

U.S. CPI Preview: May 2026

MNI View: More Than Just An Energy Story

May 11, 2026 – By Chris Harrison and Tim Cooper

SUMMARY

- Inflation is expected to stay elevated in April, with MNI unrounded consensus pointing to 0.56% M/M for headline CPI (a slight softening vs March) and 0.36% M/M for core CPI (a sequential acceleration), pushing Y/Y inflation higher and further away from the Fed's 2% target.
- Unsurprisingly, energy is expected to remain the main driver of headline inflation, as higher oil and gasoline prices tied to the Middle East conflict continue to lift prices, though the April increase is expected to be smaller than March's spike.
- But it's not just an energy story. Food prices are expected to pickup (potentially reflecting MidEast conflict supply-chain related issues), and core inflation is also expected to firm, with continued upside pressure from tariffs still seen having an impact.
- Important core contributors include airfares and used cars, while softer lodging and apparel prices may offset some of the upward pressure; supply-chain stress and semiconductor shortages are also adding to goods price risks.
- Part of the core pickup is attributable to a temporary statistical quirk tied to the 2025 government shutdown, which is likely to cause a one-off jump in housing inflation. That could put a little more focus on supercore (ex-housing services) inflation, for which there is a very wide range of estimates.
- The breakdown of the above translates into slightly lower early estimates for April core PCE vs CPI, with a median of 0.26% M/M (range 0.22-0.28%), a relatively steady outturn seen from March's 0.29%.
- With recent data suggesting lessened downside risks to the labor market, FOMC officials are likely to increase their focus on inflation. Recent commentary has emphasized upside inflation risks from energy, tariffs, and broader price pressures, making near-term rate cuts look less likely and the market seeing a modest hiking bias in 2027 but ultimately with the Fed on hold for the foreseeable future.

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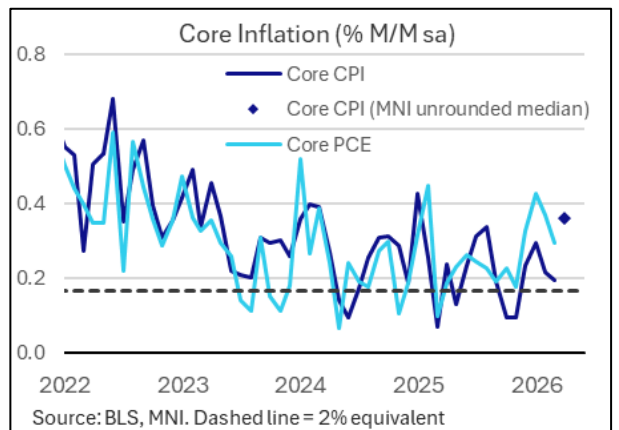
Energy, Housing Surge To Keep CPI Underpinned

Headline CPI inflation is expected to remain sequentially elevated in April (Bloomberg consensus 0.6% M/M, MNI unrounded median 0.56% M/M; 0.87% prior) with energy prices continuing to push higher on the back of the Middle East conflict and potentially joined by a sharp pickup in food inflation after an unusually soft month. An additional upward sequential impact will come from housing, which will see roughly double the recent M/M rate of inflation due to a methodological quirk related to the government shutdown late last year. That will help see the core inflation also nearly double, to 0.36% M/M (MNI Median) from 0.20% prior. Even so, supercore (ex-housing) inflation is seen picking up (to 0.29% M/M MNI Median from 0.18%) with an extraordinarily wide range of estimates (0.12 to 0.75) and mixed readings across categories.

This will continue to push the Y/Y rates higher: for headline the 3.70% (avg expectation) would be the highest since September 2023, with core's 2.71% highest since September 2025. The peak is expected to be yet to come.

	Mar	Apr MNI consensus*
Core	0.196%	Median 0.36%
Headline	0.865%	Median 0.56%
Core Y/Y	2.60%	Median 2.7%, Av 2.71%
Headline Y/Y	3.26%	Median 3.7%, Av 3.70%

(*M/M only from unrounded analyst estimates, Y/Y more broadly)



Early core PCE estimates for April have a median of 0.26% M/M (range 0.22-0.28%) in the relatively small pre-CPI sample we have seen so far, which would represent a relatively steady outturn from March's 0.29%.

Analyst Expectations Of Key Sequential Drivers:

Energy inflation won't be able to match its March surge, dragging sequentially, but food inflation should bounce:

- **Food (+ve):** Food inflation is expected to have returned to a more typical 0.3% M/M after an unusually soft March at -0.01% M/M when food at home fell -0.16% M/M (largest decline since Apr 2025 and before that Mar 2023). This category should give an idea of passthrough from higher transportation and fertilizer costs.
- **Energy (-ve):** Energy prices are expected to have seen a strong increase in April of ~3.5% M/M, again led by gasoline, but it should be much slower than the historically sharp 10.9% M/M energy increase in March.

For core, beyond an artificial boost for rental inflation, expect some offsetting drivers from travel-related services (airfares vs lodging). Core goods might also see some conflicting drivers, with used car prices no longer falling but softer apparel inflation somewhat countering that.

- **Rents (large +ve):** This is expected to be one of the main new drivers of core, with the six-month sample rotation seeing essentially twice the rate of inflation as it compares prices from a year ago rather than six months ago when they couldn't be collected in Oct 2025 due to the government shutdown. The average estimate sees OER at 0.49% M/M (range 0.40-0.62) after 0.28% in March whilst primary rents is seen at 0.43% M/M (range 0.38-0.60) after 0.19% in March.
- **Used cars (+ve):** On average seen at 0.2% M/M (range -0.4 to 1.0%) after the surprisingly soft -0.4% M/M in March, with a lagged relationship with Manheim prices pointing to larger increases.
- **Airfares (+ve):** Mostly expected to show another strong increase (average 3.1% M/M sa) after 2.7% in March as high jet fuel prices feed through. There's a wide range to estimates, from -0.9% to 6.4% M/M, for this category which doesn't feed into core PCE.
- **Lodging (-ve):** Countering potentially faster airfares inflation, lodging is mostly expected to come in softer than in March, with an average estimate of -0.1% M/M for April (range -1.0% to 0.6%) after 0.2% in March.
- **Apparel (-ve):** Seen on average rising 0.3% M/M (range -0.2% to 0.7%) after two very strong increases of 1.0% in March and 1.3% in Feb in what was its strongest single month since 2018. Nomura, close to the average estimate for apparel, cite a non-seasonally adjusted decline in the Adobe Digital Price series.

[A quick reminder that the below table shows median/mean figures across all estimates, hence the core CPI median of 0.31% M/M vs the 0.36% if only taking unrounded estimates per the separate table shown later.]

