CBC Weekly Economic Update for the Week Ending October 16th

Monday Loan & Deposit Pipeline Meeting

October 19, 2026

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EVP & CFO
Commercial Bank of California (CBC)

Discussion Topics

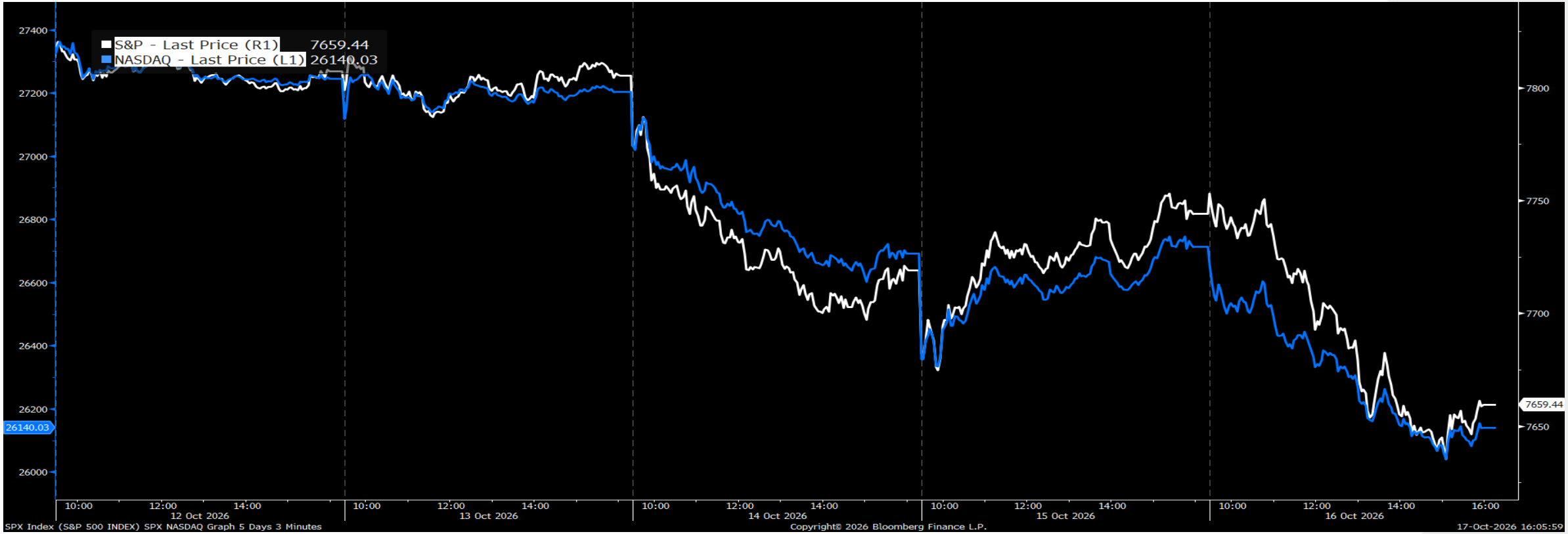
- Stock & Oil Markets
- Retail Sales for September
- Consumer Price Index (CPI) for September
- Producer Price Index (PPI) for September
- Weekly Initial Jobless & Continuing Claims
- Treasury Yields, Treasury Forward Rates & Rate Expectations
- Key Takeaways

Stock & Oil Markets

Equity Markets

Tech Sell-Off Weights on Equities as AI Concerns Intensify

- Nasdaq fell 4.5% and the S&P 500 declined 1.9%, while the Dow edged up 0.7%.
- High borrowing costs, questions about AI investment returns, and rising oil prices increased market volatility.

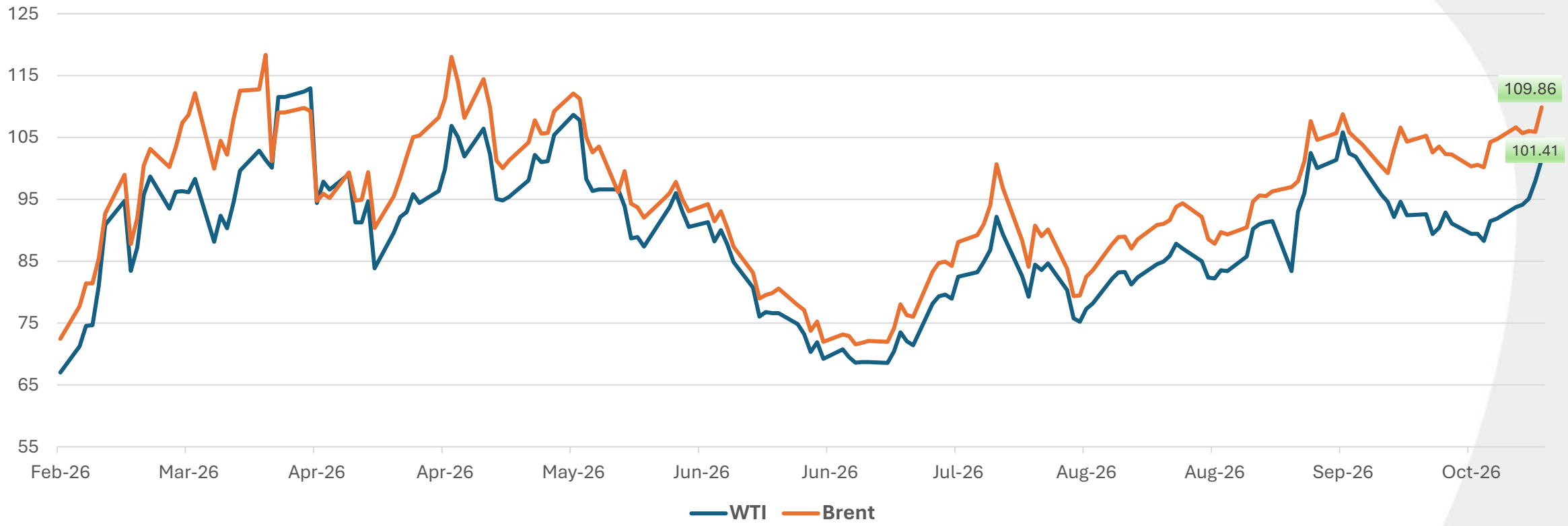


Source: Bloomberg

Brent & WTI Crude Oil Prices

Oil Prices Surge as Supply Risks Intensify

- Brent rose 4.9% to $109.86, its highest close since May, while WTI jumped 10.4% to $101.41.
- Middle East disruptions, falling U.S. inventories, and Russian refinery outages tightened the supply outlook.



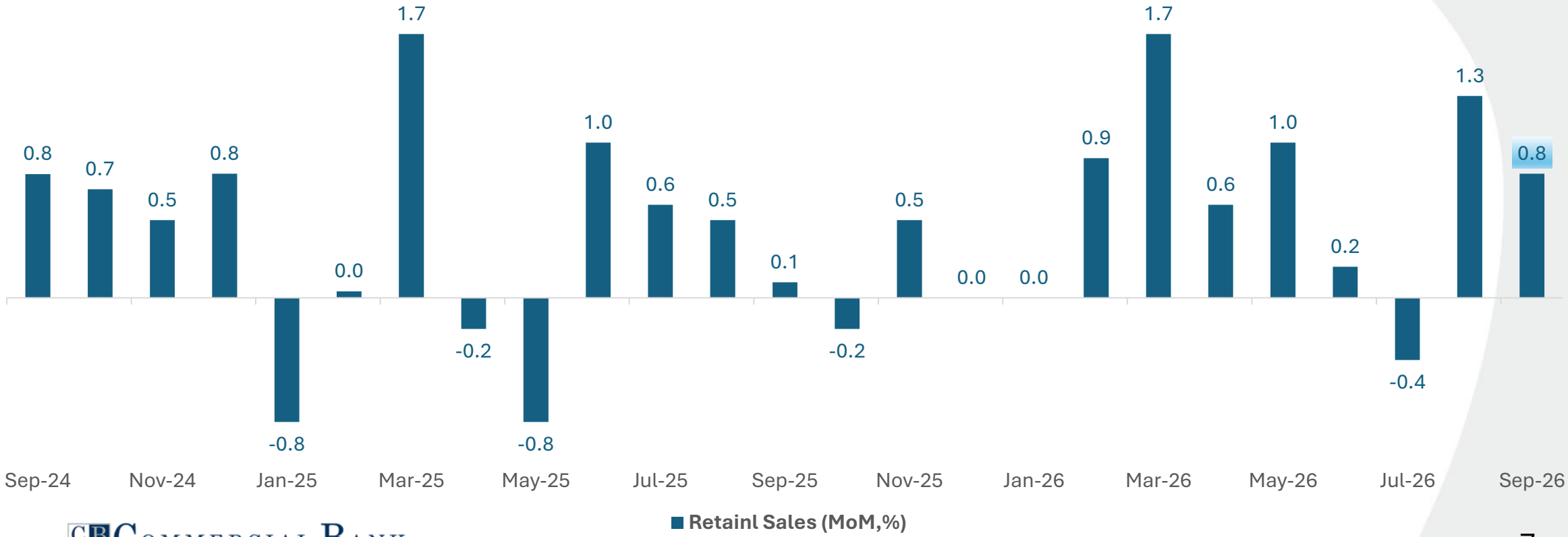
Source: Bloomberg

Consumer Activity

Retail Sales - September

Retail Sales Beat Expectations, Lifted by Higher Energy Prices

- September retail sales rose 0.8%, well above the 0.3% expected, though slower than August's 1.3% gain.
- Sales increased 6.3% year over year, up from 5.6%, with higher energy prices contributing to the strength.

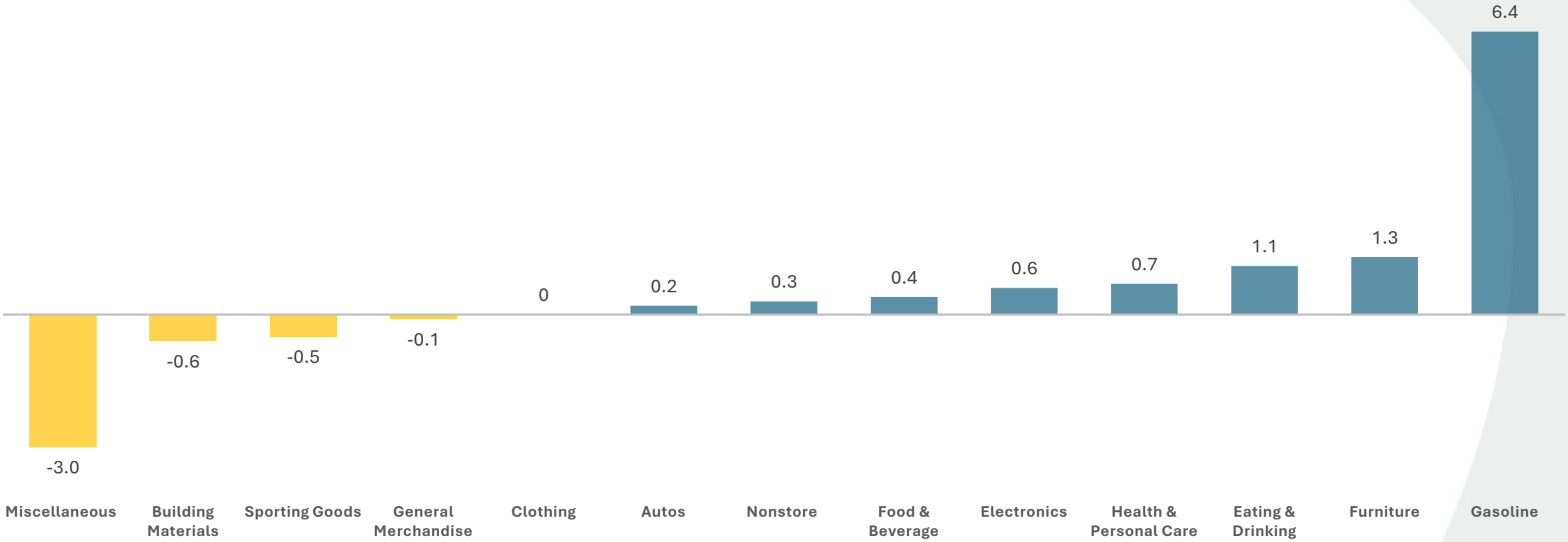


Source: U.S. Census Bureau

13 Retail Categories - September

Retail Gains Were Broad, but Gasoline Drove the Surge

- 8 of 13 categories increased, led by gasoline (+6.4%), furniture (+1.3%), and food services (+1.1%).
- Gasoline alone contributed 0.55 percentage points to the overall 0.8% increase, highlighting the impact of higher energy prices.

