

# Inflation Picture Book: A Story of Slowing Prices

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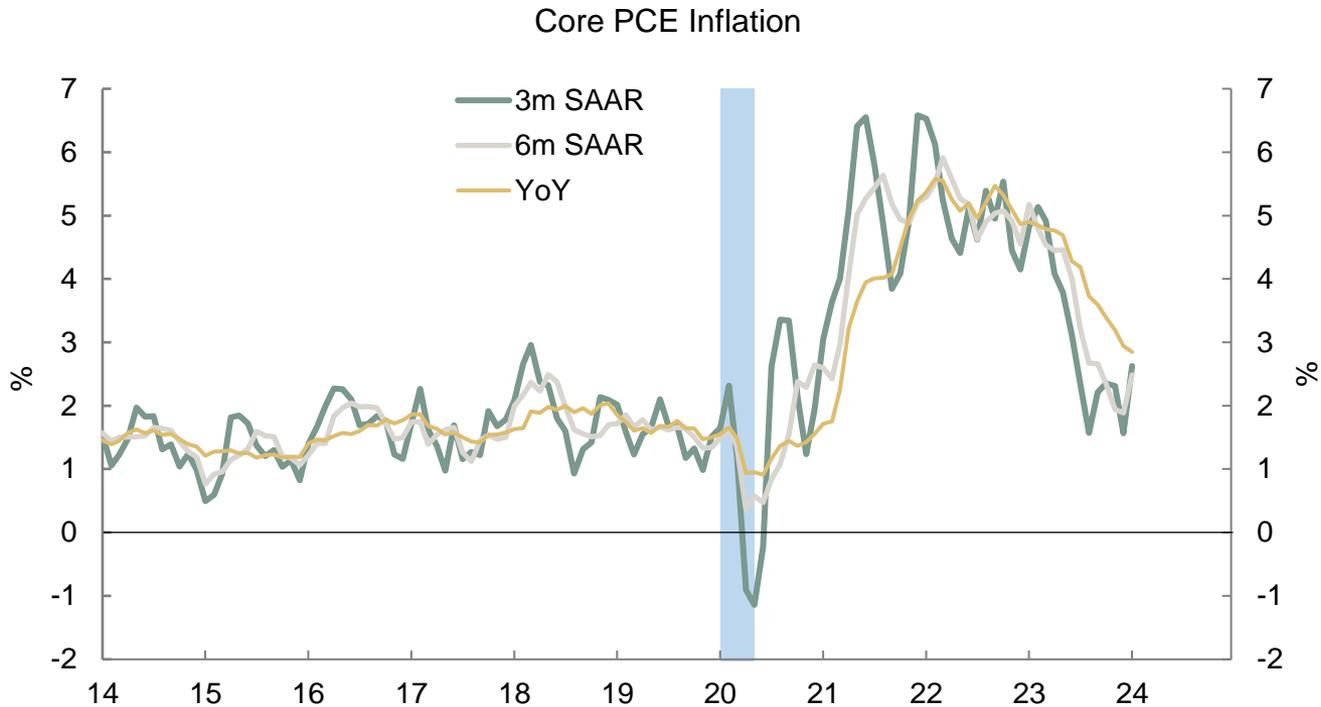
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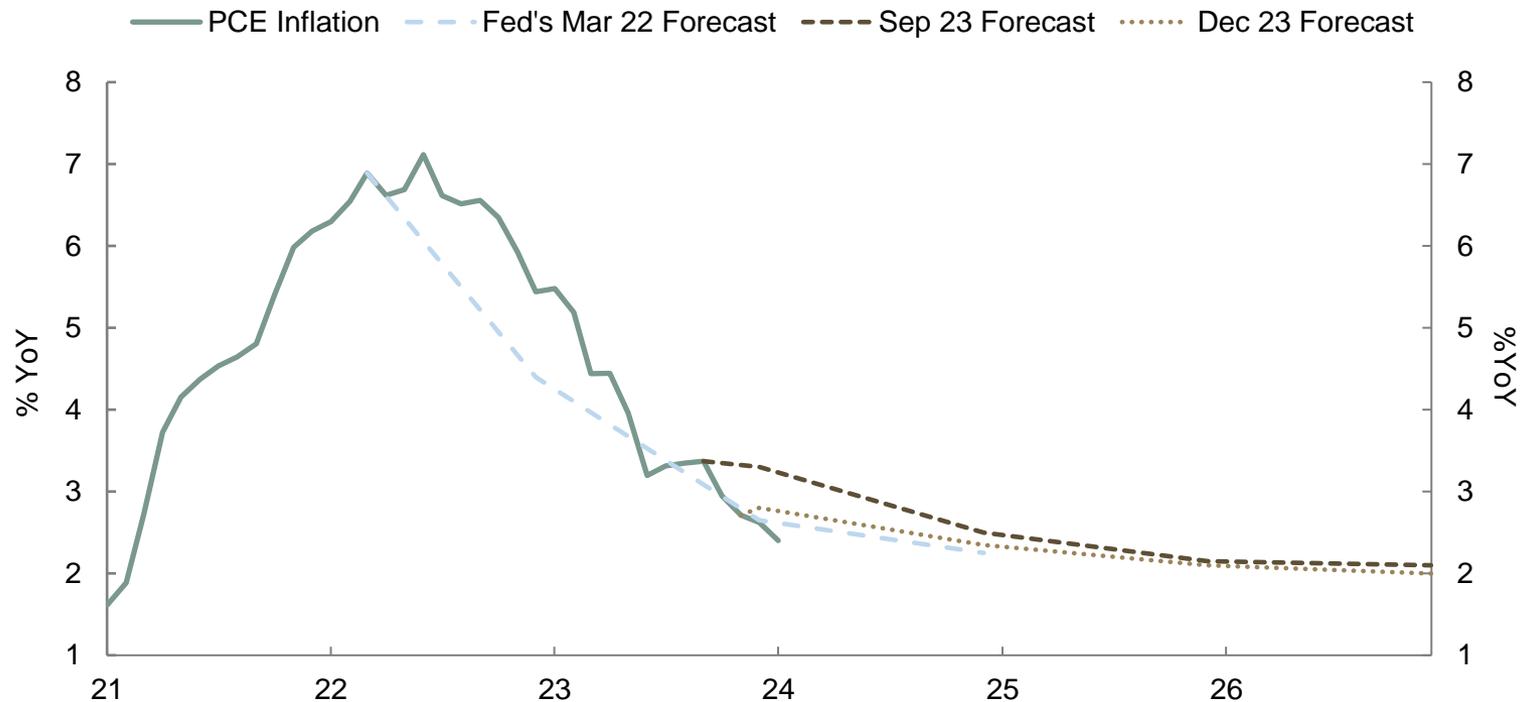
# Inflation Moving Closer to Target

The Fed's preferred metric of inflation could hit 2% by H2 2024.



