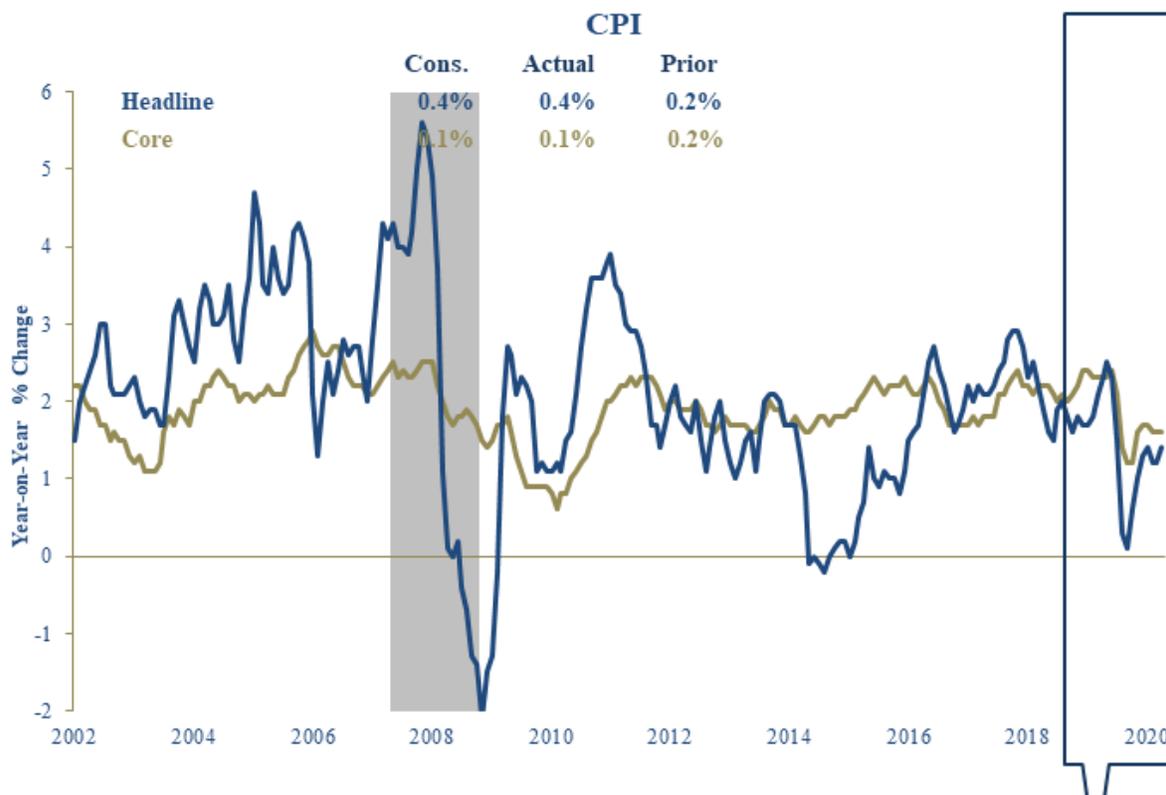
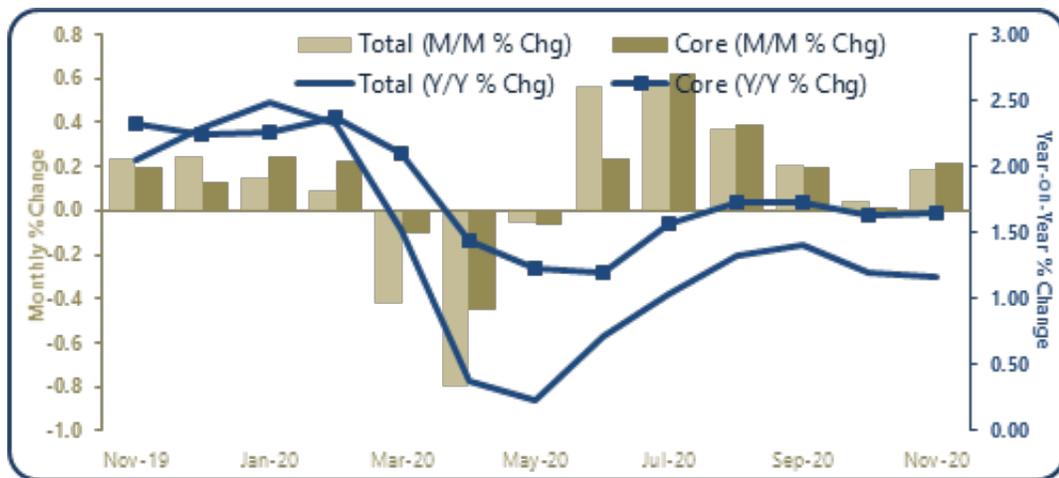


