

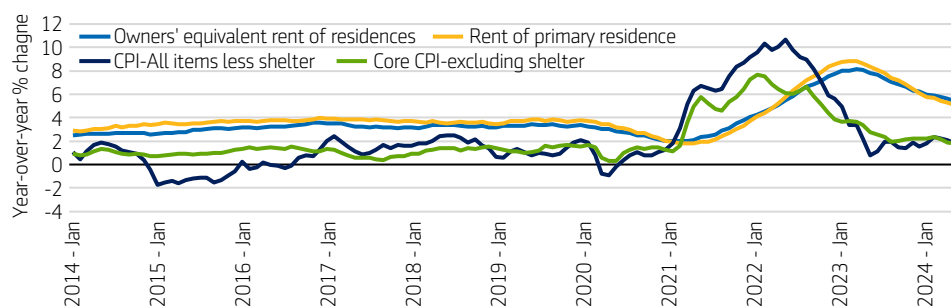
AEGON INSIGHTS

# CPI adds wind to the sails of September rate cut

*Inflation staged a broad retreat in June, according to the latest data from the Bureau of Labor Statistics.*

The consumer price index (CPI) showed price pressures are easing, with the headline number falling -0.1% in June from the previous month. That helped pull the annual rate down from 3.3% in May to 3%, which marked its lowest level since March 2021.

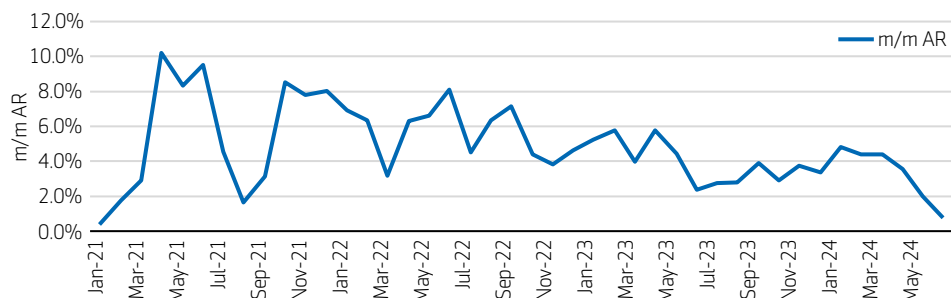
## Inflation and housing: Year-over-year % change



Sources: Bureau of Labor Statistics, Haver Analytics. Data as of July 2024.

Core CPI—which excludes food and energy prices and accounts for roughly 80% of total CPI figure—followed suit, slipping to 0.1% in June from 0.2% in the previous month. On a year-over-year basis, core CPI came in at 3.3% last month compared to 3.4% in May, which is a sharp decline from its 3.9% reading at the start of a year.

## Core CPI: 1-month annual rate (80% of index)



Source: Haver Analytics

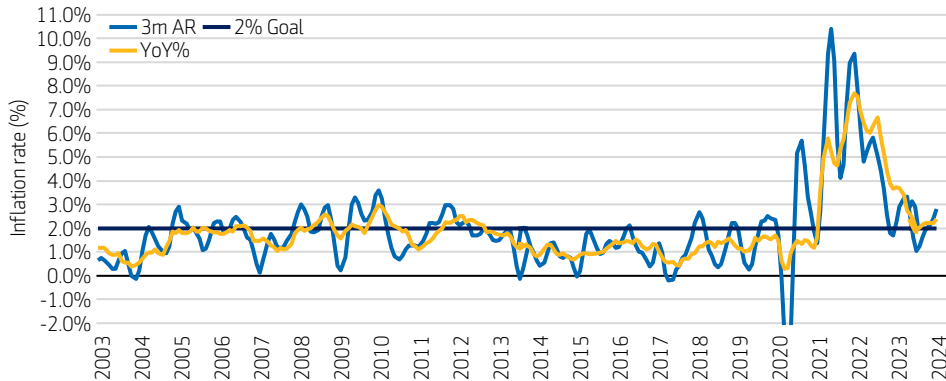


**Frank Rybinski, CFA**  
Head of  
Macro Strategy

Frank Rybinski, CFA, is head of macro strategy responsible for guiding the firm's global macroeconomic view as it pertains to tactical and strategic asset allocation. This includes analysis of the economy, interest rates, and the relative value between asset classes. In this capacity, Frank frequently appears in leading financial media outlets like Bloomberg, CNBC, Fox Business and the Wall Street Journal. Prior to his current role, Frank was a credit strategist for UBS Investment Bank. Prior to that, he worked as an analyst for ZT Zurich Trust in Zurich, Switzerland. Frank began his career as a trader for Spear, Leeds & Kellogg and held a similar position at The Royal Bank of Scotland. He has been in the industry since 1996 and started with the firm in 2008. Frank received his BA in economics from Boston College. He is a CFA® charterholder.