# On the Mark

While the funds rate is much higher, the Fed's March 2022 projection looks prescient.



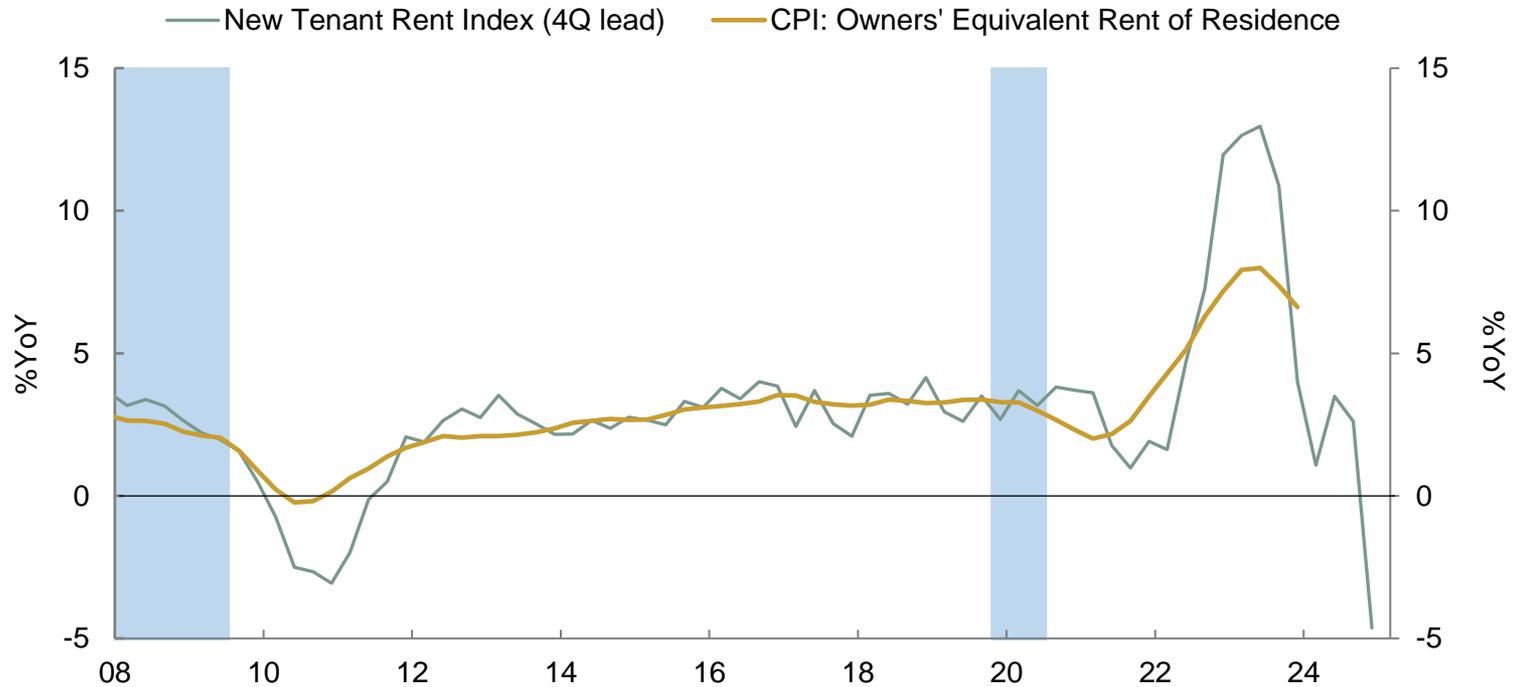
# A Big Increase in Available Units

A record amount of rental supply is ready to hit the market.



