Register-Guard Capital

INFLATION GUARD 8/12/26

We predict a hold, not an ease. We expect headline CPI inflation to come in above consensus and core CPI inflation to come in above consensus. Specifically, we project headline CPI inflation to hold at 3.5%, year-over-year, and core CPI inflation to hold at 2.6%, year-over-year.

The Bureau of Labor Statistics releases the July 2026 Consumer Price Index Report on August 12, 2026. The Bloomberg survey median calls for the all-items index to rise 0.1% on the month, seasonally adjusted, following June's 0.4% decline, with core CPI up 0.2% and the annual core rate easing to 2.5%, its smallest twelve-month increase since February; Bloomberg Economics goes further, expecting the annual core rate to reach its lowest level since early 2021.[1] On an annual basis the survey implies the headline easing to roughly 3.4%, in line with the Federal Reserve Bank of Cleveland's Inflation Nowcast of 3.42%, year-over-year, on a 0.09% monthly change, with the nowcast placing core at 2.52% on a 0.21% monthly gain.[2] Market pricing in exchange-listed CPI event contracts is softer still, implying a median seasonally adjusted monthly change of roughly +0.05%.[3]

Before the reasoning, the scoring. The June report validated our headline direction and rejected our core level. We called headline below consensus at 3.8% and it printed further below at 3.5%; we called core above consensus at 2.9% and it printed below at 2.6%, unchanged on the month. Our energy arithmetic held almost exactly, as the roughly −0.44 percentage point drag energy exerted on the seasonally adjusted all-items change was within two-hundredths of our build, and food matched; the entire miss was core.[4] Notably, the June softness was concentrated in precisely the acyclical categories that say the least about underlying pressure: motor vehicle insurance fell 2.0%, medical care fell 0.1%, and communication declined, while the tariff-sensitive categories we flagged, recreation, household furnishings, and personal care, all rose. We take the miss seriously and mark our core trajectory down by three-tenths accordingly; we do not abandon the framework that produced it.

We are above consensus on headline CPI inflation because we believe the market is extrapolating early July's pump prices across a month whose energy story reversed midstream. According to the U.S. Energy Information Administration, weekly retail gasoline for all grades bottomed at $3.911 per gallon in the week ending July 6, its lowest since mid-March, then climbed every week after the Islamic Revolutionary Guard Corps shut the Strait of Hormuz on July 13, to $3.987, $4.131, and $4.228 by July 27. The July monthly average of roughly $4.06 per gallon is therefore down only about 2.9% from June's $4.184, a fraction of June's 9.2%

---

[1] Vince Golle and Craig Stirling, "US CPI to Show Inflationary Pressures Cooling Some," Bloomberg, August 8, 2026 (updated August 9, 2026). Survey medians and Bloomberg Economics commentary as cited therein.
[2] Federal Reserve Bank of Cleveland, "Inflation Nowcasting," Center for Inflation Research, accessed August 11, 2026.
[3] Register-Guard Capital, internal quantitative CPI model output for the July 2026 target period, August 11, 2026. The market-implied distribution is constructed from executable ask prices across matched CPI event-contract brackets.
[4] Bureau of Labor Statistics, "Consumer Price Index—June 2026," news release, U.S. Department of Labor, July 14, 2026. Component detail and relative importances per Table 1.

collapse, and still roughly 25% above July 2025.[5] Diesel traced the same path, averaging roughly $4.96 against $5.024 in June.[6] Because the CPI prices the month's average rather than its end point, energy still subtracts from the July index; but the drag shrinks from roughly −0.44 percentage points in June to on the order of −0.10, with the usual summer firmness in electricity a partial offset.[7] Building the seasonally adjusted monthly figure directly from components, roughly −0.10 percentage points from energy, plus core's contribution of about +0.22 percentage points (79% weight at our ~0.28% SA core estimate), plus a modest +0.03 percentage points from food, sums to roughly +0.15% for the seasonally adjusted all-items change, firmer than the +0.1% consensus and the +0.09% nowcast, and well above the +0.05% the market implies. On a not-seasonally-adjusted basis, a build of roughly +0.1% for the month, set against a soft July 2025 base that rose just 0.15% to a not-seasonally-adjusted level of 323.048, holds the year-over-year rate at 3.5% rather than easing to the 3.4% consensus expects.[8] The divergence is a few hundredths of a point on the monthly build; rounding carries it to a tenth on the annual rate, and the direction of the miss risk sits with the market, not with us, because every week of July repriced fuel higher.

