



Inflation Roundup

March 6, 2025

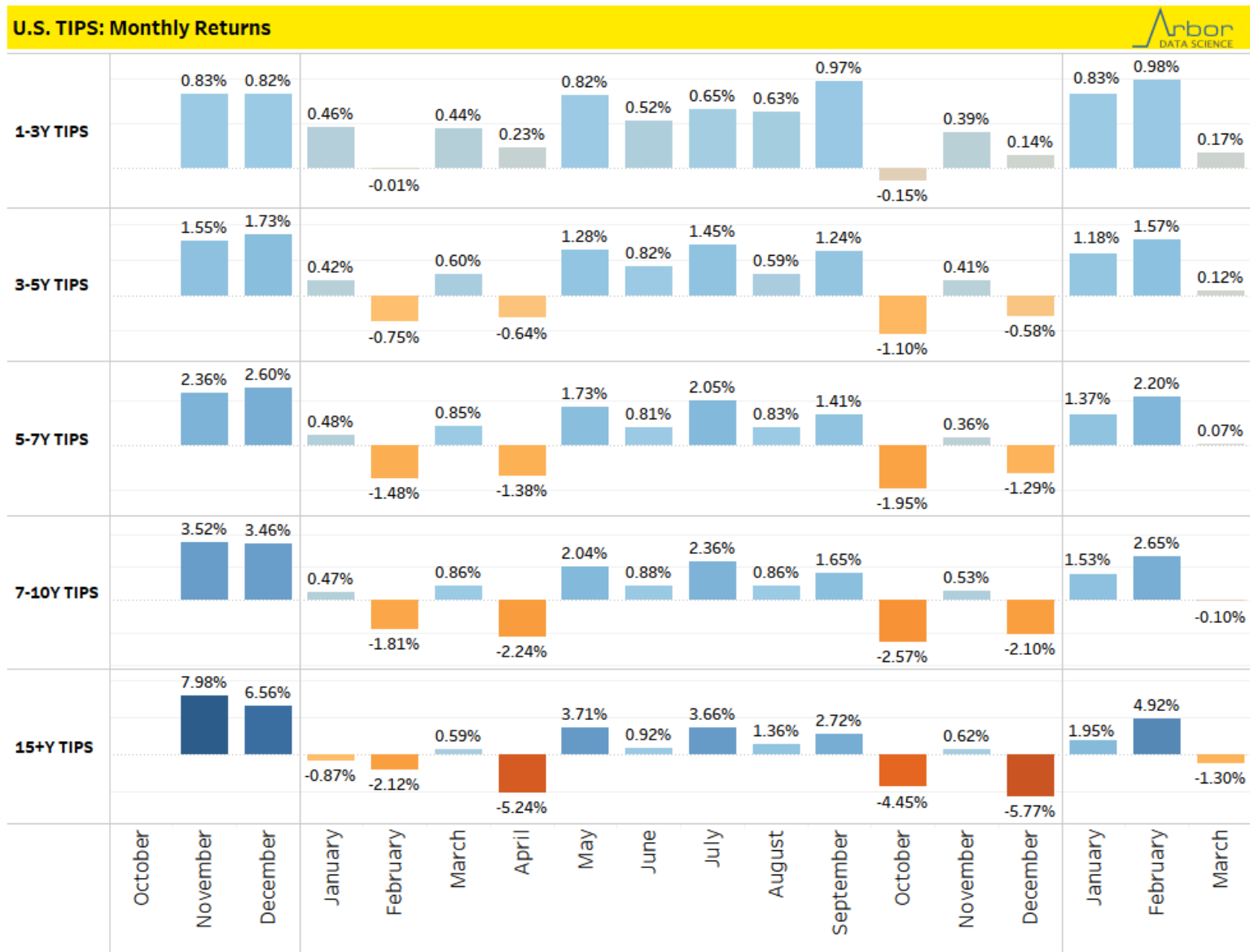
- Total Returns and Seasonality
- The State of Inflation
- Market-Based Expectations
- SPY Fund Flows
- Energy and Commodities
- Shelter Inflation

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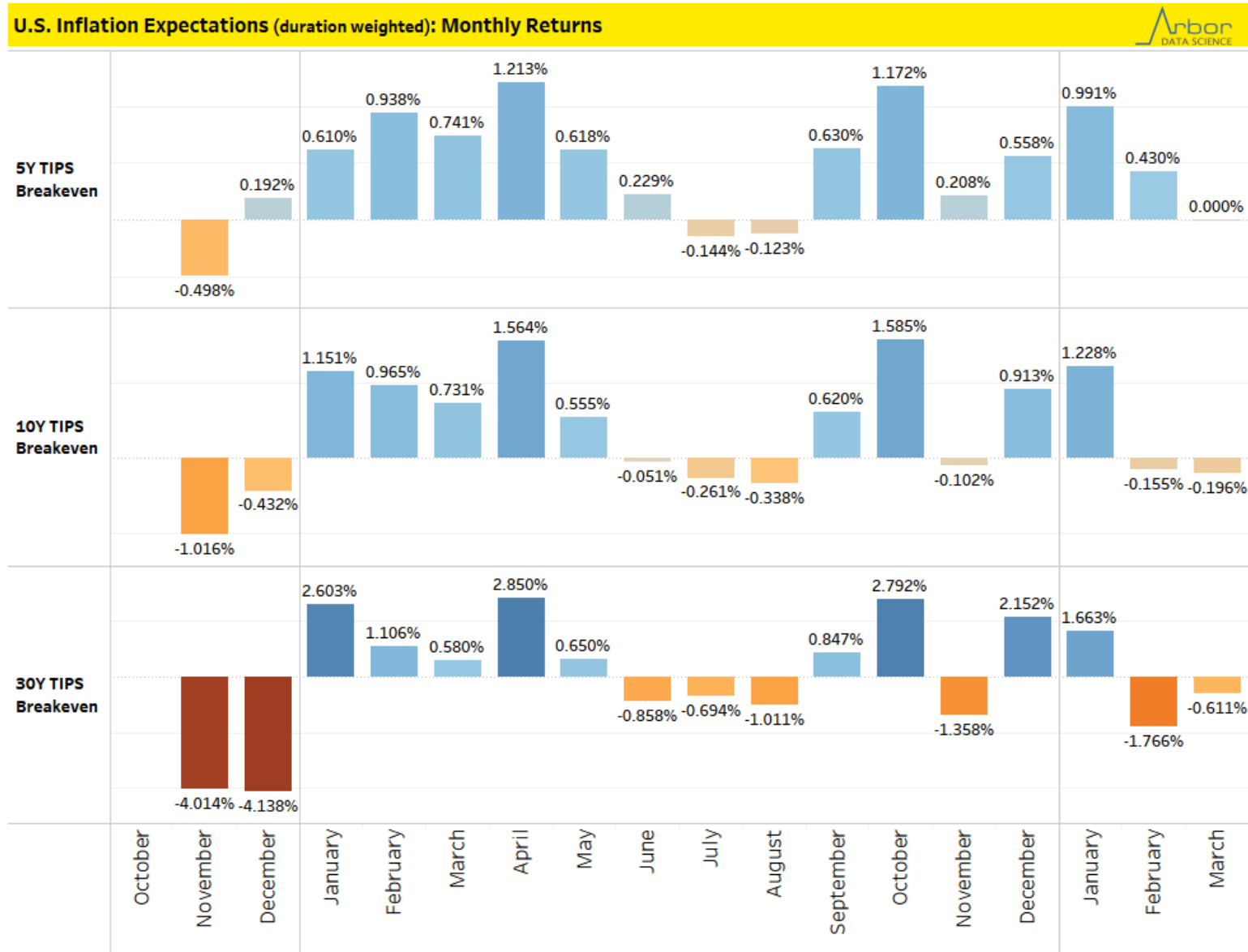
TIPS TOTAL RETURNS:



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TIPS BREAKEVENS TOTAL RETURNS:

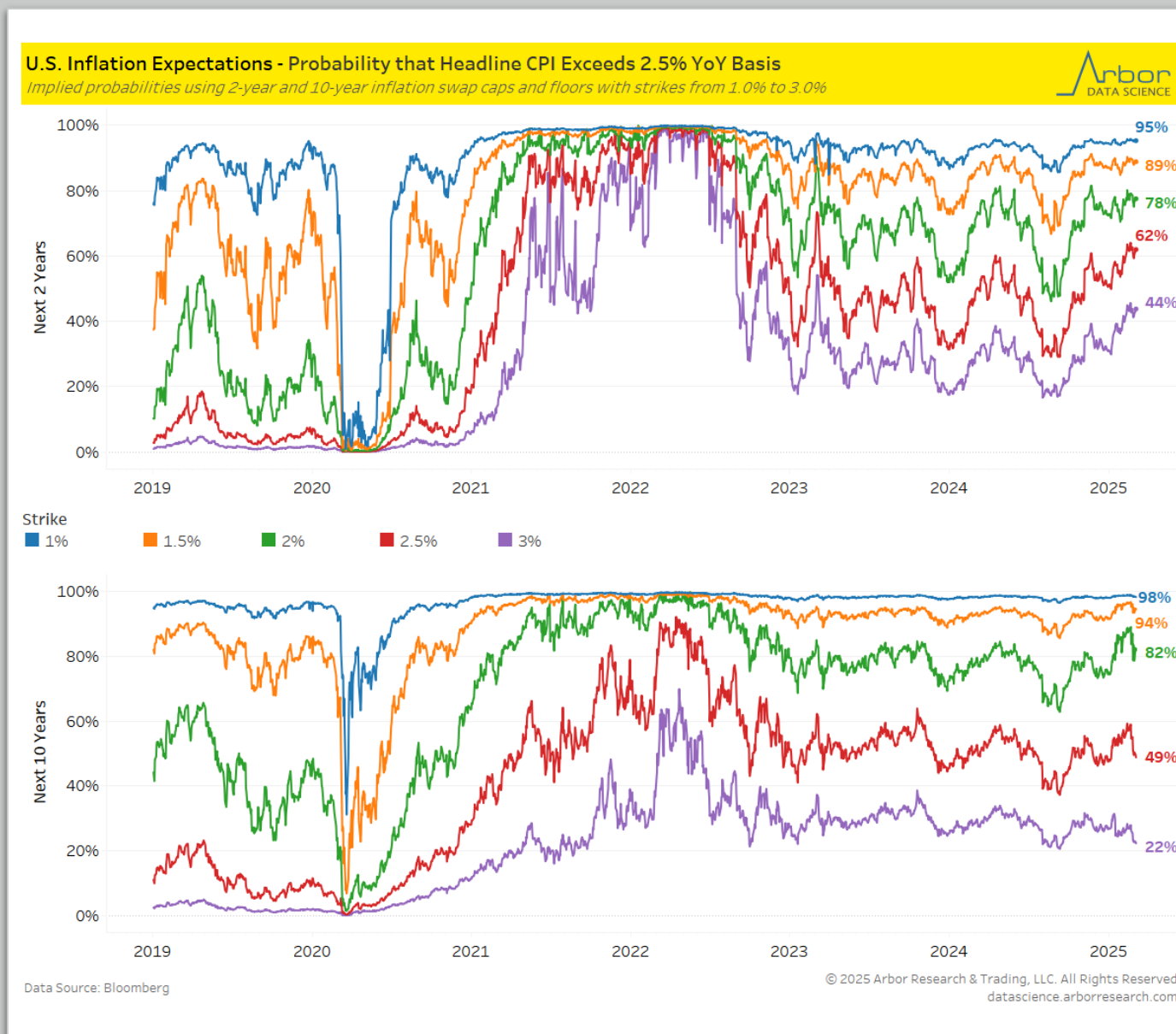


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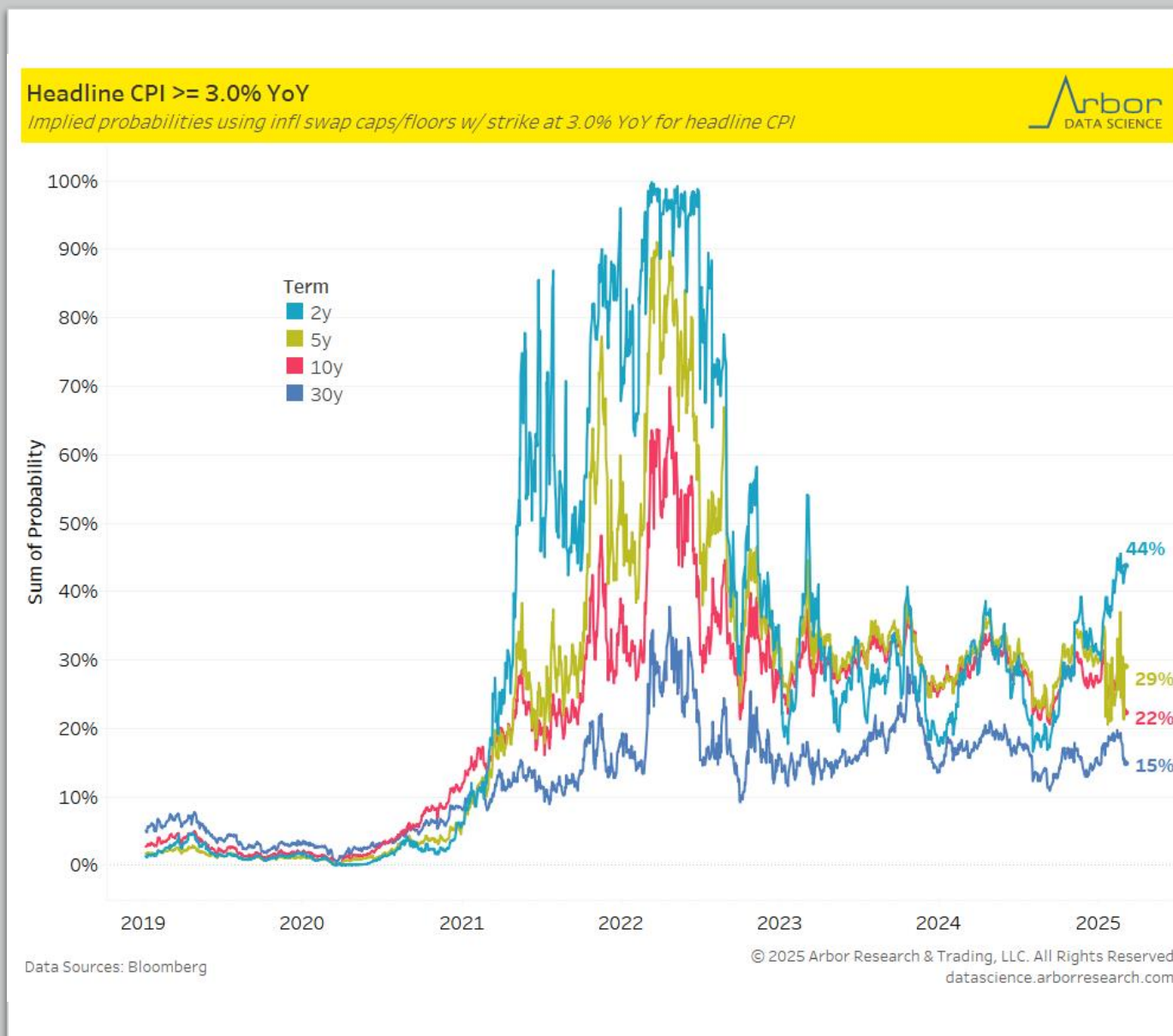
U.S. Inflation Swap Caps and Floors

- Over the past week, inflation expectations for the next 2 years all increased, except 1% and 1.5%, which stayed the same. 10-year expectations were mixed.
- The probability of 2.5% headline inflation for the next 2 years increased to 62% compared to 61% the previous week.
- The 10-year probability of 2.5% headline decreased to 49% over the past week.



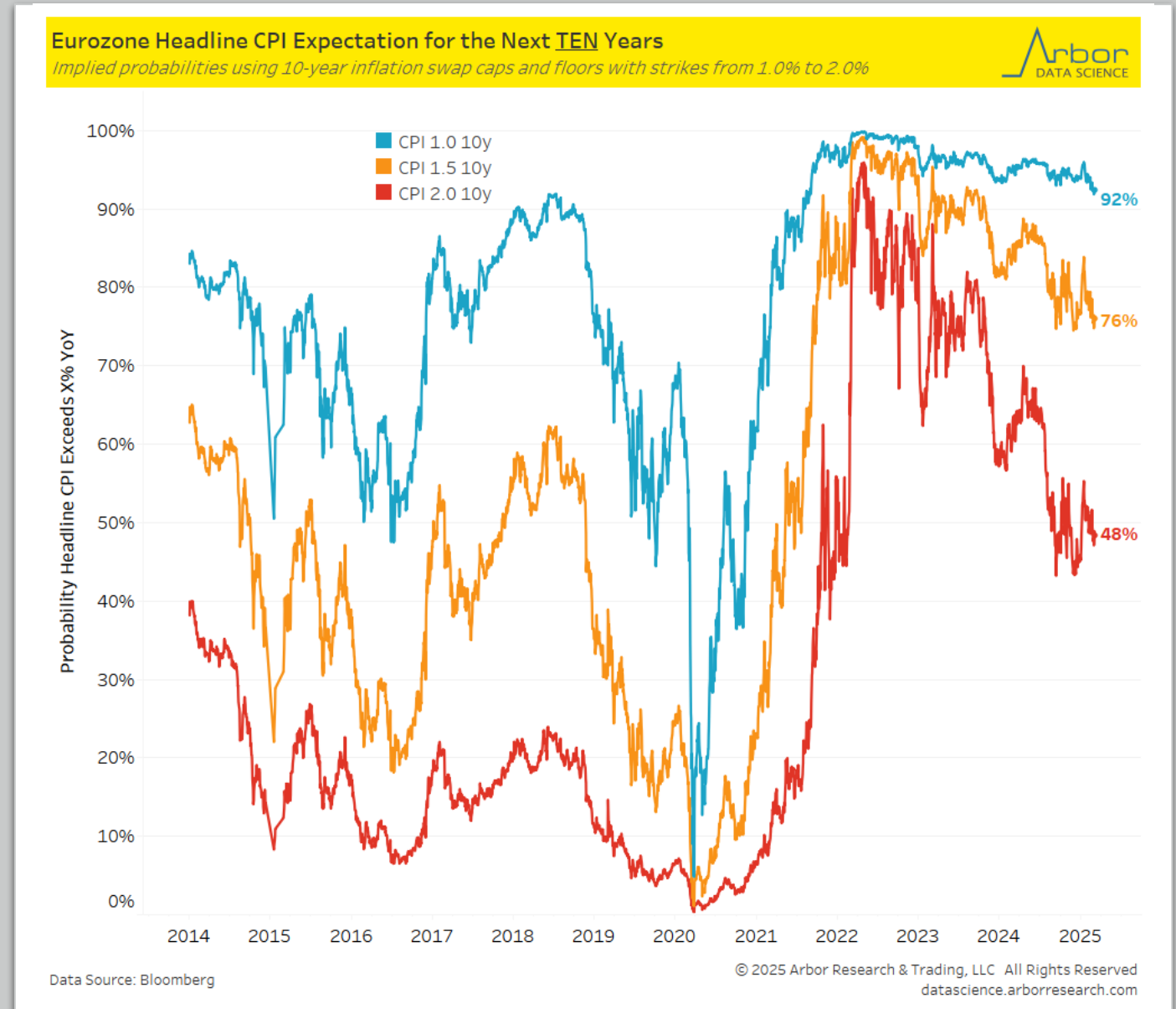
U.S. 3% Headline Expectations

- 3% inflation expectations were mixed for all terms.
- Based on swap cap/floor probabilities for the next 2 years, the market gives this outcome a 44% probability.



