

# Financial Markets This Week

23 MAY 2025

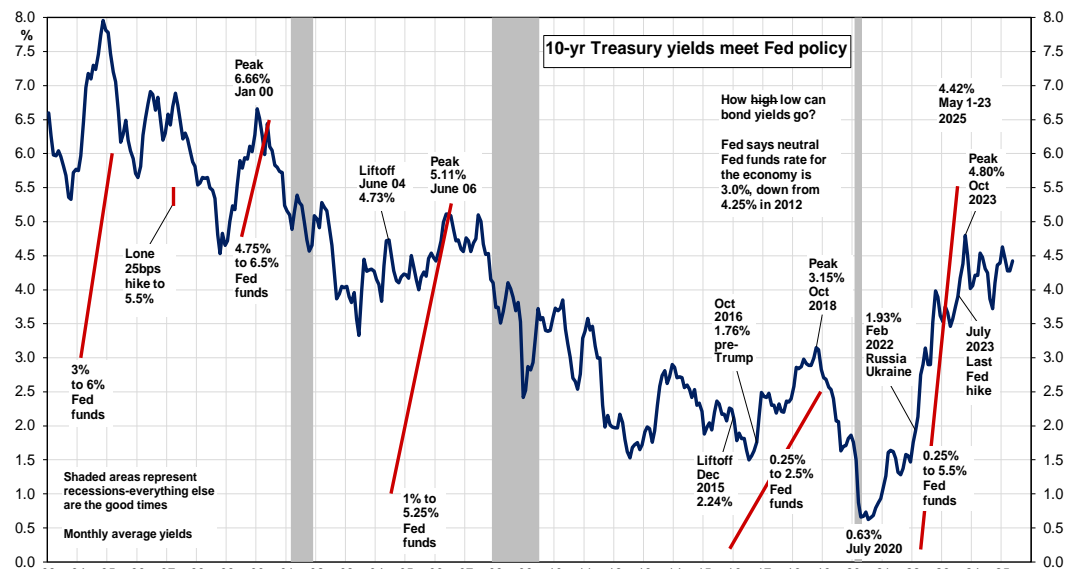
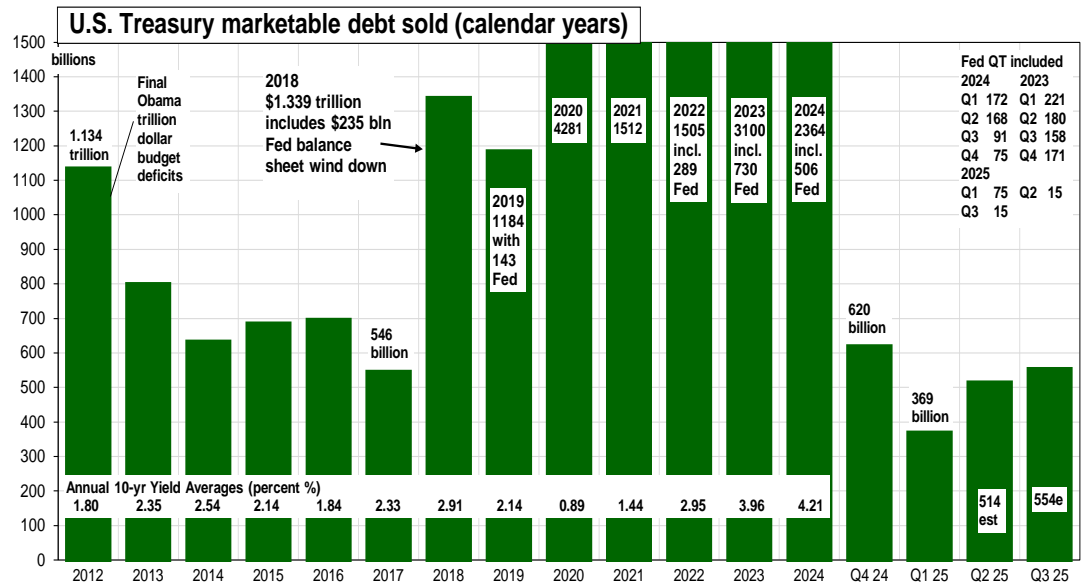
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## US DEBT MATTERS

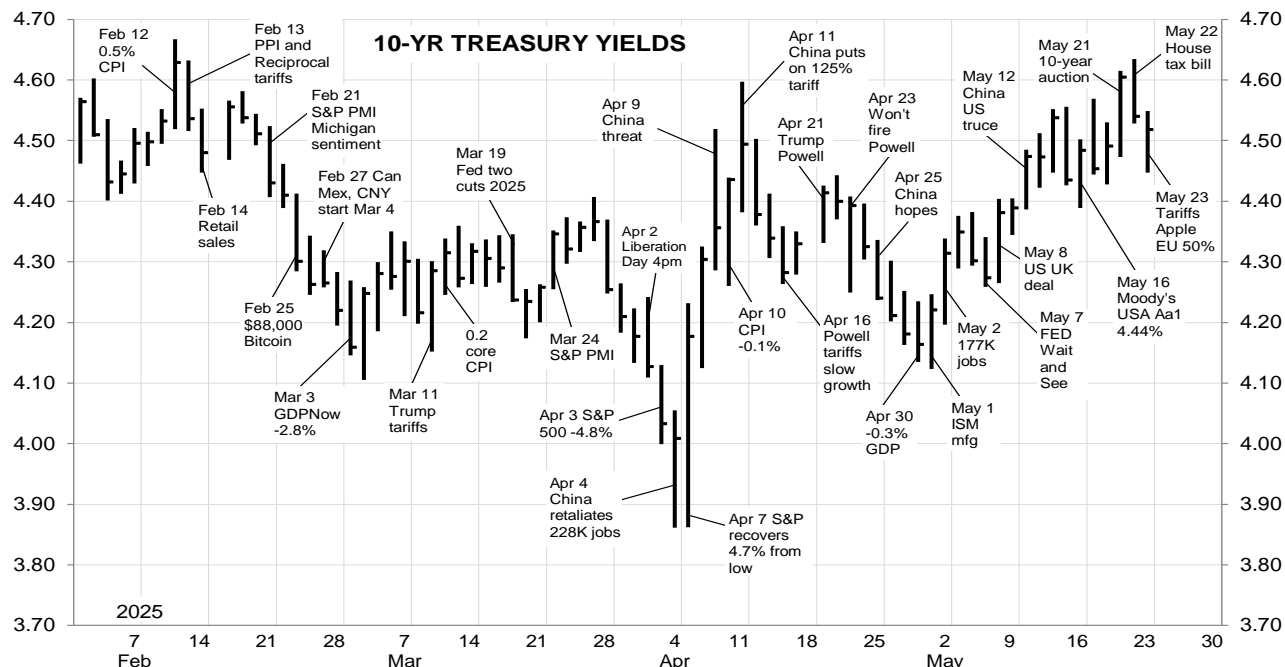
The 20-year Treasury auction Wednesday was on the weak demand side (who would buy a 20-year term “orphan” anyway) and the angst spilled over to the equity markets, who might fear fixed income investors, especially

