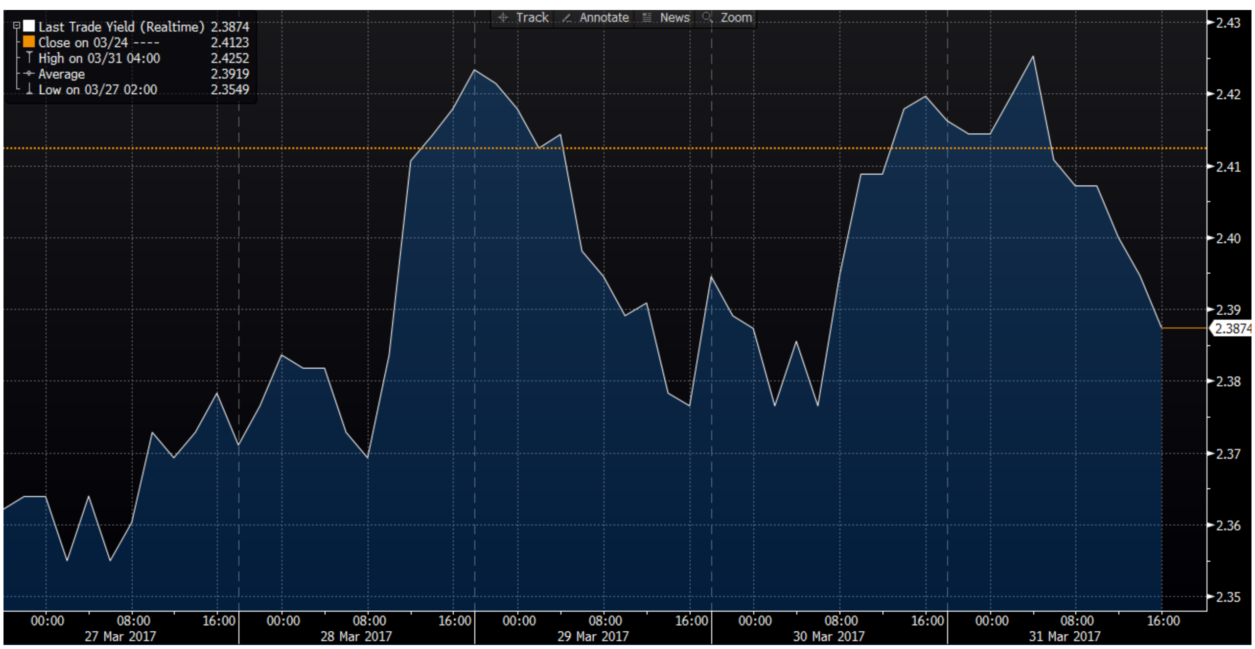
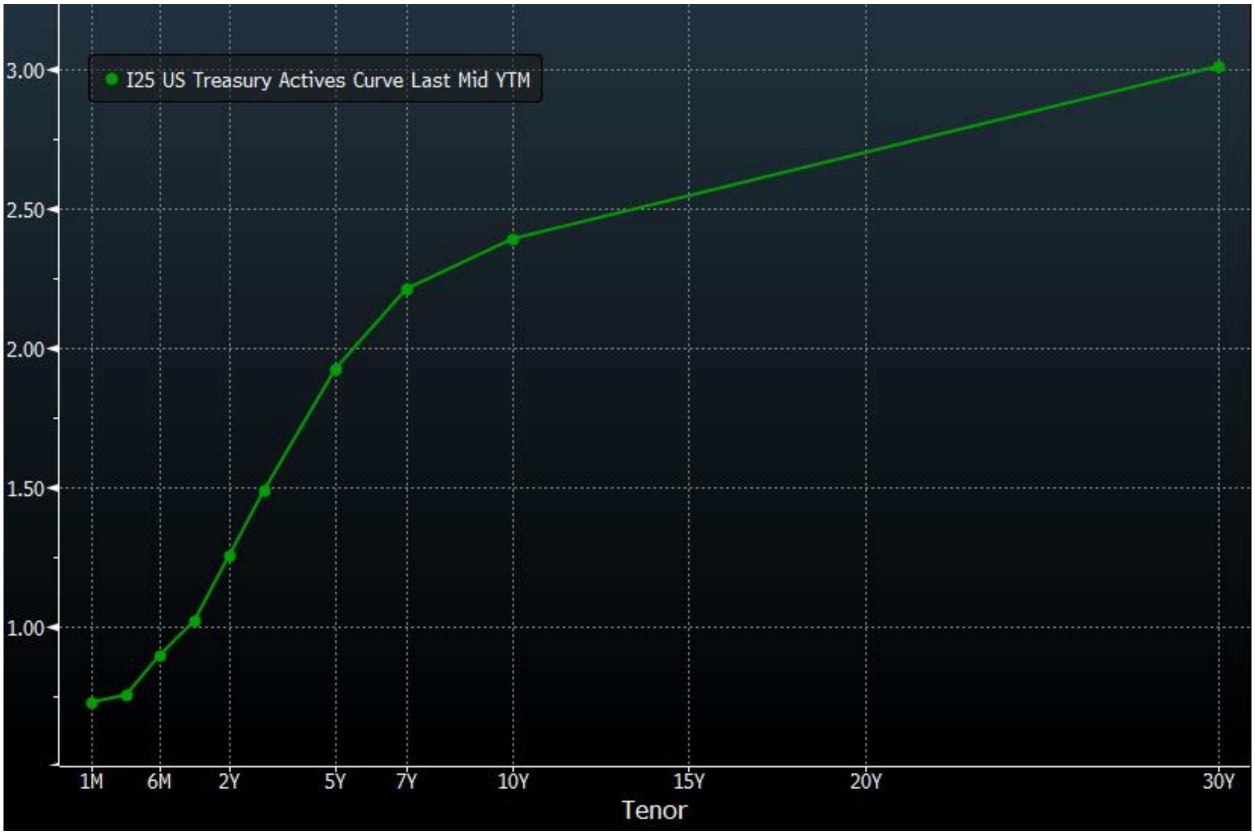
Bond Report

