

U.S. Data Review

- CPI: Another energy-led spike in the headline; brisk advance in core partly reflected a technical adjustment to shelter components

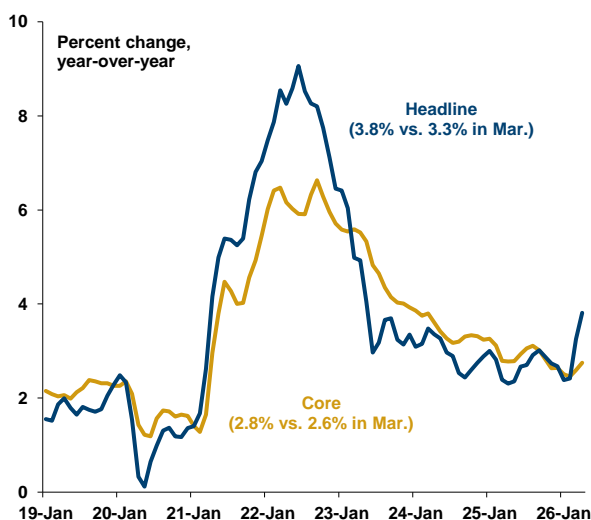
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April CPI

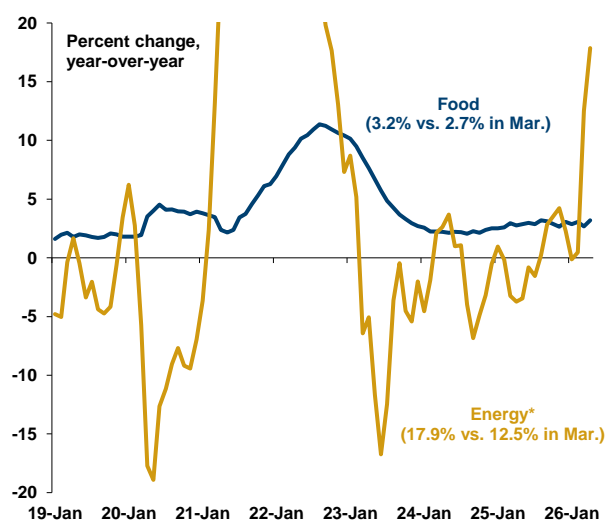
- The headline CPI jumped 0.6 percent in April, matching the median expectation from the Bloomberg economist survey, while the core rose 0.4 percent – 0.1 percentage point above expectation and the largest one-month increase since January 2025. The monthly changes equated to year-over-year advances of 3.8 percent for the headline measure (+3.811 percent, with less rounding, up from +3.256 percent in the prior month and the fastest increase since May 2023) and 2.8 percent for the core (+2.750 percent, up from +2.595 percent in March and the firmest increase since September 2025; chart, below left). As expected, the ongoing energy shock emanating from the current crisis in the Middle East played a key role in surge in the headline inflation, although food prices also jumped in the latest month – possibly the result of second-round effects related to the conflict. That said, and perhaps more notable, much of the overshoot in the core was result of a “catch-up” in primary housing components following a technical adjustment to the data (see below).
- The fallout of the Iran conflict was again realized in the energy component, with this area increasing 3.8 percent in April (+17.9 percent year-over-year, the most rapid advance since September 2022). Factoring into the shift, costs of energy commodities surged 5.6 percent (+29.2 percent year-over-year versus +19.4 percent in March), which was influenced heavily by a monthly jump of 5.4 percent in gasoline prices that followed a surge of 21.2 percent in March, and those for energy services advanced 1.6 percent (+5.4 percent year-over-year versus +5.0 percent in the prior month). Additionally, the food category recorded a brisk increase after rounding up to no change in the prior month. On the point, this component rose 0.5 percent (+3.2 percent year-over-year versus +2.7 percent previously; chart, below right). Food at home firmed up 0.7 percent, the largest one-month increase since August 2022 (+2.9 percent year-over-year versus +1.9 percent in March), influenced by increases of 1.8 and 1.3 percent, respectively, in the index for fruits and vegetables and the index for meats, poultry, fish and eggs. Meanwhile, food away from home (i.e., restaurant meals) rose 0.2 percent (not seasonally adjusted; +3.6 percent year-over-year versus +3.8 percent in March).

