



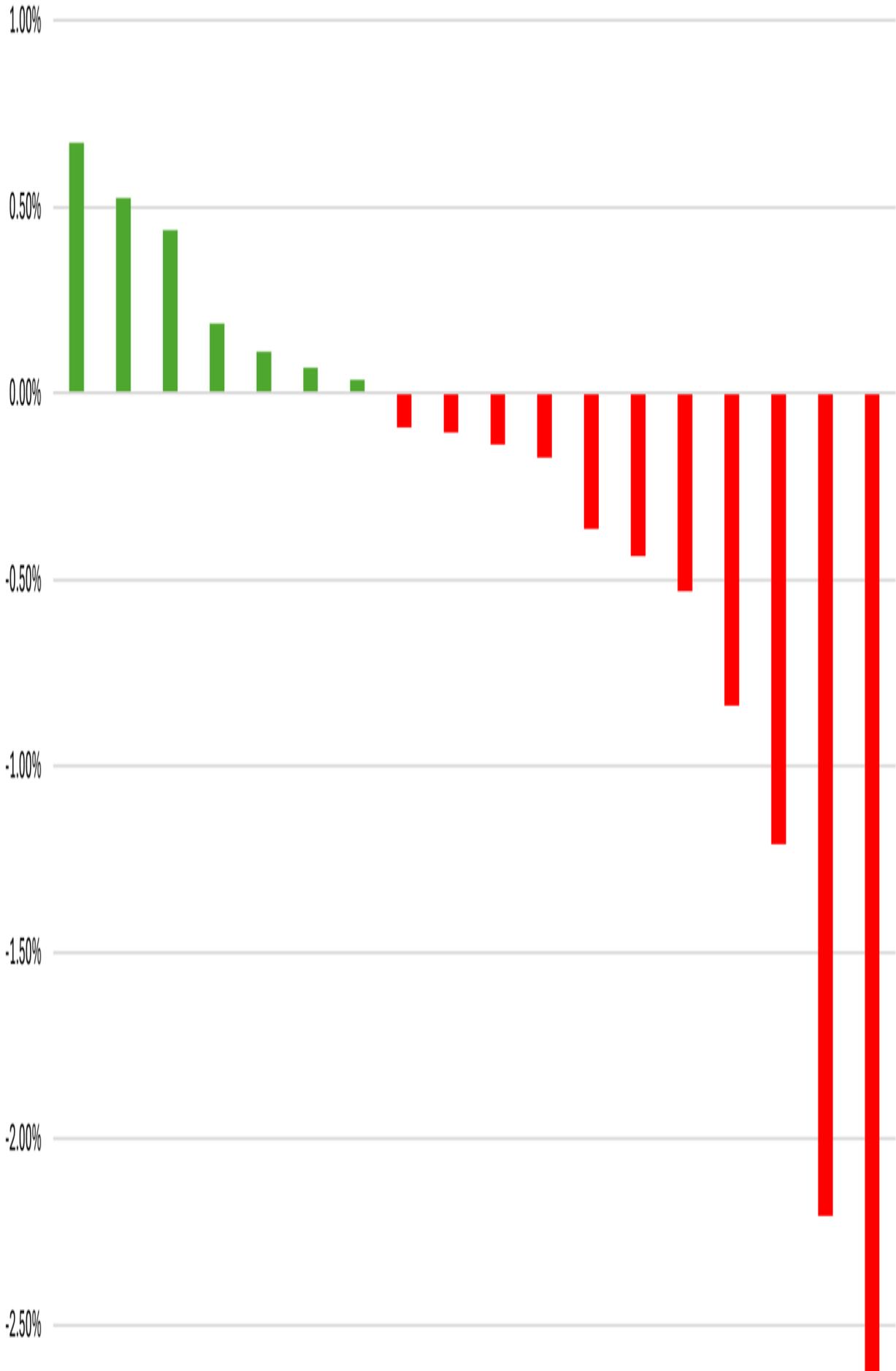
Online Prices Point To Deflation

The [Adobe Digital Price Index](#) claims to use data from over one trillion online consumer transactions comprising over 100 million unique product SKUs. While those are massive numbers, Statista estimates only 16% of retail sales will come from online transactions in 2024. Despite the relatively small percentage, over 75% of adults shop online, and over half shop online at least once a week. Therefore, in-store prices must stay somewhat competitive with online prices. As such, Adobe's price index provides a decent price gauge for consumer goods and may even prove to be a leading indicator of consumer price trends. With that, we present a few interesting data points and graphs from the latest Adobe data.

