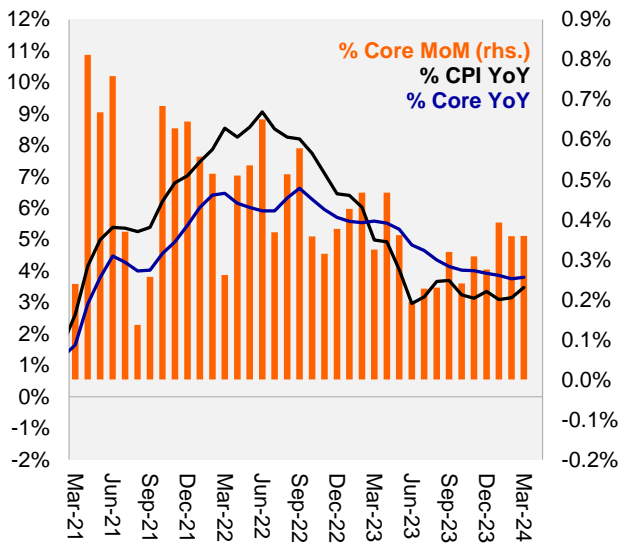


April 10, 2024

US: Core CPI above expectations with hawkish implication

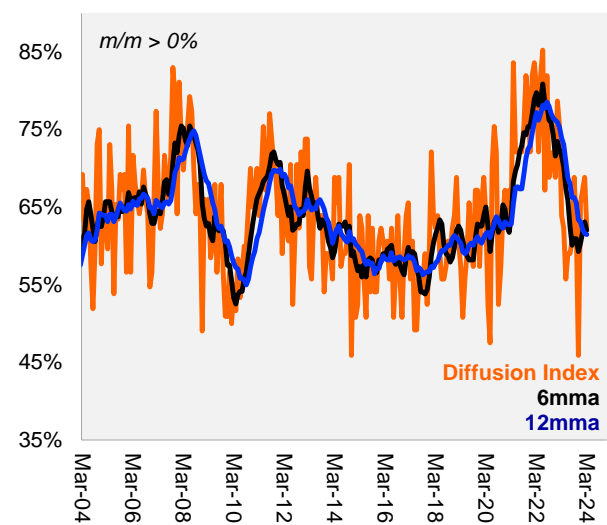
- ▶ US Core CPI came in at 0.36% m/m in March, above our expectations of 0.28% and the market consensus of 0.3%. In 12 months, Core CPI remained stable at 3.8%. Moreover, the headline CPI came in at 0.38% m/m, also above our estimate of 0.28% m/m and the market consensus of 0.3%, up to 3.5% y/y (from 3.2%).
- ▶ Breakdown (see table below) with adverse composition, with Services surprising to the upside, mainly due to Transportation and Health Care that pushed the “Super Core” (Core Services ex-Housing) much higher to 0.65%, above our expectation of 0.39%, and above its prior reading of 0.47%. Goods came negative and close to expected. Our Diffusion Index was down to 62% (from 69%).
- ▶ **Our view:** The breakdown was very adverse with acceleration in Services to the highs of the hiking cycle. Also, it indicates a high Core PCE reading, with our preliminary estimate pointing to 0.33% m/m. This reduces the chance of any Fed cuts on the horizon.

