

U.S. Rates Outlook

November 2021

Bloomberg Intelligence

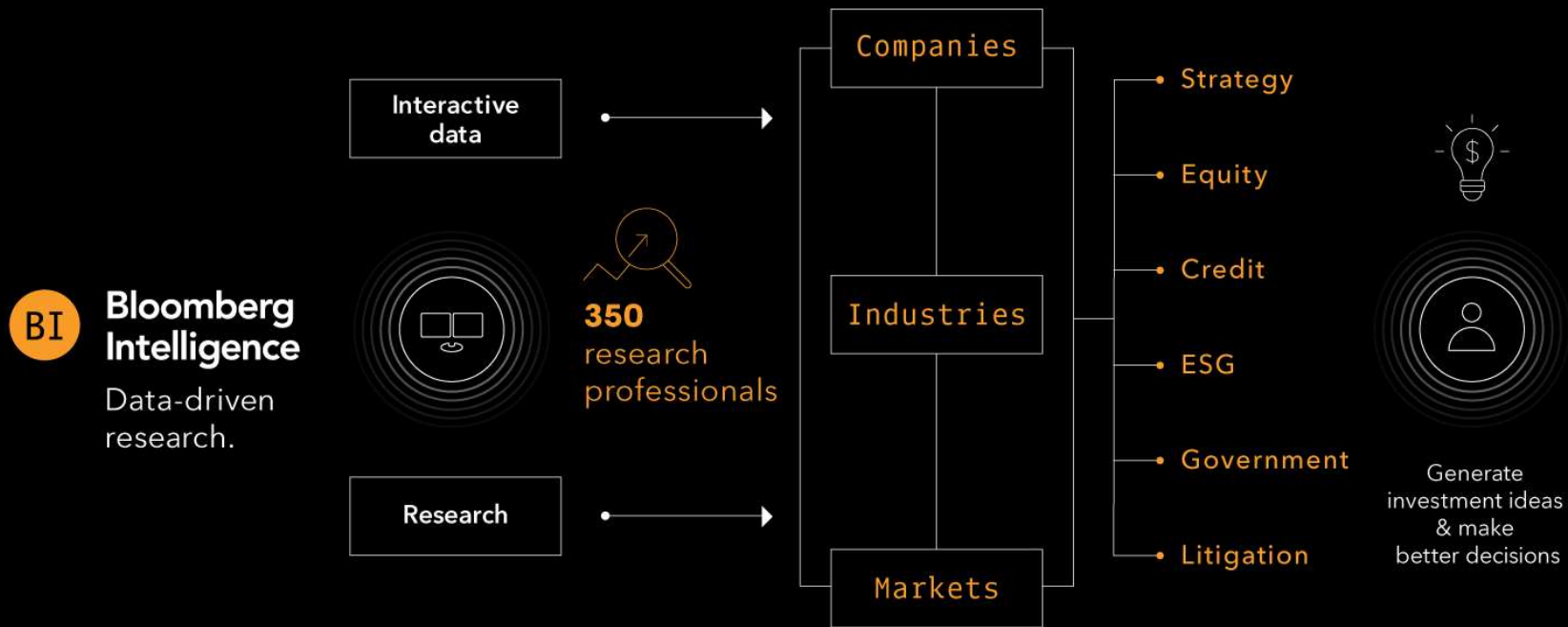
500+
data contributors

135+
industries

2,000+
companies

15yrs
avg. analyst experience

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Interest Rates Dashboard (BI RATEN) North America ★

Research	Outlook (Click to see more) »	Key Indicators	Latest
Dashbd Home	10-Year Yield May Approach 2% in 2022: November Rates ...	Rate Markets	
US 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	31) ISM New Orders	59.80
EU Rates		32) ISM Manufactu...	60.80
Asia Rates		33) ISM Non-Manuf...	66.70
Strat. Monthly		34) IP YoY	-7.21
Index Primers		35) Nom. PCE	10.90
Derivatives	36) Core PCE Def.	3.64	
Data Library	37) Retail Sales YoY	13.95	
US Market Data	38) Federal Funds25	
EU Market Data	Featured Research		
Asia Data	1) Low Fed Policy Rate May Ease Supply Chain Stress		
Asset Inflation	2) Real Retail Sales and TIPS Inflation Breakevens		
Flow Data	3) Inflation, Wages, Supply Disruptions		
Auctions	4) Sentiment of Sept. Minutes Tilts Hawkish		
Index Attribut...	Most Recent More » All Research ▾		
DTS	5) ✓ Fed Could Taper Faster, Hike Earlier If Inflation Fear Elevates	07:12	
Scenarios	6) ✓ 彭博經濟研究：美國10月CPI處於30年高點 但仍未見頂	11/10	
Monitor	7) ✓ 彭博經濟研究：美國10月CPI處於30年高點 但仍未見頂	11/10	
Research	8) ✓ Debt Burden Servicing, Not Scale, Matters for APAC FX and Rates	11/10	
News	9) ✓ 彭博經濟研究：美國首次申請失業救濟人數下降 勞動力需求超過供應	11/10	
	10) ✓ 彭博經濟研究：美國首次申請失業救濟人數下降 勞動力需求超過供應	11/10	
	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

Ira Jersey

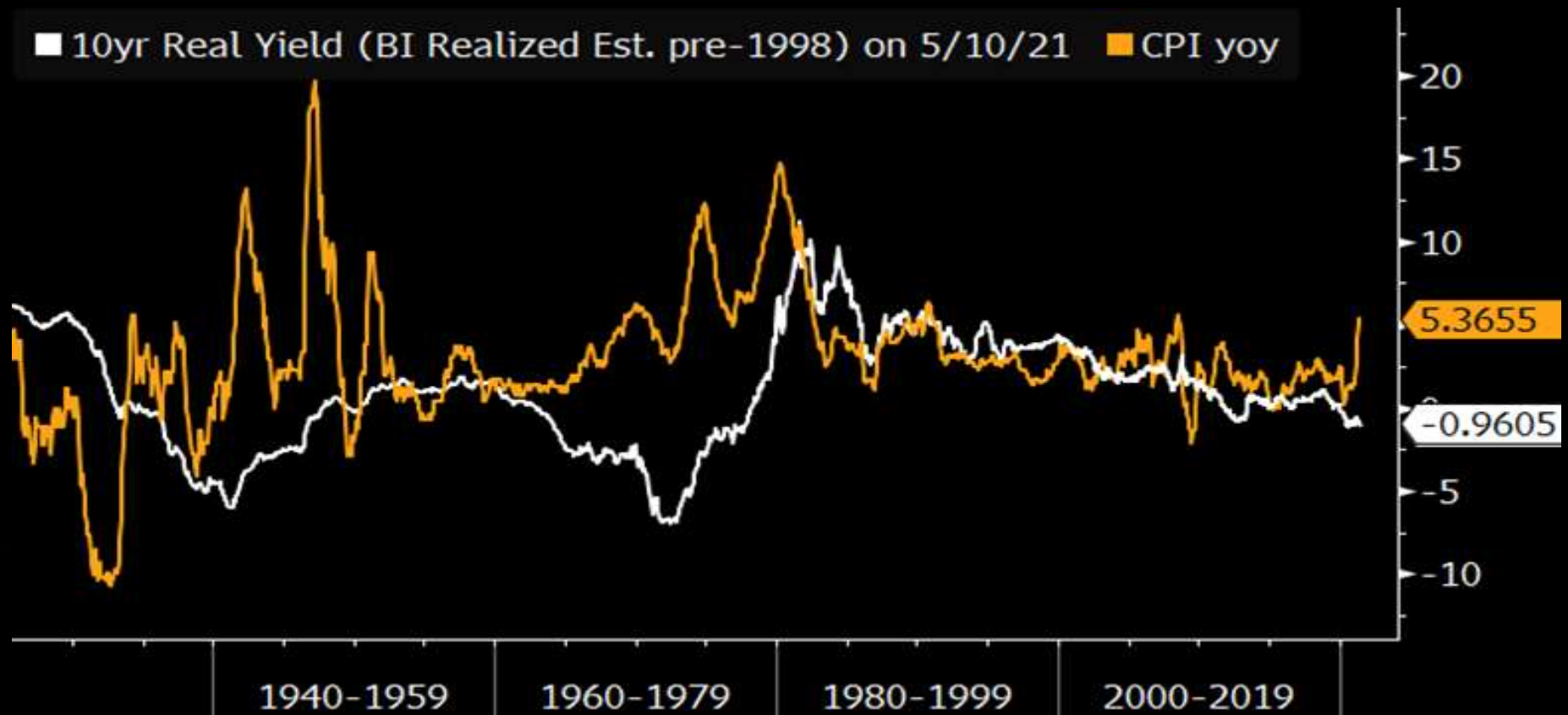
US Rates Strategist

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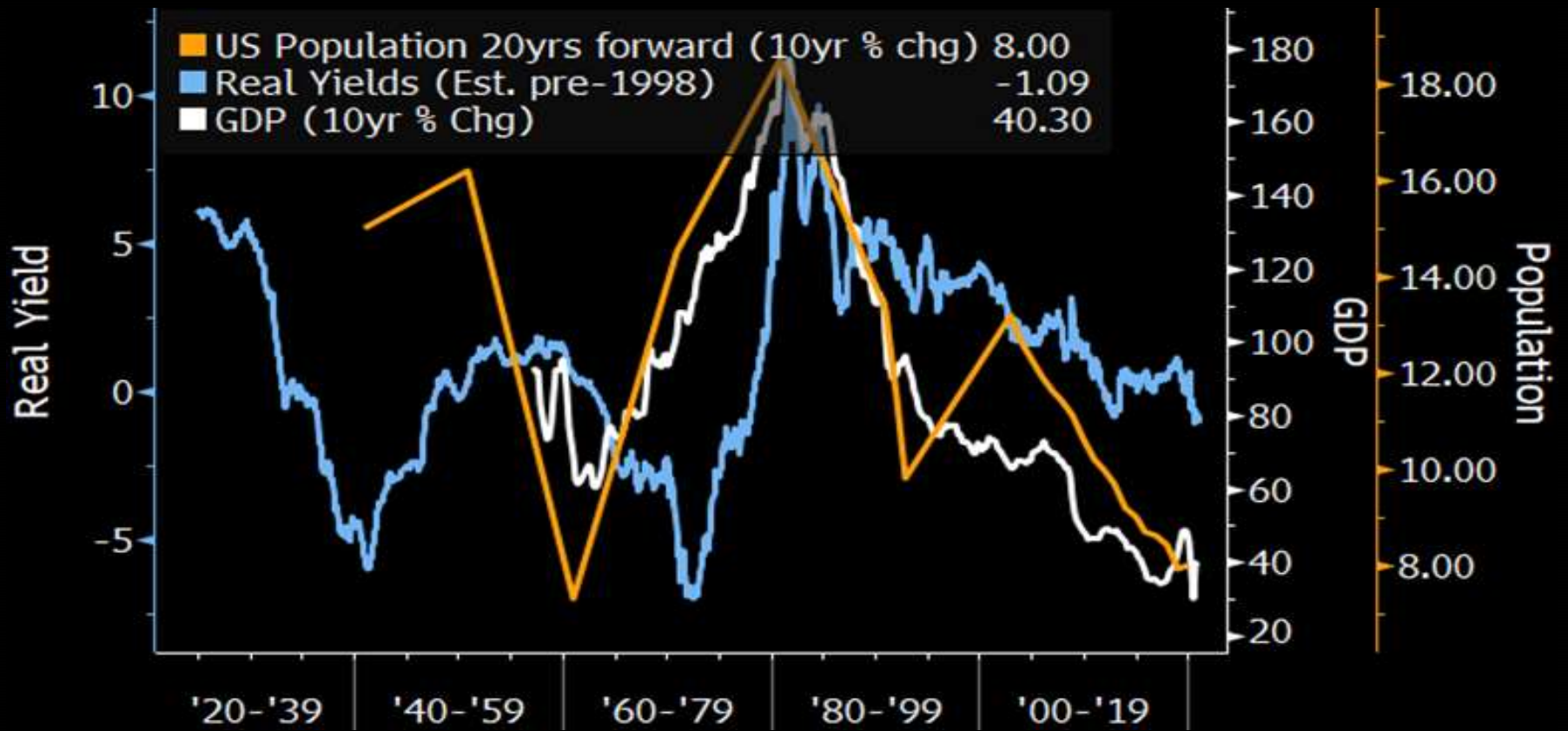
Long Term Yields



