

## Macro Roundup Article

**Headline:** [How Fast Can the Fed Ease? The Private Sector Response to Easier Conditions Will Be a Key Factor](#)

**Article Link:** <https://www.bridgewater.com/research-and-insights/how-fast-can-the-fed-ease-the-private-sector-response-to-easier-conditions-will-be-a-key-factor>

Author(s)	Karen Karniol-Tambour, Larry Cofsky, and Yusuf Jailani
Publication	Bridgewater Associates
Publication Date	February 26, 2024

**Tweet:** [Bridgewater argues “In a tight economy with high levels of fiscal spending and a very healthy private sector, there is limited room for a pickup in private sector borrowing without reigniting inflation.”](#)

**Summary:** Households have deleveraged meaningfully over the last 20 years, including during the current cycle. So, there is plenty of room for households to leverage up in response to more favorable incentives. In the direct aftermath of the COVID pandemic, companies took advantage of historically low rates by issuing a lot of debt, allowing them to build up an unprecedentedly large amount of liquidity. That, along with continued strength in corporate cash flows as economic activity remained strong, allowed companies to reduce debt issuance when yields rose and capital market volatility was elevated. The lack of new debt issuance, coupled with strong earnings, has kept corporate fundamentals in a very healthy position. With balance sheets in a healthy position, businesses have the capacity to respond to the continued strength in household spending by increasing investment. Business surveys we track indicate that capex sentiment is already improving. Related: U.S. Inflation Surged in January. Is It a Fluke? and The Big Picture: Back to the Future and Macro Outlook 2024: The Hard Part Is Over

**Primary Topic:** Business Cycle

**Topics:** Business Cycle, GDP, Inflation, Monetary Policy, Op-Ed/Blog Post, Weekly

**Permalink:** <https://www.edwardconard.com/macro-roundup/bridgewater-argues-in-a-tight-economy-with-high-levels-of-fiscal-spending-and-a-very-healthy-private-sector-there-is-limited-room-for-a-pickup-in-private-sector-borrowing-without-reigniting?view=detail>

**Featured Image Link:** <https://www.edwardconard.com/wp-content/uploads/2024/02/Private-Sector-Credit-Creation-and-Slack-H2O.png>