

## Inflation Roundup

November 7, 2024

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

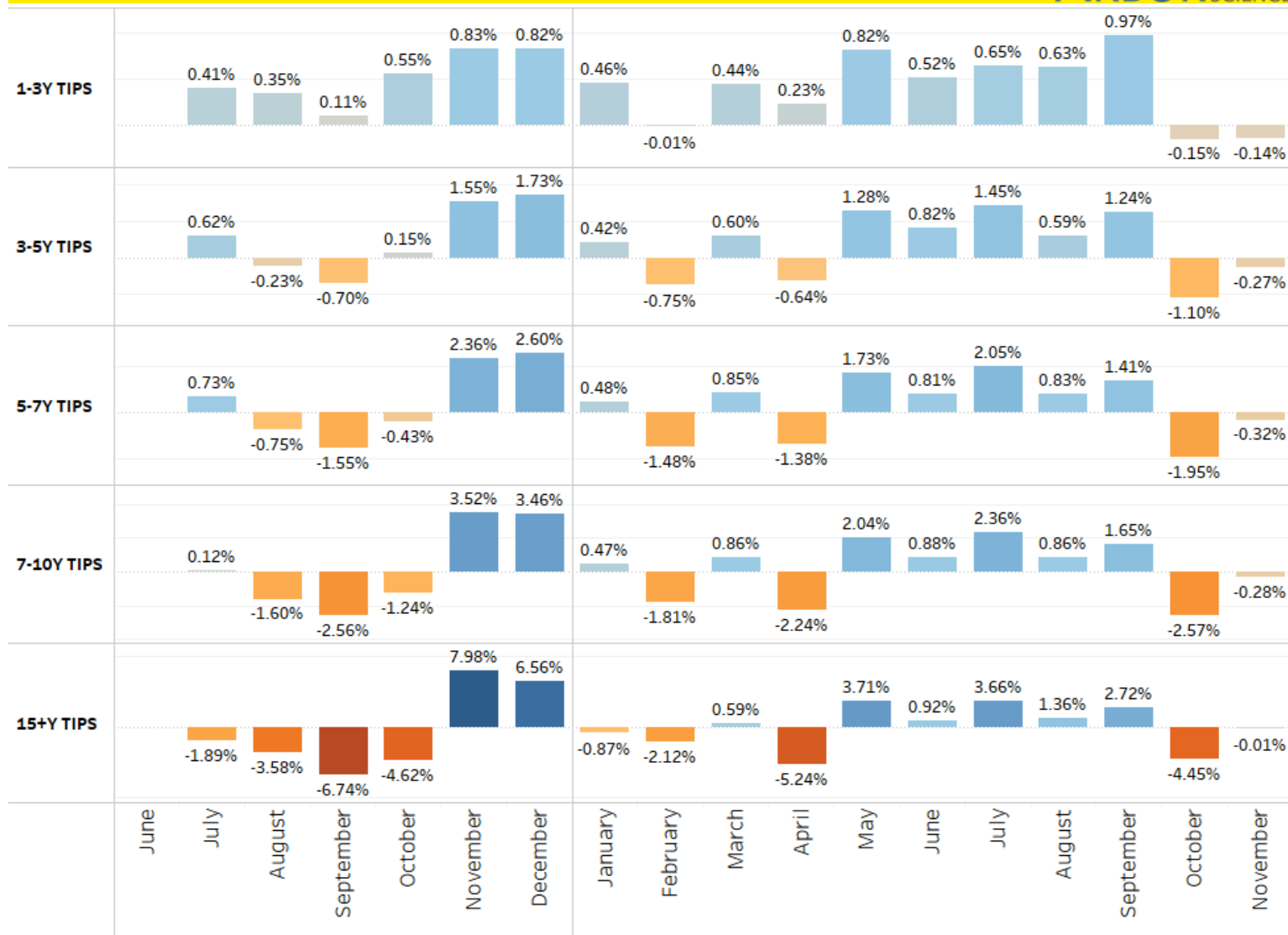
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# TIPS TOTAL RETURNS:

## U.S. TIPS: Monthly Returns

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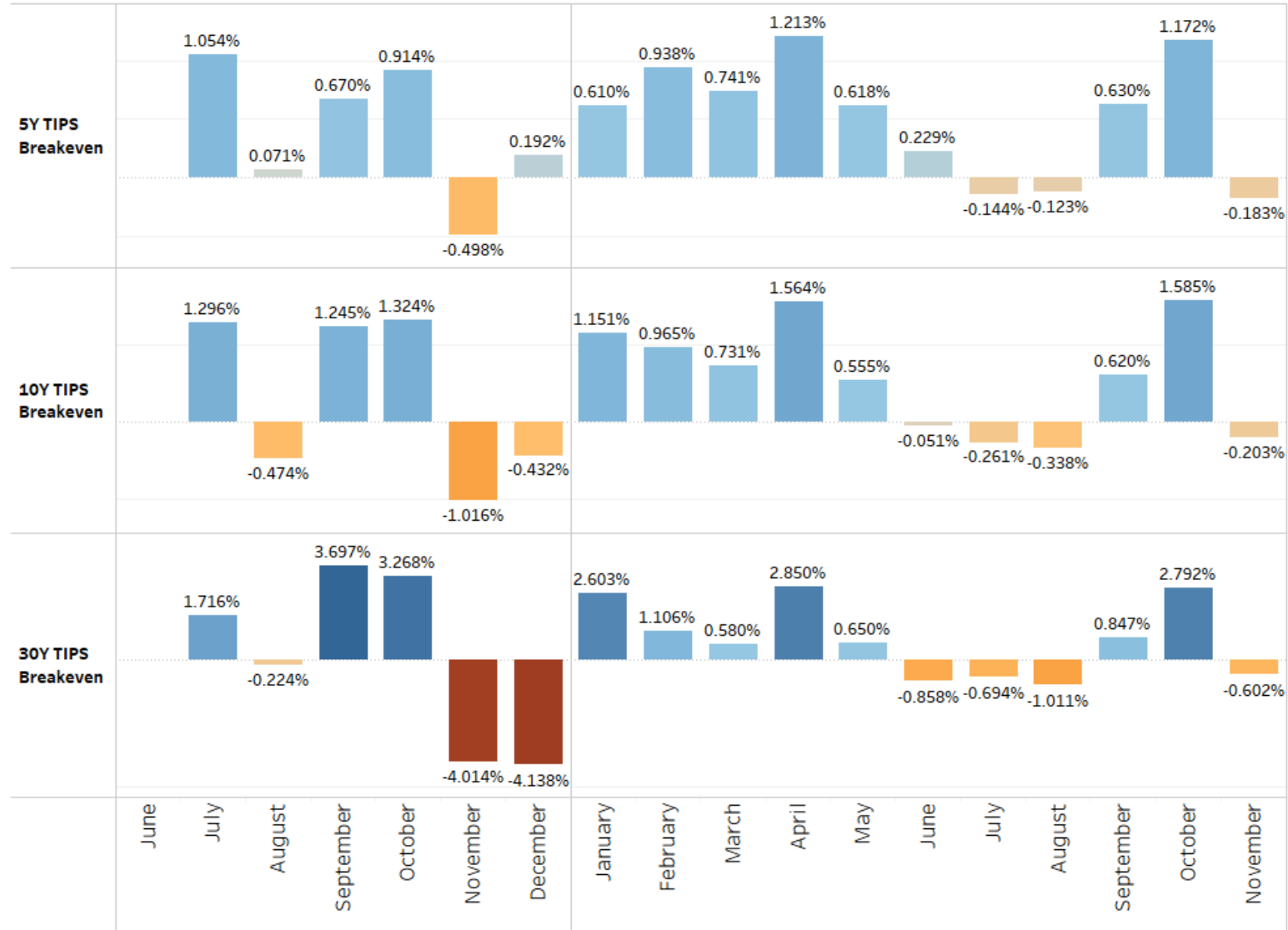


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# TIPS BREAKEVENS TOTAL RETURNS:

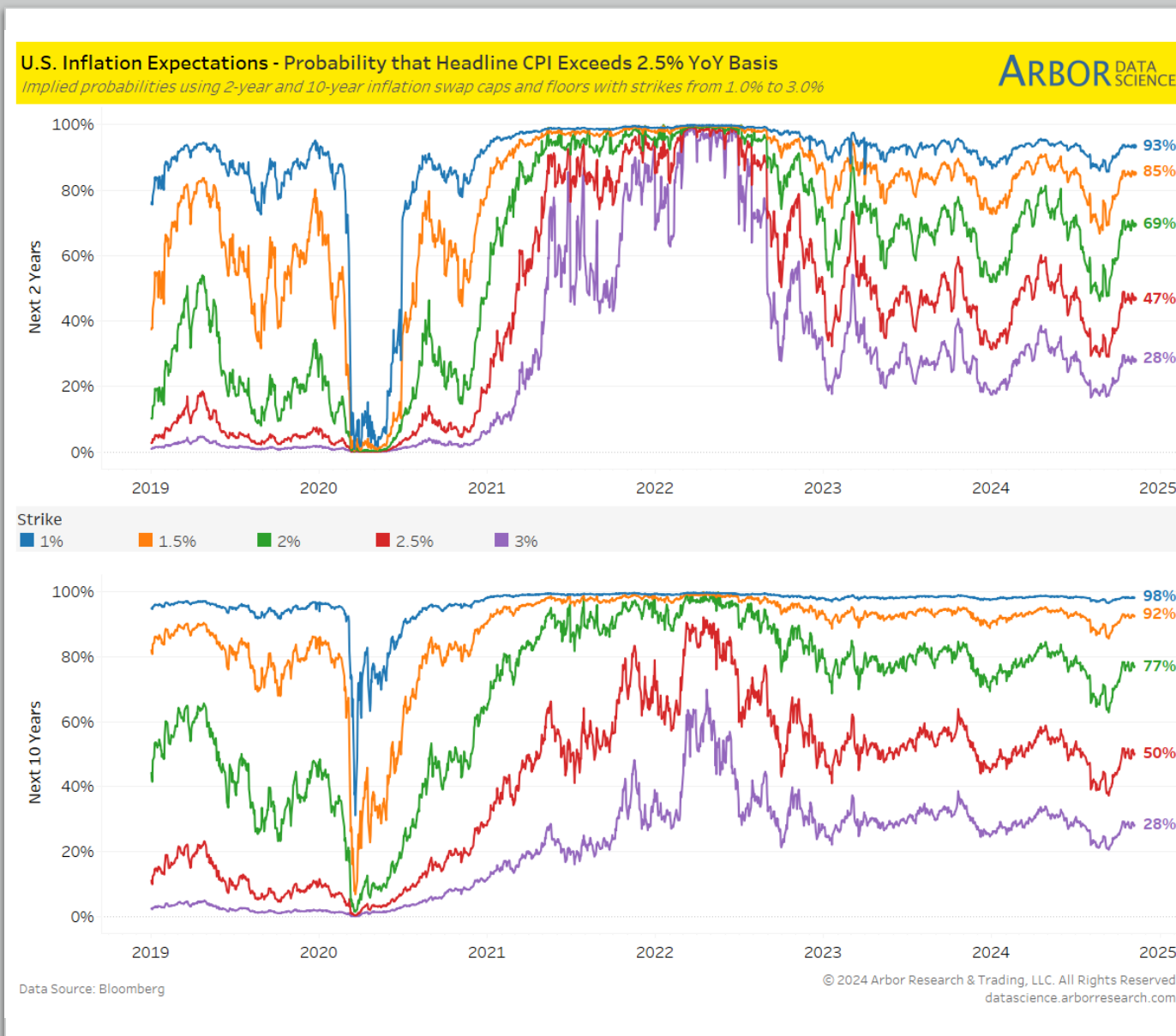
U.S. Inflation Expectations (duration weighted): Monthly Returns



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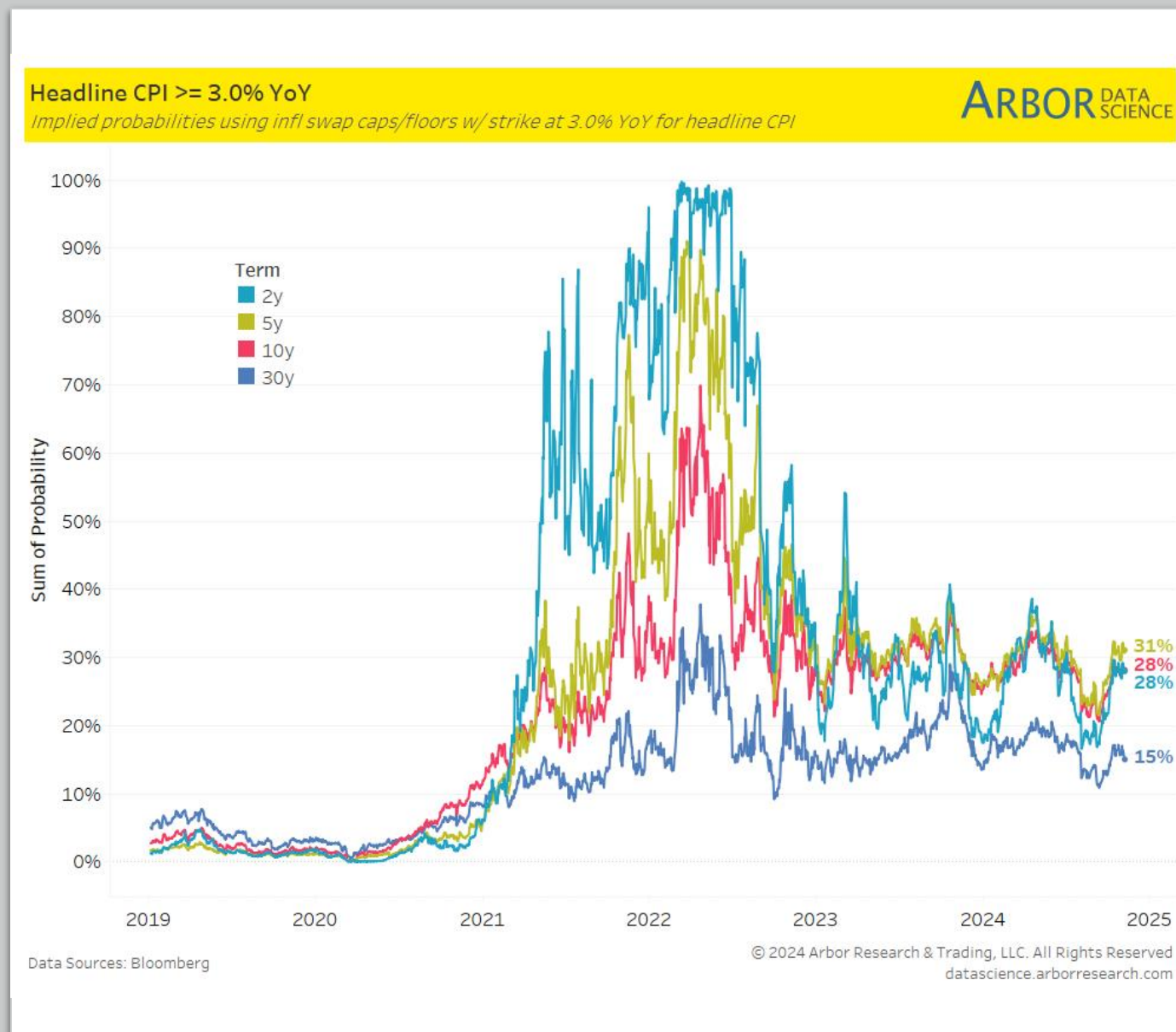
# U.S. Inflation Swap Caps and Floors

- Over the past week, inflation expectations for the next 2 years have all increased, except for 1%, which stayed the same. 10-year expectations have all increased, except for 1% and 1.5%, which stayed the same.
- The probability of 2.5% headline inflation for the next 2 years increased from 45% to 47% over the past week.
- The 10-year probability of 2.5% headline inflation increased from 49% to 50% over the past week.



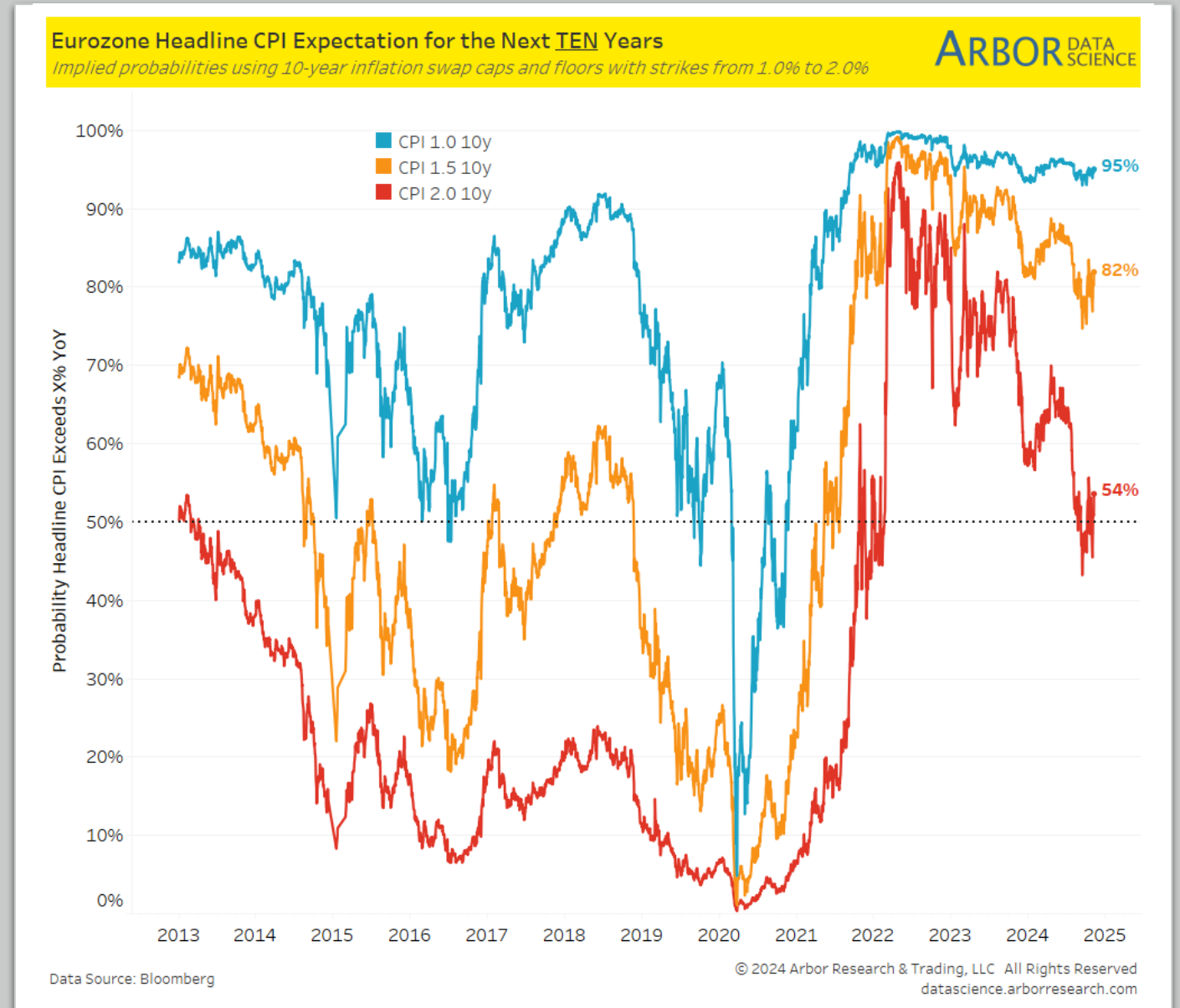
# U.S. 3% Headline Expectations

- 3% inflation probabilities all increased over the past week, except for 30y, which decreased.
- Based on swap cap/floor probabilities for the next 2 years, the market gives this outcome a 28% probability.



