


Core inflation eased in December

Article



The news: The US consumer price index (CPI) grew 2.9% YoY and 0.4% MoM in December, in line with analysts' expectations, per the Labor Department.

Excluding volatile food and energy, prices increased 3.2% YoY and 0.2% MoM, beating the 3.3% and 0.3% that analysts expected. This was the first MoM slowdown in core CPI since July.

Mixed emotions: There's reason to be optimistic about the CPI report. Housing prices in December increased at their slowest pace in nearly three years, as did services prices and

other categories.

But even as the Fed can see the path for a soft landing, it faces new challenges from the incoming Trump administration's agenda of [steep tariffs](#), mass deportation, and tax cuts—which could spark a new wave of inflation. As a result, the Fed will likely take a wait-and-see approach before embarking on more rate cuts.

Our take: While the Fed's approach provides more flexibility to correct course if needed, it will also keep interest rates higher for longer, meaning consumers will likely continue to face challenges in purchasing a car or home.

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