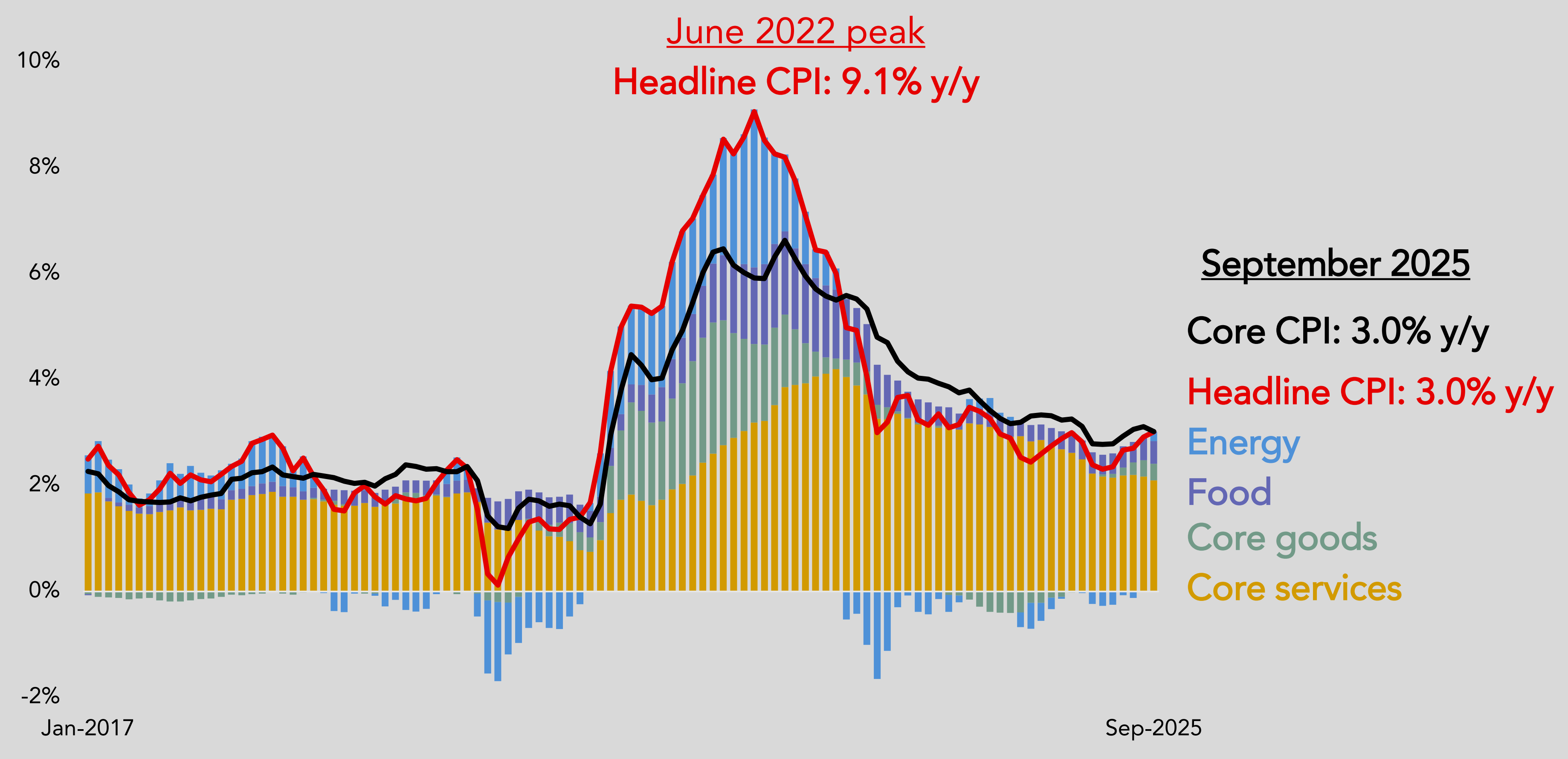
Capital Markets Strategy
Essential inCights for the C-Suite

MUFG

Chart of the Day

With most data releases on hold during the US government shutdown, the US Labor Department's Bureau of Labor Statistics recalled workers to belatedly release September's CPI number on October 24th. Originally scheduled for October 15, the delayed release became a necessity for the US government to make cost of living adjustments for 2026 Social Security payments. Though September's inflation readings were a touch softer than expected, headline and core inflation pushing the 3% threshold remains an area of concern for the Fed and the market.

