

Breaking Economy News

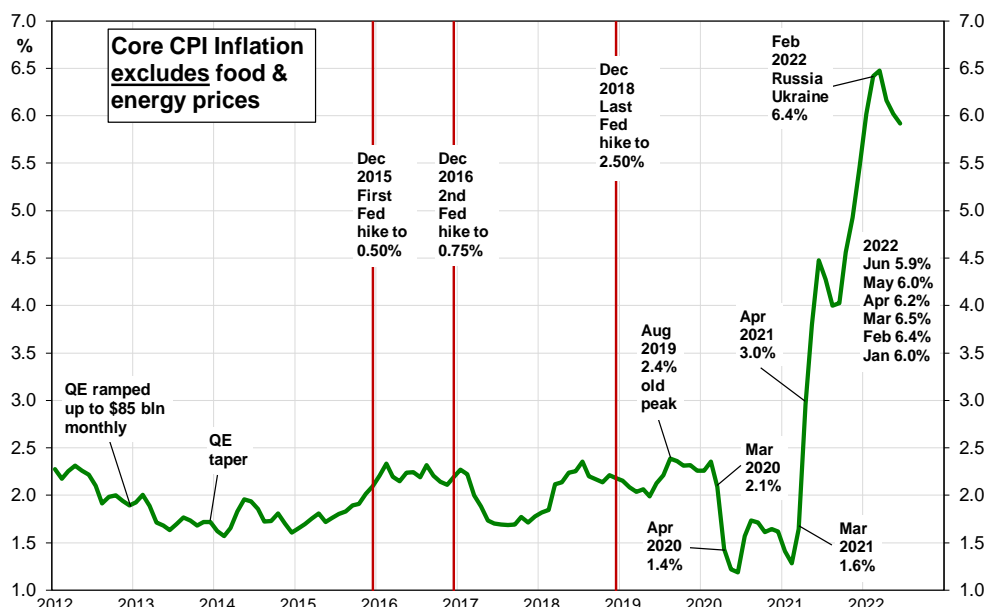
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INFLATION ISN'T DEAD YET

Breaking economy news. The June CPI report today shows the inflation fire is only 20% contained and the Fed will have to bring interest rates up even higher to put out the rapid spread of price increases which is entrenched everywhere in each and every one of all the goods and services consumers buy. The only thing falling is airline fares, but the 1.8% drop in June does little to reverse the huge monthly increases of 18.6% in April, and 12.6% in May.

The Fed is even further behind the curve after today's sizzling report of headline CPI in June up 1.3% to a new high of 9.1% year-to-year. Even knowing gasoline prices have dropped 35 cents from mid-June is not enough to say inflation has peaked. If inflation has peaked, it is also growing more entrenched making it even



harder to slow down let alone unwind it. No Federal Reserve has wrung inflation that is this pervasive and this shockingly high out of the economy without a recession and right now it looks like the Fed's current 1.75% Fed funds rate target is woefully short of restrictive levels. The Fed says they are data dependent, and Powell pointed to last month's CPI report as a reason for changing gears at the last minute to push through a jumbo 75 bps rate hike. Certainly, another 75 bps rate hike has been discounted at the July meeting in a couple of weeks for some time now, but with today's worsening of the inflation outlook, it is possible the Fed goes rogue

Weight	CPI inflation	Monthly Percent Changes			YOY %
		Apr 2022	May 2022	Jun 2022	
100.0	Total	0.3	1.0	1.3	9.1
13.421	Food	0.9	1.2	1.0	10.4
5.117	Food away from home	0.6	0.7	0.9	7.7
8.255	Energy	-2.7	3.9	7.5	41.6
78.324	Ex-food & energy	0.6	0.6	0.7	5.9
4.031	New vehicles	1.1	1.0	0.7	11.4
3.992	Used cars/trucks	-0.4	1.8	1.6	7.1
2.489	Clothing	-0.8	0.7	0.8	5.2
1.492	Medical care goods	0.1	0.3	0.4	3.2
32.437	Shelter	0.5	0.6	0.6	5.6
23.782	Owner equiv. rent	0.5	0.6	0.7	5.5
5.829	Transportation	3.1	1.3	2.1	8.8
6.869	Medical care services	0.5	0.4	0.7	4.8
Special: Where inflation might come back down to					
56.921	Services ex-energy	0.7	0.6	0.7	5.5

again and presses for a third 75 bps super-sized rate hike at its meeting in September.

Net, net, despite the Federal Reserve's best intentions, the economy looks to be moving into a higher inflation regime. The fake CPI report of 10.2% that tanked stocks in the last hour of trading yesterday was dead wrong, but it set the right tone for what a truly bad inflation report this was today. Core inflation was 5.9% year-year and may have peaked at 6.5% year-year in March this year, but that is just a statistical trick that is unlikely to convince Fed officials after core CPI rose 0.7% in June, the biggest monthly increase since June 2021. Inflation isn't slowing, it's spreading like wildfire which will make for an angry electorate ahead of the November elections this year. The Administration tried to get out in front of the bad economic news, and tell us the inflation report was going to be ugly this month, but it was even worse than markets imagined in their wildest dreams. The inflation outbreak isn't fake, it is very, very real, and Fed officials have yet to address this mortal risk to the economy's consumers and businesses. Washington let down their guard on their management of the economy and let down the entire country with Americans at all-income levels having to pay the price.

Core Consumer Inflation and stickier services prices ex-energy

Monthly	2022					2022		2021							2021	
% Changes	<u>Jun</u>	<u>May</u>	<u>Apr</u>	<u>Mar</u>	<u>Feb</u>	<u>Jan</u>	<u>Dec</u>	<u>Nov</u>	<u>Oct</u>	<u>Sep</u>	<u>Aug</u>	<u>Jul</u>	<u>Jun</u>	<u>May</u>	<u>Apr</u>	<u>Mar</u>
Core CPI inflation	0.7	0.6	0.6	0.3	0.5	0.6	0.6	0.5	0.6	0.3	0.2	0.3	0.8	0.7	0.9	0.3
Services x-energy	0.7	0.6	0.7	0.6	0.5	0.4	0.3	0.4	0.4	0.2	0.1	0.3	0.4	0.4	0.5	0.3
Core PCE inflation		0.3	0.3	0.3	0.3	0.5	0.5	0.5	0.5	0.2	0.3	0.3	0.5	0.6	0.6	0.4
Services x-energy		0.3	0.4	0.4	0.3	0.3	0.4	0.5	0.3	0.2	0.3	0.4	0.4	0.4	0.4	0.5

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