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Weekly Bond Commentary:

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The economy is running, even if the government isn't

It was a meager week for economic data releases, given the on-going federal government shutdown. In spite of this, markets posted generally upbeat results.

Weekly jobless claims fell back to recent lows. This will probably be the last weekly report before shutdown-related claims begin muddying the picture, but as a high-frequency, current indicator, they show that the economy continues to hum along.

Probably more important for the markets was the release of minutes from the Federal Reserve's December meeting. What is clear from the minutes is that the Fed plans to be patient in raising its federal funds rate. The economic fundamentals remain solid, but market volatility over the last couple months reflect investor anxiety of a number of factors, including potential Fed overreach, global growth slowdown and trade tensions. This mixed message has led the Fed to state that the extent and timing of further rate hikes has become less clear than before.

Treasury yields rose across the curve, as 2 year yields rose from 2.49% to 2.53%, 3 year yields rose from 2.48% to 2.50% and 5 year yields rose from 2.50% to 2.51%.