Register-Guard Capital

INFLATION GUARD 7/14/26

We predict a soft headline print and a firm core. 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 fall to 3.8%, year-over-year, and core CPI inflation to hold at 2.9%, year-over-year.

The Bureau of Labor Statistics releases the June 2026 Consumer Price Index Report on July 14, 2026. The FactSet consensus forecast shows that many are expecting headline CPI inflation of 3.9%, year-over-year, and core CPI inflation of 2.8%, year-over-year, with the all-items index falling on the month by its largest margin since April 2020.[1] In addition to the consensus, the Federal Reserve Bank of Cleveland projects, using its Inflation Nowcast, headline CPI inflation of 3.92%, year-over-year, and core CPI inflation of 2.85%, year-over-year.[2]

We are below consensus on headline CPI inflation because the energy reversal we have flagged since the spring has finally reached the pump, and it did so forcefully in June. Our headline calls through the winter rested on the market misjudging the pace at which energy passes through to consumer prices in a single month; from March through May that pass-through ran against us as retail fuel climbed, and we positioned in line with or modestly above consensus accordingly. In June the direction inverted. According to the U.S. Energy Information Administration, the national average for all grades of retail gasoline fell to $4.184 per gallon in June, down roughly 9.2% from $4.609 in May, though still 27.7% above the $3.276 average of June 2025.[3] Diesel fell to $5.024 per gallon, down 10.3% from $5.600 in May and 39.6% above June 2025.[4] The April 8 ceasefire and the moderation in crude that followed, which had not reached retail prices in May, passed through to the pump in June. UBS puts the move in similar terms, estimating gas and energy prices fell more than 9% on the month and noting that daily gasoline prices had fallen 76 cents per gallon, or 17%, from their May 20 peak per AAA data, a decline UBS estimates subtracts on the order of 0.42 percentage points from the CPI.[5] Gasoline carries a relative importance of roughly 3.9% in the all-items index; UBS's own estimate of the energy drag, cited above, is roughly 0.42 percentage points off the seasonally adjusted all-items reading, only partly offset by the usual summer rise in electricity.[6] Building the seasonally adjusted monthly figure directly from components, roughly −0.42 percentage points from energy, plus core's seasonally adjusted contribution of about +0.17 percentage points (79% weight at our ~0.21% SA core estimate), plus a modest +0.03 percentage points from food, sums to roughly −0.22% for the seasonally adjusted all-items change, softer than both the −0.17% FactSet consensus and the −0.06% Cleveland Fed nowcast. On a not-seasonally-adjusted basis, our component build of roughly −0.1% for the month, set against a firm June 2025 base that rose

[1] Irza Waraich, "Why Economists Expect Biggest CPI Drop in Years While Core Inflation Remains Sticky," Morningstar, July 13, 2026.
[2] Federal Reserve Bank of Cleveland, "Inflation Nowcasting," Center for Inflation Research, accessed July 13, 2026.
[3] U.S. Energy Information Administration, "U.S. All Grades All Formulations Retail Gasoline Prices (Monthly)," accessed July 13, 2026.
[4] U.S. Energy Information Administration, "U.S. No. 2 Diesel Retail Prices (Monthly)," accessed July 13, 2026.
[5] Waraich, "Biggest CPI Drop." UBS estimate; AAA daily retail gasoline data as cited therein.
[6] Bureau of Labor Statistics, "Consumer Price Index—May 2026," news release, June 10, 2026. Gasoline (all types) relative importance and component detail per Table 1.

0.3% to a not-seasonally-adjusted level of 322.561, carries the year-over-year rate down to 3.8%, from 4.2% in May.[7] We sit a tenth below the 3.9% consensus and the 3.92% nowcast on a year-over-year basis, and below both on the seasonally adjusted monthly figure as well, because the June gasoline collapse pulls the headline down more than either appears to embed.

We are above consensus on core CPI inflation year-over-year, though largely in line with consensus on the seasonally adjusted monthly move; the divergence is a base-effect story, not a claim of unusually hot momentum this month. Tariff pass-through continues to broaden into core goods, non-housing services remain firm, and the shelter disinflation that offset both is now fading. Shelter, which carries roughly a 35% weight in the all-items index and close to 44% of core, rose 0.3% in May, with owners' equivalent rent up 0.3% and rent of primary residence up 0.4%, and we do not expect further deceleration.[8] Apartment List reports that the national median rent rose 0.4% in June, a fifth consecutive monthly increase, with year-over-year rents improving to −1.2% from a −1.6% trough in April and the multifamily 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. The producer pipeline points higher: the May Producer Price Index showed final demand less foods, energy, and trade services up 0.8% on the month and 5.1% over the year, its firmest reading in years, and we expect that pressure to continue surfacing in consumer core goods.[10] Non-housing services, what the Federal Reserve and market commentators call "supercore," remain elevated, with core PCE running at 3.4% year-over-year in May on increases concentrated in healthcare and insurance, the acyclical categories the San Francisco Fed's framework isolates as least sensitive to labor-market slack.[11, 12] Our bottom-up build of roughly 0.28% for the month, against a 0.3% June 2025 base and a May 2026 core level of 336.846, holds core at 2.9%, a tenth above consensus and in line with the nowcast.[13] On a seasonally adjusted basis, that same build maps to roughly 0.20% to 0.22% for the month: core rose 0.2% SA in June 2025 against a 0.26% NSA move, a gap of about six-hundredths of a point that we carry forward to this year's NSA build. That SA figure sits essentially in line with the Cleveland Fed's 0.23% and modestly below FactSet's 0.25%, underscoring that our above-consensus year-over-year call reflects the firm June 2025 base rolling off, not outsized in-month pressure relative to what the market already expects.

