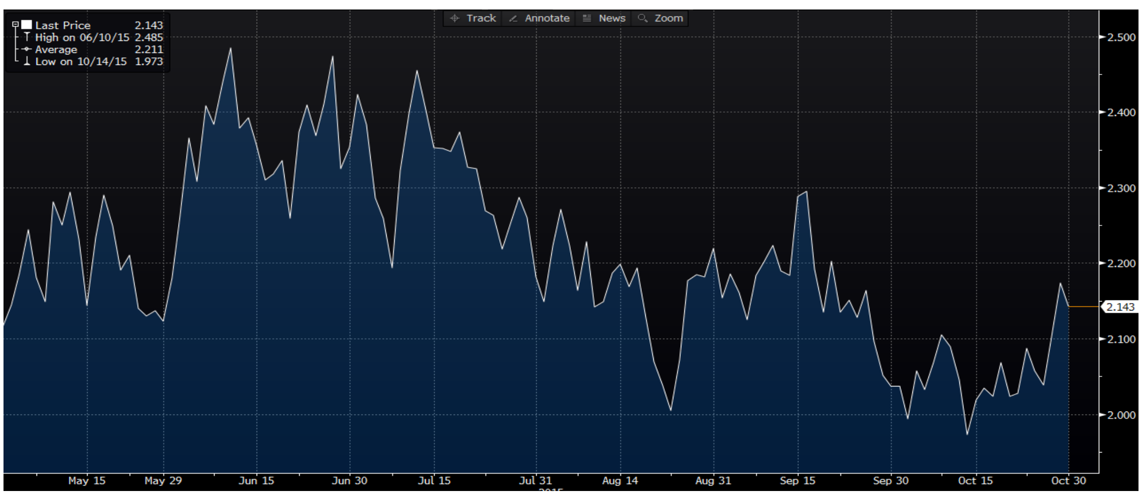
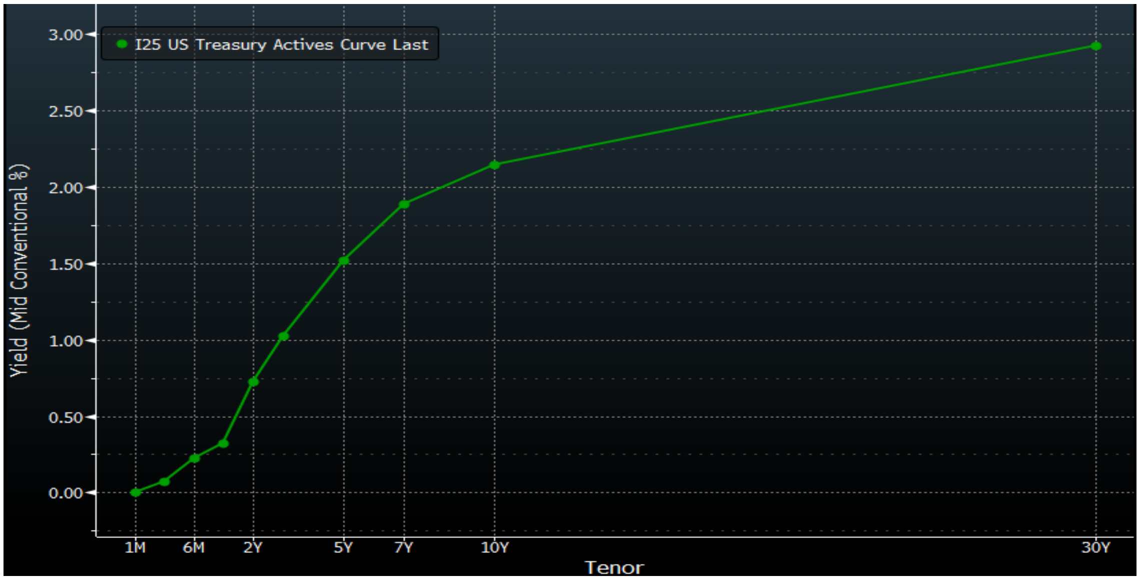
Bond Report

U.S Treasury Bond prices have dropped this week, sending yields to their highest level for the month of October. The selloff of government bonds have come as a result of FED's FOMC meeting held on October 28th. The FED policy makers issued aggressive comments on Wednesday, rising the probability that the FED will rise rates at its December meeting. The yield of benchmark 10-year Treasury notes was nearby 2.08% on October 23rd and closed at 2.19% on Thursday 29th after the FED meeting. Short term maturities, which are the most vulnerable to changes in the FED-funds rates, posted their largest monthly increase since the month of February. The CME Group's FED Watch Tool, which tries to determine FED-fund future prices, calculate a 47% probability of a rate hike at the FED's December meeting. On Friday, U.S government debt prices slightly roses after the release of weaken data on both U.S. inflation and consumer spending sending the yield a little bit lower than Thursday. The 2-year treasury note finished the week at 0.73%, a 9.1 bps gained over the month, the 10-year treasury note closed Friday at 2.15%, a 9 bps increase over the month as well, and the long term treasury note closed the week at 2.93%, a 4.8 bps increase over the month. For now the market is in a wait and see approach and analysts are focusing on the coming economic data so as to anticipate the FED next moves.





What's next and key earnings:

On Monday November 2nd, the PMI Manufacturing Index report will be released. It is expected to see its best reading since last May at a level of 54.1 from 53.1 in September. Both new orders and production are at a 7-month high.

On Wednesday November 4th, the International Trade report will be released. The trade deficit is expected to be around $41.1 billion for the month a September from $48.8 billion for August. We saw a wide increase in export, including consumer goods and a massive decline for imports. If the report is different from current expectation, would change the GDP estimation.

On Thursday November 5th, the Jobless Claims report will be released. It is expected to remain low at a consensus of 262,000 for October 24 week. This report have been signalling tense condition in the labour market for the last 6 months and it is expected to signal even more tense condition for the future.

On Friday November 6th, the Employment Situation report will be release. This report is important to be look at as it could be an indicator for the change in rate on the FED December meeting. Nonfarm payrolls are expected to increase by 50,000 to 190,000 in October which keep expectation positive for a rise in FED-fund rates. Unemployment rate is also expected to decrease from 5.1% to 5%, which is another factor in favour for a rate hike.