

## Treasuries Decline After \$25 Billion Auction of 10-Year Notes 2010-02-10 18:06:48.832 GMT

By Susanne Walker and Cordell Eddings

Feb. 10 (Bloomberg) -- Treasuries extended losses after the U.S. sold a record-tying \$25 billion of 10-year securities, the second of three note and bond auctions this week totaling \$81 billion, and as investors weighed the prospects of European aid for Greece.

The notes drew a yield of 3.692 percent, compared with the average forecast of 3.680 percent in a Bloomberg News survey of nine of the Federal Reserve's 18 primary dealers. The bid-to-cover ratio, which gauges demand by comparing total bids with the amount of securities offered, was 2.67, compared with a 10-sale average of 2.76. Federal Reserve Chairman Ben S. Bernanke said policy makers may raise the discount rate "before long."

"Low levels of rates would keep people away from the 10-year note auction," said Mark MacQueen, partner and portfolio manager in Austin, Texas, at Sage Advisory Services Ltd., which oversees \$7.5 billion. "The long end of the curve is less interesting to foreign investors right now. Tens and 30s will be more difficult to sell."

The yield on the current 10-year note climbed four basis points, or 0.04 percentage point, to 3.69 percent at 1:04 p.m. in New York, according to BGCantor Market Data. It rose as much as nine basis points yesterday, the most this year.

Indirect bidders, an investor class that includes foreign central banks, bought 33.2 percent of the notes. They purchased 29 percent at the last sale of the securities on Jan. 13. The average for the past 10 auctions is 39.3 percent.

### 3-, 30-Year Auctions

At the last 10-year sale, a \$21 billion offering, investors bid for 3 times the amount of securities offered. The securities drew a yield of 3.754 percent.

Today's offering followed a record-tying \$40 billion sale

of three-year notes yesterday. At that auction, investors bid for 2.83 times the available debt, compared with an average of 2.85 for the past 10 sales. The U.S. will sell \$16 billion in 30-year bonds tomorrow.

Chairman Ben S. Bernanke said in prepared testimony today the central bank may raise the discount rate charged on direct loans to commercial banks “before long” as part of the “normalization” of Fed lending, a move he said wouldn’t signal any change in outlook for monetary policy.

Bernanke repeated the Federal Open Market Committee’s statement that low interest rates are warranted “for an extended period.”

The Fed may also temporarily replace the federal funds rate as a policy guide with interest it pays on banks’ deposits should fed funds become a “less reliable indicator than usual,” Bernanke said. His remarks were prepared for the House Financial Services Committee hearing that was postponed because of snow.

## EU and Greece

European Union leaders meeting in Brussels tomorrow will probably press Greece to present more detailed budget cuts and stop short of announcing an aid package for the debt-stricken nation, a German government official said.

As officials in Berlin, Paris and Brussels thrashed out potential aid plans to add to political pressure, Greece faced street protests and strikes that shut down schools, hospitals and flights in response to government plans to freeze wages and cut benefits.

Greece Prime Minister George Papandreou’s struggle to contain the EU’s largest budget deficit sent the yield premium for the country’s debt over German bunds last month to the highest since 1998.

Retail sales rose 0.3 percent in January, after a 0.3 percent decline in December, a separate Bloomberg survey showed. The Commerce Department tentatively postponed the release of the retail sales report until Feb. 12.

## Confidence Drops

Confidence in the world economy dropped in February on concern worsening government finances in some European nations will derail the global recovery, according to a Bloomberg survey of users on six continents.

The Bloomberg Professional Global Confidence Index dropped to 54.9 from 66.6 in January, when the reading was at the highest level since the series began two years ago. The index exceeded 50 for a seventh month, which means there were more optimists than pessimists. The survey was conducted last week, before Germany and other EU nations signaled they may help support Greece's government finances.

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