

## Inflation Roundup

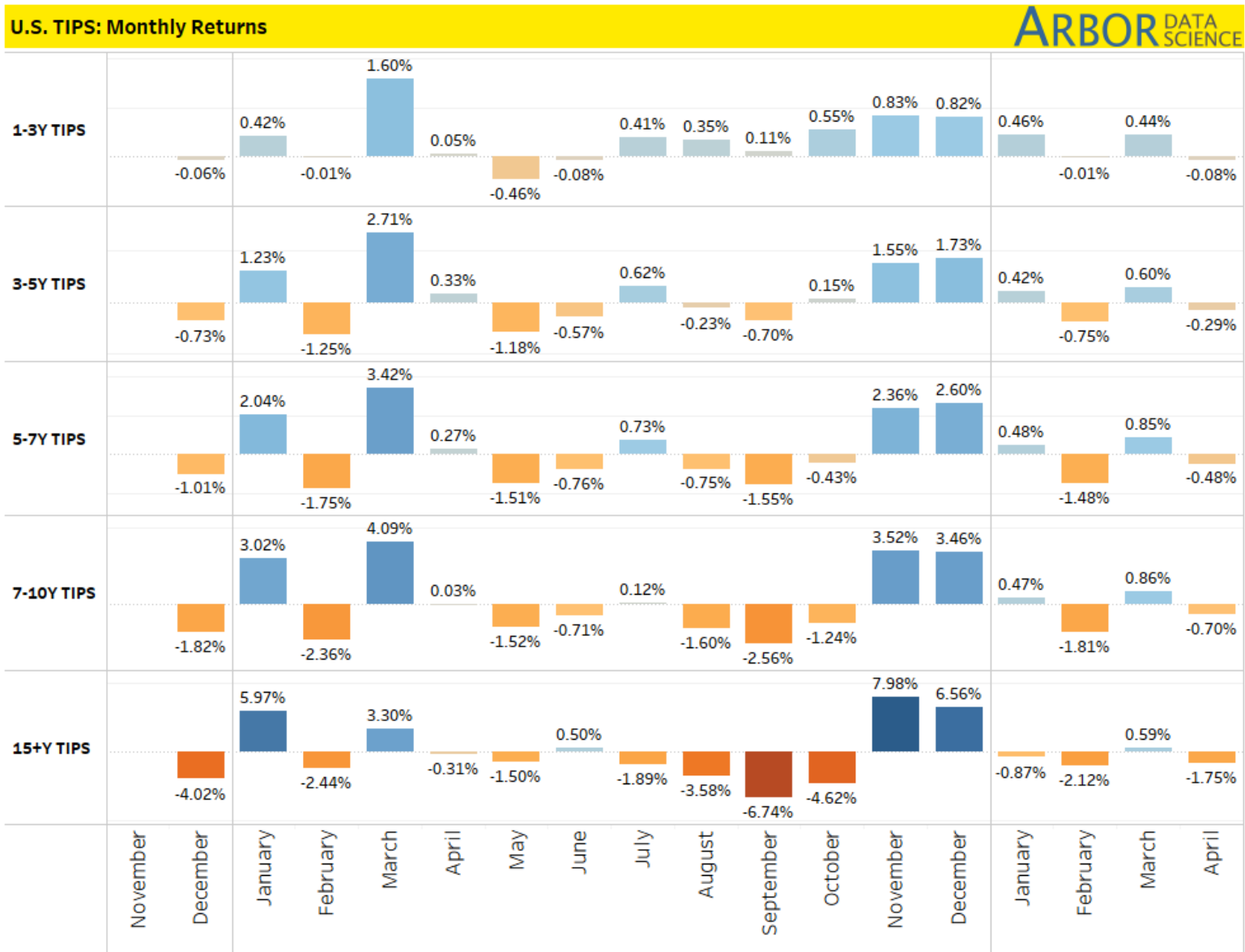
April 3, 2024

- 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:

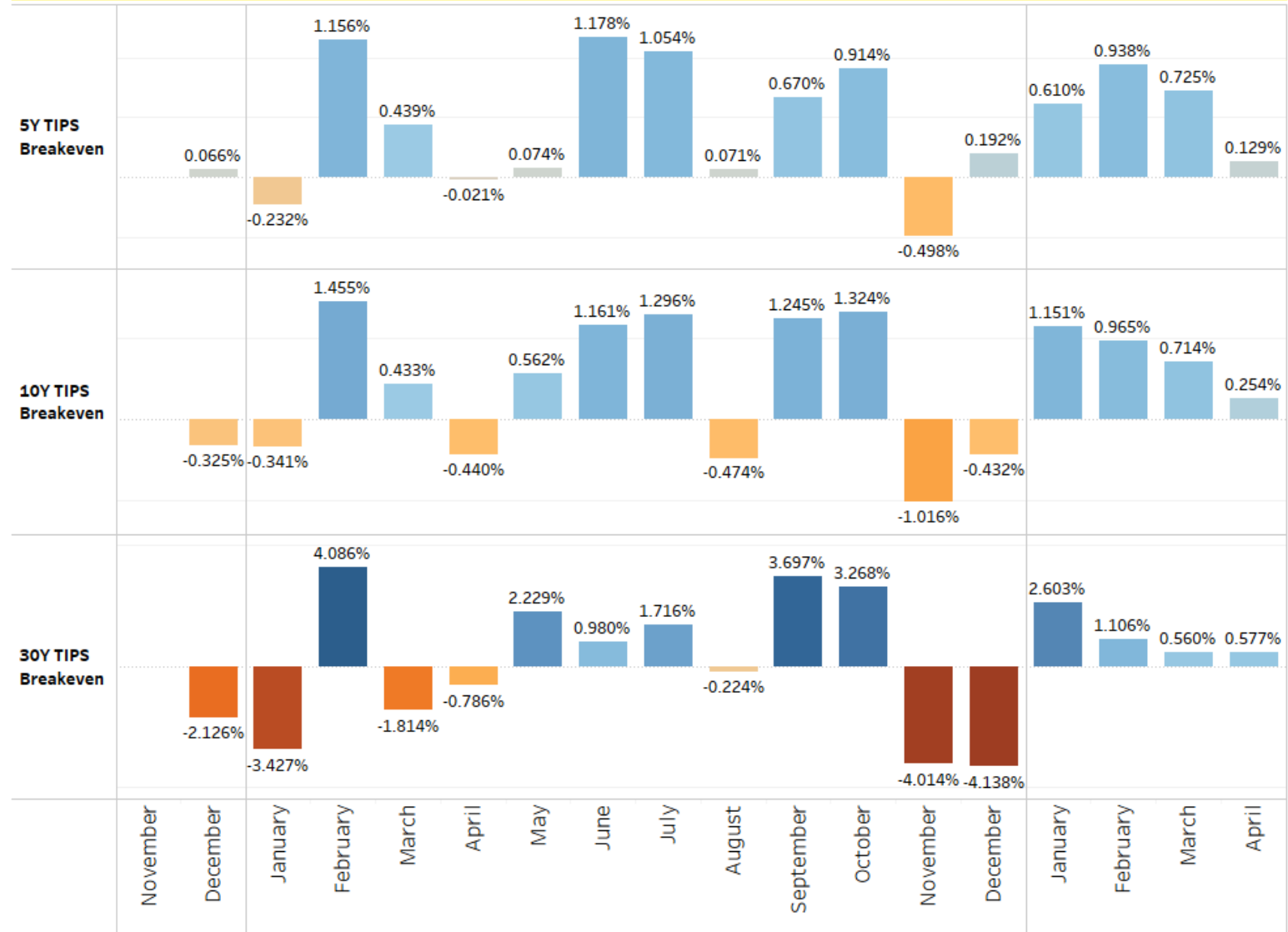


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# TIPS BREAKEVENS TOTAL RETURNS:

