



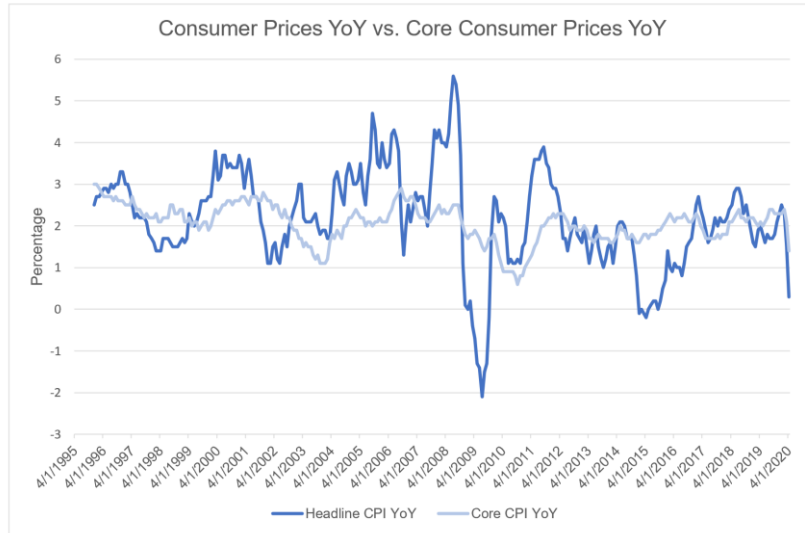
Core Consumer Price Index Marks Largest Decline in History of Index

Consumer Prices (CPI) for April paint a dire picture. Impacted by the economy completely shutting down as well as what the Bureau of Labor Statistics (BLS) notes as a suspension of the personal collection and temporary closures of certain establishments – “many indexes are based on smaller amounts of collected prices than usual, and a small number of indexes that are normally published were not published this month.” Bottom line, like the employment report collection, we are unable to paint a full picture of the underlying fundamentals this month. But based on the data we are receiving; the **Fed will need to pivot from the fire drill of stabilizing the economy to potentially fighting deflation.**

Within the details, headline CPI fell -0.8% this month, marking the largest decline since 2008 and is at 0.3% YoY. Core fell -0.4% this month, marking the largest decline in the history of the index and sits at 1.4% YoY. The downward trajectory looks to be following the extreme nature during the Great Financial Crisis (GFC), at which point the headline fell to -2.1% YoY while Core fell to 0.6% YoY. This will quickly become a problem for the Fed as they will do everything in their power to avoid deflation.

Gasoline fell -20.6% with declines from apparel, motor vehicle insurance, airline fares, and lodging away from home.

Not surprisingly, food posted the largest monthly increase since 1974 within headline while rent, owners' equivalent rent, medical care, and household furnishings all rose.



Source: Bureau of Labor Statistics, Smith Capital Investors 4/30/2020

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