

## Data Insights: Consumer Price Index, Producer Price Index

Wednesday, May 10, 2023

### Today's CPI data: what you need to know

	12-mo YOY	3-mo ann	1-mo ann	12 / 3 / 1-mo	12-mo YOY history
All items	+4.93%	+3.2%	+4.5%		
Core	+5.52%	+5.1%	+5.0%		
OER	+8.1%	+7.1%	+6.7%		
All less OER	+3.8%	+1.1%	+3.0%		
Core less OER	+4.1%	+3.9%	+4.0%		
Energy	-4.9%	-13.4%	+7.0%		
All less energy	+5.8%	+4.6%	+4.3%		
Food	+7.5%	+1.7%	+0.6%		
All less food	+4.5%	+3.4%	+5.2%		
Health care	+1.1%	-0%	-0%		
All less health care	+5.3%	+3.8%	+4.9%		

Source: BLS Consumer Price Index, TrendMacro calculations

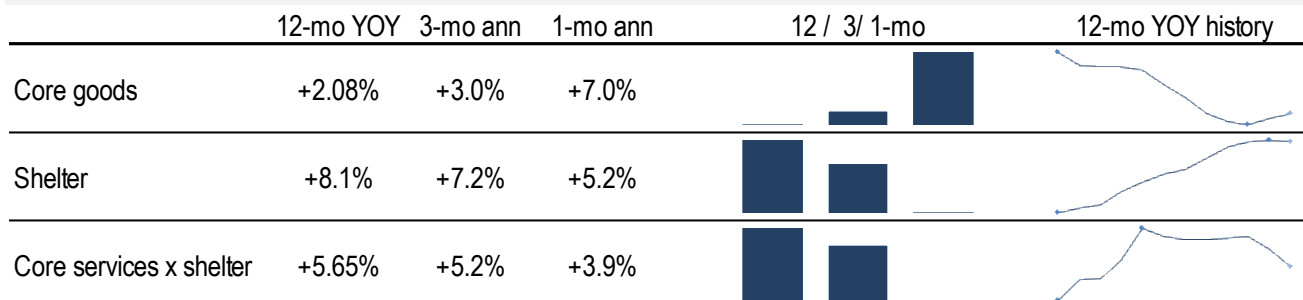
#### For more information contact us:

Donald Luskin: 214 550 2020 [don@trendmacro.com](mailto:don@trendmacro.com)  
 Thomas Demas: 704 552 3625 [tdemas@trendmacro.com](mailto: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](#)

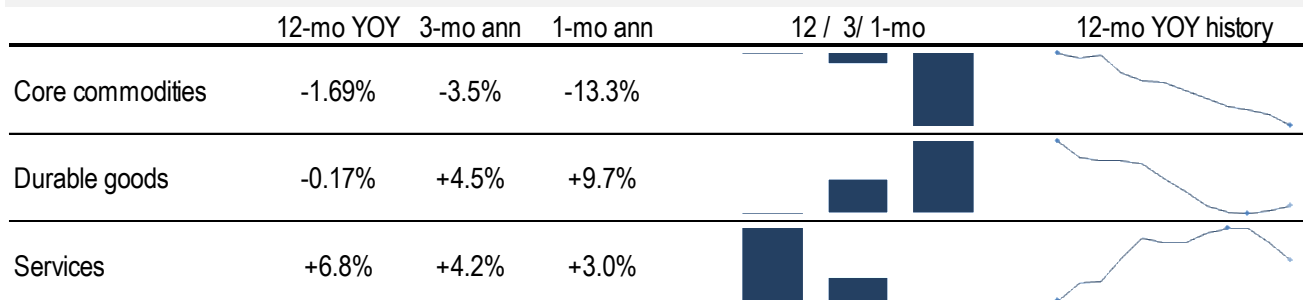
"To assess what it will take to get inflation down, it is useful to break core inflation into three component categories: core goods inflation, housing services inflation, and inflation in core services other than housing."  
*CPI equivalent of the Fed's preferred Personal Consumption Expenditures inflation, because CPI updates sooner.*



Source: BLS Consumer Price Index, TrendMacro calculations

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

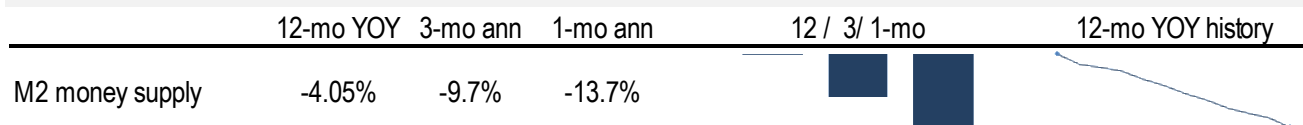
"I will start to peel the 'inflation onion'... The outermost layer consists of prices of globally traded commodities... The middle layer of the inflation onion is made up of products – especially durable goods... the innermost layer: underlying inflation... Prices for services..."  
*CPI equivalent of the Fed's preferred Personal Consumption Expenditures inflation, because CPI updates sooner.*



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](#)

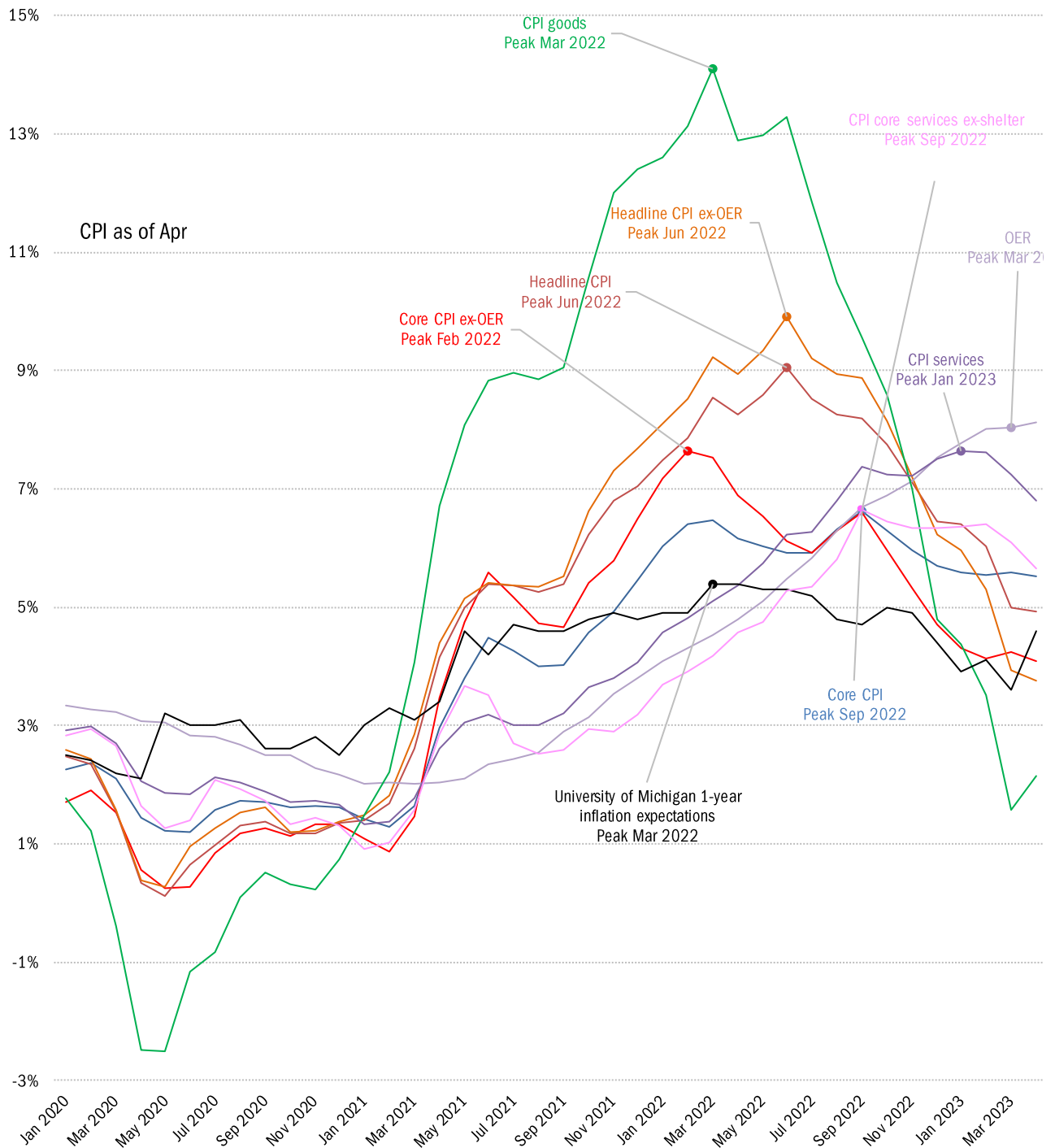
"...inflation is always and everywhere a monetary phenomenon in the sense that it is and can be produced only by a more rapid increase in the quantity of money than in output. However, there are many different possible reasons for monetary growth, including gold discoveries, financing of government spending,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



