

ShadowStats Flash Update No. 16

December 2019 Federal Open Market Committee Meeting

December 11, 2019

Ongoing Nonsense Out of the Federal Open Market Committee

FOMC-Proclaimed Sustainable Moderate Growth Continues!

**Meeting Market Expectations, the FOMC Held Rates in Check, with
No Intention of Alleviating an Unacknowledged, Troubled Economy and with
No Intention of Helping Troubled Consumer Liquidity**

**FOMC Projects that Jobs Growth Will Remain Strong, Yet, Persistent,
Historically Low Annual Payroll Growth Faces a Heavy Hit From
Pending, Already Indicated Downside Benchmark Revisions**

50-Year Low Unemployment, Yet Labor Market Stress Looks Like a Recession

**Fed Purportedly Has Gained Control of Inflation, Which Is Happy News,
Unless You Are Trying to Make Ends Meet**

**For All Employees, November Real Average Hourly and Weekly Earnings
Showed Zero Monthly Growth for the Third Straight Month**

**Although Still Not Understood by the FOMC, Systemic Liquidity Issues
Purportedly Are Under Control with Balance Sheet Expansion**

**FOMC Held Interest Rates Unchanged for the Benefit of Its Parent Banking System,
Not for the Benefit of the Broad Economy and Not For the Benefit of the Average U.S. Consumer**

Targeted Federal Funds Rate Held at 1.50% to 1.75%

Expanded Non-QE Quantitative Easing Continues to Prop Systemic Liquidity

The Fed's Federal Open Market Committee Acted Not to Ease on December 11th, As Expected by the Banking Community and the Financial Markets. The effect of not moving now to stimulate the economy has been to weaken systemic stability further, making effective future economic stimulus all that more difficult and expensive to implement.

Notching Systemic Stability Lower. In the context of major concepts addressed in [Special Commentary No. 985](#) and [Bullet Edition No. 15](#), published in the last week, today's brief *Flash Update No. 16* effectively is supplemental, shown in the context here of highlighting early comments/headlines on today's (December 11th) FOMC Meeting, Decisions and Press Conference, in the context of those prior missives, along with preliminary coverage of the November 2019 CPI, as released this morning. Full coverage follows this weekend in *Bullet Edition No. 16*, with an extended FOMC review, along with headline details and graphs on the November 2019 CPI (published today), PPI (Dec 12) and Retail Sales (Dec 13). Links to today's FOMC and pronouncements are found here: [FOMC statement](#) and [FOMC Projections](#).

Best Wishes -- John Williams (707) 763-5786, johnwilliams@shadowstats.com

[Background material to today's headlines begins on the next page.]

Background to the ShadowStats Headlines

ShadowStats' Headlines and Linked Material: Beyond the first general opening headline on today's covering page, consider the related background here:

- *FOMC-Proclaimed Sustainable Moderate Growth Continues!* - Consider [Special Commentary No. 985](#).
- *Meeting Market Expectations, the FOMC Held Rates in Check, with No Intention of Alleviating an Unacknowledged, Troubled Economy and with No Intention of Helping Troubled Consumer Liquidity* - Consider "Consumer Needs and Finances" and related graphs on page 19 of [Bullet Edition No. 15](#).
- *FOMC Projects that Jobs Growth Will Remain Strong, Yet, Persistent, Historically Low Annual Payroll Growth Faces a Heavy Hit From Pending, Already Indicated Downside Benchmark Revisions* - Consider "Nonfarm Payroll Employment Buffeted by GM Strike" and related graphs (particularly *Graph No. 9b*), beginning on page 10 of [Bullet Edition No. 15](#).
- *50-Year Low Unemployment, Yet Labor Market Stress Looks Like a Recession* - Consider "Current Labor-Market Stress: Common to Recession, Not to Record Low Unemployment" and related graphs, beginning on page 6 of [Bullet Edition No. 15](#).
- *Fed Purportedly Has Gained Control of Inflation, Which Is Happy News, Unless You Are Trying to Make Ends Meet* - Consider today's preliminary coverage and related graphs of the November 2019 Consumer Price Index (CPI), beginning on page 5 here.
- *For All Employees, November Real Average Hourly and Weekly Earnings Showed Zero Monthly Growth for the Third Straight Month* - Consider the same detail (page 6) of today's *Flash Update*, particularly **Graph 3**.
- *Although Still Not Understood by the FOMC, Systemic Liquidity Issues Purportedly are Under Control with Balance Sheet Expansion* - Consider "Federal Reserve Activity" beginning on page 21 of [Bullet Edition No. 15](#).

