

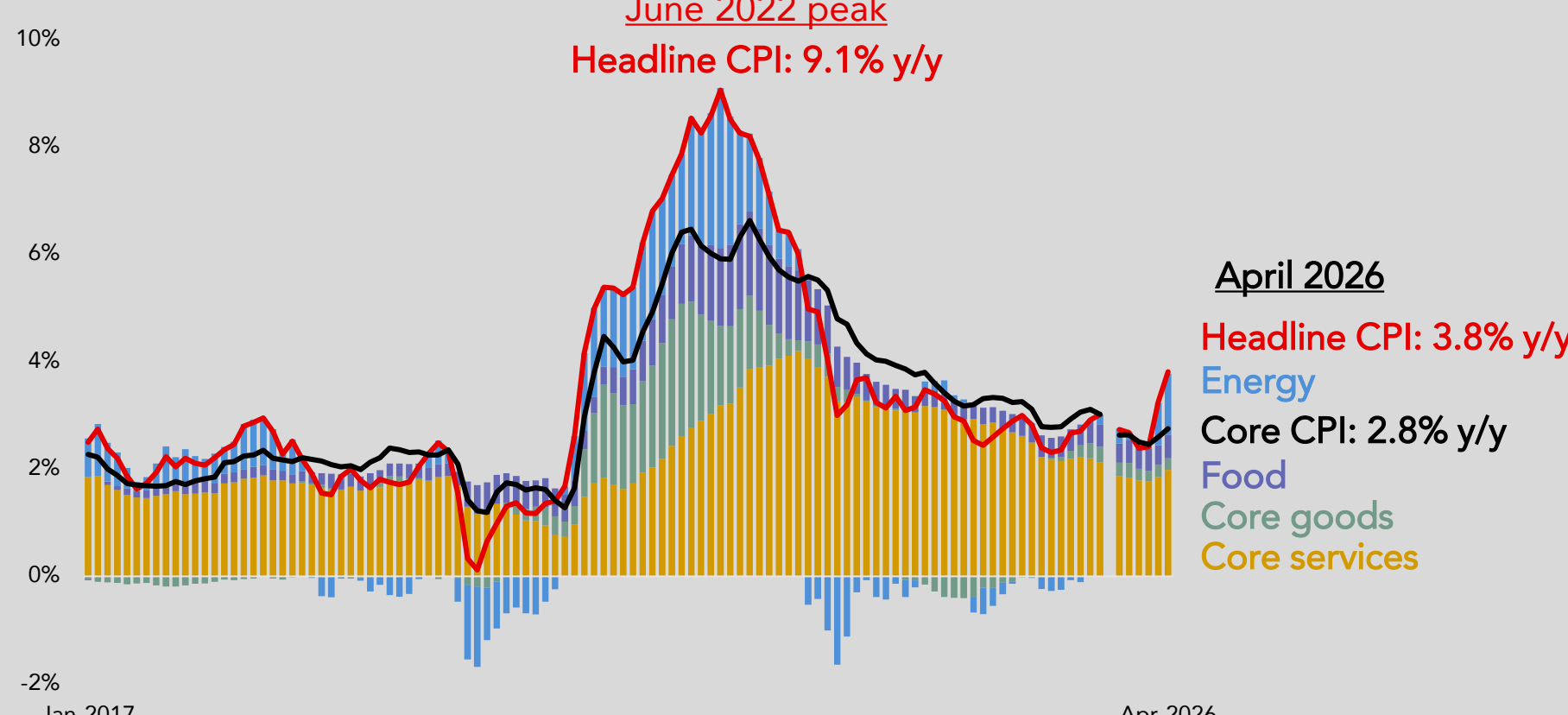
# Chart of the Day

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Real wages turned negative last month as consumer prices rose faster than average hourly earnings for the first time since 2022. Energy remains the primary catalyst, up 3.8% m/m and 17.9% y/y, though the April report shows signs of broadening price pressures. Second round effects, where high energy costs lead to higher transportation and production costs for goods, are starting to feed through to the real economy, causing a notable hit to household purchasing power.

