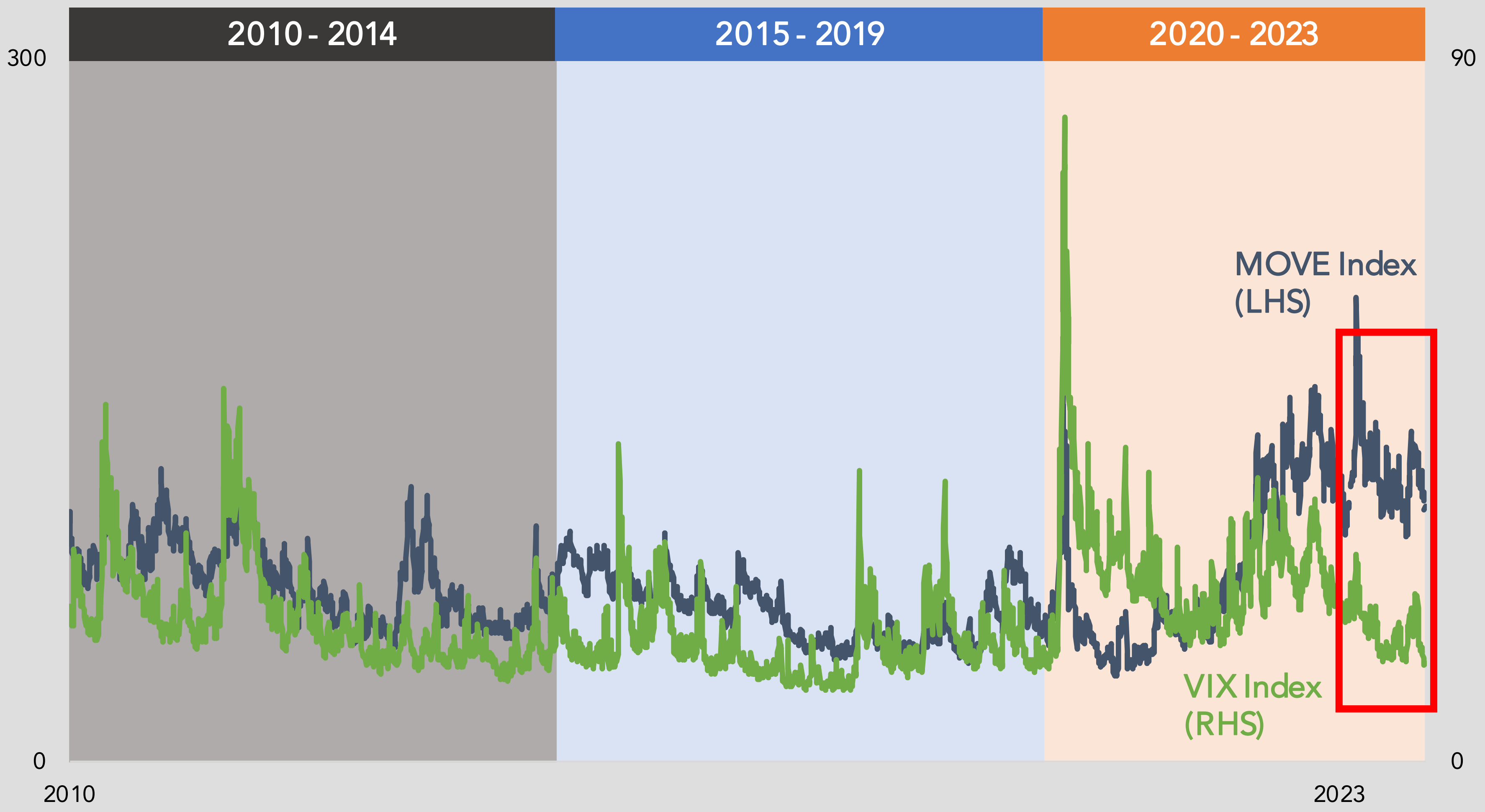
Capital Markets Strategy

Essential inCights for the C-Suite

Chart of the Day

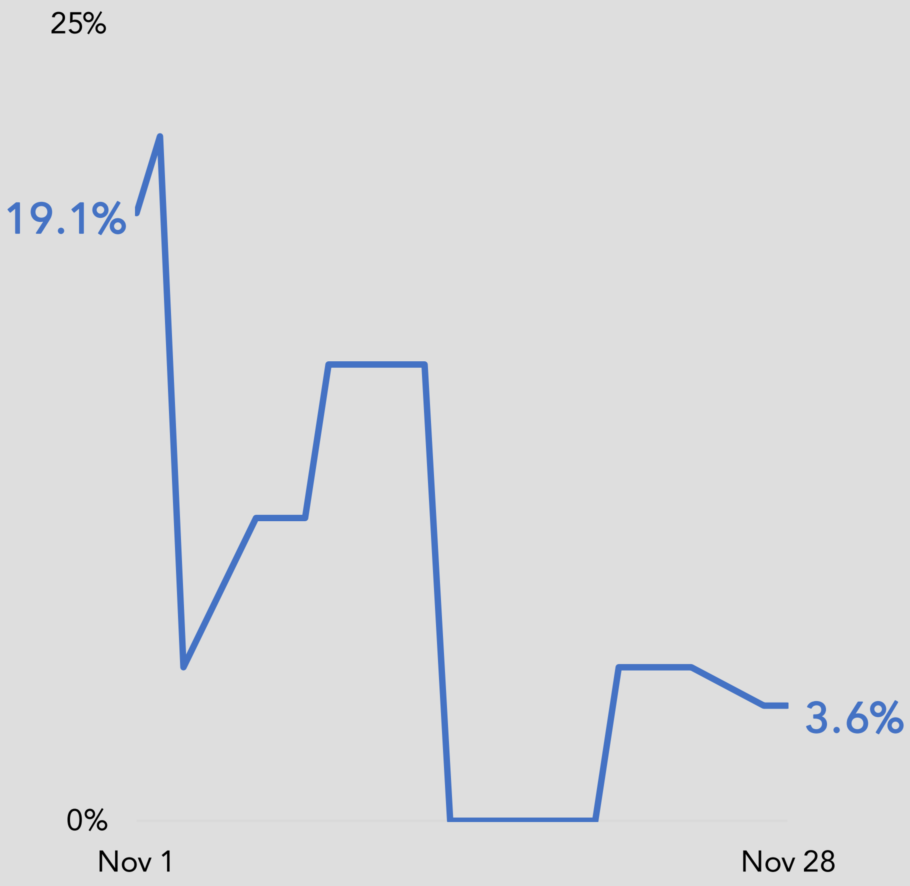
As noted by Bloomberg, resilient US growth and rapid normalization of inflation expectations have contributed to an unusually wide gap between interest rate and equity volatility.

VIX and MOVE Indices

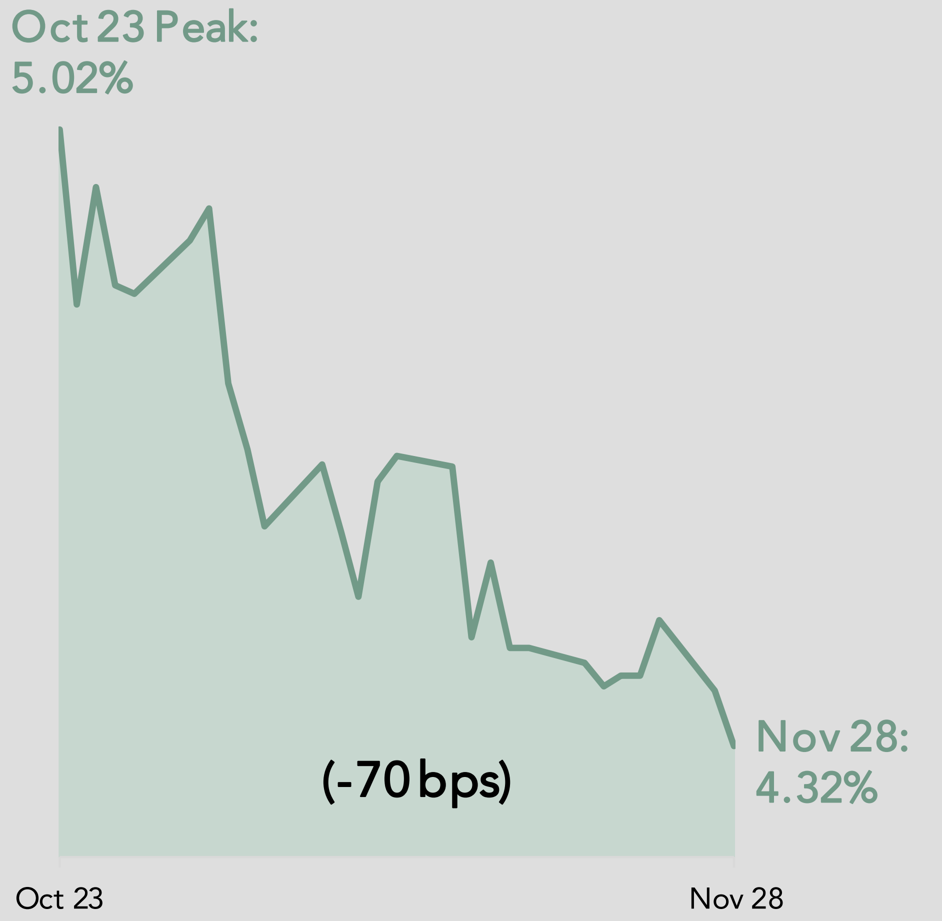


Several notable developments in US rate markets bode well for a strong risk-asset market rally into year-end, including: (i) perceived end of Fed tightening cycle with markets now pricing less than a 4% probability of an additional Fed rate hike at the Dec 12-13 meeting; (ii) the roughly 70 bps decline in 10 year UST yields from the intra-day peak of 5.02% one month ago; and (iii) the nearly 100 bps of Fed rate cuts priced in by markets for 2024, beginning in May-June.

Probability of additional Fed rate hike at Dec 12-13 FOMC meeting



10 Year UST yields from October peak



Source: (1-3) Bloomberg. Data as of November 28, 2023.

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"Macro stability isn't everything, but without it, you have nothing."