13.Jan.2021

CPI: Core Trend Still Slow

Bottom Line: Core consumer price inflation rose only slightly in December, in-line with expectations and the average of the prior two months. Headline CPI was modestly higher as energy prices rose. Up less than 0.1%, core prices saw gains in apparel, which remain below year-ago prices but started to rebound late in the year, offset by declines in used car prices, which were higher in the early months of the pandemic but started to fall late in the year. Prices for medical care services were also a touch lower. Owner's equivalent rent, the critical component of shelter prices that accounts for nearly a third of core, was slightly higher (+0.14% in December vs. 0.02% in November) but remained in a downtrend. Overall, while there have been pockets of inflation related to shifting demand during the pandemic, the trend remains muted, averaging in the 1.5 - 2% area on core.





The CPI ROSE by 0.37% in December, compared with market expectations for an increase of 0.40%.

- Food prices increased by 0.37% while energy prices rose by 4.0%.
- Prices for gasoline rose by 8.4% while prices for fuel oil increased by 5.8%, prices for electricity climbed by 0.4%, but prices for natural gas fell by 0.8%. Energy prices are now 7.3% BELOW their year-ago level.

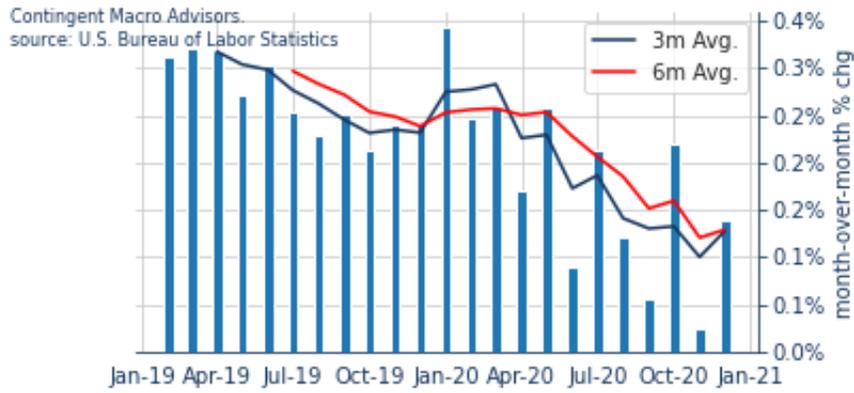
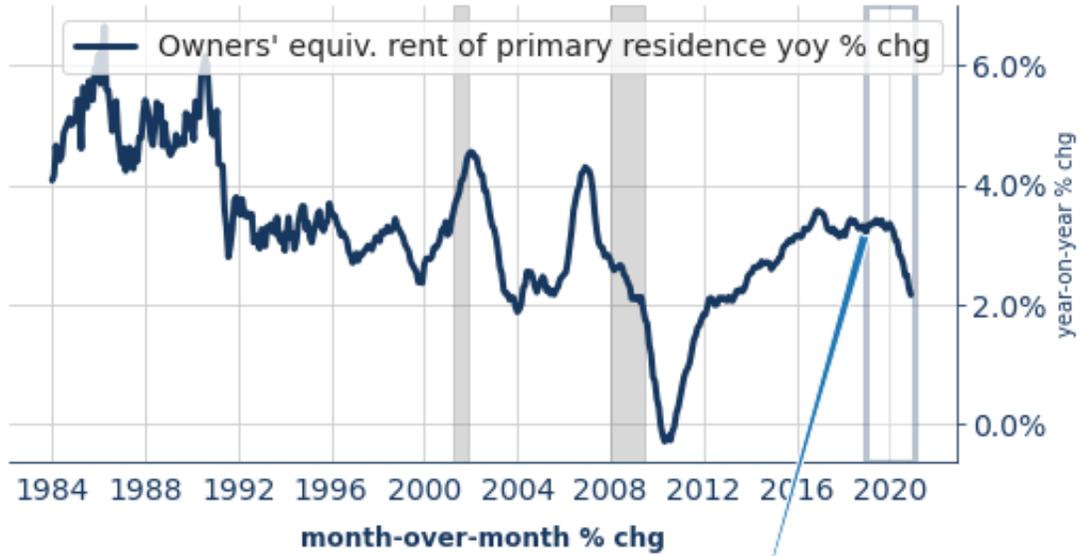
Overall consumer prices are now 1.3% ABOVE their year-ago level; in December 2019, consumer prices were 2.3% ABOVE their year-ago level.

