



Inflation Roundup

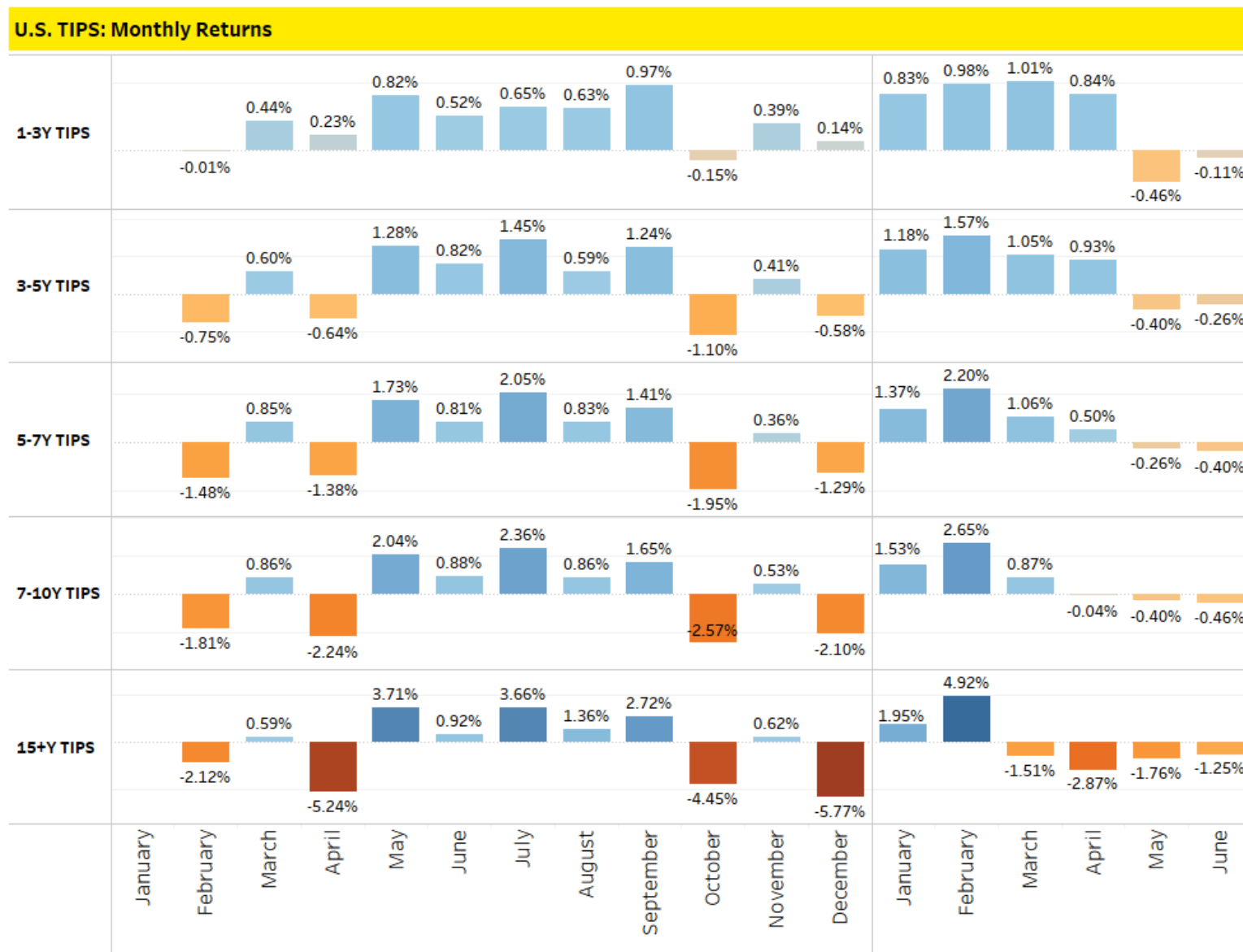
June 5, 2025

- 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:

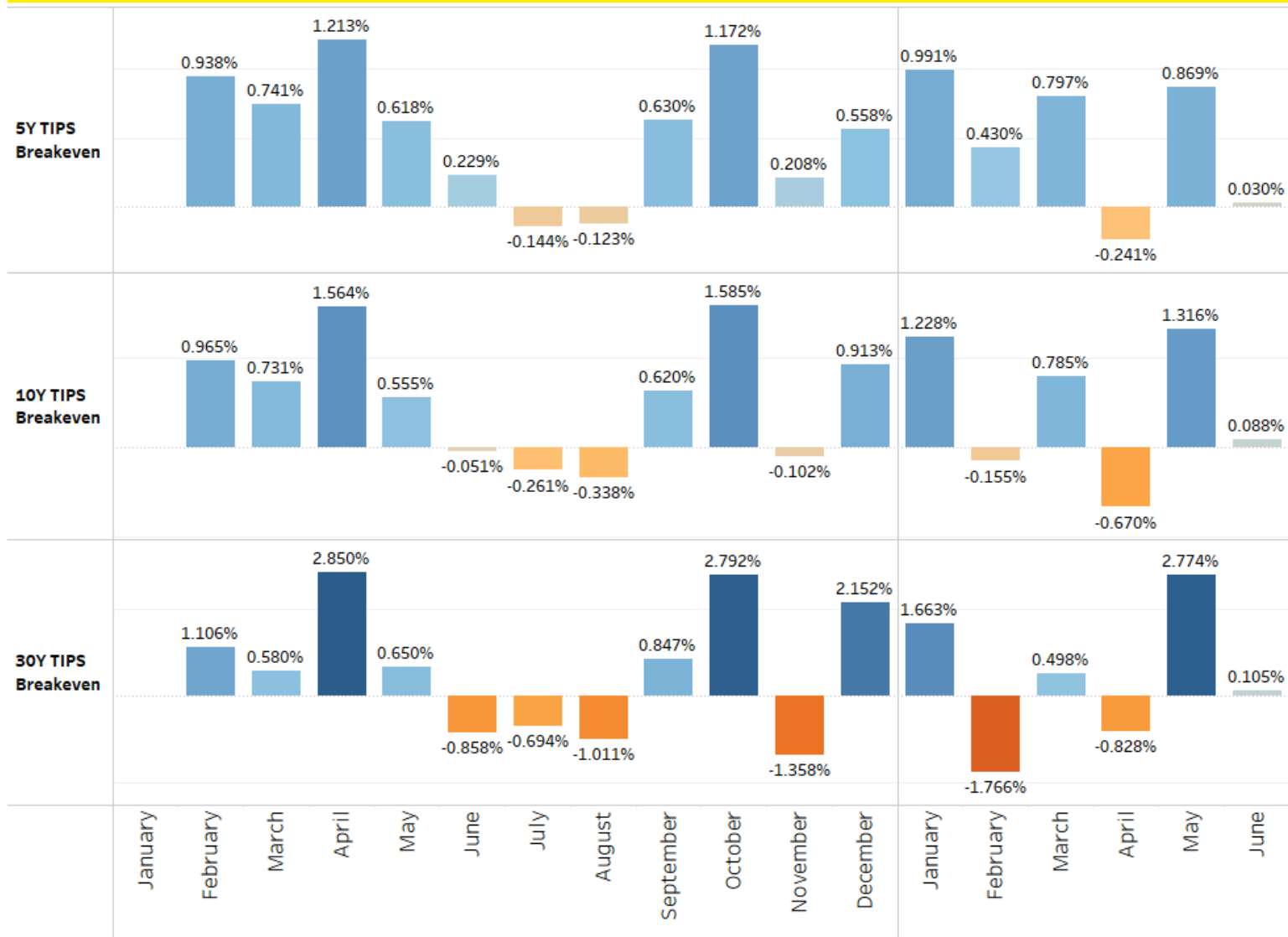


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TIPS BREAKEVENS TOTAL RETURNS:

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



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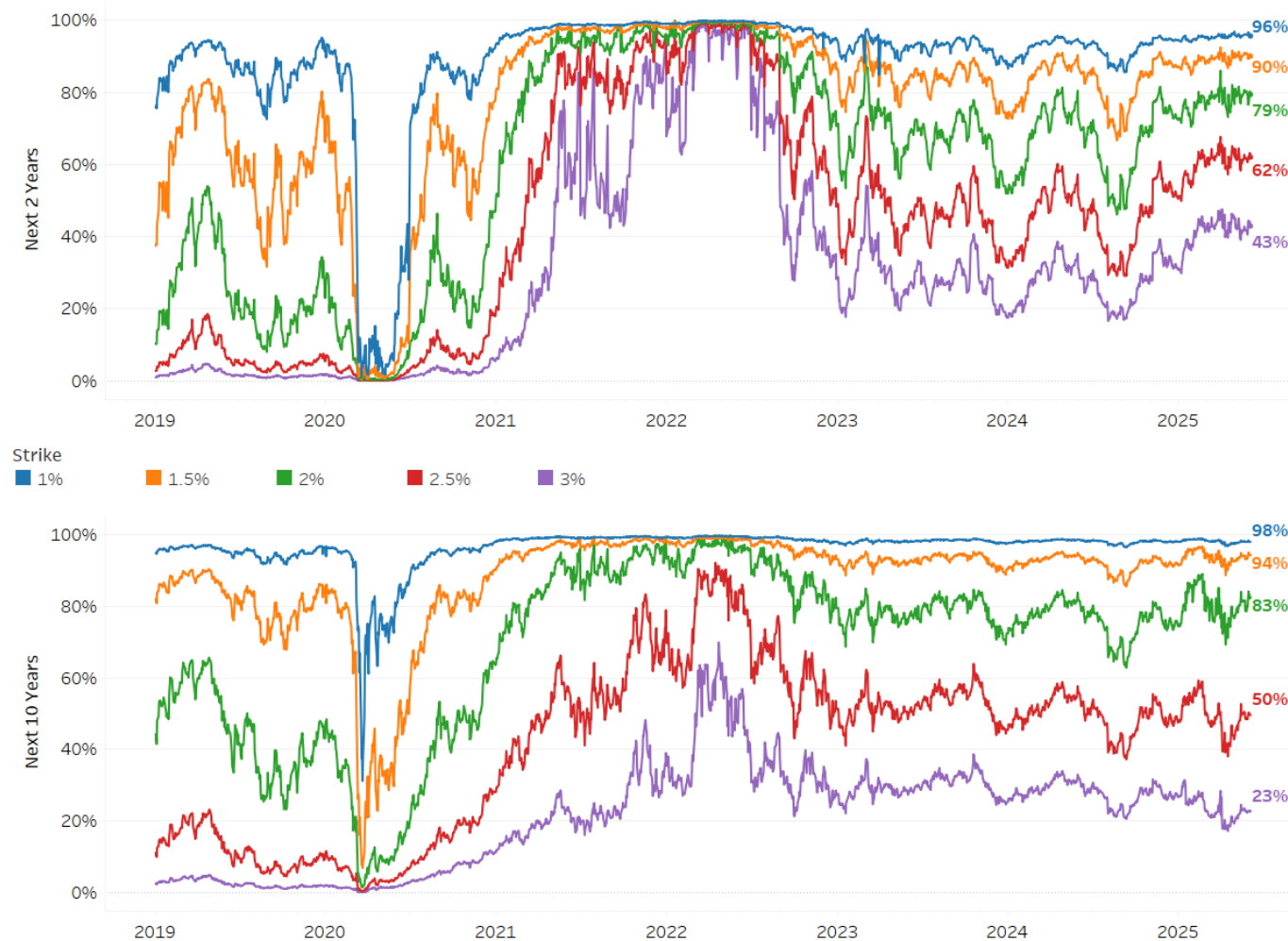
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U.S. Inflation Swap Caps and Floors

