



# PPI CRASH: UNVEILING INFLATION'S FUTURE OR CORPORATE GOUGING?

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## Agenda:

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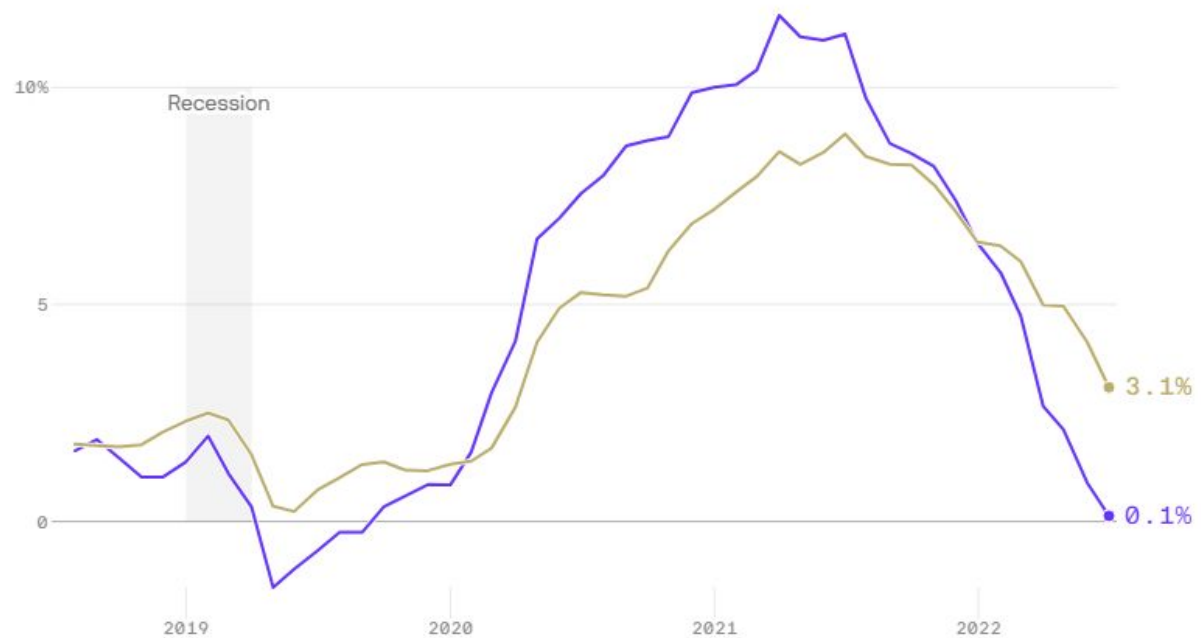
- What is the Producer Price Index
- Divergence or lag
- Two options: good for margins, terrible for margins
- Reporting season

