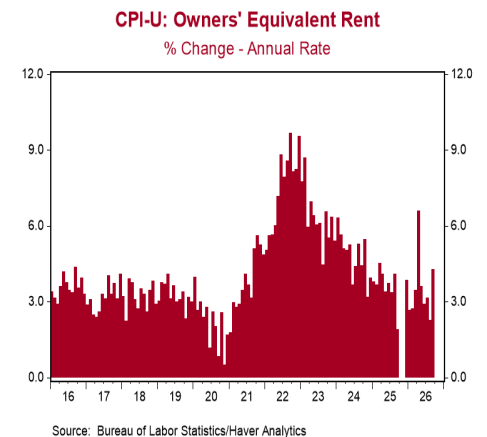
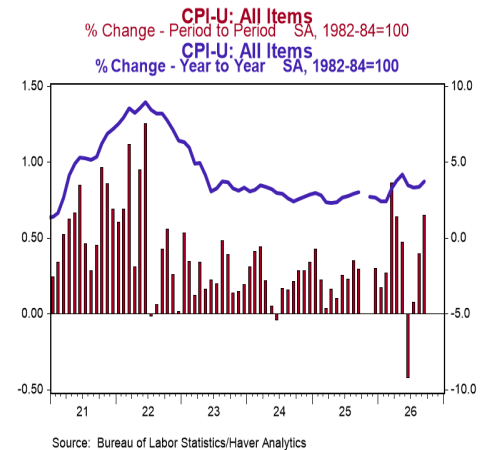


September CPI

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- The Consumer Price Index (CPI) rose 0.6% in September, matching consensus expectations. The CPI is up 3.7% from a year ago.
- Energy prices increased 5.2% in September, while food prices were unchanged. The “core” CPI, which excludes food and energy, rose 0.3% in September, above the consensus expected +0.2%. Core prices are up 2.6% versus a year ago.
- Real average hourly earnings – the cash earnings of all workers, adjusted for inflation – declined 0.5% in September and are down 0.7% in the past year. Real average weekly earnings are down 0.1% in the past year.

Implications: Consumer prices matched expectations by rising 0.6% in September, pushing the year-ago comparison up to 3.7%. “Core” CPI, which excludes food and energy, surpassed expectations and rose 0.3%, with the year ago comparison rising to 2.6%. A surge in fuel costs led the overall index higher, with energy prices rising 5.2% in September, now up 20.4% versus a year ago. In fact, the 9.1% jump in gasoline prices accounted for more than half of the headline increase in September. However, “core” CPI (which excludes food and energy) came in hotter than expected, rising 0.3% for the second consecutive month. Housing rents (both those for actual tenants and the imputed rental value of owner-occupied homes) have been the primary contributor to core inflation over the last few years but have been trending toward slower gains in 2026, rising 0.3% in September. Meanwhile, airline fares continue to climb, rising 1.2% in September and 22.4% in the past year. Prices for hotels (+2.3%), used vehicles (+0.7%), and college tuition (+1.2%) also made notable contributions, partially offset by declining prices for internet services (-1.3%) and prescription drugs (-1.2%). The worst news in today's report was that wages lost ground in the battle against inflation, as “real,” inflation-adjusted hourly earnings declined 0.5%, continuing a trend that has left them down 0.7% in the past year. September also marked the 66th consecutive month that both headline and core inflation have been above the Federal Reserve’s official 2.0% target, a fact that Chairman Kevin Warsh and the FOMC were well aware of when they decided to raise interest rates last month for the first time in three years. The problem is that rate hikes hit interest rate sensitive sectors like autos and housing, which are already soft, while doing nothing to open the Strait of Hormuz and little to slow investment in AI and data centers, which remains the economy’s leading source of strength. While we don't expect the Fed to raise rates again at its meeting later this month, another hike looks likely in December. Regardless of what the Fed decides, however, inflation will continue to weigh on the economy until supply-side conditions improve.



CPI - U	Sep-26	Aug-26	Jul-26	3-mo % Ch.	6-mo % Ch.	Yr to Yr
<i>All Data Seasonally Adjusted Except for Yr to Yr</i>				<i>annualized</i>	<i>annualized</i>	<i>% Change</i>
Consumer Price Index	0.6%	0.4%	0.1%	4.6%	3.7%	3.7%
Ex Food & Energy	0.3%	0.3%	0.2%	3.4%	2.9%	2.6%
Ex Energy	0.3%	0.3%	0.2%	3.1%	2.8%	2.6%
Energy	5.2%	2.1%	-1.5%	25.3%	15.7%	20.4%
Food	0.0%	0.1%	0.1%	1.0%	2.2%	2.5%
Housing	0.4%	0.2%	0.1%	3.0%	3.5%	3.3%
Owners Equivalent Rent	0.3%	0.2%	0.3%	3.2%	3.8%	3.3%
New Vehicles	0.2%	0.3%	0.1%	2.1%	0.2%	0.6%
Medical Care	0.1%	-0.2%	0.4%	0.9%	0.7%	1.5%
Services (Excluding Energy Services)	0.4%	0.3%	0.2%	3.8%	3.6%	3.1%
Real Average Hourly Earnings	-0.5%	-0.1%	0.1%	-2.1%	-1.2%	-0.7%

Source: Bureau of Labor Statistics