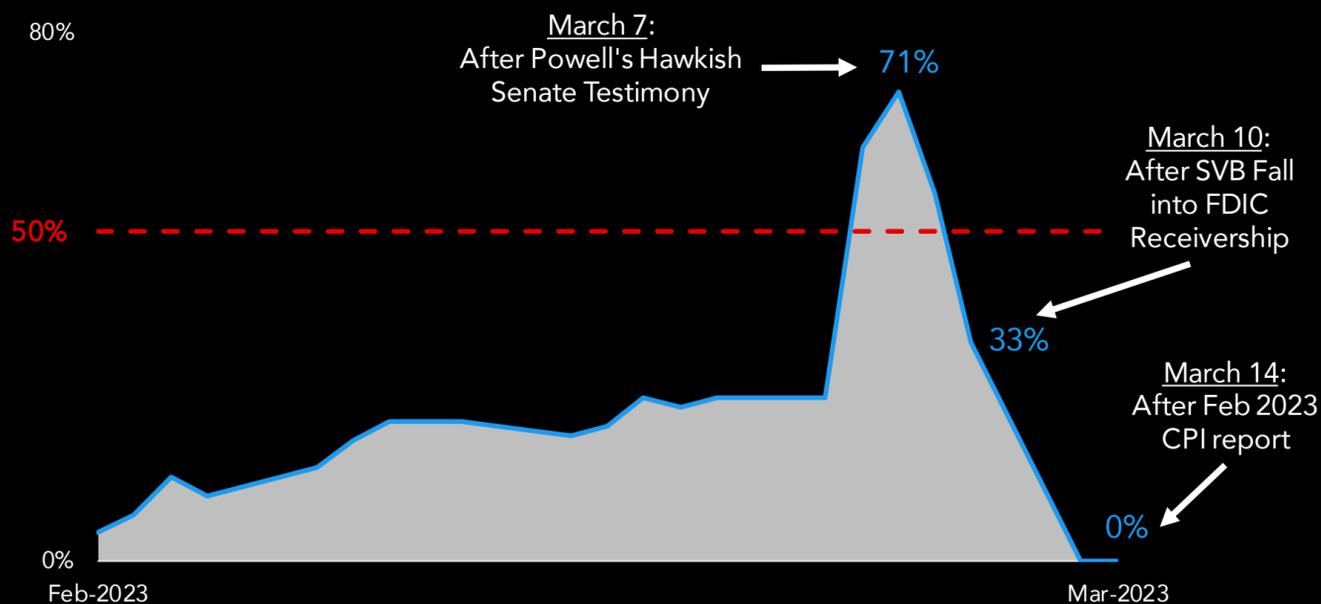


# Chart of the Day

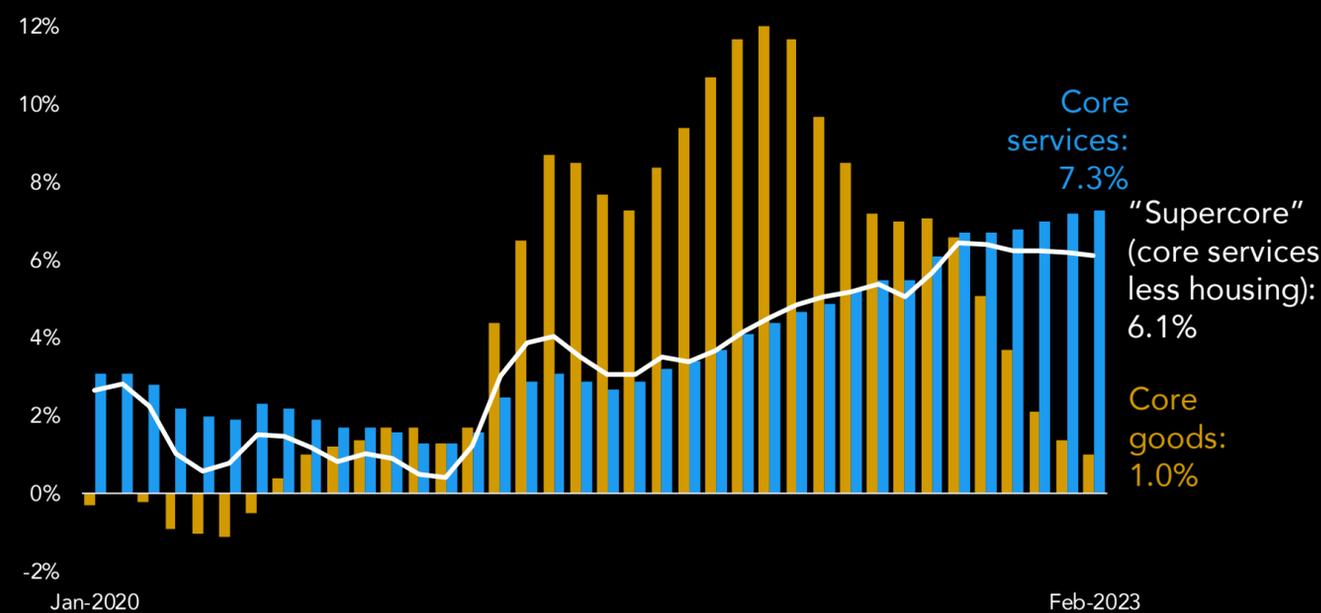
What a difference a week can make. Since Fed Chair Powell's hawkish Fed testimony exactly one week ago, the probability of a 50 bps Fed hike at the March FOMC declined from 71% to 33% on Friday following SVB's insolvency, and to 0% this morning following the February CPI report.

