

Register-Guard Capital

INFLATION MEMO 2/13/26

We predict a firm inflation print tomorrow. We expect headline CPI inflation to come in below consensus and core CPI inflation to come in above consensus. Specifically, we project headline CPI inflation to ratchet down to 2.3%, year-over-year, and core CPI inflation to tick up to 2.8%, year-over-year.

The Bureau of Labor Statistics releases the January 2026 Consumer Price Index Report tomorrow on February 13th, 2026. The Dow Jones consensus forecast shows that many are expecting headline and core CPI inflation to come in at 2.5%, year-over-year.^{1,2} In addition to the consensus, the Federal Reserve Bank of Cleveland projects, using its Inflation Nowcast, headline CPI inflation of 2.36%, year-over-year, and core CPI inflation of 2.45%, year-over-year.³

We are below consensus on headline CPI inflation because energy prices have continued to decline in January. According to the U.S. Energy Information Administration, the national average for all grades of retail gasoline fell to \$2.94 in January, the lowest since March 2021, compared to \$3.2 a year ago, a decline of roughly 8%.⁴ The Cleveland Fed's Inflation Nowcast projects headline CPI at 2.36%, aligning closely with our view. The consensus estimate of 2.5% appears anchored to December's headline CPI inflation number rather than reflecting January's energy dynamics.

We are above consensus on core CPI inflation because shelter inflation remains sticky. Zillow Research forecasts Owners' Equivalent Rent (OER) at 3.29%, year-over-year, for January, with Rent of Primary Residence at 2.78%, year-over-year.⁵ OER alone comprises roughly one-third of core CPI. While Zillow's market rent data shows actual asking rents declining, with multifamily rents expected to fall 0.2% in 2026, the CPI methodology lags these market conditions by 6-12 months because it captures lease renewals, not just new signings.⁶ The Cleveland Fed's 2.45% core projection assumes faster pass-through than BLS methodology typically delivers.

Overall, a firm core CPI inflation reading makes the case for the Fed to hold rates constant even stronger. The Fed should not lower rates until we see a severe material weakening in the labor market or we see core inflation return to the 2 percent target.

¹ Jeff Cox, "The January CPI Inflation Report Is Due Out Friday Morning. Here's What It's Expected to Show," CNBC, February 12, 2026, <https://www.cnbc.com/2026/02/12/the-january-cpi-inflation-report-is-due-out-friday-morning-heres-what-its-expected-to-show.html>.

² Tanaya Macheel and Alex Harring, "Stock Market Today: Dow and S&P 500 Slip as Traders Brace for Inflation Data," CNBC, February 11, 2026, <https://www.cnbc.com/2026/02/11/stock-market-today-live-updates.html>.

³ Federal Reserve Bank of Cleveland, "Inflation Nowcasting," accessed February 12, 2026, <https://www.clevelandfed.org/indicators-and-data/inflation-nowcasting>.

⁴ U.S. Energy Information Administration, "U.S. Regular All Formulations Retail Gasoline Prices (Monthly)," accessed February 12, 2026, https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=pet&s=emm_epm0_pte_nus_dpg&f=m.

⁵ Treh Manhertz, "January 2026 CPI Forecast: Rent and Housing Outlook," Zillow Research, February 11, 2026, <https://www.zillow.com/research/cpi-forecast-2026-jan-36068/>.

⁶ Olsen, "January 2026 CPI Forecast."

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