- Over the past week, inflation expectations for the next 2 years were mixed.
- 10-year expectations increased.
- The probability of 2.5% headline inflation for the next 2 years increased to 62% from the previous week.
- The 10-year probability of 2.5% headline increased to 50% over the past week.

U.S. Inflation Expectations - Probability that Headline CPI Exceeds 2.5% YoY Basis

Implied probabilities using 2-year and 10-year inflation swap caps and floors with strikes from 1.0% to 3.0%



Data Source: Bloomberg

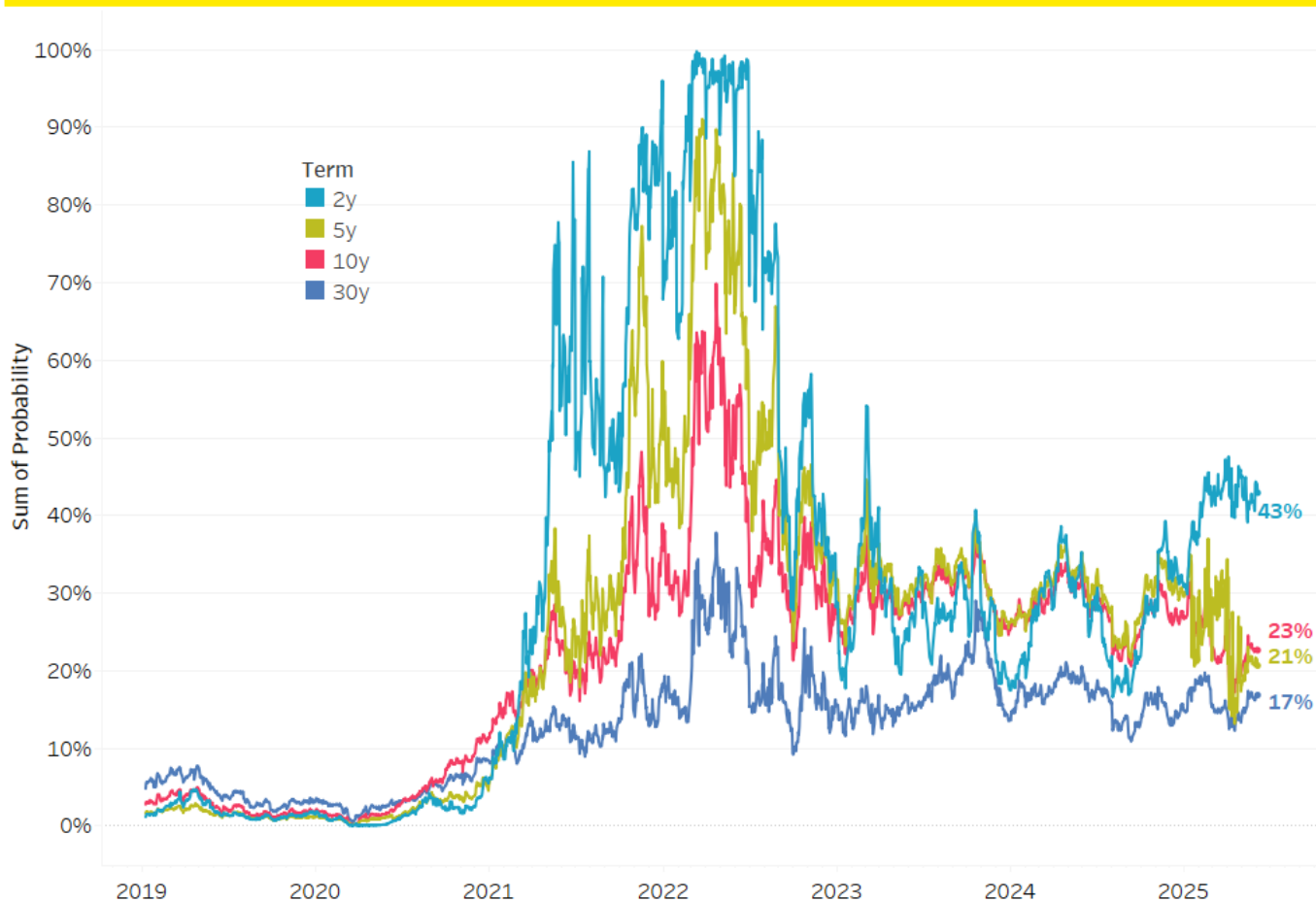
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U.S. 3% Headline Expectations

- 3% inflation expectations were mixed.
- Based on swap cap/floor probabilities for the next 2 years, the market gives this outcome a 43% probability.

Headline CPI \geq 3.0% YoY

Implied probabilities using infl swap caps/floors w/ strike at 3.0% YoY for headline CPI



Data Sources: Bloomberg

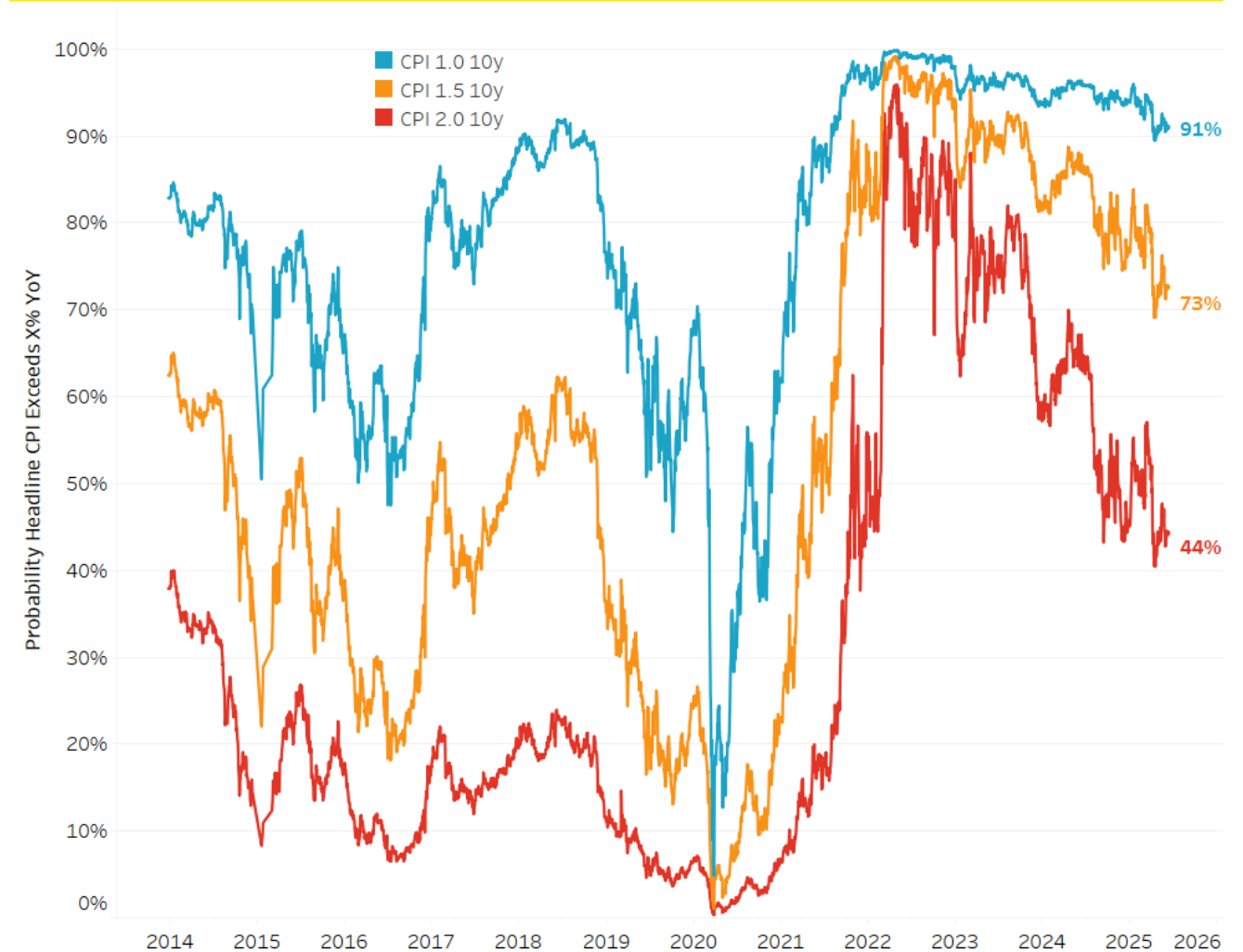
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Eurozone Inflation Expectations

- 10-year Eurozone inflation expectations all increased from the prior week.
- The probability of 2% headline inflation over the next decade increased to 44%.

