

Chart of the Day

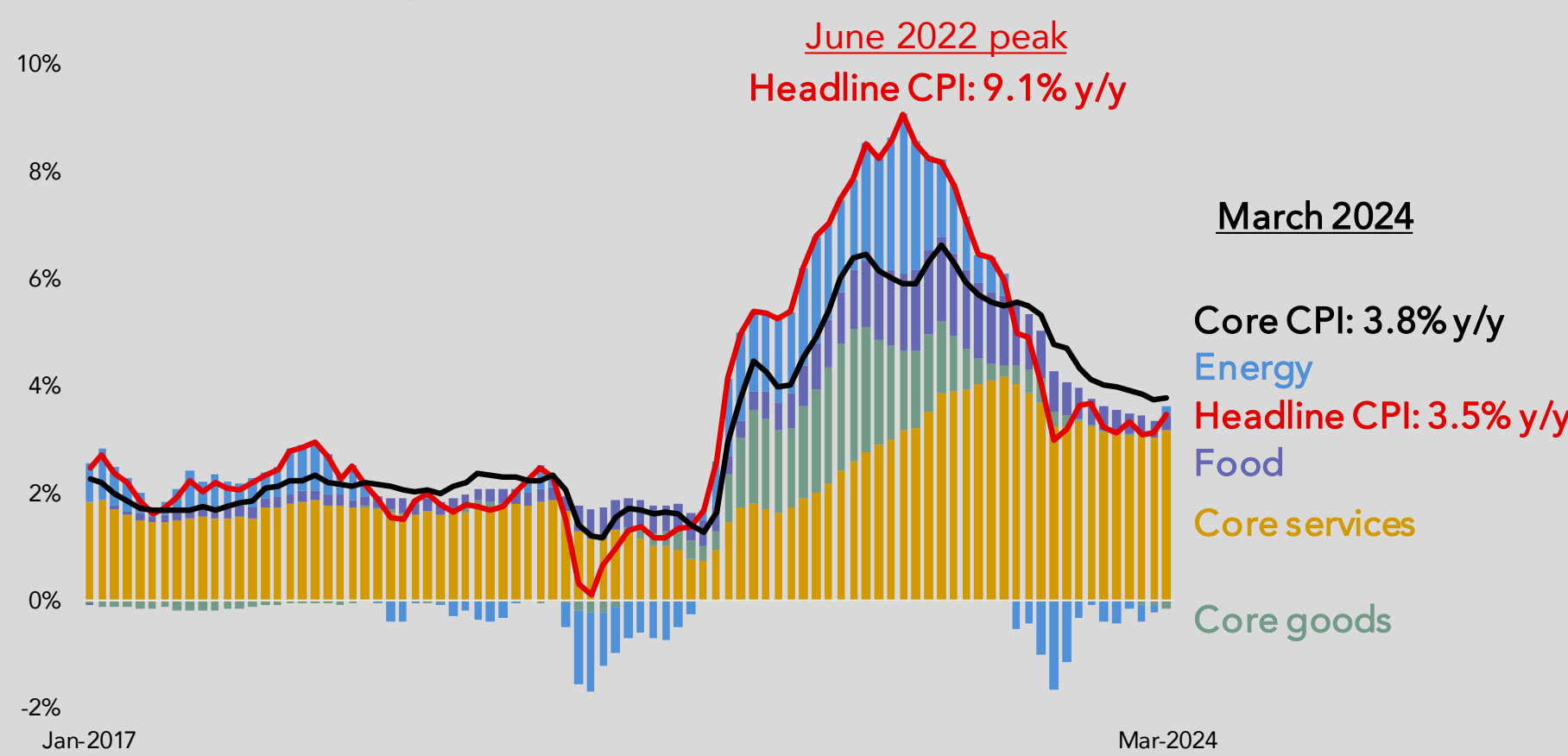


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Headline inflation rose 3.5% y/y and 0.4% m/m in March, vs. expectations of 3.4% and 0.3%, respectively. Core CPI also surprised to the upside, up 3.8% y/y and 0.4% m/m vs. expectations of 3.7% and 0.3%, respectively. Gasoline (+1.7% m/m) and shelter (+0.4% m/m) accounted for over half of the overall increase in March inflation.

