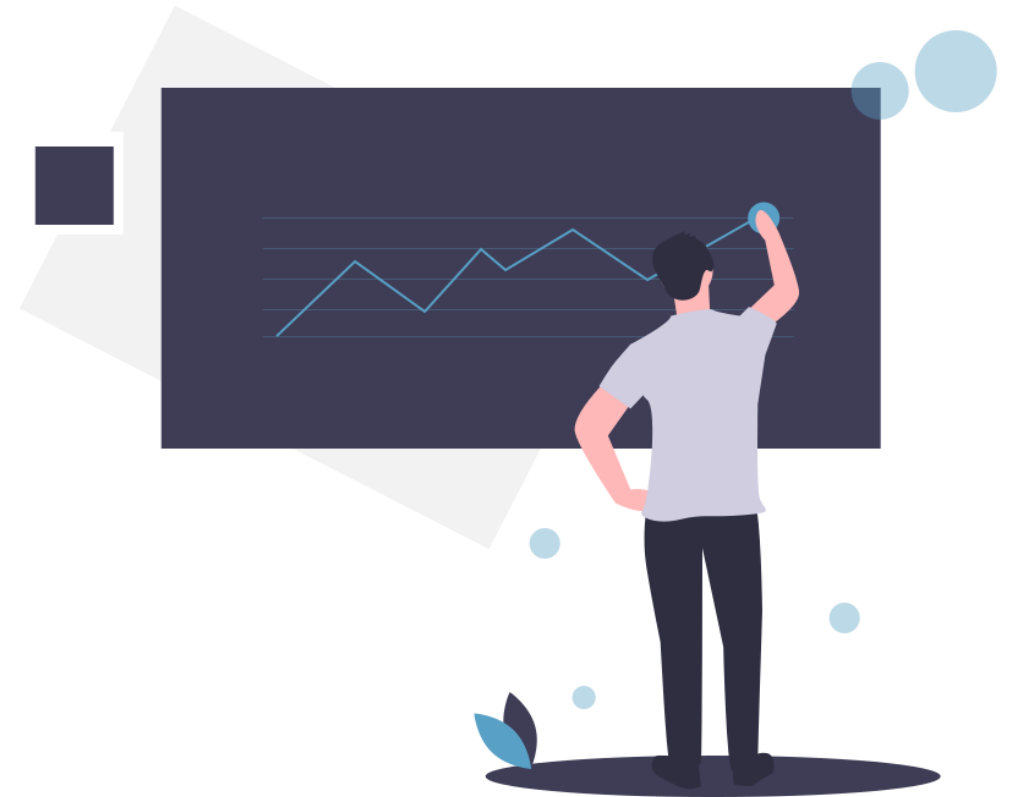


Inflation Roundup

July 7, 2022

- Total Returns and Seasonality
- The State of Inflation
- Market-Based Expectations
- Shelter Inflation
- Search Activity

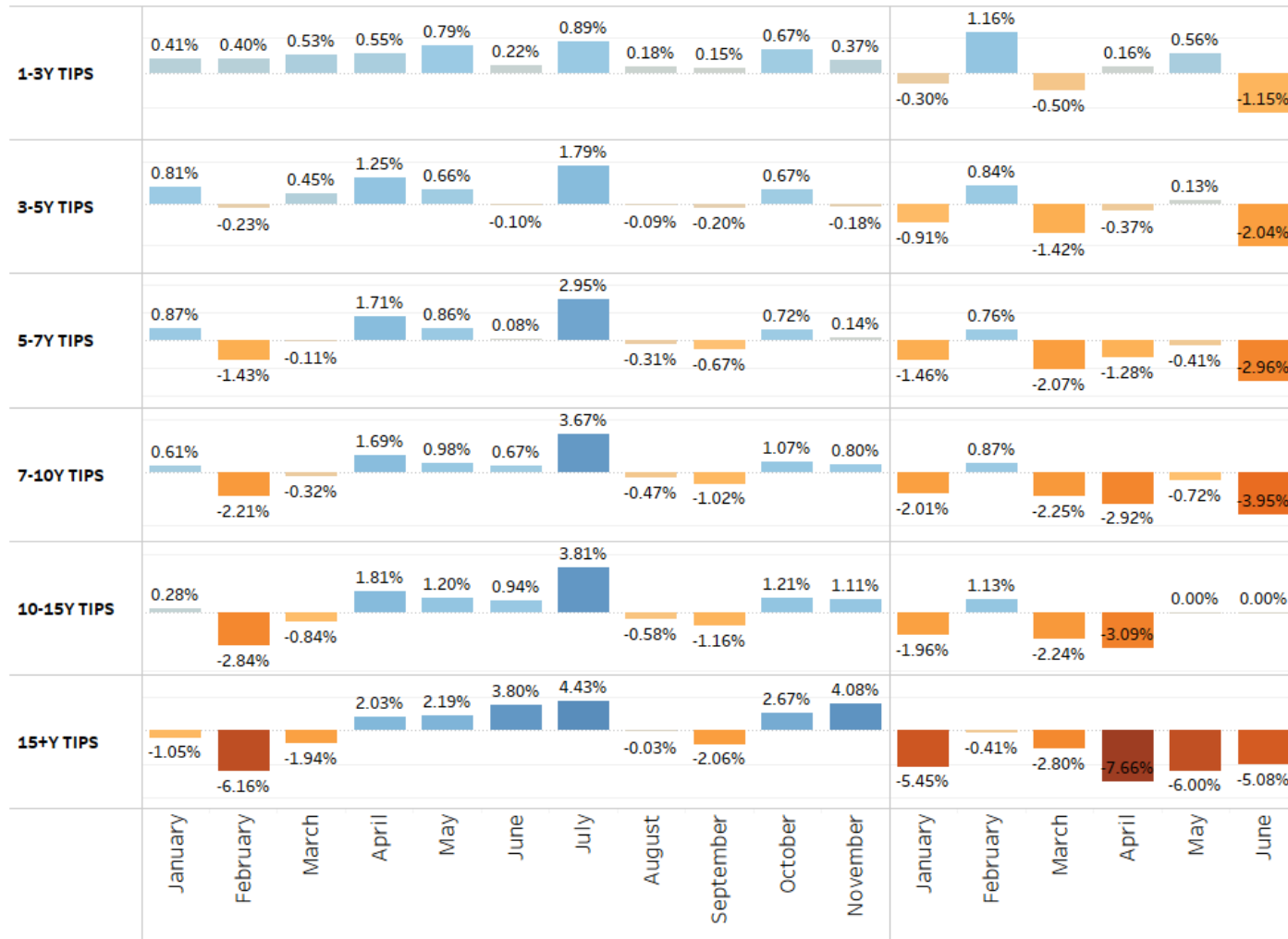
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TIPS TOTAL RETURNS:

U.S. TIPS: Monthly Returns

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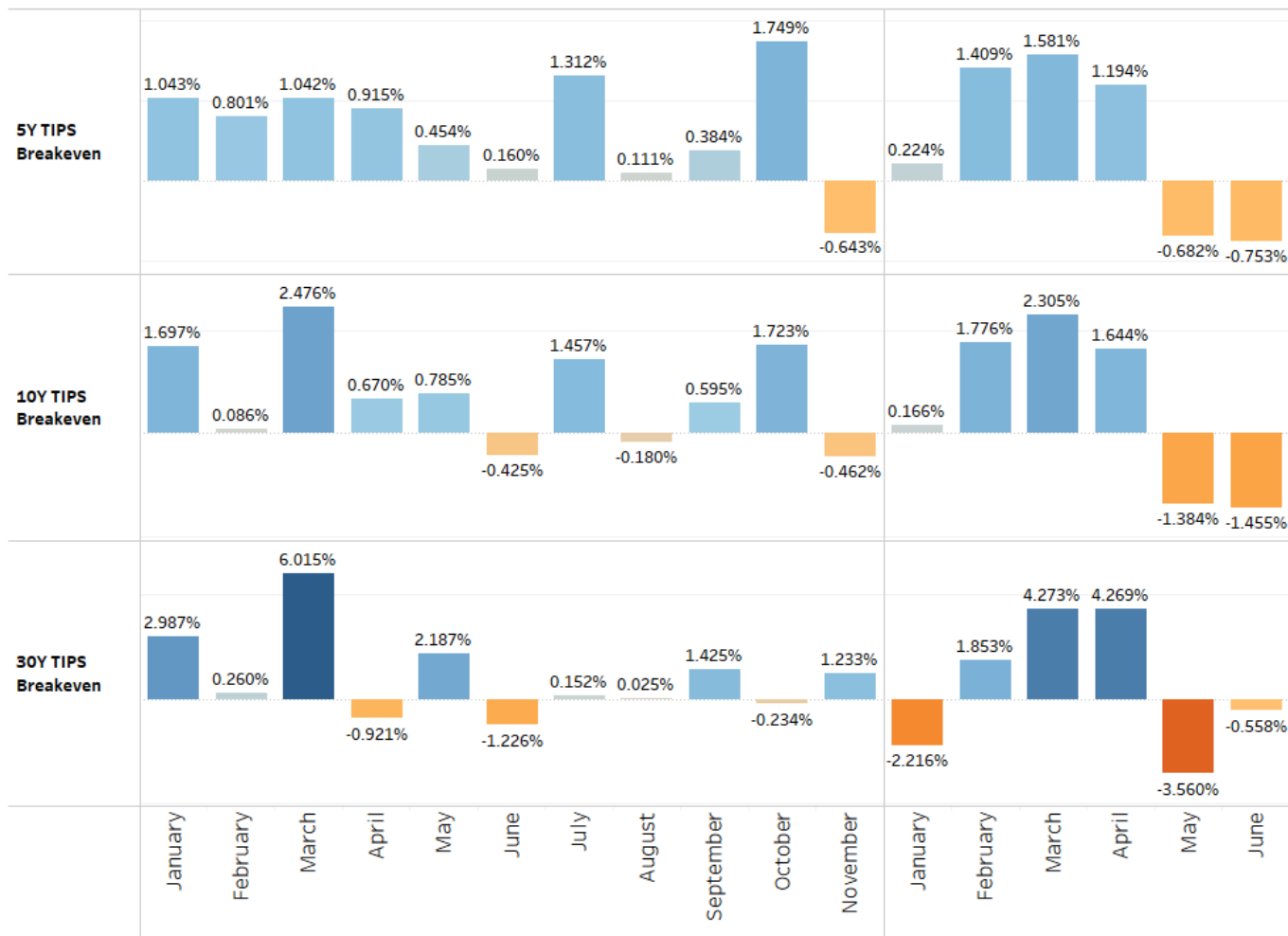


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TIPS BREAKEVENS TOTAL RETURNS:

U.S. Inflation Expectations (duration weighted): Monthly Returns



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United States 10-year Breakevens remain a top performer amongst peers.

- 10-year inflation expectations decreased in most countries compared to last week.
- The latest inflation data shifted U.S. inflation expectations downward.

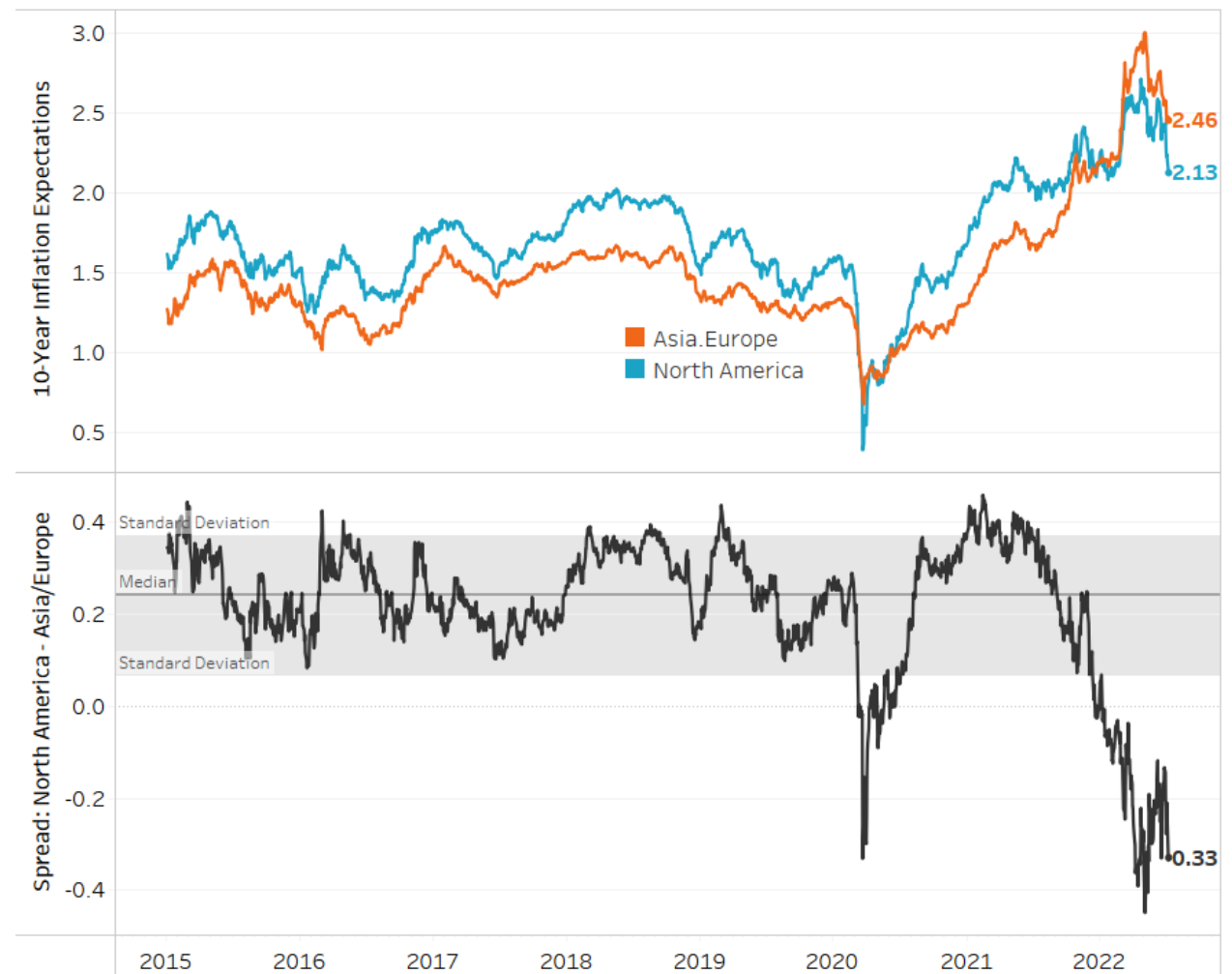


Asia/Europe and North America Inflation Gap Widens

- The spread between average 10-year inflation expectations for Asia/Europe versus North America widened by 10 bps week over week.

