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TRADE LENS

투자에 초점을 맞추다.

MACRO INSIGHT / No.12

October 2026 PPI · pricing power · rates and earnings

The Shock of 6.5% U.S. Producer Inflation

How Renewed Inflation Pressures Equities

Reading the equity burden through underlying prices, pass-through and discount rates

6.5%
October final-demand PPI · year-on-year [1]

0.3%
October final-demand PPI · month-on-month [1]

0.5%
Ex food, energy and trade · month-on-month [1]

Monthly inflation slowed.
The equity burden remains in pricing power and rates.

Beyond a single release: distinguish firms absorbing costs from those protecting prices, cash flow and refinancing capacity.

Analysis date 2026.11.14

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Macroeconomics · pricing power · earnings · interest rates

01 / RESEARCH VIEW

Pricing power and discount rates carry the pressure

How should markets read 6.5% annual inflation alongside a slower monthly increase?

TradeLens view

The base case is persistent price pressure and greater differentiation across companies. A slower headline monthly PPI does not by itself remove the rate burden. Nor does it imply an equal cost or earnings shock for all firms. Pricing power, productivity and funding structures determine resilience. [1] [9] [10]

Observed fact	Interpretation	Evidence that changes the view
6.5% year-on-year 0.3% month-on-month	Accumulated annual pressure rose, but the latest monthly pace slowed.	Several months of broadly lower monthly inflation
Ex food, energy and trade +0.5% month-on-month	Lower energy and trade margins do not explain away underlying pressure.	Sustained slowing in non-energy goods and services
Policy rate 3.75–4.00% 10-year Treasury 5.15%	Policy and long-term market rates constrain firms through different channels.	Price stability together with stronger real cash generation

PPI: October. Policy: 28 October decision. Treasury: 13 November daily par yield. These are different observation dates. [1] [9] [12]

Where the burden enters

Unrecovered input costs compress margins. Price increases passed to consumers can instead prolong the inflation and monetary-policy burden.

Who can withstand it

Firms combining repeat demand, contract repricing, short cash-collection cycles and manageable refinancing needs.

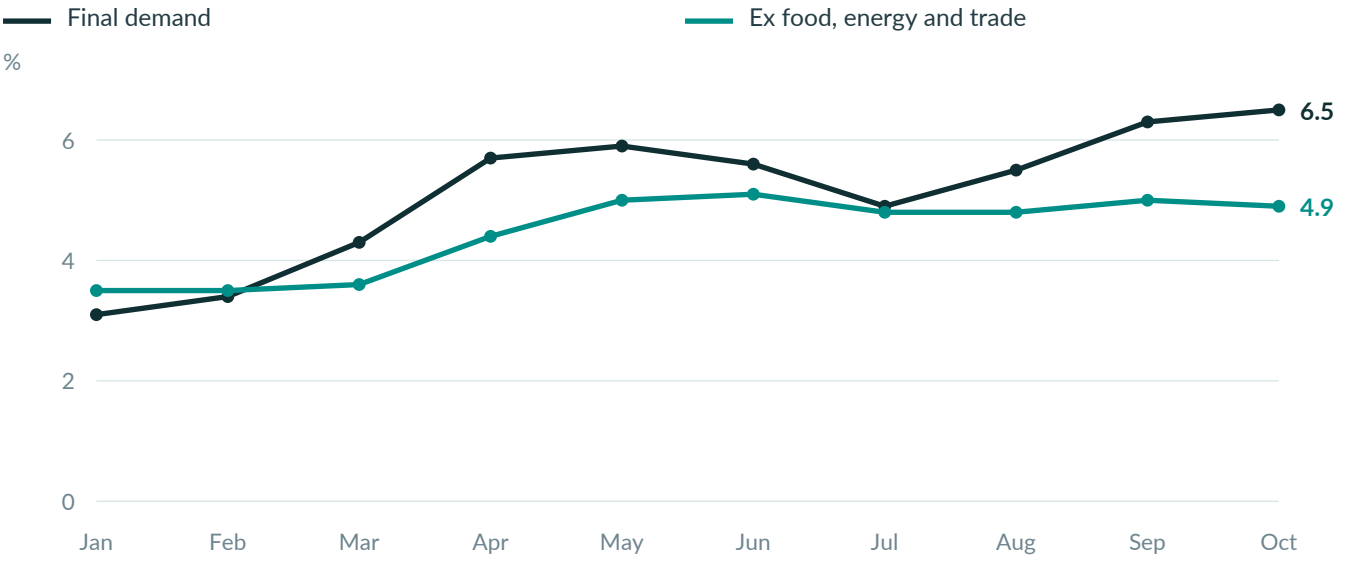
The decision rule

PPI → firm-level selling prices and input costs → earnings and cash → policy and market rates → valuation. Assess each link separately.

