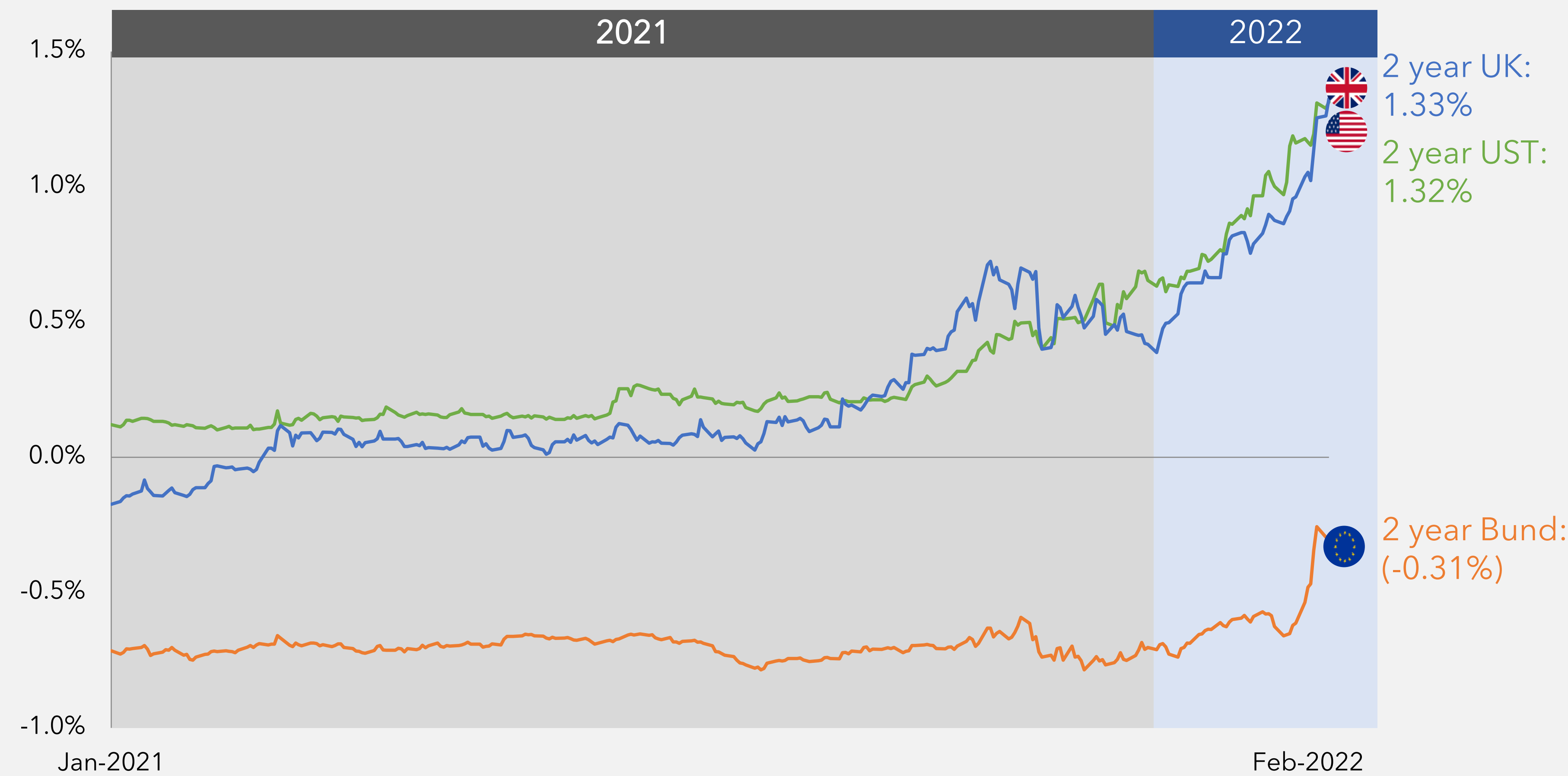
Capital Markets Strategy
Essential inCights for the C-Suite

Chart of the Day

Inflation metrics and central bank hawkishness have exceeded even our high expectations in the first six weeks of 2022. **In the US,** markets are now pricing in 5-6 rate hikes in 2022, compared to just 3 rate hikes priced in at the beginning of this year (and zero 2022 rate hikes priced in a year ago). **In the UK,** the recent BOE rate hike was notably accompanied by four dissenting votes in favor of a 50 bps tightening. **And in Europe,** while rates remain unchanged, markets over the last two weeks have begun to reprice expectations of a hawkish ECB policy pivot sequenced across bank sector TLTRO liquidity tightening, a tapering of asset purchases and a rate increase before year-end.

Year-to-date, 2 year government bond yields in the UK, US and Europe have risen 66 bps, 58 bps and 33 bps, respectively



Source: (1) Bloomberg. Data as of February 8, 2022.

Global Corporate & Investment Banking Capital Markets Strategy Team

Tom Joyce
Managing Director

Tom.Joyce@mufgsecurities.com
(212) 405-7472

Hailey Orr
Director

Hailey.Orr@mufgsecurities.com
(212) 405-7429

Stephanie Kendal
Associate

Stephanie.Kendal@mufgsecurities.com
(212) 405-7443