# Divergence or lag:

## Year-over-year change in select U.S. price indexes

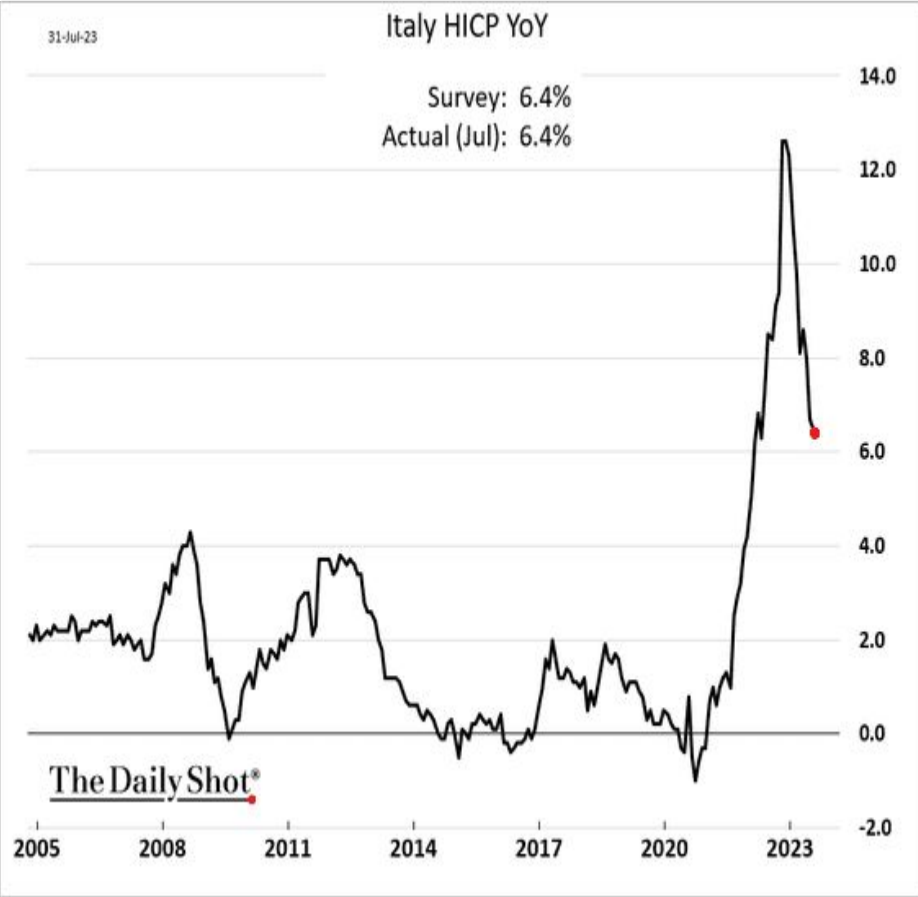
Monthly; July 2019 to June 2023

— Consumer Price Index — Producer Price Index

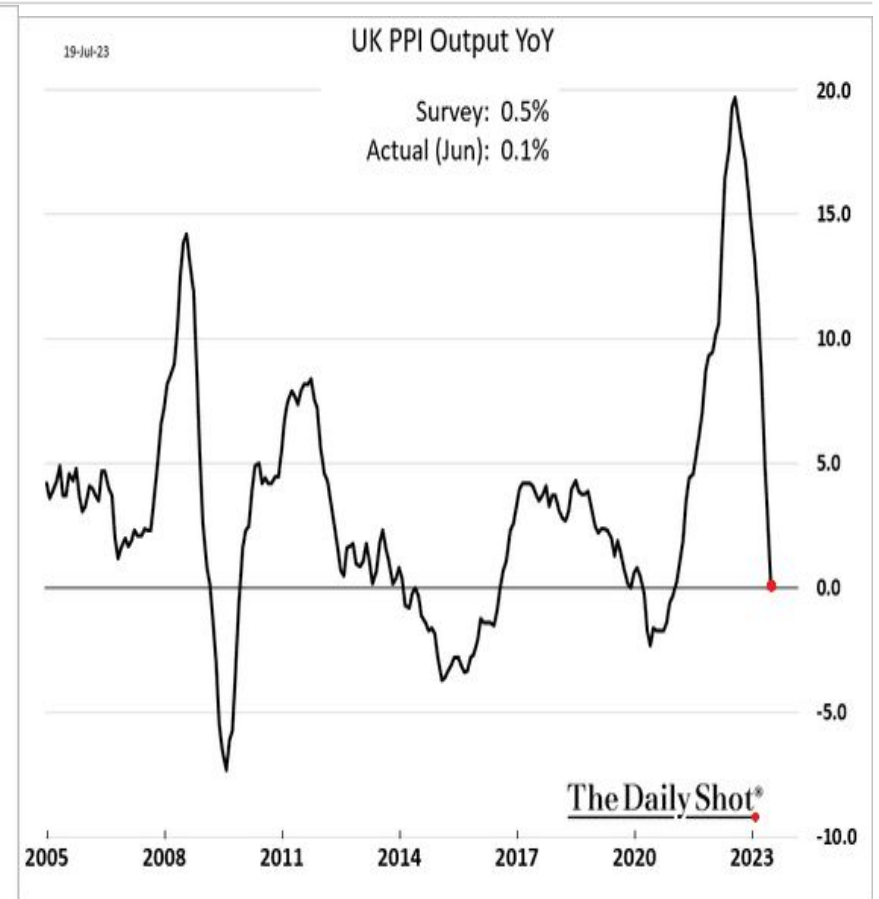
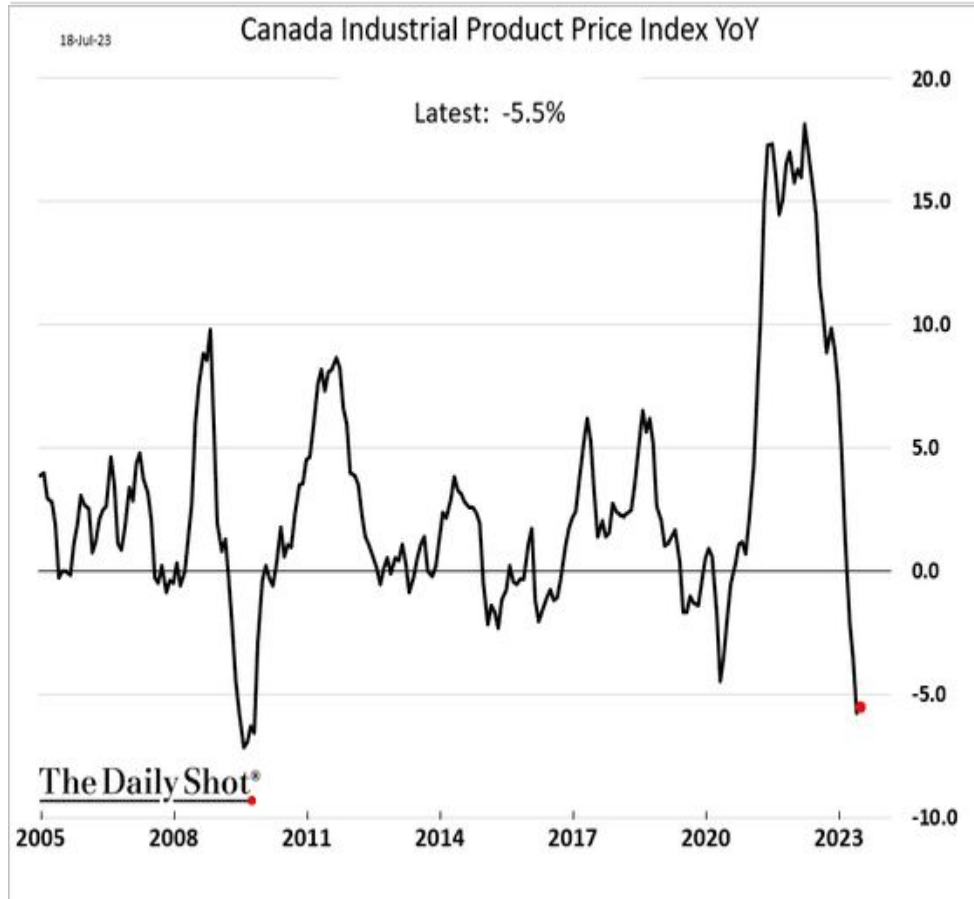


