BLOG POST
Saved by Zero
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Yields on U.S. Treasury bonds plunged to all-time lows in August over concerns for a global economic slowdown and the rising tide of negative yielding bonds. The 30-year US Treasury bond traded below 2% for the first time at 1.98% in mid-August and remained at 2.02% at the end of the month. The rate is sharply down from the 3.46% level hit in November 2018. The benchmark 10-year Treasury is hovering at 1.50%, also at historic lows. There are two factors causing yields to fall. First, the explosion of negative yielding investment grade sovereign debt in Europe and Japan. Second is demand from foreigners for positive yielding Treasuries. European and Japanese pensions and insurance companies are buying massive amounts of U.S. government debt in an attempt to match future liabilities.

- The total value of negative yielding bonds has exceeded $15T as of August 2019. According to BAML analysts, the blended yield on the $28T non-U.S. global investment-grade bond market is just 0.11%.

- Corporate bonds of more than $1T are now trading at negative yields up from just $20B in January according to Bloomberg data. Some junk bonds in Europe are irrationally trading at negative yields as well.

- The Bid-to-Cover ratio for the latest Treasury bond auction remained a healthy 2.24 on the benchmark 10-year UST. Strong demand was present from both domestic and foreign buyers and Central Banks.