

Register-Guard Capital

INFLATION REGISTER 8/12/26

The July 2026 Consumer Price Index released by the Bureau of Labor Statistics on August 12, 2026, showed the all-items index up 0.1% on the month, seasonally adjusted, with headline CPI inflation easing to 3.4%, year-over-year, and core CPI inflation easing to 2.5%, year-over-year.¹ Our prediction, published the morning ahead of the release, called for headline inflation to hold at 3.5% and core to hold at 2.6%, on monthly builds of roughly +0.15% headline and +0.28% core.² The Bloomberg survey median called for +0.1% on the month, +0.2% core, and annual rates of roughly 3.4% and 2.5%.³

Scorecard

Headline CPI, year-over-year:

RGC predicted 3.5%.

Consensus predicted 3.4%.

Actual was 3.4%. RGC overshot by 10-basis points; consensus exact.

Core CPI, year-over-year:

RGC predicted 2.6%.

Consensus predicted 2.5%.

Actual was 2.5%. RGC overshot by 10-basis points; consensus exact.

Monthly change, seasonally adjusted:

RGC built roughly +0.15% headline and +0.28% core.

Consensus called +0.1% and +0.2%.

Actual was +0.1% and +0.2%. Consensus exact on both; we ran five- and eight-hundredths high; market-implied bracket pricing near +0.05% undershot the headline by the margin we overshot it.⁴

The consensus was exact on all four figures; we were a tenth high on both annual measures. By the scorecard convention we use in these pages, that is 0 of 2. We published both calls as rounding-boundary judgments and argued the risks to our build sat above it; the boundary instead broke below, and the gap traces to a single line item, lodging away from home, which we diagnose below. The claim we led with, that the market was priced too soft, was half right: bracket pricing centered near +0.05% undershot the actual +0.1% by the same five-hundredths our own build overshot it, while the consensus split the difference and landed on the number.⁵

¹ Bureau of Labor Statistics, "Consumer Price Index, July 2026," news release, U.S. Department of Labor, August 12, 2026, https://www.bls.gov/news.release/archives/cpi_08122026.htm.

² *Register-Guard Capital*, Inflation Guard 8/12/26 (August 12, 2026).

³ Vince Golle and Craig Stirling, "US CPI to Show Inflationary Pressures Cooling Some," Bloomberg, August 8, 2026. Survey medians as cited therein.

⁴ *Register-Guard Capital*, internal quantitative CPI model output, August 11, 2026. Market-implied distribution from executable ask prices across matched CPI event-contract brackets.

⁵ *Register-Guard Capital*, internal quantitative CPI model output, August 11, 2026 (see note 4).

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Key Findings

The July report is the second consecutive reading consistent with the calm we described this morning: the war is in the annual numbers but not yet back in the monthly ones. Energy stands 14.7% above a year ago, gasoline 24.6%, yet the monthly energy index fell 1.5% because July's average pump price was set by the early-July trough rather than the post-closure climb.⁶ The annual headline rate has retraced nine-tenths from its May peak of 4.2%, the unadjusted all-items index actually edged down on the month, from 333.952 to 333.918, and core at 2.5% is at its smallest twelve-month increase since February.⁷ Underlying disinflation, in other words, is real, and it is proceeding with an energy shock parked one report away. Set against wage growth of roughly 3.2%, a 3.4% headline still leaves real earnings slightly negative, the stagflationary configuration we have tracked since spring.⁸

Seven months into the year, the index tells a story in two acts. In January and February, before the war, headline inflation ran at 2.4% over the year and core at 2.5%, on monthly all-items changes of 0.2% and 0.3%. From March through May the war reached the pump: energy rose 10.9%, 3.8%, and 3.9% in consecutive months, the all-items index rose at an 8.3% annualized pace, and the annual headline rate climbed from 2.4% to 4.2% while core rose from 2.5% to 2.9% on tariff pass-through into goods and a firm April in shelter. June and July have been the unwind: energy fell 5.7% and 1.5%, the all-items index fell 0.4% and rose 0.1%, the annual rate retraced to 3.4%, and core, flat in June and 0.2% in July, saw its annual rate fall from 2.9% to 2.5%.⁹ Over seven months the all-items index has risen at a 3.8% annualized pace and core at 2.6%; over the last three, core has run at 1.6% annualized, its softest stretch since 2020. The war added roughly two percentage points to the annual headline rate at the peak and roughly one point still, and underneath it core inflation has been decelerating since May. August, with the Strait closed since July 13, will show whether the second act ends here or restarts.

