

## April Consumer Price Increases Prove Mild

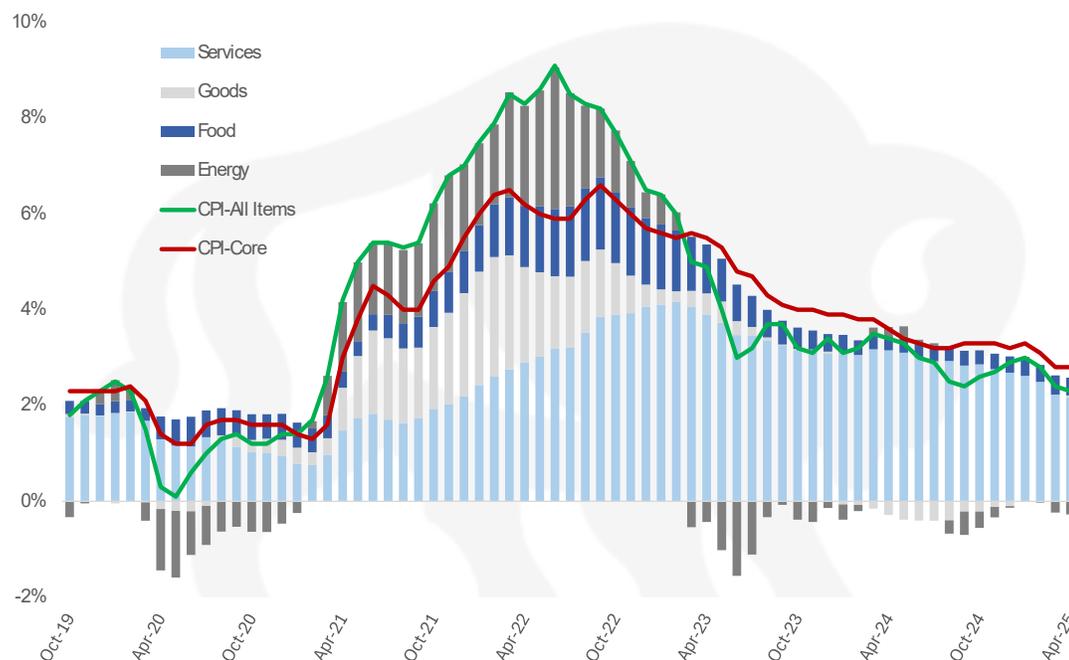
Bond yields are mostly flat in early trading after April consumer prices rose less-than-expected. Previous CPI data had been unusually cool, with the overall index down -0.1% in March and the core up a slight +0.1%. Prices were expected to climb more significantly in April in response to the “Liberation Day” tariff announcement, but the inevitable increase will likely present itself gradually over the coming months. Both the April headline and core CPI rates rose +0.2%, up from March, but below median forecasts of +0.3%.

On a year-over-year basis, overall CPI increased +2.3% while core CPI climbed +2.8%, both annual rates were *the lowest since early 2021*. On a three-month annualized basis, overall CPI extended a recent downtrend, up just +1.6%, following a +2.6% year-over-year gain in March and +4.3% in February.

Overall food prices fell -0.1% last month, with food-away-from-home (restaurants) up +0.4% and food-at-home (groceries) down -0.4%. Within the grocery category, bread was up +1.6% and milk +0.7%, while prices for fruits and vegetables fell -0.4%. Egg prices dropped for the first time this year, down -12.7%.

New vehicle prices were surprisingly *unchanged* last month, while used vehicle prices were -0.5% lower, the second consecutive monthly decline. Although car sales surged before the tariffs hit, prices apparently did not. The cost for auto insurance was +2.8% higher in April, halting a three-month stretch of more gentle increases.

### Consumer Price Index (Year-over-Year Percent Change)



Source: Bureau of Labor Statistics

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Airfares fell -2.8% in April after declines of -5.3% and -4.0% in the previous two months, reflecting a slowing economy and fewer air travelers. Higher costs for energy services pushed overall energy prices up +0.7%, despite the third straight decline in gasoline prices.

Services continued to drive overall consumer prices. Shelter costs, making up 35% of the headline index, rose +0.3% last month, once again contributing over half of the CPI increase.

Short-intermediate maturity Treasuries are in the midst of a cautious rally this morning, while equities are mixed. The consumer inflation data for April was encouraging, but *global tariffs signal higher prices ahead*. Nothing in this morning's release will alter the Fed's patient approach.

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## Market Indications as of 9:01 A.M. Central Time

DOW	Down -150 to 42,260 (HIGH: 45,014)
NASDAQ	Up 175 to 18,884 (HIGH: 20,174)
S&P 500	Up 16 to 5,860 (HIGH: 6,144)
1-Yr T-bill	current yield 4.11%; opening yield 4.11%
2-Yr T-note	current yield 3.99%; opening yield 4.00%
3-Yr T-note	current yield 3.98%; opening yield 4.00%
5-Yr T-note	current yield 4.10%; opening yield 4.11%
10-Yr T-note	current yield 4.48%; opening yield 4.47%

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