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

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

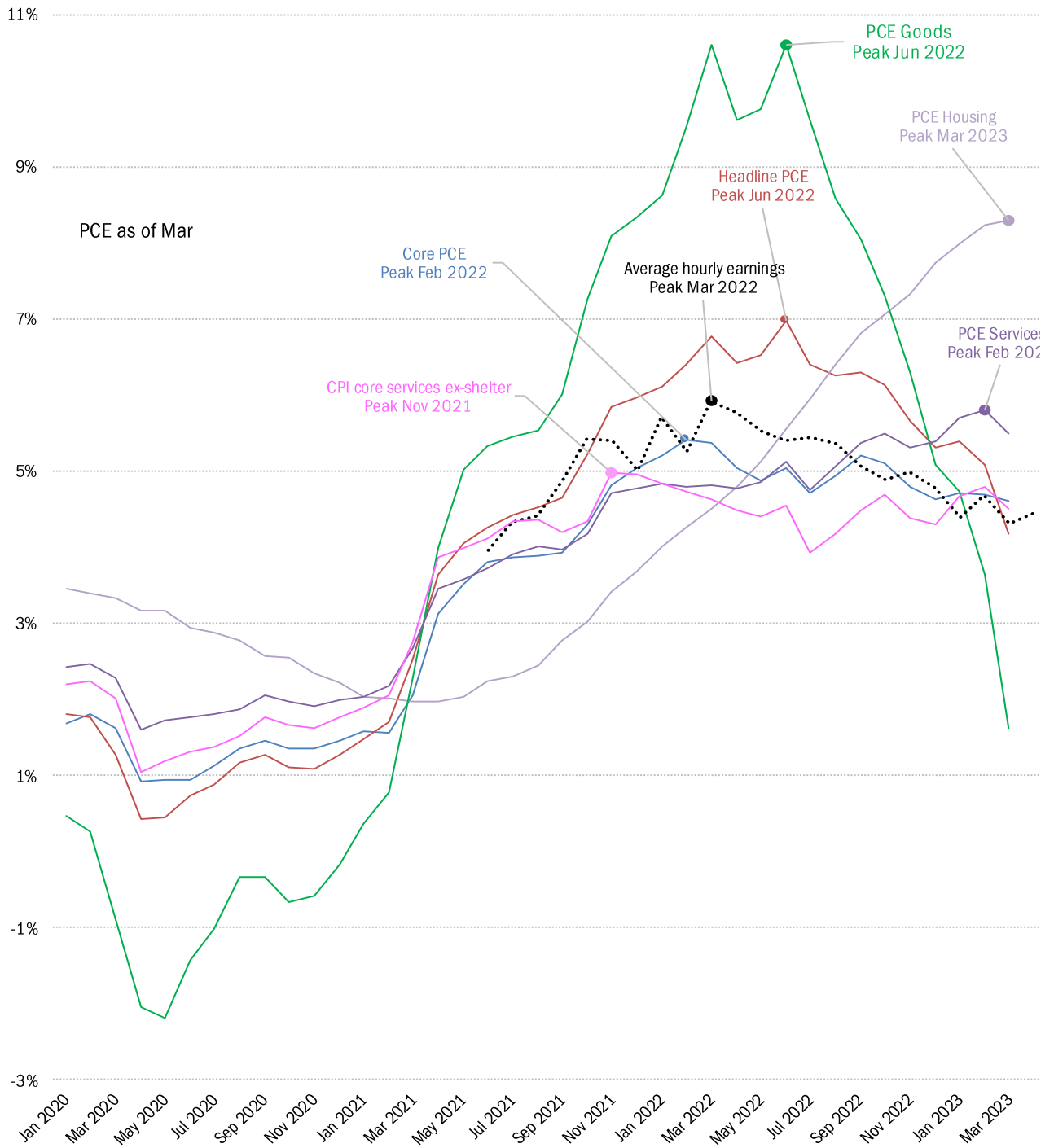
Year-on-year change ● Month of peak



Source: FRB, BLS, US Treasury, TrendMacro calculations

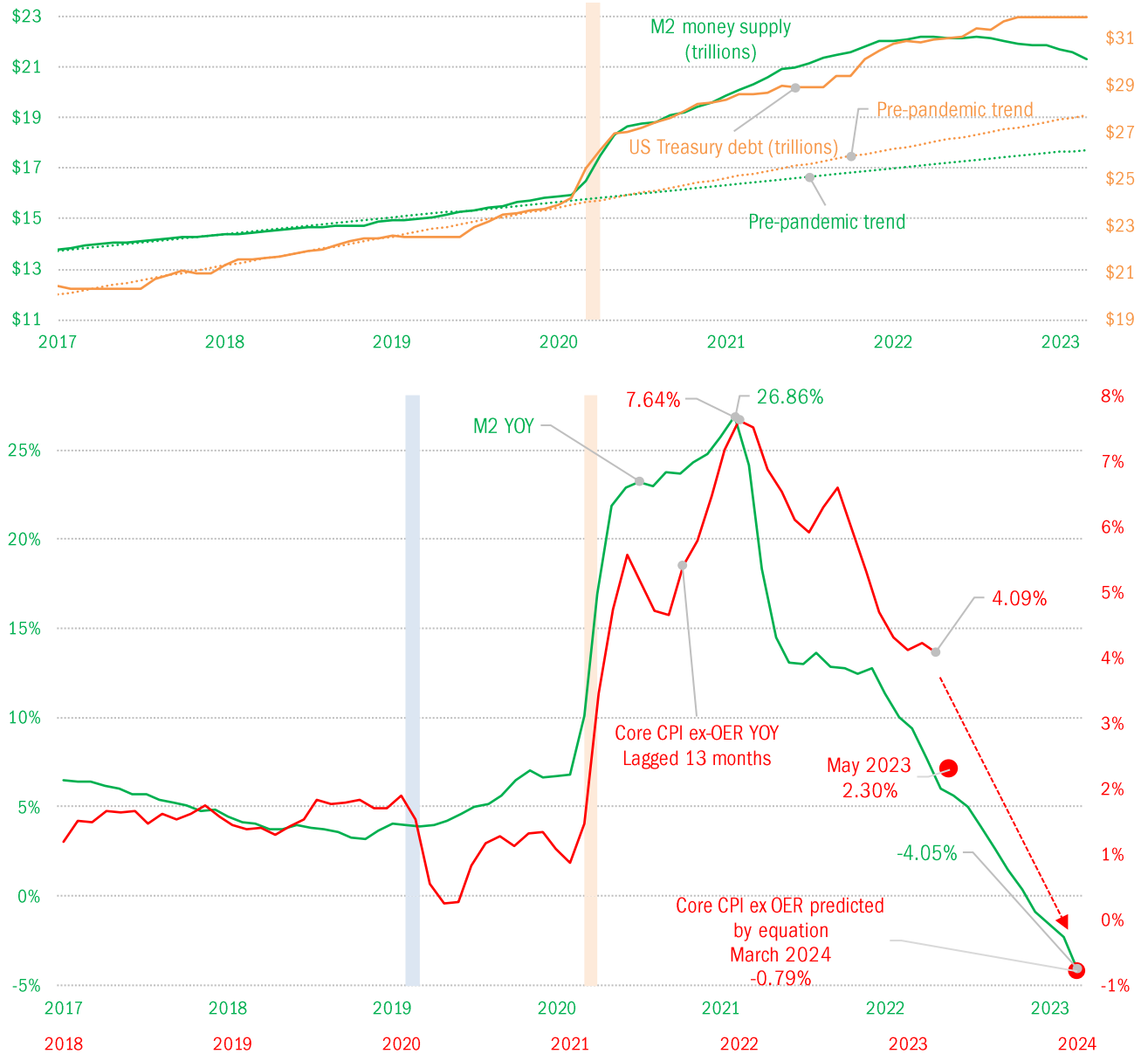
# PCE inflation – the Fed’s preferred way of tracking the tortoise

