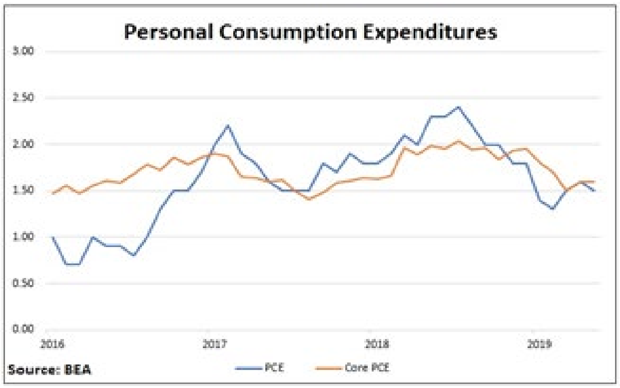
### PCE vs. CPI

Even market novices are familiar with the inflation gauge CPI, or Consumer Price Index, but may not be aware the Fed all but ignores that data in favor of the PCE or Personal Consumption Expenditures. The Fed believes the PCE is more reflective of “true inflation” and consumer spending patterns. The PCE is more broad than the CPI, and thus a better macro monetary policy indicator. The CPI, calculated by the Bureau of Labor Statistics, runs higher than the PCE that is calculated by the Bureau of Economic Analysis. Since 2000, CPI has risen 39% while PCE has risen only 31%. The primary differences between the CPI and PCE is the weight of housing, 42% of CPI compared to 15% of PCE, and rural versus urban differences. The CPI is heavily weighted towards urban areas whereas the PCE encompasses a broader swath of the country.




### When it Absolutely Has to Be There

Technical analysis centers on identifying correlations between disparate data points that provide insight to where the market is headed. No indicators are accurate all of the time, but the higher the correlation over long periods of time the more valuable an indicator becomes. The technical picture of the global economy is starting to look a bit scary. The correlation of world trade and FedEx stock has been strong over the last 17 years. It is reasonable to assume you could forecast future world trade, and correspondingly global GDP, by looking at FedEx price movement, and the picture it paints is not pretty. World trade has touched 0% year-over-year growth twice since the 2008 recession but always bounced above along with FedEx stock. The current trend appears to be heading to negative growth on trade even as FedEx’s stock has plunged almost 30% from late 2018.