

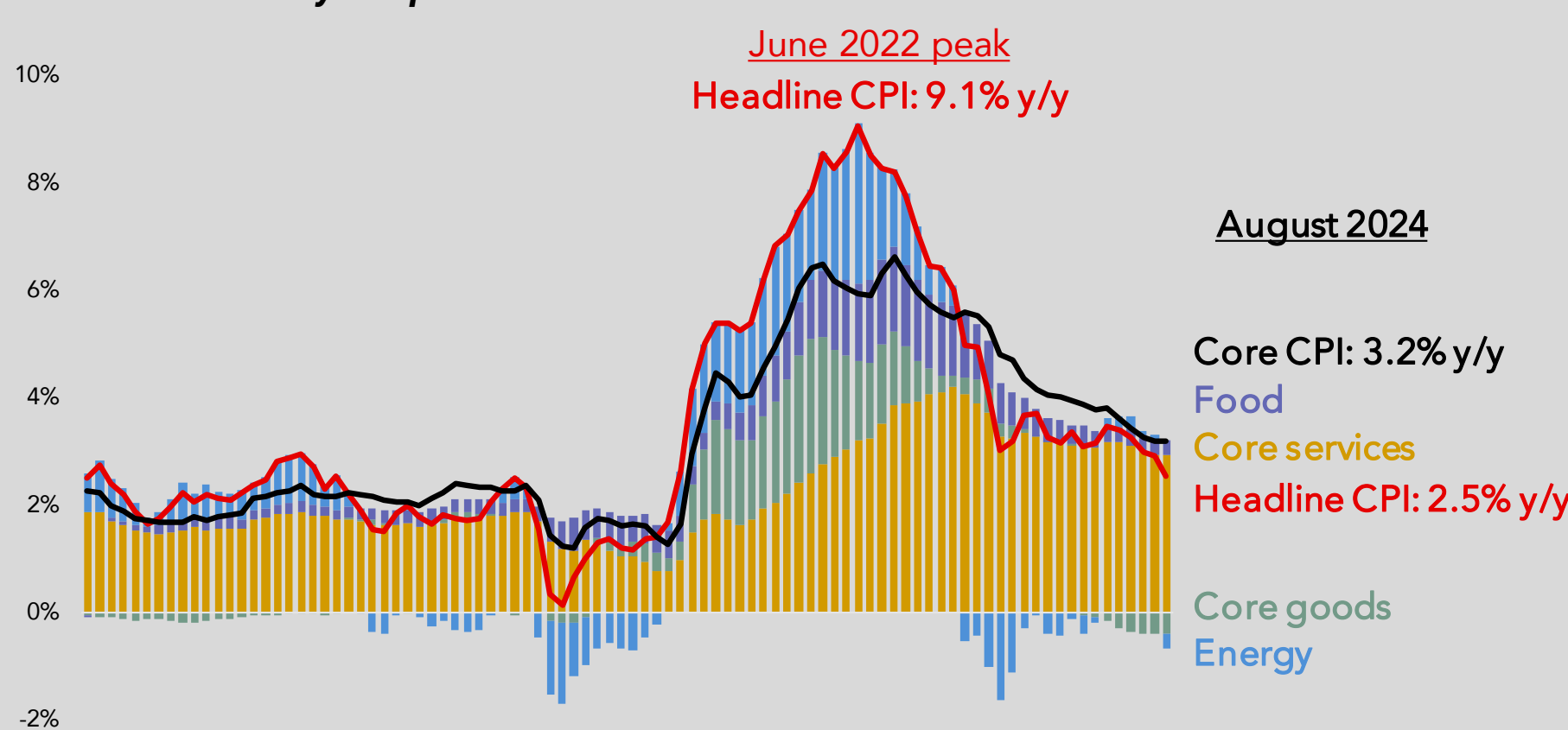
# Chart of the Day

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US headline inflation slowed to 2.5% y/y in August, a three-year low and its fifth straight month of easing. While annual core CPI remained unchanged at 3.2% y/y, as expected, the index rose 0.3% m/m (vs. 0.2% expected), the most in four months. The 5.2% y/y increase in shelter costs accounted for 70% of the gain in the annual core inflation rate in August and the monthly increase of 0.5% m/m was the most since the start of the year, and the second straight month of acceleration. In addition to housing costs, the advance was driven by a 3.9% m/m increase in airline fares, following five prior months of declines.

