

The excerpt and graph to the right are from the Wall St. Journal. Read the text and view the graph. Then reply to the prompts that follow.

MARKETS | TREASURYS

U.S. Government Bond Prices Edge Higher

Month-end bond buying helps offset a bright report on consumer spending

U.S. 10-year Treasury note yield



Source: WSJ Market Data Group

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0 COMMENTS

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U.S. government bonds strengthened Tuesday, as month-end bond buying helped to offset a bright report on consumer spending.

Earlier in the day, Treasury yields, which move in the opposite direction of bond prices, were higher amid continued fallout from Federal Reserve Chairwoman **Janet Yellen's** remarks Friday and new data showing consumer spending increased 1.0% in April from a month earlier, the strongest growth since August 2009.

Treasury yields have climbed in recent weeks as a number of Fed officials have warned investors that a rate increase as soon as June isn't off the table amid a resilient U.S. economy. On Friday, that message was reinforced by Ms. Yellen, who said a rate increase "in the coming months" would be appropriate if the economy and labor market continue to strengthen.

This is part of your project; respond to these questions as seriously as you would a prompt on an opportunity. Use this page and/or another if you need it.

1. Read the headline and then view the graph. The graph is about the yield on 10-year bonds, not the price. How does the headline fit with the data represented in the graph? Explain this relationship.
2. The sentence "Earlier in the day..." indicates that bond yields were higher in part because consumer spending increased. Strong consumer spending is a sign that the economy is strong. When the economy is good, why would bond yields increase?
3. The sentence "Treasury yields have climbed..." indicates that Fed officials have warned investors about a rate increase. Why would they do this? What risk are the Fed officials trying to protect investors from?
4. Other than basics like, "I learned how to calculate a Yield to Maturity," what have you learned from this project? What did you enjoy about it? What is interesting to you?