KENMACRO DESK · PLAYBOOK

US CPI
Wednesday, 13:30 London

The print is not the opportunity. The opportunity is that most of the market trades the headline, and the headline is the least informative part of the release.

This is a decision structure, not a forecast. It works whichever way the number lands.

The one thing to take from this document

The rates market is pricing a **0.0% probability of easing** at every meeting on the curve. Nobody is waiting for cuts. The debate is how fast hikes arrive.

So a cooling core print does not price cuts in. It prices hikes out. Different trade, different size, different invalidation — and most commentary on the day will get this backwards.

Ken Chigbo · 18 years in financial markets
Prepared 9 August 2026 · kenmacro.com

What just happened, and why Wednesday matters

Three things landed in the past two weeks. Each one on its own would be worth watching. Together they point the same way.

1. The jobs report came in badly

Friday 7 August. Payrolls **fell 23,000**. The market had been looking for a gain of around 80,000. June was revised down to 20,000. Government shed 53,000 jobs; private payrolls managed +30,000.

Unemployment ticked down to 4.1% from 4.2%, but not for a good reason. It fell because fewer people are counted as looking for work. That is a shrinking labour market, not a strong one.

The number nobody led with matters most. Average hourly earnings rose 2 cents to $37.62, taking the annual pace to **3.2%** against 3.5% expected. Slowest since May 2021.

Wages feed straight into services inflation. When wage growth slows, the stickiest part of inflation loses its fuel. That is the link between a weak jobs report and Wednesday's core number.

2. Oil has come down hard

Brent has dropped below $80 for the first time in nearly a month. WTI fell 5.43% to $75.98. Before that, when Iran signalled it would hold off while the US pause held, Brent fell 8.7% in a session to $88.36 and WTI dropped 7.5% to $82.61.

The risk premium is coming out of the oil price. Lower oil is disinflationary and it works through quickly — the pump, freight, anything that has to be moved.

One caveat. The market has not fully priced out the chance of this flaring up again, and it is right not to. This is a de-escalation, not a resolution.

3. The last CPI already showed the split

June: headline **3.5%** on the year, core **2.6%**, down from 2.9% in May and below expectations. Core flat on the month. Energy fell 5.7% and was the single biggest reason headline dropped 0.4%.

That gap between 3.5% and 2.6% is almost entirely energy. It is about to work the other way.

The trap in Wednesday's headline

Oil moved up sharply through July. Wednesday's release covers July. So there is a real chance the headline comes in firm, or jumps, purely because energy rebounded in the month being measured.

If that happens, the first wave of reaction will treat a hot headline as a hot inflation print. It is not the same thing. Energy moving the headline tells you about oil. It tells you very little about whether underlying prices are still cooling.

Core is where the answer is. With wage growth at its slowest in over four years and the labour market shedding jobs, the case for core continuing to cool is stronger than it has been in a while. If core confirms it, the headline is noise.

The tension to hold in your head

Jobs weakening. Wages slowest since May 2021. Oil giving back its risk premium. Core already cooling before any of that fed through.

And the rates market pricing no cuts at all, with a 78.6% chance of a hike by December.

Those two pictures cannot both be right for long. Wednesday is the next piece of evidence. If core cools again, a lot of hiking premium has to come out of the curve. That repricing is where the move is.

What the market is actually pricing

Current target rate **3.50–3.75%**

CME FedWatch implied probabilities, read 9 August 2026. These move continuously — check them again before the release.

MEETING	NO CHANGE	HIKE	EASE
16 Sep 2026	57.0%	43.0%	0.0%
28 Oct 2026	42.5%	57.5%	0.0%
9 Dec 2026	**21.4%**	**78.6%**	**0.0%**

By December the pricing is 78.6% for at least one hike, with 28.7% on 400–425 and 5.4% on 425–450. That is a large amount of hiking premium sitting in the curve.

Why that matters for Wednesday: the more premium there is to unwind, the larger the move a soft print can produce. The reaction can be bigger than the number alone appears to justify, because it is repricing an expectation rather than confirming one.

