



Chart Logic

Global Rates, FX & Commodities Strategy

16 September 2021

▶ G10

▶ MACRO

▶ GLOBAL MARKETS

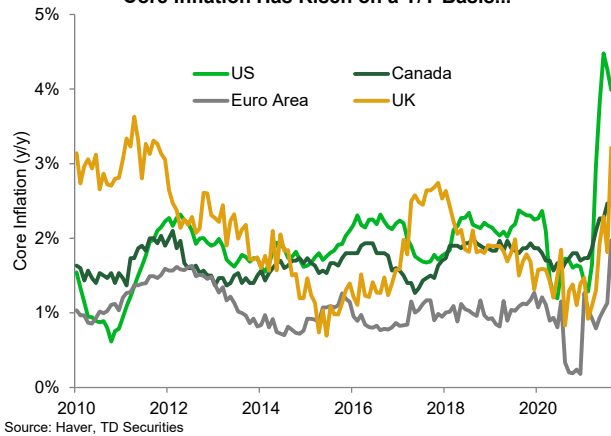
Signs of Peaking Core Inflation - But Risks Abound

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Head of Global Macro
Strategy

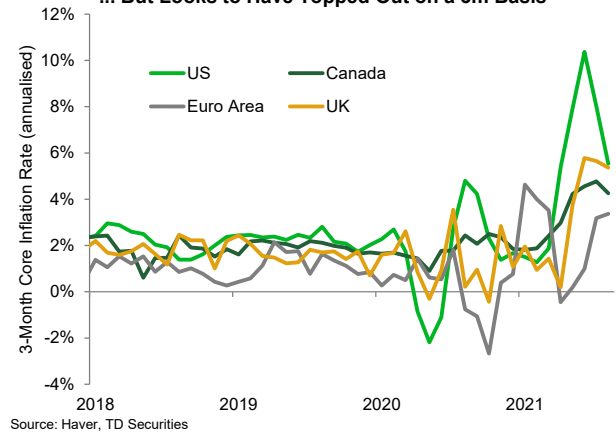
- While a combination of base effects and re-opening momentum continues to push up on 12-month core inflation rates across the G10, 3-month momentum appears to have topped out in the US, Canada, and the UK. The rest of Europe, however, has seen some recent acceleration (though within recent ranges), likely to the relief of policymakers there.
- Broader inflation expectations show a similar pattern: while high in some countries, 3-month momentum has slowed, with the exception of the UK. Household inflation expectations remain muted, and central banks continue to view inflation as mostly transitory. But market inflation surprises remain positive except in the US.
- We see a number of significant upside risks going forward. These include the impact on core inflation of: rising energy prices ([natural gas](#) and [electricity](#) in particular); supply-chain bottlenecks; and labour market mismatch. It is possible that these factors persist well into 2022, but equally, they might all resolve fairly quickly.
- See our recent pieces: [US CPI Scanner](#), [US](#) and [Canada](#) August CPI commentaries, and [High Inflation & Slowing Growth Continues](#).

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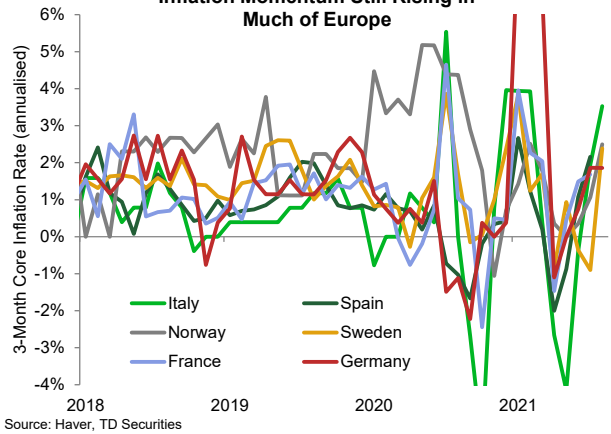
Core Inflation Has Risen on a Y/Y Basis...



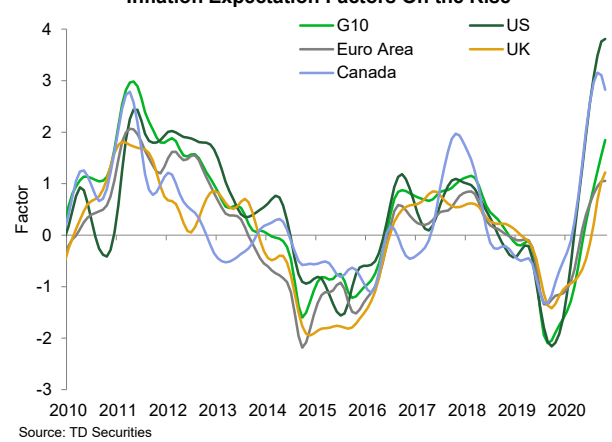
... But Looks to Have Topped Out on a 3m Basis