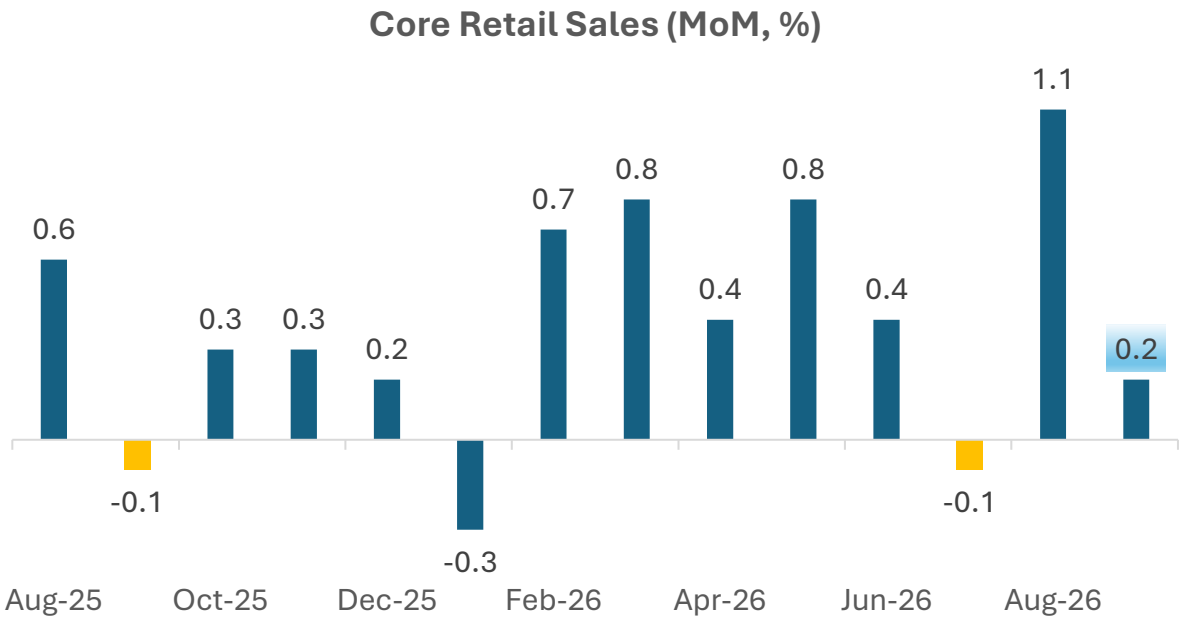


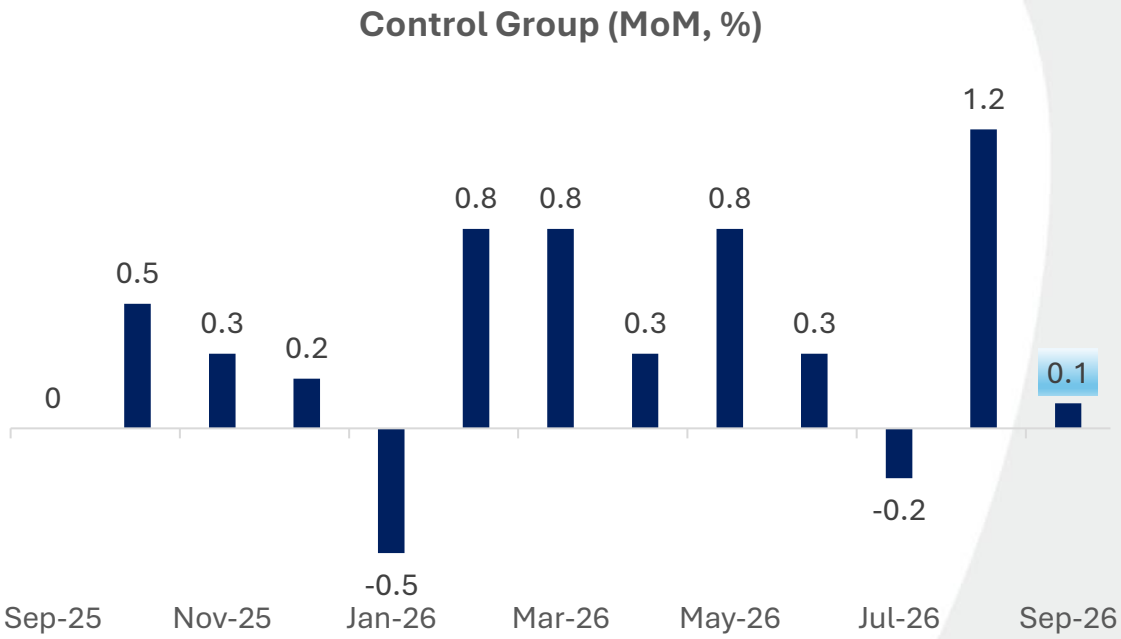
Source: U.S. Census Bureau

Core Retails & Control Group - September

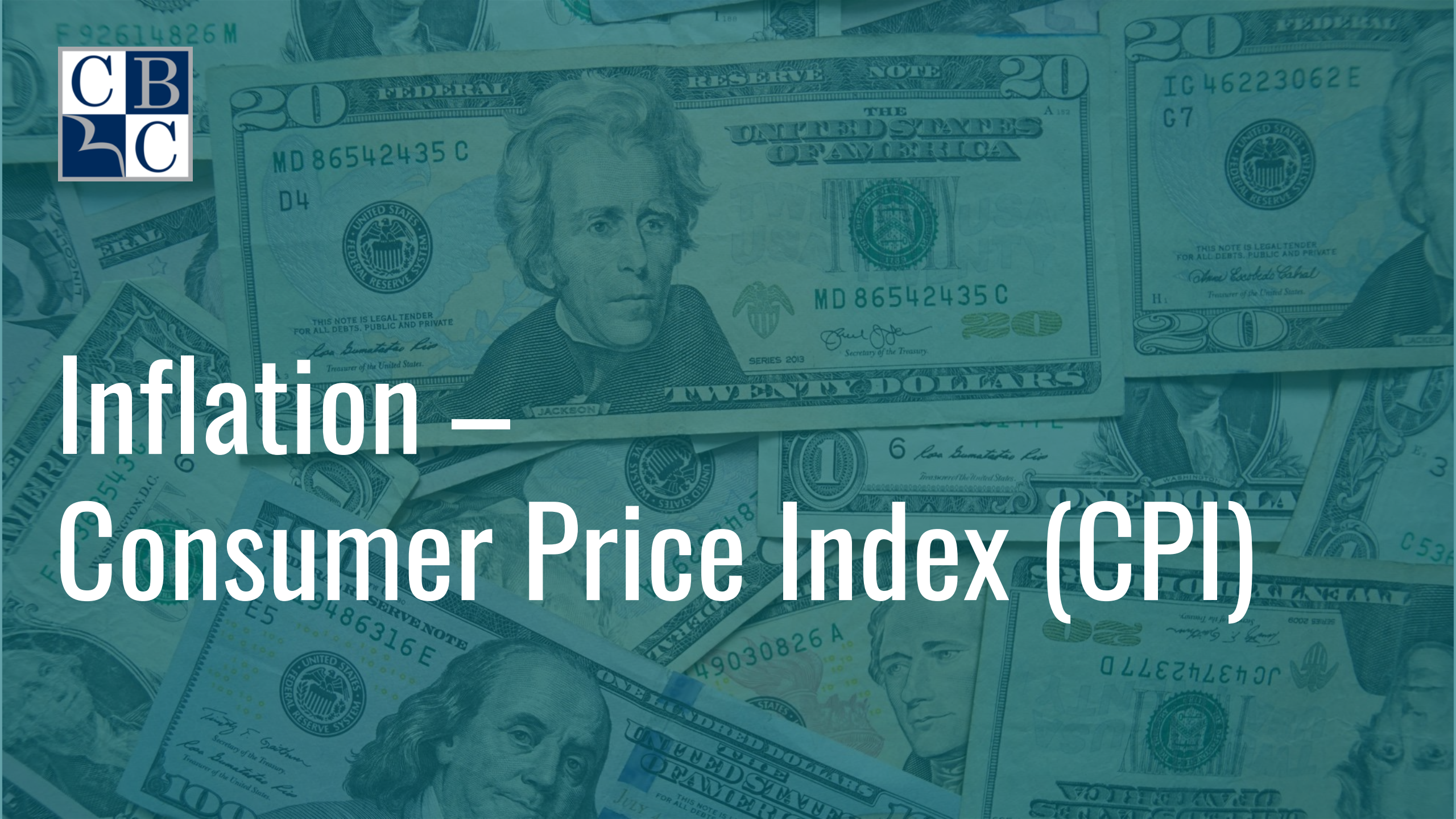
Underlying Retail Spending Moderates in September

- Core measures slowed from August, with sales excluding autos and gasoline rising just 0.2%.
- The control group, which excludes food services, autos, building materials, and gasoline and feeds into GDP, rose just 0.1%, below expectations.