### Breakdown of CPI by components



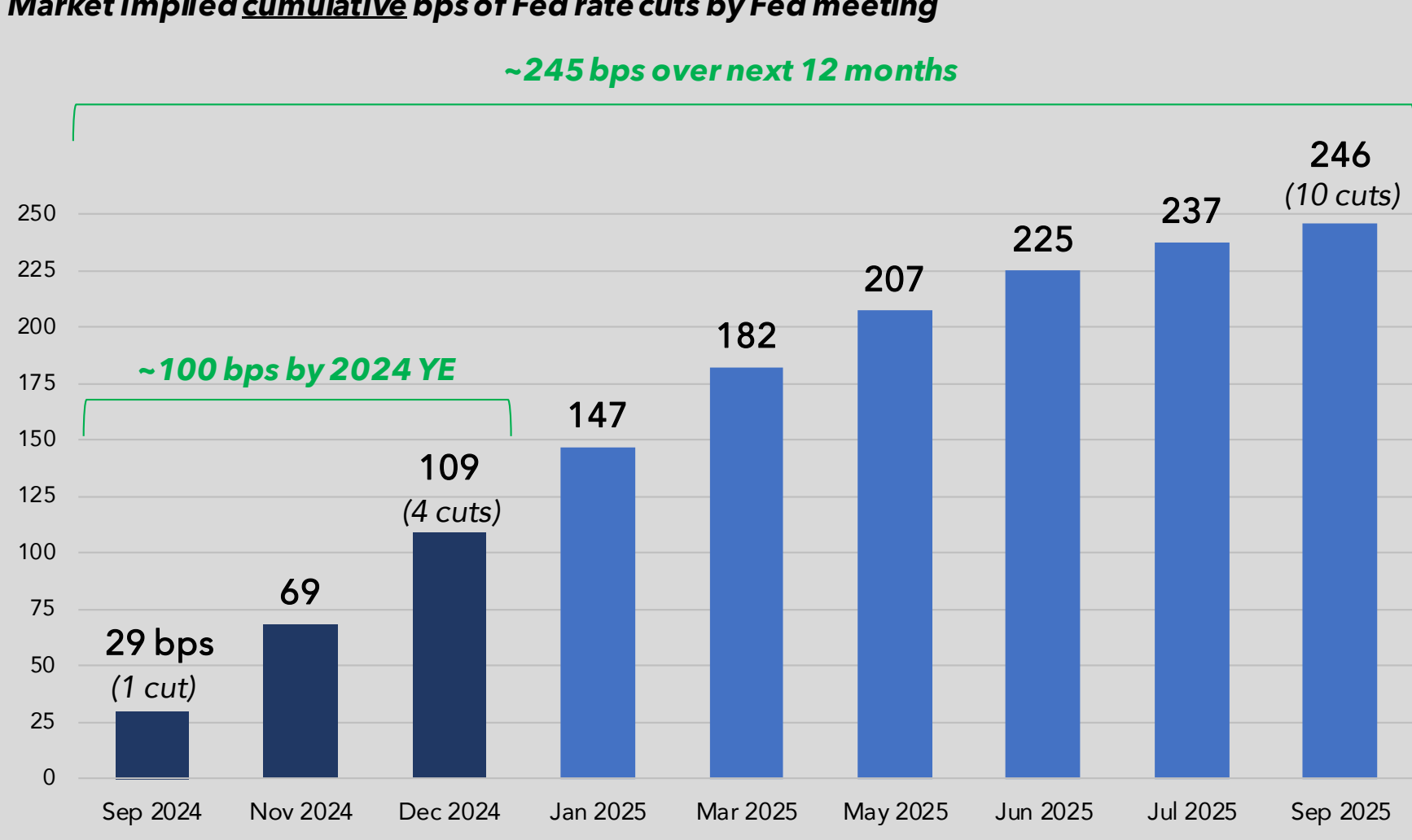
Annual and monthly headline CPI increased 2.5% y/y, and 0.2% m/m, respectively, in line with consensus expectations. On an annual basis, core CPI also came in as expected at 3.2% y/y, though the 0.3% monthly increase came in above consensus expectations for a 0.2% m/m advance and was the most since April.

