



Inflation Roundup

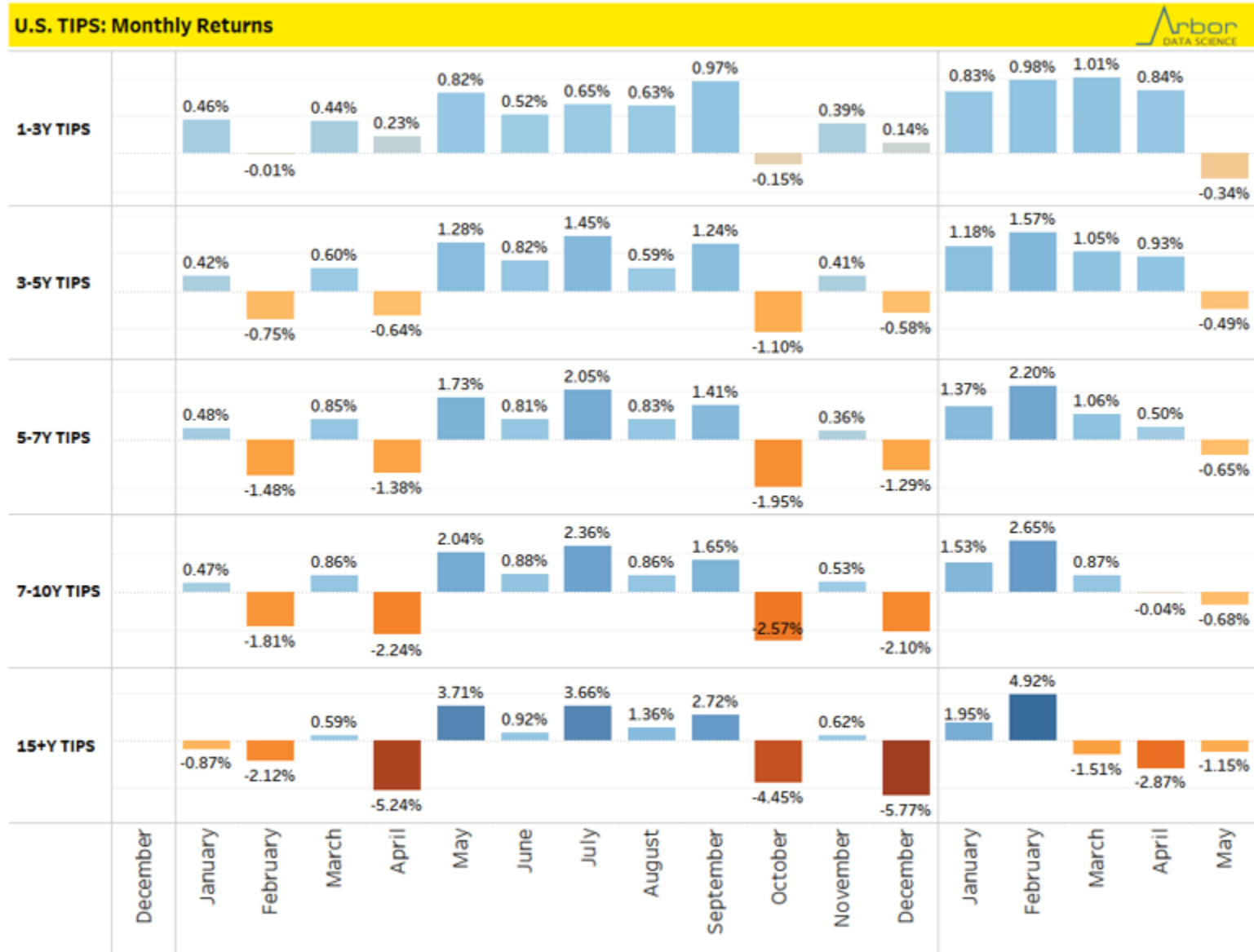
May 8, 2025

- 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:

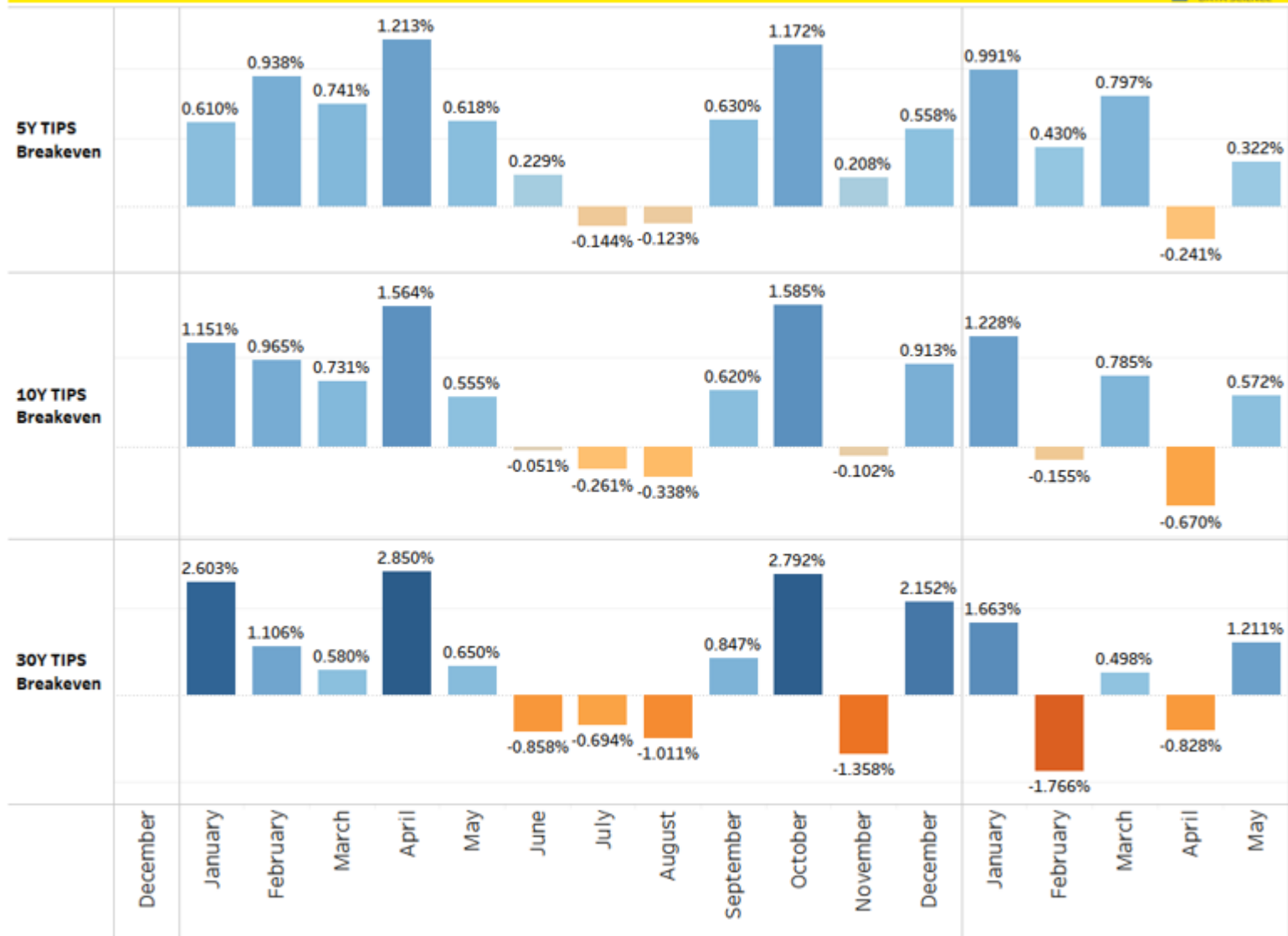


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TIPS BREAKEVENS TOTAL RETURNS:

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

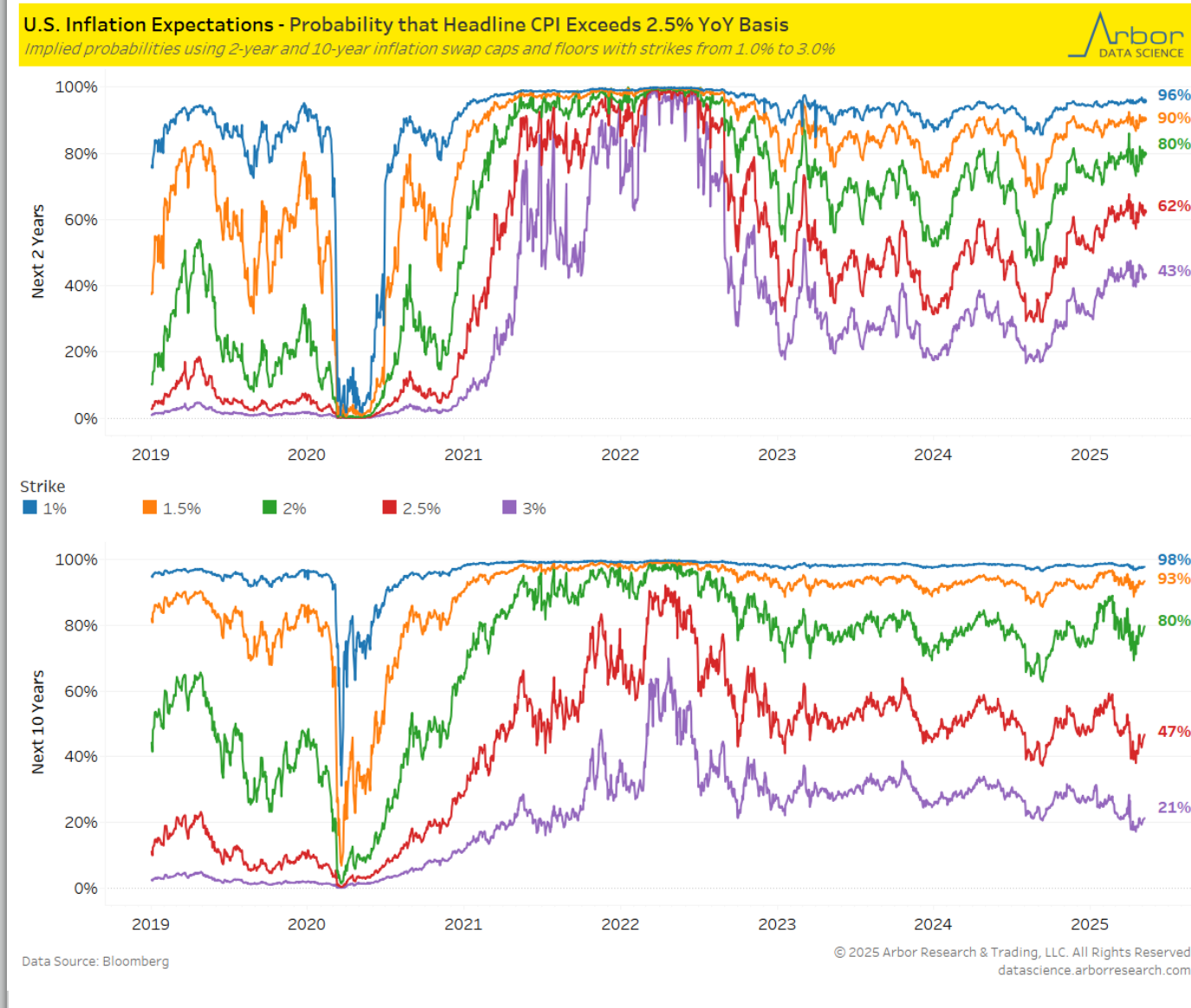


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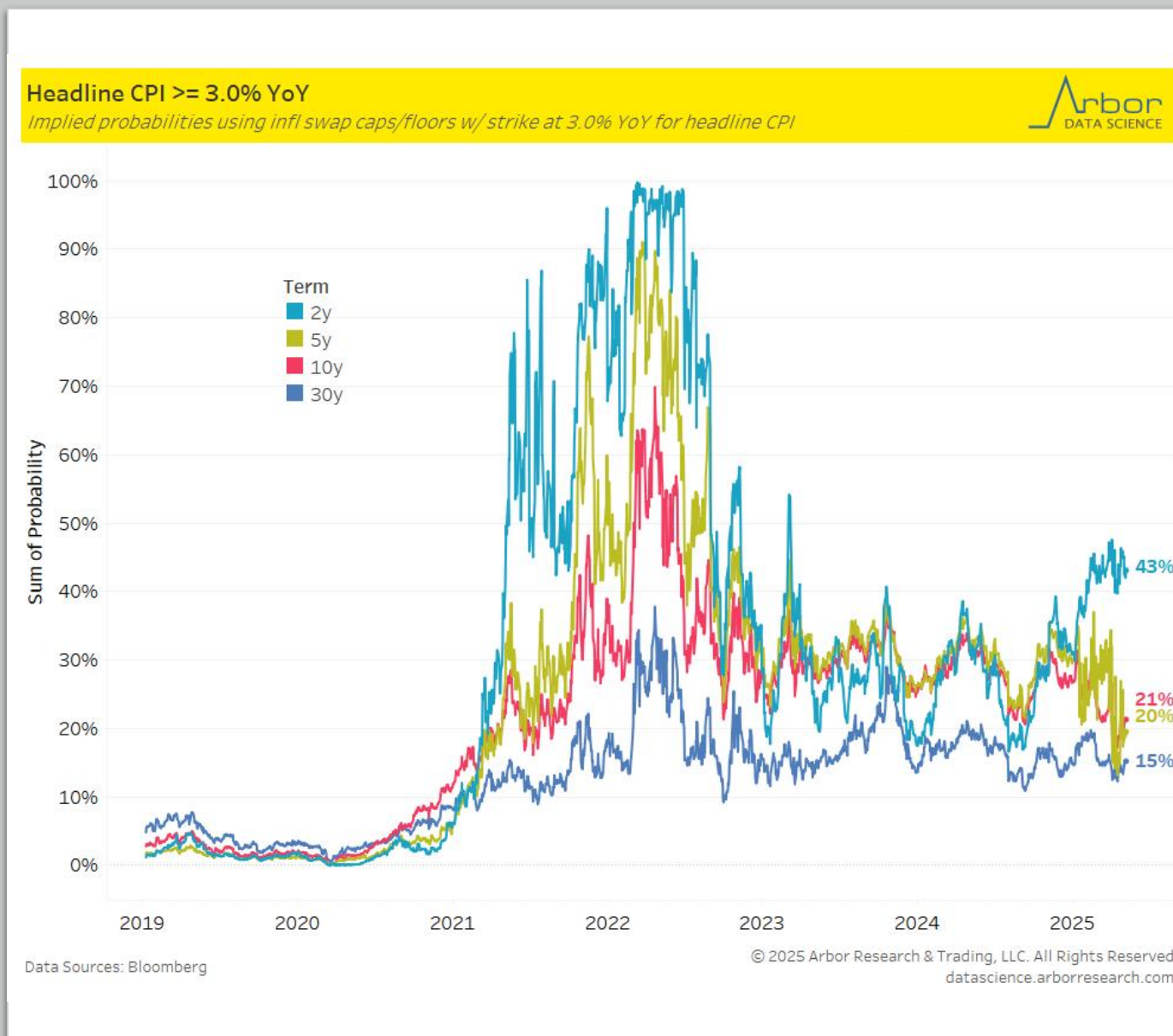
U.S. Inflation Swap Caps and Floors

- Over the past week, inflation expectations for the next 2 years were mixed, except 1.5%, which stayed the same.
- 10-year expectations increased, except 1% and 1.5%, which stayed the same.
- The probability of 2.5% headline inflation for the next 2 years decreased at 62% from the previous week.
- The 10-year probability of 2.5% headline increased to 47% over the past week.



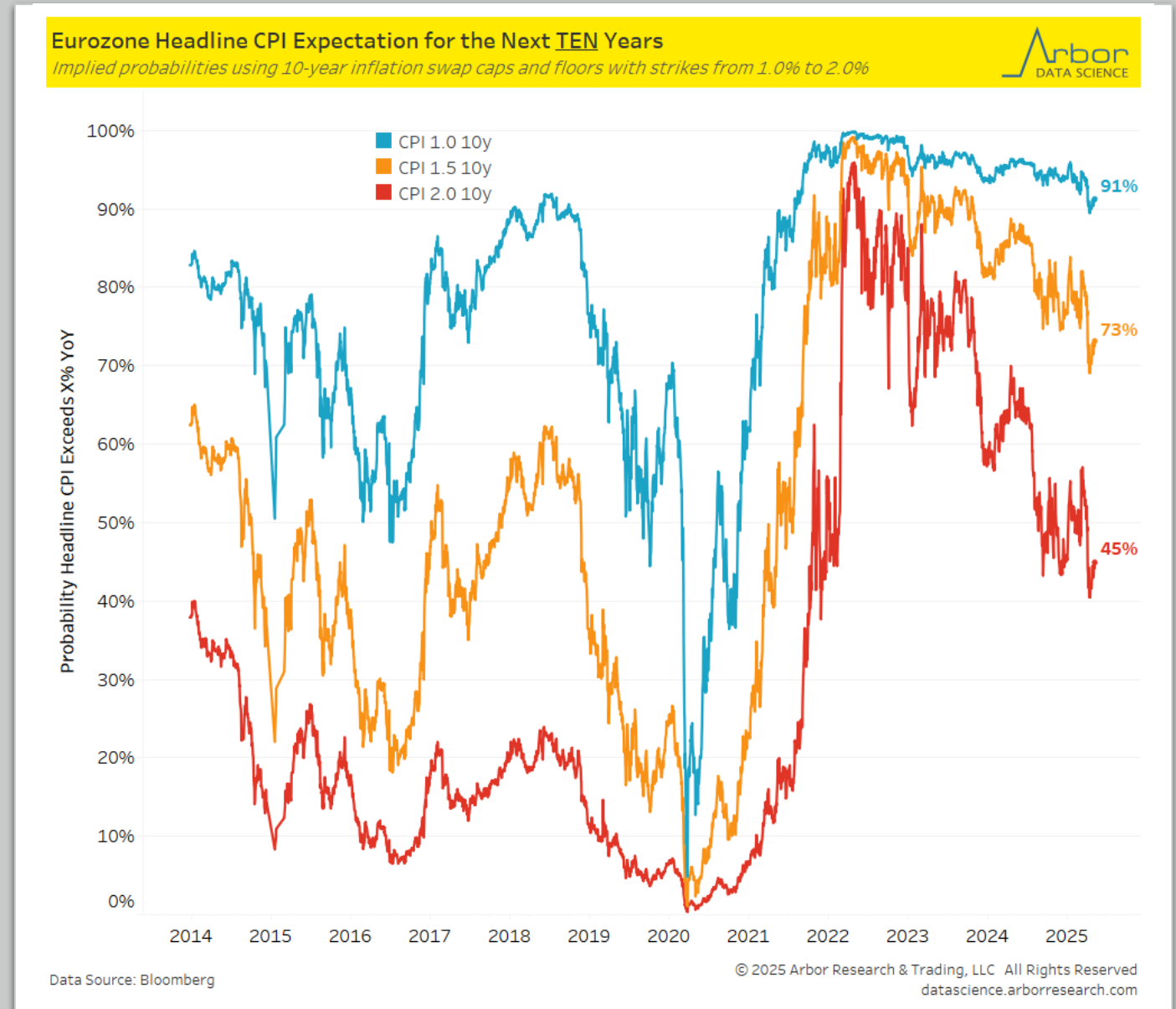
U.S. 3% Headline Expectations

- 3% inflation expectations mostly increased from the prior week.
- Based on swap cap/floor probabilities for the next 2 years, the market gives this outcome a 43% probability.



