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Macro Roundup Article

Headline: 2024 Outlook: What's Next After the "Fed Pivot"?

Article Link: https://www.apollo.com/insights-news/insights/2023/12/2024-economic-and-capital-markets-outlook.html#:~:text=The%20%E2%80%9CFed%20pivot%E2%80%9D%20in%20December,rest%20of%20the%20market%20does.

Author(s)	Torsten Sløk
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Tweet: Torsten Sløk @apolloglobal argues that investors should expect rates to remain elevated citing the rise in the term premium driven by widening Federal deficits, the loosening of Japan's yield curve control campaign, and reduced foreign demand.

Summary: Even if the Fed does cut rates three times in 2024, as signaled on December 13, the Fed funds rate would end the year between 4.5% and 4.75%, still much higher than the virtually zero level when the Fed started its tightening campaign in March 2022. We believe the Fed will keep policy restrictive until it tames inflation back to its 2% annual target, a job that it has yet to fully accomplish. Additionally, long-term rates are high as well, and largely for reasons that aren't directly tied to the Fed's ongoing tight monetary policy. The so-called "term premium" has been rising due to a variety of factors including higher borrowing needs by the US Treasury, the loosening of yield-curve control in Japan, and reduced buying and diminished inventory of US sovereign debt held by China and other foreign nations.

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Primary Topic: Business Cycle

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

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