

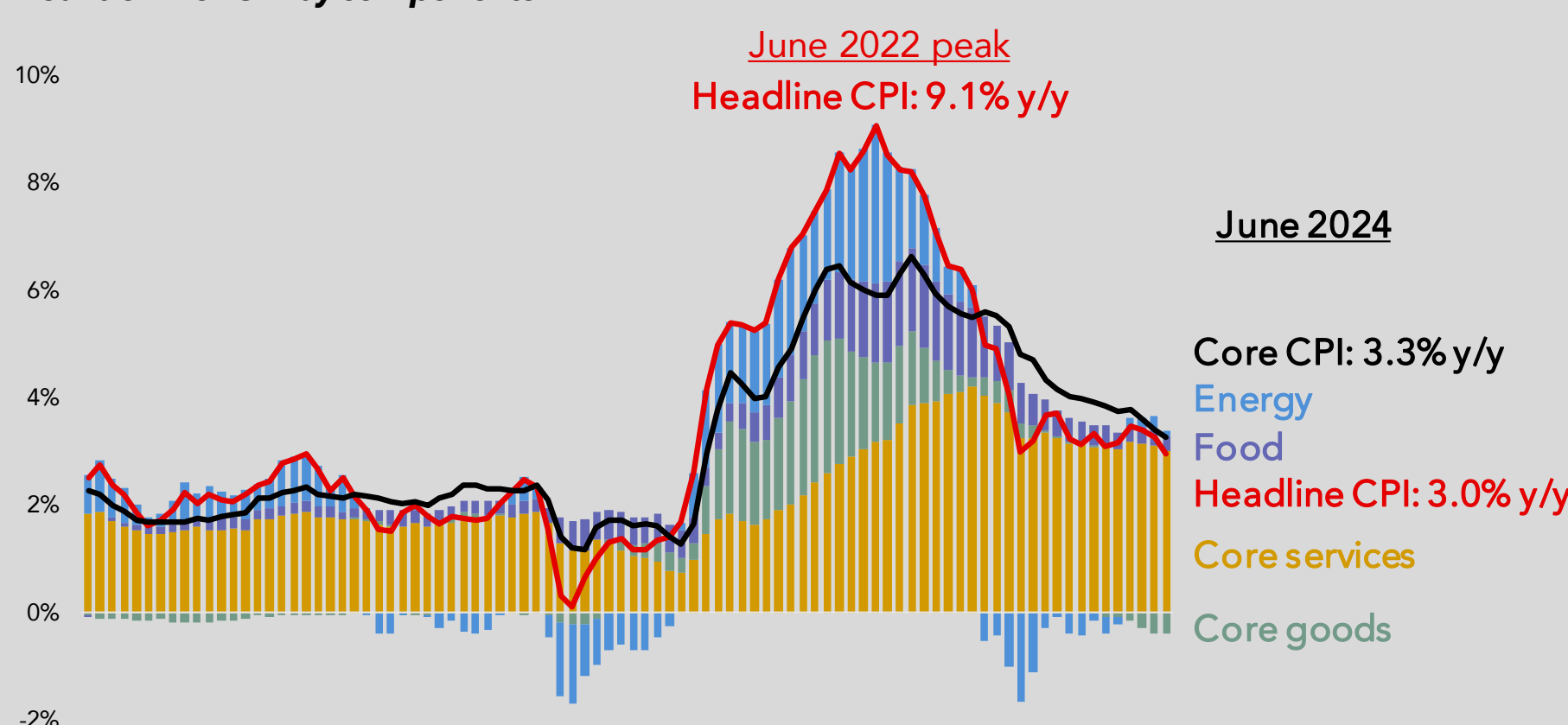
# Chart of the Day

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US headline and core CPI eased more than expected in June, following a soft May inflation print. Headline inflation decelerated to 3.0% y/y, down from 3.3% y/y in May, while the monthly measure decreased (-0.1%), the first decline since the onset of the pandemic. Declines in both gasoline prices of (-3.8% m/m) and used vehicle prices of (-1.5% m/m) helped offset the 0.2% m/m increase in shelter costs. Core inflation increased 0.1% m/m and 3.3% y/y, the slowest monthly and annual gains in more than three years.