The Core CPI ROSE by 0.09%, compared with market expectations for an increase of 0.10%.

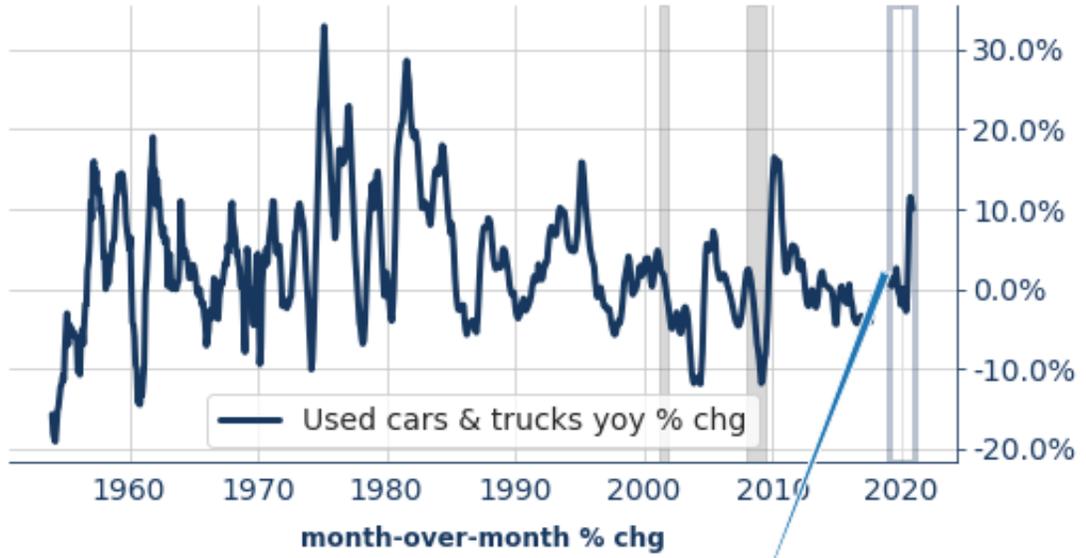
- Prices for commodities excluding food and energy commodities rose by 0.2%.
- Gains in apparel (+1.4%) and tobacco (+1.0%) were offset by declines in used cars & trucks (-1.2%) and medical care (-0.4%).
- Prices for services excluding energy services rose 0.1% with a slight increase in owner's equivalent rent (+0.1%).

Core consumer prices are now 1.6% ABOVE their year-ago level; in December 2019, consumer prices were 2.2% ABOVE their year-ago level.

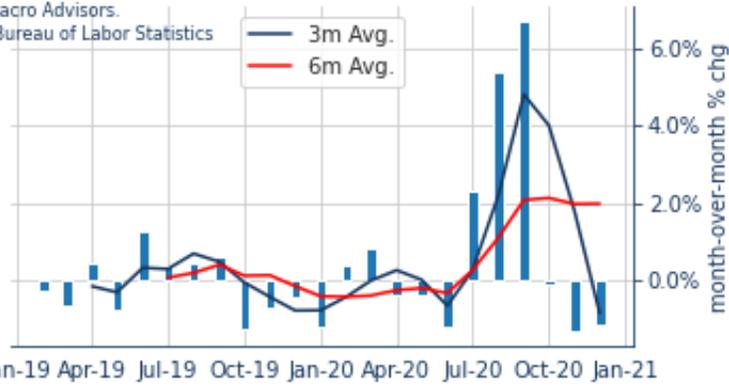
Owners' equiv. rent of primary residence



