MacroVoices

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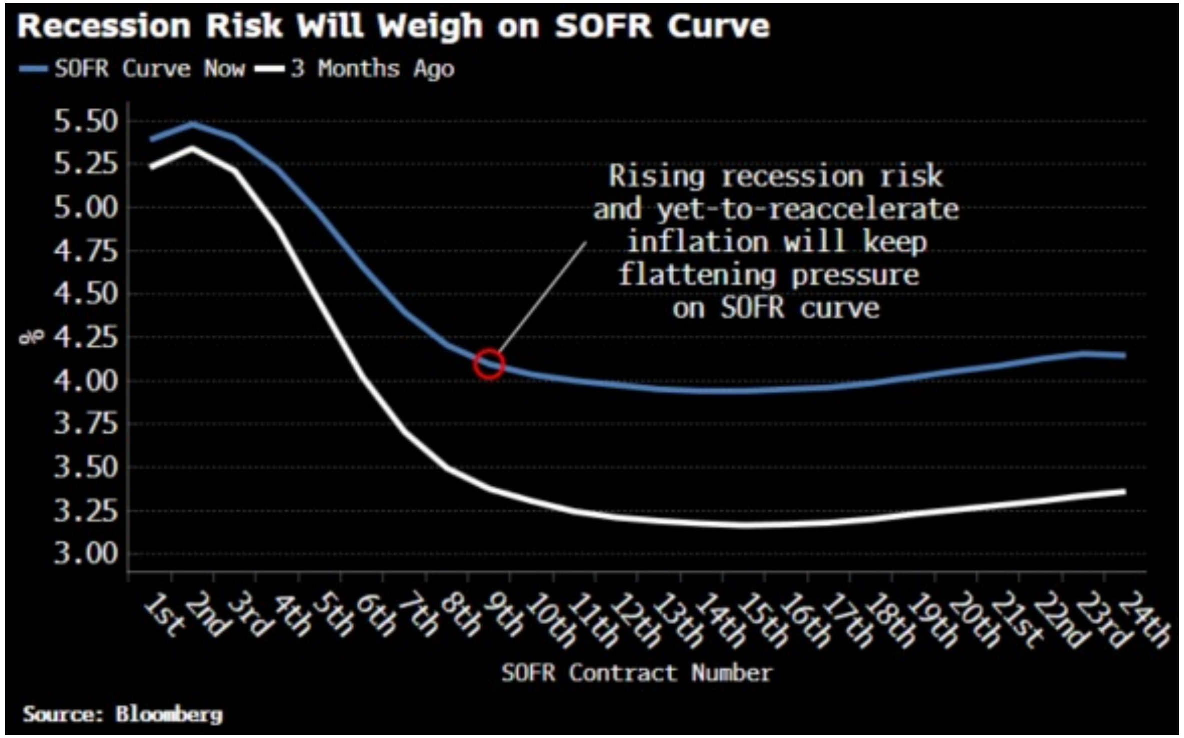
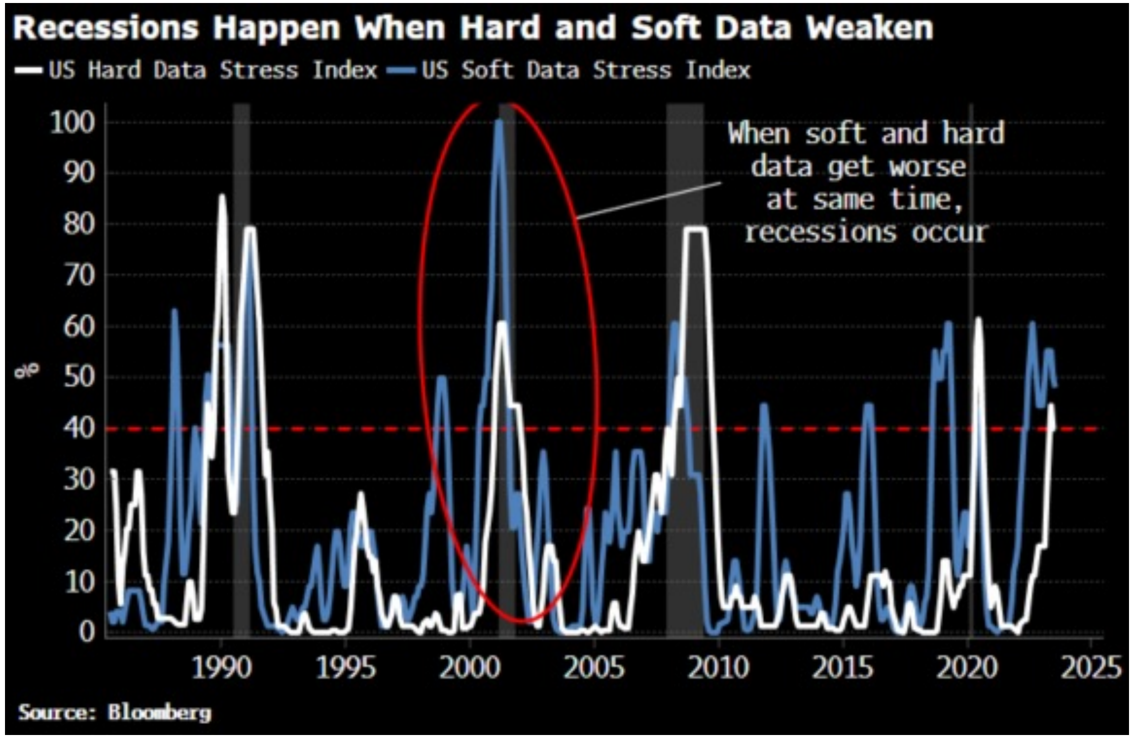
Higher for longer will run into recession risk …

