

# A Global Snapshot of Government Bond Yields

## 2- & 10-Year Government Bond Yields (As of 1/9/17)

Country	2-Year		10-Year	
	Yield	12-Mo. Change (BPS)	Yield	12-Mo. Change (BPS)
United States	1.18%	25	2.37%	25
Canada	0.74%	33	1.68%	39
Germany	-0.75%	-35	0.27%	-24
United Kingdom	0.17%	-34	1.33%	-44
Japan	-0.22%	-19	0.05%	-17
Australia	1.86%	-14	2.76%	-1
Brazil	10.87%	-515	5.10%	-169
China	2.66%	20	3.15%	35
India	6.27%	-94	6.40%	-134
South Korea	1.63%	0	2.13%	8

Source: Bloomberg. BPS refers to basis points.

### View from the Observation Deck

1. While December's 25 basis point increase in the U.S. federal funds target rate may portend higher interest rates moving forward, interest rates around the globe are still very low, at least in the developed nations. Two of those countries, Japan and Germany, still sport negative yields on their 2-year government bonds.
2. As indicated in the table, the year-over-year (1/8/16-1/9/17) change in the yields on the U.S.'s 2-year Treasury-note (T-note) and 10-year T-note matched the 25 basis point hike in the federal funds rate. The Federal Reserve has stated that it is considering initiating another three quarter-point increases (75 basis points) in 2017, according to *The Wall Street Journal*.
3. The impetus for rising interest rates stems from a belief that the U.S. economy could be entering a reflationary climate that would build from an acceleration in economic activity due to President-Elect Donald J Trump's desires for fiscal stimulus and tax cuts, according to Morningstar. A strong U.S. economy would likely benefit the global economy, in our opinion.
4. Central banks around the globe have been aggressive with monetary policy in an effort to stimulate growth. JP Morgan Asset Management reported that, as of 12/22/16, the top 50 central banks had initiated a total of 690 interest rate cuts since the collapse of Lehman Brothers in September 2008, according to CNBC.
5. Over the past 30 years (thru 1/9/17), the average yield on the 10-year T-note was 5.11%, according to Bloomberg. It stood at 2.37% on 1/9/17. Investors who own government bonds, or other types of investment grade bonds, should ready themselves for the possibility of rising interest rates in 2017, in our opinion.

This chart is for illustrative purposes only and not indicative of any actual investment.