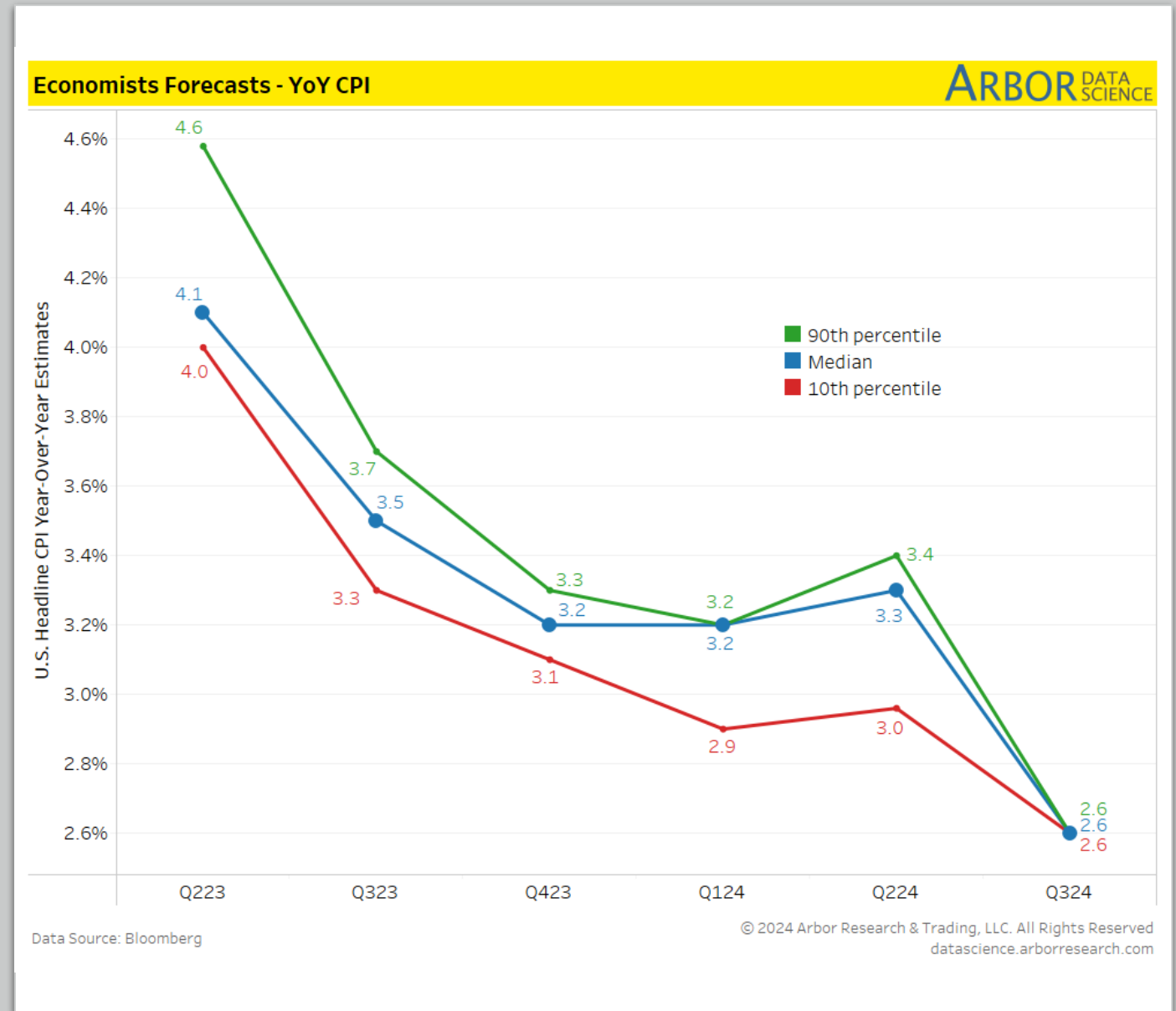
# Eurozone Inflation Expectations

- 10-year Eurozone inflation expectations all increased.
- The probability of 2% headline inflation over the next decade increased to 54% from 45%.



# Economist Inflation Forecasts

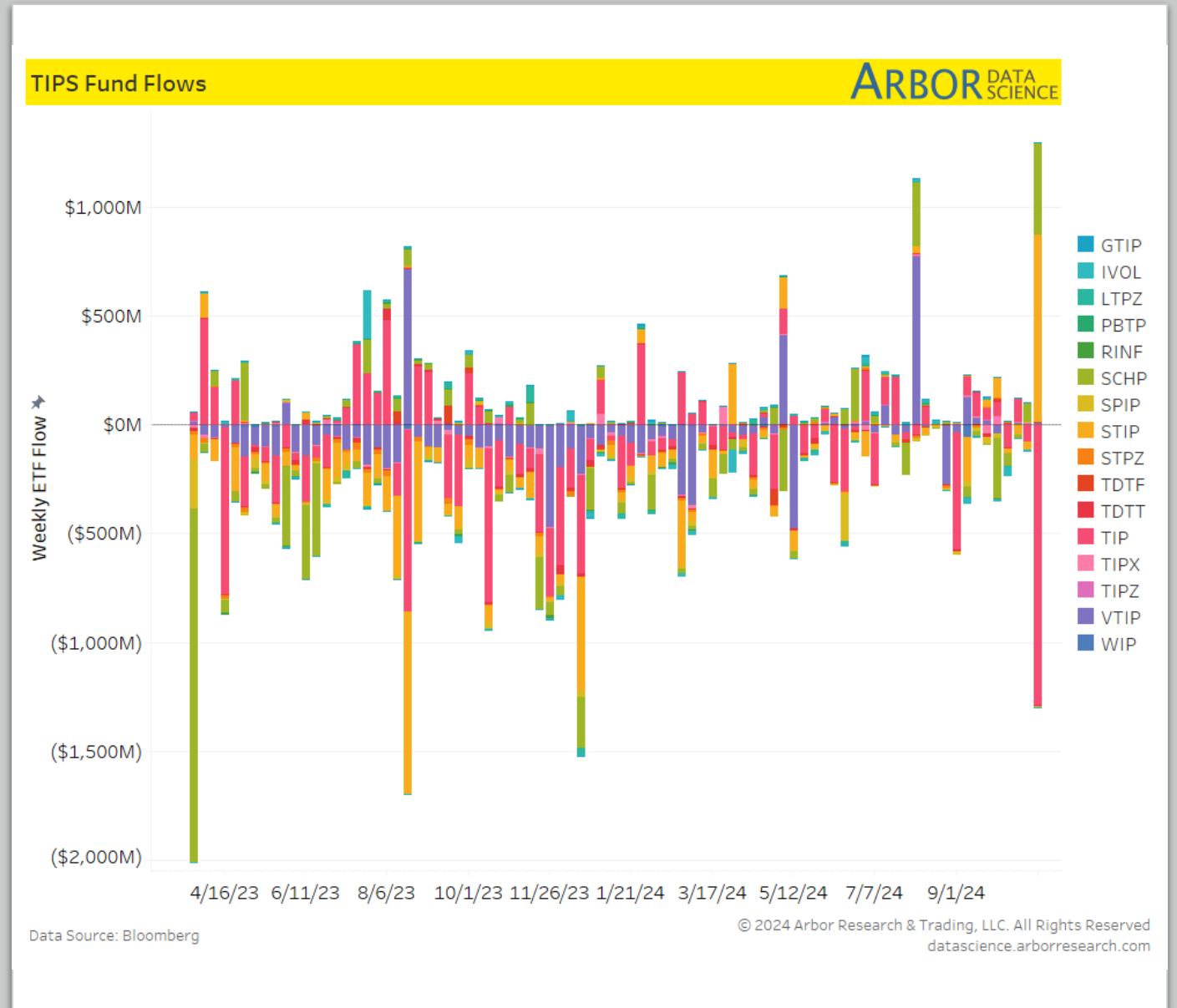
- The median economist's forecast from big banks (BOA, PNC, JPM, UBS, etc.) suggests US inflation will average 2.6% YoY in Q4 2024. More pessimistic and optimistic estimates are also 2.6% YoY in Q4 2024.
- Final University of Michigan inflation expectations data showed Americans expect a 2.7% inflation rate over the next year.





