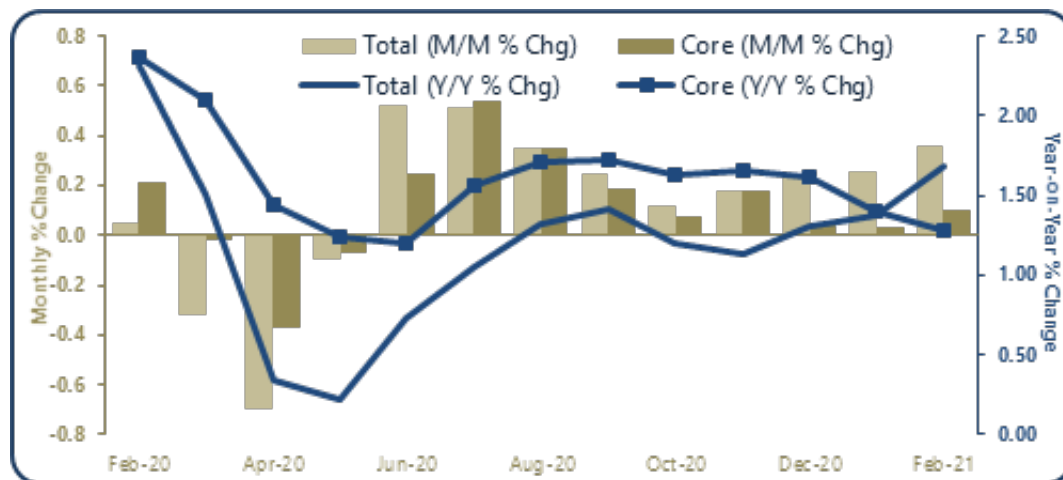
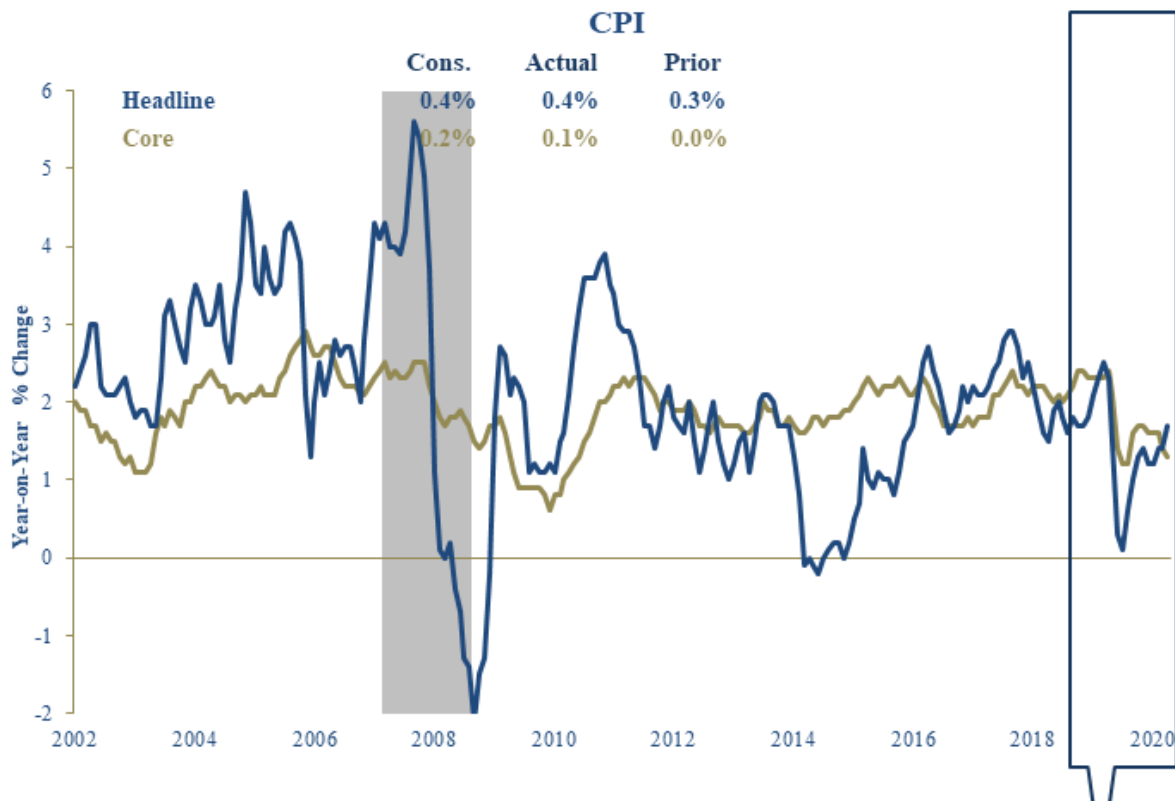


