

Predicting the Markets: Chapter 10 Charts: Predicting Bonds

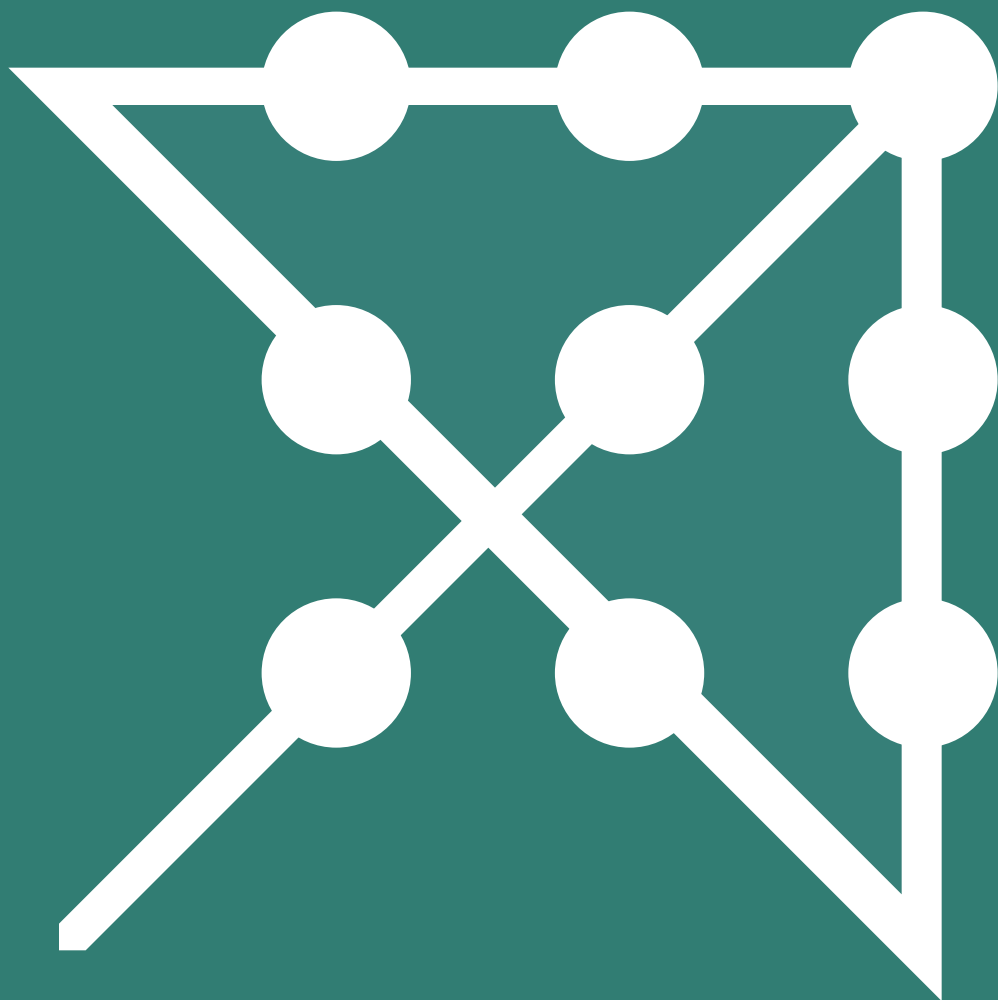
Yardeni Research, Inc.

December 10, 2023

Dr. Edward Yardeni
Chief Investment Strategist

Mali Quintana
Senior Economist
info@yardenibook.com

Please visit our sites at
www.yardeni.com
blog.yardeni.com



thinking outside the box

Table Of Contents

Predicting Bonds

1-27

Predicting Bonds

Figure 1.

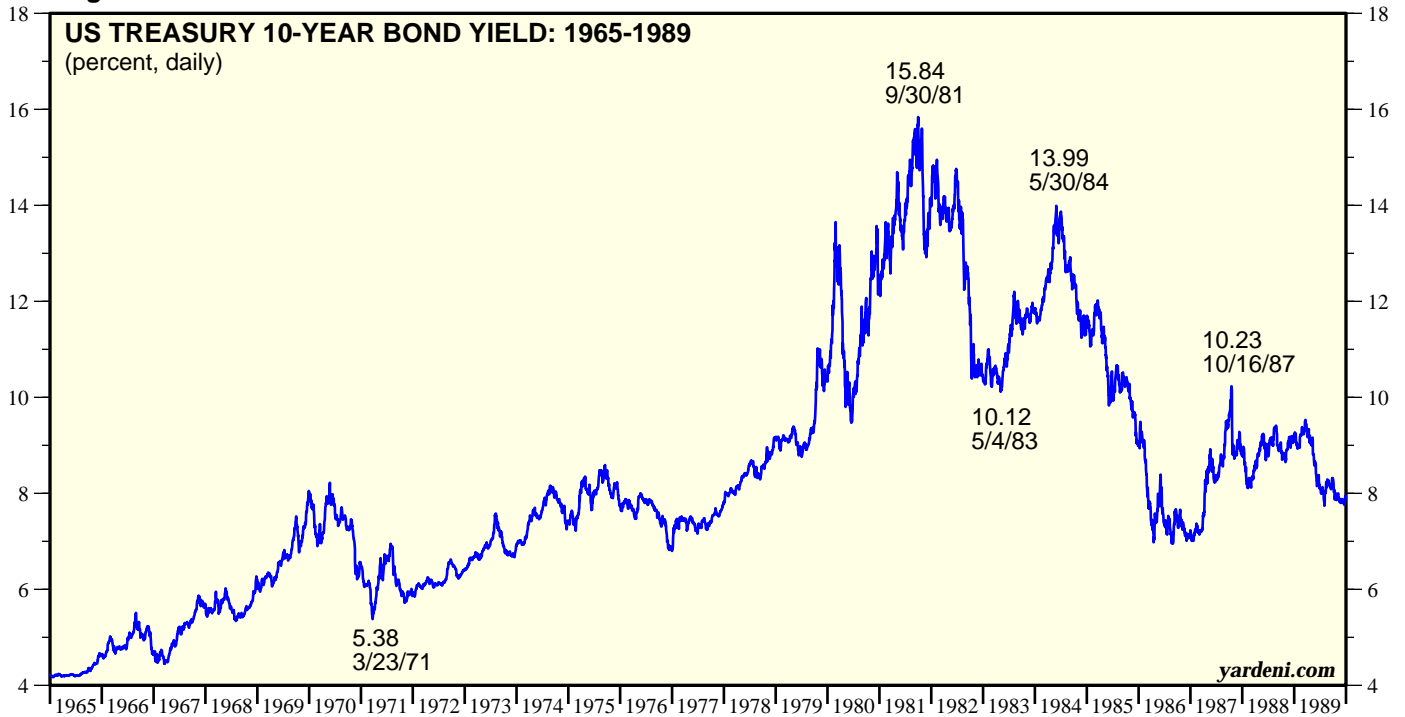
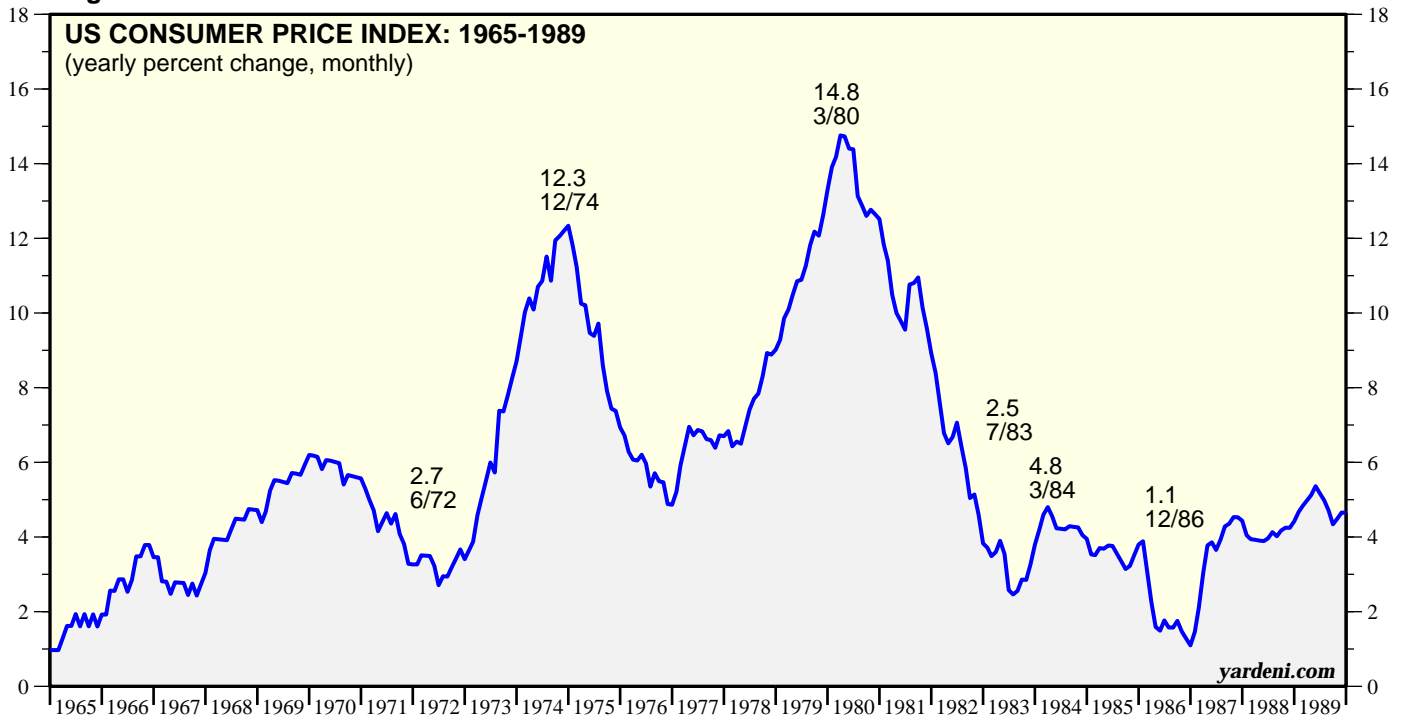
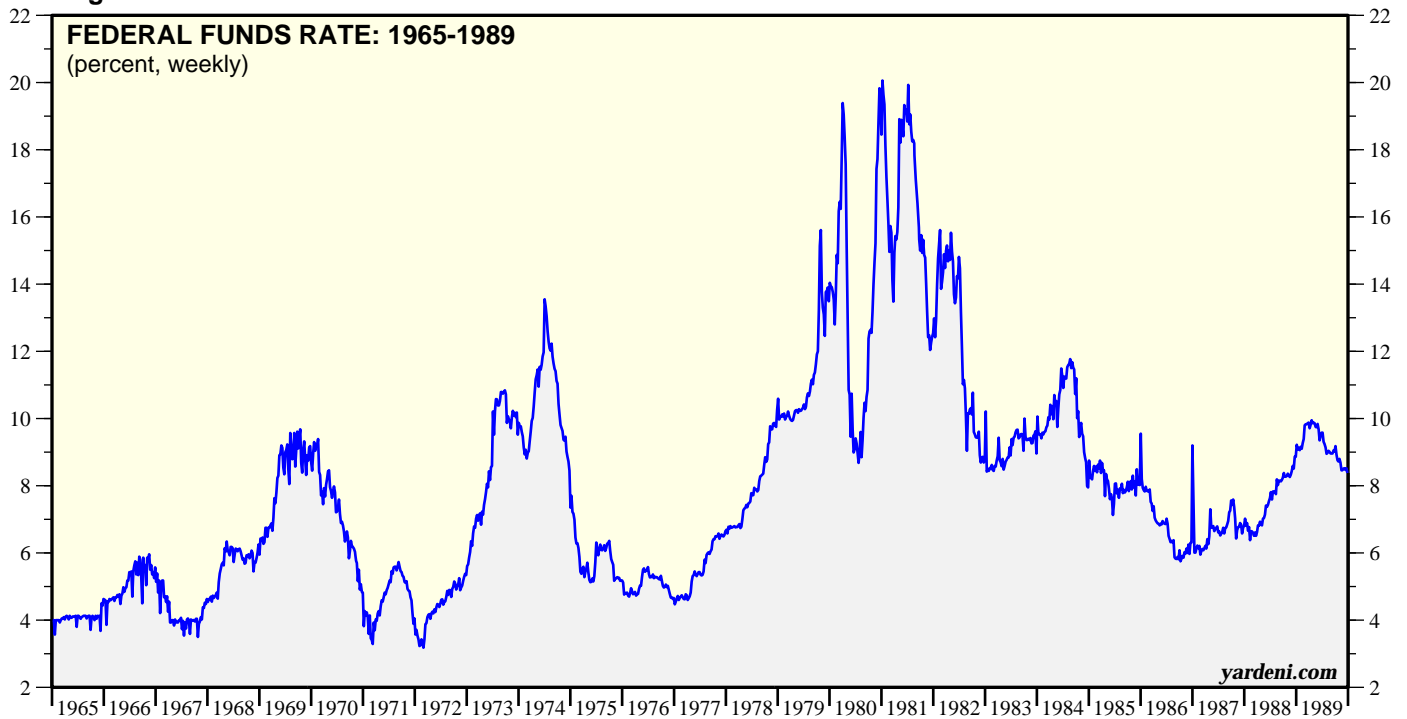


Figure 2.



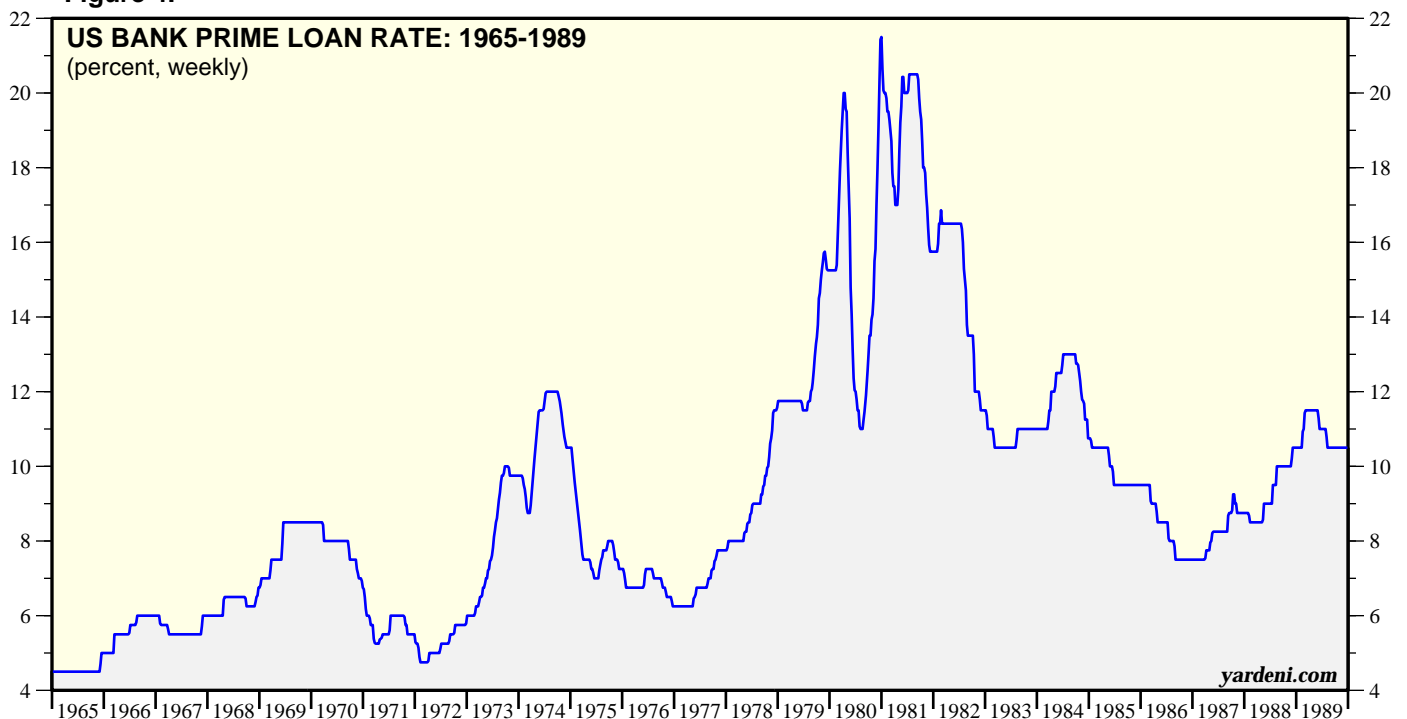
Predicting Bonds

Figure 3.



Source: Federal Reserve Board.

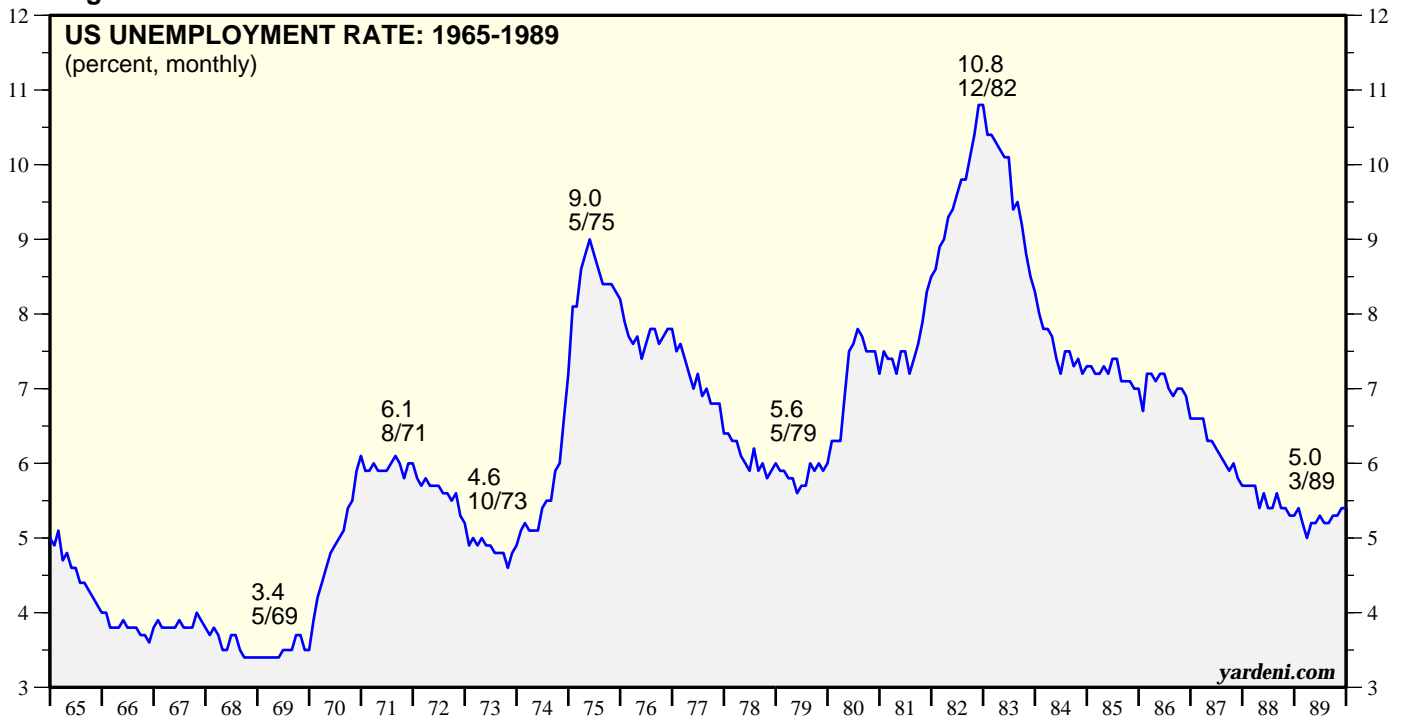
Figure 4.



Source: Federal Reserve Board.

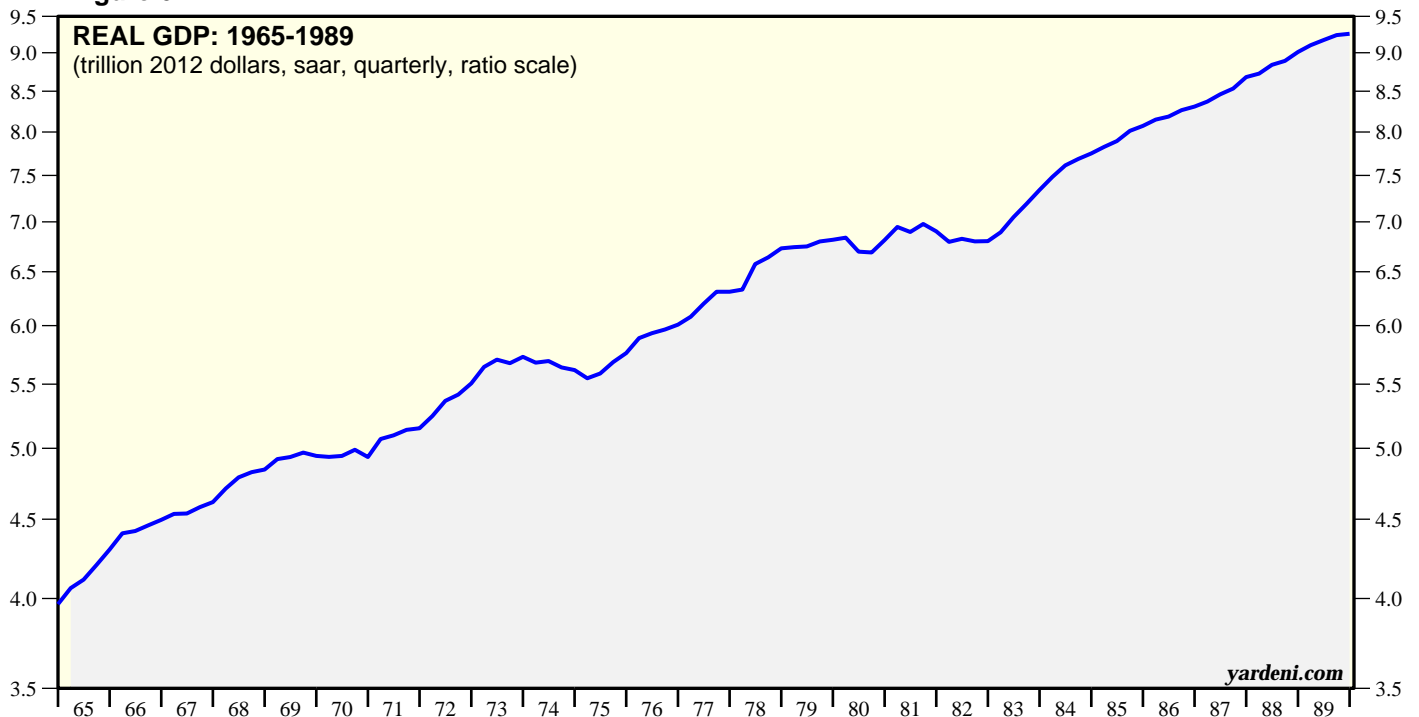
Predicting Bonds

Figure 5.



