



Inflation Roundup

February 6, 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

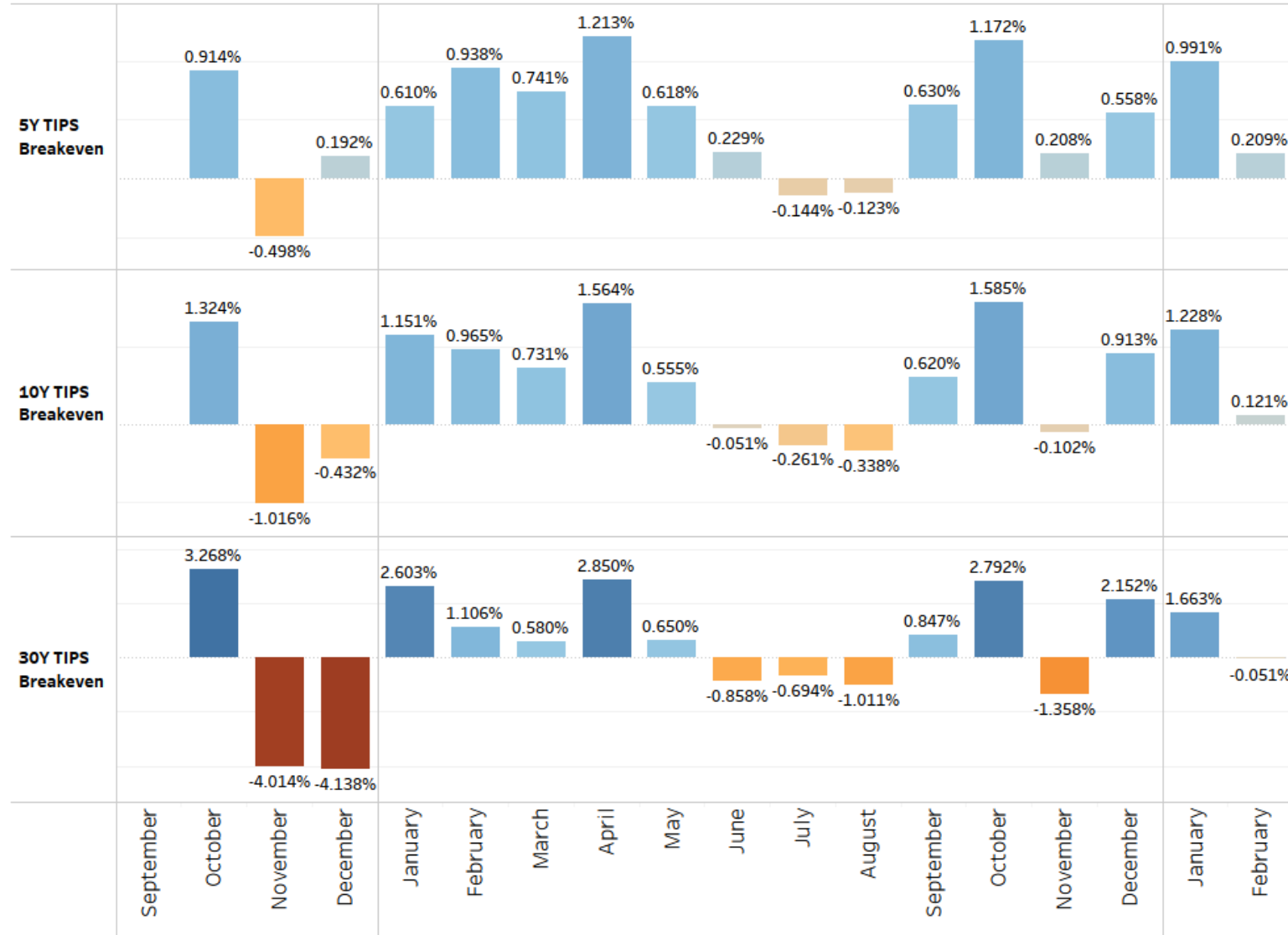


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TIPS BREAKEVENS TOTAL RETURNS:

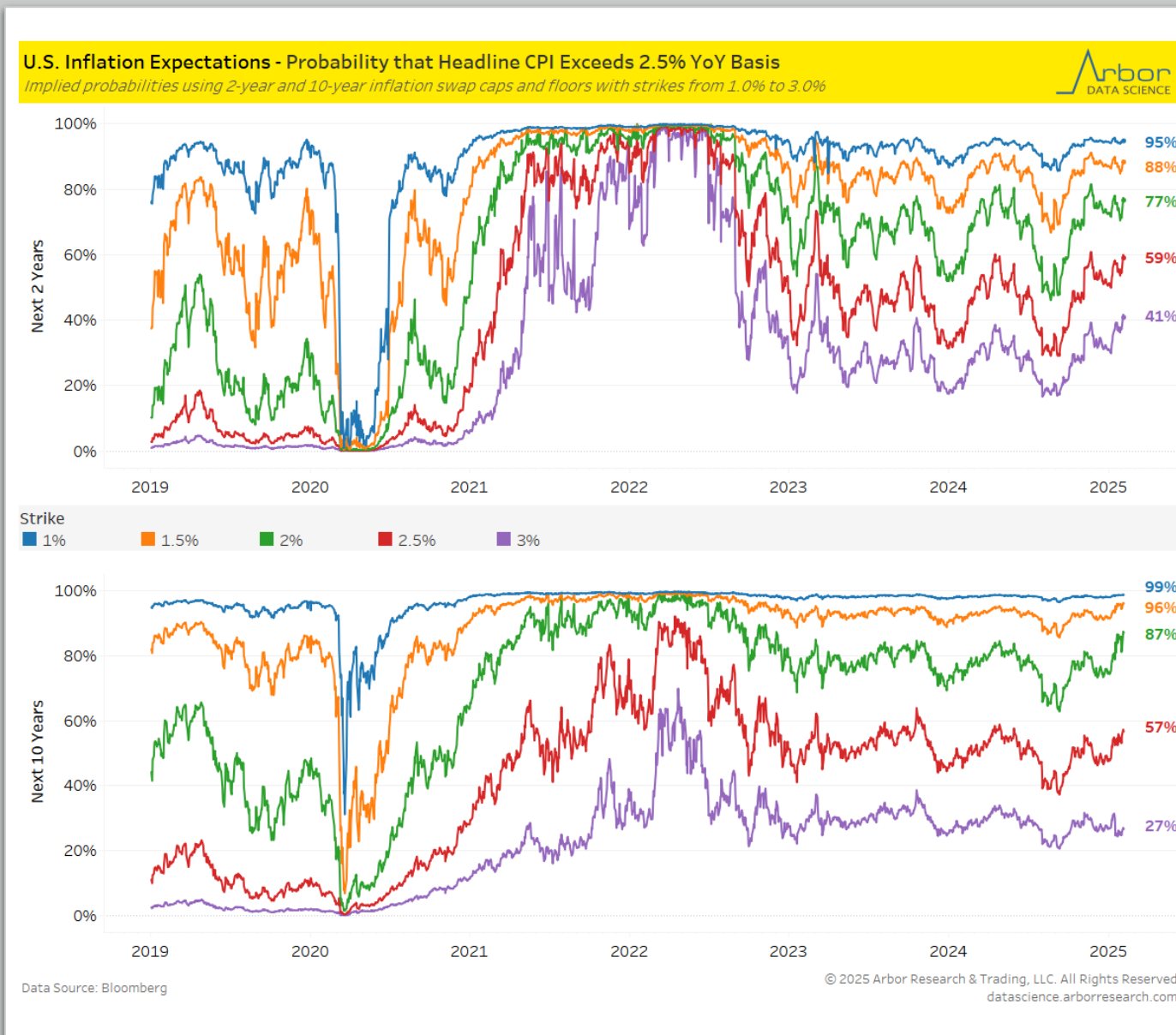
U.S. Inflation Expectations (duration weighted): Monthly Returns



