

Weekly Economic Brief

Collaboration with The Investing Group (TIG)

by Saied Toossi | Week of October 19, 2026

The past week delivered a sharp reminder of upstream cost pressures and their pass-through to consumers, with hot consumer, producer, and import price data.

The September Consumer Price Index (CPI) report showed headline inflation accelerating to 3.7% year-over-year from 3.4%, propelled by higher energy prices. Underlying price momentum was not solely an energy story. Core CPI inflation, excluding food and energy, rose to an annual rate of 2.6% from 2.4%, driven in part by higher shelter costs, which had been disinflationary. Shelter costs are likely to continue rising and putting upward pressure on inflation as higher interest rates challenge residential construction, reduce the supply of homes, and push homeownership and rental costs higher.

Pipeline price measures point to more increases in consumer prices ahead. The Producer Price Index (PPI) jumped to 6.3% year-over-year, the highest since December 2022. Final-demand price growth excluding energy, food, and trade services remained elevated at 5%. Import prices, which are measured net of tariffs, also rose 1.1% in September. The increase was broad based across fuel and nonfuel imports due to higher procurement and freight costs, adding to costs already faced by importers bearing the brunt of trade duties. Overall, import prices rose 8.1% over the same month last year, the largest annual increase since July 2022.

Meanwhile, consumer spending data continues to point to higher inflation ahead. September retail sales expanded by a nominal 6.3% over the same month in the previous year, with gasoline stations accounting for most of the monthly gain. The Redbook Index tracking same-store sales rose by a nominal 10.4% in the week ending October 10, 2026, the fastest pace since 2022, indicating further pass-through of upstream costs to consumers.

Despite mounting inflationary pressures, market expectations for the Fed's October 27-28 meeting remain anchored on a hold after key Fed officials signaled a preference for a pause. The markets, it seems, still prefer to "play the referee rather than the ball," contrary to Chair Warsh's hope that withholding forward guidance would encourage the opposite. Further rate action isn't expected until December. Bond yields also retreated despite the worsening inflation outlook, with the 10-year Treasury yield falling roughly 17 basis points on the week amid fresh jitters about the robustness of AI-driven economic growth.

Week ahead for economic data: The calendar features flash S&P Global PMIs for October, which are expected to indicate continued input cost pressures alongside persistent private-sector expansion. Also on the docket are the final University of Michigan consumer sentiment figures for October ahead of the November midterm elections, alongside a variety of housing indicators, including housing starts and pending home sales, that will provide insight on the trajectory of shelter-driven inflationary pressures.

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