

Steno Signals

with Andreas Steno

Steno Research

September 7, 2026



One Inflation Print to Rule Them All

Friday's U.S. CPI report is a GENUINELY binary event, since most fence-sitters have made it explicit that this one print decides their September vote. I guess that is what you get without forward guidance... Decisions based on ONE number, after years of evidence and with plenty of live inflation measures available.

Happy Monday, and welcome back to my editorial on everything macroeconomic! Before we get to the inflation drama, let's just briefly digest the weekend in geopolitics. The state election in Saxony-Anhalt, Germany, gave an incredible 44% of the votes to the far-right Alternative für Deutschland (AfD) party. They will, however, not be able to form a state government since all the main parties in Germany have united against the AfD in a 'cordon sanitaire'. The prospect of a state AfD government had been presented as quite a tail risk for investors due to the unknowns and uncertainties around the party's actual legislative agenda once in office. There is a small chance of an AfD and BSW alliance, but it looks unlikely at this stage.

So, in the short term, we got roughly the expected result and no surprises in the government formation, which should make the election more or less a nothingburger for markets. It does, however, open some very relevant long-term issues that we will explore further later this week.

In Iran, we saw quite a bit of action over the weekend. On Saturday, the IRGC fired two ballistic missiles at a U.S. carrier and a destroyer patrolling near the Strait; neither was hit, no casualties. CENTCOM retaliated by hitting three Iranian oil tankers — permanently disabling two, "completely destroying" a third — calling them part of the shadow fleet funding IRGC operations. On Sunday, Iran said it targeted an unmanned U.S. vessel trying to enter the Strait (unconfirmed by the U.S.). Separately, four U.S. missiles reportedly struck an Iranian tanker at Kharg Island's anchorage — the first U.S. action there since Donald Trump's August 31 comments about the island, and the first action of any kind in three days.

This fits our escalation-cycle thesis, but admittedly opens up another round of strikes, which is obviously bullish for oil. Over a 1–2-week time span, I expect these attacks to quieten, so we retain a short oil lean.

It will be interesting to see how much volatility the next CPI report creates, because it is a GENUINELY binary event now. Most of the fence-sitters have said out loud that the CPI decides whether they vote for a hike or not in September. Christopher Waller: Holds if inflation cools, hikes "if it reverses". John Williams: Encouraged, wants to see more, willing to sit steady. That is two swing votes explicitly outsourcing their September decision to one data release on Thursday.

And I guess that is what you get without forward guidance. Decisions based on ONE print, even after plenty of evidence over the past years, and plenty of live-inflation measures available (they actually have some inside the Fed system; they just apparently do not use them). I am not sure the lack of forward guidance creates LESS Fed impact on markets, which is otherwise exactly what Warsh set out to do in Wyoming... Right now, it has concentrated the entire month's macro risk into a single Friday, 8.30am ET release. That is not less Fed-centricity. That is the same Fed-centricity with a worse timing distribution.

So let us do the work. We have seen a decent shift in the inflation-versus-growth regime in our nowcasting, albeit a very energy-driven one, and more inflation than growth from a rate-of-change perspective. The rising-inflation probability has lifted off the floor to ~41% while the growth probability has slipped to ~28%.

Chart 1: The Regime Shift in Our Nowcasts... Inflation Up, Growth Down, and It Is Energy Doing It

Regime Model USA



Source: Steno Research, Bloomberg and Macrobond

Note that we still think inflation is falling in YoY terms, but it is getting tight... At least in headline terms. In core terms, we feel VERY comfortable with 0.2% MoM as the CEILING (which is also the consensus), and that gives a dropping YoY from 2.5% to 2.4%, with a very decent probability that we get all the way to 2.3%. We are a tad below consensus on core and more in line on headline: Very uniform expectations at 0.2% core (with a skew towards 0.3% in the distribution) while we are at 0.14%... and 0.36% on headline versus an average estimate of 0.38%. So we see SOFTER core than headline, exactly as we have all summer.

Here is our live data. We have our reasons not to show this on a running basis, since it is not a 100% comparable basket to the BLS (we run regressions on subcategories to try to match the volatility parameters), but we wanted to show it this time, as we have seen an acceleration towards the end of August and into September, but it still looks benign for (most of) the reference period in August.