Breakdown of CPI by components



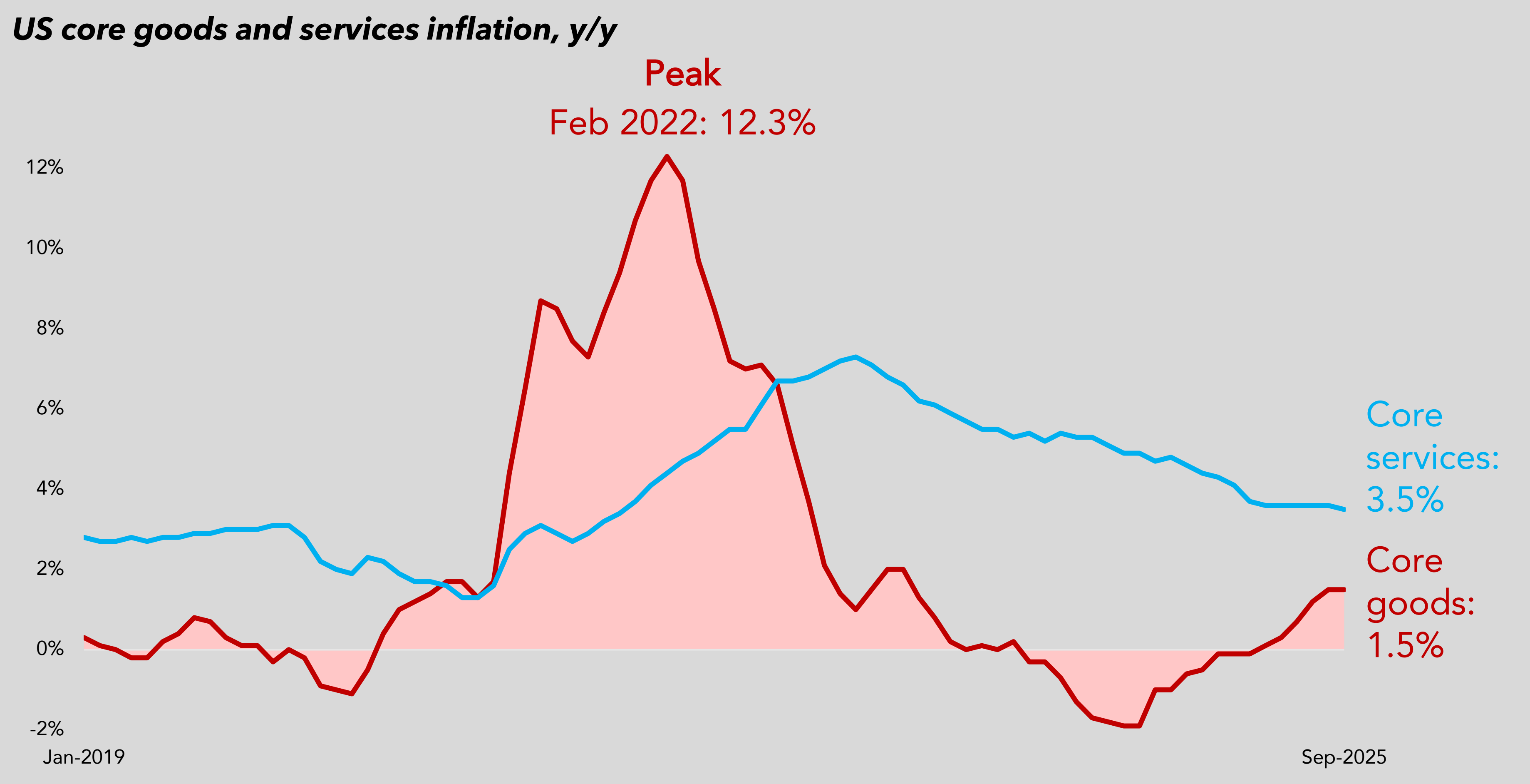
Headline inflation for September rose 3.0% y/y and 0.3% m/m, the highest level since January but lower than expected. Gasoline prices were the largest driver in the all-items monthly increase, rising 4.1% m/m. Core CPI inflation rose 0.2% m/m and 3% y/y.