Source: U.S. Census Bureau

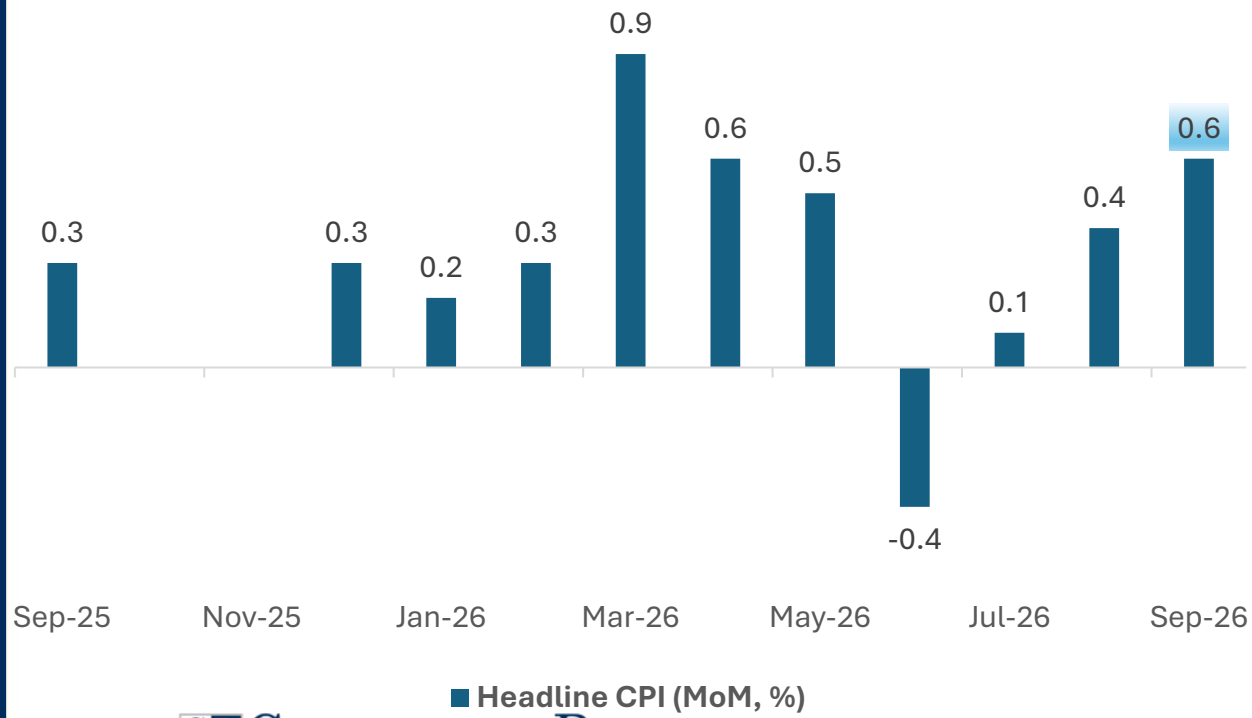


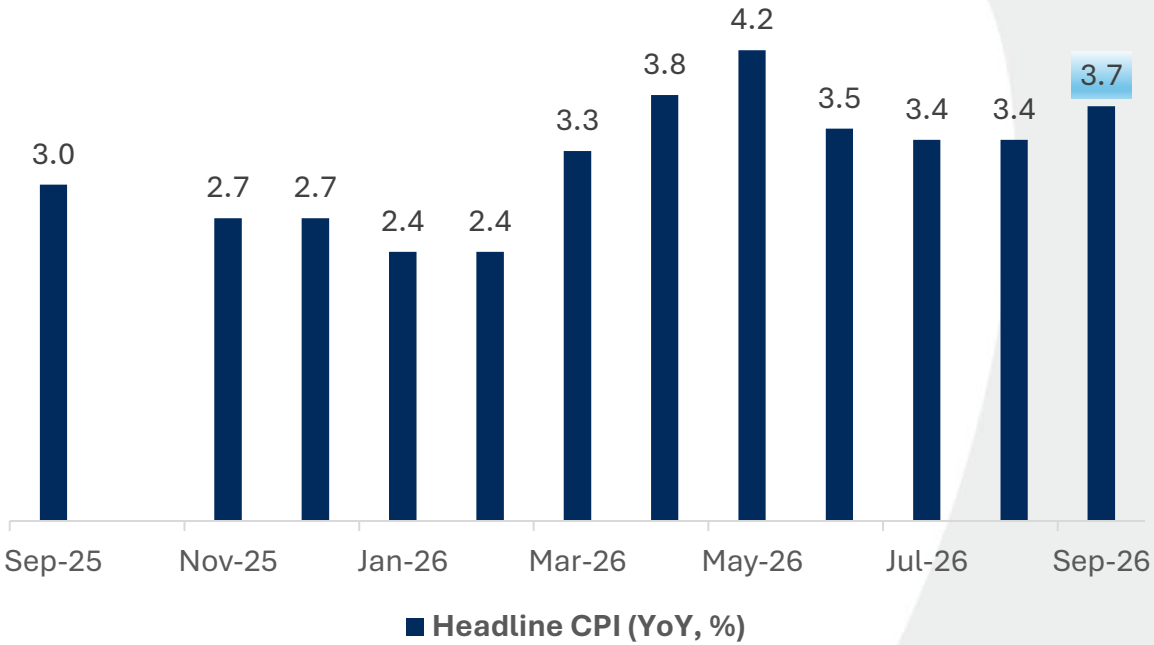
Inflation – Consumer Price Index (CPI)

Headline Consumer Price Index (CPI) - September

Consumer Inflation Accelerates as Price Pressures Broaden

- CPI rose 0.6% in September, the largest monthly increase since April, driven by higher energy, housing, goods, and transportation costs.
- Annual inflation accelerated to 3.7% from 3.4%, coming in slightly above the 3.6% market expectation.



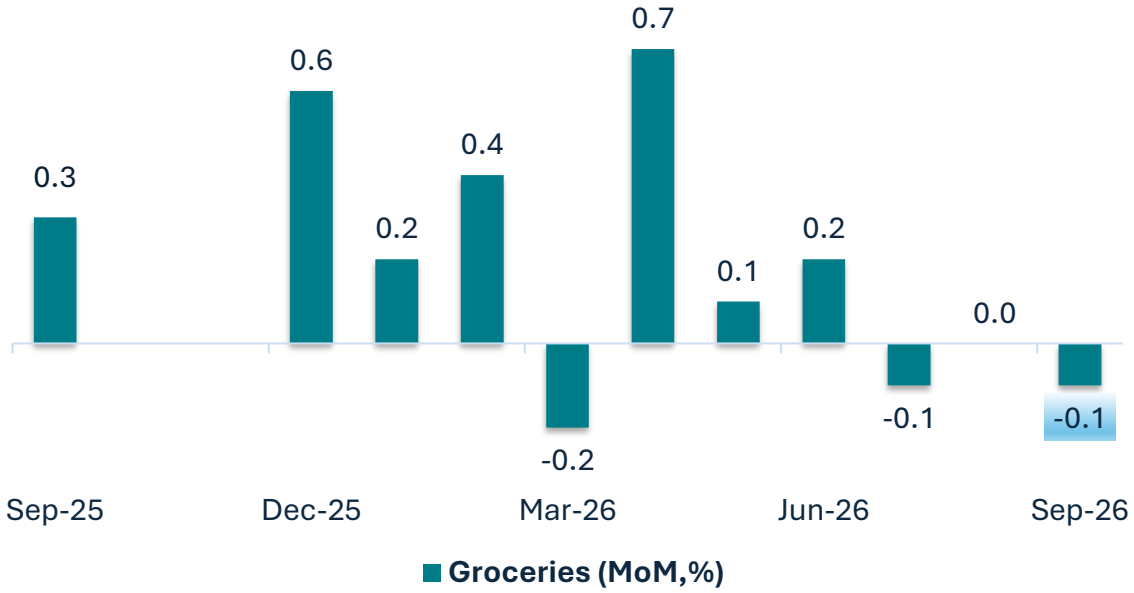


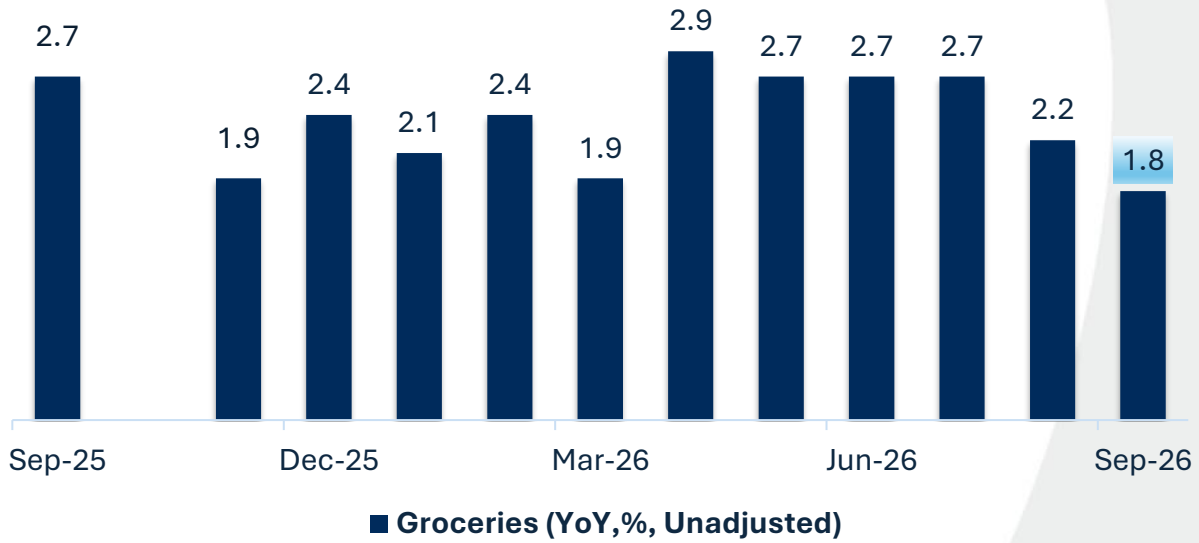
Source: Bureau of Labor Statistics

Food Prices - September

Food Inflation Eases as Grocery Prices Decline

- Food prices were unchanged in September, as grocery prices fell 0.1% while restaurant prices rose 0.2%.
- Annual food inflation slowed to 2.5%, with grocery inflation easing to 1.8% while restaurant inflation edged up to 3.5%.