Chart 2: We Have Seen Re-Accelerating Momentum in Our Data as Well... But It Is the Aggregate, Not the Core

We have seen re-accelerating momentum in our data as well

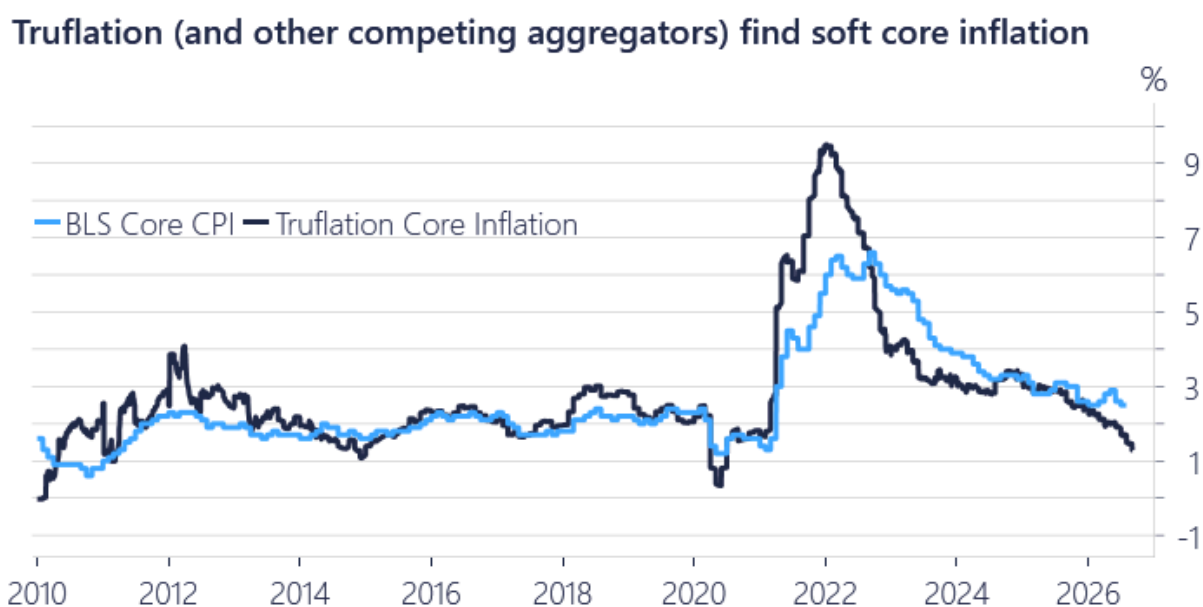


Source: Steno Research, Bloomberg and Macrobond

So we think September's Fed clears the bar (for a HOLD) with a soft(ish) core... but it looks like a hike is potentially live in Q4. Context to Waller and Williams here: Our 0.14% core clears BOTH of their stated bars comfortably, below the Williams 0.2% monthly threshold and decidedly not "hot" by the Waller standard, which means the swing votes have every reason to sit still on Friday's evidence. But run their reaction functions forward and Q4 gets interesting: If the energy impulse keeps leaking into the aggregate (and our rising-inflation probability at 41% says it is), then the October and November prints are where "it may not take much acceleration to nudge me" becomes a live problem. September is a hold on our numbers. Q4 is a coin toss that gets uglier the longer Hormuz stays shut.

Meanwhile, we have noticed how our friends (and admittedly competitors) over at Truflation have been caught forecasting HIGHER than expected inflation, while their own index sits miles below the official print, which is what makes clients genuinely confused. It is probably due to the same reasoning I outlined for us above (their basket is not the BLS basket, and they know it) but then they do not show the number as if it were. Having said that, the important signal is the agreement: most serious and solid aggregators see a LOT of softness in core right now, and we see exactly the same thing in our own data.

Chart 3: Truflation and the Other Competing Aggregators Also Find Soft Core Inflation... We Agree on the Direction



Source: Steno Research, Bloomberg and Macrobond

So it is kinda fun if Warsh hikes into this, given his stated wish to make better decisions based on nowcasts and live data. The information is ALREADY available, I would argue... from us, from Trufflation, from the Fed's own internal measures. But maybe he needs a task force to take that pre-paid decision for him first (that is the McKinsey play we described a fortnight ago: commission the conclusion you already want, then present it as the reason for the new strategy).

