Warmer CPI Report Reduces Odds of March Rate Cut

Scott McIntyre

The December Consumer Price index (CPI) came in slightly above forecast as energy prices edged higher while shelter costs remained frustratingly sticky. Headline CPI rose +0.3% last month, just above the +0.2% median forecast. On a year-over-year basis, CPI was up +3.4%, higher than the +3.2% median forecast and a notable increase from the +3.1% annual pace in November.

The primary contributor to the warmer-than-expected consumer inflation was the cost of shelter, up +0.5% for the month and +6.2% year-over-year, despite ample evidence that rent prices are declining. Energy prices also added upward pressure last month. Gasoline rose +0.2% after back-to-back declines of -5.0% (Oct) and -6.0% (Nov).

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