Register-Guard Capital

INFLATION GUARD 9/11/26

We predict a firm print, the first with the war back in the monthly average. 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 rise to 3.5%, year-over-year, and core CPI inflation to rise to 2.5%, year-over-year.

The Bureau of Labor Statistics releases the August 2026 Consumer Price Index Report on September 11, 2026. The FactSet consensus, as reported by Morningstar, calls for the all-items index to rise 0.4% on the month, seasonally adjusted, after July's 0.1%, with the annual rate easing to 3.3%, and for core CPI to rise 0.2% with the annual core rate easing to 2.4%.[1] Reuters' September 4 to 9 poll of 93 economists carries the same 0.4% monthly figure but has the annual headline rate holding at 3.4%.[2] The Federal Reserve Bank of Cleveland's Inflation Nowcast sits between the two, at 3.38%, year-over-year, on a 0.36% monthly change, with core at 2.38% on a 0.20% monthly gain,[3] and market pricing in exchange-listed CPI event contracts implies a median seasonally adjusted monthly change of roughly +0.35%.[4] Governor Waller has said he would vote to hold next week if core prices rose 0.2% in August and would support an increase if the number "comes in hot"; investors put the odds of a hike at around 60%.[5]

Before the reasoning, the scoring. We called headline holding at 3.5% and core holding at 2.6% in July; both printed a tenth lower, at 3.4% and 2.5%, on monthly changes of 0.1% and 0.2% that matched the consensus exactly.[6] Our energy arithmetic held for a second consecutive month and rent and owners' equivalent rent printed the Zillow forecasts to the digit; the entire miss was lodging away from home, down 2.8%, the one shelter component our build did not model. The Register adopted the corrective, shelter built from all three of its components, and it is applied below for the first time.[7]

We are above consensus on headline CPI inflation because August is the month the Strait of Hormuz closure finally reached the monthly average. According to the U.S. Energy Information Administration, retail gasoline for all grades averaged $4.192 per gallon in August against $4.064 in July, a rise of 3.2% that reverses July's 2.9% decline and stands 28.7% above August 2025; diesel averaged $5.462 against $4.955, up 10.2% on the month and 45.9% on the

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[1] Colin Laidley, "August CPI Seen Cooling, but Will It Prevent a Fed Rate Hike?," Morningstar, September 9, 2026. FactSet consensus figures as cited therein.
[2] Indradip Ghosh, "Fed to Hold Rates Steady in Rest of 2026; Rising Number of Analysts See at Least One Hike: Reuters Poll," Reuters, September 9, 2026.
[3] Federal Reserve Bank of Cleveland, "Inflation Nowcasting," Center for Inflation Research, accessed September 9, 2026.
[4] Register-Guard Capital, internal quantitative CPI model output for the August 2026 target period, September 11, 2026. The market-implied distribution is constructed from executable ask prices across matched CPI event-contract brackets.
[5] Nick Timiraos, "A Tiny Shift in the Inflation Rate Could Decide the Fed's Next Move," The Wall Street Journal, September 9, 2026.
[6] Bureau of Labor Statistics, "Consumer Price Index—July 2026," news release, U.S. Department of Labor, August 12, 2026. Component detail, relative importances, and index levels per Table 1.
[7] Register-Guard Capital, Inflation Guard 8/12/26 and Inflation Register 8/12/26 (August 12, 2026).

year.[8] AAA records the first August in which the national average stayed above $4 every day.[9] Because the CPI prices the month's average rather than its end point, July's average was set by the early-July trough and August's by the post-closure level, and the sign of the energy contribution flips. The CPI gasoline index has tracked the EIA average roughly one for one since 2024, so the unadjusted move maps to about +3.2%; August's seasonal factors expect pump prices to ease from the summer peak, so the seasonally adjusted figure runs about a point and a half higher, as it has in each of the last four Augusts.[10] We carry gasoline near +4.6% seasonally adjusted, fuel oil up with diesel, and the usual late-summer firmness in electricity, for an energy index up roughly 2.7% and a contribution on the order of +0.20 percentage points, against −0.11 in July; the August Producer Price Index, with final demand energy up 4.2% and diesel up 24.1%, points the same way.[11] Adding core's contribution of about +0.23 percentage points (79% weight at our roughly 0.29% core estimate) and about +0.03 from food gives roughly +0.45% for the seasonally adjusted all-items change, firmer than the +0.4% both surveys carry, the +0.36% nowcast, and the +0.35% the market implies. August's seasonal factors take roughly a tenth off the unadjusted all-items change, mapping our build to +0.35% to +0.39% on the July level of 333.918 against an August 2025 base of 323.976, or 3.43% to 3.47%.[12] Printing 3.5% requires an unadjusted move of +0.370%, which our central build clears by a few hundredths; printing 3.3% requires less than +0.273%, below last August's own pace, in a month when fuel rose 3% instead of falling. This is a rounding-boundary call, and we say so plainly; what decides us is that every sensitivity in the build runs the same way, and that the first September weekly readings, $4.295 for gasoline and a record $5.967 for diesel, already have the nowcast at +0.41% for September.[13]

