

# Chart of the Day

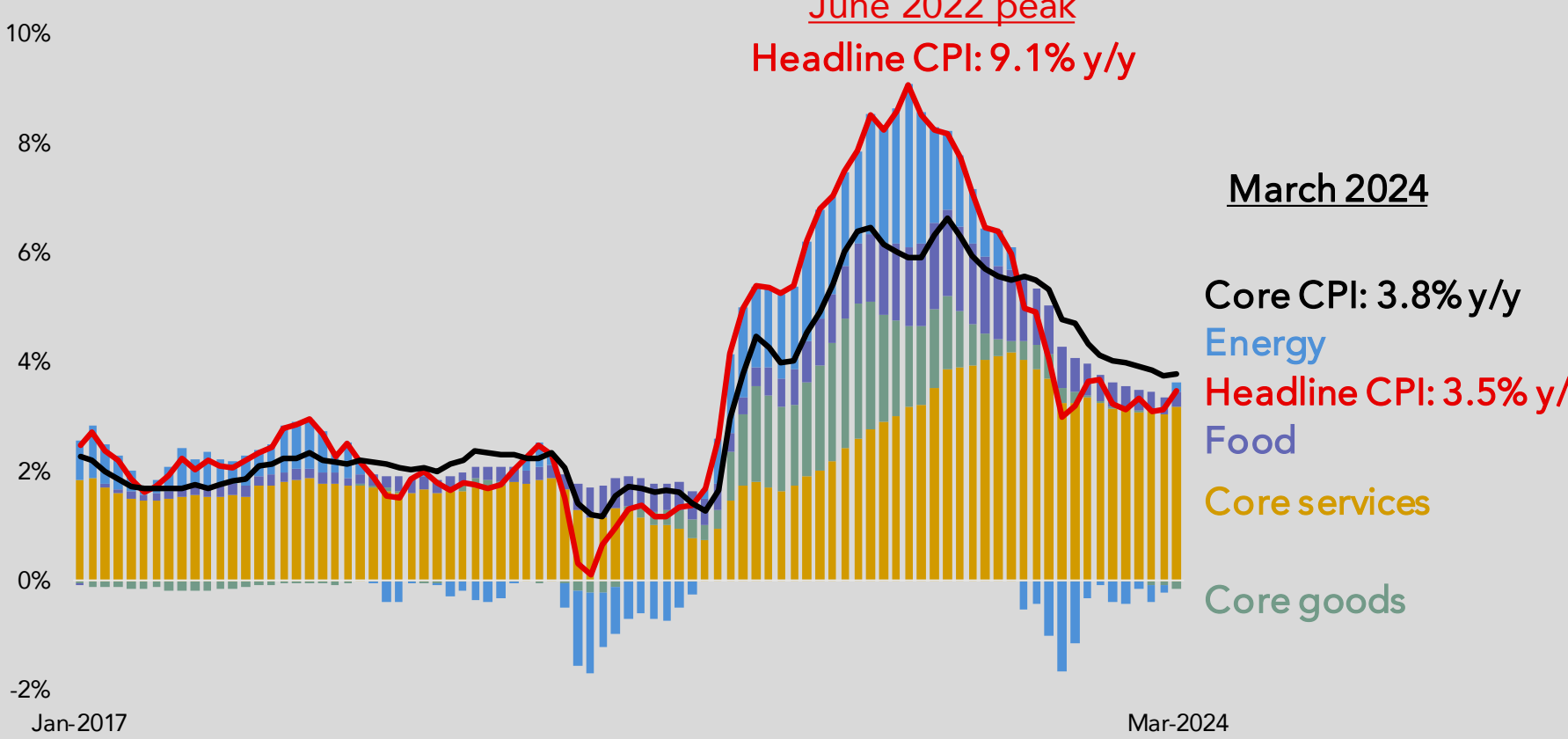


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Headline inflation rose 3.5% y/y and 0.4% m/m in March, vs. expectations of 3.4% and 0.3%, respectively. Core CPI also surprised to the upside, up 3.8% y/y and 0.4% m/m vs. expectations of 3.7% and 0.3%, respectively. Gasoline (+1.7% m/m) and shelter (+0.4% m/m) accounted for over half of the overall increase in March inflation.

