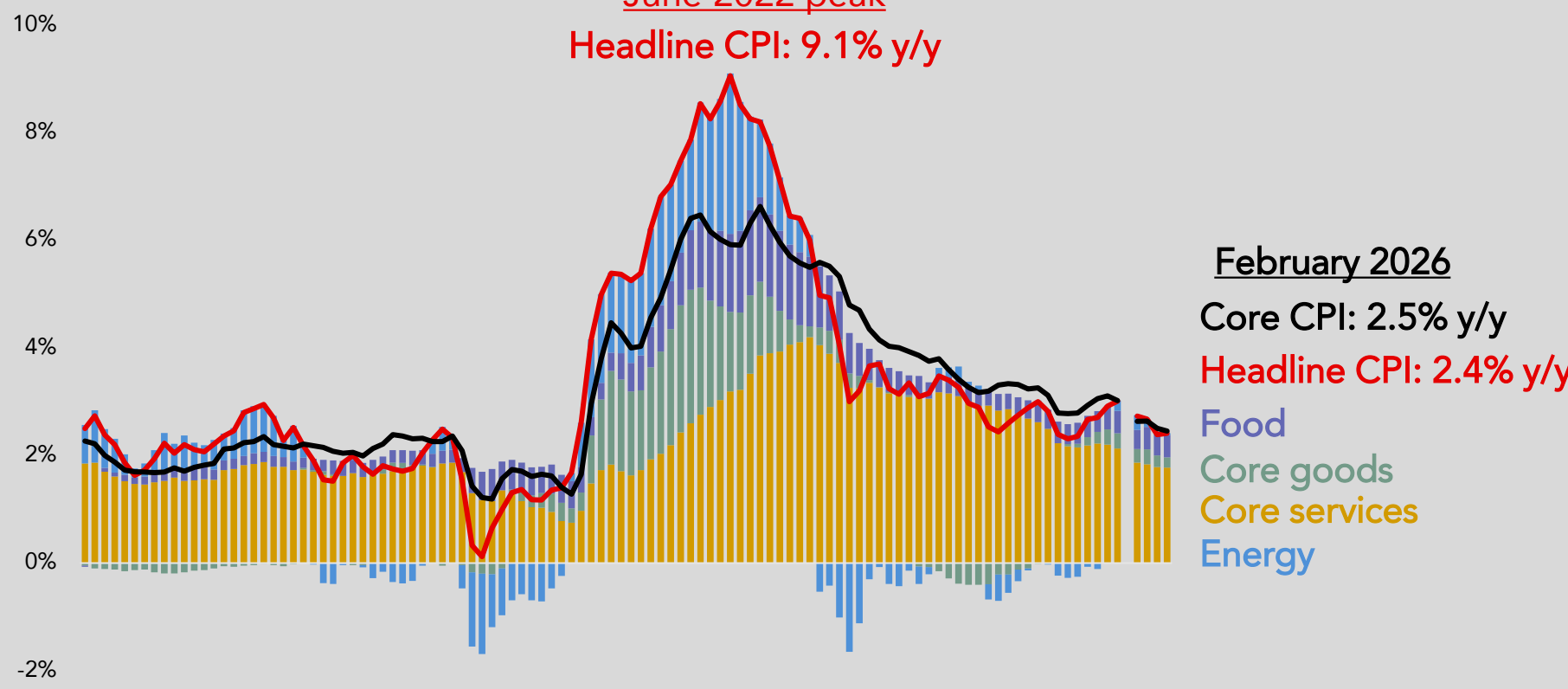


# Chart of the Day



February's CPI report came in as expected, showing the slowest inflation since the spring of 2021. However, the figures are a snapshot of prices before the impact of the war in the Middle East, which has sent gasoline and other energy prices soaring over the last two weeks. Food inflation may also move higher as more than a third of global fertilizer trade passes through the, effectively closed, Strait of Hormuz.

### Breakdown of CPI by components



Source: (1) Bureau of Labor Statistics. CPI Report February 2026. Bloomberg. Data as of March 11, 2026.

