Scotiabank

GLOBAL ECONOMICS

SCOTIA FLASH

July 14, 2026

Contributors

Derek Holt
VP & Head of Capital Markets Economics
Scotiabank Economics
416.863.7707
derek.holt@scotiabank.com

US Inflation Grinds To A Halt

- **US core CPI was flat, total CPI lower in June…**
- **…prompting a rally in rates and pushed out Fed hike pricing**

US CPI / core CPI, m/m % SA, June:

Actual: -0.4 / 0.0

Scotia: 0.1 / 0.3

Consensus: -0.1 / 0.2

Prior: 0.5 / 0.2

Receiving July OIS paid off this morning as US inflation came in well below expectations. The US 2-year Treasury yield rallied 10bps with 10s down 5bps in a bull steepener move that drove a weaker dollar and higher equities. OIS pricing for the July 29th FOMC decision fell by 7bps to just 3bps, reversing all of yesterday's overreaction to Governor Waller's guidance.

US CPI inflation landed sharply weaker than everyone expected for the month of June. That's true of headline CPI that fell -0.4% m/m SA and it's true of core CPI ex-food and energy that was flat. Chart 1 shows the bottom falling out of core CPI.

The three-month moving average for core CPI now stands at 2.3% m/m SAAR. Five-months it's 2.4%. YTD it is 2.6%. The past two months has run at 1.2%. Get the drift? At least going by core CPI we can safely offer the view that the US economy's allegedly massive inflation problem is grossly overstated.

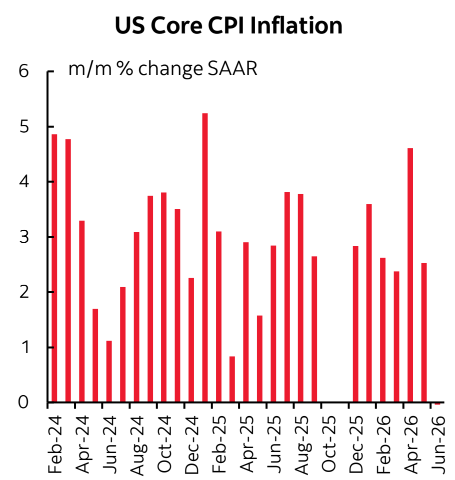
Breadth of inflationary pressures also fell (chart 2).

The weakness came through both core goods inflation (chart 3) and core services inflation (chart 4). The bottom fell out of both. Core goods inflation (ex-food and energy commodities) fell –1.2% m/m SAAR. Core services inflation (ex-services related to housing and energy) fell by 4.9% m/m SAAR.

Taking account of weighting differences in the CPI and PCE baskets, we can so far suggest that headline PCE that is due out in a couple of weeks is tracking a drop of –0.3% m/m SA with core PCE tracking similarly to the flat core CPI reading. Let's see what tomorrow's PPI components that matter to PCE say but I'm leaning toward more downside.

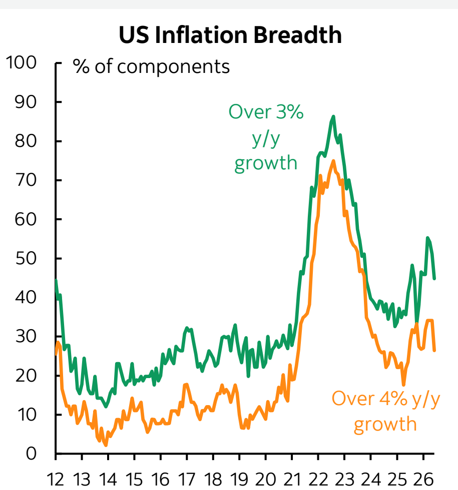
Just like nonfarm, we have to ask where did the World Cup effect go? Chart 5 shows a liberal definition of the categories that could reflect World Cup activity.

Chart 1



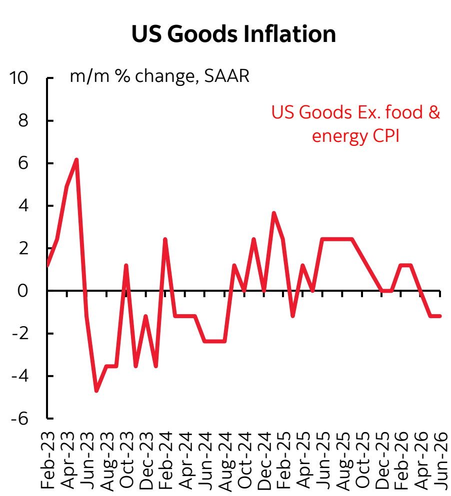
Sources: Scotiabank Economics, BLS.

Chart 2



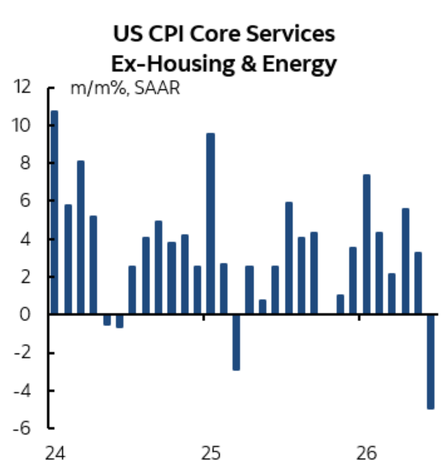
Sources: Scotiabank Economics, BLS.