September CPI inflation actual vs. estimates

Metric	Actual	Estimate	Difference
Headline CPI y/y	3.0%	3.1%	(-0.1%)
Headline CPI m/m	0.3%	0.4%	(-0.1%)
Core CPI y/y	3.0%	3.1%	(-0.1%)
Core CPI m/m	0.2%	0.3%	(-0.1%)

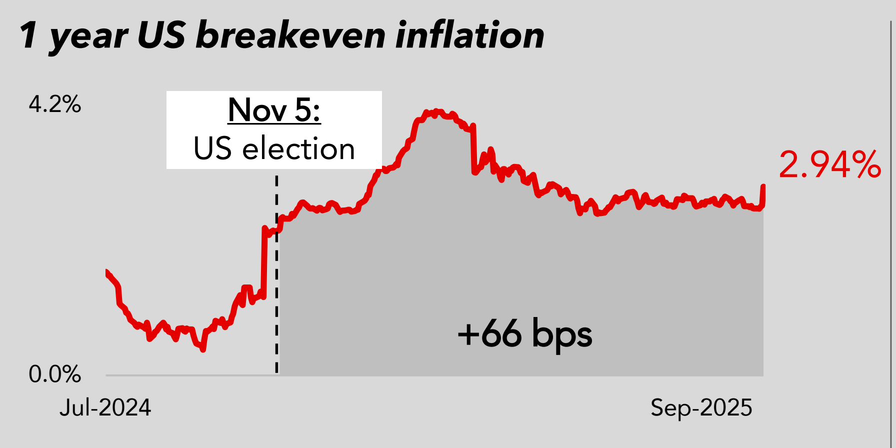
Measurement issues, seasonality and gov't shutdown noise have exacerbated ambiguity around the inflation outlook, while resilient high-end consumers kept services categories elevated, including airfares and hotel prices. Though businesses continue to absorb a substantive portion of the tariffs, the September report indicated that the pace of pass-through is now broadening across core goods categories.

US core goods and services inflation, y/y

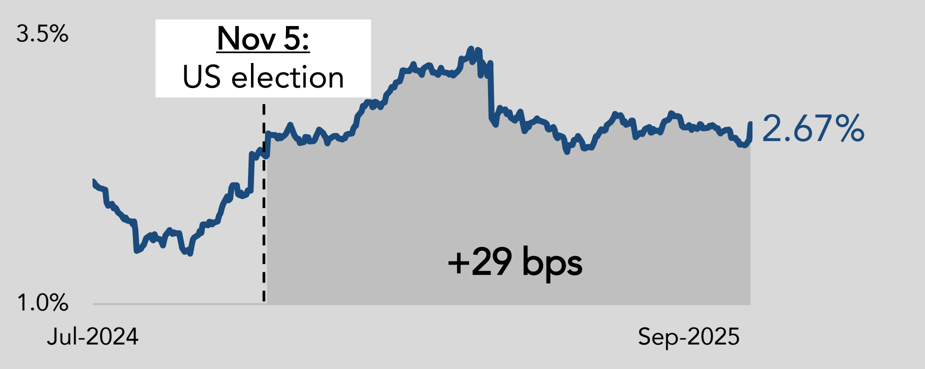


As tariffs and outsized fiscal expansion begin to filter through the economy, US inflation break-evens remain elevated vis-a-vis expectations one year ago. Near term, the Fed remains more focused on weakening labor market data than inflation; however, inflation closer to 3% than 2%, and possibly rising from here, could slow the pace of easing in 2026.

