

# Inflation Report

June 2026



## Summary

- **Core CPI is moving further from target as we enter the second half of 2026, with evidence of accelerating inflation breadth amid persistent supply-chain bottlenecks.**
- **PPI continues to trend higher in 2026 as shortages caused by the US-Iran war diffuse down the supply chain, with purchasing managers citing energy as their principal input cost increase.**
- **Oil prices have moderated in June, retreating from nearly \$120 per barrel to the \$70-80 range. However, price movement remains unpredictable as both sides continue to violate the ceasefire.**
- **The labour market is stabilising, with June nonfarm payrolls rising a modest 57,000 and unemployment ticking down to 4.2%, whilst year-over-year wage growth is easing rather than accelerating labour cost pressures.**
- **Agricultural commodity prices are being pushed up by bad weather, a dwindling cattle herd, tariffs and conflict, with consumers facing a sustained period of elevated food costs.**
- **Fed Funds Futures turned more hawkish as stubborn inflation data points to a 25-bps hike sometime this year. However, with limited forward guidance from the Fed, futures pricing is becoming less accurate.**

## About this document

US Inflation Watch presents over 20 charts of key inflation indicators, grouped into categories including consumer/producer price inflation, commodity prices, wage inflation, inflation expectations, and monetary indicators.

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## The Importance of Inflation

Inflation is the most critical indicator when measuring real wealth as it determines what wealth can buy, i.e. purchasing power. If 'nominal' wealth doubles over 25 years, but the level of prices also doubles, there is no net gain in 'real' wealth. It only takes an annual inflation rate of 2.8% to cause prices to double over 25 years.

### About Altana Wealth

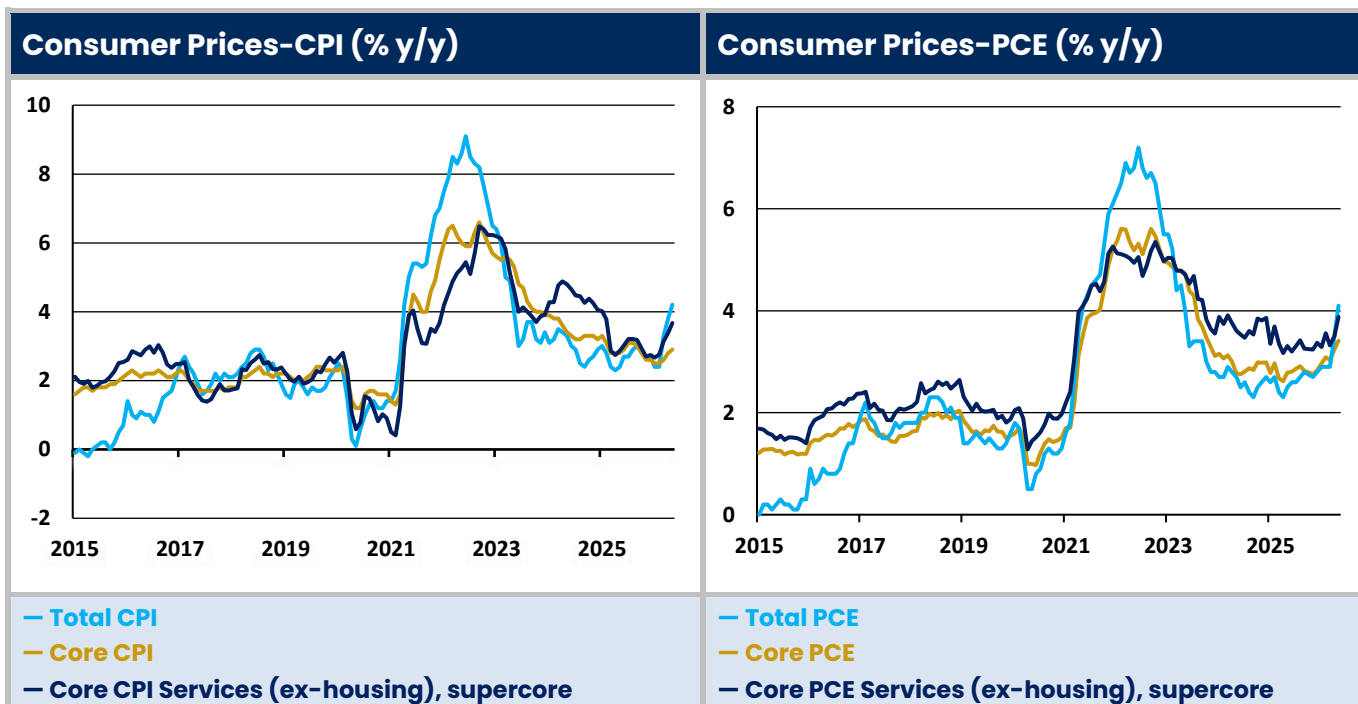
Altana Wealth is a specialist fund manager regulated in the UK and Monaco. It manages over \$600m across Credit, Special Situations, Digital Assets, Carbon, Multi-Manager, and Social Impact. It focuses on generating alpha through innovative, niche strategies uncorrelated with other asset classes. These niche strategies are often less crowded and overlooked by large managers since capacity is generally constrained. Altana is a meaningful co-investor in its funds, aligning its interests with those of investors.

Lee Robinson established Altana in 2010 as his co-investment vehicle. Today, the Altana team comprises 30 investment professionals in London and Monaco. It has built a best-in-class infrastructure for operations, investor relations, and fund accounting alongside regulated service providers.

Please get in touch with Investor Services to learn more. [Investorservices@altanawealth.com](mailto:Investorservices@altanawealth.com)

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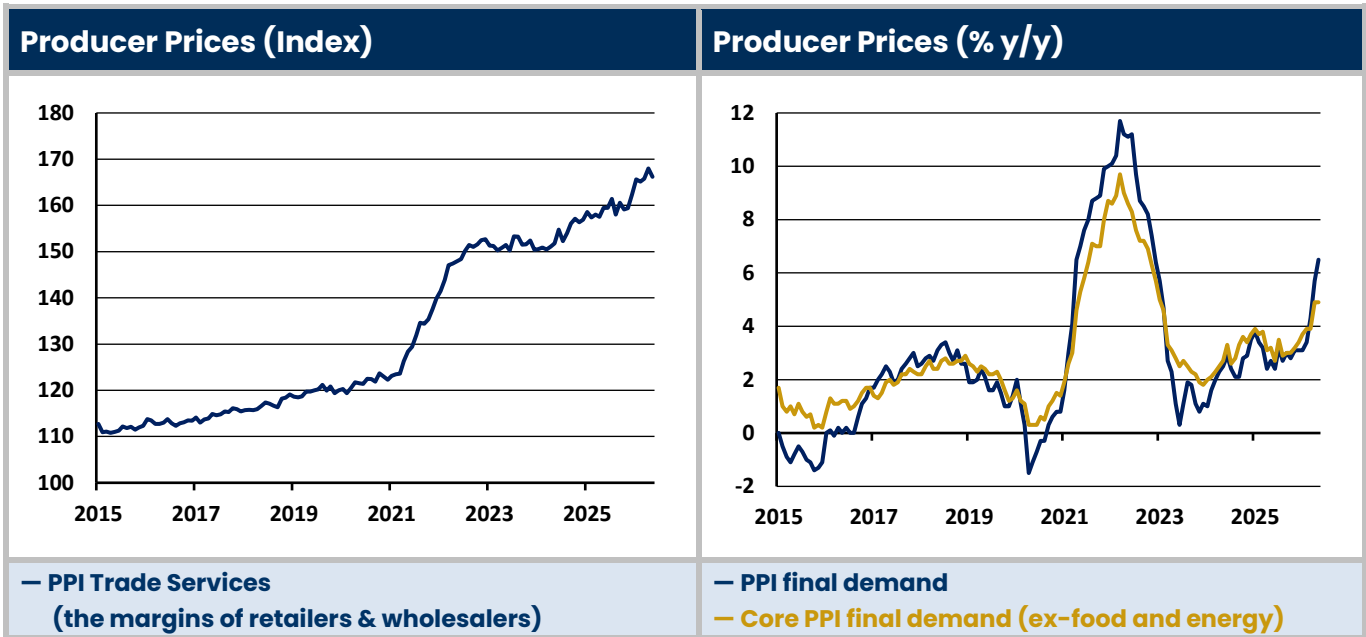
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**Current status:** Underlying inflation has continued to grow as we head into the second half of 2026, with core CPI increasing 0.3% to 2.9% since the beginning of the year. Annual supercore and headline reached 3.67% and 4.2% in May respectively, moving further from target as supply chain bottlenecks persisted and the Strait of Hormuz remained closed. The latest June PCE data relayed a similar message, with inflation-adjusted consumer spending rising 0.3% last month and headline and core PCE reaching 4.1% and 3.41% respectively. While writing this, oil prices seem to be dropping as the strait slowly reopens, with the sharp pullback offering hope that inflation has peaked and will stabilise in the coming months. However, the share of components experiencing >3% 3m annualised core CPI growth has climbed to 60%, with this index tracking components of CPI (services, goods, housing) with inflation above 3% – highlighting accelerating inflation breadth. Evidently, the data is concerning, showing an environment in which sustained price pressures may prevail even if the energy crisis is resolved – with a combination of factors in both the product and labour market continuing to push prices up whilst the initial energy shock diffuses further through supply chains. However, whilst high and rising prices are evident across various components, the same is not true for core goods – the second most important component of CPI (by weighting). This has stayed flat for the past 6 months and even saw a small decrease of -0.11% in May, hinting that some inflation might be transitory as supply-shock sensitive goods such as apparel and household furnishings have stabilised, showing resistance to bottlenecks in the form of tariffs and higher oil prices.

