A Global Snapshot of Government Bond Yields

2- & 10-Year Government Bond Yields *(As of 3/28/18)*

Country	2-Year		10-Year	
	Yield	Change from 7/8/16 (BPS)	Yield	Change from 7/8/16 (BPS)
United States	2.29%	168	2.78%	142
Canada	1.81%	134	2.12%	116
Mexico	1.71%	34	4.20%	136
Brazil	6.80%	-575	4.90%	16
Germany	-0.62%	8	0.50%	69
United Kingdom	0.82%	71	1.36%	63
Japan	-0.16%	20	0.02%	32
China	3.25%	84	3.71%	92
South Korea	2.12%	89	2.66%	129
Australia	1.97%	40	2.59%	71

Source: Bloomberg. BPS refers to basis points. Yields as of 1:00pm CST.
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 a number of key countries/economies around the globe.
2. We highlight where yields have trended since the 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 142 basis point (bps) increase in the yield on the 10-year T-note from 7/8/16 through 3/28/18 did negatively impact the performance of intermediate-term government bonds. The ICE BofA Merrill Lynch 7-10 U.S. Treasury Index posted a total return of -6.54% (-10.32% price return vs. 3.78% income return) over that period, according to Bloomberg.
4. Investors need to be cognizant of the fact that interest rates are still at very low levels relative to their historical averages. Even though the yield on the 10-year T-note is up 142 bps from its all-time low, at 2.78% (3/28/18), it is still more than 200 bps below its average yield of 4.86% over the past 30 years, according to Bloomberg.
5. As of 3/28/18, the spread between 2-year and 10-year government bond yields is fairly narrow for a number of the countries featured in the table. While a flattening of the yield curve has at times signaled that a recession could be in the offing, we do not believe this to be the case in the current climate.
6. In its economic forecast issued in January 2018, the International Monetary Fund (IMF) projected that real world GDP growth would come in at 3.9% in both 2018 and 2019, up from 3.7% in 2017.
7. Bond investors have not had to cope with rising inflation for many years, in our opinion. The IMF, however, sees inflation in "Advanced Economies" advancing at a rate of 1.9% in 2018 and 2.1% in 2019, up from an estimated 1.7% in 2017. It sees inflation in "Emerging Market and Developing Economies" rising from an estimated 4.1% in 2017 to 4.5% in 2018, and then dipping to 4.3% in 2019.