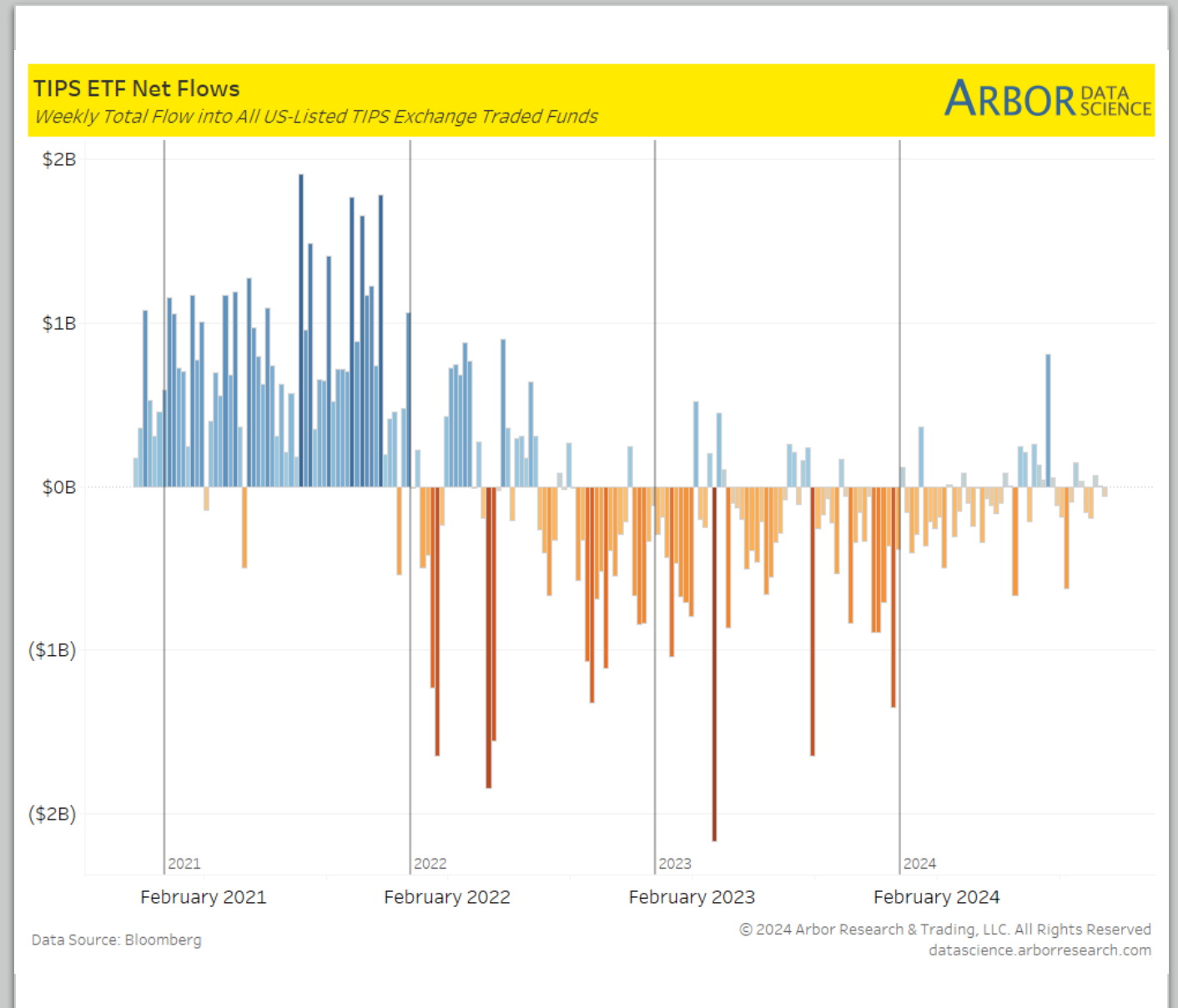
# TIPS Fund Flows

- The majority of flows last week were positive with inflows concentrated in three funds (rounded value):
- iShares 0-5 Year TIPS Bond ETF: \$860 million
- Schwab US TIPS ETF: \$424 million
- Vanguard Sht-Term Inflation-Protected Sec Idx ETF: \$12 million

