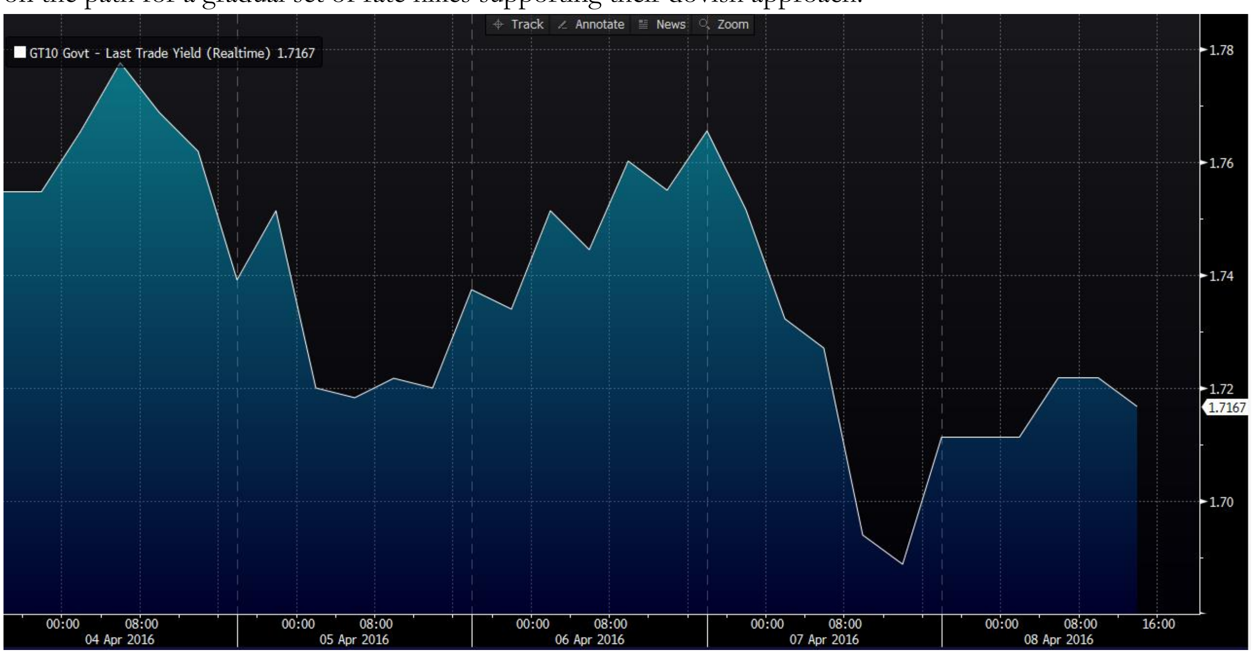
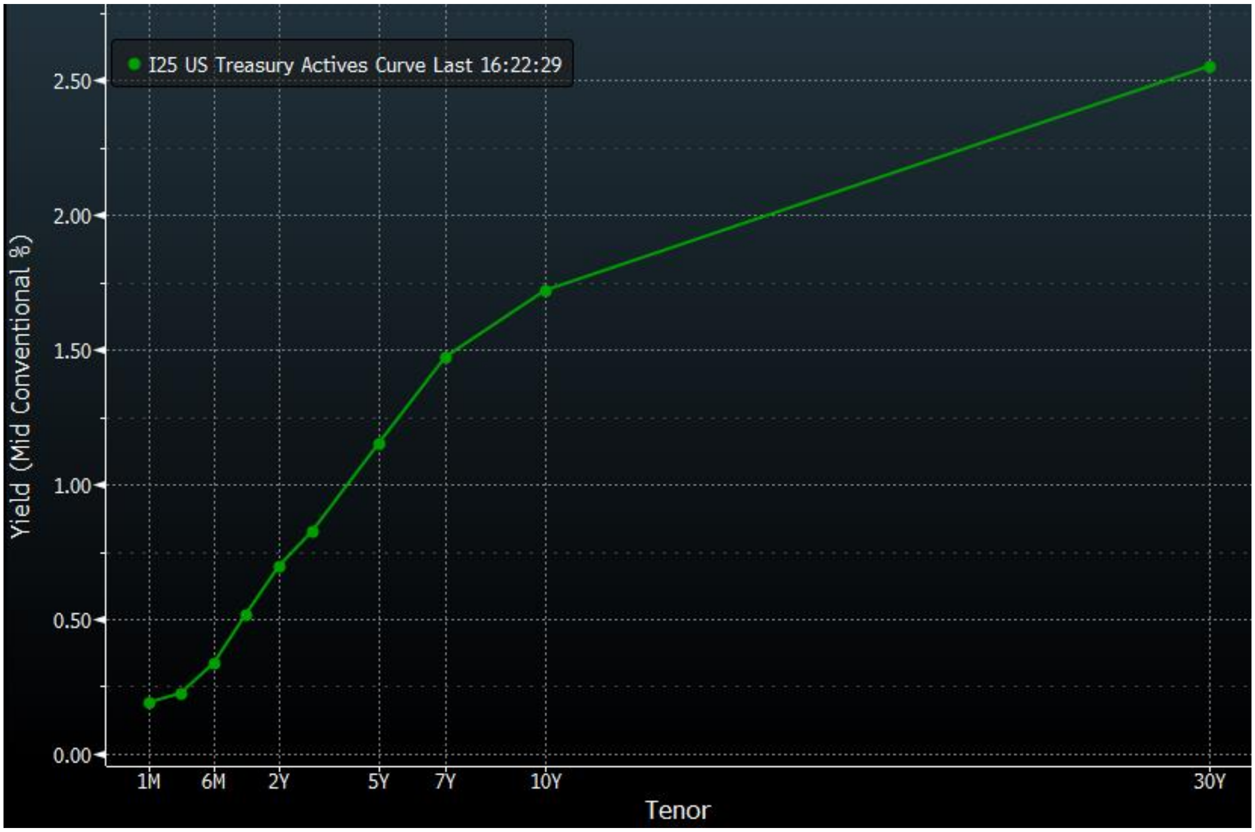
Bond Report

