



Aussie Bonds Follow US lead downwards

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The Australian bond market has followed US Treasuries lower, on expectations the US may soon wind down its monetary stimulus plan.

At 0830 AEST on Thursday, the June 10-year bond futures contract was trading at 94.640 (implying a yield of 5.360 per cent), down from 94.655 (5.345 per cent) on Wednesday.

The June three-year bond futures contract was at 94.960 (5.040 per cent), down from 94.990 (5.010 per cent).

Overnight (AEST), the US Federal Reserve's monetary policy committee released minutes for its April 27 meeting.

This was the main focus for bond traders during the offshore session.

According to the minutes, participants "generally anticipated that the higher level of overall inflation would be transitory".

While there had been "significant increases" in energy and other commodity prices that had boosted overall inflation, Federal Open Market Committee (FOMC) members expected price increases would ease once commodity prices stabilised.

FIIG Securities associate director Andrew Hicks said the market interpreted the minutes as suggesting that US policy makers were looking at ways of withdrawing the stimulus.

This caused US Treasury prices to fall and could translate to price falls on Australian bonds, he said.

Overall, it had been a quiet week for economic data in Australia, Mr Hicks said.

"We are taking the lead from the US and, to that end, yields should be a bit higher this morning," he said.

The attention would again turn to the US overnight (AEST), as they prepare to release initial jobless claims and existing home sales data, Mr Hicks said.

"For the next couple of days, and tonight in particular, it's going to be the US."

He expected trading on the Australian bond market to be technically driven for the next couple of days, given that bonds were at their yield lows.

"It will be a question of whether the market can get comfortable taking yields lower."