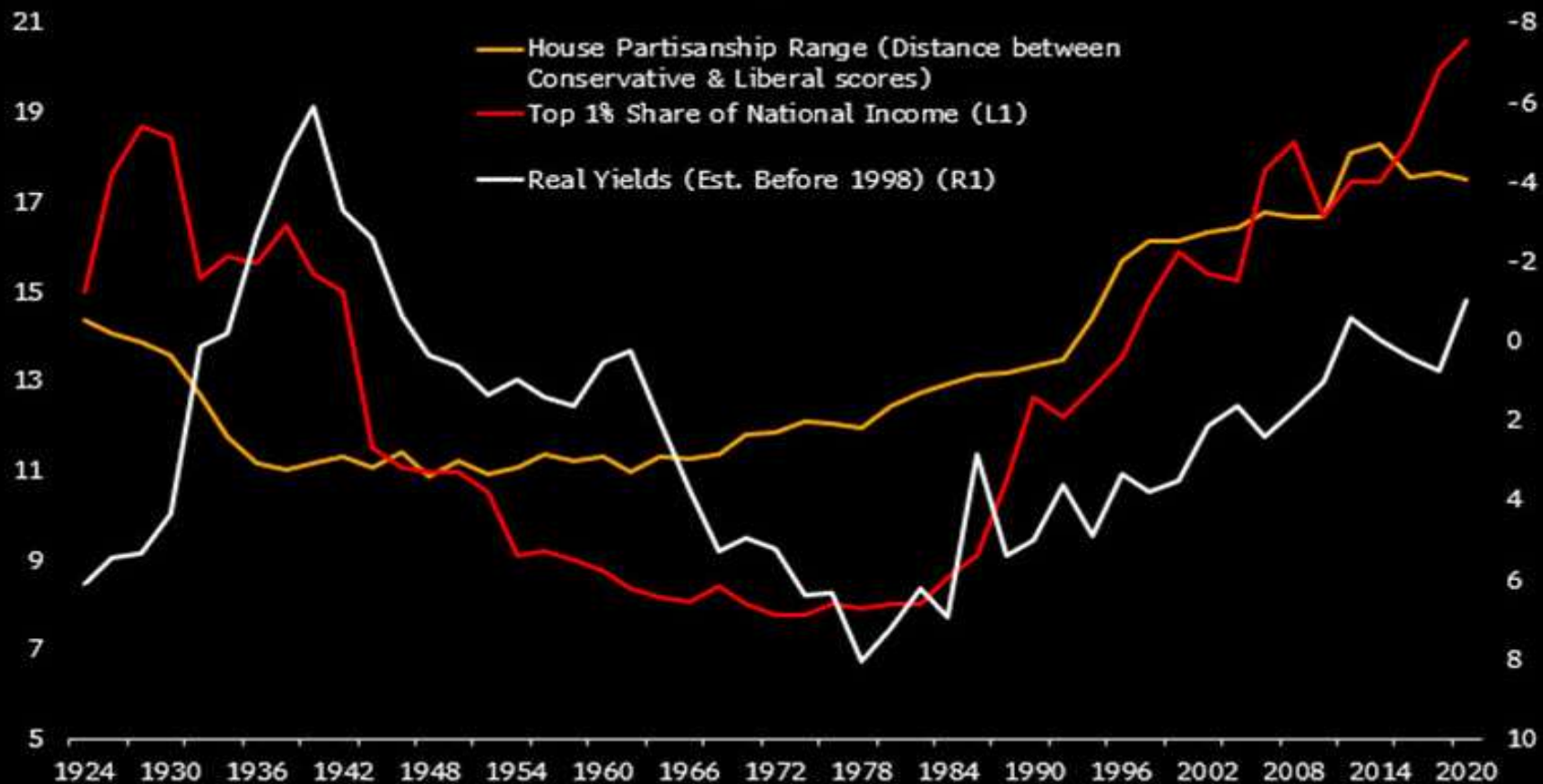
Long Term Real Yields & Inflation



Real Yields vs. Population Trends

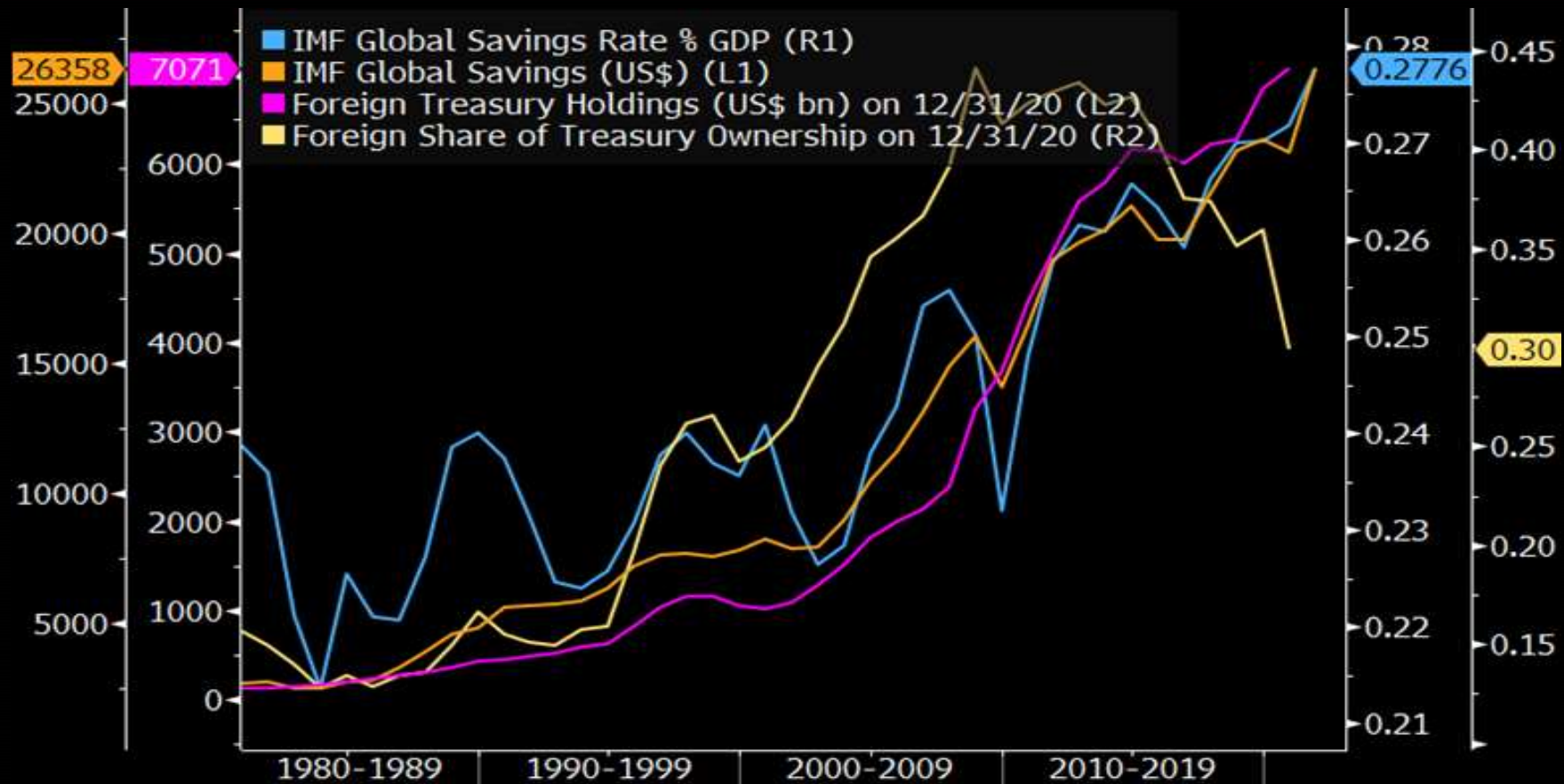


Real Yields vs. Income Inequality & Partisanship



Source: Bloomberg Intelligence, voteview.com, BLS

Global Savings Finding Home in Treasuries



Source: Bloomberg Intelligence, G #BI 110346



