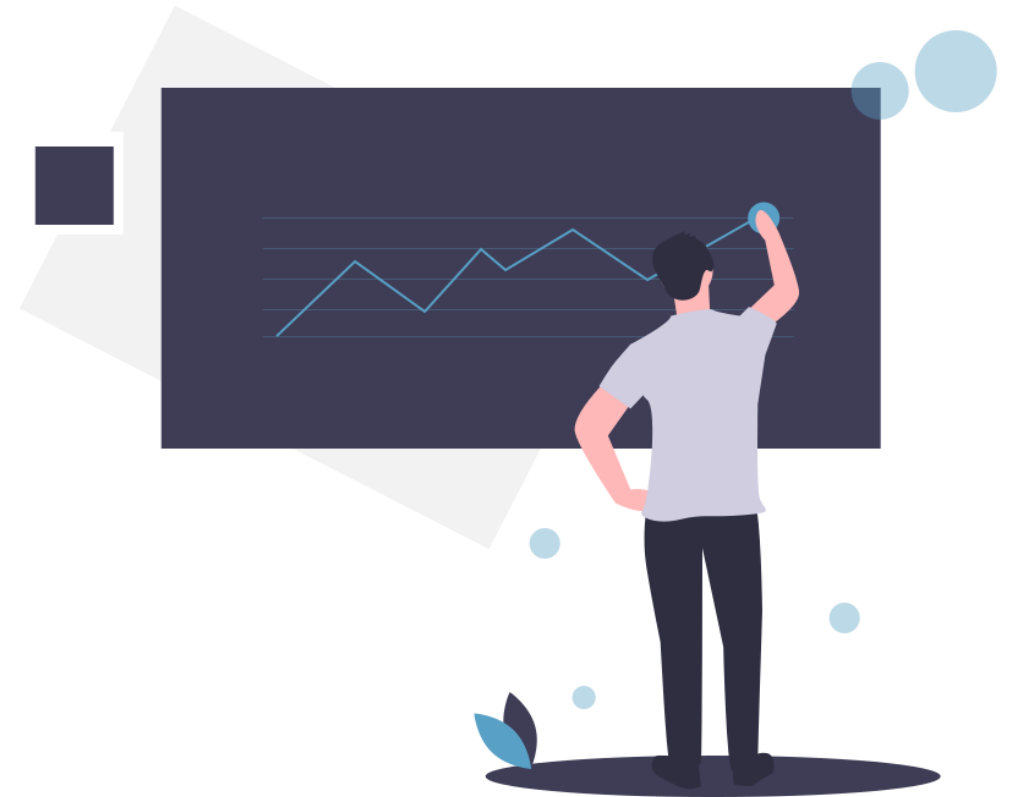


Inflation Roundup

October 13, 2022

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

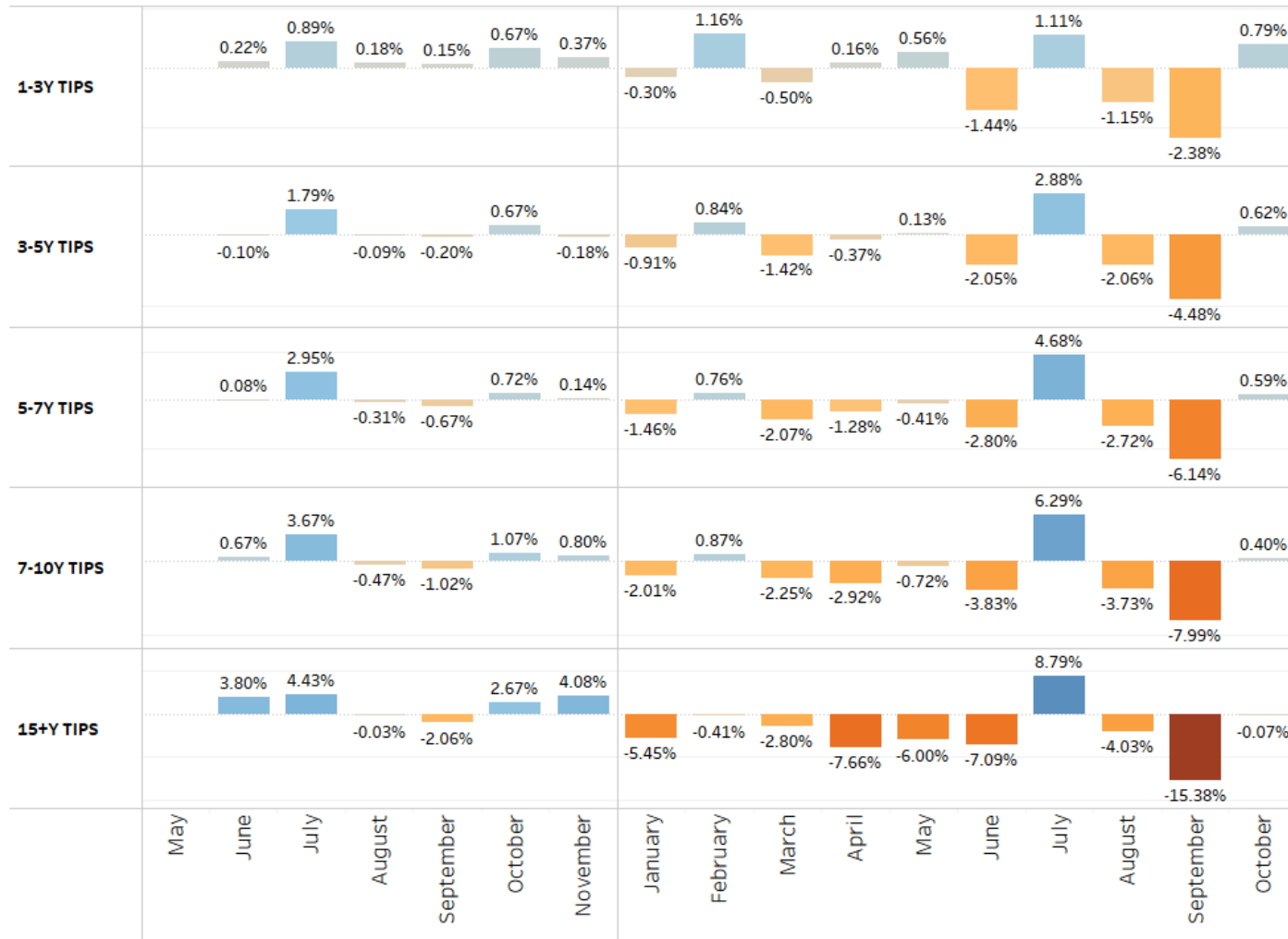
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TIPS TOTAL RETURNS:

U.S. TIPS: Monthly Returns

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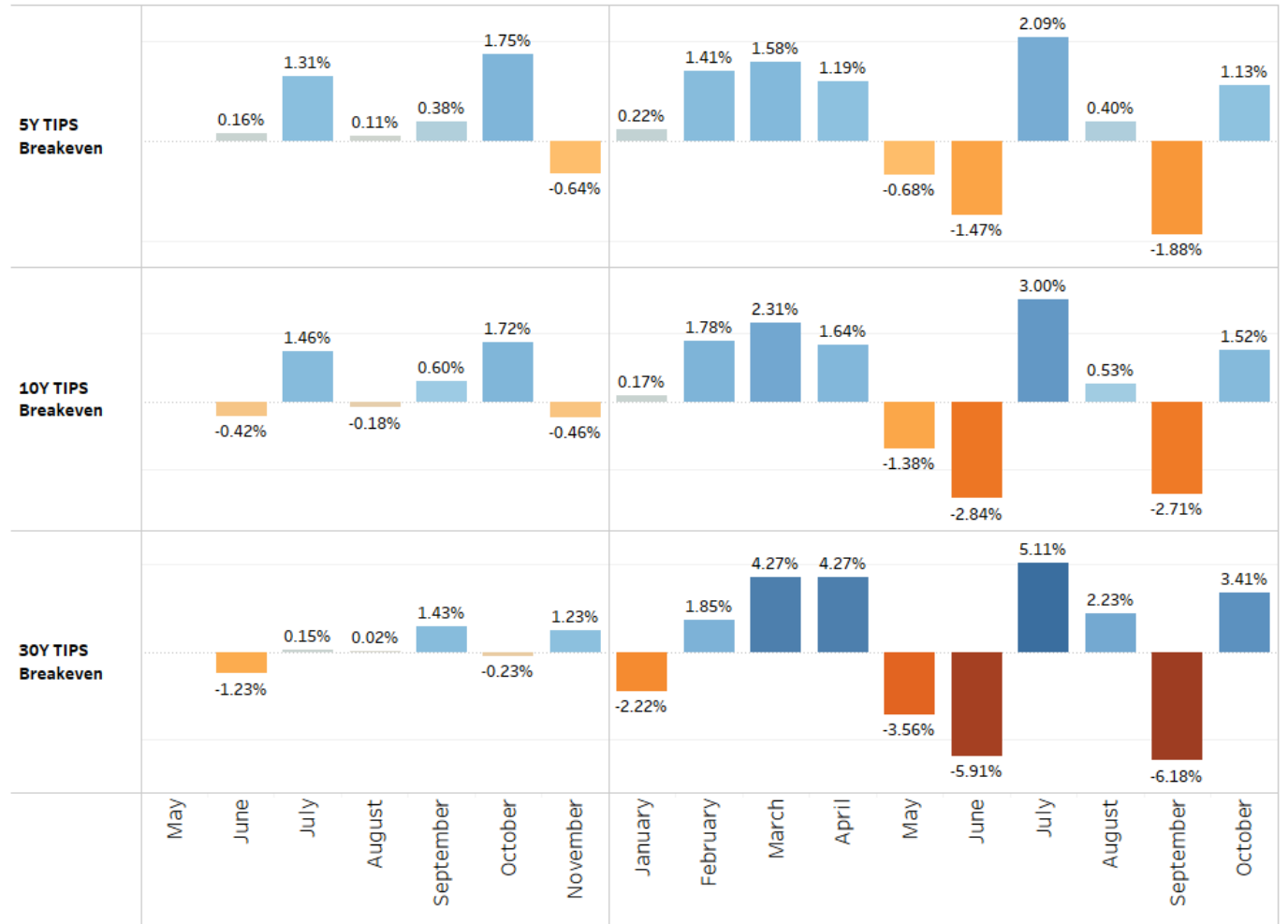


