

July
2025

CPI Report



13 - August - 2025

Prepared by
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July CPI Cools to 2.7%

Markets Smell September Fed Cut

Inflation came in softer than expected in July, easing some tariff concerns and giving markets fresh confidence in a September Fed rate cut. Core inflation remained sticky, but the data was market-friendly.

CPI Data Table – July 2025

Measure	MoM Change	YoY Change	Consensus	Comment
Headline CPI	+0.2%	+2.7%	0.2% / 2.8%	Slightly below YoY forecast
Core CPI (ex-food, energy)	+0.3%	+3.1%	0.3% / 3.0%	MoM largest since Jan; YoY highest since Feb
Shelter	+0.2%	N/A	-	Main driver of increase
Food	0%	N/A	-	Flat despite tariffs
Energy	-1.1%	N/A	-	Pulled headline lower
Used Cars/Trucks	+0.5%	N/A	-	Price rebound continues
Transportation Services	+0.8%	N/A	-	Strongest sector gain
Medical Care Services	+0.8%	N/A	-	Matches transport
Household Furnishings	+0.7%	N/A	-	Tariff-sensitive category
Apparel	+0.1%	N/A	-	Minimal change
Canned Fruits/Vegetables	0%	N/A	-	Flat despite imports

Tariff Impact – Mild for Now

- Tariff-sensitive goods (household furnishings, some appliances) rose noticeably.
- Apparel, core commodities, and imported canned goods showed little movement.
- Economists still warn that tariffs could push inflation higher later in 2025.

Markets Reaction

Asset/Markets	Reaction Post-CPI Release
Equities	Rallied strongly
Treasury Yields	Mixed; short-end fell
USD	Slightly softer bias
Fed Funds Futures	Sept cut odds firm; Oct cut odds ↑ to 67%

Macro Implications for Traders

- **Short-term:** Data supports dovish Fed tilt → **bullish for risk assets**, USD could soften.
- **Medium-term:** Tariff pass-through risk still in play → watch **PPI Thursday** for confirmation.
- **Labor market focus:** Weak **jobs data** earlier this month means CPI softness reinforces easing bias.

July's CPI print reinforces a September cut narrative, with the market prioritizing softer headline inflation over sticky core pressures. The backdrop favors risk assets in the near term, but tariff pass-through and incoming data could alter the trajectory swiftly, **vigilance remains the best trade.**

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