

Our values appreciate yours

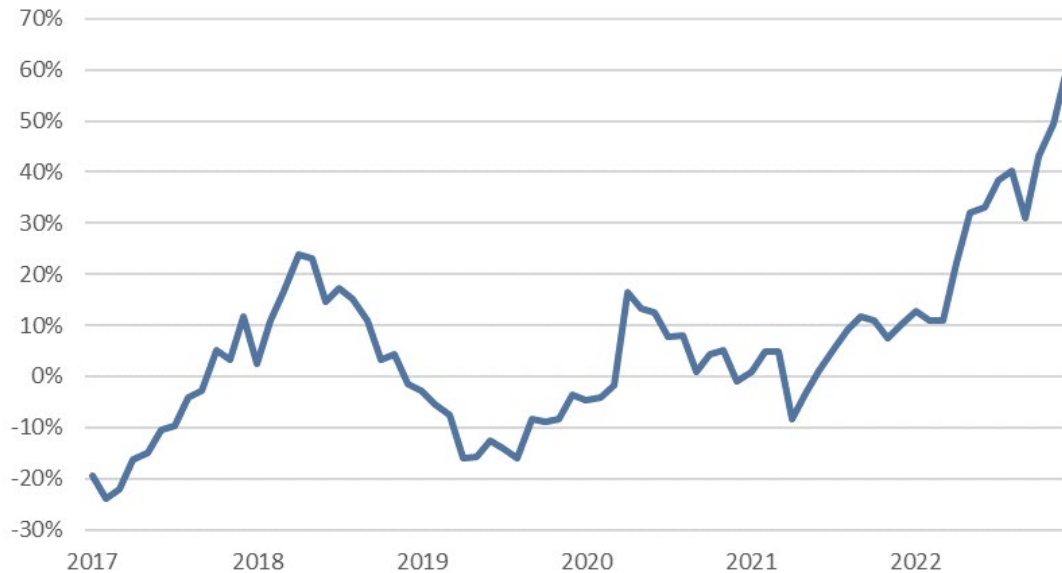
MARKET COMMENTARY

The ongoing surge in egg prices - up 60% from this time last year – reminds us of a story in Robert Samuelson’s *The Great Inflation and its Aftermath*. In 1966, President Lyndon B. Johnson was in the midst of a fight against inflation and turned his sights on the lowly egg. Egg prices had risen 30% year-over-year, and he needed a way to lower demand:

"When egg prices rose in the spring of 1966 and Agriculture Secretary Orville Freeman told him that not much could be done, Johnson had the Surgeon General issue alerts as to the hazards of cholesterol in eggs."

In doing so he unfairly tarnished the egg’s reputation for at least a generation.

