



TREASURIES-Ten-year US Treasury yield slips after hitting 5%

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By Matt Tracy

WASHINGTON, Oct 23 (Reuters) - The yield on the benchmark 10-year U.S. Treasury note declined on Monday after briefly rising above 5.0%, hitting the July 2007 milestone that it briefly attempted to scale last week and further threatening an economic slowdown on higher borrowing costs.

The run-up in yields on the 10-year Treasury note, seen as a safe haven in times of economic uncertainty and a benchmark for borrowing costs around the world, has been driven by investors pricing in stronger U.S. growth as well as fiscal slippage.

Yields at the long end rose quickly after Federal Reserve Chair Jerome Powell said last week that the U.S. economy's strength and hot labor market might warrant tighter financial conditions.

The 10-year yield was briefly bid at a 16-year high of 5.001% on Thursday, breaking 5% again on Monday morning before slipping to 4.83%. It has risen 160 basis points since mid-May.

Yields have been tempered by the threat of an expanding conflict in the Middle East, which has caused investors to turn to the safe haven of U.S. government bonds after Hamas fighters attacked Israel on Oct. 7.

"I think what you'll see is a greater flow of foreign capital going to the United States where investors are going to seek a safe harbor," said **Bernard Baumohl, chief economist at The Economic Outlook Group** in Princeton, New Jersey.

The 30-year bond on Monday posted its largest daily fall since mid-May. Its yield has slipped 9.8 basis points to 4.98%.

Billionaire investor Bill Ackman revealed Monday that he shared **Baumohl's** sentiments, disclosing that he covered his previous bets against Treasuries on his expectation that the war would push more investor dollars towards U.S. Treasuries.

The yield on the two-year Treasury note last stood at 5.06%.

The yield curve between the two-year and 10-year Treasury is the steepest it has been since mid-July. It last stood at minus 22.7.

The Treasury Department on Monday auctioned two sets of Treasury bills: \$75 billion in 13-week bills and \$68 billion in 26-week bills. More supply will come to the market this week in the form of a \$51 billion auction by the Treasury of 2-year notes on Tuesday, \$52 billion in 5-year notes on Wednesday and \$38 billion in 7-year notes on Thursday.

Several sets of economic data will be published this week that could inform the Fed's rate path, including the latest GDP read on Thursday and personal consumption expenditures on Friday.

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