02 / INFLATION BASELINE

6.5% measures a year; 0.3% measures a month

Final-demand PPI in 2026. Fix the comparison period and exclusions before drawing a conclusion.



Year-on-year %, not seasonally adjusted. Table A in the 13 November release; subject to revision. [1]

October 2026 measure	Monthly · seasonally adjusted	Annual · unadjusted
Final demand	+0.3%	+6.5%
Ex food and energy	+0.3%	+5.0%
Ex food, energy and trade services	+0.5%	+4.9%

Headline annual inflation increased from 6.3% in September to 6.5%. The annual rate excluding food, energy and trade fell from 5.0% to 4.9%. Calling the release a simultaneous acceleration in all prices would confuse reacceleration with persistence at a high level. [1]

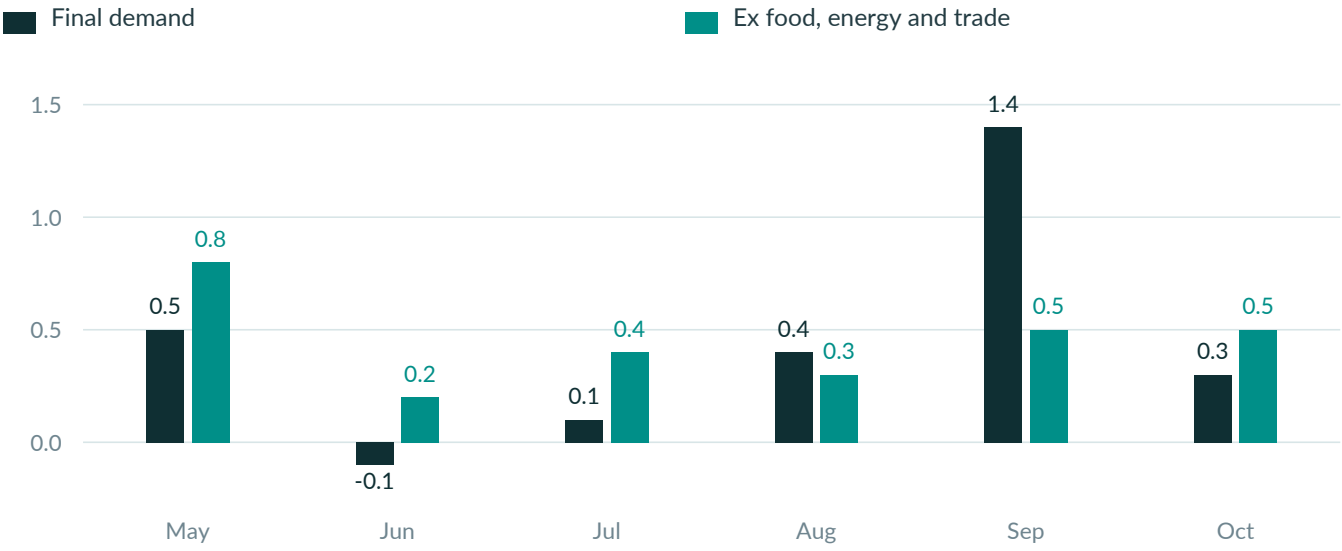
Analytical focus

The key equity question is not only how much prices rose over the past year. It is how long input costs, selling-price pressure and the rate path remain elevated.

03 / MOMENTUM TEST

Distinguish renewed acceleration from persistence

Compound monthly observations; an annualized rate is not a forecast for the next year.



