Opinion | Mohamed A. El-Erian , Columnist

Yield Uncertainty Will Persist Even If the Fed Is Done Raising Rates

A hard-to-read economy and expanding government bond issuance will keep investors on their toes.

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A simple logic has played out in markets this month. Price movements point to an anticipation that the Federal Reserve is done raising interest rates and will now start cutting in early 2024, thereby pushing down market-determined yields as it continues to ease policy throughout the year; and that all this will bode well for the economy and virtually all financial assets.

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There are multiple other plausible scenarios for the trajectory of interest rates, though the drivers of uncertainty will shift notably away from the Fed. Whatever outcome eventually unfolds will be

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In summary, frustrating as it is for many of us seeking clarity, there is a range of possible reasons why policy rates may decline in 2024, and their economic and market implications can vary significantly. Conversely, there are also reasons why rates may remain elevated for most of next year. All this while acknowledging that the main driver of the level of yields and their volatility in the recent past – the Fed – is likely to see its influence wane.