

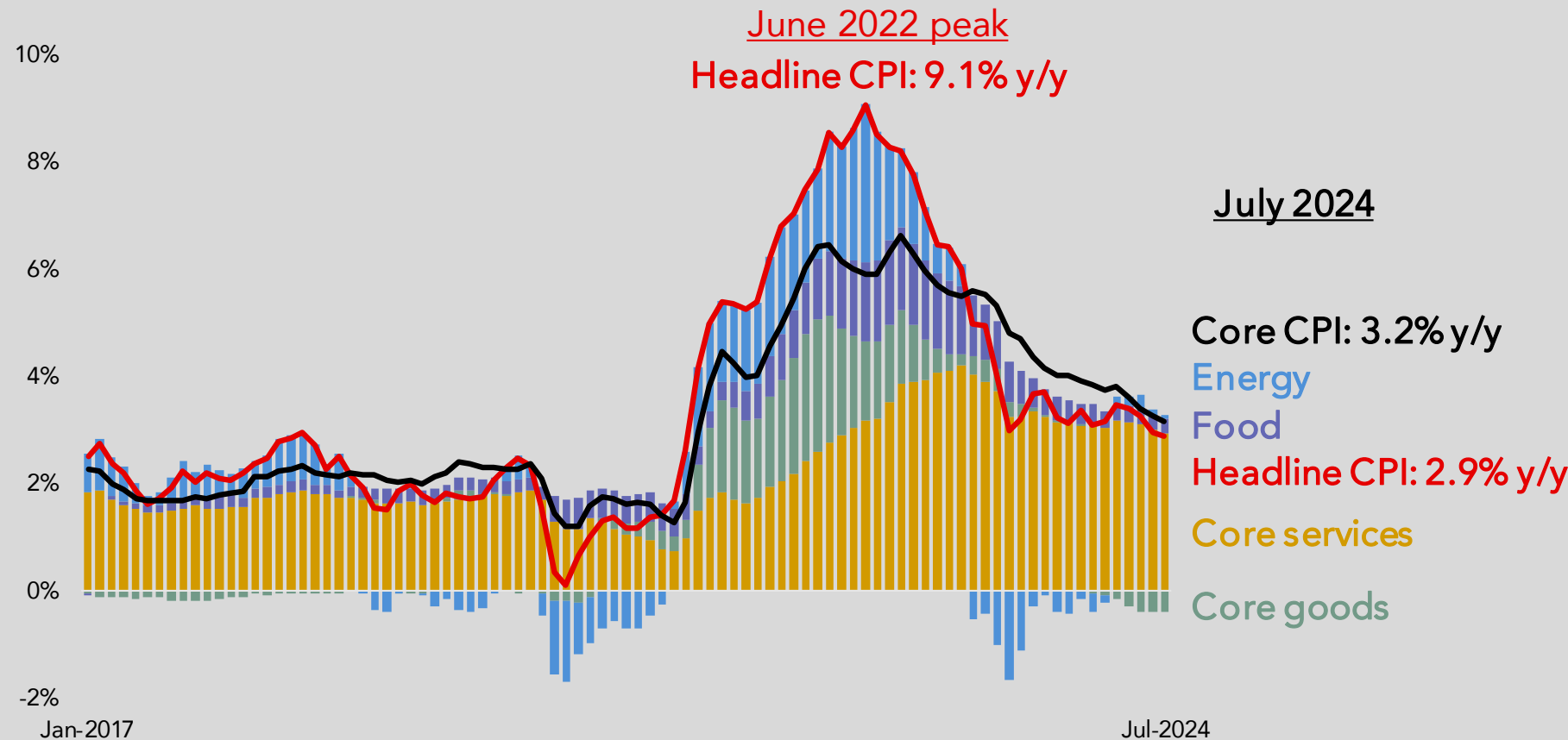
Chart of the Day

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US inflation came in broadly as expected in July, easing for a fourth month on an annual basis. Monthly headline and core CPI increased 0.2% m/m, in line with expectations while headline CPI cooled to 2.9% y/y, the lowest since March 2021. Core CPI slowed to 3.2% y/y, also the slowest pace since early 2021. The shelter index rose 0.4% m/m after a more modest 0.2% gain in June, accounting for 90% of the monthly increase in CPI. Motor vehicle insurance prices increased 1.2%. These gains were partly offset by a (-2.3%) decline in used vehicle prices, a (-0.3%) drop in medical care services and a (-1.6%) decline in airline fares.

