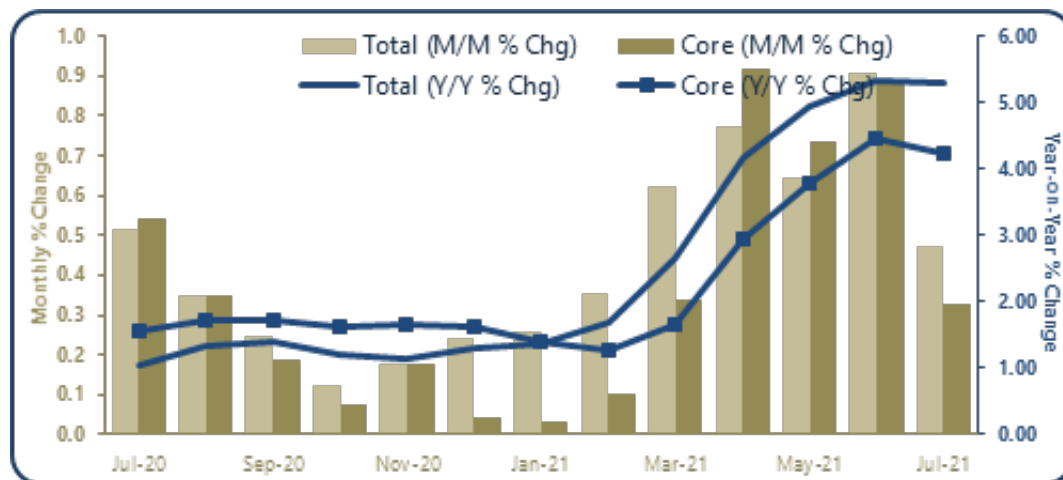
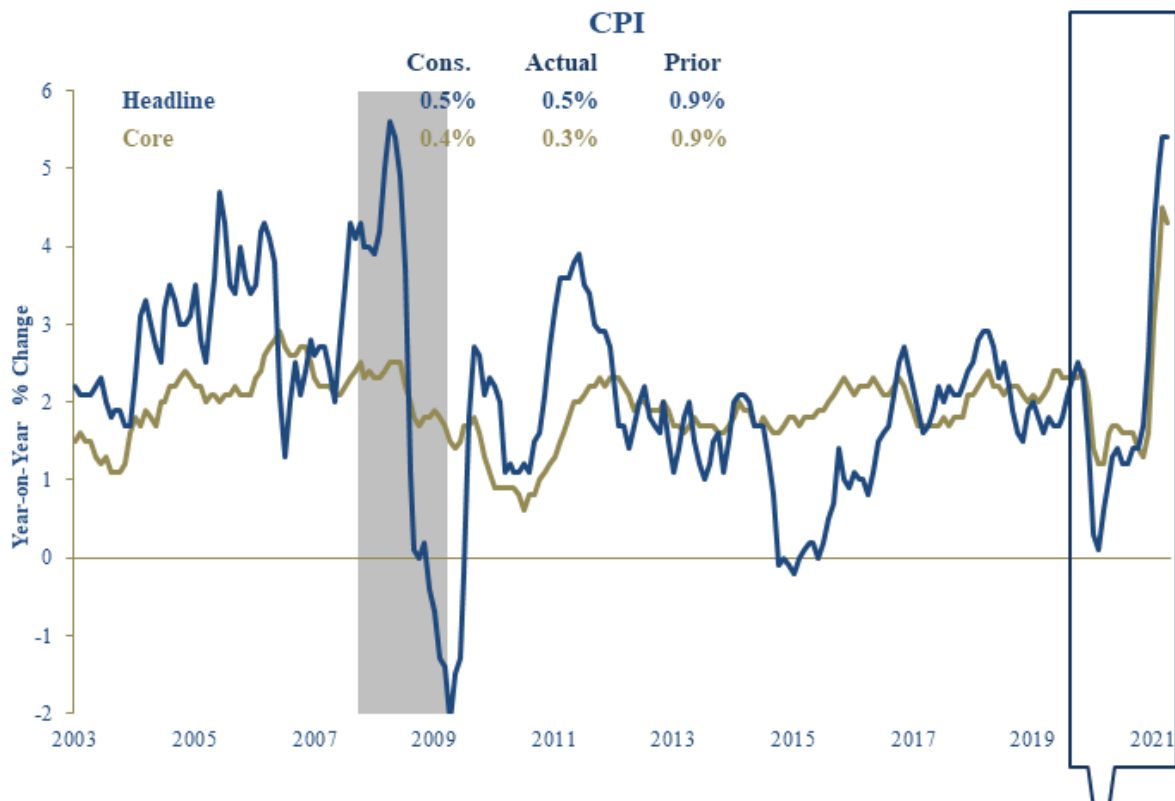