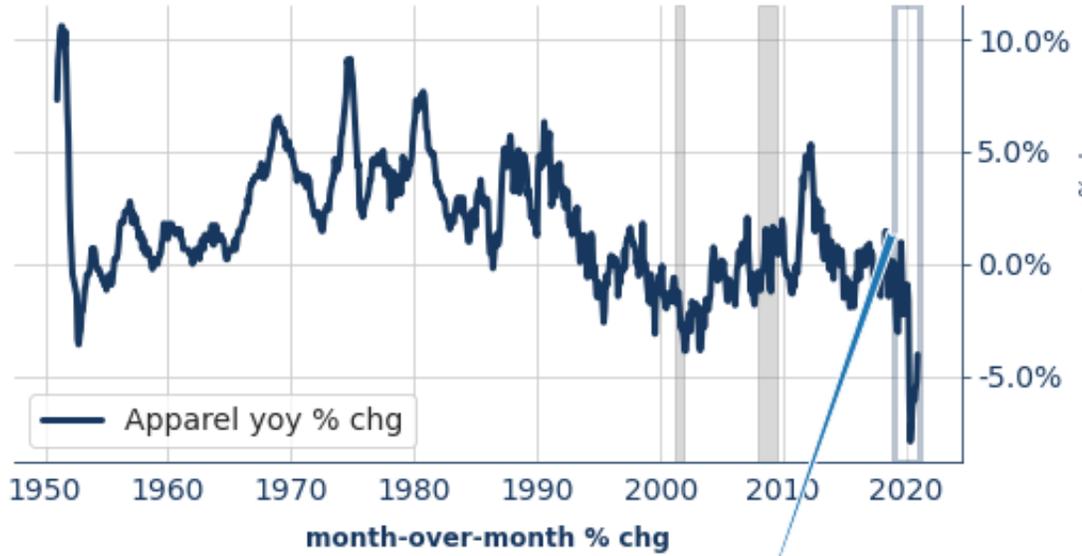
Used cars & trucks



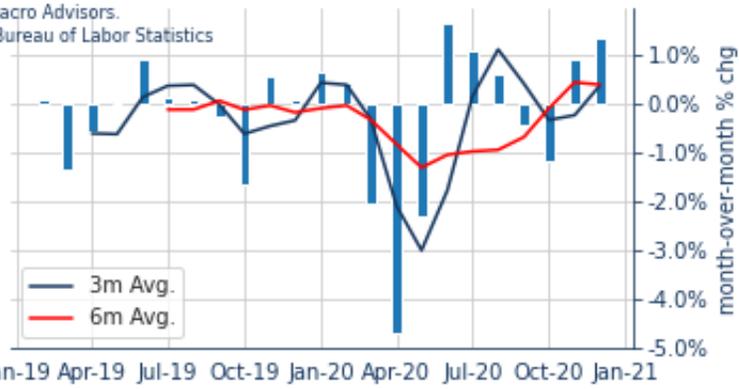
Contingent Macro Advisors.
source: U.S. Bureau of Labor Statistics



