

"" I would like to get your all thoughts on the bond yield increase this week. I am not worried about the market downturn but the sudden increase in yields. On 2/16 the 10 year bonds yields increased by almost 9 percent and on 2/19 the yield increased by almost 5 percent.

Key Points from the CNBC Article:

\* \*\*The "taper tantrum" in 2013 was a sudden spike in Treasury yields due to market panic after the Federal Reserve announced that it would begin tapering its quantitative easing program.\*\*  
\* \*\*Major central banks around the world have cut interest rates to historic lows and launched unprecedented quantities of asset purchases in a bid to shore up the economy throughout the pandemic.\*\*  
\* \*\*However, the recent rise in yields suggests that some investors are starting to anticipate a tightening of policy sooner than anticipated to accommodate a potential rise in inflation.\*\*

The recent rise in bond yields and U.S. inflation expectations has some investors wary that a repeat of the 2013 "taper tantrum" could be on the horizon.

The benchmark U.S. 10-year Treasury note climbed above 1.3% for the first time since February 2020 earlier this week, while the 30-year bond also hit its highest level for a year. Yields move inversely to bond prices.

Yields tend to rise in lockstep with inflation expectations, which have reached their highest levels in a decade in the U.S., powered by increased prospects of a large fiscal stimulus package, progress on vaccine rollouts and pent-up consumer demand.

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Major central banks around the world have cut interest rates to historic lows and launched unprecedented quantities of asset purchases in a bid to shore up the economy throughout the pandemic. The Fed and others have maintained supportive tones in recent policy meetings, vowing to keep financial conditions loose as the global economy looks to emerge from the Covid-19 pandemic.

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With central bank support removed, bonds usually fall in price which sends yields higher. This can also spill over into stock markets as higher interest rates means more debt servicing for firms, causing traders to reassess the investing environment.

"The supportive stance from policymakers will likely remain in place until the vaccines have paved a way to some return to normality," said Shane Balkham, chief investment officer at Beaufort Investment, in a research note this week.

"However, there will be a risk of another 'taper tantrum' similar to the one we witnessed in 2013, and this is our main focus for 2021," Balkham projected, should policymakers begin to unwind this stimulus.

Long-term bond yields in Japan and Europe followed U.S. Treasuries higher toward the end of the week as bondholders shifted their portfolios.

"The fear is that these assets are priced to perfection when the ECB and Fed might eventually taper," said Sebastien Galy, senior macro strategist at Nordea Asset Management, in a research note entitled "Little taper tantrum."

"The odds of tapering are helped in the United States by better retail sales after four months of disappointment and the expectation of large issuance from the \$1.9 trillion fiscal package."

Galy suggested the Fed would likely extend the duration on its asset purchases, moderating the upward momentum in inflation.

"Equity markets have reacted negatively to higher yield as it offers an alternative to the dividend yield and a higher discount to long-term cash flows, making them focus more on medium-term growth such as cyclicals" he said. Cyclicals are stocks whose performance tends to align with economic cycles.

Galy expects this process to be more marked in the second half of the year when economic growth picks up, increasing the potential for tapering.

## Tapering in the U.S., but not Europe

Allianz CEO Oliver Bäte told CNBC on Friday that there was a geographical divergence in how the German insurer is thinking about the prospect of interest rate hikes.

"One is Europe, where we continue to have financial repression, where the ECB continues to buy up to the max in order to minimize spreads between the north and the south – the strong balance sheets and the weak ones – and at some point somebody will have to pay the price for that, but in the short term I don't see any spike in interest rates," Bäte said, adding that the situation is different stateside.

"Because of the massive programs that have happened, the stimulus that is happening, the dollar being the world's reserve currency, there is clearly a trend to stoke inflation and it is going to come. Again, I don't know when and how, but the interest rates have been steepening and they should be steepening further."

## Rising yields a 'normal feature'

However, not all analysts are convinced that the rise in bond yields is material for markets. In a note Friday, Barclays Head of European Equity Strategy Emmanuel Cau suggested that rising bond yields were overdue, as they had been lagging the improving macroeconomic outlook for the second half of 2021, and said they were a "normal feature" of economic recovery.

"With the key drivers of inflation pointing up, the prospect of even more fiscal stimulus in the U.S. and pent up demand propelled by high excess savings, it seems right for bond yields to catch-up with other more advanced reflation trades," Cau said, adding that central banks remain "firmly on hold" given the balance of risks.

He argued that the steepening yield curve is "typical at the early stages of the cycle," and that so long as vaccine rollouts are successful, growth continues to tick upward and central banks remain cautious, reflationary moves across asset classes look "justified" and equities should be able to withstand higher rates.

"Of course, after the strong move of the last few weeks, equities could mark a pause as many sectors that have rallied with yields look overbought, like commodities and banks," Cau said.

"But at this stage, we think rising yields are more a confirmation of the equity bull market than a threat, so dips should continue to be bought."""

**Sir Winston Leonard Spencer-Churchill** [KG OM CH TD FRS PC](#) (30 November 1874 – 24 January 1965) was an [English politician](#). He was [Prime Minister](#) of the [United Kingdom](#) twice, once during [World War II](#), and again in the early 1950s.

