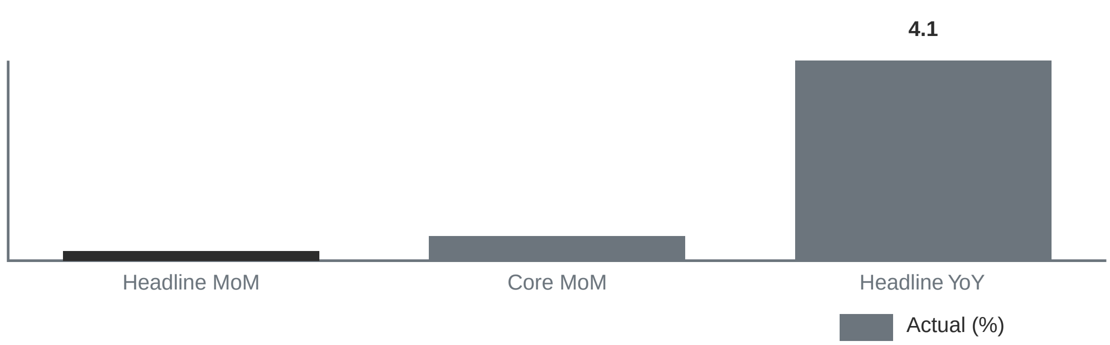
May CPI & the June Cut Window: Post-Print Analysis for June 17 to 18

Research Team

June 13, 2026

May U.S. CPI released 10 June (GMT+8) and confirmed the "headline cooling, core sticky" configuration markets feared. Headline CPI rose 0.2% MoM (consensus 0.3%, prior 0.6%) and 4.1% YoY (consensus 4.2%, prior 3.8%); core CPI rose 0.5% MoM (consensus 0.5%, prior 0.4%) and 3.9% YoY. Energy contributed to the YoY reacceleration but decelerated on the month; shelter and core services ex shelter remained firm. The ECB delivered expected 25bp hikes on 11 June (deposit facility to 2.25%, main refinancing to 2.40%) with cautious, data-dependent messaging. May PPI cooled to 0.6% MoM (consensus 0.7%, prior 1.4%). On our 13 June research snapshot, gold still leads one-month performance (+4.2%), Nasdaq and the S&P hold gains (+3.8% and +2.5%) despite a soft CPI-week for tech, and bitcoin lags (" 5.4%). June OIS now prices roughly 22% for a June cut versus ~35% pre-print, July remains live at ~68%. This report maps what printed, how markets reacted, and how to position into the FOMC.

May CPI: Actual vs Consensus



Source: BLS May 2026 CPI; AVANTAS Research

Key Takeaways:

• **May CPI landed in Scenario B:** soft headline MoM (0.2%) but sticky core at 0.5%, the Fed can look through energy on the month but not declare victory on services.

• June cut probability fell post-print (~22% from ~35%); our base case is unchanged hold on 17 to 18 June with July as the first live cut window.

• **Market reaction:** initial bull steepener on headline faded as core stuck; Nasdaq underperformed on CPI day (" 0.7%); gold held (+0.8% session) as the policy-hedge bid persisted.

• ECB hikes plus cautious Lagarde tone capped duration rallies, global patience reinforces the Fed's wait-and-see stance even with a softer headline.

• **Portfolio takeaway:** maintain barbell rates and quality equity core; keep gold sleeves; trim naked long duration into the FOMC, one cooperative headline does not end sticky services.

Executive Summary

The May CPI print did not resolve the June policy bind, it clarified it. Headline inflation reaccelerated on a YoY basis (4.1% versus 3.8% prior) but the monthly pace cooled to 0.2%, giving the Fed room to acknowledge energy normalization. Core at 0.5% MoM exactly at consensus keeps the disinflation narrative incomplete: owners' equivalent rent and core services still run above comfort. Payrolls had already updated the labor leg; CPI updated inflation. Together they point to hold with dovish optionality in June, not an insurance cut. Markets repriced accordingly: front-end yields rose modestly as sticky core dominated the headline relief trade. With the ECB also hiking and emphasizing persistence, cross-asset leadership stayed defensive-quality: gold firm, energy supported on YoY headline, long-duration tech vulnerable. Into 17 to 18 June, watch the SEP, dot plot, and Powell's read on whether one soft headline month plus sticky core equals patience through July.

