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GLOBAL ECONOMICS

SCOTIA FLASH

November 10, 2026

Will the FOMC Rally Behind Waller to Upsize After Warm Core Inflation?

- **Core CPI was warm again, matching our above-consensus estimate…**
- **…but early translation into core PCE is a bit milder**
- **Markets reinforced post-Waller reaction by leaning further toward upsizing**
- **Three reasons why upsizing could be a mistake**
- **BoC pricing was lifted back to a December coin-toss**

US CPI / core CPI, m/m %, SA, October:
Actual: 0.4 / 0.3
Scotia: 0.3 / 0.3
Consensus: 0.3 / 0.2
Prior: 0.6 / 0.3

US core CPI landed above consensus and on my estimate at 0.3% m/m SA (0.296% m/m to be exact, hence no rounding effect). When paired with Governor Waller's pre-data remark that indicated he would lean toward 50bps on December 9th on such a reading the result is that US short-term yields are spiking. The USD 2-year yield is up 17bps on the day including about a dozen points after CPI to add to the sell off post Waller. Pricing for the December FOMC meeting crossed above a quarter point at about 28bps. The result also raised pricing for the BoC's next decision to about 13bps of a hike in December.

Core CPI was up 3.6% m/m SAAR which continues the elevated readings of prior months (chart 1).

REASONS TO BALK AT UPSIZING

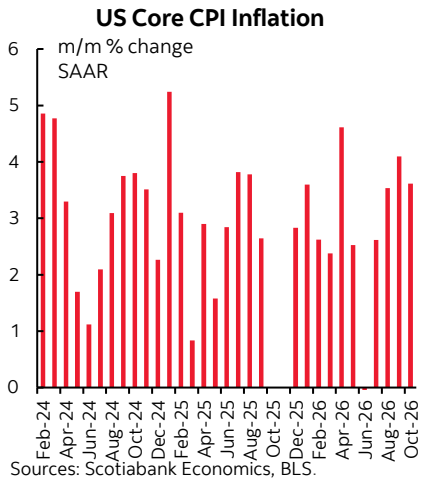
Watch for the views of other FOMC officials today and see my morning note for views on how I think upsizing on backward data could be a misstep. That could be one reason for why other voting officials may balk at upsizing if at least some of the voting officials are forecast oriented instead of looking backward.

Another reason against upsizing is what it could reveal about true Fed independence. Go 50 and some say you'll look political after having skipped just days before the midterms and then catching up afterward. That could compromise efforts to claim policy independence but also make it look like December would be one-and-done for upsizing as a catch-up.

Contributors

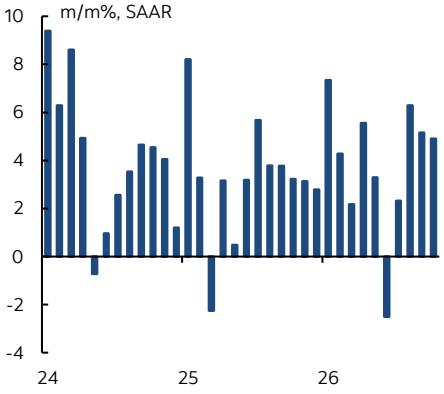
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Chart 1



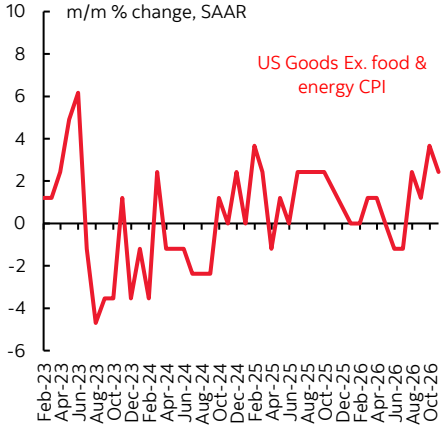
Sources: Scotiabank Economics, BLS.

Chart 2



Sources: Scotiabank Economics, BLS.

Chart 3



Sources: Scotiabank Economics, BLS.

