

Fed Prepares To Raise Rates Starting This Month - Fixed Income Overview

Tensions surrounding the Ukrainian crisis may create additional inflationary pressures simultaneously as economic growth recedes, thus complicating efforts by the Fed to stay the course on its rising rate objectives.

Bond analysts are carefully following the onset of an inverted yield curve, meaning when short-term rates are higher than long-term rates. Short-term yields this past month rose in anticipation of a Fed hike in March, yet with longer term bond yields having little if any increase. Such dynamics have “flattened out” the yield curve where yields are very similar for short-term and long-term bonds. Economists view an inversion as a predecessor to a possible economic slowdown or recessionary environment.

Sources: U.S. Treasury, Bloomberg

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