

10.Nov.2021

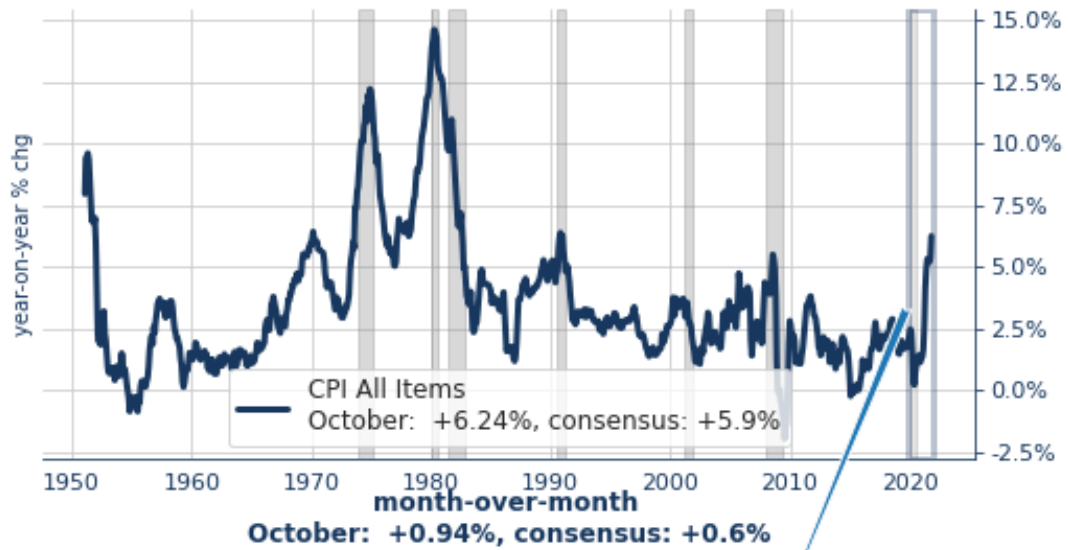
CPI: OER Acceleration Begins

Bottom Line: Core CPI rose more than expected in October as Owner's Equivalent Rent (OER), a key measure of shelter prices and nearly a third of core CPI, accelerated while pandemic-related categories remained firm. OER historically lags home price moves by over a year, and the acceleration should last until the 2nd Quarter of 2022. OER rose 4.6% annualized in the three months ended in October vs. 3.1% over the last 12 months and just 2.2% in 2020. And there is scope for somewhat further acceleration given the historical relationship. Key pandemic-related categories like new and used cars, which should start to see easing prices in 2022, saw continued gains in October. Medical care services, which had eased in September, rebounded sharply. Finally, headline CPI was stronger, primarily due to continued upward pressure on energy prices.

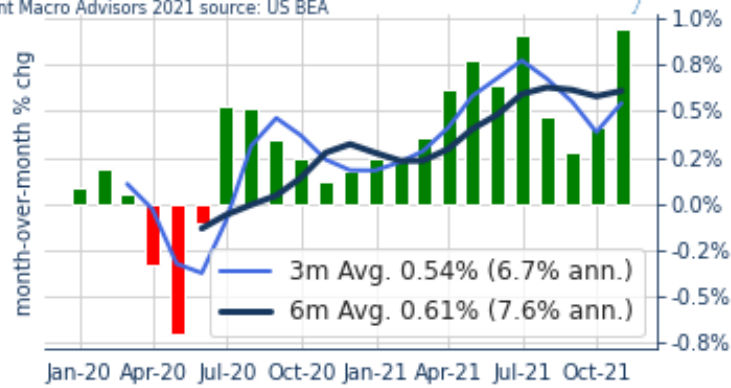
Overall, core inflation pressures remain significant. While there is scope for the pandemic-related categories to offset some of the acceleration in OER, there are few signs of that so far, and core inflation pressures will remain significant well into 2022.