This past week, there was significant volatility in the market from uncertain sentiment of a hawkish fed outlook. On Monday Chicago Fed President Charles Evans mentioned a possibility of a four rate hike year if the economy shows signs of it being necessary, however this remark had little impact on the day's trading. The defeat of the replacement bill for the Affordable Care Act and the sentiment of the Trump administration from that voting ended up having larger impact on Monday. The market finished the day with 10-year notes most notably dropping 3.7 basis points and the 30-year note dropping 2 basis points. Tuesday, news of consumer confidence being the highest in 16 years drove yields up, with news of inflation expectations being raised gave confidence in Monday's remark by Evans and the yields followed. The demand of "safer" investments also drew attraction to investors with uncertainty of the stock markets position throughout the trading day. Wednesday, input from the Fed was speaking of the 4 hike year, but the most influential was Vice Chairman Stanley Fischer's confirmation of only a 3 hike year. Yields fell on average 3.5 basis points, as confidence in the Fed again fell about a hawkish approach for the remainder of the year. On Thursday, yields rose from news of a rise in crude oil barrels pricing over $50 for the highest trading price in weeks. Also, good news about economic conditions including the jobless rate falling to near low in decades helped move yields. Friday's trading brought yields back down from the NY Federal Reserve President, William Dudley, remarks confirming again that the hawkish approach is out of line. The sentiment from the comments is that the economy is fine and tightening isn't currently necessary. Over the week, the 2 year note closed down 2.2 basis points, finishing the weeks yield at 1.258%. The 10 year notes also slipped 2.2 basis points to close the week at 2.396%. Lastly, the 30 year note yield finished the week at 3.02%





What's next and key events

Next week, we can look forward to the weekly Consumer Confidence report on Tuesday to guide overall sentiment in the economy. Overall market sentiment and oil prices have been moving the market, so we need to closely watch the Petroleum Status Report released on Wednesday. On Thursday, GDP estimates are going to be changed or released for the 3rd time for the 4th quarter. Reaction to these estimates could potentially create volatility even though investors have been repeatedly told a hawkish approach is out of reach. That fact hasn't been well received and we should continue to see volatility from this. This week's Jobless claims report will be also important to follow, as it will align with the other events like GDP estimates. Looking forward we need to follow the sentiment of investors, because the uncertainty is creating volatility and moving yields significantly intraday.