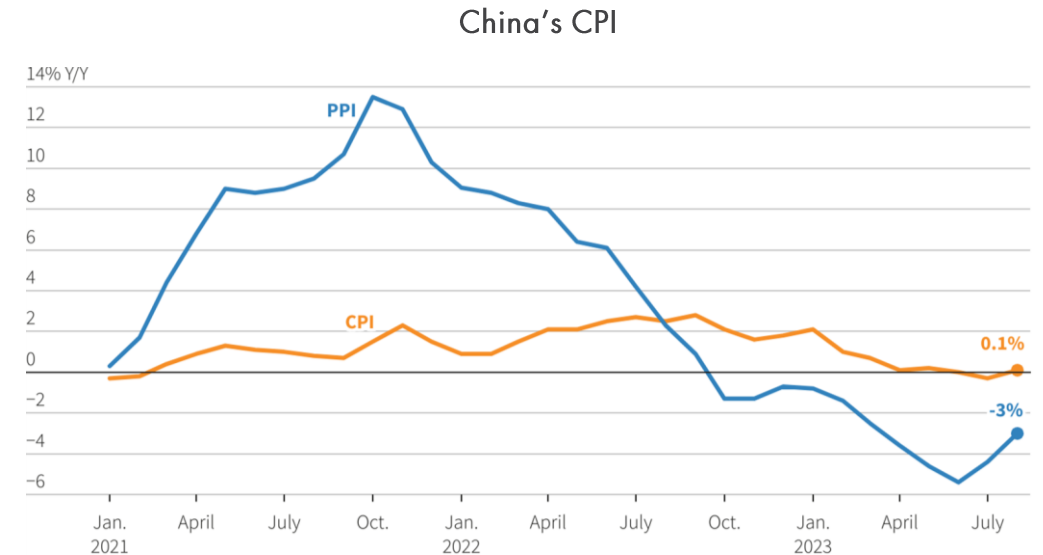
Summary – China deflation pressures ease but continue to show weak manufacturing demand.

- **Detail**

- In August, Chinese consumer prices bounced back into positive territory, while deflation in the Producer Price Index (manufacturing prices) decreased from 4.4% to 3%.
- Overall, this indicates a persistent global demand weakness but a stabilization in pricing.

- **Purchasing Comments**

- Stabilization of pricing should bring confidence to the macroeconomic market and should drive consistent long term demand.



Source: Reuters



OPEC unexpectedly reduces oil output

Summary – Unexpected OPEC cuts lead to recent oil pricing surge.

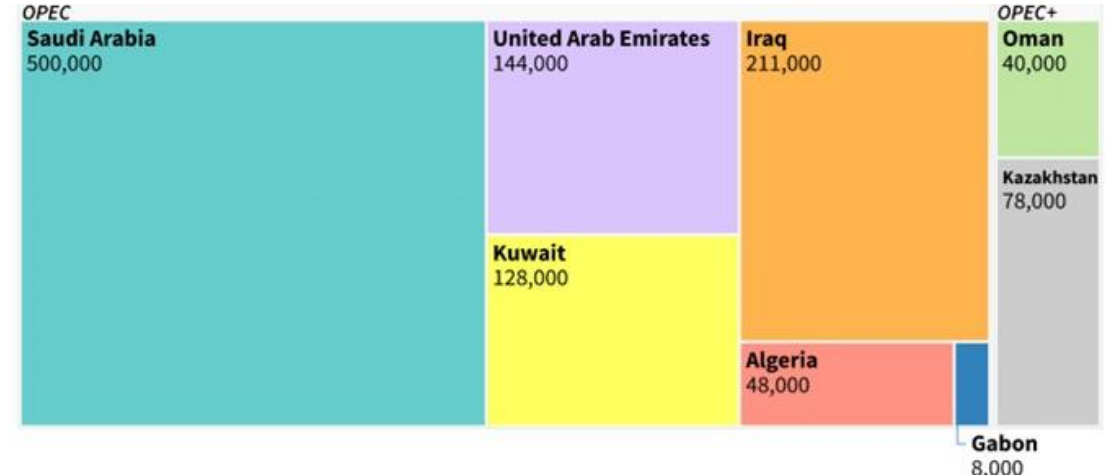
- Detail

- Extreme summer heat in the US caused oil refineries to limit production for safety purposes.
- Many countries in the OPEC+ Alliance announced crude supply cuts.

- Purchasing Comments

- Continued increase in fuel and energy costs will increase inflation and higher interest rates that could hamper the economy.

OPEC+ Alliance Cuts barrels per day of oil production



Source: Reuters



Global trade is fragmented

Summary – The World Trade Organization has reported a 4-6% decline in global trade flow due to ongoing global crises in geopolitics, public health, and environmental issues.

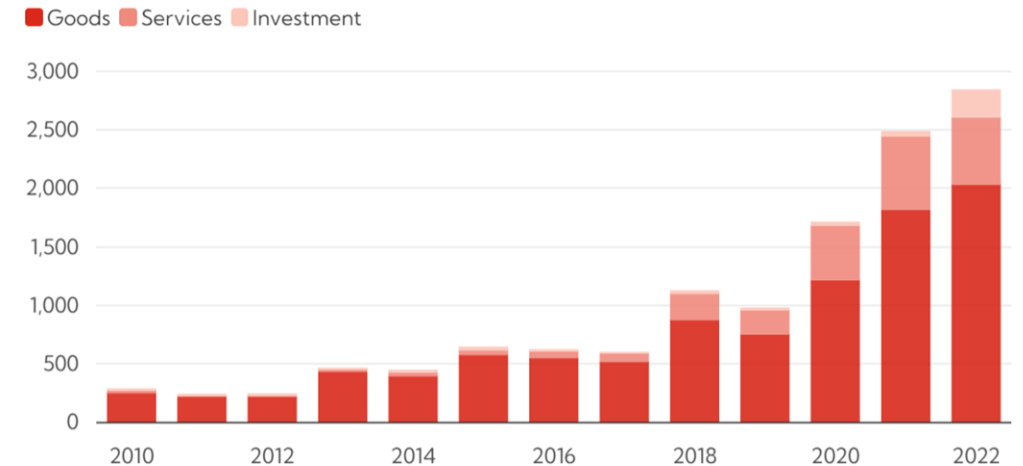
- **Detail**

- Growing trade restrictions may reverse economic integration and undermine the cooperation needed to protect against new shocks and address global challenges.

- **Purchasing Comments**

- Crisis such as the COVID-19 pandemic and the Russia-Ukraine conflict cause countries to examine international supply chain sources. Current geopolitical situations prove that more deliberate global cooperation is clearly needed.

Number of trade restrictions imposed annually worldwide



Source: IMF