Core CPI 0.36% m/m, 3.8% y/y in March



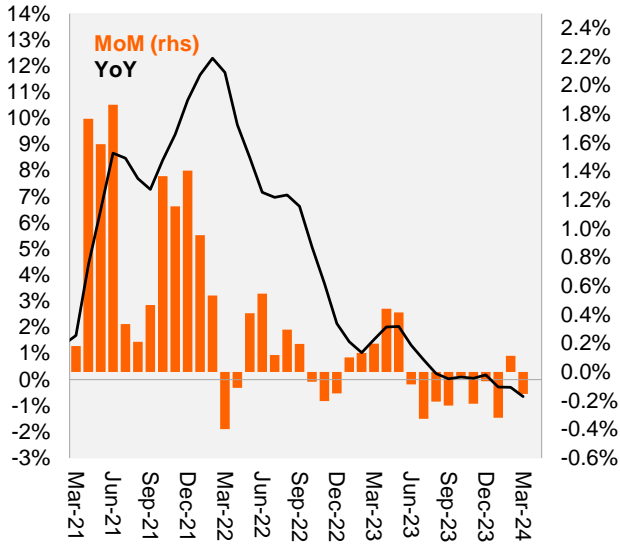
Source: BLS, Itaú

Itaú Diffusion Index down to 62% (from 69%)