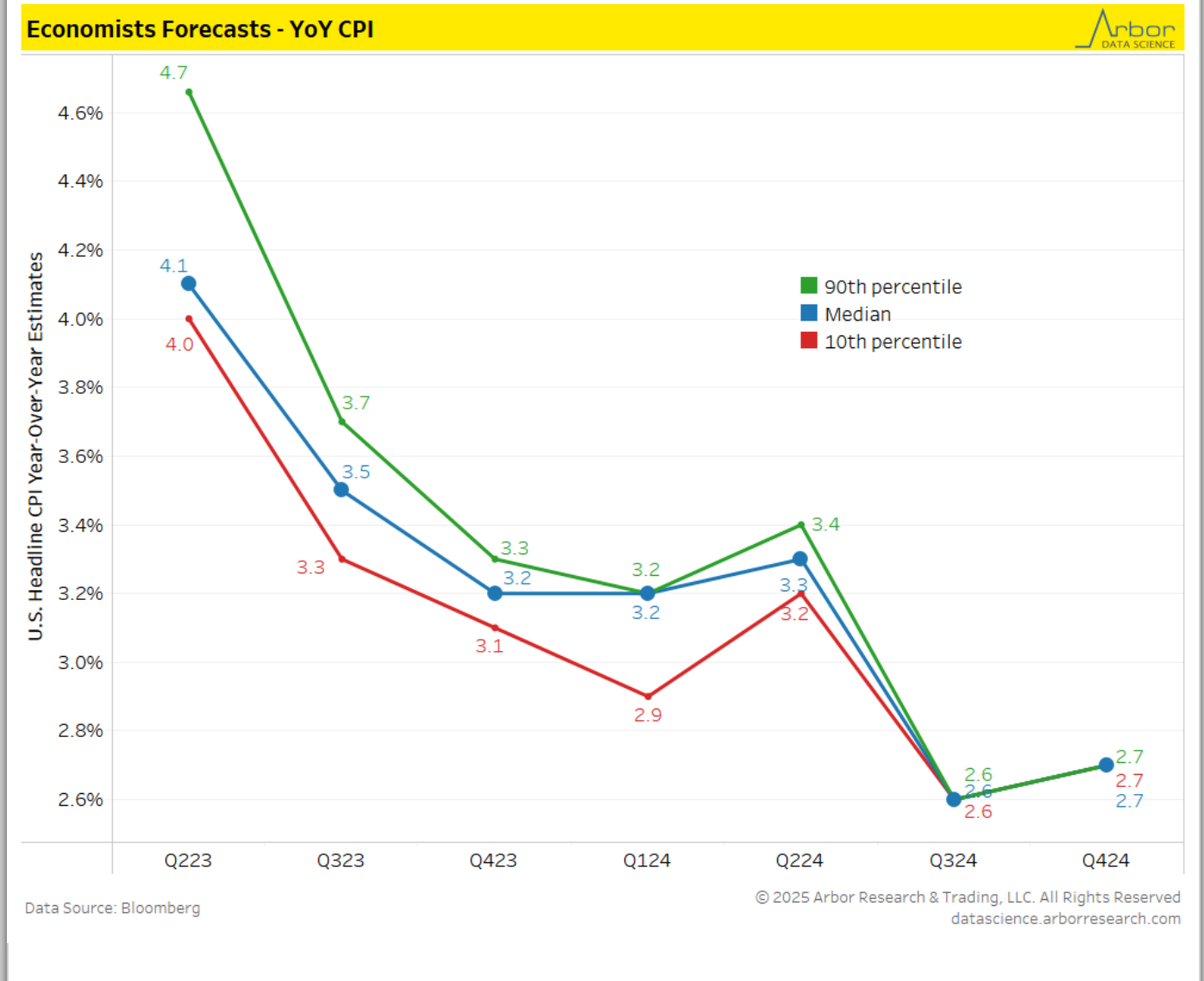
Eurozone Inflation Expectations

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



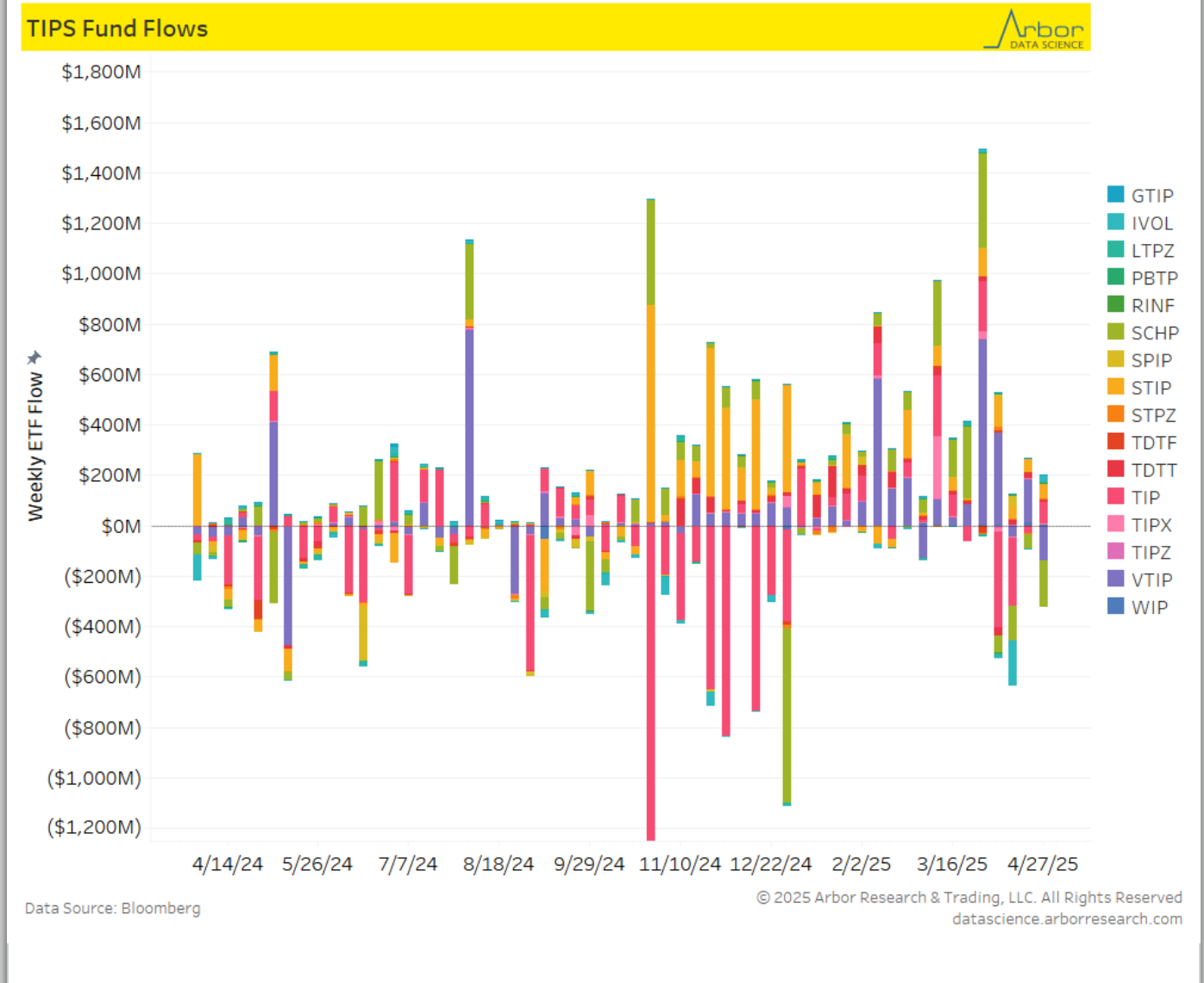
Economist Inflation Forecasts

- 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 6.5% inflation rate over the next year.



