

10.Feb.2022

### **CPI: No Signs of Cooling, 40+ year Highs**

**Bottom Line:** CPI rose even more than expected in January, with the headline and core year-on-year gains hitting levels not seen in 40+ years at 7.5% and 6%, respectively.

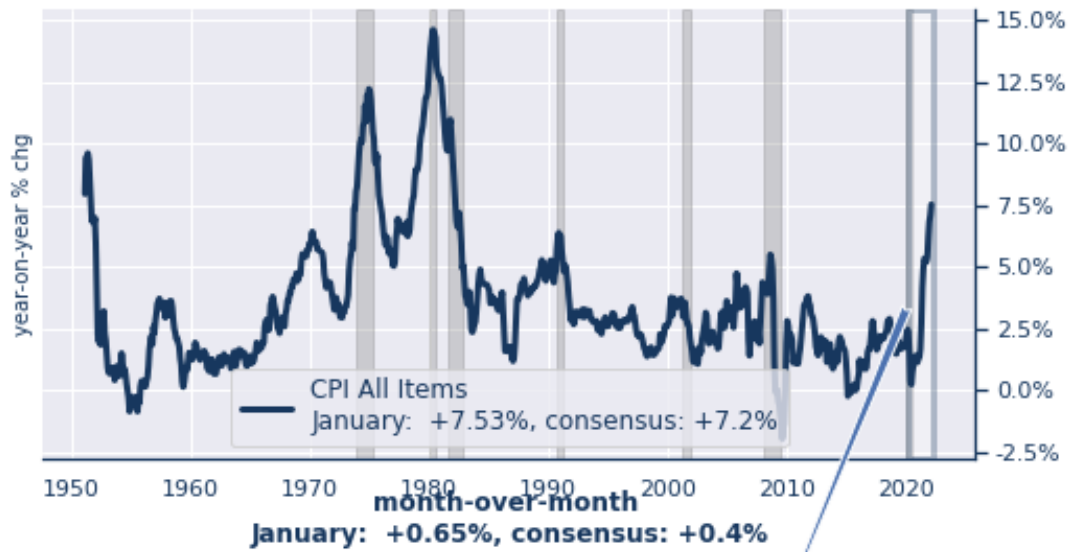
January was the seventh time core CPI has increased at least 0.5% in the last ten months. Owner's Equivalent Rent (OER), a key measure of shelter prices and nearly a third of core CPI, rose 0.42%, in line with the recent trend and consistent with its historical lag with home prices. Used cars and trucks jumped again, up 1.5% on the month, as did apparel prices, up 1.1%. Those pandemic-related categories continue to see upside volatility. Medical care services, which had been notable less volatile and mainly on a pre-pandemic trend, saw a surprise jump of about 0.6%, up from the typical monthly pace of 0.3%.

OER historically lags home price moves by over a year, and the acceleration should last through the 2nd Quarter. It rose 5.24% annualized in the three months ended in November vs. 4.4% over the last 12 months and just 2.2% in 2020. Our models suggest that further acceleration is unlikely given the historical relationship.

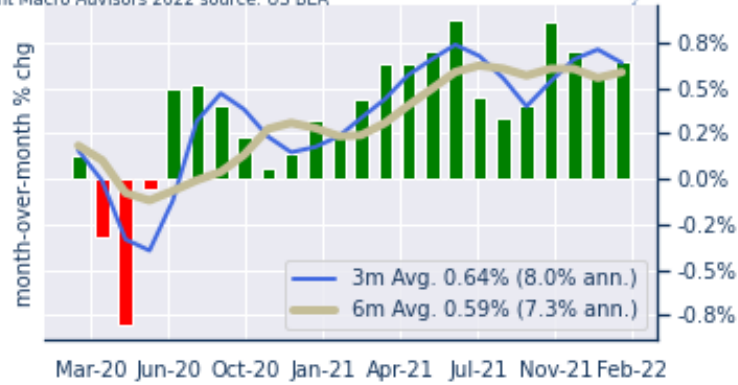
**Overall, core inflation pressures will remain significant throughout the 1st Half. While there is scope for the pandemic-related categories to ease in the coming months, there are few signs of that so far. Moreover, the increase in medical care prices bears close watching, especially if the pandemic-related categories don't see easing price pressures.**