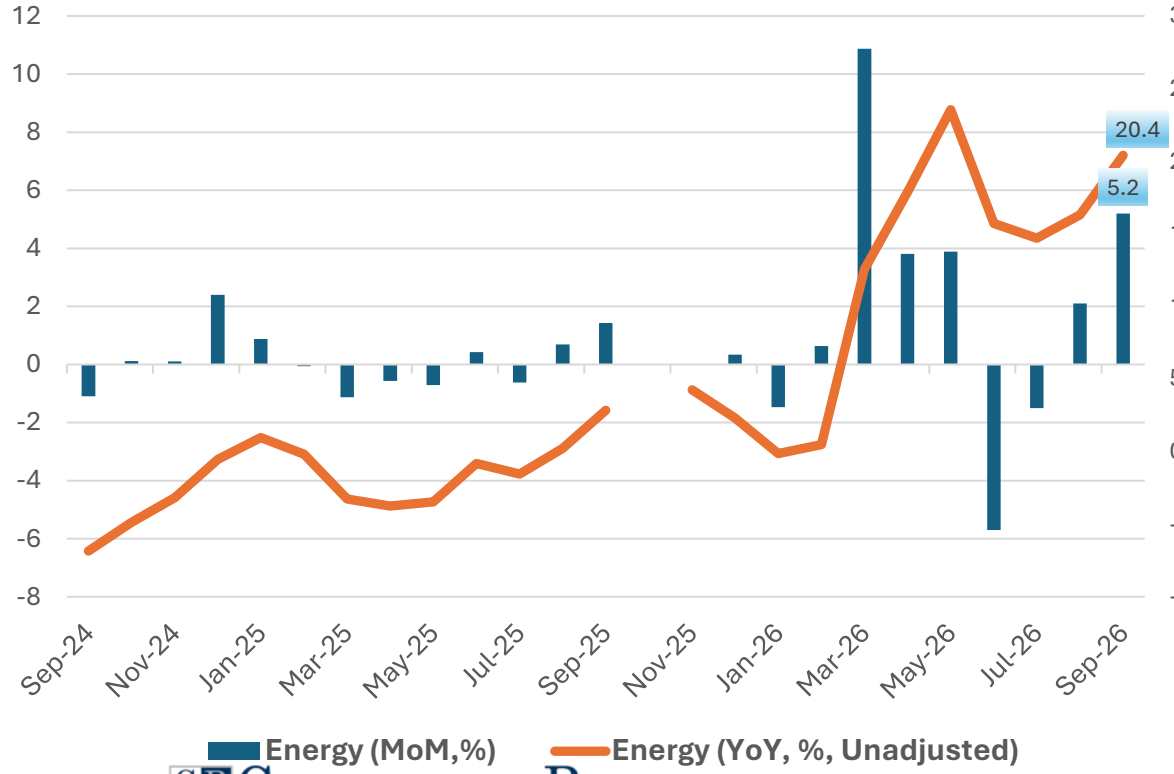


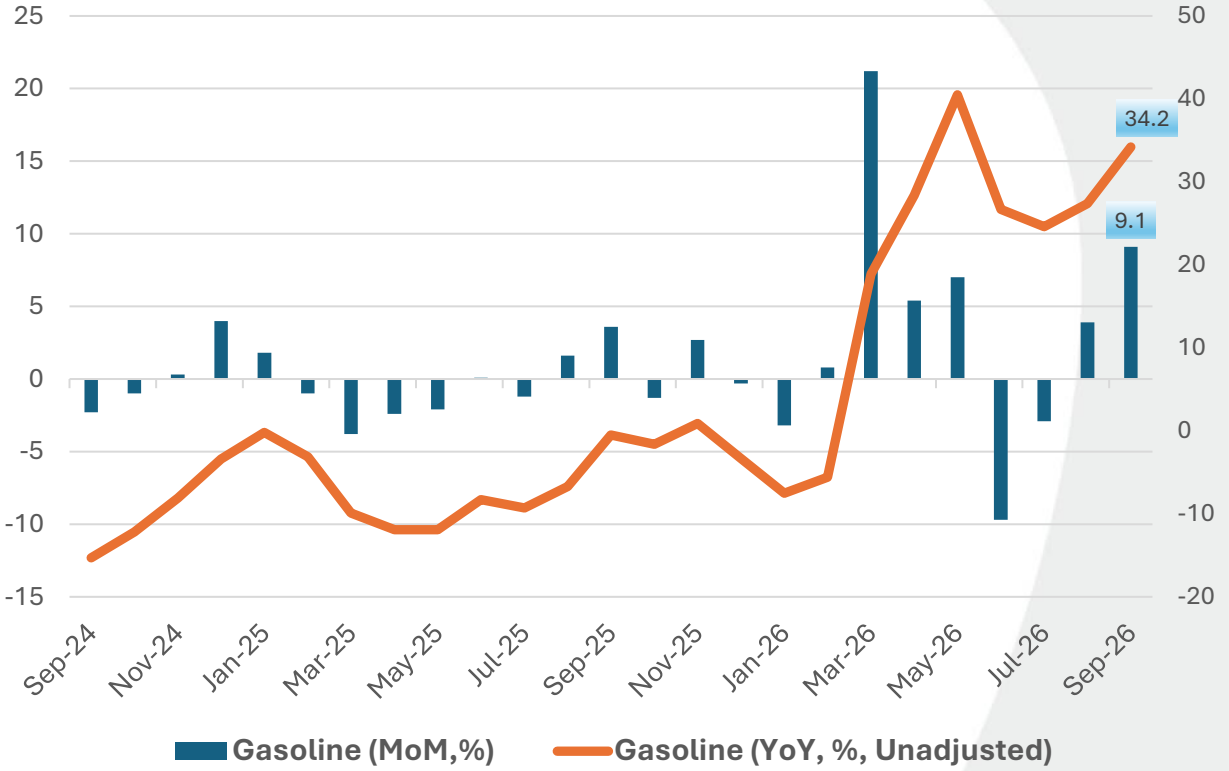
Source: Bureau of Labor Statistics

Energy Prices - September

Energy Prices Surge, Adding to Inflation Pressure

- Energy prices jumped 5.2% in September, the largest monthly increase since March, led by gasoline (+9.1%) and fuel oil (+15.3%).
- Energy inflation reached 20.4% year over year, with gasoline up 34.2% and fuel oil up 74.2%.





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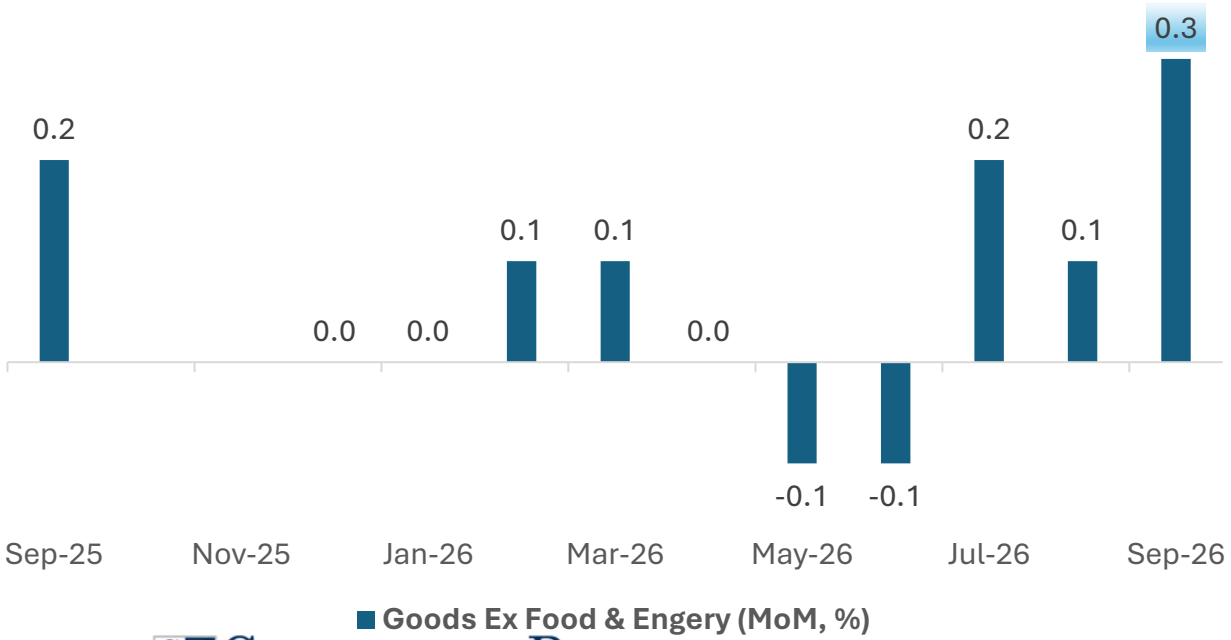
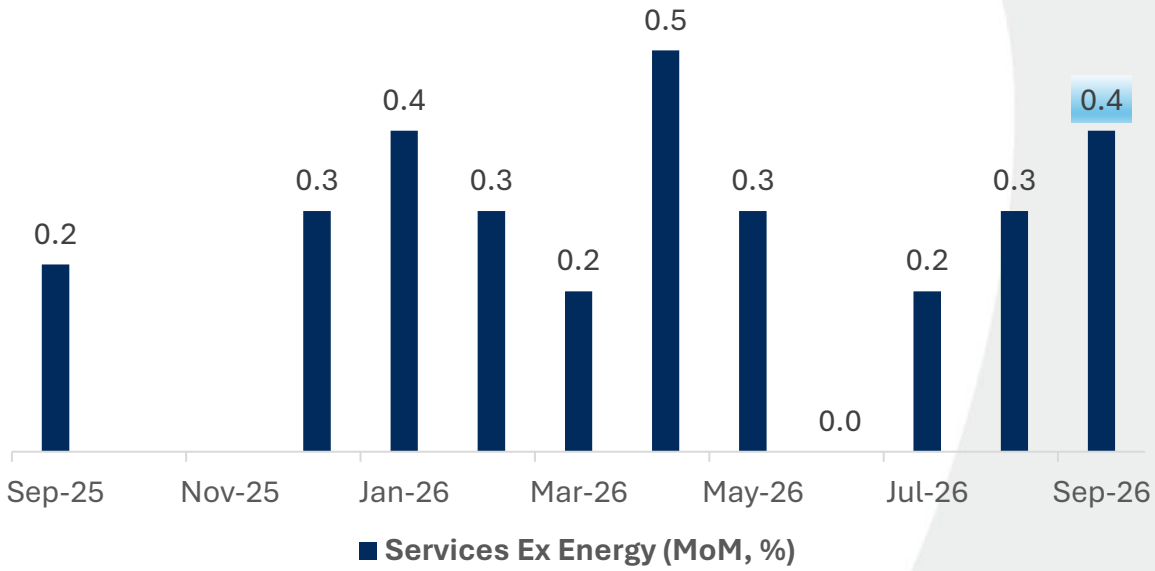
Source: Bureau of Labor Statistics

Core Goods & Service Prices - September

Core Inflation Broadens Across Goods and Services

- Core goods rose 0.3%, the largest monthly increase since January 2025, led by apparel, vehicles, toys, and technology products.
- Core services rose 0.4%, led by shelter and travel costs, while annual services inflation edged up to 3.1%.



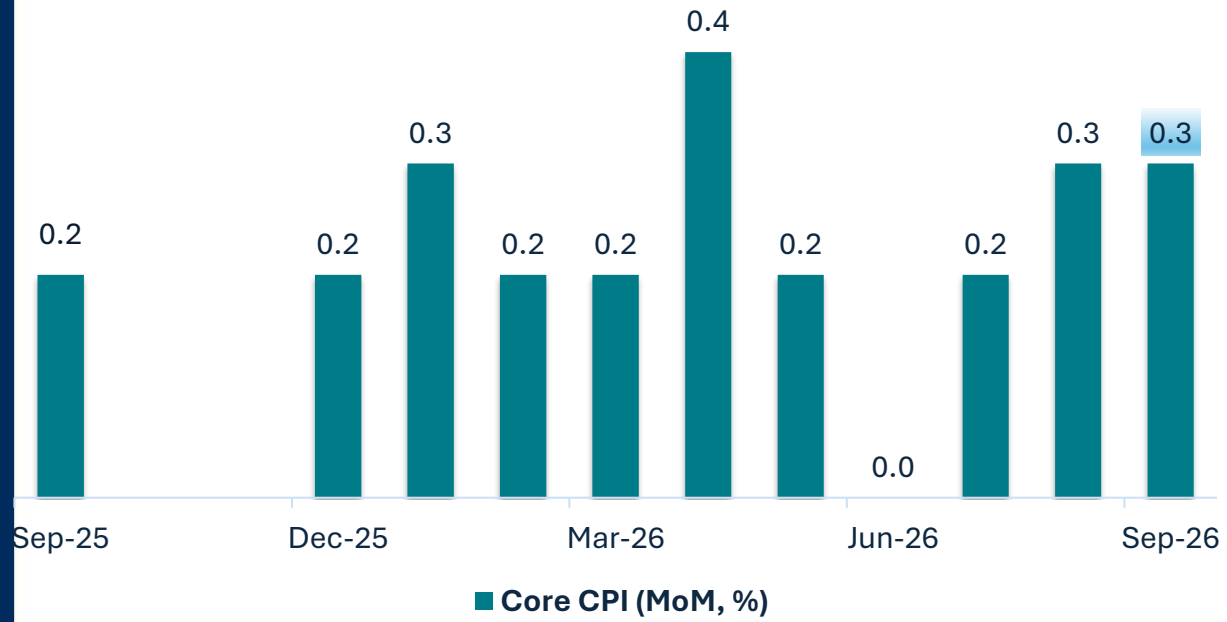


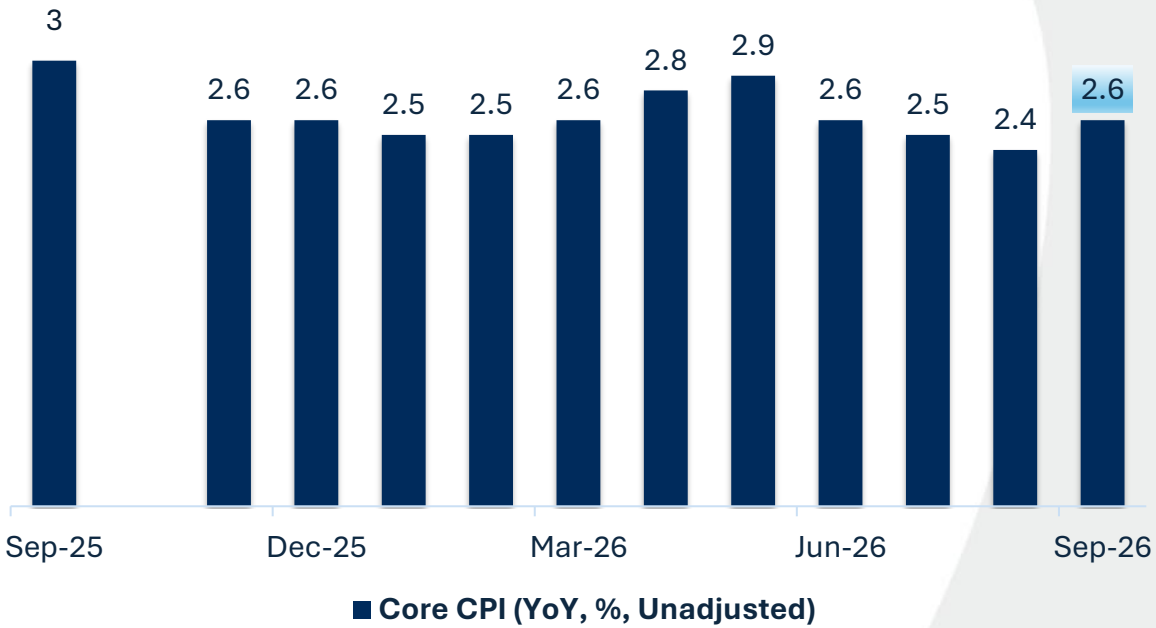
Source: Bureau of Labor Statistics

Core CPI (Excluding Food & Energy) - September

Core Inflation Runs Hotter Than Expected

- Core CPI rose 0.3% in September, above the 0.2% forecast; annual core inflation accelerated to 2.6%.
- Persistent underlying price pressures strengthen the case for another Fed rate hike this year.





