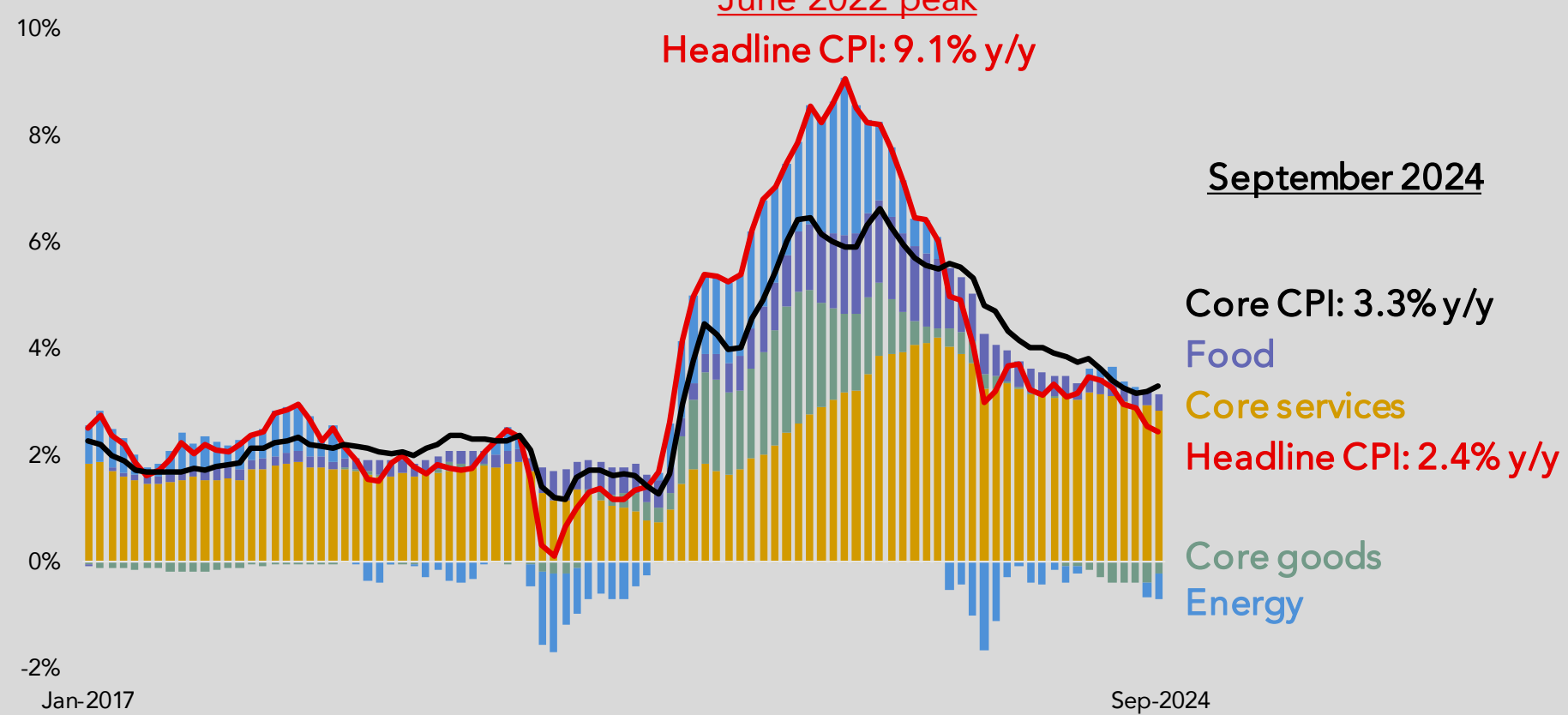


Although headline US inflation declined in September to three year lows, the report was higher than anticipated, with “mixed” progress across product categories. Headline CPI rose 0.2% m/m (vs. 0.1% expected) despite a notable 4.1% m/m drop in gasoline prices. On an annual basis, headline CPI came in at 2.4% y/y, 0.1ppts higher than expected, though still the slowest annual rate since early 2021. Core inflation increased 0.3% m/m (vs. 0.2% expected) and 3.3% y/y (vs. 3.2% expected), the first increase of that magnitude in a year and a half. Over 75% of the monthly increase in headline inflation was driven by shelter and food costs, while medical care, clothing and airfares pushed the core index higher.