Chart 3



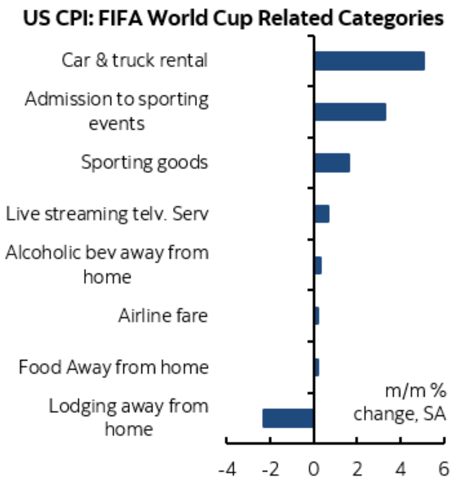
Sources: Scotiabank Economics, BLS.

Chart 4



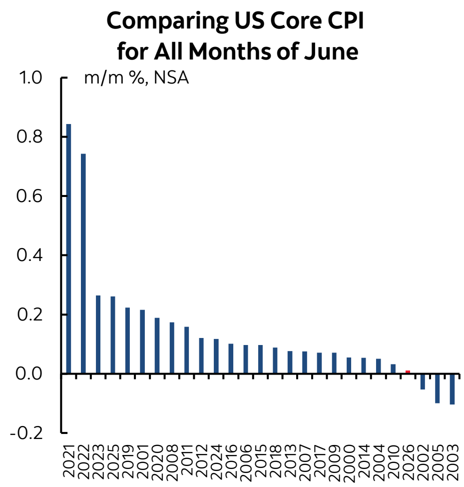
Sources: Scotiabank Economics, BLS.

Chart 5



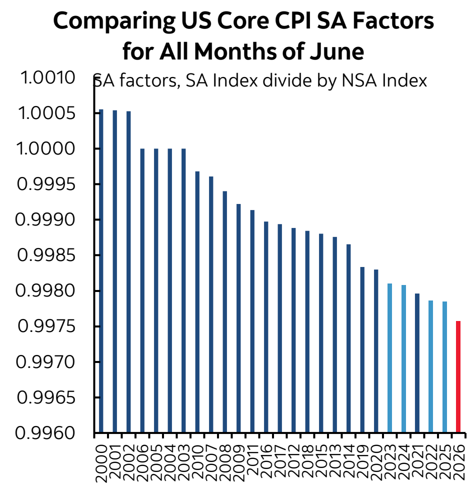
Sources: Scotiabank Economics, BLS.

Chart 6



Sources: Scotiabank Economics, BLS

Chart 7



Sources: Scotiabank Economics, BLS

As charts 6 and 7 show, this was an unusually weak month of June compared to all prior months of June for m/m seasonally unadjusted core CPI price changes and an unusually low month for the seasonal adjustment factor compared to prior months of June. The combination sent the m/m SA core CPI reading to a flat print.

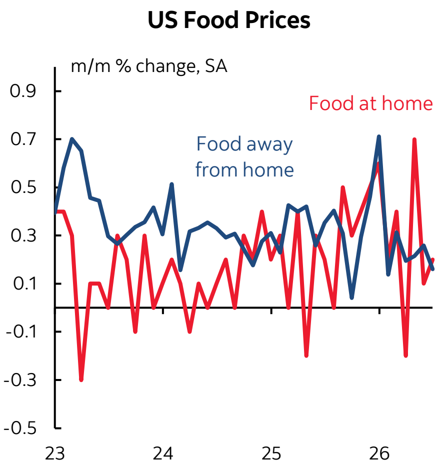
This, in turn, cautions against overinterpreting the readings. They could be either higher or lower, but the risks would be higher than reported in my view. There is a recency bias to SA factors and how they are calculated. There are also ongoing sampling issues like the share of the basket that is estimated by proxy methods which has been around 40% for a while and which will be updated later today.

Charts 8–16 break down parts of the basket by component.

Charts 17–18 break down the basket in y/y and weighted y/y contributions.

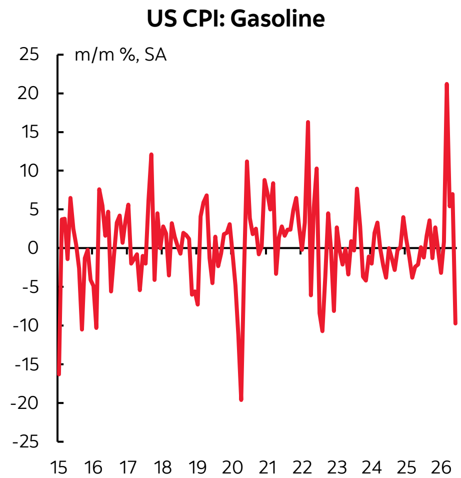
Charts 19–20 do likewise to m/m SA prices.