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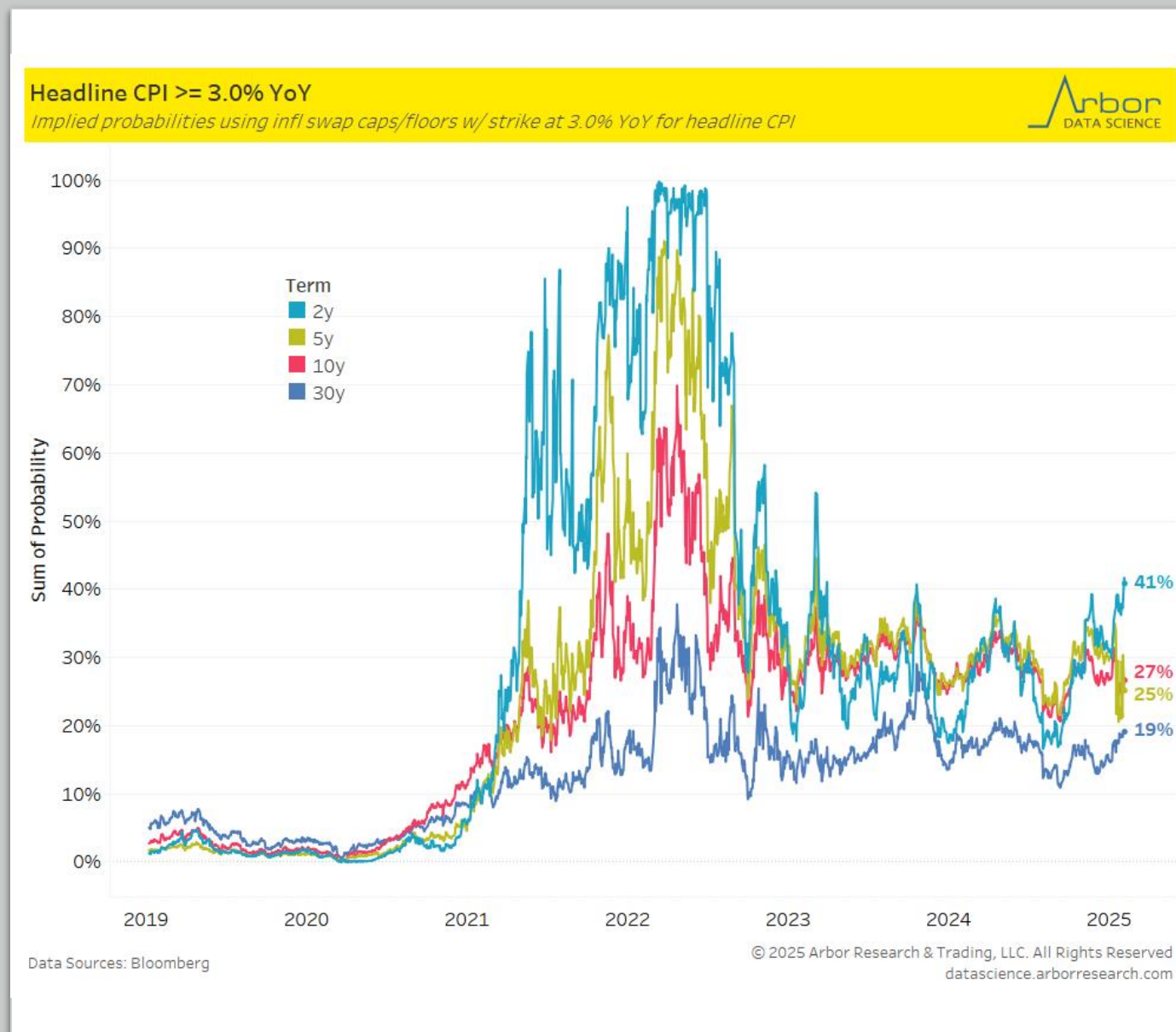
U.S. Inflation Swap Caps and Floors

- Over the past week, inflation expectations for the next 2 years all increased. 10-year expectations mostly increased, except 1% and 1.5%, which stayed the same.
- The probability of 2.5% headline inflation for the next 2 years increased to 59% compared to 55% the previous week.
- The 10-year probability of 2.5% headline inflation increased from 55% to 57% over the past week.



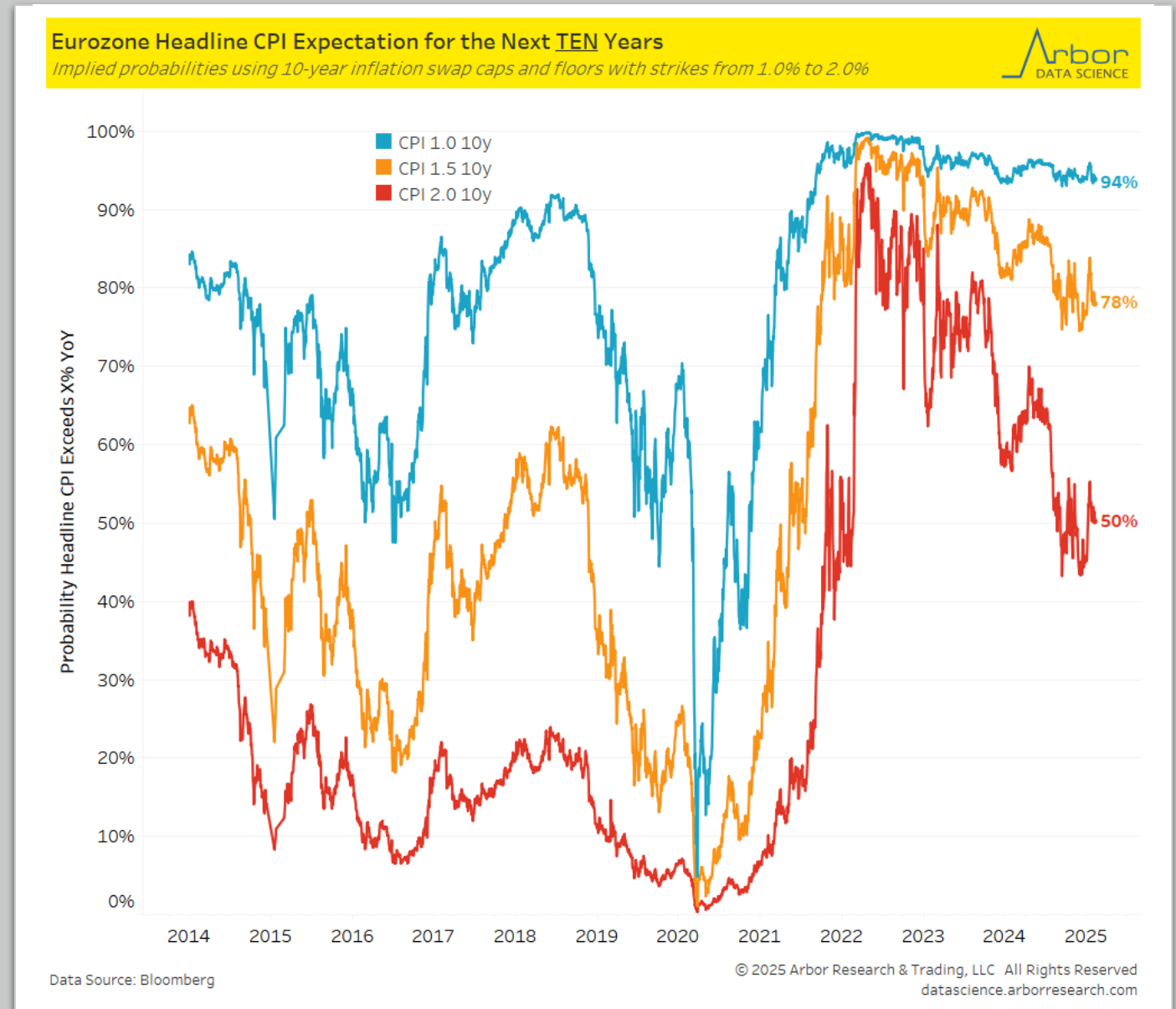
U.S. 3% Headline Expectations

- 3% inflation increased in the 2y, 10y, while 5y decreased in the past week.
- Based on swap cap/floor probabilities for the next 2 years, the market gives this outcome a 41% probability.



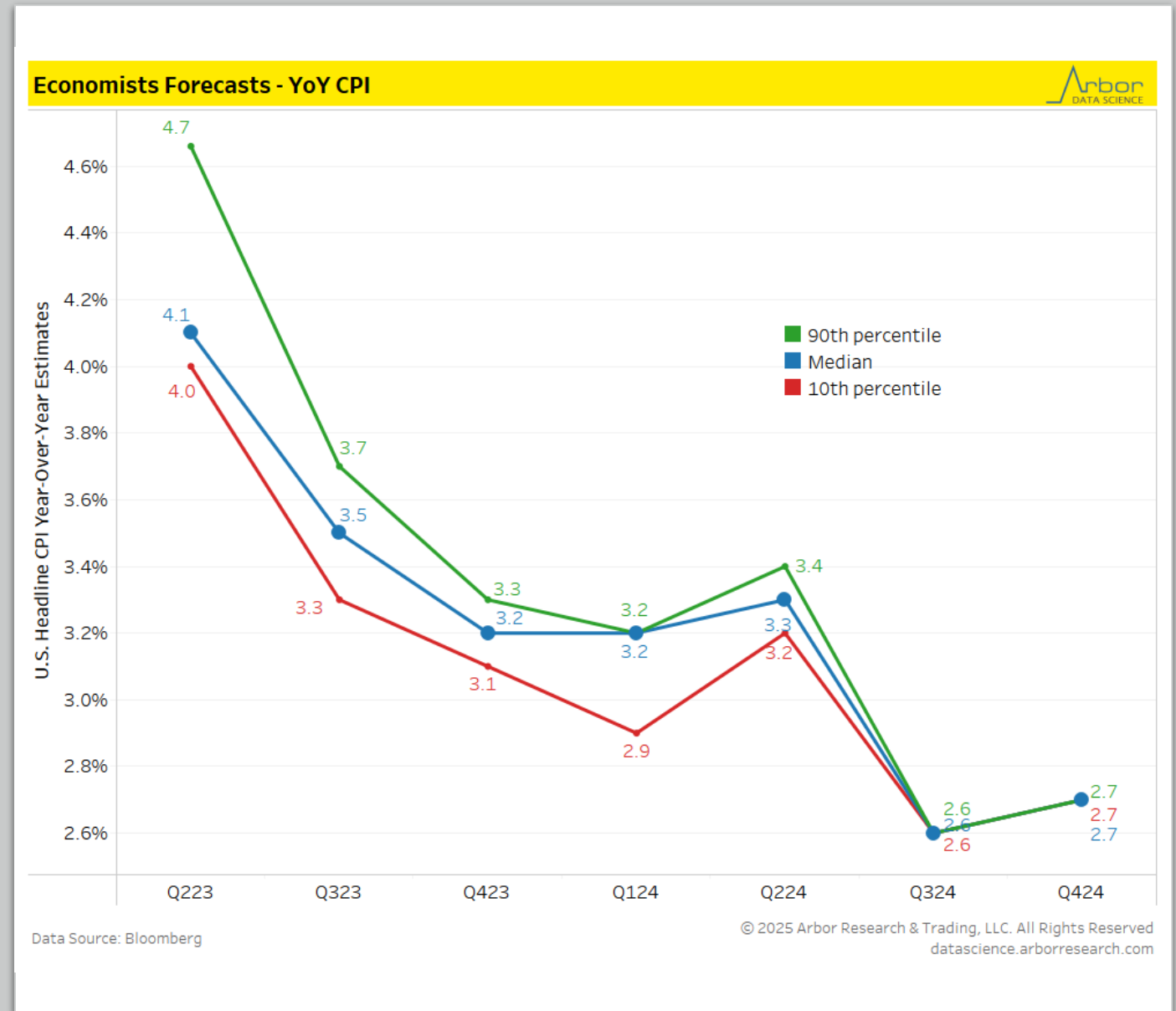
Eurozone Inflation Expectations

- 10-year Eurozone inflation expectations mostly decreased from the prior week.
- The probability of 2% headline inflation over the next decade decreased to 50% from 51%.