Breakdown of CPI by components



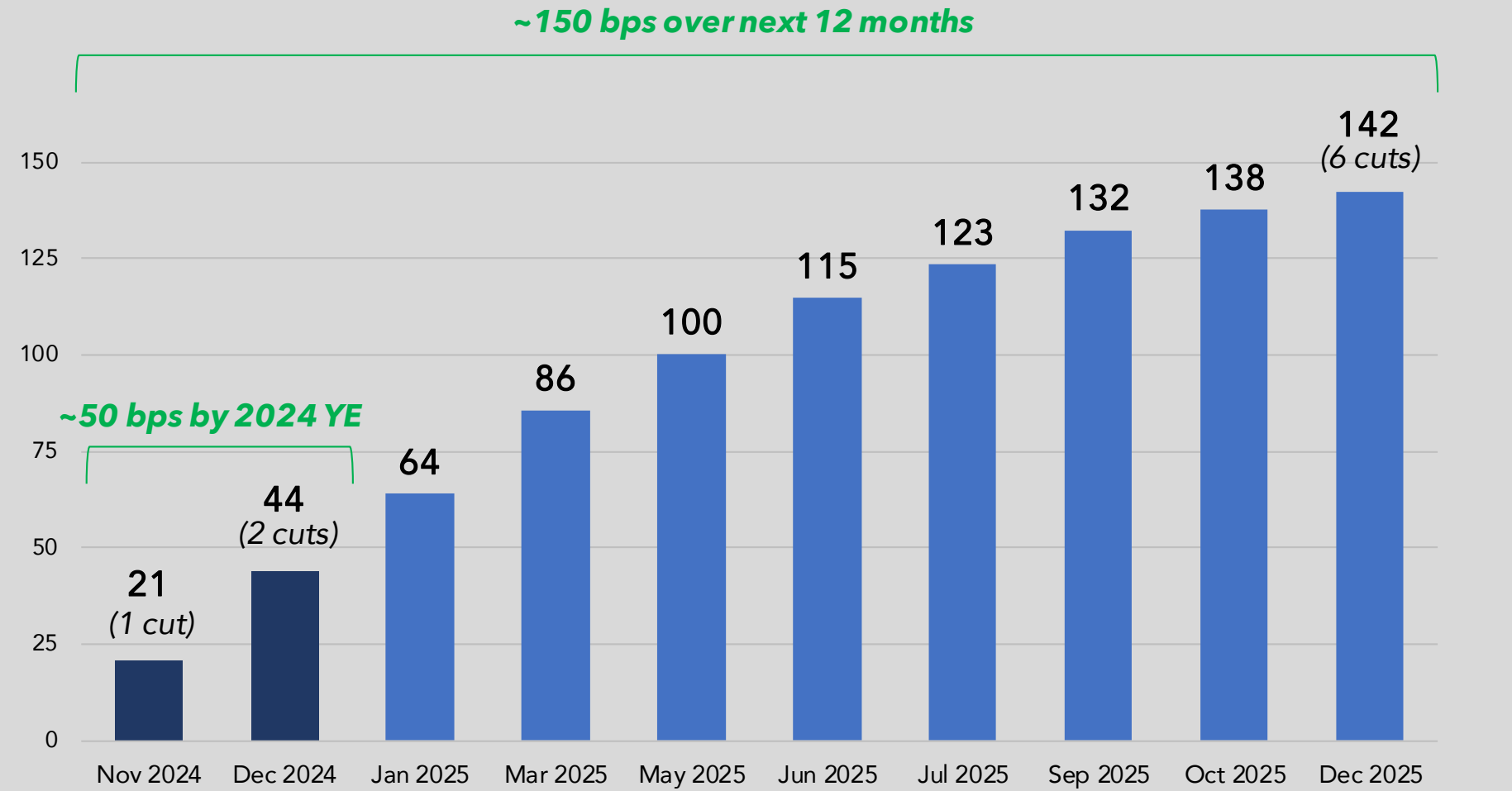
Headline inflation continued its decline, despite slightly exceeding estimates, increasing 0.2% m/m (vs. 0.1% expected) and 2.4% y/y (vs. 2.3% expected). Core CPI also came in slightly above expectations on a monthly and annual basis rising 0.3% (vs. 0.2% expected) and 3.3% y/y (vs. 3.2% expected).