### Breakdown of CPI by components



Source: (1) Bureau of Labor Statistics. CPI Report April 2026. Bloomberg. Data as of May 12, 2026.

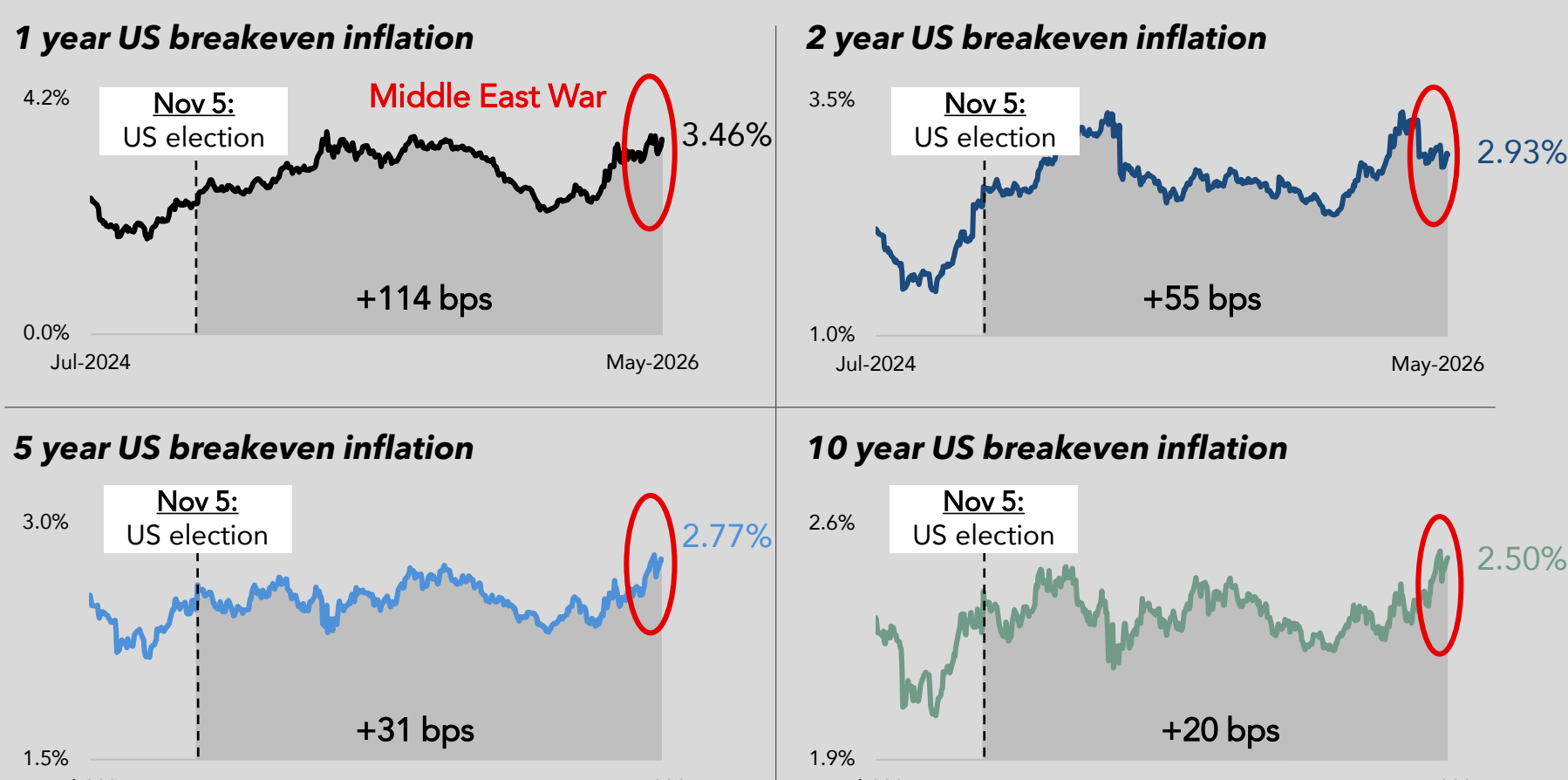
US inflation continued to accelerate amid the ongoing war in Iran with the headline index up 3.8% y/y, the largest increase since May 2023. Core CPI rose 2.8% y/y, the highest since September. Higher costs are likely to persist in the months ahead.

