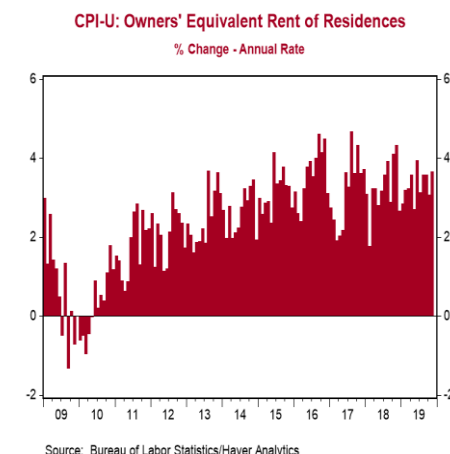
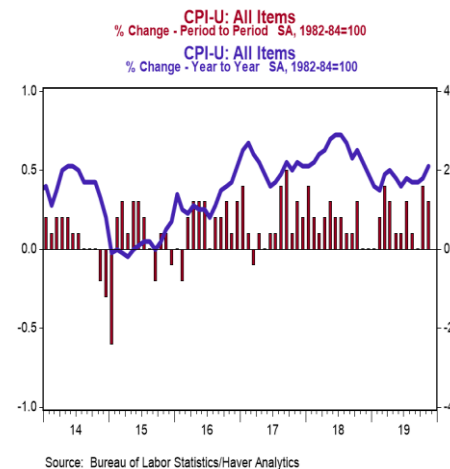


# November CPI

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- The Consumer Price Index (CPI) rose 0.3% in November, coming in above the consensus expected increase of 0.2%. The CPI is up 2.1% from a year ago.
- Energy prices rose 0.8% in November, while food prices rose 0.1%. The “core” CPI, which excludes food and energy, increased 0.2% in November, matching consensus expectations. Core prices are up 2.3% versus a year ago.
- Real average hourly earnings – the cash earnings of all workers, adjusted for inflation – were unchanged in November, but are up 1.1% in the past year. Real average weekly earnings are also up 1.1% in the past year.

**Implications:** The Federal Reserve has made it clear that it plans to stand pat on rates for the foreseeable future and this morning’s data on consumer prices will help reinforce that decision at today’s Fed meeting. Consumer prices rose 0.3% in November, following a 0.4% jump in October, and are now up 2.1% in the past year. Energy prices rose 0.8% in November, while medical care costs rose 0.3% and housing costs increased 0.2%, key drivers in the headline 0.3% increase in consumer prices, which came in above consensus expectations. In fact, rising prices were broad-based in November, with only the index for new car prices showing a decline. If you pull out the typically volatile food and energy sectors, “core” prices rose 0.2%, matching forecaster estimates. Core prices are up 2.3% in the past year, just a tick off the highest annual increase we have seen since the recovery started. And “core” prices have hovered at or above the Fed’s 2% inflation target for twenty-one consecutive months. That’s a signal that everything is looking A-OK. Not too fast, not too slow, just right. Add in employment data continuing to show strength, and it makes sense that the Fed signaled at the last meeting that it doesn’t expect further rate cuts unless we see a material change in the economic outlook. Meanwhile, real average hourly earnings were unchanged in November. However, these earnings are up 1.1% in the past year, and, with the strength in the labor market, we believe earnings will trend higher in the year ahead. Healthy consumer balance sheets, a strong job market, inflation in-line with Fed targets, and the continued tail winds from improved tax and regulatory policy, all reinforce our belief that the economy will continue to grow at a healthy pace in the new year.



<b>CPI - U</b>	<b>Nov-19</b>	<b>Oct-19</b>	<b>Sep-19</b>	<b>3-mo % Ch.</b>	<b>6-mo % Ch.</b>	<b>Yr to Yr</b>
<i>All Data Seasonally Adjusted Except for Yr to Yr</i>				<b>annualized</b>	<b>annualized</b>	<b>% Change</b>
<b>Consumer Price Index</b>	<b>0.3%</b>	0.4%	0.0%	2.6%	2.2%	2.1%
<b>Ex Food &amp; Energy</b>	<b>0.2%</b>	0.2%	0.1%	2.1%	2.8%	2.3%
<b>Ex Energy</b>	<b>0.2%</b>	0.2%	0.1%	2.1%	2.5%	2.3%
<b>Energy</b>	<b>0.8%</b>	2.7%	-1.4%	8.8%	-1.7%	-0.6%
<b>Food</b>	<b>0.1%</b>	0.2%	0.1%	2.1%	1.2%	2.0%
<b>Housing</b>	<b>0.2%</b>	0.2%	0.3%	2.9%	2.7%	2.9%
<b>Owners Equivalent Rent</b>	<b>0.2%</b>	0.2%	0.3%	2.8%	3.0%	3.3%
<b>New Vehicles</b>	<b>-0.1%</b>	-0.2%	-0.1%	-1.7%	-1.3%	-0.1%
<b>Medical Care</b>	<b>0.3%</b>	1.0%	0.2%	6.0%	6.1%	4.2%
<b>Services (Excluding Energy Services)</b>	<b>0.3%</b>	0.2%	0.3%	3.2%	3.3%	3.0%
<b>Real Average Hourly Earnings</b>	<b>0.0%</b>	0.0%	0.0%	0.0%	1.3%	1.1%

Source: U.S. Department of Labor