MASSACHUSETTS MUNICIPAL DEPOSITORY TRUST

Weekly Bond Commentary:

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

With strong labor market, consumer confidence high

Although there is a Federal Reserve meeting Nov. 8, markets do not expect any change to interest-rate policy. The Fed will likely use the meeting and subsequent speeches to reset expectations for future rate action. October saw nervousness as Fed Chairman Powell reiterated the central bank's intention to continue normalizing. Though this has been the Fed's stated policy for some time, markets had begun to convince themselves that slowing growth in Europe and China might bleed into the U.S. economy, pushing the Fed to pause.

If anything, recent domestic data releases should reaffirm the Fed's pace of rate hikes. October payroll gains released last Friday surprised to the upside, as 250,000 new jobs were created. Though the unemployment rate remained at 3.7%, average hourly earnings rose to a 3.1% pace over the last year, the highest since 2009.

Not surprisingly, consumer confidence, as measured by the Conference Board, registered another uptick, as consumers feel better both about current and future conditions. These measures match 18-year high readings, which should tee up solid fourth quarter consumer spending.

Treasury yields responded to the strong economic data by rising last week, as the 2-year yield rose from 2.81% to 2.91%, the 3-year yield rose from 2.86% to 2.98%, and the 5-year yield rose from 2.91% to 3.04%.