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](#)

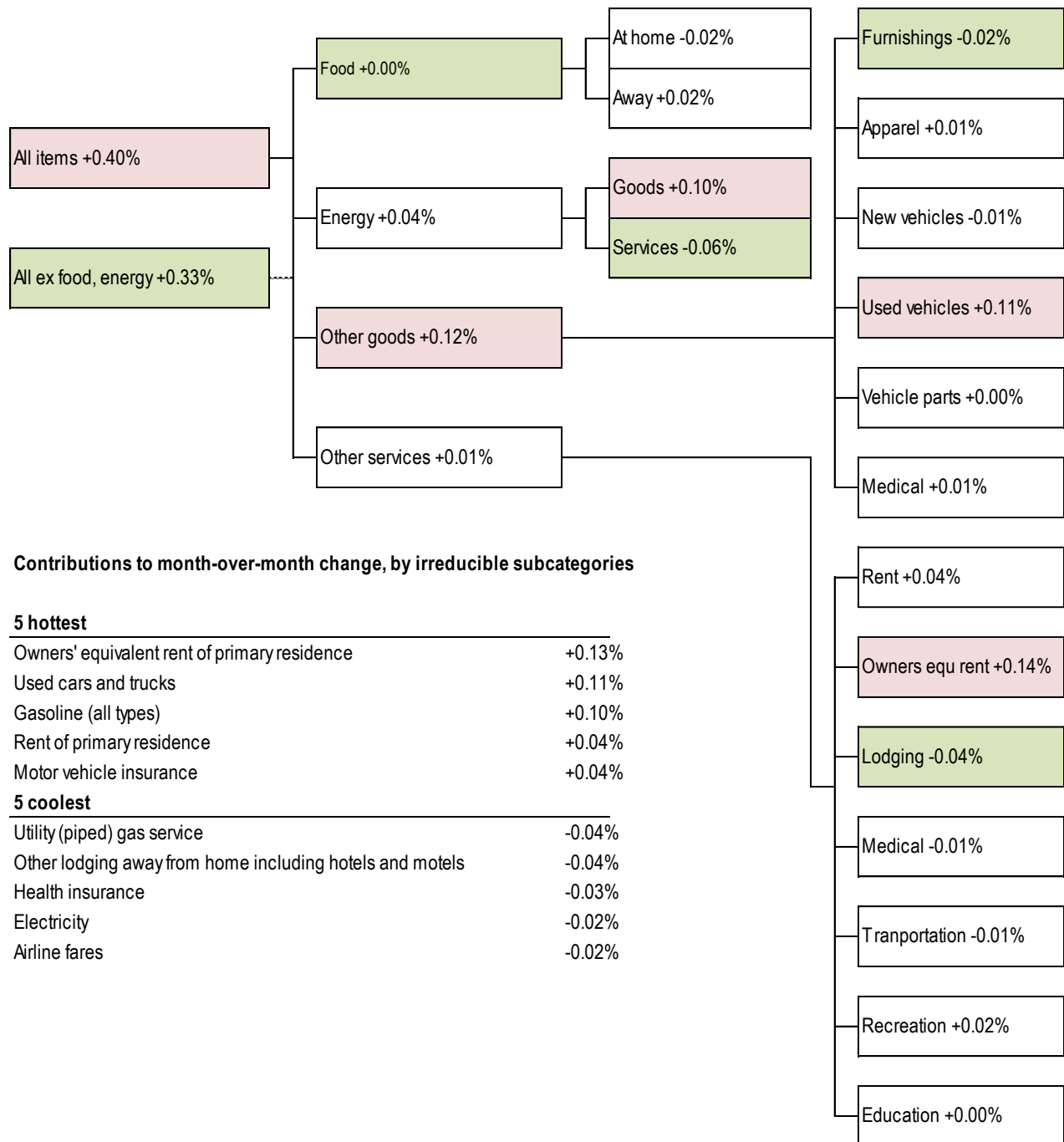


Source: FRB, BLS, US Treasury, TrendMacro calculations

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

Weighted contribution by subcategory

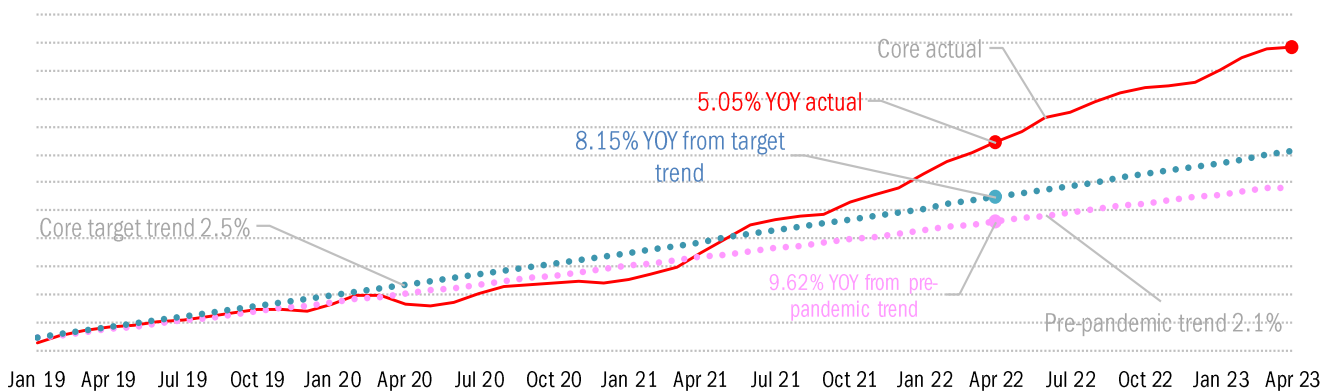
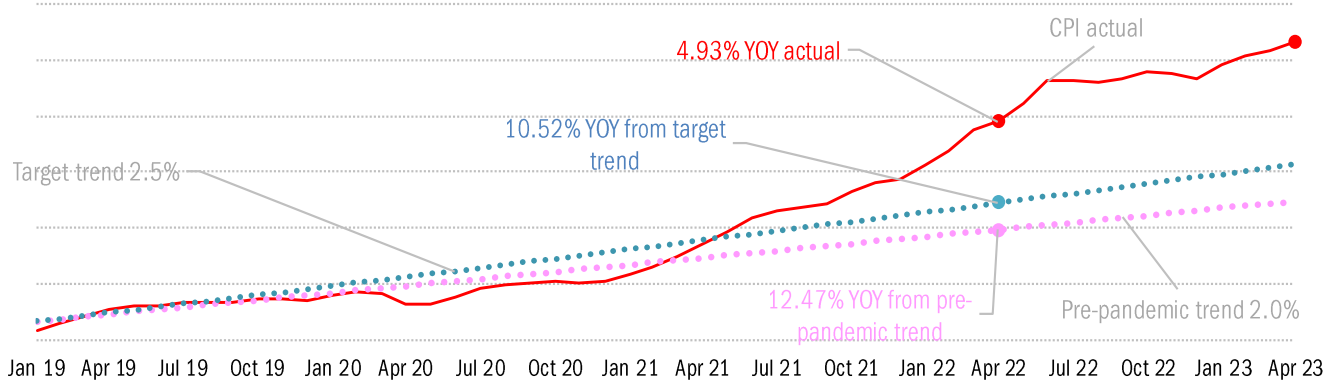
Biggest change per detail-level: ■ positive ■ negative



