



## Inflation Roundup

January 9, 2025

- Total Returns and Seasonality
- The State of Inflation
- Market-Based Expectations
- SPY Fund Flows
- Energy and Commodities
- Shelter Inflation

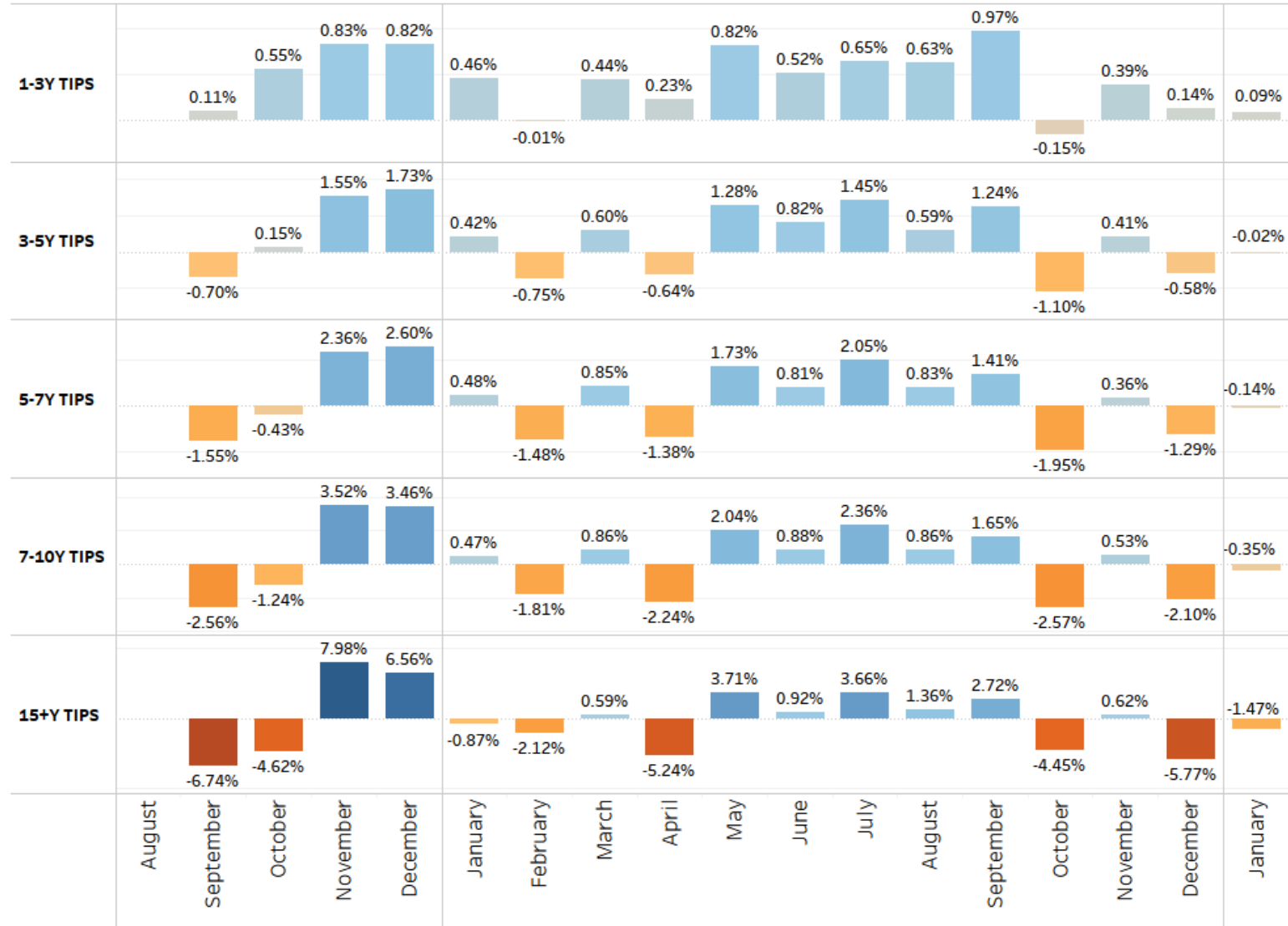
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# TIPS TOTAL RETURNS:

## U.S. TIPS: Monthly Returns

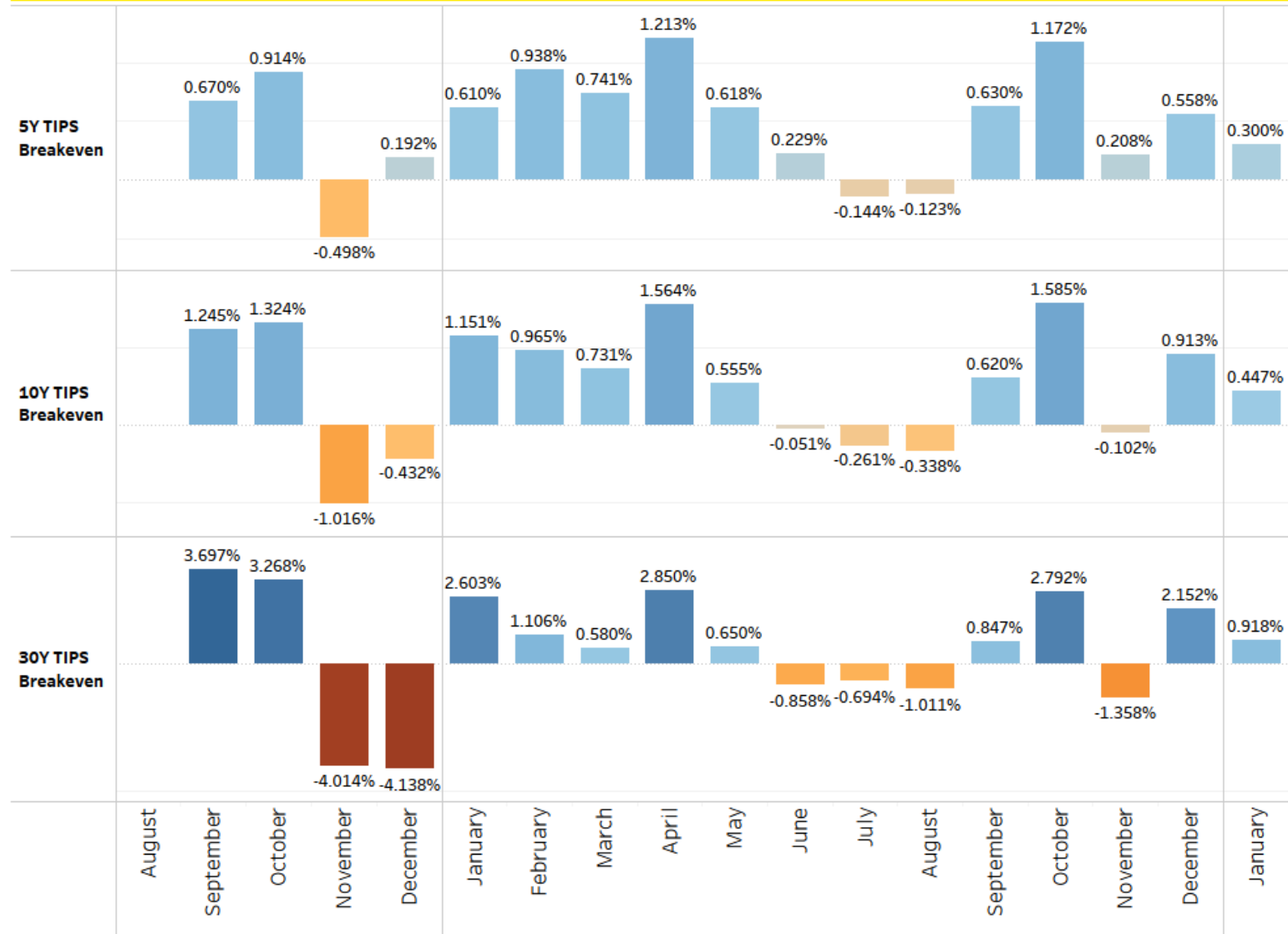


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# TIPS BREAKEVENS TOTAL RETURNS:

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

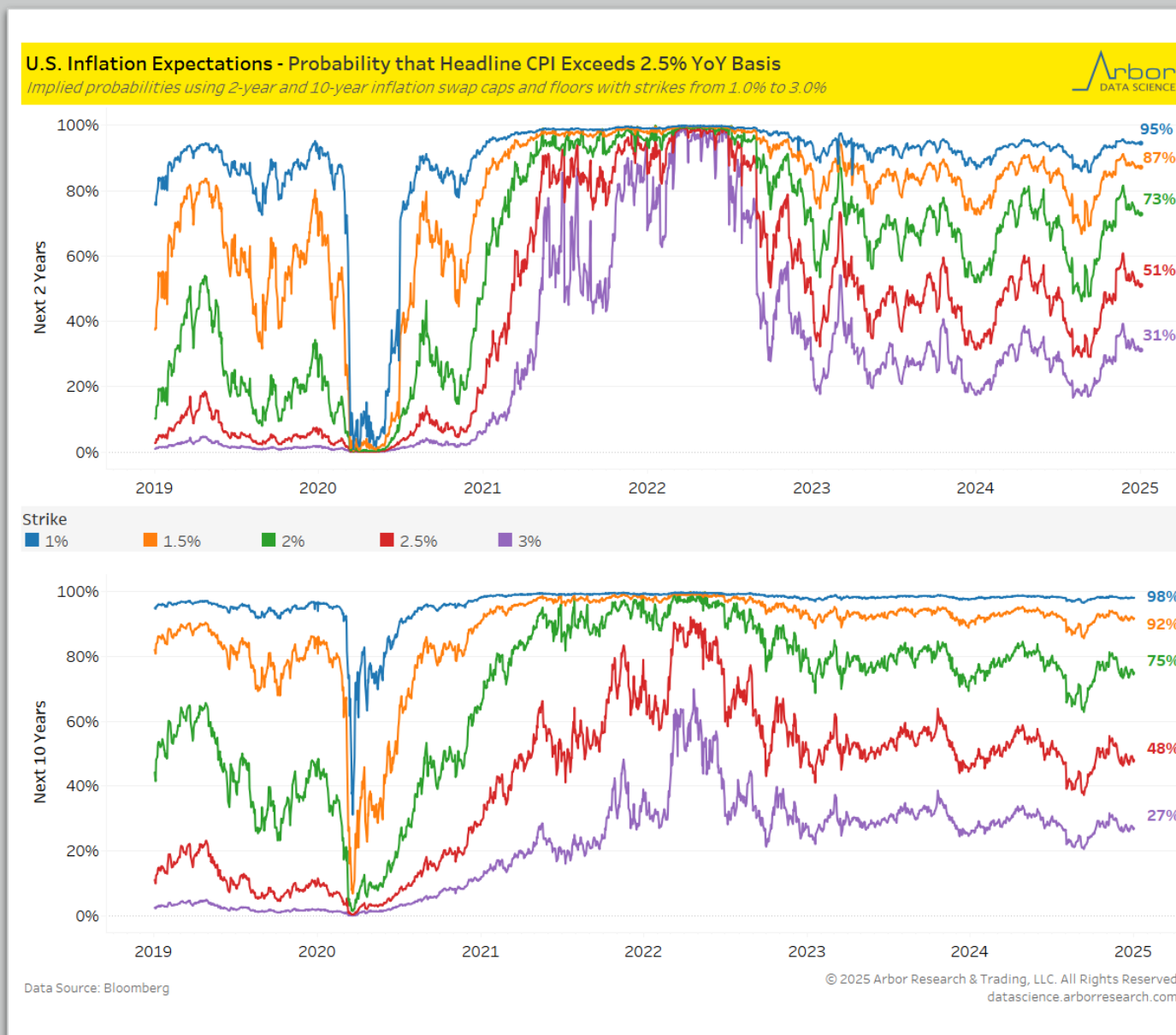


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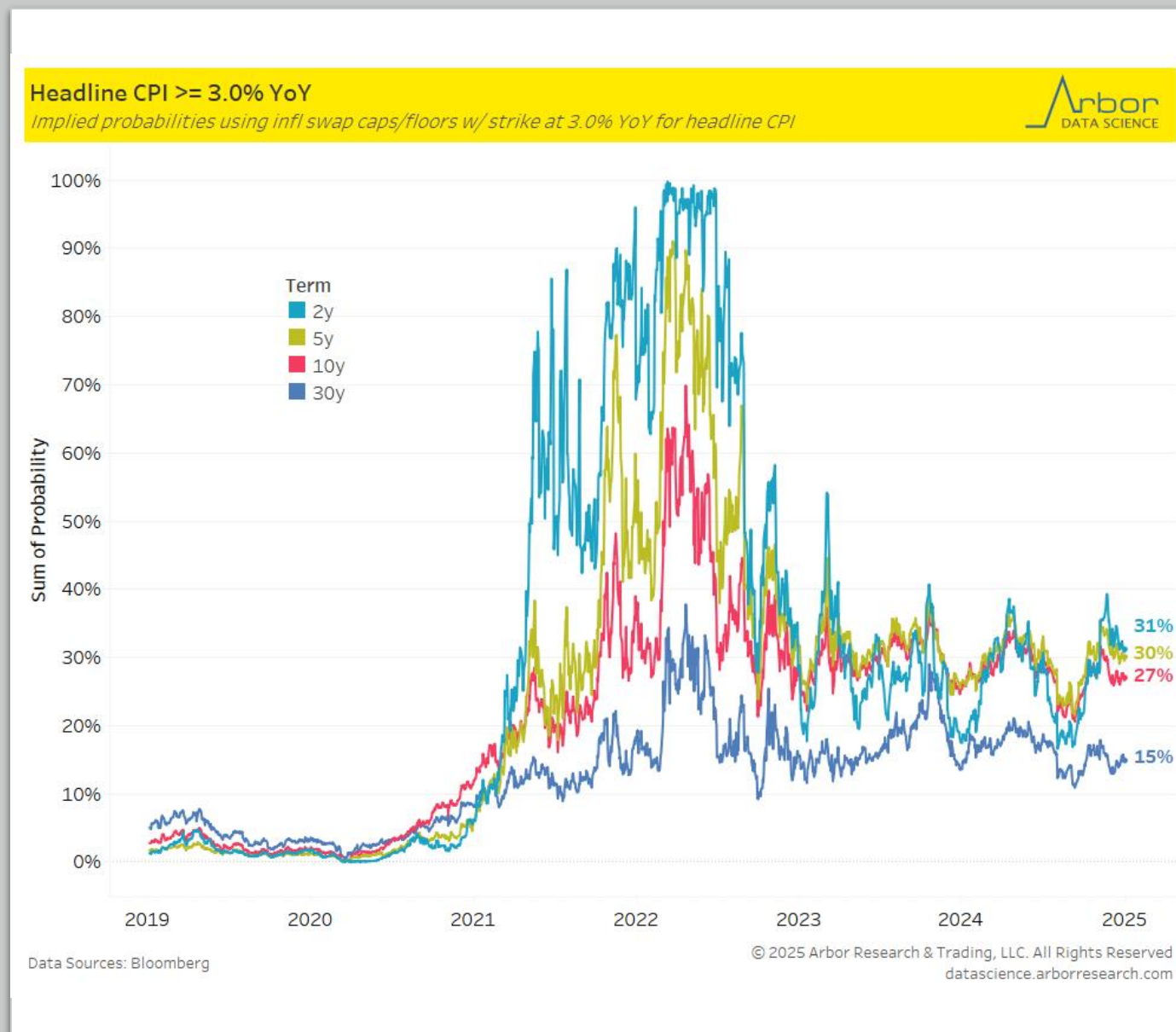
# U.S. Inflation Swap Caps and Floors

- Over the past week, inflation expectations for the next 2 years have all decreased, except for 1%, which stayed the same. 10-year expectations have all decreased, except for 1% and 1.5%, which stayed the same.
- The probability of 2.5% headline inflation for the next 2 years decreased to 51% from 52% over the past week.
- The 10-year probability of 2.5% headline inflation decreased from 49% to 47% over the past week.



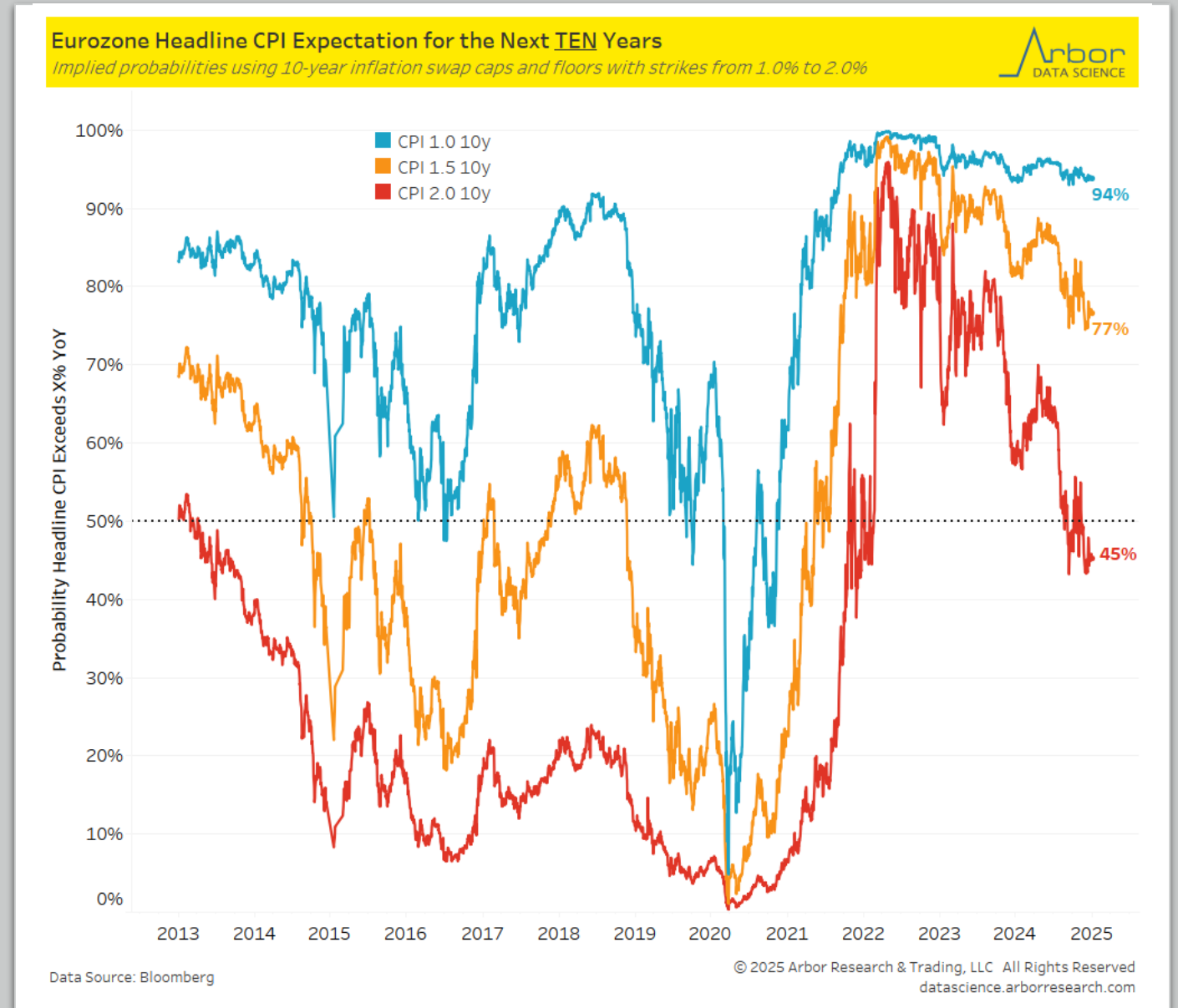
# U.S. 3% Headline Expectations

- 3% inflation all decreased over the past week.
- Based on swap cap/floor probabilities for the next 2 years, the market gives this outcome a 31% probability.



