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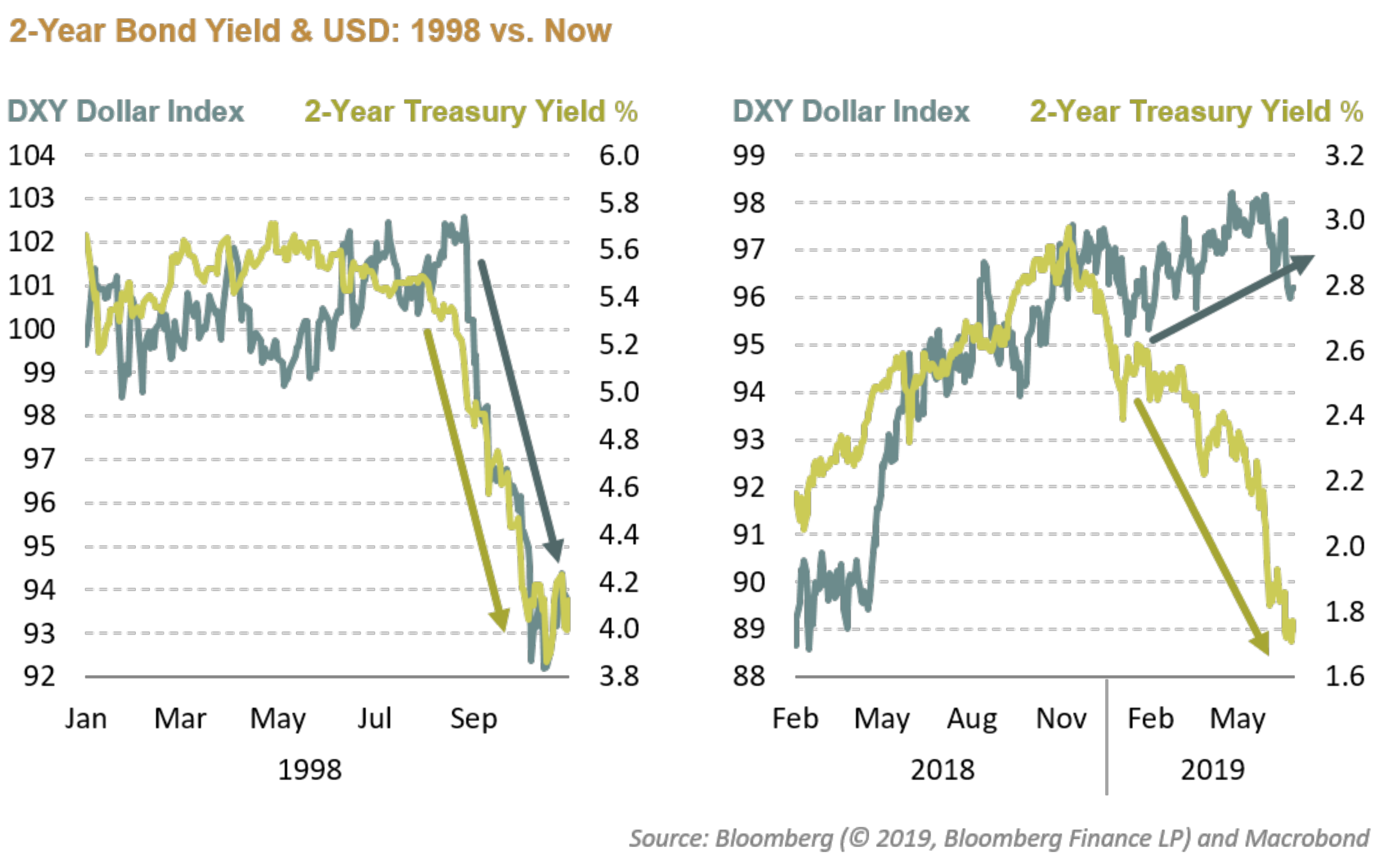
Featured G

Around THE Curve

Chart of the Moment: The 2-Year Treasury and Dollar Index over Two Decades

In late 1998, the 2-year Treasury yield and the DXY index started to descend in lockstep once the Federal Reserve (Fed) finally decided to cut rates as a proactive step based on its market and economic concerns around Long-Term Capital Management's disorderly implosion and the Asian financial crisis's lasting impact on the global economy. Two decades later, the Fed still remains the world's monetary authority and is faced with a similar dilemma of whether to cut rates to address flagging global growth, structurally low inflation, and the now-mixed domestic economic data. What has made this environment particularly unusual is the divergence between the dollar index and 2-year Treasury yield, which began early this year. In our view, we think the dollar—and in turn, the DXY—should continue to lose support and drift lower for the remainder of 2019. Currencies are driven by relative influences so in order for our call about U.S. dollar weakness to play out, we'll need to see some signs that global growth is beginning to stabilize relative to the slowdown the U.S. economy has been experiencing—this is the foundation of our "Trading Places" investment thesis.



Groupthink is bad, especially at investment management firms. Brandywine Global therefore takes special care to ensure our corporate culture and investment processes support the articulation of diverse viewpoints. This blog is no different. The opinions expressed by our bloggers may sometimes challenge active positioning within

one or more of our strategies. Each blogger represents one market view amongst many expressed at Brandywine Global. Although individual opinions will differ, our investment process and macro outlook will remain driven by a team approach.