Source: BLS Consumer Price Index, TrendMacro calculations

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

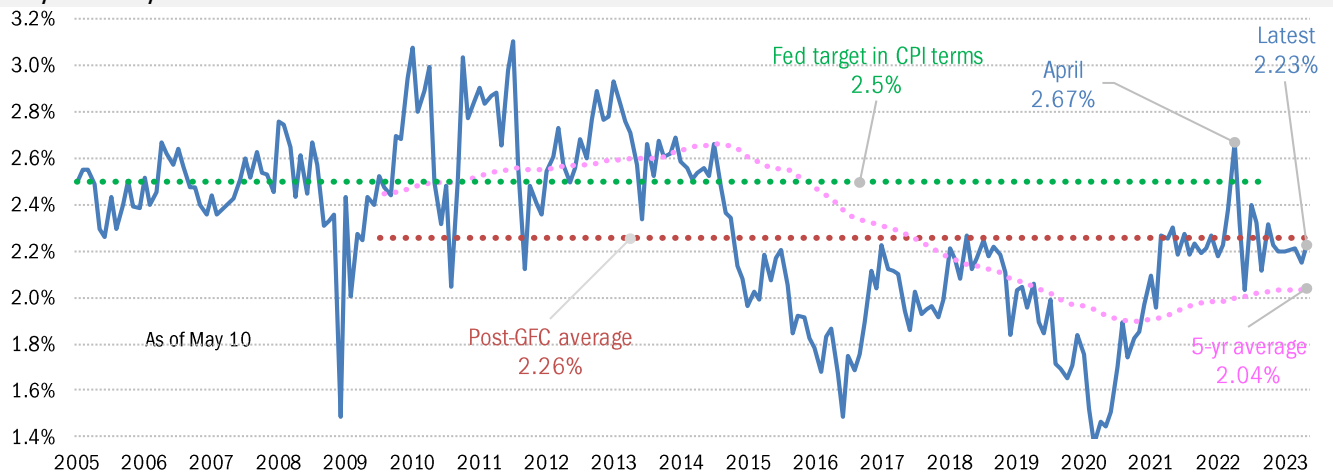
This month’s data in context with the pre-pandemic and ideal 12-month trends



Source: Bureau of Labor Statistics, TrendMacro calculations

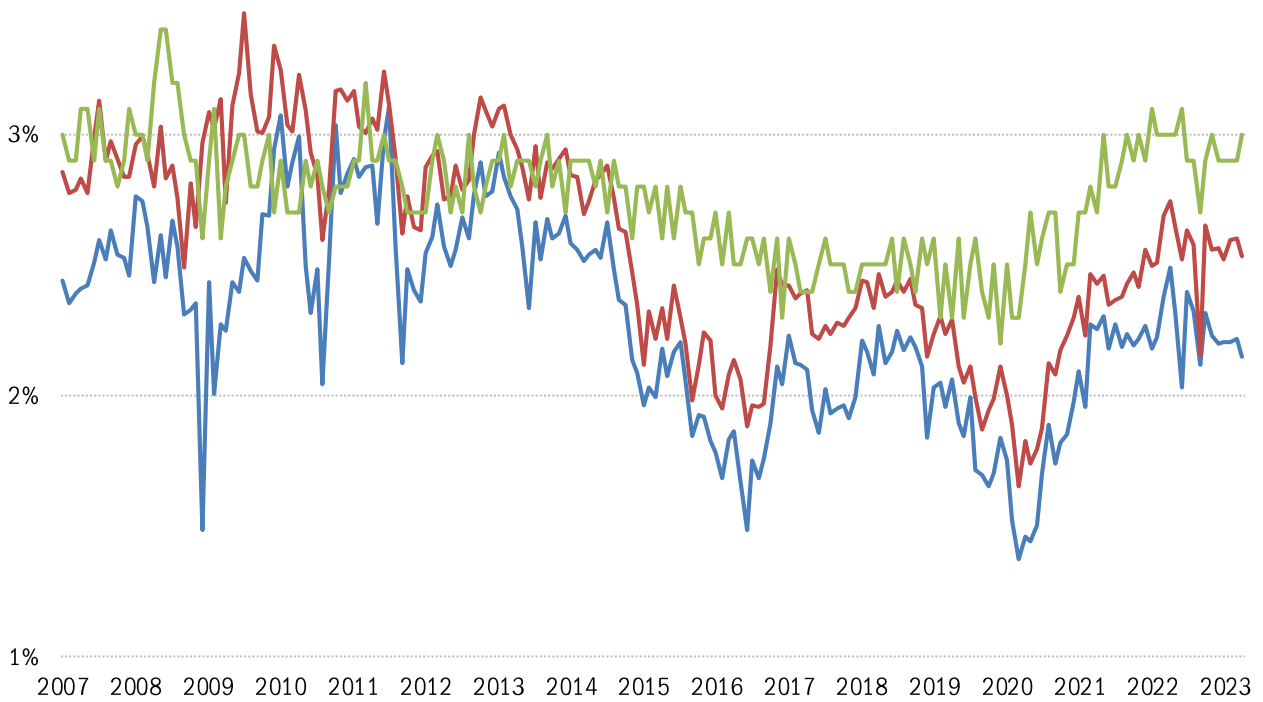
## Unhinged? Or *too* hinged?

5-year 5-year-forward TIPS breakeven



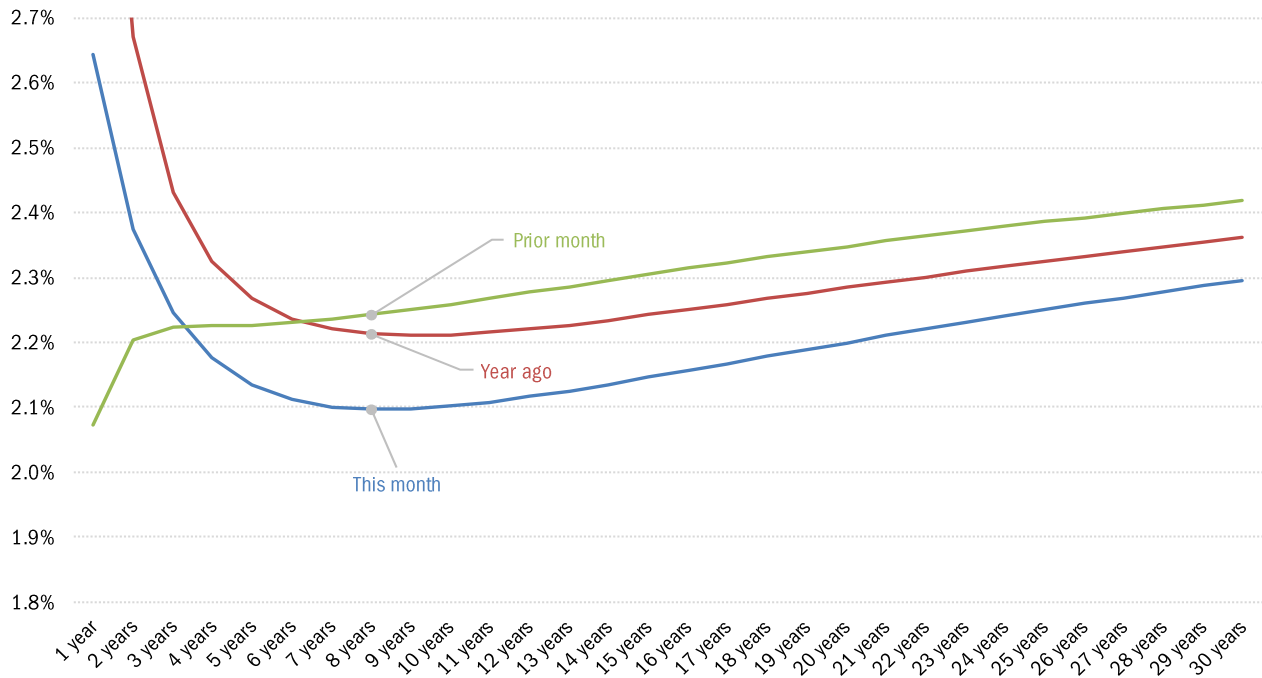
Source: Bloomberg, TrendMacro calculations