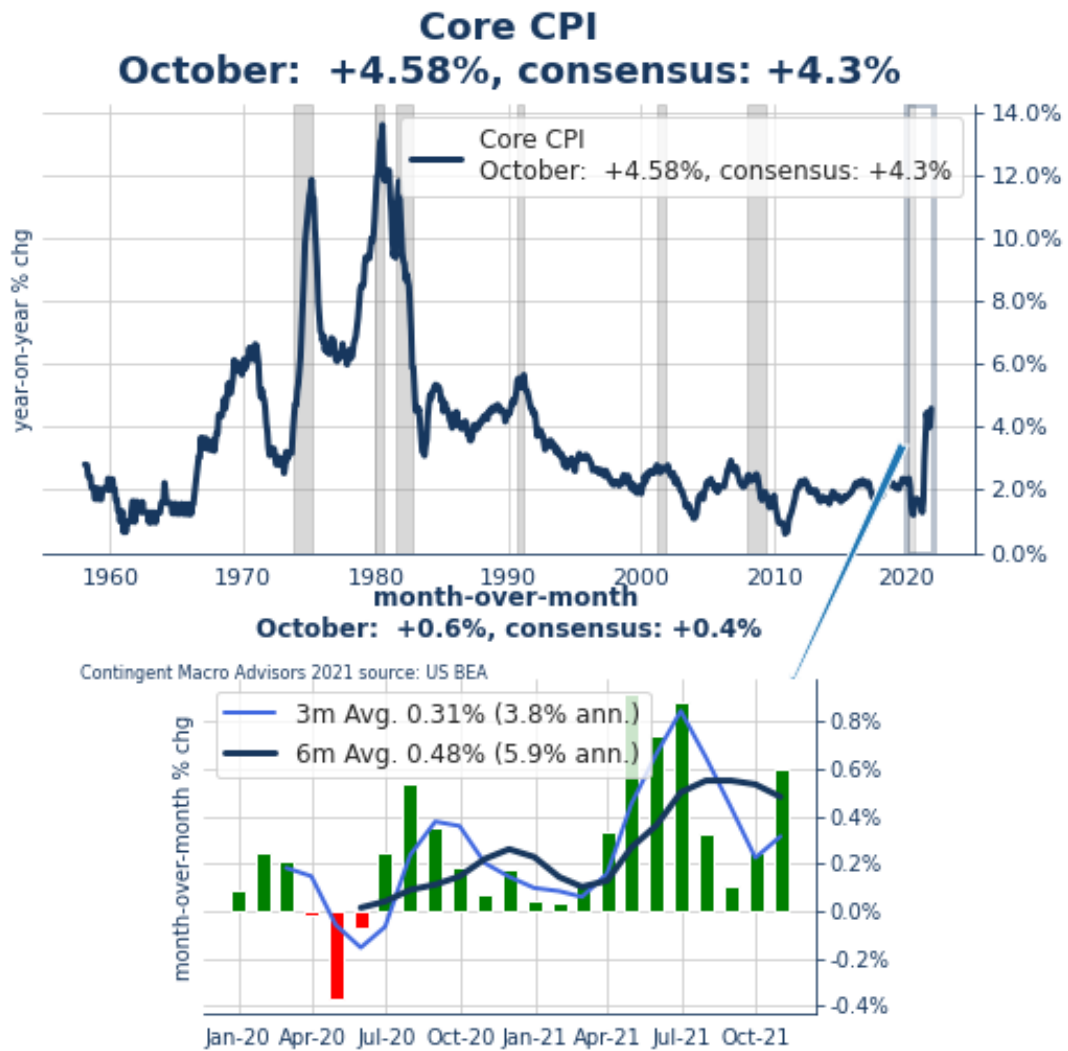
CPI All Items

October: +6.24%, consensus: +5.9%



Contingent Macro Advisors 2021 source: US BEA





The CPI ROSE by 0.94% in October, compared with market expectations for an increase of 0.60%.

