Macro Roundup Artcile

Headline: Correlation Between Banks and 10s Breaking Down

Article Link: https://apolloacademy.com/correlation-between-banks-and-10s-breaking-down/

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Tweet: Higher interest rates were historically positive for bank stocks but that relationship has broken down as higher rates have negatively impacted bank assets according to Torsten Sløk @apolloglobal

Summary: It used to be the case that higher long-term interest rates were positive for banks because higher long rates meant wider net interest margins. But since the Fed started hiking rates last year, this correlation has broken down, see chart above. Now higher rates are negative for banks because it has a negative impact on their assets, and higher rates and an inverted yield curve increase the risks of a recession and hence credit losses.

Primary Topic: Banking

Topics: Banking, Financial Markets, GDP, Monetary Policy, Op-Ed/Blog Post

Permalink: https://www.edwardconard.com/macro-roundup/higher-interest-rates-were-historically-positive-for-bank-stocks-but-that-relationship-has-broken-down-as-higher-rates-have-negatively-impacted-bank-assets-according-to-torsten-slok-apolloglobal?view=detail

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