### April CPI inflation actual vs. estimates

Metric	Actual	Estimate	Difference
Headline CPI y/y	3.8%	3.7%	+0.1%
Headline CPI m/m	0.6%	0.6%	+0.0%
Core CPI y/y	2.8%	2.7%	+0.1%
Core CPI m/m	0.4%	0.3%	+0.1%

Source: (1) Bureau of Labor Statistics. CPI Report April 2026. Bloomberg. Data as of May 12, 2026.

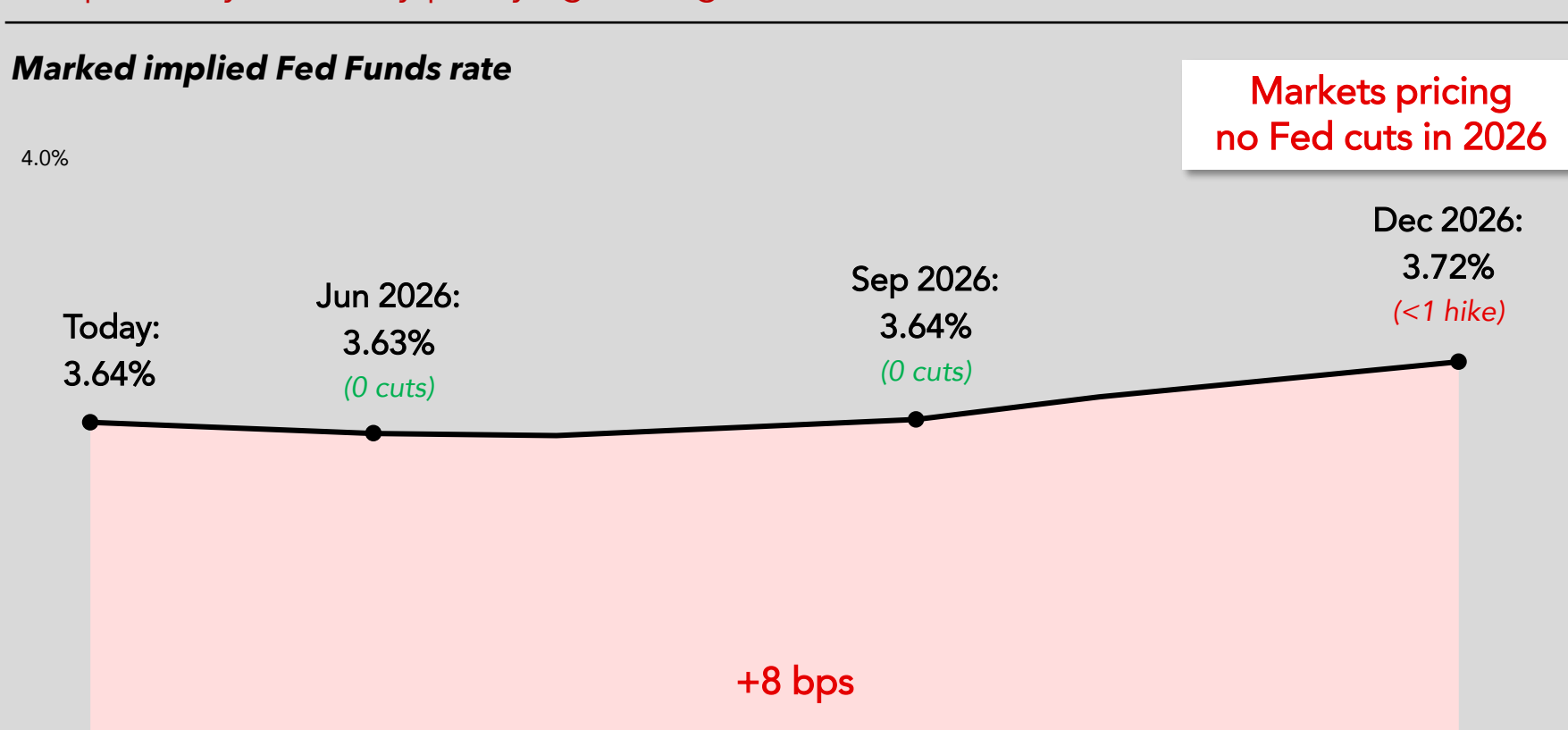
One-year inflation breakeven prices remain elevated vis-à-vis expectations one year ago. Grocery store prices were noticeably higher in April. Wholesale gasoline prices, which lead retail prices by about two weeks, suggest prices at the pump will rise further from here. Higher electricity prices are also pressuring household utility bills. The risk for the Fed going forward is a consumption-led slowdown on top of an energy-driven inflation shock.



