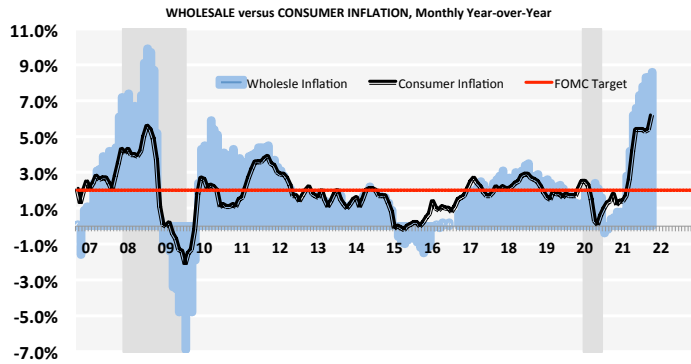




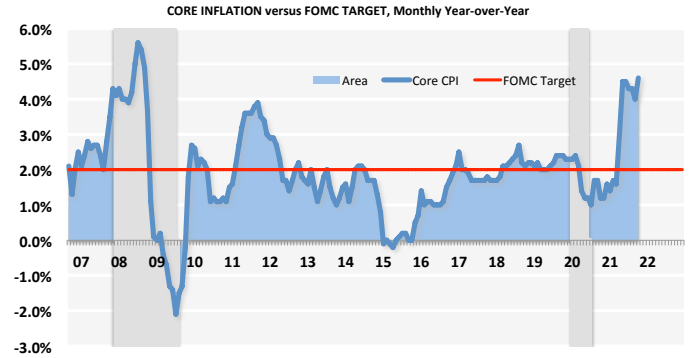
INFLATION ENVIRONMENT



INFLATION PROFILE



CORE CONSUMER INFLATION



	Annual Rates					Monthly Year-over-Year						
	2016	2017	2018	2019	2020	Apr	May	Jun	Jul	Aug	Sep	Oct

Wholesale Inflation

Overall Wholesale Inflation	1.7%	2.6%	2.2%	2.2%	0.8%	6.5%	7.0%	7.3%	7.8%	8.3%	8.6%	8.6%
Core Wholesale Inflation	1.8%	2.3%	2.2%	2.2%	1.1%	4.8%	5.3%	5.5%	6.1%	6.3%	5.9%	6.2%

Consumer Inflation

Overall Consumer Inflation	2.1%	2.1%	1.9%	1.9%	1.4%	4.2%	5.0%	5.4%	5.4%	5.3%	5.4%	6.2%
Food	-0.2%	1.6%	1.6%	1.6%	3.9%	2.4%	2.2%	2.4%	3.4%	3.7%	4.6%	5.3%
- Food at Home	-2.0%	0.9%	0.6%	0.6%	3.9%	1.2%	0.7%	0.9%	2.6%	3.0%	4.5%	5.4%
- Food Away from Home	2.3%	2.5%	2.8%	2.8%	3.9%	3.8%	4.0%	4.2%	4.6%	4.7%	4.7%	5.3%
Energy	5.4%	6.9%	-0.3%	-0.3%	-7.0%	25.1%	28.5%	24.5%	23.8%	25.0%	24.8%	30.0%
- Gasoline	9.1%	10.7%	-2.1%	-2.1%	-15.2%	49.6%	56.2%	45.1%	41.8%	42.7%	42.1%	49.6%
Core Consumer Inflation	2.2%	1.8%	2.2%	2.2%	1.6%	3.0%	3.8%	4.5%	4.3%	4.0%	4.0%	4.6%
- New Vehicles	0.3%	-0.5%	-0.3%	-0.3%	2.0%	2.0%	3.3%	5.3%	6.4%	7.6%	8.7%	9.8%
- Used Vehicles	-3.5%	-1.0%	1.4%	1.4%	10.0%	21.0%	29.7%	45.2%	41.7%	31.9%	24.4%	26.4%
- Apparel	-0.1%	-1.6%	-0.1%	-0.1%	-3.9%	1.9%	5.6%	4.9%	4.2%	4.2%	3.4%	4.3%
- Medical care	4.7%	2.3%	-0.5%	-0.5%	-2.5%	-1.7%	-1.9%	-2.2%	-2.1%	-2.5%	-1.6%	-0.4%

INFLATION REPORT AND CU STRATEGY

(November 2021) ... U.S. consumer prices are increasing at a 6.2% annualized pace - while core consumer inflation, which excludes commodity-driven food and energy prices, is increasing 4.6%. Overall inflation has been impacted by a 5.3% increase in food costs, fueled by increases in both grocery prices and on prices for food eaten away from home. Also impacting consumer inflation in a 30.0% increase in energy prices, including a 49.6% increase in gasoline.

Wholesale inflation increased at a 8.6% pace. This demonstrates producers' inability to pass on their higher costs to the consumer in fear of slashing already volatile consumer demand. It also adversely impacts producers' earnings and future hiring and manufacturing advances. This endangers future growth potential.

Strategically... A certain level of inflation is needed in a growing economy to increase the value of goods and services produced - contributing to the nation's GDP growth profile. However, the nation's GDP of 2.0% is being diluted by the 6.2% inflation rate thus resulting in a net growth rate that is insufficient to create a sustained pace of recovery needed to put the country on a strong path.

The current pace of inflation, dominated by the pandemic, is also putting upward pressure on long-term treasury rates - benchmarks to real estate and long-term capital investment financing. At this pace of inflation, the FOMC will be forced to increase their overnight benchmark rate. This would positively increase yields on cash but most likely will not impact consumer loan rates.

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