Summary of Detailed Analyst Apr 2026 Inflation Expectations

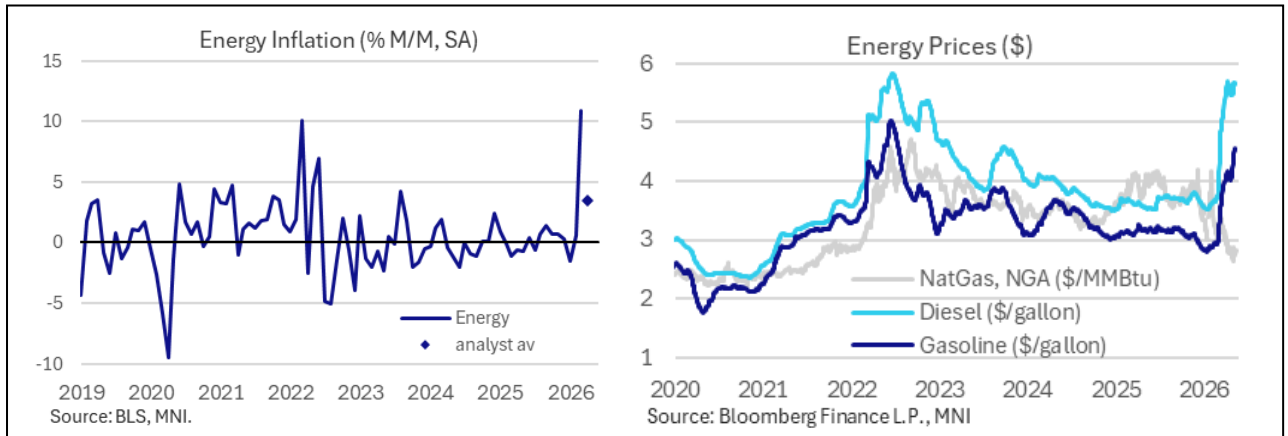
mni	Headline		Core		Headline		Core		Supercore		Core goods		Core services				Food Energy			gasoline	
	NSA	NSA	NSA	NSA	SA	SA	SA	SA	M/M	M/M	used cars	apparel	OER	rents	lodging	airfares	auto ins.	M/M	M/M		M/M
	Index	Y/Y	Y/Y	Y/Y	M/M	M/M	M/M	M/M	M/M	M/M	M/M	M/M	M/M	M/M	M/M	M/M	M/M	M/M	M/M		M/M
March	330.213	3.26	2.60	0.87	0.20	0.18	0.11	-0.4	1.0	0.23	0.28	0.19	0.2	2.7	0.0	0.0	10.9	21.2			
April (median)	332.714	3.70	2.7	0.60	0.31	0.29	0.11	0.1	0.2	0.41	0.50	0.40	0.0	3.5	0.0	0.3	3.4	5.6			
April (mean)	332.671	3.70	2.71	0.61	0.33	0.34	0.12	0.2	0.2	0.43	0.49	0.43	-0.1	3.1	0.0	0.3	3.5	5.6			
Bbg consensus	332.630	3.7	2.7	0.6	0.3																
ANZ		3.70	2.7	0.8	0.2																
Desjardins		3.60	2.6	0.5	0.2																
Nomura	332.603	3.68	2.65	0.51	0.29	0.12	0.22	0.5	0.3	0.31	0.47	0.40	-0.9	-0.9	0.2	0.3	3.4	6			
NatWest	332.370	3.61	2.6	0.5	0.29	0.20	0.10			0.40	0.40	0.40				0.2	2.9	5.8			
BofA	332.5	3.65	2.7	0.51	0.29																
CIBC		3.6	2.7	0.5	0.3																
ING		2.7	0.9	0.3																	
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Jefferies	332.570	3.7	2.7	0.6	0.3																
Goldman Sachs		3.68	2.67	0.58	0.31	0.26	0.05	-0.4	-0.2	0.38	0.50	0.44	0.0	3.0	0.4	0.3	4.6				
Barclays	332.723	3.72	2.7	0.55	0.34		0.11	-0.4	0.7	0.41	0.5	0.40	0.5	1.8	-0.3	0.2	3.7	6.2			
Citi	332.860	3.76	2.7	0.60	0.36	0.42		1.0	-0.2	0.48	0.39	0.6	4.0								
JP Morgan	332.487	3.64	2.7	0.51	0.36			1.0	0.3	0.5	0.38	0.0	1.5			0.4	2.7	5.5			
Morgan Stanley	332.832	3.75	2.7	0.64	0.36		0.19	0.7	0.0	0.41	0.50	0.40	-0.3	4.4	-0.2	0.3	4.4				
UBS	332.845	3.76	2.73	0.59	0.37		0.04	-0.4	0.0	0.47	0.52	0.50	0.1	4.9		0.3	3.5				
TD Securities	332.714	3.72	2.8	0.56	0.38	0.3	0.08	-0.4	0.7	0.48	0.62	0.60	-1.0	6.4		0.3	3.2	5			
Scotia		3.9	2.9	0.7	0.4																
Commerzbank		3.7	0.6	0.4																	
Wells Fargo	332.872	3.76	2.9	0.63	0.50	0.75	0.16			0.61						0.2	3.1				
RBC		3.8	2.7	0.7	0.3																

Sorted on core CPI from smallest to largest M/M. Supercore is core services excluding primary rents and owner equivalent rents

Source: Analyst previews, Bloomberg Finance L.P., MNI

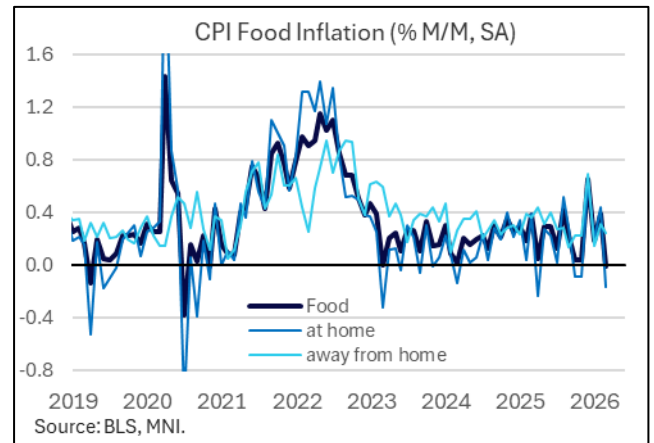
Energy Prices Should Have Continued To Climb After Historical Lurch Higher In March

Gasoline pump prices pushed higher again in April, averaging \$4.13/gallon in daily AAA data for an 11% increase after the 27% jump in March. When combined with a larger decline in natural gas prices over the same period, it should see a notably smaller increase for CPI energy than the booming 10.9% M/M March but estimates of a circa 3.5% M/M seasonally adjusted increase are still strong. Further increases look to be on the cards for May as well, with gasoline prices currently at \$4.53/gallon. President Trump has however said on May 11 that he will suspend gasoline tax for as long as needed whilst reiterating that gasoline prices will drop as soon as the Iran war is over.



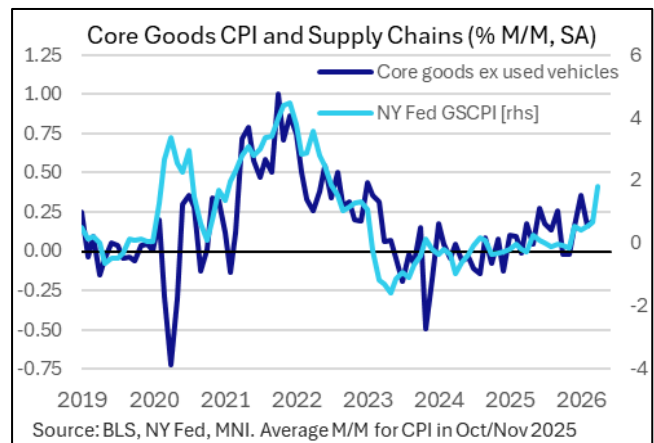
Food Prices Seen Bouncing Back After Rare Drop

Food inflation is expected to have returned to a more typical 0.3% M/M after an unusually soft March at -0.01% M/M when food at home fell -0.16% M/M. This category should give an idea of passthrough from higher transportation and fertilizer costs. Food away from home held at a somewhat solid 0.24% M/M in March after three particularly strong months averaging 0.39% M/M through Dec-Feb. This services-related category could give an indication of discretionary demand in the face of the sharp rise in travel costs.



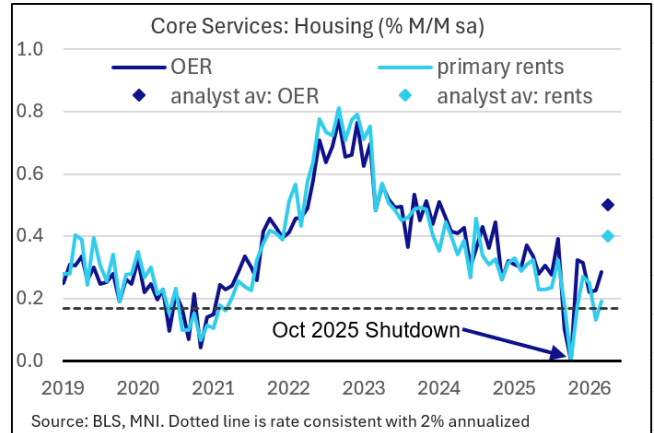
Supply Chain Pressures Increased More Acutely

Core goods items more broadly could see upward pressure from another intensification in supply chain pressures. The NY Fed's GSCPI saw a marked increase in April to 1.8 standard deviations above its historical average for its highest since mid-2022. This index first stepped higher in December to 0.55 and happened to be followed by our estimate of median core goods inflation accelerating to 0.44% M/M (matching the Jun 2025 high for the post-tariff period) before monthly inflation moderated notably as the index levelled off at that level through Q1.



Housing Services To See Payback From Last Year’s Government Shutdown; Health Insurance Reset

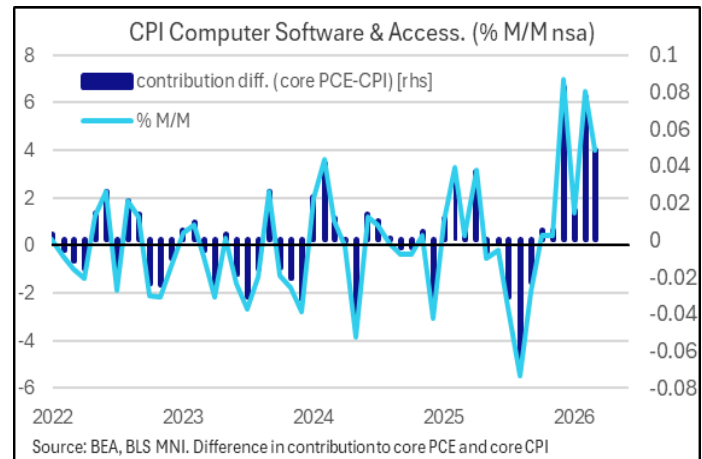
A one-off quirk in housing inflation measures in April is evident in the expected leap in Owners’ Equivalent Rent (0.50% M/M MNI Median vs 0.28% prior, 0.24% 3-month average) and primary rents (0.40% MNI Median vs 0.19% prior, 0.19% 3-month average).



