

Treasury Market Outlook

Inflation, Supply, & The Fed



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Bloomberg Intelligence

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Bloomberg Intelligence

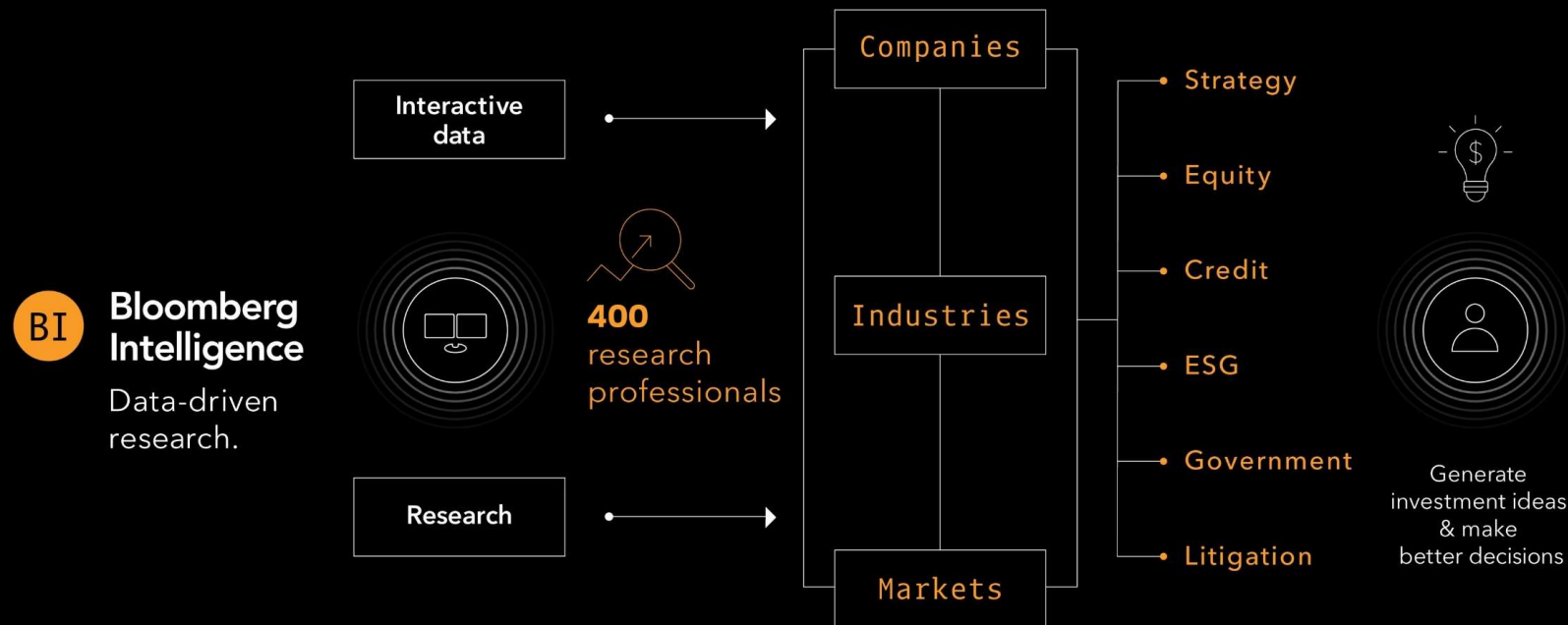
500+
data contributors

135+
industries

2,000+
companies

15yrs
avg. analyst experience

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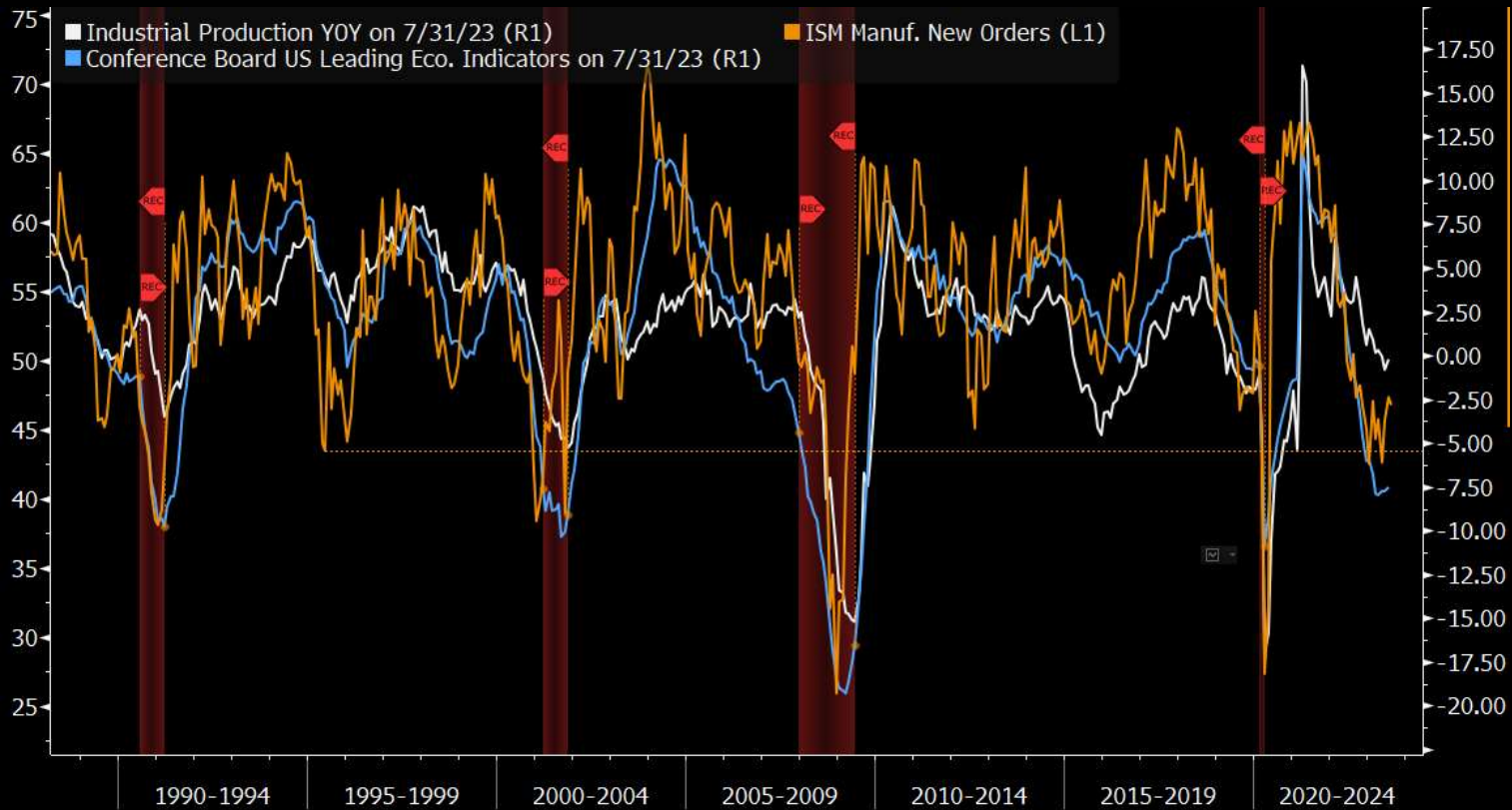
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Interest Rates Dashboard (BI RATEN) North America ☆

Research	Outlook (Click to see more) »	Key Indicators	Latest
Dashbd Home	Fed Pause Duration Positive?: September US ...	Rate Markets	
US Rates	The Treasury yield curve may steepen materially before year-end, yet remain inverted. The market is pricing for rate cuts in 1H 2024, with options markets pricing a 50% probability of December	31) ISM New Orders	46.80
EU Rates		32) ISM Manufactu...	47.60
Asia Rates		33) ISM Non-Manuf...	54.50
MBS		34) IP YoY	3.41
Index Primers	< Page 1 of 15 >	35) Nom. PCE	6.39
Derivatives		36) Core PCE Def.	4.24
Data Library	Featured Research	37) Retail Sales YoY	2.47
US Market Data	1) Long-Term Treasury Ownership Trends	38) Federal Funds ...	5.50
EU Market Data	2) BI Rates September FOMC Previews: Dots & Little Else		
Asia Data	3) 1970s vs. Today's Inflationary Environment		
Asset Inflation	4) Looking at Forecast Distribution, Implied Forwards		
Flow Data	Most Recent More » All Research		
TSY Auctions	5) Investor Demand Sets Record at September 10-Year TIPS ...	13:36	
Index Attribut...	6) ✓ Post-FOMC Rate Review With BNP Paribas' Marshall: Macro ...	12:38	
DTS	7) US REACT: Decline in Jobless Claims Likely to Prove Short-...	09:01	
US Budget	8) ✓ Key Treasury Yield Targets 4.72% as Less-Dovish Fed Caus...	08:40	
Forecasts	9) Demand Softens at Midmonth Treasury Auctions as Supply I...	08:03	
Charts	10) QT Hike on the Horizon as Bank of England Nears a Rates P...	01:03	
Fed Sentiment	11) US REACT: FOMC Seems Confident in Soft Landing - Maybe ...	09/20	
Monitor	12) US REACT: FOMC Signals Another Hike, Higher-for-Longer R...	09/20	
Research	13) US REACT: FOMC Signals One More Hike, Higher-for-Longer ...	09/20	
News	14) US INSIGHT: 'Objective' Fed Watcher Says Upside Risk of '...	09/20	

Source: Bloomberg Intelligence

Economic Landing Waved Off?



