Trade War's Hammerlock on Bond Market Puts Lower Yields in Sight

Excerpt from Bloomberg.com article,

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By Liz McCormick
May 18, 2019

Insight Ahead

Next week, traders will gain fresh insight into the state of America's housing market and purchases of big-ticket items. Minutes from the Fed's last gathering will be released Wednesday and there's a slew of speakers, including Chairman Jerome Powell. There's little expectation that officials will waver from their pledge of patience with rates.

"The Fed will look at the tariffs as an exogenous shock and that it's not systemic and therefore won't change monetary

policy," said David Kotok, chief investment officer at Cumberland Advisors, which manages about $3 billion.

Fed funds futures imply the central bank's benchmark rate will fall to 2.09% by the end of 2019, signifying more than a quarter-point cut. Officials' most recent quarterly forecasts projected no change in 2019 and a quarter-point increase in 2020.

Given the Fed's plans for rates and elevated Treasury issuance, Kotok says yields are too low. He expects the 10-year yield to be at 3% to 3.25% by year-end.

Still, the daily ebb and flow of information about tariffs is seen as pivotal.

"There is more risk of yields going lower given the concerns about trade," said Justin Lederer, a strategist at Cantor Fitzgerald.

Read the full article by Liz McCormick at the Bloomberg website: www.bloomberg.com