

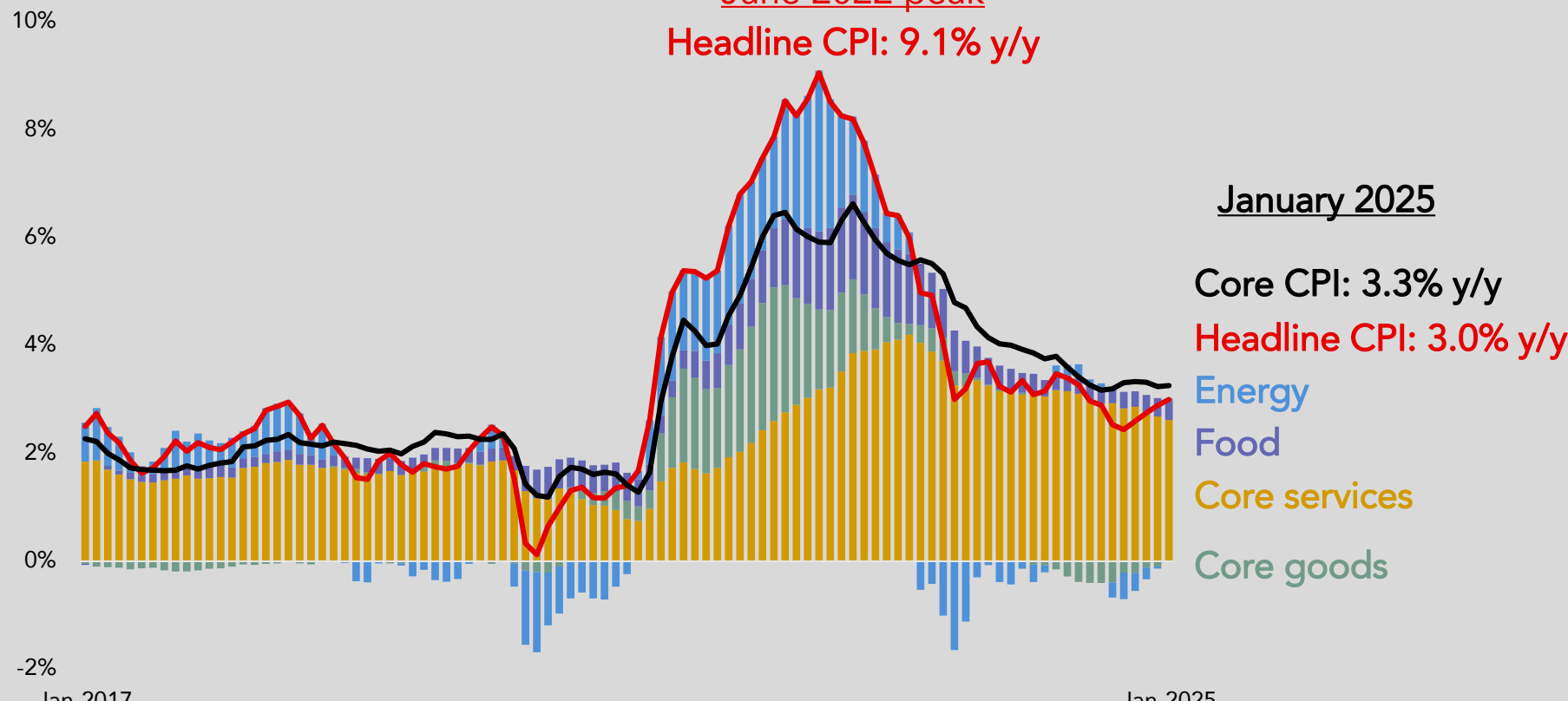
Chart of the Day

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US consumer prices rose more than expected in January, coming in well above expectations, with headline CPI increasing 0.5% m/m, the largest increase since August 2023. Core inflation rose 0.4% m/m, the largest increase since March 2024. The rise in inflation was broad-based with both goods and services driving the upside surprise. The shelter index rose 0.4%, accounting for around 30% of the monthly increase. Price increases in sectors closely watched by consumers, such as groceries and gasoline, offset declines in other categories.