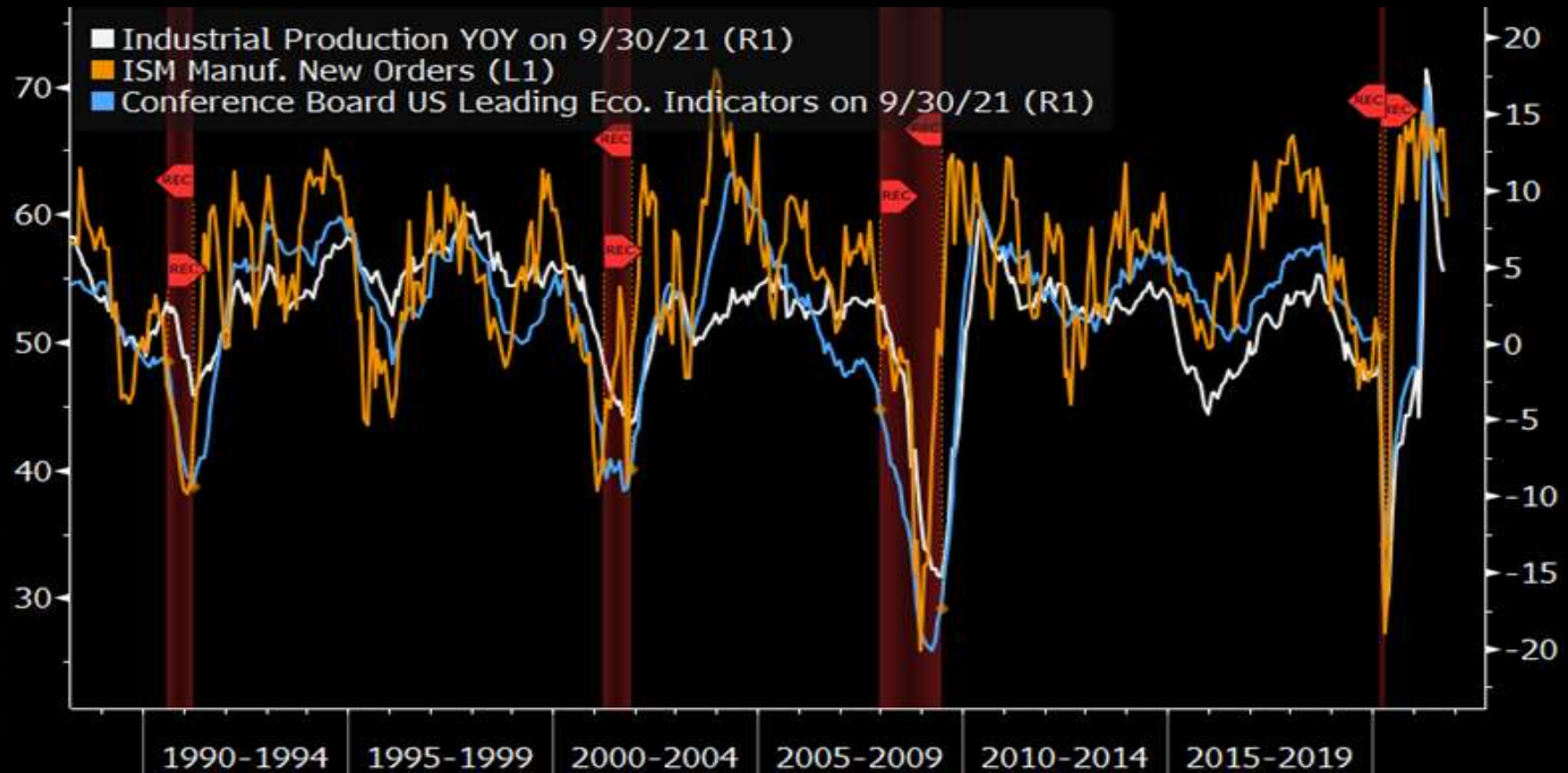
The Medium Term

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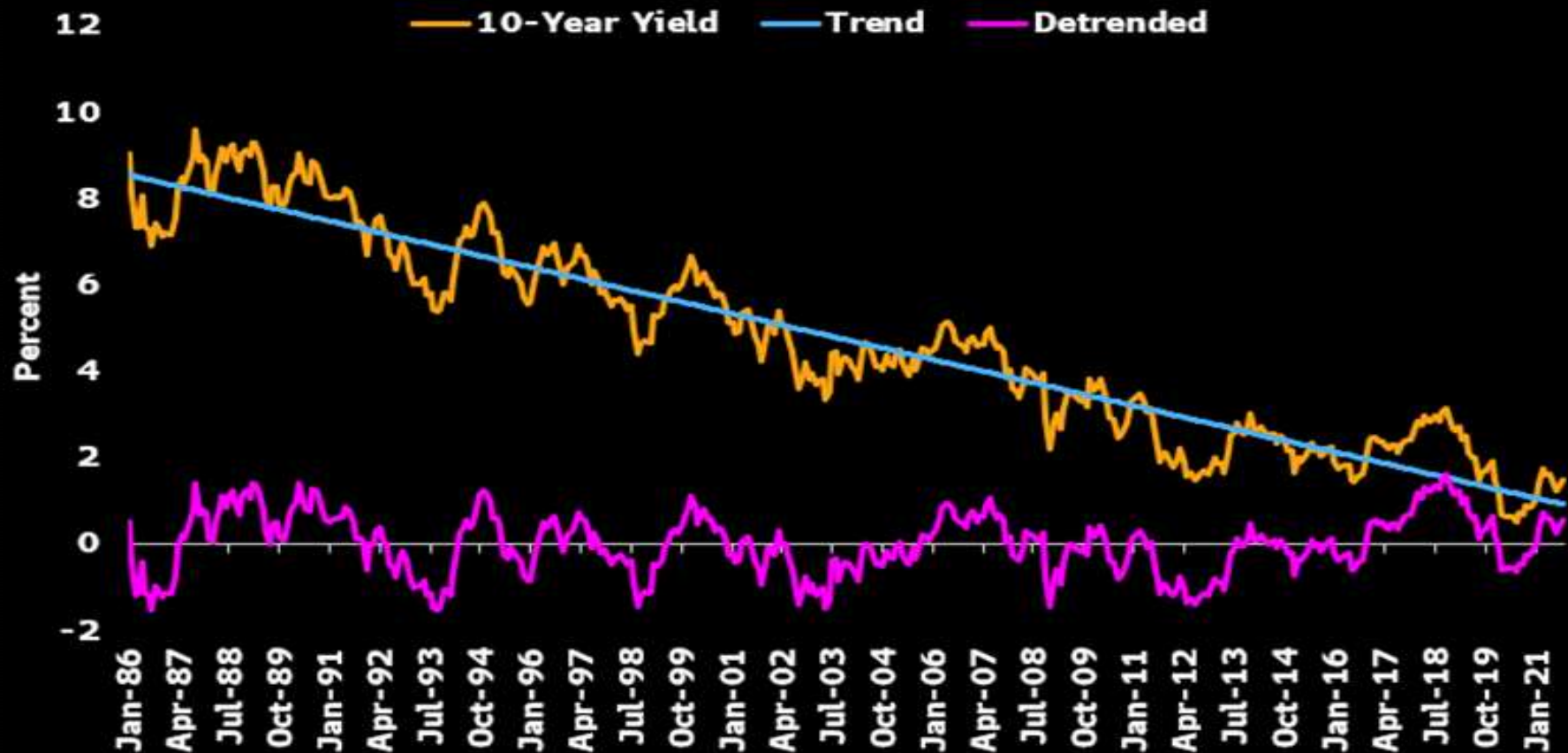
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Economic Momentum



Source: Bloomberg Intelligence, G #BI 14042

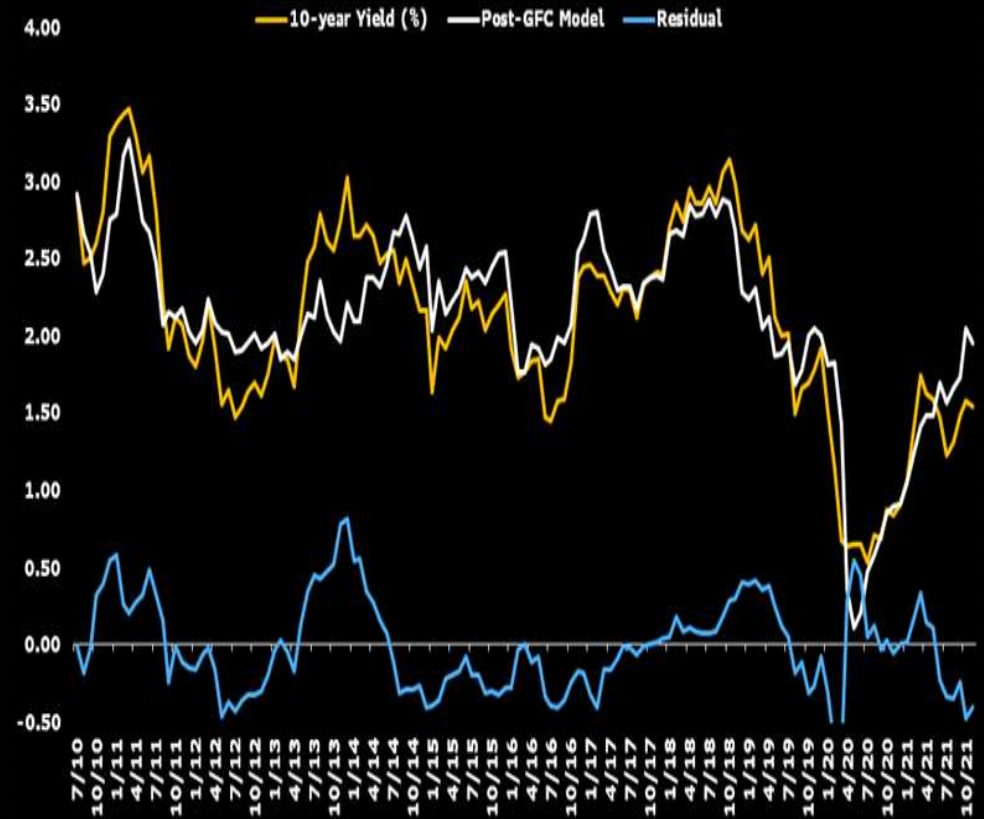
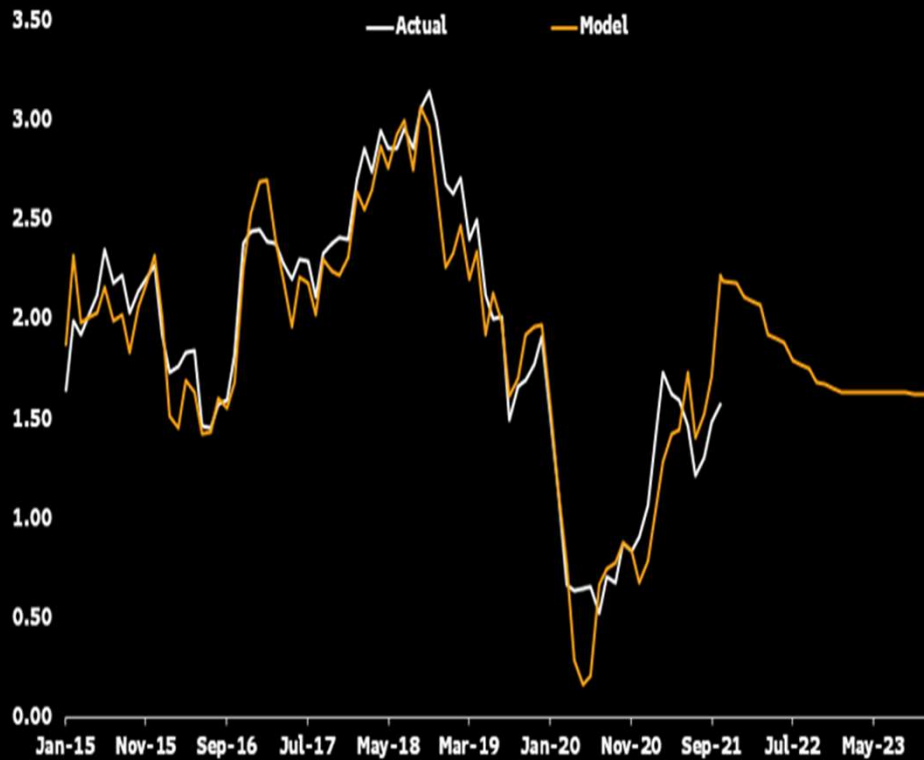
10-year Yield vs. Trend



