Market Panics After JPM Predicts CPI Will Come Hotter Than Expected, White House Confirms

Description

A little over a week ago, in the aftermath of the latest PCE data (which came in line), stocks soared in anticipation of tomorrow's CPI print which the zeitgeist at the time saw as likely to be a miss, due to weakness below the surface in the latest PCE data.

Well, what a difference a few days makes because late on Thursday, stocks got pulverized amid speculation that Friday's CPI print will come in even hotter than expected.

The reason for that is a note from JPMorgan, which still has a widespread financial following despite blasting [market propaganda](#)such as this…

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JPMorgan Strategists Say Equities Are Flashing a Bullish Signal

- Reduced demand for hedging equity risk a bullish sign: JPM
- See fair value for S&P 500 in second quarter at 4,400 points

June 9, 2022, 7:22 AM UTC

… on most days when stocks crater, **in which the bank's chief economist Michael Feroli predicted that CPI would come in even hotter than consensus.**

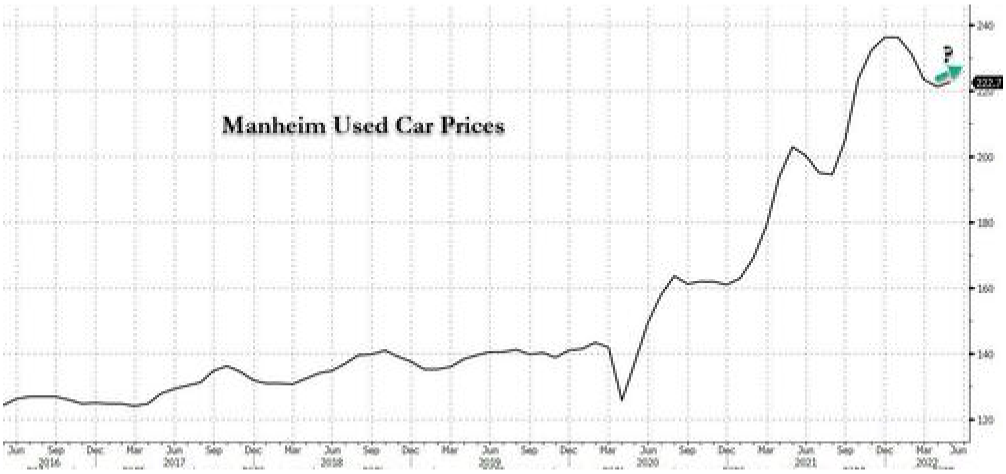
Excerpting from the JPM note (available to professional subs in the usual place), Feroli wrote that the consumer price index (CPI) likely increased 0.8% in May, above the 0.7% exp. and up from 0.3% in April. This jump will be due to a strong increase in energy prices (4.6%) — as gasoline prices increased noticeably again that month — along with continued solid gains for food prices (0.7%) and the core index (0.47%). With this forecast, JPM expects year-ago CPI inflation to hold at 8.3% between April and May, in other words, unchanged from last month and also **above the Wall Street consensus estimate of 8.2%.**

Offsetting JPM's headline gloom, the bank does expect some moderation in the core index, which it sees easing from 6.2% Y/Y in April to 5.8% Y/Y, below the 5.9% Wall Street consensus.

Drilling down on the core print, JPM said it looks for "solid price increases" across many of the main underlying categories. While rent measures have been firm lately, the bank expects strength to continue into May, with tenants' rent up 0.49% and owners' equivalent rent increasing 0.45%.

It gets worse: Feroli notes that **lodging prices also have jumped lately** as travel activity rebounded from the COVID-related shock and he looks for another strong increase in May, with prices up another 2.0%. At the same time, public transportation prices also have risen significantly lately, which likely reflects increased demand for travel and higher fuel prices; JPM expects a 1.5% increase in public transportation prices to be reported for May.

It gets even worse, with JPM next focusing on vehicle prices which have been in focus lately, with a surge in prices reported up until a few months ago. And while signals looked mixed regarding the May data, the bank doesn't expect particularly big changes to be reported for the month, with new vehicle prices up 0.4% and even used vehicle prices moving modestly higher again.



Finally, while overall inflation has been strong lately, communication prices have moved down in recent months, and JPM expects this downward trend to continue into May, with a 0.2% decline in prices during the month. Apparel prices also cooled in April following a run of strong gains and we expect an additional 0.1% decline to be reported for May.

And while one can ignore JPM's analysis, doing so became problematic when shortly after the close a White House official reiterated the warning that prices will come in hot, telling Fox News reporter Edward Lawrence that the White House expects "headline inflation will be elevated because gas prices were 8.5% were greater in April than May. The White House Official says that will seep into CORE inflation through airline tickets because of the price of jet fuel."

> A White House Official telling me they believe that inflation will moderate and finish lower at the end of this year than the rate at the end of 2021. #Inflation #WhiteHouse #Economy
>
> — Edward Lawrence (@EdwardLawrence) June 9, 2022

Of course, the presidency couldn't leave it on such a dismal note and told Lawrence that the White House is tracking a shift is spending habits from buying goods to buying services, which they believe will relieve pressure on supply chains as money moves from buying stuff to buying services.

Finally, when asked if the US is in a recession, the White House Official said that gains in the labor market & demand for goods don't indicate we are in a recession. They said it is "very unlikely". Official says the administration is in a "good spot to transition" the economy to stable growth. Which is great news, because judging how terrible the White House has been in its economic assessment of, well, anything, the US must now already be in a deep recession (if not depression) and the current burst of inflation is about to get Lehmaned as it did in 2008.

And yes, with both Lehman and the White House saying CPI will beat expectations, we are taking the under.

by Tyler Durden

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Date Created
06/10/2022