A Global Snapshot of Government Bond Yields

2- & 10-Year Government Bond Yields *(As of 11/6/17)*

Country	2-Year Yield	2-Year Y-T-D Change (BPS)	10-Year Yield	10-Year Y-T-D Change (BPS)
United States	1.62%	41	2.32%	-16
Canada	1.42%	66	1.92%	21
Mexico	1.11%	-26	3.58%	-61
Brazil	8.19%	-284	9.99%	-139
Germany	-0.77%	5	0.33%	17
United Kingdom	0.44%	39	1.26%	3
Japan	-0.19%	-1	0.02%	-1
China	3.53%	88	3.86%	83
South Korea	2.08%	45	2.55%	48
Australia	1.78%	-7	2.58%	-20

Source: Bloomberg. BPS refers to basis points.

View from the Observation Deck

1. Today's blog post shows the year-to-date (as of 11/6/17) move in a couple of benchmark government bond yields from a number of key countries representing many regions around the globe.
2. As of 11/6/17, the spread between 2-year and 10-year government bond yields is fairly narrow for a number of the countries featured in the table. While a flattening of the yield curve has at times signaled that a recession could be in the offing, we do not believe this to be the case in the current climate.
3. In its latest economic forecast issued in October 2017, the International Monetary Fund (IMF) projected that real world GDP growth would come in at 3.6% in 2017 and 3.7% in 2018, up from 3.2% in 2016.
4. Central banks have yet to tighten monetary policy in an aggressive manner. The Federal Reserve (The "Fed"), the most influential central bank, has increased the federal funds target rate a total of four times since 12/16/15. Each one of the rate hikes was for 0.25%. The target rate (upper bound) currently stands at 1.25%, well below its 30-year average of 3.40%, according to Bloomberg.
5. Two of the four rate hikes were initiated in 2017. The year-to-date change in the yield on the 2-year Treasury note (T-note) is 41 basis points, nearly in line with the 50 basis point increase in the federal funds rate. The yield on the 10-year T- note, however, actually declined by 16 basis points, an indication that investors still do not expect much in the way of inflationary pressure in the near-term, in our opinion.
6. The IMF sees inflation in the U.S. advancing at a rate of 2.1% for both 2017 and 2018. It sees inflation hovering at around 1.4-1.5% in the Euro region, 0.4-0.5% in Japan and 4.2-4.4% in emerging market and developing economies, which is down slightly from the 4.7% level achieved in 2014 and 2015.
7. Despite historically low interest rate levels, demand for bonds has been strong for years and it hasn't slowed in 2017, in our opinion.