

Verus Market Note

A surprise drop in U.S. inflation, but with some grains of salt

The November U.S. inflation report on Thursday reflected surprisingly subdued price movement, moving year-over-year inflation suddenly down from 3.0% to 2.7%, while core inflation (excluding food & energy) dropped from 3.0% to 2.6%. A key contributor to this decline was shelter (rent) costs, which showed some of the slowest price rises since 2021. This makes sense to us as apartment rent costs have been flat-to-down for multiple years, and home price appreciation has slowed. Food prices also showed very slow price growth, while lodging away from home, recreation and apparel prices fell. Meanwhile, rising energy prices were a large positive contributor to the official figure.

In this week's Market Note, we illustrate the large impacts of this report on official year-over-year inflation figures, while also acknowledging that the robustness of data collection seems materially less than reports of the past. Also, such a quick slowdown in certain price series such as shelter is unusual outside of a sharp economic slowdown. Inflation was not reported in October due to the government shutdown (the first missed inflation report in modern history), and we believe it is also fair to categorize the November report as 'partially complete'. Investors might choose to hold their excitement until the next mid-January report provides more clarity. The Fed will also likely be maintaining a skeptical eye.

U.S. CPI



Source: Verus, FRED, as of 12/18/25