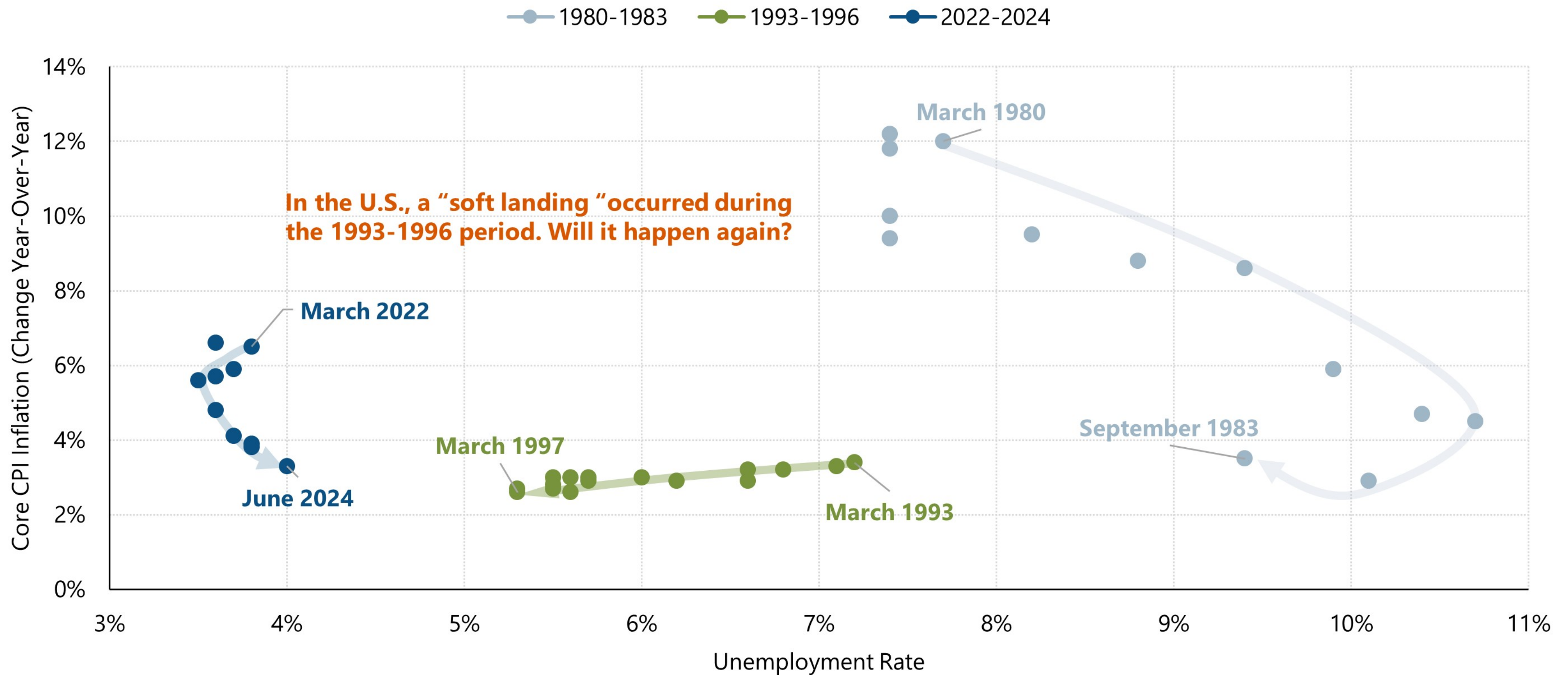


## So You're Telling Me There's A Chance

Core CPI\* Rate Versus Unemployment Rate In Previous Hiking-Easing Cycles

For The Week Ending 07/12/2024



Source: Bureau of Labor Statistics, "Lessons from Past Monetary Easing Cycles," FEDS Notes.

\*Consumer Price Index

This week, the June Consumer Price Index (CPI) report showed core CPI increasing only 0.06% over the month. June also marked the second consecutive month of soft inflation readings, raising hopes again for a "soft landing." Unfortunately, history is not on the side of a soft landing. A recent Fed research note cataloged 149 global monetary tightening episodes from 1960 to 2019. In only 25 of those episodes, central banks sought to reduce elevated inflation. In only 11 of the 25, inflation returned successfully to the central bank's target. And only five of the 11 qualified as a "soft landing," meaning inflation returned to the target without a technical recession. Above, we plotted the three most recent "inflation abating" scenarios in the U.S. The current cycle has seen core CPI decelerate by 3.3 percentage points from its peak. Meanwhile, the unemployment rate has increased to 4.1% from its cycle-low of 3.4% in June. History says to proceed cautiously if you expect further inflation moderation without increasing unemployment. But, yes, we are telling you, there is a chance.