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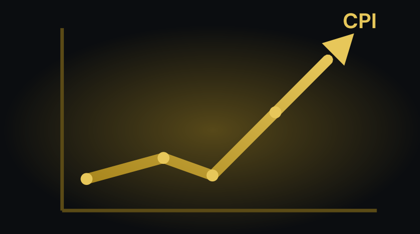


The CPI Playbook

What the inflation number really means, and how to trade the week into the Fed's biggest meeting of the year.

A plain-English field guide by Ken Chigbo, KenMacro

The one number that can move every market at once.

START HERE

One number this week can move every market at once.

On Wednesday the United States releases CPI, the inflation report. It sounds dry. It is anything but. It is the single biggest scheduled event before the Federal Reserve's first meeting under its brand new Chair, and it can swing the dollar, gold, stocks and crypto in seconds.

This guide breaks down what CPI actually is, why this one matters more than usual, the three ways it can land, and exactly how the desk approaches the trade. No jargon, no economics degree. By the last page you will know what to watch, where to watch it, and what to do when the number drops.

What it is

CPI and core CPI, in plain words.

Why it matters now

The hot data and the new Fed Chair.

How to trade it

Three scenarios and a clear method.

THE TAKEAWAY

CPI is the inflation scoreboard. Read it right and the week stops feeling random.

THE BASICS

CPI, in plain English.

CPI, the Consumer Price Index, measures how much prices have changed for everyday things: food, petrol, rent, services. When CPI is rising fast, your money buys less. That is inflation, and it is what the Federal Reserve is fighting.

HEADLINE CPI

- Food
- Energy / petrol
- Rent & housing
- Everything else

CORE CPI

Strips out food and energy

the steady, sticky part the Fed trades

same report, two numbers. the market reacts to core.

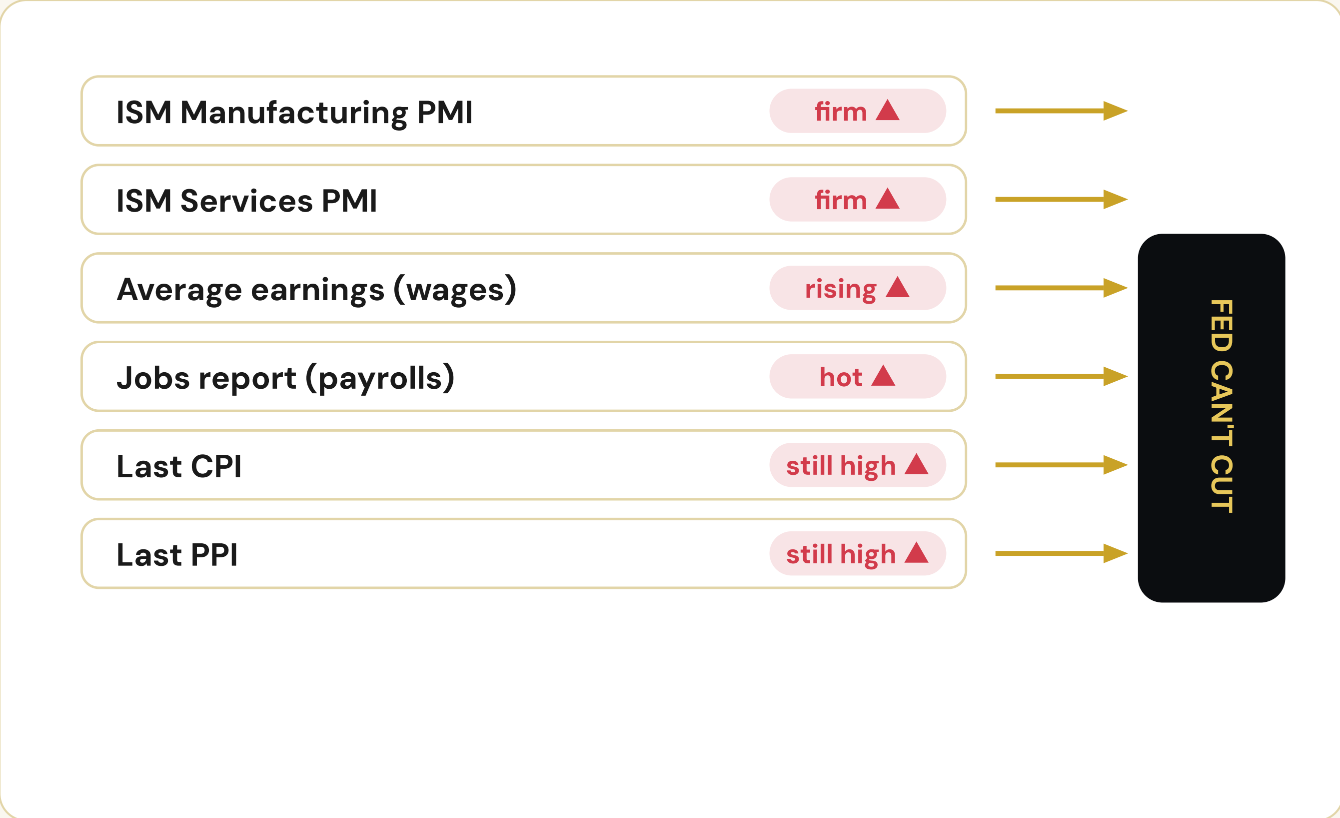
There are two numbers in the same report. **Headline CPI** includes everything. **Core CPI** strips out food and energy, because those prices jump around for reasons the Fed cannot control. The Fed cares most about core, because it shows the steady, sticky inflation that policy actually responds to. When the market lurches on CPI day, it is usually core that did it.