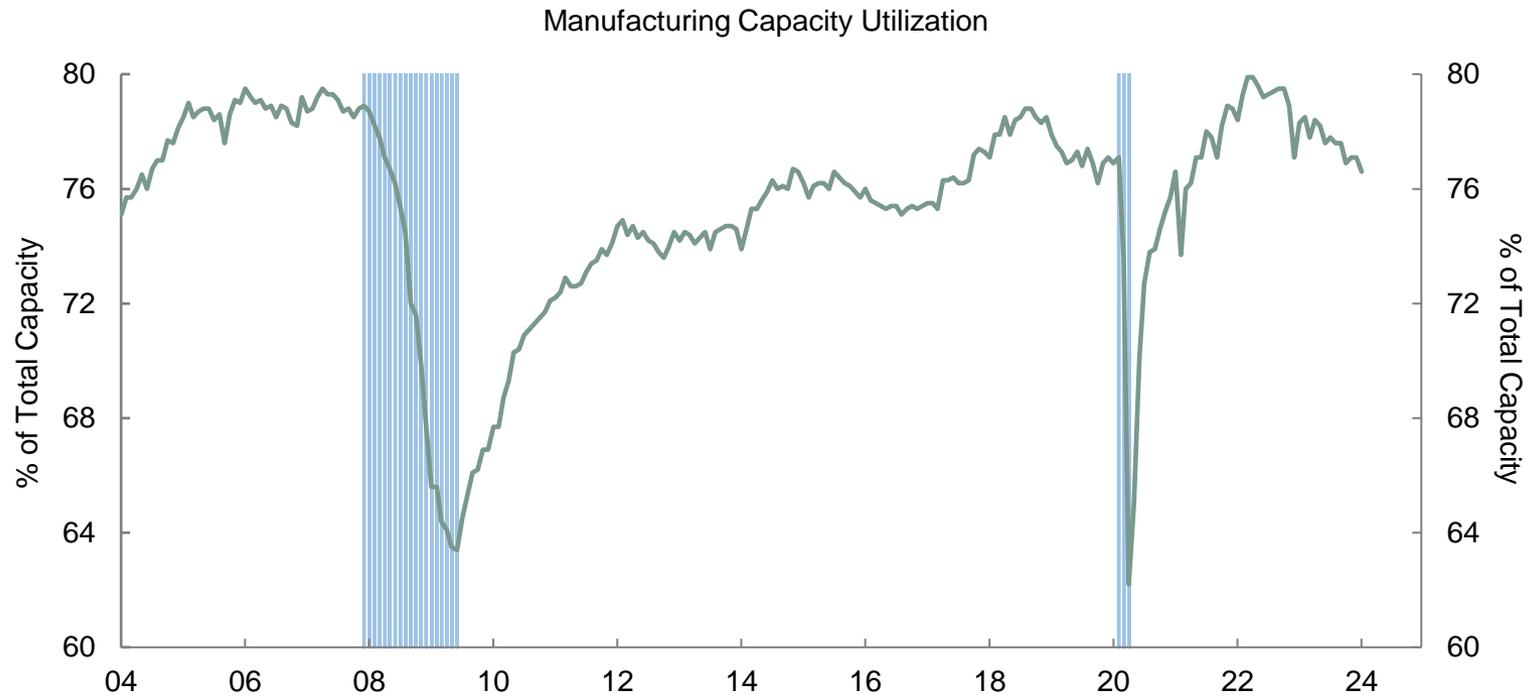
# Rental Prices on the Precipice

The biggest subcomponent of inflation is poised to collapse



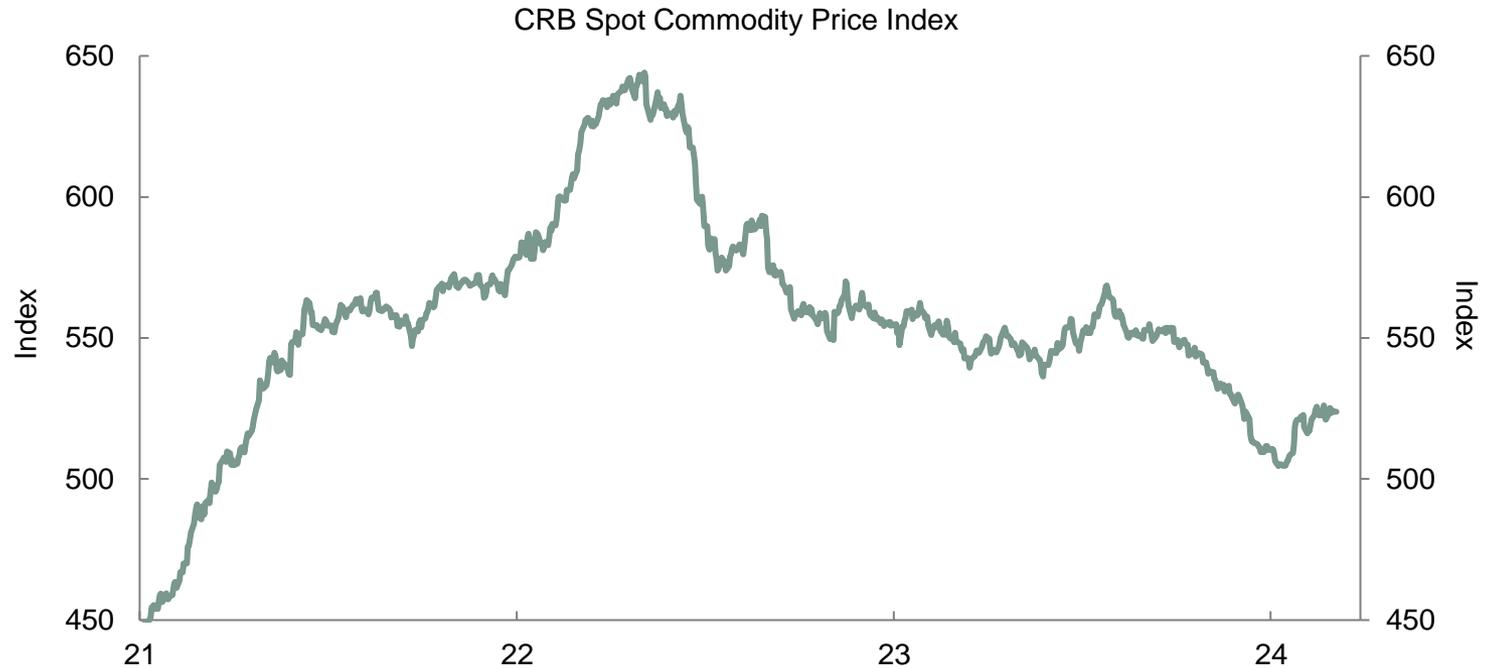
# Excess Factory Slack

Capacity utilization continues to trend lower as manufacturing remains mired in recession.