- Monthly grocery prices fell 3.7% in August and are running +.48% year over year. That is the lowest monthly figure since the index started in 2014.
- The graph below shows that of the 18 price categories they track, 11 have been declining on average over the last three months.
- Adobe claims prices fell .24% in aggregate last month, bringing the year-over-year rate to -4.37%.

Austan Goolsbee and Pete Klenow created the Adobe model. Goolsbee was recently appointed as the President of the Chicago Federal Reserve. The data we present may help explain why he seems more confident than other Fed members that inflation will return to the Fed's 2% target.

3-Month Average Monthly Adobe Digital Prices



What To Watch Today

Earnings

Time	Symbol	Company Name	Market Cap ▼	Fiscal Quarter Ending	Consensus EPS* Forecast	# of Ests	Last Year's Report Date	Last year's EPS*
	ADBE	Adobe Inc.	\$254,724,432,000	Aug/2024	\$3.63	12	9/14/2023	\$3.26
	KR	Kroger Company (The)	\$37,749,660,356	Jul/2024	\$0.91	8	9/08/2023	\$0.96

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Economy

Time	Event	Impact	Actual	Consensus	Previous
THURSDAY, SEPTEMBER 12					
12:30	USD Initial Jobless Claims (Sep 6)		-	230K	227K
12:30	USD Producer Price Index (MoM) (Aug)		-	0.1%	0.1%
12:30	USD Producer Price Index (YoY) (Aug)		-	1.8%	2.2%
12:30	USD Producer Price Index ex Food & Energy (MoM) (Aug)		-	0.2%	0%
12:30	USD Producer Price Index ex Food & Energy (YoY) (Aug)		-	2.5%	2.4%
18:00	USD Monthly Budget Statement (Aug)		-	\$-349.6B	\$-244B
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Market Trading Update

[Yesterday, we discussed](#) how bonds were overbought short-term and needed a bit of a correction. Yesterday's CPI print, with core inflation rising, may have started that correction. However, today's PPI print will also be important. The inflation print was cool enough at the headline to spark a stock market rally as investors settle in on a 25 basis point cut at the Fed meeting next week.

Notably, yesterday's rally was a return of the *Magnificent 7*, which has been under pressure lately. However, these companies, in particular, generate a vast portion of the overall earnings growth in the index. With inflation coming down and personal consumption remaining steady, the earnings for these companies will likely continue to drive the markets for now.



Use mouse wheel to zoom in and out. Drag zoomed map to pan it.
 Double-click a ticker to display detailed information in a new window.

Hover mouse cursor over a ticker to see its main competitors in a stacked view with a 2-month history graph.



Technically speaking, yesterday's rally was extremely bullish. In the morning, the market initially sold off following the CPI report. However, as the markets digested the data, buyers entered at the 100-DMA and drove the market above the 50-DMA by the end of the day. That successful test of support and break of overhead resistance sets the market up to retest recent highs. With the market not overbought and the MACD beginning to turn higher, we should see some follow-through buying today if the Producer Price Index confirms the trend of weakening inflationary pressure.



TradingView



Continue to manage exposures. While the market does not have an *?all clear?* just yet, yesterday's action was very encouraging.



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The CPI Report

Headline CPI came in as expected, rising 0.2% monthly and 2.5% annually. Core CPI was a tenth higher than expectations at 0.3%, but on a year-over-year basis, met expectations of 3.2%. Notably, the annual inflation rate fell from 2.9% to 2.5%. The decline was due to a monthly annualized inflation reading of 4.3% from 13 months ago dropping out of the calculation. This is the lowest inflation reading since March 2021.

Once again, shelter prices account for nearly all of the monthly gains. Shelter prices were up 0.5%. As shown below, CPI less shelter has been at zero for the last two months and is slightly negative for the previous three months. As we continually harp on, when CPI shelter prices catch up with real-time price indicators of rents, CPI will take another leg lower, possibly into deflationary territory.

The data further confirms that the Fed will likely cut rates by 25 bps next week. As implied by Fed Funds futures, the odds of a 50bps cut is 12%, down from over 50% a week ago.

