The Quiet Fall in Bond Yields

What's behind the quiet fall in bond yields?

Provided by DSA Financial Group

With all the attention given to inflation, stock prices, and job reports, it's been easy to overlook the remarkable move in the bond market during the past few months.

The yield on the 10-year treasury closed at 1.37% on Friday, July 9, down from its 2021 high of 1.74% in late March.[1]

What's behind the quiet fall in bond yields?

One explanation may be that reopening sentiment has turned a bit more cautious as the Delta variant of COVID-19 spreads globally. Another view is that overseas investors are buying Treasuries, effectively lowering yields.[2,3]

Still another school of thought says it's due to declining inflation concerns. Or maybe it's simply more money finding its way into bonds.[2]

Whatever the cause, the yield narrative has changed from just a few months ago when market pundits believed that the 10-year treasury was heading to 2%.[1]

Will yields keep trending lower or will they do an about face and move higher? A better question to ask yourself is, "does my investment strategy fit my goals, time horizon and risk appetite?" Challenge yourself to tune out the market noise and focus on what matters to you.

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Citations

1. U.S. Department of Treasury, July 12, 2021

2. CNBC.com, July 8, 2021
3. The Wall Street Journal, June 11, 2021