



Low rates are here to stay

Lund, May 2018

Lars Christensen

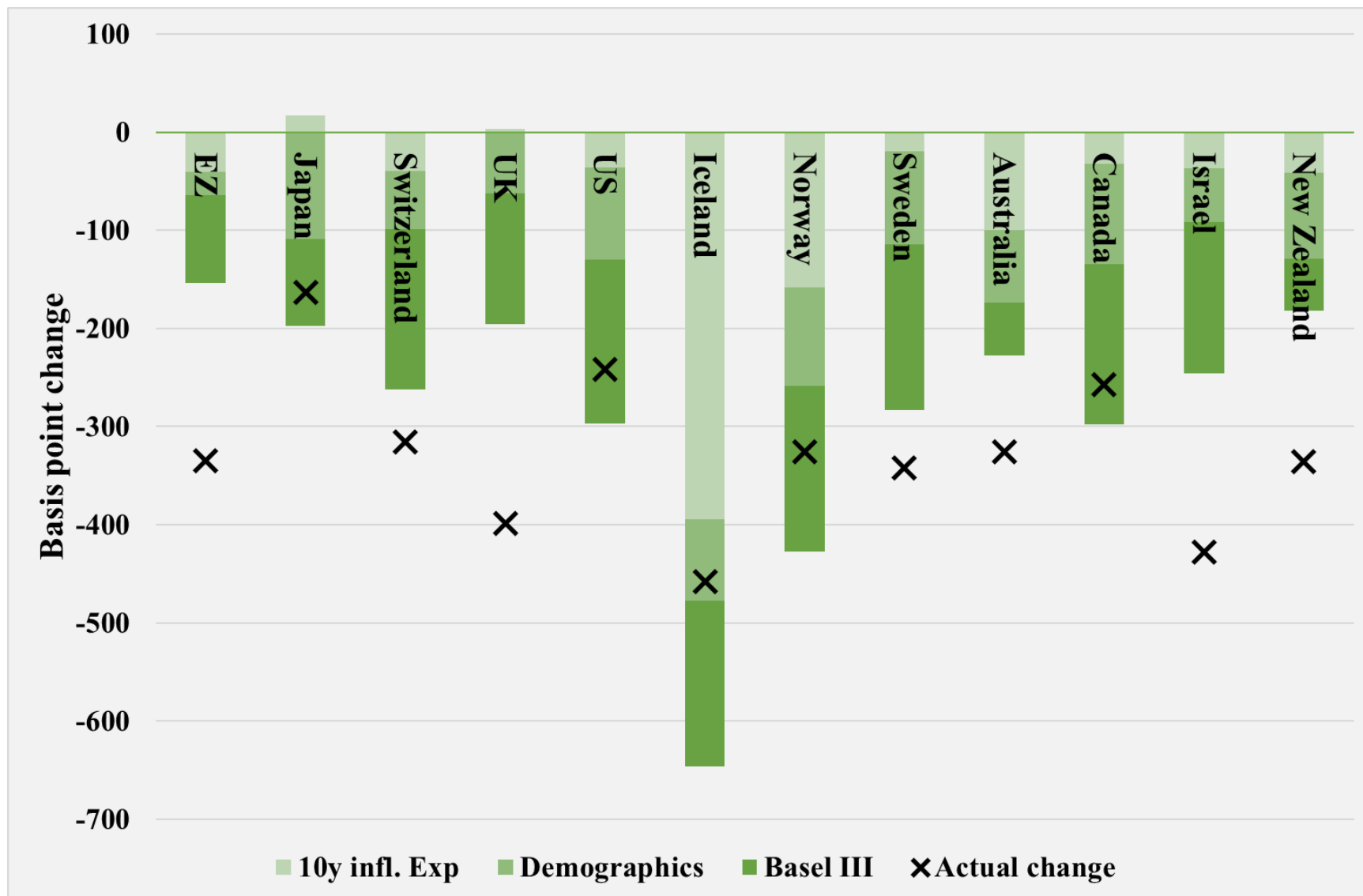
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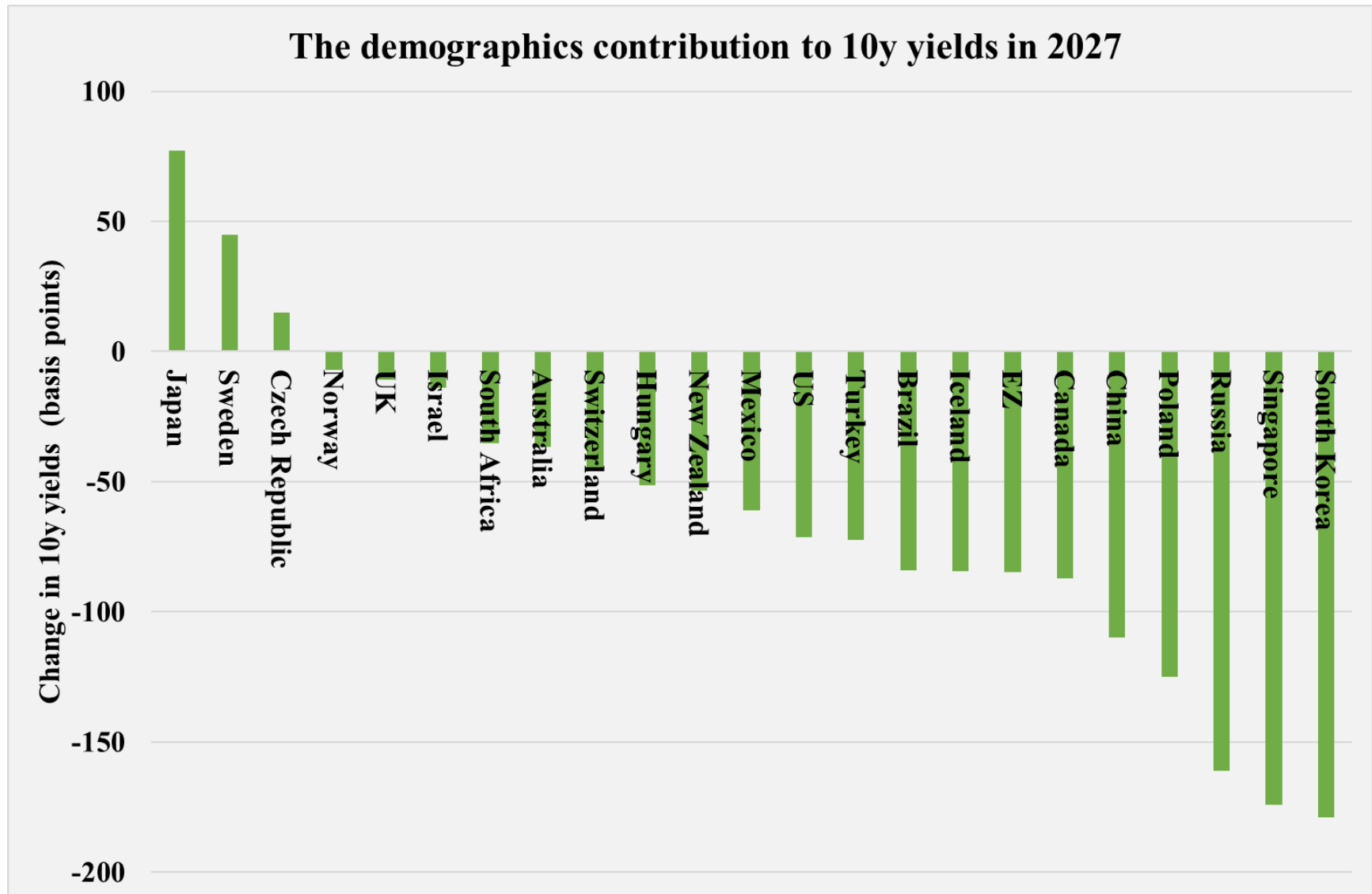
Agenda