Chart 8



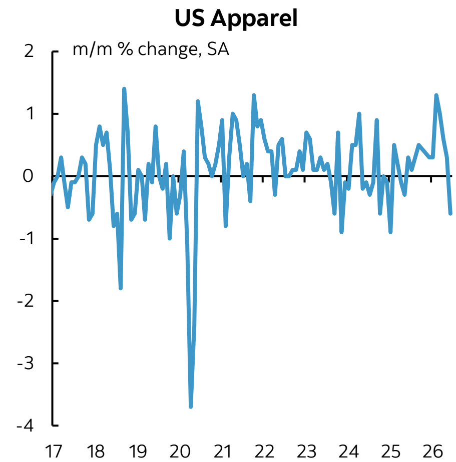
Sources: Scotiabank Economics, BLS, Haver.

Chart 9



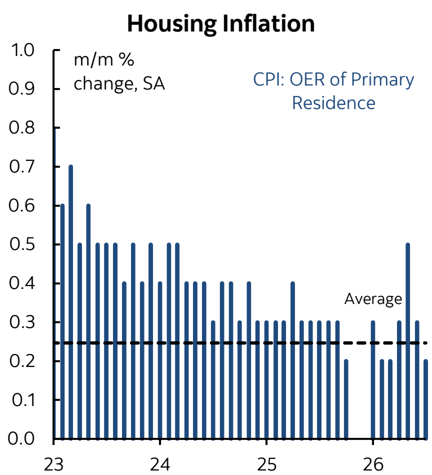
Sources: Scotiabank Economics, BLS

Chart 10



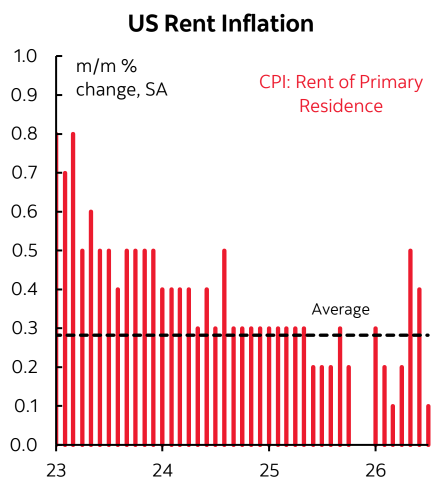
Sources: Scotiabank Economics, BLS.

Chart 11



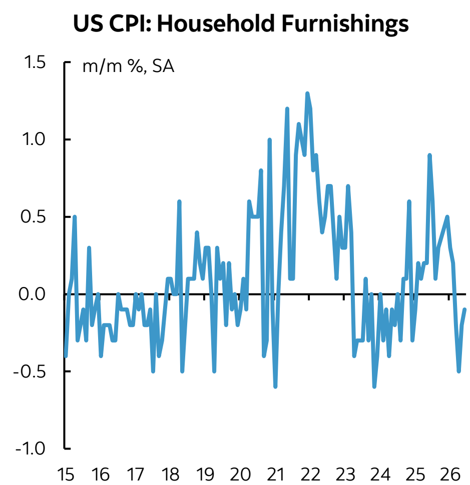
Sources: Scotiabank Economics, BLS.

Chart 12



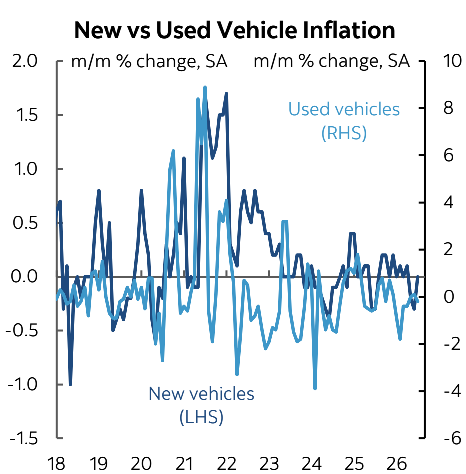
Sources: Scotiabank Economics, BLS.

Chart 13



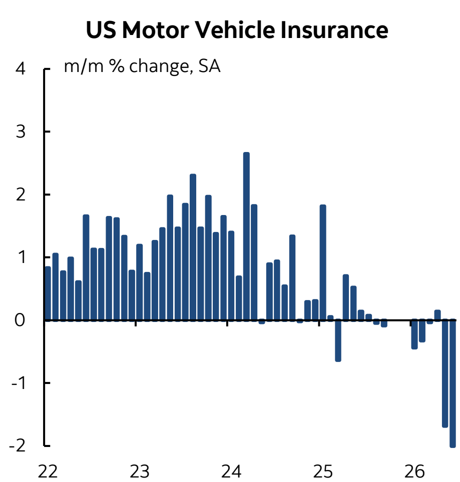
Sources: Scotiabank Economics, BLS.

