

Moves Across the Curve

Last week, risk assets moved higher following the Moderna announcement related to a potential vaccine. Long term yields initially spiked on the heels of Moderna's announcement before closing the week moderately higher.

Interest Rates	2- year	5- year	10- year	30- year	2s10s	Current 1mL	Current 3mL	SOFR
This Week Open	0.19%	0.36%	0.70%	1.43%	52 bps	0.16950%	0.37125%	0.04%
Weekly Change	+5 bps	+6 bps	+6 bps	+10 bps	+2 bps	+0 bps	-1 bps	-1 bps
YoY Change	-193 bps	-169 bps	-156 bps	-128 bps	+37 bps	-235 bps	-215 bps	-236 bps

Economic Data

Economic Calendar	Actual	Survey	Prior / Revised
Housing Starts	891k	900k	1,276k
MBA Mortgage Applications	-2.6%	-	0.3%
Initial Jobless Claims	2,438k	2,400k	2,687k
Continuing Claims	25,073k	24,250k	22,548k
Markit US Manufacturing PMI	39.8	40.0	36.1
Existing Home Sales	4.33m	4.22m	5.27m



The labor market continues to show weakness. An additional 2.4 million Americans sought unemployment for the week ending May 16th, bringing the nine-week total to 38.6 million while continuing claims rose to a record 25.1 million. April existing home sales dropped to 4.33 million, which was a 17.8% decrease over March.

Government Headlines

Oval Office

- President Trump has intensified anti-China rhetoric, stating last week that President Xi is behind "a massive disinformation campaign", adding that China "could have easily stopped the plague"
- The Trump administration is pushing for state and local governments to end mass shutdowns while declaring places of worship 'essential'. President Trump stated that "Schools in our country should be opened ASAP"

Federal Reserve

- Chariman Powell said that Congress may need to do more to prevent a worse economic downturn triggered by the coronavirus pandemic, warning of possible permanent economic consequences without additional stimulus
- Dallas Fed President Robert Kaplan also thinks the Fed and Congress may need to provide more aid to boost the economy, stating that "it's probably going to take more fiscal action" to combat elevated unemployment

Treasury Department

- While testifying to Congress last week, Secretary Mnuchin warned that prolonged business shutdowns would pose long-term threats to the economy, stating that "there is risk of permanent damage", while advocating for people to return to work "in a safe way"
- Last Wednesday marked the first 20-year bond issuance since 1986, which was met with strong demand, boosting liquidity in the long end of the curve

A Possible Vaccine



Dr. Anthony Fauci, the top US expert on infectious diseases, said it is "conceivable" that the US could roll out a coronavirus vaccine by December, adding that a potential vaccine is on "an accelerated pace". Dr. Fauci's remarks came days after US biotech company Moderna released positive data from its phase one human trial on a potential vaccine. The National Institutes of Health has partnered with Moderna to accelerate development of a vaccine.

"I'm cautiously optimistic about it."
- Dr. Fauci on Thursday, May 21st



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