Another reason against upsizing is that while we still need PPI on Friday and then final adjustments, accounting for weighting differences knocks down core CPI upon translation into core PCE maybe by half a tenth to being on the bubble between 0.2% and 0.3% m/m SA. The Fed follows core PCE, not core CPI, and they'll get the estimate before the next decision.

DETAILS

Core services prices (ie: ex-housing services and energy services) were up by 0.3% m/m SA, or 4.9% m/m SAAR. Core goods CPI (ex-food and energy) was up 0.2% m/m, or 2.4% m/m SAAR. This was a services story as shown in charts 2 and 3.

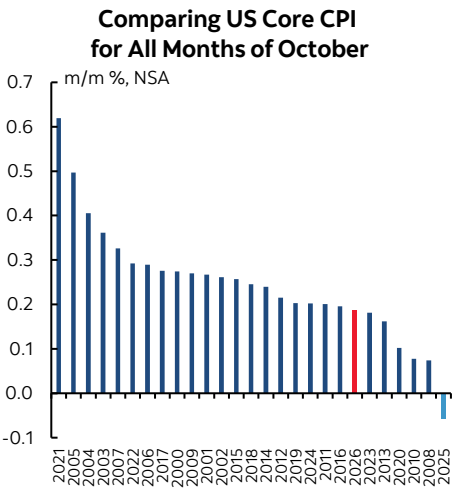
Chart 4 shows that this was not a particularly warm October in terms of m/m seasonally unadjusted (NSA) prices compared to like months of October in time. The reason why core was warm is because they backed off on the SA factor (chart 5).

Recall that there are no y/y rates because of the gov't shutdown last October that resulted in no October CPI but using interpolation for October 2025 we can roughly estimated this October's y/y rates at 3.95% (3.71% prior) for headline and 2.77% for core (2.56% prior)

Charts 6–17 break down parts of the basket. Shelter prices increased by 0.3% m/m SA primarily due to the weight applied to owners' equivalent rent that was up 0.3 as primary rent was up 0.2%.

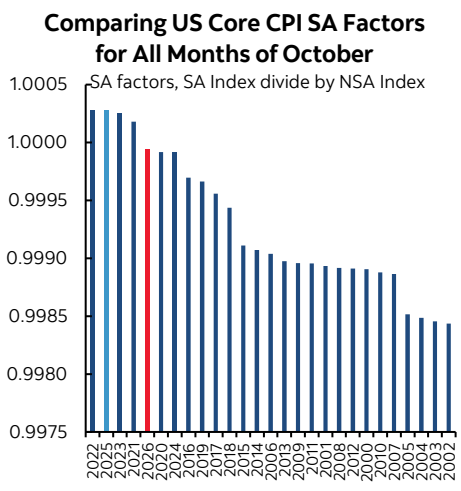
Food prices are stripped out of core, but they were a hot influence on headline CPI. Prices for food at home (ie: groceries) were up 0.4% m/m SA while food away from home (ie: restaurants etc) were up 0.5% m/m SA.

Chart 4



Sources: Scotiabank Economics, BLS

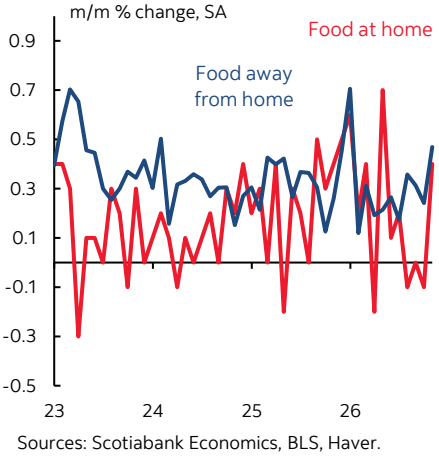
Chart 5



Sources: Scotiabank Economics, BLS

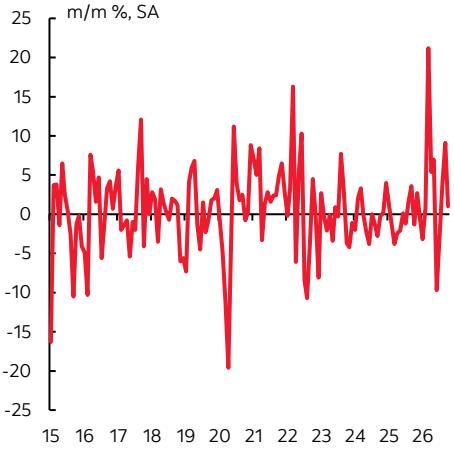
Charts 18 and 19 break down the CPI basket in m/m unadjusted terms and weight contributions to the change in prices respectively. Also see the detailed table.