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10.Mar.2021

CPI: Core Misses to Downside, Base Effects Push Up YoY Figures

Bottom Line: Core CPI came in a touch below expectations even as higher gasoline prices continued to drive the headline figure. Food prices were also modestly higher. Prices for clothing, used cars and medical care commodities, all volatile since the pandemic, fell in February, capping the core gains. Airfares also fell sharply, despite improved interest in making travel plans as the vaccine rollout continued. Prices for medical care services were higher even as medical-related commodities fell. The largest driver of the core components, the owner's equivalent rent, accelerated modestly to its strongest level since July but remained muted on a trend basis, annualizing around 1.5%. **Overall, while there have been pockets of inflation related to shifting demand during the pandemic, the trend remains muted, averaging in the 1.25 - 1.75% area on the core.** We should keep base effects in mind -- just using the recent trend in monthly changes, we expected readings of 1.7% for February and 2% for March. Base effects peak in April, with CPI likely hitting 2.2% year-on-year.



The CPI ROSE by 0.35% in February, compared with market expectations for an increase of 0.40%.

- Food prices increased by 0.17% while energy prices rose by 3.9%. Prices for gasoline rose by 6.4% while prices for fuel oil increased by 11.1%, prices for electricity climbed by 0.7%, and prices for natural gas rose by 1.6%.
- Energy prices are now 2.3% ABOVE their year-ago level.

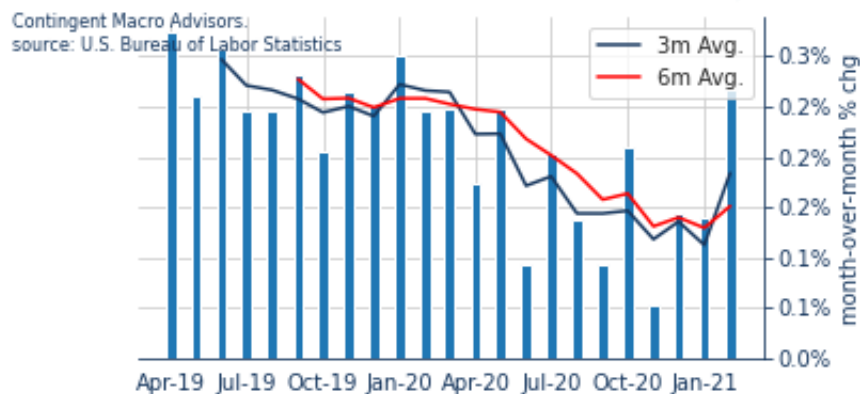
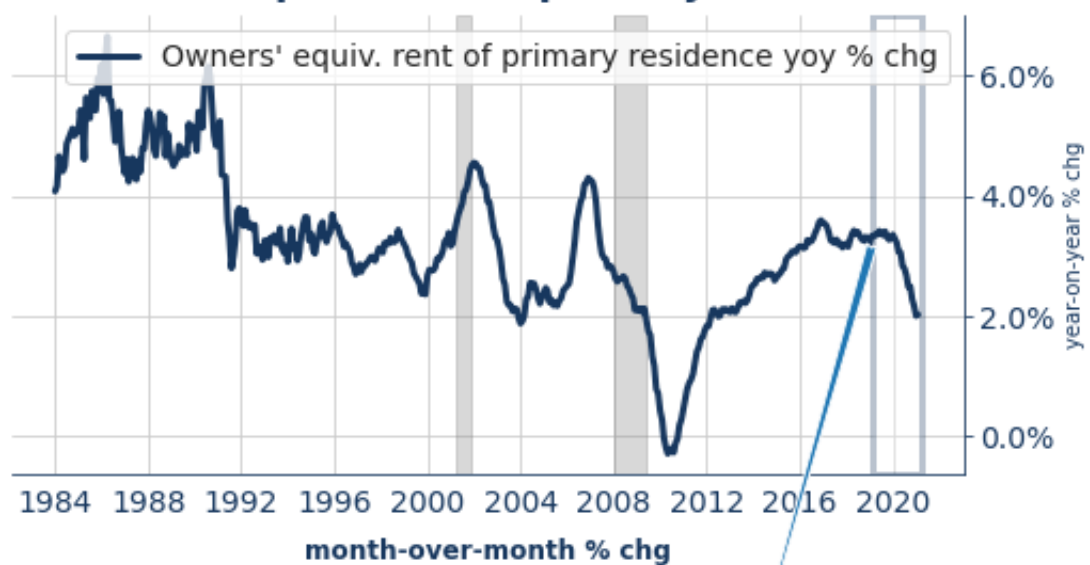
Overall consumer prices are now 1.7% ABOVE their year-ago level; in February 2020, consumer prices were 2.3% ABOVE their year-ago level.