Eurozone Headline CPI Expectation for the Next TEN Years

Implied probabilities using 10-year inflation swap caps and floors with strikes from 1.0% to 2.0%

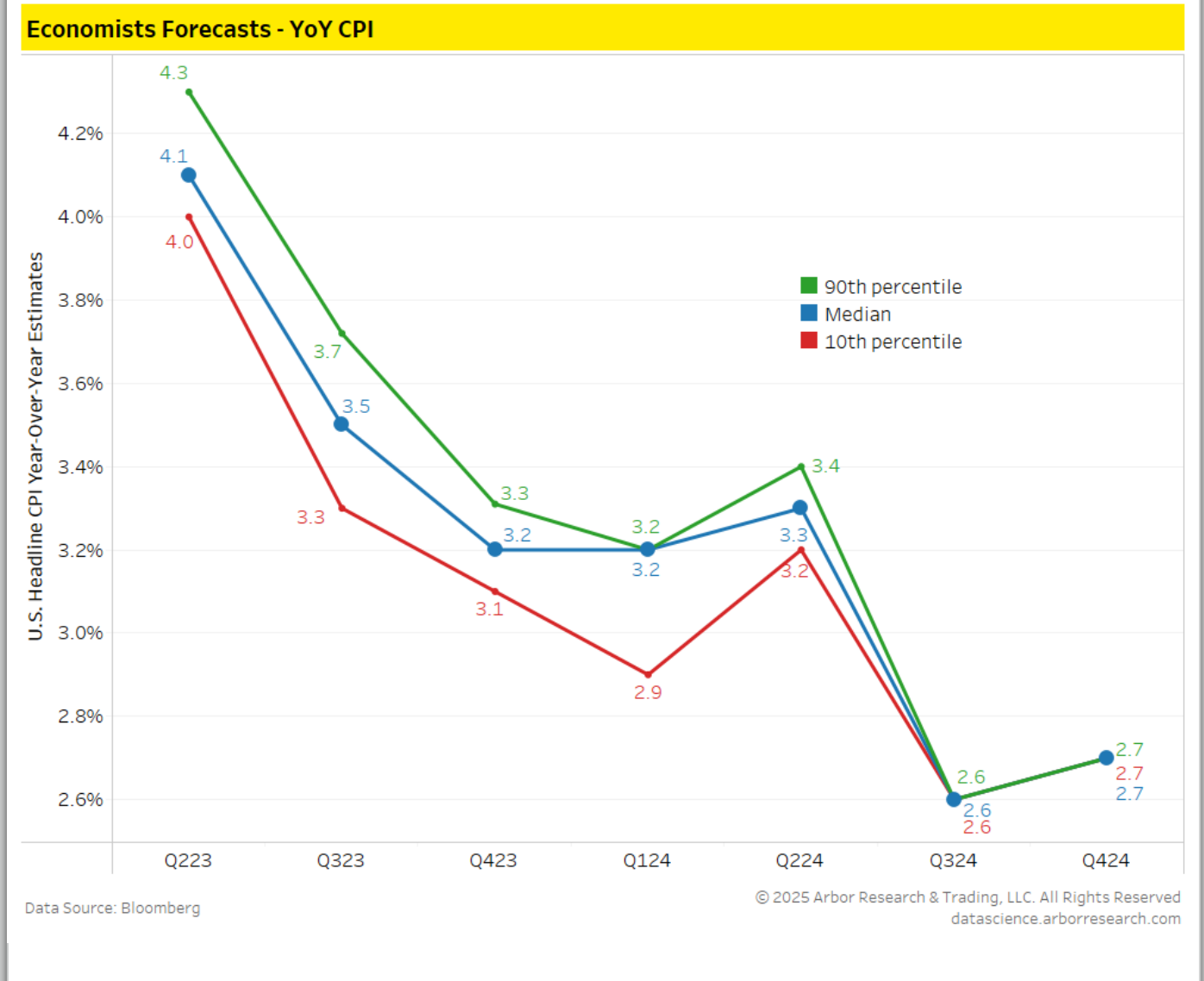


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Economist Inflation Forecasts

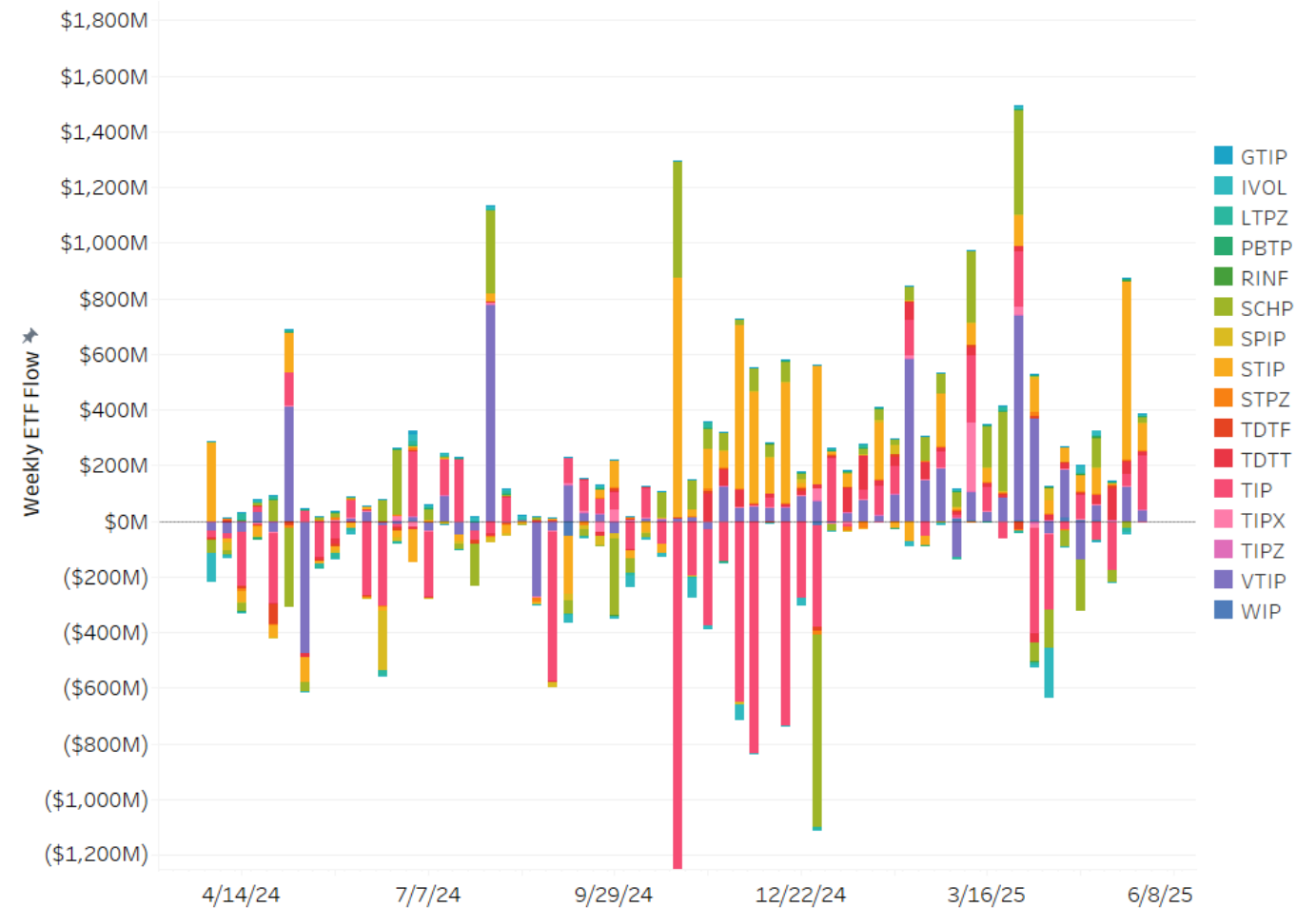
- The median economist's forecast from big banks (BOA, PNC, JPM, UBS, etc.) suggests US Inflation will average 2.7% YoY in Q4 2024. More pessimistic and optimistic estimates are also 2.7% YoY in Q4 2024.
- Final University of Michigan inflation expectations data showed Americans expect a 6.6% inflation 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 TIPS Bond ETF: \$196 million
 - iShares 0-5 Year TIPS Bond ETF: \$97 million

