MASSACHUSETTS MUNICIPAL DEPOSITORY TRUST

Weekly Cash Commentary

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Low yields are not a negative for investors

With the 1-month Treasury yield beating that of the rest of the yield curve, it might seem a recession is upon us. Certainly that sentiment has pushed money into U.S. bonds, dropping their yields. But the inversion has less to do with the U.S. and more to do with the continuing evidence that most of the world's economies are slowing. The uptick in Treasury purchases appears to be attributable to a global flight to yield as much as to the traditional motive of safety (although the trade war was another major factor). With so many global countries' government bonds offering negative rates, investors are more than happy to buy U.S. government securities whose rates are low but at least positive. Luckily, the U.S. Treasury has had large issuance recently, or yields could be lower. Although, for many international investors, even that would be desirable.

The London interbank offered rate (Libor) ended August with 1-month at 2.14%, 3-month at 2.14% and 6-month at 2.08%.