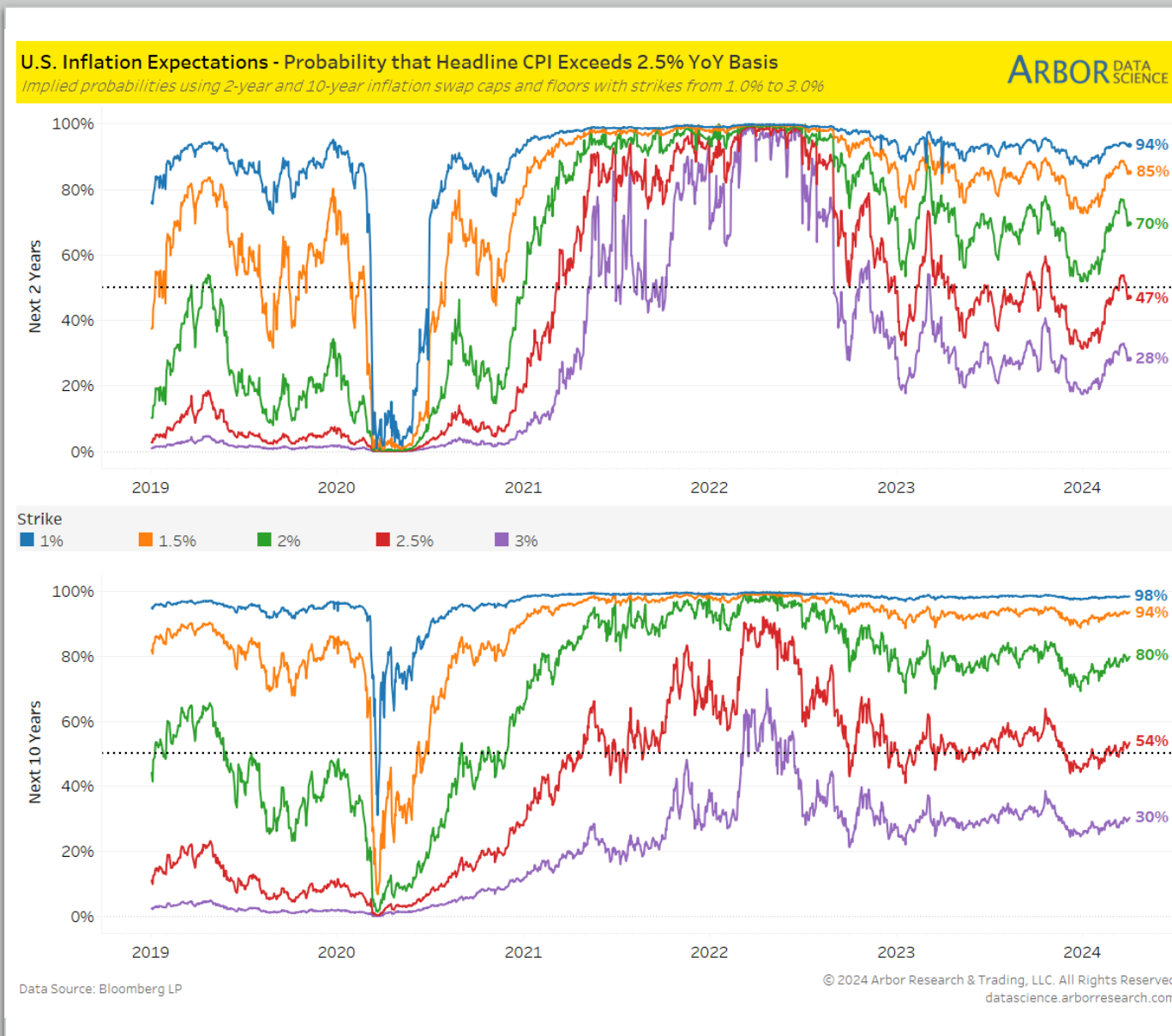
U.S. Inflation Expectations (duration weighted): Monthly Returns



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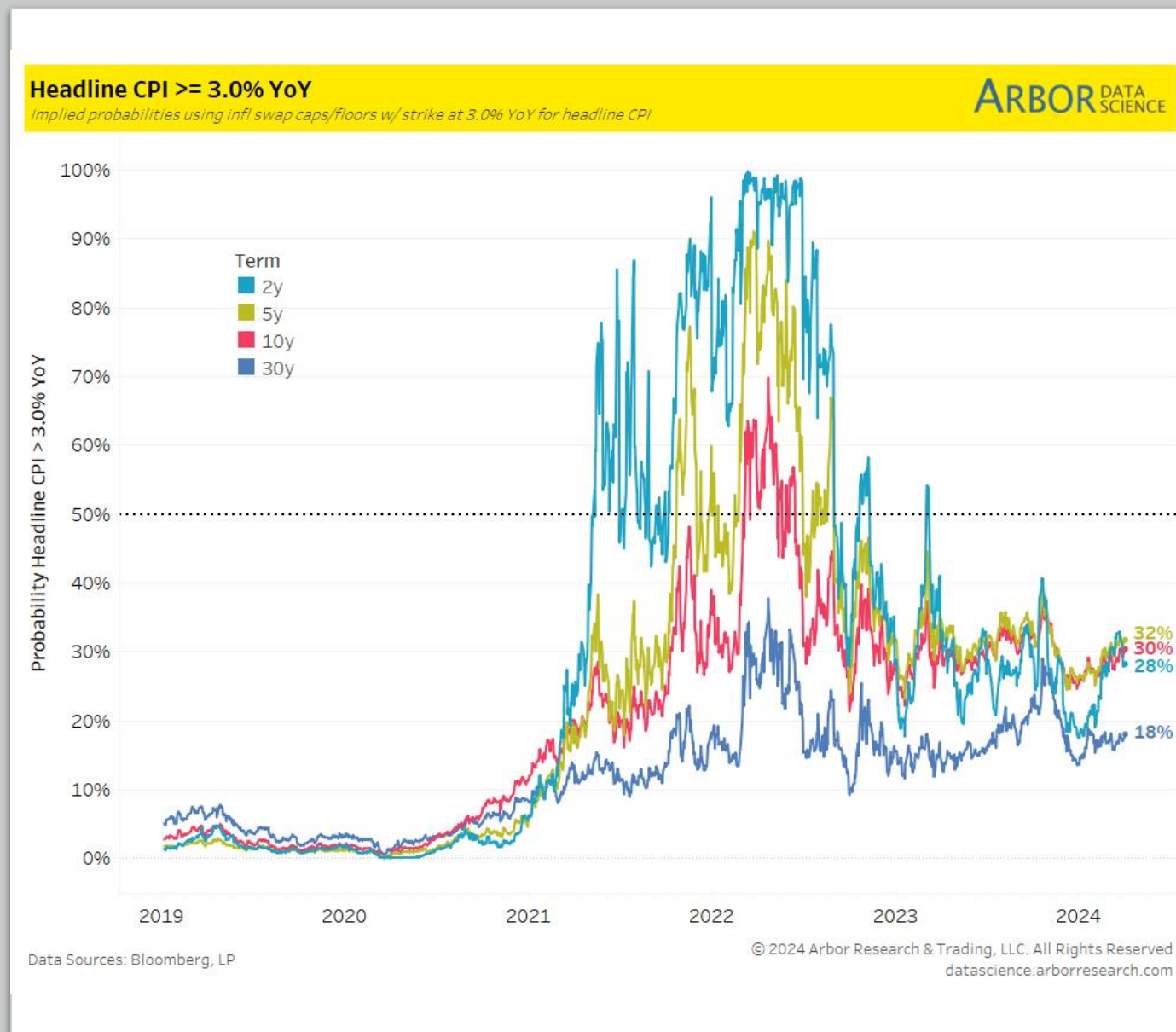
# U.S. Inflation Swap Caps and Floors

- Over the past week, inflation expectations for the next 2 years have all decreased, except for 1%, which stayed the same. 10-year expectations all increased, except for 1% and 3%, which stayed the same.
- The probability of 2.5% headline inflation for the next 2 years fell from 50% to 47% over the past week.
- The 10-year probability of 2.5% headline inflation rose from 52% to 54% over the past week.



