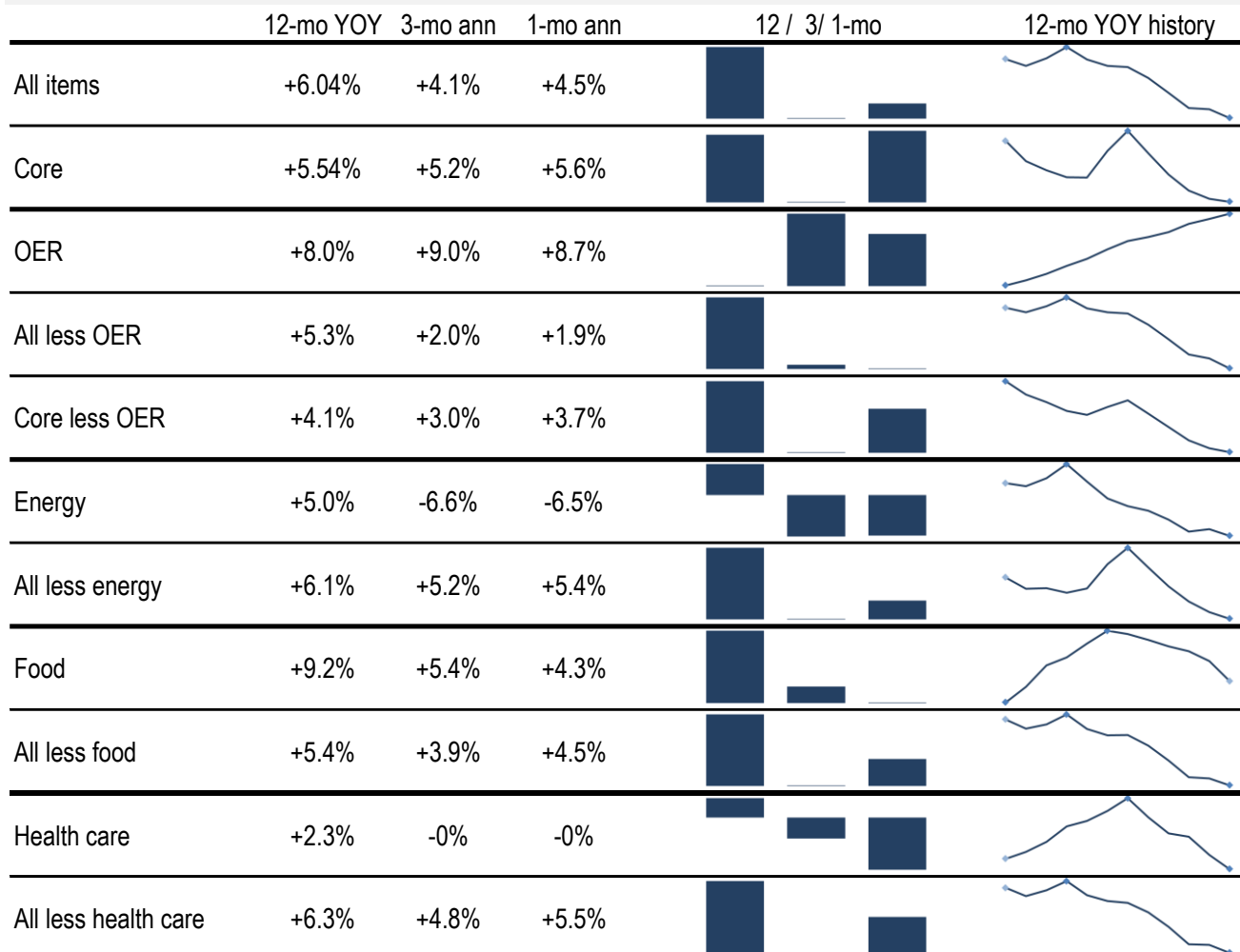


Data Insights: Consumer Price Index, Producer Price Index

Tuesday, March 14, 2023

Today's CPI data: what you need to know



Source: BLS Consumer Price Index, TrendMacro calculations

For more information contact us:

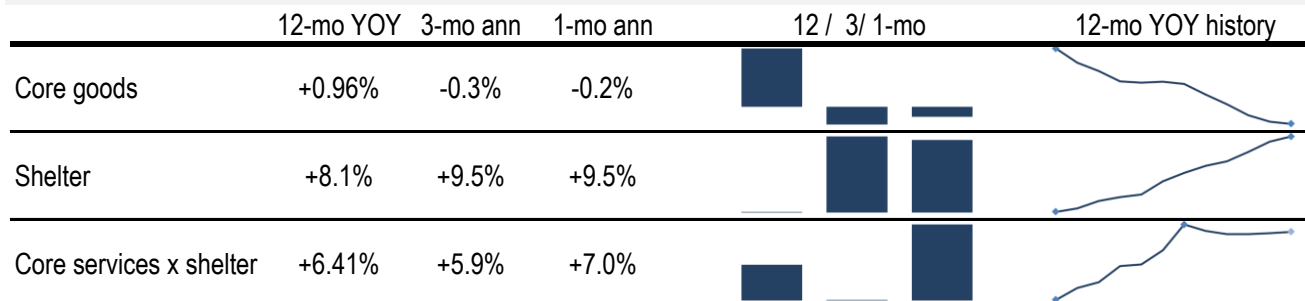
Donald Luskin: 214 550 2020 don@trendmacro.com

Thomas Demas: 704 552 3625 tdemas@trendmacro.com

Copyright 2023 Trend Macrolytics LLC. All rights reserved. This document is not to be forwarded to individuals or organizations not authorized by Trend Macrolytics LLC to receive it. For information purposes only; not to be deemed to be recommendations for buying or selling specific securities or to constitute personalized investment advice. Derived from sources deemed to be reliable, but no warranty is made as to accuracy.

Today's CPI data: [what Fed chair Jerome Powell thinks you need to know](#)

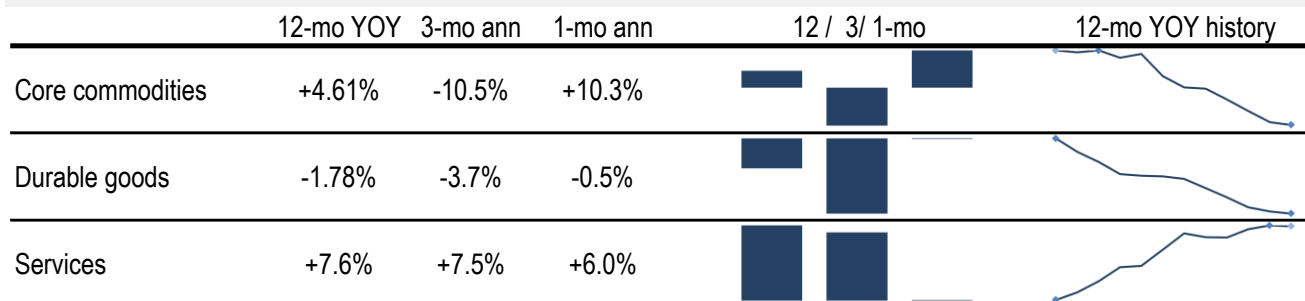
"To assess what it will take to get inflation down, it is useful to break core inflation into three component categories: core goods inflation, housing services inflation, and inflation in core services other than housing."



Source: BLS Consumer Price Index, TrendMacro calculations

Today's CPI data: [what NY Fed president John Williams thinks you need to know](#)

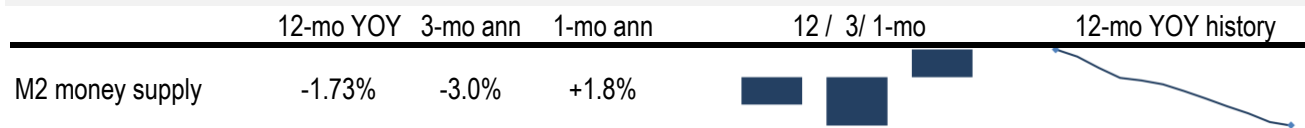
"I will start to peel the 'inflation onion'... The outermost layer consists of prices of globally traded commodities... The middle layer of the inflation onion is made up of products – especially durable goods... the innermost layer: underlying inflation... Prices for services..."