Chart 14



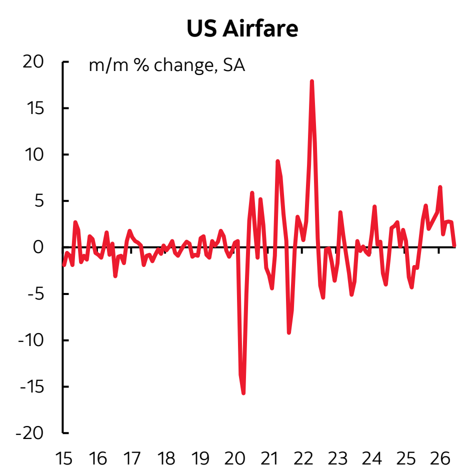
Sources: Scotiabank Economics, BLS.

Chart 15



Sources: Scotiabank Economics, BLS.

Chart 16



Sources: Scotiabank Economics, BLS.

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Chart 17

June 12-Month Changes in US Headline CPI Categories

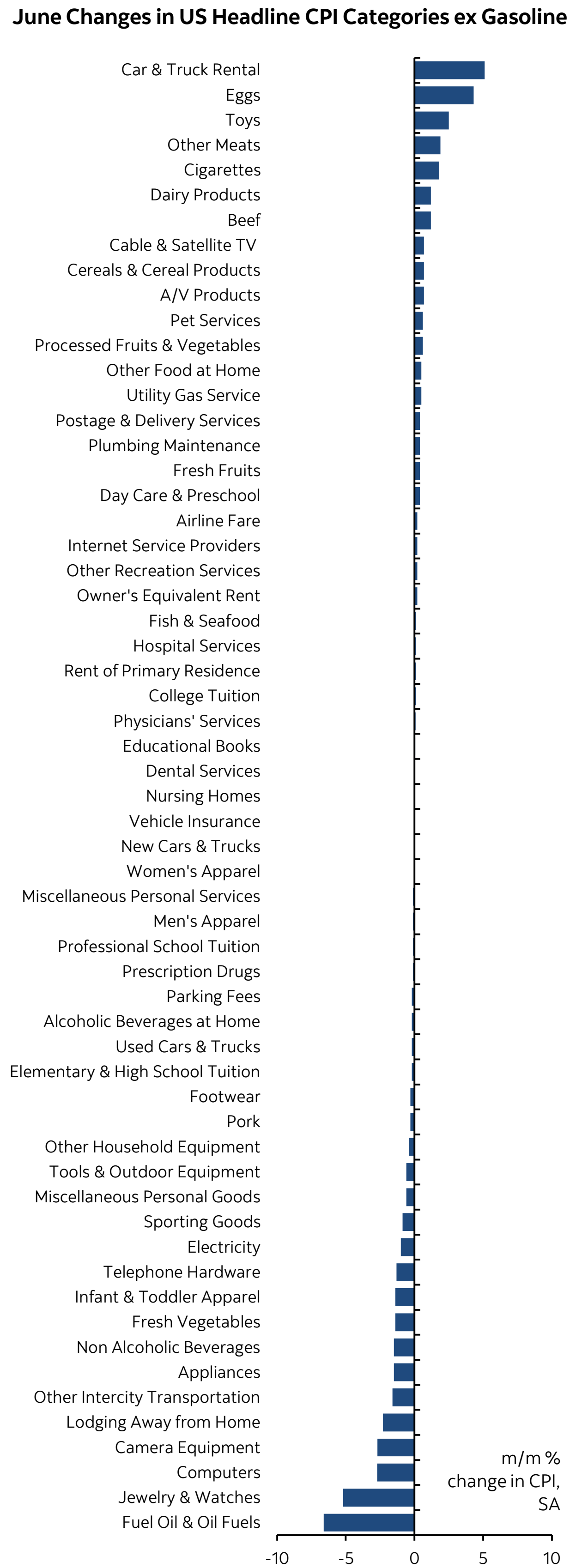
Sources: Scotiabank Economics, BLS.