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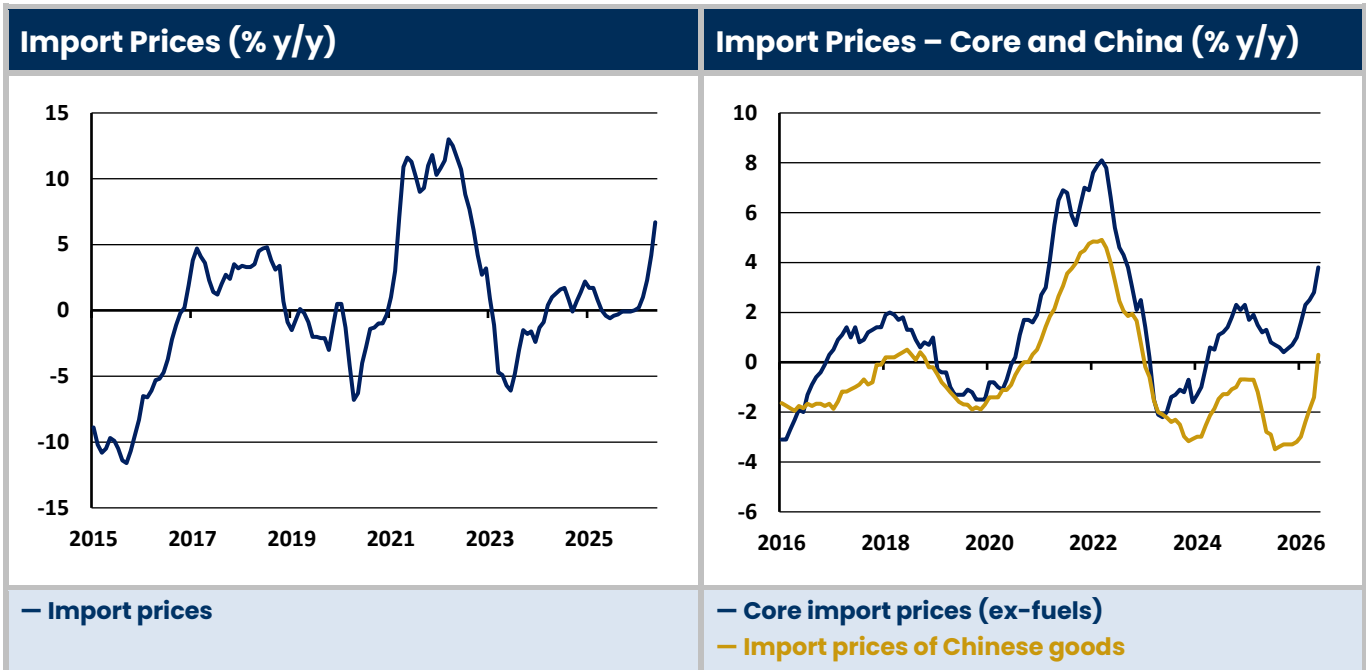
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**Current status:** PPI continues to trend higher in 2026, with the PPI final demand rising 6.5% y/y as the energy shock diffuses down the supply chain. The PPI Final Demand Trade Services index (left graph) differs slightly from overall PPI, measuring the margins of wholesalers, not the actual price of goods. Interestingly, PPI has accelerated sharply whilst CPI saw a more gradual increase, suggesting that firms have been hesitant to pass on rising costs to consumers. Such sentiment is reflected in the Beige Book, with firms ‘temporarily absorbing higher costs to preserve customer demand.’ Nevertheless, Apple’s recent decision to raise prices on many products sent a message, signalling rising component costs and potentially the beginning of a wider wave of price increases. Returning to the Beige Book, the word ‘temporarily’ is key, as firms are unable to continuously absorb higher costs – meaning that CPI and PCE (both core and headline) are likely to increase further as firms begin to recover their margins. Here, time lag is a key concept, with events that shock the supply side often taking time to spill over to consumers. For example, durable goods inflation remains elevated at 3.3%. This suggests that the effects of last year’s tariffs have not yet fully subsided, simultaneously giving us an outlook on the potential prolonged impact of the current US-Iran supply shock – which may continue to permeate through the economy for months to come. Moreover, reports reveal that price growth is spread across various components, with the input price index for manufacturing firms jumping from 59 to 84.6 over the past three months and PPI Final Demand showing sustained percentage increases across construction, goods and services. Nevertheless, purchasing managers have frequently cited energy as their principal input cost increase, with ongoing instability in the Strait of Hormuz likely to prolong this issue.

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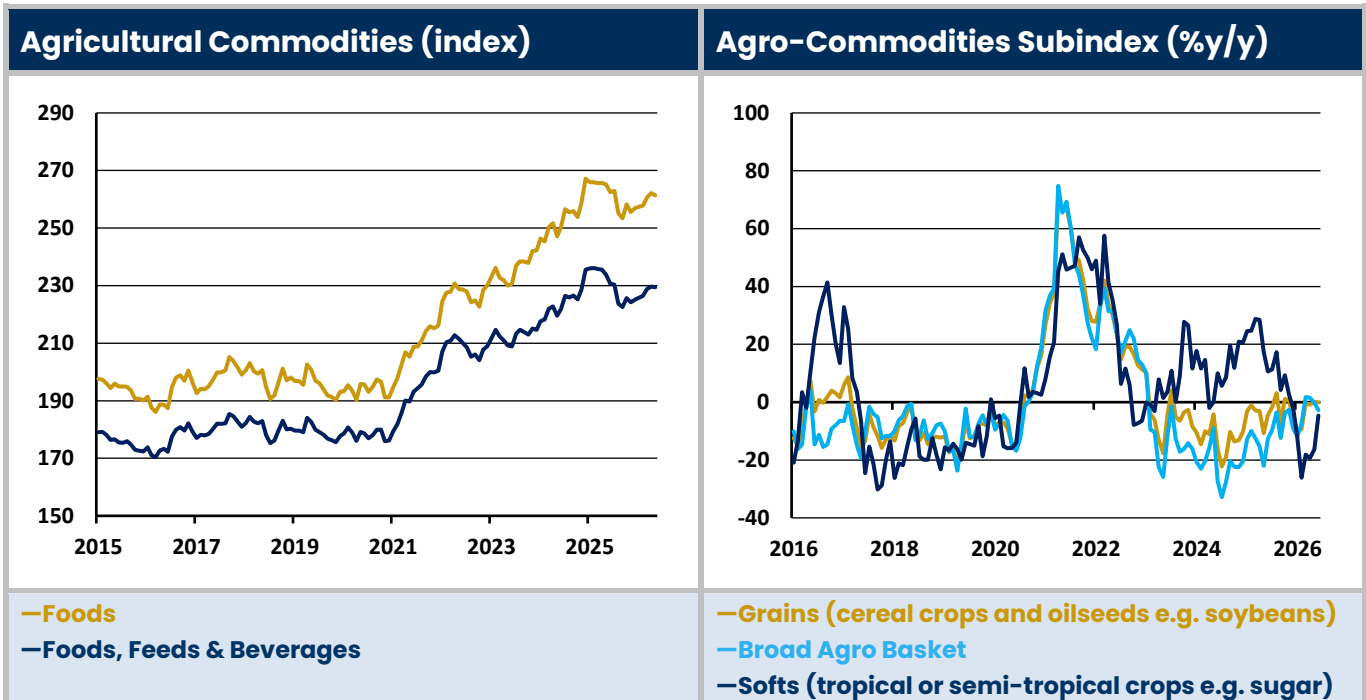
### What is this data?