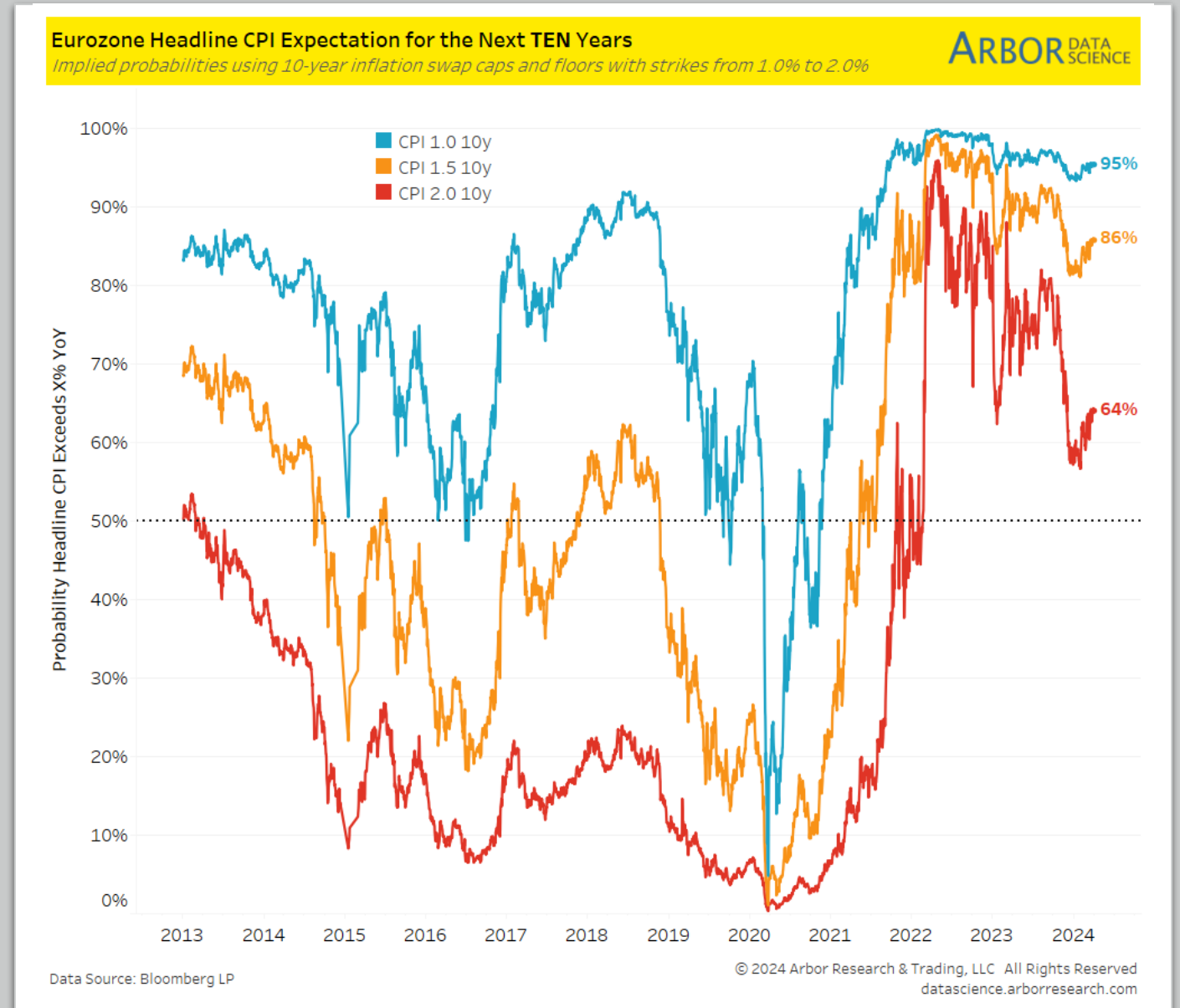
# U.S. 3% Headline Expectations

- 3% inflation probabilities increased for 5y and 30y, decreased for 2y, and stayed the same for 10y.
- Based on swap cap/floor probabilities for the next 2 years, the market gives this outcome a 28% probability, 2 points lower than last week.



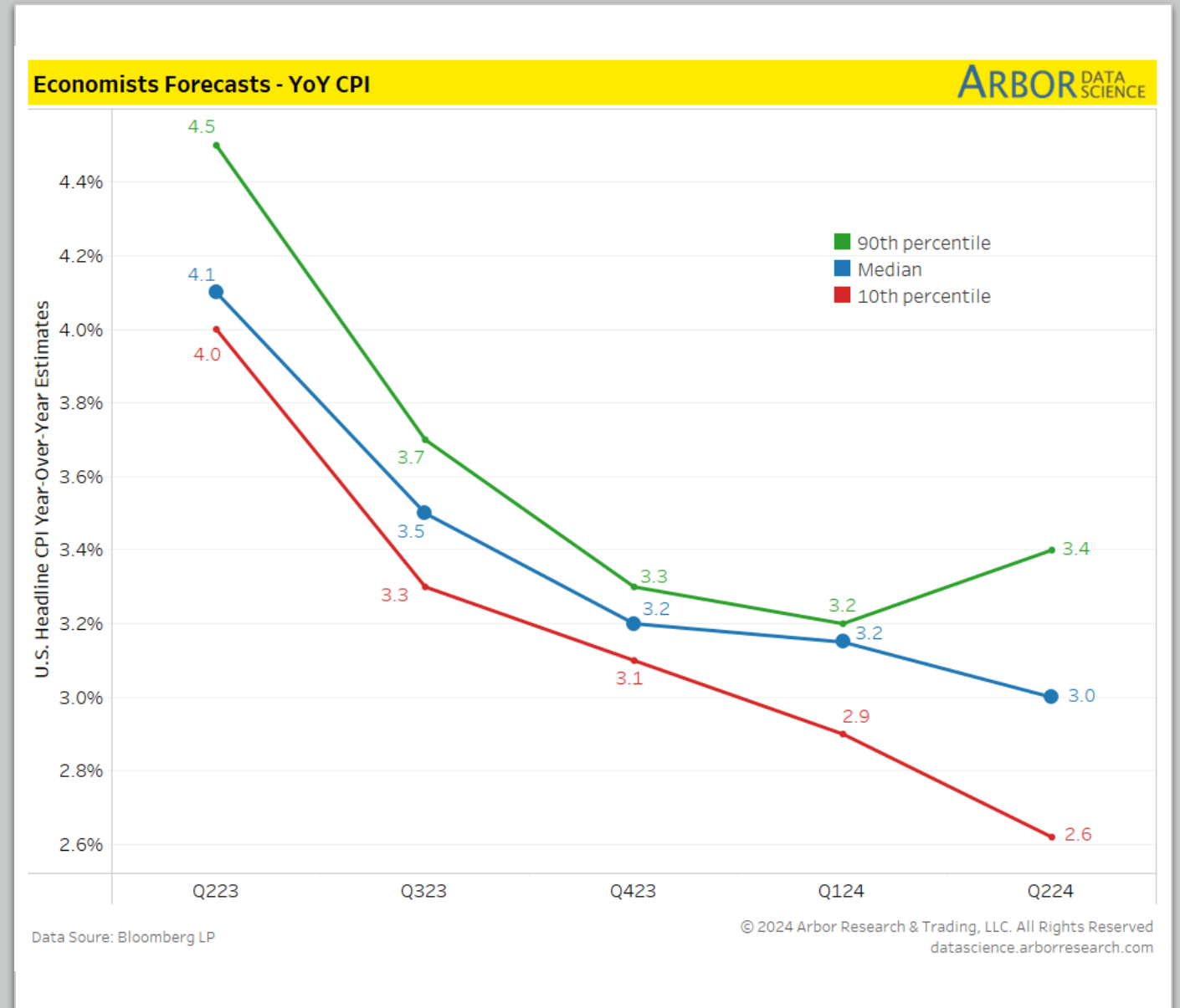
# Eurozone Inflation Expectations

- 10-year Eurozone inflation expectations all stayed the same over the last week.
- The probability of 2% headline inflation over the next decade remained at 64%.



# Economist Inflation Forecasts

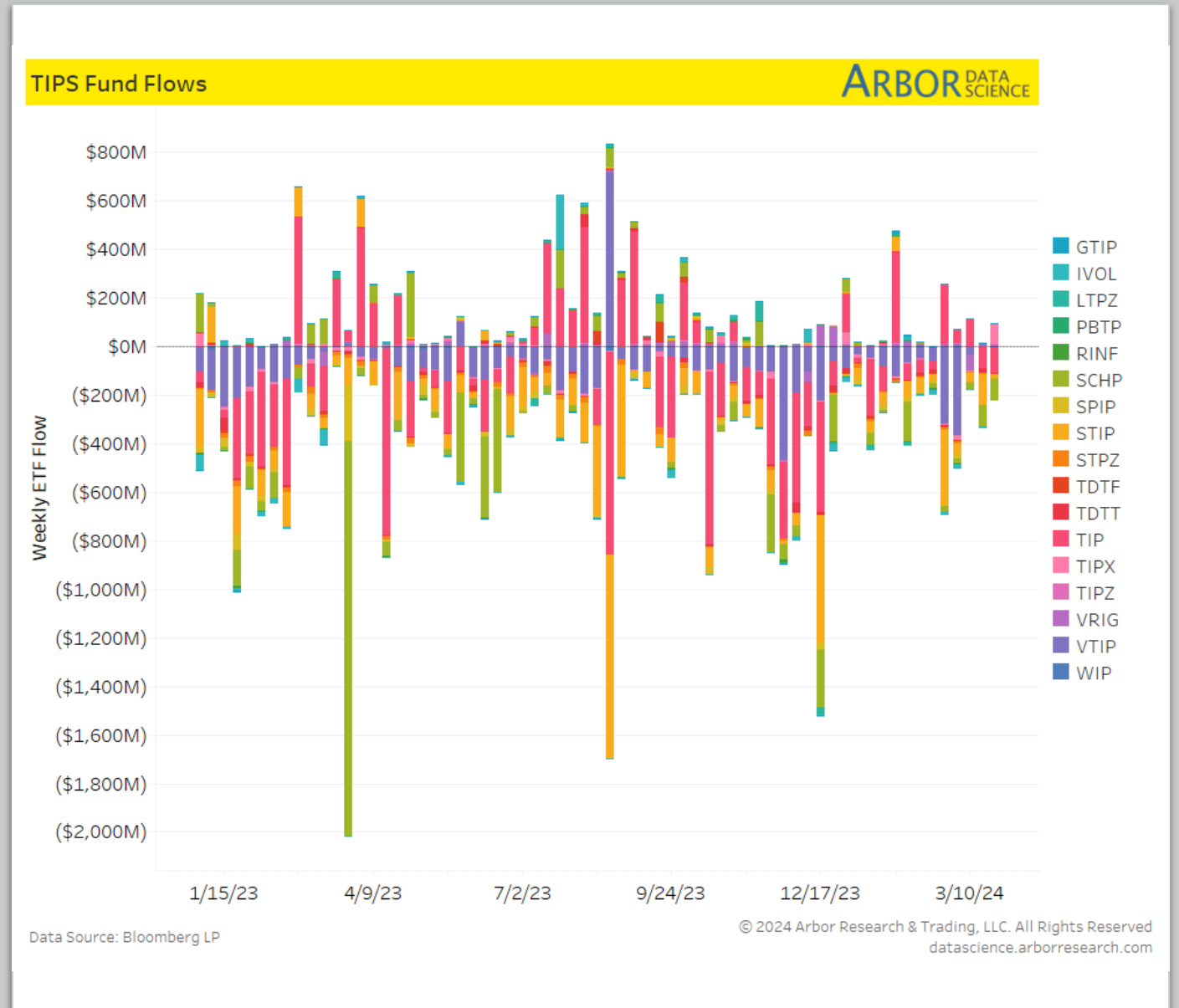
- The median economist's forecast from big banks (BOA, PNC, JPM, UBS, etc.) suggests US inflation will average 3.0% YoY in Q2. More pessimistic forecasters predict 3.4%, while optimistic estimates are as low as 2.6%.
- Final University of Michigan inflation expectations data showed Americans expect a 2.9% inflation rate over the next year.