Data: FactSet; Chart: Axios Visuals

# Divergence or lag:



# Broad based and pervasive:

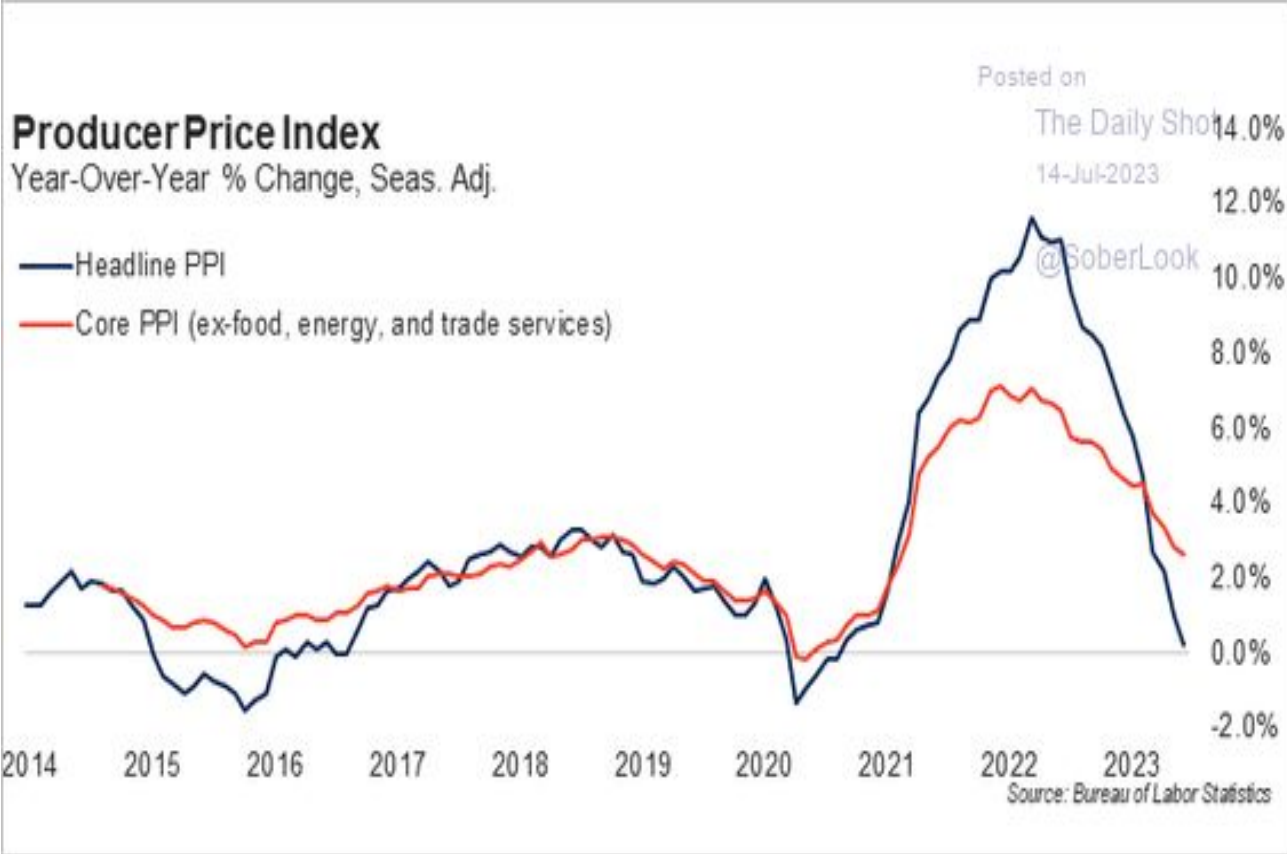


# Core vs CPI:



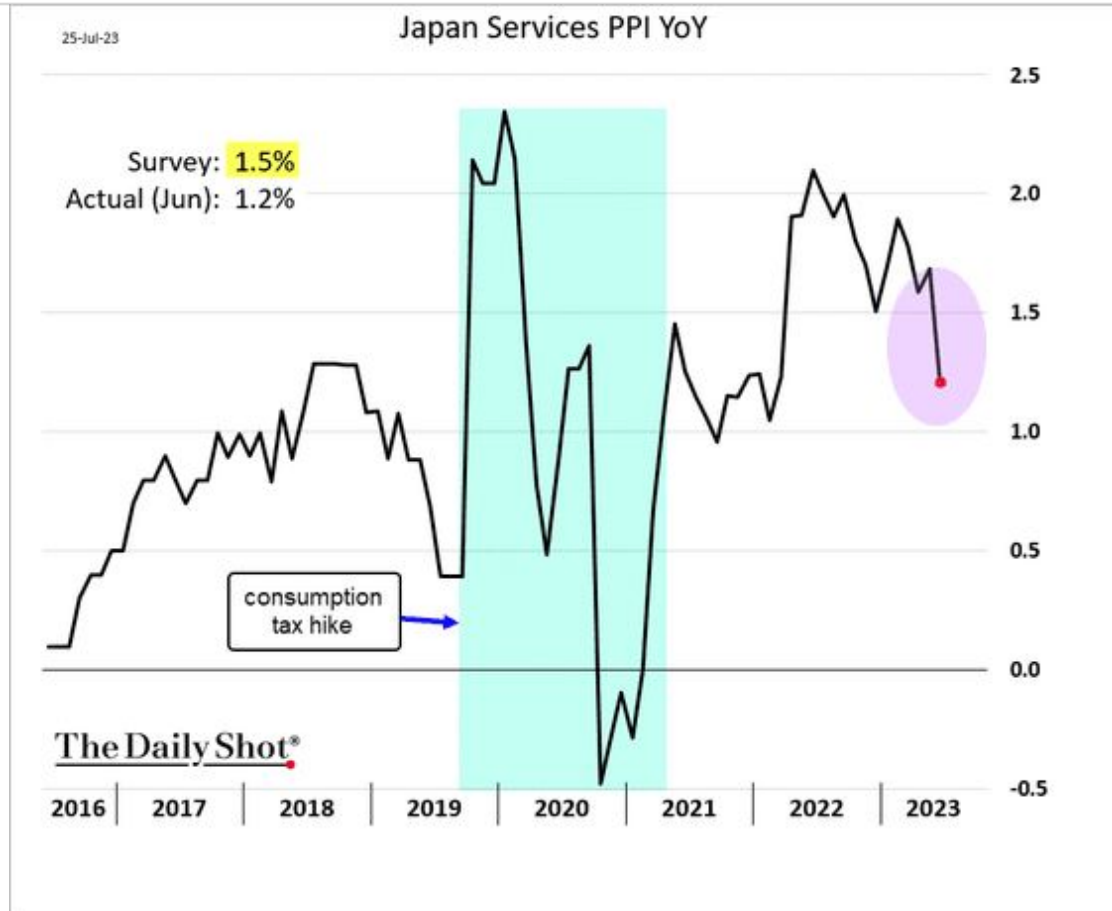


# Not just energy (US PPI):





# Even services are coming off:



## Choose themes to screen from your portfolio away from (i.e. remove stocks)

Climate Change

War

Human Rights

Health

Vices

Animal Rights

Religion

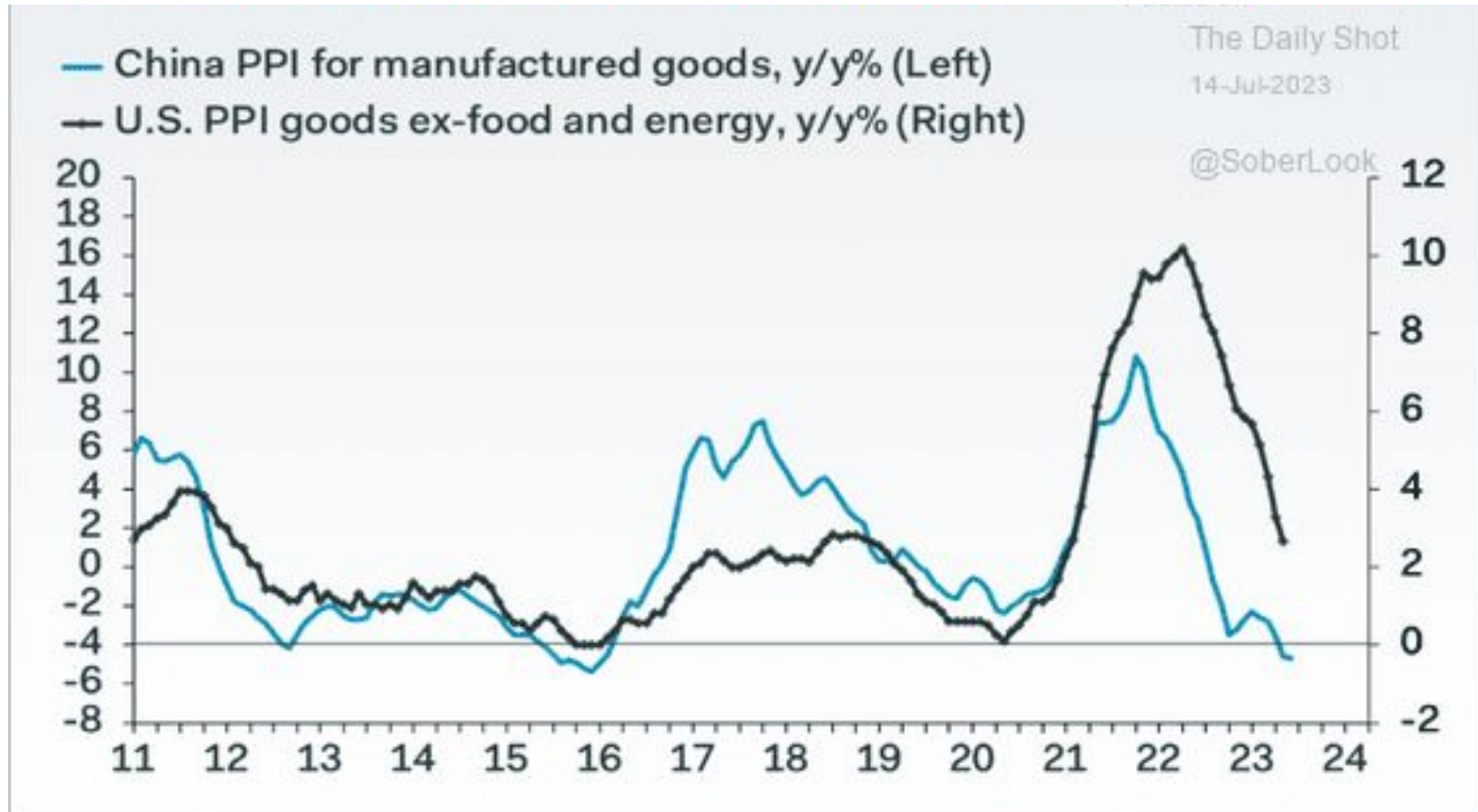
Asset Class

Thematic

### Climate Change

- No Fossil Fuels (Worst Offenders) 
- No Fossil Fuels (Any) 
- No Coal Seam Gas or Fracking 
- No Nuclear Power 
- No Old Growth Forest Logging 

# Is the rest of the world lagging China?:



# China stimulus = damp squib so far:

## China's producer price index

Changes, year-on-year



