

## About yield curves

<https://people.ucsc.edu/~hutch/Econ130/slides%20lecture%204.pdf>

## Bonds issued with a negative yield

In July 2019, Germany issued a 10-year bund with no coupon. Buyers paid €102.64 for a bond that will be worth €100.00 when it matures, and they will receive no interest in the meantime. That works out to a return of about -0.26% annually, assuming an investor holds the bond to maturity. That bondholder, in effect, will pay 0.26% annually to lend money to the German government.

Issue details (ISIN DE0001102473) : <https://www.deutsche-finanzagentur.de/en/fact-sheet/sheet-detail/productdata/sheet/DE0001102473/>

## Bonds traded with a negative yield

### World's Negative-Yielding Debt Pile Hits \$18 Trillion Record

11 décembre 2020

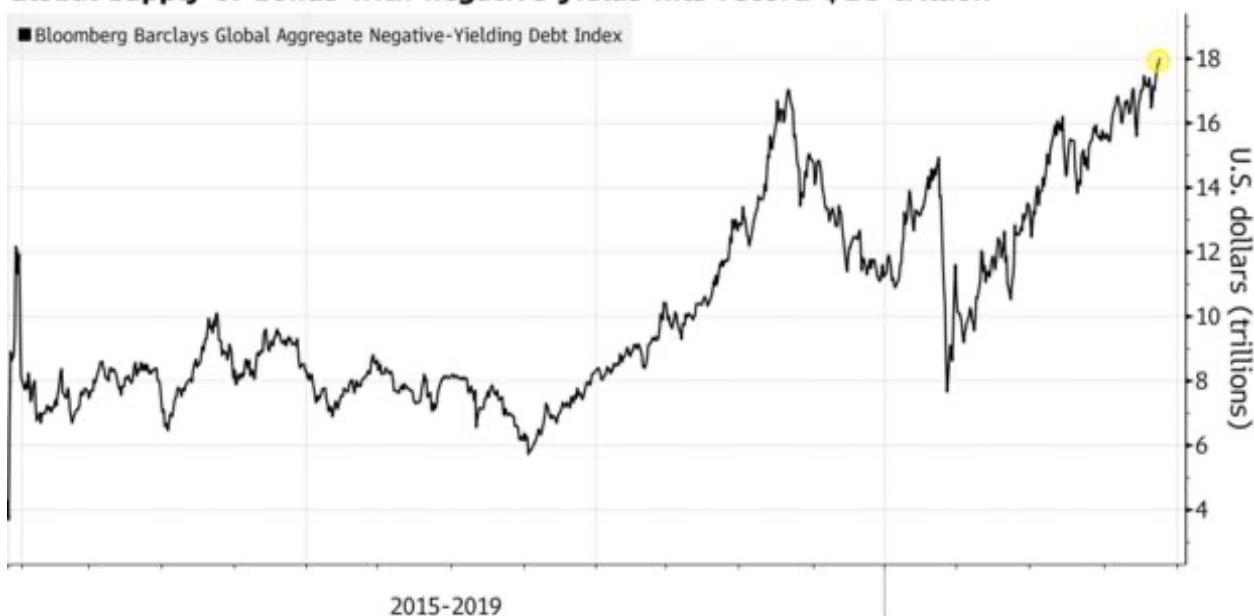
The world's stockpile of negative-yielding debt has swelled to a fresh record in a sign that demand for havens is just as intense as that for riskier assets.

The market value of the Bloomberg Barclays Global Negative Yielding Debt Index rose to \$18.04 trillion on Thursday, the highest level ever recorded. Spanish 10-year bonds were the latest to join the club, with rates sliding below 0% for the first time Friday.

About \$1 trillion of bonds have seen their yields turn negative this week, meaning 27% of the world's investment-grade debt is now sub-zero. Thanks to the slew of global issuance in 2020 as governments and companies wrestle with the impact of the coronavirus, that remains below the 30% peak reached last year.

## Less Than Zero

### Global supply of bonds with negative yields hits record \$18 trillion



Source: Bloomberg

Despite optimism about a global economic recovery next year sparking a rush to riskier assets like stocks and corporate debt, continued monetary support from central banks and concern about the relentless spread of the coronavirus has maintained investor interest in sovereign bonds. The rise in negative-yielding debt since March has coincided with a broadly weaker dollar.