- Why are (real) rates and yields so low?
- Outlook for US monetary policy
- Outlook for Swedish monetary policy

Our model for 10y yields: 2007-2017

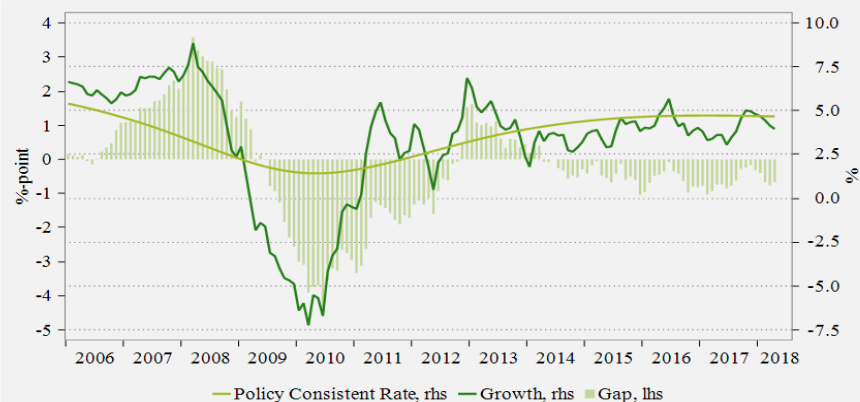


Demographics matter



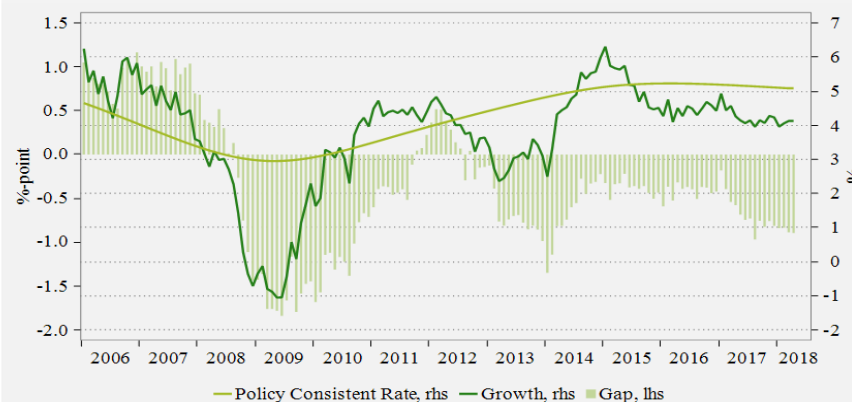
Sub-indicators - US

Broad money supply (%y/y)



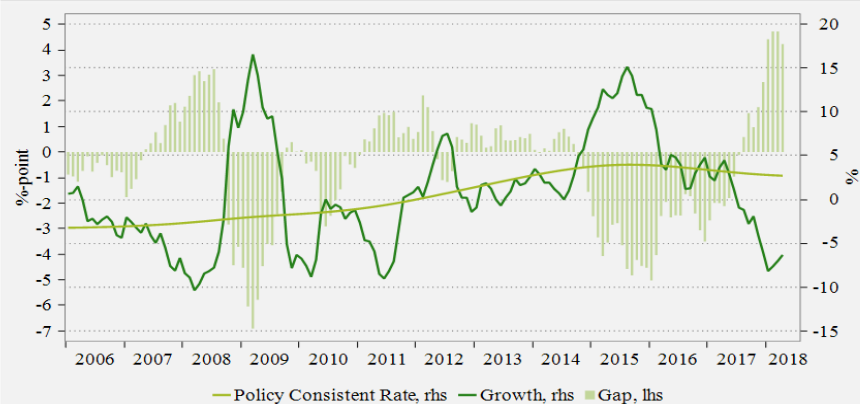
Source: Macrobond

Nominal demand (%y/y)



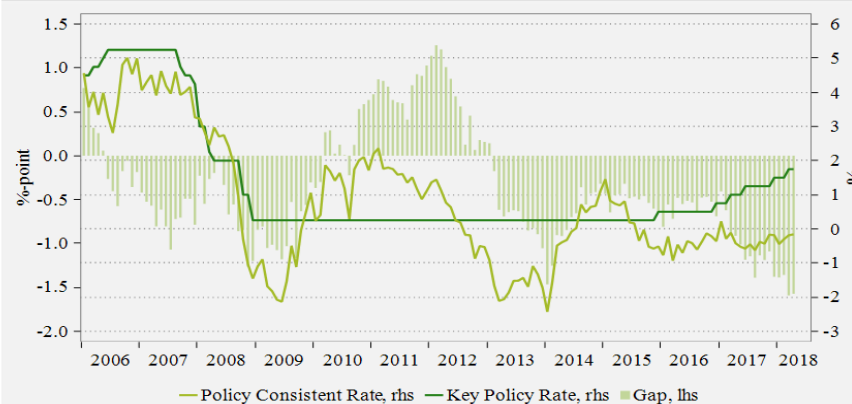
Source: Macrobond

Exchange rate development (%y/y)