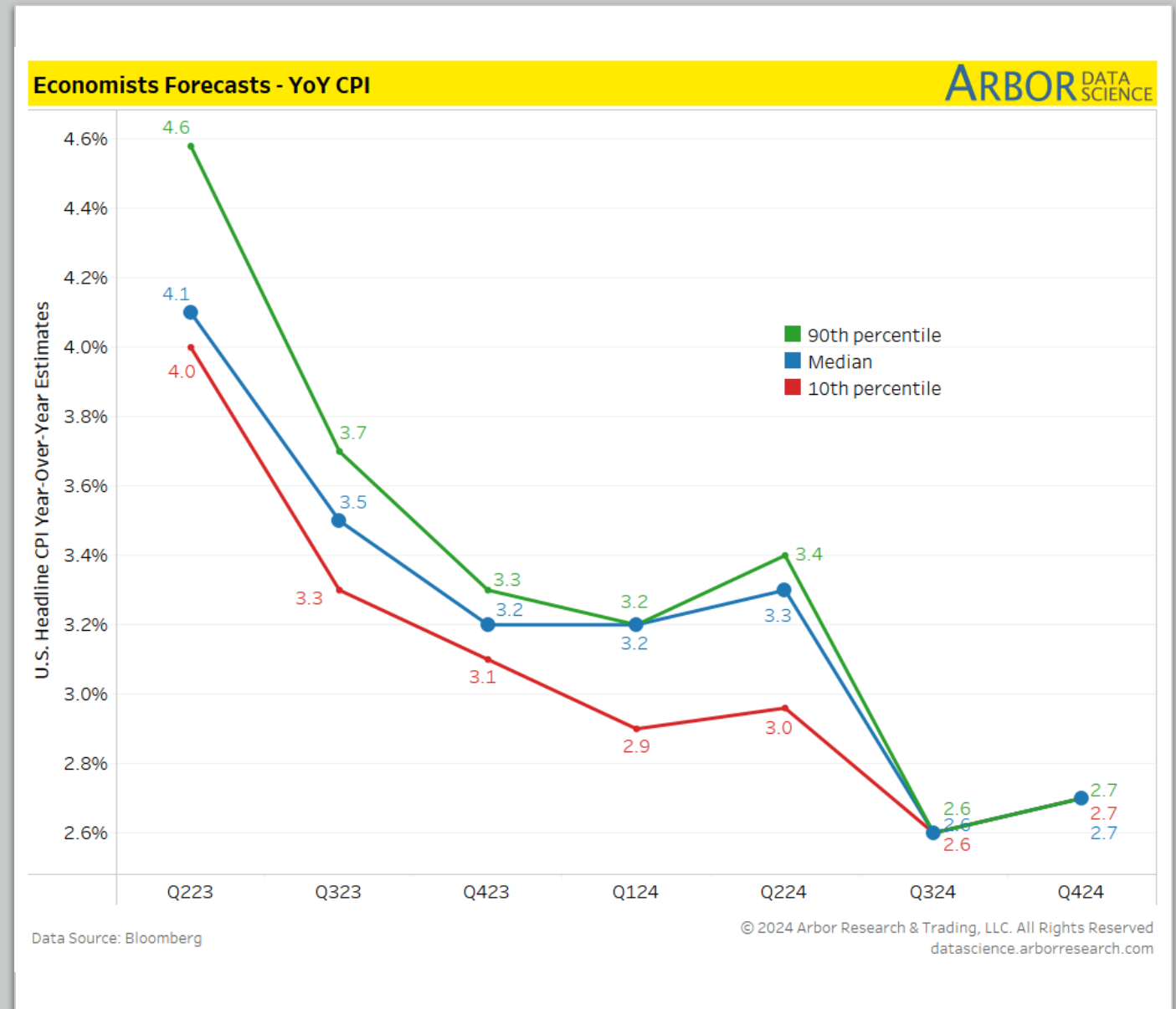
# Eurozone Inflation Expectations

- 10-year Eurozone inflation expectations stayed the same from the prior week.
- The probability of 2% headline inflation over the next decade stayed the same at 45%.



# Economist Inflation Forecasts

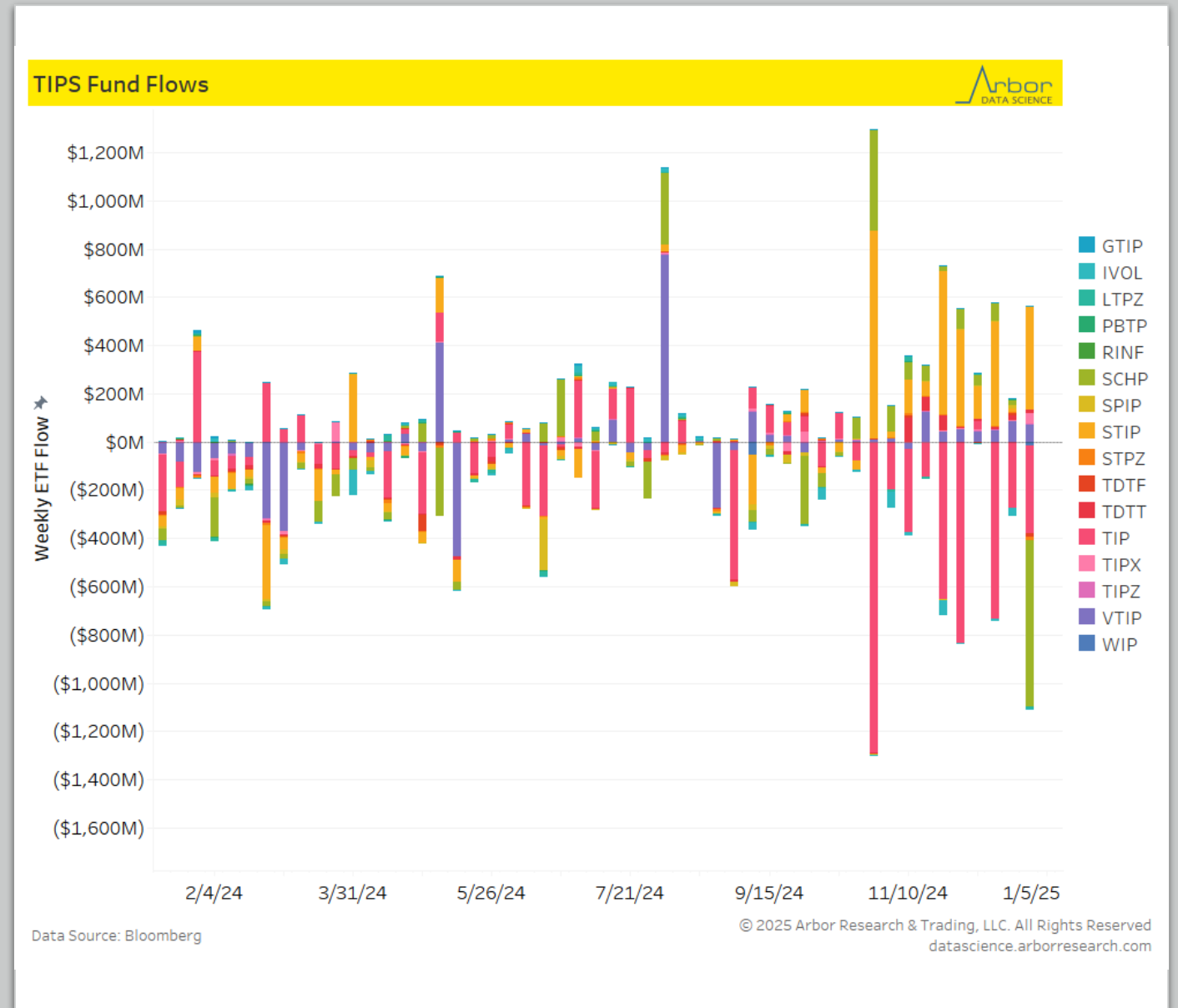
- The median economist's forecast from big banks (BOA, PNC, JPM, UBS, etc.) suggests US inflation will average 2.7% YoY in Q4 2024. More pessimistic and optimistic estimates are also 2.7% YoY in Q4 2024.
- Final University of Michigan inflation expectations data showed Americans expect a 2.8% inflation rate over the next year.





# TIPS Fund Flows

- The majority of flows last week were negative with outflows concentrated in two funds (rounded value):
- Schwab US TIPS ETF: (\$689 million)
- iShares Year TIPS Bond ETF: (\$363 million)