Bond bulls got a boost on Thursday when the European Central Bank boosted its asset purchase program by an additional 500 billion euros (\$607 billion) in a bid to support the region's economic

recovery. Meanwhile, both Australian bills saw sub-zero yields at auction for the first time, while Portuguese 10-year bond yields also dropped below 0% this week.

U.S. Treasury yields remain some of the few developed bonds still holding above 0%. In the euro area's main debt markets in 10-year instruments, only Italian and Greek securities are trading in positive territory.

**Ratings used by the main 3 agencies** for Investment-grade Ratings

Standard & Poor's	Moody's	Fitch Ratings
AAA	Aaa	AAA
AA+	Aa1	AA+
AA	Aa2	AA
AA-	Aa3	AA-
A+	A1	A+
A	A2	A
A-	A3	A-
BBB+	Baa1	BBB+
BBB	Baa2	BBB
BBB-	Baa3	BBB-

Bonds rated below these grades are considered high-yield or "junk" bonds.

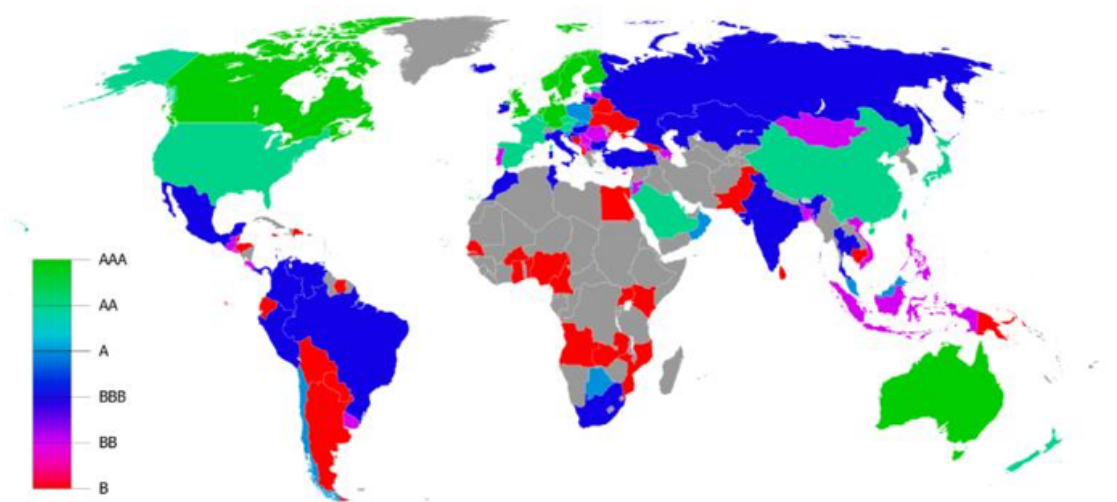
See **current ratings in the world** here:

[https://en.wikipedia.org/wiki/List\\_of\\_countries\\_by\\_credit\\_rating](https://en.wikipedia.org/wiki/List_of_countries_by_credit_rating)  
(countries can be ordered by rating in the table)

