

Dutta's Economic Daily

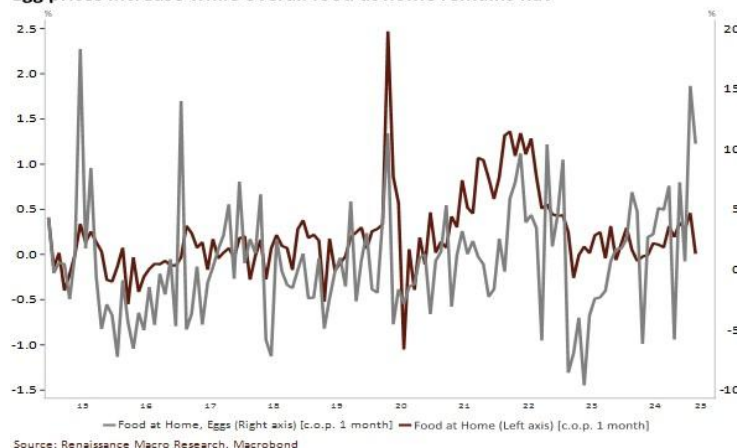
Better inflation news

Neil Dutta

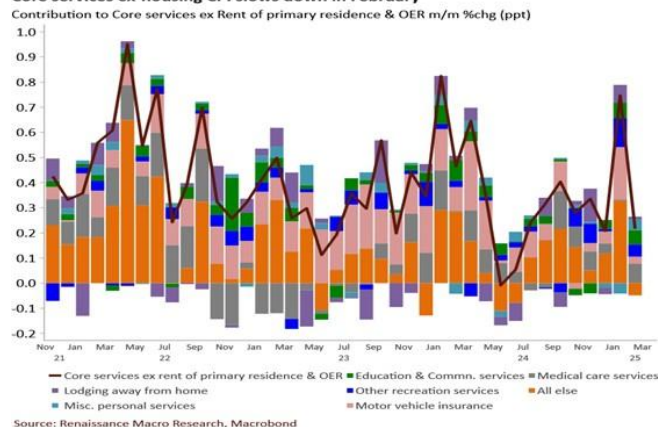
February CPI report shows moderating inflation

- CPI inflation came in weaker than expected; unfortunately, this is not going to meaningfully change the dial for the Fed. They are waiting to see how policies from the new administration will affect the outlook. Looking through the details, I'd expect the wedge between CPI and PCE to narrow somewhat; that's core PCE will likely run on top of core CPI this month. Ongoing inflation progress continues and this keeps rate cuts firmly on the table.
- In February, CPI rose 0.22% after a 0.47% increase in January. Food at home prices were flat in February despite a 10.4% increase in egg prices. Daily data show egg prices contracting in March. While food at home prices were flat, food away from home prices climbed 0.4%, up 3.7% over the last 12 months, the most since October. Note that food away from home bleeds into the core measure of PCE. CPI Energy rose just 0.2% over the month as declines in energy commodities were offset by an increase in energy services.
- Excluding food and energy, the resulting core CPI measure rose 0.23% or 2.8% SAAR. Our blended aggregate rent index continues to ease, up 0.28% MoM and down to 4.34% over the last 12 months, a fresh low. Core services ex housing rose 0.2% over the month; the 12-month rate slid to 3.8%, the lowest since October 2023. Transportation services fell 0.8% over the month on the back of a drop in airline fares. Finally, core goods CPI rose 0.2% after a 0.3% increase in January. Excluding used cars and trucks, which rose 0.9%, core goods prices rose 0.1% over the month. If tariffs are worsening supply chains, I'd expect core goods prices to perk up

