

Chart of the Day

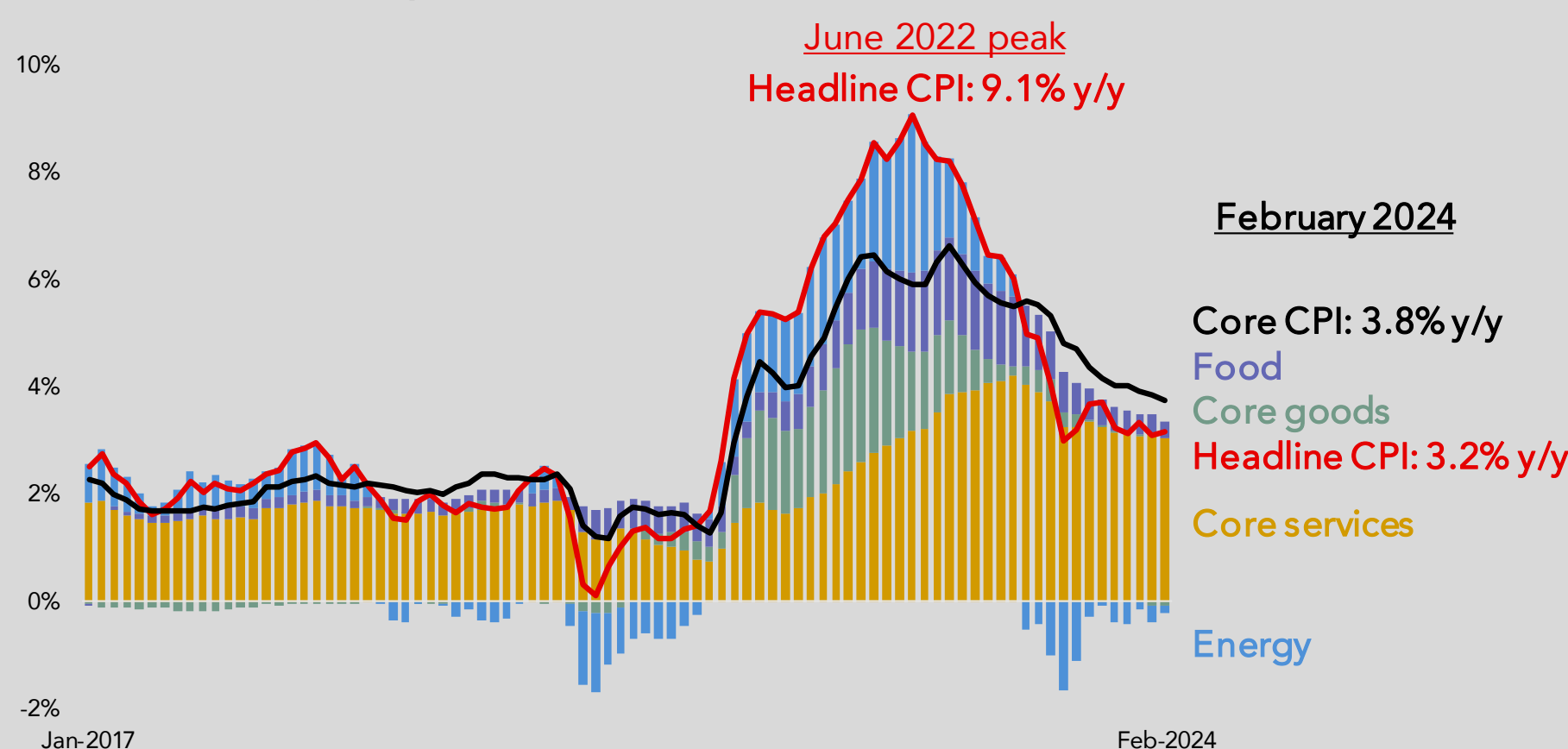


Click or scan to view our website and access past reports, policy notes and more.

