

# U.S. Data Review

- CPI: food, energy, core all tame

**Michael Moran**

Daiwa Capital Markets America  
212-612-6392  
michael.moran@us.daiwacm.com

## CPI

Increases of 0.2 percent in both the headline and core CPI matched expectations, but close inspection shows that the measures tilted toward the soft side. Both indexes rounded up to 0.2 percent (0.150 percent for the headline and 0.182 percent for the core), and many of the key items posted restrained advances or declines. Sources of upward pressure were limited.

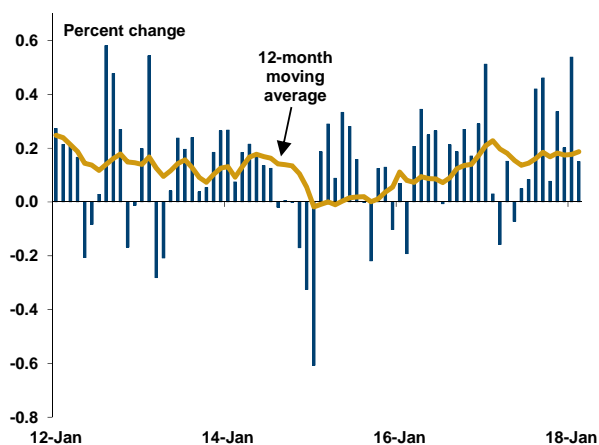
The energy component rose only 0.1 percent and rounded up to that total (0.091 percent), as lower prices of gasoline and fuel oil almost offset higher charges for electricity and natural gas. Food prices were flat.

Several factors restrained the core component. Rental rates for housing rose 0.2 percent, a contrast to the typical increase of 0.3 percent. The cost of medical care fell 0.1 percent, with both commodities and services contributing to the retreat. Prices of both new and used motor vehicles declined. The drops offset increases in the prior few months and kept prices noticeably below levels in the prior few years. The costs of communication services declined, led by reductions in charges for internet access; the cost of cell phone services also declined, but nothing like the experience of last year (off 0.5 percent in February versus an average monthly decline of 3.4 percent from February to April last year).

Some items rose noticeably in price, but we viewed the changes as inconsequential. Apparel prices jumped 1.5 percent, but this area is often noisy and the increase followed sharp declines in the closing months of last year. The level of the index was the highest in more than two years, but we still view the recent changes as normal volatility for this erratic item. Airfares rose 0.6 percent, but the increase followed declines in the prior three months and did little damage to the downward trend that has been in place for the past three years.

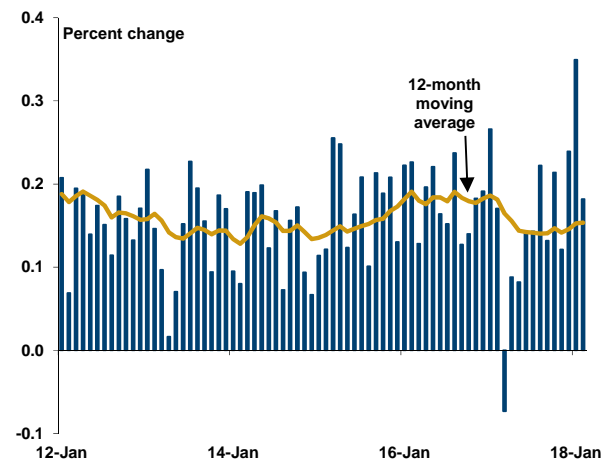
The monthly changes led to a slight pickup in year-over-year headline inflation (2.2 percent in February versus 2.1 percent in January and 1.6 percent in June of last year). The year-over-year change in the core index was steady at 1.8 percent and up only slightly from 1.7 percent last spring and summer.

### Headline CPI



Source: Bureau of Labor Statistics

### Core CPI



Source: Bureau of Labor Statistics

This report is issued by Daiwa Securities Group Inc. through its relevant group companies. Daiwa Securities Group Inc. is the global brand name of Daiwa Securities Co. Ltd., Tokyo ("Daiwa Securities") and its subsidiaries worldwide that are authorized to do business within their respective jurisdictions. These include: Daiwa Capital Markets Hong Kong Ltd. (Hong Kong), regulated by the Hong Kong Securities and Futures Commission, Daiwa Capital Markets Europe Limited (London), regulated by the Financial Conduct Authority and a member of the London Stock Exchange, and Daiwa Capital Markets America Inc. (New York), a U.S. brokerdealer registered with the U.S. Securities and Exchange Commission, a futures commission merchant regulated by the U.S. Commodity Futures Trading Commission, and a primary dealer in U.S. government securities. The data contained in this report were taken from statistical services, reports in our possession, and from other sources believed to be reliable. The opinions and estimates expressed are our own, and we make no representation or guarantee either as to accuracy, completeness or as to the existence of other facts or interpretations that might be significant.