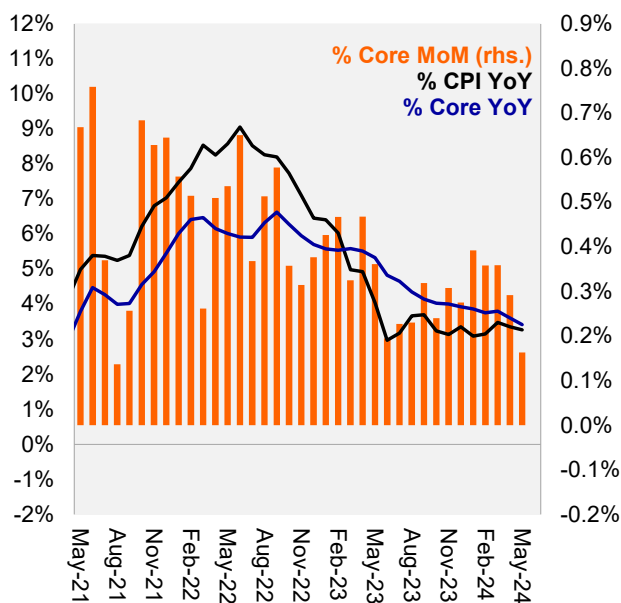


US: Core CPI surprised to the downside

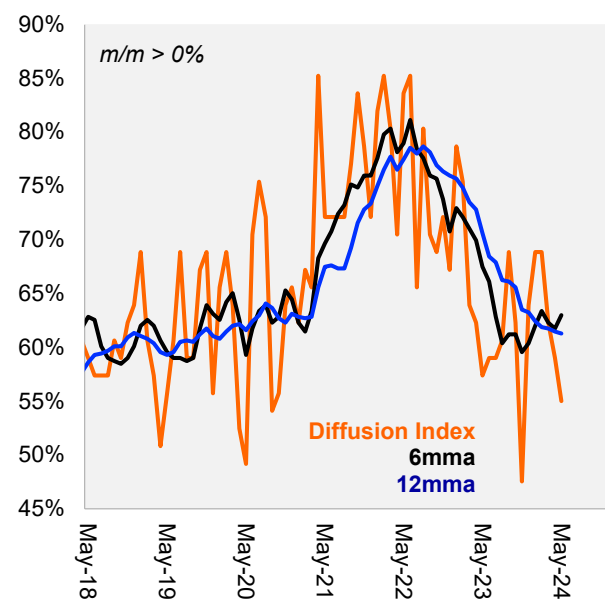
- ▶ US Core CPI came in at 0.16% m/m in May, below our expectations of 0.27% and the market consensus of 0.3%. In 12 months, Core CPI was down to 3.4% (from 3.6%). Moreover, the headline CPI came in at 0.01% m/m, also below our expectations of 0.10% m/m and the market consensus of 0.1%, down to 3.3% y/y (from 3.4%).
- ▶ Breakdown (see table below): Core Services fell short of our expectations, mainly due to a decline in Transportation Services, including Airline Fares but mostly Vehicle Insurance, which fell by 0.1% after strong increases in prior months. This resulted in a much weaker Core CPI and Super Core (Core Services ex-Housing). Our Diffusion Index decreased to 55% from the previous 59%. In Goods, the results were largely in line with our expectations with some small increases in Used Car prices.
- ▶ **Our view:** Today's number indicates a much better Core PCE reading at 0.10% m/m, much weaker than the previous readings of the number, which helps the Fed to open the door for September cuts.

