



## Inflation Roundup

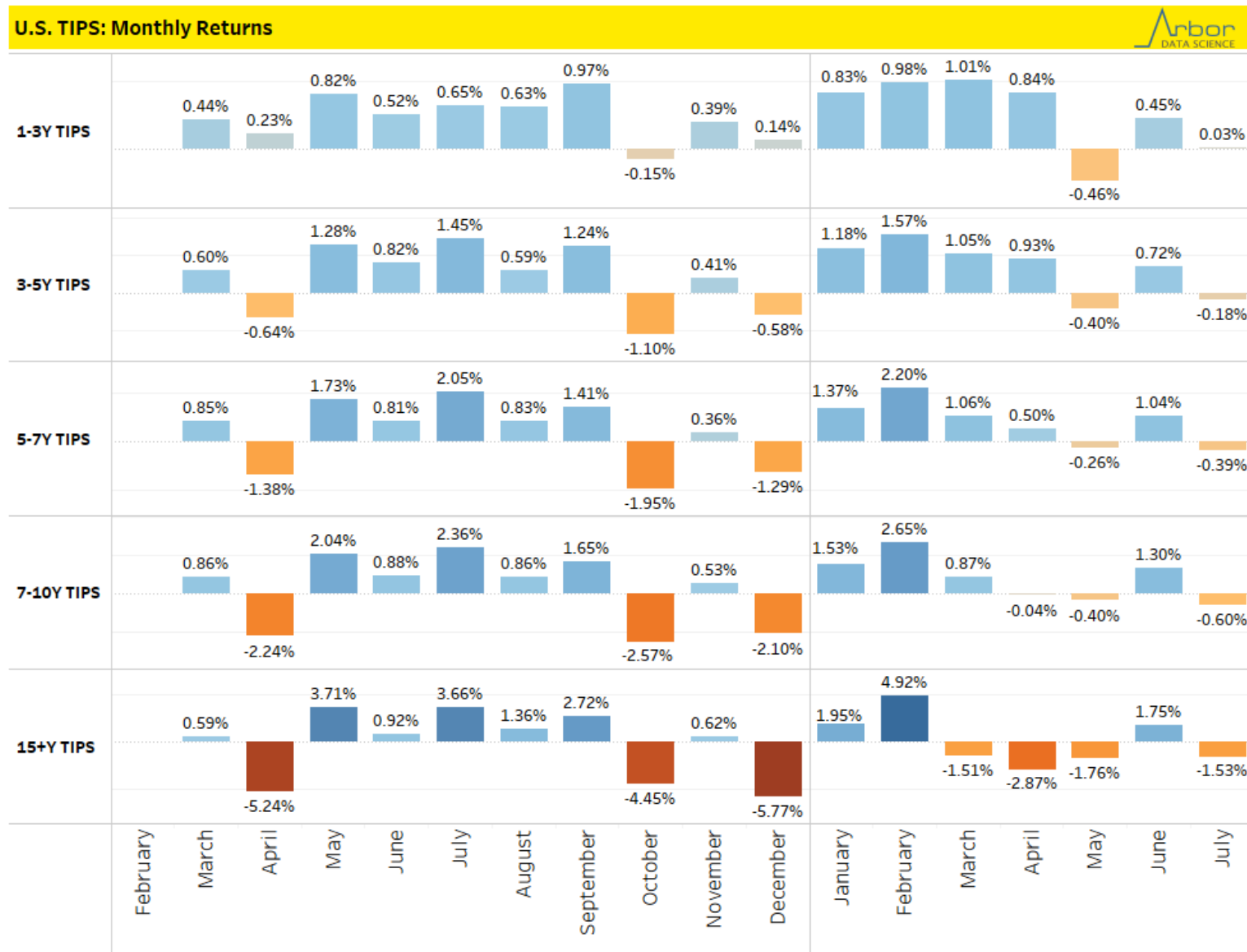
July 10, 2025

- 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:

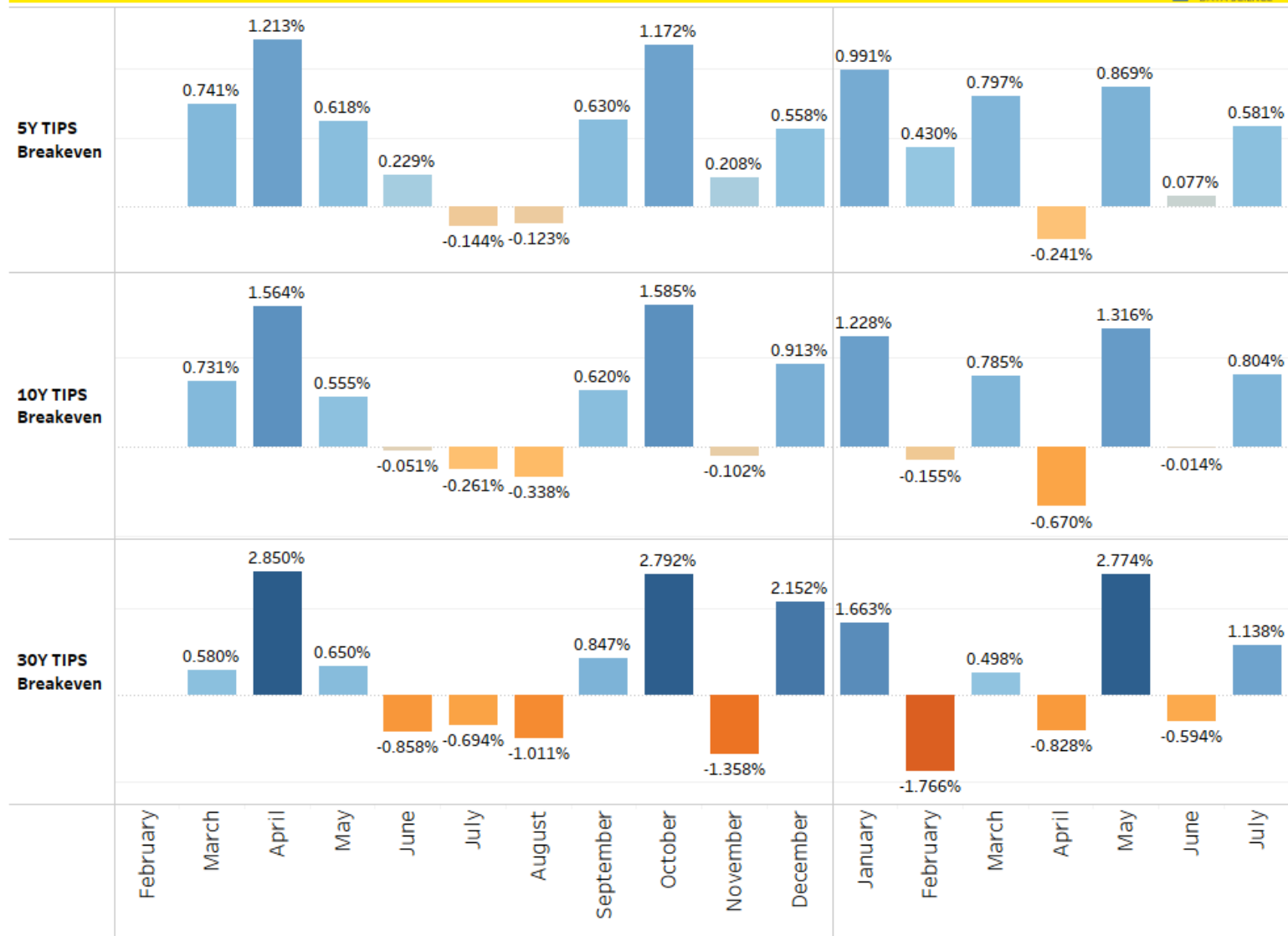


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# TIPS BREAKEVENS TOTAL RETURNS:

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

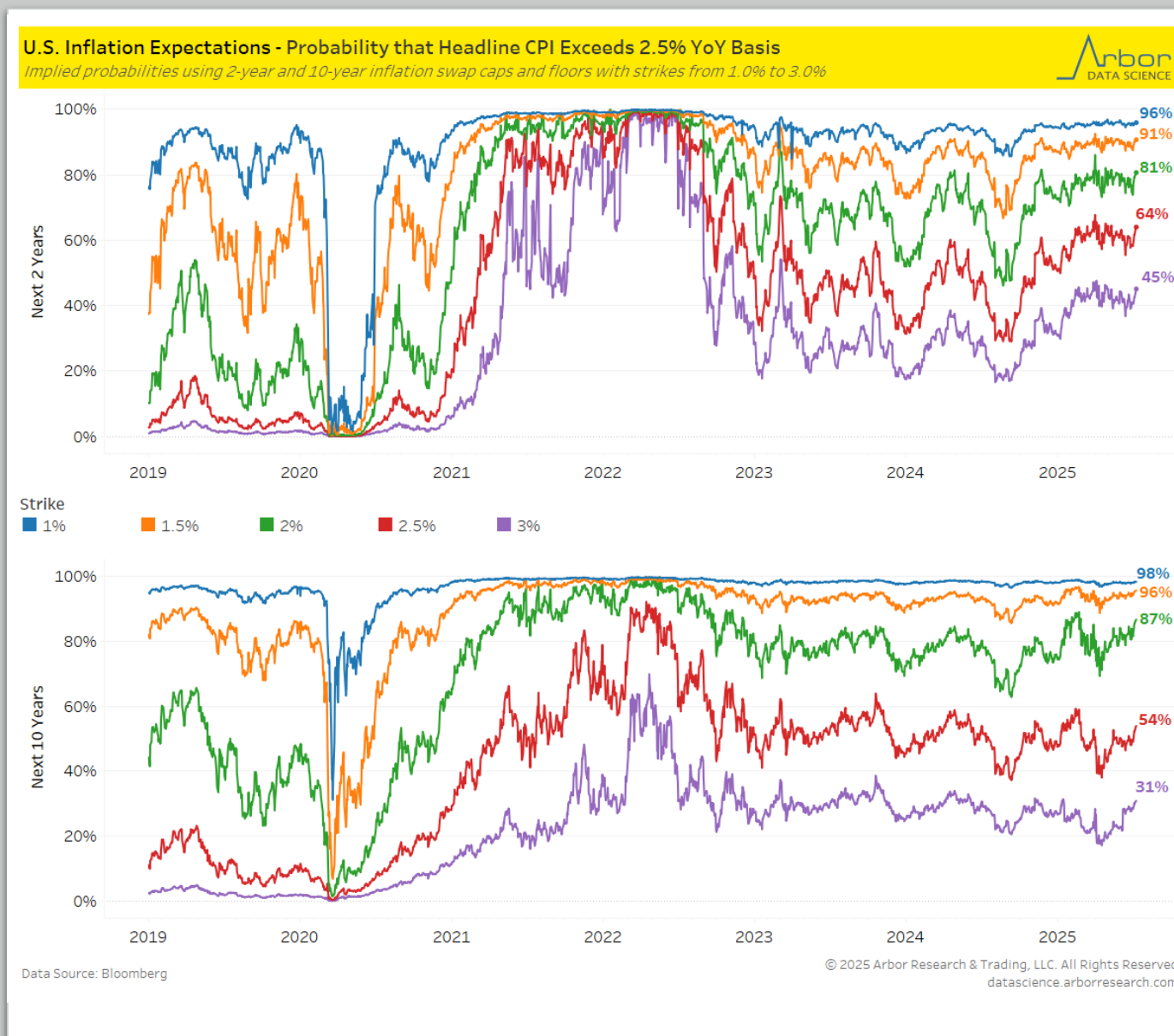


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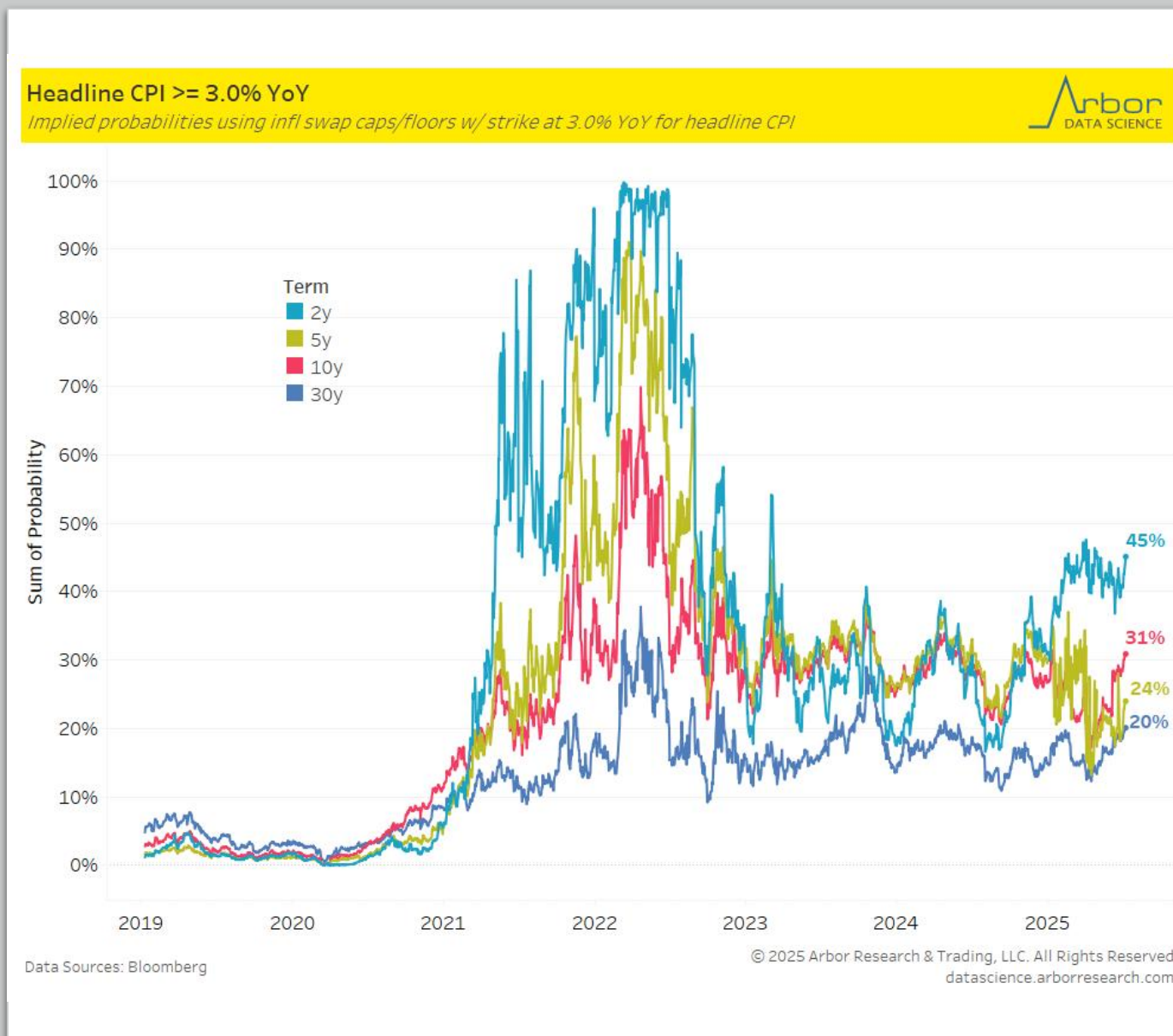
# U.S. Inflation Swap Caps and Floors

- Over the past week, inflation expectations all increased for the next 2 years.
- 10-year expectations all increased, except for 1% which remained flat.
- The probability of 2.5% headline inflation for the next 2 years increased to 64% from the previous week.
- The 10-year probability of 2.5% headline increased to 54% over the past week.



