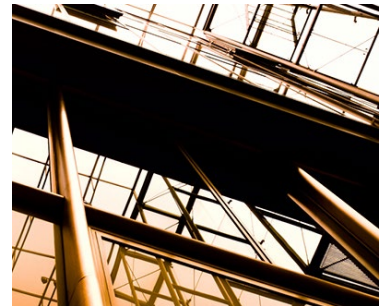


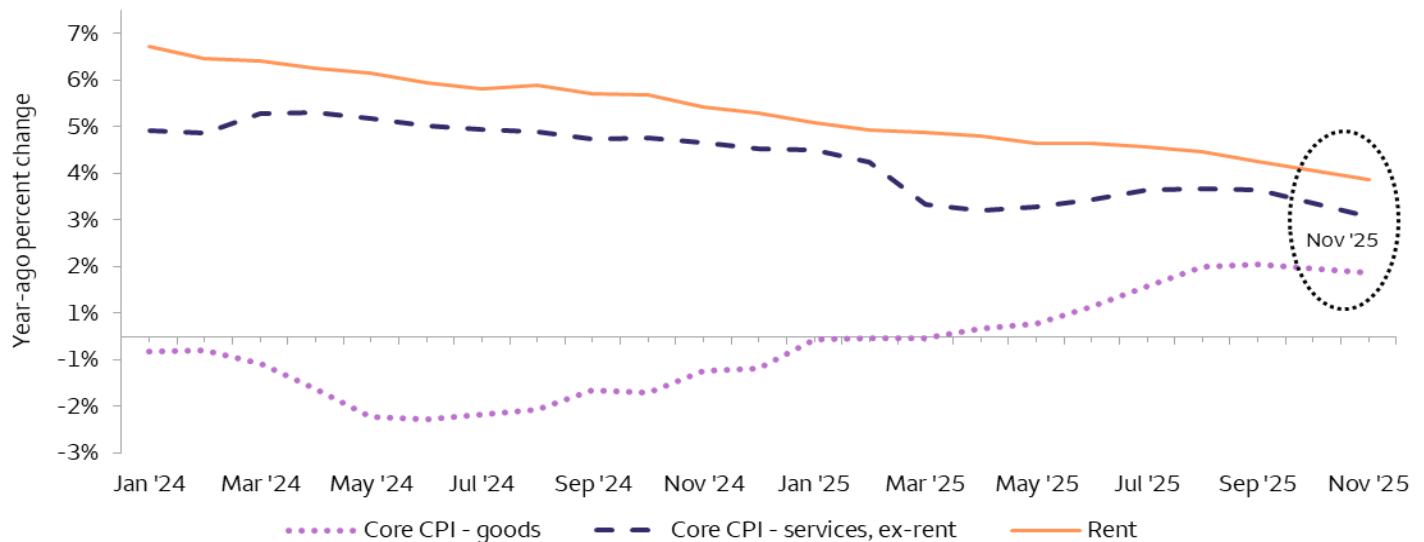
## Chart of the Week



Weekly analysis of key themes in markets

January 6, 2026

### The balancing act keeping a lid on inflation



Source: Bureau of Labor Statistics. Data from January 2024 – November 2025; current as of December 18, 2025. CPI = Consumer Price Index. Core CPI excludes the CPI's food and energy components. An index is unmanaged and not available for direct investment.

#### Services disinflation and muted goods inflation have combined to limit price increases

Despite market worries about tariff-related inflation in 2025, 12-month increases in the headline and core Consumer Price Index (CPI) have been remarkably steady for the late stages of an economic growth cycle. Inflation in the core CPI (excluding food and energy) was held to a moderate 2.6% – 3.1% range during most of 2025. Inflation in that CPI component was restrained by disinflation in usually sticky services — accounting for over 75% of the core CPI — that helped offset inflation in core goods.

As shown in the chart above, services disinflation has been driven by slowing price increases for rents and by an even more noticeable disinflation for the CPI's slightly smaller component for other services prices. Meanwhile, the goods component of core CPI has emerged slowly in the past year from deflation to a modest sub-2% inflation rate. Even price increases for tariff-sensitive goods have been below core inflation, partly because more drawn-out implementation has kept the average effective tariff rate more muted than we expected last spring.

#### What it may mean for investors

We expect further disinflation in both core and the broader topline CPI during most of 2026 to occur alongside strengthening economic growth, as rental and other services inflation slows and as productivity gains — tied to artificial intelligence and businesses' response to labor-supply constraints — combine with deregulation to suppress business costs. In our view, these forces are among the positive, durable trends shaping our 2026 outlook, likely overshadowing bouts of market volatility and setting the stage for a constructive economic backdrop and further financial-market gains.

#### Global Macro Strategy team

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Each asset class has its own risk and return characteristics. The level of risk associated with a particular investment or asset class generally correlates with the level of return the investment or asset class might achieve. **Stock markets**, especially foreign markets, are volatile. Stock values may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors.

### Definitions

Consumer Price Index (CPI) produces monthly data on changes in the prices paid by urban consumers for a representative basket of goods and services.

An index is unmanaged and not available for direct investment.

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