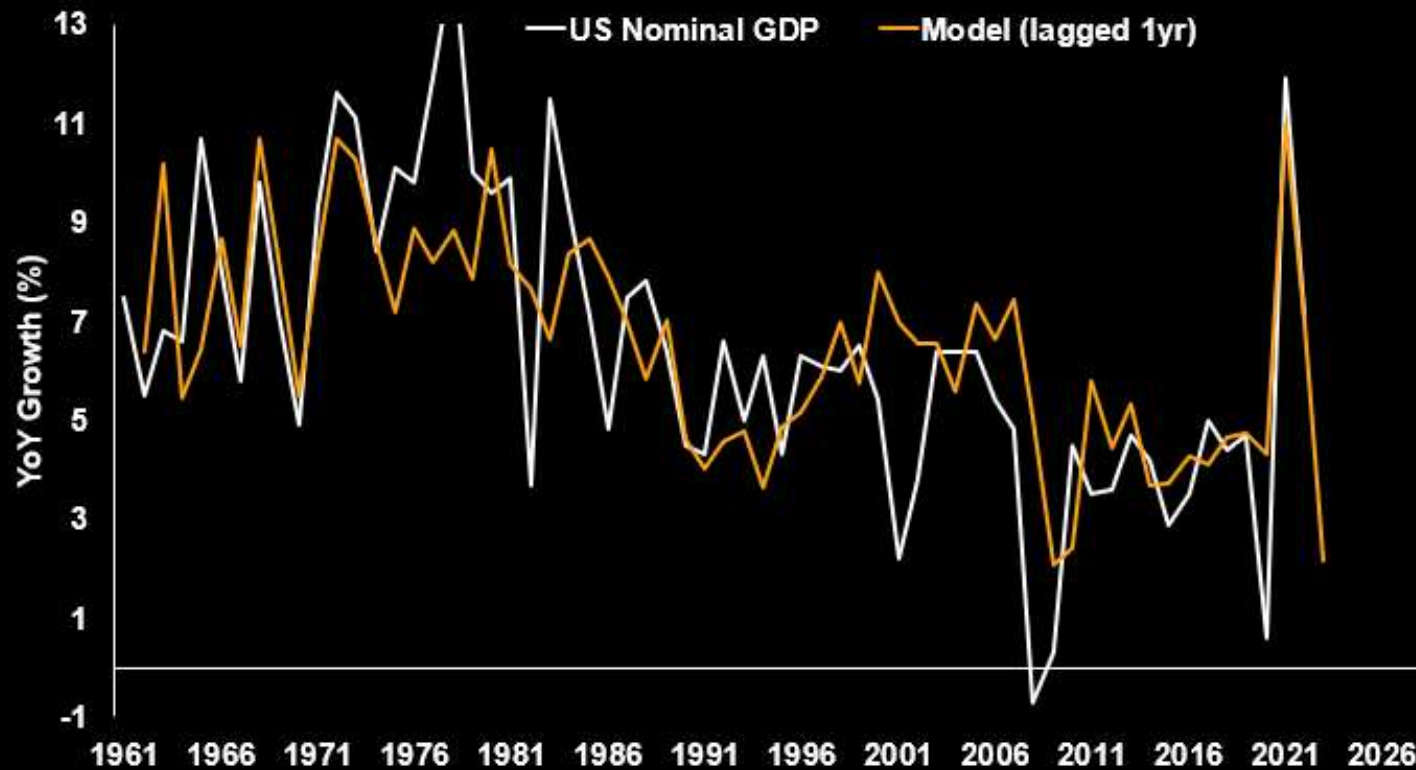
Source: Bloomberg Intelligence, G #BI 14042
<https://blinks.bloomberg.com/news/stories/S095S4T0G1KW>

Fed Cuts Allowed for Late '70s Inflation Impulse



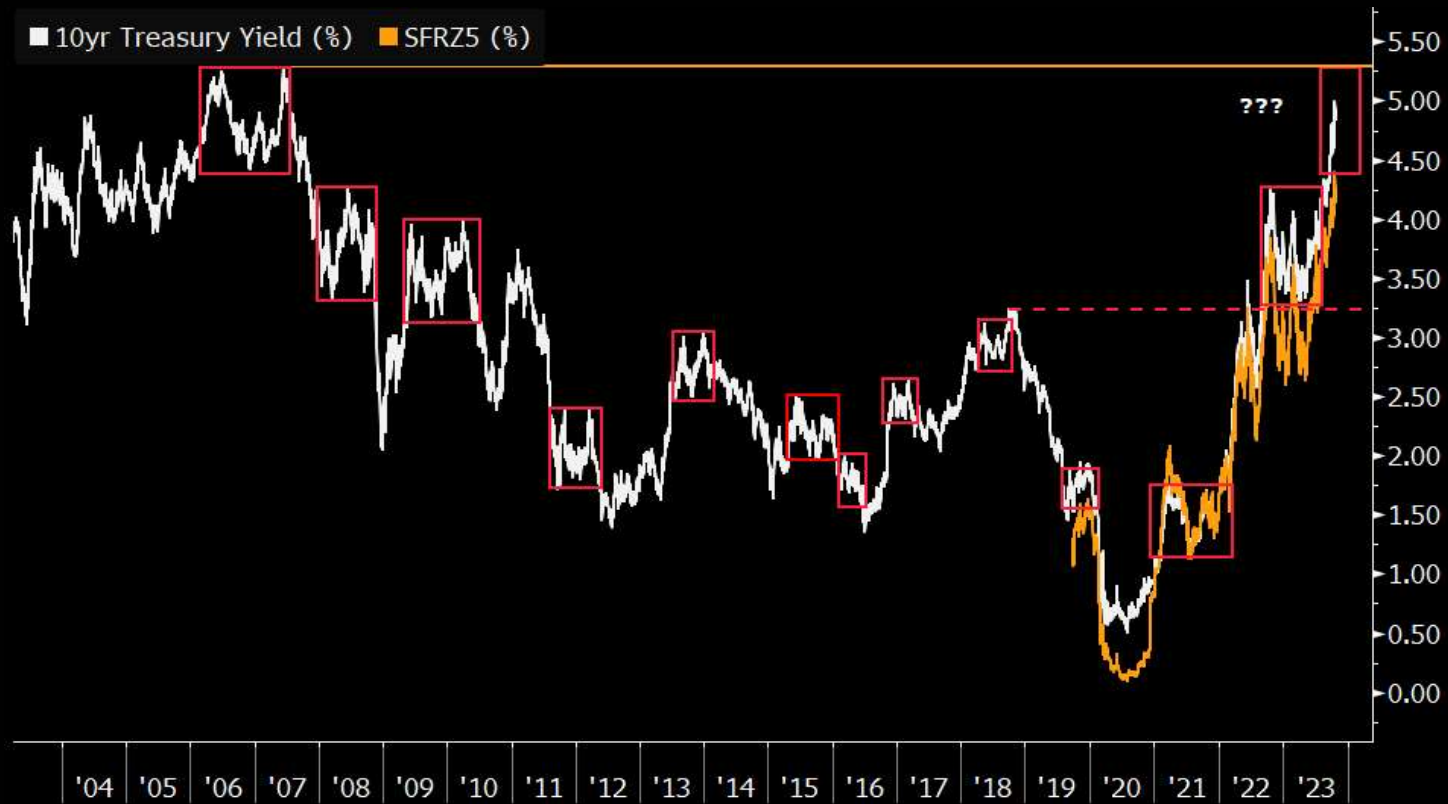
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Solow Type Growth Model Suggest Slowing in 2024