mufgamericas.com/insights-and-experience/insights/capital-markets-strategy

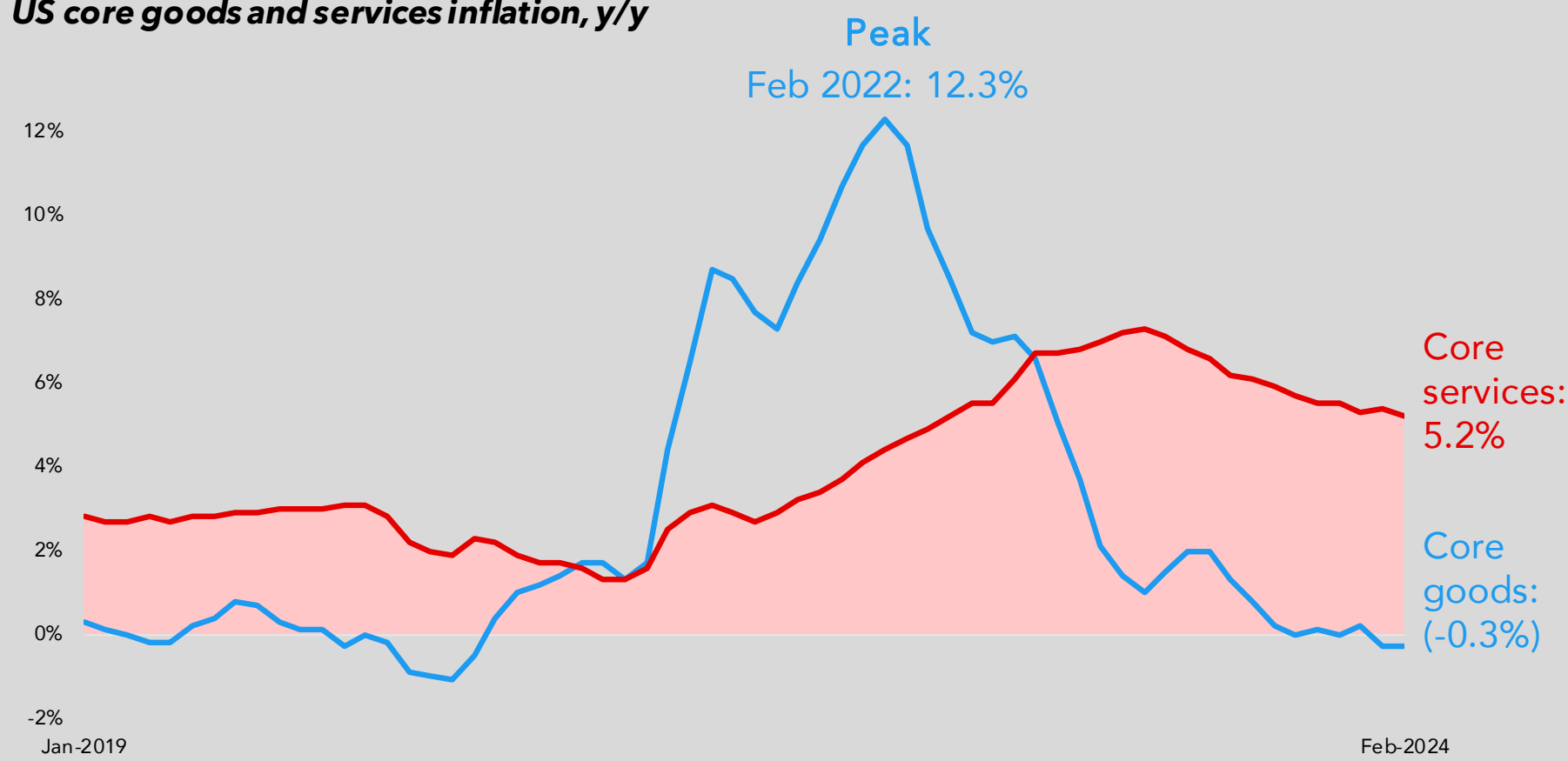
February inflation surprised to the upside for the second month in a row with core-CPI increasing 0.4% m/m and 3.8% y/y vs. expectations of 0.3% and 3.7%, respectively. Headline inflation also surprised to the upside, as higher gasoline prices drove a 3.2% year-over-year increase vs. expectations for 3.1%. Energy costs increased 2.3% m/m after declining in both December and January. Markets continue to adjust expectations for Fed easing this year with ~85 bps of rate cuts currently priced in 2024 with the first cut pushed back to June-July.