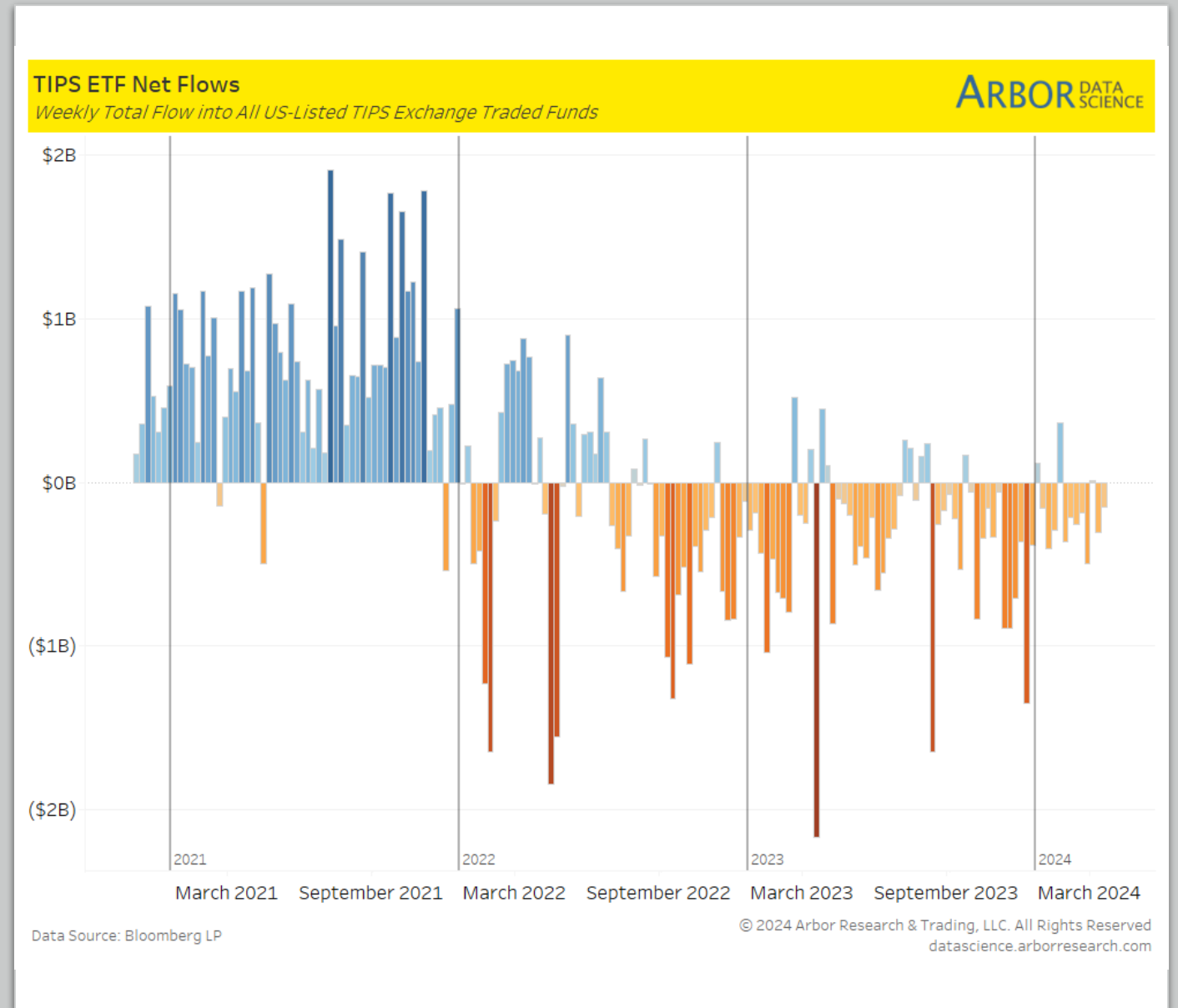
# TIPS Fund Flows

- The majority of flows last week were negative with outflows concentrated in two funds (rounded value):
- iShares TIPS Bond Fund: (\$107 million)
- Schwab US TIPS Fund: (\$94 million)

