



Government Bonds Around the World

There is absolutely no question that, from a historical standpoint, yields on U.S. government bonds are terrible. 10-year Treasuries that were issued at 1.25% a year are now yielding 1.297%, which is not terrific when the inflation rate is somewhere between 6% and 7%. If you go shorter term, 5-year Treasuries are trading at a yield of 0.788% a year, and 2-year Treasuries are offering a somewhat less-than-generous yield of 0.215%.

Those yields look stingy from a historical standpoint; just a couple of years ago, the 10-year Treasury rate was over 3%, and before the Great Recession you could have locked in 5% rates. But if you compare U.S. rates to what the citizens of other countries are getting, the American bond market looks positively generous.

Consider, for instance, investors in German bonds, whose 2-year, 5-year and 10-year bonds were issued at 0% rates; the government promised nothing more than that it would give you your money back at the end of the term. The 2-year bonds are trading at prices equivalent to an annual yield of roughly **negative** 0.738%, which is better than the **negative** 0.724% for 5-year bonds. Buy 10-year German government bonds on the open market and you can expect to **lose** only 0.464% a year.

European bonds in general are less-than-generous for their investors these days. Two-year Spanish government bonds, which were actually issued at positive yields, are now trading to yield **negative** 0.684%; the 5-year bonds are yielding -0.419% and you can eke out a +0.219% annual return if you go out ten years. Dutch, Belgian, and French bonds are similarly yielding negative returns across all maturities up to 10 years, while investors in Italian, Swedish and Portuguese bonds would have to go out ten years in order to get a positive return on their investments. Of the major developed nations, only Australia is offering yields comparably ‘generous’ to what the U.S. is offering.

If you’re shopping for higher yields, maybe you could consider Venezuelan 10-year government bonds, which are posting an unusually high 46% annual yield—which barely beats the 45% yield offered on Argentinian 10-year government bonds. Of course, then you would have to contend with Venezuela’s 9,986% annual inflation rate (down from 14,291% last year), which means the Venezuelan Bolivar is collapsing in real time, and your bond investment would be worthless in roughly a year. (At today’s exchange rate, you can buy just under 403 billion bolivars with a dollar. Five dollars will get you more than 2 trillion.) Argentina’s currency is devaluing at a comparably more modest rate of ‘just’ 47% a year, which might eat away at the returns offered by the country’s bond investments.

We can complain that our government bond investments are losing money to inflation today, and the complaint certainly feels justified. But investors in other countries actually have more to complain about than we do.

Sources:

<https://www.wsj.com/market-data/bonds/governmentbonds>

<https://www.macrotrends.net/2016/10-year-treasury-bond-rate-yield-chart>

<http://www.worldgovernmentbonds.com/>

<https://worldpopulationreview.com/country-rankings/inflation-rate-by-country>

If you have any questions about this article or want to discuss your family finances, investment portfolio, or financial planning advice, please call on me anytime at my number [\(215\) 325-1595](tel:2153251595) or you can [click here to schedule a meeting](#).

Please feel free to forward this article and offer to anyone you know who might have financial questions or need some unbiased advice. Most financial advice is sales advice. In stark contrast, we are fee-only (non-commissioned) fiduciary advisors. We just provide truthful, unbiased advice to our clients.



Jeffrey Broadhurst
MBA, CFA, CFP
Broadhurst Financial Advisors, Inc.



****PRIVACY NOTICE****

This message is intended only for the individual or entity to which it is addressed and may contain information that is privileged, confidential, or exempt from disclosure under applicable federal or state law. You are hereby notified that any dissemination, distribution, or copying of this communication, except in accordance with its intended purpose, is strictly prohibited.

Our emailing address:
1911 W Point Pike, POB 301
PA 19486, United States

Contact us:
Phone: (215) 325-1595
Email: jeff@broadhurstfinancial.com