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13.Dec.2022

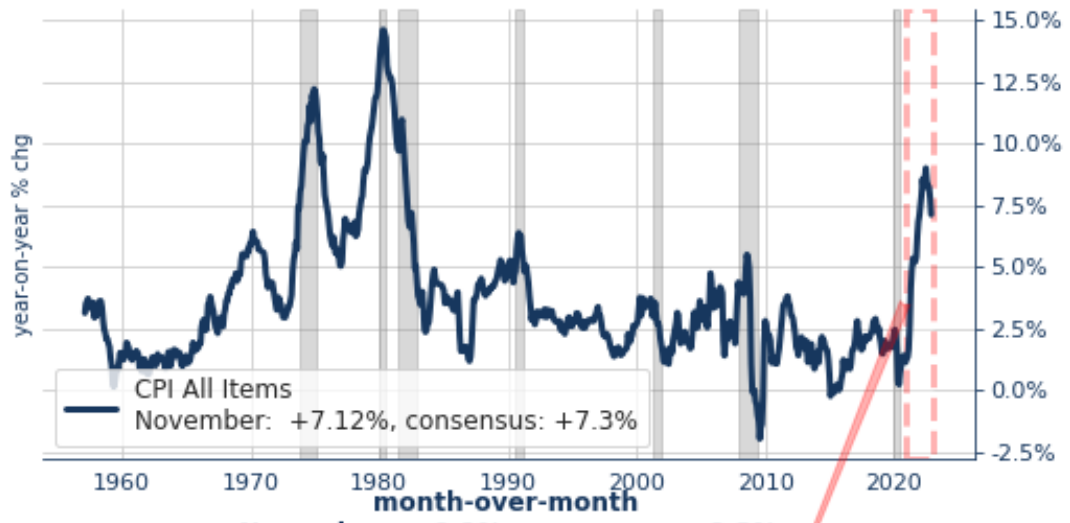
CPI: Second Month of Downside Surprise

Bottom Line: Consumer prices rose less than expected in November, decelerating for the second consecutive month. Core CPI rose just 0.2%, well below the average pace over the last year. Used car prices fell even more than the major private sector price indicators suggested, dropping nearly 3% on the month after a 2.4% decline in October. Medical care services fell again, led by a second month of declines in hospital and related services. Owner's Equivalent Rent (OER), a key measure of shelter prices and nearly a third of core CPI, rose 0.68%, stronger than expected and slightly above October's levels. Our models suggest there is still scope for that critical component to drop sharply in the coming months. Finally, airfares fell, pushing the price index for public transportation services lower by 2%.

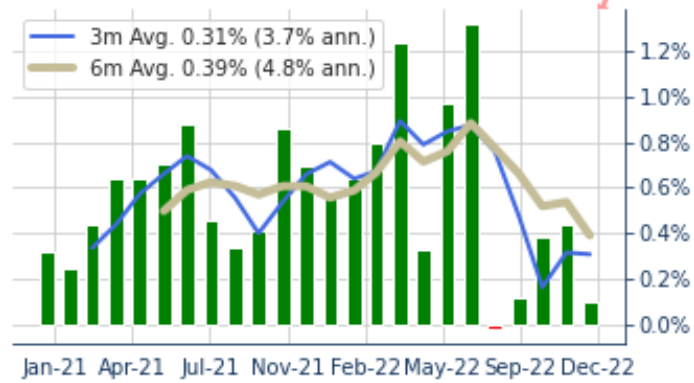
Overall, this report was consistent with an even quicker easing in consumer price pressures than expected. Medical care services will likely see upward volatility again due to hospital-related prices (2.5% of CPI), even as health insurance premiums (less than 1% of CPI) will remain a drag. OER should slow for several months in the first part of 2023, then reaccelerate in mid-'23 before falling sharply late in the year based on its historical lag with home prices.