Source: Bureau of Labor Statistics.

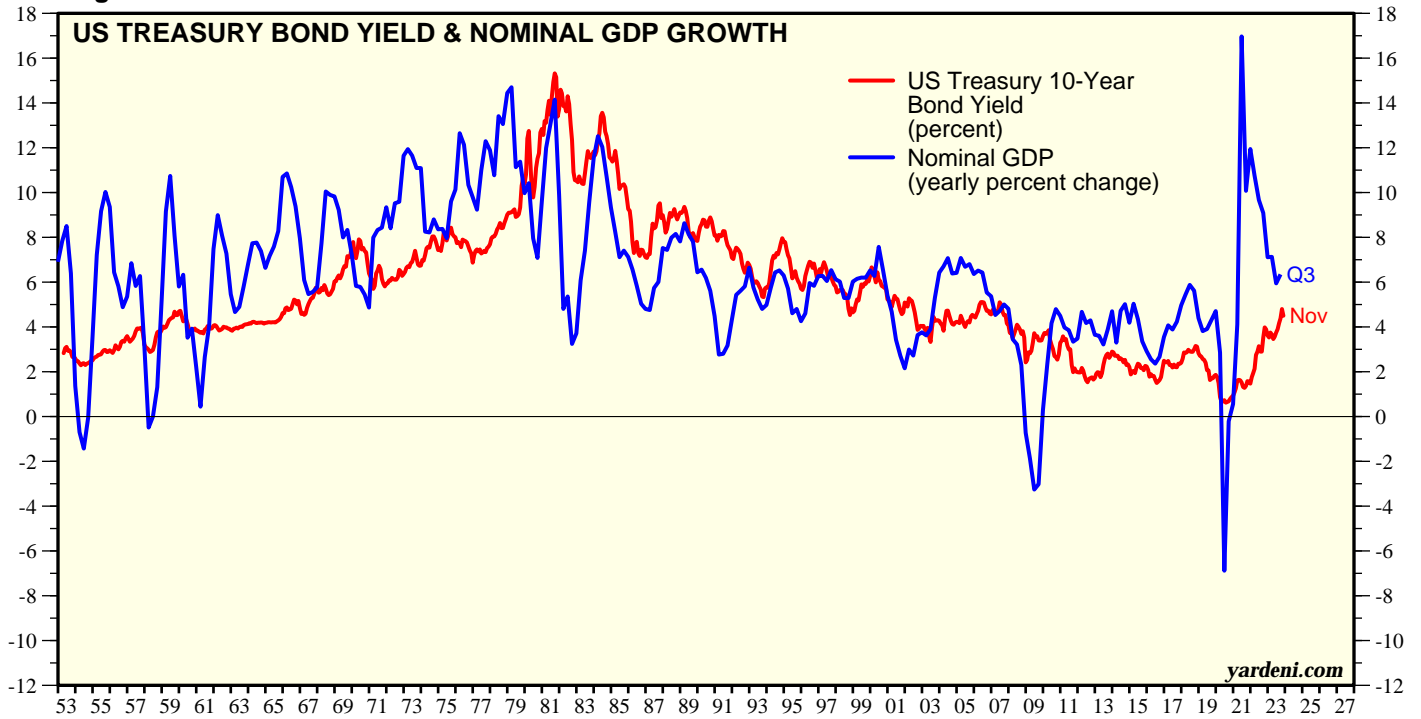
Figure 6.



Source: Bureau of Economic Analysis.

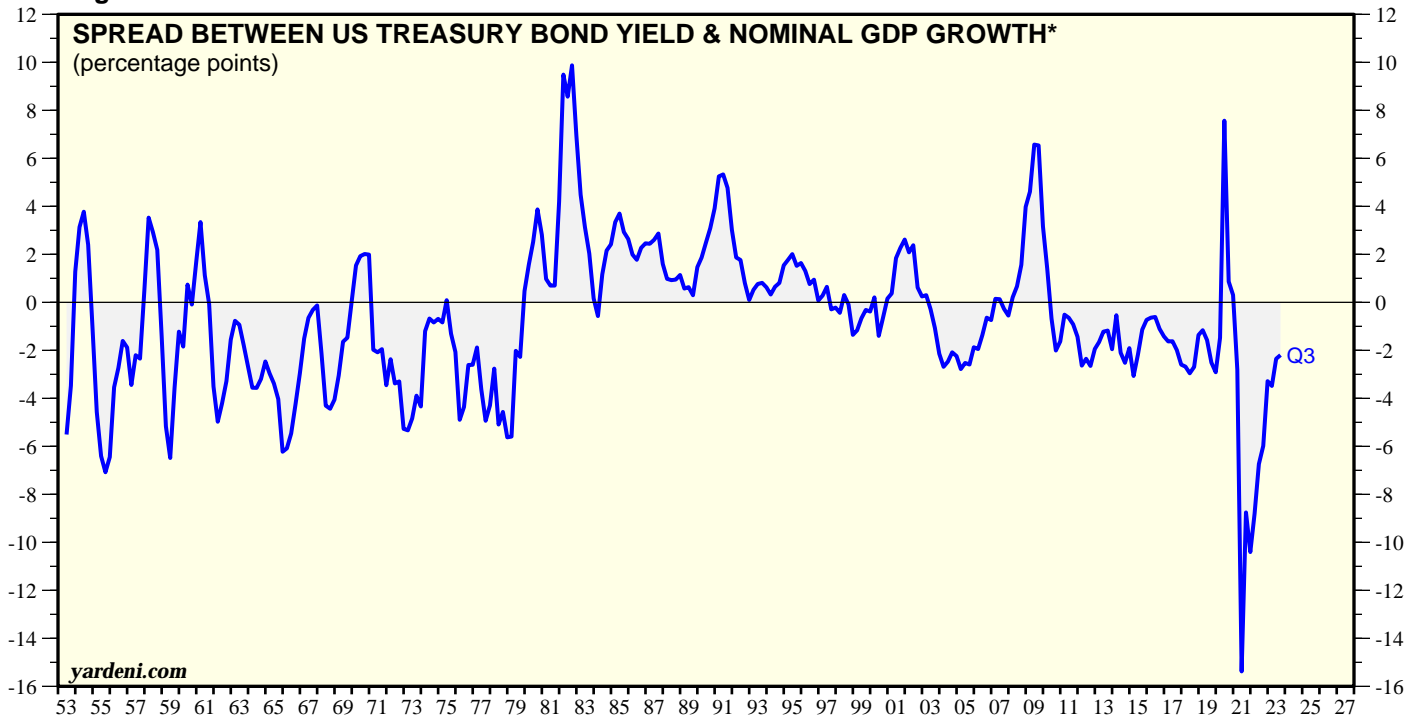
Predicting Bonds

Figure 7.



Source: Bureau of Economic Analysis and Federal Reserve Board.

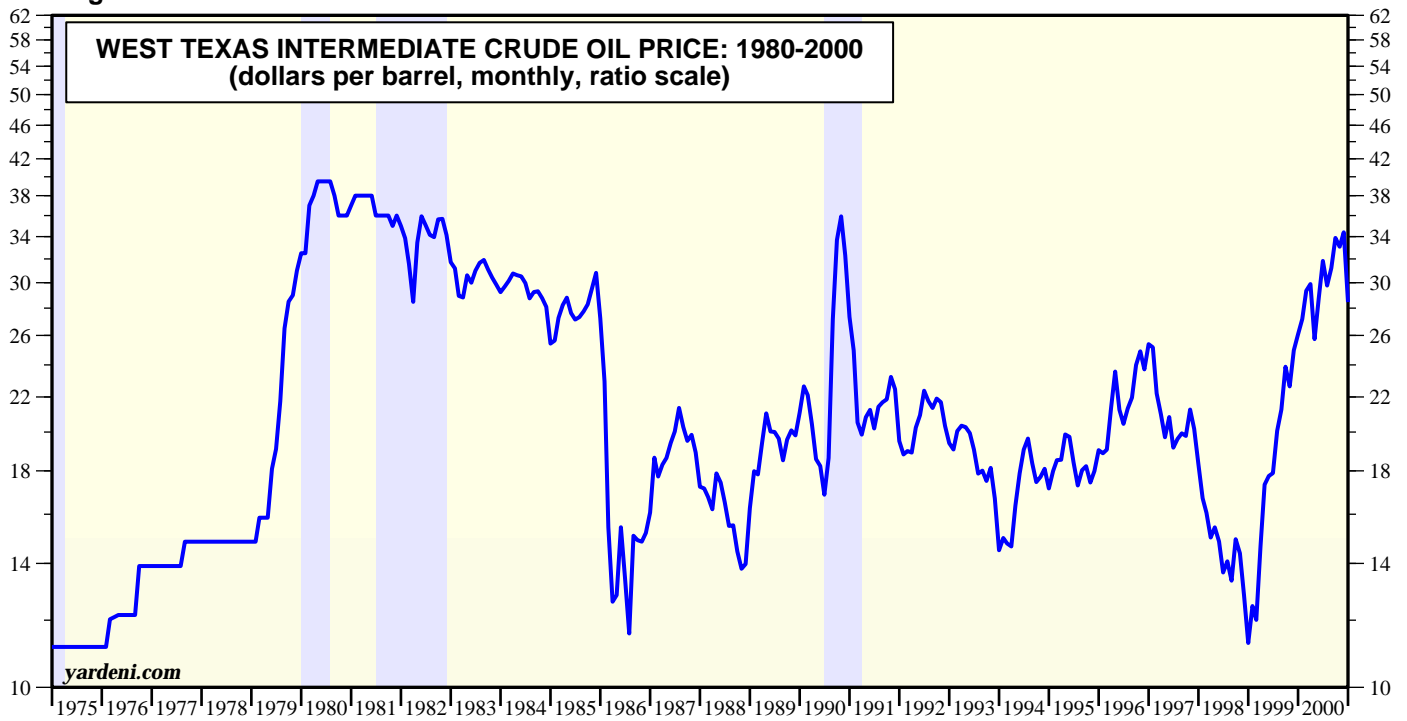
Figure 8.



* US Treasury 10-year bond yield minus yearly percent change in nominal GDP.
Source: Bureau of Economic Analysis and Federal Reserve Board.

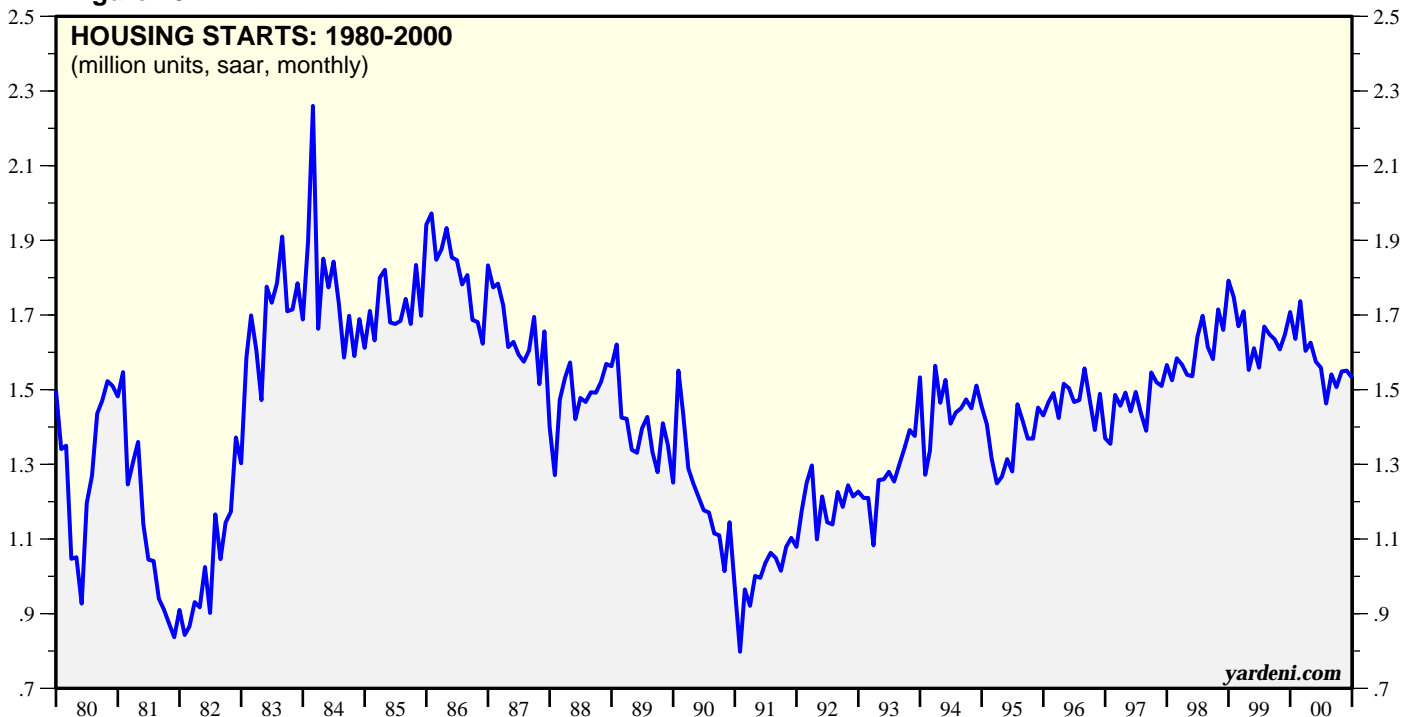
Predicting Bonds

Figure 9.



Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
Source: Haver Analytics.

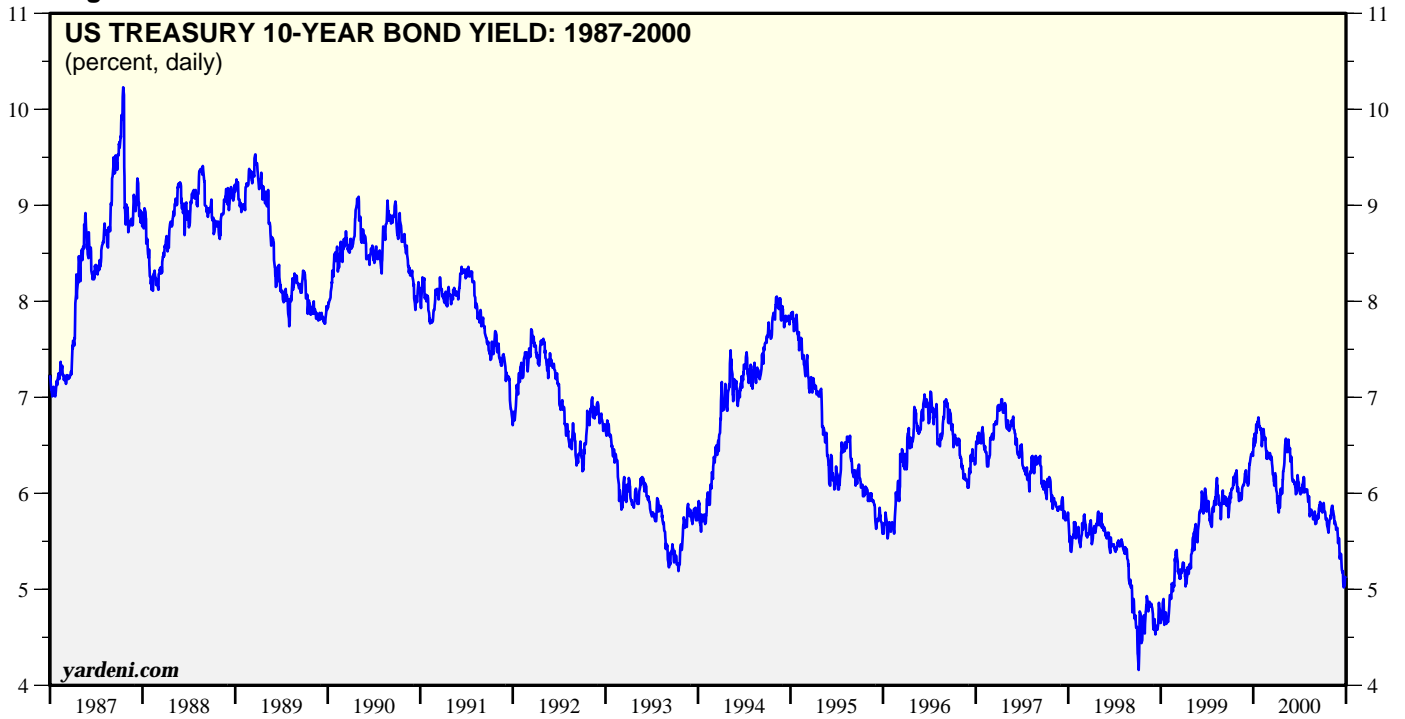
Figure 10.



Source: Census Bureau.

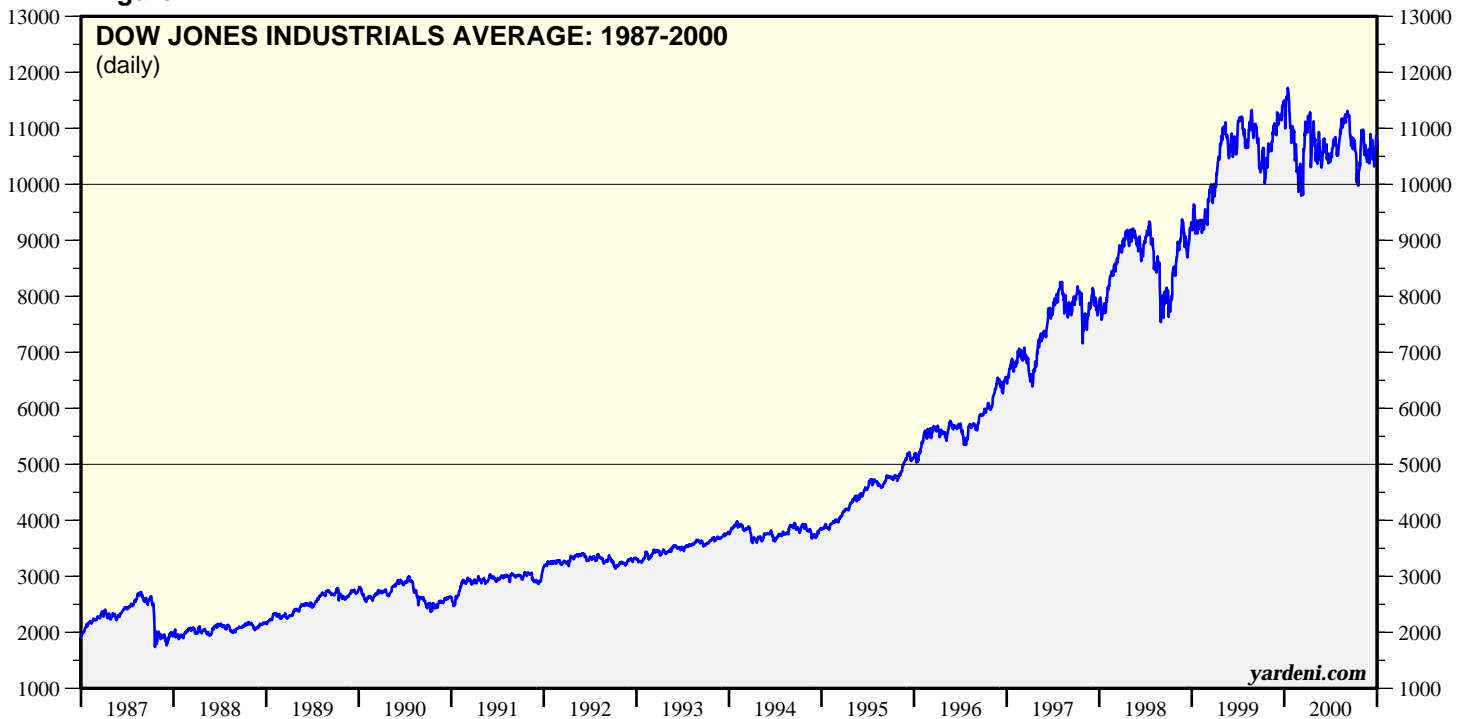
Predicting Bonds

Figure 11.



Source: Federal Reserve Board.

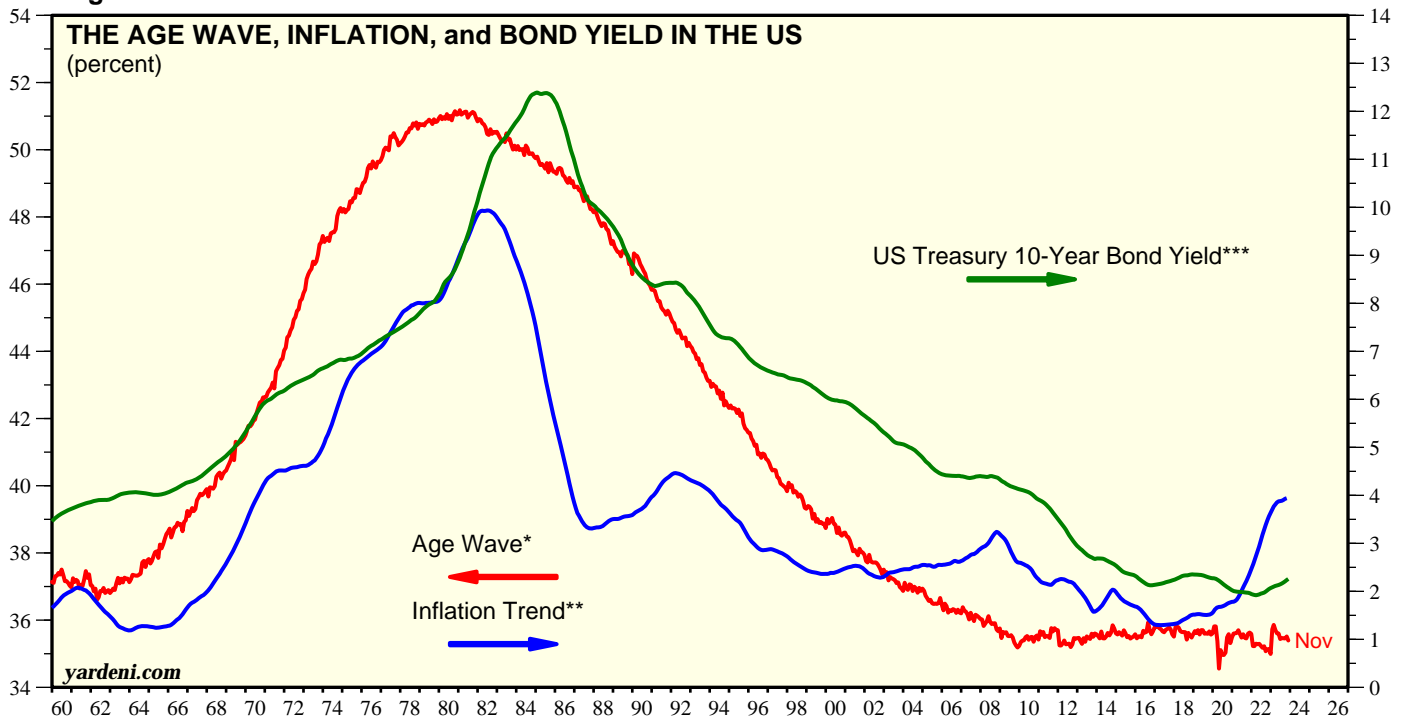
Figure 12.