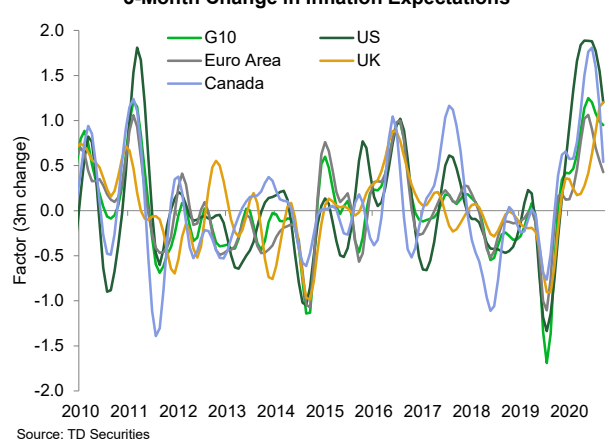
Inflation Momentum Still Rising in Much of Europe



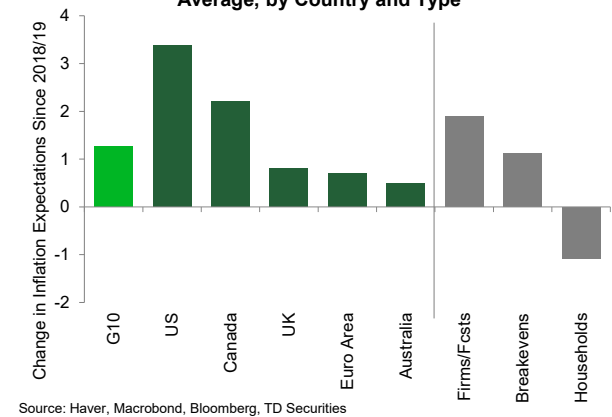
Inflation Expectation Factors On the Rise



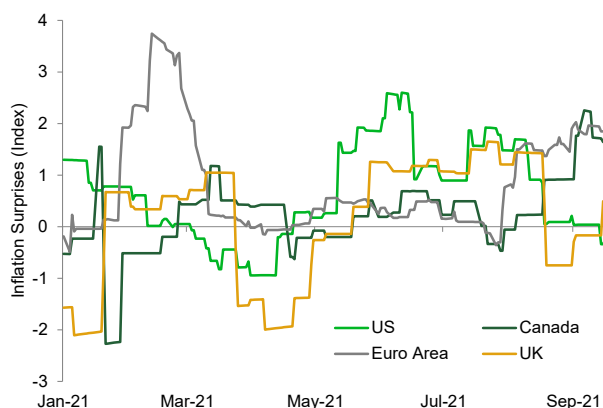
3-Month Change in Inflation Expectations



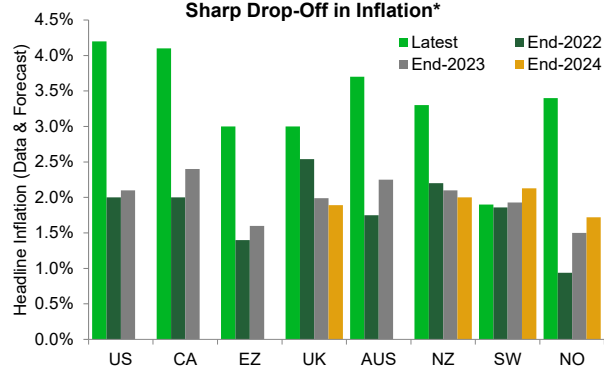
Latest G10 Inflation Expectations vs 2018/19 Average, by Country and Type



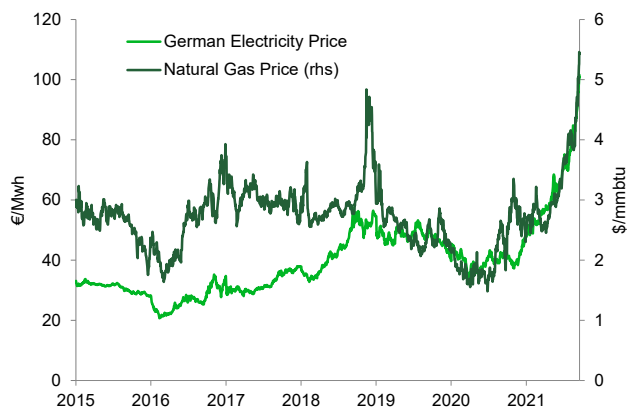
US Inflation Surprises Have Slipped



Most Central Banks Anticipate A Sharp Drop-Off in Inflation*



Energy Prices Rising Sharply



Freight Rates & Port Delays are Sticky