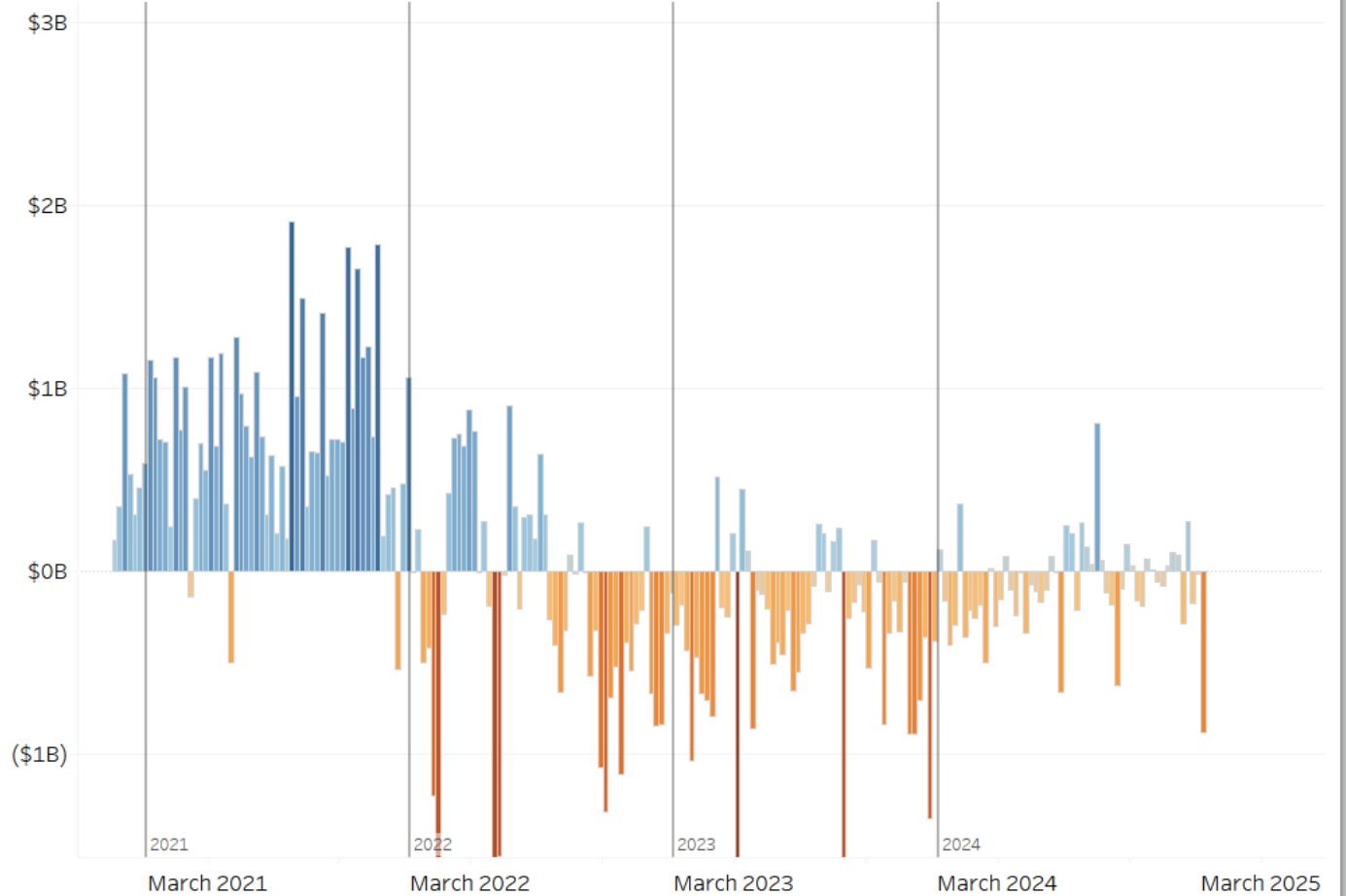




Last week's total flows for all US-listed TIPS ETFs had outflows of \$882.3 million.

### TIPS ETF Net Flows

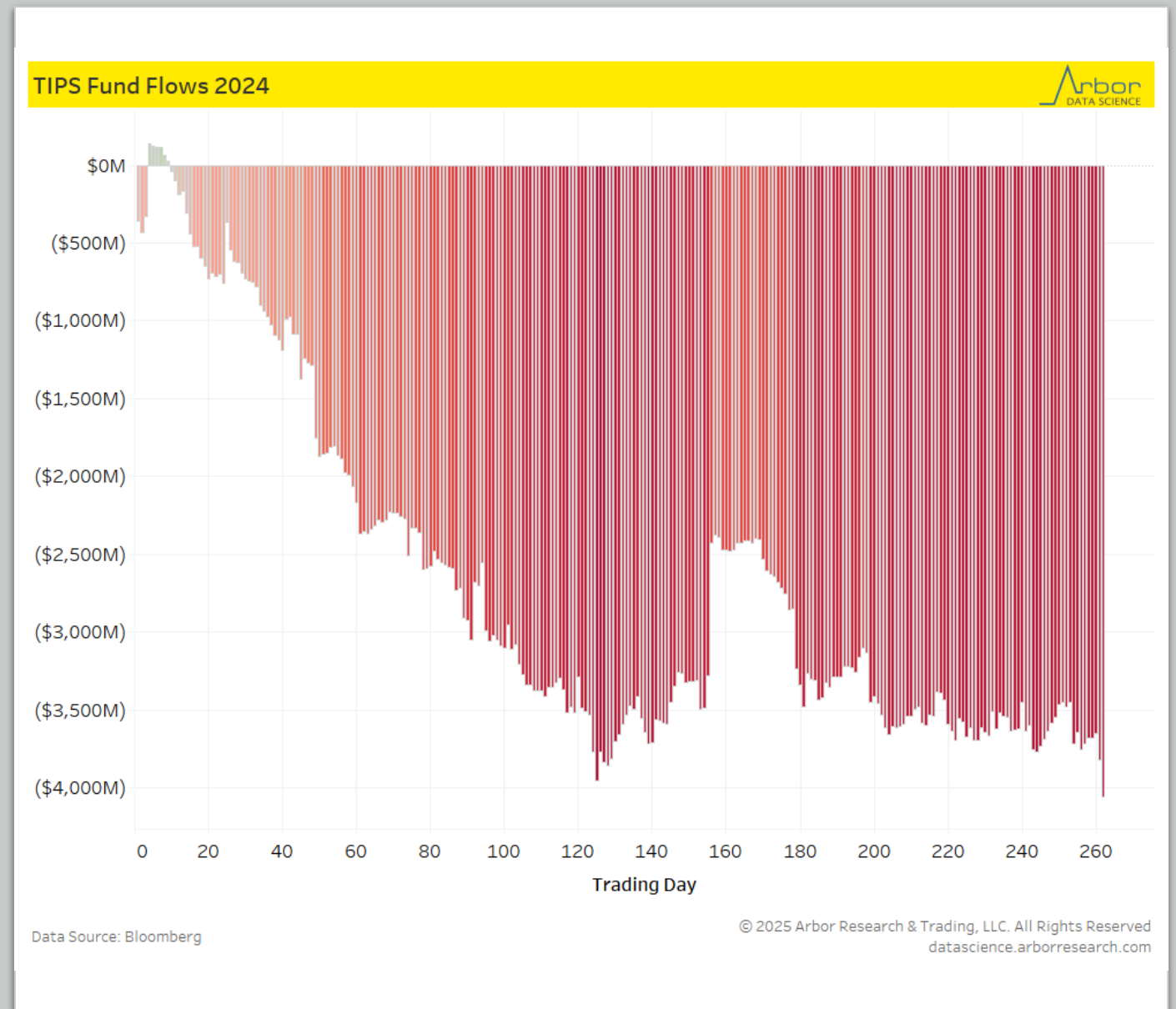
Weekly Total Flow into All US-Listed TIPS Exchange Traded Funds



