

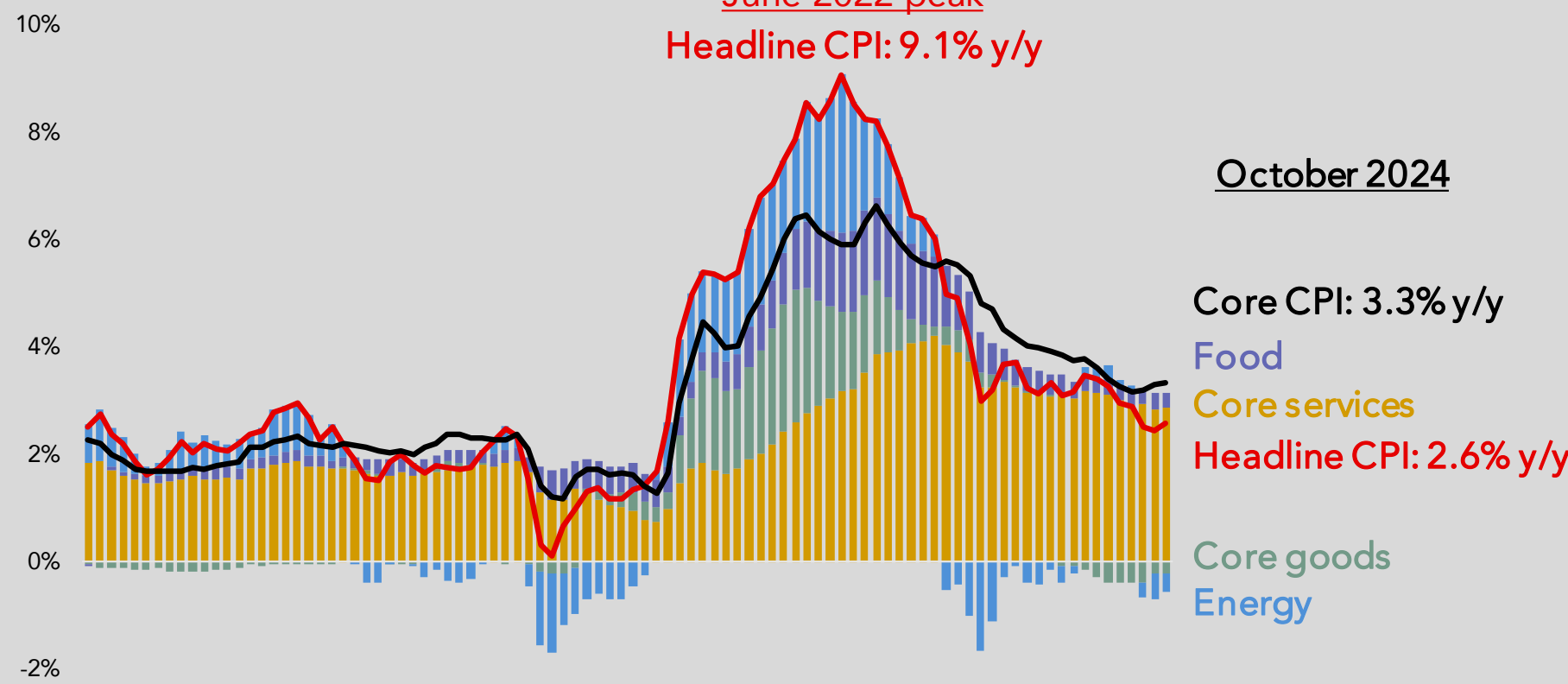
Chart of the Day

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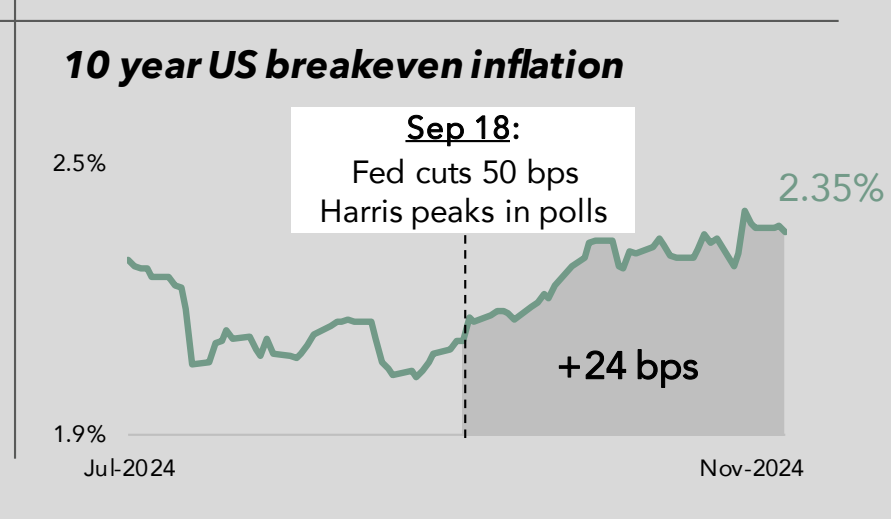