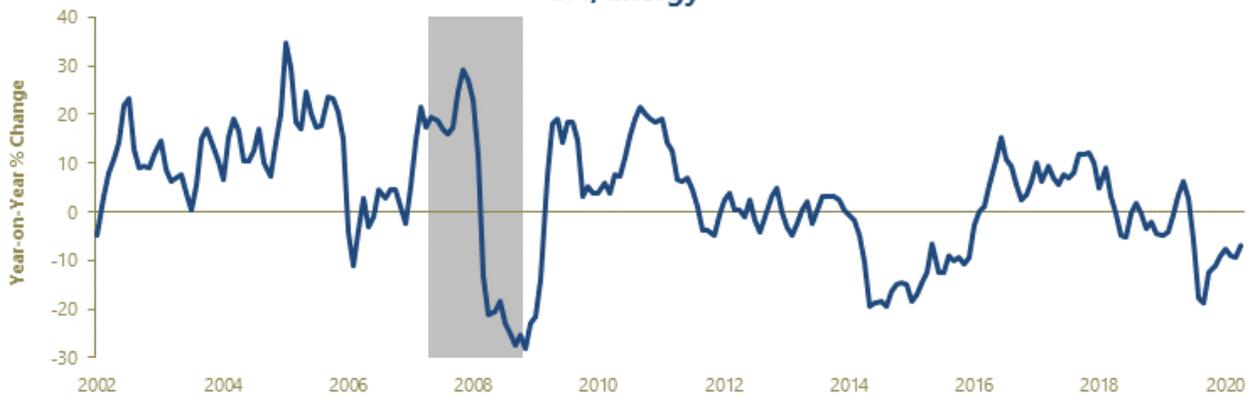
Apparel



Contingent Macro Advisors.
source: U.S. Bureau of Labor Statistics



CPI, Energy



Core Services



Housing Components



Wednesday, January 13, 2021

| | Relative Weight | Percent Change | | | | | | | | | |
|---|-----------------|-------------------|-------------|-------------|--------------------------|-------------|--------------|------------|------------|------------|------------|
| | | Monthly % Changes | | | Annual Rates of % Change | | | | | | |
| | | Dec-20 | Nov-20 | Oct-20 | Three Month | Six Month | Twelve Month | 2019 | 2018 | Five Year | Ten Year |
| All Items | 100.0% | 0.4 | 0.2 | 0.0 | 2.4 | 3.6 | 1.29 | 2.3 | 1.9 | 1.8 | 1.7 |
| Food | 14.1% | 0.4 | -0.1 | 0.2 | 1.9 | 0.3 | 3.9 | 1.8 | 1.6 | 1.1 | 1.8 |
| Energy | 6.0% | 4.0 | 0.4 | 0.1 | 19.9 | 19.0 | -7.3 | 3.6 | -0.2 | 0.2 | 0.5 |
| Gasoline | 3.7% | 8.4 | -0.4 | -0.5 | 33.3 | 34.2 | -15.2 | 8.1 | -2.1 | 0.4 | 0.3 |
| Utility (Piped Gas) | 0.8% | -0.8 | 3.1 | -0.7 | 6.4 | 9.4 | 4.1 | -3.6 | 2.3 | -1.2 | -1.0 |
| All items less food & energy | 79.9% | 0.09 | 0.22 | 0.01 | 1.27 | 3.07 | 1.61 | 2.2 | 2.2 | 2.1 | 1.9 |
| Commodities | 20.3% | 0.15 | 0.1 | -0.2 | 0.0 | 5.2 | 1.6 | 0.1 | 0.2 | -0.3 | 0.0 |
| Apparel | 2.7% | 1.4 | 0.9 | -1.2 | 4.5 | 4.8 | -4.0 | -1.1 | 0.1 | -0.6 | 0.2 |
| New vehicles | 3.7% | 0.4 | -0.1 | 0.4 | 3.3 | 3.9 | 2.0 | 0.1 | -0.3 | 0.0 | 0.5 |
| Used cars & trucks | 2.8% | -1.2 | -1.3 | -0.1 | -9.6 | 25.9 | 10.0 | -0.7 | 1.4 | -1.0 | 0.0 |
| Medical care | 1.6% | -0.4 | -0.3 | -0.8 | -5.5 | -3.1 | -2.5 | 2.4 | -0.6 | 2.0 | 2.3 |
| Alcoholic beverages | 1.0% | 0.0 | 0.4 | 0.3 | 2.8 | 1.0 | 2.8 | 0.5 | 1.8 | 1.1 | 1.3 |
| Tobacco | 0.6% | 1.0 | 0.3 | -0.2 | 4.4 | 5.3 | 5.1 | 5.5 | 3.4 | 4.5 | 3.8 |
| Services | 59.6% | 0.08 | 0.24 | 0.09 | 1.69 | 2.33 | 1.60 | 3.0 | 2.9 | 2.9 | 2.5 |
| Shelter | 33.3% | 0.13 | 0.13 | 0.11 | 1.50 | 1.62 | 1.83 | 3.2 | 3.2 | 3.3 | 2.6 |
| Owners Equiv. Rent | 24.3% | 0.14 | 0.02 | 0.22 | 1.50 | 1.62 | 2.17 | 3.3 | 3.2 | 3.3 | 2.6 |
| Medical care | 7.3% | -0.1 | -0.1 | -0.3 | -2.3 | 0.0 | 2.8 | 5.1 | 2.6 | 3.2 | 3.2 |
| Transportation | 5.2% | -0.1 | 1.8 | 0.1 | 7.5 | 9.3 | -3.4 | 0.6 | 2.9 | 2.5 | 2.4 |
| Airfare | 0.7% | -2.3 | 3.5 | 6.3 | 33.4 | 26.4 | -18.4 | 1.8 | -2.4 | -2.4 | -0.4 |
| Communications | 3.8% | 0.0 | 0.0 | 0.1 | 0.6 | 4.8 | 2.4 | 0.7 | -1.8 | -1.9 | -1.4 |
| Education | 3.0% | 0.2 | 0.1 | 0.0 | 1.7 | 0.1 | 1.4 | 2.1 | 2.6 | 2.6 | 3.2 |

Source: Bureau of Labor Statistics, Department of Labor via Bloomberg. Our calculations.