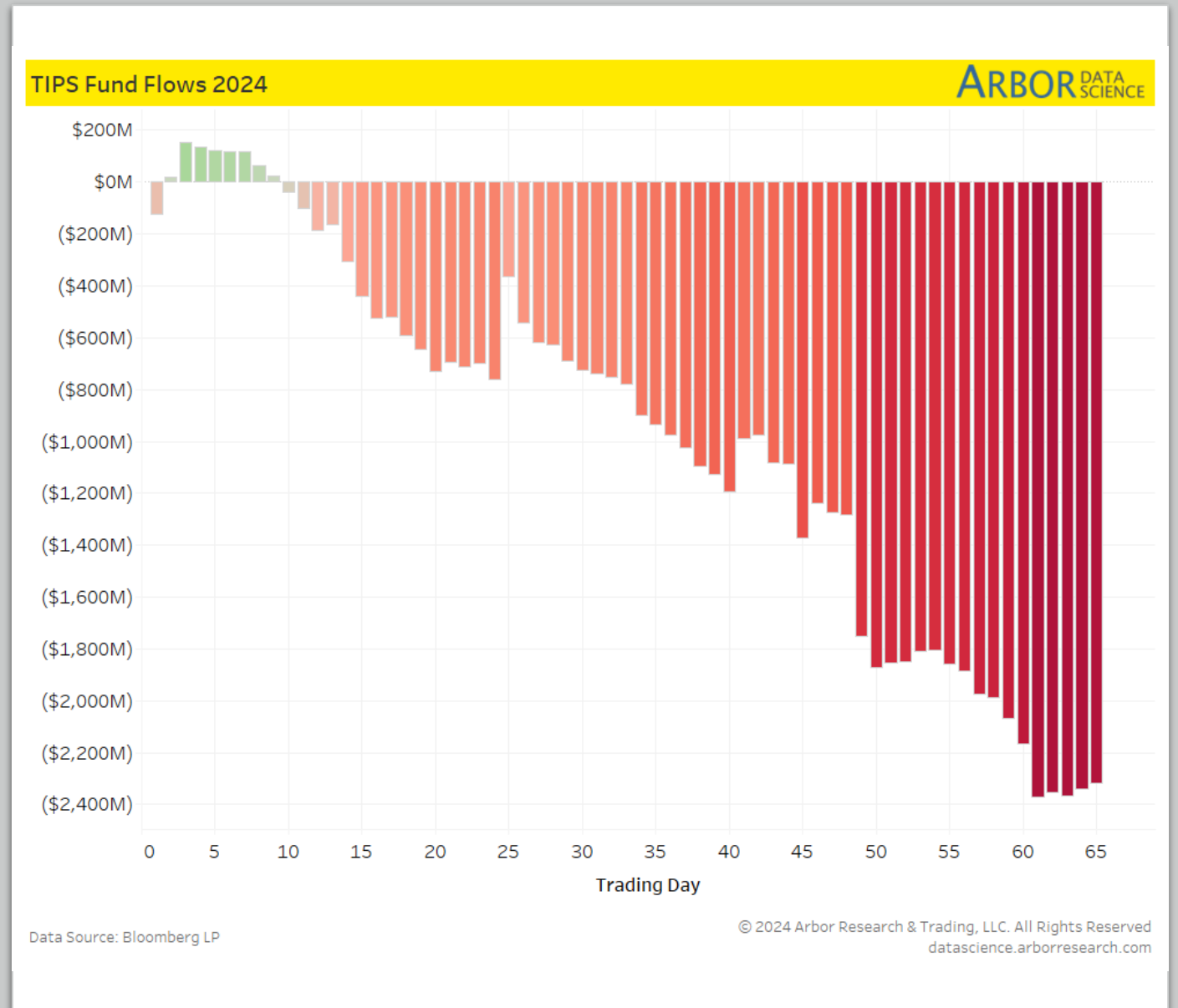




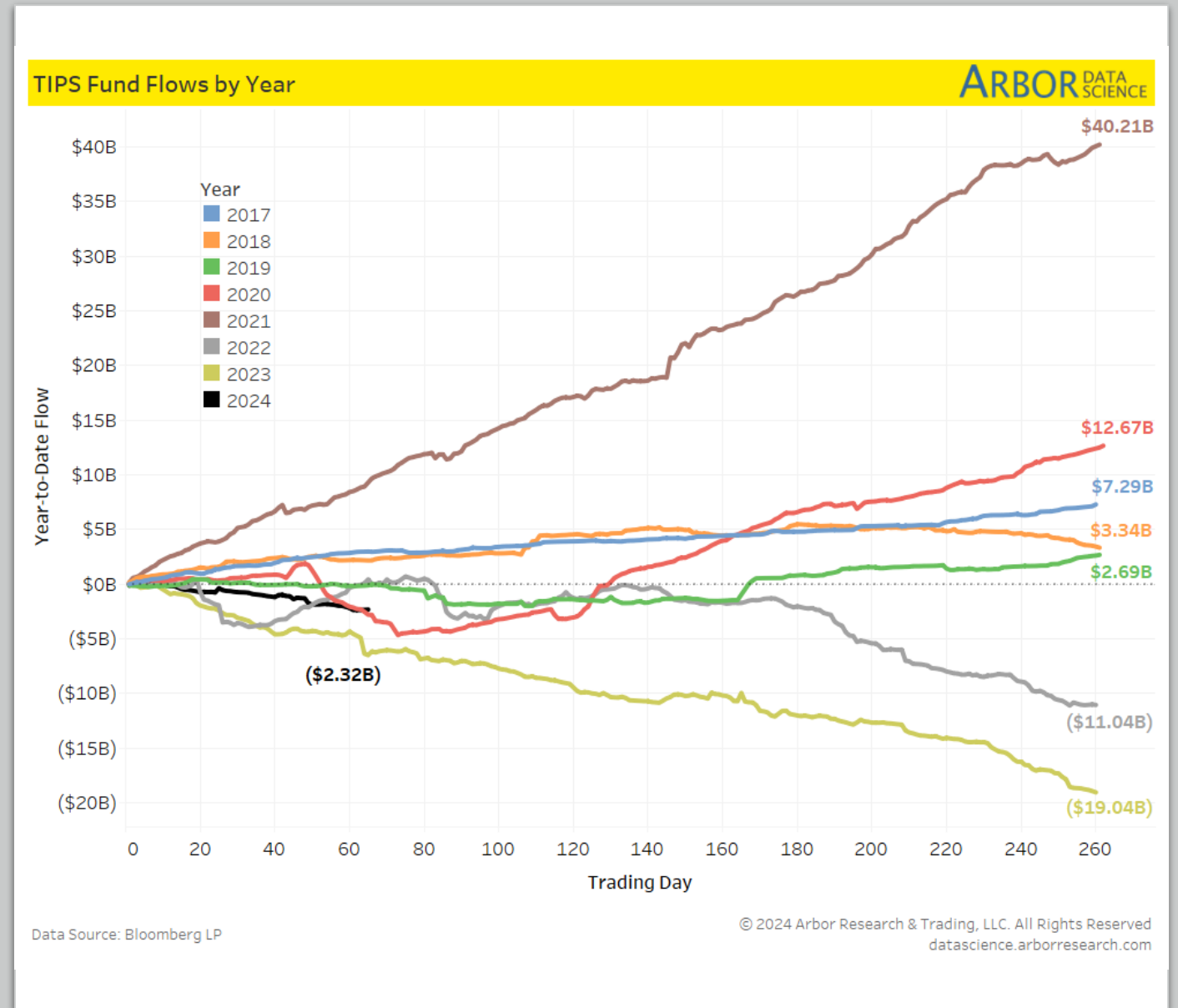
Last week's total flows for all US-listed TIPS ETFs had outflows of \$151.0 million.



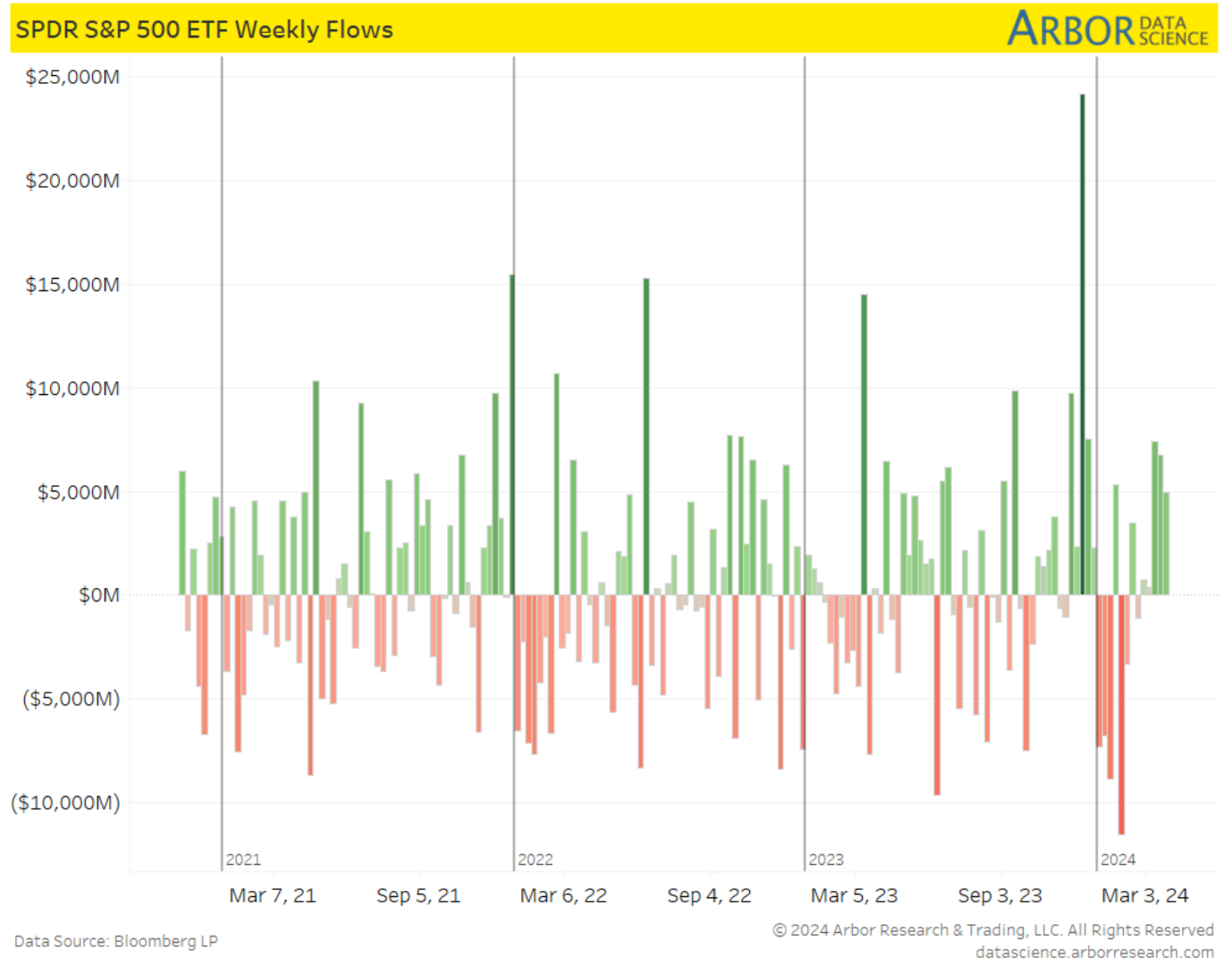
2024 Year-to-date total flows for all US-listed TIPS ETFs had outflows of \$2.32 billion.