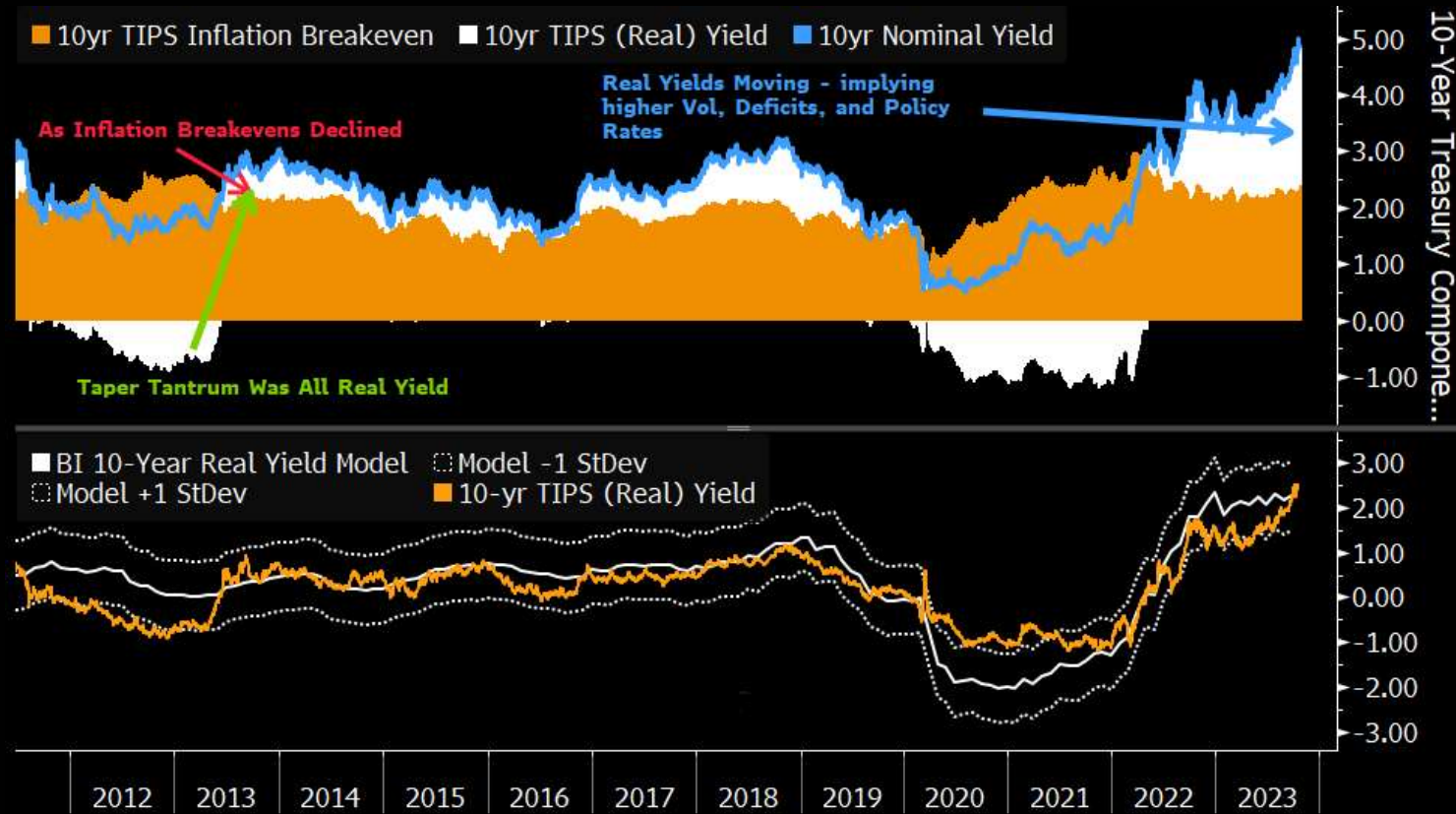
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Creating New Range or Yield Top?



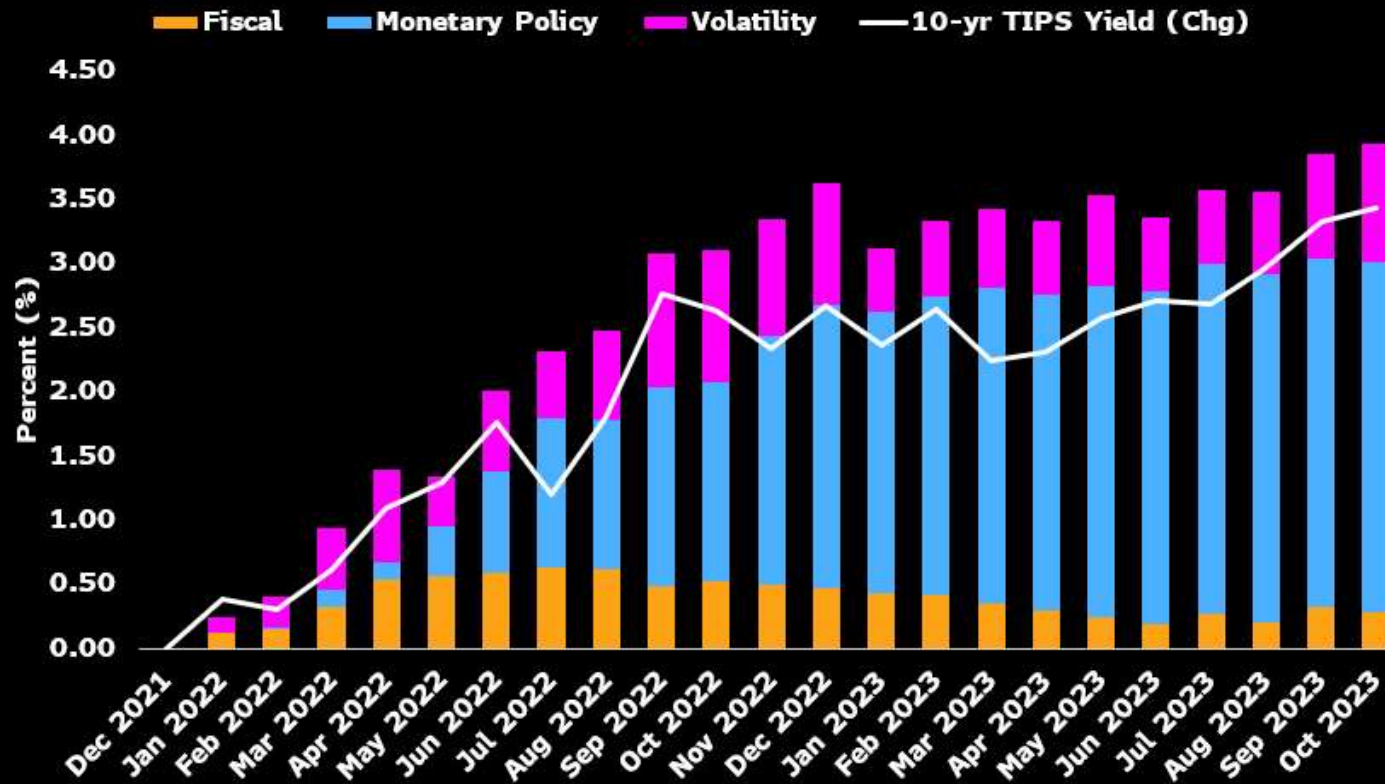
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Real Yield = Deficit, Volatility and Fed



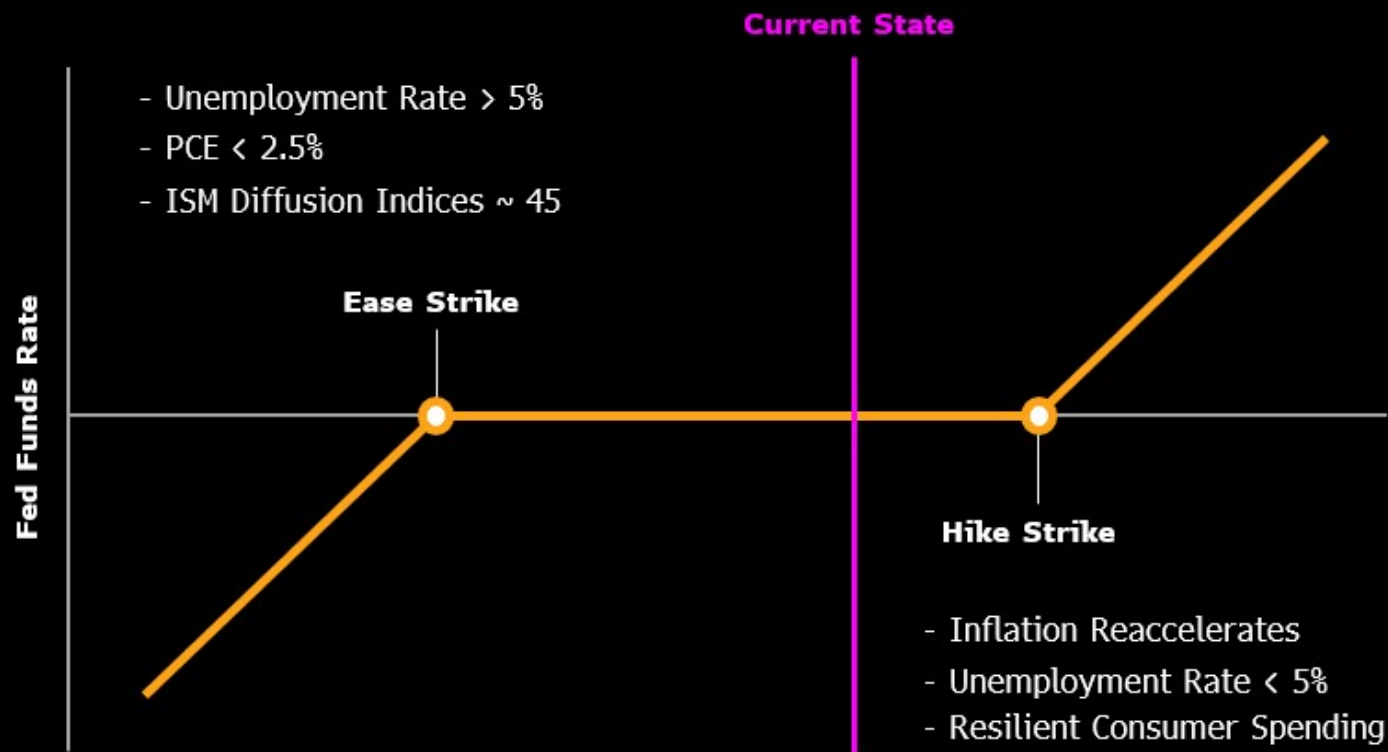
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<https://blinks.bloomberg.com/news/stories/S1N5S4T0G1KW>

