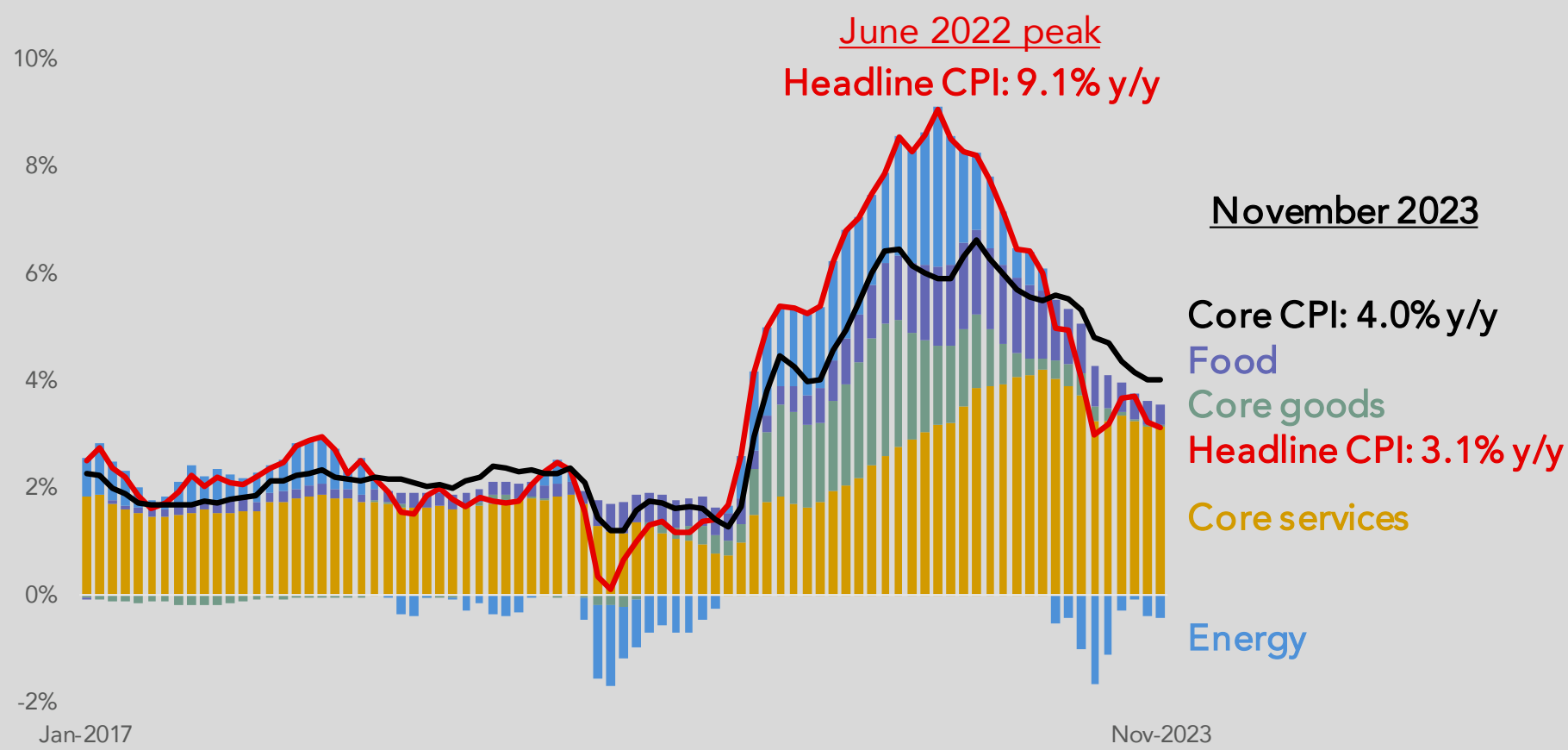


Chart of the Day

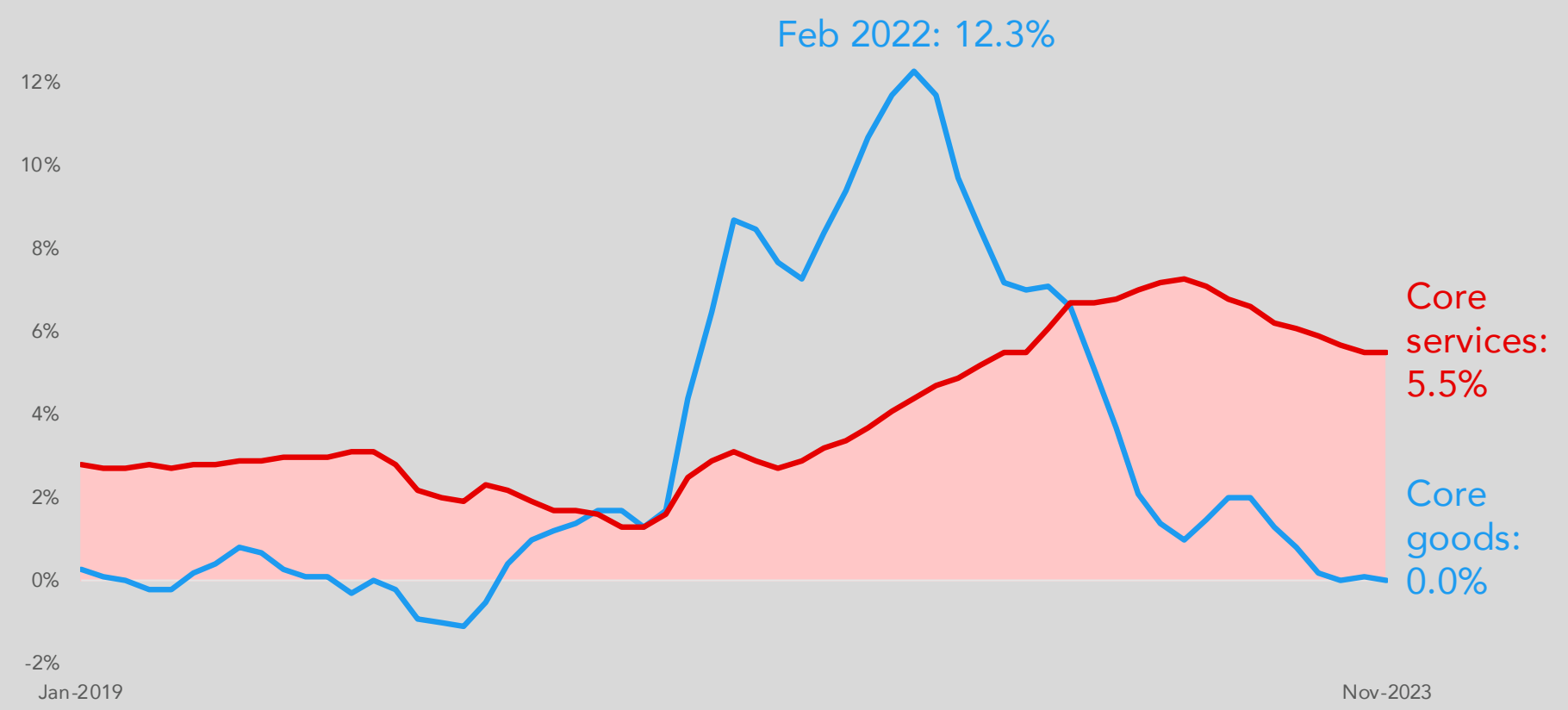
Core inflation picked up slightly from October, increasing 0.3% m/m in November vs. prior 0.2% and in-line with estimates. Shelter prices, which represent about one third of the overall CPI index rose 0.4%, while used car prices increased for the first time since May. The “supercore” reading, which excludes energy, food, and housing, increased 0.44%, double October’s 0.22% increase. Headline prices increased 0.1% m/m (slightly ahead of the flat expected) and 3.1% y/y (in-line with expectations). Fed expectations ahead of tomorrow’s FOMC meeting are little changed. The market is pricing the first full rate cut in May of next year and roughly 110 bps of cuts in 2024.

Breakdown of CPI by components



The gap between goods and services widened in November as core services increased 0.5% m/m (vs. October’s +0.3% increase) and +5.5% vs. one year ago. Core goods prices, on the other hand, declined (-0.3% m/m) and were flat on a y/y basis. The decline in core goods was driven by sharp falls in clothing, household furnishing and recreational goods prices, reflecting retail discounting into the holiday period.

US core goods and services inflation, y/y



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 (and relief) relative to one year ago.

November US inflation by sector (y/y)

	Energy	Food	Core goods	Core services
Motor vehicle insurance			19%	
Transportation services			10%	
Photo equipment & supplies			10%	
Veterinarian services			9%	
Motor vehicle maint. & Repair			9%	
Tobacco & smoking products			8%	
Owners' equivalent rent			7%	
Garbage & trash collection			7%	
Rent of shelter			7%	
Shelter			7%	
Delivery services			6%	
Hospital services			6%	
Services less energy services			6%	
Financial services			5%	
Food away from home		5%		
Laundry & cleaning services		5%		
Nursing homes		5%		
Medicinal drugs		5%		
