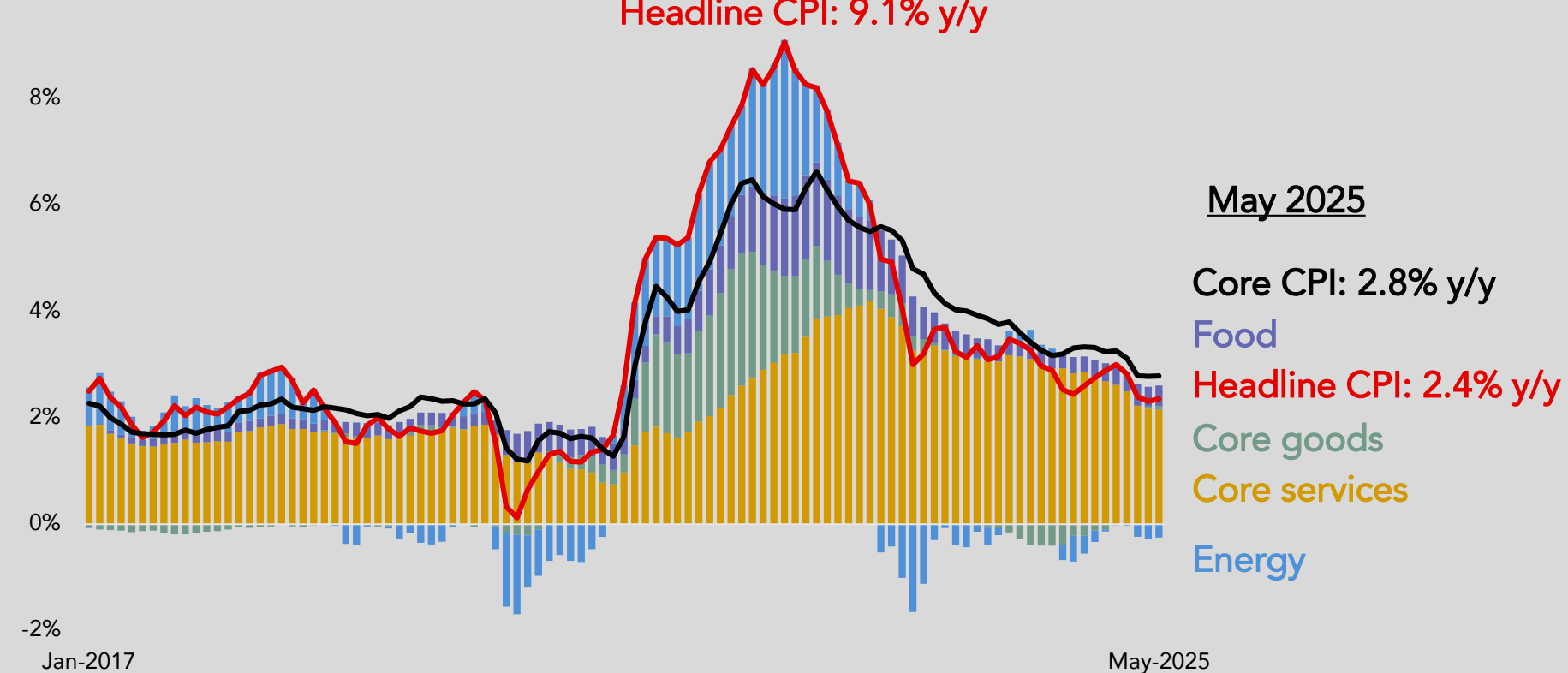


US inflation rose less than expected for the fourth month in a row suggesting that tariff-driven price increases have not yet fed through to the CPI data. Headline CPI ticked up to 2.4% y/y and rose 0.1% on the month. Core inflation rose at 2.8% for the third straight month, holding at the slowest pace since inflation surged in the spring of 2021. The monthly increase also came in milder than expected at 0.1% m/m. Shelter costs were the biggest driver of inflation, rising at 0.3% m/m for the second straight month while a (-2.6%) drop in gasoline prices helped to limit the gain in the headline CPI number.

