

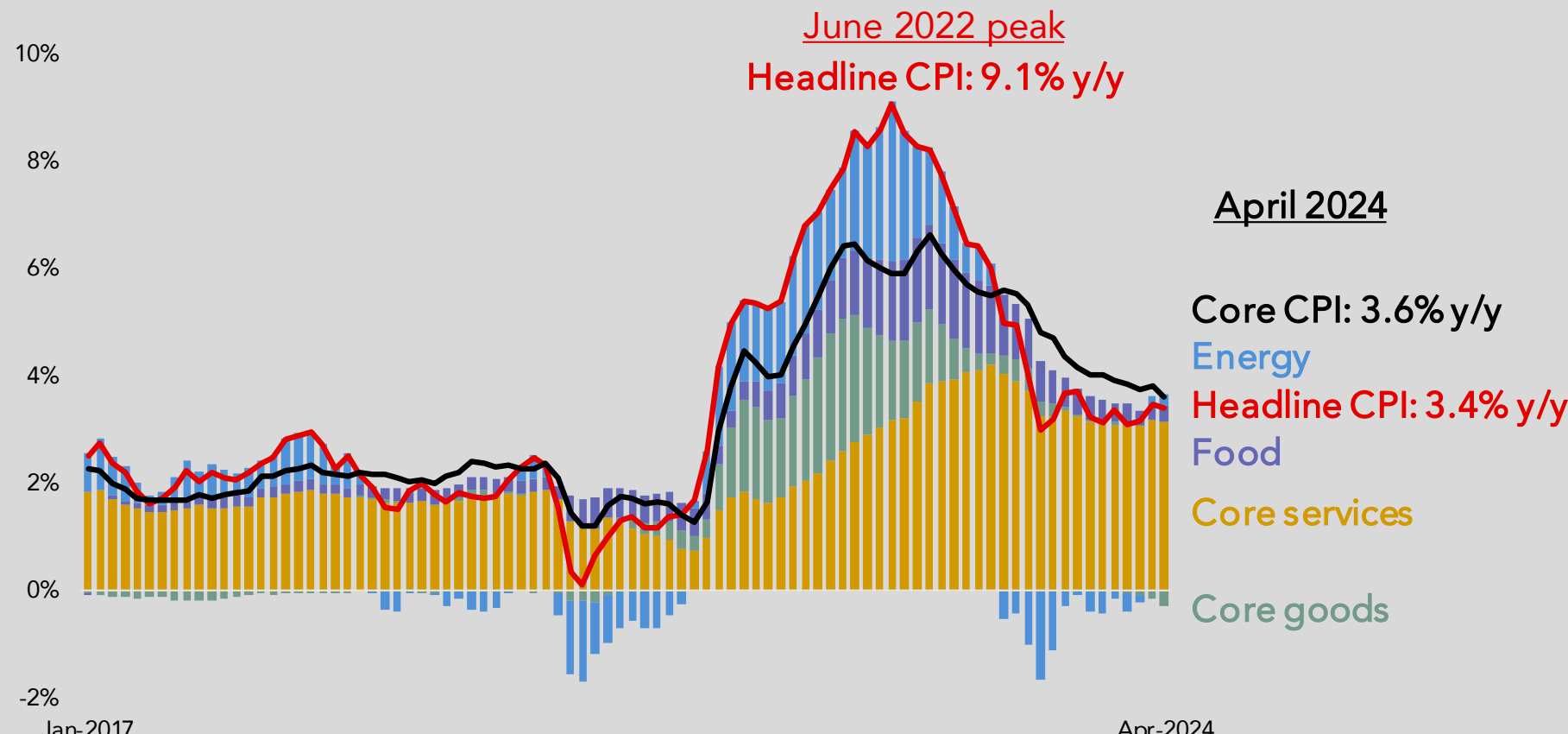
Chart of the Day

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Inline with market expectations, headline and core inflation decelerated in April on a year-over-year basis after three consecutive months of upside surprises. Headline inflation increased 3.4% y/y vs. a 3.5% increase in March and core inflation decelerated to +3.6% vs. 3.8% in the prior month. On a monthly basis, headline CPI increased 0.3% m/m as higher gasoline prices (+2.8% m/m) were offset by food at home prices (-0.2% m/m). Core CPI also increased 0.3% m/m driven by higher motor vehicle insurance (+1.8% m/m), hospital services (+0.6% m/m) and owners' equivalent rent (+0.4% m/m).