Component Analysis

Energy

The energy index fell 1.5% seasonally adjusted, an effect of roughly -0.11 percentage points on the all-items change, with gasoline down 2.9%, fuel oil down 1.7%, electricity up 0.1%, and utility gas up 0.7%.¹⁰ Our arithmetic held nearly exactly for a second consecutive month: we built a drag on the order of -0.10 points from the EIA weekly path, and our gasoline estimate, a monthly average falling roughly 2.9% even as prices climbed every week after the

⁶ Bureau of Labor Statistics, "CPI, July 2026."

⁷ Bureau of Labor Statistics, "CPI, July 2026." The unadjusted all-items index stood at 333.918 in July against 333.952 in June; the unadjusted core index stood at 337.133.

⁸ Bureau of Labor Statistics, "The Employment Situation, July 2026," news release, August 7, 2026; *Register-Guard Capital*, Employment Guard 8/7/26 (August 7, 2026).

⁹ Bureau of Labor Statistics, "CPI, July 2026," Table A; *Register-Guard Capital*, Inflation Guard 3/11/26 and Inflation Guard 4/10/26.

¹⁰ Bureau of Labor Statistics, "CPI, July 2026." Energy relative importance 7.432; gasoline (all types) 3.852. Per the release's one-month analysis table, the seasonally adjusted effect of energy on the all-items change was -0.107 percentage points.

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July 13 Strait closure, printed to the digit.¹¹ The average-versus-endpoint distinction we emphasized in the Guard is now the entire energy story: July's average was made by the early-July trough; August's will be made by the post-closure level.

What energy says about the economy is that it is the entire inflation story of 2026 and none of the underlying one: a supply shock priced at the pump, which subtracts from real incomes and from the headline in equal measure and which has not yet propagated into the categories, airfares aside, that would turn a price level shift into a wage-price process.

Shelter

Shelter rose 0.1%, accounting for roughly two-thirds of the monthly all-items increase by the Bureau's own effect arithmetic, and beneath that aggregate the components split violently.¹² Rent of primary residence rose 0.3% and owners' equivalent rent rose 0.3%, each matching the Zillow forecasts we anchored on (+0.26% and +0.27%) and confirming the re-acceleration those models flagged.¹³ Lodging away from home fell 2.8% after falling 2.3% in June, a two-month collapse in the one shelter component our framework does not model; at a 1.45% relative importance, the July decline alone subtracted roughly a tenth from the shelter aggregate and roughly five-hundredths from core.¹⁴

The economic reading is that the largest component of the index is doing what the private rent data said it would: rent and owners' equivalent rent are tracking the new-lease market back up from its spring trough with the usual lag, while hotels, the one shelter line that prices in real time, are falling on a travel demand that the war and the fuel price have cooled. Shelter is a 3% component, no longer the disinflationary tailwind of the winter, and its swings now come from the smallest piece of it.

Core services excluding shelter

Non-housing services ran hotter than we penciled, not cooler. Airline fares rose 2.2%, where the consensus preview had them easing, and now stand 25.5% above a year ago on war-elevated jet fuel. Medical care services rose 0.6% after June's 0.1% decline, the acyclical payback we argued for, and communication and education rose 0.6% and 0.5%.¹⁵ ¹⁶ The one payback that did not come was motor vehicle insurance, down 0.3% for a third consecutive month and now -4.5% over the year. Netted, the block contributed roughly +0.11 points to core against the +0.08 we built, partially refilling the lodging hole.¹⁷

¹¹ *Register-Guard Capital*, Inflation Guard 8/12/26; U.S. Energy Information Administration, "Weekly U.S. All Grades All Formulations Retail Gasoline Prices," accessed August 11, 2026.