foreign investors, will be concerned about the big, beautiful tax bill and Federal budget deficit, national debt etc. 10-yr Treasury yields jumped 11 bps to 4.60%. The House tax bill was passed the next morning. Anyway the proof of the pudding is in the eating, and the rubber hits the road on bond yields when it comes to actual debt sales to the public. Will investors buy US debt, or not, without a yield concession. A fair question given what all is going on down in Washington. We still wonder about those “6% 10-yr Treasury forecasts” if the Federal budget deficits cannot be held to less than the growth of nominal GDP (Q1 2025 Q/Q SAAR 3.5%, YOY 4.7%) The Treasury new cash need was \$2.4 trillion in calendar year 2024, boosted by Fed QT of \$506 billion which will be nominal going

forward from here at \$15 billion per quarter (why bother). Calendar year 2025 cash needs will be \$2.0 trillion assuming the Federal budget deficit does not blow out past \$2.5 trillion versus \$1.8 trillion in FY 2024. Stay tuned. Watch here where the world goes next.

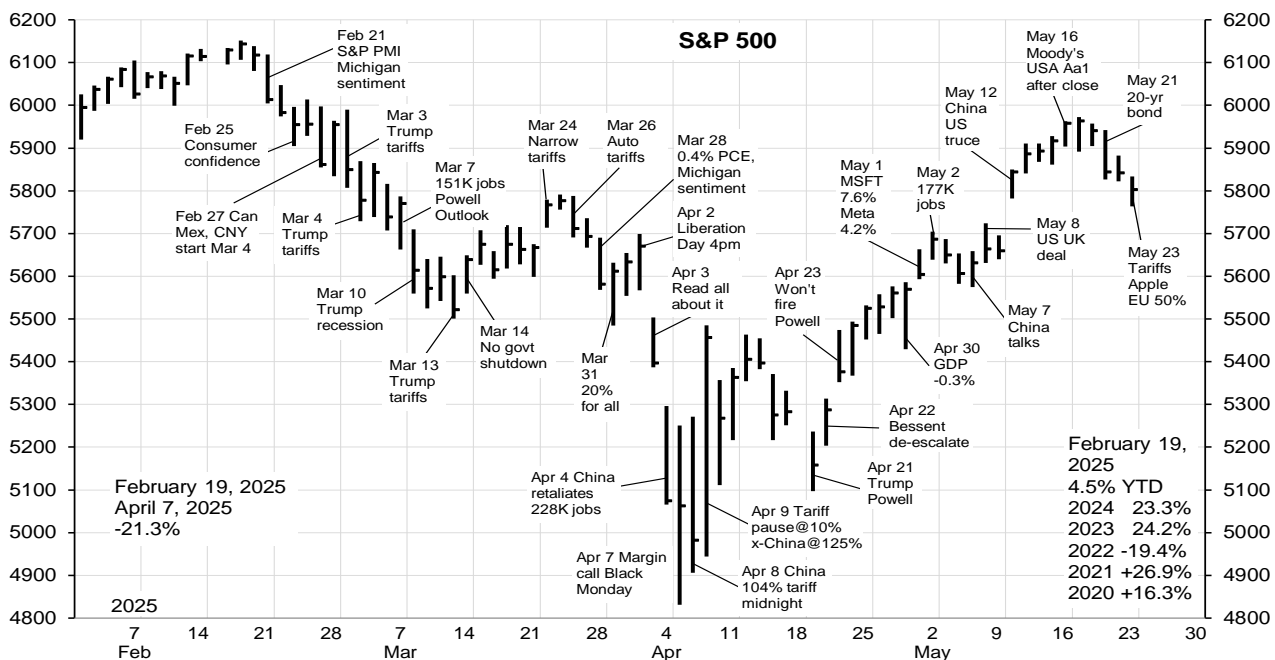


## INTEREST RATES



<https://www.fwdbonds.com/images/The Bond Show .mp4>

## STOCKS



<https://www.fwdbonds.com/images/The Stock Show.mp4>

## Fed funds futures call Fed policy

Current target: May 23 -- 4.50%

Rate+0.17 Contract Fed decision dates

4.490 Jul 2025 Jun 18\*

4.310 Oct 2025 Adds Jul 30, Sep 17\*

Last trade, not settlement price

\*Not strictly true, Jul 2025 could be 1 day at a new rate; 2 days new rate for Oct 2025

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