- This stems from the government shutdown last year that prevented the BLS from collecting housing survey data in October 2025, 6 months prior to April. Rents are collected for the same housing units every 6 months, from which the BLS takes the 6th root of the 6-month change to calculate 1-month housing inflation. Because the sample from 6 months earlier won’t be available in April, the BLS has announced it will look at the 12-month change for inflation in the sample and use the 6th root of that change (as opposed to the 12th root), hence the expected M/M figures are roughly double March’s.
- This is very much expected to be an isolated bump higher in the series (future months are seen moving back to the 0.2-0.3% M/M area, with a bias toward softening) and may put more focus than usual this month on the supercore reading which excludes housing services.
- Another area to watch is health insurance for which the usual semi-annual changes to source data make this category somewhat difficult to assess, though going forward it’s seen being less of a drag vs recent months (-1.5% M/M avg since last semi-annual update), potentially pushing up medical care services as a whole. However, this category is sourced differently for PCE, likely blunting any market reaction.

Continued Upward Pressure From Semiconductor Shortages (For Core PCE Tracking Angle)

Turning back to core goods, there is one small category that should be watched even if it doesn’t get a spot in the summary table above. Computer software & accessories saw two particularly months with 4.0% M/M in March after 6.5% M/M in February and is qualitatively expected to have been firm again in April. Recall that this is very much a core PCE rather than core CPI story, helping widen the wedge between the two, with weights of 1.2% vs 0.04% respectively. As such, it added 0.05pps to core PCE in March after 0.08pp in Feb compared to essentially zero to core CPI. JPMorgan write that we “could see another firm increase. The index includes SD and USB memory devices, whose prices have been surging because of AI-related increases in memory prices. Prices for some of the best-selling products in this category on Amazon saw further price increases in April.”



Recent Fedspeak Indicated Caution On Inflation Outlook

The FOMC sounded cautious on the inflation outlook at its end-April meeting, with three FOMC presidents citing inflation concerns in dissenting against the statement language in favor of revoking the outright easing bias and introducing phrasing that was more two-sided on rates.

- At the press conference, Chair Powell sounded cautious but likewise still constructive on the outlook for inflation, saying "for a long time, we’ve been working on on the hypothesis that tariffs would lead to a one time price increase and that that would go away over time. In other words, it would be no further change. So measured inflation would reflect that higher level going up more and more. ... we really do expect that to

be happening in the next two quarters, so we watch them very carefully to see that what we thought all along would happen. That's the critical part of the forecast. We need to really see that."

- But the FOMC will be "very cautious" about that constructive outlook given that inflation has been above target for a prolonged period, and "the question about looking through energy really is not not in front of us right now, it hasn't even peaked yet and I think we want to see the back side of that and progress on tariffs before we even thought about reducing rates."
- "Inflation is a thing we need to work on. And it's partly tariffs which we think, that inflation should subside over the course of this year because it's kind of a one-time increase that shouldn't be repeated. That should start happening pretty soon. The energy inflation that we're getting should go through fairly quickly. And we'll just have to see how that works out."
- Dallas Fed's Logan's ('26 FOMC Voter) dissenting statement highlighted "The conflict in the Middle East raises the prospect of prolonged or repeated supply disruptions that could create further inflationary pressures." Similarly, Cleveland Pres Hammack's dissent cited "Inflation pressures continue to be broad based, and rising oil prices present an additional source of inflationary pressure. Uncertainty around the economic outlook is elevated, with upside risks to inflation and downside risks to growth and employment."
- In reiterating his caution over the next move in rates potentially being to the upside ("I just don't know), last Thursday Minneapolis Fed Pres Kashkari ('26 FOMC voter) he cited concerns over higher inflation remaining entrenched: "Having now had elevated inflation for five years, I for one am very cautious about where inflation is headed...We cannot let elevated inflation be the new normal. We actually have to get it back down to our 2% target and make people realize that and experience it."
- Speaking on CNBC after April's nonfarm payrolls report, Chicago Fed's Goolsbee ('27 voter) noted on inflation: "I don't think it's just energy. It's more than just that" [...] Inflation is elevated — it was already elevated before the war, then the war increased oil prices. Services inflation has been "higher than is comfortable" for several months and is "going the wrong way": He is trying to figure out if inflationary pressures are coming from one-time increases, and he's worried that the oil shock is coming at a time when the tariff shock hasn't yet worked through prices. "We've got to just keep an eye on this, because if everybody starts presuming that inflation rates are going back to something like what they were a few years ago, we would be in a bit of a pickle as a central bank".
- St Louis Fed's Musalem (non-voter, hawk) said last week inflation is running "meaningfully above our target of 2%," "Some of that is still the effect of tariffs passing through. Some of that is the energy price shocks from the Middle East conflict, but there's also underlying inflation that we need to worry about as monetary policymakers."

Rates At Hawkish End Of Iran War Range, Fed Seen On Hold Through 2028

Solid trends in recent US jobs data, including Friday's nonfarm payrolls report ([link](#)), should intensify the FOMC's attention on inflation and less on the downside risks to the labor leg of its dual mandate. The market approaches this April CPI report having firmed up a mild hiking bias for 1H27 after oil futures climbed on Monday with a lack of progress made around US-Iran peace prospects. Fed Funds futures currently price 3bp of hikes for December and a cumulative 10bp of hikes with the April 2027 FOMC decision. Ultimately though, the FOMC is seen on hold through 2028.

FOMC-dated Fed Funds futures implied rates

Meeting	Latest			pre NFP (May 8)			chg in rate	pre FOMC decision (Apr 29)			chg in rate
	%	step (bp)	cum. (bp)	%	step (bp)	cum. (bp)	bp	%	step (bp)	cum. (bp)	bp
Effective	3.64			3.64				3.64			
Jun'26	3.62	-2.0	-1.9	3.63	-1	-1.2	-0.7	3.64	0	0	-2.0
Jul'26	3.61	-0.9	-2.8	3.61	-2	-2.8	0.0	3.63	-1	-1	-1.6
Sep'26	3.62	1.0	-1.8	3.61	0	-2.9	1.1	3.63	0	-2	-0.3
Oct'26	3.64	1.6	-0.2	3.64	2	-0.5	0.3	3.62	0	-2	1.6
Dec'26	3.67	3.1	2.9	3.67	3	2.7	0.2	3.63	1	-1	3.7
Jan'27	3.69	1.9	4.8	3.69	2	4.8	0.0	3.66	3	2	3.0
Mar'27	3.72	3.3	8.1	3.72	3	7.9	0.2	3.69	3	5	3.5
Apr'27	3.74	1.9	10.0	3.73	1	9.3	0.7	3.71	2	7	3.3
Jun'27	3.73	-0.7	9.3	3.72	-1	8.2	1.1	3.70	-1	6	3.6

Source: Bloomberg Finance L.P., MNI. Assuming same EFRR-target lower bound spread from latest fix going ahead

Summary Of Analyst Estimates

Overview Of Unrounded Core CPI Analyst Estimates

mni	Headline		Core		Core PCE	
	NSA Index	NSA Y/Y	NSA Y/Y	SA M/M	SA M/M	SA M/M
March	330.213	3.26	2.60	0.87	0.20	0.29
April (median)	332.719	3.72	2.7	0.56	0.36	0.26
Bbg consensus	332.630	3.7	2.7	0.6	0.3	
Nomura	332.603	3.68	2.65	0.51	0.29	0.28
NatWest	332.370	3.61	2.6	0.5	0.29	
BofA	332.500	3.65	2.7	0.51	0.29	
Goldman Sachs		3.68	2.67	0.58	0.31	0.26
Barclays	332.723	3.72	2.7	0.55	0.34	0.28
Citi	332.860	3.76	2.7	0.6	0.36	0.24
JP Morgan	332.487	3.64	2.7	0.51	0.36	
Morgan Stanley	332.832	3.75	2.7	0.64	0.36	0.22
UBS	332.845	3.76	2.73	0.59	0.37	0.25
TD Securities	332.714	3.72	2.8	0.56	0.38	
Wells Fargo	332.872	3.76	2.9	0.63	0.50	