This week, the US Treasury yields reported their largest weekly decline in over eight weeks due to the dovish approach taken by the Federal Reserve early last week. As of now there is little expectations for a rates increase by the Fed, reflected in the futures market. On Monday, treasury yields decreased as a result of investors buying government bonds due to the prior week's strong employment data. The decrease was also due to the effects of Federal Reserve Chairwomen Janet Yellen's dovish comments last week. This action in the Treasury market is being seen as a flattening of the yield curve characteristically signalling investors expecting for weakness in the economy and low inflation. As of now there is a 26% probability of a rate increase by June, and only a 50% chance by the end of the year. Treasury yields dropped to their lowest levels in nearly two months, on Tuesday. In Europe yields decreased as well. Worries over restrained growth renewed fears over a British exit, from the European Union, and a Greek exit, from the Eurozone. Investors' concerns about weakness in economic growth and the Fed's dovish approach are the main drivers for treasury yields plummeting. On Wednesday, Treasury yields were lifted from a nearly two month low reached a day earlier. The main driver was a rally in risk assets, primarily equities and oil. This catalysed the selling of Treasurys and other assets perceived as safe amongst the global stock-market weakness. On Thursday, Treasury yields plunged to their lowest levels in eight weeks. Amongst a renewed selloff in the equity and oil markets investors pursued the safety of government bonds. The number of Americans who applied for unemployment benefits are at their lowest level in decades. Despite jobless claims matching expectations treasury yields still declined. The two-year Treasury dropped by 4.2bps to 0.696% and the 30-year Treasury fell 6.4bps to 2.514%, on Thursday. Treasury yields experienced modest gains on Friday. Although, due to low trading volumes analysts warn not to be concerned with the changes. The Fed remains dovish projecting only two rate hikes expected this year from the earlier projection of four. Overall, the two-year Treasury rebounded 1.6bps to 0.740% on Tuesday, but decreased by 6.1bps over the week to finish at 0.697%. The 10-year treasury yield also declined 7.1bps over the week and finished at 1.718%. While the 30-year Treasury on Tuesday rose 3.2bps to 2.580%, but fell 4.4bps over the week to finish at 2.553%. Treasury prices are being driven by the price of other assets and continue to fall as the Fed remains on the path for a gradual set of rate hikes supporting their dovish approach.





What's next and key earnings

On Monday April 4th, February's factory order report was released. Despite this year's decrease in the dollar there was a negative February report. Factory orders fell 1.7% after a strong January including a drop in non-durable and durable orders. This decrease in non-durable orders reflects a weakness in petroleum and coal products. Core capital goods fell 2.5% signaling trouble for business investors. However, inventory-to-shipments ratio of 1.37 was supported by the fall of inventories as a result of declines for total shipments and unfilled orders. The international trade report for February was released, on Tuesday. The report was mostly positive with the trade deficit coming in at a wider than expected $47.1billion. Domestic demand rose with imports. Foreign demand was also up as exports increased. Although, there is signals of weakness on the export side indicating weak global business investment. The ISM non-manufacturing report was released, on Tuesday. ISM non-manufacturing index rose sharply to 54.1 in support of strong economic growth for a majority of the US economy. The strength in backlogs and output is a good sign for employments. This report might be an early signal of the optimistic effects of the lower dollar. The JOLTS report for February was released showing a decline in job openings. Thanks to a hiring rate rise there are confident signs that new workers can easily enter the labor market. On Wednesday, the EIA Petroleum status report was released for the April 1st week. Crude oil changed course and fell 4.9million barrels. While gasoline and distillates rose slightly. On Thursday, jobless claims support ongoing strength in the US labor market as jobless claims are at record lows.