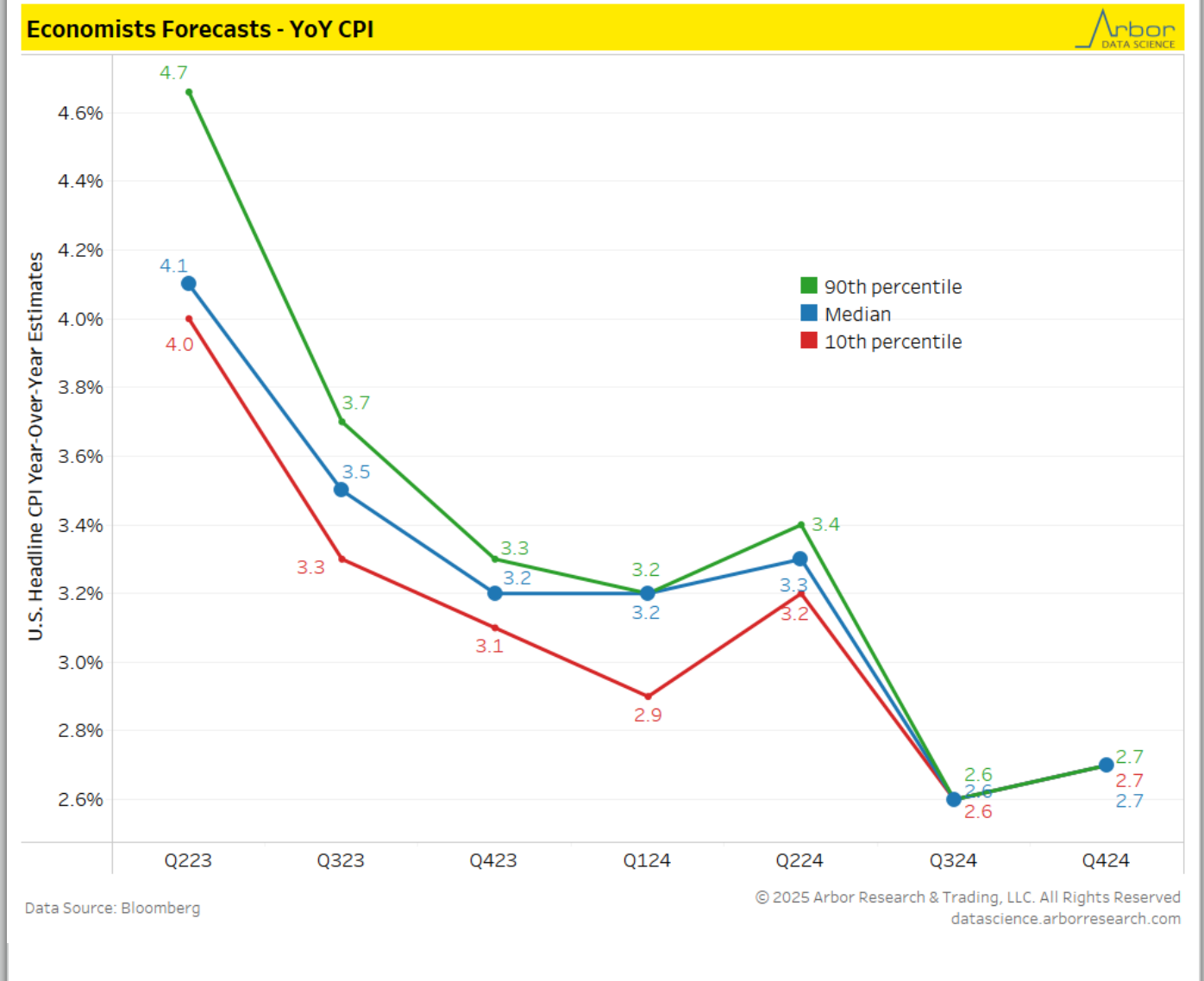
Eurozone Inflation Expectations

- 10-year Eurozone inflation expectations remained the same for 1% and 2% and increased for 1.5% from the prior week.
- The probability of 2% headline inflation over the next decade remained the same at 48%.



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 4.3% inflation rate over the next year.



TIPS Fund Flows

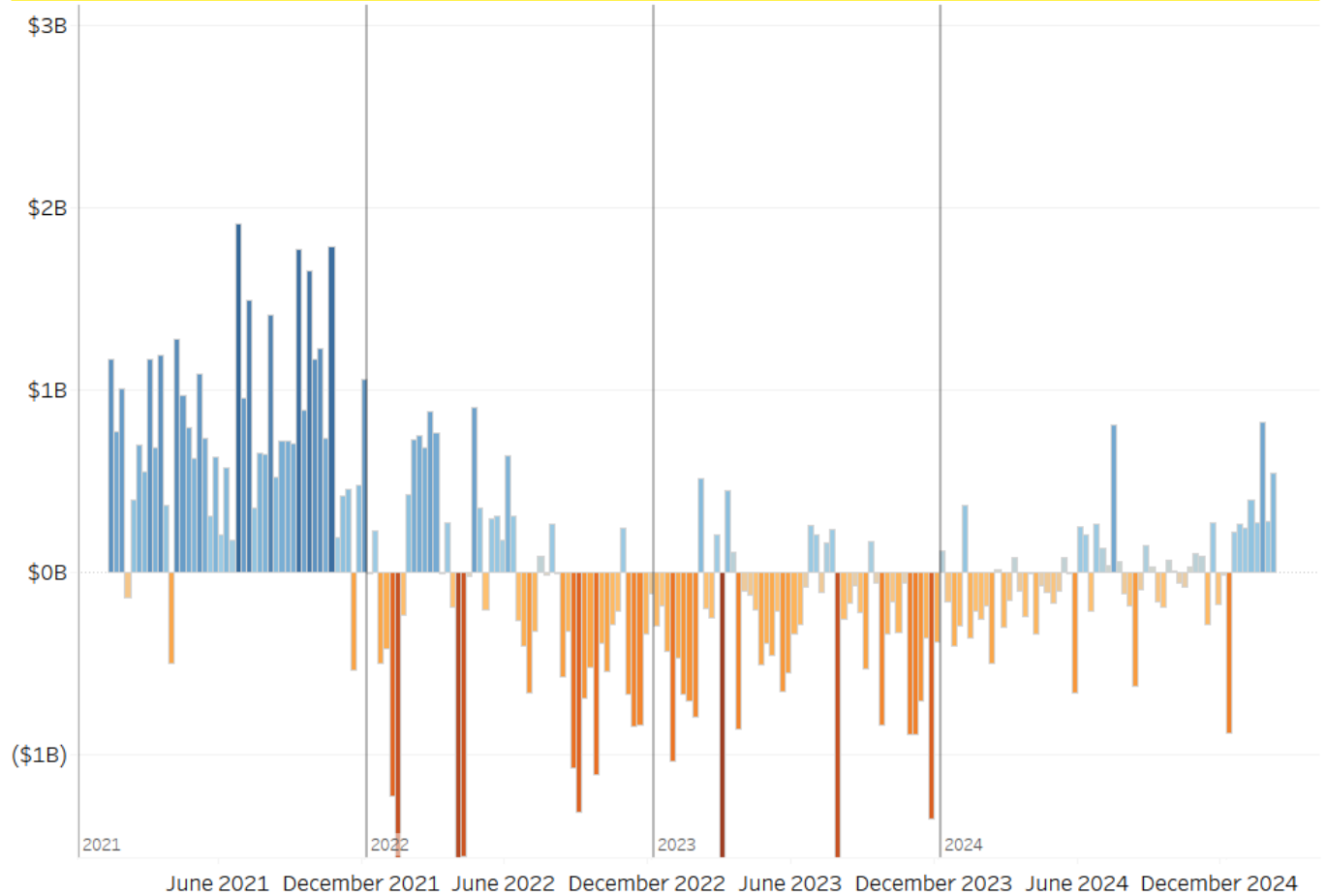
- The majority of flows were positive last week, with inflows concentrated in 3 funds (rounded value):
 - iShares 0-5 Year TIPS Bond ETF: \$189 million
 - Vanguard Short-Term Inflation-Protected Securities: \$189 million
 - Schwab US TIPS ETF: \$74 million



Last week's total flows for all US-listed TIPS ETFs had inflows of \$542.6 million.