Source: Analyst previews, Bloomberg Finance L.P., MNI

Summary of Detailed Analyst Apr 2026 Inflation Expectations

mni	Headline			Core		Supercore	Core goods				Core services					Food	Energy	gasoline
	NSA Index	NSA Y/Y	NSA Y/Y	SA M/M	SA M/M		used cars	apparel	OER	rents	lodging	airfares	auto ins.	M/M	M/M			
March	330.213	3.26	2.60	0.87	0.20	0.18	0.11	-0.4	1.0	0.23	0.28	0.19	0.2	2.7	0.0	0.0	10.9	21.2
April (median)	332.714	3.70	2.7	0.60	0.31	0.29	0.11	0.1	0.2	0.41	0.50	0.40	0.0	3.5	0.0	0.3	3.4	5.6
April (mean)	332.671	3.70	2.71	0.61	0.33	0.34	0.12	0.2	0.2	0.43	0.49	0.43	-0.1	3.1	0.0	0.3	3.5	5.6
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ANZ		3.70	2.7	0.8	0.2													
Desjardins		3.60	2.6	0.5	0.2													
Nomura	332.603	3.68	2.65	0.51	0.29	0.12	0.22	0.5	0.3	0.31	0.47	0.40	-0.9	-0.9	0.2	0.3	3.4	6
NatWest	332.370	3.61	2.6	0.5	0.29	0.20	0.10			0.40	0.40	0.40				0.2	2.9	5.8
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Barclays	332.723	3.72	2.7	0.55	0.34		0.11	-0.4	0.7	0.41	0.5	0.40	0.5	1.8	-0.3	0.2	3.7	6.2
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TD Securities	332.714	3.72	2.8	0.56	0.38	0.3	0.08	-0.4	0.7	0.48	0.62	0.60	-1.0	6.4		0.3	3.2	5
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Commerzbank		3.7		0.6	0.4													
Wells Fargo	332.872	3.76	2.9	0.63	0.50	0.75	0.16			0.61						0.2	3.1	
RBC		3.8	2.7	0.7	0.3													

Sorted on core CPI from smallest to largest M/M. Supercore is core services excluding primary rents and owner equivalent rents

Source: Analyst previews, Bloomberg Finance L.P., MNI

Analyst Previews for CPI Report

(In order of weakest to strongest M/M core inflation forecasts, shown on SA basis for M/M and NSA basis for Y/Y unless stated otherwise):

Wells Fargo: Core CPI seen at 0.50% M/M and 2.9% Y/Y in Apr, headline at 0.63% M/M and 3.8% Y/Y

- “The ongoing conflict in the Middle East has kept energy prices elevated, which will start to generate more obvious spillovers into other areas of inflation.”
- “Energy goods are poised for a 6% monthly gain as the jump in crude oil prices continues to pass through to the pump. Food at home is likely to accelerate after March’s pullback, with grocery prices set to strengthen later this year amid rising transportation costs and higher fuel and fertilizer input prices.”
- On core, the “monthly pop is expected to be driven by core services, where strength will be partly—but not entirely—a mirage. The unwinding of a government shutdown-related survey quirk is expected to lead primary shelter to increase at twice its recent pace. We expect shelter inflation to quickly resume its moderation in May though, as real-time rent measures point to further softening.”
- “Excluding shelter, services should be genuinely hot thanks to higher jet fuel costs leading to a jump in airfares... Meantime, a rebound in used vehicle prices will boost core goods inflation, though price growth for other core goods is likely to cool following March’s out-sized gains in apparel and recreational goods.”
- “we continue to forecast the year-over-year rate of core CPI to remain stuck close to 3.0% this year.”

Commerzbank: Core CPI seen at 0.4% M/M in Apr, headline at 0.6% M/M and 3.7% Y/Y

- “Excluding gasoline prices, there were almost no observable effects of the Iran war in March. In April, secondary effects are likely to remain limited, but will be particularly noticeable in airline tickets. In the coming months, higher costs for energy and, in particular, transportation should also feed through to prices for other goods.”
- “There is also a special factor this April” after the BLS couldn’t collect rents data in Oct 2025. “Due to the lack of data, statisticians assumed at the time that rents had remained unchanged. Since households are surveyed every six months as part of the rent survey, current data is now available for these households, meaning the October increase that failed to materialize in the data is now being included in the April rate. This could result in a strong month-over-month figure of 0.4% for the core rate, which excludes energy and food prices.”
- “Because of this one-off effect, this rate should not be extrapolated, but even so, the April figures would underscore that inflationary pressure in the U.S. remains too high. Even if the new Fed Chair Warsh sees potential for interest rate cuts, it is therefore likely to take some time before he can secure a majority in the Open Market Committee.”

TD Securities: Core CPI seen at 0.38% M/M and 2.8% Y/Y in Apr, headline at 0.56% M/M and 3.7% Y/Y

- “We look for core inflation to rise to 0.38% m/m, with headline CPI posting a firmer 0.56% gain owing to a ~5% increase in gasoline prices.”
- TDS expect “A notable pickup in the core segment, largely owing to the rebound in shelter prices after the government shutdown kept the segment atypically subdued in October.” However, they also expect airfares to “leap 6.4% m/m”.
- “We look for goods prices to advance at a subdued 0.08% m/m pace in April, remaining in line with its three-month average. As has been the case in recent reports, the core goods ex-vehicles segment should provide the bulk of the increase in prices, with gains in apparel and other goods acting as key drivers. Another decline in used vehicle prices likely acted as an offset.”
- “We project the core CPI rose to 2.8% on a y/y basis, with headline inflation moving north by another 0.4pp to 3.7%—a three-year-high. We see the risks to our forecasts skewed to the upside in the event pass-through from jet fuel prices to airfares is larger than we are assuming.”
- “Following the rebound from the gov’t shutdown and the ongoing oil-price shock we anticipate the core segment will peak at 2.9% in Q2—though the ongoing Iran conflict provides upside risks to our forecast. We remain of the view that gradual disinflation should be in the cards as a possible scenario toward the end of the year.”

UBS: Core CPI seen at 0.37% M/M and 2.73% Y/Y in Apr, headline at 0.59% M/M and 3.76% Y/Y

- “tariffs are reaching their peak impact on 12-month inflation, but that inflation will stay well above what it would have been without the tariffs for some time.”
- “We now project headline CPI inflation will peak at 4.44% and core CPI at 2.86% in the May report.”

Citi: Core CPI seen at 0.36% M/M and 2.7% Y/Y in Apr, headline at 0.51% M/M and 3.64% Y/Y

- “We expect a 0.36%MoM increase in core CPI in April, although with much greater uncertainty this month compared to usual”, with it 0.26% M/M “absent the one-time shelter catch-up effect.”
- “April data for primary rents and owners’ equivalent rent will reflect a “catch-up” from missed data collections during the October 2025 government shutdown.”
- “We are penciling in a 0.39% increase in primary rents and a 0.48% increase in OER. These increases would essentially reflect an increase that is two months of shelter price inflation in one, with risks that rents and OER may be a bit stronger than we have penciled in. But ultimately, we continue to expect shelter inflation will run softer than usual throughout most of this year, and this could be reflected even in April.”
- “Excluding shelter inflation, there could remain some strength in other core services prices, which rise 0.42%MoM in our forecast. We expect a strong 4% increase in airfares, reflecting some cost increase from higher jet fuel prices. Airfares in PPI/PCE may stay more muted. Seasonal increases in services like tax preparation could boost other personal services prices. Usual changes to calculations of health insurance that occur in April increase uncertainty around this component and could entail less of a drag compared to previous months. But we also continue to see downside risks to components like motor vehicle insurance.”
- “Computer software and accessories prices will likely remain strong again, but this has much more of an impact on PCE inflation than CPI.”
- Current core PCE tracking: 0.24% M/M in April.

JPMorgan: Core CPI seen at 0.36% M/M and 2.7% Y/Y in Apr, headline at 0.51% M/M and 3.64% Y/Y

- The 0.36% M/M in core would be 0.26% M/M “excluding the adjustment to rent and OER.”
- “[S]helter inflation should be temporarily firmer in April. As a reminder, the BLS divides its rent survey into six panels, with each panel being sampled every six months. Because of the government shutdown, there was no rent data collected in October, and the BLS imputed zero growth in prices for that month by assuming that the panel that had been scheduled to be sampled was still charging its April 2025 rents. The panel that was missed in October was then sampled again in April 2026, so the resulting 6-month October 2025 to April 2026 price change in that panel will actually be the 12-month April 2025 to April 2026 change. This should cause the reported price change to be about twice as large as it otherwise would be. We estimate that in the absence of this effect, rent and OER would both be near 0.2%, close to their recent trend, but with this effect they will instead be collectively closer to 0.4%. The scaling could be slightly greater than two, since rent and shelter were running slightly more quickly before October than after October.”
- “The remaining piece of shelter is hotels, where we expect flat prices based on industry data from Smith Travel Research. There could also be a case for a small increase given the hotel price data has risen a bit more than CPI lodging away from home over the last year. On the other hand, surging gasoline prices could reduce demand for travel services.”
- “The USPS announced a temporary 8% price increase last month, but it shouldn’t have much effect on communication prices. The charge didn’t apply to first-class mail, only went into effect on April 26, and postage only accounts for 2% of communication prices. Spending on wireless is a more important category, and there AT&T raised prices on legacy unlimited data plans, though they are also offering customers a new tier of plans that are cheaper.”
- “An important recent source of downward pressure on core inflation has recently come from falling used vehicle prices, but we estimate that price increases resumed in April” based on the lagged relationship with Manheim prices
- “Finally, the price index for software and computer accessories, which gets much more weight in the core PCE than the core CPI, could see another firm increase. The index includes SD and USB memory devices, whose prices have been surging because of AI-related increases in memory prices. Prices for some of the best-selling products in this category on Amazon saw further price increases in April.”