### Breakdown of CPI by components



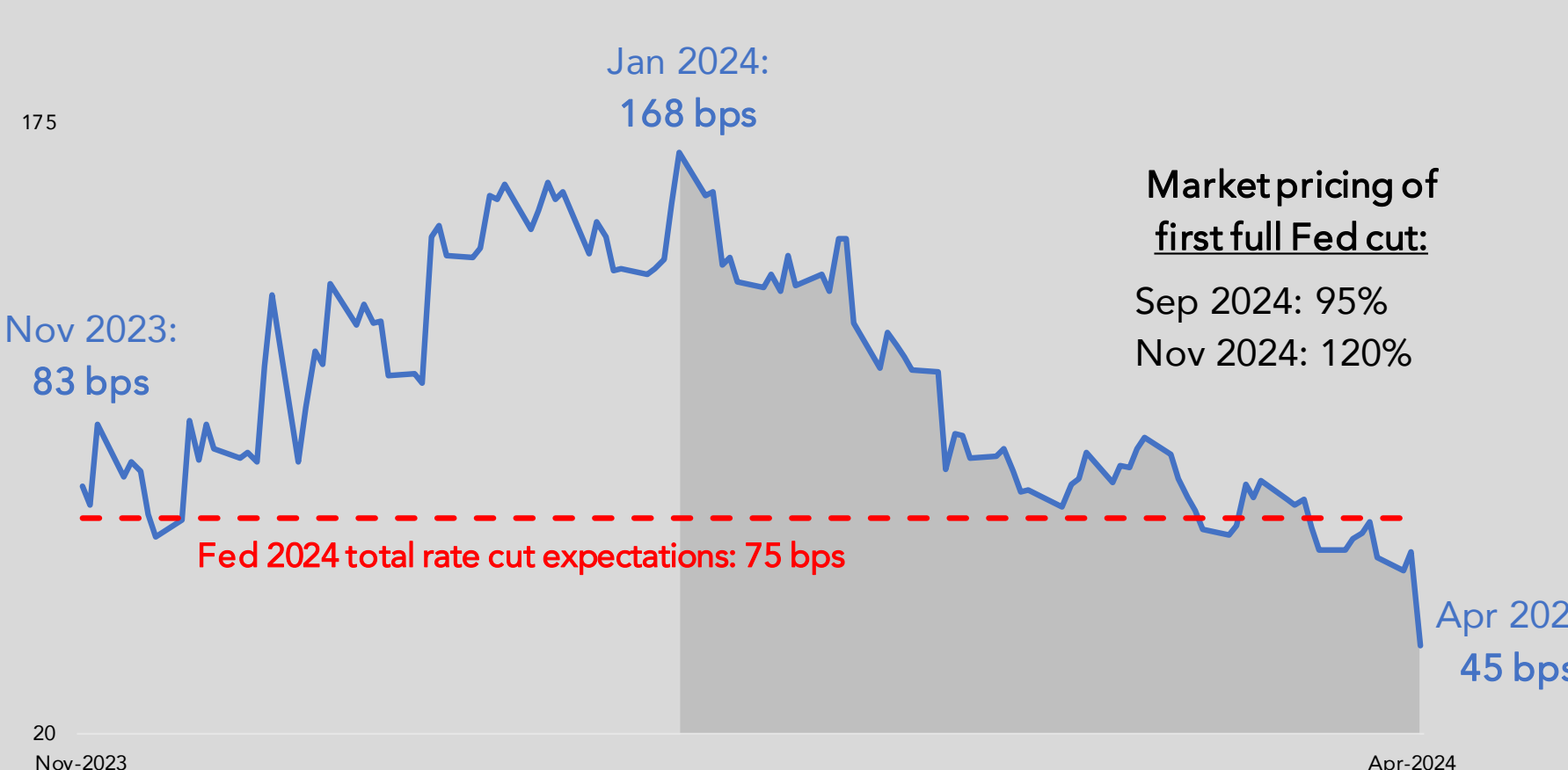
Inflation surprised to the upside for the third month in a row, with three consecutive 0.4% m/m increases in core CPI.

