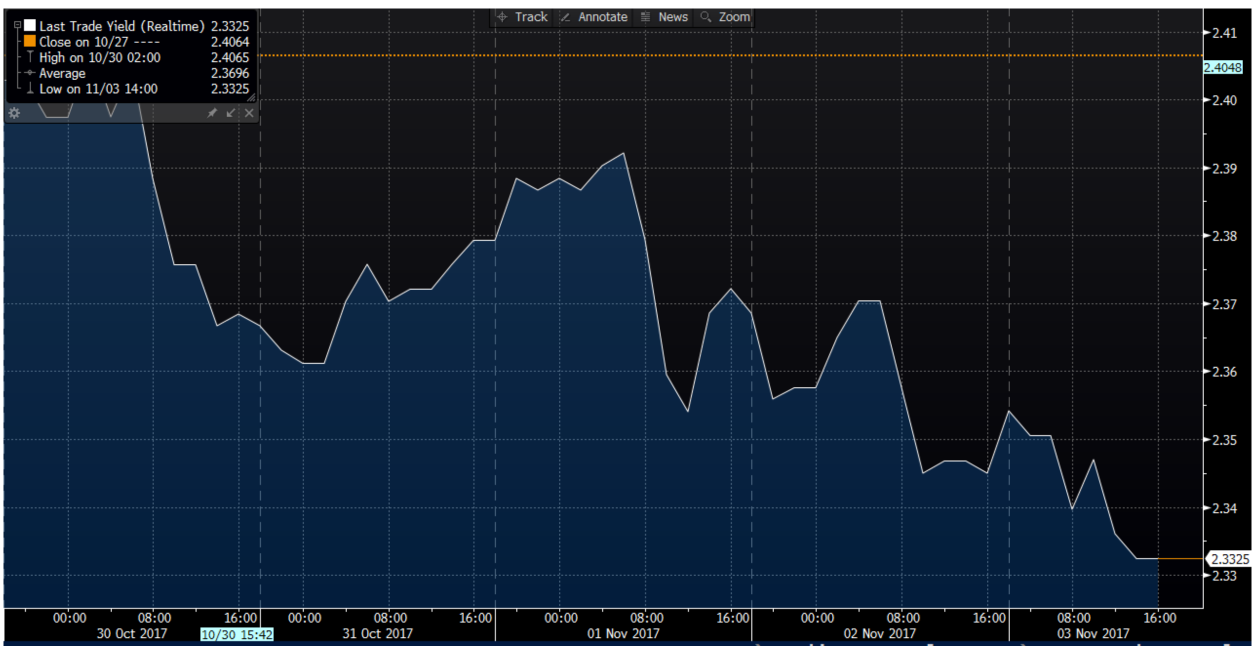
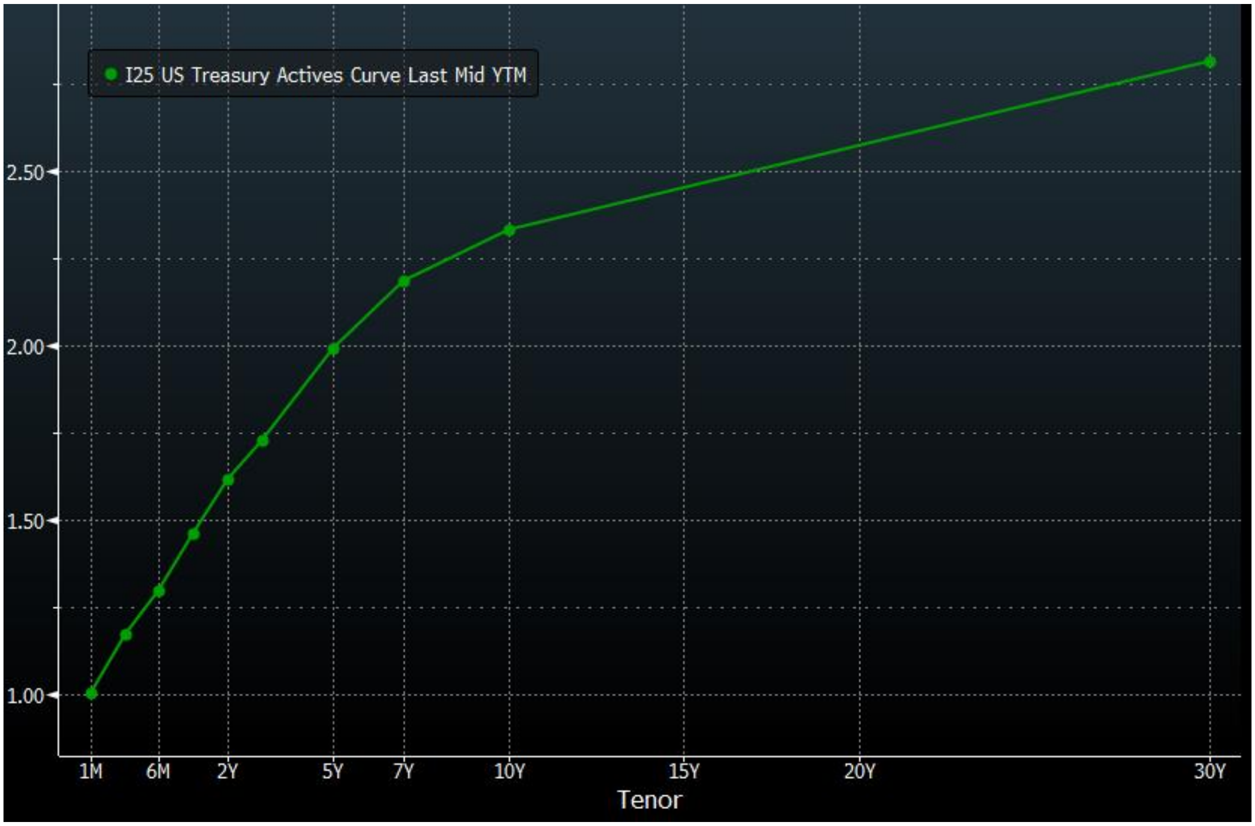
# Bond Report