Source: BLS Producer Price Index (may be lagged one month), Consumer Price Index, TrendMacro calculations

Today's CPI data: [what Nobel laureate Milton Friedman thinks you need to know](#)

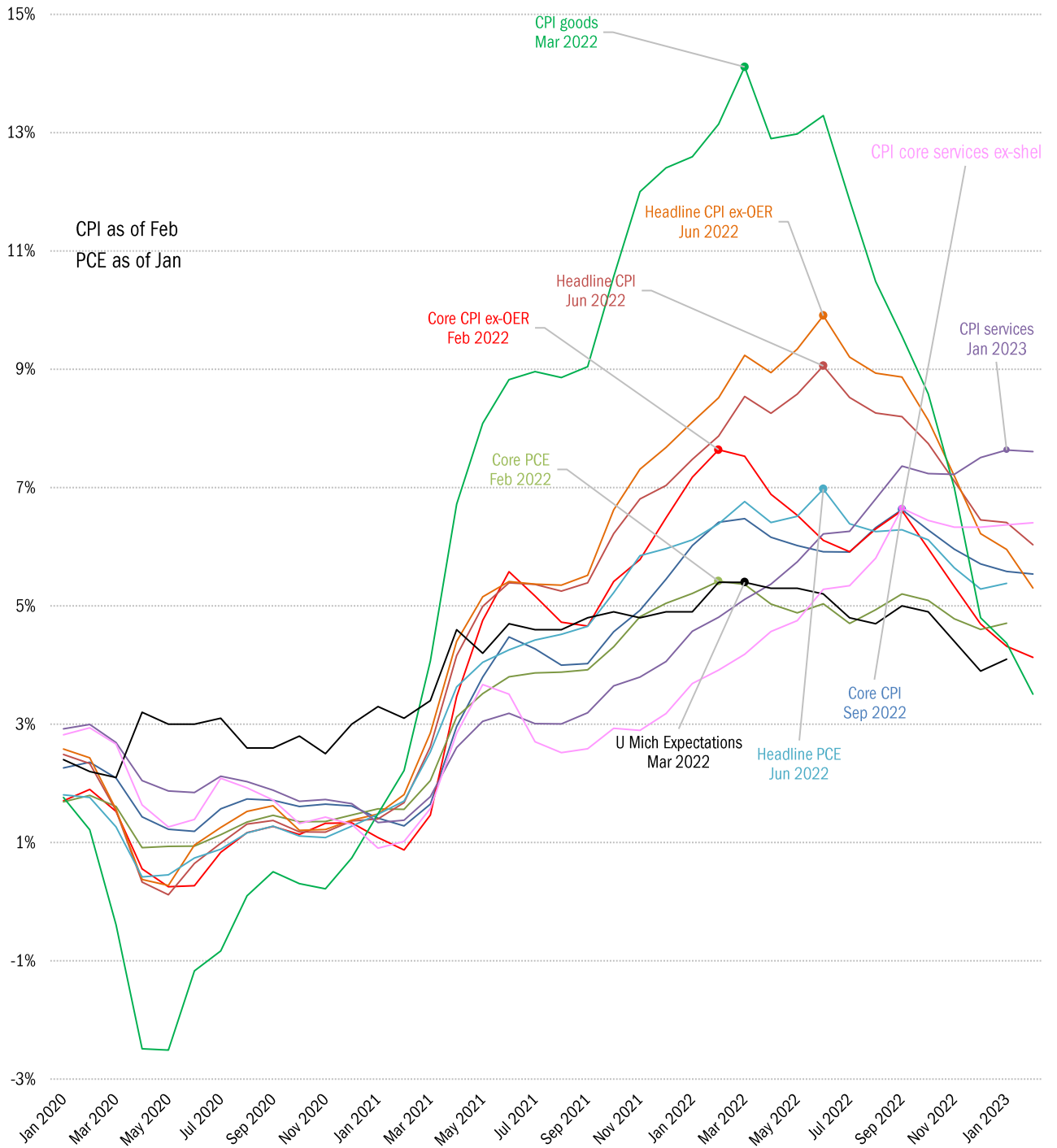
"...inflation is always and everywhere a monetary phenomenon in the sense that it is and can be produced only by a more rapid increase in the quantity of money than in output. However, there are many different possible reasons for monetary growth, including gold discoveries, financing of government spending, and financing of private spending..."



Source: Federal Reserve Board (lagged one month), TrendMacro calculations

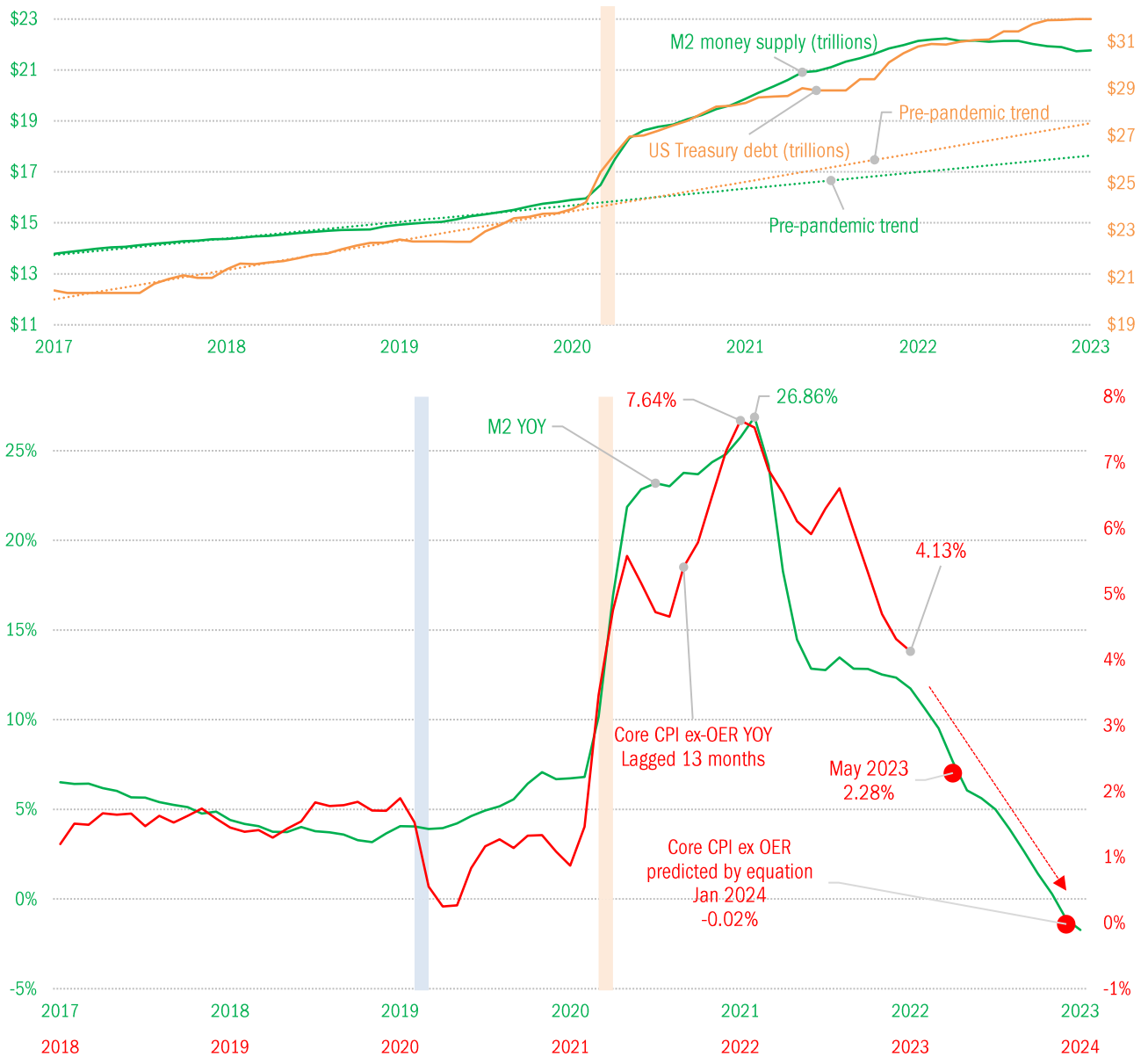
Slow and steady wins the race – the tortoise on the track, in his many variations