We are above consensus on core CPI inflation, though by a markedly humbler margin than the calls we carried through the spring. Three forces we have tracked all year remain in place. First, shelter's disinflation has stalled. Zillow Research forecasts owners' equivalent rent up 0.27% in July and rent of primary residence up 0.26%, both firmer than June's 0.2% and 0.1% readings, with the annual rates at 3.25% and 2.82%, and Zillow itself describes shelter disinflation as having effectively plateaued.[9] Apartment List corroborates the floor under rents: the national median rent rose 0.2% in July, a sixth consecutive monthly increase, with year-over-year rents recovering to −1.1% from the −1.6% April trough and multifamily vacancy holding at 7.2% after registering its first decline since 2021.[10] At roughly 35% of the all-items index and 45% of core, shelter at a 0.26–0.27% monthly pace contributes about +0.12 percentage points to core on its own. Second, June's core-services softness looks idiosyncratic rather than cyclical. Motor vehicle insurance cannot subtract two percent every month and the San Francisco Fed's cyclical and acyclical decomposition places insurance and healthcare among the administered categories whose swings carry little signal about slack; we pencil in non-housing services, the "supercore," near +0.25%, with airfares, per the consensus preview, an offsetting drag as jet fuel

---

[5] U.S. Energy Information Administration, "Weekly U.S. All Grades All Formulations Retail Gasoline Prices," Petroleum & Other Liquids Data, accessed August 11, 2026. The July 2025 monthly average was roughly $3.25 per gallon per the same series.
[6] U.S. Energy Information Administration, "Weekly U.S. No. 2 Diesel Retail Prices," Petroleum & Other Liquids Data, accessed August 11, 2026.
[7] Bureau of Labor Statistics, "CPI, June 2026," Table 1. Relative importances as of June 2026: energy 7.791, gasoline (all types) 4.250, food 13.447, all items less food and energy 78.762, shelter 35.149.
[8] Bureau of Labor Statistics, "Consumer Price Index—July 2025," news release, U.S. Department of Labor, August 12, 2025, and "Consumer Price Index—June 2025," news release, July 15, 2025. The July 2025 all-items index (NSA) stood at 323.048, up 0.15% from the June 2025 level of 322.561; the June 2026 all-items index stood at 333.952 per the June 2026 release.
[9] Treh Manhertz, "Zillow: CPI Shelter Forecast, July 2026," Zillow Research, August 3, 2026.
[10] Apartment List Research Team, "Apartment List National Rent Report," July 28, 2026.

settled.[11, 12] Third, tariff pass-through into core goods continues but is no longer accelerating: the June Producer Price Index showed final demand less foods, energy, and trade services up just 0.1% after May's 0.8% jump, though still 5.1% over the year, and June core PCE held at 3.3% year-over-year, easing from 3.4%.[13, 14] Our bottom-up build of roughly 0.28% seasonally adjusted maps, carrying forward last July's gap between its 0.3% seasonally adjusted and 0.2% unadjusted changes, to roughly 0.16% NSA against a July 2025 base of 328.980; that holds core at 2.6%, a tenth above the 2.5% consensus and the 2.52% nowcast.[15] As with the headline, this is a rounding-boundary call, and we say so plainly: our build lands within a few hundredths of the line separating 2.5% from 2.6%. Matching last July's 0.2% NSA pace would leave the annual rate unchanged at 2.6%, while the consensus implies an unadjusted build of roughly half that pace. We take the higher side because the risks to our monthly build sit above it, in shelter and in insurance payback, not below it.