Rising US recession risk will keep pressure on short-term rates and yields as the market begins to price in more cuts again as the economy weakens





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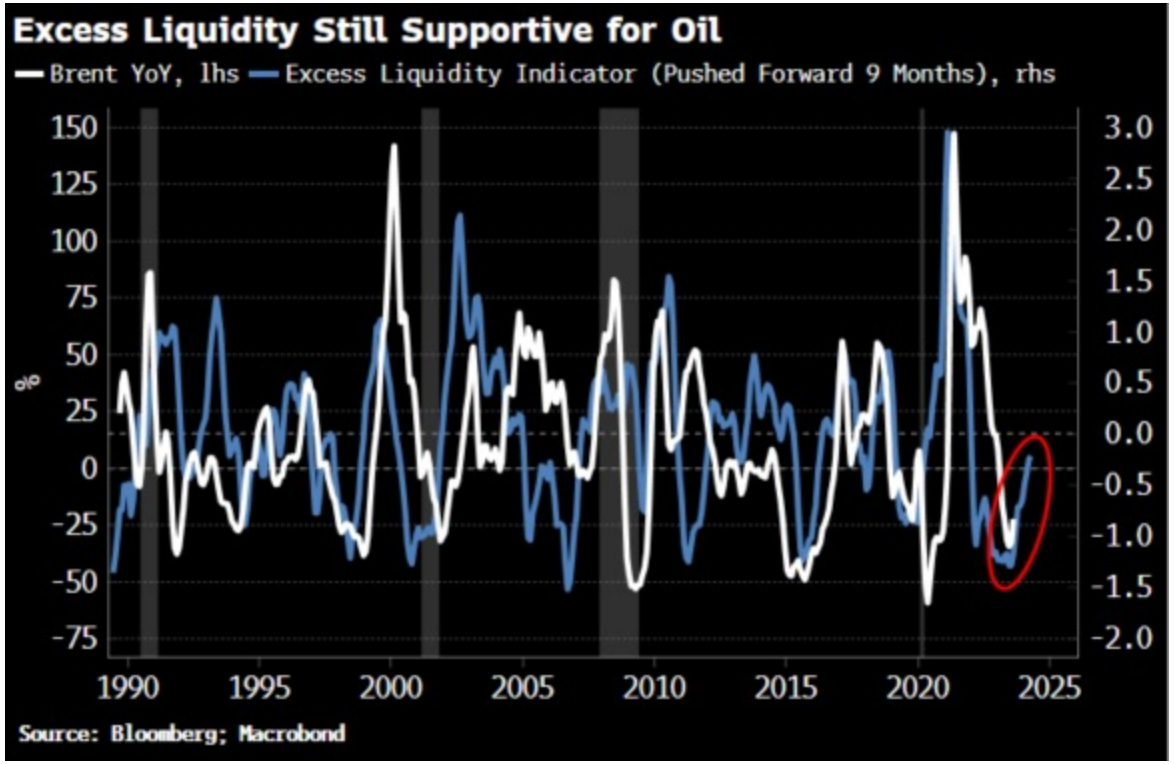
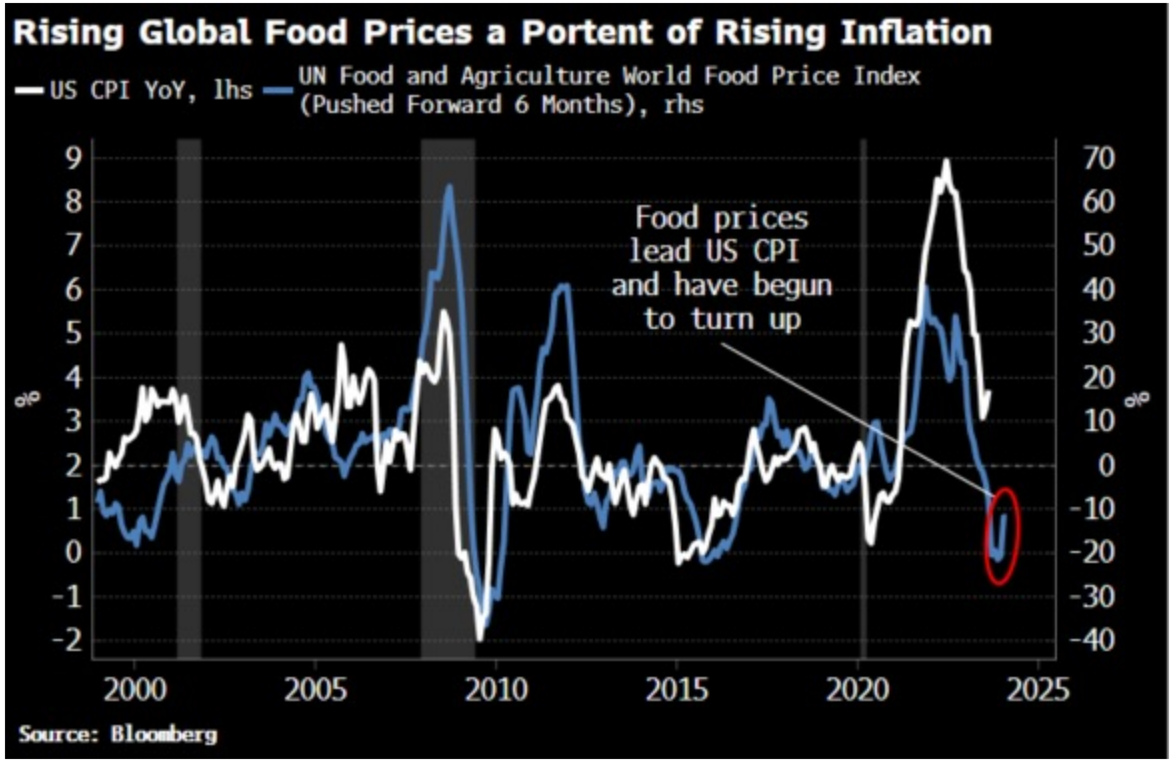
… but eventually inflation will return I

Inflation in the US is likely to re-accelerate for several reasons. For a start, the liquidity-driven rise in oil and commodity prices, as well as rising food prices





