

# Register-Guard Capital

INFLATION GUARD 3/11/26

We predict a soft inflation print. 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 stay constant at 2.5%, year-over-year.

The Bureau of Labor Statistics releases the February 2026 Consumer Price Index Report on March 11, 2026. The Bloomberg consensus forecast shows that many are expecting headline CPI inflation of 2.4% year-over-year and core CPI inflation at 2.5%, year-over-year.<sup>1</sup> In addition to the consensus, the Federal Reserve Bank of Cleveland projects, using its Inflation Nowcast, headline CPI inflation of 2.41%, year-over-year, and core CPI inflation of 2.46%, year-over-year.<sup>2</sup>

We are below consensus on headline CPI inflation because energy prices continued to decline in February and several major consumer categories carried over their January momentum of falling prices. According to the U.S. Energy Information Administration, the national average for all grades of retail gasoline fell to \$3.04 in February, compared to \$3.25 a year ago, a decline of roughly 6.5%.<sup>3</sup> Energy was the primary disinflationary force in January, falling 1.5%, with gasoline down 3.2% and fuel oil down 5.7%.<sup>4</sup> We believe this continued into February, albeit at a slower pace. Beyond energy, the January data showed notable declines in used cars and trucks, down 1.8%, motor vehicle insurance, down 0.4%, and household furnishings, down 0.1%.<sup>5</sup> Used car prices have now fallen 2.0% year-over-year, and we expect this trend to have continued into February given weak consumer demand and elevated auto loan delinquencies. Wells Fargo estimates that food at home prices fell 0.1% in February, and the January Producer Price Index for consumer foods posted its largest monthly decline since last March.<sup>6,7</sup> The consensus estimate of 2.4% appears to underweight the continued drag from energy and goods deflation.

We are with consensus on core CPI inflation because shelter inflation continues to ease gradually but remains sticky enough to hold core inflation near current levels. Zillow Research forecasts Owners' Equivalent Rent (OER) at 3.14%, year-over-year, for February, with Rent of

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<sup>1</sup> Jennifer Schonberger, "Inflation in February: Prices Expected to Have Held Steady, but Then War Broke Out," Yahoo Finance, March 9, 2026, <https://finance.yahoo.com/news/inflation-in-february-prices-expected-to-have-held-steady-but-then-war-broke-out-185810701.html>.

<sup>2</sup> Federal Reserve Bank of Cleveland, "Inflation Nowcasting," accessed March 10, 2026, <https://www.clevelandfed.org/indicators-and-data/inflation-nowcasting>.

<sup>3</sup> U.S. Energy Information Administration, "U.S. Regular All Formulations Retail Gasoline Prices (Monthly)," Petroleum & Other Liquids Data, accessed March 10, 2026, [https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=p&s=emm\\_epm0\\_pte\\_nus\\_dpg&f=m](https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=p&s=emm_epm0_pte_nus_dpg&f=m).

<sup>4</sup> Bureau of Labor Statistics, "Consumer Price Index—January 2026," news release, U.S. Department of Labor, February 13, 2026, <https://www.bls.gov/news.release/pdf/cpi.pdf>.

<sup>5</sup> Bureau of Labor Statistics, "CPI, January 2026."

<sup>6</sup> Eren Sengezer, "February CPI Preview: Disinflation Progress Looks to Be Stalling Again," FXStreet, March 6, 2026, <https://www.fxstreet.com/analysis/february-cpi-preview-disinflation-progress-looks-to-be-stalling-again-202603061528>.

<sup>7</sup> Bureau of Labor Statistics, "Producer Price Index—January 2026," news release, U.S. Department of Labor, February 14, 2026, <https://www.bls.gov/news.release/pdf/ppi.pdf>.

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Primary Residence at 2.74%, year-over-year.<sup>8</sup> OER alone comprises roughly one-third of core CPI. Shelter costs rose just 0.2% in January, bringing the annual increase down to 3.0%, the slowest pace in years and a meaningful deceleration from the 5%+ readings of 2023 and 2024.<sup>9</sup> This easing should continue into February. Outside of shelter, core inflation is mixed but not alarming. Core goods prices were unchanged for the fourth consecutive month in January, with broad increases across categories like furniture, recreation, and apparel offset by the decline in used vehicles.<sup>10</sup> Core services, excluding shelter, remain firmer, with medical care up 3.9% annually and personal care up 5.0%, but these categories are not accelerating.<sup>11</sup> The Cleveland Fed's core CPI nowcast of 2.46% is in line with our 2.5% projection. We do not see a compelling reason to deviate from consensus here.

Overall, February's Inflation Report should provide a solid picture of the inflation situation headed into March. This is crucial because Operation Epic Fury against Iran began on February 28. Energy prices have spiked since the war began, with national average regular gas prices of \$3.54/gallon.<sup>12</sup> This is up 60 cents from the \$2.92/gallon on February 10.<sup>13</sup> This will affect the March inflation report, and we expect March headline CPI to reverse course and move higher. For now, we believe the February print will confirm that the underlying inflation trajectory was heading in the right direction before the geopolitical shock. A 2.3% headline reading would give the Fed some breathing room as it navigates the impossible task of managing inflation expectations alongside a deteriorating labor market. Additionally, the PCE inflation index for January 2026 will be released on Friday, March 13. This is the Fed's preferred inflation measure and will be the last piece of data before the FOMC meeting on March 18. We expect the PCE to tell a similar story to the CPI: progress on inflation that is about to be complicated by war.

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<sup>8</sup> Skylar Olsen, "February 2026 CPI Forecast: Shelter Inflation to Remain Sticky," Zillow Research, February 24, 2026, <https://www.zillow.com/research/cpi-forecast-2026-feb-36139/>.

<sup>9</sup> Bureau of Labor Statistics, "CPI, January 2026."

<sup>10</sup> Bureau of Labor Statistics, "CPI, January 2026."

<sup>11</sup> Bureau of Labor Statistics, "CPI, January 2026."

<sup>12</sup> AAA, "National Average Gas Prices," accessed March 10, 2026, <https://gasprices.aaa.com/>.

<sup>13</sup> AAA, "Gas Prices."

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