Egg prices increase while overall food at home remains flat

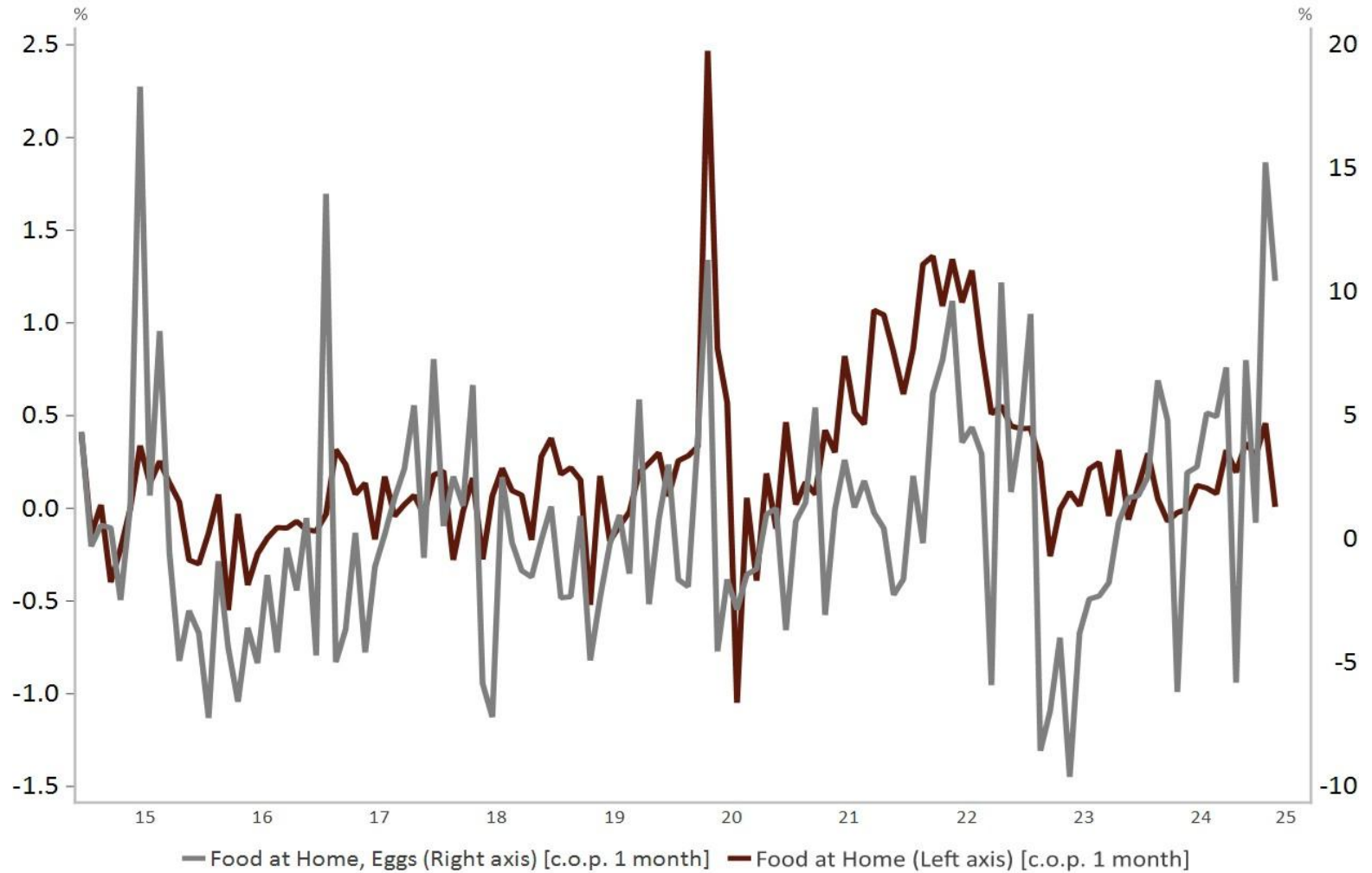


Core services ex-housing CPI slows down in February



- Stocks like this more than bonds. Part of what's happening is that there is a global element to rates and global rates are rising. Next there is still a lot of Trump premium in the market. Third, while this report was good news it isn't as good for PCE.

