Treasuries Sink With Gold as Dollar Jumps, U.S. Stocks Retreat
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By Lu Wang and John Detrixhe

May 22 (Bloomberg) -- Treasuries tumbled with gold and the dollar rallied, while U.S. equities retreated, as concern grew that the Federal Reserve will scale back its stimulus efforts if the labor market continues to improve.

Ten-year Treasury yields jumped 10 basis points to 2.03 percent at 3:14 p.m. in New York, topping 2 percent for the first time since March. The Dollar Index rose 0.6 percent to 84.35, trading near its strongest level since 2010. The Standard & Poor's 500 Index lost 0.7 percent at 1,656.79, retreating from a record after climbing as much as 1.1 percent earlier. Gold futures retreated 1.4 percent to $1,359.00 an ounce, after rising as much as 2.6 percent.

U.S. stocks extended gains earlier while gold and Treasuries rallied as Fed Chairman Ben S. Bernanke told Congress that a premature end to its bond buying would put the economic recovery at risk. Treasuries and gold turned lower as Bernanke later told lawmakers that the flow of purchases will slow as the employment outlook "improves in a real and sustainable way." A number of officials said they were willing to taper stimulus as early as June, minutes from the Fed's last meeting showed.

"The 2 percent is the magic thing on the 10 year yield,"
Frank Ingarra, head trader at Greenwich, Connecticut-based NorthCoast Asset Management LLC, said in a telephone interview.
His firm oversees $1.6 billion. "It's the threshold so going toward that, people are getting a little worried," he said.
"People are just digesting more of Bernanke's comments."

The slide in Treasury prices after Bernanke's remarks sent the 10-year note's yield above the S&P 500's 2 percent dividend yield for the first time in more than a year, according to data compiled by Bloomberg.

Fed Watch

Bernanke is leading the most aggressive economic stimulus in the Fed's 100-year history in an effort to spur growth and reduce an unemployment rate that stands at 7.5 percent almost four years into a recovery from the worst recession since the Great Depression. Policy makers will know in three to four months whether the economy is healthy enough to overcome federal budget cuts and allow the central bank to begin reducing stimulus, Fed Bank of New York President William C. Dudley said in an interview airing today on Bloomberg Television.

Many Fed officials said more progress in the labor market is needed before deciding to slow the pace of asset purchases, according to minutes of their last meeting.

"Most observed that the outlook for the labor market had shown progress" since the-bond buying program began in September, according to the record of the April 30-May 1 gathering released today in Washington. "But many of these participants indicated that continued progress, more confidence in the outlook, or diminished downside risks would be required before slowing the pace of purchases would become appropriate."

Market Leaders

Cisco Systems Inc., Verizon Communications Inc. and UnitedHealth Group Inc.. lost at least 1.4 percent to lead declines in the Dow Jones Industrial Average. Target Corp. slid
4.7 percent after profit fell 29 percent as higher taxes and cooler temperatures hampered sales.

Pfizer Inc. rallied 2.1 percent after offering investors a share exchange to reduce its stake in Zoetis Inc. Saks Inc.
soared 14 percent after people with knowledge of the matter said the retailer has hired Goldman Sachs Group Inc. to explore options including a sale. Toll Brothers Inc. jumped 3.4 percent after beating analysts' earnings estimates.

An S&P gauge of homebuilders fell 0.7 percent, erasing an earlier 3.4 percent rally. Sales of previously owned U.S. homes increased in April to the highest level in more than three years as housing continued to gain momentum. Purchases of existing houses rose 0.6 percent to an annual rate of 4.97 million, the most since November 2009, the National Association of Realtors reported. The median forecast of 79 economists surveyed by Bloomberg called for a pickup to a 4.99 million pace.

The Stoxx Europe 600 Index climbed 0.2 percent to the highest level in almost five years, with commodity producers, health-care companies and retailers leading gains.

Emerging Markets

The MSCI Emerging Markets Index retreated 0.2 percent as declines in markets in Asia, Argentina and Mexico overshadowed a
1.7 percent jump in Hungary's benchmark index and 1.4 percent rally in Russia. The Hang Seng China Enterprises Index of mainland companies listed in Hong Kong fell 0.3 percent, led by an 8.3 percent drop in Huaneng Power International Inc. after Citigroup Inc. cut its recommendation on concern tariffs may fall. Volume on the Hang Seng Index was 7.3 percent below the 30-day average after a storm shut the market in the morning.

Sony Proposal

Sony Corp.'s board is discussing a proposal by Daniel Loeb's Third Point LLC to spin off part of its entertainment business, Chief Executive Officer Kazuo Hirai said today. The shares rose 5.9 percent to the highest level in more than two years in Tokyo after the Nikkei newspaper earlier reported the board may discuss the spin-off.

The yen declined versus 11 of its 16 major peers after a government report showed the trade deficit swelled more in April more than economists forecast and exports were lower than estimated. It slid 0.7 percent to 103.25 per dollar, near the weakest level since 2008.

The franc weakened beyond 1.26 per euro for the first time in two years after Swiss National Bank President Thomas Jordan said a shift of the cap on the currency and negative interest rates are among steps the central bank could take.

Gasoline for June delivery declined for a third day, losing 0.9 percent to $2.8194 a gallon, after a U.S. report showed supplies unexpectedly gained. Prices at the pump have jumped 13.8 cents this month, according to AAA, the largest U.S.
motoring organization, as the summer driving season approaches.

West Texas Intermediate oil slipped 2 percent to $94.28 a barrel after a government report showed U.S. inventories fell less than expected last week. The Energy Information Administration said that supplies dropped 338,000 barrels to
394.6 million. The report was projected to show a 1 million- barrel drop, according to a Bloomberg survey of 11 analysts.

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