How Much Are You Willing To Pay For That Yield?

View from the Observation Deck

1. The yield on the 10-Year Treasury-Note rose 127 basis points to 3.03% in 2013. Its yield stood at 2.94% on 1/7/14. Bond prices declined in value in 2013 in most categories as a result of the spike in interest rates.

2. TrimTabs Investment Research reported that investors liquidated a record $86 billion from U.S. bond mutual funds and ETFs in 2013, according to Barron’s. Municipal bond funds experienced substantial withdrawals.

3. The yield on the 10-Year T-Note has averaged 4.0% over the past 15 years (1998-2013), according to Bloomberg. That is another 100 basis points or so above where it currently stands.

4. Those investors who are still seeking current income from bonds should be cognizant of the fact that valuations in some bond groups are still priced, on average, above par value.

5. Brian Wesbury, Chief Economist at First Trust Advisors, sees the yield on the 10-Year T-Note rising to 3.65% by the end of 2014. If so, it would put further downward pressure on most bond prices.

Sources: Bloomberg, BofA Merrill Lynch.