### August CPI inflation actual vs. estimates

Metric	Actual	Estimate	Difference
Headline CPI y/y	+2.5%	+2.5%	+0.0%
Headline CPI m/m	+0.2%	+0.2%	+0.0%
Core CPI y/y	+3.2%	+3.2%	+0.0%
Core CPI m/m	+0.3%	+0.2%	+0.1%

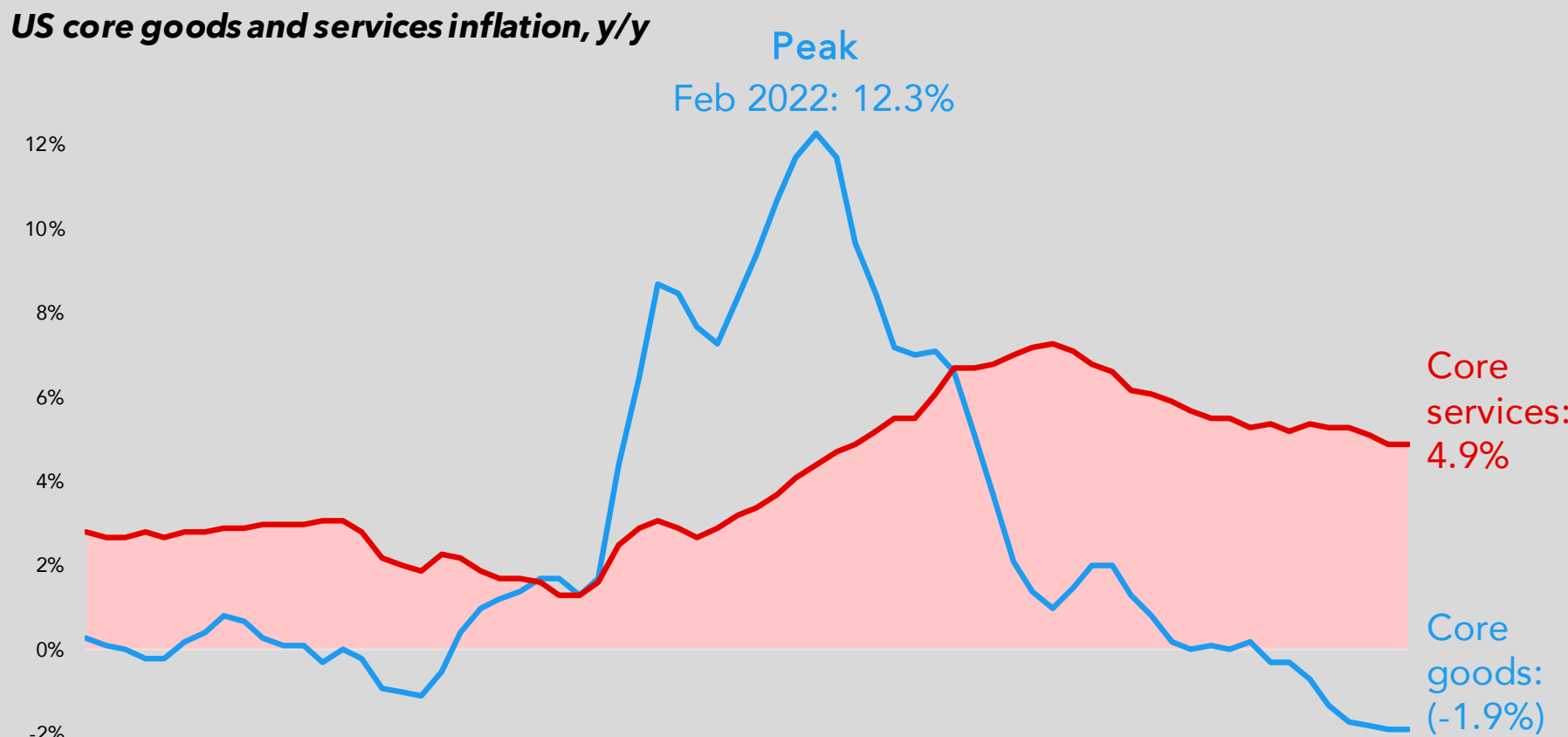
Following the higher than anticipated core CPI reading this morning, the market is now pricing in just a 15% probability for a 50 bps rate cut at the September FOMC meeting. Nonetheless, after pricing just one 2024 rate cut in late spring, the market today is pricing 100 bps, or 4 cuts, by year end 2024 and nearly 250 bps of easing over the next 12 months.