Year-on-year change ● Month of peak



Source: FRB, BLS, US Treasury, TrendMacro calculations

Relation of Treasury debt, M2 money supply and core CPI inflation rate (ex OER) and [TrendMacro's monetarist inflation prediction model](#)

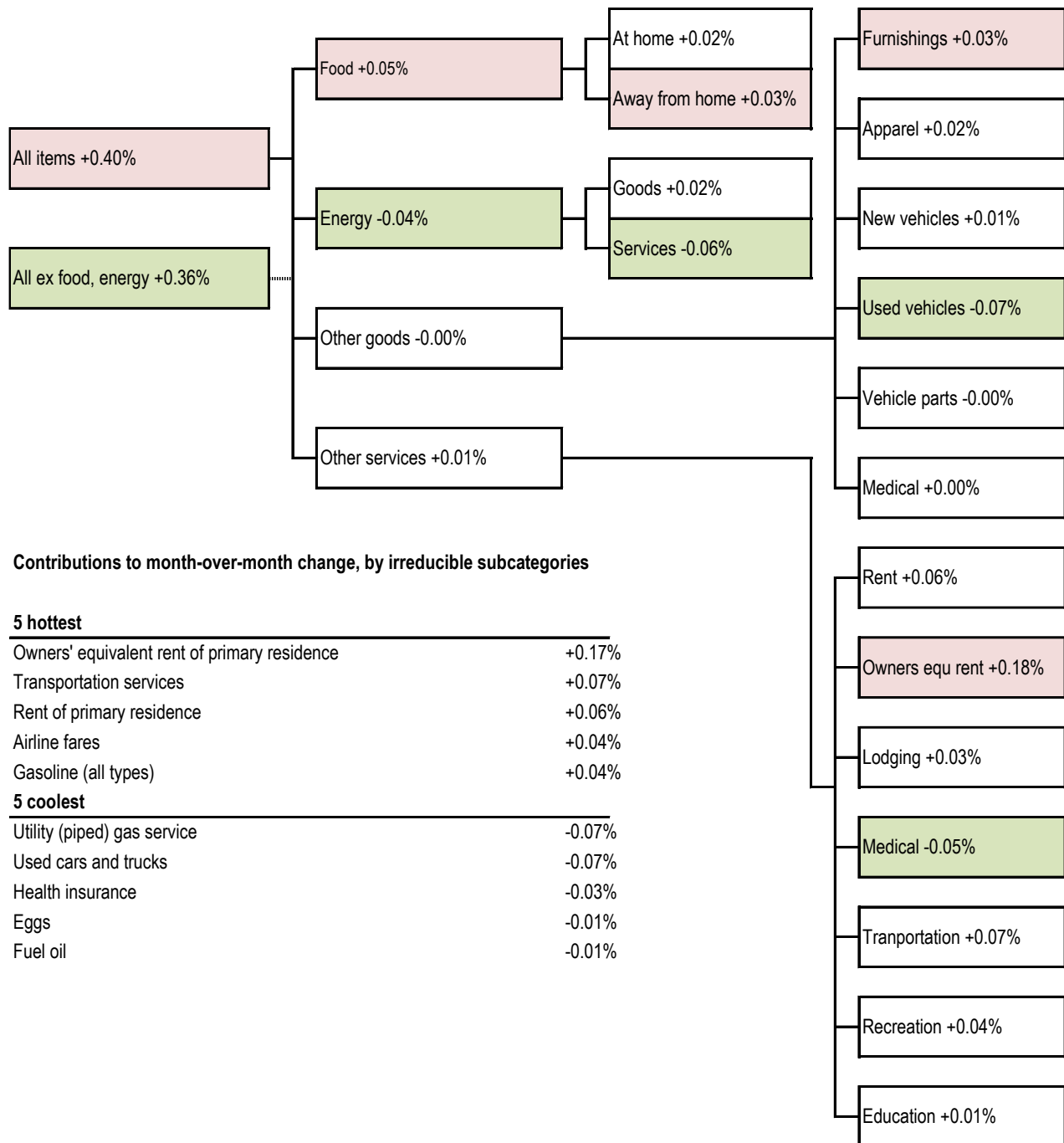


Source: FRB, BLS, US Treasury, TrendMacro calculations

Deconstructing today's CPI data: what explains this month's inflation?

Weighted contribution by subcategory

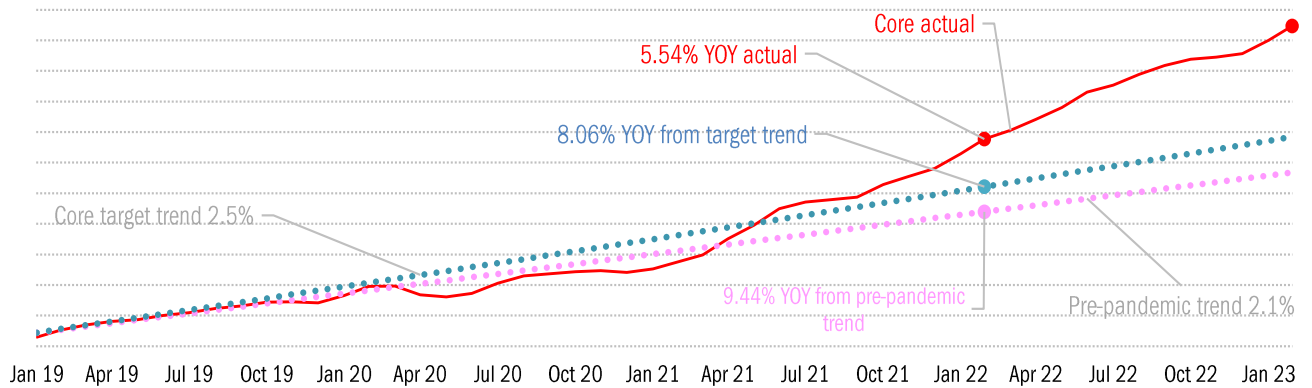
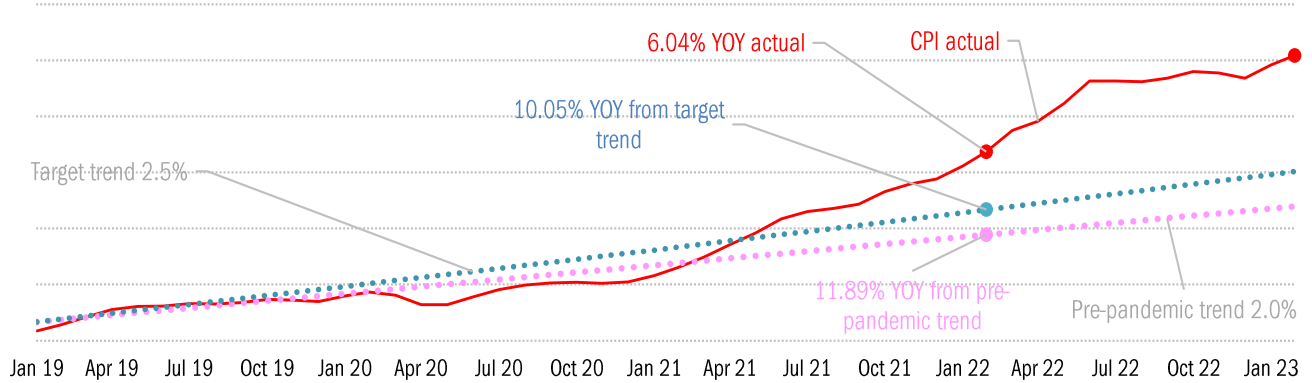
Biggest change per detail-level: ■ positive ■ negative



Source: BLS Consumer Price Index, TrendMacro calculations

“Transitory,” “base-effect” or “optimal control”?