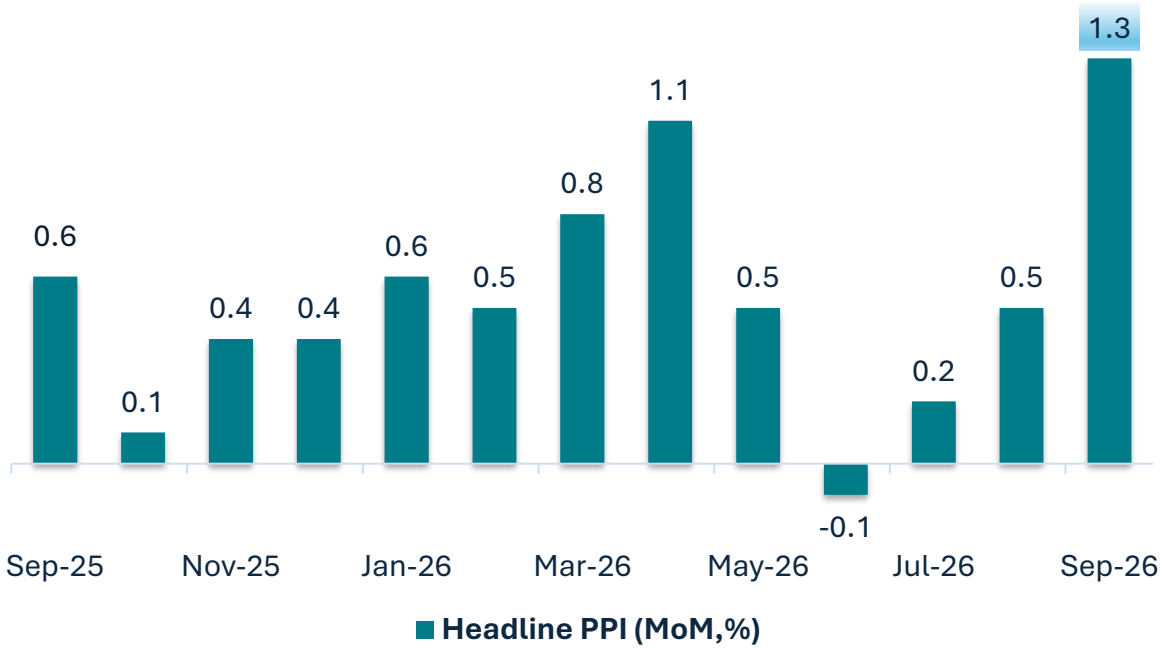
Source: Bureau of Labor Statistics

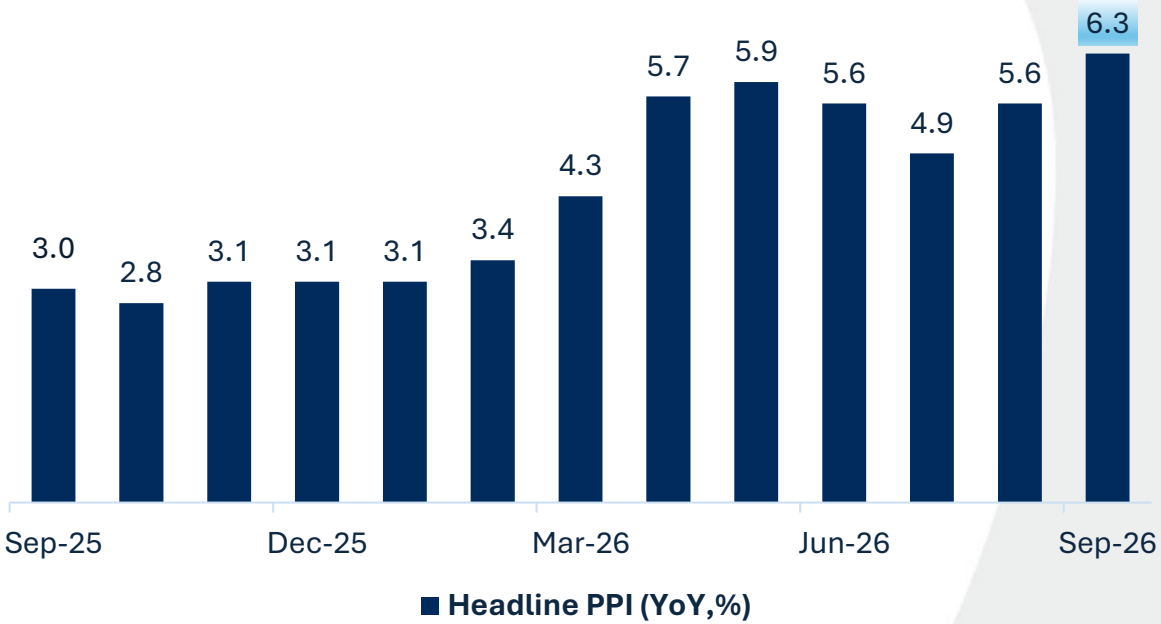
Inflation – Wholesale Price

Headline Producer Price Index (PPI) – September

Wholesale Inflation Surges to a Multi-Year High

- Headline PPI jumped 1.3% in September, the largest monthly increase since March 2022 and more than double the 0.6% forecast.
- Annual producer inflation accelerated to 6.3%, the highest since December 2022, driven largely by higher energy costs.



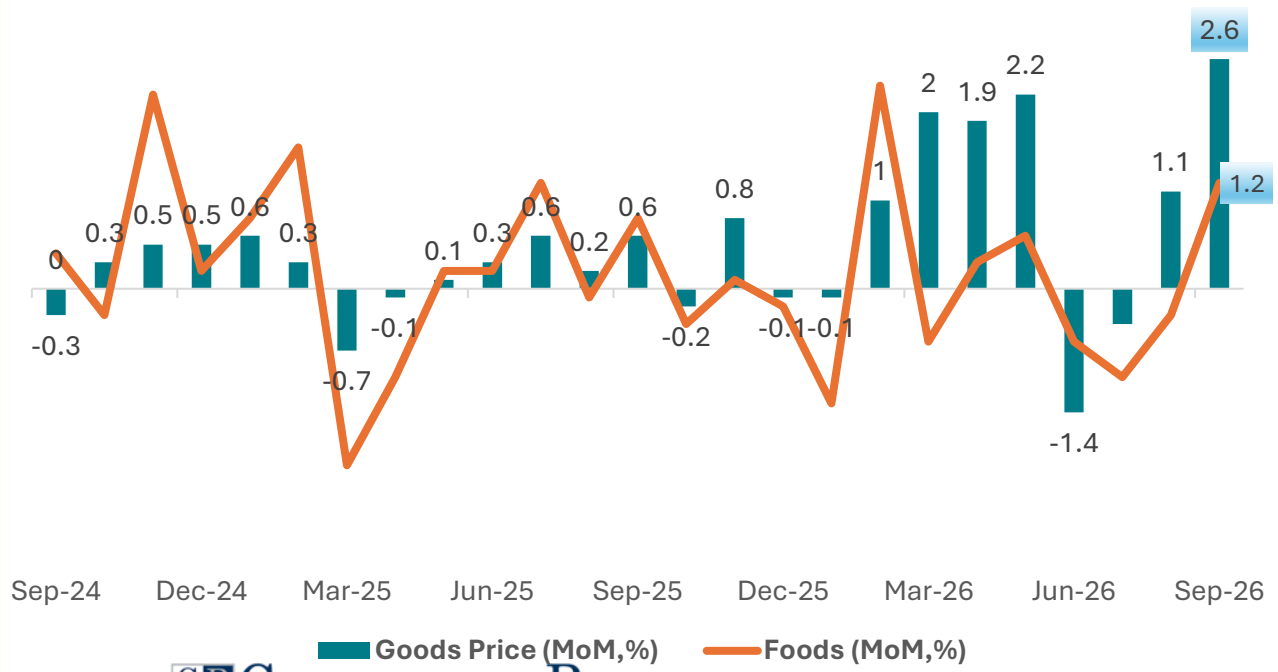


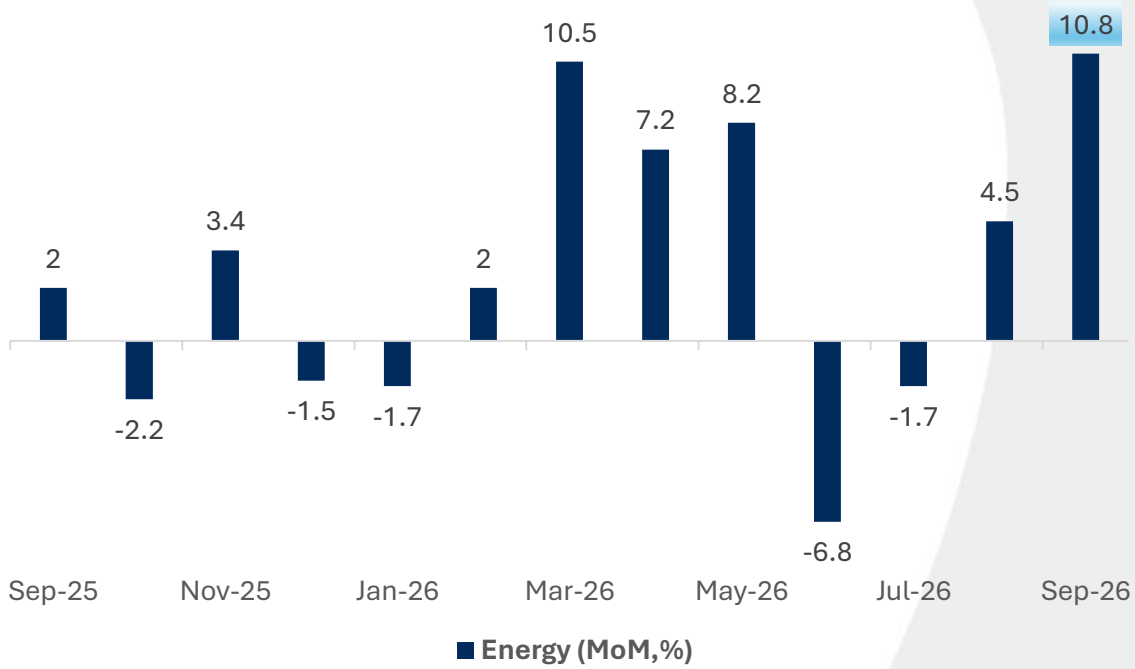
Source: Bureau of Labor Statistics

Goods Price – September

Energy Shock Drives Historic Jump in Goods Prices

- Goods prices surged 2.6%, the largest monthly increase on record, with energy accounting for roughly 82% of the gain.
- Energy jumped 10.8%, while core goods rose a more moderate 0.3%; annual goods inflation reached 9.8%.



