

Macro Roundup Article

Headline: [Markets Think Inflation Will Be Too High For The Next 20 Years](#)

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Tweet: Jesper Rangvid reviews the pricing of Treasuries relative to TIPS and concludes that the market expects annual inflation of 2.33% in 2024-34 and 2.65% in 2034-44, implying “the Fed will struggle to control inflation for the next twenty years.”

Summary: By subtracting [expected real interest rates from Inflation-Indexed Treasuries] from [expected nominal interest rates from Treasuries], we can determine expected inflation rates (excluding the effects of risk premiums). Figure 2 illustrates the results of this calculation, showing the expected annual inflation rate over the next 10 years (10y), the expected annual inflation rate for the period from 2034 to 2044 (10y10y), and the expected annual inflation rate for the period from 2044 to 2054 (20y10y). Figure 2 reveals an interesting development in expected inflation following the inflation flare-up in 2021. Up until the pandemic, inflation and expected future inflation closely tracked each other. However, after the pandemic and the associated inflation surge, expected inflation over the next ten and twenty years is considerably higher than expected inflation twenty years out.

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Primary Topic: Inflation

Topics: Business Cycle, Financial Markets, GDP, Inflation, Op-Ed/Blog Post, Weekly

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