This week's bond trading has been dominated by two main events. The first event was the election of Jerome Powell as Fed Chair. The markets main reaction to the election actually came early in the week even though the official announcement did not come until Thursday. The markets had anticipated this early in the week and was the main push behind longer term treasury yields falling. The markets were seemingly unhappy about this decision. The consensus is that Powell is much more apt to follow in the wishes of Janet Yellen, while John Taylor would have been a much more aggressive choice. Markets believed John Taylor held values very similar to Trump and with the head of the Fed aligned with Trump the seats would have been much more productive. The second event that dominated the week was that there has been a fear instilled of the flattening of the yield curve with longer term yields dropping off so much this week. The yield curve flattening could be the market reacting to expected interest rate rises; or that the market has larger concerns for the future. These concerns are most likely macro-economic concerns. Of course, it is still very early to tell but is something to be cognizant of. The closing treasury yields for this week were 2 year note yield – 1.624%, 10 year treasury note yield – 2.343%, and 30 year treasury bond – 2.822%.






### What's next and key events?

In the week to come we will receive the consumer credit release on Tuesday. The consumer credit release will indicate where the country is in terms of individual's ability to spend. With knowing how individual will and/or can spend in the future, trades can make some estimates as to how this will affect inflation. Consumer credit can also be indicative of how wages are currently fairing. Consumers are forced to borrow when they are under paid. On Wednesday we will receive the bank reserve settlement. This settlement will be telling for how much banks are lending. The bank reserve settlement will also be felt in federal funds rate. If banks are over levered they will have to borrow at the federal funds rate. On Thursday the jobless claims will be released. Jobless claims is a leading indicator of unemployment which is an indicator of the overall economy. A strong jobless claims report should solve any macroeconomic worry that may be coming from the small flattening of the yield curve.