

U.S. Consumer Price Index — September

Inflation Hasn't Gone Crazy

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The latest CPI report shows that inflation in the U.S. hasn't gone crazy which should, in theory, provide a calming effect on bond markets today. The 10-year Treasury yield fell from 3.19% before the CPI release to just below 3.17% immediately afterwards.

So what happened?

U.S. consumer prices rose just 0.1% in September, below expectations for a 0.2% rise, and are now 2.3% above a year ago, the slowest pace in seven months. The two most volatile items.....food and energy... were pretty tame. **Food** was unchanged, and **energy** was down 0.5%. **Excluding food & energy**, prices were also up just 0.1%, missing expectations, and are 2.2% above year-earlier levels, a 5-month low. The main components of the report told an interesting story. There was likely a tariff-effect playing out in the apparel department as **clothing costs** jumped 0.9%. This was the biggest increase since February and follows three consecutive monthly declines. But the strong greenback likely had a role in keeping prices from rising more. **New car prices** were down 0.1%, the first decline since February despite higher costs for steel. And, **medical care costs** edged up 0.2%, the first increase in three months.

The 3 and 6-month trends have slowed for the core measure. Although we can expect that consumers will be paying higher prices in the coming year, the latest inflation data do not light any fires under policymakers to move faster. But the Fed will remain on their steady tightening course, with the next move in December.



Consumer Price Index

United States (month/month % change : s.a.)	(% change : a.r.)				
	Sep	Aug	Jul	6-month	12-month
All Items	0.1	0.2	0.2	2.0	2.3
Ex. Food and Energy	0.1	0.1	0.2	1.8	2.2
Food	0.0	0.1	0.1	1.5	1.4
Energy	-0.5	1.9	-0.5	6.0	4.8
Clothing	0.9	-1.6	-0.3	-3.3	-0.6
Transportation	-0.3	0.9	0.3	3.9	3.7
New Vehicles	-0.1	0.0	0.3	0.9	0.5
Gasoline	-0.2	3.0	-0.6	15.9	9.1
Medical Care	0.2	-0.2	-0.2	0.9	1.7
Recreation	0.3	-0.1	0.2	0.5	0.2
Education	0.1	0.5	0.3	3.4	2.6
Owners' Equivalent Rent	0.2	0.3	0.3	3.2	3.3

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