TIPS Fund Flows

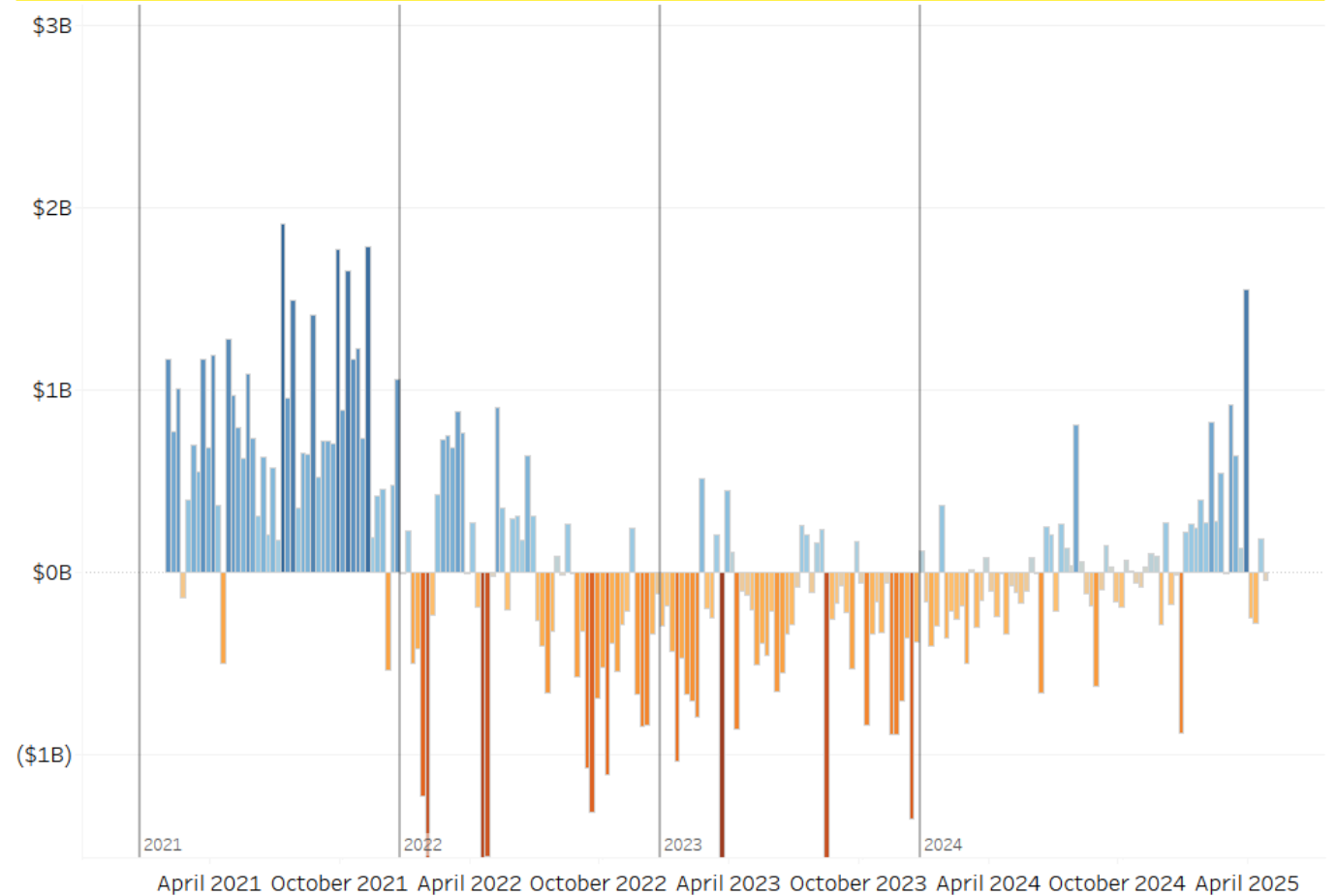
- The majority of flows were negative last week, with outflows concentrated in 2 funds (rounded value)
 - Schwab US TIPS ETF: (\$186 million)
 - Vanguard Short-Term Inflation- Protected Sec Index ETF: (\$141 million)



Last week's total flows for all US-listed TIPS ETFs had outflows of \$46.89 million.

TIPS ETF Net Flows

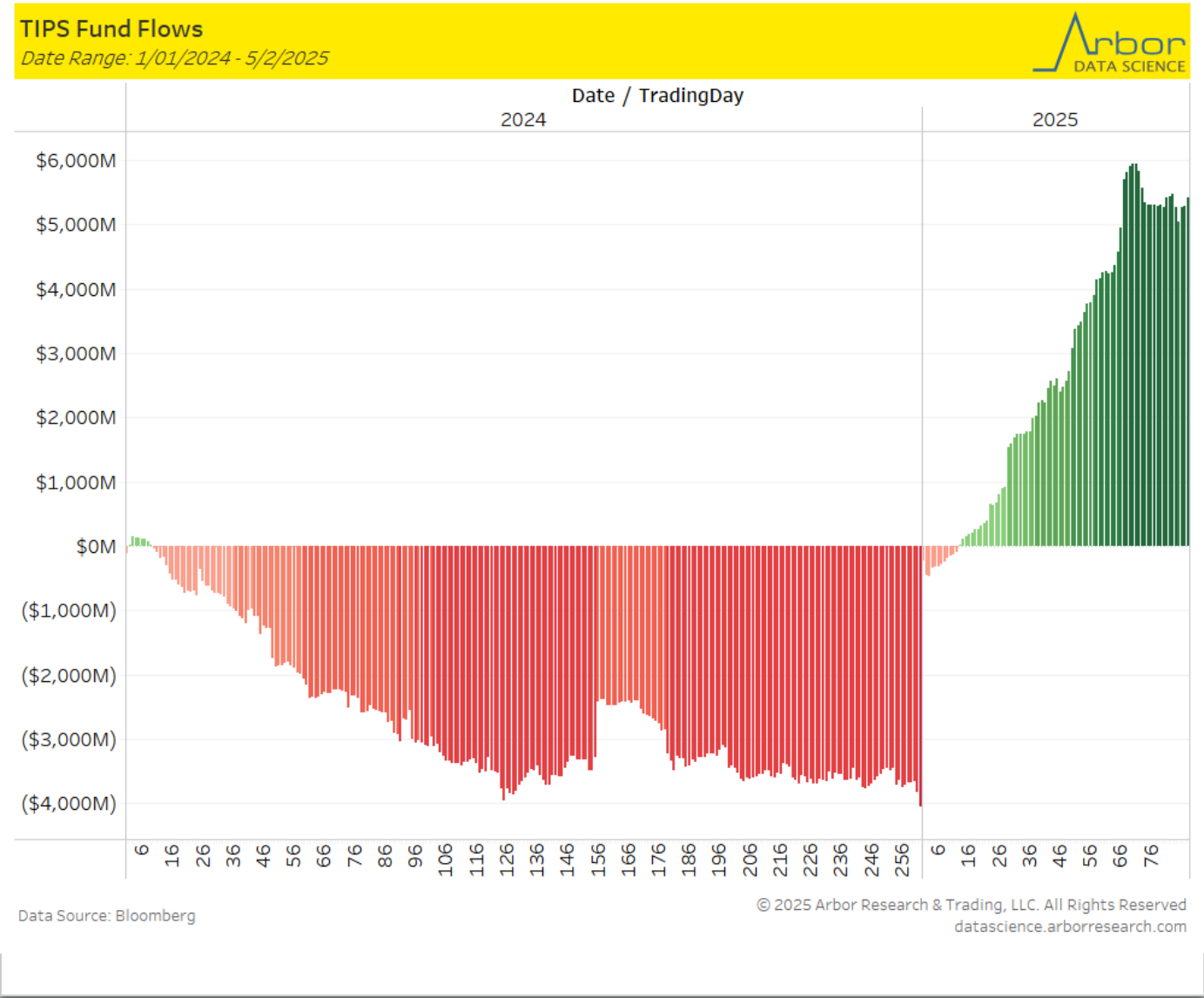
Weekly Total Flow into All US-Listed TIPS Exchange Traded Funds