10-Year Inflation Expectations in Asia/Europe VS. North America

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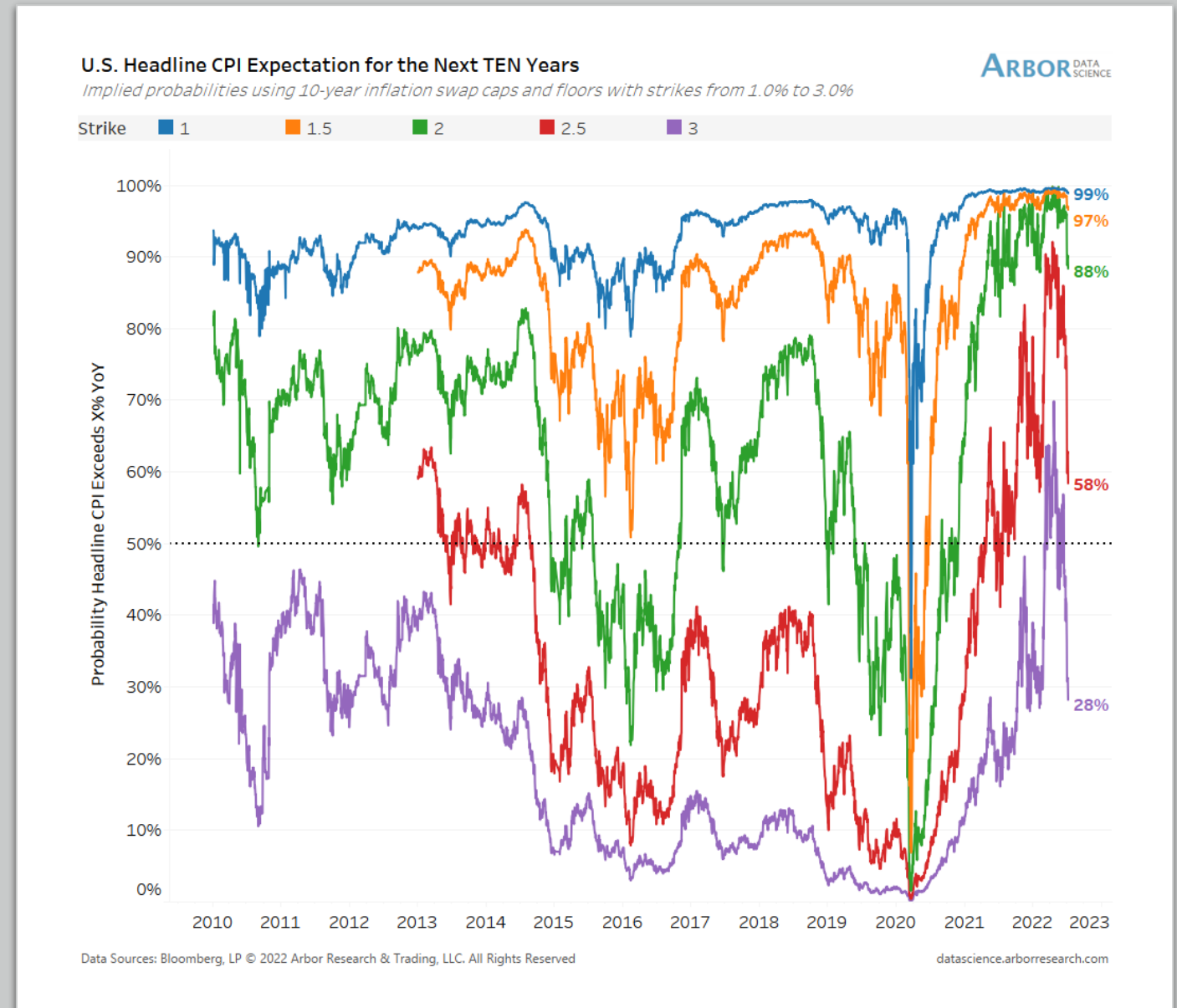


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U.S. Inflation Expectations

- U.S. inflation expectations remained the same for 1% and 1.5% YOY.
- 2% YOY inflation expectations compared to last week decreased from 92% to 88%.
- 2.5% YOY inflation expectations compared to last week decreased drastically from 68% to 58%.
- 3% YOY inflation expectations compared to last week decreased drastically from 36% to 28%.



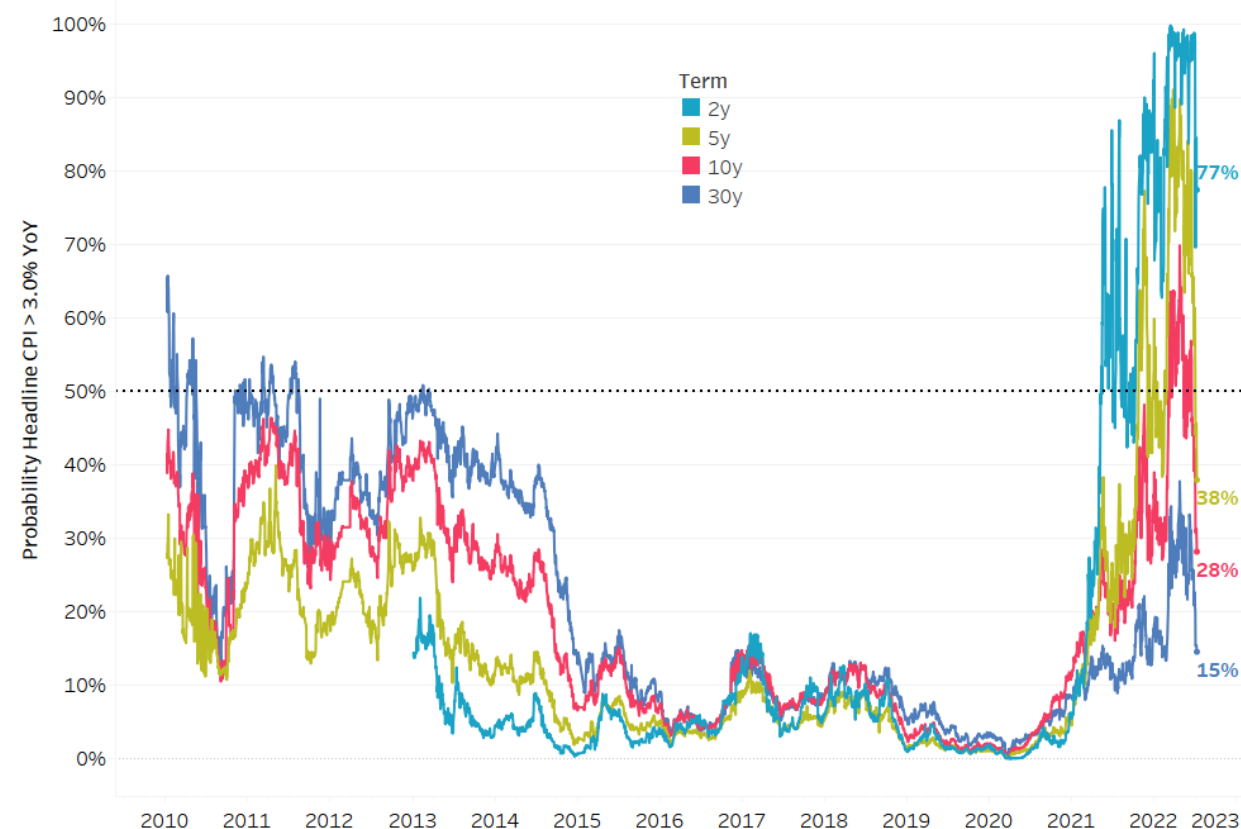
U.S. 3% Headline Expectations

- Expectations for 3%+ headline CPI for a 2-year term compared to last week decreased slightly from 79% to 77%.
- Expectations for a 5-year term saw a drastic decrease from 51% to 38%.
- 10-year and 30-year terms had decreased from last week by 10% and 5% respectively.

