

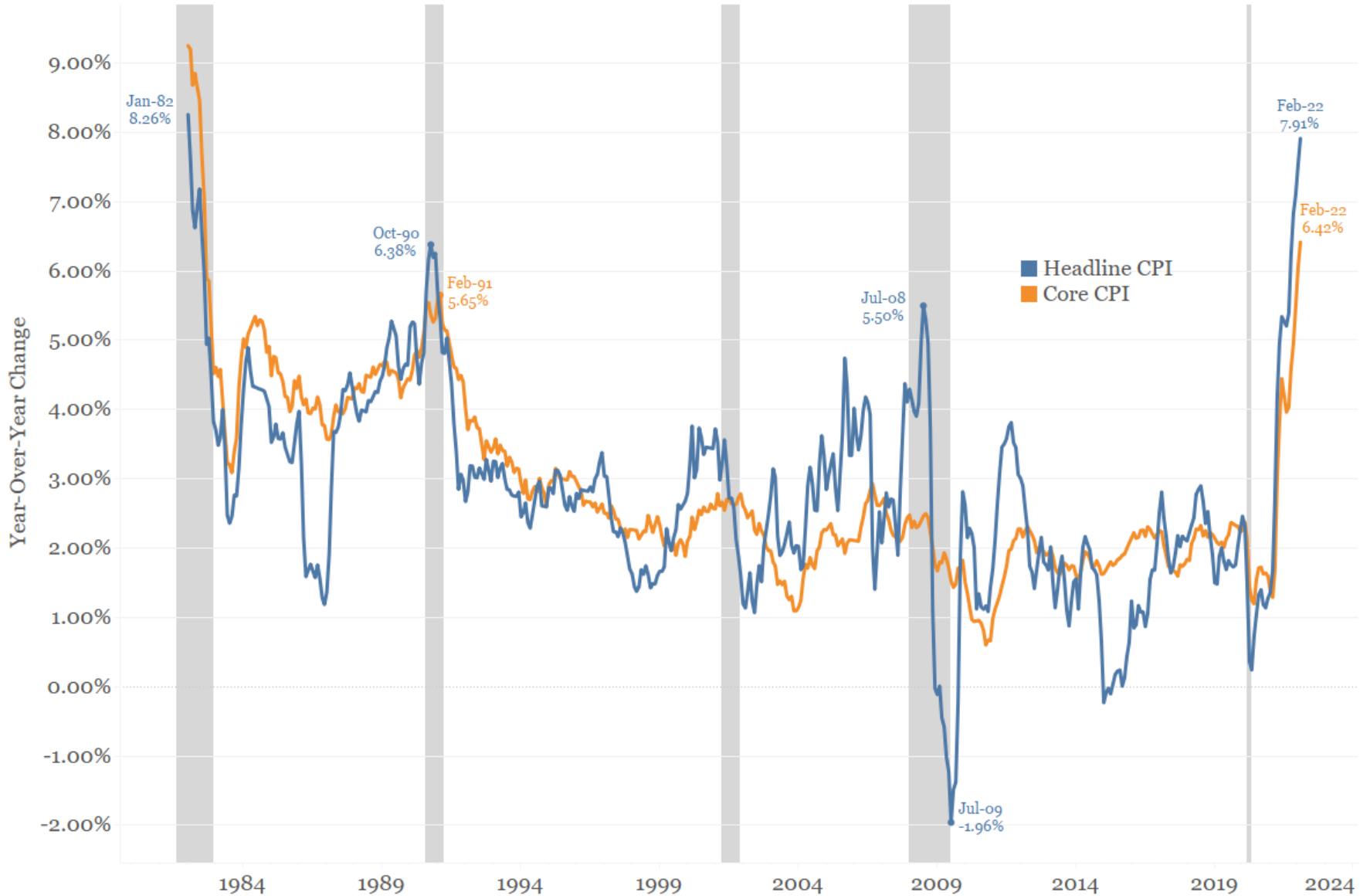
James Bianco

Why Do We Have Inflation?
March 24, 2022



Year-Over-Year Change in CPI

Seasonally Adjusted



Source: The Bureau of Labor Statistics

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Inflation Nowcasting

[Latest Data](#)[Background and Resources](#)[FAQs](#)

- **Background:** “Nowcasts” are estimates or forecasts of the present.
- **Description:** We provide daily nowcasts of inflation for two popular price indexes, the price index for personal consumption expenditures (PCE) and the consumer price index (CPI).

Monthly Inflation Nowcasting

Month	Inflation, month-over-month percent change				Updated
	CPI	Core CPI	PCE	Core PCE	
March 2022	1.11	0.52	0.75	0.45	03/23
February 2022			0.62	0.41	03/23

Month	Inflation, year-over-year percent change				Updated
	CPI	Core CPI	PCE	Core PCE	
March 2022	8.40	6.65	6.62	5.53	03/23
February 2022			6.42	5.50	03/23

Note: If the cell is blank, it implies that the actual data corresponding to the month for that inflation measure have already been released.

Quarterly Inflation Nowcasting

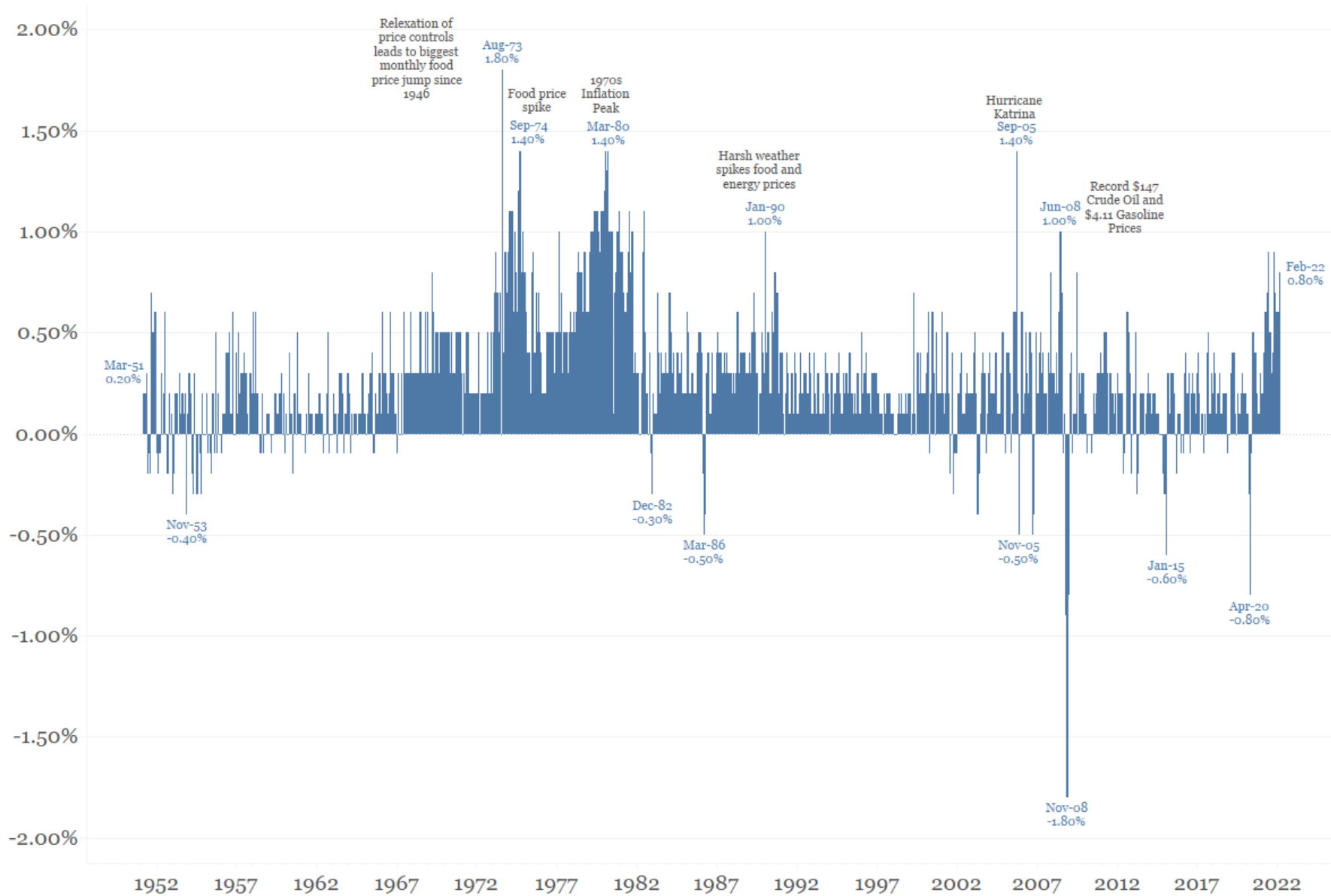
Quarter	Quarterly annualized percent change				Updated
	CPI	Core CPI	PCE	Core PCE	
2022:Q1	9.01	6.77	7.33	5.96	03/23

Note: If the cell is blank, it implies that the actual data corresponding to the quarter for that inflation measure have already been released.

The Federal Reserve Bank of Cleveland – [Inflation Nowcasting](#)

We provide daily nowcasts of inflation for two popular price indexes, the price index for personal consumption expenditures (PCE) and the consumer price index (CPI).