Table 3. Consumer Price Index for All Urban Consumers (CPI-U): U.S. city average, special aggregate indexes, August 2024
 [1982-84=100, unless otherwise noted]

Special aggregate indexes	Relative importance Jul. 2024	Unadjusted indexes			Unadjusted percent change		Seasonally adjusted percent change		
		Aug. 2023	Jul. 2024	Aug. 2024	Aug. 2023-Aug. 2024	Jul. 2024-Aug. 2024	May 2024-Jun. 2024	Jun. 2024-Jul. 2024	Jul. 2024-Aug. 2024
All items less food.....	86.571	304.376	312.042	312.308	2.6	0.1	-0.1	0.2	0.2
All items less shelter.....	63.608	280.663	284.010	283.681	1.1	-0.1	-0.2	0.0	0.0
All items less food and shelter.....	50.180	269.913	272.587	272.145	0.8	-0.2	-0.3	0.0	0.0
All items less food, shelter, and energy.....	43.244	269.642	273.621	273.907	1.6	0.1	0.0	0.0	0.1

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All items less food.....	86.571	304.376	312.042	312.308	2.6	0.1	-0.1	0.2	0.2
All items less shelter.....	63.608	280.663	284.010	283.681	1.1	-0.1	-0.2	0.0	0.0
All items less food and shelter.....	50.180	269.913	272.587	272.145	0.8	-0.2	-0.3	0.0	0.0
All items less food, shelter, and energy.....	43.244	269.642	273.621	273.907	1.6	0.1	0.0	0.0	0.1

Cash Cows Inform Us On Yields

We have written many articles and commentaries forecasting interest rates. The analysis has used prior and current inflation and economic activity. Additionally, we have looked at market data on inflation expectations, Fed Funds futures, and other factors that influence interest rates. Today, we add an unorthodox factor to the list: cash cows.

This article introduces a unique way to imply where dividend investors think interest rates will be in the future.

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RIA SimpleVisor		Current Div	Avg Div	Price Return	Spread to	Avg. Spread	Price Return	Implied 10yr
Ticker	Name	Yield %	Yield (5yrs)	to Avg Div	Tsy (bps)	to Tsy (bps)	to Avg	UST Yield
			%	Yield			Spread vs	
							Tsy	
AEP	American Electric Power Company Inc.	3.58	3.57	0.48%	-0.25	1.45	-32.12%	2.13%
BBY	Best Buy Co. Inc.	4.27	3.59	18.97%	0.44	0.24	4.78%	4.02%
CHT	Chungghwa Telecom ADR	3.84	3.87	-0.91%	0.01	2.34	-37.74%	1.50%
DEO	Diageo plc ADR	3.19	2.34	36.23%	-0.64	0.34	-23.34%	2.86%
DTE	DTE Energy Co.	3.30	3.32	-0.67%	-0.53	1.30	-35.71%	2.00%
ESS	Essex Property Trust, Inc.	3.31	3.37	-1.67%	-0.52	0.80	-28.47%	2.51%
F	Ford Motor Co.	5.32	3.30	61.54%	1.50	1.40	1.78%	3.92%
GILD	Gilead Sciences, Inc.	4.01	4.10	-1.97%	0.19	1.01	-17.06%	3.00%
LNT	Alliant Energy Corp.	3.31	3.11	6.22%	-0.52	1.09	-32.75%	2.22%
MO	Altria Group Inc.	7.78	8.08	-3.75%	3.95	3.59	4.95%	4.19%
SPG	Simon Property Group, Inc.	4.92	6.29	-21.66%	1.10	1.84	-13.14%	3.08%
TLK	Telkom Indonesia (Persero) ADR	6.05	4.45	36.03%	2.22	1.18	20.82%	4.87%
TROW	T. Rowe Price Group Inc.	4.52	3.41	32.54%	0.70	0.18	12.99%	4.35%
WEC	WEC Energy Group Inc	3.60	3.16	14.13%	-0.22	0.69	-20.13%	2.92%
WY	Weyerhaeuser Co.	2.55	2.43	4.81%	-1.28	0.41	-39.87%	2.14%
Average		4.24	3.89	12.02%	0.41	1.19	-15.67%	3.05%