Breakdown of CPI by components



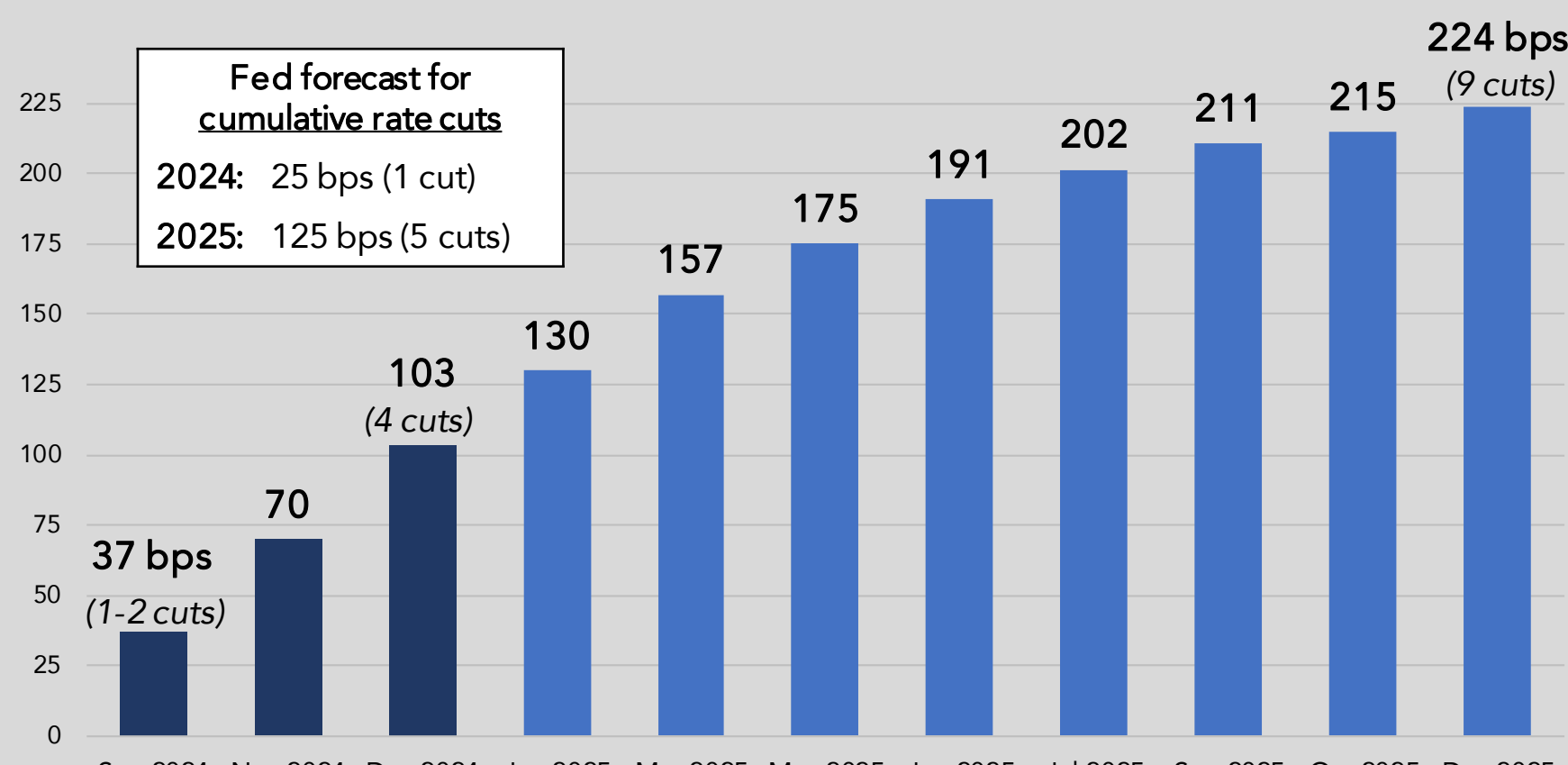
Monthly headline and core CPI increased 0.2% m/m, in line with consensus expectations. On an annual basis, core CPI also came in as expected at 3.2% y/y while headline CPI was marginally below expectations at 2.9% y/y vs. consensus 3.0%.