### March CPI inflation actual vs. estimates

Metric	Actual	Estimate	Difference
Headline CPI y/y	+3.5%	+3.4%	+0.1%
Headline CPI m/m	+0.4%	+0.3%	+0.1%
Core CPI y/y	+3.8%	+3.7%	+0.1%
Core CPI m/m	+0.4%	+0.3%	+0.1%

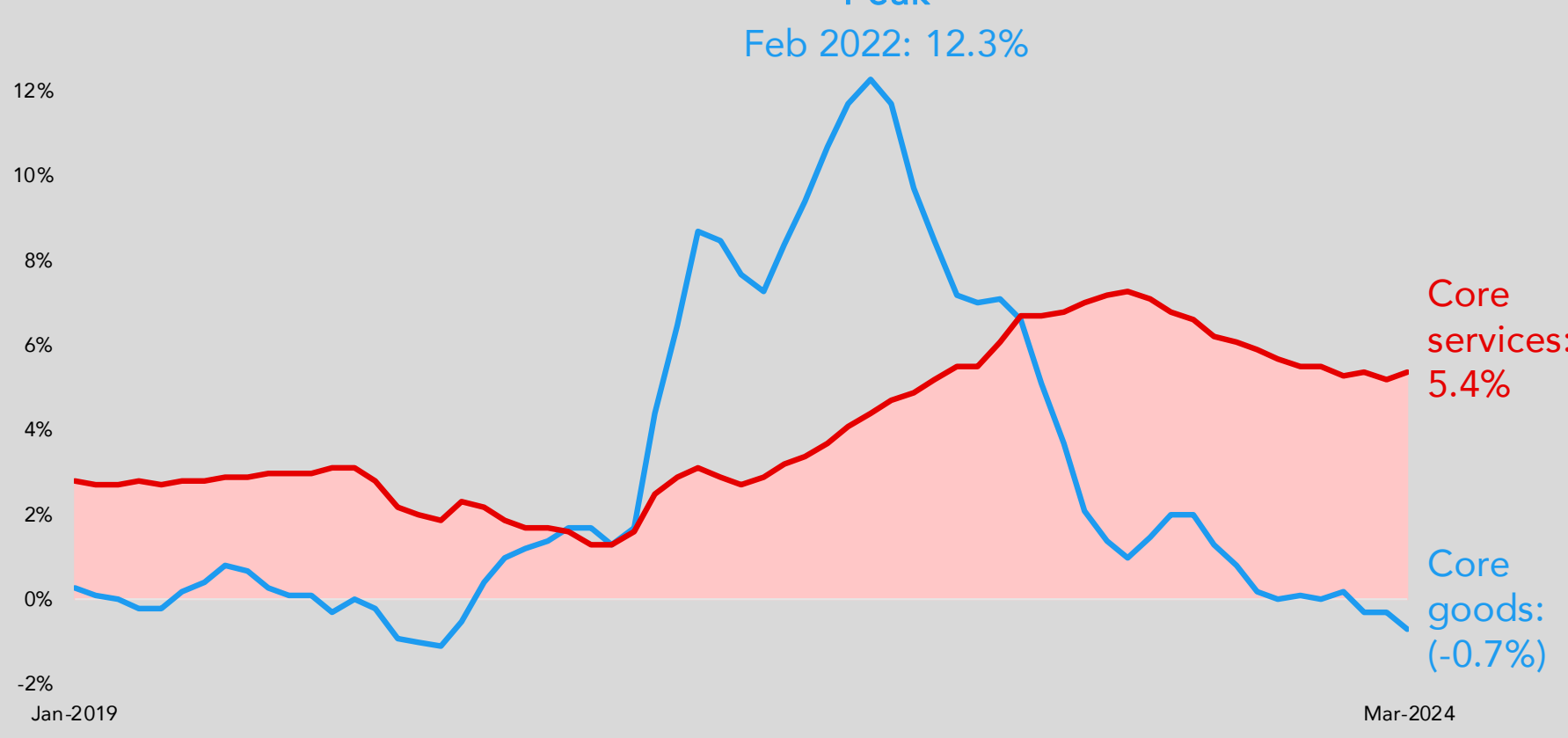
In early January, market implied rate cut expectations for 2024 were over double the Fed’s forecast of 75 bps. Following strong US economic data and the third “hotter-than-expected” inflation report, market expectations have become more hawkish, pricing in only less than 50 bps of rate cuts in 2024, with the first full Fed rate cut not priced until Q3, near the US election.