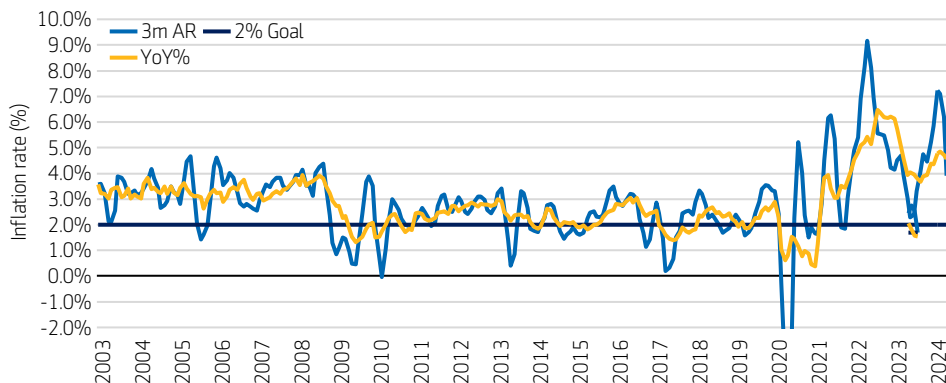
Diving a little deeper into the data, we see that core CPI minus shelter costs, fell -0.02%—it's second consecutive negative monthly print. Meanwhile, Federal Reserve Chairman Powell's preferred "super core" CPI measurement (core services excluding shelter costs, which accounts for 28% of the total CPI index) posted its second straight monthly contraction, falling -0.05% in June after a -0.04% decline in May.

### Core CPI excluding shelter (43% of the index)



Source: Haver Analytics. Data as of July 2024.

### "Super core": CPI core services, excluding shelter (28% of the index)



Source: Haver Analytics. Data as of July 2024.

Shelter costs themselves also cooled, coming in at 0.2% for the month although still up 5.2% for the year. Still, it's worth noting that housing is a structurally short-term market and it's pricing typically runs ahead of headline inflation due to the calculation methodology. So, housing prices typically lag inflation on the upside and on the downside.

In a nutshell, the broad anecdotal dis-inflation theme that was prevalent in the last two Beige Book reports seems to be working its way into the hard data. This is also confirmed by the cooling we're seeing in the labor market.

We expect these trends to continue and, as a result, are maintaining our base case for the Federal Reserve to begin cutting rates in September. The market seems to share this sentiment and, as of this writing, is pricing in 100% chance of that scenario. A month ago, those odds were roughly a coin flip.

*In a nutshell, the broad anecdotal dis-inflation theme that was prevalent in the last two Beige Book reports seems to be working its way into the hard data.*

## Inflation slice and dice

	As of	% of Index	m/m	m/m AR	3m AR	6m AR	YoY	Chg v. Dec '20
CPI-U	Jun-24	100%	-0.06%	-0.7%	2.8%	3.3%	3.0%	19.5%
CPI-U: Core	Jun-24	80%	0.06%	0.8%	3.2%	3.7%	3.3%	17.8%
CPI-U: Core, ex-Shelter	Jun-24	43%	-0.02%	-0.3%	2.0%	2.4%	1.8%	14.7%
CPI-U: Core, ex-Shelter & Used Autos	Jun-24	41%	0.05%	0.6%	2.5%	3.0%	2.5%	14.7%
CPI-U: Services, ex-Shelter	Jun-24	28%	-0.05%	-0.6%	3.9%	5.7%	4.6%	17.1%
Cleveland Fed Trimmed Mean CPI	Jun-24	84%	0.17%	2.0%	2.9%	3.7%	3.3%	18.0%
Cleveland Fed Median CPI	Jun-24	-	0.19%	2.4%	3.8%	4.6%	4.2%	18.8%
PCE	May-24	100%	-0.01%	-0.1%	3.5%	2.6%	2.6%	16.5%
PCE - Core	May-24	88%	0.08%	1.0%	3.6%	2.8%	2.6%	15.2%
PCE - Core Services, ex-Housing	May-24	-	0.10%	1.2%	4.1%	3.8%	3.4%	16.0%
Dallas Fed Trimmed Mean PCE	May-24	45%	0.12%	1.4%	3.2%	2.9%	2.8%	13.3%
Cleveland Fed Median PCE	May-24	-	0.19%	2.3%	3.5%	3.4%	3.3%	15.8%
San Fran Fed - Cyclical PCE Inflation	May-24	-	0.29%	3.6%	4.7%	4.8%	4.8%	22.0%
San Fran Fed - Acyclical PCE Inflation	May-24	-	-0.04%	-0.5%	2.9%	1.7%	1.2%	11.6%