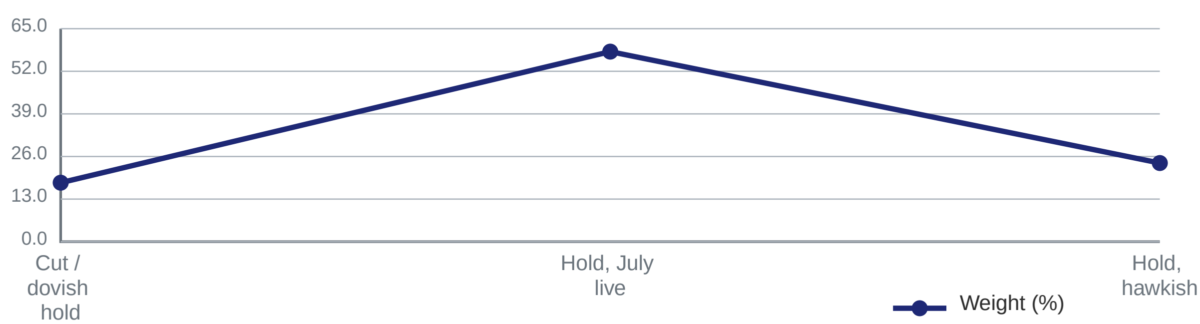
What May CPI Printed: Headline vs Core

The BLS release showed headline CPI +0.2% MoM and +4.1% YoY; core CPI +0.5% MoM and +3.9% YoY. Versus consensus, headline MoM undershot (0.2% vs 0.3%) and headline YoY undershot slightly (4.1% vs 4.2%), while core MoM matched the 0.5% whisper. The prior month's 0.6% headline MoM made May's deceleration meaningful on a sequential basis, but the YoY reacceleration from 3.8% confirms energy and base effects still matter for household inflation perceptions. Supercore proxies (services ex shelter, market-based measures) decelerated marginally but did not break trend. Financial conditions tightened modestly in the 24 hours after the release as the "sticky core wins" interpretation took hold.

Component Detail: Energy, Shelter, and Services

Energy prices contributed to YoY headline lift but rose less on the month than in April, gasoline moderated as Gulf premium faded, consistent with our oil-shock work. Shelter rose ~0.3% MoM with owners' equivalent rent still the largest single core contributor; this is slower than 2024 peaks but not yet at pre-pandemic norms. Core services ex shelter ran near 0.4% MoM, firm but not re-accelerating, which kept the print in Scenario B rather than C. Used vehicles and medical care were neutral to slightly disinflationary. **The Fed's likely read:** look through the YoY headline bump if energy stays contained, but do not cut while core services hold at 0.5% annualized monthly pace (~6% annualized if sustained). Pipeline PPI at 0.6% MoM adds a modest downstream cooling signal for goods, not services.

June FOMC Scenario Tilt Post-CPI (Illustrative)



Source: Illustrative; AVANTAS Research Analysis

Updated FOMC Scenarios After CPI

Scenario A , June cut or dovish hold (probability ~18%, down from ~30% pre-print): Requires Fed to prioritize headline deceleration and soft labor; unlikely unless Powell explicitly flags insurance-cut framing. Scenario B , Hold with July live (~58%, base case): Matches the actual print, patient statement, dot plot may show one cut in H2, first move priced for July. Market reaction already underway: range-bound equities, barbell rates, gold supported. Scenario C , Hold, hawkish push to September (~24%, up from ~20%): If speakers push back on cut pricing or SEP median dots shift higher; bear flattening risk into the meeting, XLK and long duration underperform. Our assignment post-CPI: Scenario B is the working base; position for dispersion, not a macro breakout.

Market Reaction: 10 to 12 June

CPI evening (10 Jun): Headline MoM miss triggered an initial 5 to 7bp drop in 2-year yields and a brief equity futures pop; within two hours, core stickiness reversed the move, 2Y finished +3bp, 10Y ~flat near 4.58%. Equities: S&P " 0.4%, Nasdaq " 0.7% on the session; energy outperformed on YoY headline narrative. Gold +0.8% on the day, policy uncertainty and sticky core kept the hedge bid (gold +4.2% 1M on our table, 0.08 correlation vs S&P). Bitcoin " 1.2% on the CPI session, confirming liquidity-beta behavior rather than inflation-hedge status. ECB day (11 Jun): As expected 25bp hikes; Lagarde emphasized data dependence and services inflation, EUR firm, European rates higher, capping U.S. duration rally attempts. PPI and claims (228K vs 225K consensus) were secondary. Net result through 12 Jun: front-end bear steepening modestly, quality beats duration, gold and energy lead post-CPI cross-asset rotation.

Cross-Asset Playbook Post-CPI

Nominal Treasuries: Front-end carry and belly barbell preferred; avoid max long duration into 17 to 18 Jun. TIPS: Neutral, headline YoY lift vs core stickiness offset. Equities: Quality and pricing power over long-duration growth; Nasdaq +3.8% 1M but " 4.5% 1W on our table, rate sensitivity still live at ~4.6% 10Y. Energy: Tactical overweight on headline YoY channel; inventories data post-CPI did not show renewed tightness. Credit: IG (LQD +0.8% 1M) holds in Scenario B; HY neutral unless growth scare emerges. Commodities: Gold overweight as strategic policy/geopolitical hedge; energy tactical. FX: USD mixed, rate differential vs haven flows; Nikkei idiosyncratic diversifier (0.42 vs S&P). Bitcoin: Underweight tactical, CPI session confirmed risk-beta, not inflation hedge (" 0.22 vs gold on our matrix).