CPI All Items

November: +7.12%, consensus: +7.3%

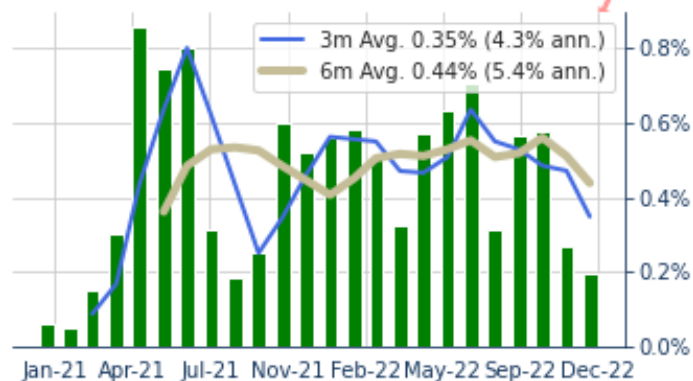
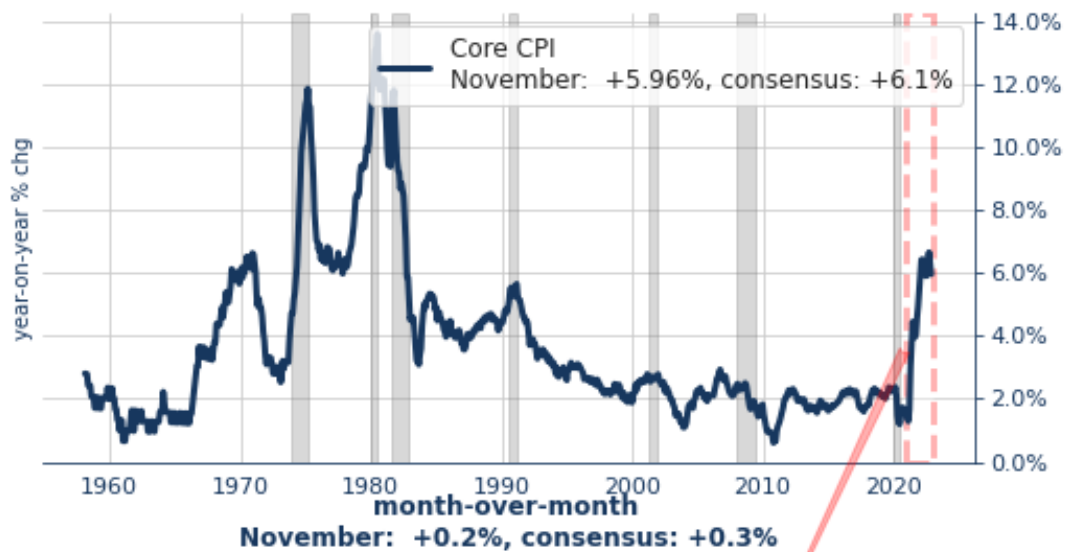


November: +0.1%, consensus: +0.3%



Core CPI

November: +5.96%, consensus: +6.1%



Contingent Macro Advisors 2022 source: US BEA

The CPI ROSE by 0.10% in November, compared with market expectations for an increase of 0.30%.

- Food prices increased by 0.50% while energy prices fell by 1.6%.
- Prices for gasoline fell by 2.0% while prices for fuel oil declined by 0.4%, prices for electricity slipped by 0.2%, and prices for natural gas fell by 3.5%. Energy prices are now 13.0% ABOVE their year-ago level.