TIPS Fund Flows



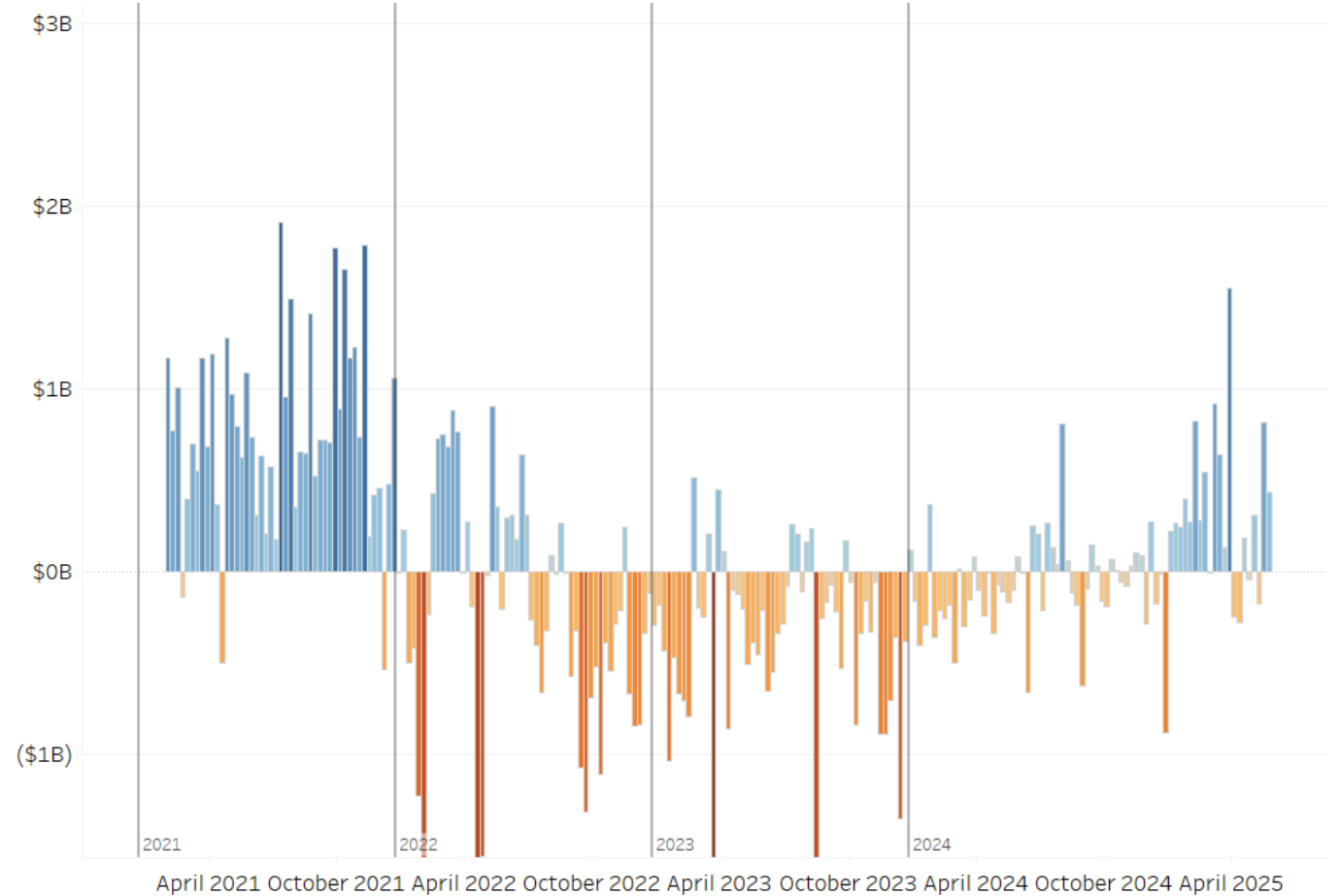
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Last week's total flows for all US-listed TIPS ETFs had inflows of \$437.03 million.

TIPS ETF Net Flows

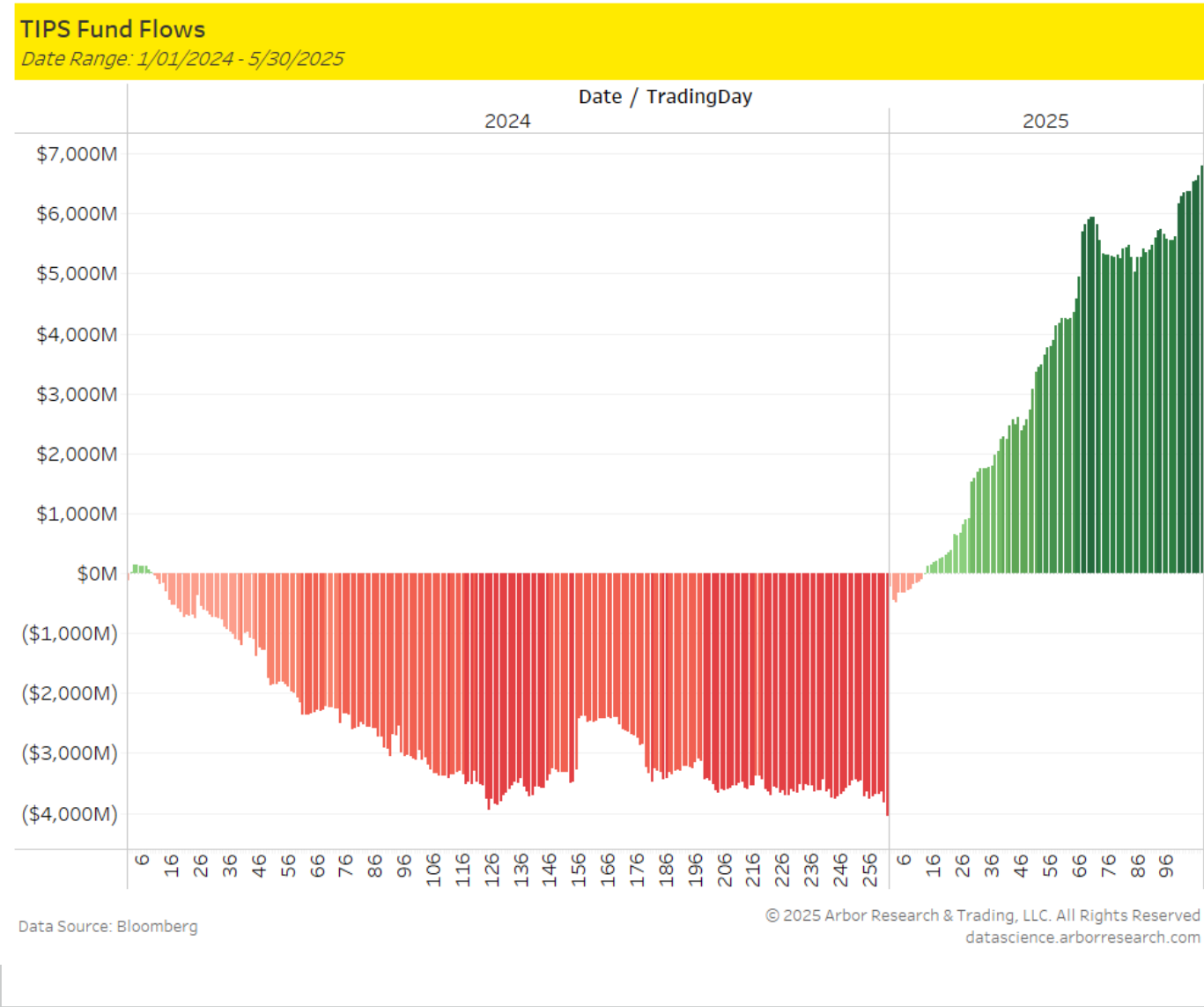
Weekly Total Flow into All US-Listed TIPS Exchange Traded Funds



