

# U.S. Data Review

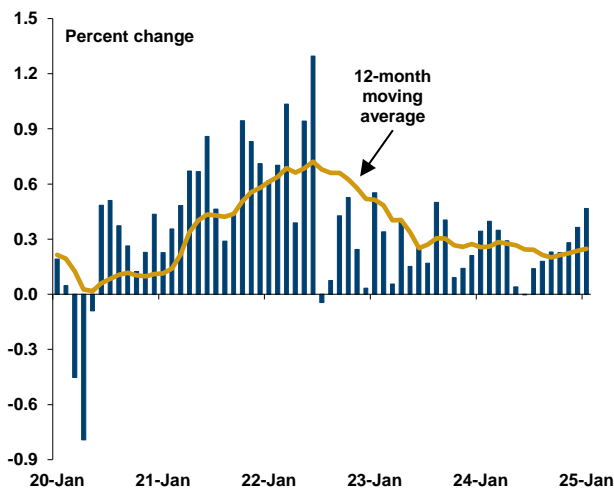
- CPI: broad-based pressure in January

**Lawrence Werther**  
lawrence.werther@us.daiwacm.com  
+1-212-612-6393  
**Brendan Stuart**  
brendan.stuart@us.daiwacm.com  
+1-212-612-6172

## January CPI

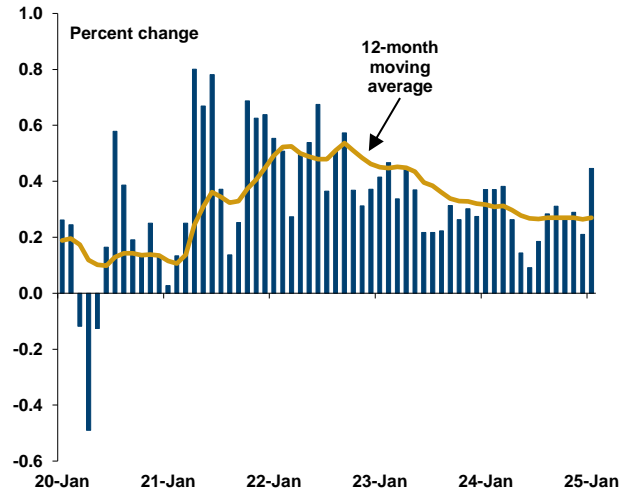
- Both the surges of 0.5 percent in the headline CPI (+0.467 percent with less rounding) and 0.4 percent in the core (+0.446 percent) exceeded the Bloomberg median expectations of +0.3 percent for both measures (charts, below). The monthly advances translated to year-over-year increases of 3.0 percent for the headline (versus +2.9 percent in December) and 3.3 percent for the core (versus +3.2 percent). The latest results may contain an element of upside volatility – with regular early-year price increases not fully accounted for by seasonal adjustment – but the firm results will likely prompt Fed officials to proceed carefully in the months ahead. In that regard, we will be revising our Fed call, which previously penciled in a cut of 25 basis points in March. Given solid underlying conditions in the labor market, additional evidence of receding inflation will likely be necessary before policymakers are willing to take additional steps toward a neutral stance.

### Headline CPI



Source: Bureau of Labor Statistics via Haver Analytics

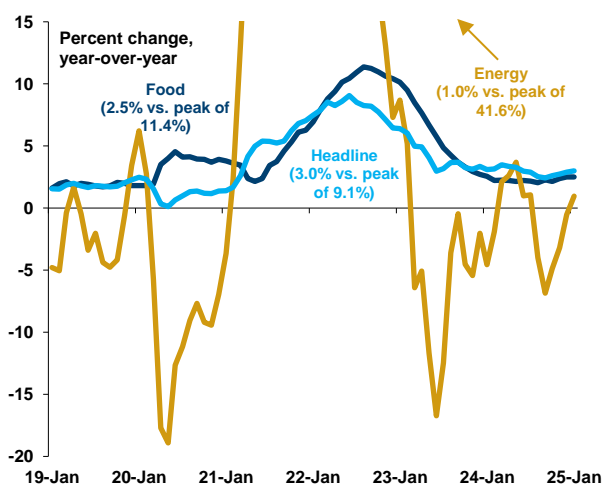
### Core CPI



Source: Bureau of Labor Statistics via Haver Analytics

- Following a jump of 2.4 percent in December 2024, the energy component rose 1.1 percent in January (+1.0 percent year-over-year). The energy commodities subcomponent advanced 1.9 percent, in part reflecting a firm increase of 1.8 percent in gasoline prices. The index for energy services, meanwhile, increased a modest 0.3 percent. Delivery charges for utility gas service rose 1.8 percent, while those of electricity rounded up to no change.
- The food component advanced 0.4 percent in January, the fastest advance since early 2023 (+2.5 percent year-over-year; chart). Costs of food at home jumped 0.5 percent (versus a monthly average of +0.14 percent per month in 2024), and those for restaurant meals increased 0.2 percent (not seasonally adjusted; average monthly

