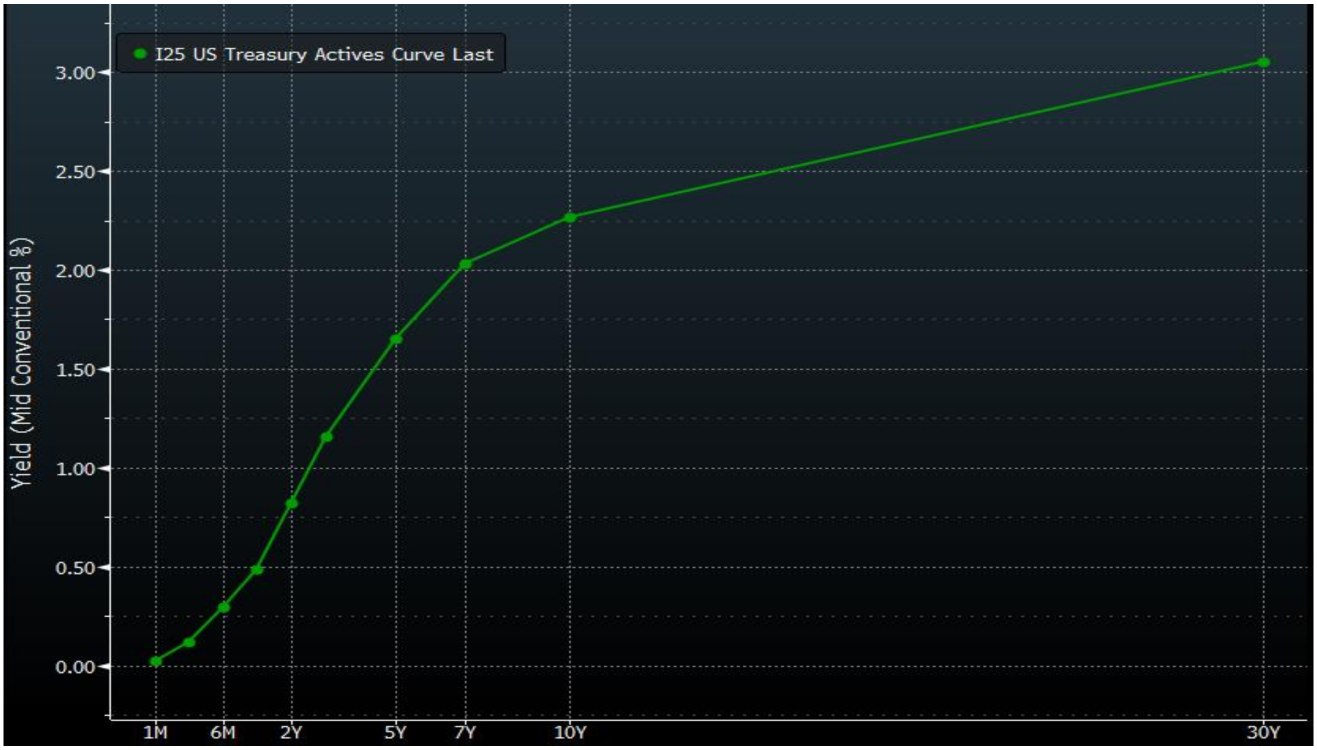
Bond Report

The US Treasury yields continue to climb last Monday for the sixth straight session reaching their highest level in almost four months. This was the consequences of both the stronger than expected economic data released last week, especially the astonish job reports, and the comments made by the FED officials which drove investors to believe of a rate hike by the end of the year. On Thursday, short-term treasury yields were traded nearby their highest level in five year as some FED officials said that it could be prudent to raise rates in December. However, Treasury yields finished the week lower marking their biggest weekly declines since mid-October. Indeed, on Friday, we observed weaker than expected economic data, a drop in both stocks and oil prices that led investors to buy government debt instead or riskier asset classes. Sales at US retailers increased by only 0.1% from September while wholesale inflation unexpectedly decreased by 0.4%. This low inflation trends led investors to finally doubt the fact that the FED will increase its rate by the end of the year. The yield of the 10-year bond lost 5.2 bps on the week, 3.9 bps only on Friday to finish at a level of 2.28%, its lowest level since November 5th. The yield of the 30-year Treasury lost 3.5 bps and finished the week at 3.06%. Among shorter maturities, the yield of the two-year Treasury dropped by 3.1% in the week and reached a level of 0.85%.



What's next and key earnings

On Monday November 16th, the Empire State Mfg Survey will be released. This report offers signals on the breakdown underway in the factory sector. It is expected to see a consensus of minus 5.00 for the month of November from a minus 11.36 for the month of September. Manufacturers have difficulties to keep production up as unfilled orders have been in deep contraction.

On Tuesday November 17th, the Consumer Price Index will be released. It is expected to see an increase of 0.2% for the month of October. Shelter prices faced some pressure and pushed the core rate up which is also expected to increase by 0.2%. The Industrial Production report will also be released. It has been declining for two consecutive month but is expected to increase by 0.1% for the month of October. The manufacturing component is expected to increase by 0.3% which is in line with a gain in manufacturing hours. The vehicle production component should show the most strength in this report. Later this day, the Housing Market Index will be released. It is supposed to keep increasing for the month of November with an increase in expected future sales.

On Wednesday November 18th, the Housing Starts will be released. It is expected to decrease by 1.2% for the month of October, reflecting weakness in permits while housing permits are expected to slightly increase by 1.1%. Later that day, the FOMC Minutes will be available.

On Friday November 19th, the Philadelphia Fed Business Outlook Survey will be released. The manufactured report is expected to come at a neutral level in November from minus 4.5 in October. New orders dropped by 20 points in October and finish at minus 10.6. Unfilled orders have been in contraction as well which led unemployment into the negative for the month of October. Noticed that this report will be released at 8:30 am ET instead of 10:00 am which could influence the U.S. equity markets.