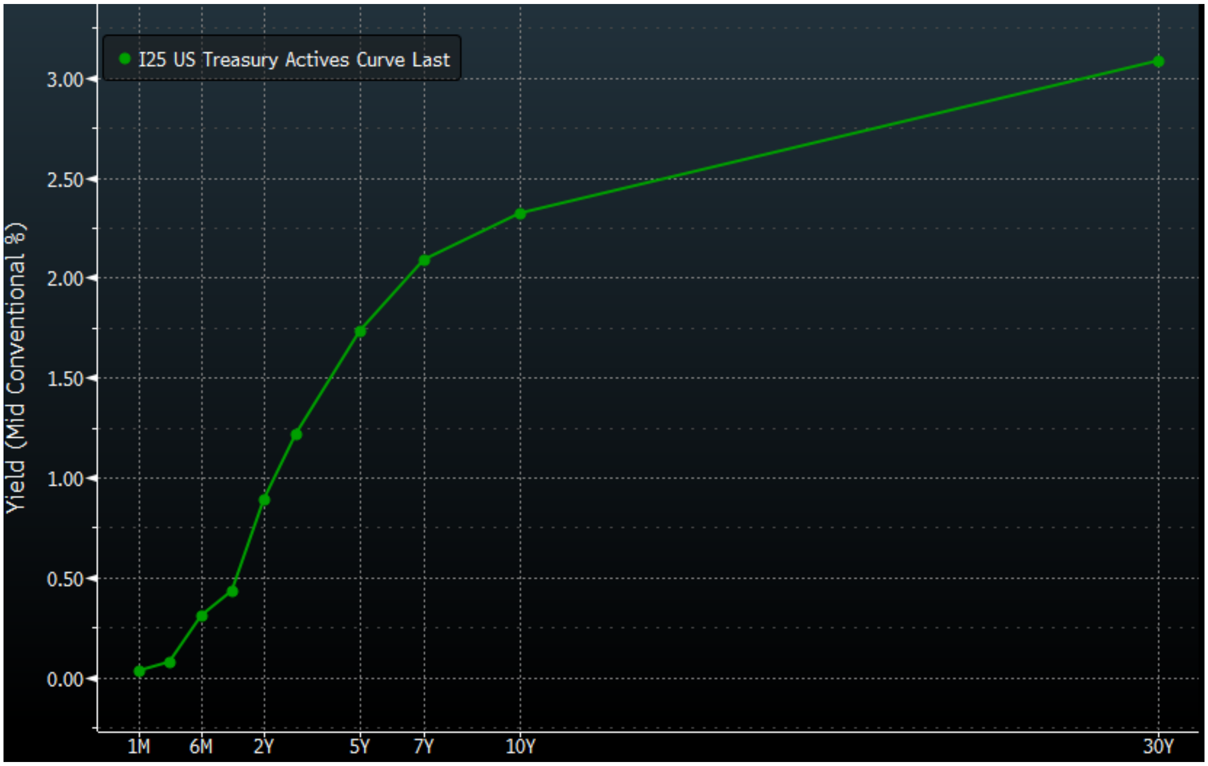
Bond Report

This Week, short-term Treasury yields climbed to their highest level in five years after the Labor Department reported on Friday 6th November that the U.S. economy had created 271,000 new jobs in October, well ahead the economist estimations of 190,000 which marked the largest monthly increase for the year 2015. Investors were all focusing on this report to be able to gauge and anticipate the FED next move. This astonishing jobs report led to a huge selloff in the market, which made the short-term yields rising, as it has been perceived by investors as a signal that the FED has enough reason to rise its interest rates during its December meeting. This stellar move in short-term maturities yields can be explained as they are more sensitive to change in the FED rates. The two-year treasury yield rose to its highest level since April 2010 to 0.890%, an increase of 4.8 bps compared to its last week level of 0.73%. The yield on the 10-year Treasury note gained 8.8bps from 2.15% to 2.33%, its highest level in four month. Among longer maturities, the 30-year bond yield gained 7.8 bps from 2.93% to 3.09%. It became rationale for investors that the FED is going to rise its interest rates during its December meeting unless something harmful occurs in the economy.



What's next and key earnings

On Tuesday November 10th the Imports and Exports Prices report will be released. Import and export's prices have been in contradiction and analyst are expected a further contraction for the month of October by 0.1% and 0.3% respectively. This is not exclusively due to oil as non-petroleum imports have been in contraction as well. The contraction in imports is mainly due to the strong dollar, U.S buyers can get more with their dollars. The contraction in export prices is the consequence of a global deflationary trends.

On Thursday November 12th, the Treasury Budget report will be released. This report will be followed as there is a relationship between the size of the budget deficit and the supply or Treasury securities. Bonds prices and yields are affected by this report since the government must sell more treasuries to finance its operations in case of a budget deficit. In case where the deficit is falling, the government needs to sell less bonds which led the price of Treasury bond higher. On the same day the JOLTS report will be release. It will provides additional information on the labor market by providing the number of Job Openings on the last business day of the month.

On Friday November 13th, The Retail Sales report will be released. It is expected to increase to a 0.3% gain in October compare to a disappointing 0.1% gain in September. Unit auto sales were strong and robust for the month of October. Gas priced firmed for the month of October. This should help gas station where sales were weak which led total sales lower. Concerning core retail sales, they are expected to rise by 0.3%. Seasonal good are however supposed to be weak since the unusual warm whether for October may have hurt them. On the same day, the Producer Price Index report will be released. Final demand are expected to rebound to a positive level of 0.2% for the month of October. The Consumer Sentiment will be released as well. This has been solid this year, November reading are expected to increase by 2.0 point to 92 from October. This report would underline the strength in the current job market.