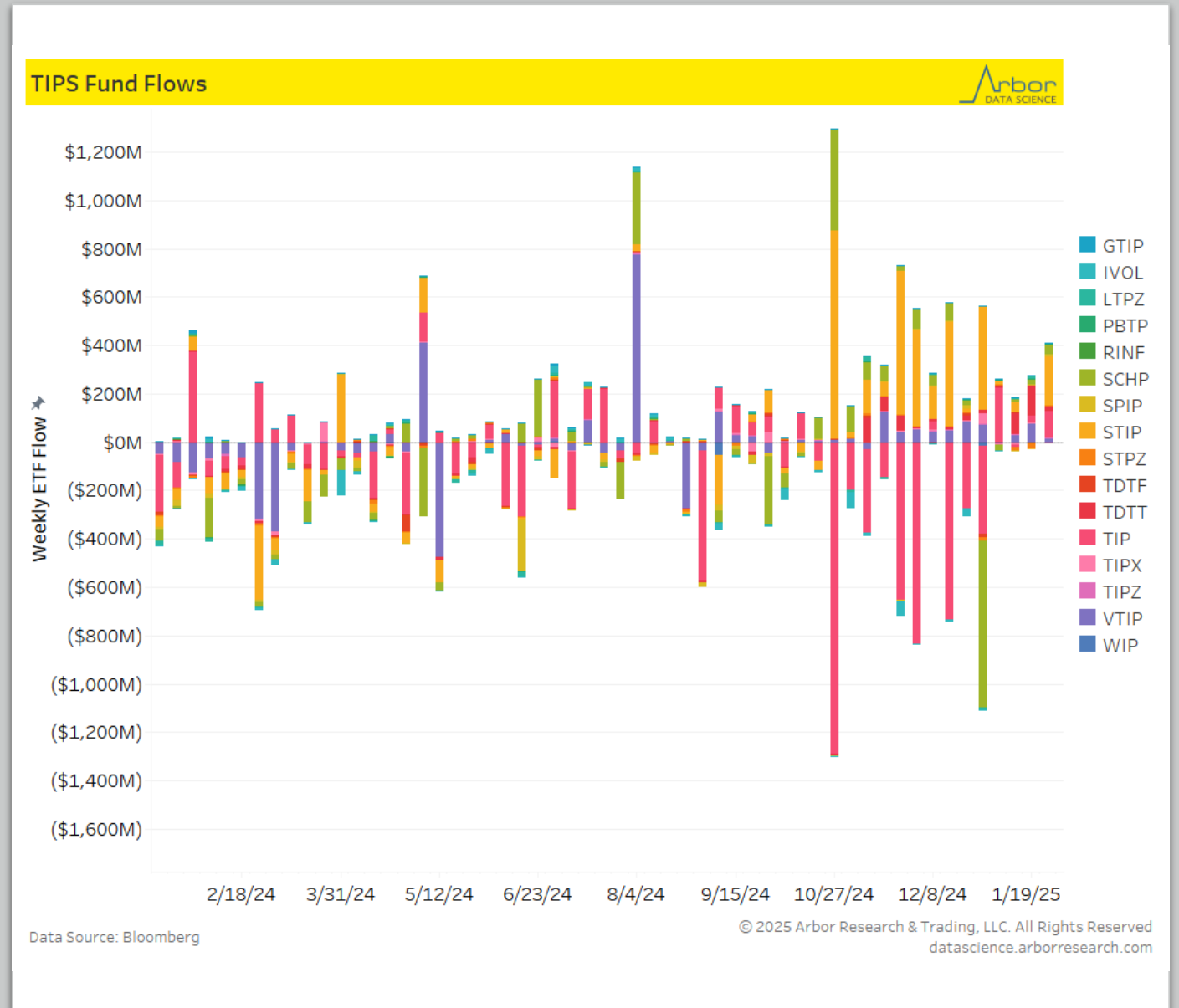
Economist Inflation Forecasts

- 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 3.3% inflation rate over the next year.



TIPS Fund Flows

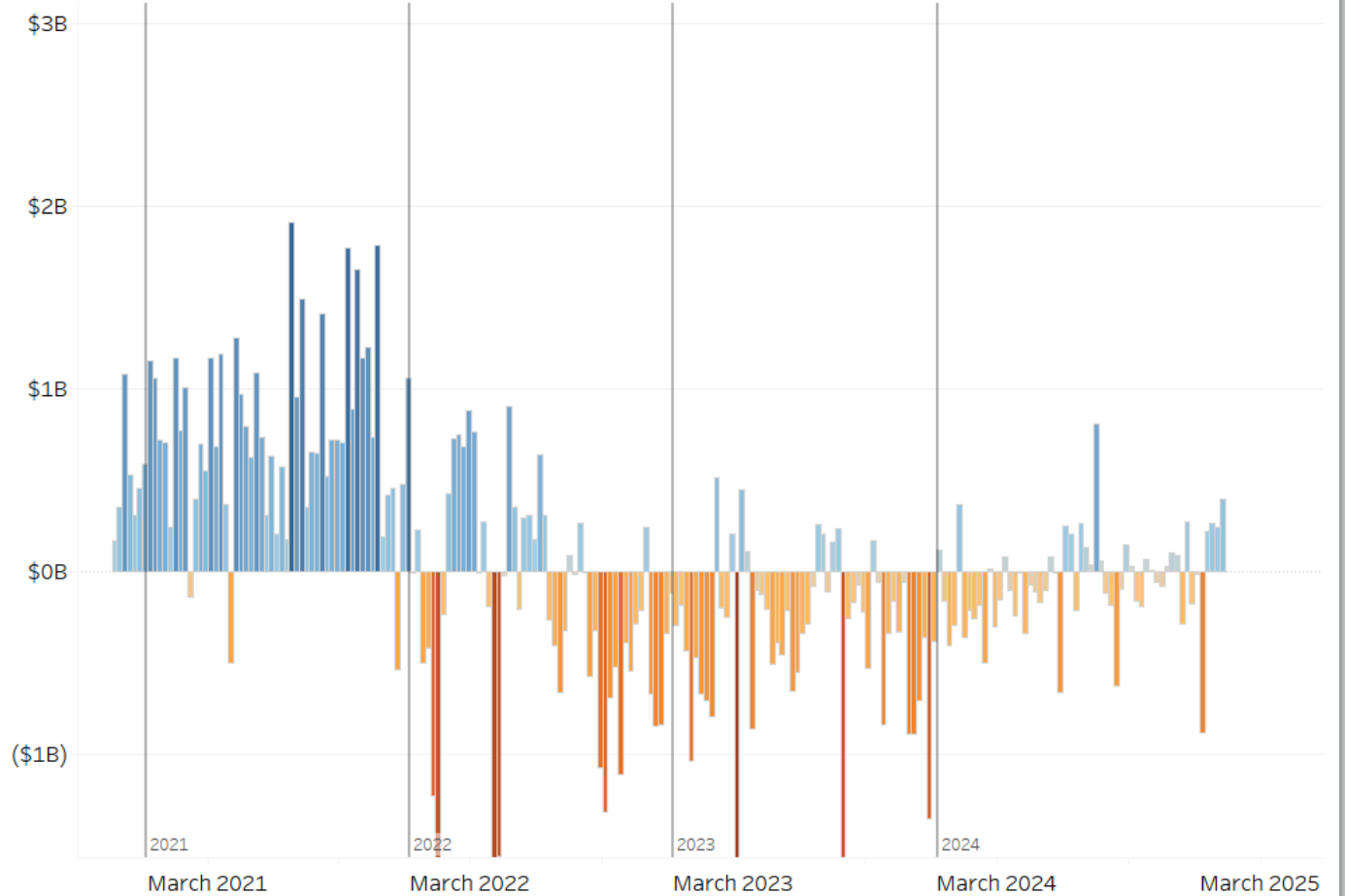
- The majority of flows were positive last week, with inflows concentrated in 2 funds (rounded value):
 - iShares 0-5 Year TIPS Bond ETF: \$203 million
 - iShares TIPS Bond ETF: \$108 million



Last week's total flows for all US-listed TIPS ETFs had inflows of \$394.4 million.