Source: Dow Jones Inc.

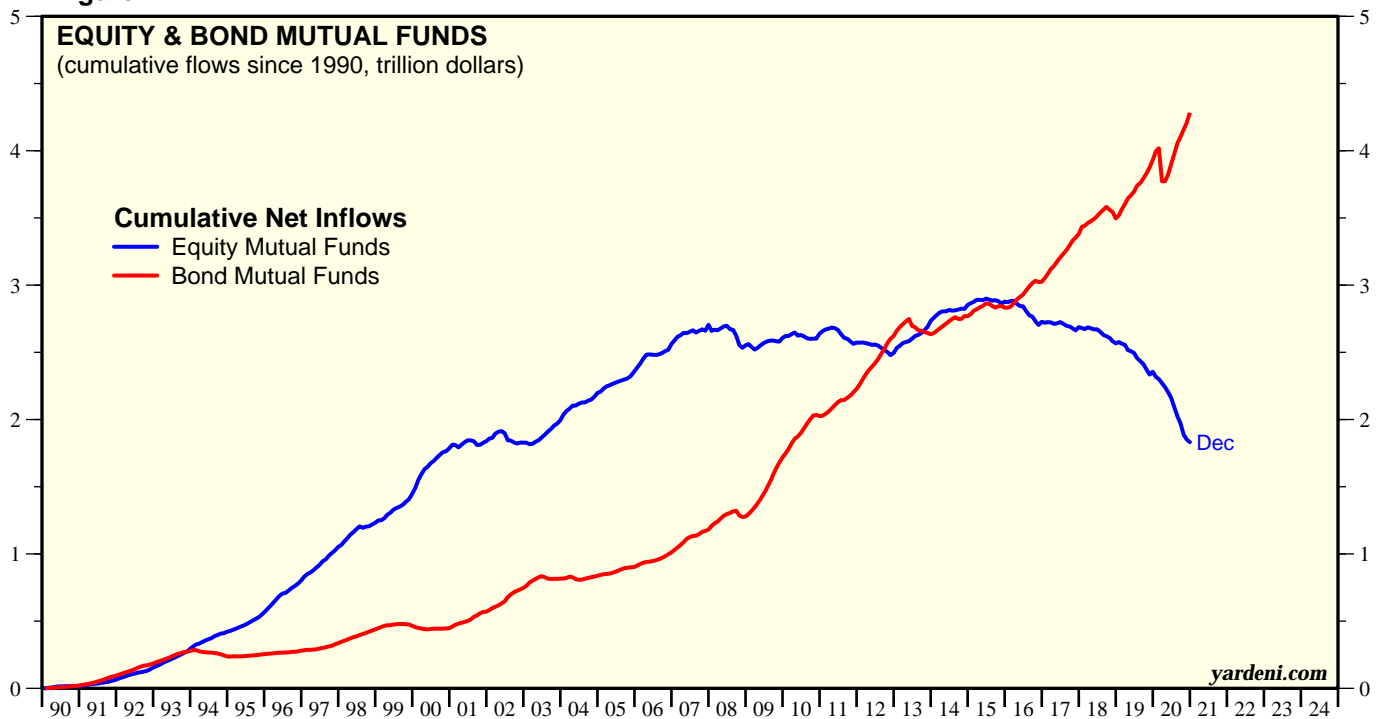
Predicting Bonds

Figure 13.



* Percent of labor force 16-34 years old.
 ** Five-year moving average of yearly percent change in CPI.
 *** Five-year moving average of ten-year government bond yield.
 Source: Bureau of Labor Statistics and Federal Reserve Board.

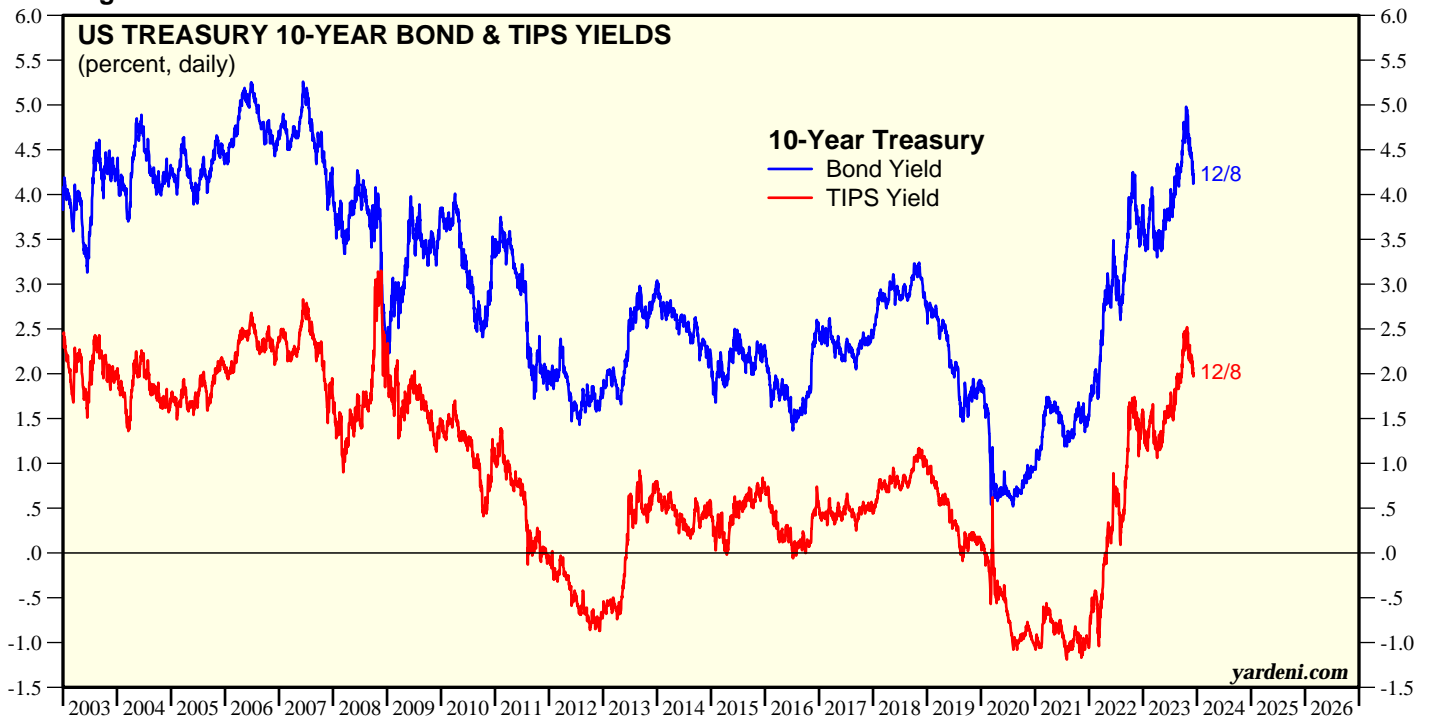
Figure 14.



Source: Investment Company Institute.

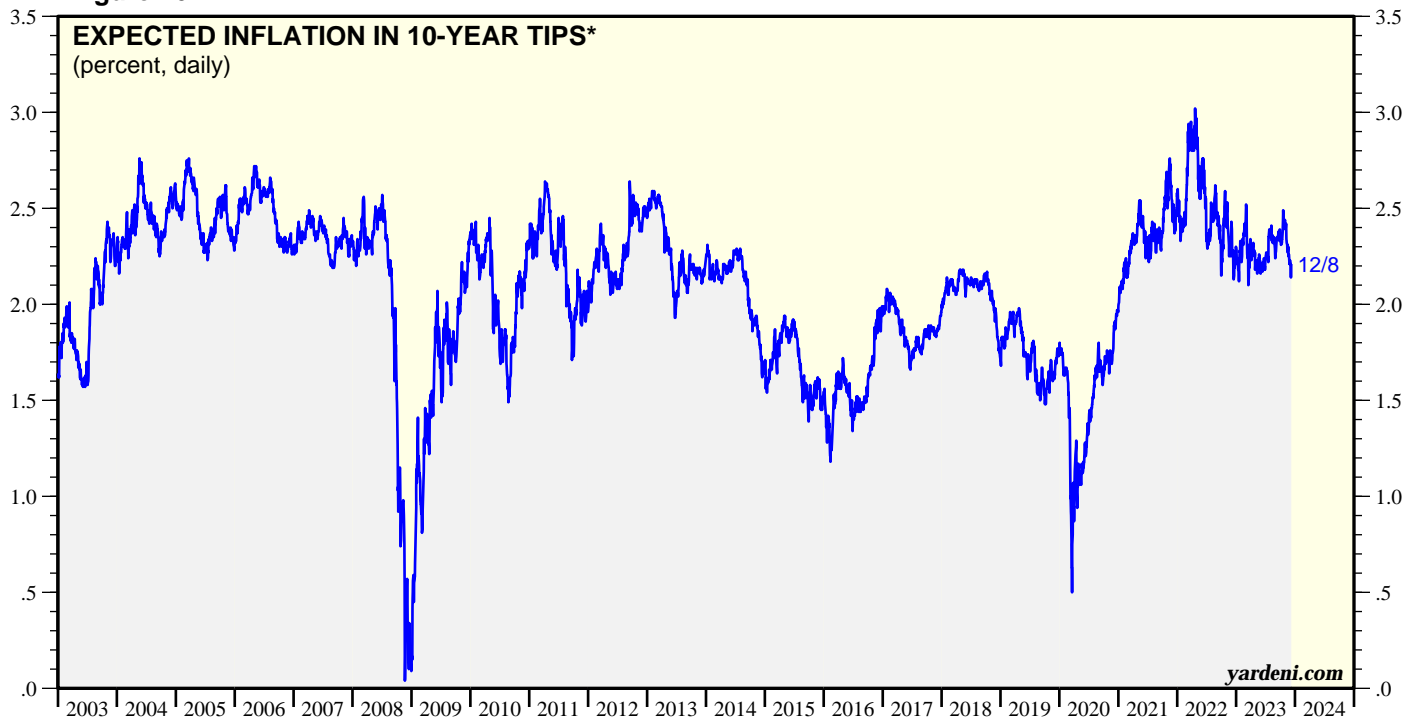
Predicting Bonds

Figure 15.



Source: Federal Reserve Board.

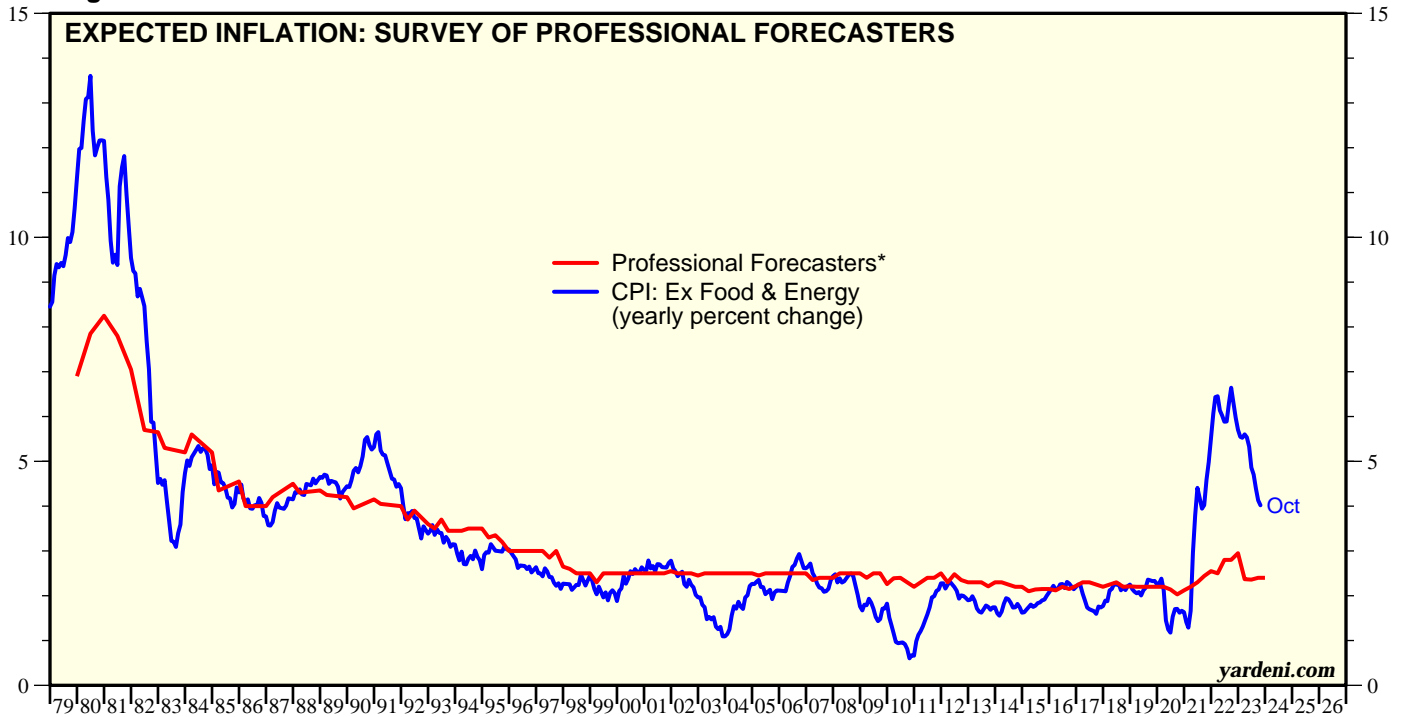
Figure 16.



* Nominal minus TIPS yield.
Source: Federal Reserve Board.

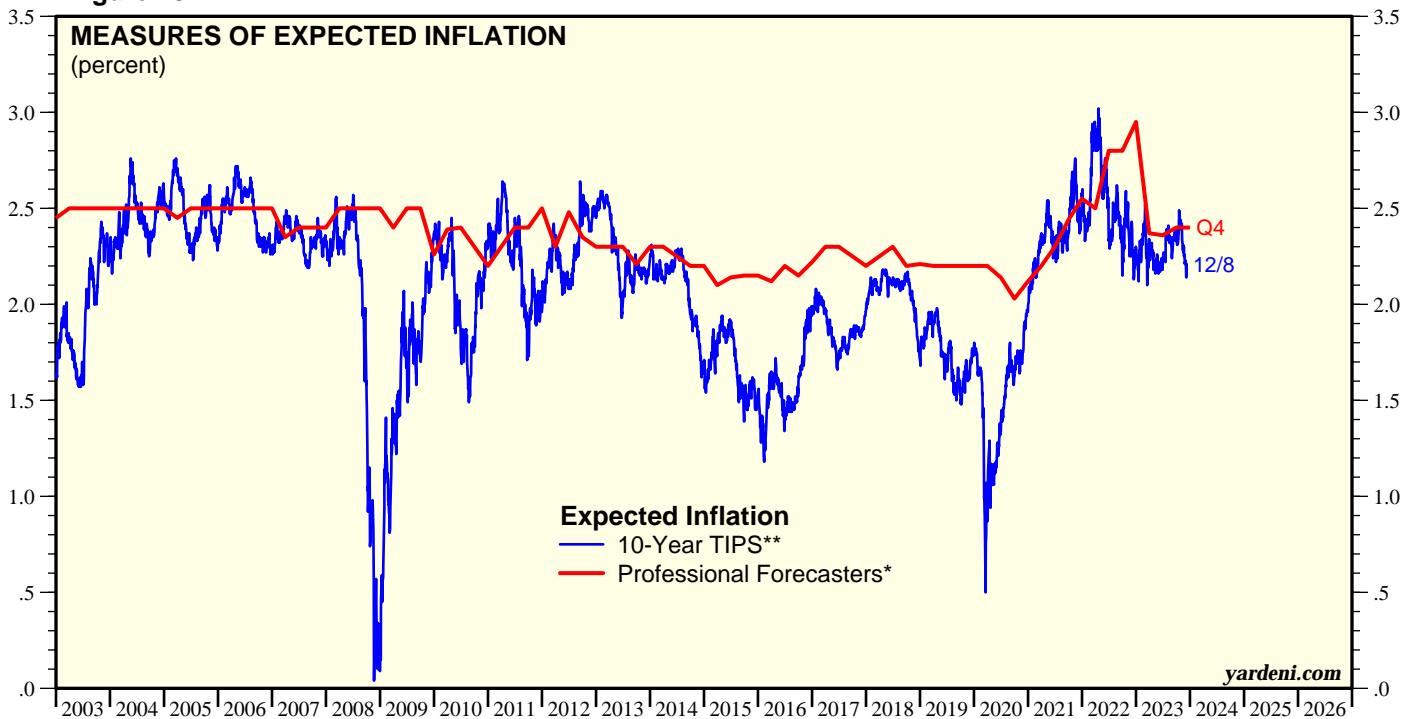
Predicting Bonds

Figure 17.



* Median forecast of year-over-year CPI inflation rate over the next 10 years using Philadelphia Fed Survey of Professional Forecasters data. Source: Bureau of Labor Statistics and Federal Reserve Bank of Philadelphia.

Figure 18.

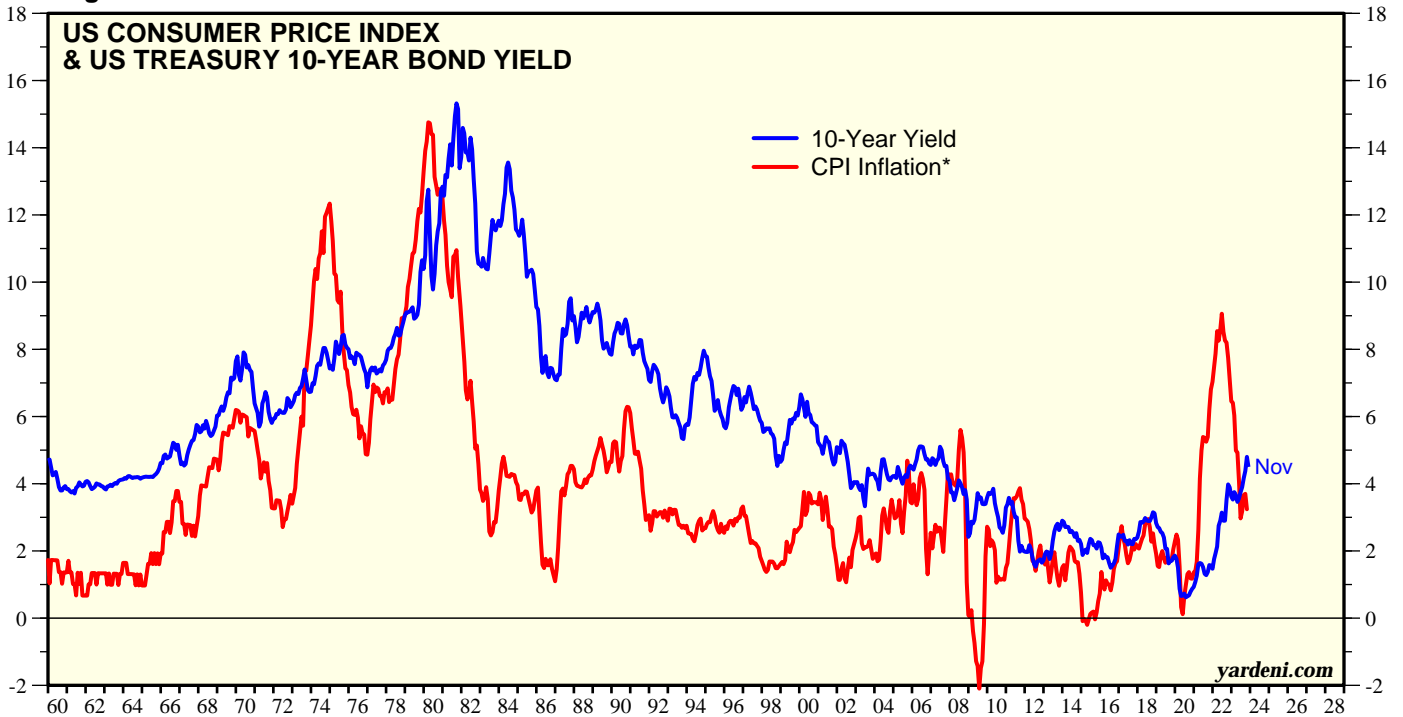


* Median forecast of year-over-year CPI inflation rate over the next 10 years using Philadelphia Fed Survey of Professional Forecasters data.

** Nominal US Treasury 10-year minus 10-year TIPS yields. Source: Federal Reserve Board and Federal Reserve Bank of Philadelphia.

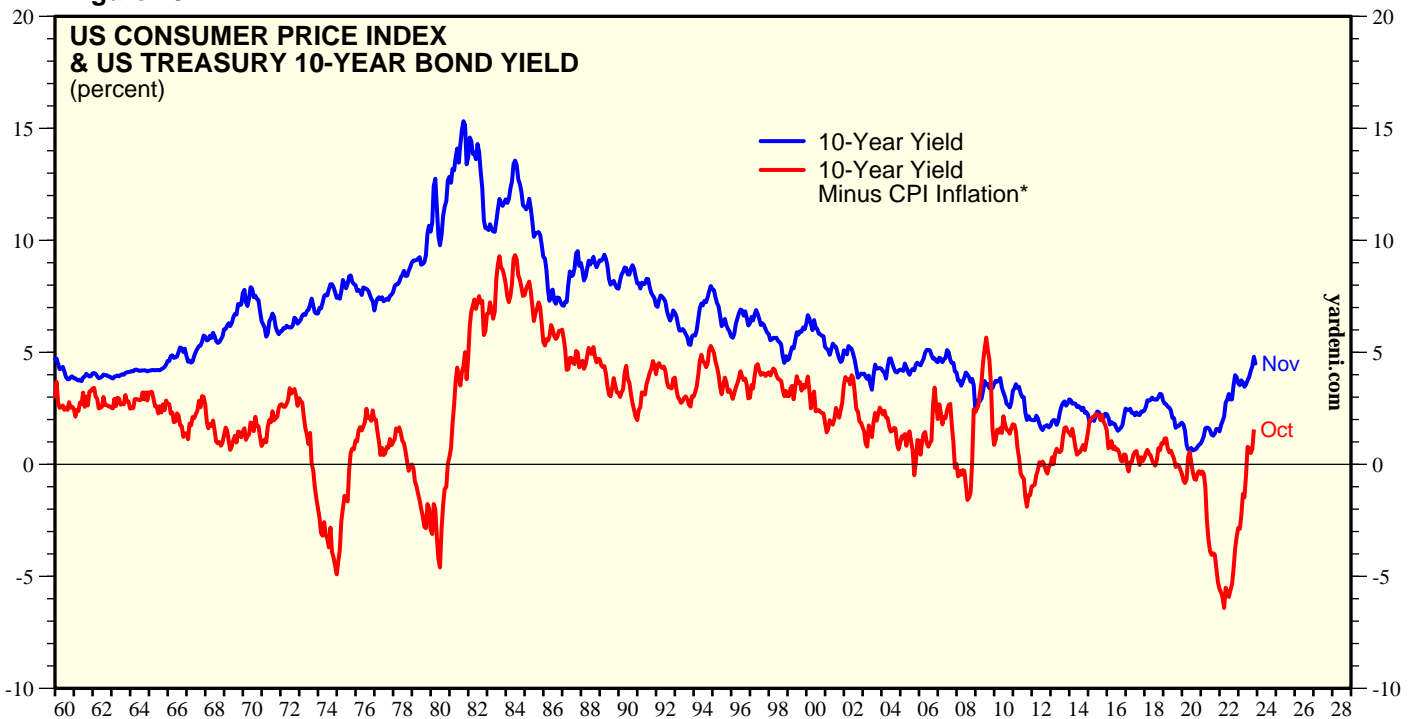
Predicting Bonds

Figure 19.