Headline CPI \geq 3.0% YoY

Implied probabilities using infl swap caps/floors w/ strike at 3.0% YoY for headline CPI

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Data Sources: Bloomberg, LP

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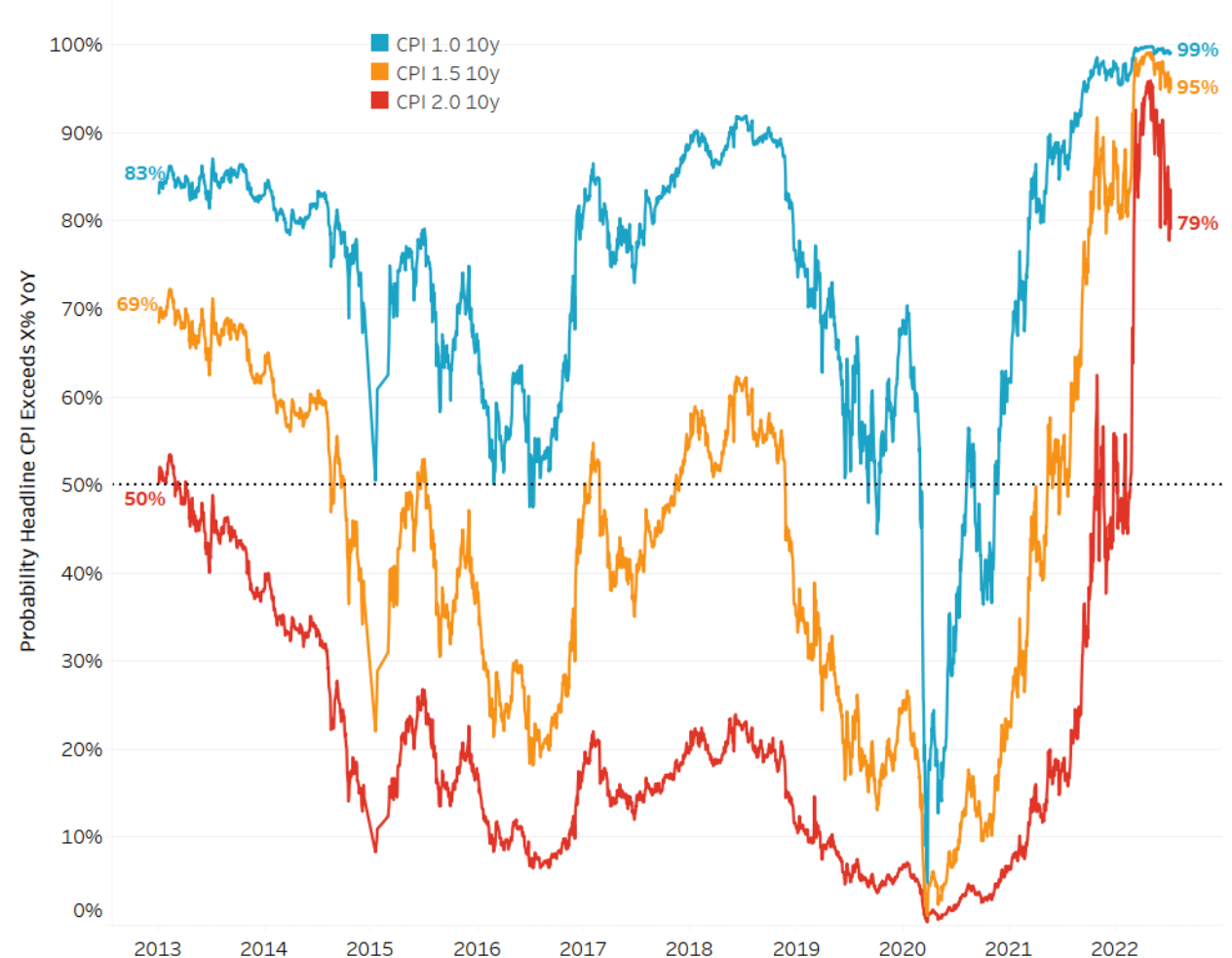
Eurozone Inflation Expectations

- Eurozone headline CPI 1.0% expectations remained unchanged from last week.
- Eurozone headline CPI expectations for 1.5% fell by 1%.
- Eurozone headline CPI expectations for 2.0% fell by 5%

Eurozone Headline CPI Expectation for the Next TEN Years

Implied probabilities using 5-year inflation swap caps and floors with strikes from 1.0% to 2.0%

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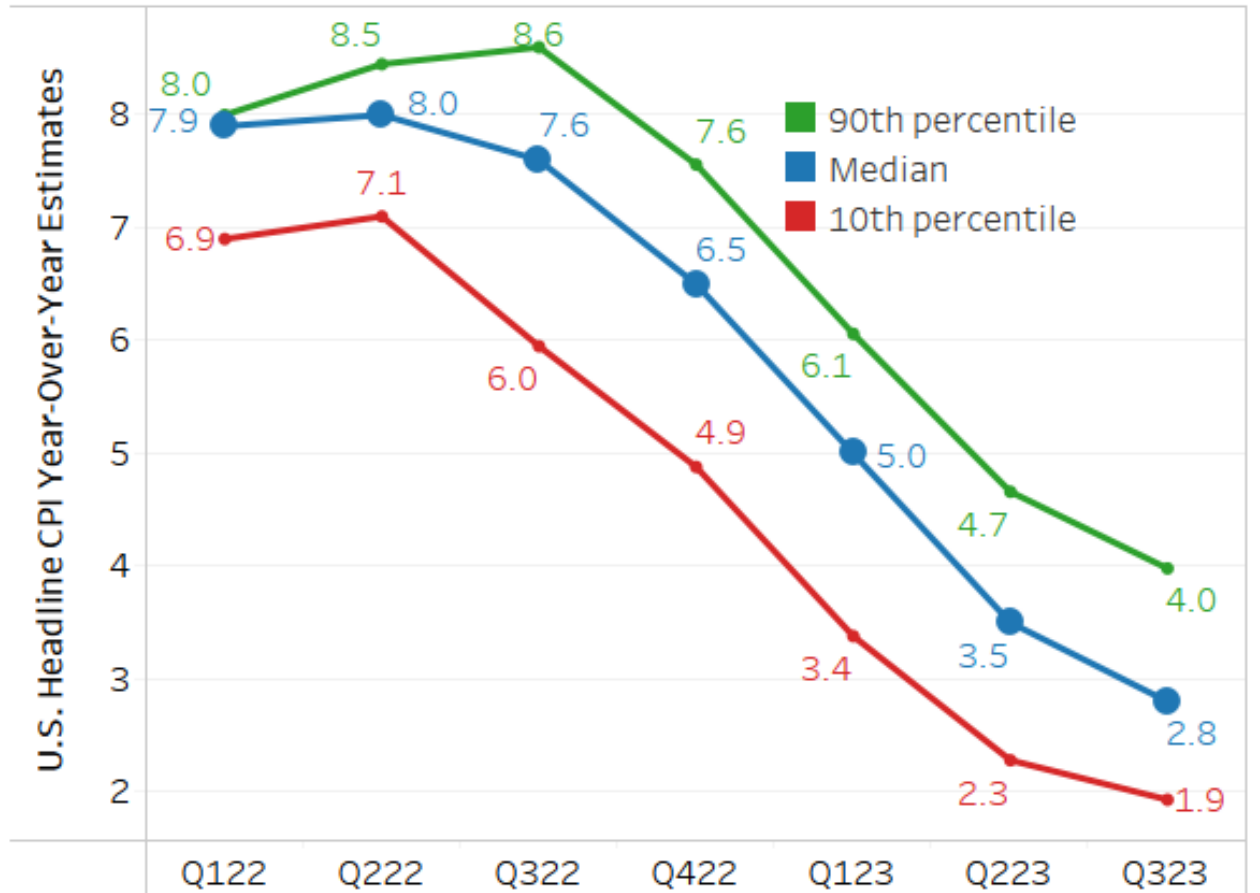
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Economists Ratchet Higher Inflation Outlook

- Economists project 7.6% headline inflation for Q3.
- Q4 2022 is now projected at 6.5% YOY.
- Economists predict that the US will not reach 3% inflation until Q3 of 2023.

