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Economic & Market Watch

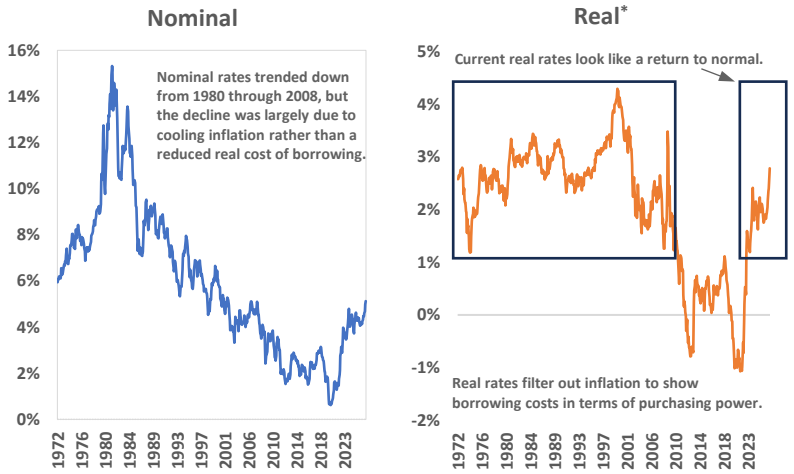
Economic & Market Watch
Intelligence Brief

November 16, 2026

Briefing

- Treasury Inflation-Protected Securities (TIPS) provide a market measure of real interest rates. However, TIPS date only to 1997 and their lower liquidity relative to nominal Treasurys can distort estimated yields. Researchers have developed alternative estimates to extend the historical record. New York Federal Reserve economists Groen and Middeldorp (G&M) estimated real yields back to the 1970s. D'Amico, Kim and Wei (DKW) of the Chicago Fed and Federal Reserve Board and economists at the Cleveland Fed estimated yields back to the 1980s (**Figure 1**).
- In 1970, private sector debt totaled $920 billion; an amount equal to 0.87 times gross domestic product (GDP). That was split roughly evenly between households and businesses. Federal deficit spending accelerated in the 1980s, leaving federal debt roughly equal to household and nonprofit debt, which was roughly equal to business debt. Household and nonprofit debt accelerated with the easy mortgage financing of the early 2000s, reaching a peak of almost $14.5 trillion by 2008. That was just shy of the $15 trillion GDP that year. Following the housing crisis, households reduced their debt (relative to GDP) while the federal government did the reverse. Today, household and nonprofit debt totals about $21 trillion, or 0.65 times GDP, while the federal government's debt exceeds $40 trillion, or more than 1.2 times GDP (**Figure 2**).
- In 1970, state and local governments accounted for one-tenth of total U.S. indebtedness. The rest was split almost evenly among households, businesses and the federal government. Today, households and businesses each account for around one-quarter of the U.S. debt, while the federal government accounts for almost half. State and local debt has become almost negligible by comparison (**Figure 3**).

Chart of the Week: 10-Year Treasury Yield



*Pre-1999 real yields are synthetic 10-year TIPS estimates from New York Fed researchers. From 1999 onward, they are 10-year historical TIPS yields.

Commentary

Like prices, nominal interest rates are easy to measure. Also like prices, they aren't what matters. For buying and selling, what matters is purchasing power: prices relative to income. For borrowing and lending, what matters is the real interest rate: the nominal rate minus inflation. A 30-year loan at 7% costs far more when inflation is 1% than when it is 4% because the higher inflation is, the less purchasing power the repaid dollars have. Nominal interest measures the loan cost in dollars. Real interest measures it in purchasing power.

The nominal 10-year Treasury yield has been hovering around 5% since September, leaving borrowers nostalgic for the average 2% rates of 2012 through 2021. But today's rates aren't an aberration. The aberration was 2012 through 2021. Remove inflation from nominal interest rates and the pattern becomes clear (**Chart of the Week**).

Estimates from New York Fed researchers (**Figure 1**) indicate that the real 10-year Treasury yield never strayed more than 150 basis points from its 2.7% average prior to 2009. From 2012 through 2021, it broke from that pattern, ranging from negative 1.1% to 1.6%. Since late 2023, the real rate has stayed within 75 basis points of 2%.

With inflation stripped away, today's higher rates look less like a temporary rise than the beginnings of a return to normal.

