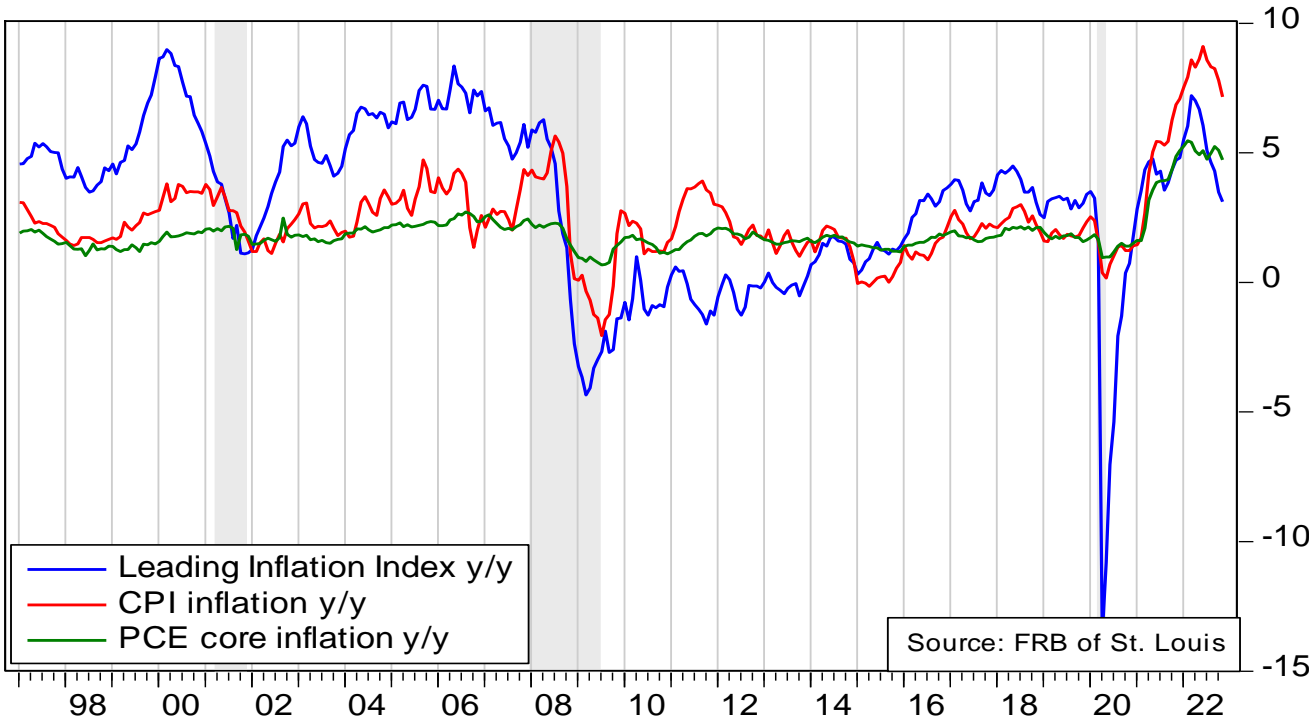


# Globicus Leading Inflation Index

Globicus leading inflation is designed to spot turning points in the inflation rate. The leading index peaked in March 2022 and is still falling indicating further decline in inflation to come. The CPI inflation peaked in June 2022 at 9.2% and was 7.1% in November. Personal Consumption Expenditures Price Index, ex Food and Energy (PCE), peaked in March 2022 at 5.4% and the PCE inflation rate was 4.7% in November.

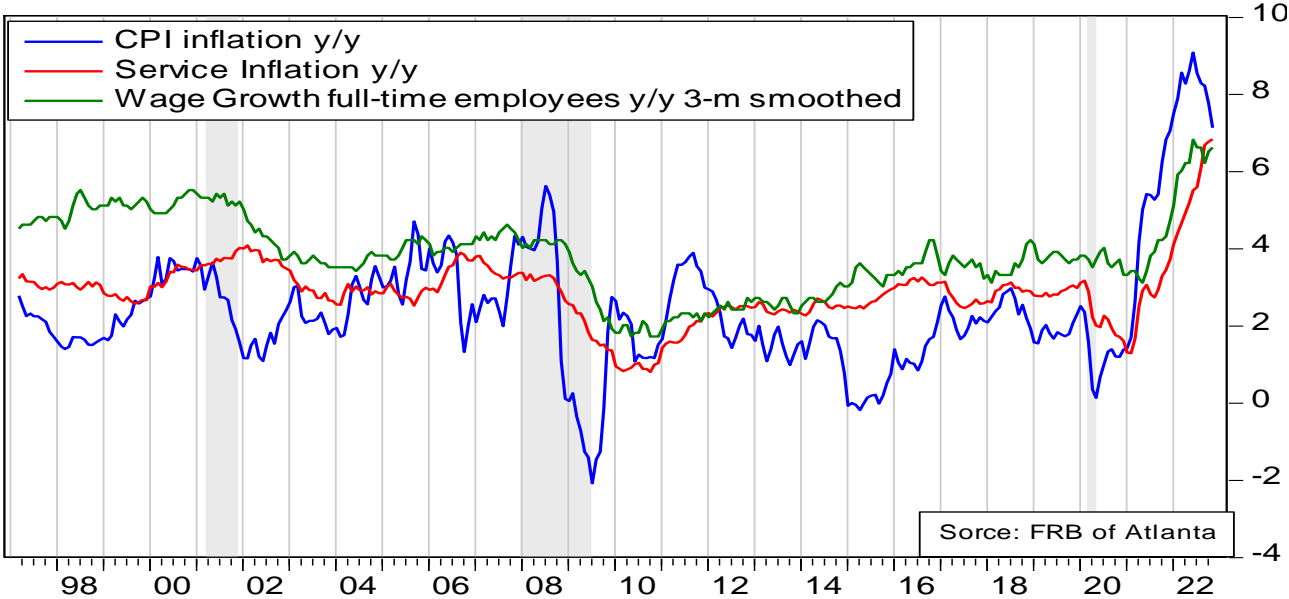
### Globicus Inflation Index and Inflation



Inflation has moderated from its recent peak of 9.1% in June to 7.1% in November, measured by CPI. The improvement stems mostly from the opening of supply chains and other bottlenecks. Primarily the relief is in the goods market, while service inflation and wage pressure continue to be high.

Although CPI inflation has peaked service inflation made a new recent high of 6.8% in November. Wage gains peaked at 6.8% in June and moderated somewhat to 6.6% in November. Wage gains is usually lagging the inflation rate as it is normally the result of employees trying to catch up with lost purchasing power.

CPI and Service Inflation and Wage Growth



Even so, both service inflation and wage gains may indicate that inflation may be sticky and take longer to come down to Fed's 2% target than most people realize. The Fed expects their favorite inflation measure, the PCE, at 3.1% in 2023 and 2.5% in 2024. This is maybe reasonable without a recession but if there is a recession, we believe rates will come down faster.