

Yellen Says Rates 'Unlikely' to Return to Pre-Covid Levels

Description

(Bloomberg News) — Janet Yellen, the incumbent Secretary of the US Treasury, opined that it is highly improbable that market interest rates will revert to the status quo ante the Covid-19 pandemic, which incited a flux of inflation and soaring yields.

Confronted with inquiries regarding the significantly elevated expectations for forthcoming interest rates propagated in the White House's projections released recently, as compared to those from a year ago, Yellen justified that the freshly evolved figures were congruent with forecasts from the private sector.

She expounded that this mirrors the extant market circumstances and the prognoses we observe from the private sector. In her words, "it seems unlikely that yields will deteriorate to the prior-pandemic scale," offering this elucidation to journalists, stationed in the small city of Elizabethtown, Kentucky, last Wednesday.

Historically, in the decade that extended till 2019, the yield on 10-year US Treasury notes averaged at a relatively suppressed 2.39%. Following an aggressive amplification of rates by the Federal Reserve to confront inflation, the yield escalated past 5% in the previous October, and at present, it has retreated marginally beneath 4.2%.

This shift sparked an intense debate among the economist community over the conundrum whether there is likelihood for rates to revert to the pre-pandemic nuance in the long haul, or whether they would stabilize at an elevated threshold.

Ms. Yellen also emphasised upon the cruciality of ensuring that the presuppositions ingrained in the budget are plausible and align with the comprehensive range of forecasters' contemplations.

Over the earlier weeks, Ms. Yellen has subtly indicated a transition in her personal perspective on the issue. While in January 2023 she suggested a higher likelihood of the resurrection of lower rates, in the subsequent year, she proclaimed ambiguity over the matter at stake.

The recent prognoses by the White House formed a constituent element of President Joe Biden's whopping fiscal 2025 budget proposal of \$7.3 trillion. Presently, they premise the average rates on the three-month and 10-year US Treasury bills and notes to be significantly amplified over the next three years compared to their prior anticipation.

Concerning the higher forecast, this year, for instance, the three-month rate is predicted to average at 5.1%, escalated from the 3.8% projected in March of the preceding year, as disclosed by White House officials. Projections for the 10-year yield rose from 3.6% to 4.4%.

The latter prognosis could have potentially soared further, had it not been for the interference of Lael Brainard, director of the National Economic Council, according to sources who had insights into the matter prior to its dissemination.



The burgeoning interest rates on the incrementing burden of the US debt contribute substantially to the overall deficit and debt proportions. Based on prevailing suppositions, the White House anticipates that the US is set to expend approximately \$890 billion or 3.1% of its GDP, on net interest expenditures this year.

Yellen expressed these sentiments during her visit to Kentucky, championing the economic policy record of the Biden administration. This corresponds to a component of her intensified efforts this year to discuss internal matters with domestic audiences, as a preface to the impending 2024 elections.

Vocabulary List:

1. **Ante** // (noun): A stake put up by a player in poker and similar games before receiving cards.
2. **Amplification** // (noun): The action of enlarging or extending something.
3. **Conundrum** // (noun): A confusing and difficult problem or question.
4. **Prognosis** // (noun): A forecast of the likely outcome of a situation.
5. **Nuance** // (noun): A subtle difference in or shade of meaningexpressionor sound.
6. **Intensified** // (verb): To make something stronger or more extreme.

Vocabulary quizzes

Multiple Choice (Select the Correct answer for each question.)

1. What is a difficult situation that needs to be dealt with called?

Option: Assembly
Option: Predicament
Option: Recall
Option: Surge

2. What is a person who exposes secretive information within an organization known as?

Option: Alleviate
Option: Whistleblower
Option: Intensified
Option: Taxation

3. Which term describes something likely to happen in the future?

Option: Deferred
Option: Legislation
Option: Prospective
Option: Consequence

4. What is a payment or action postponed until a later time called?

- Option: Critical
- Option: Deferred
- Option: Seismic
- Option: Abolished

5. A sustained increase in the general price level of goods and services in an economy is known as:

- Option: Exodus
- Option: Inflation
- Option: Antitrust
- Option: Compensatory

6. What is the process of making or enacting laws called?

- Option: Cessation
- Option: Prognosis
- Option: Nuance
- Option: Legislation

7. In finance what is a collection of financial investments or assets called?

- Option: Consequence
- Option: Portfolio
- Option: Promising
- Option: Seismic

8. A confusing and difficult problem or question is often referred to as a:

- Option: Revolution
- Option: Conundrum
- Option: Surge
- Option: Amplification

9. What term refers to formally ending or getting rid of a system practice or law?

- Option: Antitrust
- Option: Compensatory
- Option: Abolished
- Option: Intensified

10. A stopping or discontinuance of an action is known as:

- Option: Prospective
- Option: Cessation
- Option: Recall
- Option: Whistleblower

Gap-Fill (Fill in the blanks with the correct word from the vocabulary list.)

11. The evidence presented _____ the authorities to take immediate action.

12. The team investigated the source of the _____ in the pipeline.

13. The company was fined for violating _____ laws by engaging in monopolistic practices.

14. The success of the mission was dependent on the team's ability to make _____ decisions under pressure.

15. The new medication was designed to _____ the symptoms of the illness.

16. The company issued a product _____ due to a safety concern.

17. The experimental results showed _____ potential for further development.

18. There was a sudden _____ in demand for the product after the marketing campaign.

19. The company faced a _____ shift in market trends requiring a strategic rethink.

20. The competition _____ as more players entered the market.

Matching Sentences (Match each definition to the correct word from the vocabulary list.)

21. The of the new car models took place in the manufacturing plant.
22. Players have to bet a certain amount as the before starting the card game.
23. The of the speaker's voice made it clearly audible to the audience.
24. The information was leaked by a who exposed the corruption within the organization.
25. The doctor provided a positive for the patient's recovery after the surgery.
26. The actor's performance was praised for capturing every of the character.



27. Failing to meet the deadline had severe for the project.

28. The investor diversified his to reduce risk in the stock market.

29. The new aimed to protect consumers from unfair business practices.

30. The sudden increase in job opportunities led to a mass of workers from rural areas.

Answer

Multiple Choice: 1. Predicament 2. Whistleblower 3. Prospective 4. Deferred 5. Inflation 6. Legislation 7. Portfolio 8. Conundrum 9. Abolished 10. Cessation

Gap-Fill: 11. compelled 12. leakage 13. antitrust 14. critical 15. alleviate 16. recall 17. promising 18. surge 19. seismic 20. intensified

Matching sentence: 1. assembly 2. ante 3. amplification 4. whistleblower 5. prognosis 6. nuance 7. consequence 8. portfolio 9. legislation 10. exodus

CATEGORY

1. Business - LEVEL5

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