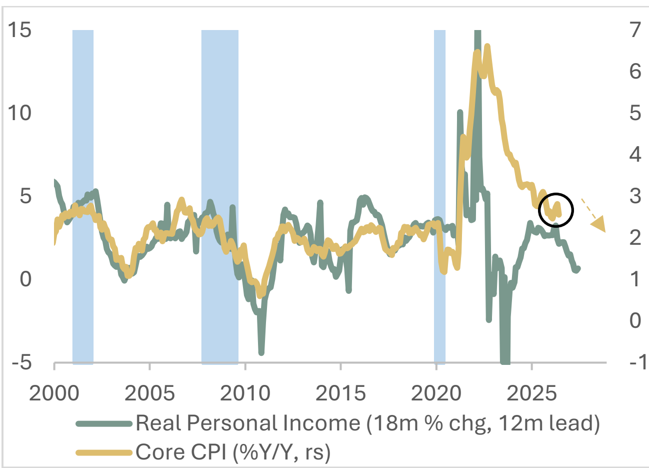
Paychecks Leading Core Prices Lower

Despite the unemployment rate remaining ultra-low by historical standards (4.1%), real income growth slowed to just a 0.2% Y/Y pace in June. ***Historically, real incomes have led core CPI by 12 months*** (shown below). This relationship between purchasing power (real incomes) and core inflation econometrically implies that core CPI should slow to 2.1% by yearend 2027. For tomorrow's inflation data we are forecasting 0.1% M/M for headline CPI and 0.18% M/M for core CPI.

Please let us know if you would like to discuss. Additionally, please subscribe to our new research website for access to our content (here).



Source: BEA, BLS, Haver, SMBC Nikko

Disclaimers

This document is provided by SMBC Group (including, collectively or individually, Sumitomo Mitsui Banking Corporation, SMBC Nikko Securities America, Inc., and their affiliates, as applicable) for informational purposes only, solely for use by the client(s) or potential client(s) to whom such document is directly addressed and delivered. This document does not constitute an offer or solicitation of the sale or purchase of securities or other investments. This document was prepared by SMBC Group's economist(s). The information contained herein is obtained or derived from sources believed to be reliable, but SMBC Group and the economist(s) make no representations as to its accuracy or completeness. In some cases, such information may be incomplete or summarized. The views, statements, assumptions, and forecasts expressed herein are those of the economist(s) and do not reflect the judgment of any other person or of SMBC Group. This document has been prepared based on assumptions and parameters determined by SMBC Group's economist(s) in good faith. The assumptions and parameters used are not the only ones that could have been selected, and therefore no guarantee is given as to the accuracy, completeness, or reasonableness of any such quotations, disclosures, or analyses. Past performance is not a reliable indicator of any future results.

This document has been prepared for, and is directed at, institutional investors and other market professionals and is not intended for use by retail customers. It does not take into account any specific investment objective, financial situation, or particular need of any recipient(s). The information contained herein should, for whatever purpose, be used solely at the discretion and responsibility of the recipient(s). SMBC Group does not accept any liability or responsibility for any results in connection with the use of the information. Recipients are responsible for making final investment decisions and should do so at their own discretion following their own independent analysis and assessment of the merits of any transaction prior to execution, after conducting a careful examination of all documentation delivered, explanatory documents pertaining to listed securities, prospectuses, and other relevant documents. Any financial instruments discussed in this document may be speculative and may involve risks to principal and interest.

Conflicts of Interest Disclosures

The views, statements, assumptions, and forecasts expressed herein may differ from those expressed in the globally branded research produced by SMBC Group. The trading desks of

SMBC Group trade or may trade as principal in the financial instruments that are the subject of this document, and the economist(s) may have consulted with the trading desks while preparing the document. The proprietary interests of SMBC Group may conflict with those of the recipient(s). SMBC Group may seek to do business with companies mentioned in this material and the trading desks may accumulate, be in the process of accumulating or have accumulated, long or short positions in financial instruments mentioned and may have acquired them at prices no longer available. The trading desks may also have or take positions inconsistent with the views expressed in this document or may have already traded on those views.

This document is not a research report, and neither the document nor the economist(s) is/are subject to policies and procedures that apply to the globally branded research reports and research analysts of SMBC Group or to legal requirements designed to promote the independence of investment research. This document is not subject to any prohibition on dealing ahead of the dissemination of investment research. This means that SMBC Group, and its directors, representatives, or employees, may have a long or short position in any financial instruments mentioned in this document and may make a market or trade in financial instruments economically related to the securities, derivatives or other underlying assets mentioned herein, in each case either as principal or as agent, at any time.

No part of economist compensation was, is, or will be, directly or indirectly related to the specific recommendations or views expressed herein. The personal views of economists may differ from one another.

This document is the property of SMBC Group, subject to copyright. Any reproduction of this document, in whole or in part, is prohibited and you may not release this document to any person, except to your advisors and professionals to assist you in evaluating the document, provided that they are obligated by law or agreement to keep the document confidential. Distribution, possession or delivery of this document in, to, or from certain jurisdictions may be restricted or prohibited by law. Recipients of this document are required to inform themselves of and comply with all such restrictions or prohibitions.

© 2026 SMBC Group. All rights reserved.