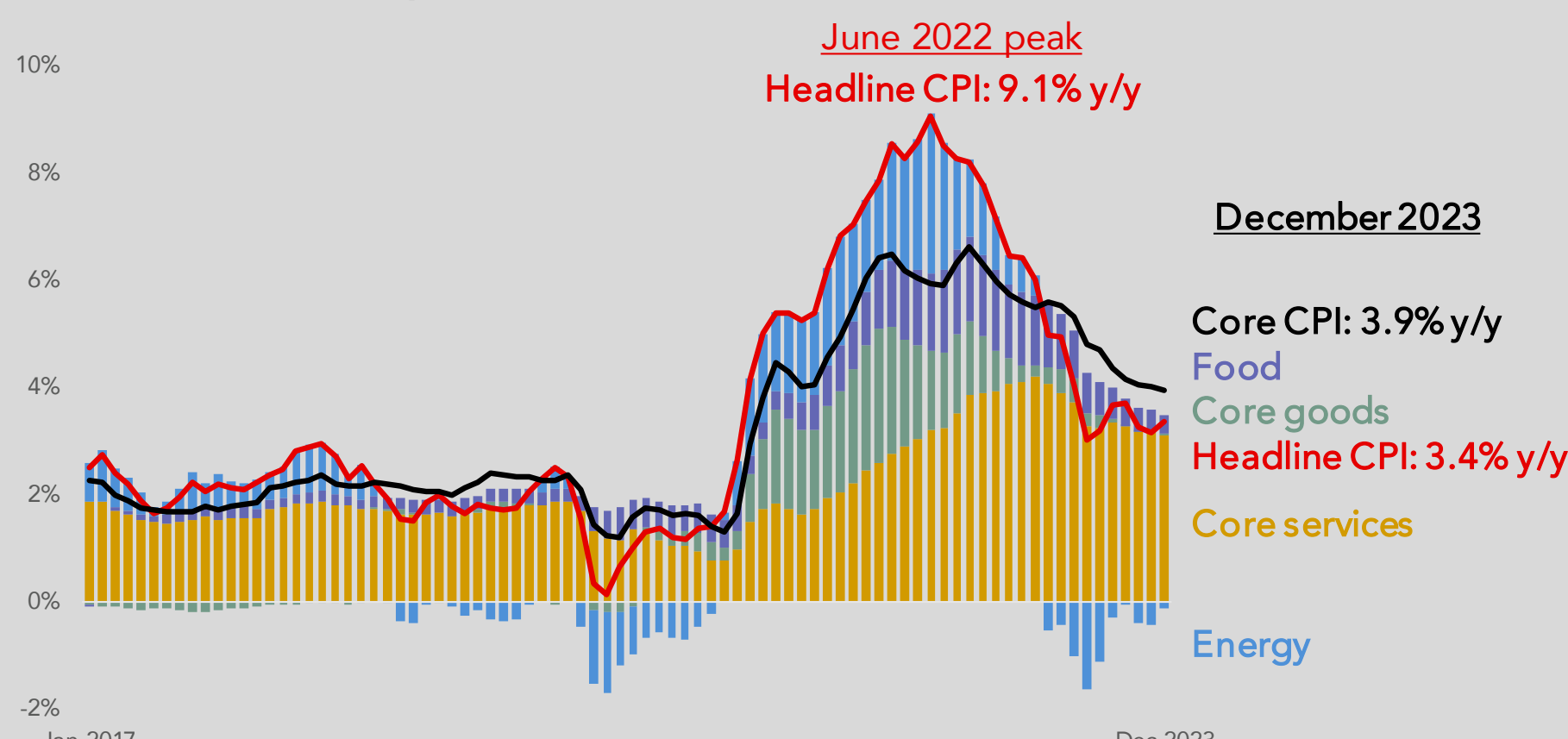


# Chart of the Day

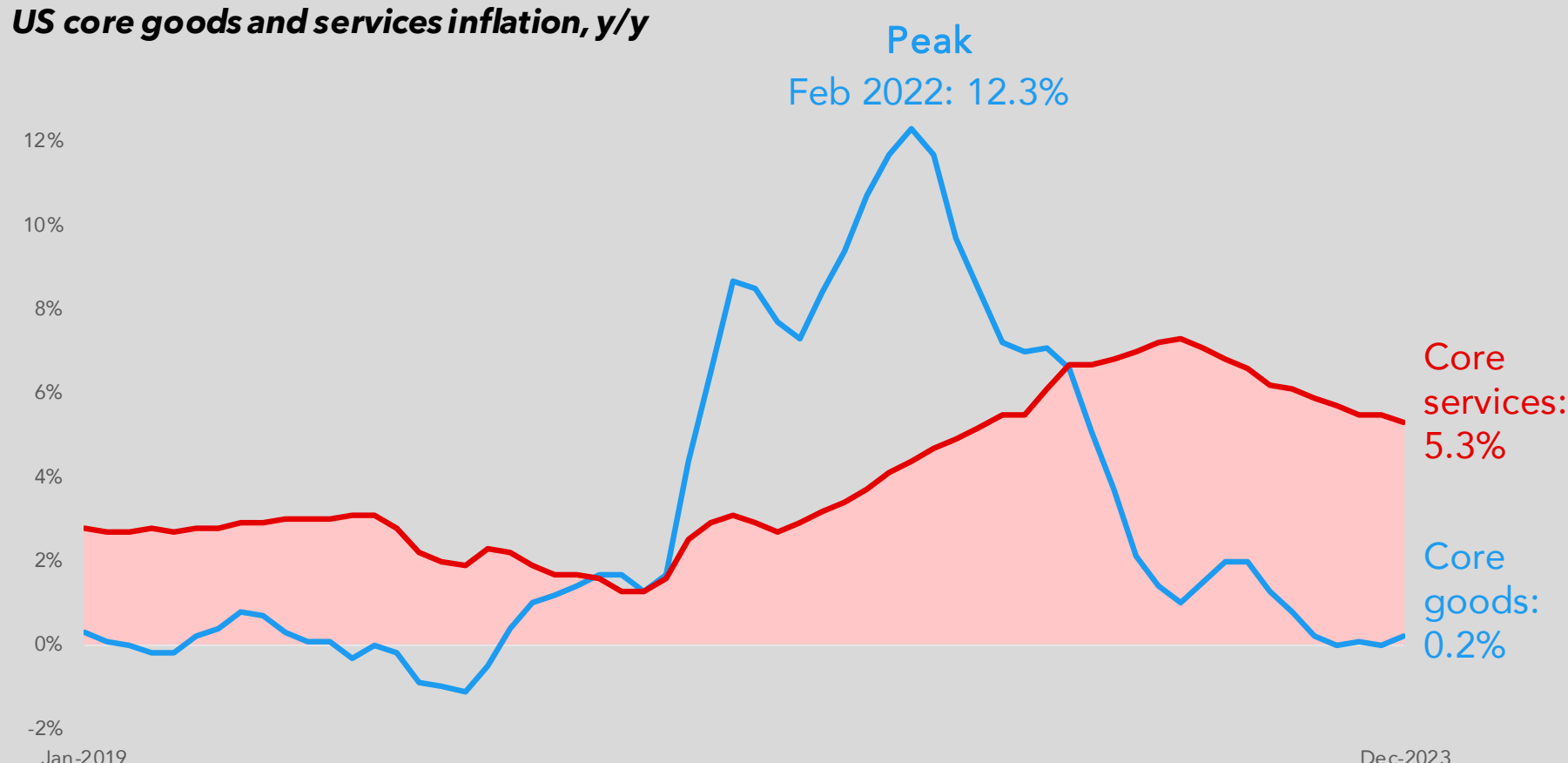
Core inflation increased 0.3% m/m in December and 3.9% on a year-over-year basis, higher than the 3.8% consensus expectation. Headline inflation was also higher than expected, increasing 0.3% m/m (an acceleration from 0.1% in November) and 3.4% y/y vs. expectations of 3.2%. The market continues to price ~140 bps of Fed rate cuts in 2024 beginning in May, roughly double the Fed's forecast of 75 bps.

## Breakdown of CPI by components



Shelter and transportation costs drove December's upside surprise. Shelter inflation, which has been "sticky" throughout the post-COVID period, increased 0.5% in December, an acceleration from November's 0.4%. Transportation costs were also higher as used vehicle prices increased 0.5% despite expectations for price declines. Motor vehicle insurance also increased 1.5% m/m and is 20.3% higher than a year ago. All in, core goods prices increased 0.2% year-over-year in December, an acceleration from November's flat reading while core services declined to 5.3% y/y vs. 5.5% in November.

## 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.

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

	Energy	Food	Core goods	Core services
Motor vehicle insurance	20%			
Veterinarian services	11%			
Transportation services	10%			
Financial services	8%			
Tobacco & smoking products	8%			
Motor vehicle maint. & Repair	7%			
Garbage & trash collection	7%			
Photo equipment & supplies	6%			
Owners' equivalent rent	6%			
Rent of shelter	6%			
Shelter	6%			
Recreation services	6%			
Hospital services	6%			
Services less energy services	5%			
Food away from home	5%			
Laundry & cleaning services	5%			
Delivery services	5%			
Nursing homes	5%			