Chart 6



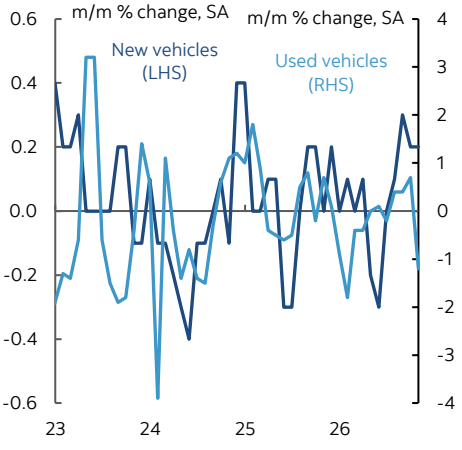
Sources: Scotiabank Economics, BLS, Haver.

Chart 7



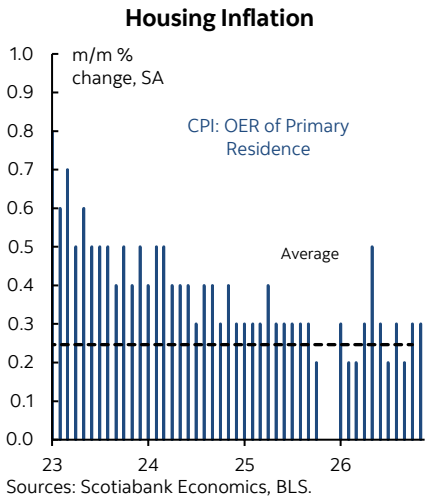
Sources: Scotiabank Economics, BLS

Chart 8



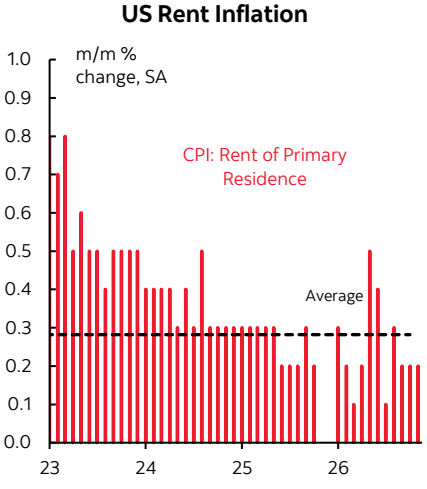
Sources: Scotiabank Economics, BLS.

Chart 9



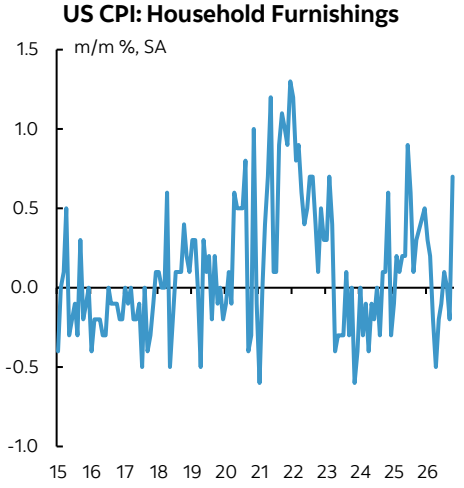
Sources: Scotiabank Economics, BLS.