Egg prices increase while overall food at home remains flat



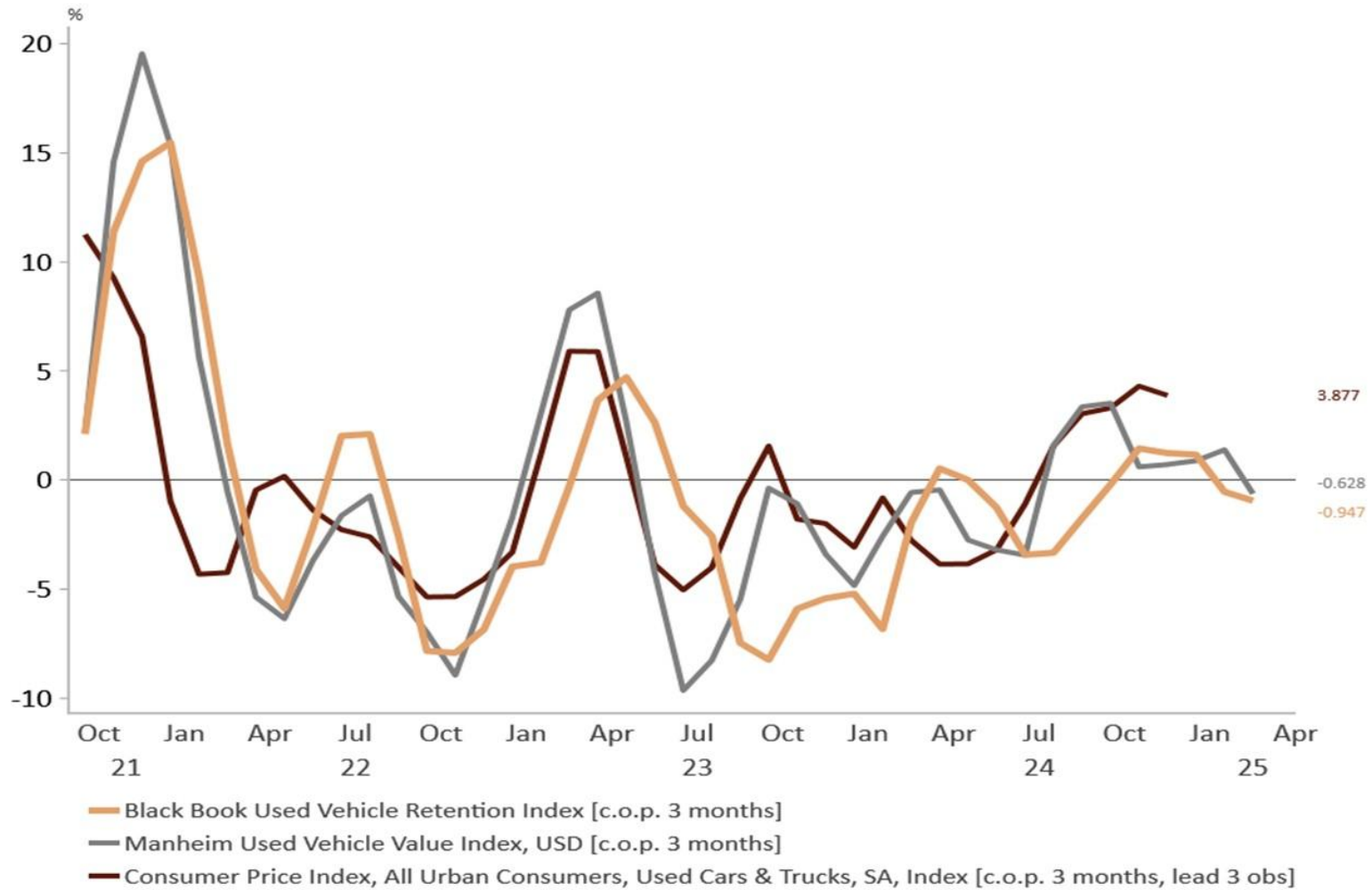
Source: Renaissance Macro Research, Macrobond

Housing rental inflation is normalizing



Source: Renaissance Macro Research, Macrobond

Expect less push from used cars



Source: Renaissance Macro Research, Macrobond

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