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Macro Roundup Artcile

Headline: Just One More

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Tweet: .@FedGuy12 argues the bond bear market is likely to resume, as issuance remains at a historical high, the Fed has left the market, and private demand looks weak.

Summary: The share of bills is set to gradually rise next year, but the trajectory of the increase may not be aggressive enough to support the market. Under Treasury Borrowing Advisory Council's recommendation, the amount of new money raised next calendar year through coupons would be around $1.8t. Assuming $2.5t in privately held borrowing for 12 calendar months, net bill issuance next year looks to be around $700b. This would take some pressure off the market by increasing the share of bills to around 22% of marketable debt outstanding. A recession and rate cuts would likely boost Treasury demand, but current U.S. economic strength suggests they are more likely to occur later next year after the market is forced to digest a significant amount of issuance. The more likely sequence may be a sharp rise in yields that then leads to both a recession and rate cuts, which together finally create strong demand for Treasuries. Related: US Treasury To Slow Pace Of Longer-Dated Debt Issuance and Preferred Habitats and Timing in the World's Safe Asset and Resilience Redux in the US Treasury Market

Primary Topic: Fiscal Deficits

Topics: Fiscal Deficits, Fiscal Policy, Government Spending, Op-Ed/Blog Post, Weekly

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