We are above consensus on core CPI inflation because the three-component shelter build points up rather than sideways, and because the acyclical services that softened in June have been paying it back since. Zillow Research's July forecast, the latest it has published, put owners' equivalent rent at 0.27% and rent at 0.26%, both printed 0.3%, and it describes shelter disinflation as having "effectively plateaued," with owners' equivalent rent rising 3.36% over 2026, the same as in 2025.[14] The market data agree: Apartment List's national median rose 0.1% in August, a seventh consecutive increase, with the annual rate recovering to −0.8% from the −1.6% April trough and vacancy at 7.1%, down from its 7.3% February peak, and Zillow's

[8] U.S. Energy Information Administration, "Weekly U.S. All Grades All Formulations Retail Gasoline Prices" and "Weekly U.S. No. 2 Diesel Retail Prices," Petroleum & Other Liquids Data, accessed September 9, 2026. Monthly figures are averages of the weekly series.
[9] AAA, "Gas Prices Remain High as August Will Likely Set New Record," AAA Fuel Prices, August 27, 2026.
[10] Bureau of Labor Statistics, "Consumer Price Index—August 2025," news release, September 11, 2025. Gasoline rose 1.9% seasonally adjusted on a 0.3% unadjusted move; the August gap between the two averaged 1.5 points over 2022–2025.
[11] Bureau of Labor Statistics, "Producer Price Indexes—August 2026," news release, U.S. Department of Labor, September 10, 2026.
[12] Bureau of Labor Statistics, "CPI, August 2025," Table 1: all-items index (NSA) 323.976, all items less food and energy 329.970; "CPI, July 2026," Table 1: 333.918 and 337.133. Seasonal differences are measured from the published seasonally adjusted and unadjusted indexes for August 2022 through August 2025.
[13] U.S. Energy Information Administration, weekly series for the week ending September 7, 2026; Federal Reserve Bank of Cleveland, "Inflation Nowcasting," September 2026 nowcast.
[14] Treh Manhertz, "Zillow: CPI Shelter Forecast, July 2026," Zillow Research, August 3, 2026. Zillow had not published an August forecast as of September 10, 2026.

asking rents are up 2.3% from a year earlier, the fastest pace in more than a year.[15] We carry owners' equivalent rent at 0.27% and rent at 0.26%. Lodging away from home, the component that decided July, has fallen 2.3% and 2.8% in consecutive months; CoStar's hotel rates are up 5.7% from a year earlier, but the producer index for traveler accommodation fell 1.0% in August after declines in June and July, tracking the consumer index down rather than signaling a reversal, so we carry lodging flat and note that each point on it is worth about 0.014 percentage points on the index.[16] Shelter builds to roughly 0.25%, about +0.09 percentage points. In non-housing services, airline fares rose 2.2% in July and the August producer index for airline passenger services rose 4.2%, so we carry fares near +3%; medical care services, up 0.6% in July after June's decline, we carry at 0.3%; motor vehicle insurance, down three months running, we carry flat. The San Francisco Fed's decomposition continues to place the firmness in the acyclical categories, and July core PCE held at 3.3%, year-over-year.[17] Core goods rose 0.2% in July, and the August PPI has final demand goods less foods and energy up 0.4% and final demand less foods, energy, and trade services up 0.3% after 0.4%, so we carry core goods at 0.20%.[18] Because our core builds have run above the index in each of the last three reports, we state where this one departs from the trailing twelve-month averages: core goods at 0.20% against 0.07%, on July's print and the producer index; medical care services at 0.3% against 0.24%, on July's payback; airfares in line. Those departures are worth roughly three-hundredths on the core index and are the whole of the above-consensus call. The build sums to roughly 0.29% seasonally adjusted; August's seasonal factors are neutral for core, and a 0.29% unadjusted move on the July core level of 337.133 against an August 2025 base of 329.970 yields 2.46%, which prints as 2.5%.[19] The line between 2.4% and 2.5% sits at +0.273%, and our figure clears it by roughly one-hundredth; the consensus 0.2% implies 2.4%. We take the higher side because the producer indexes behind our departures point up, not down, and because the shelter arithmetic that broke against us in July is now modeled rather than assumed.