Economists Forecasting CPI \geq 8% YoY This Quarter

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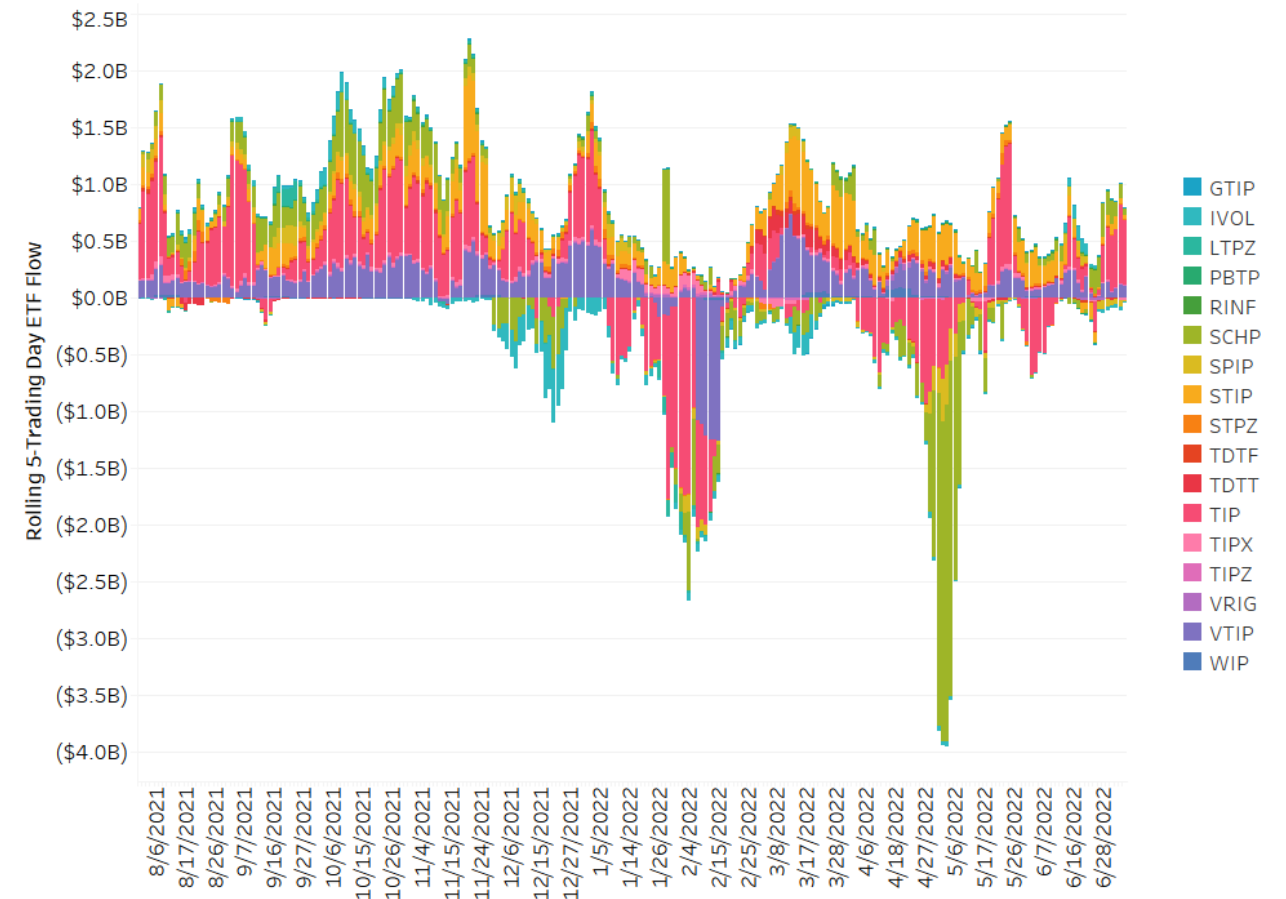
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TIPS Fund Flows

- Flows into TIPS Funds continued to be mostly positive.

TIPS Fund Flows



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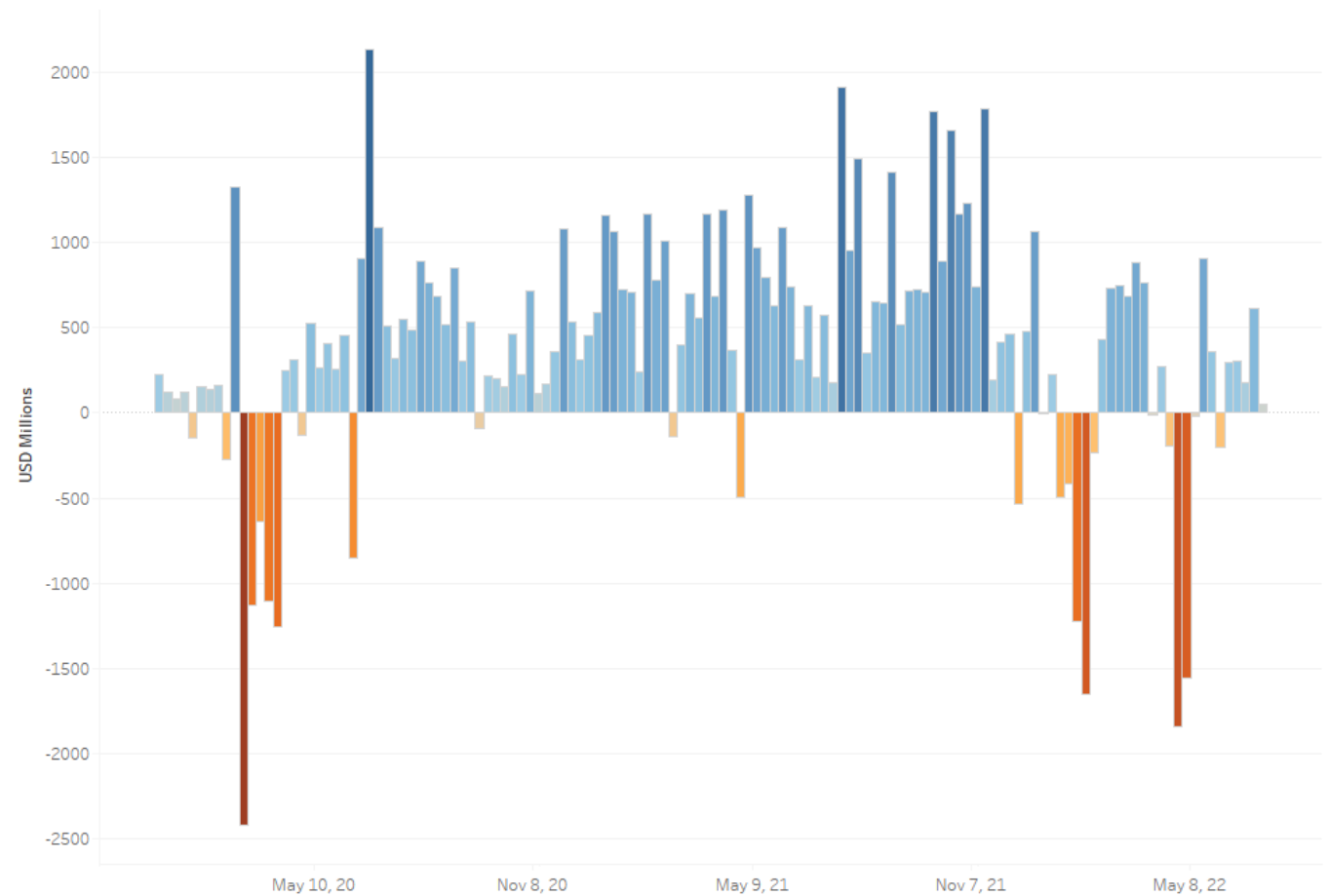
TIPS ETF Flows Rise

- TIPS ETF Funds saw minor inflows over the past week.

