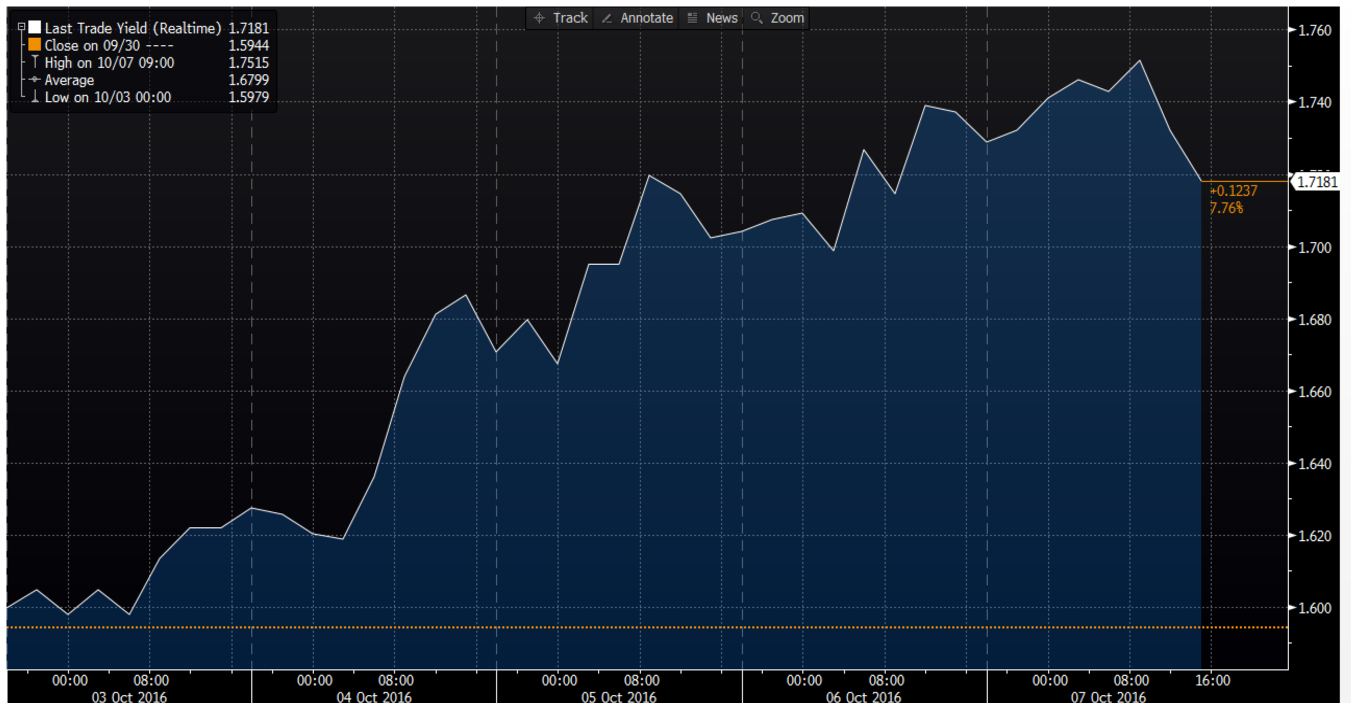
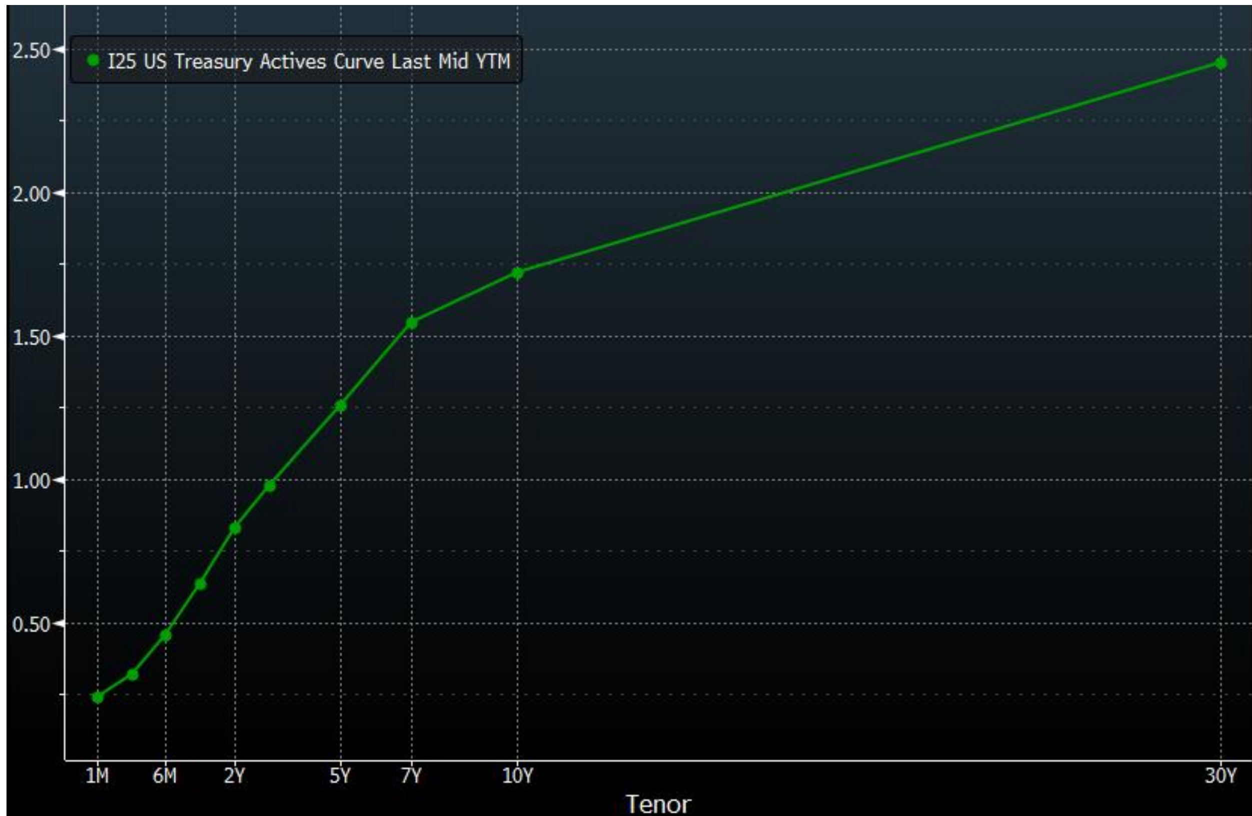
Bond Report