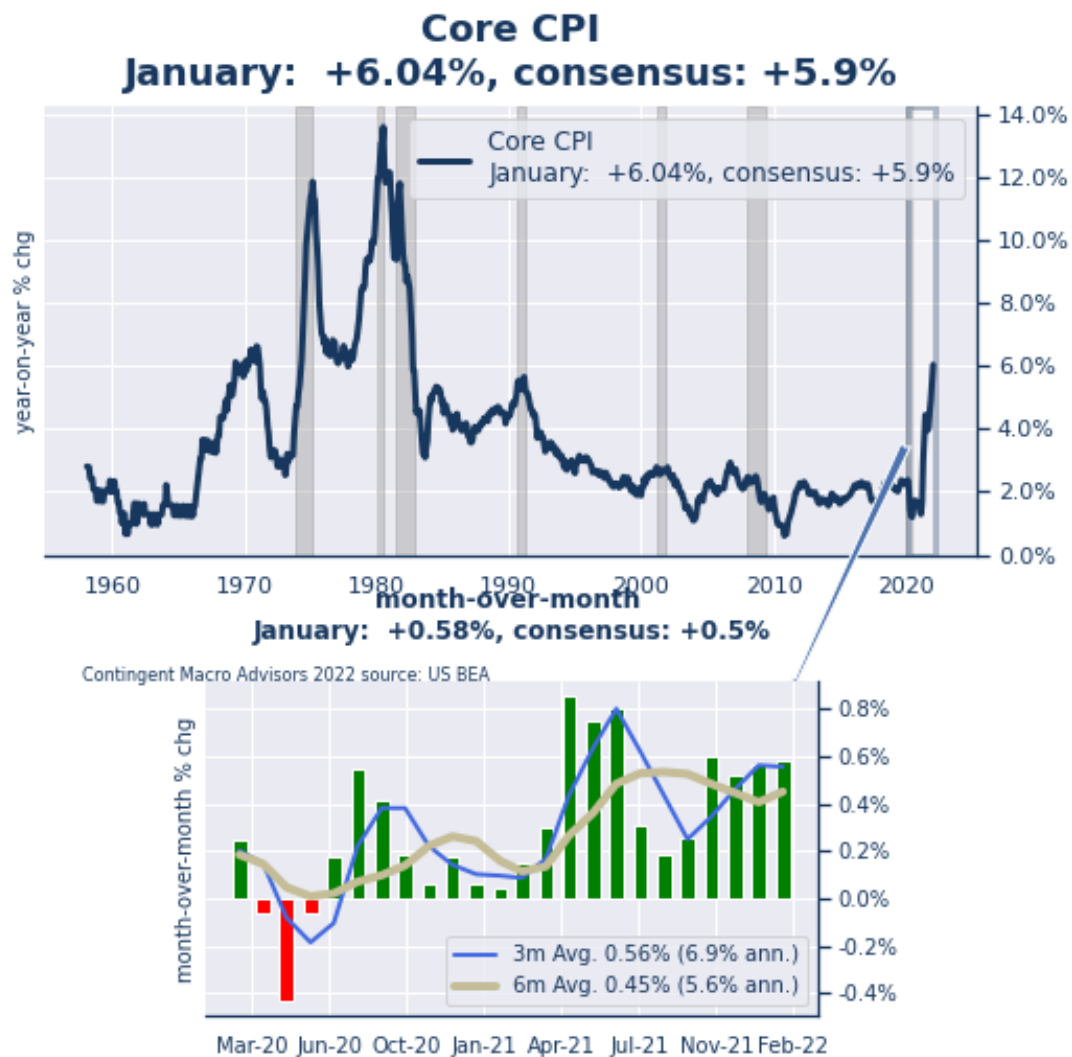
## CPI All Items

**January: +7.53%, consensus: +7.2%**



Contingent Macro Advisors 2022 source: US BEA





**The CPI ROSE** by 0.65% in January, compared with market expectations for an increase of 0.40%.

- Food prices increased by 0.88% while energy prices rose by 0.9%. Prices for gasoline fell by 0.8% while prices for fuel oil increased by 3.8%, prices for electricity climbed by 4.2%, but prices for natural gas fell by 0.5%.
- Energy prices are now 27.0% ABOVE their year-ago level.

