MMDT
MASSACHUSETTS MUNICIPAL DEPOSITORY TRUST

Weekly Bond Commentary:

Views as of November 12, 2018

John T. Gentry, CFA
Senior Vice President
Senior Portfolio Manager
Head of Corporate Fixed–Income Group

Do-nothing Congress might suit the markets

Abraham Lincoln said that a house divided against itself cannot stand, but can a Congress divided against itself operate? We are going to find out soon enough.

Markets got essentially what they anticipated in the midterm elections last week. Democrats regained control of the House of Representatives, while Republicans actually added a seat in the Senate. What does this mean for congressional action? Probably that little will get done over the next two years. President Trump's legislative agenda has likely run its course, and both parties will begin to position for the 2020 election cycle. But this outcome might not be the worst one for the markets. Primarily due to the end of the election uncertainty stocks rallied Wednesday.

The Federal Reserve met on Thursday and, as expected, made only minor tweaks to its policy statement and left the federal funds rate unchanged. Market focus will now shift to the December meeting, in which the Fed likely will raise rates. It will lay out its summary of economic projections, after which Chair Jerome Powell will hold a press conference.

Treasury yields rose last week, as the 2-year yield rose from 2.90% to 2.92%, the 3-year yield rose from 2.97% to 2.99% and the 5-year yield rose from 3.03% to 3.04%.