Source: Bloomberg Intelligence



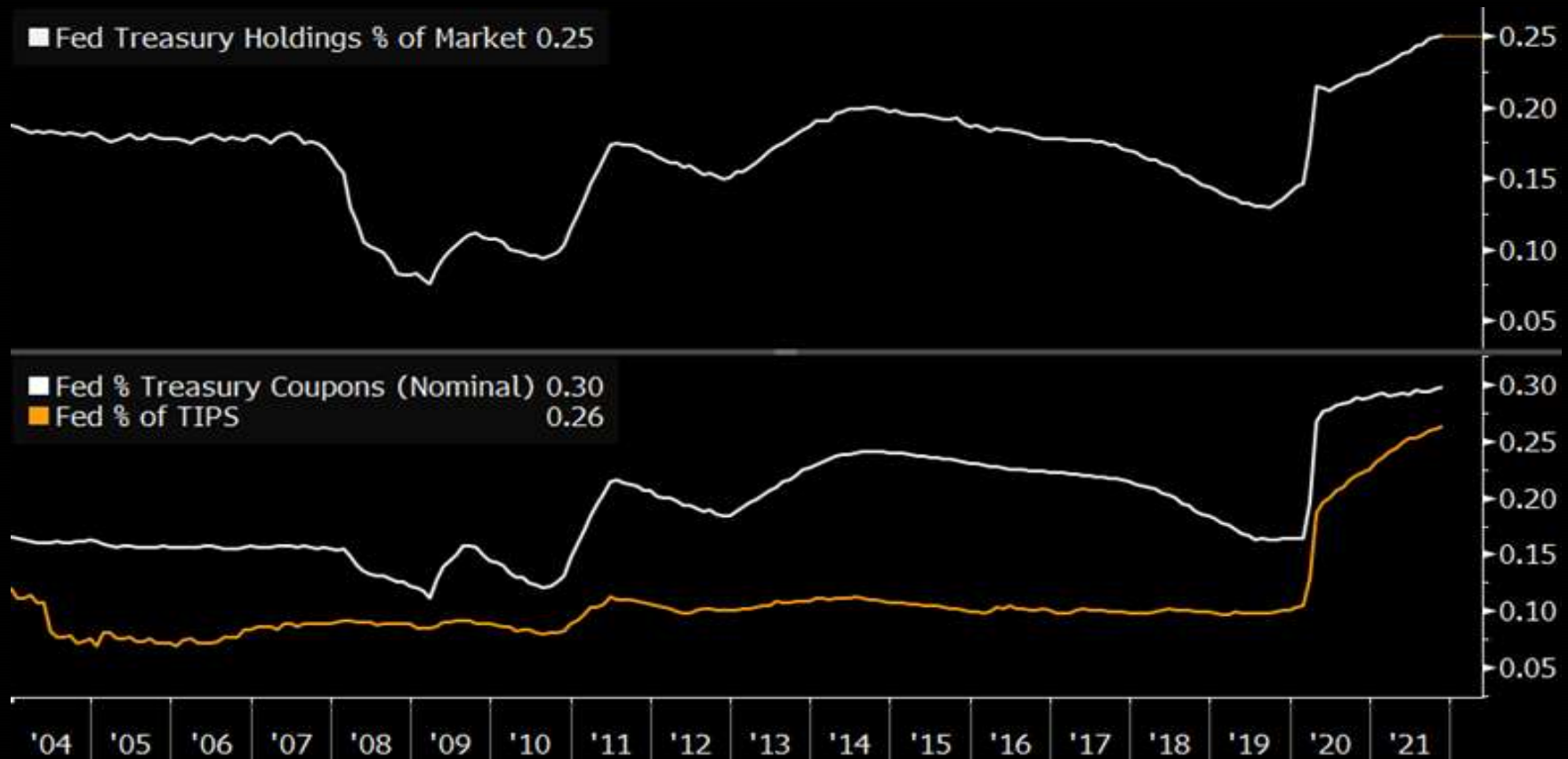
10-Year Long-Term Models



Source: Bloomberg Intelligence

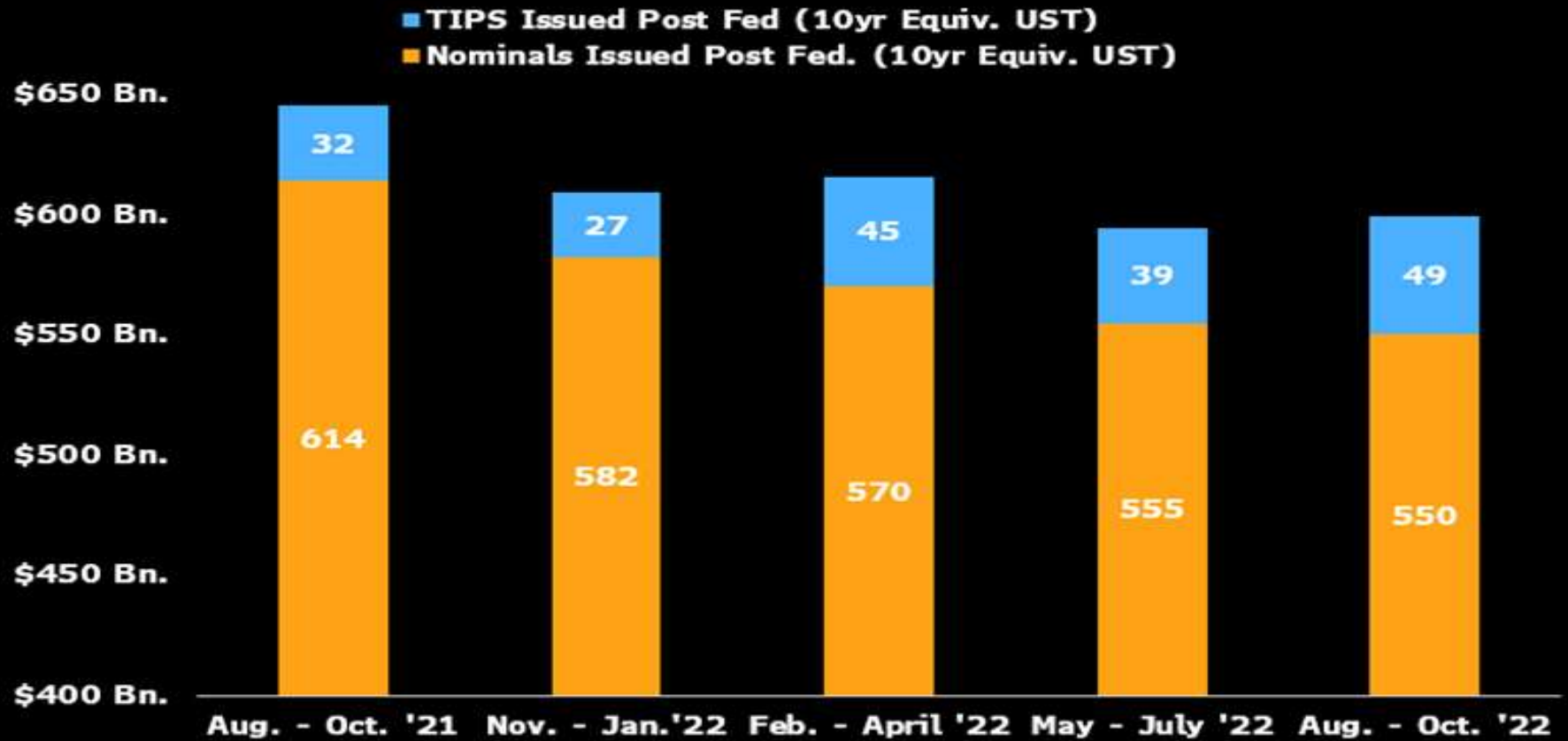
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Fed Treasury Holdings % of Market