The Core CPI ROSE by 0.10%, compared with market expectations for an increase of 0.20%.

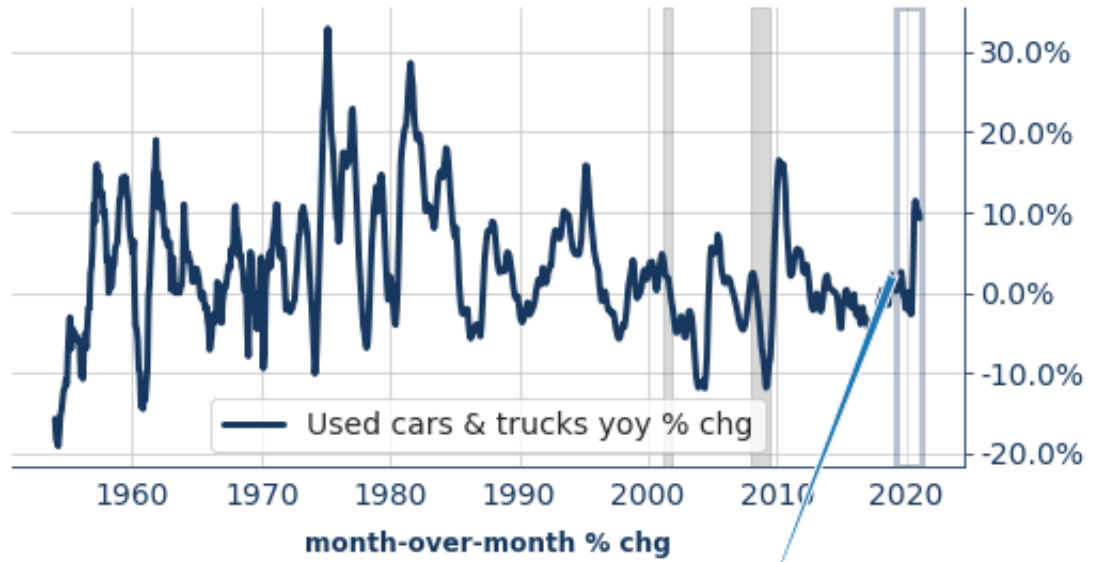
- Prices for commodities excluding food and energy commodities fell by 0.2%. Gains in tobacco (+0.6%), (+), were offset by declines in used cars & trucks (-0.9%), apparel (-0.7%).
- Prices for services excluding energy services rose 0.2% with a moderate increase in medical care services (+0.5%), owner's equivalent rent (+0.3%), and shelter (+0.2%).

Core consumer prices are now 1.3% ABOVE their year-ago level; in February 2020, consumer prices were 2.4% ABOVE their year-ago level.

