

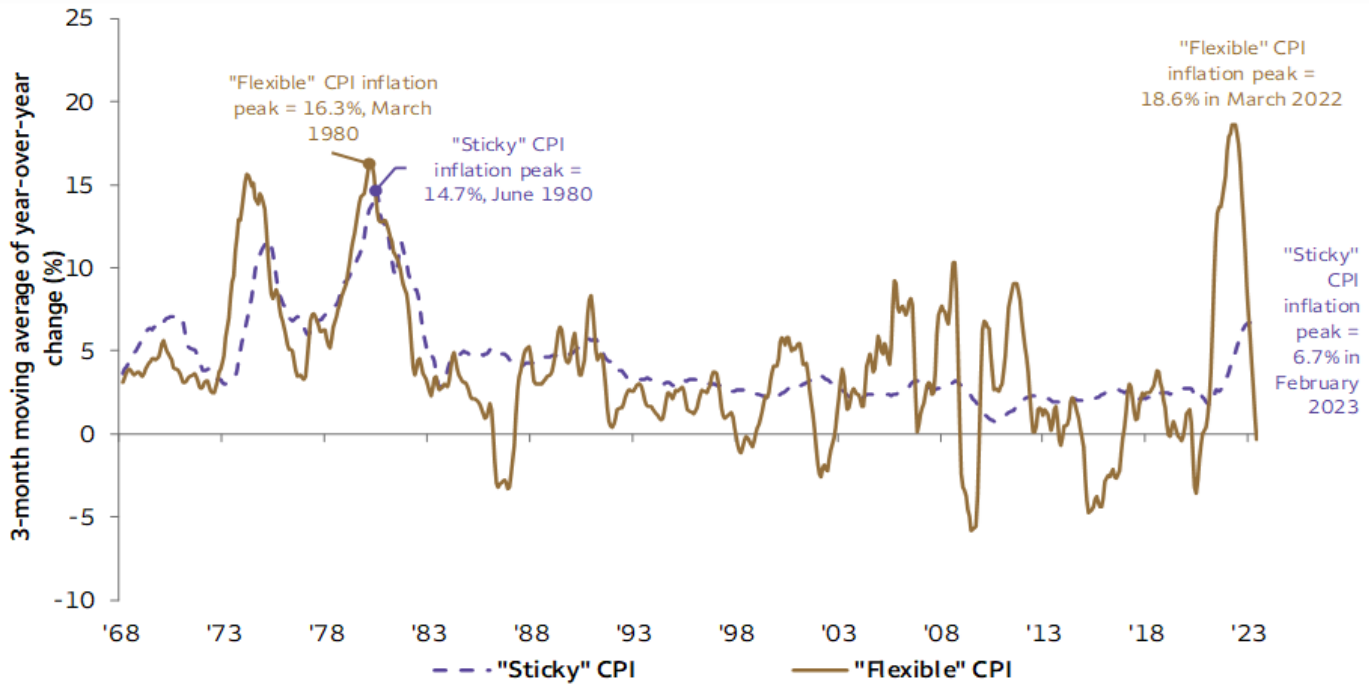


# Chart of the Week

Weekly market analysis on key market indexes

August 1, 2023

## The road ahead for inflation — We expect bumps



Sources: Bloomberg, Federal Reserve Bank of Atlanta, U.S. Department of Labor, and Wells Fargo Investment Institute. Monthly data from January 1, 1968, to June 30, 2023. Sticky inflation is measured by components that change pricing less frequently, such as rents, education, and public transportation. Flexible inflation is measured by components that change pricing more frequently, such as car rental, gas, and electricity.

### Consumer Price Index (CPI) inflation has trended down; “sticky” inflation remains elevated.

This chart shows that “flexible” CPI inflation — for components like gas and electricity prices that can move up or down quickly — has come down sharply since its March 2022 peak. But “sticky” inflation — for less economically sensitive components like education and rent — remains elevated. Sticky inflation reached a cycle high of 6.7% in February 2023 but has started to slow, moving down to 6.1% in June 2023.

#### What it may mean for investors

We expect a bumpier path for inflation readings ahead, including, potentially, readings higher than June’s 3.0% year-over-year CPI inflation report. Inflation declined steeply in 2022, which should make for more difficult comparisons in year-over-year CPI inflation calculations. We also see tight housing inventories, resilient rental prices, and rising crude oil prices, as well as the potential for food-price inflation sparked by supply disruptions from El Niño, broader climate change issues, and the war in Ukraine.

This chart was excerpted from the Economic and Market Strategy Update dated June 2023.

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### Definitions

**Consumer Price Index (CPI)** produces monthly data on changes in the prices paid by urban consumers for a representative basket of goods and services.

An index is unmanaged and not available for direct investment.

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