

BUSINESS & FINANCIAL OVERVIEW

Treasury yields tick higher as Trump agrees to temporary deal to end shutdown

Treasury yields rose Friday after bond investors mostly followed the buoyant tone in equities, while President Donald Trump announced a temporary deal to reopen the government, lifting a source of uncertainty for Wall Street.

The 10-year Treasury yield TMUBMUSD10Y, +1.21% rose 3.9 basis points to 2.753%, capping its weeklong rise to 2.9 basis points. The two-year note yield TMUBMUSD02Y, +1.16% was up 3.6 basis points to 2.598%, curbing its weeklong fall to 1.4 basis points.

The 30-year bond yield TMUBMUSD30Y, +0.62% picked up 2.5 basis points to 3.062%, trimming its weeklong decline to 3.3 basis points. Bond prices move in the opposite direction of yields.

Yields initially rose on the back of strong momentum in global stock markets. The Shanghai Composite SHCOMP, +0.32% and the Stoxx 600 SXXP, +0.61% were both up. And the S&P 500 SPX, +0.85% and the Dow Jones Industrial Average DJIA, +0.75% rose, sapping demand for haven assets like government paper.

“Given that we haven’t got a lot of data to move the market, we’ve traded in line with equities,” said Subadra Rajappa, head of U.S. rates strategy at Societe Generale.

Trump and Congress agreed to legislation that would fund the government for three weeks while negotiations for a southern border wall continue. The deal will end a 36-day partial shutdown, the longest in history.

“It’s clearly a good thing. Even though its just three weeks, it temporarily alleviates the uncertainty markets are faced with. But honestly, the medium-term to long-term impact on the economy from a shutdown was modest anyway,” said Rajappa. She still expected growth to hit 2% in the first quarter of 2019.

With shutdown jitters fading, the bond market will look ahead to next week’s events. Investors will have to contend with a round of auctions for government paper, which may have contributed to Friday’s yield climb as traders made way for fresh supply.

The Federal Reserve will meet next week and is expected to leave rates on hold. The Wall Street Journal reported Friday that policy makers are moving near a decision whether to bring the unwinding of its balance sheet to an early close.

Market participants will also get an update on U.S.-China trade talks, with a delegation from Beijing arriving in Washington on Monday. But senior members of Trump’s administrations have offered conflicting assessments on the progress of recent trade negotiations. Commerce Secretary Wilbur Ross said a deal was “miles and miles from getting a resolution” on Thursday, but Treasury Secretary Steven Mnuchin insisted trade negotiations were yielding fruit.