November 2019 Annual CPI-U Inflation Rose to a 12-Month High of 2.1%

Real Earnings Were Unchanged for the Third Straight Month

[Discussed in today's (December 11th) ***Daily Update*** section on the ShadowStats homepage (www.shadowstats.com), as to the November Consumer Price Index (CPI).]

November 2019 Consumer Price Index (CPI) Rose 0.26% in Month, 2.05% Year-to-Year. Although monthly CPI-U inflation slowed to 0.26% in November, from 0.36% in October, annual inflation jumped to a twelve-month high of 2.05% in November, versus 1.76% in October, as reported December 11th, by the Bureau of Labor Statistics. The year-to-year increase in annual inflation was an artefact of the extreme volatility seen in gasoline prices one year ago.

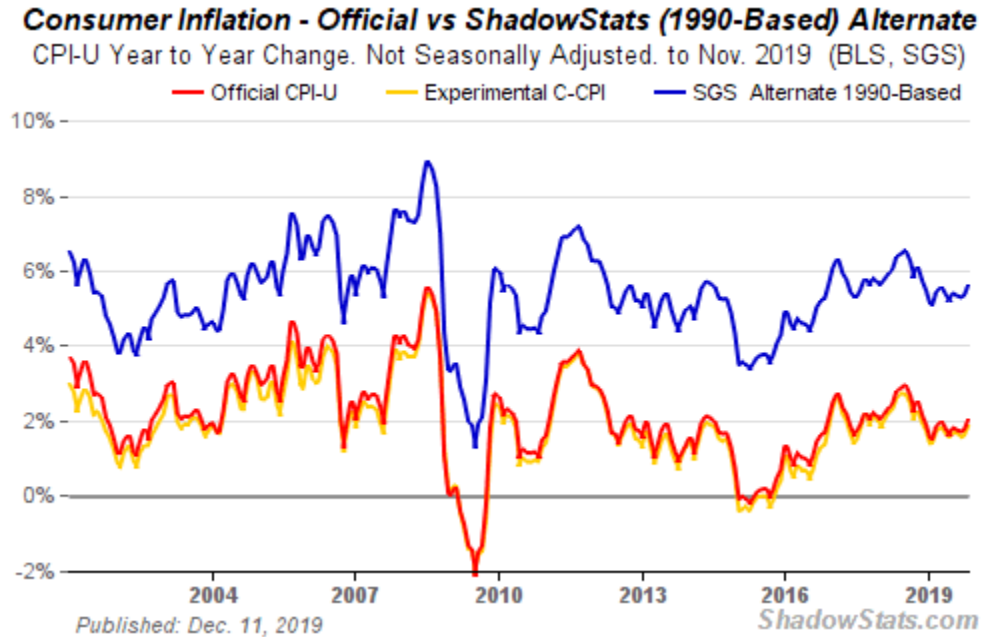
For the third straight month, both inflation-adjusted Real Average Hourly Earnings and Real Average Weekly Earnings were stagnant month-to-month, unchanged at zero (0.0%) for all employees, not a particularly happy circumstance coming into the Holiday Shopping season. Accompanying **Graph 3** shows the more volatile and narrow Production and Nonsupervisory category, which has a history back to 1965. Adjusted for headline CPI-W inflation, which the BLS uses here, headline inflation-adjusted real activity in November 2019 was 8.2% (-8.2%) shy of its February 1973 historic high in current real earnings, when headline unemployment then was 5.0%,

By major category, November Food inflation rose by 0.12% in the month, but declined by 0.06% (-0.06%) year-to-year, against monthly and annual gains of 0.24% and 2.07% in October. November Energy inflation rose by 0.80% month-to-month, down by 0.59% (-0.59%) year-to-year. That was against a 2.70% monthly gain in October and an annual decline of 4.17% (-4.17%), with November “Core” Inflation (net of Food and Energy) was up by 0.23% in the month and 2.32% year-to-year, against monthly and annual gains of 0.16% and 2.31% in October.

