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Headline: The Grind Ahead

Article Link: https://www.bridgewater.com/research-and-insights/the-grind-ahead

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Tweet: Bridgewater argues that higher rates will drive deteriorating corporate and household balance sheets, and lead to a slow-growth dynamic they call "the grind."

Summary: Higher short and now long rates continue to flow through to credit and interest costs. This is setting up a dynamic that we are calling "the grind"— a gradual decline in growth and in the health of corporate and household balance sheets —that we expect to be a dominant driver of economies and markets over the next 12-18 months. Earlier in the tightening cycle, short-term interest rates rose and dragged long-term interest rates higher. Then, beginning in October 2022 and lasting almost a year, there was a reprieve. Hikes in short-term interest rates continued, but bond yields traded sideways, reflecting market expectations for future easing combined with the Treasury circumventing the pressure on long rates by issuing T-bills. In recent months both conditions have shifted, initiating the next stage of the tightening cycle, led by long rates. Related: Macro Outlook 2024: The Hard Part Is Over and Inching Toward Equilibrium and Why No Recession (Yet)?

Primary Topic: Business Cycle

Topics: Business Cycle, GDP, Other Source, Weekly

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