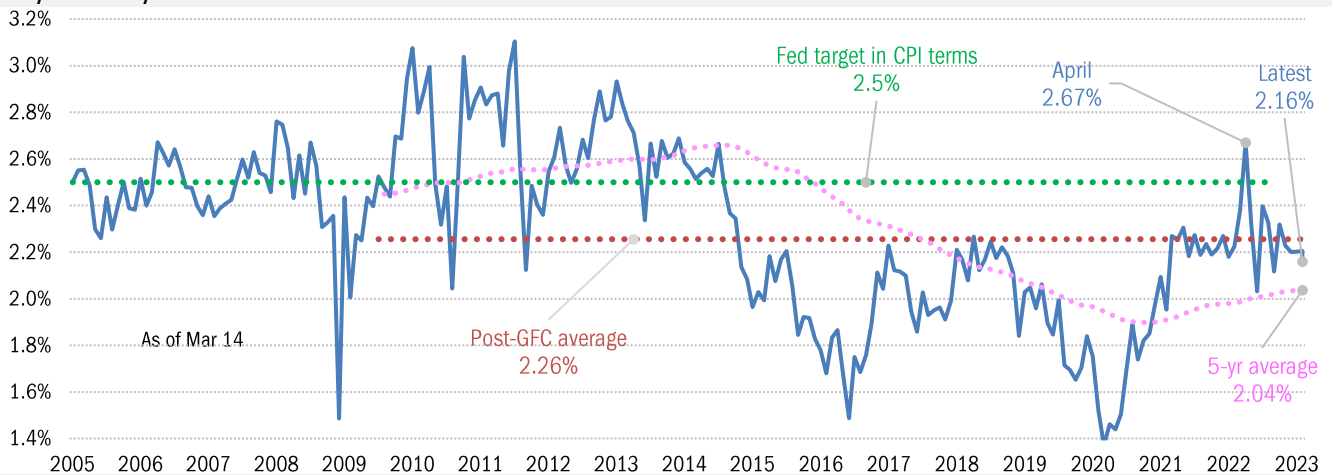
This month’s data in context with the pre-pandemic and ideal 12-month trends



Source: Bureau of Labor Statistics, TrendMacro calculations

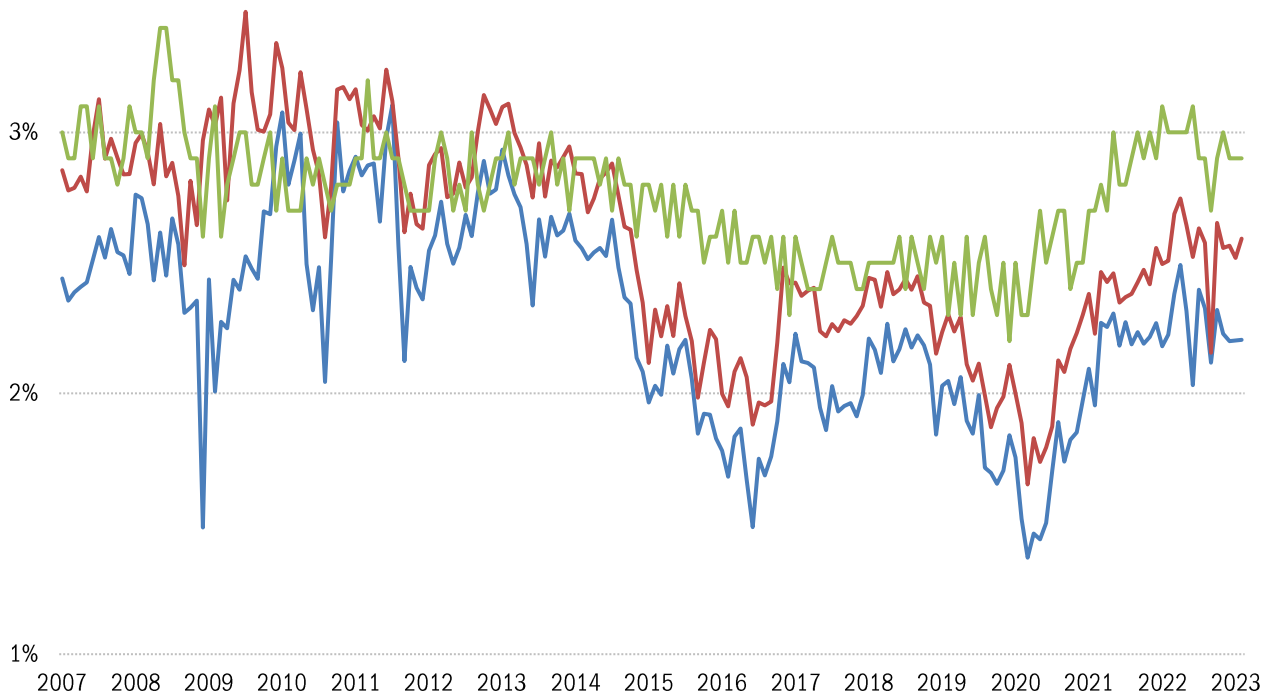
Unhinged? Or *too* hinged?

5-year 5-year-forward TIPS breakeven



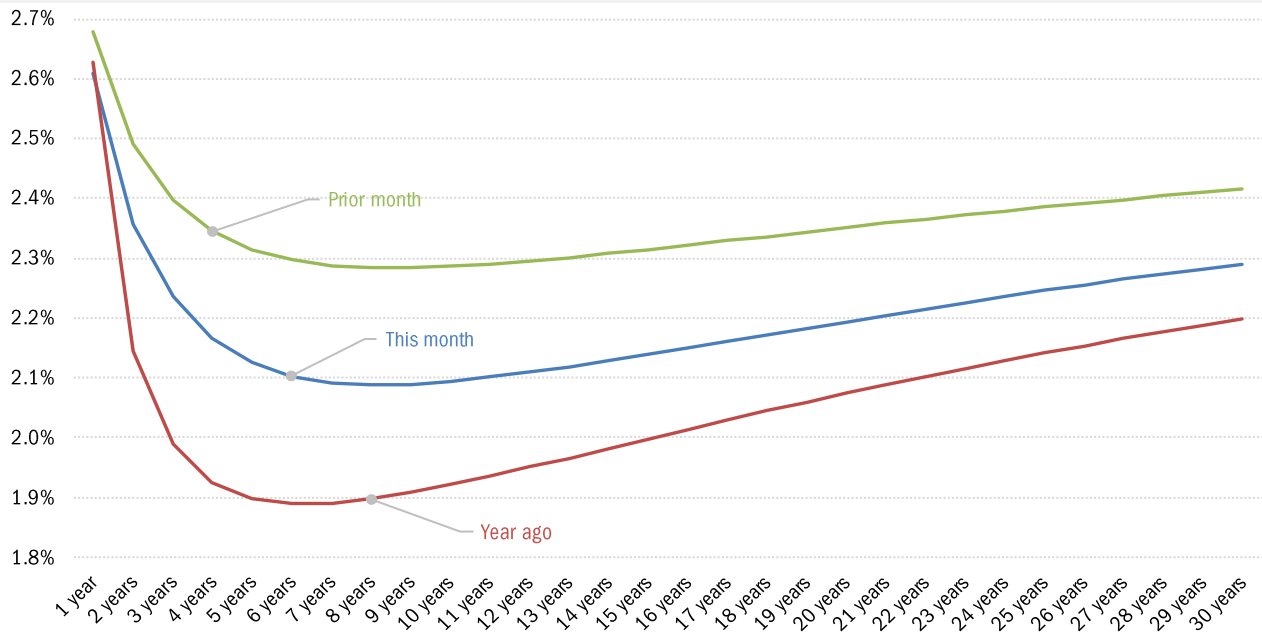
Source: Bloomberg, TrendMacro calculations

