

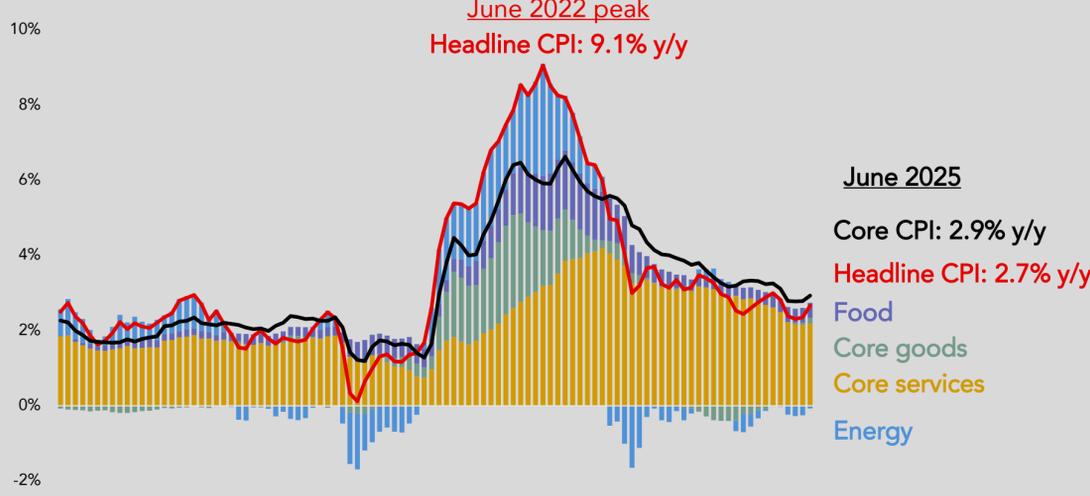
Chart of the Day

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Though in line with expectations, the June inflation report neither clarified the expected impact of trade policy on the real economy, nor gave new direction to the Treasury curve and Fed rate cut expectations. However, a closer look at selected tariff-sensitive goods categories did reveal modest evidence of price pressures beginning to creep into the economy. Taken in aggregate, the monthly report provided support for the Fed's current policy stance to be patient.

Breakdown of CPI by components



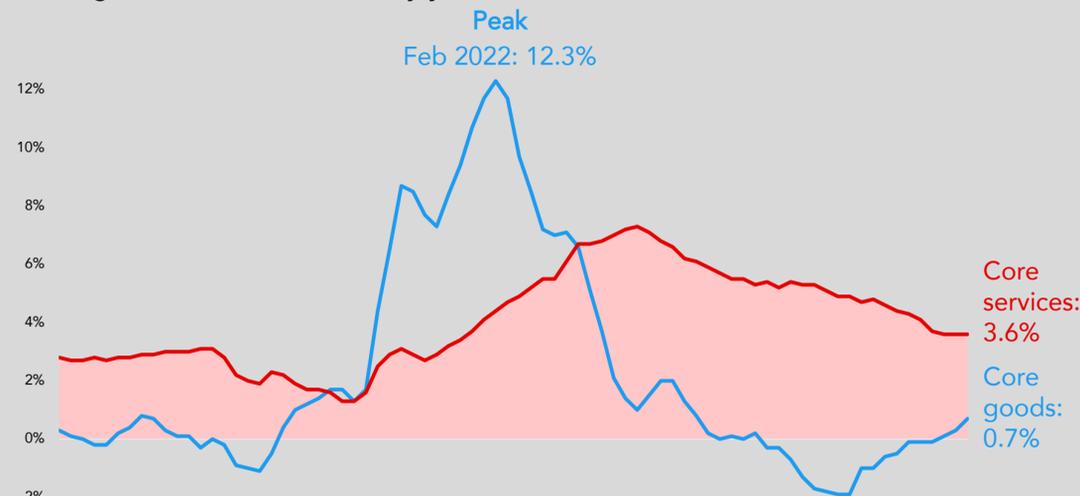
The June US inflation report was well-aligned with expectations, with headline CPI rising 2.7% y/y and 0.3% m/m. Core inflation increased 2.9% y/y, also in line with expectations.

June CPI inflation actual vs. estimates

Metric	Actual	Estimate	Difference
Headline CPI y/y	+2.7%	+2.6%	+0.1%
Headline CPI m/m	+0.3%	+0.3%	+0.0%
Core CPI y/y	+2.9%	+2.9%	+0.0%
Core CPI m/m	+0.2%	+0.3%	(-0.1%)

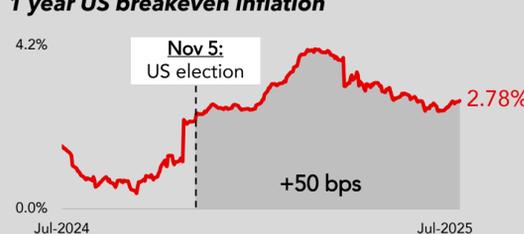
Core goods prices rose by 0.2% m/m with some modest impact from tariff escalation beginning to creep into the underlying data. Furniture prices rose at their fastest pace since January 2022, with pricing pressure also evident in other tariff-sensitive categories such as audio equipment, toys, clothing, computer accessories and tools. The modest increase in pricing pressure was offset by a decline in automobiles. Core services rose modestly to 0.3% m/m, driven by a slight increase in shelter prices.

