

# U.S. Rates Outlook

November 2021

# Bloomberg Intelligence

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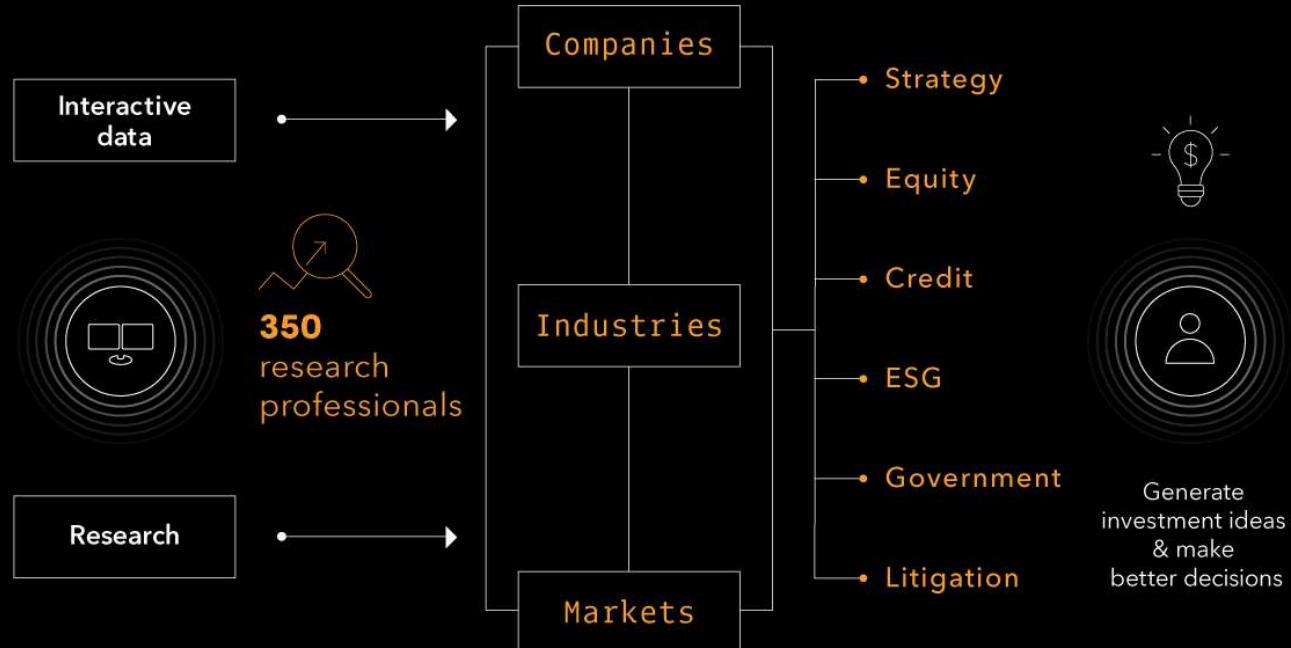
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10-Year Yield May Approach 2% in 2022: November Rates ...

Our updated Treasury yield scenarios indicate higher yields across the board, with the 10-year Treasury breaking 2% in 2023. The Treasury index scorecard remains cautious duration, especially the long end. Wage trends suggest inflation may be

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Featured Research

- 1) Low Fed Policy Rate May Ease Supply Chain Stress
- 2) Real Retail Sales and TIPS Inflation Breakevens
- 3) Inflation, Wages, Supply Disruptions
- 4) Sentiment of Sept. Minutes Tilts Hawkish

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	All Research	
5	✓ Fed Could Taper Faster, Hike Earlier If Inflation Fear Elevates	07/12
6	彭博經濟研究：美國10月CPI處於30年高點 仍未見頂	11/10
7	彭博經濟研究：美国10月CPI处于30年高点 仍未见顶	11/10
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11	✓ U.S. REACT: October CPI at 30-Year High -- Hasn't Peaked Yet (2)	11/10
12	✓ 30-Year Treasury-Bond Auction Flop Ends Week of Lousy Auctions	11/10
13	✓ Long Treasury Bond Sale Tails by 5.2 Bps, Deepening Selloff	11/10
14	✓ October in Review: Economic Analysis You May Have Missed	11/10

Source: Bloomberg Intelligence

# The Long Term

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US Rates Strategist  
Bloomberg  
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# Long Term Yields