Implied 5-year inflation, 5 years forward — TIPS — Swaps — U. Michigan Survey



Source: Bloomberg, TrendMacro calculations

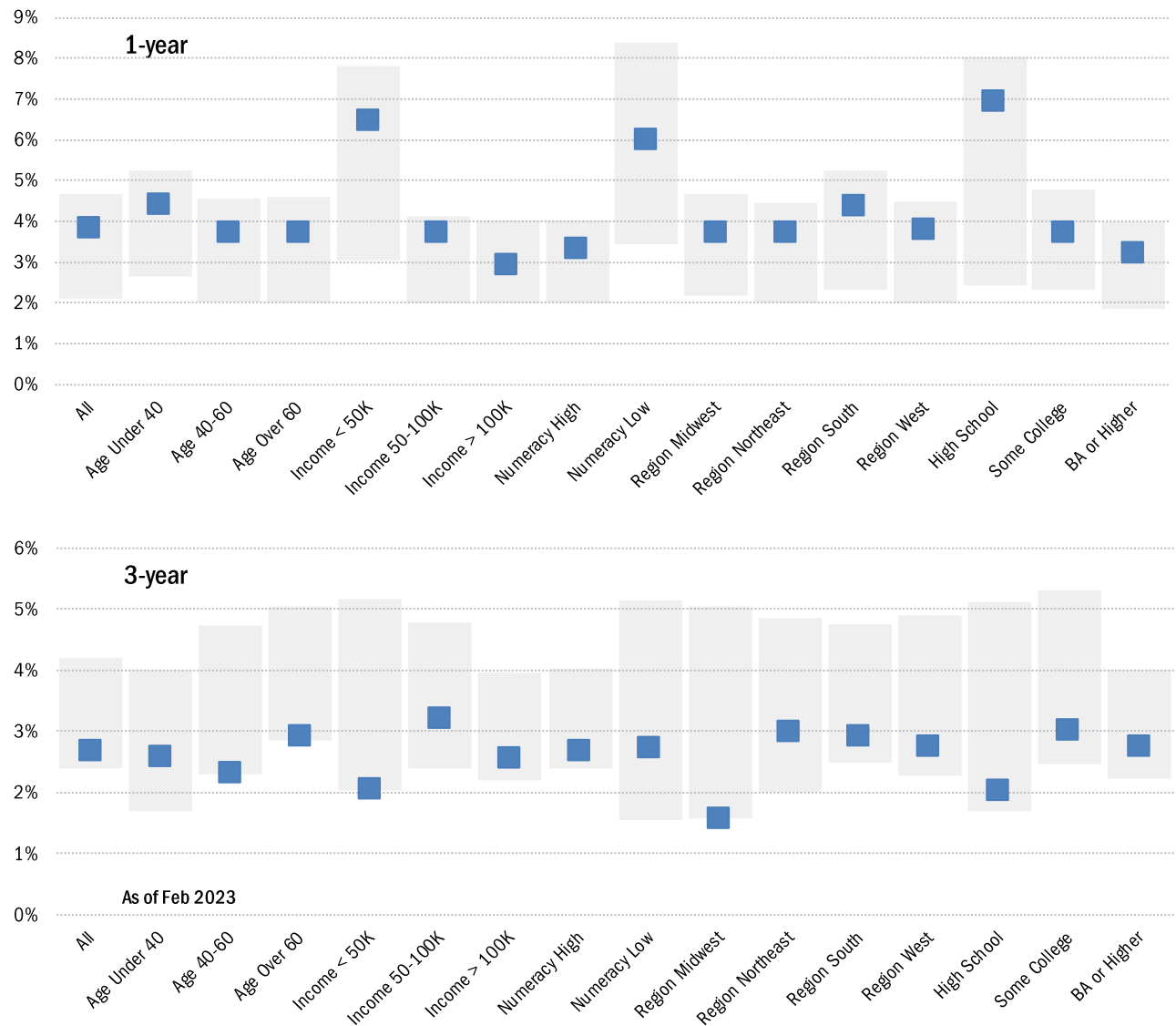
Modeled inflation yield curve, per annum — Based on swaps, forecasts and yields



Source: [Cleveland Fed](#), TrendMacro calculations

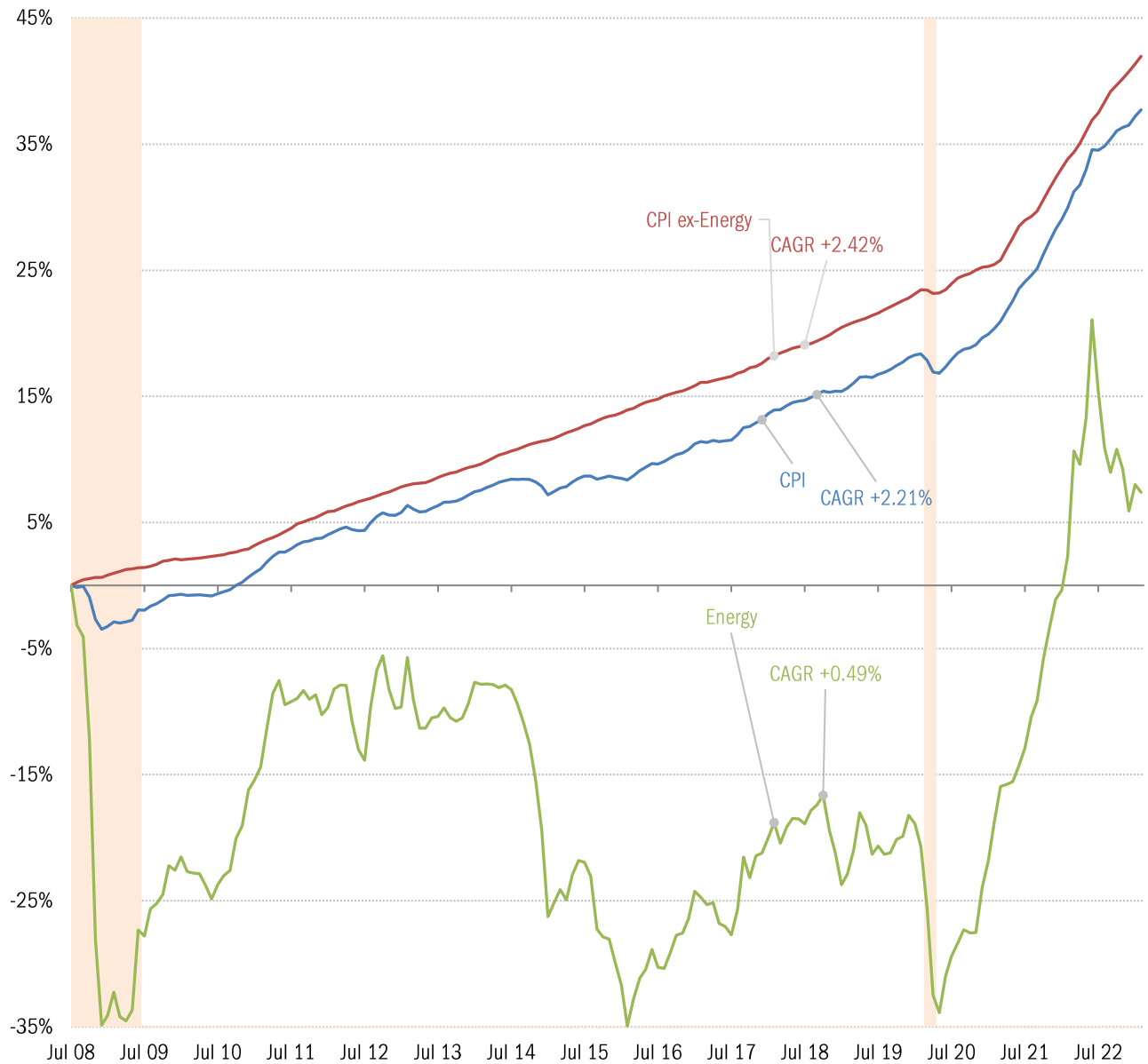
The demography of inflation expectations