Source: Macrobond

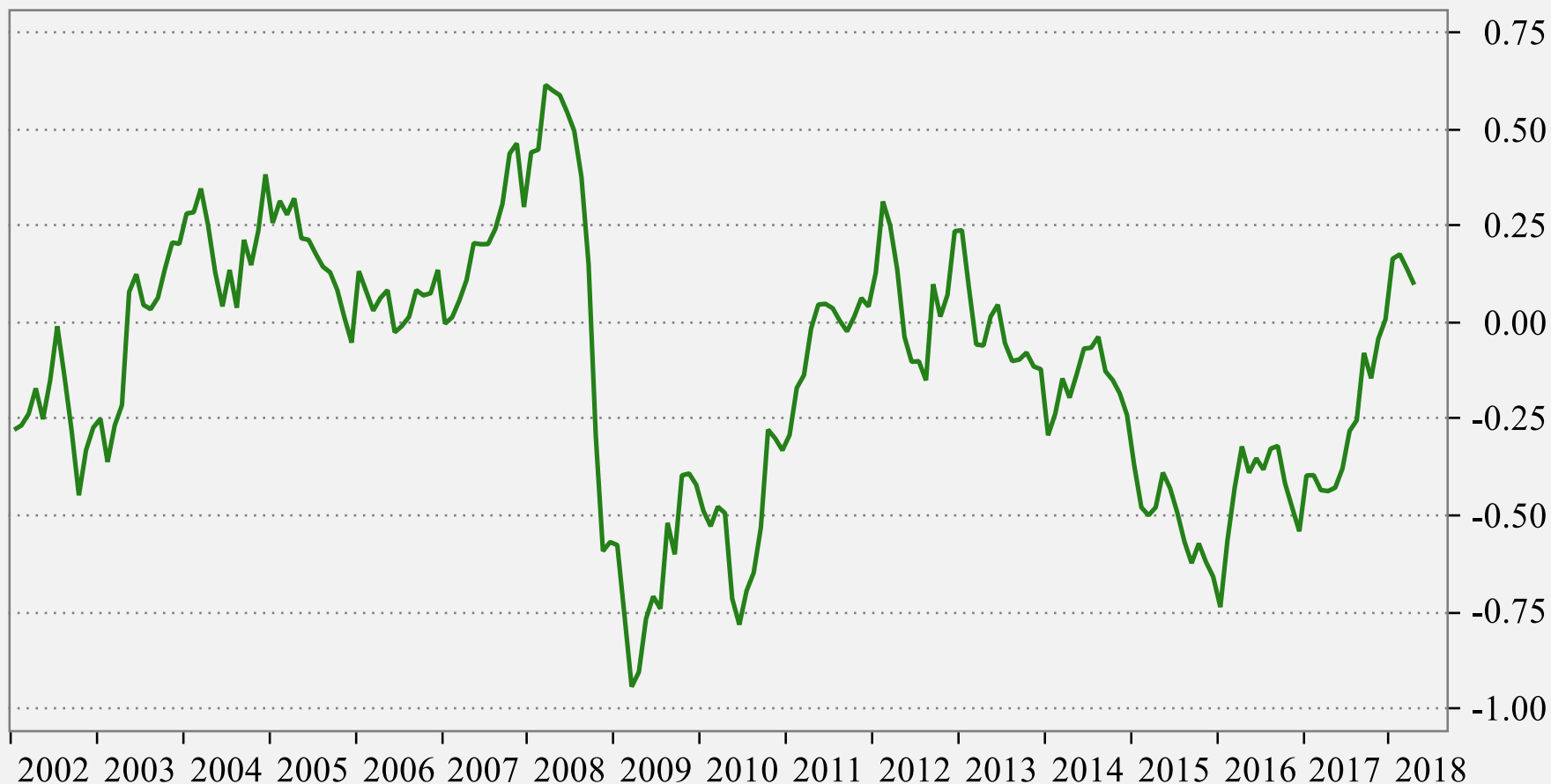
Key policy rate (%)



