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Can the U.S. Remain an Economic Outlier?

James Bianco

January 30, 2025

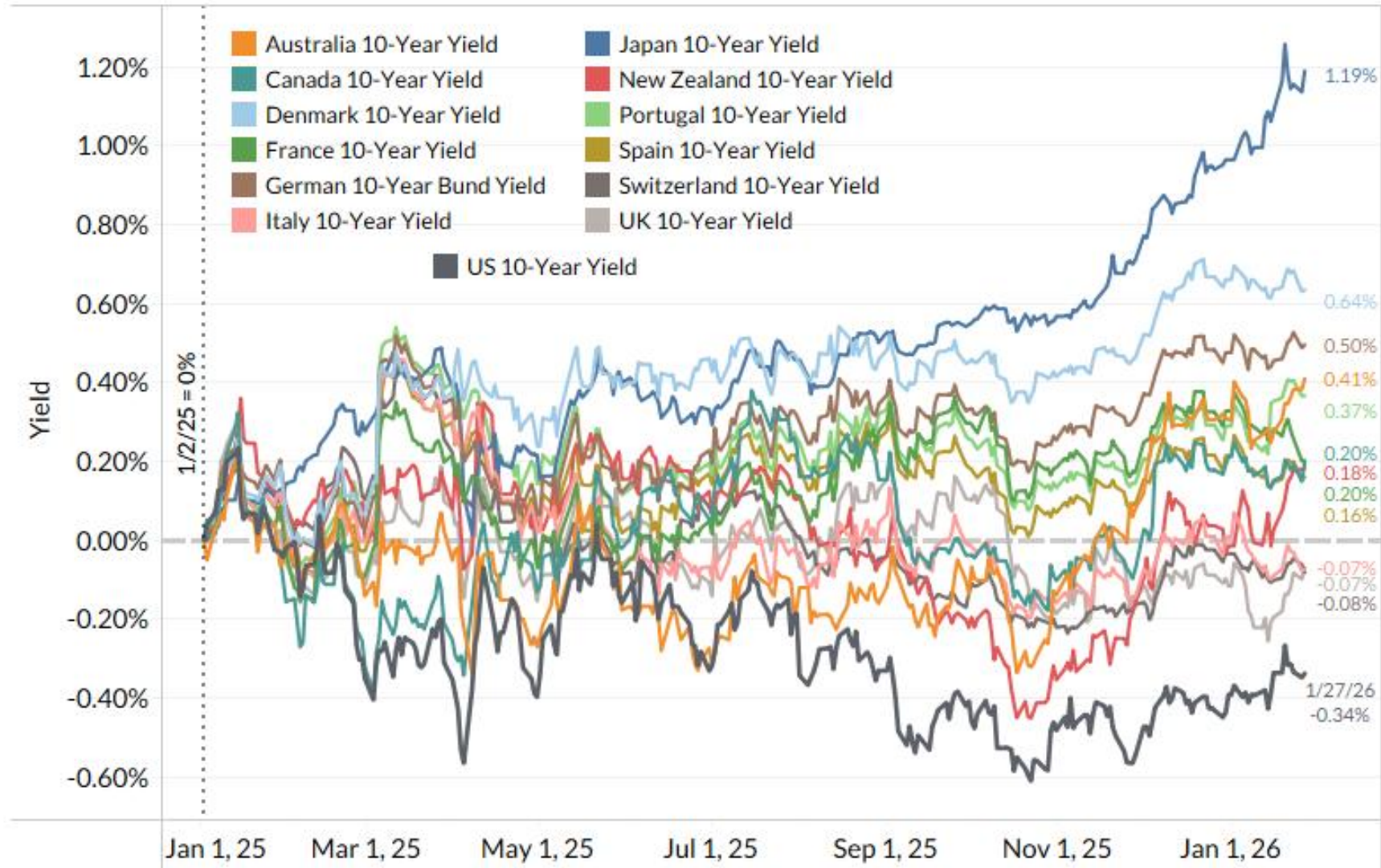


Discussion Topics

- Long-term interest rates in the developed world rose in 2025, with the exception of the US 10-year yield.
- Developed-world central banks are expected to hike rates in 2026, except the UK and the US. The developed world is reacting to an outlook of sticky inflation and continued growth.
- The US is facing higher-than-average inflation and much stronger growth than the rest of the world and wants to continue cutting rates. Can the US maintain this stance given the data, or will it face a backlash from the bond market?

Only the United States Is Meaningfully Lower

Change in 10-Year Yields Since January 1, 2025

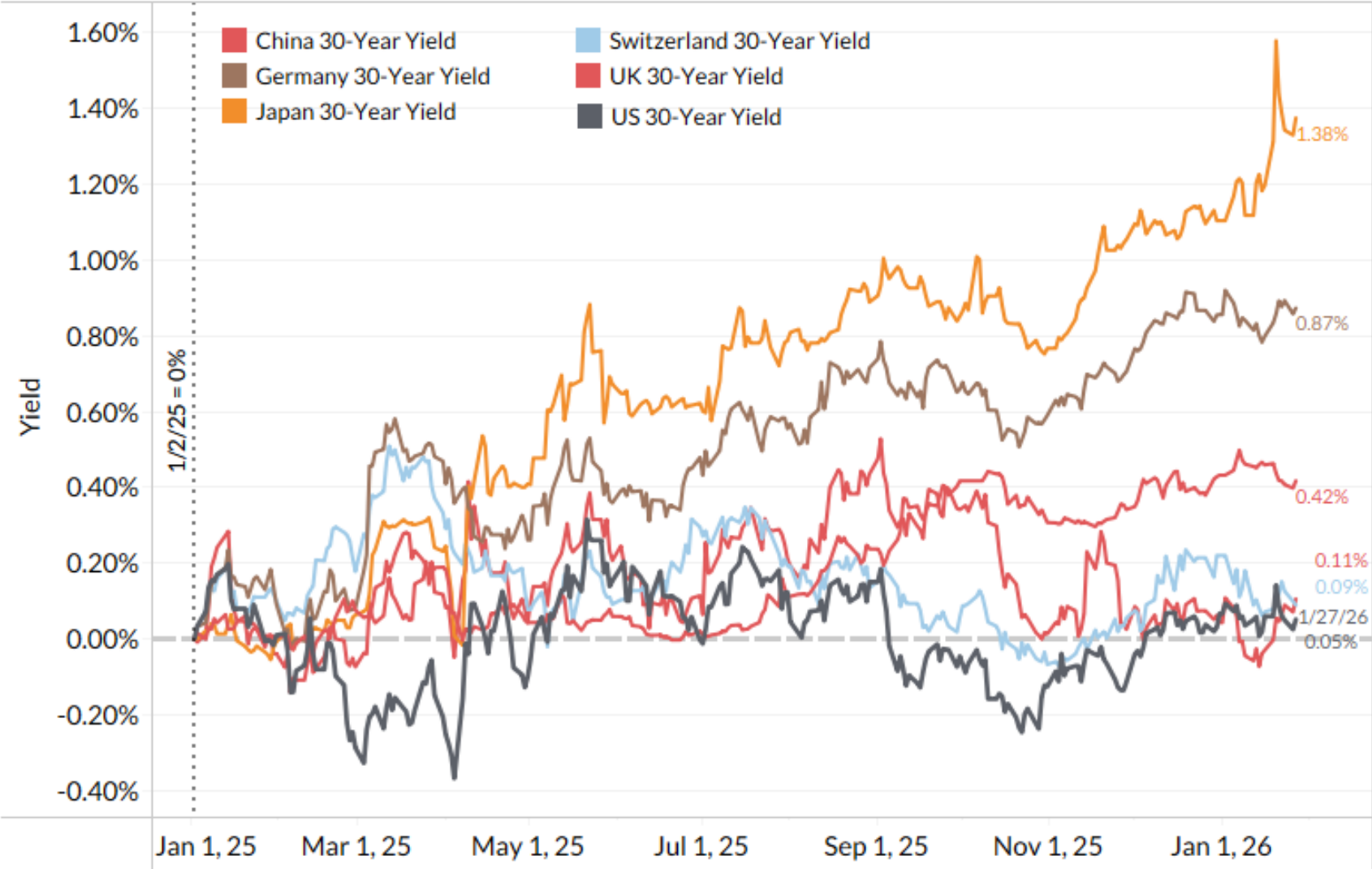


Source: Bloomberg

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Not every country issues a 30-year bond. Those that do saw higher or unchanged yields on the year, including the U.S. (black).

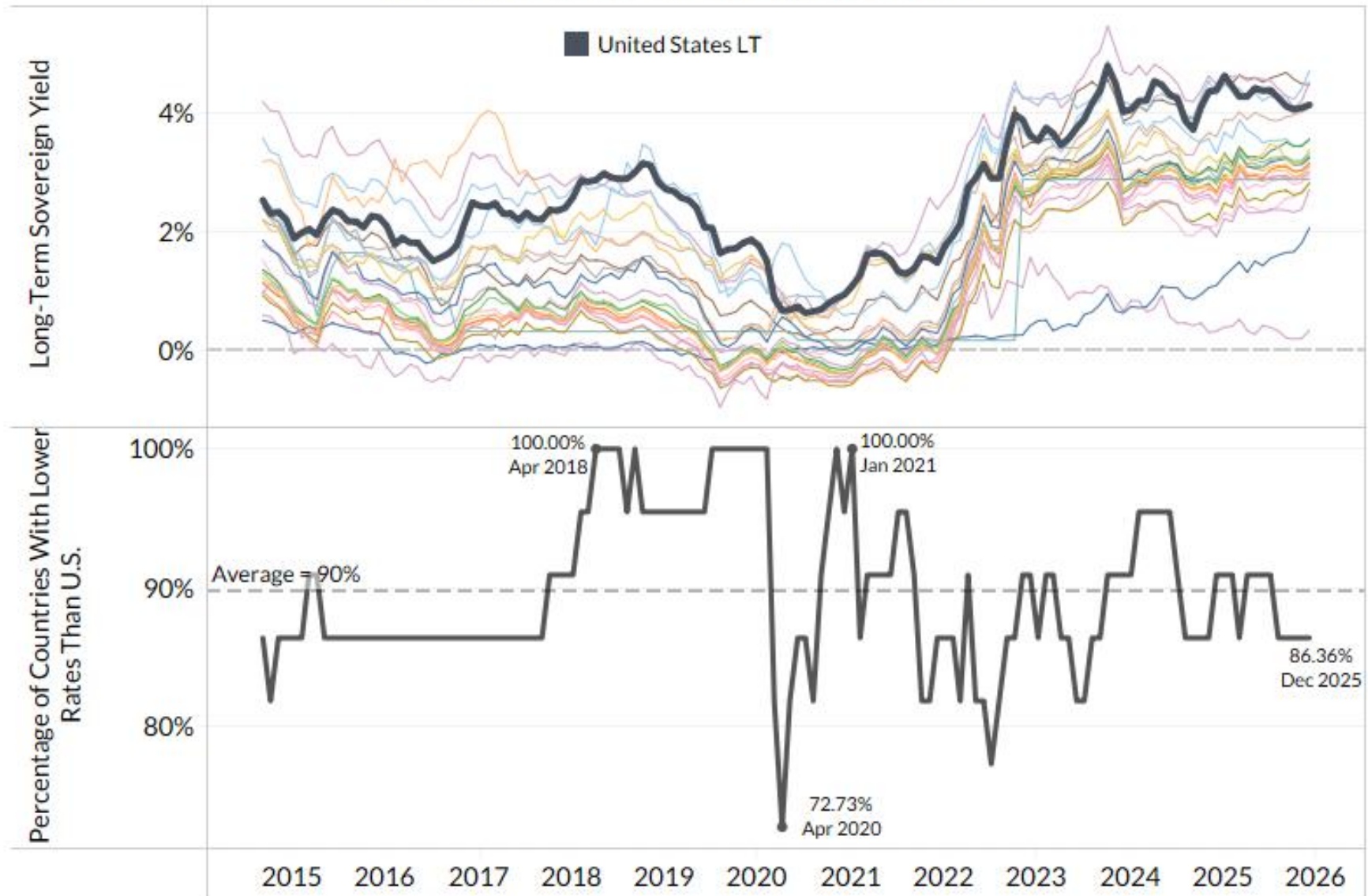
Only the United States Is Meaningfully Lower
Change in 30-Year Yields Since January 1, 2025