US core goods and services inflation, y/y

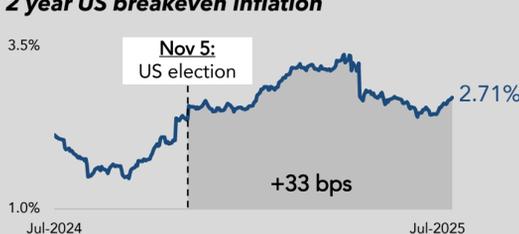


As tariffs and outsized fiscal expansion begin to filter through the economy, US inflation break-evens remain sharply elevated vis-a-vis expectations one year ago.

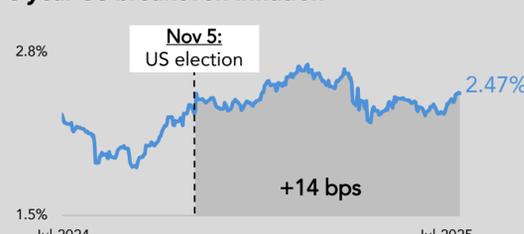
1 year US breakeven inflation



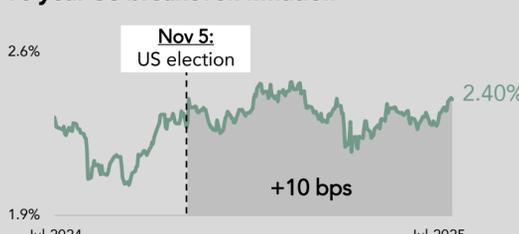
2 year US breakeven inflation



5 year US breakeven inflation



10 year US breakeven inflation



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.

June US inflation by sector (y/y)

	Energy	Food	Core goods	Core services
Eggs		27%		
Utility gas service	14%			
Audio equipment			11%	
Energy services	8%			
Delivery services			7%	
Tobacco & smoking products			6%	
Motor vehicle insurance			6%	
Veterinarian services			6%	
Garbage & trash collection	6%			
Electricity	6%			
Day care and preschool			6%	
Motor vehicle maint. & Repair			5%	
Meats		5%		
Nursing homes			5%	
Water & sewerage maint.	5%			
Laundry & cleaning services			5%	
Computer software and accessories			5%	
Nonalcoholic beverages		4%		
Owners' equivalent rent			4%	
Hospital services			4%	
Rent of shelter			4%	
Shelter			4%	
Food away from home		4%		
Recreation services			4%	
Car & truck rental			4%	
Moving, storage, freight expense			4%	
Tools, hardware & supplies			4%	
Services less energy services			4%	
School tuition			3%	
Medical care services			3%	
Health insurance			3%	
Transportation services			3%	
Music instruments & acces.			3%	
Physicians' services			3%	
Professional services			3%	
Used cars and trucks			3%	
Tires			3%	
Land-line phone services			3%	
Financial services			3%	
Food at home		2%		
Intracity mass transit			2%	
Motor vehicle parts and equipment			2%	
College tuition and fees			2%	
Milk		2%		
Funeral expenses			2%	
Photo equipment & supplies			2%	
Household furnishings & supplies			2%	
Alcoholic beverages			1%	
Housekeeping supplies			1%	
Furniture & bedding			1%	
Technical & bus. school tuition			1%	
Vehicle accessories			1%	
Cereals & bakery products		1%		
Recreational reading			1%	
Toys			1%	
Appliances			1%	
Fruits and vegetables		1%		
Personal care products			1%	
Medicinal drugs			0.3%	
Cosmetics			0.3%	
New trucks			0.2%	
New vehicles			0.2%	
Outdoor equip. & supplies			(-0.3%)	
Computers and smart home assistants			(-0.3%)	
Pets & pet products			(-1%)	
Apparel			(-1%)	
Footwear			(-1%)	
Wireless phone services			(-1%)	
Energy	(-1%)			
Internet services			(-2%)	
Lodging away from home			(-3%)	
Sporting goods			(-3%)	
Public transportation			(-3%)	
Jewelry and watches			(-3%)	
Airline fares			(-4%)	
Energy commodities	(-8%)			
Motor fuel	(-8%)			
TVs			(-10%)	
Smartphones			(-14%)	

Source: (1-8) Bureau of Labor Statistics, CPI Report June 2025. Bloomberg. Data as of July 15, 2025. 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."