Commentary Week of October 4

The long end of the curve continues to climb, setting highs not seen since the early 2000s with the 10-year yield at 5.33% and the 30-year yield at 5.70%. Investors are requiring a higher term premium for holding long term debt amidst deep fiscal and economic uncertainties. This has in turn pushed the 30y mortgage above 7.25%, and while this is 50bp below the 2023 high of 7.75% (when the mortgage-to-treasury yield spread was much wider), these > 7.00% levels were last prevalent in the early 2000s. One sign of hope is that the 10y yield slid after a solid 10y Treasury auction where $39 billion in notes met strong demand from non-dealers. The 24-year high yield brought out more buyers such as central banks which seemed to provide a back-stop to higher yields.

