

Demand For Treasuries Alter Bond Preferences - Fixed Income Update

The premium that investors demand to hold investment-grade-rated companies' bonds instead of Treasuries hit its lowest level since 1998. Demand for U.S. investment-grade corporate bonds increased in September, as large cap U.S. companies with strong balance sheets sold bonds at elevated prices. Numerous fixed income analysts expect to see a growing demand for corporate debt over Treasury debt as fiscal constraints hinder government debt issuance.

The 10-year Treasury bond closed the quarter with a 4.16% yield, lower than its recent highs. Markets are anticipating that the Fed will cut rates in the months ahead, as markets are placing greater emphasis on weak private sector labor data rather than delayed government statistics from the Department of Labor.

Sources: Treasury Dept, Labor Department

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