

Weekly Bond Commentary:

Views as of March 4, 2019



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Fourth-quarter GDP growth better than expected

Market tone improved last week, as equities gained and interest rates rose.

Economic data were mixed, as were geopolitical events. The much-heralded summit between leaders of the U.S. and North Korea fizzled as concern shifted to rising tension between India and Pakistan.

Fourth-quarter gross domestic product (GDP) was released, indicating a better-than-expected annualized growth of 2.6%. Business fixed investment and consumer spending led the way. December's manufacturing swoon rebounded in January before falling off modestly in February—but it remains in expansionary territory.

Jobless claims edged higher last week, up to 225,000 from 217,000, but are still near the low end of their recent trend. Consumer confidence edged lower, as measured by the University of Michigan survey. Consumers have apparently not yet shaken off the impact of the government shutdown and on-going trade concerns.

For the week, Treasury yields rose across the curve, as 2-year yields rose from 2.49% to 2.54%, 3-year yields rose from 2.46% to 2.52% and 5-year yields rose from 2.47% to 2.54%.