This week, the US Treasury yields climbed to their highest level in months. This is a result of positive economic data strengthening the Federal Reserve's case for raising interest rates in December. Currently the Fed predicts a 62% chance of a rate increase by the end of the year. The Treasury yields have also been reflecting the Europe and Japan yields, which have been pushing rates down. On Monday, in response to a positive report of American manufactures showing improved business for September, interest rates rose. This was an optimistic sign as it infers the Fed is on track to raise interest rates in December. On Tuesday, treasury yields continued the upward trend. This was in response to news that reported that the European Central Bank could possibly slow down its bond buying program ahead of schedule. The rapid increase those far by the ECB has been a driving factor to the record lows in treasury yields this year. Therefore, a withdrawal of support by central banks could have large impact on the markets. Also, with both Japan and the ECB maintaining negative rates the impact has kept U.S. rates low. On Wednesday, Treasury rates followed the week's upward trend. Thus a result of a positive service sector growth report for last month and demand for haven assets such as bonds. The optimistic economic data continued into Thursday in which Treasury yields reached their highest level in months. The two-year Treasury yield rose to 0.853% on Thursday, whereas, the 10-year Treasury yield rose to 1.741%. And the 30-year Treasury yields climbed to 2.458%. Other news on Thursday reported that ECB officials actually have not discussed plans to wind down the central bank's bond buying program. Increased in assurance that the Fed will raise interest rates by the end of the year is that Government bond yields have been following an upward trend since the U.K. left the European Union in late June. On Friday, Treasury yields declined slightly for the first time this week. A result, of a weaker than expected jobs growth report. Although, the jobs number was below expectations it still showed to be a positive and did not lower December rate hike expectations. Overall, the two-year Treasury rose 8.2bps to 0.838%. The 10-year Treasury yield climbed 12.9bps for the week to 1.731%. While the 30-year Treasury is up 13.5bps on the week at 2.457%.





What's next and key earnings

On Monday, the SM Mfg index report was released. September index bounced back to a better-than-expected 51.5 from August's letdown for ISM's manufacturing. America's' daily self-reports of spending was also released showing the highest average for September since 2008. Avoiding September's usual slow in spending as scene in recent years. Unit vehicle sales report also showed to be positive. Vehicle sales are a component of the retail sales report which will give a lift to GDP estimates for the third quarter. On Wednesday, the national trade deficit widened by 41.2 billion in August to $40.7 billion. This is a positive as exports rose 0.8% and imports rose 1.2% in August. This news is optimistic as cross-border business investments are greatly needed to be strengthened. The EIA petroleum status report was released showing crude oil inventories fell 3.0 million barrels, in the week of September 30th, to 502.7 million barrels. This decline is below what was anticipated; however, is the fifth weekly decline in a row. On Thursday, jobless claims fell which signals a strong labor market. Jobless claims as of the week of September 24th are down 6,000 to 2.058 million. EIA natural Gas report was also released showing the largest weekly increase since June at a rise of 80 billion cubic feet to 3,680bcf in the week of September 30th. On Friday, the September Employment report was released showing the low end of expectations.