Morgan Stanley: Core CPI seen at 0.36% M/M and 2.7% Y/Y in Apr, headline at 0.64% M/M and 3.8% Y/Y

- “We expect core CPI to rise 0.36% m/m, likely the highest monthly reading this year, with acceleration in both goods and services.”
- “The strength in core services is mainly driven by: (1) the impact of oil on airfares, and (2) a one-off jump in OER and rent of primary residence due to shutdown payback. We estimate these two factors will add about 14bp to core inflation.”

- “Core goods inflation should remain positive as autos accelerate. Tariff pass-through continues but is slowing; the main source of strength in goods is used cars, a component not directly affected by tariffs.”
- “We think the economy is approaching the end of the tariff pass-through phase. Our estimates suggest tariffs have lifted prices by about 61bp so far, with total pass-through closer to 70bp [for cumulative PCE pass-through]. We saw initial signs of deceleration in March and expect that trend to continue.”

Barclays: Core CPI seen at 0.34% M/M and 2.7% Y/Y in Apr, headline at 0.55% M/M and 3.7% Y/Y

- “About 10bp of the acceleration in core CPI from March is likely to be driven by the upward adjustment in rents and OER CPI.”
- “Elsewhere, we look for a rebound in medical care services inflation, partly led by less of a drag from health insurance; we estimate the new run-rate to be -0.4% m/m from April-September (versus -1.3% in the prior six months).”
- “We expect another month of increase in airline fares and similar core goods inflation as in March.”
- Current core PCE tracking: 0.28% M/M (3.3% Y/Y) in April. “While we expect the translation to core goods PCE to once again be somewhat stronger than the CPI measure due to weight differences, we expect less of a boost from shelter inflation in the PCE, due to its lower weight.”
- “In a departure from our usual practice of marking to energy futures prices, we have now marked our CPI forecast to Barclays' baseline oil forecast, which has Brent averaging \$100/bbl this year (and WTI at \$93/bbl), with a peak in Q2 '26.”
- As such, Barclays “forecast headline CPI at 4.0% y/y in December 2026 (+0.7pp) and 1.8% in end-2027 (-0.2pp). This translates to headline PCE inflation of 3.8% in 2026 on a Q4/Q4 basis, and 1.9% in 2027.”
- “We also anticipate spillover to core inflation from this energy path, due to higher persistence. We revised our core CPI forecast higher by 0.3pp, to 3.0% Q4/Q4 this year, and also nudged it up for 2027 by 0.2pp, to 2.4%. These forecasts translate into Q4/Q4 core PCE inflation of 3.1% in 2026 and 2.3% in 2027.”

Goldman Sachs: Core CPI seen at 0.31% M/M and 2.67% Y/Y in Apr, headline at 0.58% M/M and 3.68% Y/Y

- “We expect mixed autos inflation, reflecting a 0.4% decline in used car prices, a 0.1% increase in new car prices, and a 0.4% increase in the car insurance category.”
- “We forecast a jump in the shelter categories—a 0.50% increase in the OER category and a 0.44% increase in the rent category—reflecting the unwind of the downward bias in the index level from missed data collection during the government shutdown. The panel group that should have been sampled in October will be sampled in April and compared to prices from twelve months prior (i.e. April will effectively show two months' worth of increases).”
- “We expect mixed readings for the travel services categories (airfares: +3%; hotels: flat), reflecting signals from alternative price data.”
- “We expect diminishing upward pressure from tariffs on categories that are particularly exposed (such as recreation) worth +0.04pp.”
- Current core PCE tracking: 0.26% M/M in April.

ING: Core CPI seen at 0.3% M/M in Apr, headline at 0.9% M/M

- “A second consecutive 0.9% month-on-month print is expected at the headline level, attributable mainly to the surge in gasoline and diesel prices.”
- “Higher airline fares will also contribute, while a rebound in medical care and recreation, after soft March readings, risk a 0.3% MoM for core inflation reading, pushing the annual rate up to 2.7%.”
- “We continue to believe the headline surge is temporary given the lack of demand impetus that would risk broader, more persistent inflation.”

Jefferies: Core CPI seen at 0.3% M/M in Apr, headline at 0.6% M/M

- “Inflation this month will be mostly fueled by gasoline prices and airfare as well as some pickup in OER, and rent from the government shutdown.”
- “During the shutdown the rent data from this cohort wasn't collected, and in April its rotation was up again, so this sample will experience a full year on inflation at once.”

Westpac: Core CPI seen at 0.3% M/M in Apr, headline at 0.8% M/M

- “In March, the first consequences for US consumer inflation from the Middle East conflict became clear as headline prices rose 0.9% in the month. Notably though, there was no evidence of secondary effects, with food prices flat and core inflation benign at 0.2%.”

- “A similar breakdown is likely in April. We forecast a 0.8% gain in headline prices, but only a 0.3% lift excluding food and energy. Secondary passthrough is likely to take time to show itself, particularly given the deceleration in consumer demand growth to a below-trend pace evident over the past year.”
- “Still, along with tight capacity, the margin compression being experienced is an additional reason to believe US inflation will remain above target for the foreseeable future.”

BofA: Core CPI seen at 0.29% M/M and 2.7% Y/Y in Apr, headline at 0.51% M/M and 3.7% Y/Y

- Headline is seen at a strong monthly pace again “owing in large part to a 4.3% m/m pop in energy.”
- CPI meanwhile reflects “the payback in rents from the shutdown and sticky non-housing services inflation.”
- “We think the risks to our forecasts are skewed to the upside for both headline and core inflation.”

NatWest: Core CPI seen at 0.29% M/M and 2.6% Y/Y in Apr, headline at 0.5% M/M and 3.61% Y/Y

- “Firm” print led by another strong gain in energy prices (+2.9%) with a small rebound in food (0.2%) and slight acceleration in core (0.288% unrounded).
- “while first order effects from the fallout of the Iran conflict on energy prices is being felt quickly, the second-order effects on the core components will likely take time to feed through, keeping inflation uncertainty elevated.”
- “our expectation for firmer core services prices in April is entirely driven by a government shutdown-driven methodological quirk that will temporarily boost the heavily weighted rent costs in the CPI and not a reflection of any resurgence in market rents.”
- “Prices for travel-related services, such as airfares and lodging away from home are expected to have made a modest positive contribution to the core measure.”
- “Updated source data (from the National Association of Insurance Commissioners) will be introduced for the health insurance component. The BLS spreads the change implied by the updated data over the following six months. With this source data update, we expect average monthly gains between April and October of -1.0% m/m, after averaging -1.5% in the prior six months.”

Nomura: Core CPI seen at 0.29% M/M and 2.60% Y/Y in Apr, headline at 0.51% M/M and 3.68% Y/Y

- “Positive payback from the BLS’s carry-forward imputation in October last year likely boosted both regular rent and owners’ equivalent rent substantially in April, pushing up aggregate m-o-m core CPI inflation by 9bp.”
- “Without this technical factor, underlying inflation appears steady. The impact from tariffs appears to be waning. However, global shortages of semiconductor, certain metal products as well as the spillover effects of the Iran War all point to upside risks to the near-term inflation outlook.”
- “Core goods inflation likely rebounded modestly, led by higher vehicle prices and stabilized prescription drug prices. The recent US dollar appreciation and affordability issues due to higher gasoline price appear to have limited price increases.”
- Within goods details: “Prescription drug prices dropped sharply by 1.5% m-o-m in March, probably due to the rollout of Trump RX. We think that the negative impact from lower drug prices likely diminished in April.”
- “Supercore service CPI inflation likely decelerated in April. Industry data point to lower prices for travel-related services (e.g., hotels and airline fares), which was partly offset by a rebound in medical care service prices.”
- Within services details: “Volatile medical care service prices decelerated sharply in March, which was led by softness in a few subsets including home health care and health insurance. However, semi-annual adjustments to health insurance prices will likely make this component less of a drag relative to the October 2025-March 2026 period”
- Current core PCE tracking: 0.28% M/M in April, whilst the Y/Y would firm to 3.30% from 3.20% in March.
- “Despite the technical adjustment to rent-related components, continued strength in core PCE inflation with no resolution to the conflict in the Middle East will likely keep most policymakers cautious about inflation risks.”

