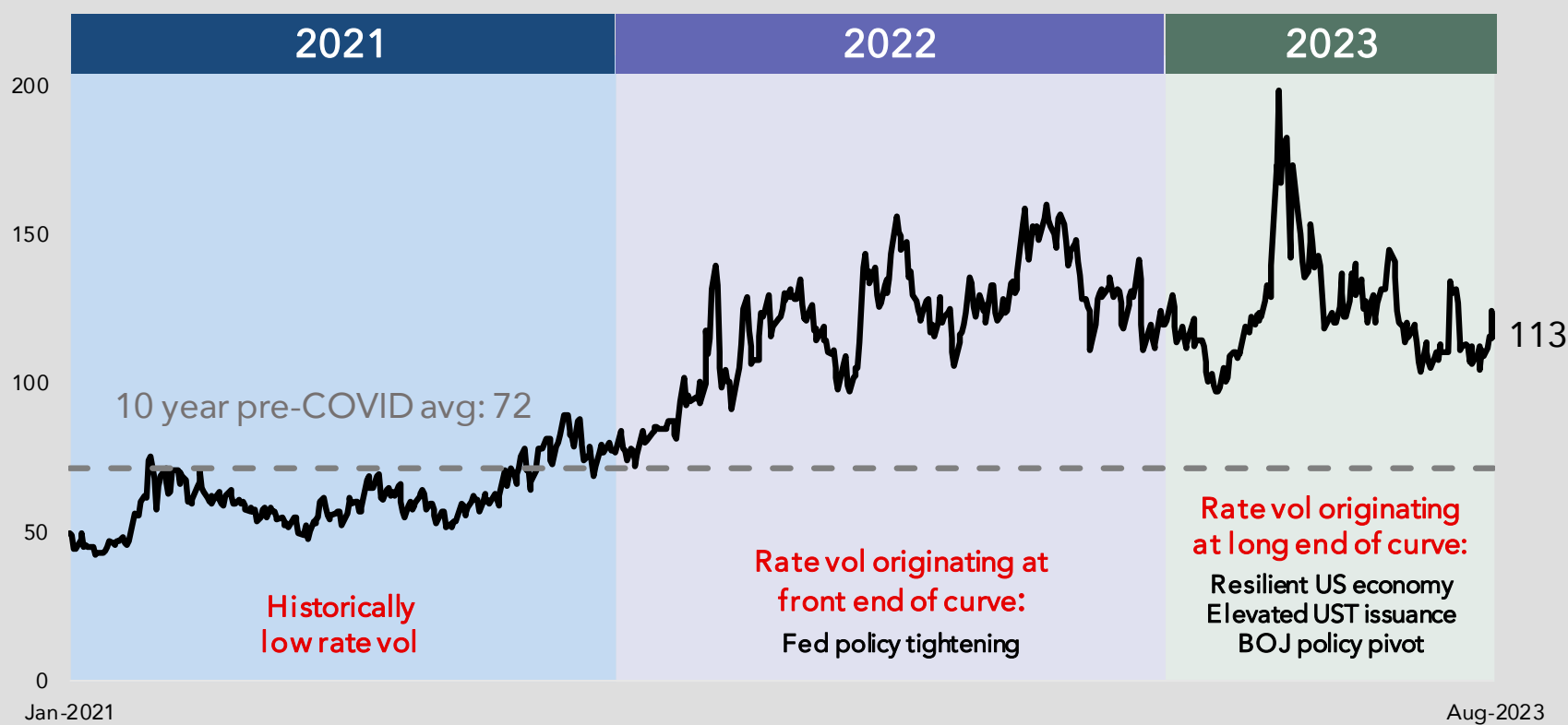


Chart of the Day

US rate volatility remains high; but interestingly, the source of that volatility has shifted. For much of the Fed's tightening cycle, elevated rate vol has originated at the front end of the curve as the Fed increased interest rates at 11 meetings in less than 18 months. Today, however, the prevailing drivers of rate vol are coming from the longer end of the curve as the US Treasury has sharply increased supply, the Fed continues to scale back its balance sheet (QT), and as the BOJ policy shift encourages more repatriation flows back to Japan.

Rate volatility (MOVE index)



Source: (1) Bloomberg. Data as of August 10, 2023.

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