Chart 18

June Weighted Contributions to the 12-Month Change in US Headline CPI

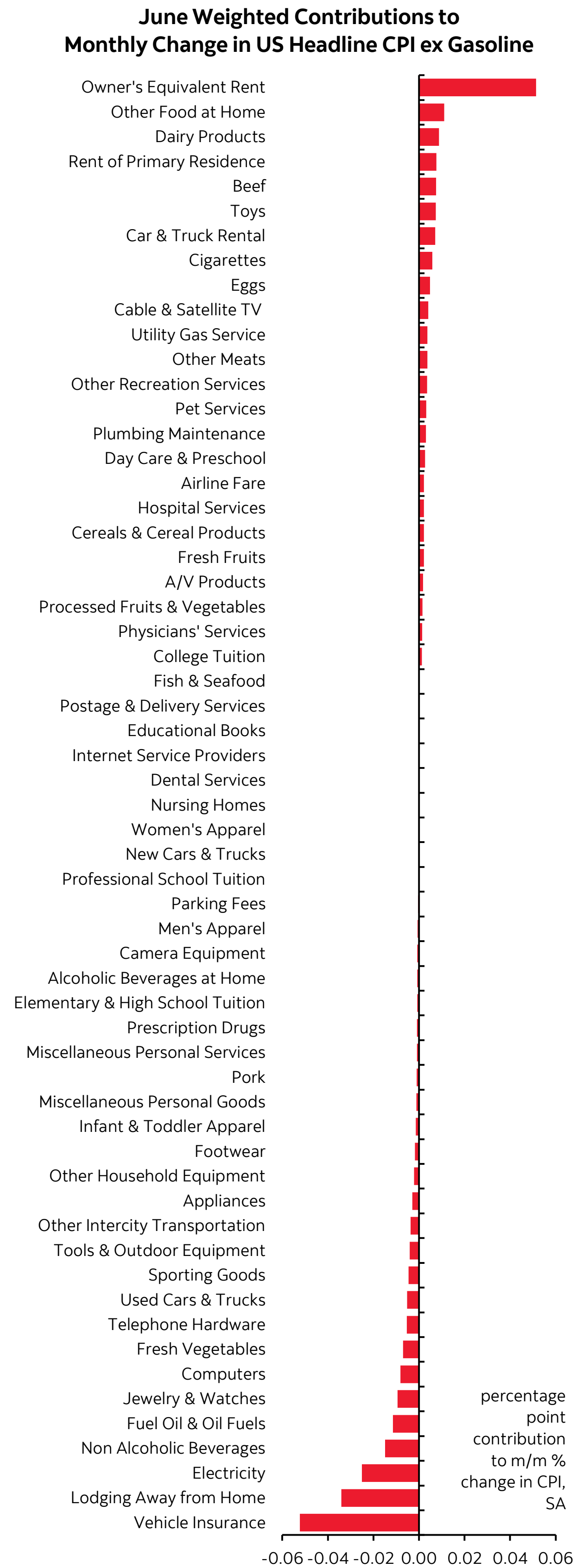
Source: Scotiabank Economics, BLS.

Chart 19



Sources: Scotiabank Economics, US BLS.

Chart 20



Sources: Scotiabank Economics, US BLS.

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Jun 2026					Weighted Contributions (ppts)*			5-Year Pre-Pandemic			10-Year Pre-Pandemic		
US INFLATION COMPONENT BREAKDOWN	**y/y % change**	**10-year trend**	**Pandemic trend (Jan 2019–Present)**	**m/m % change**	**Weights (%)**	**y/y**	**m/m**	**2015–2019 avg. y/y**	**Std. Dev.**	**Z-Score**	**2011–2019 avg. y/y**	**Std. Dev.**	**Z-Score**
Food	**3.0**			**0.2**	**13.447**	**0.41**	**0.03**	**1.3**	**0.8**	**2.3**	**1.7**	**1.1**	**1.1**
Food, home	**2.7**			**0.2**	**8.188**	**0.22**	**0.02**	**0.2**	**1.1**	**2.2**	**1.2**	**1.9**	**0.8**
Cereals & bakery products	2.4			0.3	1.016	0.03	0.00	0.4	0.9	2.3	0.9	1.7	0.9
Meats, poultry, fish & eggs	2.6			0.6	1.943	0.04	0.01	-0.2	3.2	0.9	2.1	3.9	0.1
Dairy & related products	0.4			1.2	0.731	0.00	0.01	-0.6	1.6	0.6	1.1	3.1	-0.2
Fruits & vegetables	5.3			-0.2	1.288	0.07	0.00	0.4	1.7	2.8	1.0	2.0	2.1
Non-alcoholic beverages	2.9			-1.5	0.993	0.03	-0.01	0.6	1.0	2.2	0.5	1.6	1.5
Other food at home	2.4			0.5	2.217	0.06	0.01	0.5	0.6	3.0	1.0	1.6	0.9
Food, away	**3.4**			**0.2**	**5.260**	**0.19**	**0.01**	**2.7**	**0.3**	**2.4**	**2.5**	**0.5**	**1.8**
Full services meals & snacks	3.7			0.4	2.329	0.09	0.01	2.6	0.4	3.0	2.4	0.5	2.6
Limited services meals and snacks	3.1			0.1	2.634	0.09	0.00	2.8	0.3	0.9	2.5	0.7	0.9
Food at employee sites and school	1.9			0.9	0.063	0.00	0.00	2.8	2.4	-0.4	2.8	1.9	-0.5
Food from vending machines & mobile vendors	2.3			-0.1	0.052	0.00	0.00	3.1	1.0	-0.8	2.5	1.3	-0.2
