

PPI

eResearch Corporation is pleased to provide an article by Doug Short of Advisor Perspectives.

Mr. Short examines the historic trend in the S&P 500 Index (and its predecessors).

The article is reproduced below, on the following page, but it also can be sourced at the following link:

<http://www.advisorperspectives.com/dshort/updates/Secular-Bull-and-Bear-Markets.php>

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Producer Price Index

Flat for the Month; -0.7% for the Year

September 11, 2015

By: Doug Short

Today's release of the August Producer Price Index (PPI) for Final Demand came in at 0.0% month-over-month seasonally adjusted, down from 0.2% in July. It is down -0.7% year-over-year, the seventh consecutive month of YoY shrinkage.

Core Final Demand (less food and energy) came in at 0.3% MoM for the third consecutive month and is up 0.0% YoY.

The Investing.com forecasts were for -0.1% headline and 0.1% core.

Here is the summary of the news release on Finished Goods:

The Producer Price Index for final demand was unchanged in August, seasonally adjusted, the U.S. Bureau of Labor Statistics reported today. Final demand prices rose 0.2 percent in July and 0.4 percent in June. On an unadjusted basis, the final demand index moved down 0.8 percent for the 12 months ended in August, the seventh straight 12-month decline. (See table A.)

In August, a 0.4-percent increase in the index for final demand services offset a 0.6-percent decrease in prices for final demand goods. [More...](#)