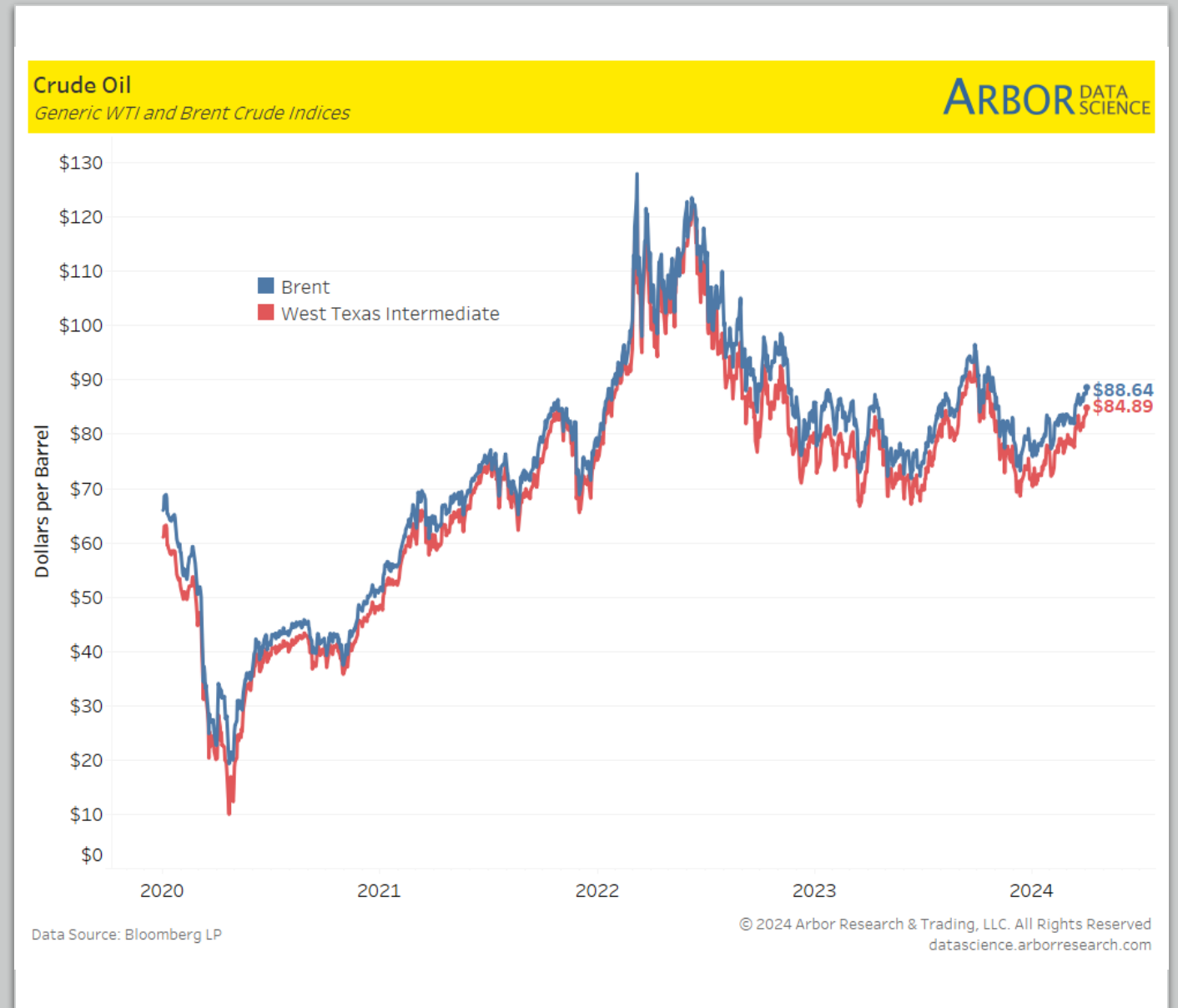
Year-to-date total flows for all US-listed TIPS ETFs.



The SPY ETF had inflows of approximately \$5.00 billion last week.



**Brent Crude is Above  
\$80 a Barrel**

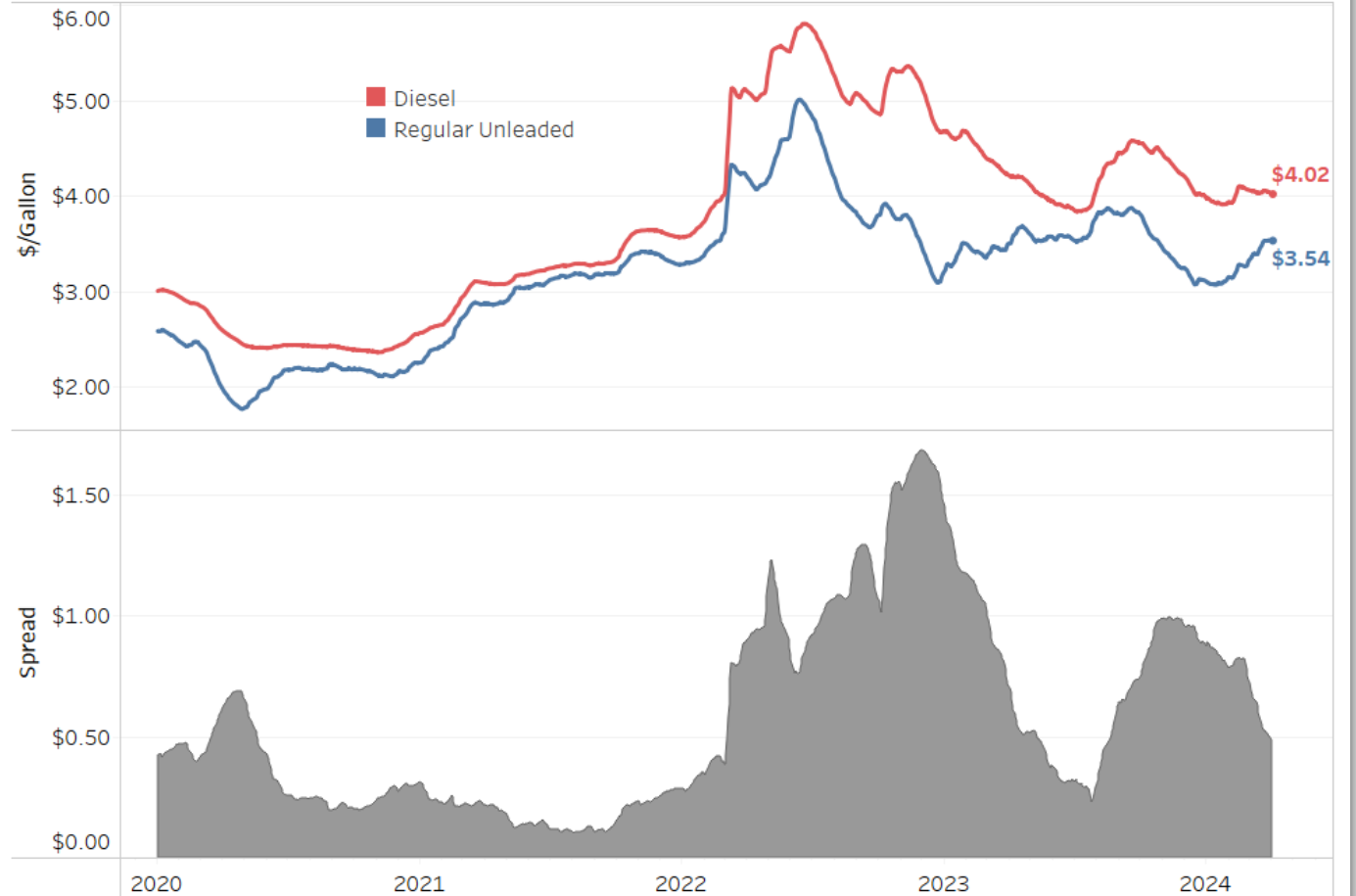


# Average Diesel/Gas Spread Fell to \$0.48

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

AAA Daily National Average Cost per Gallon

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Data Source: American Automobile Association

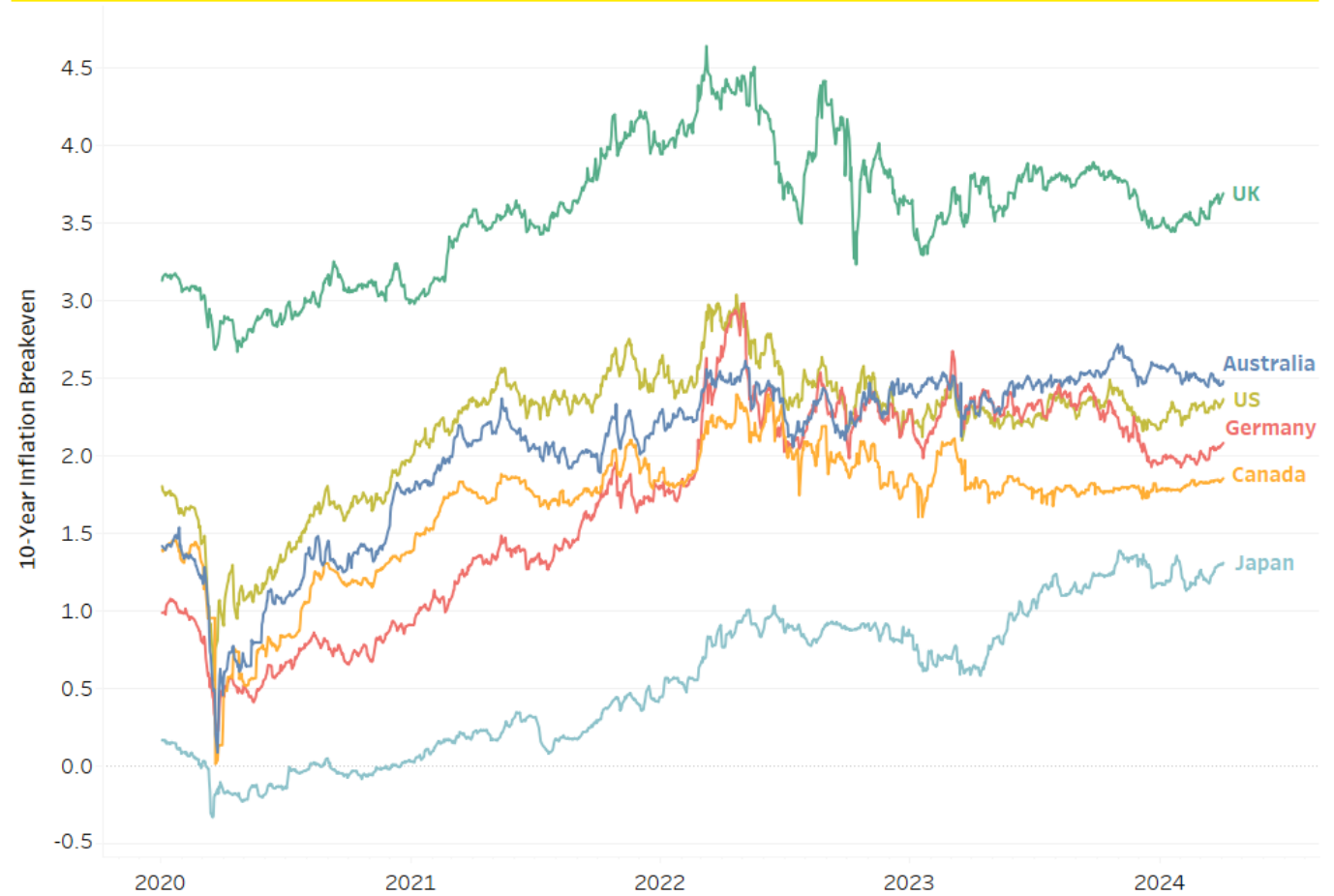
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# 10-Year Global Breakevens

