

BUSINESS & FINANCIAL OVERVIEW

Treasury yields climb as global stocks buoyed by fresh round of trade talks

Treasury prices were lower Monday, pushing yields higher, as a U.S. delegation arrived in China to negotiate a trade accord, sending Chinese and global stocks higher. The 10-year Treasury note yield TMUBMUSD10Y, +0.88% was up 2.9 basis points to 2.661%, while the two-year note yield TMUBMUSD02Y, +0.49% picked up 2.6 basis points to 2.490%. The 30-year bond yield TMUBMUSD30Y, +0.76% rose 2.5 basis points to 3.00%. Bond prices move inversely to yields.

Tariff negotiations between the U.S. and China have restarted in Beijing, with a round of low-level talks taking place Monday. U.S. Treasury Secretary Steven Mnuchin, U.S. Trade Representative Robert Lighthizer and China's Vice Premier Liu He are then scheduled to meet Thursday and Friday.

It's unclear if and when President Donald Trump will meet with Chinese counterpart Xi Jinping after news headlines offered conflicting assessments on the likelihood of a get-together between the leaders of the world's two largest economies.

Axios reported Sunday that the White House was looking at Trump's Florida golf club, Mar-a-Lago, as the venue for a potential summit with Xi to end the trade war. Fox News also reported White House adviser Kellyanne Conway had said a meeting between the two leaders could still happen soon. But last week, Trump said he didn't expect to meet with Xi before a 90-day trade truce ends on March 1.

"On the one hand a deal with the U.S. is probable as that would appear to be in the interest of both parties. On the other hand, if there is a deal eventually we probably will not know until the 11th hour — and until then we are likely in for a lot of back and forth," wrote analysts at Bank of America Merrill Lynch.

Despite the uncertainty around an eventual resolution, investors' relief at the resumption of trade talks trickled into global equities, muting appetite for Treasuries. China's Shanghai Composite Index SHCOMP, +0.72% ended 1.4% higher, while the Stoxx Europe 600 index SXXP, +0.85% was up 0.8%. The Dow Jones Industrial Average DJIA, -0.21% and the Nasdaq Composite COMP, +0.13% ended the day mixed.

Congressional Democrats and Republicans struggled to make headway on negotiations to stave off another government shutdown Friday. If the government shuts at the end of the week, analysts say it could draw concerns over the coming debt ceiling.

As for the Federal Reserve, Fed Gov. Michelle Bowman said the U.S. economy was healthy and that she supported the "patient" policy stance espoused in January's meeting, where the central bank suggested it was agnostic about the direction of the next rate move.

On the data front, the U.K. economy grew 1.3% in 2018, its slowest annual pace in six years, amid softening factory activity and lower car production. The report came as the U.K. seeks to secure a Brexit deal before the March 29 deadline to leave the ranks of the European Union. The U.K. 10-year government bond yield TMBMKGB-10Y, +0.00% rose 3.3 basis points to 1.182%, Tradeweb data showed.