July CPI inflation actual vs. estimates

Metric	Actual	Estimate	Difference
Headline CPI y/y	+2.9%	+3.0%	(-0.1%)
Headline CPI m/m	+0.2%	+0.2%	+0.0%
Core CPI y/y	+3.2%	+3.2%	+0.0%
Core CPI m/m	+0.2%	+0.2%	+0.0%

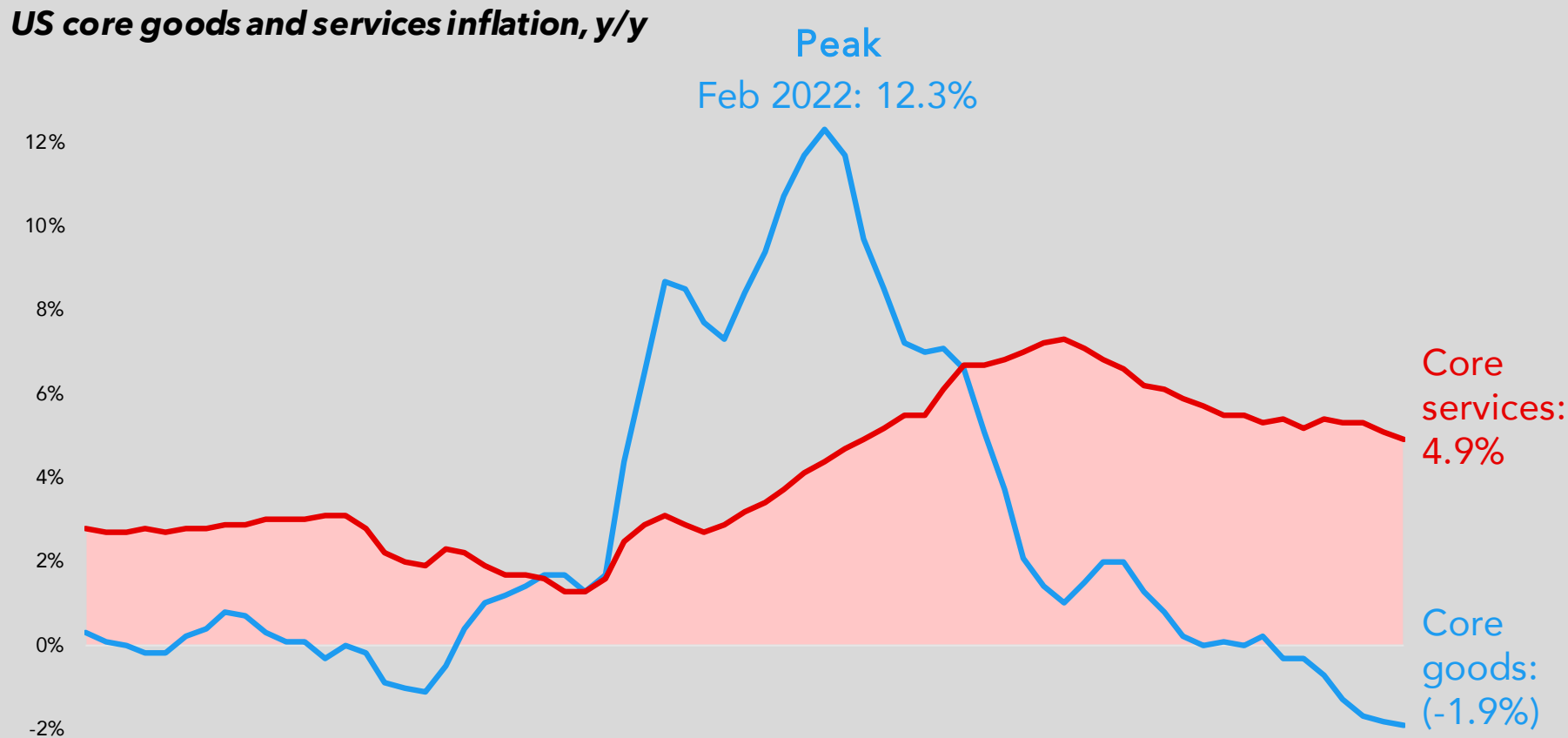
Over the course of 2024, markets have dramatically repriced expectations for Fed policy in the year ahead. After pricing just one 2024 rate cut in late spring, the market today is pricing 100 bps, or 4 cuts, by year end 2024 and 9 cuts by year end 2025. Notably, the market is well ahead of the Fed's forecast for future rate cuts.

