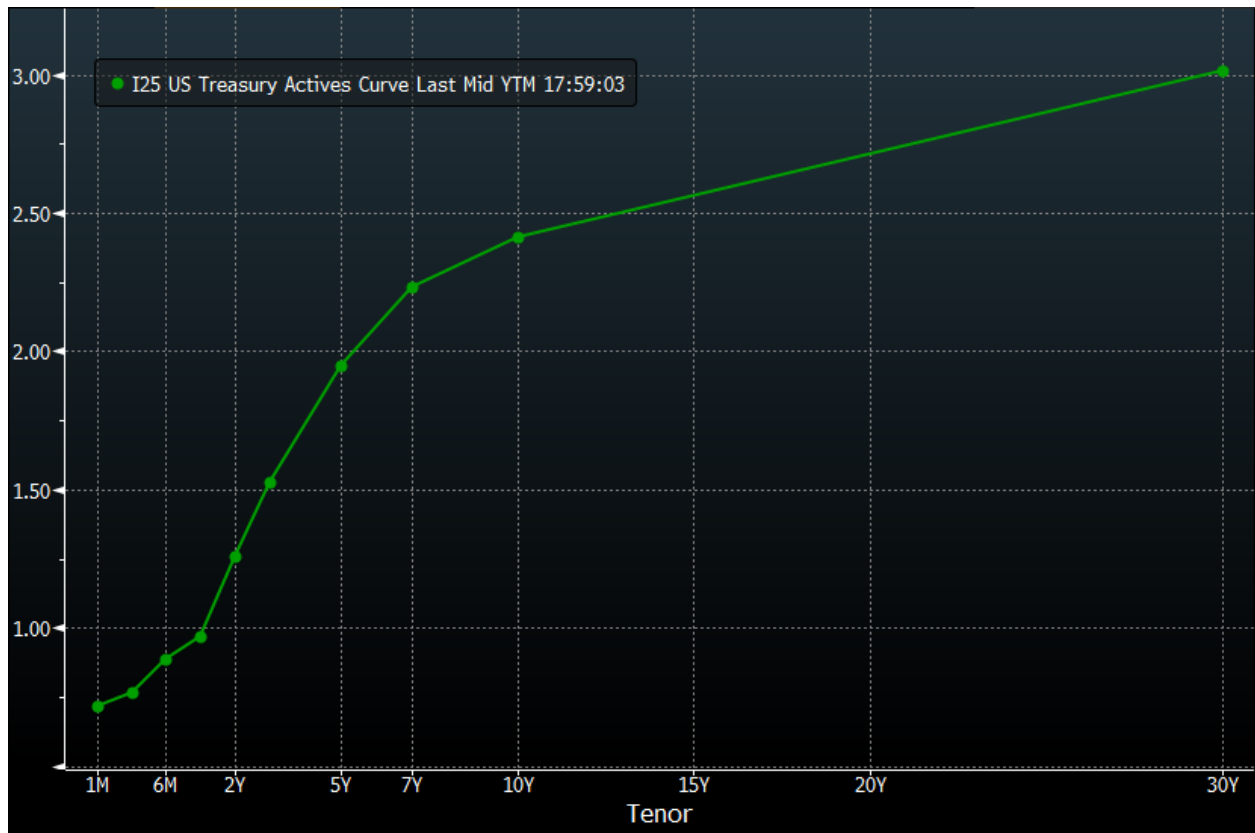


Bond Report

This week in the bond market, the main concern was about Donald Trump's health care reform and the inability to get needed support for it to pass in legislation. The confidence in the market overall dropped, in light that these same results would come from economic expansion policies as well. On Monday, yields dropped minimally from disappointment about the confirmation of the Fed only planning for three rate hikes this year. Investors expected a more hawkish approach, and the backlash from that carried over into Monday's trading. Across the board, yields were about 2.5 basis points lower than open. Tuesday's yields moved lower for the third day straight on news of Trump's reformed health care plan will likely fail to pass. Early in the trading day, news about France's polls drove the yield up shortly, however the rally was short lived. The 10 and 30-year treasury fell about 4 basis points, while the 2-year Treasury note fell 2.8 basis points. On Wednesday, the market confidence in Trump's ability to pass legislation and move towards economic growth was again diminished when heavy opposition was brought upon the updated health care reform proposal. The uncertainty in further economic expansion like policies and the expected growth from that drove yields down again. Both the 10 and 30-year Treasury notes responded similarly again, dropping about 3.4 basis points, while the 2-year only dropped about 1.6 basis points. Thursday's news brought a slight boost in the yields from press releases containing information about general feelings of the new health care act, which contained not immediate reject, rather needed time to fully develop opinions and vote in the public's best interest. This underlying extent brought back a little portion of lost confidence, and with that came the slight rise in yields. The 10-year note rose basis points, while the 30-year treasury note rose 1.6 basis points. On a negative note, the 2-year note fell 1.8 basis points, falling for the 5th day in a row. Friday didn't bring any better news, as Trump put an ultimatum to force a decision from the GOP, yet they refused to listen and pushed off the voting again. The investor confidence that slightly rose Thursday, found itself at its low again as the signs of leadership were written off. Over the course of the week, the 2-year note closed at a final yield of 1.248%. The 10-year note finished the week 2.2 basis points lower than days prior at 2.396%. Lastly, the 30-year Treasury note finished at 2.999% by the end of weeks close.





What's next and key events

We can expect more volatility this week as Monday is the new expected date for the GOP vote on the reformed health care proposal. Trump is reportedly, "moving on" so we can expect the decision to make the impact, rather than his actions because he is planning on focusing on economic growth type policies. The investor confidence is down though from last week, so his effectiveness in further reform will be heavily critiqued and priced in weeks ahead. We can expect to watch Janet Yellen speak again on Thursday, as last weeks speech failed to address any future outlook that the market was hoping to capitalize on. Other key events include the weekly Bloomberg CCI to act as an economic indicator, which releases on Thursday as well, and the Jobless Claims to be released on Thursday. These need to be watched closely if investors are expected to hold expectations of a hawkish fed in future meetings.