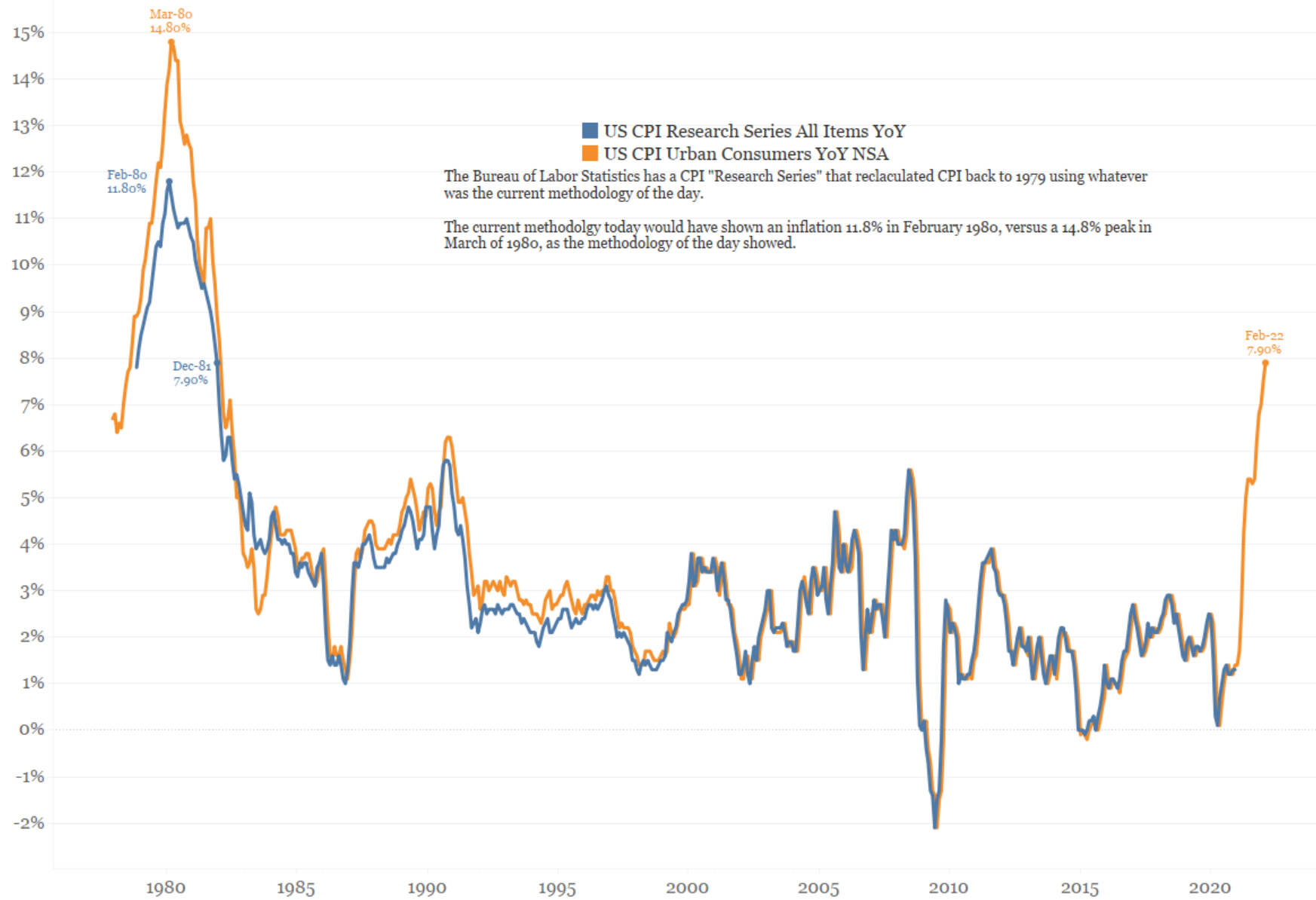
Monthly CPI Inflation



Source: Bloomberg

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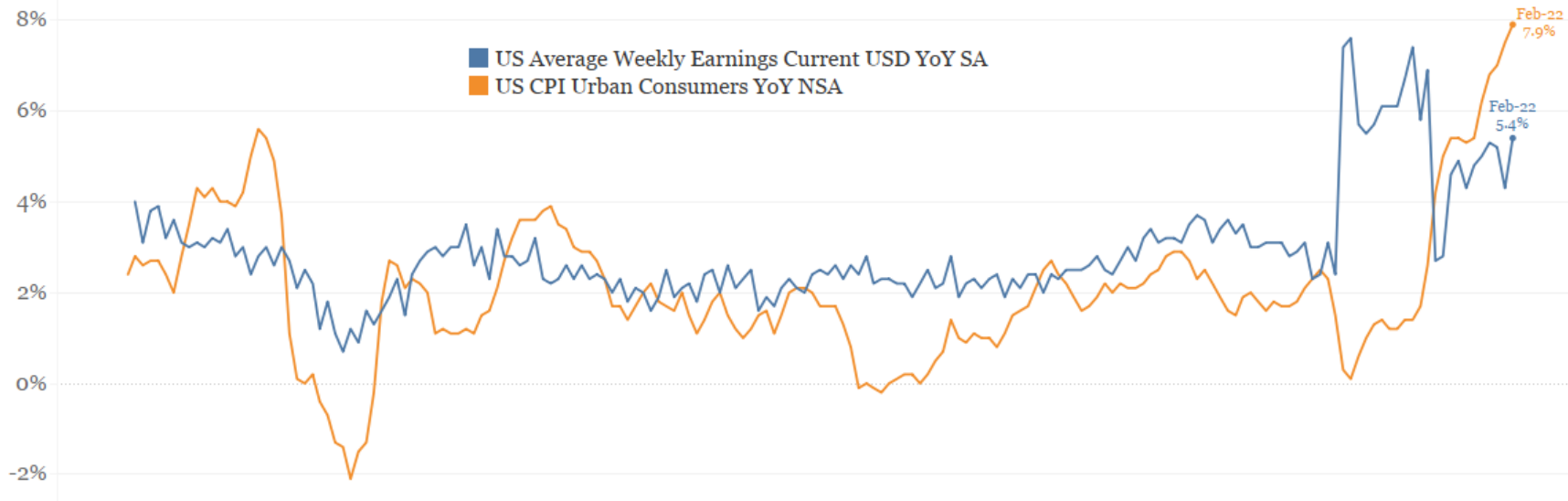
What Was Inflation In 1980 Using Today's Methodology?



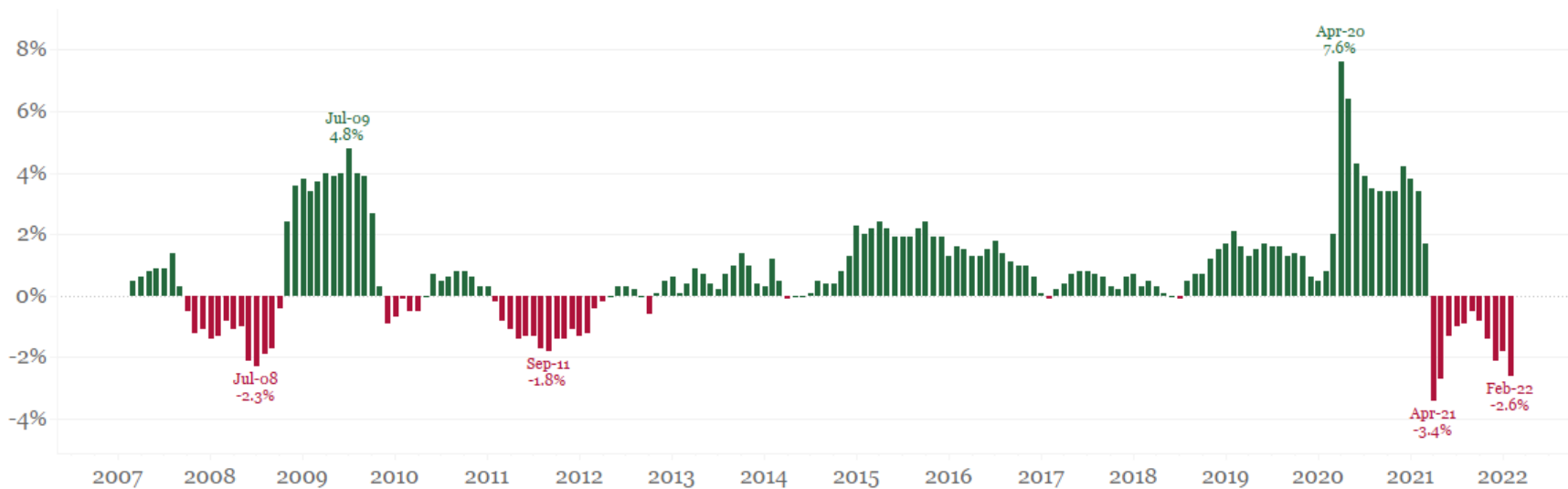
Source: Bloomberg, Bureau of Labor Statistics