TIPS ETF Net Flows

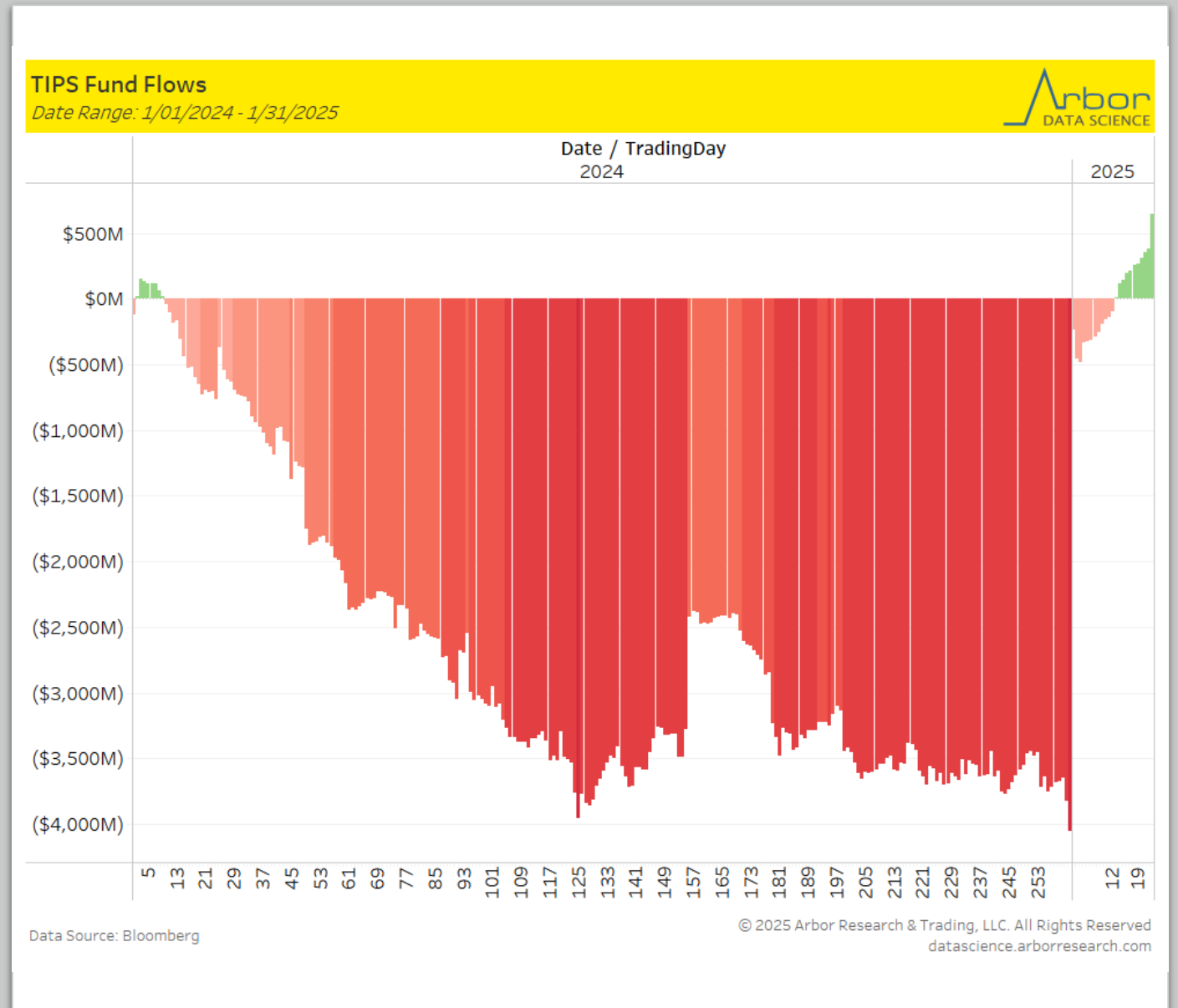
Weekly Total Flow into All US-Listed TIPS Exchange Traded Funds



Data Source: Bloomberg

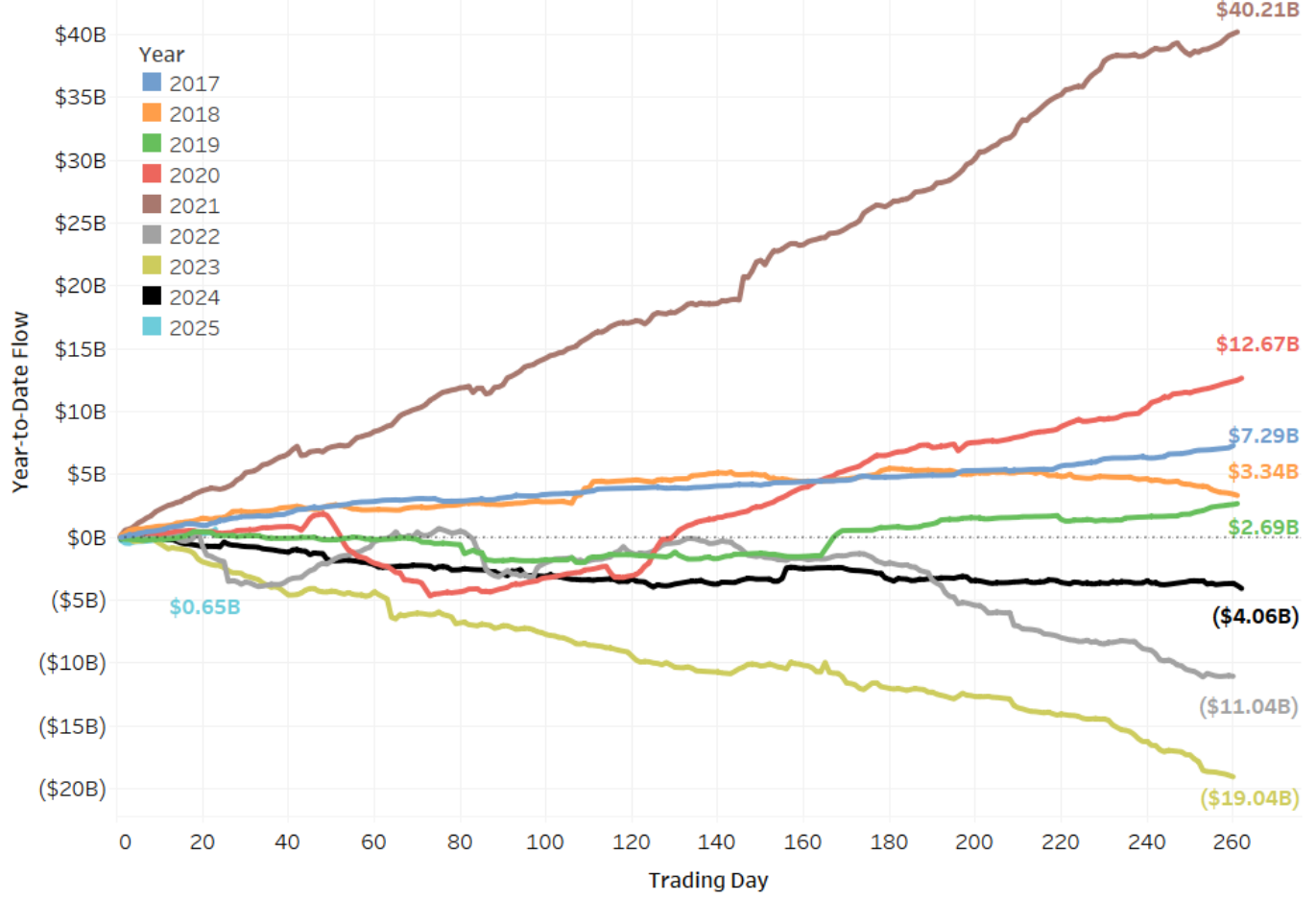
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2025 Year-to-date for all US-listed TIPS ETFs had inflows of \$649 million.



