

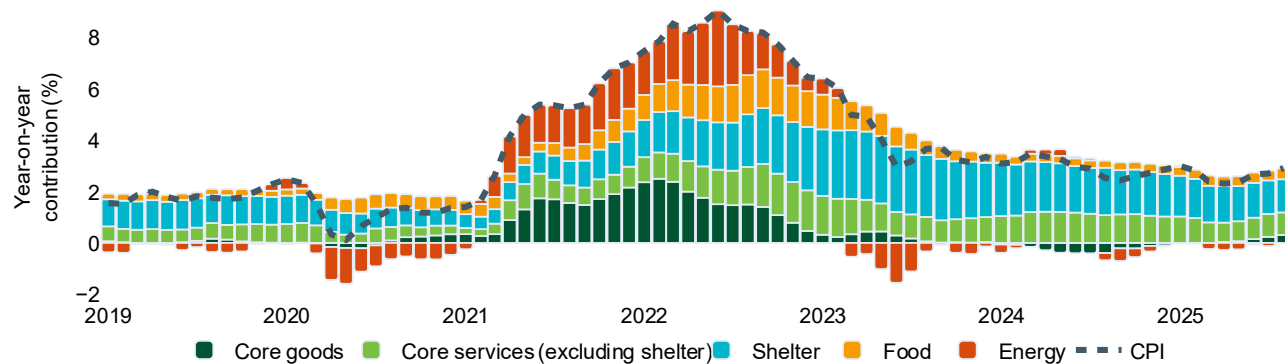
# CPI RISES BUT WE EXPECT FED TO CUT

Sept.12, 2025

Consumer prices rose 0.4% in August, taking headline CPI from 2.7% to 2.9% year-on-year. Core prices rose 0.3% month-on-month in August, keeping core CPI at 3.1% year-on-year. While inflation remains stubborn, we do not believe it will be enough to cause the Fed to waiver over cutting rates next week.

Food prices rose 0.5% in August, driven by supply issues in beef and price rises in imported items like coffee. Elsewhere, energy inflation was back in positive territory at 0.7% in August, driven by a 1.9% rise in gasoline prices.

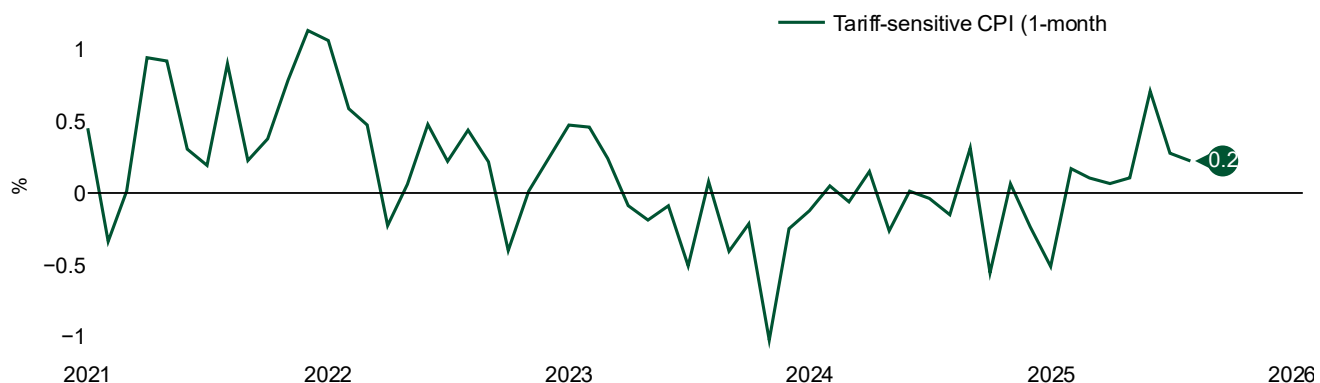
**Figure 1: Food and shelter inflation helps push CPI higher**



Bureau of Labor Statistics, Macrobond, Insight, September 2025. Charts are provided for illustrative purposes only.