TIPS ETF Net Flows

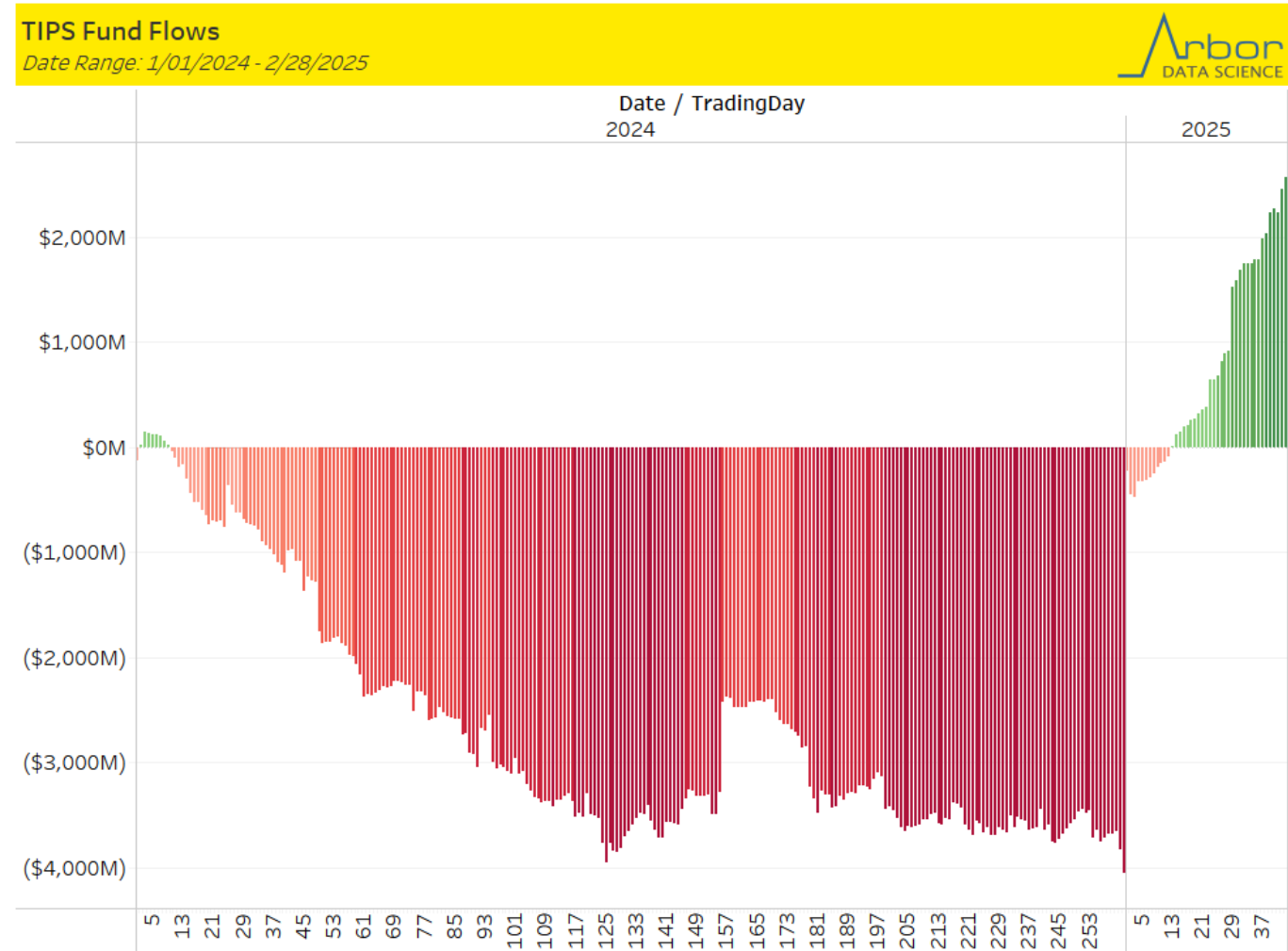
Weekly Total Flow into All US-Listed TIPS Exchange Traded Funds



Data Source: Bloomberg

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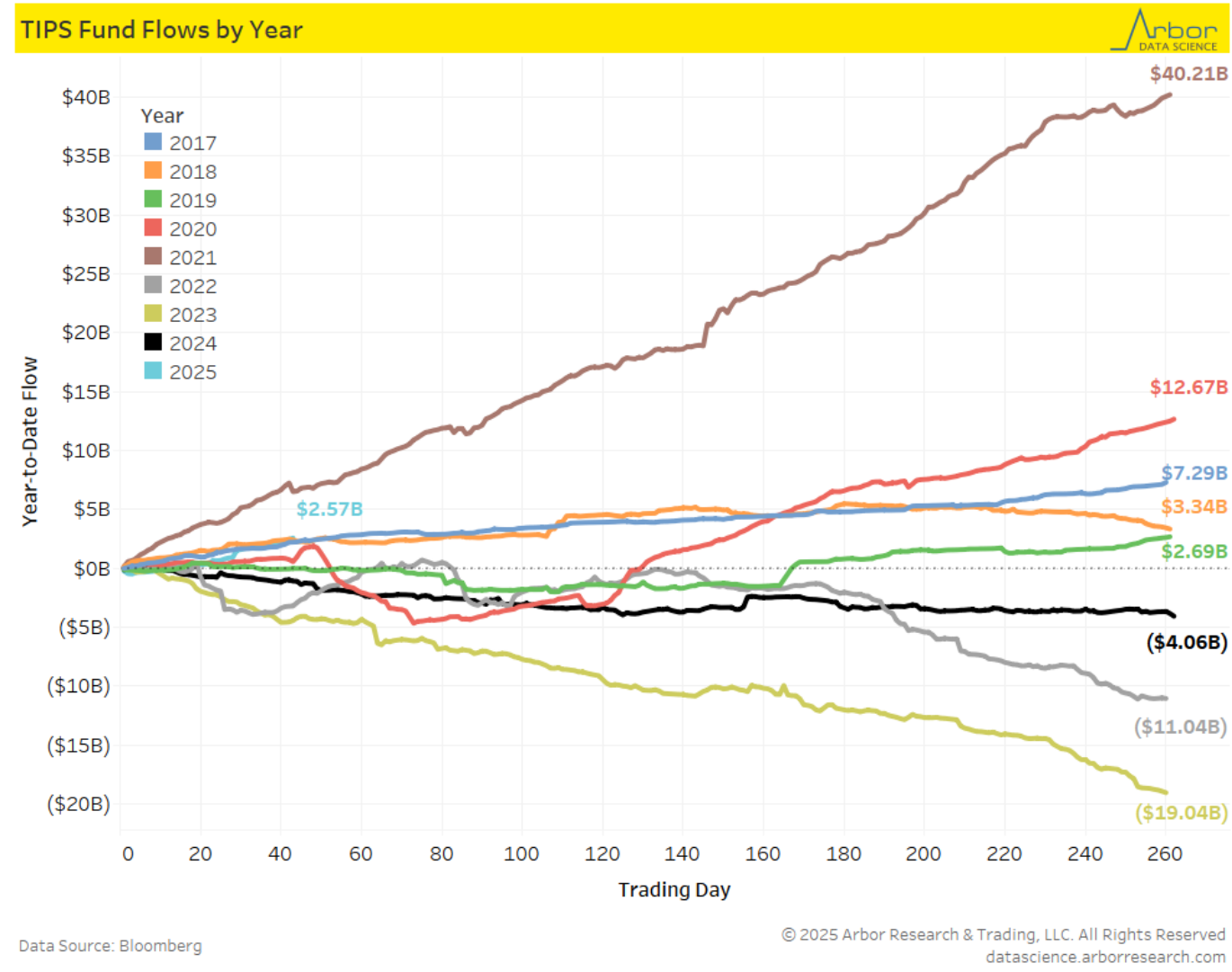
2025 Year-to-date for all US-listed TIPS ETFs had inflows of \$2.57 billion.



