

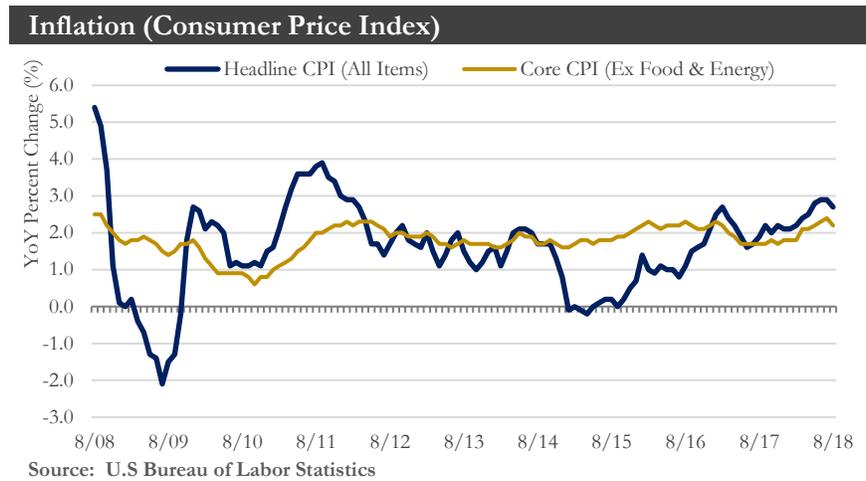
**CMC UPDATE: CPI Inflation Marks Slight Increase in August**  
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August consumer price inflation came a bit soft, with headline CPI increasing 0.2% and the core advancing 0.1%. The August softness saw headline inflation drop to 2.7% year-on-year. Similarly, the core rate fell back to 2.2%.

While inflation has picked up over the course of 2018, there are few signs of a breakout in price pressures. A strong U.S. dollar and a competitive retail sector are clearly helping to keep a lid on core goods prices.

Going forward, we expect inflationary pressures to pick up slightly over the coming quarters. The labor market is tight, and domestic demand is being pushed by tax cuts and spending. This backdrop supports our expectation for a continued gradual pace of interest rate increases, with hikes looking likely at the September and December meetings.



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