Breakdown of CPI by components



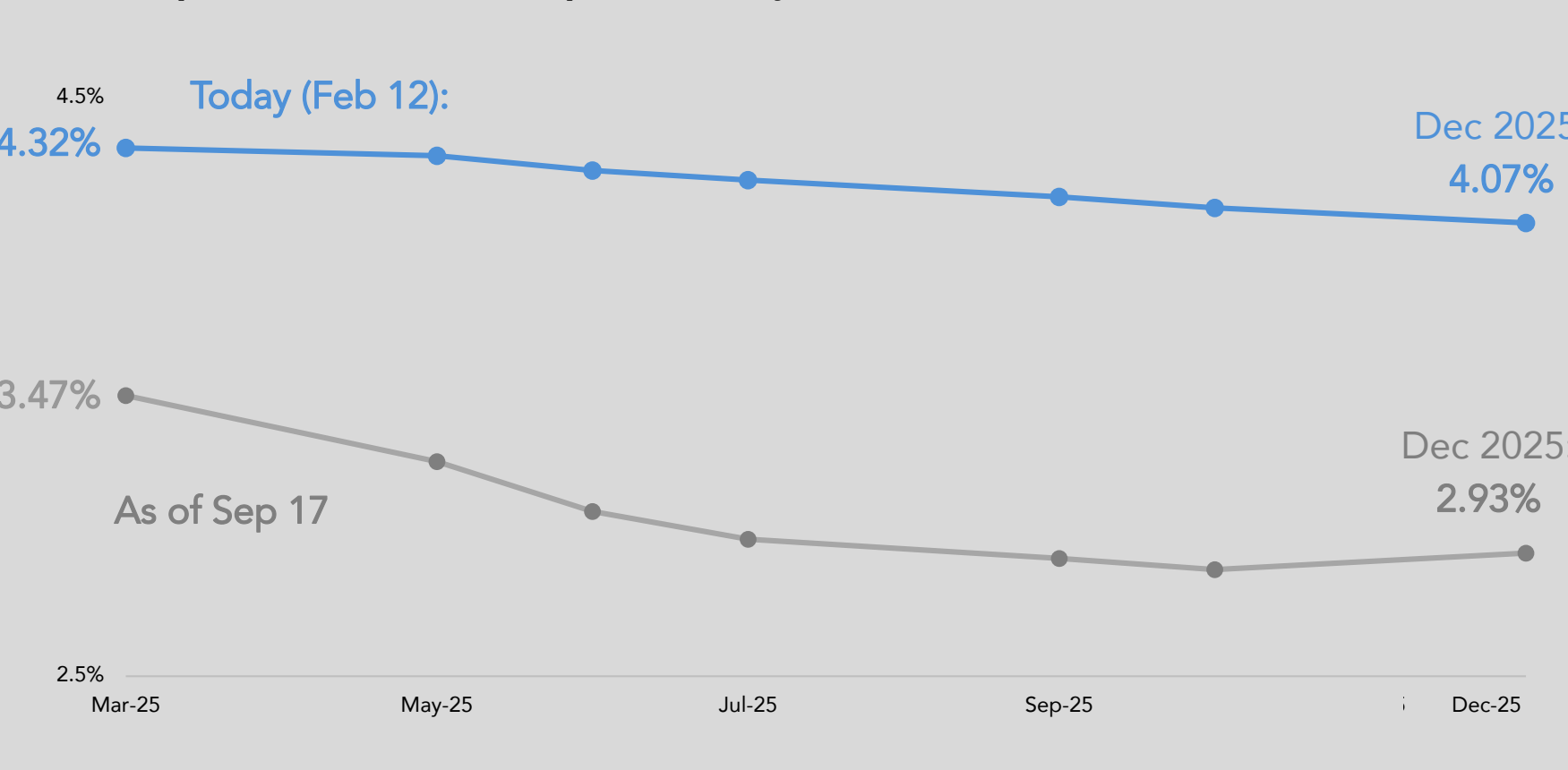
The January inflation report came in hotter than expected, with headline inflation rising 3.0% y/y (vs. 2.9% expected) and 0.5% m/m (vs. 0.3% expected). Core inflation rose 3.3% y/y (vs. 3.1% expected) and 0.4% m/m (vs. 0.3% expected). None of the 73 forecasters in the Bloomberg Survey expected headline inflation to come in at 0.5% m/m and only five of 73 had core inflation rising at 0.4% m/m.