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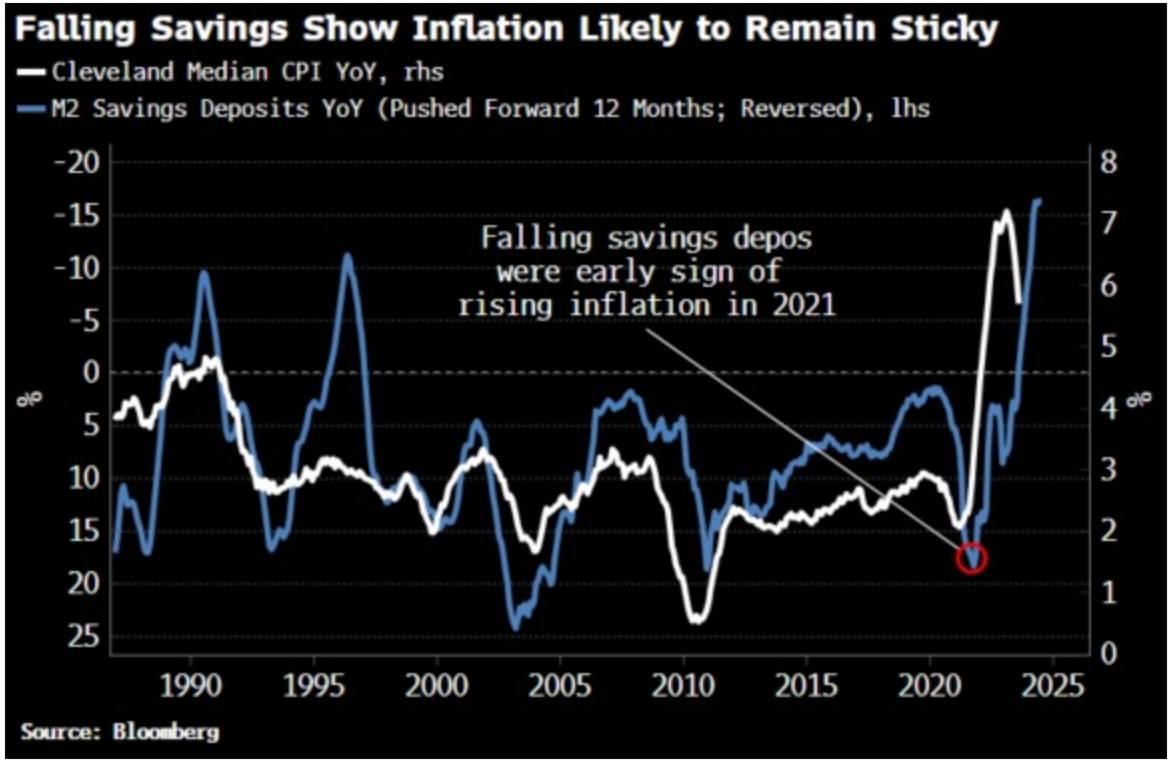
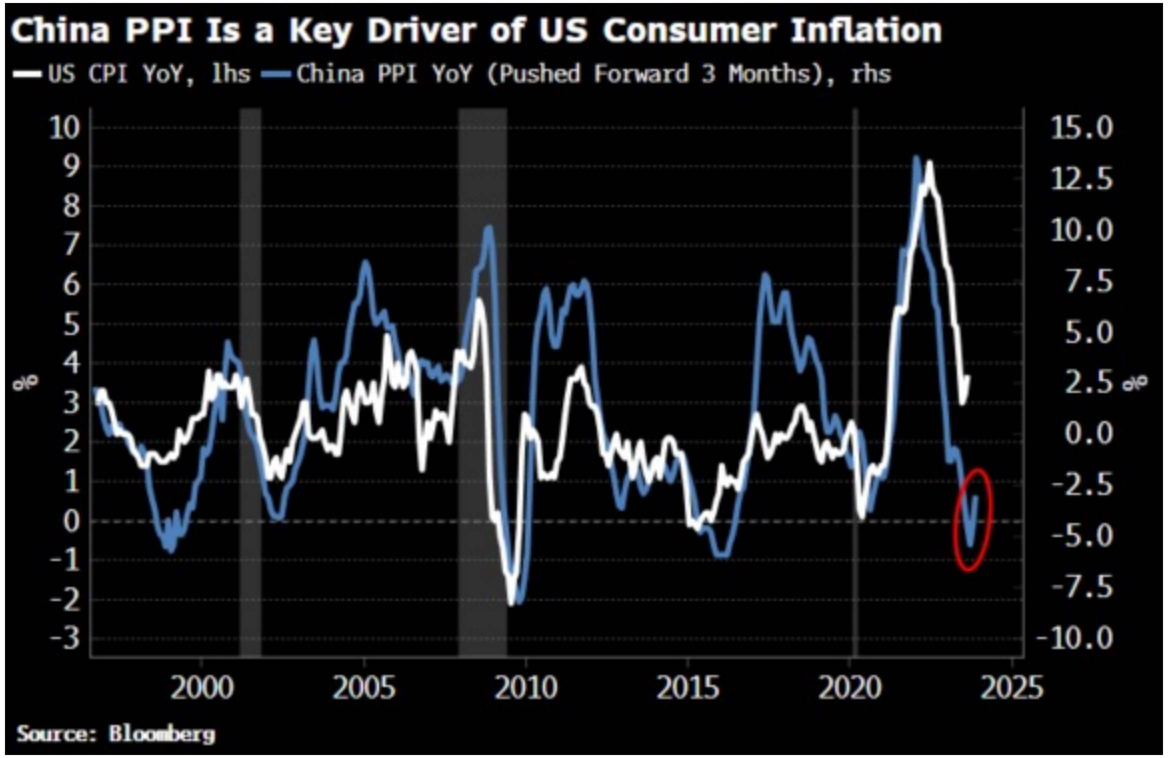
… but eventually inflation will return II

