

# The US Inflation Trend Chartbook

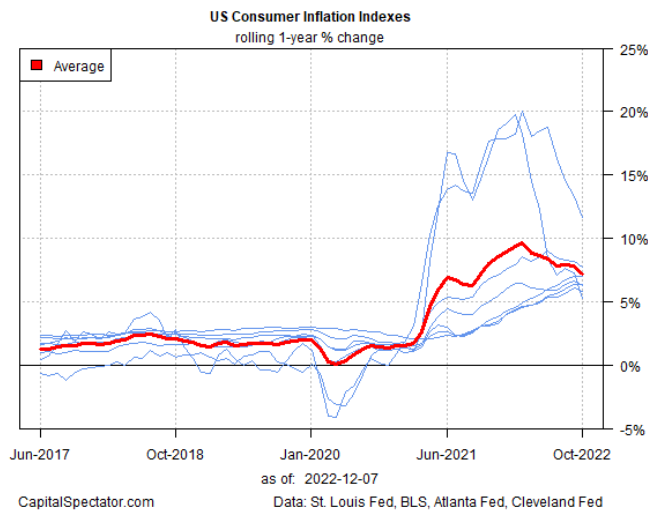
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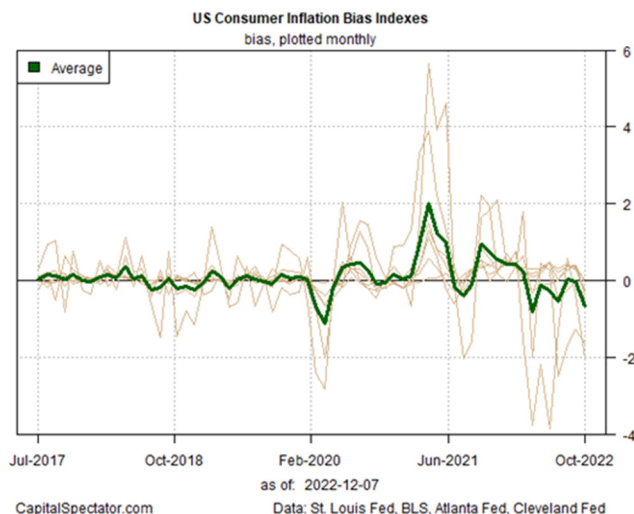
James Picerno, editor  
+1.732.710.4750  
caps@CapitalSpectator.com

## Inflation continues to show signs of easing

**A growing list of indicators suggest that inflation has peaked.** The debate is focused on how quickly inflation will fall. It's too early to make confident forecasts, but the incoming numbers over the next few months may provide clarity. Meanwhile, the numbers continue to show a moderation in the inflation trend.



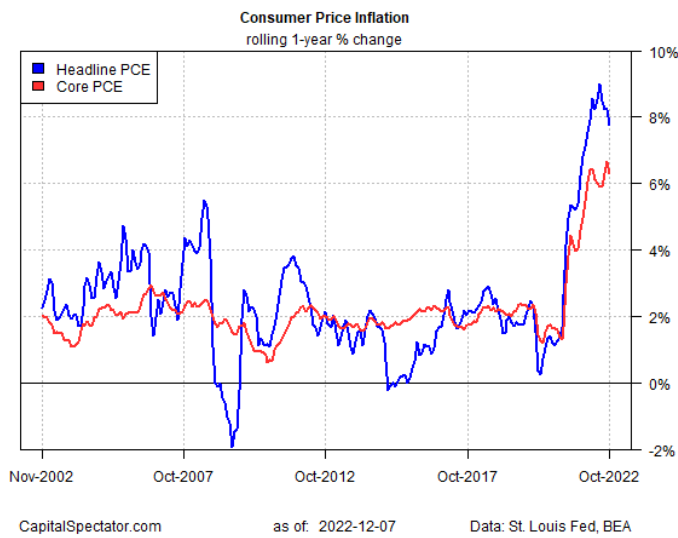
**Reviewing the year-on-year changes for seven varieties of consumer-price indexes clearly shows that the trend has rolled over.** The average of these inflation measures, shown by the red line in the chart at left, declined again in October to 7.2%, the lowest print in more than a year (see p. 3 for details on the underlying indexes).



**The “bias” of the one-year changes in the inflation metrics per the chart above also shows a persistent downside tilt.** The average for the US Consumer Inflation Bias Indexes was negative for a second month in October. Since May, this measure of bias has been sub-zero for six of the past seven months, which suggests that inflationary pressures will continue to ease.