Recreation services		5%		
Water & sewerage maint.		5%		
Funeral expenses		5%		
Land-line phone services		5%		
Day care and preschool		5%		
Personal care products		4%		
Music instruments & acces.		4%		
Outdoor equip. & supplies		4%		
Internet services		4%		
Meats		4%		
Cereals & bakery products		3%		
Electricity	3%			
Housekeeping supplies		3%		
Alcoholic beverages		3%		
Nonalcoholic beverages		3%		
Cosmetics		3%		
Pets & pet products		3%		
School tuition		3%		
Intracity mass transit		3%		
Tools, hardware & supplies		3%		
Technical & bus. school tuition		2%		
Jewelry and watches		2%		
Food at home		2%		
New trucks		1%		
New vehicles		1%		
College tuition and fees		1%		
Apparel		1%		
Professional services		1%		
Lodging away from home		1%		
Footwear		1%		
Recreational reading		1%		
Fruits and vegetables		0%		
Energy services	(-0%)			
Household furnishings & supplies	(-0%)			
Vehicle accessories		(-1%)		
Physicians' services		(-1%)		
Medical care services				(-1%)
Motor vehicle parts and equipment				(-2%)
Sporting goods				(-2%)
Tires				(-2%)
Milk				(-2%)
Moving, storage, freight expense				(-3%)
Wireless phone services				(-3%)
Toys				(-3%)
Furniture & bedding				(-3%)
Appliances				(-4%)
Used cars and trucks				(-4%)
Audio equipment				(-4%)
Energy	(-5%)			
Educational books				(-5%)
Energy commodities	(-5%)			
Motor fuel	(-6%)			
Computers and smart home assistants				(-6%)
Computer software and accessories				(-8%)
Public transportation				(-8%)
TVs				(-10%)
Utility gas service	(-10%)			
Car & truck rental				(-11%)
Airline fares				(-12%)
Smartphones				(-14%)
Eggs				(-22%)
Health insurance				(-30%)

Source: (1-3) Bureau of Labor Statistics, CPI Report November 2023, Bloomberg, Data as of December 12, 2023. Goods is commodities less food and energy commodities. Services is less energy.

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“Macro stability isn’t everything, but without it, you have nothing.”