# China PPI - broad based declines:

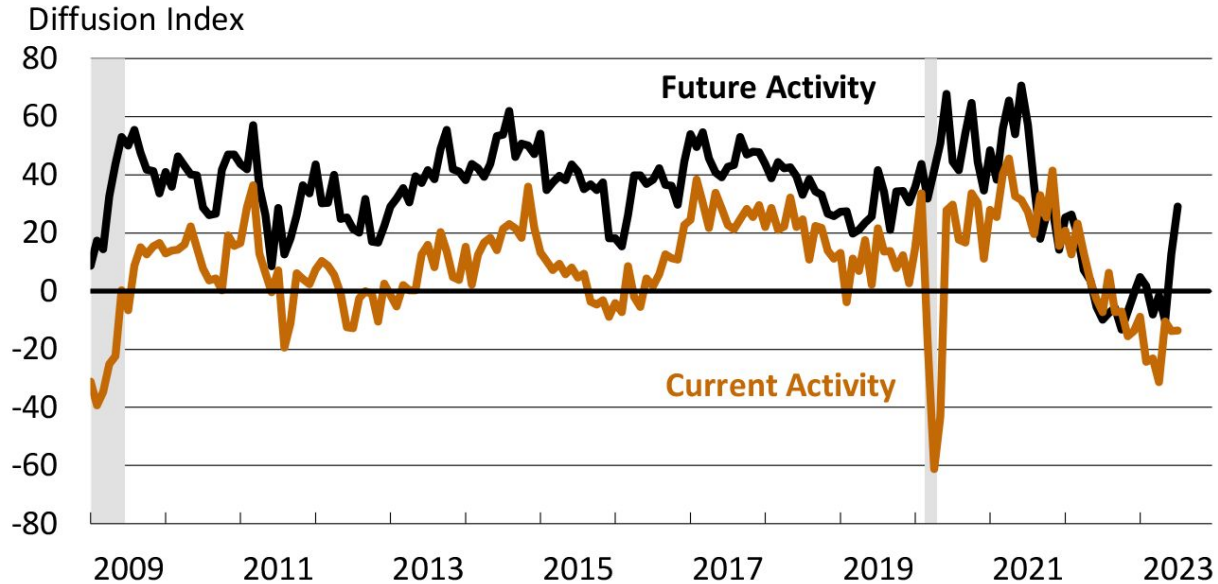
|   | Month (%)   | Year (%)    |
|---|-------------|-------------|
| <b>I. Producer Price Indexes</b>          | <b>-0.8</b> | <b>-5.4</b> |
| Means of production                       | -1.1        | -6.8        |
| Mining                                    | -3.5        | -16.2       |
| Raw materials                             | -1.6        | -9.5        |
| Processing                                | -0.6        | -4.7        |
| Means of livelihood                       | -0.2        | -0.5        |
| Food                                      | -0.2        | -0.6        |
| Clothing                                  | 0.3         | 1           |
| General commodity                         | 0.1         | 0.3         |
| Durable consumer goods                    | -0.4        | -1.5        |
| <b>II. Purchasing Price Indexes</b>       | <b>-1.1</b> | <b>-6.5</b> |
| Fuel and power                            | -2.8        | -11.1       |
| Ferrous metal materials                   | -1.3        | -11.2       |
| Non-ferrous metal materials and wires     | -0.5        | -4.9        |
| Raw chemical materials                    | -2          | -13         |
| Wood and pulp                             | -1.2        | -4.4        |
| Building materials and non-metallic       | -1.6        | -5.5        |
| Other industrial raw materials and semi-p | -0.2        | -2.1        |
| Agricultural and sideline products        | -1          | -3.6        |
| Raw textile materials                     | 0.3         | -4.9        |