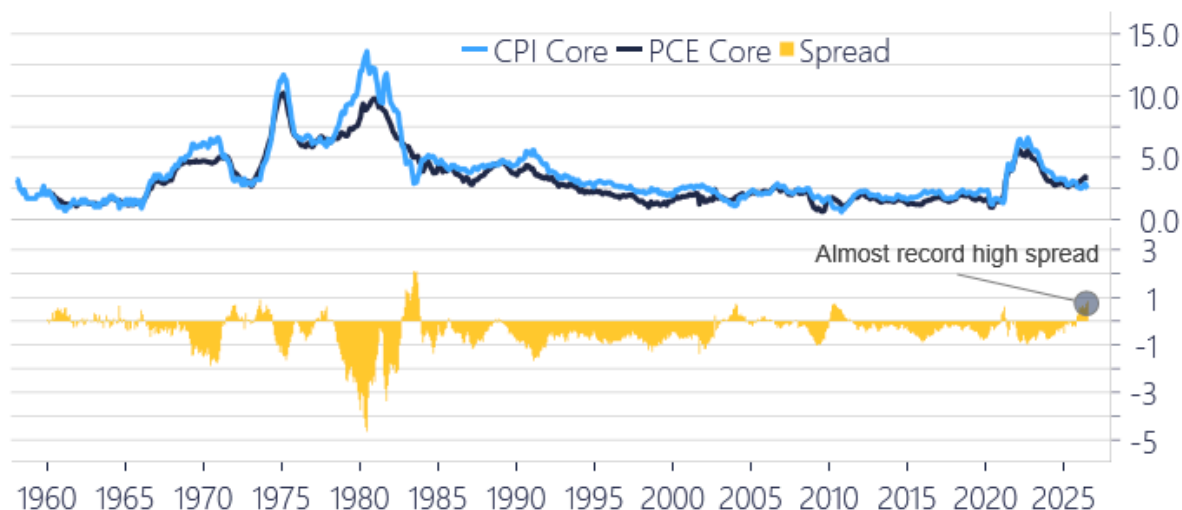
And then the PCE-CPI spread, which I have to reiterate because it is the analytical crux of the whole Warsh problem. In core terms, the spread has barely EVER been wider... and the only historical analogue is 1983, which has now played out exactly as we described: the spread blew out because inflation was COLLAPSING, with the CPI falling faster than the PCE on the way down.

Why is the spread there? Three mechanical reasons. One: the portfolio-fee echo... "Financial services and insurance" runs north of 7.5% YoY in the PCE, and a big chunk of it is imputed from the LEVEL of the stock market, so the S&P at highs literally shows up as inflation in the Fed's preferred gauge. Two: the PPI plumbing... PCE health care is priced off what providers RECEIVE (Medicare, Medicaid, insurer reimbursements via the PPI), not what patients pay, and that leg has run hotter than the consumer-facing CPI equivalent. Three: the weighting asymmetry... Shelter is ~36% of the CPI but only ~15% of the PCE, so the melting shelter glacier mechanically helps the CPI far more. None of those three tells you much about underlying inflation. They tell you about index construction instead... And as long as Warsh is "forced" to focus on the PCE, his life is difficult and his hawkishness is partly an artefact.

Chart 4: The PCE-to-CPI Spread Has Almost Never Been This High... And the 1983 Analogue Has Now Played Out

The PCE to CPI spread has almost never been this high before..

As long as Warsh is "forced" to focus on PCE, his life is difficult



Source: Steno Research, Bloomberg and Macrobond

Now to the numbers themselves, and how they stack up against the street.

The consensus is remarkably uniform: 35 economists on core with a median of 0.2%, an average of 0.22%, a high of 0.3%, a low of 0.1% and a standard deviation of just 0.04%... and 34 economists on headline with a median of 0.4%, an average of 0.38%, and the same 0.04% dispersion. In other words, the street has decided this is a low-uncertainty print, which is a fun setup for a binary event.

