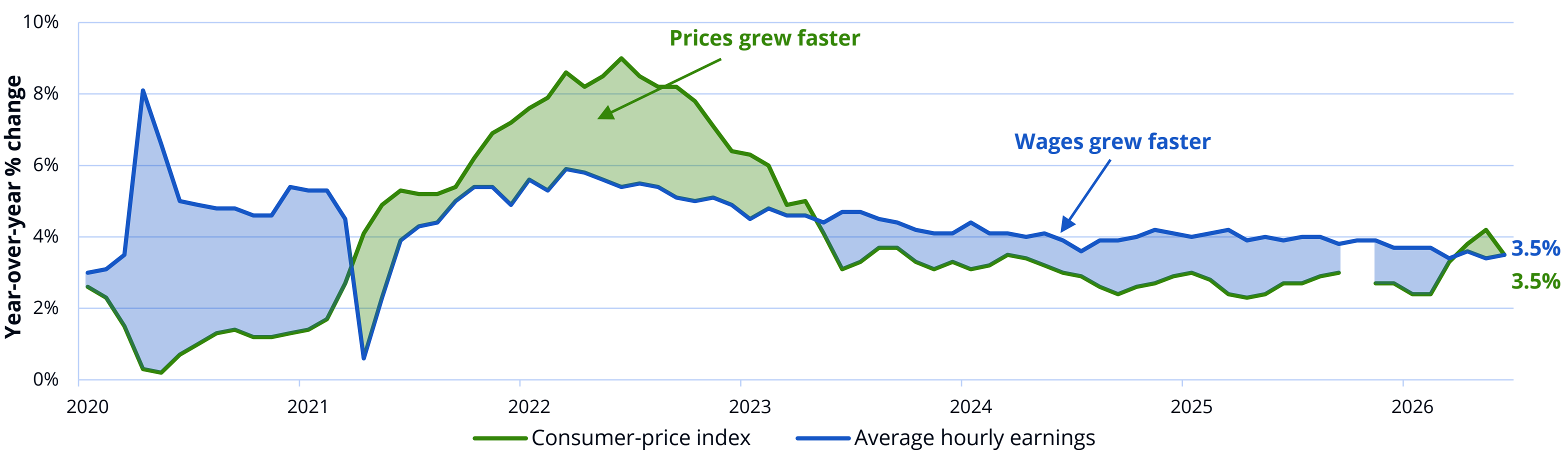
AMERICAN BEACON

Facing Inflation:
A Readiness Check

Inflation Is a Top Concern for Americans

Higher everyday prices continue to strain household budgets and dominate national concerns.

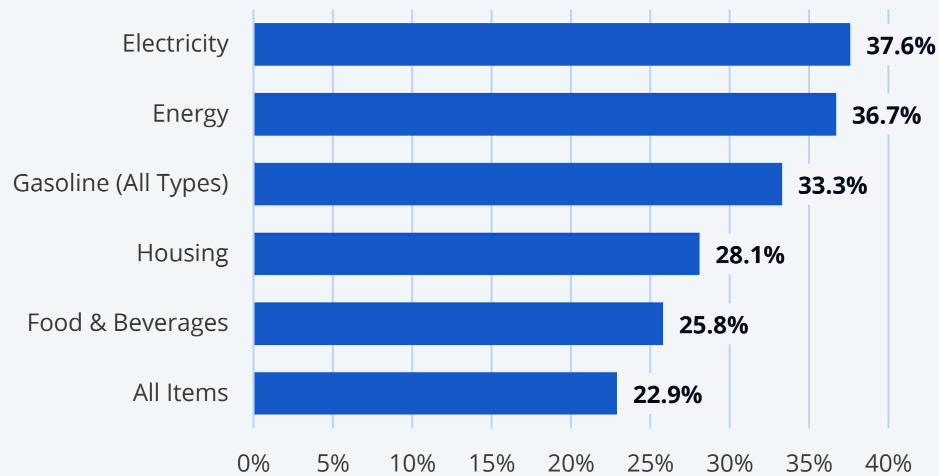
Wage Growth vs. Inflation (YoY % Change), Jan 2020 – Jun 2026



Note: Earnings data are seasonally adjusted. Consumer-price index is for urban consumers. Earnings are for employees in the private sector. October 2025 CPI data unavailable due to the government shutdown.
Source: U.S. Bureau of Labor Statistics via Federal Reserve Bank of St. Louis (FRED). Data through June 2026.

Decreased purchasing power weighs on consumers' minds. The prices consumers pay for goods and services have dramatically increased over the last 5 years, keeping inflation top of mind.