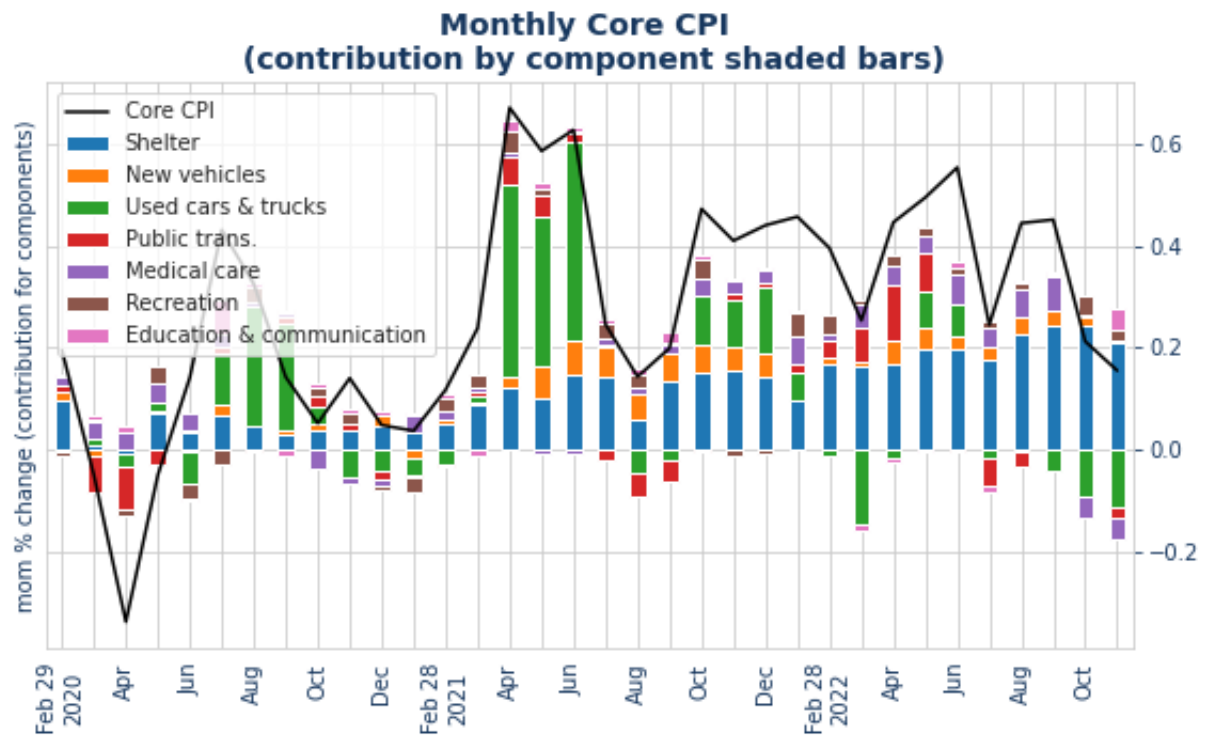
Overall consumer prices are now 7.1% ABOVE their year-ago level; in November 2021, consumer prices were 6.8% ABOVE their year-ago level.

The Core CPI ROSE by 0.20%, compared with market expectations for an increase of 0.30%.

