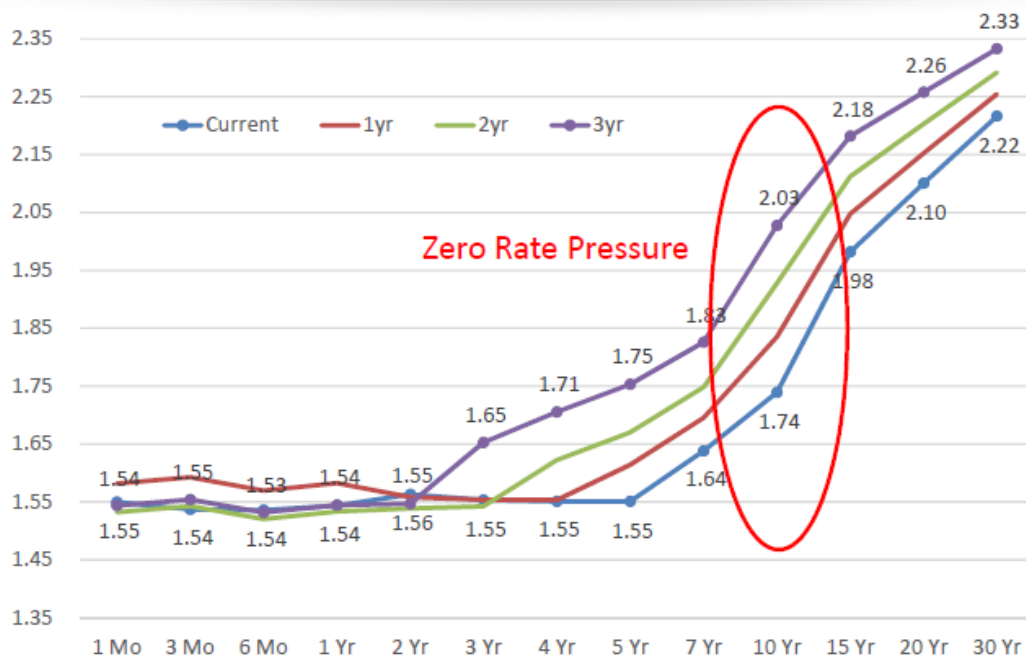


### Weekly (Nov 18 - Nov 22) Yield & Spread Update

#### Week Over Week Changes

- Rates/Yields:** Treasury yields have fallen slightly off of the past two weeks' significant sell-off, with the 10yr Treasury now at a 1.74 and the 2yr Treasury at 1.58, both around 10bps lower than last week. The rally is driven by a variety of factors including the constantly shifting trade war outlook, the ongoing impeachment inquiry, the growing unrest in Hong Kong, and other global concerns. These variables all contribute to a general feeling of global uncertainty, even as the stock market continues to reach new highs. As rates are showing signs of falling again after their recent rise, investors should take advantage of the steepness in the curve now before rates fall and spreads tighten any further.
- Rate/FOMC Expectations:** Market expectations for the FOMC remain similar to last week, maintaining the prediction that the current range of 1.50-1.75 is relatively neutral, and expecting no more cuts this year. Fed Funds Futures now predicts that a rate cut will not occur until April 2020 at the earliest, and even then it is showing only a 50.6% probability of a cut, with that probability rising slightly in each subsequent month. Futures show a 78.8% chance of at least one cut by December 2020. The uncertainty about the direction of the economy, global and domestic, is made clear by these 2020 market predictions.
- Don't Miss the Train:** Where stocks go, bonds do not necessarily follow, and the recent highs in the stock market do not indicate a bump in fixed income yields. The market is currently predicting virtually zero upward pressure on interest rates, leaving the much more likely possibilities of rates remaining in their current range or falling even lower. The 10yr reached a high of 1.94 on Nov. 8, and is now at 1.74 just twelve days later. Yields and spreads are still stronger than they were one month ago, and the opportunities to take advantage of steepness by extending past 5yrs is still present. As we near year-end, investors can add yield, duration, and protection for the year ahead in an attractive market that may not stick around for much longer.

**UST 1yr 2yr, & 3yr Forwards Curve**



- Market/Forwards expects zero US rate pressure:
  - Current 2yr= 1.56, 3yr Forward = 1.55
  - Current 10yr = 1.74, 3yr Forward = 2.03