* Yearly percent change.
 Source: Federal Reserve Board and Bureau of Labor Statistics.

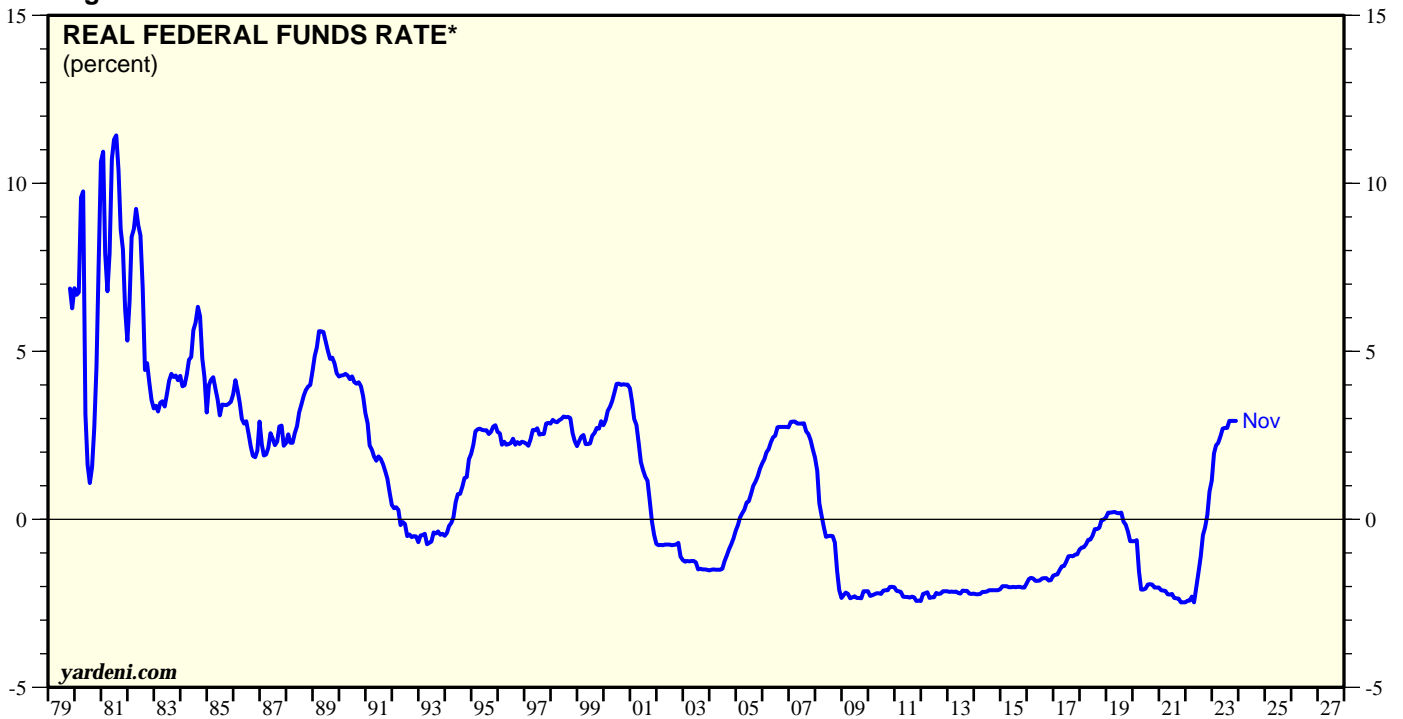
Figure 20.



* Yearly percent change.
 Source: Federal Reserve Board and Bureau of Labor Statistics.

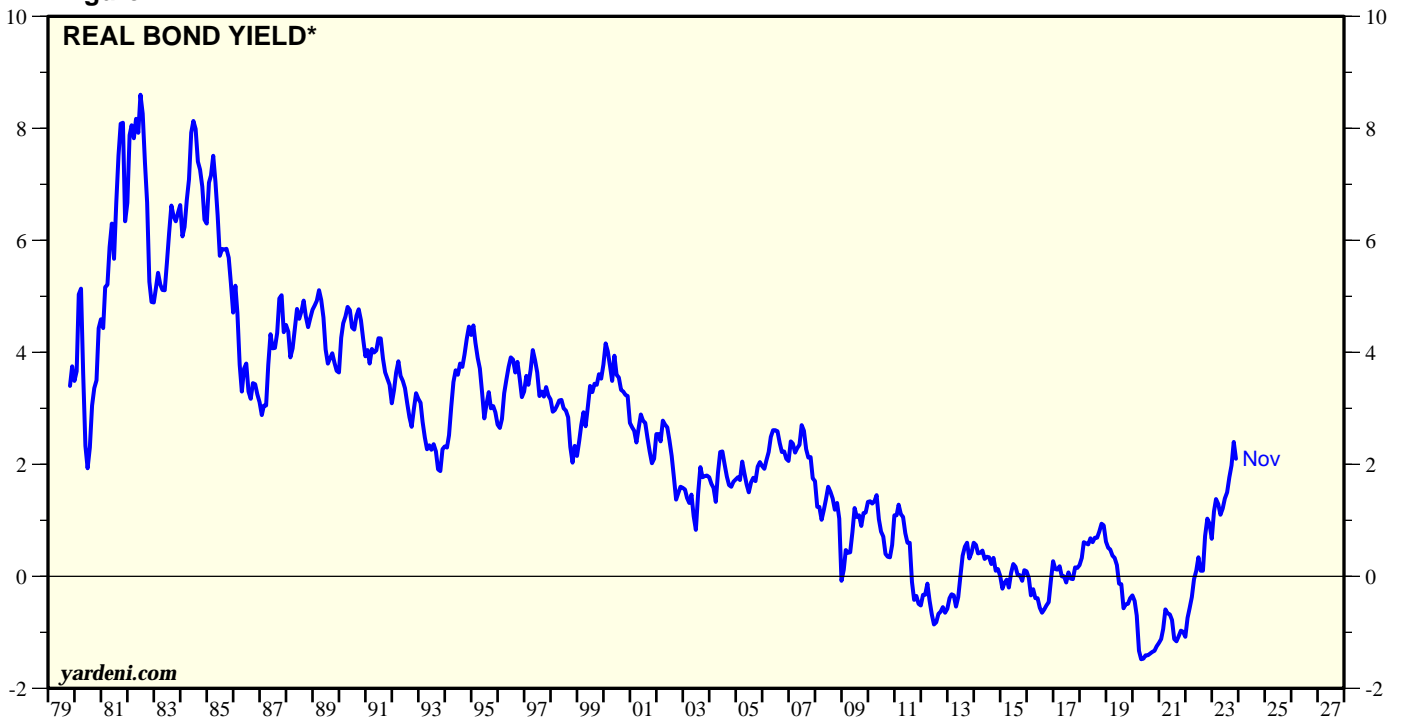
Predicting Bonds

Figure 21.



* Federal funds rate minus median forecast of year-over-year CPI inflation rate over the next 10 years using Philadelphia Fed Survey of Professional Forecasters data (monthly series interpolated from quarterly data starting as two quarters per year during Q4-1979 until Q4-1991 when the data continue with four quarters a year).
Source: Federal Reserve Board, US Treasury, and Federal Reserve Bank of Philadelphia.

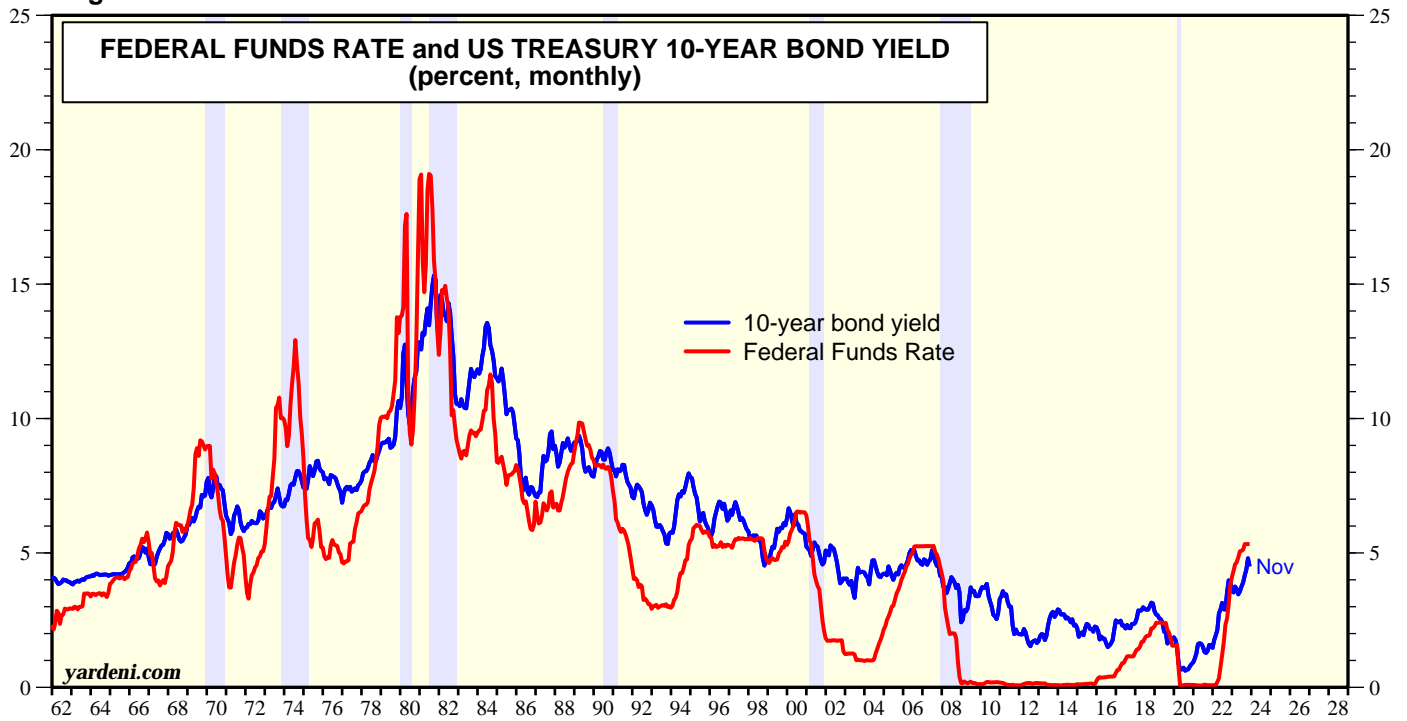
Figure 22.



* US Treasury 10-year bond yield minus median forecast of year-over-year CPI inflation rate over the next 10 years using Philadelphia Fed Survey of Professional Forecasters data (monthly series interpolated from quarterly data starting as two quarters per year during Q4-1979 until Q4-1991 when the data continue with four quarters a year).
Source: Federal Reserve Board, US Treasury, and Federal Reserve Bank of Philadelphia.

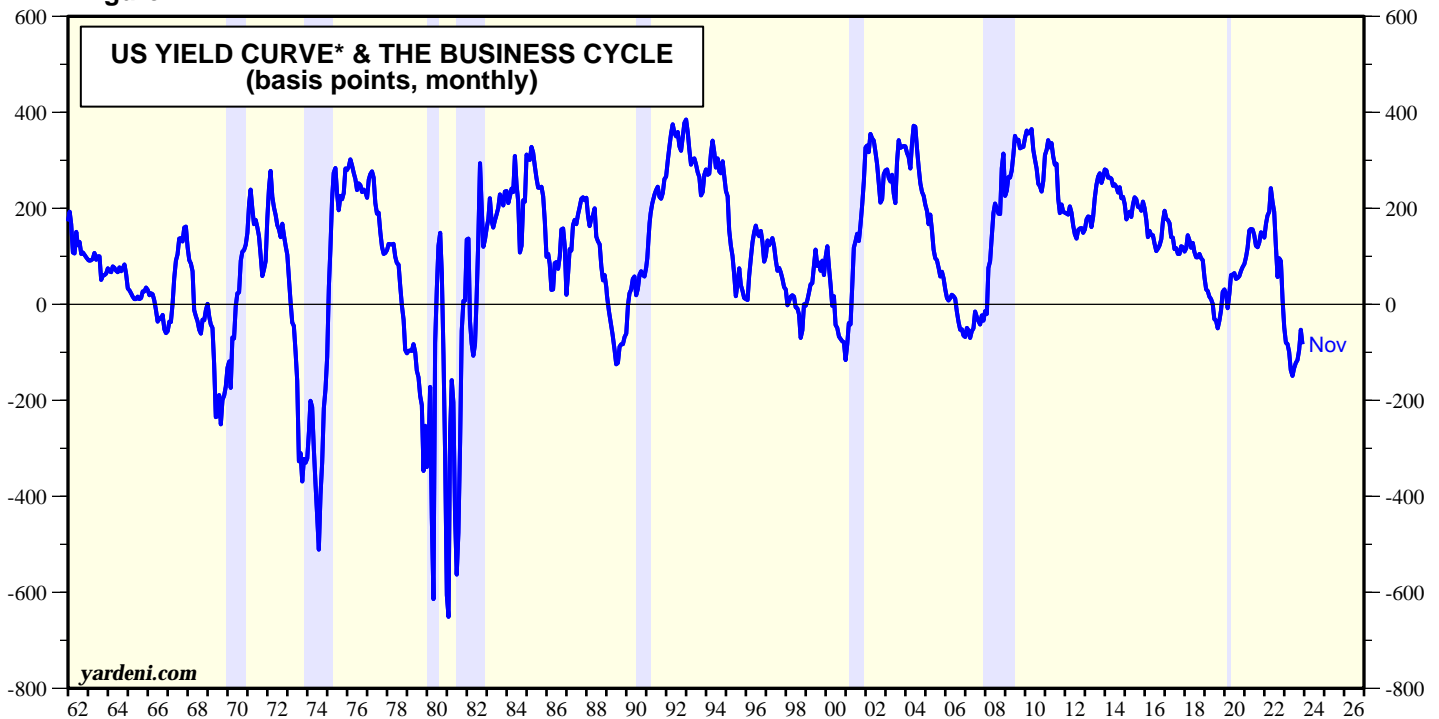
Predicting Bonds

Figure 23.



Note: Shaded areas are recessions according to the National Bureau of Economic Research.
 Source: Federal Reserve Board.

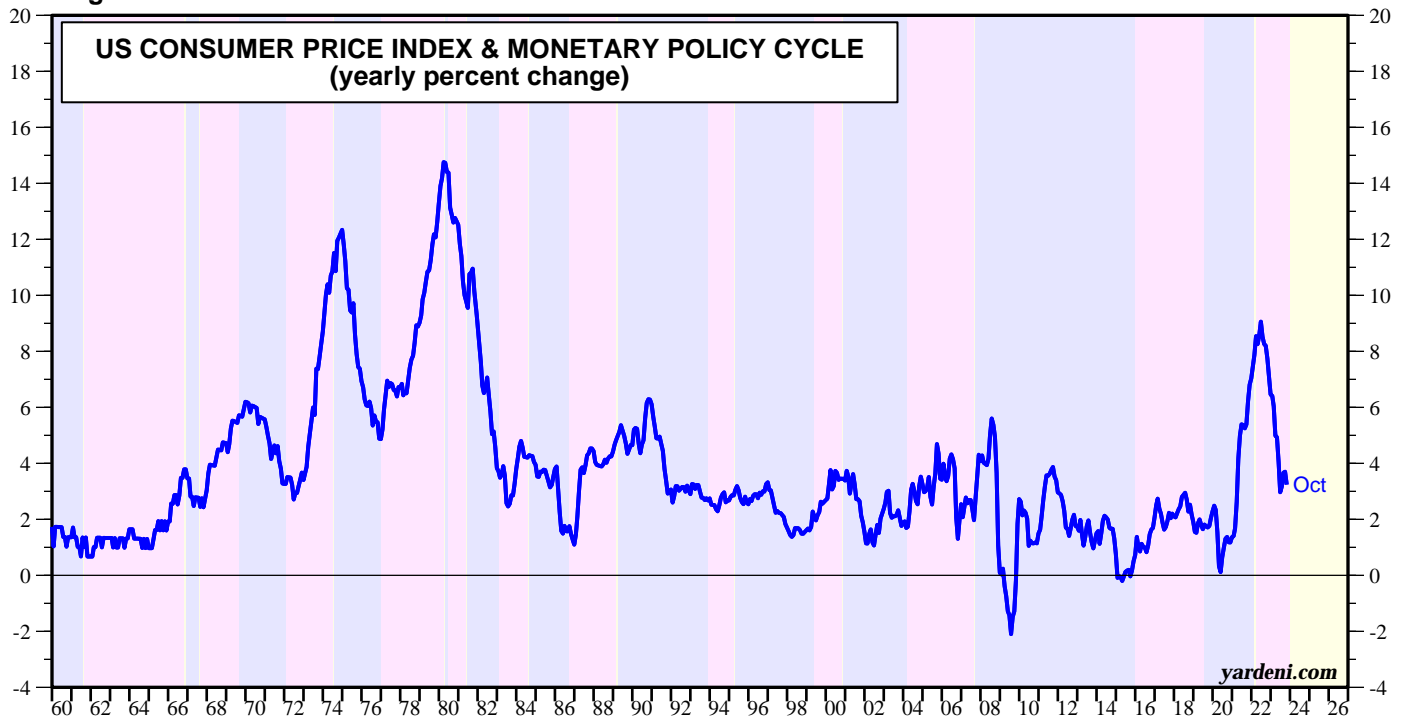
Figure 24.



* 10-year US Treasury bond yield minus federal funds rate.
 Note: Shaded areas are recessions according to the National Bureau of Economic Research.
 Source: Federal Reserve Board.

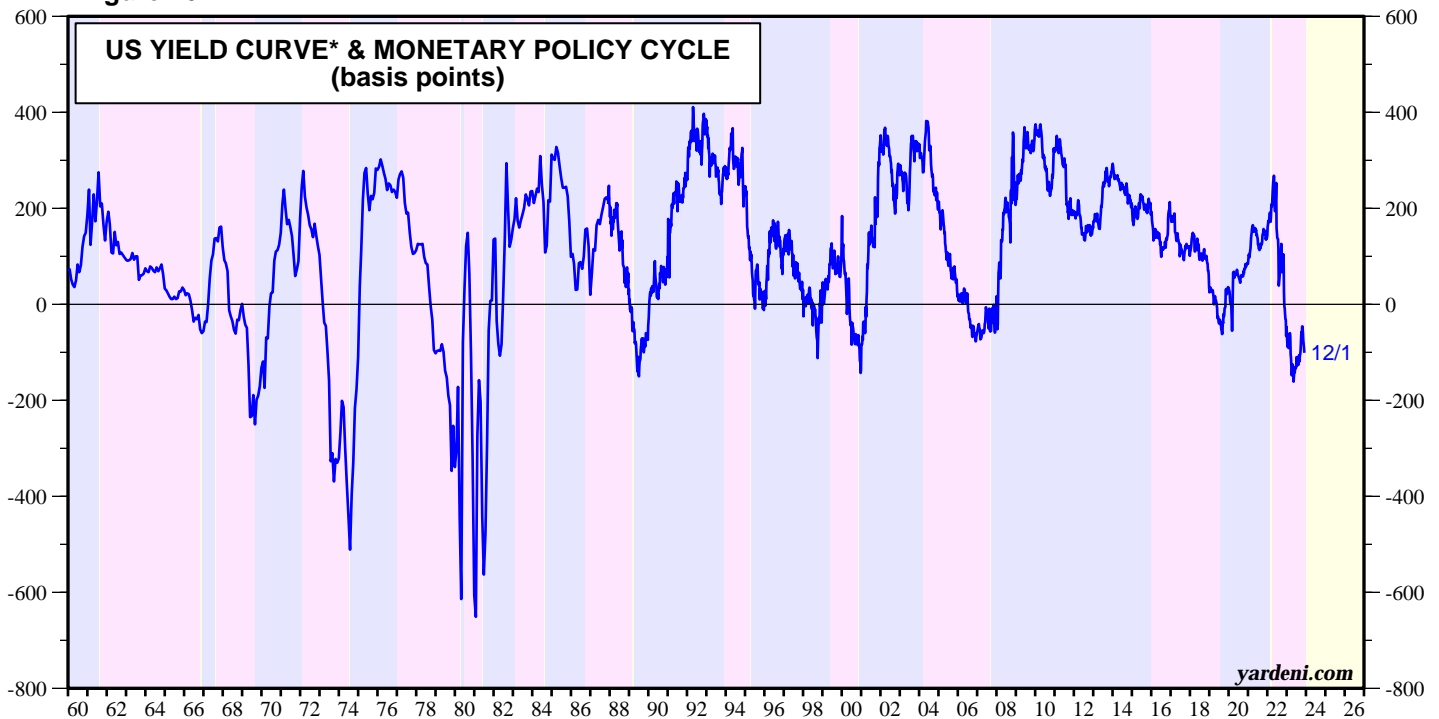
Predicting Bonds

Figure 25.



Note: Blue shaded areas are periods of monetary easing between cyclical peaks and troughs in the federal funds rate. Red shaded areas denote monetary tightening periods.
Source: Bureau of Labor Statistics.