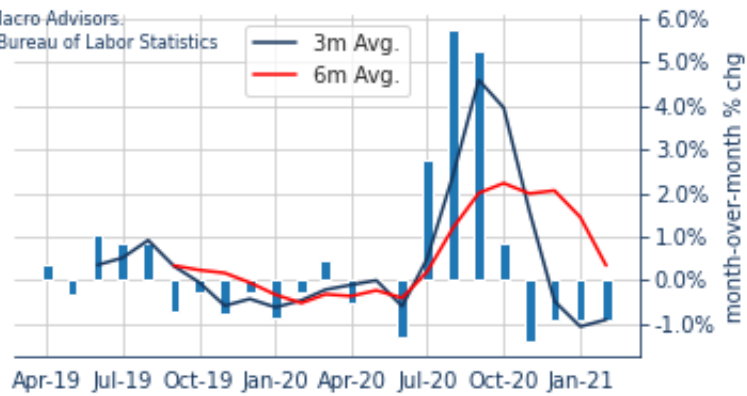
Owners' equiv. rent of primary residence



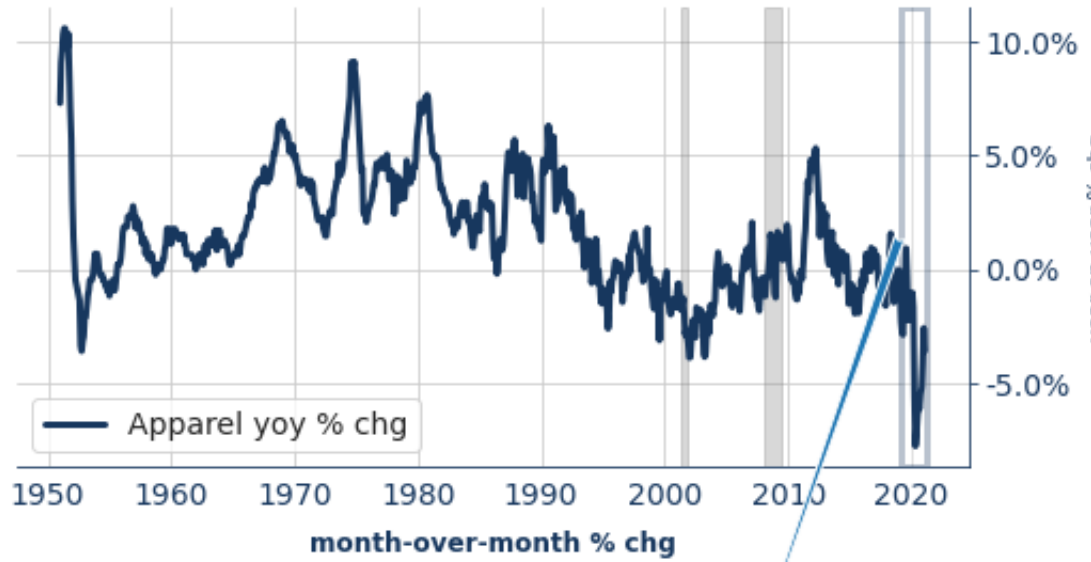
Used cars & trucks



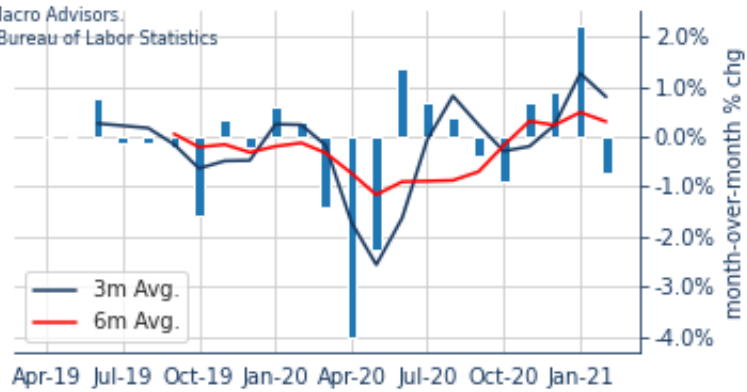
Contingent Macro Advisors
source: U.S. Bureau of Labor Statistics