11.Aug.2021

CPI: Flying Prices Lose Altitude

Bottom Line: Core CPI came in a touch lower than expected as airfares declined slightly. Other core components continued to run hot, though. Consumer prices are now 5.3% above their year-ago level. Meanwhile, core consumer prices rose moderately and are 4.2% above their year-ago level. Vehicle prices continued to climb, with new cars up 1.7% on the month. Housing accounts for 40% of total CPI and just over half of Core CPI, with Owner's equivalent rent (OER) dominating the category. And OER is accelerating moderately -- 3.77% annualized in the last 3 months vs. 3.3% and 2.4% in the last 6- and 12-months, respectively. Based on historical time lags, most of the impact from higher single-family home prices won't be felt until early 2022 CPI readings.

Overall, the pandemic-related categories continued to drive the core CPI increases. However, as these pandemic effects linger, we are getting closer to when home price lags should start to bolster OER readings, which are already accelerating just a touch. Looking through the volatility of pandemic-related categories, there are plenty of indications that core CPI components will continue to run above the Fed's 2% target.



The CPI ROSE by 0.47% in July, compared with market expectations for an increase of 0.50%.

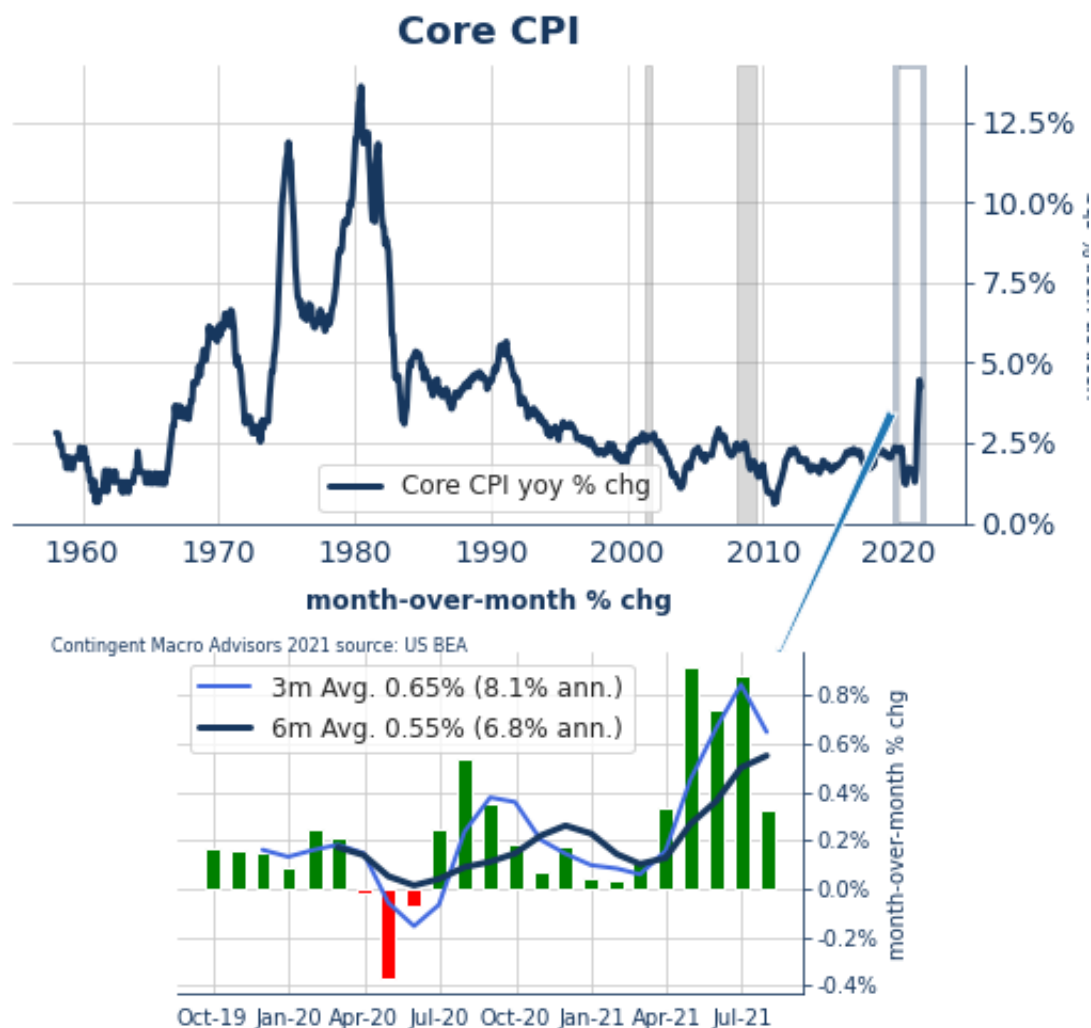
- Food prices increased by 0.72% while energy prices rose by 1.6%.
- Prices for gasoline rose by 2.4% while prices for fuel oil increased by 0.6%, prices for electricity climbed by 0.4%, and prices for natural gas rose by 2.2%.
Energy prices are now 23.6% ABOVE their year-ago level.

Overall consumer prices are now 5.3% ABOVE their year-ago level; in July 2020, consumer prices were 1.0% ABOVE their year-ago level.

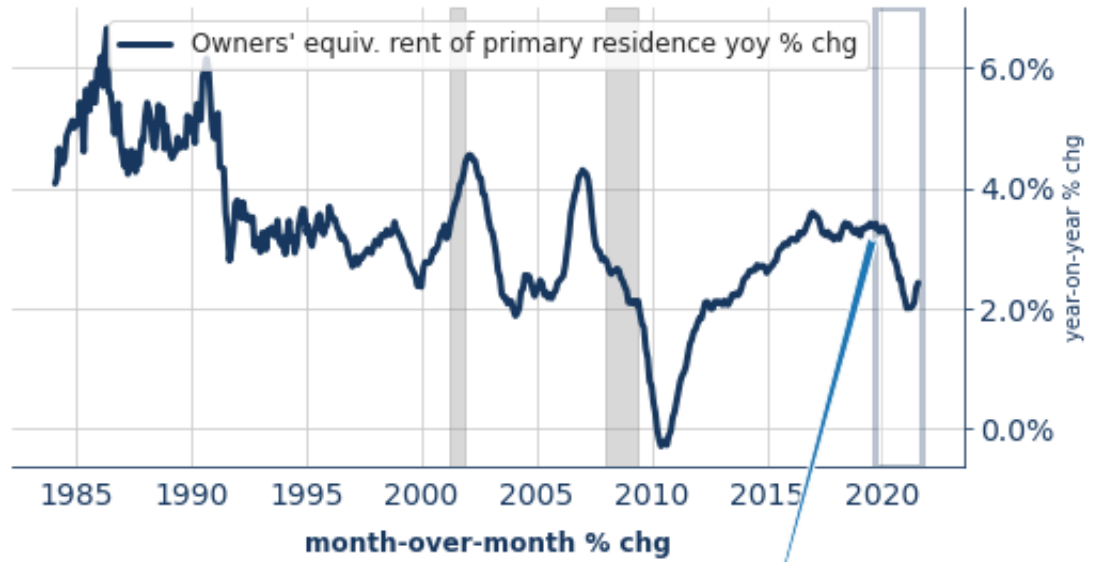
The Core CPI ROSE by 0.33%, compared with market expectations for an increase of 0.40%.

