

Arc

Commodity

April 10, 2026

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US March CPI: Surged by the most in nearly four years

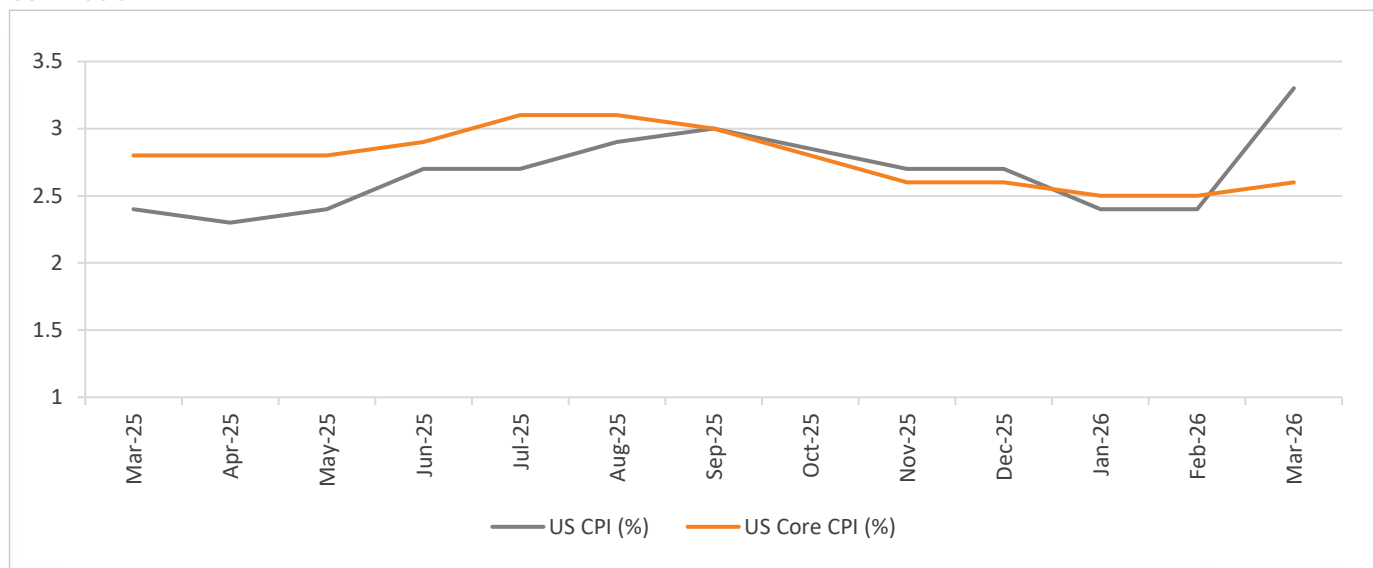
Summary

- US March Consumer Prices rose 0.9% m-o-m; Est. +0.9%
- US March Consumer Prices rose 3.3% y-o-y; Est. +3.4%
- US March Core CPI Rises 2.6% y-o-y; Est. +2.7%
- US March Core CPI Rises 0.2% m-o-m; Est. +0.3%
- War impact shows in 21% rise for gasoline; air fares jump
- Energy prices show biggest gain since 2005

Key Points:

- US CPI in March surged by the most in nearly four years as gasoline prices skyrocketed amid the US-Iran war. The CPI, matching the forecast, rose 0.9% m-o-m, the fastest pace since 2004, while the core CPI was up 0.2% m-o-m as compared to the estimate of 0.3% and the prior data of 0.2%.

