MASSACHUSETTS MUNICIPAL DEPOSITORY TRUST

Weekly Bond Commentary:

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Up, up and ... away?

In spite of relatively strong economic data released last week, markets were little changed.

Consistent with the long-standing tight labor market, weekly jobless claims fell again last week. At 192,000, new claims were only 30,000 jobs away from the all-time low reached in November 1968. For context, the highest number was 695,000 during the 1982 recession.

As if to underscore their confidence, consumers spent heartily in March. New data show retail sales rose 1.6% for the month, as nearly every category showed growth, including motor vehicles, furniture, clothing, food and beverages. This increase in sales likely will push first-quarter GDP above 2%, much better than most economists were expecting only a few weeks ago.

The only nick in the data came from March industrial production and capacity utilization, which both dipped slightly. Other, more timely manufacturing surveys and data reflect stability and even the beginnings of growth this month. For instance, the flash Markit manufacturing survey was unchanged in April, leaving it still in expansionary territory, the Empire (New York Federal Reserve district) manufacturing survey for April gained much more than expected, driven by new orders and shipments, and manufacturing data from China appear to reflect renewed governmental fiscal stimulus. Finally, the index of leading economic indicators ticked higher.

For the week, Treasury yields eased lower across the curve, as 2-year yields fell from 2.39% to 2.38%, 3-year yields fell from 2.36% to 2.35% and 5-year yields fell from 2.38% to 2.37%.