# Long Term Real Yields & Inflation

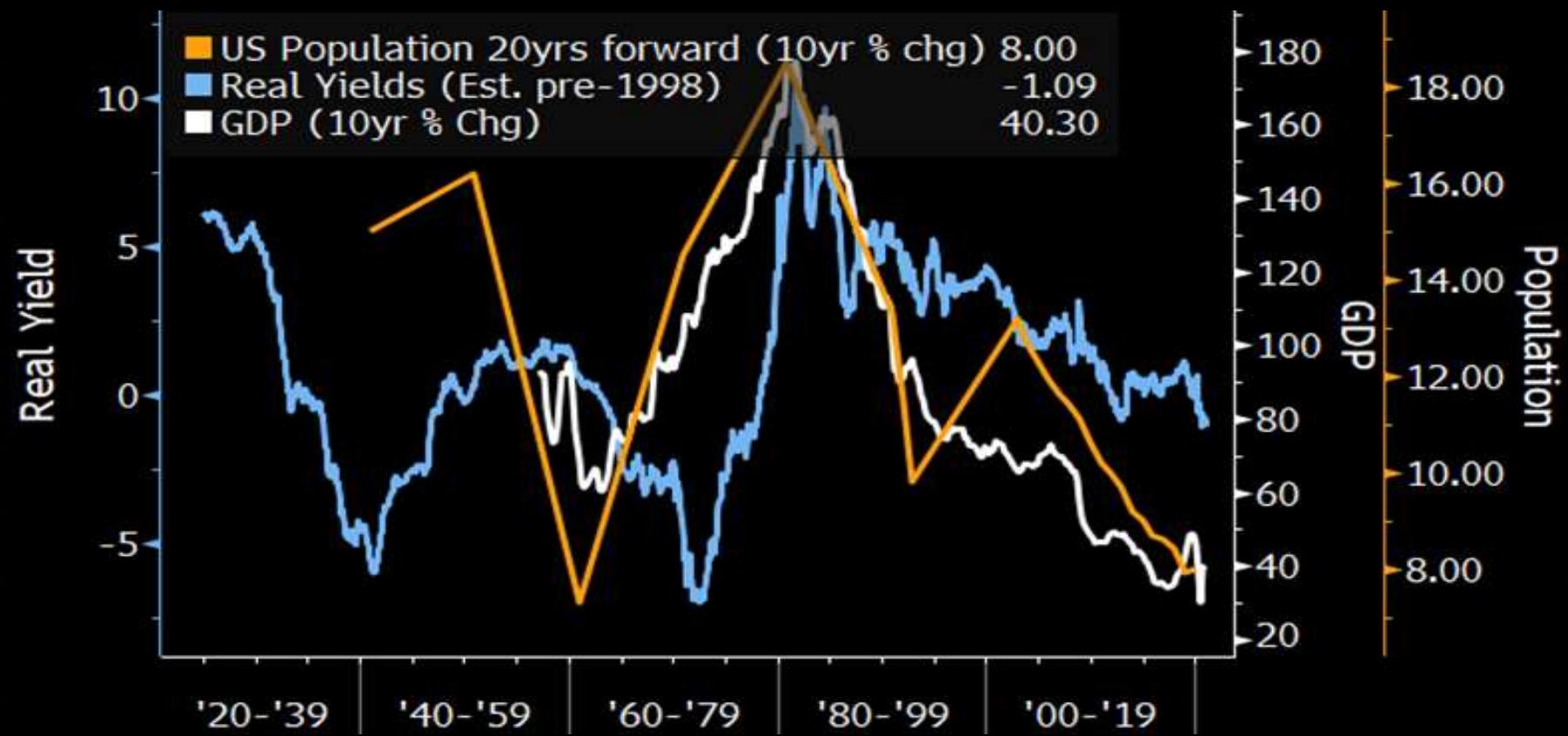


Source: Bloomberg Intelligence, G #BI 110433



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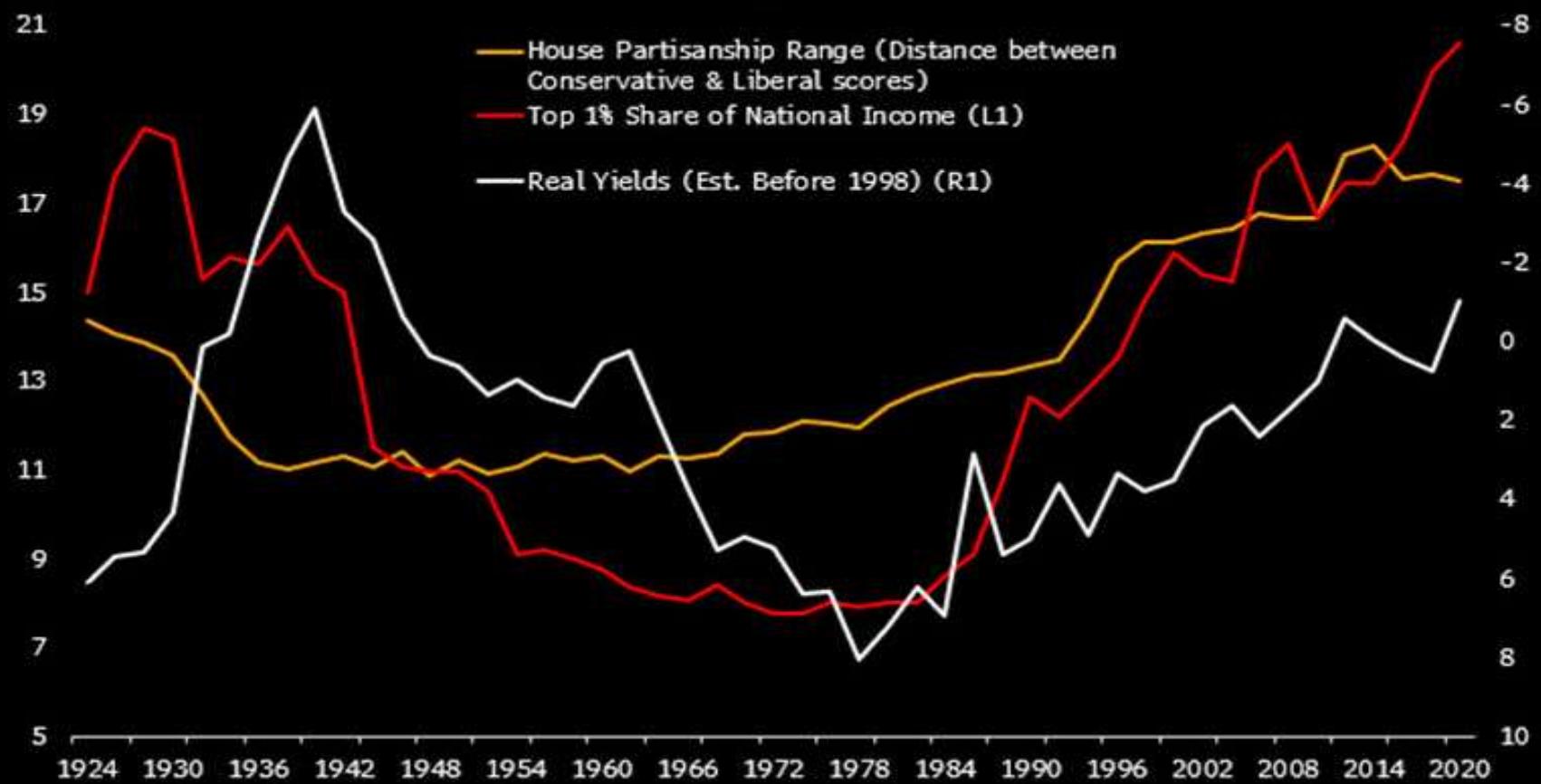
# Real Yields vs. Population Trends



Source: Bloomberg Intelligence, G #BI 110367

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# Real Yields vs. Income Inequality & Partisanship



# Global Savings Finding Home in Treasuries



Source: Bloomberg Intelligence, G #BI 110346



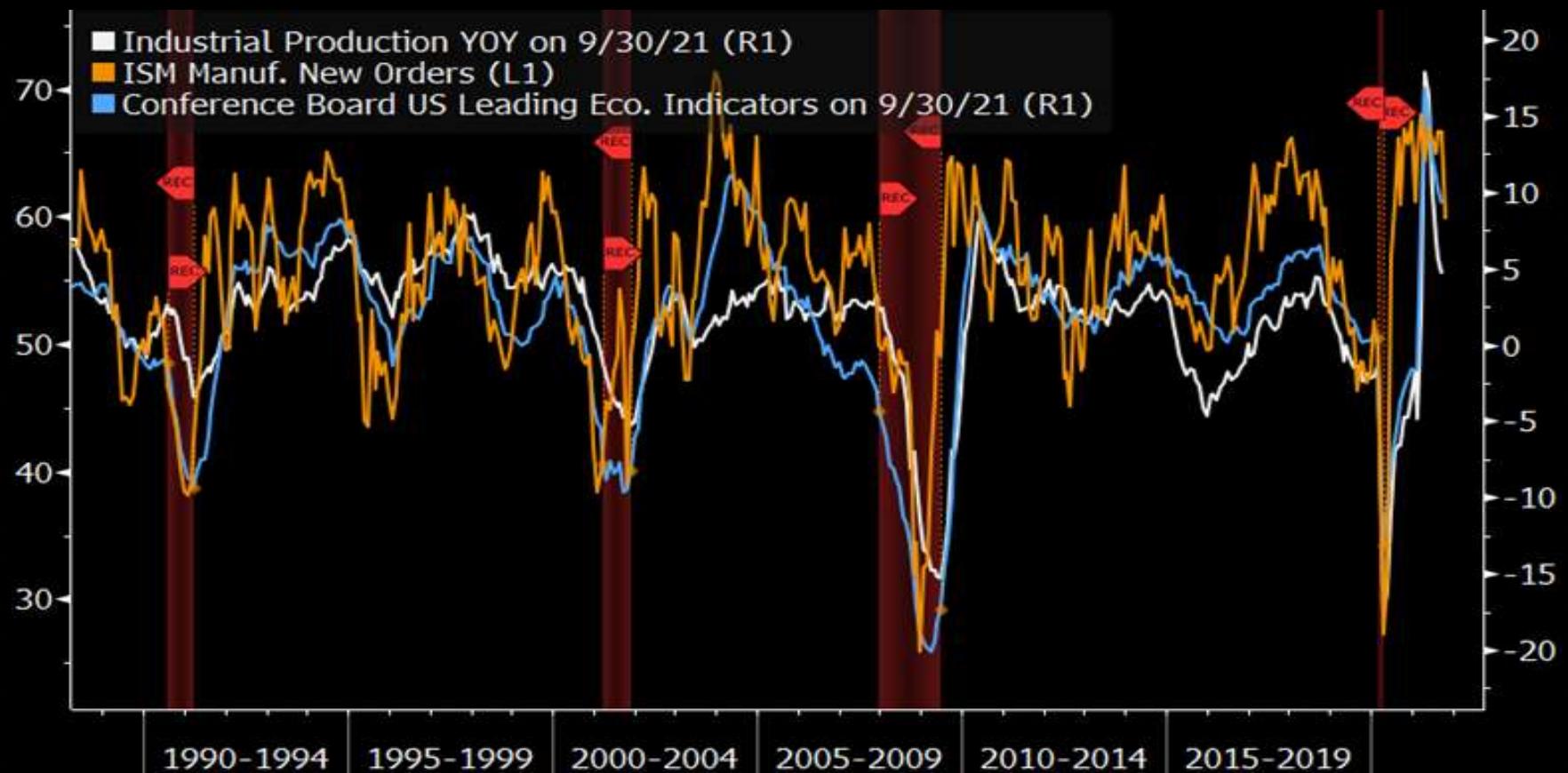
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# The Medium Term