US inflation



Source: Bloomberg; Mirae Asset Sharekhan Research

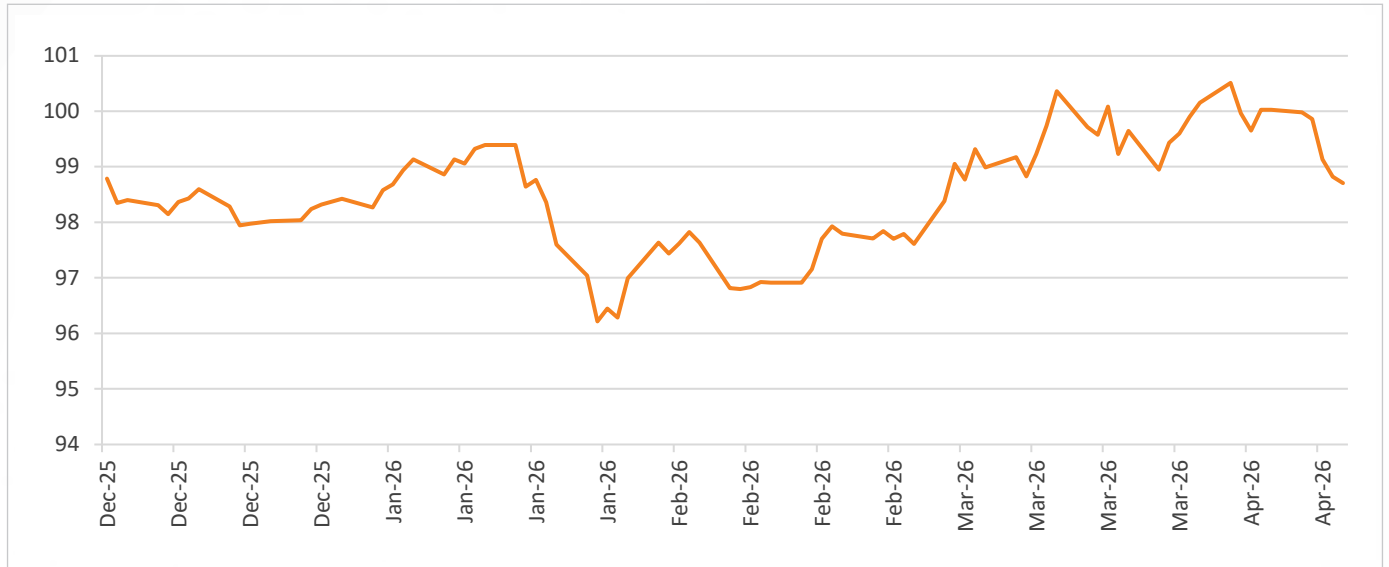
- On a y-o-y basis, the headline CPI rose to 3.3% from 2.4%, and the core to 2.6% from 2.5%.
- The index for energy jumped 10.9% on the month -- the biggest gain since 2005. Energy commodities do not include services prices, such as electricity. A record jump in gasoline prices accounted for nearly three-fourth of the monthly advance. Gasoline prices rose 21%. Electricity costs rose 0.8% (vs. -0.7% prior), and natural-gas analysis prices fell 0.9% (vs. 3.1% prior).
- It is to be noted that economists have lowered their estimates for US growth for 2026 from 3.5% to 2.3% as they raise US inflation (PCE Price Index) estimates from 2.6% to 3.1%.
- Services inflation slowed to 0.2% in March, the slowest core services increase since May 2025.

- The Supercore services gauge, which measures core inflation excluding shelter, rose just 0.18% last month, the least since last May. So, no sign of inflationary pressures from services, which are sensitive to wage pressure.
- Shelter prices rose 0.27% m-o-m a slight acceleration from February, but mostly a tame reading as compared to what we have seen past several years. Shelter prices can rise once again though.
- Motor vehicle insurance was flat on the month.
- Prices for new vehicles rose by 0.1% (new cars rose by 0.3%) but prices for used cars and trucks fell by 0.4%.
- Video and audio products -- a tariff-sensitive category -- are down 0.8%, also the biggest drop since December 2024. Prices of apparel, again a trade-affected product, rose 1% on the month.
- The fuel oil category rose a whopping 30.7% -- another example of how the war is impacting.
- Household furnishings, a tariff-sensitive category, saw a 0.2% drop on the month, the biggest decline since the end of 2024.
- The index for airline fares increased 2.7% over the month (compared with a 1.4% increase in February).
- Medical care and used vehicle prices are both down on the month.
- **Eurozone inflation also soars on oil prices:** HICP inflation for the euro area accelerated to 2.5% y-o-y in March from 1.9% in February. Energy costs drove the surge. The core figure fell to 2.3% from 2.4% and the services reading dropped to 3.2% from 3.4%. Pump prices have continued to rise, although the pass-through from higher natural gas prices to household bills may take longer to materialize, more so as the labour market cools.
- **China beats deflation as energy prices rise:** China exited factory deflation after more than three years, as energy costs surged and supply-demand situation improved in certain industries. Producer prices, following a drop of 0.9% in February, rose 0.5% (forecast 0.4%) in March y-o-y, though consumer inflation cooled to 1%, down from 1.3% in February as a seasonal boost from holiday spending faded. The core consumer price index slipped to 1.1%. Higher PPI may boost reflationary impact.
- **Other US data:** University of Michigan consumer sentiment fell from 53.30. in March to 47.60 (forecast 51.10) in April (preliminary) – record low—on inflation worry as one-year inflation expectation surged to 4.8%-- highest since August.