Source: Macrobond

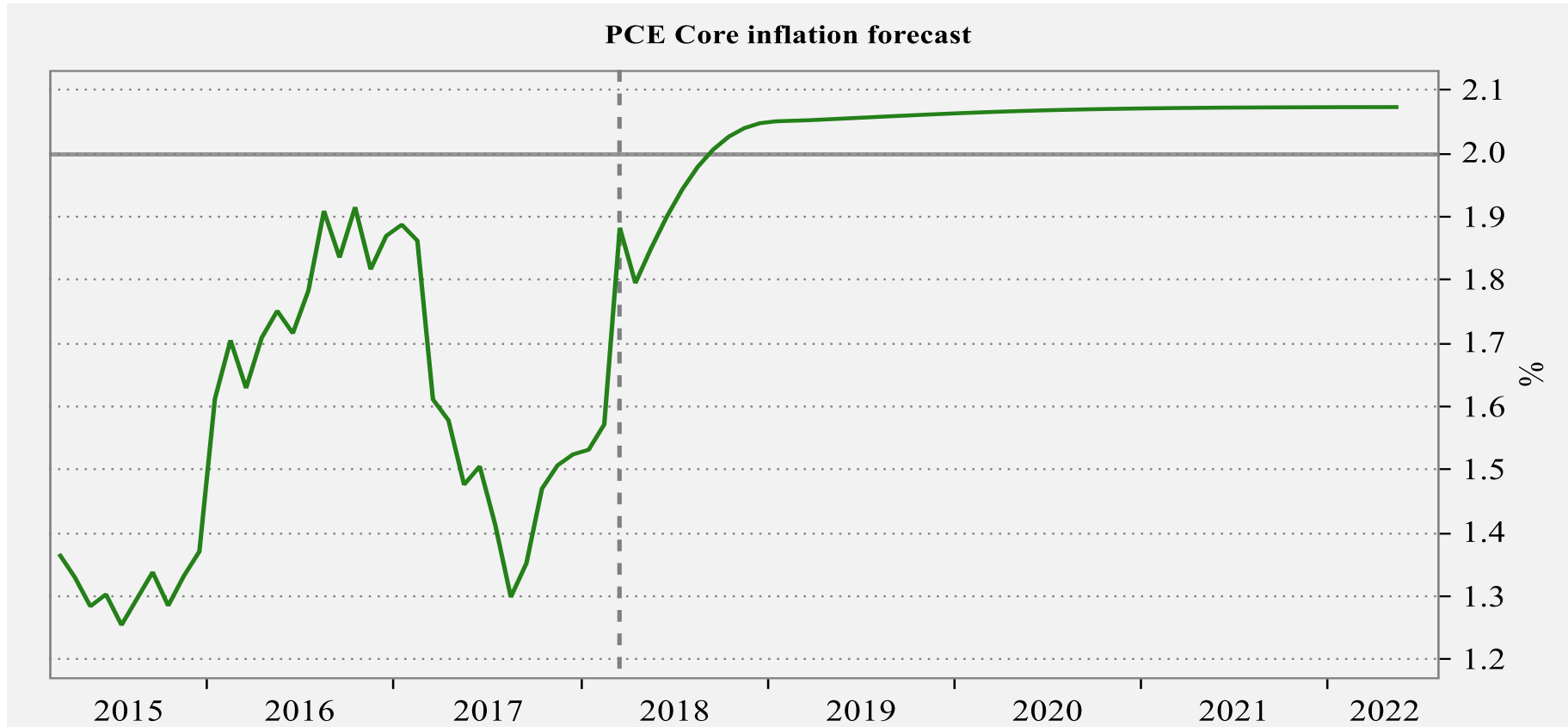
Inflation outlook: Monetary Indicator

United States, M&M Advisory, US Monetary Indicator



Source: Macrobond

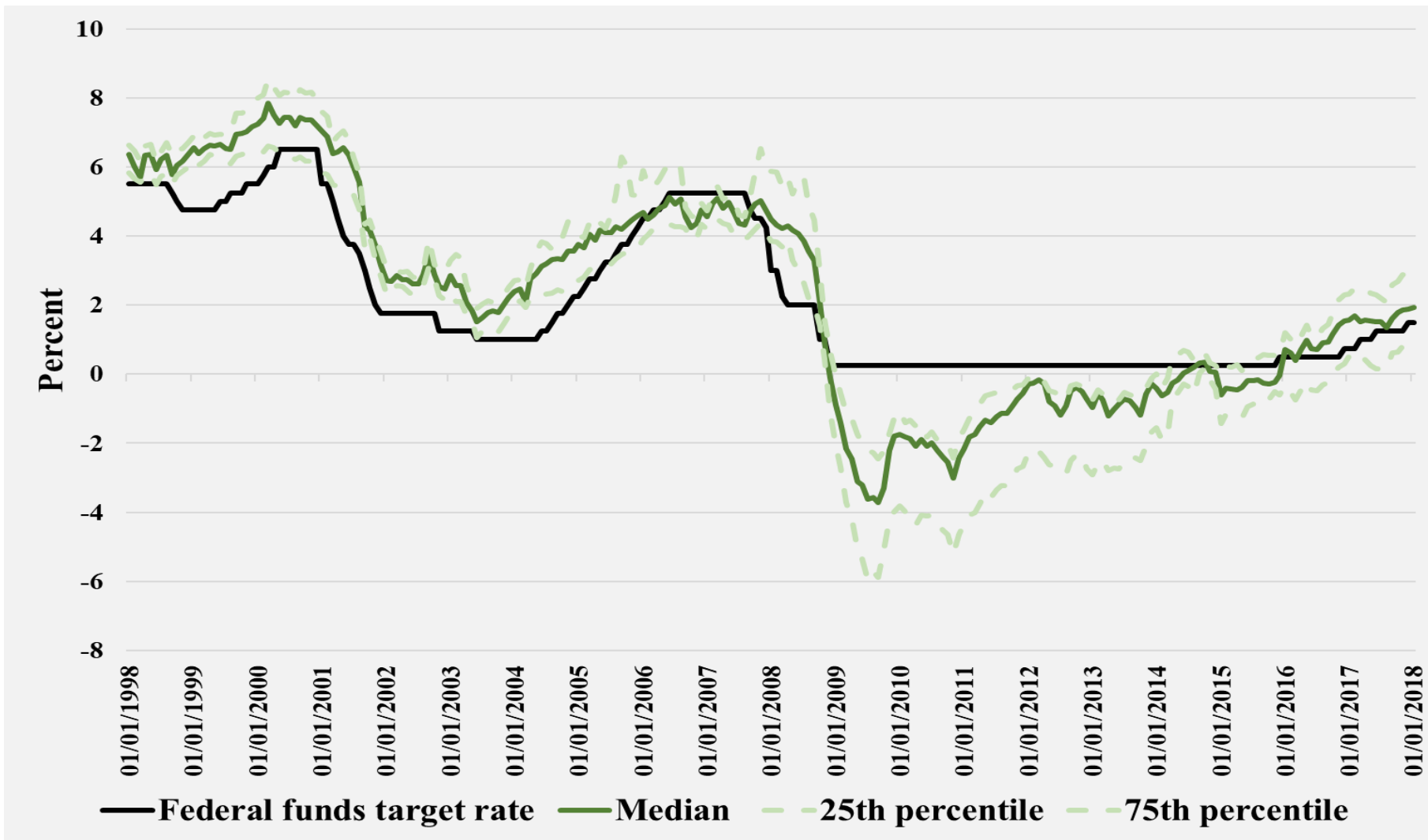
Inflation outlook: Our forecast



