

## U.S. Inflation Eases to Lowest Level in Three Years

By Joe Palmisano

The consumer price index for August rose 0.2%, as expected, and 2.5% year-over-year, below forecasts for a 2.6% rise and a notably cooler pace than the 2.9% reading in July – the smallest increase since January 2021 and the fifth straight pullback. Core CPI inflation, excluding food and energy, rose 0.3% in August versus expectations of 0.2% and 3.2% from a year ago, reported the Bureau of Labor Statistics (BLS).

The food index increased 0.1% in August, after rising 0.2% in each of the previous 2 months. The index for food at home was unchanged in August. The energy index decreased 0.8% after being unchanged in July. The shelter index increased 0.5%. The index for owners' equivalent rent rose 0.5% over the month and the index for rent increased 0.4%.

Used car prices fell 1.0%, moderating from last month's 2.3% drop, while airline fares jumped 3.9%, a big reversal to last month's -1.2% drop and a reversal to drops in each of the past five months.

The argument for a quarter-point rate reduction in September, rather than a larger half-point move, is likely strengthened by the rise in the monthly core inflation measure. Investors were already wagering that a smaller move was more probable. The market is currently pricing in a 70% probability of a 25-basis-point rate cut, according to the CME's FedWatch Tool, little changed before the release of the data.