WSL Family Office
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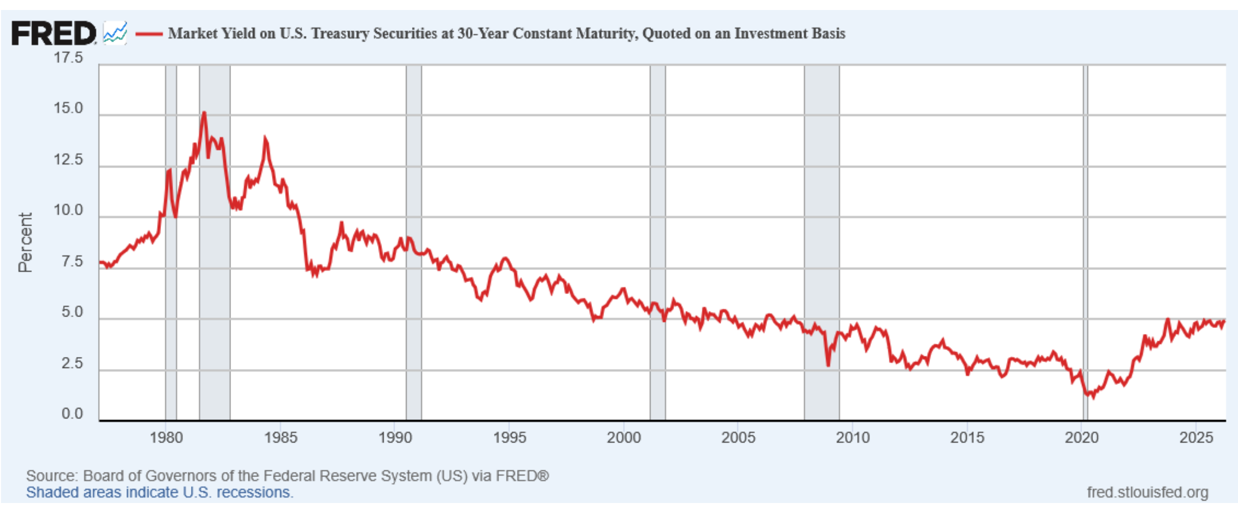
Views From the Stream

April 30, 2026

Inflation:
The Second Wave

For those of us who live in the real world, it appears that Inflation began to accelerate in Q1 and will continue to do so as the year progresses. Companies raised prices in Q1, even before the turmoil in the Gulf, and plan to raise them more in Q2. For example, Fastenal, an industrial distribution company, realized price increases of 3.5% in Q1. PPG, a major global paint and coating manufacturer, announced price increases in April of up to 20% on its products due to the rising cost of inputs. Major consumer companies began to raise prices in Q1 as well, which will continue in Q2. For example, the price of Dove Soap Bars, made by Unilever, just went up 7.7%. The "on sale" price of Tide Detergent, manufactured by P&G, rose 6.25%. Other consumer product companies plan to follow. In addition, rising transportation costs will lead to further price pressures. Major trucking companies already announced fuel surcharges. And airlines continue to raise prices to "recover" their rising jet fuel costs. While the Federal Reserve states it will "look through" these price increases as "Transitory", the Bond Market may not be so forgiving. The First Inflation Wave occurred from early 2021 to mid 2023. This occurred less than 3 Years ago. Despite falling back from peak levels, the Monthly CPI fluctuated between 2.4% and 3.3% year-over-year over the past two years. This works out to a 2.8% - 2.9% median level. And with Inflation poised to accelerate, the 30 Year Treasury Bond continues to press up against 5%, threatening to break through to higher yields:



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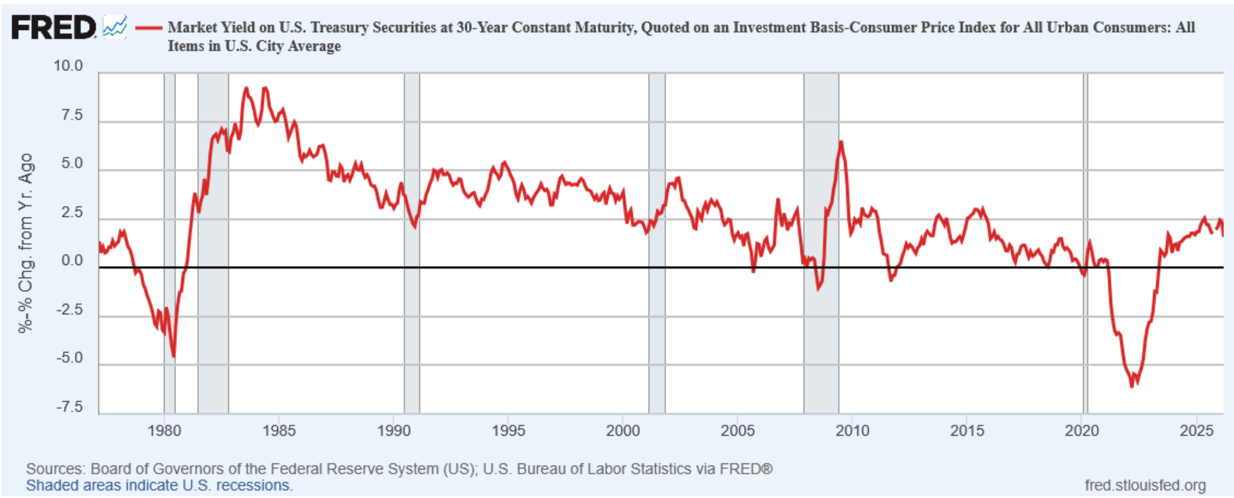
With the March CPI at 3.3% and headed higher, such a move stands reasonable. Unlike the 3 Month Treasury Bill, whose rates are linked to Federal Reserve policy, the 30 Year Treasury Bond's yield stands determined by market forces. And historically, yields exceed the rate of inflation:



With a minimum 2.5% yield premium to Inflation in periods of higher Inflation and Inflation, as reported in the CPI, averaging more than 4.5% since March 2021 and over 3% for the period since May 2023, post the Inflation spike, it seems reasonable that 30 Year Treasuries should yield 5.5% or more. This would merely return Yields back to levels of the 1990s, when Inflation averaged 3%+.

We note that these Inflation statistics, as published by the Government, appear to understate real world Inflation for the Consumer, even as imparted by the U.S. Government itself. The price of a First Class Postage Stamp represents a cost that touches everyone:

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Month and Year	***First Clast Postage***	***Year Over Year Change***
July 2022	*$0.60*	
July 2023	*$0.66*	*+10.0%*
July 2024	*$0.73*	*+10.6%*
July 2025	*$0.78*	*+ 6.9%*
July 2026	*$0.82*	*+ 5.1%*

This works out to an 8.1% compound increase over the past four years to mail a letter. And this excludes the 8% fuel surcharge the U.S. Postal Service imposed starting April 26, 2026. Separately, one can examine Medicare premium increases for retirees over the past 5 years:

Year	***Part B Standard Premium***	***Year Over Year Change***
2021	$148.50	
2022	$170.10	+14.5%
2023	$164.90	-3.1%
2024	$174.80	+6.1%
2025	$185.00	+5.8%
2026	$202.90	+9.7%

For seniors, a 6.4% compound increase over the past five years stands well above the growth in their Social Security payments. Should these statistics represent something closer to the truth about inflation, then 30 Year Treasuries could Yield considerably more than the 5.5% noted above. Welcome to The Second Wave.