Chart 10



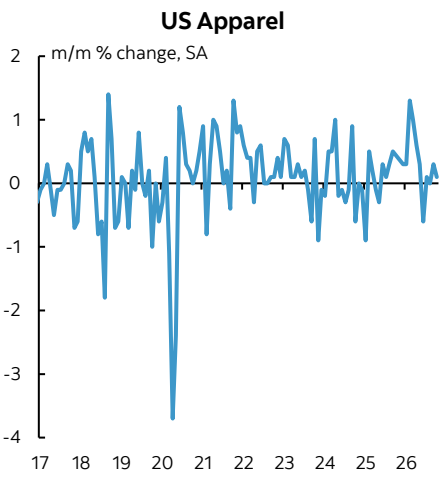
Sources: Scotiabank Economics, BLS.

Chart 11



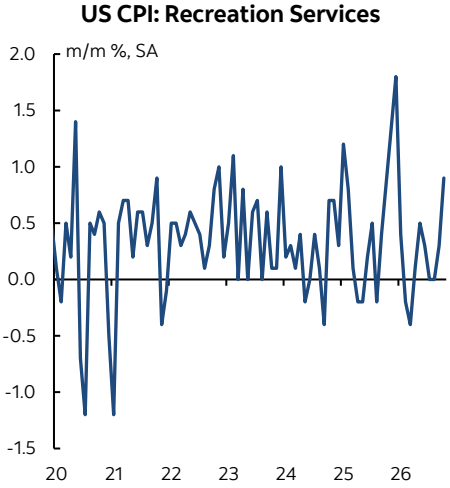
Sources: Scotiabank Economics, BLS.

Chart 12



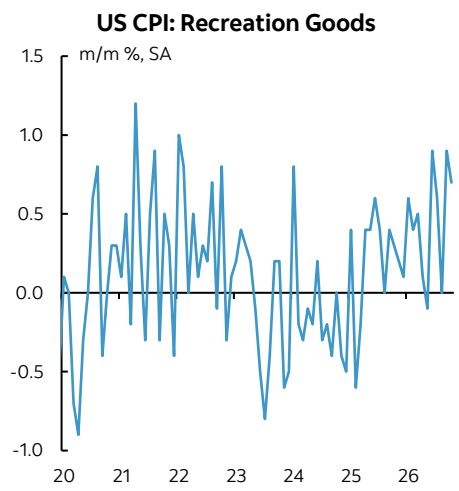
Sources: Scotiabank Economics, BLS.

Chart 13



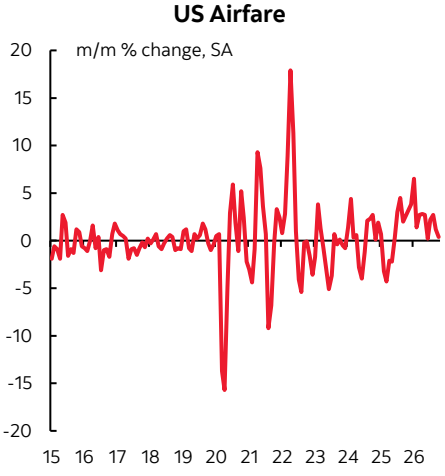
Sources: Scotiabank Economics, BLS.

Chart 14



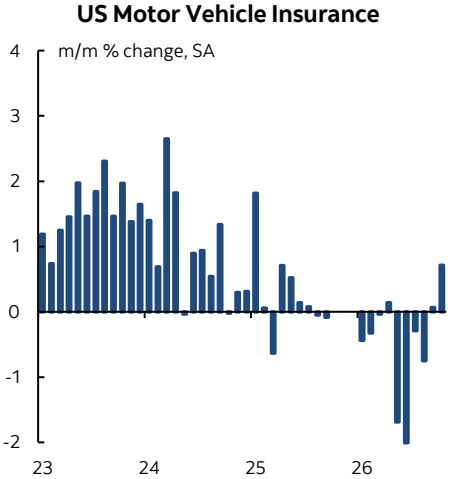
Sources: Scotiabank Economics, BLS.