Producer price indices refer to prices set by domestic producers only. Therefore, import prices are also monitored to gauge price pressures entering the system from abroad. Import price data excludes tariffs.

**Current status:** Import prices have accelerated sharply in 2026, with the YoY rate climbing from 0% in December to 6.7% in May – the fastest pace in nearly four years. The Iran conflict has been a major catalyst, driving the largest import price increase since March 2022 as petroleum import prices surged 19% in April alone. Looking at core import prices, we can see that the move was not driven by energy alone, with the accelerating cost of inputs tied to the AI boom becoming a distinct inflationary channel. May data confirmed surging costs in computer equipment and plastics – both key inputs into a wide range of manufactured goods, with the plastics import index rising 2.1% in May alone. With the four largest US technology companies forecast to spend \$725 billion on data centres and AI equipment in 2026 alone, shortages in memory chips and related hardware are expected to persist, worsening the global memory crunch and further increasing import prices of vital computer components. AI-driven demand has absorbed Chinese manufacturing capacity, with exports surging more than 19% YoY in May whilst imports soared over 27% – tightening Chinese supply chains. Import prices of Chinese goods are crossing back into positive territory for the first time in almost three years following the launch of Section 301 trade investigations in March, with Chinese exporters beginning to pass costs through rather than absorbing them as a more durable tariff architecture begins to be implemented.

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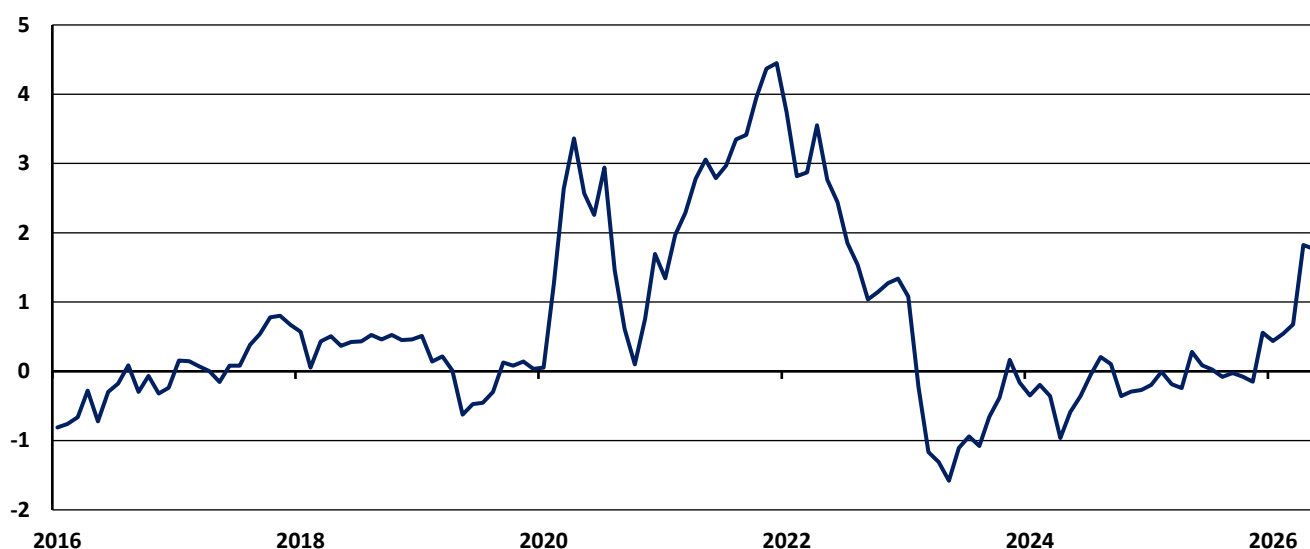
**Current status:** Agricultural commodities are once again becoming a concern as bad weather, a dwindling cattle herd, tariffs and international conflict threaten to push up food prices. Both BLS Indexes (left graph) peaked in late 2024, pulled back through mid-2025 and now seem to be climbing, with the April 2026 reading for grocery prices rising by the most in nearly four years. Tracking 10 of the world’s top-selling crop products, the Bloomberg Agriculture Spot Subindex also reached its highest level since November 2023 in April, easing back following the recent ceasefire. Grain futures followed a similar trend, rising 13.7% from trough following the US-China \$17 billion trade deal before corn futures slipped as US-Iran hostilities eased and traders weighed hot US weather risks to crops. Recovering from significant price growth throughout 2024-25, the softs index pulled back in late-2025 due to supply expansion and surplus expectations, with YoY% growth turning negative. Nevertheless, price growth is beginning to recover as Iran’s disruption to shipping routes and packaging costs (plastic) has pushed up soft commodity prices. Overall, while the tentative US-Iran ceasefire has provided some near-term relief, hot weather forecasts and a potential El Niño are expected to keep upward price pressures on crops going into 2027 – with future prices beginning to climb back into positive price growth (%y/y) as traders price in a higher risk environment.

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## Global Supply Chain Pressure Index



— GSCPI

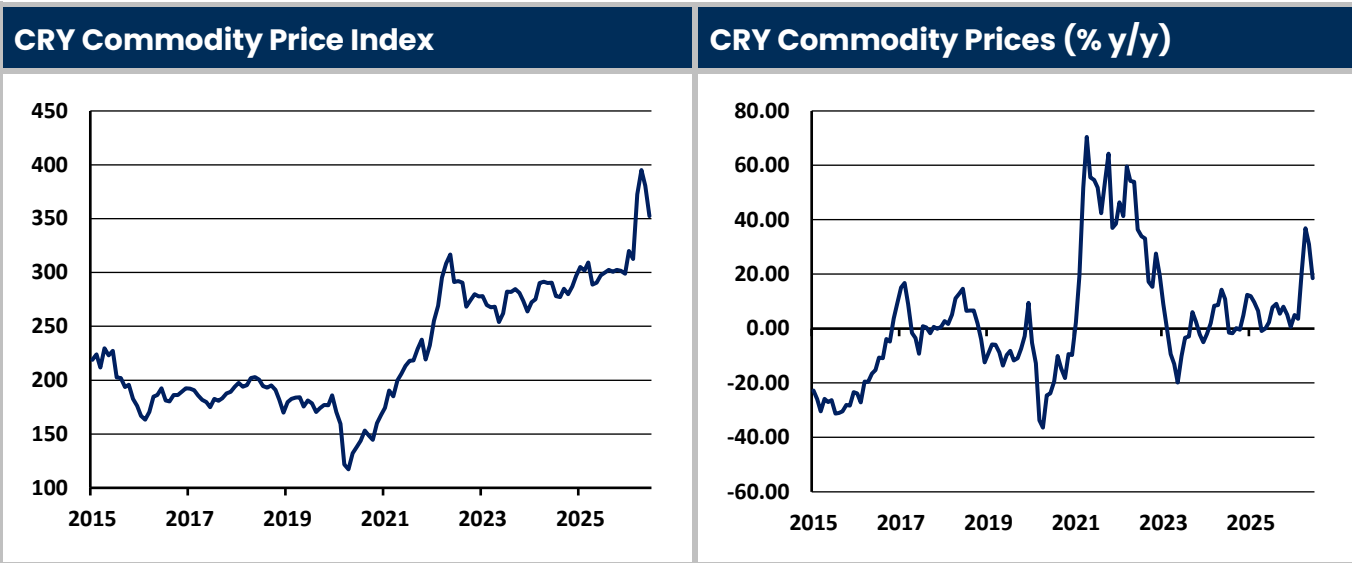
### What is this data?

The GSCPI integrates several commonly used metrics with the aim of providing a comprehensive summary of potential supply chain disruptions. For example, global transportation costs are measured by employing data from the Baltic Dry Index and Harper Index, airfreight costs from the U.S. Bureau of Labor Statistics and supply chain related components from PMI surveys.