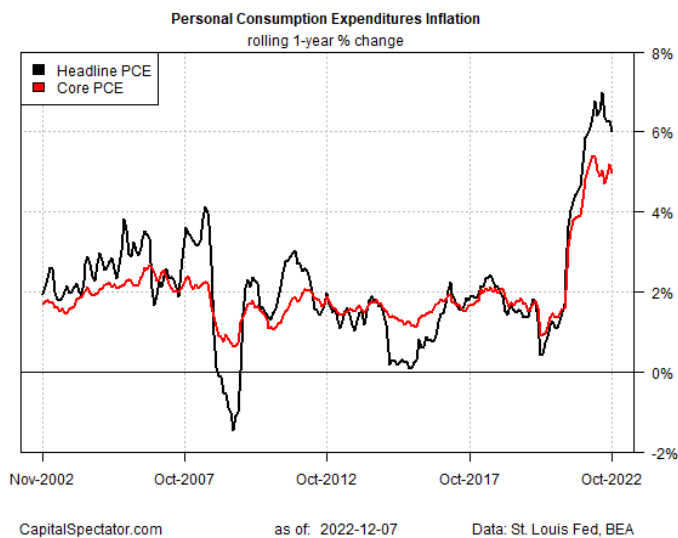
CPI and PCE Inflation: 1-year % change				
Date	CPI:Headline	CPI:Core	PCE:Headline	PCE:Core
Aug 2022	8.2	6.3	6.2	4.9
Sep 2022	8.2	6.7	6.3	5.2
Oct 2022	7.8	6.3	6.0	5.0

## Headline/Core Consumer Price Indexes: 1-Year Trend



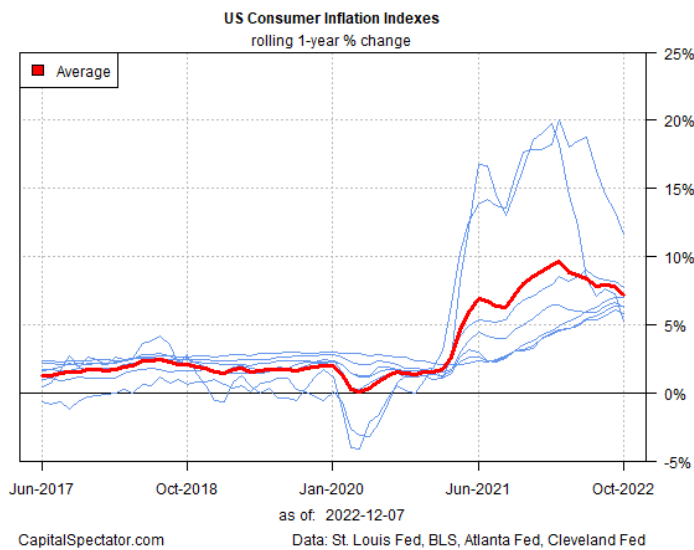
*Consumer Price Indexes (CPI). Core CPI excludes food and energy, offering what tends to be a more reliable measure of the trend vs. headline CPI.*

## Headline/Core PCE Inflation Indexes: 1-Year Trend



*Personal Consumption Expenditures (PCE) inflation measures. Core PCE excludes food and energy, offering what tends to be a more reliable measure of the trend vs. headline PCE. Core PCE is widely reported as the Federal Reserve's preferred measure of inflation.*

## Consumer Inflation Indexes: 1-Year Trend

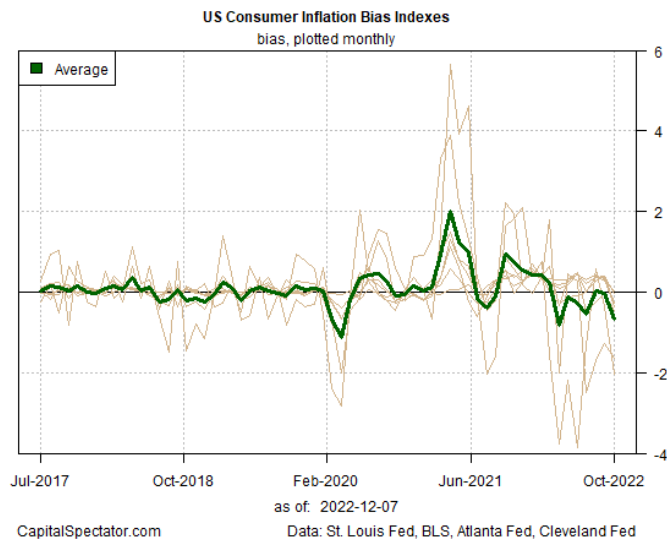


This chart offers a broad review of inflation indexes. The assumption is that including alternative measures of inflation provides a more robust estimate of the trend. In addition to the standard headline and core CPI estimates of inflation, the chart at left includes:

- Sticky price core CPI
- Sticky price core CPI ex-shelter
- Median CPI
- Flexible CPI
- Flexible core CPI