Chart 15



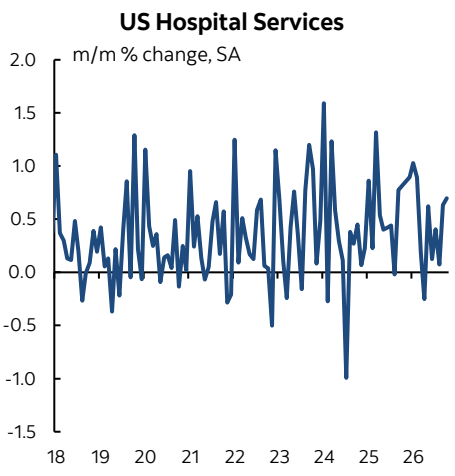
Sources: Scotiabank Economics, BLS.

Chart 16



Sources: Scotiabank Economics, BLS.

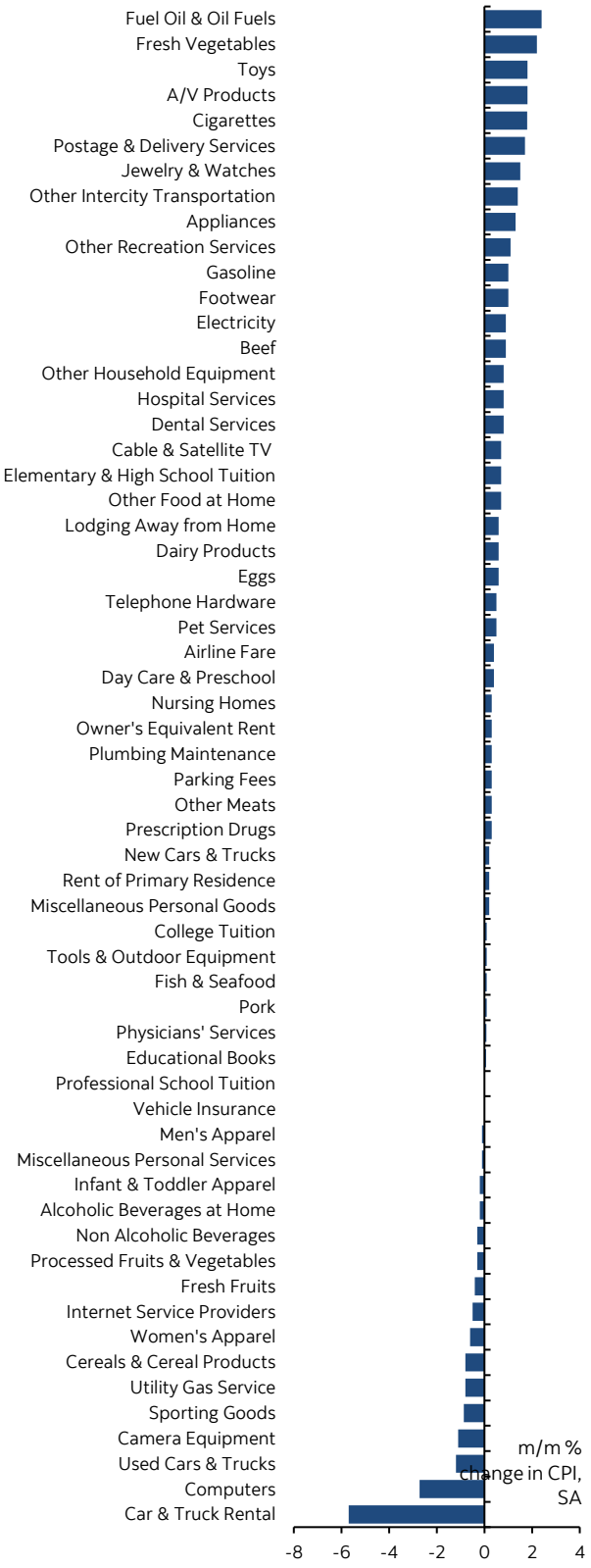
Chart 17



Sources: Scotiabank Economics, BLS.

