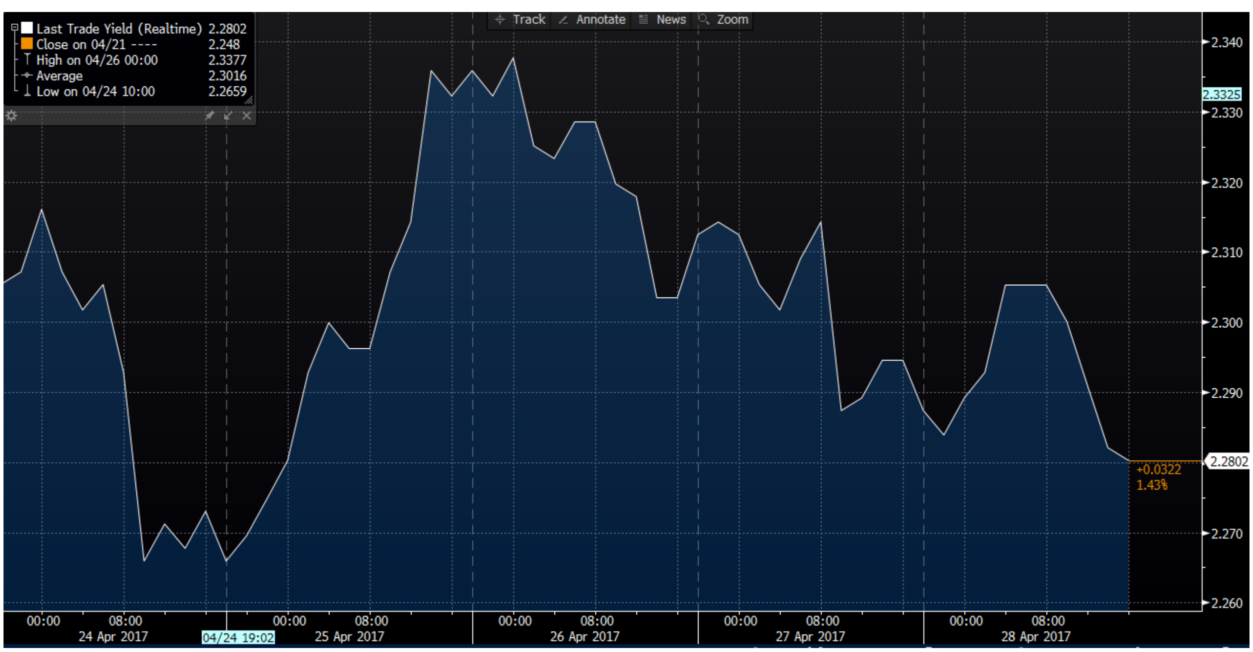
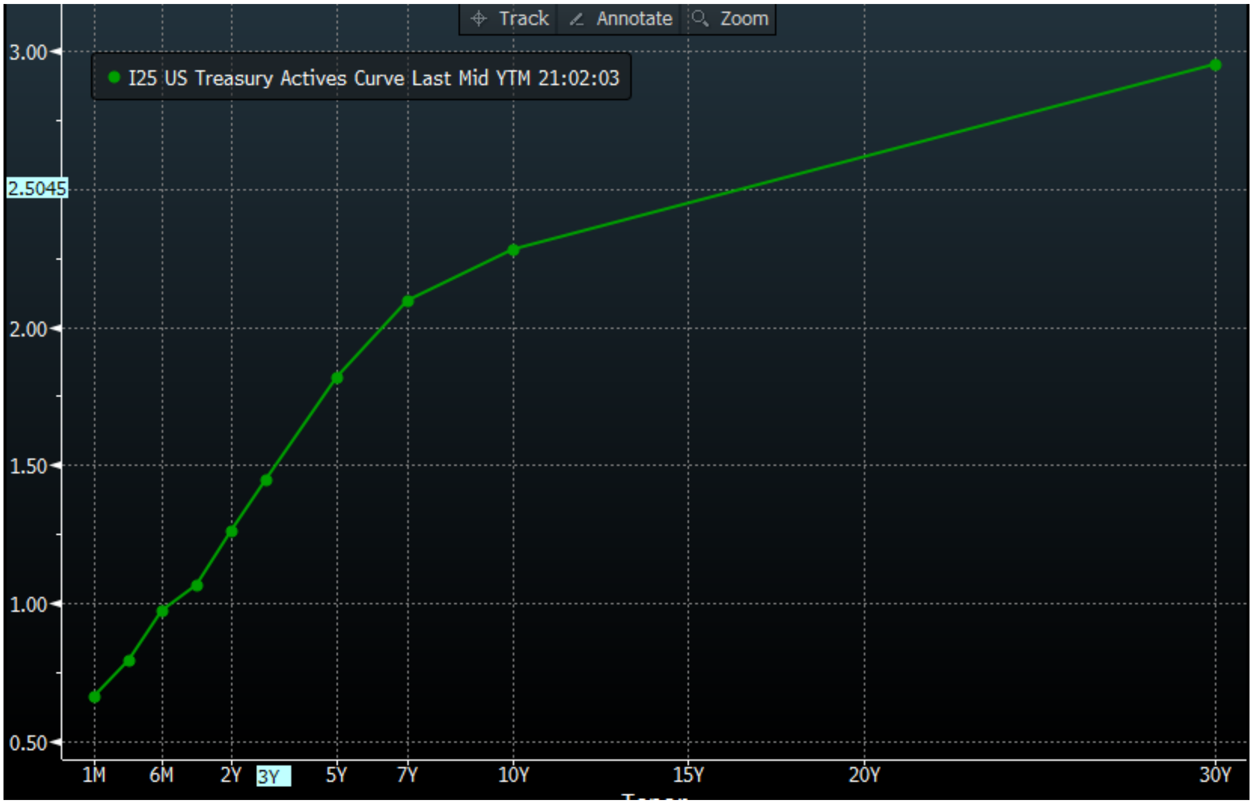
Bond Report