Source: Bloomberg

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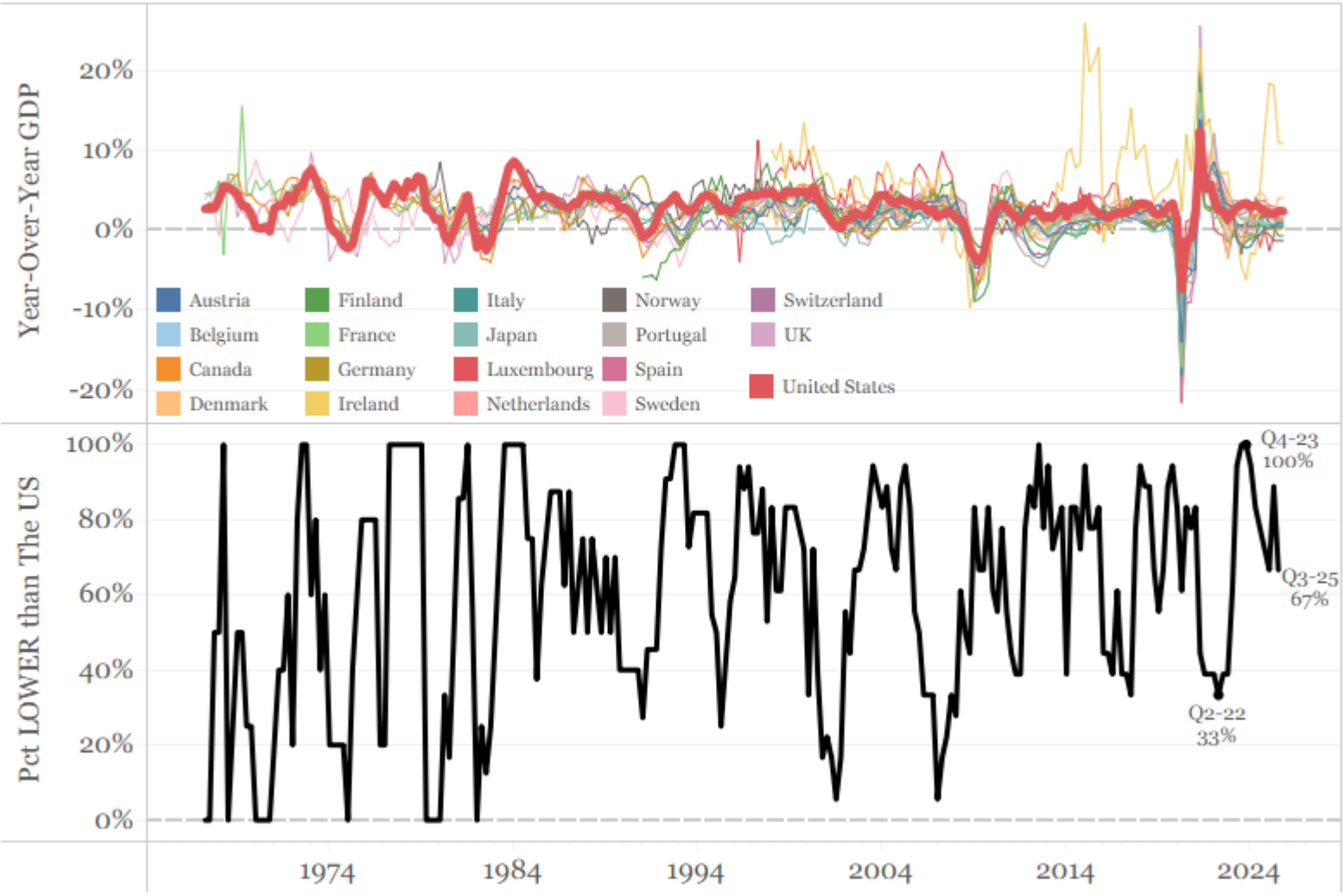
Long-Term Yields - Developed Countries



Source: Organization for Economic Cooperation and Development

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Developed World Real GDP Growth Rates

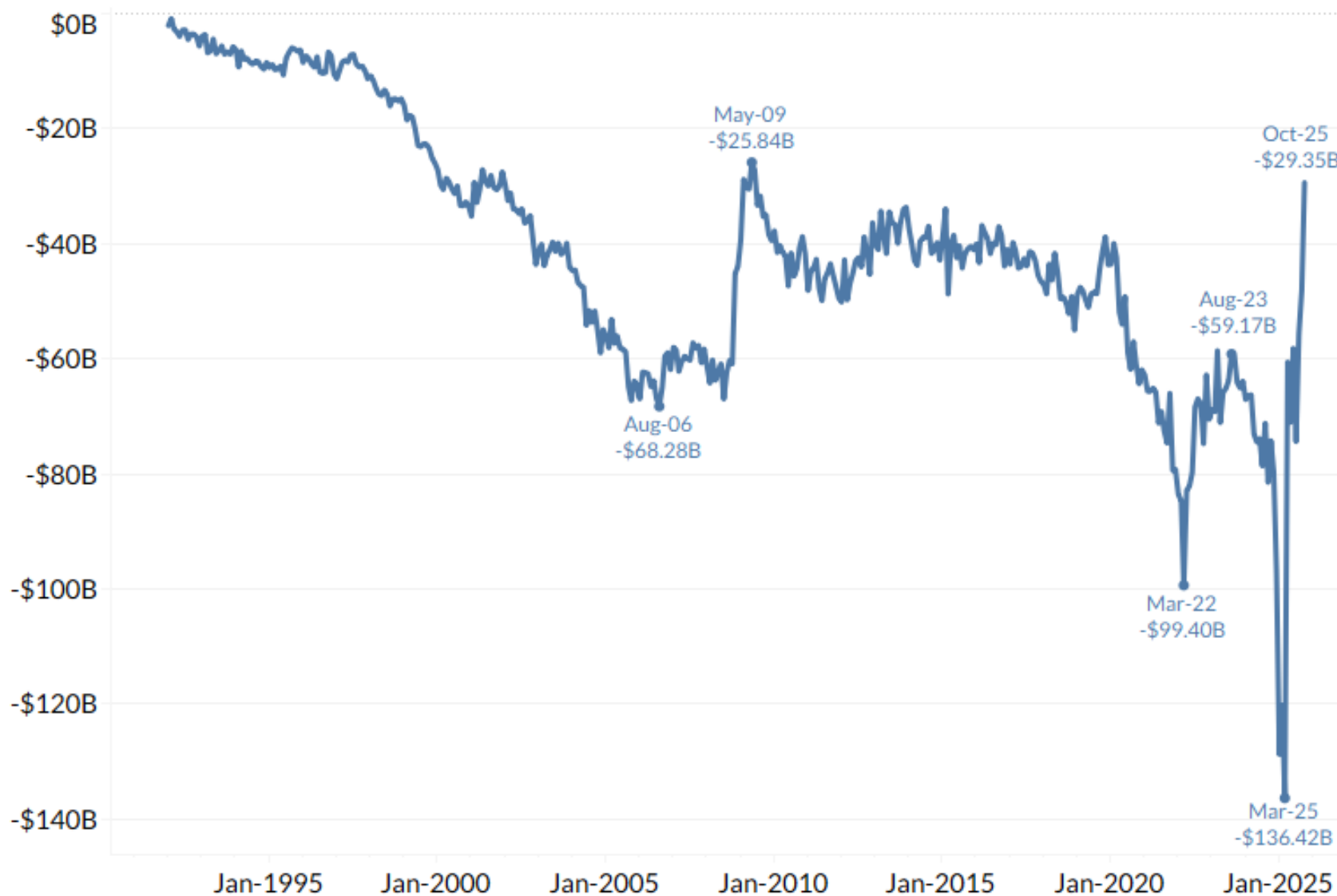


Source: Organization for Economic Cooperation and Development

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The bottom panel shows that as of Q3 2025 (latest data) the U.S. had higher real GDP growth than 67% of the countries listed. Note that as recently as Q4 2024, the U.S. had the highest real GDP among these developed countries. The U.S. does not have weak growth relative to the rest of the world.

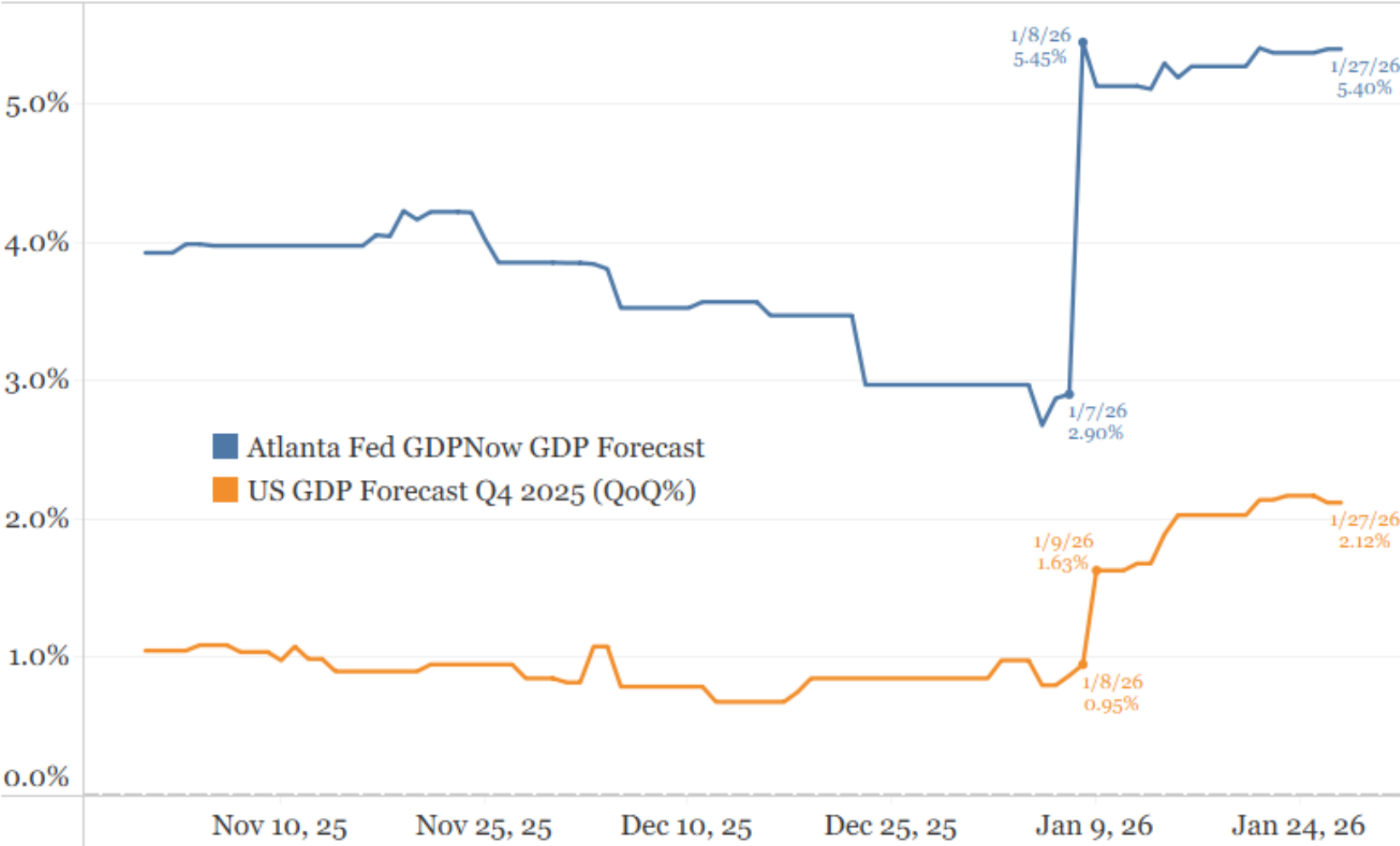
United States Balance of Goods and Services Trade Deficit



Data Source: Bloomberg, U.S. Census Bureau

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Q4 2025 GDP Forecasts
Regularly Updated 2025 Real GDP Forecasts
From a Survey of About 61 Economists Conducted By Bloomberg



