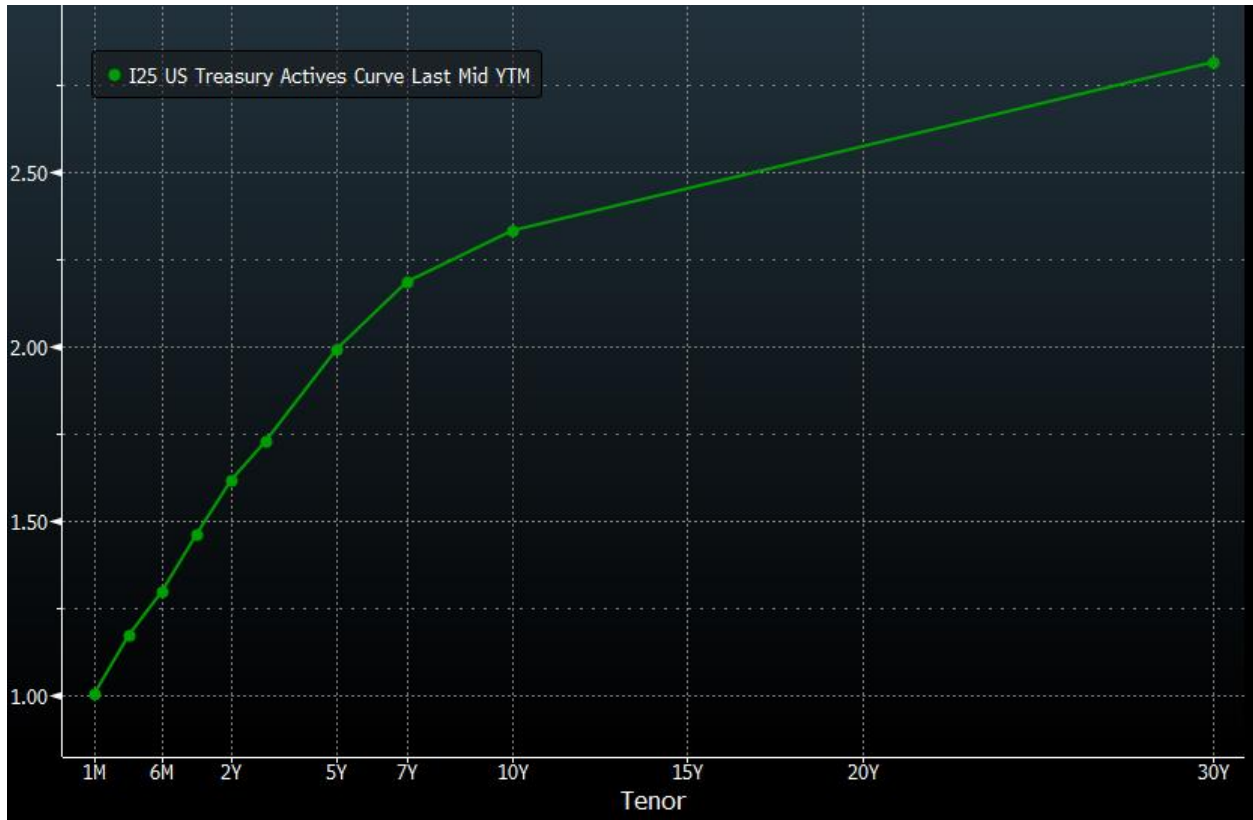


## Bond Report

This week's bond trading has been focused around one thing, Taxes. Taxes and their implications have worried bond traders all week. Although it does not look like corporate tax, repeal will come into play until at least 2019 it does seem as though it is still on traders' minds. Traders fear that as corporate taxes are cut, budget deficits will widen. These widening budget deficits will have to be resolved by the government flooding the market with more treasury bonds, notes, and bills. The flooded market will adversely affect rates. Another side of tax repeal that may be troubling traders is the personal tax repeal. Republicans are now bringing forward a more finalized version of the personal tax repeal. Republicans want to encourage individualizes to do their own takes by taking confusing itemized deductions out and essentially replacing them with larger block deductions. Bond traders most likely feel that although the individual taxes will get easier in theory, many people will still not have the understanding of how to utilize these deductions to their maximum. Also, many people will most likely not qualify for these larger block deductions that previously qualified for deductions. This will result in many misinformed taxpayers further causing headaches on Capitol Hill. Due to perceived over pricing within equity markets bond traders also fear equity money beginning to flood bond markets, further diluting prices. These perceived over pricings are due to some of the highest P/E ratios ever seen. 2 Year Treasury notes – 1.654%, 10 Year Treasury Notes – 2.397%, 30 Year Bond – 2.877%.





### What's next and key events?

In the week to come we will continue to look for the individual tax implications as more information is given. Although there seems that corporate tax overhaul information is not due to come up soon, any information is guaranteed to move the market immensely. CPI information is set to be released on Wednesday, this information is important in deciding the Fed's next move. The Fed really cannot raise the federal funds rate without some idea that they have created sine inflation. Import and Export information will come in on Thursday; this information will give equity investors some guidance as to how future earnings will be. With some worry about where P/E and other relative price measures are at now, this economic data could drive more equity money into bond markets and drive yields down further. In the future another important date will be November 28<sup>th</sup>, the day of Jerome Powell's confirmation hearing. This date is important as it will put the final stamp and traders will get a feel for how the fed will be run from now on.