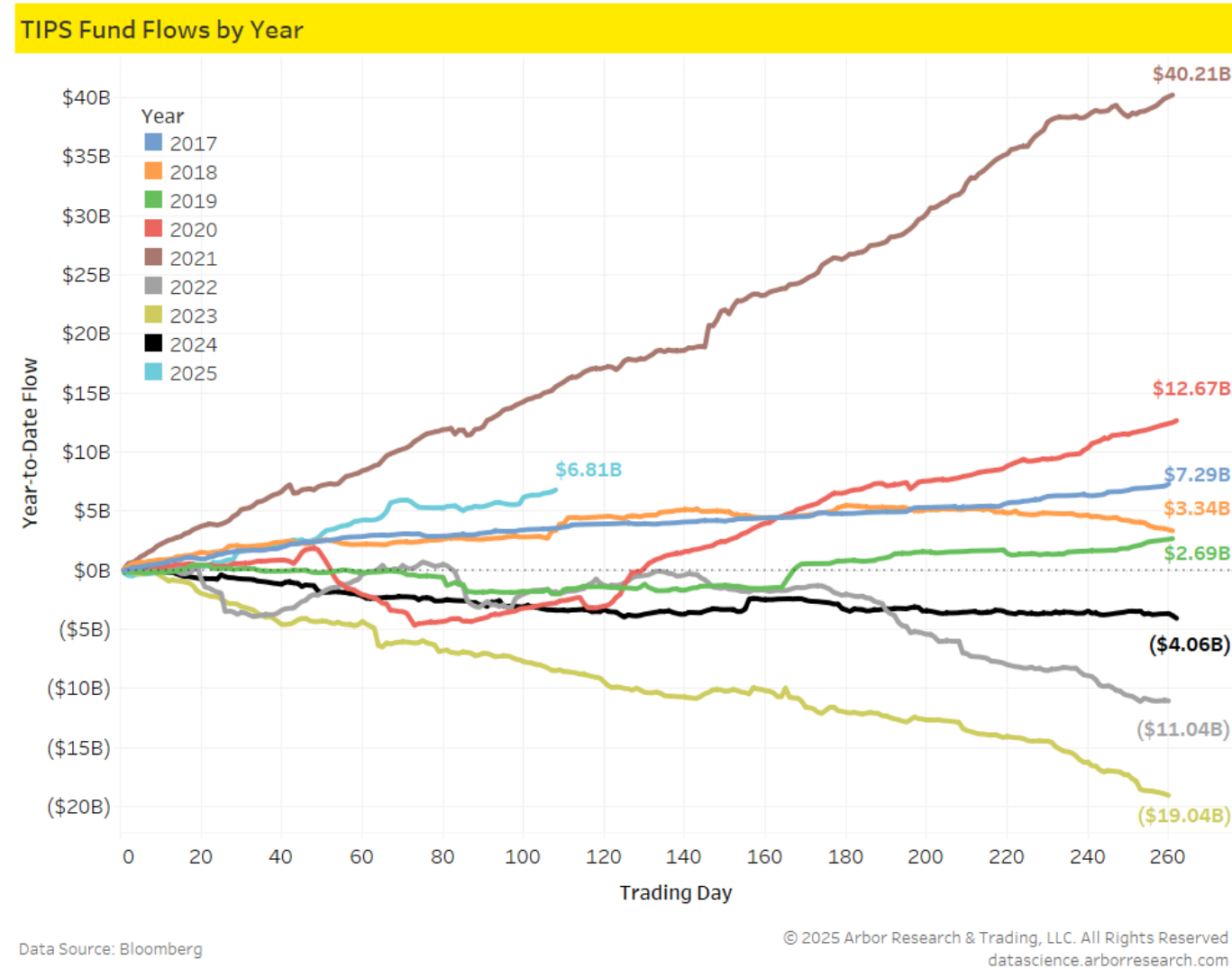
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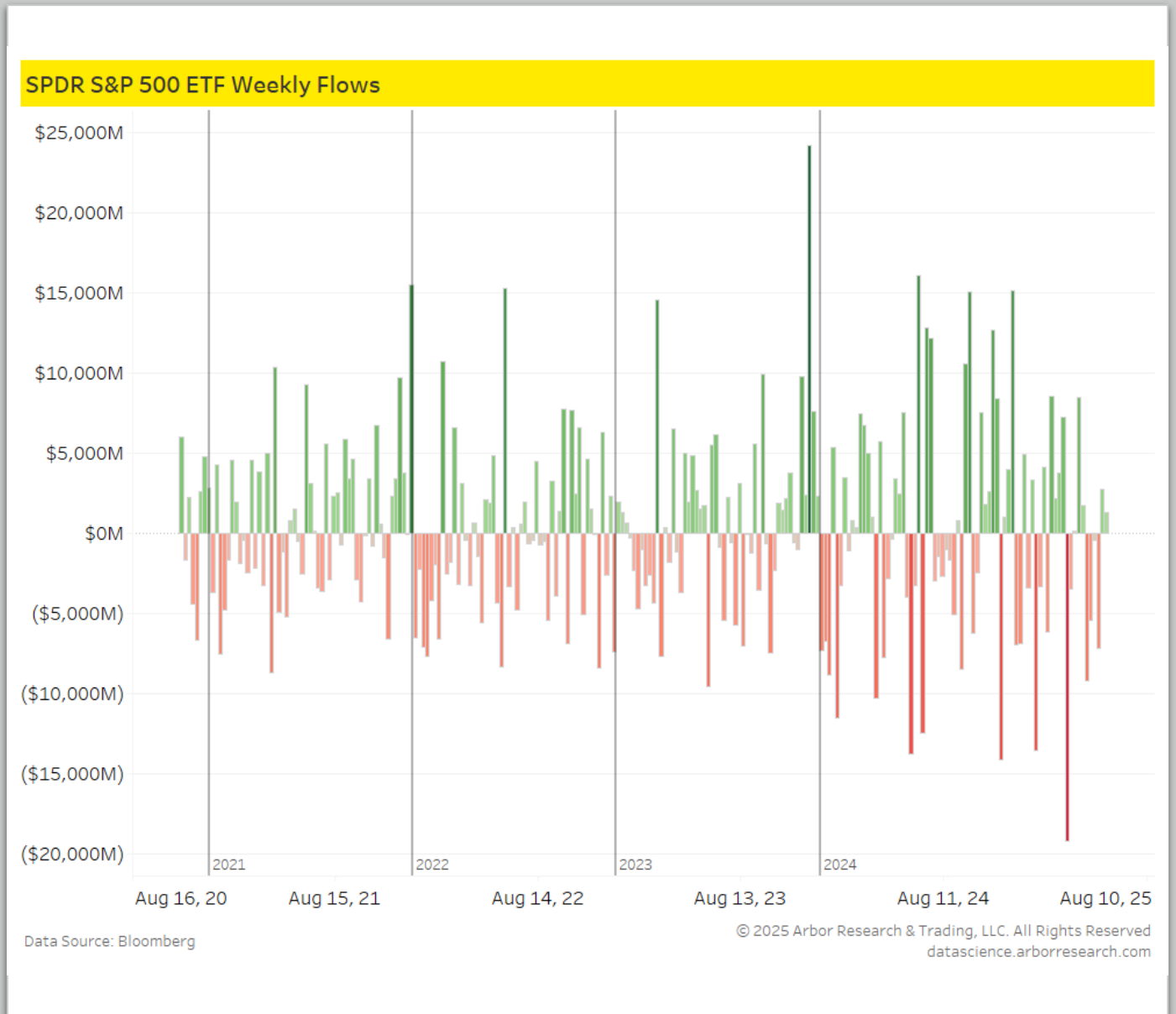
2025 Year-to-date for all US-listed TIPS ETFs had inflows of \$6.81 billion.



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



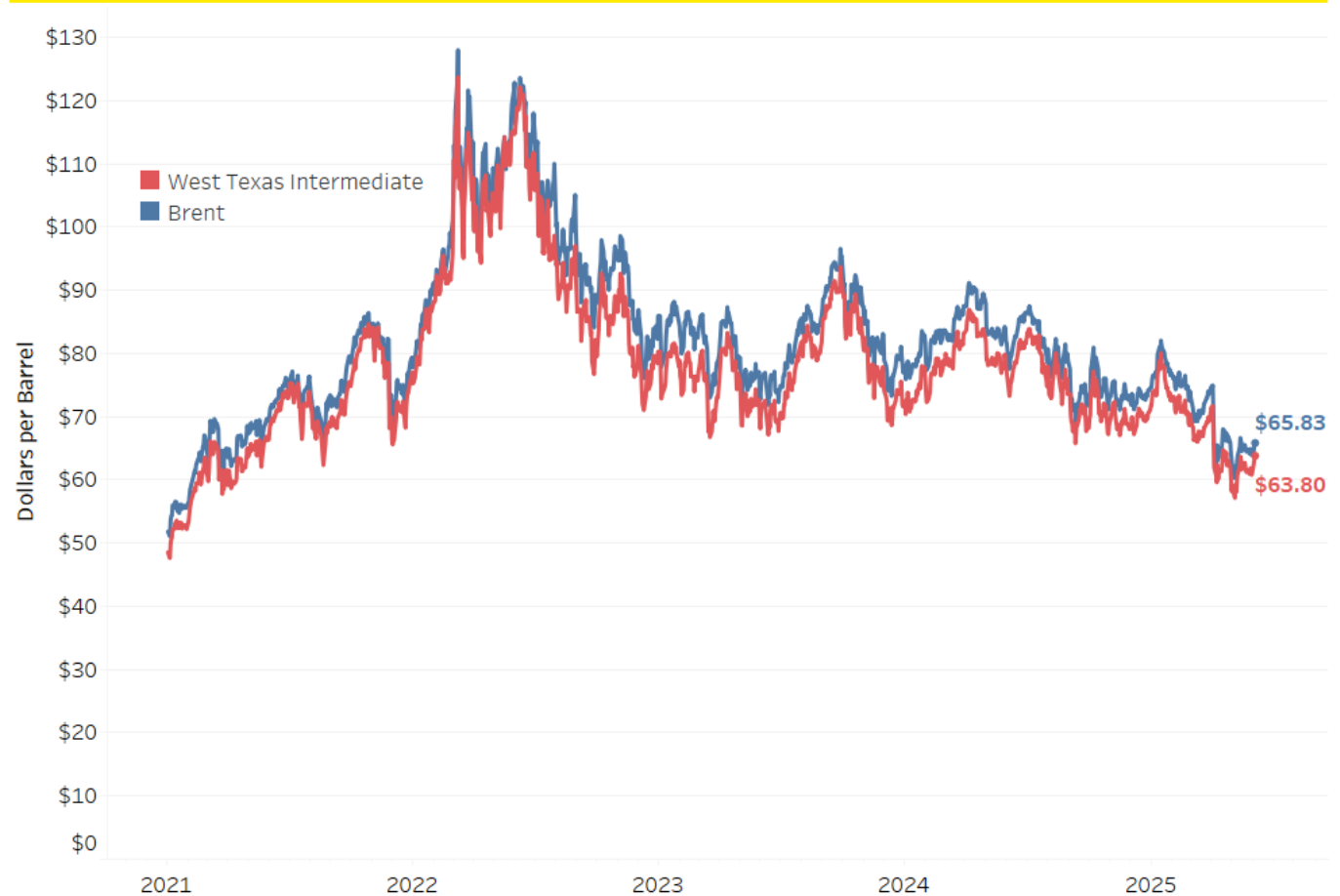
The SPY ETF had inflows of approximately \$2.29 billion last week.



