

Economics Group

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Consumer Prices Rose Modestly in September

Both the overall CPI and the core CPI rose 0.2 percent in September. The headline number was bolstered by a 1.0 percent rise in gasoline prices, while the core was pulled higher by another jump in tobacco prices.

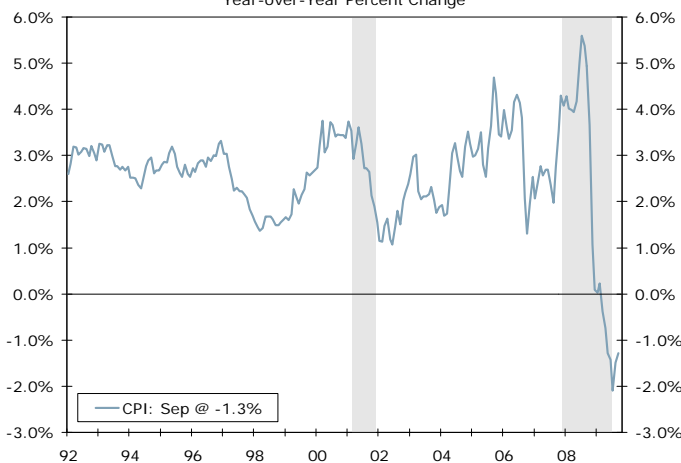
Inflation Remains Contained

- The overall CPI rose in line with expectations but remains down 1.3 percent on a year-to-year basis. Unless Congress acts, Social Security recipients will not see benefits increase in 2010.
- Food prices fell 0.1 percent in September, with prices at grocery stores falling 0.3 percent. Grocery store prices have fallen 2.6 percent over the past year. Gasoline prices rose 1.0 percent in September but remain 29.7 percent below their year-ago level.

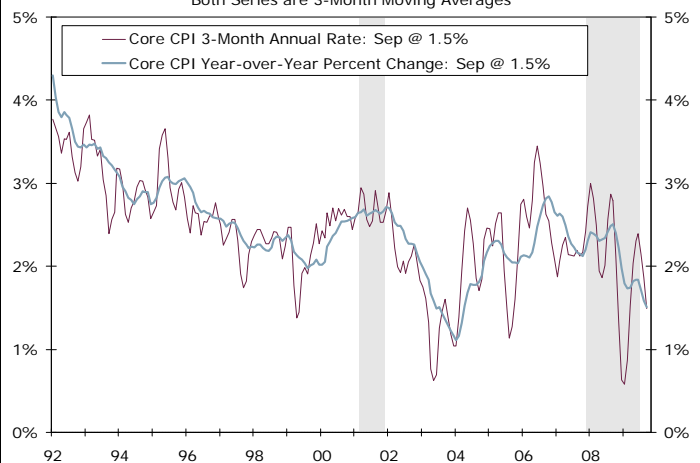
Falling Housing Costs Will Keep a Lid on Core Inflation

- Prices excluding food and energy items rose 0.2 percent in September and are up just 1.5 percent over the past year.
- The oversupply of housing will continue to put downward pressure on the core CPI. Owners' equivalent rent fell 0.1 percent in September and is now up 1.3 percent year-to-year.
- Higher excise taxes have helped send tobacco prices up 29 percent over the past year.

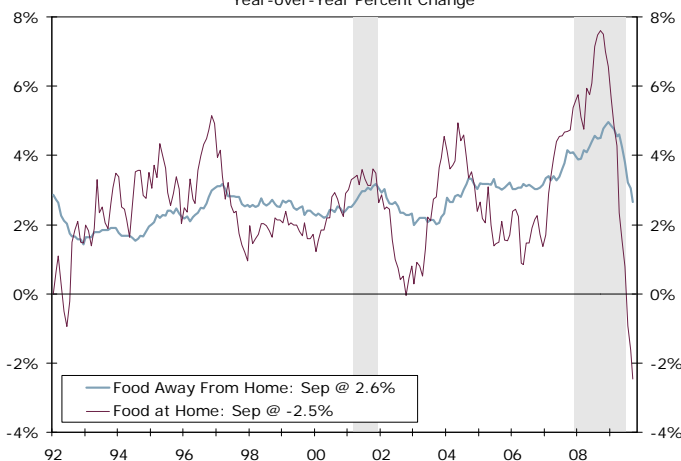
U.S. Consumer Price Index
 Year-over-Year Percent Change



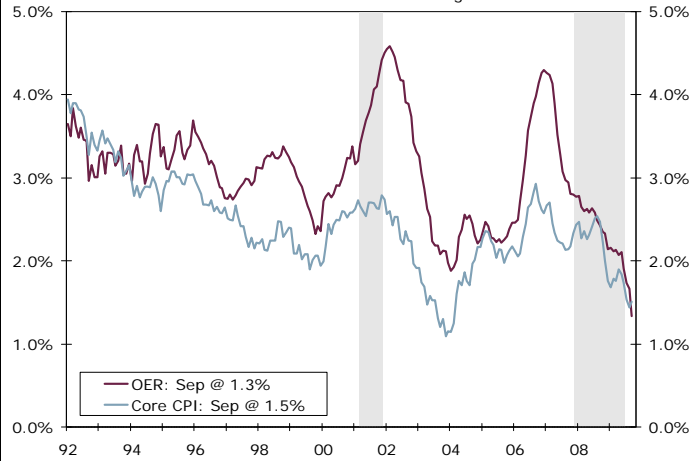
U.S. "Core" Consumer Price Index
 Both Series are 3-Month Moving Averages



Food - At Home vs. Away from Home
 Year-over-Year Percent Change



Core CPI vs. Owners' Equivalent Rent
 Year-over-Year Percent Change



Source: U.S. Department of Labor and Wells Fargo Securities, LLC

Wells Fargo Securities, LLC Economics Group

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