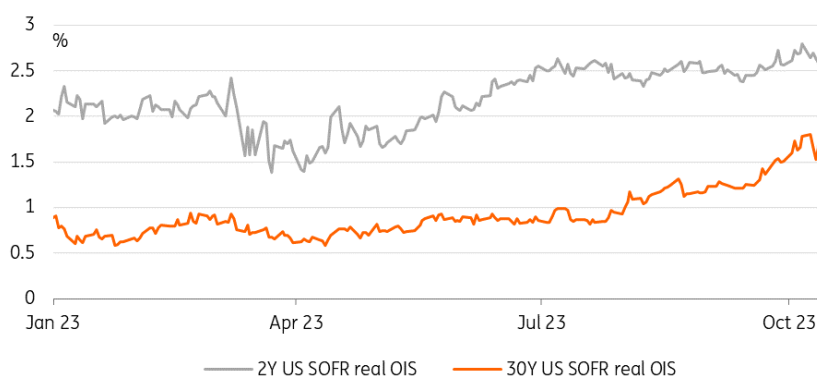




There is also another important distinction between the drivers of the front versus the back end. Front-end rates saw the inflation component rising 8bp, i.e., the real rate was little changed. The back end, however, was almost entirely driven by the real rate component today, highlighting the higher premium investors demand in light of higher issuance and deficit prospects rather than being a story of just macro resilience.

We still heard Fed officials such as Susan Collins yesterday pushing the notion that higher yields may reduce the need to hike rates. While that may cap the front end – which briefly got back to discounting a 50% chance of another Fed hike – the long end is driven by different factors.

## Different playbooks for the short- and long-end



Source: Refinitiv, ING

### Today's events and market view

Geopolitics in the Middle East have added another entry to an already long list of risks. But it appears markets are ready to move on quicker than we anticipated and would feel comfortable with. But if we resort back to our rough guide of where the 10Y yield now trades relative to the trough in the market's projected Fed funds rate – now 4.7% in the 10Y versus just below 4.1% in the Fed funds – we would conclude that there is still a path open to 5%. Under current circumstances, it looks to be more erratic and still less certain, and some of the sharp move has already faded overnight.

Following the US CPI, import prices and then the University of Michigan consumer survey including inflation expectations will move into focus. It will be quieter on the Fed speaker front with only Patrick Harker scheduled to speak, but we will hear from ECB President Christine Lagarde, who speaks in Marrakesh today.

## Authors

### **Padhraic Garvey, CFA**

Regional Head of Research, Americas

[padhraic.garvey@ing.com](mailto:padhraic.garvey@ing.com)

### **Benjamin Schroeder**

Senior Rates Strategist

[benjamin.schroeder@ing.com](mailto:benjamin.schroeder@ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.