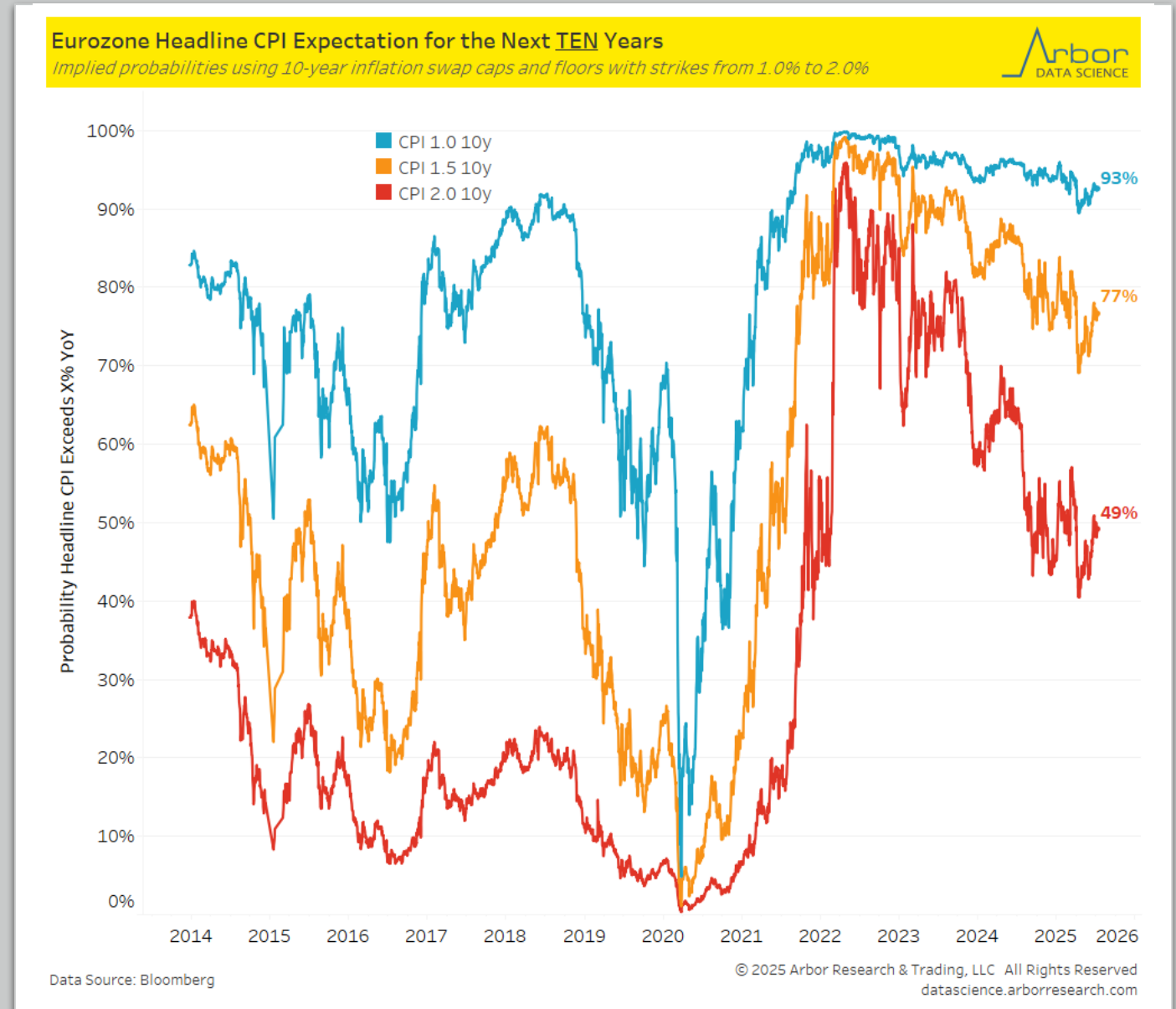
# U.S. 3% Headline Expectations

- 3% inflation expectations all increased.
- Based on swap cap/floor probabilities for the next 2 years, the market gives this outcome a 45% probability.



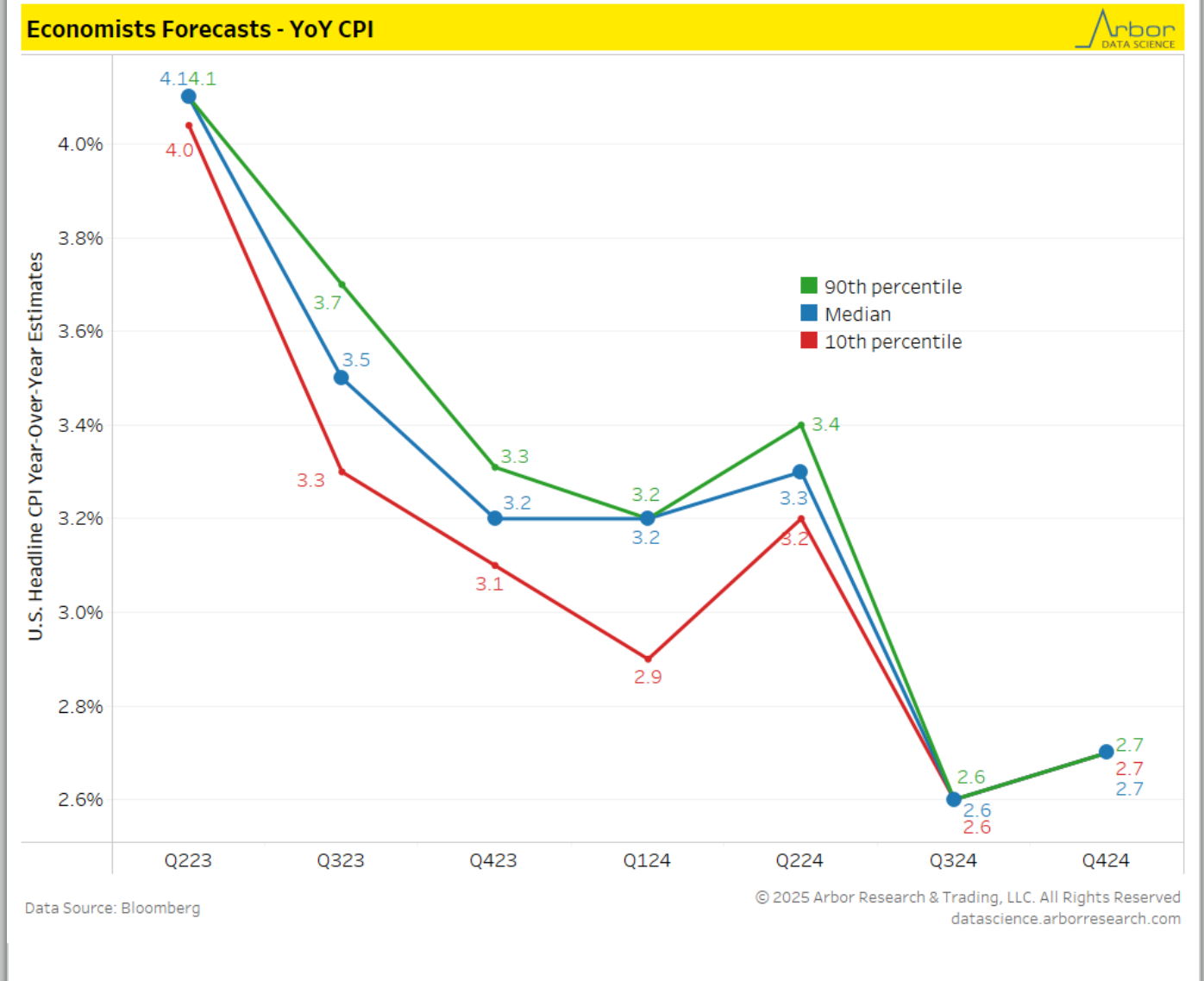
# Eurozone Inflation Expectations

- 10-year Eurozone inflation expectations had no change from the prior week.
- The probability of 2% headline inflation had no change at 49%.



