

US CPI posts steepest monthly drop since 2020 as energy collapses, but Iran ceasefire has broken down.

Headline CPI (MoM, SA)	Headline CPI (YoY)	Core CPI (YoY)	Energy Index (MoM)
-0.4%	3.5%	2.6%	-5.7%
Steepest drop since Apr 2020 · vs -0.2% cons.	Down from 4.2% in May · vs 3.8% cons.	Down from 2.9% in May · vs 2.9% cons.	Gasoline -9.7% mom · still +15.7% yoy

KEY TAKEAWAYS

- US headline CPI fell **0.4% month-on-month in June (seasonally adjusted)**, the steepest one-month decline since April 2020, cooling the annual rate to **3.5%** from 4.2% in May and undershooting the 3.8% consensus. Core CPI, which excludes food and energy, was **flat on the month**, pulling annual core inflation down to **2.6%** from 2.9% and missing the 2.9% forecast · one of the largest downside inflation surprises of the past year. It is also the third straight month of deceleration in the monthly print, following peaks of 0.9% in March and 0.6% in April as the energy shock faded.
- Energy did nearly all the work: the energy index dropped **5.7% month-on-month, its largest monthly fall since April 2020**, as gasoline collapsed 9.7% and electricity fell 1.0%. That reverses months of war-driven acceleration, when energy rose 10.9% in March, 3.8% in April, and 3.9% in May as the Iran-Israel conflict disrupted oil flows and pushed monthly headline prints to their highest since the pandemic reopening. Energy still sits **15.7% higher year-on-year**, with gasoline still up 26.7% yoy · a reminder of how elevated the base remains.
- The cooling was not purely an energy mirage. Shelter rose just **0.1% month-on-month, the smallest gain since January 2021**, and motor vehicle insurance (-2.0%), communication (-1.5%) and apparel (-0.6%) all fell outright, broadening the disinflation beyond the energy complex. Food was the lone offset, up 0.2% mom on firmer eggs (+4.3%) and dairy (+1.2%) · too small to dent the broader disinflation.
- Markets read the print as room for the Fed to stay on hold: two-year Treasury yields fell 7-8bp to about 4.18%, ten-year yields fell 5-6bp to about 4.56%, and September hike odds slipped to 63% from over 75% the day before. Fed officials are likely to frame the move as hawkish-on-hold, wary that an energy-driven print could prove temporary. But the **Iran-US ceasefire that drove June's oil collapse has since broken down**, and renewed hostilities could push energy back toward the +10% monthly prints seen in March, undoing this month's relief. For Indonesian rates, a delayed Fed hike is a near-term tailwind for INDOGB and the Rupiah, but it is a read-through entirely hostage to developments in the Middle East. **Key watch: whether the ceasefire holds through July · a resumption of Iran-Israel hostilities would reverse the energy disinflation channel and revive the case for a September hike.**

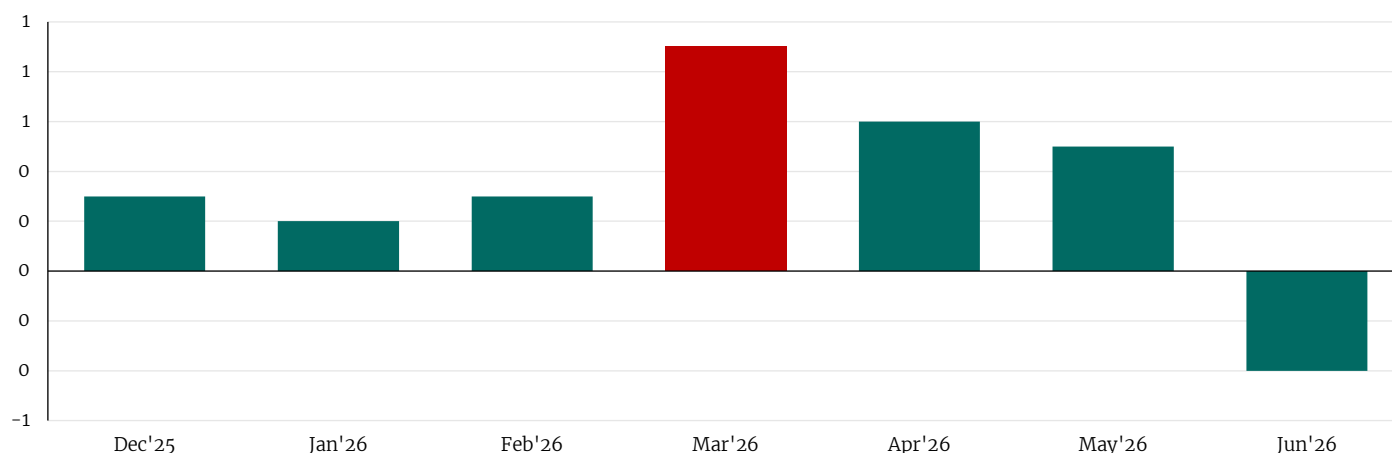
US CPI — Selected Categories (%)

