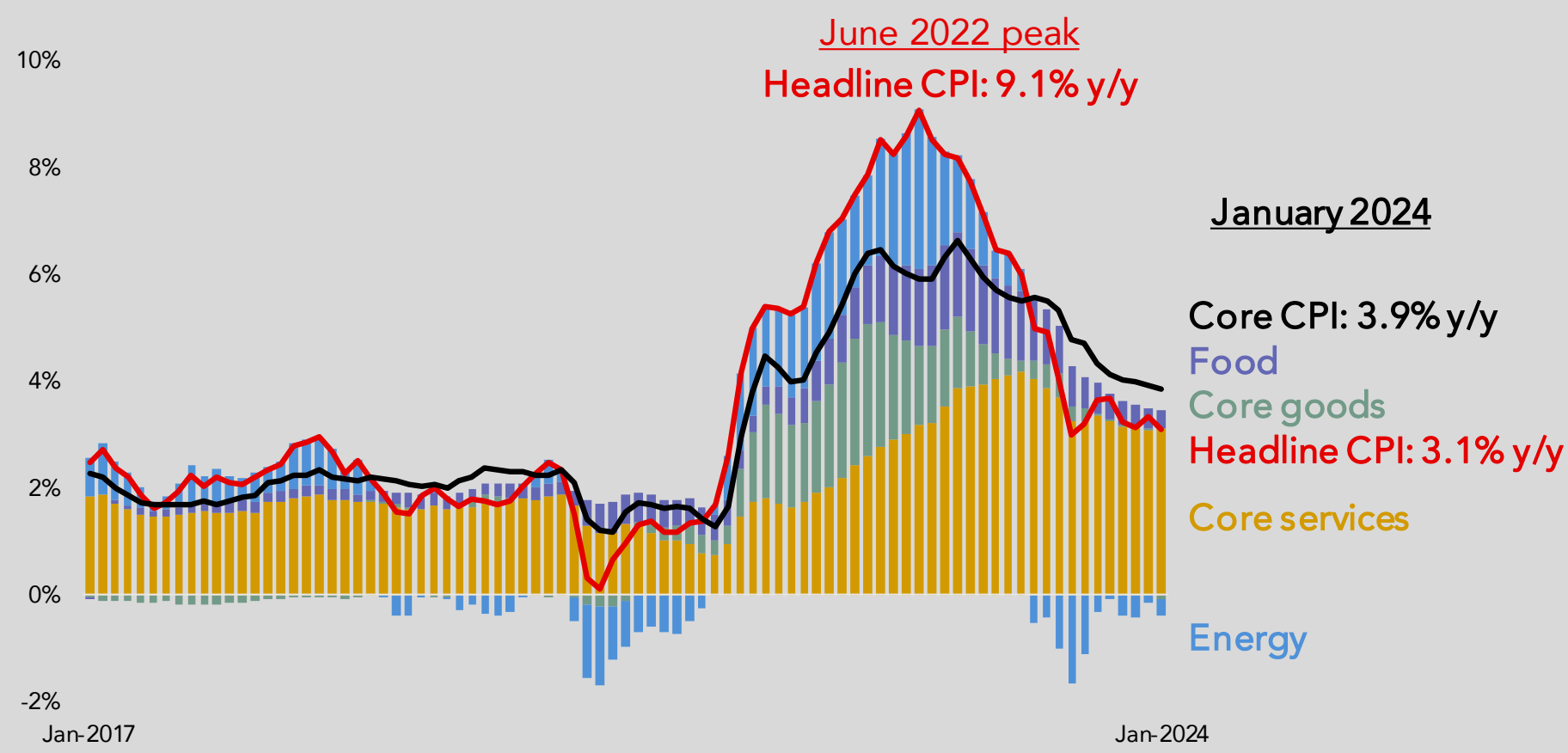


# Chart of the Day

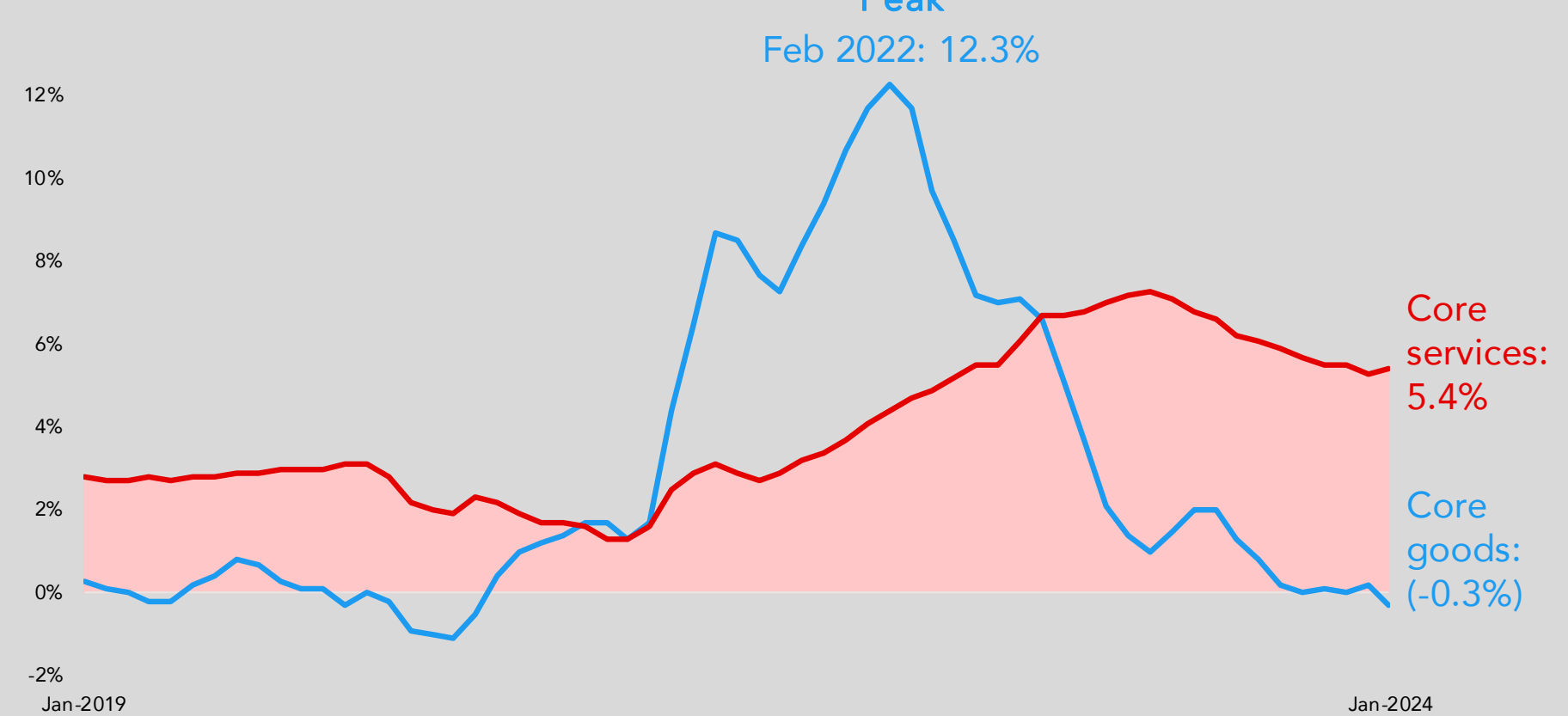
Headline inflation increased 3.1% y/y in January, disappointing market expectations for CPI to fall below 3% for the first time since March 2021. On a monthly basis, headline inflation surprised to the upside, rising 0.3% m/m vs. expectations of 0.2%. Core inflation also came in above market expectations, increasing 0.4% m/m, the most in eight months, and 3.9% y/y. The market is now pricing only ~95 bps of Fed rate cuts in 2024 beginning in June, down from the ~170 bps of cuts expected in mid-January.

## Breakdown of CPI by components



Shelter prices rose 0.6% m/m, accounting for most of January's rise, though an increase in airline fares and motor vehicle insurance also contributed. Excluding housing and energy, services prices rose 0.8% m/m, the most since April 2022. Unlike services, goods prices have declined over most of the past year, down (-0.3% m/m), the most since July, pushing the annual rate to (-0.3% y/y).

## 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.

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

	Energy	Food	Core goods	Core services
Motor vehicle insurance	21%			
Veterinarian services	10%			
Transportation services	10%			
Photo equipment & supplies	9%			
Financial services	8%			
Tobacco & smoking products	7%			
Hospital services	7%			
Motor vehicle maint. & Repair	7%			
Garbage & trash collection	6%			
Owners' equivalent rent	6%			
Rent of shelter	6%			
Shelter	6%			
Services less energy services	5%			
Laundry & cleaning services	5%			
Recreation services	5%			
Water & sewerage maint.	5%			
Food away from home	5%			
Nursing homes	5%			
Funeral expenses	5%			
Day care and preschool	5%			