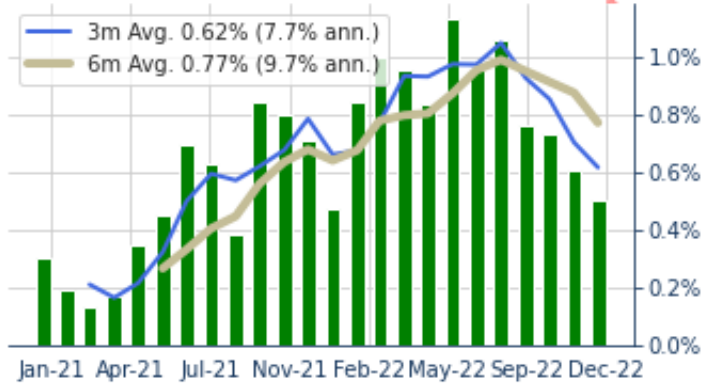
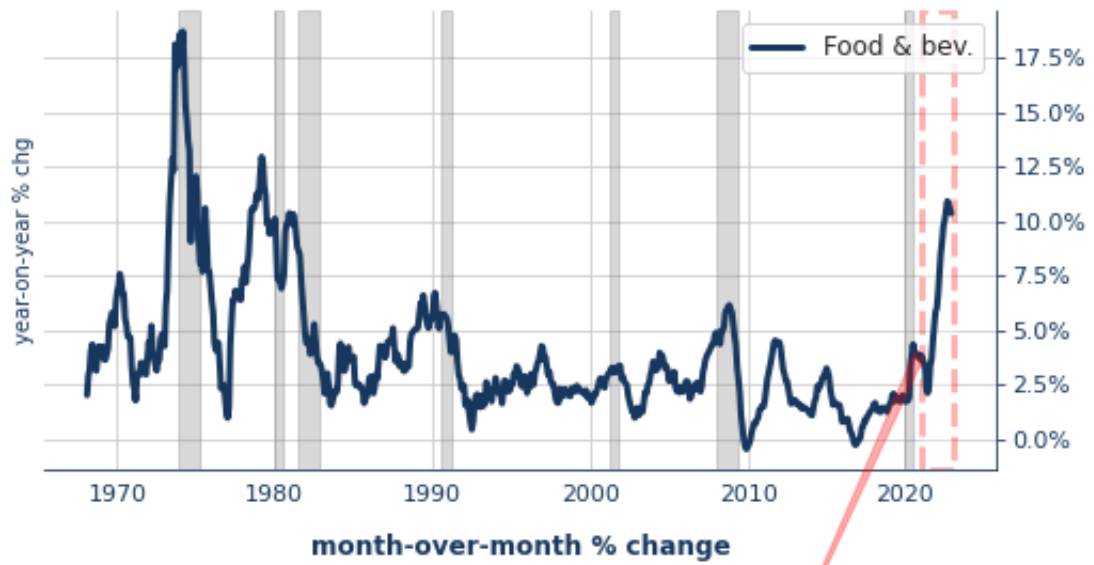
- Prices for commodities excluding food and energy commodities fell by 0.5%.

- Gains in tobacco (+0.7%), and alcoholic beverages (+0.7%), were offset by declines in used cars & trucks (-2.9%).
- Prices for services excluding energy services rose 0.4% with a modest increase in owner's equivalent rent (+0.7%), shelter (+0.6%), and (-1.0%).

Core consumer prices are now 6.0% ABOVE their year-ago level; in November 2021, consumer prices were 5.0% ABOVE their year-ago level.

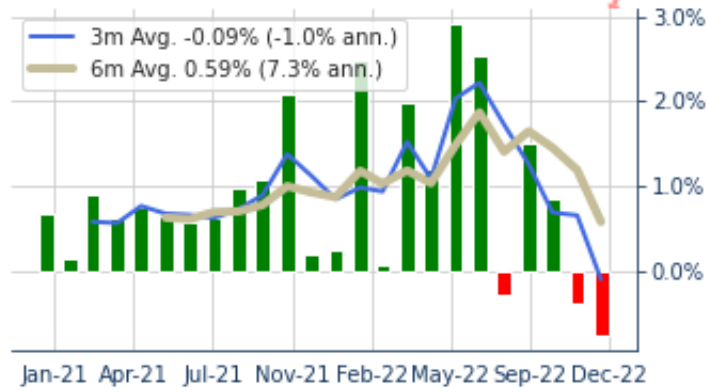


Food & bev.