TIPS ETFs Net Flow

Weekly Total Flow into all US-Listed TIPS Exchange Traded Funds

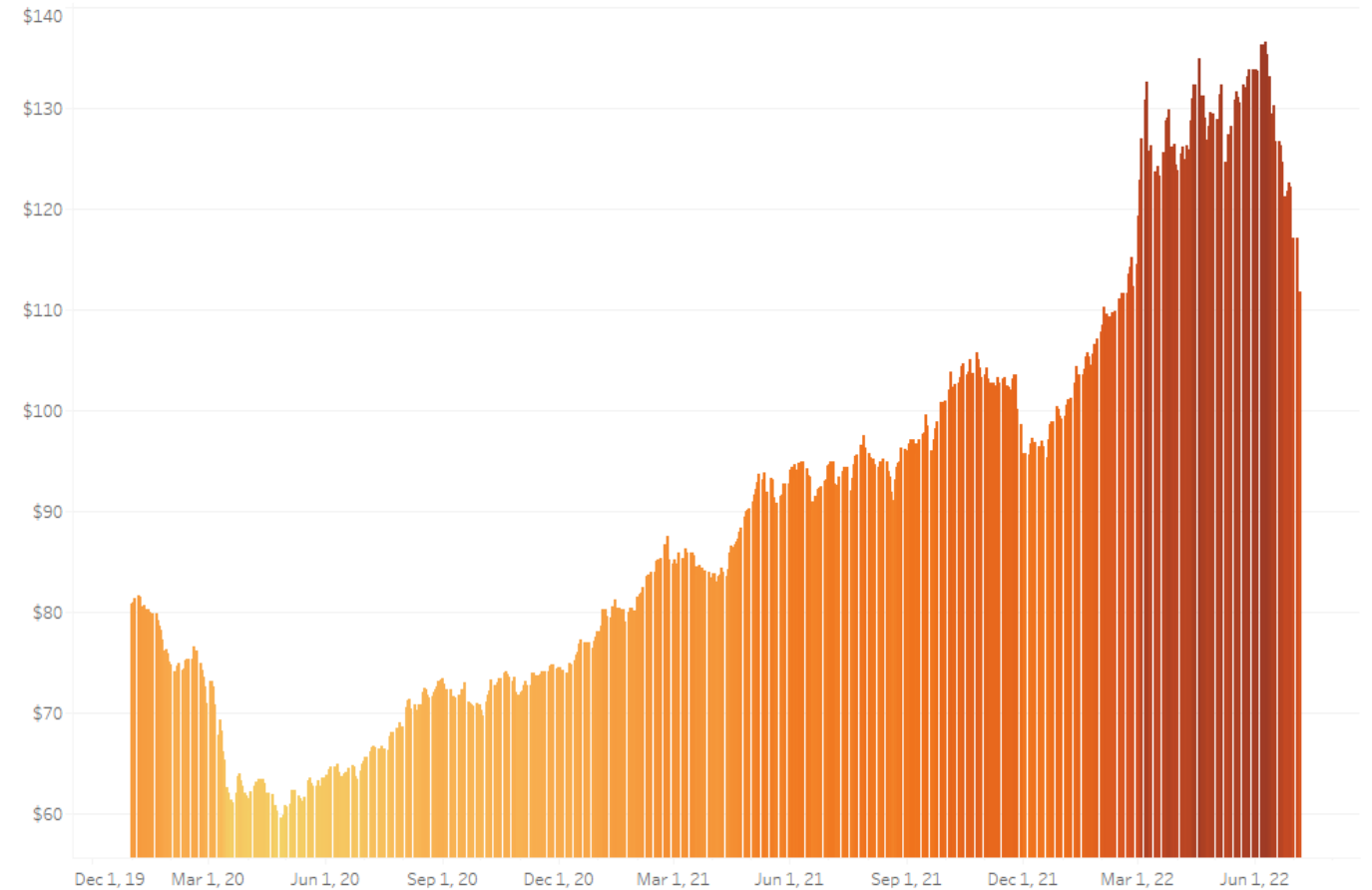
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Commodities Cool Off But Remain Higher than 2021 Levels

- Highest weighted Commodities are Gold, Natural Gas, Crude and Corn.
- For more on commodities check out this week's [Commodities Update](#).

Commodities Begin to Cool After Red-Hot Peak
Bloomberg Commodities Index



Data Source: Bloomberg LP

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U.S. Consumer Faces Record Breaking Gas Prices

Generic WTI and Brent Crude Indices and AAA National Average Prices

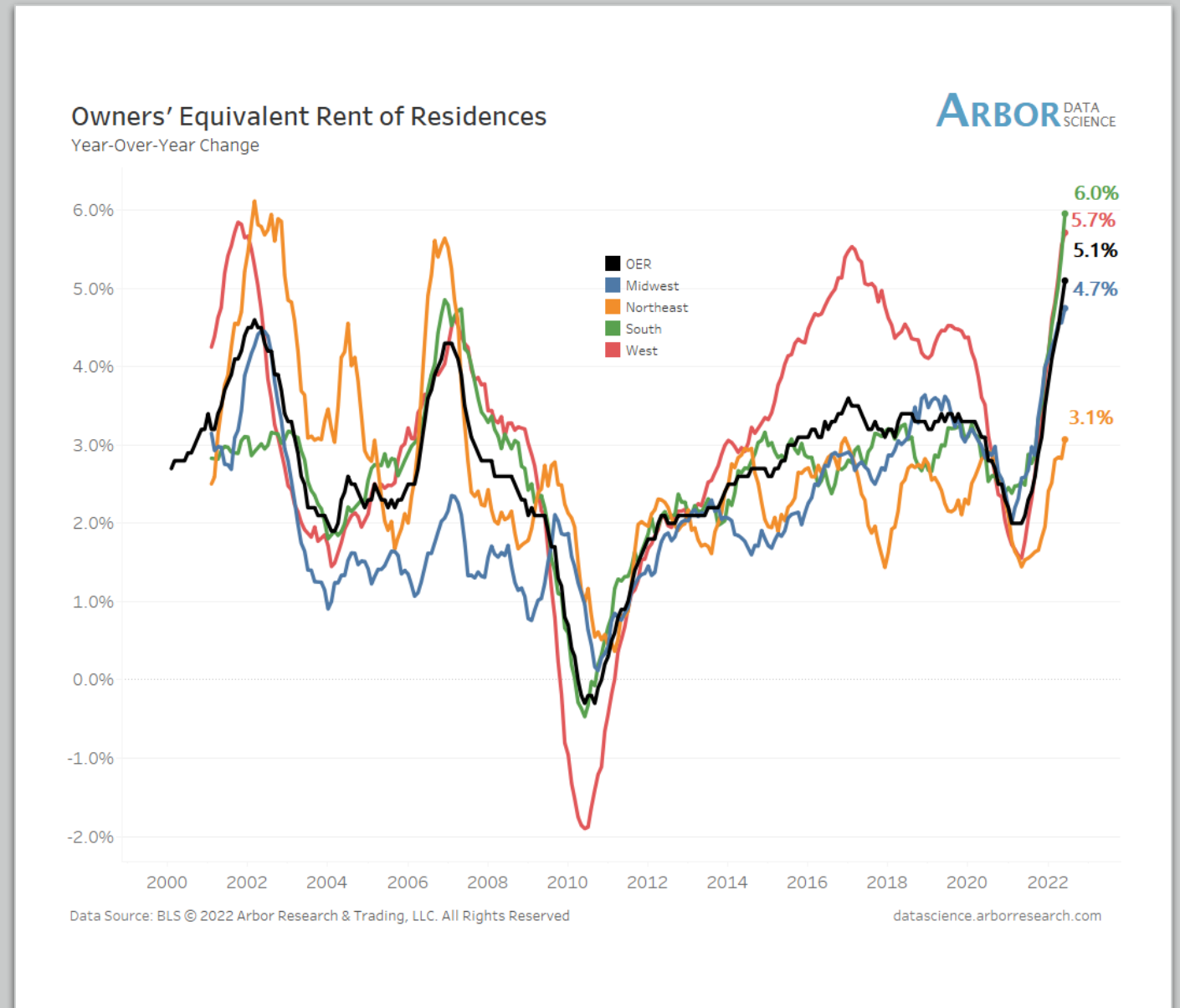


Data Source: Bloomberg LP

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Shelter inflation continues to increase

- Cost of shelter in the South grew the fastest at 6% YOY followed closely by the West at 5.7%.

