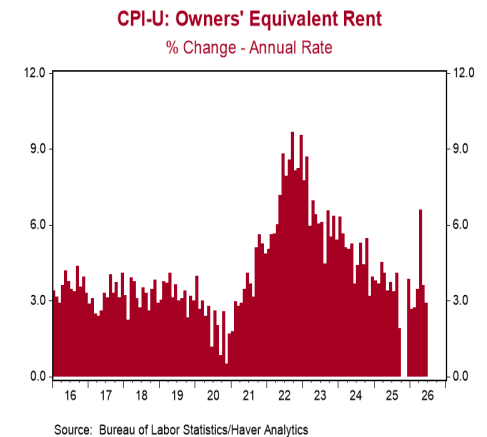
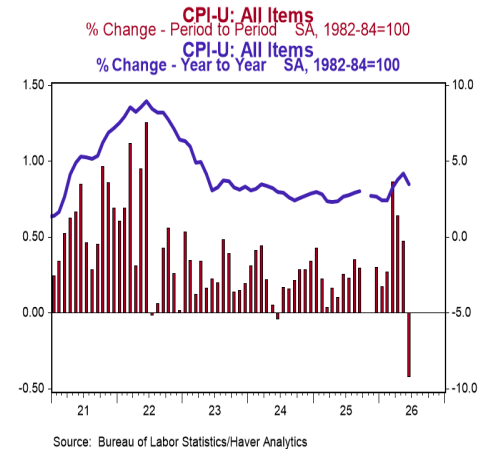


June CPI

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- The Consumer Price Index (CPI) declined 0.4% in June, well below the consensus expected -0.1%. The CPI is up 3.5% from a year ago.
- Energy prices declined 5.7% in June, while food prices rose 0.2%. The “core” CPI, which excludes food and energy, was unchanged in June, below 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 – increased 0.8% in June but are up 0.1% in the past year. Real average weekly earnings are up 0.3% in the past year.

Implications: Today’s CPI report makes it less likely the Fed hikes short-term rates by the end of the September meeting. Consumer prices declined in June as energy prices moved sharply lower following a temporary peace agreement between the U.S. and Iran and a reopening of the Strait of Hormuz. The 0.4% monthly decline was larger than the forecast from any economics groups surveyed by Bloomberg and marked the biggest drop since the onset of COVID. Energy prices were the largest contributor to the decline, falling 5.7% for the month, driven by a 9.7% drop in gasoline prices. The best news is that lower inflation pressure was not confined to the energy sector. “Core” CPI, which excludes food and energy, was unchanged in June, below the consensus expectation of a 0.2% increase. Housing rents (both those for actual tenants and the imputed rental value of owner-occupied homes), which make up the largest components of the index, rose a modest 0.2%. Meanwhile, that was offset by declines across a number of categories, including hotels (-2.8%), motor vehicle insurance (-2.0%), apparel (-0.6%), used vehicles (-0.2%), and medical care (-0.1%). Meanwhile, “Supercore” prices – a subset measure created by the Federal Reserve that excludes food, energy, other goods, and housing rents – fell 0.2% in June. While overall consumer prices are up 3.5% over the past year compared with 2.7% for the twelve months ending June 2025, much of that acceleration reflects the spike in energy prices following the Iran War. On the other hand, core prices have increased 2.6% over the past year, down from 2.9% for the twelve months ending June 2025. Still, inflation remains above the Fed’s 2.0% target no matter how you cut it. The best news in today’s report was that wages gained ground in the battle against inflation, as “real,” inflation-adjusted hourly earnings rose 0.8%, the biggest monthly increase since 2020. However, real earnings have shown only marginal improvement over the last year, up just 0.1%. While this report should ease some of the immediate pressure on the Federal Reserve to raise interest rates, the peace agreement between the U.S. and Iran appears to be falling apart, meaning inflation could remain volatile in the near term. We, however, will be focused on the M2 measure of the money supply, which we believe is the most reliable tool for forecasting sustained inflation and suggests that once the Iran War is resolved, inflation may drop faster than most investors expect.



CPI - U	Jun-26	May-26	Apr-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	-0.4%	0.5%	0.6%	2.8%	4.1%	3.5%
Ex Food & Energy	0.0%	0.2%	0.4%	2.3%	2.6%	2.6%
Ex Energy	0.0%	0.2%	0.4%	2.5%	2.6%	2.7%
Energy	-5.7%	3.9%	3.8%	6.9%	25.0%	15.7%
Food	0.2%	0.2%	0.5%	3.5%	2.9%	3.0%
Housing	0.0%	0.2%	0.7%	4.0%	3.6%	3.3%
Owners Equivalent Rent	0.2%	0.3%	0.5%	4.4%	3.7%	3.2%
New Vehicles	0.0%	-0.3%	-0.2%	-1.8%	-0.3%	0.5%
Medical Care	-0.1%	0.3%	-0.1%	0.5%	1.4%	2.0%
Services (Excluding Energy Services)	0.0%	0.3%	0.5%	3.4%	3.5%	3.2%
Real Average Hourly Earnings	0.8%	-0.2%	-0.5%	0.4%	-0.5%	0.1%

Source: Bureau of Labor Statistics