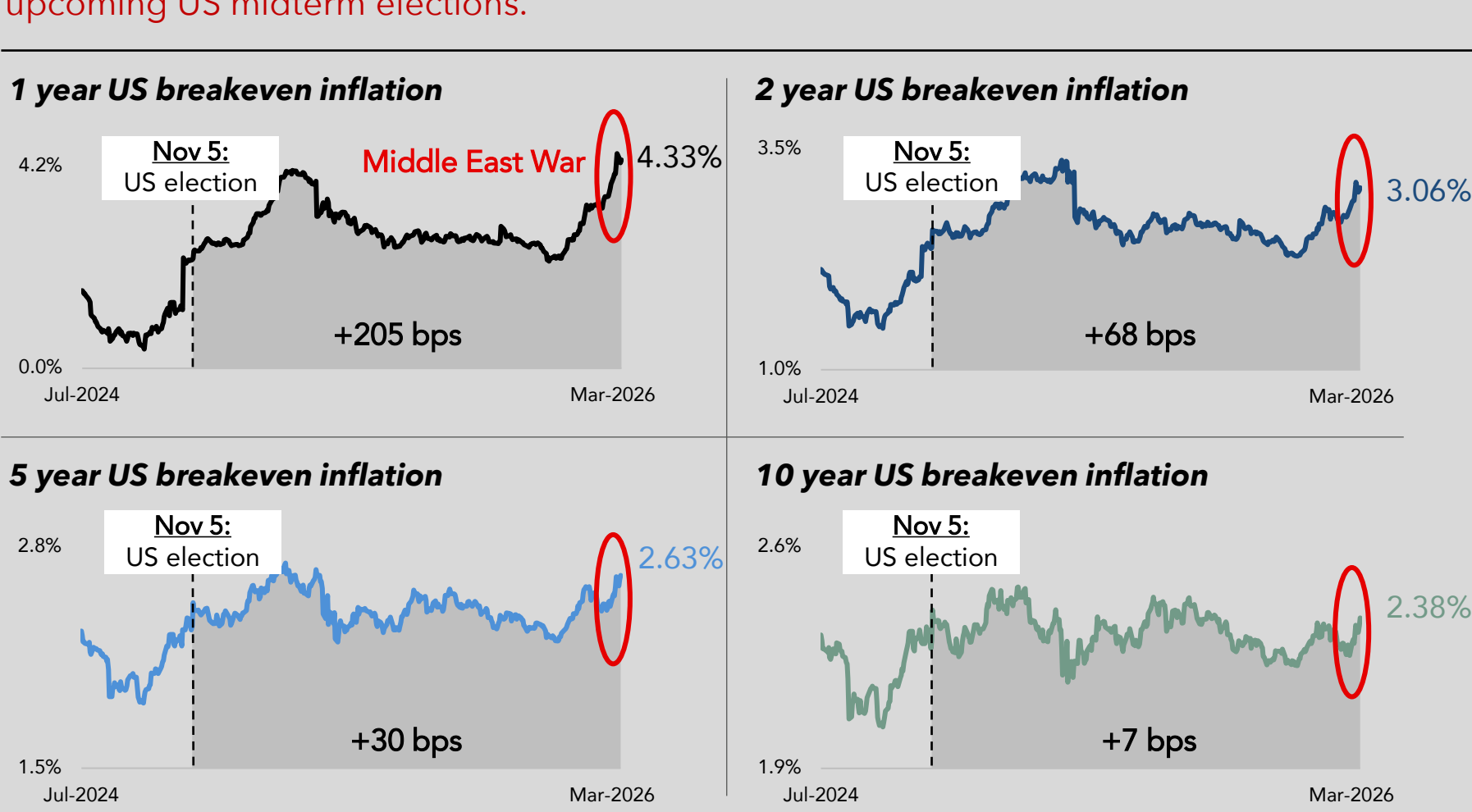
Inflation has generally been on a downward trajectory in recent months with the February reading continuing that trend. However, markets have already shifted their focus back to energy markets given the situation in the Middle East. US oil markets have swung sharply since the start of the conflict and each additional \$10 increase in oil can add about 0.2 percentage points to the inflation reading.