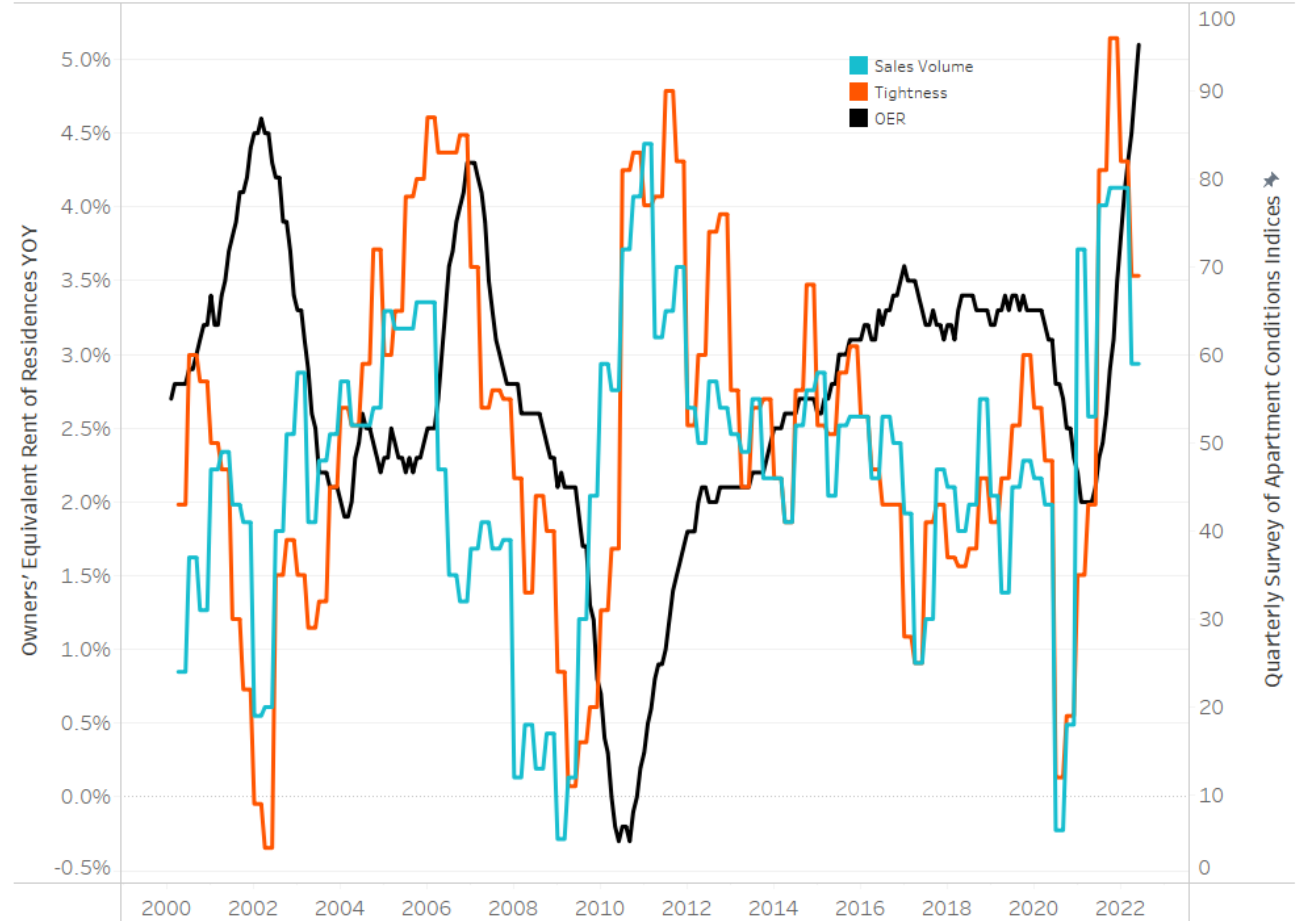


Renters' Market Sees Slight Relief

- After a significant drop in both tightness of supply and sales volume, both measures are stalling at levels higher than seen just before the pandemic.

U.S. Renters Face Tight Market

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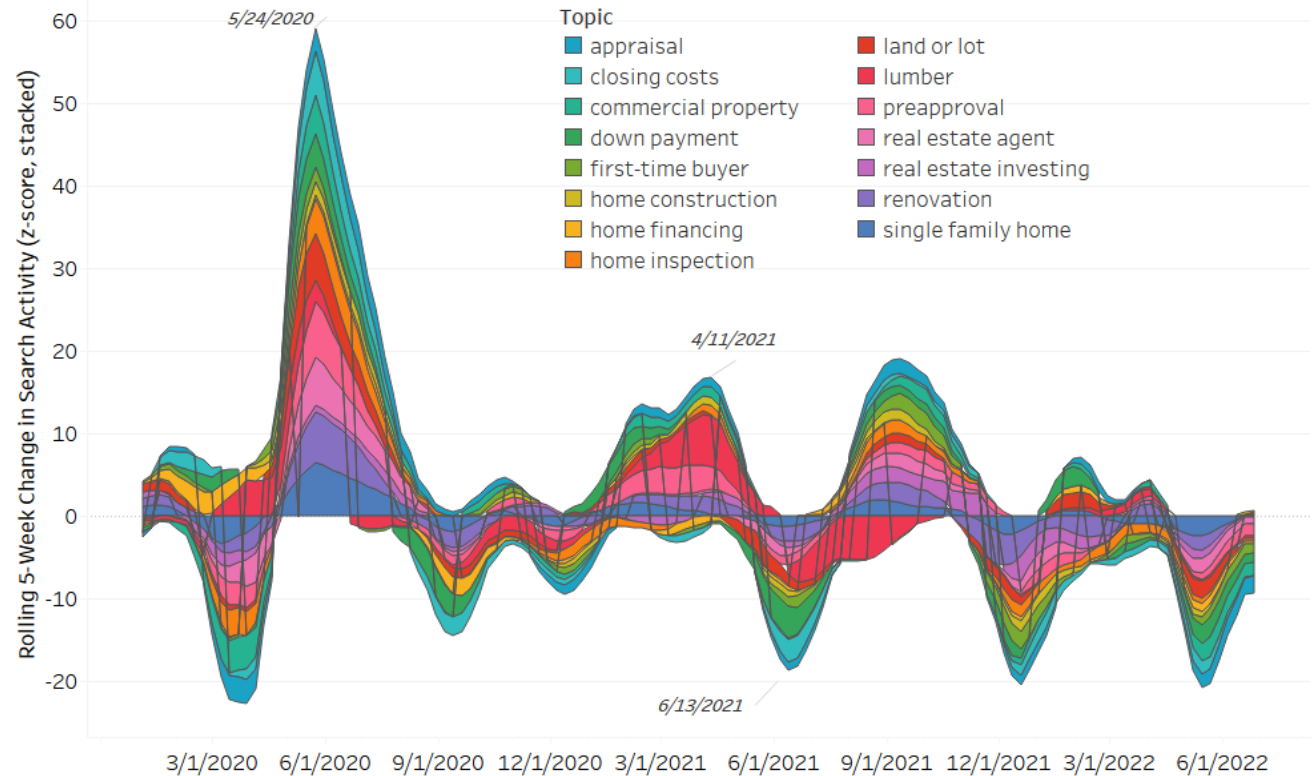
Housing market search activity

- Searches on the housing market continued to fall, with the exceptions being searches for “home construction” and “land or lot” which saw a small uptick in searches. This could indicate the housing market is cooling off.
- This trend will likely continue. It is estimated that many of the metro areas are currently overvalued.