On model reconciliation: RGC's internal quantitative CPI model, still in beta testing, produced on September 11 an August headline point estimate of +0.43% month-over-month, with a median of +0.44% and an 80% conformal interval of roughly +0.12% to +0.75%, against market bracket pricing centered near +0.35%.[20] Its energy and shelter terms together give +0.29 percentage points, matching our own +0.20 and +0.09; the remaining +0.15 is an unmodeled remainder whose factor loadings the model's own diagnostics flag as incoherent, with services ex shelter and core goods loading inconsistently across regimes. Its regime-conditional and flat-baseline specifications agree closely this month, at +0.44% and +0.42%, and its scorecard holds two realized periods of the six required, the flat baseline narrowly ahead in both. In July its point

[15] Chris Salviati and Rob Warnock, "Apartment List National Rent Report," Apartment List, August 26, 2026; Zillow, "Rents Near $2,000, Rising at the Fastest Pace in Over a Year," press release, August 18, 2026.
[16] CoStar, "U.S. Hotel Performance for July 2026," press release, August 25, 2026; Bureau of Labor Statistics, "Producer Price Indexes—August 2026," Table 2, traveler accommodation services.
[17] Federal Reserve Bank of San Francisco, "Cyclical and Acyclical Core PCE Inflation," updated August 26, 2026; Bureau of Economic Analysis, "Personal Income and Outlays, July 2026," news release BEA 26-39, August 26, 2026.
[18] Bureau of Labor Statistics, "Producer Price Indexes—August 2026," Table A; "Producer Price Indexes—July 2026," news release, August 13, 2026.
[19] Bureau of Labor Statistics, "CPI, August 2025," and "CPI, July 2026," Table 1.
[20] Register-Guard Capital, internal quantitative CPI model output for the August 2026 target period, September 11, 2026.

estimate overshot the +0.1% actual by nine-hundredths, and the noise-fit warning it carried then proved warranted. Our +0.45% build sits alongside the model's full figure and above its stripped one; we take its energy and shelter terms at face value, since they are our own, and hold the remainder at a discount as the model itself advises.

Overall, this is the report we have pointed to since July 14, and it arrives four days before the September 15 to 16 meeting with the Committee more divided than at any point in Chair Warsh's tenure. Warsh told Jackson Hole on August 28 that the summer's readings "do not tell me that underlying trends have meaningfully improved," and set his standard as confidence that underlying inflation is moving to the objective "clearly and at sufficient speed. Otherwise, we have work to do."[21] Three officials dissented in favor of a hike in July, Waller has drawn his line at a 0.2% core print, and 65 of the 93 economists in the Reuters poll still expect a hold, with Santander's Stephen Stanley arguing that a hike is probable "unless Friday's CPI release brings a substantial downside surprise."[22] Our build is not that surprise: a core print near 0.3% sits above Waller's threshold, and a headline near 0.45% lifts the annual rate back to 3.5%. The labor side no longer supplies cover for waiting, with August payrolls up 162,000, unemployment at 4.1%, and average hourly earnings up 3.1% over the year, against our below-consensus call.[23] Beyond Friday, the September index is already being made: U.S. forces struck IRGC-linked tankers on September 7 and 8, Brent moved to roughly $97 a barrel, up 19% in a month, transits through the Strait have fallen to about ten commodity ships a day, and retail diesel has reached record highs above $5.90.[24] When we last published on the Committee, our base case was a hold through year-end. This report does not support that base case; we will make the call in the Federal Reserve Register Guard 9/16/26, and we note here only that the arithmetic in these pages argues for the hawks.

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.

[21] Kevin Warsh, "In Our Time," keynote remarks at the Federal Reserve Bank of Kansas City Economic Policy Symposium, Jackson Hole, Wyoming, August 28, 2026.
[22] Ghosh, "Reuters Poll"; Timiraos, "A Tiny Shift."
[23] Bureau of Labor Statistics, "The Employment Situation—August 2026," news release, September 4, 2026; Register-Guard Capital, Employment Register 9/4/26.
[24] Andy Hirschfeld and Reuters, "Oil Prices Surge as US-Iran Strikes Intensify in Strait of Hormuz," Al Jazeera, September 7, 2026; Duarte Dias and Frank Andrews, "U.S. Forces Hit IRGC-Linked Oil Tankers as Oil Nears $100 a Barrel," CBS News, September 8, 2026.