SUMMARY & OVERVIEW

This note takes a look at November's CPI data released this morning. Because of the government shutdown and resulting data collection issues, today's release had limited data for November, and no data from October. This month's note will therefore be shorter and sweeter than usual, and we'll try to stick to just the key points. Hopefully next month we can get back to our usually scheduled programming on this topic.

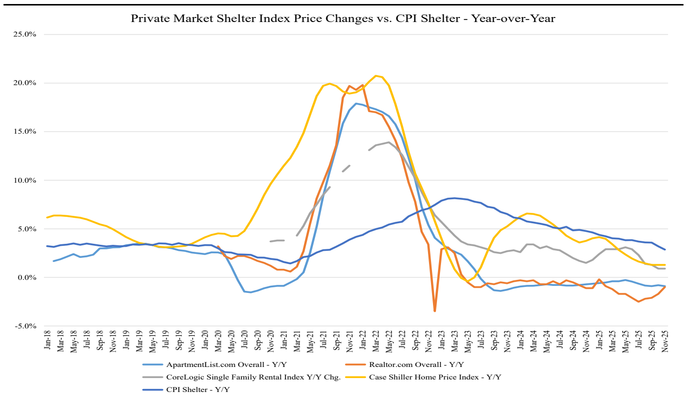
As a reminder, because we track price measures and metrics from publicly traded companies, we need to know the government data as intimately as we can to be able to compare the two. This is why we also write about the [Consumer Price Index] from the Bureau of Labor Statistics (BLS) each month in addition to our other writing on inflation. Considering the shutdown issues noted above, however, we should probably take this month's numbers with a bigger grain of salt than normal, as collection and processing were still likely at least somewhat affected for November.

Bottom line takeaways from November's CPI data:

1) For the most part, month-over-month (m/m) and index weighting data was not provided for November. **Most importantly, however, what BLS did report was that both headline and core CPI increased 0.2% *on a two month basis* compared to September. This puts a rough estimate at both components of the index at only 0.1% on a monthly basis for each of the last two months. That is a very encouraging datapoint, and is more than consistent with the Fed's 2% inflation target.**
2) On a year-over-year basis, core goods prices increased 1.4% (down from 1.5% in Aug / Sept), core services ex. shelter increased 2.7% (down from 3.1% in Sept and 3.35% in Aug) and shelter increased 3.0% (down from 3.6% in Aug / Sept). **In short, all three buckets of CPI moved in the right direction this month.**
3) **These positive trends helped produce headline and core CPI increases of 2.7% and 2.6% respectively in November. This was the lowest core inflation print since March of 2021.**
4) **Adjusting CPI shelter for private market data produces aggregate core inflation of ~1.2%, well below the 2.6% CPI reported**

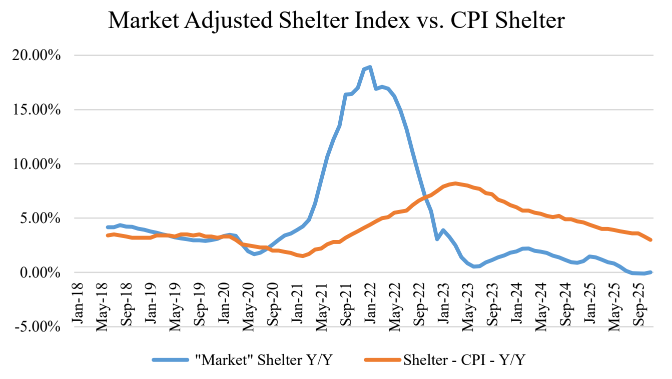
KEY CHARTS

Because of the limited data from today's release, we'll just show a few charts. First is our private market shelter tracker chart, which shows the trajectory of both home prices for sale and for rent, as well as apartment prices for rent as well. We then compare these private market data sources to the shelter component from the CPI.



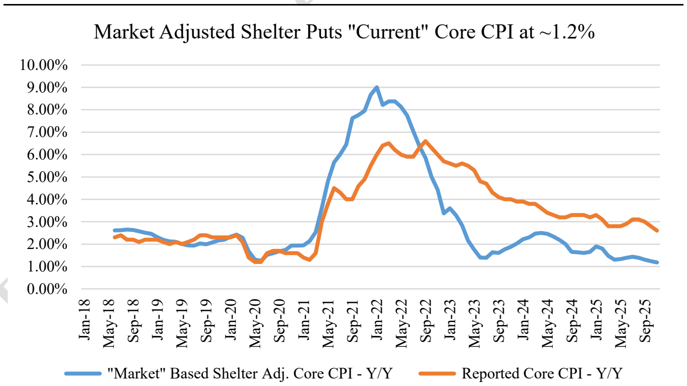
Source: *The Curb Economist*, BLS, ApartmentList, Realtor.com, Cotality

The next chart averages our private market data sources to produce a private market shelter index. We do this by taking a simple average of each data source. In November, our index remained at essentially zero inflation year-on-year, which was well below the CPI's 3% shelter inflation component. This has been the case for some time, but as the chart shows, CPI Shelter continues to move in the right direction, and the minimal increases on a month-on-month basis from November versus September suggests these two lines may start to (finally) converge a bit faster in coming months.



Source: *The Curb Economist*, BLS, ApartmentList, Realtor.com, Cotality

Our last chart then takes the Private Market Adjusted Shelter Index and substitutes it into Core CPI to produce a market shelter adjusted core CPI. This month that exercise produced core inflation of just under 1.2%, which compared to the 1.3% in September and 1.4% in August. November's 1.18% was the lowest our index has ever produced going back to at least 2018. This is very encouraging and suggests that while goods inflation may be higher than we'd like, lighter services and shelter inflation are more than offsetting it to the downside.



Source: *The Curb Economist*, BLS, ApartmentList, Realtor.com, Cotality

CONCLUSION

In summary, the main takeaways from November's CPI inflation data are twofold:

- **First, inflationary pressures in the economy remain meaningfully subdued, and for seemingly everything but goods, they're lessening, not accelerating.**
- **Second, price inflation is likely already at, and potentially even well *below,* the Fed's inflation target. Our latest estimate for actual core inflation in the economy today stands at 1.2% year-over-year, which is quite a bit below the Fed's 2% inflation target.**

The Fed recently cut rates at the December meeting, but given increasing evidence of benign price inflation in the economy, it seems likely the Fed will continue to focus on the weakness in the labor market, something we've continued to highlight in recent months. We therefore wouldn't be surprised, and would in fact recommend, that the Fed continue to keep cutting interest rates in early 2026.