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TIPS BREAKEVENS TOTAL RETURNS:

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

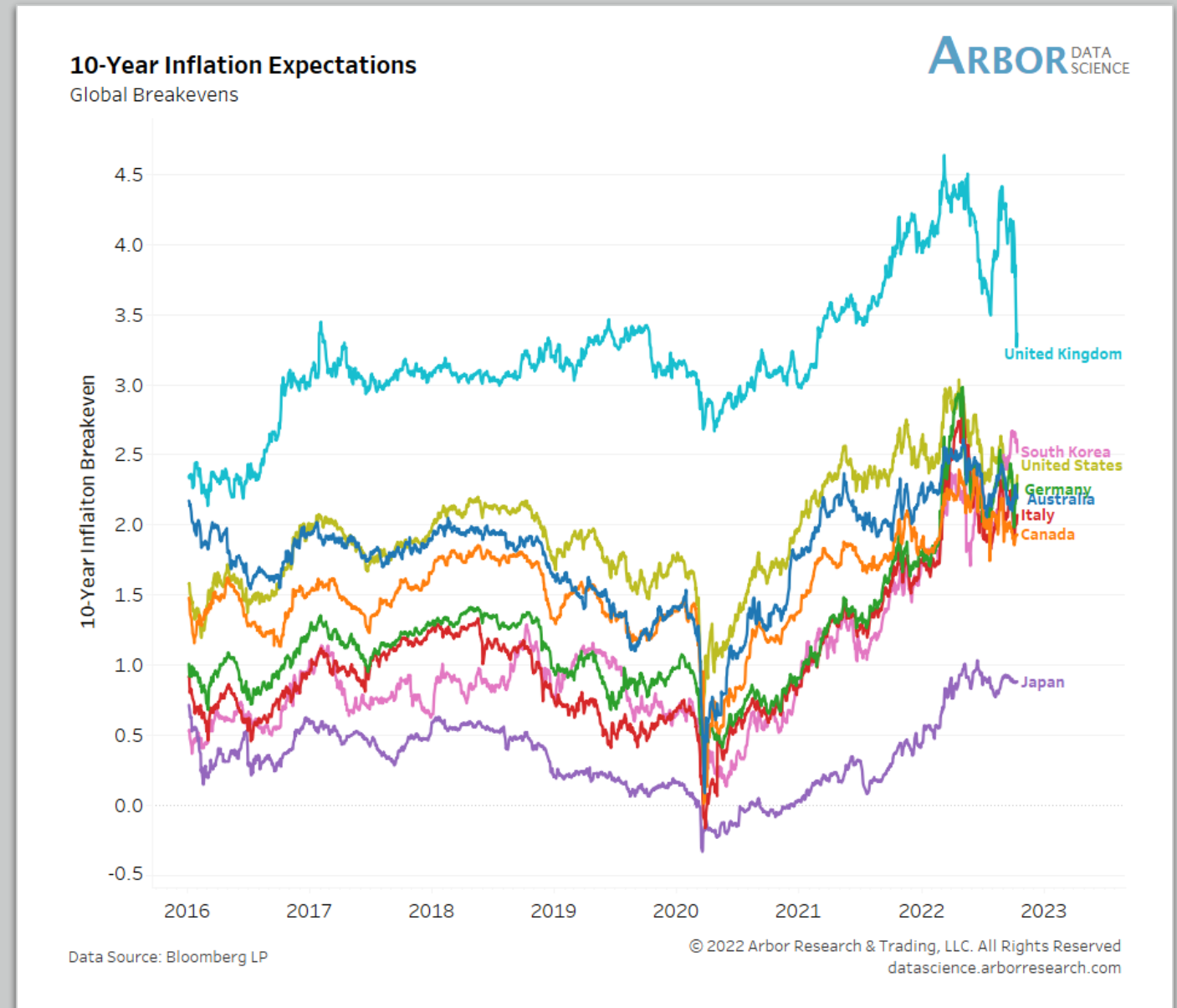


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10-Year Breakevens

- Global 10-year inflation breakevens have converged outside of the Asian democracies.
- UK expectations fell sharply though the country is not out of hot water yet. The Bank of England is set to end its emergency purchasing program on Friday.



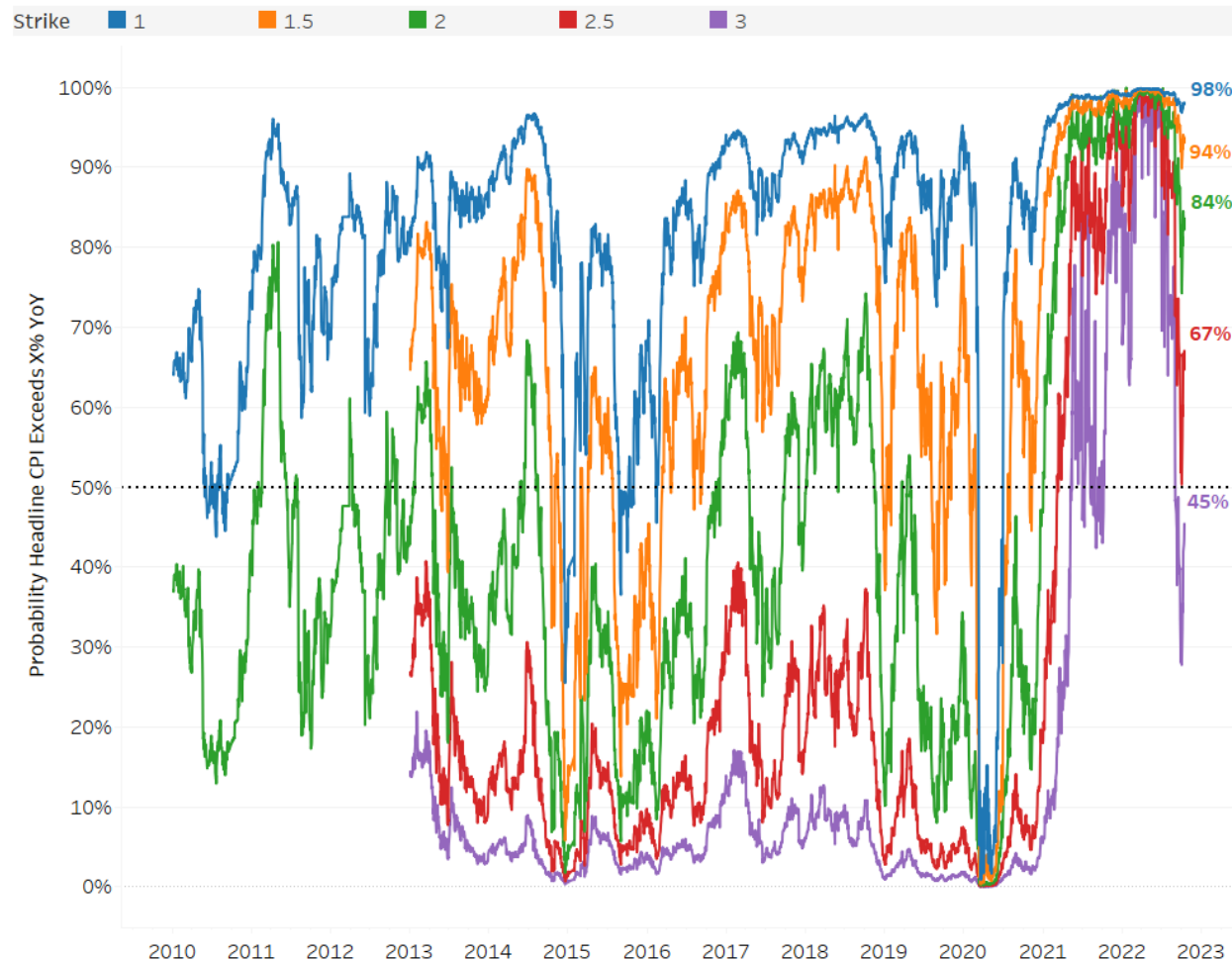
U.S. Short-Term Inflation Swap Caps and Floors

- 2y Headline CPI expectations jumped with 3% inflation reaching a 45% probability.