Breakdown of CPI by components



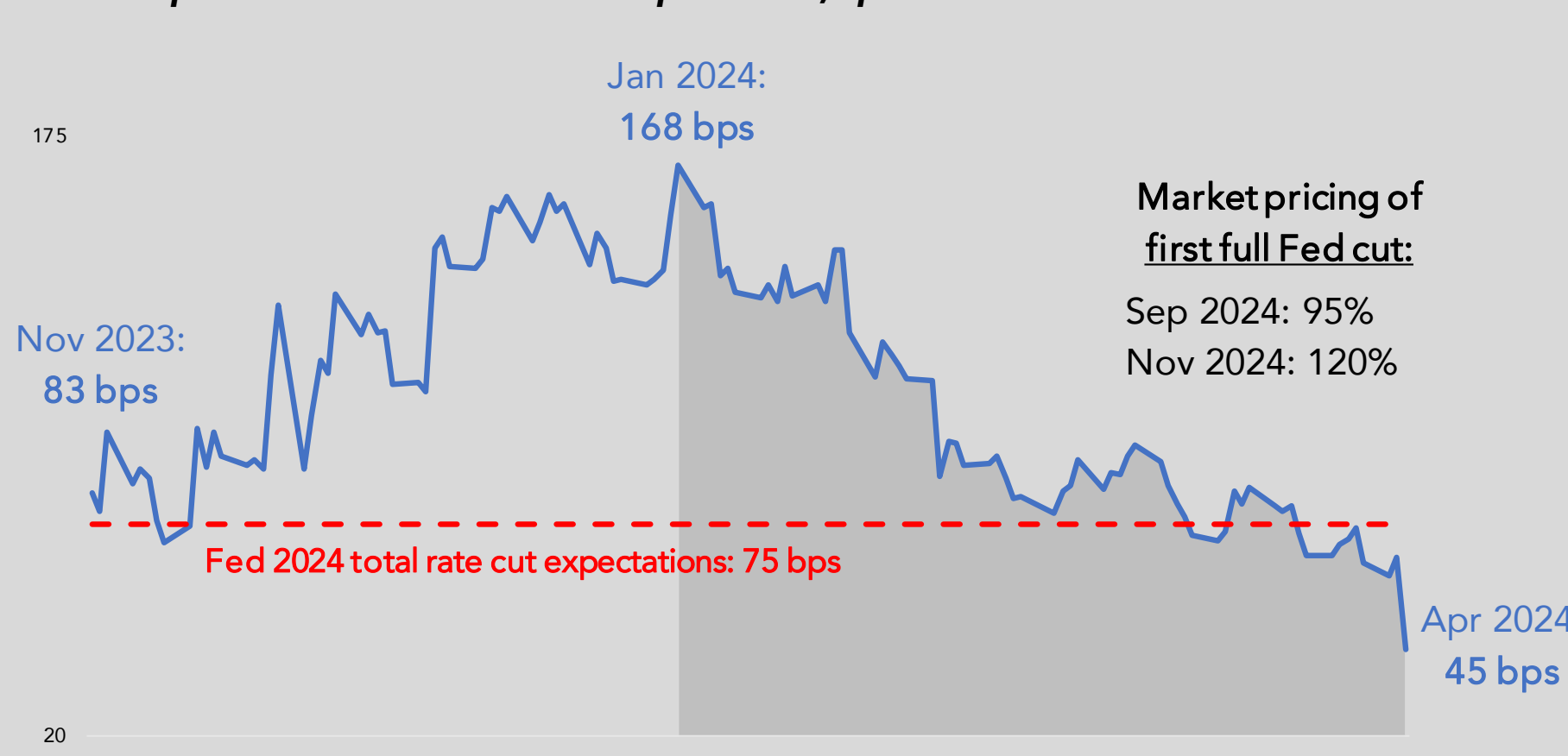
Inflation surprised to the upside for the third month in a row, with three consecutive 0.4% m/m increases in core CPI.