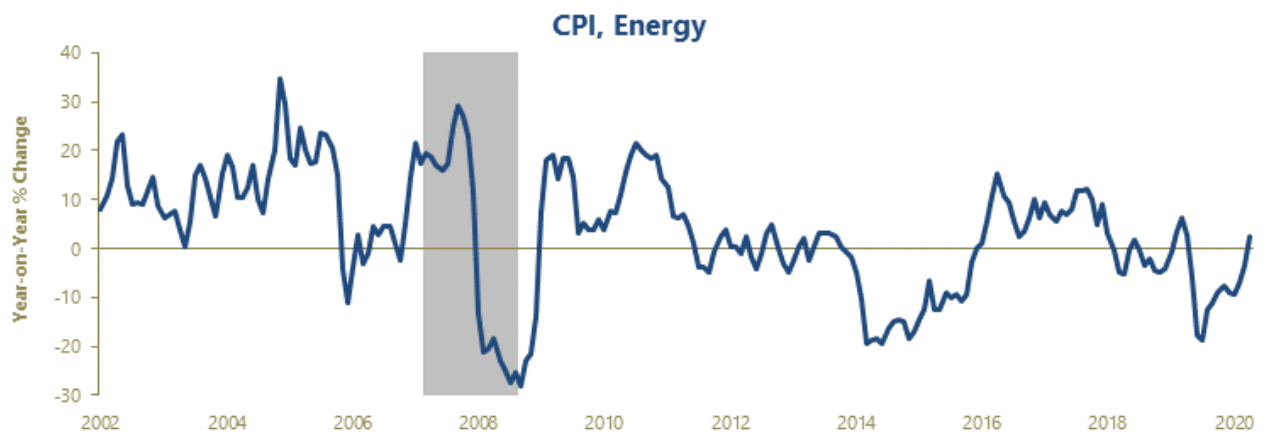
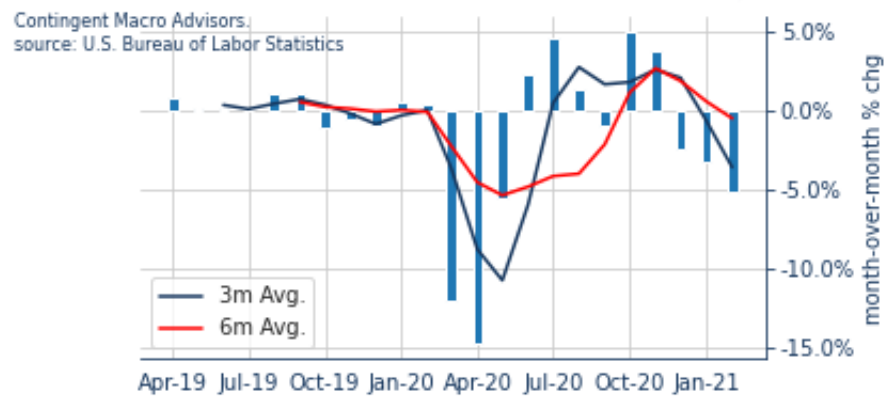