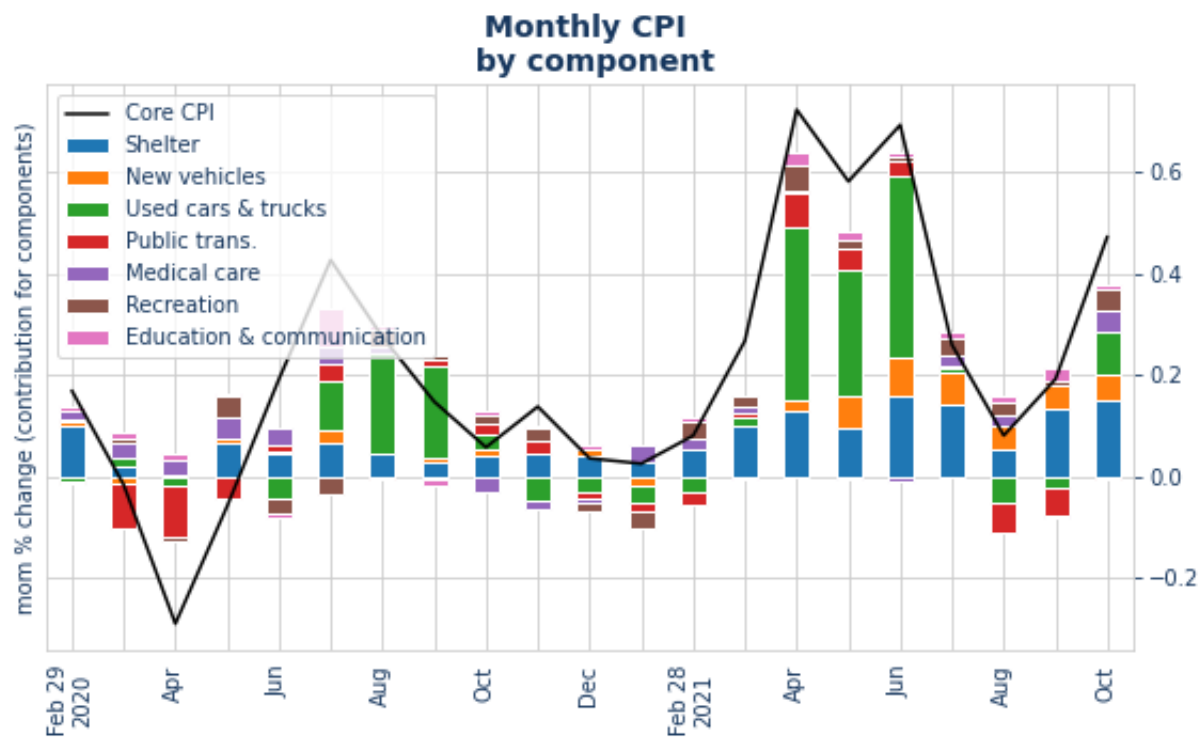
- Food prices increased by 0.91% while energy prices rose by 4.8%.
- Prices for gasoline rose by 6.1% while prices for fuel oil increased by 9.4%, prices for electricity climbed by 1.8%, and prices for natural gas rose by 6.6%.
- Energy prices are now 30.0% ABOVE their year-ago level.

Overall consumer prices are now 6.2% ABOVE their year-ago level; in October 2020, consumer prices were 1.2% ABOVE their year-ago level.