U.S. Headline CPI Expectation for the Next TWO Years

Implied probabilities using 2-year inflation swap caps and floors with strikes from 1.0% to 3.0%

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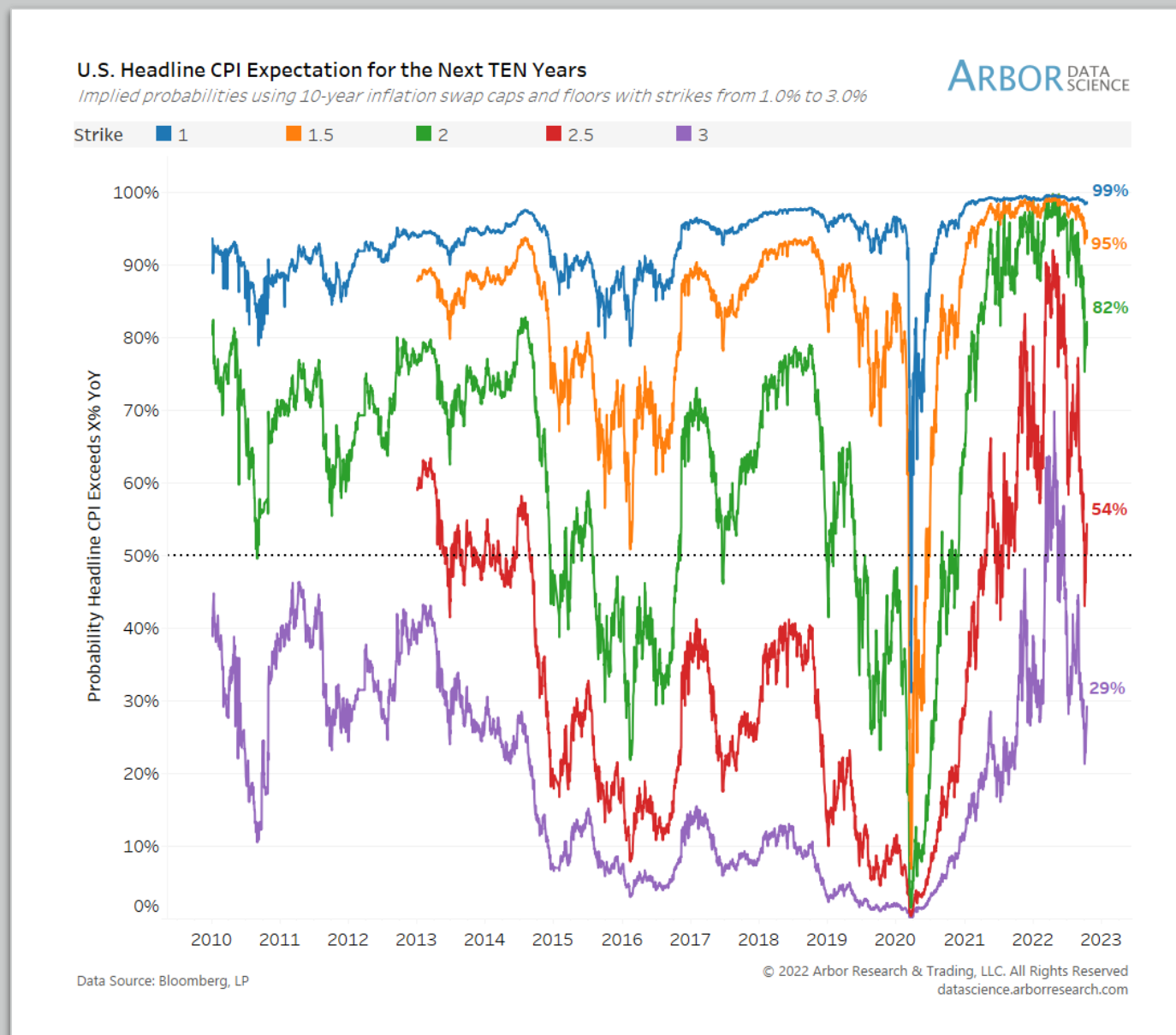


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U.S. Inflation Swap Caps and Floors

- 10y Headline 2.5% CPI held steady at 54% probability.
- 3% inflation over the next 10 years increased 5 points and now sits at a 29% probability.



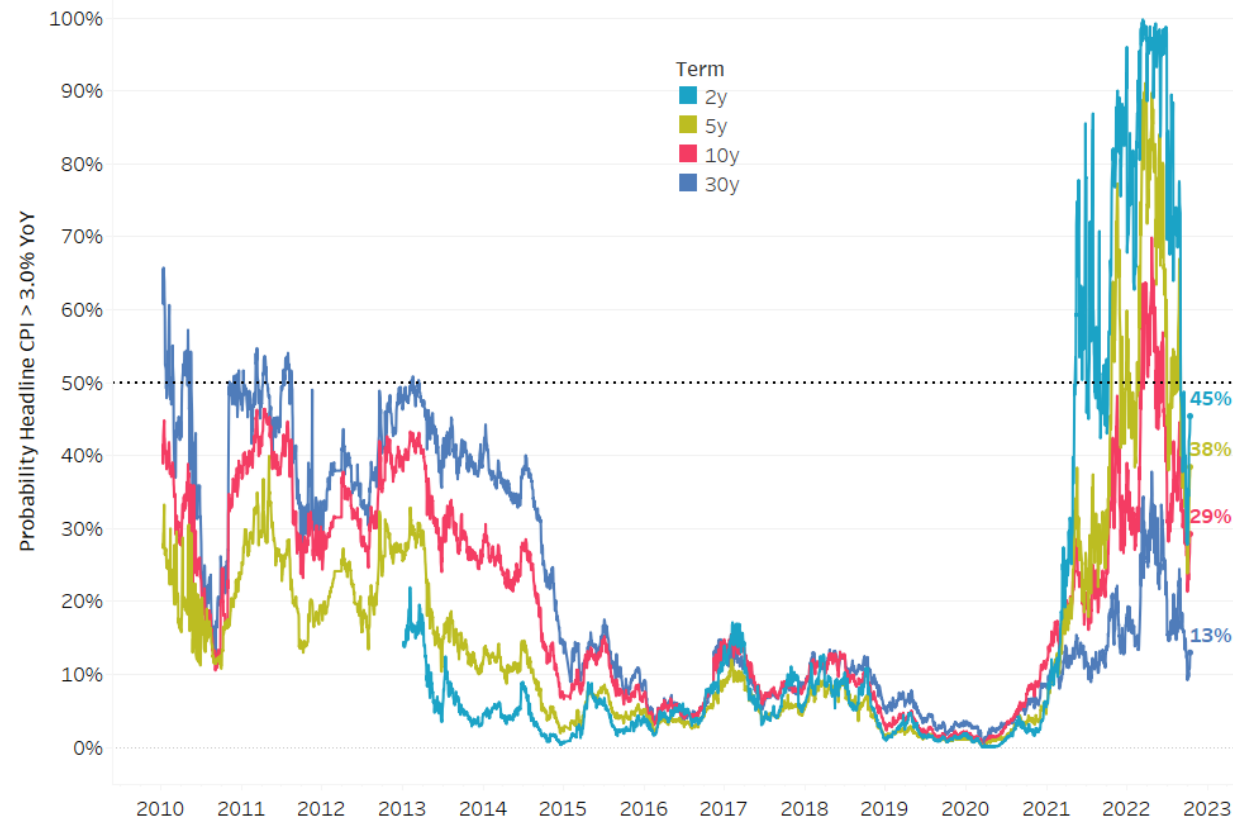
U.S. 3% Headline Expectations

- 3% for any significant period of time is looking less and less likely. Even over the next two years, markets give it a 45% probability while the thirty-year prob is as low as 13%.