Other food away from home	4.4			0.3	0.182	0.01	0.00	2.5	1.3	1.4	2.3	1.0	2.1
Energy	**15.7**			**-5.7**	**7.791**	**1.01**	**-0.44**	**-1.9**	**10.0**	**1.8**	**1.6**	**9.6**	**1.5**
Energy comm.	**27.1**			**-9.5**	**4.551**	**0.86**	**-0.43**	**-2.8**	**17.0**	**1.8**	**3.0**	**17.1**	**1.4**
Fuel oils & other fuels	23.4			-6.6	0.173	0.03	-0.01	-2.3	15.8	1.6	2.7	14.4	1.4
Motor fuel	27.2			-9.6	4.377	0.83	-0.42	-2.8	17.1	1.8	3.0	17.3	1.4
Gasoline	*26.7*			*-9.7*	*4.250*	*0.79*	*-0.41*	*-2.8*	*17.1*	*1.7*	*3.0*	*17.4*	*1.4*
Other	*44.5*			*-7.2*	*0.128*	*0.04*	*-0.01*	*-2.3*	*19.5*	*2.4*	*3.6*	*17.9*	*2.3*
Energy serv.	**3.9**			**-0.7**	**3.240**	**0.13**	**-0.02**	**0.0**	**2.4**	**1.6**	**0.5**	**2.7**	**1.3**
Electricity	4.0			-1.0	2.505	0.10	-0.03	0.5	1.5	2.4	1.0	1.7	1.8
Utility (piped gas service)	3.0			0.5	0.735	0.02	0.00	-1.4	7.5	0.6	-0.9	7.3	0.5
All items less food and energy	**2.6**			**0.0**	**78.762**	**2.08**	**0.00**	**2.0**	**0.2**	**2.5**	**1.8**	**0.4**	**1.9**
Commodities less food and energy	**0.8**			**-0.1**	**18.737**	**0.15**	**-0.02**	**-0.3**	**0.4**	**2.9**	**0.2**	**0.9**	**0.7**
Household furnishings	**1.3**			**-0.1**	**3.438**	**0.04**	**0.00**	**-0.8**	**1.2**	**1.8**	**-0.9**	**1.2**	**1.9**
Window & floor coverings	*-1.9*			*0.1*	*0.232*	*0.00*	*0.00*	*-2.3*	*1.7*	*0.2*	*-2.8*	*1.8*	*0.5*
Furniture & bedding	*1.4*			*0.5*	*0.848*	*0.01*	*0.00*	*-0.3*	*1.7*	*1.0*	*-0.9*	*2.1*	*1.1*
Appliances	*-2.7*			*-1.5*	*0.197*	*-0.01*	*0.00*	*-1.2*	*3.1*	*-0.5*	*-1.6*	*3.0*	*-0.4*
Other household equipment	*0.4*			*-0.3*	*0.543*	*0.00*	*0.00*	*-3.5*	*1.8*	*2.1*	*-3.7*	*1.5*	*2.8*
Tools & hardware	*2.9*			*-0.6*	*0.671*	*0.02*	*0.00*	*-0.1*	*1.0*	*2.9*	*-0.3*	*1.2*	*2.6*
Housekeeping supplies	*2.4*			*0.3*	*0.825*	*0.02*	*0.00*	*0.3*	*1.2*	*1.8*	*0.4*	*1.3*	*1.5*