U.S. Consumers: Housing Market Searches

Rolling five-week changes in Google search trends with noise and seasonality removed

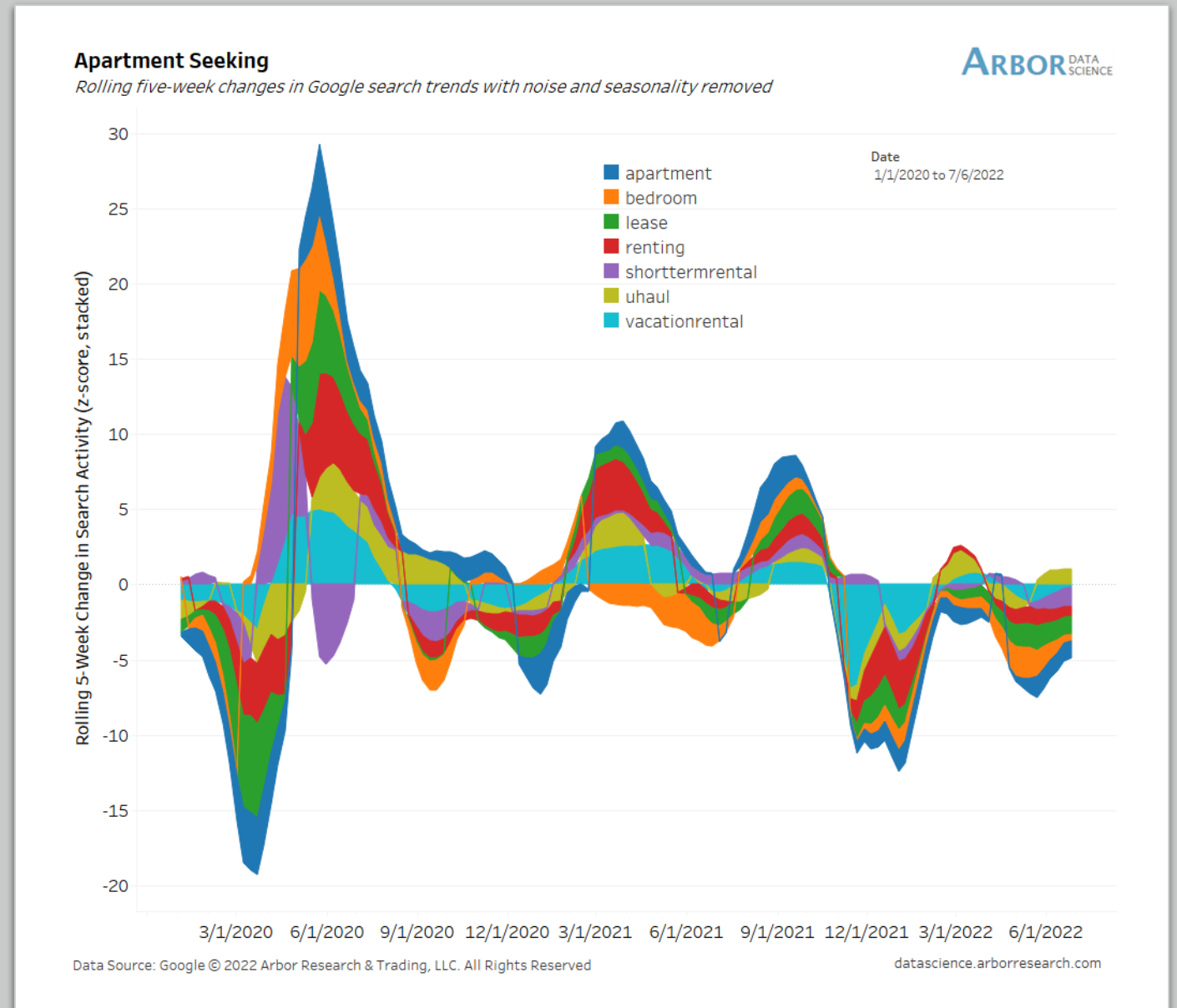
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Searches on apartment
vacancies decreased



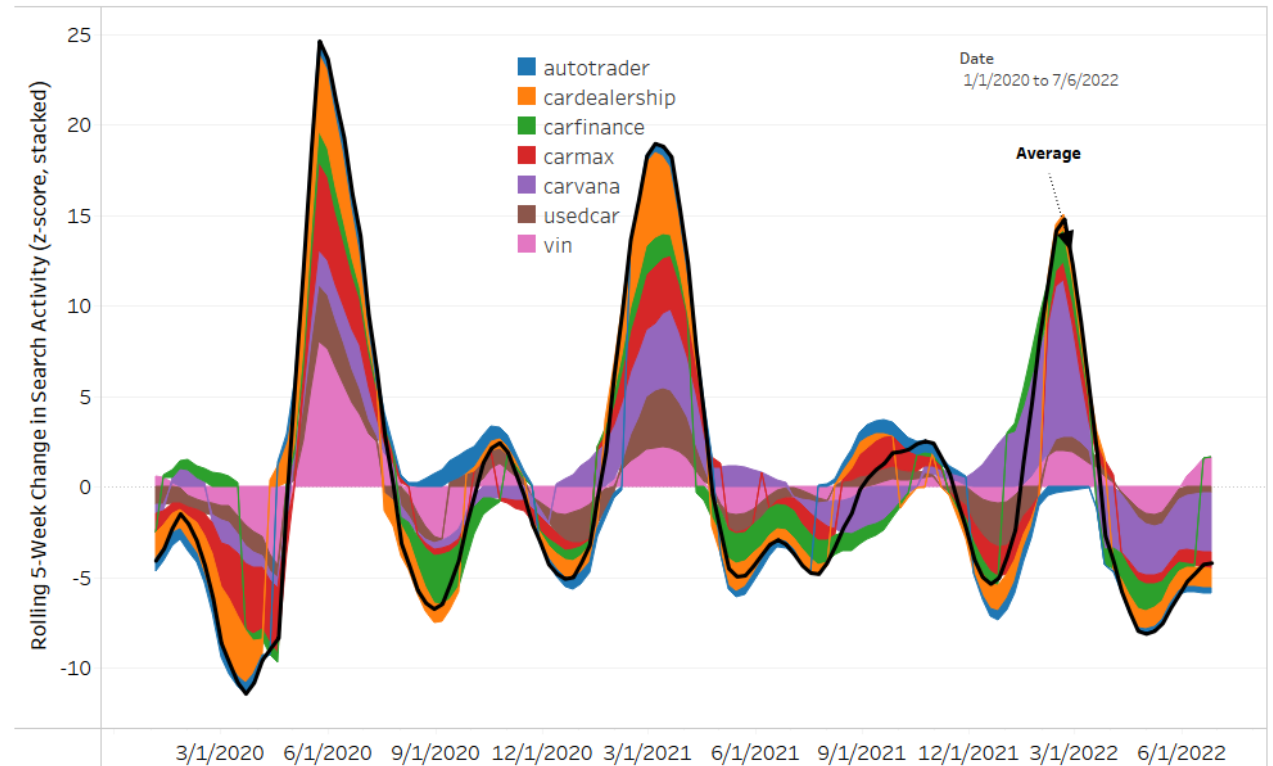
New and Used Vehicle Searches Seem to be in Freefall

- Interest in vehicle purchases declined further last week. Only searches for “vin” saw an increase last week.

Vehicle Searches Take a Plunge

Rolling five-week changes in Google search trends with noise and seasonality removed

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Give us a call for more information about our services and products

Kristen Radosh – Vice President of Research Sales and Global Digital Marketing Specialist
kristen.radosh@arborresearch.com

Arbor Research & Trading, LLC
22333 Classic Court
Lake Barrington, IL 60010
1-800-606-1872



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