# Economist Inflation Forecasts

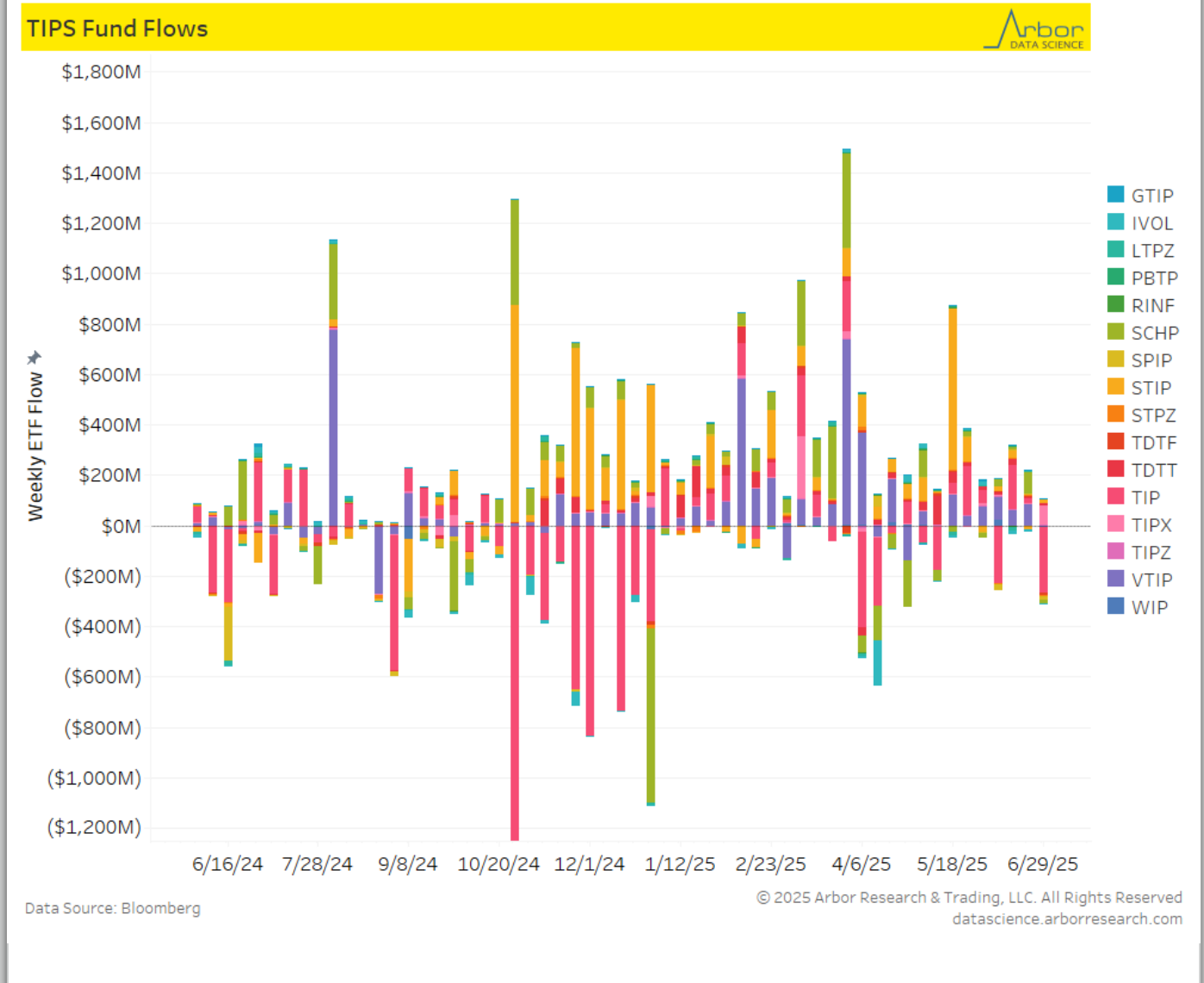
- The median economist's forecast from big banks (BOA, PNC, JPM, UBS, etc.) suggests US Inflation will average 2.7% YoY in Q4 2024. More pessimistic and optimistic estimates are also 2.7% YoY in Q4 2024.
- Final University of Michigan inflation expectations data showed Americans expect a 5.0% inflation rate over the next year.





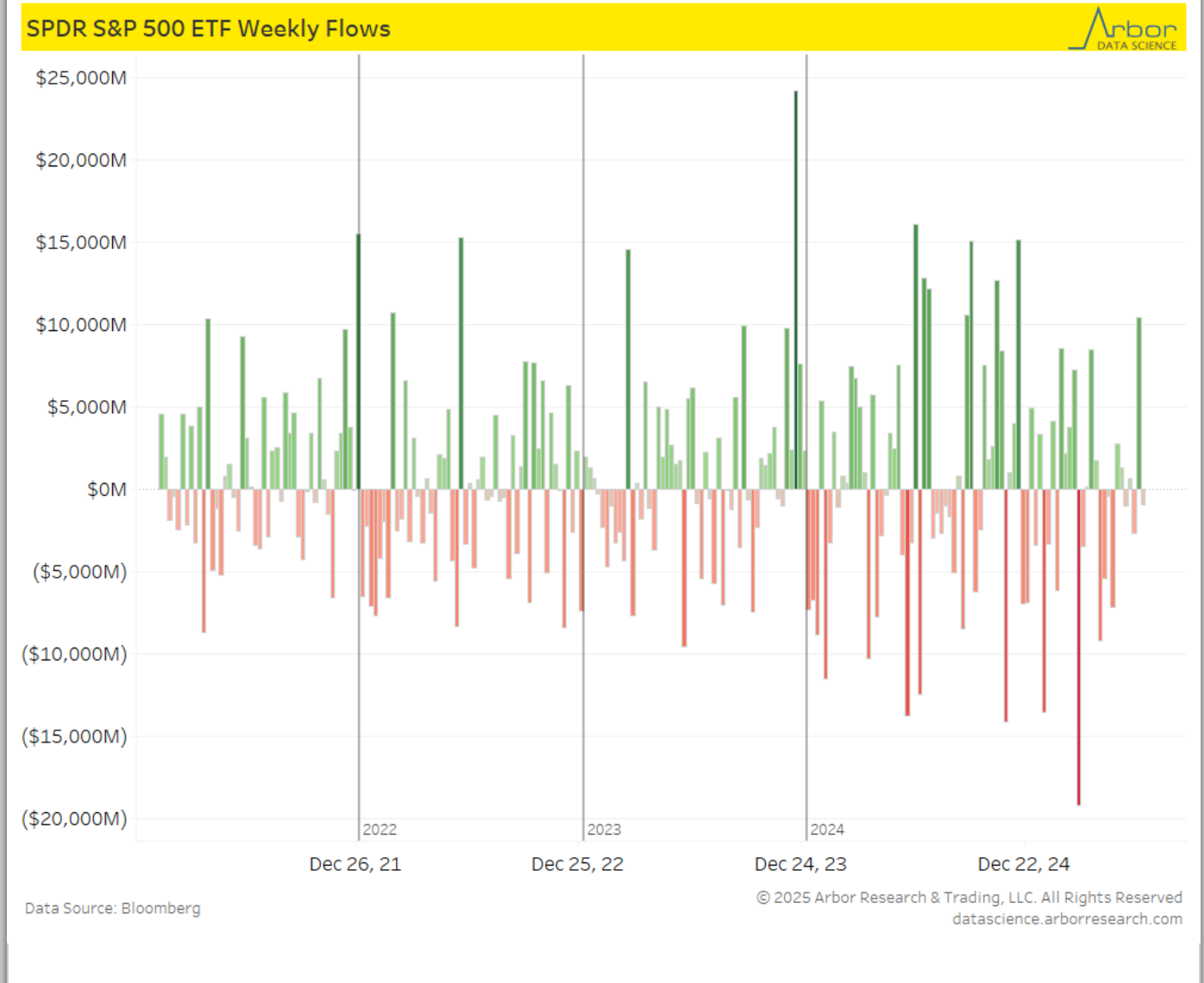
# TIPS Fund Flows

- Flows of funds were mostly negative last week, with movement concentrated in 2 funds (rounded value)
  - iShares TIPS Bond ETF: \$263 million Outflows
  - Schwab U.S. TIPS ETF: \$16 million Outflows





The SPY ETF had outflows of approximately \$9.58 billion last week.



