

October 23, 2024

With stocks hovering around all-time highs, the bond market is garnering more attention. While the Fed has cut the Fed Funds rate, longer term rates are rising. When the Fed announced its 50-basis point rate cut last month, the yield on the 10-year Treasury was around 3.7 percent. Today, the yield is closer to 4.25 percent. Bond prices move inversely to interest rates, so we've seen a decline in bond values over the past 30 days. Mortgage rates are rising, as well. So, what's pushing long term rates higher?

There are data points signaling that the economy may not be slowing as much as desired (by the Fed). Continued economic strength could be inflationary and investors may be worried about the impacts of long-term inflation. This could mean that the Fed would cut rates at a slower pace. Rising bond yields could also indicate sagging demand for U.S. debt, as investors – especially international – contemplate the ability of the U.S. to continue servicing our ever-growing debt load. This past fiscal year, the U.S. government paid more in interest than it did for national defense (\$882 billion) or Medicare (\$874 billion). The only spending category larger than interest on the debt was Social Security (\$1.46 trillion.)

The World Series starts on Friday with the 12<sup>th</sup> meeting of Yankees and Dodgers for the title. The Yankees have dominated the previous series winning 8 of them. In 1955, it was the Brooklyn Dodgers beating their cross-town rivals before moving to Los Angeles in 1958. The Dodgers won the last meeting of the two storied franchises in 1981. Unlike my Reds, these are two very talented teams, and I welcome the distraction from the noise of the pending election. And they should be good; the Yankees and Dodgers are the number 2 and 3 highest paid teams in MLB, respectively. But even multimillionaire baseball players can feel the pinch of inflation. As Yogi Berra said, "A nickel ain't worth a dime anymore."

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As always, if you would like to discuss this or anything regarding current market conditions or your portfolio, feel free to contact me at any time.

Enjoy your week and Go Bills!

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