January CPI inflation actual vs. estimates

Metric	Actual	Estimate	Difference
Headline CPI y/y	+3.0%	+2.9%	+0.1%
Headline CPI m/m	+0.5%	+0.3%	+0.2%
Core CPI y/y	+3.3%	+3.1%	+0.2%
Core CPI m/m	+0.4%	+0.3%	+0.1%

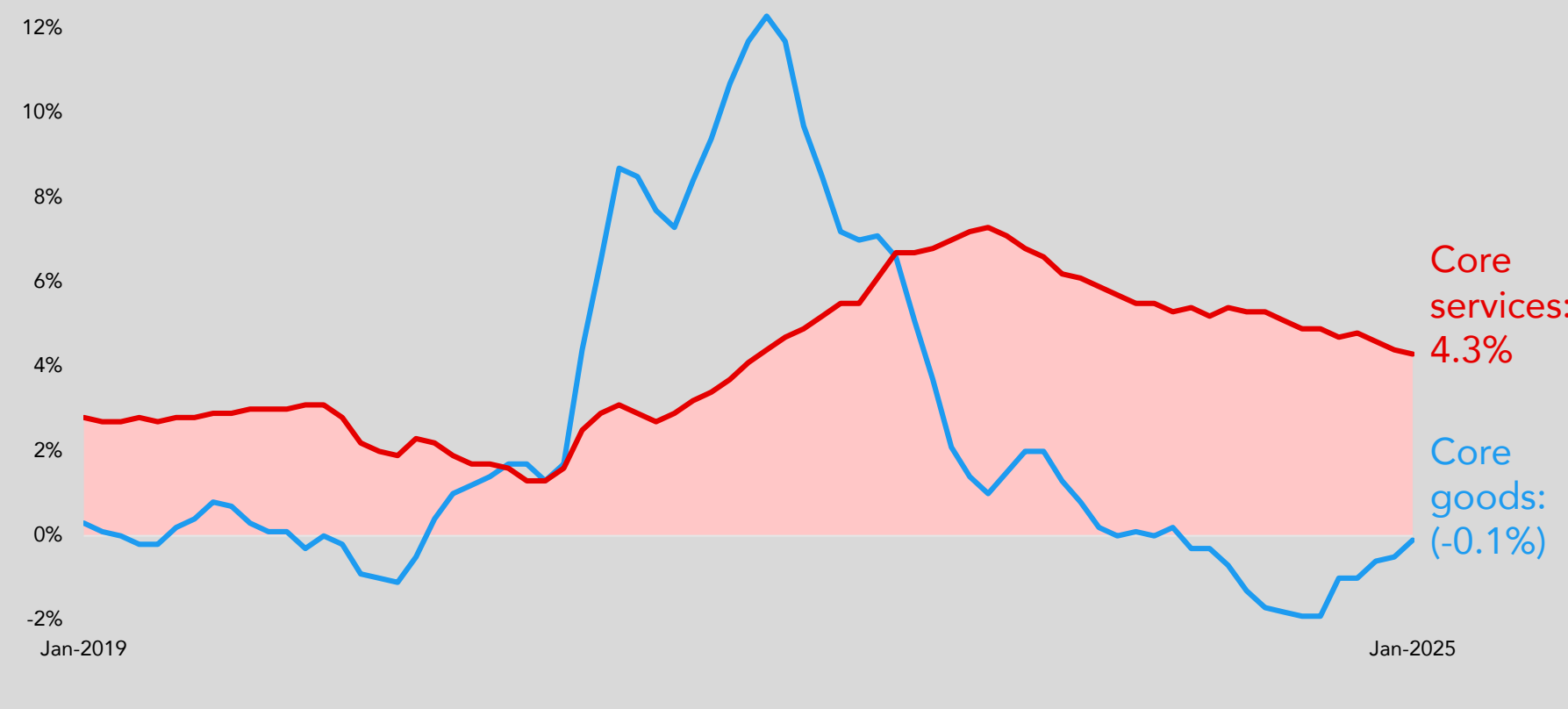
Fed Chair Powell highlighted in his testimony to Congress this week that a solid labor market meant the FOMC did not need to be in a hurry to lower rates. Today's higher than expected January inflation report reaffirms the Fed's stance that they will remain on hold. Markets are currently pricing only one full Fed cut in the year ahead and not until December 2025.