Breakdown of CPI by components



Within core CPI, tenants' rents increased 0.5% m/m, an acceleration from January's 0.4%. Owners' equivalent rent, however, decelerated from January, increasing 0.4% vs. 0.6% the prior month. Overall, core goods declined -0.3% on a year-over-year basis but core services remain elevated at 5.2% y/y. "Supercore" inflation (core services ex shelter) increased 0.5% m/m, a deceleration from January's 0.85% increase, but still over 2x the pre-pandemic pace.

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.

February US inflation by sector (y/y)

	Energy	Food	Core goods	Core services
Motor vehicle insurance	21%			
Transportation services	10%			
Photo equipment & supplies	9%			
Veterinarian services	8%			
Financial services	7%			
Tobacco & smoking products	7%			
Motor vehicle maint. & Repair	7%			
Hospital services	6%			
Garbage & trash collection	6%			
Owners' equivalent rent	6%			
Rent of shelter	6%			
Shelter	6%			
Day care and preschool	6%			
Services less energy services	5%			
Water & sewerage maint.	5%			
Laundry & cleaning services	5%			
Funeral expenses	5%			
Recreation services	5%			
Food away from home	5%			
Nursing homes	5%			
Internet services	4%			
Land-line phone services	4%			
Personal care products	4%			
Electricity	4%			
Delivery services	3%			
School tuition	3%			
Medicinal drugs	3%			
Meats		3%		
Music instruments & acces.		2%		
Alcoholic beverages		2%		
Nonalcoholic beverages		2%		
Intracity mass transit		2%		
Professional services		2%		
Cosmetics		2%		
Pets & pet products		2%		
Technical & bus. school tuition		2%		
College tuition and fees		2%		
Cereals & bakery products		2%		
Housekeeping supplies		1%		
Medical care services		1%		
Food at home		1%		
Fruits and vegetables		1%		
Footwear		1%		
New trucks		1%		
Energy services		1%		
New vehicles		0%		
Physicians' services		0%		
Moving, storage, freight expense		0%		
Recreational reading		0%		
Apparel		0%		
Lodging away from home		(-0%)		
Tires		(-0%)		
Motor vehicle parts and equipment		(-1%)		
Vehicle accessories		(-1%)		
Sporting goods			(-2%)	
Used cars and trucks			(-2%)	
Tools, hardware & supplies			(-2%)	
Energy	(-2%)			
Household furnishings & supplies			(-2%)	
Milk		(-3%)		
Computers and smart home assistants			(-3%)	
Wireless phone services			(-3%)	
Educational books			(-4%)	
Furniture & bedding			(-4%)	
Jewelry and watches			(-4%)	
Outdoor equip. & supplies			(-4%)	
Audio equipment			(-4%)	
Motor fuel	(-4%)			
Energy commodities	(-4%)			
Appliances			(-5%)	
Public transportation			(-5%)	
Airline fares			(-6%)	
Computer software and accessories			(-6%)	
Toys			(-6%)	
TVs			(-7%)	
Utility gas service	(-9%)			
Car & truck rental			(-10%)	
Smartphones			(-11%)	
Eggs		(-17%)		
Health insurance			(-20%)	

Source: (1-3) Bureau of Labor Statistics, CPI Report February 2024, Bloomberg, Data as of March 12, 2024. Goods is commodities less food and energy commodities. Services is less energy. Tenants' rents and owners' equivalent rent on seasonally adjusted basis.

Global Corporate & Investment Banking Capital Markets Strategy Team



Tom Joyce
Managing Director
Tom.Joyce@mufgsecurities.com
(212) 405-7472



Hailey Orr
Managing Director
Hailey.Orr@mufgsecurities.com
(212) 405-7429



Stephanie Kendal
Vice President
Stephanie.Kendal@mufgsecurities.com
(212) 405-7443



Angela Sun
Analyst
Angela.Sun@mufgsecurities.com
(212) 405 - 6952

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