

Chart of the Day

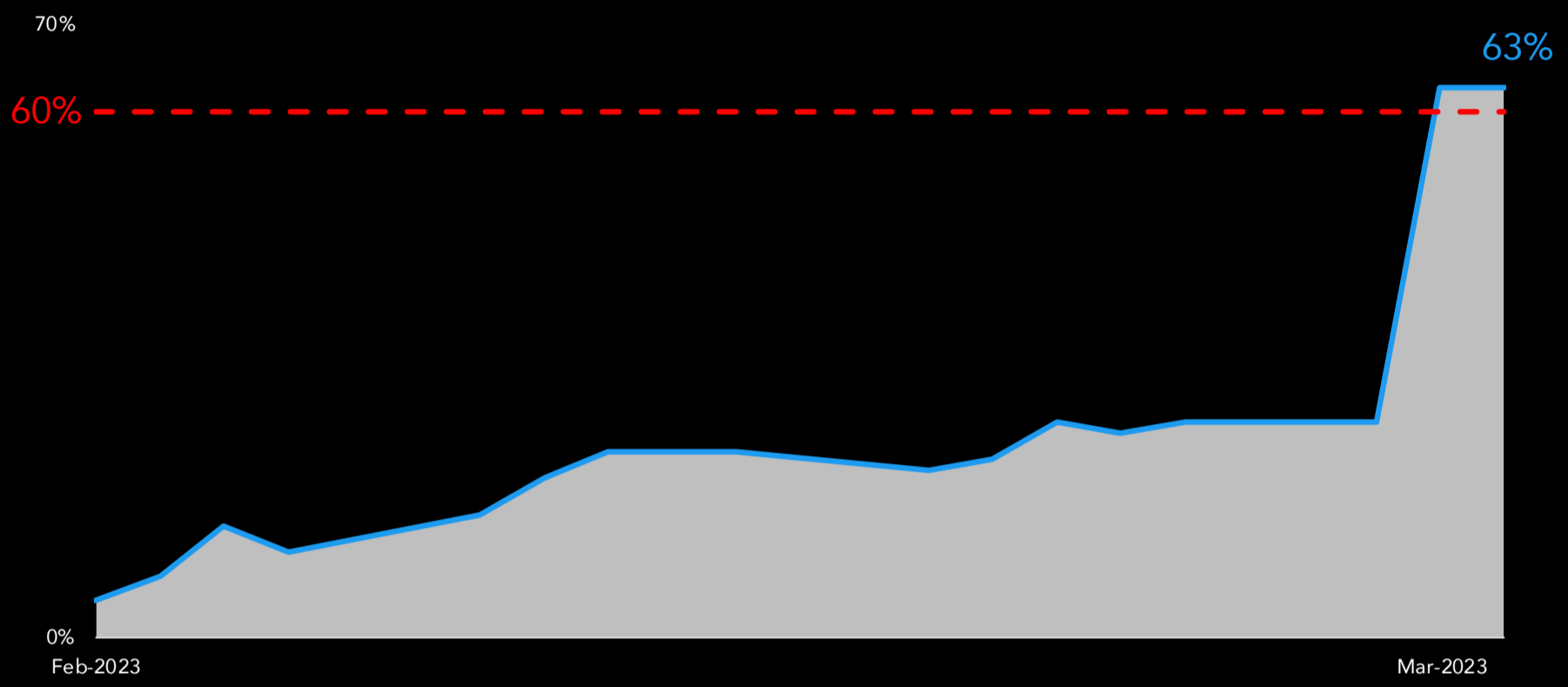


As we mentioned in a note last week, the Fed has spent most of the last 12 months “behind the curve” on inflation, while markets have been “behind the Fed” for much of this period. And here we find ourselves again. Over the last two days, Fed Chair Powell has been “on the Hill” for his semi-annual testimony to the US Congress, seemingly course-correcting his previous “disinflation” emphasis as well as the step-down in the Fed’s tightening pace to 25bps in February.