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

TIPS Fund Flows by Year

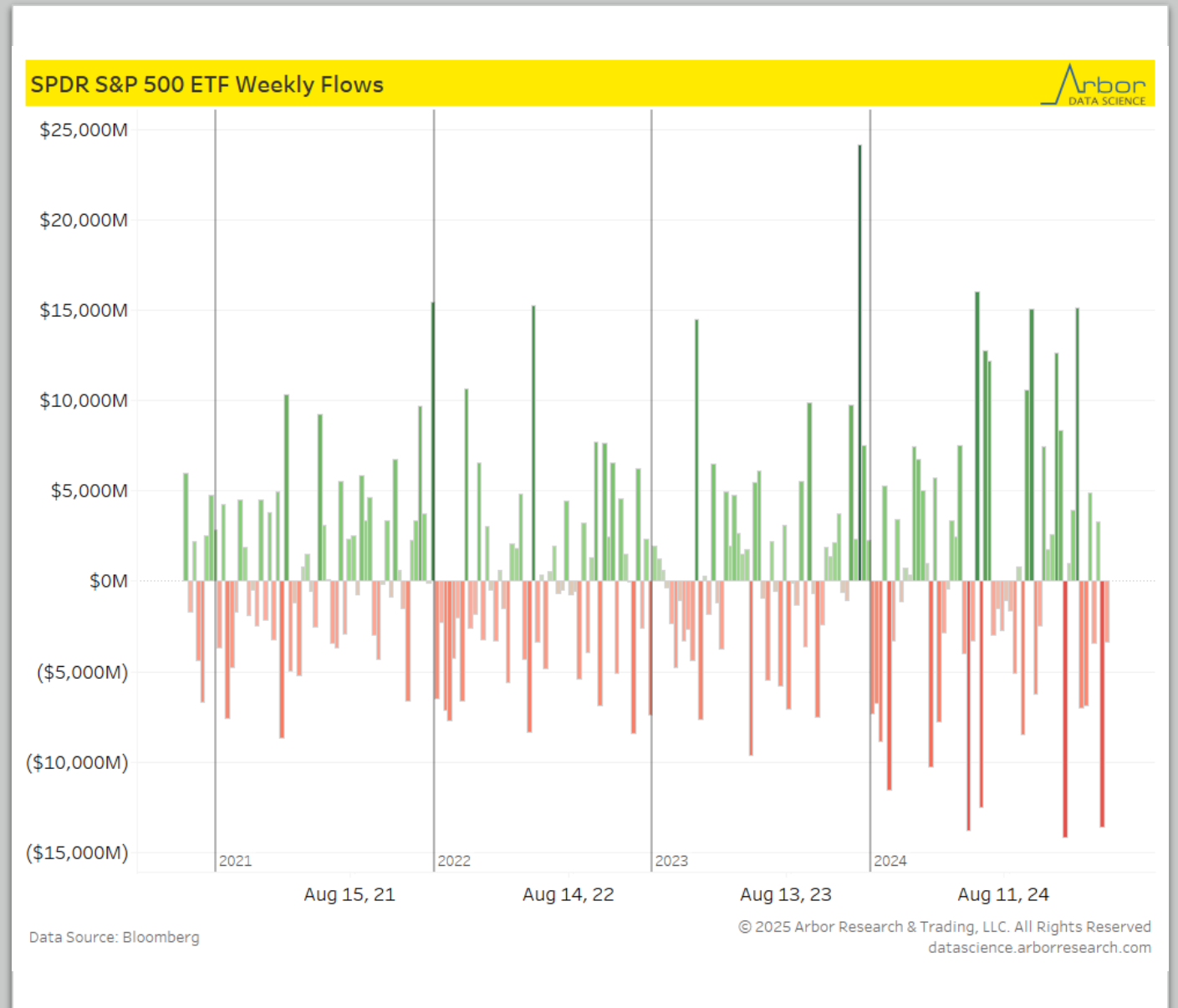


Data Source: Bloomberg

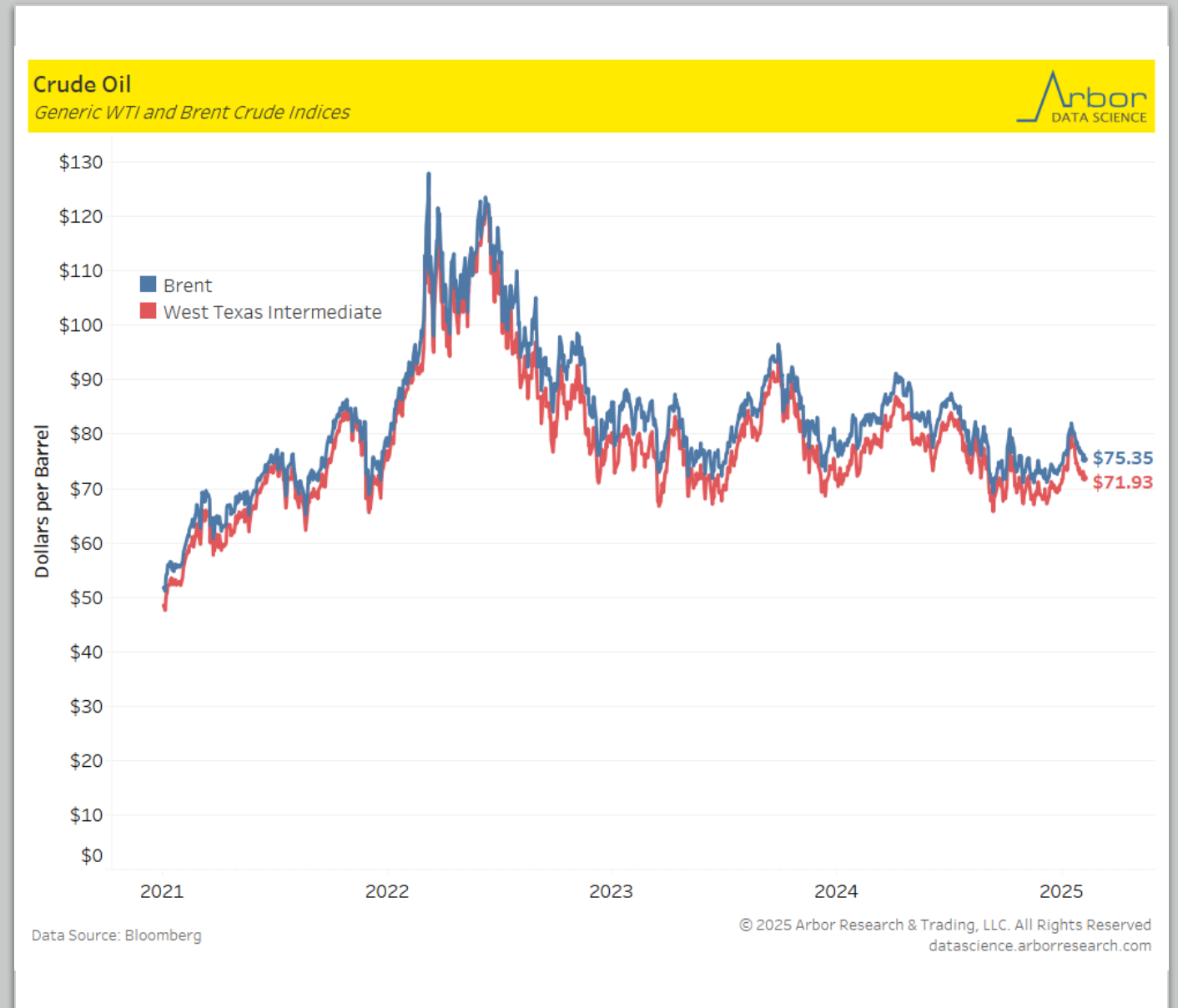
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The SPY ETF had outflows of approximately \$3.3 billion last week.