March CPI inflation actual vs. estimates

Metric	Actual	Estimate	Difference
Headline CPI y/y	+3.5%	+3.4%	+0.1%
Headline CPI m/m	+0.4%	+0.3%	+0.1%
Core CPI y/y	+3.8%	+3.7%	+0.1%
Core CPI m/m	+0.4%	+0.3%	+0.1%

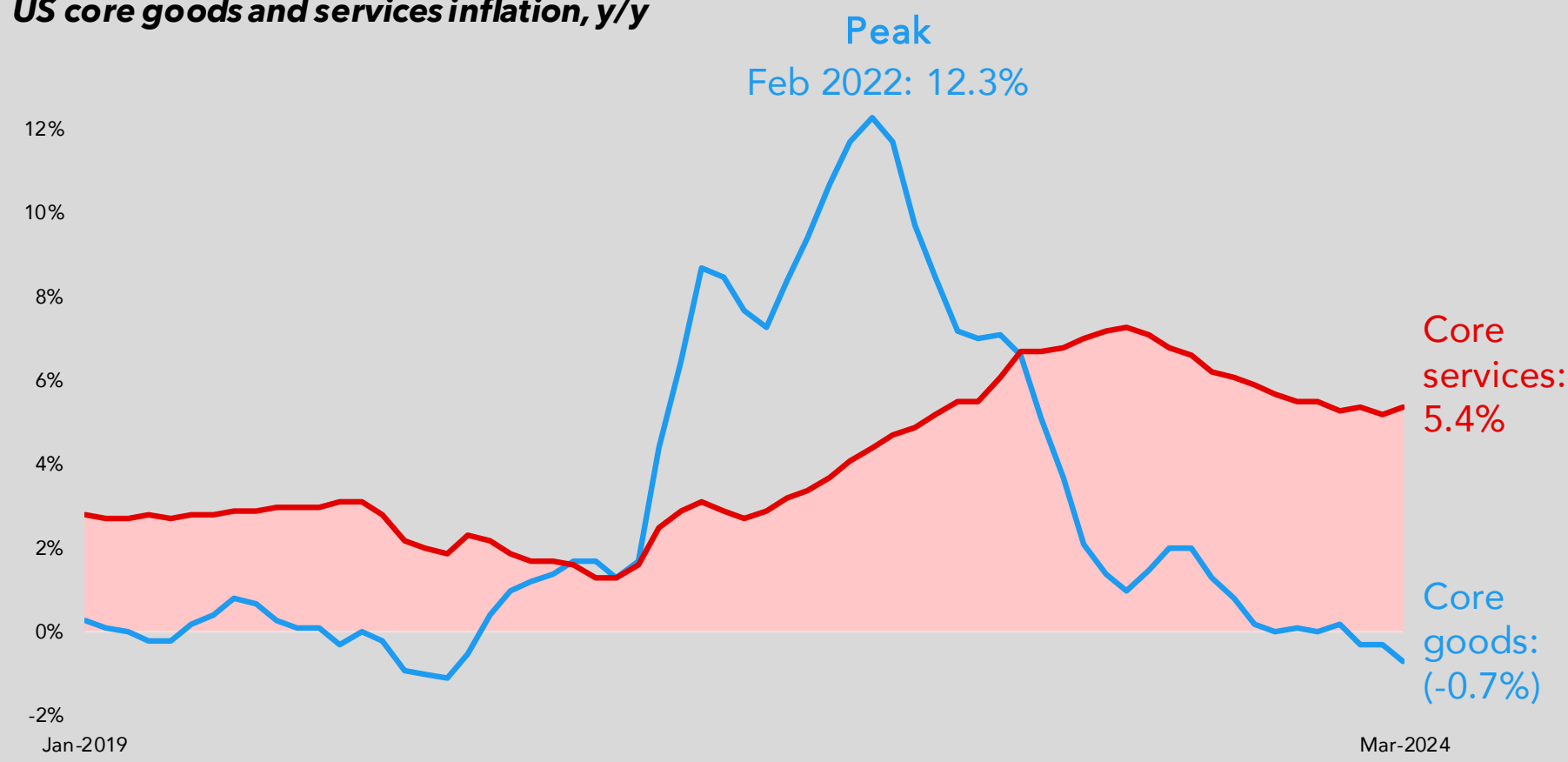
In early January, market implied rate cut expectations for 2024 were over double the Fed's forecast of 75 bps. Following strong US economic data and the third "hotter-than-expected" inflation report, market expectations have become more hawkish, pricing in only less than 50 bps of rate cuts in 2024, with the first full Fed rate cut not priced until Q3, near the US election.