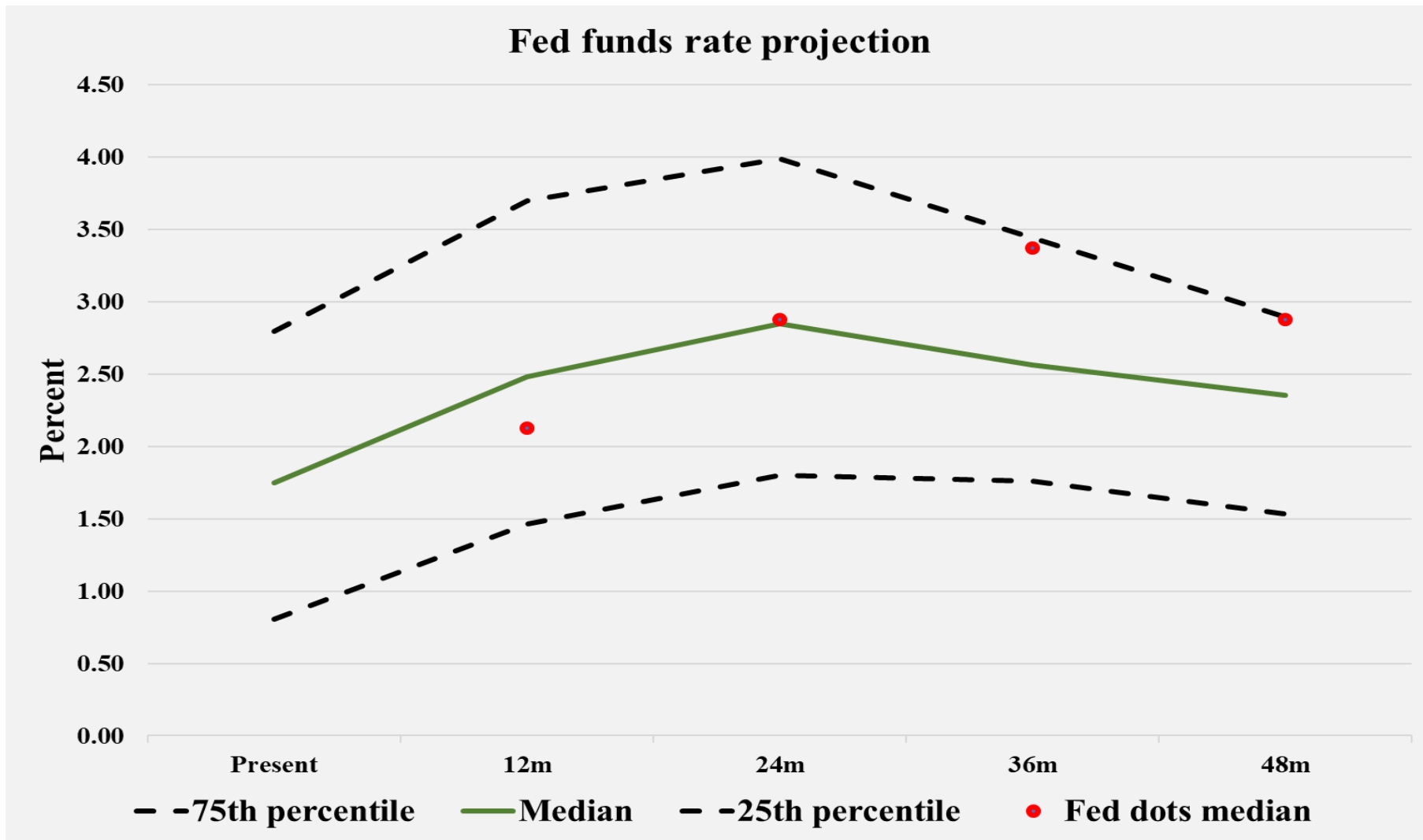
Source: Macrobond

	Target	Latest	2018	2019	2020	2y2y
US	2.0	2.1	1.9	2.1	2.1	2.1

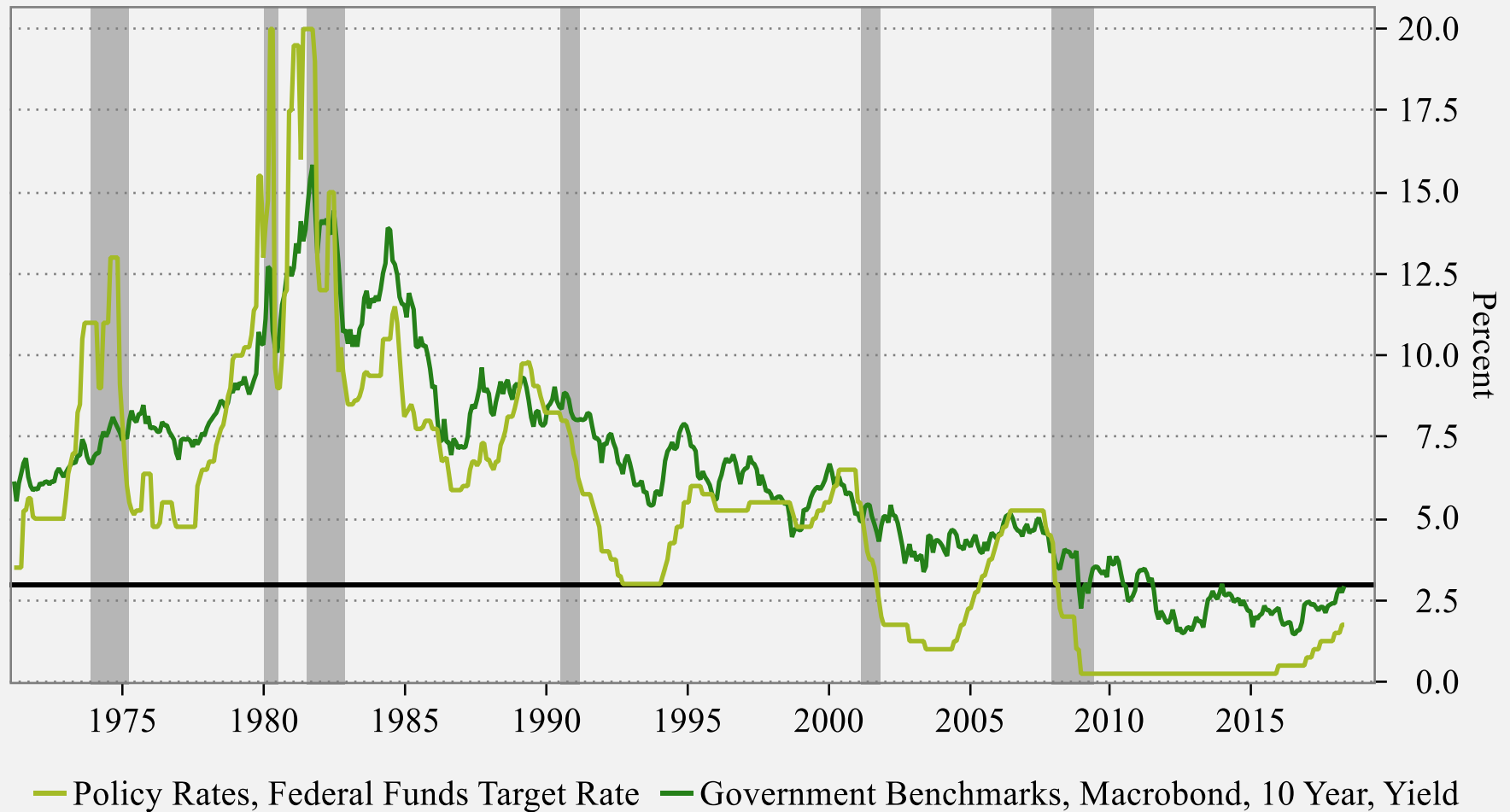
Monetary rules: Historical development



Monetary rules: Projections

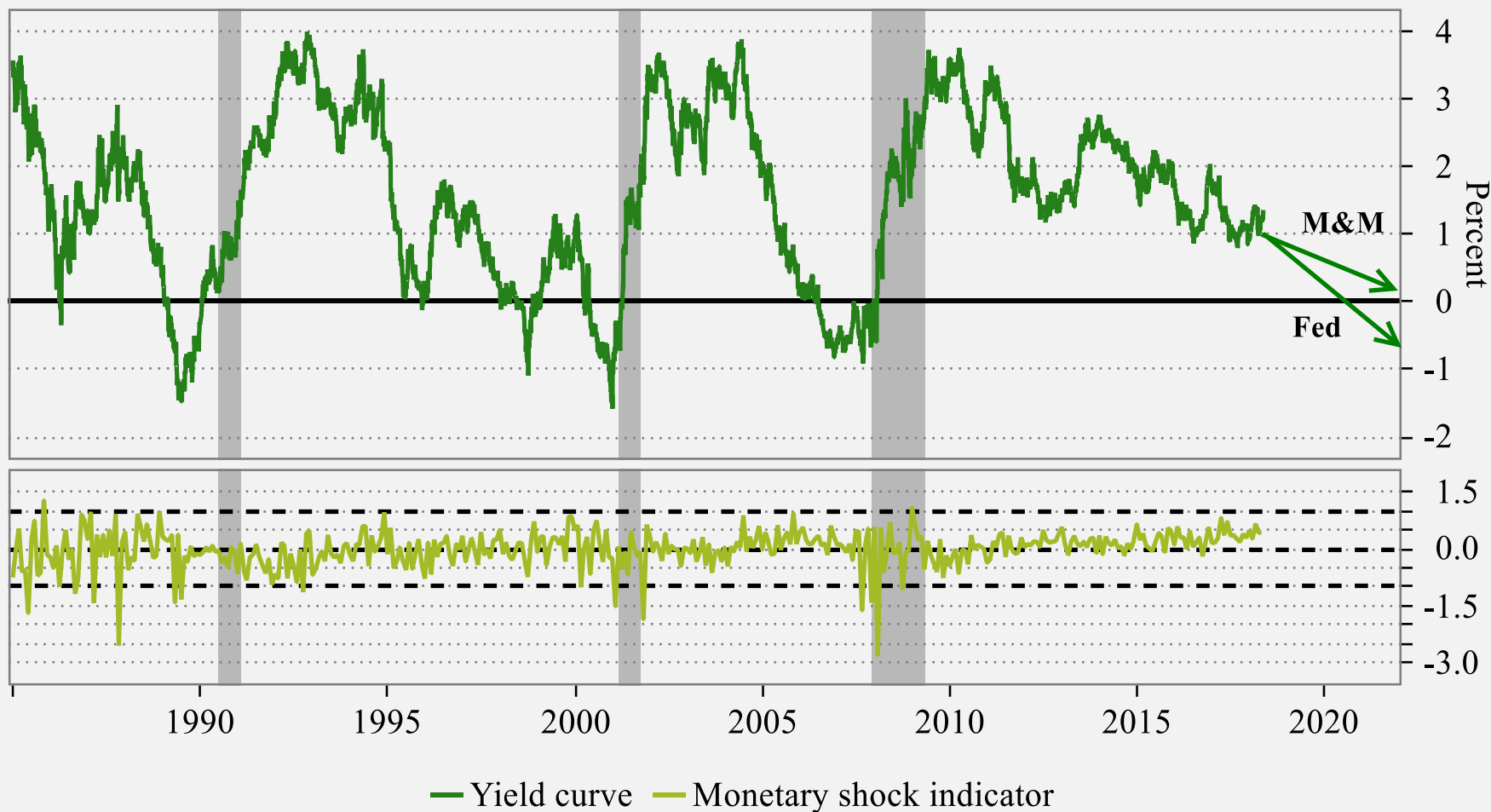