Chart 18

October Changes in US Headline CPI Categories



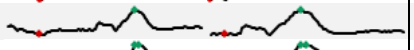
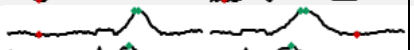
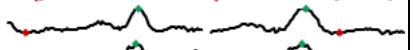
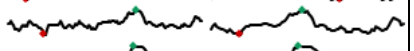
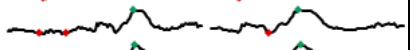
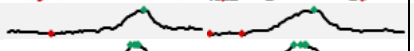
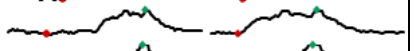
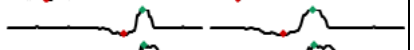
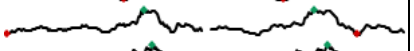
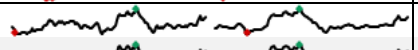
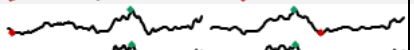
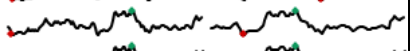
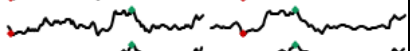
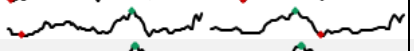
Sources: Scotiabank Economics, US BLS.

Chart 19

October Weighted Contributions to Monthly Change in US Headline CPI



Sources: Scotiabank Economics, US BLS.

Oct 2026				Weighted Contributions (ppts)*	
US INFLATION COMPONENT BREAKDOWN	**10-year trend**	**Pandemic trend (Jan 2019–Present)**	**m/m % change**	**Weights (%)**	**m/m**
Food			**0.5**	**13.447**	**0.07**
Food, home			**0.4**	**8.162**	**0.03**
Cereals & bakery products			0.0	1.016	0.00
Meats, poultry, fish & eggs			0.5	1.940	0.01
Dairy & related products			0.6	0.730	0.00
Fruits & vegetables			0.6	1.276	0.01
Non-alcoholic beverages			-0.3	0.990	0.00
Other food at home			0.7	2.208	0.02
Food, away			**0.5**	**5.285**	**0.03**
Full services meals & snacks			0.7	2.347	0.02
Limited services meals and snacks			0.4	2.637	0.01
Food at employee sites and school			0.0	0.064	0.00
Food from vending machines & mobile vendors			0.5	0.053	0.00
Other food away from home			0.0	0.184	0.00
Energy			**0.7**	**7.649**	**0.05**
Energy comm.			**0.8**	**4.403**	**0.04**
Fuel oils & other fuels			2.4	0.186	0.00
Motor fuel			0.7	4.217	0.03
Gasoline			*1*	*4.080*	*0.04*
Other			*2.7*	*0.136*	*0.00*
Energy serv.			**0.6**	**3.245**	**0.02**
Electricity			0.9	2.513	0.02
Utility (piped gas service)			-0.8	0.732	-0.01
All items less food and energy			**0.3**	**78.905**	**0.24**
Commodities less food and energy			**0.2**	**18.807**	**0.04**
Household furnishings			**0.7**	**3.414**	**0.02**
Window & floor coverings			*-1.3*	*0.227*	*0.00*
Furniture & bedding			*1.2*	*0.833*	*0.01*
Appliances			*1.3*	*0.197*	*0.00*
Other household equipment			*0.4*	*0.542*	*0.00*
Tools & hardware			*0.1*	*0.672*	*0.00*
Housekeeping supplies			*0.9*	*0.824*	*0.01*