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# Economic Momentum

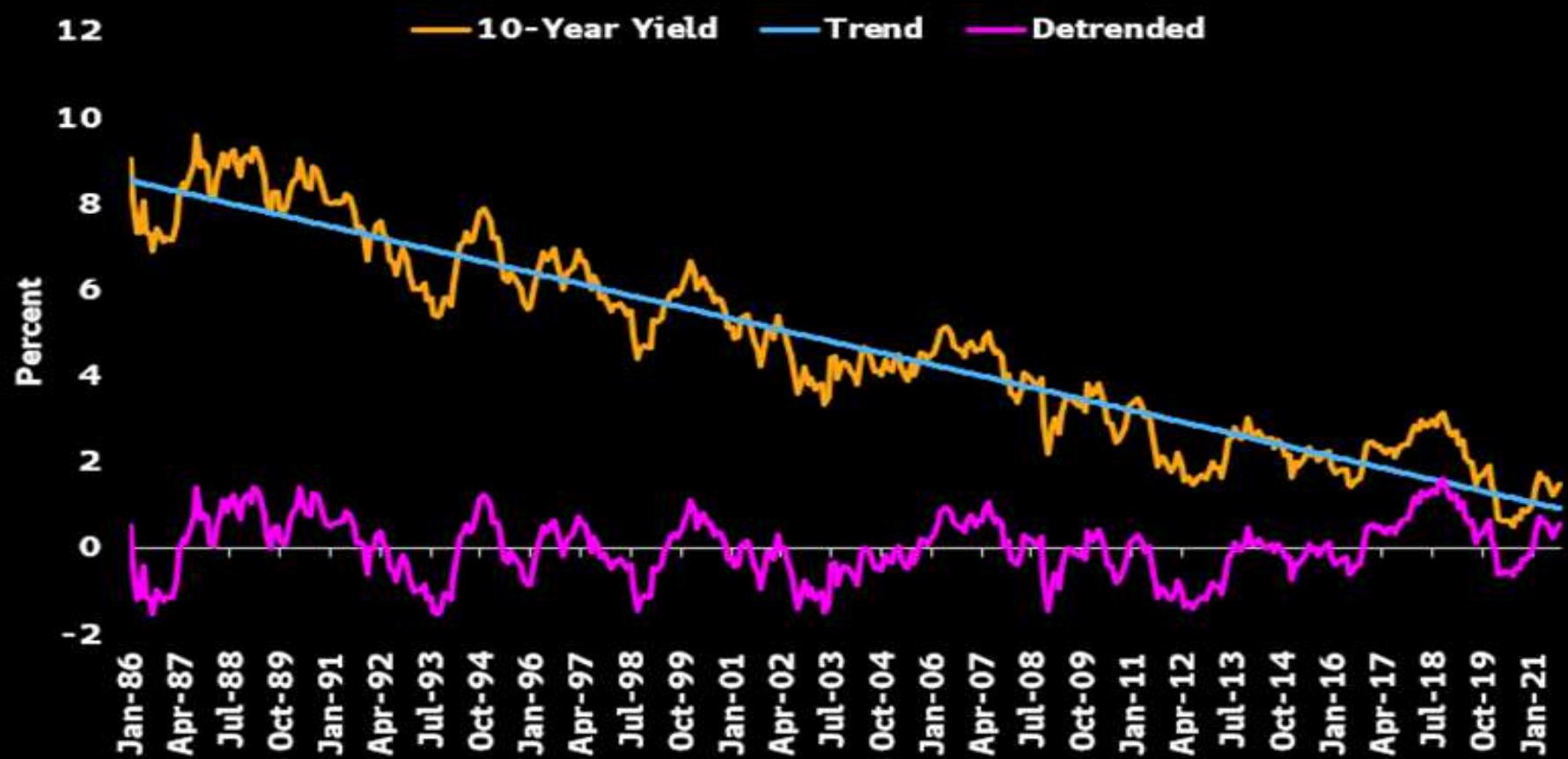


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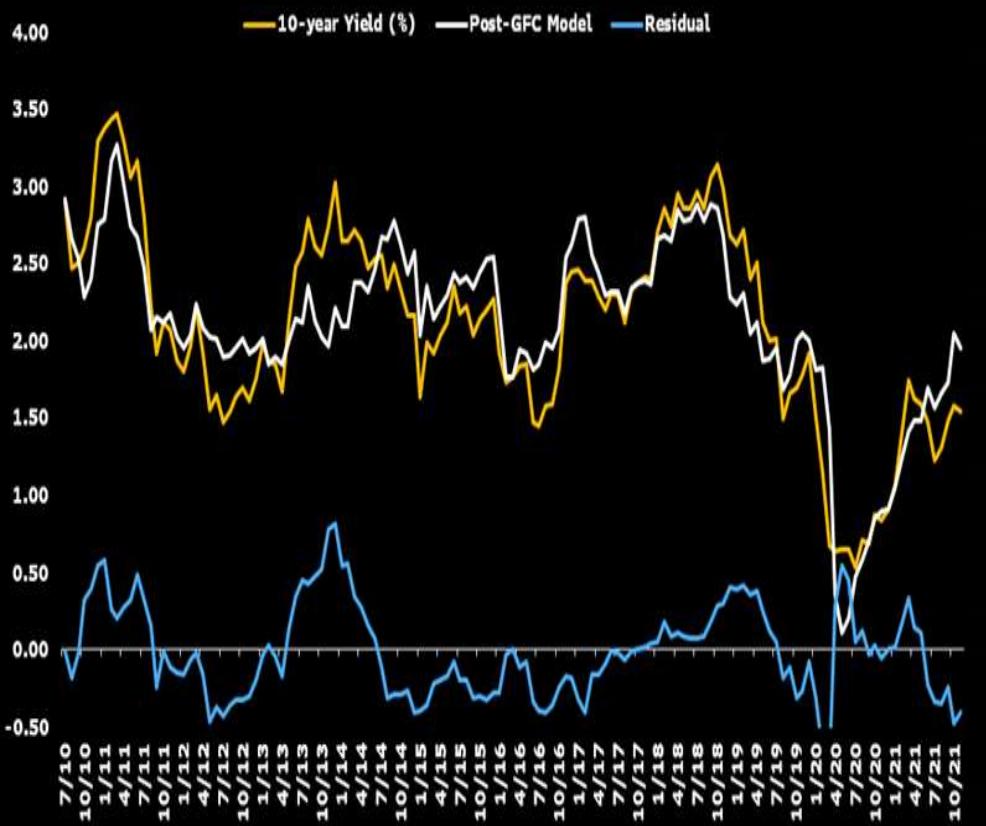
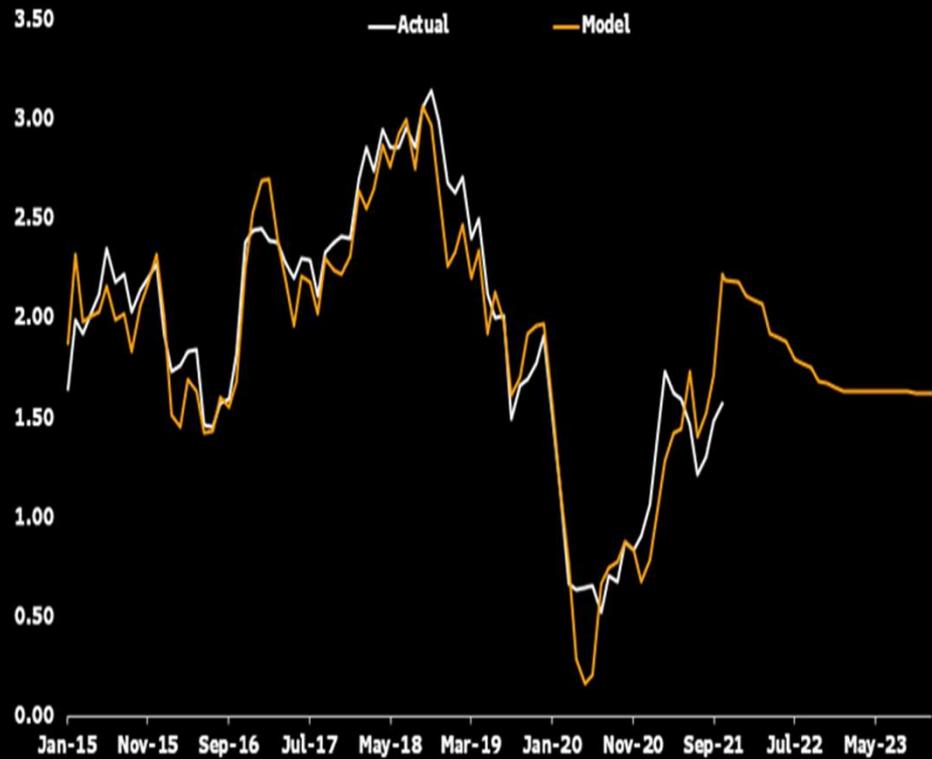


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# 10-year Yield vs. Trend



# 10-Year Long-Term Models



Source: Bloomberg Intelligence

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# Fed Treasury Holdings % of Market

