

Verus Market Note

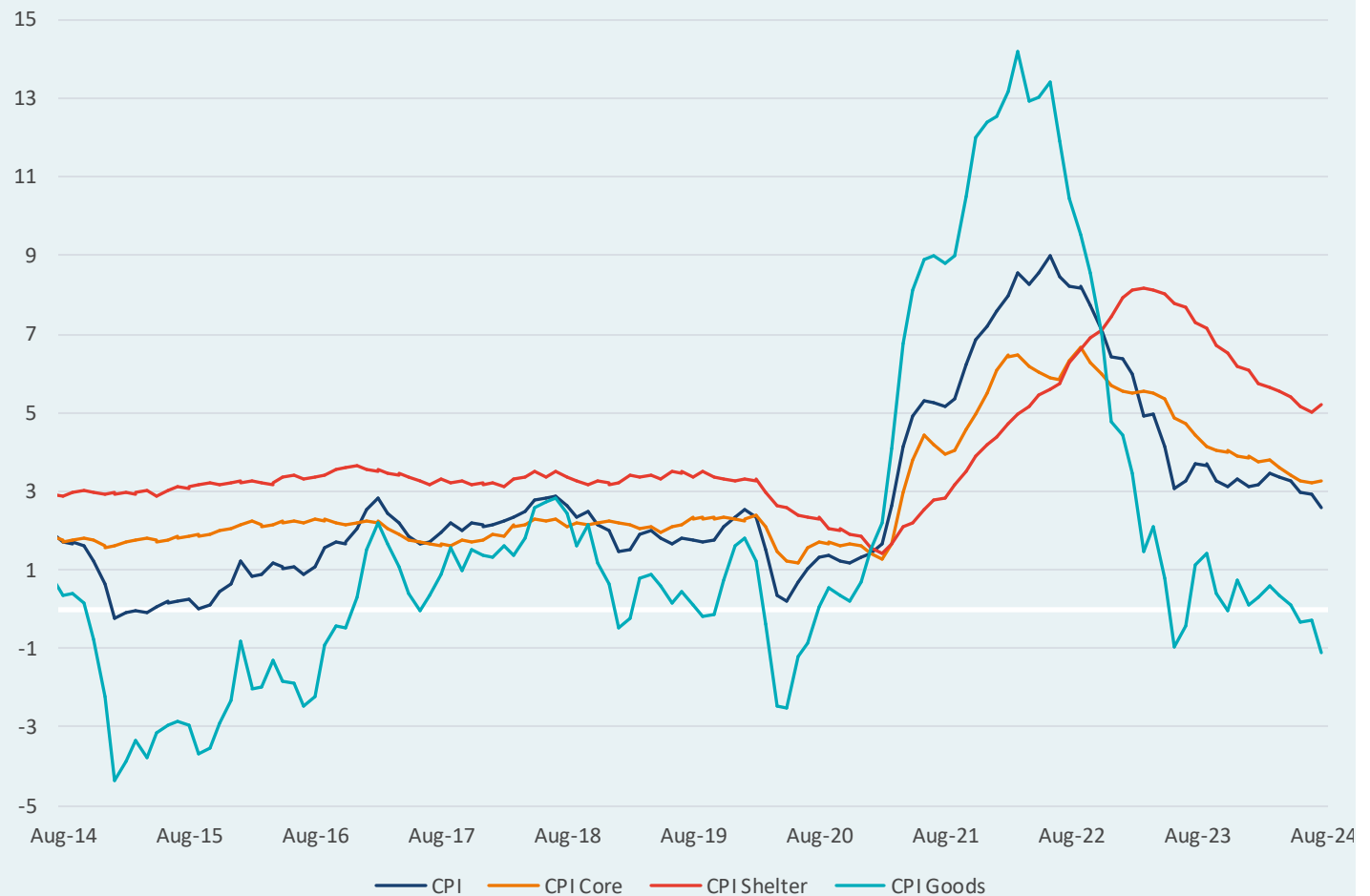
U.S. core inflation disappoints investors

In recent years, shelter has been a major factor in supporting high inflation. While the rate of increase of shelter prices has slowed in 2024, August showed a larger-than-expected uptick in shelter costs. Despite headline inflation falling to 2.5%, Core CPI year-over-year, which excludes food and energy prices, increased to 3.2%. This disappointed markets, and odds for a 50bps September rate cut eased.

The inflation story has become split in terms of *services inflation* and *goods inflation*. Services inflation has remained high, fueled primarily by housing costs. Meanwhile, goods prices have been falling. New and used vehicle prices have dropped, along with household goods such as appliances, furniture, and hardware. Lower energy prices have had perhaps the largest deflationary effect.

In this week's Market Note, we highlight a few inflation categories to illustrate the price trends of goods vs. services.

CONSUMER PRICE INDEX, YEAR-OVER-YEAR % CHANGE



Source: St. Louis FRED, as of 9/11/24