Chart 5: The Core Consensus: 35 Estimates, Median 0.2%, Average 0.22%, and a 0.04% Standard Deviation

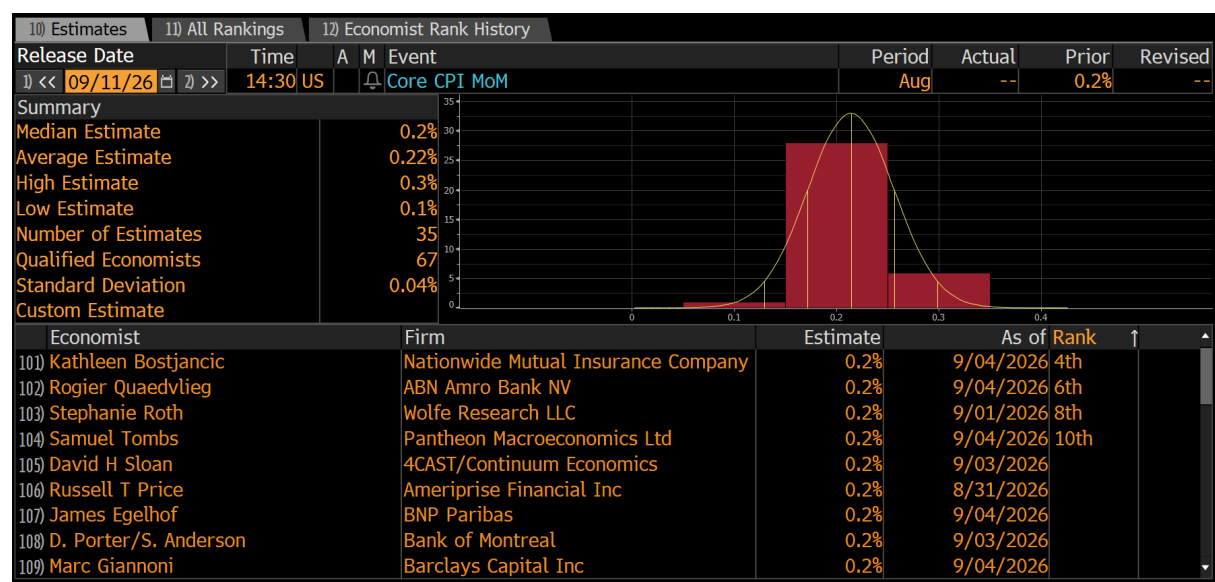
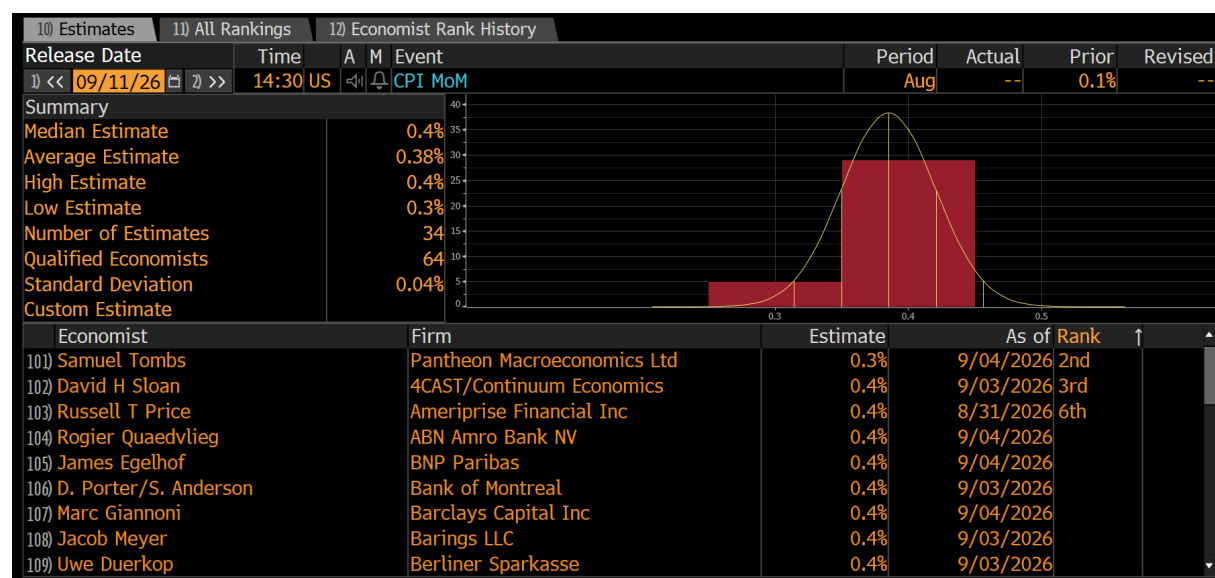


