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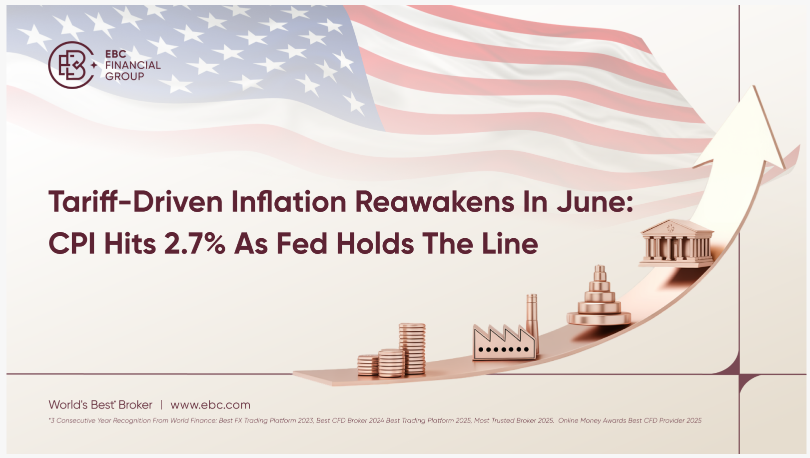
Tariff-Driven Inflation Reawakens in June: CPI Hits 2.7% as Fed Holds the Line

EBC Financial Group anticipates elevated market sensitivity heading into Q3.



EBC Financial Group visualises the resurgence of U.S. inflation in June 2025, driven by renewed tariffs, as the Consumer Price Index climbs to 2.7% while the Federal Reserve maintains its policy stance.

DC, UNITED STATES, July 17, 2025 /EINPresswire.com/ -- U.S. consumer prices rose by 2.7% year-on-year in June, marking the highest reading since February and signaling a return of upward inflationary momentum after several months of moderation. The data suggests that tariff-related cost pressures are beginning to feed through into broader inflation trends, setting the stage for a delicate policy environment as the Federal Reserve eyes its late July decision.

On a monthly basis, the Consumer Price Index (CPI) rose 0.3%, aligning with economist expectations. Core inflation, which strips out food and energy, increased by 2.9% year-on-year, slightly under consensus but consistent with a slow-burning price environment.

Early Signs of Tariff Impact Cause Markets to Reassess

Although inflation had eased in early 2025, the June reading reflects a shift — one amplified by the new U.S. trade measures. With tariffs on imports from over 20 countries slated to take full effect in August, analysts warn that cost pass-through is gaining traction.

“The tide is turning. What we’re witnessing is the first real hints of tariffs causing an inflationary impact,” said David Barrett, CEO of EBC Financial Group (UK) Ltd. “While the figures are still within manageable levels, forward-looking traders should be asking what comes next — not just in the data, but in Fed policy and capital flows.”

Estimates from leading economists suggest that as much as a third of June’s CPI rise may be linked to tariffs. The extent of this impact is expected to intensify in the coming months, especially as companies deplete pre-tariff inventories and begin adjusting pricing models.

Fed Expected to Pause in July Amid Conflicting Signals

Despite the uptick in headline inflation, core metrics remain sufficiently contained to justify caution. Markets currently price in a 97% probability that the Federal Reserve will maintain the benchmark interest rate at 4.25%–4.50% when it meets on July 29–30.

"Inflation is rising, but not running away," Barrett said. "The Fed has little incentive to move hastily. We expect a holding pattern in July, but if CPI and wage data heat up again in August, as the Fed have indicated they are concerned about happening, the confrontation with the US administration will accelerate."

Although CPI figures tend to dominate market narratives, the Fed's preferred inflation gauge—the Core Personal Consumption Expenditures (PCE) Price Index—offers a more comprehensive view of consumer behavior. June PCE data, expected later this month, will likely play a crucial role in guiding the Fed's next move.

Investor Sentiment Split: Risk Assets in Wait-and-See Mode

Market reactions to the inflation report were mixed. Treasury yields edged higher, the dollar strengthened against major peers, and equities remained cautious amid interest rate uncertainty.

"This is not a risk-off moment, but it's also not risk-on," Barrett explained. "For traders and investors, this is the zone where macro strategy matters most — FX pairs, rates products, and inflation-sensitive sectors will likely see more two-way action over the summer."

He added, "The re-acceleration of inflation—especially through tariffs—injects fresh volatility into gold and currency markets. Traders should expect choppier price action and re-think positioning around key macro catalysts."

Outlook: Inflation Volatility Set to Define Q3 Positioning

With the effects of tariffs still unfolding and consumer demand showing signs of fragility, market sentiment is poised to turn more reactive in the coming months.

"Q3 won't be shaped by headline prints alone—it'll be shaped by interpretation," Barrett concluded. "The traders who stay focused, flexible, and forward-looking will find opportunities where others hesitate."

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https://www.ebc.com/

Michelle Siow

EBC Financial Group
+60 16-337 6040
michelle.siow@ebc.com
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X
Other