Category	May MoM	Jun MoM	Jun YoY	Δ MoM (pp)	Note
Headline (All items)	0.5	-0.4	3.5	-0.9	Largest MoM drop since Apr 2020
Energy	3.9	-5.7	15.7	-9.6	Gasoline -9.7% mom
Core (ex food & energy)	0.2	0.0	2.6	-0.2	Smallest core print in months
Shelter	0.3	0.1	3.3	-0.2	Smallest MoM gain since Jan 2021

Source: U.S. Bureau of Labor Statistics, CPI News Release USDL-26-1191, 14 July 2026.

US Headline CPI — Month-on-Month % Change (SA)

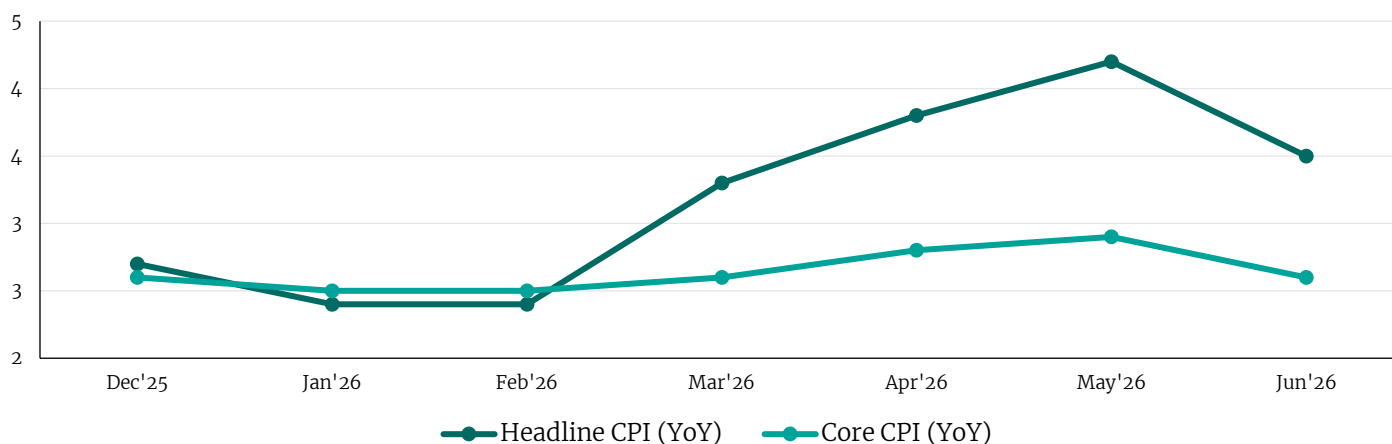
US Headline CPI — Month-on-Month % Change (SA)



Monthly inflation swung from a war-driven peak in March to the sharpest one-month decline since 2020. Source: U.S. BLS, CPI News Release, 14 July 2026.

Headline vs. Core CPI — Year-on-Year %

Headline vs. Core CPI — Year-on-Year %



Headline inflation swung nearly 2 points on the energy shock while core stayed range-bound near 2.5-2.9% throughout. Source: U.S. BLS, CPI News Release, 14 July 2026.

Market Implications

Dimension	Assessment	Analysis
Fed Policy Path	Positive	Cooler print pushes back September hike pricing (63% from over 75% pre-release) but does not kill it outright; the Fed still frames itself as hawkish-on-hold given the energy-driven, potentially temporary nature of the disinflation.
UST / Rates	Positive	Two-year yields fell 7-8bp to about 4.18%, ten-year yields fell 5-6bp to about 4.56%; the curve rallied on the downside surprise, but gains are vulnerable to reversal if the Iran ceasefire collapse re-ignites energy prices.
Indonesia FI / IDR	Positive	A delayed or scrapped Fed hike widens near-term room for Bank Indonesia to hold or ease, supportive for INDOGB and the rupiah; however, this read-through is entirely hostage to Middle East escalation risk, not a durable US disinflation trend.

Source: Aldiracita Research / official sources. For informational purposes only.

US CPI Update

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