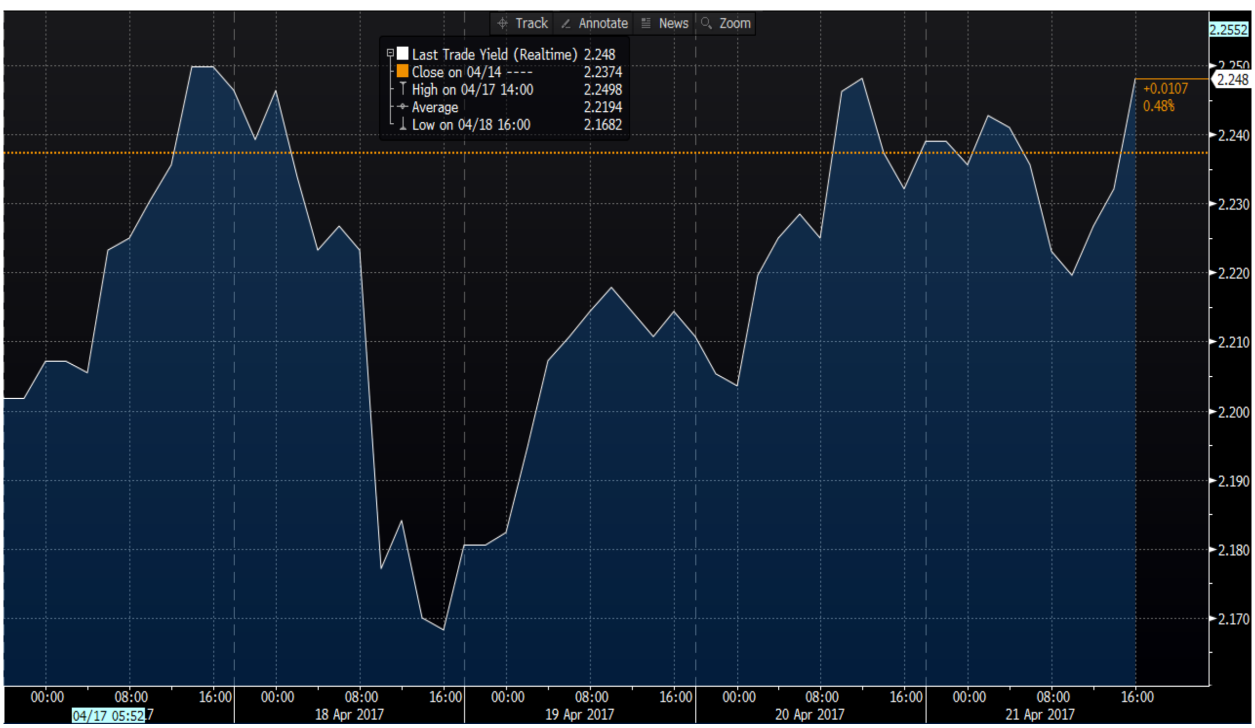
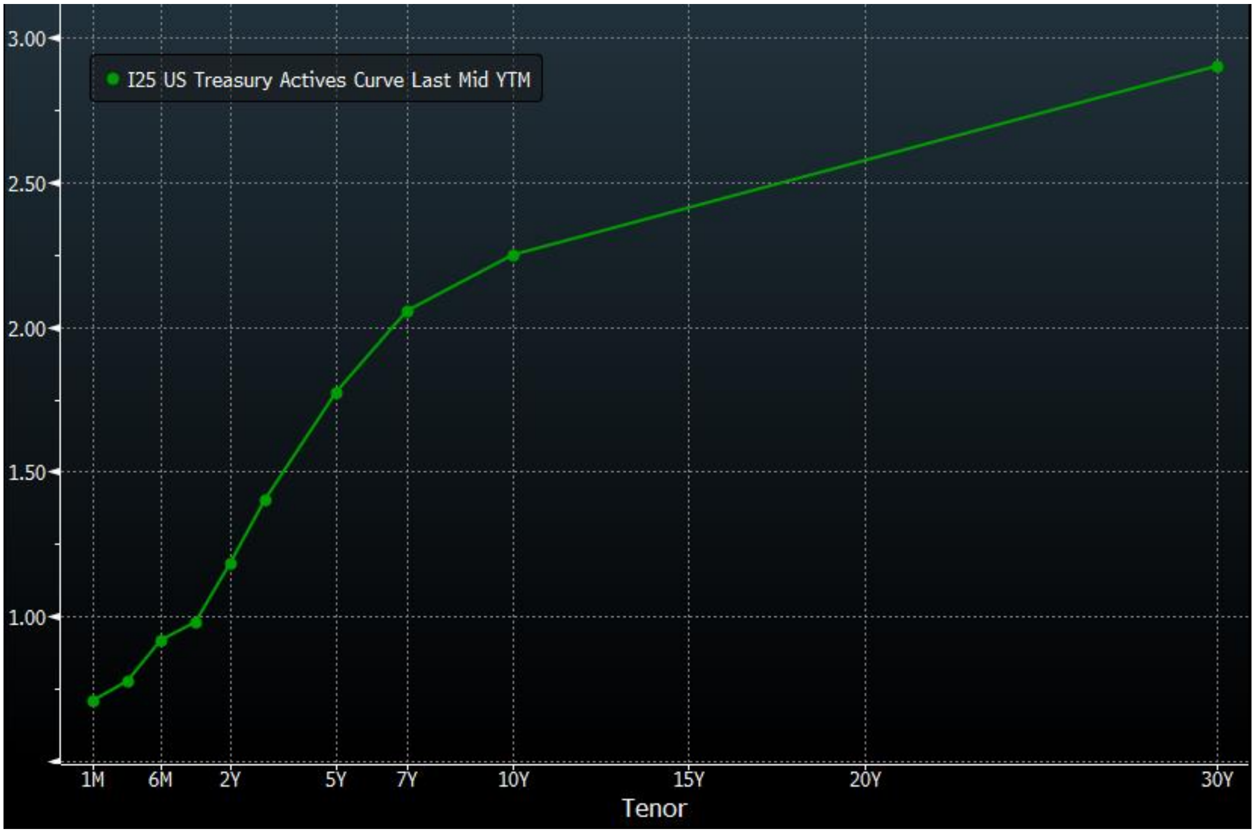
Bond Report

