

U.S. Data Review

- CPI: cooling in some hot areas

Michael Moran
Lawrence Werther

Daiwa Capital Markets America
 michael.moran@us.daiwacm.com
 lawrence.werther@us.daiwacm.com

CPI

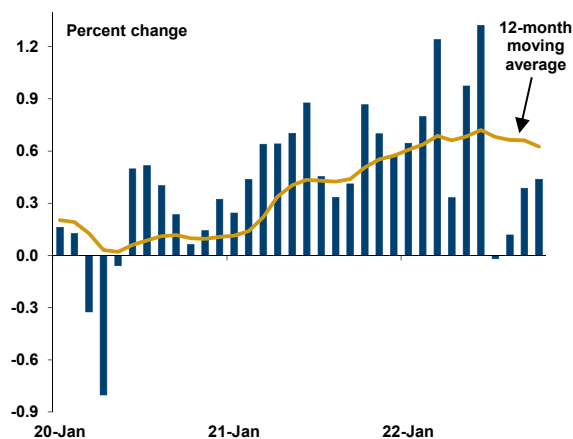
The consumer price index rose 0.4 percent in October, lighter than the expected increase of 0.6 percent (chart, left). Much of the surprise occurred in the core component, where prices rose 0.3 percent versus an expectation of 0.5 percent (chart, right). The food component also contributed in a sense, as the increase of 0.6 percent was less severe than the average of 1.0 percent in the prior six months. Food for home consumption decelerated noticeably, as the increase of 0.4 percent was modest relative to the average of 1.0 in the prior six months. Food away from, however, remained under pressure (up 0.7 percent or more in the past six months; 0.9 percent in three of those months). Energy prices rose 1.8 percent, ending a string of three declines. Prices of natural gas declined, but prices of other energy items rose.

The restraint in the core component was partly the result of cooling in areas that had surged earlier. The prices of used vehicles, for example, fell for the seventh time in the past nine months, although prices are still 47 percent above their pre-pandemic level. Similarly, prices of household appliances fell for the sixth time in the past seven months (12.7 percent above pre-pandemic level). Adjustments occurred in other pricy items as well (airfares, jewelry, vehicle rentals). Prices of medical care services fell sharply, reversing part of a jump in the prior month, and apparel prices seem to be developing a downward drift.

Only a few items showed noticeable upward pressure. Unsurprisingly, rental rates climbed sharply again (0.7 percent for primary residence and 0.6 percent for owners' equivalent rent). Hotel fees jumped 5.6 percent after easing on balance in the prior four months. Costs of recreation items and admissions to non-sporting events also rose noticeably.

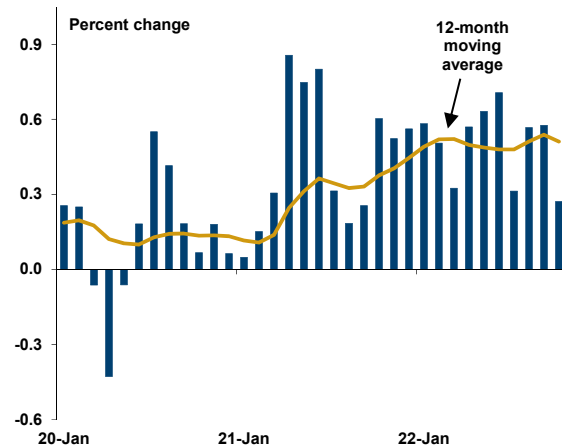
While some of the soft readings might be viewed as random changes, the report also offered hints that inflation is perhaps beginning to cool. We should curb our enthusiasm, however, as the pace in October was still uncomfortable.

CPI



Source: Bureau of Labor Statistics via Haver Analytics

Core CPI



Source: Bureau of Labor Statistics via Haver Analytics

This report is issued by Daiwa Securities Group Inc. through its relevant group companies. Daiwa Securities Group Inc. is the global brand name of Daiwa Securities Co. Ltd., Tokyo ("Daiwa Securities") and its subsidiaries worldwide that are authorized to do business within their respective jurisdictions. These include: Daiwa Capital Markets Hong Kong Ltd. (Hong Kong), regulated by the Hong Kong Securities and Futures Commission, Daiwa Capital Markets Europe Limited (London), regulated by the Financial Conduct Authority and a member of the London Stock Exchange, and Daiwa Capital Markets America Inc. (New York), a U.S. brokerdealer registered with the U.S. Securities and Exchange Commission, a futures commission merchant regulated by the U.S. Commodity Futures Trading Commission, and a primary dealer in U.S. government securities. The data contained in this report were taken from statistical services, reports in our possession, and from other sources believed to be reliable. The opinions and estimates expressed are our own, and we make no representation or guarantee either as to accuracy, completeness or as to the existence of other facts or interpretations that might be significant.