Overall consumer prices are now 7.5% ABOVE their year-ago level; in January 2021, consumer prices were 1.4% ABOVE their year-ago level.

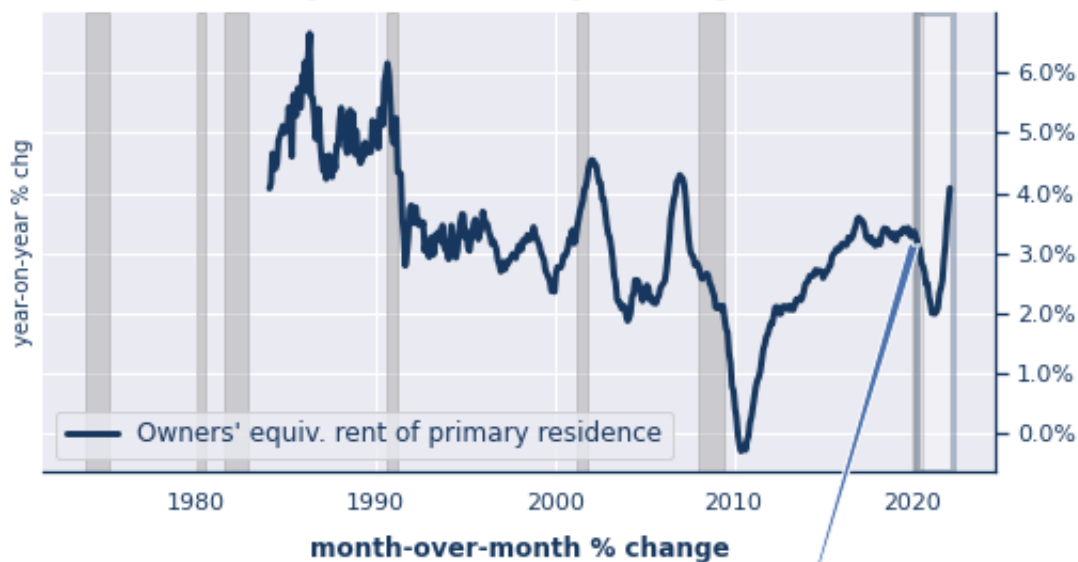
**The Core CPI ROSE** by 0.58%, compared with market expectations for an increase of 0.50%.

- Prices for commodities excluding food and energy commodities rose by 1.0%.

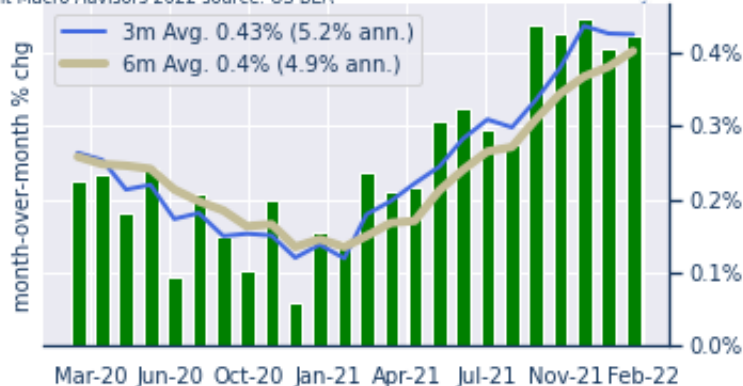
- Gains in used cars & trucks (+1.5%), and apparel (+1.1%) led.
- Prices for services excluding energy services rose 0.4% with a moderate increase in transportation (+1.0%), medical care services (+0.6%), and owner's equivalent rent (+0.4%).