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Inflation and Wages



US Real Average Hourly Earnings YoY SA Wages minus Inflation

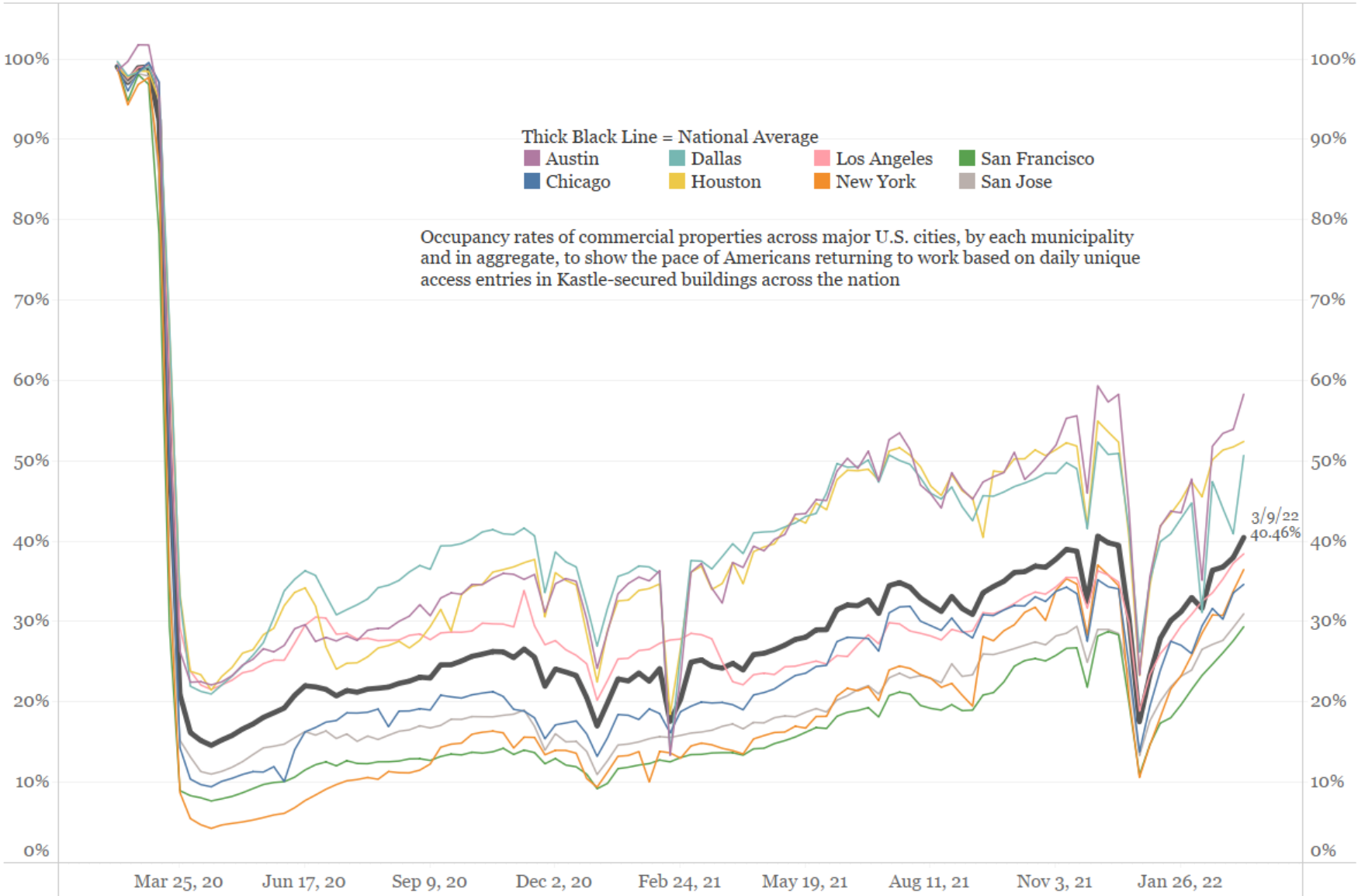


Source: The Bureau of Labor Statistics, Bloomberg

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Kastle Back to Work Indices

Percentage of City Office Space Currently in Use

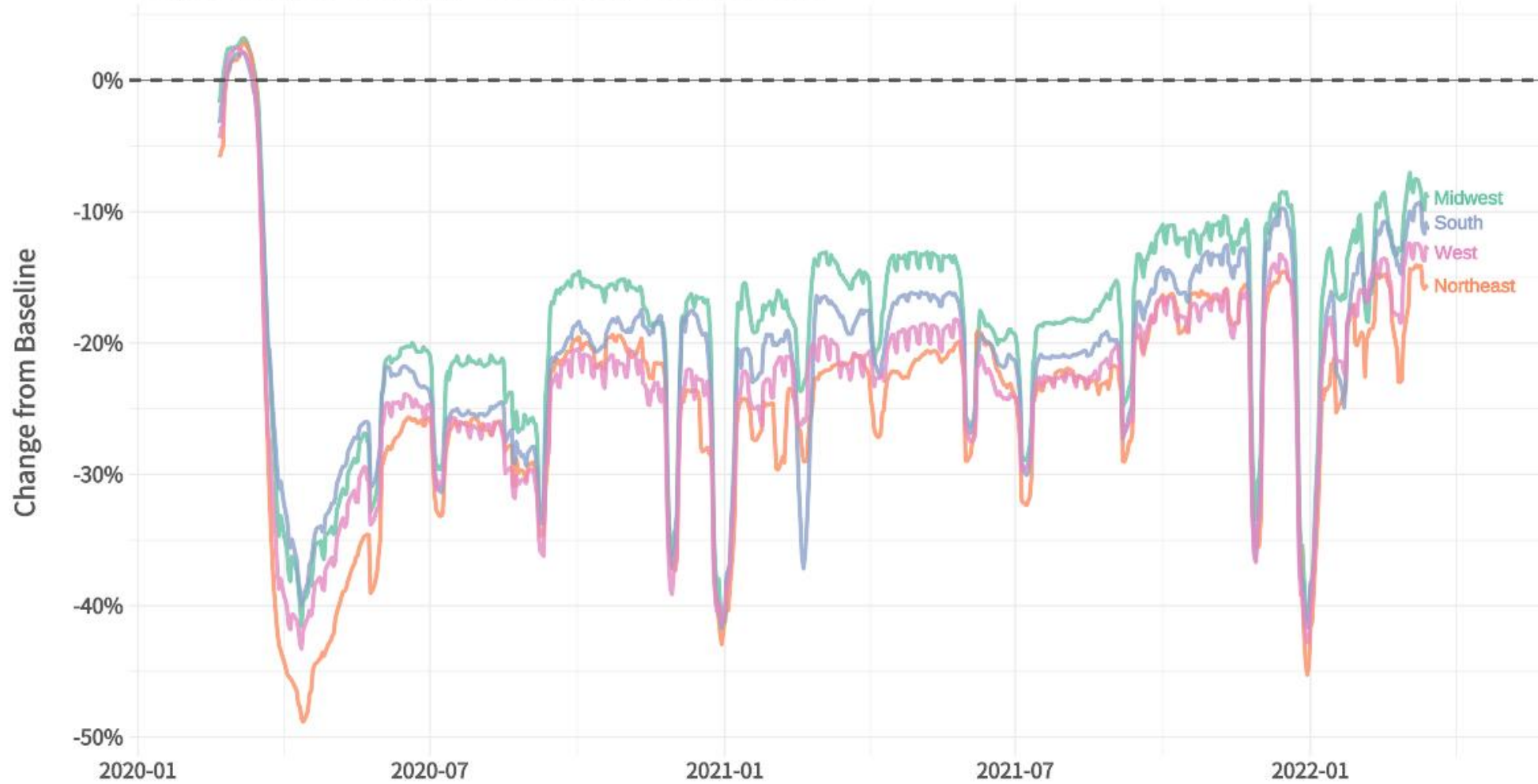


Source: Kastle
<https://www.kastle.com/getting-america-back-to-work/>

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Workplace Mobility

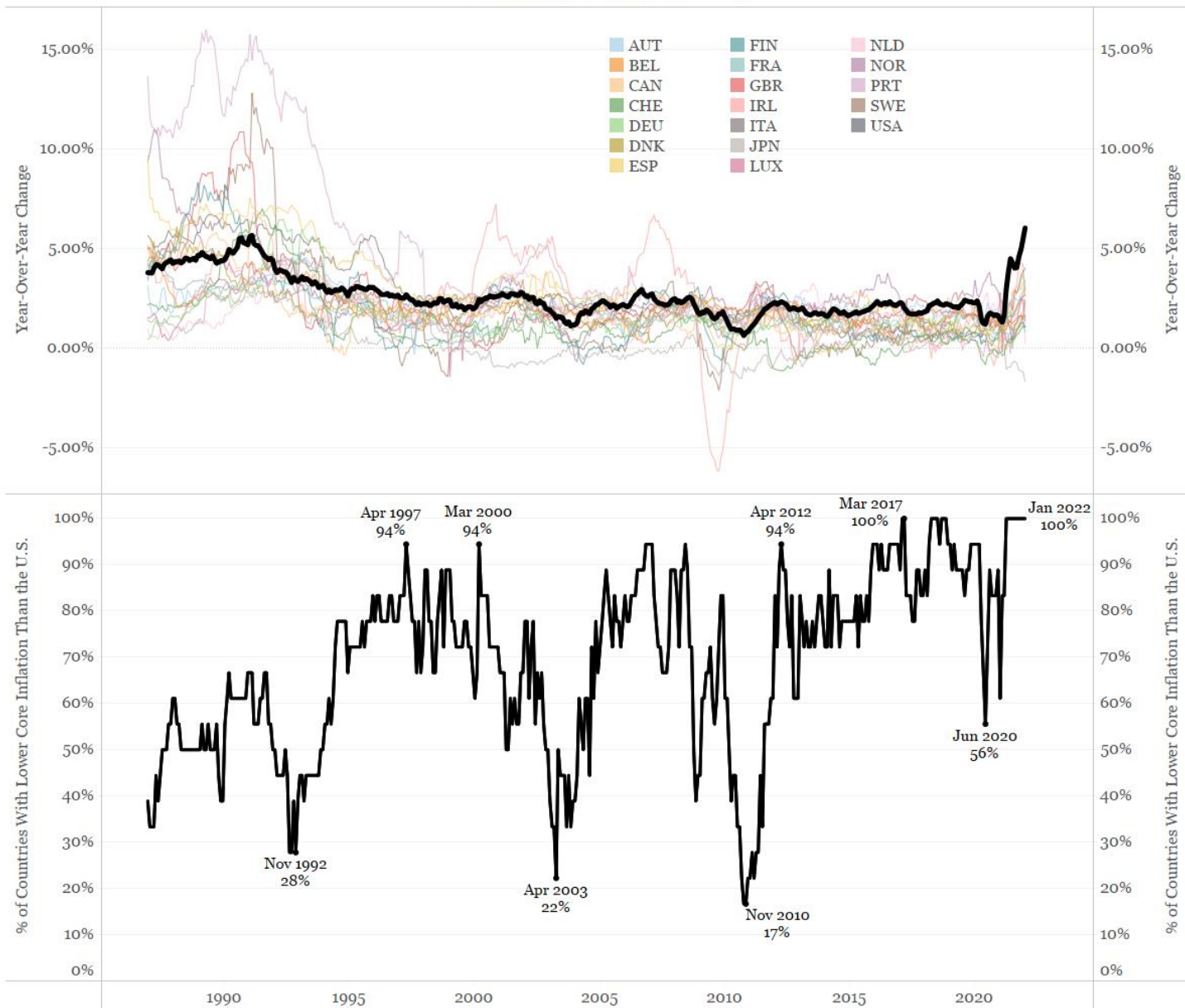
Google Workplace Mobility - US States by Census Division



region — Midwest — Northeast — South — West

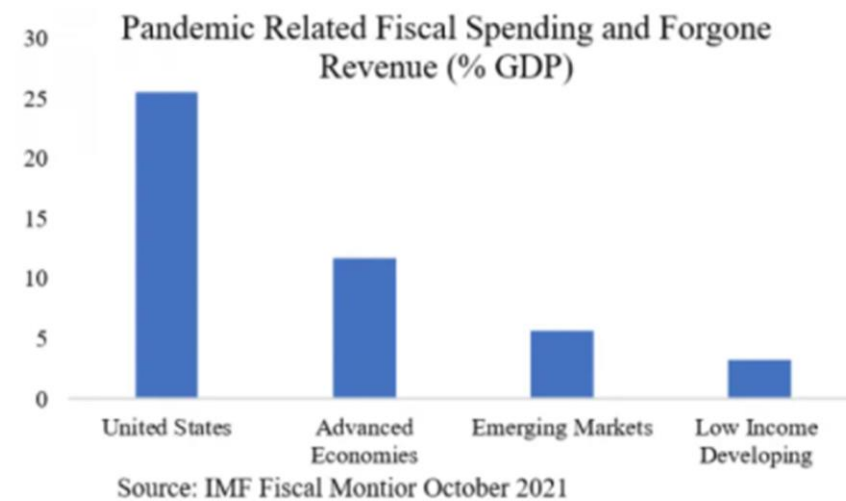
Google COVID-19 Community Mobility Reports. <https://www.google.com/covid19/mobility/> Accessed: 2022-03-18

Core Inflation Around the World

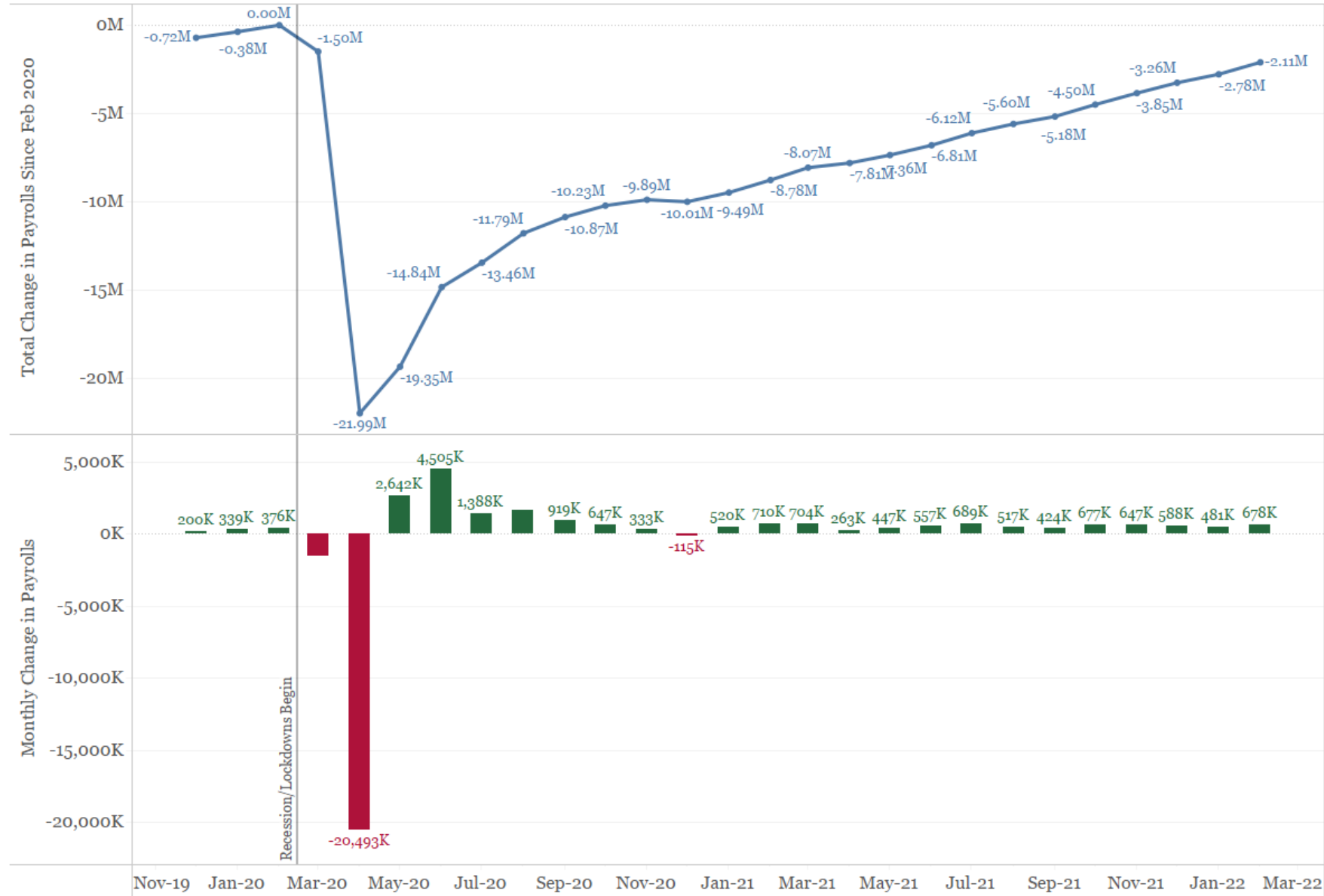


Source: OECD

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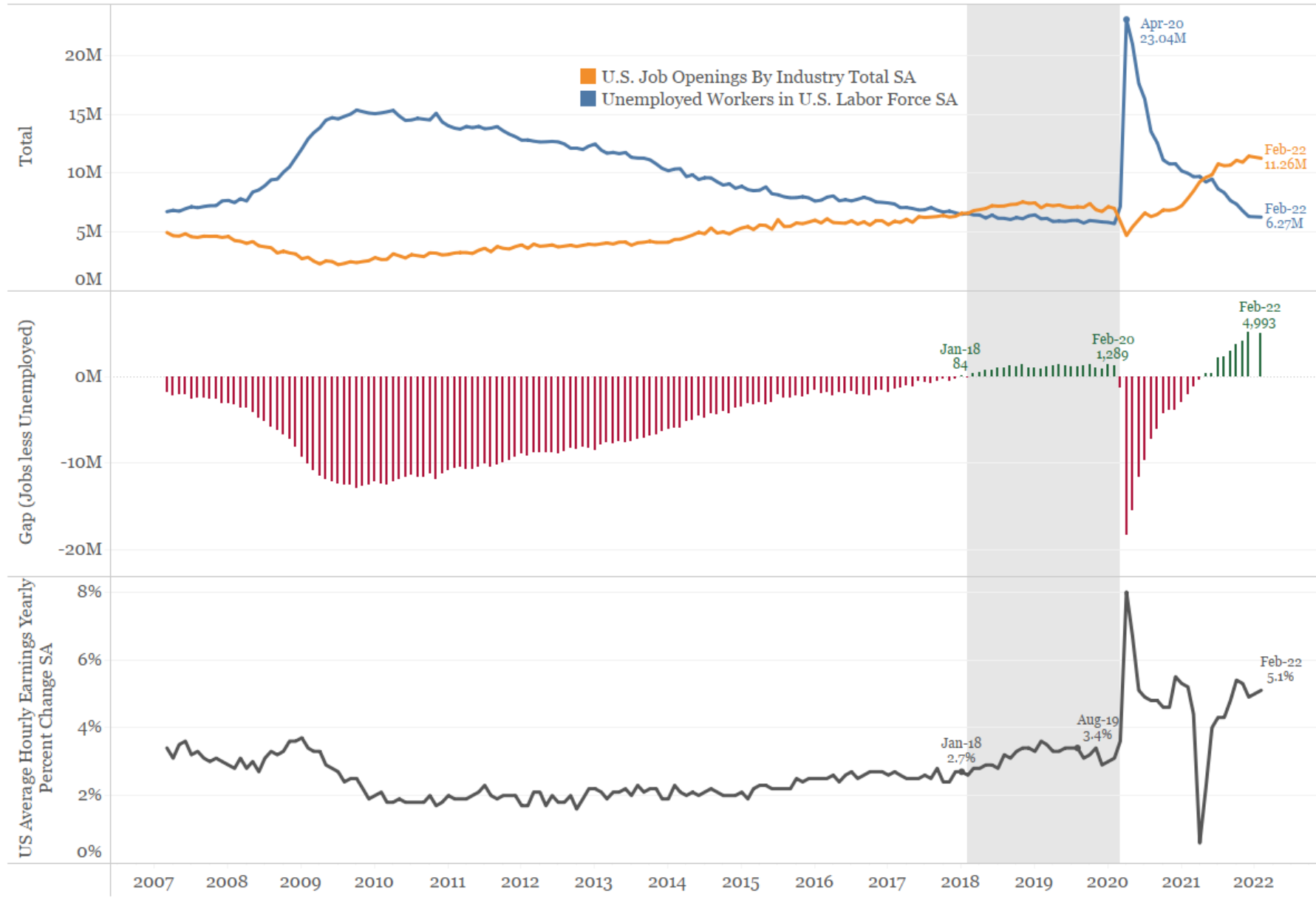
Tracking the Restoration of Jobs Since the Lockdown