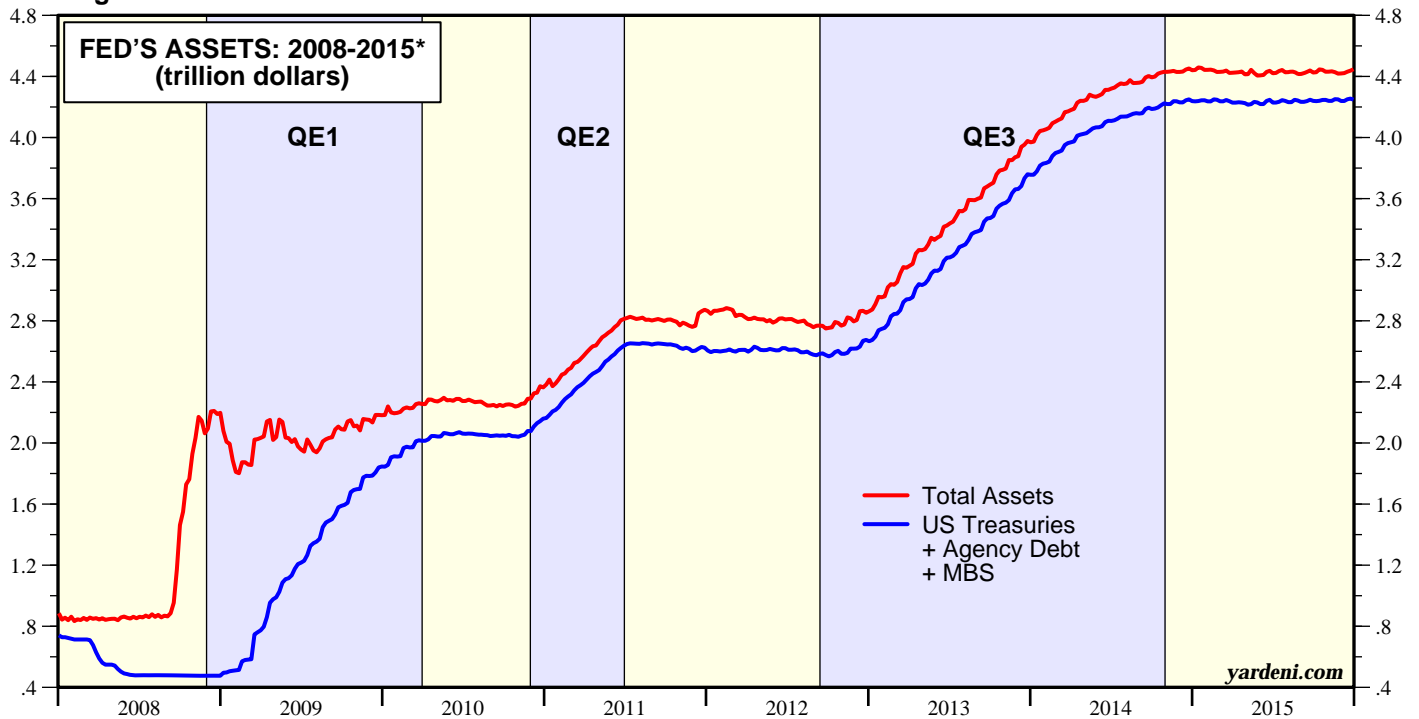
Figure 26.



* US Treasury 10-year bond yield less federal funds rate. Monthly through 1987, then weekly.
Note: Blue shaded areas are periods of monetary easing between cyclical peaks and troughs in the federal funds rate. Red shaded areas denote monetary tightening periods.
Source: Federal Reserve Board.

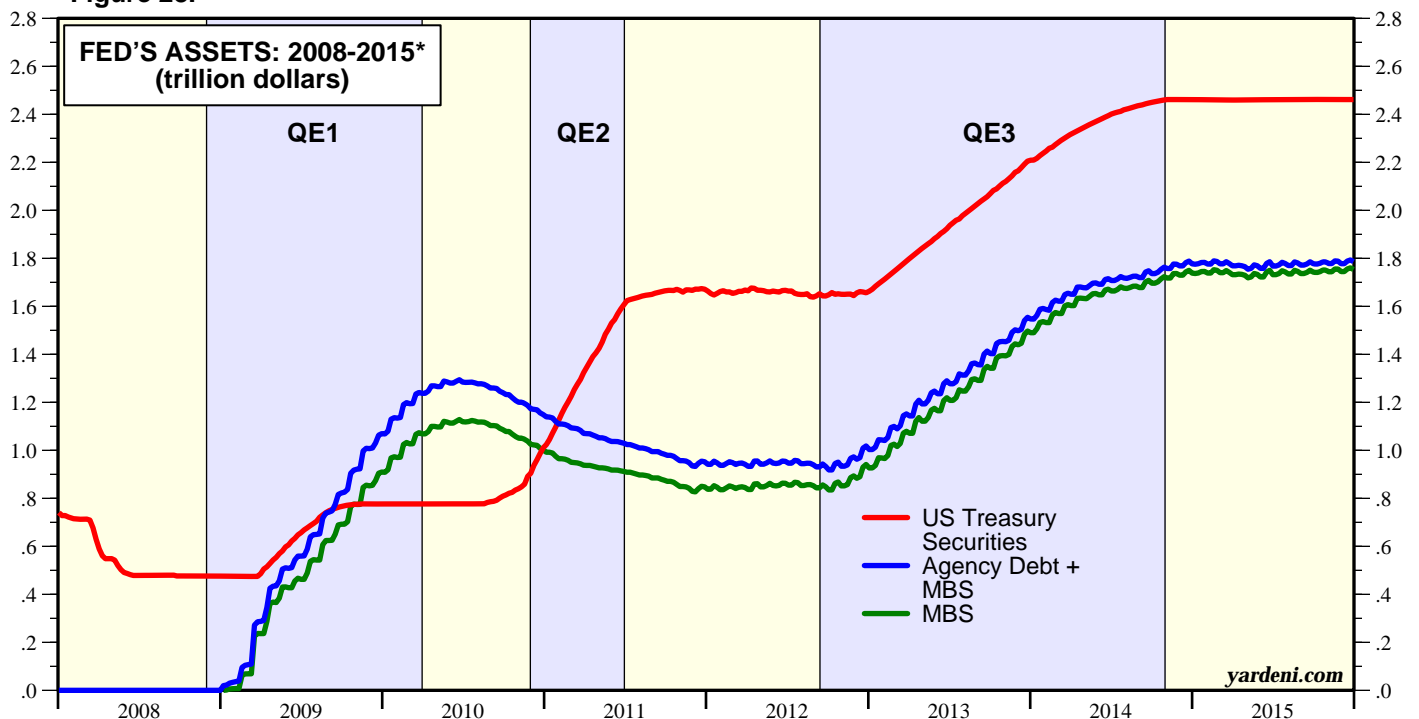
Predicting Bonds

Figure 27.



* Average of daily figures for weeks ending Wednesday.
 Note: QE1 (11/25/08) = Fed starts buying \$1.24tn in mortgage securities. QE1 expanded (3/16/2009) = Fed starts buying \$300bn in Treasuries.
 QE2 (11/3/10) = Fed starts buying \$600bn in Treasuries. QE3 (9/13/12) = Fed starts buying \$40bn/month in mortgage securities (open ended).
 QE3 expanded (12/12/12) = Fed starts buying \$45bn/month in Treasuries.
 Source: Federal Reserve Board.

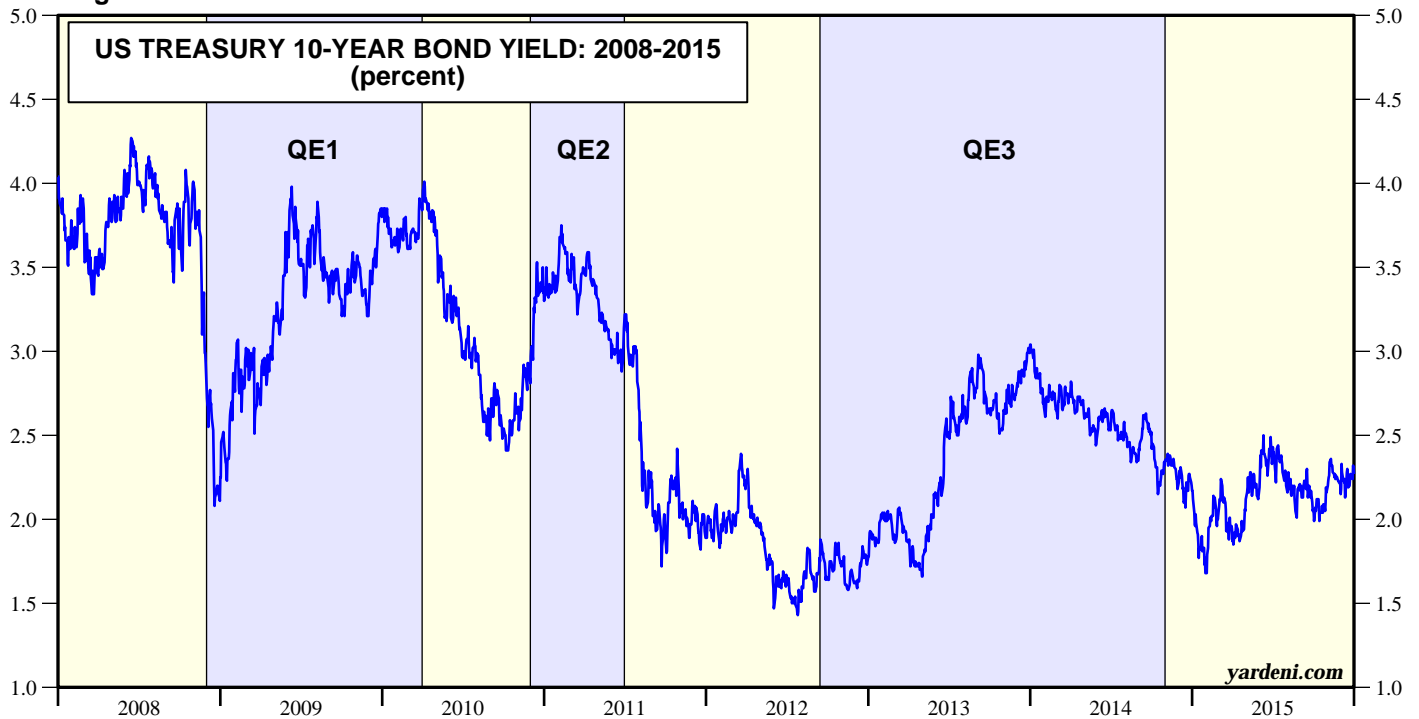
Figure 28.



* Average of daily figures for weeks ending Wednesday.
 Note: QE1 (11/25/08) = Fed starts buying \$1.24tn in mortgage securities. QE1 expanded (3/16/2009) = Fed starts buying \$300bn in Treasuries.
 QE2 (11/3/10) = Fed starts buying \$600bn in Treasuries. QE3 (9/13/12) = Fed starts buying \$40bn/month in mortgage securities (open ended).
 QE3 expanded (12/12/12) = Fed starts buying \$45bn/month in Treasuries.
 Source: Federal Reserve Board.

Predicting Bonds

Figure 29.



Note: QE1 (11/25/08) = Fed starts buying \$1.24tn in mortgage securities. QE1 expanded (3/16/2009) = Fed starts buying \$300bn in Treasuries. QE2 (11/3/10) = Fed starts buying \$600bn in Treasuries. QE3 (9/13/12) = Fed starts buying \$40bn/month in mortgage securities (open ended). QE3 expanded (12/12/12) = Fed starts buying \$45bn/month in Treasuries.
Source: Federal Reserve Board.

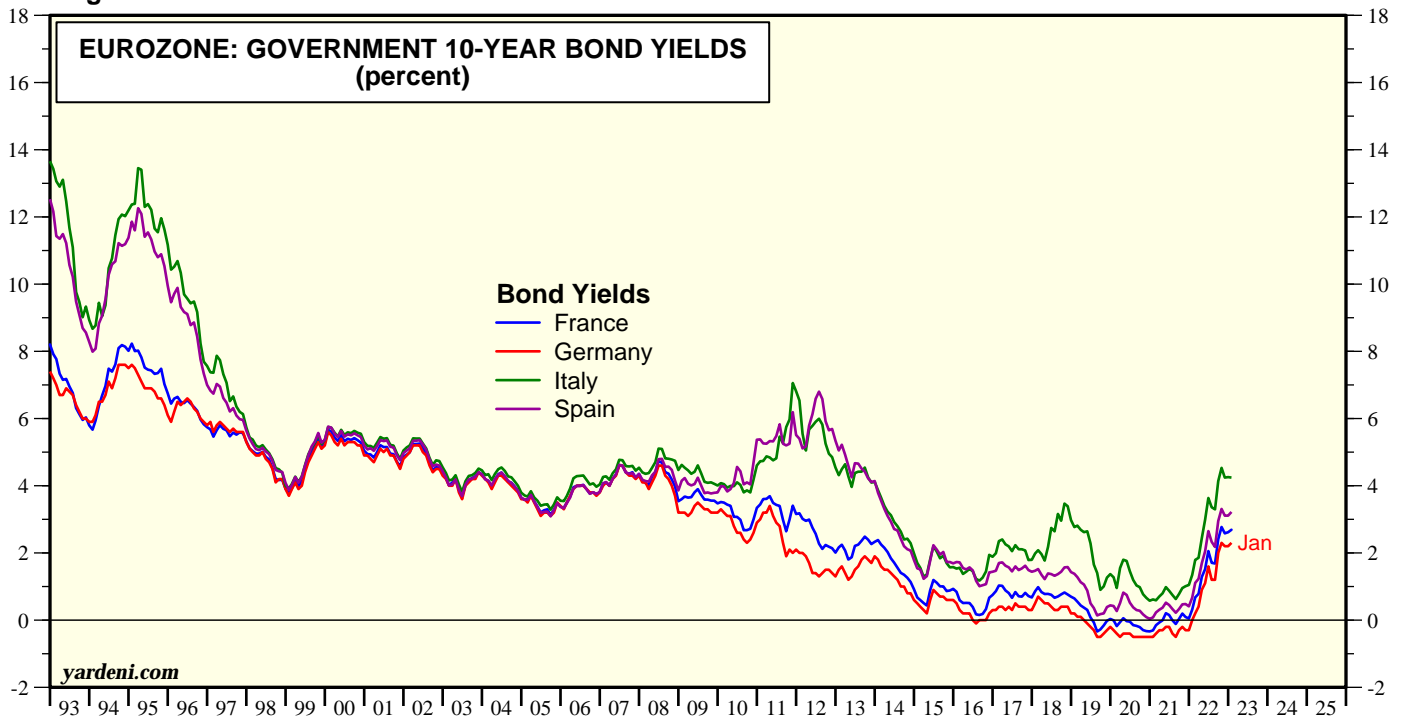
Figure 30.



Note: QE1 (11/25/08) = Fed starts buying \$1.24tn in mortgage securities. QE1 expanded (3/16/2009) = Fed starts buying \$300bn in Treasuries. QE2 (11/3/10) = Fed starts buying \$600bn in Treasuries. QE3 (9/13/12) = Fed starts buying \$40bn/month in mortgage securities (open ended). QE3 expanded (12/12/12) = Fed starts buying \$45bn/month in Treasuries.
Source: Standard & Poor's.

Predicting Bonds

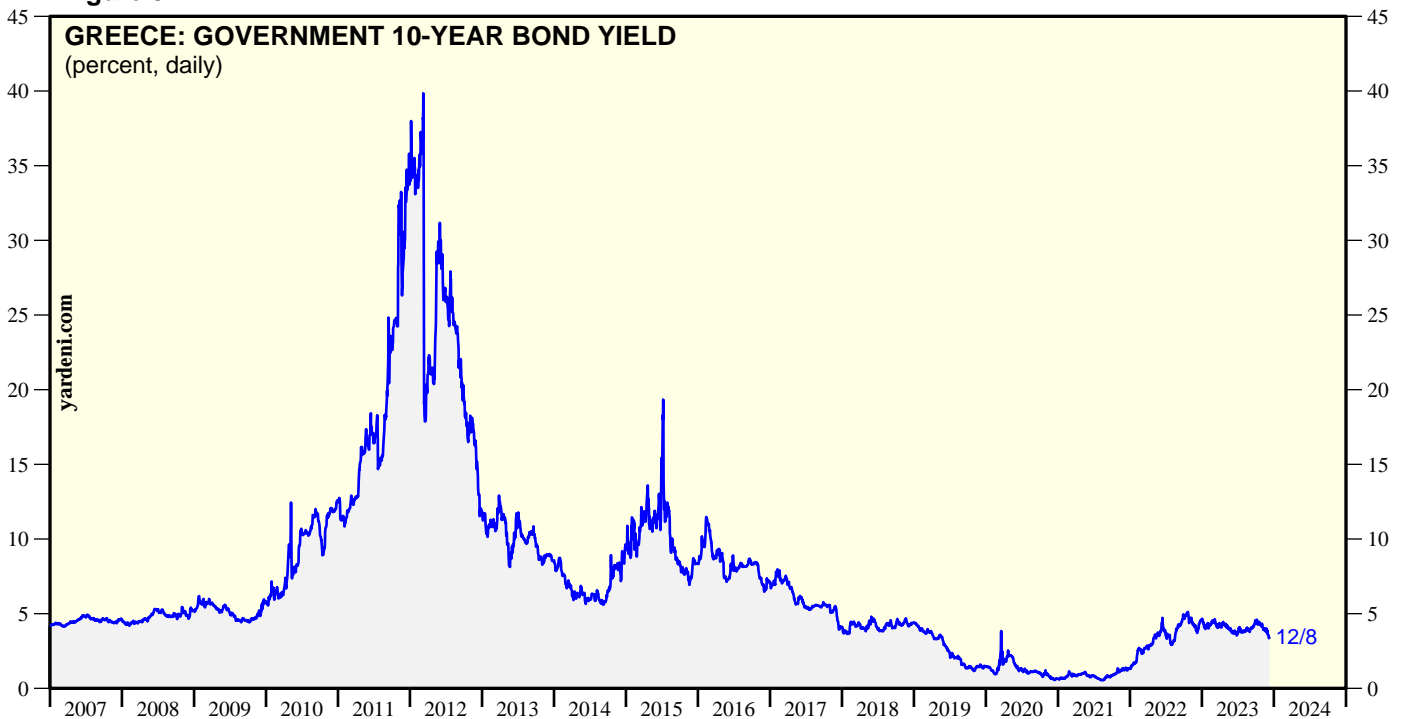
Figure 31.



Note: D (7/26/12) = ECB President Mario Draghi pledged to do "whatever it takes" to defend the euro. NIRP (6/5/2014) = negative interest-rate policy. QE (1/22/15) = quantitative easing. QEE (3/10/16) = expansion and extension of QE with corporate bond purchases started 6/1/16. QT (12/31/2018).

Source: Financial Times.

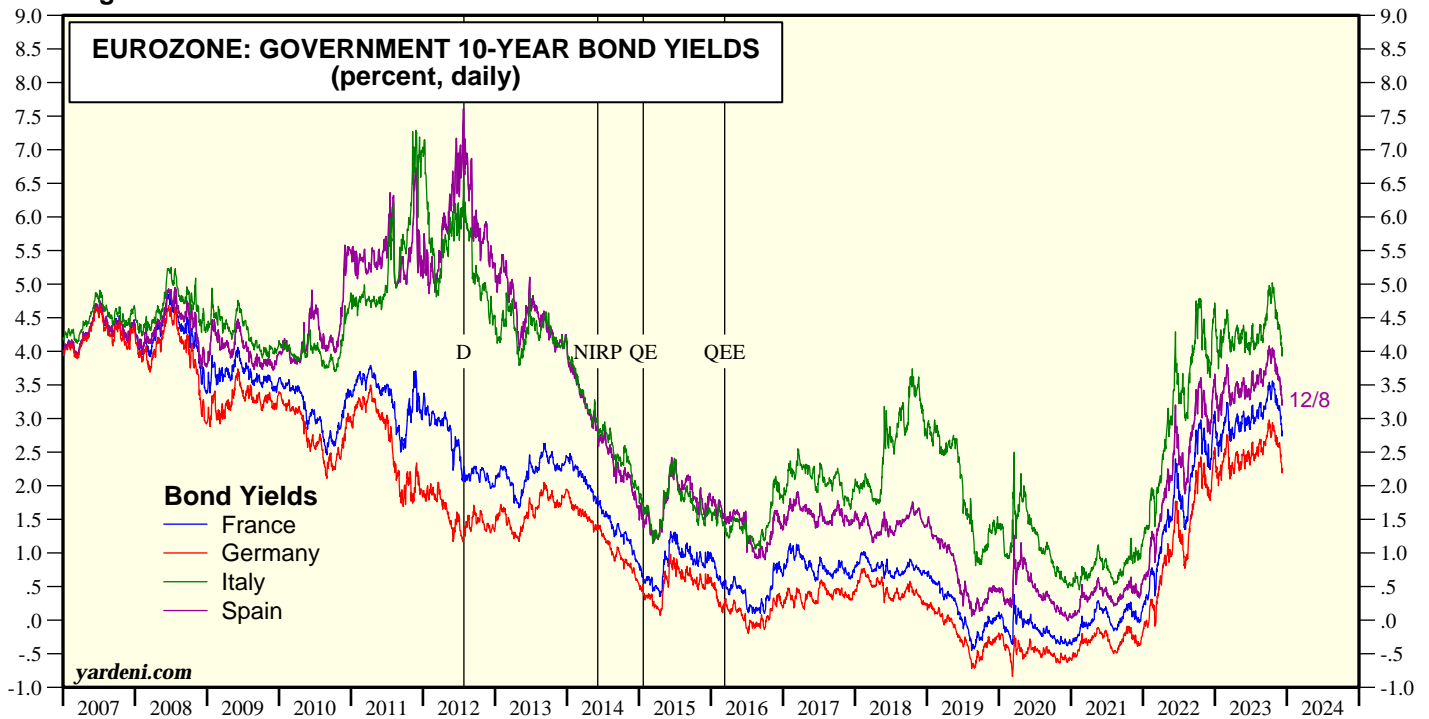
Figure 32.



Source: Financial Times.