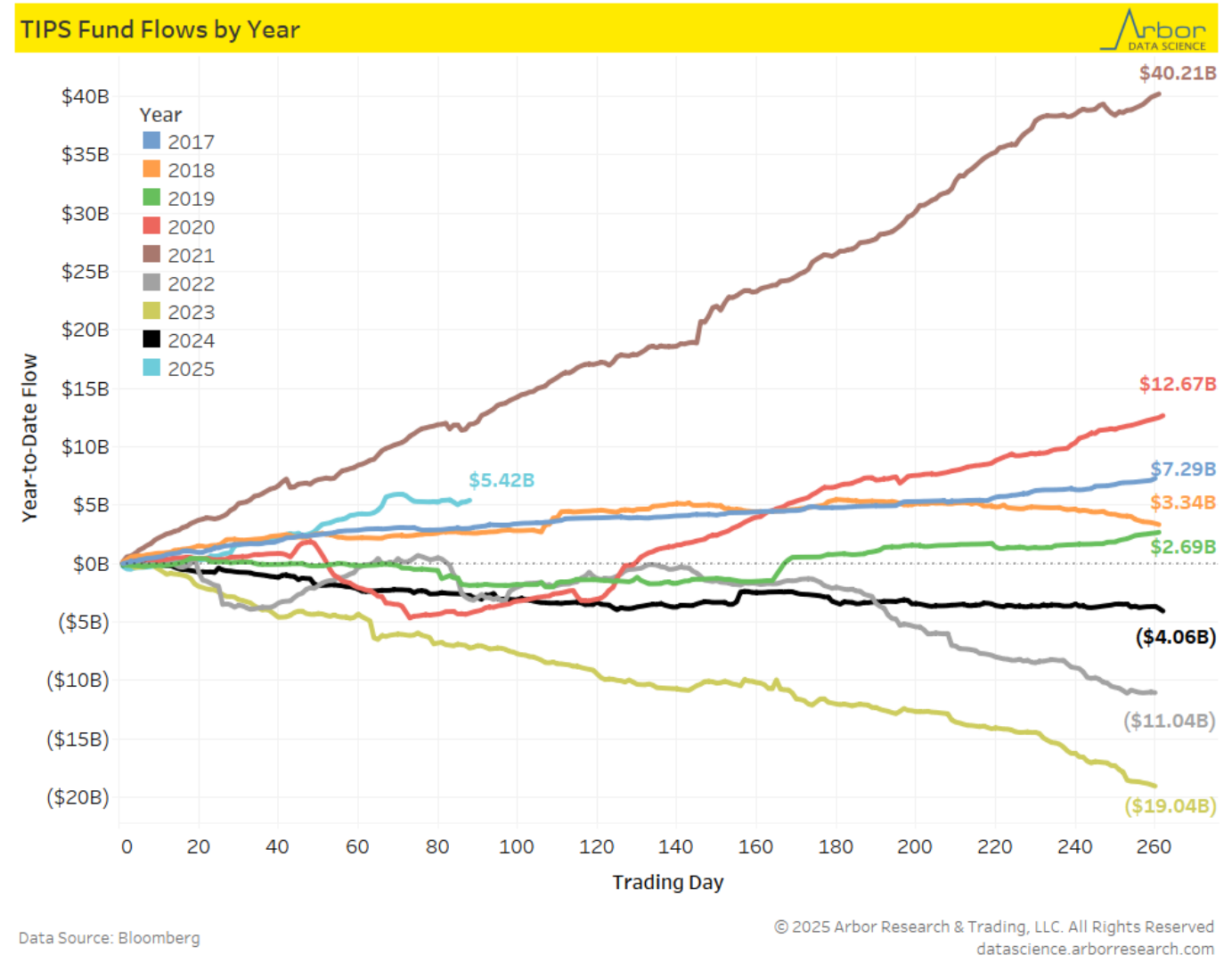
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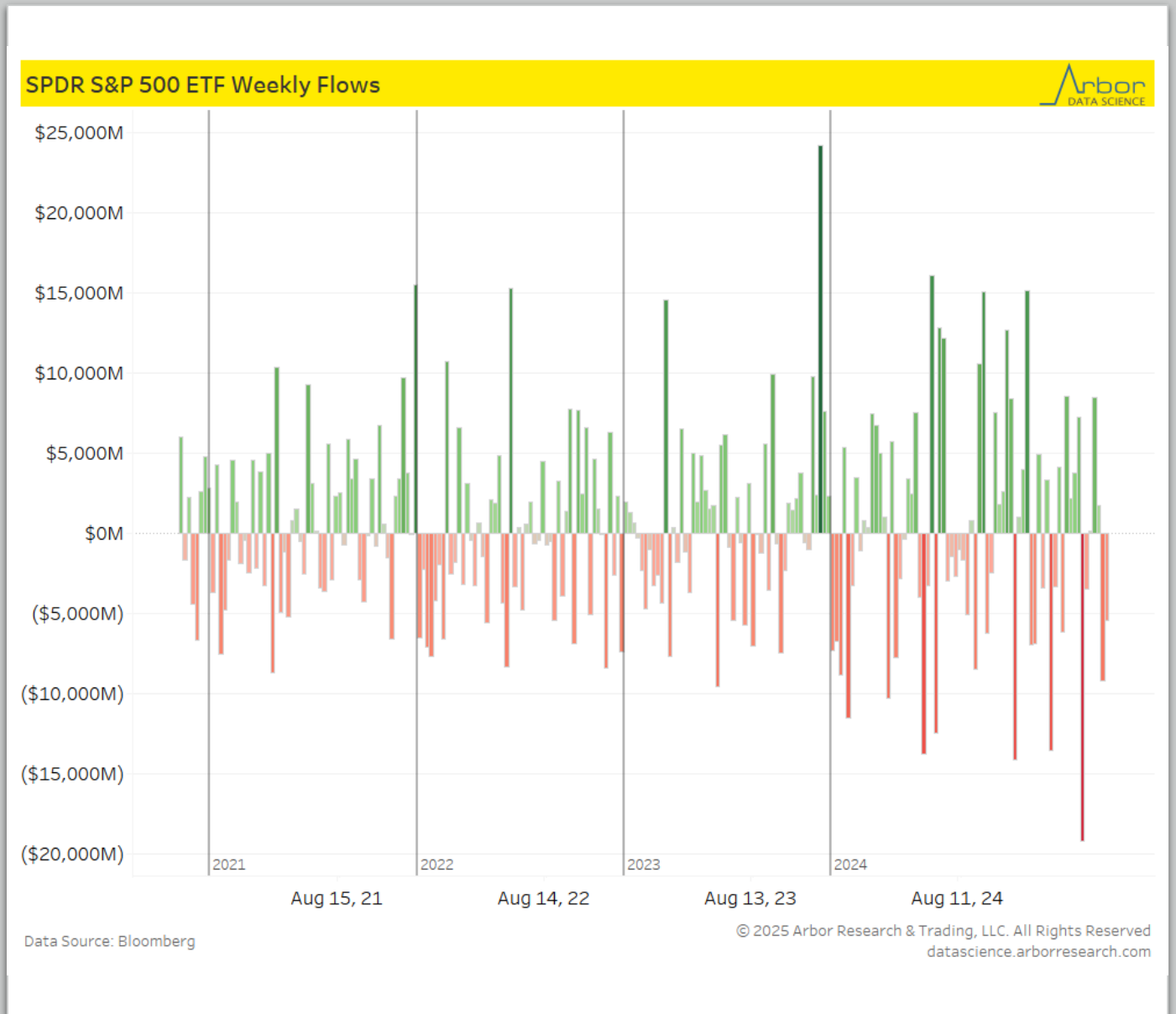
2025 Year-to-date for all US-listed TIPS ETFs had inflows of \$5.42 billion.



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



The SPY ETF had outflows of approximately \$5.47 billion last week.