**Brent Crude is up \$2.68  
from last week to \$70.06**

## Crude Oil

Generic WTI Crude Indices



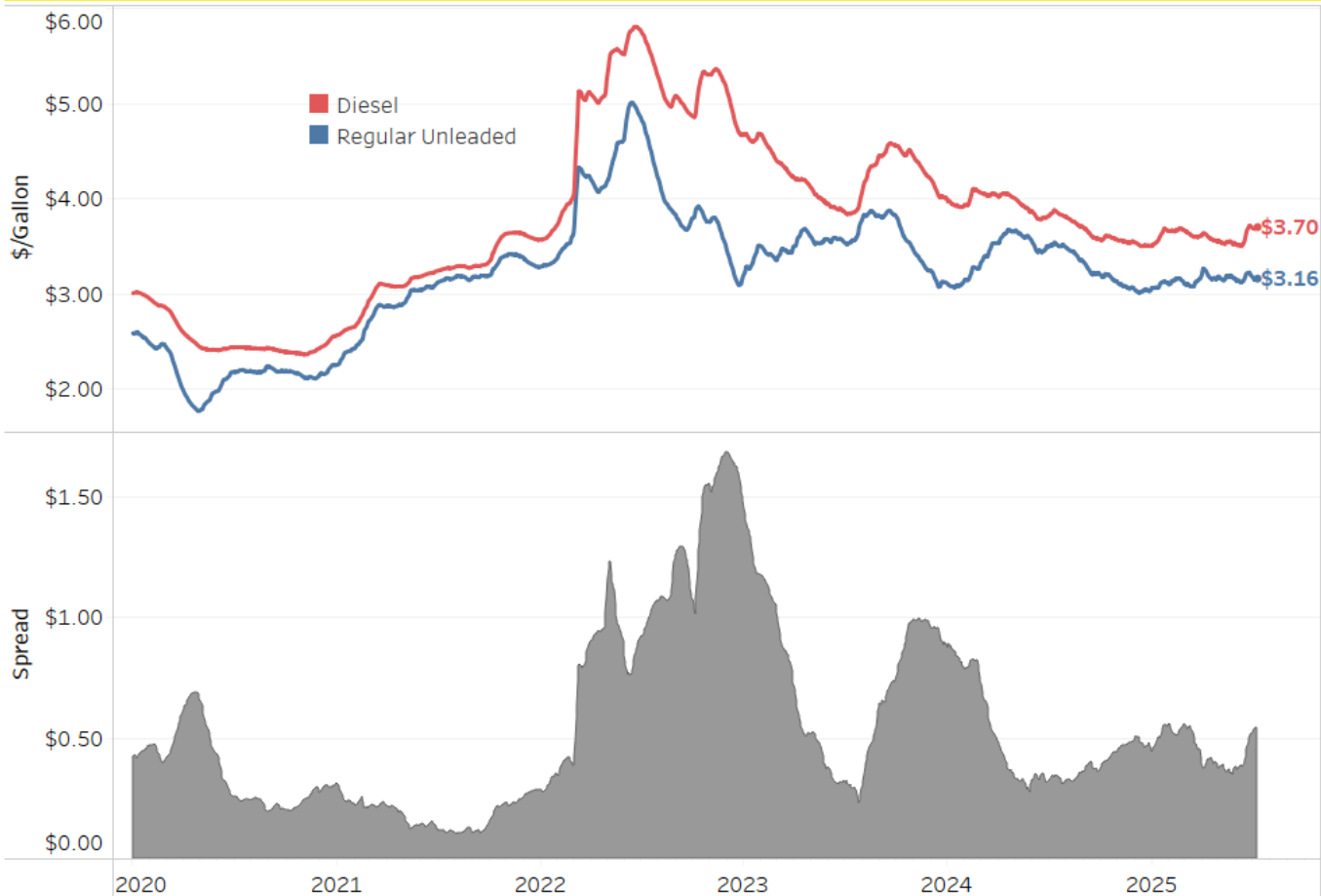
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Average Diesel/Gas  
Spread increased to  
\$0.54

### U.S. Gasoline Prices - Regular and Diesel

AAA Daily National Average Cost per Gallon



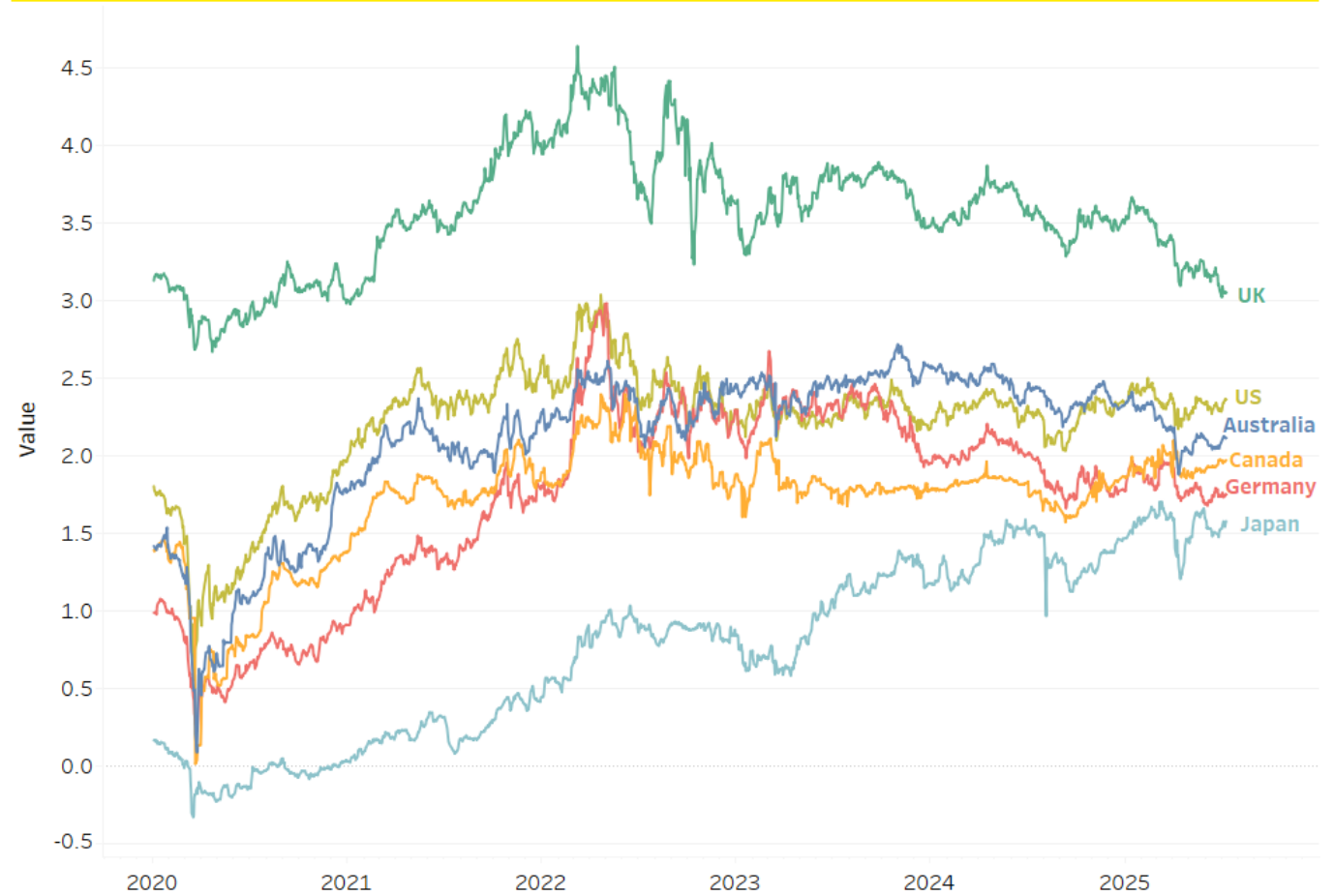
Data Source: American Automobile Association