TIPS Yield Move Has Been on Fed Expectations



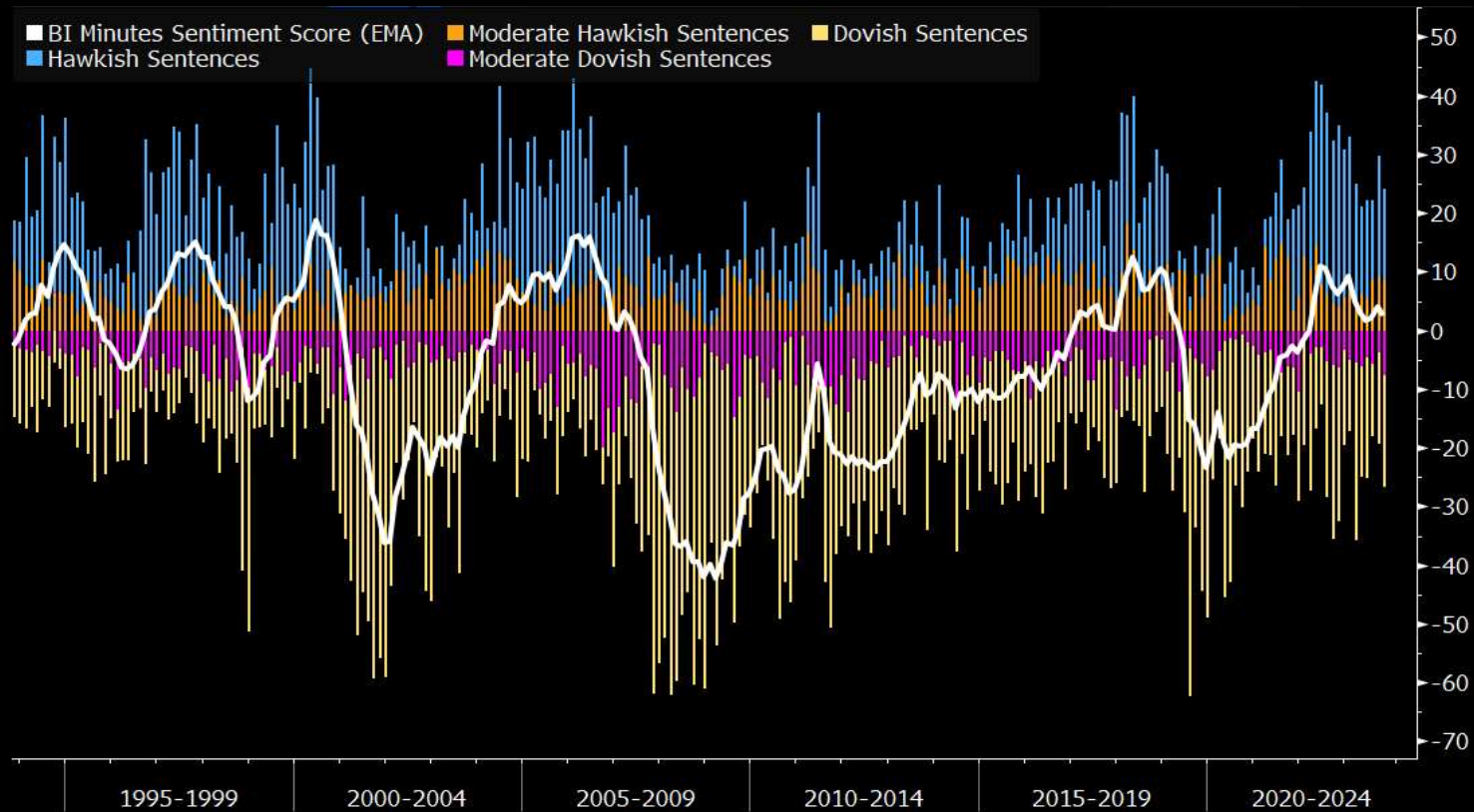
Source: Bloomberg Intelligence
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Strike of Fed Put Is Far Out of the Money



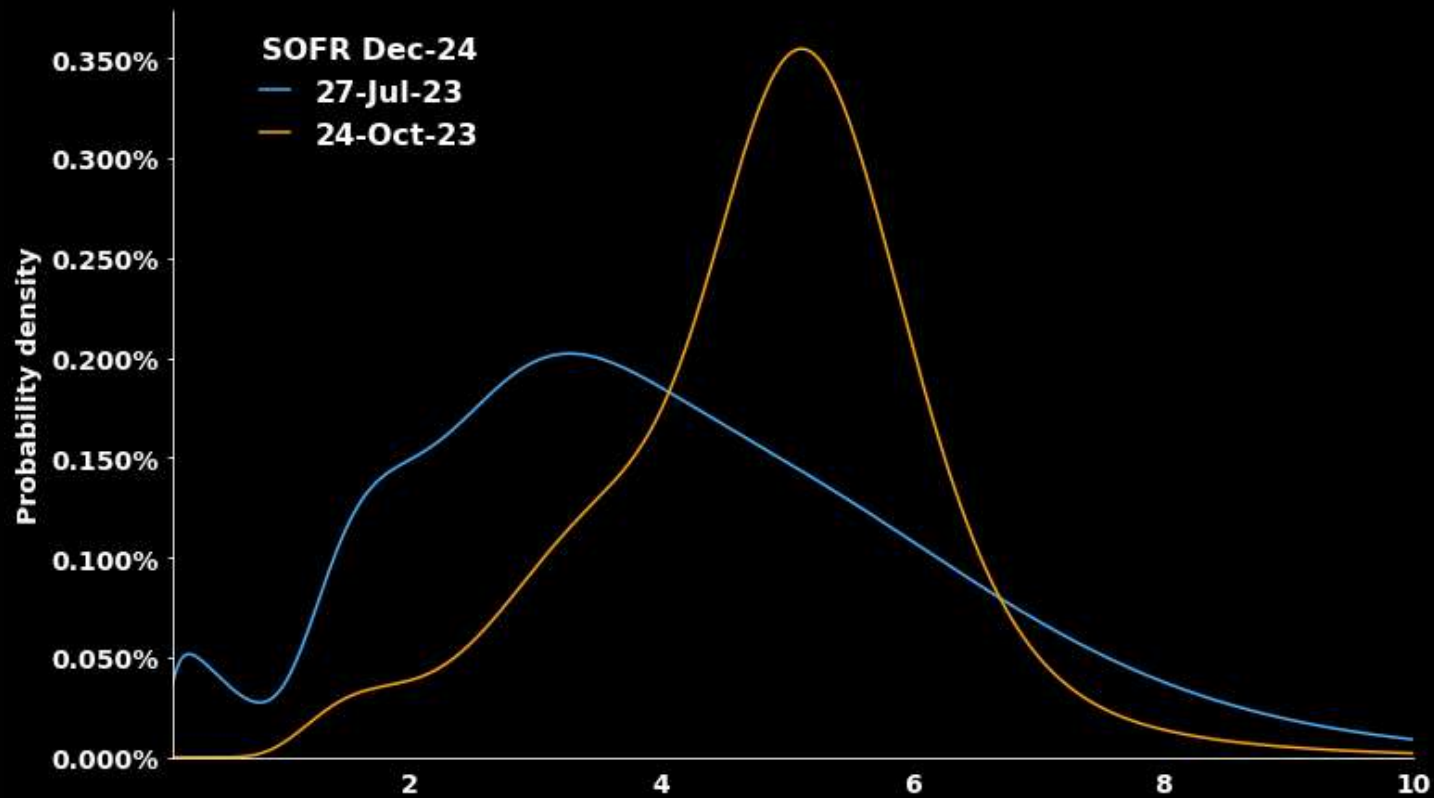
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September FOMC Minutes Neutral



