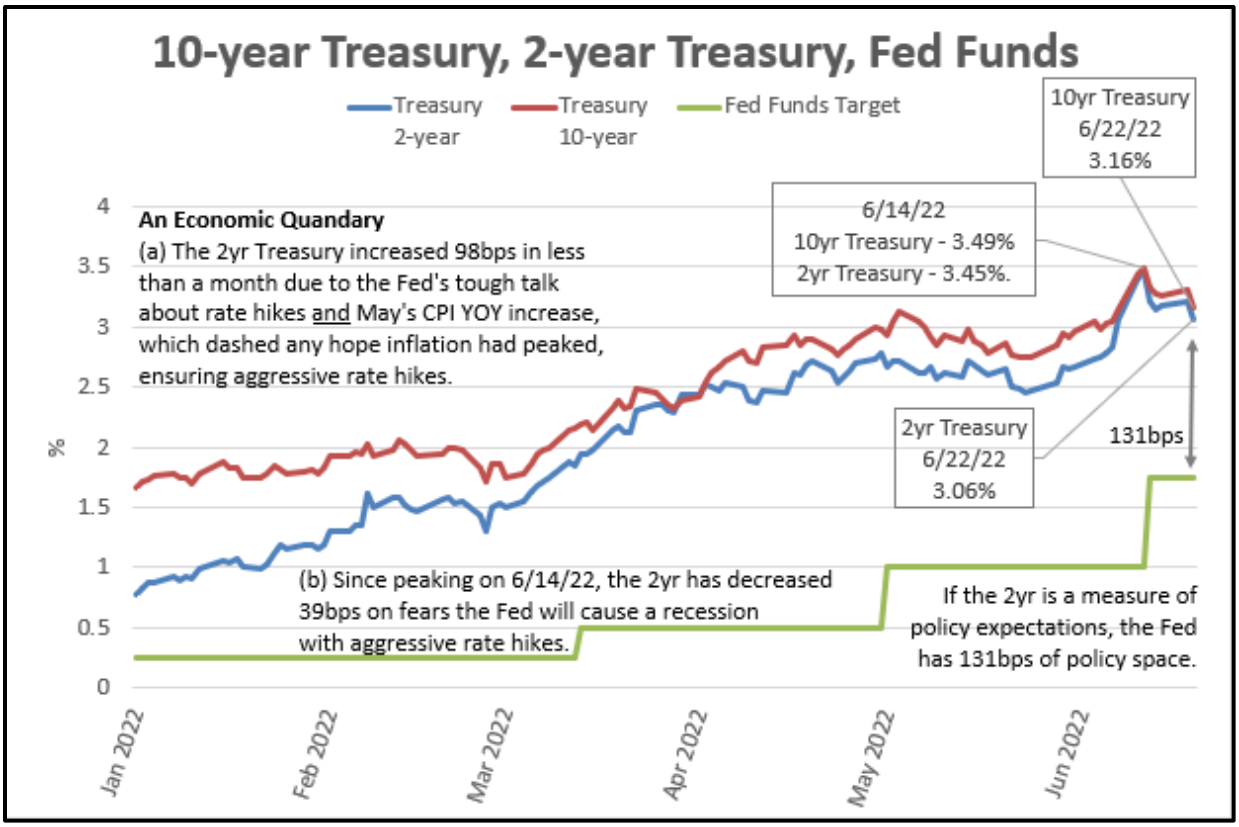
10-year Treasury, 2-year Treasury, Fed Funds
Treasury 2-year
Treasury 10-year
Fed Funds Target
10yr Treasury 6/22/22 3.16%
6/14/22 10yr Treasury - 3.49% 2yr Treasury - 3.45%.
An Economic Quandary
(a) The 2yr Treasury increased 98bps in less than a month due to the Fed's tough talk about rate hikes and May's CPI YOY increase, which dashed any hope inflation had peaked, ensuring aggressive rate hikes.
2yr Treasury 6/22/22 3.06%
131bps
(b) Since peaking on 6/14/22, the 2yr has decreased 39bps on fears the Fed will cause a recession with aggressive rate hikes.
If the 2yr is a measure of policy expectations, the Fed has 131bps of policy space.
%
4
3.5
3
2.5
2
1.5
1
0.5
0
Jan 2022
Feb 2022
Mar 2022
Apr 2022
May 2022
Jun 2022