## Market implied probability of a 50bps hike in March



In February, core goods inflation declined for the 6th consecutive month to 1.0% on a year over year basis, reaching it's lowest level since September 2020. In contrast, core services inflation continued to rise, reaching 7.3% in February driven by an 8.1% y/y increase in shelter. The Fed's closely watched "supercore" (core services ex-shelter) has remained "sticky" since November and is still at 6.1%.

## US core goods, services and "supercore" 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.

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

Energy Food Core goods Core services

Eggs	55%	Laundry & cleaning services	7%	Audio equipment	3%
Airline fares	27%	Lodging away from home	7%	Educational books	3%
Public transportation	18%	Personal care products	7%	Professional services	2%
Cereals & bakery products	15%	Tobacco & smoking products	7%	College tuition and fees	2%
Transportation services	15%	Household furnishings & supplies	6%	Furniture & bedding	2%
Motor vehicle insurance	15%	Recreation services	6%	Medical care services	2%
Delivery services	14%	Nursing homes	6%	Technical & bus. school tuition	2%
Utility gas service	14%	Motor vehicle parts and equipment	6%	Meats	2%
Energy services	13%	New trucks	6%	Appliances	2%
Electricity	13%	New vehicles	6%	Physicians' services	1%
Motor vehicle maint. & Repair	13%	Photo equipment & supplies	6%	Toys	1%
Outdoor equip. & supplies	13%	Day care and preschool	6%	Sporting goods	1%
Nonalcoholic beverages	12%	Fruits and vegetables	5%	Wireless phone services	1%
Tools, hardware & supplies	12%	Energy	5%	Footwear	1%
Pets & pet products	11%	Legal services	5%	Intracity mass transit	0%
Housekeeping supplies	10%	Funeral expenses	5%	Recreational reading	0%
Veterinarian services	10%	Alcoholic beverages	5%	Car & truck rental	-1%
Food at home	10%	Cosmetics	5%	Moving, storage, freight expense	-1%
Vehicle accessories	9%	Financial services	5%	Energy commodities	-1%
Food away from home	8%	Water & sewerage maint.	5%	Computer software and accessories	-2%
Jewelry and watches	8%	Music instruments & acces.	5%	Motor fuel	-2%
Rent of shelter	8%	Tires	4%	Health insurance	-5%
Milk	8%	School tuition	4%	Computers and smart home assistants	-6%
Shelter	8%	Hospital services	4%	Used cars and trucks	-14%
Owners' equivalent rent	8%	Apparel	3%	TVs	-15%
Services less energy services	7%	Medicinal drugs	3%	Smartphones	-25%
Garbage & trash collection	7%	Internet services	3%		
Land-line phone services	7%				

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

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