Why Fed funds rate will peak below 3%



Source: Macrobond

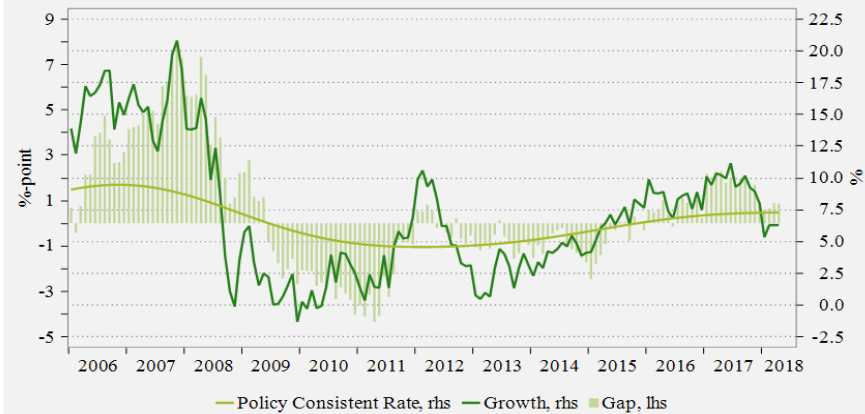
Monetary Shock Indicator - US



Source: Macrobond

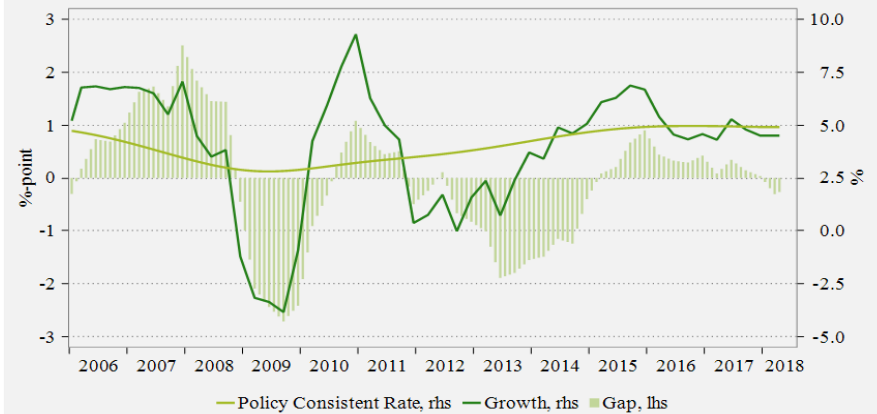
Sub-Indicators - Sweden

Broad money supply (%y/y)



