



Inflation Anxiety Soars

Written: March 14, 2025

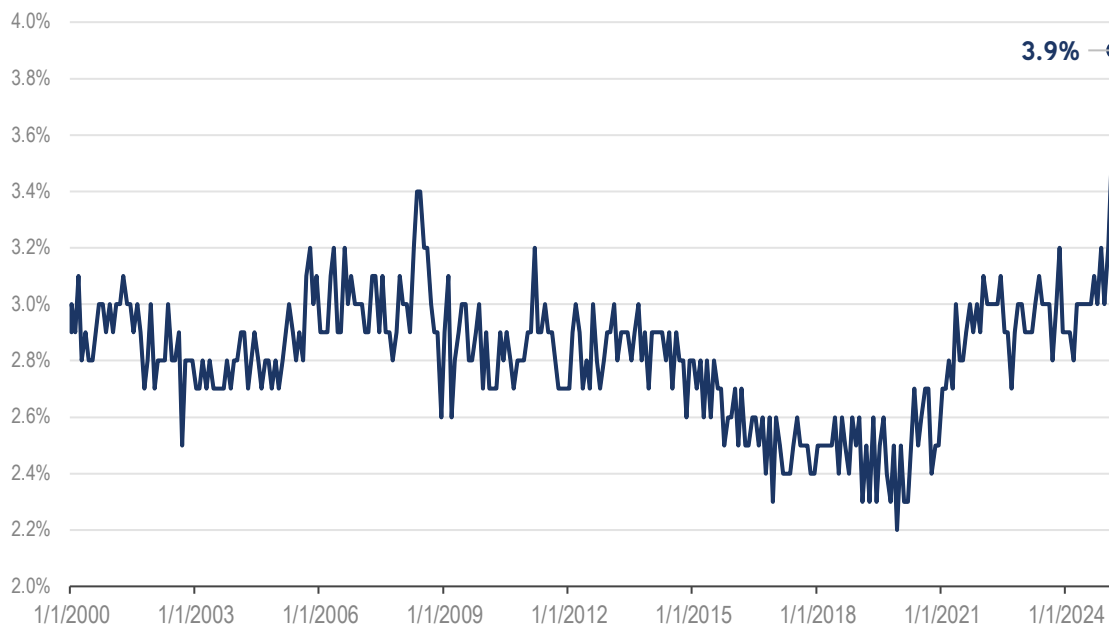
Key Points

- Long-term inflation expectations are highest in the 21st century (3.9%). Near-term inflation expectations come in hot upside (4.9%).
- Inflation survey expectations surprise on the upside across the board.
- The rift between Democrats (and independents) versus Republicans has grown to its highest since 2020.
- Ultrashort duration TIPS remain a possible antidote to inflation and policy fears. Now available in ETF form: [RBIL](#).

Century High Inflation Fear

Consumers are now expecting 3.9% annualized price increases over the next 5-10 years. This is a 33% rise in expectations YTD. Combine this with a 4.9% headline rate (versus 4.3% consensus estimate) and deteriorating consumer sentiment measure, and one concept is crystal clear: inflation is a primary – perhaps the primary – concern for consumers.

University of Michigan U.S. 5-10 Year Inflation Expectations

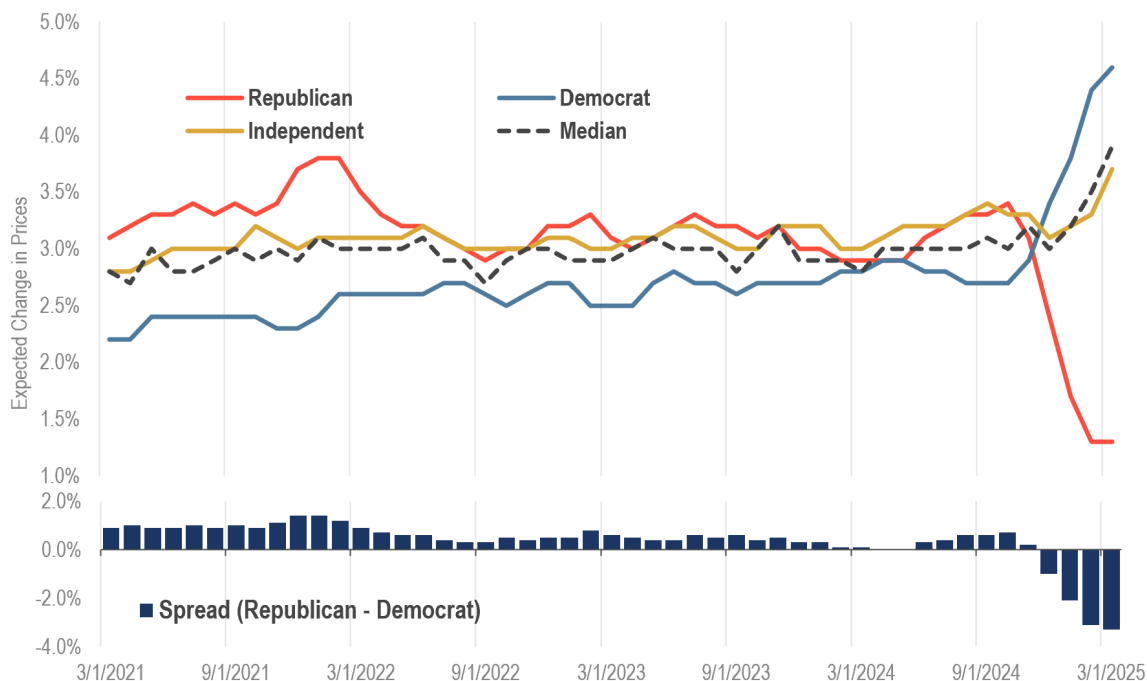


Source: Bloomberg as of March 17, 2025

Inflation Expectations Diverge by Political Affiliation

In a new twist, political party affiliation has become a leading indicator of economic expectations. Party cohorts have long differed on expected inflation levels in the past but generally agreed on the direction of inflation. Now there is a massive divergence reflects the wild swings in political policy, notably tariffs, tax cuts, and federal spending (portending stunted grow). Although Republican inflation fears declined sharply, independents shifted from a moderate to higher inflation outlook and Democrats' fears increased further – suggesting most consumers are anxious about (really) inflation.

Expected Change in Prices During the Next Five Years By Political Affiliation



Source: University of Michigan, Bloomberg, as of March 17, 2025.

The Antidote to Inflation Fears

We believe investment in ultrashort TIPS remains the ideal solution to anxiety fears: participation in realized inflation with minimal interest rate risk. Now, more than ever, it is important to protect purchasing power. Investors can access this protection via [RBIL](#) – the industry's first and only ultrashort TIPS ETF.

Disclosures

Inflation-Linked Securities. In general, the value of an inflation-linked security, including TIPS, will typically decrease when real interest rates (nominal interest rates reduced by the expected impact of inflation) increase and increase when real interest rates decrease. When inflation is negative or concerns over inflation are low, the value and income of inflation-linked securities could fall and result in losses for the Fund and during periods of very low inflation, the yield on an inflation-linked security may be negative. Conversely, during sustained periods of high inflation, the Fund's yield should increase, which may not be repeated. Funds that invest heavily in inflation-linked securities do not always move in lockstep with inflation because they do not necessarily buy inflation-linked securities when they are originally issued or hold them until 5 maturity. In addition, the accrual of inflation adjustments on the Fund's holdings may significantly impact the current level of dividends actually paid to shareholders. Changes in inflation rates and/or interest rates may cause the Fund's yield to vary substantially over time.

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