| III. Producer Price Indexes of Major Industries |      |       |
|---|------|-------|
| Mining and washing of coal                      | -6.4 | -19.3 |
| Extraction of petroleum and natural gas         | -1.6 | -25.6 |
| Mining of ferrous metal ores                    | -1.2 | -13.9 |
| Mining of non-ferrous metal ores                | 0.7  | 2.8   |
| Mining and processing of nonmetal ores          | -0.5 | 1     |
| Processing of food from agricultural and        | -0.7 | -2.1  |
| Manufacture of foods                            | -0.1 | -1.3  |
| Manufacture of wines, beverages and re          | 0.1  | 1.1   |
| Manufacture of cigarettes and tobacco           | 0    | 0.5   |
| Textile industry                                | -0.1 | -4.7  |
| Manufacture of textile wearing apparel an       | 0.2  | 0.6   |
| Processing of timbers, manufacture of wo        | -0.7 | -1.5  |
| Manufacture of paper and paper products         | -1.2 | -6.7  |
| Printing, reproduction of recording media       | -0.2 | -0.3  |
| Processing of petroleum, coal and other         | -2.6 | -20.1 |
| Manufacture of raw chemical materials an        | -2.6 | -14.9 |
| Manufacture of medicine                         | 0.1  | 0     |
| Manufacture of chemical fibers                  | -0.3 | -6.7  |
| Manufacture of rubber and plastics article      | -0.3 | -4.4  |
| Manufacture of non-metallic mineral prod        | -1.9 | -6.4  |
| Smelting and pressing of ferrous metals         | -2.2 | -16   |
| Smelting and pressing of non-ferrous me         | -0.8 | -7.2  |
| Manufacture of metal products                   | -0.4 | -4.3  |
| Manufacture of general-purpose machine          | 0.1  | -0.4  |
| Manufacture of automobiles                      | -0.3 | -1.3  |
| Manufacture of railway, ship, aerospace a       | 0    | 0.1   |
| Manufacture of computers, communicati           | 0    | -2    |
| Production and supply of electricity and        | -0.8 | 1.3   |
| Production and supply of gas                    | -1.4 | -1.5  |
| Production and supply of water                  | 0.1  | 0.5   |

# Is the downturn over (Philly Fed Manufacturing):

**Chart 1. Current and Future General Activity Indexes**

January 2009 to July 2023



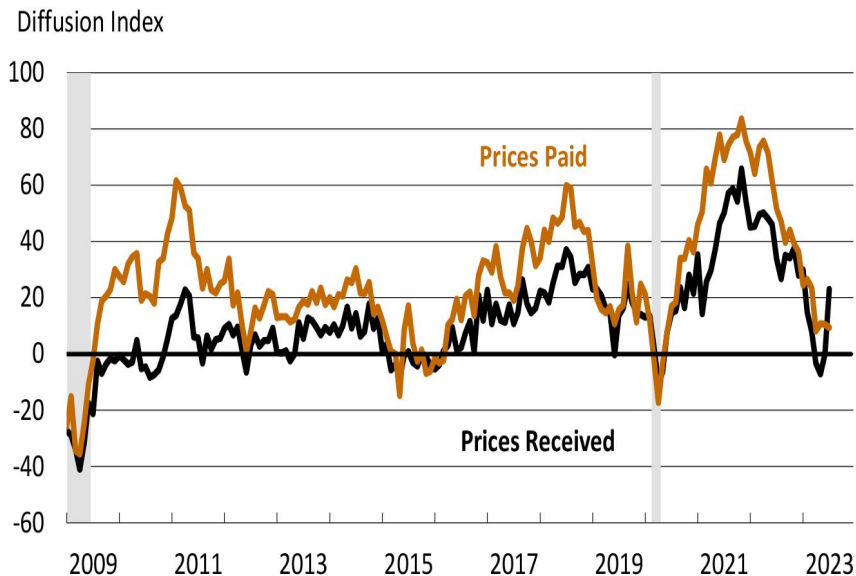
Note: The diffusion index is computed as the percentage of respondents indicating an increase minus the percentage indicating a decrease; the data are seasonally adjusted.



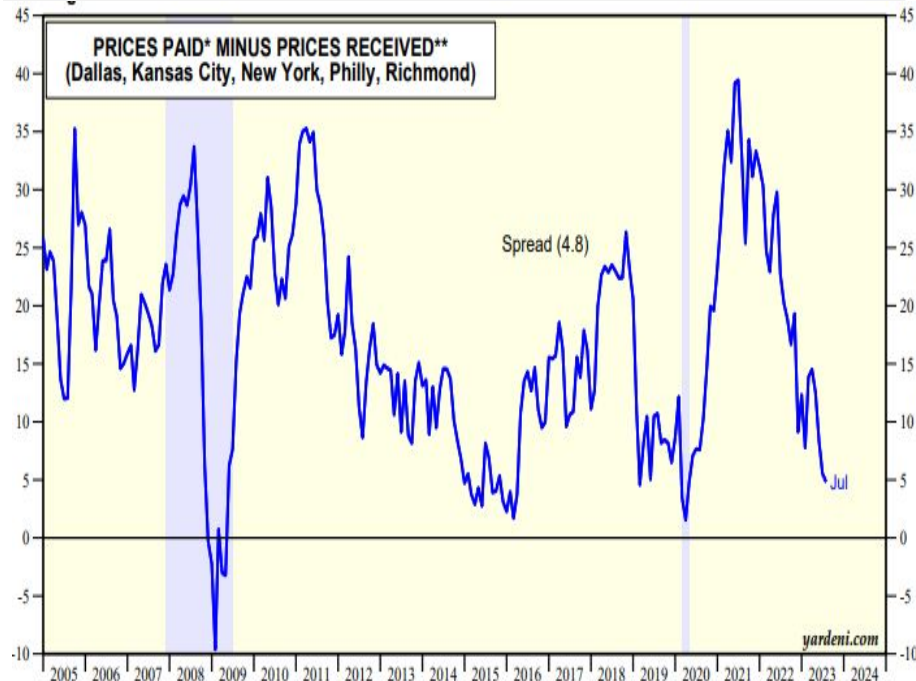
# Maybe the glass is half full (Philly Fed diverges):