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Jun 2026					Weighted Contributions (ppts)*			5-Year Pre-Pandemic			10-Year Pre-Pandemic		
US INFLATION COMPONENT BREAKDOWN	y/y % change	10-year trend	Pandemic trend (Jan 2019–Present)	m/m % change	Weights (%)	y/y	m/m	2015–2019 avg. y/y	Std. Dev.	Z-Score	2011–2019 avg. y/y	Std. Dev.	Z-Score
Apparel	**3.9**			**-0.6**	**2.457**	**0.10**	**-0.01**	**-0.5**	**1.0**	**4.5**	**0.3**	**1.7**	**2.0**
Men's & boys apparel	1.9			-0.1	0.609	0.01	0.00	-0.3	1.5	1.5	0.5	2.3	0.6
Women's & girls apparel	3.8			0.0	0.976	0.04	0.00	-1.3	1.9	2.8	-0.1	2.5	1.5
Footwear	4.1			-0.3	0.592	0.02	0.00	0.2	1.3	2.9	0.8	1.7	2.0
Infant & toddler's apparel	2.0			-1.4	0.099	0.00	0.00	0.4	3.8	0.4	0.5	3.6	0.4
Jewlery & watches	12.4			-5.2	0.181	0.02	-0.01	1.0	3.4	3.4	1.5	3.8	2.9
Trans. less fuel	**-0.3**			**-0.1**	**6.772**	**-0.02**	**-0.01**	**-0.3**	**0.9**	**0.0**	**0.4**	**1.5**	**-0.5**
New vehicles	0.5			0.0	3.734	0.02	0.00	0.1	0.7	0.6	0.8	1.2	-0.2
Used cars & trucks	-1.8			-0.2	2.629	-0.04	-0.01	-1.3	2.1	-0.3	1.1	4.8	-0.6
Motor vehicle parts & equipment	1.7			0.2	0.336	0.01	0.00	0.2	1.1	1.4	0.9	2.2	0.4
Medical comm.	**-2.1**			**-0.2**	**1.409**	**-0.03**	**0.00**	**2.1**	**1.7**	**-2.5**	**2.3**	**1.5**	**-3.0**
Medicinal Drugs	-2.3			0.0	1.277	-0.03	0.00	2.2	1.8	-2.5	2.3	1.6	-2.9
Medical equipment & supplies	0.0			-1.4	0.132	0.00	0.00	0.4	1.2	-0.3	0.3	1.2	-0.3
Recreation comm.	**2.9**			**0.9**	**1.890**	**0.05**	**0.02**	**-2.6**	**1.1**	**5.2**	**-2.3**	**0.9**	**5.7**
Video & audio products	1.9			0.7	0.255	0.00	0.00	-10.1	2.4	5.0	-9.2	2.2	5.0
Pets & pet products	1.5			0.1	0.597	0.01	0.00	0.4	1.5	0.7	0.5	1.5	0.7
Sporting goods	4.5			1.6	0.521	0.02	0.01	-0.7	1.5	3.4	-0.6	1.2	4.2
Photographic Equipment & supplies	3.5			-2.7	0.026	0.00	0.00	-1.7	4.6	1.1	-3.0	4.0	1.6
Recreational reading materials	-0.2			0.0	0.110	0.00	0.00	1.6	1.9	-0.9	1.5	1.8	-1.0
Other recreational goods	4.4			1.9	0.381	0.02	0.01	-6.5	1.3	8.1	-5.2	1.7	5.5
Educ. & communication comm.	**-6.8**			**-0.8**	**0.776**	**-0.05**	**-0.01**	**-3.7**	**1.0**	**-3.0**	**-3.5**	**0.9**	**-3.6**
Educational books & supplies	0.5			1.0	0.038	0.00	0.00	2.2	3.0	-0.6	3.6	2.7	-1.1
IT commodities	-7.2			-0.9	0.740	-0.05	-0.01	-6.1	1.9	-0.6	-6.8	1.8	-0.2
Alcohol	**2.0**			**0.0**	**0.820**	**0.02**	**0.00**	**1.3**	**0.3**	**2.2**	**1.4**	**0.4**	**1.7**
Alcoholic beverages at home	0.7			-0.2	0.386	0.00	0.00	0.8	0.6	-0.2	0.8	0.5	-0.1
Alcoholic beverages away from home	3.4			0.3	0.434	0.01	0.00	1.9	0.5	3.3	2.2	0.7	1.8
Other goods	**3.9**			**-0.2**	**1.297**	**0.05**	**0.00**	**1.4**	**0.9**	**3.0**	**1.4**	**0.7**	**3.5**
Tobacco & smoking products	6.5			-0.7	0.447	0.03	0.00	4.3	1.5	1.4	4.4	3.8	0.6
Personal care products	2.7			0.2	0.667	0.02	0.00	-0.3	0.6	5.2	-0.1	0.8	3.4
Miscellaneous personal goods	1.4			-1.1	0.183	0.00	0.00	-2.4	3.1	1.2	-1.7	2.4	1.3

