

U.S. Data Review

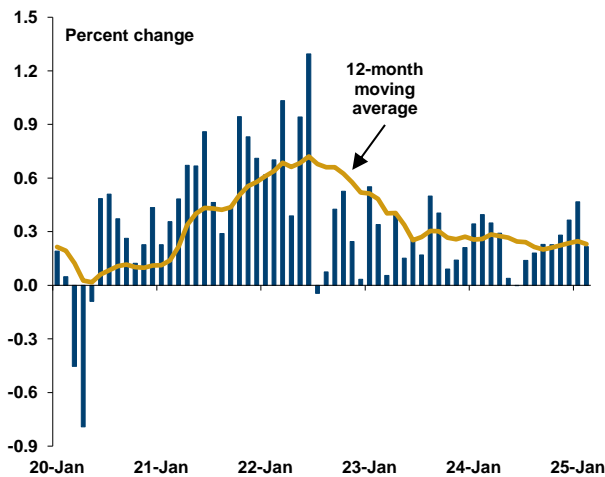
- CPI: below consensus in February; ongoing moderation in service prices ex. energy

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February CPI

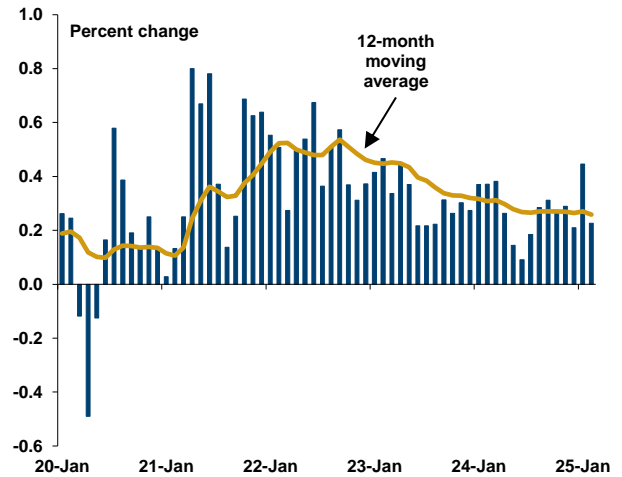
- The increases of 0.2 percent in both the headline and core CPI in February (+0.216 and +0.227 percent, respectively, with more rounding) fell short of the Bloomberg median expectations for both indexes of +0.3 percent for both headline and core (charts, below) The monthly shifts translated to year-over-year increases of 2.8 percent for the headline (versus +3.0 percent in January) and 3.1 percent for the core (versus +3.3 percent in January) – both one tick slower than consensus expectations. Despite the favorable performance, the latest results are unlikely to prompt a cut at the March 18-19 FOMC meeting, particularly with significant uncertainty generated by the Trump administration’s evolving tariff initiatives. That said, they do suggest that key consumer price metrics are showing further evidence of disinflation that may allow for further reductions in the target range for the federal funds rate later this year, especially if it aligns with a softening in underlying economic conditions.

Headline CPI



Source: Bureau of Labor Statistics via Haver Analytics

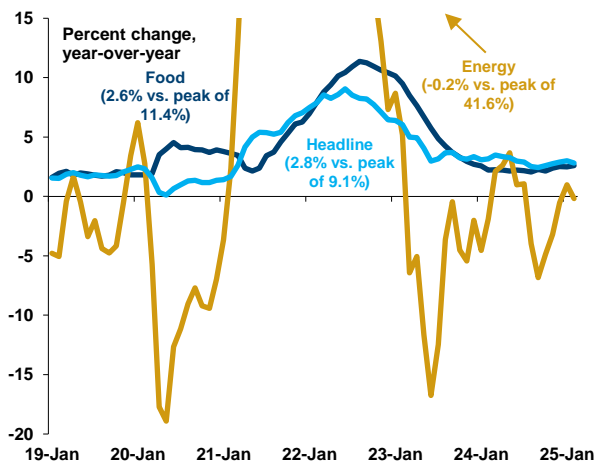
Core CPI



Source: Bureau of Labor Statistics via Haver Analytics

- The energy component rose modestly in February (+0.2 percent; consistent with a year-over-year dip of 0.2 percent; chart, right) after brisk increases around the turn of the year (+1.1 percent and +2.4 percent in January 2025 and December 2024, respectively). In the latest month, the energy commodities subcomponent slipped 0.9 percent, with gasoline prices down 1.0 percent, while the index of energy services jumped 1.4 percent – the fastest increase in more than two years.
- The 0.2 percent gain in the food component in February slowed from the average of 0.3 percent in the prior three months despite recent headlines about pressure in grocery prices, specifically with respect to eggs. On a year over year basis, the broad food component was up 2.6 percent (versus +2.5 percent in each of the prior two months; chart, right). Circling back to the costs of groceries, that component