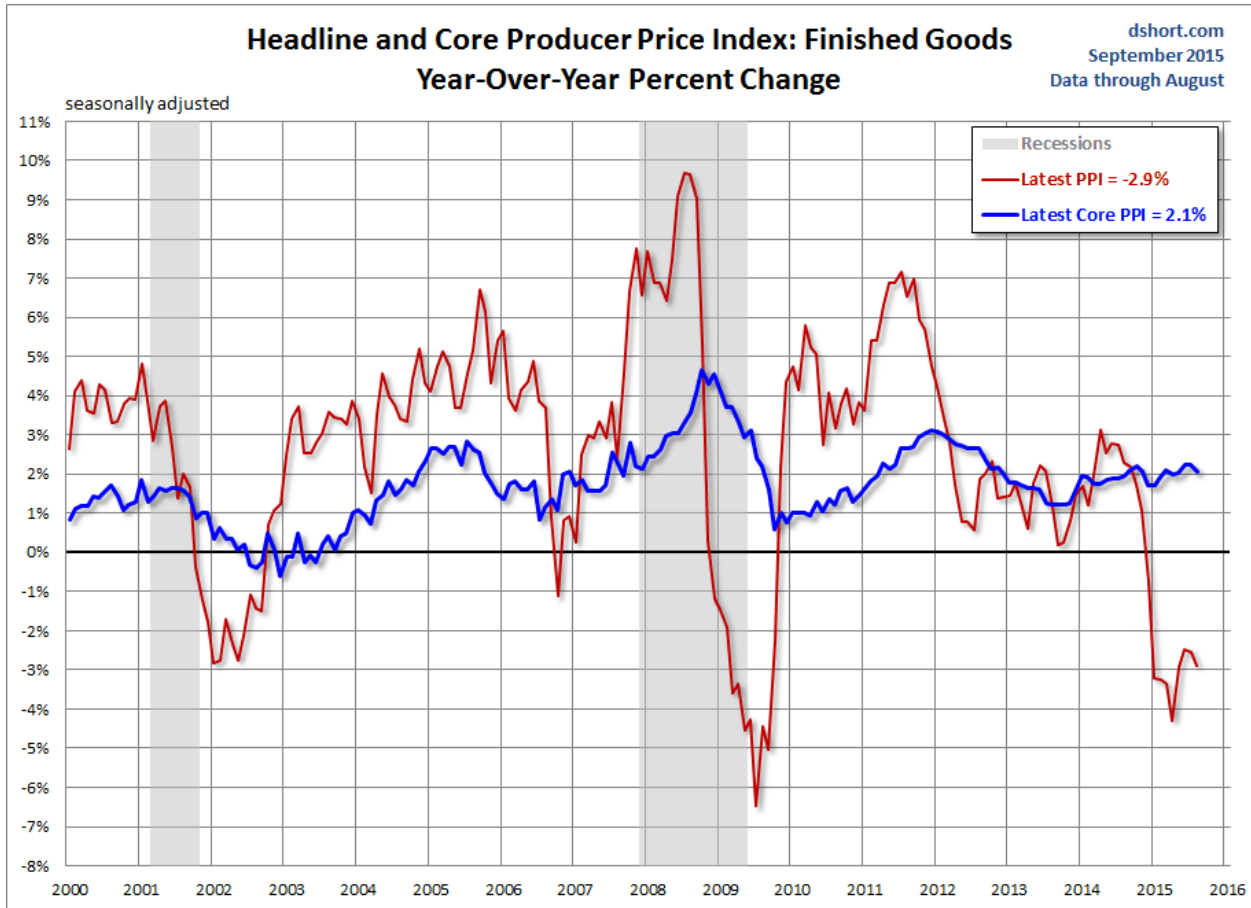
Finished Goods: Headline and Core

The BLS shifted its focus to its new "Final Demand" series in 2014, a shift we fully support. However, the data for these series are only constructed back to November 2009 for Headline and April 2010 for Core. Since our focus is on longer-term trends, we continue to track the legacy Producer Price Index for Finished Goods, which the BLS also includes in their monthly updates.

The Headline Finished Goods for August came in at -0.5% MoM and is down -2.9% YoY. Core Finished Goods were down -0.1% MoM but up 2.1% YoY.