Why core is the number to watch

Headline CPI includes food and energy. Both are volatile, and energy especially so. The headline can therefore move sharply for reasons that say nothing about the underlying trend.

Core strips both out. When energy has been moving hard, **the headline tells you about energy and the core tells you about inflation.** The Fed reacts to the second one.

The three readings that matter, in order

1. **Core, month on month.** The cleanest read on the current trend. Annualise it mentally rather than waiting for year-on-year to catch up — year-on-year is a rear-view mirror.
2. **Shelter.** The largest component of core and the slowest to turn. A cooling core held up by shelter is a different story from one that is broad-based.
3. **Core services excluding shelter.** The part most tied to wages. If this is cooling, disinflation has reached the stickiest place it needs to reach.

Three scenarios

Core cooler than expected

Mechanism. The 43% / 57.5% / 78.6% hike pricing starts to unwind. Nominal yields fall as hiking premium comes out of the curve; inflation expectations fall by less, so **real yields fall**. Note this happens without a single cut being priced.

Tends to follow. Pressure on the dollar. Support for gold and silver, which pay no yield and gain most when the real return on cash falls. Support for rate-sensitive equities.

Invalidation. Cooling driven entirely by one volatile component, or core services ex-shelter still firm. The first move happens anyway; it just does not last.

Core hotter than expected

Mechanism. Hike pricing extends. December is already 78.6%; a hot core pulls that forward into October and puts the higher buckets in play. Nominal and real yields rise together.

Tends to follow. A bid for the dollar. Pressure on gold. Pressure on the parts of equity that need cheap money.

Invalidation. A hot headline driven by energy while core is unchanged. That is a headline reaction, not a policy reaction, and it usually fades once the internals are read.

In line

The most common outcome and the one handled worst. The reaction is decided by the internals and by revisions to prior months, not by the print. This is where reading the release rather than the headline is worth the most.

What decides whether the first move holds

The initial spike is liquidity, not conviction. Three things separate a move that continues from one that reverses inside the hour.

Does the rates market agree?

If the dollar is moving but front-end yields are not, the move has no engine behind it.

Are real yields confirming?

Nominal yields alone are not enough. Gold tracks real yields, not nominal ones. This is the most common mistake made on release day.

Did the revisions change the trend?

A revision to previous months can quietly matter more than the current print, and is routinely ignored in the first ten minutes.

Two things not to do at 13:30

Do not trade the first candle. Spreads widen, slippage is worst exactly then, and the algorithmic reaction to the headline frequently reverses once the internals are parsed.

Do not size as though this print is knowable. It is not. The edge is in having a plan for each outcome, not in guessing which one arrives.

The wider context

CPI does not land in isolation. Two other threads feed the same transmission channel.

The labour market. Payrolls and average hourly earnings feed directly into the core services component the Fed watches most closely. Wage growth is the mechanism keeping a hiking bias alive. If wages are cooling at the same time as core, the case for that 78.6% December pricing weakens on two fronts at once. A divergence between them is the more interesting outcome, and the harder one to trade.

Energy and geopolitics. Oil is the channel through which geopolitical risk reaches inflation. It moves the headline directly and, with a lag, feeds parts of core. When the risk premium in oil is moving, the headline gets noisier and the case for reading core rather than headline gets stronger.

Mentorship — waiting list for the next intake

Ken works one to one with a small number of traders on exactly this: reading the macro regime, understanding how it transmits into price, and sizing risk around it. Intakes are limited and run in cohorts.

The waiting list for the next sessions is open. Applications are reviewed individually, and joining the list is not a commitment.

kenmacro.com/mentorship-application

Source. Rate probabilities are CME FedWatch implied probabilities read on 9 August 2026 and move continuously.

Risk. This document is educational research, not investment advice, and not a recommendation to buy or sell anything. Trading leveraged products carries a high risk of losing money rapidly. Nothing here is a forecast of any economic release or of any market's response to one. Past performance is not a reliable indicator of future results. Consider taking independent advice if you are unsure.

© 2026 KenMacro · kenmacro.com