Core consumer prices are now 6.0% ABOVE their year-ago level; in January 2021, consumer prices were 1.4% ABOVE their year-ago level.

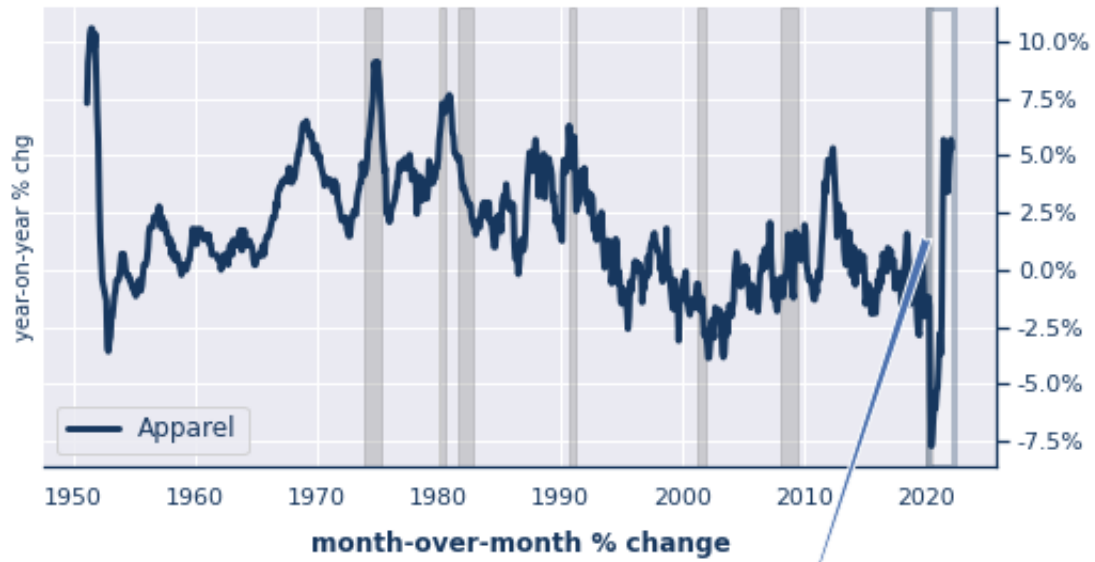
### Owners' equiv. rent of primary residence



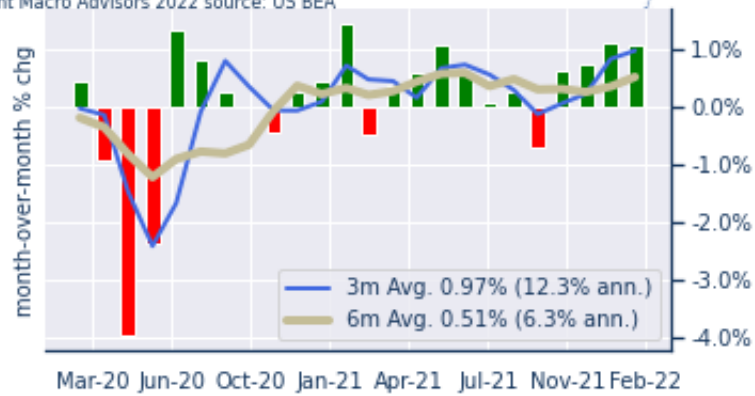
Contingent Macro Advisors 2022 source: US BEA