Month-on-month %, seasonally adjusted. Monthly rates use the November 2026 release vintage. [2]

Three-month window	Headline annualized	Ex food, energy and trade
May–July 2026	Approx. 2.01%	Approx. 5.74%
August–October 2026	Approx. 8.72%	Approx. 5.33%

Formula: $\{(1+m1)\times(1+m2)\times(1+m3)\}^4-1$. Approximation using monthly rates published to one decimal; not the observed twelve-month rate. [2]

Headline: September dominates

September's 1.4% increase is a major part of the August–October calculation. Slower inflation in October does not reverse that accumulated price increase.

Underlying: persistence matters

The comparable three-month rate eased from 5.74% to 5.33%. It is evidence of a still-high pace, not proof of fresh acceleration in this measure.

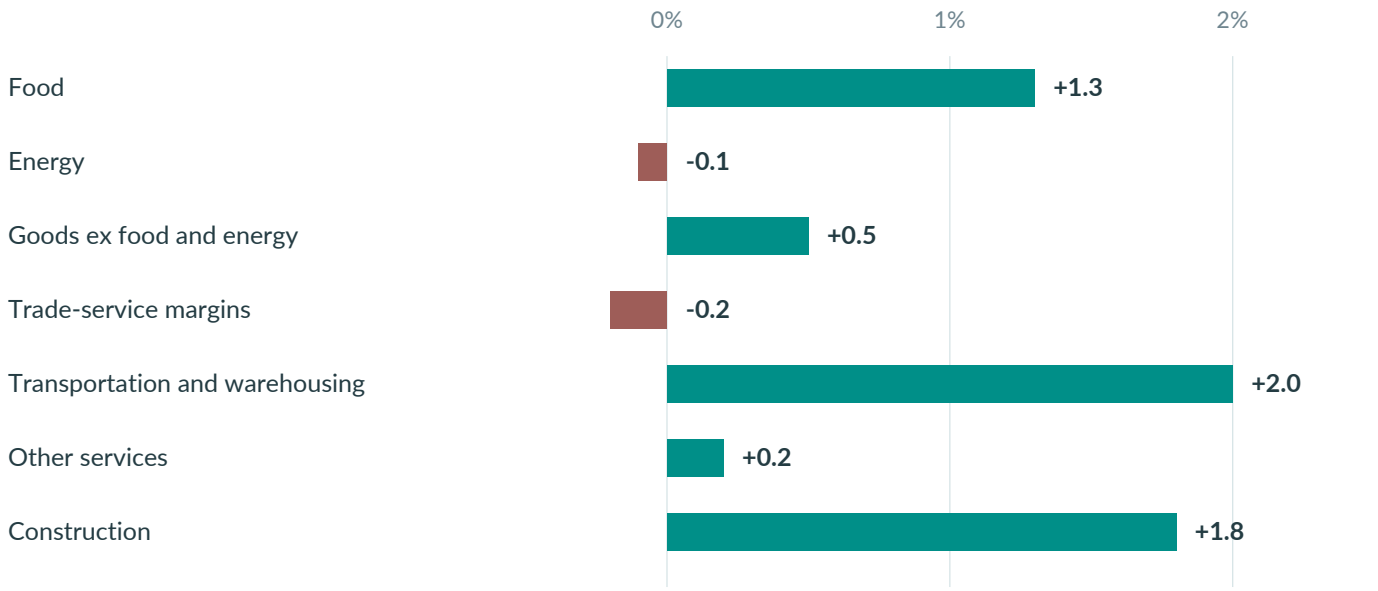
TradeLens view

The signal is not a larger monthly spike. The spike moderated, but the evidence of a sufficiently broad easing in price pressure remains weak.

04 / COMPOSITION & BOTTLENECKS

Lower energy did not remove freight and goods pressure

October monthly changes on the same basis. Component changes are not contributions to the headline.



Seasonally adjusted, %. Other services exclude trade, transportation and warehousing. Different weights prevent a contribution ranking from rates alone. [1] [3]

Cross-check the prices	October change	Interpretation
Diesel fuel	-7.9%	Some fuel prices fell
Truck transportation of freight	+3.9%	Freight-service prices did not follow fuel lower
Basic organic chemicals	+3.9%	Pressure also remained in non-energy production

Freight rates reflect labor, vehicles, insurance, available capacity and contract timing as well as fuel. The divergence indicates that softer energy need not immediately lower every supply-chain cost. These price indexes do not identify each cause's share of the change. [1] [3]

Who captures the value?