Chart 6: The Headline Consensus: Median 0.4%, Average 0.38%, Same Tight Dispersion



Here is where we sit versus that consensus:

- **Core CPI MoM:** we are at 0.14% versus a consensus average of 0.22% (median 0.2%). We are BELOW the Street, and below the entire skew towards 0.3%
- **Headline CPI MoM:** we are at 0.36% versus a consensus average of 0.38% (median 0.4%). We are broadly IN LINE, a touch soft
- **Core YoY:** our number takes it from 2.5% to 2.4%, with a decent probability of 2.3%, so the YoY disinflation continues even with the energy noise
- **The split:** energy contributes ALL of the headline essentially, with our energy aggregate at +3.82% MoM (energy commodities +5.89%, gasoline +5.72%, fuel oil +7.72%). The diesel and refining squeeze we have covered all week, showing up exactly where it should
- **Core goods are DEFLATING:** commodities less food and energy at -0.02%, dragged by used cars and trucks at -0.92% and alcoholic beverages at -0.72%
- **Core services stay tame** at +0.19%, with shelter at +0.23% (OER +0.22%, rent +0.26%) and medical care services at just +0.04%. The melting glacier keeps melting
- **Food is a small NEGATIVE** at -0.06%, with food at home at -0.18%. The food disinflation we flagged as running until roughly March next year

Chart 7: Our August Nowcast Decomposed... Headline 0.36%, Core 0.14%, and Energy Doing All the Damage

Our August CPI nowcast, decomposed.. headline 0.36%, core 0.14%

Energy does ALL the headline damage (gasoline +5.7%), while core services and goods stay soft

Nowcast IQ: August CPI, MoM % by component	Weight	MoM %
All Items	100.00%	+0.36%
Food	13.56%	-0.06%
Food at home	8.18%	-0.18%
Food away from home	5.38%	+0.11%
Energy	6.65%	+3.82%
Energy commodities	3.47%	+5.89%
Fuel Oil & Other fuels	0.17%	+7.72%
Motor Fuel	3.30%	+5.80%
Gasoline (All types)	3.19%	+5.72%
Energy Services	3.18%	+1.56%
Electricity	2.48%	+1.75%
Utility (piped) gas service	0.70%	+0.87%
All Items Less Food & Energy	79.79%	+0.14%
Commodities less food & energy	18.82%	-0.02%
Used cars and trucks	1.93%	-0.92%
New vehicles	3.67%	+0.07%
Apparel	2.54%	+0.25%
Medical care commodities	1.47%	+0.05%
Services less energy services	60.97%	+0.19%
Shelter	36.22%	+0.23%
Rent of primary residence	7.66%	+0.26%
Owners' equivalent rent	26.77%	+0.22%
Lodging away from home	1.39%	+0.31%
Medical care services	6.54%	+0.04%
Transportation services	6.30%	+0.11%
Recreation services	3.26%	+0.14%
Education & communication svc	5.03%	+0.22%

Source: Steno Research & Nowcast IQ

The bottom line: we are below the street on core (0.14% versus 0.22%) and in line on headline (0.36% versus 0.38%), which is precisely the mix that lets Waller and Williams sit on their hands in September and hand Warsh a hold.

The composition is the story: energy is doing all of the headline damage while core goods deflate and core services grind along at 0.19%... And no amount of gasoline can make that look like an underlying inflation problem.

So we stay received in the US front end into the print (the >50ps of hikes in the strip are the asymmetry), we keep the short USD lean-sized as a lean, and we keep the crack spread short as the trade that eventually solves the Fed's problem for it. And if Warsh still hikes into a 0.14% core print with every serious live measure screaming softness... Well, at least he will have a task force to blame it on.



Andreas Steno

Andreas is the core macro consultant in Steno Research. Building on years of experience as Global Chief Strategist at Nordea Bank, he is one of the most quoted and sought-after macro analysts out there. Andreas' expertise is the FX/rates, energy, real estate and equity spaces, but doesn't shy away from hot takes on other topics if the underlying analysis is strong enough. Andreas anchors the weekly editorial 'Steno Signals'.

RV[®] Pro