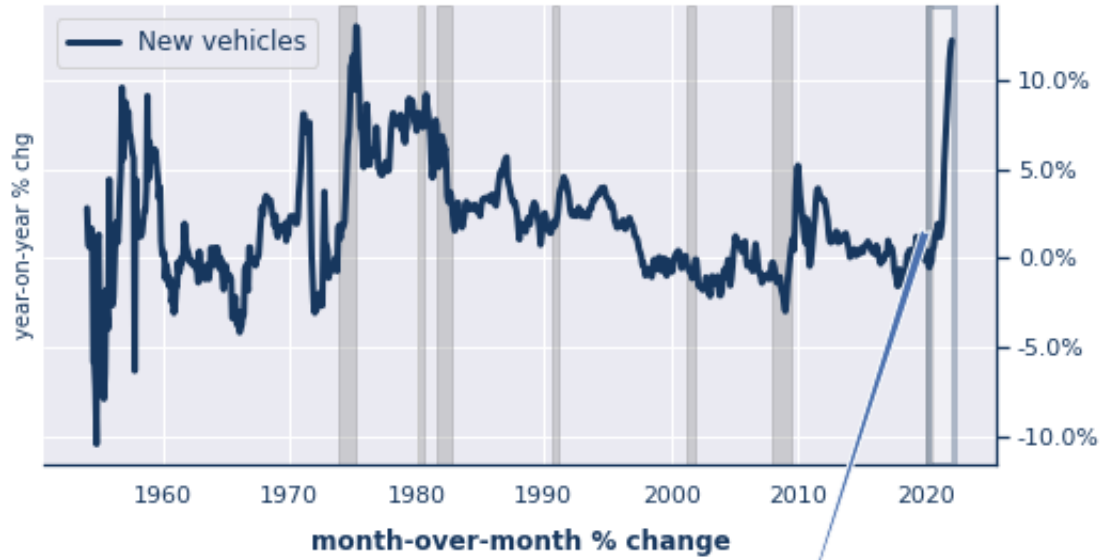
## Apparel



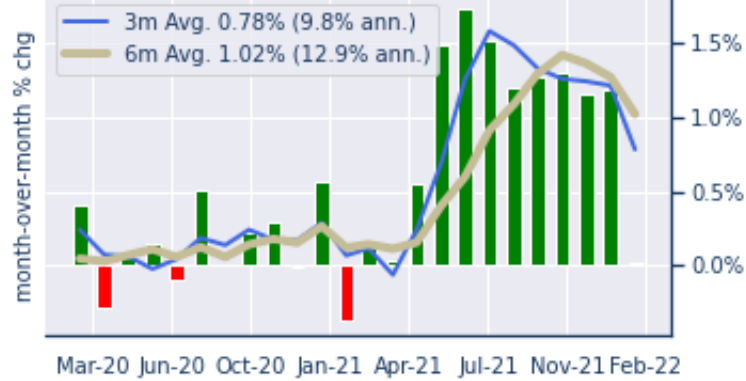
Contingent Macro Advisors 2022 source: US BEA



