

A Global Snapshot of Government Bond Yields

2- & 10-Year Government Bond Yields (As of 11/7/18)

Country	2-Year		10-Year	
	Yield	Change from 7/8/16 (BPS)	Yield	Change from 7/8/16 (BPS)
United States	2.96%	235	3.24%	188
Canada	2.35%	189	2.53%	158
Mexico	2.82%	145	4.74%	190
Brazil	7.37%	-517	5.39%	65
Germany	-0.60%	10	0.44%	63
United Kingdom	0.80%	69	1.53%	80
Japan	-0.14%	23	0.11%	40
China	2.98%	57	3.47%	69
South Korea	1.92%	70	2.23%	85
Australia	2.08%	51	2.76%	89

Source: Bloomberg. BPS refers to basis points. 7/8/16 date marked the all-time closing low yield on the U.S. 10-Year Treasury note. Past performance is no guarantee of future results.

View from the Observation Deck

1. Today's blog post shows the yields on a couple of benchmark government bond maturities from key countries/economies around the globe.
2. We highlight where yields have trended since the U.S. 10-year Treasury note (T-note) hit its all-time closing low of 1.36% on 7/8/16, according to data from Bloomberg.
3. The 188-basis point (bps) increase in the yield on the 10-year T-note from 7/8/16 through 11/7/18 negatively impacted the performance of intermediate-term government bonds.
4. The ICE BofAML 7-10 Year U.S. Treasury Index posted a total return of -7.82% (-12.95% price return vs. 5.13% income return) over that period, according to Bloomberg. For comparative purposes, the ICE BofAML 1-3 Year U.S. Treasury Index posted a total return of 0.28% (-3.88% price return vs. 4.15% income return) over the period.
5. As indicated in the table, with one exception (Mexico), U.S. government bond yields have risen the most since the 10-year T-note bottomed on 7/8/16.
6. Investors need to be cognizant of the fact that interest rates are still at low levels relative to their historical averages. Even though the yield on the 10-year T-note is up 188 bps from its all-time low, at 3.24% (11/7/18), it is still 150 bps below its average yield of 4.74% over the past 30 years, according to Bloomberg.
7. Bond investors have not had to cope with rising inflation for many years, in our opinion. The International Monetary Fund (IMF), however, sees inflation in "Advanced Economies" advancing at a rate of 1.8% in 2018 and 2019, up from 1.4% in 2017. It sees inflation in "Emerging Market and Developing Economies" rising from 4.3% in 2017 to 5.0% in 2018 and 5.2% in 2019.

This chart is for illustrative purposes only and not indicative of any actual investment. Investors cannot invest directly in an index. There can be no assurance that any of the projections cited will occur. The ICE BofAML 7-10 Year U.S. Treasury Index and the ICE BofAML 1-3 Year U.S. Treasury Index track the performance of U.S. dollar denominated sovereign debt publicly issued by the U.S. government in its domestic market.

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