Meanwhile core goods prices rose by 0.3% in August, mostly driven by used cars, which rose 1%. Tariff-related goods inflation moderated in August, at 0.2% month-on-month (Figure 2), albeit with notable price rises in relatively small components like televisions (up 2.5%, the fastest since 2021), sewing machines (up 9.1%, the fastest since 2020) and jewelry and watches (up 5.5%, the fastest on record).

**Figure 2: Tariff-related goods prices rose again albeit at a moderate pace**



Bureau of Labor Statistics, Macrobond, Insight, September 2025. The index includes goods with high levels of imported content, such as apparel, consumer electronics, toys, household furnishings and supplies, motor vehicle parts and equipment, and is weighted according to the CPI basket weights. Charts are for illustrative purposes only.

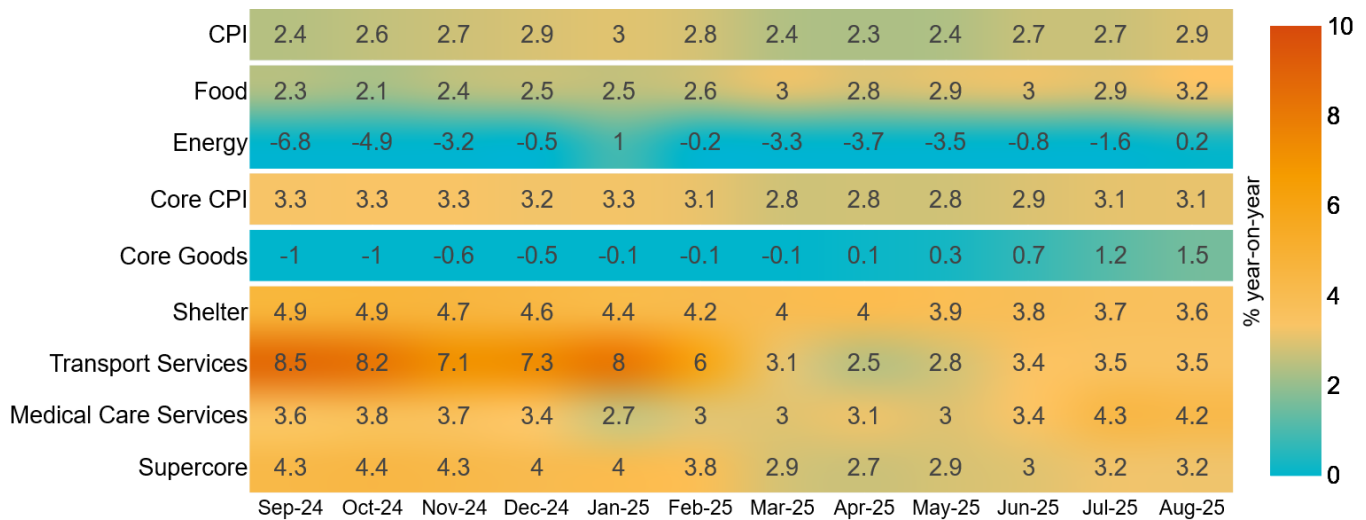
## “STICKY” CORE SERVICES CATEGORIES PROVE STUBBORN

Disinflation in the slow-moving core services CPI components stalled somewhat in August, although we believe the overall trend remains in place.

Shelter (the largest component of the CPI index) rose 0.4% in August, largely due to a pickup in “lodging away from home” category, but notably continued to moderate on a year-on-year basis, reaching 3.6%, the lowest level since October 2021. Excluding shelter, headline CPI was 2.5%.

Elsewhere, “supercore” services (which exclude food, energy and rental categories) remained at 3.2% year-on-year. Transportation services remained relatively high, driven by a 5.9% increase in airline fares in August (the fastest since 2022) and a 5% rise in motor vehicle repair (the fastest on record).