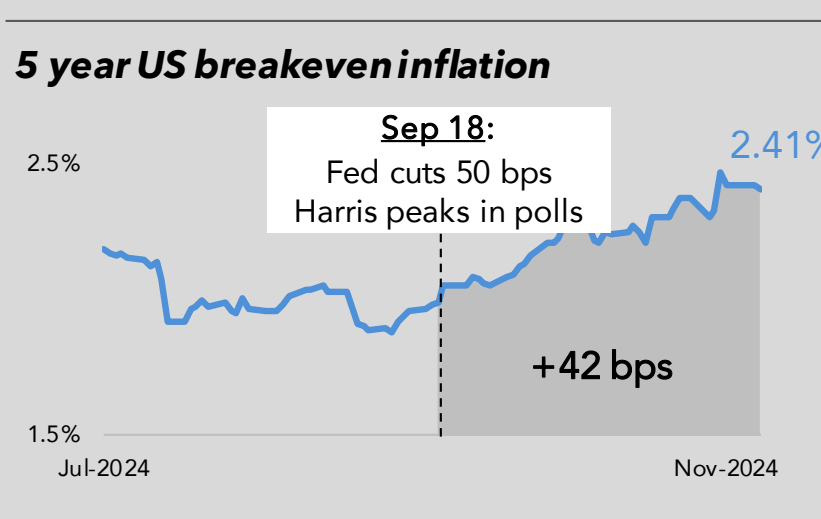
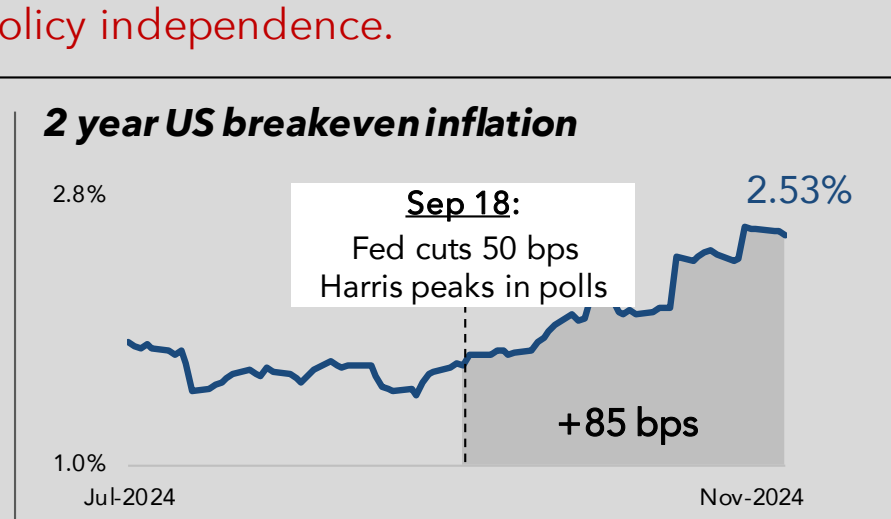
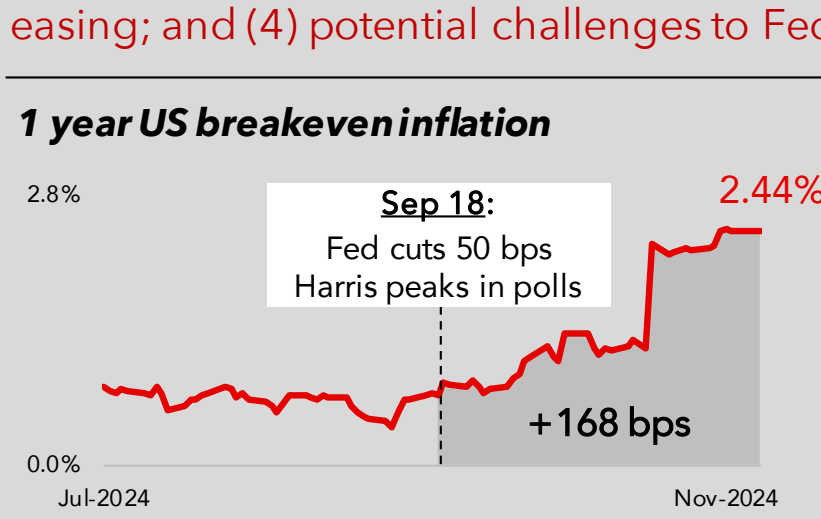