### Breakdown of CPI by components



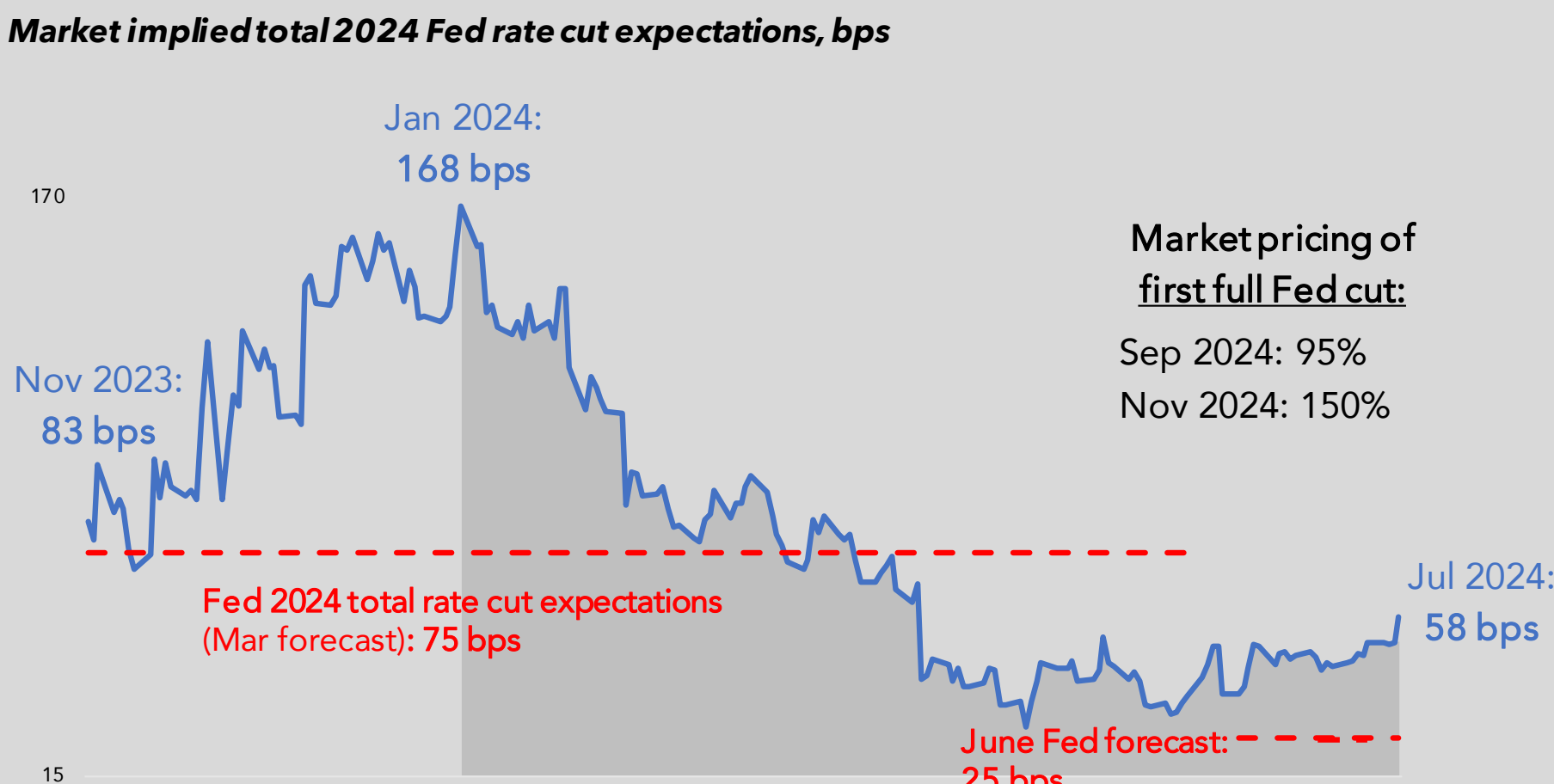
June headline and core CPI came in below market expectations on both a month-on-month and year-on-year basis. The headline CPI index declined (-0.1% m/m) vs. +0.1% expected, the first negative print in over four years.