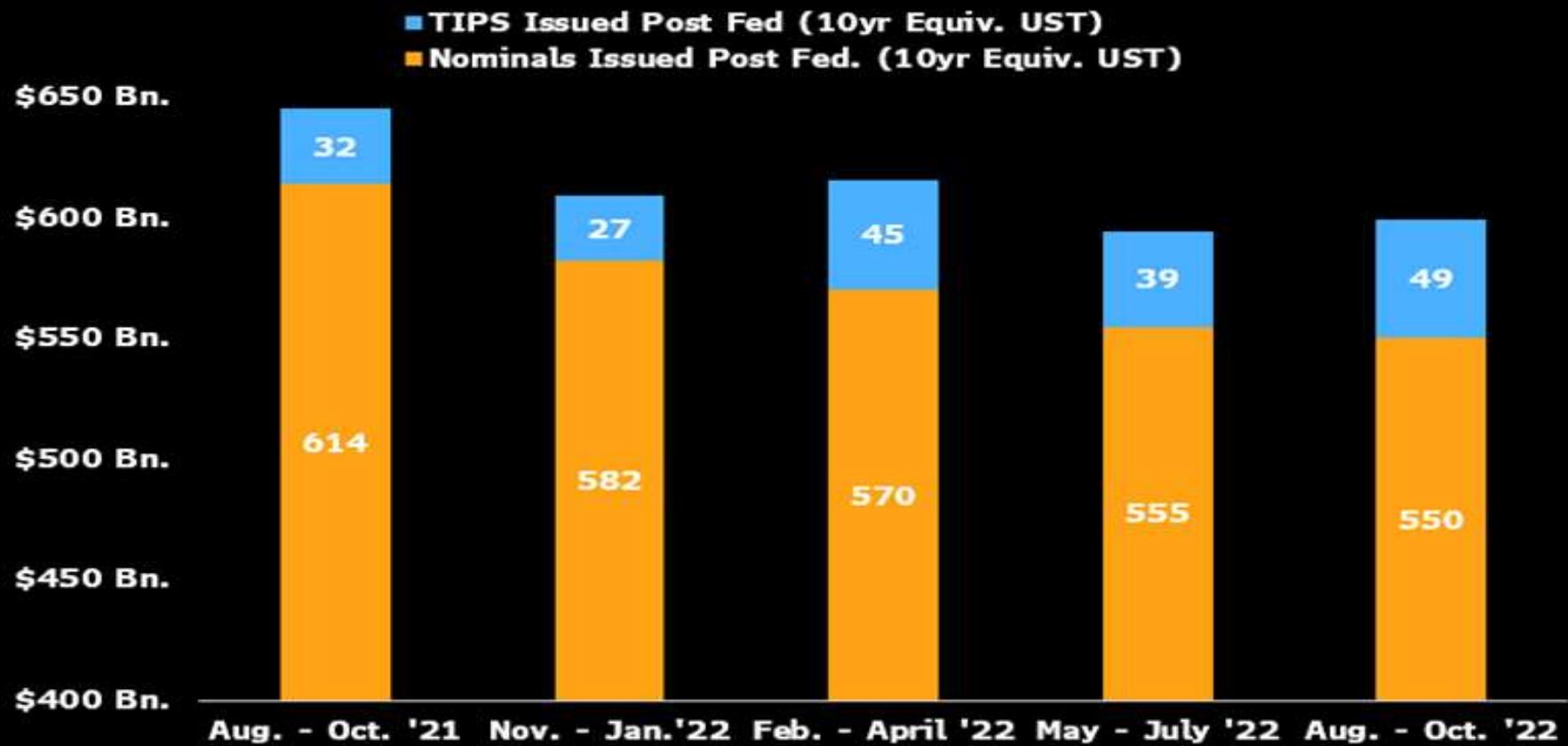


Source: Bloomberg Intelligence, G #BI 109712

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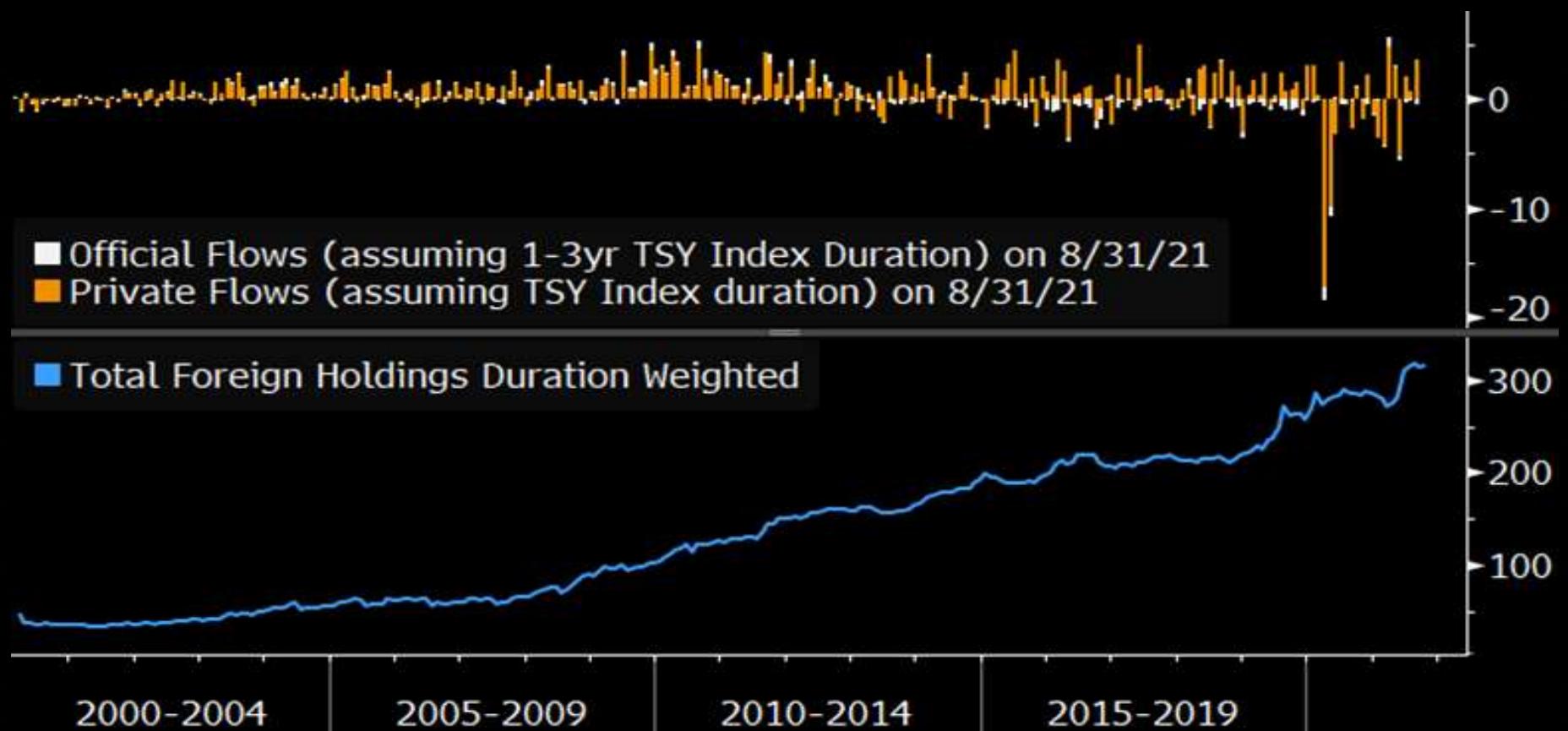
# Fed Taper VS Treasury Issuance Cut



Source: Bloomberg Intelligence

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# Foreign Flows Private vs. Official



Source: Bloomberg Intelligence, G #BI 21614



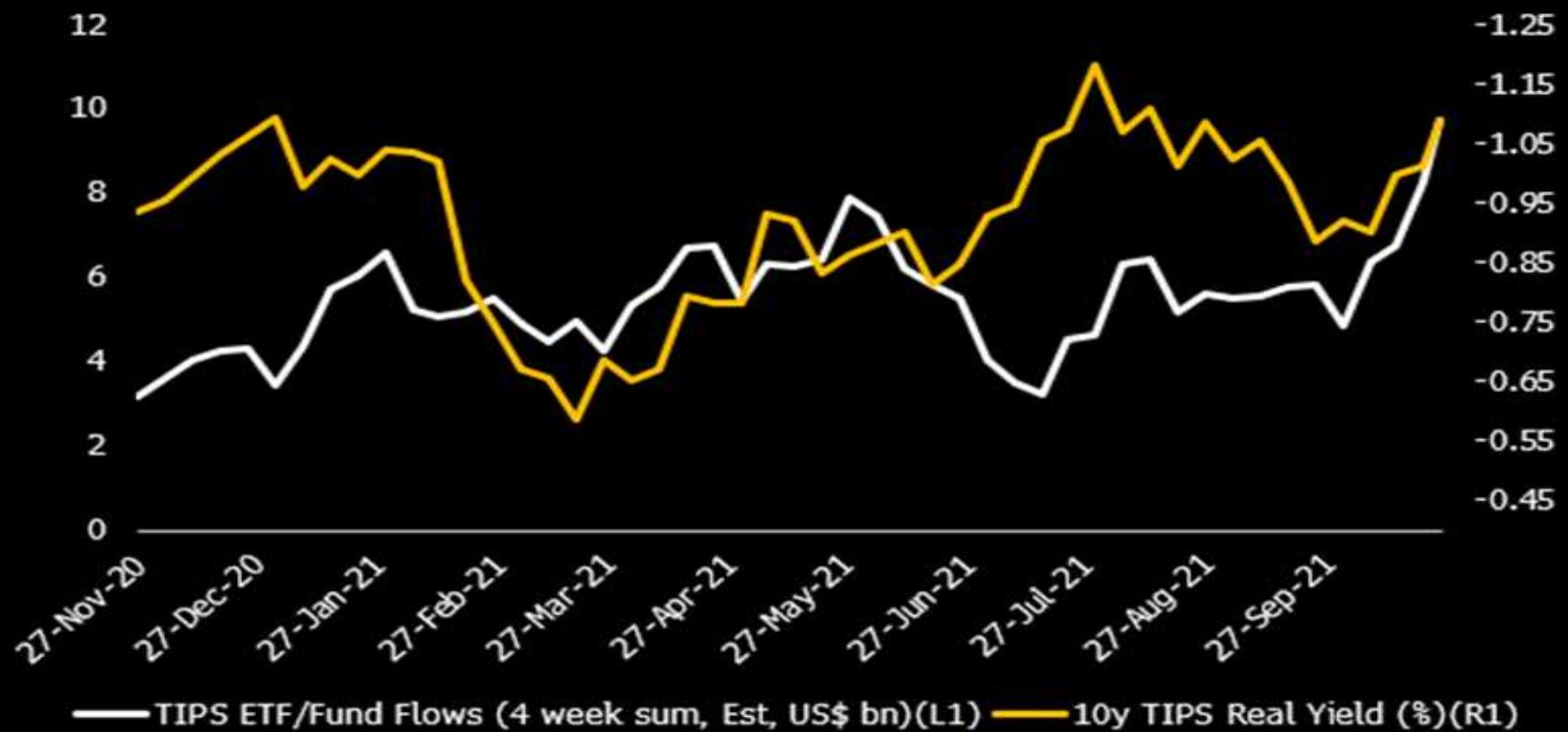
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# The Short Term

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# Retail Causing Real Yields to be Unrealistically Low



Source: Bloomberg Intelligence, as of oct. 26



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# 10-year TIPS Breakevens and Real Yields



Source: Bloomberg Intelligence, G #BI 10667



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# Fair Value to Other Markets



Source: Bloomberg Intelligence, G #BI 107600



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# RRP Facility vs New Reserves

Month Ending	Monthly Purchase Pace	RRP Increase (0.9 beta)	RRP Increase (0.75 beta)	RRP Increase (0.5 beta)	RRP Increase (0.33 beta)
12/15/2021	105	95	79	53	35
1/15/2022	90	81	68	45	30
2/15/2022	75	68	56	38	25
3/15/2022	60	54	45	30	20
4/15/2022	45	41	34	23	15
5/15/2022	30	27	23	15	10
6/15/2022	15	14	11	8	5
<b>Total</b>	<b>420</b>	<b>378</b>	<b>315</b>	<b>210</b>	<b>139</b>



