

Register-Guard Capital

INFLATION GUARD 6/10/26

We predict a firm inflation print. We expect headline CPI inflation to come in line with consensus and core CPI inflation to come in above consensus. Specifically, we project headline CPI inflation to rise to 4.3%, year-over-year, and core CPI inflation to firm to 3.0%, year-over-year.

The Bureau of Labor Statistics releases the May 2026 Consumer Price Index Report on June 10, 2026. The FactSet consensus forecast shows that many are expecting headline CPI inflation of 4.3%, year-over-year, and core CPI inflation of 2.9%, year-over-year.¹ In addition to the consensus, the Federal Reserve Bank of Cleveland projects, using its Inflation Nowcast, headline CPI inflation of 4.18%, year-over-year, and core CPI inflation of 2.82%, year-over-year.²

We are in line with consensus on headline CPI inflation, a departure from our recent below-consensus calls, because the energy reversal that has dominated the headline since the Iran war did not abate in May. Our below-consensus headline positioning has historically rested on the market overestimating the pace at which energy and diesel-driven distribution costs pass through to consumer prices in a single month; that view presumes energy is moderating, and in May it was not. According to the U.S. Energy Information Administration, the national average for all grades of retail gasoline rose to \$4.609 per gallon in May, up roughly 10% from approximately \$4.19 in April and up 40.6% from \$3.278 in May 2025.³ Diesel climbed to \$5.60 per gallon, a 60.0% year-over-year increase from \$3.499.⁴ The April 8 ceasefire and the partial moderation in crude that followed did not feed through to the pump in May; retail prices continued to climb. Energy therefore accounts for the bulk of the headline's acceleration from 3.8% in April, contributing on the order of three-tenths of a percentage point to the seasonally adjusted monthly change by our estimate.⁵ On the soft May 2025 base, the all-items index rose just 0.1% month-over-month a year ago, to a not-seasonally-adjusted level of 321.465, our component build of roughly 0.6% for the month carries the year-over-year rate to 4.3%, marginally hotter than the 0.53% monthly change the consensus embeds.⁶ We sit modestly above

¹ Jillian Moore, "What's Happening in the Markets This Week," *Morningstar*, June 5, 2026, <https://www.morningstar.com/markets/whats-happening-markets-this-week-9>.

² Federal Reserve Bank of Cleveland, "Inflation Nowcasting," Center for Inflation Research, accessed June 9, 2026, <https://www.clevelandfed.org/indicators-and-data/inflation-nowcasting>.

³ U.S. Energy Information Administration, "U.S. All Grades All Formulations Retail Gasoline Prices," Petroleum & Other Liquids Data, accessed June 9, 2026, https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=pet&s=emm_epm0_pte_nus_dpg&f=m.

⁴ U.S. Energy Information Administration, "U.S. No 2 Diesel Retail Prices," Petroleum & Other Liquids Data, accessed June 9, 2026, https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=EMD_EPD2D_PTE_NUS_DPG&f=M.

⁵ Bureau of Labor Statistics, "Consumer Price Index—April 2026," news release, U.S. Department of Labor, May 12, 2026, <https://www.bls.gov/news.release/pdf/cpi.pdf>.

⁶ Bureau of Labor Statistics, "Consumer Price Index—May 2025," news release, U.S. Department of Labor, June 11, 2025, https://www.bls.gov/news.release/archives/cpi_06112025.htm.

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the Cleveland Fed's 4.18% nowcast because the realized EIA retail gasoline average for May implies a larger energy contribution than the nowcast appears to carry.

We are above consensus on core CPI inflation because tariff pass-through is broadening into core goods, non-housing services remain sticky, and the shelter disinflation that has offset both is fading. Core goods prices were unchanged in April, but the producer-price pipeline points higher: the April Producer Price Index showed final demand prices excluding food and energy up 1.0% month-over-month and 5.2% year-over-year, and we expect that pressure to surface in consumer core goods in May.⁷ Shelter, which carries roughly a 35% weight in core CPI, rose 0.6% in April, with owners' equivalent rent and rent of primary residence each up 0.5%, and we do not expect further deceleration.⁸ Apartment List reports that national market rents rose 0.5% in May, a fourth consecutive monthly increase, with year-over-year rents ticking up to -1.5% from -1.6% and the vacancy rate falling to 7.2%, its first decline in over four years.⁹ The disinflationary tailwind from shelter that anchored our core calls through the winter is weakening at the margin just as tariff pressure lands. Non-housing services, what the Federal Reserve and market commentators call "supercore," remain elevated, with core PCE running near 3.0% year-over-year on increases concentrated in healthcare and insurance rather than shelter.¹⁰ Our bottom-up build of roughly 0.30% for the month, against a 0.1% May 2025 base, lifts core to 3.0%, a tenth above consensus and nearly two-tenths above the nowcast.¹¹ The 2.82% nowcast implies a core monthly increase near 0.12%, which we consider too soft against the tariff and services signals; consistent with our prior work, the Cleveland Fed model has tended to assume faster shelter pass-through and softer core prints than BLS methodology delivers.

Overall, the May report should read as a firm print rather than a soft one, and that matters for the Fed. The headline will hold near 4.3% on energy that refuses to cool, but the more important development is core firming to 3.0%, above both consensus and the nowcast and up from 2.8% in April. We have characterized the April and May CPI prints as the cleanest read yet on whether tariff pass-through is a one-time level shift, as the Federal Reserve has maintained, or whether it is feeding into broader pricing behavior. A 3.0% core reading leans toward the latter. Combined with energy that has not moderated and a labor market our June 5 Employment Guard judged to be stabilizing rather than accelerating, this keeps the Federal Open Market Committee comfortably on hold at its June 17 meeting, the first chaired by Kevin Warsh, with the target range for the federal funds rate unchanged at 3.5% to 3.75%.¹² Nothing in this report gives the Committee cover to cut. The May Producer Price Index, released June 11, and the May PCE price index later this month will either corroborate or temper the broadening signal; for now, the inflation data argue for continued patience.

⁷ Bureau of Labor Statistics, "CPI, April 2026."

⁸ Bureau of Labor Statistics, "CPI, April 2026."

⁹ Apartment List Research Team, "Apartment List National Rent Report," *Apartment List*, May 27, 2026, <https://www.apartmentlist.com/research/national-rent-data>.

¹⁰ Bureau of Economic Analysis, "Personal Income and Outlays, April 2026," news release, U.S. Department of Commerce, May 28, 2026, <https://www.bea.gov/news/2026/personal-income-and-outlays-april-2026>.

¹¹ Bureau of Labor Statistics, "CPI, April 2026."

¹² Register-Guard Capital, *Employment Guard 6/5/26* (June 5, 2026).

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Disclosure: This publication was prepared with the assistance of an artificial-intelligence system, which materially supported the data processing and analytical development underlying the forecasts presented. All projections represent the views of Register-Guard Capital and have been reviewed and validated by the firm prior to publication.