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MASSACHUSETTS MUNICIPAL DEPOSITORY TRUST

Weekly Bond Commentary:

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Tax time

It is tax day, and consumers have to face the music.

Over the last year, most consumers have enjoyed more take-home pay, thanks to higher wages, lower jobless claims and lower tax rates. They have in turn spent money on travel, experiences, new cars and increasingly, of late, houses.

Much of the change in markets over the last month has been courtesy of the Federal Reserve, which has backed off its earlier, aggressive commitment to raise its federal funds rate back to more normal levels. As the Fed implied in March, these "normal" levels may take some time to develop. Many economists think the first quarter was a temporary slowdown, led in part by slower Chinese growth reverberating through Europe and the U.S. With increased Chinese stimulus, many see green shoots of firming activity.

Last week saw jobless claims hit another multi-decade low, NFIB small business optimism increase and continued mild inflation. The preliminary April University of Michigan consumer sentiment survey declined modestly. Consumers' assessment of current conditions increased, driven by their favorable view of the labor markets. But their expectations faded a bit, likely in step with the fade from last year's tax cuts.

With no Fed meeting until May 1, markets will shift focus to first-quarter corporate earnings, searching for any sign of economic slowdown or trade impact.

For the week, Treasury yields rose across the curve, as 2-year yields rose to 2.39%, 3-year yields rose to 2.35% and 5-year yields rose to 2.37%.