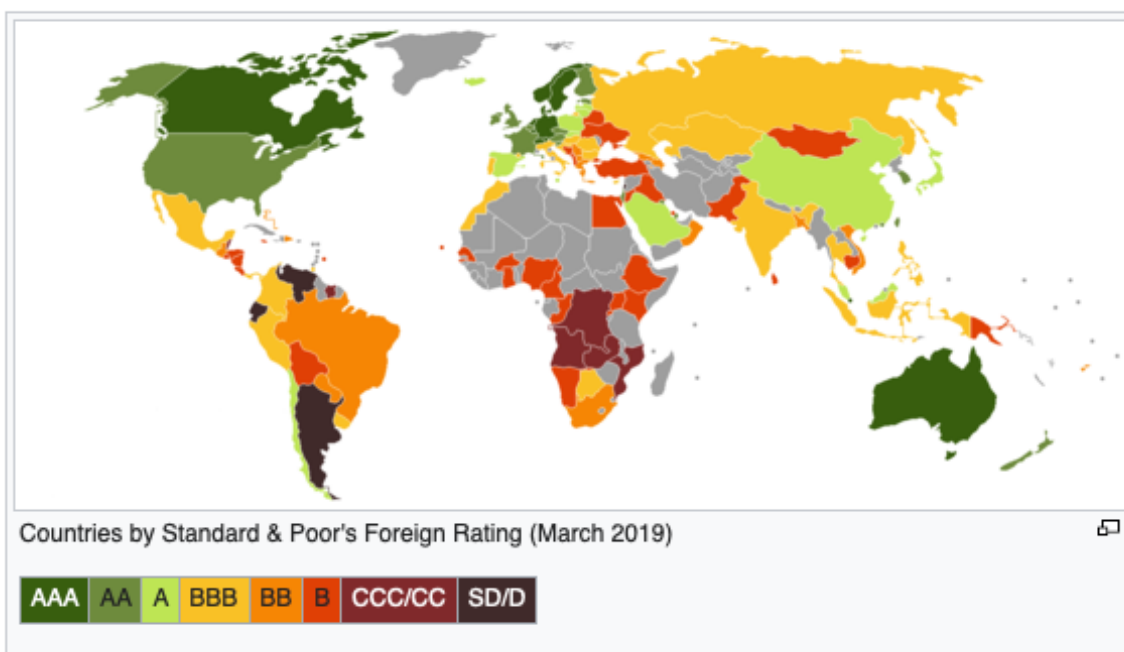
or on a map: <https://www.worldgovernmentbonds.com/world-credit-ratings/>

Can be compared to Jan 2012:

Countries by Standard & Poor's Rating for Sovereign Debt as of Jan 2012



And to March 2019:

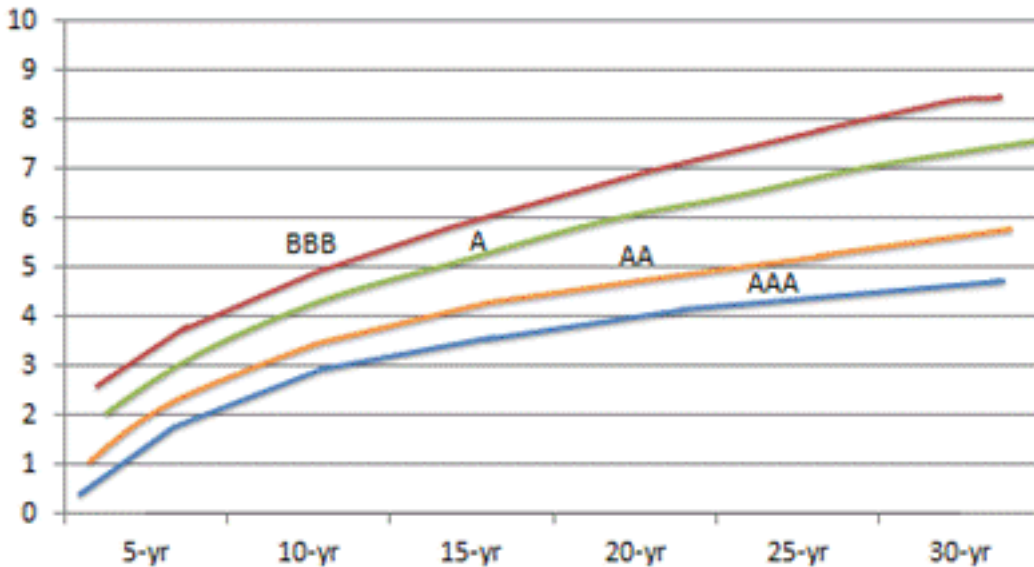


## Yield Curves for different ratings

The longer the term and the lower the credit rating, the higher the interest rate demanded by the market.

As of dec 2013 in the US

### Interest rate



## 10-year Corporate Spreads (bp)

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(Source: Bloomberg)

Bloomberg's investment grade 'A' and 'BBB' rated corporate bond spreads to U.S Treasury securities. This measures the extra yield over Treasuries investors demand for holding corporate debt.