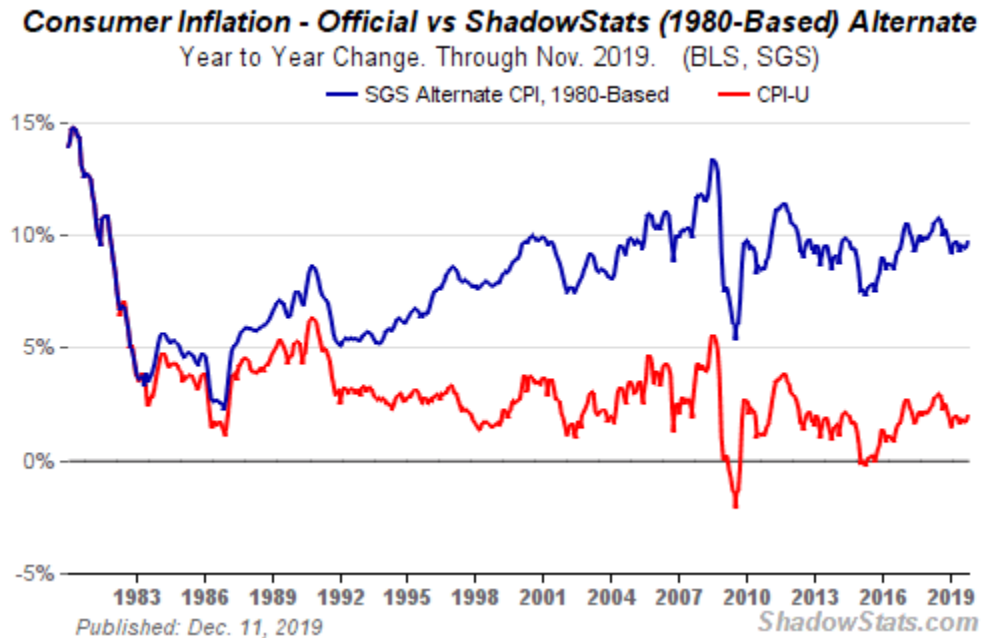
November 2019 ShadowStats Alternate CPI Inflation (1980 Base) jumped by 9.8% year-to-year, versus 9.5% in October and 9.4% in September. Graphs, the [latest numbers](#) and an [inflation calculator](#) are available on the Alternate Data tab of www.shadowstats.com. Again, full detail follows in this weekend's ***Bullet Edition No. 16***.

[Graphs 1 to 3 begin on the next page.]

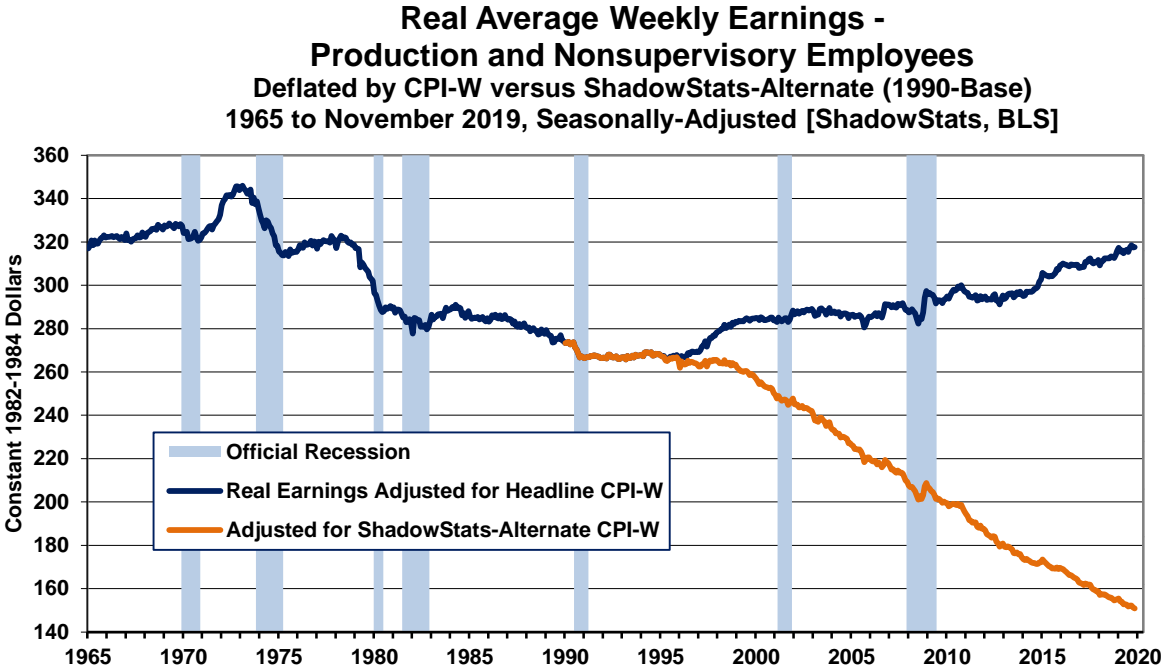
Graph 1: Consumer Inflation, Official CPI-U versus 1990-Based ShadowStats Alternate



Graph 2: Consumer Inflation, Official CPI-U versus 1980-Based ShadowStats Alternate



Graph 3: Real Average Weekly Earnings – Production and Nonsupervisory Employees



###