

## Macro Roundup Article

**Headline:** [Inching Toward Equilibrium](#)

**Article Link:** <https://www.bridgewater.com/research-and-insights/inching-toward-equilibrium>

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**Tweet:** Bridgewater analysis finds the US economy is close to a sustainable equilibrium, but equity earnings yields vs. bonds may indicate poor future equity returns.

**Summary:** The short-term interest rate is a key variable in managing these conditions and is once again the central bank's primary policy lever (since interest rates are far enough above zero). The central bank pulls the lever in order to steer the economy toward equilibrium. This is challenging when you start from a major disequilibrium because policy actions affect changes in spending, output, and inflation with significant lags (the process can take years), and in the meantime, markets are responding to central bank actions and having their own impact on the path of the economy. Recently, equity yields have changed little as bond yields have risen significantly, such that equity pricing has moved further from equilibrium. The last time we were here was 2000, which was followed by a decade of poor equity returns.

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**Primary Topic:** Business Cycle

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

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