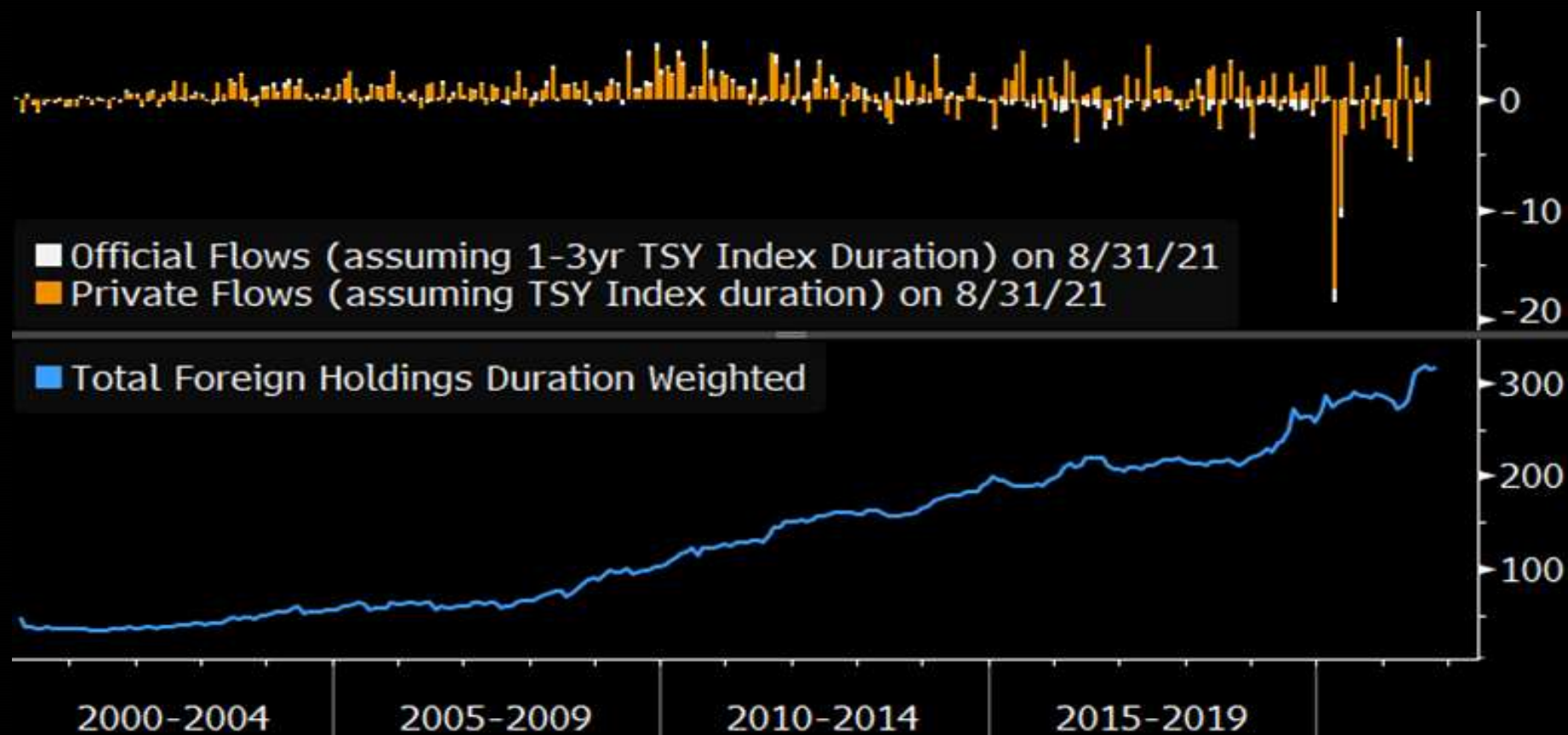


Source: Bloomberg Intelligence, G #BI 109712

Fed Taper VS Treasury Issuance Cut



Foreign Flows Private vs. Official



Source: Bloomberg Intelligence, G #BI 21614

The Short Term

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Retail Causing Real Yields to be Unrealistically Low



Source: Bloomberg Intelligence, as of oct. 26

10-year TIPS Breakevens and Real Yields

10-Yr TIPS Yield, Breakeven



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Source: Bloomberg Intelligence, G #BI 10667

Bloomberg Intelligence

Fair Value to Other Markets



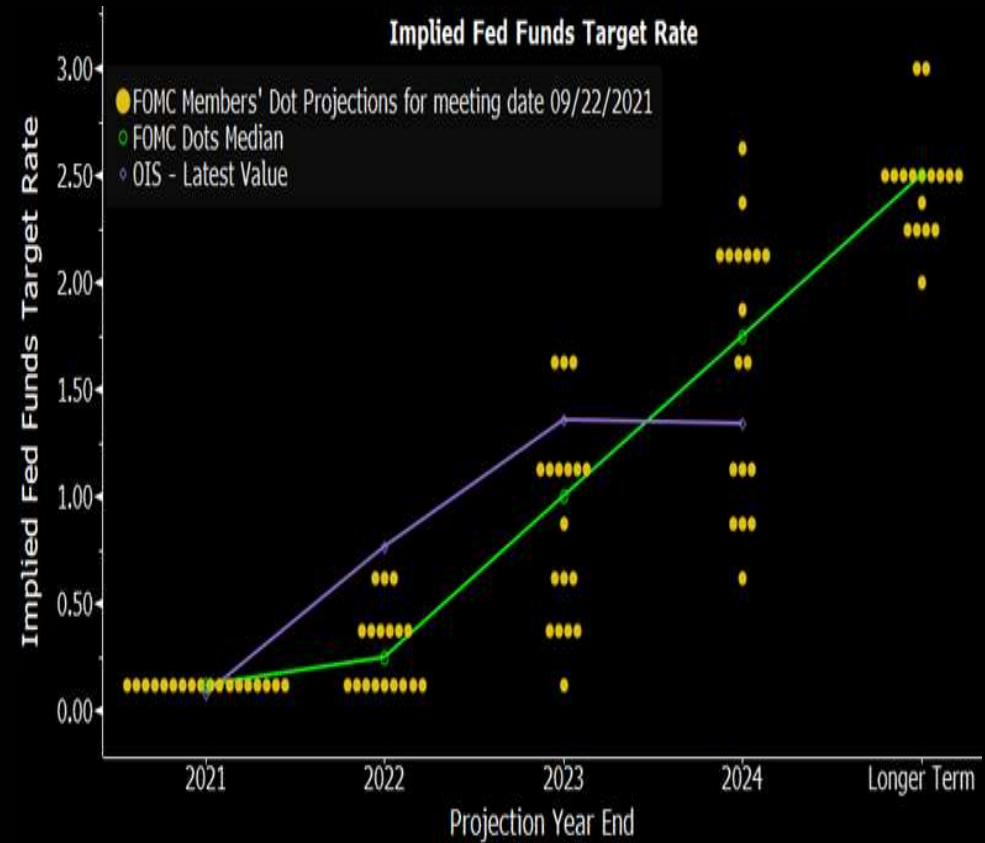
Source: Bloomberg Intelligence, G #BI 107600

Bloomberg Intelligence

RRP Facility vs New Reserves

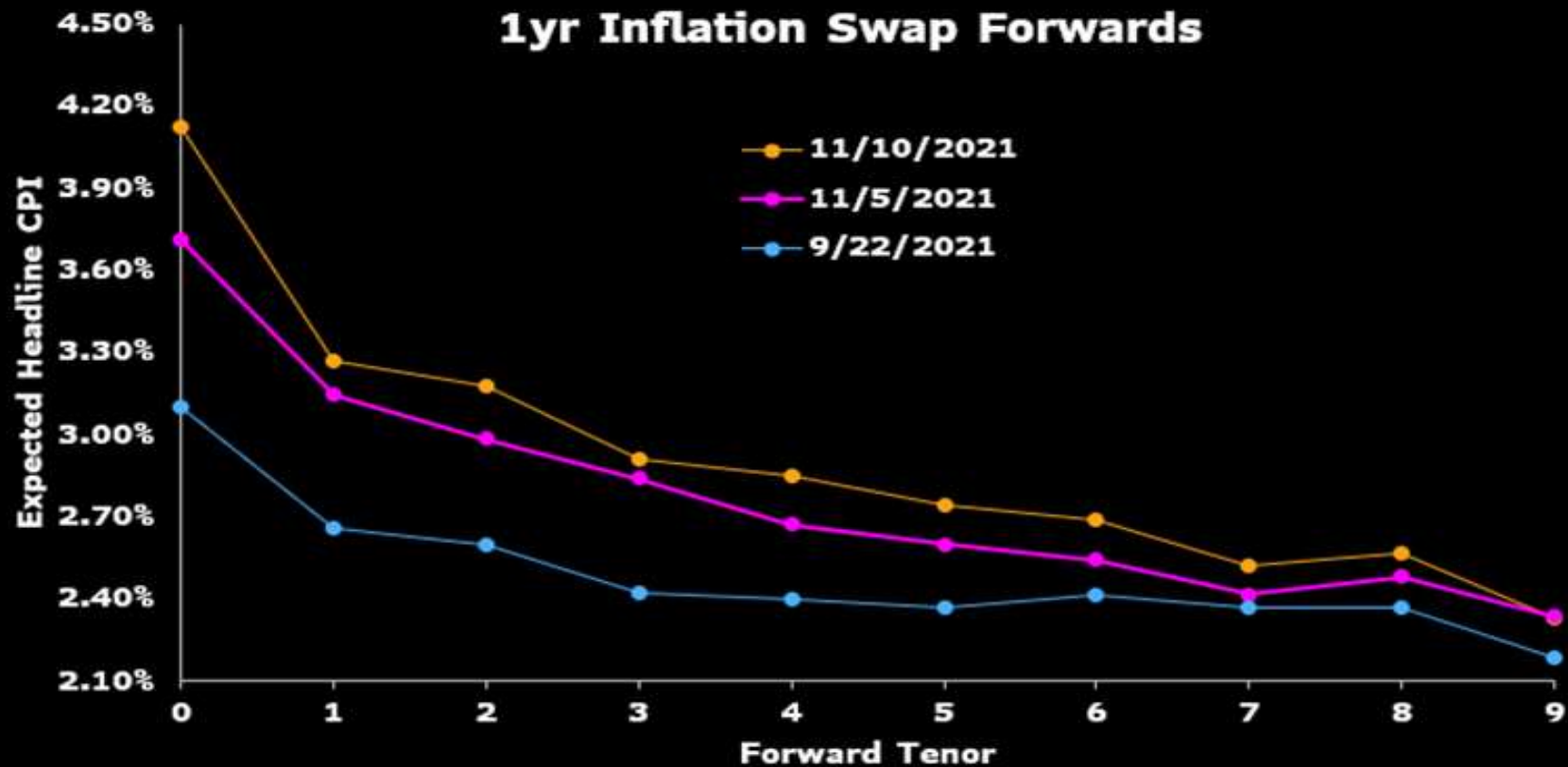
Month Ending	Monthly Purchase Pace	RRP Increase (0.9 beta)	RRP Increase (0.75 beta)	RRP Increase (0.5 beta)	RRP Increase (0.33 beta)
12/15/2021	105	95	79	53	35
1/15/2022	90	81	68	45	30
2/15/2022	75	68	56	38	25
3/15/2022	60	54	45	30	20
4/15/2022	45	41	34	23	15
5/15/2022	30	27	23	15	10
6/15/2022	15	14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