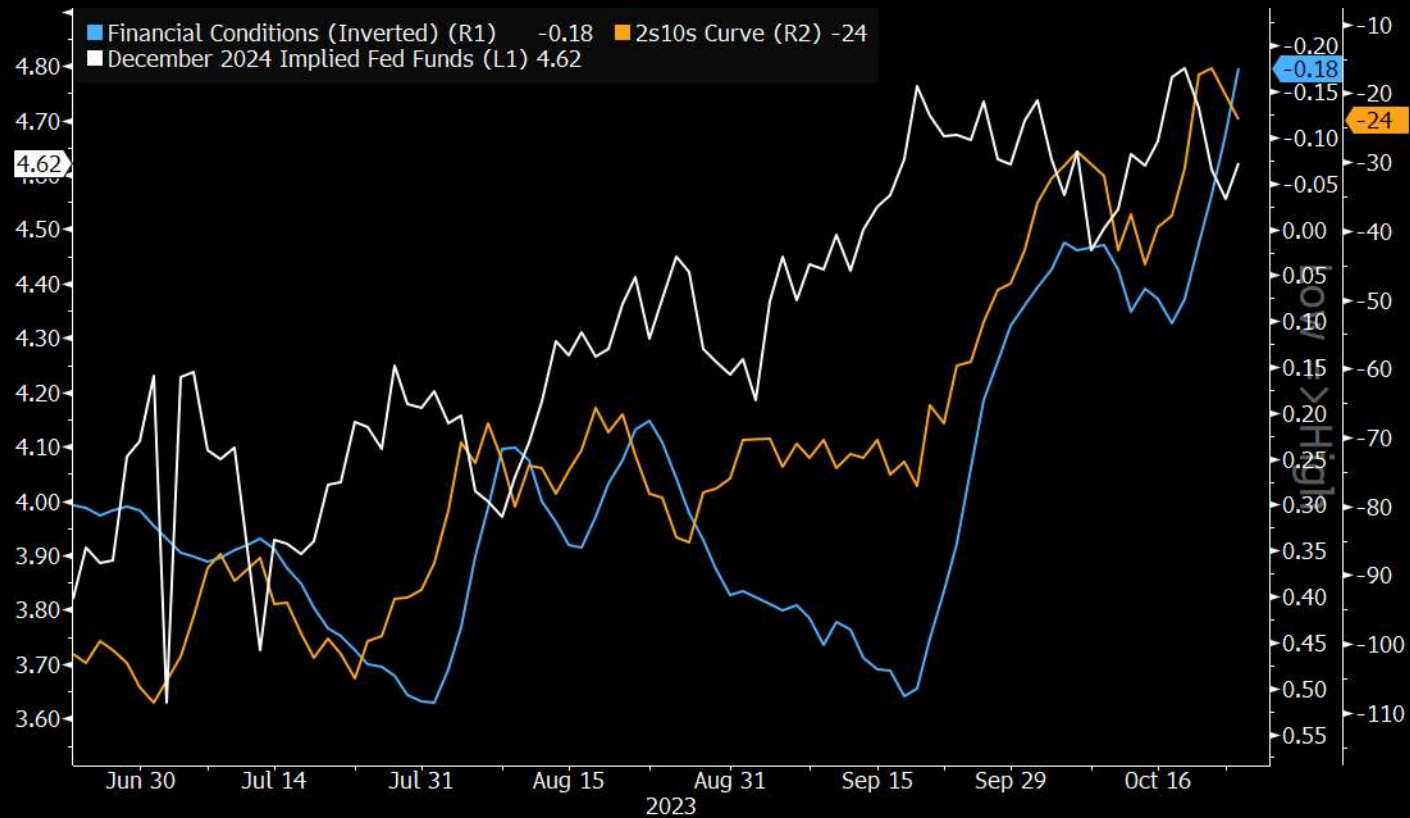
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SFRZ4 Implied Risk Neutral Probability Density Function



Source: Bloomberg Intelligence
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Rate Level and Curve Shape Tightened Financial Conditions



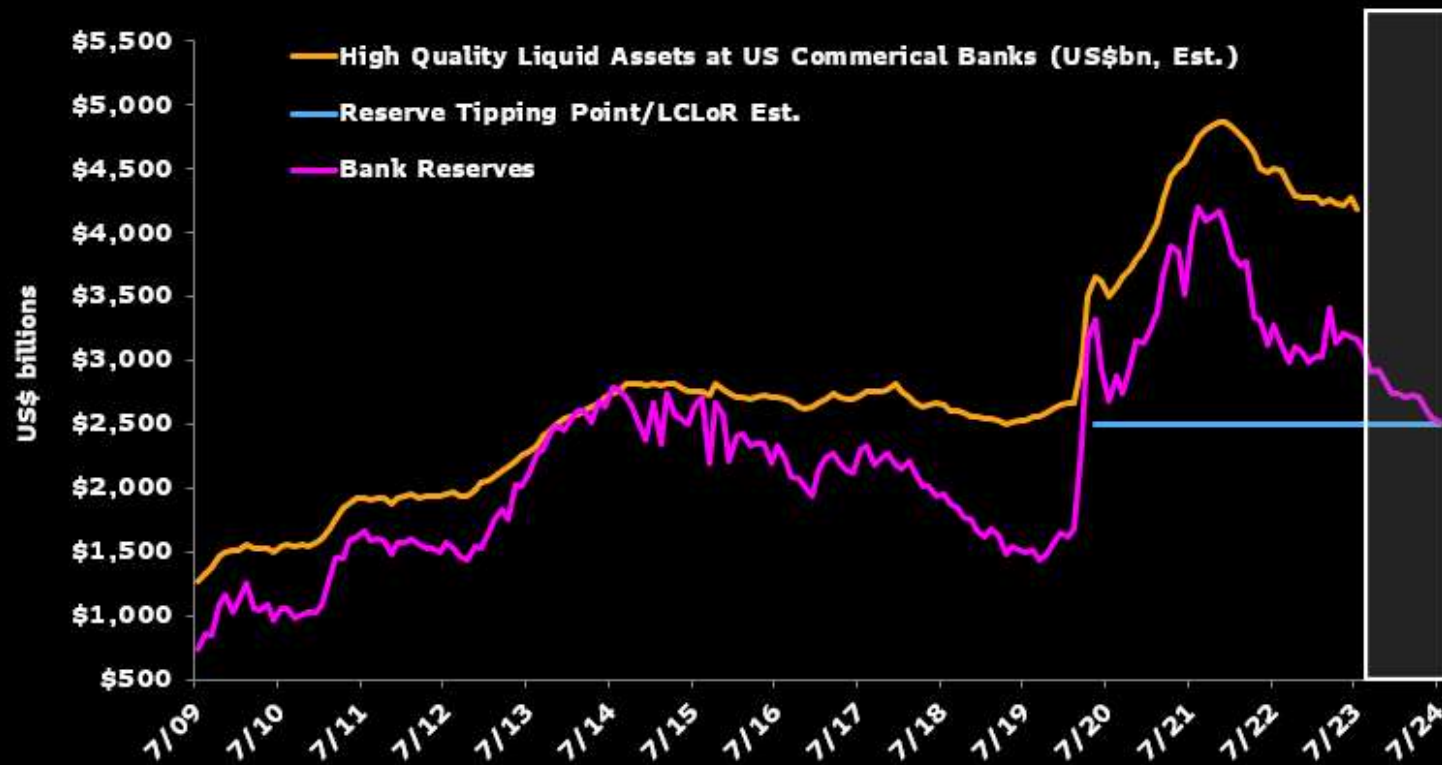
Source: Bloomberg Intelligence, G #BI 122924
<https://blinks.bloomberg.com/news/stories/S2EXS4DWRGG0>

Market Pricing Unrealistic Policy Action



Source: Bloomberg Intelligence, G #BI 111430
<https://blinks.bloomberg.com/news/stories/S2B8G8T1UM0W>