Source: (1-4) Bloomberg. Data as of May 13, 2026.

Kevin Warsh, confirmed by the US Senate as Fed Chair earlier today, will face a difficult path ahead as the disinflation trend evident earlier this year appears to have reversed. Supply side factors, such as physical supply shortages and shipping disruptions, are more challenging for the Fed to remedy than demand-led inflation that can be more easily tempered by monetary policy tightening.

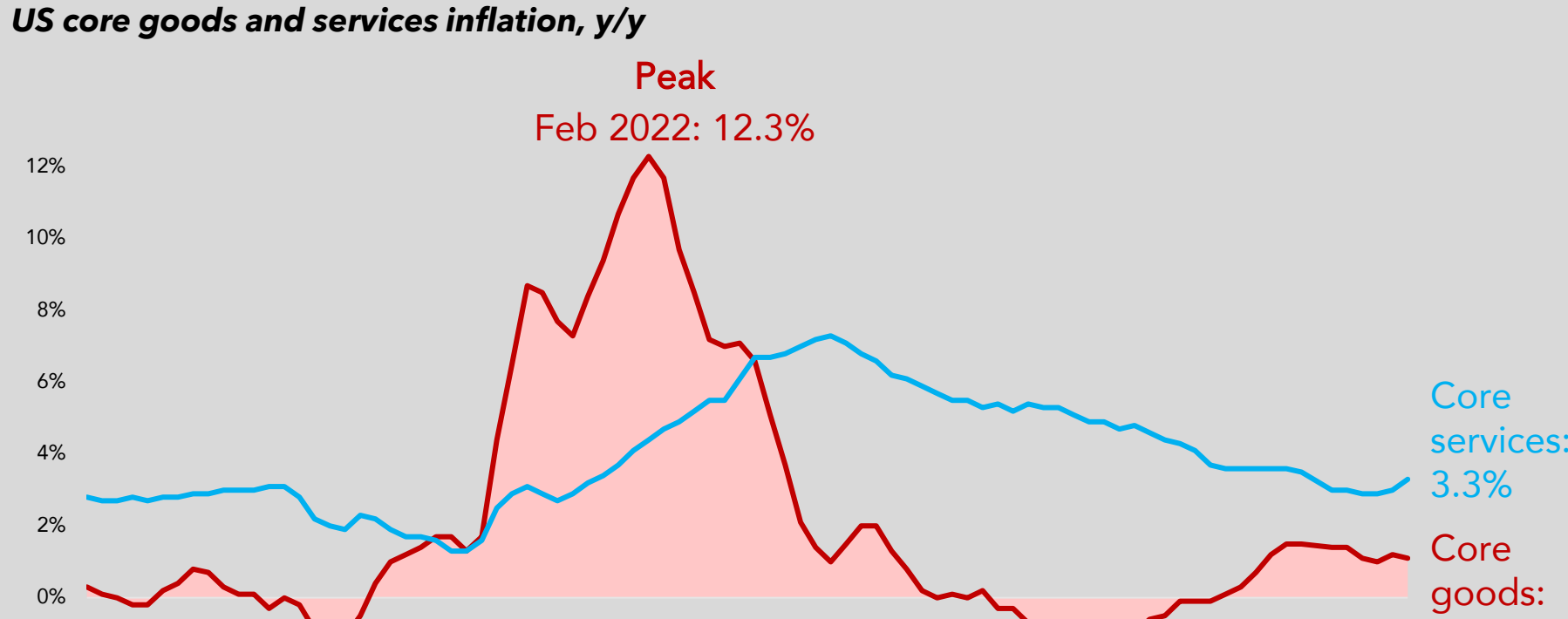
### Marked implied Fed Funds rate



Source: (1) Bloomberg. Data as of May 13, 2026. First data point on market implied Fed Funds chart is Fed Funds effective rate.

