

Chart of the Day



This morning's "cool" November CPI print not only solidifies the view of a US economy "past peak" inflation, but more clearly highlights the "broadening" of disinflationary forces across the US economy. This should fuel a strong "bear market rally" into early 2023. November US CPI came in at +0.1% on a m/m basis (vs. +0.3% expected), and at +7.1% on a y/y basis (vs. +7.3% expected), down sharply from 7.7% in October and a peak of 9.1% in June. Housing-related costs were the largest driver of monthly price increases in November. An easing of supply side bottlenecks on goods, and moderating energy prices, were important drivers of the decline.

Looking ahead, we expect the market's focus to shift from "peak" inflation to "sticky" inflation (energy, food, services) in 2023, and as the year progresses, an additional shift in focus from the inflation concerns of 2022 to declining global and US GDP growth in 2023.

Notably, following tomorrow's last Fed meeting of the year, the next FOMC meeting is not scheduled for another 7 weeks (Feb 1) - a lifetime away in today's markets!

While m/m inflation data provides very useful information on the recent momentum in (dis)inflation, a look at today's CPI data on a y/y basis provides a useful lens on the categories in which the consumer is feeling the most cost pressure relative to one year ago.

November US inflation by sector (y/y)

■ Energy ■ Food ■ Core goods ■ Core services

Eggs	49%	Household furnishings & supplies	8%	Moving, storage, freight expense	4%
Airline fares	36%	Laundry & cleaning services	8%	School tuition	4%
Public transportation	24%	Personal care products	7%	Photo equipment & supplies	3%
Cereals & bakery products	16%	New vehicles	7%	Lodging away from home	3%
Utility gas service	16%	Rent of shelter	7%	Recreational reading	3%
Milk	15%	New trucks	7%	Professional services	3%
Energy services	14%	Owners' equivalent rent	7%	Hospital services	3%
Transportation services	14%	Shelter	7%	Medicinal drugs	3%
Delivery services	14%	Music instruments & acces.	7%	Sporting goods	3%
Electricity	14%	Furniture & bedding	7%	Footwear	2%
Vehicle accessories	14%	Services less energy services	7%	College tuition and fees	2%
Health insurance	14%	Garbage & trash collection	7%	Appliances	2%
Motor vehicle insurance	13%	Tobacco & smoking products	6%	Physicians' services	2%
Nonalcoholic beverages	13%	Legal services	6%	Audio equipment	1%
Energy	13%	Alcoholic beverages	6%	Internet services	1%
Pets & pet products	13%	Financial services	5%	Meats	1%
Tools, hardware & supplies	13%	Cosmetics	5%	Technical & bus. school tuition	1%
Housekeeping supplies	12%	Recreation services	5%	Wireless phone services	1%
Energy commodities	12%	Day care and preschool	5%	Toys	1%
Food at home	12%	Educational books	5%	Intracity mass transit	0%
Motor vehicle maint. & Repair	12%	Jewelry and watches	5%	Computer software and accessories	(-2%)
Motor vehicle parts and equipment	12%	Funeral expenses	5%	Used cars and trucks	(-3%)
Veterinarian services	11%	Nursing homes	5%	Computers and smart home assistants	(-4%)
Motor fuel	11%	Medical care services	4%	Car & truck rental	(-6%)
Tires	10%	Water & sewerage maint.	4%	TVs	(-17%)
Fruits and vegetables	10%	Land-line phone services	4%	Smartphones	(-23%)
Food away from home	9%	Apparel	4%		
Outdoor equip. & supplies	8%				

Source: (1) Bureau of Labor Statistics. CPI Report November 2022.

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