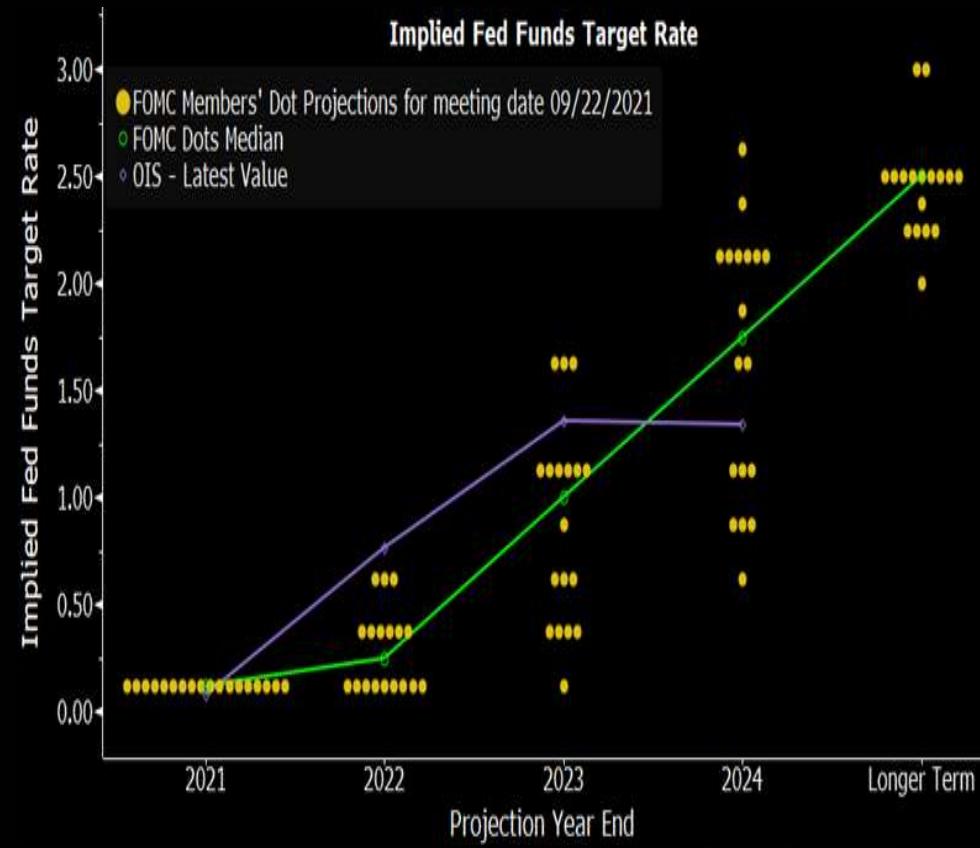
Source: Bloomberg Intelligence

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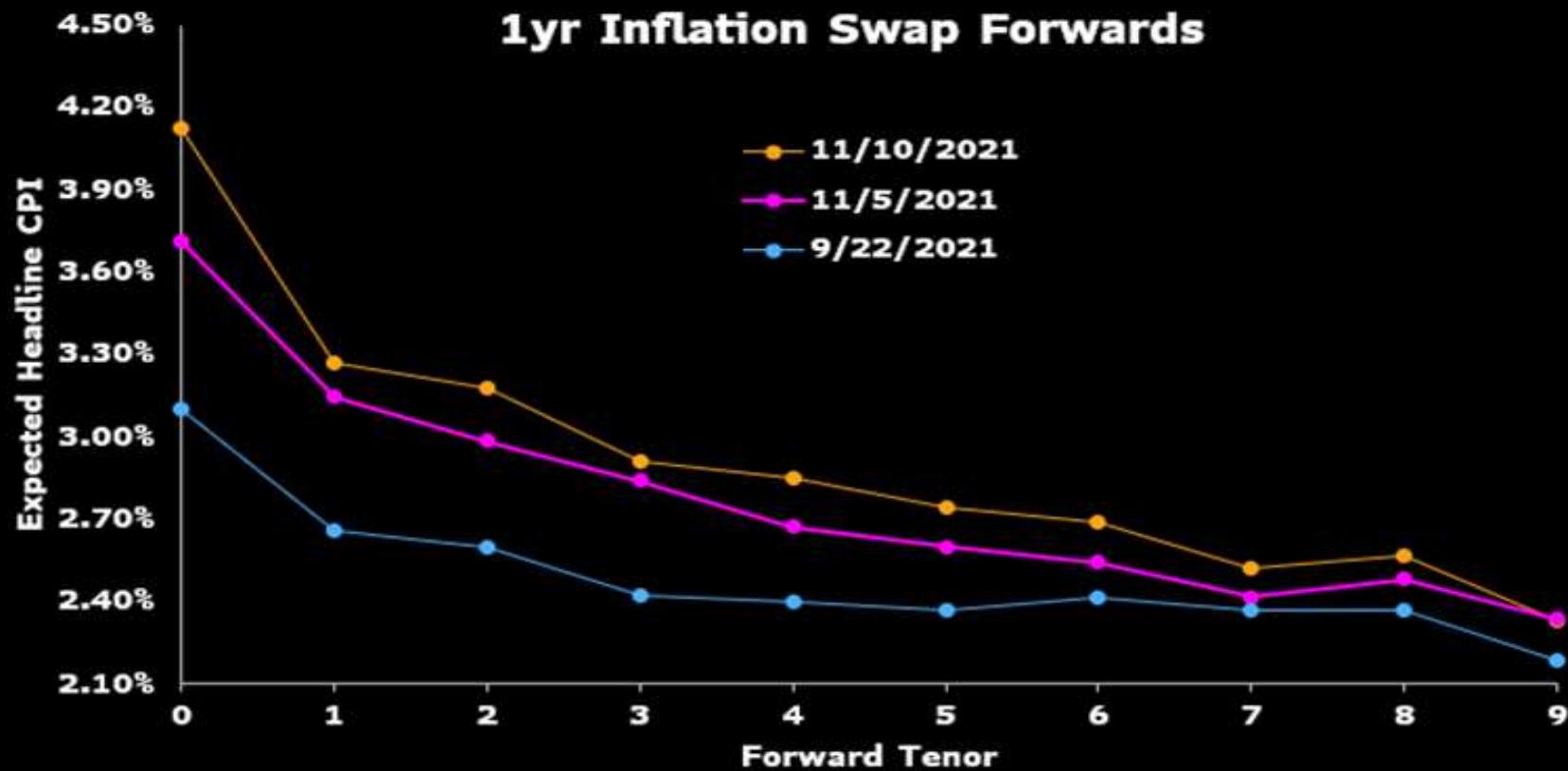
# Fed Dots in 2022



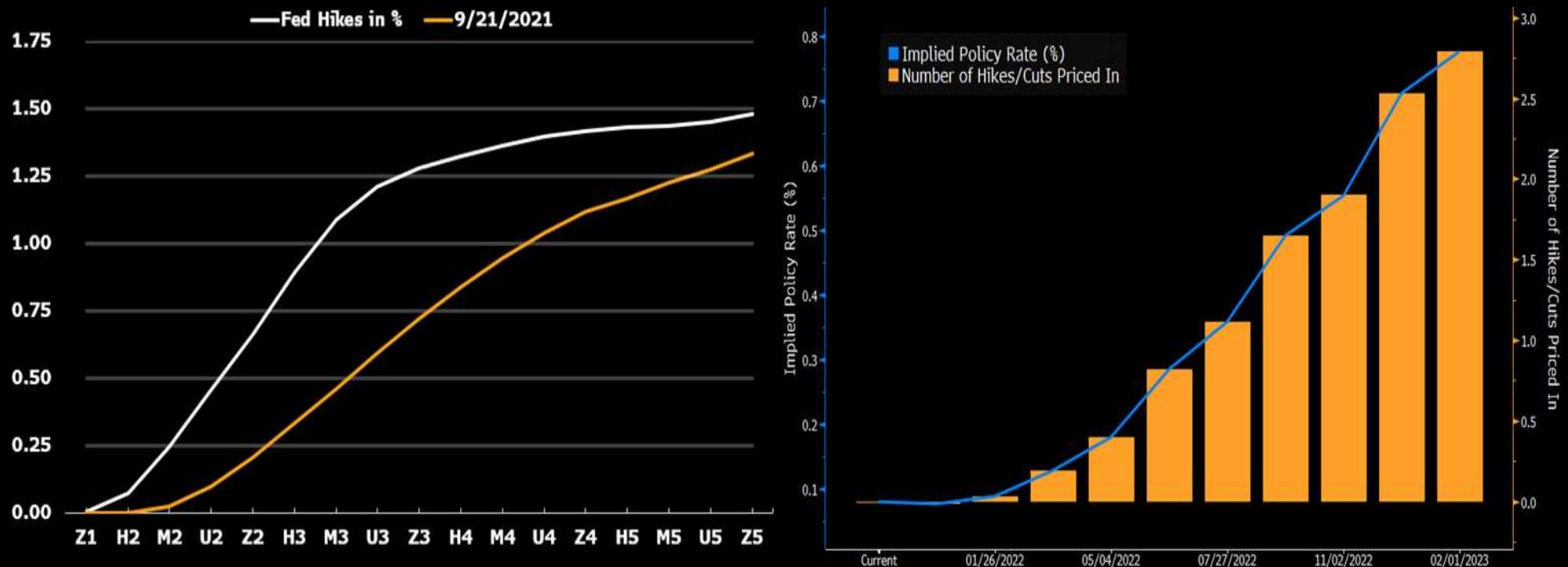
Source: Bloomberg Economics, Sept. 22, 2021, DOTS



# Forward Inflation Pricing Has Shifted



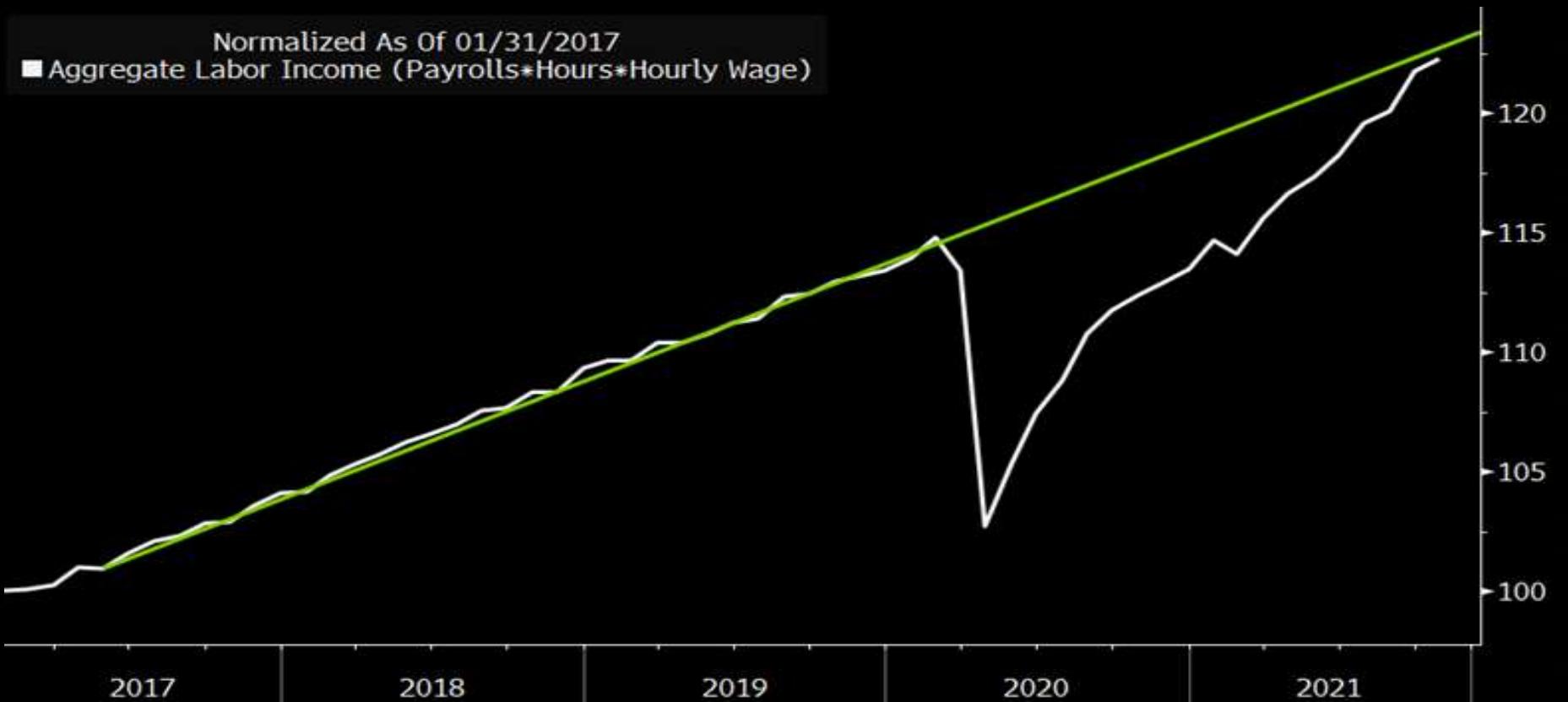
# Market Priced For Six Rate Hikes



Source: Bloomberg Intelligence, as of 10.22.2021 9:30am, using Eurodollar futures & WIRP Function