### CPI: Food & Energy



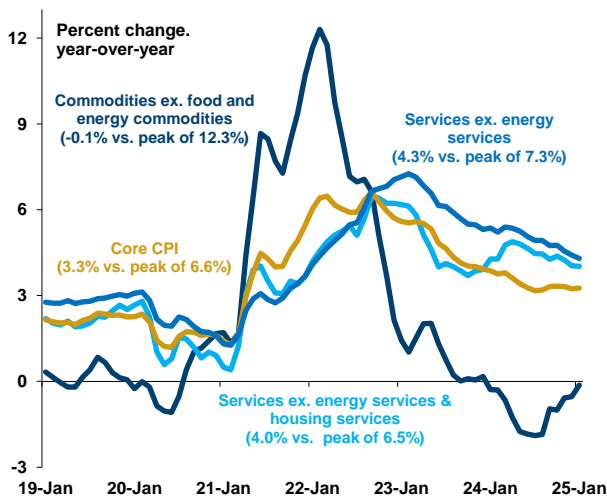
Source: Bureau of Labor Statistics via Haver Analytics

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advance of 0.3 percent per month in the trailing 12 months). The brisk advance in grocery costs in part reflected a jump of 15.2 percent in the price of fresh eggs – a result of shortages stemming from the current bird flu episode thinning poultry stocks. The issue is likely to persist for several months, which could generate further near-term pressure in food prices.

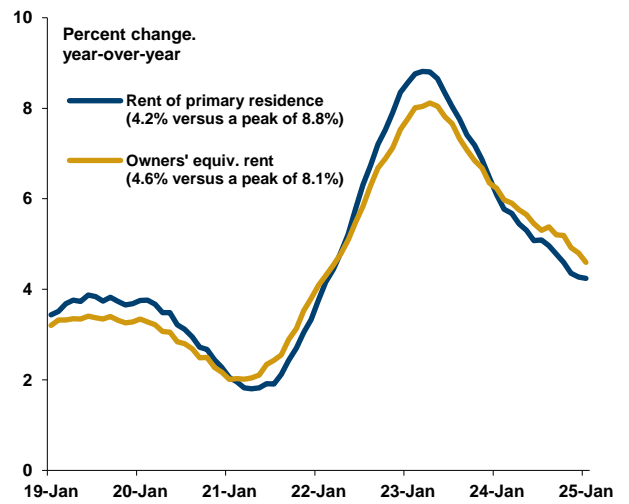
- The advance of 0.4 percent in the core CPI reflected firm increases in both commodities excluding food and energy (+0.3 percent in January versus a trailing 12-month average of -0.1 percent; -0.1 percent year-over-year) and 0.5 percent in the index for services excluding energy services (versus a trailing 12-month average of +0.4 percent; +4.3 percent year-over-year). On the goods side, used vehicle prices were a key source of pressure (+2.2 percent in January), with prices of medical care commodities also coming under pressure after a net decline in prices in the second half of last year (+1.2 percent in January). On the service side, price increases were broadly based. The rent of primary residence and owners' equivalent rent of residences components recorded moderate increases (both up 0.3 percent), which contributed to ongoing easing in year-over-year price advances (+4.2 percent and +4.6 percent, respectively, down from +4.3 percent and +4.8 percent in December). However, other areas posted brisk advances: motor vehicle insurance costs rose 2.0 percent; hotel fees advanced 1.7 percent; airfares jumped 1.2 percent, etc. These all contributed to a supercore reading of +0.8 percent (+0.757 percent with less rounding), consistent with a year-over-year increase of 4.0 percent (down fractionally from the December reading: +4.017 percent versus +4.049 percent; charts, below). In short, the latest reading on the CPI supports the view that the FOMC will proceed cautiously regarding further rate cuts absent additional progress on inflation.

**Decomposition of Core CPI**



Source: Bureau of Labor Statistics via Haver Analytics

**CPI: Rents**



Source: Bureau of Labor Statistics via Haver Analytics