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Macro Roundup Artcile

Headline: Rising Interest Rates Mean Deficits Finally Matter

Article Link: https://www.wsj.com/economy/central-banking/rising-interest-rates-mean-deficits-finally-matter-74249719?page=1

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Tweet: Despite a growing long-term Federal deficit as a share of GDP, @greg_ip notes at 2.4% real Treasury yields are still lower than during the 1990s, when the U.S. government's debt level and deficits were significantly lower.

Summary: Most of the increase is due to the part of yields, called the term premium, which has nothing to do with inflation or short-term rates. Numerous factors affect the term premium, and rising government deficits are a prime suspect. Deficits have been wide for years. There's not much sign that this has yet imposed a penalty. Investors still project that the Fed will get inflation down to its 2% goal. At 2.4%, real (inflation-adjusted) Treasury yields are comparable to those in the mid-2000s and lower than in the 1990s, when the U.S. government's debts and deficits were much lower. Related: Interest Expense: A Bigger Impact on Deficits than Debt and Will A.I. Transform the Economy, and if So, How? and American Gothic

Primary Topic: Fiscal Deficits

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

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