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By Lukanyo Mnyanda and Wes Goodman
May 29 (Bloomberg) -- Treasuries fell and bonds around the world headed for their steepest monthly loss in almost a decade, as signs the U.S. economy is recovering fueled speculation the Federal Reserve will trim its debt purchases.
Treasury 10-year notes slid for a third day, pushing yields to the highest in almost three years relative to similar-maturity German bunds. U.S. consumer confidence climbed to a five-year high, data showed yesterday. Securities in the Bank of America Merrill Lynch Global Broad Market Index have fallen 1.3 percent in May, poised for the steepest loss since April 2004. Treasuries dropped 1.9 percent, the indexes show.
"If the data continues to be on the strong side, then the sell-off will persist," said Patrick Jacq, a senior fixed-income strategist at BNP Paribas SA in Paris. "The first step was some comments from Fed members suggesting that they may exit sooner than expected or at least ease quantitative easing. And then there was key economic data that was above expectations."
Treasury 10-year yields increased three basis points, or 0.03 percentage point, to 2.20 percent at 11:03 a.m. London time, according to Bloomberg Bond Trader data. The rate earlier reached 2.23 percent, the highest since April 5, 2012. The price of the 1.75 percent note due in May 2023 slid 9/32, or $2.81 per $1,000 face amount, to 96.
The Fed buys $85 billion of Treasury and mortgage debt a month to support the economy by putting downward pressure on interest rates. Chairman Ben S. Bernanke said last week the central bank may cut the pace of its purchases if officials see signs of sustained improvement in growth.

Bond Auctions

The U.S. is scheduled to sell $35 billion of five-year notes today. A two-year auction for the same amount yesterday drew the fewest bids since February 2011.
The Treasury Department is also set to sell $29 billion of seven-year securities tomorrow.
At the last five-year auction on April 24, investors bid for 2.86 times the amount of debt available. The average for the

past 10 sales is 2.84.
At yesterday's two-year sale, bidding amounted to 3.04 times the amount offered. The average for the previous 10 auctions was 3.72.
The notes drew a yield of 0.283 percent, up from a rate of 0.233 percent at a previous sale on April 23.
Primary dealers bought 65.5 percent of the notes, the most since 2009. Indirect bidders, the investor class that includes foreign central banks, purchased 21.9 percent, and direct bidders bought 12.6 percent, the least since July.

Yield Spread

The extra yield, or spread, that investors get for holding Treasury 10-year notes instead of German bunds was at 67 basis points today, the most since June 2010. The spread has jumped from 44 basis points at the end of 2012.
The U.S. securities yielded 20 basis points more than their U.K. peers, the most since September 2006 based on Bloomberg generic closing prices.
U.S. gross domestic product rose at a 2.5 percent annualized rate in the first quarter, the Commerce Department will say tomorrow, confirming an April 26 release, according to the median estimate of 80 economists surveyed by Bloomberg.
While the initial report trailed behind economists' prediction, it compares with a 0.2 percent contraction in the euro-area economy during the first three months of 2013, extending the region's recession to a record.

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