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Headline: Why Are Long Rates Going Up?

Article Link: https://apolloacademy.com/why-are-long-rates-going-up/

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Tweet: Torsten Sløk @apolloglobal notes that the Treasury market is suffering from poor supply/demand dynamics. He writes that “the employment report next week will be very important and will likely set the tone for markets in Q4.”

Summary: The term premium is up one percentage point since late July. The ongoing rise in long rates is driven less by changing Fed expectations and more by: 1) The US sovereign downgrade 2) Japan exiting YCC 3) Fed QT 4) Fewer dollars for China to recycle in a falling exports environment 5) The US budget deficit 6) The large stock of T-bills and the Treasury’s intention to increase auction sizes. Looking ahead, the real risk to the economy, including financial stability, is if weak economic data doesn’t result in falling long-term interest rates. Related: Maxing Out and Resilience Redux in the US Treasury Market and Living with High Public Debt

Primary Topic: Financial Markets

Topics: Financial Markets, Fiscal Deficits, Fiscal Policy, GDP, Op-Ed/Blog Post

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