

December Rate Cut Remains on Track as CPI Matches Forecast

The November Consumer Price Index (CPI) came in as expected, with the monthly and annual headline and core all equaling median forecasts. The all-item CPI rose +0.3% last month, while the annual pace of inflation rose from +2.6% to +2.7%. Core CPI increased by +0.3% in November and held steady at +3.3% for the year. Shelter costs, the most stubborn of the inflationary components, was up +0.3% for the month and +4.7% year-over-year. Despite the smallest annual gain in nearly four years, shelter contributed roughly 40% to the overall increase.

Food prices rose +0.4% last month, mostly due to a +0.5% rise in food at home (grocery) prices, while food away from home (restaurants) increased +0.3%. Energy prices were up +0.2% in November after an *unchanged* reading in October. Gasoline prices rose +0.6%, although still -8.1% lower year-over-year. Both new (+0.6%) and used (+2.0%) vehicle prices moved higher last month but were lower on an annual basis.

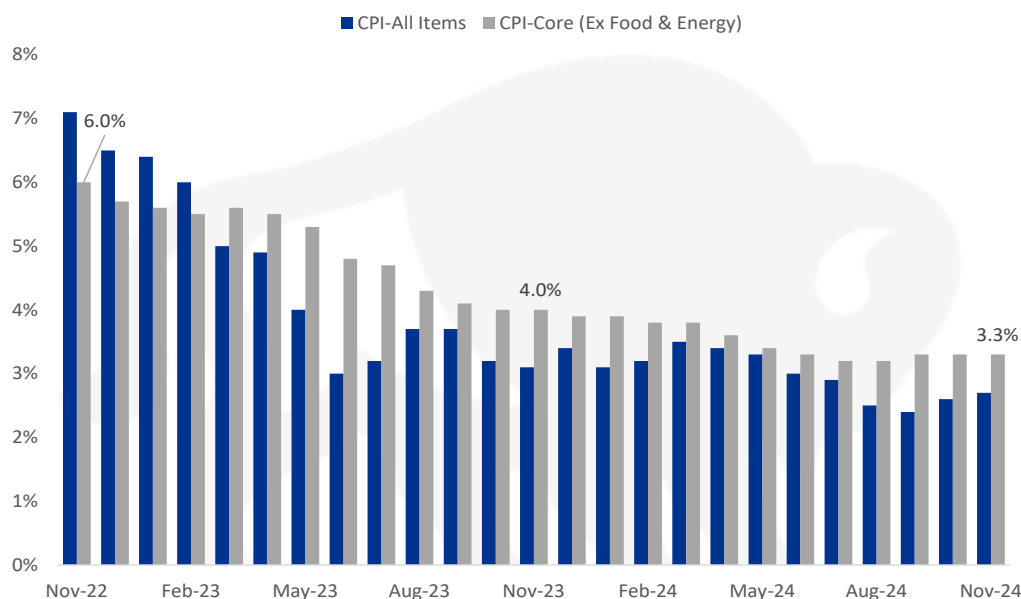
Inflation remains above the Fed’s target, but there were no surprises in November. With +3.3% core consumer inflation and a current overnight target range of 4.50% to 4.75%, *monetary policy is arguably restrictive*. The fact that core inflation wasn’t any higher seems to have solidified another quarter point rate cut next week. However, continued easing in 2025 will be a challenge with tax reductions and reduced regulations expected to boost already solid economic growth, while increased tariffs potentially add inflationary pressure. At this point, a pause at the January meeting would seem appropriate, allowing Fed officials to evaluate the fiscal policies implemented by the Trump administration.

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Consumer Price Index (Year-over-Year Percent Change)



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Market Indications as of 9:07 A.M. Central Time

DOW	Down -46 to 44,202 (HIGH: 45,014)
NASDAQ	Up 264 to 19,952 (NEW HIGH)
S&P 500	Up 40 to 6,075 (HIGH: 6,090)
1-Yr T-bill	current yield 4.18%; opening yield 4.20%
2-Yr T-note	current yield 4.12%; opening yield 4.14%
3-Yr T-note	current yield 4.08%; opening yield 4.10%
5-Yr T-note	current yield 4.09%; opening yield 4.10%
10-Yr T-note	current yield 4.23%; opening yield 4.22%
30-Yr T-bond	current yield 4.43%; opening yield 4.42%

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