> THE TAKEAWAY
>
> **Watch core CPI. It is the number the Fed watches, so it is the number the market trades.**

THE SETUP

Why this CPI matters more than any in months.

Inflation never fully cooled. The last CPI and PPI readings stayed high. Then, one after another, the US data came in hot.



A strong economy with sticky prices means the Fed has no room to cut rates, and may even have to lean the other way. That is exactly why Friday's hot jobs report sent the dollar up and gold and stocks down. This CPI either pours fuel on that fire, or it takes the edge off. Either way, the market is leaning one direction going in, and that matters for how it reacts.

> THE TAKEAWAY
>
> **Hot data on top of sticky inflation means a Fed that stays hard. CPI is the next test of that story.**

WHAT ACTUALLY MOVES

How one number moves your whole screen.

Here is the part most people miss. You do not really trade CPI. You trade what CPI does to expectations of interest rates. Follow the chain and the moves stop looking random.

soft CPI runs the whole chain in reverse: dollar down, gold and stocks bounce.

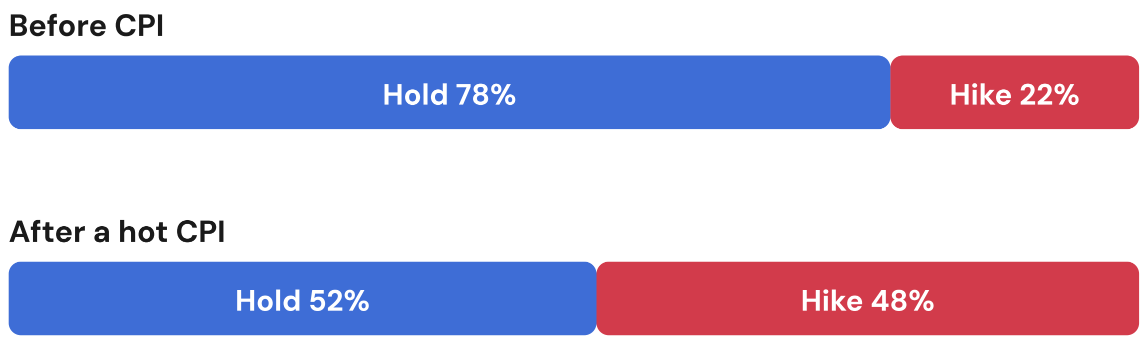
THE TAKEAWAY

Hot CPI lifts rate-hike bets, which lifts the dollar and yields, which pressures gold and stocks. Soft CPI runs it all in reverse.

TRACK IT YOURSELF

See the rate bets move, live, for free.

When you hear that markets are pricing in more hikes, this is where you can actually watch it happen. The CME FedWatch tool shows the market's live odds of what the Fed does at its next meeting, built from real interest-rate futures.



illustrative. on the day, watch the hike bar grow or shrink in real time on CME FedWatch.

Search **CME FedWatch**. You will see a percentage chance for each outcome at the next meeting. After a hot CPI, watch the odds of a hike climb in real time. That shift is the story the dollar is trading, before any analyst has said a word. It turns a vague feeling into a number you can see.

THE TAKEAWAY

CME FedWatch turns the abstract into a number. If hike odds jump on CPI, the dollar usually follows.