### February CPI inflation actual vs. estimates

| Metric           | Actual | Estimate | Difference |
|------------------|--------|----------|------------|
| Headline CPI y/y | 2.4%   | 2.4%     | +0.0%      |
| Headline CPI m/m | 0.3%   | 0.3%     | +0.0%      |
| Core CPI y/y     | 2.5%   | 2.5%     | +0.0%      |
| Core CPI m/m     | 0.2%   | 0.2%     | +0.0%      |

Source: (1) Bureau of Labor Statistics. CPI Report February 2026. Bloomberg. Data as of March 11, 2026.

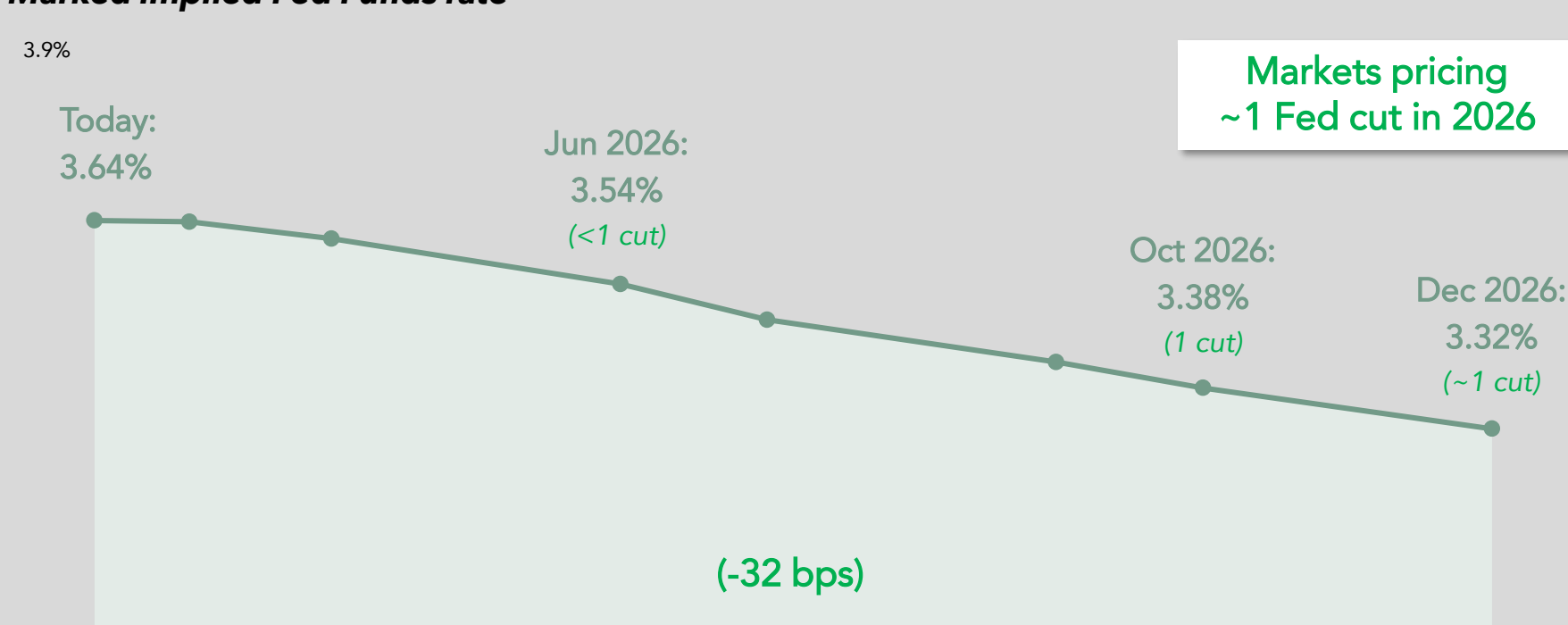
The increase in oil prices pushed one-year inflation breakeven prices sharply higher while longer-term measures remain fairly stable, though they are elevated vis-à-vis expectations one year ago. Gasoline and other energy items represent only approximately 6% of consumer spending, according to the Labor Department, but can have an outsized effect on consumers' view of inflation. Renewed inflation concerns as the war in Iran is putting pressure on energy and food prices risks increasing affordability worries ahead of the upcoming US midterm elections.



Source: (1-4) Bloomberg. Data as of March 11, 2026.