October headline and core CPI matched consensus expectations on both a monthly and annual basis. Headline inflation rose 0.2% for the fourth straight month and 2.6% for the year before, the first acceleration on an annual basis since March. Core inflation rose 0.3% for the third consecutive month, and 3.3% y/y. Prices in October rose for shelter, used cars and trucks, airline fares and medical care, with the rise in shelter costs accounting for over half of the overall monthly increase.

Breakdown of CPI by components



Even as inflation has fallen precipitously over the last two years, rising inflation break-evens suggest investors are on edge about "expected" US inflation. Numerous factors contributing to this uncertainty include: (1) stickiness in core and services inflation; (2) President-elect Trump's policy positions (fiscal, trade, immigration); (3) the Fed's pivot to easing; and (4) potential challenges to Fed policy independence.



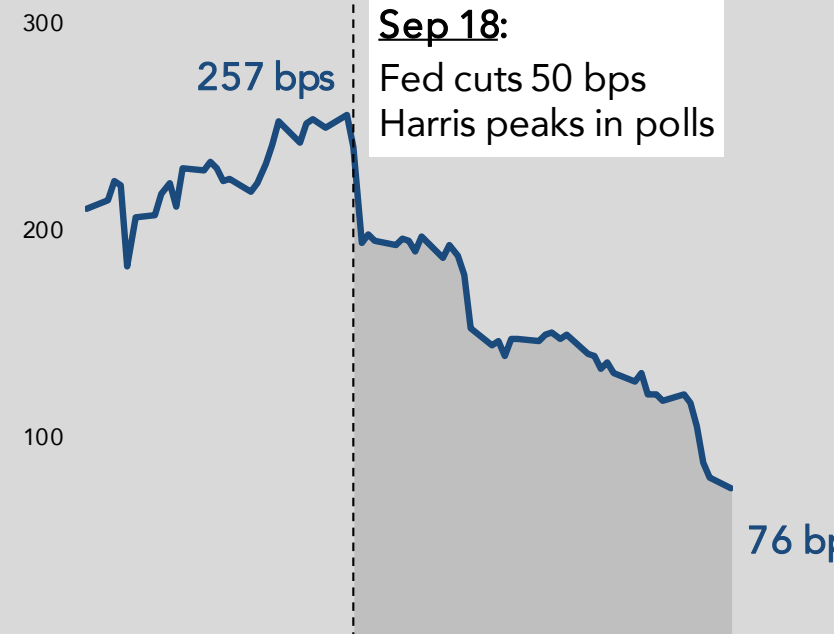
The October inflation report came in exactly as expected, with headline CPI rising 0.2% m/m and 2.6% y/y, the first annual acceleration since March. Core CPI rose 0.3% m/m and 3.3% y/y, with most of the increase driven by housing costs.

