

Global jitters boost Australian bonds

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The Australian bond market has held on to most of its gains, as negative international news continues to encourage defensive trading in government debt.

At 1630 AEDT on Wednesday on the ASX 24, the June three-year bond futures contract was trading at 95.050 (implying a yield of 4.950 per cent), down slightly from Tuesday's close of 95.090 (4.910 per cent).

The June 10-year bond futures contract price was 94.580 (5.420 per cent), unchanged from where it closed on Tuesday.

Since Tuesday, yields on the local market have steadily decreased, as the threat of nuclear meltdown in Japan dominated news.

Added to the negative sentiment, there was news on Wednesday that hundreds of Bahraini riot police had launched an assault on pro-democracy demonstrators camped out in the capital's Pearl Square.

"There has been a very good rally in bond yields this week and the immediate direction will be dictated by any updates from those two areas," FIIG Securities associate director Andrew Hicks said.

Economic data due overnight on Wednesday includes US building permits and housing starts for the month of February.

While the figures were important to the bond market, news from Japan and the Middle East were likely to remain the main focus for traders, Mr Hicks said.

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