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# 10-Year Global Breakevens

10-Year Inflation Expectations  
*Global Breakevens*



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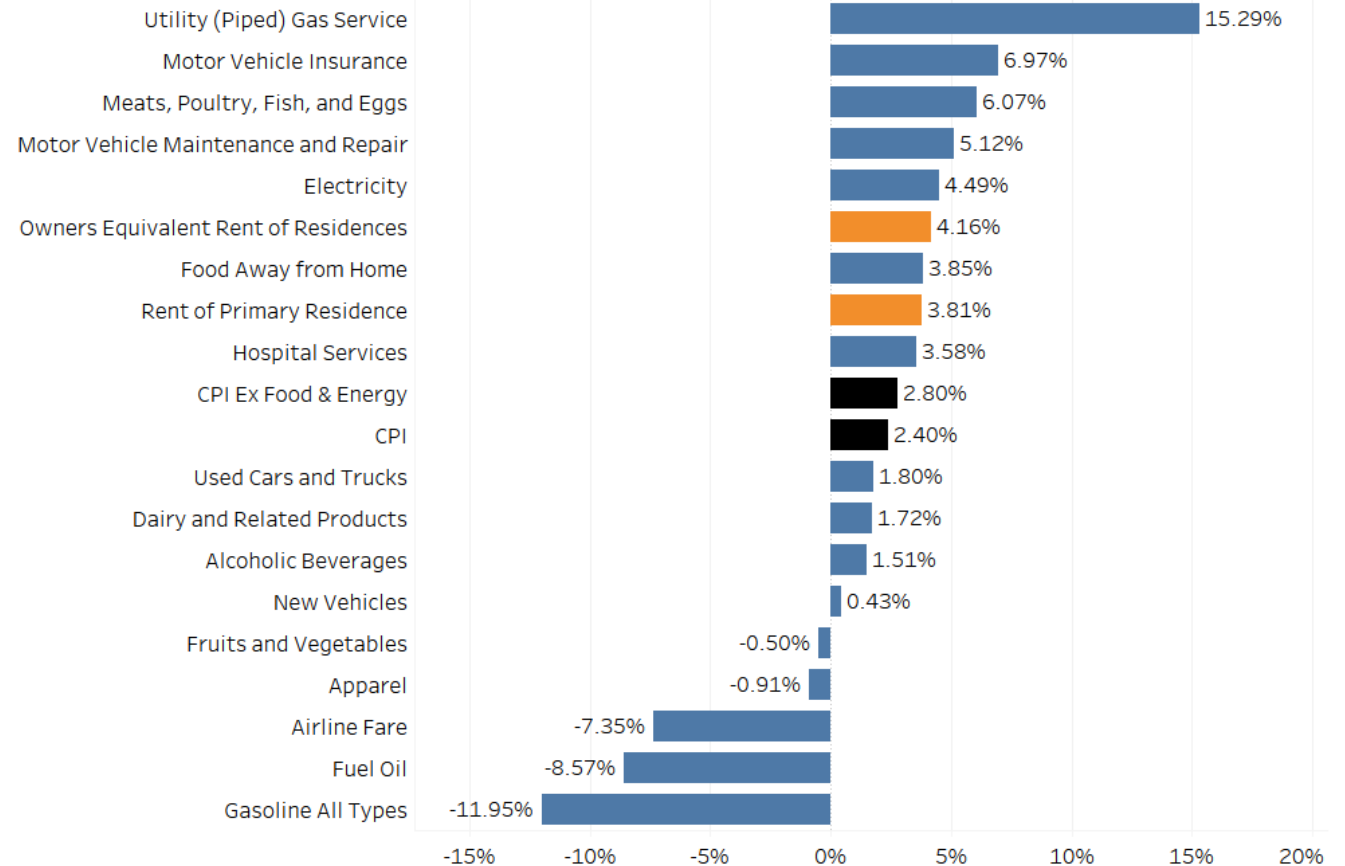
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# CPI YoY% Changes May 2025

- CPI YoY had a 2.4% increase in May 2025.
- Utility (Piped) Gas Service had the largest increase YoY% change for our selected categories at 15.29% in May 2025, while Gasoline All Types had the largest decrease YoY% change for our selected categories of -11.95%.

## CPI Year-over-Year Percent Changes May 2025

*Not Seasonally Adjusted*

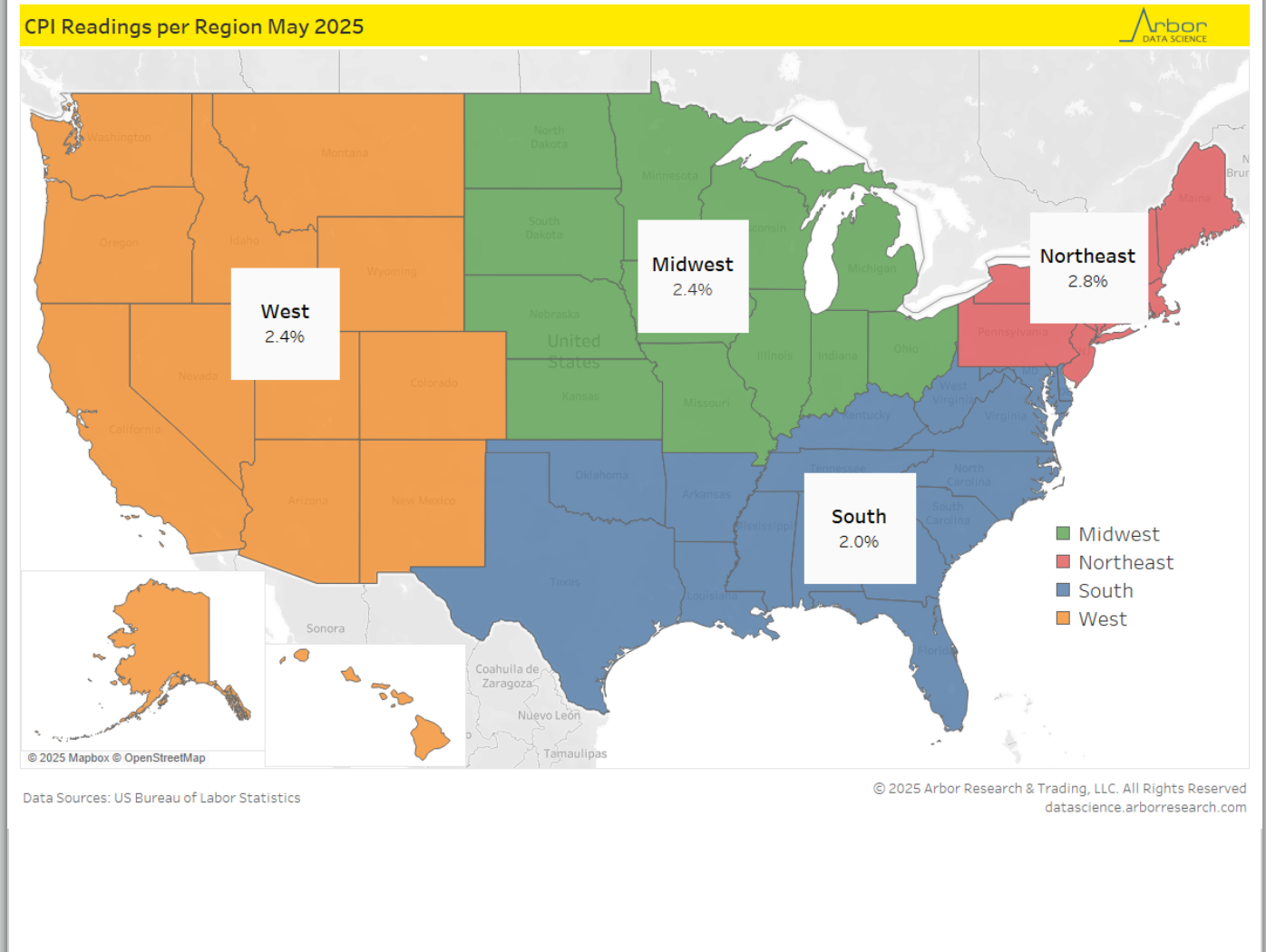


Data Source: US Bureau of Labor Statistics

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# CPI Readings per Region May 2025