THE PLAYBOOK

Three ways it can land. Have a plan for each.

You cannot predict the number. You can decide, in advance, how you will react to each outcome. That single habit separates traders from gamblers.

HOTTER	IN LINE	COOLER
• Dollar up • Gold down • Stocks down • Yields up	• Quick chop • Then back to • the bigger • trend	• Dollar down • Gold up • Stocks up • Yields down
Hawkish	**Trend wins**	**Relief**

Hotter than expected

Core above forecast. More hikes priced. Dollar bid, gold and stocks heavy, yields up. USD/JPY presses the 160 line.

In line

Little surprise. A quick chop both ways, then the market drifts back to the bigger trend it had before the print.

Cooler than expected

Core below forecast. Hike bets unwind. Dollar fades, gold and stocks bounce. The only real relief on offer.

The honest caveat

Even a soft print has to survive PPI and the Fed days that follow. One number rarely ends the story.

THE TAKEAWAY

Decide your reaction to each outcome before the number drops. The losers decide after.

THE BIGGER EVENT

CPI is the appetiser. Warsh is the main course.

One week after CPI, on the 17th, the Federal Reserve meets for the first time under its new Chair, Kevin Warsh. The rate decision is widely expected to be no change. That is not the event. The press conference is.

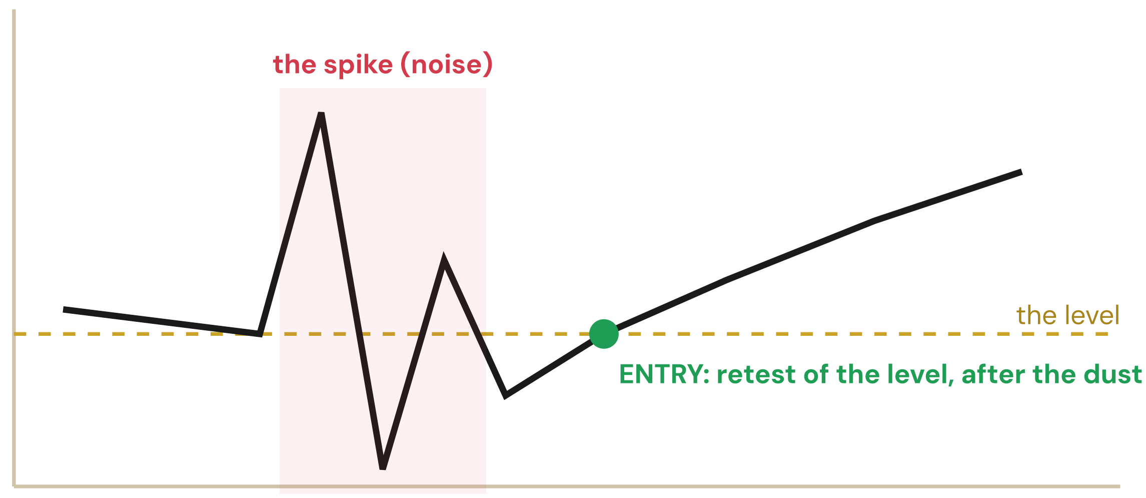
A brand new Chair has to set the tone from day one. The market believes Warsh, who built his name as an inflation hawk, has every reason to sound firm to establish his credibility, especially with the data running this hot. So his words will matter far more than the decision itself. And this is the link people miss: the CPI you trade on Wednesday shapes how hawkish Warsh can afford to be the following week. Read CPI with the 17th in mind.

> THE TAKEAWAY
>
> **No change is expected on the 17th. Trade the tone of the press conference, not the headline. CPI this week sets the table for it.**

HOW THE DESK TRADES IT

You do not have to trade the first second.

In fact, you usually should not. The opening spike on a CPI release is noise: thin liquidity, ugly slippage, and fakeouts designed to trap the people who chase it. The clean move tends to come after.



1. Let the dust settle

Skip the first spike. It is slippage and fakeouts dressed up as a trend.

2. Follow the dollar

The dollar usually leads the cleanest move. Let it confirm the direction.

3. Trade the level

Wait for price to come back to a level you marked. Do not chase the candle.

4. Size it small

CPI fakes hard. Survive the first spike and you get to trade the real trend.