Breakdown of CPI by components



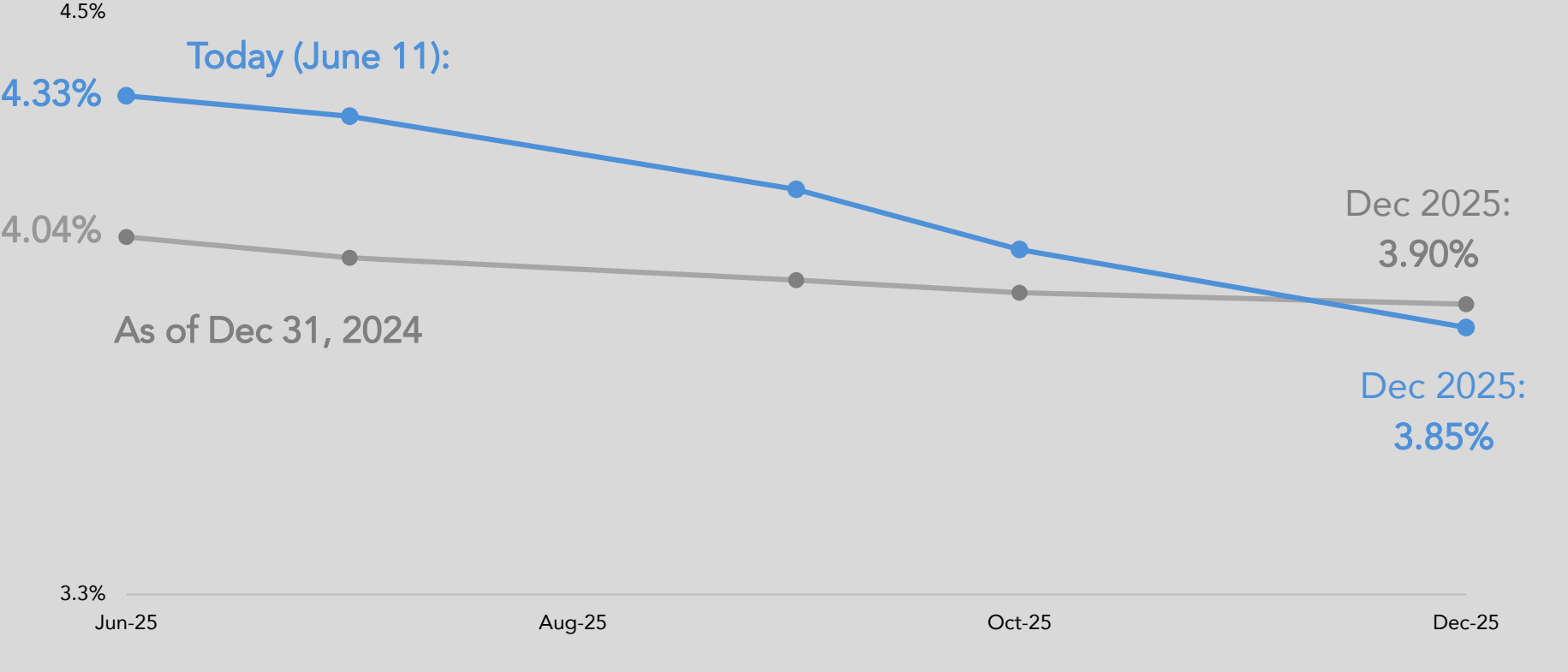
The May inflation report came in softer than expected with headline inflation rising 2.4% y/y and 0.1% m/m. Core inflation rose 2.8% y/y. Notably, not one of the 73 forecasts in Bloomberg’s survey had the monthly reading coming in at 0.1% m/m.

May CPI inflation actual vs. estimates

Metric	Actual	Estimate	Difference
Headline CPI y/y	+2.4%	+2.4%	+0.0%
Headline CPI m/m	+0.1%	+0.2%	(-0.1%)
Core CPI y/y	+2.8%	+2.9%	(-0.1%)
Core CPI m/m	+0.1%	+0.3%	(-0.2%)