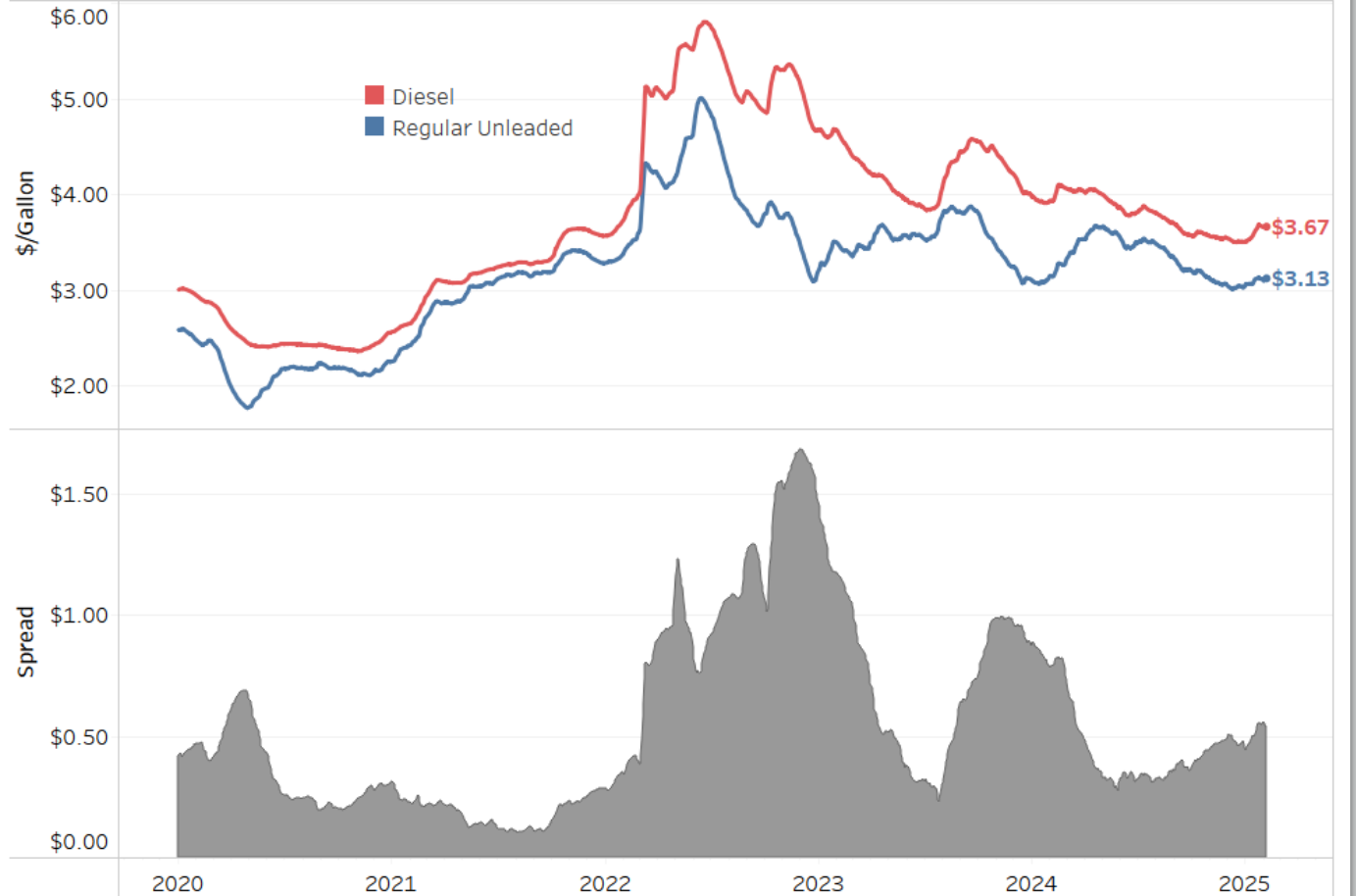
**Brent Crude is Above
\$75 a Barrel**



Average Diesel/Gas
Spread decreased to
\$0.54

U.S. Gasoline Prices - Regular and Diesel

AAA Daily National Average Cost per Gallon



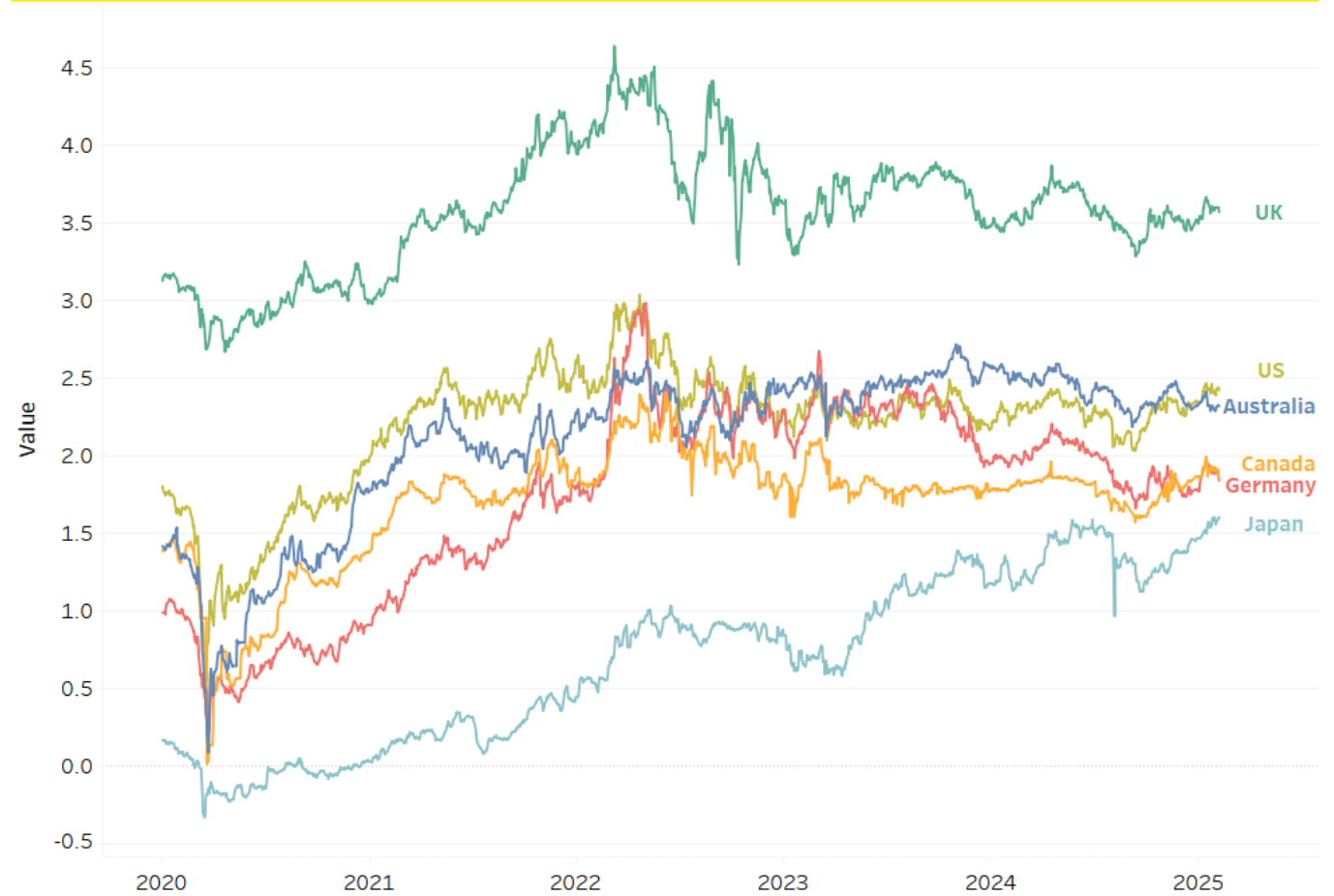
Data Source: American Automobile Association

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10-Year Global Breakevens

10-Year Inflation Expectations Global Breakevens



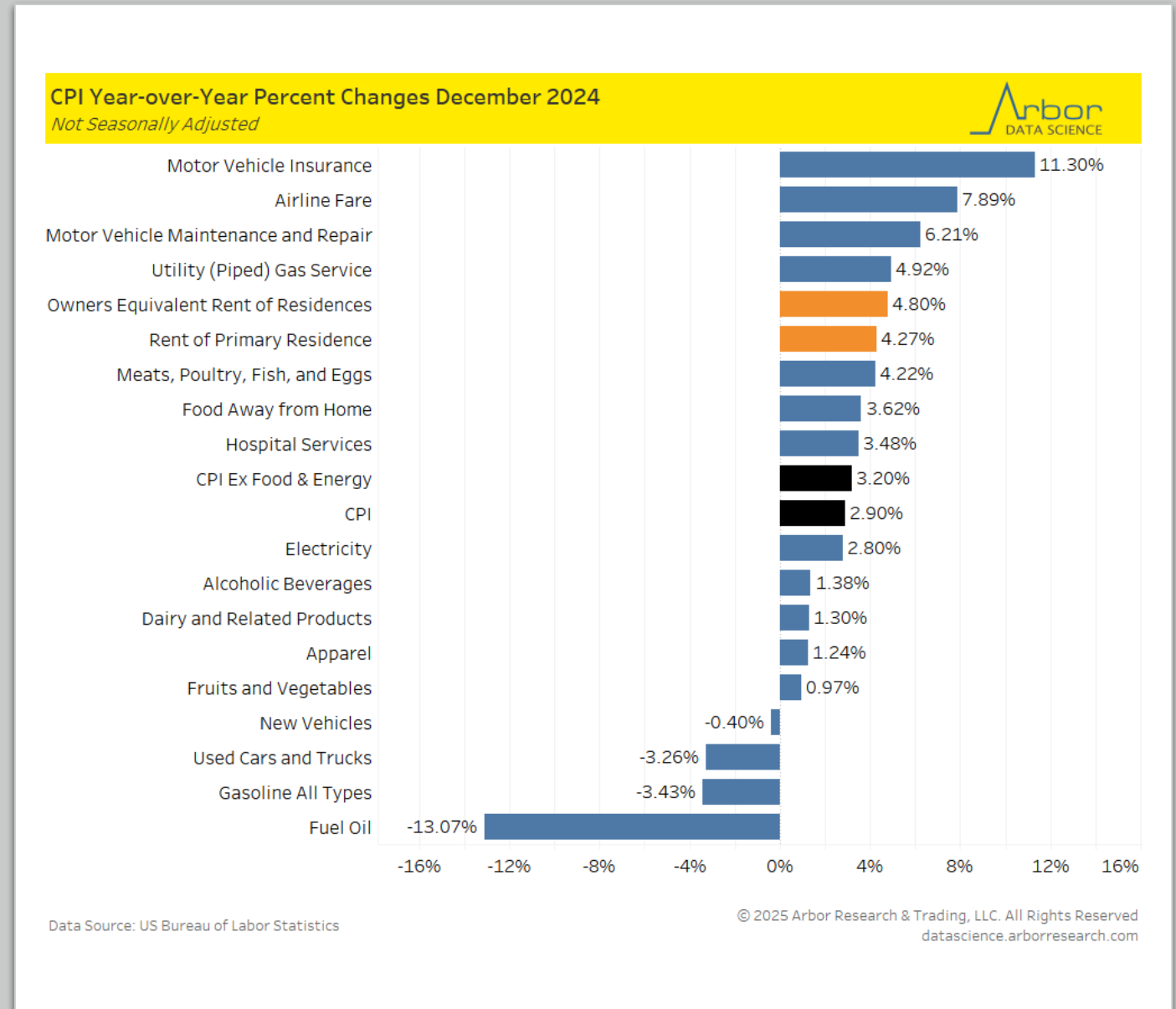
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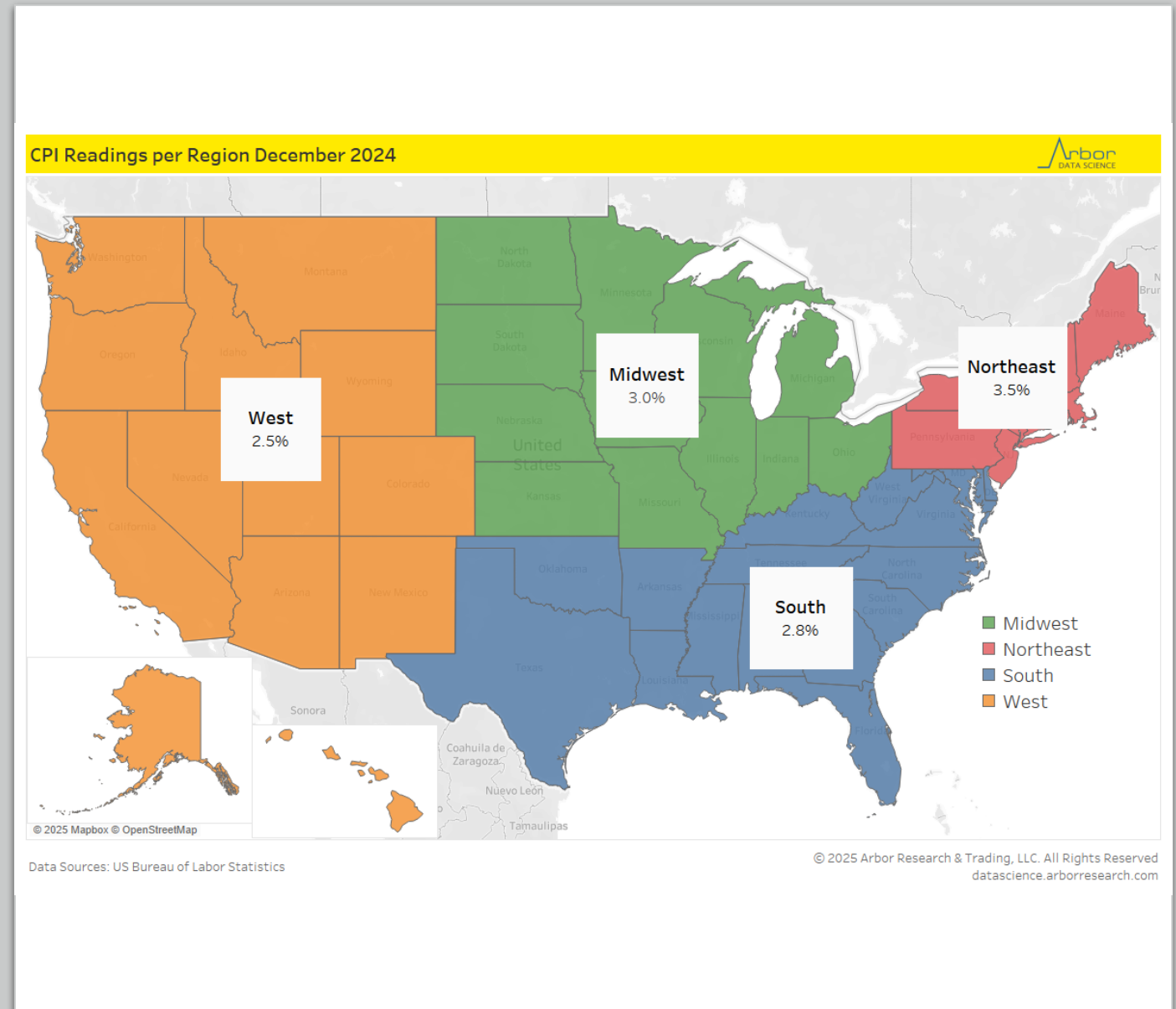
CPI YoY% Changes December 2024