**Current status:** GSCPI jumped to 1.82 in April 2026 – reaching levels we hadn't seen since June 2022, with May easing marginally to 1.77 but remaining at a multi-year high. This jump reflects the supply shock felt in the aftermath of the US-Iran conflict, with the blockade of the Strait of Hormuz suspending roughly a quarter of the world's seaborne oil trade. Moreover, Houthi attacks on the Red Sea blocked the region's second major maritime corridor, forcing carriers to re-route and adding 10-14 days to a regular voyage. As mentioned above, GSCPI combines transport-cost data with PMI supply-chain components. The war in Iran hit both channels as ocean freight rates rose up to 50% for US importers and lengthened deliveries led to input shortages and backlogs. Importantly, the disruption reached well beyond oil – with the Gulf supplying ~45% of global sulphur, a third of the world's helium and over 30% of urea exports. Shortages slowed and, in some cases, disrupted the production of semiconductors, fertilisers and petrochemicals. This led to significant price increases, with US fertiliser prices jumping from \$530 to \$950 per tonne within days of the conflict escalating. Nevertheless, the GSCPI surge has likely peaked, with a ceasefire MOU signed on 17 June restoring Gulf exports to about 75% of prewar levels, with Brent falling from above \$120 to \$72 per barrel. Therefore, whilst April and May captured peak disruption, the fate of the June GSCPI print will be decided by whether the ceasefire holds.

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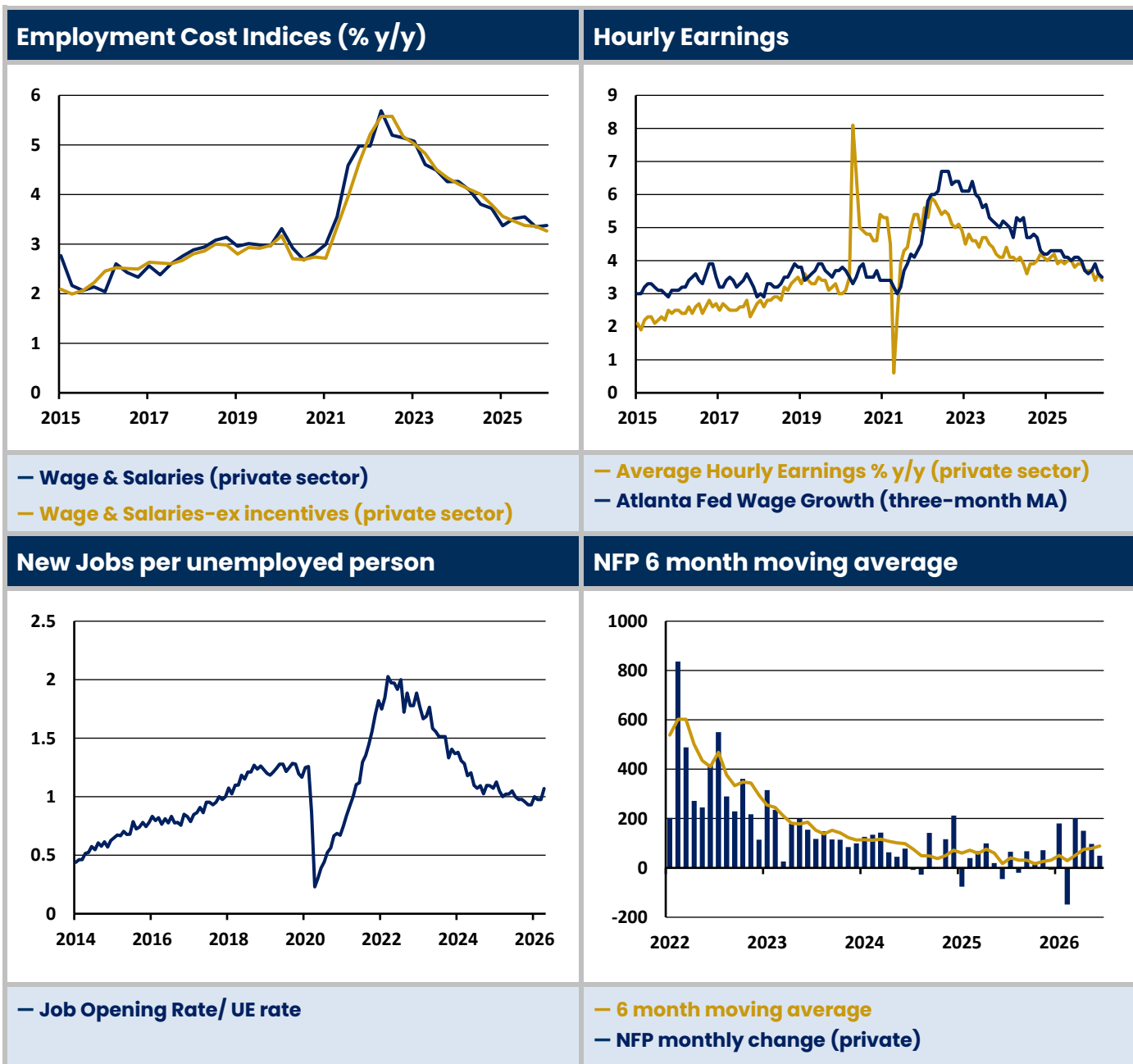
### What is this data?

The CRY Index (also CRB) is a basket of commodity prices—a timelier indication of the Crude PPI. Those commodities are sorted into four groups, with different weightings: Energy (39%), Agriculture (41%), Precious Metals (7%), and Base/Industrial Metals (13%).

**Current status:** The CRY Index last printed at 352.23, still +18.3% from the start of the year but -13.3% below the 19 May peak. Due to the index’s energy-heavy composition, the dominant driver of the 2026 surge and subsequent retreat has been the ongoing US-Iran conflict – obstructing energy flows through the Strait. Agriculture has been a mixed, but increasingly important contributor to the CRY Index, with supply-side shocks and geopolitical disruptions creating divergent moves across crops. Overall, corn and soybean futures have provided upside support, rallying in mid-May after China committed to double-digit billion annual purchases of American agricultural products. Growing heat wave concerns had a similar effect, causing Paris corn futures to hit a fresh record of €226.75/tonne, surging ~11%. In contrast, wheat prices retreated as supply showed to be abundant and growing – with the International Grains Council predicting a 6% increase to an all-time high of 2.474 billion tonnes this harvest season. Despite a slight pullback from January peaks, copper remains near historically high levels and has been broadly supportive of the CRY index in 2026. Moreover, prices are likely to move higher, underpinned by a structural supply deficit, mine disruptions and robust electrification demand. Interestingly, gold has been one of the most volatile and ultimately declining components, breaking below \$4,000/oz for the first time since November on 24 June. Whilst a correction was due, gold’s slide can largely be attributed to a combination of increasing rate-hike expectations and government outflows, with Turkey alone selling 70 tonnes of gold to defend the Lira.