■ Current median ■ 3-year range



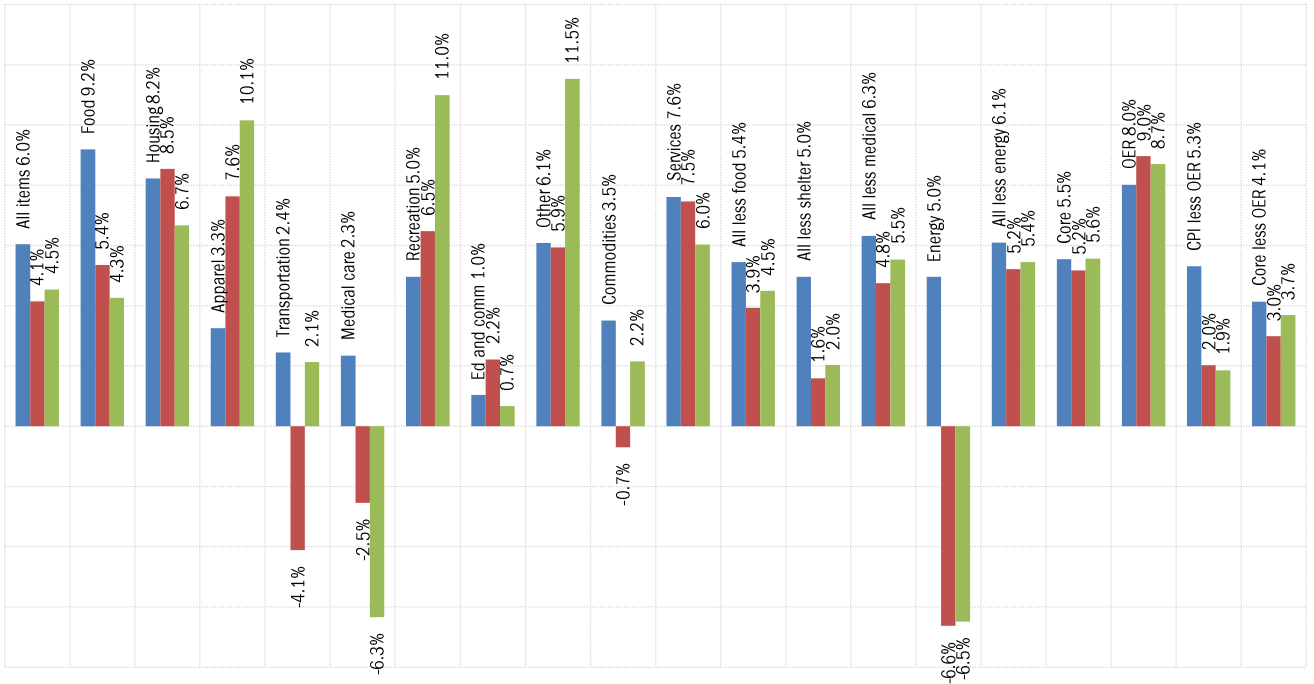
Source: [New York Fed Survey of Consumer Expectations](#), TrendMacro calculations

The deflation delusion: it's all about oil, and always has been
 Cumulative growth of CPI from July 2008, the all-time high oil price Recession



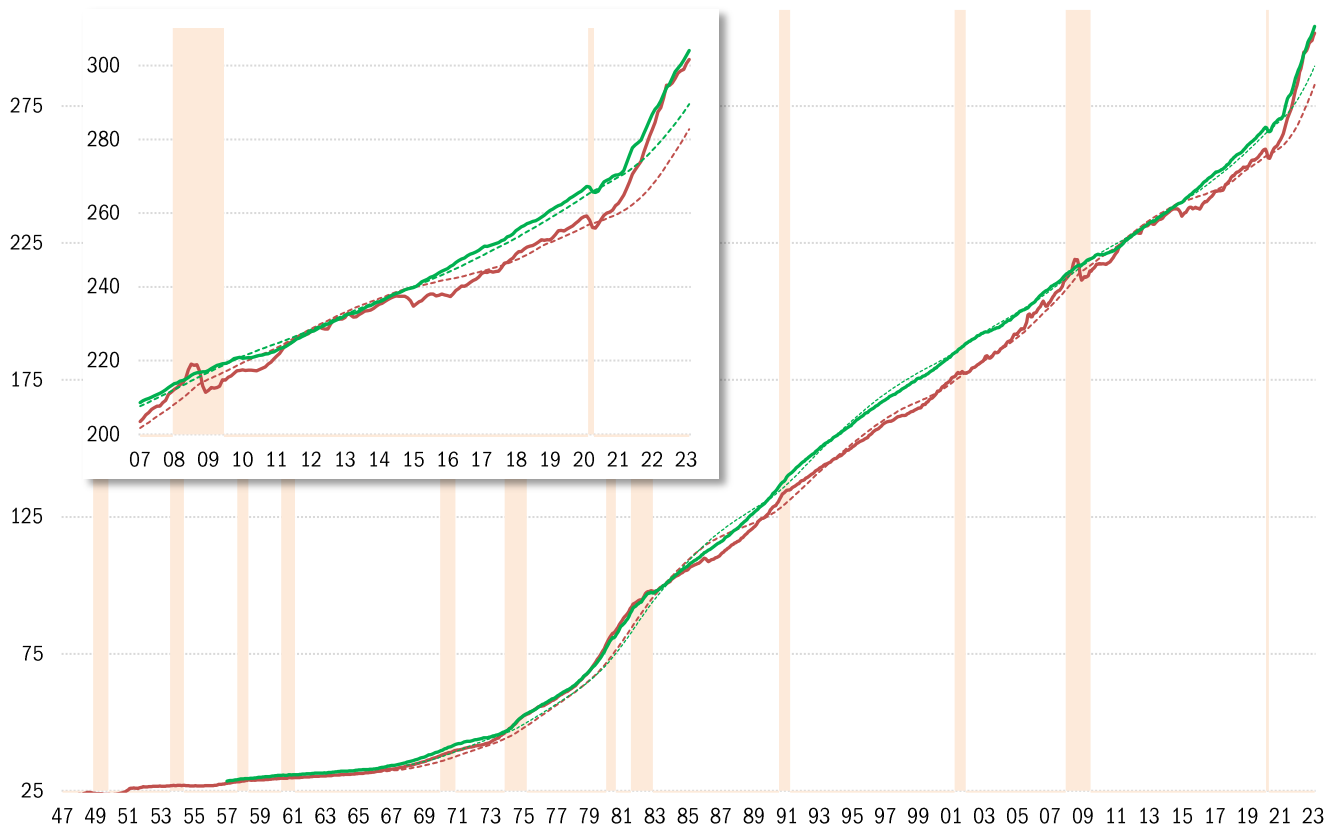
Source: Bloomberg, TrendMacro calculations

US CPI inflation by sector (SAAR) ■ 12-month ■ 3-month ■ 1-month



Source: BLS Consumer Price Index, TrendMacro calculations

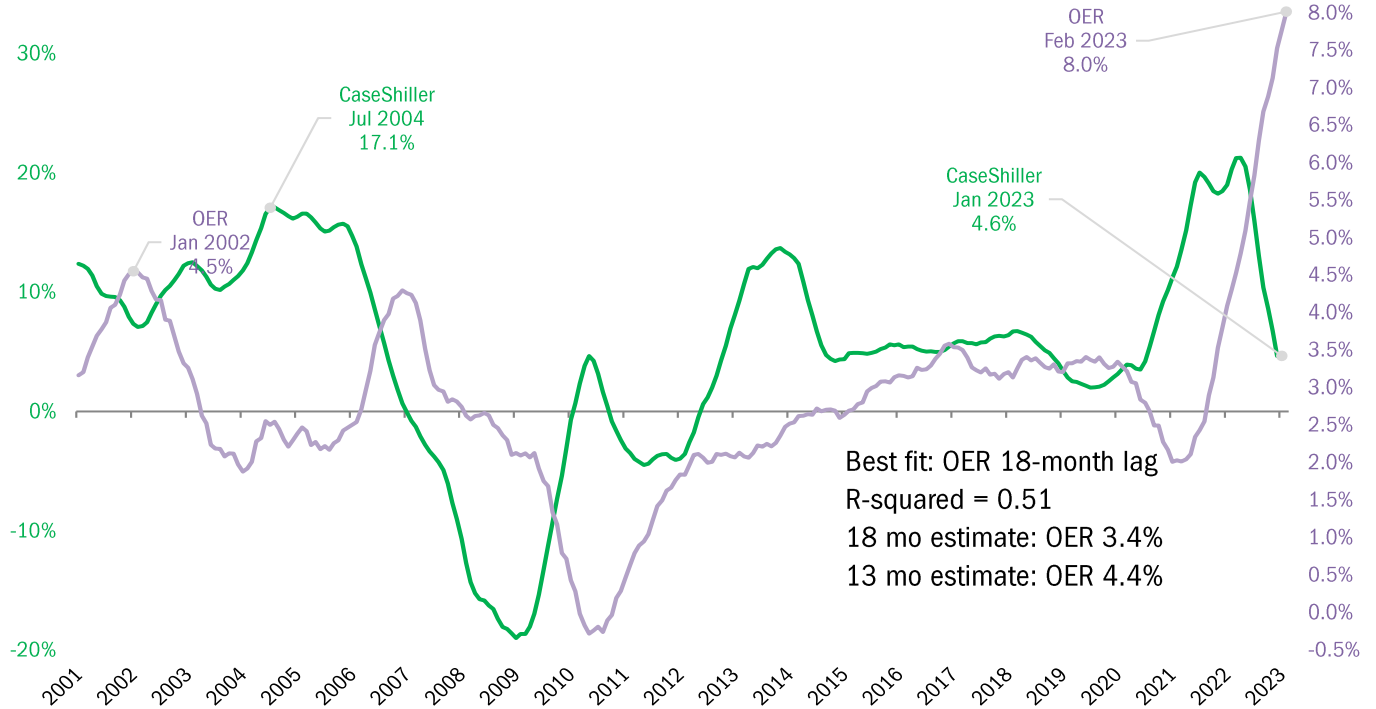
US CPI Core — Level ... 20-year trend ■ Recession



