INVESTMENT VIEWS
FROM INSIGHT INVESTMENT

MORE ENERGY FOR INFLATION

May 13, 2026

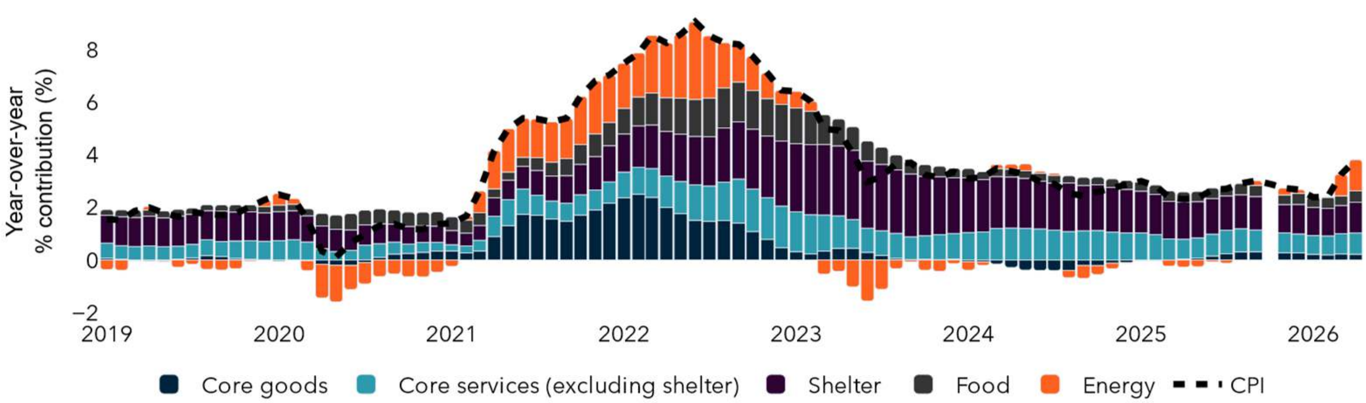
Consumer prices rose 0.6% in April, taking headline CPI (Consumer Price Index) from 3.3% to 3.8% year-over-year, the highest since May 2023. Core prices rose 0.3% in April, or from 2.6% to 2.8% year-over-year, the highest since October 2025. Although a "hot" print, we believe it is unlikely to shift the Federal Reserve (the Fed) from its easing bias for now.

Energy prices continue to hit consumers

Outside of energy, most categories were relatively contained. Core goods prices were flat in April, with tariff-sensitive goods categories rising just 0.1% during the month, indicating a potentially waning impact from trade policy.

Food inflation rose 0.5% in April, with grocery prices like meats, poultry, fish, and fresh fruits and vegetables showing notable gains, although "food away from home" inflation was relatively muted.

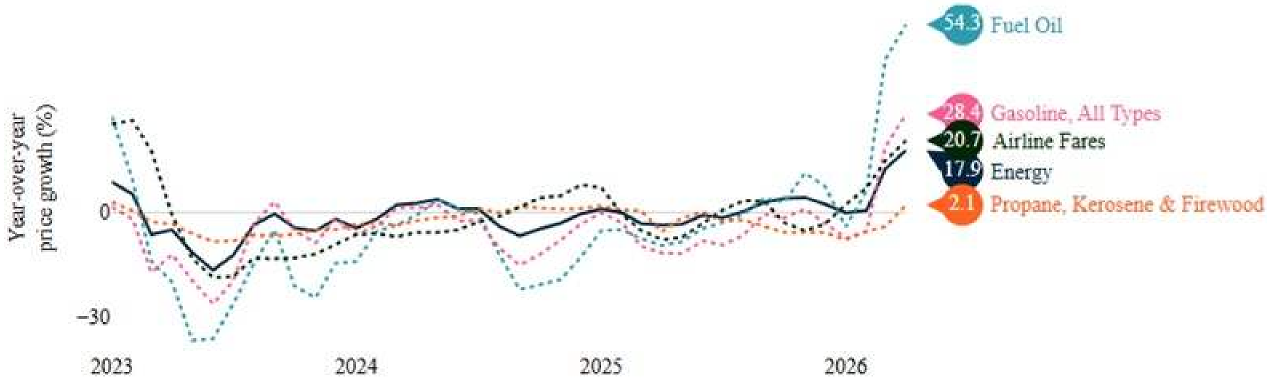
ENERGY DRIVES INFLATION, WHILE MOST OTHER CATEGORIES REMAIN LARGELY CONTAINED



Source: Bureau of Labor Statistics, Macrobond, Insight Investment, May 2026. A CPI report was not produced for October 2025 due to the government shutdown. Charts are for illustrative purposes only.

Energy inflation continued to be driven by supply chain disruptions in the Middle East. Energy goods categories (particularly gasoline and fuel oil) continued to be impacted the most. Transportation services also continued to be impacted through airline fares.

STRAIT OF HORMUZ DISRUPTION CONTINUES TO IMPACT ENERGY GOODS AND SERVICES



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Shelter rises as government shutdown disruption finally unwinds

Shelter, the largest component of the CPI, accelerated from 3% to 3.3% year-over-year, the highest since October 2025. However, this reflects the final lingering effects of last year's government shutdown. Due to the way shelter is calculated, it has been artificially depressed since the shutdown, but the effect finally unwound in April. Ultimately, we expect shelter to continue its disinflationary trend, in line with leading rental market indicators.

SHELTER PROVIDES A POTENTIALLY TEMPORARY BOOST TO CPI

	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26
CPI	2.3	2.4	2.7	2.7	2.9	3	2.7	2.7	2.4	2.4	3.3	3.8
Food	2.8	2.9	3	2.9	3.2	3.1	2.6	3.1	2.9	3.1	2.7	3.2
Energy	-3.7	-3.5	-0.8	-1.6	0.2	2.8	4.2	2.3	-0.1	0.5	12.5	17.9
Core CPI	2.8	2.8	2.9	3.1	3.1	3	2.6	2.6	2.5	2.5	2.6	2.8
Core Goods	0.1	0.3	0.7	1.2	1.5	1.5	1.4	1.4	1.1	1	1.2	1.1
Shelter	4	3.9	3.8	3.7	3.6	3.6	3	3.2	3	3	3	3.3
Transport Services	2.5	2.8	3.4	3.5	3.5	2.5	1.7	1.5	1.3	2.2	4.1	4.3
Medical Care Services	3.1	3	3.4	4.3	4.2	3.9	3.3	3.5	3.9	4.1	3.7	3.2

% year-over-year (scale 0–5)

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CPI better than headlines suggest?

The longer the energy shock lasts, the risks of it feeding through to more durable core services will rise.

For now, we believe the Fed will still be minded to "look through" energy prices while longer-dated inflation expectations remain anchored and second-round effects appear muted.

While the Fed may increasingly be inclined to switch from an easing bias to a neutral one, we believe it would take a high hurdle to put a potential rate hike on the agenda.

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