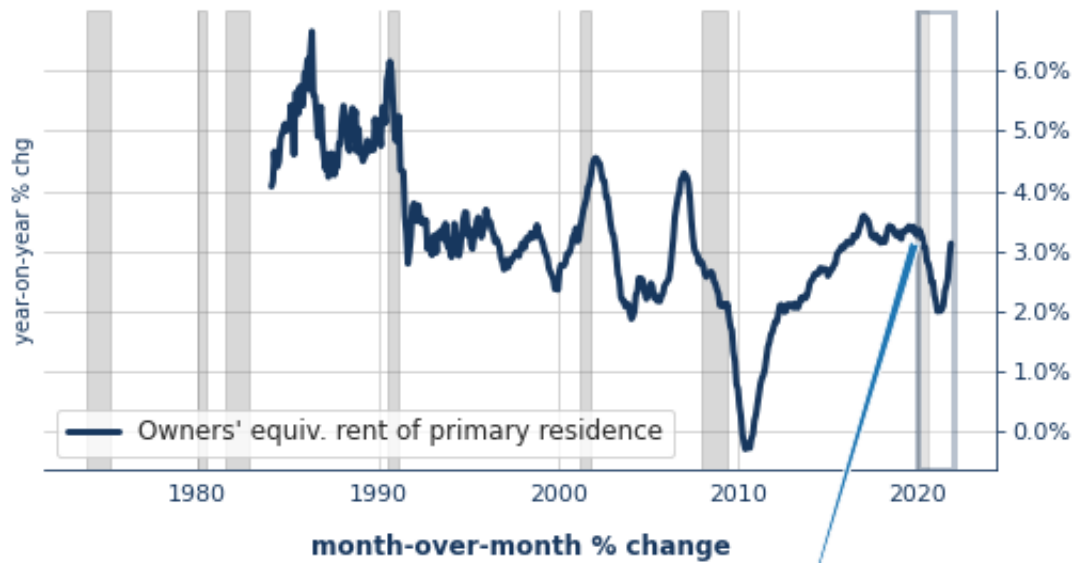
The Core CPI ROSE by 0.60%, compared with market expectations for an increase of 0.40%.

- Prices for commodities excluding food and energy commodities rose by 1.0%.
- Gains in used cars & trucks (+2.5%), tobacco (+1.9%), were only partially offset by declines in alcoholic beverages (-0.2%).
- Prices for services excluding energy services rose 0.4% with a moderate increase in medical care services (+0.5%), shelter (+0.5%), and owner's equivalent rent (+0.4%).

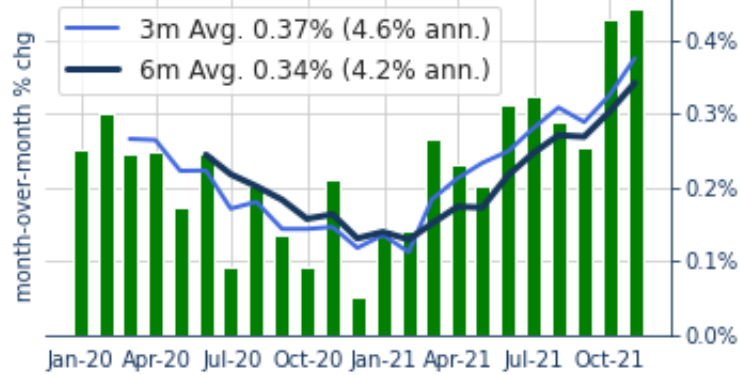
Core consumer prices are now 4.6% ABOVE their year-ago level; in October 2020, consumer prices were 1.6% ABOVE their year-ago level.