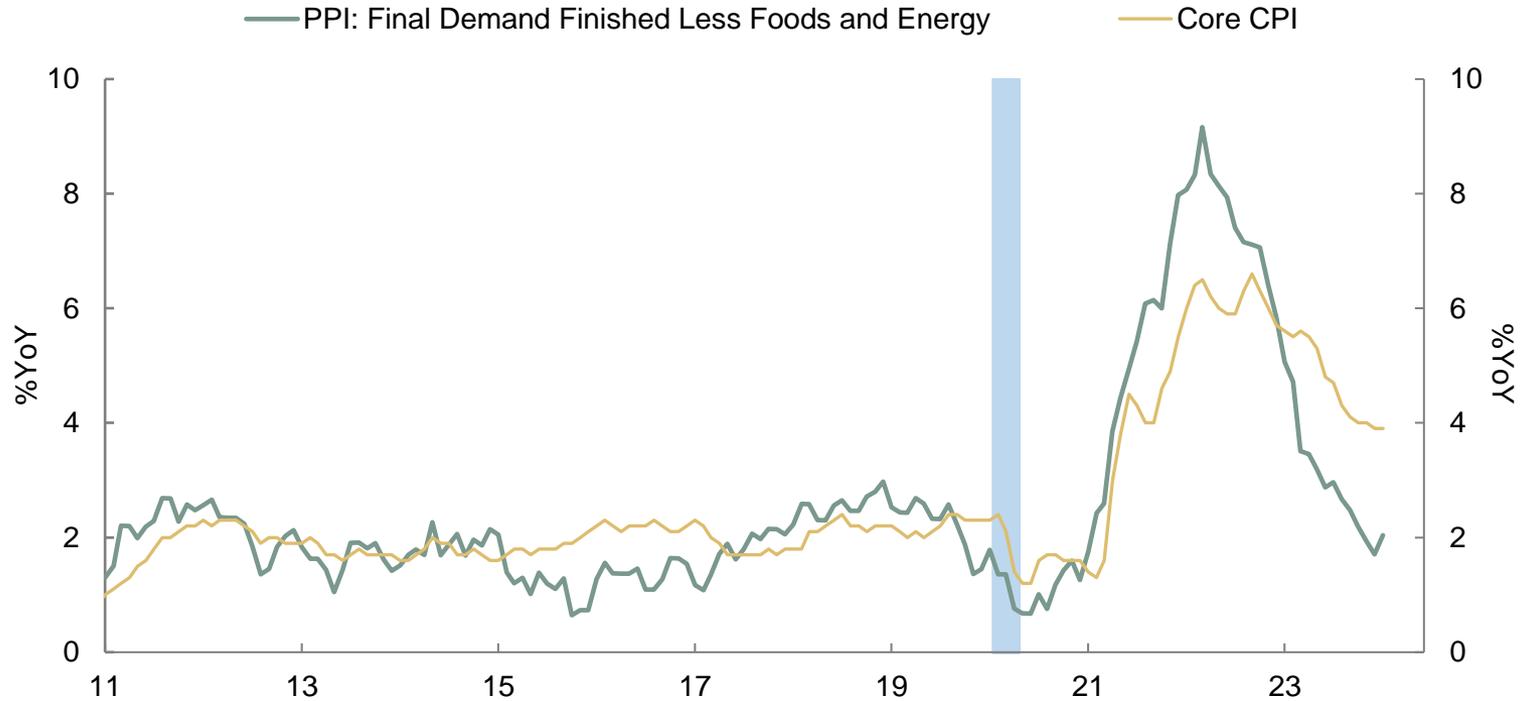
# Broad-based Weakness

Weakening global demand has weighed on commodity prices.



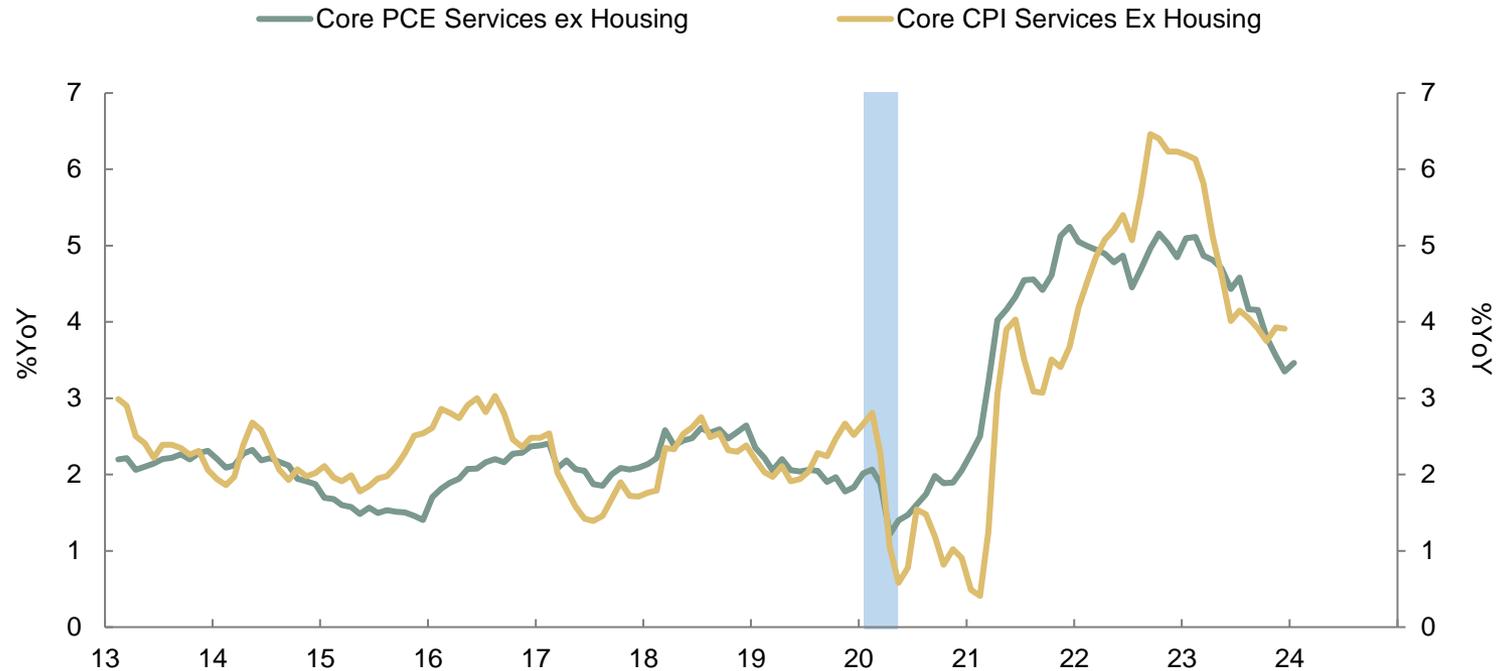
# Wholesale Price Disinflation

The producer price index (PPI) points to a sharply lower rate of core consumer inflation.