Marked implied Fed Funds rate (Sep 17 vs. today)

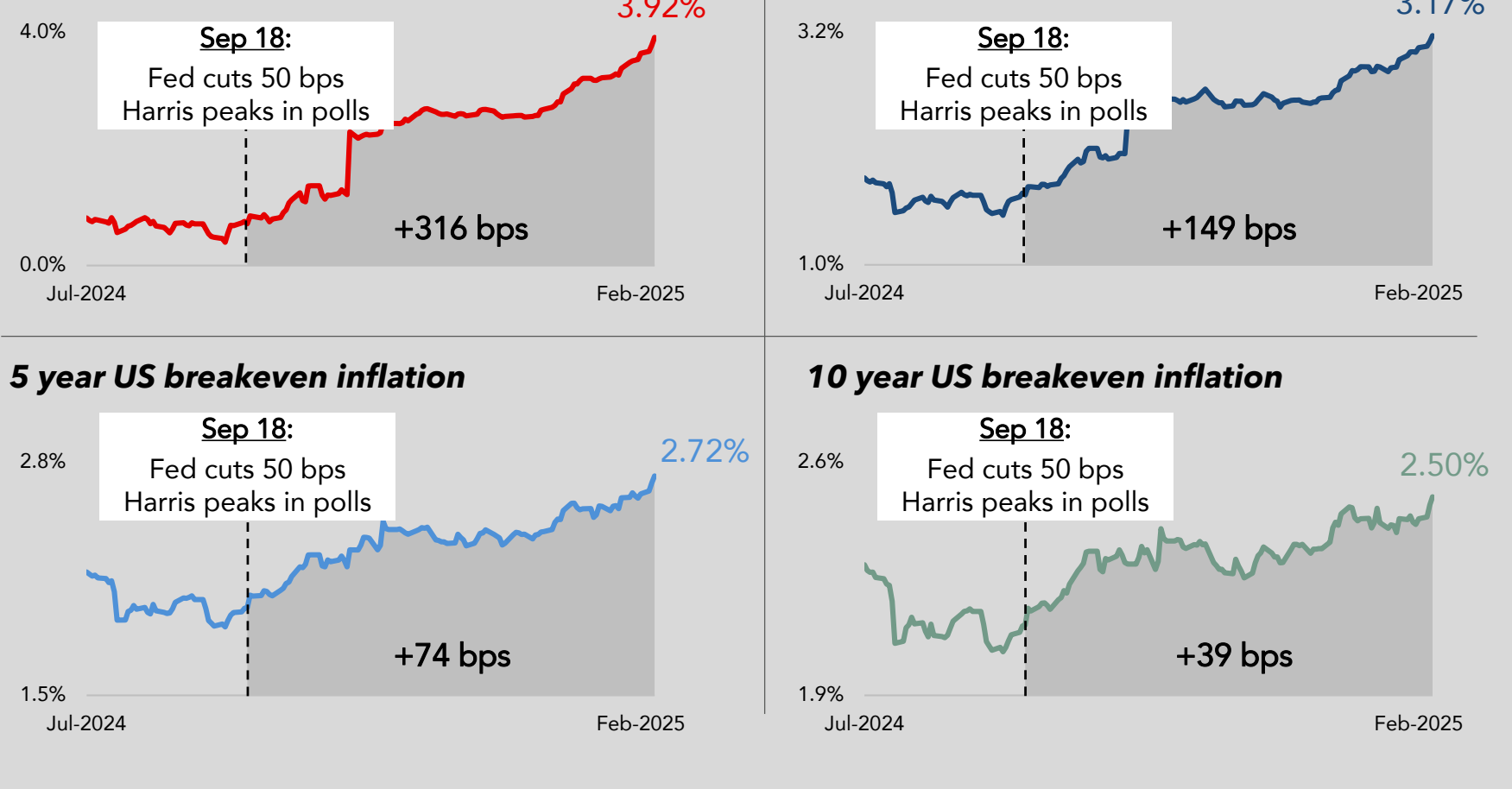


Core goods prices - an important source of disinflation last year - rose 0.3% m/m, while core services rose 0.5% m/m, the largest monthly increase since March of last year. Supercore inflation, which excludes housing, rose 0.76%, the most since last January and suggests that the jump in average hourly earnings we saw in the January jobs report is feeding through to services prices. The January inflation report highlights that price pressures are persisting at a time of extreme uncertainty about the outlook for the economy (tariffs, immigration policy, tax cuts, deregulation).

US core goods and services inflation, y/y



Following two years of steady disinflation progress, markets since late September have begun to reprice inflation expectations in the years ahead. At a time when policy positions are generally viewed as inflationary (fiscal, trade immigration), January's higher than expected inflation report drove market pricing even higher.



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)

Sector	Inflation (y/y)	Sector	Inflation (y/y)	Sector	Inflation (y/y)
Eggs	53%	Medical care services	3%	Computer software and accessories	0.4%
Motor vehicle insurance	12%	Funeral expenses	3%	Apparel	0.4%
Transportation services	8%	Land-line phone services	3%	Cereals & bakery products	0.4%
Airline fares	7%	Medicinal drugs	3%	Personal care products	0.4%
Tobacco & smoking products	7%	Energy services	3%	Fruits and vegetables	0.3%
Veterinarian services	7%	Lodging away from home	2%	New trucks	(-0.2%)