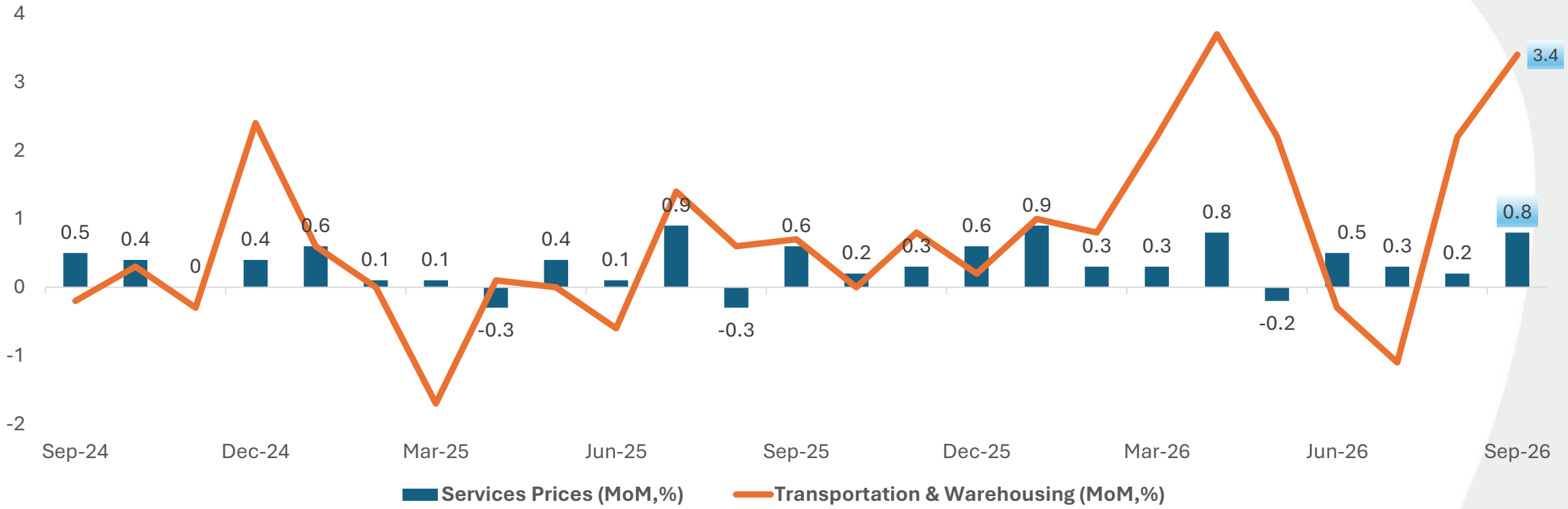


Source: Bureau of Labor Statistics

Services Price - September

Services Inflation Accelerates as Trade and Transportation Costs Rise

- Services prices rose 0.8% in September, the largest increase since April, led by trade margins and transportation costs.
- Annual services inflation increased to 4.9%, with notable pressure from air travel, freight, and lodging.

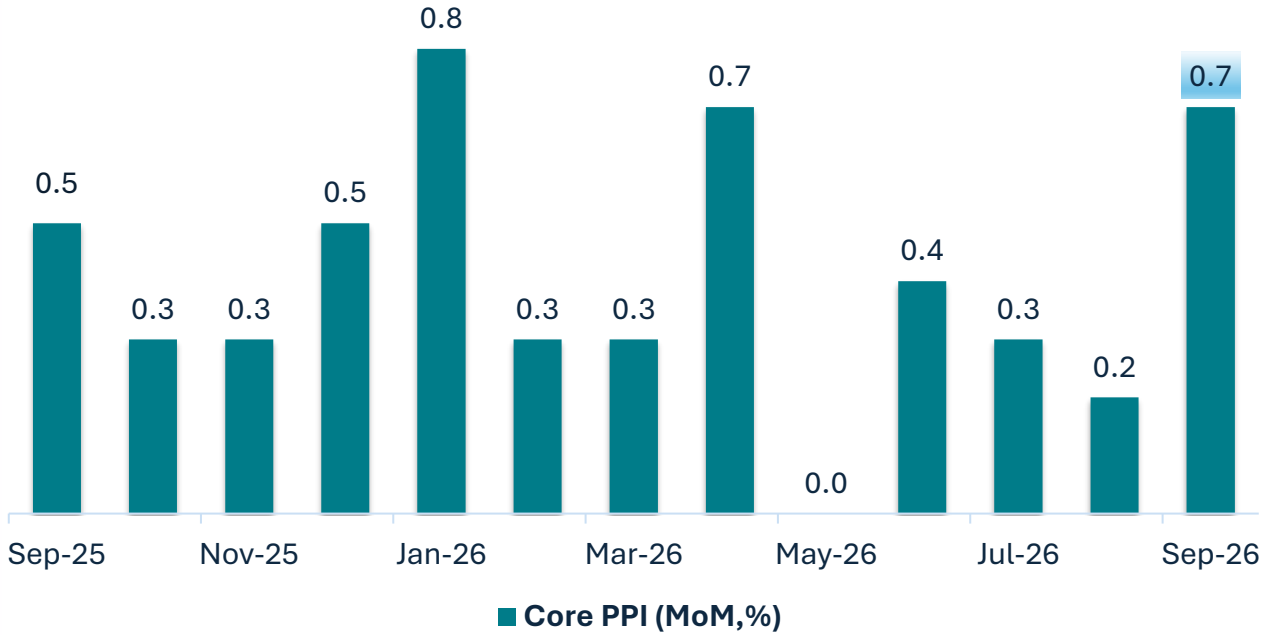


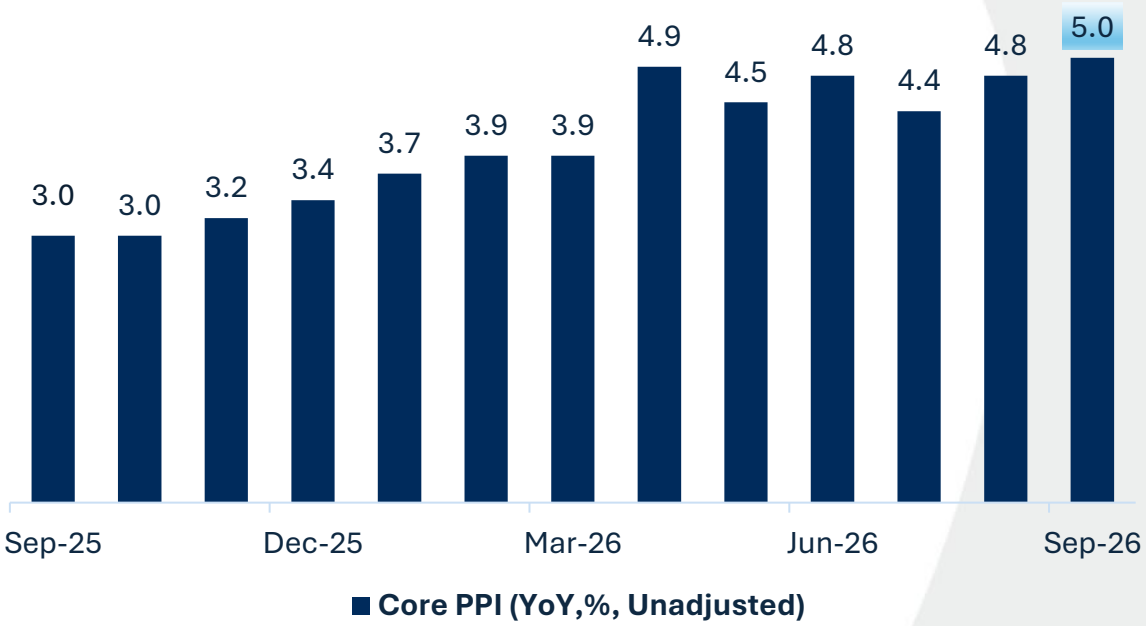
Source: Bureau of Labor Statistics

Core PPI - September

Core Wholesale Inflation Comes in Hot

- Core PPI rose 0.7% in September, more than double the 0.3% expected and up sharply from 0.2% in August.
- Annual core producer inflation climbed to 5.0%, well above the 4.4% forecast.