Percent Change in Consumer Price Index (June 2021 to June 2026)



Source: U.S. Bureau of Labor Statistics, https://data.bls.gov/pdq/SurveyOutputServlet.

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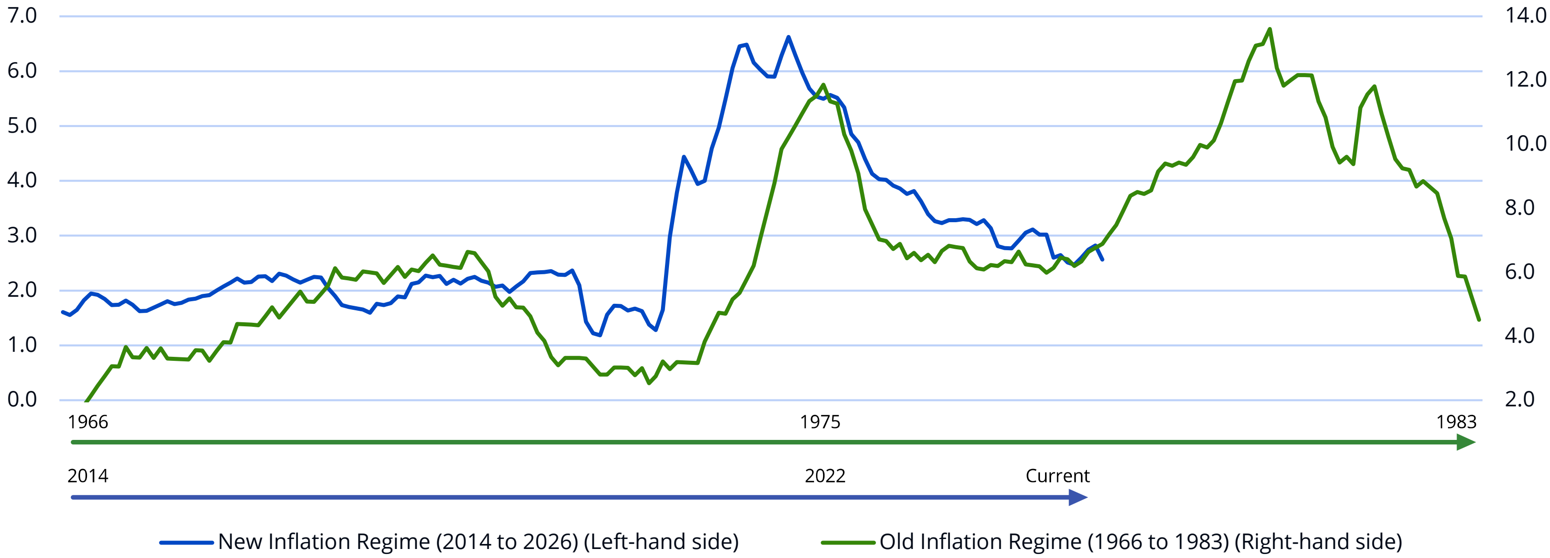
Are We On The Brink of Another 1970s-Style Surge?

The inflation shock of the 1970s and early 1980s unfolded in multiple waves – a pattern that appears to be repeating. Since inflation surged in 2022, it has eased somewhat but remains higher than the Federal Reserve's target rate of 1% to 2% per year. The Consumer Price Index now reflects a striking resemblance to the inflationary cycles of the 1970s.

Year-Over-Year CPI: Old Regime (1966 to 1983) vs. New Regime (2014 to 2026)

