Market Correlations:
Expected Inflation in TIPS

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thinking outside the box
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Expected Inflation in Bond Yield

Figure 1.

US TREASURY 10-YEAR BOND & TIPS YIELDS
(percent, daily)

Source: Federal Reserve Board.

Figure 2.

WIDELY-USED PROXY FOR 10-YEAR EXPECTED INFLATION RATE*
(percent, daily)

Source: Federal Reserve Board.
Figure 3.

ACTUAL INFLATION RATE & WIDELY-USED PROXY FOR 10-YEAR EXPECTED INFLATION RATE

- Consumer Price Index (yearly percent change) (2.3)
- Expected Inflation in 10-Year TIPS Yield* (0.9)

Source: Federal Reserve Board and Bureau of Labor Statistics.

Figure 4.

US: ACTUAL & EXPECTED INFLATION

- Consumer Price Index Ex Food & Energy (yearly percent change) (2.4)
- Expected Inflation in 10-Year TIPS Yield* (0.9)

* Nominal minus TIPS yield.
Source: Federal Reserve Board and Bureau of Labor Statistics.
**Expected Inflation & the Dollar**

**Figure 5.**

TRADE-WEIGHTED DOLLAR & EXPECTED INFLATION

- **Yield spread between 10-year US Treasury bond and comparable TIPS.**
- **Argentina, Australia, Brazil, Bulgaria, Canada, Chile, China, Colombia, Croatia, Czech Republic, Denmark, Ecuador, Egypt, France, Germany, Hong Kong, Hungary, Japan, India, Indonesia, Israel, Italy, Korea, Kuwait, Malaysia, Mexico, Morocco, New Zealand, Nigeria, Norway, Pakistan, Panama, Peru, Philippines, Poland, Romania, Russia, Saudi Arabia, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, United Kingdom, Ukraine, Uruguay, Venezuela, Vietnam, and United States.**

Source: Commodity Research Bureau and JP Morgan.

**Figure 6.**

INDUSTRIALS COMMODITY PRICE INDEX & EXPECTED INFLATION IN 10-YEAR TIPS

- **Nominal 10-year US Treasury bond yield minus 10-year TIPS yield.**

Source: Federal Reserve Board, US Treasury, and Bureau of Economic Analysis.
Expected Inflation & Commodity Prices

Figure 7.

EXPECTED INFLATION IN 10-YEAR TIPS & BRENT CRUDE OIL PRICE

Expected Inflation in 10-Year Tips* (percent) (0.9)

Brent Crude Oil Futures Price** (dollars per barrel) (35.8)

* Nominal minus TIPS yield.
** Nearby futures price.
Source: Federal Reserve Board.

Figure 8.

COPPER FUTURES PRICE & EXPECTED INFLATION IN 10-YEAR TIPS

Copper Futures Price* (cents per pound)

Expected Inflation in 10-Year TIPS**

* Nearby futures contract.
Source: Haver Analytics.
Figure 9.

YIELD CURVE & TIPS YIELD

10-Year Less 2-Year Treasury Yield
(basis points) (38.0)

10-Year Tips Yield*
(percent) (0.0)

* Nominal minus TIPS yield.
Source: Federal Reserve Board.

Figure 10.

YIELD CURVE & EXPECTED INFLATION IN TIPS

10-Year Less 2-Year Treasury Yield
(basis points) (38.0)

Expected Inflation 10-Year Tips*
(percent) (0.9)

* Nominal minus TIPS yield.
Source: Federal Reserve Board.