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MASSACHUSETTS MUNICIPAL DEPOSITORY TRUST

Weekly Bond Commentary:

Views as of May 20, 2019

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Volatile markets out of sync with solid economy

The litany of issues facing the markets over the last few weeks has dented market confidence a bit, not surprising coming after the strong rally of the last few months. Stronger-than-expected GDP growth in the first quarter and continued labor market tightness appear to have given the administration the ability to toughen its stand in the ongoing trade disputes.

Economic data released last week continue to show the U.S. economy in solid shape. Weekly jobless claims fell 16,000 to 212,000, and there are some early signs of a rebound in the housing market. Housing starts jumped nearly 6% in April, as both multi-family and single-family starts rose sharply. Building permits increased from an elevated pace in March.

Regional manufacturing surveys for the New York and Philadelphia Federal Reserve regions both rebounded in May following drops in the national indicators in April. In the New York survey, new orders, shipments and the average workweek increased, while in the Philadelphia survey, shipments and number of employees increased.

Consumers continue to be optimistic in this environment. The University of Michigan consumer sentiment survey jumped to a 15-year high. Consumers' assessments of current and future conditions increased, as did their expectation for price increases.

For the week, Treasury yields eased lower across the curve, as 2-year yields fell to 2.19%, 3-year yields fell to 2.14% and 5-year yields fell to 2.17%.