Capital Markets Strategy

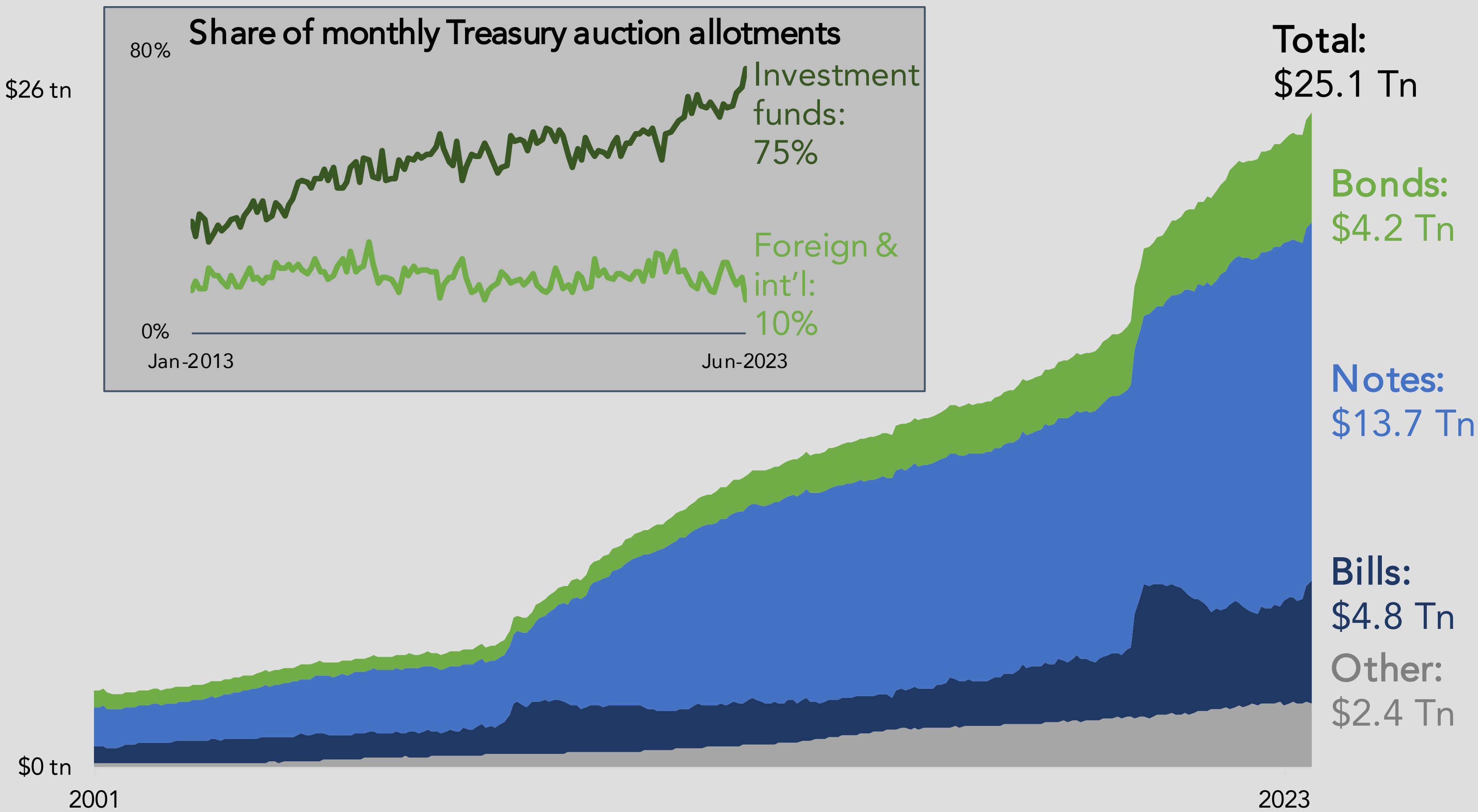
Essential inCights for the C-Suite

MUFG

Chart of the Day

Following the US debt ceiling resolution in June, US Treasury Secretary Yellen sharply increased near-term forecasts for US debt issuance from $733 bn to $1 trillion. With T-Bills rising since COVID to nearly 20% of the UST market, Treasury is shifting toward increased Notes supply to term out more of its short-dated obligations. As noted by MUFG's George Goncalves, the level of term premium typically increases, and / or the curve steepens, when such supply shifts have occurred historically.

US Treasury debt outstanding



Historically, US Treasury yields typically rally when the Fed tightening cycle is complete. Not this time. MUFG's Head of Macro Strategy, George Goncalves, expects rates to move higher in Q3 before moving progressively lower over the next year.

10 year UST