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Weekly Bond Commentary:

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Week ends with a bang

Last week had the “as expected” flavor to it until the last two days when the news of a robust domestic labor market changed that to “exceeding expectations.”

Earlier in the week, data on personal income and outlays in April were mixed, showing that consumers are still spending at a steady rate, although—surprise, surprise—inflation remains low. That is the main reason the Federal Reserve left rates unchanged in a target range of 2.25-2.5% in its Federal Open Market Committee meeting, reiterating it will be patient and watch data until clear signs push for policy action.

Then the last two days saw superb data releases on U.S. employment. The ADP report showed increased private payrolls in April handily beat consensus expectations, highlighted by a huge jump in hiring by medium-size businesses. Initial jobless claims remained at historically low levels.

But even these positive figures were dwarfed by the robust jobs report of 263,000 nonfarm jobs added in April. The unemployment rate declined to 3.6% last month, the lowest level since December 1969. Average hourly wages for private-sector workers grew 3.2% year-over-year the same as March’s increase.

Treasury yields ended the week with 2-year yields at 2.34%, 3-year yields at 2.31% and 5-year yields at 2.34%.

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