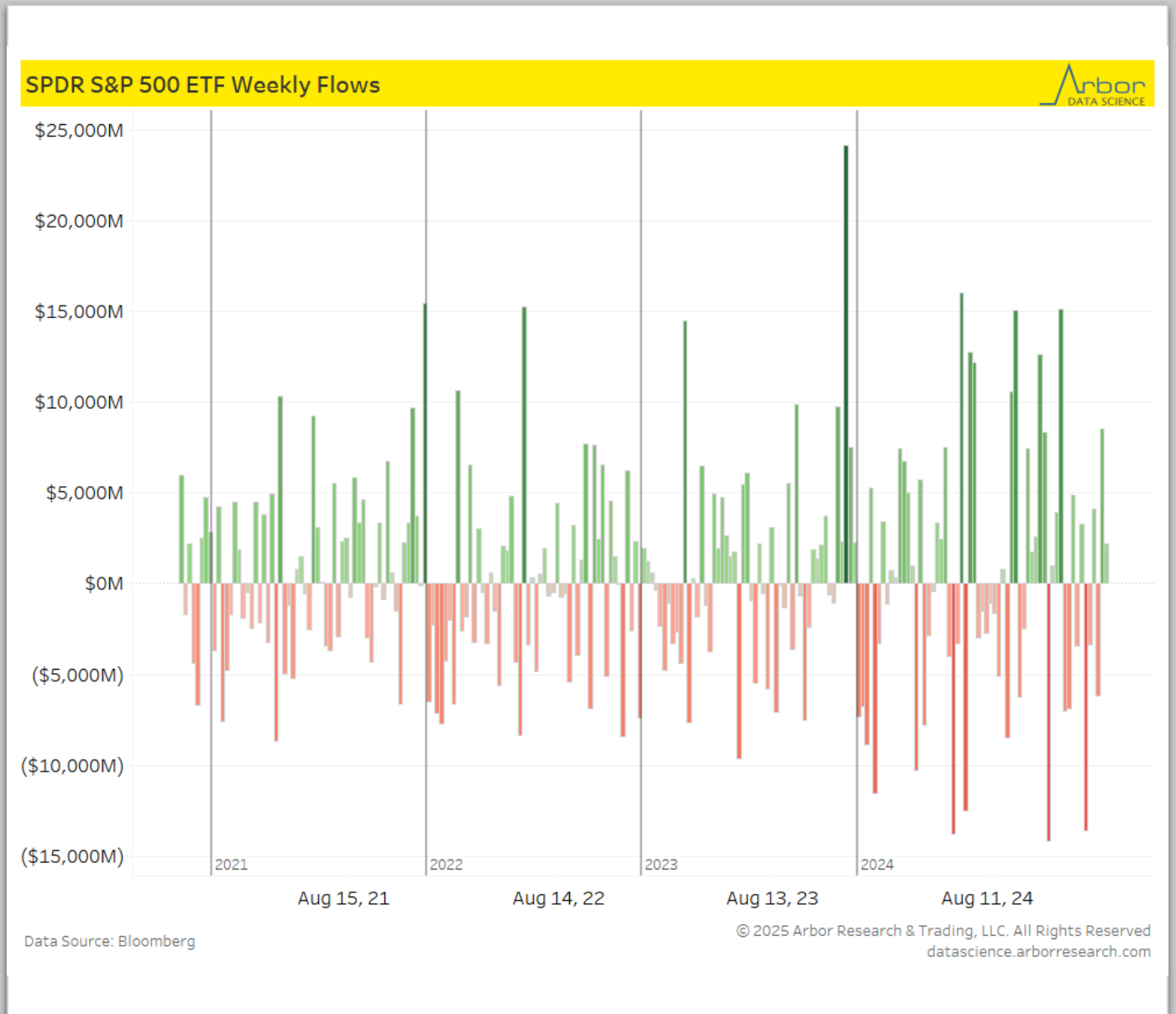
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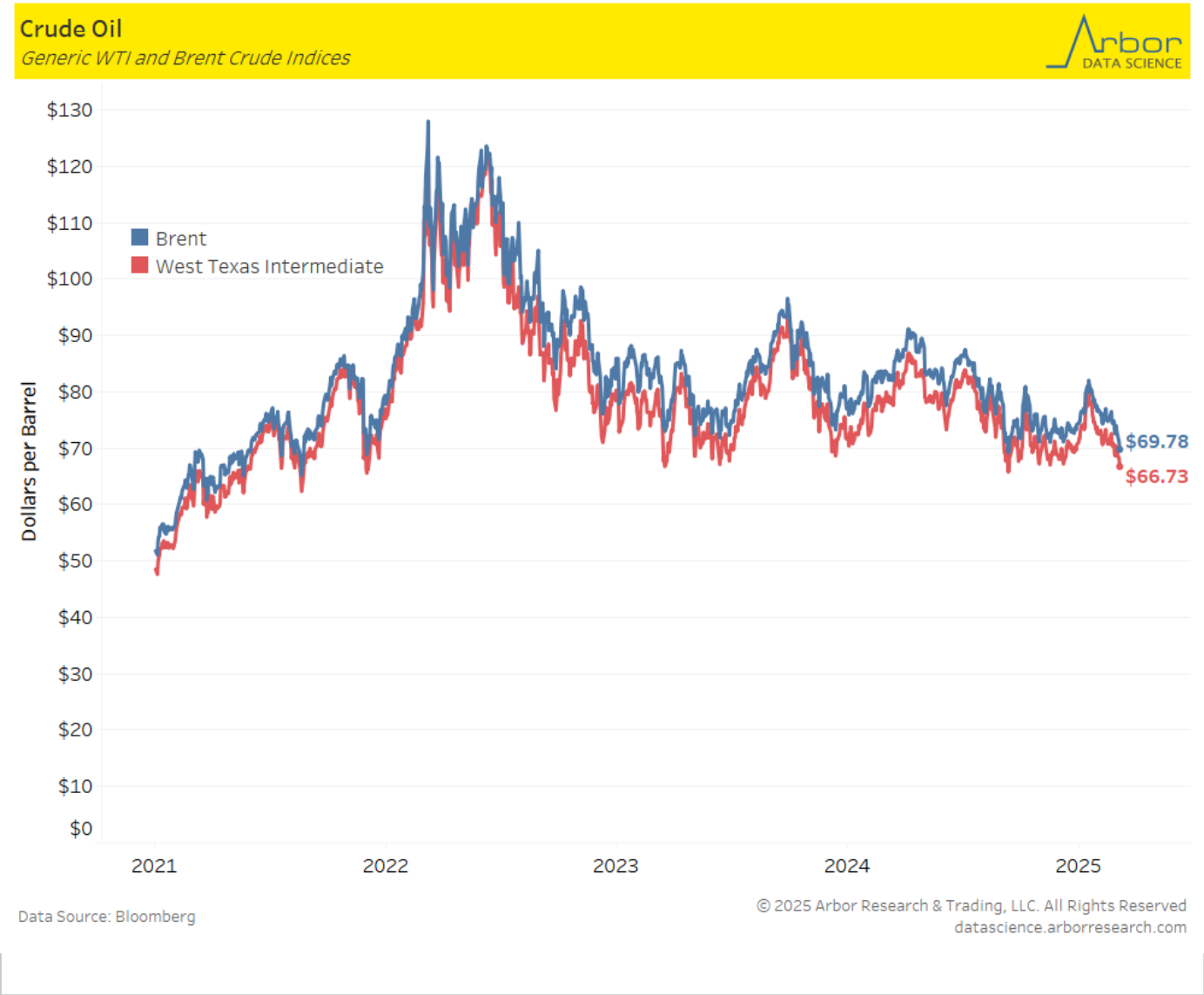
Year-to-date total flows for all US-listed TIPS ETFs.



The SPY ETF had inflows of approximately \$ 2.18 billion last week.