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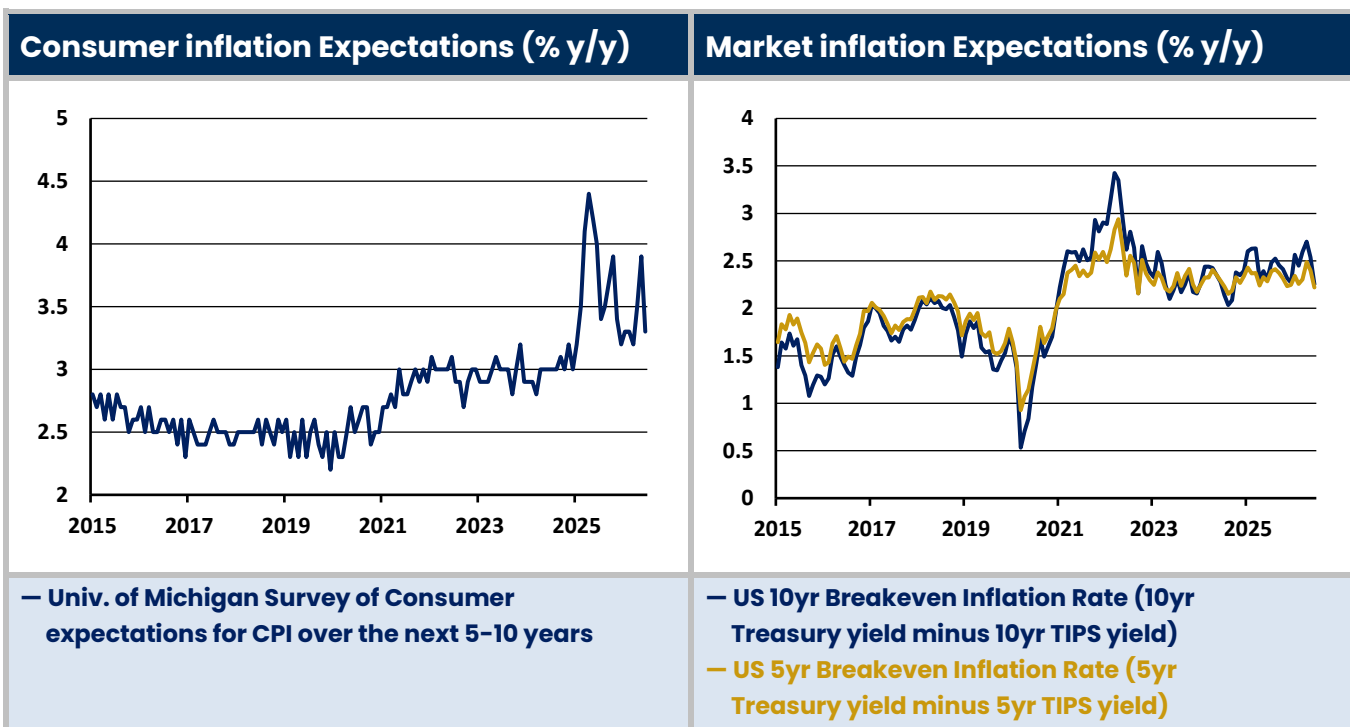
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**Current status:** Recent data indicates that labour supply and demand are finally coming into a rough balance. ECI, the Fed’s preferred measure of wage pressures, has dropped over 100bps across the last three years, currently sitting at 3.4%. This indicates inflationary wage pressures are easing, in turn signalling a likely reduction in services inflation. With the new job opening rate reaching 4.6%, the labour market is showing a combination of softly rising labour demand and moderating wages. This hints that the labour market is beginning to soften – with June’s weak private payroll print acting as supporting evidence, prompting traders to dial back Fed rate hike expectations. Separate data showed applications for unemployment benefits were little changed last week, and with layoffs remaining low in recent years, we seem to find ourselves in what economists have described as a “low-fire, low-hire” labour market.

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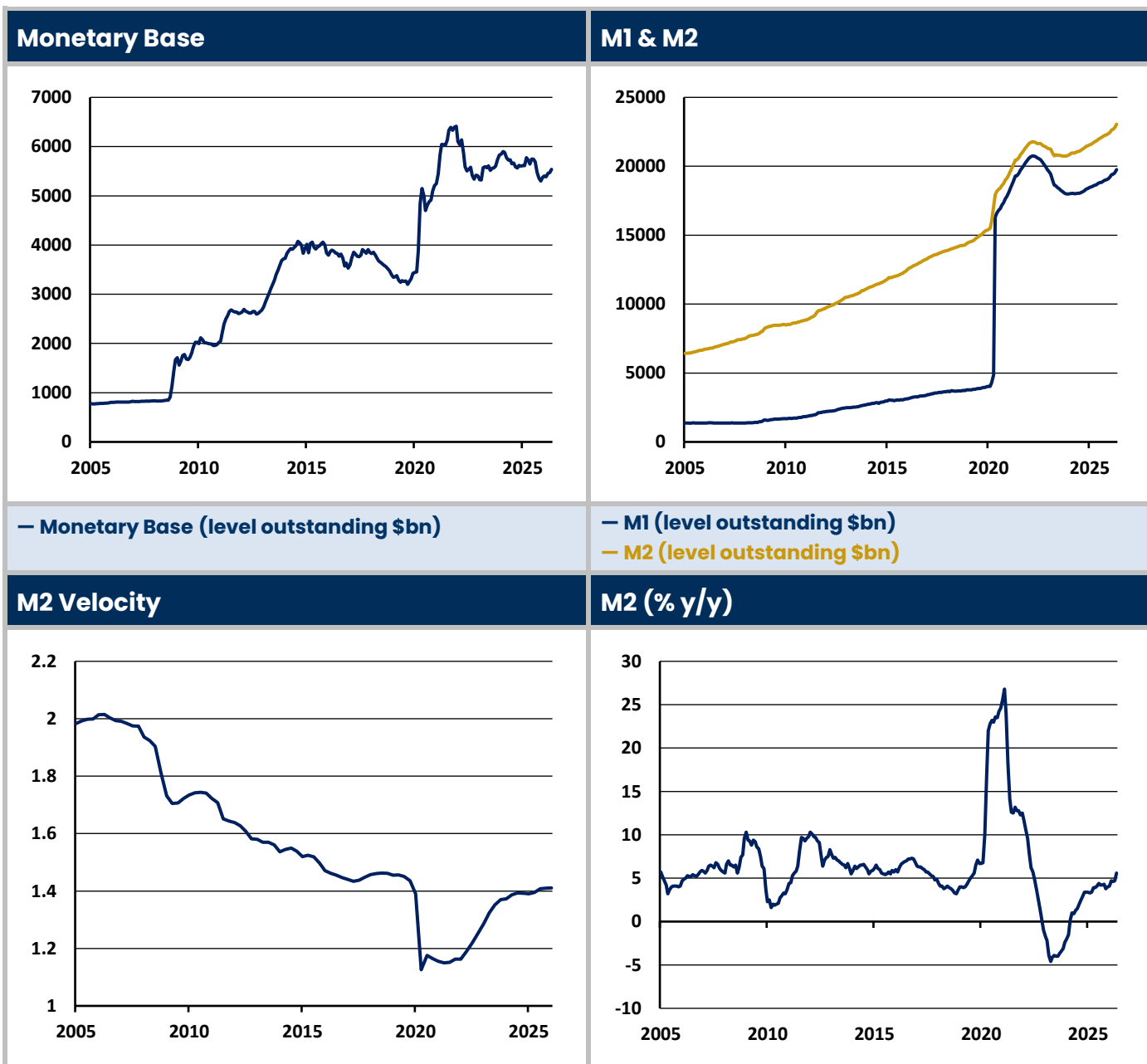
### What is this data?

The public (as indicated in the Michigan survey) and the financial market (as reflected in the 10-year/5-year breakeven inflation rates) hold significant inflation expectations. For example, higher consumer expectations of inflation may lead to higher wage demands. If market expectations of inflation are rising or falling, this may prompt a response from policymakers.

**Current status:** Consumer inflation expectations fell 0.6% in June, now sitting at 3.3%, with falling oil prices and the Fed’s transition to a more hawkish stance acting as calming measures. Nevertheless, consumer expectations for CPI haven’t fully recovered from the record high in 2025 and remain volatile. Furthermore, one-year expectations remain elevated at 4.5%, indicating that consumers remain deeply sceptical of the Fed’s ability to deliver on inflation in the short-term. Markets have seen a more gradual decrease, with both the 10 and 5-year breakeven rate seeing three consecutive months of negative growth. This highlights market optimism that current inflation is transitory and will not affect the economy in the longer-term. Moreover, given current labour market slack and the relatively weak bargaining position of employees, higher short-term inflation expectations are unlikely to translate into significantly higher wage demands. As argued by Governor Waller, a series of transitory shocks can lead to the de-anchoring of inflation expectations, resulting in stubborn, sticky inflation. Once elevated, consumers’ inflation expectations are hard to bring down, posing a problem for policymakers who fall into a “credibility trap”. Here, lower credibility makes policy shifts less impactful, reducing the effective toolkit of the Fed.

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**Monetary base** = M0 (or notes & coins in circulation) + notes & coins held by banks and the central bank + bank reserves held by the banking system at the central bank. **Note:** the last two items are *not in circulation*

**M1** = M0 + demand deposits + other checkable deposits (inc savings deposits previously in M2 – recently revised)

**M2** = M1 + time deposits < \$100k + retail money funds.

**M2 Velocity** = Nominal GDP/M2 shows how often the money stock is used for spending on goods and services. It is inversely related to the ‘demand for money’, i.e., holding money rather than exchanging it for goods and services.