Churchill is the only person to have been a member of the [British Government](#) during both World Wars, and the last commoner (non-royal) to be granted a [state funeral](#). He was also a [soldier](#), [journalist](#), and [author](#). He won the [Nobel Prize in literature](#) in 1953.<sup>[1]</sup>

Churchill featured in two [media polls](#). He was ranked as the greatest [British](#) prime minister of the [twentieth century](#) by 20 prominent historians, politicians and commentators. They were asked by [BBC Radio 4's](#) *The Westminster Hour* to rank the 19 prime ministers from [Lord Salisbury](#) at the turn of the century through to [John Major](#) in the 1990s.<sup>[2]</sup> In a 2002 [BBC 2](#) television poll, Churchill was ranked as the greatest Briton in history. A million votes were cast, and the voting was heavily influenced by public campaigns for various candidates.<sup>[3]</sup>

He is the only British Prime Minister to have received the [Nobel Prize](#).

Winston Churchill was born on 30 November 1874 at [Blenheim Palace](#), [Oxfordshire](#), [England](#), the home of the [Dukes of Marlborough](#). His father, [Lord Randolph Churchill](#), was a younger son of the 7th Duke, and a leading [Tory politician](#). His mother (née Jenny Jerome) was [American](#).<sup>[1]</sup>

As a boy, Churchill went to the famous [Harrow School](#).<sup>[1]</sup> He did not get good results, but said he was good at fighting.

He joined the [British Army](#), in 1893. In 1896, he was transferred to [Bombay](#), in what was the [Indian Empire](#) ([British India](#)). He fought in what is now [Pakistan](#). After this, he fought in a war in [Sudan](#), in 1898 as an [officer](#) in the [cavalry](#). In 1899, he went to the [Second Boer War](#) in [South Africa](#), to be a newspaper [reporter](#). He was captured by the [Boers](#), but managed to escape.

In 1900, he became a [politician](#) in the [Conservative Party](#), and was elected to [Parliament](#). In 1904, he changed parties and joined the [Liberal Party](#), but later returned to the Conservative Party.<sup>[1]</sup> He married Clementine Hozier in 1908, and had 5 children named Diana, Randolph, Sarah, Marigold and Mary.

In 1910 Churchill became [Home Secretary](#), one of the most important members of the government. In 1911 he was made First Lord of the [Admiralty](#), which put him in charge of the [Royal Navy](#). When [World War I](#) broke out, he stayed in that job. He organized an invasion in [Gallipoli](#) which went wrong, and because of this, he was made to leave the government. He joined the army and was sent to fight in France, although he was still a [Member of Parliament](#). In 1917 he was made minister in charge of military supplies (Minister of [Munitions](#)).

After World War I, in 1919, Churchill was made Secretary of State for War, and Secretary of State for Air ([aircraft](#)). In 1920, he ordered the first air bombing in Africa when he bombed the [Darwiish State](#), (also called [Daraawiish State](#)).<sup>[4]</sup>

In 1921 he was in charge of the [colonies](#) as Secretary of State. Soon after, in 1922 he lost in an election. In 1924 he became a member of Parliament again, this time not as a member of any party. In 1925 he joined the Conservative Party again. He became [Chancellor of the Exchequer](#) (Minister of Finance) in 1924.

After 1929, Churchill disagreed with many things the Conservative party believed in. He was not given any job in the government. Instead he wrote books. One was called *Marlborough: his life and times*, about his famous ancestor [John Churchill, 1st Duke of Marlborough](#); another was *A History of the English Speaking Peoples*, which was not published until after [World War 2](#).

When [Adolf Hitler](#) came to power in [Germany](#), Churchill warned that Britain should strengthen its military and oppose Hitler. However, very few leaders agreed with him.

At the start of World War II, Churchill was again put in charge of the Navy. In 1940 the war was going badly for Britain. Prime Minister [Neville Chamberlain](#) resigned on May 10 and Churchill was given the job. Some people thought that Britain could not win the war, and that the British government should make peace with Hitler. Churchill was sure that Britain could win, and promised to continue the fight. He made famous speeches that are still remembered today.

He was friends with the President of the United States, [Franklin D. Roosevelt](#). He persuaded Roosevelt to give supplies to Britain, and to help Britain. He had many meetings with Roosevelt and with [Joseph Stalin](#), the leader of the [Soviet Union](#), after they came into the war. They were called the *Big Three*.

In 1945, his Conservative party lost an election, and he stopped being Prime Minister. However, he became Prime Minister again in 1951, which he was until 1955.

He was knighted in 1953, and became Sir Winston, and also won the [Nobel Prize in Literature](#).

In 1955, he retired from being Prime Minister. In 1964, he retired from Parliament.

In 1963, President [John F. Kennedy](#) named him 'Honorary Citizen of the United States' but too ill to attend a White House ceremony, his son and grandson accepted the award.

Sir Winston died of a [stroke](#) at the age of 90, in 1965. When he died, his wife Lady Clementine Churchill and other members of the family were at his bedside.