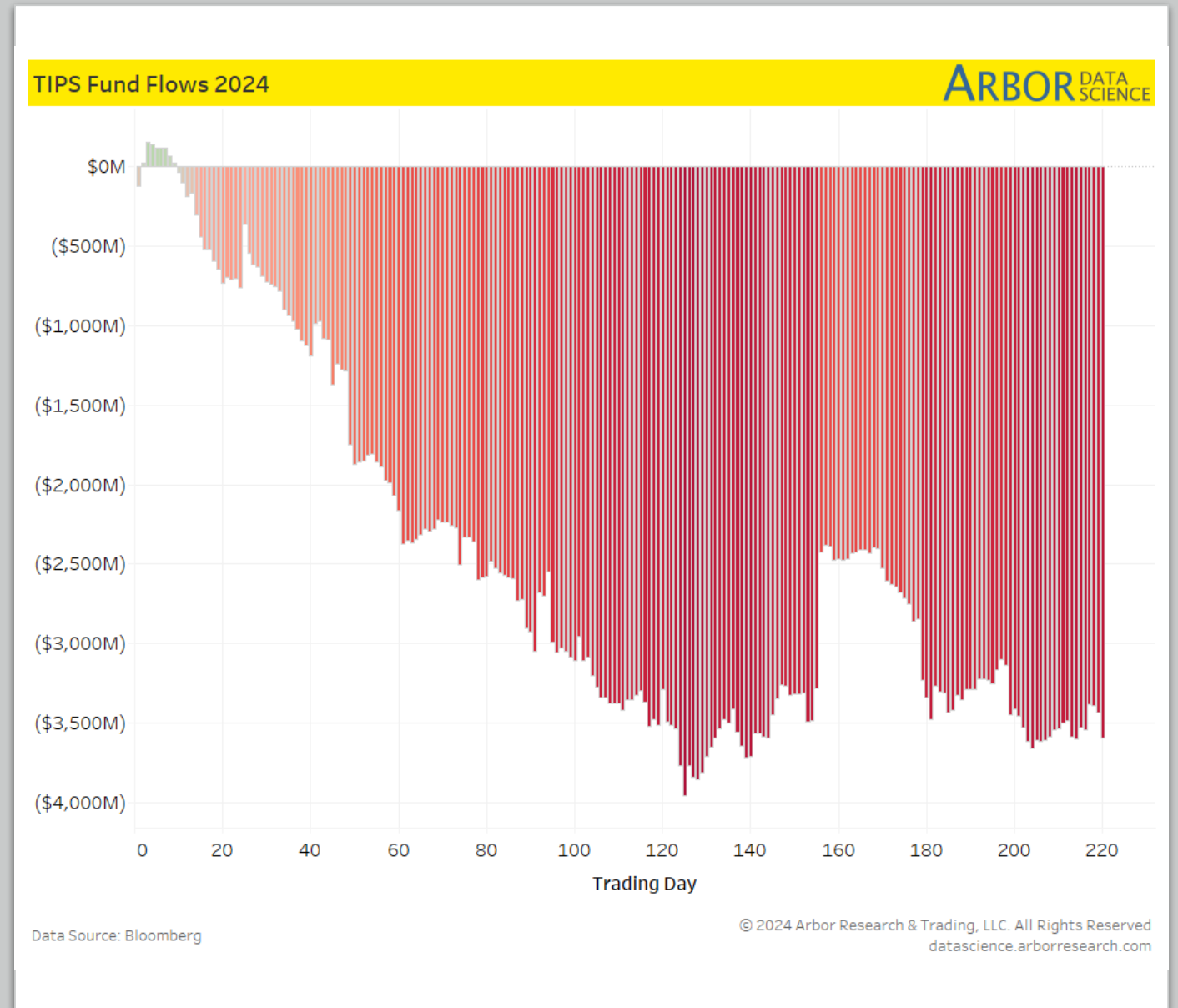




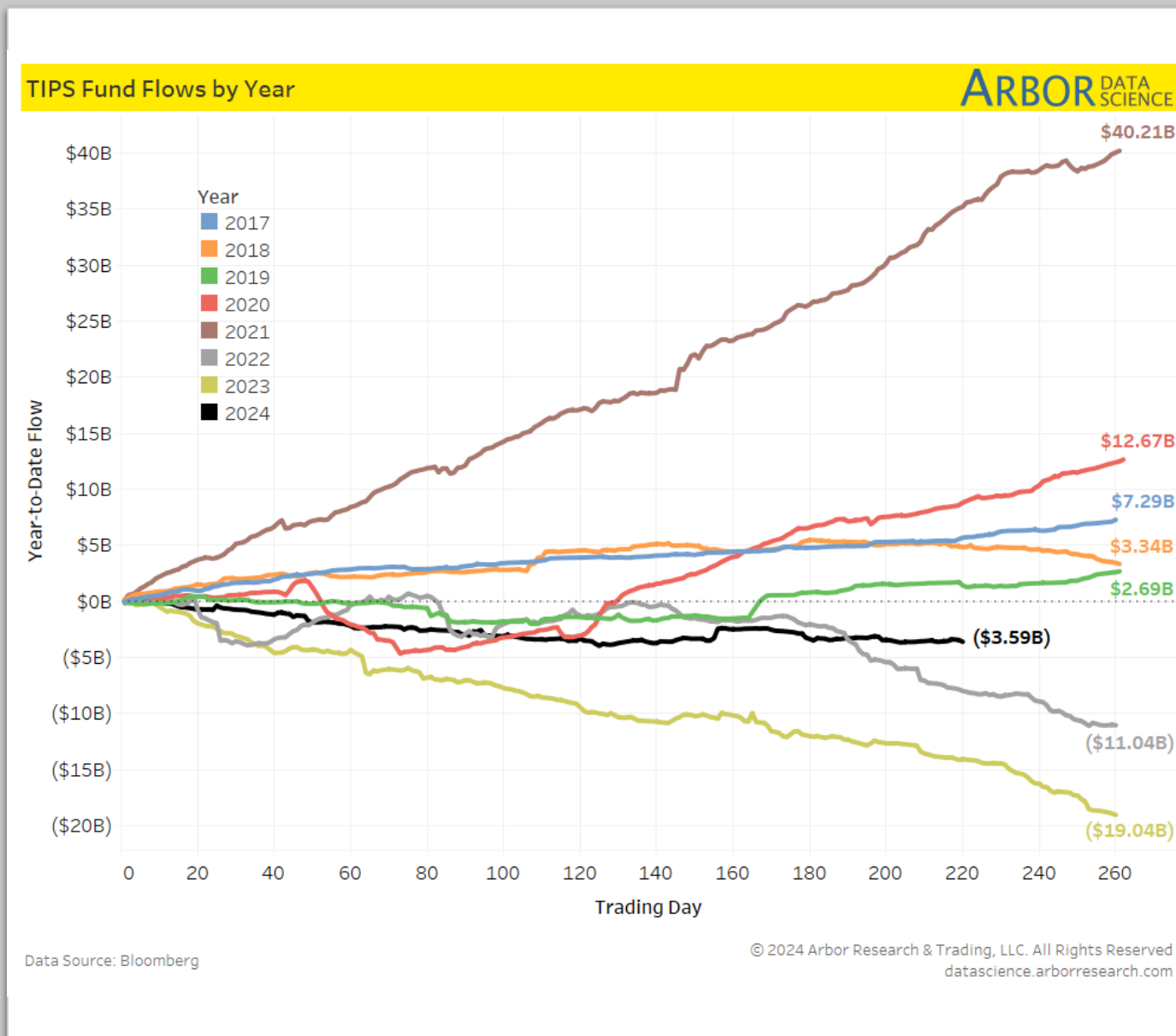
Last week's total flows for all US-listed TIPS ETFs had outflows of \$60.83 billion.



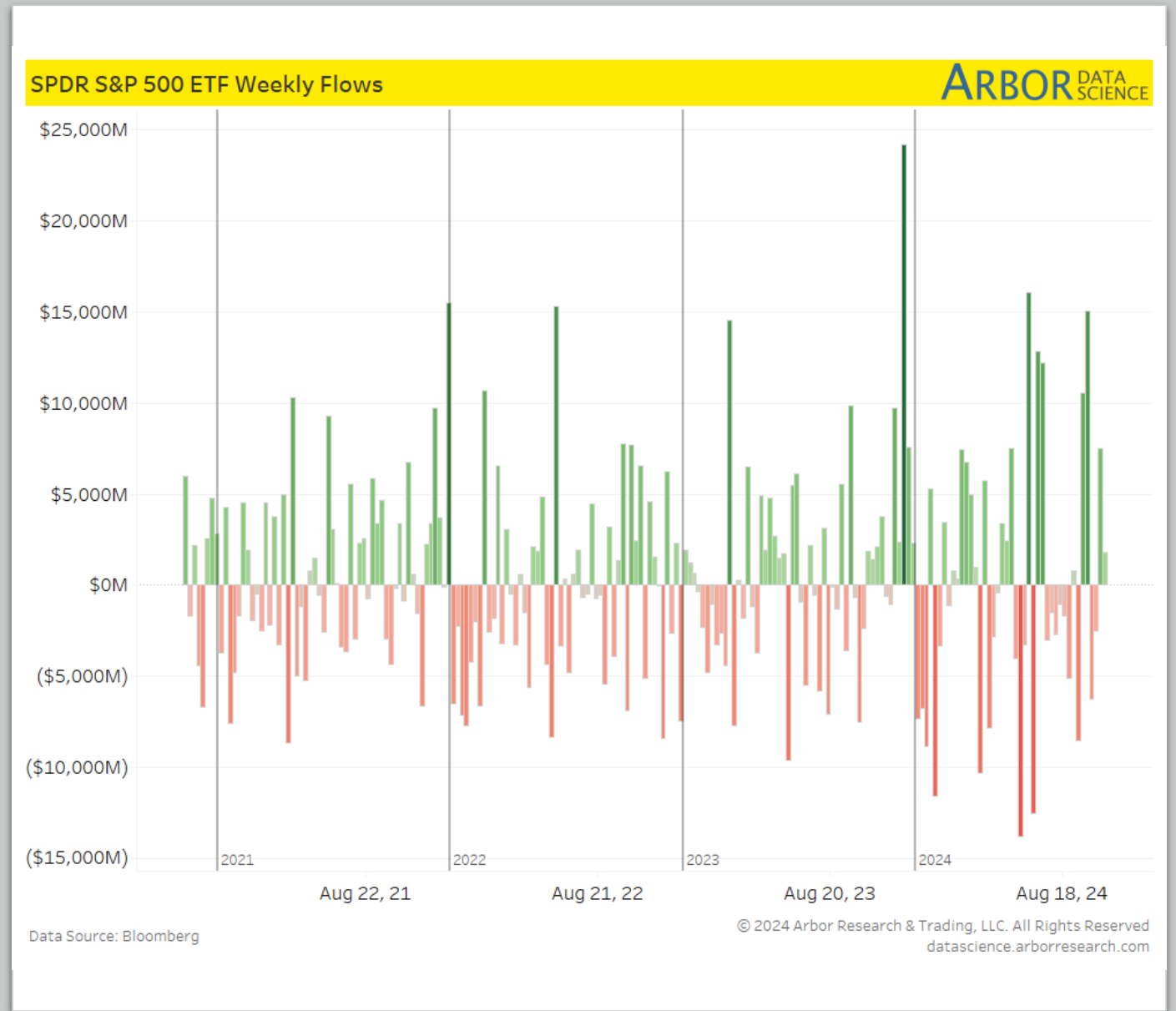
2024 Year-to-date total flows for all US-listed TIPS ETFs had outflows of \$3.59 billion.



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



The SPY ETF had inflows of approximately \$2.60 million last week.