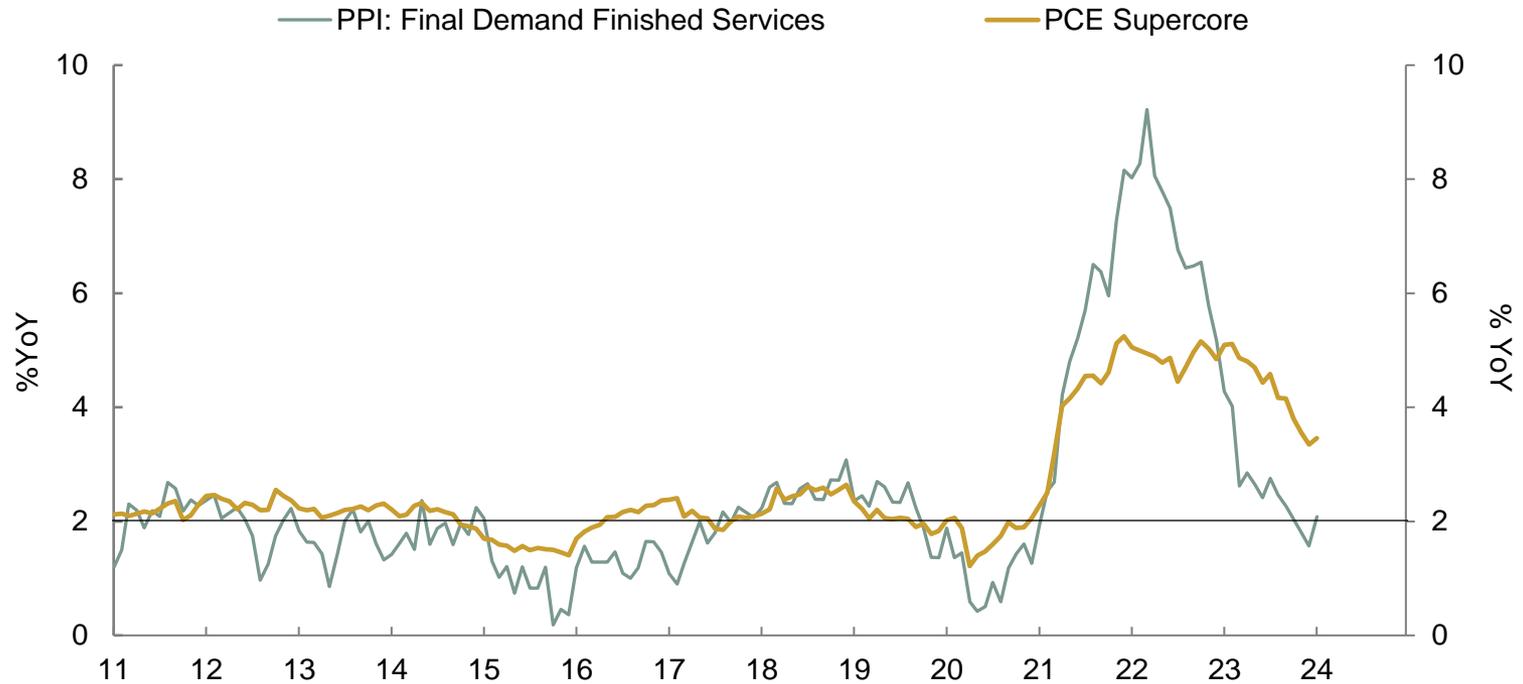
# The Powell Metric

While elevated, measures of “super” core inflation continue to trend lower.



