"Does it pay to be an Olympian"

By Tommy Williams, CFP®

U.S. Treasuries are offering a lesson in supply and demand. Last week, the U.S. Treasury auctioned $258 billion in bonds. Treasury auctions are the way the United States government finances its debt. The Treasury sells short-, intermediate-, and long-term IOUs, known as bills, notes, and bonds. When investors and governments purchase bonds, they agree to lend money to the United States. In return, the United States agrees to pay an amount of interest over a certain period of time. At the end of that time, the government is expected to repay the money borrowed.

The price and interest paid on U.S. government debt is determined by supply and demand. When there are few bonds and a lot of demand, prices rise and interest rates fall. When there are a lot of bonds and little demand, prices fall and interest rates rise.


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Last week, Barron's reported*, "The law of supply and demand meant that the glut of new Treasuries temporarily drove down prices and pushed up yields. The 10-year Treasury climbed during the week – brushing 2.95 percent – but ultimately lost half a basis point, ending at 2.87 percent. (A basis point is a hundredth of a percentage point.)"*

The Treasury increased its debt issuance to fund tax reform and the two-year federal budget. Reuters reported, "…tax reform is expected to add as much as $1.5 trillion to the federal debt load, while the budget agreement would increase government spending by almost $300 billion over the next two years."

A surplus of Treasury bonds, in tandem with decreased demand as the Federal Reserve reduces the holdings it accumulated during quantitative easing, could push Treasury rates higher. In addition, MarketWatch reported the Federal Reserve appears to be committed to gradually increasing the Fed funds rate to avoid an overheating economy and keep inflation down. In other words, higher interest rates may be coming.
With the Winter Olympics in South Korea still on our minds, I'd be remiss not to fill you in on a little known fact. Olympic athletes have to pay the bills, too. Not every American Olympian and Paralympian is a household name. Money.com reported, *"These athletes don't have the same kind of lucrative sponsorship deals as Olympic*

standouts like snowboarder Shaun White or alpine skiing star Lindsey Vonn – so they have to make ends meet, which can often mean squeezing in extra shifts during the off season, heading to the gym early in the morning before work and moving from a full-time position to a part-time one with no replacement for those lost wages." You may be surprised to know how some of these athletes pay the bills:

• Sled hockey player Josh Pauls is a sales account executive. His teammate Steve Cash is a personal banker.
• Pairs figure skater Chris Knierim works as an auto mechanic and wants to have his own auto shop someday.
• Biathlon competitor Lowell Bailey is a singer and songwriter who plays in bluegrass bands.
• Curling team member Nina Roth is a registered nurse. Her teammate Tabitha Peterson is a pharmacist.
• Snowboarder Jonathan Cheever is a licensed plumber.
• Luger Emily Sweeney is a member of the National Guard, and so is bobsledder Nick Cunningham.
• Short track speed skater Jessica Kooreman has a real estate license.
• Luger Justin Krewson is a firefighter.
• Snowboarder Mike Schultz designs and engineers prosthetics.
• Nordic skier Kendall Gretsch works in tech support.

There is a lot to admire about Olympic and Paralympic athletes. How many among us demonstrate that level of dedication? You can't help but hope that Olympic exposure will open doors of opportunity for them.

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