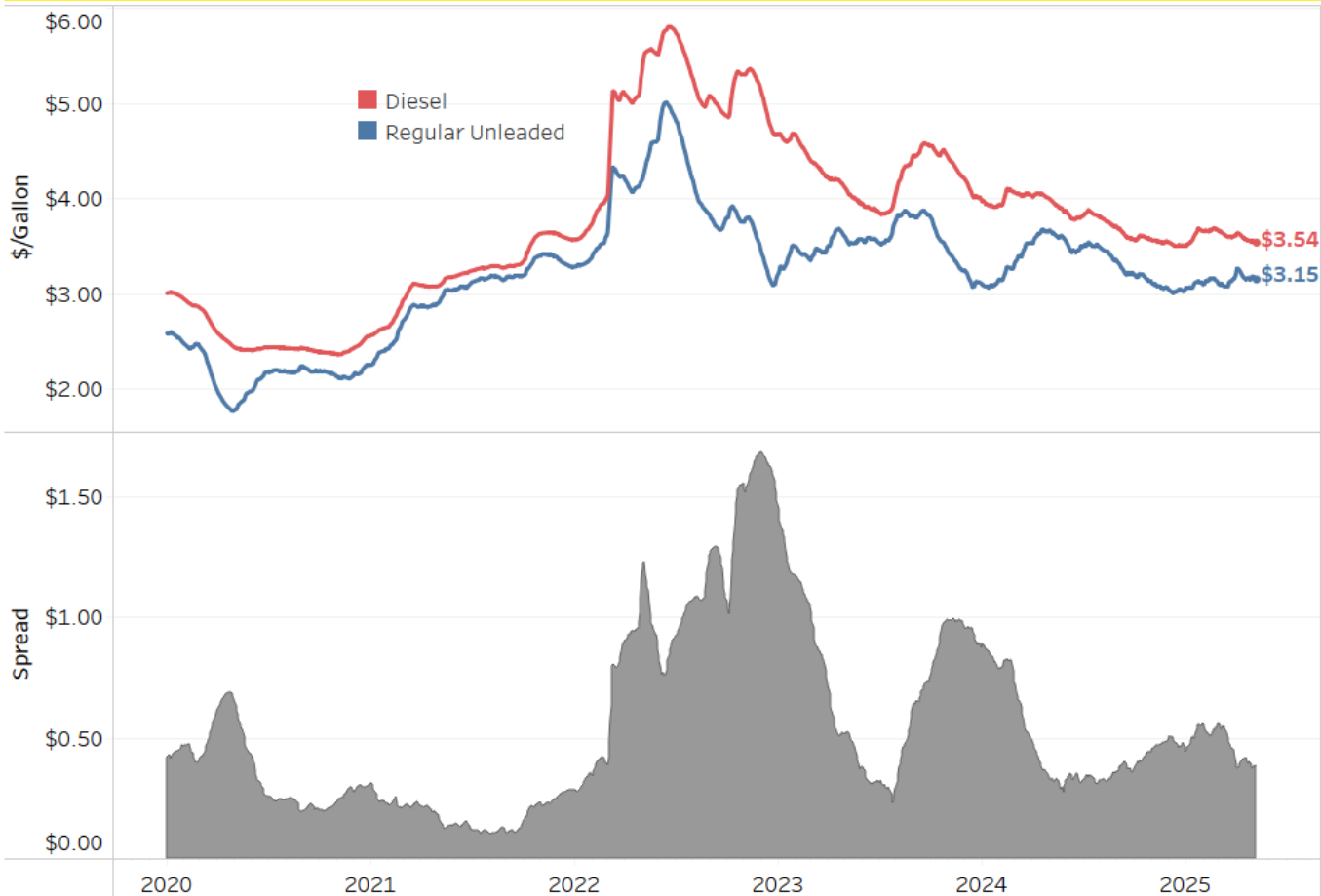
Brent Crude is Below \$65
a Barrel



Average Diesel/Gas
Spread increased to
\$0.39

U.S. Gasoline Prices - Regular and Diesel

AAA Daily National Average Cost per Gallon

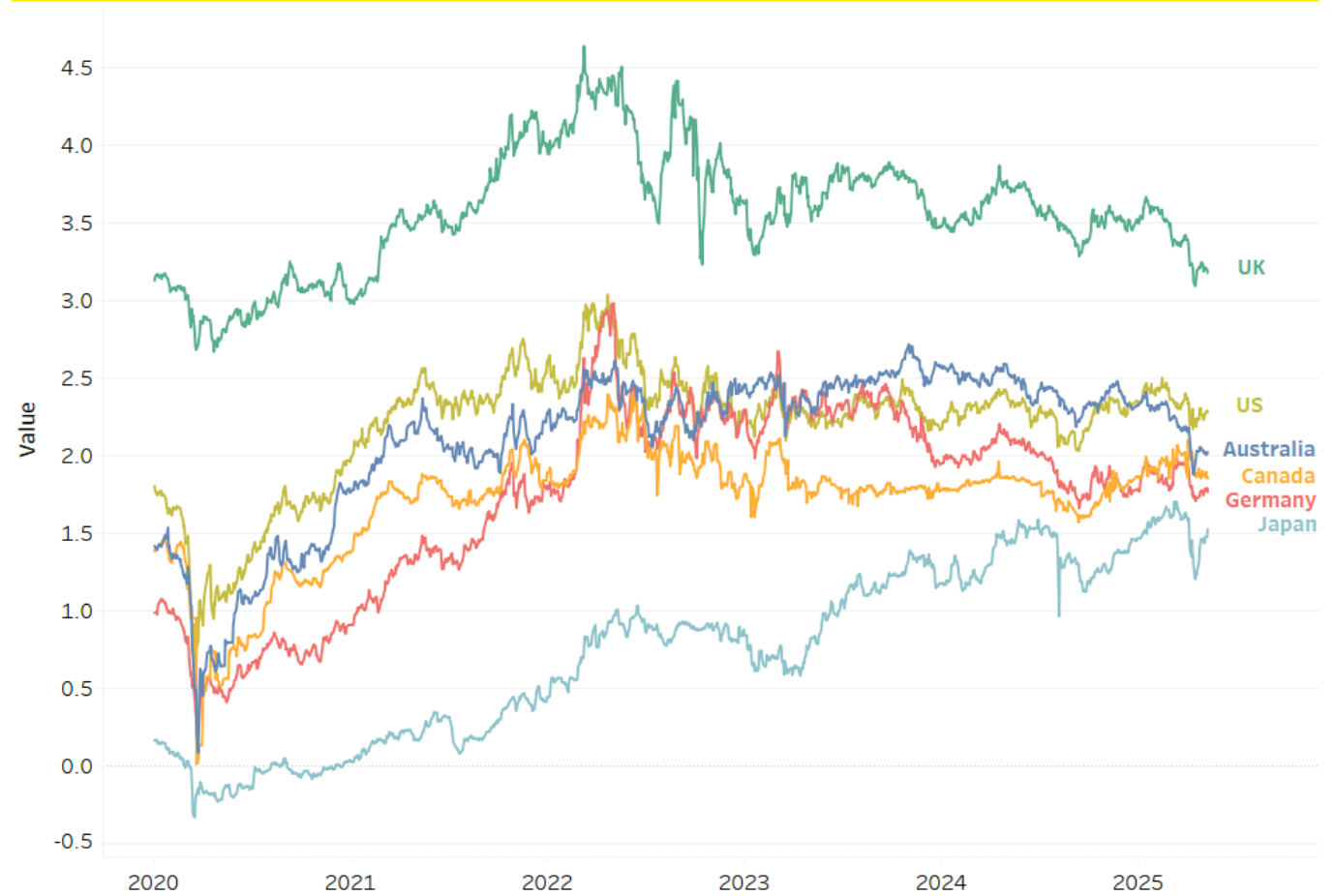


Data Source: American Automobile Association

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10-Year Global Breakevens

10-Year Inflation Expectations
Global Breakevens



Data Source: Bloomberg

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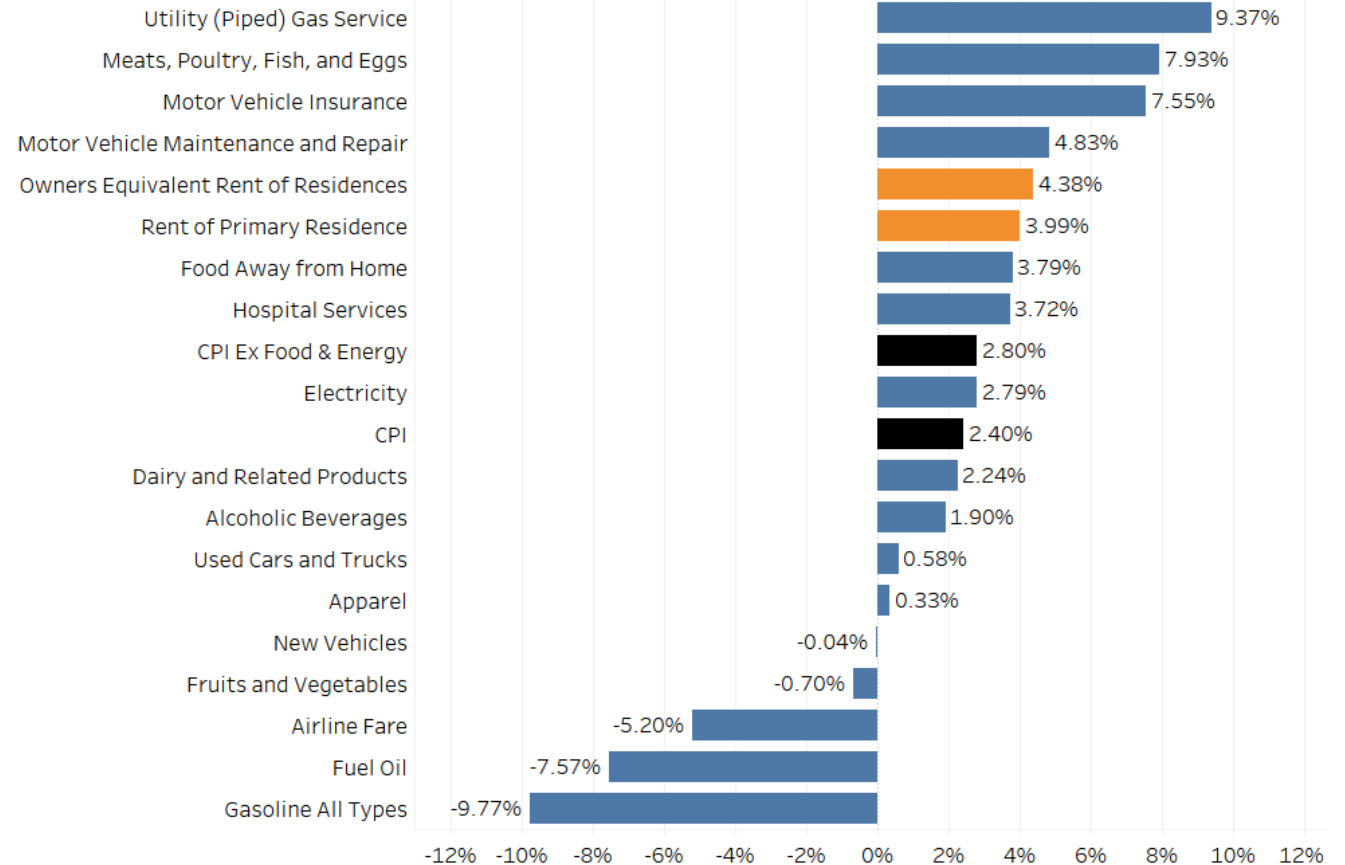
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CPI YoY% Changes March 2025

- CPI YoY had a 2.4% increase in March 2025.
- Utility (Piped) Gas Service had the largest increase YoY% change for our selected categories at 9.37% in March 2025, while Gasoline All Types had the largest decrease YoY% change for our selected categories of -9.77%.

