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September Inflation Was Softer Than Expected. Bring on the Rate Cuts.

By Megan Leonhardt

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While the September figure is still a full percentage point above the Fed's 2% target—and the highest level of inflation seen since January—it signals that the path of price growth is modest enough to allow for additional rate cuts.

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"This inflation print is a sigh of relief for the Fed and won't derail what is likely a second consecutive rate cut in October," writes Olu Sonola, head of U.S. economic research at Fitch Ratings. "As odd as it may seem, the Fed will be happy with inflation staying around 3% for the next couple of months. The tariff pass-through generally remains muted, as the focus shifts squarely to a weakening labor market."