- Prices for commodities excluding food and energy commodities rose by 0.5%.
- Gains in new vehicles (+1.7%), tobacco (+0.5%), were partially offset by declines in airfare prices (-.1%).
- Prices for services excluding energy services rose 0.3% with a moderate increase in shelter (+0.4%), owner's equivalent rent (+0.3%), and medical care services (+0.3%).

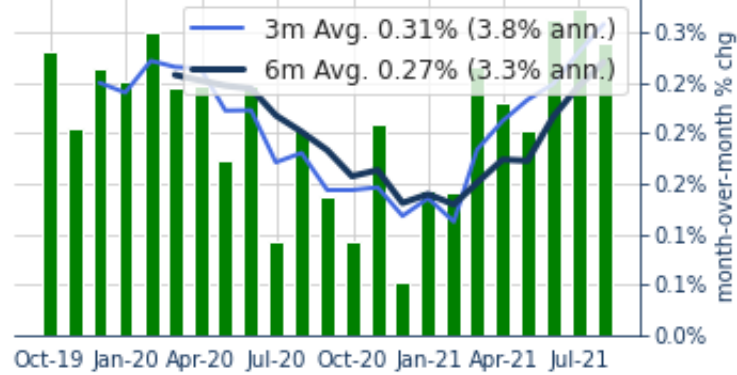
Core consumer prices are now 4.2% ABOVE their year-ago level; in July 2020, consumer prices were 1.6% ABOVE their year-ago level.



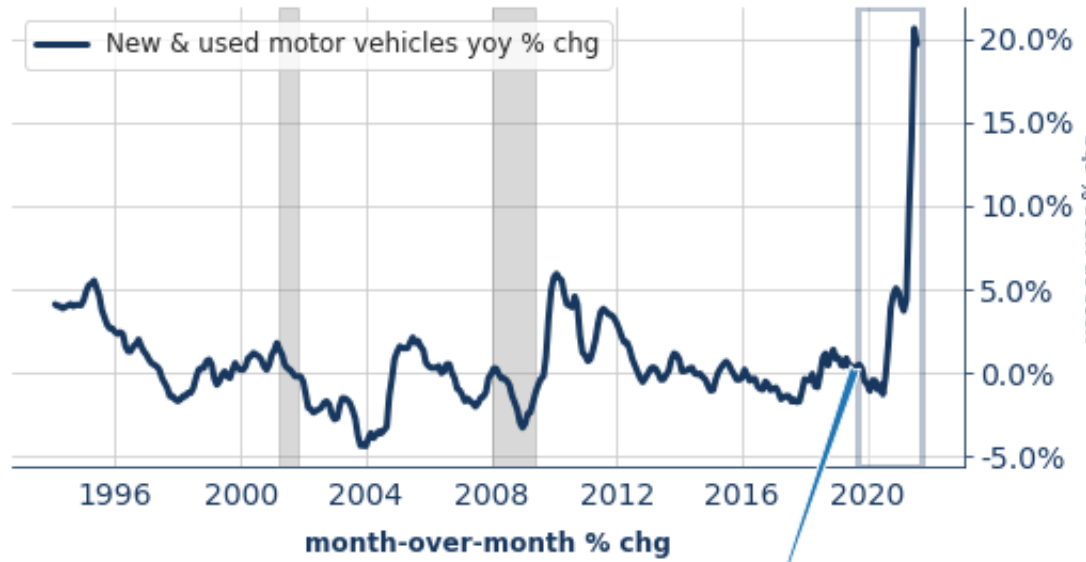
Owners' equiv. rent of primary residence