The war in Iran has significantly altered the Fed's policy easing path in 2026 with the return of energy-driven inflation. Higher oil prices and supply shocks have pushed the market-implied timing of the Fed's first rate cut from June to October. The market is now pricing in only 32 bps (~1 rate cut) of easing for the rest of the year, compared to over 60 bps (2+ rate cuts) prior to the US/Israel attacks on Iran.

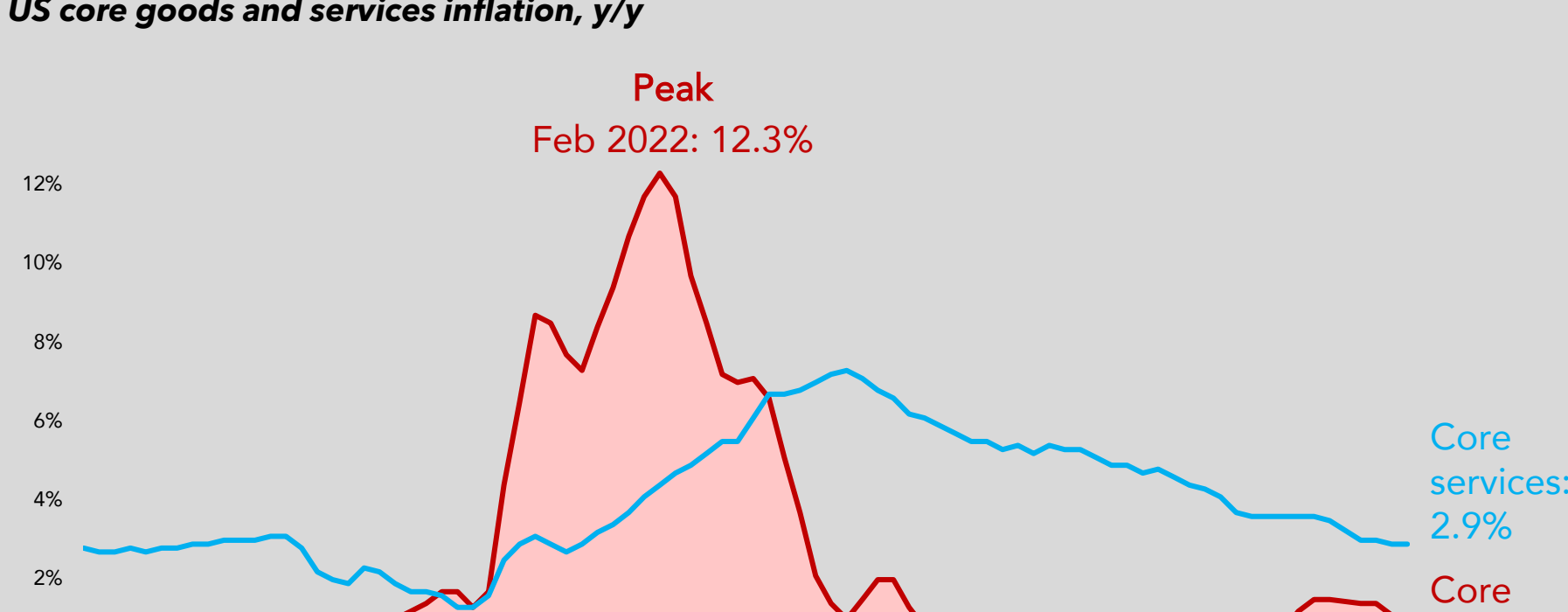
### Marked implied Fed Funds rate



Source: (1) Bloomberg. Data as of March 11, 2026. First data point on market implied Fed Funds chart is Fed Funds effective rate.

Core goods prices remained under control last month, though furniture and apparel prices showed some signs of tariff passthrough. The modest 0.2% increase in the shelter index was the largest overall source of inflation and the "super core" index, which strips out food, energy and housing, rose 0.35% m/m, down from 0.59% in January and a tame reading relative to recent years. While energy prices are top of mind given the war in Iran, analysts are also watching to see if shipping disruptions raise costs for other commodities such as fertilizers, chemicals and industrial inputs.

