



Bond Yields Rise from Jobs Report

- Stronger-than-expected August employment data caused bond markets to sell-off on Friday as traders readjusted expectations for the possibility of two more Fed rate hikes in 2018. Treasury yields subsequently increased 5-7 basis points (bps) throughout the session ahead of next week's \$73 billion refunding of 3/10/30 year bonds.
- For the week, municipals outperformed Treasuries on maturities longer than 2 years, but very short maturities lagged as ratios have been adjusting to more normalized levels (2 year now 68%, 5 year 74% and 10 year 85%).
- California issued new General Obligation bonds, which came to market at levels only attractive to high income CA residents as 2 year spreads were -19, 5 year -19 and 10 year -2 bps to the AAA MMD curve.

10-Year Municipal vs. Treasury Yields



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