Delivery services	6%	College tuition and fees	2%	New vehicles	(-0.3%)
Moving, storage, freight expense	6%	Nonalcoholic beverages	2%	Wireless phone services	(-0.4%)
Motor vehicle maint. & Repair	6%	Vehicle accessories	2%	Motor fuel	(-0.4%)
Day care and preschool	6%	Professional services	2%	Internet services	(-1%)
Public transportation	5%	Physicians' services	2%	Energy commodities	(-1%)
Utility gas service	5%	Electricity	2%	Pets & pet products	(-1%)
Water & sewerage maint.	5%	Food at home	2%	Outdoor equip. & supplies	(-1%)
Owners' equivalent rent	5%	Recreational reading	2%	Tools, hardware & supplies	(-1%)
Laundry & cleaning services	5%	Milk	2%	Household furnishings & supplies	(-1%)
Rent of shelter	4%	Photo equipment & supplies	2%	Jewelry and watches	(-1%)
Shelter	4%	Alcoholic beverages	1%	Furniture & bedding	(-3%)
Services less energy services	4%	Motor vehicle parts and equipment	1%	Toys	(-3%)
Health insurance	4%	Tires	1%	Financial services	(-3%)
Garbage & trash collection	4%	Technical & bus. school tuition	1%	Car & truck rental	(-4%)
Recreation services	4%	Footwear	1%	Sporting goods	(-4%)
Music instruments & acces.	4%	Energy	1%	Appliances	(-4%)
School tuition	4%	Used cars and trucks	1%	Computers and smart home assistants	(-6%)
Nursing homes	4%	Audio equipment	1%	TVs	(-7%)
Food away from home	3%	Housekeeping supplies	1%	Smartphones	(-12%)
Meats	3%	Intracity mass transit	1%		
Hospital services	3%	Cosmetics	1%		

Source: (1-10) Bureau of Labor Statistics, CPI Report January 2025. Bloomberg, Data as of February 12, 2025. Goods is commodities less food and energy commodities. Services is less energy.

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