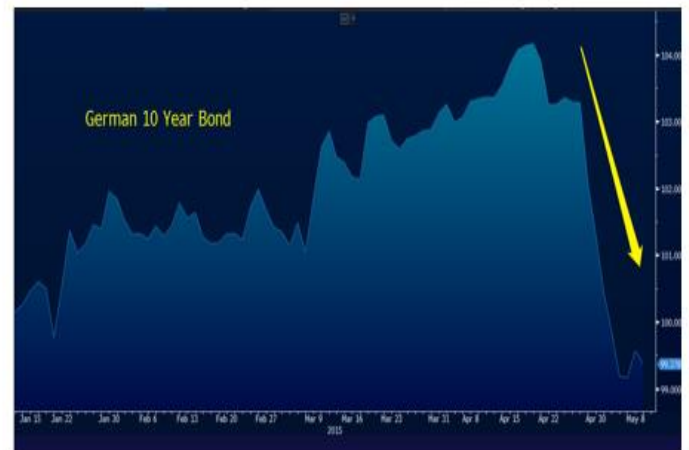
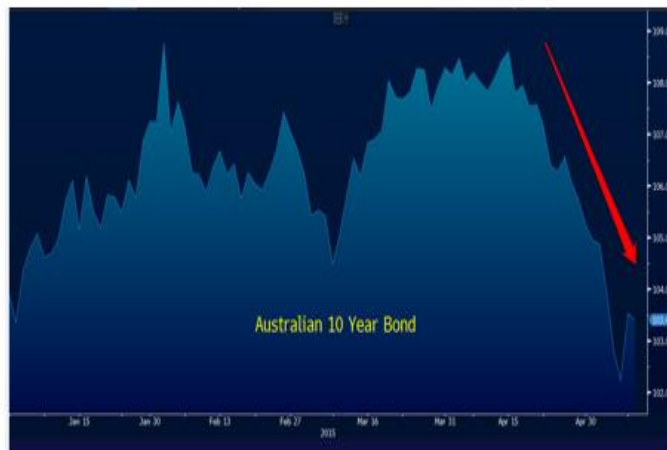
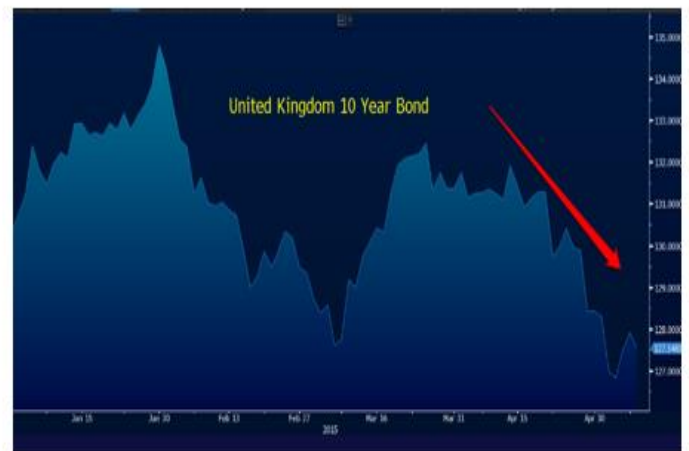


# What's Up, Bond Yields?

Three weeks ago global bond yields tumbled in ways rarely seen. Rates on German bonds fell to less than 0.1%. Investors seeking the safety and soundness of Swiss bonds were dealt the harsh blow of negative returns. Bill Gross, the noted bond king, went as far as to tweet the 10-year benchmark German bund as “the short of a lifetime.” Shorting is a means for traders to sell securities they don't currently own in hopes that the prices fall, and they can profit by buying them back at a cheaper price.

Government bonds offer investors both safety and liquidity. They are considered the standard bearer for collateral purposes. The German 10 year bond fell from 1.5% to less than 0.1% on April 20th; 21 days later the yield is approaching .60%. Government bond collateral is highly marginable enabling professional traders to readily leverage their bets by a 10:1 ratio or more. Skilled traders ambitious enough to take on risk, invest in the “Bill Gross Short,” and leverage their capital by ten times are looking at profits of around 50% in a three week period.



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