ANZ: Core CPI seen at 0.2% M/M and 2.7% Y/Y in Apr, headline at 0.8% M/M and 3.7% Y/Y

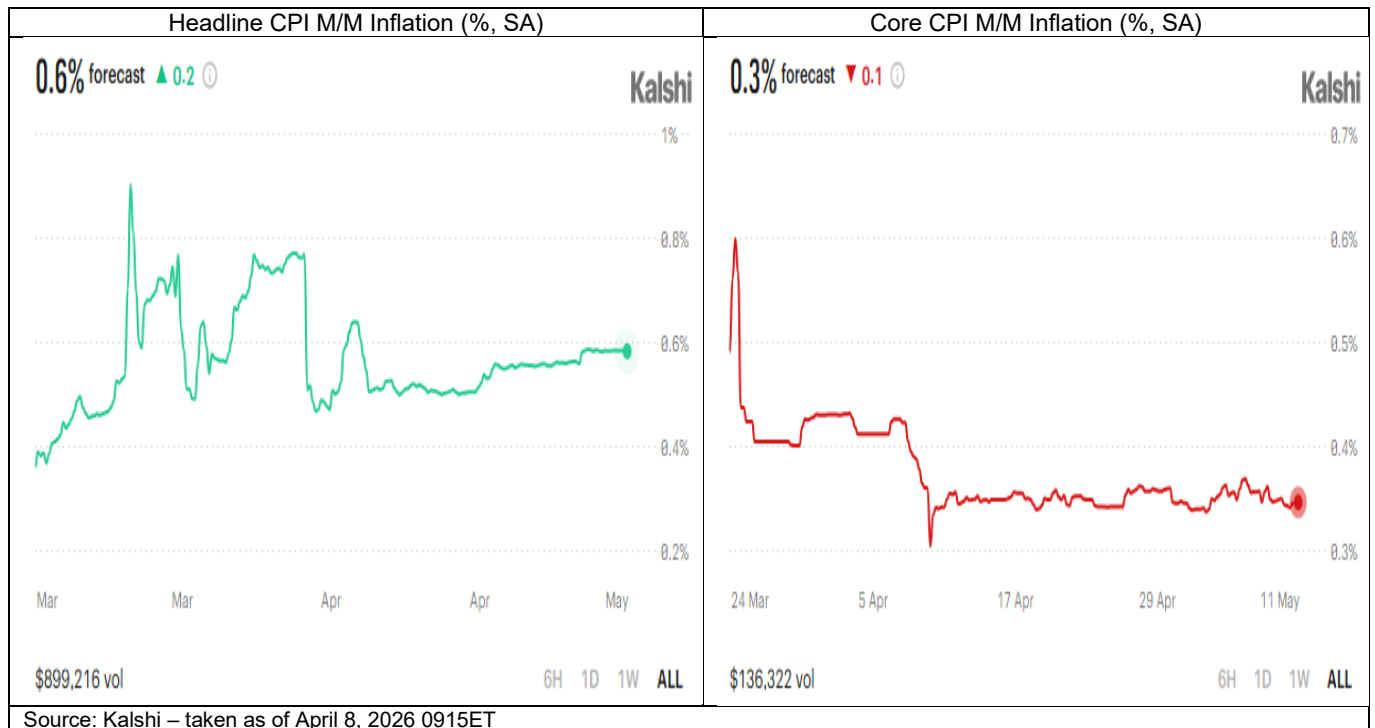
- “The CPI inflation data for April are expected to show a widening divergence between the headline and core measures.” They see headline rising 0.8% M/M but core a “modest” 0.2% M/M albeit with upside risks.
- “Gasoline prices in the US have jumped nearly 40% since the Middle East conflict began at the end of February. For core inflation, transportation services – specially airfares – will be in focus owing to much higher jet fuel costs, as will any evidence that higher energy costs are spreading to other price categories.”

- “Separately, while the longer-run trend for growth in owners’ equivalent rent (OER) is slowing, the April reading for shelter inflation is expected to be firmer. There will be some ‘payback’ to offset the zero-increase imputed for last October’s OER due to the federal government shutdown. This one-off increase will not constitute a fundamental shift in the trajectory of shelter disinflation.”
- “We will also be watching goods prices, in particular the sub-category that excludes food, energy, and used cars and trucks. Owing to base effects from tariffs, this sub-index has been rising persistently in recent months, reaching 1.9% y/y in March. It will be important to observe in coming months if this peaks and starts to decline as that would provide evidence that the tariff effect on inflation is starting to roll off. Outgoing Fed Chair Powell has said that this a necessary ingredient for a resumption in the rate easing cycle.”

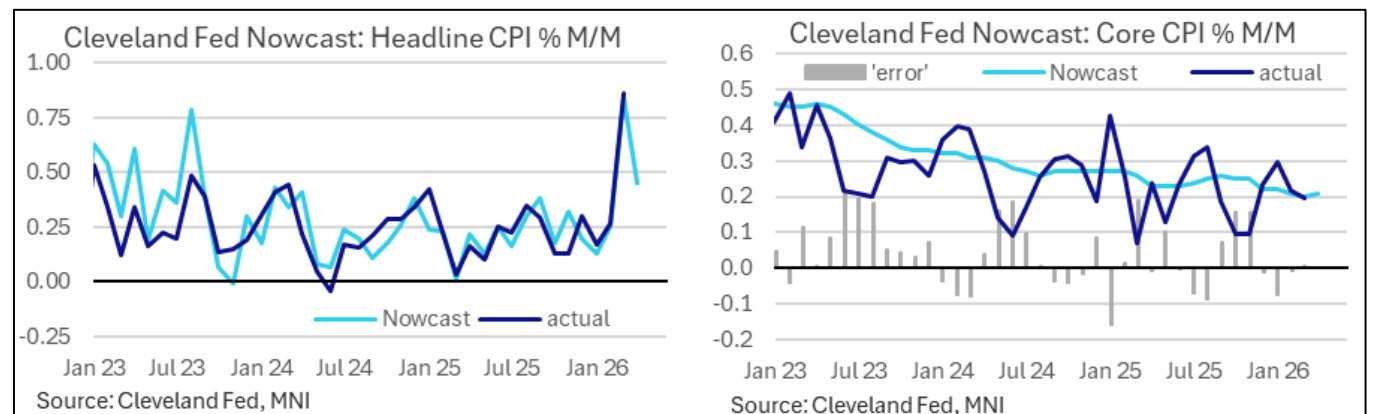
[Recent inflation developments and MNI Policy Team insights continue below]

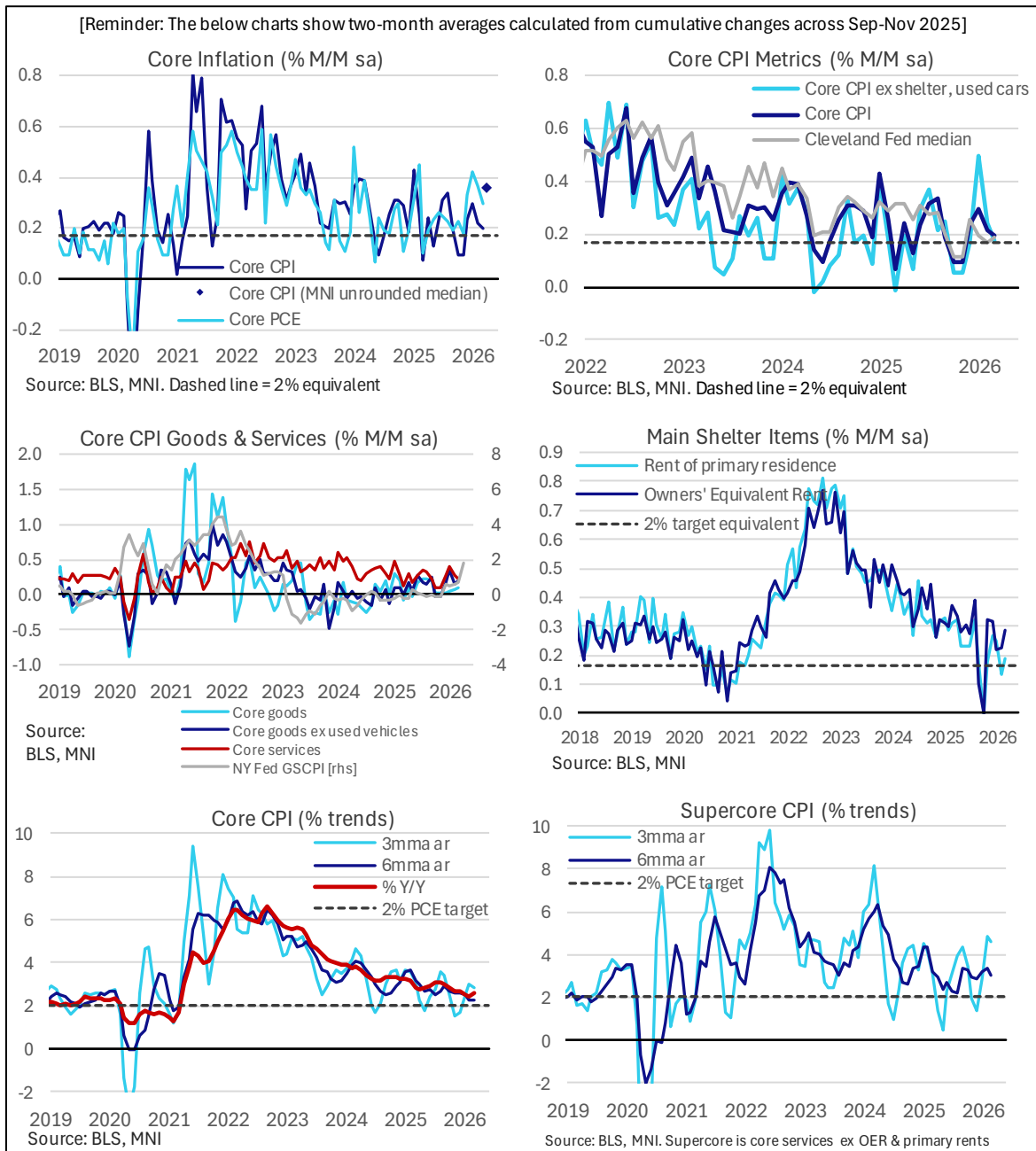
Recent Inflation Developments

Prediction markets: Kalshi betting has a forecast of a slightly 'low' 0.6% M/M whilst core CPI is seen between 0.3-0.4% M/M for close to the median 0.36% M/M unrounded estimate noted above. The market remains very thin market, especially when it comes to core M/M estimates.

