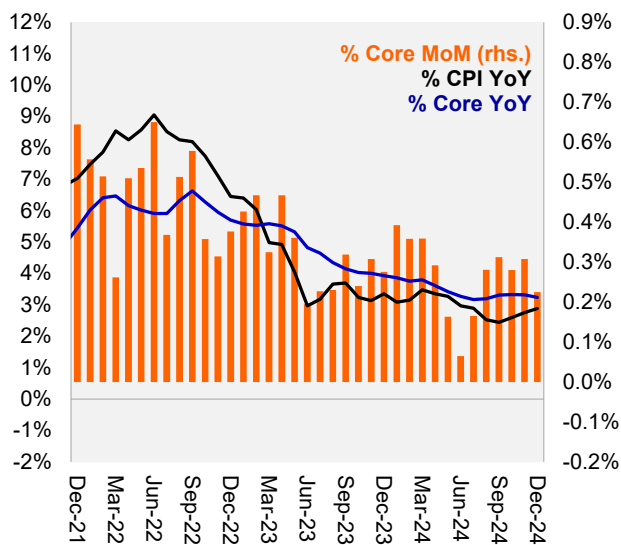


US: Core CPI below expectations in December

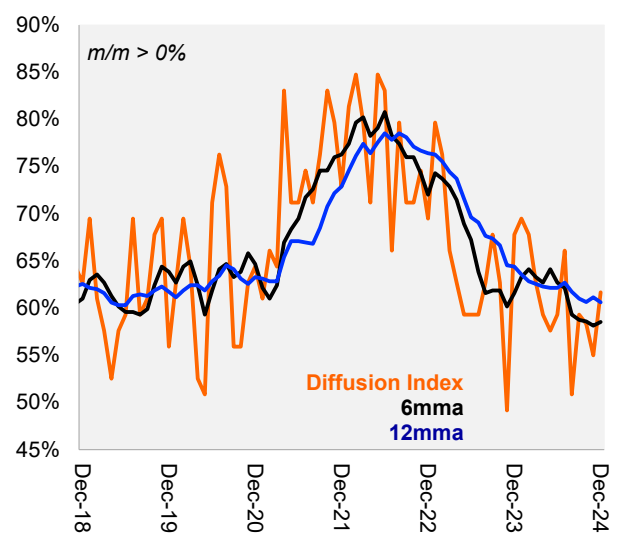
- ▶ US Core CPI came in at 0.23%, below our expectation (0.31%) and market consensus of 0.3%. In 12 months, Core CPI decreased to 3.2% from 3.3%. Moreover, the headline CPI came in at 0.39% m/m, also below our expectations of 0.46% m/m and market consensus of 0.4%. CPI increased by 2.9% in annual terms (from 2.7%).
- ▶ Breakdown (see table below): Core Goods increased, although showing some deceleration from last month due to a fall in Other Core Goods. Core Services were slightly down compared to the previous month, driven by Lodging Away surprising to the downside. Additionally, *Supercore* slowed down to 0.21% (from 0.34%), and Healthcare inflation also decelerated, although Shelter was up as expected. Our diffusion index rose to 62% (from 55%).
- ▶ **Our view:** this is a better print compared to the last four months and indicates a Core PCE around 0.15-0.20, which would be a reasonable level for the underlying inflation path. However, strong activity and upside inflation risks still indicate a cautious outlook for the Fed, with no cuts this year.

Core CPI 0.23% m/m, 3.2% y/y in December



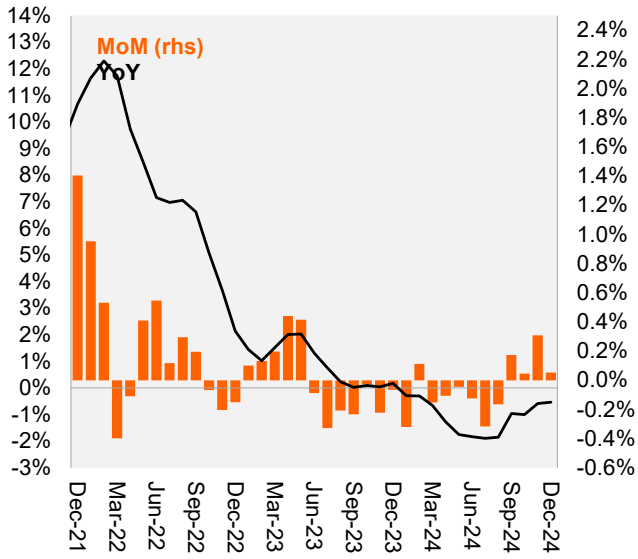
Source: BLS, Itaú

Itaú Diffusion Index up to 62% (from 55%)