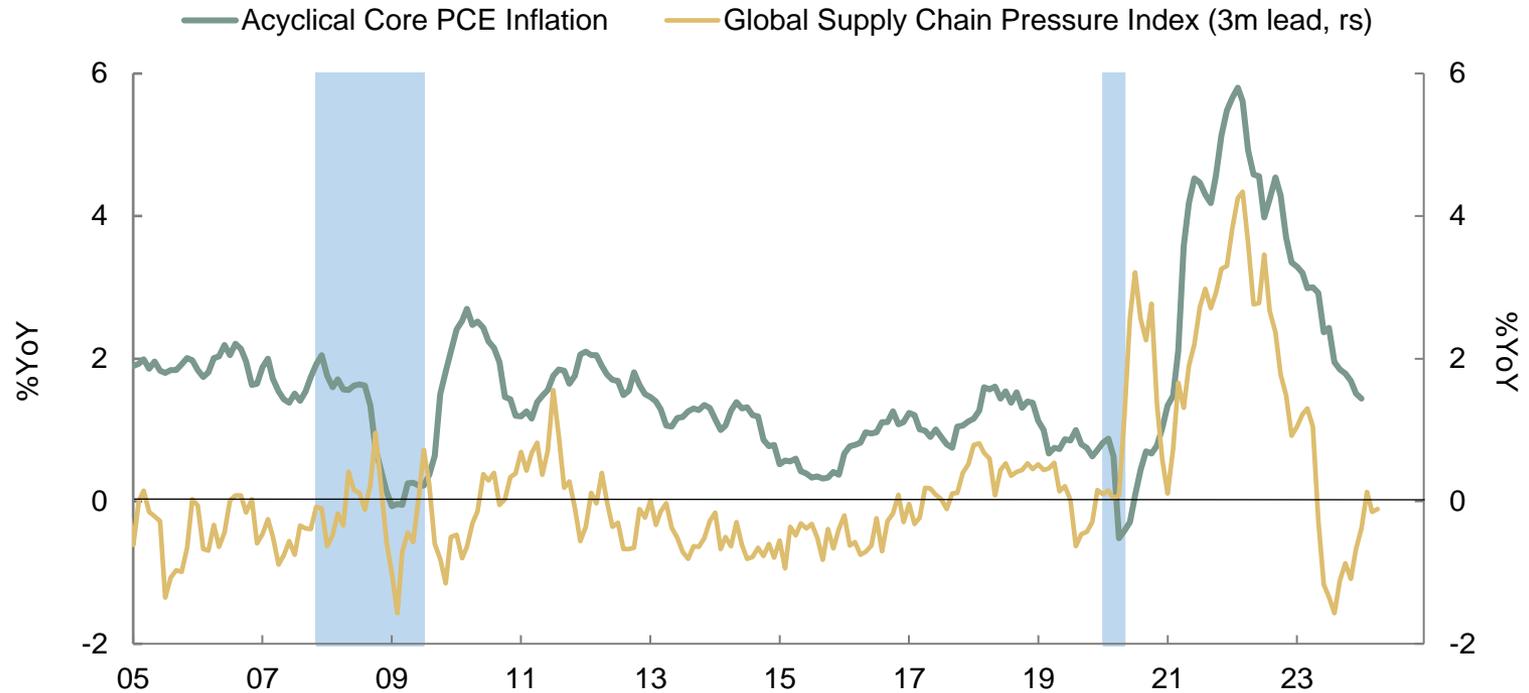
# Rolling Over

Importantly, the PPI tells us Powell's preferred inflation metric is going lower



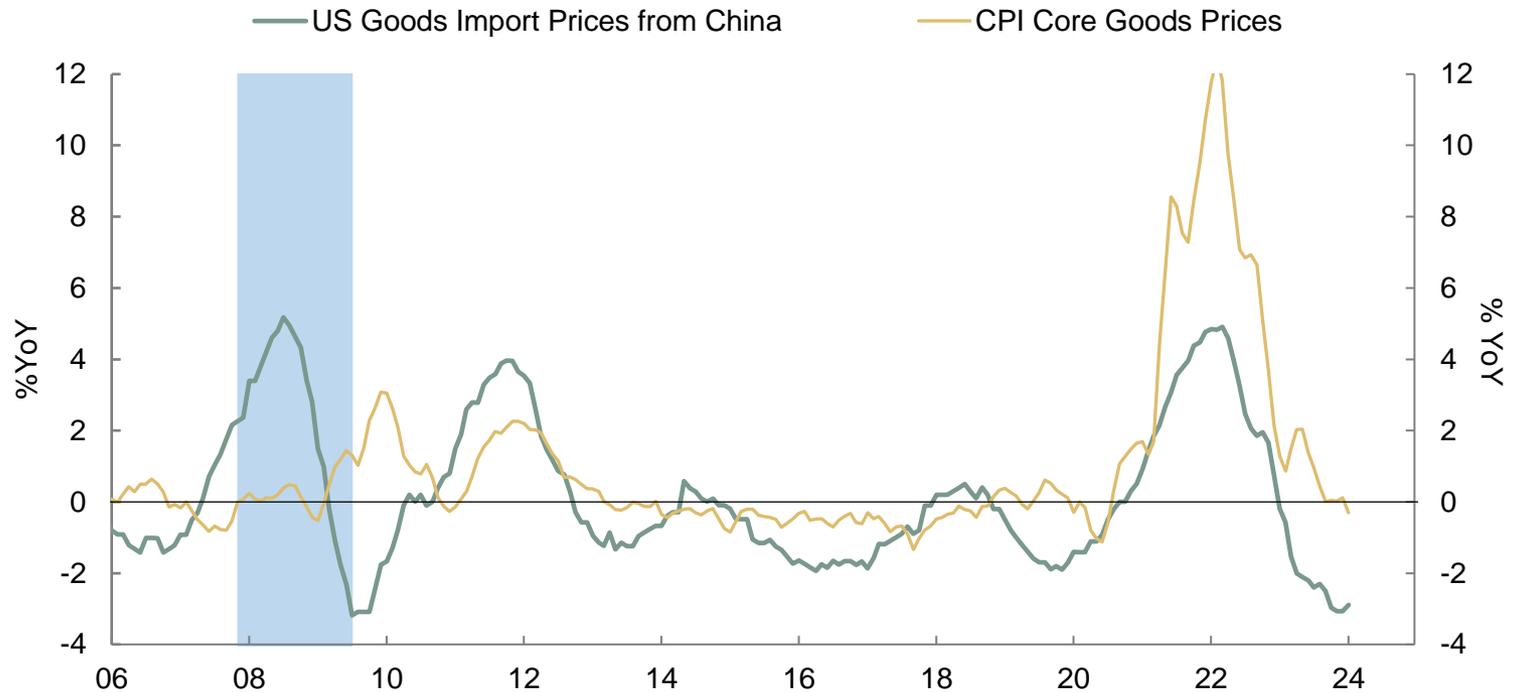
# Fixing Bottlenecks and Supply Constraints

Acyclical prices are slowing while supply chain pressures have dissipated.