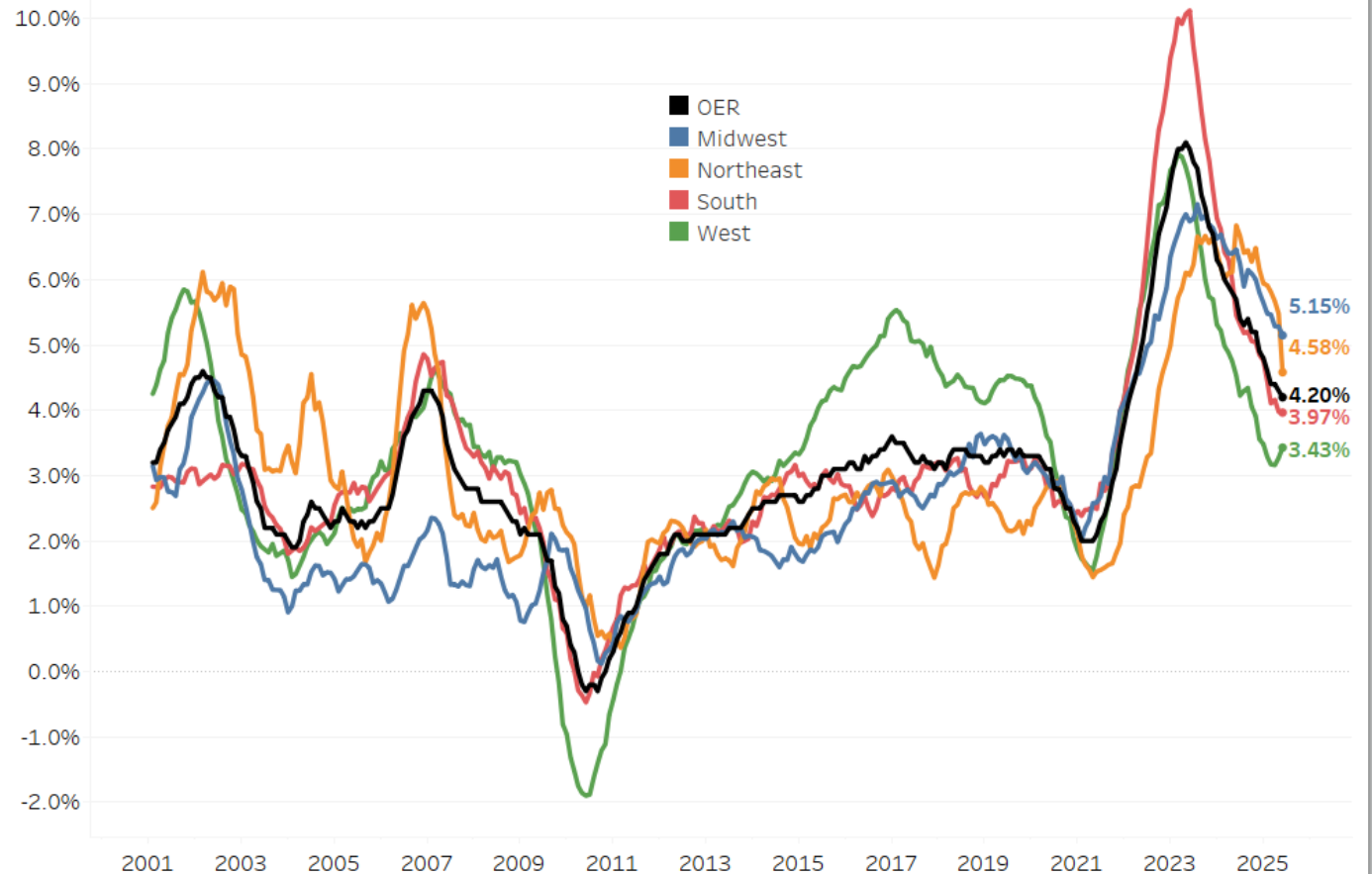
- The Northeast had the highest inflation reading for May 2025, at 2.8% YoY, followed by the Midwest at 2.4% YoY, the West at 2.4% YoY, and the South at 2.0% YoY.



# 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.
- OER decreased to 4.20% year-over-year nationally in May 2025.

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



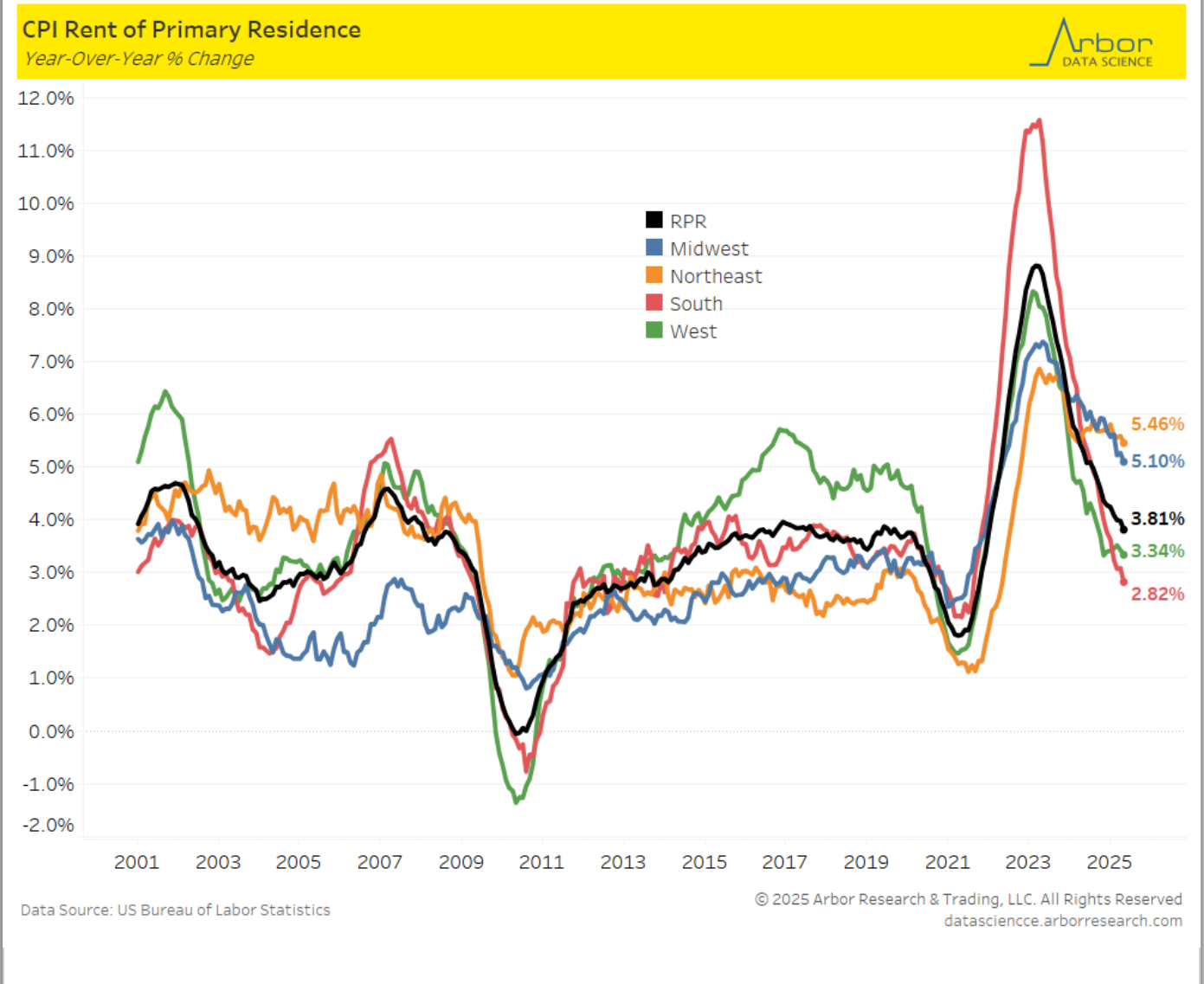
Data Source: US Bureau of Labor Statistics

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# Rent of Primary Residence

- Rent of Primary Residence (RPR), the renters' side of shelter inflation, continued to decline to 3.81% year-over-year.