Source: Bureau of Labor Statistics

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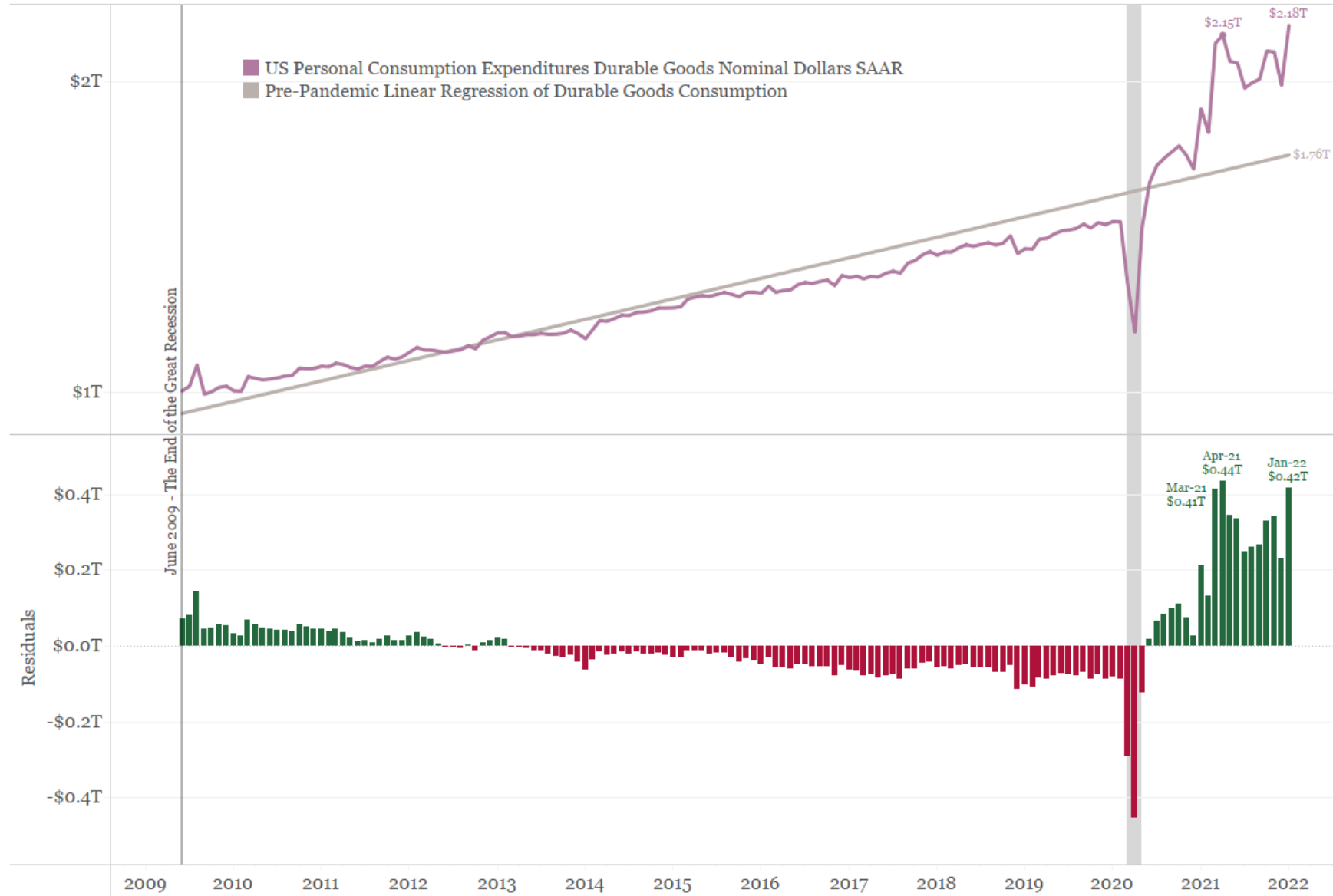
A Shortage of Workers?



Source: Conference Board, Bureau of Labor Statistics, Bloomberg

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Durable Goods Consumption



Source: Bureau of Economic Analysis, Bloomberg

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Jim Bianco biancoresearch.eth

@biancoresearch



He is referring to the Fed latest forecast. That is inflation will peak this year and decline to 2.2% by 2024. While this is happening, there will be no recession and unemployment will be staying at 3.5% for three years, now considered "full employment."



Lawrence H. Summers  @LHSummers

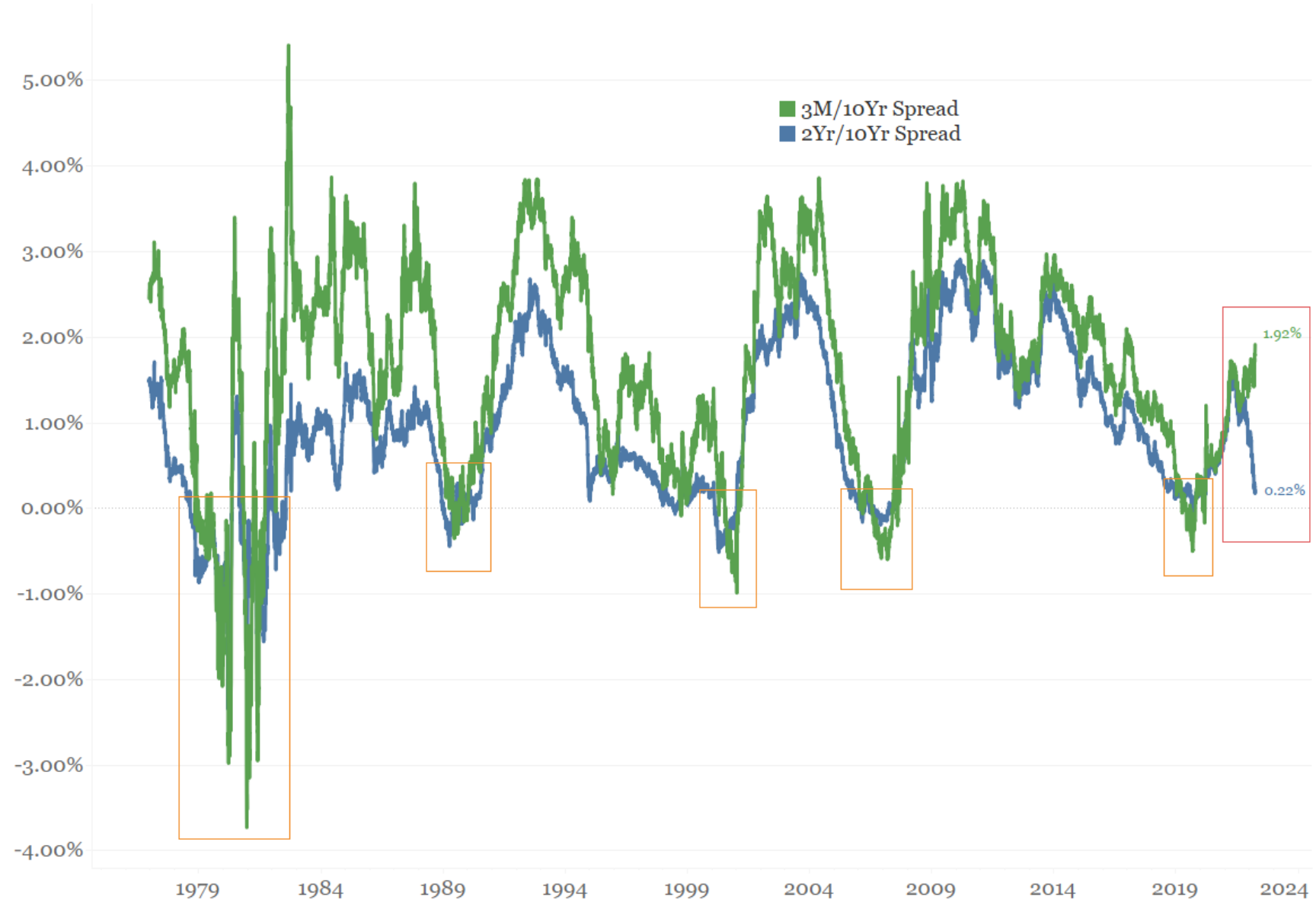
Replying to @LHSummers

Why would anyone's best guess be that for the first time we were going to have unemployment at 3.5 percent and an inflation rate that falls sharply? This is the triumph of hope over experience and analysis.

7:36 AM · Mar 21, 2022



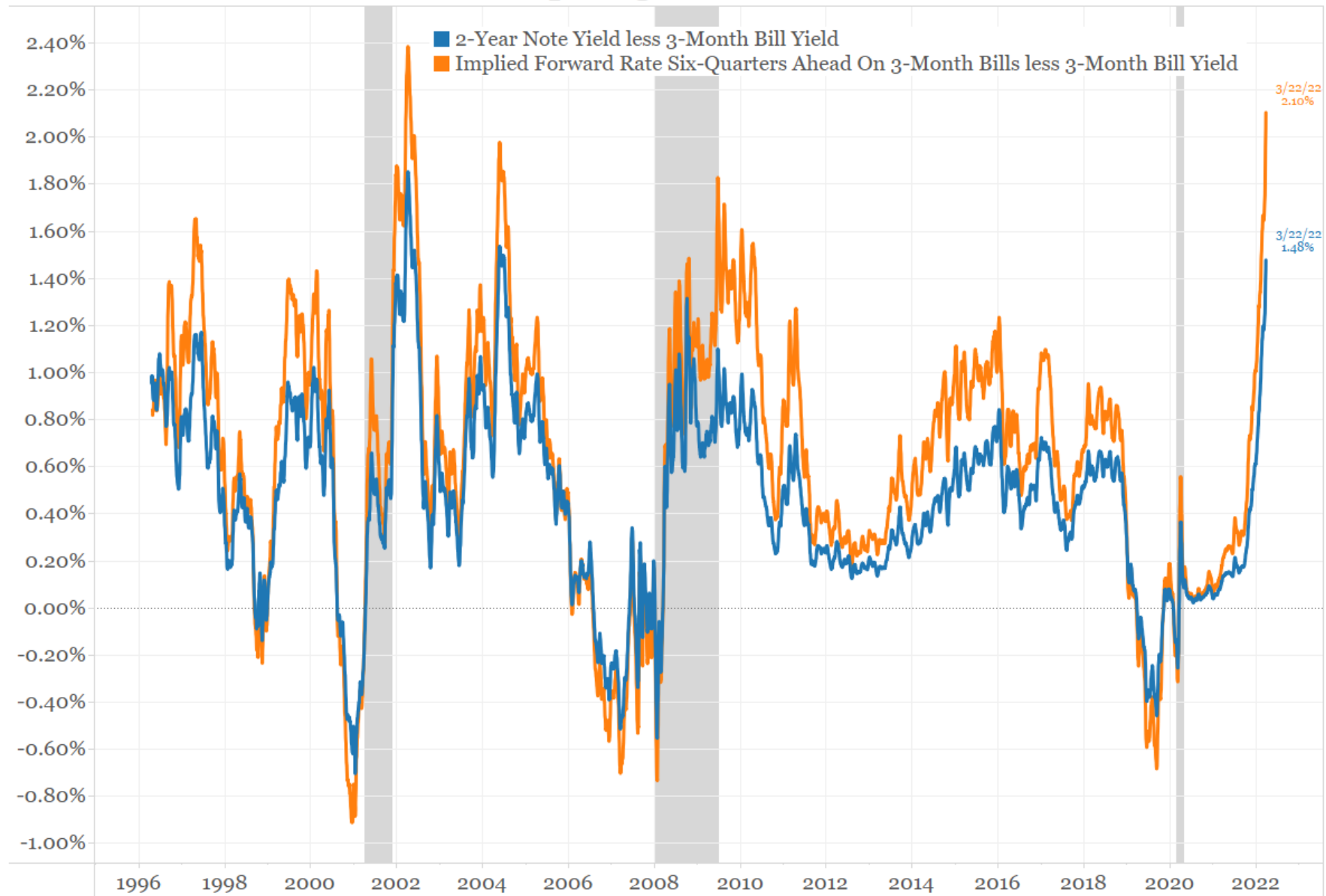
Two Different Curve



Data Source: Federal Reserve and Bloomberg

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Comparing Yield Curves



Data Source: Bloomberg

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When Does the Market Expect the Fed to Hike?