## Disclosures

This material is provided by Aegon Asset Management (Aegon AM) as general information and is intended exclusively for institutional and wholesale investors, as well as professional clients (as defined by local laws and regulation) and other Aegon AM stakeholders.

This document is for informational purposes only in connection with the marketing and advertising of products and services, and is not investment research, advice or a recommendation. It shall not constitute an offer to sell or the solicitation to buy any investment nor shall any offer of products or services be made to any person in any jurisdiction where unlawful or unauthorized. Any opinions, estimates, or forecasts expressed are the current views of the author(s) at the time of publication and are subject to change without notice. The research taken into account in this document may or may not have been used for or be consistent with all Aegon AM investment strategies. References to securities, asset classes and financial markets are included for illustrative purposes only and should not be relied upon to assist or inform the making of any investment decisions. It has not been prepared in accordance with any legal requirements designed to promote the independence of investment research, and may have been acted upon by Aegon AM and Aegon AM staff for their own purposes.

The information contained in this material does not take into account any investor's investment objectives, particular needs, or financial situation. It should not be considered a comprehensive statement on any matter and should not be relied upon as such. Nothing in this material constitutes investment, legal, accounting or tax advice, or a representation that any investment or strategy is suitable or appropriate to any particular investor. Reliance upon information in this material is at the sole discretion of the recipient. Investors should consult their investment professional prior to making an investment decision. Aegon Asset Management is under no obligation, expressed or implied, to update the information contained herein. Neither Aegon Asset Management nor any of its affiliated entities are undertaking to provide impartial investment advice or give advice in a fiduciary capacity for purposes of any applicable US federal or state law or regulation. By receiving this communication, you agree with the intended purpose described above.

Past performance is not a guide to future performance. All investments contain risk and may lose value. This document contains "forward-looking statements" which are based on Aegon AM's beliefs, as well as on a number of assumptions concerning future events, based on information currently available. These statements involve certain risks, uncertainties and assumptions which are difficult to predict.

Consequently, such statements cannot be guarantees of future performance, and actual outcomes and returns may differ materially from statements set forth herein.

The following Aegon affiliates are collectively referred to herein as Aegon Asset Management: Aegon USA Investment Management, LLC (Aegon AM US), Aegon USA Realty Advisors, LLC (Aegon RA), Aegon Asset Management UK plc (Aegon AM UK), and Aegon Investment Management B.V.

(Aegon AM NL). Each of these Aegon Asset Management entities is a wholly owned subsidiary of Aegon Ltd. In addition, Aegon Private Fund Management (Shanghai) Co., a partially owned affiliate, may also conduct certain business activities under the Aegon Asset Management brand.

Aegon AM UK is authorised and regulated by the Financial Conduct Authority (FRN: 144267) and is additionally a registered investment adviser with the United States (US) Securities and Exchange Commission (SEC). Aegon AM US and Aegon RA are both US SEC registered investment advisers.

Aegon AM NL is registered with the Netherlands Authority for the Financial Markets as a licensed fund management company and on the basis of its fund management license is also authorized to provide individual portfolio management and advisory services in certain jurisdictions. Aegon AM NL has also entered into a participating affiliate arrangement with Aegon AM US. Aegon Private Fund Management (Shanghai) Co., Ltd is regulated by the China Securities Regulatory Commission (CSRC) and the Asset Management Association of China (AMAC) for Qualified Investors only. The content has not been reviewed or endorsed by any regulatory authority in China.

In Taiwan, neither Aegon AM nor any of its affiliates are registered and may not sell, issue, or offer any products or services while in Taiwan. Marketing is intended for Professional Institutional investors only and the contents have not been reviewed or endorsed by any regulatory authority in Taiwan. The content contained is for information purpose only. Taiwan residents are advised to exercise caution in relation to the proposal. If you are in any doubt about any of the contents of this marketing, you should obtain independent professional advice.

©2024 Aegon Asset Management or its affiliates. All rights reserved.

Adtrax: 6786607.1GBL