**Figure 2: Core services inflation was stubborn in August**



Bureau of Labor Statistics, Macrobond, Insight, September 2025. Charts are provided for illustrative purposes only.

## THE FED WILL LIKELY “LOOK THROUGH” ABOVE-TARGET INFLATION

Although inflation remains above-target for now, we believe the Fed will execute a 25 basis points (bp) cut at its next policy meeting, and two further cuts are priced by the end of 2025. Given recent weakness in employment indicators, we expect the Fed will be focused on preventing the labor market from tipping into a contraction and therefore mitigating the threat of a vicious cycle of job losses.

Although continued elevated inflation could complicate the Fed’s hiking cycle looking beyond September, we believe that disinflationary forces remain in play. With rates on a downward trend, we believe it remains a good time for investors to consider locking in yields in fixed income assets.

**INVESTMENT VIEWS FROM INSIGHT INVESTMENT**

Insight Investment is a leading global investment manager and fixed income specialist firm within BNY Investments.

**All investments involve risk, including the possible loss of principal.** Certain investments have specific or unique risks that should be considered along with the objectives, fees, and expenses before investing.

This material has been provided for informational purposes only and should not be construed as investment advice or a recommendation of any particular investment product, strategy, investment manager or account arrangement, and should not serve as a primary basis for investment decisions. Prospective investors should consult a legal, tax or financial professional in order to determine whether any investment product, strategy or service is appropriate for their particular circumstances. Views expressed are those of the author stated and do not reflect views of other managers or the firm overall. Views are current as of the date of this publication and subject to change. This information contains projections or other forward-looking statements regarding future events, targets or expectations, and is only current as of the date indicated. There is no assurance that such events or expectations will be achieved, and actual results may be significantly different from that shown here. The information is based on current market conditions, which will fluctuate and may be superseded by subsequent market events or for other reasons. References to specific securities, asset classes and financial markets are for illustrative purposes only and are not intended to be and should not be interpreted as recommendations. Information contained herein has been obtained from sources believed to be reliable, but not guaranteed. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission.

A **basis point** (bp) is one-hundredth of a percentage point (0.01%). The **Consumer Price Index (CPI)** measures the monthly change in prices paid by U.S. consumers. The Bureau of Labor Statistics (BLS) calculates the CPI as a weighted average of prices for a basket of goods and services representative of aggregate U.S. consumer spending. **PCE inflation** is a measure of how prices for goods and services change over time, as tracked by the Personal Consumption Expenditures (PCE) Price Index. The PCE is a key indicator of inflation in the United States. **Headline CPI** is the raw inflation figure reported through the Consumer Price Index (CPI) monthly. **Core CPI** excludes the more volatile food and energy categories. **Sticky** inflation refers to a persistent economic scenario where prices for goods and services do not adjust quickly to changes in supply and demand dynamics. **Supercore** inflation equals the inflation of a basket of goods and services, minus the food and energy inflation, and minus the housing inflation.

BNY Investments is one of the world's leading investment management organizations, encompassing BNY's affiliated investment management firms and global distribution companies. BNY is the corporate brand of The Bank of New York Mellon Corporation and may also be used to reference the corporation as a whole and/or its various subsidiaries generally.

Investment advisory services in North America are provided by Insight North America LLC, a registered investment adviser and regulated by the U.S. Securities and Exchange Commission (SEC). Insight North America LLC is associated with other global investment managers that also (individually and collectively) use the corporate brand Insight Investment and may be referred to as "Insight" or "Insight Investment."

Insight and BNY Mellon Securities Corporation are subsidiaries of BNY.

© 2025 **BNY Mellon Securities Corporation**, distributor, 240 Greenwich Street, 9th Floor, New York, NY 10286.

**Not FDIC-Insured. Not Bank-Guaranteed. May Lose Value.**