Probability of a Hike as of March 23, 2022

Green Cells Mark Hike Probabilities over 50%, Bold 40% to 49%

FOMC Meeting	One Hike to 0.25% - 0.50%	Two Hikes to 0.50% - 0.75%	Three Hikes to 0.75% - 1.00%	Four Hikes to 1.00% - 1.25%	Five Hikes to 1.25% - 1.50%	Six Hikes to 1.50% - 1.75%	Seven Hikes to 1.75% - 2.00%	Eight Hikes to 2.00% - 2.25%	Nine Hikes to 2.25% - 2.50%	Ten Hikes to 2.50% - 2.75%	Eleven Hikes to 2.75% - 3.00%
16-Mar-22	Hike										
4-May-22		100%	64%	0%	0%	0%	0%	0%	0%	0%	0%
15-Jun-22		100%	100%	100%	63%	0%	0%	0%	0%	0%	0%
27-Jul-22		100%	100%	100%	100%	77%	23%	0%	0%	0%	0%
21-Sep-22		100%	100%	100%	100%	100%	78%	27%	2%	0%	0%
2-Nov-22		100%	100%	100%	100%	100%	96%	68%	22%	2%	0%
14-Dec-22		100%	100%	100%	100%	100%	99%	93%	64%	20%	1%
1-Feb-23		100%	100%	100%	100%	100%	100%	97%	81%	46%	12%
15-Mar-23		100%	100%	100%	100%	100%	100%	99%	93%	73%	38%
3-May-23		100%	100%	100%	100%	100%	100%	99%	95%	80%	50%
14-Jun-23		100%	100%	100%	100%	100%	100%	100%	97%	86%	63%
26-Jul-23		100%	100%	100%	100%	100%	100%	100%	97%	88%	66%

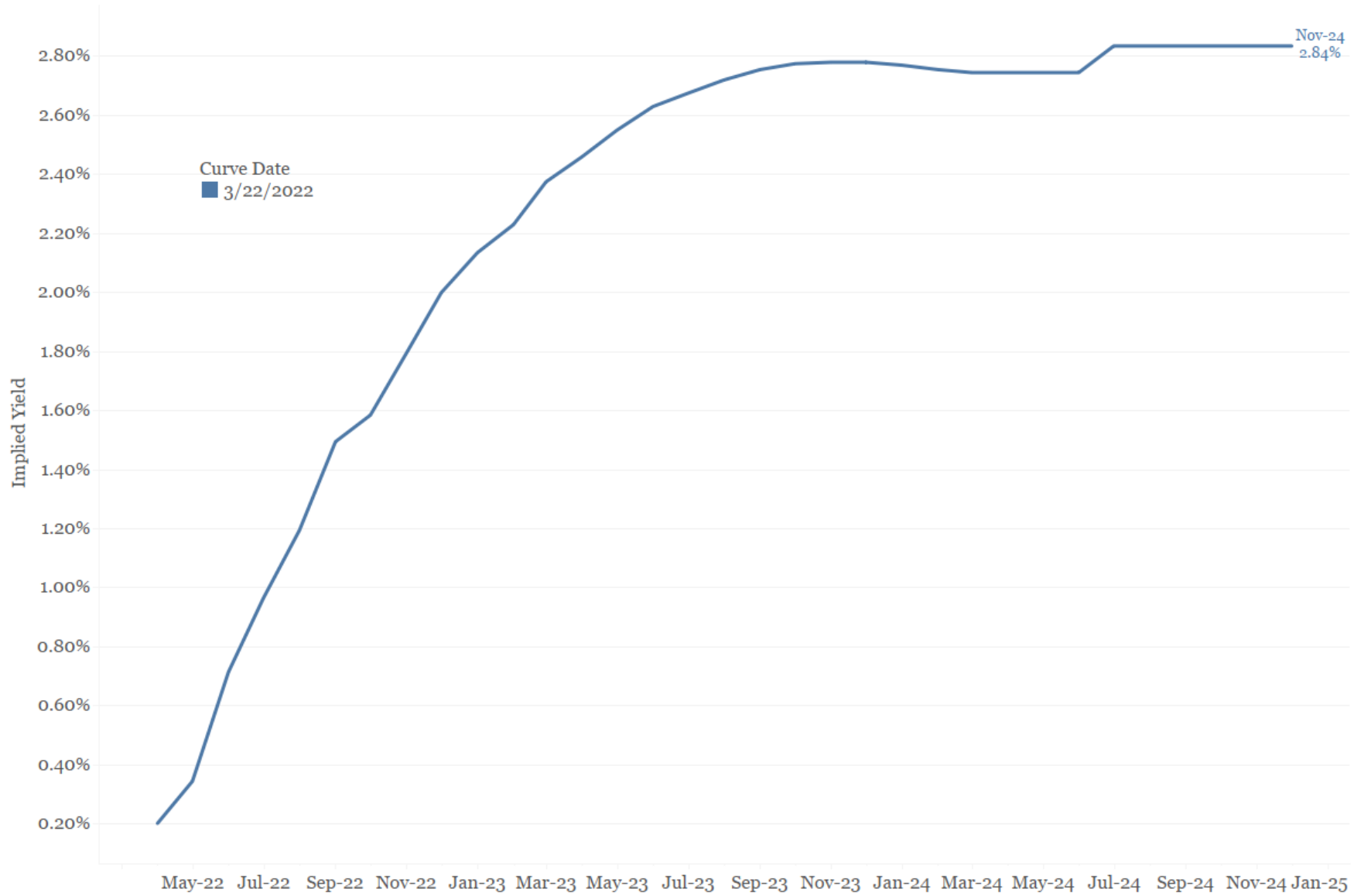
Source: The Chicago Mercantile Exchange

<https://www.cmegroup.com/trading/interest-rates/countdown-to-fomc.html>

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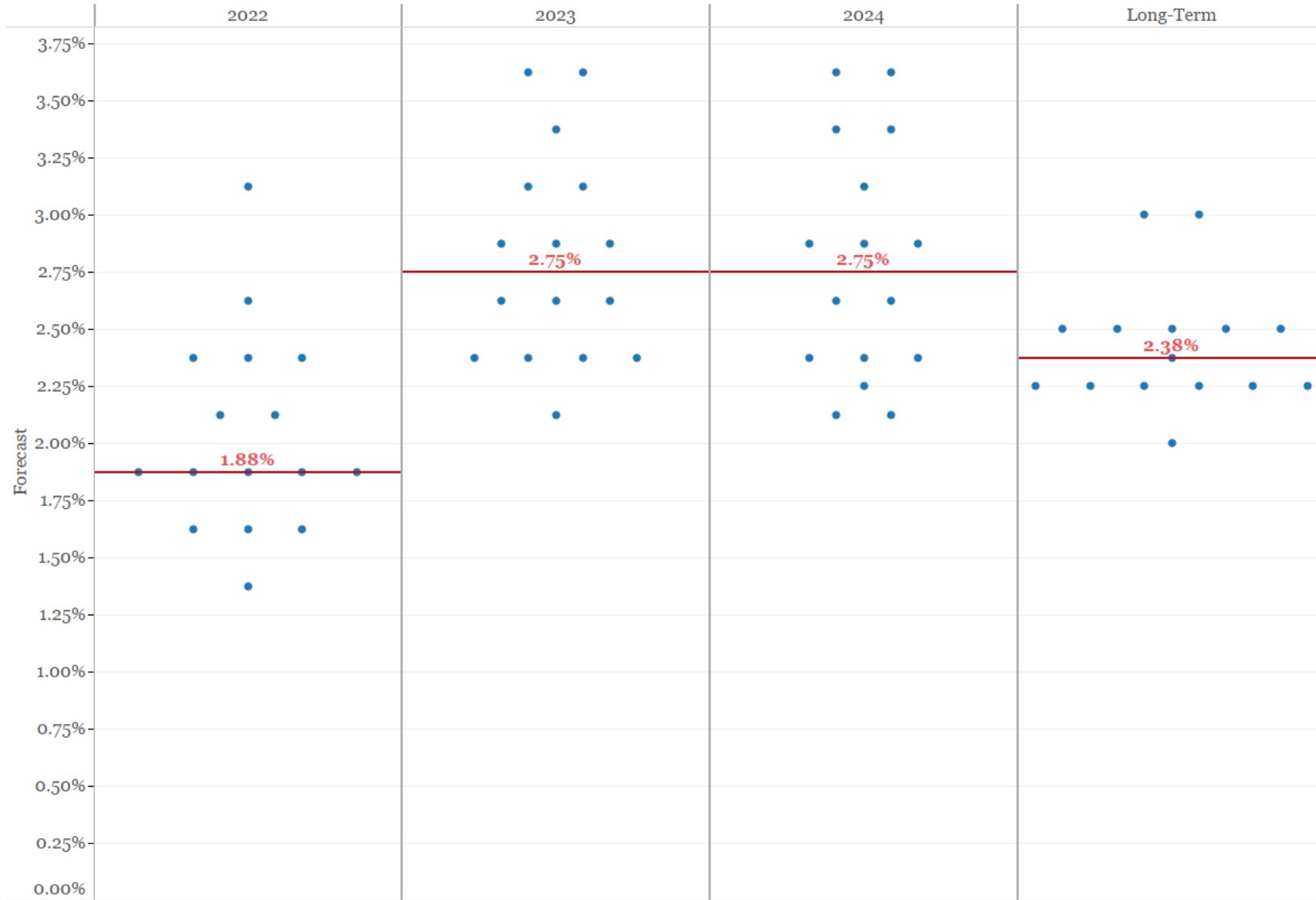
What Is the Terminal Fed Funds Rate? Using the Fed Funds Futures Forward Curve



Source: Chicago Mercantile Exchange, Bloomberg

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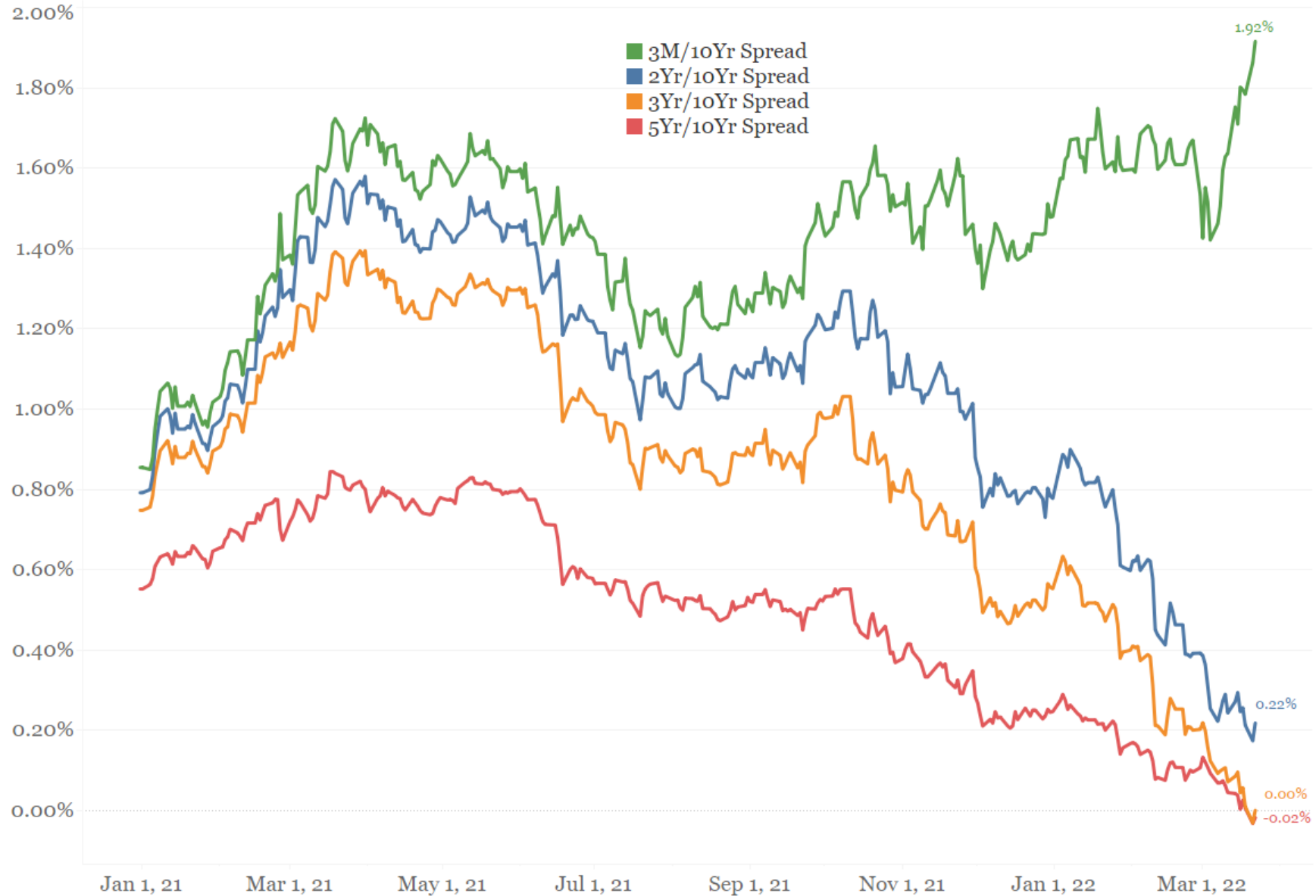
3/16/2022 Dot Chart



Source: The Federal Reserve

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How The Current Yield Curve Is Flattening



Data Source: Federal Reserve and Bloomberg

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Jeffrey P. Snider

@JeffSnider_AIP



Janet Yellen when UST curve inverted Aug '19:

"I'm not sure I would be relying on the yield curve as the best signal of that risk given the yield curve has obviously not got the same sort of structure that it's had historically."

Embarrassing.



alhambrapartners.com

Fed Already Denying Demand Destruction Which M...

There was some notable grumbling in the months leading up to it, but with the yield curve inverting in ...

