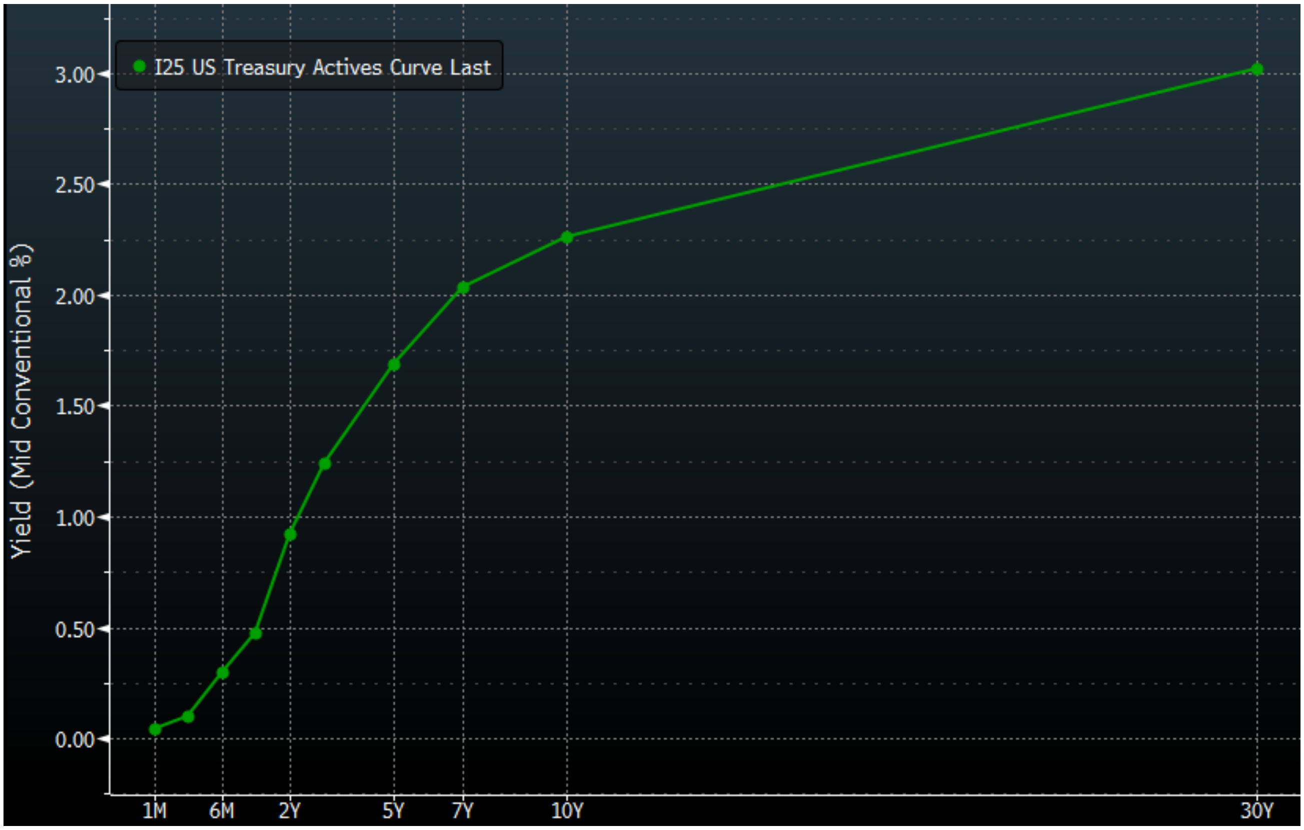
# Bond Report

This Week, short-term Treasury yields finished the week at their highest level since May 2010 because short-term yields are more sensitive to change in the FED rates, and investors continued to sell their U.S debt as they strongly believe of an increase in rates by the end of the year. On Wednesday, treasury-yield fall during the day as the minutes from the FED's meeting on October were released. Indeed, according to the minutes, the possibility of a rate hike "could well be met by the time of the next minutes". On Thursday, treasury-yields declines to their lowest level in two weeks as U.S economic data appeared to be strong enough for investors to consider an interest-rate hike in December; this was the continuity of the comments from the FED minutes. The beginning of the climbing cycle will causes short-term interest rates to climb while long-term interest rates should remain low. On Friday, the short-term treasury yield finished the week at 0.92, an increase of 2.5 bps from last week, its highest level in five and a half years. However, long-term maturities yields decline this week, with the 10-year treasury yield which finished the week at 2.26%, 1 basis point lower than last week and an increase of 1.8 bps from Thursday where the yield fall to 2.24%, its lowest level in two weeks. Among longer maturities, the 30-year Treasury yield lost 4 bps compare to last week and finished the week at 3.02% but gained 1.5 bps from Thursday where the yield went down to 3.0%.




## What’s next and key earnings

On Monday November 23rd, the PMI Manufacturing Index Flash will be released. This has not shown any contraction for this sector unlike most other measures. The index should be trending near a 54.5 range for the November Flash. Regional reports have been constructive including the Philly FED which moved back over breakeven. Later this day, the Existing Home Sales report will be released. They strongly increase for the month of September and they are expected to decrease a little bit at 5.4 million annual rate, which is a 2.7% decline in the month.

On Tuesday November 24th, the second estimate for third-quarter GDP will be released. It is expected to increase thanks to a rise in inventories, especially the retail inventories which increased dramatically in September. This version should be revised to a gain of estimate of 2.1%. The Consumer Confidence report will be released as well. It is expected to increase by 2-point from 97.6 to 99.6 for November. Job markets are always very watched in this report and this increase could be explained by the improvement of the employment report for November.

Wednesday November 25th, The Durable Goods Orders will be released. Contraction from both August and September are expected to be reversed with a 1.5% gain for the month of October. Later this day, the Personal Income and Outlays report will be released. The Core PCE index is often the FED’s favourite report since it tells about inflation and this report is expected to show an increase of 0.2% for the month of October, which would be in favour of a rate hike in December.