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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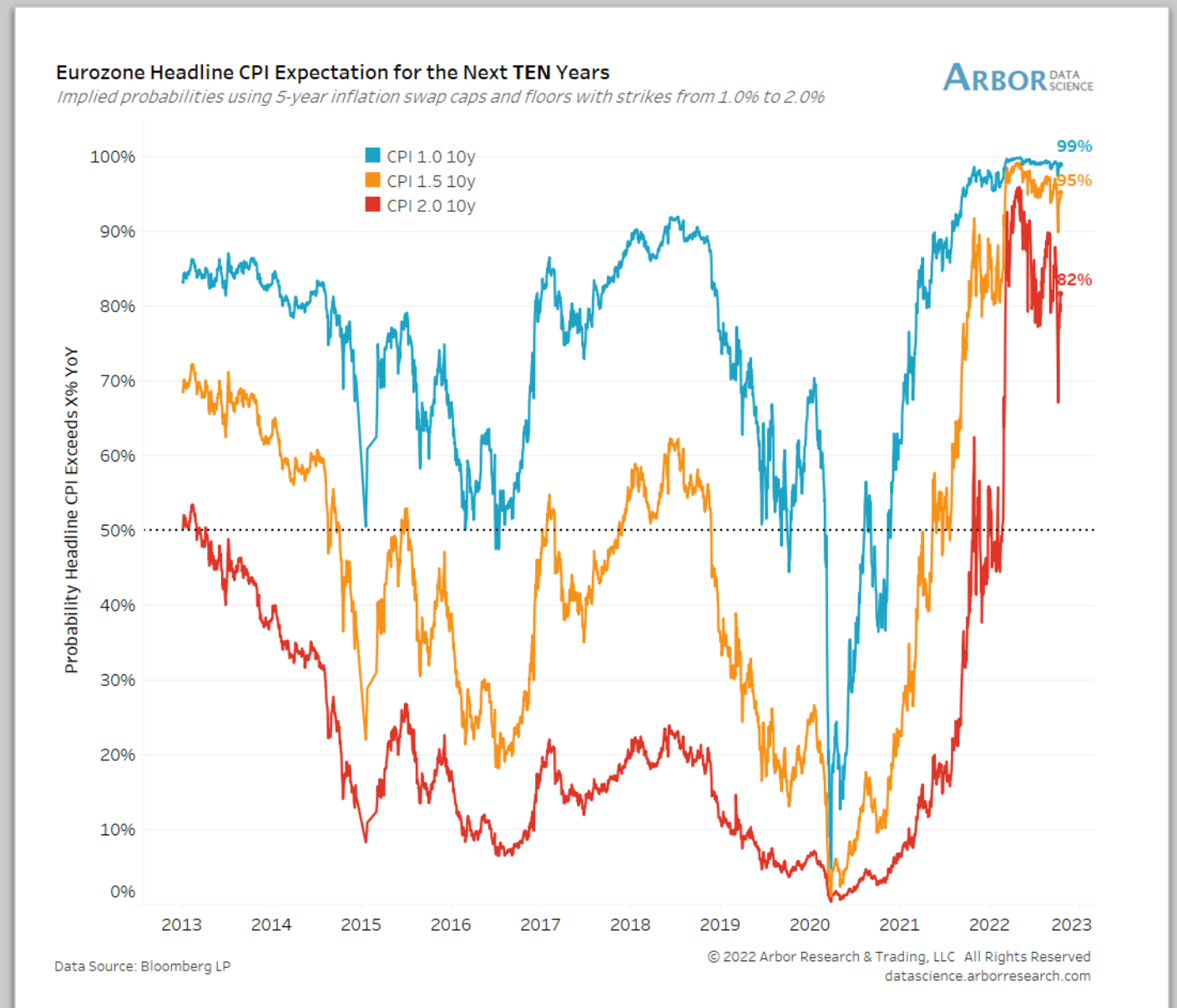


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Eurozone Inflation Expectations

- Eurozone inflation expectations rose into the week.
- The 10-year 2% inflation implied probability is now 82%.

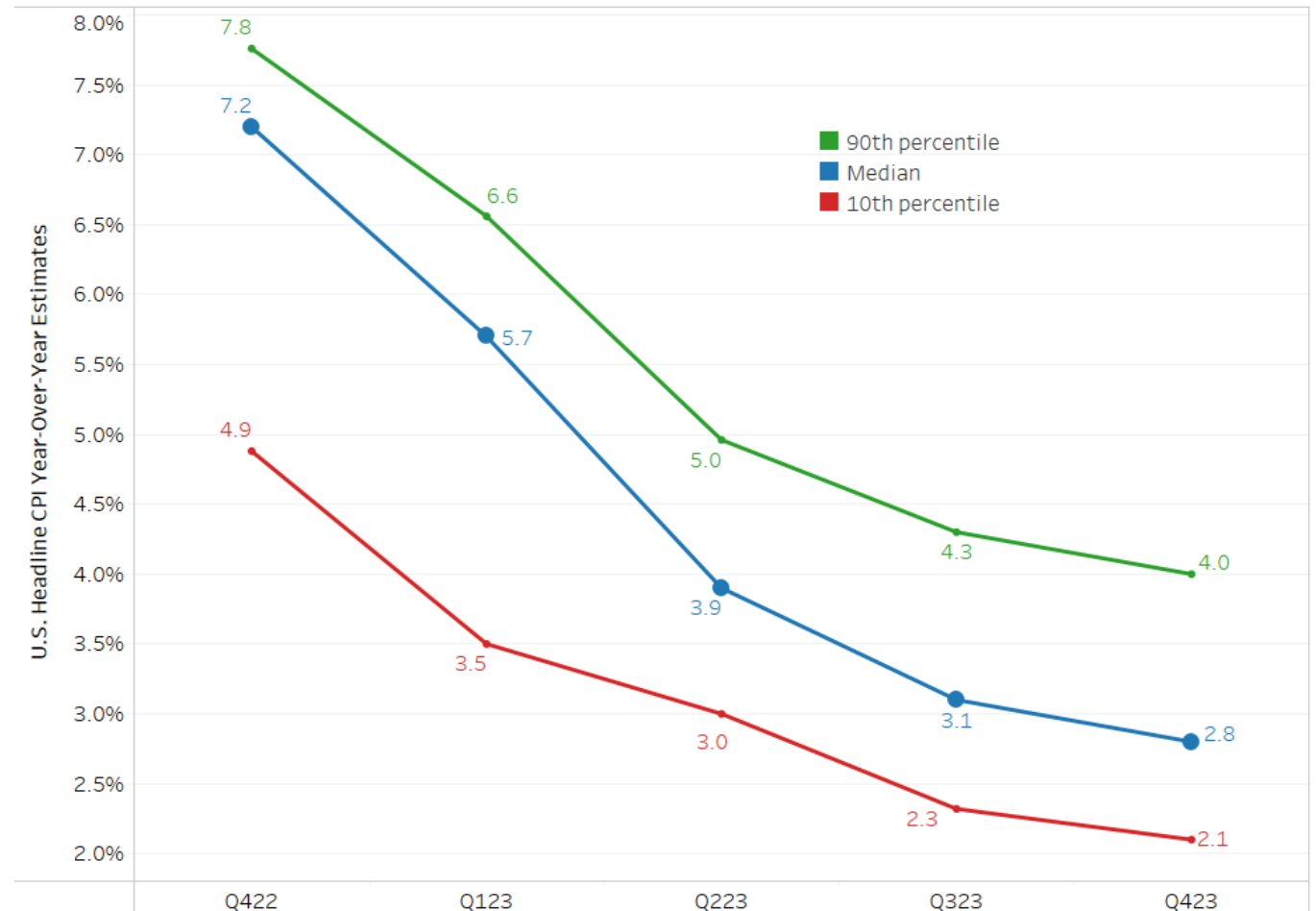


Economist Inflation Forecasts

- The median economist projection is 7.2% headline inflation thru Q4.
- CPI for September is released this morning. It is bound to shake up expectations one way or another.

Economists Forecasting CPI >7% YoY This Quarter

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Data Source: Bloomberg LP

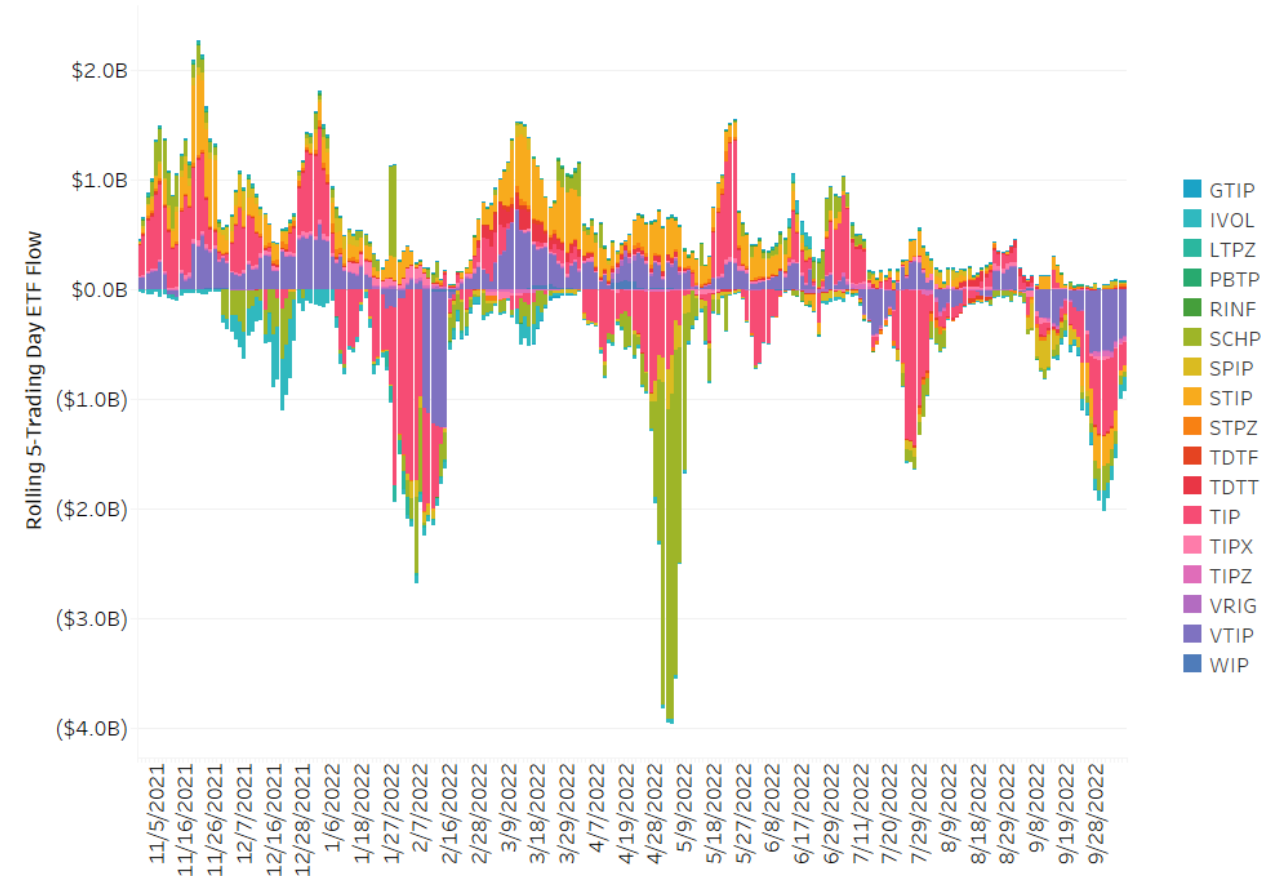
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TIPS Fund Flows