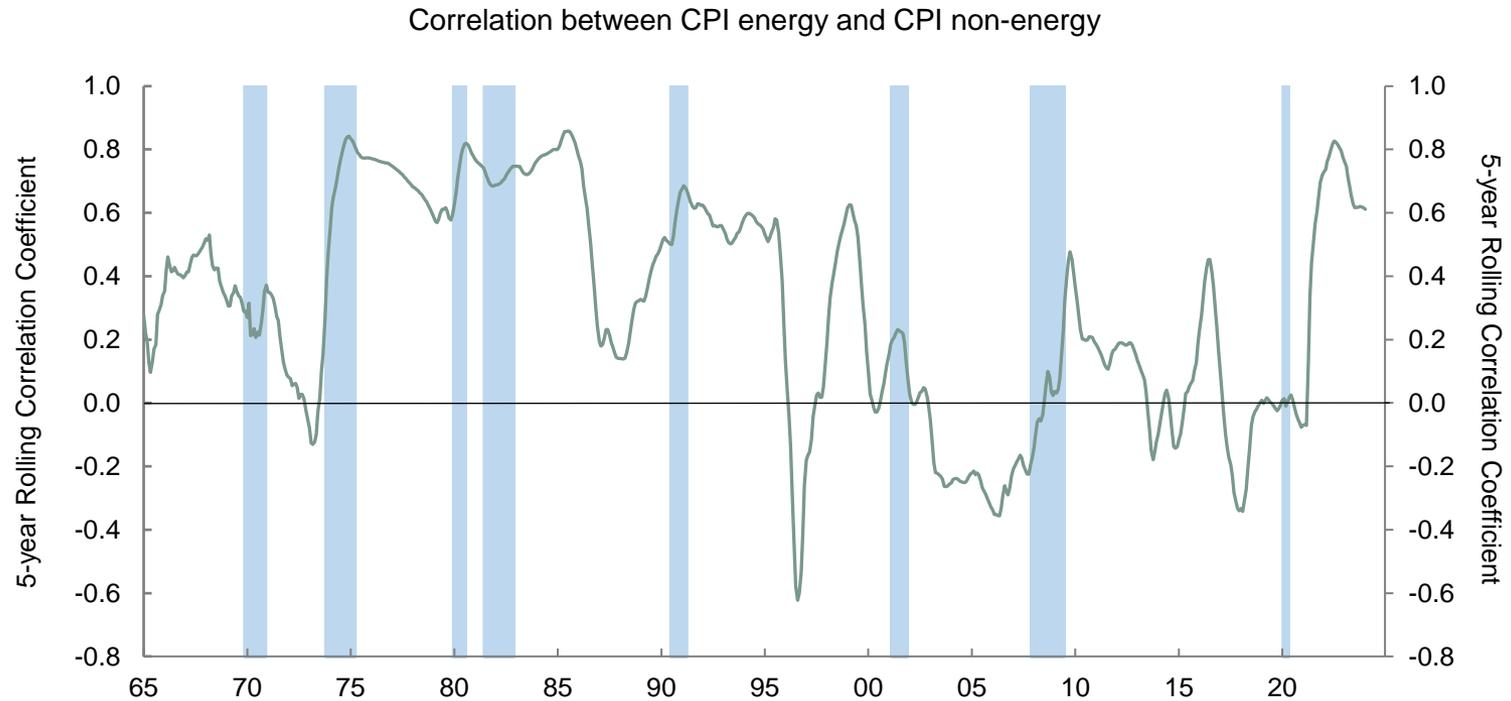
# Importing Deflation

The US continues to import deflation from China, which will lead to falling US goods prices.



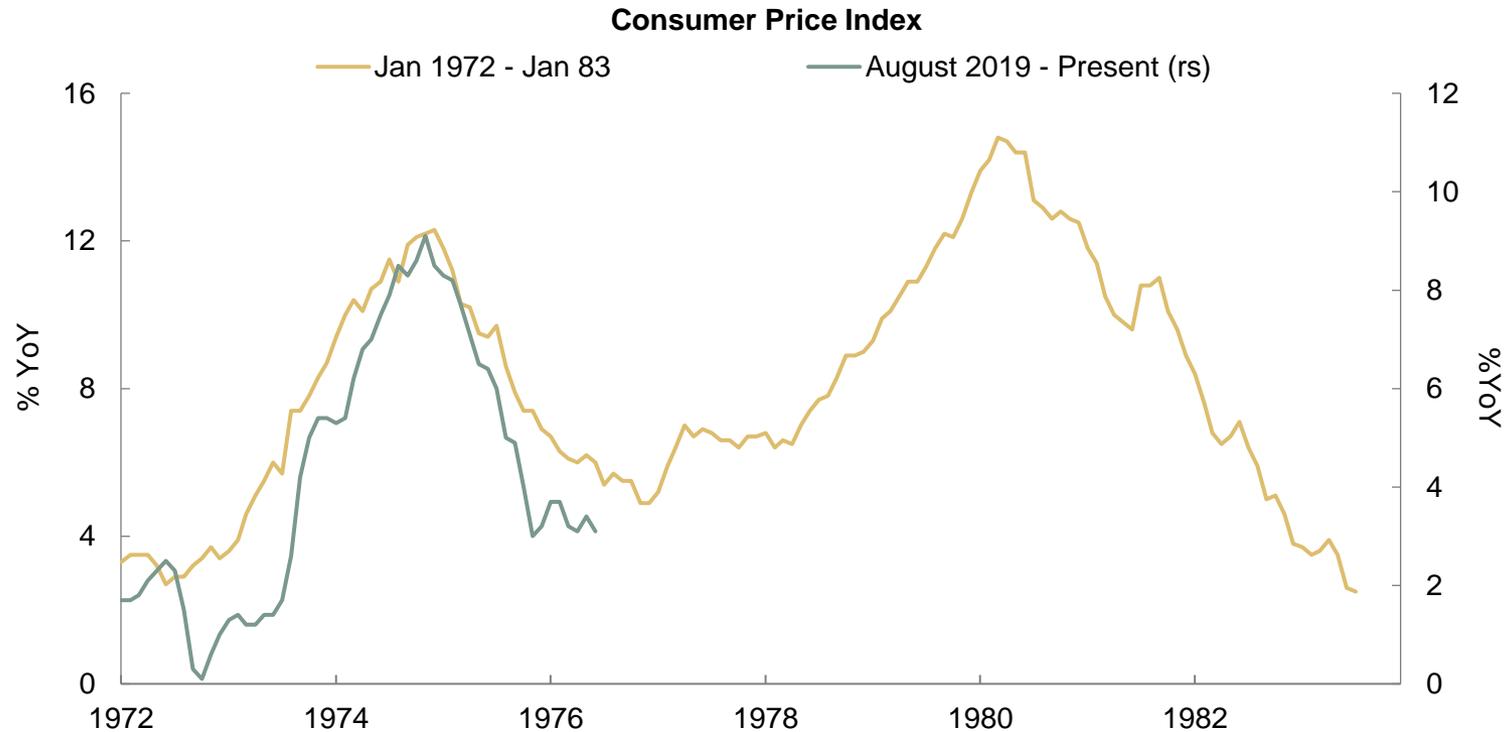
# 1970s Style Pass-Thru

Soaring energy costs fed through the rest of the economy, pushing core inflation higher.