### June CPI inflation actual vs. estimates

Metric	Actual	Estimate	Difference
Headline CPI y/y	+3.0%	+3.1%	(-0.1%)
Headline CPI m/m	(-0.1%)	+0.1%	(-0.2%)
Core CPI y/y	+3.3%	+3.4%	(-0.1%)
Core CPI m/m	+0.1%	+0.2%	(-0.1%)

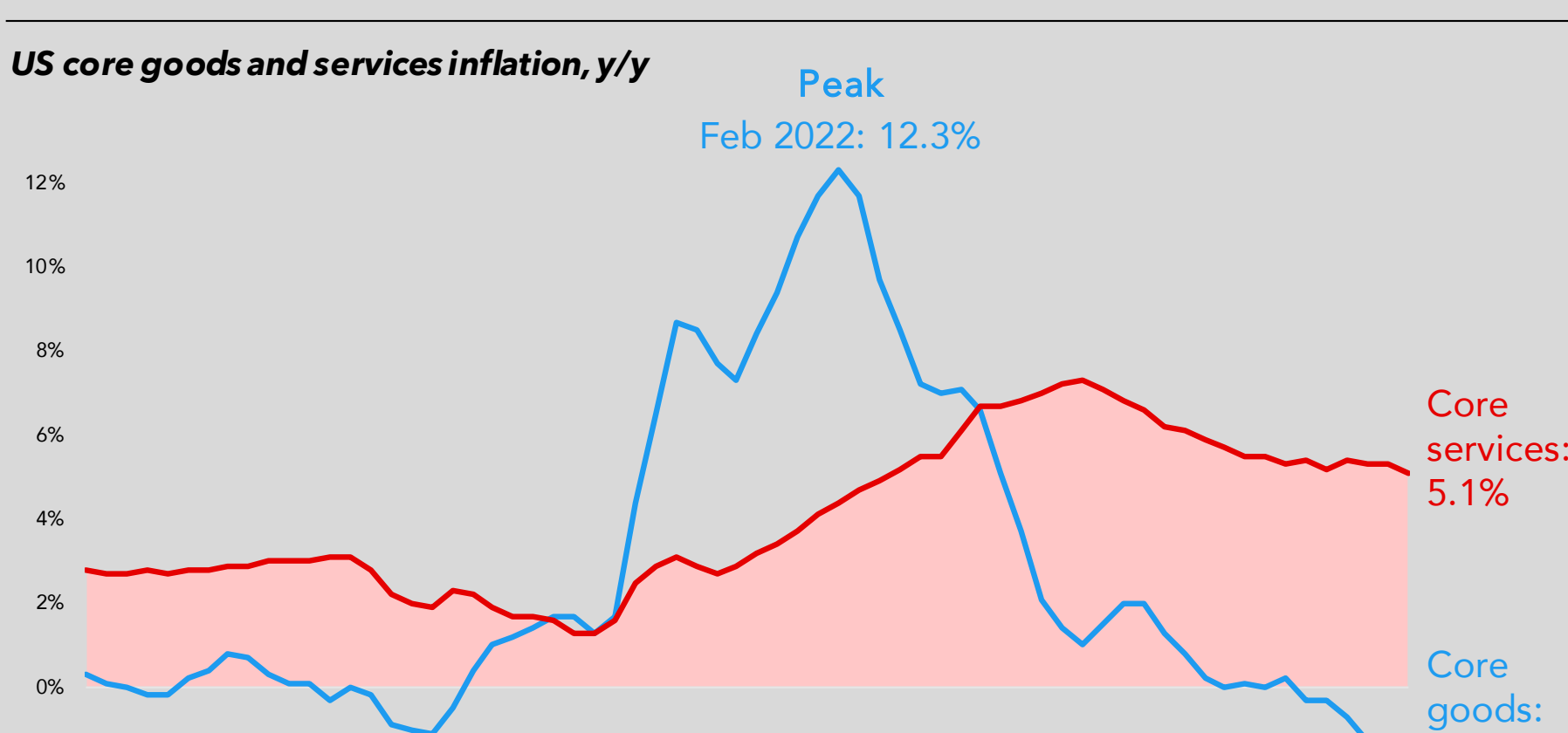
Following today's softer inflation reading and evidence of cooling labor data, market expectations for Fed easing increased. The market is now pricing in roughly 60 bps of rate cuts by year-end with close to a 100% probability of the first cut in September versus less than 50 bps and a November start, previously.