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# Aggregate Labor Income Back to Trend



Source: Bloomberg Intelligence, G #BI 16638



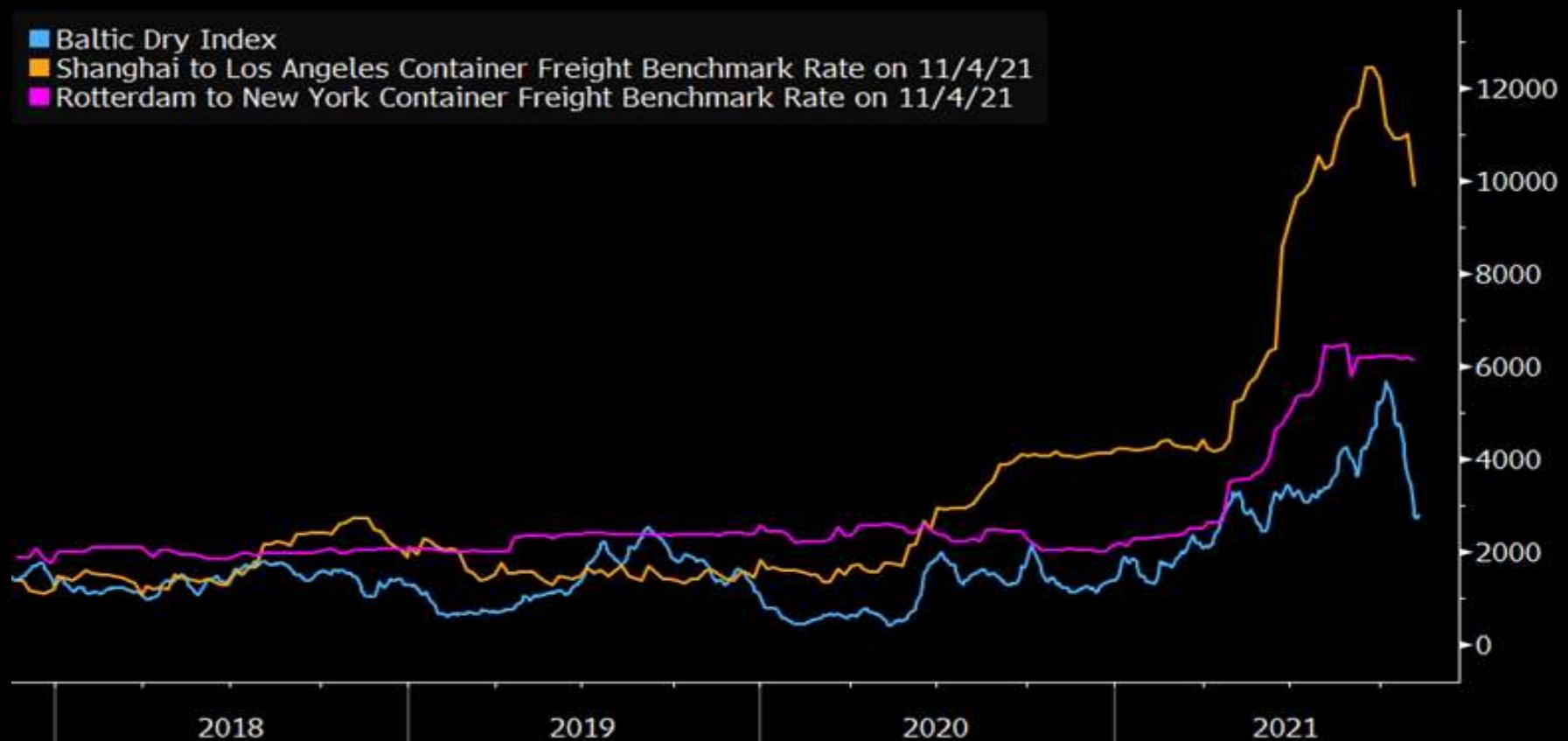
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# Real Wages Falling



Source: Bloomberg Intelligence, G #BI 111308

# Shipping Prices Rolling Over

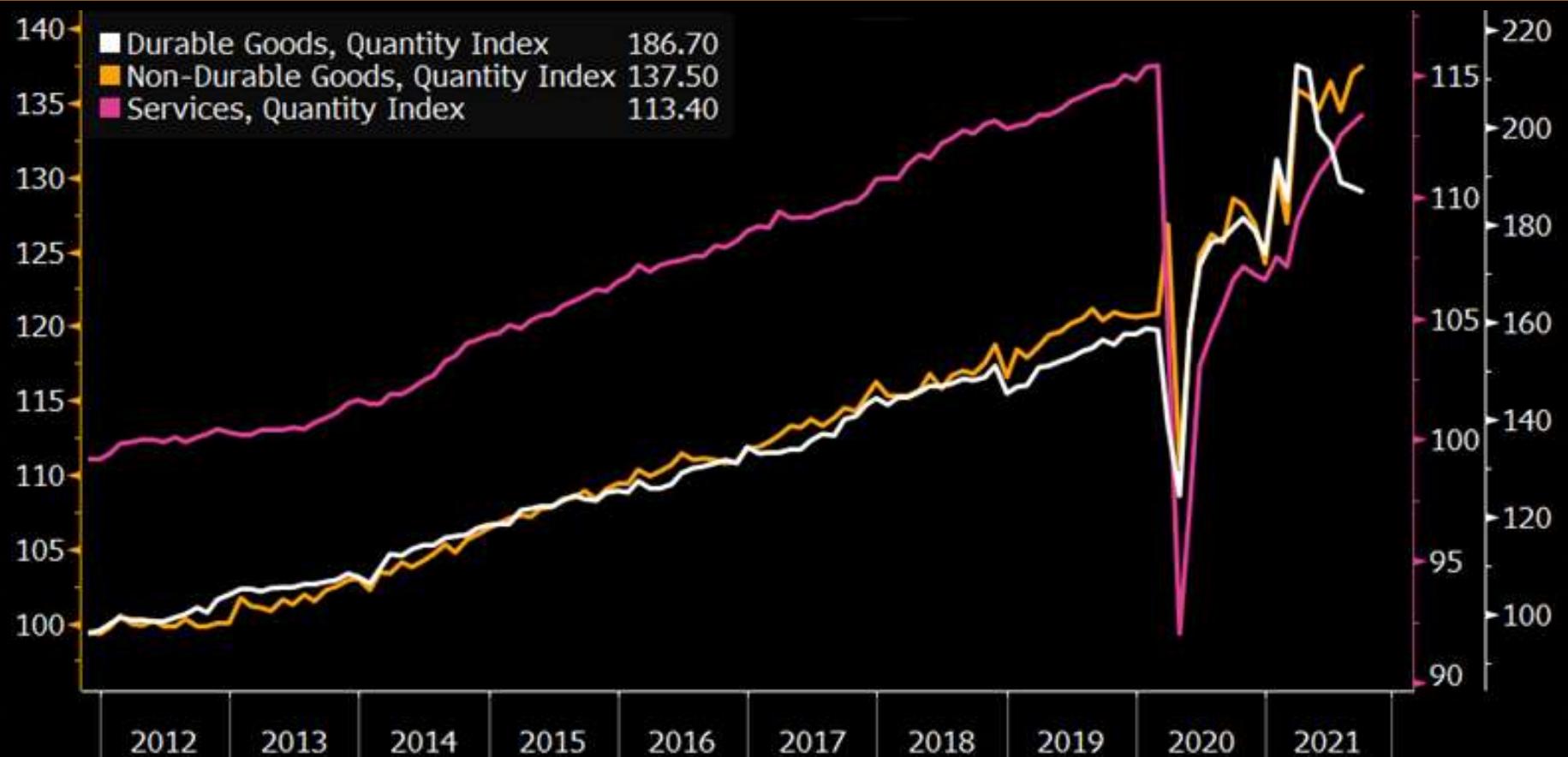


Source: Bloomberg Intelligence, G #BI 111389



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# Quantity Indexes Show Sales Not Across the Board