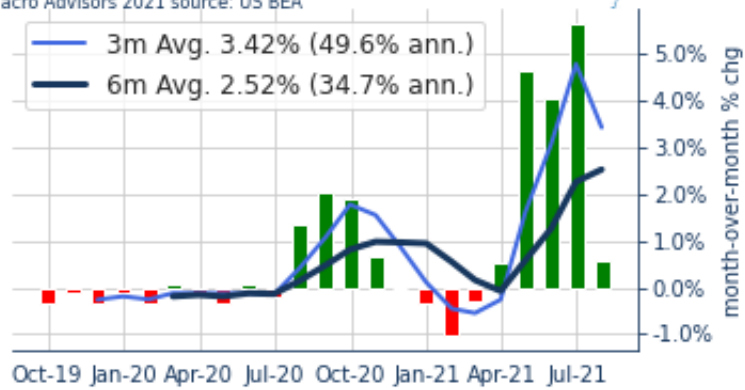
Contingent Macro Advisors 2021 source: US BEA



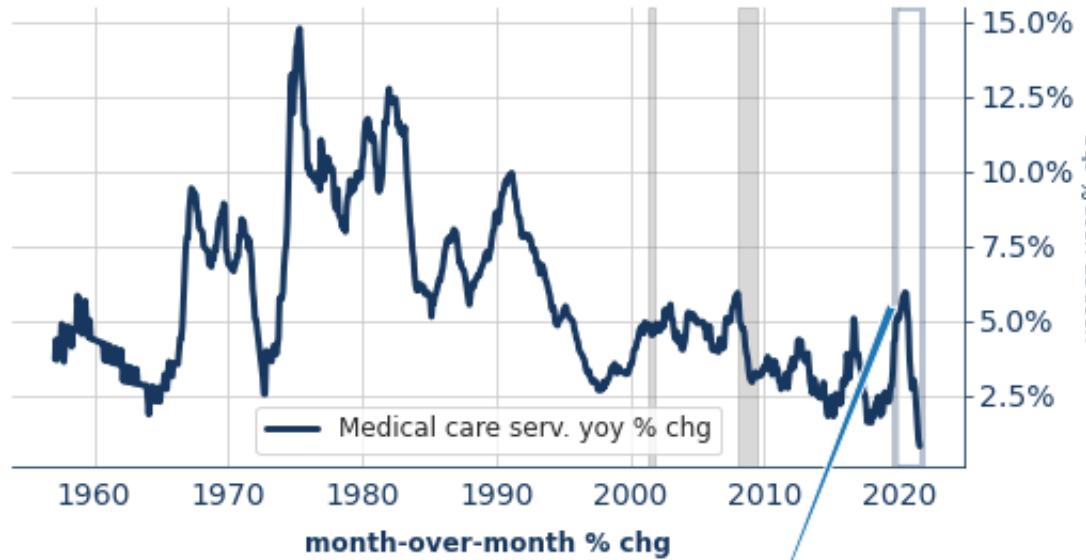
New & used motor vehicles



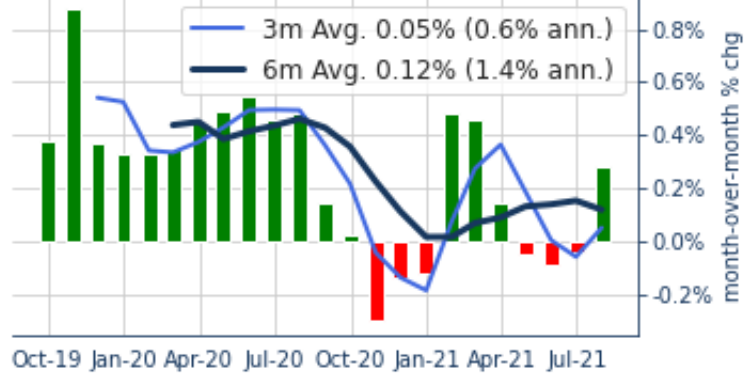
Contingent Macro Advisors 2021 source: US BEA



Medical care serv.