Balance Sheet Policy May Decouple From Rate Policy

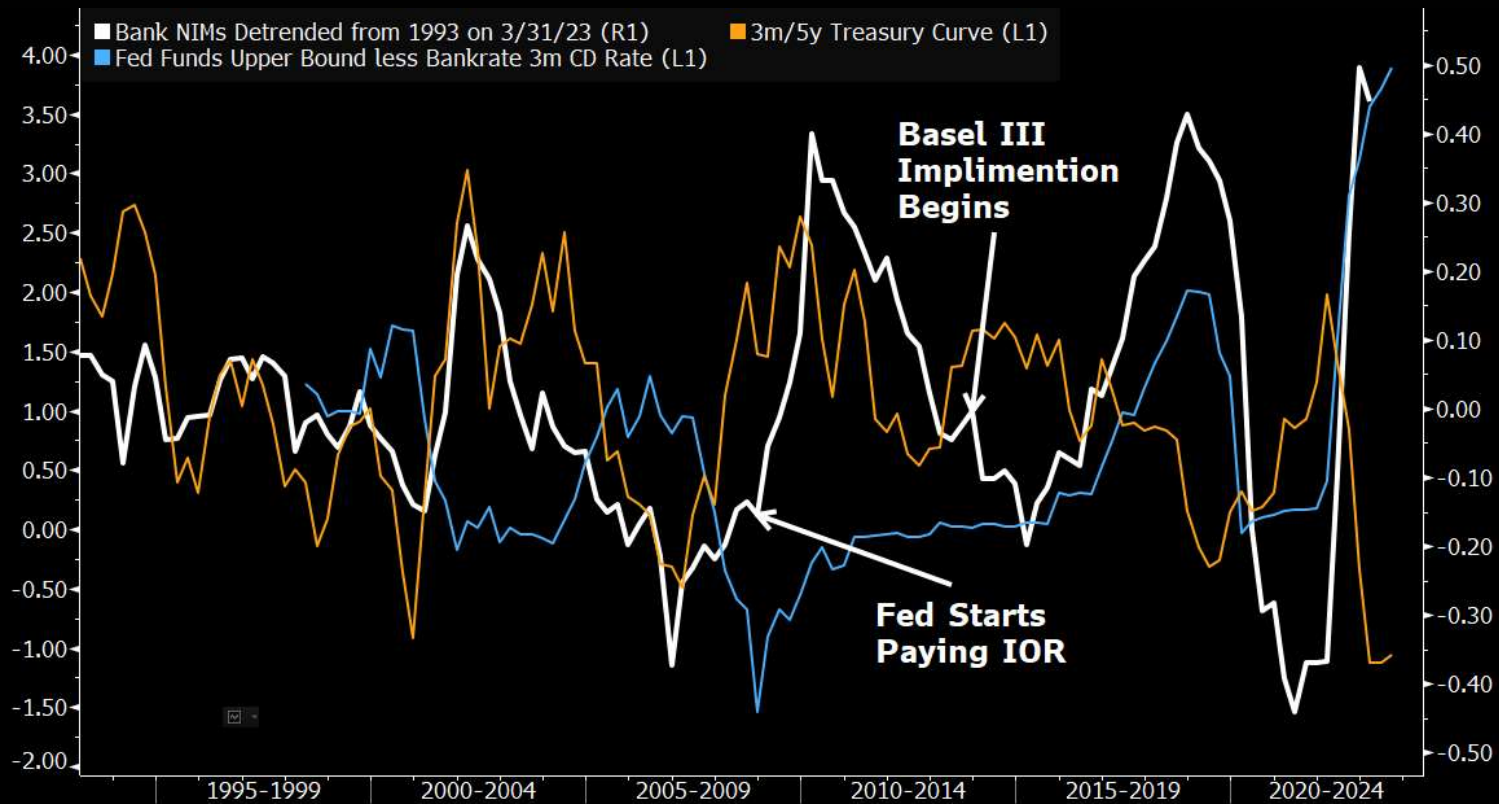


Source: Bloomberg Intelligence
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Large Bank HQLA & Liquidity Coverage Ratios

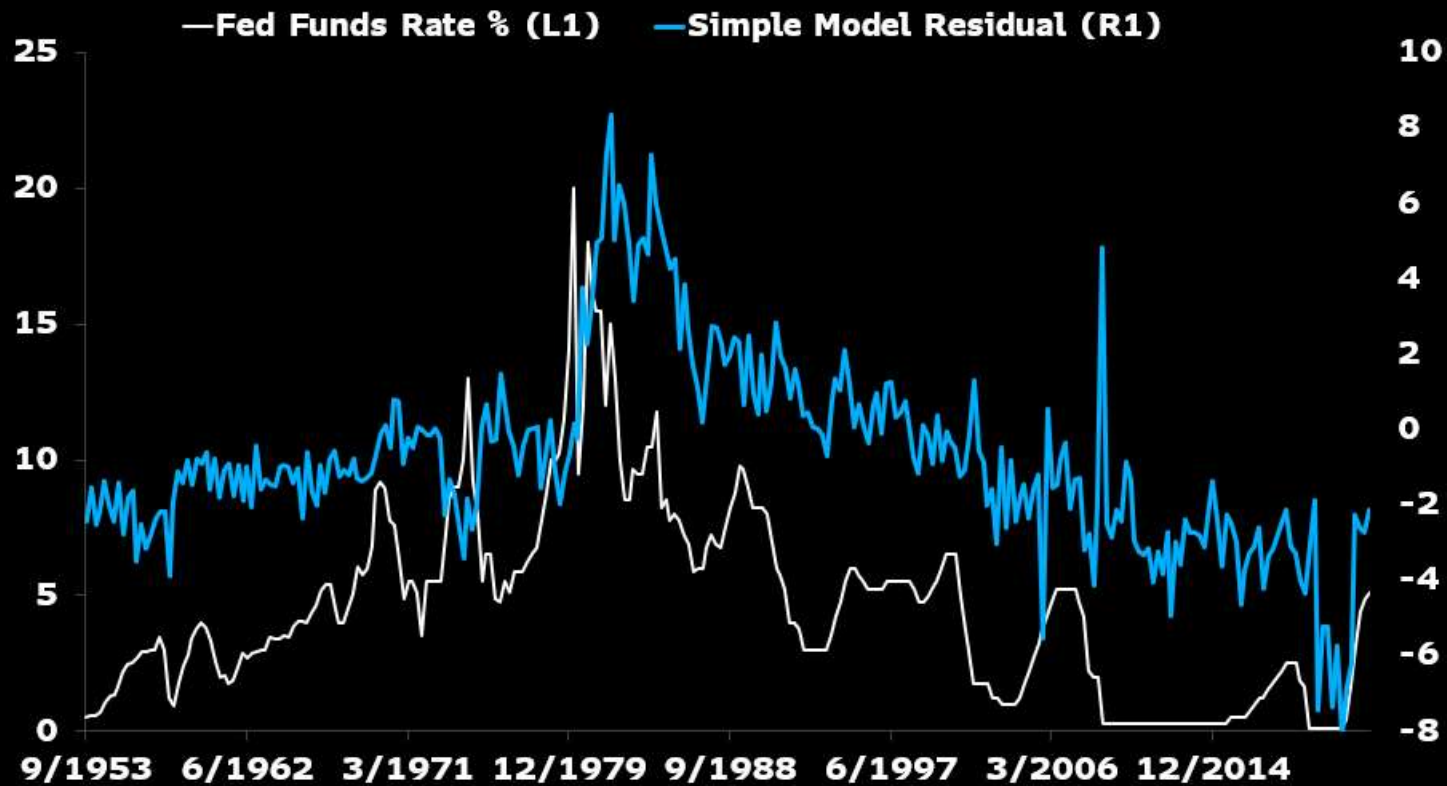
Ticker	HQLA (\$ Millions)	Liquidity Coverage Ratio	Assets (\$ Millions)	Minimum SIFI HQLA (LCR = 100) (\$ Millions)
JP Morgan	768,131	112	3,868,240	685,831
Bank of America	596,000	119	3,123,198	500,840
Wells Fargo	349,081	123	1,876,320	283,806
Citigroup	583,800	119	2,423,675	490,588
State Street	125,840	108	294,561	116,519
Goldman Sachs	330,507	126	1,571,386	262,307
Morgan Stanley	240,300	132	1,164,911	182,045
BNY Mellon	198,000	120	430,382	165,000
Total	3,191,659		14,752,673	2,686,937

