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CPI

The February Consumer Price Index rises an in-line 0.4% (Consensus and Decision Economics: +0.4%), but with the core index unexpectedly restrained, rising 0.1% (Consensus and Decision Economics: +0.2%).

The core increase reflected similarly small increases at the next level of breakdown, with core goods prices and core services prices each up 0.1% on average.

Among core-goods categories, durables prices rose 0.2%, incorporating a 0.6% rise for new vehicles, while nondurables, implicitly, were about flat, held down by a 0.9% decline in apparel prices.

Core services prices were scattered in a relatively narrow range, with the backbone owners equivalent rent item (about half of the core services total) showing a 0.1% rise. There were notably soft results for professional medical services (-0.2%) and hospital services (unch). Even the other onetime usual suspect for upward pressure--tuition--saw only a 0.3% rise.

On the face, these results put core CPI inflation squarely on the Fed's 2% target--which would require rough alternation between 0.1% and 0.2% increases.

Fed doves will see the result as supporting their view that labor market slack will restrain inflation, and perhaps pull it lower. Hawks will remain unconvinced that the favorable result today is an accurate reflection of the underlying trend--or of its likely evolution over time. The pivotal FOMC middle-of-the-roaders will probably withhold judgment.

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