Fed Dots in 2022

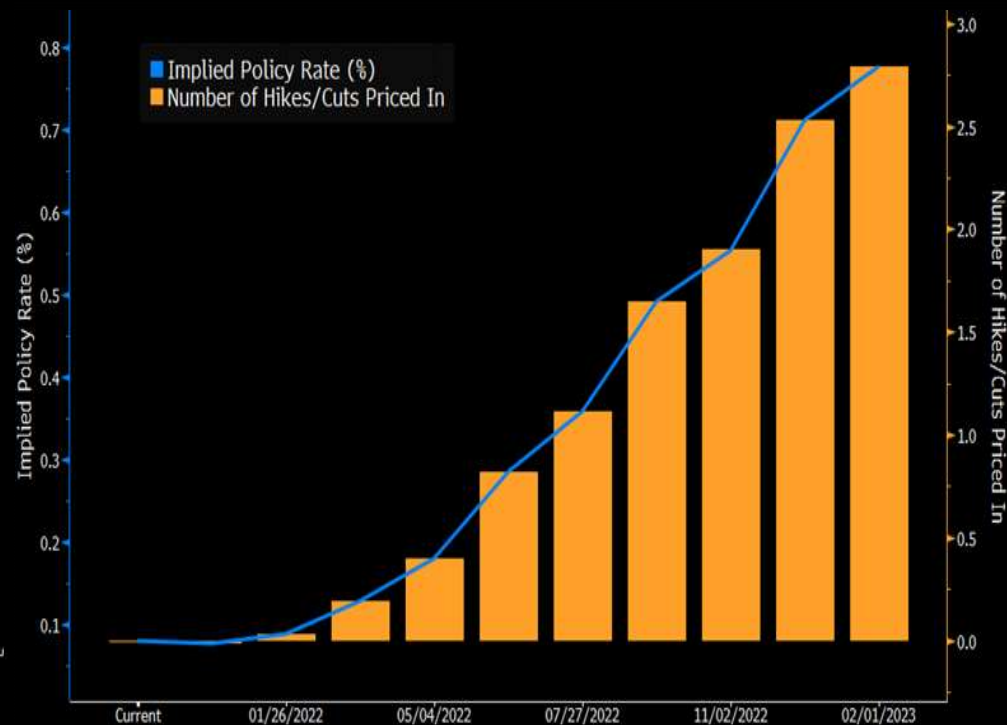
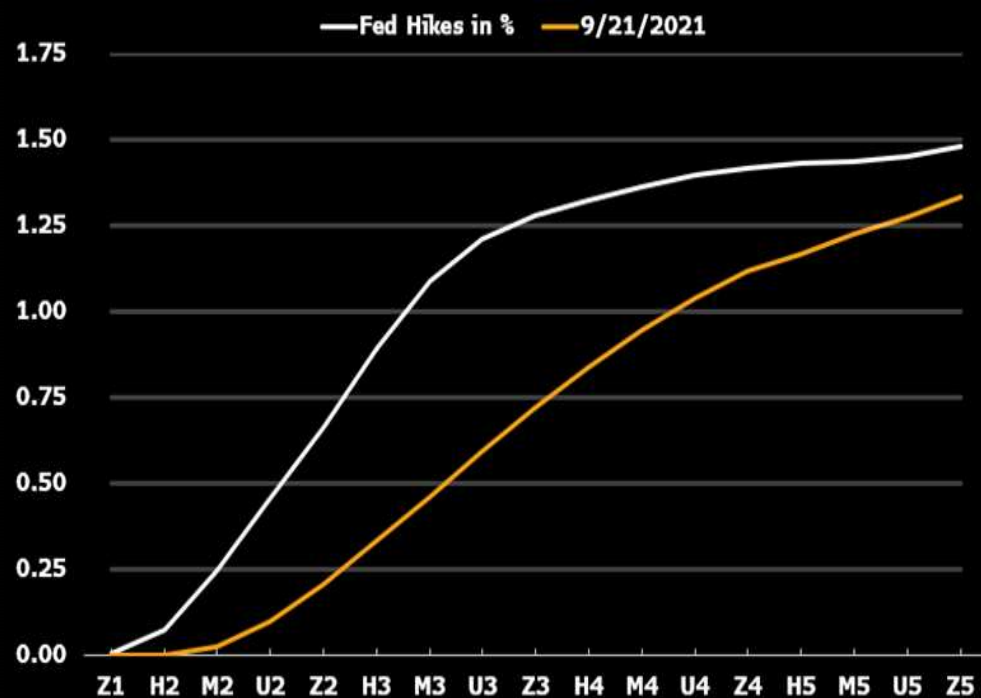


