Treasury 30-Year Bond Auction Draws Record Low Yield of 2.17%
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By Elizabeth Stanton
(Bloomberg) -- The U.S. government's sale of 30-year bonds
Thursday drew a record low yield in a sign of sagging investor
expectations for economic growth and inflation.
The $16 billion auction was awarded at 2.170% versus 2.169%
in trading before the bidding deadline, the lowest 30-year
auction stop on record.
"At the end of the day there's fear around long-run growth
expectations and long-run inflation –- that both are going to be
dramatically lower in the next 20 or 30 years," Jason Williams,
a U.S. interest-rate strategist at Citigroup Inc., said before
the auction.
In the U.S., the U.K. and Germany, 30-year yields have
fallen to record lows this year -- the 30-year Treasury's to
1.904% on Aug. 28 -- amid trade friction, the European Central
Bank's plan to resume quantitative easing and declining
inflation expectations.
The previous record low yield in a bond auction was 2.172%
in July 2016, following a global government bond rally touched
off by the U.K.'s vote for Brexit in June. Treasury and other
developed-market bond yields subsequently rebounded after the
U.S. presidential election that year.
Dramatically wider U.S. federal budget deficits, which
stoked concerns about lower Treasury prices and higher yields as
the supply of debt increased, are having the opposite effect,
Williams said.
"You increase debt, and you'd think you'd increase yields
in a dramatic way, but you've pulled forward growth from the
future," Williams said.
The longest-maturity Treasuries also have benefited from
the government's reliance mainly on shorter-maturity sectors to
finance bigger deficits. Net issuance totaled $1.045 trillion in
fiscal 2019, an increase of 31% from 2016. But while net bond
sales increased by 33%, issuance of notes maturing in two- to
10-years doubled to $696 billion.

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