

Rates Held Steady Throughout 2020 - Fixed Income Update

Rates remained near historic lows throughout 2020 as ambitious efforts by the Federal Reserve and the Treasury ensured critical liquidity in the fixed income markets.

Key rates fell across the board in 2020, as injected liquidity and active monetary and fiscal policy initiatives contributed to a low rate environment. Mortgage rates fell to new lows in 2020 a dozen times according to Freddie Mac weekly data, triggering a flurry of refinance activity throughout the year.

The U.S. Treasury yield curve steepened towards the end of 2020, an indication to economists that inflation is expected to become more profound. The yield on the 2-year Treasury fell to 0.13% as the yield on the 10-year Treasury rose to 0.93 % in December, pushing short-term yields lower and sending longer term yields higher. Economists and market analysis also view a steepening yield curve as a validation that economic expansion is becoming a more promising possibility.

Sources: Treasury, Freddie Mac, Federal Reserve

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