

Markets Rally on Softening CPI

The headline consumer price index (CPI) increased by just +0.2% (0.18) in June, slightly below the +0.3% median forecast despite a fairly substantial rise in gas prices during the month. Service inflation contributed more than 60% to the overall index; within the services component, shelter costs were responsible for over 70%.

On a year-over-year basis, overall CPI was up just +3.0% in June, down from +4.0% in May and a peak of +9.1% a year ago. As dramatic as the 12-month decline has been, annual prices are expected to decrease at a slower pace in the coming months as the base effect fades.

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