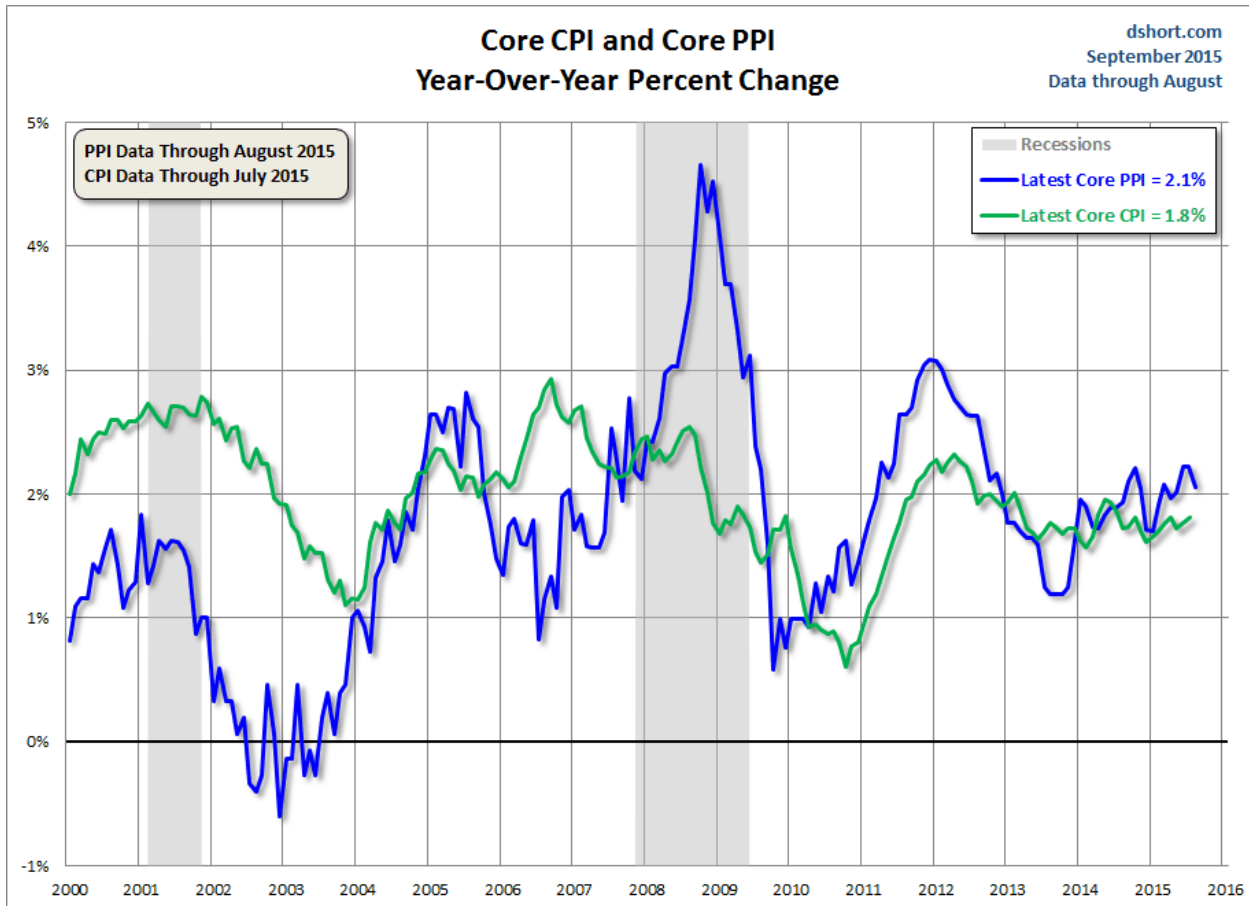
<continued>

Let us visualize the numbers with an overlay of the Headline and Core (ex food and energy) PPI for finished goods since 2000, seasonally adjusted. The plunge since mid-2014 in headline PPI is, of course, energy related -- now off its interim low set in April. Core PPI has remained relatively stable since early 2014.



<continued>

As the next chart shows, the Core Producer Price Index is far more volatile than the Core Consumer Price Index. For example, during the last recession producers were unable to pass cost increases to the consumer.



Check back next month for a new update.

BW: Information on the Author is provided on the following page.

ABOUT THE AUTHOR AND DSHORT.COM



My original dshort.com website was launched in February 2005 using a domain name based on my real name, Doug Short. I'm a first wave boomer with a Ph.D. in English from Duke and a lifelong interest in economics and finance. In 2011 my website was acquired by Advisor Perspectives.

My first career was a faculty position at North Carolina State University, where I achieved the rank of Full Professor in 1983. During the early '80s I got hooked on academic uses of microcomputers for research and instruction. In 1983, I co-directed the Sixth International Conference on Computers and the Humanities. An IBM executive who attended the conference made me a job offer I couldn't refuse.

Thus began my new career as a Higher Education Consultant for IBM — an ambassador for Information Technology to major universities around the country. After 12 years with Big Blue, I grew tired of the constant travel and left for a series of IT management positions in the Research Triangle area of North Carolina. I concluded my IT career managing the group responsible for email and research databases at GlaxoSmithKline. In mid-2006 economic analysis became my full-time occupation.

My interest in economics and financial planning was triggered by the bear market of 1973-74. My wife and I bought our first home in August 1973, a month after our second child was born. Two months later, the Oil Embargo tripled gas prices, and I began commuting to work on a bicycle. During the decade of stagflation, I became fascinated with economics, finance, and market behavior (my wife claims it's an addiction).

Charting financial data is something I've been doing for over thirty years. I was an early user of first-generation spreadsheet software (VisiCalc, SuperCalc, and Lotus 1-2-3), and I participated in the beta program for the original release of both Excel and Quicken.

I use the word "chart" for my visualizations of data rather than "graph", which has always struck me as a bit pretentious. I suppose my language preference was conditioned decades ago by the terminology used in spreadsheet software.

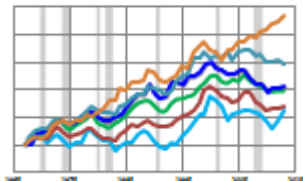
Contrary to what many visitors assume based on my last name, I'm not a bearish short seller. It's true that some of my content has occasionally been a bit pessimistic in recent years. But I believe this is a result of economic realities and not a personal bias. For the record, my efforts to educate others about bear markets date from November 2007, as this Motley Fool article attests.

Unless I've been coerced into a vacation to a remote location without Internet access, I'm usually at home in North Carolina watching the economy and markets on my handy Ultrabook or iPad.

Doug Short, Ph.D.
Advisor Perspectives

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