

## US Interest Rate Outlook -Venkat's Blog- 19<sup>th</sup> Jan 2025 - First updated on 08<sup>th</sup> Nov 2024

### #US 10Y



((Chart image source: TradingView.com))

Just a less than a day to go for the US president elect to assume office was curious to check and review the previous Blog posted on Nov 8<sup>th</sup> 2024. Even after the rate cuts the Bond yields have remained elevated. The long term charts speak volumes. The market follows specific rhythm or we can term it as cycles. At times we miss to notice the warning signals. With new administration taking over shortly there can be sweeping changes.

Looking at the big picture it appears that the prospects/probabilities of lower interest rates are less. Contributing triggers are not clear at this point in time. The US 10 Year yield shot-up from 3.75% in 1960 to as high as 19% in 1981. Following couple of years saw sharp fall and there after started moving lower along the gradient and within the tolerable band. The charts show that we are moving away from the descending channel commencing from 1985 (though arguable). Nearly 40 years trend is broken?

Some observations noted earlier remains valid now as well:

- FED was brilliant in coining “Higher for Longer”, Markets interpreted this is for the Inflation outlook, but in reality it seems more appropriate for the Interest rates.
- Will the new administration be able to lower the Rates and also keep the inflation under check?
- How will it impact the US Economy and that of other economies?
- What is brewing? A long drawn war or similar situation? Or re-emergence of Inflation?
- Will there be a contagion effect of the higher US yield on other economies?
- Disturbing patterns in the charts suggest that the year 2025 could be a challenging period for the Financial sector, if not a turbulent one

#Stay safe