9:17 PM · Mar 22, 2022



123



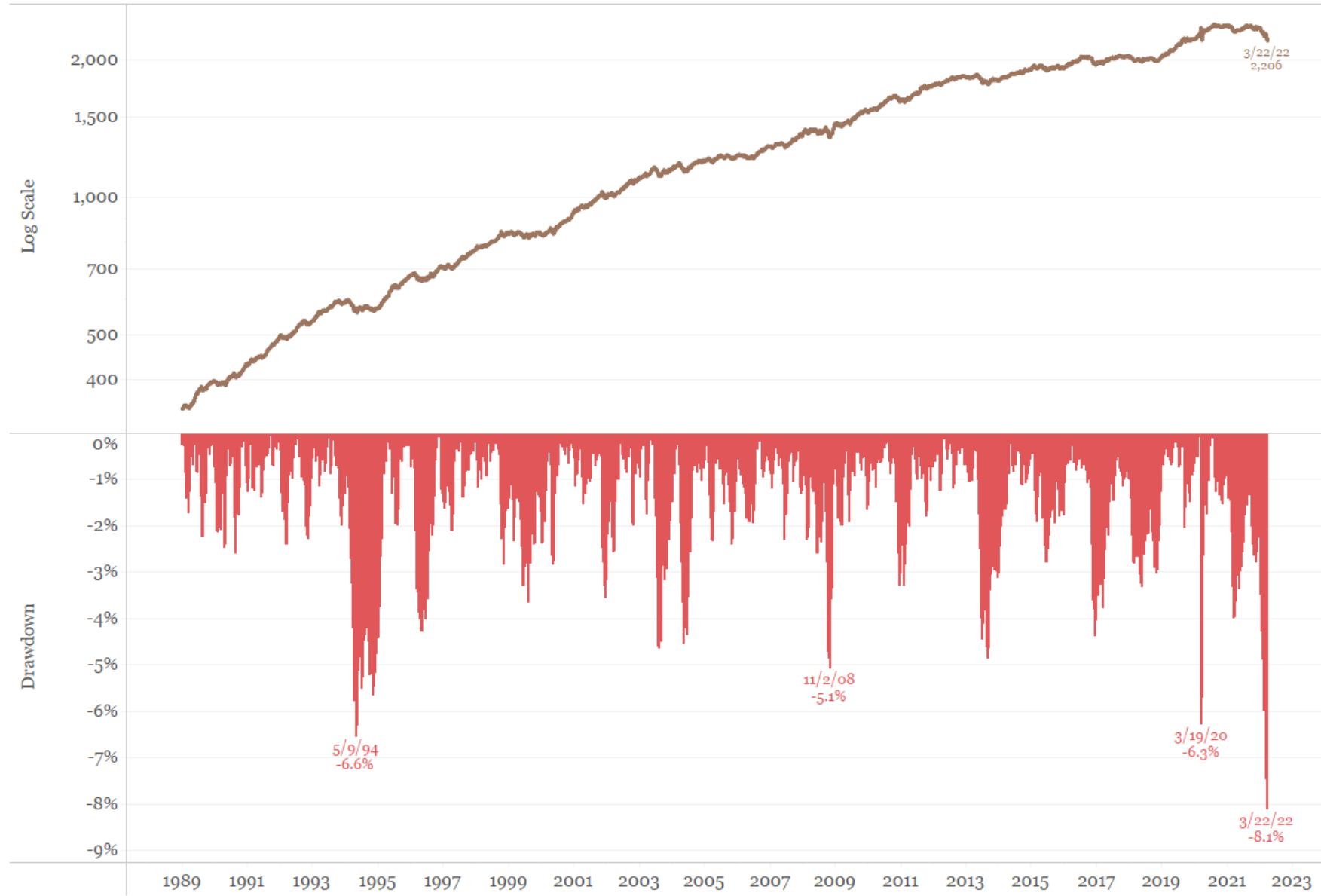
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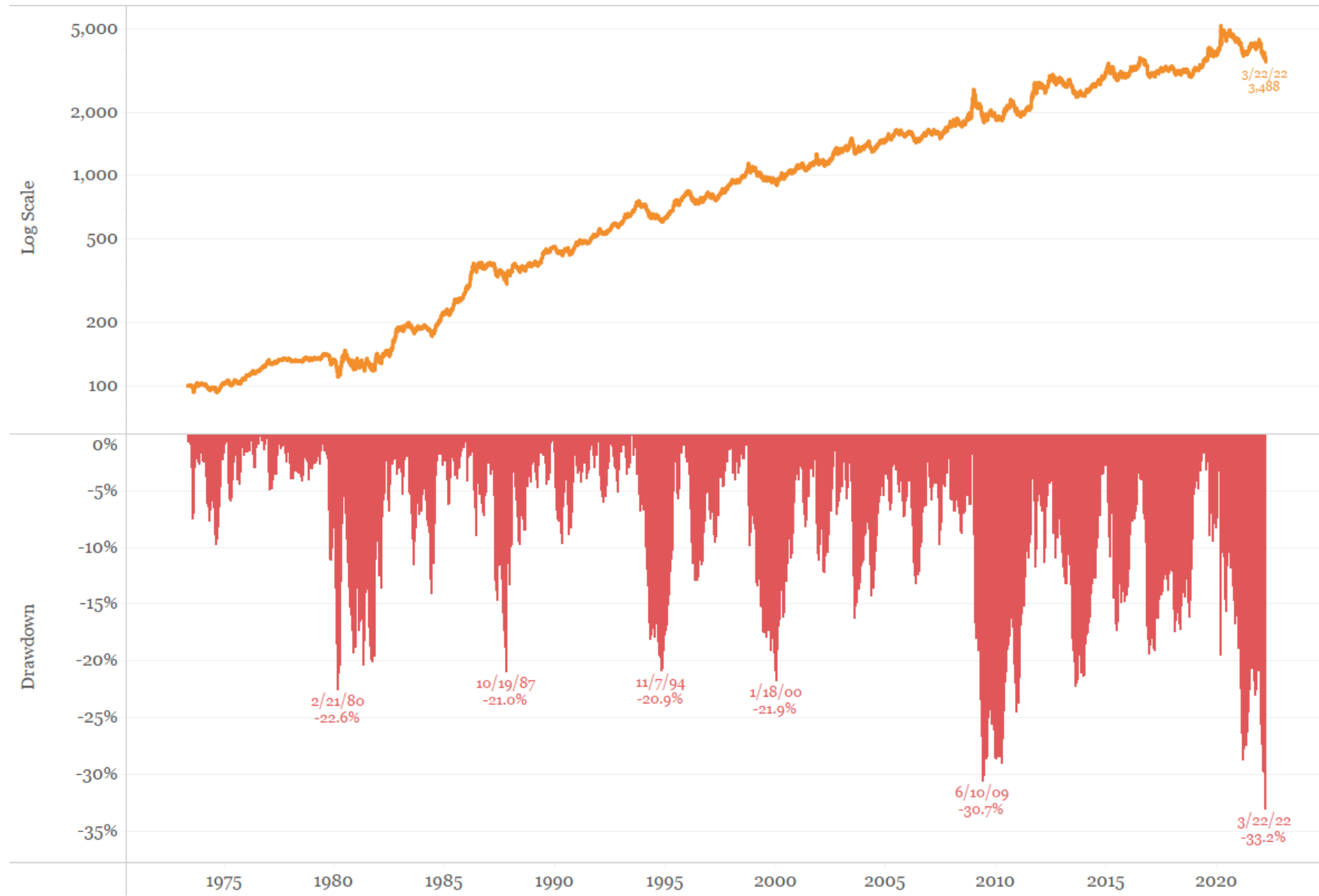
Bloomberg U.S. Agg Index Total Return



Source: Bloomberg

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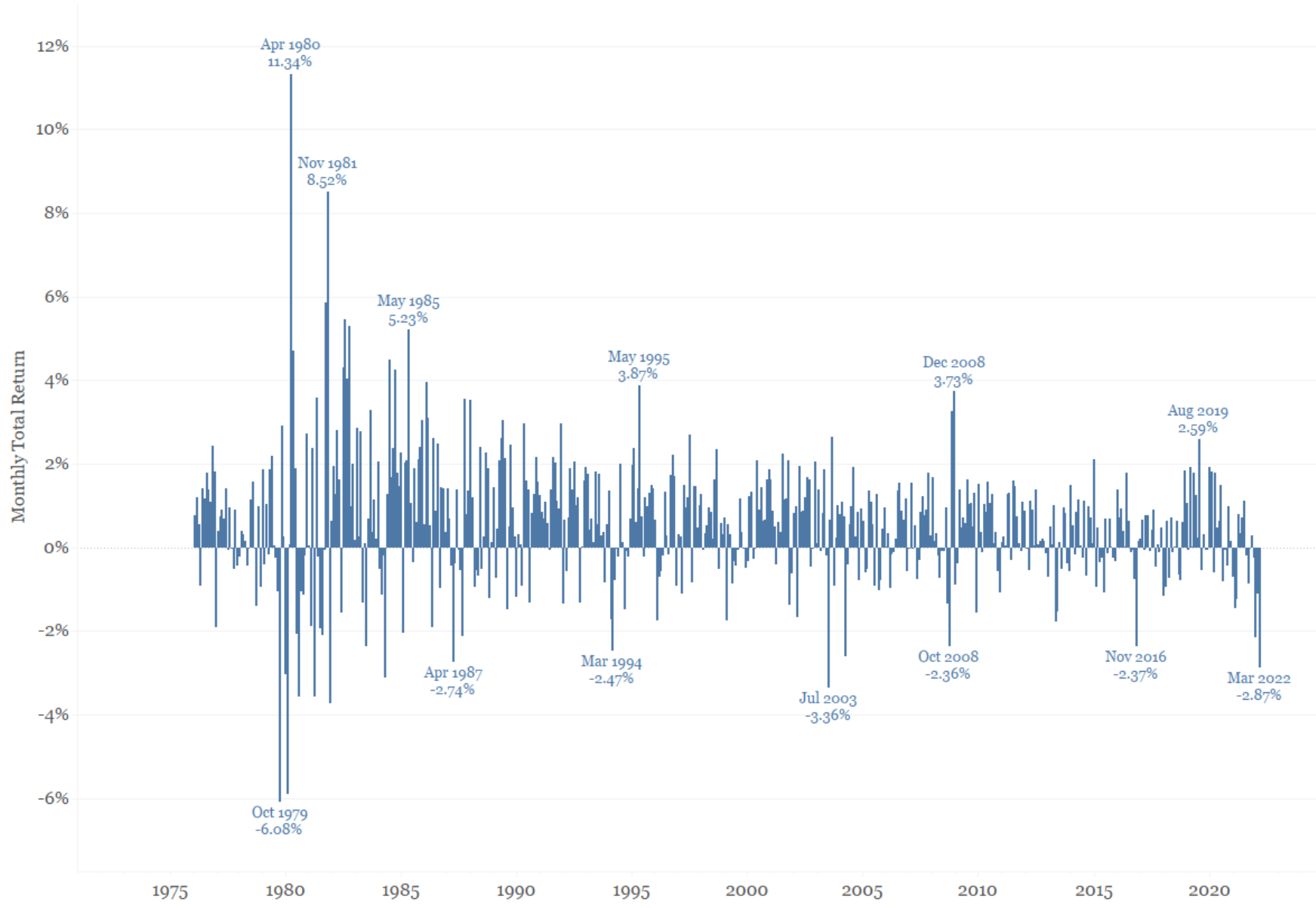
30-Year Treasury Total Return



Source: Bloomberg

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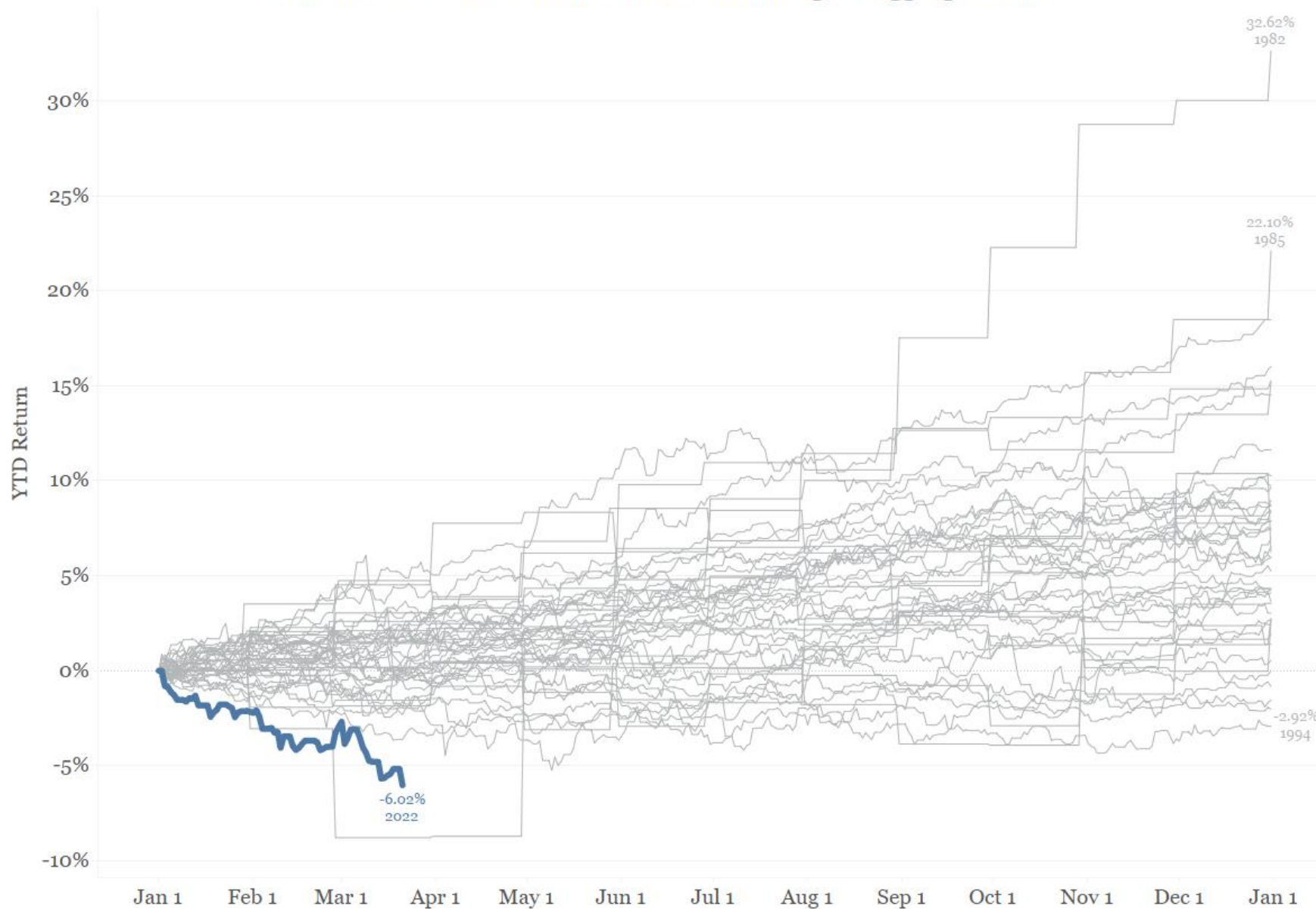
Bloomberg U.S. Aggregate Index Monthly Total Returns