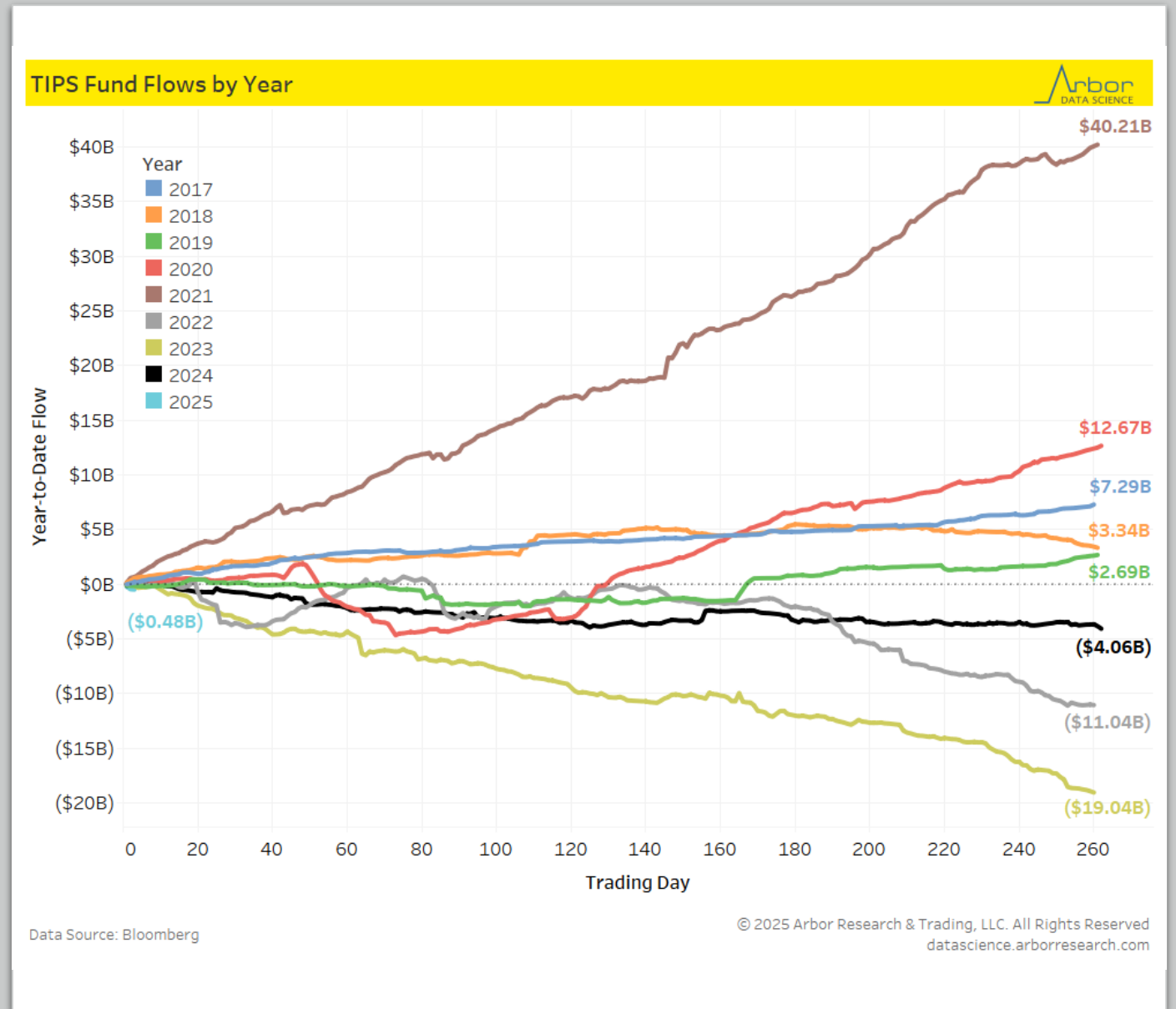
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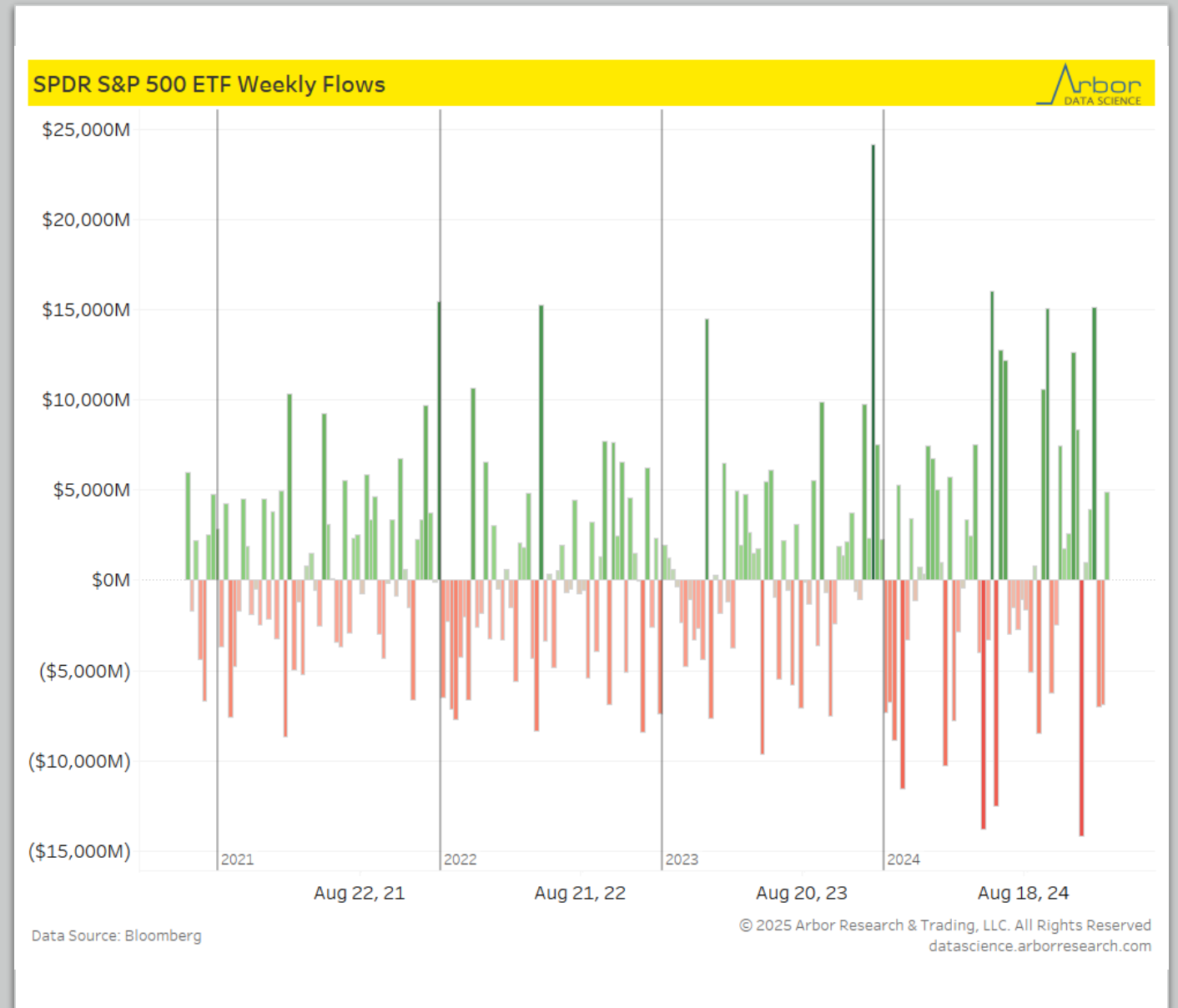
2024 Year-to-date total flows for all US-listed TIPS ETFs had outflows of \$4.10 billion.



Year-to-date total flows for all US-listed TIPS ETFs.



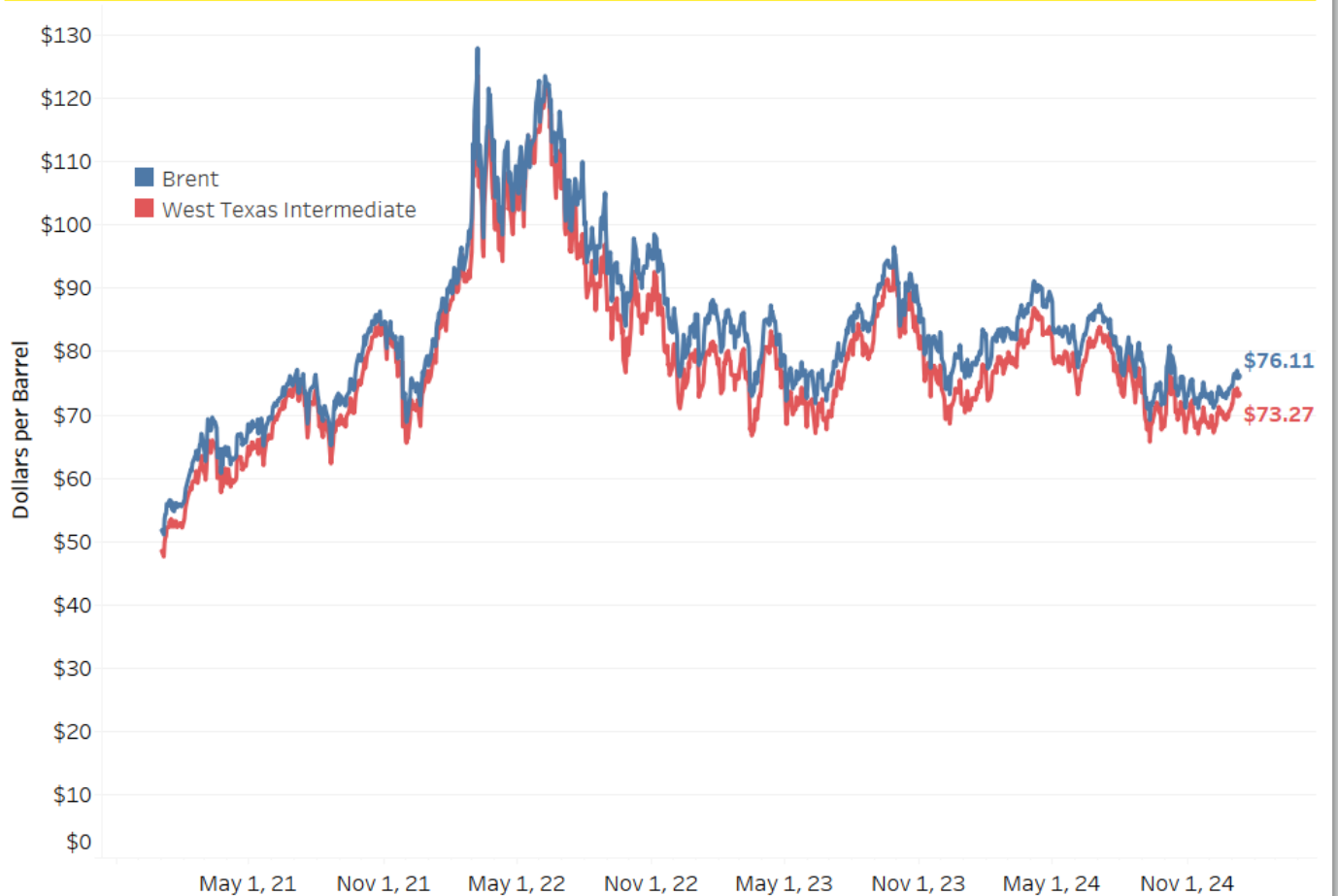
The SPY ETF had inflows of approximately \$4.89 billion last week.



**Brent Crude is Above  
\$75 a Barrel**

## Crude Oil

Generic WTI and Brent Crude Indices



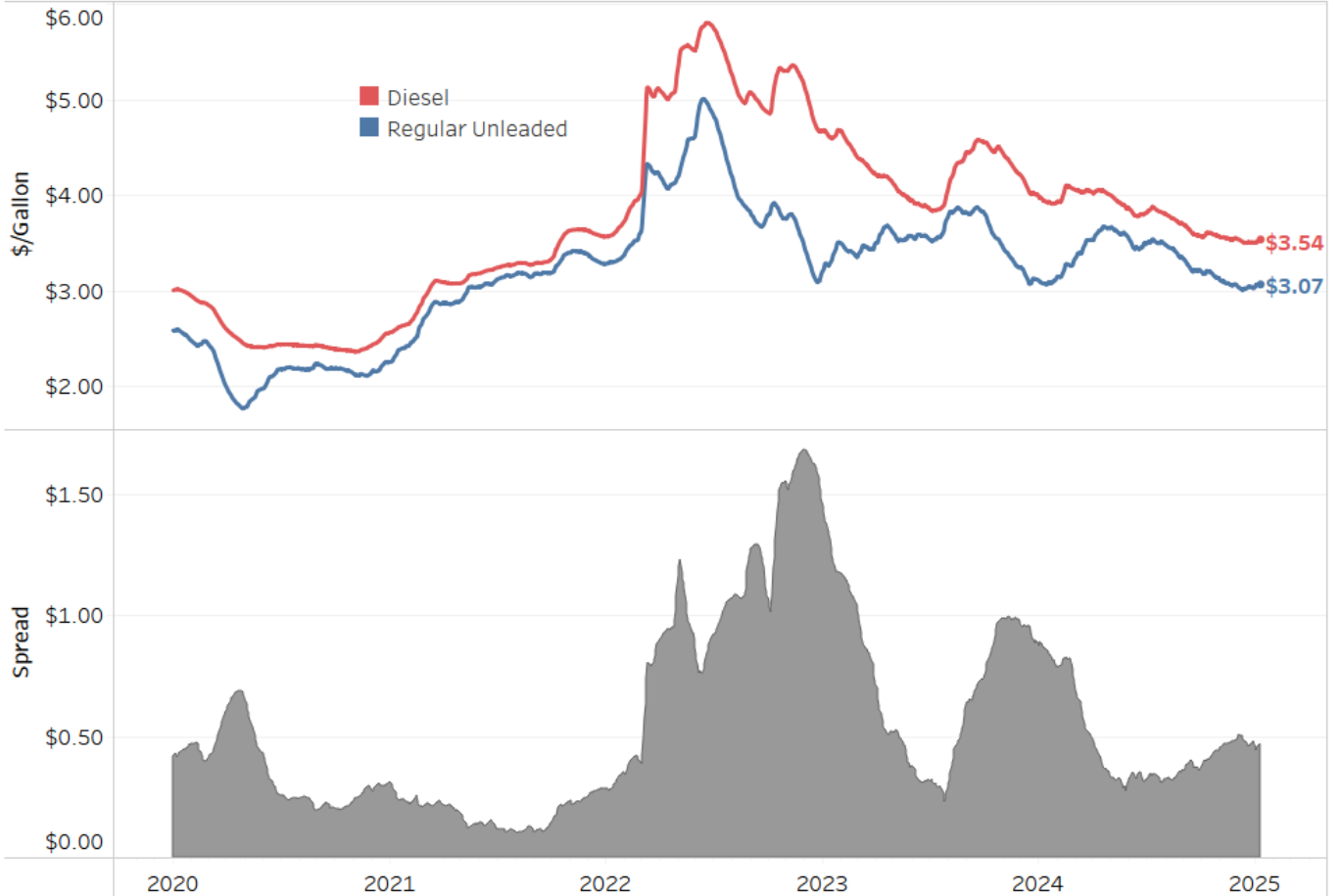
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# Average Diesel/Gas Spread Rose to \$0.47