Medicinal drugs	5%			
Land-line phone services	5%			
Water & sewerage maint.	5%			
Funeral expenses	5%			
Day care and preschool	5%			
Music instruments & acces.	4%			
Personal care products	4%			
Internet services	4%			
Meats	4%			
Electricity	3%			
Pets & pet products	3%			
Housekeeping supplies	3%			
School tuition	3%			
Cereals & bakery products	3%			
Nonalcoholic beverages	3%			
Alcoholic beverages	3%			
Intracity mass transit	3%			
Jewelry and watches	2%			
Technical & bus. school tuition	2%			
Professional services	1%			
Food at home	1%			
Outdoor equip. & supplies	1%			
Cosmetics	1%			
College tuition and fees	1%			
New trucks	1%			
Tools, hardware & supplies	1%			
New vehicles	1%			
Apparel	1%			
Footwear	1%			
Recreational reading	0%			
Fruits and vegetables	0%			
Lodging away from home	0%			
Medical care services		(-1%)		
Physicians' services		(-1%)		
Household furnishings & supplies		(-1%)		
Energy services		(-1%)		
Tires			(-1%)	
Motor vehicle parts and equipment			(-1%)	
Used cars and trucks			(-1%)	
Vehicle accessories			(-1%)	
Milk		(-2%)		
Energy	(-2%)			
Motor fuel	(-2%)			
Sporting goods			(-3%)	
Energy commodities	(-3%)			
Wireless phone services			(-3%)	
Moving, storage, freight expense			(-3%)	
Educational books			(-4%)	
Computers and smart home assistants			(-4%)	
Appliances			(-4%)	
Furniture & bedding			(-4%)	
Toys			(-5%)	
Audio equipment			(-6%)	
Public transportation			(-7%)	
Airline fares			(-9%)	
Computer software and accessories			(-10%)	
TVs			(-10%)	
Car & truck rental			(-12%)	
Utility gas service	(-14%)			
Smartphones			(-14%)	
Eggs		(-24%)		
Health insurance			(-27%)	

Source: (1-3) Bureau of Labor Statistics. CPI Report December 2023. Bloomberg. Data as of January 11, 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."