**Current status:** The monetary base currently sits around \$5.5 trillion and is shrinking YoY (-1.9%). M2 growth is meaningful (5.6% YoY), likely driven by recent reserve management purchases, but velocity seems too weak to amplify into demand-pull inflation. 2026 tells a nuanced story, with inflation above target and increasing whilst the monetary base contracts, suggesting that inflation is for the most part being influenced by external, supply-side factors.

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## US Reserves at Federal Reserve Banks



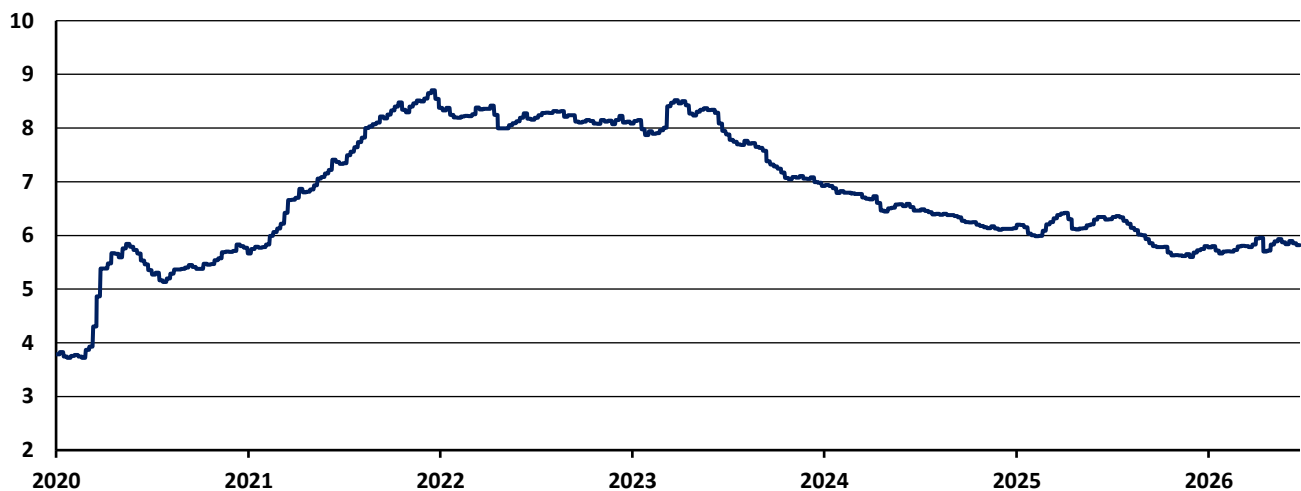
– Reverse balances at Fed banks (\$tn)

## Treasury General Account (TGA)



– Treasury General Account (balance in \$bn)

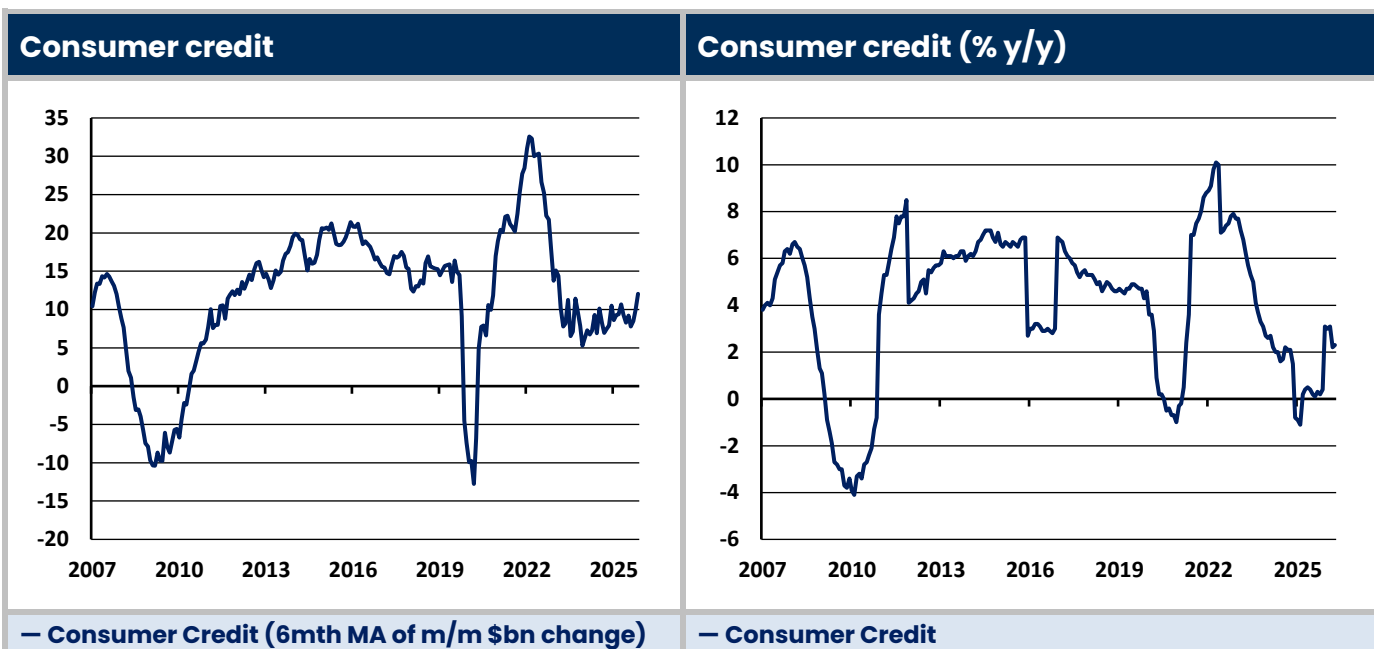
## Net Fed Liquidity (\$tn)



**Current status:** Dipping below \$3tn, reserves are approaching levels which are no longer considered “ample” (below \$2.75tn). On the other hand, TGA has risen sharply, nearly doubling from ~\$457bn to \$895.6bn in a year, surging after April tax receipts flooded in. The TGA and bank reserves can be described as a hydraulic system, with a buildup of cash in the Treasury generally draining reserves, in turn representing a net liquidity drain on the financial system. Tighter liquidity leads to tighter funding conditions, raising borrowing costs for banks and therefore pushing up lending rates. In the current market, this outcome would increase consumer price pressures in an environment where they are already high. However, with the FOMC announcing its intent to maintain an ample level of reserves in late 2025, we are likely to see a reversal of the current trend. Purchases of reserves began in December 2025, scaling down from \$40bn/month in the first four cycles, to \$10bn in June.

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### What is this data?

It covers most short- and intermediate-term credit extended to individuals, excluding loans secured by real estate. Consumer credit growth will directly influence money growth and monetary velocity.

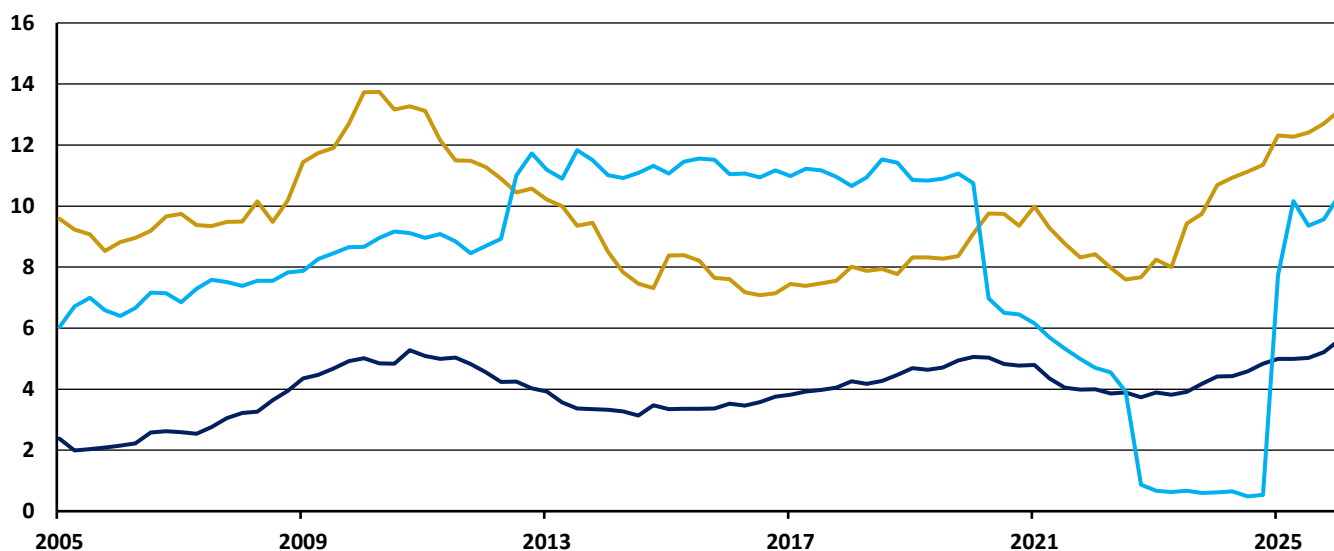
**Current status:** Credit card balances now total \$1.25 trillion, a 63% increase from 2021 lows. Consumer credit growth has re-accelerated meaningfully in 2026, with March and April together producing the biggest back-to-back monthly gains since late 2022 (+\$22.2bn in March and +\$20.7bn in April). The pace of revolving credit growth is considerably notable, with card balances rising every month since August 2025. With PCE running at 4.1% and real wages under pressure, this growth is likely driven by consumers using credit to maintain living standards rather than discretionary spending. In fact, data suggests US consumers are increasingly bifurcated, with higher-income households borrowing to spend, whilst lower-income cohorts borrow out of necessity. This dynamic is consistent with services inflation remaining sticky (from upper-income demand), whilst consumer sentiment sits at record lows. The buy now pay later (BNPL) craze is also noteworthy, with a Bloomberg investigation confirming that private credit firms are funding BNPL companies at scale. This represents direct systemic risk, with a LendingTree survey in April 2026 finding that 47% of BNPL users reported paying late on at least one instalment loan in the past year – a significant number for a product marketed as a low-risk alternative to credit cards. Importantly, BNPL loans are not reported in major credit bureaus, meaning that the true scale of their growth is almost certainly larger than any available data suggests.