Data Source: Bloomberg

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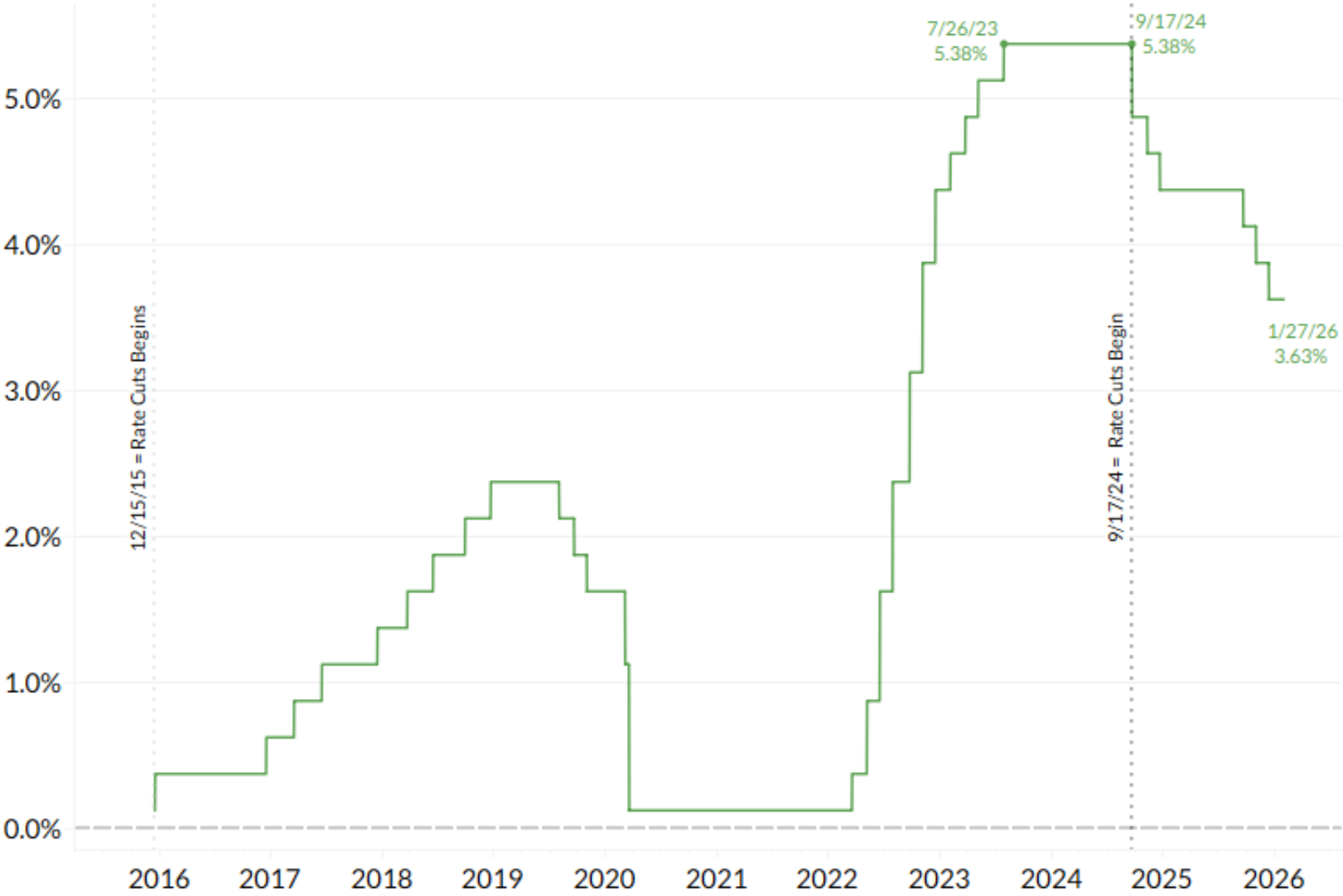
Bloomberg US Surprise Index



Data Source: Bloomberg

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Federal Funds Target Rate Mid

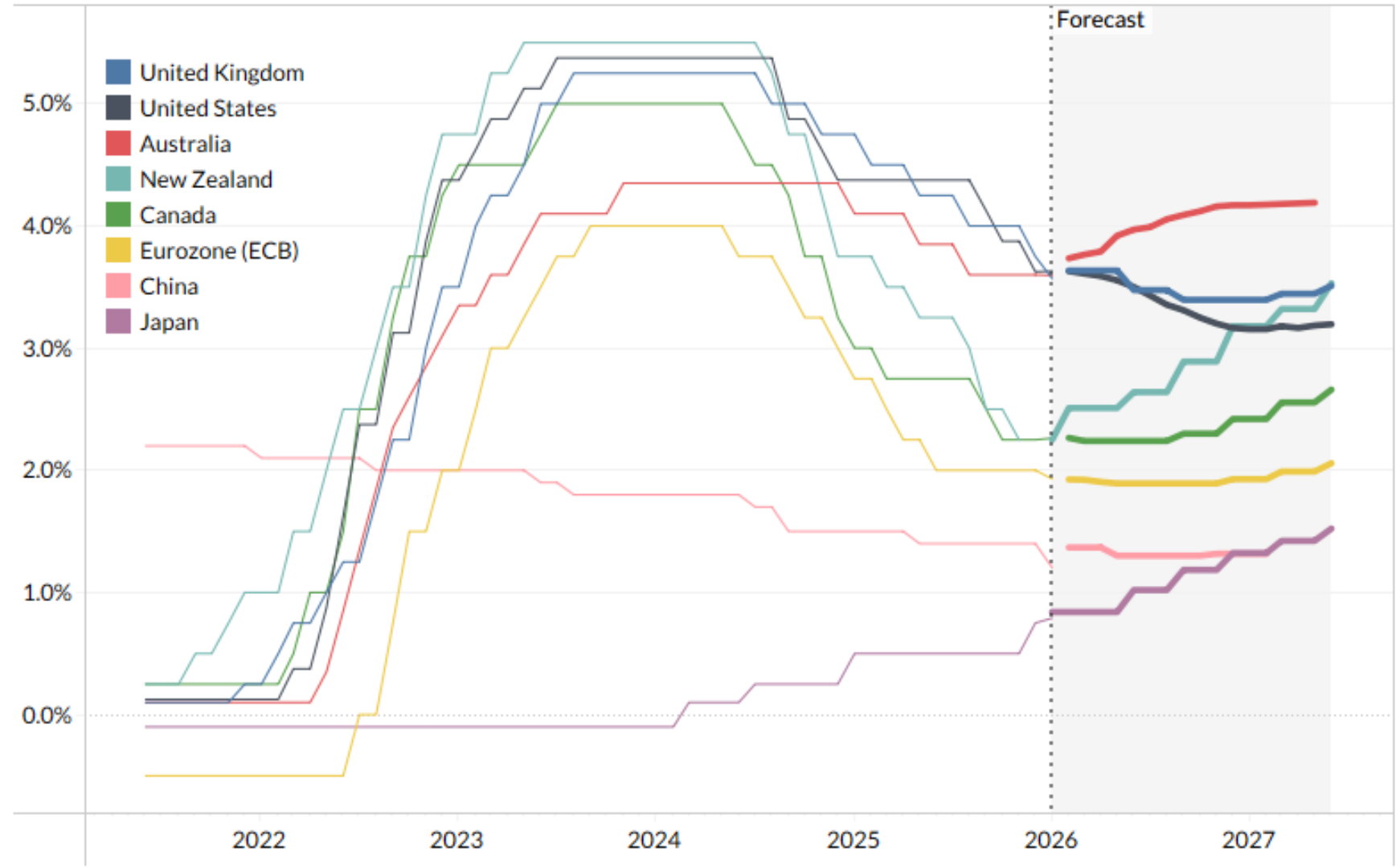


Source: Bloomberg

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Most Central Banks Look to Hike Rates in 2026

Official Central Bank Rates

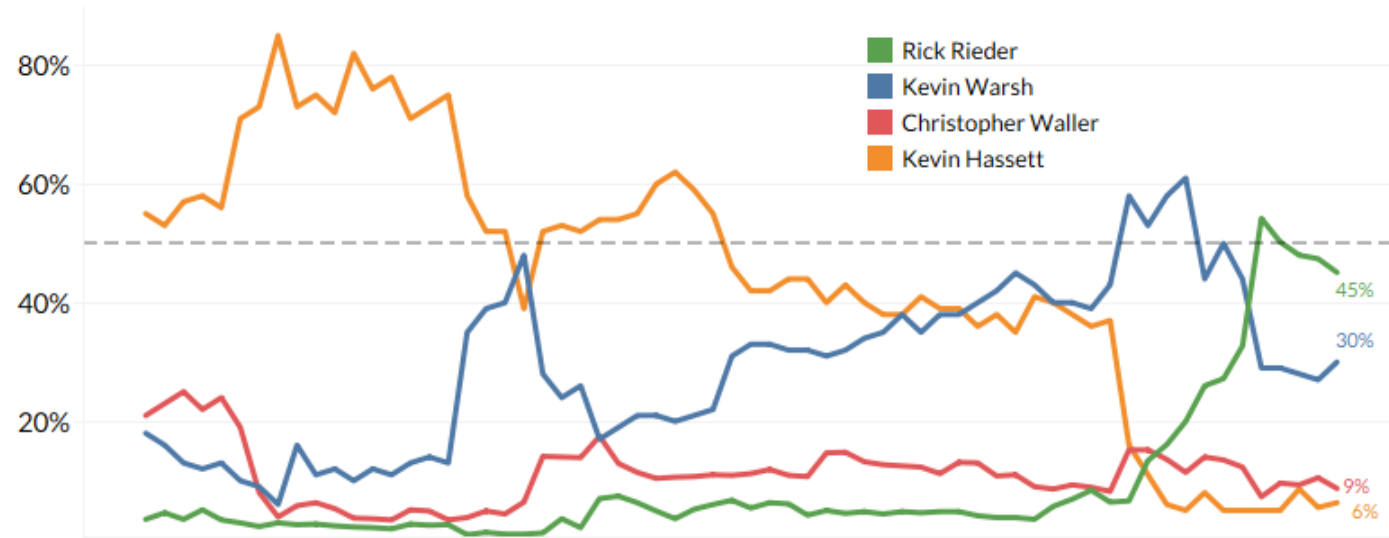


Source: Bloomberg

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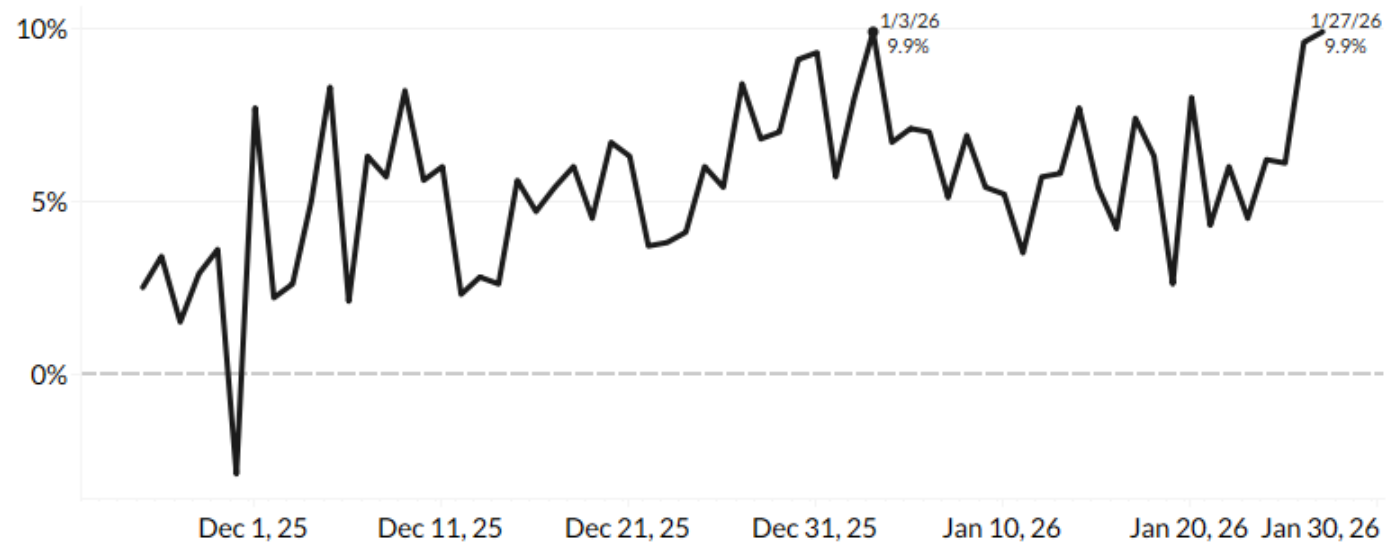
Who Will Trump Nominate as Fed Chair?

Polymarket Betting



Will Trump Nominate "Someone Else" For Fed Chairman?