Contingent Macro Advisors 2021 source: US BEA



US Consumer Price Inflation	Jul-21	Jun-21	3m ann % chg	6m ann % chg	YoY % chg	2020	2019	5y
CPI All Items	0.47%	0.90%	8.40%	7.80%	5.28%	1.30%	2.26%	2.44%
Core CPI	0.33%	0.88%	8.06%	6.80%	4.23%	1.61%	2.22%	2.33%
Fuels & utilities	0.70%	0.33%	6.62%	8.97%	7.09%	2.13%	-0.39%	2.36%
Food & bev.	0.69%	0.75%	7.81%	5.16%	3.37%	3.86%	1.74%	2.39%
Housing	0.41%	0.40%	5.13%	4.81%	3.34%	2.01%	2.60%	2.70%
Apparel	0.04%	0.70%	8.12%	2.53%	4.20%	-4.10%	-1.24%	-0.71%
Transportation	0.65%	3.61%	28.66%	28.65%	19.08%	-2.55%	1.89%	3.73%
Medical care	0.26%	-0.10%	0.33%	1.07%	0.29%	1.77%	4.55%	2.29%
Recreation	0.55%	0.19%	3.99%	5.90%	3.53%	0.92%	1.47%	1.49%
Education & communication	0.19%	0.09%	2.16%	1.78%	1.13%	1.97%	1.37%	0.54%

Other goods & serv.	0.71%	0.15%	2.95%	3.93%	2.89%	2.40%	2.33%	2.34%
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Month-over-month % change for most recent months, followed by annualized % changes for periods noted. 5- and 10-year are simple averages of annual % changes.

US CPI - Energy	Jun-21	May-21	3m ann % chg	6m ann % chg	YoY % chg	2020	2019	5y
Fuels & utilities	0.33%	0.58%	7.81%	7.53%	6.47%	2.13%	-0.39%	2.20%
Household energy	0.31%	0.73%	9.63%	9.00%	7.45%	1.67%	-1.18%	1.92%
Motor fuel	2.54%	-0.69%	1.95%	56.93%	44.77%	-15.29%	7.65%	4.82%
Gasoline (all types)	2.52%	-0.72%	1.60%	56.72%	45.06%	-15.24%	7.87%	4.79%
Fuel oil & other fuels	2.92%	2.18%	11.76%	52.36%	32.48%	-13.58%	1.82%	4.56%
Energy serv.	0.18%	0.66%	9.52%	7.24%	6.38%	2.47%	-1.33%	1.79%
Electricity	-0.28%	0.34%	5.07%	3.57%	3.84%	2.01%	-0.68%	1.28%
Utility (piped) gas service	1.70%	1.72%	25.72%	20.62%	15.63%	4.05%	-3.56%	3.61%

Month-over-month % change for most recent months, followed by annualized % changes for periods noted. 5- and 10-year are simple averages of annual % changes.

US CPI - Housing Related	Jun-21	May-21	3m ann % chg	6m ann % chg	YoY % chg	2020	2019	5y
Housing	0.40%	0.44%	5.56%	4.02%	3.13%	2.01%	2.60%	2.61%
Rent of primary residence	0.23%	0.24%	2.73%	2.29%	1.92%	2.29%	3.71%	3.03%
Lodging away from home	6.95%	0.40%	78.52%	32.38%	14.98%	-9.66%	-0.44%	0.91%
Owners' equiv. rent of residences	0.32%	0.31%	3.42%	3.00%	2.34%	2.17%	3.28%	2.81%
Fuels & utilities	0.33%	0.58%	7.81%	7.53%	6.47%	2.13%	-0.39%	2.20%
Household furnishings & operations	-0.14%	1.33%	8.57%	4.28%	4.08%	3.16%	0.99%	1.56%

Month-over-month % change for most recent months, followed by annualized % changes for periods noted. 5- and 10-year are simple averages of annual % changes.

