

Macro Roundup Article

Headline: [The Costs of Capital Are Permanently Higher](#)

Article Link: <https://apolloacademy.com/the-costs-of-capital-are-permanently-higher/>

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Tweet: Torsten Sløk @apolloglobal argues that a steady increase in FOMC estimates of the long-run fed funds rate since early 2023 implies “the Fed is beginning to see the costs of capital as permanently higher.”

Summary: The Fed has since the beginning of 2023 steadily increased its estimate of the long-run fed funds rate. The implication for investors is that the Fed is beginning to see the costs of capital as permanently higher. A permanent increase in the risk-free rate has important implications for firms, households, and asset allocation across equities and fixed income. Related: Global Natural Rates in the Long Run: Postwar Macro Trends and the Market-Implied r^* in 10 Advanced Economies and The Price of Money Is Going Up, and It's Not Because of the Fed and What Have We Learned About the Neutral Rate?

Primary Topic: Financial Markets

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

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