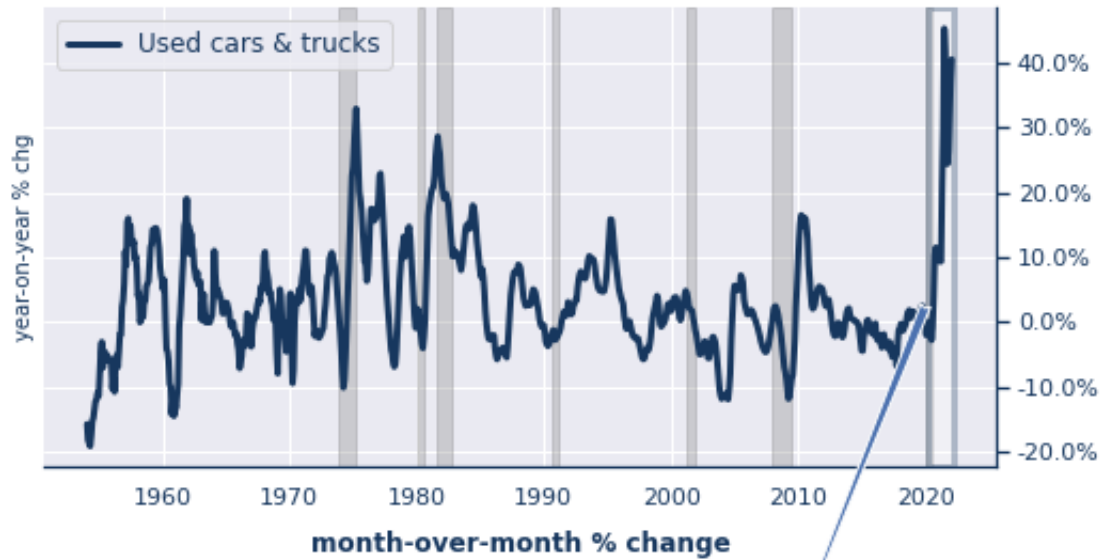
## New vehicles



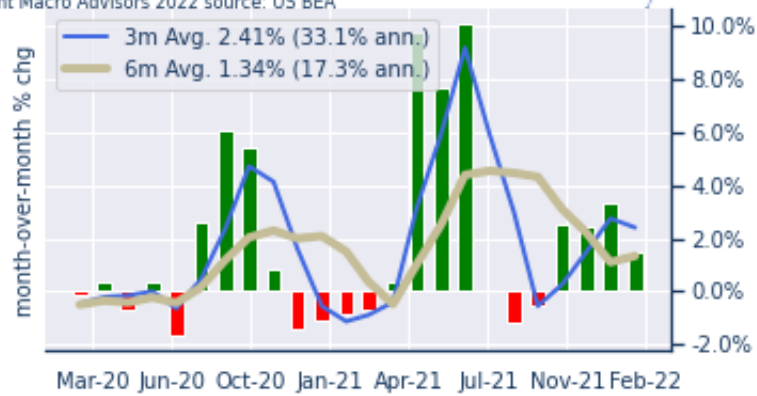
Contingent Macro Advisors 2022 source: US BEA