Oct 2026					Weighted Contributions (ppts)*
US INFLATION COMPONENT BREAKDOWN	**10-year trend**	**Pandemic trend (Jan 2019–Present)**	**m/m % change**	**Weights (%)**	**m/m**
Apparel			**0.1**	**2.489**	**0.00**
Men's & boys apparel			*-0.1*	*0.621*	*0.00*
Women's & girls apparel			*-0.6*	*0.986*	*-0.01*
Footwear			*1.0*	*0.601*	*0.01*
Infant & toddler's apparel			*-0.2*	*0.098*	*0.00*
Jewlery & watches			*1.5*	*0.183*	*0.00*
Trans. less fuel			**-0.4**	**6.811**	**-0.03**
New vehicles			*0.2*	*3.729*	*0.01*
Used cars & trucks			*-1.2*	*2.670*	*-0.03*
Motor vehicle parts & equipment			*0.2*	*0.338*	*0.00*
Medical comm.			**0.5**	**1.378**	**0.01**
Medicinal Drugs			*0.4*	*1.249*	*0.00*
Medical equipment & supplies			*1.4*	*0.129*	*0.00*
Recreation comm.			**0.7**	**1.930**	**0.01**
Video & audio products			*1.8*	*0.261*	*0.00*
Pets & pet products			*0.7*	*0.596*	*0.00*
Sporting goods			*-0.4*	*0.534*	*0.00*
Photographic Equipment & supplies			*-1.1*	*0.025*	*0.00*
Recreational reading materials			*1.6*	*0.117*	*0.00*
Other recreational goods			*1.5*	*0.397*	*0.01*
Educ. & communication comm.			**0.5**	**0.789**	**0.00**
Educational books & supplies			*1.5*	*0.038*	*0.00*
IT commodities			*0.4*	*0.752*	*0.00*
Alcohol			**0.0**	**0.818**	**0.00**
Alcoholic beverages at home			*-0.2*	*0.383*	*0.00*
Alcoholic beverages away from home			*0.2*	*0.435*	*0.00*
Other goods			**0.3**	**1.297**	**0.00**
Tobacco & smoking products			*0.3*	*0.450*	*0.00*
Personal care products			*0.3*	*0.667*	*0.00*
Miscellaneous personal goods			*1.0*	*0.180*	*0.00*

Oct 2026				Weighted Contributions (ppts)*	
US INFLATION COMPONENT BREAKDOWN	**10-year trend**	**Pandemic trend (Jan 2019–Present)**	**m/m % change**	**Weights (%)**	**m/m**
Services less energy services			**0.3**	**60.098**	**0.18**
Shelter			**0.3**	**35.238**	**0.11**
Rent of shelter			*0.3*	*34.952*	*0.10*
Rent of primary residence			*0.2*	*7.707*	*0.02*
Lodging away from home			*0.6*	*1.392*	*0.01*
OER of residences			*0.3*	*25.853*	*0.08*
Tenants' & household insurance			*0.1*	*0.286*	*0.00*
Water, sewer, trash collection			**0.6**	**1.143**	**0.01**
Water & sewage maintenance			*0.3*	*0.781*	*0.00*
Garbage & trash collection			*1.3*	*0.362*	*0.00*
Household ops.			**-0.3**	**0.881**	**0.00**
Domestic services			*0.7*	*0.277*	*0.00*
Gardening & lawncare			*-1.8*	*0.373*	*-0.01*
Moving, storage, freight			*2.1*	*0.073*	*0.00*
Repair of household items			*1.7*	*0.097*	*0.00*
Medical serv.			**0.3**	**6.813**	**0.02**
Professional Services			*0.4*	*3.389*	*0.01*
Hospital & related services			*0.7*	*2.613*	*0.02*
Health insurance			*-1.8*	*0.811*	*-0.01*
Transportation serv.			**0.8**	**6.256**	**0.05**
Leased cars & trucks			*0.0*	*0.384*	*0.00*
Motor vehicle maintenance & repair			*0.6*	*1.065*	*0.01*
Motor vehicle insurance			*0.7*	*2.510*	*0.02*
Motor vehicle fees			*0.7*	*0.495*	*0.00*
Public transportation			*2.0*	*1.651*	*0.03*
Recreation serv.			**0.9**	**3.127**	**0.03**
Video & audio services			*0.5*	*0.774*	*0.00*
Pet services			*0.5*	*0.537*	*0.00*
Photo services			*2.0*	*0.036*	*0.00*
Other recreation services			*1.1*	*1.780*	*0.02*
Educ. & communication serv.			**0.0**	**5.007**	**0.00**
Tuition, school fees, child care			*0.3*	*2.558*	*0.01*
Postage & delivery			*1.7*	*0.066*	*0.00*
Telephone services			*-0.2*	*1.483*	*0.00*
Internet services			*-0.5*	*0.889*	*0.00*
Other personal serv.			**0.1**	**1.597**	**0.00**
Personal care services			0.2	0.667	0.00
Miscellaneous personal services			-0.1	0.929	0.00

*Number may not add due to rounding

Sources: Scotiabank Economics, BLS.

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