CPI Year-over-Year Percent Changes March 2025

Not Seasonally Adjusted

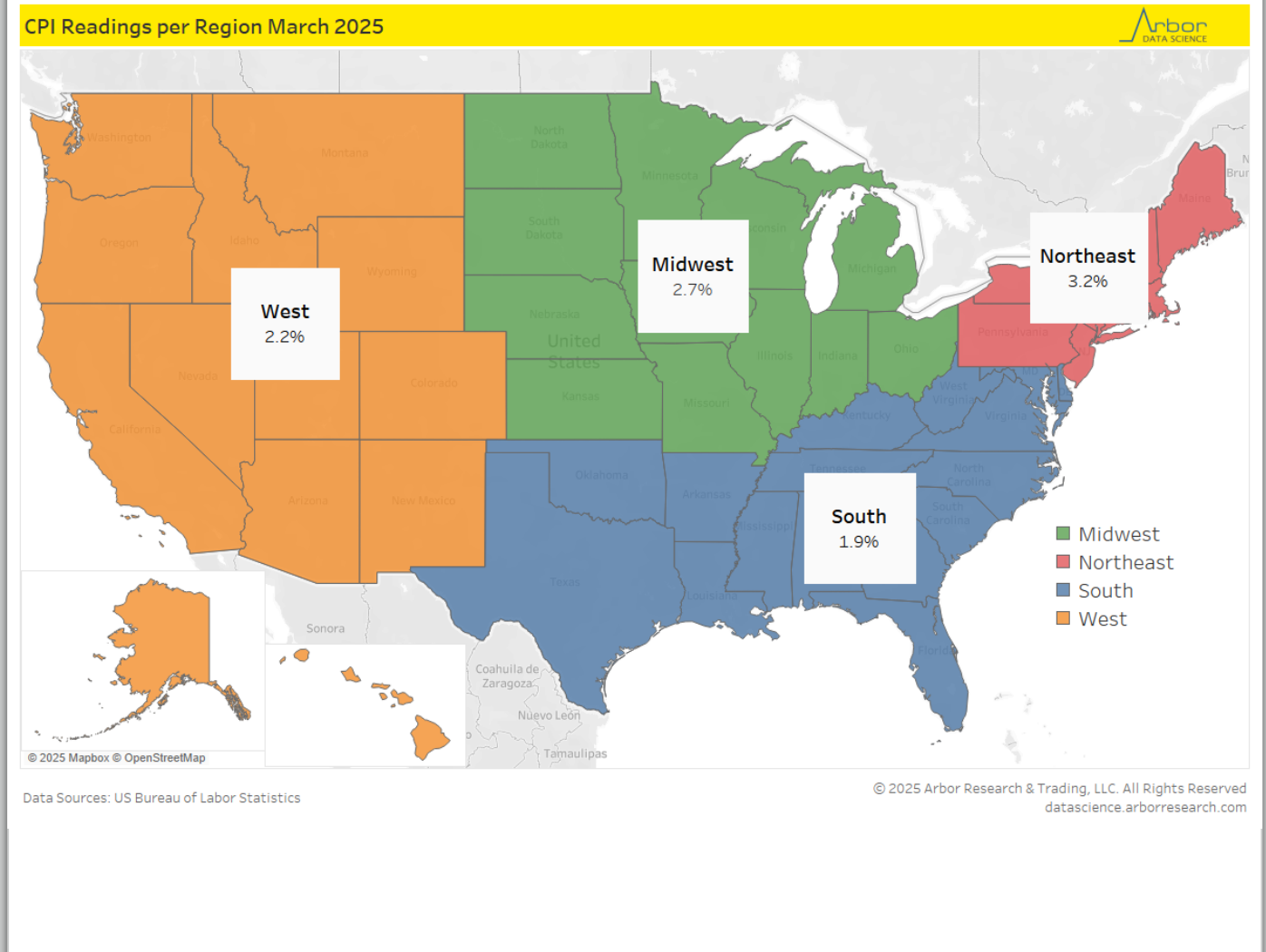


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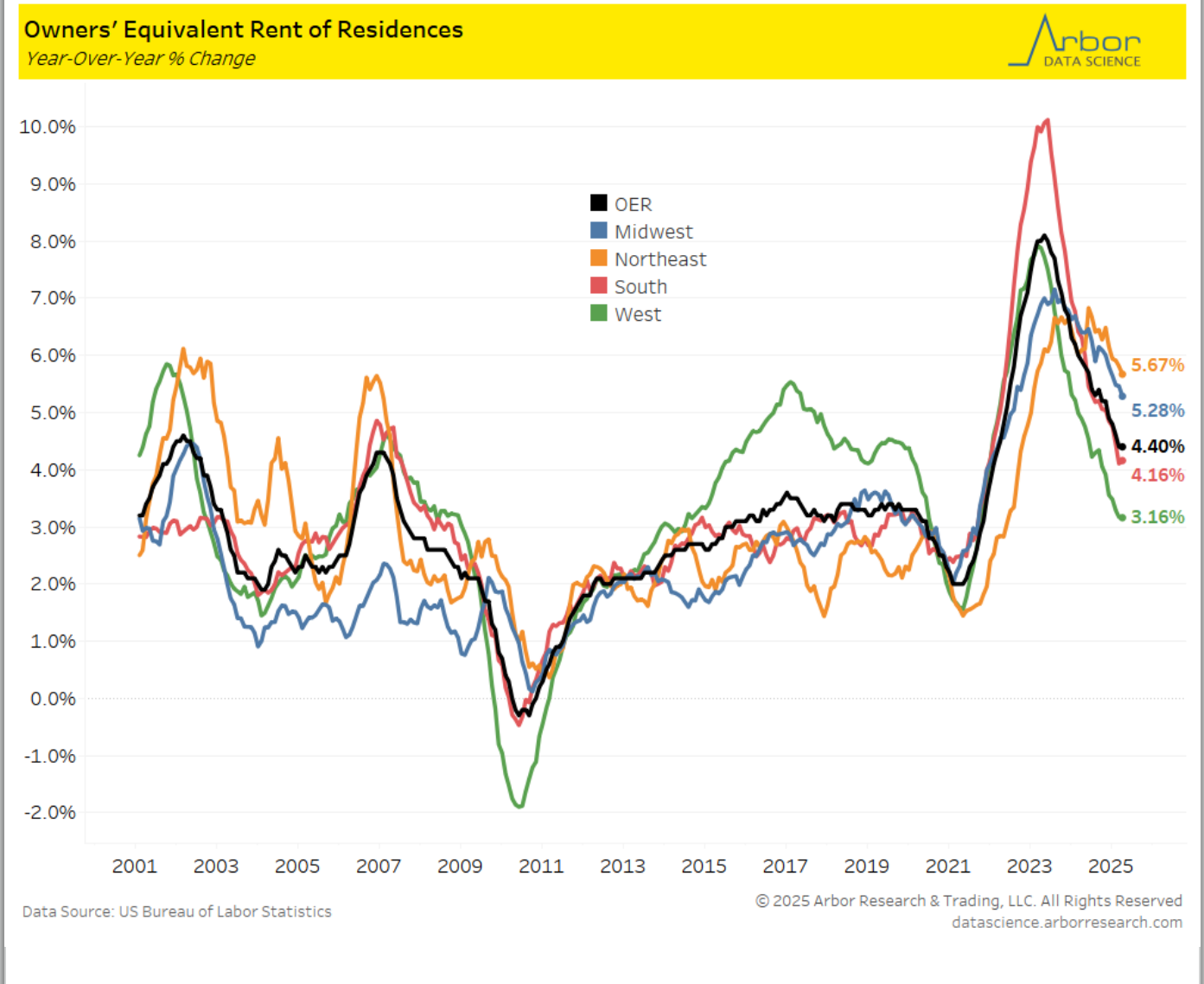
CPI Readings per Region March 2025

- The Northeast had the highest inflation reading for March 2025, at 3.2% YoY, followed by the Midwest at 2.7% YoY, the West at 2.2% YoY, and the South at 1.9% YoY.



