

## US Inflation Data Raised Rate Hike Odds



### Summary:

- Headline CPI inflation remained elevated at 3.4% YoY in August, while core CPI inflation edged lower to 2.4%.
- Energy prices continued to surge as geopolitical tensions in the Middle East remained unresolved. Meanwhile, other CPI categories were mixed.
- Probability of a September rate hike rose following the report.

**The August 2026 CPI report revealed that inflation regained momentum, as rising energy prices drove headline inflation up.** Headline CPI inflation remained sticky, holding steady at 3.4% year-on-year (YoY), matching July's pace and remaining elevated above policy targets. On a monthly basis, headline CPI accelerated by 0.4% month-on-month (MoM) after July's modest rise of 0.1%. Meanwhile, core CPI inflation (which excludes volatile food and energy prices) edged lower to 2.4% YoY from 2.5% in July. However, on a MoM basis, the core figure rose by 0.3%, slightly faster than July's pace of 0.2%. While annual core CPI inflation edged lower, the reacceleration in monthly headline figures underscored lingering price pressures from oil-price shocks.

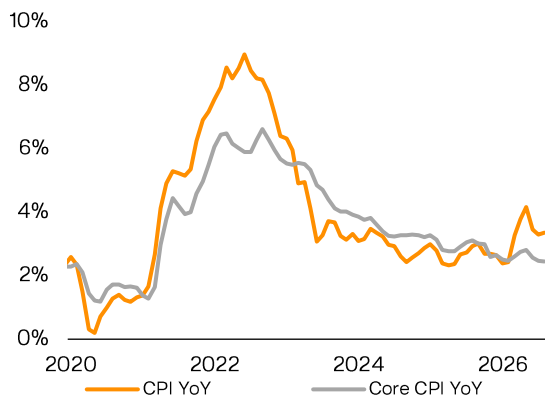
**Energy prices served as the primary catalyst for August's monthly surge.** The overall energy index jumped 2.1% MoM after declining 1.5% in July, with gasoline prices expanding 3.9% over the month and accounting for over one-third of the total headline CPI increase. Fuel oil posted a sharp monthly advance of 10.1%. Energy services prices, however, dipped by 0.4% MoM in August after rising by 0.3% in July. Global energy markets continue to react to geopolitical tensions and supply bottlenecks around critical transit corridors, keeping crude oil prices elevated and passing cost pressure directly onto domestic retail prices.

## Economic Indicators Analysis

**14 September 2026**

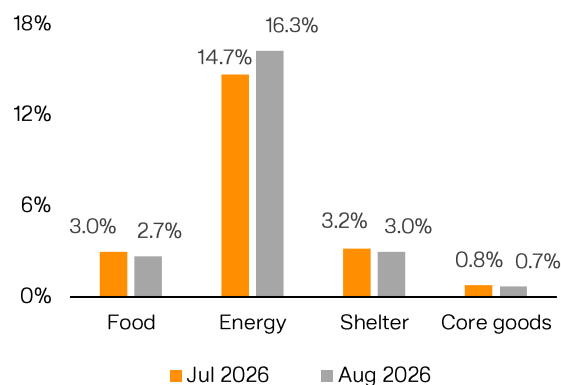
**Outside of energy, trends in other CPI components were mixed.** Shelter costs rose 0.3% MoM after a 0.1% gain in July, while remaining the largest structural contributor to core sticky services. Food prices edged up a modest 0.1% MoM, the same as in July. Elsewhere, core goods experienced a modest increase of just 0.1% MoM, down from 0.2% in July. Meanwhile, categories like medical care services (-0.2%) and motor vehicle insurance (-0.8%) registered declines, while airline fares (+2.7%) continued to rise, likely tied to the rise in energy prices.

**US CPI Inflation**



Source: Bloomberg

**US CPI Inflation by Component (YoY)**



Source: Bloomberg

**The August inflation print arrives at a critical juncture for monetary policy ahead of the upcoming Federal Open Market Committee (FOMC) meeting.** Financial markets have increasingly priced in an upcoming 25-basis point rate hike following the release of the CPI report, coupled with Federal Reserve (Fed) Chairman Kevin Warsh's hawkish remarks at the Jackson Hole symposium. Such a move would underscore the Fed's commitment to bringing inflation back toward its target.

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