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

Consumer sentiment falls, with shutdown a prime suspect

The only good news about a disappointing report on consumer confidence last week is that it likely was negatively affected by the government shutdown, which will be temporary (though it may not seem like it now). The University of Michigan indicated that buyer sentiment fell sharply in the first weeks of this month. This suggests that the shuttering of federal agencies, and the general unsettling nature of the financial markets, is weighing on consumers, leading many of them to tighten purse strings.

The labor market still looks healthy, with initial jobless claims dropping again to near record lows. Last week's data, collected before the shutdown, serves as the survey week for the January employment report, meaning the count of nonfarm payrolls may look better than the employment situation actually is this month. But this jobless claims report did not deviate from the narrative of a strong job market, so the shutdown might not actually impinge on this robust trend.

Treasury yields rose across the curve, as 2-year yields rose from 2.53% to 2.6%, 3-year yields rose from 2.50% to 2.6?% and 5-year yields rose from 2.51% to 2.6?%.