

## Macro Roundup Article

**Headline:** [Adrift at Sea](#)

**Article Link:** <https://fedguy.com/adrift-at-sea/>

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| Author(s)        | Joseph Wang     |
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**Tweet:** Citing a rise in 5 and 10-year TIPS yields, @FedGuy12 notes some investors are pricing in a world with a higher  $r^*$ .

**Summary:** One market based measure of longer dated real yields has steadily risen and appears to indicate such a possibility. Market pricing indicates that some investors have a clearer vision of the future. Market pricing of future inflation expectations and longer dated real rates have been creeping up, potentially pricing in some probability of both a higher inflation target and a higher  $r^*$ . Together this implies that the higher nominal rates we see today are here to stay and may even trend higher as the future unfolds. The Fed is a conservative institution and would be hesitant to make any big changes to its approach to policy. If the future looks different from the past, the Fed will be among the last to know. Related: Hitch Your Wagon to R-Star and Measuring the Natural Rate of Interest After COVID-19 and What Have We Learned About the Neutral Rate?

**Primary Topic:** Financial Markets

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

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