Long Term Yields Rise Leading Up To Election - Fixed Income Update

Anticipation of economic growth policies proposed during the campaign, prompted the possibility of elevated inflationary pressures, driving bond yields higher. Many of the proposed policies will require Congressional approval before being enacted.

The Treasury market reacted to the growing concern surrounding an expanding government deficit and the massive issuance of federal debt to fund current and future deficits. As a result, longer term maturity Treasuries rose in yield implying that stubborn federal deficits may continue for years.

The yield on the benchmark 10 year Treasury bond rose to 4.28% at the end of October, up from 3.81% at the previous month end. Short term bond yields rose less as the Fed prepares to continue cutting the Fed Funds rate as projected.

Sources: U.S. Treasury