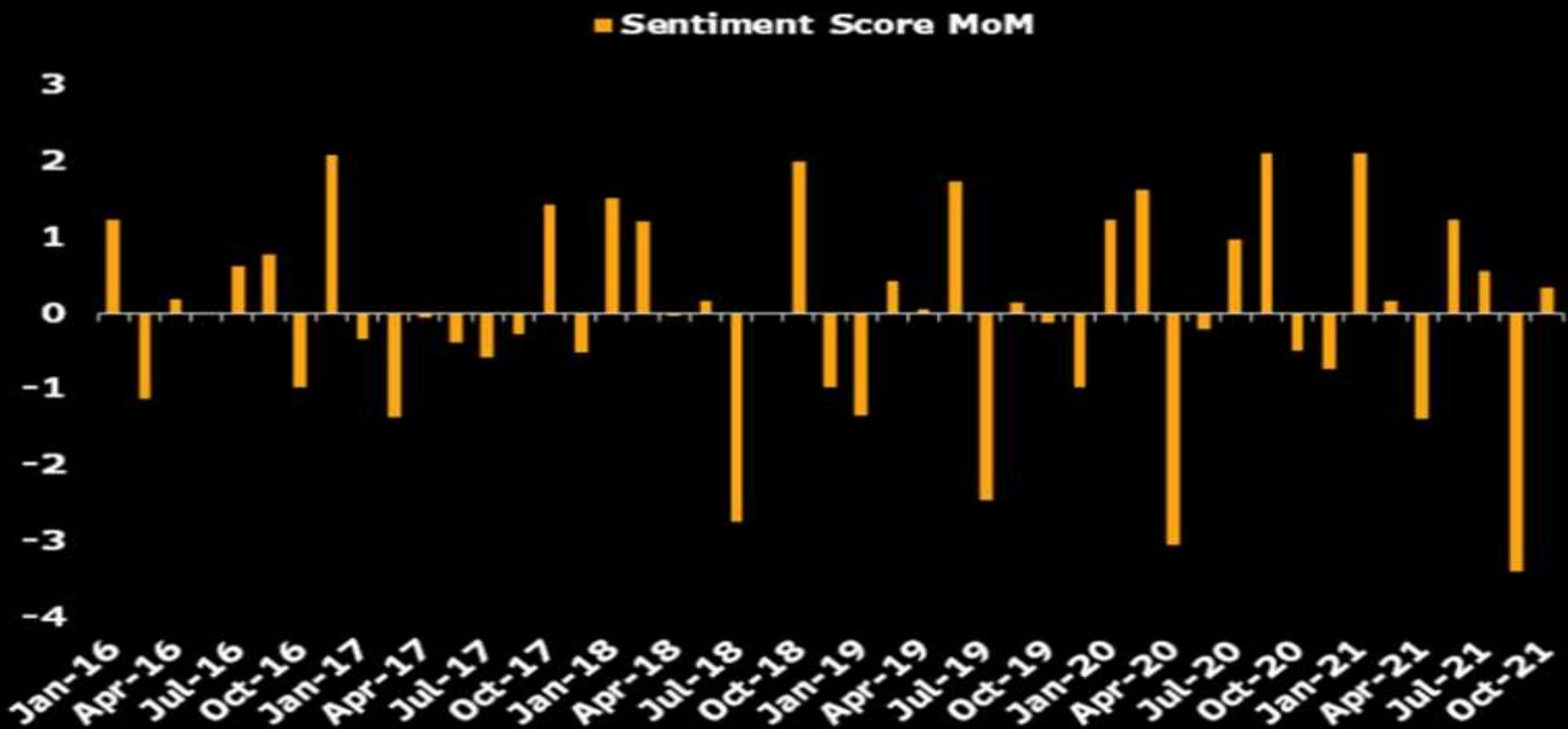


Source: Bloomberg Intelligence, G #BI 111291



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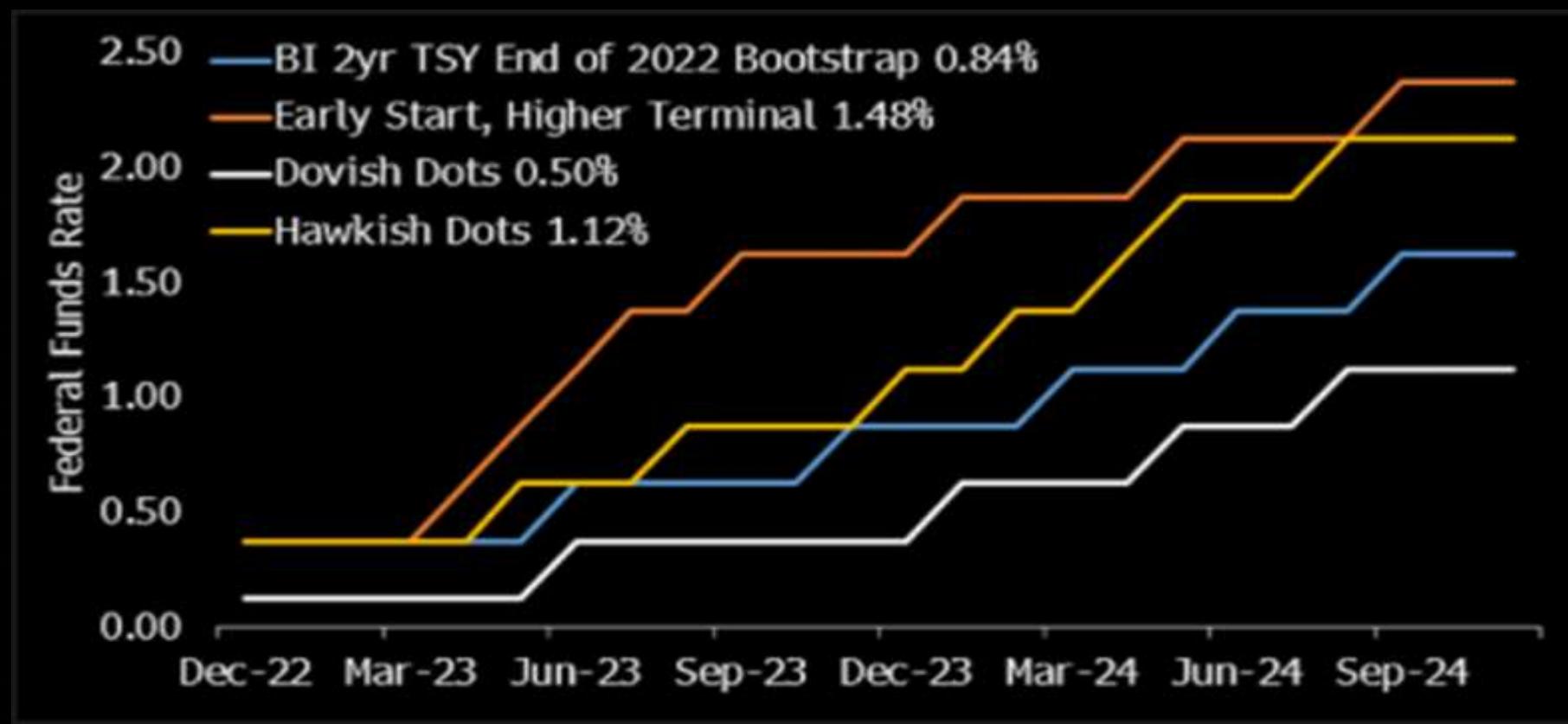
# Fed Minutes Sentiment Indicator



Source: Bloomberg Intelligence

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## Two-year Yield In “Dot” Scenarios

