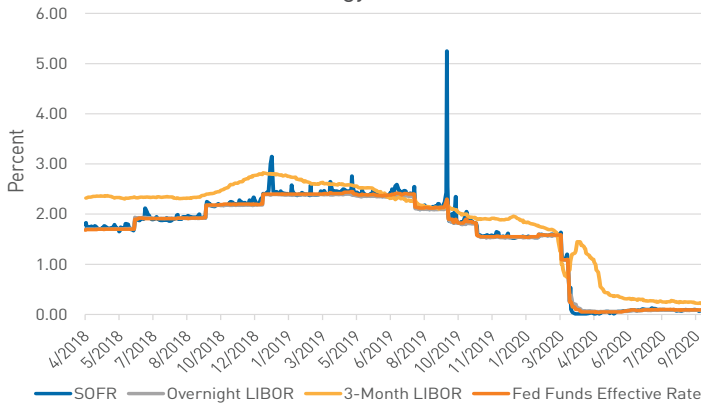


# INFLATION BURNING DOWN THE HOUSE? WATCH OUT FED, YOU MIGHT GET WHAT YOU'RE AFTER

MAY 2021

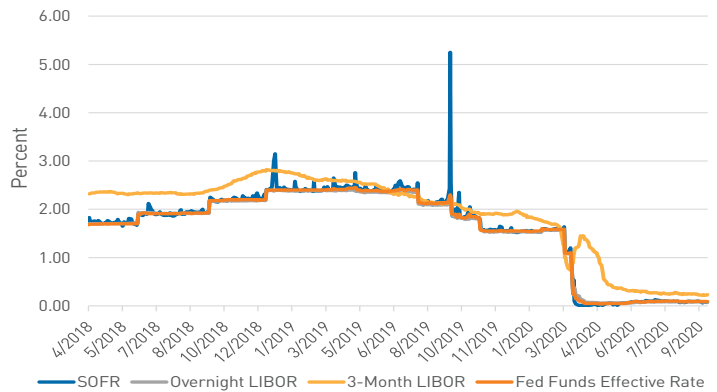
Recent inflation statistics demand continued monitoring, but a surge in headline numbers could be explained by certain transitory components upon closer examination. We're not ready to jump to any conclusions, but we will be paying close attention to upcoming Federal Reserve (Fed) communications for any clues about potential changes in monetary policy.

Figure 1. CPI vs. Core CPI  
**CPI readings have spiked, but less so in the Core measure (ex-food and energy).**



As of 04/30/21. Source: Bloomberg

Figure 2. Manheim Used Vehicle Value Index, year over year  
**Used vehicle prices have soared as the availability of new cars has declined due to a semiconductor shortage.**

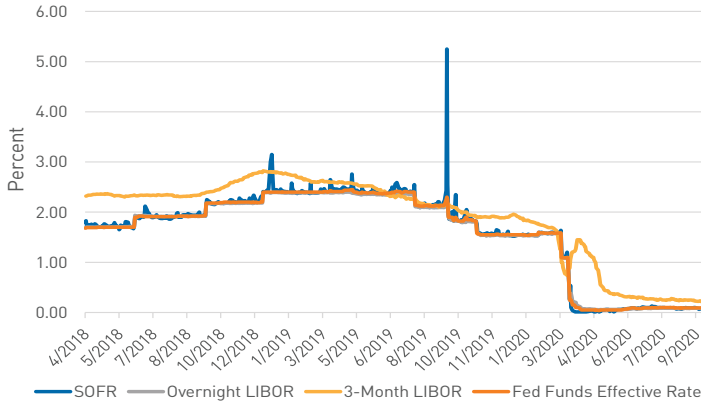


As of 04/30/21. Source: Bloomberg

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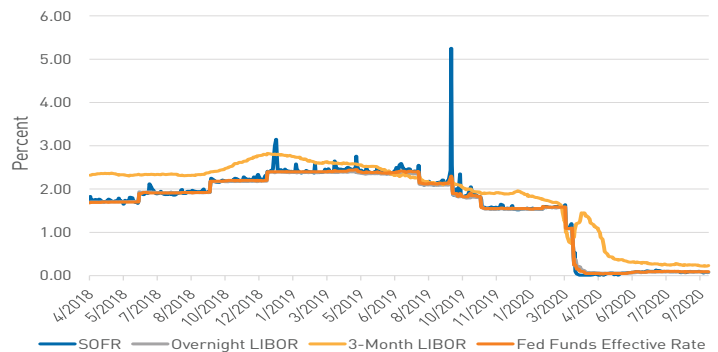
Figure 3. Commodity Research Bureau BLS/US Spot Raw Industrials Price Index

**Commodity input prices have experienced a sharp rise recently as well.**



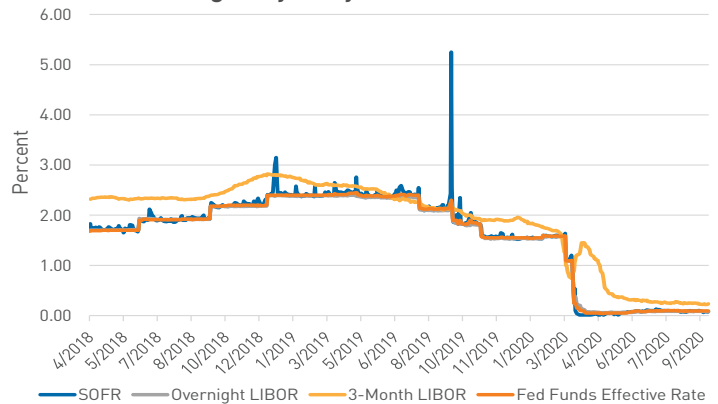
As of 04/30/21. Source: Bloomberg

Figure 4. University of Michigan : Inflation Expectations  
**The University of Michigan expected inflation rate over the next 5-10 years is well above the Fed's long-term estimate.**



As of 05/21/21. Source: Bloomberg

Figure 5. TIPS Breakeven Rates  
**Nominal TIPS breakeven rates have continued to rise since bottoming early last year.**



As of 05/21/21. Source: Bloomberg

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# INDEXES

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