Polymarket Betting



National Average of Gasoline Prices



Source: Bloomberg

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Office of Financial Research Financial Stress Index Total



Source: Bloomberg

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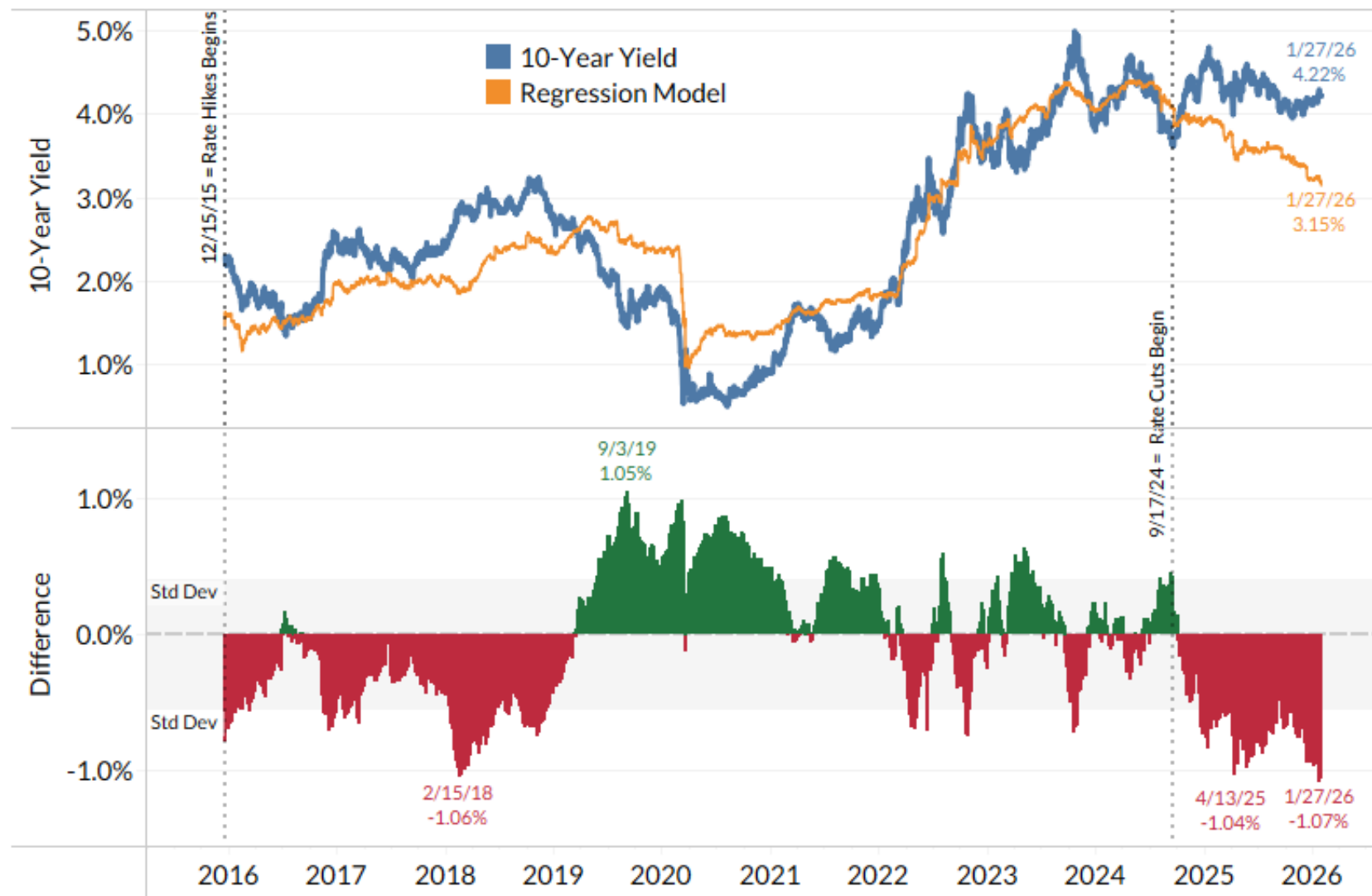
The Dollar Index (DXY)



Source: Bloomberg

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Modeling the 10-Year Yield

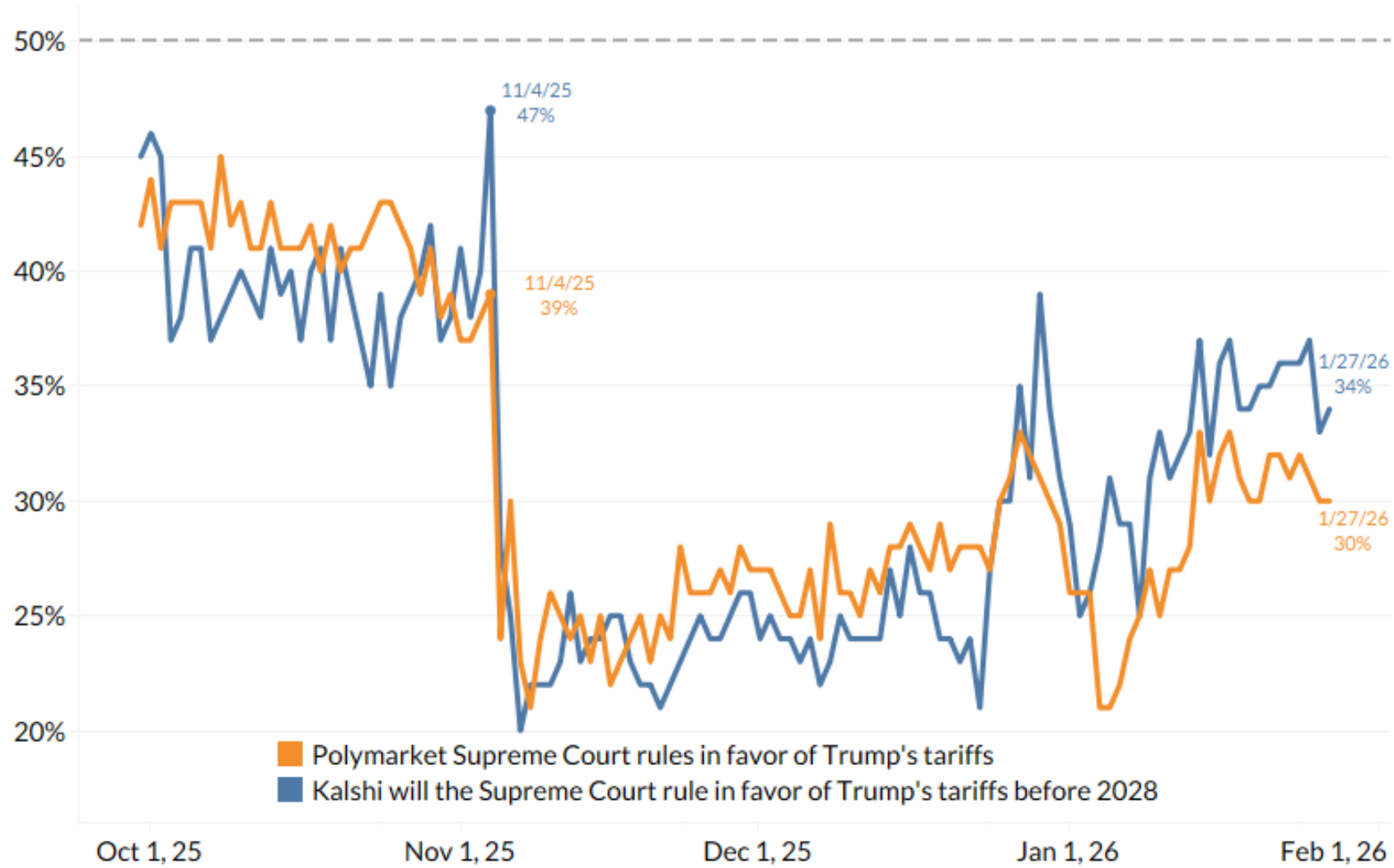


Source: Bloomberg

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Will the Supreme Court Rule in Favor of Trump's Tariffs?

Kalshi and Polymarket Prediction Markets

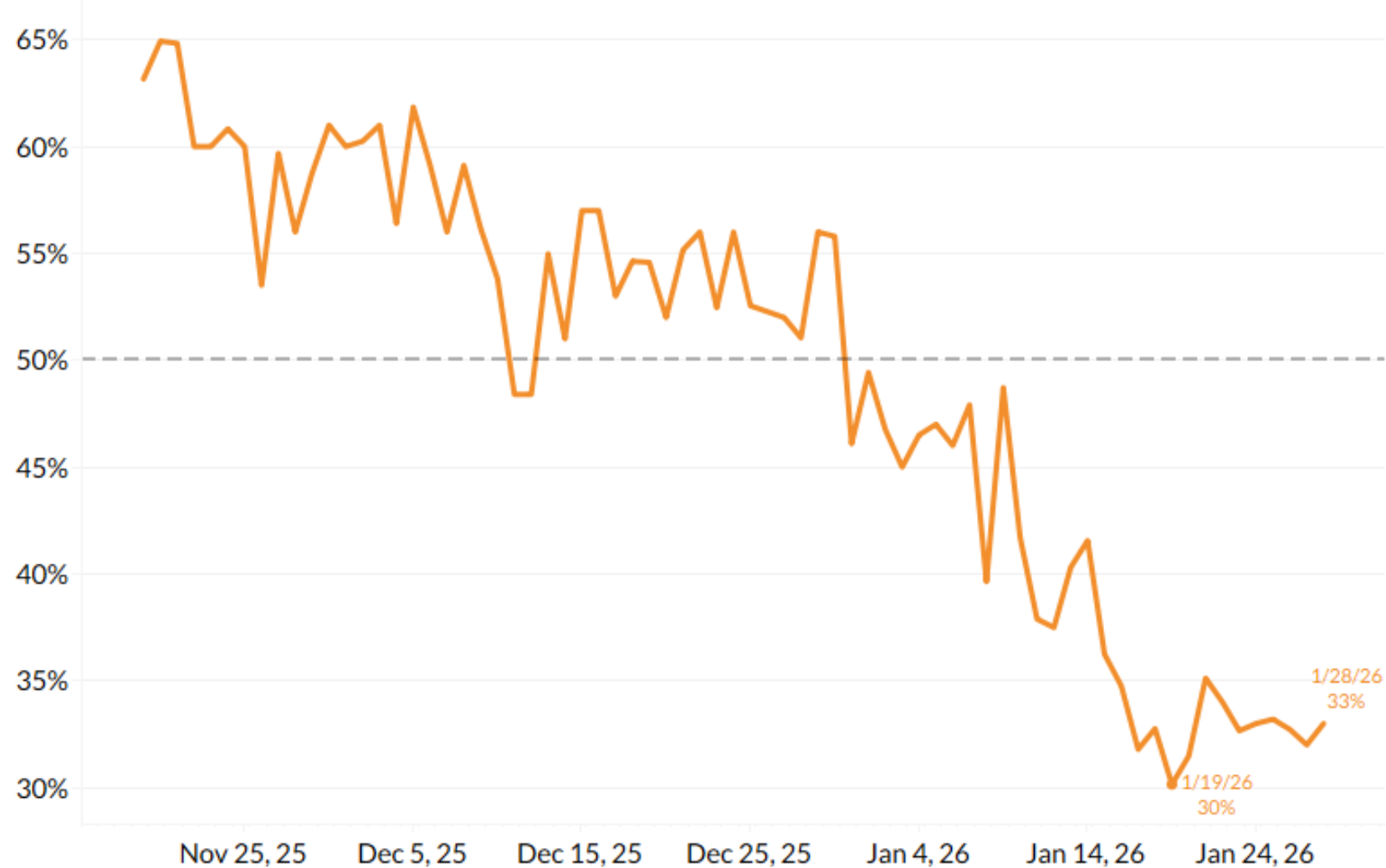


Source: Polymarket, Kalshi, Bloomberg

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Will a Court Order a Tariff Refund Before July 1, 2026?