Fig. 1: Consumer Price Index–Eggs

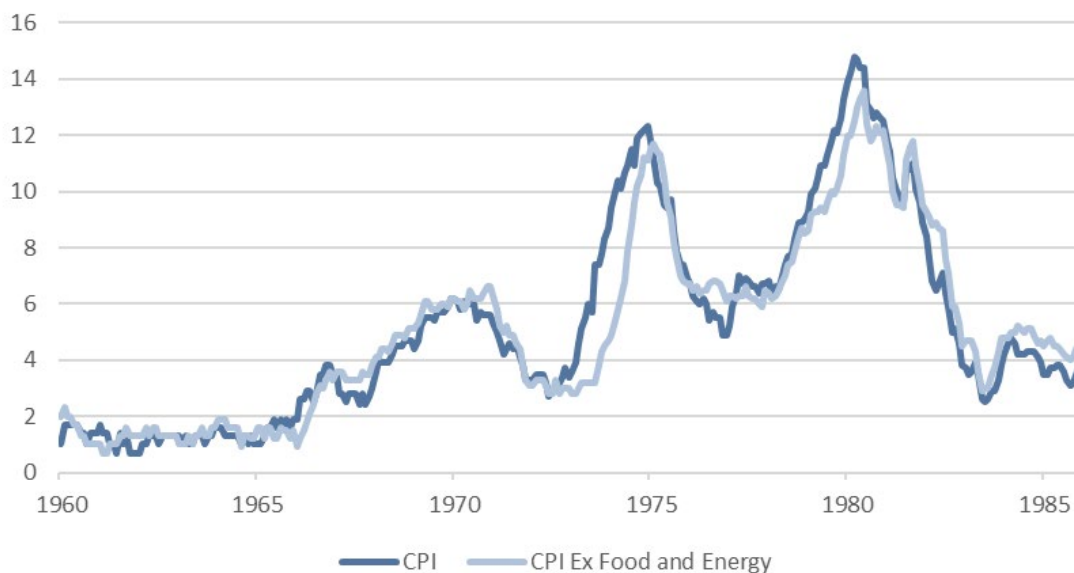


Source: Bloomberg, Mill Creek.

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Eating habits aside, the 1965-1970 inflationary period ended up as a mostly forgotten prelude to the 1970s:

Fig. 2: Consumer Price Index (year-over-year change)

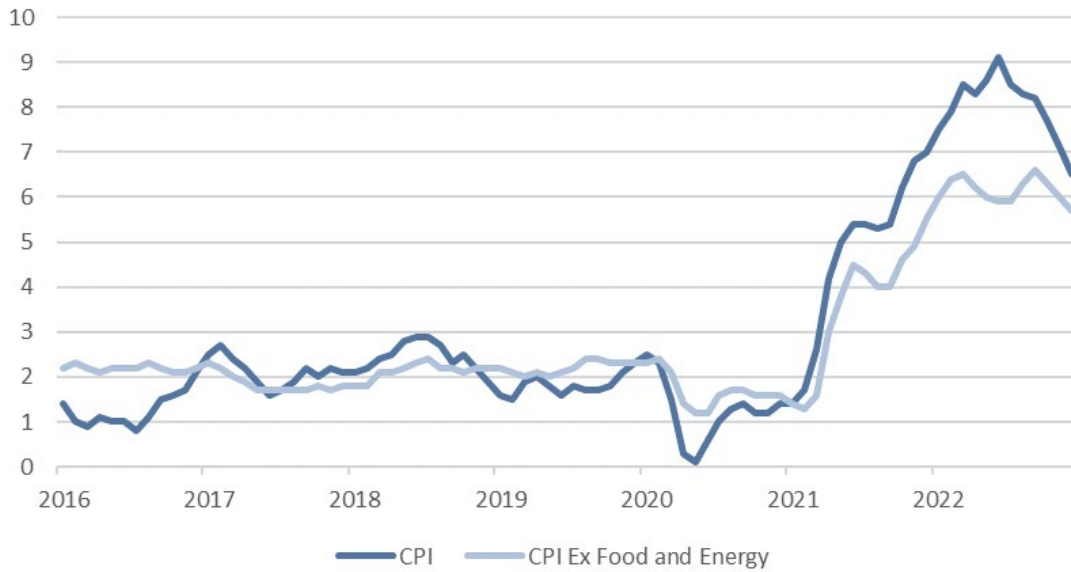


Source: Bloomberg, Mill Creek.

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The late 60s also serve as a reminder that there can be many false dawns in the fight against inflation. However, last week's Consumer Price Index release was a welcome indication that the peak of inflation might be behind us:

Fig. 3: Consumer Price Index (year-over-year % change)