Market implied total 2024 Fed rate cut expectations, bps



Core goods priced continued their deflationary trend, down (-0.2% m/m) and (-0.7% y/y), helped by a (-1.1% m/m) drop back in used vehicles. Core services, however, remain elevated, accelerating from 5.2% y/y in February to 5.4% y/y in March. Shelter prices, the largest category within services, rose 0.4% for the second month in a row with owners' equivalent rent rising by the same amount.

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.

March US inflation by sector (y/y)

	Energy	Food	Core goods	Core services
Motor vehicle insurance			22%	
Transportation services			11%	
Veterinarian services			10%	
Photo equipment & supplies			8%	
Motor vehicle maint. & Repair			8%	
Hospital services			8%	
Tobacco & smoking products			7%	
Financial services			7%	
Owners' equivalent rent			6%	
Garbage & trash collection			6%	
Rent of shelter			6%	
Shelter			6%	
Funeral expenses			6%	
Services less energy services			5%	
Water & sewerage maint.			5%	
Delivery services			5%	
Electricity	5%			
Recreation services			5%	
Day care and preschool			4%	
Laundry & cleaning services			4%	
Food away from home			4%	
Internet services			4%	
Nursing homes			4%	
Land-line phone services			3%	
Personal care products			3%	
Meats		3%		
Energy services	3%			
School tuition			3%	
Medicinal drugs			3%	
Alcoholic beverages			2%	
Nonalcoholic beverages			2%	
Medical care services			2%	
Energy	2%			
Intracity mass transit			2%	
Fruits and vegetables			2%	
Professional services			2%	
Technical & bus. school tuition			2%	
Cosmetics			2%	
Footwear			2%	
Music instruments & acces.			1%	
Pets & pet products			1%	
College tuition and fees			1%	
Food at home			1%	
Motor fuel	1%			
Energy commodities	1%			
Recreational reading			1%	
Physicians' services			1%	
Apparel			0%	
Cereals & bakery products			0%	
Housekeeping supplies			0%	
New trucks			0%	
New vehicles			(-0%)	
Moving, storage, freight expense			(-1%)	
Tires			(-1%)	
Motor vehicle parts and equipment			(-1%)	
Vehicle accessories			(-1%)	
Milk		(-2%)		
Lodging away from home			(-2%)	
Tools, hardware & supplies			(-2%)	
Jewelry and watches			(-2%)	
Sporting goods			(-2%)	
Used cars and trucks			(-2%)	
Household furnishings & supplies			(-3%)	
Wireless phone services			(-3%)	
Educational books			(-3%)	
Utility gas service	(-3%)			
Computers and smart home assistants			(-4%)	
Furniture & bedding			(-4%)	
Computer software and accessories			(-5%)	
Outdoor equip. & supplies			(-5%)	
Public transportation			(-6%)	
Audio equipment			(-6%)	
Appliances			(-6%)	
Eggs		(-7%)		
TVs			(-7%)	
Airline fares			(-7%)	
Toys			(-8%)	
Car & truck rental			(-9%)	
Smartphones			(-9%)	
Health insurance			(-15%)	

Source: (1-5) Bureau of Labor Statistics. CPI Report March 2024. Bloomberg. Data as of April 10, 2024. Goods is commodities less food and energy commodities. Services is less energy.

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
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