October CPI inflation actual vs. estimates

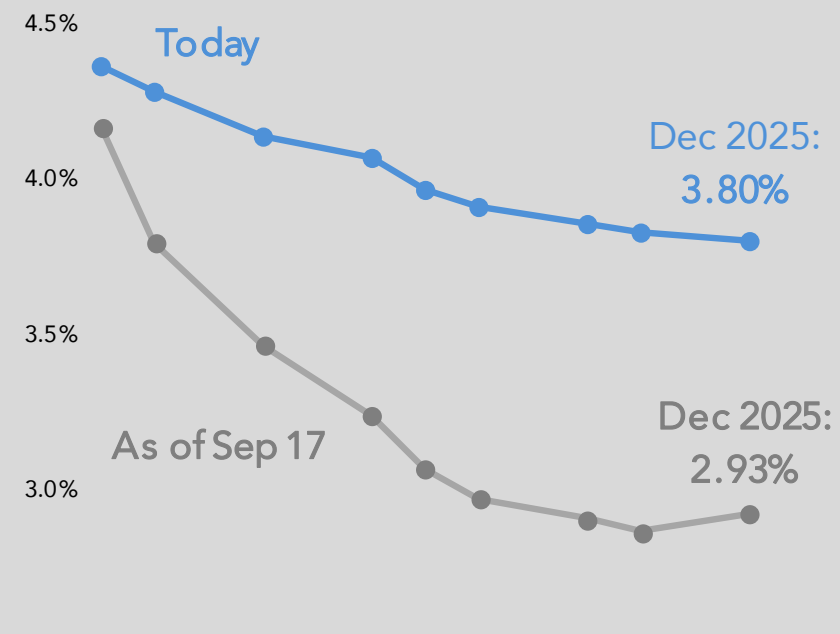
Metric	Actual	Estimate	Difference
Headline CPI y/y	+2.6%	+2.6%	+0.0%
Headline CPI m/m	+0.2%	+0.2%	+0.0%
Core CPI y/y	+3.3%	+3.3%	+0.0%
Core CPI m/m	+0.3%	+0.3%	+0.0%

Over the course of 2024, markets have dramatically repriced expectations for Fed policy in the year ahead. After a 50 bps rate cut at the September FOMC meeting, and a 25 bps rate cut at the November meeting, the market is pricing an 80% probability of one more 25 bps rate cut by year end 2024 and ~80 bps of easing over the next 12 months. Notably, the market has very quickly become "more dovish" than Fed forecasts for policy easing.