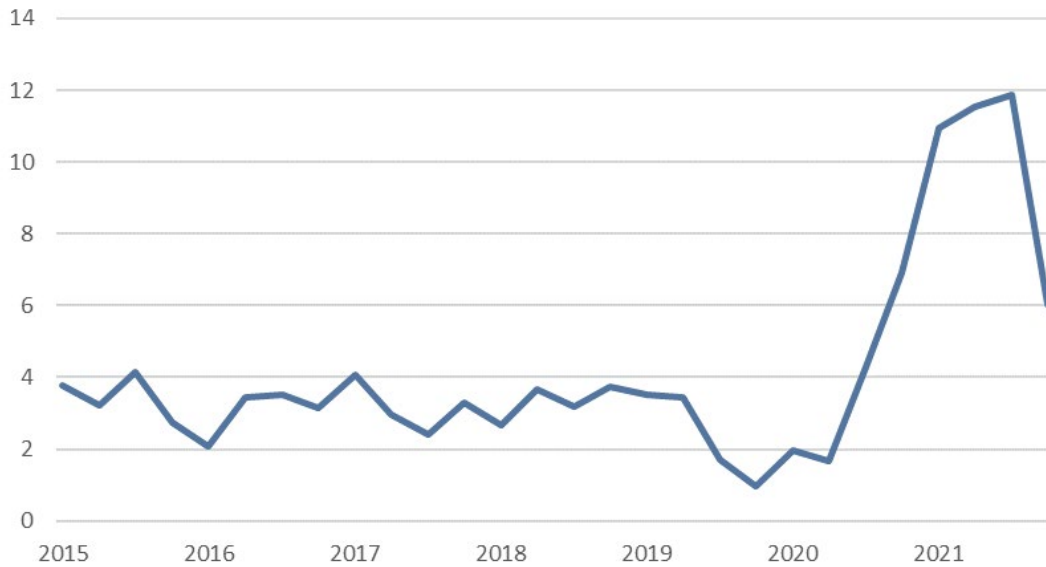


Source: Bloomberg, Mill Creek.

Also on the positive side: goods prices have turned decidedly negative, rent inflation is slowing quickly, and services inflation, excluding rent, has slowed quite a bit over the last three months.

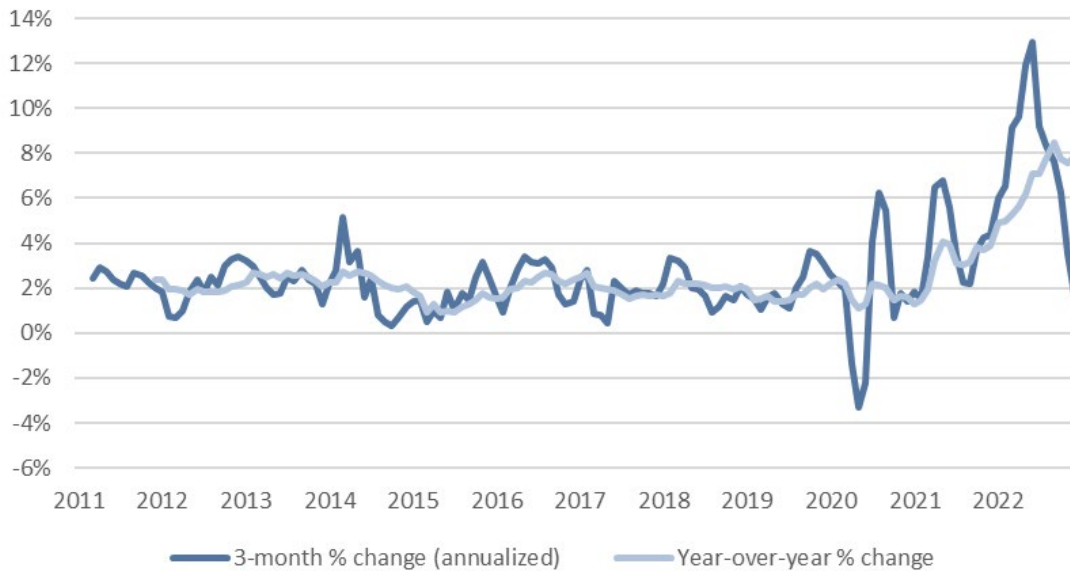
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Fig. 4: Cleveland Fed New Tenant Repeat Rent Index (year-over-year % change)



Source: Bloomberg, Mill Creek.

Fig. 5: Service Inflation Excluding Rent



Source: Bloomberg, Mill Creek.

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Overall, inflation has moderated to the point that the Fed will likely only hike one or two more times and see how far the current [disinflationary momentum](#) can take them.

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This week's contributor: Michael Crook, CAIA

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