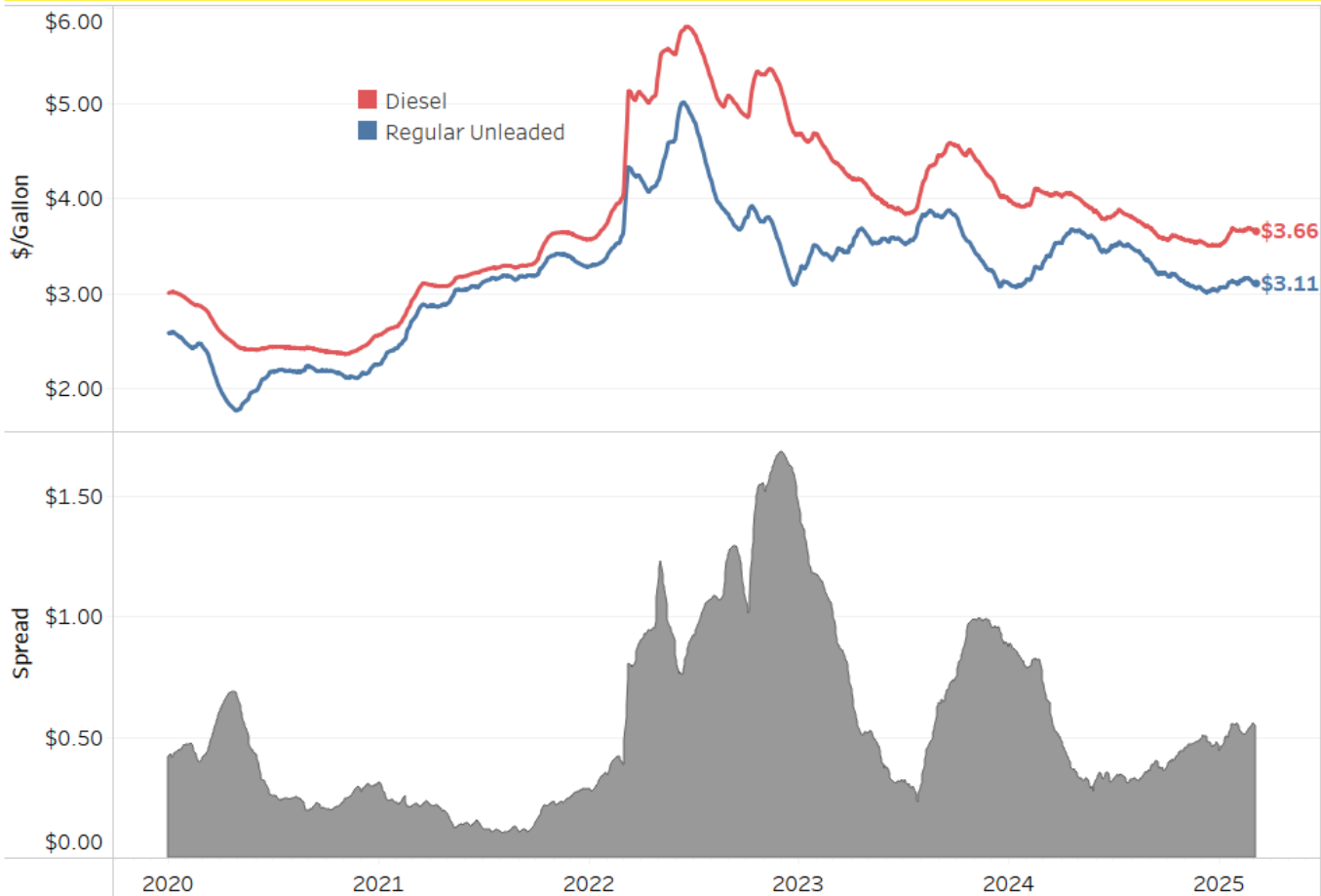
Brent Crude is Below \$75
a Barrel



Average Diesel/Gas
Spread stayed the same
at \$0.55

U.S. Gasoline Prices - Regular and Diesel

AAA Daily National Average Cost per Gallon

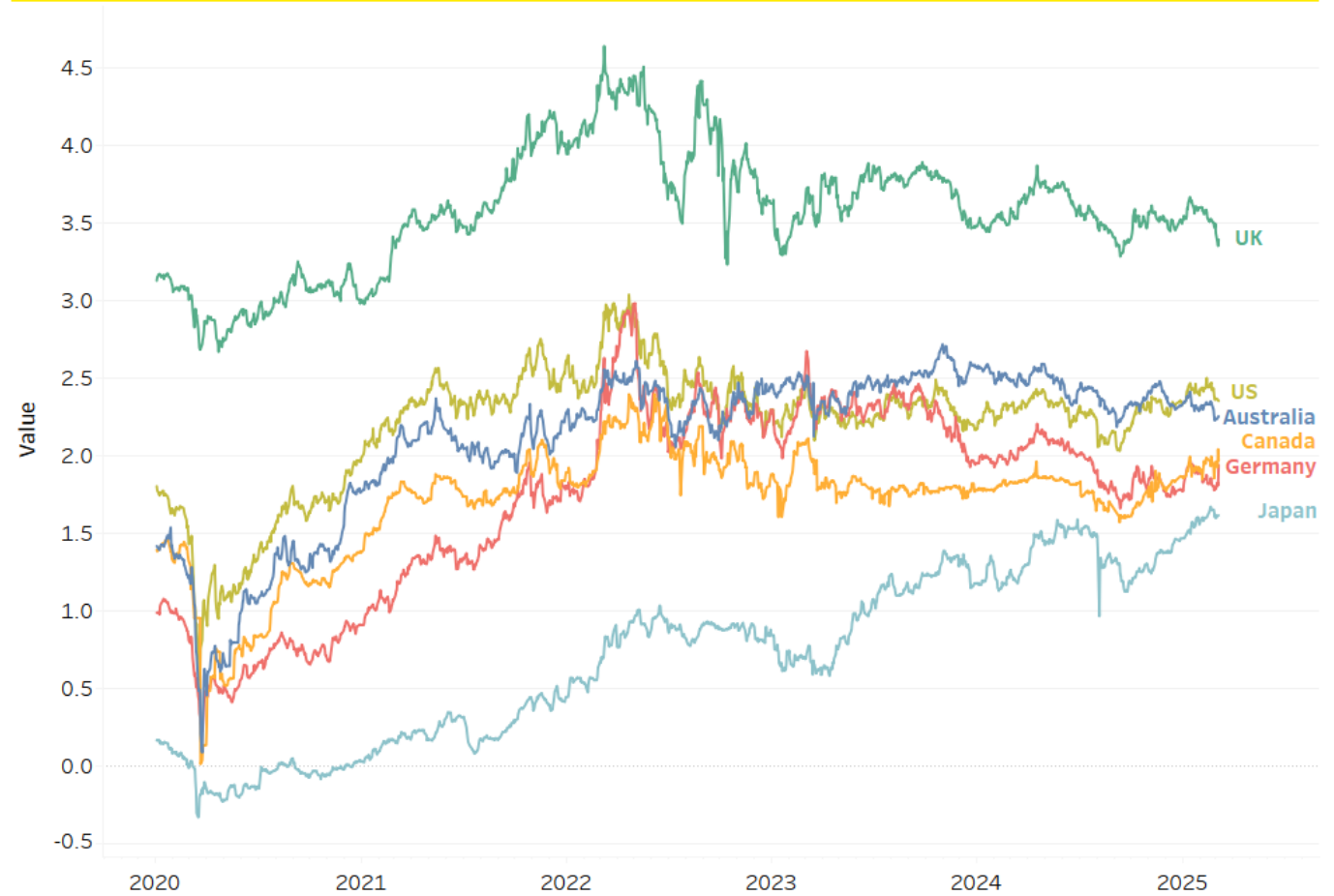


Data Source: American Automobile Association

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10-Year Global Breakevens

10-Year Inflation Expectations
Global Breakevens



Data Source: Bloomberg

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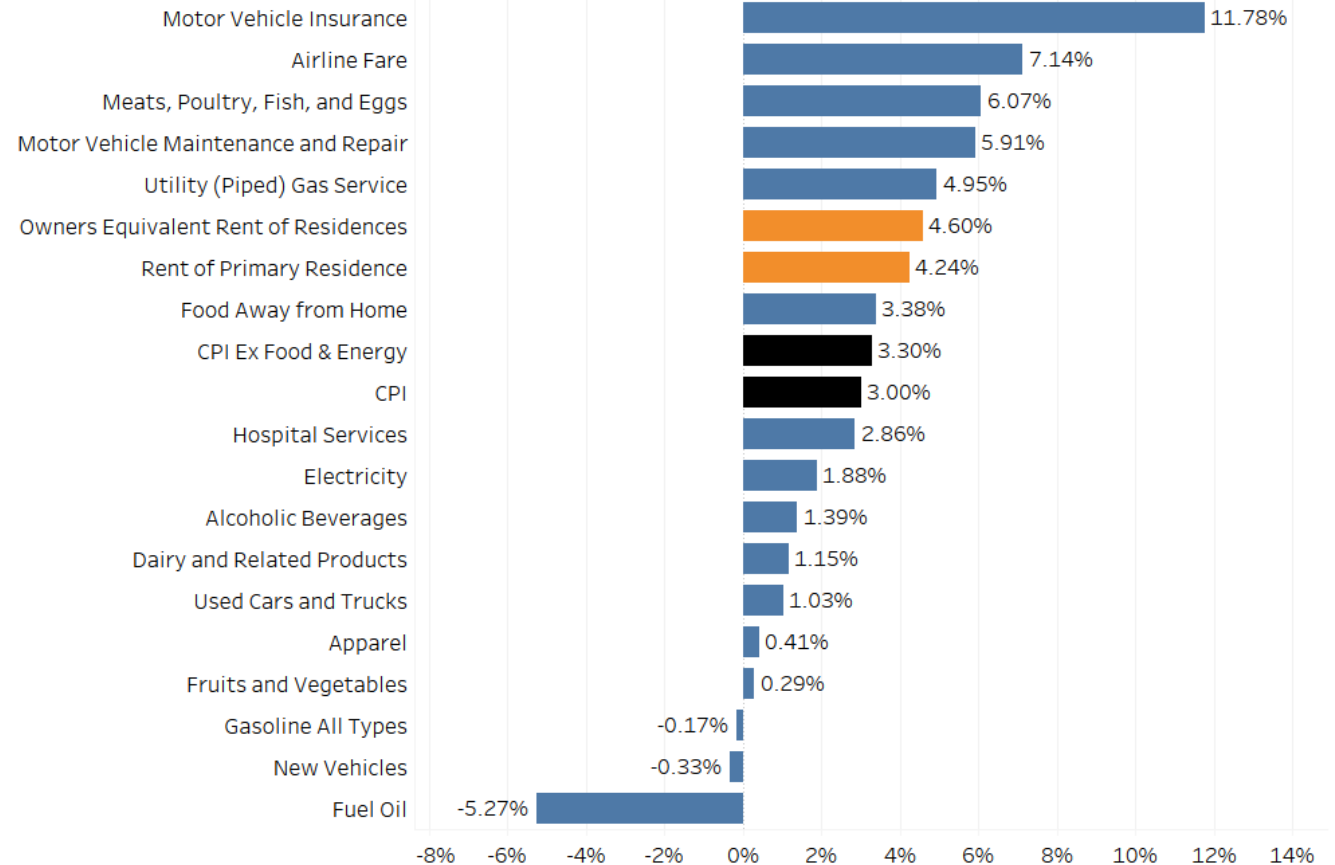
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CPI YoY% Changes January 2025

- CPI YoY had a 3.0% increase in January 2025.
- Motor Vehicle Insurance had the largest increase YoY% change for our selected categories at 11.78% in January 2025, while Fuel Oil had the largest decrease YoY% change for our selected categories of -5.27%.