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## Transition into Serious Delinquency Rates %



- Student Loan
- Credit Card
- Auto

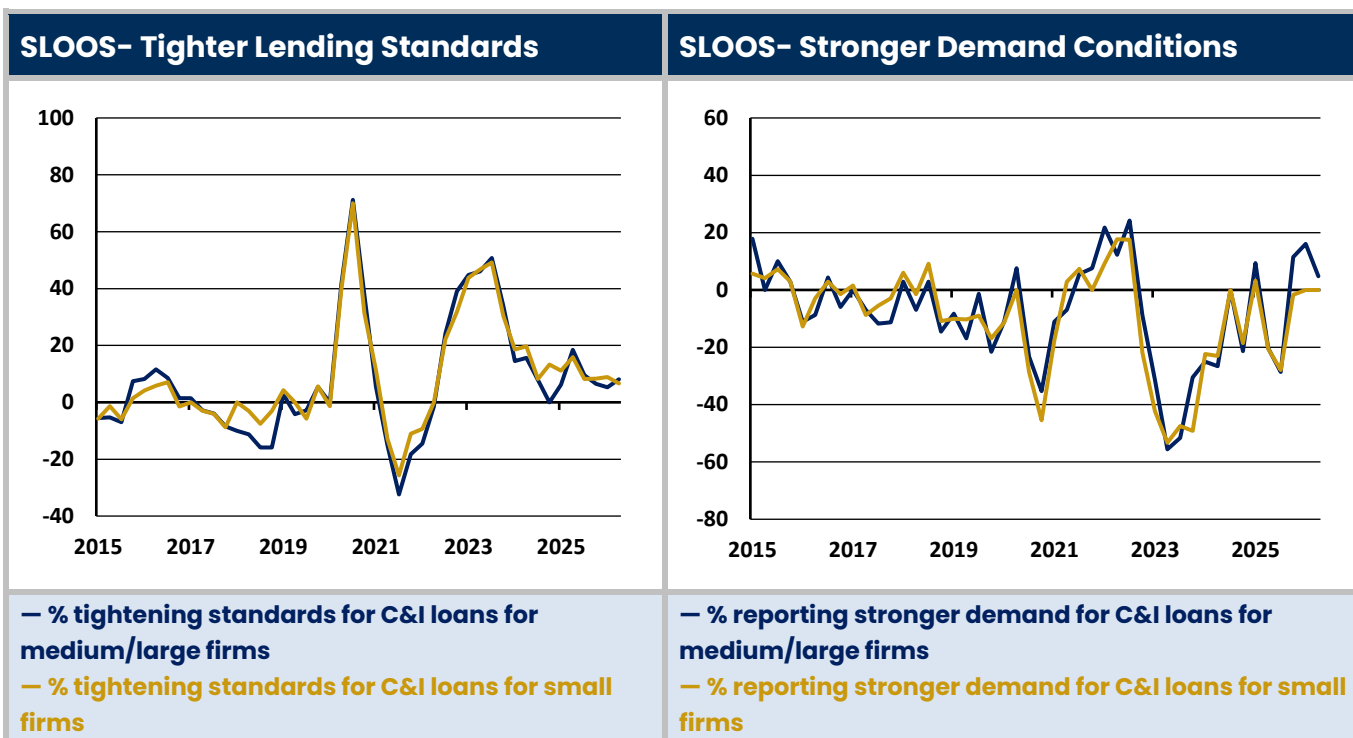
### What is this data?

Quarterly data provided by the Fed gives insight into consumers' credit health, showing the % of debt transitioning into serious delinquency, i.e., debt that is over 90 days past due.

**Current status:** The acceleration in credit growth is occurring alongside a deterioration in its quality, with Fed data showing credit, auto and student loan 90+ day delinquencies close to or at their worst readings in available data. The worst 90+ delinquency rate is credit card, showing a steady, cumulative increase of 512bps to 13.11% over 12 quarters of data, with no quarters of meaningful improvement hinting at structural, rather than cyclical stress. Whilst credit card delinquency seems most persistent, the dramatic move of the three is seen in student loans, with the series surging to a recent new high of 10.34% (Q1 2026) from a low of 0.70% in Q3 2024. This extreme move can be explained by the end of federal student loan forbearance in October 2024, after which missed payments began to be reported to credit bureaus and counted as delinquent for the first time since 2020. Nevertheless, student loan terms are remarkably unforgiving, with the NY Fed Reserve reporting a total of \$1.65tn in student loan debt – an average payment of \$434 per borrower. Auto loans are seeing a slower increase in delinquency rates, although the pace of deterioration has accelerated, with the Q4 2025 to Q1 2026 move of 39bps being the largest single-quarter jump in available history. With consumers' credit health clearly deteriorating, Q2 2026 data will be key to understanding whether the trend is stabilising or continuing to deteriorate.

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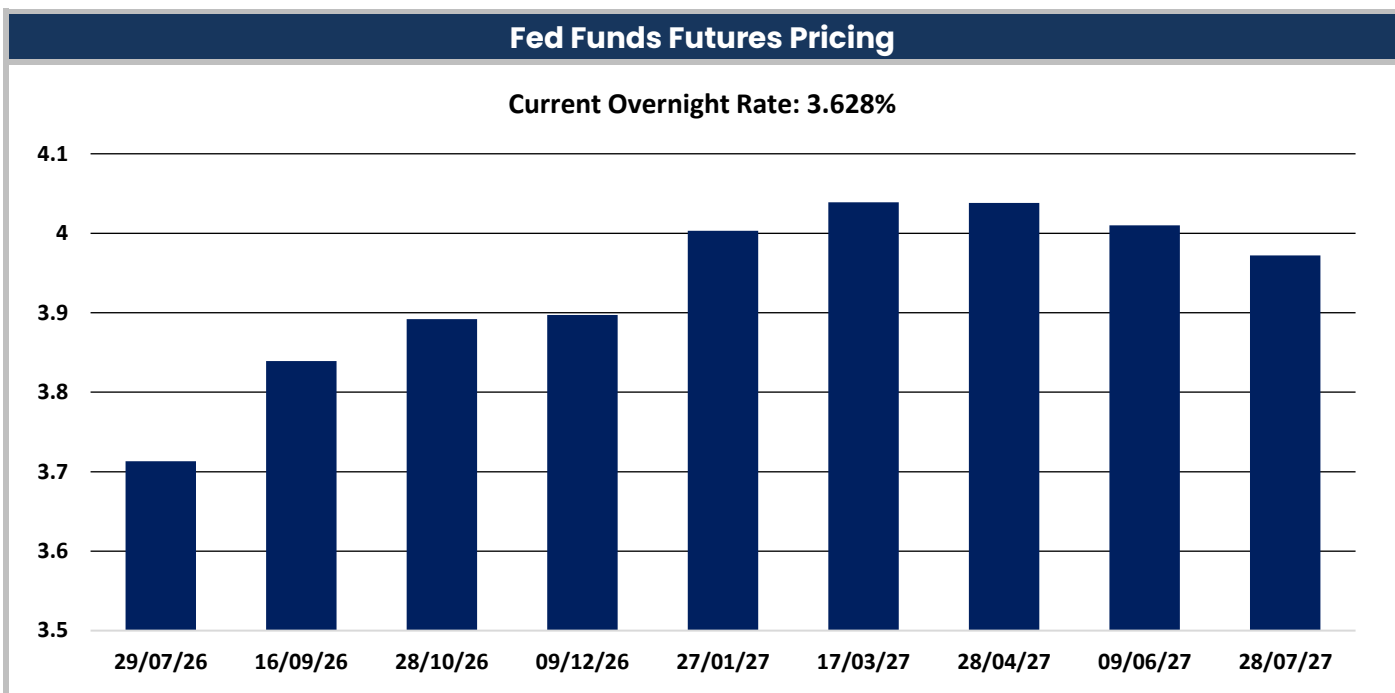
### What is this data?