Chart 2. Current Prices Paid and Prices Received Indexes

January 2009 to July 2023



Note: The diffusion index is computed as the percentage of respondents indicating an increase minus the percentage indicating a decrease; the data are seasonally adjusted.



\* Average of prices paid Dallas, Kansas City, New York, Philly, and Richmond. Richmond prices are not diffusion indexes, but rather average annualized inflation rates. They are multiplied by 10 in this chart for easier comparisons to other regional diffusion indexes.

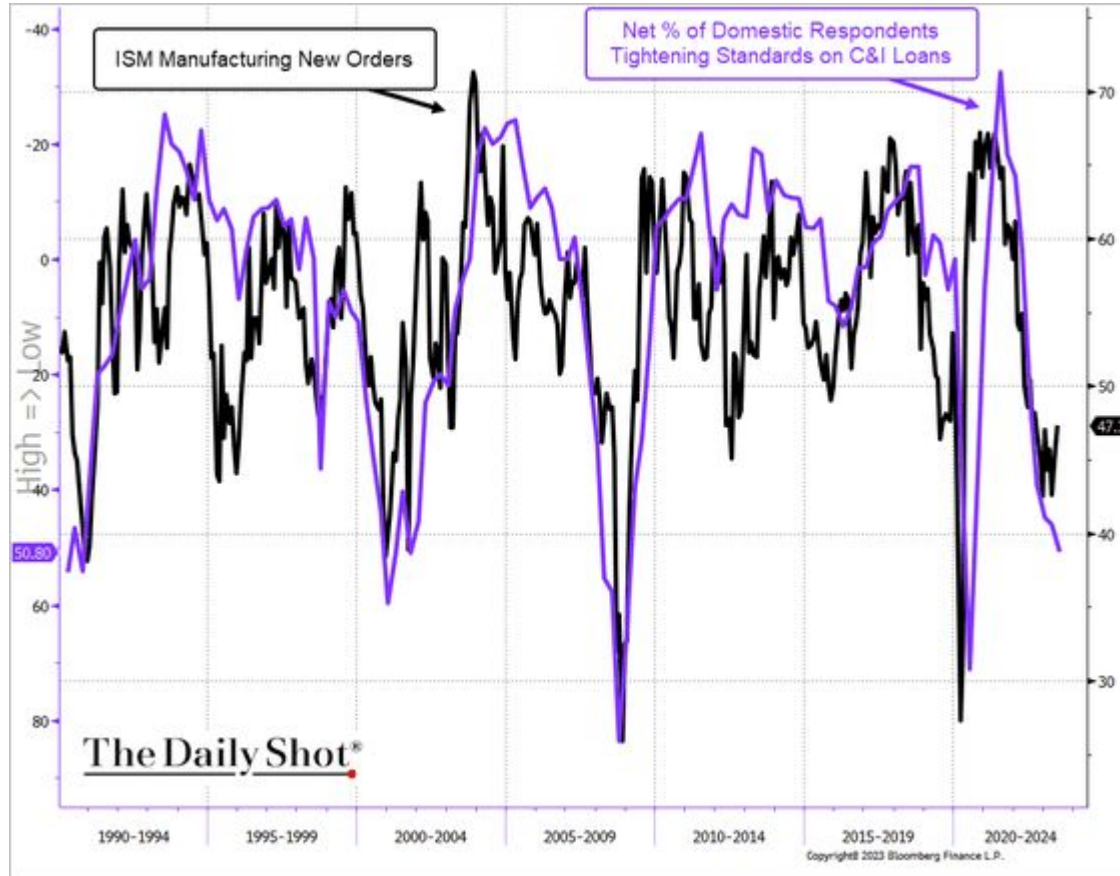
\*\* Average of prices received Dallas, Kansas City, New York, Philly, and Richmond.

Note: Shaded areas are recessions according to the National Bureau of Economic Research.

Source: Survey of business conditions conducted regionally by Federal Reserve Banks of Dallas, Kansas City, New York, Philadelphia, Richmond.



# Credit Conditions are not friendly:



# Personalise Your Portfolio

## Screens

You can exclude the below to customise your portfolio

|                |          |              |          |       |
|----------------|----------|--------------|----------|-------|
| Climate Change | War      | Human Rights | Health   | Vices |
| Animal Rights  | Religion | Asset Class  | Thematic |       |

- No Fossil Fuels (Worst Offenders) ?
- No Fossil Fuels (Any) ?
- No Coal Seam Gas or Fracking ?
- No Nuclear Power ?
- No Old Growth Forest Logging ?