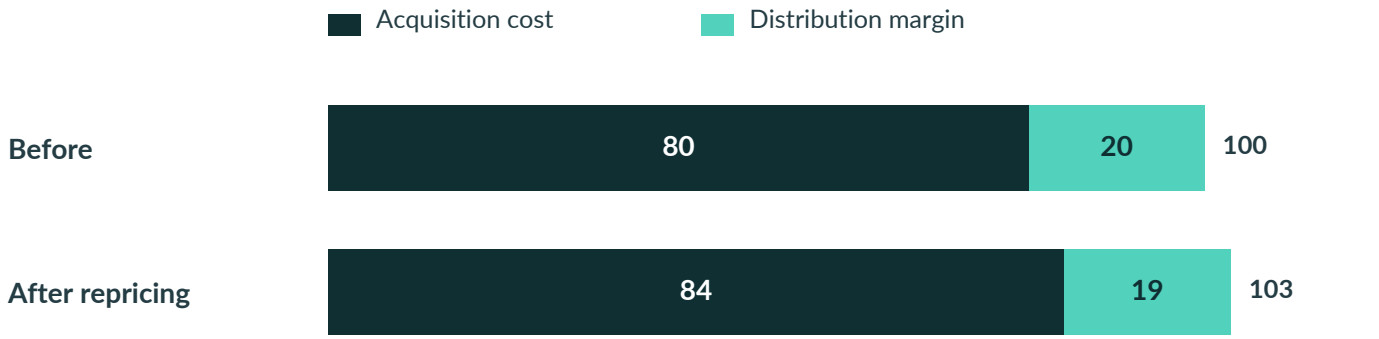
A supplier's higher selling price can be its customer's higher input cost. Identify who can reset the contract price rather than assigning an entire industry to a winner or loser category.

05 / DISTRIBUTION MARGINS

A lower trade margin is not a lower consumer price

Trade PPI measures the selling price less the replacement acquisition price, not the selling price alone. [4]

The final-demand trade-services index fell 0.2% in October. This is neither a 0.2-percentage-point decline in the sector's operating margin nor a 0.2% decline in the price paid by consumers. [1] [4]



Illustrative amounts per unit. Selling price 100→103; replacement acquisition cost 80→84. Excludes labor, rent, financing costs and volume.

Item	Change	Result
Selling price to consumer	100 → 103	+3.0%
Replacement acquisition cost	80 → 84	+5.0%
Distribution margin per unit	20 → 19	-5.0%

Another face of disinflation

When distributors absorb some cost increases, a lower headline index can coincide with lower per-unit earnings at those firms.

What company analysis still needs

Purchase and sale timing, inventory accounting, rent and wages determine how much of the trade margin reaches operating profit.

TradeLens view

A softer PPI is not uniformly positive for earnings. Cost relief and margin absorption can both slow the aggregate index, but their profit consequences are different.

06 / PPI → CPI → PCE

Producer inflation is not a copy of consumer inflation

Connect components and timing, not just headline indexes with different scopes, prices and weights.

Index	What it measures	Why it cannot be transferred one-for-one
PPI	Selling prices received by domestic producers	Also covers export, government and investment demand; scope differs on imports and owner-occupied housing.
CPI	Prices directly paid by urban consumers	Includes imports and housing; distribution and tax treatment also differ from PPI.
PCE prices	Consumption by, or on behalf of, households	Uses CPI and PPI at component level, with different coverage and weights.

BLS comparison methodology and BEA methods. The gap between annual PPI and CPI is not a corporate profit margin. [8] [14]

Latest observation	Headline	Ex food and energy
October CPI · monthly	+0.4%	+0.3%
September PCE · annual	+3.6%	+3.1%

Annual October 2026 CPI changes were not published for major series without October 2025 comparison data. Other estimates are not substituted for official annual CPI. September PCE also precedes October PPI by one observation month. [5] [6] [7]

What to test next

Link relevant components, including medical and financial services, with consumer prices rather than converting headline PPI into the next PCE reading. Persistence matters for policy.