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

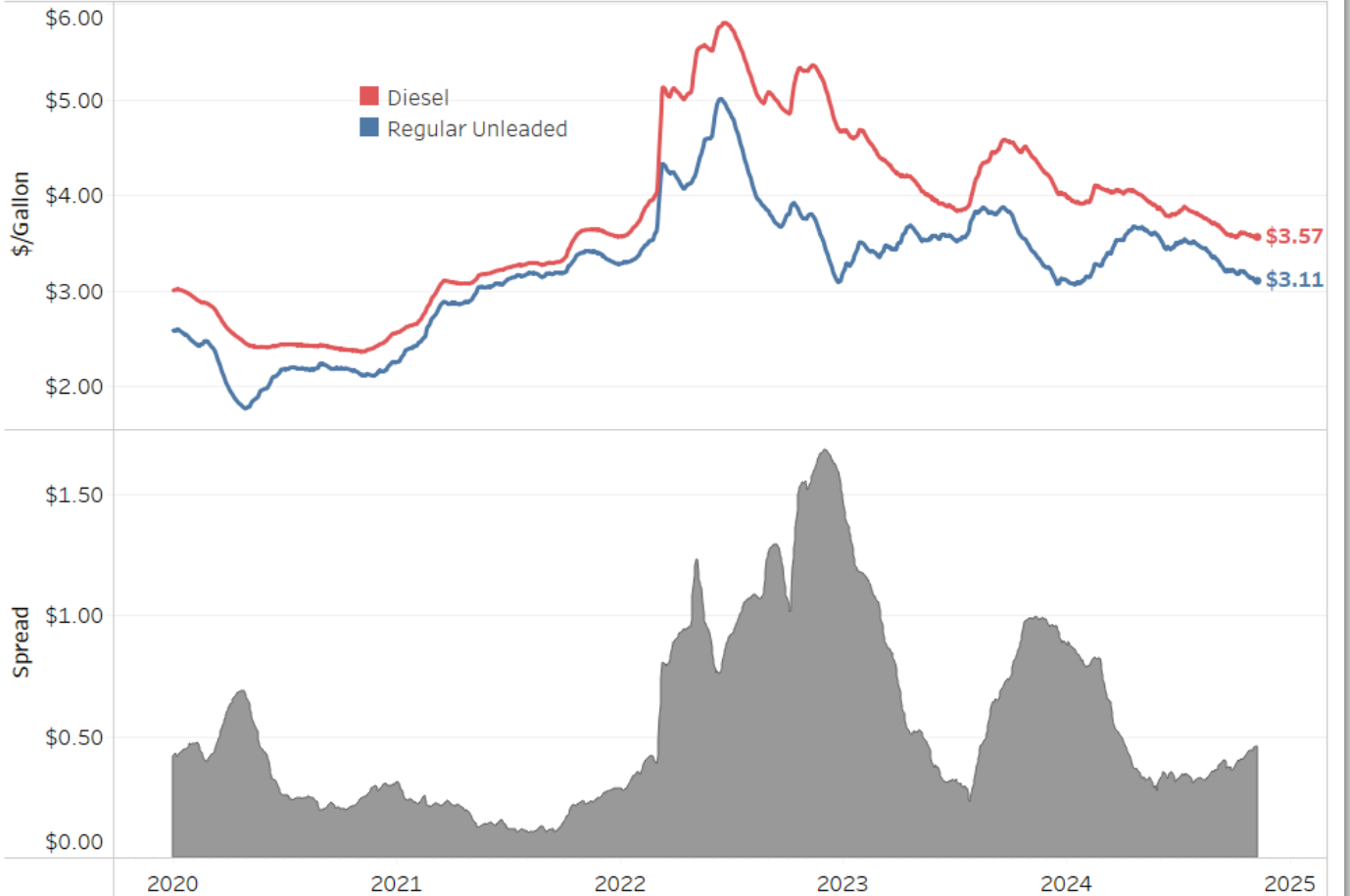


# Average Diesel/Gas Spread Rose to \$0.46

## 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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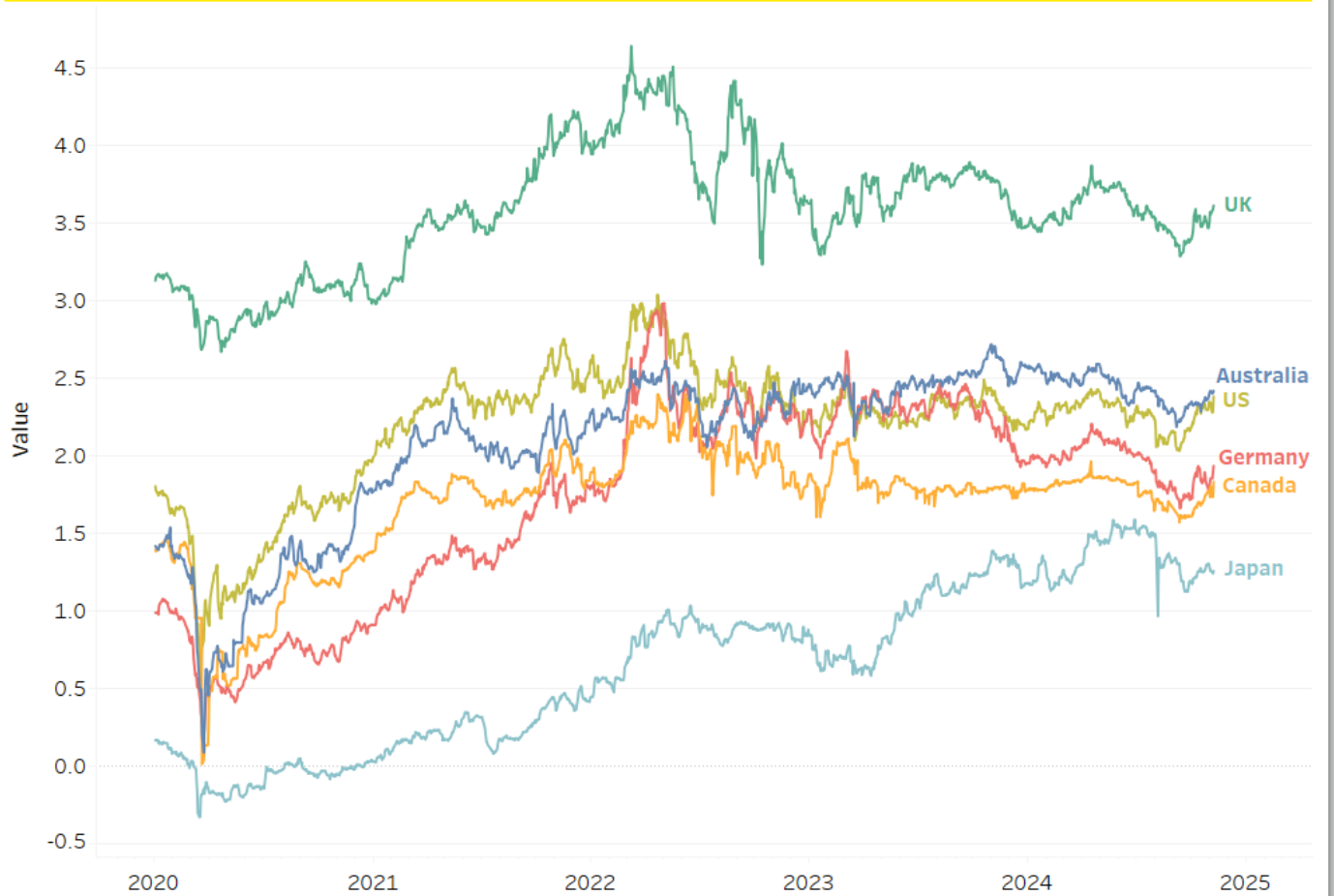
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# 10-Year Global Breakevens

## 10-Year Inflation Expectations

Global Breakevens

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Data Source: Bloomberg

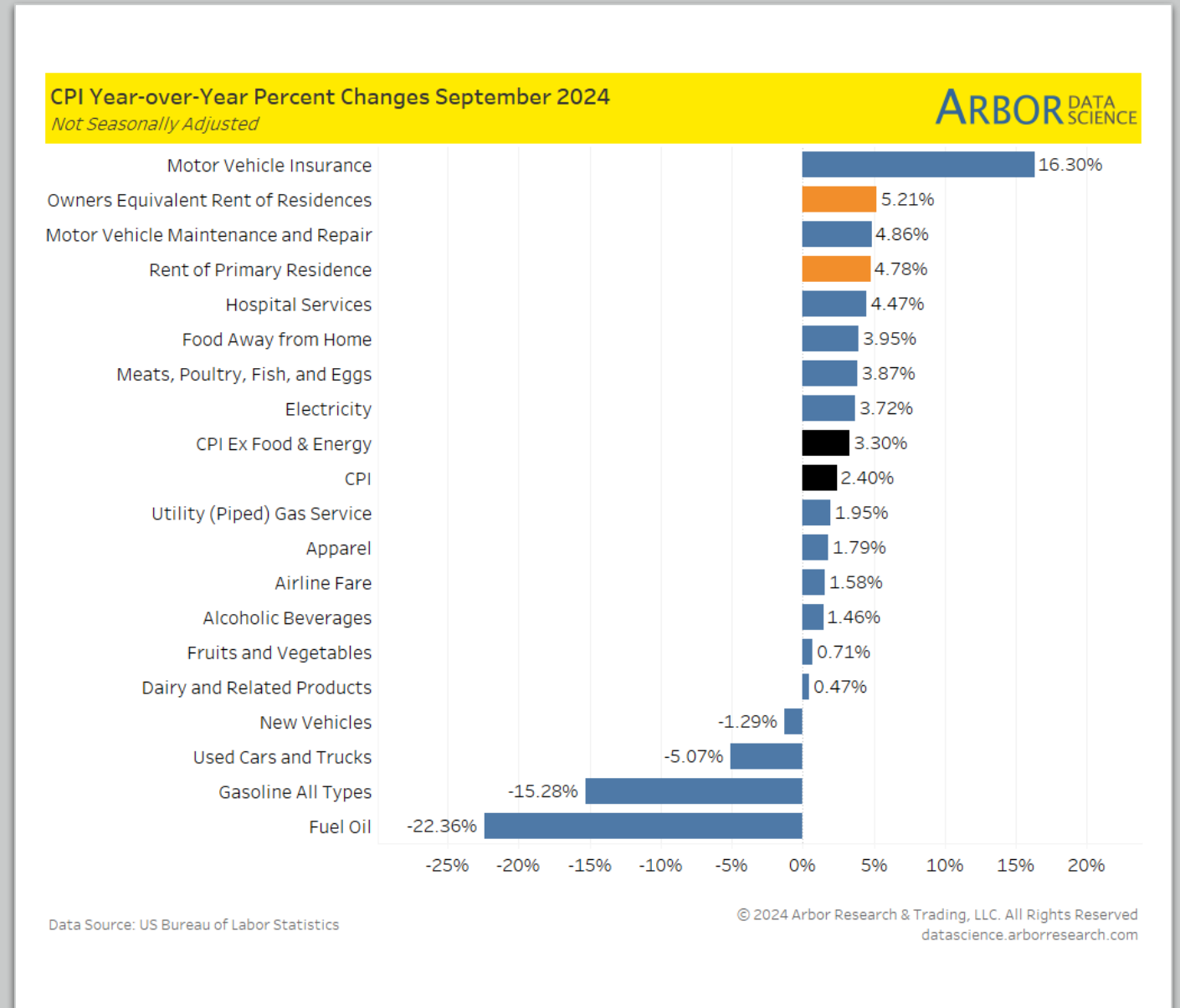
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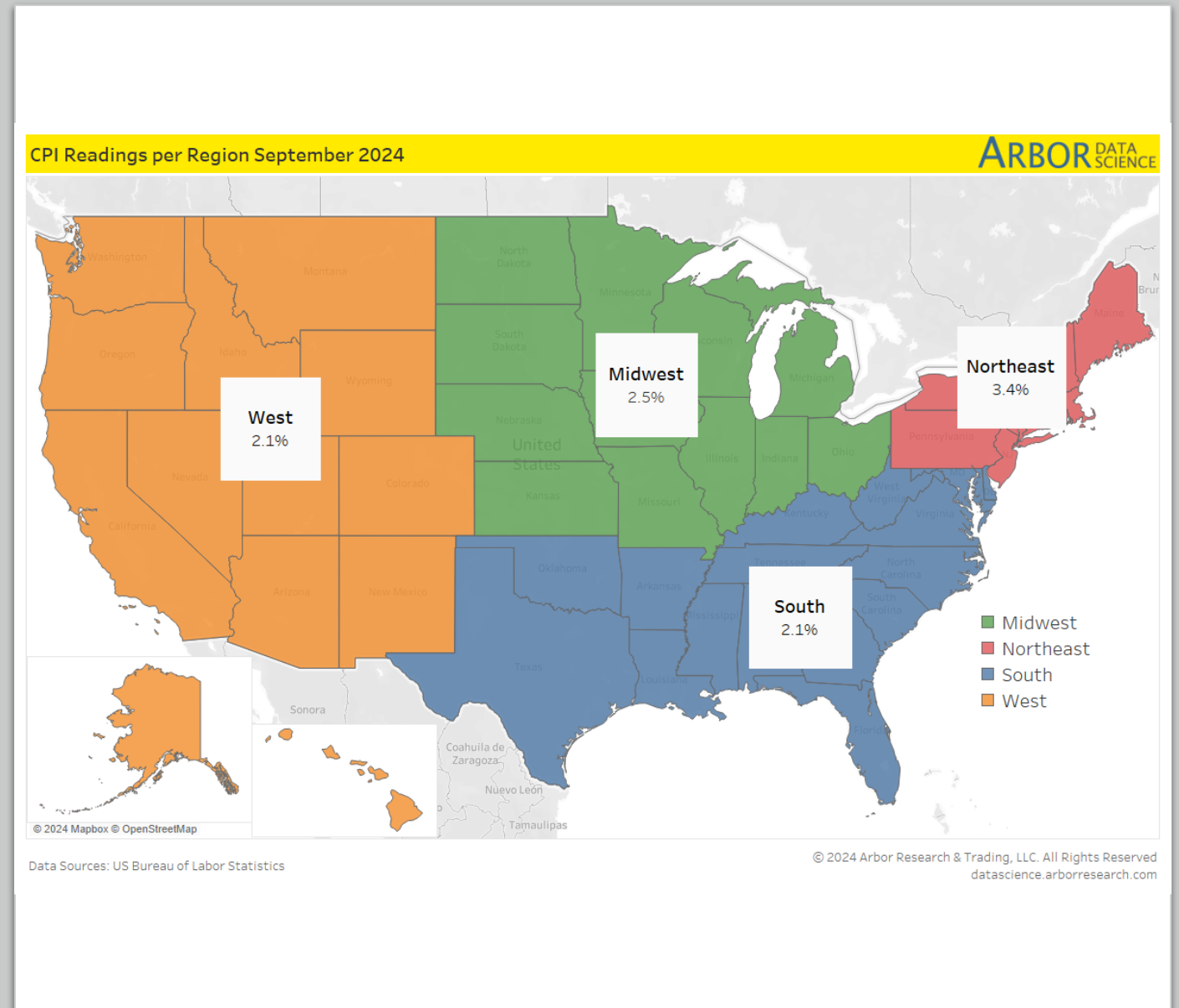
# CPI YoY% Changes September 2024