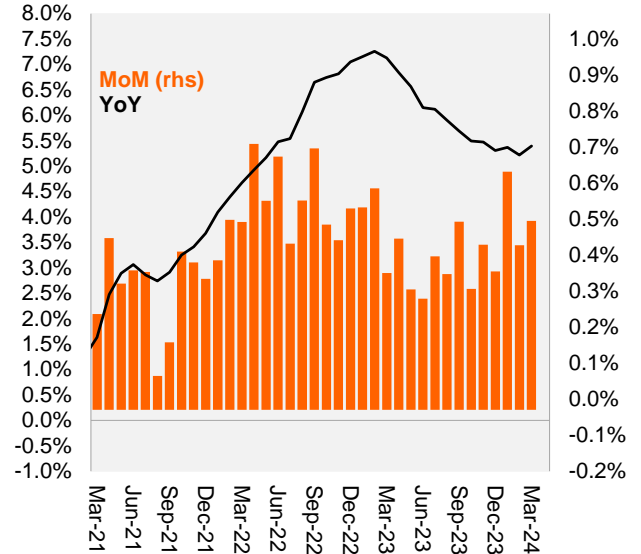
Source: BLS, Itaú

CPI Core Goods



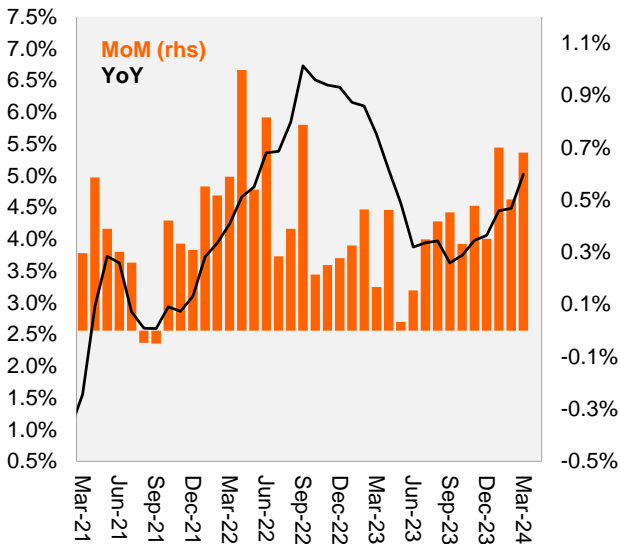
Source: BLS, Itaú

CPI Core Services



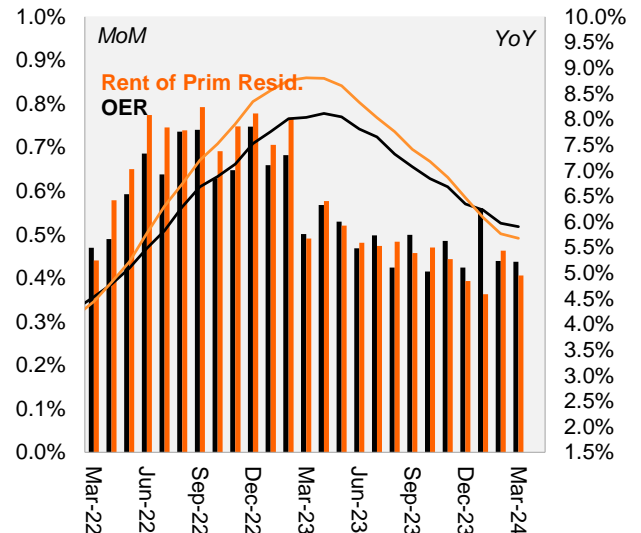
Source: BLS, Itaú

Core Services ex-Shelter



Source: BLS, Itaú

Shelter



Source: BLS, Itaú

Component	Weight %	% MoM						% YoY		
		Dec-23	Jan-24	Feb-24	Mar-24	Forecast	Surp (bps)	Jan-24	Feb-24	Mar-24
CPI	100.0	0.23%	0.31%	0.44%	0.38%	0.28%	10	3.1%	3.2%	3.5%
Food	13.4	0.2%	0.4%	0.0%	0.1%	0.1%	0	2.6%	2.2%	2.2%
Energy	6.9	-0.2%	-0.9%	2.3%	1.1%	0.6%	3	-4.6%	-1.9%	2.1%
CPI ex-food&energy	79.7	0.28%	0.39%	0.36%	0.36%	0.28%	7	3.9%	3.8%	3.8%
Core Goods	18.7	-0.1%	-0.3%	0.1%	-0.2%	-0.2%	1	-0.3%	-0.3%	-0.7%
New Vehicles	3.6	0.2%	0.0%	-0.1%	-0.2%	-0.1%	0	0.7%	0.4%	-0.1%
Used Vehicles	1.9	0.6%	-3.4%	0.5%	-1.1%	-1.5%	1	-3.5%	-1.8%	-2.2%
Core Goods ex-Cars	13.2	-0.23%	0.05%	0.11%	-0.01%	-0.02%	0	-0.1%	-0.3%	-0.6%
Core Services	61.0	0.4%	0.7%	0.5%	0.52%	0.42%	6	5.4%	5.2%	5.4%
Shelter	36.2	0.4%	0.6%	0.4%	0.4%	0.4%	1	6.0%	5.7%	5.7%
OER	26.6	0.42%	0.56%	0.44%	0.44%	0.45%	0	6.2%	6.0%	5.9%
Rent of primary res	7.6	0.39%	0.36%	0.46%	0.41%	0.42%	0	6.1%	5.8%	5.7%
Lodging Away	1.5	0.2%	1.8%	0.1%	0.1%	-1.0%	2	1.0%	-0.4%	-1.9%
Health Care	6.5	0.5%	0.7%	-0.1%	0.6%	0.4%	1	0.6%	1.1%	2.1%
Transportation svcs	6.5	0.1%	1.0%	1.4%	1.5%	0.9%	4	9.5%	9.9%	10.7%
Airline Fare	0.8	0.9%	1.4%	3.6%	-0.4%	1.5%	-2	-6.4%	-6.1%	-7.1%
Car and Truck Rental	0.1	-1.3%	-0.7%	3.8%	-0.8%	-0.5%	0	-14.1%	-10.0%	-8.8%
Other Transp Svc	5.5	0.0%	0.9%	1.0%	1.9%	0.8%	6	12.2%	12.4%	13.3%
Other Core Services	11.8	0.41%	0.56%	0.33%	0.29%	0.29%	0	4.0%	3.6%	3.7%
Alternative Cores										
Core Services ex-OER&RPR (Powell Supercore)	26.7	0.34%	0.85%	0.47%	0.65%	0.39%	7	4.4%	4.3%	4.8%
Core Services ex-Shelter	24.8	0.35%	0.70%	0.50%	0.68%	0.47%	5	4.4%	4.5%	5.0%
Core Svcs ex-Shelter & Health	18.3	0.30%	0.70%	0.70%	0.72%	0.49%	4	5.8%	5.7%	6.0%

Bernardo Dutra
Gabriella Garcia

Macro Research – Itaú
Mario Mesquita – Chief Economist

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