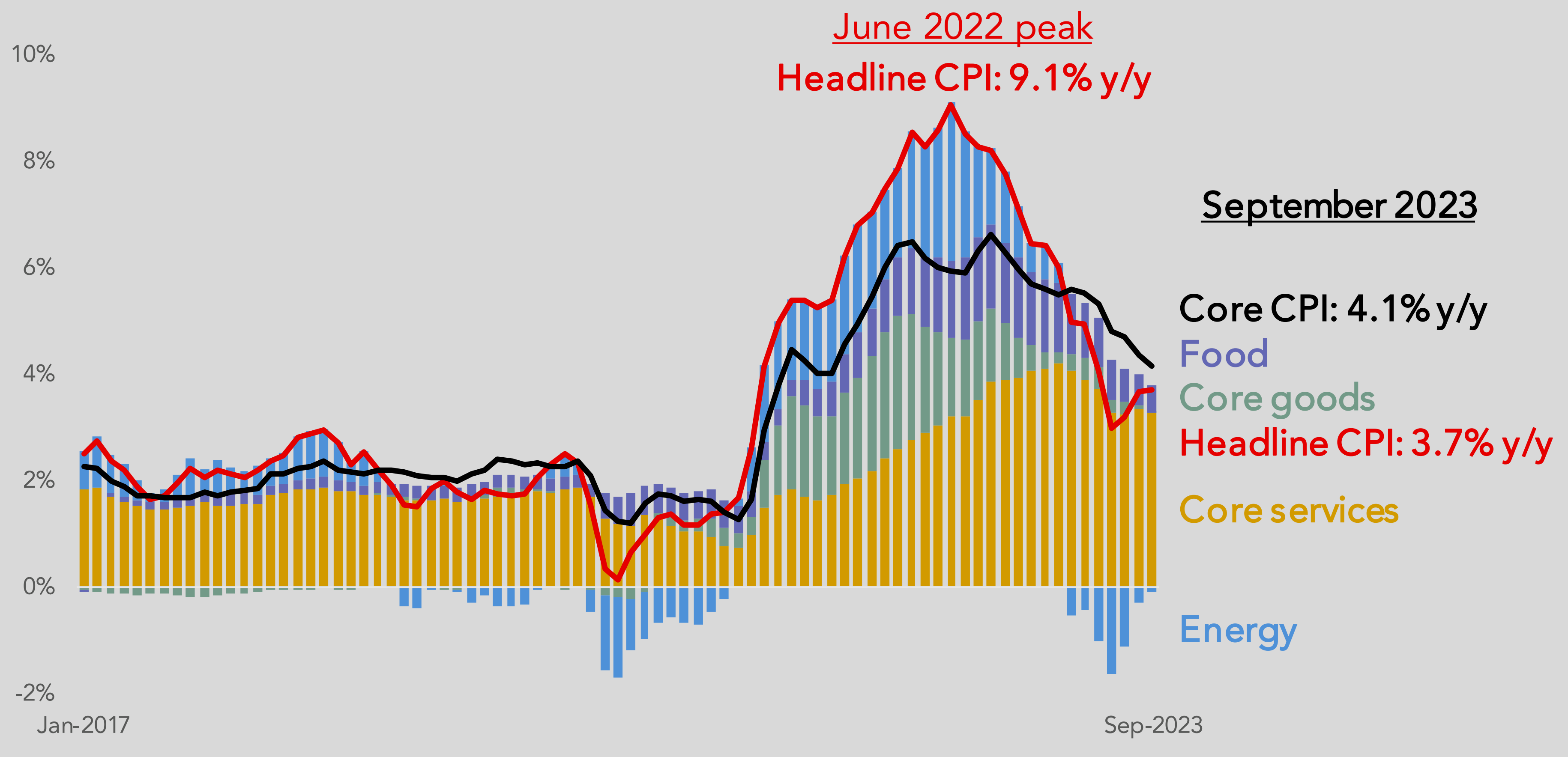
Capital Markets Strategy
Essential inCights for the C-Suite