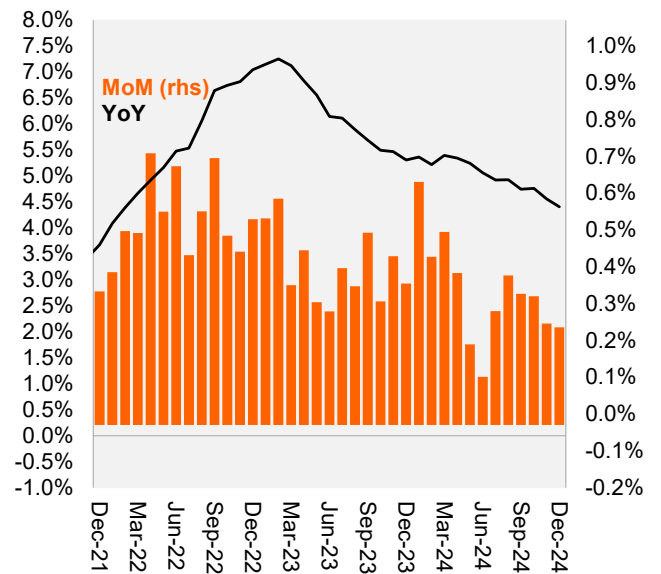
Source: BLS, Itaú

CPI Core Goods



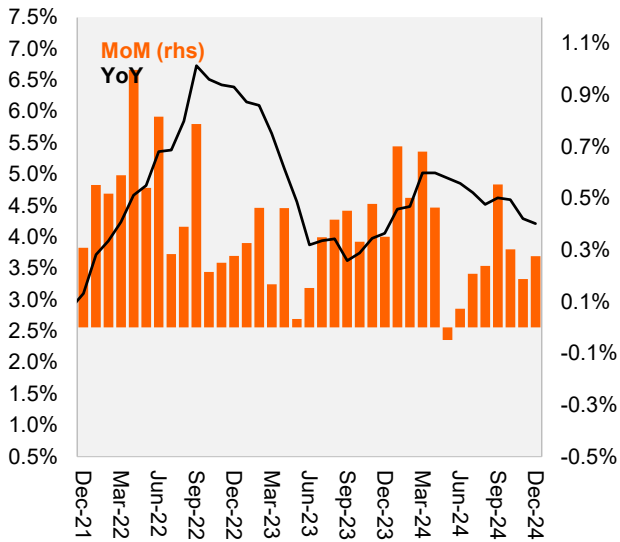
Source: BLS, Itaú

CPI Core Services



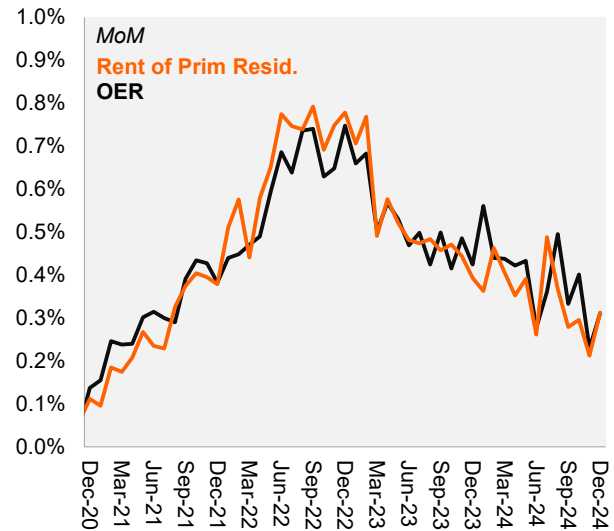
Source: BLS, Itaú

Core Services ex-Shelter



Source: BLS, Itaú

Shelter



Source: BLS, Itaú

| Component | Weight % | % MoM | | | | | | % YoY | | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|------------|--------------|--------------|--------------|
| | | Sep-24 | Oct-24 | Nov-24 | Dec-24 | Forecast | Surp (bps) | Oct-24 | Nov-24 | Dec-24 |
| CPI | 100.0 | 0.18% | 0.24% | 0.31% | 0.39% | 0.46% | -6 | 2.6% | 2.7% | 2.9% |
| Food | 13.5 | 0.4% | 0.2% | 0.4% | 0.3% | 0.3% | 0 | 2.1% | 2.4% | 2.5% |
| Energy | 6.4 | -1.9% | 0.0% | 0.2% | 2.6% | 2.6% | 0 | -4.9% | -3.2% | -0.5% |
| CPI ex-food&energy | 80.1 | 0.31% | 0.28% | 0.31% | 0.23% | 0.31% | -7 | 3.3% | 3.3% | 3.2% |
| Core Goods | 18.3 | 0.2% | 0.0% | 0.3% | 0.1% | 0.2% | -3 | -1.0% | -0.6% | -0.5% |
| New Vehicles | 3.6 | 0.2% | 0.0% | 0.6% | 0.5% | 0.5% | 0 | -1.3% | -0.7% | -0.4% |
| Used Vehicles | 1.9 | 0.3% | 2.7% | 2.0% | 1.2% | 0.9% | 1 | -3.4% | -3.4% | -3.3% |
| Core Goods ex-Cars | 12.8 | 0.16% | -0.31% | -0.01% | -0.23% | 0.04% | -3 | -0.6% | -0.1% | -0.2% |
| Core Services | 61.8 | 0.4% | 0.3% | 0.3% | 0.27% | 0.34% | -4 | 4.8% | 4.6% | 4.4% |
