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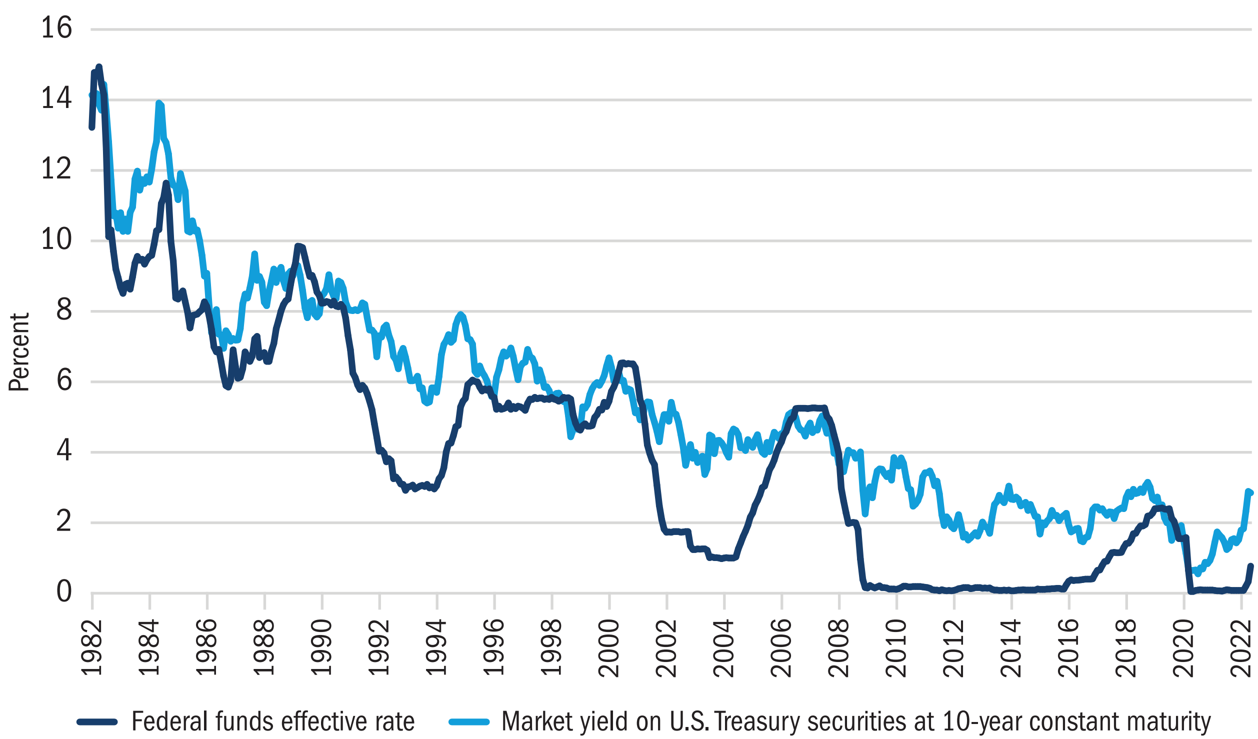
10-year Treasury yields do not closely follow changes in the fed funds rate



Source: Federal Reserve Bank of St. Louis

The federal funds rate (FFR) is the Fed's primary monetary policy tool and reflects the rate banks charge on overnight loans to other banks. Because it's a very short-term rate, the FFR has the most direct impact on other short-term interest rates across the economy.

The yield on the 10-year Treasury has many drivers. For example, when economic confidence is high, demand for safe-haven assets (like Treasuries) falls. This pushes prices lower and yields higher. Yields are also influenced by uncertainty related to future inflation, growth and geopolitical risk. The 10-year Treasury yield may impact other longer term rates in the economy such as fixed-rate mortgages and corporate borrowing costs.

Understanding these differences is helpful for investors who look to the yield curve for signals about the economy and fixed-income markets.

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