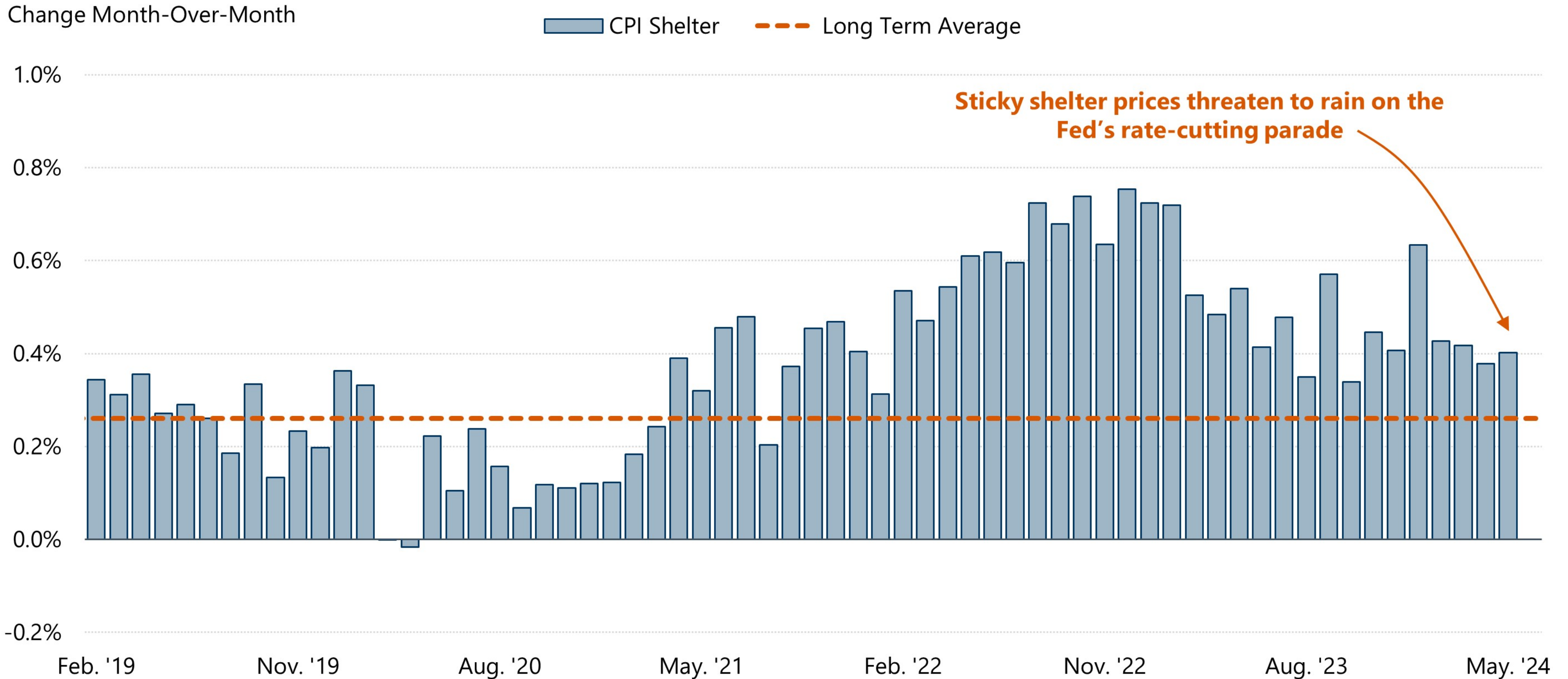


Party Pooper

Consumer Price Index (CPI) Shelter Component Versus 1990-2019 Average

For The Week Ending 06/14/2024



Source: Bureau of Labor Statistics

The May U.S. core CPI registered its softest monthly reading in 33 months with a 0.2% month-to-month rise. Markets celebrated, but the situation is far more complex. First, except for shelter, almost every price category slowed in May. Specifically, non-housing core services prices *decreased* by 0.04%, driven by a massive drop in public transportation, a feat that may not repeat. Second, Chair Powell highlighted upside risks to inflation. In particular, he mentioned shelter prices, which showed no signs of slowing for the past 11 months. Powell expects shelter price pressures to abate eventually, but if shelter does stick near the 0.4% monthly trend for the remainder of 2024, the component alone will contribute to a 0.12% monthly increase in the core CPI. In other words, unless non-housing core services and core goods prices contribute less than 0.08% (something that has happened in only nine months since 2012), the monthly change will top 0.2%, enough price pressure to keep the year-over-year core CPI above 3% by year-end. Hope for more progress but remain cautious.