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

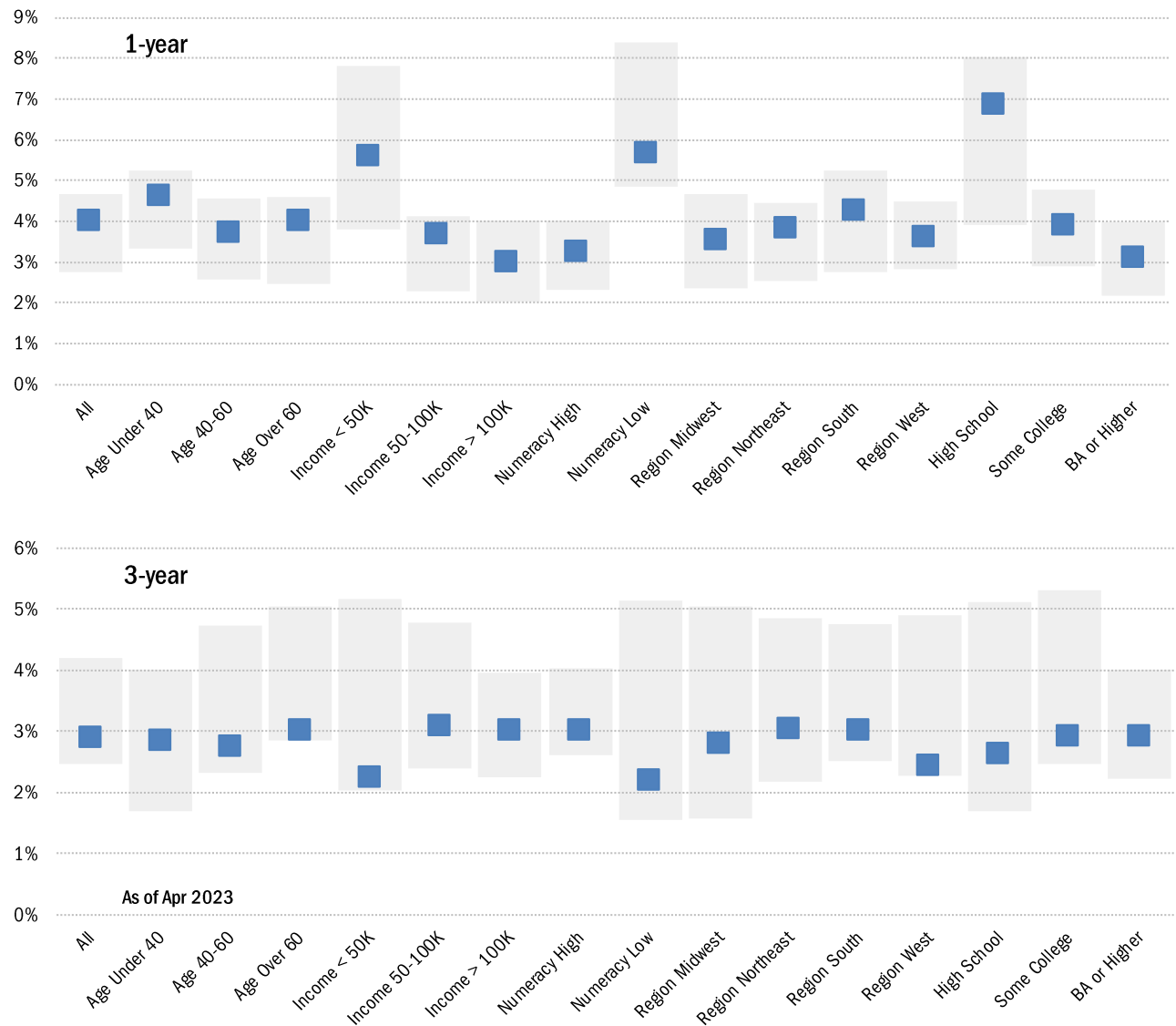


Source: [Cleveland Fed](#), TrendMacro calculations



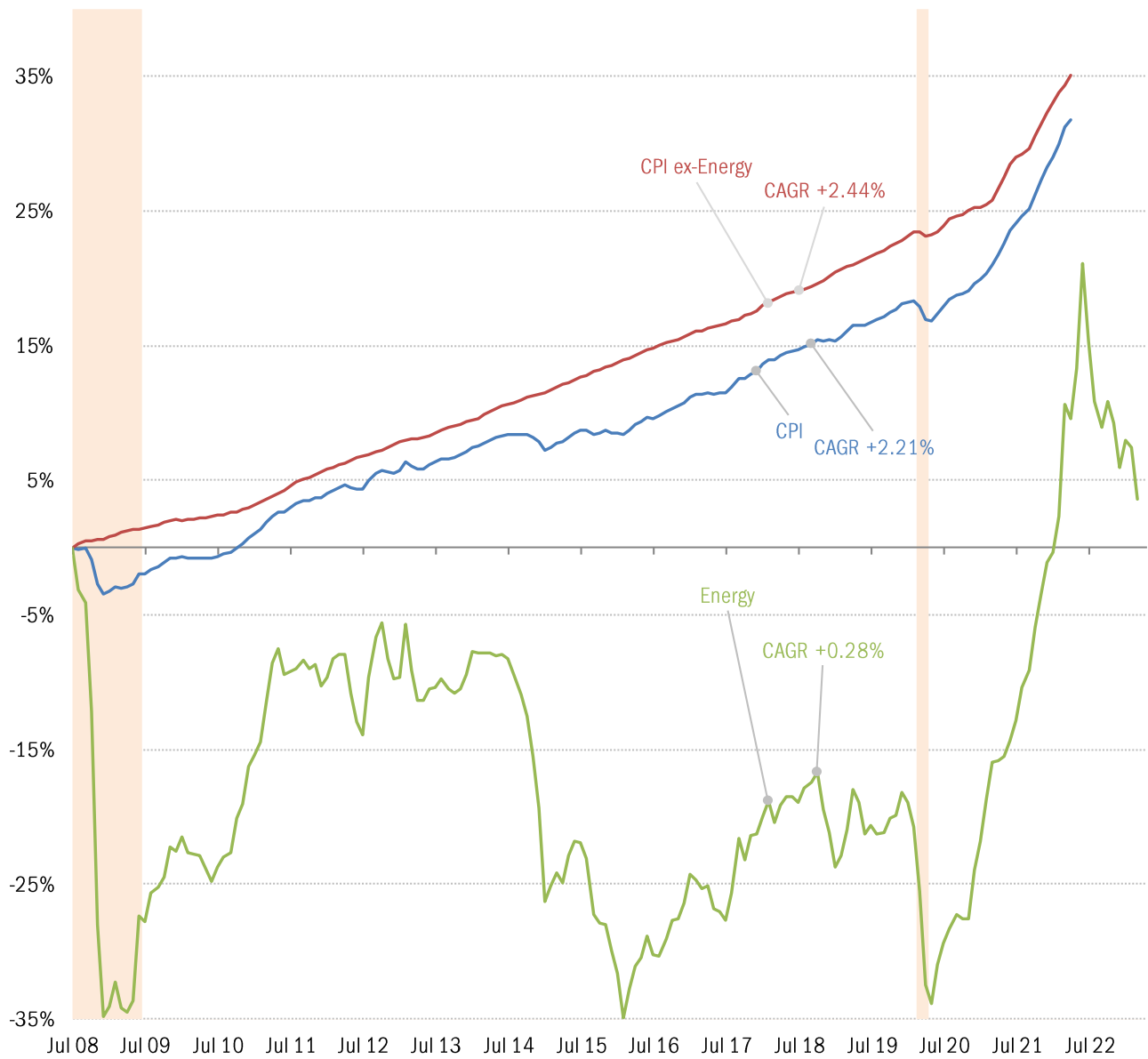
# The demography of inflation expectations