- TIPS funds had another week of heavy out-flows.
- The week ended with net out-flows of \$689 billion (Oct 3-7).

TIPS Fund Flows

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Data Source: Bloomberg LP

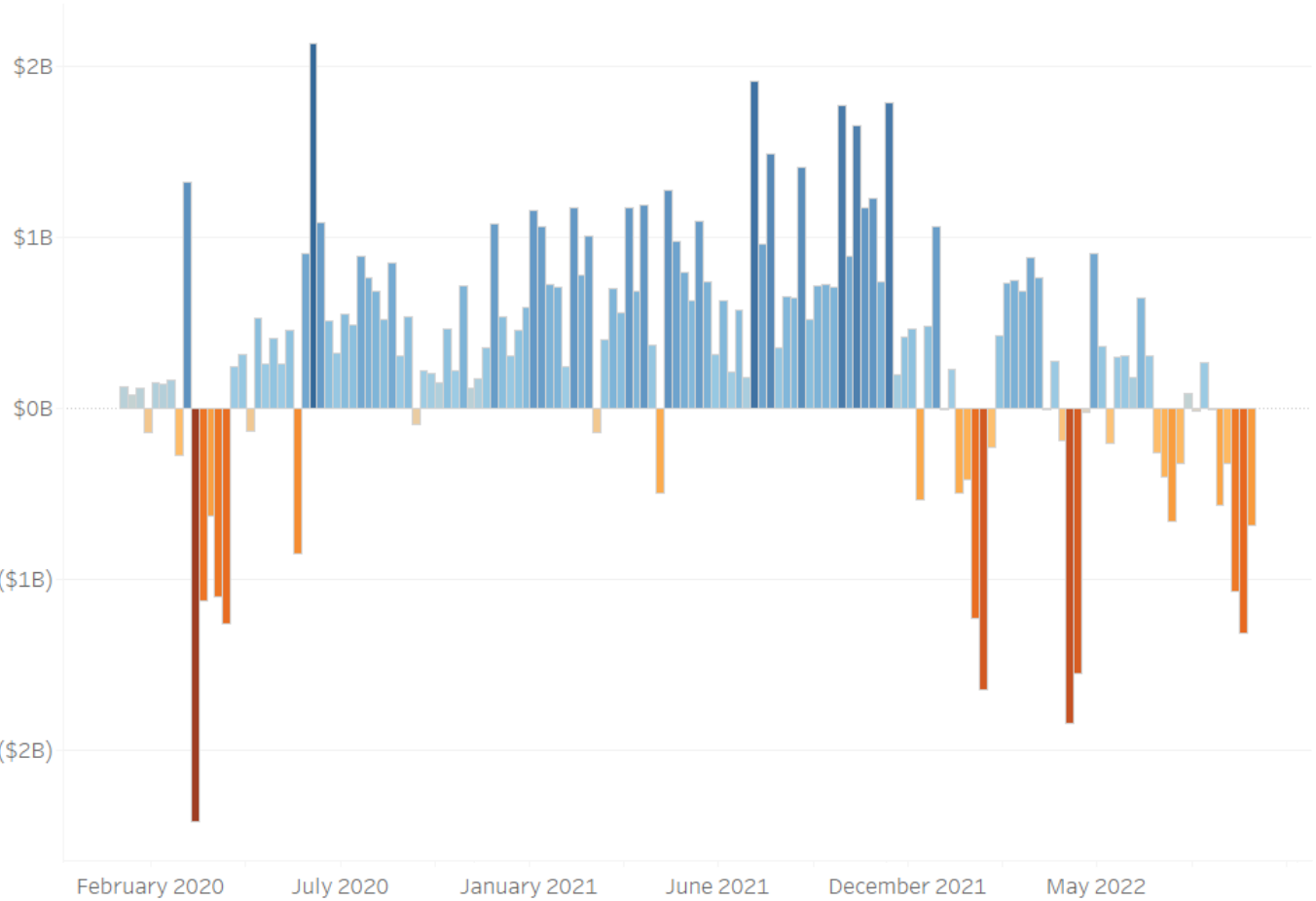
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TIPS Fund Flows Reaching Deep Negatives

TIPS ETFs Net Flow

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

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Data Source: Bloomberg LP

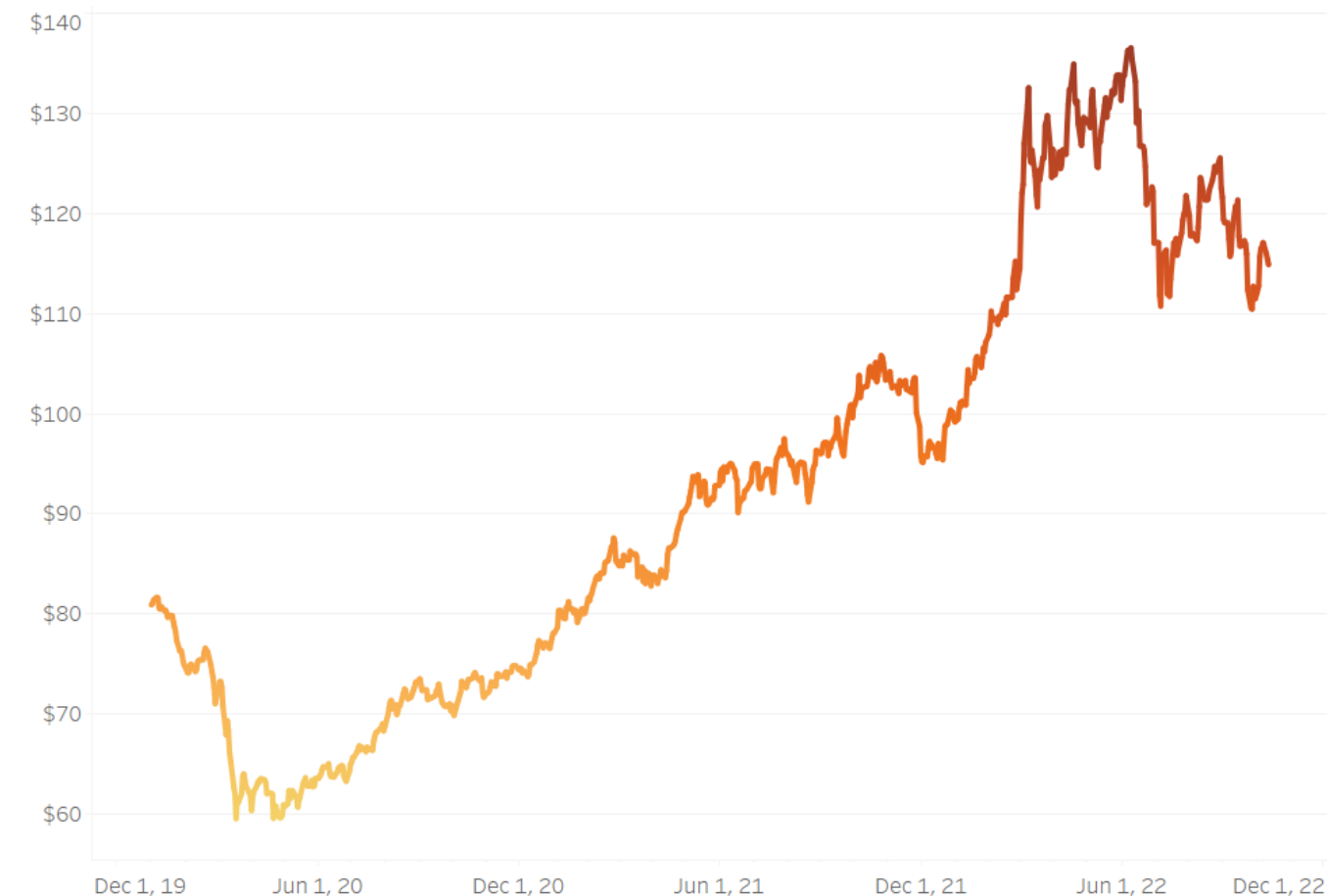
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Bloomberg Commodity Index on the Upswing

