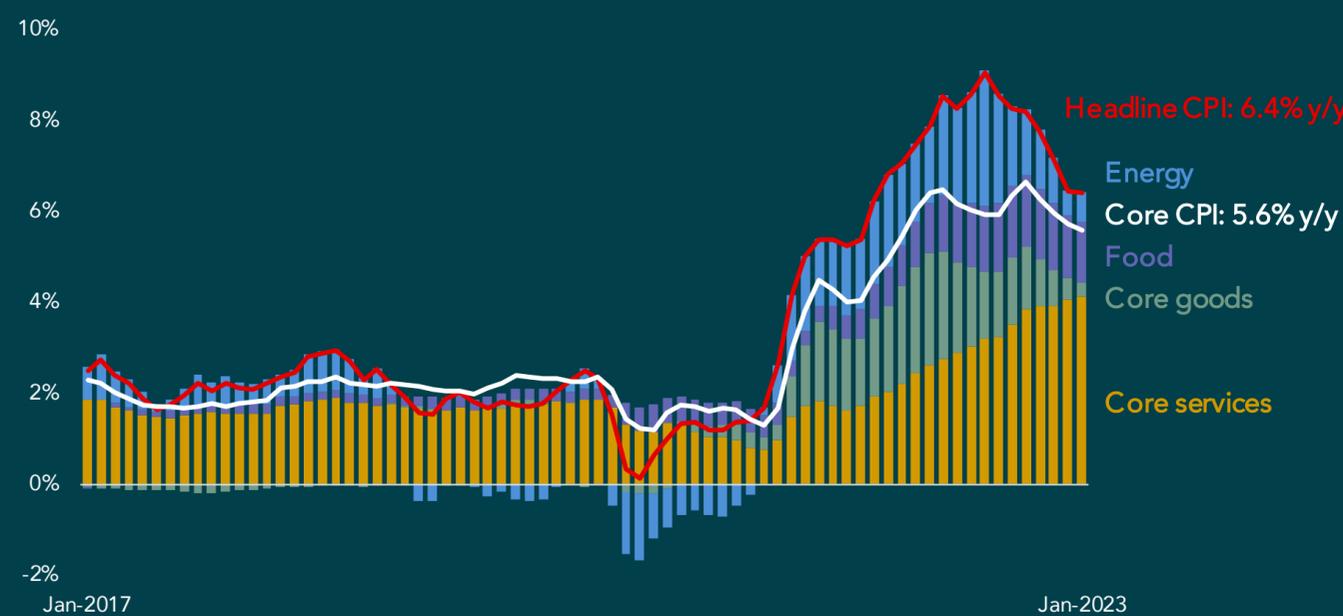


# Chart of the Day

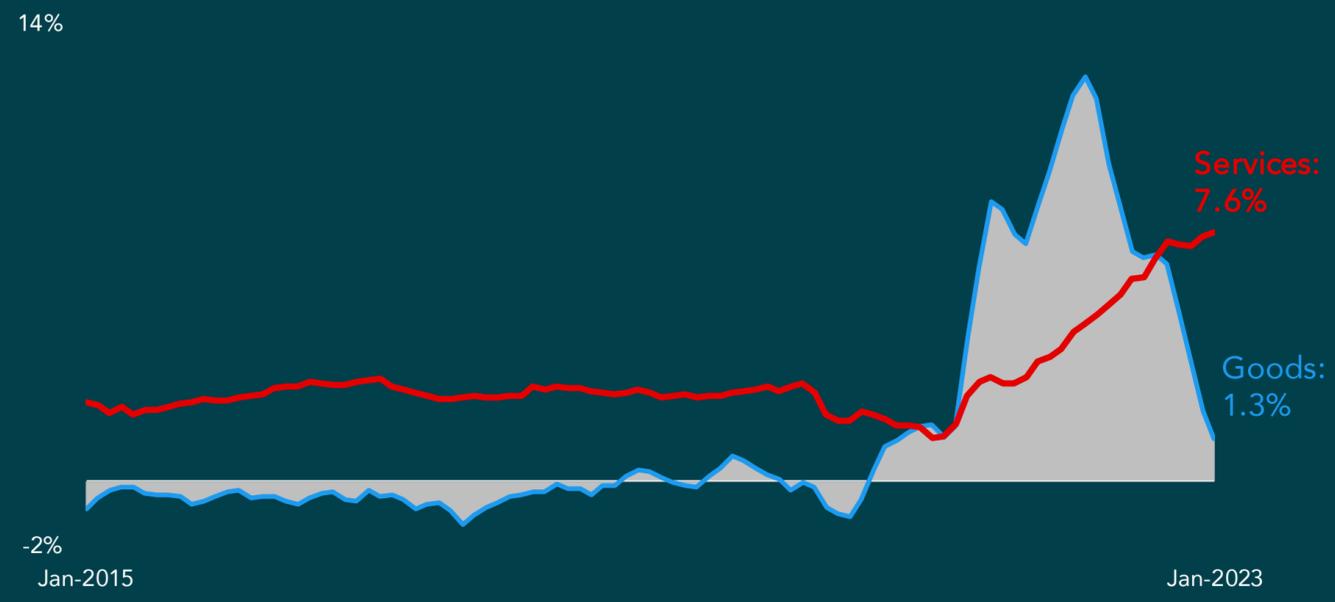
US headline inflation rose 0.5% in January, the most in three months, and annual inflation increased at 6.4%, both above consensus estimates. Excluding food and energy, core CPI rose 0.4% and 5.6% on a m/m and y/y basis, respectively. Despite the historically rapid pace of the current Fed tightening cycle, housing prices accounted for nearly half of the monthly increase. Energy prices also rose more than anticipated.