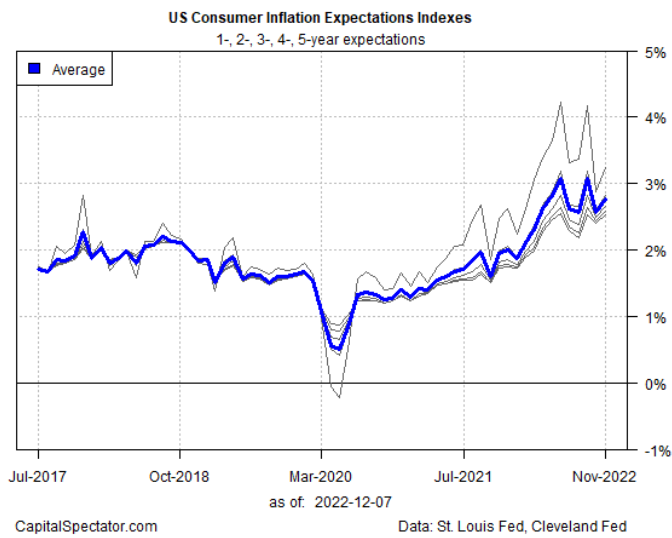
For details on the alternative CPI numbers, see: [fred.stlouisfed.org](https://fred.stlouisfed.org) and related links to the regional Fed banks that maintain the data.

## Consumer Inflation Bias Indexes



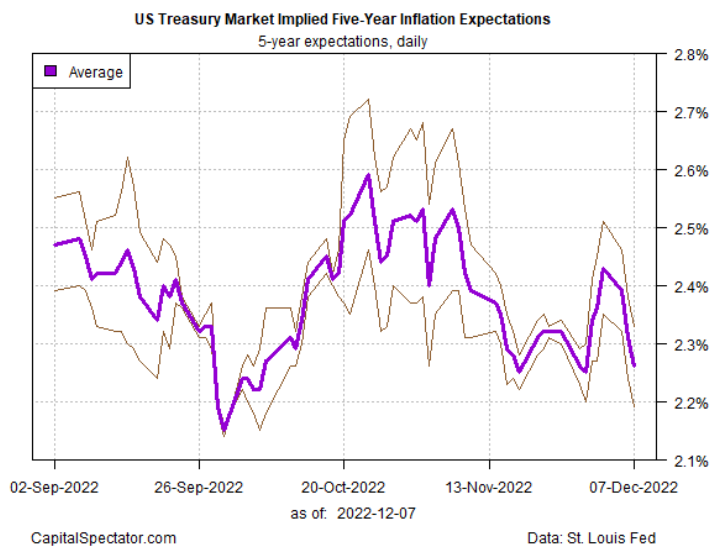
The bias indexes are calculated by comparing the month-to-month change in the rolling 1-year changes for the indexes listed directly above.

## Consumer Inflation Expectations Indexes



Model estimates of inflation expectations for various time horizons, based on analytics from the Cleveland Fed. See [www.clevelandfed.org](http://www.clevelandfed.org) for details.

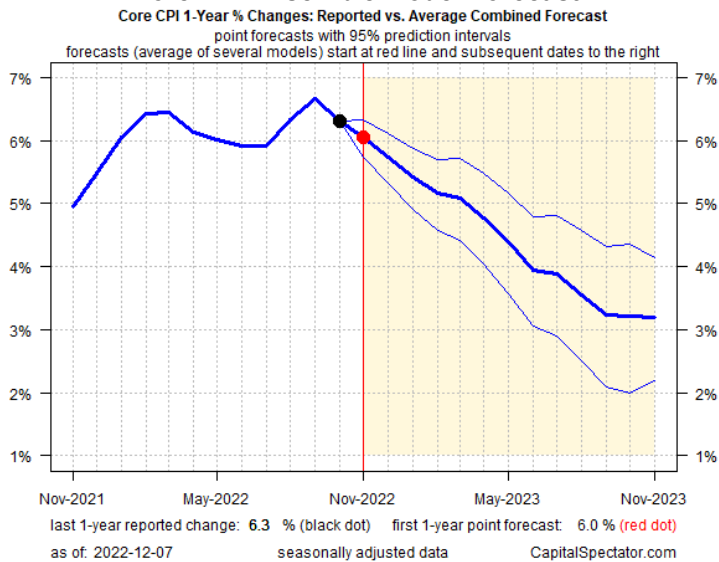
## Treasury Market 5-Year Inflation Forecasts



Five-year inflation expectations based on two models. The first is 5-Year/5-Year Forward Inflation Expectation Rate. For details, see: [fred.stlouisfed.org/series/T5YIFR](https://fred.stlouisfed.org/series/T5YIFR)

The second model is based on the implied market forecast using the yield spread on the 5-year nominal Treasury less its inflation-indexed counterpart.

