

Treasuries Advance as Investors Pounce After Global Bond Rout 2015-05-12 16:10:18.322 GMT

By Susanne Walker

(Bloomberg) -- Treasuries rose after investors found value and returned to the market a day after the biggest drop in 30-year bonds since 2013.

U.S. 10-year yields fell after touching the highest level since November, fueled by a global bond selloff that started in Europe. Traders have been selling debt securities that had reached record-low yield levels amid higher inflation and economic prospects. The Treasury will auction \$24 billion of three-year notes Tuesday.

"We got to yield levels where guys were happy to take their paper back," said Thomas Tucci, managing director and head of Treasury trading in New York at CIBC World Markets Corp.

Treasury 10-year yields dropped three basis points, or 0.03 percentage point, to 2.25 percent as of 12:08 p.m. New York time, after reaching the highest level since Nov. 14. The benchmark 2 percent security due in February 2025 traded at 97 26/32.

Treasury 30-year yields fell five basis points to 2.99 percent on Tuesday, after adding 14 basis points Monday, the biggest gain since July 5, 2013.

Long bonds, last year's superstar of the Treasury market, have punished investors in 2015, as yields climbed to the highest level since November. Goldman Sachs Group Inc. is warning they're a "poor investment."

"Prospective returns on government bonds remain negative," Francesco Garzarelli, a strategist at Goldman Sachs International in London, wrote in a report Monday.

The bonds slumped more than 8 percent during the past two weeks, leaving investors with a loss of 4.8 percent since Dec. 31, based on Bank of America Merrill Lynch indexes. The move is an about-face from 2014, when they surged almost 30 percent.

The U.S. plans to auction \$24 billion of 10-year securities Wednesday and \$16 billion of 30-year bonds the next day.

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