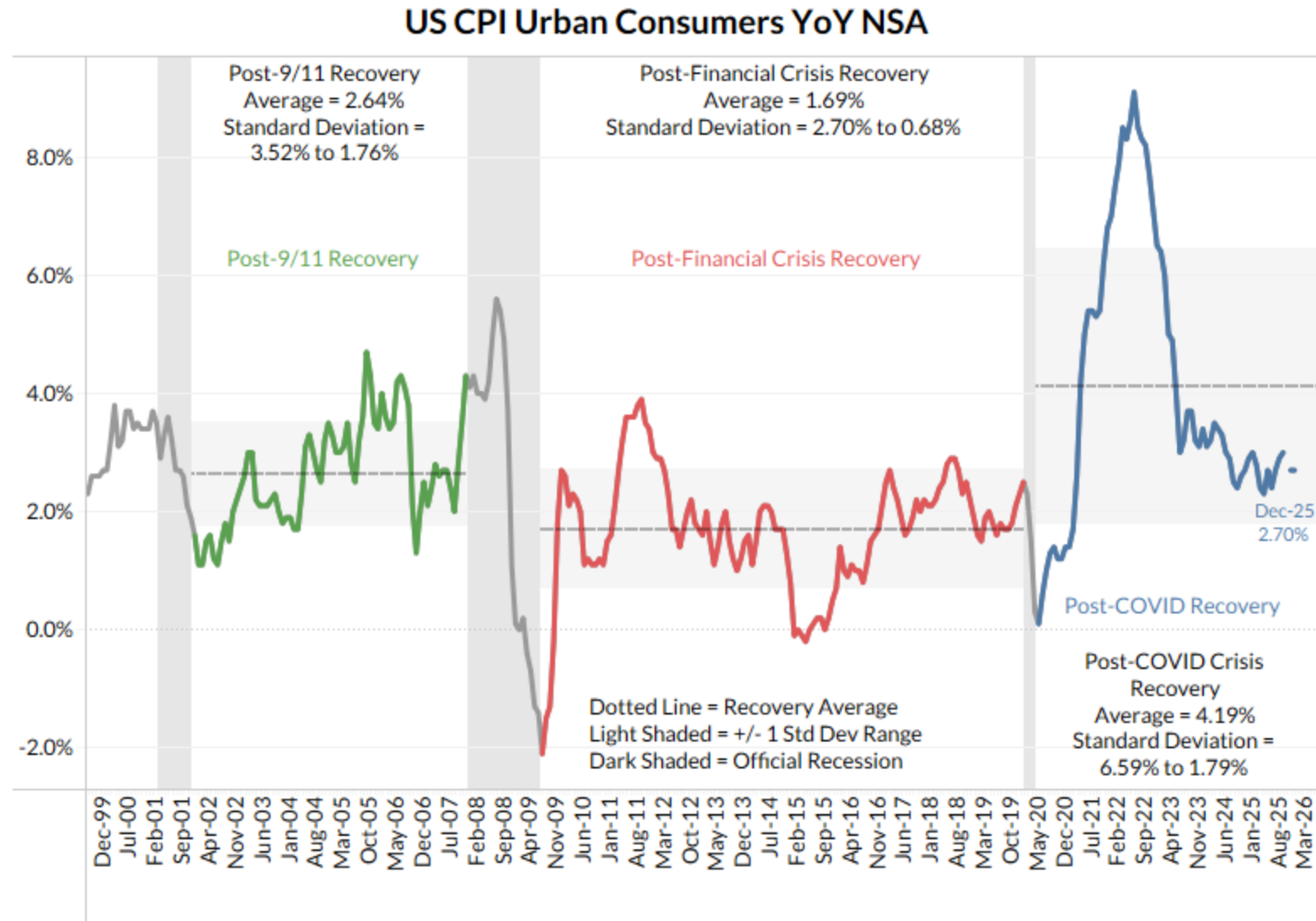
Kalshi Betting



Data Source: Kalshi

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It is color-coded to distinguish inflation in the post-COVID recovery (blue), the post-financial crisis recovery (red), and the post-9/11 recovery (green). The current headline inflation rate of 2.7% is still higher than in most periods of the previous recovery (red) and above the average inflation rate during the previous recovery (green)..



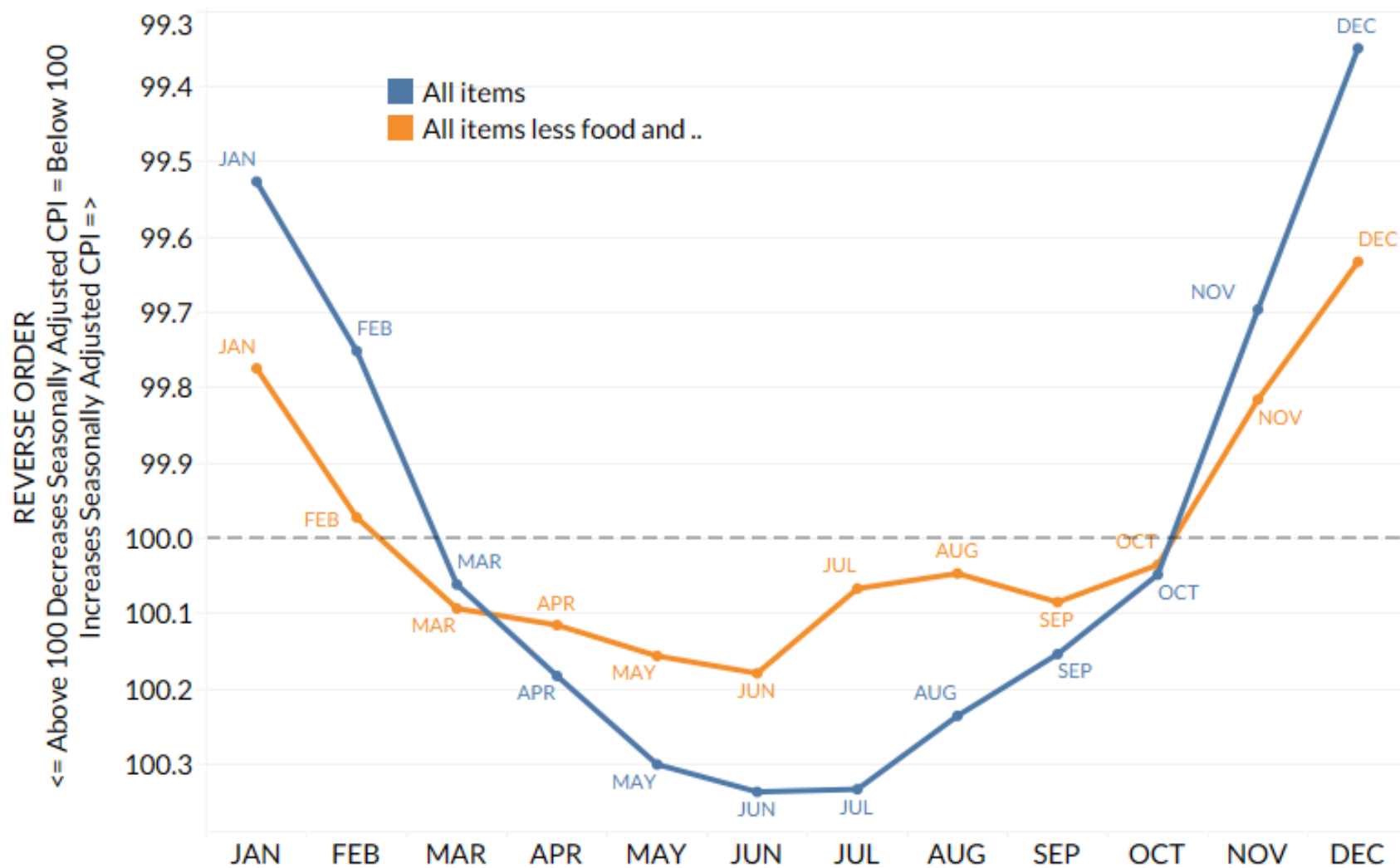
Source: Bureau of Labor Statistics, Bloomberg

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CPI SEASONAL FACTOR

CPI - All items & All items less food and energy

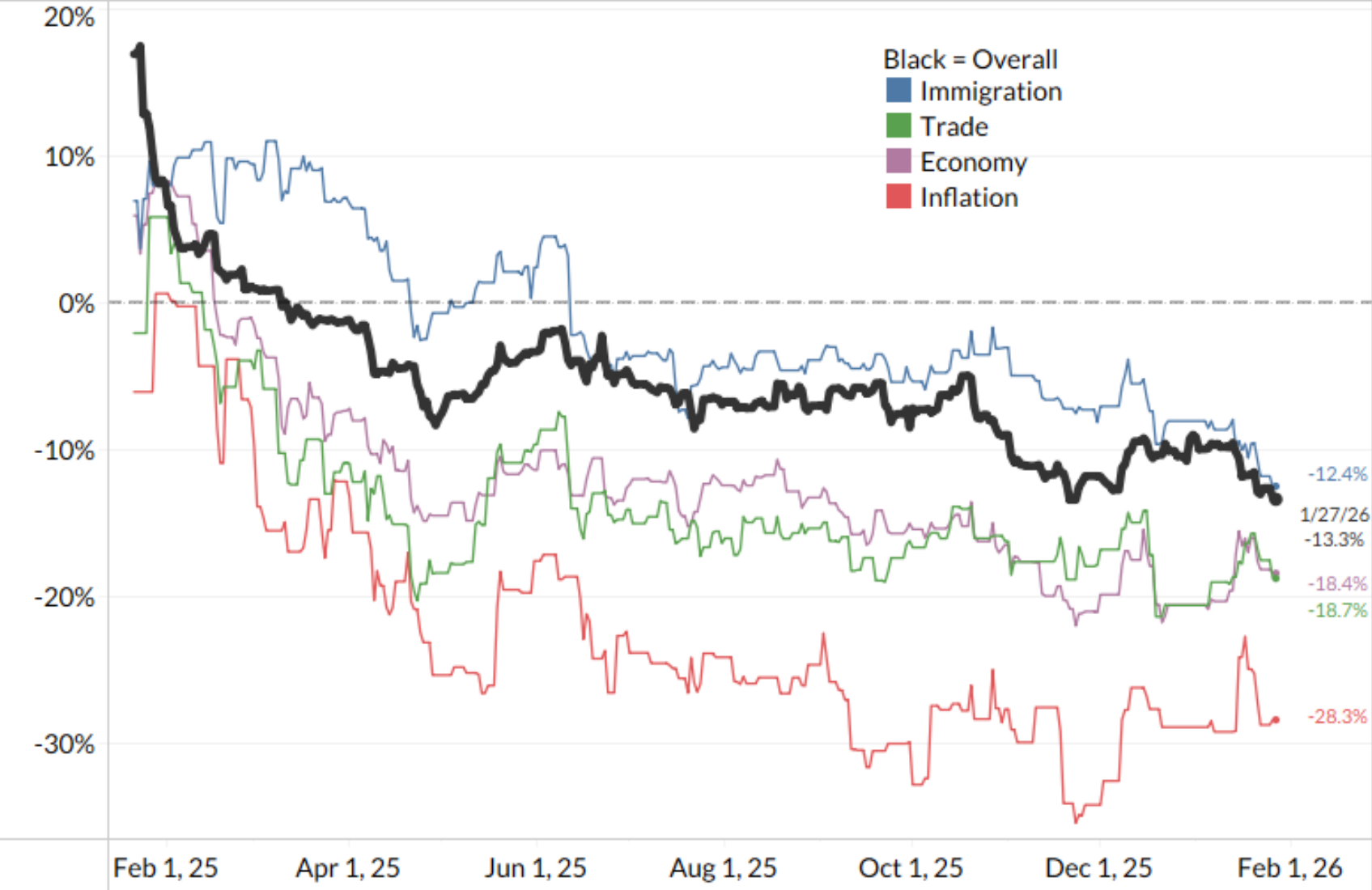
Not Seasonally Adjusted Series Divided by Seasonal Factor = Seasonally Adjusted Series



Data Source: Bureau of Labor Statistics

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Trump's Net Approval on the Issues

