

## The Fed's Role in Rescuing Short Yields

The bond market focus over the last month has been squarely on the sharp selloff on the long end of the yield curve, but short yields are threatening to sink into negative territory if the Fed doesn't step in. The short end has been anchored near zero for the last 12 months by the Fed's overnight rate target, but downward pressure is threatening to increase significantly in the coming months as the demand for treasuries overwhelms the fast dwindling Treasury-bill supply.

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*Scott McIntyre*