| Shelter | 36.8 | 0.2% | 0.4% | 0.3% | 0.3% | 0.4% | -4 | 4.9% | 4.7% | 4.6% |
| OER | 27.3 | 0.33% | 0.40% | 0.23% | 0.31% | 0.33% | -1 | 5.2% | 4.9% | 4.8% |
| Rent of primary res | 7.8 | 0.28% | 0.30% | 0.21% | 0.31% | 0.28% | 0 | 4.6% | 4.4% | 4.3% |
| Lodging Away | 1.3 | -1.9% | 0.4% | 3.2% | -1.0% | 1.5% | -3 | -0.1% | 3.7% | 2.6% |
| Health Care | 6.5 | 0.7% | 0.4% | 0.4% | 0.2% | 0.36% | -1 | 3.8% | 3.7% | 3.4% |
| Transportation svcs | 6.6 | 1.4% | 0.4% | 0.0% | 0.5% | 0.3% | 1 | 8.2% | 7.1% | 7.3% |
| Airline Fare | 0.8 | 3.2% | 3.2% | 0.4% | 3.9% | 1.5% | 2 | 4.1% | 4.7% | 7.9% |
| Car and Truck Rental | 0.1 | 1.2% | -1.6% | -3.0% | 0.6% | 1.0% | 0 | -7.0% | -8.0% | -6.2% |
| Other Transp Svc | 5.6 | 1.1% | 0.1% | 0.0% | 0.0% | 0.1% | -1 | 9.1% | 7.8% | 7.8% |
| Other Core Services | 11.9 | 0.06% | 0.18% | 0.21% | 0.21% | 0.23% | 0 | 3.1% | 3.1% | 2.9% |
| Alternative Cores | | | | | | | | | | |
| Core Services ex-OER&RPR (Powell Supercore) | 26.8 | 0.40% | 0.31% | 0.34% | 0.21% | 0.35% | -4 | 4.4% | 4.3% | 4.2% |
| Core Services ex-Shelter | 25.0 | 0.55% | 0.30% | 0.19% | 0.28% | 0.29% | 0 | 4.6% | 4.3% | 4.2% |
| Core Svcs ex-Shelter & Health | 18.5 | 0.52% | 0.27% | 0.12% | 0.31% | 0.26% | 1 | 4.9% | 4.5% | 4.5% |

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