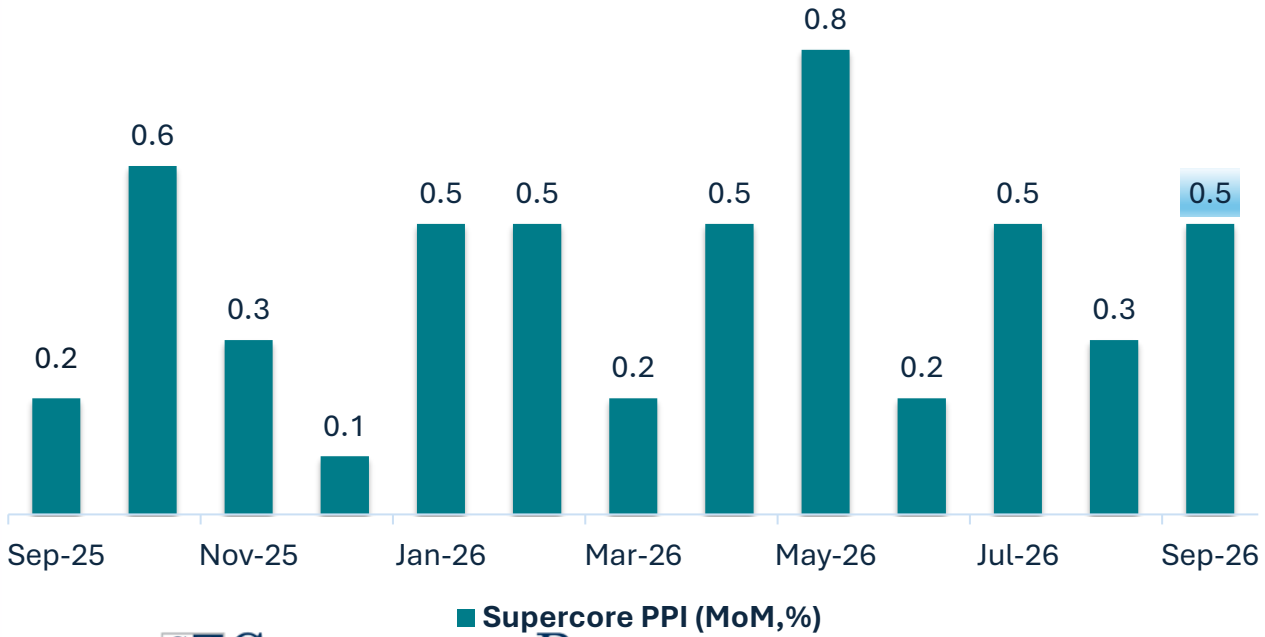


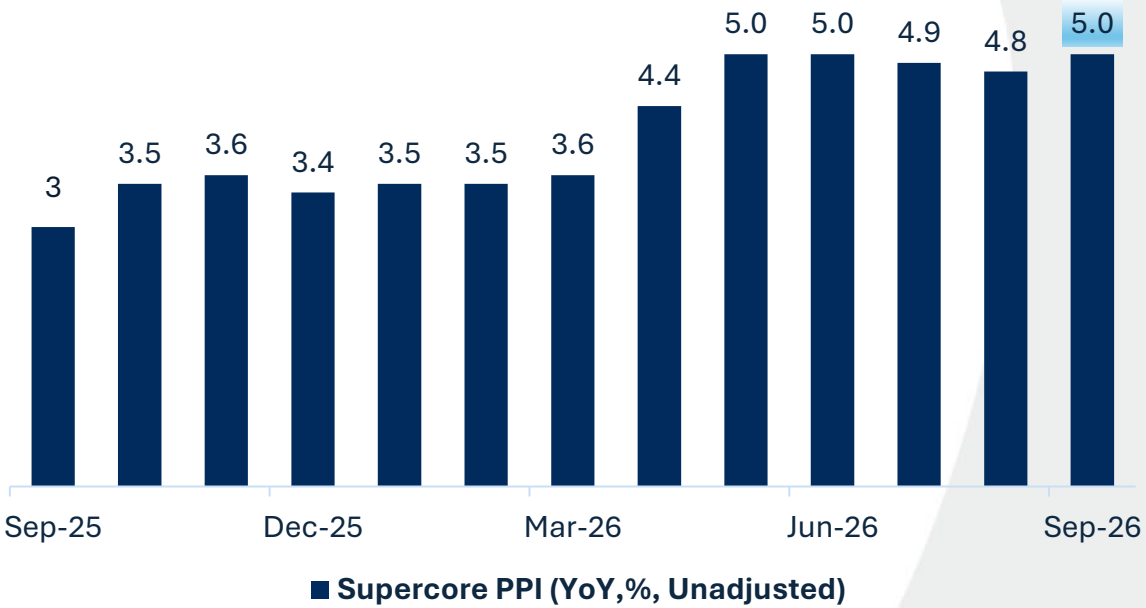
Source: Bureau of Labor Statistics

Super Core PPI & Commentary - September

Super Core Inflation Signals Broader Inflation Pressure

- Super Core PPI, excluding food, energy, and trade services, rose 0.5%, above the 0.3% forecast.
- Annual Super Core PPI climbed to 5.0%, signaling broader underlying producer price pressure.





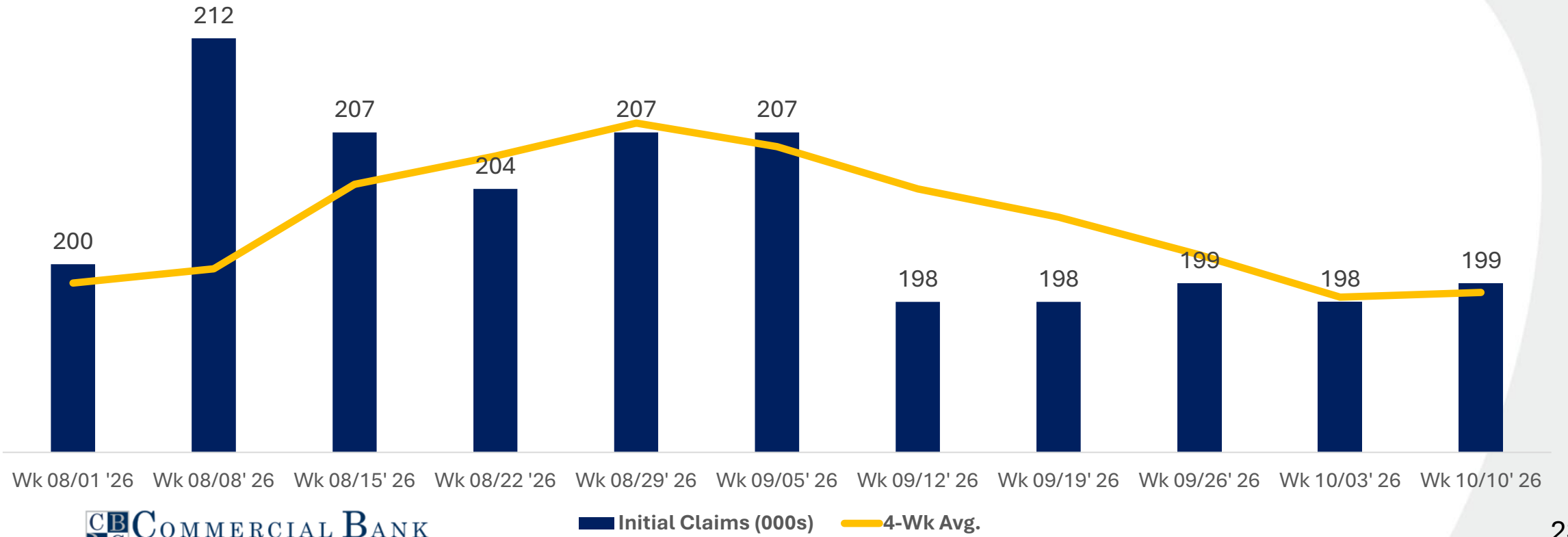
Source: Bureau of Labor Statistics

Employment - Weekly

Weekly Initial Jobless Claims – Week Ending 10/10/26

Jobless Claims Remain Low as Layoffs Stay Limited

- Initial claims edged up to 199,000 but remained below the 200,000 expected.
- Claims have stayed below year-ago levels for 35 straight weeks, signaling continued labor market resilience.

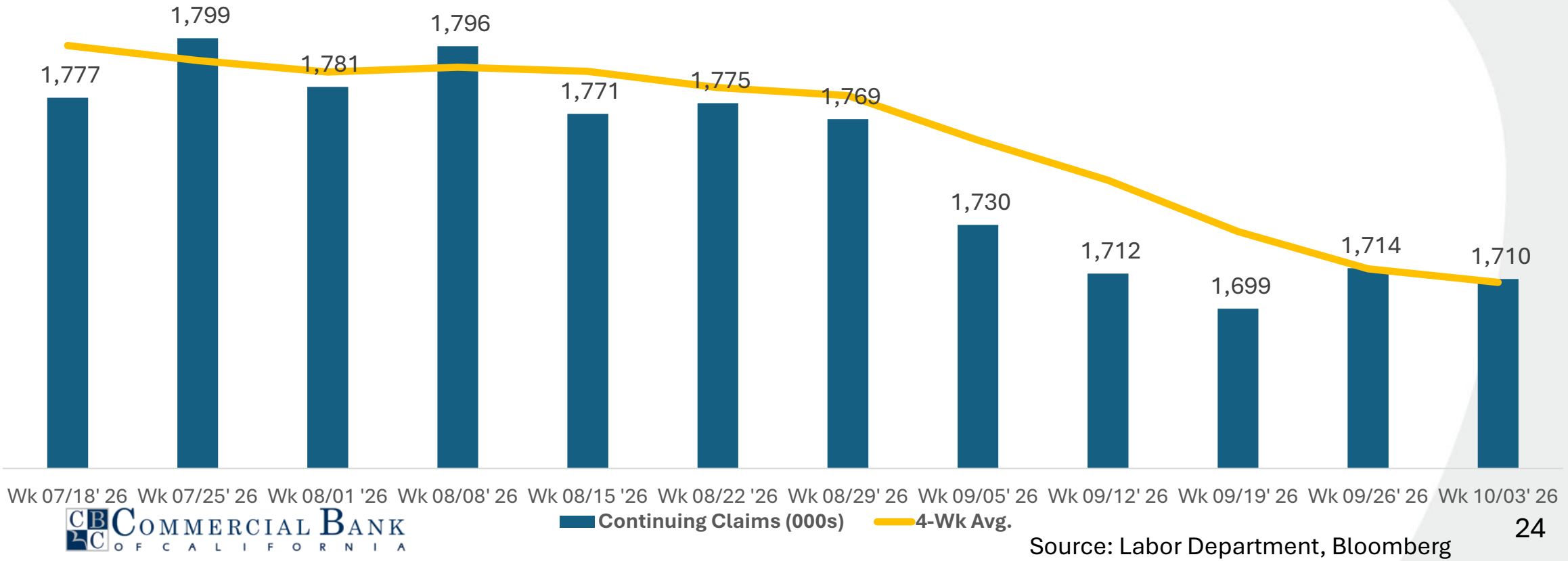


Source: Labor Department, Bloomberg

Weekly Continuing Jobless Claims – Week Ending 10/3/26

Continuing Claims Decline, Reinforcing Labor Market Resilience

- Continuing claims fell to 1.71 million, remaining well below year-ago levels.
- The insured unemployment rate held at 1.0%, suggesting displaced workers are generally finding jobs relatively quickly.



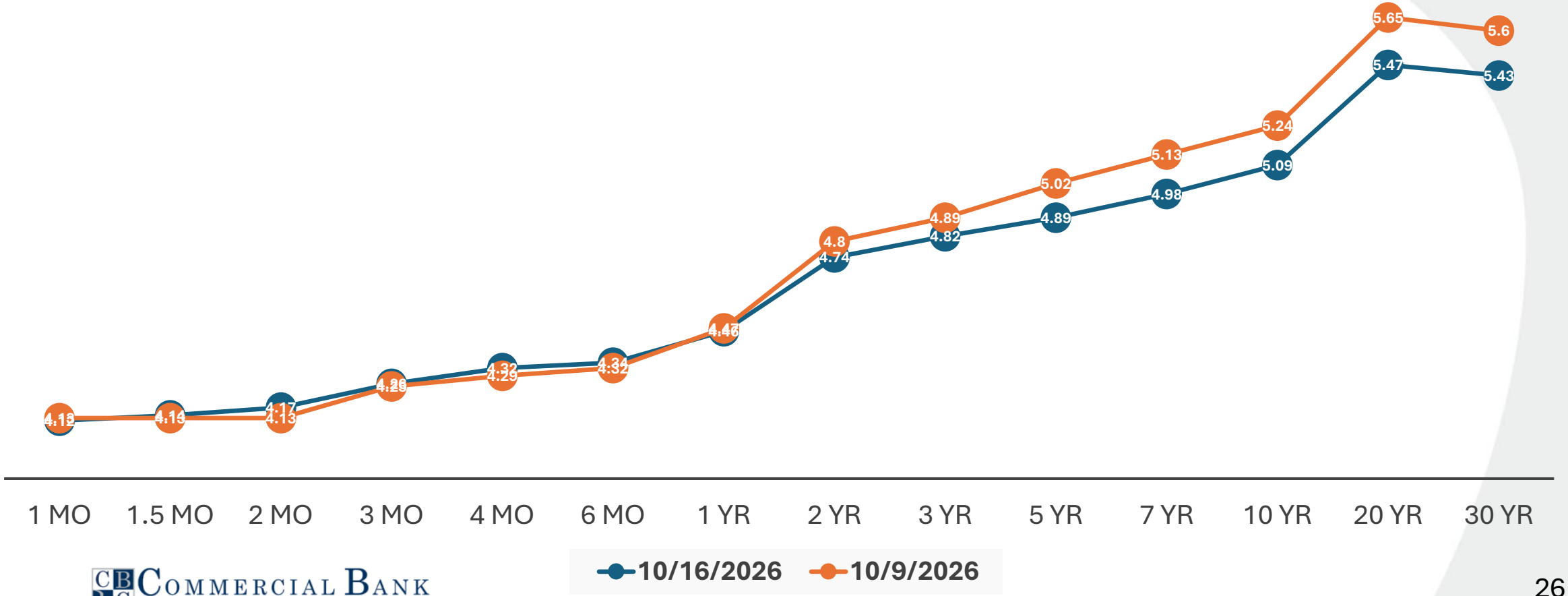
Source: Labor Department, Bloomberg

Treasury Yields, Treasury Forward Rates & Rate Expectations

Treasury Market – Week Ending 10/16/2026

Treasury Yields Retreat as Flight to Safety Overtakes Inflation Fears

- Hot inflation and deficit concerns initially pushed yields higher, but the equity sell-off sparked a flight to Treasuries.
- Yields finished lower: 2-Yr 4.74% (-6 bps) | 5-Yr 4.89% (-13 bps) | 10-Yr 5.09% (-15 bps).