- CPI YoY had a 2.9% increase in December 2024.
- Motor Vehicle Insurance had the largest increase YoY% change for our selected categories at 11.30% in December 2024, while Fuel Oil had the largest decrease YoY% change for our selected categories of -13.07%.



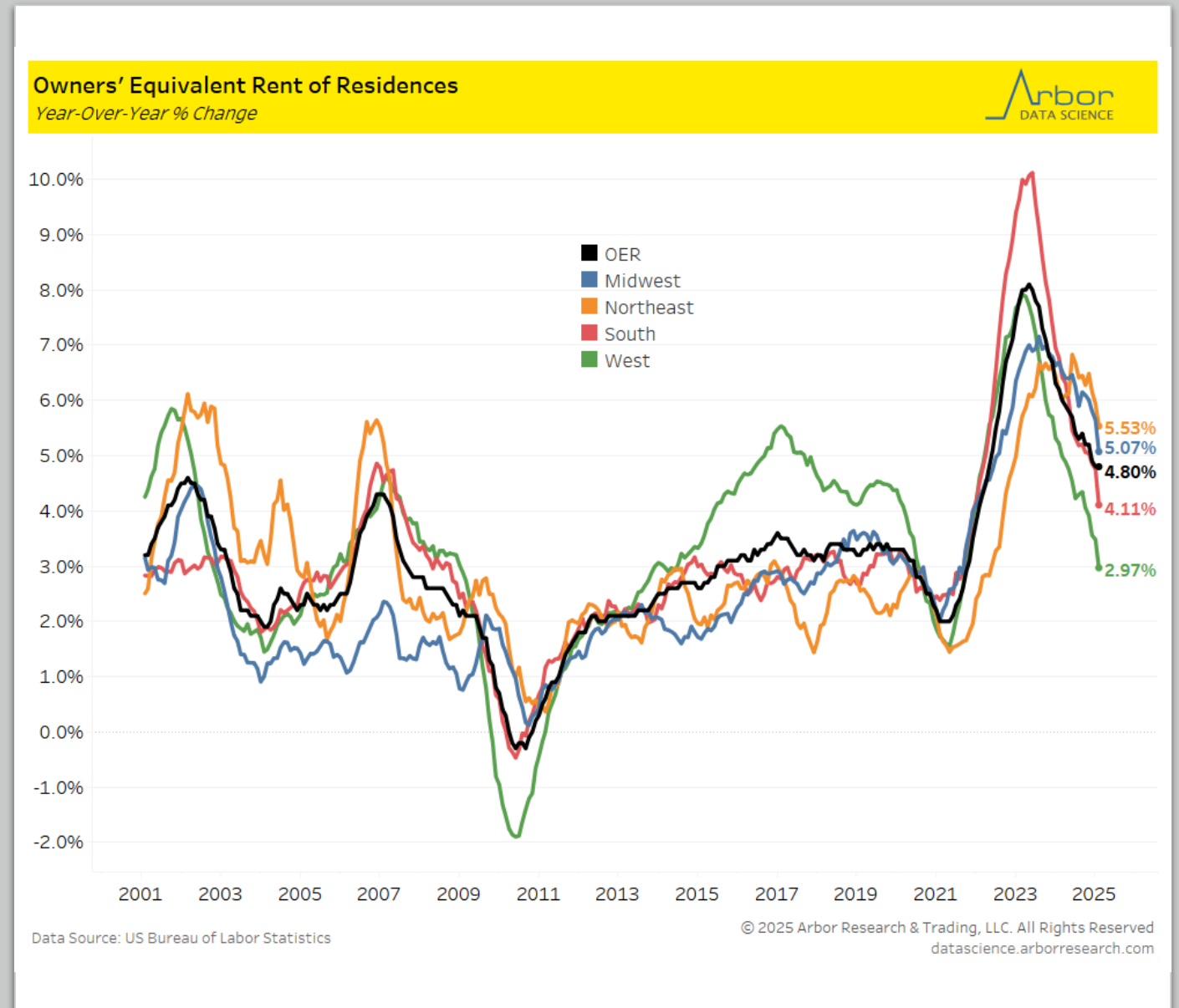
CPI Readings per Region December 2024

- The Northeast had the highest inflation reading for December 2024, at 3.5% YoY, followed by the Midwest at 3.0% YoY, the South at 2.8% YoY, and the West at 2.5% YoY.



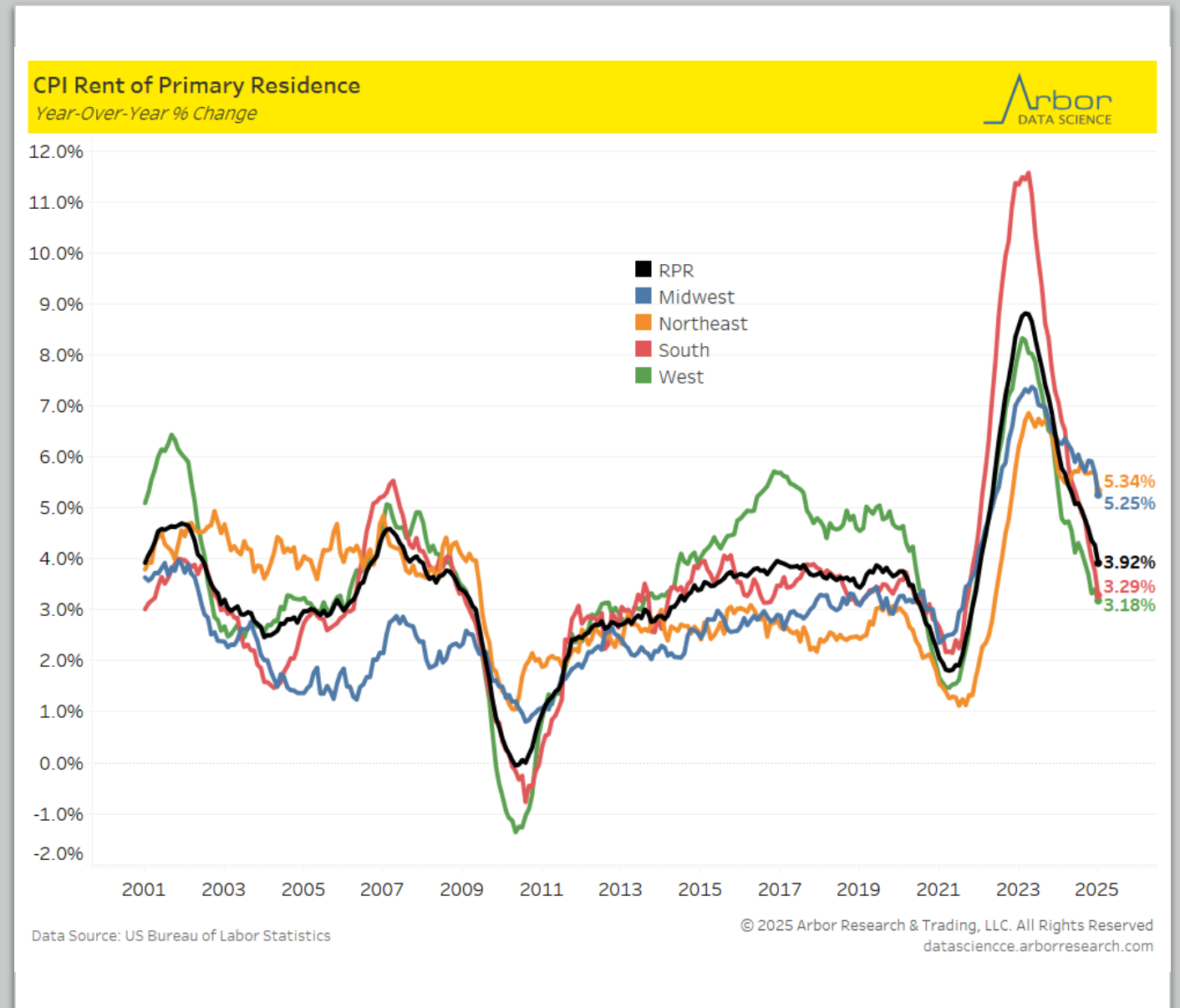
Owners' Equivalent Rent of Residences

- 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 4.80% year-over-year nationally in January 2025.