## 10-Year Inflation Expectations Global Breakevens

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Data Source: Bloomberg LP

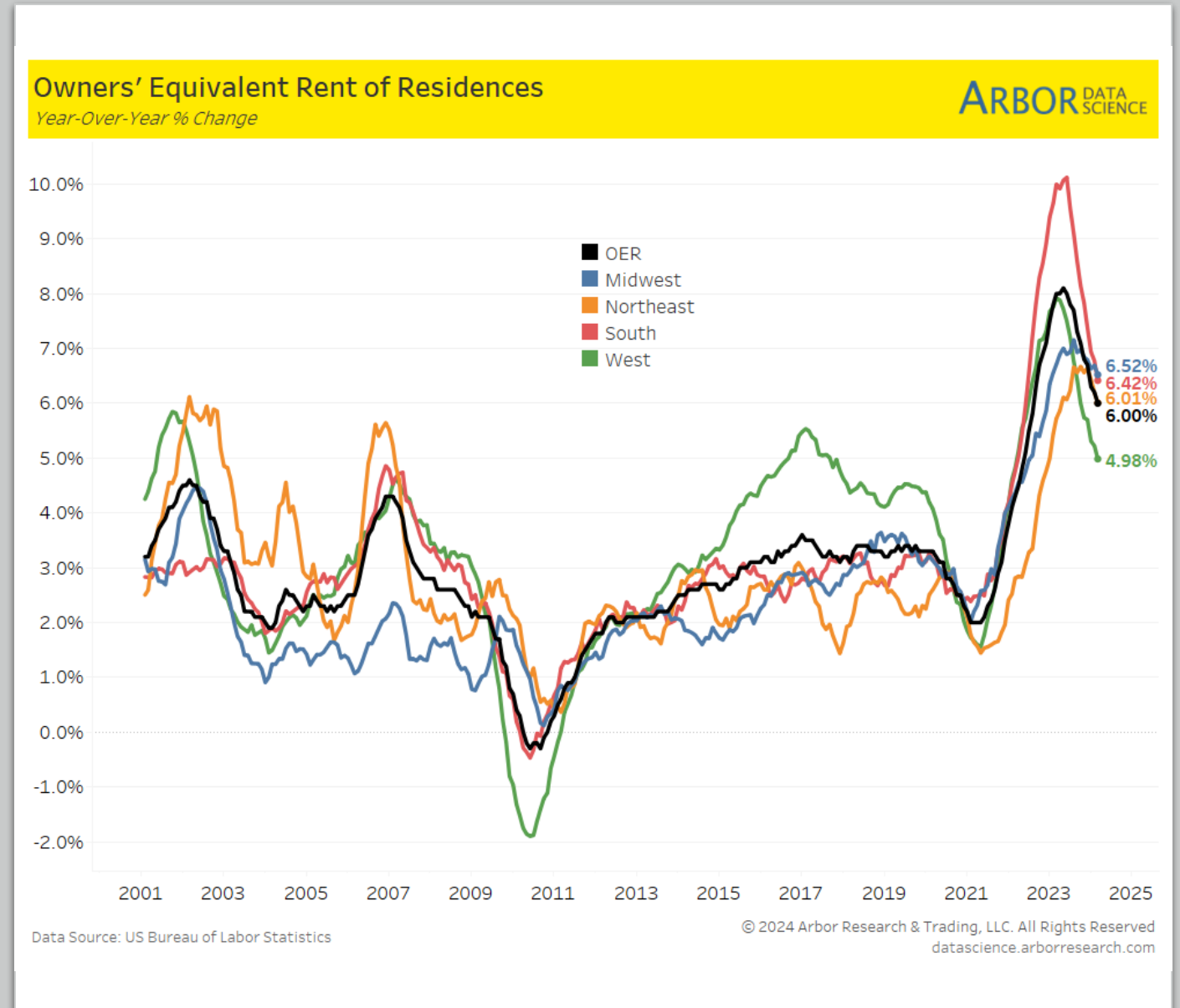
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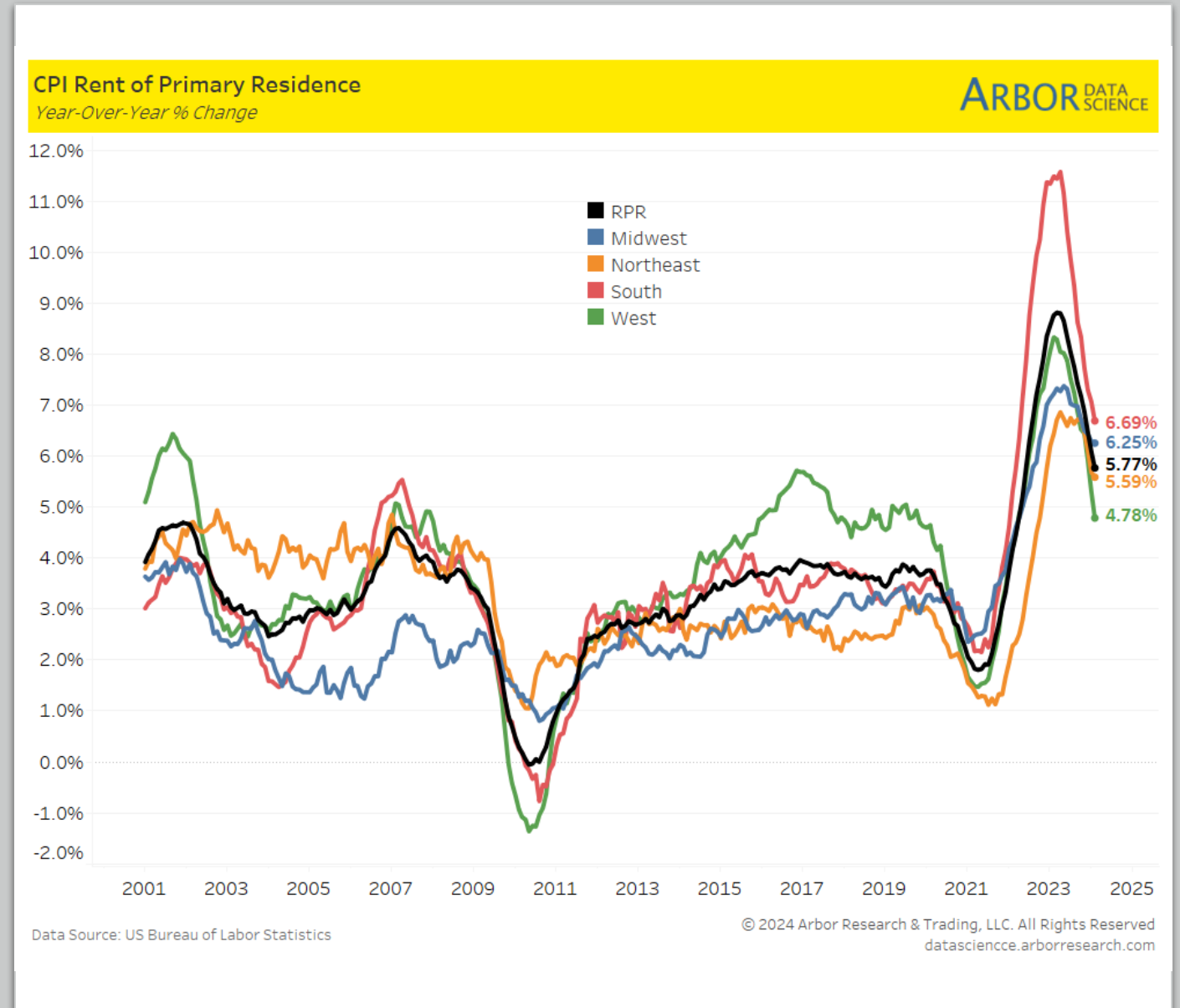
# Owners' Equivalent Rent of Residences

- 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 6.0% year-over-year nationally in February 2024. Regionally, OER has slowed the most in the West and South since the last report.