Breakdown of CPI by components



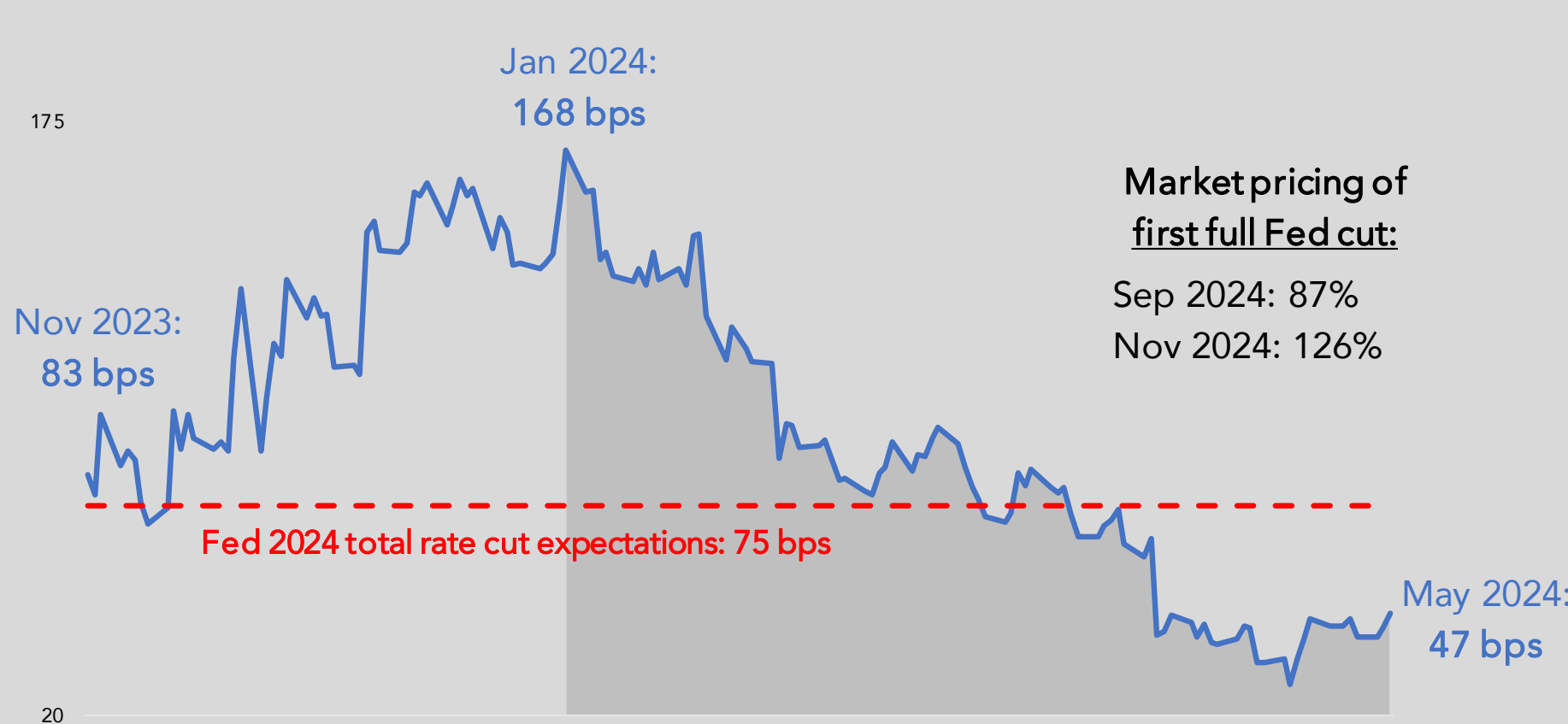
After three consecutive months of upside surprise, April headline CPI was slightly below market expectations on a month-over-month basis while monthly core inflation and both headline and core annual inflation were inline.