■ Current median ■ 3-year range



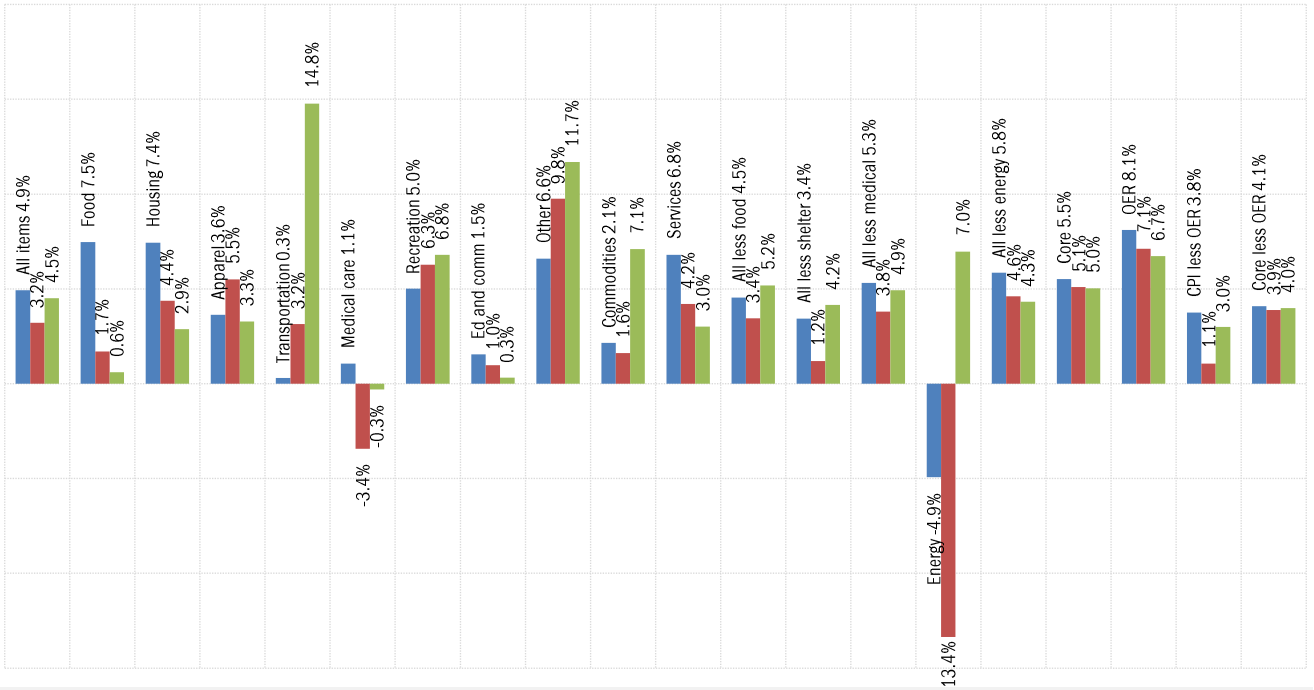
Source: [New York Fed Survey of Consumer Expectations](#), TrendMacro calculations

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



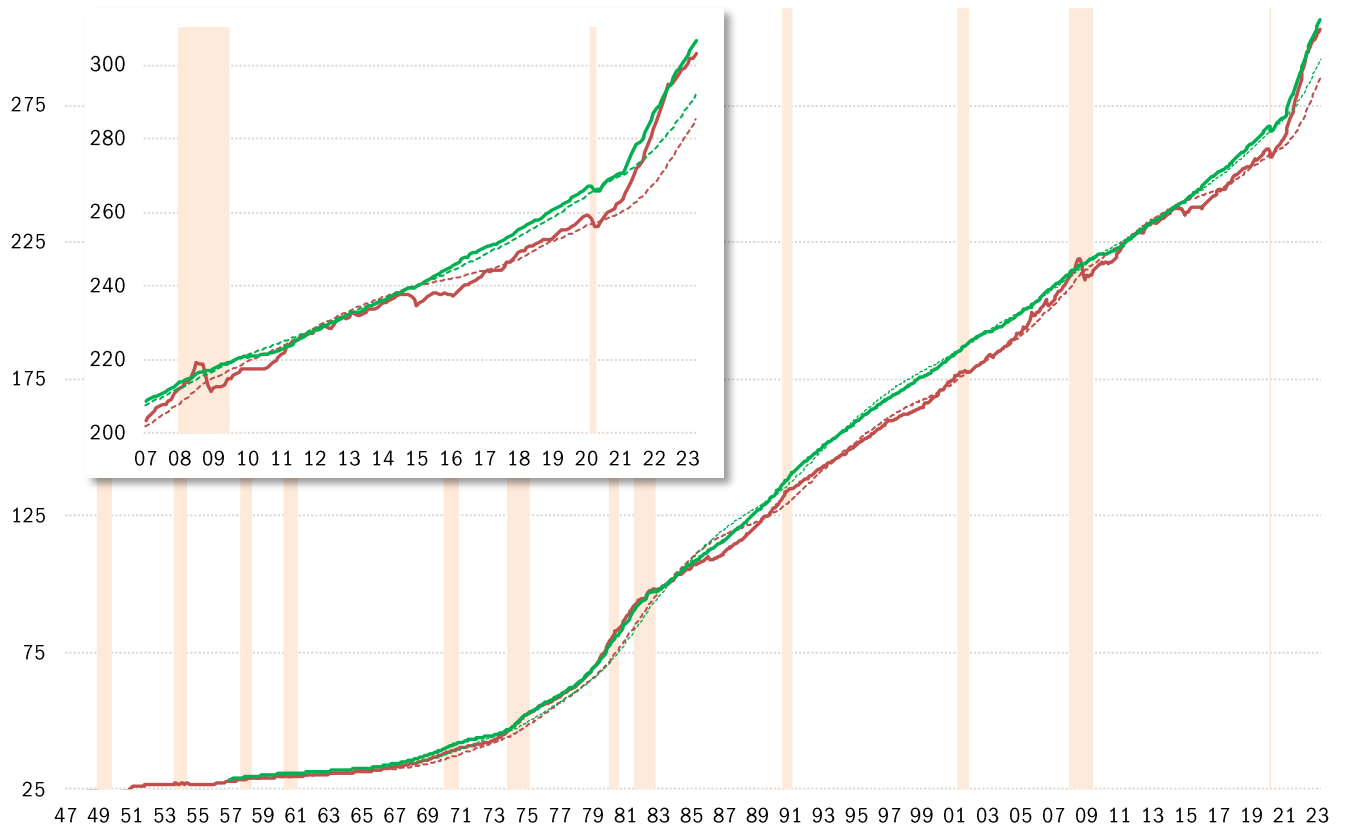
Source: Bloomberg, TrendMacro calculations

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



Source: BLS Consumer Price Index, TrendMacro calculations

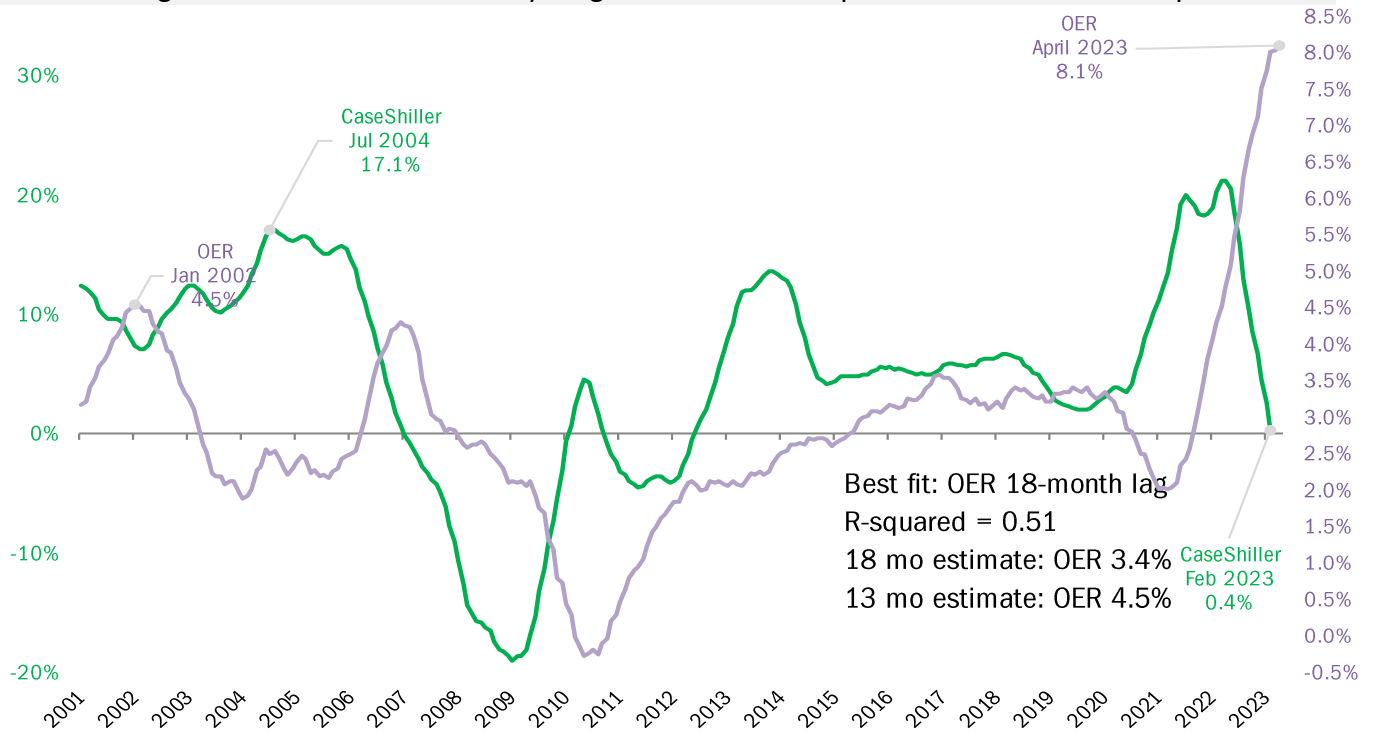
## US CPI Core — Level ... 20-year trend ■ Recession



