

Yield curve



Yield Curve The paper aims to address the following to use data from the Bloomberg Web site (<http://www.bloomberg.com/markets/rates-bonds/government-bonds/us/> (or from any other source that you prefer) to graph the shape of the yield curve today; and (2) to determine and explain what today's financial marketplace is expecting to happen to interest rates in the near future. Yield Curve The yield curve is defined as a “ graph that plots the yields of similar-quality bonds against their maturities, ranging from shortest to longest” (Investing Answers, 2011, par. 1). From the Bloomberg website, the yield curve as of 8 April 2011 is depicted below: Source: Bloomberg, 2011 Using the yield curve, today's financial marketplace expects interest rates to remain steady over the near future with short term yields generating lower returns than long term yields. As validated by Investing Answers (2011), “ investors require a higher rate of return for taking the added risk of lending money for a longer period of time. Many economists also believe that a steep positive curve indicates that investors expect strong future economic growth and higher future inflation (and thus higher interest rates)” (par. 8). This statement was likewise supported by the Federal Reserve Update that closely regulates interest rates to reveal that “ Fed officials set a target range for the federal funds rate with a primary goal of keeping economic growth sustainable and inflation in the US economy within the unofficial target range of 1 percent to 2 percent. The Fed has maintained an ultra-low interest rate policy that looks likely to be in place until 2012” (Money Rates, 2011, par. 17). References Bloomberg. (2011). Government Bonds. Retrieved 09 April 2011. <
<http://www.bloomberg.com/markets/rates-bonds/government-bonds/us/>> Investing Answers. (2011). Yield Curve. Retrieved 09 April 2011. <
<https://assignbuster.com/yield-curve/>

<http://www.investinganswers.com/term/yield-curve-810>> Money Rates.
(2011). Federal Reserve update. Retrieved 09 April 2011. < <http://www.money-rates.com/fed.htm>>