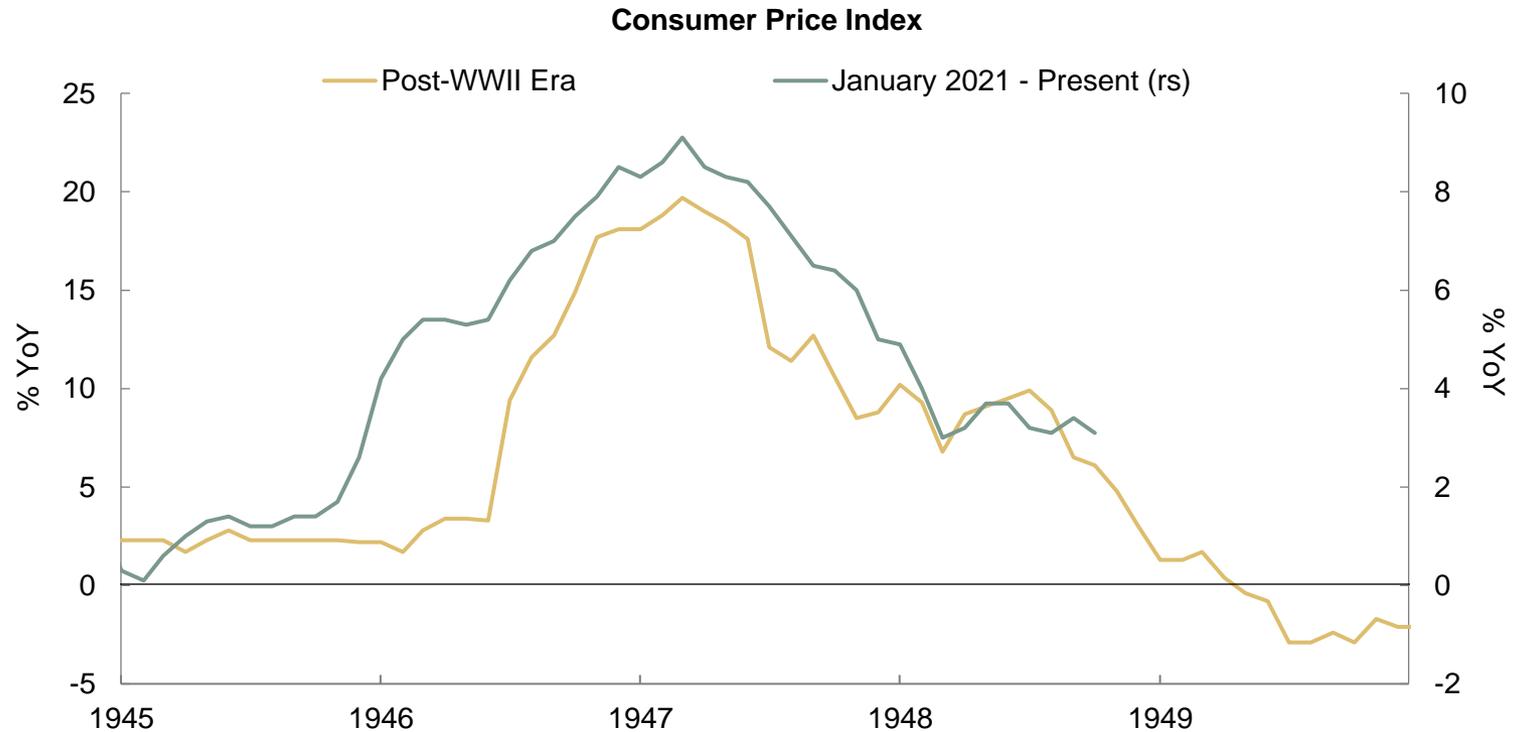
# Uncanny Parallel?

On the surface, the current trend in inflation resembles that of the early 1970s



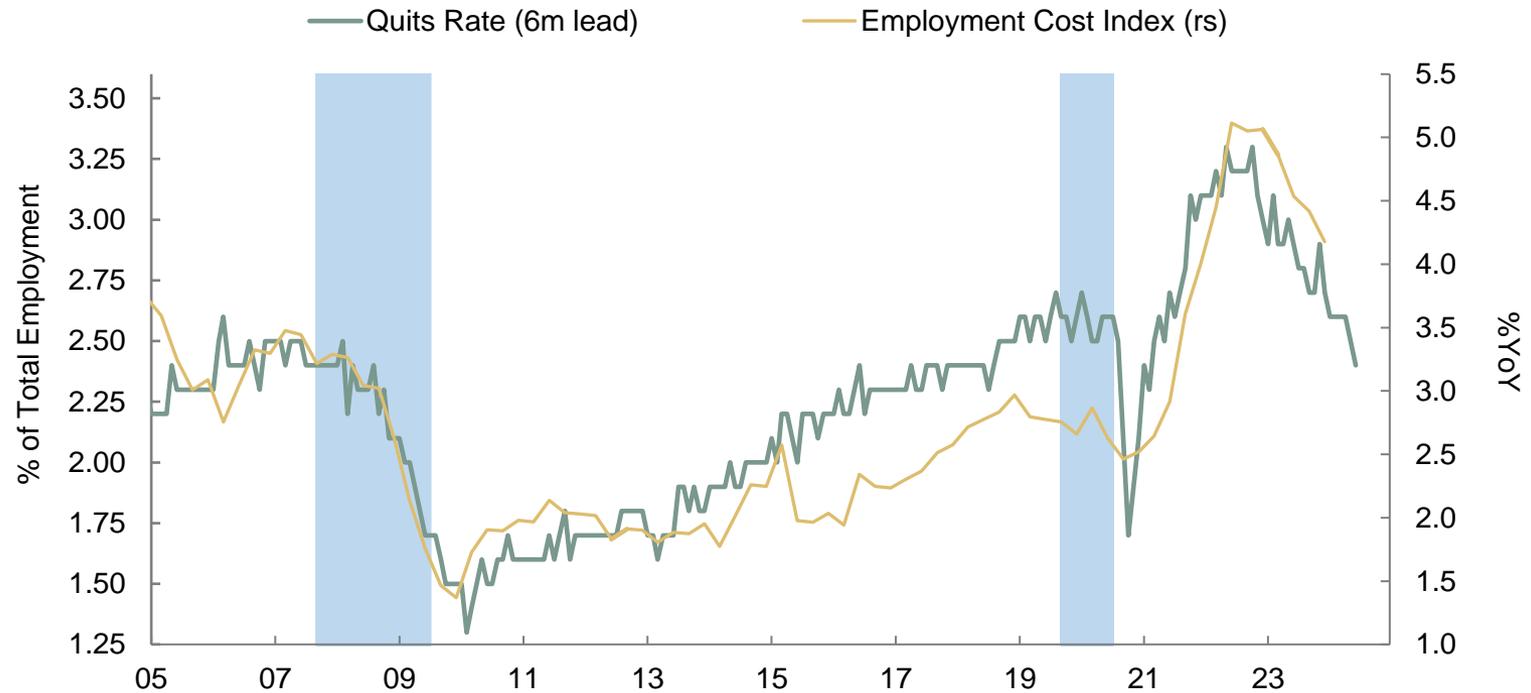
# A Better Example

But the period before and after the Second World War may be more apropos.



# Wage Inflation in Reverse

With the quits rate back to 2018 levels, wage growth has room to fall a lot more.



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