Core CPI 0.16% m/m, 3.4% y/y in May



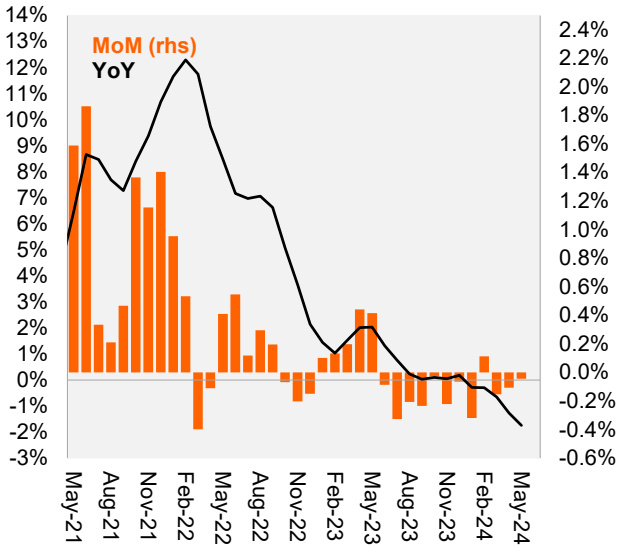
Source: BLS, Itaú

Itaú Diffusion Index down to 55% (from 59%)