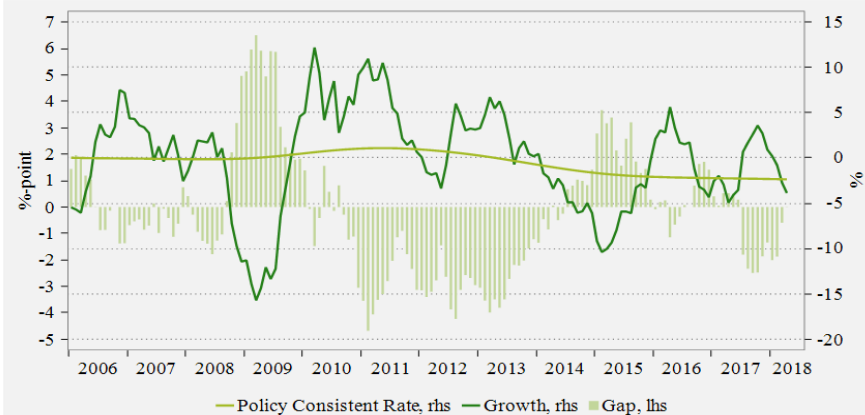
Source: Macrobond

Nominal demand (%y/y)



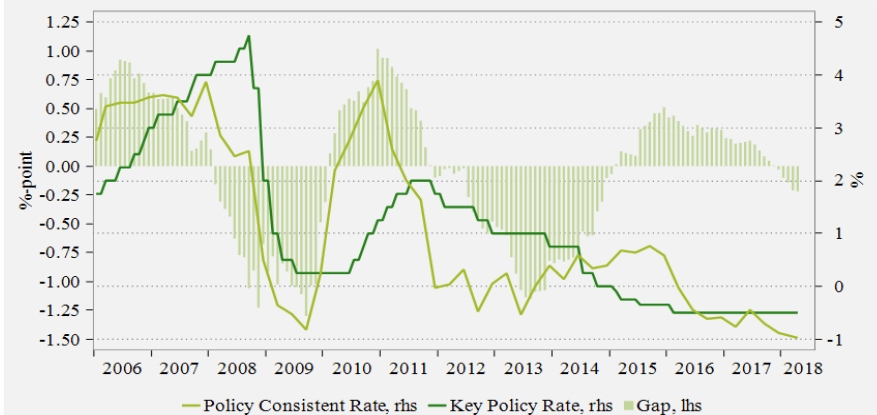
Source: Macrobond

Exchange rate development (%y/y)



Source: Macrobond

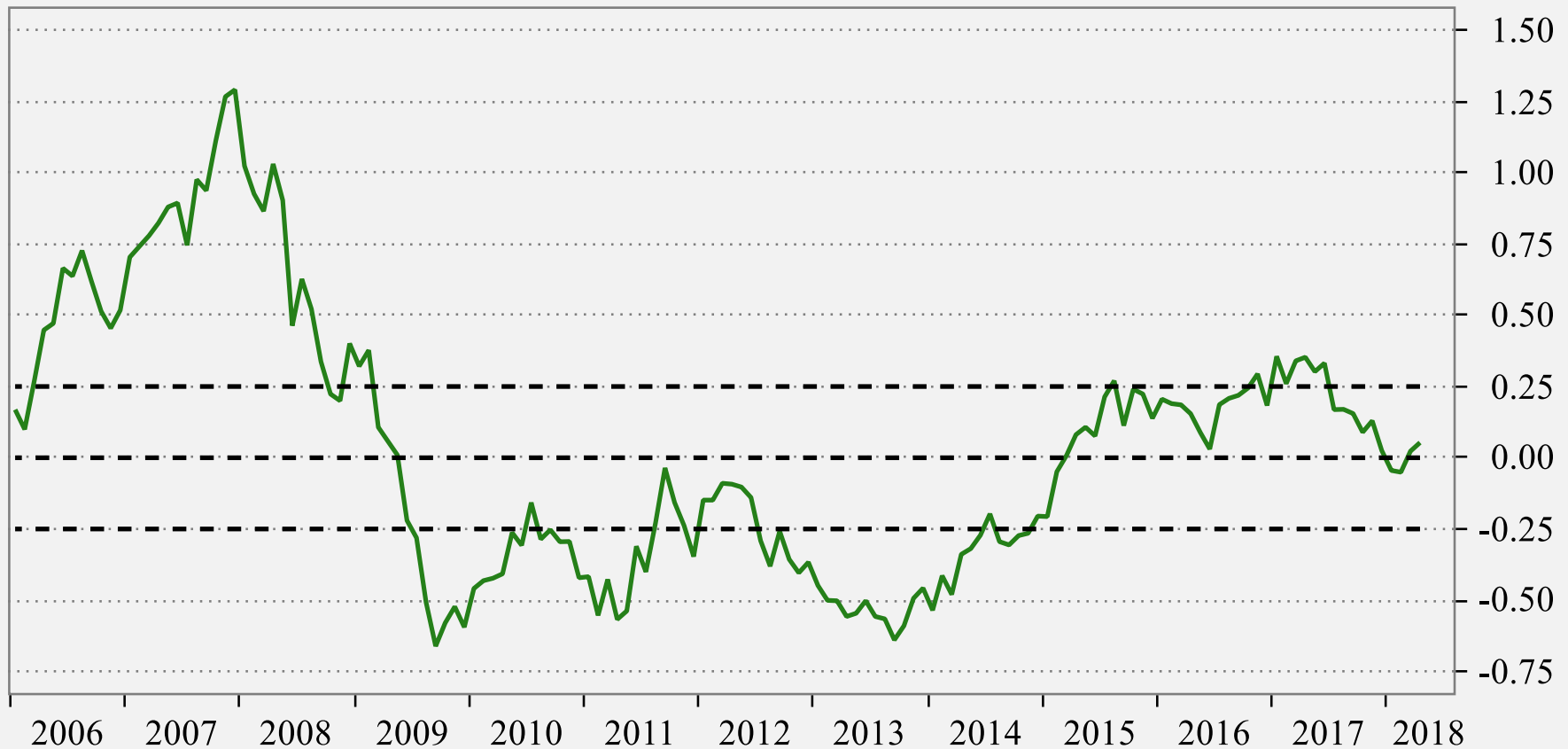
Key policy rate (%)