Over the course of the week, investor's desire for safer investments brought an inflow of demand into the bond market. High volatility in the yields continued through the week, moving sharply on news of the French election outlook and Trump's tax plan. On Monday, yields rebound from last week as investors' confidence in stocks rose from a week low. The rebound was insignificant, as yields rose about 1.3 basis points for the 2, 10, and 30-year Treasury notes. Tuesday, yields were pushed down from diminishing hope in President Trump's ability to provide a fiscal stimulus. Geopolitical tension also attracts investors to bonds, which also helped plunge the yields for the largest one day decline in a month. The 30-year note most notably fell 7.3 basis points to the lowest it has been since the November 8th election. On Wednesday, yields rose slightly off their lows based on expectations of inflation rising soon. Unemployment is near full level, and inflation hasn't followed that trend so investors are looking for safer investments based on future expectations that inflation will rise soon. On Thursday, yields rose significantly over rumors of the Trump administration closing in on a major tax reform deal, as well as working on a compromise for health care reform. Friday, yields rose from more news released about Trump's tax plan being released next week. Yields have been very volatile around news of the Trump administration. Over the course of the week, the 2-year Treasury note finished at 1.164%, down 2.5 basis points. The 10-year note slipped only slightly from weeks beginning, finishing at 2.219%. Lastly, the 30-year note finished of the week at 2.893%.





What's next and key events

This upcoming week, news of the highly-anticipated Trump tax reform should be watched heavily because the market could see an extreme demand rush over positive sentiment. Another thing to watch is how the yields will react to the first round of France's elections this past weekend. The story this year has been volatility, which we can expect to continue into this week as well. As per every week, watching the jobless claims and housing starts will be important to keep a tight hold on the overall economy. As reports come out about a positive economic outlook, it will become increasingly more important to watch the CPI, as a rise in inflation is also highly anticipated. This week, on Friday, the first quarter GDP news will be released, so that is a key event to watch. Estimates are expected to be on the low side, but strong economic data for the past few weeks may prove to beat estimates. The most important event to watch however the tax plan, as a huge sell-off may occur sending a shock through the bond market.