### Market implied cumulative bps of Fed rate cuts by Fed meeting



Core goods prices continued their disinflationary trend, declining in 14 of the last 15 months, and core services inflation decelerated to 4.9% y/y. Elements of core services, however, remain "sticky". Owners' equivalent rent, the biggest individual component of CPI, reaccelerated in August, up 0.5% m/m, higher than the 0.4% increase in July and almost double the 0.3% increase in June. The "supercore" services gauge, which excludes housing, rose 0.33% on the month, up from the 0.21% increase in July.

### 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.

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

Sector	Inflation (y/y)	Sector	Inflation (y/y)	Sector	Inflation (y/y)
Eggs	28%	Recreational reading	3%	Jewelry and watches	(-1%)
Motor vehicle insurance	17%	Garbage & trash collection	3%	Motor vehicle parts and equipment	(-1%)
Photo equipment & supplies	15%	Internet services	3%	Wireless phone services	(-1%)
Tobacco & smoking products	8%	Meats	3%	Music instruments & acces.	(-1%)
Transportation services	8%	Intracity mass transit	3%	Footwear	(-1%)
Veterinarian services	8%	Medicinal drugs	2%	New trucks	(-1%)
Day care and preschool	6%	Vehicle accessories	2%	Public transportation	(-1%)
Hospital services	6%	Milk	2%	New vehicles	(-1%)
Laundry & cleaning services	6%	Alcoholic beverages	2%	Airline fares	(-1%)
Delivery services	6%	Technical & bus. school tuition	2%	Tires	(-2%)
Financial services	6%	Lodging away from home	2%	Sporting goods	(-2%)
Owners' equivalent rent	5%	Professional services	2%	Computers and smart home assistants	(-2%)
Rent of shelter	5%	College tuition and fees	1%	Tools, hardware & supplies	(-2%)
Shelter	5%	Nonalcoholic beverages	1%	Household furnishings & supplies	(-3%)
Services less energy services	5%	Housekeeping supplies	1%	Toys	(-3%)
Land-line phone services	5%	Computer software and accessories	1%	Appliances	(-3%)
Water & sewerage maint.	5%	Food at home	1%	Energy	(-4%)
Motor vehicle maint. & Repair	4%	Pets & pet products	1%	Outdoor equip. & supplies	(-4%)
Food away from home	4%	Physicians' services	1%	Furniture & bedding	(-5%)
Electricity	4%	Apparel	0%	TVs	(-6%)
Nursing homes	4%	Personal care products	0%	Car & truck rental	(-8%)
Funeral expenses	3%	Audio equipment	0%	Smartphones	(-9%)
Health insurance	3%	Utility gas service	(-0.1%)	Energy commodities	(-10%)
Medical care services	3%	Cosmetics	(-0.1%)	Motor fuel	(-10%)
Recreation services	3%	Moving, storage, freight expense	(-0.1%)	Used cars and trucks	(-10%)
School tuition	3%	Fruits and vegetables	(-0.2%)		
Energy services	3%	Cereals & bakery products	(-0.3%)		

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

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