



Economics Group

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Global Reflation Continues Unabated

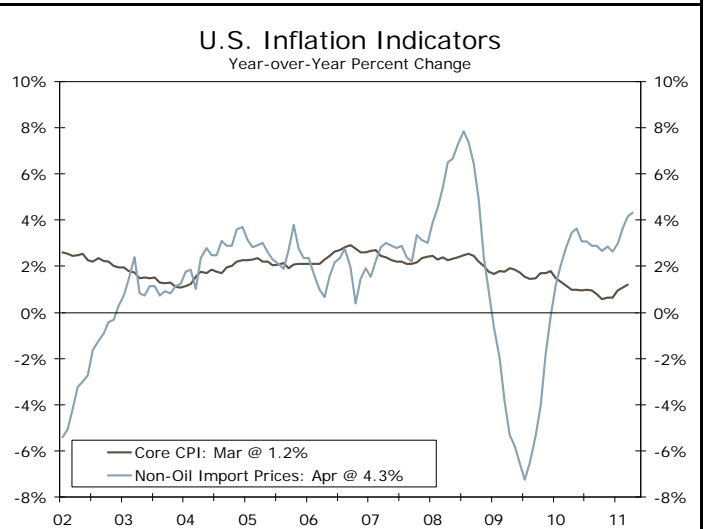
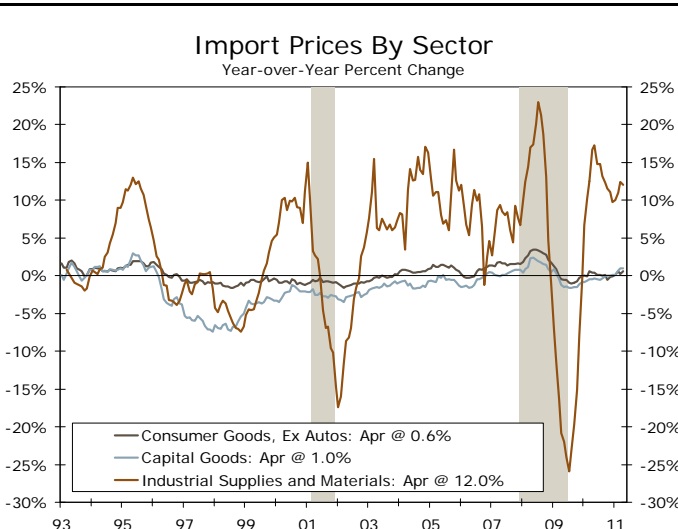
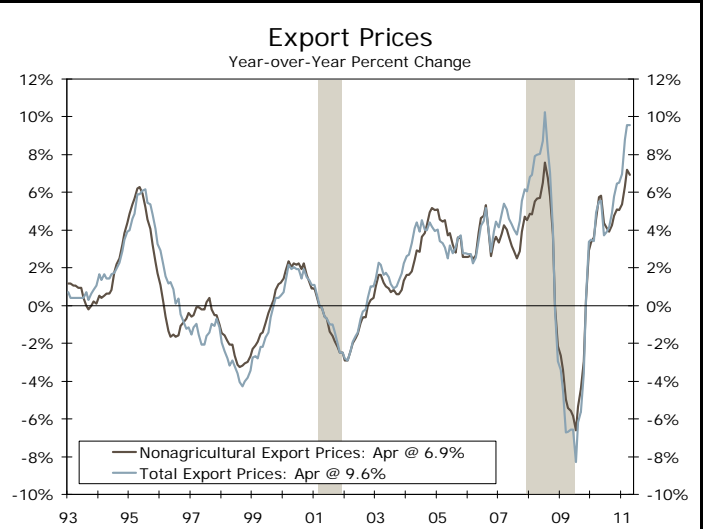
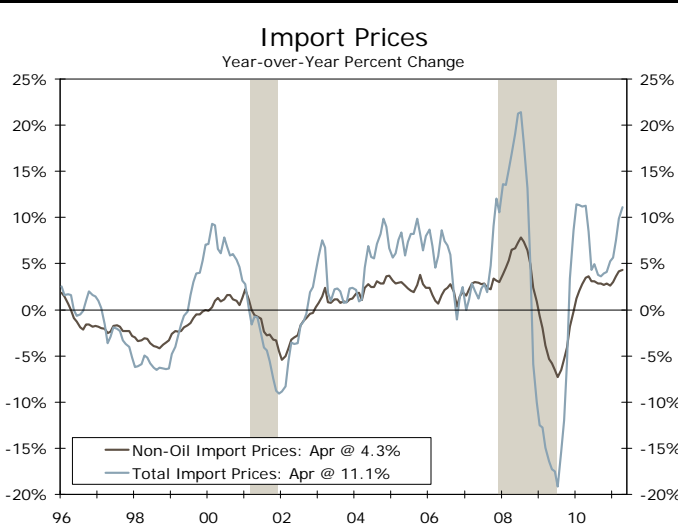
Whether the Federal Reserve accepts it or not, QE2 is contributing its share to global reflation. Import and export prices, once again in April, were a testament to the success of this monetary policy stance.

Fuel Imports “Fuel” Higher Prices in April

- Almost 80 percent of the increase in import prices in April was due to a 6.7 percent increase in fuel prices. However, non-fuel prices were also up in April, this time by 0.6 percent.
- It is clear that fuel import prices are one of the main contributors to the reflation story in the U.S. economy. The price of imported fuel increased by 34.8 percent in April compared to the same month a year earlier.

Reflation Story Is Broader Than Fuel Related Prices

- While it is true that the largest contributor to increases in import prices was fuel price related, other prices are also increasing.
- Export prices increased 1.1 percent in April, the fourth consecutive month above 1.0 percent. Both agricultural and nonagricultural exports increased during the month, making this reflationary story broader than just fuel related prices. However, consumer prices have yet to take notice.



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

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