**Brent Crude is Above
\$65 a Barrel**

Crude Oil

Generic WTI Crude Indices



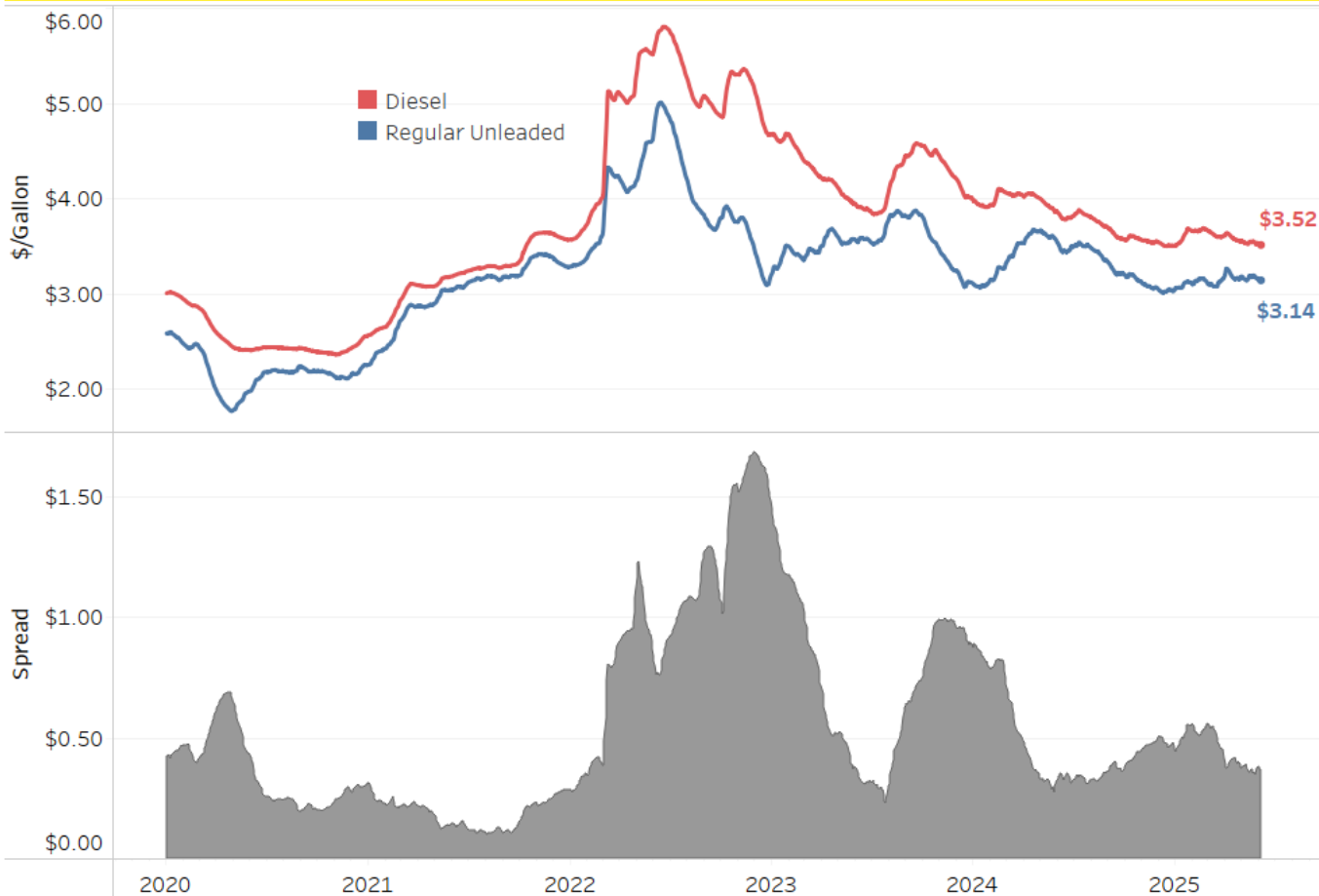
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Average Diesel/Gas
Spread increased to
\$0.38

U.S. Gasoline Prices - Regular and Diesel

AAA Daily National Average Cost per Gallon



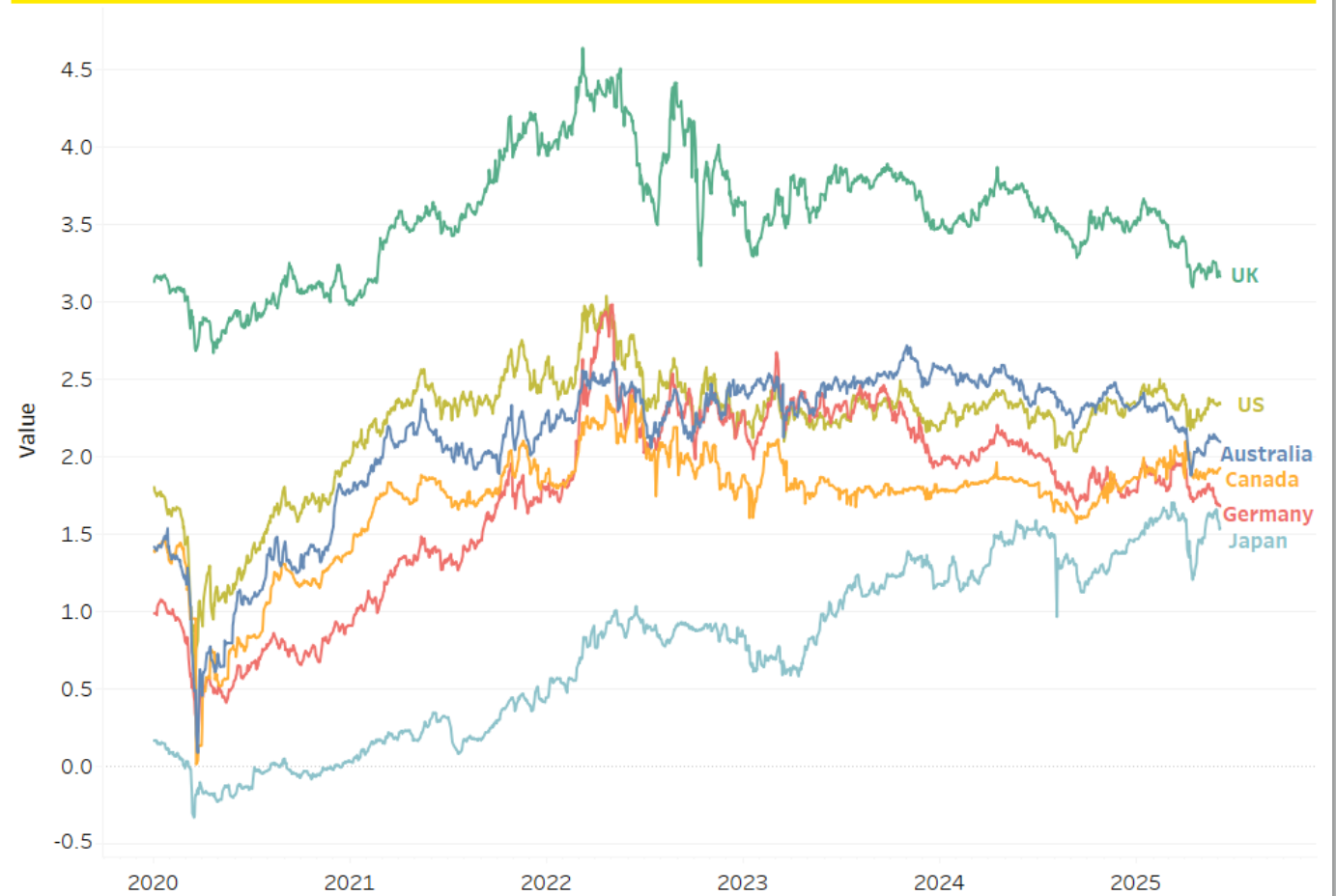
Data Source: American Automobile Association