07 / DEMAND & PRODUCTIVITY

Price pressure is firm; real-economy signals are mixed

Demand that accepts higher prices and productivity that absorbs costs are different buffers.

Published measure	Value and period	Implication for prices and earnings
Nonfarm business labor productivity	Q3 +3.6% Quarterly annualized	Can ease labor-cost pressure per unit of output
Nonfarm business unit labor costs	Q3 -0.7% annualized +2.4% year-on-year	Recent quarterly relief coexists with an annual increase
Real disposable income	September -0.3% Month-on-month	Constrains households' ability to absorb price increases
Real personal consumption	September +0.0% Monthly, rounded	Nominal spending growth need not mean more real demand
Payrolls and unemployment	October +165,000 Unemployment 4.1%	Does not support assuming an immediate labor-market collapse

Productivity/costs: 5 November preliminary release; income/spending: 29 October; employment: 6 November. Do not aggregate these different periods. [7] [10] [11]

A path to easing pressure

Better productivity and stable materials and freight prices can protect margins without large selling-price increases.

A path to margin compression

Weak real purchasing power alongside rising input costs can make pass-through reduce volume. Resilient employment does not eliminate that risk.

Balance in the base case

The data guarantee neither an immediate recession nor automatic disinflation. The turning point is whether supply-side efficiency reaches actual prices and real household income.

08 / POLICY REACTION

The Fed responds to persistence, not one PPI print

The 28 October policy decision predates the 13 November PPI release.

Observed policy baseline

The Fed held the target rate at 3.75–4.00% on 28 October. Its statement cited elevated inflation alongside resilient spending and investment. Two dissenters preferred a 25-basis-point increase. This shows upside rate risk, not a decision for the next meeting. [9]

01	02	03	04
Breadth	**Persistence**	**Demand / views**	**Policy**
Beyond energy	Repeated monthly gains	Spending and expectations	Maintain or adjust restraint

Subsequent development	Policy pressure	What matters for equities
Non-energy inflation and expectations keep rising	Longer restraint; greater risk of another increase	Refinancing costs and discounting of distant cash flows
Underlying inflation slows; demand holds	Policy uncertainty can ease	Lower discount pressure without sacrificing earnings
Demand and employment deteriorate sharply	More need to stabilize activity	Earnings downgrades can outweigh the benefit of lower rates

Restraint is not measured only by a policy-rate increase. Rates staying high for longer or wider credit spreads can also raise funding costs. Conversely, disinflation with resilient earnings weakens the transmission from price pressure to equity-market stress.