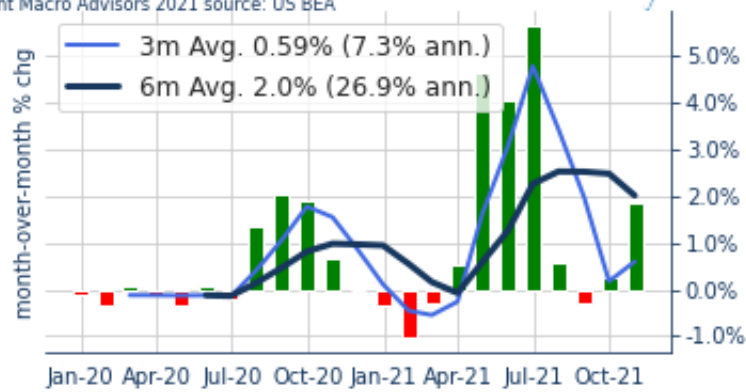
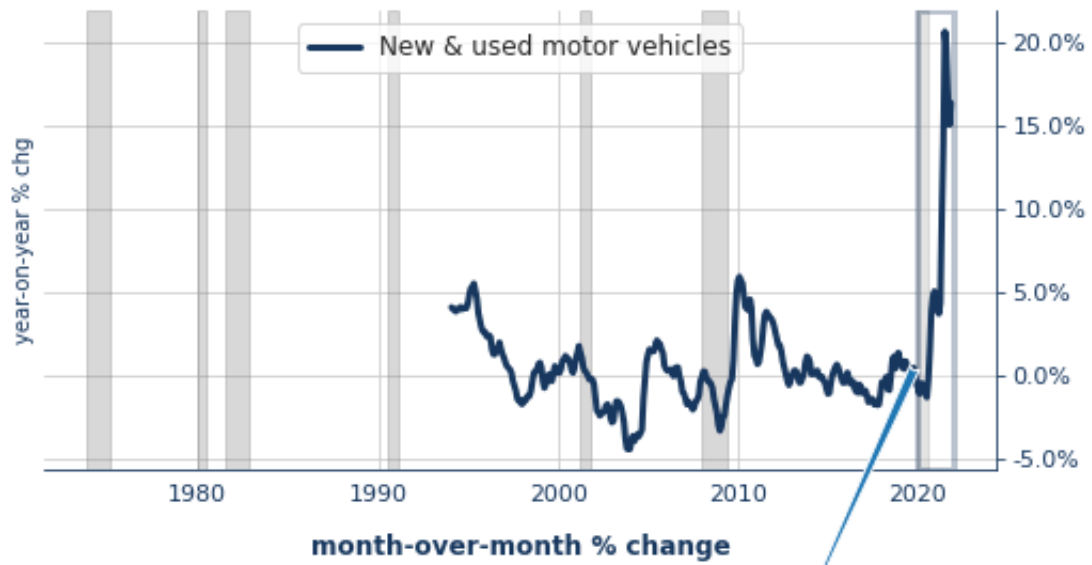
Owners' equiv. rent of primary residence



Contingent Macro Advisors 2021 source: US BEA



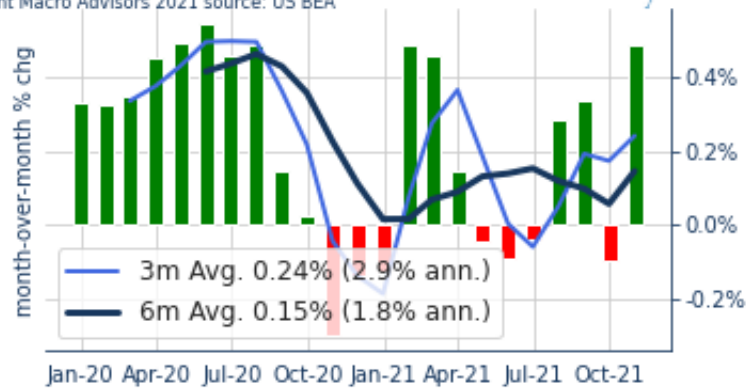
New & used motor vehicles



Medical care serv.



Contingent Macro Advisors 2021 source: US BEA



US Consumer Price Inflation	Oct-21	Sep-21	3m ann % chg	6m ann % chg	YoY % chg	2020	2019	5y
CPI All Items	0.94%	0.41%	6.71%	7.55%	6.24%	1.30%	2.26%	2.81%
Core CPI (78.8%)	0.60%	0.24%	3.84%	5.93%	4.58%	1.61%	2.22%	2.54%
Motor fuel (3.9%)	6.07%	1.23%	48.25%	32.41%	49.59%	-15.29%	7.65%	8.05%
Energy serv. (3.2%)	2.97%	1.24%	23.51%	14.78%	11.24%	2.47%	-1.33%	3.15%
Food & bev. (13.9%)	0.84%	0.87%	8.73%	8.27%	5.12%	3.86%	1.74%	2.86%
Shelter (32.6%)	0.46%	0.40%	4.16%	4.56%	3.50%	1.84%	3.24%	3.12%
Medical care (8.6%)	0.50%	-0.03%	2.92%	1.62%	1.31%	1.77%	4.55%	2.45%
New vehicles	1.36%	1.30%	16.65%	20.00%	9.85%	1.93%	0.06%	2.14%