## Tilts

You can add the below to customise your portfolio

|                          |                |            |              |
|--------------------------|----------------|------------|--------------|
| Investment Style Factors | Climate Change | Technology |              |
| Consumption              | Commodities    | Military   | GICS Sectors |

- Quality Stocks ?
- Value Stocks ?
- Growth Stocks ?
- Defensives ?



Personalise your portfolio now >



# Build Your Portfolio

Need help with this page? Video Tutorial

- Account Selection
- Investment Choice
- Risk Profile
- Build Your Portfolio**
- Ethical Overlay
- Review
- Applicants
- Bank Details
- Compliance
- Final Review

## Portfolio Tilts



Quality Stocks

Value Stocks

Growth Stocks

Oil & Gas Stocks

Gold Stocks

Agribusiness

Large Technology Stocks

Cloud Computing Stocks

Robotics/AI

Video Gaming

Cybersecurity

Clean Energy

Defensives

Battery Supply Chain

Nuclear Power

Defense Contractors

Travel

Luxury Goods

Logistics

Global Communication Services

Global Consumer Discretionary

Global Consumer Staples

Global Energy

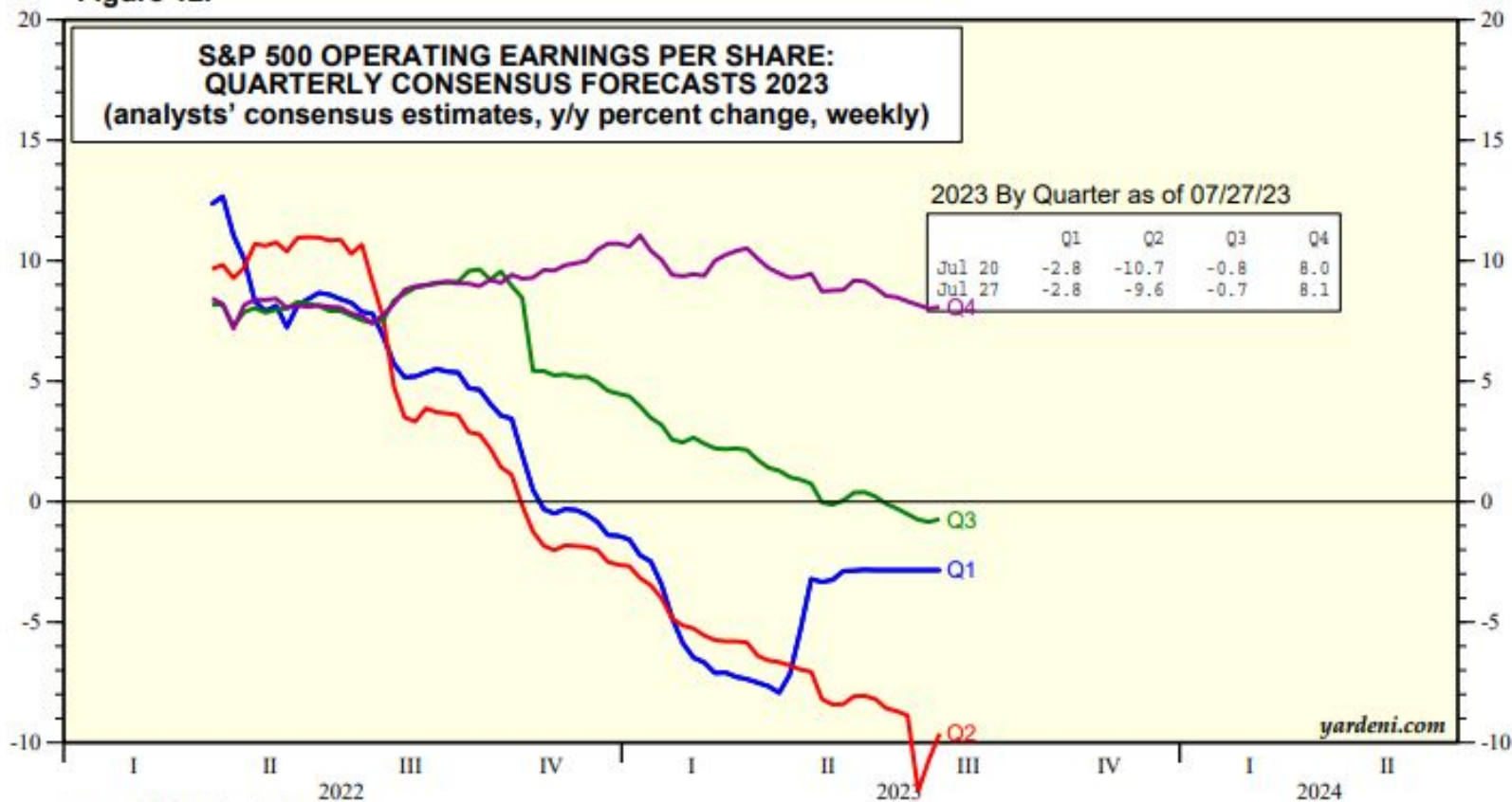
Global Financials

Global Health Care

Global Industrials

Global Information Technology

# Reporting season so far:



## Viewer question of the week:

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**Do you think corporates are about to expand margins?**

**Drop your answers in the comments**

# Investment Outlook

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- **Asset Allocation:** Bonds, International
- **Factor allocation:** Quality
- **Sector allocation:** Staples, Defensive

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