

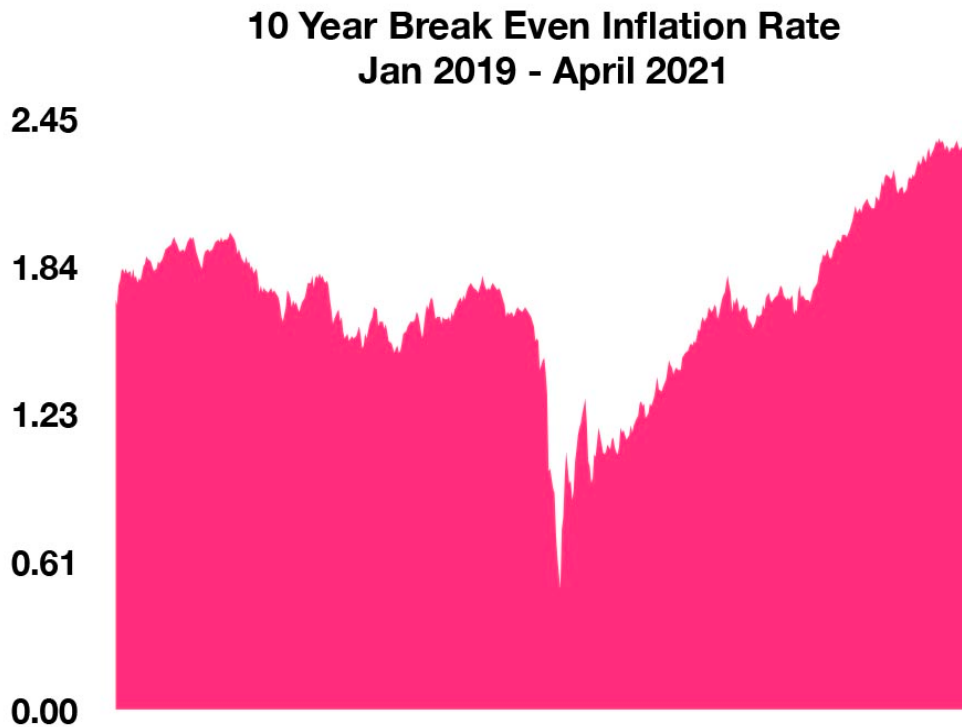
Inflation Acknowledged By Bond Markets - Fixed Income Update

Rates stabilized in April recoiling from their ascent from the prior few weeks. Government bond yields as well as mortgage yields mildly dropped as the Fed continued to purchase mortgage and Treasury bonds at a rate of \$120 billion per month, providing liquidity and a continued low rate environment.

Inflationary pressures are becoming more of a focus for bond markets as rising consumer prices are being seen a broad scale. Treasury Secretary Yellen alluded that rates may need to rise to keep economy from overheating.

A closely followed gauge by the bond markets for inflation, the 10-year breakeven inflation rate, rose to 2.41% at the end of April, signaling an inflationary trend. Historically, the Fed has started to taper or reduce stimulus efforts once inflationary pressures are validated.

Sources: U.S. Treasury, Federal Reserve



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