On model reconciliation: RGC's internal quantitative CPI model, as of July 13, produced a June 2026 headline point estimate of −0.29% month-over-month, with an 80% interval of roughly −0.60% to +0.02%.[14] Our bottom-up call of roughly −0.22% sits inside that interval but is modestly firmer than the model's point estimate. This is consistent with a pattern we have

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[7] Bureau of Labor Statistics, "Consumer Price Index—June 2025," news release, July 15, 2025. The June 2025 all-items index (NSA) stood at 322.561; the May 2026 index stood at 335.123.
[8] Bureau of Labor Statistics, "CPI, May 2026."
[9] Apartment List Research Team, "Apartment List National Rent Report," June 2026.
[10] Bureau of Labor Statistics, "Producer Price Index—May 2026," news release, June 11, 2026.
[11] Bureau of Economic Analysis, "Personal Income and Outlays, May 2026," news release, June 27, 2026.
[12] Federal Reserve Bank of San Francisco, "Cyclical and Acyclical Core PCE Inflation," accessed July 13, 2026.
[13] Bureau of Labor Statistics, "CPI, May 2026." The core index (NSA) stood at 336.846 in May 2026 and 328.364 in June 2025.
[14] Register-Guard Capital, internal quantitative CPI model output for the June 2026 target period, communicated to the author July 13, 2026.

flagged before: the model tends to assume faster energy pass-through than BLS seasonal-adjustment mechanics deliver in the month of record, so it prints softer than the eventual official figure. We weight the bottom-up, source-level build somewhat more heavily here, because the EIA retail levels and the AAA daily read give us a directly observed energy path for June specifically. The two approaches agree on direction and on a materially negative headline; they differ only on magnitude.

Overall, the June report should read as an energy story on the surface and a core story underneath. The headline will draw attention for the largest monthly decline in years, and JP Morgan is right that the energy surge that pushed headline momentum toward 6% through May is now reversing.[15] Yet, the more important development is core holding at 2.9%, above both consensus and the 2% target, with core PCE stuck near 3.4%. We have characterized the spring 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 core reading that refuses to fall as energy collapses leans firmly toward the latter. This soft print, however, is already dated by the time it is released. The ceasefire that allowed June's energy relief has broken down: fighting between the United States and Iran resumed in the days following July 8, and on July 13 the Islamic Revolutionary Guard Corps shut the Strait of Hormuz for the second time this year, prompting renewed U.S. strikes and a naval blockade.[16] Oil markets reacted immediately, with Brent crude settled up 9.6% on July 13, its sharpest one-day gain in years, at $83.30 per barrel.[17] None of this affects the June index we forecast above, since June's pump prices were set before the ceasefire collapsed. It does mean the disinflationary energy impulse behind this report is unlikely to repeat in July and may reverse outright if the Strait remains closed. We would not be surprised to see the July report return to the above-consensus headline positioning that characterized our March and June calls. Combined with a labor market our recent Employment Guards judged to be stabilizing rather than deteriorating, this keeps the Federal Open Market Committee on hold at its July 28–29 meeting, the second chaired by Kevin Warsh, with the target range for the federal funds rate unchanged at 3.5% to 3.75%.[18] A soft June headline gives the Committee no reason to move, but firm core removes any case for declaring victory, and a resumed conflict raises the odds the Committee's next move, if any, is hawkish rather than dovish. The June PCE price index, released later this month, will offer one more read on the broadening core signal, but by the July meeting the Committee will be looking past June's energy relief toward a renewed and unresolved supply shock.

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[15] Waraich, "Biggest CPI Drop." Remarks attributed to JP Morgan chief economist Bruce Kasman.
[16] "Clash Over Strait of Hormuz Intensifies With Strikes and Trump Threats," The New York Times, live coverage, July 13–14, 2026; "March to July: What's Different as US-Iran Fighting Escalates Again?," Al Jazeera, July 13, 2026.
[17] CNN, "US Resumes Strikes While Iran Says It Struck Two Tankers in Strait of Hormuz," live coverage, July 13, 2026. Brent crude settled at $83.30/barrel, up 9.59% on the day.
[18] 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.