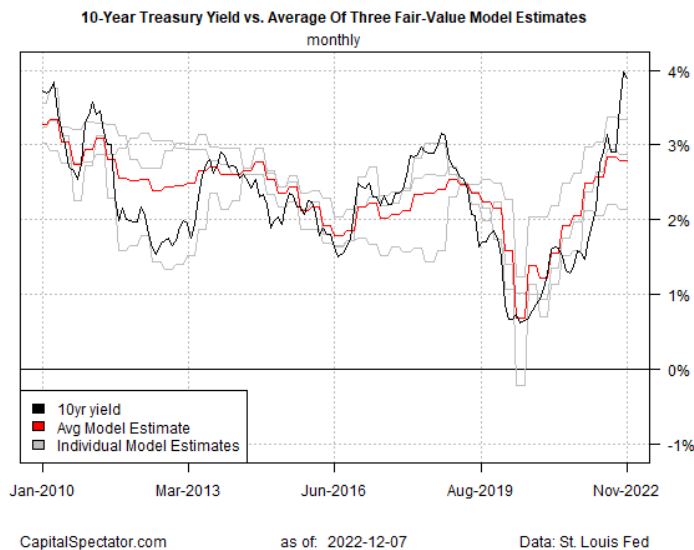
### Core CPI Ensemble Model Forecast



The Ensemble model forecast of core CPI is based on analytics developed by CapitalSpectator.com. For details, see:

[www.capitalspectator.com/combination-forecasts](http://www.capitalspectator.com/combination-forecasts)

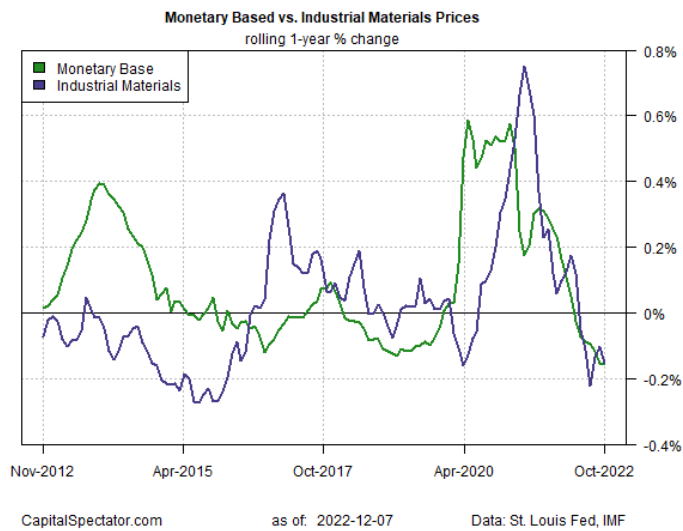
### 10-Year Treasury Fair Value Estimate



The "fair-value" of the 10-year Treasury yield is based on three models. The average estimate offers a baseline for guesstimating the level of the 10-year yield according to a variety of economic and markets indicators. For details, see:

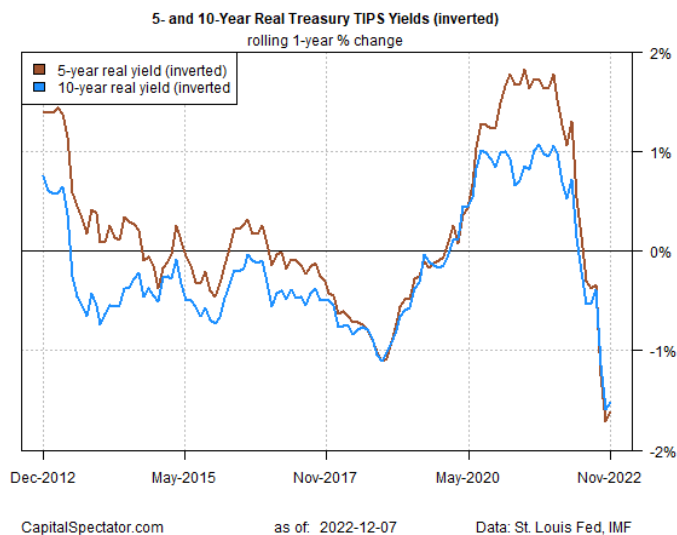
[www.capitalspectator.com/10-year-treasury-yield-fair-value-estimate](http://www.capitalspectator.com/10-year-treasury-yield-fair-value-estimate)

## Monetary Base vs. Industrial Materials Prices



*The US base money supply and prices of industrial materials are useful indicators for estimating the trend bias for inflation. The main takeaway: stronger (weaker) trends imply stronger (weaker) inflation.*

## 5- and 10-Year Real Treasury TIPS Yields (Inverted)



*The rolling 1-year change (inverted) for 5- and 10-year real Treasury yields (via TIPS securities) offers a useful benchmark for estimating the near-term outlook for the inflation trend. The main takeaway: higher real yields (shown by falling trends in the chart at left) imply lower inflation, and vice versa.*