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10-Year Global Breakevens

10-Year Inflation Expectations

Global Breakevens



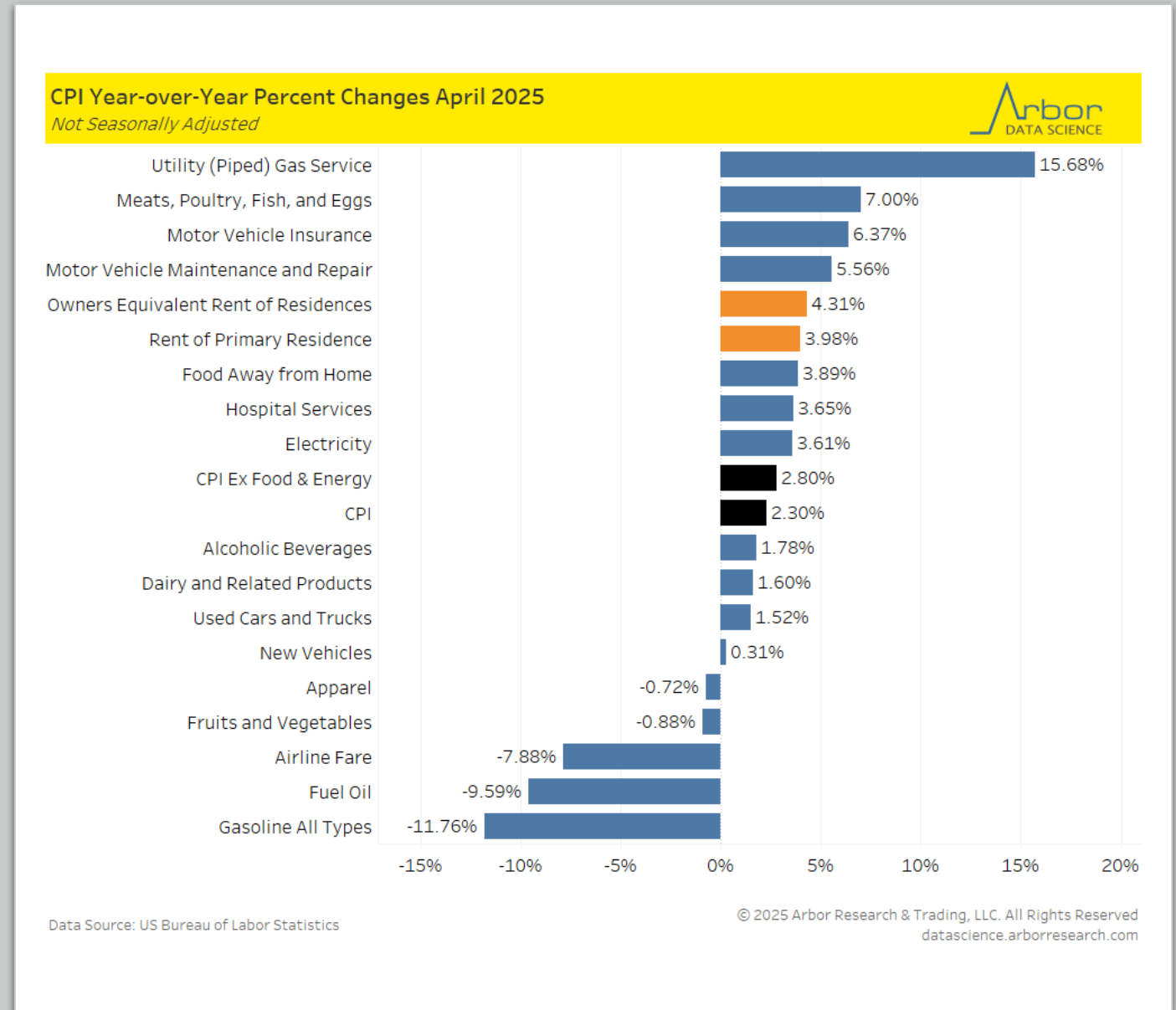
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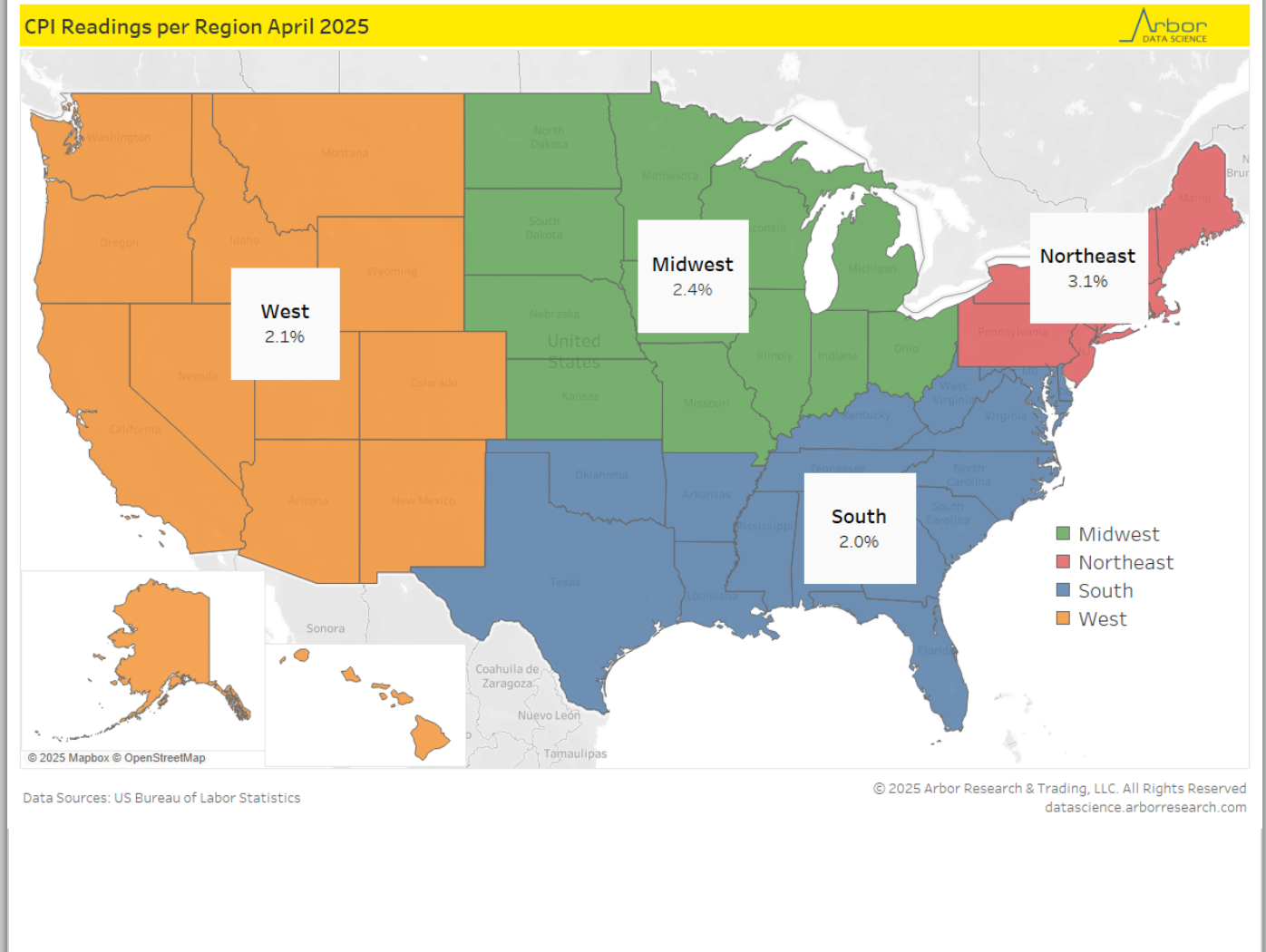
CPI YoY% Changes April 2025

- CPI YoY had a 2.3% increase in April 2025.
- Utility (Piped) Gas Service had the largest increase YoY% change for our selected categories at 15.68% in April 2025, while Gasoline All Types had the largest decrease YoY% change for our selected categories of -11.76%.



CPI Readings per Region April 2025

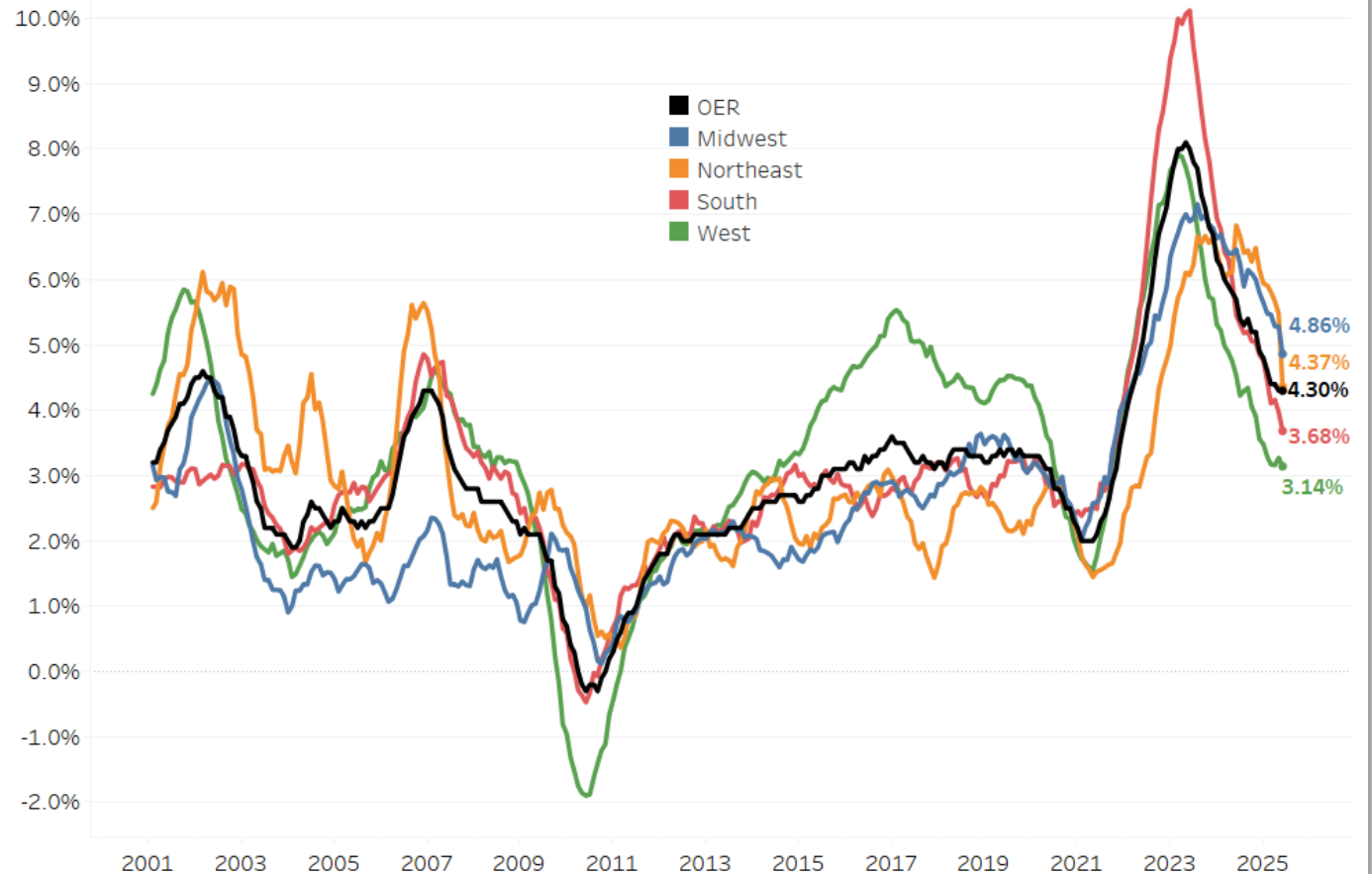
- The Northeast had the highest inflation reading for April 2025, at 3.1% YoY, followed by the Midwest at 2.4% YoY, the West at 2.1% YoY, and the South at 2.0% YoY.



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 decreased to 4.30% year-over-year nationally in April 2025.