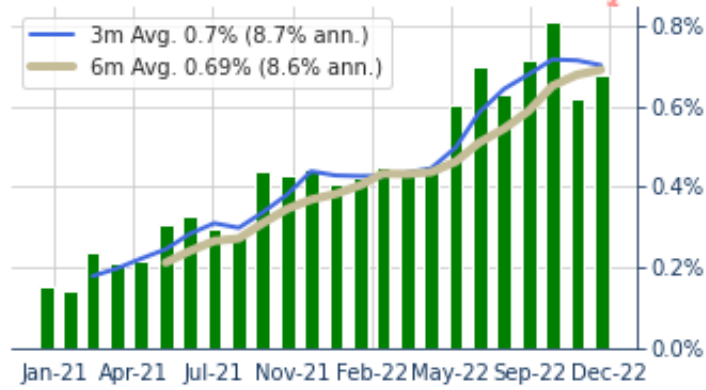
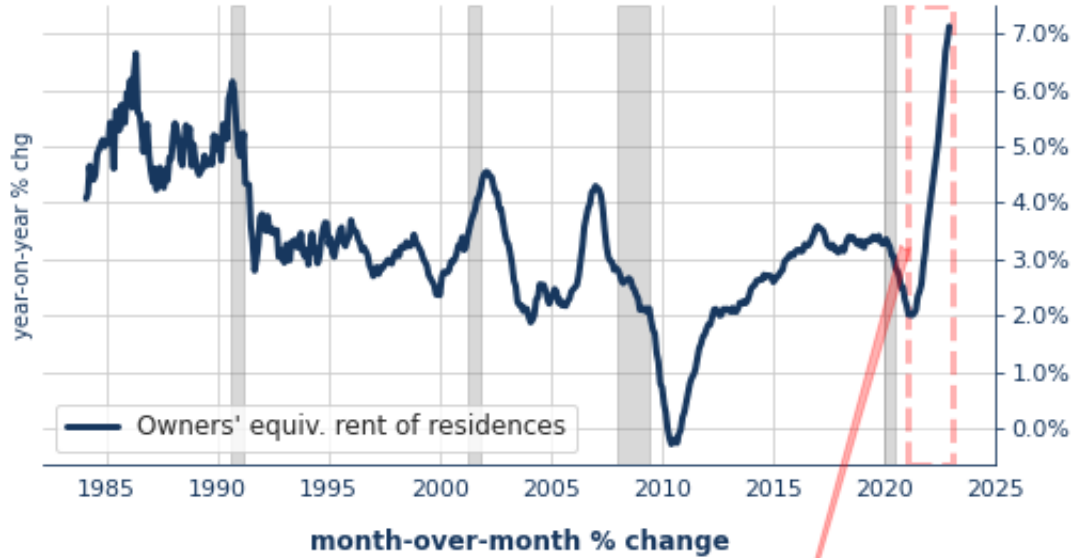


Contingent Macro Advisors 2022 source: US BEA

Fuels & utilities

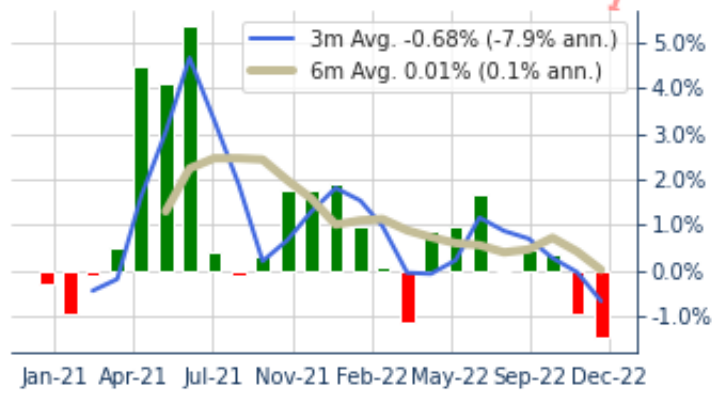
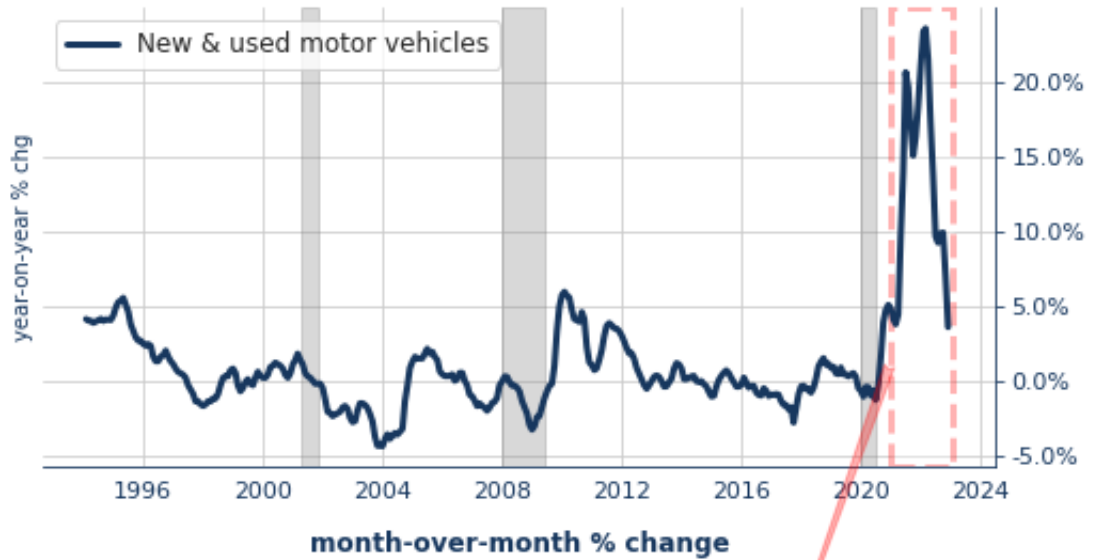