## U.S. Gasoline Prices - Regular and Diesel

AAA Daily National Average Cost per Gallon



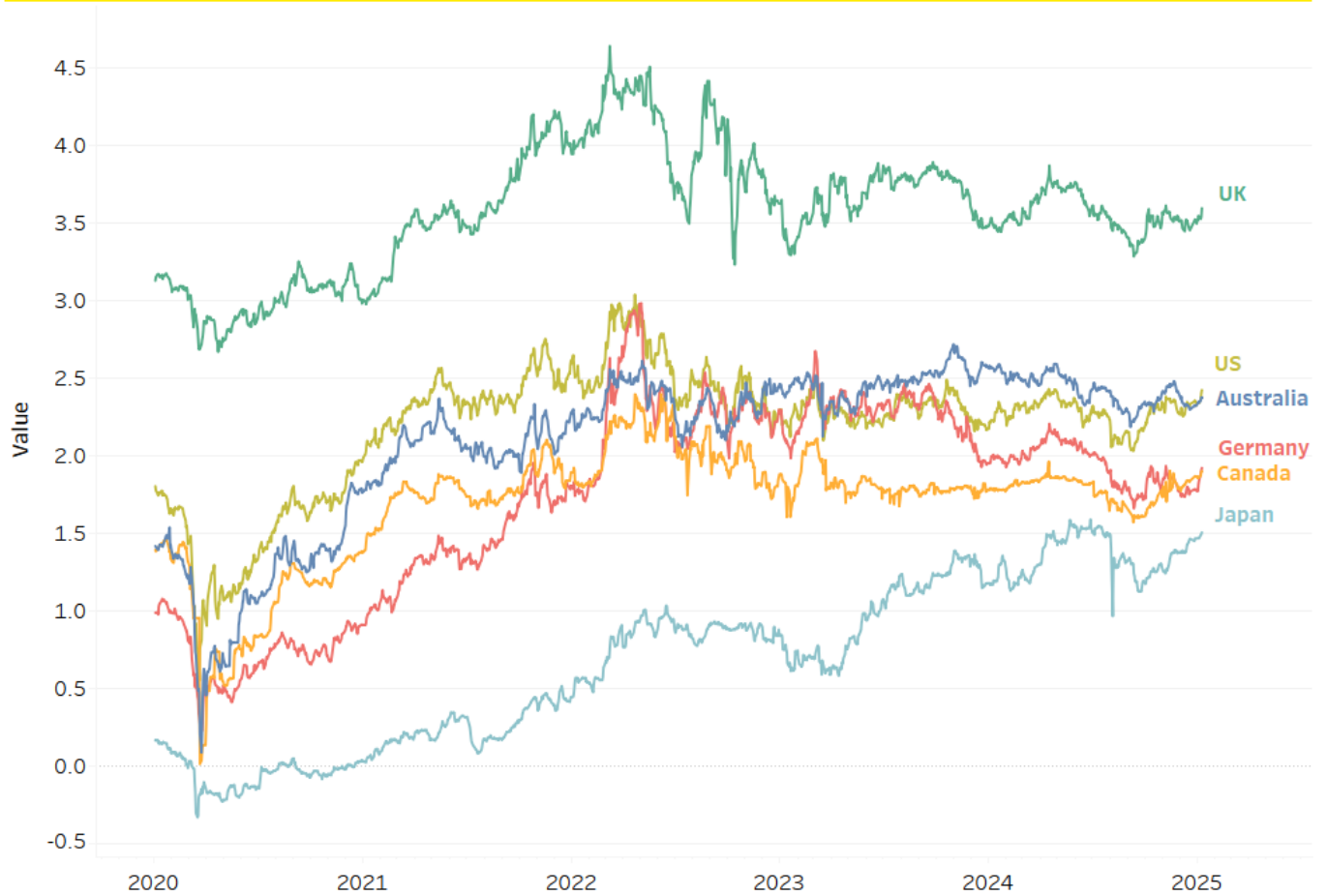
Data Source: American Automobile Association

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# 10-Year Global Breakevens

## 10-Year Inflation Expectations Global Breakevens



Data Source: Bloomberg

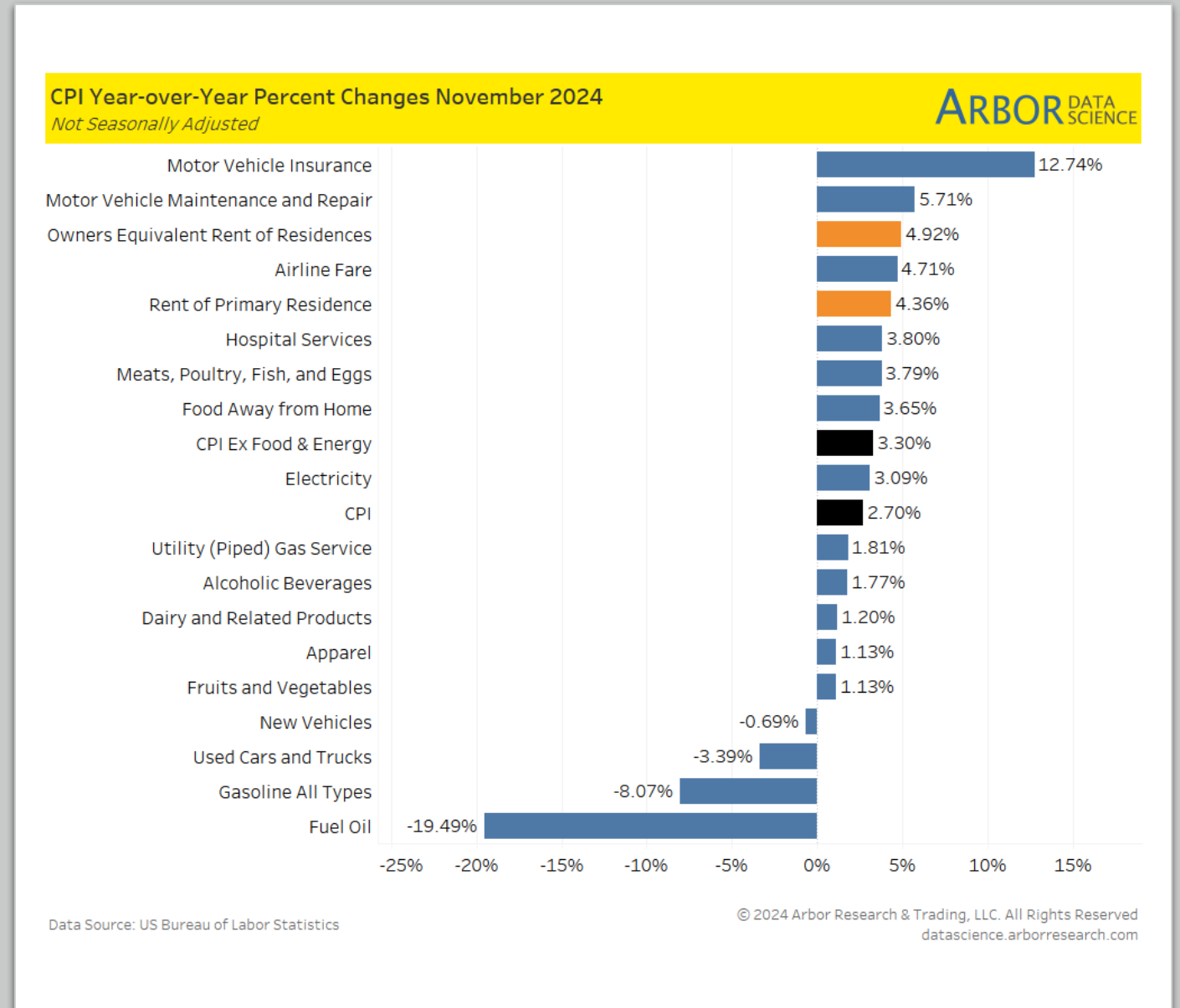
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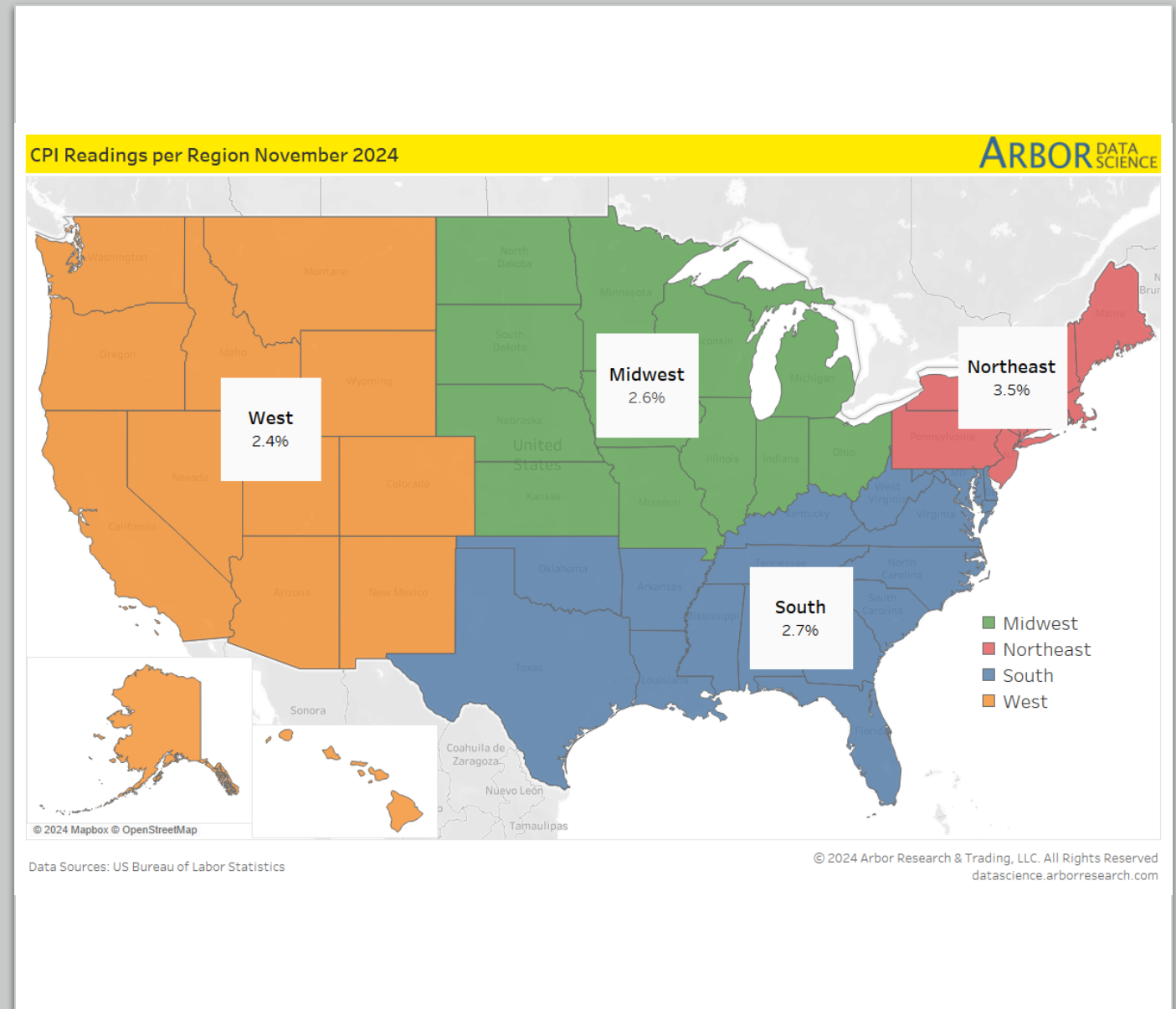
# CPI YoY% Changes November 2024