Source: Ryan Labs

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Year-to-Date Total Returns for the Bloomberg US Aggregate Index



Source: Bloomberg

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 **Javier Blas** ✓
@JavierBlas



ICYMI, here's my Wednesday's [@bopinion](#) column:

"In public, all commodity traders, small and large, say everything is fine. Talk to executives in private, however, and the anxiety is plain — that their industry is one accident away from trouble"



[bloomberg.com](https://www.bloomberg.com)

Too-Big-to-Fail Risk Looms Over Commodities

The giants who dominate global trade in raw materials confront unprecedented unpredictability.

1:47 AM · Mar 17, 2022



 **Javier Blas** ✓
@JavierBlas



OIL MARKET: The bid-ask spread for WTI and Brent has widened to as much as 6 cents this morning. Amazing to see such a wide spread in such a liquid oil benchmark. Typically, we should not be seeing more than 2-3 cents
[#OOTT](#)

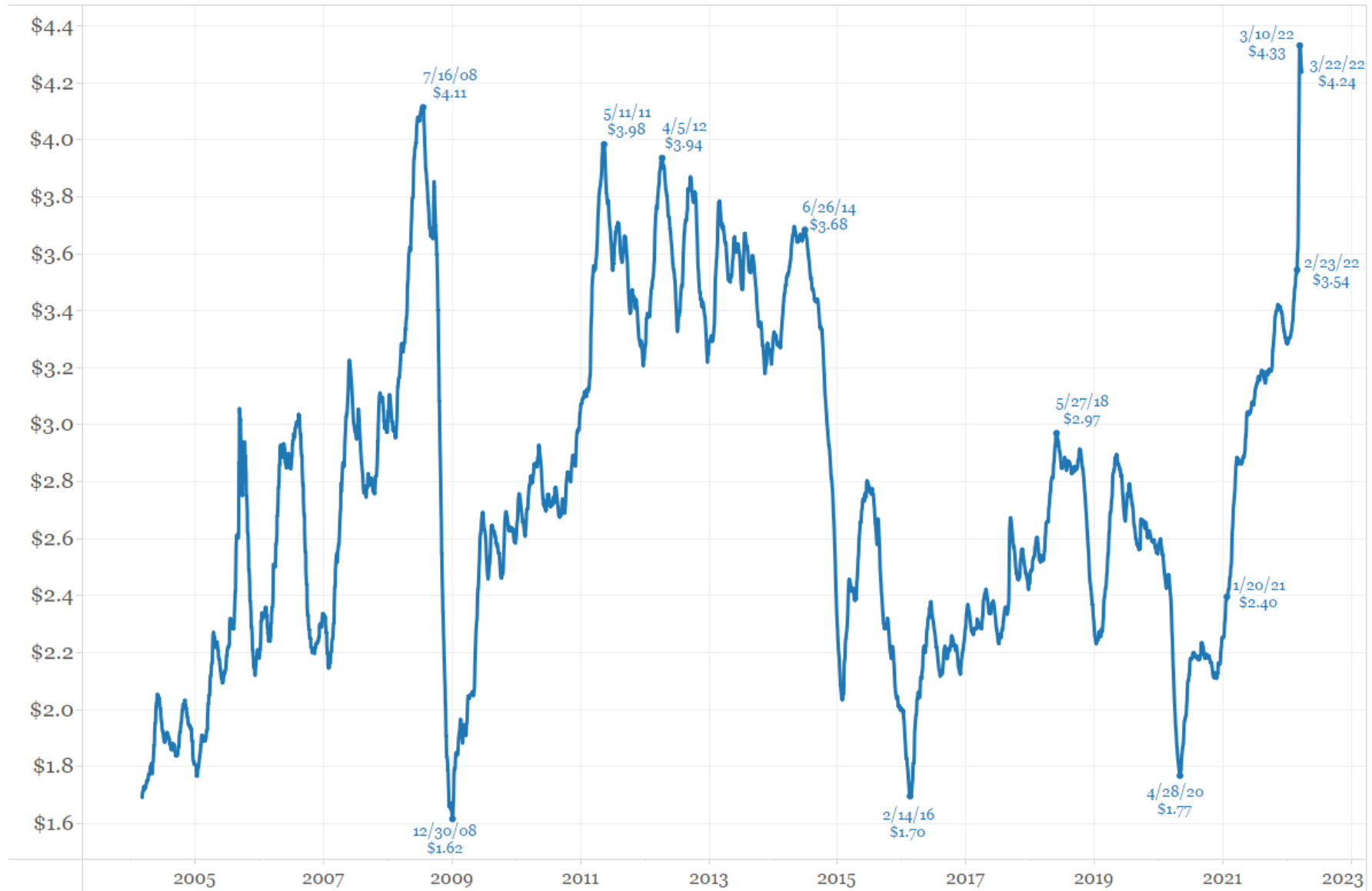
3:33 AM · Mar 15, 2022



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Daily National Average Gasoline Prices Regular Unleaded

As Surveyed by the AAA Motor Club



Data Source: Bloomberg, American Automobile Association (AAA)
<https://gasprices.aaa.com/>

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ICE Gas Oil Futures

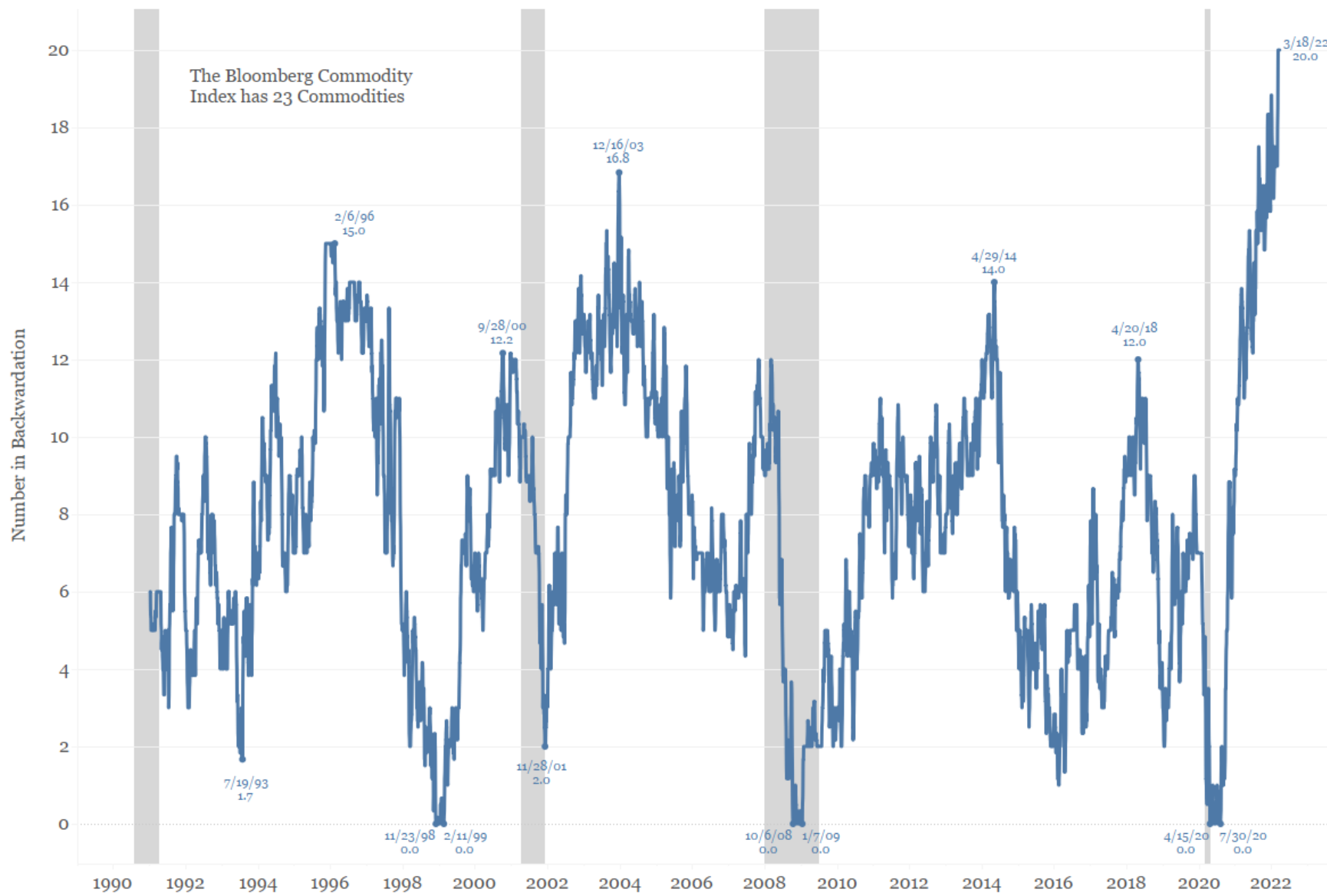


Data Source: Bloomberg

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Number of Commodities in Bloomberg's Commodity Index Trading in 1-Year Backwardation

1-Week Moving Average

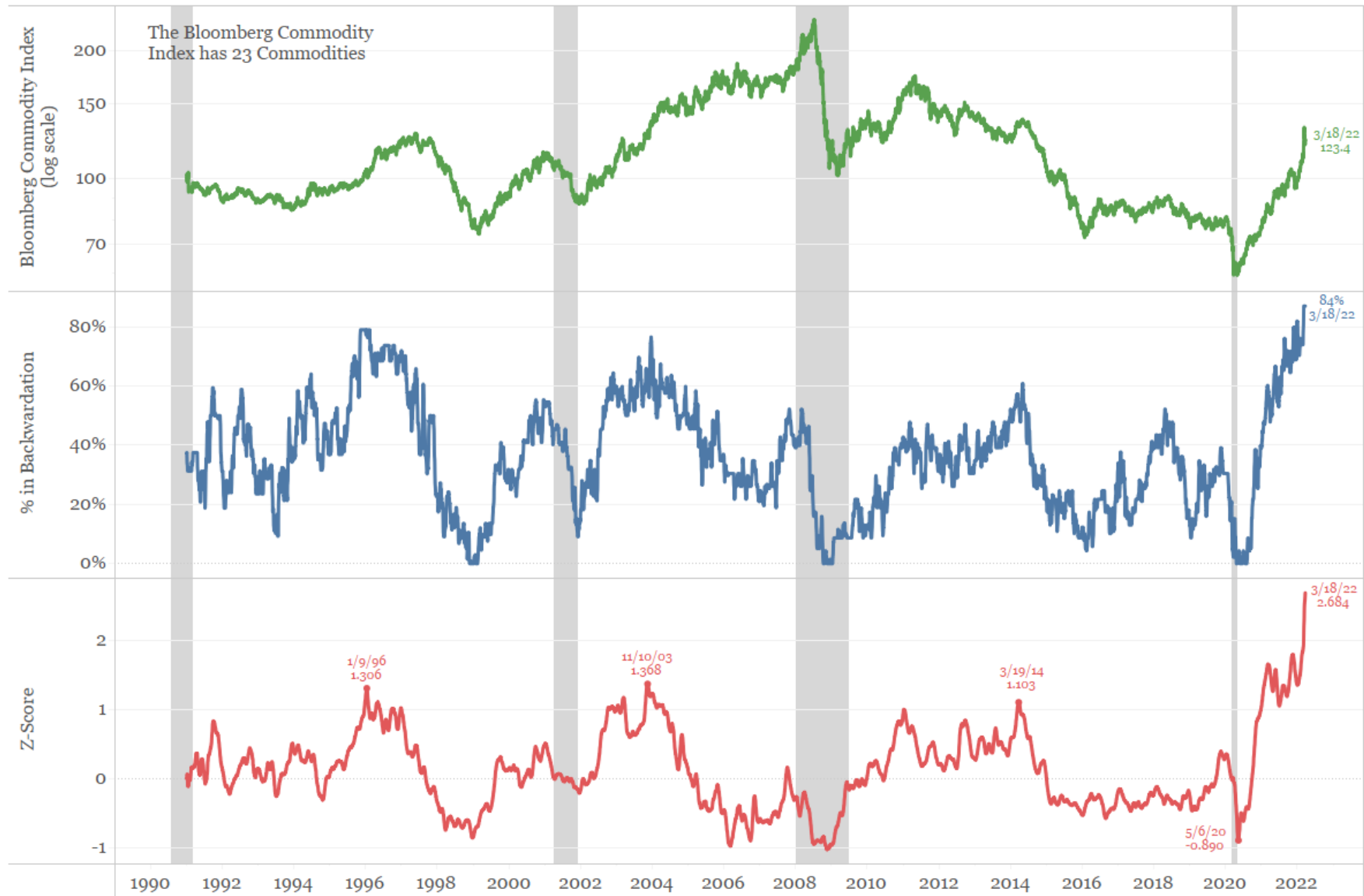


Source: Bloomberg

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Percentage of Commodities in Bloomberg's Commodity Index Trading in 1-Year Backwardation

