



Low Rates Supplement Economy - Fixed Income Update

Interest rates held steady in May, with the benchmark 10-year Treasury bond yielding 0.65% at the end of May. The continued low-rate environment is helping to sustain certain industries in the form of low loan rates, such as for autos and homes.

Talk of negative rates in the U.S. became more commonplace as other developed economies continued to drive their rates to near zero and below with the objective of stimulating economic activity. The Fed chair reiterated the central bank's stance on negative rates, stating that it was not a target for the time being. The Fed is opposed to negative rates because of the detrimental effects it imposes on money market funds, government funding calculations and banks.

Investment grade bond issuance surpassed \$1 trillion worth of new debt since the beginning of the year, an amount that wasn't reached last year until November. The Fed's announcement to purchase \$750 billion of corporate debt as part of its stimulus program has stimulated new activity as demand has increased.

Sources: Treasury Dept., Federal Reserve Bank