September CPI inflation actual vs. estimates

Metric	Actual	Estimate	Difference
Headline CPI y/y	+2.4%	+2.3%	+0.1%
Headline CPI m/m	+0.2%	+0.1%	+0.1%
Core CPI y/y	+3.3%	+3.2%	+0.1%
Core CPI m/m	+0.3%	+0.2%	+0.1%

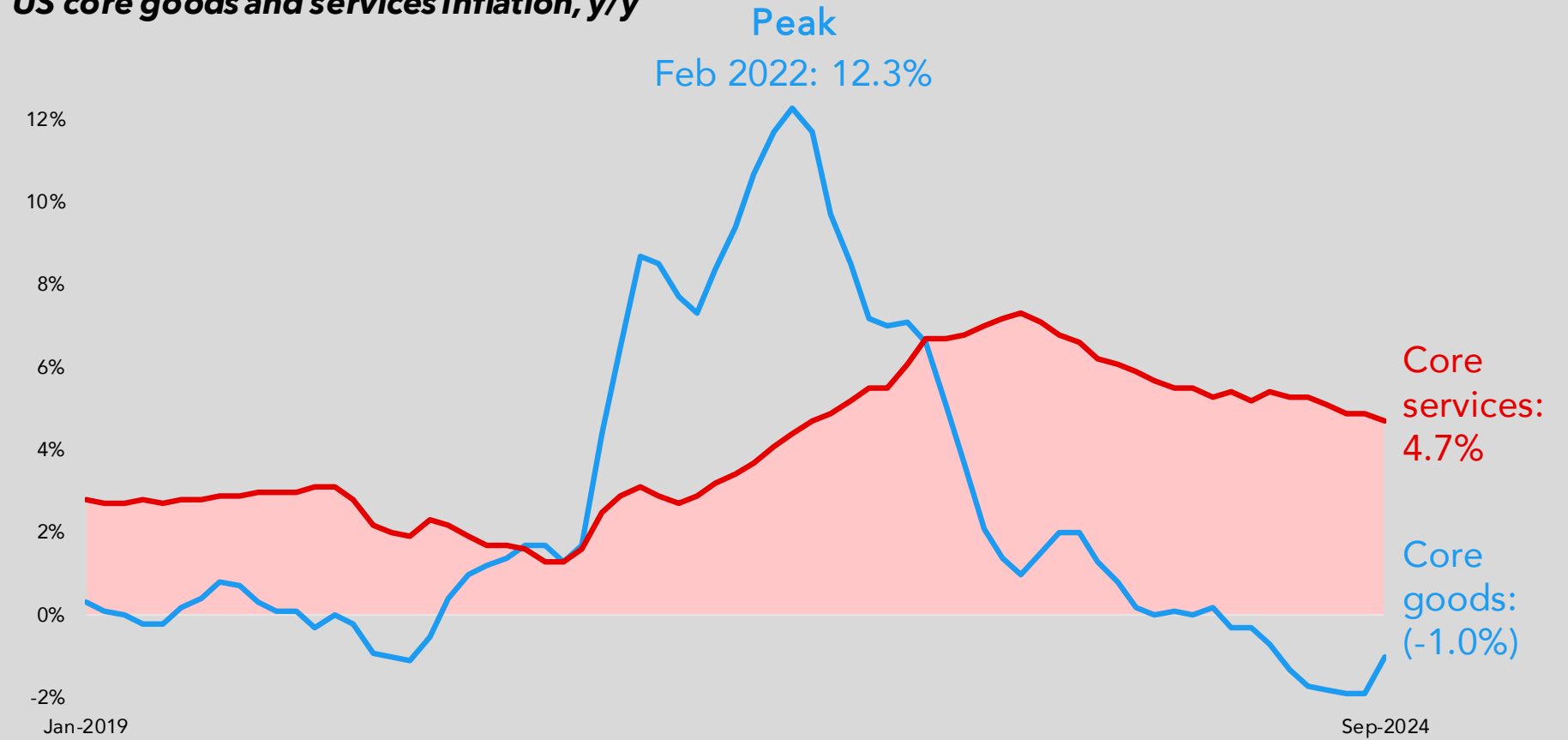
Stronger than anticipated inflation and employment reports for September have reduced the market implied probability of a 50 bps rate cut at the November FOMC meeting to 0%. The market is now pricing in a 80% probability of a 25 bps rate cut at the November meeting and less than 50 bps of easing by year end.