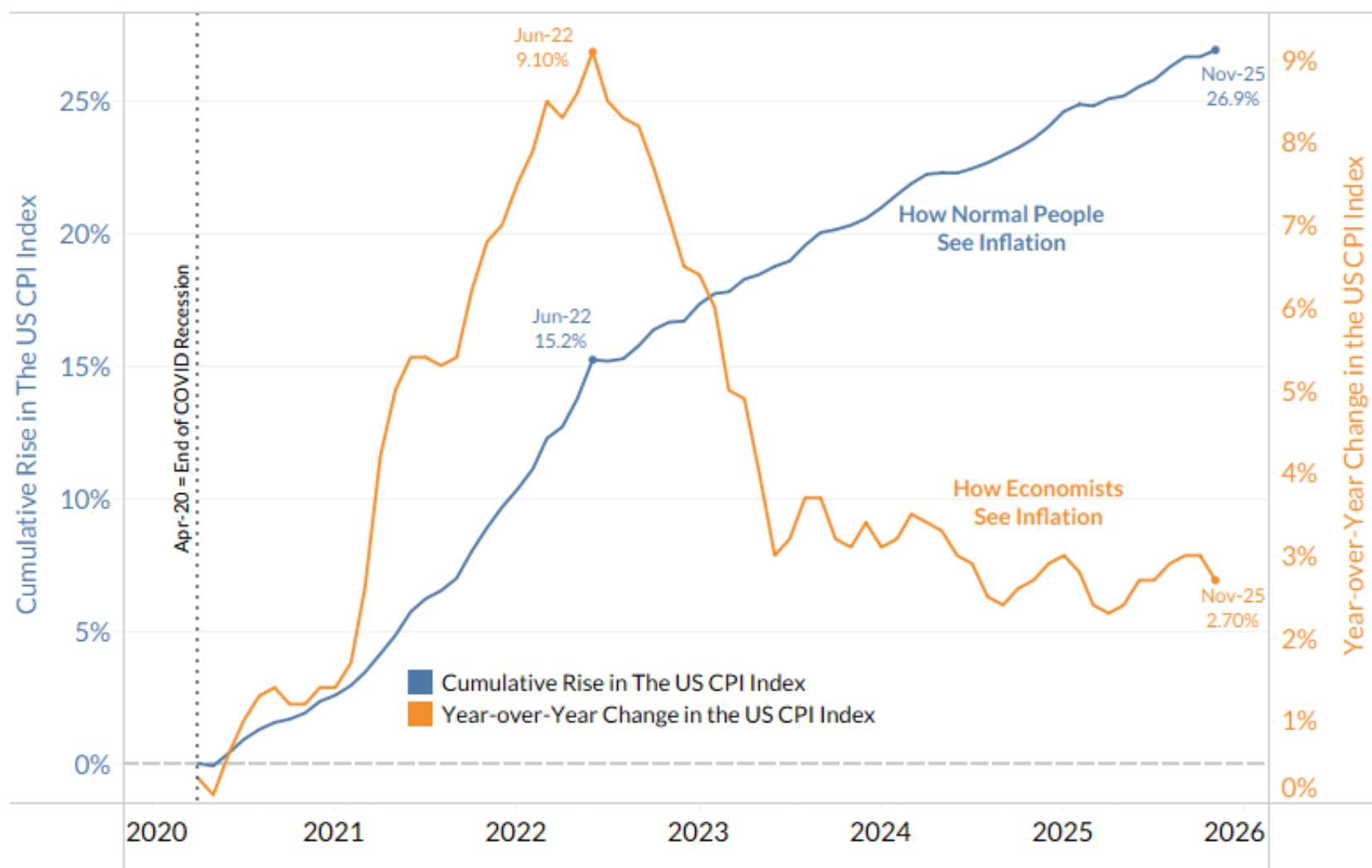


Source: Silver Bulletin

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Two Views on Inflation

Apr-20 to Nov-25



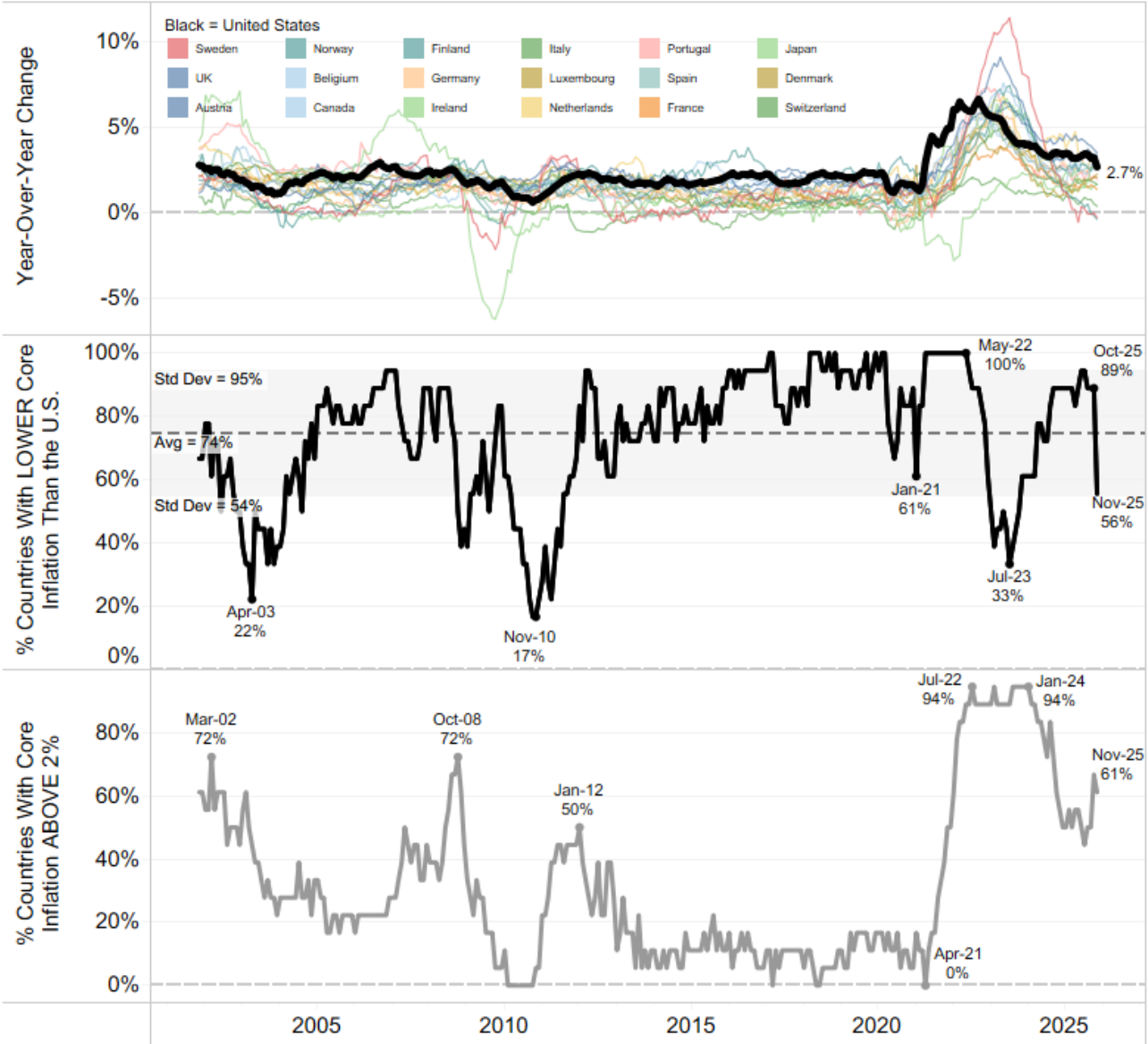
Source: The Bureau of Labor Statistics, Bloomberg

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The middle panel shows that the U.S. has higher core inflation than 56% of the countries shown. Note this was 89% in October. The decline could be attributed to the U.S. government shutdown, which led to no October data, and to the government statistical mills assuming zero. In other words, the recent drop is based on questionable assumptions.

The bottom panel shows the percentage of these countries that have inflation below 2%, the typical central bank target for most countries. 61% are above this target, including the United States. Also note that this measure was typically near 0% from 2010 to 2020 (post-financial-crisis recovery) and rarely exceeded 50% since 2001 (post-9/11 recovery). For almost four years, a majority of the developed world has continued to experience inflation above 2%.

Core Inflation Around the Developed World



Source: OECD

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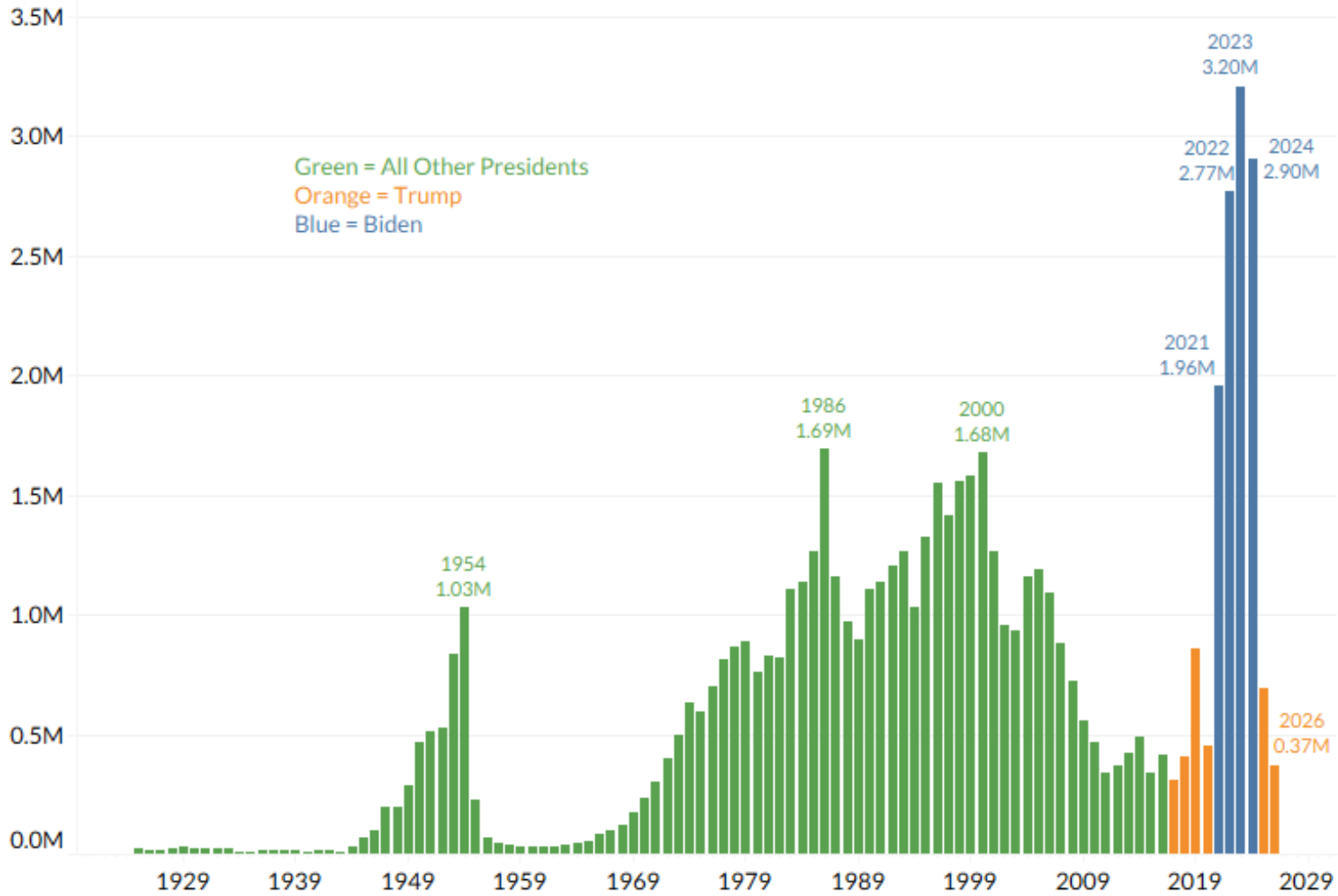
EXCLUSIVE: With over 500,000 illegal aliens deported since President Donald Trump took office in January, the administration is on track to significantly exceed the record number of illegals deported out of the United States.

Since Trump's return to the Oval Office on Jan. 20, the administration has deported over 515,000 illegal aliens, according to a high-ranking official at the Department of Homeland Security.

