



## Economic highlights from the week ending on December 10, 2021

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Consumer price inflation remained elevated in November, in line with expectations. The Consumer Price Index (CPI) was up 6.8% year-over-year in November, versus up 6.2% year-over-year in October. Core CPI (CPI less food and energy) was up 4.9% year-over-year in November, versus up 4.6% in October. Pricing pressures were widespread in November, with notable gains for energy, food, used cars and trucks, new vehicles, and rent. We project that supply chain bottlenecks will continue to put upward pressure on prices over the near-term but believe that inflation may be at or near a peak and should improve next year amid an improving global health backdrop.



Nevertheless, with inflation no longer proving to be short-term or “transitory”, we anticipate the Federal Open Market Committee (FOMC) may announce plans to accelerate the pace of their tapering process when they meet next week. Expectations for a faster taper are largely priced into the market at this point. The implied probability of a rate hike at or before the May 4<sup>th</sup> FOMC meeting, based on fed funds futures prices, is currently above 70%, suggesting that a high percentage of market participants expect the taper process to be complete before May. We believe the Fed wishes to be positioned to respond to economic data as it evolves. The impact of the omicron variant and the overall outlook for the global health crisis remains uncertain, but there are some early signs that the new variant may be associated with more mild illness and existing vaccines may still be effective in preventing severe disease. In our view, should the demand environment remain strong in the US and economic data remain solid, we believe the Fed will continue to gradually remove policy accommodation, which is likely to put upward pressure on Treasury yields across the curve next year.



### Next Week

*Next week: Retail Sales, Empire State Manufacturing, Import & Export Prices, Business Inventories, Housing Market Index, FOMC Announcement, Housing Starts & Permits, Philly Fed, Industrial Production*



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