Money growth continues to be supportive for inflation, as savings-deposits' growth is weak. Even headline measures, such as adjusted M1 and M2's annual growth, has started to rise. Expectations are rising again too

And when stimulus in China gains traction, as it soon should, this will also add to US inflation





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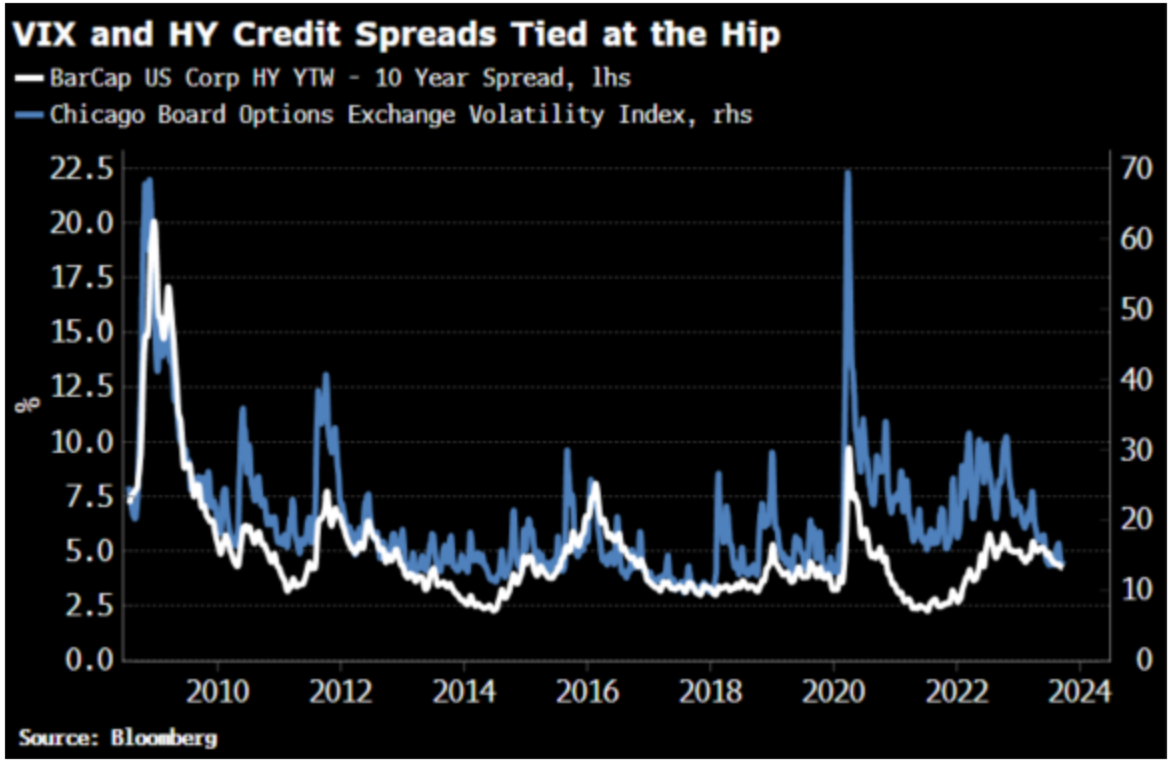
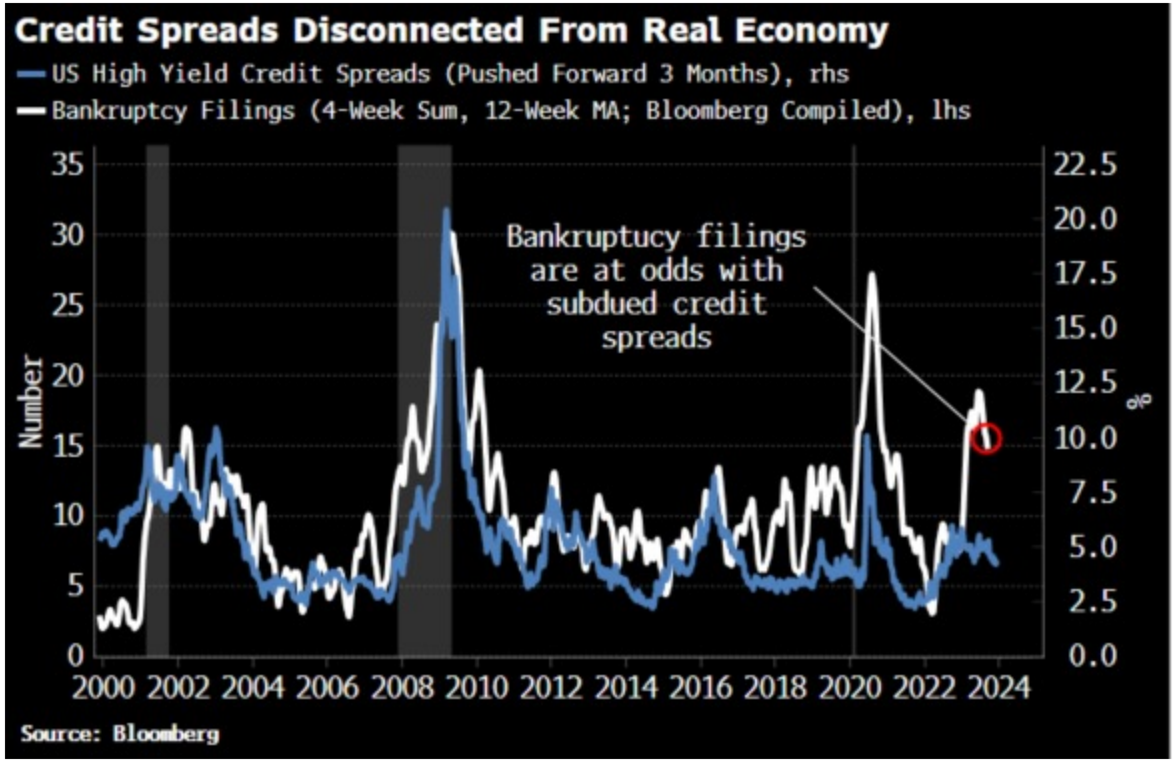
Stock market has been masking credit crunch in making

