

## Macro Roundup Article

**Headline:** [Data Update 3 for 2024: A Rule-breaking Year for Interest Rates](#)

**Article Link:** <https://aswathdamodaran.substack.com/p/data-update-3-for-2024-a-rule-breaking>

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**Tweet:** [.@AswathDamodaran estimates the Intrinsic Risk-Free Rate, which he defines as inflation plus real growth, in the post-pandemic period \(2021-2023\) is at 8.86%, up from 3.13% during the post-crisis period \(2009-2020\).](#)

**Summary:** Even if you are a believer that the Fed has a strong influence on rates, that effect is strongest on the shortest term rates and decays as you get to longer maturities. To understand what causes long term interest rates to move, I went back to my interest rate basics, and in particular, the Fisher equation breakdown of a nominal interest rate (like the US ten-year treasury rate) into expected inflation and an expected real interest rate:  $\text{Nominal Interest Rate} = \text{Expected Inflation} + \text{Expected real interest rate}$ . If you are willing to assume that the expected real interest rate should converge on the growth rate in the real economy in the long term, you can estimate what I call an intrinsic risk free rate:  $\text{Intrinsic Risk Free Rate} = \text{Expected Inflation} + \text{Expected real growth rate in economy}$ . I take first shot at estimating this intrinsic risk free rate, by adding the actual inflation rate each year to the real GDP growth rate in that year, for the US. Related: The Big Picture: Back to the Future and In Search of Safe Havens: The Trust Deficit and Risk-free Investments! and What Have We Learned About the Neutral Rate?

**Primary Topic:** Financial Markets

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

**Permalink:** <https://www.edwardconard.com/macro-roundup/aswathdamodaran-estimates-the-intrinsic-risk-free-rate-which-he-defines-as-inflation-plus-real-growth-in-the-post-pandemic-period-2021-2023-at-8-86-up-from-3-13-during-the-post-crisis-period-20?view=detail>

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