Owners' Equivalent Rent of Residences
Year-Over-Year % Change

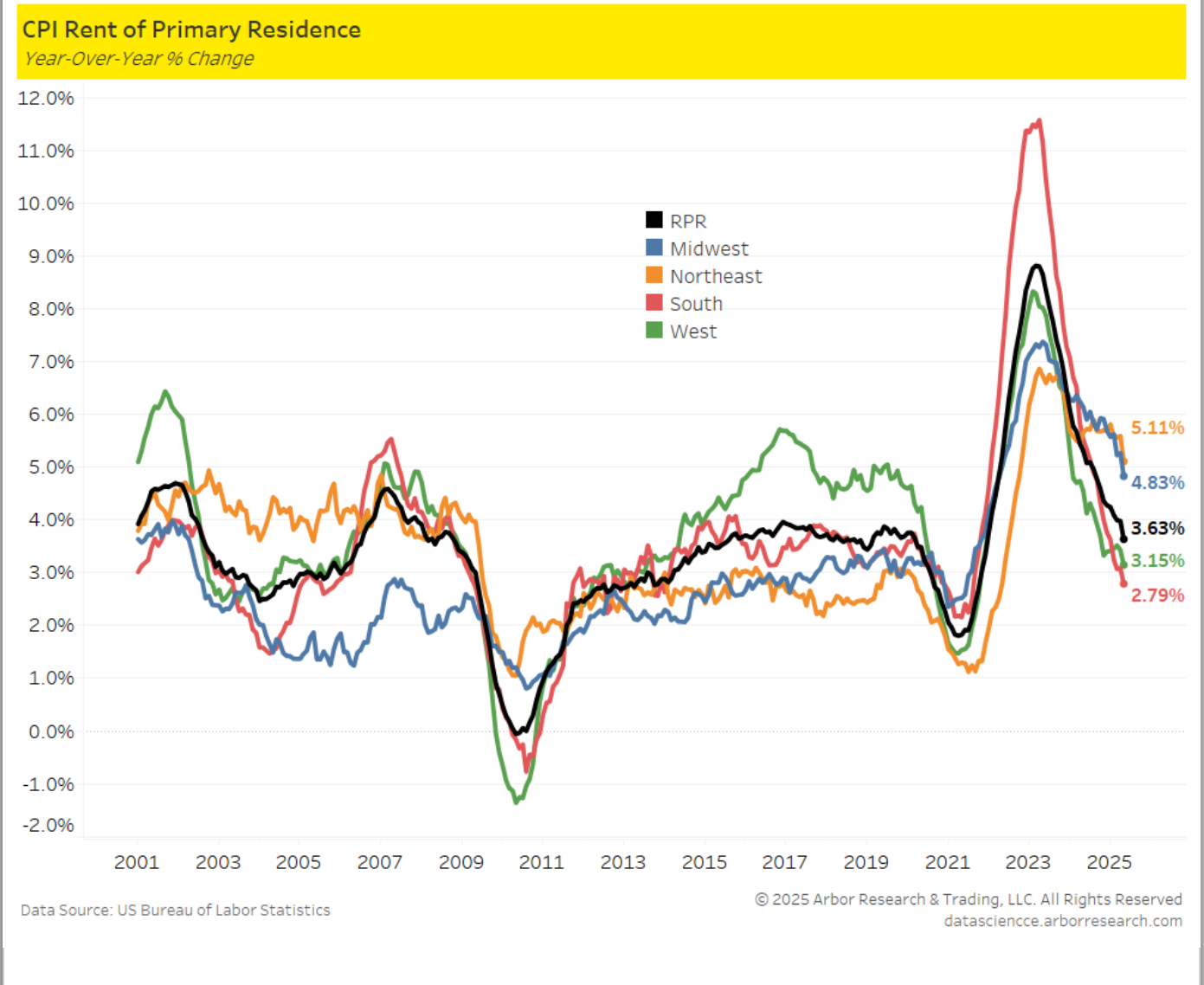


Data Source: US Bureau of Labor Statistics

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Rent of Primary Residence

- Rent of Primary Residence (RPR), the renters' side of shelter inflation, continued to decline to 3.63% year-over-year.

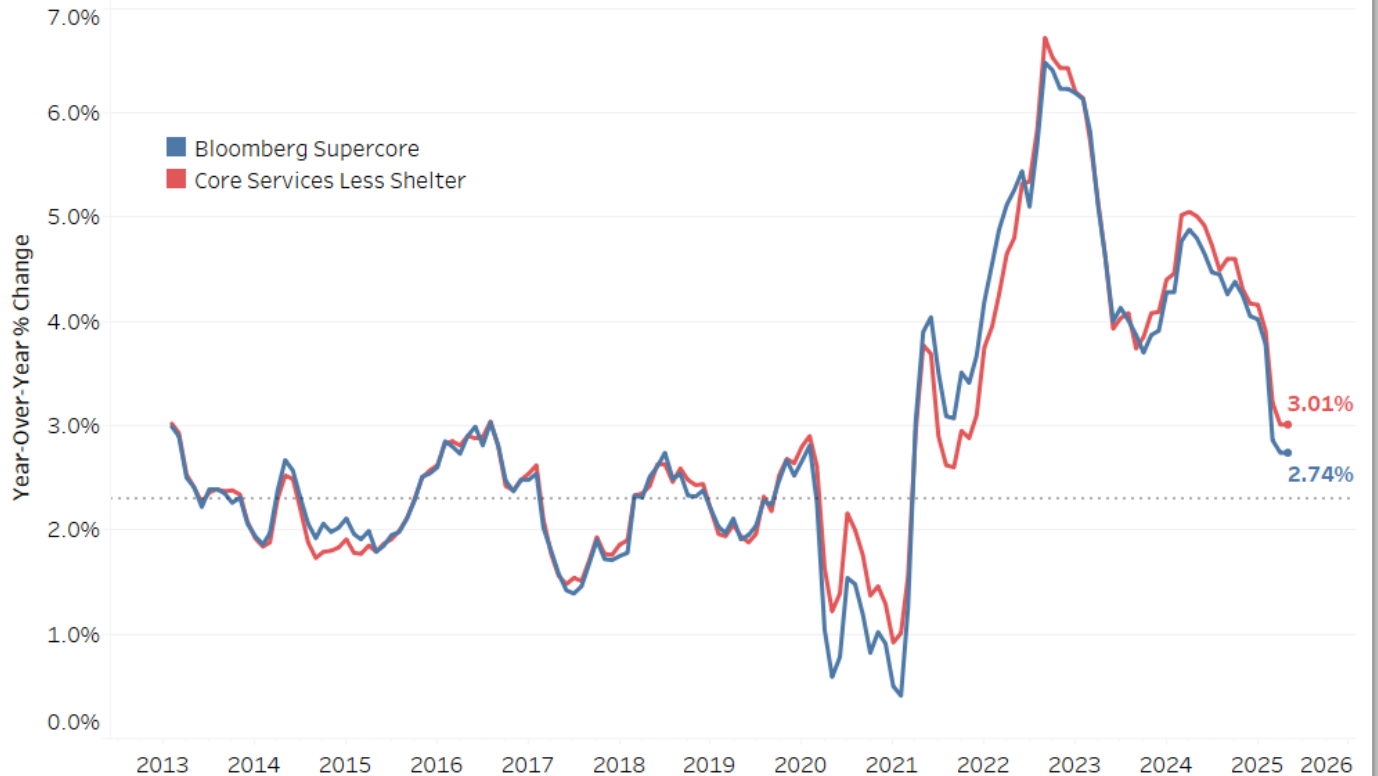


Services Ex-Shelter and Supercore Inflation

- 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)

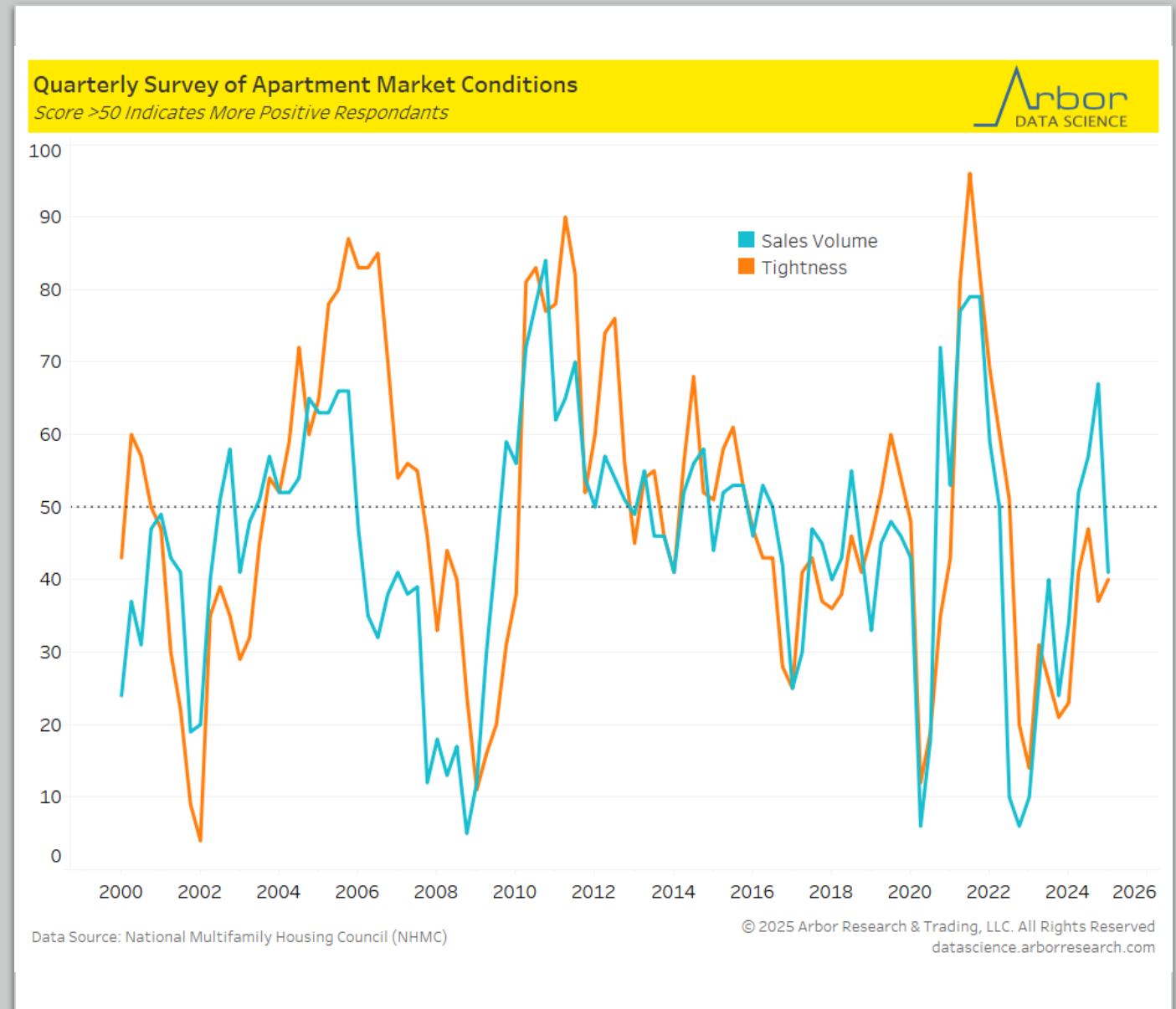


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Renters' Market Conditions

- [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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