1-Week Moving Average

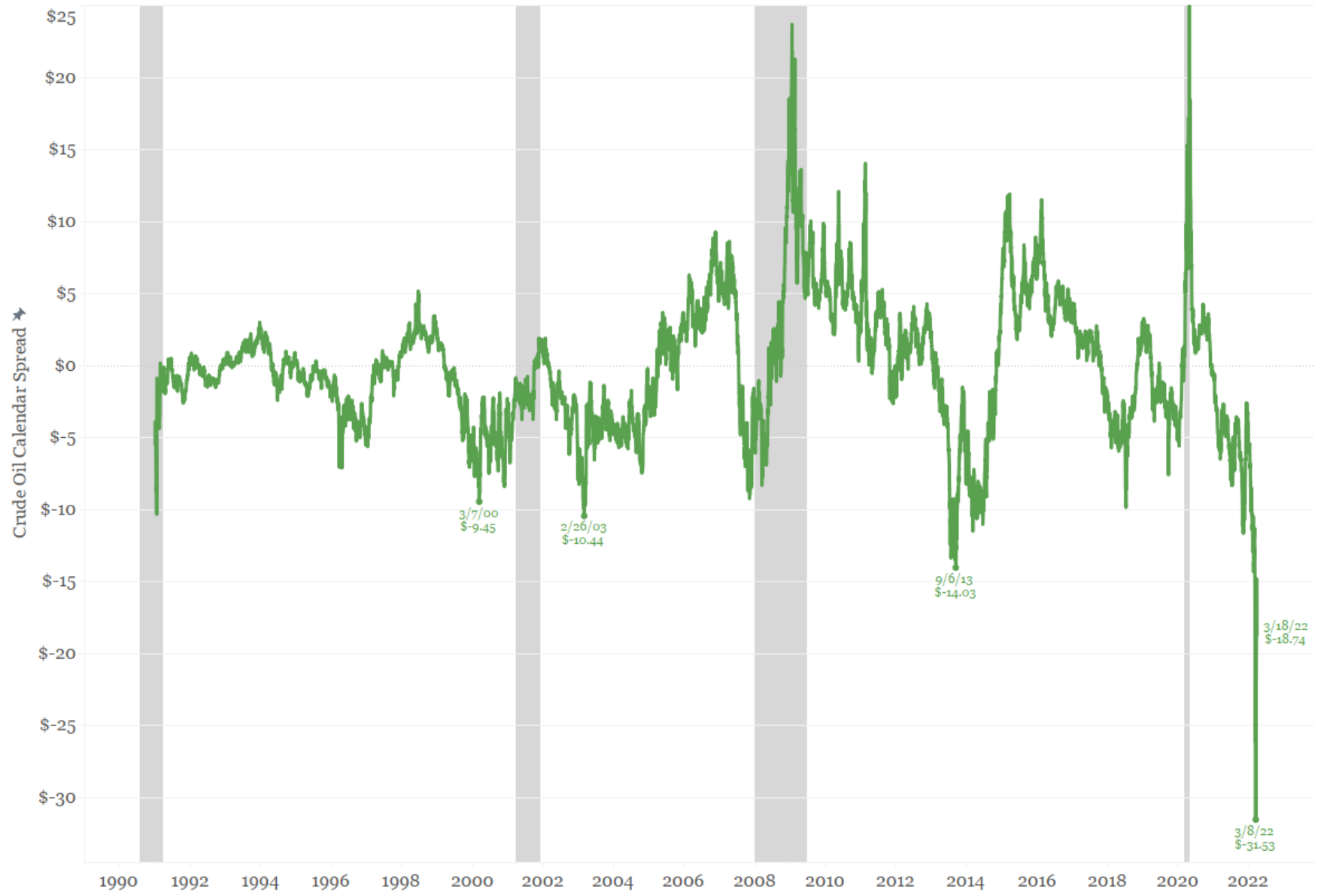


The Bloomberg Commodity Index has 23 Commodities

Source: Bloomberg

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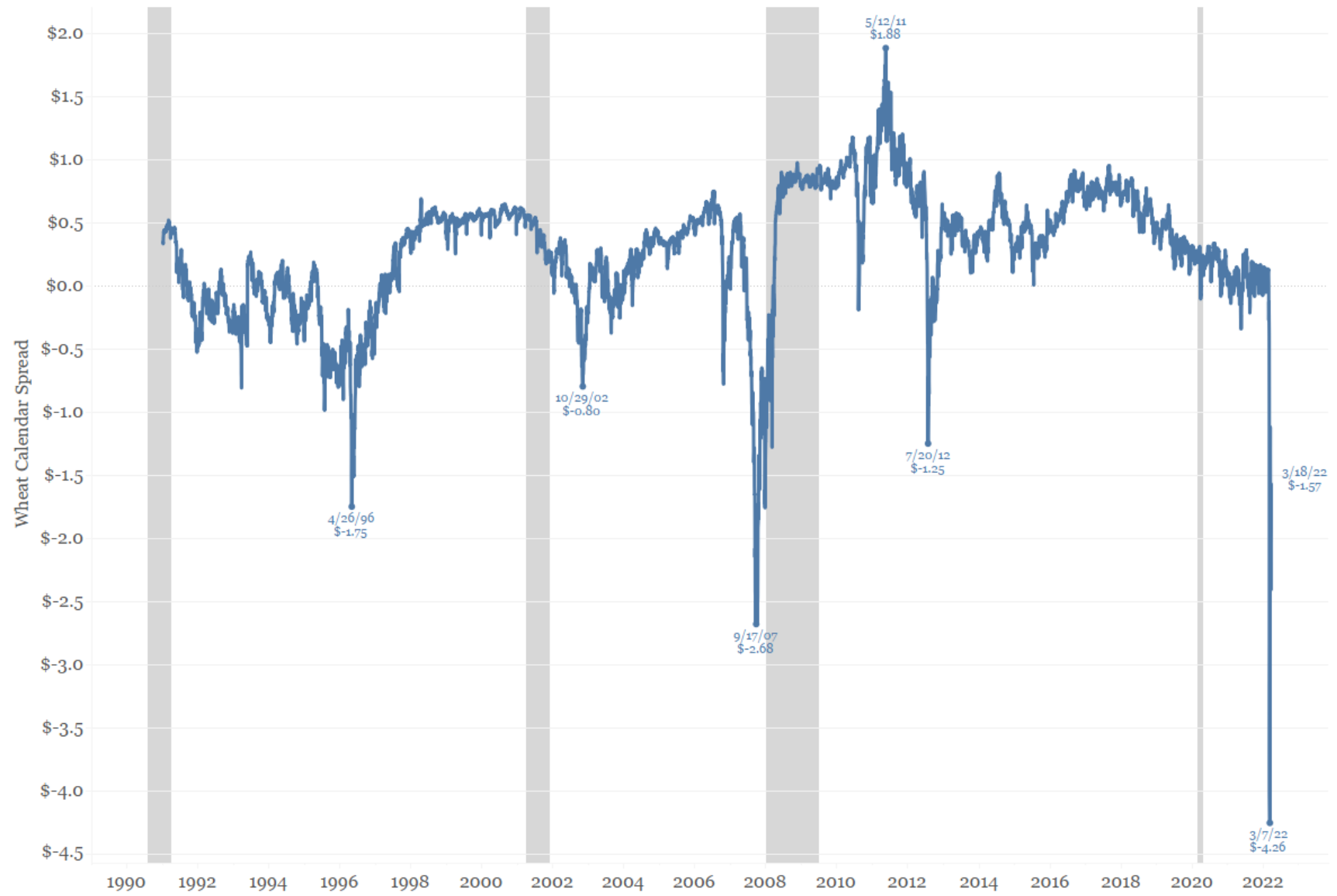
Crude Oil 1-Year Forward less Crude Oil 1-Month Forward



Source: Bloomberg

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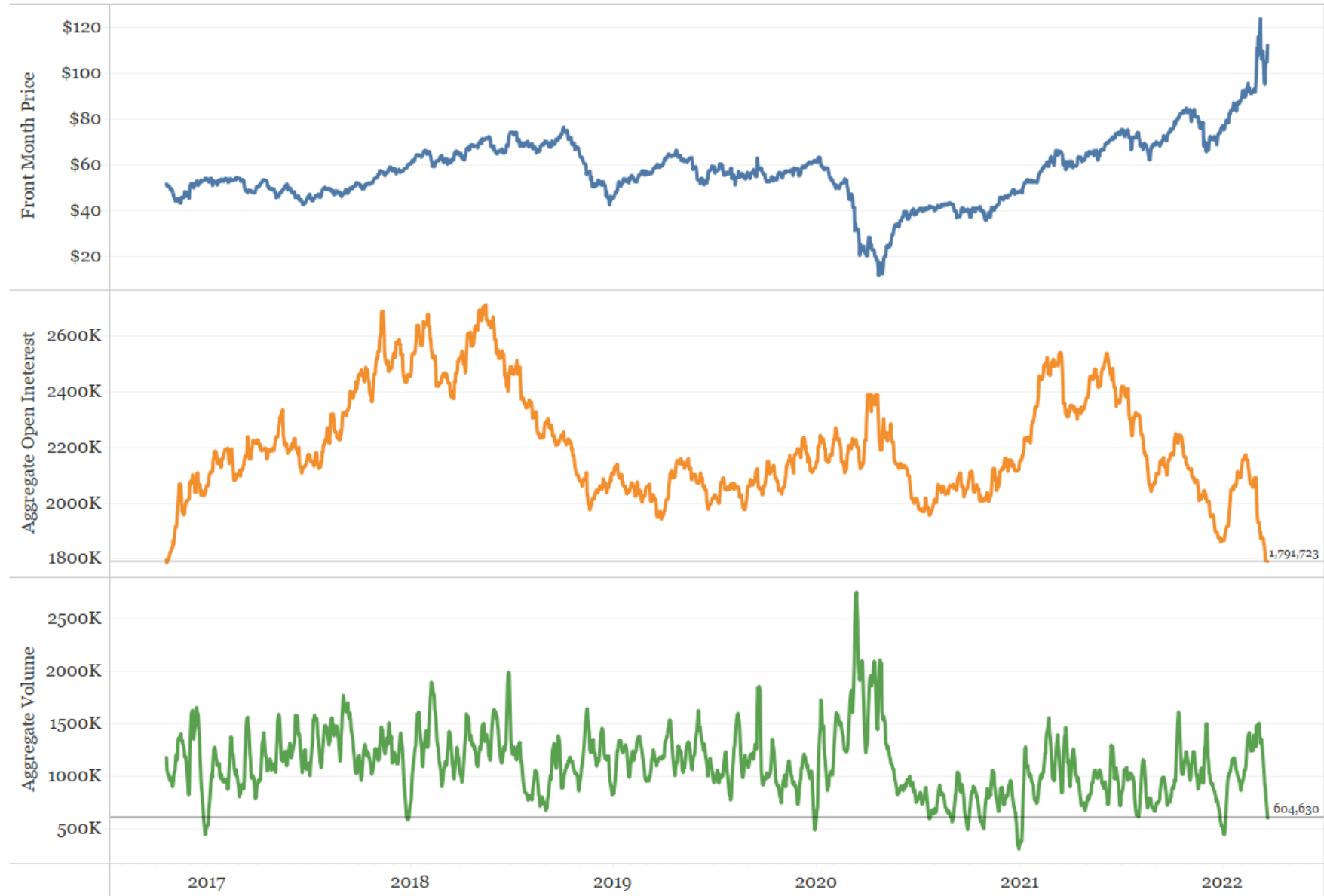
Wheat 1-Year Forward less Wheat 1-Month Forward



Source: Bloomberg

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Crude Oil Futures Aggregate Volume and Open Interest



Data Source: Bloomberg, New York Mercantile Exchange

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