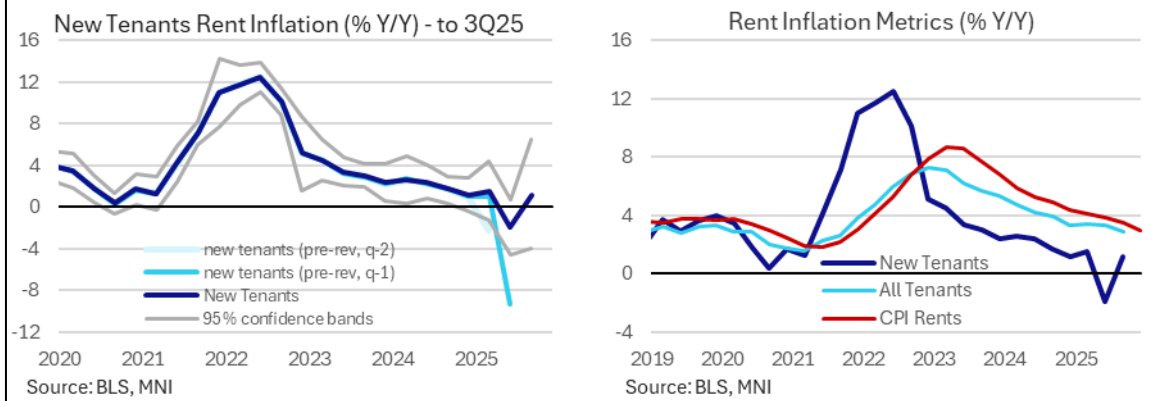
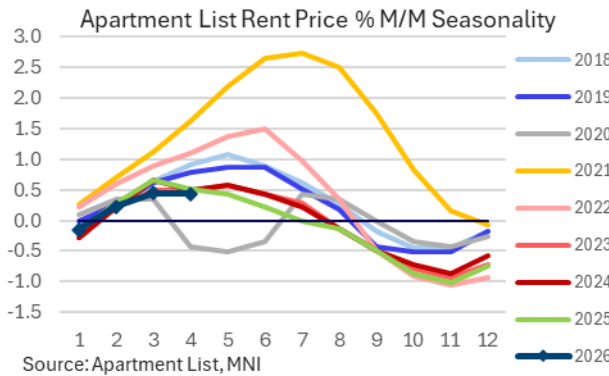
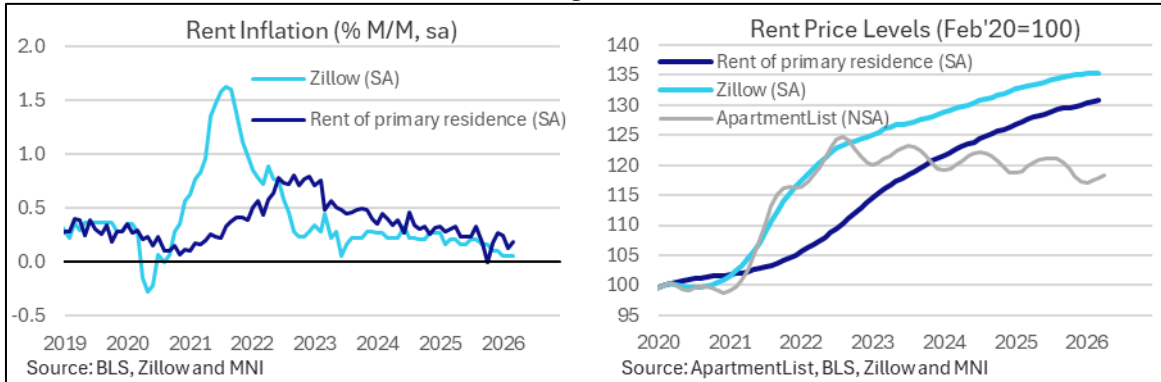


Nowcast: The Cleveland Fed nowcast has headline CPI at 0.45% M/M, adding to the downside risk that the unrounded estimates already suggest to Bloomberg consensus of 0.6% M/M. A large part of this looks to come from softer core CPI tracking, at just 0.21% M/M, which we suspect might be missing the rental inflation component (seen by some to add 10bps to core CPI inflation). The core nowcast has been impressively accurate in the previous two months, exactly right in March at 0.20% M/M and just 1bp lower than the realized 0.22% M/M in February.

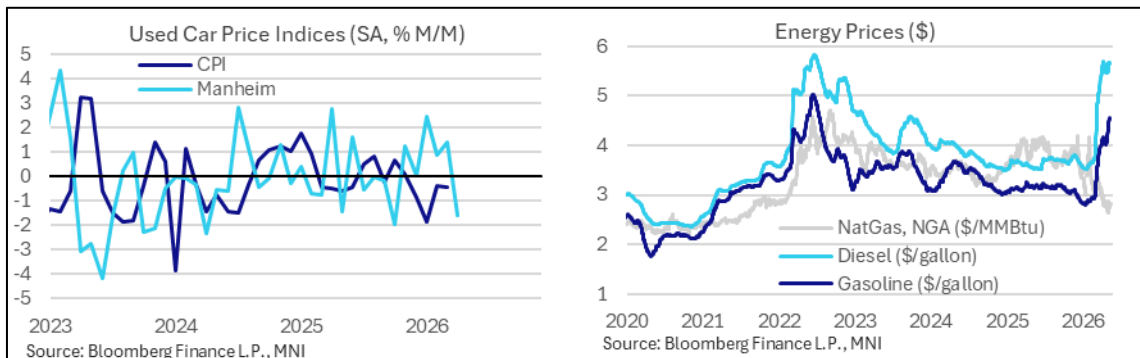




Housing Inflation



Notable Goods Prices



Full recap of the prior CPI report here, with our report titled "Core Relief Overshadowed By Energy":
<https://media.marketnews.com/US Inflation Insight Apr2026 2179cf98d7.pdf>

MNI Policy Team Insights

MNI INTERVIEW: US Services Growth Still Largely Intact - ISM

By Evan Ryser (May 5, 2026)

WASHINGTON - The U.S. services sector in April held up well and the expansion is set to continue despite rising input costs, with a surge in AI-related activity offsetting weakness in other areas, Institute for Supply Management services chair Steve Miller told MNI.

"I'm not seeing any signals that say we're slowing down. This is the third month in a row where we've had nine of the 10 sub indexes in expansion territory," Miller said. The PMI "continued to show strength."

The ISM services index eased 0.4 percentage points in April to 53.6, largely meeting expectations. The composition of the report was mixed and it was the lowest reading since November, but still above the 2025 average of 51.7.

"With my view of a greater than 50% chance that we'll see moderate flow of oil through the Strait of Hormuz through the summer, I'm expecting us to be in the mid 50s, maybe 54, 55, 56" on the PMI, he said. "There is a significant risk that we're going to see a higher oil price than USD105 or USD110, unless the shepherding of vessels through the Strait of Hormuz works."

ELEVATED INFLATION

The energy price shock due to the war with Iran kept the prices index elevated at 70.7, the same as last month. That points to a further increase in inflation. (See: MNI INTERVIEW: Fed Is Firmly On Hold For Some Time - Sheets)

"The only time we've seen 70s has been when we've seen high inflation," Miller said. "I don't know how we avoid it."

There was a sharp drop in the new orders measure, by 7.1 points to 53.5 in April. It was the sixth largest monthly drop in the history of reporting the PMI.

Miller didn't express much concern about the drop in new orders, noting the level is back down to its 12-month average. "My inference into the data is that the drop is just related to back to normal ordering after people ordered ahead to try and beat fuel price and transportation cost increases from the increased oil levels."

He said the average monthly reading over the last 12 months is 53.9 and the February and March indexes were 58.6 and 60.6, way above the 12-month average. "It looks like we had some abnormal ordering behavior in February and March, and it's back to normal in April."

