

New York Life Investment Management's Global Market Strategy team

April CPI: hotter, broader, faster, stronger

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Investment
Management

May 12, 2026

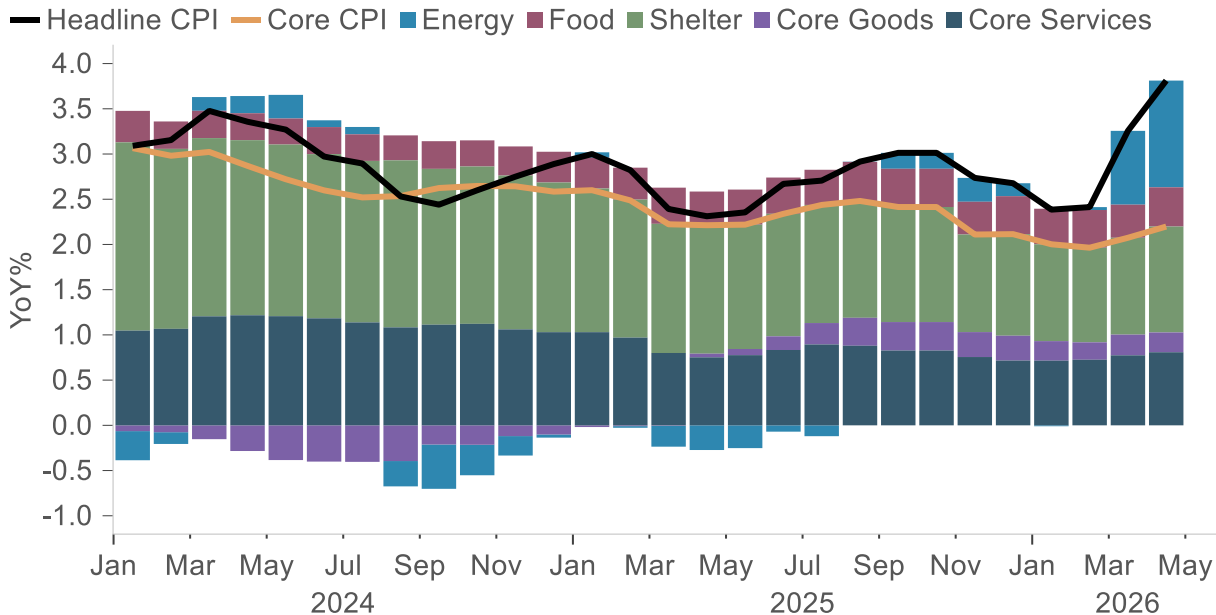


April CPI: hotter, broader, faster, stronger

As of 9:00am ET, 12 May 2026

- CPI continued to move higher in April, driven primarily by the energy shock tied to the Iran conflict, lifting headline inflation 3.8% YoY [from 3.3% in March](#). On a monthly basis, price momentum moderated, with headline CPI rising 0.6% MoM versus 0.9% in March.
- This print was driven by continued elevation in energy prices, but more so by a broadening of price pressures. Food and shelter costs were both key contributors for April, with food-at-home prices likely pushed upward by higher transportation costs and fertilizer prices, due in part to the ongoing blockade of the Strait of Hormuz, which accounts for roughly one-third of ocean-bound fertilizer.
- In the coming months, we remain focused on further second-order effects, specifically whether higher energy prices continue to feed into transportation and other energy-intensive categories; ultimately pushing core inflation higher.

While energy continues to lead, rising core inflation shows broadening price pressures



Sources: New York Life Investment Management, Global Market Strategy, U.S. Bureau of Labor Statistics (BLS), Macrobond, May 2026. CPI: Consumer Price Index.

The path of energy prices remains our near-term anchor for the inflation outlook. Traffic through the Strait of Hormuz remains far below pre-conflict levels. Even if the conflict were to be resolved tomorrow, we expect energy prices to remain elevated over the coming months given lingering supply chain friction. That said, the U.S. remains relatively insulated versus global peers due to domestic energy production capacity and lower reliance on Middle East imports.



Global markets have been highly focused on inflation, but growth risks are building. Higher energy costs will weigh on consumer activity and business input costs over time, in the midst of a maturing macro and credit cycle. Accordingly, we believe 1-2 Fed cuts are still possible later in the year. The May Macro Pulse – [Pricing Past the Blockade](#) – examines these impacts in more detail.

The Fed leadership transition is coming at a delicate time. Kevin Warsh is expected to be confirmed as Fed Chair by May 15, at a time when Fed officials have signaled increasing concern around upside inflation risks. [We've said](#) that benign inflation (prior to the Iran conflict) lowered the near-term stakes of the Fed independence conversation. Now, the potential for Fed leadership to turn over amid upside inflationary risks may compound upside pressures on Treasury yields across the curve.

Investment implications

Many global curves have flattened amid a focus on the near-term inflationary risks associated with higher energy prices. While we agree that inflation is likely to continue accelerating in the near term, we are mindful that an inflation upswing likely will be accompanied by demand destruction – keeping rate cuts on the table in the U.S., in our view, and priming the Treasury curve for steepening.

In this environment, [we've advocated](#) for focus on quality and diversification, including **short duration high yield corporate credit, high quality small caps, and high quality ex-U.S. equities**. We maintain a **short-to-neutral stance on duration**, as we believe upside pressures remain for long rates over the coming 6 months.

Commodities also deserve special consideration amid inflationary environments; upside inflation surprises can pull stock-bond correlations closer together, making commodity exposure a powerful diversifier.

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SMRU: 8796060