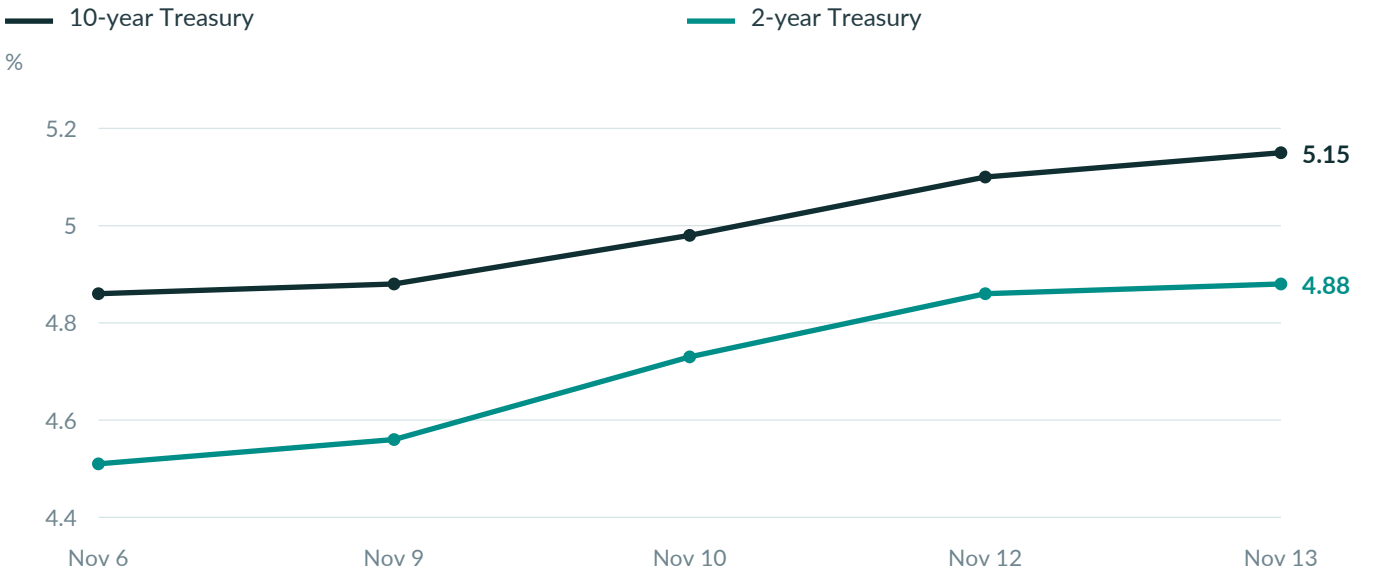
TradeLens view

This PPI release adds to the case against rushed easing. The 6.5% annual rate alone cannot determine the number or timing of hikes, or an index decline.

09 / MARKET DISCOUNT RATE

Long yields are a burden; PPI causality is a separate test

U.S. Treasury daily par yields. A daily move is not an estimate of the immediate release effect.



Annual %, observation dates. No 11 November observation because of Veterans Day. CPI was released 10 November; PPI on 13 November. [5] [12]

Measure	Nov 12	Nov 13	Daily change
2-year	4.86%	4.88%	+2bp
10-year	5.10%	5.15%	+5bp

Long yields reflect expected short rates and a term premium. Growth, fiscal policy, bond supply and risk appetite matter as well as inflation. The full daily rise cannot be allocated to PPI, nor can all stock-price movements that day be attributed to the release. [13]

Near-term refinancing

New borrowing costs can enter earnings and cash relatively quickly. Maturity ladders and fixed-versus-floating exposure matter.

Distant cash flows

Discount pressure can rise even while current earnings hold. Revenue growth alone does not establish valuation resilience.

10 / PRICING-POWER MODEL

Passing on all costs can still reduce the profit margin

Illustration: sales 100, variable costs 65, fixed costs 20 and operating profit 15. Initially hold volume fixed.

A 6% increase in variable costs adds 3.90 to the cost bill. This is not a company cost forecast and does not apply headline PPI of 6.5% to every firm. Pass-through is the share of added costs recovered through selling prices.

Added-cost pass-through	Revenue	Operating profit	Margin
Before the shock	100.00	15.00	15.00%
0%	100.00	11.10	11.10%
50%	101.95	13.05	12.80%
100%	103.90	15.00	14.44%

New variable cost=65×1.06=68.90. Revenue=100+3.90×pass-through. Operating profit=revenue-68.90-20. Arbitrary monetary units.

To preserve a 15% margin

Required revenue=(68.90+20)÷0.85=104.59. The price increase must be about 4.59, greater than added costs of 3.90. Profit amount and profit margin are not the same target.

If volume then falls by 5%

With unit price 1.039, unit cost 0.689, volume 95 and fixed costs 20, operating profit is 13.25. Demand loss can erode profit even after full cost pass-through.

Actual pass-through depends on repricing dates, rebates, input hedges and productivity. Assess unit contribution, volume and fixed-cost recovery together, rather than judging success from revenue growth alone.

What the model shows

“We raised prices” is weaker evidence of resilience than “we preserved both volume and contribution per unit.”

11 / EARNINGS × VALUATION

Earnings growth can coexist with falling share prices

Illustration: price change=(1+EPS change)×(1+multiple change)-1. Not an equity-index forecast.

EPS change	Multiple flat	Multiple -10%	Multiple -20%
-10%	-10%	-19%	-28%
0%	0%	-10%	-20%
+10%	+10%	-1%	-12%
+20%	+20%	+8%	-4%

If EPS grows 10% while the multiple falls 20%, price falls 12%. Offsetting a 20% multiple decline requires 25% EPS growth. Better earnings do not guarantee an equal percentage gain in the share price.