Source: Bloomberg Economics, Sept. 22, 2021, DOTS

Forward Inflation Pricing Has Shifted

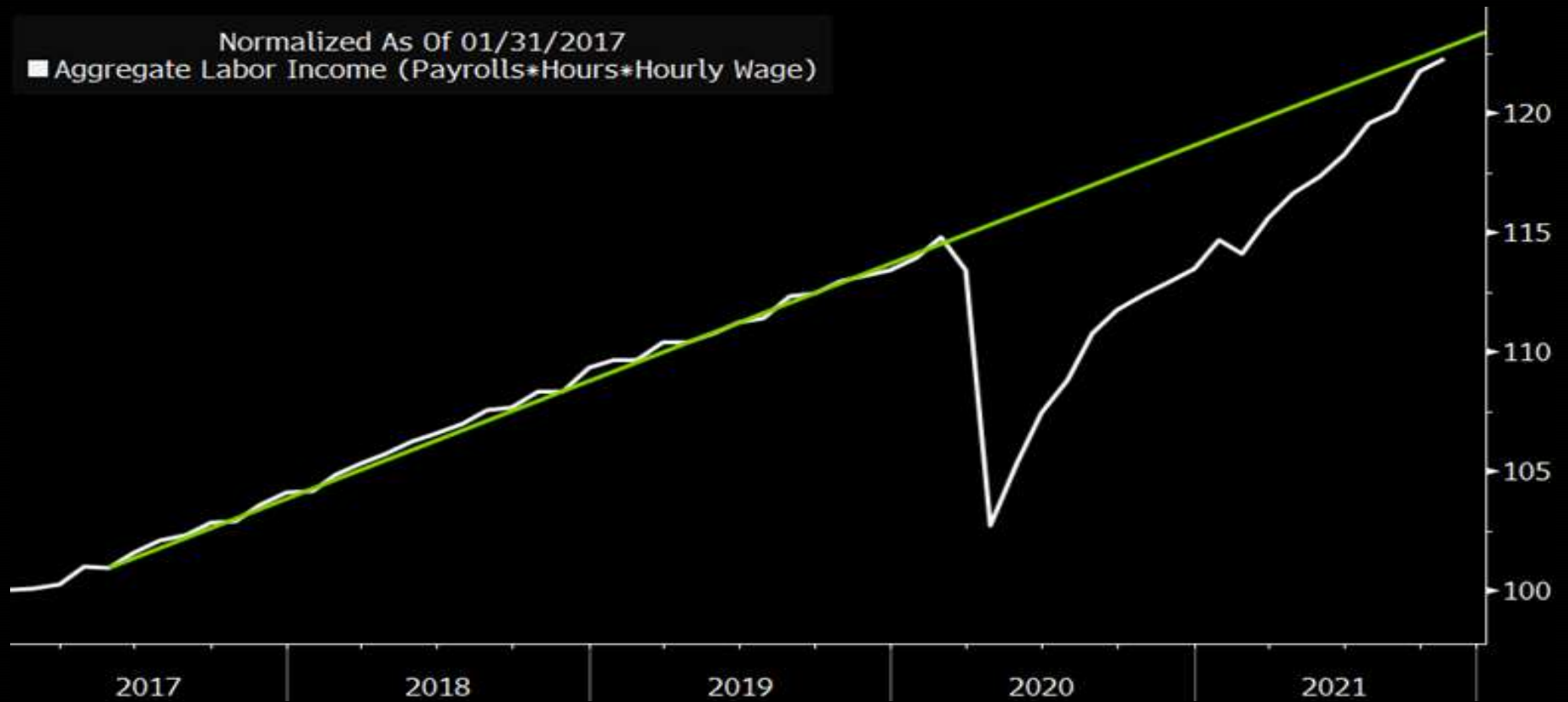


Market Priced For Six Rate Hikes



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

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

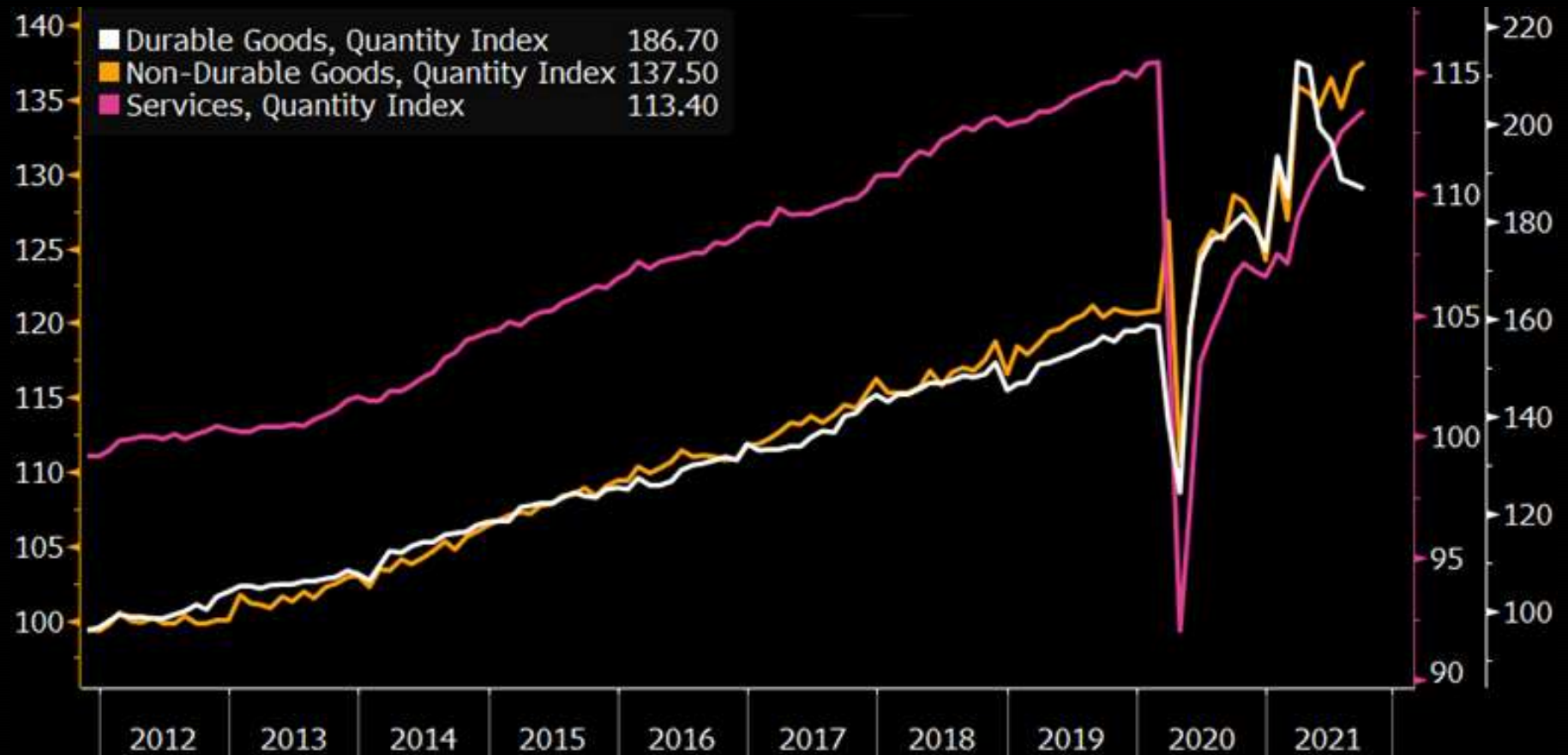
Shipping Prices Rolling Over



Source: Bloomberg Intelligence, G #BI 111389

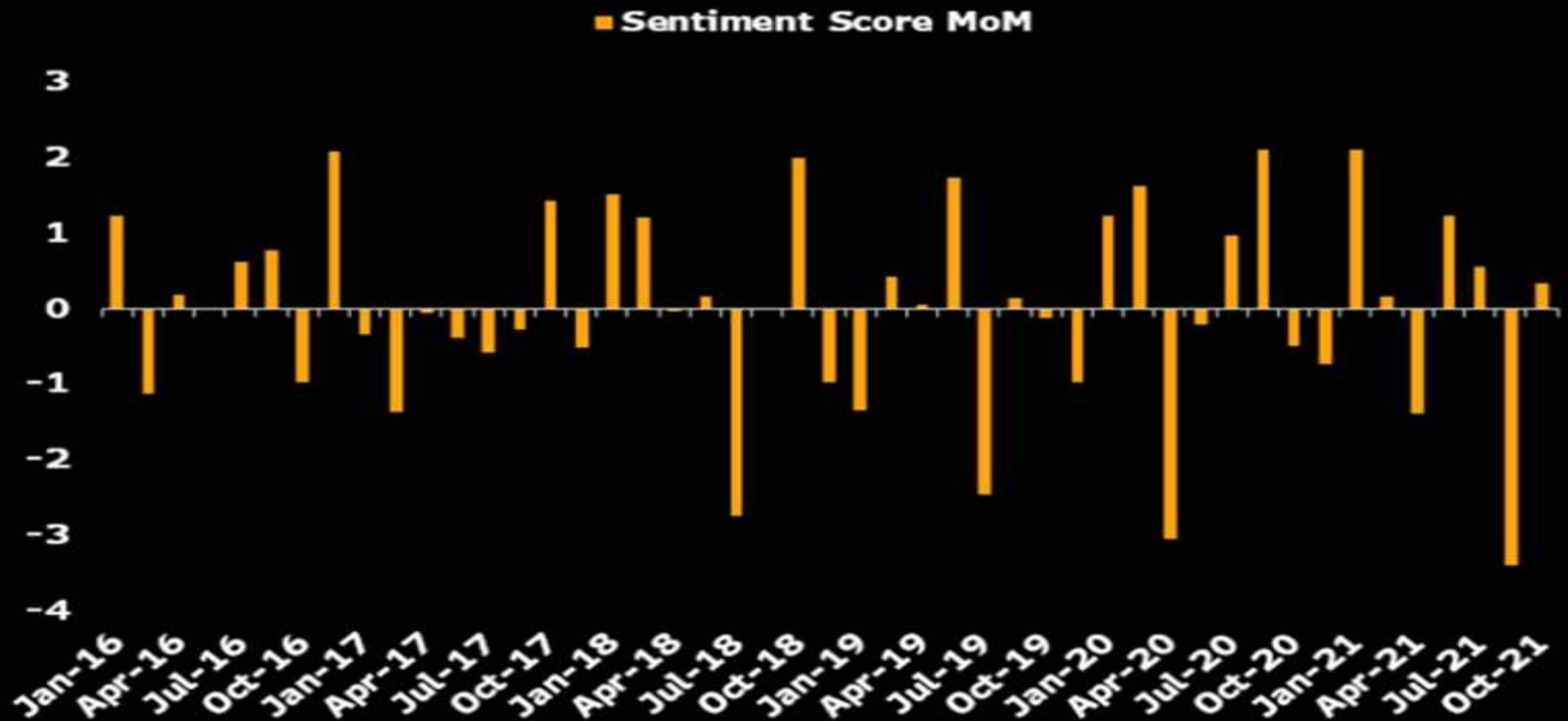


Quantity Indexes Show Sales Not Across the Board

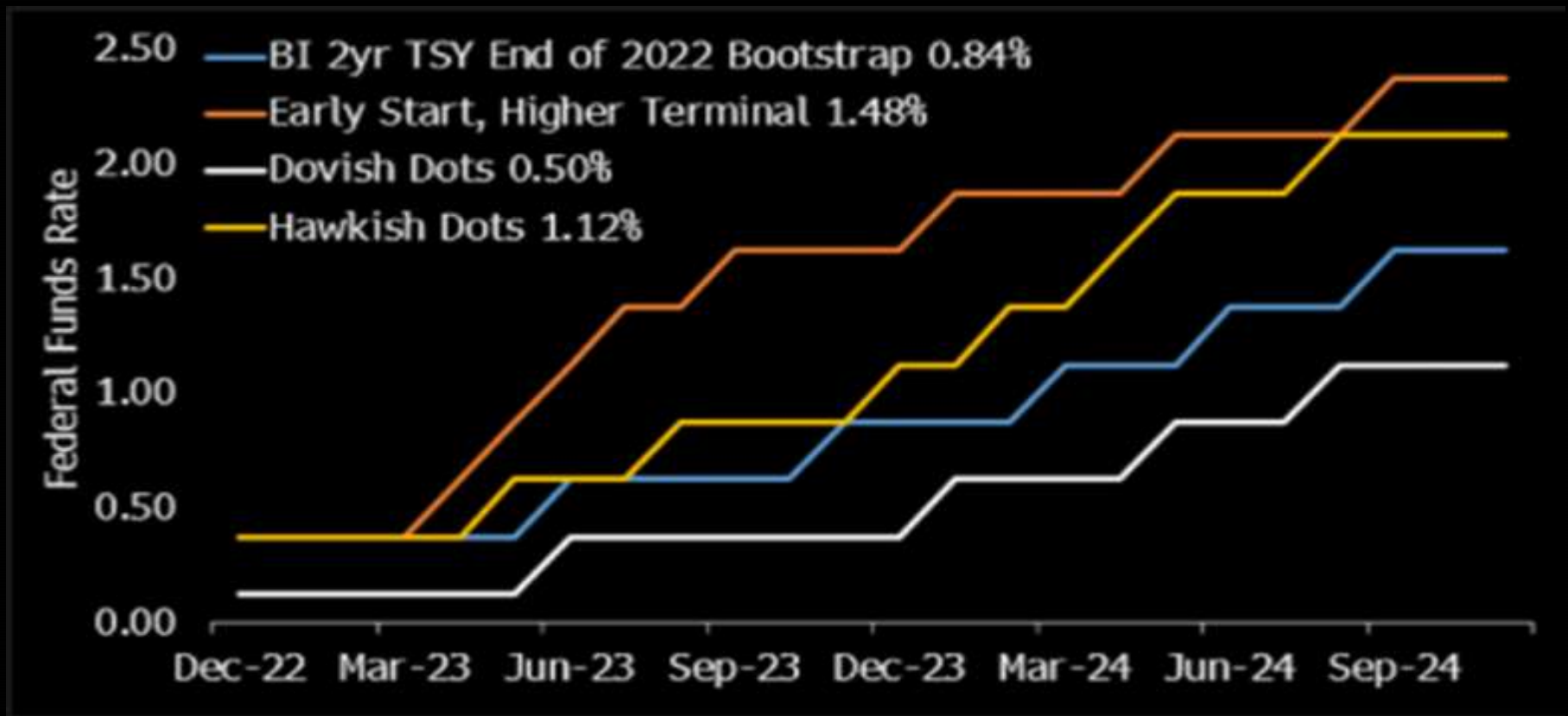


Source: Bloomberg Intelligence, G #BI 111291

Fed Minutes Sentiment Indicator

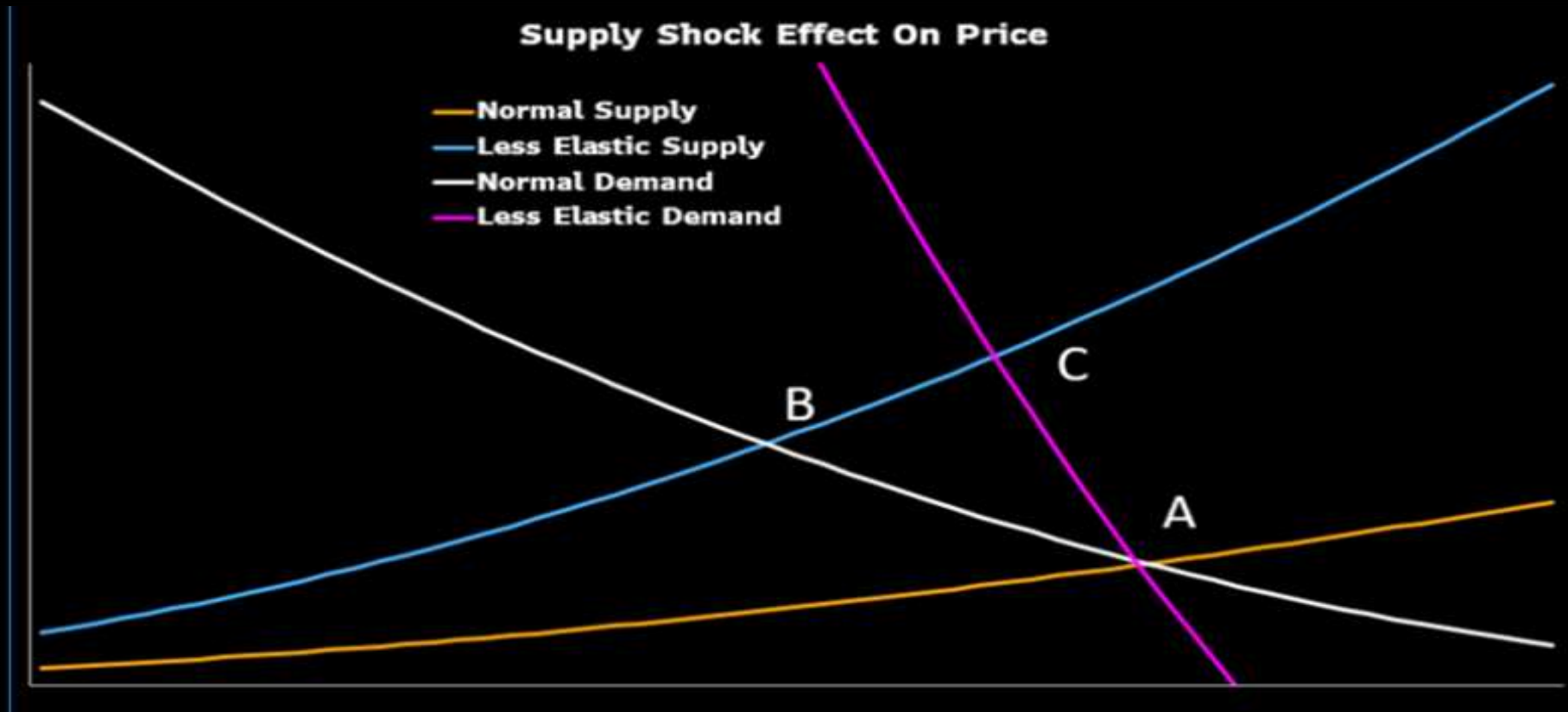


Two-year Yield In “Dot” Scenarios

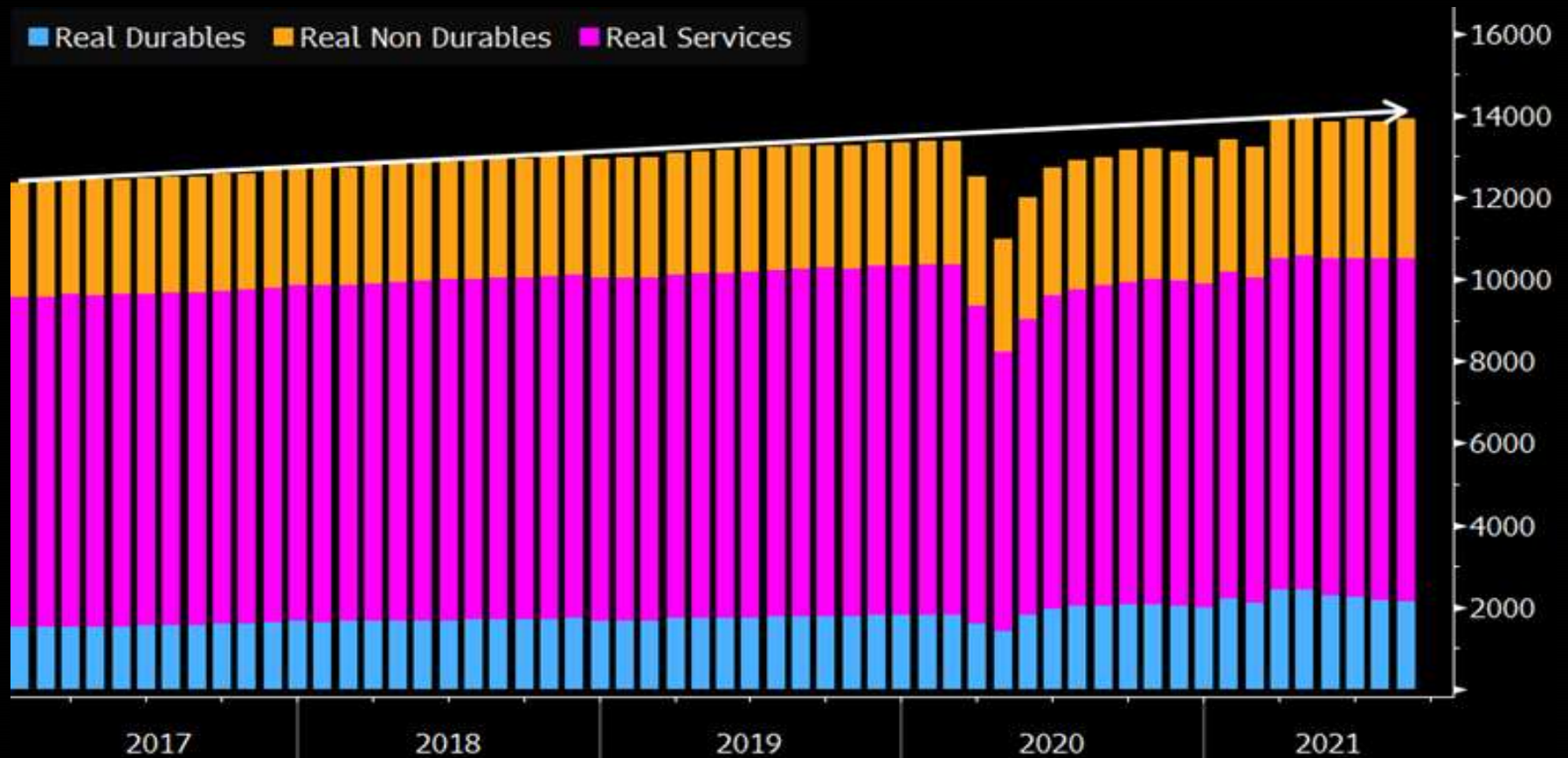


Source: Bloomberg Intelligence, Federal Reserve

Stylized Supply & Demand Curves With Supply Shock



Real Retail Sales Flat, Even With Headline Higher



Source: Bloomberg Intelligence, G #BI 111023

Services Wage Growth Slipping, Prices Rising



Source: Bloomberg Intelligence, G #BI 111052

Goods Prices Influenced by Shipping Cost



Source: Bloomberg Intelligence, G #BI 110857



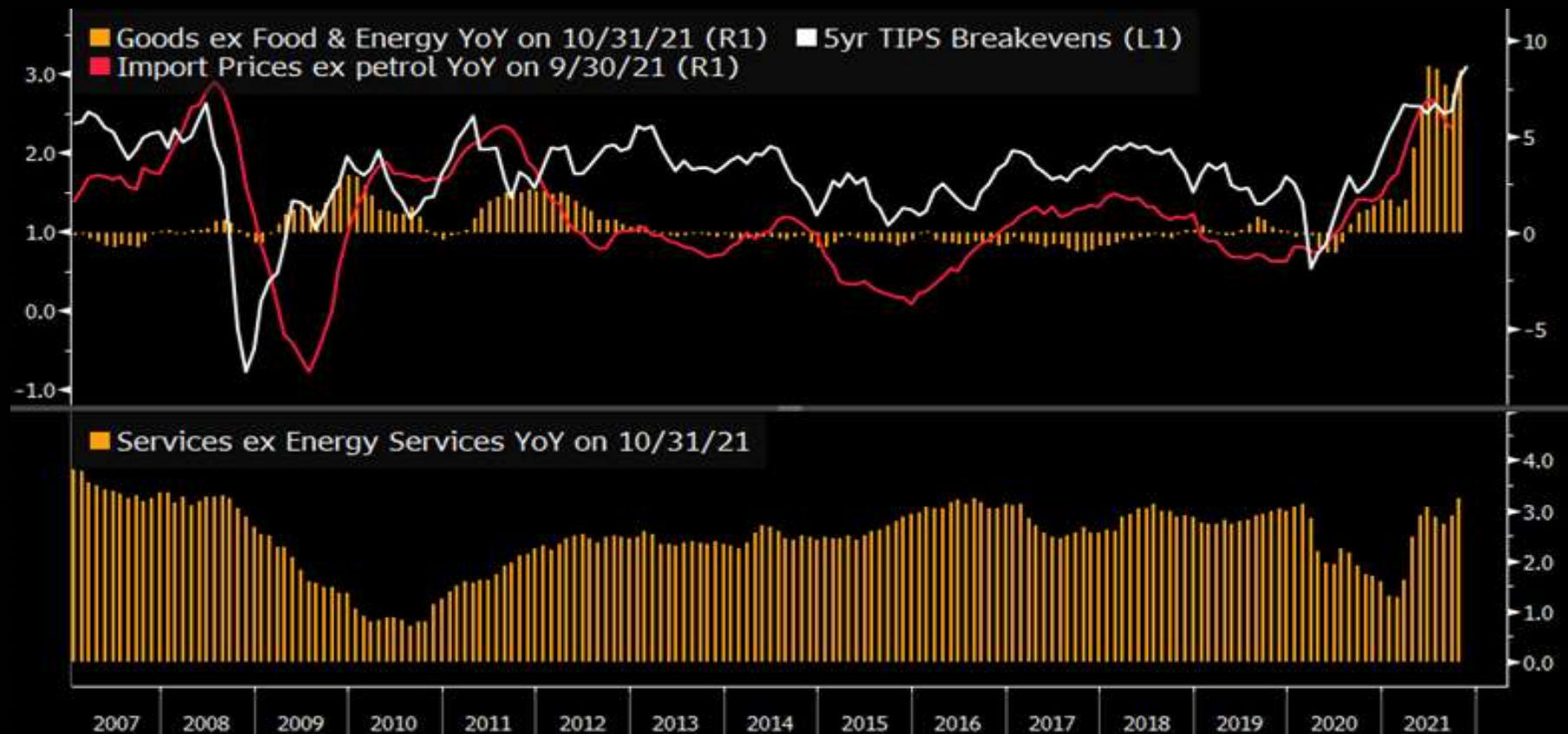