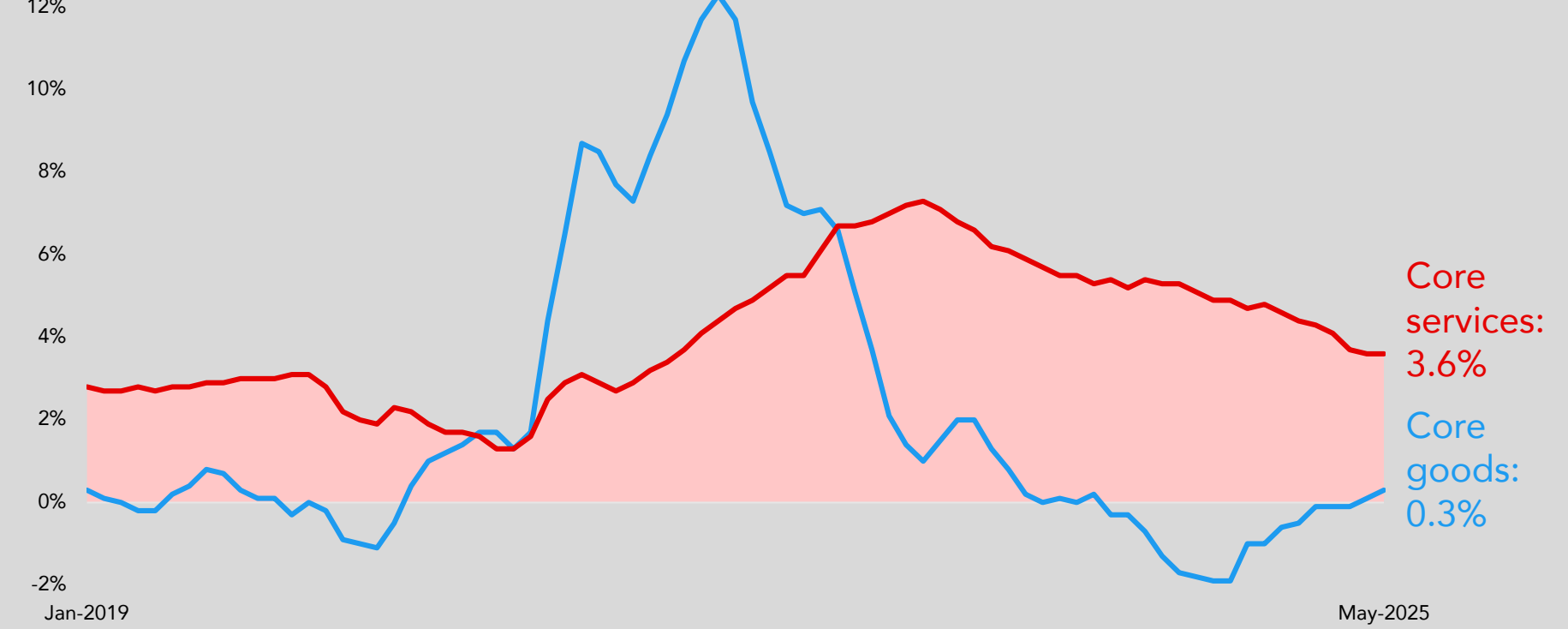
Another below forecast reading for inflation pushed market implied Fed fund futures to price in a 75% probability of a rate cut at the September meeting, up from 60% the prior day.

Marked implied Fed Funds rate (Dec 31, 2024 vs. today)

