April Consumer Price Index

***e*Research Corporation** is pleased to provide an article by Jill Mislinski of Advisor Perspectives.

Ms. Mislinski examines the April CPI numbers.

The article is reproduced below, on the following page, but it also can be sourced at the following link: **https://www.advisorperspectives.com/dshort/updates/2017/05/12/consumer-price-index-core-cpi-at-1-9**

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April Consumer Price Index

May 12, 2017
By: Jill Mislinski

The Bureau of Labor Statistics released the April Consumer Price Index data this morning. The year-over-year non-seasonally adjusted Headline CPI came in at 2.20%, down from 2.38% the previous month. Year-over-year Core CPI (ex Food and Energy) came in at 1.88%, down from the previous month's 2.00%.

Here is the introduction from the BLS summary, which leads with the seasonally adjusted monthly data:

> The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.2 percent in April on a seasonally adjusted basis, the U.S. Bureau of Labor Statistics reported today. Over the last 12 months, the all items index rose 2.2 percent before seasonal adjustment.
>
> Increases in indexes for shelter, energy, tobacco, and food all contributed to the monthly increase in the all items index. The energy index rose 1.1 percent, with all 3 of its major component indexes rising. The food index rose 0.2 percent, mostly due to a sharp increase in the index for fresh vegetables.
>
> The index for all items less food and energy rose 0.1 percent in April after declining in March. The shelter index increased 0.3 percent, and the tobacco index increased sharply over the month. However, many indexes declined in April, including those for wireless phone services, medical care, motor vehicle insurance, apparel, used cars and trucks, recreation, and new vehicles.
>
> The all items index rose 2.2 percent for the 12 months ending April. While a smaller increase than the 2.4 percent rise for the 12 months ending March, this is still a larger rise than the 1.7 percent average annual increase over the past 10 years. The index for all items less food and energy rose 1.9 percent over the last 12 months; this compares to a 1.8 percent average annual increase over the past decade. The energy index rose 9.3 percent over the last year, while the food index increased 0.5 percent. [More…]

Investing.com was looking for a 0.2% increase MoM in seasonally adjusted Headline CPI and 0.2% in Core CPI. Year-over-year forecasts were 2.3% for Headline and 2.0% for Core.

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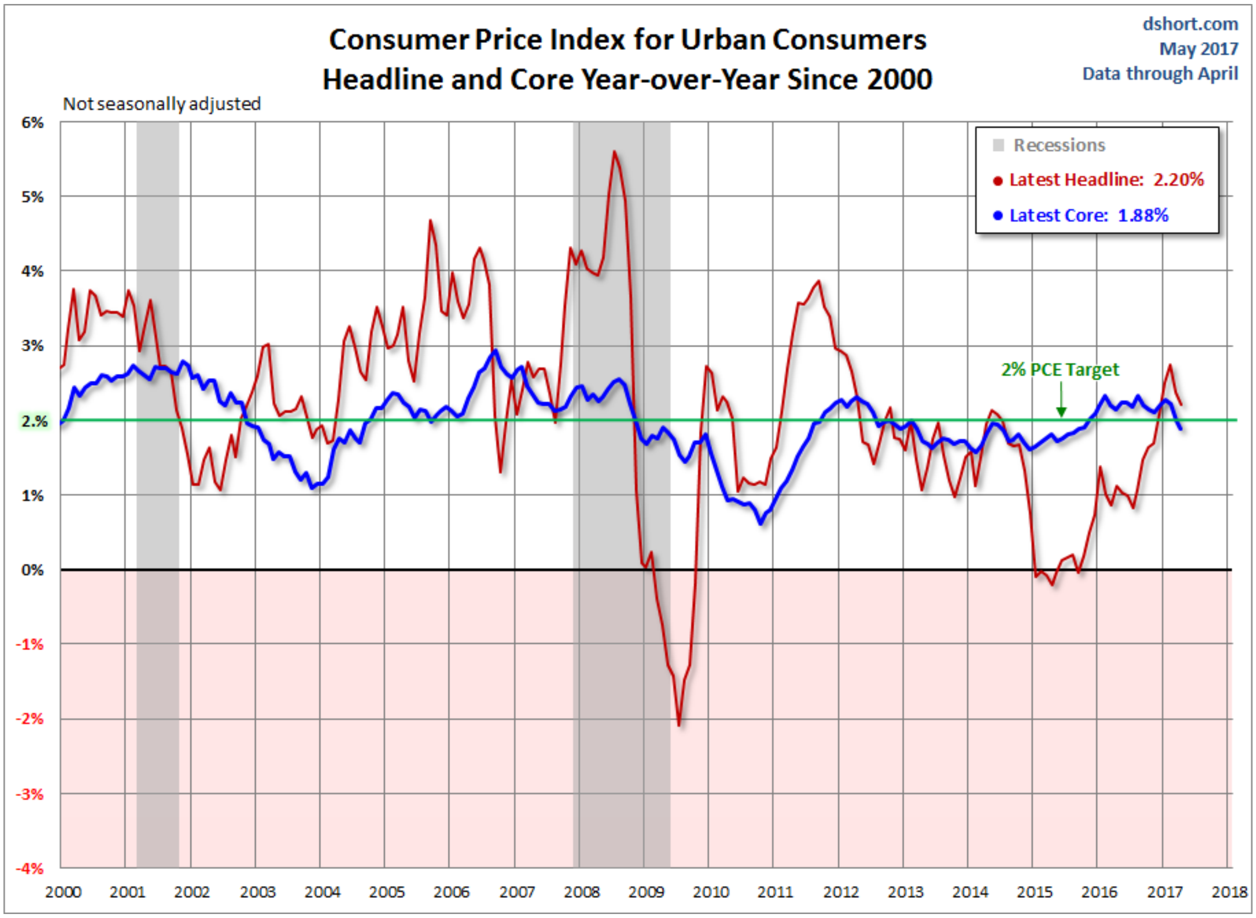
The first chart is an overlay of Headline CPI and Core CPI (the latter excludes Food and Energy) since the turn of the century. The highlighted two percent level is the Federal Reserve's Core inflation target for the CPI's cousin index, the BEA's Personal Consumption Expenditures (PCE) price index.