Shelter Prices Picking Up, Inflation Broad Based



Source: Bloomberg Intelligence, G #BI 110966



Core Goods vs. Core Services Prices



Source: Bloomberg Intelligence, G #BI 15107



Yield and Curve Scenarios

BI Rates Scenarios		U.S. Econ. Forecasts						
View 60 Quarters		Currency USD						
Name		2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4
BI Rates Scenarios								
Treasury 2 Year Yield (%)		0.68	0.75	0.84	0.90	1.17	1.27	1.56
Treasury 5 Year Yield (%)		1.51	1.63	1.66	1.78	1.91	1.98	2.05
Treasury 10 Year Yield (%)		1.84	1.91	1.98	2.07	2.15	2.18	2.23
Treasury 30 Year Yield (%)		2.16	2.21	2.27	2.30	2.35	2.40	2.39
2s/5s (bps)		83.00	88.00	82.00	88.00	74.00	71.00	49.00
2s/10s (bps)		116.00	116.00	114.00	117.00	98.00	91.00	67.00
5s/10s (bps)		33.00	28.00	32.00	29.00	24.00	20.00	18.00
5s/30s (bps)		65.00	58.00	61.00	52.00	44.00	42.00	34.00
10s/30s (bps)		32.00	30.00	29.00	23.00	20.00	22.00	16.00
2s/5s/10s (bps)		50.00	60.00	50.00	59.00	50.00	51.00	31.00
5s/10s/30s (bps)		1.00	-2.00	3.00	6.00	4.00	-2.00	2.00
Scenarios as of... November 1, 2021								



Source: Bloomberg Intelligence, BI RATEN

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