CPI: Food & Energy

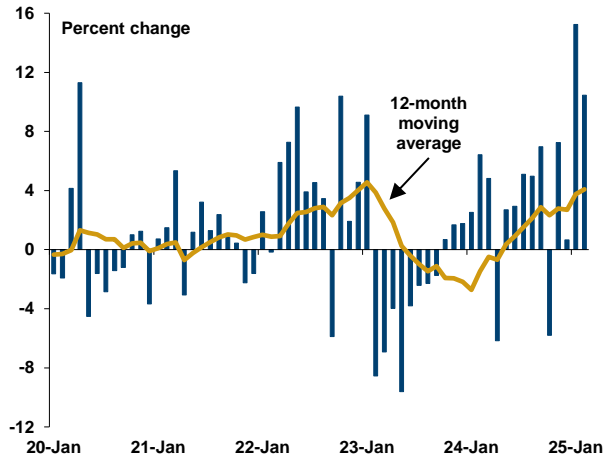


Source: Bureau of Labor Statistics via Haver Analytics

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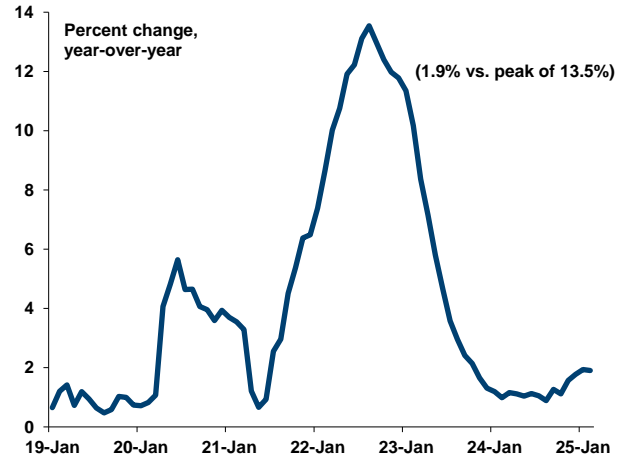
increased imperceptibly in the latest month (+0.008 percent out to three decimal places, notable moderation from the trailing three-month average of +0.365 percent). Egg prices have contributed noticeably to recent stirring (+10.4 percent in January after an average jump of 7.6 percent in the previous three months), but the path of grocery inflation (i.e., the food at home component) is still subdued relative to the surge earlier in the expansion (+1.9 percent year-over-year; charts, below).

CPI: Eggs



Source: Bureau of Labor Statistics via Haver Analytics

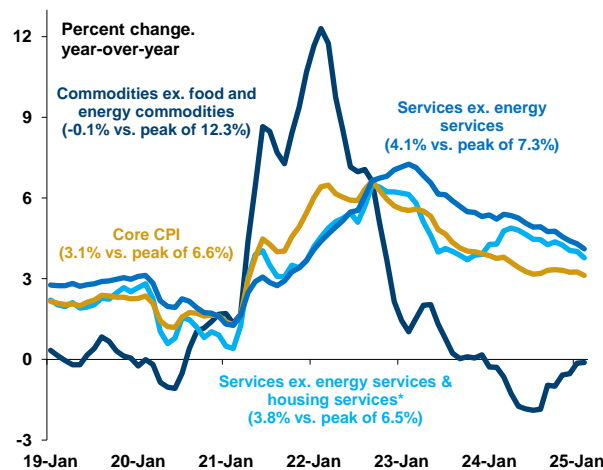
CPI: Food at Home



Source: Bureau of Labor Statistics via Haver Analytics

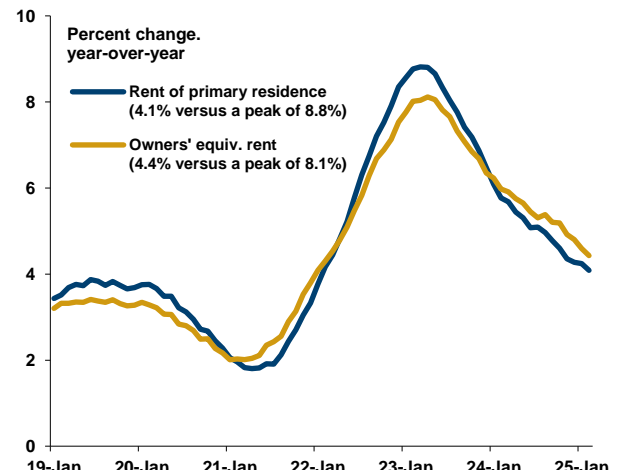
- The advance of 0.2 percent in the core CPI was the result of moderate shifts in both commodities excluding food and energy (+0.2 percent in February versus a trailing six-month average of +0.1 percent; -0.1 percent year-over-year) and in the index for services excluding energy services (+0.3 percent versus a trailing six-month average of +0.4 percent; +4.1 percent year-over-year). On the goods side, the year-over-year trend has stabilized, in part reflecting recent pressure in the prices of used vehicles (+0.9 percent in February; average jump of 1.4 percent in the trailing three months). The services area, in contrast, could contribute to further disinflation. Both rent of primary residence and owners' equivalent rent of residences increased 0.3 percent in February, with the year-over-year advances moderating to 4.1 percent and 4.4 percent, respectively, from 4.2 percent and 4.6 percent in January (chart, below right). Deceleration in market rents, which are finally transmitting through to the CPI, are contributing to an incremental return towards the pre-pandemic trend in the mid-three-percent-area (although there is still some ways to go). The core service area excluding primary housing rose 0.2 percent in February (+0.215 percent; +3.8 percent year-over-year, down from +4.0 in January; chart, below left) after a surge of 0.8 percent in January. Airfares fell 4.0 percent, which contributed importantly to the restrained readings, while other areas posted restrained advances. For example, motor vehicle insurance prices rose 0.3 percent after a surge of 2.0 percent in January, medical care services increased 0.3 percent, and education and communication services increased 0.3 percent. All told, a favorable report, although tariff-related developments could complicate the inflation picture later this year, contingent on the duration of levies and ultimate pass-through of higher prices to consumers versus absorption into corporate margins.

Decomposition of Core CPI



Source: Bureau of Labor Statistics via Haver Analytics

CPI: Primary Housing



Source: Bureau of Labor Statistics via Haver Analytics