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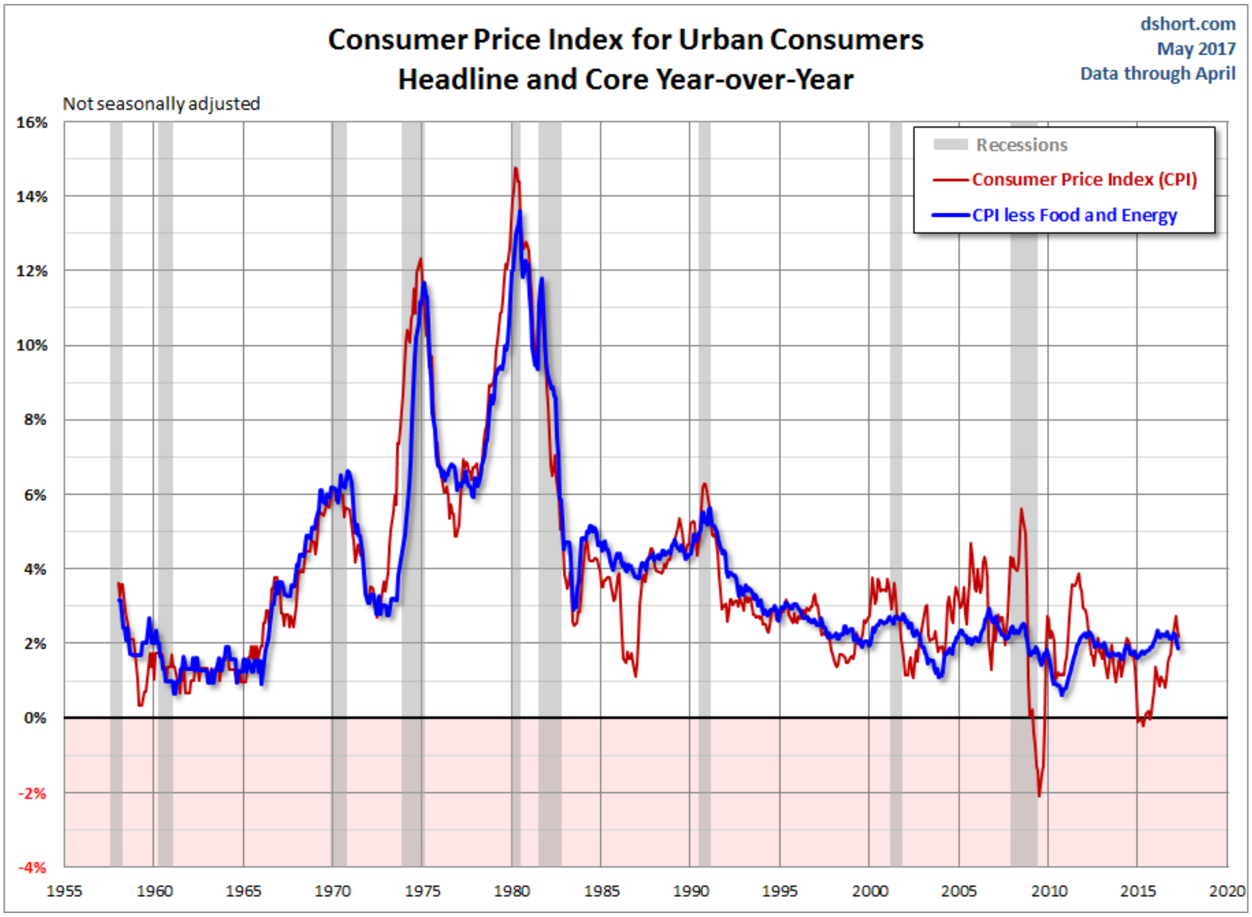
The next chart shows both series since 1957, the year the government first began tracking Core Inflation.



