Bond Yields Climb on Positive Trade News

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Stocks are rallying this morning in early trading and bond yields are higher across the curve following the announcement of a surprising de-escalation of the trade war between the world's largest trade partners. For the next 90 days, most Chinese goods imported into the U.S. will be taxed at 30% instead of 145% and the tax on U.S. goods shipped into China will be reduced from 125% to 10%. In addition, China has agreed to allow restricted rare earth elements to resume shipment to the U.S.

Steel and aluminum tariffs of 25% will still apply, as well as a 25% tariff on auto parts imported from China, although U.S. automakers will receive tax offsets of up to 15% of the vehicle's list price in the first year and 10% in the second.

The concessions outlined over the weekend should help get trade going again, but a 30% tax will still be a challenge for most small businesses. More importantly, this isn't a resolution; it's another in a series of 90-day pauses. There's no trade agreement yet. Still, *the de-escalation itself is a relief, and it should reduce the odds of recession this year.*

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Market Indications as of 10:23 A.M. Central Time

DOW	Up 905 to 42,155 (HIGH: 45,014)
NASDAQ	Up 604 to 18,533 (HIGH: 20,174)
S&P 500	Up 149 to 5,808 (HIGH: 6,144)
1-Yr T-bill	current yield 4.12%; opening yield 4.03%
2-Yr T-note	current yield 3.97%; opening yield 3.92%
3-Yr T-note	current yield 3.96%; opening yield 3.91%
5-Yr T-note	current yield 4.08%; opening yield 4.03%
10-Yr T-note	current yield 4.43%; opening yield 4.41%
30-Yr T-bond	current yield 4.87%; opening yield 4.85%