MASSACHUSETTS MUNICIPAL DEPOSITORY TRUST

Weekly Bond Commentary:

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Reprieve, probably temporary, for markets

You could probably hear the sigh of relief from Wall Street.

The monthly employment report at least temporarily put to rest fears of economic slowdown and recession. The U.S. added 312,000 new jobs in December, well above even the most optimistic forecaster's estimate. The unemployment rate ticked up from 3.7% to 3.9%, but that was due to a higher labor participation rate, as more people re-entered the labor force looking for jobs. Probably most telling was the broad base of the jobs increase, as over two-thirds of private industries increased employment. Average hourly earnings rose 0.4% in the month and 3.2% over the last year.

So what's not to like? Markets remain on guard for indications of tariff and trade war-related impact, and seemed to get that in the release of Institute of Supply Management manufacturing report, which showed the largest drop in the index, and its new orders component, since October 2008. Though U.S. conditions remain strong, businesses with international exposure are apparently turning more cautious.

After weeks of downbeat news, markets took the brief opportunity to bask in some good news and put off worrying for at least a day.

Treasury yields fell across the curve, as 2-year yields from 2.52% to 2.47%, 3-year yields fell from 2.50% to 2.44%, and 5-year yields fell from 2.55% to 2.46%.