AS EUROPE DEBT CRISIS FUELS REFUGE DEMAND, TREASURY 10-YEAR YIELD FELL BELOW 2%

Treasuries rose, pushing the yield on the 10-year note down for a second week, as the concern the European debt crisis may escalate drove investors to the safety of U.S. government debt. Benchmark 10-year yields closed at less that 2 percent for the first time in almost eight months and fell below comparable German bonds. The yield difference widened to 0.31 percentage point, the most that is has been since April of 2009, as borrowing costs in the European region soared. U.S. auction yields dropped to record lows as the Treasury sold $99 billion in notes. A Dec. 2 report is forecast to show the U.S. added 12,000 jobs in November. ''There's not a lot of confidence in places outside the U.S. right now,'' said Christopher Bury, who is the co-head of fixed -income rates at Jefferies Group Inc., one of the 21 primary dealers that trade with the Federal Reserve. ''The overall risks have been increasing and that's contributed to Treasuries performance over the last week. Discussions out of Europe are not making much headway and the markets are not trading very well.'' According to Bloomberg Bond Trader prices, the ten-year note yields dropped five basis points, or 0.05 percentage point, on the week to 1.96 percent in New York. The 2 percent note in the month of November 2021 rose 13/32, or $4.06 per $1000 face amount, to 100 10/32. The yield dropped to 1.87 percent on Nov. 23, approaching the record low of 1.67 percent set Sept. 23. Yesterday at 2 p.m., trading in Treasuries closed in New York, after being shut the previous day for Thanksgiving. U.S. yields set record lows at auctions this week, even as the U.S. deficit reduction Congress's supercommittee failed on Nov. 21 to reach a deal, setting the stage for $1.2 trillion in automatic spending cuts, and also as the Fed and Treasury sold $116 billion in notes. A $35 billion two-year note auction on Nov. 21 produced the highest bid-to-cover ration on record for a fixed-coupon Treasury note or bond, 4.07, while a $35 billion five-year debt sale from the next day was prices at a record low yield for the securities of 0.937 percent. On Nov. 23, a $29 billion seven-year auction garnered a record low yield of 1.415 percent. According to the Fed Bank of New York's website, the Fed sold $ 8.531 billion of securities maturing in February 2012 through July 2012 on Nov. 21 as a part of its plan to lower borrowing costs that's become known as Operation Twist. The central bank also sole $8.63 billion in Treasuries maturing from March 2014 to November 2014, in a second operation of the day. ''Supply has never been a problem when the markets are in turmoil,'' said Paul Horrmann, who is a broker in New York at Traditional Asiel Securities Inc., and also an interdealer broker, on Nov. 21. ''There doesn't seem to be any concrete solutions in Europe.''