

Macro Roundup Article

Headline: [Summers Sees 10-Year Yields Averaging 4.75% in Coming Decade](#)

Article Link: <https://www.bloomberg.com/news/articles/2023-08-16/summers-says-10-year-yields-could-average-4-75-in-coming-decade?sref=U3dOGIDF>

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Summary: Inflation is likely to trend at a faster pace than in the past, perhaps 2.5%. A real return, which could be 1.5% to 2% over time when thinking of the government's increasing borrowing needs — driven by the need for more defense spending, the likelihood of some Trump administration tax cuts getting extended, and higher average interest costs on outstanding debt. A term premium, which is the compensation investors get for buying a longer-term security rather than rolling over investments in short-term ones. Typically this has averaged about 0.75 to 1 percentage point. Adding up the three components, then it's likely investors over the next decade will be "looking at 4.75 on the 10-year — and it obviously could end up being higher than that." Related: [What Have We Learned About the Neutral Rate?](#) and [The 2023 Long-Term Budget Outlook and US Fiscal Alarm Bells Are Drowning Out a Deeper Problem](#)

Primary Topic: Financial Markets

Topics: Financial Markets, Fiscal Deficits, Fiscal Policy, GDP, News article

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