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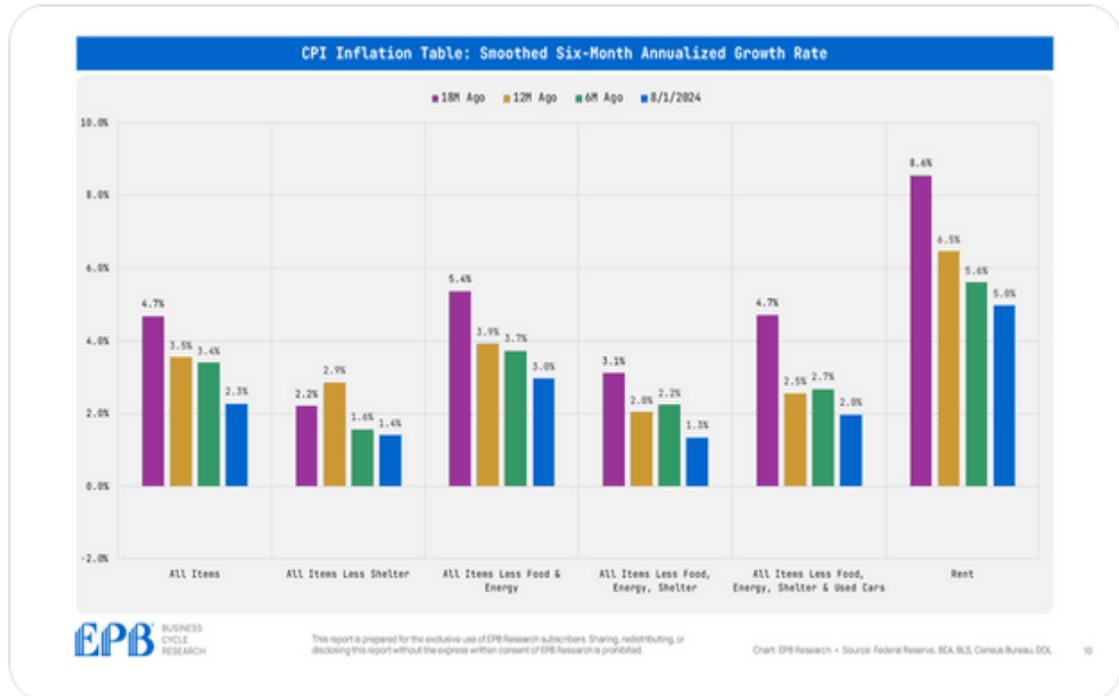
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CPI Inflation Trends:

All the major categories that exclude **shelter** are at 2.0% or lower.

Shelter/rent remains the biggest factor keeping inflation above the Fed's target.



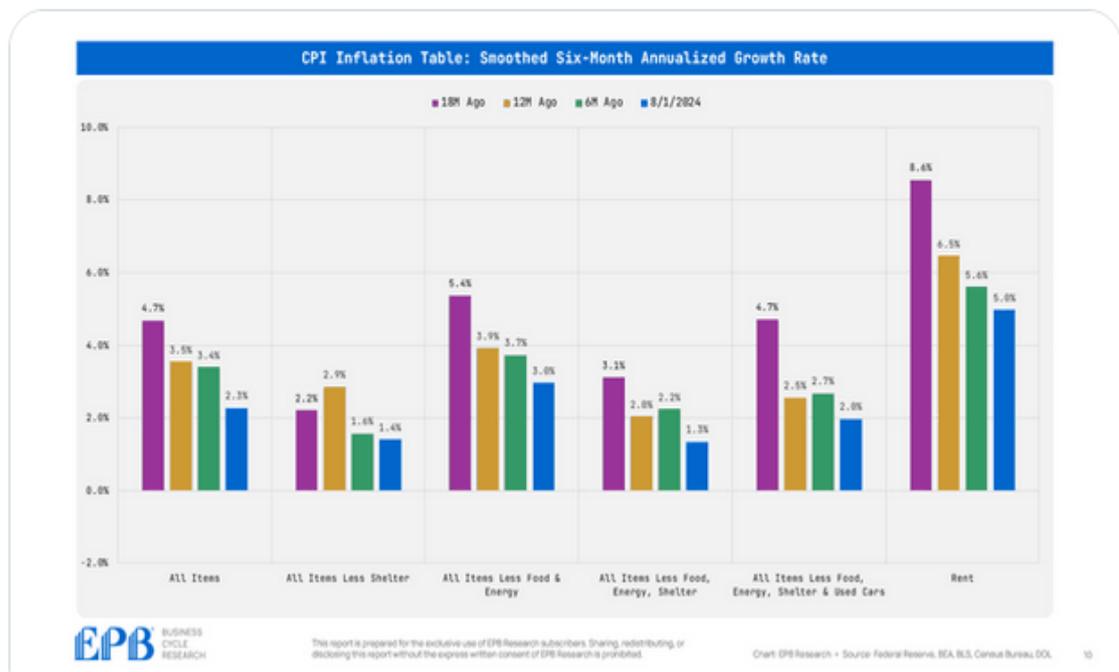
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Michael Lebowitz, CFA is an **Investment Analyst and Portfolio Manager for [RIA Advisors](#)**, specializing in macroeconomic research, valuations, asset allocation, and risk management. **RIA Contributing** Editor and **Research Director**. CFA is an Investment Analyst and Portfolio Manager; **Co-founder of** **720 Global Research**;

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