CPI Year-over-Year Percent Changes January 2025

Not Seasonally Adjusted

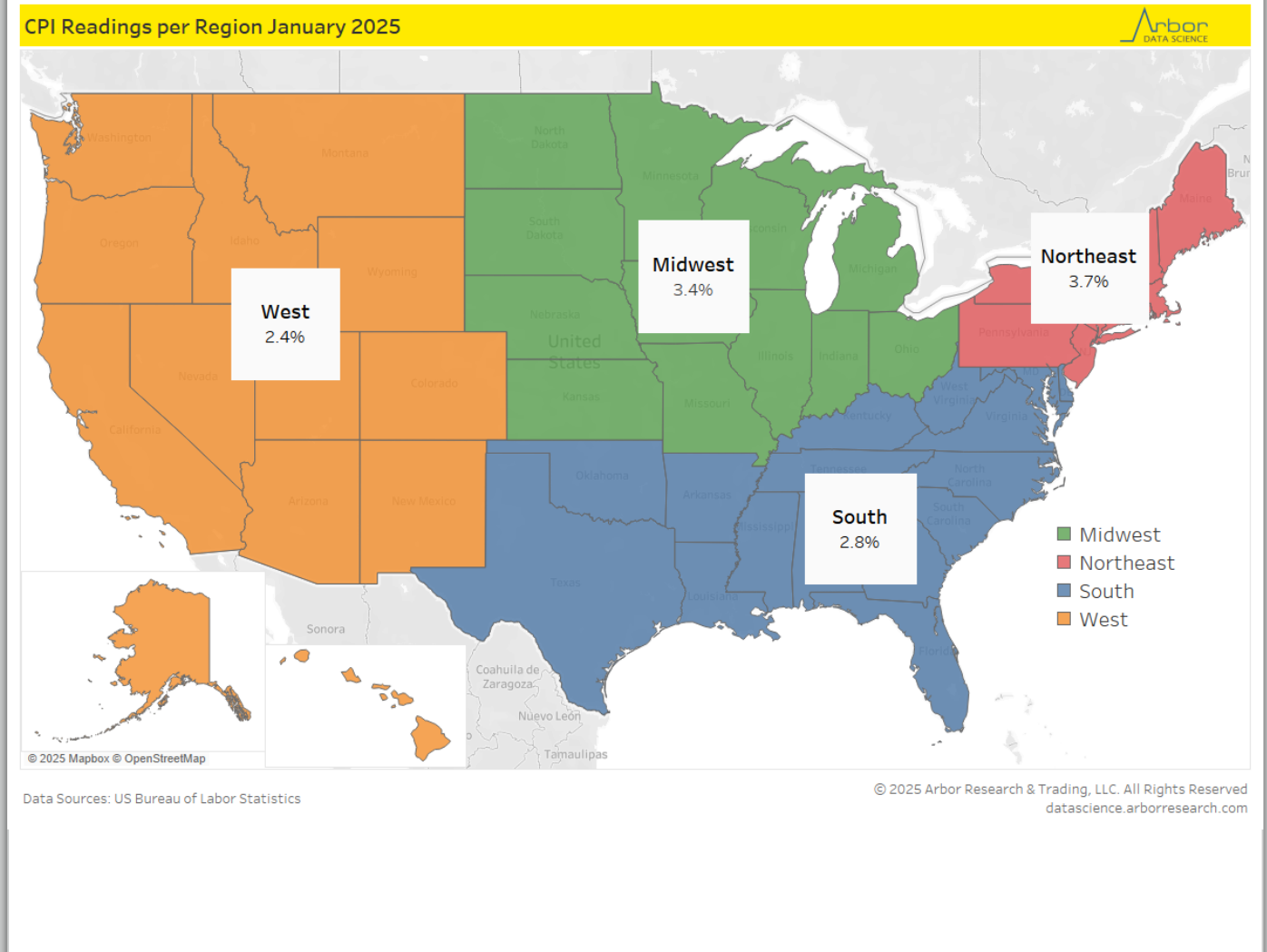


Data Source: US Bureau of Labor Statistics

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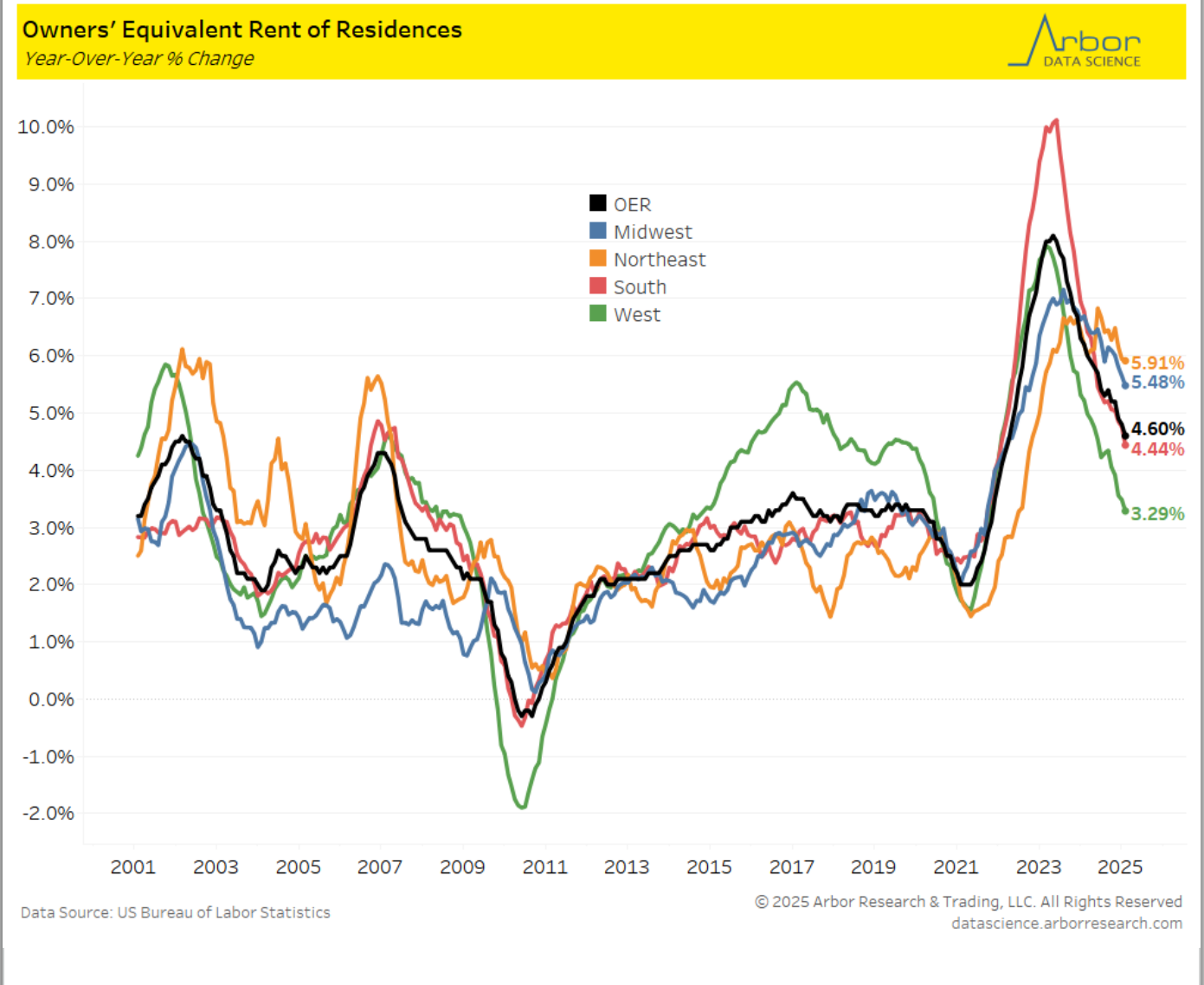
CPI Readings per Region January 2025

- The Northeast had the highest inflation reading for January 2025, at 3.7% YoY, followed by the Midwest at 3.4% YoY, the South at 2.8% YoY, and the West at 2.4% YoY.