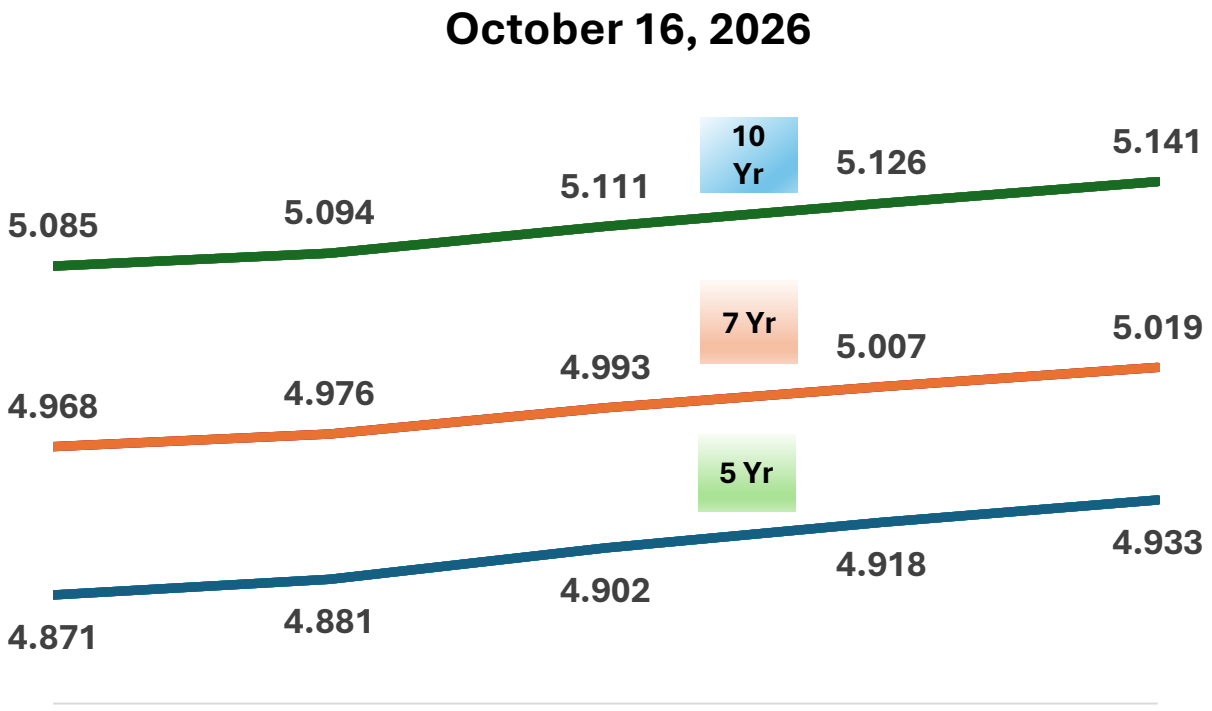


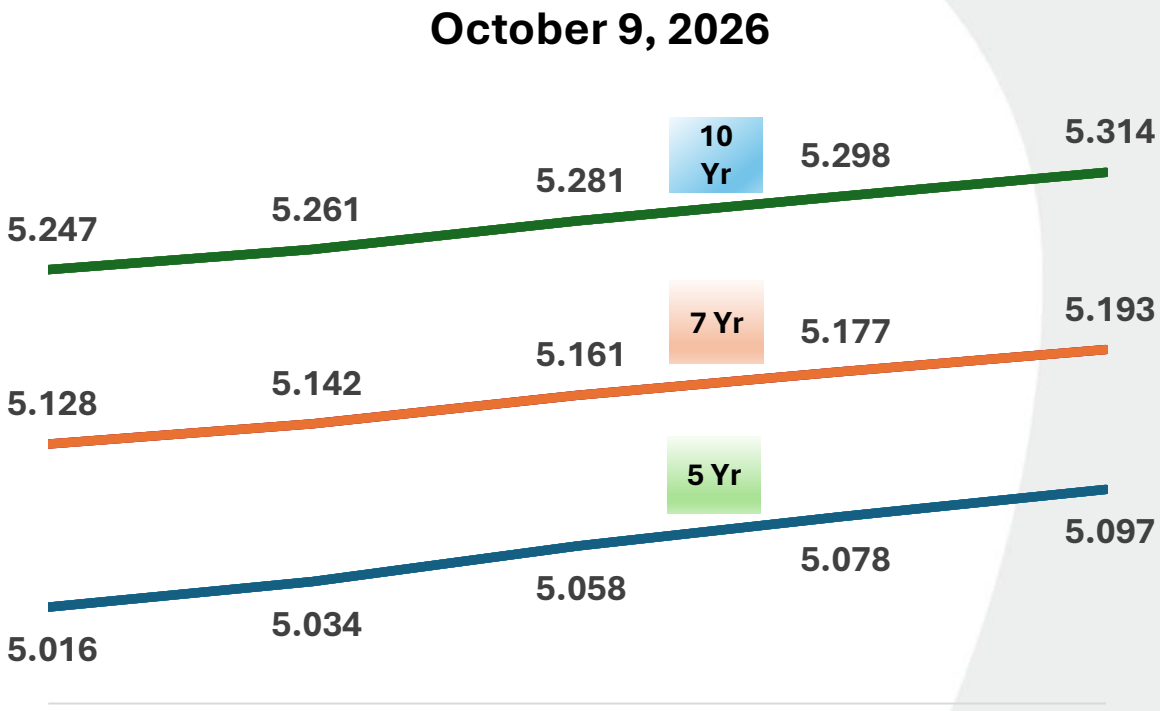
Source: Department of Treasury

Treasury Forward Rates - 10/16/2026

Treasury Forward Rates Shift Lower, but the Curve Still Points Up

- Treasury forward rates fell broadly by roughly 15–17 bps across the 5-, 7-, and 10-year maturities.
- Despite the decline, the forward curve remains upward sloping, pricing modestly higher rates into early 2027.



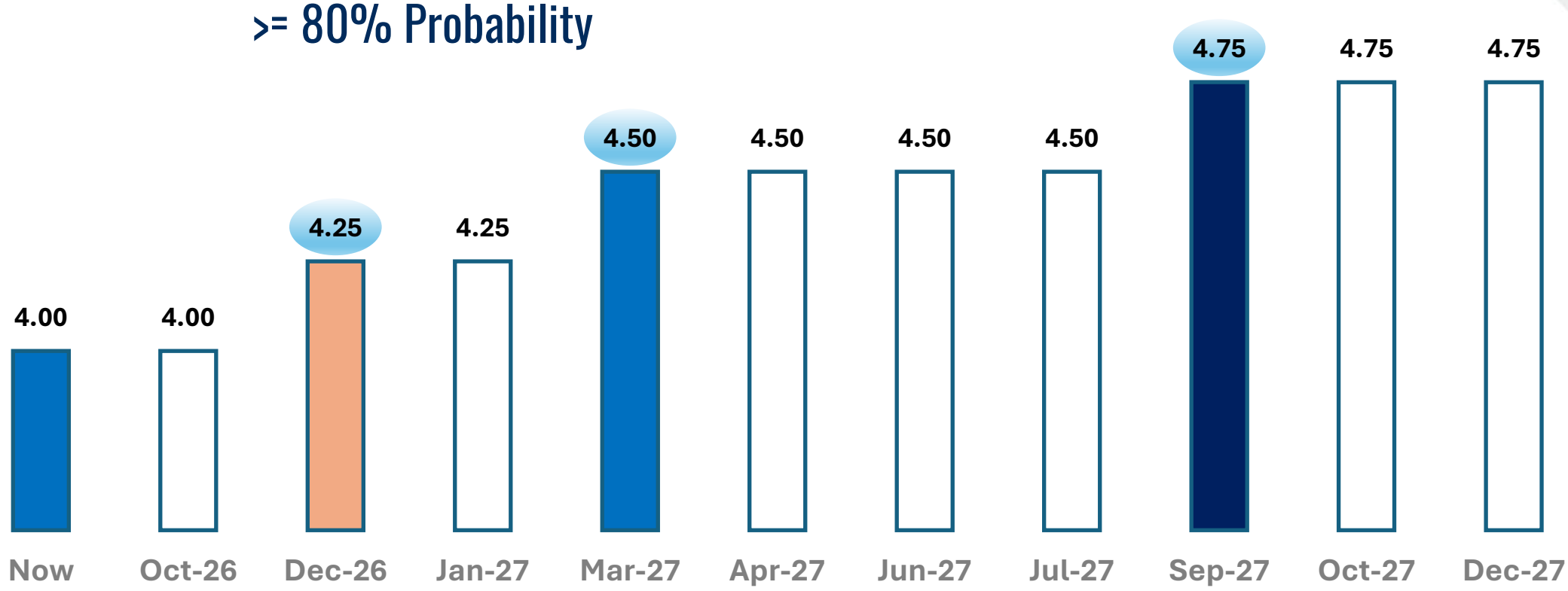


Source: Bloomberg

Interest Rate Expectations – 10/16/2026

Markets Still Expect Three Hikes, but the Path Shifts Out

- Markets still price three 25-bp hikes, with the first two expected in December 2026 and March 2027.
- The third hike shifted from June to September 2027, while modest rate-cut expectations emerge thereafter.



Source: Bloomberg

Next Week's Economic Calendar

NEXT WEEK'S ECONOMIC CALENDAR

Key economic releases and consensus expectations

TUESDAY 10/20

Release	Expected	Prior
Housing Starts (Sep)	1.303K	1.275K
Building Permits (Sep)	1,385K	1,403K
Pending Home Sales MoM (Sep)	-0.5%	0.3%

WEDNESDAY 10/21

Release	Expected	Prior
MBA Mortgage Applications (Oct 16)	—	-2.7%

THURSDAY 10/22

Release	Expected	Prior
Initial Jobless Claims (Oct 17)	200K	199K
Continuing Claims (Oct 10)	1.712MM	1.710MM
Leading Index (Sep)	-0.1%	-0.1%

FRIDAY 10/23

Release	Expected	Prior
S&P Global US Manufacturing PMI (Oct)	55.5	55.9
S&P Global US Services PMI (Oct)	58.0	58.8
S&P Global US Composite PMI (Oct)	57.4	58.4

MM = Million | K = Thousand

Source: Bloomberg

Key Takeaways

ECONOMIC SNAPSHOT

Status and near-term outlook | Week ending October 16, 2026

Consumer Spending
September

STATUS

Resilient, Slowing

NEAR-TERM OUTLOOK

Momentum Normalizing

Consumer Inflation
September

STATUS

CPI Accelerated

NEAR-TERM OUTLOOK

Core Pressure Firm

Wholesale Inflation
September

STATUS

PPI Surged

NEAR-TERM OUTLOOK

Pass-Through Risk

Labor Market
Weekly

STATUS

Historically Low Claims

NEAR-TERM OUTLOOK

Labor Market Resilient

Equity Market
Weekly

STATUS

Tech-Led Sell-Off

NEAR-TERM OUTLOOK

Volatility Elevated

Oil Market
Weekly

STATUS

WTI Back Above $100

NEAR-TERM OUTLOOK

Supply Risks Elevated

Fed Rate Expectations
Weekly

STATUS

Three Hikes Priced In

NEAR-TERM OUTLOOK

Slower Tightening Path

Treasury Yields
Weekly

STATUS

Yields Moved Lower

NEAR-TERM OUTLOOK

Curve Still Upward

Key Takeaway: Consumers and labor remain resilient, but accelerating consumer and wholesale inflation, oil above $100, and tech-led volatility reinforce a slower, higher-for-longer Fed policy path.

Questions?