- CPI YoY had a 2.7% increase in November 2024.
- Motor Vehicle Insurance had the largest increase YoY% change for our selected categories at 12.74% in November 2024, while Fuel Oil had the largest decrease YoY% change for our selected categories of -19.49%.



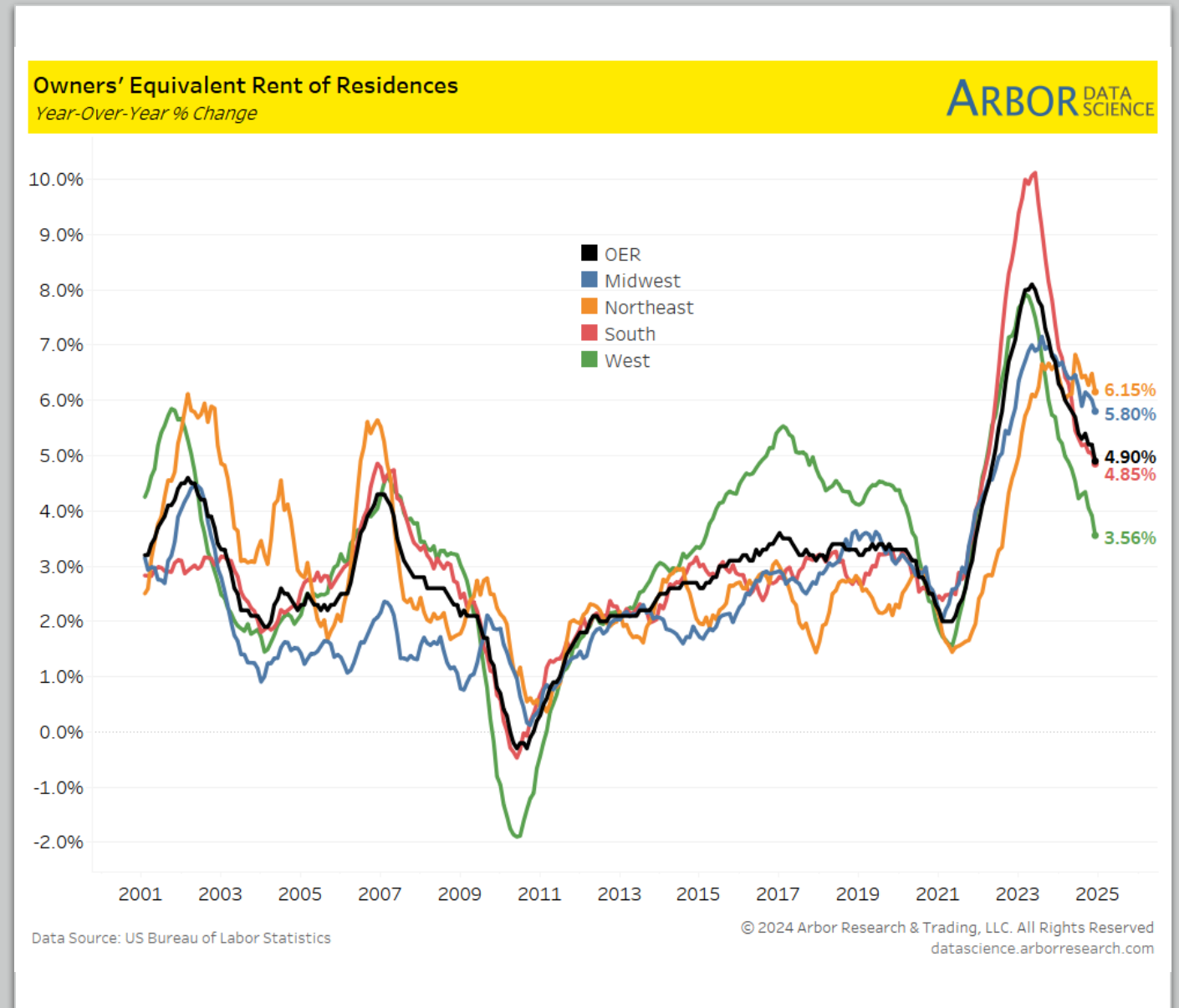
# CPI Readings per Region November 2024

- The Northeast had the highest inflation reading for November 2024, at 3.5% YoY, followed by the South at 2.7% YoY, the Midwest at 2.6% YoY, and the West at 2.4% YoY.