Market implied cumulative bps of Fed rate cuts by Fed meeting



Core goods prices increased for the second time since June 2023 driven by increases in new and used car prices as well as apparel and furniture. Core services prices rose 0.4%, the most since April and the third straight acceleration – the longest streak since 2023. Owners’ equivalent rent, the largest individual component of CPI, rose 0.3% m/m, a deceleration from the prior month and the smallest increase since June. However, the “supercore” services gauge, which excludes housing, rose 0.4% on the month, the fastest rise since April.

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.

September US inflation by sector (y/y)

		Energy	Food	Core goods	Core services
Eggs	40%	Energy services	3%	Footwear	0.0%
Motor vehicle insurance	16%	Meats	3%	Pets & pet products	(-0.3%)
Photo equipment & supplies	11%	Vehicle accessories	3%	Wireless phone services	(-0.3%)
Transportation services	9%	Professional services	2%	Cosmetics	(-1%)
Tobacco & smoking products	8%	Recreation services	2%	Music instruments & acces.	(-1%)
Health insurance	8%	College tuition and fees	2%	New trucks	(-1%)
Veterinarian services	7%	Internet services	2%	New vehicles	(-1%)
Day care and preschool	6%	Technical & bus. school tuition	2%	Audio equipment	(-1%)
Financial services	6%	Utility gas service	2%	Computer software and accessories	(-2%)
Jewelry and watches	6%	Motor vehicle parts and equipment	2%	Household furnishings & supplies	(-2%)
Laundry & cleaning services	6%	Apparel	2%	Sporting goods	(-2%)
Nursing homes	6%	Medicinal drugs	2%	Furniture & bedding	(-2%)
Owners' equivalent rent	5%	Airline fares	2%	Appliances	(-3%)
Water & sewerage maint.	5%	Tires	2%	Lodging away from home	(-3%)
Land-line phone services	5%	Alcoholic beverages	2%	Toys	(-3%)
Rent of shelter	5%	Physicians' services	2%	Tools, hardware & supplies	(-4%)
Shelter	5%	Nonalcoholic beverages	1%	Computers and smart home assistants	(-5%)
Motor vehicle maint. & Repair	5%	Food at home	1%	Outdoor equip. & supplies	(-5%)
Services less energy	5%	Recreational reading	1%	Used cars and trucks	(-5%)
Hospital services	5%	Milk	1%	TVs	(-6%)
Delivery services	4%	Fruits and vegetables	1%	Energy	(-7%)
Food away from home	4%	Public transportation	1%	Car & truck rental	(-7%)
Garbage & trash collection	4%	Intracity mass transit	0.4%	Smartphones	(-9%)
Electricity	4%	Housekeeping supplies	0.4%	Energy commodities	(-15%)
Medical care services	4%	Personal care products	0.1%	Motor fuel	(-16%)
School tuition	4%	Cereals & bakery products	0.1%		
Funeral expenses	3%	Moving, storage, freight expense	0.0%		

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