DHS Assistant Secretary Tricia McLaughlin told Fox News Digital the administration is "on pace to shatter historic records" by deporting 600,000 illegals by the end of Trump's first year back in office. **She said that in total, more than two million illegal aliens have left the U.S., including 1.6 million who voluntarily self-deported, as well as the over 515,000 deportations. Another 485,000 illegal aliens have been arrested by DHS since Trump took office.**

-- Fox News, [October 21, 2025](#)

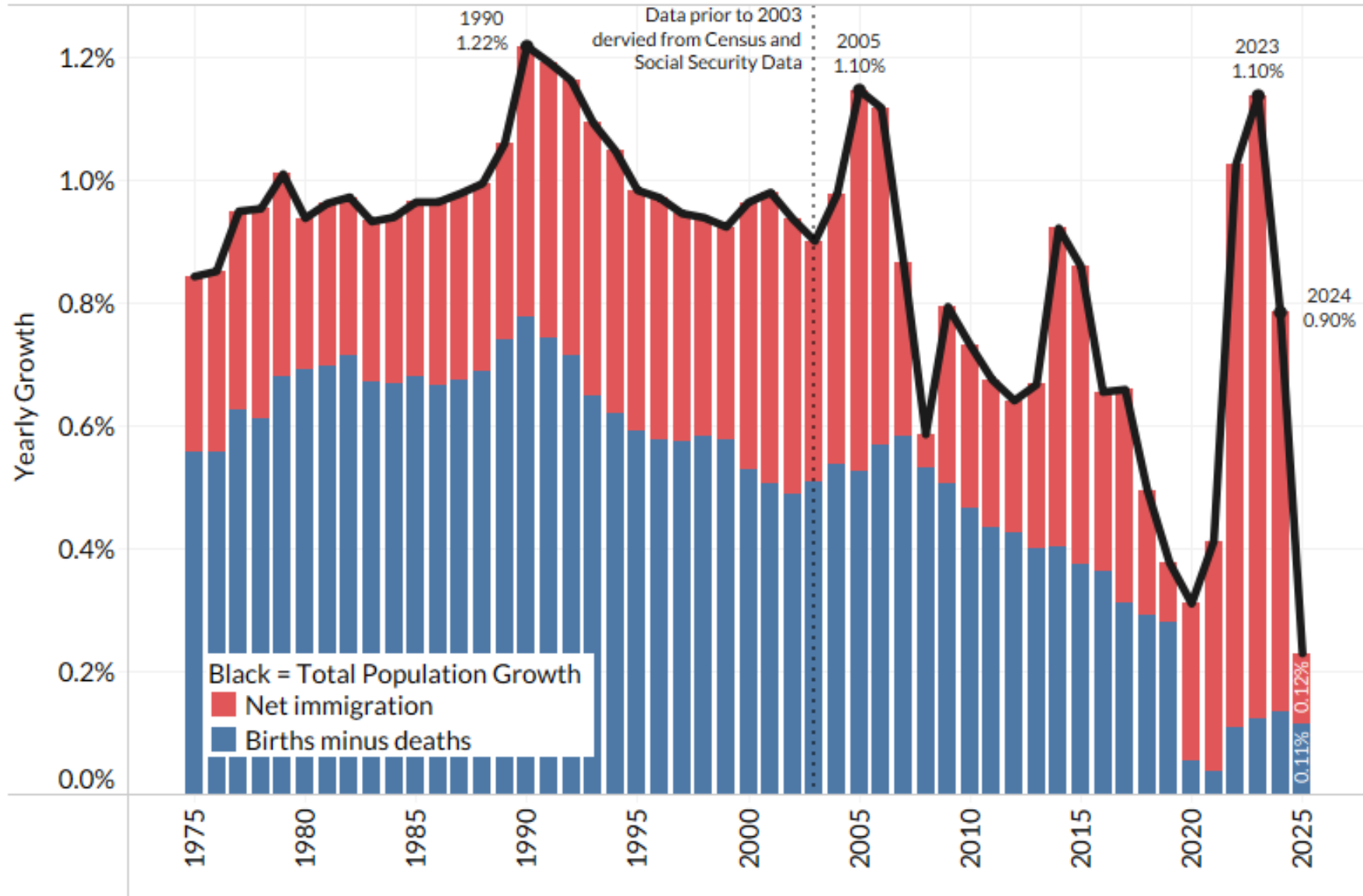
Apprehensions and Expulsions Registered by the United States Border Patrol



Source: U.S. Customs and Border Protection

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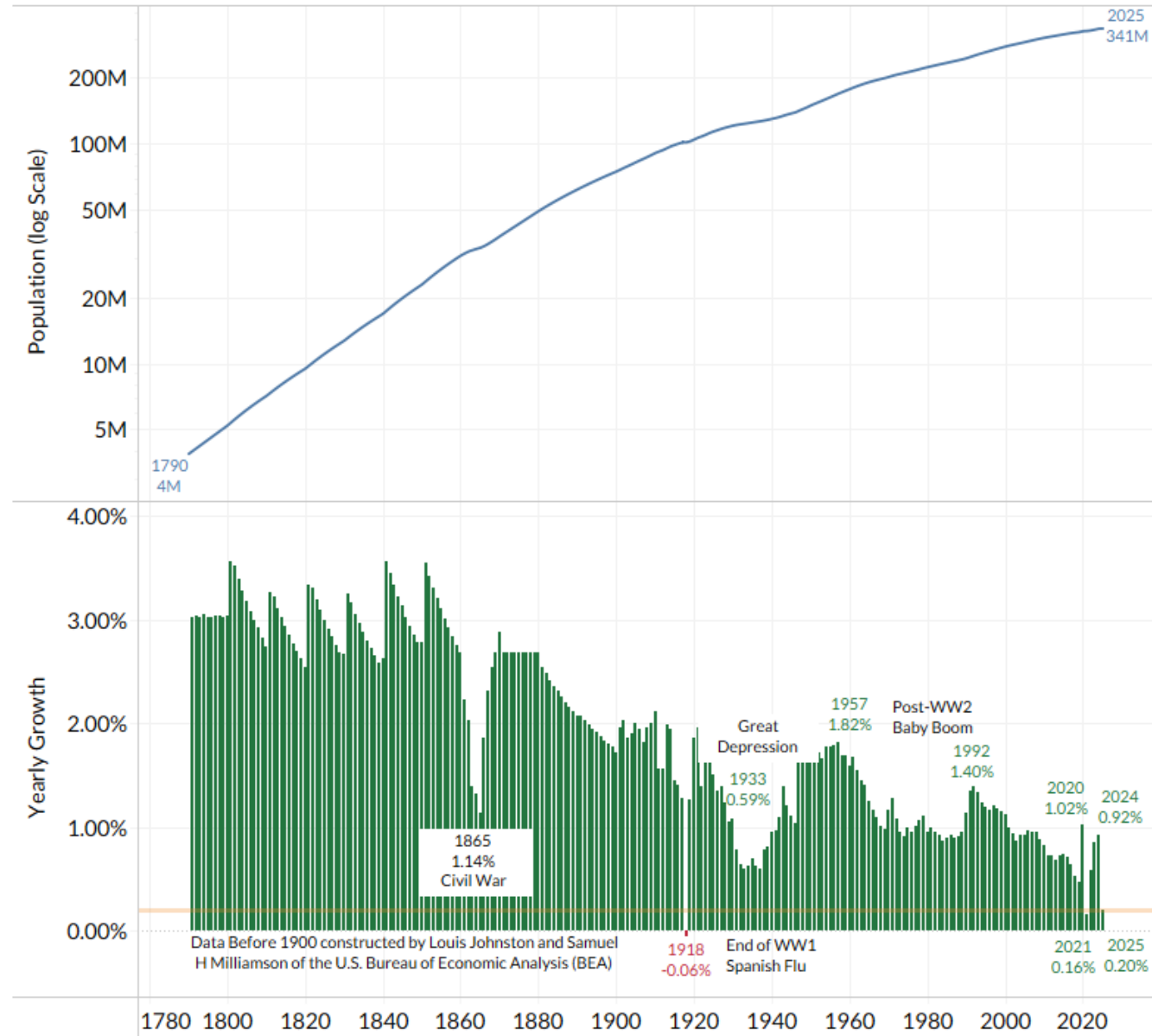
Breaking Down U.S. Population Growth



Data Source: Congressional Budget Office, Census Social Security Administration..

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US Population Growth Rate



•[Department of Homeland Security\(December 10, 2025\) Thanks to President Trump and Secretary Noem, More than 2.5 Million Illegal Aliens Left the U.S.](#)

The U.S. Department of Homeland Security (DHS) announced historic progress in securing the homeland, *highlighting a year of record-breaking achievement of more than 2.5 million illegal aliens leaving the U.S.* Since January 20, 2025, DHS enforcement operations have resulted in *more than 605,000 deportations*. DHS has prioritized removing the worst of the worst criminal illegal aliens as part of the Trump Administration’s efforts to return law and order to the United States. Additionally, thanks to the comprehensive efforts of DHS law enforcement, *1.9 million illegal aliens have voluntarily self-deported since January 2025*. We encourage all illegal aliens to use the CBP Home app to get a free flight home for Christmas and \$1,000.

•[Financial Express\(December 3, 2025\) Trump says illegal immigration down to ‘zero’ as authorities braces for crackdown in Minnesota](#)

Trump explained during a cabinet meeting, *“For six months in a row, zero illegal aliens have been admitted into the United States. Do you believe that? Zero. We had millions of people coming in a year. Millions. Now we have zero for six months.”* He argued the country had moved from “millions” of arrivals to “zero,” presenting it as a major achievement in his border crackdown.

Using Trump's Claims

Assumptions	Values
Base Monthly Pop. Growth	80,800
Labor Force Participation Rate	62.5%
Outflow Start Date	1/20/2025
Outflow End Date	12/31/2025
Total Unauthorized Outflow	2,200,000
Calculation	
Months in Period	11.335
Monthly Outflow Rate	194,094.20
Net Monthly Pop. Change	-113,294.20
Employment Breakeven	(70,808.88)

Trump says zero immigration ..." Got aways" is still thought to be 150/day *down more than 90%) or 52K/year

Legal immigration = 500K

Trump says 2.5 million deportations.

Realistic Estimates are 250K arrests & deportations.

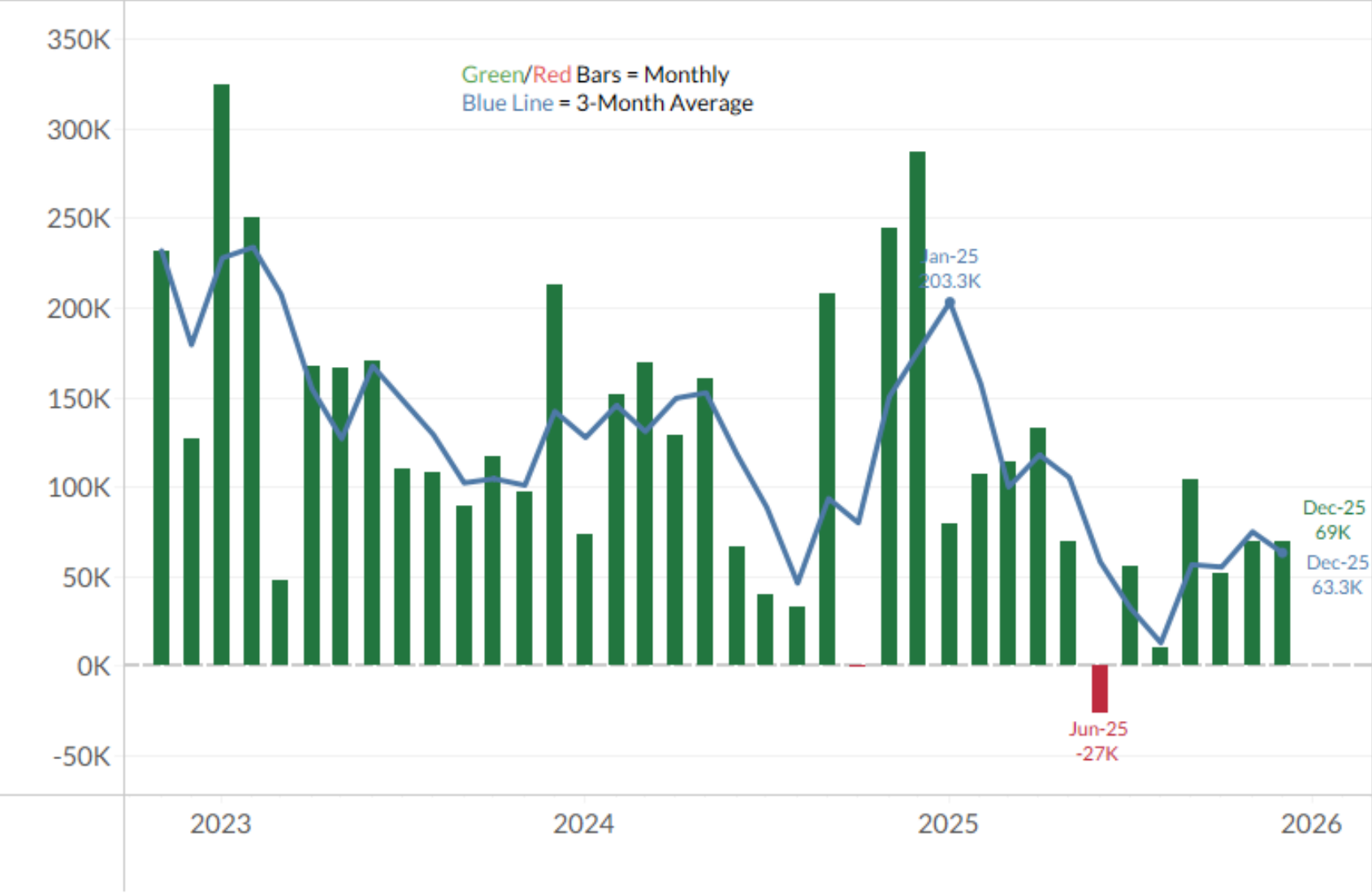
55,000 Arrests

200,000 Self-Deportations

Realistic Immigrations Claims	
Assumptions	Values
Base Monthly Pop. Growth	80,800
Labor Force Participation Rate	62.5%
Outflow Start Date	1/20/2025
Outflow End Date	12/31/2025
Total Unauthorized Outflow	700,000
Calculation	
Months in Period	11.335
Monthly Outflow Rate	61,757.25
Net Monthly Pop. Change	19,042.75
Employment Breakeven	11,901.72

