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The Treasury bond market traded lower in the first quarter as yields rose nine basis points at the two-year mark and 44 basis points at the 30-year tenor. The yield curve became steeper as the spread between the two-year and the thirty-year bond rose by 36 basis points to 3.01%.

The debt crisis in Europe continued to be a focal point in the quarter. The European Central Bank (ECB) announced the second round of its long-term refinancing operation (LTRO) in February. The ECB allotted €529.53 billion for the three-year project. This operation follows a €489 billion loan granted in December. In the United States, the economy shows signs of slow and steady improvement.

As expected, there was no change in the Fed funds rate at the January 25th and March 13th FOMC meetings. In the statement following the last meeting, the Fed referenced a decline in unemployment and advancement in household and business spending. The next FOMC meeting is scheduled for April 25th.

All spread sectors outperformed risk-neutral Treasuries. Corporates outperformed by 378 basis points, followed by CMBS (374 basis points) and mortgage-backed securities (101 basis points).

Past performance is no guarantee of future results.

Ms. Rogers' comments are provided as a general market overview and should not be considered investment advice or predictive of any future market performance. Her views are current as of the date of this communication and are subject to change rapidly as economic and market conditions dictate. Though Ms. Rogers' views may be informed by information from publicly available sources we believe to be accurate, we can make no representation as to the accuracy of such sources. Contact BNY Mellon Cash Investment Strategies for current information about Ms. Rogers' views of the economy and the markets.

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