MUFG

Chart of the Day

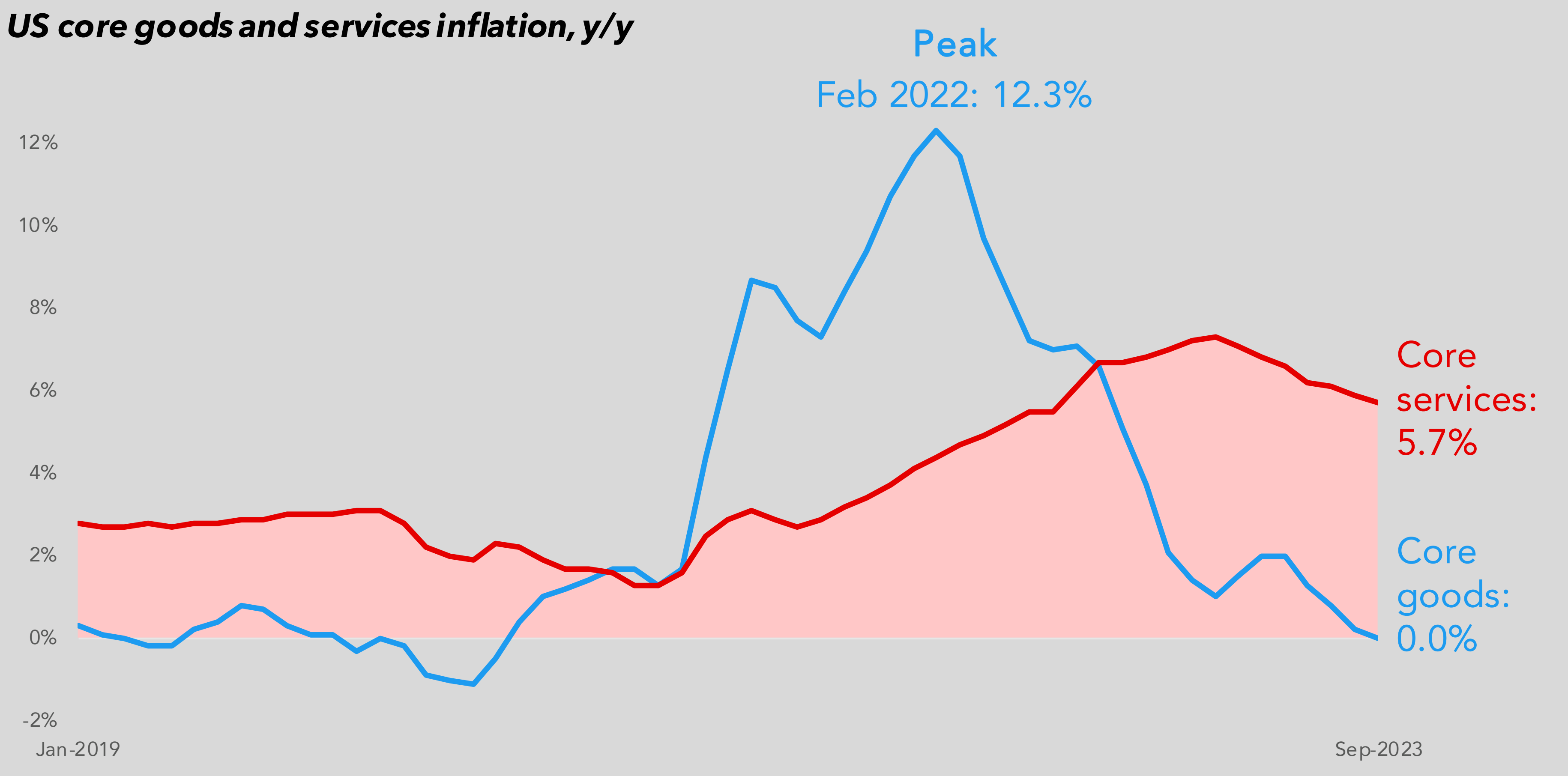
For the second month in a row, headline inflation was 3.7% y/y in September, slightly higher than the consensus expectation of 3.6%. Core inflation continued to edge down to 4.1% y/y, from 4.3% in August, though shelter inflation surprised to the upside. On a monthly basis, core inflation rose 0.3% m/m, largely due to stronger shelter prices. Shelter prices increased 0.6%, their strongest increase since May. Headline CPI rose 0.4% m/m, in part, due to the 2.1% rise in gasoline prices.

Breakdown of CPI by components



Core goods prices declined on a m/m basis and are now flat relative to a year ago. The decline in core goods was mostly due to lower used vehicle prices though there were also declines in apparel and household furnishings. Core services, on the other hand, increased 0.6% m/m and are now at 5.7% y/y. While the disinflation trend remains in tact, the September CPI report is a reminder that the path to 2% inflation will be a "bumpy and sticky" one. Today's report also reaffirms the likelihood of a Fed pause at the Nov 1st meeting, while marginally increasing uncertainty for December.

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.

September US inflation by sector (y/y)

Energy | Food | Core goods | Core services

Motor vehicle insurance	19%
Motor vehicle maint. & Repair	10%
Transportation services	9%
Outdoor equip. & supplies	8%
Music instruments & acces.	8%
Veterinarian services	8%
Lodging away from home	7%
Rent of shelter	7%
Shelter	7%
Owners' equivalent rent	7%
Garbage & trash collection	7%
Laundry & cleaning services	7%
Recreation services	6%
Funeral expenses	6%
Food away from home	6%
Services less energy services	6%
Tobacco & smoking products	6%
Financial services	5%
Land-line phone services	5%
Personal care products	5%
Internet services	5%
Nursing homes	5%
Cereals & bakery products	5%
Day care and preschool	5%
Pets & pet products	5%
Housekeeping supplies	5%
Water & sewerage maint.	5%

Hospital services	5%
Delivery services	4%
Tools, hardware & supplies	4%
Alcoholic beverages	4%
Nonalcoholic beverages	4%
Medicinal drugs	4%
School tuition	3%
Meats	3%
New trucks	3%
Cosmetics	3%
Motor fuel	3%
Electricity	3%
New vehicles	3%
Food at home	2%
Apparel	2%
Intracity mass transit	2%
Energy commodities	2%
College tuition and fees	2%
Technical & bus. school tuition	1%
Professional services	1%
Household furnishings & supplies	1%
Jewelry and watches	1%
Fruits and vegetables	1%
Footwear	1%
Vehicle accessories	0%
Sporting goods	(-0%)
Physicians' services	(-0%)

Motor vehicle parts and equipment	(-0%)
Energy	(-1%)
Tires	(-1%)
Wireless phone services	(-1%)
Moving, storage, freight expense	(-1%)
Photo equipment & supplies	(-1%)
Appliances	(-1%)
Audio equipment	(-1%)
Recreational reading	(-1%)
Milk	(-2%)
Educational books	(-3%)
Medical care services	(-3%)
Energy services	(-3%)
Toys	(-4%)
Computers and smart home assistants	(-5%)
Furniture & bedding	(-5%)
Used cars and trucks	(-8%)
Car & truck rental	(-9%)
Public transportation	(-9%)
TVs	(-9%)
Airline fares	(-10%)
Eggs	(-13%)
Smartphones	(-15%)
Computer software and accessories	(-15%)
Utility gas service	(-20%)
Health insurance	(-37%)

Source: (1-3) Bureau of Labor Statistics. CPI Report September 2023. Bloomberg. Data as of October 12, 2023. 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."