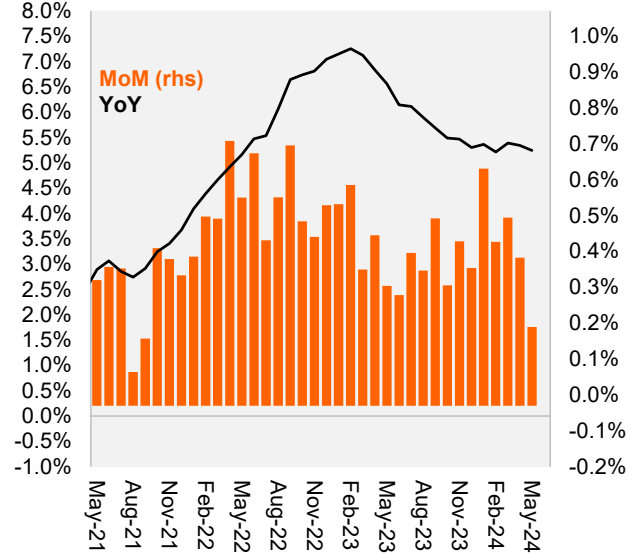
Source: BLS, Itaú

CPI Core Goods



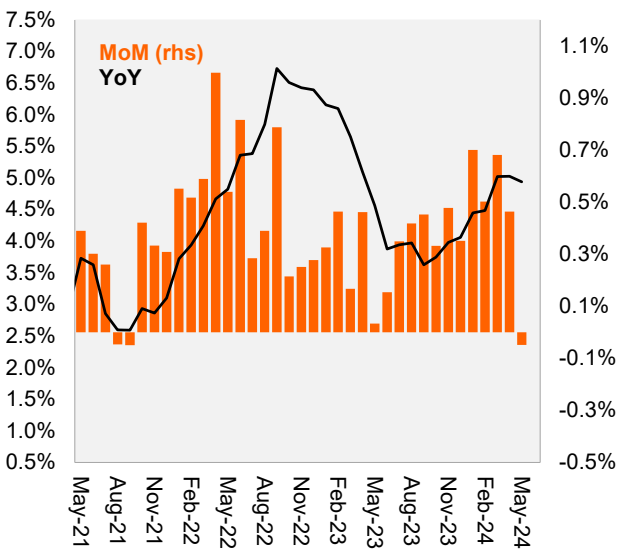
Source: BLS, Itaú

CPI Core Services



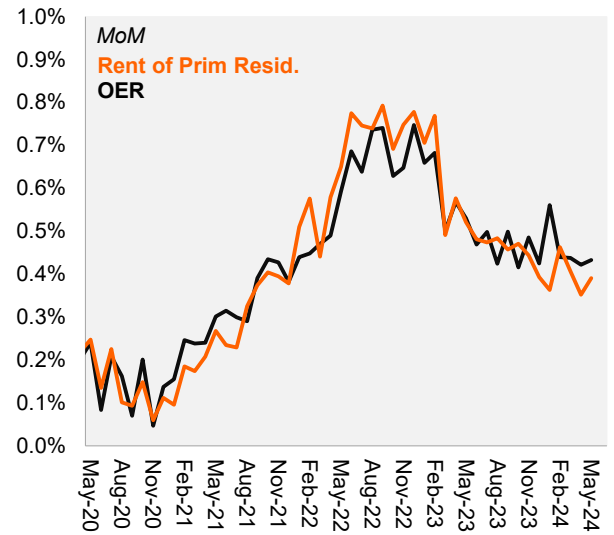
Source: BLS, Itaú

Core Services ex-Shelter



Source: BLS, Itaú

Shelter



Source: BLS, Itaú

Component	Weight %	% MoM						% YoY		
		Feb-24	Mar-24	Apr-24	May-24	Forecast	Surp (bps)	Mar-24	Apr-24	May-24
CPI	100.0	0.44%	0.38%	0.31%	0.01%	0.10%	-10	3.5%	3.4%	3.3%
Food	13.4	0.0%	0.1%	0.0%	0.1%	0.1%	0	2.2%	2.2%	2.1%
Energy	7.0	2.3%	1.1%	1.1%	-2.0%	-1.9%	-1	2.1%	2.6%	3.7%
CPI ex-food&energy	79.6	0.36%	0.36%	0.29%	0.16%	0.27%	-9	3.8%	3.6%	3.4%
Core Goods	18.6	0.1%	-0.2%	-0.1%	0.0%	0.0%	-1	-0.7%	-1.3%	-1.7%
New Vehicles	3.6	-0.1%	-0.2%	-0.4%	-0.5%	-0.2%	-1	-0.1%	-0.4%	-0.8%
Used Vehicles	1.9	0.5%	-1.1%	-1.4%	0.6%	0.4%	0	-2.2%	-6.9%	-9.3%
Core Goods ex-Cars	13.1	0.11%	-0.01%	0.17%	-0.02%	0.01%	0	-0.6%	-0.7%	-0.9%
Core Services	61.0	0.5%	0.5%	0.4%	0.22%	0.36%	-8	5.4%	5.3%	5.3%
Shelter	36.2	0.4%	0.4%	0.4%	0.4%	0.4%	1	5.7%	5.5%	5.4%
OER	26.7	0.44%	0.44%	0.42%	0.43%	0.36%	2	5.9%	5.8%	5.7%
Rent of primary res	7.6	0.46%	0.41%	0.35%	0.39%	0.34%	0	5.7%	5.4%	5.3%
Lodging Away	1.5	0.1%	0.1%	-0.2%	-0.1%	0.5%	-1	-1.9%	-0.3%	-1.4%
Health Care	6.5	-0.1%	0.6%	0.4%	0.3%	0.4%	-1	2.1%	2.7%	3.1%
Transportation svcs	6.5	1.4%	1.5%	0.9%	-0.5%	0.4%	-6	10.7%	11.2%	10.5%
Airline Fare	0.8	3.6%	-0.4%	-0.8%	-3.6%	-2.0%	-1	-7.1%	-5.8%	-5.9%
Car and Truck Rental	0.1	3.8%	-0.8%	-4.6%	-1.2%	0.5%	0	-8.8%	-10.1%	-8.8%
Other Transp Svc	5.5	1.0%	1.9%	1.3%	0.0%	0.7%	-4	13.3%	13.7%	12.8%
Other Core Services	11.8	0.33%	0.29%	0.25%	-0.01%	0.29%	-3	3.7%	3.2%	3.2%
Alternative Cores										
Core Services ex-OER&RPR (Powell Supercore)	26.7	0.47%	0.65%	0.42%	-0.04%	0.36%	-11	4.8%	4.9%	4.7%
Core Services ex-Shelter	24.8	0.50%	0.68%	0.46%	-0.05%	0.35%	-10	5.0%	5.0%	4.9%
Core Svcs ex-Shelter & Health	18.3	0.70%	0.72%	0.47%	-0.19%	0.31%	-9	6.0%	5.9%	5.6%

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