Single future cash flow of 100	Present value at 8%	Present value at 9%	Change
In 5 years	68.06	64.99	-4.50%
In 10 years	46.32	42.24	-8.80%
In 20 years	21.45	17.84	-16.83%

Formula: 100÷(1+r)^n. Cash amount and timing are fixed; no interim payments. A one-percentage-point discount-rate rise is not assumed equal to a Treasury-yield rise.

Inflation can also raise nominal sales. Actual valuation must compare cash-flow changes with the increase in the required return. These tables are separate explanatory tools: do not add their price effects and double-count the same shock.

TradeLens view

Equity pressure need not begin with falling earnings. Even with higher earnings, higher discount rates and lower confidence in growth can compress the valuation multiple.

12 / WHO ABSORBS THE COST

Contracts and debt structures matter more than labels

Conditional business analysis, not a forecast of any particular company's profit or investment return.

Business exposure	Value that can be defended	Conditions that weaken profit
Materials and intermediate suppliers	Repricing while keeping volume	Feedstock, power and freight costs rising faster than selling prices
Transportation and logistics	Contract resets, surcharges and route utilization	Fuel, wages and vehicle costs; delayed recovery or lower volumes
Distribution and consumer goods	Brand, repeat demand, mix and inventory turns	More promotion, margin absorption and customer trading-down
Long-lived investment projects	Customer commitments, fixed-rate finance and staged investment	Delayed start-up, refinancing, higher construction costs and longer payback

PPI components establish the initial price exposure. The business effects are conditional TradeLens interpretations, not estimated company contributions. [1] [3]

Stronger earnings defense

Repricing rights, reliable demand, productivity gains and short cash-collection cycles. Cost pressure does not have to turn into more long-term borrowing.

Weaker earnings defense

Fixed selling prices, variable inputs, heavy inventories and near-term refinancing. Working capital and financing costs can rise alongside revenue.

What to inspect in results

Combine selling price and volume with gross margin, inventory and receivable turns, interest expense and debt maturities. Who bears costs, and when, matters more than growth alone.

13 / KOREA TRANSMISSION

Prices, currency and U.S. demand act together

Higher prices received by U.S. producers are not automatically a gain for Korean exporters.

01 **U.S. prices** — Competing product prices

›

02 **Contracts** — Prices, delivery, discounts

›

03 **Demand / funding** — Customer investment

›

04 **Korean results** — Inputs, FX and cash

Channel	Potentially favorable conditions	Potentially adverse conditions
Export selling price	Local price rises feed into export prices without lost volume	Customers cut costs while contracted prices stay fixed
Dollar and FX hedging	Foreign-currency sales exceed costs and remain partly unhedged	Dollar inputs/debt rise; hedges limit translation gains
U.S. investment and spending	Committed projects, replacement demand and funded customers	Higher rates defer new orders and durable purchases
Korean earnings and cash	Collections follow shipments; inventories remain efficient	Working capital and input costs outgrow sales

PPI measures prices of domestic U.S. producers; it does not directly measure Korean import prices. Assess product-level import prices, contract currency, hedges and customer inventories to judge competitiveness. The 17 November U.S. import/export-price release is the next cross-check. [14] [15]

A decision rule for Korean readers

Judge gains from U.S. inflation by Korean suppliers' realized prices, volume and cash, not simply by the rise in U.S. firms' costs. Outcomes can diverge within the same export sector.

14 / OUTLOOK & MONITORING

Base case: high discount pressure, selective resilience

Change the view when the stated conditions change. No arbitrary probabilities, target index or trade timing.

Path	Conditions to test	Conditional equity interpretation
Base: persistent pressure	Underlying inflation stays firm; demand does not collapse	Limited scope for multiple expansion; firms diverge by pricing and cash resilience
Upside: stability with growth	Several months of disinflation with real demand and earnings intact	Rate relief and earnings defense broaden the basis for recovery
Downside: a double squeeze	Non-energy prices and expectations rise while earnings forecasts fall	Greater risk of simultaneous margin and multiple compression

High inflation is not a prediction that equities must fall. Productivity and contract repricing can absorb costs while cash generation holds. Conversely, inflation falling because demand collapses need not protect profits merely because rates decline.

