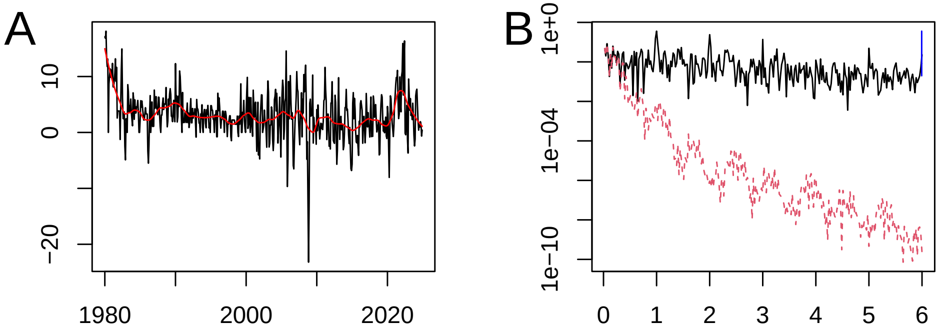

The monthly US consumer price index (CPI) combines the price of a basket of products, such as eggs and bread and gasoline. (A) Annual percent inflation, the difference of log-CPI multiplied by 12×100 (black line), and a smooth estimate via local linear regression (red line). (B) The periodogram of inflation and its smooth estimate. Which best characterizes the behavior of the smoother?

A: Cycles longer than 2 months are removed
B: Cycles shorter than 2 months are removed
C: Cycles longer than 2 year are removed
D: Cycles shorter than 2 year are removed
E: Cycles longer than (1/2) year are removed
F: Cycles shorter than (1/2) year are removed