Jun 2026					Weighted Contributions (ppts)*			5-Year Pre-Pandemic			10-Year Pre-Pandemic		
US INFLATION COMPONENT BREAKDOWN	**y/y % change**	**10-year trend**	**Pandemic trend (Jan 2019–Present)**	**m/m % change**	**Weights (%)**	**y/y**	**m/m**	**2015–2019 avg. y/y**	**Std. Dev.**	**Z-Score**	**2011–2019 avg. y/y**	**Std. Dev.**	**Z-Score**
Services less energy services	**3.2**			**0.0**	**60.025**	**1.94**	**0.00**	**2.8**	**0.2**	**1.6**	**2.4**	**0.6**	**1.3**
Shelter	**3.3**			**0.1**	**35.149**	**1.17**	**0.04**	**3.3**	**0.2**	**0.1**	**2.5**	**1.2**	**0.7**
Rent of shelter	*3.2*			*0.1*	*34.862*	*1.12*	*0.03*	*3.3*	*0.2*	*-0.6*	*2.5*	*1.2*	*0.6*
Rent of primary residence	*2.8*			*0.1*	*7.680*	*0.21*	*0.01*	*3.7*	*0.1*	*-6.7*	*2.9*	*1.1*	*-0.1*
Lodging away from home	*4.9*			*-2.3*	*1.483*	*0.07*	*-0.03*	*2.3*	*2.0*	*1.3*	*2.2*	*2.2*	*1.3*
OER of residences	*3.3*			*0.2*	*25.700*	*0.86*	*0.05*	*3.2*	*0.2*	*0.4*	*2.4*	*1.1*	*0.8*
Tenants' & household insurance	*5.9*			*0.2*	*0.287*	*0.02*	*0.00*	*1.4*	*1.2*	*3.8*	*2.3*	*1.5*	*2.4*
Water, sewer, trash collection	**4.6**			**0.3**	**1.133**	**0.05**	**0.00**	**3.6**	**0.6**	**1.7**	**4.3**	**1.0**	**0.3**
Water & sewage maintenance	*5.1*			*0.4*	*0.777*	*0.04*	*0.00*	*4.0*	*0.8*	*1.4*	*4.8*	*1.4*	*0.2*
Garbage & trash collection	*3.6*			*0.1*	*0.356*	*0.01*	*0.00*	*2.5*	*1.5*	*0.7*	*2.5*	*1.1*	*1.0*
Household ops.	**5.7**			**-0.3**	**0.881**	**0.00**	**0.00**	**3.8**	**1.3**	**1.5**	**2.6**	**1.6**	**1.9**
Domestic services	*3.1*			*0.7*	*0.277*	*0.00*	*0.00*	*2.0*	*1.1*	*1.1*	*1.6*	*1.0*	*1.4*
Gardening & lawncare	*10.8*			*4.3*	*0.373*	*0.00*	*0.02*	*4.3*	*2.7*	*2.4*	*2.8*	*2.6*	*3.1*
Moving, storage, freight	*-3.5*			*1.6*	*0.077*	*0.00*	*0.00*	*5.6*	*3.9*	*-2.3*	*3.3*	*3.9*	*-1.8*
Repair of household items	*5.0*			*1.7*	*0.097*	*0.00*	*0.00*	*4.8*	*2.1*	*0.1*	*4.2*	*2.0*	*0.4*
Medical serv.	**2.9**			**-0.1**	**6.821**	**0.20**	**-0.01**	**2.9**	**1.0**	**0.0**	**3.0**	**0.8**	**-0.2**
Professional Services	*3.8*			*-0.1*	*3.400*	*0.14*	*0.00*	*1.5*	*0.9*	*2.5*	*1.8*	*0.8*	*2.5*
Hospital & related services	*5.5*			*0.1*	*2.595*	*0.13*	*0.00*	*3.8*	*1.1*	*1.5*	*4.5*	*1.3*	*0.7*
Health insurance	*-7.4*			*-0.5*	*0.827*	*-0.06*	*0.00*	*5.0*	*5.8*	*-2.1*	*3.6*	*6.0*	*-1.8*
Transportation serv.	**3.4**			**-0.3**	**6.377**	**0.21**	**-0.02**	**2.6**	**1.1**	**0.7**	**2.6**	**1.0**	**0.8**
Leased cars & trucks	*-1.9*			*-0.2*	*0.384*	*-0.01*	*0.00*	*0.5*	*3.0*	*-0.8*	*-1.6*	*3.2*	*-0.1*
Motor vehicle maintenance & repair	*7.0*			*1.1*	*1.034*	*0.07*	*0.01*	*2.2*	*0.7*	*6.9*	*2.0*	*0.6*	*8.7*
Motor vehicle insurance	*-4.1*			*-2.0*	*2.617*	*-0.12*	*-0.05*	*5.5*	*2.6*	*-3.7*	*4.8*	*2.0*	*-4.4*
Motor vehicle fees	*3.6*			*-0.4*	*0.510*	*0.02*	*0.00*	*1.8*	*0.7*	*2.6*	*2.2*	*1.9*	*0.7*
Public transportation	*16.9*			*0.9*	*1.693*	*0.24*	*0.02*	*-1.2*	*1.5*	*12.0*	*1.0*	*3.6*	*4.5*
Recreation serv.	**2.7**			**0.3**	**3.141**	**0.09**	**0.01**	**2.6**	**0.7**	**0.2**	**2.3**	**0.7**	**0.5**
Video & audio services	*2.8*			*0.5*	*0.772*	*0.02*	*0.00*	*2.7*	*1.4*	*0.1*	*2.6*	*1.3*	*0.1*
Pet services	*5.1*			*0.6*	*0.540*	*0.03*	*0.00*	*3.1*	*0.8*	*2.6*	*3.3*	*0.9*	*2.0*
Photo services	*1.9*			*-3.1*	*0.037*	*0.00*	*0.00*	*-0.2*	*2.0*	*1.0*	*0.8*	*1.8*	*0.6*
Other recreation services	*2.0*			*0.2*	*1.791*	*0.04*	*0.00*	*2.4*	*0.6*	*-0.6*	*1.7*	*1.1*	*0.2*
Educ. & communication serv.	**1.0**			**-0.8**	**4.925**	**0.05**	**-0.04**	**0.4**	**1.3**	**0.4**	**1.1**	**1.3**	**-0.1**
Tuition, school fees, child care	*2.5*			*0.1*	*2.487*	*0.06*	*0.00*	*2.8*	*0.6*	*-0.5*	*3.3*	*0.8*	*-1.1*
Postage & delivery	*14.6*			*0.4*	*0.066*	*0.01*	*0.00*	*2.3*	*2.0*	*6.3*	*3.3*	*2.0*	*5.8*
Telephone services	*-3.7*			*-3.0*	*1.451*	*-0.05*	*-0.04*	*-2.4*	*3.0*	*-0.4*	*-1.3*	*2.4*	*-1.0*
Internet services	*3.4*			*0.2*	*0.909*	*0.03*	*0.00*	*-0.2*	*1.5*	*2.4*	*0.1*	*1.3*	*2.5*
Other personal serv.	**5.1**			**0.5**	**1.595**	**0.08**	**0.01**	**2.7**	**0.7**	**3.6**	**2.4**	**0.6**	**4.3**
Personal care services	4.4			1.3	0.656	0.03	0.01	2.3	0.7	3.0	1.8	0.8	3.2
Miscellaneous personal services	5.7			-0.1	0.938	0.06	0.00	2.9	0.9	3.0	2.7	0.7	4.1

*Number may not add due to rounding

Sources: Scotiabank Economics, BLS.