Market reaction:

- Elevated CPI data, optimism on US-Iran talks and discouraging University of Michigan Sentiment report is leading Dollar Index to its worst weekly decline since January. The index is currently down by about 1.4% for the week.

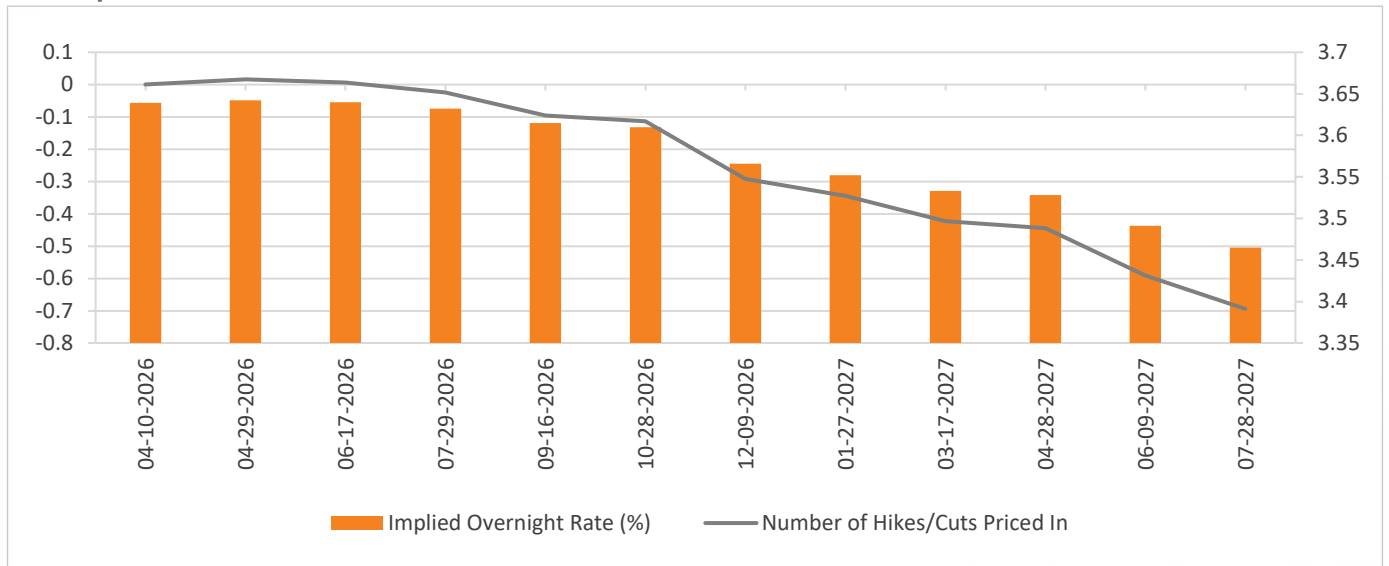
US Dollar Index



Source: Bloomberg; Mirae Asset Sharekhan Research

- Crude oil prices are slightly lower ahead of the weekend US-Iran negotiations.
- Precious and industrial metals are up on weakness in the Dollar and easing Middle East tensions, though bonds are slightly down on inflation concerns.
- Overnight rates are still pricing nearly 0.30 rate cut by the end of the year.
- CMPs: Gold \$4785 (spot), Silver \$76.65 (spot), WTI crude oil \$98.50, Copper \$12900.

US rate path



Source: Bloomberg; Mirae Asset Sharekhan Research

Conclusion

- So far in April, gasoline prices have risen by another 7% on a seasonally adjusted basis. As it typically takes a couple months for higher jet-fuel prices to fully impact the airfares index, impacts may become more pronounced.
- Crude oil prices are expected to remain high, which will limit the Fed's room to cut rates.
- Headline rise in energy prices will seep through to core inflation, which would eventually raise core prices.
- Food prices are expected to rise on fertilizer supply crunch.
- Commodities are still largely depending on moves in oil prices; thus, US-Iran weekend negotiation will be crucial for the markets.
- Failure of US-Iran talks will weigh severely on commodities as oil prices will sharply surge.
- Any upside in commodities except crude oil may remain contained unless crude oil supply concerns ease.

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