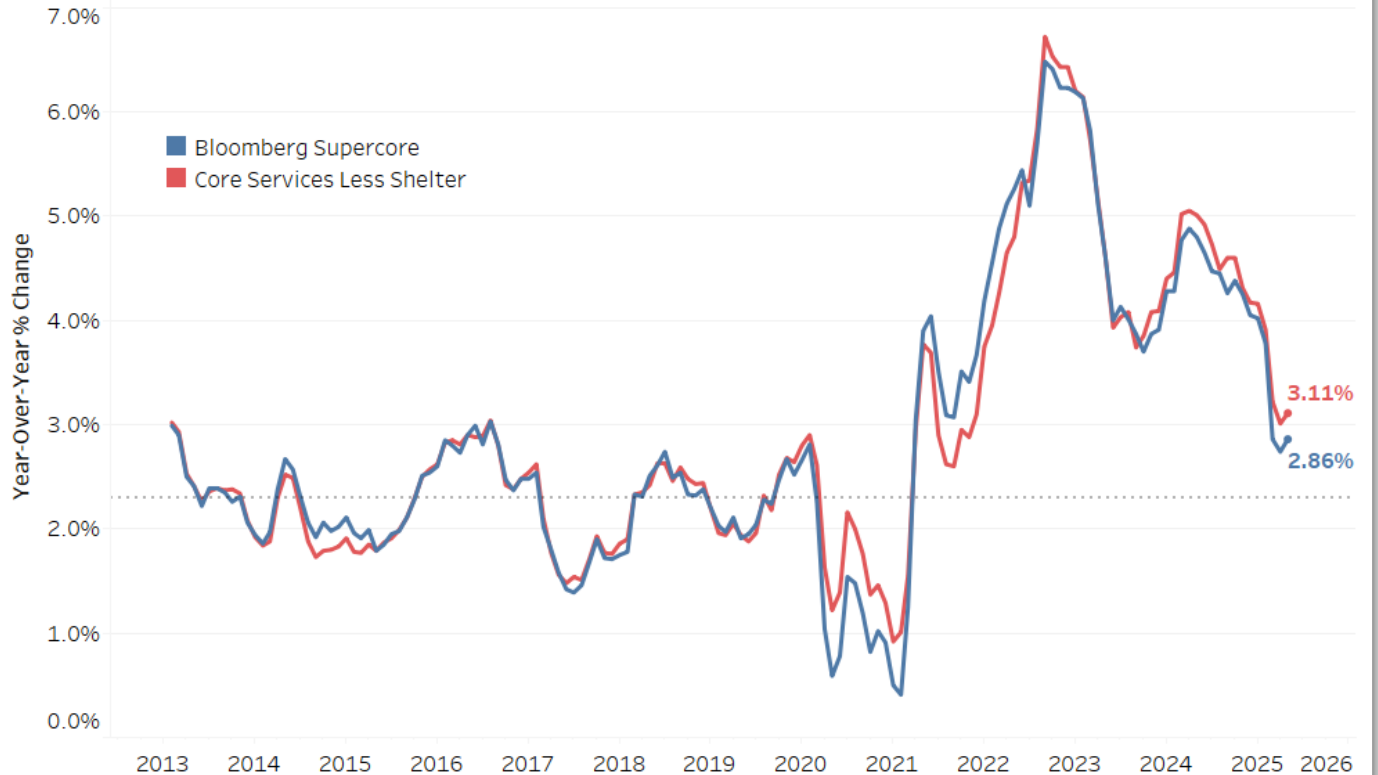


# Services Ex-Shelter and Supercore Inflation

- 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)

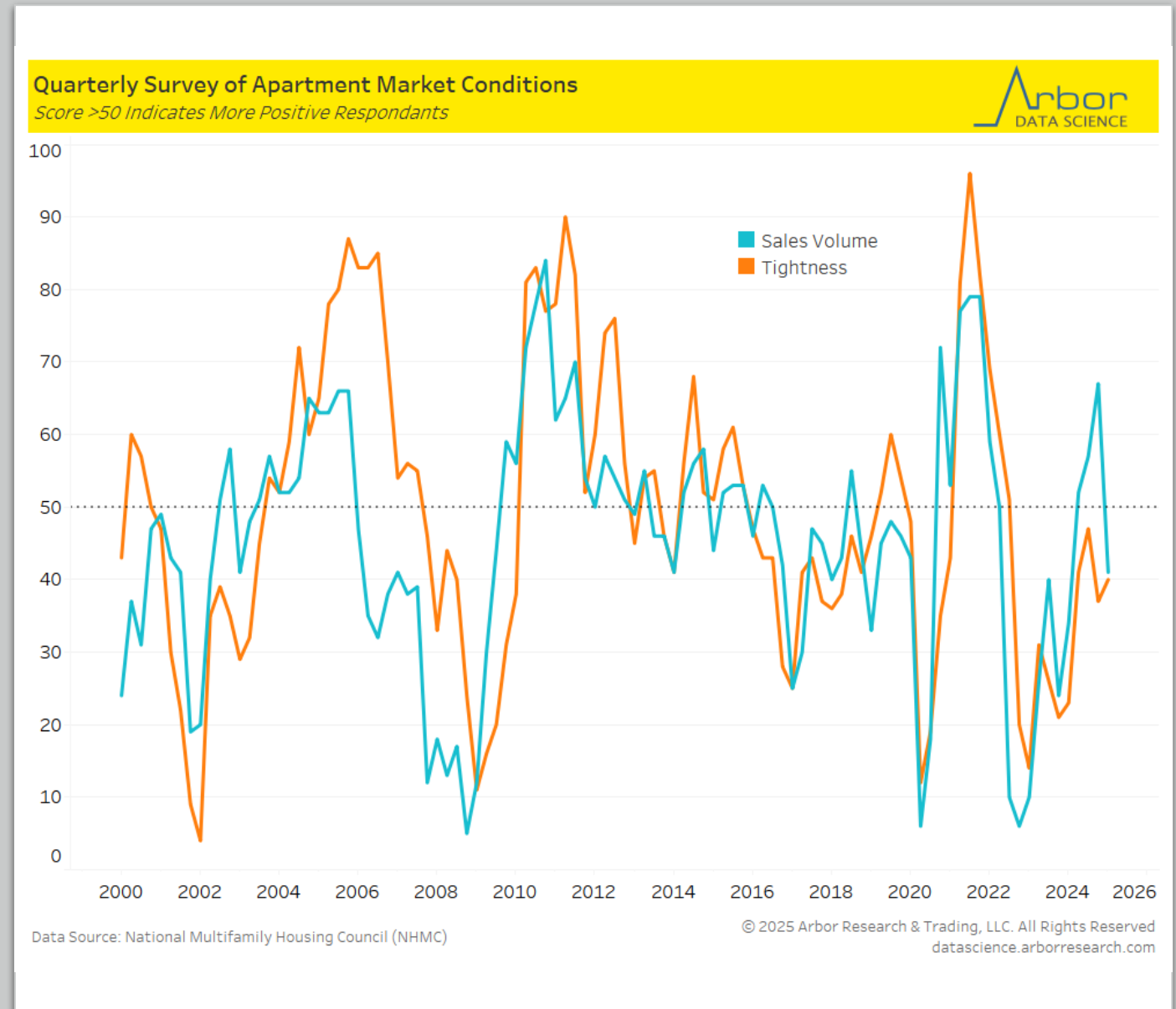


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# Renters' Market Conditions

- [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

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