- CPI YoY had a 2.4% increase in September 2024.
- Motor Vehicle Insurance had the largest increase YoY% change for our selected categories at 16.30% in September 2024, while Fuel Oil had the largest decrease YoY% change for our selected categories of -22.36%.



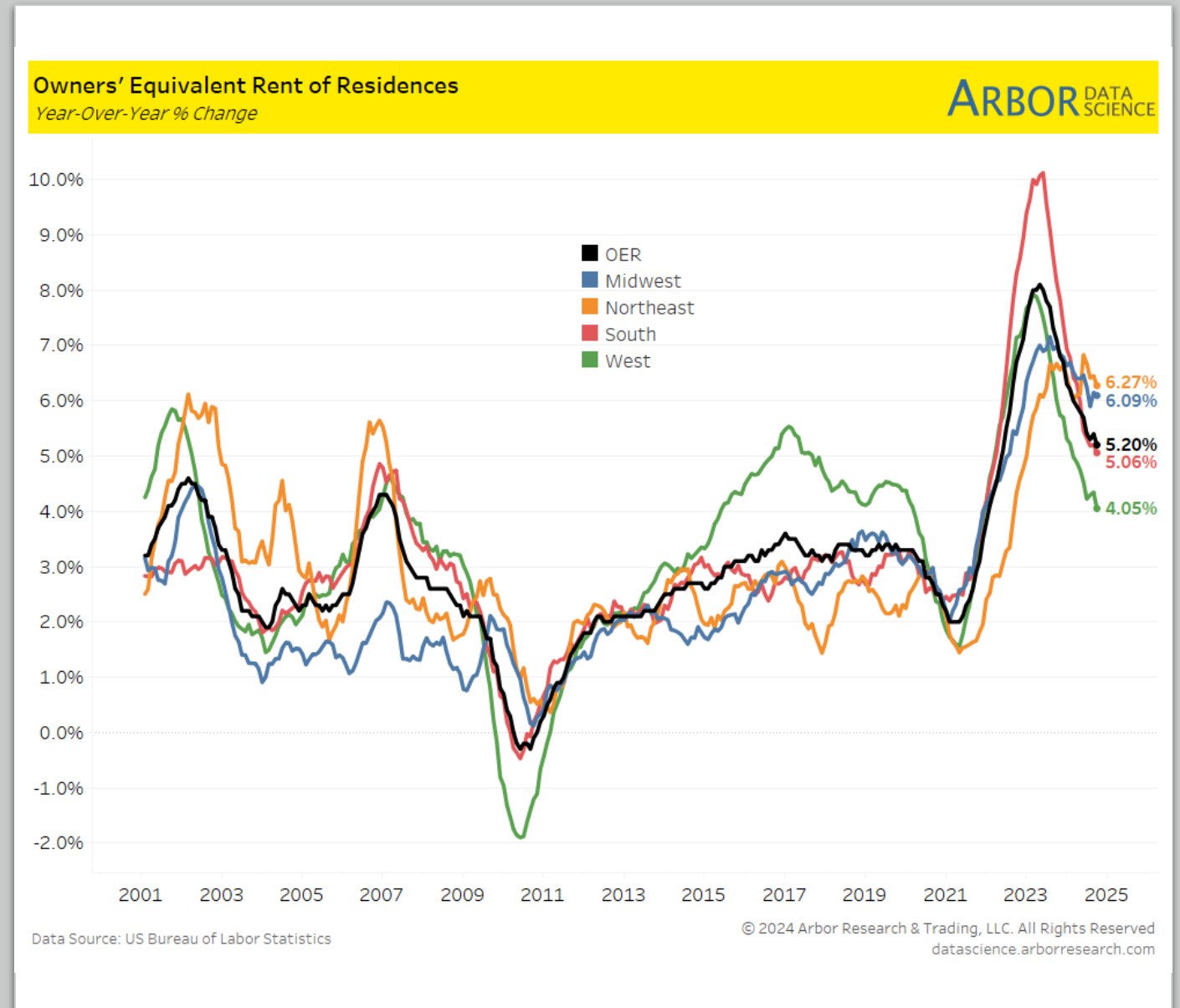
# CPI Readings per Region September 2024

- The Northeast had the highest inflation reading for September 2024, at 3.4% YoY, followed by the Midwest at 2.5% YoY, the South at 2.1% YoY, and the West at 2.1% YoY.