Land-line phone services	5%			
Internet services	4%			
Electricity	4%			
Delivery services	4%			
Personal care products	4%			
Meats	4%			
Nonalcoholic beverages	3%			
Medicinal drugs	3%			
Music instruments & acces.	3%			
Pets & pet products	3%			
School tuition	3%			
Alcoholic beverages	2%			
Intracity mass transit	2%			
Housekeeping supplies	2%			
Professional services	2%			
Technical & bus. school tuition	2%			
Cereals & bakery products	2%			
College tuition and fees	1%			
Food at home	1%			
Fruits and vegetables	1%			
Lodging away from home	1%			
New trucks	1%			
New vehicles	1%			
Jewelry and watches	1%			
Cosmetics	1%			
Recreational reading	1%			
Apparel	0%			
Physicians' services	0%			
Footwear	0%			
Outdoor equip. & supplies	(-0%)			
Tires	(-0%)			
Medical care services	(-1%)			
Motor vehicle parts and equipment	(-1%)			
Tools, hardware & supplies	(-1%)			
Sporting goods	(-1%)			
Household furnishings & supplies	(-1%)			
Vehicle accessories	(-2%)			
Energy services	(-2%)			
Computers and smart home assistants	(-2%)			
Milk	(-2%)			
Furniture & bedding	(-3%)			
Wireless phone services	(-3%)			
Used cars and trucks	(-4%)			
Appliances	(-4%)			
Educational books	(-4%)			
Toys	(-4%)			
Energy	(-5%)			
Public transportation	(-5%)			
Moving, storage, freight expense	(-5%)			
Airline fares	(-6%)			
Motor fuel	(-7%)			
Audio equipment	(-7%)			
Energy commodities	(-7%)			
Computer software and accessories	(-9%)			
TVs	(-10%)			
Smartphones	(-13%)			
Car & truck rental	(-14%)			
Utility gas service	(-18%)			
Health insurance	(-23%)			
Eggs	(-29%)			

Source: (1-3) Bureau of Labor Statistics. CPI Report January 2024. Bloomberg. Data as of February 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.”