Goods disinflation, the primary cushion keeping core CPI lower over the last 18 months, is fading, while core services prices are re-accelerating on multiple fronts. Stripping out a one-off BLS shelter adjustment, airline fares remain the standout, up over 20% y/y and the largest annual mover in core inflation. Relief in medical care, communications and new vehicle prices partially offsets the picture, but the breadth of sectors where prices continue to rise is notable.

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



Source: (1) Bureau of Labor Statistics. CPI Report April 2026. Bloomberg. Data as of May 12, 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.

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

Legend: Energy (grey), Food (green), Core goods (blue), Core services (light blue)

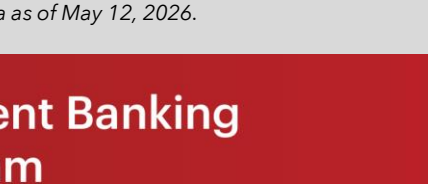
Energy commodities	29.2%	Transportation services	4.3%	Physicians' services	2.6%
Motor fuel	29.1%	Garbage & trash collection	4.2%	Cereals & bakery products	2.6%
Airline fares	20.7%	Apparel	4.2%	Land-line phone services	2.5%
Energy	17.9%	Footwear	4.2%	Internet services	2.3%
Jewelry and watches	14.6%	Funeral expenses	4.1%	Computers and smart home assistants	2.3%
Computer software and accessories	13.9%	Professional services	4.0%	Housekeeping supplies	2.2%
Public transportation	13.7%	Day care and preschool	4.0%	College tuition and fees	2.0%
Delivery services	13.6%	Tires	4.0%	Technical & bus. school tuition	1.9%
Photo equipment & supplies	8.8%	Sporting goods	3.9%	Alcoholic beverages	1.9%
Meats	8.8%	Motor vehicle parts and equipment	3.8%	Recreation services	1.9%
Tobacco & smoking products	7.6%	Food away from home	3.6%	Furniture & bedding	1.3%
Laundry & cleaning services	6.8%	Intracity mass transit	3.6%	Milk	0.5%
Electricity	6.1%	Owners' equivalent rent	3.3%	Appliances	0.2%
Fruits and vegetables	6.1%	Shelter	3.3%	Motor vehicle insurance	0.2%
Audio equipment	5.8%	Rent of shelter	3.3%	New vehicles	0.2%
Tools, hardware & supplies	5.7%	Services less energy services	3.3%	New trucks	0.1%
Hospital services	5.5%	Medical care services	3.2%	Car & truck rental	(-0.1%)
Veterinarian services	5.5%	Toys	3.2%	Medicinal drugs	(-0.9%)
Energy services	5.4%	Utility gas service	3.0%	TVs	(-1.2%)
Music instruments & acces.	5.2%	Vehicle accessories	3.0%	Recreational reading	(-1.8%)
Motor vehicle maint. & Repair	5.1%	School tuition	2.9%	Moving, storage, freight expense	(-2.3%)
Nonalcoholic beverages	5.1%	Food at home	2.9%	Used cars and trucks	(-2.7%)
Water & sewerage maint.	5.0%	Household furnishings & supplies	2.8%	Financial services	(-2.7%)
Nursing homes	4.9%	Cosmetics	2.8%	Wireless phone services	(-3.7%)
Outdoor equip. & supplies	4.7%	Personal care products	2.7%	Health insurance	(-6.1%)
Lodging away from home	4.6%	Pets & pet products	2.6%	Smartphones	(-12.4%)
				Eggs	(-39.2%)

Source: (1) Bureau of Labor Statistics. CPI Report April 2026. Data as of May 12, 2026.

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