

MORNING MARKET COMMENTARY

Friday, February 15, 2019

| | Last end of day | Previous end of day |
|---------------------|-----------------|---------------------|
| Fed Funds (open) | 2.40% | 2.39% |
| 3-Month T-Bill | 2.38% | 2.38% |
| 6-Month T-Bill | 2.44% | 2.44% |
| 1-Year T-Bill | 2.46% | 2.47% |
| 2-Year T-Note | 2.504% | 2.526% |
| 10-Year T-Note | 2.657% | 2.688% |
| 30-Year T-Bond | 2.995% | 3.016% |
| 1-Month LIBOR | 2.48875% | 2.49375% |
| DJIA ↑ 117.51 | 25,543.27 | 25,543.27 |
| Japanese Yen/USD | 110.46 | 111.01 |
| Canadian Dollar/USD | 1.33 | 1.33 |
| USD/Euro | 1.13 | 1.13 |
| Gold-London Fix | 1,312.58 | 1,306.25 |
| Crude Oil | 54.41 | 53.90 |

February 15, 2019: Bond Markets Swing on Data Even as Fed Touts a Policy Pause (Bloomberg)

Treasuries traders have mostly bought into the view that the Federal Reserve has hit the pause button when it comes to interest-rate hikes. But that doesn't mean the market is ignoring the economic data that may factor into the central bank's calculus.

After data Thursday showed retail sales in December dropped the most since 2009, yields slid as money markets took out the few basis points of 2019 Fed tightening they had priced in just the day before. On Wednesday, consumer price figures for January had enough juice in them to push traders to build in a small prospect of rate increases this year.

The benchmark 10-year yield fell to as low as 2.64 percent Thursday, from 2.70 percent at the close the previous day. It's been confined to a range between 2.62 percent and 2.74 percent this month. Share prices fell and the dollar initially retreated on the weak economic reading. Global yields sank as well, with 10-year U.K. yields touching an eight-month low of 1.12 percent.

"Data does matter to the market, because the Fed is going to be watching it closely," said Scott Buchta, head of fixed-income strategy at Brean Capital LLC. "Yields have been very volatile within the range. Part of it is because the quants and algorithmic traders see the data and react right away."

While the Thursday figures were from December, delayed due to the government shutdown, the concern is that it could indicate that the U.S. might be closer to the end of the current economic cycle, Ed Moya, chief market strategist at Oanda Corp., said in a note to clients. "Markets may remain very cautious until we see the January data," he wrote.