The 9 to 11 June Cluster: What Else Printed

Existing home sales (9 Jun): 4.06M (consensus 4.08M), slightly soft, consistent with elevated mortgage rates. Crude inventories (10 Jun): Build modest, no renewed supply shock. ECB (11 Jun): Deposit facility 2.25%, main refinancing 2.40%, both +25bp as priced; press conference cautious on services, no dovish pivot. PPI (11 Jun): 0.6% MoM vs 0.7% consensus, pipeline goods cooling. Claims (11 Jun): 228K vs 225K, marginally less labor slack than hoped. The cluster net-net: U.S. inflation mixed, European patience reinforced, no single release forcing a June cut reprice higher.

Portfolio Positioning Into June 17 to 18

Post-CPI rebalance: reduce event-risk long duration; maintain quality equity core (Mag 7 AI capex ROI scrutiny ongoing); hold gold and selective energy sleeves. Do not chase the initial headline-driven rally, component detail confirmed sticky core. Pair trades: Nasdaq vs gold expresses growth vs policy-hedge; 2Y vs 10Y expresses cut-timing repricing. Compare market-implied year-end policy rate to March SEP median ahead of the June refresh. If Scenario B holds through the meeting, July OIS is the next master variable, watch June speaker circuit and any early June PCE preview.

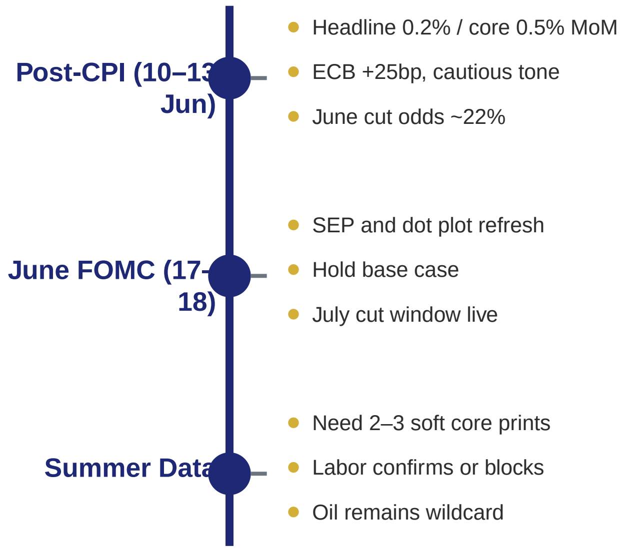
What Still Matters Before the FOMC

June FOMC blackout period; any Fed speaker on look-through vs persistence; retail gasoline and WTI into month-end; Michigan and market-based inflation expectations; credit spreads and VIX for growth-scare signals; Mag 7 pre-announcement guidance; month-end liquidity and rebalancing flows; June SEP and dot plot versus March.

Timeline and Outlook

Near-term (days to FOMC): CPI and ECB are in the rearview; the meeting is a hold with messaging risk. Medium-term (3 to 6 months): One soft headline month does not make a cutting cycle, need two to three cooperative core readings; July is the realistic first cut window if labor stays soft. Long-term (12+ months): Higher neutral rate near SEP assumptions keeps strategic duration shorter than pre-2020 norms; oil and geopolitics remain recurring headline CPI risks.

Timeline Overview



Source: AVANTAS Research Analysis

Risk Factors

Core services re-acceleration in June data; renewed oil spike lifting headline CPI before the FOMC; hawkish SEP or dot plot surprise; Mag 7 AI capex guide lower; sharp gold or energy reversals; liquidity gaps around the FOMC and month-end; bitcoin selloff spilling into broader risk sentiment.

Conclusion

May CPI printed Scenario B: headline cooled on the month, core stuck at 0.5%. June cut odds fell; July remains live. Barbell rates, quality equities with pricing power, and gold hedges into 17 to 18 June, the FOMC statement and SEP will matter more than the CPI headline alone.

Asset Class Impact

Nominal Treasuries: Neutral barbell; no max long duration pre-FOMC. TIPS: Neutral inflation hedge. Gold: Overweight policy and geopolitical hedge (+4.2% 1M). Energy equities: Overweight tactical on YoY headline channel. Quality / Nasdaq: Overweight selective; underweight long-duration beta. Long duration: Underweight into FOMC. IG credit: Neutral quality (LQD +0.8% 1M). HY: Neutral selective. USD: Neutral two-way. Nikkei: Overweight selective diversifier. Bitcoin: Underweight tactical; liquidity beta only.

Asset Class Impact

Legend: Underweight · Neutral · Overweight

Asset	View	Commentary
Nominal Treasuries	Neutral	Barbell; no max long duration pre-FOMC.
TIPS	Neutral	Neutral inflation hedge.
Gold	+1	**Overweight post-CPI hedge bid.**
Energy (XLE)	+1	**Overweight YoY headline channel.**
Quality / Nasdaq	+1	**Overweight selective; trim long duration.**
Long Duration	-1	**Underweight into FOMC.**
IG Credit	Neutral	Neutral quality.
Bitcoin	-1	**Tactical underweight; liquidity beta.**

Source: AVANTAS Research Analysis