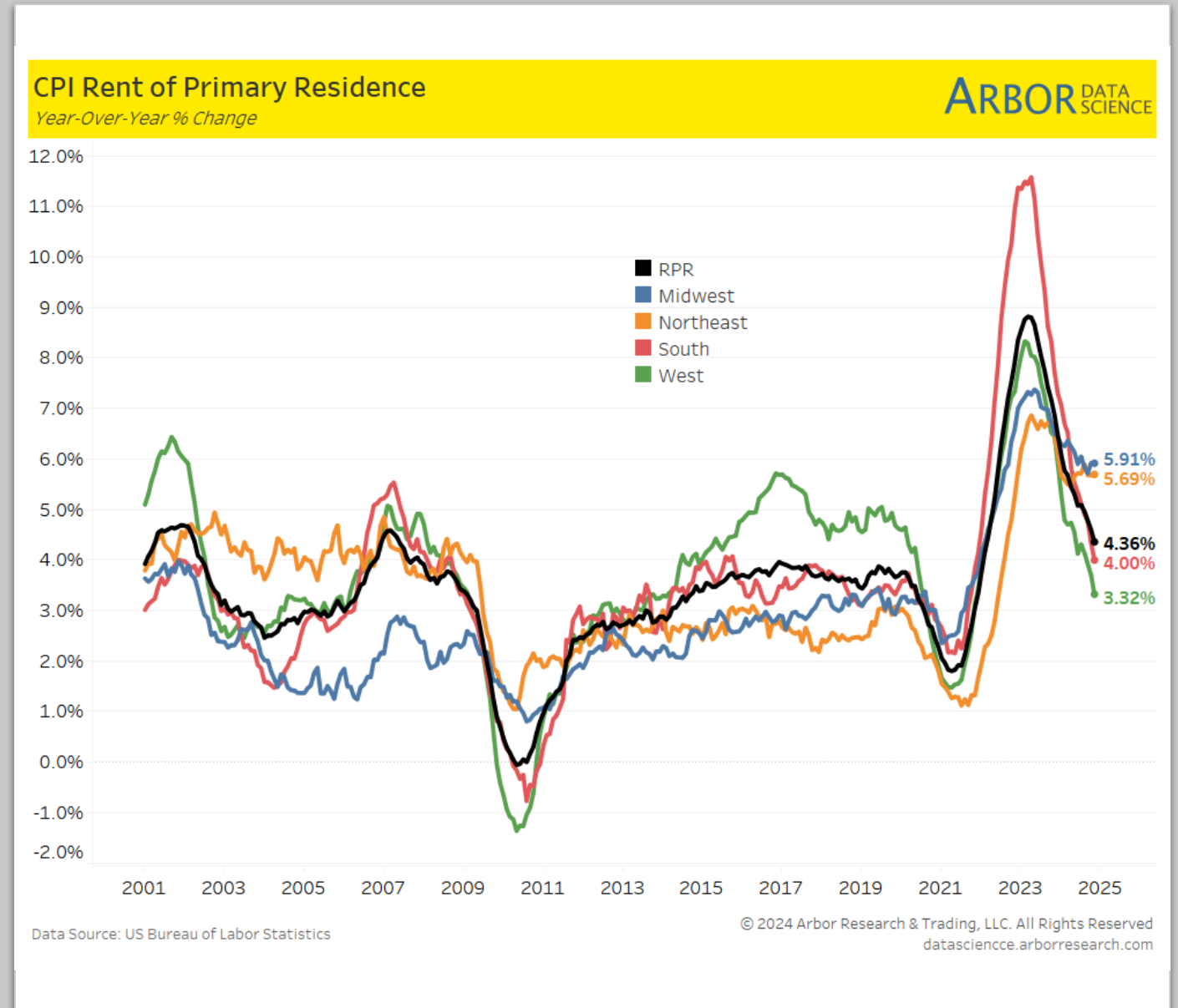
# Owners' Equivalent Rent of Residences

- Owners' Equivalent Rent of Residences (OER), the component of shelter representing homeowners, had its first decline in the year-over-year rate in May 2023.
- This trend continued as OER declined to 4.90% year-over-year nationally in November 2024.



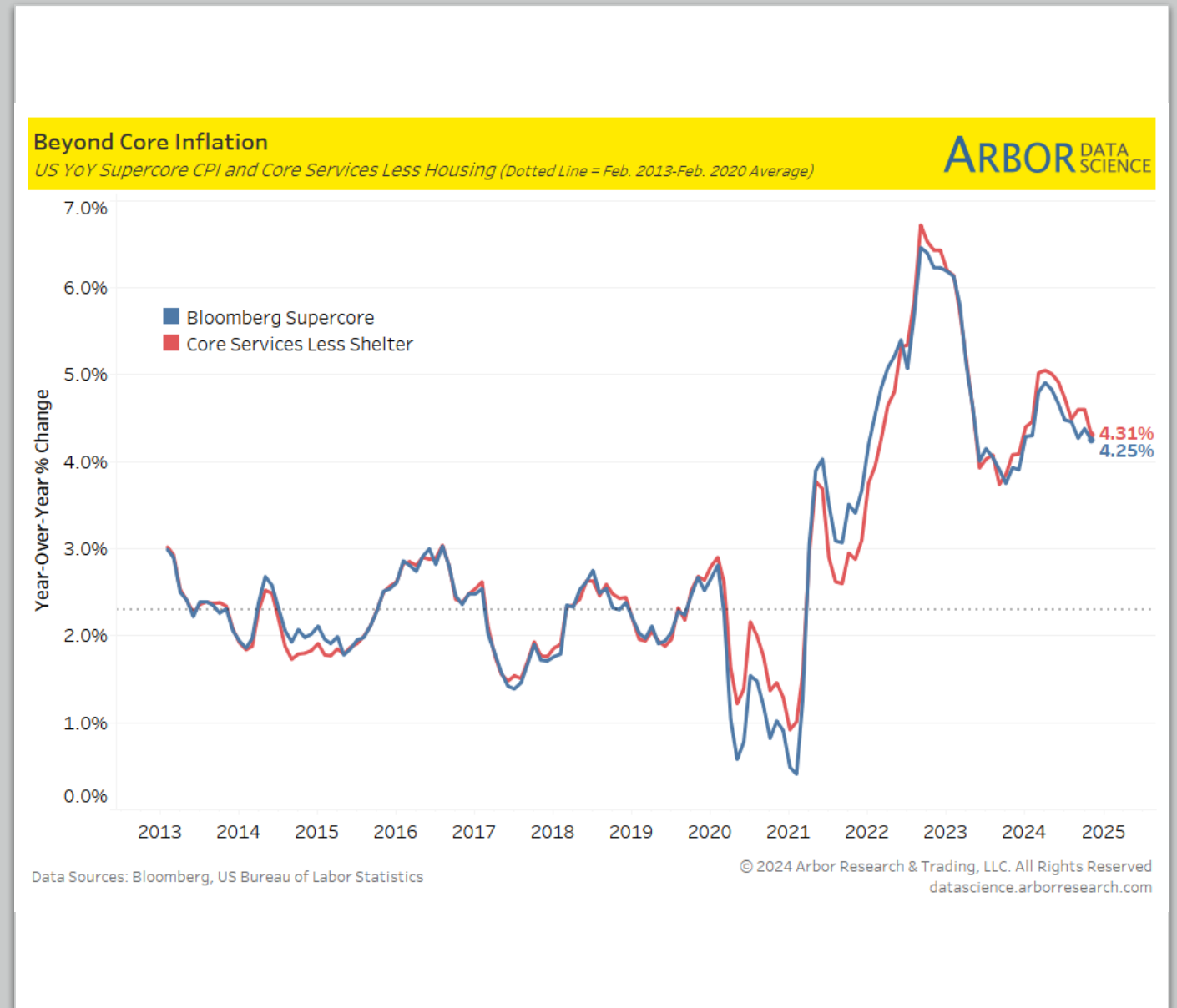
# Rent of Primary Residence

- Rent of Primary Residence (RPR), the renters' side of shelter inflation, continued to decline to 4.36% year-over-year.



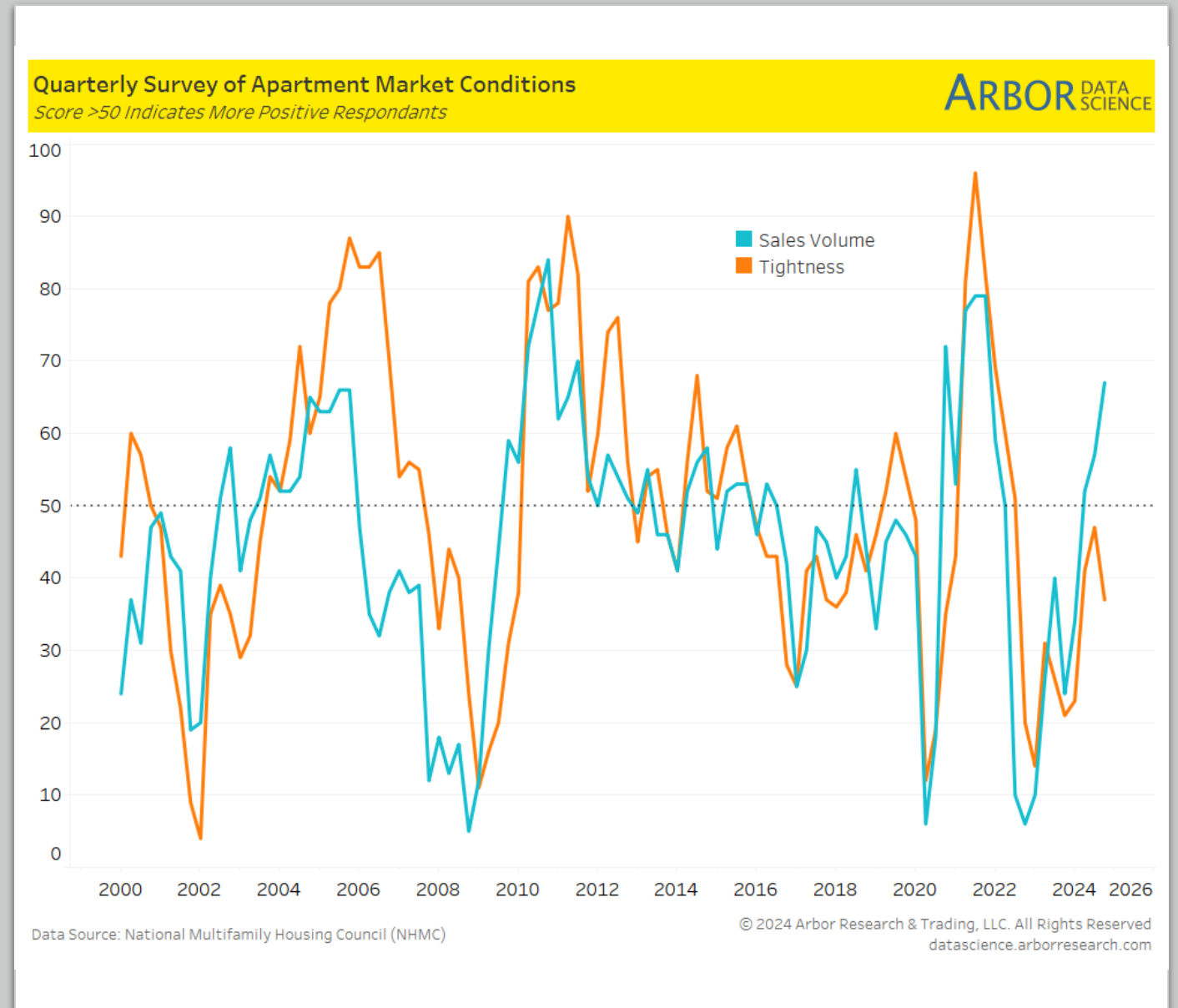
# Services Ex-Shelter and Supercore Inflation

- The Federal Reserve allegedly keeps an eye on specific CPI indexes, including core services less shelter, which Jerome Powell has referred to during press appearances.
- Bloomberg also calculates what it calls "Supercore" inflation, a similar metric made up of Ex-Energy Services with Owners' Equivalent Rent of Residences and Rent of Primary Residences (both components of shelter) removed.



# Renters' Market Conditions

- [Q4 2024's Survey of Apartment Market Conditions](#) conducted by the National Multifamily Housing Council (NMHC) showed more respondents describing conditions as tight in comparison to Q3 2024. The same survey reported an increase in apartment sales volume.



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