Owners' equiv. rent of residences



Contingent Macro Advisors 2022 source: US BEA

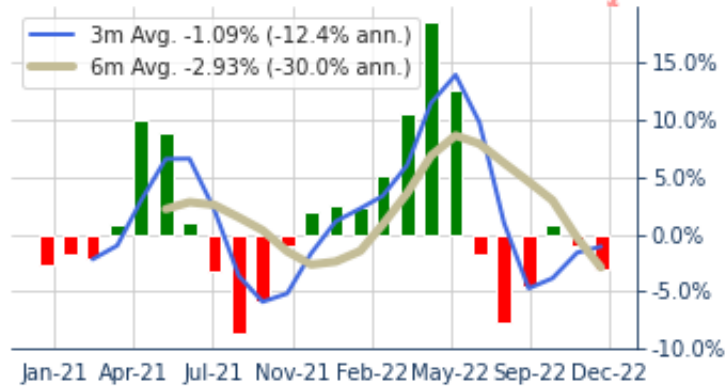
New & used motor vehicles



Airline fare



month-over-month % change



(4.1%)	0.04%	0.37%	4.38%	6.55%	7.20%	11.76%	1.94%	4.09%
Used cars & trucks (3.8%)	-2.95%	-2.42%	-22.96%	-10.30%	-3.34%	37.28%	10.02%	8.46%
Transportation serv. (5.9%)	-0.08%	0.80%	10.95%	9.88%	14.39%	4.05%	-3.58%	3.70%
Public trans. (0.9%)	-2.02%	0.54%	-5.63%	-20.37%	23.80%	1.76%	-12.79%	1.39%
Education & communication (6.0%)	0.69%	0.02%	3.22%	1.81%	0.69%	1.63%	1.97%	1.19%
Recreation (5.0%)	0.46%	0.75%	5.32%	4.34%	4.75%	3.27%	0.94%	2.43%
Apparel (2.5%)	0.23%	-0.69%	-2.92%	0.34%	3.57%	5.71%	-4.17%	0.47%
Other goods & serv. (2.7%)	0.72%	0.47%	6.23%	6.34%	7.01%	4.46%	2.40%	3.80%