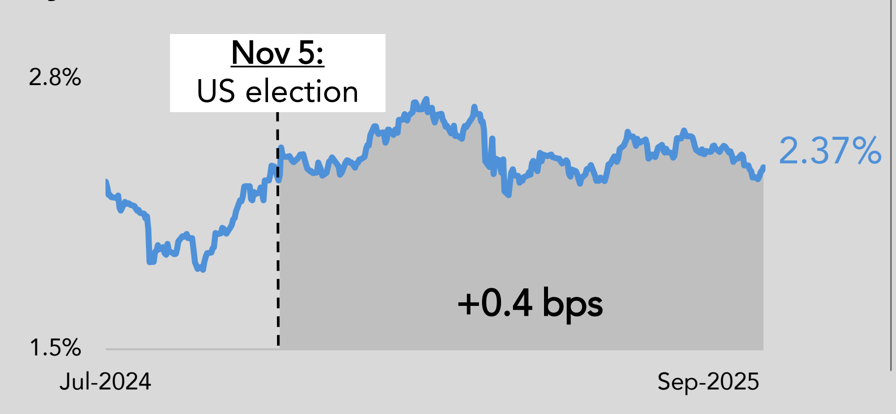
1 year US breakeven inflation



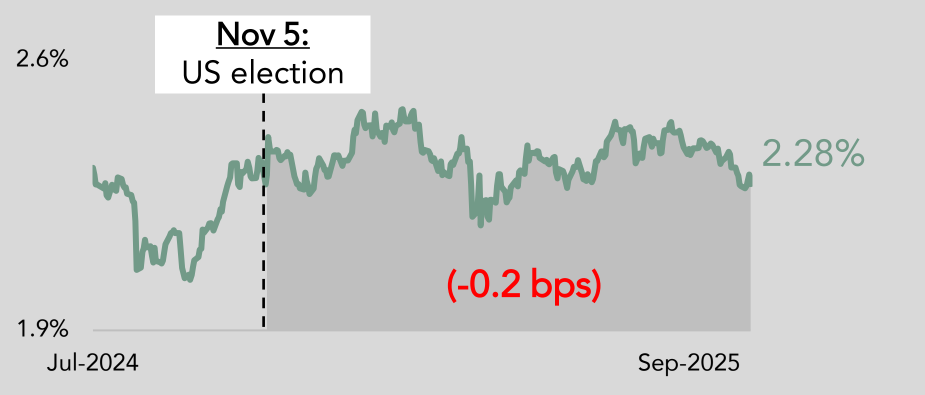
2 year US breakeven inflation



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.

September US inflation by sector (y/y)

Energy | Food | Core goods | Core services

Audio equipment	14%
Utility gas service	12%
Meats	9%
Delivery services	8%
Veterinarian services	8%
Motor vehicle maint. & Repair	8%
Tobacco & smoking products	7%
Energy services	6%
Tools, hardware & supplies	6%
Music instruments & acces.	6%
Photo equipment & supplies	6%
Garbage & trash collection	5%
Nonalcoholic beverages	5%
Day care and preschool	5%
Electricity	5%
Used cars and trucks	5%
Laundry & cleaning services	5%
Water & sewerage maint.	5%
Recreation services	4%
Health insurance	4%
Nursing homes	4%
Medical care services	4%
Furniture & bedding	4%
Owners' equivalent rent	4%
School tuition	4%
Food away from home	4%

Shelter	4%
Tires	4%
Rent of shelter	4%
Services less energy services	4%
Airline fares	3%
Motor vehicle insurance	3%
Motor vehicle parts and equipment	3%
Household furnishings & supplies	3%
Outdoor equip. & supplies	3%
Funeral expenses	3%
Energy	3%
Financial services	3%
Food at home	3%
Professional services	3%
Transportation services	3%
Physicians' services	2%
Recreational reading	2%
Milk	2%
Housekeeping supplies	2%
Jewelry and watches	2%
Technical & bus. school tuition	2%
Alcoholic beverages	2%
Public transportation	2%
Intracity mass transit	2%
Cereals & bakery products	2%
Moving, storage, freight expense	2%
Vehicle accessories	2%

Personal care products	2%
College tuition and fees	1%
Fruits and vegetables	1%
Footwear	1%
Appliances	1%
Land-line phone services	1%
Pets & pet products	1%
New vehicles	1%
New trucks	1%
Cosmetics	1%
Medicinal drugs	1%
Internet services	0%
Toys	0%
Sporting goods	0%
Apparel	(-0%)
Lodging away from home	(-0%)
Energy commodities	(-0%)
Motor fuel	(-0%)
Computers and smart home assistants	(-1%)
Eggs	(-1%)
Wireless phone services	(-2%)
Car & truck rental	(-5%)
TVs	(-6%)
Computer software and accessories	(-6%)
Smartphones	(-15%)

Source: (1-8) Bureau of Labor Statistics. CPI Report September 2025. Bloomberg. Data as of October 24, 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."