

Chart of the Day

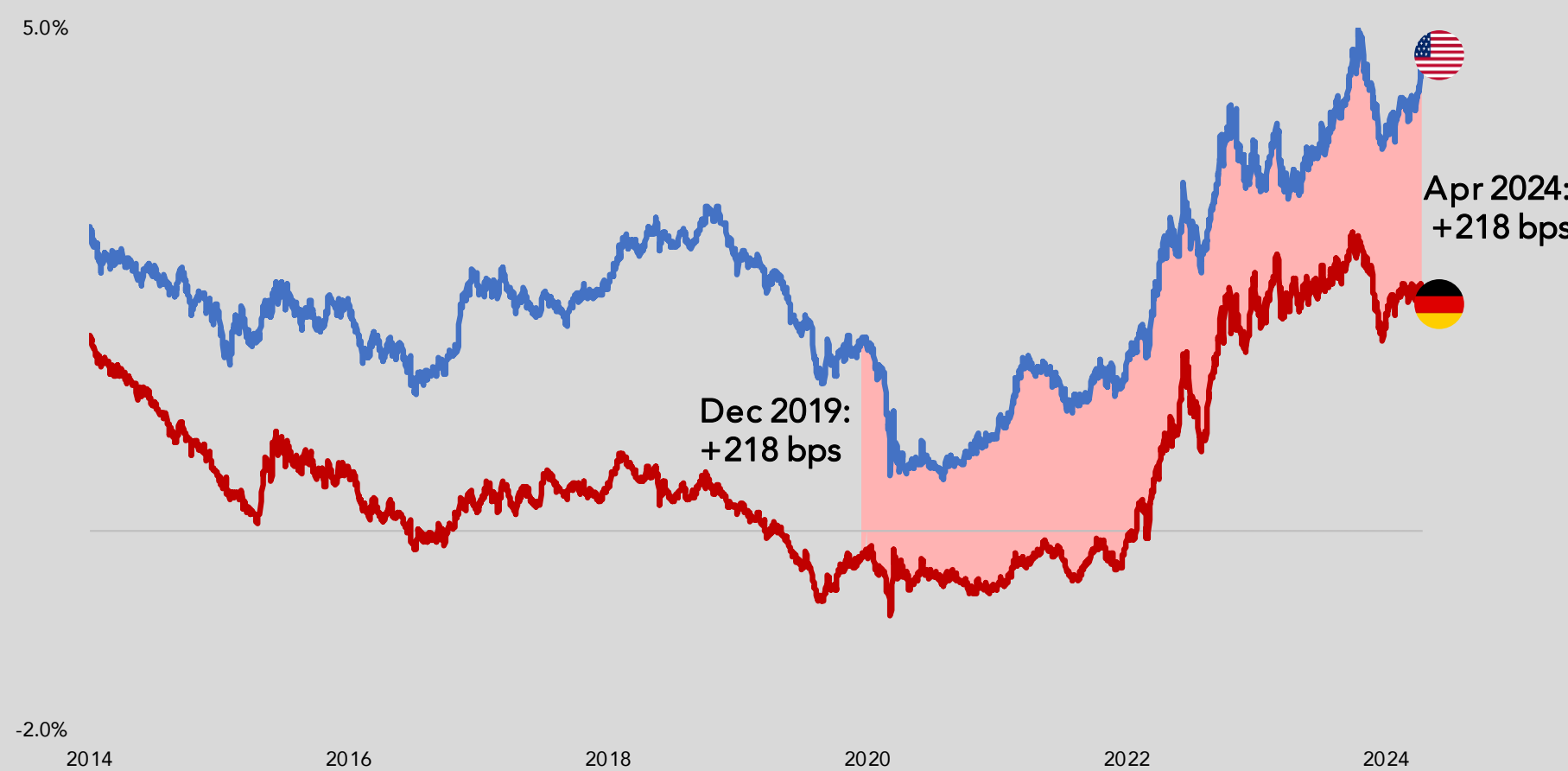


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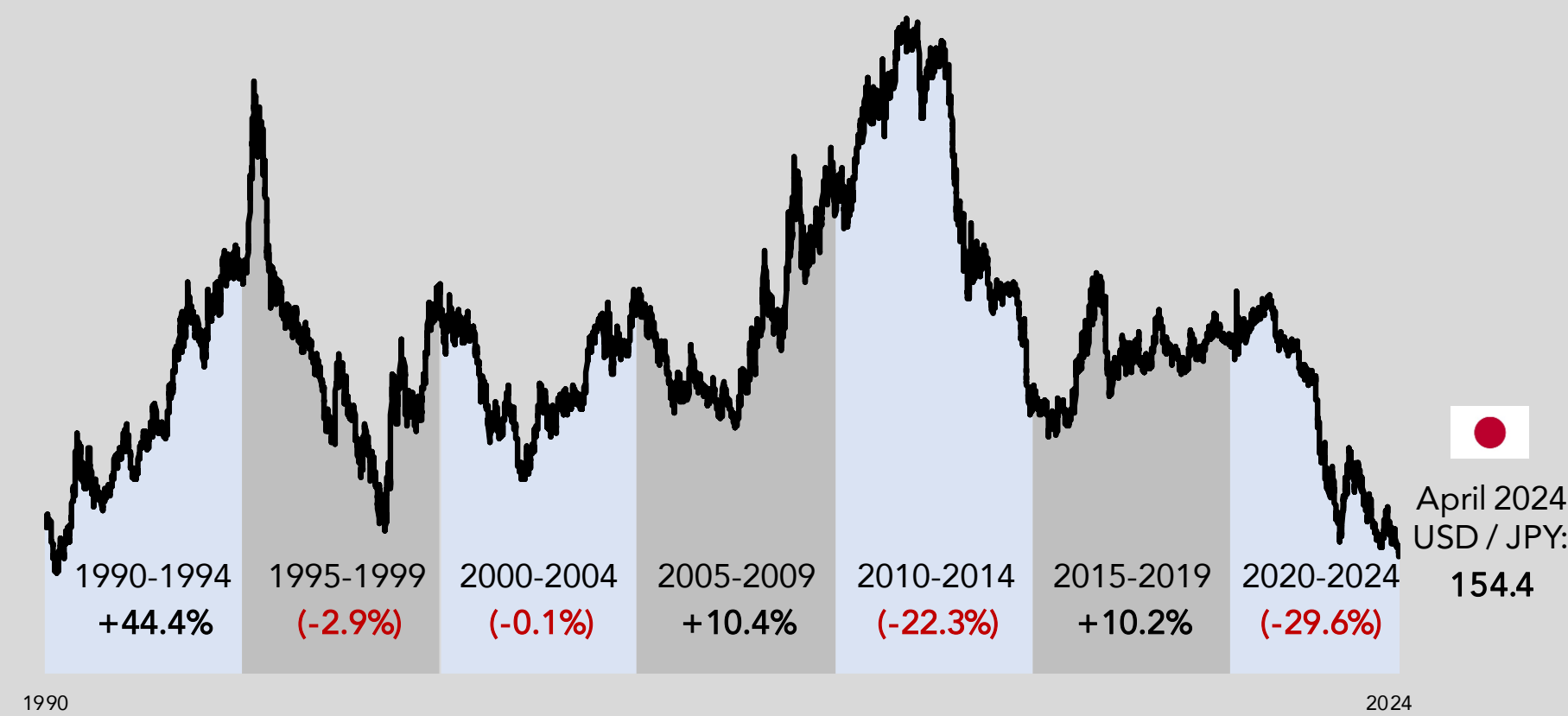
The gap between 10 year US and German borrowing rates reached 218 bps on Friday, its widest gap in nearly 5 years (since Dec 2019). US economic strength and divergent Fed-ECB policy easing expectations (ECB sooner, Fed later) have been key drivers of the wider rate differentials. USD continued to strengthen, rallying +1.7% on the week, and trading to its highest levels vis-a-vis Euro and Sterling since November.

10 year UST vs. 10 year German bunds




Japanese Yen, above 154, declined to its weakest level vs. the US Dollar in 34 years. Geopolitical-induced safe-haven flows have also contributed to USD strength. As an energy-deficit country that is importing oil in US dollars with a weakening currency, Japan faces increased pressure to intervene and support the Yen as Middle East risk escalates.

JPY performance vs. USD




Source: (1-2) Bloomberg. Currency graph is JPY vs. USD. Data as of April 15, 2024.


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“Macro stability isn’t everything, but without it, you have nothing.”