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TREASURIES-Bonds slip after economy shrinks less than forecast

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October 30, 2008

NEW YORK, Oct 30 (Reuters) - U.S. Treasury debt prices fell on Thursday, as stock index futures pointed to a higher start on Wall Street after the economy contracted less than expected in the third quarter, curbing government debt's safe-haven allure.

Bond investors continued to mull the prospects for more Federal Reserve interest rate cuts and initiatives to pump unprecedented extra amounts of liquidity into the global banking system, following Wednesday's 50 basis points cut in the target rate.

With the key U.S. short-term lending rate now at 1 percent, matching a low in 2004, the Fed now has less potential to ease policy. Bond yields have already fallen a long way and may not have room to go much lower, analysts said.

The benchmark 10-year Treasury note's price, which moves inversely to its yield, traded down 23/32 for a yield of 3.95 percent, versus 3.86 percent late Wednesday, within its ranges for the past three weeks.

U.S. gross domestic product shrank 0.3 percent in the third quarter, less than economists' median forecast for a 0.5 percent contraction.

Economists said details within the report suggested a poor economic performance going forward.

"Consumer spending is about 70 percent of the GDP and this looks like the lowest it has been in two decades, which goes to show that in the fourth quarter we are going into the recession," said Bill Walsh, president of Hennion & Walsh in Parsippany, New Jersey.

However, "Treasuries (prices) seem to be off a little bit on both the short end and the long end. The Fed cut yesterday was priced in. We seem to be trading in the same range," said Walsh.

The 2-year Treasury note's price was down 4/32 for a yield of 1.61 percent, versus 1.55 percent late Wednesday.

The 30-year Treasury bond was down 8/32 in price for a yield of 4.25 percent, versus 4.24 percent late Wednesday.