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

Commodities Still Running Hot
Bloomberg Commodities Index

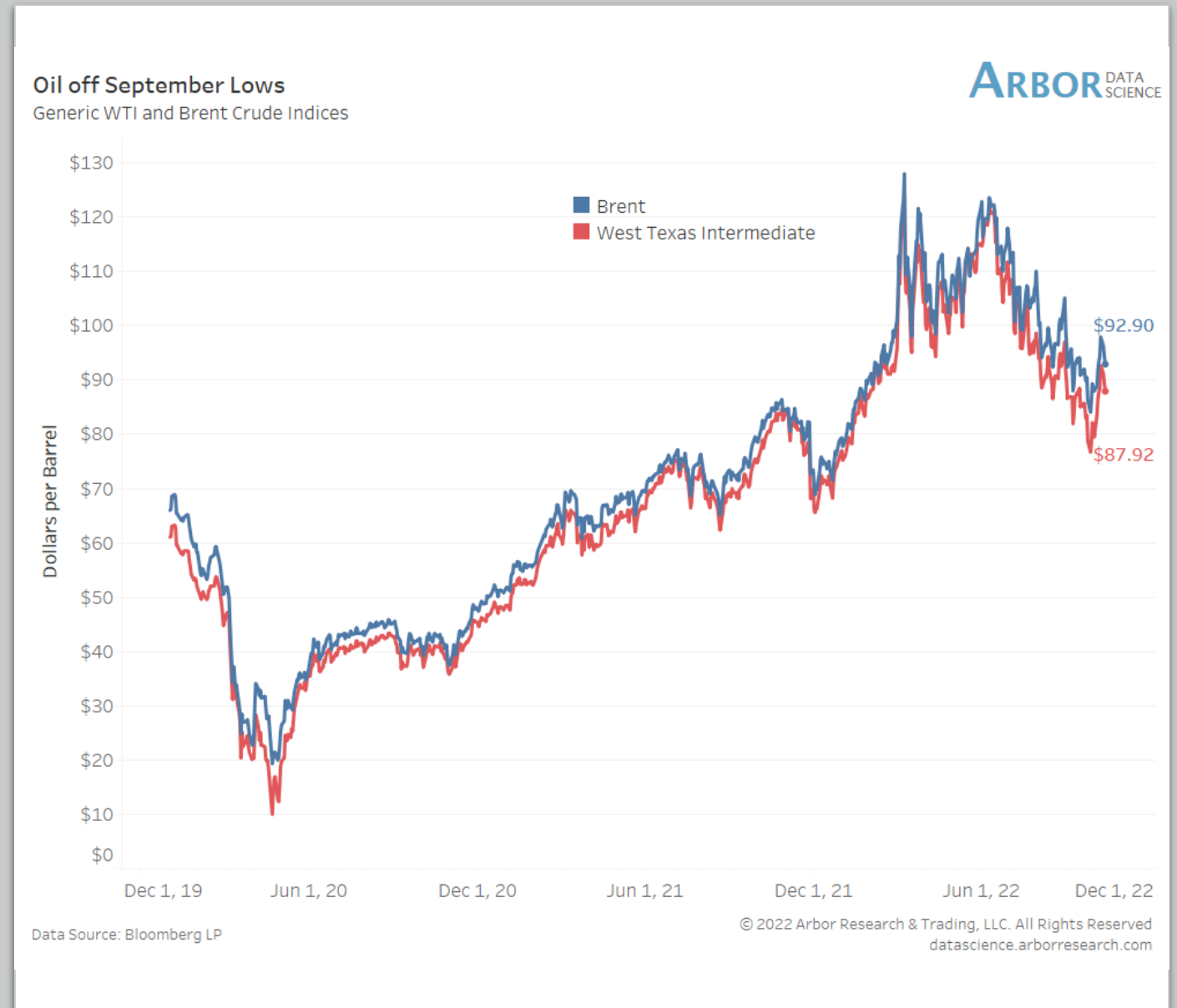
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Data Source: Bloomberg LP

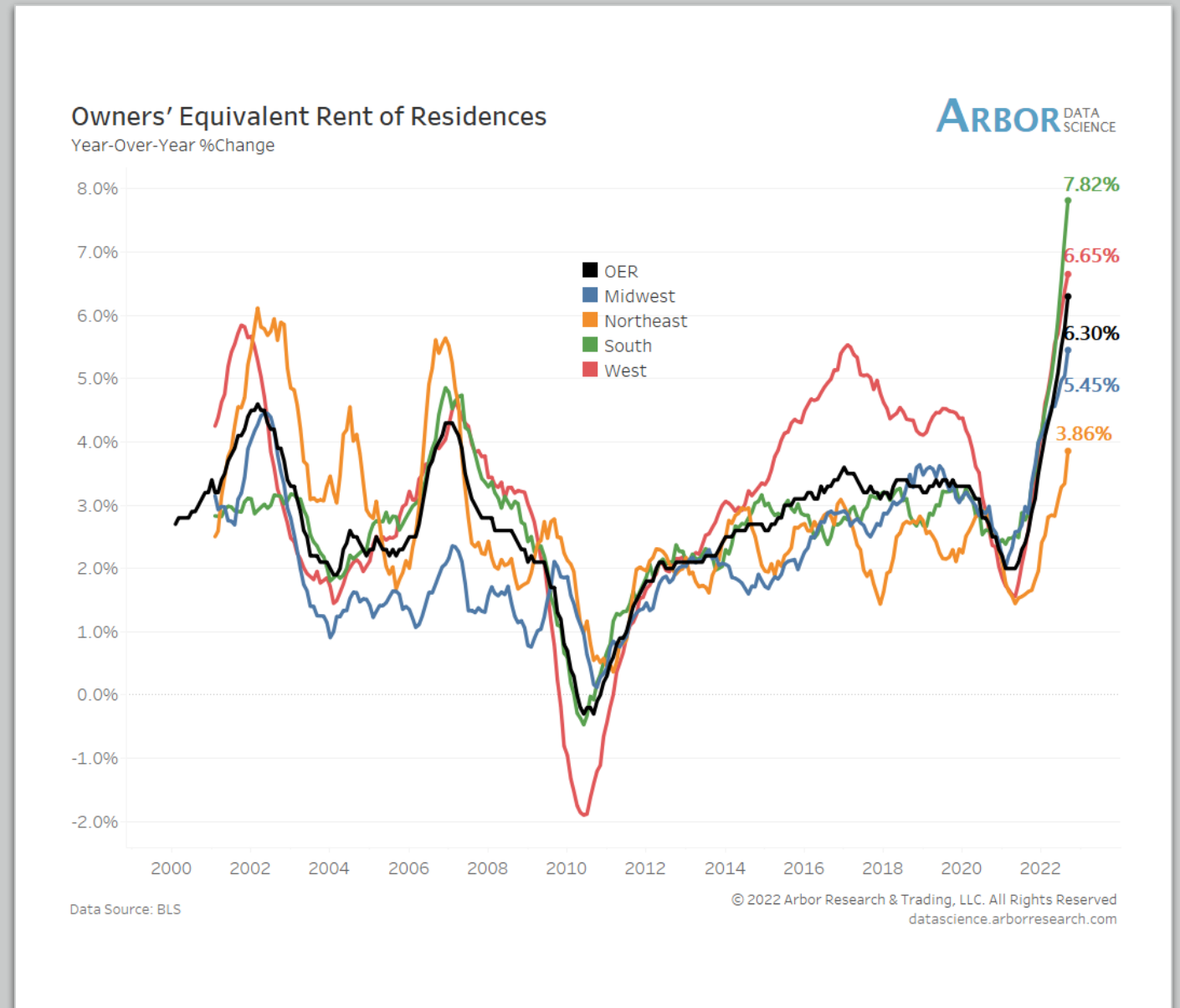
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Oil off its September Lows