¹² Bureau of Labor Statistics, "CPI, July 2026."

¹³ Treh Manhertz, "Zillow: CPI Shelter Forecast, July 2026," Zillow Research, August 3, 2026; *Register-Guard Capital*, Inflation Guard 8/12/26.

¹⁴ Bureau of Labor Statistics, "CPI, July 2026." Lodging away from home carries a relative importance of 1.450; shelter, 35.304; all items less food and energy, 79.047.

¹⁵ Bureau of Labor Statistics, "CPI, July 2026."

¹⁶ Golle and Stirling, "US CPI to Show Inflationary Pressures Cooling Some."

¹⁷ Bureau of Labor Statistics, "CPI, July 2026."

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The reading here is the San Francisco Fed's: the movement is acyclical. Airfares are jet fuel, medical care is administered prices paying back a soft June, and insurance is unwinding a repricing cycle; the cyclical services that would show demand pressure are running at their trailing averages. A labor market with wage growth at 3.2% is not generating services inflation, and the Committee's hawks will have to make their case on energy and on the tariff pipeline rather than on demand.

Core goods and food

Core goods rose 0.2% after June's 0.1% decline, resuming the tariff pass-through we flagged: used cars up 0.4%, new vehicles up 0.1%, apparel up 0.1% after its June drop, with medical care commodities down 0.6% the main offset. Food rose 0.1%, as a 0.1% decline in food at home, led by lettuce (-16.4%) and pork (-1.5%), was outweighed by a 0.3% rise in food away from home. Both lines landed within a tenth of our build.¹⁸

The reading is that tariff pass-through is real, slow, and narrowing: vehicles and apparel carry it, medical goods and household furnishings do not, and the producer pipeline is being absorbed in margins rather than passed to the shelf. Food at home falling on the month while food away from home rises 0.3% is the pattern of a consumer who is trading down at the store and not yet at the restaurant.

On the Miss

We predicted 3.5% and 2.6%; actual was 3.4% and 2.5%. Two tenths across two measures is small in isolation, but the diagnosis matters because we can't fix what we don't understand, and this one is unusually clean: it is one line item. Our 0.28% core build decomposed into roughly +0.12 points from shelter at a Zillow-anchored 0.27%, +0.06 from core goods at 0.25%, and +0.08 from non-housing services at 0.25%. The actuals were +0.05 from core goods and +0.11 from non-housing services, a near wash, and +0.04 from shelter, seven-hundredths short of our figure with the shortfall fully explained by lodging. The rent and owners'-equivalent-rent forecasts we anchored on printed exactly; what failed is that our shelter line was implicitly rent plus OER with lodging assumed neutral, in a month when lodging fell 2.8% for the second time running. Had we carried even June's -2.3% lodging print forward as a placeholder, our core build would have been roughly 0.21%, our unadjusted mapping roughly 0.10%, and our published call 2.5%, matching the consensus rather than overshooting it. The headline miss inherits the same arithmetic: energy and food were on target, so the tenth we missed by is the core tenth compounding through an unadjusted index that came in flat against our +0.1% assumption.¹⁹

The corrective is set out below.

Methodology

¹⁸ Bureau of Labor Statistics, "CPI, July 2026."

¹⁹ *Register-Guard Capital*, Inflation Guard 8/12/26; Bureau of Labor Statistics, "CPI, July 2026."