Source: BLS Consumer Price Index, TrendMacro calculations

Housing leads US CPI

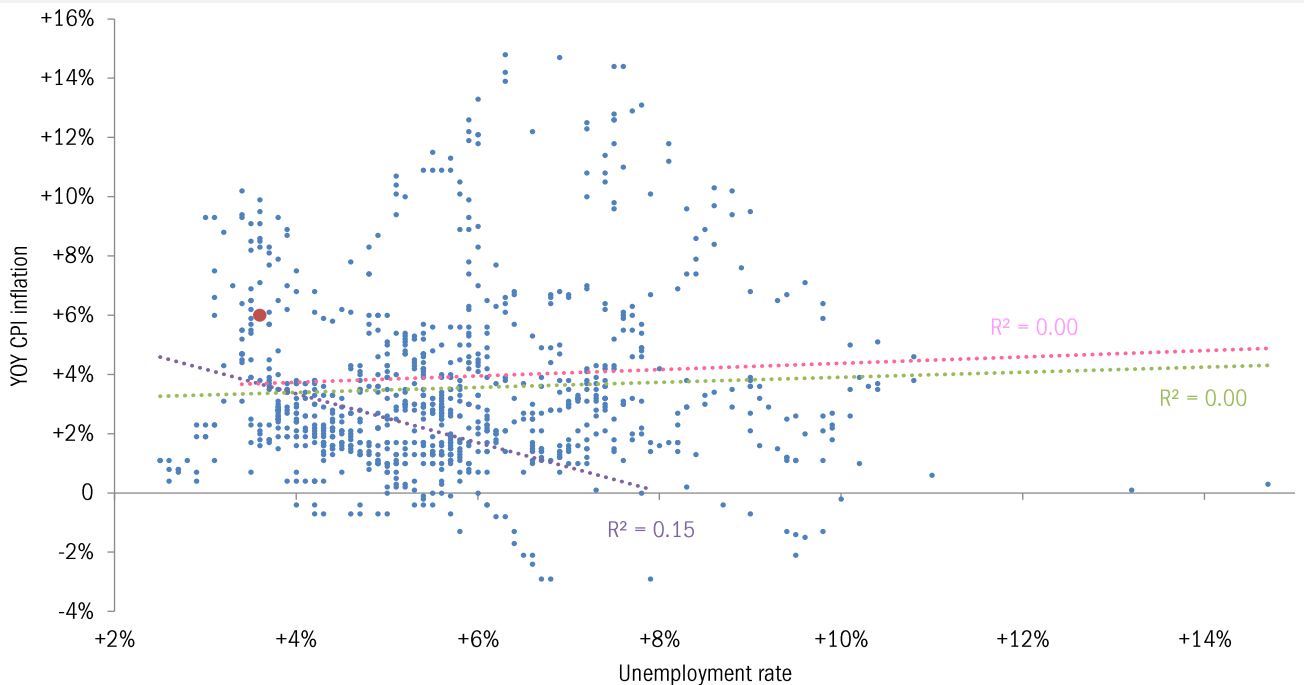
YOY change — Case Shiller 20-city avg — Owner's equivalent rent CPI component



Source: BLS, Standard & Poor's Case Shiller, TrendMacro calculations

Going, going, gone: the vanishing Phillips Curve

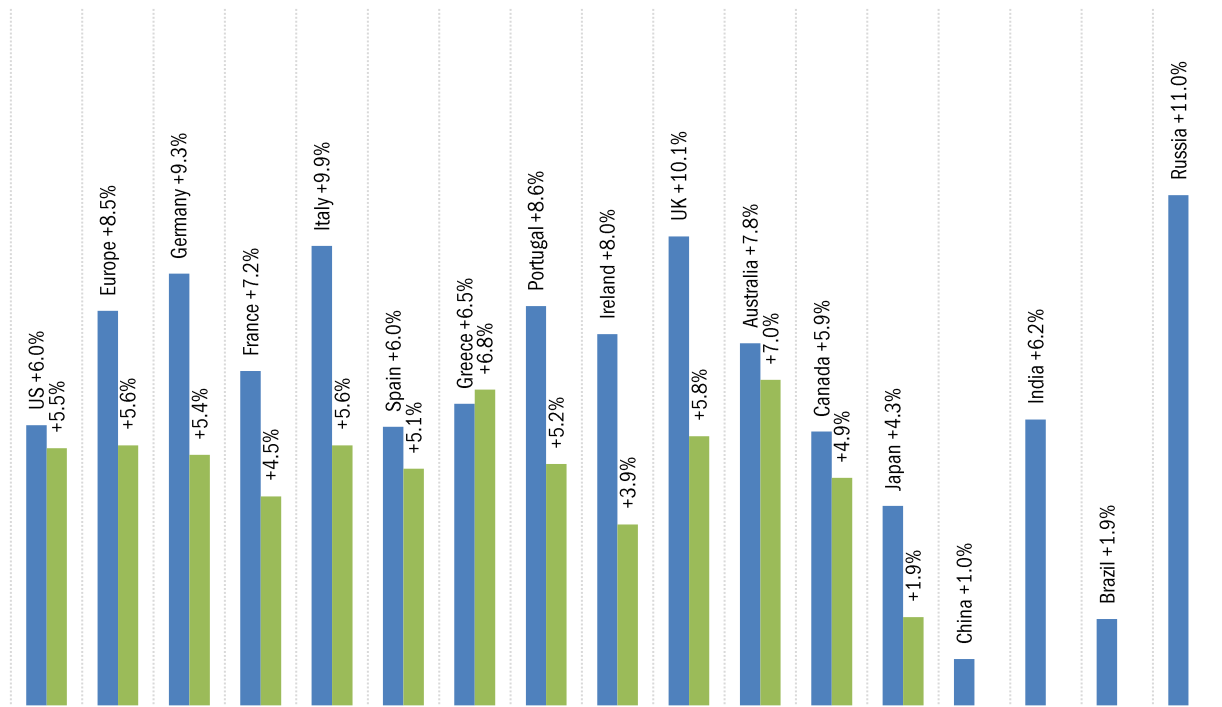
● Latest Linear trend: — Pre-74 — Post-74 — All