Over the course of this past week, volatility was very present in the bond market from reactions to European primary news, ECB monetary policy and President Trump's tax plan being released. On Monday, yields fell with investors interest in the bond market when news of an ease of tension in the French presidential election was noticed after Sunday's primary. Tuesday, yields were driven upwards heavily as money was pulled from the bond market and put back into equities. Also, U.S. trade secretary Wilbur Ross eased investor concerns about a trade war with Canada, again driving yields up. On Wednesday, yields fell again with the release of Trump's tax plans. The tax plan can be named "aggressive" and the investor confidence in the ability of the proposed plan passing through Democrats in Congress. Therefore, we saw an increased demand in the bond market again. Thursday's trading found yields dropping off for another day in a row, based on those still reacting to the tax plan unveiling as well as ECB's decision to leave interest rates untouched. On Friday, yields rose midday from news of the PCE index beating the 2% target growth. However, they fell by the end of the day because of signs of a slowing economy through GDP tracking of the first quarter and lower consumption as represented as part of GDP. Overall, the 2-year note finished the week at 8.5 basis points up at a rate of 1.27%. The 10-year Treasury note ended the week on a 11.4 basis point decline, finishing at 2.28%. Lastly, the 30-year note finished the week at 2.952% after a decline in Fridays trading day.





What's next and key events

The story of this fiscal year has been growth backed by volatility. We should continue to expect that this upcoming week as well. Coming off a very volatile week, we can only hope there will be a smoothing of the yield curve. Some key events to watch that will likely cause shifts in the yield include Chicago Fed National Activity index released Monday morning. Watch for any indicators of an expected growth for the GDP, which missed estimates last week. Other key events include the weekly Bloomberg Consumer comfort on Thursday, as well as the jobless claims. Thursday is also important to watch the EIA Natural Gas report for insight on the highly volatile commodity. On Friday, watch for the Corporate profits and expectations moving forward based on sentiment about tax plans. Overall, it is safe to say the volatility experienced will continue into this week and outside geopolitical tensions and spontaneous news about President Trump will continue to bring that to the bond market.