(3.8%)								
Used cars & trucks (3.4%)	2.50%	-0.70%	0.88%	41.76%	26.45%	10.05%	-0.69%	8.41%
Public trans. (1.1%)	-0.71%	-5.01%	-36.78%	-9.34%	-1.06%	-11.96%	0.95%	-3.22%
Education & communication (6.5%)	0.16%	0.39%	3.03%	2.59%	1.77%	1.97%	1.37%	0.69%
Recreation (5.7%)	0.69%	0.16%	5.44%	4.71%	3.85%	0.92%	1.47%	1.78%
Apparel (2.7%)	0.00%	-1.12%	-2.95%	2.44%	4.34%	-4.10%	-1.24%	-0.86%
Other goods & serv. (3.1%)	0.85%	0.10%	5.55%	4.24%	4.24%	2.40%	2.33%	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.

US CPI - Energy	Oct-21	Sep-21	3m ann % chg	6m ann % chg	YoY % chg	2020	2019	5y
Fuels & utilities	2.55%	1.12%	19.89%	13.06%	10.48%	2.13%	-0.39%	3.40%
Household energy (3.4%)	3.29%	1.34%	25.39%	16.11%	12.76%	1.67%	-1.18%	3.38%
Motor fuel (3.9%)	6.07%	1.23%	48.25%	32.41%	49.59%	-15.29%	7.65%	8.05%
Fuel oil & other fuels (0.2%)	9.39%	3.10%	65.18%	43.78%	48.34%	-13.58%	1.82%	8.00%
Electricity (2.5%)	1.79%	0.79%	15.16%	8.20%	6.53%	2.01%	-0.68%	2.13%
Utility (piped) gas service (0.8%)	6.62%	2.67%	53.27%	38.41%	28.11%	4.05%	-3.56%	6.85%

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	Oct-21	Sep-21	3m ann % chg	6m ann % chg	YoY % chg	2020	2019	5y
Shelter (32.6% total CPI)	0.46%	0.40%	4.16%	4.56%	3.50%	1.84%	3.24%	3.12%
Rent of primary residence (7.6%)	0.42%	0.45%	4.84%	3.70%	2.70%	2.29%	3.71%	3.34%
Lodging								

away from home (1.1%)	1.35%	-0.56%	-8.36%	24.04%	22.36%	-9.66%	-0.44%	1.68%
Owners' equiv. rent of residences (23.6%)	0.44%	0.43%	4.59%	4.18%	3.13%	2.17%	3.28%	3.14%
Household energy (3.4%)	3.29%	1.34%	25.39%	16.11%	12.76%	1.67%	-1.18%	3.38%
Household furnishings & operations (3.7%)	0.85%	1.03%	13.29%	9.01%	6.25%	3.16%	0.99%	2.25%

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	Oct-21	Sep-21	3m ann % chg	6m ann % chg	YoY % chg	2020	2019	5y
Transportation	2.37%	0.29%	10.61%	19.29%	18.71%	-2.55%	1.89%	4.33%
Private trans.	2.58%	0.67%	15.07%	21.63%	20.28%	-1.74%	1.96%	5.03%
Public trans.	-0.71%	-5.01%	-36.78%	-9.34%	-1.06%	-11.96%	0.95%	-3.22%
New vehicles	1.36%	1.30%	16.65%	20.00%	9.85%	1.93%	0.06%	2.14%
Used cars & trucks	2.50%	-0.70%	0.88%	41.76%	26.45%	10.05%	-0.69%	8.41%
Motor vehicle maintenance & repair	1.45%	-0.02%	9.19%	6.39%	5.36%	3.43%	3.42%	3.39%
Airline fare	-0.66%	-6.42%	-49.04%	-14.03%	-4.63%	-18.26%	1.60%	-5.33%

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 as well as services like vehicle insurance and licensing fees.