US CPI - Transportation	Jul-21	Jun-21	3m ann % chg	6m ann % chg	YoY % chg	2020	2019	5y
Transportation	0.65%	3.61%	28.66%	28.65%	19.08%	-2.55%	1.89%	3.73%

Private trans.	0.67%	3.71%	28.56%	29.04%	19.48%	-1.74%	1.96%	4.16%
Public trans.	0.36%	2.35%	30.01%	23.76%	13.99%	-11.96%	0.95%	-1.18%
New vehicles	1.72%	1.97%	23.45%	12.09%	6.36%	1.93%	0.06%	1.31%
Used cars & trucks	0.22%	10.49%	99.22%	69.68%	41.65%	10.05%	-0.69%	8.35%
Motor vehicle maintenance & repair	0.90%	0.33%	3.67%	4.80%	4.08%	3.43%	3.42%	2.88%
Airline fare	-0.14%	2.73%	45.03%	32.84%	18.96%	-18.26%	1.60%	-2.64%

Month-over-month % change for most recent months, followed by annualized % changes for periods noted. 5- and 10-year are simple averages of annual % changes. NOTE - Transportation and Private Trans. includes fuel.

Wednesday, August 11, 2021		Percent Change									
		Monthly % Changes				Annual Rates of % Change					
		Relative Weight	Jul-21	Jun-21	May-21	Three Month	Six Month	Twelve Month	2020	2019	Five Year
All Items	100.0%	0.5	0.9	0.6	8.4	7.8	5.28	1.3	2.3	1.9	1.7
Food	13.8%	0.7	0.8	0.4	8.0	5.3	3.4	3.9	1.8	1.7	2.0
Energy	7.2%	1.6	1.5	0.0	13.0	26.2	23.6	-7.3	3.4	1.4	-1.1
Gasoline	3.7%	2.4	2.5	-0.7	18.2	42.6	41.8	-15.2	7.9	1.4	-2.8
Utility (Piped Gas)	0.8%	2.2	1.7	1.7	25.0	27.0	19.0	4.0	-3.6	3.2	-0.3
All items less food & energy	79.0%	0.33	0.88	0.74	8.06	6.80	4.23	1.6	2.2	2.0	2.0
Commodities	20.7%	0.48	2.2	1.8	19.3	13.4	8.4	1.6	0.0	0.1	0.2
Apparel	2.7%	0.0	0.7	1.2	8.1	2.5	4.2	-4.1	-1.2	-1.4	-0.1
New vehicles	3.7%	1.7	2.0	1.6	23.5	12.1	6.4	1.9	0.1	0.3	0.7
Used cars & trucks	3.5%	0.2	10.5	7.3	99.2	69.7	41.7	10.0	-0.7	1.2	0.5
Medical care	1.5%	0.2	-0.4	0.0	-1.0	-0.6	-2.1	-2.5	2.5	1.1	1.7
Alcoholic beverages	1.0%	0.3	0.5	0.4	4.5	3.0	2.4	2.8	0.5	1.6	1.5
Tobacco	0.6%	0.5	0.6	0.1	4.9	5.4	6.4	5.1	5.5	4.8	3.8
Services	58.3%	0.27	0.44	0.37	4.42	4.62	2.83	1.6	2.9	2.6	2.5
Shelter	32.6%	0.43	0.49	0.29	4.97	4.24	2.79	1.8	3.2	3.0	2.8
Owners Equiv. Rent	23.6%	0.29	0.32	0.31	3.77	3.31	2.43	2.2	3.3	3.1	2.7
Medical care	7.1%	0.28	0.0	-0.1	0.6	1.4	0.8	2.7	5.1	3.2	3.1