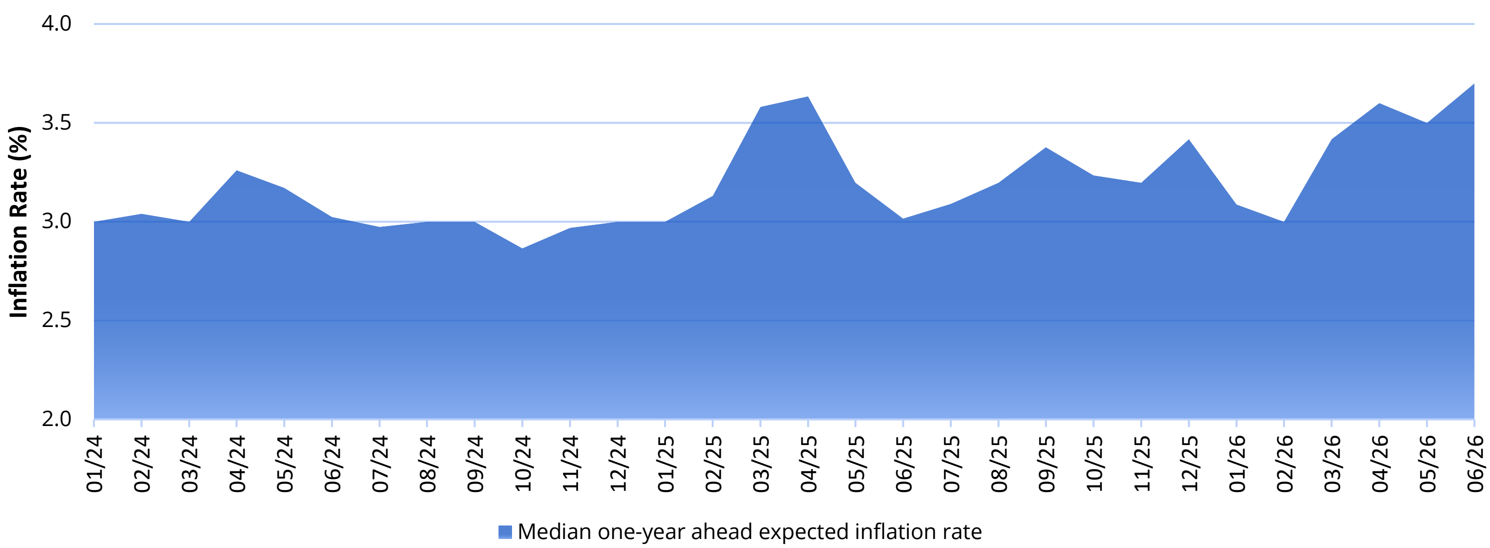


Source: U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items Less Food and Energy, U.S. City Average (Series ID CPILFESL), seasonally adjusted, retrieved via FRED (Federal Reserve Bank of St. Louis), https://fred.stlouisfed.org/series/CPILFESL. October 2025 CPI data unavailable due to the government shutdown.

Inflation Expectations Remain Elevated

The June 2026 Federal Reserve Bank of New York Survey of Consumer Expectations shows that inflation concerns persist, with consumers continuing to expect inflation meaningfully above the Fed's 2% long-term target.

Median one-year ahead inflation expectations (January 2024 to June 2026)



Source: Federal Reserve Bank of New York, Center for Microeconomic Data, Survey of Consumer Expectations (SCE). Median one-year-ahead expected inflation rate.

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Is a traditional 60/40 portfolio prepared?

In previous inflationary shocks, bond yields generally increased as investors sought higher returns, while stock valuations fell amid rising interest rates and economic uncertainty. During such periods, the traditional 60/40 stock-bond portfolio may not offer the most effective asset allocation.

Bonds

Period	Dates	Cumulative CPI % Change	10-YR Treasury Starting Yield	10-YR Treasury Ending Yield	% Change in Yield
1	1/66 – 11/70	27.7%	4.69%	6.49%	38%
2	1/73 – 2/75	17.5%	6.54%	7.46%	14%
3	10/77 – 6/80	30.7%	7.62%	10.09%	32%
4	6/20 – 9/22	11.6%	0.65%	3.80%	480%

Stocks

Period	Dates	Starting Multiple	Ending Multiple	% Change in Multiple
1	1/66 – 11/70	23.7	15.9	-32.9%
2	1/73 – 2/75	17.9	10.2	-43.0%
3	10/77 – 6/80	9.8	8.9	-9.2%
4	6/20 – 9/22	29.6	27.1	-8.5%

Sources: FactSet, shillerdata.com.
Note: Equity multiples are represented by the Shiller P/E Ratio.

Inflation Has Historically Come In Waves

With inflation proving more persistent than anticipated and often occurring in waves, it's essential to reassess portfolio resilience. ***Now is the time to consider strategies designed to better withstand ongoing inflationary pressures.***

Core CPI (Year-Over-Year) (January 1958 – June 2026)

Source: U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items Less Food and Energy, U.S. City Average (Series ID CPILFESL), seasonally adjusted, retrieved via FRED (Federal Reserve Bank of St. Louis), https://fred.stlouisfed.org/series/CPILFESL. October 2025 CPI data unavailable due to the government shutdown.

Consumer Price Index: *The seasonally adjusted All Items Less Food and Energy, U.S. City Average Consumer Price Index for All Urban Consumers published monthly by the Bureau of Labor Statistics of the U.S. Department of Labor.*

Inflation: *A general rise in prices.*

Shiller P/E Ratio (CAPE ratio): *A valuation measure that uses real earnings per share (EPS) over a 10-year period to smooth out fluctuations in corporate profits that occur over different periods of a business cycle.*

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