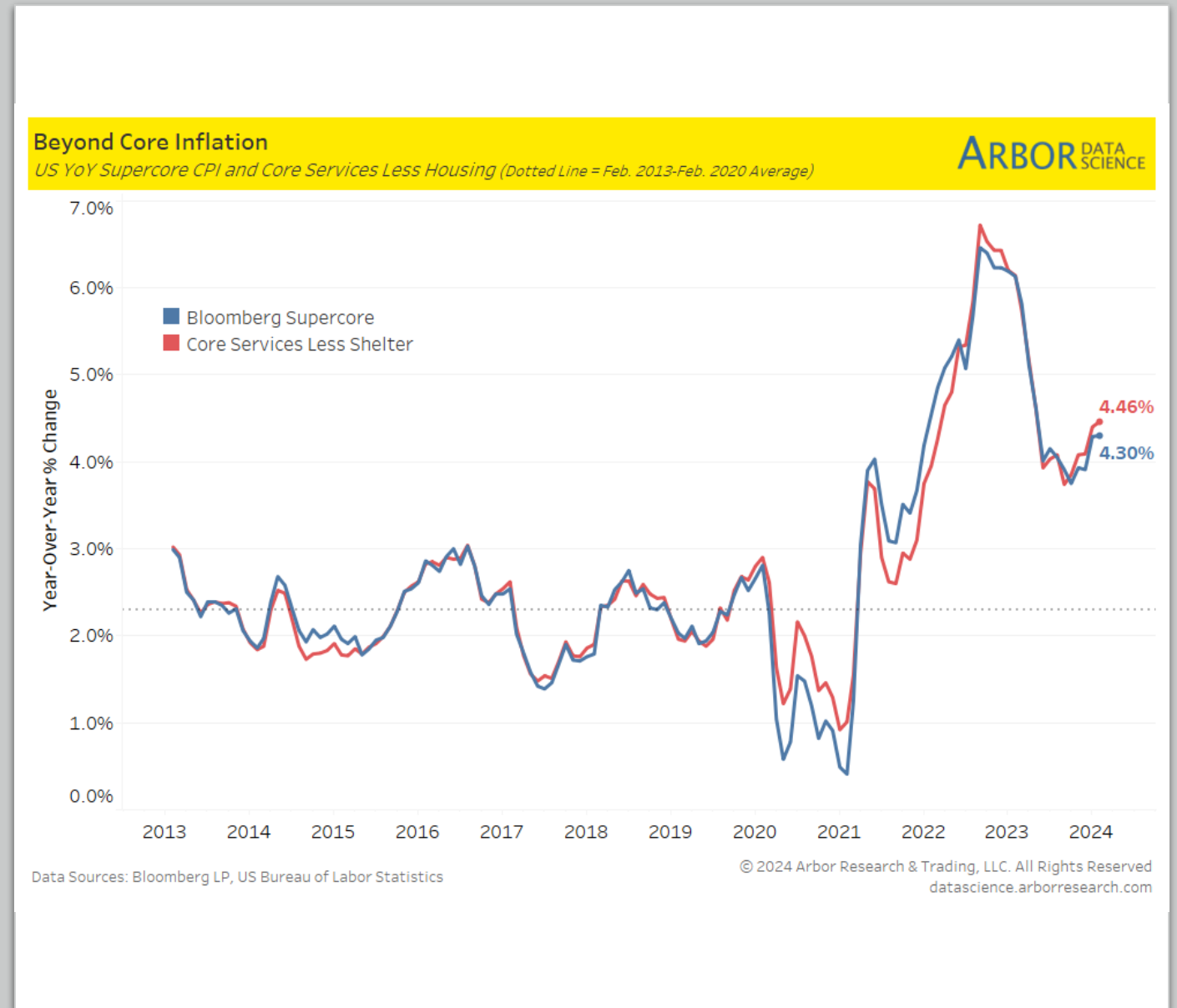
# Rent of Primary Residence

- Rent of Primary Residence (RPR), the renters' side of shelter inflation, continued its deceleration, falling to 5.77% year-over-year. Like with OER, RPR has sharply declined in the West and South.



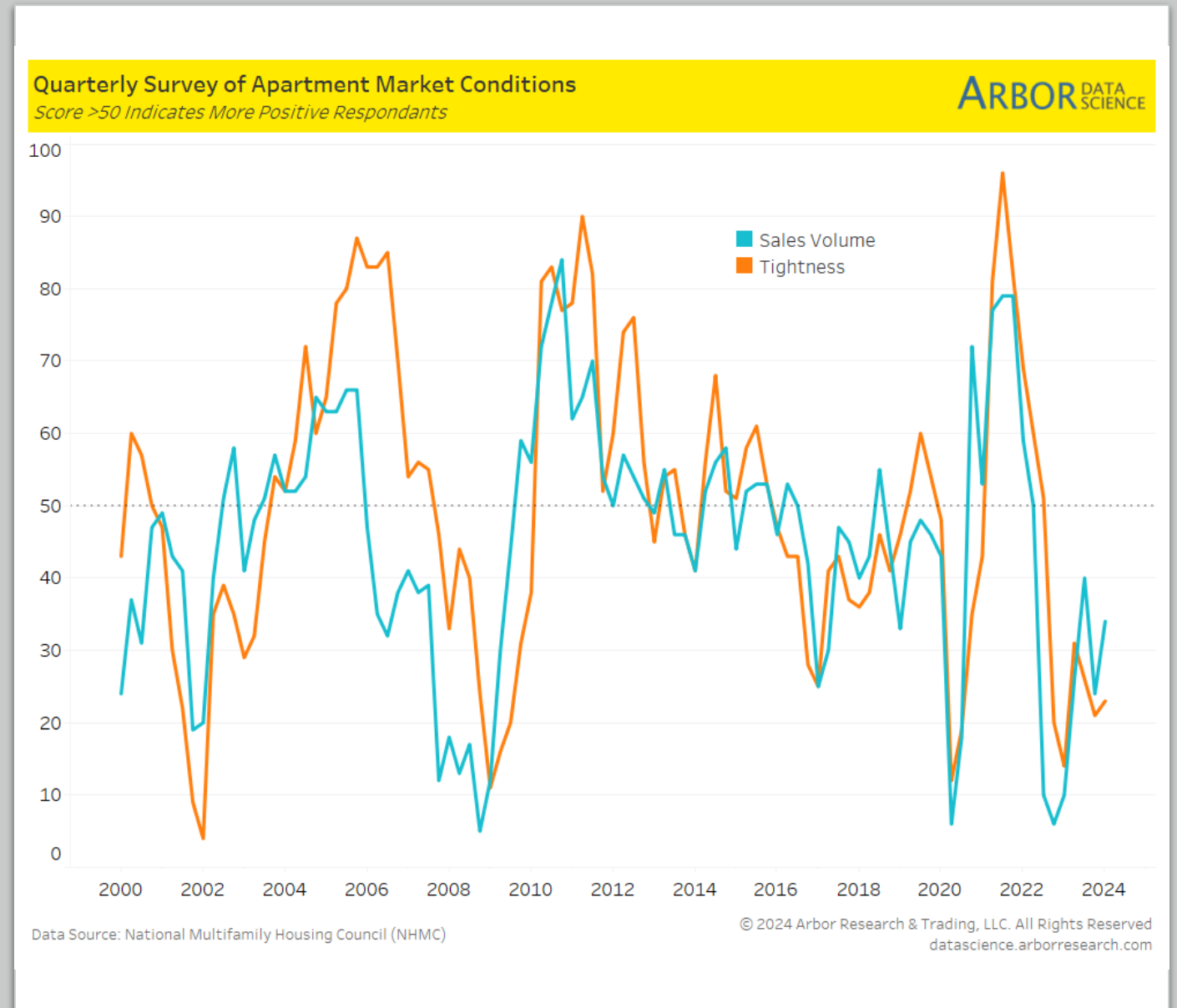
# Services Ex-Shelter and Supercore Inflation

- 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

- [Q1 2024's Survey of Apartment Market Conditions](#) conducted by the National Multifamily Housing Council (NMHC) showed fewer respondents describing conditions as tight in comparison to Q4 2023. The same survey reported an increase in apartment sales volume.



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The image shows three large, stylized letters: a blue 'A', a grey 'D', and a grey 'S'. The 'A' is on the left, the 'D' is in the middle, and the 'S' is on the right. The letters are bold and sans-serif.

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