Source: BLS Consumer Price Index, TrendMacro calculations

## Housing leads US CPI

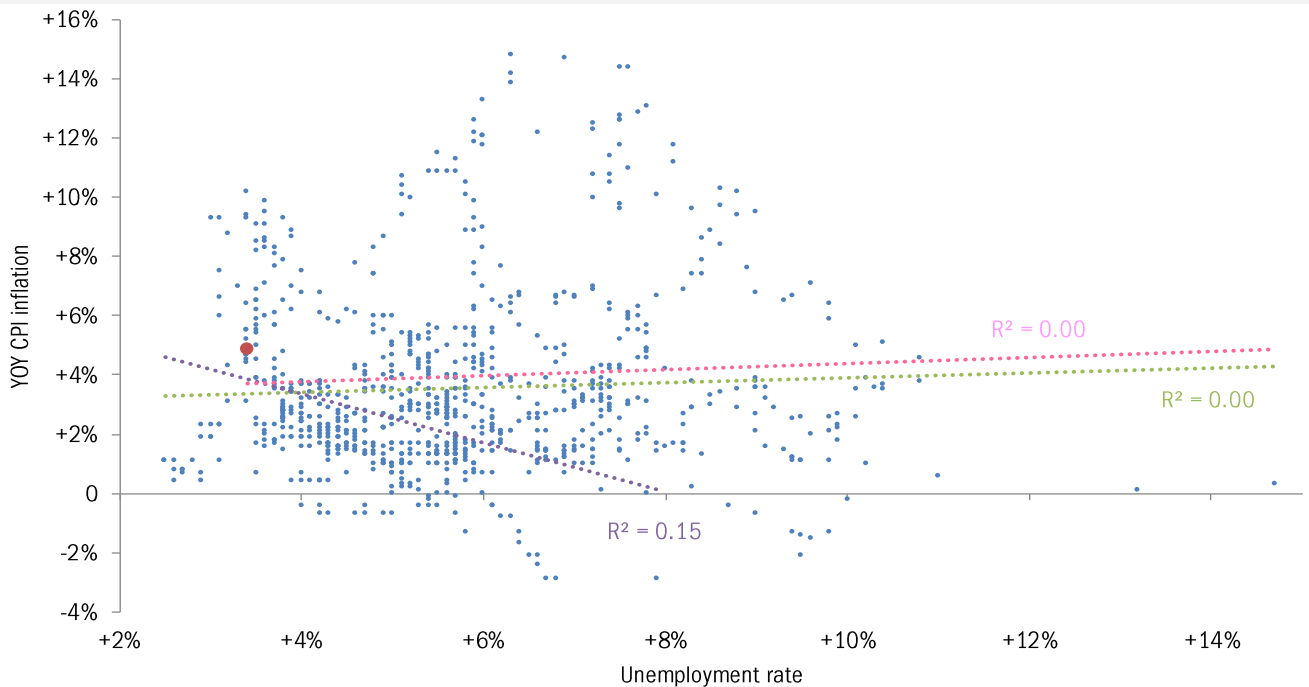
YOY change — Case Shiller 20-city avg — Owner's equivalent rent CPI component



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

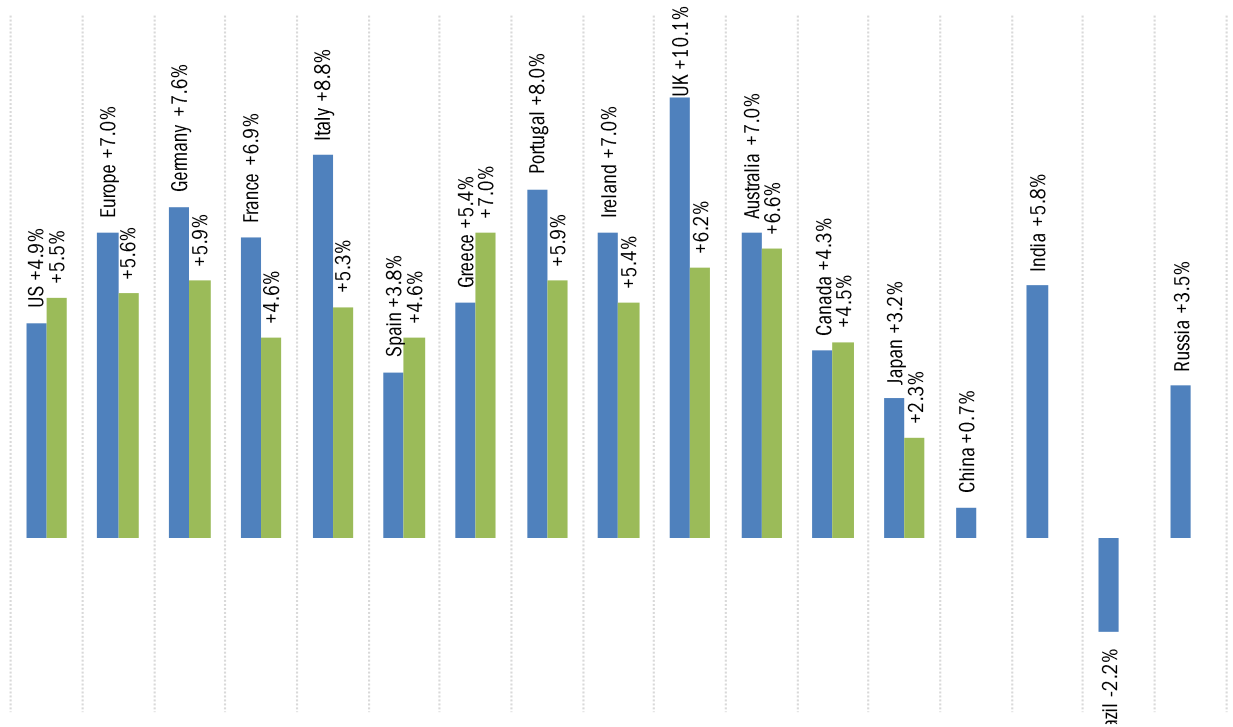
## Going, going, gone: the vanishing Phillips Curve

