

Mixed CPI Supports Widely Expected Fed Pause

The May consumer price index (CPI) report was generally in line with forecasts. With Fed officials in the midst of policy discussions today and tomorrow, a single meeting pause is still the most likely outcome.

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The slight +0.1% rise in May headline CPI was primarily the result of a -3.6% decline in energy prices. Energy has been particularly volatile in recent months and has been the main driver of overall CPI. A +0.6% energy increase in April had pushed monthly CPI up +0.4%, while a -3.5% energy drop back in March was responsible for a +0.1% monthly gain. This period-to-period volatility illustrates why Fed officials prefer to look at core inflation, which excludes food and energy prices.

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