

Macro Roundup Article

Headline: [What Is the Ten-Year Real Rate Going to Be? I: How We Got Here](#)

Article Link: <https://braddelong.substack.com/p/what-is-the-ten-year-real-rate-going>

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Tweet: .@delong writes the increase in US Treasury rates is likely overdone. He sees a supply-demand shift, with higher rates here to stay, but he thinks that the role of US Treasuries as a global safe asset is unlikely to be over.

Summary: What are the odds that bond rates are going to return to the 2010s normal? Low. But some mean-reversion is highly likely. How much? My guess is 0.5%-points, plus whatever in the recent interest-rate rise is an overreaction to shifts in the fundamental flow-of-funds supply-demand balance—but I run out of space here before I can even start analyzing that. Emerging market-rich, sovereign wealth fund, and exchange-reserve demand for US Treasuries continues to scale with the wealth of the world, or rather with the wealth of the world's rich and the wealth and power of the world's governments. I simply do not see the safe-asset shortage component of secular-stagnation low U.S. Treasury rates as being over. Related: Why We Should, but Won't, Reduce the Budget Deficit and 23% Increase in Treasury Auction Sizes in 2024 and Resilience Redux in the US Treasury Market

Primary Topic: Financial Markets

Topics: Financial Markets, GDP, Op-Ed/Blog Post, Savings Glut/Trade Deficit

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