### US core goods and services inflation, y/y



Source: (1) Bureau of Labor Statistics. CPI Report February 2026. Bloomberg. Data as of March 11, 2026. Goods is commodities less food and energy commodities. Services is less energy.

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.

### February US inflation by sector (y/y)

| Sector                              | Inflation (y/y) |
|-------------------------------------|-----------------|
| Audio equipment                     | 13.5%           |
| Utility gas service                 | 10.9%           |
| Photo equipment & supplies          | 10.7%           |
| Jewelry and watches                 | 10.2%           |
| Meats                               | 8.6%            |
| Tobacco & smoking products          | 8.0%            |
| Computer software and accessories   | 8.0%            |
| Hospitality services                | 7.1%            |
| Delivery services                   | 7.1%            |
| Airline fares                       | 7.1%            |
| Tools, hardware & supplies          | 6.6%            |
| Energy services                     | 6.3%            |
| Laundry & cleaning services         | 5.7%            |
| Motor vehicle maint. & repair       | 5.6%            |
| Nonalcoholic beverages              | 5.6%            |
| Nursing homes                       | 5.5%            |
| Veterinarian services               | 5.3%            |
| Music instruments & acces.          | 5.2%            |
| Public transportation               | 5.0%            |
| Electricity                         | 4.8%            |
| Water & sewerage maint.             | 4.7%            |
| Furniture & bedding                 | 4.2%            |
| Medical care services               | 4.1%            |
| Food away from home                 | 3.9%            |
| Household furnishings & supplies    | 3.9%            |
| Sporting goods                      | 3.8%            |
| Outdoor equip. & supplies           | 3.7%            |
| Garbage & trash collection          | 3.7%            |
| Intracity mass transit              | 3.7%            |
| Day care and preschool              | 3.7%            |
| Professional services               | 3.7%            |
| Internet services                   | 3.3%            |
| Owners' equivalent rent             | 3.2%            |
| Tires                               | 3.2%            |
| Funeral expenses                    | 3.1%            |
| Motor vehicle parts and equipment   | 3.1%            |
| Shelter                             | 3.0%            |
| Rent of shelter                     | 2.9%            |
| Services less energy services       | 2.9%            |
| School tuition                      | 2.9%            |
| Appliances                          | 2.9%            |
| Cereals & bakery products           | 2.7%            |
| Fruits and vegetables               | 2.7%            |
| Car & truck rental                  | 2.7%            |
| Housekeeping supplies               | 2.6%            |
| Vehicle accessories                 | 2.6%            |
| Apparel                             | 2.5%            |
| Food at home                        | 2.4%            |
| Transportation services             | 2.2%            |
| Recreation services                 | 2.1%            |
| Technical & bus. school tuition     | 2.1%            |
| Physicians' services                | 2.1%            |
| College tuition and fees            | 2.0%            |
| Recreational reading                | 1.9%            |
| Pets & pet products                 | 1.9%            |
| Personal care products              | 1.7%            |
| Alcoholic beverages                 | 1.6%            |
| Footwear                            | 1.5%            |
| Cosmetics                           | 1.5%            |
| Land-line phone services            | 1.4%            |
| Computers and smart home assistants | 0.9%            |
| New vehicles                        | 0.5%            |
| Milk                                | 0.5%            |
| Energy                              | 0.5%            |
| New trucks                          | 0.4%            |
| Motor vehicle insurance             | 0.2%            |
| Toys                                | (-0.3%)         |
| Medicinal drugs                     | (-0.4%)         |
| Lodging away from home              | (-1.1%)         |
| Used cars and trucks                | (-3.2%)         |
| Health insurance                    | (-3.6%)         |
| TVs                                 | (-4.1%)         |
| Moving, storage, freight expense    | (-4.2%)         |
| Wireless phone services             | (-4.3%)         |
| Financial services                  | (-4.7%)         |
| Energy commodities                  | (-5.2%)         |
| Motor fuel                          | (-5.5%)         |
| Smartphones                         | (-13.9%)        |
| Eggs                                | (-42.1%)        |

Source: (1) Bureau of Labor Statistics. CPI Report February 2026. Data as of March 11, 2026.

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"Macro stability isn't everything, but without it, you have nothing."