## Breakdown of CPI by components



In 2022, markets focused largely on unanticipated “new peaks” in inflation. In 2023, we expect the market’s focus to shift to the “sticky” and non linear progression of inflation’s decline (in particular, for services, wages, food and energy prices). In our view, this translates to “higher for longer” Fed policy, a more challenging period still ahead for risk assets, and higher probability of a “shallow” US recession in the 2H 2023.

## US 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 relative to one year ago.

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

Energy Food Core goods Core services

Eggs	70%	Services less energy services	7%	Medical care services	3%
Utility gas service	27%	Personal care products	7%	Energy commodities	3%
Airline fares	26%	Garbage & trash collection	7%	Professional services	3%
Public transportation	17%	Laundry & cleaning services	7%	College tuition and fees	2%
Cereals & bakery products	16%	Household furnishings & supplies	6%	Furniture & bedding	2%
Energy services	16%	Tobacco & smoking products	6%	Educational books	2%
Motor vehicle insurance	15%	Tires	6%	Meats	2%
Transportation services	15%	Legal services	6%	Technical & bus. school tuition	2%
Delivery services	14%	New trucks	6%	Internet services	2%
Motor vehicle maint. & Repair	14%	Day care and preschool	6%	Motor fuel	2%
Nonalcoholic beverages	13%	New vehicles	6%	Car & truck rental	2%
Vehicle accessories	12%	Alcoholic beverages	6%	Physicians' services	2%
Electricity	12%	Recreation services	6%	Moving, storage, freight expense	2%
Pets & pet products	12%	Cosmetics	6%	Sporting goods	2%
Tools, hardware & supplies	12%	Land-line phone services	6%	Audio equipment	2%
Housekeeping supplies	11%	Photo equipment & supplies	5%	Appliances	1%
Food at home	11%	Nursing homes	5%	Wireless phone services	1%
Milk	11%	Funeral expenses	5%	Health insurance	1%
Energy	9%	Jewelry and watches	5%	Footwear	0%
Outdoor equip. & supplies	9%	Water & sewerage maint.	4%	Toys	0%
Veterinarian services	8%	Music instruments & acces.	4%	Intracity mass transit	0%
Motor vehicle parts and equipment	8%	Hospital services	4%	Computer software and accessories	(-3%)
Food away from home	8%	Financial services	4%	Computers and smart home assistants	(-6%)
Rent of shelter	8%	School tuition	3%	Used cars and trucks	(-12%)
Shelter	8%	Medicinal drugs	3%	TVs	(-13%)
Owners' equivalent rent	8%	Apparel	3%	Smartphones	(-24%)
Lodging away from home	8%	Recreational reading	3%		
Fruits and vegetables	7%				

Source: (1-3) Bureau of Labor Statistics. CPI Report January 2023. Bloomberg. Data as of February 14, 2023. Goods is commodities less food and energy commodities.

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“Macro stability isn’t everything, but without it, you have nothing.”