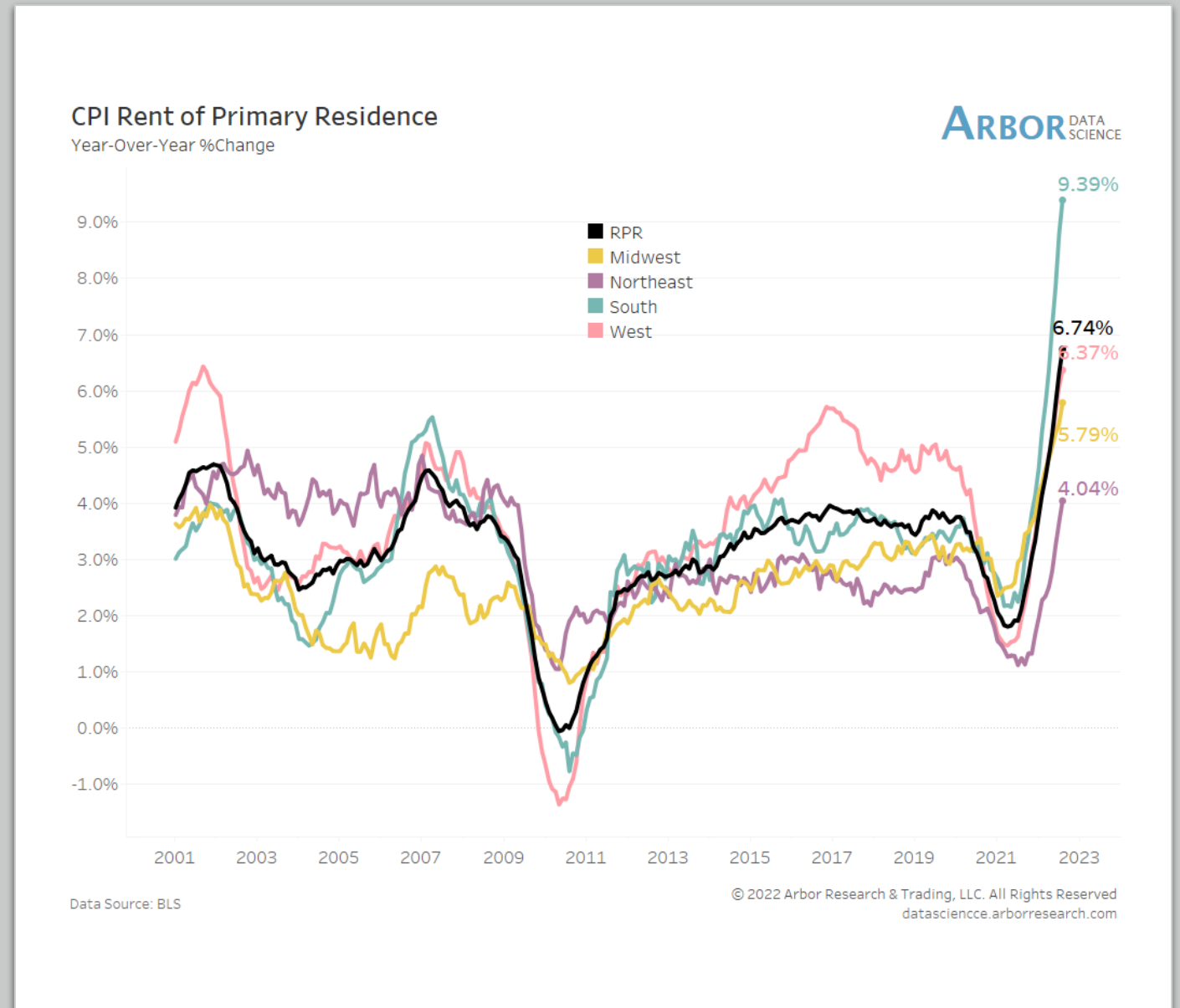
Shelter Inflation Continues to Increase

- Owners' Equivalent Rent of Residences (OER) rose to a 6.3% increase year-over-year in August.
- For the second consecutive month, the South suffered the highest increase in OER.



Rent of Primary Residence

- Rent of Primary Residence (RPR) rose to 6.74% year-over-year in August.
- Like OER, the South got the worst of this with a 9.39% year-over-year increase.

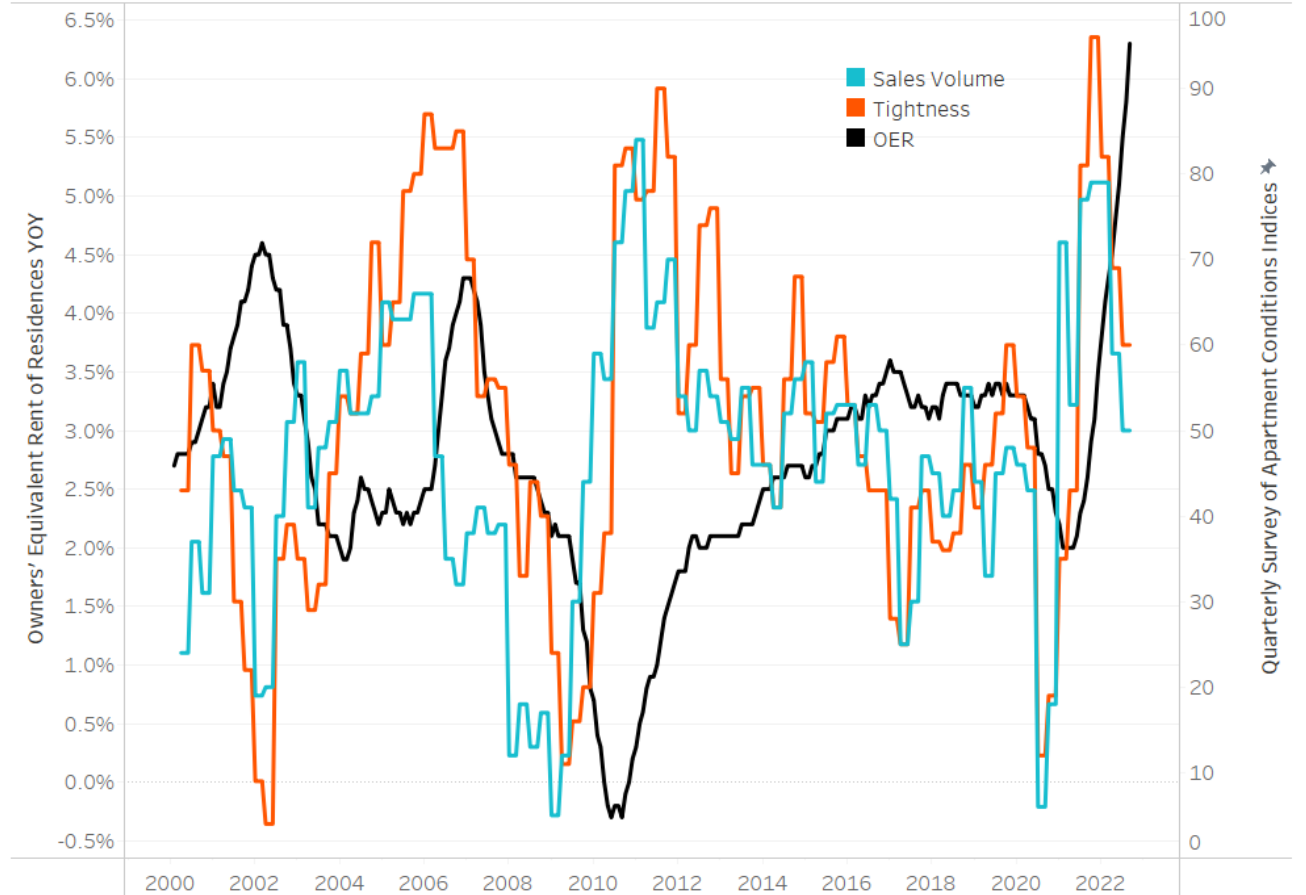


Renters' Market Sees Slight Relief

- [The Quarterly Survey of Apartment Conditions](#) conducted by the National Multifamily Housing Council (NMHC) still points to tightening rental conditions.