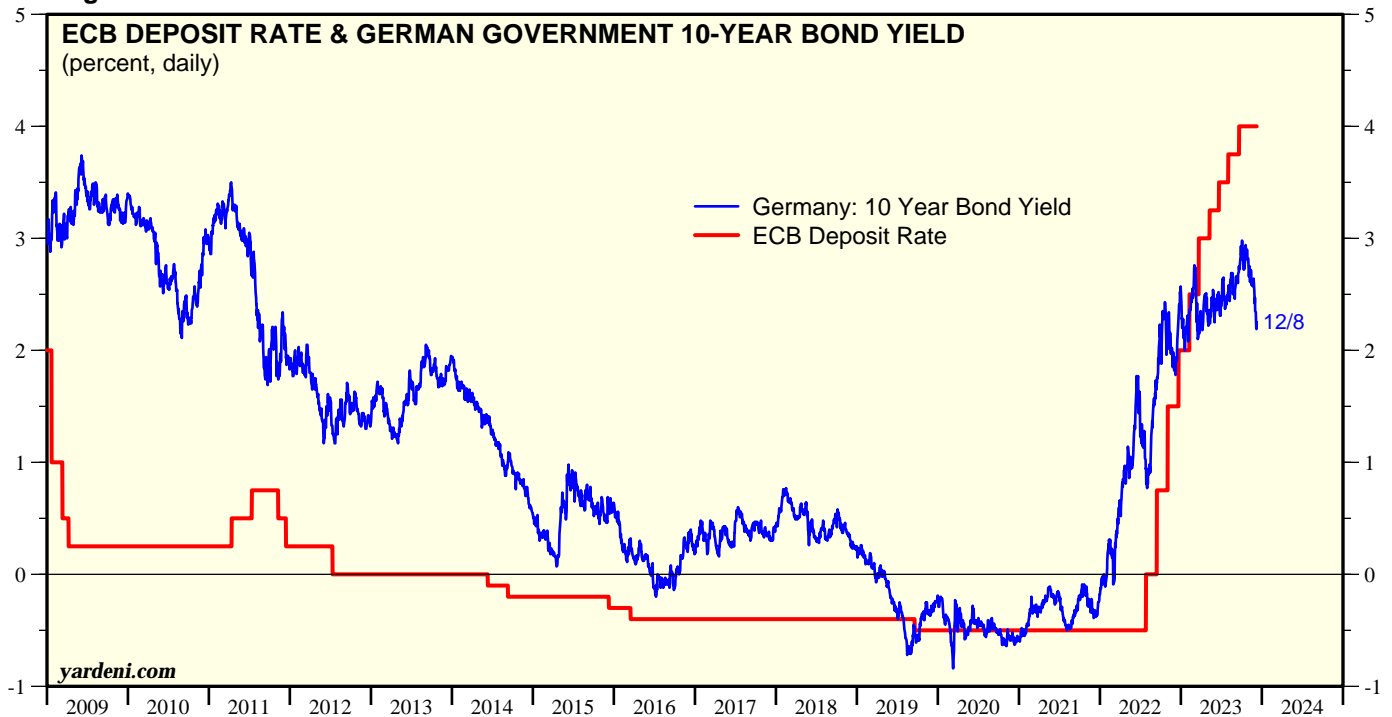
Predicting Bonds

Figure 33.



Note: D (7/26/12) = ECB President Mario Draghi pledged to do "whatever it takes" to defend the euro. NIRP (6/5/2014) = negative interest-rate policy. QE (1/22/15) = quantitative easing. QEE (3/10/16) = expansion and extension of QE with corporate bond purchases started 6/1/16.
Source: Financial Times.

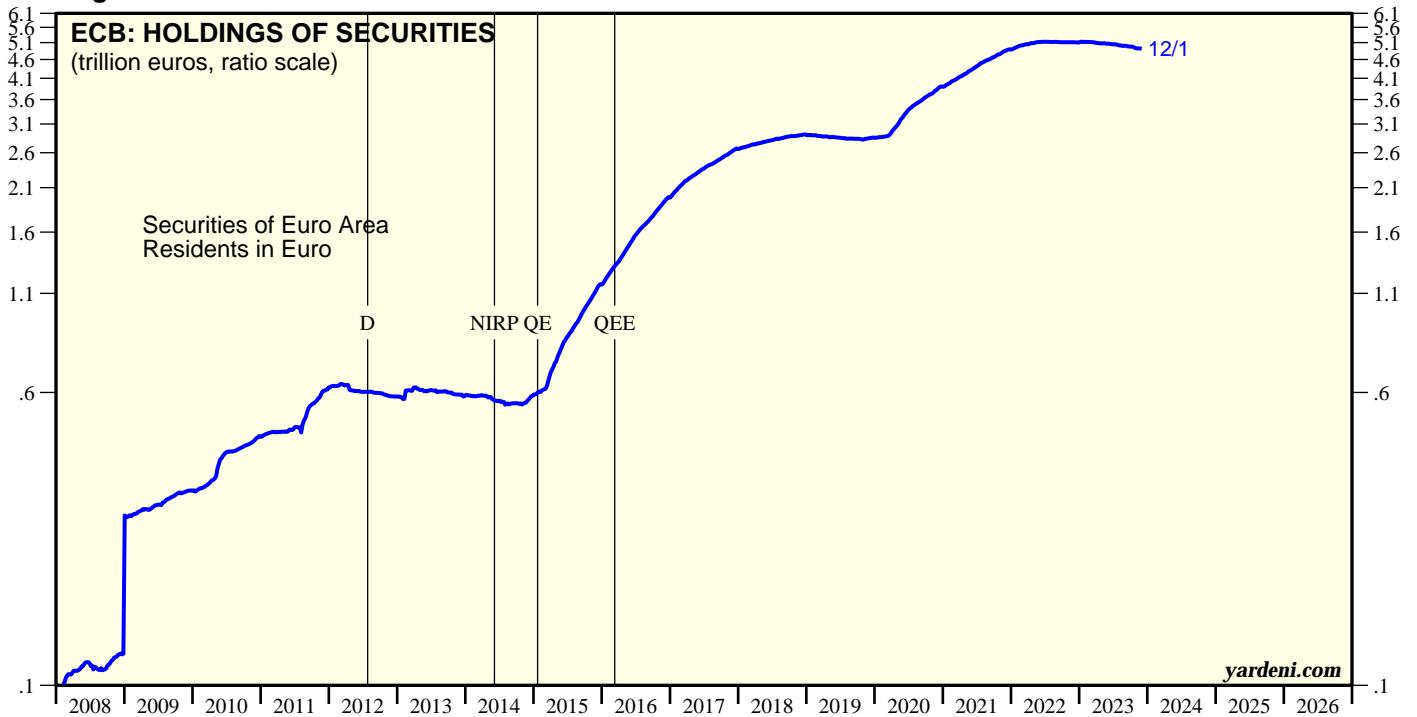
Figure 34.



Source: European Central Bank and Haver Analytics.

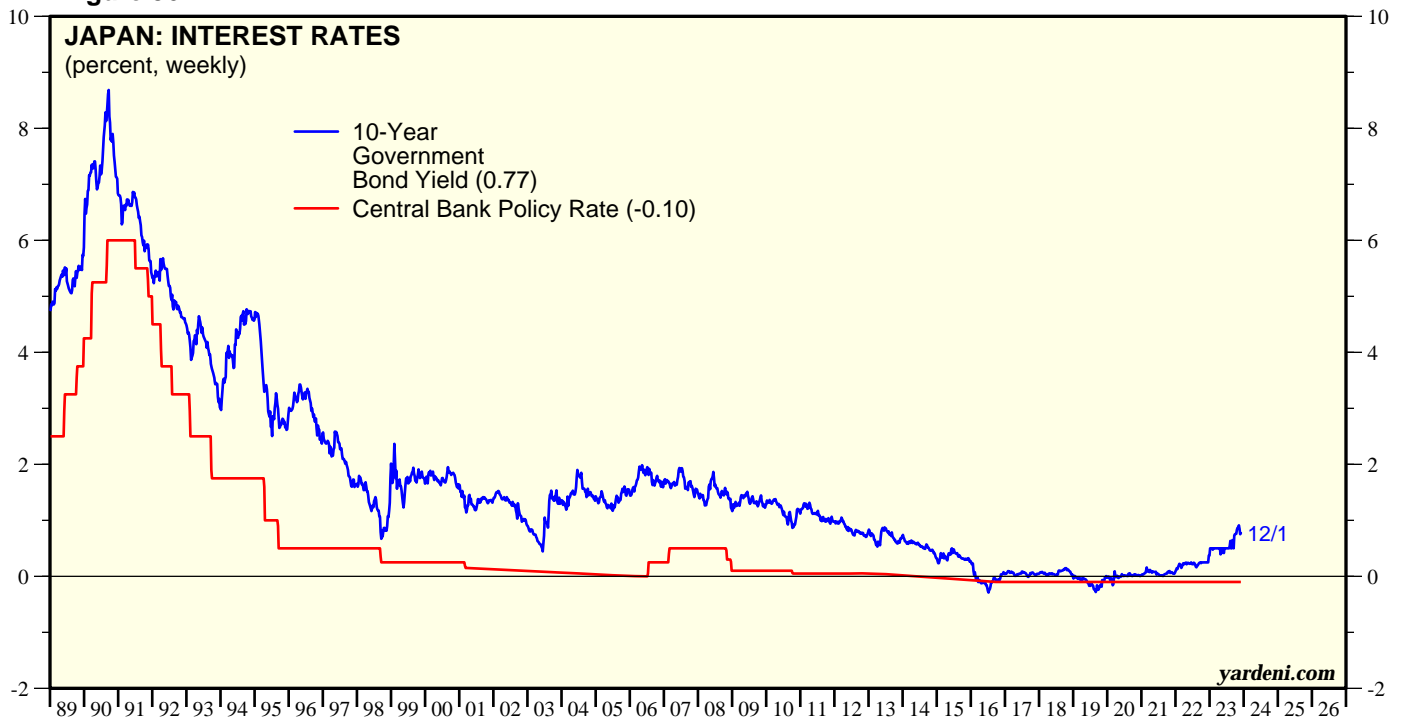
Predicting Bonds

Figure 35.



Note: D (7/26/12) = ECB President Mario Draghi pledged to do "whatever it takes" to defend the euro. NIRP (6/5/2014) = negative interest-rate policy. QE (1/22/15) = quantitative easing. QEE (3/10/16) = expansion and extension of QE with corporate bond purchases started 6/1/16.
Source: European Central Bank.

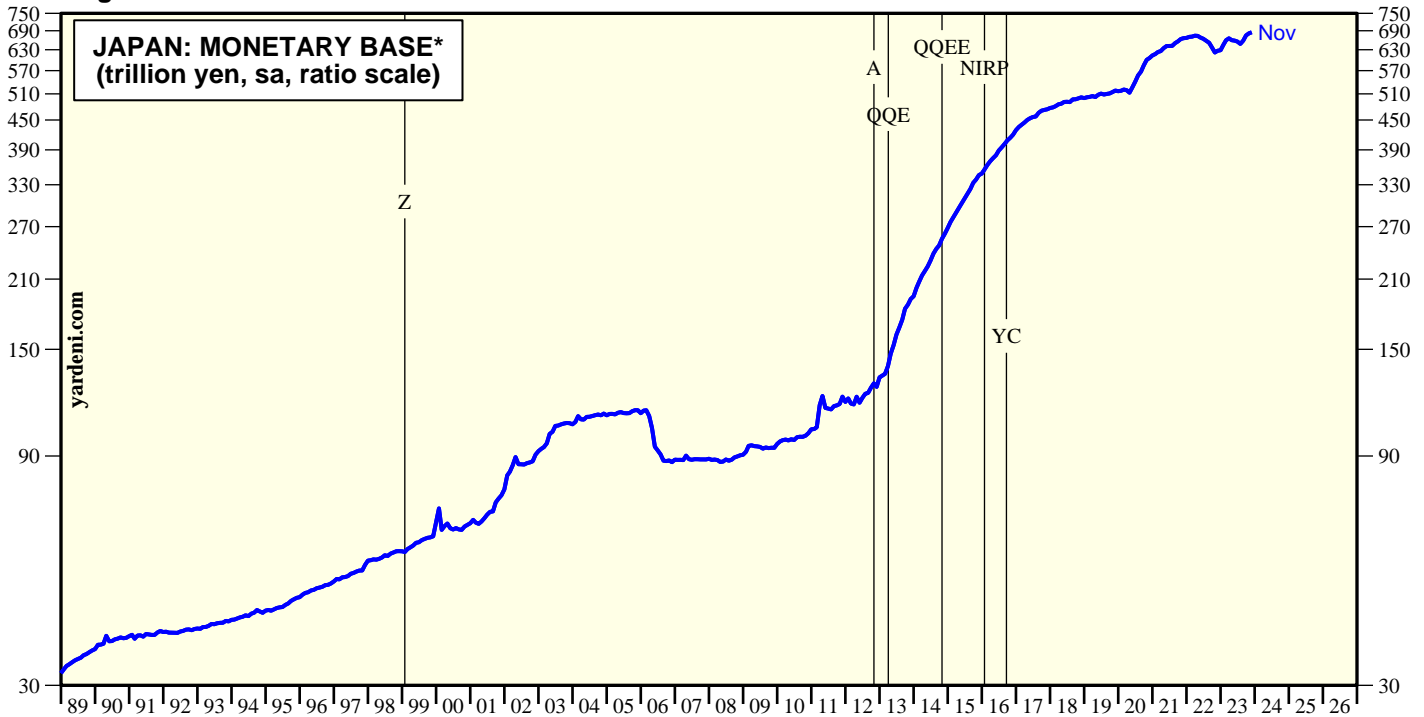
Figure 36.



Source: Bank of Japan.

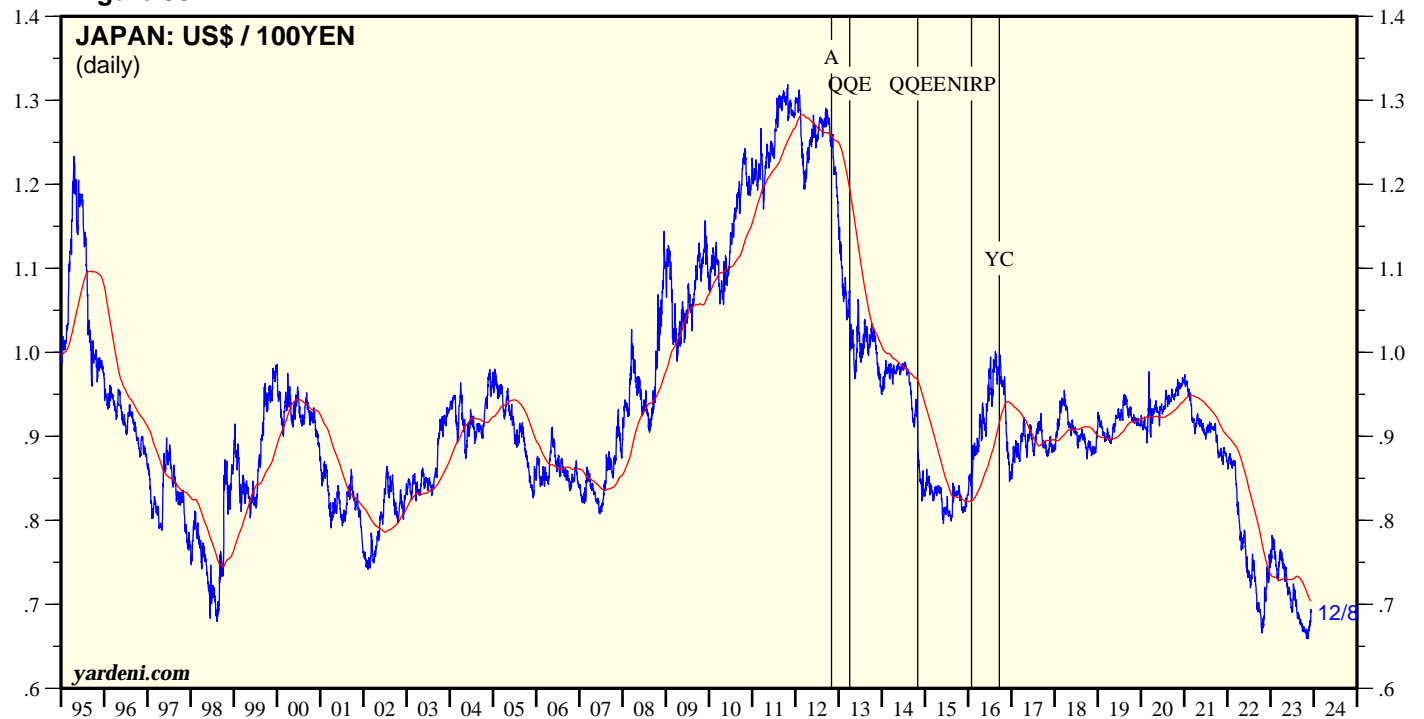
Predicting Bonds

Figure 37.



* Adjusted for change in reserve requirements.
 Note: Z = Zero Interest Rate Policy. A = Markets start to anticipate Abenomics. QQE (4/4/13) = Quantitative and Qualitative Easing. QQEE (10/31/14) = QQE expanded and extended version. NIRP (1/29/16) = Negative interest rate policy. YC (9/21/16) = Yield curve targeting.
 Source: Bank of Japan.

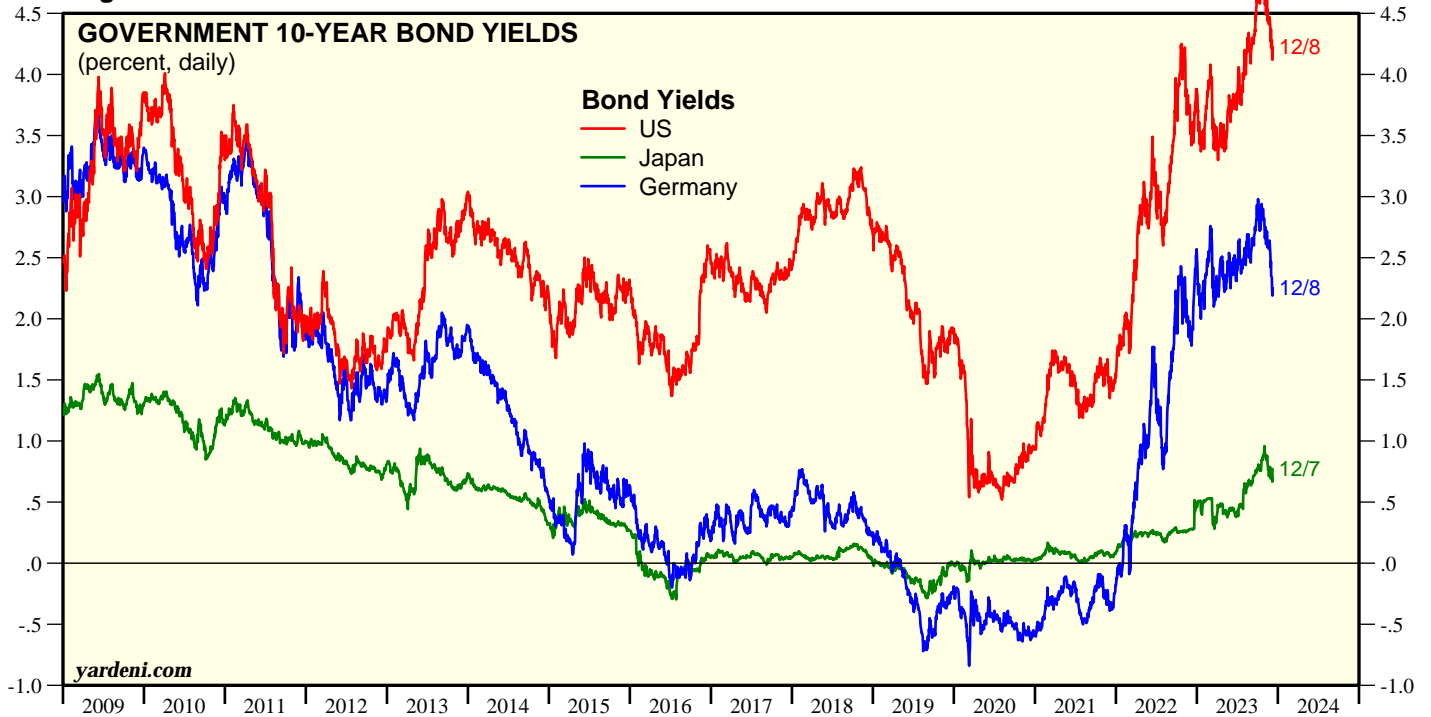
Figure 38.



— 200-day moving average
 Note: A = Markets start to anticipate Abenomics. QQE is Quantitative and Qualitative Easing. QQEE is the expanded and extended version of QQE.
 NIRP = negative interest rates. YC = Yield curve targeting.
 Source: Haver Analytics.

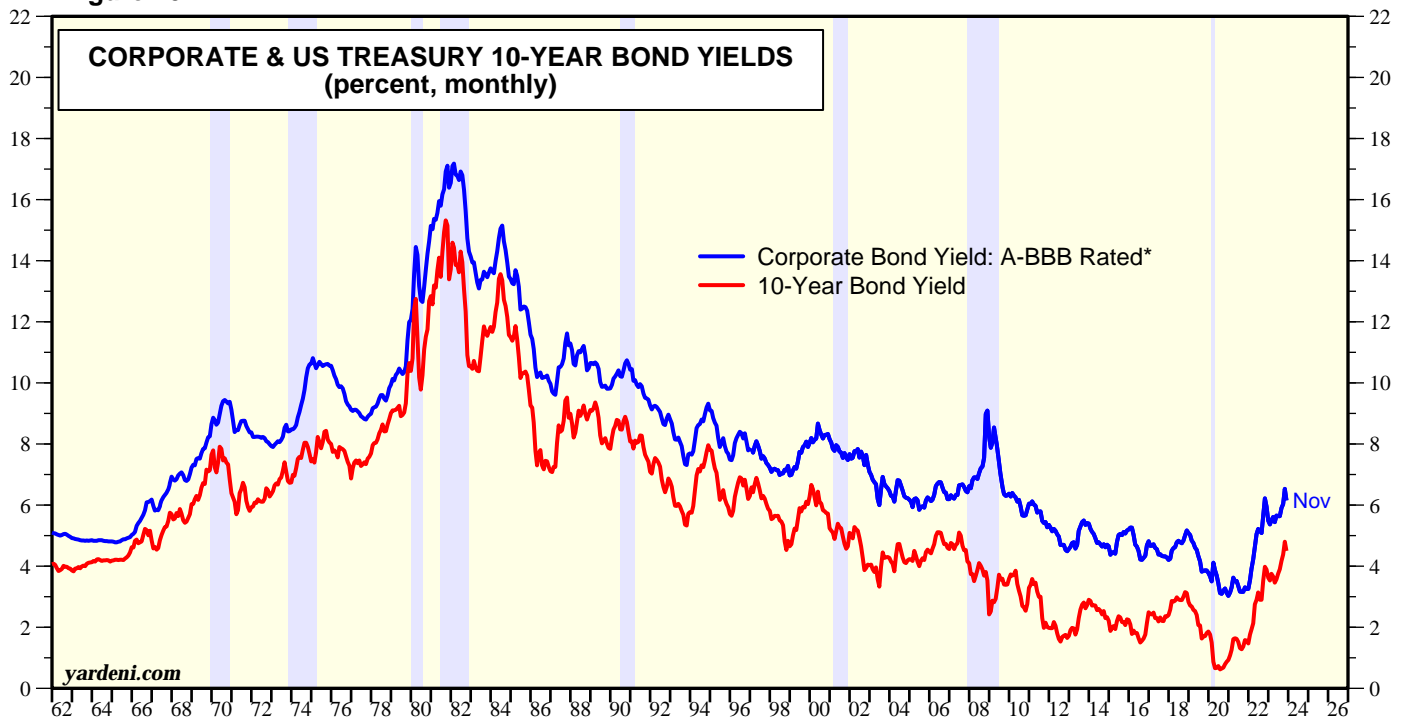
Predicting Bonds

Figure 39.