Yield-Curve Effect on Bank NIMs Has Shifted



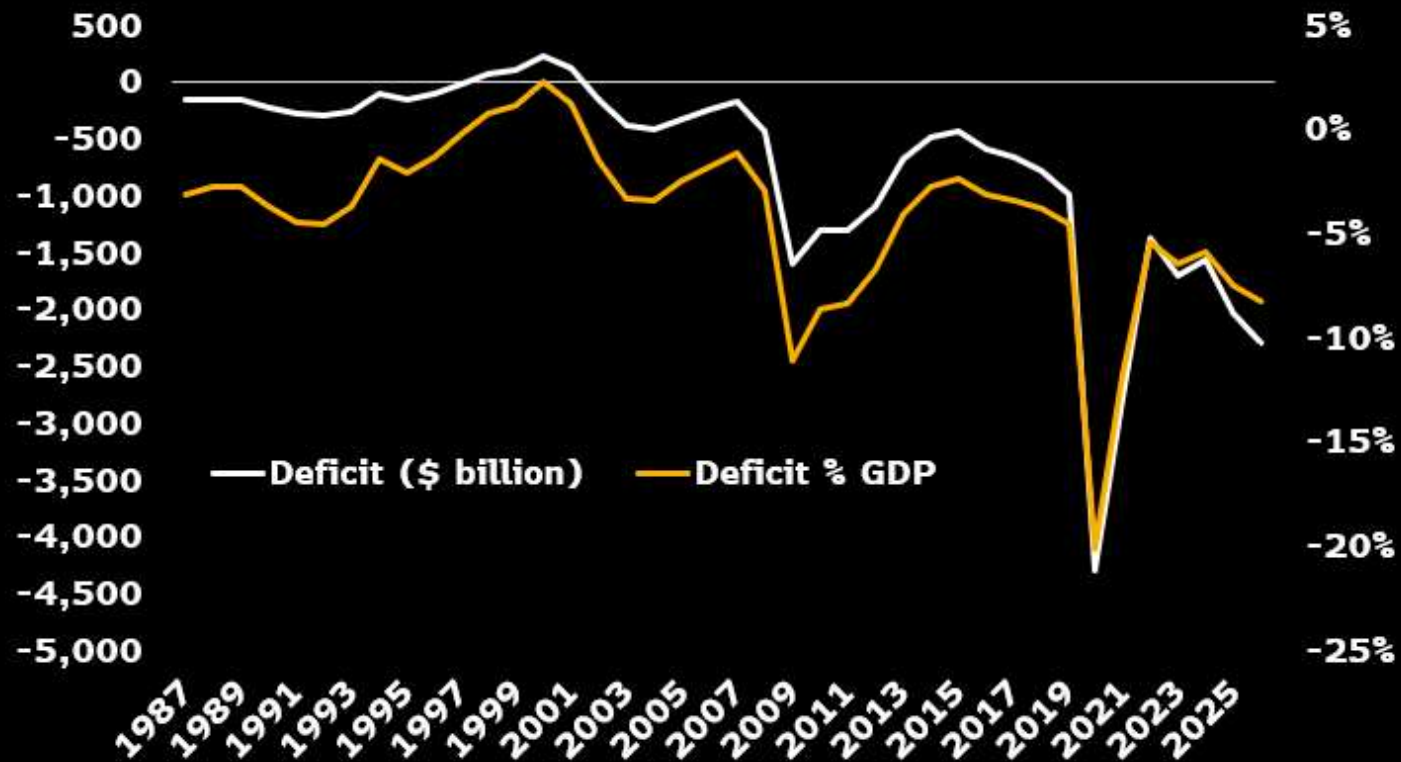
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Markets Don't Ignore Central Bank Policy



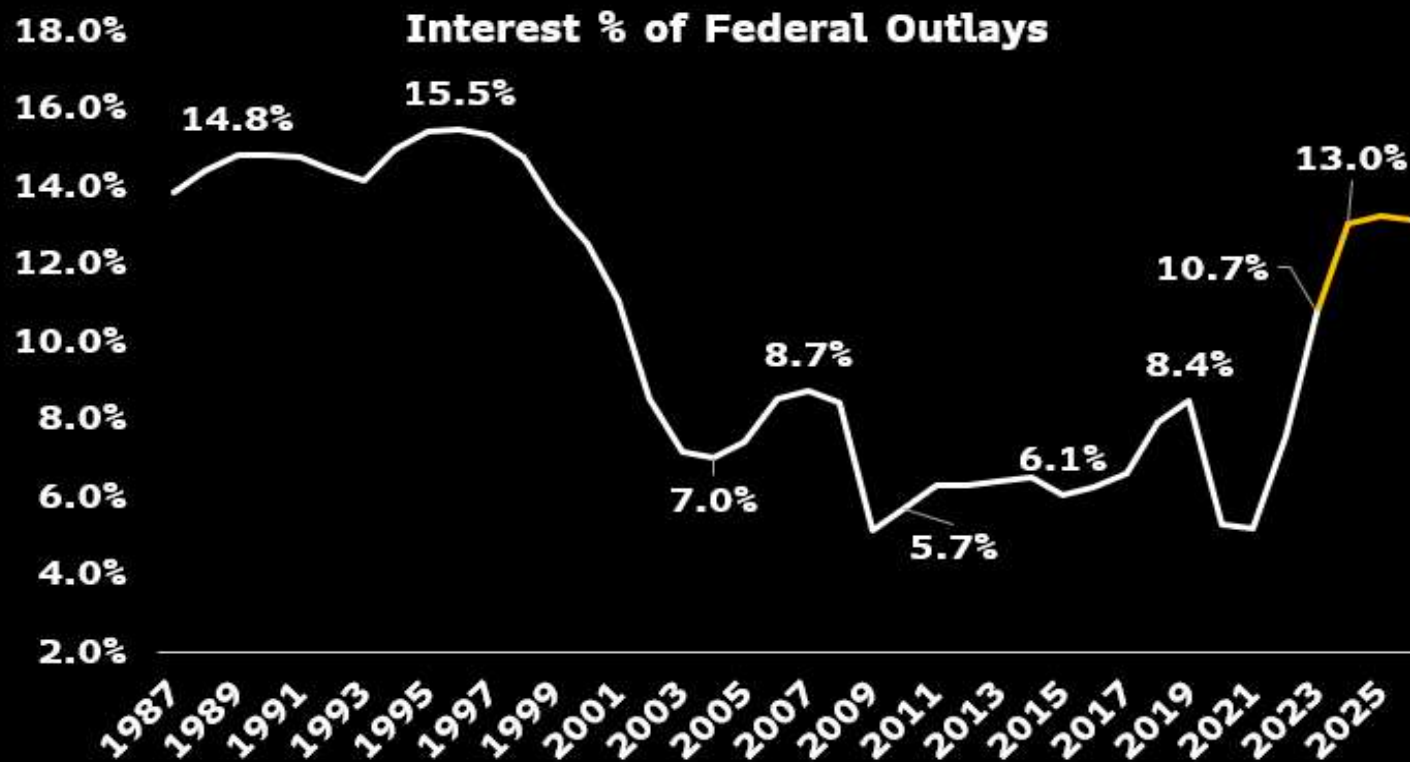
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BI US Federal Deficit Forecasts



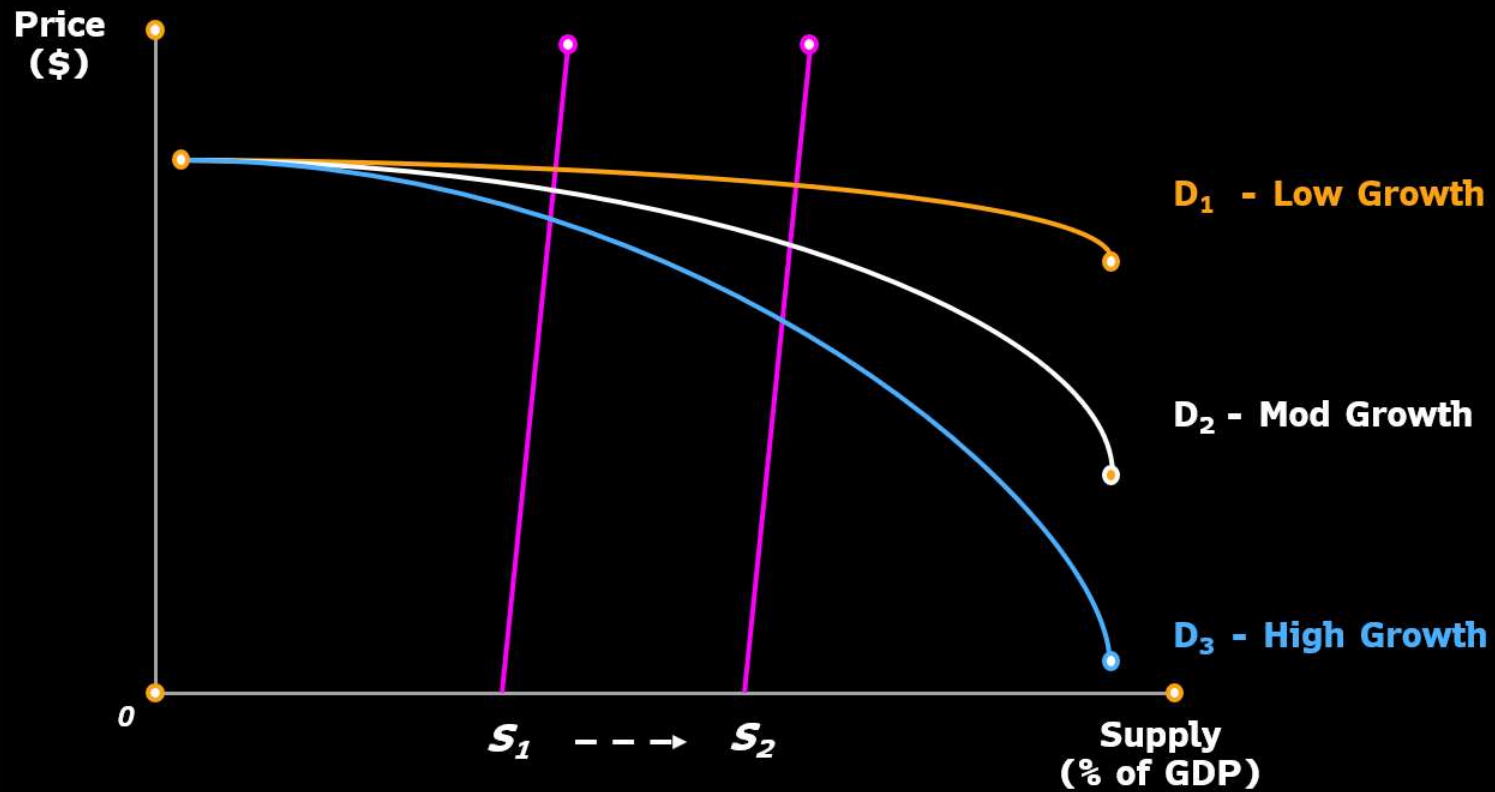
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Interest Payments Share of Federal Outlays