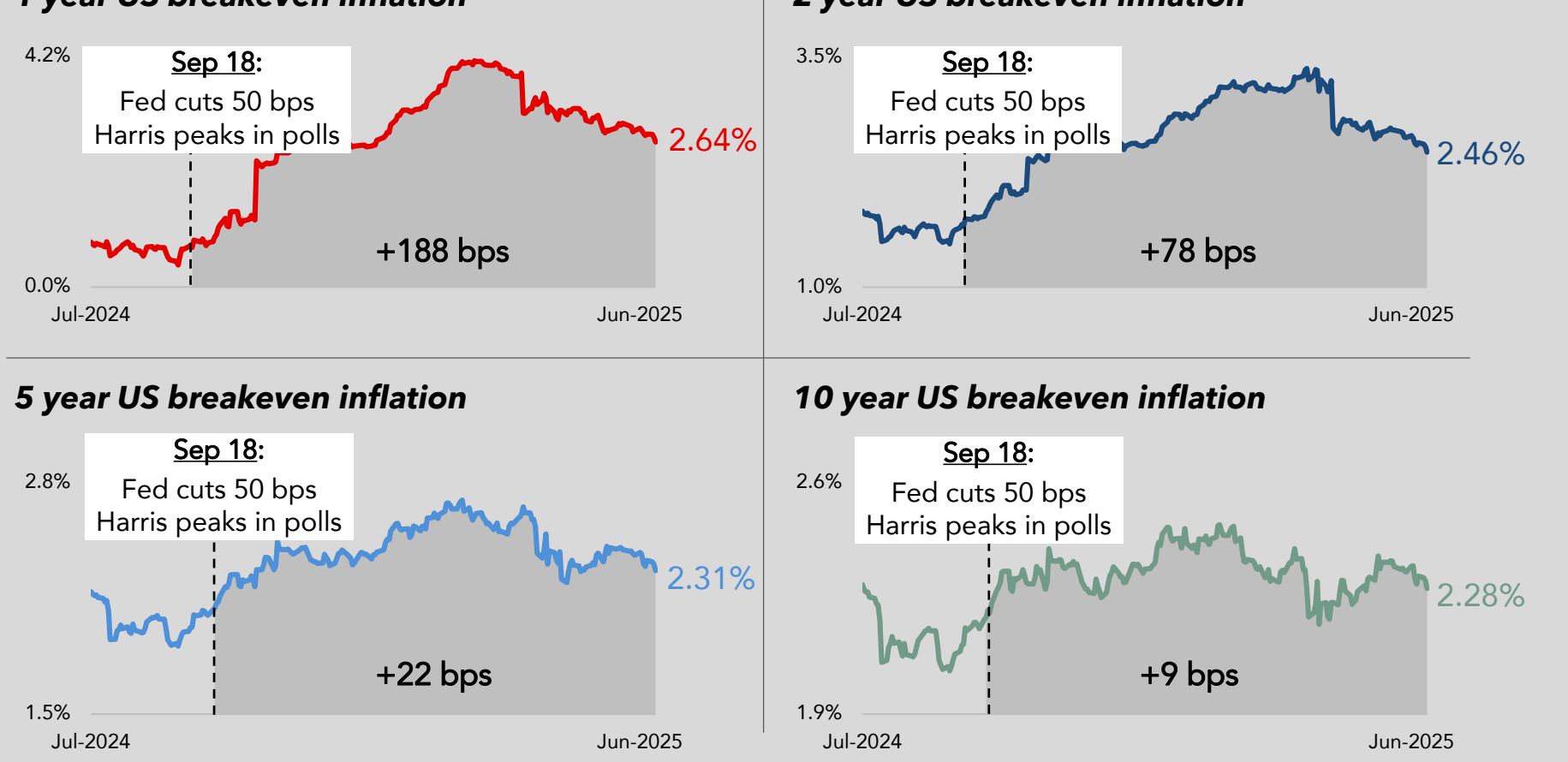


Core goods prices remained unchanged on the month. Furniture, apparel and auto, categories expected to show tariff-related increases, all slowed in May. Core services rose 0.2% m/m, a deceleration from the prior month that was driven by a decline in airfares and hotels. Super core inflation, which excludes housing, rose 0.06%, well below the peak of close to 1% during the inflation surge in 2022.

US core goods and services inflation, y/y



Despite the softer inflation reading for the fourth consecutive month, US inflation break-even levels remain elevated vis-a-vis expectations several months ago.



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.

May US inflation by sector (y/y)		Energy	Food	Core goods	Core services
Eggs	42%	Laundry & cleaning services	4%	Personal care products	1%
Utility gas service	15%	School tuition	4%	New trucks	0.4%
Educational books	9%	Milk	3%	New vehicles	0.4%
Audio equipment	8%	Nonalcoholic beverages	3%	Medicinal drugs	0.3%
Motor vehicle insurance	7%	Medical care services	3%	Pets & pet products	0.2%
Energy services	7%	Health insurance	3%	Toys	0.2%
Delivery services	6%	Physicians' services	3%	Jewelry and watches	0.0%
Tobacco & smoking products	6%	Transportation services	3%	Furniture & bedding	0.0%
Garbage & trash collection	6%	Professional services	2%	Cosmetics	(-0.3%)
Computer software and accessories	6%	Photo equipment & supplies	2%	Wireless phone services	(-1%)
Day care and preschool	6%	Vehicle accessories	2%	Fruits and vegetables	(-1%)
Veterinarian services	6%	College tuition and fees	2%	Appliances	(-1%)
Motor vehicle maint. & repair	5%	Intracity mass transit	2%	Apparel	(-1%)
Nursing homes	5%	Funeral expenses	2%	Lodging away from home	(-1%)
Water & sewerage maint.	5%	Food at home	2%	Footwear	(-2%)
Music instruments & acces.	5%	Used cars and trucks	2%	Internet services	(-3%)
Electricity	5%	Motor vehicle parts and equipment	2%	Energy	(-4%)
Owners' equivalent rent	4%	Alcoholic beverages	2%	Computers and smart home assistants	(-4%)
Recreational reading	4%	Tires	2%	Sporting goods	(-5%)
Meats	4%	Tools, hardware & supplies	1%	Public transportation	(-5%)
Rent of shelter	4%	Car & truck rental	1%	Airline fares	(-7%)
Shelter	4%	Land-line phone services	1%	TVs	(-10%)
Food away from home	4%	Financial services	1%	Energy commodities	(-12%)
Moving, storage, freight expense	4%	Technical & bus. school tuition	1%	Motor fuel	(-12%)
Recreation services	4%	Cereals & bakery products	1%	Smartphones	(-14%)
Services less energy services	4%	Housekeeping supplies	1%		
Hospital services	4%	Outdoor equip. & supplies	1%		
		Household furnishings & supplies	1%		

Source: (1-10) Bureau of Labor Statistics. CPI Report May 2025. Bloomberg. Data as of June 11, 2025. Goods is commodities less food and energy commodities. Services is less energy.