Unexpected Warming of Core Inflation Reduces Possibility of Larger Cut

Scott McIntyre

Lower energy prices restrained the overall consumer price index (CPI) in August, but the more important core CPI came in *warmer than expected*, further reducing the slim possibility of a 50 basis point cut at next week's Fed meeting. Headline consumer prices rose by +0.2% for the second straight month, according to BLS data, exactly matching expectations. Energy prices were -0.8% lower in August and -4.0% over the past year. Overall food prices rose by just +0.1%, with the food at home (groceries) component *unchanged* and food away from home (restaurants) up +0.3%.

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