Scheduled U.S. date	Release	Evidence that could change the view
17 November	October import/export prices	Whether domestic producer pressure aligns with import prices [15]
25 November	October PCE, income/spending	Inflation alongside real purchasing power and demand [7]
10 December	November CPI	Persistence of monthly non-energy and service inflation [16]
15 December	November PPI	Joint easing in headline, trade margins and underlying prices [17]

Final judgment

The 6.5% reading makes easing harder, not an equity decline inevitable. Persistence, pricing power, cash recovery and refinancing determine where the burden falls.

15 / SOURCE REGISTER · RELEASES & DEFINITIONS

Source register

Click numbered citations, source titles or “Open source” to reach the original material.

01. BLS | Producer Price Indexes, October 2026 OPEN SOURCE

13 Nov 2026 · official release · headline, exclusions, components and revisions

02. BLS | Final-demand PPI monthly changes OPEN SOURCE

As of 13 Nov 2026 · data table · monthly path and annualization inputs

03. BLS | October final-demand component changes OPEN SOURCE

As of 13 Nov 2026 · component data · food, energy, goods and transport

04. BLS | Wholesale and retail PPI: margin prices OPEN SOURCE

Methodology · selling less replacement acquisition price; distribution services

05. BLS | Consumer Price Index, October 2026 OPEN SOURCE

10 Nov 2026 · official release · monthly rates, shelter and annual coverage

06. BLS | October 2026 twelve-month changes OPEN SOURCE

10 Nov 2026 · notice · missing October 2025 comparison data

07. BEA | Personal Income and Outlays, September 2026 OPEN SOURCE

29 Oct 2026 · official release · PCE prices, real spending and disposable income

08. BEA | How PCE prices and quantities are derived OPEN SOURCE

Methodology · component-level use of consumer and producer price indexes

09. Federal Reserve | October FOMC statement OPEN SOURCE

28 Oct 2026 · policy decision · 3.75–4.00% hold, inflation assessment and dissents

Source dates, definitions and scope are preserved. Illustrative models use explicitly stated assumptions.

16 / SOURCE REGISTER · ECONOMY & MONITORING

Source register

Click numbered citations, source titles or “Open source” to reach the original material.

10. BLS | Q3 2026 Productivity and Costs, preliminary OPEN SOURCE

5 Nov 2026 · official release · nonfarm business productivity and unit labor costs

11. BLS | Employment Situation, October 2026 OPEN SOURCE

6 Nov 2026 · official release · nonfarm payrolls and unemployment

12. U.S. Treasury | Daily Treasury par yield curve, 2026 OPEN SOURCE

Through 13 Nov 2026 · daily observations · 2y/10y yields, not intraday event effects

13. Federal Reserve Bank of New York | Treasury term premia OPEN SOURCE

Methodology · expected short rates and term premium decomposition

14. BLS | Comparing personal-consumption PPI with CPI OPEN SOURCE

Methodology · imports, exports, housing, third-party payments and distribution

15. BLS | November 2026 release schedule OPEN SOURCE

As of 14 Nov 2026 · scheduled release · import/export prices on 17 November

16. BLS | CPI release schedule OPEN SOURCE

As of 14 Nov 2026 · scheduled release · November CPI on 10 December

17. BLS | PPI release schedule OPEN SOURCE

As of 14 Nov 2026 · scheduled release · November PPI on 15 December

Source dates, definitions and scope are preserved. Illustrative models use explicitly stated assumptions.

17 / METHODOLOGY & USE

Methodology, disclaimer and use

Official data, policy decisions, TradeLens interpretations and illustrative assumptions are distinct.

Item	Standard
Date / scope	14 November 2026. October PPI released 13 November and official economic, policy and Treasury data available by then.
Periods / definitions	Monthly PPI: seasonally adjusted; annual PPI: unadjusted. Ex food and energy is distinct from ex food, energy and trade services.
Calculations / revisions	Three-month annualization compounds published monthly rates. The latest revised vintage is used; rounding and later revisions remain possible.
Evidence boundary	Unavailable annual CPI values are not filled with estimates. Daily yield changes are not an estimate of PPI's independent causal effect.
Illustrations	Distribution margins (p6), pass-through (p11), earnings/multiples and discounting (p12) use explicit assumptions; not company or index forecasts.
Analytical scope	"Shock" in the title denotes price, policy and earnings pressure, not a measured consensus surprise. No target prices or personalized advice.

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