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Headline: Token Resistance

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Tweet: Persistent QT could lead to a rise in longer-dated yields as the market digests "a few hundred billion more Treasuries" over the next two years. @FedGuy12

Summary: The potential stumbling block for risk assets is likely not the Fed, but a renewed rise in longer-dated bond yields from a re-emergence of inflation and an extended QT. The supply of Treasuries to private investors may be larger than expected due to a longer-than-expected QT. Recall, QT increases the amount of Treasuries private investors must hold. While QT is expected to be tapered this year, bank regulators are proposing regulatory changes that could further extend QT. Regulators are forcing banks to regularly borrow from the discount window in an attempt to destigmatize the facility. This would provide all banks with easy access to reserves and largely remove the Fed's concern of shrinking its balance sheet too much and creating market disruptions. A longer QT could translate into a few hundred billion more Treasuries for the market to digest over the next two years.

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