CPI: Headline & Core



Source: Bureau of Labor Statistics via Haver Analytics

CPI: Food & Energy



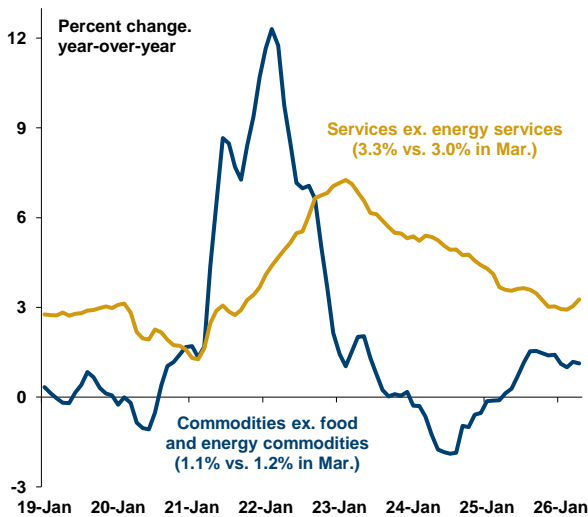
* COVID-related peak truncated

Source: Bureau of Labor Statistics via Haver Analytics

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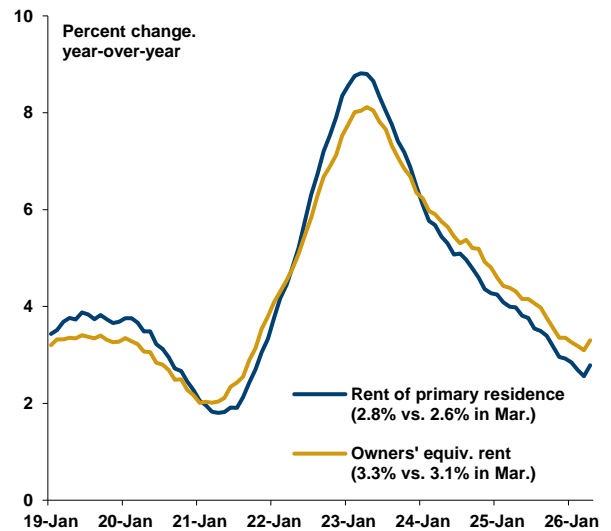
- Returning to core, the measure jumped 0.376 percent month-to-month in April, accelerating from a more subdued +0.196 percent the prior month. With the index for commodities excluding food and energy rounded down to no change (+0.034 percent), the year-over-year increase eased 0.1 percentage point to 1.1 percent. Affecting the latest shift, household furnishing and supplies declined 0.5 percent (the largest one-month decrease since November 2023; -0.8 percentage point to +2.8 percent year-over-year) and new vehicles eased 0.2 percentage point (-0.3 percentage point to +0.2 percent year-over-year). Conversely, apparel and information technology commodities posted similar-sized increases of 0.6 percent (+4.2 and -6.3 percent year-over-year, respectively, versus +3.4 and -6.7 percent in March). Broadly speaking, the trend in core goods prices is still well above what prevailed just prior to the current tariff episode -- which would have been a modestly deflationary track -- but price effects related to the Trump administration's tariff program appear to be showing ongoing signs of ebbing.
- On the core service side, April's change of 0.500 percent, which was the largest since March 2024, contributed to the year-over-year increase firming 0.3 percentage point to 3.3 percent (chart, below left). As previously mentioned, the latest jump was due in no small part to a one-off adjustment to the shelter area after last year's government shutdown disrupted data collection (note that rent metrics are based on rolling samples collected every six months, with October 2025 previously assuming no change in prices). On the point, rent of primary residence surged in April, increasing 0.5 percent (the largest one-month advance since April 2023; the year-over-year change increased 0.2 percentage point to +2.8 percent). Concurrently, owners' equivalent rent jumped 0.5 percent (also the largest monthly increase since April 2023; +0.2 percentage point to +3.3 percent year-over-year). Despite the latest shifts, the year-over-year trends for both components remain squarely in line with pre-pandemic norms – which were broadly consistent with the 2 percent inflation target (chart, below right). Moreover, real-time measures of rents suggest cooling is likely to resume in the shelter components in the months ahead. The latest shift in airfares also was unfavorable, rising 2.8 percent in April (+5.8 percentage points to +20.7 percent year-over-year), but pressure in this area is tied to fuel costs and should abate over time alongside tensions with Iran.

CPI: Core Goods & Core Services



Source: Bureau of Labor Statistics via Haver Analytics

CPI: Housing



Source: Bureau of Labor Statistics via Haver Analytics

- All told, the latest advance in the CPI highlights underlying inflation that is well above the FOMC's 2 percent target, which will likely keep policymakers on hold at least until the fall – when tensions in the Middle East are likely to have eased (at least to some degree) and prior tariff effects have fully passed through. All else equal, fragility in the labor market could in other scenarios have prompted additional policy easing by the Committee, but there is currently little justification for that given current price pressure and upside risks to inflation.