Snapshots

Figure 1. Three Estimates of Real 10-Year Treasury Yields

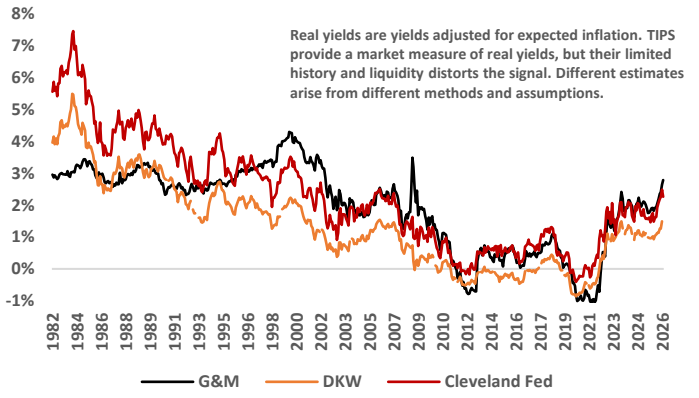


Figure 2. US Debt
(relative to GDP, excluding financial sector)

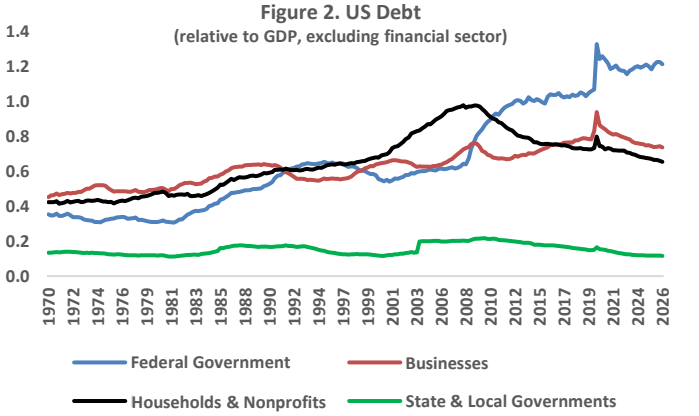
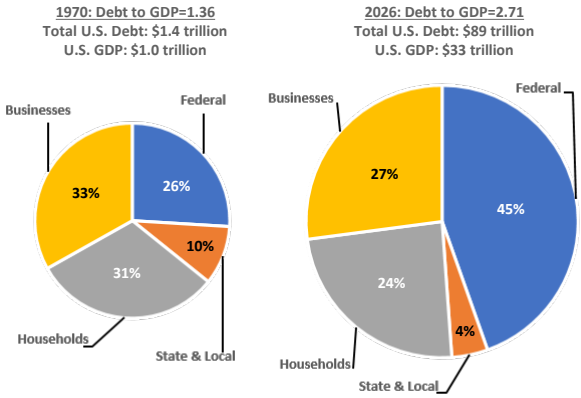
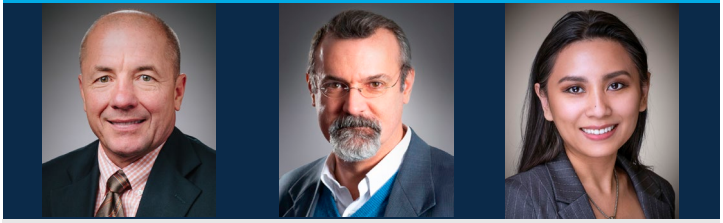


Figure 3. US Indebtedness by Debtor



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Key Indicators

INTEREST RATES[1]

	Current	2026 Q4	2027 Q1	2027 Q2	2027 Q3	2027 Q4
Fed Funds Target[2] (%)	4.00	4.25	4.25	4.50	4.50	4.50
SOFR (%)	3.90	4.11	4.23	4.23	4.16	4.05
2Y UST (%)	4.86	4.71	4.66	4.55	4.42	4.29
5Y UST (%)	4.96	4.88	4.82	4.72	4.61	4.50
10Y UST (%)	5.12	5.10	5.02	4.92	4.82	4.73
30Y UST (%)	5.47	5.46	5.40	5.31	5.22	5.15

ECONOMY

	Current	2026 Q4	2027 Q1	2027 Q2	2027 Q3	2027 Q4
PCE Inflation (YoY %)	3.6	3.4	2.7	2.4	2.3	2.3
CPI Inflation (YoY %)	3.7	3.7	2.6	2.4	2.2	2.3
Real GDP (QoQ %)	3.4	2.1	2.0	2.1	2.1	2.0
Unemployment (%)	4.1	4.2	4.2	4.3	4.3	4.3
Consumer Spending (QoQ %)	3.8	2.0	1.8	1.9	1.9	2.0
Industrial Production (QoQ %)	2.8	1.9	1.7	1.6	1.6	1.5