U.S. Renters Face Tight Market

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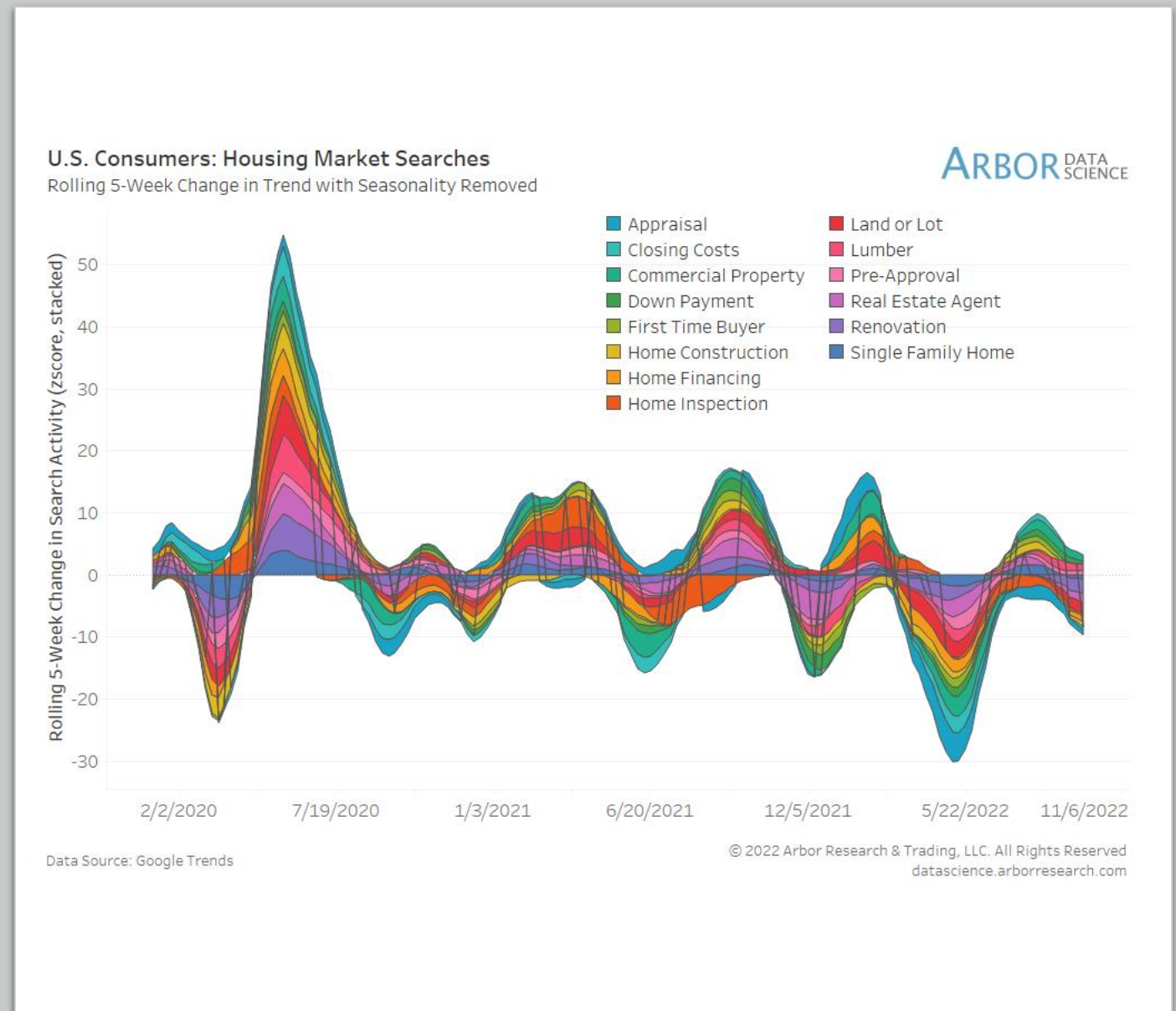


Data Sources: BLS and NMHC

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Housing Market Search Activity Turns Around

- Search trends are starting to reverse after a couple months rise. Indeed, new home sales are down as rising mortgages push more buyers out of the market.

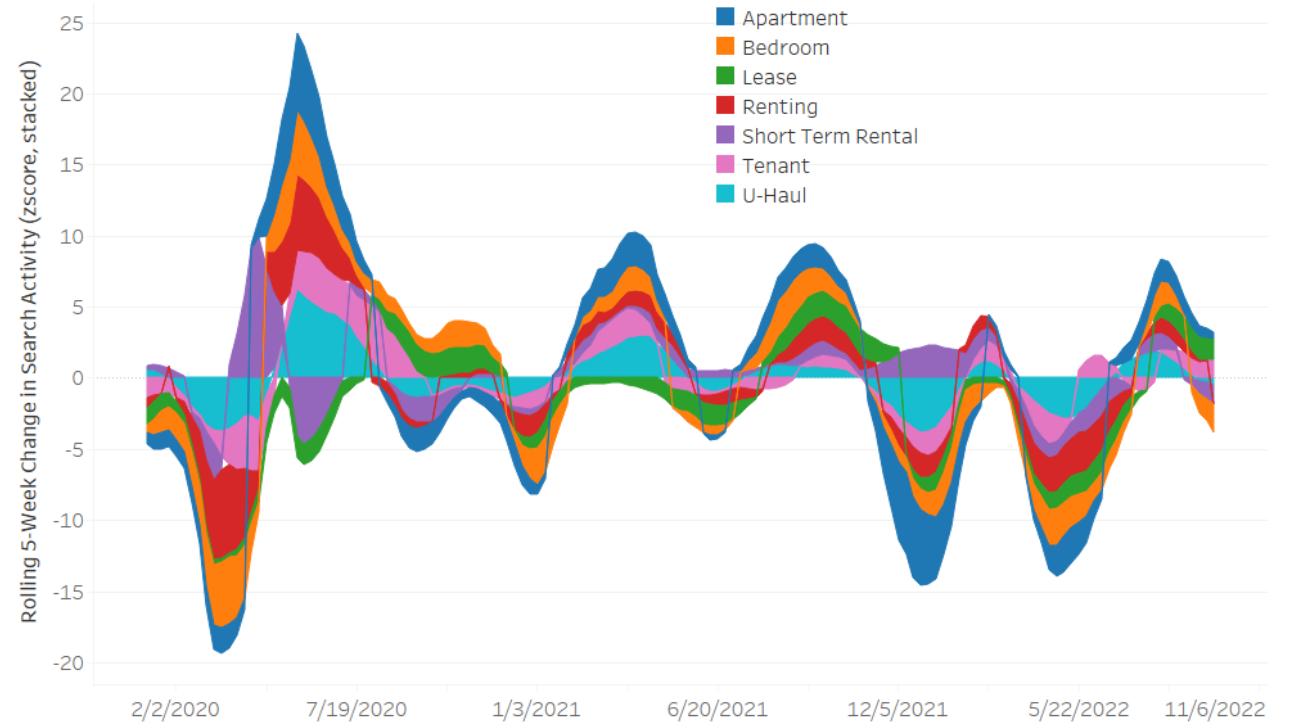


Apartment Seeking Declines

U.S. Consumers: Apartment Seeking

Rolling 5-Week Change in Trend with Seasonality Removed

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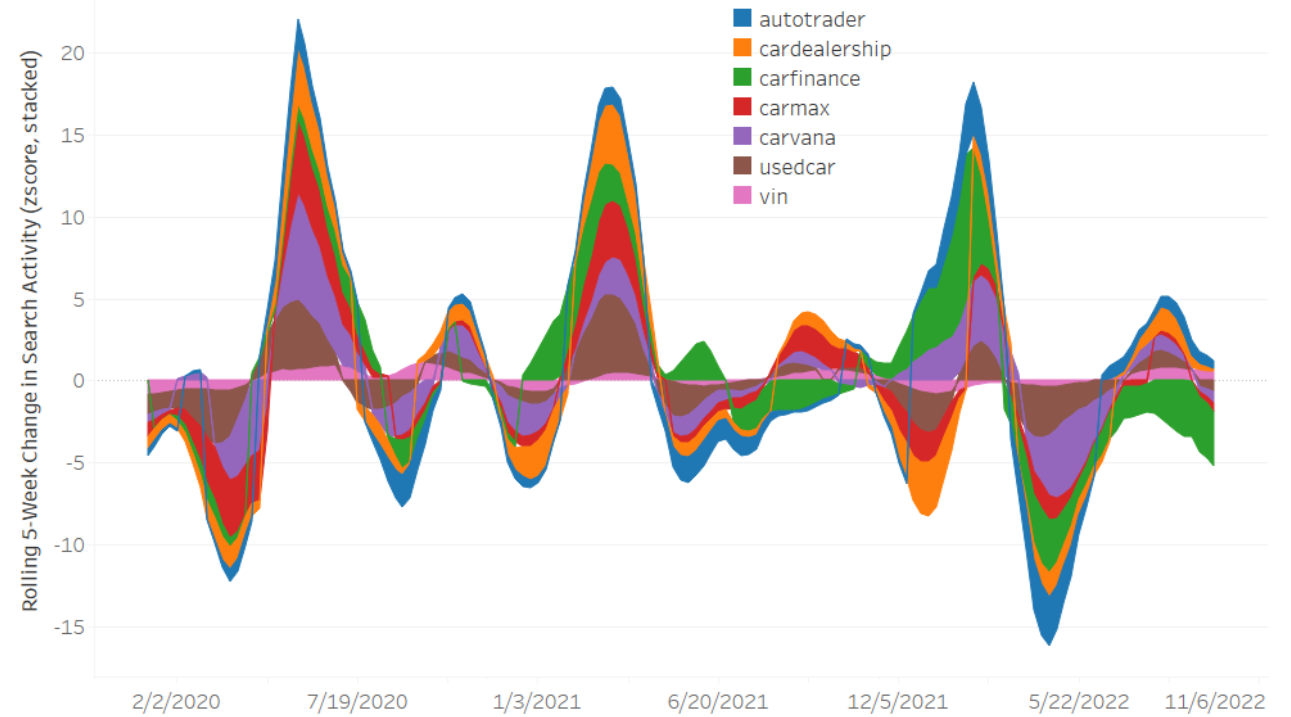
Data Source: Google Trends

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Vehicle Search Trends Mixed

U.S. Consumers: New and Used Vehicle Searches
Rolling 5-Week Change in Trend with Seasonality Removed

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Data Source: Google Trends

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