The employment index rebounded by 2.8 points in April to 48.0 after having dropped sharply in March. "It's the same story. We're at 48 in employment, versus a 48.6 for the 12-month average," Miller said.

TWO-SPEED ECONOMY

Miller said the U.S. expansion is becoming increasingly bifurcated as demand related to the buildout of infrastructure for AI remains strong while other parts of the economy lag.

"It's two different economies in construction. It's housing and its data centers," Miller said. "Housing is depressed and in data centers it's difficult to keep up."

MNI INTERVIEW: Fed Is Firmly On Hold For Some Time - Sheets

By Evan Ryser (May 5, 2026)

WASHINGTON - The Federal Reserve is likely to keep interest rates on hold for some time, with a higher and more prolonged oil price trajectory making a rise in interest rates more probable, the former director of the Division of International Finance at the Fed Board of Governors, Nathan Sheets, told MNI.

"I think they are firmly, firmly in wait and see mode," he said in an interview after the FOMC last week kept rates on hold for the third straight meeting and outgoing Chair Jerome Powell said the center of the Committee is moving toward a more neutral place.

Sheets said the Fed's March SEP indicating one rate cut by the end of the year remains a reasonable benchmark. "If they cut as they project, it's going to be out a ways, toward the end of the year."

Whether disruption from the Iran war is large, broad, and durable enough to generate widespread supply chain stress is still uncertain, and oil prices would still have to rise, though those odds have climbed, he said. "If you're in that world with USD120 per barrel oil, the probability that the Fed will need to hike this year is substantial. I wouldn't put it over 50% but I'm not sure I would put it a lot below 50% in that scenario."

MAXIMUM OPTIONALITY

Powell flagged last week the central bank could remove its easing bias as soon the next meeting in June. Three regional Fed presidents dissented at the last meeting against the guidance. (See MNI INTERVIEW: Warsh Fed Won't Manage To Ease Soon-Hubbard)

Sheets said rate guidance in June will depend on the situation in the Middle East and oil prices. "It'll depend entirely on what's happening in the Middle East, where the price of oil is, what the inflation data are looking like, and what the economy is looking like. Is it possible? Yes."

"But there's a lot of wood to chop. There's a lot of data that we're going to see," said Sheets, now global chief economist at Citigroup.

By retaining the easing bias in the rate guidance while also seeing several members of the FOMC dissent, Powell is arguably giving Warsh more room for maneuver when he takes over at the Fed's next meeting in June, Sheets said.

"Maybe there's a case here that Powell's giving Warsh maximum optionality for the June meeting," he said. "With this strategy, you make the statement, but then you leave it to the Warsh Fed to decide what they want their bias to be."

BALANCE SHEET TOOLS

Sheets, who was involved in helping establish and manage dollar swap lines with foreign central banks during the Global Financial Crisis, suggested that Warsh's answers to Senate Democrats about such facilities are in keeping with the program's past, while also acknowledging the different roles of the Treasury Department and the Fed.

"Treasury is the senior partner on international affairs in the US government, senior partner for U.S. economic affairs. The other paradigm is that the swap lines are tied critically to U.S. monetary policy," he said. Warsh's answers also flagged to senators his intent to review monetary policy implementation, including IORB and the ONRRP facility.

"He does want to move to a smaller balance sheet, and there are mechanisms to achieve that smaller balance sheet, but it will require further fleshing out some of the existing tools like the standing repo facility," Sheets said. "I see as a critical part of being able to reduce the size of the balance sheet."

MNI INTERVIEW: US Manufacturing Nears Tipping Point - ISM

By Evan Ryser (Mar 1, 2026)

WASHINGTON - The U.S. manufacturing sector has been resilient in the face of the Iran war supply shock but is closer to a point where higher prices will bite and uncertainty drag on demand, Institute for Supply Management manufacturing chair Susan Spence told MNI Friday.

"If the war ended tomorrow, we'd have lingering prices for a bit, but it would be over pretty quick," she said in an interview. "If we don't start to see movement toward something other than a temporary ceasefire, I think we're going to erode this PMI above 50."

The ISM manufacturing index was steady at 52.7 in April, somewhat below market expectations. The April reading matching the best reading since 2022 was also the fourth straight monthly figure above 52, after failing to reach that level for over two years. The tone of respondents' comments, however, was less positive.

"If we're sitting here in the middle of the summer and we've got no end in sight with respect to the war, I do worry about that tip forward," Spence said.

INFLATION

The prices index surged again in April, up 6.3 points to 84.6, the highest reading since April 2022. There were 46 commodities reported up in price, up from 24 in March.

The ISM price gauge was rising even before the Iran war, suggesting prices pressures are more widespread than just the supply shock from the Middle East, Spence said.

"They were rising precipitously by the time that started. Having said that, my feeling is that if there is a swift end to the war I think that's going to correct itself within a few months, but the fact it was rising before that concerns me overall. I don't think we can blame it all on that," she said.

The Federal Reserve may need to act to ensure that prices are on track to reach the central bank's 2% inflation target, Spence said. "If the unemployment rate is largely steady, then I could potentially see a hike in their future because people can't stand these inflation rates." (See: MNI INTERVIEW: Warsh Fed Won't Manage To Ease Soon-Hubbard)

EMPLOYMENT

The new orders measure inched up to 54.1, while the employment figure softened to 46.4, well below 50 but slightly above the 2025 average. There were 1.7 comments on reducing head counts for every one comment on hiring, a weakening from the 1.2 to 1 ratio in March.

Spence doesn't think that AI adoption is a reason for the contraction in manufacturing employment, which has been below 50 for 31 straight months. "Our panelists in December said their AI adoption is not very big right now. They're thinking about it. They're planning for it, but most folks just weren't doing anything yet."

"I am actually a little relieved that the PMI didn't deteriorate more given the events of the last six weeks. Although, while I try to be optimistic, I think I'd feel better if new orders were up more," Spence said.

"Expansion was muted a bit because we have had all these incredible price shocks on top of kind of shaky sentiment."

MNI INTERVIEW: Warsh Fed Won't Manage To Ease Soon-Hubbard

By Pedro Nicolaci da Costa (May 1, 2026)

WASHINGTON - The Federal Reserve's incoming chair Kevin Warsh would have a tough time convincing an increasingly hawkish FOMC to go along with rate cuts at a time when a large energy shock is creating fresh fears of inflation, former White House Council of Economic Advisers Glenn Hubbard told MNI.

"It would be hard to believe that the Fed could cut rates immediately given all the obvious pressures on inflation and the fact that the real economy is still fairly solid," said Hubbard, who served in the CEA alongside Warsh before he became a Fed governor.

Warsh has previously hinted that he would back lower interest rates by touting the prospect that strong AI-led productivity could allow for more non-inflationary growth. But Hubbard thinks the outlook is more nuanced, while the conflict in Iran has added to uncertainty.

"Eventually, yes, the AI boom is, of course, a productivity boom, and it's probably disinflationary. In the near term, AI is adding a lot to aggregate demand, data centers and hard capital build out, that's going to put upward pressure on the real interest rate and possibly inflation. You have to be a little bit careful. Any story about AI shouldn't be an argument for cutting rates now," said Hubbard, now a professor at Columbia Business School.

He said mission number one for Warsh as he rejoins the central bank will be to develop a strong rapport with the institution and its many layers of staffers.

"The first step for Warsh will be to build relationships with other governors and members of the FOMC. Sometimes people forget the chair is not a king. It's a consensus organization. And as part of that, I think he'll have to have a theory of the case, if you will, for the short run, the medium run and the long run," said Hubbard.

"The only argument for cutting rates in the near term would be if you thought the economy had weakened markedly and inflation is behaving. But neither of those seems true."

The Fed this week held rates steady but three Fed presidents dissented against the statement because they thought language that is perceived as an easing bias is no longer appropriate. (See MNI INTERVIEW: Fed Hawks Right To Focus On Inflation - Harris)

BALANCE SHEET

As to the Fed's large balance sheet, of which Warsh has been a long-time critic, Hubbard also does not expect immediate drastic action.

"It would have to be gradual, more complicated than whether you want the Fed to have a big or small balance sheet. There's two discussions that get conflated. One is, as Warsh put it in his testimony I think, is staying in your lane, not having too big a footprint in the economy, I appreciate that. And we also have a lot of regulations that have neutered the ability of private market makers to maintain liquidity in the Treasury market," he said.

"I think you'd have to go pretty slow on shrinking the balance sheet and at the same time, maybe make regulatory changes to bring those market makers back. So I wouldn't expect him to make any radical changes."

COMMUNICATIONS

Hubbard strongly supports the changes to communications that Warsh has called for, he said. (See MNI POLICY: Warsh Could Reshape Fed On Rates, Communications)

"I'm 100% with him on both the dot plot and forward guidance. I don't think they've served the Fed well. I also think that communications need to be more coordinated," said Hubbard.

"I think we've had entirely too much discussion in the open from other Fed officials, policy disagreements. I think the Fed needs more discussion inside the room, but less discussion outside the room."

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