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



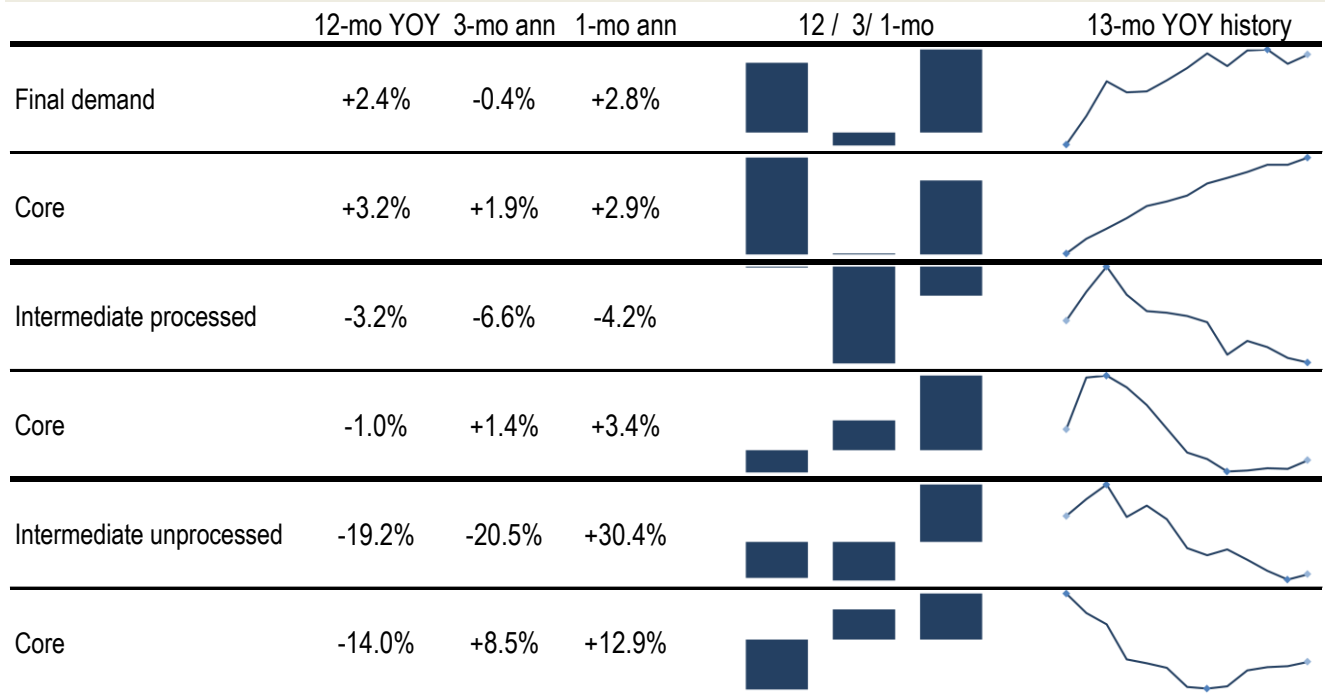
Source: BLS Consumer Price Index, Current Population Survey

## Major economies CPI, year on year



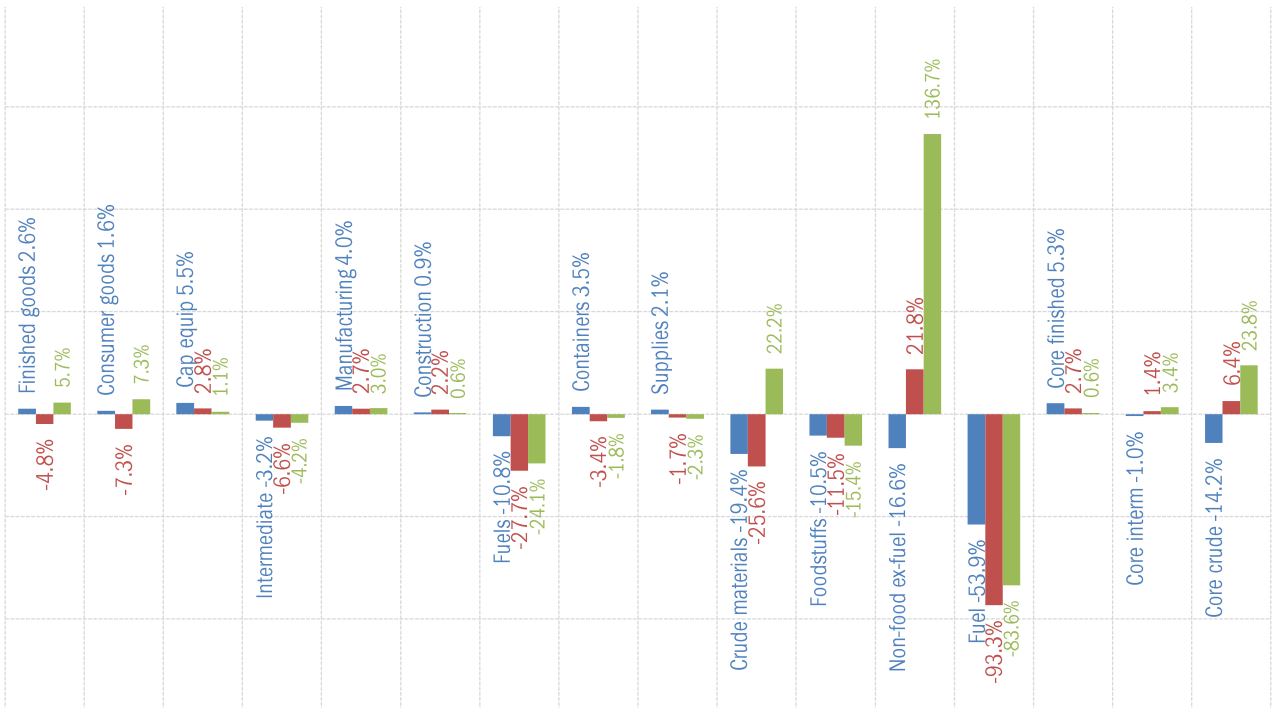
Source: Respective Statistical agencies, TrendMacro calculations

## PPI data: what you need to know



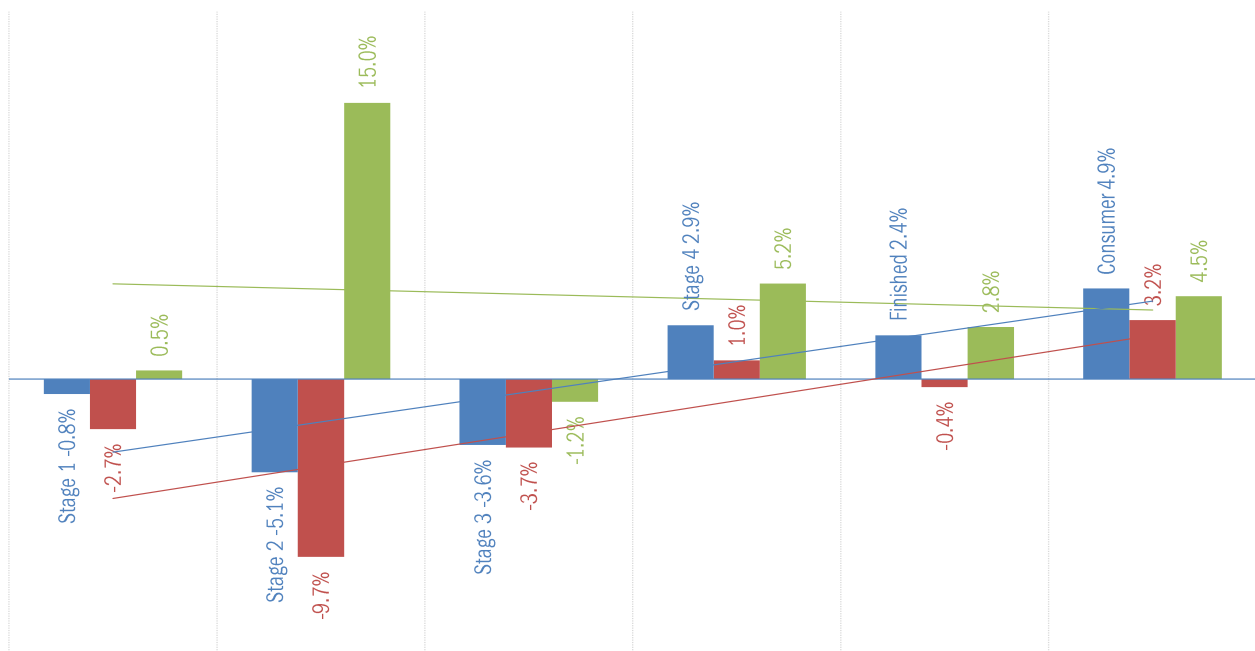
Source: BLS Producer Price Index, TrendMacro calculations

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



Source: BLS Producer Price Index, TrendMacro calculations

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



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