DAILY STOX REPORT:

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Recommended Reading
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thestreet.com

On Friday, Gary "The Count" Dvorchak quoted Brian Wesbury's view on the "real rate of inflation."

Today, Bill King (The King Report) expanded on Brian's theme:

"The squeeze on American living standards was clearly highlighted last week by CPI data. Though most people brayed that inflation is benign, the headline number belied the rising costs of necessities with the decline in real income.

"For 2009, real weekly wages declined 1.6%, the biggest decline since 1990 (-2.5%). (Real average hourly earnings dropped 1.3% year over year, and average weekly hours worked declined 0.3.) Core inflation increased 1.8%. But owners' equivalent rent (OER) is about 40% of core CPI and 24.433% of CPI.

"The Washington Post: 'Energy costs for the 12 months ending in December shot up 18.2%. That was the biggest jump since 1979.... The energy surge was led by higher gasoline costs, which rose 53.5% after falling 43.1% in 2008.... The 1.6% drop in average weekly earnings for nonsupervisory workers was the worst annual performance since a 2.5% decline in 1990. Weekly earnings have fallen in five of the past seven years, underscoring the pressures American households were facing even before the recession began.'

"For years we have moaned that CPI is distorted, on purpose, by hedonic adjustments and OER. We noted that OER changes do not impact the vast majority of Americans because 67% own homes and do not rent. Also, people in public housing, rent-controlled units and subsidized housing are not impacted. Excluding OER, consumer prices increased 3.5% in 2009. However, due to Bennie's easy money, this inflation is accelerating. Non-OER inflation is up at a 4% annualized over the past six months and 4.5% over the past three months.

"By the way, few economists or pundits have noticed that the BLS has increased the weighting of OER to 24.433% of CPI. It had been 23.158%. (Because it's now declining?) And let's not ignore the fact that Americans' misery index in reality is far worse than the above official numbers indicate due to fraudulent U.S. economic statistical methodology. U.S. solons have

relentlessly altered CPI, jobs data and GDP statistical methodology to obfuscate declining U.S. living standards. John Williams notes, 'On the inflation front, the CPI-U annual inflation rate jumped to 2.7% (3.4% for the CPI-W).... Adjusted to pre-Clinton (1990) methodology, annual CPI growth rose to 6.1% in December vs. 5.1% in November, while the SGS-Alternate Consumer Inflation Measure, which reverses gimmicked changes to official CPI reporting methodologies back to 1980, rose to about 9.7% (9.68% for those using the extra digit) in December vs. 8.8% in November.' Plug in the pre-Clinton or the SGS-Alternate Consumer Inflation Measure as well as a more reasonable nominal income metric -- U.S. solons greatly overstate jobs and income -- and the American misery index would be more in line with the palpable ire in the U.S.A."
-- Bill King, The King Report

This all fits in neatly with my notion that policy, which is the outgrowth of populism, will become a major theme and valuation deflator impacting the U.S. economy and our capital markets.