

BUSINESS & FINANCIAL OVERVIEW

Treasury yields shift higher, along with stocks, despite Washington impasse

Treasury yields snapped back Wednesday as bond investors took their cues from resilient stock markets, helping to offset jitters around a record-setting government shutdown.

The 10-year Treasury yield TMUBMUSD10Y, +0.06% was up 1.5 basis points to 2.591%. The two-year note yield TMUBMUSD02Y, +0.16% picked up 2.3 basis points to 2.755%, while the 30-year bond yield TMUBMUSD30Y, +0.04% rose 1.4 basis points to 3.068%. Bond prices move in the opposite direction of yields.

Stocks ended mostly positive after coming off session highs, with the Dow Jones Industrial Average DJIA, +0.70% and the S&P 500 SPX, +0.22% both trading higher, sapping appetite for government paper. Equities have received a boost from a round of strong corporate earnings on Wednesday, but investor pessimism around global growth capped their rise.

Senate leaders scheduled two competing bills for a vote to reopen the government on Thursday, suggesting Congressional Democrats and Republicans appeared to make some headway to end the impasse. It's not clear if either bill will garner enough support to pass, but this step could lead to more constructive talks, analysts said. The shutdown has entered its 33rd day and is delaying fresh economic data from some government sources.

"The GOP and Democrats are poised to bring budget proposals unlikely to make it to the finish line, presumably in an effort to appear the least culpable," wrote Ian Lyngen, head of U.S. rates strategy for BMO Capital Markets.

Kevin Hassett, chairman for the Council of Economic Advisers, said the economy could see zero growth in the first quarter, but would subsequently rebound once furloughed federal workers receive their back pay.

See: Government shutdown likely to end in next two weeks, analyst says

The Richmond Federal Reserve's manufacturing index for January rose to a reading of -2 from -8 in December, leaving it in the red for two consecutive months. It suggested U.S. industrial activity has flagged in the face of slowing global growth and increased trade tensions.