Source: Haver Analytics.

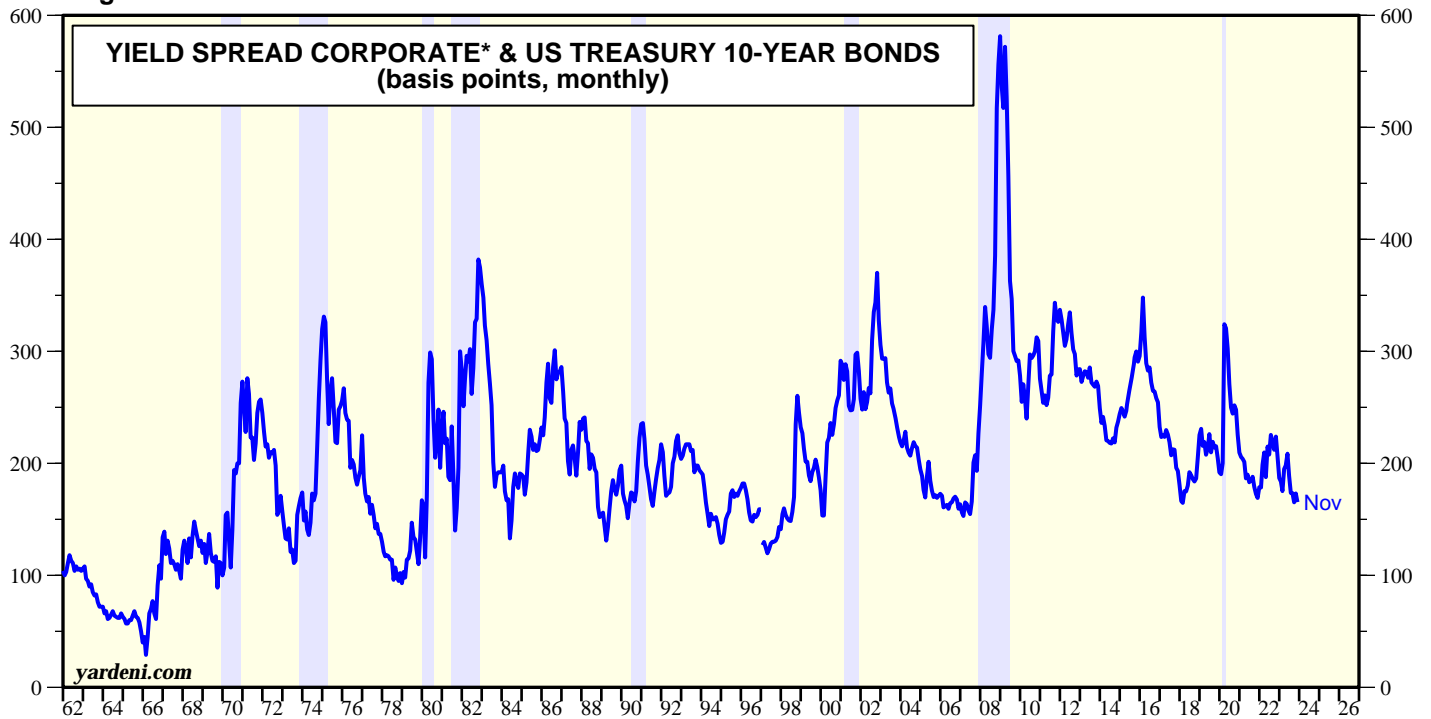
Figure 40.



* Moody's seasoned Baa corporate bond yield from 1962 to 1996, then Bank of America Merrill Lynch A-BBB corporate bond yield.
Note: Shaded areas are recessions according to the National Bureau of Economic Research.
Source: Federal Reserve Board.

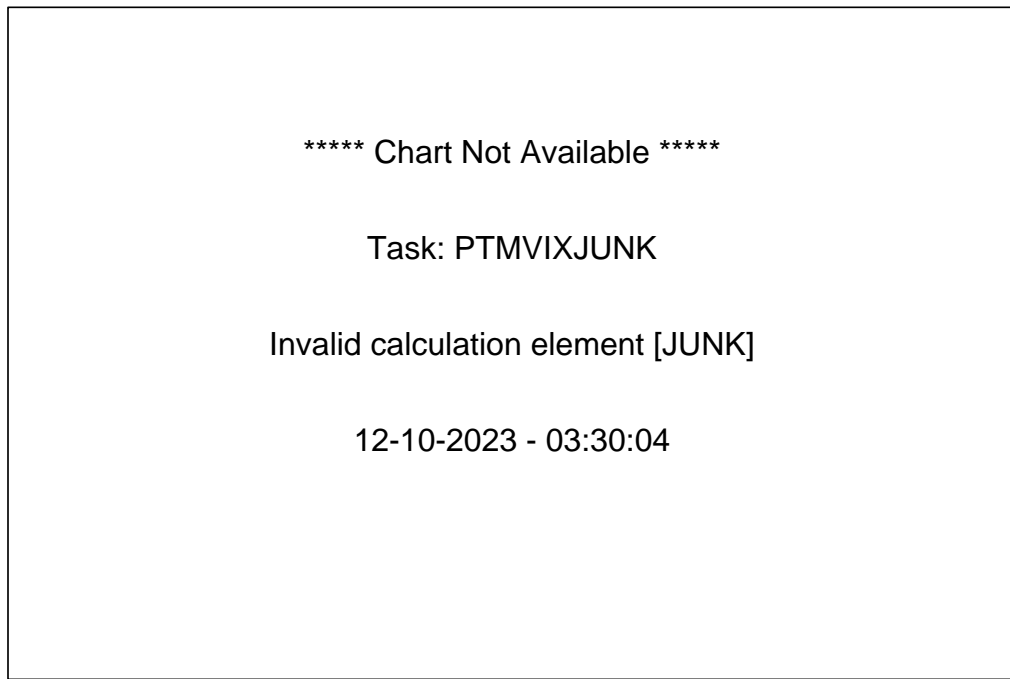
Predicting Bonds

Figure 41.



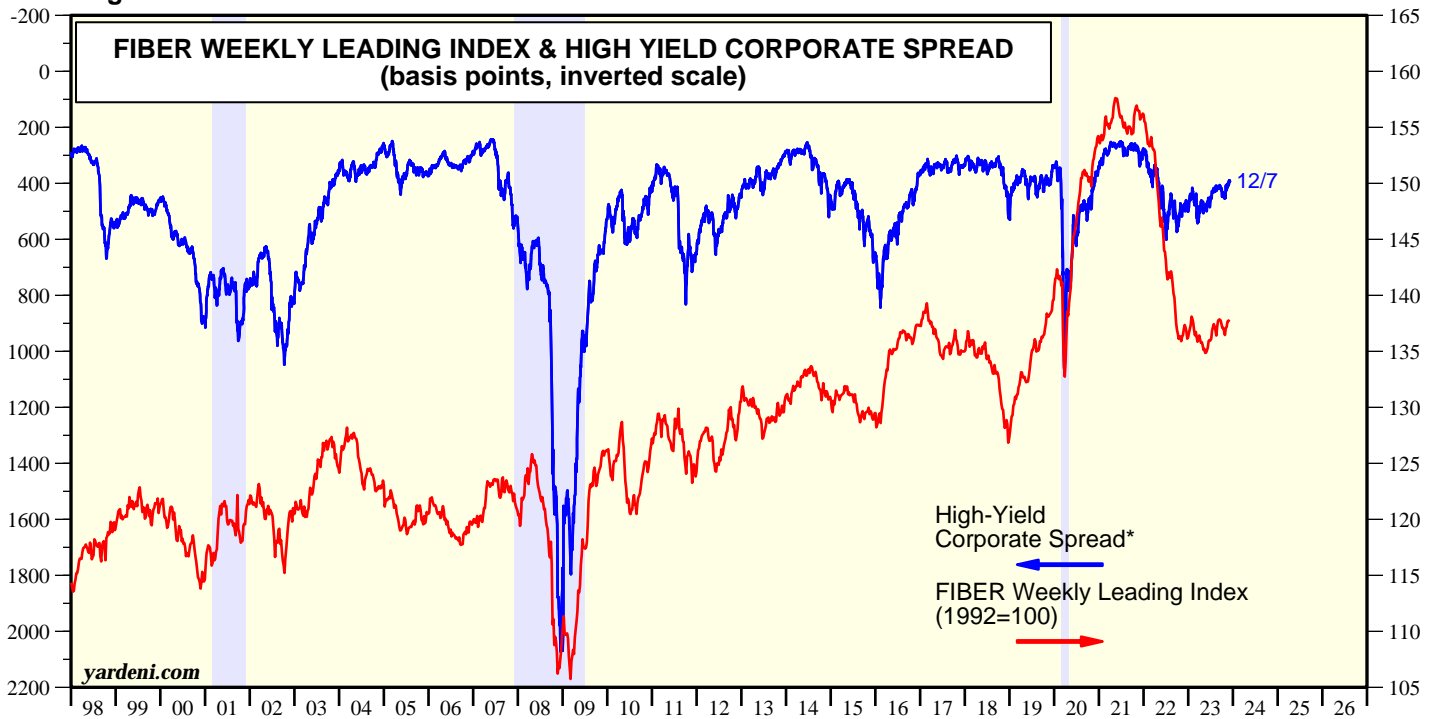
* Moody's seasoned Baa corporate bond yield from 1962 to 1996, then Bank of America Merrill Lynch A-BBB corporate bond yield.
Note: Shaded areas are recessions according to the National Bureau of Economic Research.
Source: Federal Reserve Board.

Figure 42.



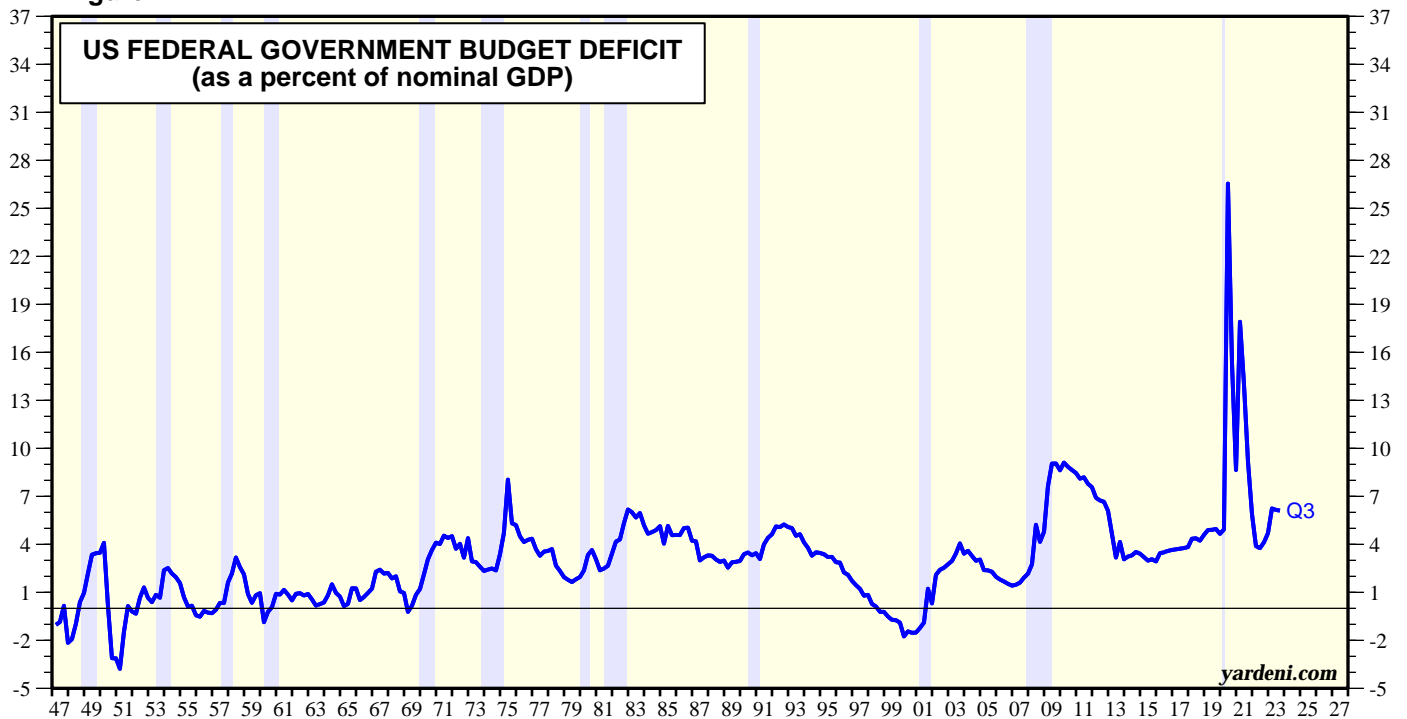
Predicting Bonds

Figure 43.



* High yield corporate less US Treasury 10-year bond yield.
 Note: Shaded areas are recessions according to the National Bureau of Economic Research.
 Source: Merrill Lynch, Federal Reserve Board, and Foundation of International Business & Economic Research (FIBER).

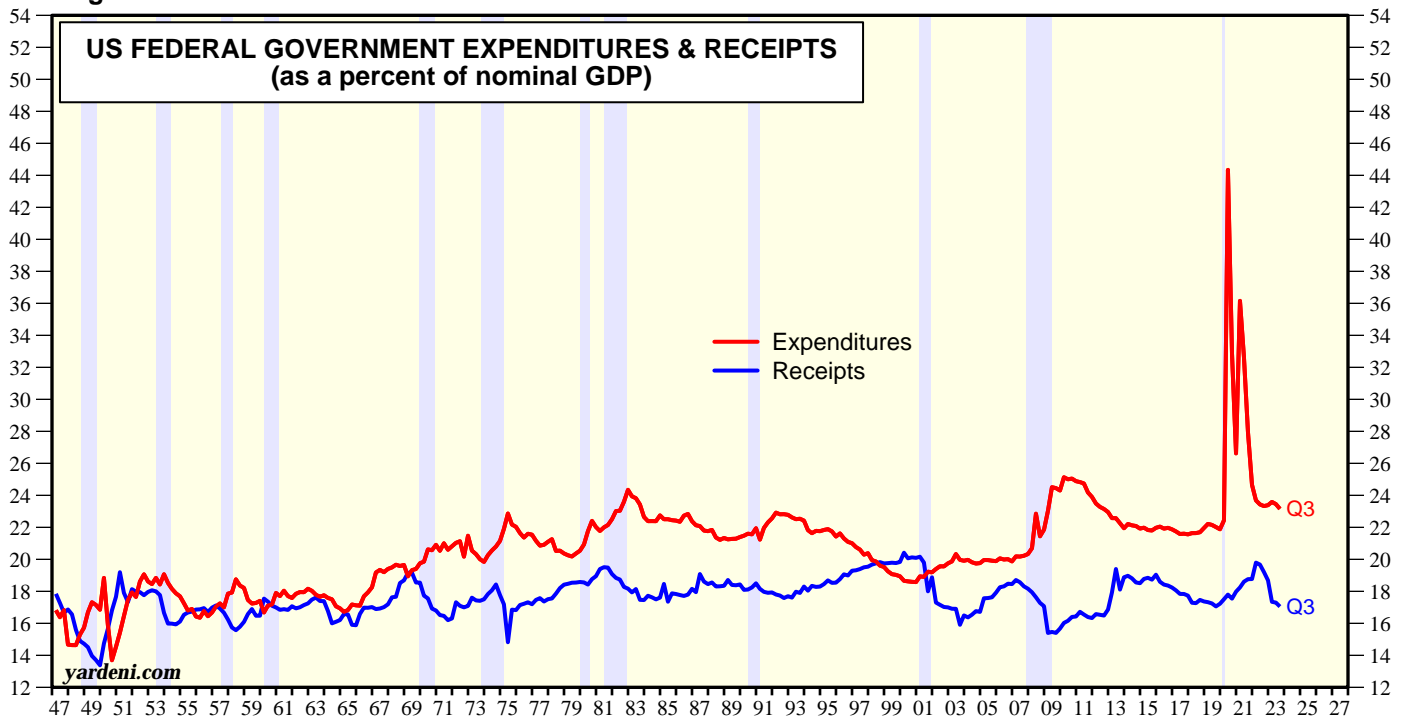
Figure 44.



Note: Shaded areas are recessions according to the National Bureau of Economic Research.
 Source: Bureau of Economic Analysis.

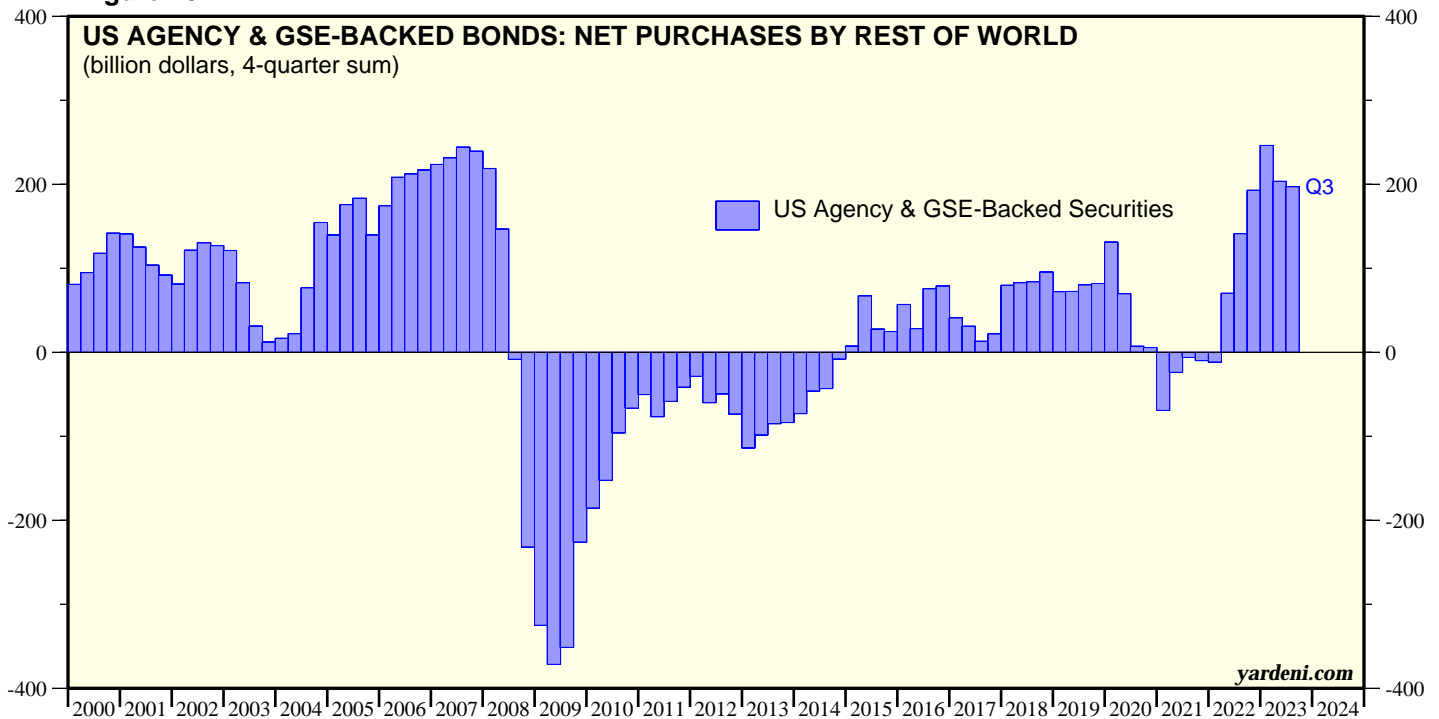
Predicting Bonds

Figure 45.



Note: Shaded areas are recessions according to the National Bureau of Economic Research.
Source: Bureau of Economic Analysis.

Figure 46.



Source: Federal Reserve Board Financial Accounts of the United States.

Predicting Bonds

Figure 47.

