Bond Market Shrugs Off Softer CPI Report

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Consumer inflation was a bit cooler-than-expected last month with continued declines in shelter costs and relief at the gas pump. The overall CPI index rose +0.2% in February, below the +0.3% median forecast and down from +0.5% in January. On a year-over-year basis, headline CPI slipped from +3.0% to +2.8%.

Energy prices increased by just +0.2%, weighed down by a -1.0% drop in the cost of gasoline. Food at home (groceries) was unchanged last month following a +0.5% rise in January. Lower prices for fruits, vegetables and dairy products offset increases in coffee, beef and eggs. However, the cost of eating out became more expensive as food-away-from-home prices climbed +0.4%, likely due to higher labor costs.

Core CPI, which excludes food and energy prices, also rose +0.2% in February, below the +0.3% median forecast. The +3.1% year-over-year core rate, although still above Fed target, was *the lowest since April 2021.*

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