Source: BLS Consumer Price Index, Current Population Survey

Major economies CPI, year on year

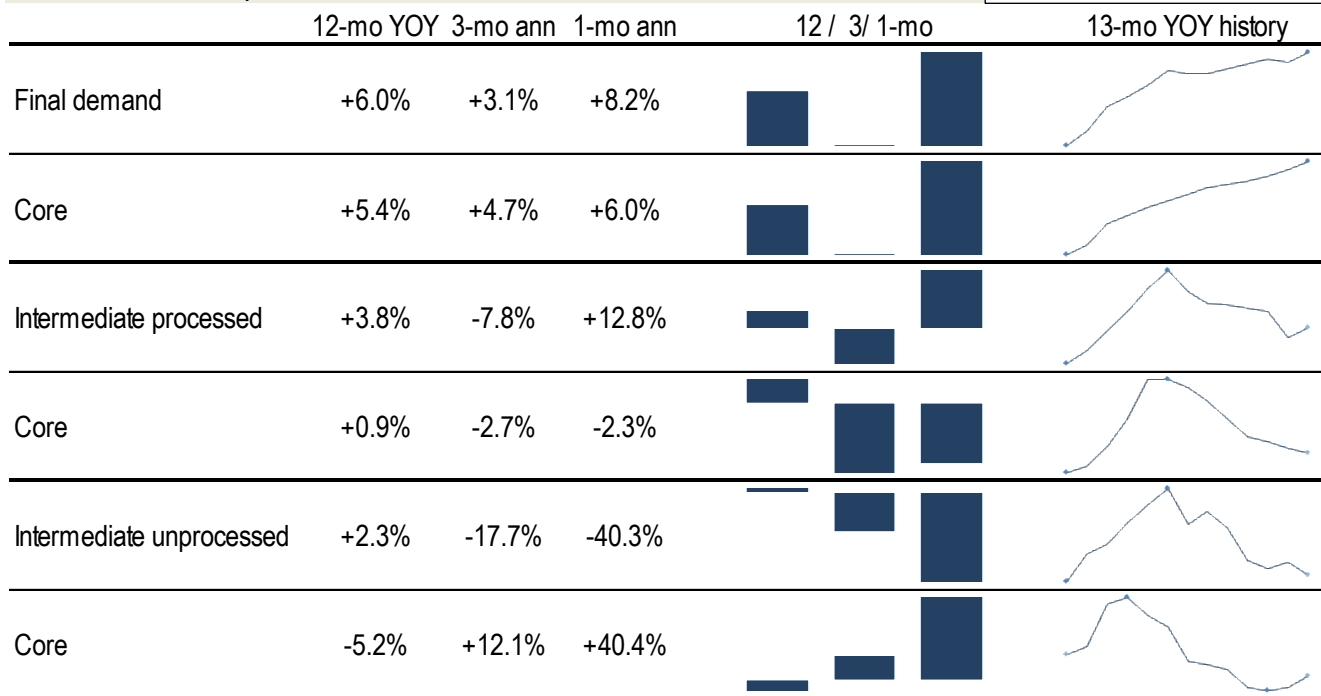
■ Headline ■ Ex-food and energy



Source: Respective Statistical agencies, TrendMacro calculations

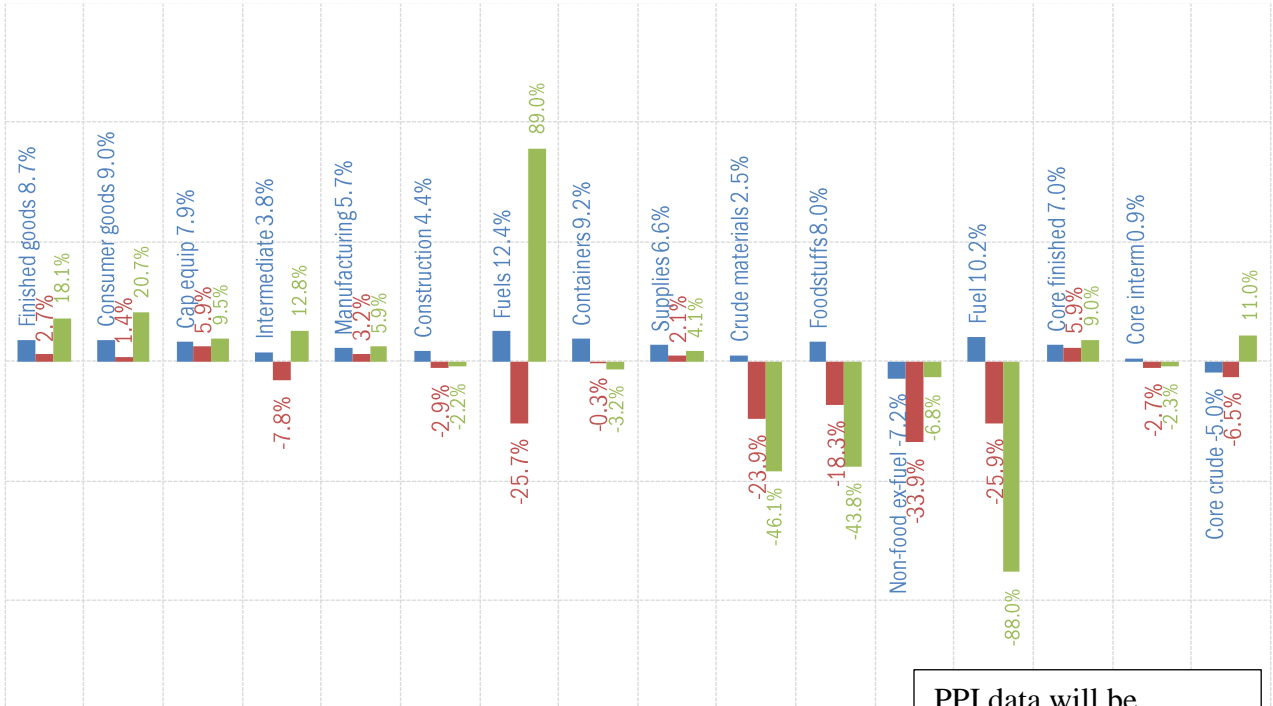
PPI data will be released on March 15, and these charts will be updated online.

PPI data: what you need to know



Source: BLS Producer Price Index, TrendMacro calculations

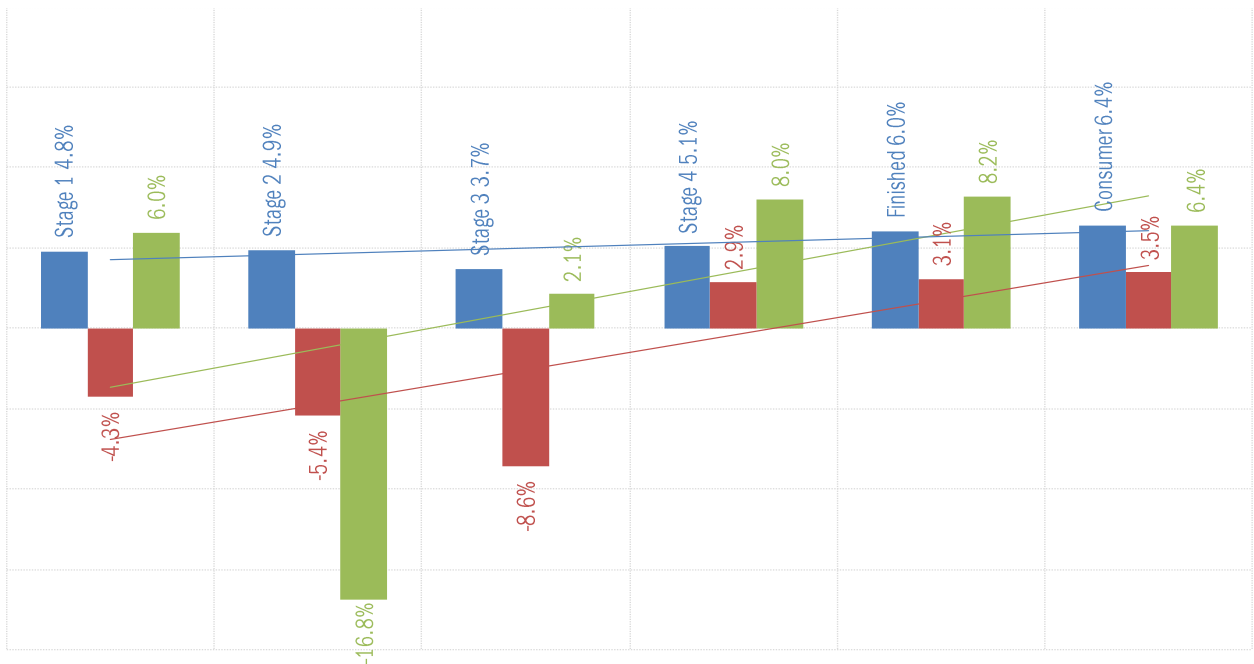
PPI inflation by sector (SAAR) ■ 12-mo ■ 3-mo ■ 1-mo



Source: BLS Producer Price Index, TrendMacro calculations

PPI data will be released on March 15, and these charts will be updated online.

The inflation pipeline (SAAR) ■ 12-mo ■ 3-mo ■ 1-mo



Source: BLS Producer Price Index and Consumer Price Index, TrendMacro calculations