# Daily Report

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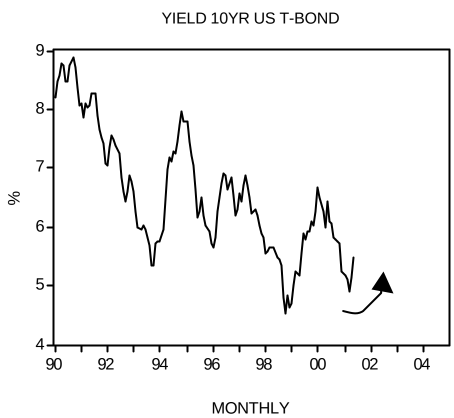
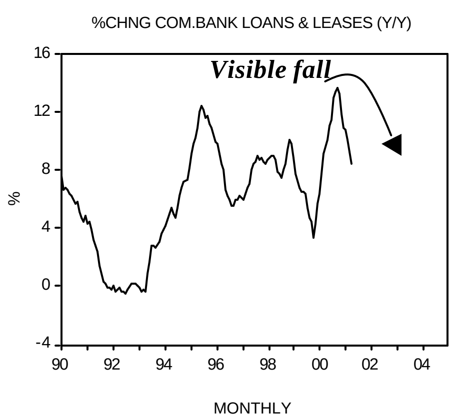
## Prospects for US T-bonds

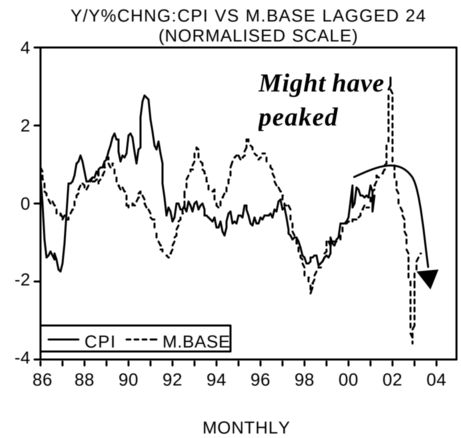
The yield on the 10-year T-bond has jumped from **4.89**% in April to around **5.5**% (see chart). Many analysts are of the view that the aggressive lowering of the federal funds rate by the Fed will revive the economy in the 2nd half of this year. It is however, questionable whether a meaningful economic recovery could take place given the fact that the pool of funding may well be in trouble. The personal savings rate stood at –**0.8**% in March. This was the 6th consecutive monthly negative savings rate.



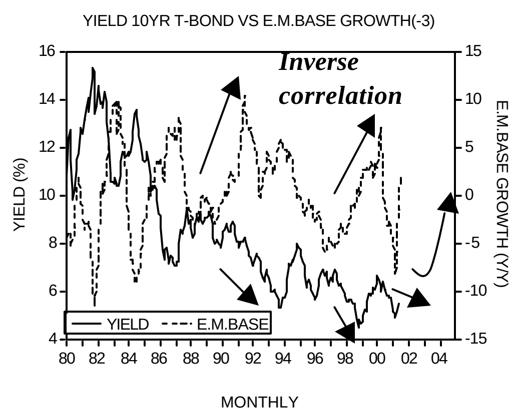

For the time being, various economic activity indicators continue to display visible weakness. Non-farm employment fell by **223,000** in April. Industrial capacity use fell to **78.5**% in April from **79.8**% in January. Moreover, year-on-year the rate of increase of commercial bank loans & leases fell to **8.4**% in April from **10.8**% in January (see chart).




In the meantime, inflationary expectations display softening at the margin. According to a Michigan University survey inflationary expectations stood at **2.8**% in March against **3**% in January. Moreover, using the lagged rate of growth of the money base we can suggest that it is quite likely that the yearly growth rate of the CPI might have topped (see chart). In April the CPI rose by **0.3**% from March, below the **0.4**% increase expected by analysts.




A visible rebound in the excess money base rate of growth also provides strong support to T-bonds (see chart). Year-on-year the excess money base rate of growth climbed to **2.2**% in April from **0.6**% in March and –**5.8**% in January.




### Financial News

- Japan corp bankruptcy debt up **10.8**% in April.
- UK unempl rate at **3.2**% in Apr vs **3.2**% in Mar.
- Eurozone CPI up **2.9**% y/y in Apr vs **2.6**% in Mar.
- US Q1 on-line retail sales plunge **19.3**%.
- Dow Industrials up **340**, or **3.1**%. Nasdaq up **3.9**%.

### Thought for today

Happiness does not depend on outward things, but on the way we see them.

**Leo Tolstoy**