Low implied equity volatility is helping keep credit spreads repressed, compounded by the now huge $1.5 trillion private credit market distorting price discovery





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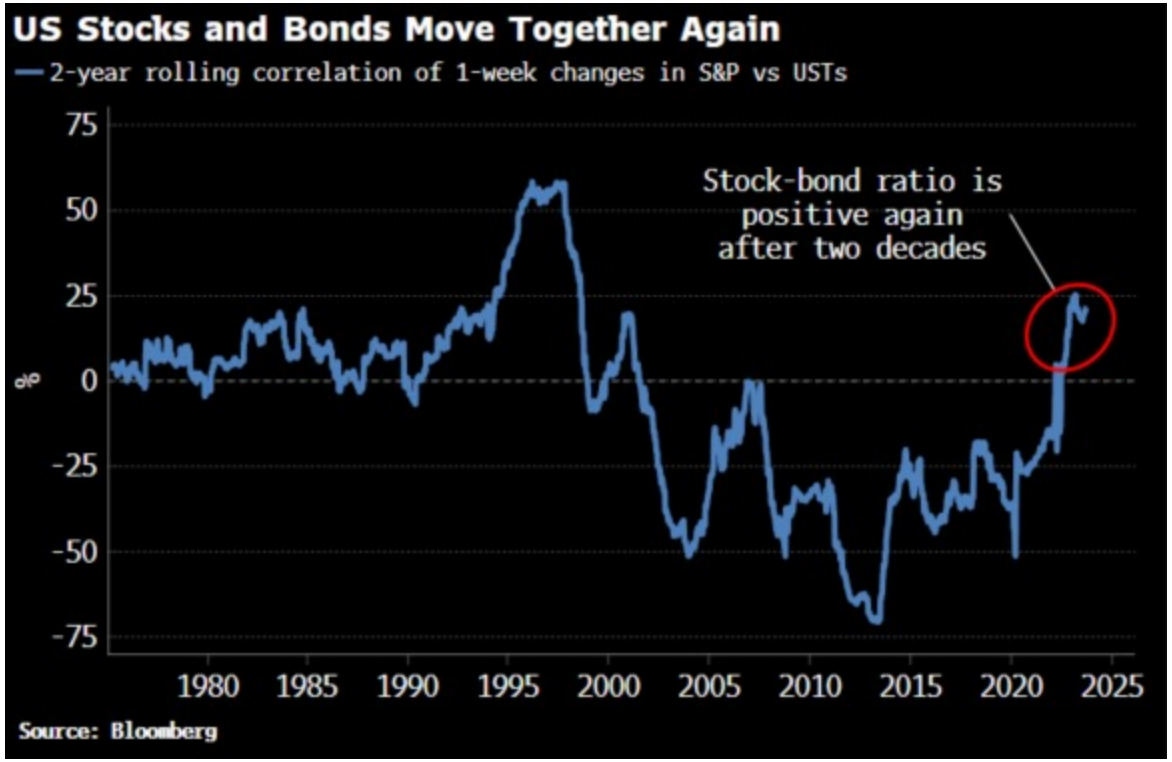
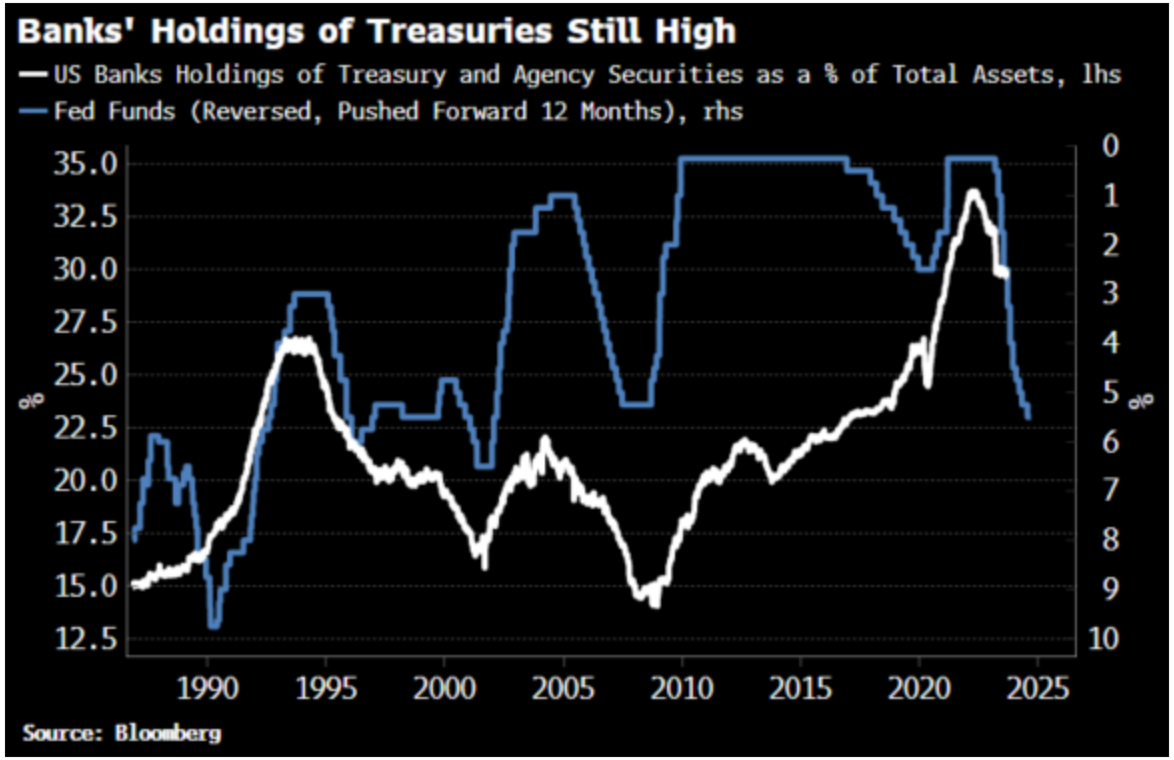
Banks at risk from positive stock-bond correlation

The market has yet to fully digest the implications of a positive stock-bond correlation. It threatens to drive bond risk premium wider, and bond prices lower

US banks and other mark-to-market holders still have elevated holding of USTs





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