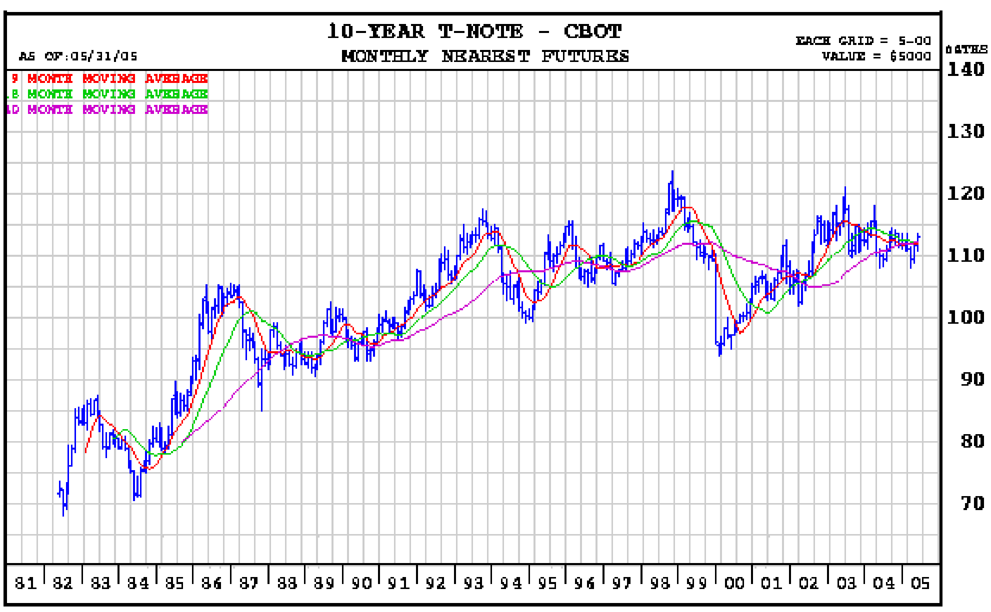
German, Swiss Bond Yields Fall to Records as Growth Stagnates

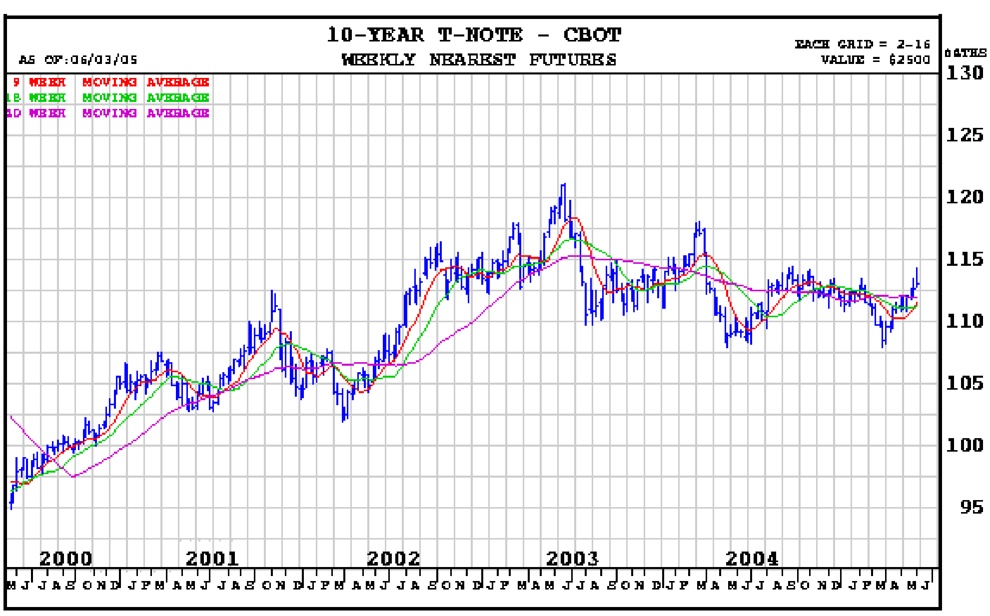
June 8, 2005 (Bloomberg) -- Yields on German, Swiss and Swedish bonds fell to records as faltering European economic growth spurs investors to the safety of government debt.

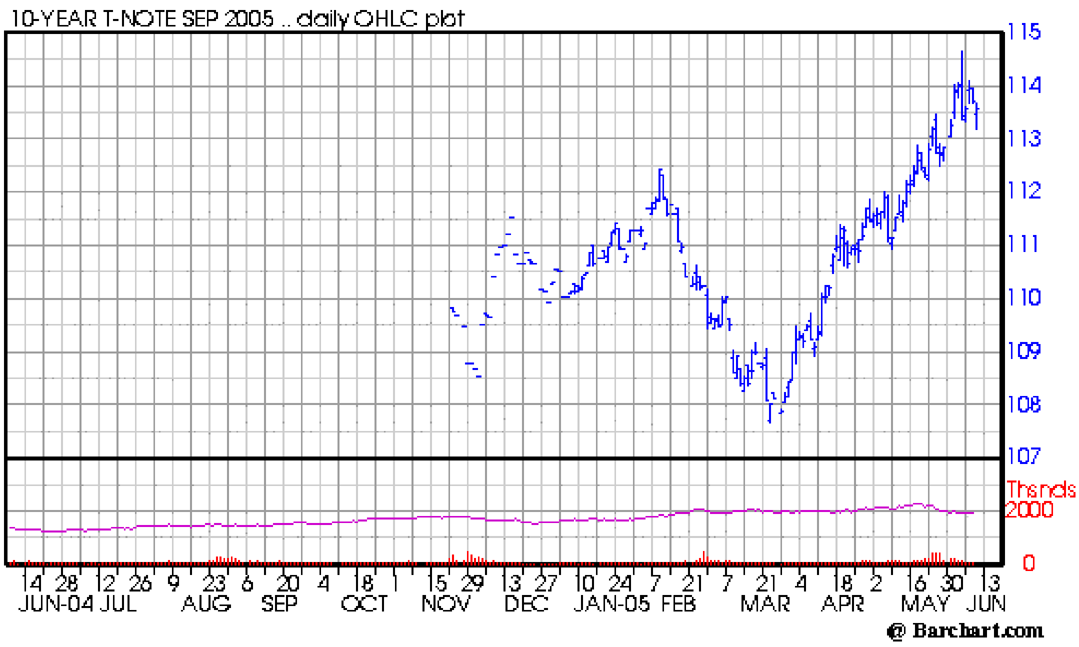
Yields have been driven lower in the euro region as organizations including the European Commission and the European Central Bank reduced their forecasts for expansion. Sweden, the Nordic region's largest economy, grew 1.4 percent in the first quarter, a government report showed today, down from a 2 percent pace in the fourth quarter. Swiss Economics Minister Joseph Deiss said on May 27 that his country's growth may fail to meet the government's 1.5 percent forecast for this year.

Switzerland's 10-year bond yield fell to a record 1.89 percent today. Sweden's 10-year yield reached an all-time low of 3.07 percent. French 10- year yields also fell today, reaching 3.13 percent, the lowest in at least 15 years, according to data compiled by Bloomberg.

The two-year Swedish note yielded less than the Riksbank's benchmark rate, at 1.93 percent. Two-year German notes yield 2.02 percent, just 2 basis points more than the ECB's benchmark rate. The two-year note hasn't yielded less than the ECB's main interest rate since June 2003, when the bank last lowered the rate.



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