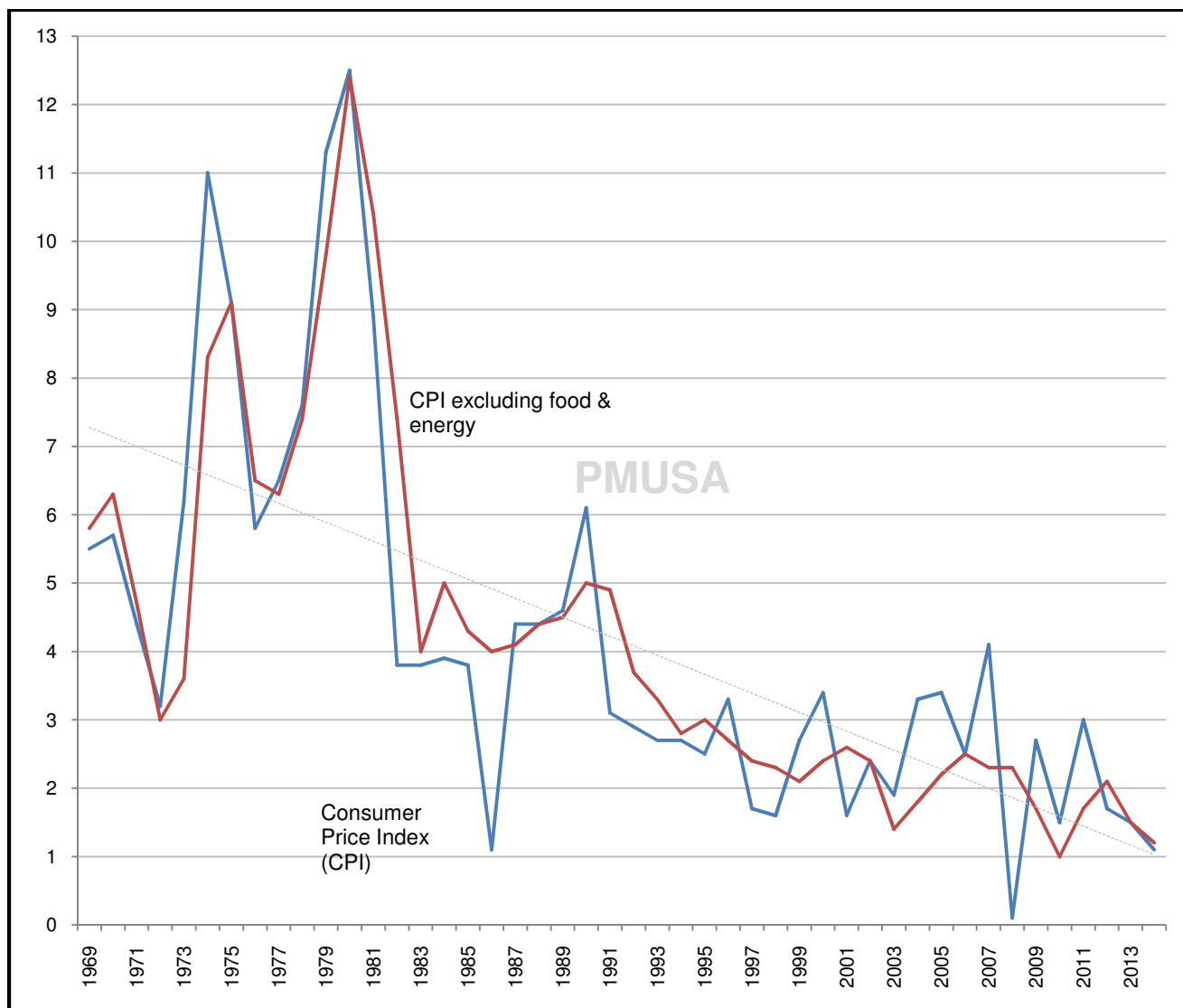


## CONSUMER PRICE INDEX 1969-2014 (PERCENT CHANGE)



(Source: U.S. Bureau of Labor Statistics)

### 2017 (mthly percent change)

Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec
0.6											

The Consumer Price Index (CPI) is an inflation gauge that measures the cost of a standard basket of goods and services compared to the cost of the same basket of goods and services in a fixed year. The trend in CPI over the past 45 years is clearly lower; lower rates of change in prices year-over-year. Two spikes dominate the chart, both in the 1970's. The spike from '73-'75 was the first oil price shock resulting from the 1973 Yom Kippur War. OPEC initiated an oil embargo in retaliation for the U.S. supporting and arming the Israelis. The spike from '78-'81 was the second oil price shock resulting from the 1979 Iranian Revolution and the ensuing Iran-Iraq war in 1980. Since that time, motivated by a new style of monetary policy and trade with China inflation rates have continued lower. Since future inflation expectations are influenced by recent experience, the trend of low and stable CPI rates should continue in 2015. However, massive central bank printing activity around the world led by the U.S. Federal Reserve since 2009 has injected significant risk for the inflation outlook. In early 2015 deflation is the buzz-word; that could turn around quickly. *CPI is released on a monthly basis and has two components. The headline CPI, and CPI excluding food & energy (2015 avg.1%)*