

Bond Rally Resumes as Government Shutdown Punts to January

Last night, the U.S. Senate voted 87-10 in favor of another continuing resolution that will effectively keep the federal government open through January, averting a possible government shutdown this week. The bill, which excludes border security funds, and aid for Israel and Ukraine, passed the House on Tuesday night by a convincing 336-95 count and will be signed by the President today. With this too familiar hurdle out of the way, bonds resumed a month-long rally, with increasing expectations that the Fed has concluded its rate hikes for the cycle.

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This morning, there were several economic releases supporting a softer finish to the year. Homebuilders sentiment dropped to its lowest point of 2023 as near-8% mortgage rates and a gummed-up supply of existing homes weighed heavily on affordability. The NAHB/Wells Fargo homebuilders index fell from 40 to 34 in November. For context, the monthly average over the last 30 years is 50, and the historical high point was reached in November 2020 at 90. The silver lining in the report is that the new home pipeline is fairly heavy, promising more supply entering the new year.

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Also this morning, the imported goods price index fell -0.8% in October, below the -0.3% median forecast, and a sharp retreat from the revised September gain of +0.4%. Much of the decline in the overall index was attributed to a -6.3% drop in the price of imported fuel. When imported petroleum prices are excluded, the index is down -0.2%. On a year-over-year basis, the Import Price Index was *negative* for the ninth straight month. The -2.0% annual decline in October continues to signal lower goods prices, which support lower overall consumer inflation.

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Market Indications as of 2:14 P.M. Central Time

DOW	Down -131 to 34,860 (HIGH: 36,800)
NASDAQ	Down -12 to 14,092 (HIGH: 16,057)
S&P 500	Down -1 to 4,502 (HIGH: 4,797)
1-Yr T-bill	current yield 5.23%; opening yield 5.26%
2-Yr T-note	current yield 4.84%; opening yield 4.90%
3-Yr T-note	current yield 4.59%; opening yield 4.66%
5-Yr T-note	current yield 4.43%; opening yield 4.51%
10-Yr T-note	current yield 4.45%; opening yield 4.52%
30-Yr T-bond	current yield 4.63%; opening yield 4.69%

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