Source: Macrobond

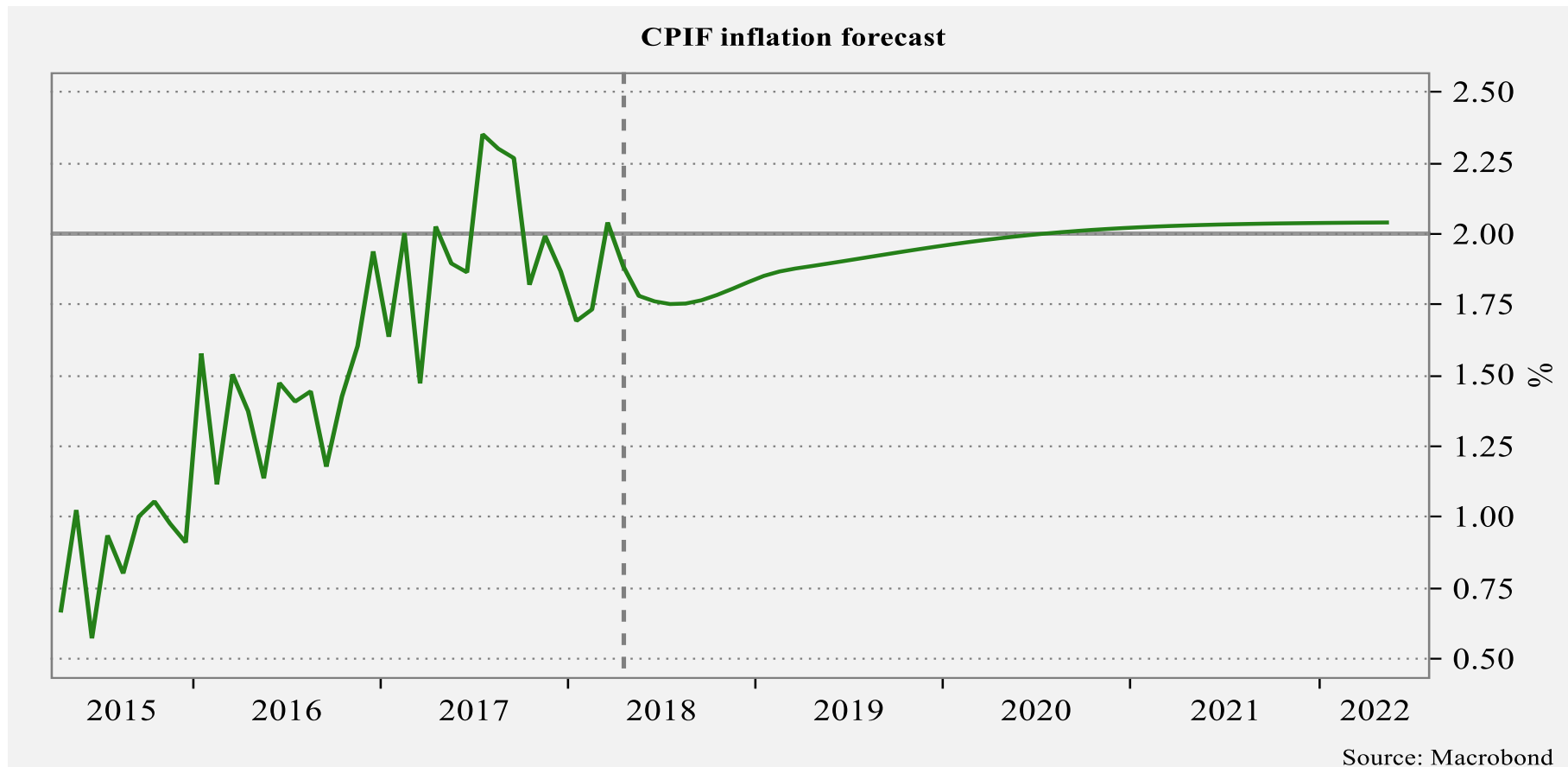
Monetary Indicator

Sweden Monetary Indicator
M&M Advisory



Source: Macrobond

Inflation forecast - Sweden



	Target	Latest	2018	2019	2020	2y2y
Sweden	2.0	1.9	1.8	1.9	2.0	2.0

Riksbank policy rule

$$r = \text{natural rate} + 0.5 * \text{Inflation gap} + 1.2 * \text{Activity indicator}$$