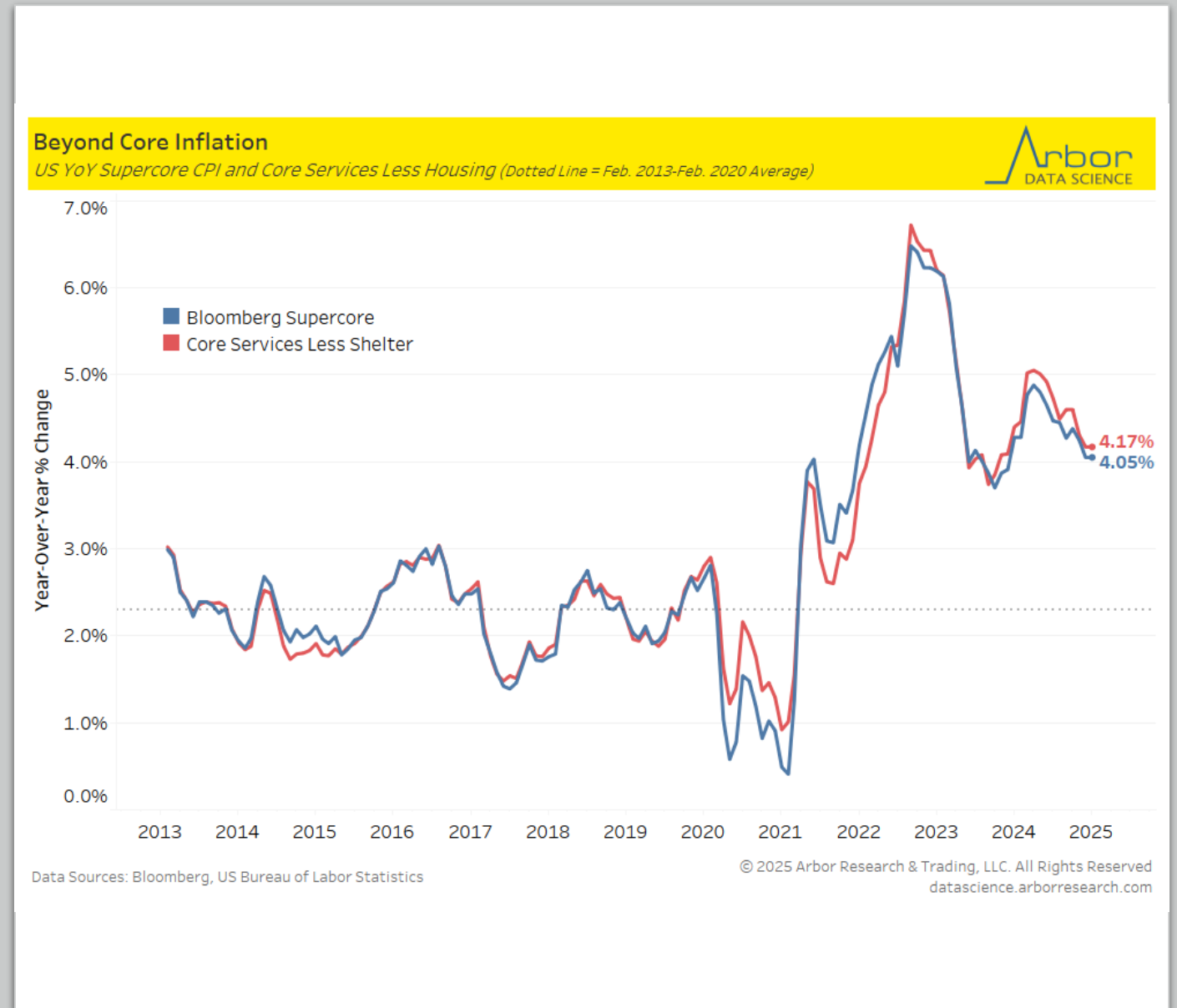
Rent of Primary Residence

- Rent of Primary Residence (RPR), the renters' side of shelter inflation, continued to decline to 3.92% year-over-year.



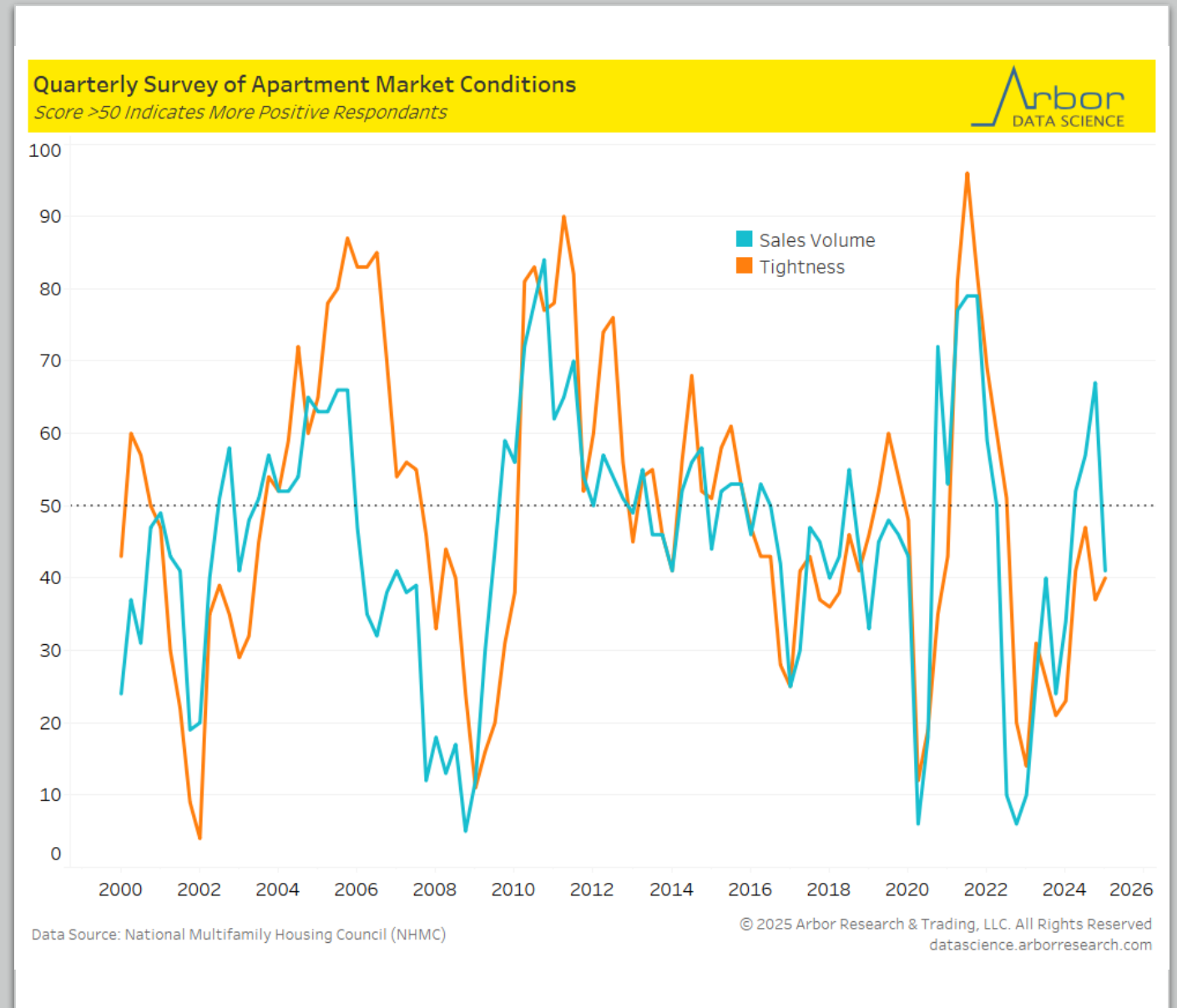
Services Ex-Shelter and Supercore Inflation

- 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

- [Q1 2025's Survey of Apartment Market Conditions](#) conducted by the National Multifamily Housing Council (NMHC) showed more respondents describing conditions as tight in comparison to Q4 2024. The same survey reported a decrease in apartment sales volume.



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