

U.S. Data Review

- Consumer prices: tilting on the firm side...
- ...but not threatening

Michael Moran

Daiwa Capital Markets America
 212-612-6392
 michael.moran@us.daiwacm.com

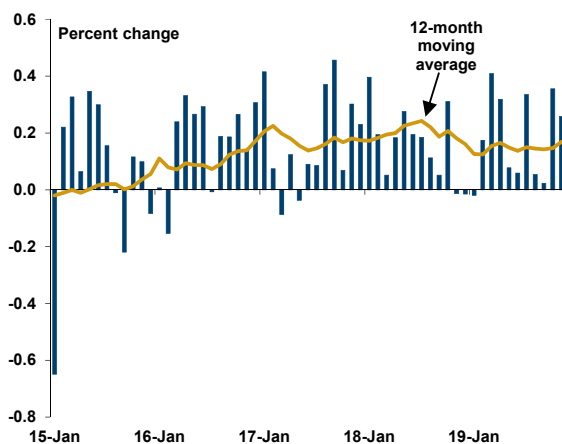
Consumer Prices

The consumer price index rose 0.3 percent in November, a touch firmer than the expected increase of 0.2 percent. However, the measure almost rounded down to 0.2 percent (0.258 percent). Energy prices rose a bit more than expected (0.8 percent versus our expectation of 0.5 percent). However, given the normal range of variation in the energy component, we do not view the miss as especially surprising. The core component rose 0.2 percent, matching expectations. The increase was a “firm” 0.2 percent; that is, it rounded down to the published total (0.230 percent), marking a reversal of the prior month, when the change was less than 0.2 but rounded up to that total (0.157 percent). Food prices rose only 0.1 percent in November, continuing a soft pattern that began in the spring and offsetting pressure seen in the early months of the year.

The latest monthly results left the year-over-year change in the headline index at 2.1 percent, the firmest reading of the year thus far, but still below most observations in 2018. The core component rose 2.3 percent in the past 12 months, a reading in the upper portion of the recent range (just a touch below the cyclical high of 2.4 percent in August and September; charts).

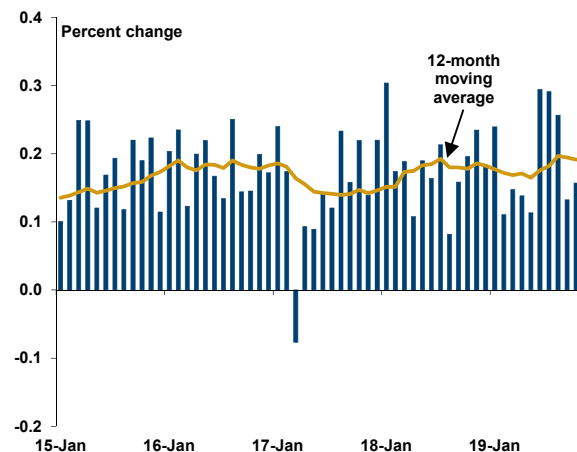
The core component showed a wide variety of changes in November. Prices of medical care services remained on a firm path, increasing 0.4 percent or more for seven consecutive months (0.4 percent in November). The cost of recreation services, which has been generally tame, rose 0.6 percent in November after a jump of 0.9 percent in October, led by fees for cable television and admissions to events. The cost of education and communication services also were under upward pressure, reflecting higher charges for internet access and landline telephone services. Tuitions were subdued. These sources of upward pressure were countered to a degree by lighter than normal increases in rents. In addition, prices of new motor vehicles fell for the fifth consecutive month, and airfares fell for the second consecutive month.

Headline 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.