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One rule, tied to the line that decided this report, and one refinement. The rule: shelter is built from all three of its components explicitly, rent of primary residence and owners' equivalent rent from Zillow's CPI forecast, and lodging away from home projected from hotel average daily rate data, with a stated treatment of any prior-month outlier; a component we do not model is a component we are implicitly forecasting at zero, and July priced that omission at exactly one rounding boundary. Applied to July, carrying even June's lodging print forward as a placeholder gives a core build of roughly 0.21%, an unadjusted mapping of roughly 0.10%, and a published call of 2.5%, matching the consensus and the print. The refinement: a call that sits within a few hundredths of a rounding line is labeled as such in the Guard, with the exact unadjusted move the line requires, so that a reader can see what a tenth is worth and what would decide it. The base-effect rule adopted after the May Employment Register held for a third month; the energy arithmetic, built from the EIA weekly path and the average-versus-endpoint distinction, has now printed to the digit twice, and is the method's strongest leg.

Model Reconciliation

The internal model, still in beta, took the July point at +0.19% month-over-month with an 80% conformal interval of -0.12% to +0.50%. The interval contained the +0.1% actual; the point overshot by nine-hundredths, the widest miss among the benchmarks we track (consensus exact, our build five-hundredths high, market bracket pricing five-hundredths low, the model's own flat-baseline specification eleven-hundredths low). The run's diagnostics flagged the +0.30 point unmodeled remainder as a possible noise fit, and the outcome is consistent with that warning: the discount we applied was right in direction and insufficient in size. In June the model beat our bottom-up build; in July it trailed it. The live scorecard advances to two realized target periods of the six required, and the regime-conditional specification remains primary by default.²⁰

Macro Implications

An in-line inflation report landing four days after a weak employment report leaves the Committee where it was: boxed. The July 29 hold at 3.50%–3.75% drew three dissents in favor of a hike; a +0.1% monthly print with core easing to 2.5% drains the urgency from that position, and the coverage read it exactly that way.²¹ But nothing here licenses easing either. Headline at 3.4% sits well above target with the Strait closed, energy is 14.7% above a year ago, the August EIA weeklies, gasoline at \$4.21 and \$4.14 per gallon and diesel above \$5.25, already point the next monthly average higher, and the Cleveland Fed's August nowcast carries a +0.35% monthly change.²³ With inflation at 3.4% against wage growth near 3.2%, real earnings remain slightly negative.²⁴ Our September call is unchanged: a hold, with the August CPI the

²⁰ *Register-Guard Capital*, internal quantitative CPI model output, August 11, 2026 (see note 4); *Register-Guard Capital*, Inflation Guard 7/14/26 (July 14, 2026).

²¹ *Register-Guard Capital*, Employment Guard 8/7/26; Golle and Stirling, "US CPI to Show Inflationary Pressures Cooling Some" (July 29 dissents as reported therein).

²² Jeff Cox, "Consumer Prices Rose 0.1% in July, Annual Inflation Rate Ticks Down to 3.4%," CNBC, August 12, 2026.

²³ U.S. Energy Information Administration, weekly retail gasoline and diesel series, accessed August 12, 2026; Federal Reserve Bank of Cleveland, "Inflation Nowcasting," Center for Inflation Research, accessed August 12, 2026.

²⁴ Bureau of Labor Statistics, "The Employment Situation, July 2026."

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decisive input. For markets, the print should ease front-end hike pricing modestly, do little for the long end while August energy risk is live, and leave the dollar's war bid intact. None of these moves should be large.

Forward Look

Three things to watch in the next month. First, the August CPI, released Friday, September 11, is the report we have pointed to since July 14: the first monthly average fully set by post-closure fuel prices, arriving four days before the September 15–16 FOMC meeting.²⁵ Second, the July Producer Price Index and the weekly EIA path will tell us whether the airfare jump and the core-goods reacceleration have pipeline confirmation or were one-month noise. Third, the August shelter micro-data from Zillow and Apartment List will tell us whether rent and owners' equivalent rent hold their 0.3% pace and whether lodging's two-month collapse mean-reverts; if lodging merely goes flat in August, the shelter arithmetic alone restores roughly five-hundredths to core.

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²⁵ Bureau of Labor Statistics, "CPI, July 2026." The August 2026 CPI is scheduled for release on Friday, September 11, 2026.

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