

BUSINESS & FINANCIAL OVERVIEW

Treasury yields follow Europe lower after downbeat ECB commentary

Treasury yields fell on Thursday, following the decline of European bond yields to multiyear lows, after the European Central Bank President Mario Draghi underlined the growing risks to the eurozone economy's prospects.

The 10-year Treasury yield TMUBMUSD10Y, +0.48% fell 4.1 basis points to 2.714%. The two-year note yield TMUBMUSD02Y, +0.34% shed 2.9 basis points to 2.562%, while the 30-year bond yield TMUBMUSD30Y, +0.14% slipped 3.2 basis points to 3.036%. Bond prices move in the opposite direction of yields.

The German 10-year government bond yield TMBMKDE-10Y, +0.00% was down 5.4 basis points to 0.123%, around its lowest levels in nearly two years, according to Tradeweb data. A proxy for the eurozone economy, German bonds tend to move in sync with their U.S. counterparts as both are viewed as haven assets.

See: German bond yields inch closer to zero, defying Wall Street calls

The European Central Bank concluded its first policy meeting of the year and said it would keep interest rates unchanged on Thursday. The central bank had ended its program of monthly asset purchases in December, but it pledged to keep intact the size of its crisis-era balance sheet by reinvesting the proceeds from maturing bonds.

ECB President Mario Draghi said in the postmeeting news conference that the balance of risks to the eurozone's economic outlook had shifted to the downside, citing a litany of concerns including increased protectionism and market volatility. Though investors said the risks are not new, Draghi's language underlined that the central bank was unlikely to raise rates this year.

"With today's meeting, the ECB has joined the crowd of concern. The return of a downside risks to the growth assessment does not, yet, signal any policy changes but only a slight easing bias. Or to put it differently: the ECB also does not know where the eurozone economy is heading," wrote Carsten Brzeski, chief economist for ING Germany.

Read: ECB's Draghi acknowledges risks to eurozone economy 'moved to the downside'

A slowdown in Germany and France has taken a toll on growth expectations for the broader economic bloc. The eurozone composite purchasing manufacturers' index fell to 50.7 in January, a more than five year low, from 51.1 in December.