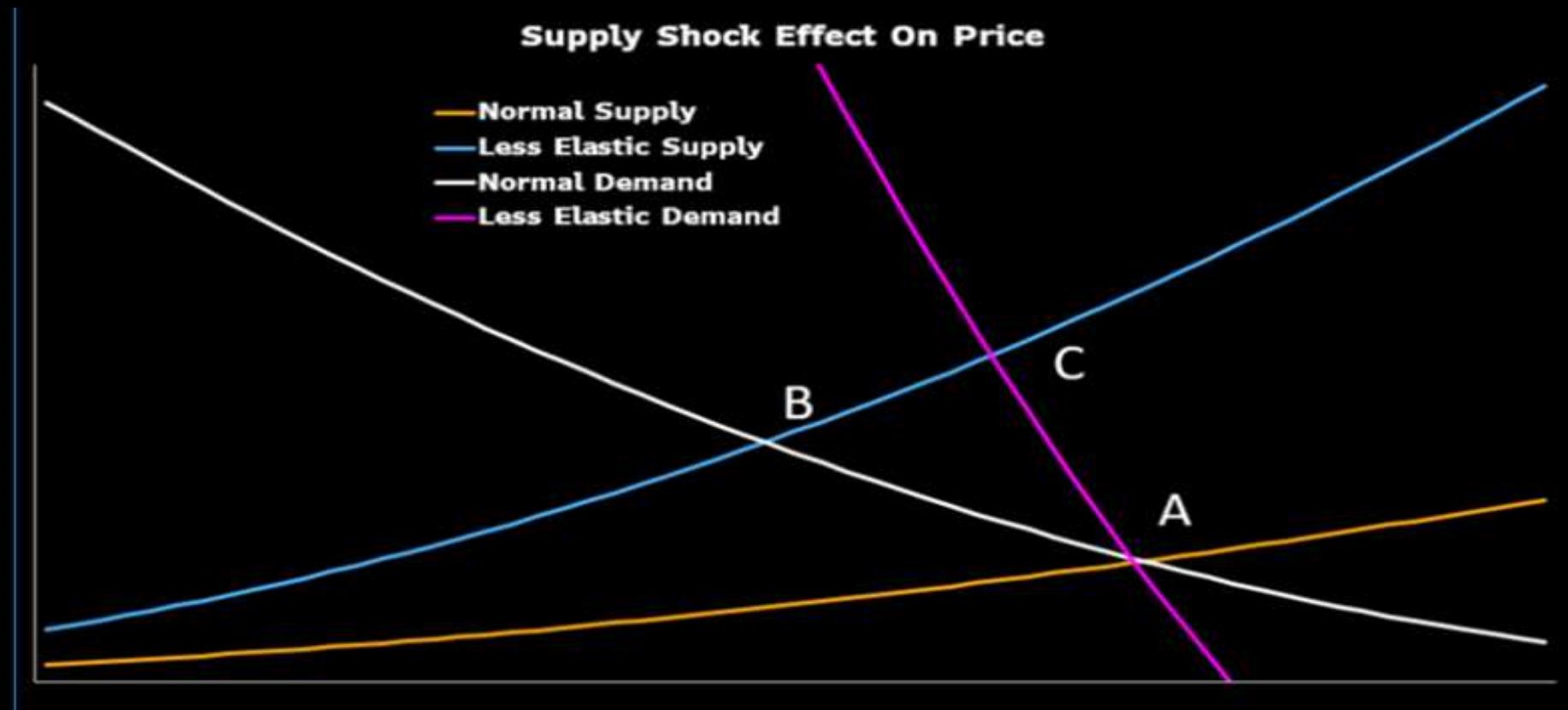


Source: Bloomberg Intelligence, Federal Reserve

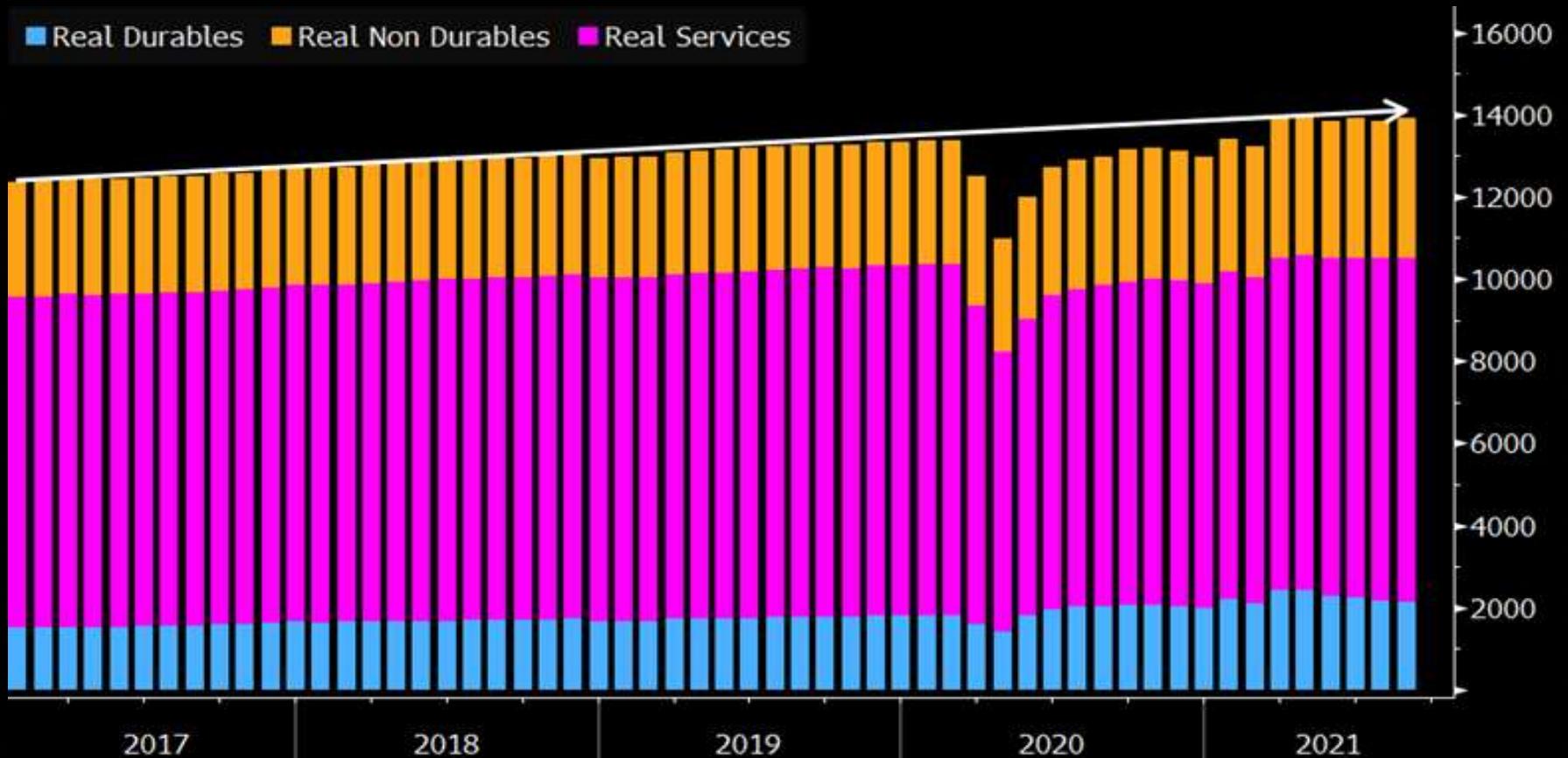


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# Stylized Supply & Demand Curves With Supply Shock



# Real Retail Sales Flat, Even With Headline Higher



Source: Bloomberg Intelligence, G #BI 111023



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# Services Wage Growth Slipping, Prices Rising



Source: Bloomberg Intelligence, G #BI 111052



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# Goods Prices Influenced by Shipping Cost



Source: Bloomberg Intelligence, G #BI 110857



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# Shelter Prices Picking Up, Inflation Broad Based

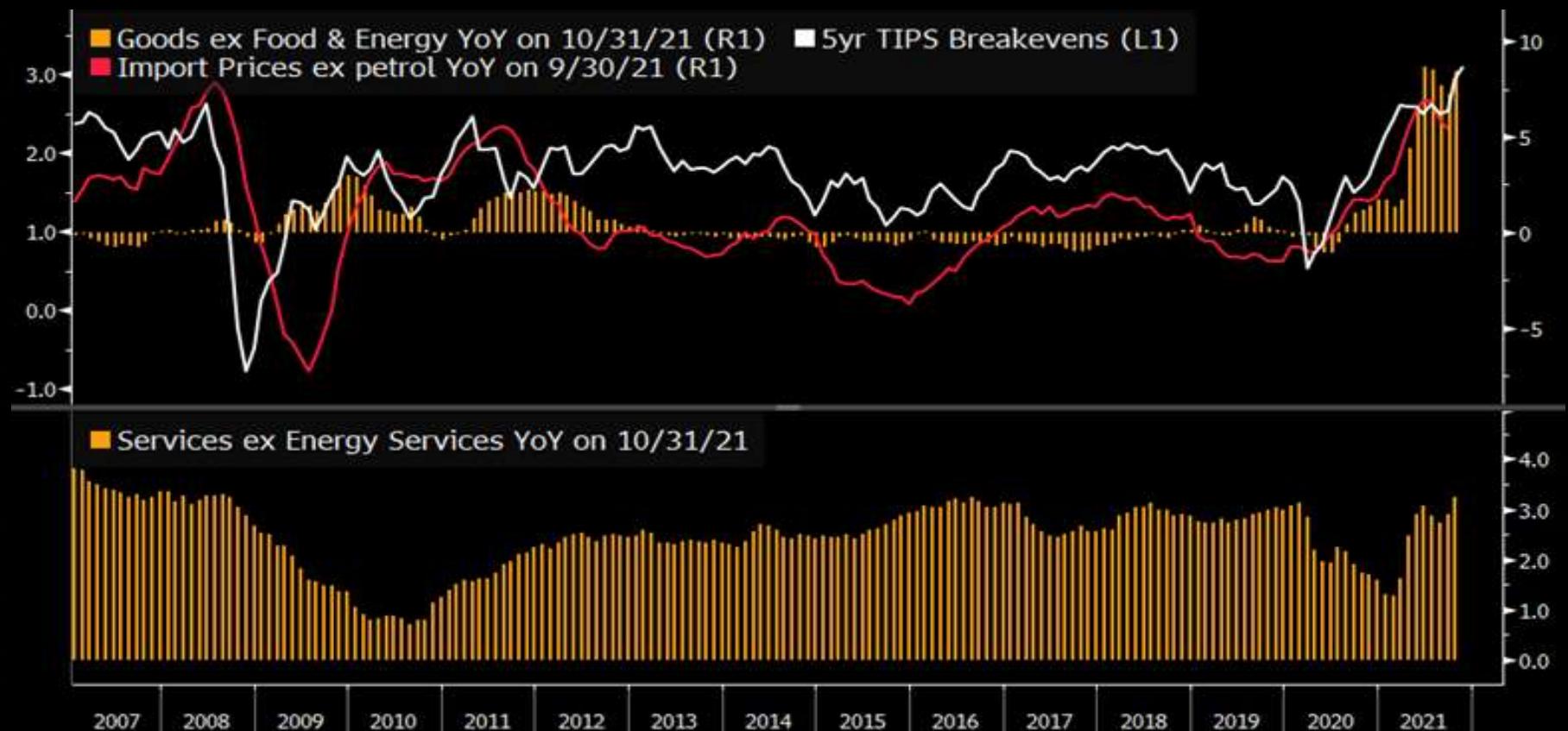


Source: Bloomberg Intelligence, G #BI 110966



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# Core Goods vs. Core Services Prices



Source: Bloomberg Intelligence, G #BI 15107



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# Yield and Curve Scenarios

BI Rates Scenarios		U.S. Econ. Forecasts					
Name	View	2022				2023	
		Q2	Q3	Q4	Q1	Q2	Q3
<b>BI Rates Scenarios</b>							
Treasury 2 Year Yield (%)		0.68	0.75	0.84	0.90	1.17	1.27
Treasury 5 Year Yield (%)		1.51	1.63	1.66	1.78	1.91	1.98
Treasury 10 Year Yield (%)		1.84	1.91	1.98	2.07	2.15	2.18
Treasury 30 Year Yield (%)		2.16	2.21	2.27	2.30	2.35	2.40
2s/5s (bps)		83.00	88.00	82.00	88.00	74.00	71.00
2s/10s (bps)		116.00	116.00	114.00	117.00	98.00	91.00
5s/10s (bps)		33.00	28.00	32.00	29.00	24.00	20.00
5s/30s (bps)		65.00	58.00	61.00	52.00	44.00	42.00
10s/30s (bps)		32.00	30.00	29.00	23.00	20.00	22.00
2s/5s/10s (bps)		50.00	60.00	50.00	59.00	50.00	51.00
5s/10s/30s (bps)		1.00	-2.00	3.00	6.00	4.00	-2.00
<b>Scenarios as of...</b>							
November 1, 2021							



Source: Bloomberg Intelligence, BI RATEN

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