The difference between 7- and 30-year Treasury yields was close to the smallest level since 2009 before the U.S. sells $29 billion of 2021 debt today.

The spread was 1.20 percentage points, versus 1.19 percentage points yesterday, a level not seen since October 2009. Investors narrowed the gaps between note and bond yields in 2014 as they bet Federal Reserve rate increases in coming years will hurt shorter maturities, while a low inflation rate will benefit long tenors. Mohamed El-Erian said the economy is improving though the Fed won’t lift borrowing costs for a while.

“Short-end yields will have a big impact if the Fed starts to raise policy rates,” said Yoshiyuki Suzuki, the head of fixed income in Tokyo at Fukoku Mutual Life Insurance Co., which has the equivalent of $59.1 billion in assets. “Long-end yields will not be affected so much.”

Benchmark 10-year yields were little changed at 2.69 percent as of 7 a.m. in London, according to Bloomberg Bond Trader prices. The price of the 2.75 percent note due in February 2024 was 100 15/32.

Seven-year notes, with a yield of 2.28 percent, have returned 2.1 percent this year, according to Bank of America Merrill Lynch indexes. Thirty-year bonds yield 3.48 percent and have returned 10 percent.

Yields were little changed in Japan at 0.615 percent and in Australia at 3.96 percent. New Zealand increased its main interest rate by a quarter point to 3 percent.

**Auction Demand**

Investors at the previous U.S. seven-year auction March 27 submitted bids for 2.59 times the amount of debt available. The average for the past 10 sales including last month’s is 2.55.

Direct bidders bypassing the primary dealers and purchasing for their own accounts bought 32.6 percent of the securities, the most since the Treasury revived seven-year auctions in 2009.

Bidding declined at a five-year auction yesterday, and it increased at a two-year sale the day before.

The U.S. is also scheduled to announce today the size of a two-year floating-rate sale set for April 29.
Treasuries rose yesterday as a weaker-than-forecast housing report and the conflict between Russia and Ukraine led investors to seek a haven in government securities.

New home sales dropped 14.5 percent in March to a 384,000 annualized pace, lower than any forecast of economists surveyed by Bloomberg News and the weakest reading since July, Commerce Department data showed.

**Economic Reports**

Data today will show orders for durable goods climbed and manufacturing measured by the Federal Reserve Bank of Kansas City was close to a two-year high, based the Bloomberg surveys. Initial claims for unemployment insurance probably increased, according to the responses.

The difference between yields on 10-year notes and same-maturity Treasury Inflation Protected Securities, a gauge of trader expectations for consumer prices over the life of the debt, was 2.22 percentage points. The average over the past decade is 2.21.

Fed policy makers are winding down the debt-buying program they have used to support the economy. They have kept their target for overnight lending between banks in a range of zero to 0.25 percent since 2008.

“The U.S. economy is healing and is getting better,” El-Erian said yesterday on Bloomberg Television’s “In the Loop” with Betty Liu. The pace of growth in the U.S., China and Europe means the Fed won’t raise rates “for a while,” he said.

El-Erian, who quit Pacific Investment Management Co. in January, is now the chief economic adviser at Allianz SE, the Munich-based insurer and money manager that also owns Pimco, and a columnist for Bloomberg View.

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