April CPI inflation actual vs. estimates

Metric	Actual	Estimate	Difference
Headline CPI y/y	+3.4%	+3.4%	+0.0%
Headline CPI m/m	+0.3%	+0.4%	(-0.1%)
Core CPI y/y	+3.6%	+3.6%	+0.0%
Core CPI m/m	+0.3%	+0.3%	+0.0%

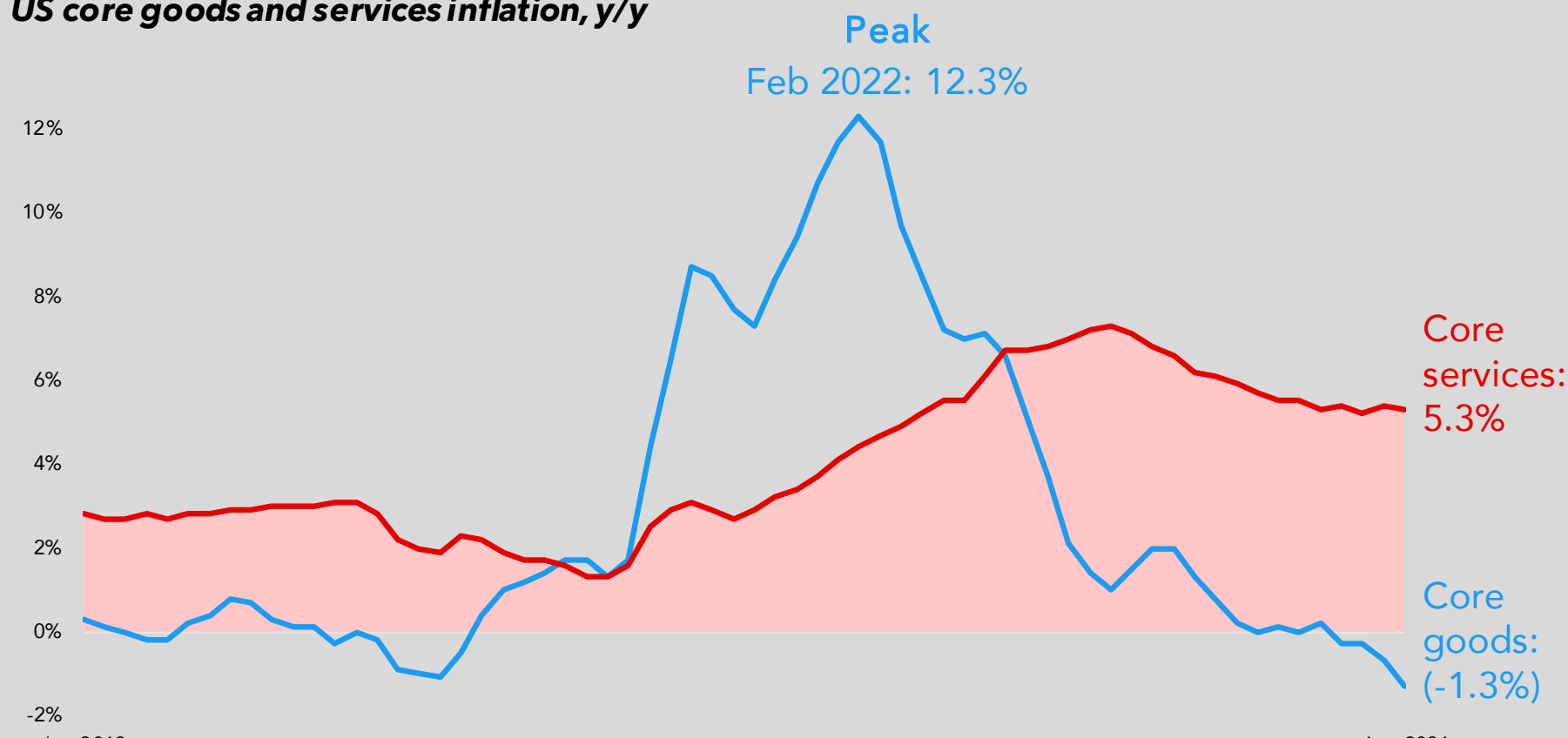
In early January, market implied rate cut expectations for 2024 were over double the Fed's forecast of 75 bps. Following strong US economic data and consecutive "hotter-than-expected" inflation reports, market expectations became more hawkish than the Fed. While the market is still pricing less than two full cuts for the year (vs. the Fed's three expected cuts), the combination of yesterday's PPI and today's CPI have increased expectations for a more benign Core PCE reading and therefore pushed rate cut expectations into more dovish territory.