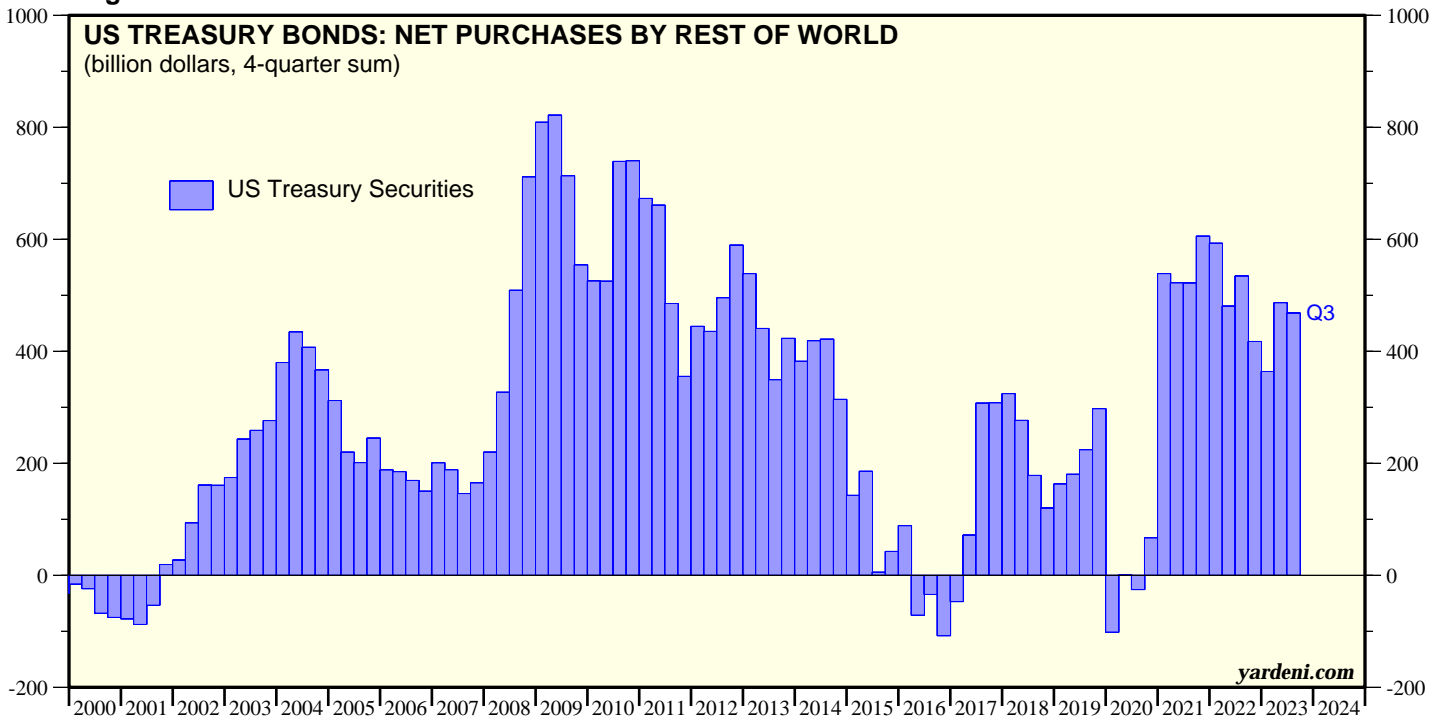
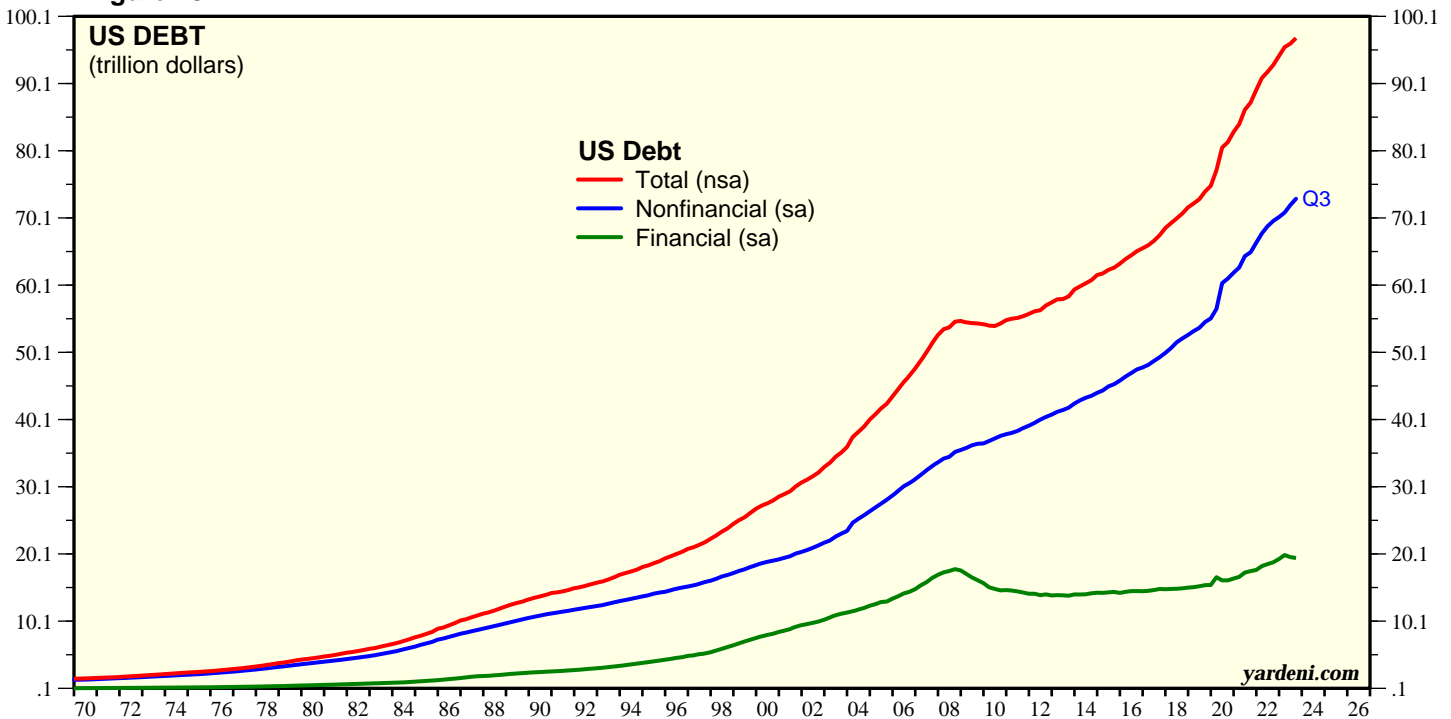
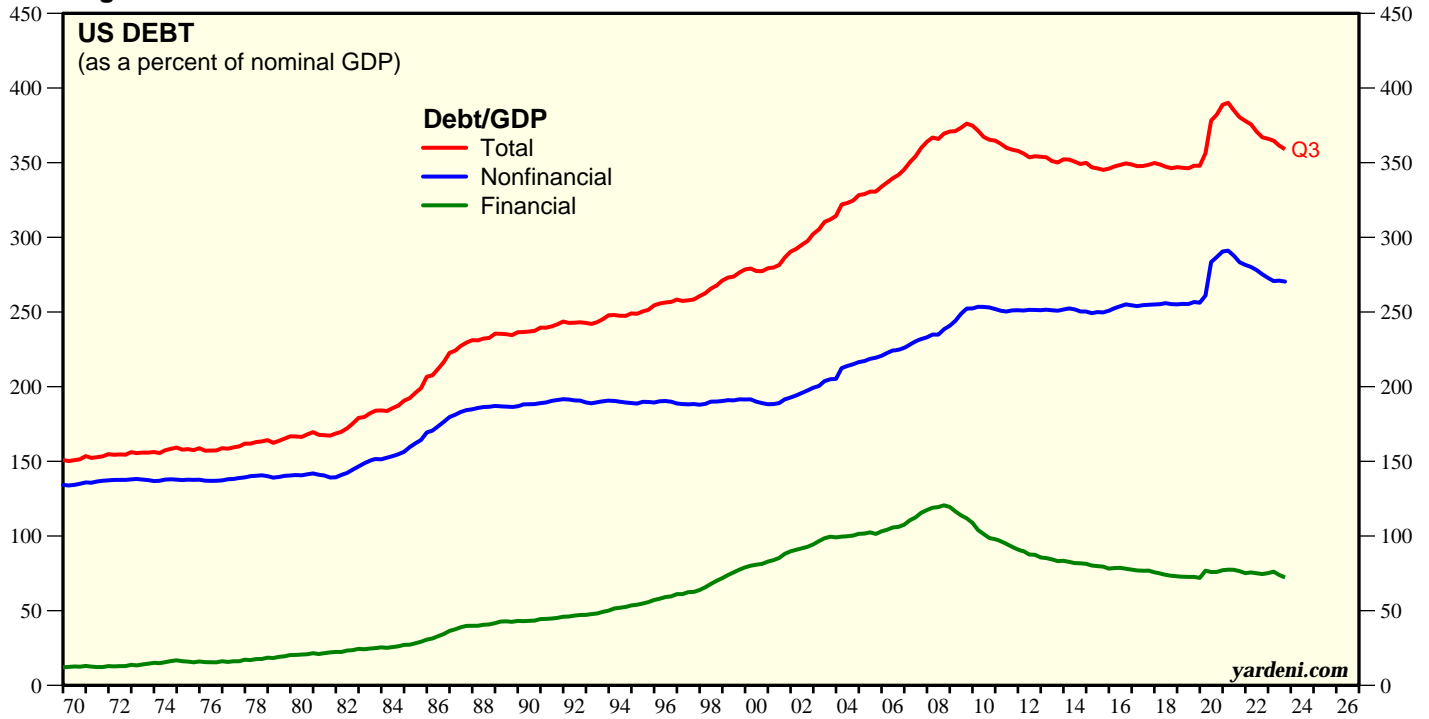


Figure 48.



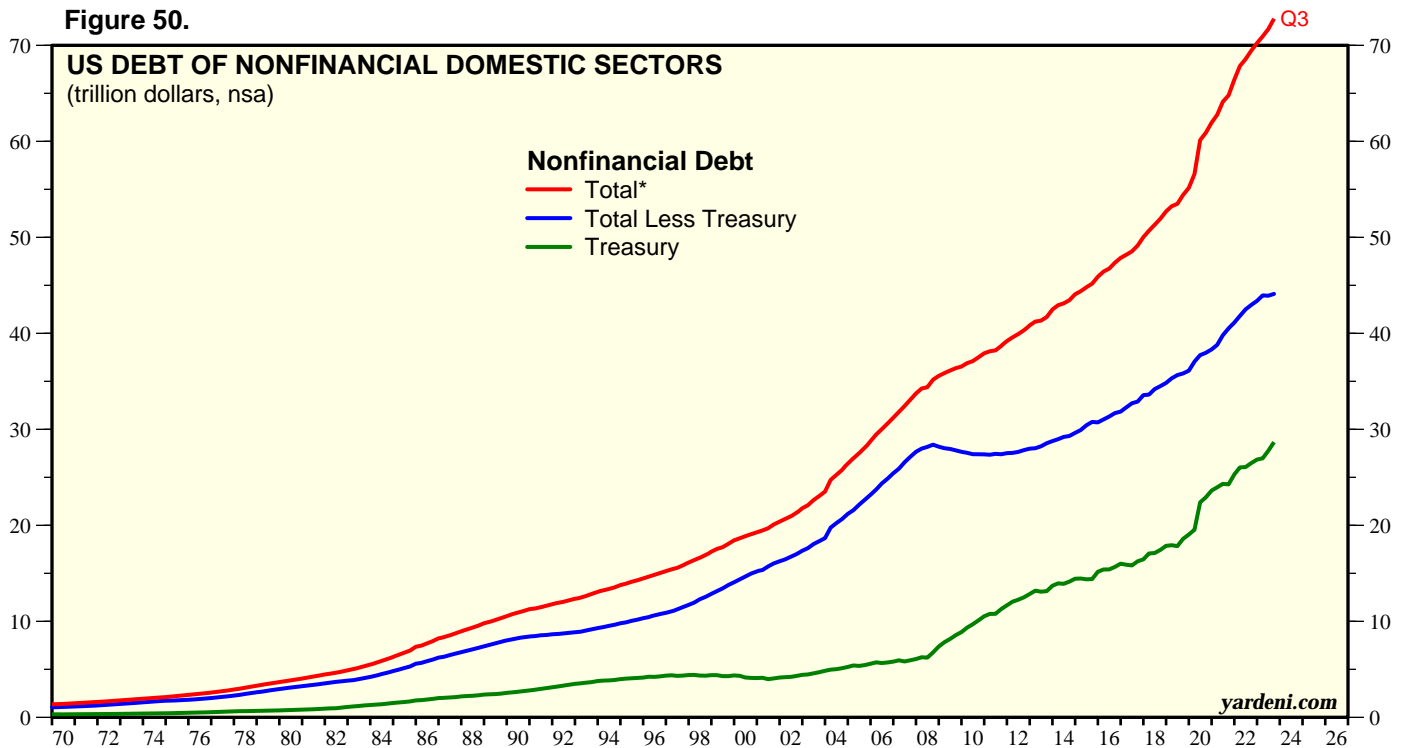
Predicting Bonds

Figure 49.



Source: Federal Reserve Board Financial Accounts of the United States.

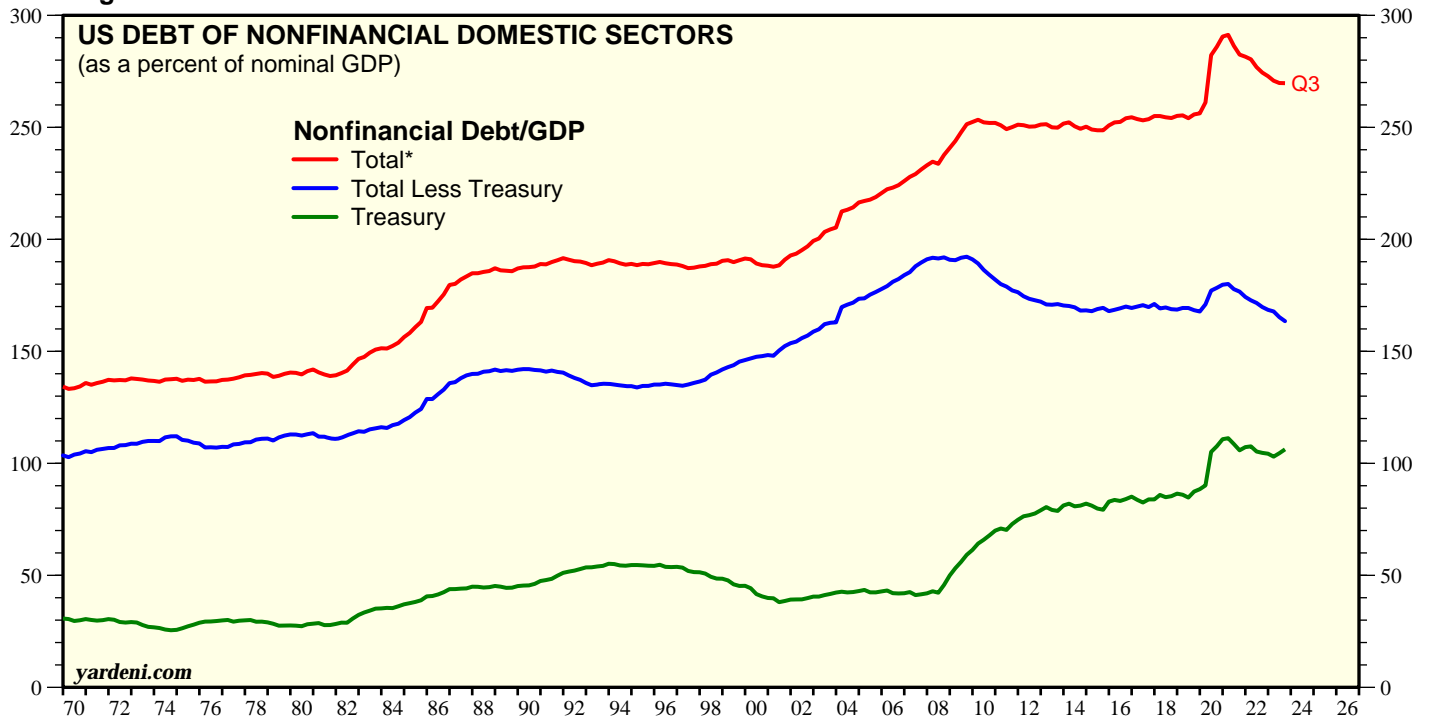
Figure 50.



* Includes mortgage, consumer, business, and US Treasury debt.
Source: Federal Reserve Board Financial Accounts of the United States.

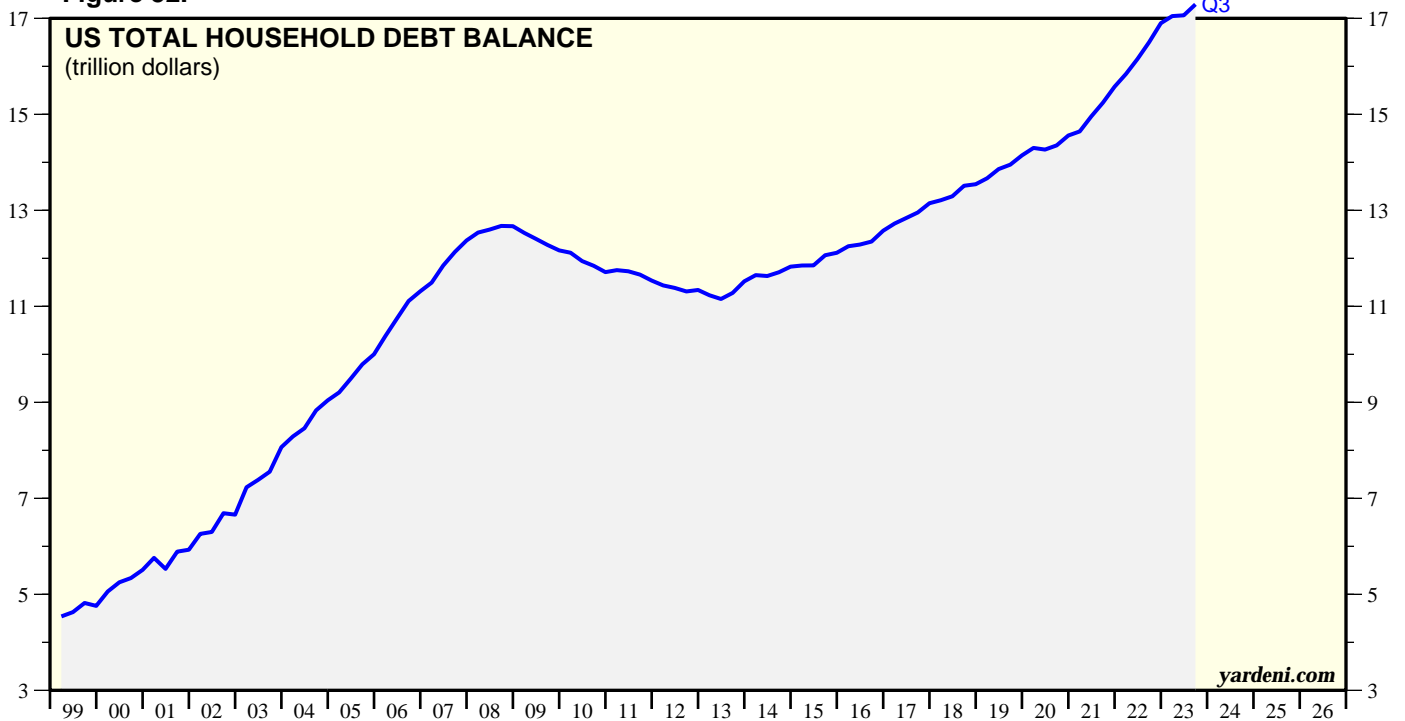
Predicting Bonds

Figure 51.



* Includes mortgage, consumer, business, and government debt.
Source: Federal Reserve Board Financial Accounts of the United States.

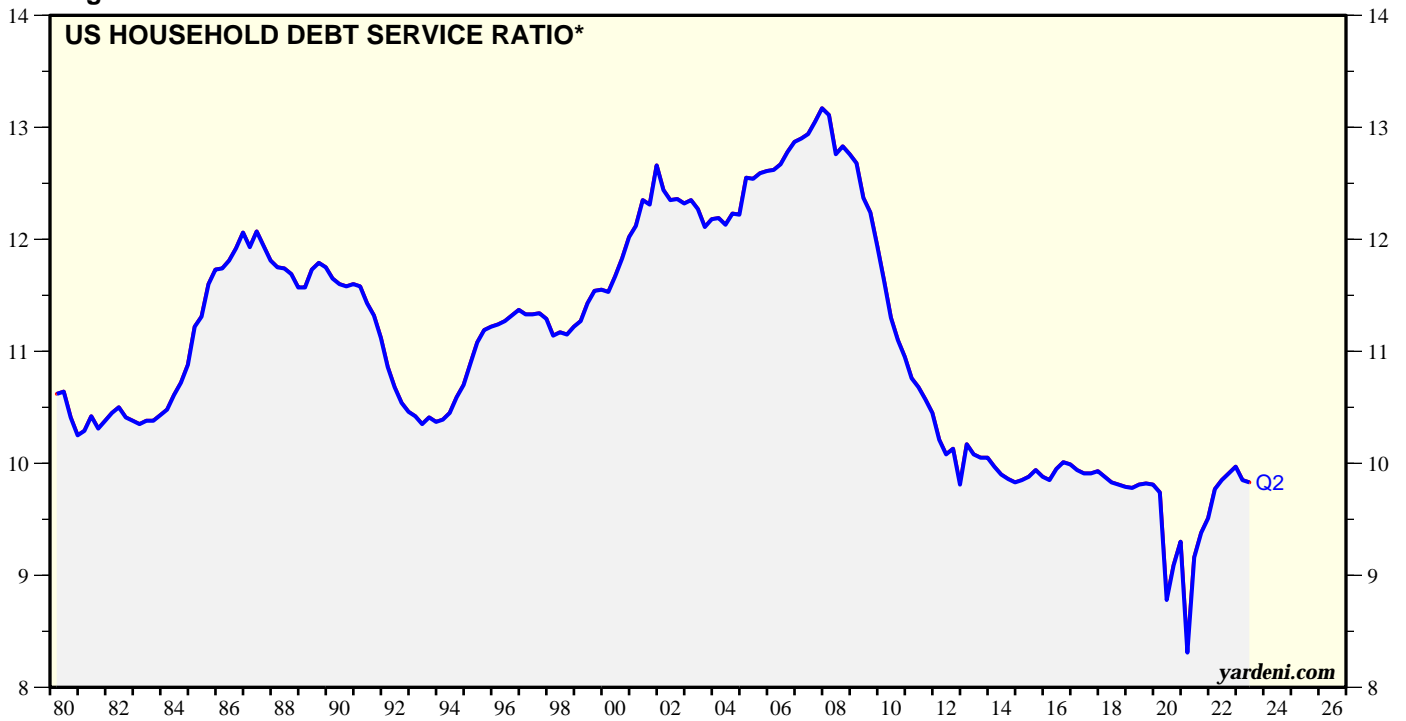
Figure 52.



Source: New York Fed Credit Panel.

Predicting Bonds

Figure 53.



* Ratio of debt service payments to disposable personal income.
Source: Federal Reserve Board.

Copyright (c) Yardeni Research, Inc. 2023. All rights reserved. The information contained herein has been obtained from sources believed to be reliable, but is not necessarily complete and its accuracy cannot be guaranteed. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness, or correctness of the information and opinions contained herein. The views and the other information provided are subject to change without notice. All reports and podcasts posted on www.yardeni.com, blog.yardeni.com, and YRI's Apps are issued without regard to the specific investment objectives, financial situation, or particular needs of any specific recipient and are not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. Past performance is not necessarily a guide to future results. Company fundamentals and earnings may be mentioned occasionally, but should not be construed as a recommendation to buy, sell, or hold the company's stock. Predictions, forecasts, and estimates for any and all markets should not be construed as recommendations to buy, sell, or hold any security--including mutual funds, futures contracts, and exchange traded funds, or any similar instruments.

The text, images, and other materials contained or displayed on any Yardeni Research, Inc. product, service, report, email or website are proprietary to Yardeni Research, Inc. and constitute valuable intellectual property. No material from any part of www.yardeni.com, blog.yardeni.com, and YRI's Apps may be downloaded, transmitted, broadcast, transferred, assigned, reproduced or in any other way used or otherwise disseminated in any form to any person or entity, without the explicit written consent of Yardeni Research, Inc. All unauthorized reproduction or other use of material from Yardeni Research, Inc. shall be deemed willful infringement(s) of this copyright and other proprietary and intellectual property rights, including but not limited to, rights of privacy. Yardeni Research, Inc. expressly reserves all rights in connection with its intellectual property, including without limitation the right to block the transfer of its products and services and/or to track usage thereof, through electronic tracking technology, and all other lawful means, now known or hereafter devised. Yardeni Research, Inc. reserves the right, without further notice, to pursue to the fullest extent allowed by the law any and all criminal and civil remedies for the violation of its rights.

The recipient should check any email and any attachments for the presence of viruses. Yardeni Research, Inc. accepts no liability for any damage caused by any virus transmitted by this company's emails, website, blog and Apps. Additional information available on [request](#).