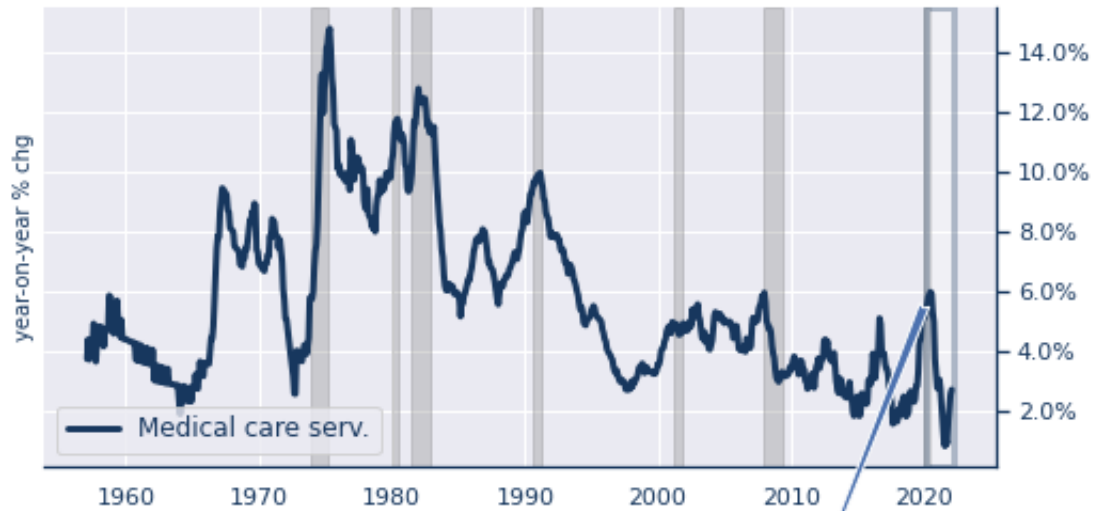
## Used cars & trucks



Contingent Macro Advisors 2022 source: US BEA

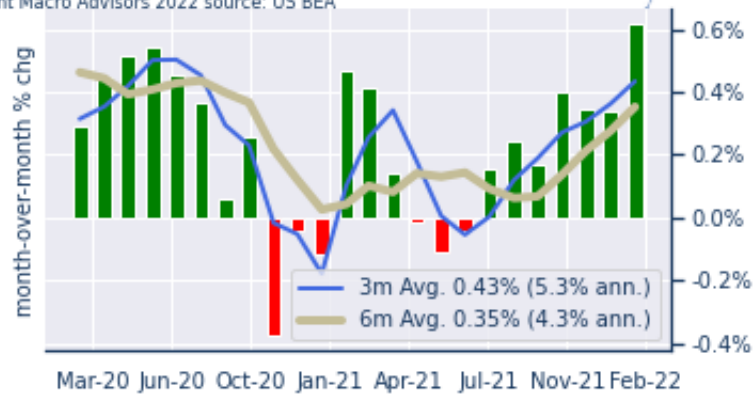


## Medical care serv.



## month-over-month % change

Contingent Macro Advisors 2022 source: US BEA





Thursday, February 10, 2022

	Relative Weight	Percent Change									
		Monthly % Changes			Annual Rates of % Change						
		Jan-22	Dec-21	Nov-21	Three Month	Six Month	Twelve Month	2020	2019	Five Year	Ten Year
All Items	100.0%	0.6	0.6	0.7	8.0	7.3	7.53	1.3	2.3	1.9	1.7
Food	13.4%	0.9	0.5	0.8	8.8	8.9	7.0	3.9	1.8	1.7	2.0
Energy	7.3%	0.9	0.9	2.4	18.3	24.4	27.0	-7.3	3.4	1.4	-1.1
Gasoline	3.7%	-0.8	1.3	4.5	21.7	29.6	40.0	-15.3	7.7	1.3	-2.8
Utility (Piped Gas)	0.8%	-0.5	-0.3	0.3	-2.2	21.0	23.9	4.0	-3.6	3.2	-0.3
All items less food & energy	79.3%	0.58	0.56	0.52	6.88	5.55	6.04	1.6	2.2	2.0	2.0
Commodities	21.7%	1.00	1.2	0.9	12.9	10.0	11.7	1.6	0.0	0.1	0.2
Apparel	2.5%	1.1	1.1	0.7	12.3	6.3	5.3	-4.2	-1.3	-1.4	-0.2
New vehicles	4.1%	0.0	1.2	1.2	9.8	12.9	12.2	1.9	0.0	0.3	0.7
Used cars & trucks	4.1%	1.5	3.3	2.4	33.1	17.1	40.5	10.0	-0.7	1.2	0.5
Medical care	1.5%	0.9	0.0	0.1	4.3	3.6	1.4	-2.5	2.5	1.1	1.7
Alcoholic beverages	0.9%	0.4	0.3	0.2	3.2	2.3	2.7	2.8	0.5	1.6	1.5
Tobacco	0.5%	-0.1	0.7	0.9	6.3	8.7	7.0	5.1	5.5	4.8	3.8
Services	57.6%	0.44	0.35	0.37	4.74	3.91	4.09	1.6	3.0	2.6	2.6
Shelter	32.9%	0.30	0.44	0.48	4.94	4.65	4.38	1.8	3.2	3.0	2.8
Owners Equiv. Rent	24.3%	0.42	0.41	0.45	5.24	4.95	4.09	2.2	3.3	3.1	2.8
Medical care	7.0%	0.62	0.3	0.3	5.3	4.3	2.7	2.8	5.1	3.2	3.1
Transportation	5.6%	1.0	0.0	0.7	7.3	-0.4	5.4	-3.6	0.5	1.2	1.8
Airfare	0.5%	2.3	2.5	1.9	30.4	-17.4	4.9	-19.4	0.7	-6.4	-3.3
Communications	3.7%	0.0	0.0	-0.1	-0.4	1.4	1.3	2.4	0.7	-1.3	-1.1
Education	2.7%	0.2	0.1	0.2	2.1	2.2	2.1	1.4	2.1	2.2	3.0

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