Market implied cumulative bps of Fed rate cuts by Fed meeting



Core goods prices continued their disinflationary trend while core services inflation decelerated to 4.9% y/y, the slowest pace since early 2022. Elements of core services, however, remain "sticky". Owners' equivalent rent, the biggest individual component of CPI, reaccelerated in July, increasing 0.4% m/m. The "supercore" services gauge, which excludes housing, rose 0.21% on the month following two consecutive months of declines.

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
Eggs		19%		
Motor vehicle insurance		19%		
Photo equipment & supplies			13%	
Transportation services			9%	
Tobacco & smoking products			8%	
Delivery services			8%	
Veterinarian services			6%	
Hospital services			6%	
Laundry & cleaning services			6%	
Owners' equivalent rent			5%	
Water & sewerage maint.			5%	
Rent of shelter			5%	
Shelter			5%	
Day care and preschool			5%	
Services less energy services			5%	
Electricity			5%	
Motor vehicle maint. & Repair			5%	
Land-line phone services			4%	
Nursing homes			4%	
Energy services			4%	
Food away from home			4%	
Internet services			4%	
Financial services			4%	
Funeral expenses			4%	
Medical care services			3%	
Recreational reading			3%	
Meats			3%	
Recreation services			3%	
Garbage & trash collection			3%	
School tuition			3%	
Medicinal drugs			3%	
Intracity mass transit			2%	
Professional services			2%	
Alcoholic beverages			2%	
Nonalcoholic beverages			2%	
Vehicle accessories			2%	
College tuition and fees			2%	
Utility gas service			2%	
Technical & bus. school tuition			1%	
Milk			1%	
Food at home			1%	
Energy			1%	
Footwear			1%	
Personal care products			1%	
Physicians' services			1%	
Jewelry and watches			1%	
Apparel			0%	
Housekeeping supplies			0%	
Cereals & bakery products			0%	
Pets & pet products			(-0%)	
Fruits and vegetables			(-0%)	
Motor vehicle parts and equipment			(-0%)	
Computer software and accessories			(-0%)	
Cosmetics			(-1%)	
Health insurance				(-1%)
Audio equipment				(-1%)
Wireless phone services				(-1%)
New trucks				(-1%)
New vehicles				(-1%)
Tools, hardware & supplies				(-1%)
Music instruments & acces.				(-1%)
Moving, storage, freight expense				(-1%)
Tires				(-1%)
Sporting goods				(-2%)
Energy commodities				(-2%)
Public transportation				(-2%)
Outdoor equip. & supplies				(-2%)
Lodging away from home				(-2%)
Motor fuel				(-2%)
Household furnishings & supplies				(-2%)
Computers and smart home assistants				(-2%)
Airline fares				(-3%)
Toys				(-3%)
Appliances				(-3%)
Furniture & bedding				(-5%)
TVs				(-5%)
Car & truck rental				(-6%)
Smartphones				(-8%)
Used cars and trucks				(-11%)

Source: (1-5) Bureau of Labor Statistics. CPI Report July 2024. Bloomberg. Data as of August 14, 2024. Goods is commodities less food and energy commodities. Services is less energy.

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