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Weekly Bond Commentary:

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Powell changed his tune

Did he say what I thought he said?

He, of course, is Federal Reserve Chair Jerome Powell, who gave a speech last week in which he implied the Fed may be nearer to the end of its rate-hiking cycle than the market had thought. Markets initially jumped on the news, as stocks rose over 2% and Treasury bonds rallied, causing yields to fall.

But on the next day, the hangover hit, as markets began to second-guess what Powell had said. Powell and previous Fed leaders have said its actions would depend on the economic data. The real difference is that Powell had said in early October that policymakers would continue to hike even past the so-called neutral rate, while now he was saying something seemingly very different.

Markets then shifted focus to the G-20 meeting and the potential for a break in the difficult U.S.-China trade relationship. By week's end, stock prices had risen, Treasury yields had fallen, but unease was widespread.

Treasury yields fell last week, as the 2-year yield fell from 2.81% to 2.80%, the 3-year yield fell from 2.84% to 2.82% and the 5-year yield fell from 2.87% to 2.84%.