

# INTEREST RATE MOVEMENT

Feb. 11, 2022



Interest rates moved significantly higher on Thursday in a double news, event-driven day. In the morning, January's Consumer Price Index (CPI) data was released and came in at 7.5% year-over-year, up slightly over the 7.3% expected median. The reading was the highest on record in the last 40 years. As a result, rates rose. The 2-year U.S. Treasury started the morning at 1.36% and quickly advanced to 1.48% while the 10-year U.S. Treasury moved from 1.95% to the psychologically-notable 2.00% level.

Later in the afternoon, St. Louis Fed Chairman, James Bullard, said that he has become "dramatically" more hawkish in light of the hottest inflation reading in nearly 40 years, and he now wants a full percentage point of interest rate hikes over the next three U.S. central bank policy meetings. Bullard said he was undecided on whether the Fed should boost the Fed Funds rate 50 basis points at the March FOMC meeting, but the odds of a move between meetings jumped materially.

The news sent interest rates up yet again. The 2-year UST already trading at 1.49% saw another nine basis point move to 1.58% within minutes of the comments. The 10-year advanced from 2.02% to 2.05%.

Over the course of the day, the 2s to 10s curve flattened opening at 58 basis points and stands at just 40 basis points this morning.

As of 5 am Friday, the 2-year UST is sitting at 1.60% up 24 bps in just under 24 hours while the 10-year UST trades right at 2.00%. The curve is basically flat from the 5-year UST at 1.931% to the 10-year UST at 2.005%.

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