Market implied cumulative bps of Fed easing by Dec 2025

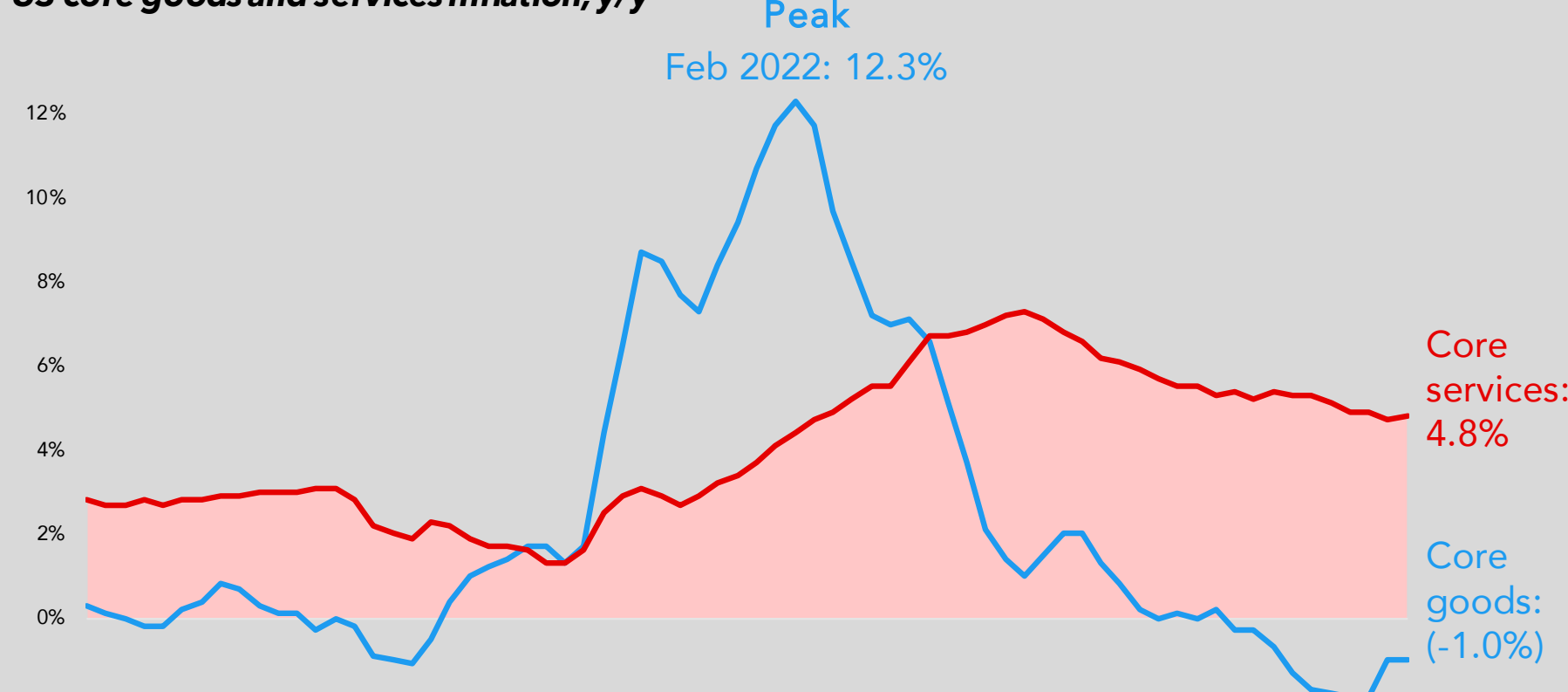


Marked implied Fed Funds rate (Sep 17 vs. today)



Core goods prices rose for a second consecutive month after falling consistently over much of last year, however, excluding used cars, core goods prices declined (-0.2%) in October, the largest drop in 2024. Services prices remain "sticky" with core services increasing 0.3% m/m. Shelter prices, the largest category within services, increased 0.4%, marking an acceleration from the prior month and owner's equivalent rent rose 0.4%, a pickup from the 0.3% gain in September. The "supercore" services gauge, which excludes housing, rose 0.3% on the month, the lowest since 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.

October US inflation by sector (y/y)

Category	Inflation (y/y)	Category	Inflation (y/y)	Category	Inflation (y/y)
Eggs	30%	Medical care services	4%	Personal care products	0%
Motor vehicle insurance	14%	School tuition	4%	Housekeeping supplies	(-0.1%)
Transportation services	8%	Recreational reading	4%	Lodging away from home	(-0.1%)
Veterinarian services	7%	Professional services	3%	Wireless phone services	(-0.4%)
Tobacco & smoking products	7%	Physicians' services	3%	Music instruments & acces.	(-1%)
Health insurance	7%	Recreation services	3%	Computer software and accessories	(-1%)
Day care and preschool	6%	Jewelry and watches	3%	Pets & pet products	(-1%)
Financial services	6%	College tuition and fees	3%	Cosmetics	(-1%)
Motor vehicle maint. & Repair	6%	Public transportation	3%	New trucks	(-1%)
Laundry & cleaning services	6%	Motor vehicle parts and equipment	2%	New vehicles	(-1%)
Water & sewerage maint.	6%	Utility gas service	2%	Household furnishings & supplies	(-2%)
Nursing homes	5%	Land-line phone services	2%	Appliances	(-2%)
Owners' equivalent rent	5%	Nonalcoholic beverages	2%	Furniture & bedding	(-3%)
Moving, storage, freight expense	5%	Alcoholic beverages	2%	Toys	(-3%)
Photo equipment & supplies	5%	Milk	1%	Sporting goods	(-3%)
Rent of shelter	5%	Technical & bus. school tuition	1%	Outdoor equip. & supplies	(-3%)
Shelter	5%	Tires	1%	Tools, hardware & supplies	(-3%)
Services less energy services	5%	Internet services	1%	Used cars and trucks	(-3%)
Electricity	5%	Food at home	1%	TVs	(-5%)
Vehicle accessories	5%	Medicinal drugs	1%	Computers and smart home assistants	(-5%)
Delivery services	4%	Fruits and vegetables	1%	Car & truck rental	(-7%)
Airline fares	4%	Cereals & bakery products	1%	Smartphones	(-10%)
Garbage & trash collection	4%	Footwear	1%	Energy commodities	(-12%)
Funeral expenses	4%	Intracity mass transit	1%	Motor fuel	(-13%)
Energy services	4%	Audio equipment	1%		
Hospital services	4%	Meats	0.4%		
Food away from home	4%	Apparel	0.3%		

Source: (1-10) Bureau of Labor Statistics, CPI Report October 2024, Bloomberg, Data as of November 13, 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."