In the wake of the Great Recession, two percent has been the Fed's target for core inflation. However, at their December 2012 FOMC meeting, the inflation ceiling was raised to 2.5% while their accommodative measures (low Fed Funds Rate and quantitative easing) were in place. They have since reverted to the two percent target in their various FOMC documents.

Federal Reserve policy, which in recent history has focused on core inflation measured by the core PCE Price Index, will see that the more familiar core CPI is currently at the PCE target range of 2 percent.

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BW: Information on the Author is provided below.

Jill Mislinski works for Advisor Perspectives, a leading interactive publisher for Registered Investment Advisors, as Research Director. She analyzes economic and market data for the “dshort” portion of its website, concentrating on short-term and long-term trends. She is a CFA candidate.

BW: Information on Doug Short, dshort.com, and Advisor Perspectives is provided on the following pages.

ABOUT THE AUTHOR AND DSHORT.COM

My original dshort.com website was launched in February 2005 using a domain name based on my real name, Doug Short. I'm a first wave boomer with a Ph.D. in English from Duke and a lifelong interest in economics and finance. In 2011 my website was acquired by Advisor Perspectives.

My first career was a faculty position at North Carolina State University, where I achieved the rank of Full Professor in 1983. During the early '80s I got hooked on academic uses of microcomputers for research and instruction. In 1983, I co-directed the Sixth International Conference on Computers and the Humanities. An IBM executive who attended the conference made me a job offer I couldn't refuse.

Thus began my new career as a Higher Education Consultant for IBM — an ambassador for Information Technology to major universities around the country. After 12 years with Big Blue, I grew tired of the constant travel and left for a series of IT management positions in the Research Triangle area of North Carolina. I concluded my IT career managing the group responsible for email and research databases at GlaxoSmithKline. In mid-2006 economic analysis became my full-time occupation.

My interest in economics and financial planning was triggered by the bear market of 1973-74. My wife and I bought our first home in August 1973, a month after our second child was born. Two months later, the Oil Embargo tripled gas prices, and I began commuting to work on a bicycle. During the decade of stagflation, I became fascinated with economics, finance, and market behavior (my wife claims it's an addiction).

Charting financial data is something I've been doing for over thirty years. I was an early user of first-generation spreadsheet software (VisiCalc, SuperCalc, and Lotus 1-2-3), and I participated in the beta program for the original release of both Excel and Quicken.

I use the word "chart" for my visualizations of data rather than "graph", which has always struck me as a bit pretentious. I suppose my language preference was conditioned decades ago by the terminology used in spreadsheet software.

Contrary to what many visitors assume based on my last name, I'm not a bearish short seller. It's true that some of my content has occasionally been a bit pessimistic in recent years. But I believe this is a result of economic realities and not a personal bias. For the record, my efforts to educate others about bear markets date from November 2007, as this Motley Fool article attests.

Unless I've been coerced into a vacation to a remote location without Internet access, I'm usually at home in North Carolina watching the economy and markets on my handy Ultrabook or iPad.

Doug Short, Ph.D.
Advisor Perspectives

BW: To learn more about dshort.com or Advisor Perspectives, click on either the Icon or the URL provided on the following page.

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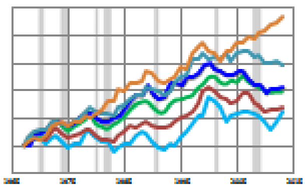

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