On model reconciliation: RGC's internal quantitative CPI model, which remains in beta testing, produced, as of August 11, a July headline point estimate of +0.19% month-over-month, with an 80% conformal interval of roughly −0.12% to +0.50%, against market bracket pricing centered near +0.05%.[16] Our +0.15% build sits just inside the model's median, and the two approaches agree on the claim that matters: the market is priced too soft. Two cautions temper the model's magnitude. Its current run flags an internal inconsistency in its dynamic factor loadings, with services ex-shelter and lagged import prices loading against the dominant inflation-pressure factor, which the model's own diagnostics identify as a possible noise fit inflating the roughly +0.30 percentage point unmodeled remainder inside its distribution; we discount that component accordingly. Its regime-conditional and flat-baseline specifications also diverge by roughly 0.19 percentage points, with the flat baseline centered near zero, and its live scorecard holds only one realized target period of the six required to adjudicate between them. We score it honestly as well: in June the model's −0.29% was closer to the actual −0.4% than our −0.22% build, and our prior claim that it prints softer than the eventual official figure did not survive the June report. We therefore give its firm July signal more weight than we otherwise would, while continuing to anchor on the directly observed EIA retail path.

Overall, July's report should read as the calm between two storms, and August is where the Strait closure prints. The reopened conflict that ended June's disinflationary impulse reached the pump too late in July to lift the monthly average; it will not be late in August. Weekly

---

[11] Federal Reserve Bank of San Francisco, "Cyclical and Acyclical Core PCE Inflation," updated July 30, 2026; Bureau of Labor Statistics, "CPI, June 2026," Table 1 (motor vehicle insurance down 2.0% seasonally adjusted in June and 4.1% over the year).
[12] Golle and Stirling, "US CPI to Show Inflationary Pressures Cooling Some."
[13] Bureau of Labor Statistics, "Producer Price Indexes—June 2026," news release, U.S. Department of Labor, July 15, 2026.
[14] Bureau of Economic Analysis, "Personal Income and Outlays, June 2026," news release, U.S. Department of Commerce, July 30, 2026.
[15] Bureau of Labor Statistics, "CPI, July 2025" and "CPI, June 2025." The core index (NSA) rose 0.2% in July 2025, from 328.364 to 328.980, on a 0.3% seasonally adjusted change; the June 2026 core index (NSA) stood at 336.882 per the June 2026 release.
[16] Register-Guard Capital, internal quantitative CPI model output, August 11, 2026 (see note 3). Diagnostics, conformal interval, and specification comparison per the August 11 run; the regime-conditional specification remains primary by default pending scorecard validation.

gasoline entered August at $4.21 and $4.14 per gallon, diesel entered above $5.25, and the Cleveland Fed's August nowcast already carries a +0.35% monthly headline change.[17] On the underlying trend, The Economist's excess-concentration work points the same direction we do: when the items rising fastest drive the headline to an unusual degree, as they have since the war began, inflation tends to revert toward its average as the concentrated shock fades, which is the lesson of the June print and, we expect, of this one.[18] For the Federal Open Market Committee, which held the target range at 3.50%–3.75% on July 29 over three dissents in favor of a hike, the report cuts both ways: a roughly +0.1% monthly print with core near 2.5–2.6% drains urgency from the hawks, but a headline that refuses to fall below 3.5% with the Strait closed and August fuel already rising gives the doves nothing either.[19] Set against a July employment report that came in weak against both the consensus and our above-consensus 95,000 call, with labor supply contracting faster than labor demand, the Committee heads toward its September 15–16 meeting boxed between a stagflationary jobs picture and a war premium it cannot cut against.[20] We expect a hold in September, and we expect the August CPI, not this one, to decide how uncomfortable that hold is.

[17] U.S. Energy Information Administration, weekly gasoline and diesel series (notes 5 and 6); Federal Reserve Bank of Cleveland, "Inflation Nowcasting" (note 2).
[18] "The Economist's Prediction Model," The Economist, June 25, 2026. The rank-weighted measure placed underlying May inflation at 3.6% against a 4.1% headline.
[19] Golle and Stirling, "US CPI to Show Inflationary Pressures Cooling Some"; Register-Guard Capital, Employment Guard 8/7/26 (August 7, 2026).
[20] Register-Guard Capital, Employment Guard 8/7/26; Bureau of Labor Statistics, "The Employment Situation—July 2026," news release, August 7, 2026.

Register-Guard Capital

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.