

## Consumer Inflation Edges Slightly Higher, but Tariff-Related Surge Still Absent

The much-anticipated inflationary impact of tariffs was largely absent again in June, although overall prices continue to creep higher. Headline CPI rose by +0.3%, up from +0.1% in May and in line with the median forecast. On a year-over-year basis, CPI increased from +2.4% to +2.7%, slightly above expectations.

A key factor keeping inflation in check has been energy prices—particularly gasoline—which had declined for four consecutive months. That trend reversed in June, with gas prices rising +1.0%.

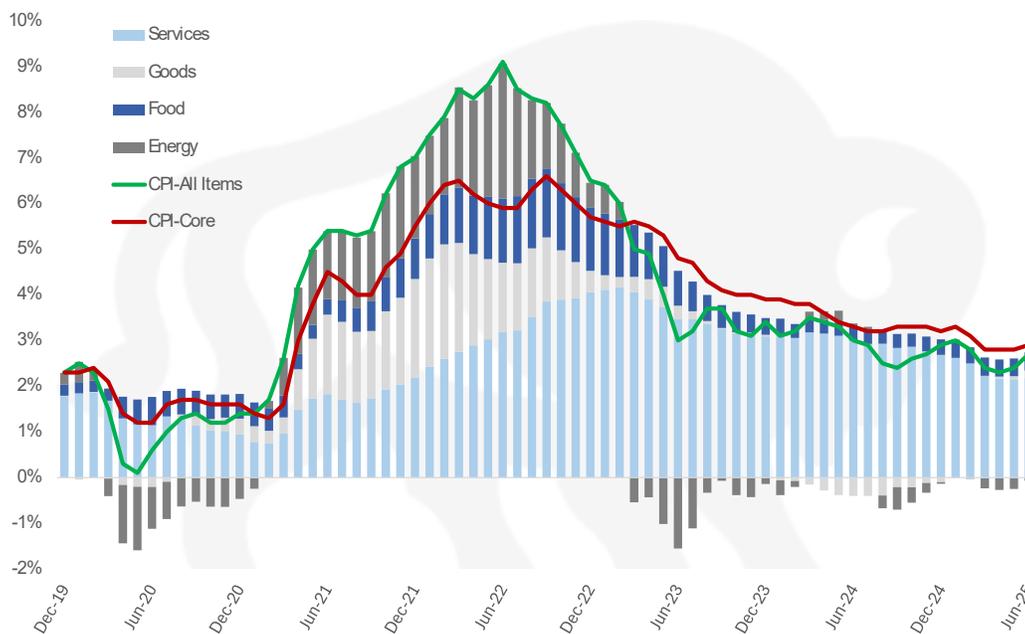
Food prices remained modestly elevated, increasing +0.3% month-over-month and +3.0% year-over-year. Egg prices, though a small component of the index, fell sharply by -7.4%. The CDC recently ended its emergency response to the avian flu outbreak, which may help stabilize supply going forward.

Core CPI, which excludes food and energy, rose +0.2% in June—slightly below expectations. On an annual basis, core consumer inflation edged up from +2.8% to +2.9%, the highest since February. Notable declines were seen in new (-0.3%) and used vehicles (-0.7%), marking the fourth consecutive monthly drop for used cars and trucks. This likely reflects softer auto sales in May and June.

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



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Source: Bureau of Labor Statistics

Shelter prices, a major driver of inflation in recent years, also showed signs of easing. The cost of housing rose just +0.2% in June and +3.8% year-over-year—the lowest annual increase since November 2021. Slowing demand continues to weigh on this category.

While there were some signs of tariff-related inflation in categories like audio/video equipment and furniture, the overall CPI report was somewhat cooler than expected. With the latest round of tariffs still being implemented, the Fed continues to lack the clarity needed to resume rate cuts. Bond yields are slightly higher in early trading as investors recalibrate the timing of the Fed's next policy change.

## Market Indications as of 9:06 A.M. Central Time

DOW	Down -152 to 44,308 (HIGH: 45,014)
NASDAQ	Up 140 to 20,780 (NEW HIGH)
S&P 500	Up 15 to 6,283 (NEW HIGH)
1-Yr T-bill	current yield 4.11%; opening yield 4.08%
2-Yr T-note	current yield 3.94%; opening yield 3.90%
3-Yr T-note	current yield 3.92%; opening yield 3.87%
5-Yr T-note	current yield 4.02%; opening yield 3.98%
10-Yr T-note	current yield 4.45%; opening yield 4.43%
30-Yr T-bond	current yield 4.98%; opening yield 4.97%

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