Market implied total 2024 Fed rate cut expectations, bps



Core goods prices continued their deflationary trend, down -1.3% y/y and -0.1% m/m. Lower household furnishings and motor vehicle prices offset a 1.2% m/m increase in clothing. Core services, however, remain elevated as owners' equivalent rent in April was inline with March's increase of +0.4% m/m.

US core goods and services inflation, y/y



While m/m inflation data provides very useful information on the recent momentum in (dis)inflation, a look at today's CPI data on a y/y basis provides a useful lens on the categories in which the consumer is feeling the most cost pressure (and relief) relative to one year ago.

April US inflation by sector (y/y)

	Energy	Food	Core goods	Core services
Motor vehicle insurance			23%	
Transportation services			11%	
Photo equipment & supplies			9%	
Hospital services			8%	
Motor vehicle maint. & Repair			8%	
Veterinarian services			7%	
Tobacco & smoking products			7%	
Delivery services			7%	
Owners' equivalent rent			6%	
Funeral expenses			6%	
Rent of shelter			6%	
Laundry & cleaning services			6%	
Shelter			6%	
Garbage & trash collection			5%	
Services less energy services			5%	
Water & sewerage maint.			5%	
Electricity	5%			
Internet services			5%	
Personal care products			5%	
Nursing homes			5%	
Land-line phone services			4%	
Recreation services			4%	
Day care and preschool			4%	
Food away from home			4%	
Financial services			4%	
Energy services	4%			
Meats		3%		
Medical care services			3%	
School tuition			3%	
Medicinal drugs			3%	
Energy	3%			
Alcoholic beverages		2%		
Nonalcoholic beverages		2%		
Intracity mass transit			2%	
Professional services			2%	
Technical & bus. school tuition			2%	
Fruits and vegetables		2%		
Footwear			1%	
Apparel			1%	
College tuition and fees			1%	
Food at home		1%		
Energy commodities	1%			
Motor fuel	1%			
Cosmetics			1%	
Physicians' services			1%	
Recreational reading			1%	
Cereals & bakery products		1%		
Moving, storage, freight expense			1%	
Music instruments & acces.			(-0%)	
New trucks			(-0%)	
Lodging away from home			(-0%)	
New vehicles			(-0%)	
Pets & pet products			(-1%)	
Housekeeping supplies			(-1%)	
Tools, hardware & supplies			(-1%)	
Educational books			(-1%)	
Jewelry and watches			(-1%)	
Sporting goods			(-1%)	
Milk		(-1%)		
Tires			(-1%)	
Motor vehicle parts and equipment			(-2%)	
Computers and smart home assistants			(-2%)	
Utility gas service	(-2%)			
Vehicle accessories			(-2%)	
Computer software and accessories			(-3%)	
Wireless phone services			(-3%)	
Household furnishings & supplies			(-3%)	
Furniture & bedding			(-4%)	
Public transportation			(-5%)	
Appliances			(-6%)	
Airline fares			(-6%)	
Outdoor equip. & supplies			(-6%)	
Audio equipment			(-6%)	
Used cars and trucks			(-7%)	
Toys			(-7%)	
TVs			(-8%)	
Eggs		(-9%)		
Smartphones			(-10%)	
Car & truck rental			(-10%)	
Health insurance			(-12%)	

Source: (1-5) Bureau of Labor Statistics. CPI Report April 2024. Bloomberg. Data as of May 15, 2024. Goods is commodities less food and energy commodities. Services is less energy.

Global Corporate & Investment Banking Capital Markets Strategy Team

Tom Joyce Managing Director Tom.Joyce@mufgsecurities.com (212) 405-7472	Hailey Orr Managing Director Hailey.Orr@mufgsecurities.com (212) 405-7429	Stephanie Kendal Vice President Stephanie.Kendal@mufgsecurities.com (212) 405-7443	Angela Sun Analyst Angela.Sun@mufgsecurities.com (212) 405 - 6952

"Macro stability isn't everything, but without it, you have nothing."