Equities & Currency

	Current	Year ago	YoY Δ
DJIA	52,142	46,590	11.9%
Nasdaq	24,792	22,708	9.2%
S&P 500	7,493	6,672	12.3%
US Dollar Index	$1,236.70	$1,216.27	1.7%

Commodities

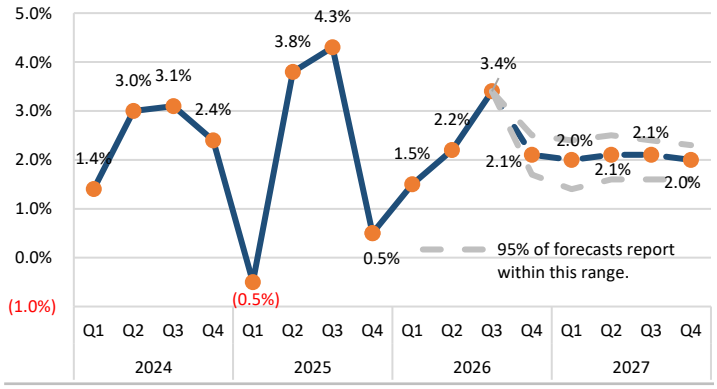
	Current	Year ago	YoY Δ
Crude Oil (Per Barrel)	$87.44	$59.86	46.1%
Natural Gas (Per MMBtu)	$3.15	$4.36	(27.8%)
Coal (Per Short Ton)	$14.58	$11.02	31.8%
Gold (Per Ounce)	$3,878.78	$4,046.72	(4.2%)
Corn (Per Bushel)	$4.44	$4.35	2.1%
Soybean (Per Bushel)	$12.27	$11.57	6.1%

Industry

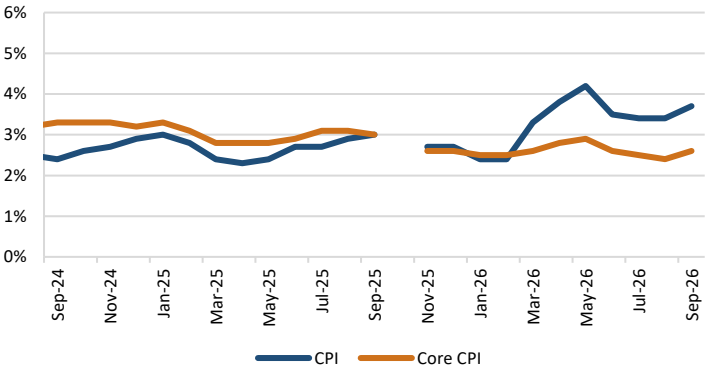
	Current	Year ago	YoY Δ
Natural Gas Storage (Billion Cubic Feet)	3,862	3,954	(2.3%)
U.S. Daily Power Consumption (MWh)	10,707,751	9,885,709	8.3%
World Container Index (Per 40ft)	$4,305	$1,859	131.6%

Forecasts

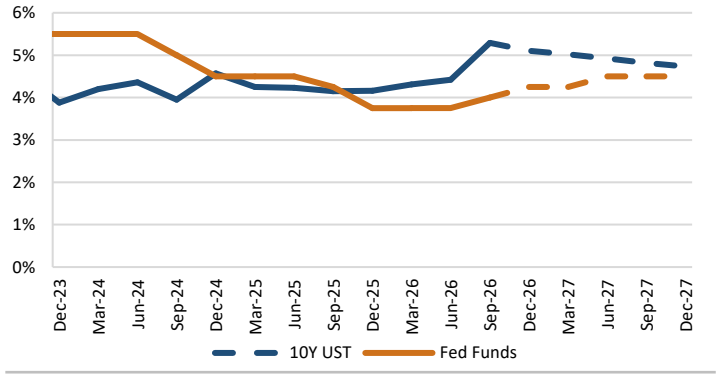
Real GDP Growth Trend



Headline vs. Core Inflation



10-Year US Treasury vs. Fed Funds Trend



[1] *Unless otherwise indicated, forecasts are from the Blue Chip Professional Forecasters.*
[2] *Target rate forecast is based on futures market contracts.*

Sources: © Oxford Economics, Blue Chip Financial Forecasts, Trading Economics, Moody's Analytics, Statista, Oxford Economics, U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, U.S. Energy Information Administration, U.S. Treasury Department, Federal Reserve Bank of Atlanta, Federal Reserve Bank of New York, Federal Reserve Bank of St. Louis, International Monetary Fund, World Bank, University of Michigan, The Conference Board.

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