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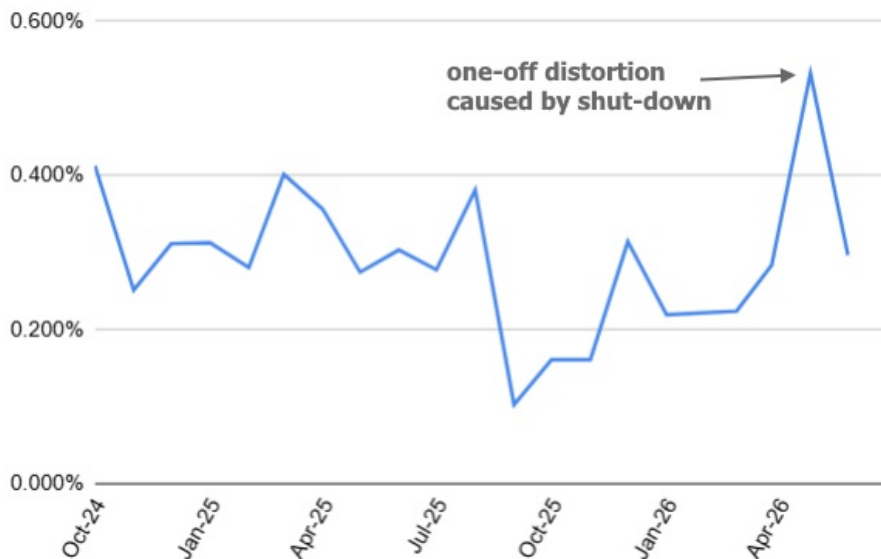


The Day Ahead: Slightly Stronger After Ho-Hum CPI

Most understand this, but some forget: CPI numbers on econ calendars are not prices. They're the change in prices. We bring that up in case anyone thinks today's core monthly CPI of 0.2 means that prices are lower than last month when the core was 0.4. While it's a decent monthly number and lower than the expected 0.3, it's also 2.4% if repeated for 12 months (still above the 2.0% target). Plus, we often forget that the 2.0% inflation target is for headline CPI--not core--and that is running at 4.2% y/y presently. Thankfully, forecasters were right on target with headline expectations, so despite being a lot higher than anyone would like, the bond market is not surprised and thus holding at levels just slightly better than before the data.

If you see a chart of Owners' Equivalent Rent (OER), remember that last month's pop was driven by the October data being zeroed out due to the government shutdown combined with the fact that OER cohorts are only compared every 6 months. Thus April's CPI (the pop in the chart below) involves an April vs October comparison to update the monthly data. Today's data involves a May vs November comparison, and we had data for November.

Owners' Equivalent Rent



Excluding food, energy, and shelter, CPI was up 0.273--a slower pace than last month.



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