The Quarterly Fed’s Senior Loan Officer Survey provides insights into changes in bank lending standards for commercial and industrial loans. The survey gathers information from senior loan officers at major banks and financial institutions, asking questions about changes in lending standards, loan demand, and other factors that influence credit availability.

**Current status:** The latest SLOOS report supports a thesis of gradual normalisation, with lending standards on a gradual downtrend and C&I demand recovering from deeply negative readings. Nevertheless, both large/medium and small firms’ lending standards remain in net-tightening territory. After three quarters of consecutive easing, lending standards for large/medium firms ticked back up to 8.1% in Q2 2026, whilst small firm standards continued to increase at a slower rate (6.6%). This slight softening reflects a shift of business away from private credit rather than a broader easing of standards. PC firms saw their lending volume shrink 14% in Q1 2026, with an increasing number of redemption requests pushing up funding costs and fees. Looking at demand, a recovery seems to be underway but losing momentum as C&I loans for large/medium firms turned positive in Q4 2025 (11.5%) for the first time since early 2022. This recovery has since moderated to 4.8%, decelerating as loans stabilised and worries of rate hikes emerged. Small firm demand for C&I loans has also recovered from significant negative levels (-27.9% in Q3 2025) but has stalled in 2026, showing a reading of 0.0% net. In simple terms, this reflects a survey outcome in which the number of banks reporting stronger demand is offset by those reporting weaker demand, with C&I loans to small firms stabilising but not yet recovered into positive territory.

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— Implied Overnight Rate at each Federal Reserve meeting

#### What is this data?

Fed funds futures pricing reveals market expectations for the outcomes of upcoming FOMC meetings regarding the target for the Fed funds rate. This shows us the implied overnight rate at each Federal Reserve meeting.

**Current status:** Warsh’s hawkish tone in the most recent FOMC meeting (16<sup>th</sup> June) has had a clear, significant effect on market sentiment. Rather than pricing cuts, which was the popular consensus at the start of 2026, futures markets now imply the Fed might raise rates at each remaining meeting this year. The September meeting is a key inflection point, with a 49.1% probability of a hike priced in as worries over rising inflation, an overheating economy and a hawkish Fed deepen. Here, we see a notable disconnect, with market-based inflation expectations (breakevens) falling whilst futures are pricing in rate hikes. This reflects the Warsh Fed credibility premium, with an initial hawkish stance combined with limited forward guidance causing markets to believe the Fed might act pre-emptively on sticky core inflation even as oil prices fall and headline pressures ease. Therefore, we find ourselves at an inflection point, with core inflation data over July and August being vital in cementing hike expectations for the second half of the year.

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## Appendix A – Monetary Indicators

The monetary backdrop is profound regarding its potential influence on inflation and is the subject of considerable debate. Below is a simple monetary framework that helps explain the role of money in the economy and how it can affect inflation.

### A Monetary Framework

The amount of money circulating in the economy will affect inflation in the medium to long term. This is best expressed via the **Quantity Theory of Identity**.

$$M.V \equiv P.Y$$

Where M is the amount of money in the economy, V is the velocity of money (how many times the amount is used), P is prices, and Y is real output (GDP). Together, P.Y. is equivalent to money or nominal GDP.

This is not controversial as an essential identity. If M (\$500) is used five times (V), then \$2,500 will have been spent and will be equal to the value (P.Y) of all goods sold in the economy—e.g. 2,500 items of real output (Y) at \$1 each (P) or 1,000 of (Y) at \$2.50 each (P), etc.

The identity becomes more interesting in the assumptions made about its components. Traditional Monetarists contend that V is relatively stable and predictable, and the economy's capacity constraints are Y. Monetarists argue that if M rises faster than Y and V is stable, P will increase. In other words, money growth creates inflation.

Others contend that V is unstable, and Y can occasionally deviate substantially away from full capacity, so the relationship between M and P is less obvious. For example, since the Global Financial Crisis, the Federal Reserve has made great efforts to increase the supply of money (M), but this has not led to proportionate increases in P.Y. This is due to two things. First, a reduction in velocity – any extra money balances are merely accumulating in the system (due to higher demand for money) rather than being spent, and second, a lower money multiplier. The money multiplier represents the rate at which the central bank creates money (the monetary base) and generates additional increases in the total money stock, primarily via the lending of commercial banks – more on money creation below.

In sum, this fundamental Quantity Theory Identity is a valuable framework for analysing the potential interaction between the monetary and real sectors of the economy. The data presented in this document aims to shed light on the changes occurring in the various components of this identity.

### What is Money?

Another issue is how 'money' or M is defined. Definitions of money include M0, MB (the Monetary Base), M1, M2, M3 and MZM (maturity zero money) and the fundamental difference between them is primarily related to liquidity. The further we move along the spectrum towards M3, the less liquid 'money' becomes. For example, a considerable time deposit cannot be spent immediately, whereas a checking deposit can. Note that the Fed no longer uses M3 and MZM in the US.

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## Definitions

**M0** = notes and coins *in circulation* with the non-bank public.

**Monetary base** = M0 + notes and coins held by banks and the central bank + bank reserves held by the banking system at the central bank (bank reserves). **Note:** The last two items are no longer *in circulation*.

**M1** = M0 + demand deposits and other checkable deposits (including savings deposits after the Fed methodological revision—they were previously in M2). Note that bank reserves are not included in M1, which is essential when considering how Fed QE affects M1 and M2, etc.

**M2** = M1 + time deposits less than \$100k + retail money funds. **Note:** Institutional money market funds are excluded from M2.

**M3** = M2 + large time deposits + institutional money market funds + short-term repos and other significant liquid assets.

**MZM** (Money Zero Maturity) = M2 + all money market funds less time deposits. **Note:** MZM aimed to identify all forms of 'liquid' money and was a hybrid of M2 and M3.

### Who creates Money?

A helpful way to think about money – again relevant when considering Fed QE – is to consider who created it. The short answer is that central and commercial banking systems create money.

The Monetary Base is created and influenced by the Central Bank. It is so-called because it serves as the base from which all other forms of money (non-M0, M1, M2, etc.) are created by the commercial banking system through bank lending.

For example, using QE, the Fed buys T-Bonds from a bank and credits that bank's account at the Fed with the proceeds. These funds are now reserves. At this point, no money has entered circulation, so no other measure of money apart from the Monetary Base has been affected.

As the Monetary Base has increased, commercial banks are more *able* to create other money by issuing new loans, and if they were to do this, it would lead to a corresponding rise in deposits. Bank lending is the primary driver of 'money creation'. This is because a loan, when advanced to the borrower, is deposited into the borrower's account, resulting in an immediate increase in deposits (higher M1). Or, if the 'loan' is via a credit card, the borrower's account will not be affected. Still, the credit card spending recipient will deposit the revenue in their bank account, so deposits somewhere in the system will have increased because of the 'loan' (higher M1).

In summary, increasing the Monetary Base (via, e.g., Fed QE) enhances banks' ability to create additional money, such as M1. However, the rate at which this happens (the money multiplier) will depend on the banks' commercial judgment of whether they would like to advance extra loans.

# Inflation Report

June 2026



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