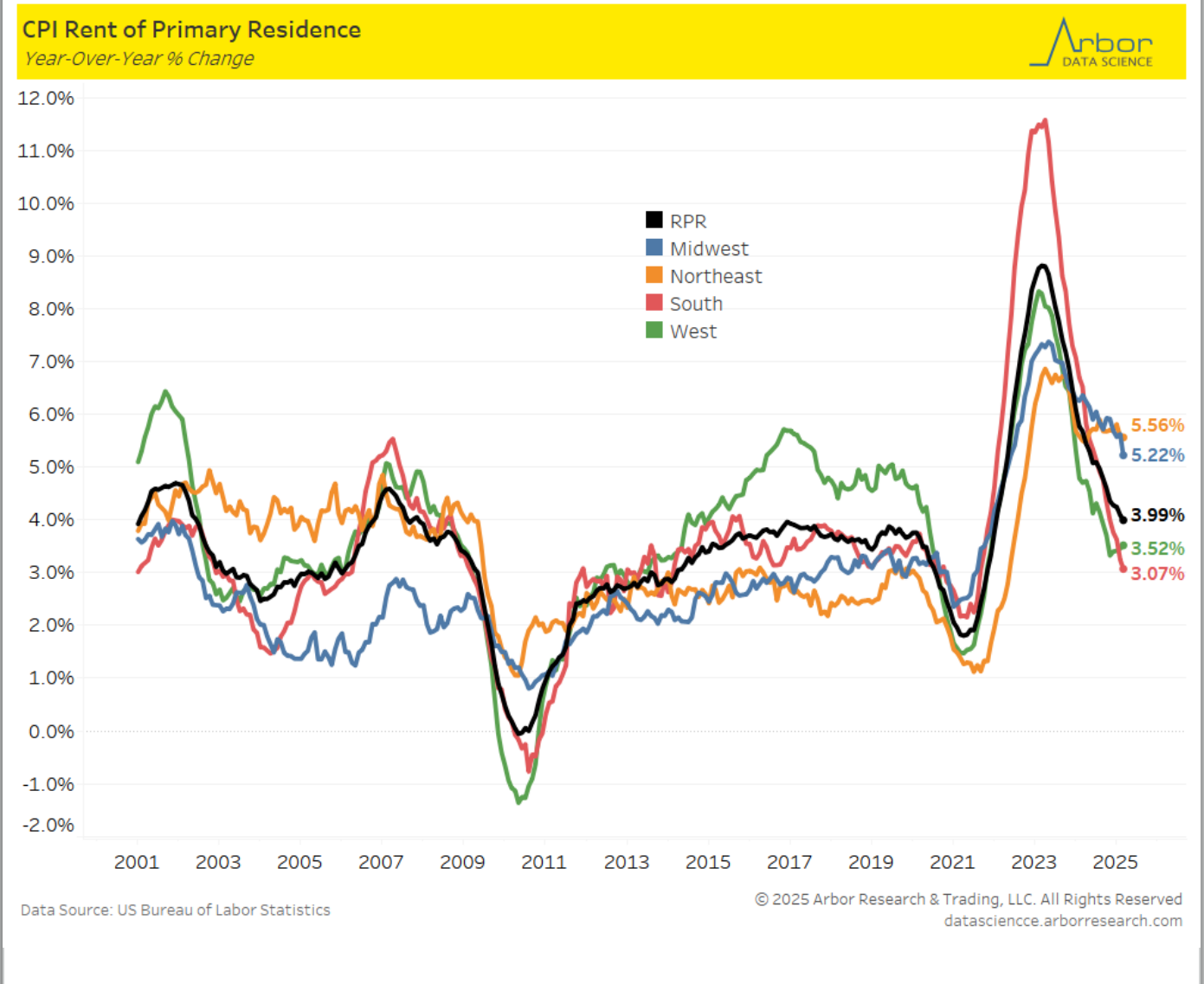
Owners' Equivalent Rent of Residences

- 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 remained the same at 4.40% year-over-year nationally in March 2025.



Rent of Primary Residence

- Rent of Primary Residence (RPR), the renters' side of shelter inflation, continued to decline to 3.99% year-over-year.

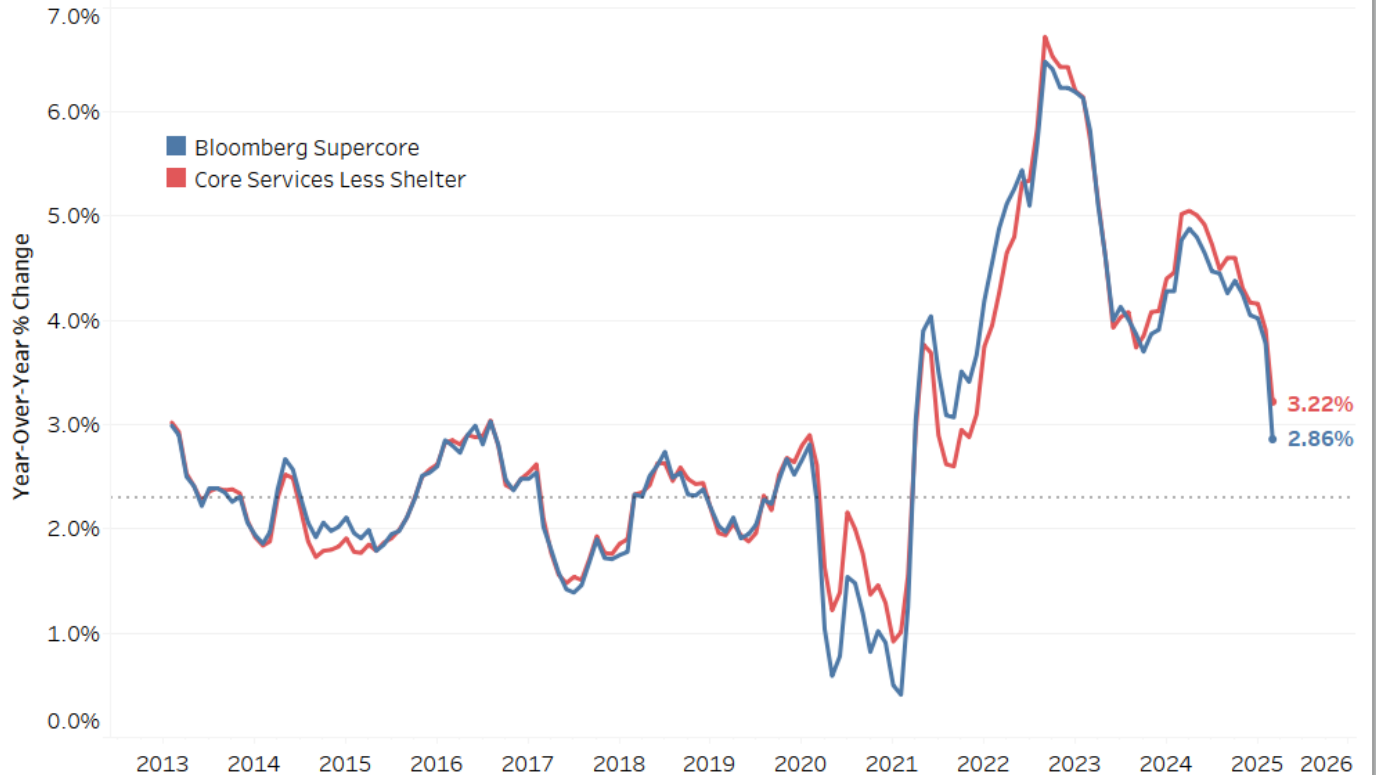


Services Ex-Shelter and Supercore Inflation

- 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)

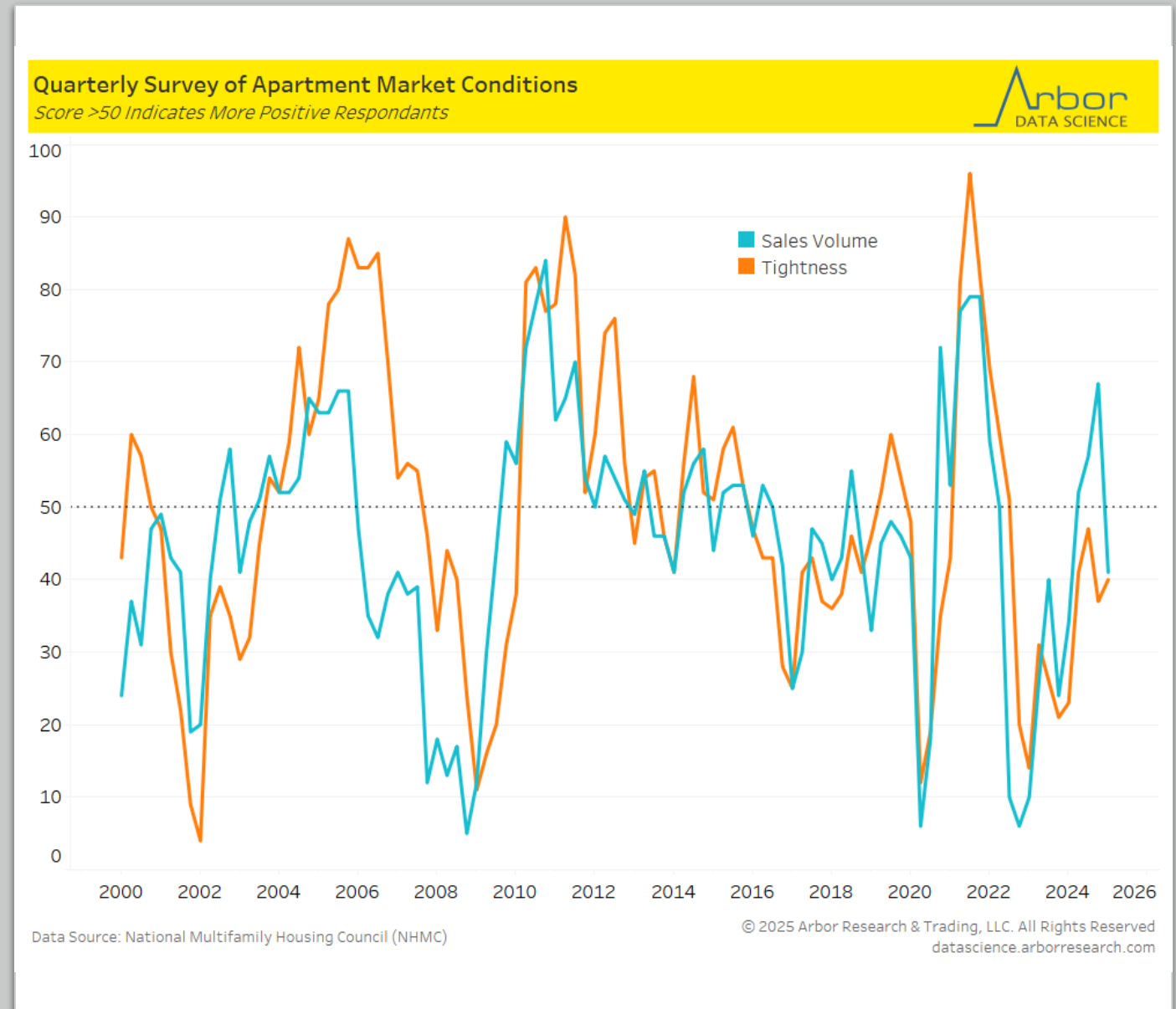


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Renters' Market Conditions

- [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.



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