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 - Food & Bev Categories	Nov-22	Oct-22	3m ann % chg	6m ann % chg	YoY % chg	2021	2020	5y
Food & bev. (13.7% total CPI)	0.51%	0.61%	7.67%	9.68%	10.34%	6.00%	3.84%	4.98%
Cereals & bakery prods (1.1%)	1.10%	0.79%	11.90%	17.12%	16.39%	4.73%	3.11%	5.52%
Meats, poultry, fish, & eggs (1.9%)	-0.21%	0.61%	3.15%	2.91%	6.74%	12.57%	4.58%	5.55%
Dairy & related prods (0.8%)	1.00%	-0.06%	4.94%	10.34%	16.36%	1.59%	4.42%	5.10%
Fruits & vegetables (1.4%)	1.44%	-0.87%	8.87%	7.83%	9.78%	5.02%	3.15%	3.73%
Nonalcoholic bev. & beverage materials (1.0%)	0.67%	0.55%	7.45%	11.22%	13.17%	5.11%	4.35%	5.27%
Other food at home (2.3%)	-0.07%	0.92%	5.36%	12.78%	13.92%	5.60%	3.84%	4.99%
Food away from home (5.2%)	0.51%	0.94%	9.99%	10.26%	8.49%	6.01%	3.92%	5.18%

Shelter (32.6% total CPI)	0.65%	0.75%	8.94%	8.27%	7.09%	4.18%	1.84%	4.11%
Rent of primary residence (7.4%)	0.77%	0.69%	9.62%	9.43%	7.91%	3.33%	2.28%	4.39%
Lodging away from home (0.9%)	-0.71%	4.85%	12.66%	-5.01%	3.05%	24.16%	-9.69%	2.80%
Owners' equiv. rent of residences (24.0%)	0.68%	0.62%	8.74%	8.59%	7.13%	3.80%	2.18%	4.13%
Household energy (3.9%)	-1.02%	-0.48%	-2.51%	7.88%	15.65%	11.33%	1.63%	6.11%
Household furnishings & operations (4.0%)	0.03%	-0.02%	1.92%	4.99%	7.55%	7.37%	3.14%	4.28%

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 - Recreation	Nov-22	Oct-22	3m ann % chg	6m ann % chg	YoY % chg	2021	2020	5y
Recreation (5.0% total CPI)	0.46%	0.75%	5.32%	4.34%	4.75%	3.27%	0.94%	2.43%
TV, radio subs. (1.1%)	1.01%	0.77%	5.59%	0.23%	4.05%	2.90%	4.17%	3.43%
Pet food (1.1%)	0.85%	1.04%	13.44%	15.67%	15.68%	2.38%	-0.75%	4.44%
Toys (0.3%)	-1.42%	-1.06%	-8.35%	-0.97%	0.57%	1.75%	-3.85%	-3.47%
Music instruments & accessories (0.0%)	1.75%	0.63%	12.07%	6.70%	7.13%	5.87%	0.01%	2.54%
Club, gyms etc. (0.0%)	0.16%	1.21%	7.35%	4.68%	5.08%	1.76%	-0.36%	2.35%
Entertainment tickets (0.4%)	1.60%	0.91%	7.92%	7.70%	7.40%	4.87%	1.21%	3.45%
Fees for lessons or instructions (0.2%)	-0.82%	0.38%	9.64%	7.33%	5.00%	2.95%	3.57%	3.10%

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. Pet food includes all related to pets.

US CPI - Medical	Nov-22	Oct-22	3m ann % chg	6m ann % chg	YoY % chg	2021	2020	5y
Medical care (8.4% total CPI)	-0.52%	-0.50%	-0.90%	3.17%	4.15%	2.17%	1.78%	3.04%
Medical care commodities (1.5%)	0.19%	-0.02%	0.34%	2.65%	3.13%	0.45%	-2.48%	0.59%
Prof. serv. (3.5%)	0.08%	0.19%	4.03%	4.74%	3.07%	3.29%	1.88%	2.23%
Hospital & related serv. (2.5%)	-0.29%	-0.21%	-1.31%	2.31%	3.16%	3.26%	3.12%	3.41%
Health insurance (0.9%)	-4.25%	-4.01%	-22.39%	0.60%	13.55%	-1.16%	4.77%	9.35%

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. Prof. serv. includes physician, dental, eye and other professional medical services.

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