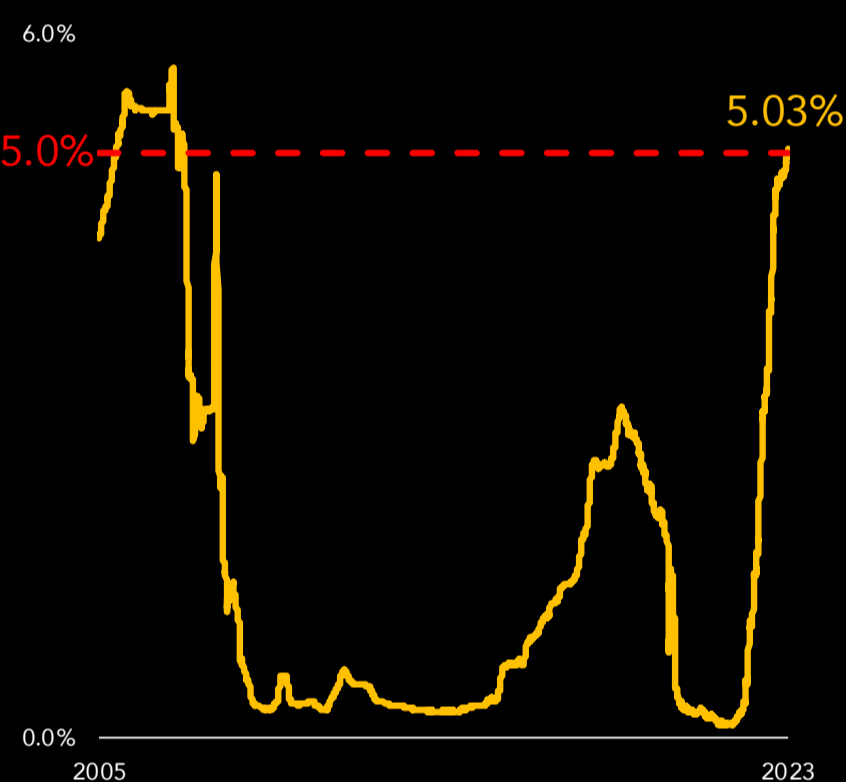
Last week, MUFG’s Head of US Macro Strategy, George Goncalves, upwardly revised his 10 year UST forecast for 2023

	Spot	Q1 2023	Q2 2023	Q3 2023	Q4 2023
MUFG	3.94%	4.13%	4.25%	4.00%	3.88%
Consensus		3.68%	3.66%	3.60%	3.48%

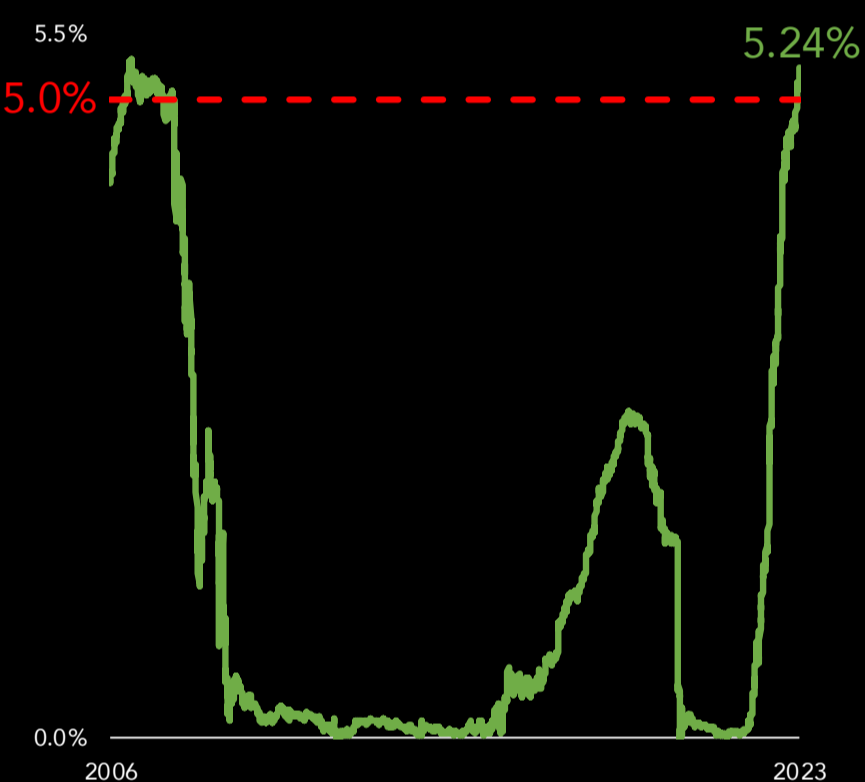
Markets are now pricing > 60% probability of 50 bps hike at the March FOMC meeting and a full 100 bps of additional hikes in 2023



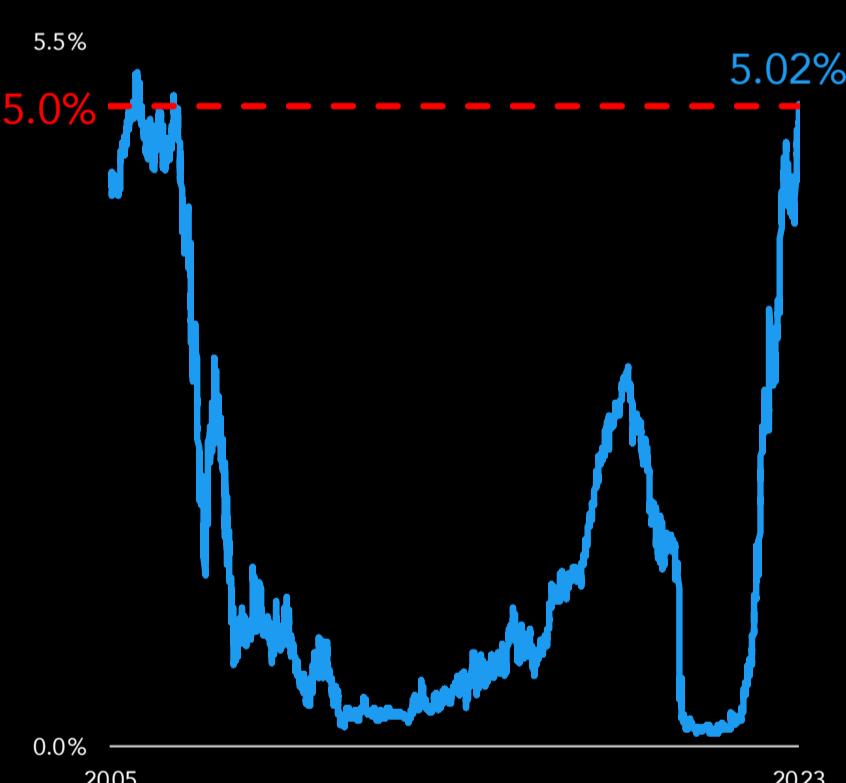
3 month LIBOR over 5% for the first time since 2006



