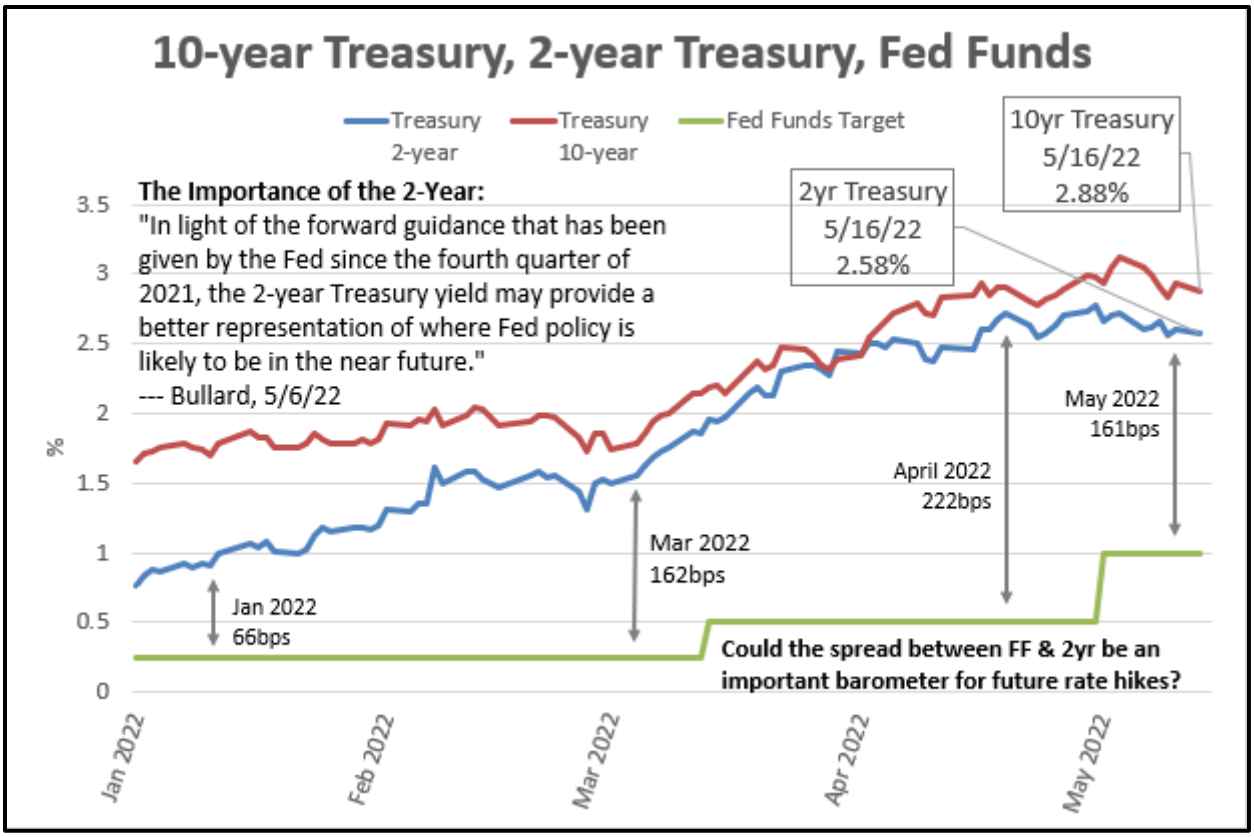
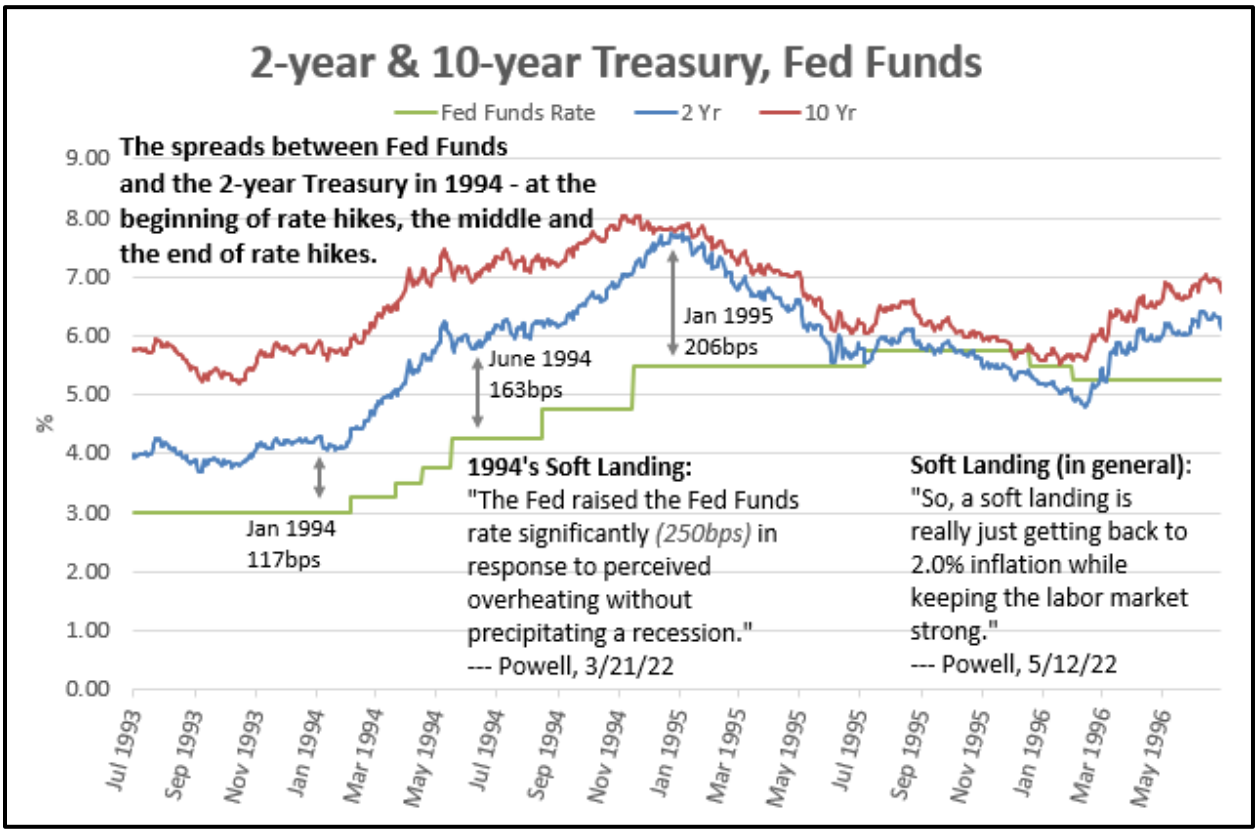

10-year Treasury, 2-year Treasury, Fed Funds
Treasury 2-year
Treasury 10-year
Fed Funds Target
10yr Treasury 5/16/22 2.88%
2yr Treasury 5/16/22 2.58%
The Importance of the 2-Year:
"In light of the forward guidance that has been given by the Fed since the fourth quarter of 2021, the 2-year Treasury yield may provide a better representation of where Fed policy is likely to be in the near future."
--- Bullard, 5/6/22
May 2022 161bps
April 2022 222bps
Mar 2022 162bps
Jan 2022 66bps
Could the spread between FF & 2yr be an important barometer for future rate hikes?
%
3.5
3
2.5
2
1.5
1
0.5
0
Jan 2022
Feb 2022
Mar 2022
Apr 2022
May 2022


2-year & 10-year Treasury, Fed Funds
Fed Funds Rate
2 Yr
10 Yr
The spreads between Fed Funds and the 2-year Treasury in 1994 - at the beginning of rate hikes, the middle and the end of rate hikes.
Jan 1995 206bps
June 1994 163bps
Jan 1994 117bps
1994's Soft Landing:
"The Fed raised the Fed Funds rate significantly (250bps) in response to perceived overheating without precipitating a recession."
--- Powell, 3/21/22
Soft Landing (in general):
"So, a soft landing is really just getting back to 2.0% inflation while keeping the labor market strong."
--- Powell, 5/12/22
%
9.00
8.00
7.00
6.00
5.00
4.00
3.00
2.00
1.00
0.00
Jul 1993
Sep 1993
Nov 1993
Jan 1994
Mar 1994
May 1994
Jul 1994
Sep 1994
Nov 1994
Jan 1995
Mar 1995
May 1995
Jul 1995
Sep 1995
Nov 1995
Jan 1996
Mar 1996
May 1996