### Market implied total 2024 Fed rate cut expectations, bps



Core services prices fell for the second month in a row as shelter prices, the largest category within services, rose 0.2% m/m, the smallest gain since August 2021. Owners' equivalent rent, the biggest individual component of the CPI, rose 0.3% m/m, also the slowest in three years. The "supercore" services gauge, which excludes housing, was down (-0.05%), following a (-0.04%) decline in May, and the first consecutive monthly decline since last fall. Core goods prices continued their deflationary trend, down (-1.8% y/y).

### 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.

### June US inflation by sector (y/y)

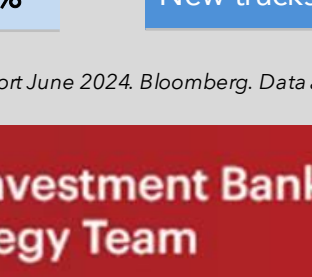
	Energy	Food	Core goods	Core services
Motor vehicle insurance			20%	
Eggs		10%		
Photo equipment & supplies			10%	
Transportation services			9%	
Tobacco & smoking products			8%	
Hospital services			7%	
Delivery services			7%	
Veterinarian services			6%	
Motor vehicle maint. & Repair			6%	
Nursing homes			6%	
Laundry & cleaning services			6%	
Owners' equivalent rent			5%	
Rent of shelter			5%	
Shelter			5%	
Land-line phone services			5%	
Services less energy			5%	
Water & sewerage maint.			5%	
Funeral expenses			5%	
Day care and preschool			5%	
Electricity	4%			
Internet services			4%	
Energy services	4%			
Food away from home		4%		
Garbage & trash collection			4%	
Utility gas service	4%			
Meats		4%		
Recreation services			3%	
Medicinal drugs		3%		
Medical care services		3%		
School tuition		3%		
Jewelry and watches		3%		
Professional services		2%		
Intracity mass transit		2%		
Alcoholic beverages		2%		
Technical & bus. school tuition		2%		
Nonalcoholic beverages		2%		
College tuition and fees		2%		
Recreational reading		1%		
Food at home		1%		
Energy	1%			
Personal care products		1%		
Physicians' services		1%		
Apparel		1%		
Footwear		1%		
Cereals & bakery products		1%		
Financial services		0%		
Cosmetics		0%		
Housekeeping supplies		0%		
Pets & pet products		(-0%)		
Vehicle accessories		(-0%)		
Fruits and vegetables		(-1%)		
Wireless phone services		(-1%)		
Sporting goods		(-1%)		
New trucks		(-1%)		
New vehicles			(-1%)	
Motor vehicle parts and equipment			(-1%)	
Milk			(-1%)	
Tools, hardware & supplies			(-1%)	
Music instruments & acces.			(-1%)	
Moving, storage, freight expense			(-2%)	
Tires			(-2%)	
Energy commodities	(-2%)			
Lodging away from home			(-2%)	
Motor fuel			(-3%)	
Household furnishings & supplies			(-3%)	
Appliances			(-4%)	
Public transportation			(-4%)	
Computer software and accessories			(-4%)	
Computers and smart home assistants			(-4%)	
Health insurance			(-4%)	
Outdoor equip. & supplies			(-4%)	
Furniture & bedding			(-5%)	
Audio equipment			(-5%)	
Airline fares			(-5%)	
TVs			(-6%)	
Toys			(-6%)	
Car & truck rental			(-6%)	
Used cars and trucks			(-10%)	
Smartphones			(-10%)	

Source: (1-5) Bureau of Labor Statistics. CPI Report June 2024. Bloomberg. Data as of July 11, 2024. Goods is commodities less food and energy commodities. Services is less energy.

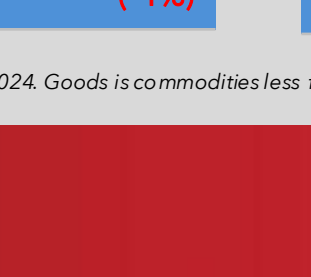
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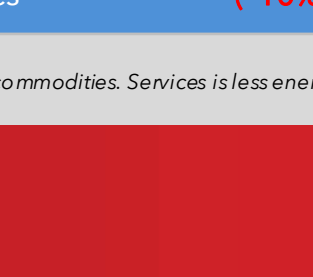
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"Macro stability isn't everything, but without it, you have nothing."