6 month UST over 5% for the first time since 2006



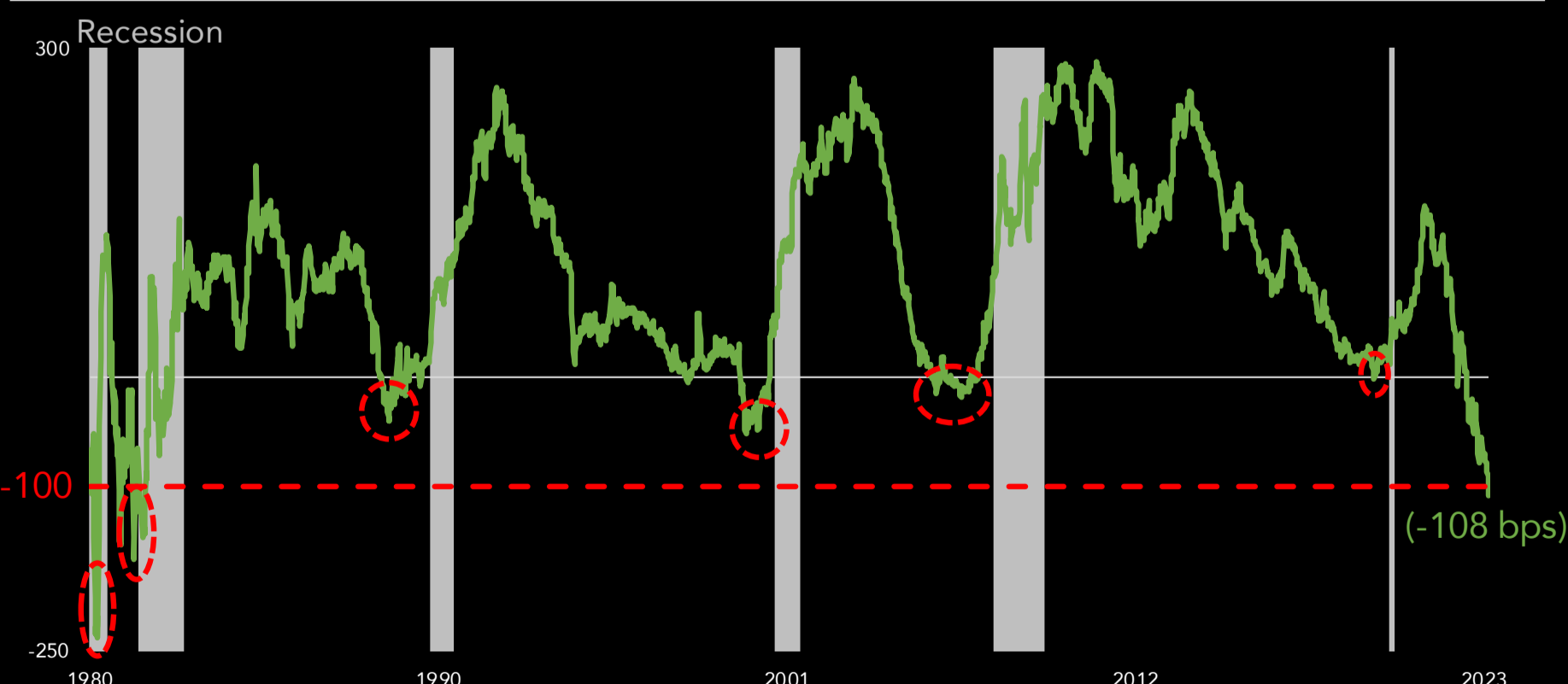
2 year UST yield above 5% for the first time since 2007



10 year UST near highest levels since 2008



2s10s yield curve inversion greater than (-100 bps) for the first time since 1981



Source: (1-6) Bloomberg. Data as of March 8, 2023.

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

“Macro stability isn’t everything, but without it, you have nothing.”