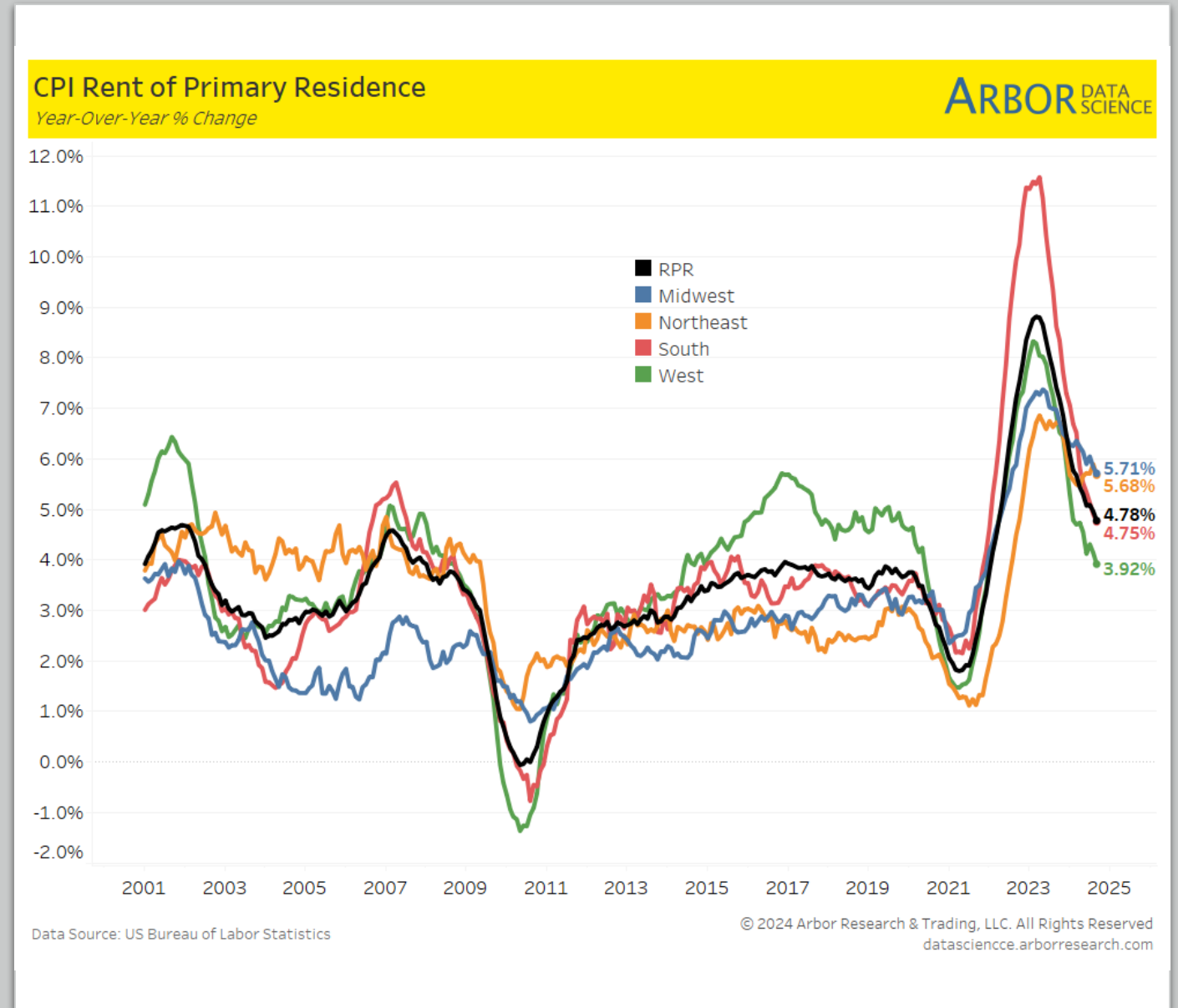
# Owners' Equivalent Rent of Residences

- 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 5.20% year-over-year nationally in September 2024.



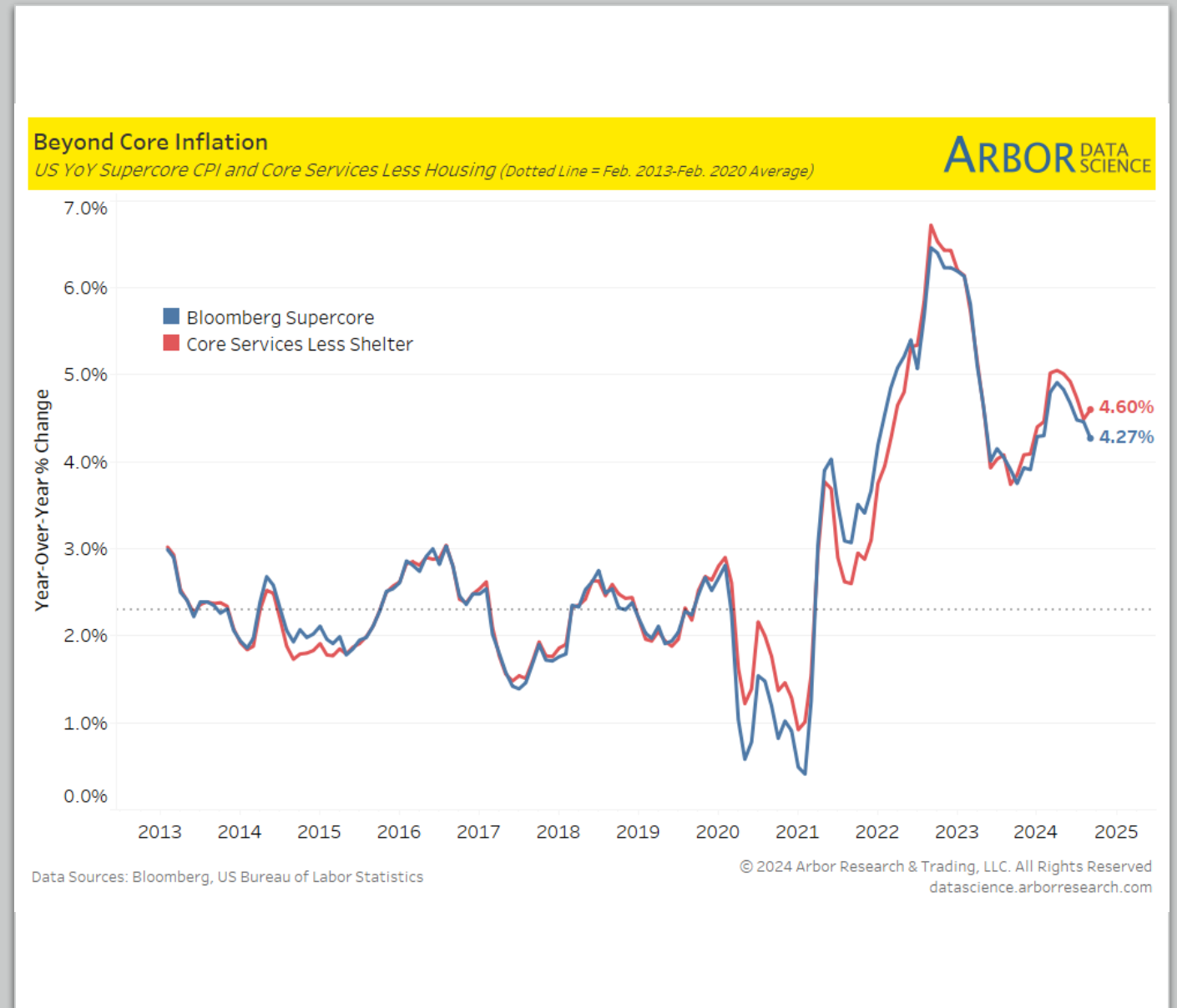
# Rent of Primary Residence

- Rent of Primary Residence (RPR), the renters' side of shelter inflation, continued to decline to 4.78% year-over-year.



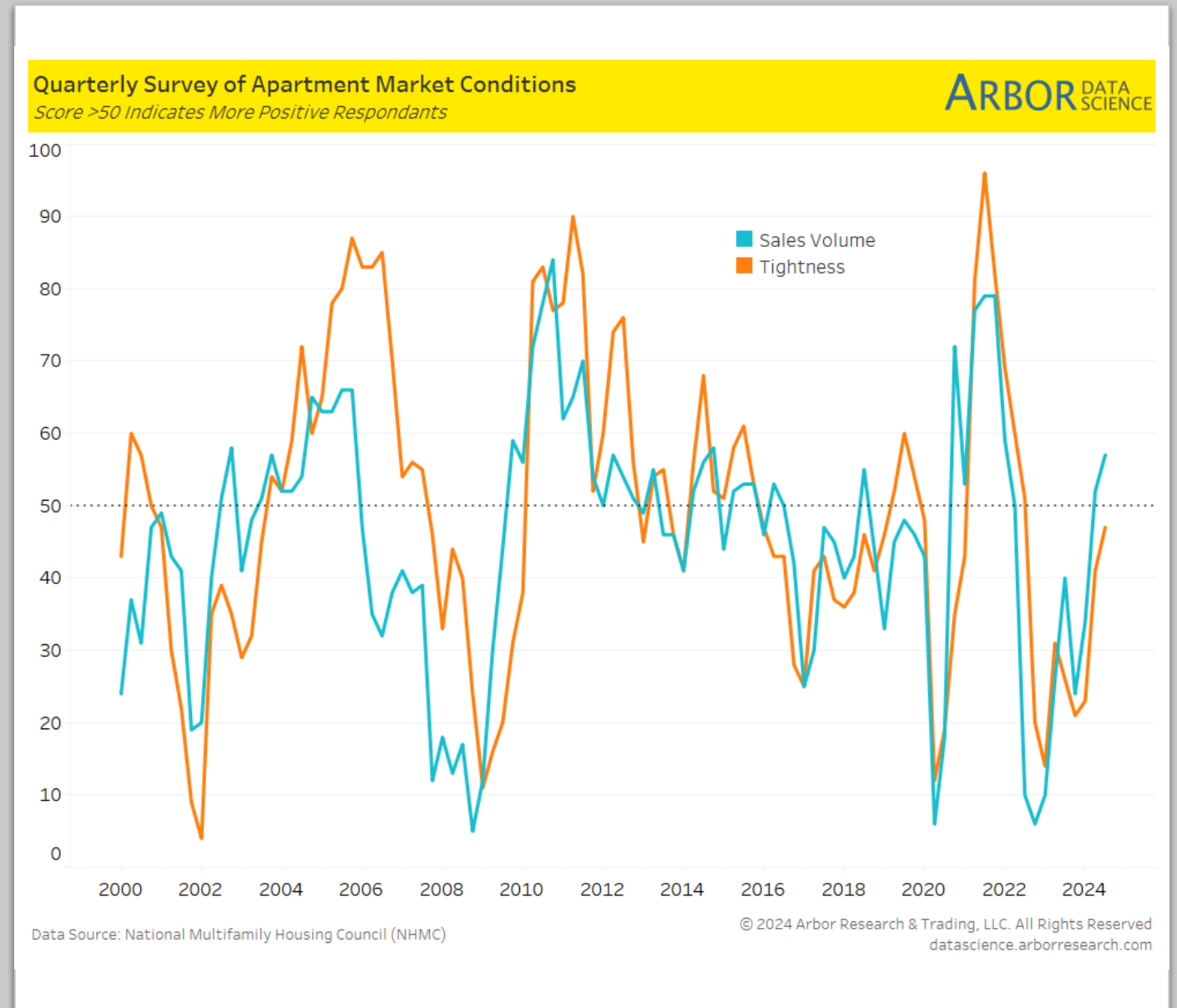
# Services Ex-Shelter and Supercore Inflation

- 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

- [Q3 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 Q2 2024. The same survey reported an increase in apartment sales volume.



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