### Market implied total 2024 Fed rate cut expectations, bps



Core goods priced continued their deflationary trend, down (-0.2% m/m) and (-0.7% y/y), helped by a (-1.1% m/m) drop back in used vehicles. Core services, however, remain elevated, accelerating from 5.2% y/y in February to 5.4% y/y in March. Shelter prices, the largest category within services, rose 0.4% for the second month in a row with owners’ equivalent rent rising by the same amount.

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




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.

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


		Energy	Food	Core goods	Core services
Motor vehicle insurance	22%	School tuition	3%	Motor vehicle parts and equipment	(-1%)
Transportation services	11%	Medicinal drugs	3%	Vehicle accessories	(-1%)
Veterinarian services	10%	Alcoholic beverages	2%	Milk	(-2%)
Photo equipment & supplies	8%	Nonalcoholic beverages	2%	Lodging away from home	(-2%)
Motor vehicle maint. & Repair	8%	Medical care services	2%	Tools, hardware & supplies	(-2%)
Hospital services	8%	Energy	2%	Jewelry and watches	(-2%)
Tobacco & smoking products	7%	Intracity mass transit	2%	Sporting goods	(-2%)
Financial services	7%	Fruits and vegetables	2%	Used cars and trucks	(-2%)
Owners' equivalent rent	6%	Professional services	2%	Household furnishings & supplies	(-3%)
Garbage & trash collection	6%	Technical & bus. school tuition	2%	Wireless phone services	(-3%)
Rent of shelter	6%	Cosmetics	2%	Educational books	(-3%)
Shelter	6%	Footwear	2%	Utility gas service	(-3%)
Funeral expenses	6%	Music instruments & acces.	1%	Computers and smart home assistants	(-4%)
Services less energy services	5%	Pets & pet products	1%	Furniture & bedding	(-4%)
Water & sewerage maint.	5%	College tuition and fees	1%	Computer software and accessories	(-5%)
Delivery services	5%	Food at home	1%	Outdoor equip. & supplies	(-5%)
Electricity	5%	Motor fuel	1%	Public transportation	(-6%)
Recreation services	5%	Energy commodities	1%	Audio equipment	(-6%)
Day care and preschool	4%	Recreational reading	1%	Appliances	(-6%)
Laundry & cleaning services	4%	Physicians' services	1%	Eggs	(-7%)
Food away from home	4%	Apparel	0%	TVs	(-7%)
Internet services	4%	Cereals & bakery products	0%	Airline fares	(-7%)
Nursing homes	4%	Housekeeping supplies	0%	Toys	(-8%)
Land-line phone services	3%	New trucks	0%	Car & truck rental	(-9%)
Personal care products	3%	New vehicles	(-0%)	Smartphones	(-9%)
Meats	3%	Moving, storage, freight expense	(-1%)	Health insurance	(-15%)
Energy services	3%	Tires	(-1%)		

Source: (1-5) Bureau of Labor Statistics. CPI Report March 2024. Bloomberg. Data as of April 10, 2024. Goods is commodities less food and energy commodities. Services is less energy.


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