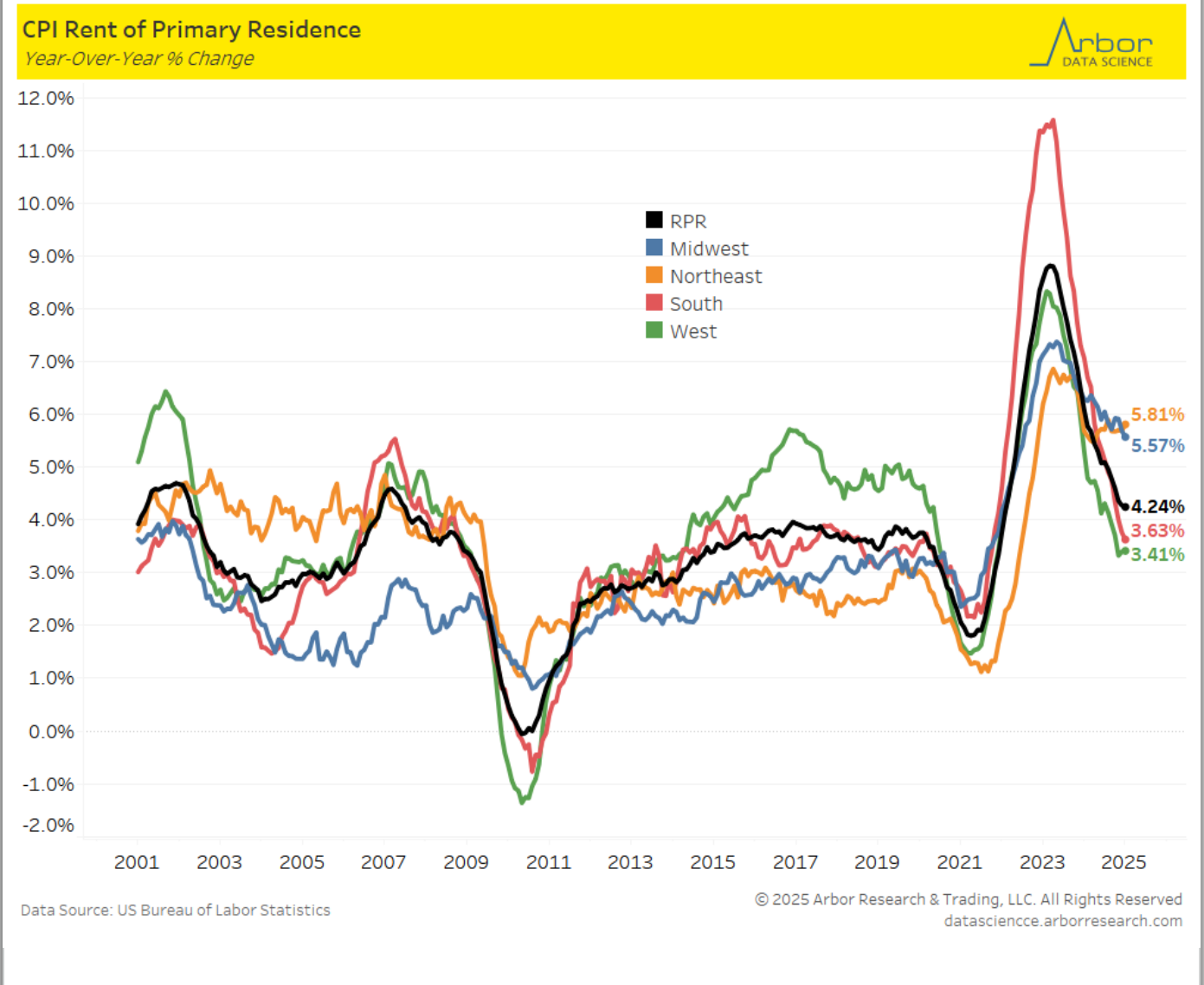
Owners' Equivalent Rent of Residences

- 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 4.60% 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 4.24% year-over-year.

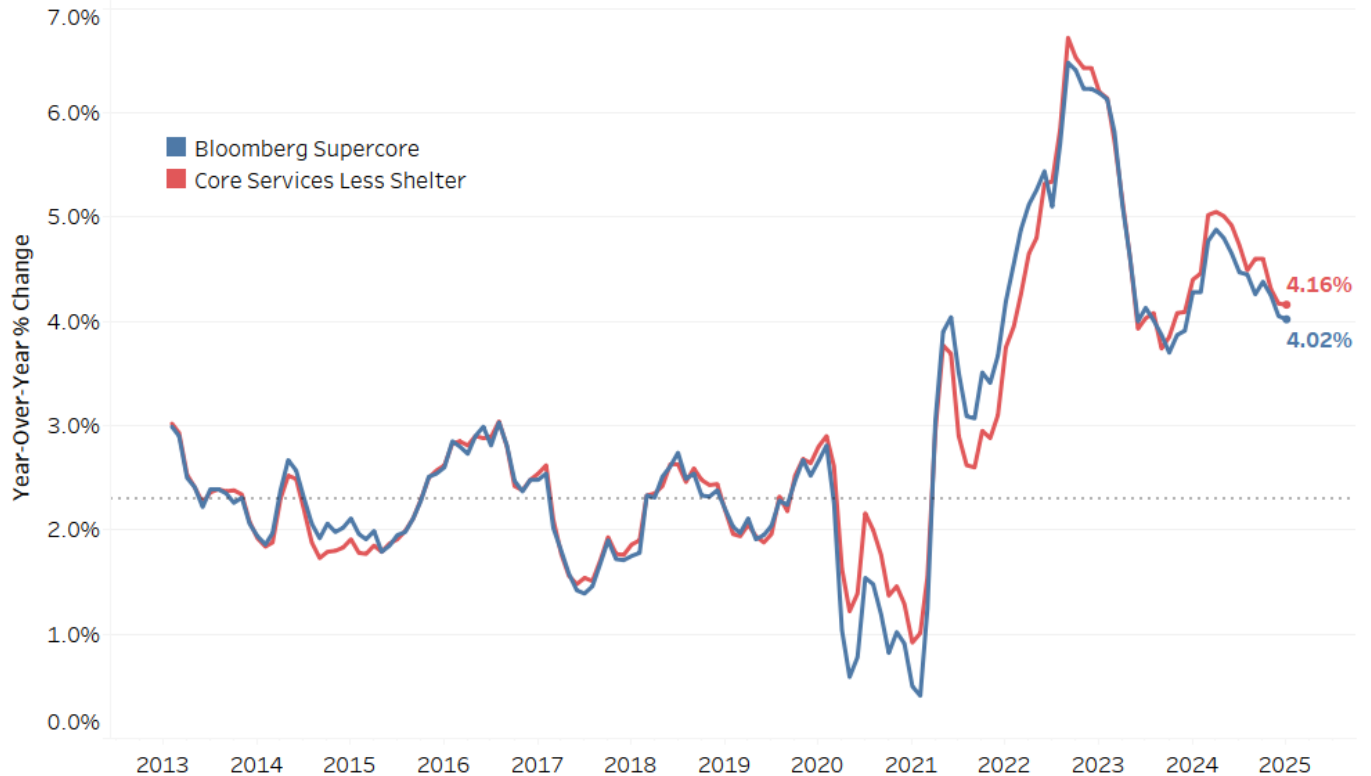


Services Ex-Shelter and Supercore Inflation

- 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.

Beyond Core Inflation

US YoY Supercore CPI and Core Services Less Housing (Dotted Line = Feb. 2013-Feb. 2020 Average)

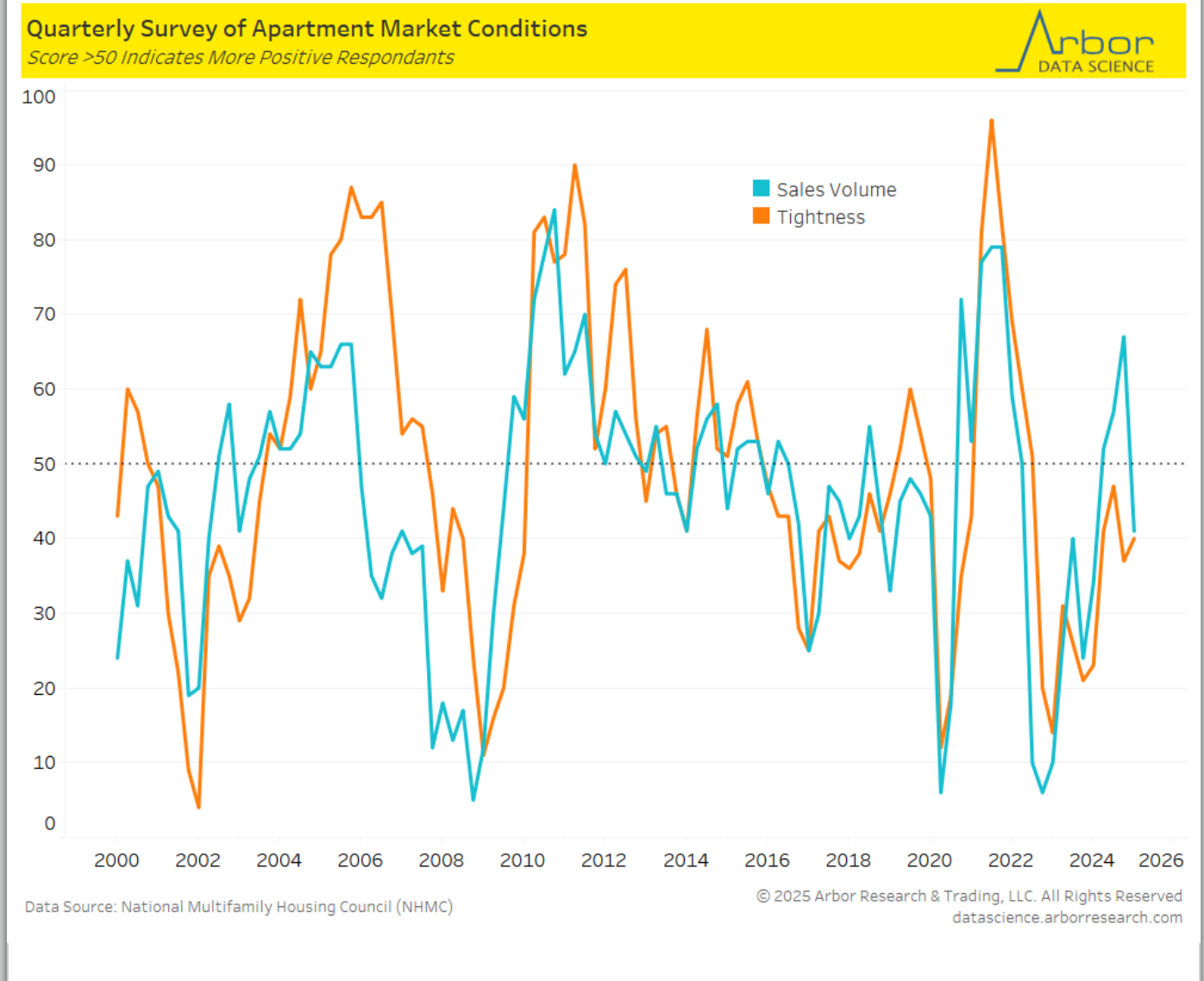


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Renters' Market Conditions

- [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.



Contact Us

Give us a call for more information about our services and products.

Kristen Radosh

kristen.radosh@arborresearch.com

Max Konzelman

max.konzelman@arborresearch.com

Gus Handler

gus.handler@arborresearch.com

Sam Handler

sam.handler@arborresearch.com

Arbor Research & Trading, LLC

22333 Classic Court

Lake Barrington, IL 60010

1-800-606-1872

datascience.arborresearch.com



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