Apparel

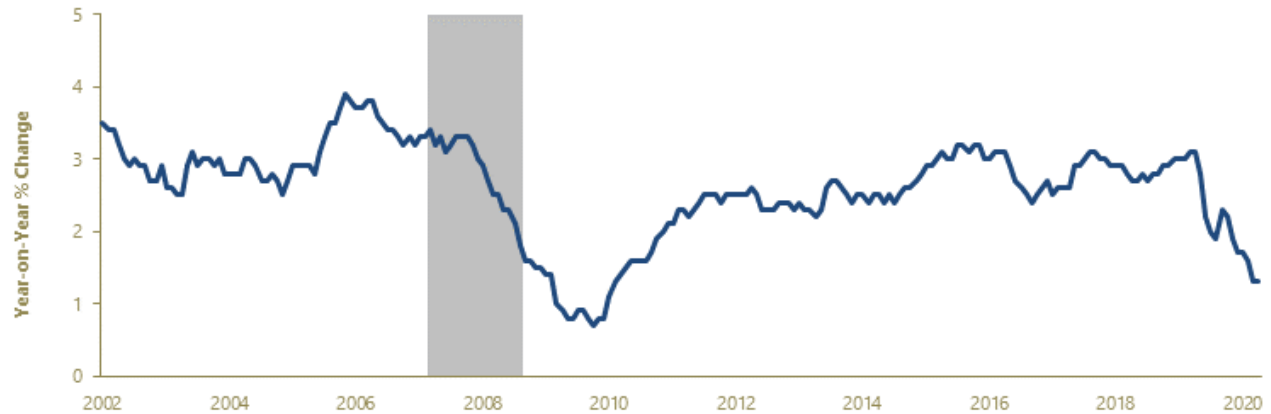


Contingent Macro Advisors,
source: U.S. Bureau of Labor Statistics





Core Services



Wednesday, March 10, 2021

	Relative Weight	Percent Change									
		Monthly % Changes			Annual Rates of % Change						
		Feb-21	Jan-21	Dec-20	Three Month	Six Month	Twelve Month	2020	2019	Five Year	Ten Year
All Items	100.0%	0.4	0.3	0.2	3.5	2.8	1.68	1.3	2.3	1.9	1.7
Food	14.1%	0.2	0.1	0.3	2.4	1.7	3.6	3.9	1.8	1.7	2.0
Energy	6.3%	3.9	3.5	2.6	47.8	28.2	2.3	-7.3	3.4	1.4	-1.1
Gasoline	3.7%	6.4	7.4	5.2	108.9	53.1	1.5	-15.2	7.9	1.4	-2.8
Utility (Piped Gas)	0.8%	1.6	-0.4	-0.4	3.0	15.3	6.7	4.0	-3.6	3.2	-0.3
All items less food & energy	79.5%	0.10	0.03	0.04	0.71	1.23	1.28	1.6	2.2	2.0	2.0
Commodities	20.2%	-0.21	0.1	0.1	0.0	1.1	1.3	1.6	0.0	0.1	0.2
Apparel	2.7%	-0.7	2.2	0.9	9.8	3.6	-3.6	-4.1	-1.2	-1.4	-0.1
New vehicles	3.7%	0.0	-0.5	0.4	-0.7	0.8	1.2	1.9	0.1	0.3	0.7
Used cars & trucks	2.7%	-0.9	-0.9	-0.9	-10.3	3.9	9.3	10.0	-0.7	1.2	0.5
Medical care	1.6%	-0.7	-0.1	-0.2	-4.1	-5.4	-2.5	-2.5	2.5	1.1	1.7
Alcoholic beverages	1.0%	-0.1	-0.1	0.1	-0.3	1.2	2.0	2.8	0.5	1.6	1.5
Tobacco	0.6%	0.6	1.8	0.6	12.7	8.3	7.0	5.1	5.5	4.8	3.8
Services	59.3%	0.22	0.03	0.04	1.16	1.33	1.26	1.6	2.9	2.6	2.5
Shelter	33.2%	0.17	0.08	0.12	1.50	1.43	1.46	1.8	3.2	3.0	2.8
Owners Equiv. Rent	24.2%	0.27	0.14	0.14	1.50	1.43	2.03	2.2	3.3	3.1	2.7
Medical care	7.3%	0.5	0.5	-0.1	3.3	0.8	3.0	2.7	5.1	3.2	3.1
Transportation	5.1%	-0.1	-0.3	-0.6	-3.8	0.5	-4.4	-3.4	0.3	1.2	1.7
Airfare	0.6%	-5.1	-3.2	-2.5	-35.5	-6.5	-25.6	-18.3	1.6	-5.8	-3.0
Communications	3.8%	0.1	-0.1	0.0	-0.1	0.0	2.2	2.4	0.7	-1.3	-1.1
Education	3.0%	0.2	0.0	0.2	1.8	1.0	1.2	1.4	2.1	2.2	3.0

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

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