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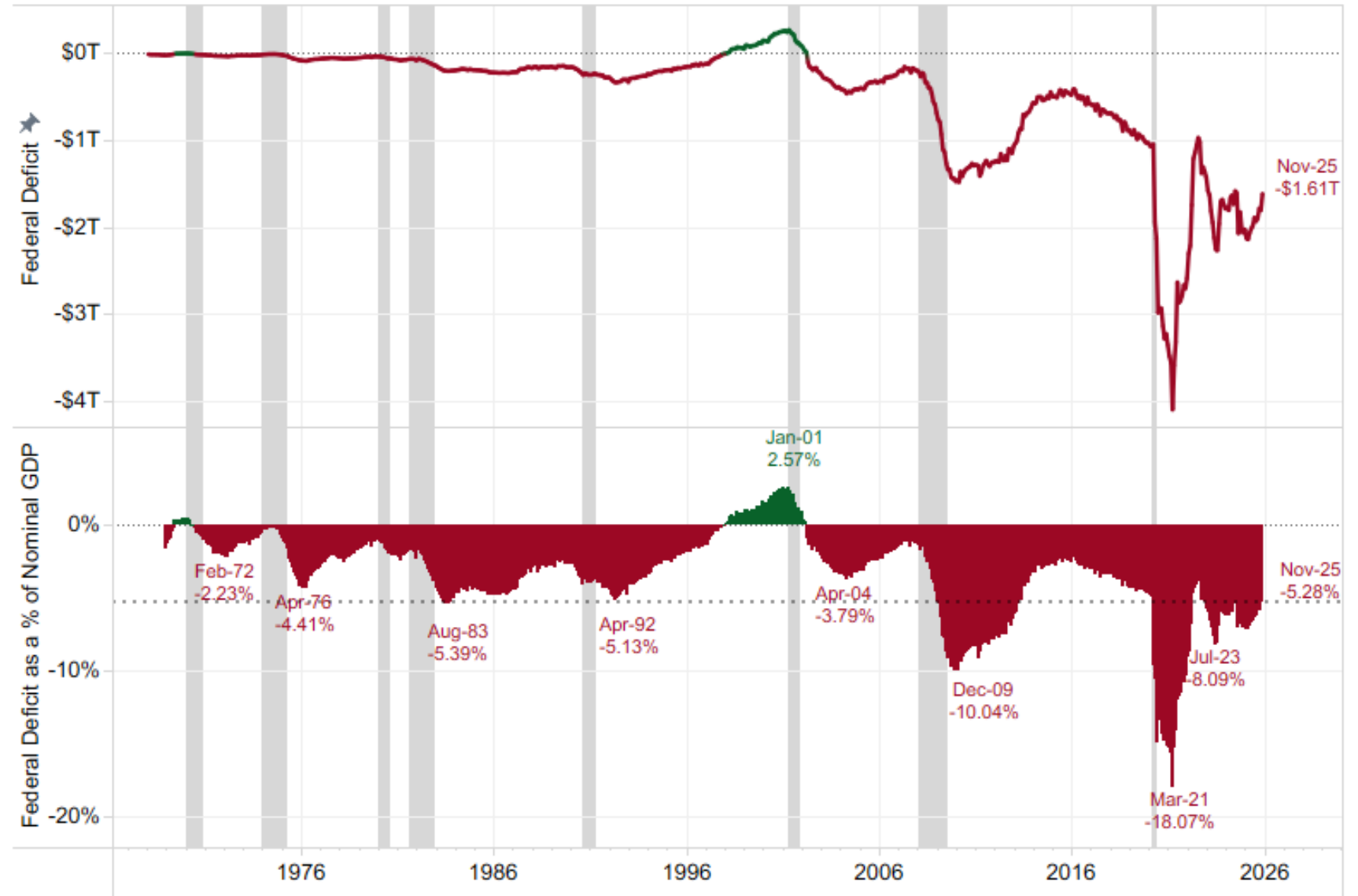
Monthly Private Payrolls



Source: Bureau of Labor Statistics, Bloomberg

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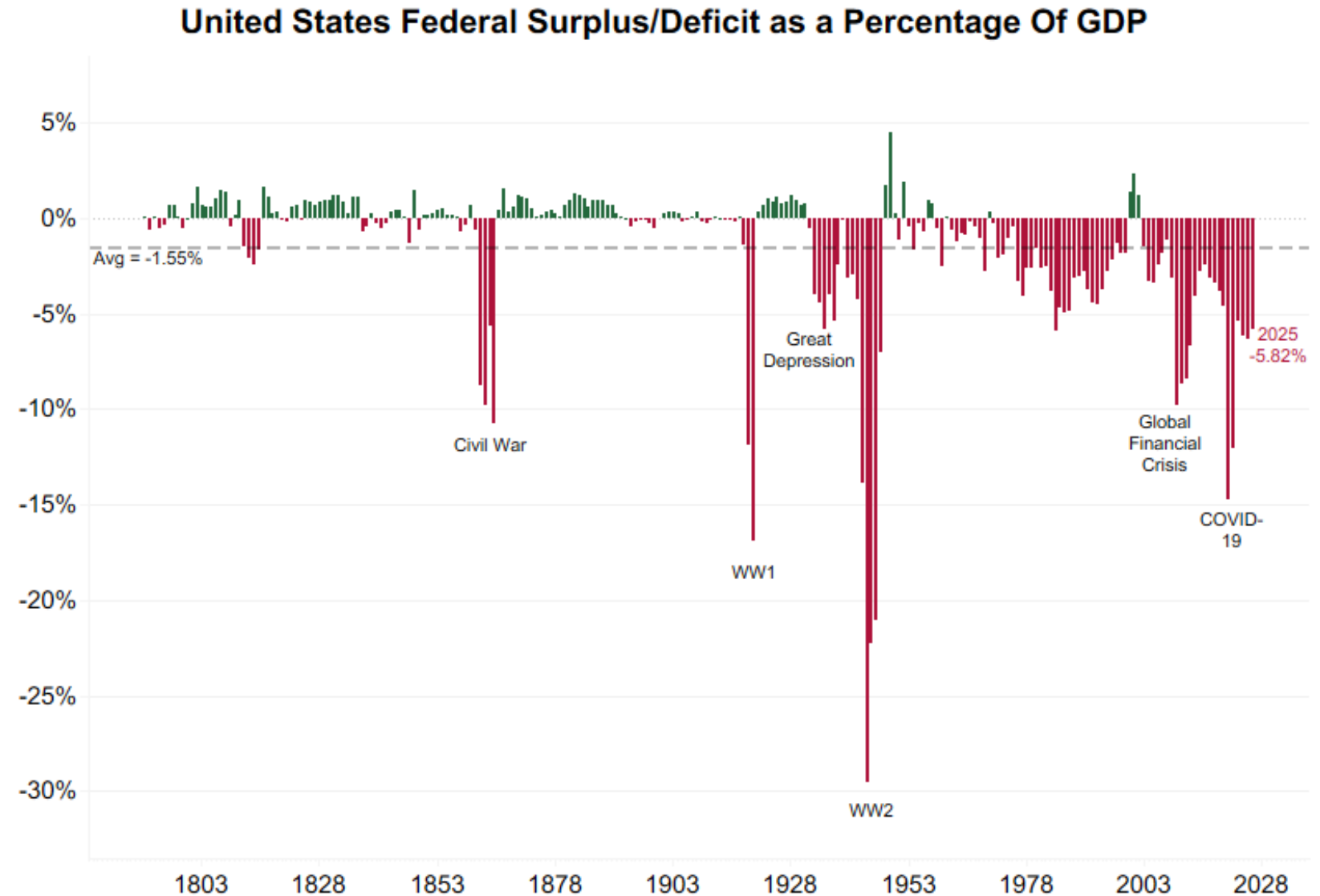
The U.S. Federal Deficit



Data Source: US Treasury, Commerce Department

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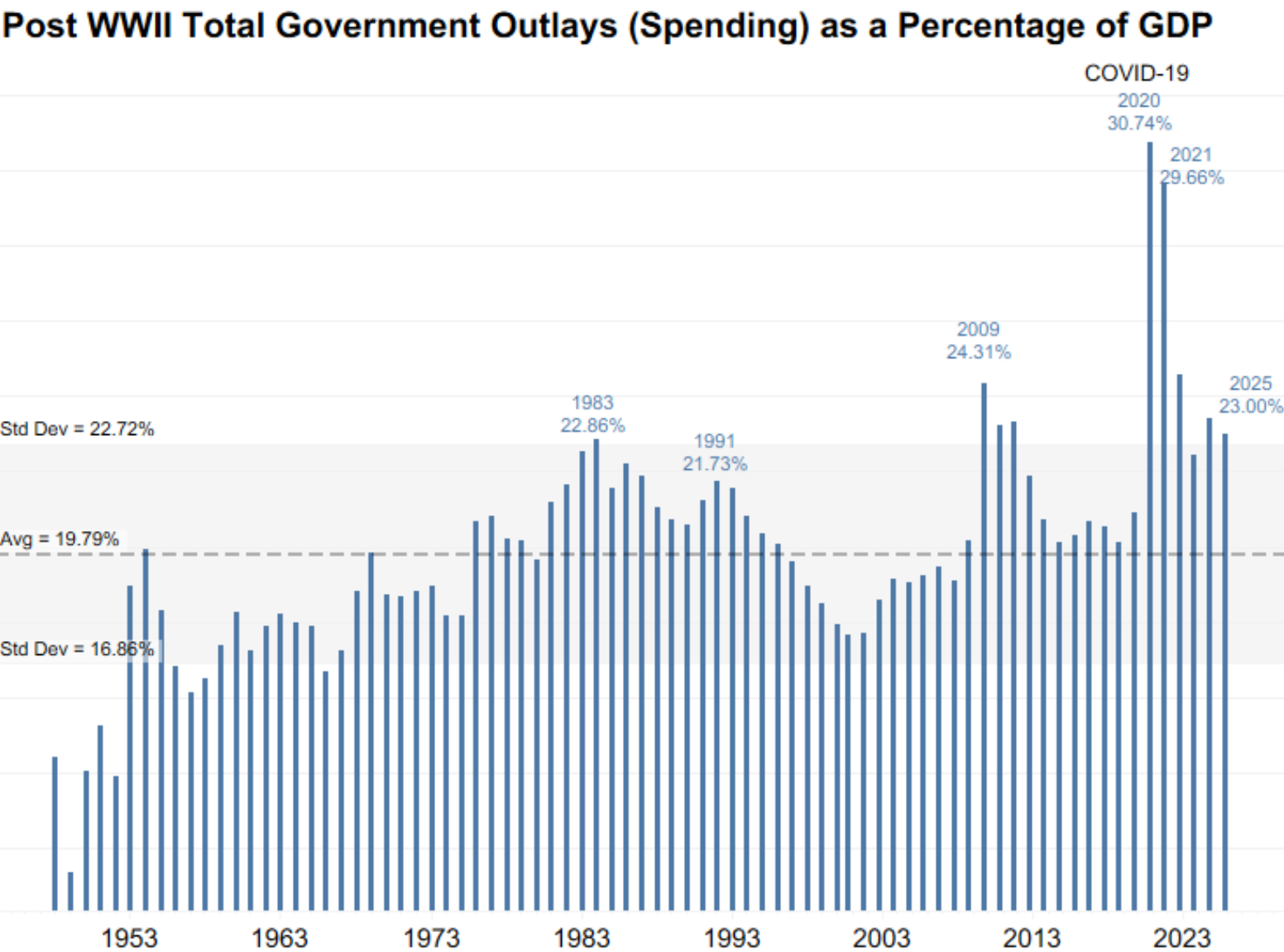
In fiscal 2025 (the U.S. fiscal year ends in September), the U.S. deficit was 5.82% of GDP, the lowest level since 2019. Note that the only other time the deficit was lower relative to GDP was during the Civil War, WW I, the Great Depression, WW II, the 2008 financial crisis, and COVID-19. In other words, this is the biggest non-war or crisis deficit in American history.



Source: The Office Of Management & Budget

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2025 finished with government spending accounting for 23% of GDP. Since the end of World War II, only 2009 (the financial crisis) and 2020/2021 (COVID) have seen government spending account for a larger share of GDP. Again, the government is spending as if the country were in a recession, even though it is not.



Source: The Office of Management & Budget

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