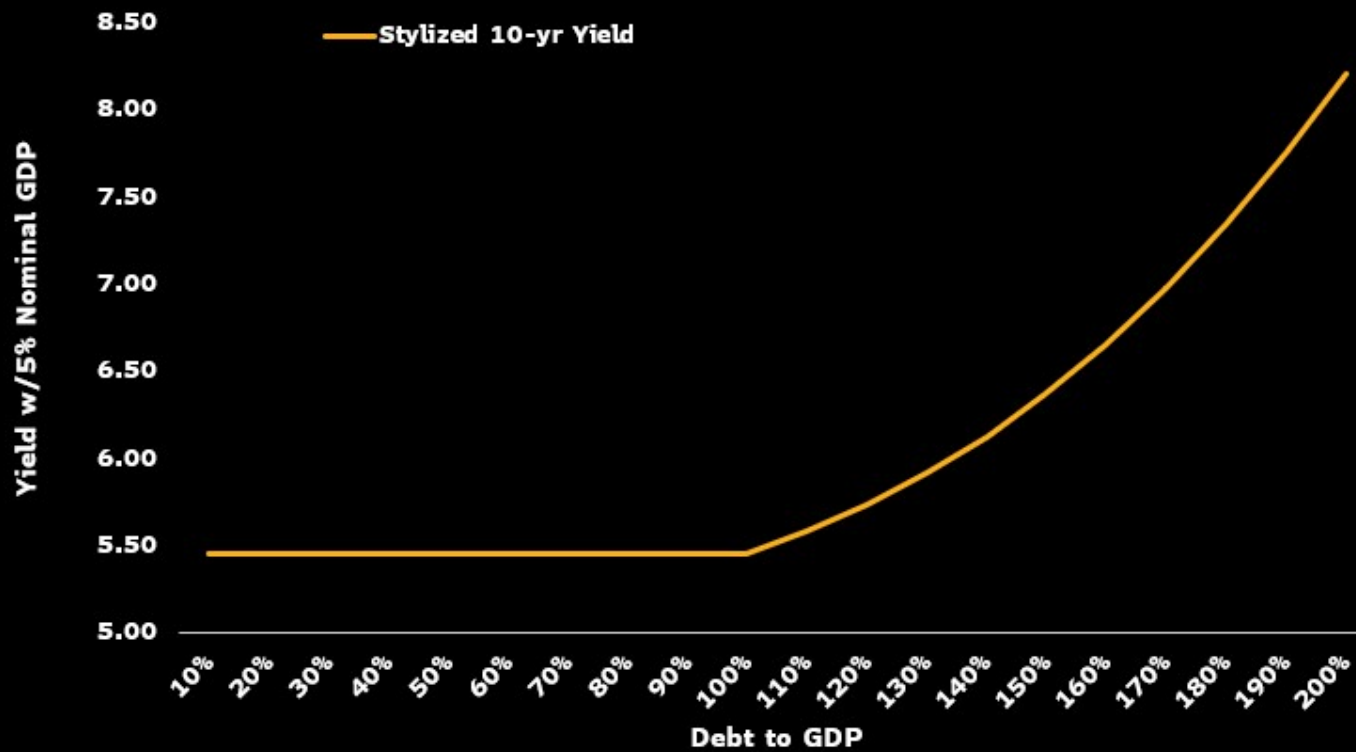
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Sensitivity of Yields to Supply and Economic Shifts



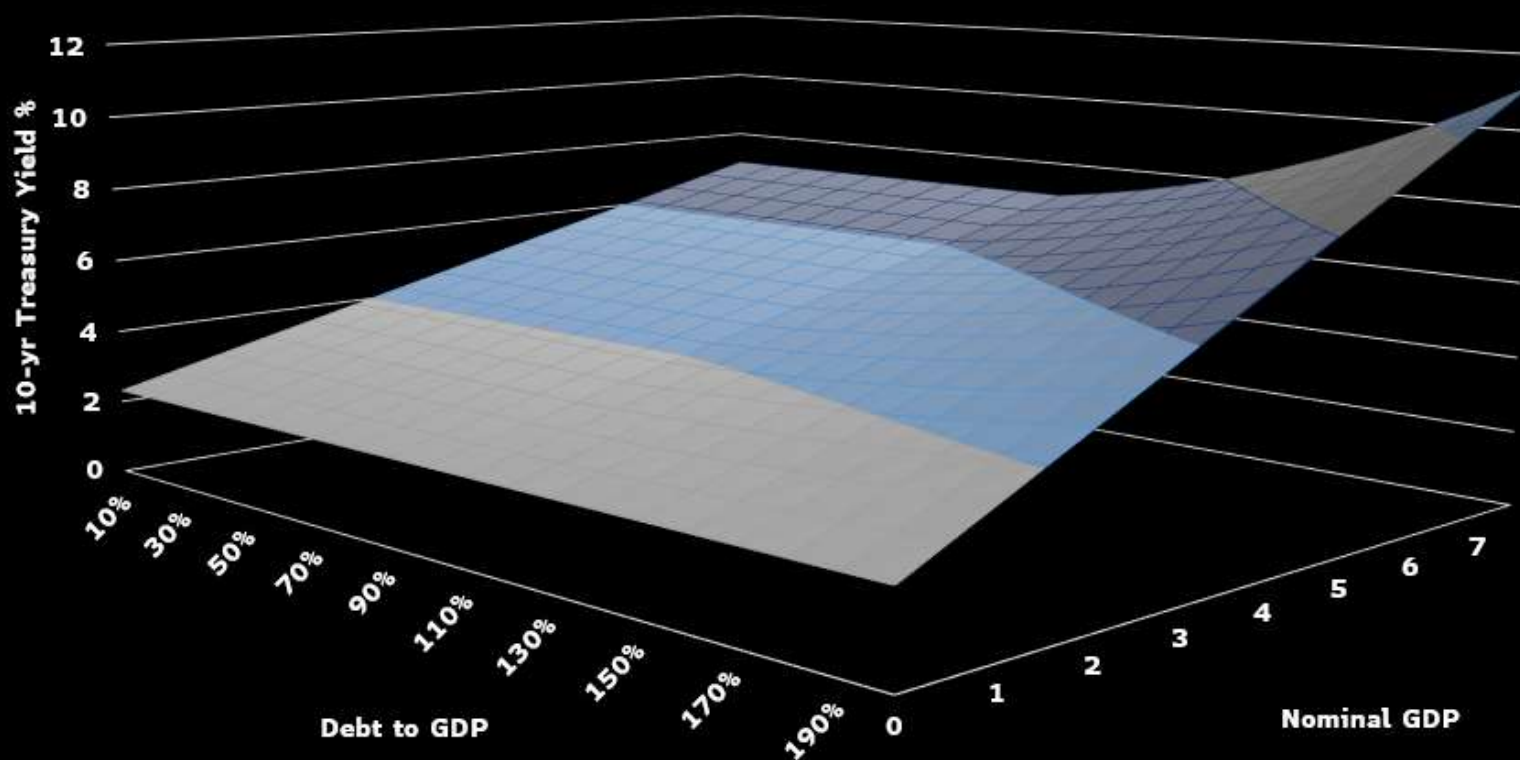
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Debt Supply Doesn't Matter, Until it Does



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Yield Beta Shift to Economy As Supply Swells



Source: Bloomberg Intelligence
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Treasury Yield Forecasts

	3m SOFR	2s	5s	10s	30s	2s5s	2s10s	5s10s	10s30s	2s5s10s	5s10s30s
Actual 10/31/23	5.38	5.07	4.81	4.86	5.01	-0.26	-0.21	0.05	0.15	-0.31	-0.09
12/31/2024											
BI Forecast	4.48	3.75	3.24	3.22	3.57	-0.51	-0.53	-0.02	0.35	-0.49	-0.37
Consensus Forecast	4.35	3.63	3.65	3.77	4.03	0.02	0.14	0.12	0.26	-0.10	-0.14
Implied Forwards	4.62	4.61	4.72	4.89	4.97	0.11	0.28	0.16	0.08	-0.05	0.08
12/31/2025											
BI Forecast	2.48	2.65	2.98	3.25	4.02	0.33	0.60	0.27	0.77	0.06	-0.50
Consensus Forecast	3.28	3.54	3.43	3.59	3.83	-0.11	0.05	0.16	0.24	-0.27	-0.08
Implied Forwards	4.08	4.59	4.79	4.98	4.98	0.20	0.39	0.19	0.00	0.01	0.19

Note: Yields(%). Consensus using BYFC <GO>, Forwards using FWCV <GO>

Thank you

Contact the Bloomberg Intelligence Analysts

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Q&A

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