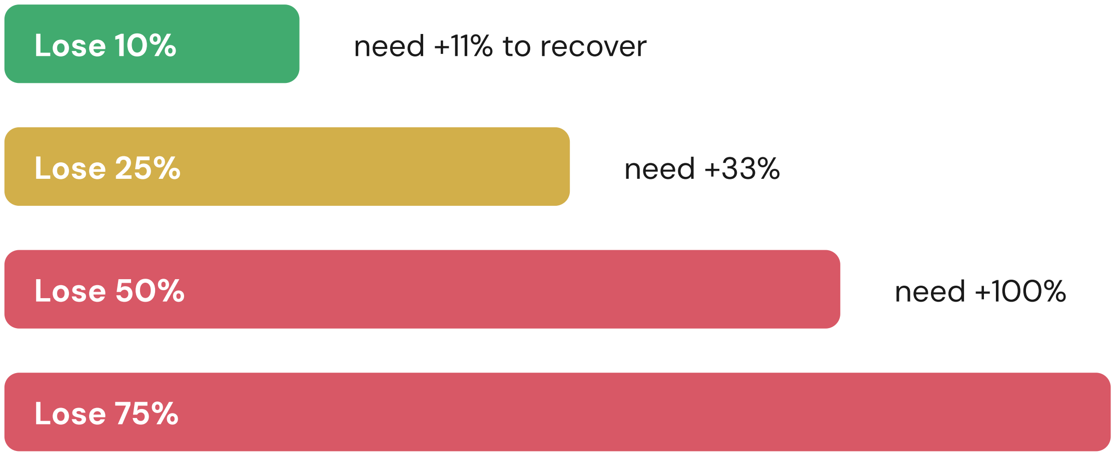
THE TAKEAWAY

The edge is not being fastest. It is being patient while everyone else gets chopped up in the first spike.

THE PART THAT KEEPS YOU ALIVE

Risk first. CPI moves fast and fakes hard.

On a CPI day the traders who survive are not the ones who guess the number. They are the ones who lose small when the spike goes against them, and are still standing for the trend that follows.



one CPI spike should never end your account. lose small, live to trade the trend.

Risk 1% per trade

So no single spike can hurt you. Ever.

Think in R, not money

R is what you risk. Aim for trades that pay 2R or 3R.

Stop before you enter

Decide where you are wrong first, then size the trade.

Never add into the spike

Doubling down on a fakeout is how accounts die on CPI day.

AVOID THESE

7 mistakes that quietly wreck CPI day.

✗ **Trading the very first candle.**
Thin liquidity and slippage. The trap move comes first, the real one second.

✗ **Watching headline, ignoring core.**
Core is the number the Fed reacts to, so it is the number that moves you.

✗ **Forgetting the press conference matters more.**
The decision on the 17th is set. Warsh's tone is the real catalyst.

✗ **Over-leveraging into the number.**
One spike on full size can end your account before the trend even starts.

✗ **Chasing after the move already ran.**
If you missed it, wait for the next level. Do not buy the top in a panic.

✗ **Flipping bias on every tick.**
Let the dollar confirm the direction, then hold the read.

✗ **Ignoring the CME FedWatch shift.**
It tells you what is actually being priced, not what the headline implies.

KEEP THIS

The one-page cheat sheet.

WHAT IT IS

CPI = the inflation scoreboard. Core CPI (no food/energy) is the one the Fed trades.

THE CHAIN

Hot CPI → more hikes priced → dollar & yields up, gold & stocks down. Soft CPI reverses it.

TRACK IT

CME FedWatch. Watch the hike odds climb or fall live as the number lands.

THE 3 SCENARIOS

Hotter = hawkish. In line = the trend wins. Cooler = relief.

THE REAL EVENT

Warsh's first press conference, the 17th. No change expected, trade the tone. CPI sets it up.

THE METHOD

Let the dust settle. Follow the dollar. Trade the level. Risk 1%.

THE TAKEAWAY

If you only remember one line: do not trade the spike, trade the story it confirms, and size it small.

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Want the desk trading this CPI live, with you?

You now know how to read CPI and the week into the Fed. The next step is seeing it applied in real time, on the day, with the levels marked before the number drops, without doing all the work yourself.

Trade it with the desk, free

Come in under the Macro Desk through VT Markets and you get the AI-powered desk trades, Ken's manual calls and the live levels, free, no monthly fee.

kenmacro.com → open with the desk

This week, mapped out

The full Week Ahead is live now: the calendar, the levels, the cross-asset read and the playbook for CPI, the ECB and the Fed.

kenmacro.com → the week ahead

Do not trade the spike. Trade the story it confirms. Lose small.